

Cairngorms Business Barometer: October to December 2012

Introduction

The Cairngorms Business Barometer (CBB) gathers data each quarter on a range of aspects, including levels of business performance and investment, from mostly tourism related businesses in and around the Cairngorms National Park (CNP). The results give insight into how the tourism sector is performing overall and help monitor any changes over time providing critical information for those running tourism businesses as well as those charged with the responsibility of developing tourism across the area.

This report summarises the key findings from the results of the recent online survey issued to businesses in January 2013 regarding the period **1st October to 31st December 2012**, hereafter referred to as **Q4 2012**. With the Park-wide barometer now in its fourth year reference is also made to results of previous quarters, in particular, Q4 2011 (the same quarter last year) as well as Q4 2010 and Q4 2009 (the same quarter two and three years ago) which brings an additional level of insight to the figures reported this quarter.

Executive Summary

- A similar mix of customers from previous Q4 periods was observed across the Park area with those from Scotland accounting for around 55% of the customer base - higher than in any other quarter of 2012.
- Trading was again below the levels of a year ago, although the fall was less than in the previous four quarters. The most optimistic forecast of performance for the coming year was recorded since Q4 2010.
- The Christmas and New Year period bucked the quarterly trend with business levels generally above those of last year.
- By-and-large levels of investment during the quarter were similar to those recorded in previous quarters. Businesses showed a slightly bigger appetite to increase investment over the next 12 months than in previous quarters of 2012.
- Costs continued to increase compared to last year at generally similar rates of change. As in previous quarters, supplier costs increased notably more than staff and administration costs and look set to continue rising at a fairly rapid rate.
- Perhaps reflecting a perception of tougher trading conditions ahead, potential specific barriers to growth were scored highly this quarter - the equal highest since the survey began.
- Business confidence was at its highest level in over two years but remained notably below the levels recorded in 2009.

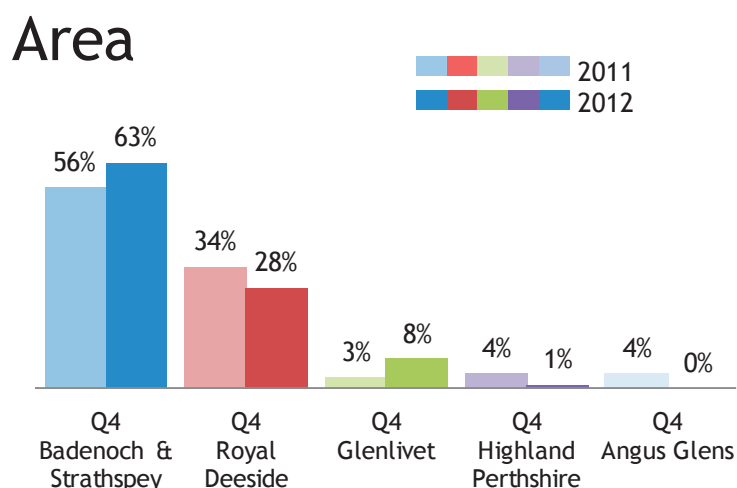
Cairngorms Business Partnership Commentary

The Barometer continues to show the difficulty experienced by local businesses in what is a challenging marketplace. It is interesting to note that Business Confidence remains low over the immediate short-term but shows signs of strengthening looking 12 and 24 months ahead.

Sample

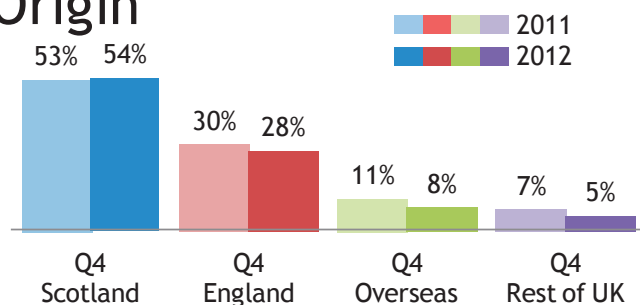
Feedback from 75 businesses across the Cairngorms National Park (CNP) area was achieved this quarter with the majority, as in previous quarters, based in Badenoch & Strathspey (63% this quarter).

Broadly on par with the rolling average but slightly above the level recorded last quarter (Q3 2012), accommodation businesses accounted for 61% of the sample. Food, beverage and retail businesses were the second most common type of business responding to the survey this quarter (13%), followed by activity operators (9%) and attractions (8%).



Cairngorms Business Barometer: October to December 2012

Origin



Top two English regions Q4 2012

North	49%
London / South East	42%

Top two overseas countries Q4 2012

Germany	48%
Netherlands / United States	41%

Please note: percentages above are based on the aggregation of businesses' estimations of their customer mix during the quarter.

Customer Profile

As in previous years, Q4 recorded the highest proportion of visitors from Scotland (54% this quarter compared to 52% in Q1 2012, 43% in Q2 and 43% in Q3). Meanwhile, the proportion of visitors from England was broadly similar to previous quarters accounting for around 30% of the customer base. Consistent with previous Q4 periods but notably below Q2 and Q3 figures, around 10% of customers were from overseas.

The North was again identified as the key market in England this quarter followed by London / South East and the Midlands.

Among the minority of businesses that engaged with overseas visitors during the period, the 3 key markets were Germany, Netherlands and United States.

There was a balanced mix of first and repeat customers in the area during the quarter - a trend which has been evident each fourth quarter since the survey began in 2009.

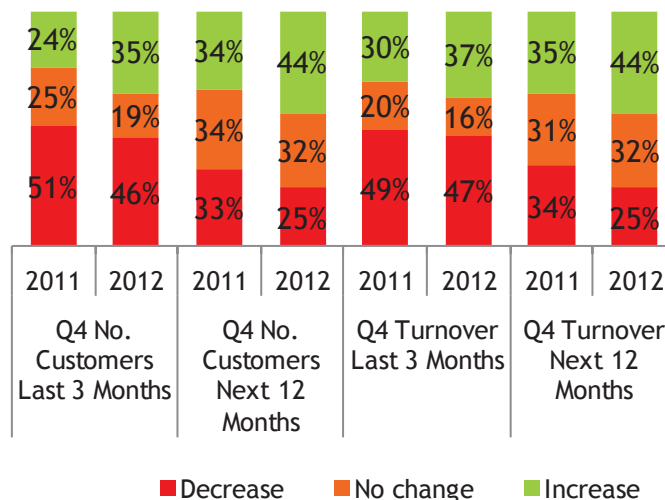
Business Levels

Whilst businesses continued to report an overall reduction in customers and turnover compared to a year previously, the extent of the fall was less than that recorded during the last 12 months and also below that of previous comparable quarters (Q4 2009, Q4 2010 and Q4 2011).

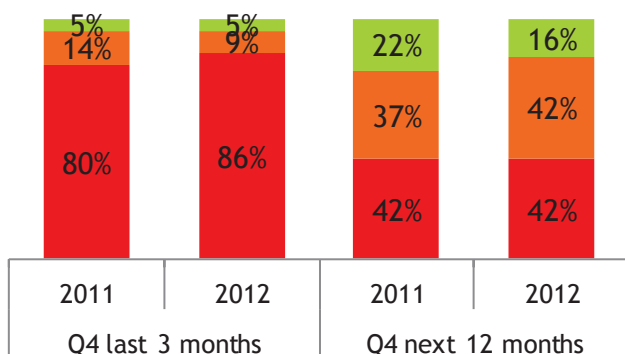
Against the quarterly trend and the trend observed in previous Q4 periods since the survey began in 2009, slightly higher levels of business than a year ago were recorded during the Christmas and New Year holiday period.

The most upbeat assessment of future performance in nearly two years was apparent this quarter as businesses generally anticipated slight increases in customer numbers and turnover over the next 12 months. That said, prospects for the year ahead were still below the levels recorded in Q4 2010 and Q4 2009.

Business Levels



Occupancy



■ 0% to 49% ■ 50% to 69% ■ 70% +

Accommodation

Occupancy was slightly below that of previous comparable quarters with 86% of accommodation providers achieving low average occupancy of 49% or less during the quarter compared to around 80% previously.

In line with their Q4 2012 performance, accommodation businesses were slightly less optimistic about demand over the next 12 months than in previous years with 42% expecting average occupancy to be below 50%.

Cairngorms Business Barometer: October to December 2012

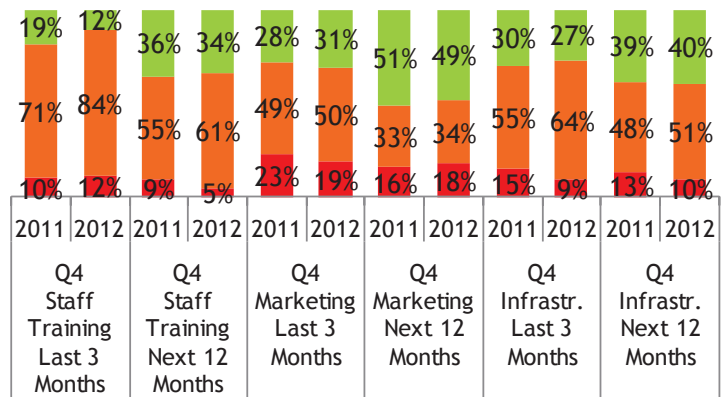
Levels of Investment

As has been the trend, businesses this quarter underwent very little change from a year ago in terms of staff training investment. Looking ahead to the next 12 months they showed some intent to increase investment in staff training from current levels which was broadly similar to the ongoing trend.

Comparable with recent quarters, there was a very slight overall positive change in marketing and promotion investment compared to the same period a year ago. For the next 12 months, businesses seem likely to increase promotion expenditure and by slightly more than previously predicted in 2012.

Overall buildings and infrastructure investment was slightly higher than a year ago with fewer businesses than in recent quarters decreasing investment from the year previously (10% versus 17% in previous quarters in 2012). There were more positive indications than in previous quarters of 2012 that businesses would increase investment to develop their product in the year ahead.

Levels of Investment



■ Decrease ■ No change ■ Increase

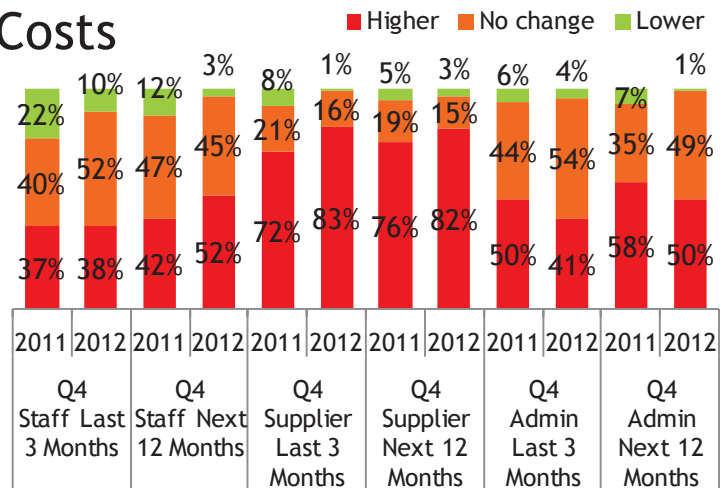
Costs

Staff costs increased from last year by about the same amount as in previous quarters with the exception of Q3 2009 and Q4 2009 where costs increased more steeply from the year previously. In the next 12 months businesses expect staff costs to rise at a slightly faster rate of change than currently.

Supplier costs were perceived to have increased more this quarter than in previous quarters of 2012. In the year ahead they are expected to increase at the same (rather high) rate of change as observed during the last quarter.

The costs of doing business increased at a slightly slower rate than in previous recent quarters although 41% still indicated higher administration costs than a year ago. Whilst administration costs were expected to increase in the next 12 months at a steeper rate than in Q4 2012, slightly lower increases were predicted than previously in 2012.

Costs



■ Higher ■ No change ■ Lower

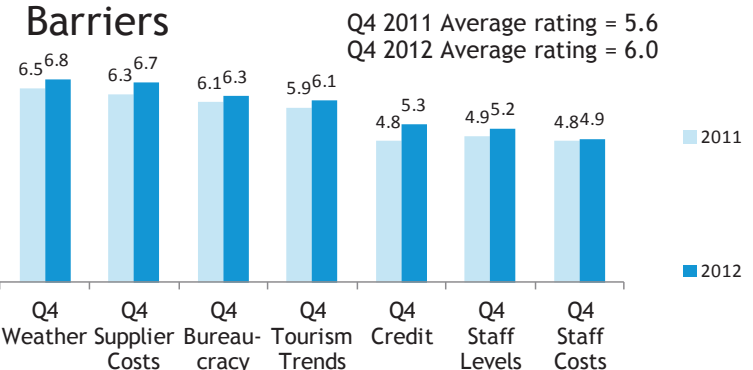
Perceived Barriers to Growth

The adjacent chart displays barrier to growth scores using a 1 to 10 rating scale where 1 is 'not at all a barrier' and 10 is 'very much a barrier'.

Potential specific barriers to growth were perceived to be particularly high this quarter and were notably higher than a year ago; the overall barrier score was 6.0 this quarter (the equal highest since the survey began) compared to 5.6 in Q4 2011.

As in Q3 2012 and in Q4 2011, weather was considered to be the most significant inhibiting factor on growth, followed by supplier costs which increased from 6.3 last quarter and in Q4 2011 to 6.7 this quarter.

Barriers



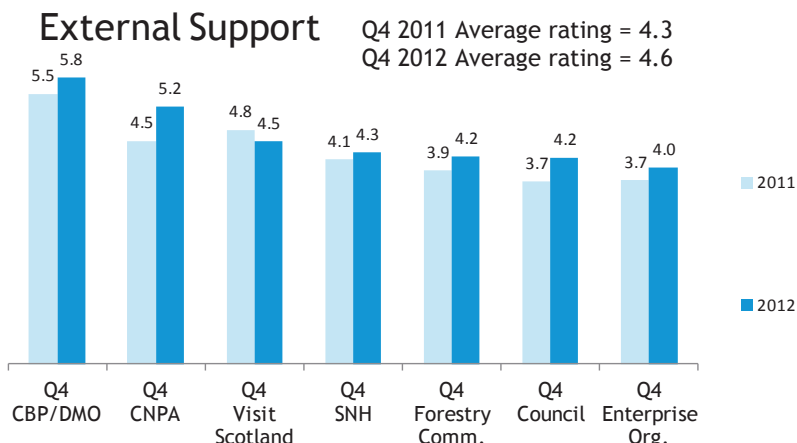
Cairngorms Business Barometer: October to December 2012

External Support

The adjacent chart displays contribution scores, using a 1 to 10 rating scale where 1 is 'very poor contribution' and 10 is 'very good contribution'.

The level of support provided by organisations playing a role in tourism across the Park was rated more positively than in any previous quarter (4.6 versus 4.3 last year and 4.2 long-term average).

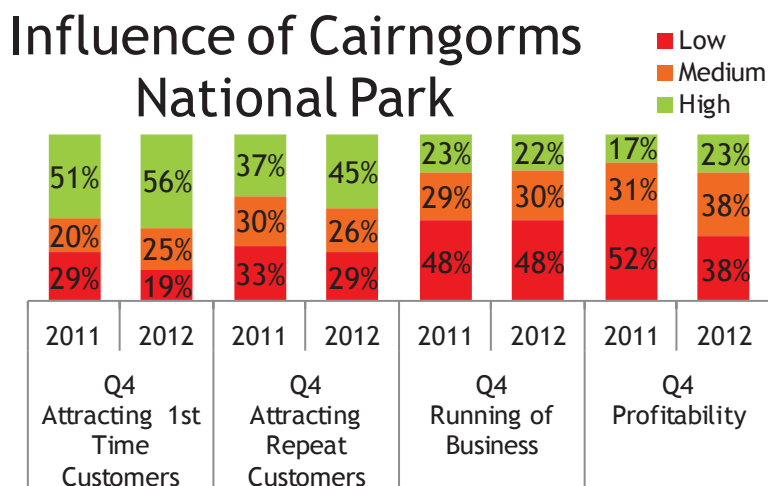
The contributions of DMOs / CBP and CNPA were, in particular, perceived to be more beneficial than last quarter (5.8 versus 5.2 and 5.2 versus 4.7, respectively).



Influence of CNP

Respondents were asked to rate the influence of the Park using a 1 to 10 rating scale where 1 is 'not at all an influence' and 10 is 'very much an influence'. These responses are grouped by Low (scores of 1 to 4), Medium (scores of 5 to 6) and High (scores of 7 to 10) in the adjacent chart.

The level of influence of the Park in attracting first and repeat customers to the area was rated higher than in any previous quarter of the barometer. As in previous quarters, businesses considered the Park to play a more influential role in bringing in new rather than repeat customers.



Generally higher levels of influence than average were attributed to the role of the Park on business practice and profitability this quarter. However, these aspects according to businesses continue to be weakly influenced by the area's National Park status.

Business Confidence

Above comparable quarters, short-term confidence was scored at 5.0 out of 10 compared to 4.4 in Q4 2011 and 4.8 in Q4 2010 and Q4 2009.

Business confidence for the year ahead was rated at 5.8 - the highest level for over two years - which was well above Q3 2012 (5.5) and the corresponding quarter a year ago, Q4 2011 (5.4).

Looking further out to the next two-years, business confidence increased to 6.0 which, like the medium-term gauge, was the highest score for over two years but still significantly below the levels of 2009 when the survey began (Q3 2009 = 6.6 and Q4 2009 = 6.4).

Business Confidence

