



Cairngorms Business Barometer 2017-18

Annual Summary Report

Prepared by STR for Cairngorms Business Partnership

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Executive Summary

The key headline findings of the 2017/18 annual Cairngorms Business Barometer results are as follows:

Customer Profile	<ul style="list-style-type: none">A minor shift in visitor profile was recorded compared to previous years as a higher concentration of overseas visitors was apparent. That said, the Scottish market continued to account for the largest share of visitors. The spread was as follows: Scotland (45%), England (28%), Overseas (22%) and Rest of UK (8%).Just over half (53%) of all businesses indicated they traded with first time customers during the year, which was on par with the long term trend.
Business Levels	<ul style="list-style-type: none">An overall increase in customer numbers and turnover compared to last year (2016/17) and the long-term average (since 2009/10) was apparent.An outlook of higher growth in the next 12 months compared to 2016/17 and the long-term average was also evident.Accommodation providers outperformed other businesses.The highest annual average occupancy on record was achieved (c. 60% occupancy).
Levels of Investment	<ul style="list-style-type: none">There was increased investment in staff training and buildings / infrastructure compared to last year.A positive intent to continue investing in staff training, marketing/promotion and buildings/infrastructure is evident, although there was evidence of slowing investment in buildings/infrastructure.
Costs	<ul style="list-style-type: none">Staff costs increased but at a slower rate compared to last year and the long term average. However, looking ahead the rate of change is forecasted to be faster than the actual rate which signals challenges for businesses managing their cost base.
Barriers to Growth	<ul style="list-style-type: none">Notably increasing in severity from previous years, staff levels were perceived to be the greatest barrier to growth.All barriers except staff levels and the availability of credit were rated on par or lower than the 2016/17 levels as a result the lowest recorded annual barrier to growth score was recorded (5.23).
External Support	<ul style="list-style-type: none">The overall contribution of organisations was rated at a record high level (5.05).As in previous years, the CBP / DMO was rated most positively whereas the opposite was true for local councils.
Influence of Cairngorms National Park	<ul style="list-style-type: none">The influence of National Park designation in attracting customers and impacting on business operations and profitability went up compared to last year. As a result, perceptions were generally at record positive levels.
Business Confidence	<ul style="list-style-type: none">Short, medium and long term business confidence (i.e. for the next 3 months, next 12 months and next 24 months) were rated at record high levels.

Introduction

The Cairngorms Business Barometer (or the Barometer) has captured business performance and sentiment insights from predominantly tourism-related businesses across the Cairngorms National Park (CNP or Park) since Q3 2009.

The Barometer acts as a rigorous 'health check' each quarter and enables important monitoring of business performance and sentiment across the Cairngorms area.

The Barometer study in 2017/18 was undertaken, as in previous years, by the Tourism Consumer Insights team of STR (formerly LJ Research). The study was commissioned by Cairngorms Business Partnership (CBP) following support provided by Cairngorms National Park Authority (CNPA).

Insights from the survey inform strategic decisions and initiatives for CBP and their partners to grow tourism in the Cairngorms area and facilitate business growth.

This report summarises key findings over the last year (i.e. from the last four quarterly surveys between Q2 – April to June – 2017 and Q1 – January to March – 2018, inclusive) and includes discussion of the results compared to previous annual results to enable an understanding of key changes over time.

Additional insights relating to specific business sectors and sub-areas of the Park are also included to assist CBP and their partners identify and act upon the threats and opportunities facing different types of businesses in different areas of the Cairngorms area.

Methodology

The methodology used in the 2017/18 survey was identical to that of previous years.

At the start of each new quarter, an online LJ survey was created and distributed to businesses across the Cairngorms area by STR.

The quarterly surveys were largely identical to enable comparisons of performance and views over time although a selection of questions were added to the questionnaire during the period to capture new insights on topical issues.

Surveys were sent to businesses in the following five sub-areas of the Park:

- Badenoch & Strathspey
- Royal Deeside & Donside (hereafter referred to as Royal Deeside)
- Tomintoul & Glenlivet (hereafter referred to as Glenlivet)
- Angus Glens
- Atholl & Glenshee (hereafter referred to as Highland Perthshire)

An invitation email containing a link to the survey was sent to business contacts in each of these five sub-areas.

Reminder emails were sent to businesses by STR and CBP to help augment the overall response each quarter.

Sample

As in previous years, the vast majority of contacts invited to participate in the research represented tourism-related businesses in the Cairngorms National Park. The distribution of the sample is shown below.

Figure 1: Survey Responses By Sub-Area & Quarter

Sub-Area & Quarter	Emails	Emails (% of Quarter base)	Survey Responses	Survey Responses (% of Quarter base)
Badenoch & Strathspey Q2 2017	585	69%	66	66%
Royal Deeside Q2 2017	155	18%	23	23%
Highland Perthshire Q2 2017	55	7%	4	4%
Glenlivet Q2 2017	47	6%	7	7%
Angus Glens Q2 2017	3	< 1%	0	0%
Q2 2017 (Total)	845	100%	100	100%
Badenoch & Strathspey Q3 2017	520	68%	68	68%
Royal Deeside Q3 2017	146	19%	21	21%
Highland Perthshire Q3 2017	48	6%	4	4%
Glenlivet Q3 2017	46	6%	7	78%
Angus Glens Q3 2017	2	< 1%	0	0%
Q3 2017 (Total)	762	100%	100	100%
Badenoch & Strathspey Q4 2017	501	68%	48	60%
Royal Deeside Q4 2017	143	19%	17	22%
Highland Perthshire Q4 2017	48	6%	6	8%
Glenlivet Q4 2017	45	6%	8	10%
Angus Glens Q4 2017	3	<1%	0	0%
Q4 2017 (Total)	740	100%	79	100%
Badenoch & Strathspey Q1 2018	502	68%	59	74%
Royal Deeside Q1 2018	139	19%	10	13%
Highland Perthshire Q1 2018	49	6%	4	5%
Glenlivet Q1 2018	43	6%	6	8%
Angus Glens Q1 2018	6	1%	1	1%
Q1 2018 (Total)	739	100%	80	100%
Badenoch & Strathspey (Total)	2108	68%	240	71%
Royal Deeside (Total)	583	19%	72	19%
Highland Perthshire (Total)	200	6%	18	4%
Glenlivet (Total)	181	6%	28	6%
Angus Glens (Total)	14	< 1%	1	0%
CBB 2017/18 Total	3086	100%	359	100%

The survey achieved a good spread of responses from businesses across the Park area and was broadly representative of the overall supply of tourism businesses in the CNP area.

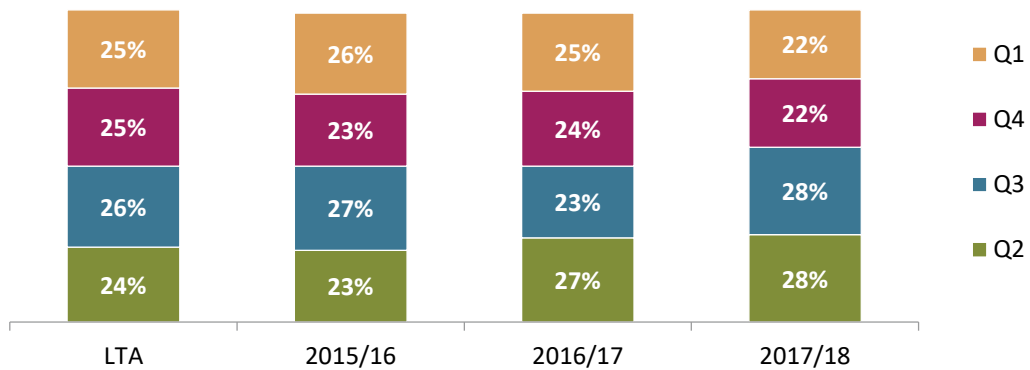
The overall response rate was 12% which was similar to recent years. The survey achieved an almost identical sample size compared to last year (356 in 2016/17 compared to 359 in 2017/18).

Key Findings

The following sections present key findings from the four aggregated quarterly Cairngorms Business Barometer surveys conducted during the 2017/18 period. The findings are presented alongside annual comparator figures as well as the long term average (LTA), which is the overall average since the survey began in Q3 2009.

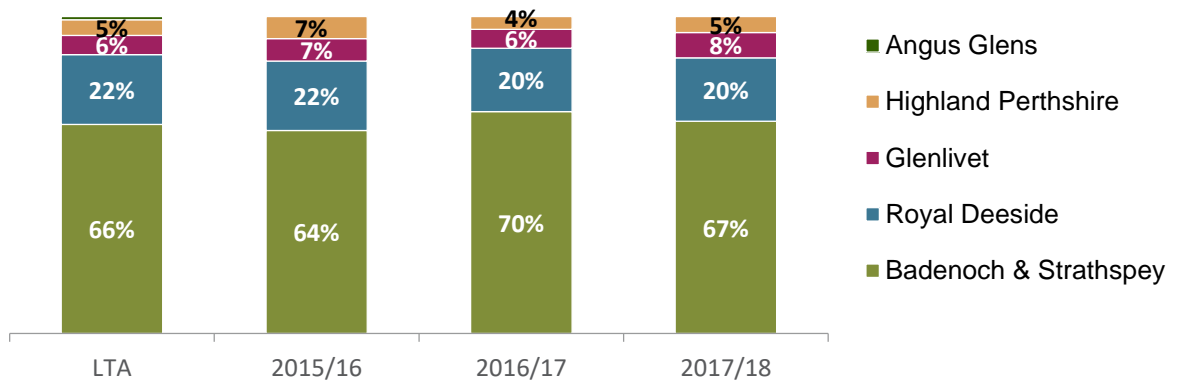
Sample Composition

Quarter



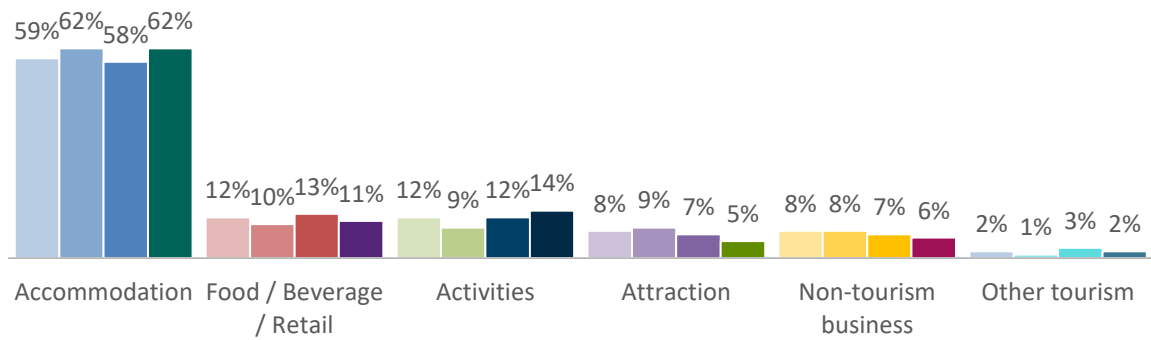
As in previous years, the survey achieved fairly consistent sample sizes each quarter enabling a representative understanding of overall performance and views during the year. That said, compared to previous years, proportionally more businesses took part in the Q2 and Q3 surveys (i.e. the summer season period).

Sub-Area



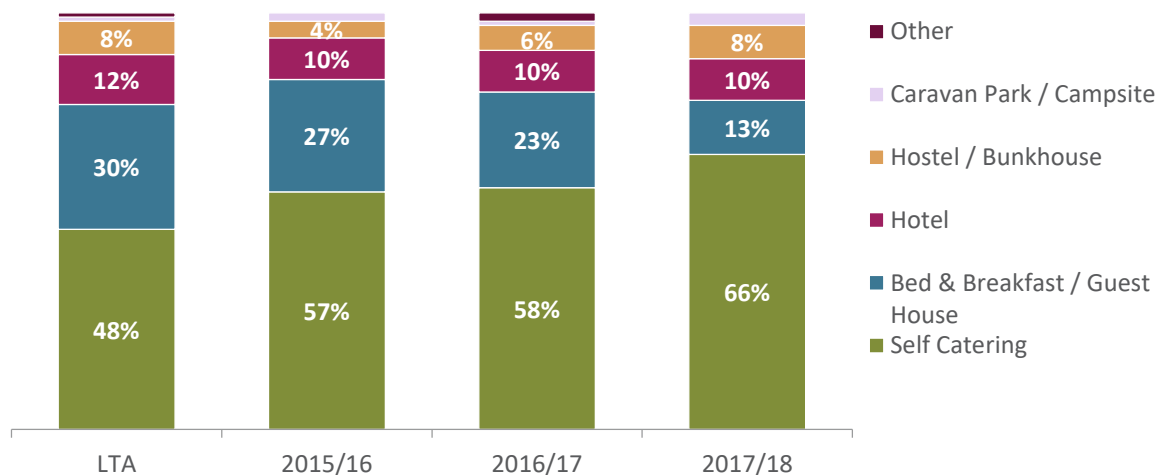
As in previous year, most responses (67%) came from businesses in Badenoch & Strathspey.

Business Sector



Note: Chart series left to right is: Long term average (lightest shading), 2015/16, 2016/17, 2017/18 (darkest shading).

At 62%, the largest proportion of responses came from accommodation providers in 2017/18 which was slightly above last year and the long term average (LTA). The next most common sector was activity operators accounting for 14% of responses.

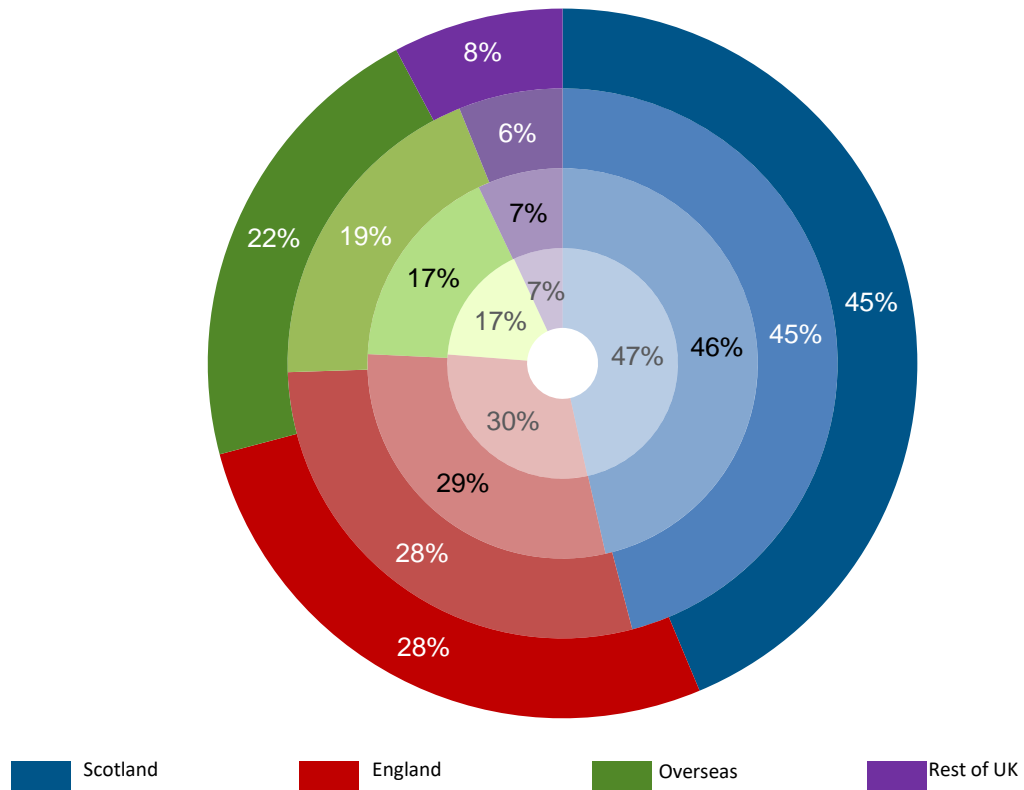


Continuing the trend of recent years, there was a notable increase in the proportion of self-catering properties responding to the survey. Meanwhile, the opposite was observed for Bed & Breakfast / Guest House businesses.

Customer Profile

Businesses were asked to estimate their mix of customers during each quarter in terms of origin and type (i.e. first time or repeat customers).

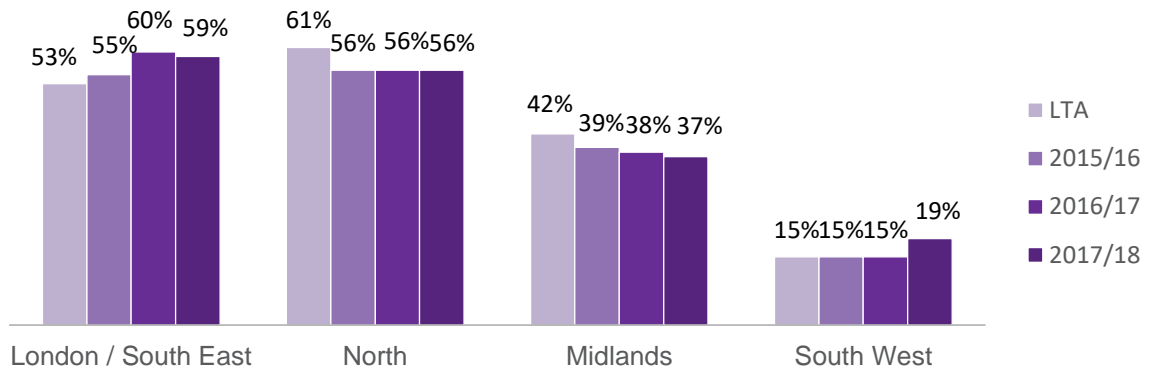
Origin of customers



Note: Chart series inner to outer: Long term average (lightest shading), 2015/16, 2017/18 (darkest shading).

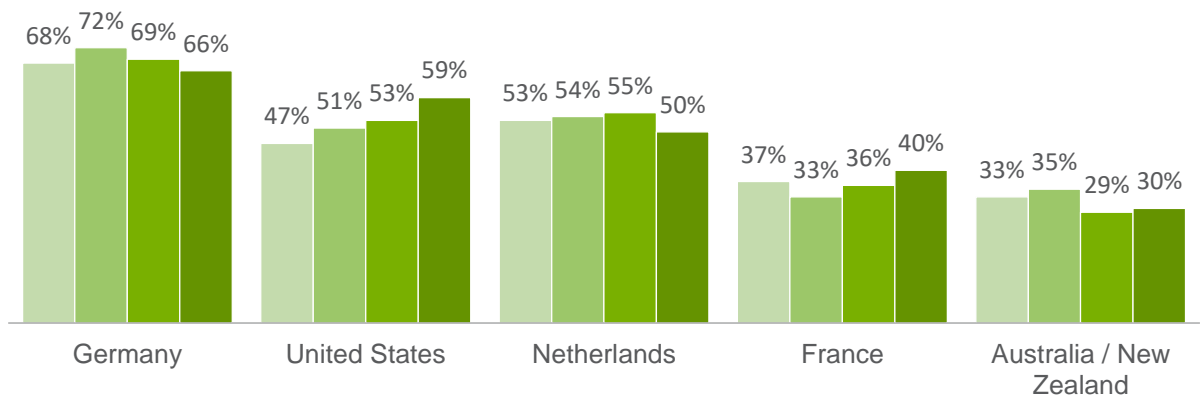
Customers from Scotland continued to represent nearly half of the customer base (45%) and those from England made up around 30% of all customers. However, there is evidence to suggest an increase in overseas visitors to the area as the segment accounted for 22% of customers in 2017/18 compared to 17% LTA.

Influencing the overall increase during the 2017/18 period, there were significantly higher levels of overseas visitors during the middle quarters of the calendar year i.e. Q2 (April to June) and Q3 (July to September). Businesses outside of Badenoch and Strathspey (B&S) continue to have less reliance on Scottish visitors (43% LTA outside of B&S vs. 47% LTA were visitors from Scotland). This finding was most prominent in the Glenlivet area. The trend was even more pronounced this year as 41% of all businesses located outside B&S traded with Scottish customers compared to 48% in B&S.



Note: Chart series left to right is: Long term average (lightest shading), 2015/16, 2016/17, 2017/18 (lightest shading).

As in previous years, the most common segment from England was visitors from London / South East (59%) followed by visitors from the North (56%). Both segments were more likely to travel to the area during the summer months (July to September).

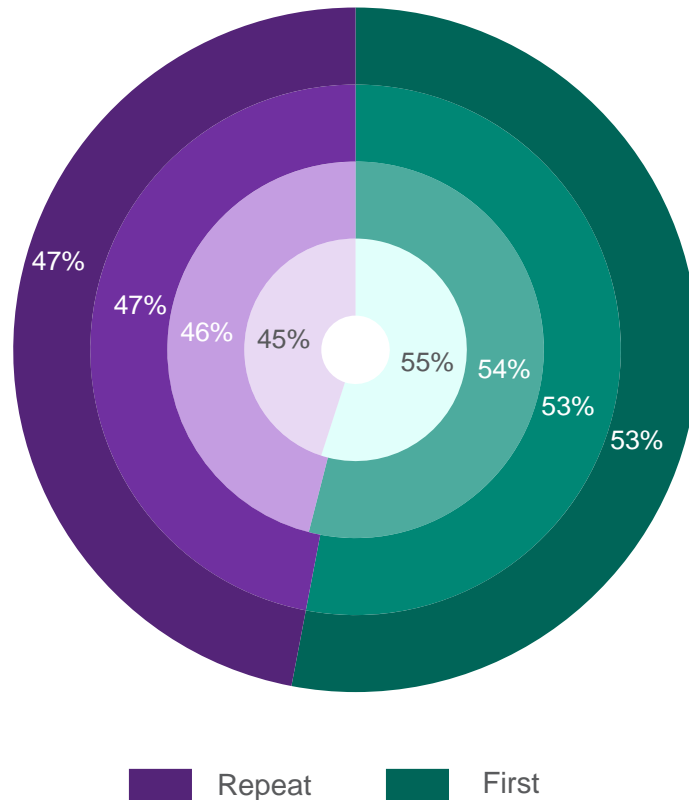


Germany was again the key international source market: nearly 7 out of 10 businesses that traded with overseas visitors engaged with German customers.

At its highest level since the survey began, the next most common overseas market was the United States (59%) increasing by an additional 6% compared to last year.

However, a decrease was apparent among visitors from Netherlands (55% in 2016/17 compared to 50% in 2017/18). As a result the proportion of these visitors to the Park in 2017/18 was below the LTA.

Type of customer



Note: Chart series inner to outer: Long term average (lightest shading), 2014/15, 2015/16, 2016/17 (darkest shading).

The share of first and repeat visitors to the Park area was similar to previous years with first time visitors continuing to slightly outnumber repeat visitors.

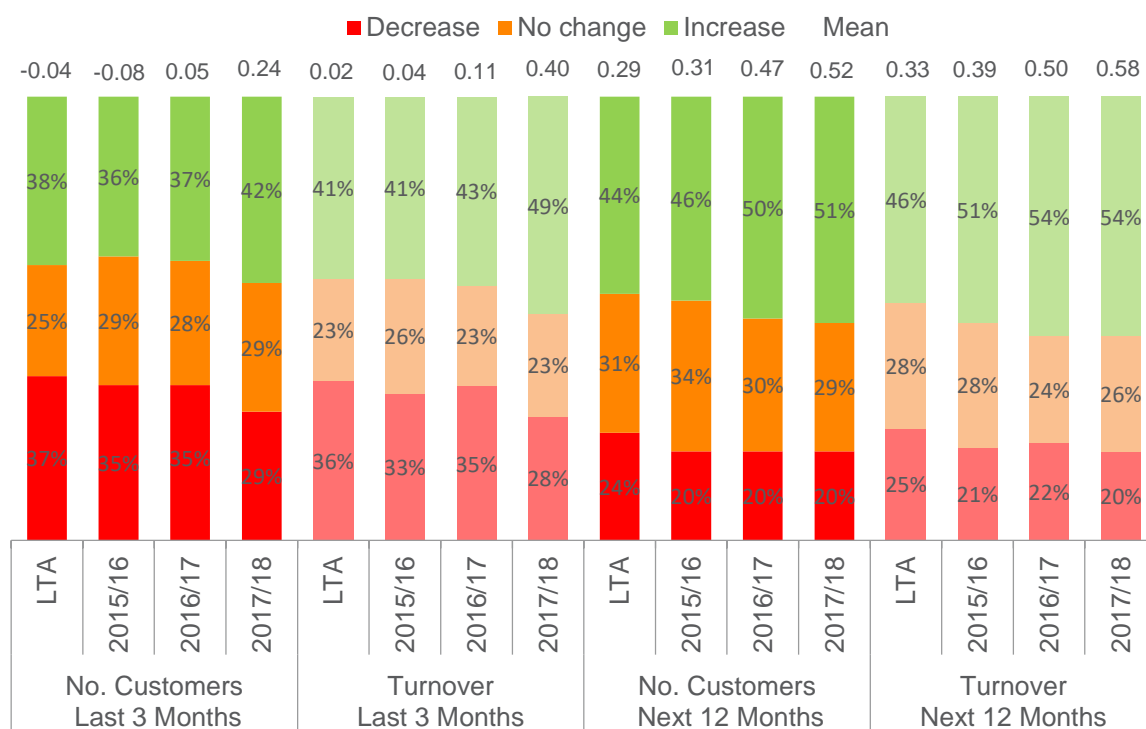
The highest proportion of new, first time customers was evident among visitor attractions and accommodation providers. Additionally, a reflection of attracting an above average proportion of overseas visitors, Royal Deeside businesses recorded an above average engagement with first time customers.

Business Levels

Customer numbers and turnover

Businesses were asked about performance each quarter compared to the same quarter a year ago in terms of customer numbers and turnover. They were also asked about how they expected to perform in the next 12 months compared to their current level of performance.

The chart below shows the results of 2017/18 compared to the last two years and the long term average (LTA). The results include weighted average scores – using a seven point scale from -3 to +3 – to summarise the overall trend. A weighted average score less than 0 implies a decrease in overall business levels and a score greater than 0 implies an increase in overall business levels.



Businesses recorded an improvement in customer numbers as fewer businesses saw declines and more businesses achieved increased customers compared to previous years. As a result, there was an increase in customer numbers overall in 2017/18 compared to flat growth in previous years.

In line with the historical trend, the increase in customer numbers continued to be driven by businesses in B&S. In 2017/18, 48% of businesses in B&S indicated that their customer numbers had increased compared to only 25% outside the area.

The attraction sector in the Park continued to report increases in customer numbers. This rise in attraction visitors reflects a broader national trend of increased visitors to Scottish visitor attractions in general.¹

¹ <http://www.bbc.co.uk/news/uk-scotland-43114172>

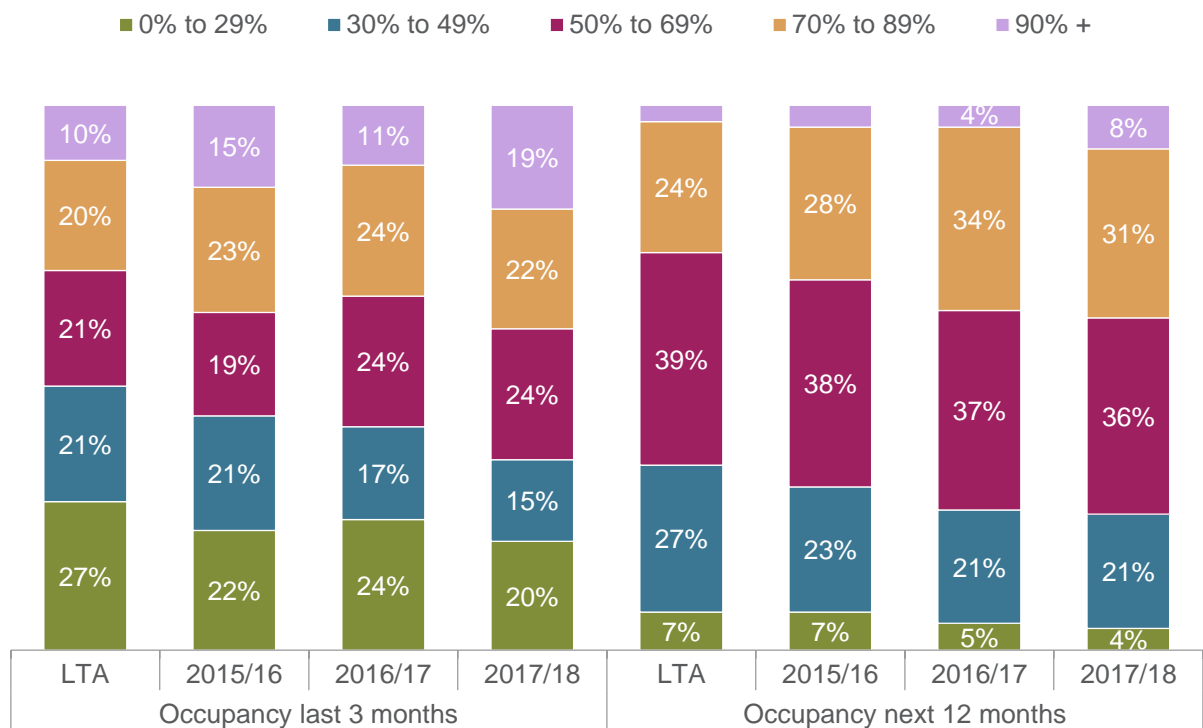
When asked to comment on future performance over the next 12 months, roughly a half of businesses anticipated an increase in customer numbers. This outlook was on par with last year and was well above the LTA. .

The increased customer numbers in 2017/18 translated into increased revenue performance with 49% of businesses indicating an increase in achieved turnover and only 28% showing a decrease.

A similar regional trend, as with customer numbers, was observed for turnover performance; businesses in B&S increased their turnover more significantly compared to businesses elsewhere.

Similar to customer number expectations, businesses were fairly confident about turnover performance with 54% anticipating growth during the next 12 months. The overall result was above 2016/17 and notably above the LTA.

Occupancy



In 2017/18, accommodation providers achieved the highest annual average occupancy rates on record since the barometer began, reaching an average of around 60%. The most significant boost to the annual average came in Q3 2017 when 76% of businesses achieved high occupancy of 70% or above.

Similar to the trend noted for customer numbers and turnover among all businesses, accommodation providers in B&S reported higher occupancy than those elsewhere in the Park area.

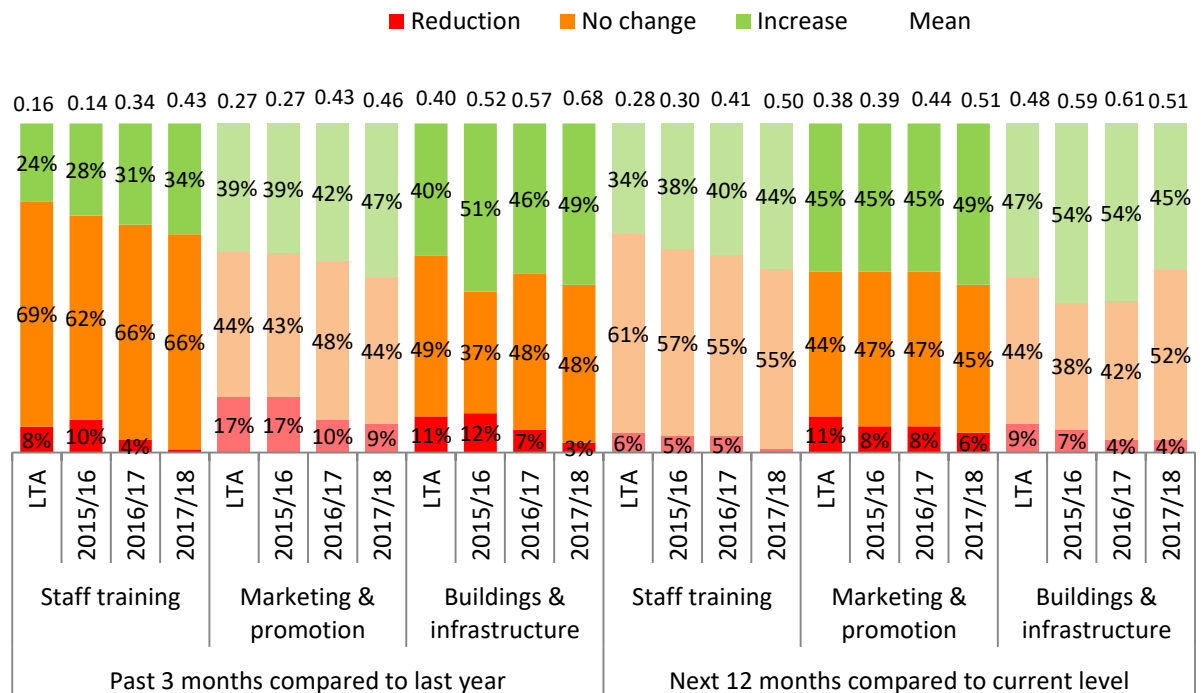
In line with the increased occupancy achieved during the period, accommodation providers were also more optimistic about future occupancy performance in 2017/18.

Average occupancy in the next 12 months was predicted to exceed 60% which was a more upbeat assessment than last year and notably more optimistic than the LTA.

Levels of Investment

Businesses were asked to estimate changes in investment in staff training, marketing and promotion and buildings and infrastructure compared to the same quarter a year ago. They were also asked how much they expected to change their current levels of investment in these areas over the next 12 months.

As in 2016/17, the investment questions were included in the survey on a rotational basis to reduce the length of the survey. Therefore, the chart below shows the results of Q3 and Q1 compared to the like-for-like period of the last two years and the long term average (LTA). The results include weighted average scores – using a seven point scale from -3 to +3 – to summarise the overall trend. A weighted average score less than 0 implies a decrease in overall investment and a score greater than 0 implies an increase in overall investment.



Staff training

As in previous years, a significant majority of businesses (66%) neither increased nor decreased investment in staff training. That said, a continuing trend of staff training investment growth was observed in 2017/18 with 34% of businesses indicating an overall increase of investment.

Also as observed in previous years, accommodation businesses tended to demonstrate a lower propensity to invest in staff training compared to other types of businesses.

Consistent with the staff training investment undertaken, businesses demonstrated more intent to increase staff training investment over the next twelve months compared to previous years. Businesses expected a faster rate of change in staff

training in the future (compared to the current rate of change) as 44% of businesses planned to increase investment in this aspect.

Marketing and promotion

An overall increase in marketing and promotion investment was observed as more businesses intended to increase their investments (47%) rather than decrease investment (9%). The overall rate of increase was broadly on par with last year's results but well above that of two years ago as well as the LTA.

Throughout 2017/18, variations in marketing and promotion investment were observed with Q1 2017 seeing the highest ever increase in marketing and promotion investment. Non-accommodation sectors were most likely to invest in marketing and promotion in 2017/18.

In line with the marketing and promotion investment undertaken, there was positive intent to continue increasing investments in marketing and promotion over the next 12 months. The rate of change was more positive compared to previous years.

Buildings and infrastructure

Nearly half of all businesses (49%) indicated they had increased their investment in buildings and infrastructure in 2017/18.

Increased infrastructure investment was most prevalent among accommodation providers with 51% of businesses indicating an increase. The rate of change in infrastructure and buildings investment undertaken was at a record high level.

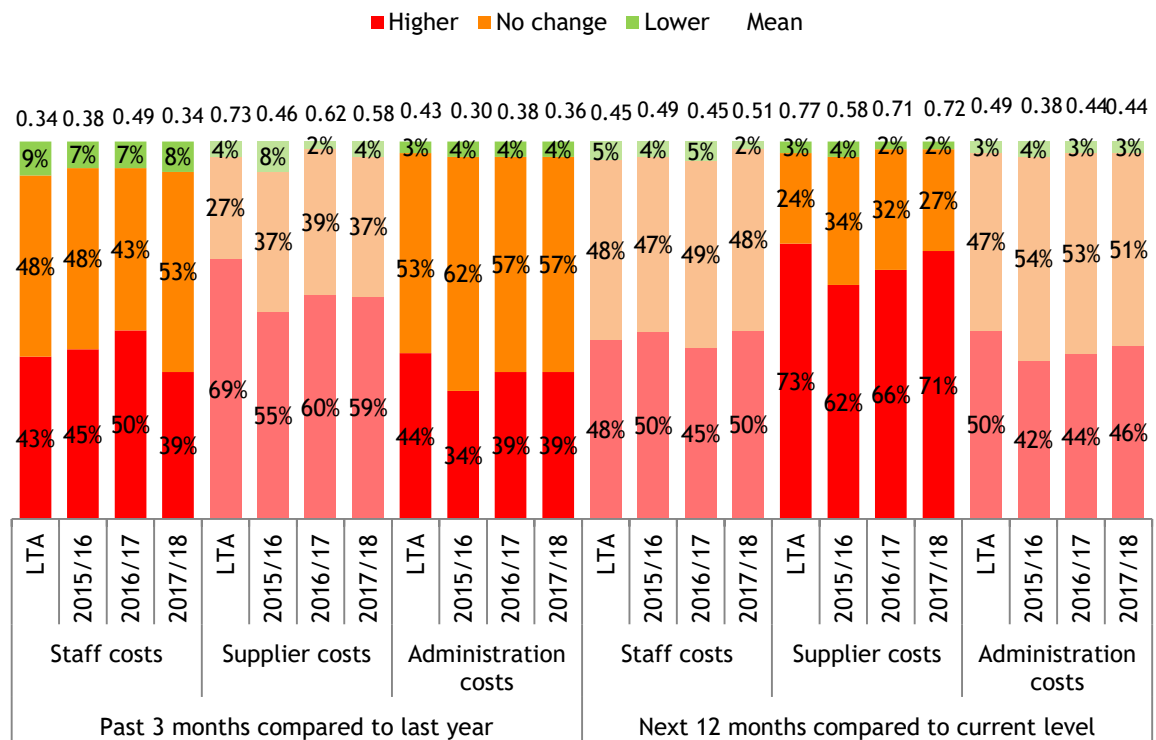
Looking to the next 12 months, businesses intended to increase their infrastructure investments, but at a slower rate of change compared to the actual rate. These results imply lower levels of confidence and intent to invest in buildings and infrastructure compared to recent years. In light of the positive trend for buildings and infrastructure investment this is a surprising finding.

Consistent with the trend observed for marketing investment, non-accommodation businesses indicated a higher chance of increasing their investments in buildings and infrastructure in the next 12 months.

Costs

Businesses were asked to estimate how much staff, supplier and administration costs had changed compared to the same period a year before. They were also asked how much they anticipated these costs would change over the next 12 months.

As in 2016/17, the cost questions were included in the survey on a rotational basis to reduce the length of the survey. Therefore, the chart below shows the results of Q2 and Q4 compared to the like-for-like period of the last two years and the long term average (LTA). The results include weighted average scores – using a seven point scale from -3 to +3 – to summarise the overall trend. A weighted average score less than 0 implies a decrease in overall costs and a score greater than 0 implies an increase in overall costs.



Staff costs

Although over half of the businesses indicated no change in their staff costs compared to last year, there was an overall increase noted as more businesses indicated higher staff costs (39%) than lower staff costs (8%). However, the rate of change recorded this year was significantly lower than that of last year.

Accommodation businesses were more affected by rising staff costs compared to the other sectors

During 2017/18, staff costs were expected to increase in the year ahead. The forecasted rate of change in these costs was faster than the actual rate of change which indicates that staff costs are expected to become more challenging in the future.

Supplier costs

As in previous years, supplier costs increased overall for businesses. However, a lower rate of change compared to previous years was apparent. This was most pronounced in Q4 2017 which registered the lowest ever year-on-year increase in supplier costs.

Looking ahead to the next 12 months, businesses expected supplier costs to continue increasing and at a faster rate of change than the current rate. However, these expected increases were still slightly below that of the LTA.

Administration costs

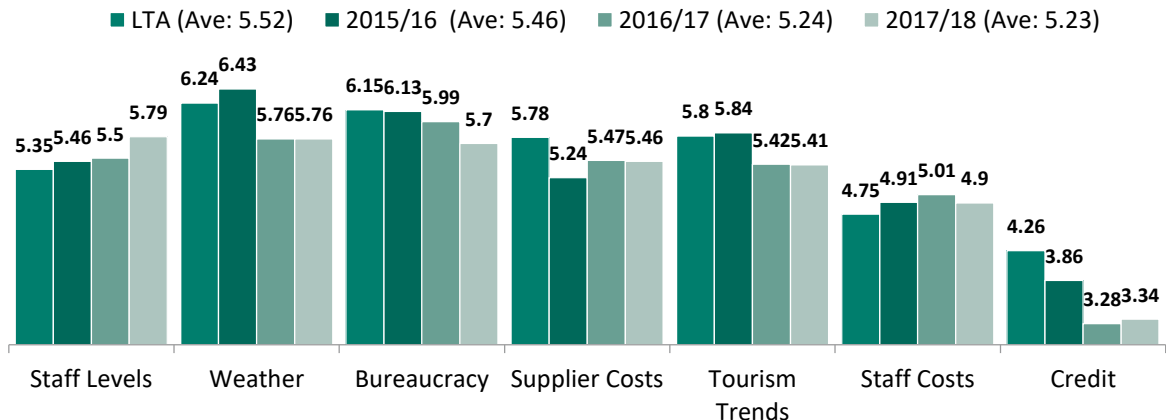
Despite the majority of businesses indicating no change in administration costs, an overall increase was noted with 39% indicating higher costs for this aspect.

However, the overall increase in administration costs was on par with last year and less steep compared to the LTA. The lowest ever increases in administration was observed in Q4 2017.

A slightly faster rate of increase in administration costs was expected in the year ahead compared to the actual rate during the year. Expectations of administration cost increases were on par with the 2016/17 results, but below the LTA.

Barriers to growth

A range of seven potential barriers to growth were listed in the survey and each quarter businesses were asked to rate the significance of each aspect using a rating scale from 1 to 10, where 1 was 'not at all a barrier' and 10 was 'very much a barrier'.



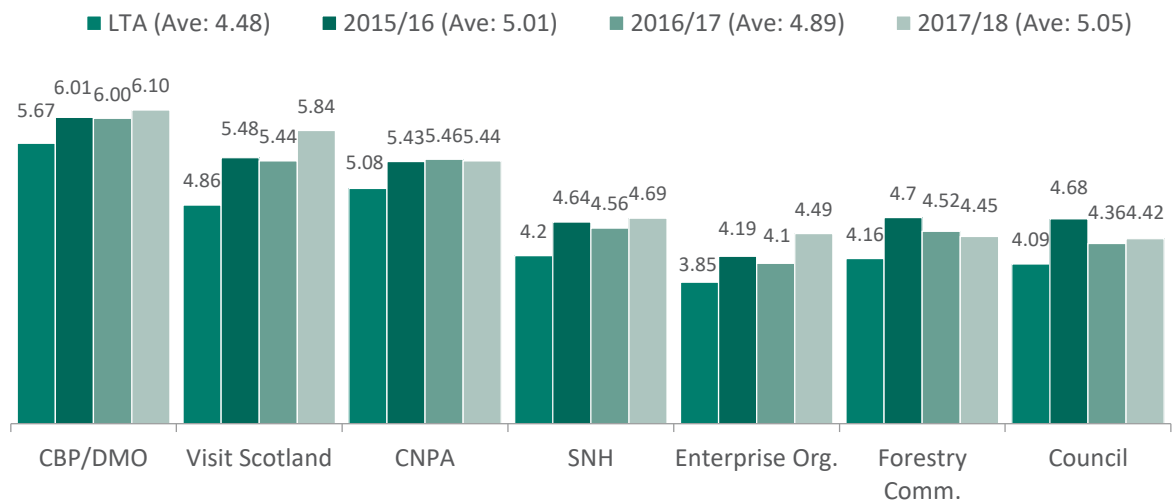
Continuing a generally positive trend in recent years, the overall annual barrier to growth score of 5.23 was on par with last year – this remains a record low figure. The overall annual average result was heavily influenced by Q2 2017 and Q4 2017 results which recorded the two lowest ever barrier to growth scores.

Noting an increase over the past three years, staff levels were cited as the number one barrier to growth for businesses. The next most challenging barrier for businesses was weather rated on par with last year despite the adverse weather conditions during Q1 2018. Bureaucracy was rated at its lowest ever level at 5.7. This aspects was perceived to be the third most challenging barrier.

All barriers except staff levels and the availability of credit were rated on par or lower than 2016/17 levels which indicates that businesses generally found the trading environment easier than last year.

External Support

Businesses were asked to rate the contribution of organisations operating in the Park area using a 1 to 10 rating scale, where 1 was 'very poor contribution' and 10 was 'very good contribution'.



The overall contribution of organisations playing a role in tourism across the Cairngorms achieved its highest ever level of 5.05.

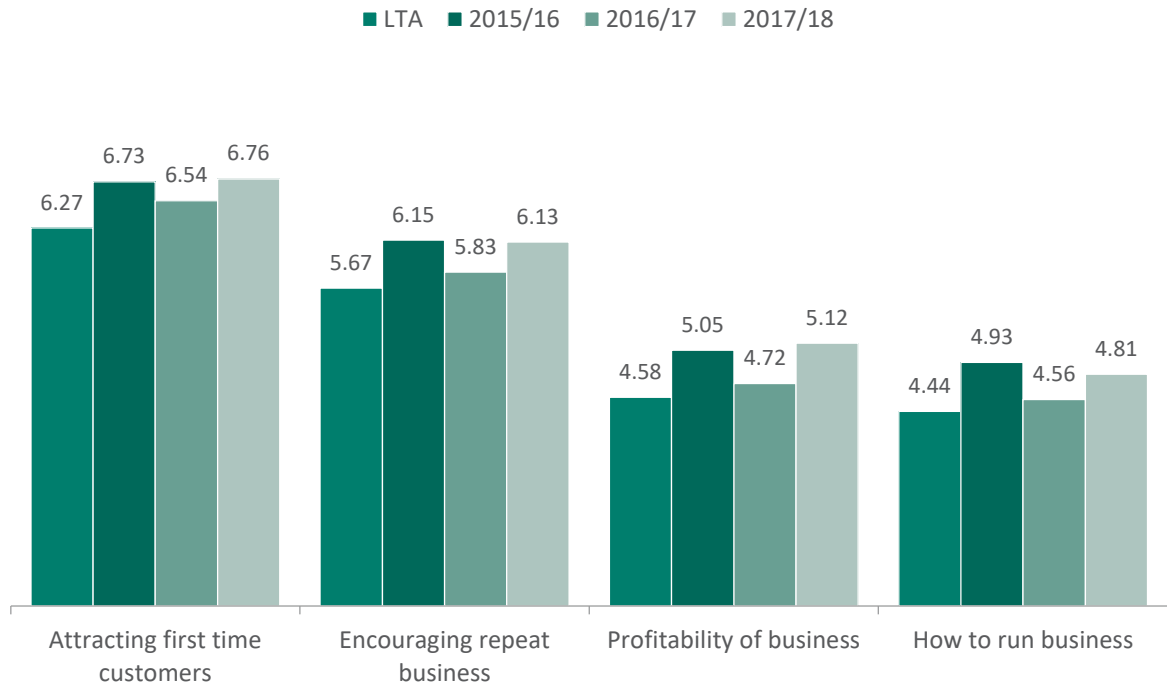
As in previous years, the level of support and contribution provided by the CBP / DMO was rated most positively of the seven organisations evaluated (6.10 out of 10). CBP / DMO was perceived to provide the highest level of support ever and is the only organisation whose support was rated at any time during the survey period at 6 or above.

The steepest change in perception from last year was noted for VisitScotland and Enterprise Organisations which both achieved their highest ever contribution scores of 5.84 and 4.49, respectively.

Despite recording a slight increase in support, the role of Councils was rated least positively.

Influence of Cairngorms National Park

Using a rating scale from 1 to 10, where 1 was 'not at all influential' and 10 was 'very influential', businesses were asked to rate the influence of the Cairngorms National Park in attracting first time and repeat customers and its perceived impact on business operations and profitability.



Reaching some of the highest levels recorded in the history of the barometer, perceptions towards the Cairngorms National Park improved compared to last year.

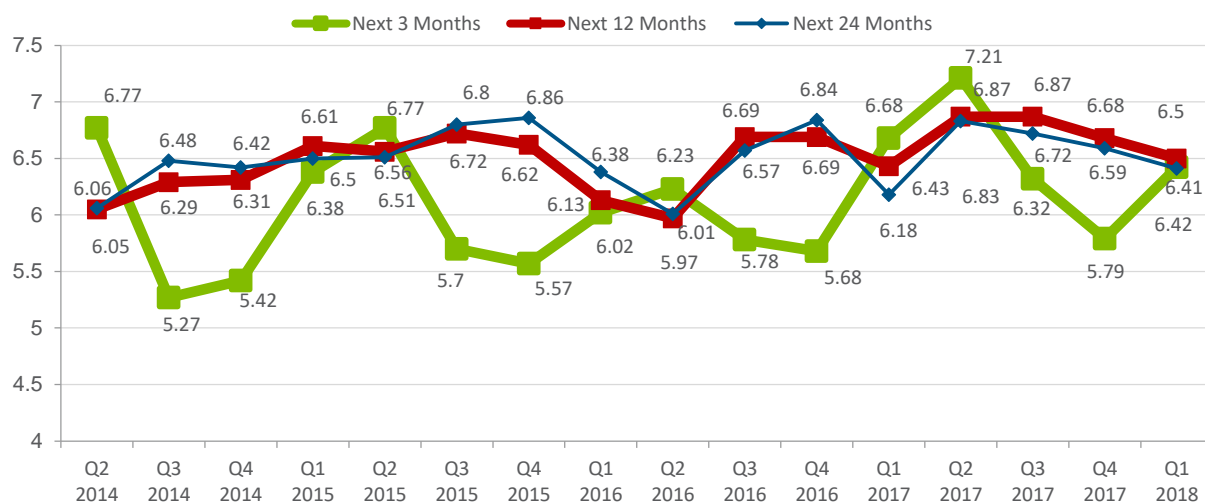
More than 6 out of 10 businesses feel that the National Park has a high influence in terms of attracting first time customers to the area. This score was at its highest ever level. Businesses again attributed greater importance on the Park's ability to bring in new customers compared to repeat customers.

Like last year, Badenoch & Strathspey businesses and accommodation providers demonstrated the greatest appreciation of the role of the Park in attracting customers to the area.

Despite being higher than last year as well as the LTA, the influence of the Park on business operations and business profitability continued to be rated relatively low.

Business Confidence

Businesses we asked to rate their short-term (next three months), medium-term (next 12 months) and long-term (next 24 months) confidence using a 1 to 10 rating scale, where 1 was 'very low' and 10 was 'very high'.



Averages	Long Term Averages	2015/16	2016/17	2017/18
Next 3 Months	5.61	5.92	6.00	6.10
Next 12 Months	6.07	6.32	6.51	6.43
Next 24 Months	6.21	6.37	6.63	6.39

Short term, medium term and long term confidence scores improved and all achieved record breaking levels.

Short term business confidence in 2017/18 increased significantly and was rated at 6.48.

Confidence in the medium term – next 12 months –also saw a notable increase from last year’s results being rated at 6.74.

Long term confidence was rated at 6.65 which was higher compared to all previous years.

Businesses in B&S as well as accommodation providers attributed consistently higher confidence scores for the short, medium and long term periods.

Conclusions

It is encouraging to report that business performance and sentiment trends in 2017/18 improved compared to both 2016/17 and the long term. The year also saw significant improvements in business confidence compared to previous years.

Benefitting significantly from favourable exchange rates – both among international visitors coming to the UK and domestic consumers being deterred from international breaks – Scotland welcomed a record number of visitors in 2017². This broader national trend has reflected in a rise of customers in the Cairngorms area which has translated into higher turnover for local businesses.

Furthermore, in addition to a growth in achieved levels of business during 2017/18, the Barometer has identified a positive outlook among businesses in terms of future performance and the broader trading landscape.

Overall, visitor profiles have remained broadly the same in the Park area over the years. However, it is interesting to see a growth in North American visitors both in the Park area and across Scotland overall – a trend which is partially attributed to the positive impact of the ‘Outlander effect’.

As a whole, businesses reported that costs had generally increased. However, they all increased at a slower rate compared to last year and were on par or lower than the long term average. That said, costs are expected to increase in the year ahead with the forecasted rate of change being faster than the actual rate of change. These results highlight that despite positive confidence and expectations about future performance, businesses are preparing for increased challenges managing their cost base.

Both investments undertaken as well as intent to invest in the future in marketing and staff training were either on par or above last year and the long term average. Only investment in buildings and infrastructure is estimated to increase at a slower rate compared to the actual rate. Monitoring the trend in investment in infrastructure and buildings will be particularly important in 2018/19 in light of the surprising weaker investment expectations recorded this year.

The overall barrier to growth score was on par with last year and was well below recent years and the long term average. For the second successive year, the overall score indicates a less challenging trading environment which quite likely had a positive impact on the growing business levels in 2017/18.

There was more positive recognition overall of the seven organisations providing support to the businesses in the area as the contribution its highest level in the history of the barometer.

The strong performance and improved trading landscape in 2017/18 helped raise optimism among businesses for the short, medium and long term. As a result business confidence scores achieved record high levels. However, with Brexit strategies and negotiations yet to take shape, it will be especially interesting to monitor the impact on business confidence going forward.

² <https://www.scotsman.com/business/management/attractions-work-their-magic-for-scottish-tourism-industry-1-4632389>