



Cairngorms
Business
Partnership

Cairngorms Business Barometer | Quarter 2 (April to June) | 2018

DASHBOARD SUMMARY

The distribution of visitors was broadly in line with the same quarter last year. However, a higher concentration of overseas visitors was apparent compared to the Q2 Average. The German market was the most common segment from abroad despite decreasing significantly compared to previous Q2 periods as well as the Q2 and the Overall Averages.

Business confidence in the short term was on par with last year but in the medium and long term was rated well below. That said, confidence in the medium and long term were both rated above the quarterly average.

Customer numbers and turnover this quarter remain at a higher rate than the Q2 Average and the Overall Average. The recorded outlook was more positive compared to the long term averages.

An overall increase in staff costs was noted in Q2 2018 with 46% indicating higher costs for his aspect. The rate of change recorded this quarter was higher than that of Q2 2017 as well as the Q2 and the Overall Averages.

For businesses that perceive staff levels to be an issue in achieving growth, availability of housing and staff wages were the most common issues.

Each quarter, the Cairngorms Business Barometer seeks feedback from business operators across the Cairngorms National Park (CNP) on a range of aspects including ongoing performance and confidence in the future which allows for a quarterly assessment of the 'health' of tourism in the Park area.

This report was produced by STR for the Cairngorms Business Partnership

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70
PARTICIPANTS

Q2 2018

KEY VS LAST YEAR (LY)
Higher* ▲
Same =
Lower ▼

BUSINESS LEVELS

TURNOVER (£) CUSTOMERS

	Last 3 months	Next 12 months	Last 3 months	Next 12 months
Q2 18	▲ 34%	▲ 41%	▲ 29%	▲ 37%
Q2 17	33%	40%	28%	37%
QTR AVG	10%	14%	4%	14%

Net business level changes in last 3 months and next 12 months compared to LY and quarter AVG.

CAIRNGORMS BUSINESS PARTNERSHIP COMMENTARY

53% of businesses reported an increase in customers for Q2 compared to only 24% reporting a decrease. This supports the anecdotal evidence we receive that overall business levels are up for the National Park and compares favourably with the historic Q2 average of 40%.

Looking at customer origin this quarter we continue to see an increase in the proportion of international customers businesses are interacting with (26%) when compared with the long term average for Q2 of 22% as well as the overall average of 17%.

In previous barometers staffing levels have been quoted as the number one barrier to doing business in the National Park so this quarter we delved a little deeper into why. For those who said staffing levels was a barrier to growth the top reasons given are availability of housing and wages. The lack of affordable housing for people who want to work in the National Park will need to be a key focus of the National Park Development Plan and Economic Strategy both of which are currently under review by the Park Authority.

The influence of the National Park Brand on attracting first time visitors was at 61% which was significantly above the Q2 average of 52% and the overall average of 51%.

BUSINESS CONFIDENCE

NEXT X MONTHS:



Q2 18	7.21	6.50	6.27
Q2 17	7.21	6.87	6.83
QTR AVG	6.45	6.06	6.12

Business confidence over short, medium and long term compared to LY and quarter AVG. Rating score (1 to 10).

BARRIERS TO GROWTH

	Bureaucracy	Staff Levels	Weather	AVG
Q2 18	◆ 5.81	◆ 5.61	● 5.52	◆ 5.04
Q2 17	5.33	5.49	5.66	4.97
QTR AVG	6.01	5.23	6.19	5.41

Bureaucracy, Staff Levels, Weather

Overall average and individual barrier to growth score for top 3 factors compared to LY and quarter AVG.

*Where barrier scores are higher than LY, this is a negative result and therefore highlighted in red.

COST

	Q2 18	Q2 17	QTR AVG
STAFF			
LAST 3 MONTHS	▲ 46%	31%	39%
NEXT 12 MONTHS	▼ 46%	47%	40%
SUPPLIER			
LAST 3 MONTHS	▼ 60%	61%	68%
NEXT 12 MONTHS	▼ 62%	68%	70%
ADMINISTRATION			
LAST 3 MONTHS	▼ 33%	41%	43%
NEXT 12 MONTHS	▼ 38%	47%	45%

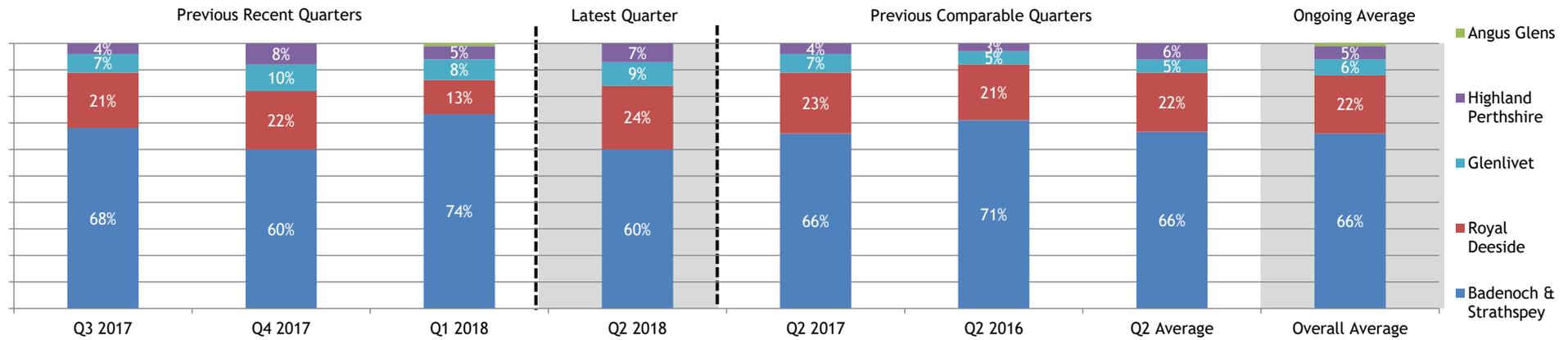
Net cost changes in last 3 months and in next 12 months compared to LY and quarter average.

ORIGIN OF VISITORS

	SCOTLAND	ENGLAND	OVERSEAS
Q2 18	▼ 42%	▲ 28%	▲ 26%
Q2 17	44%	27%	25%
QTR AVG	43%	30%	22%

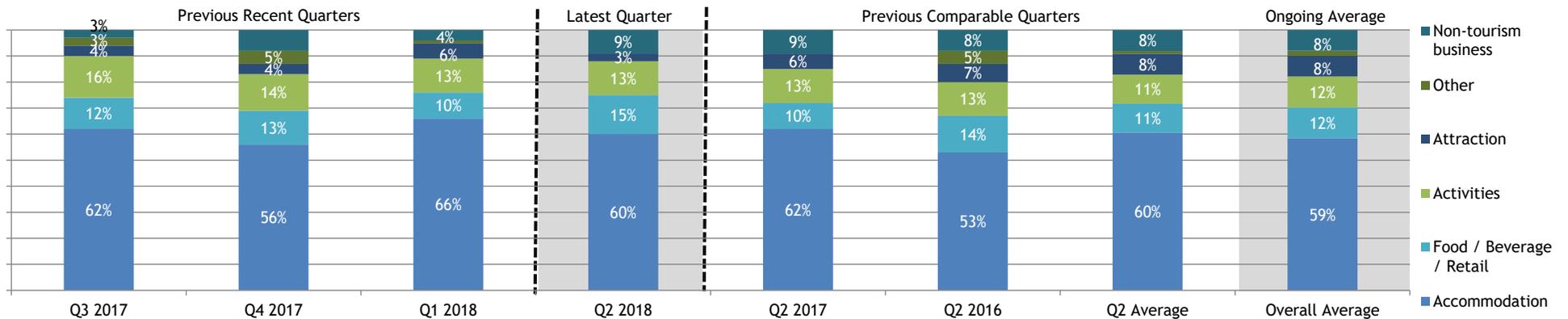
Mix of customers during quarter compared to LY and quarter AVG.

Area



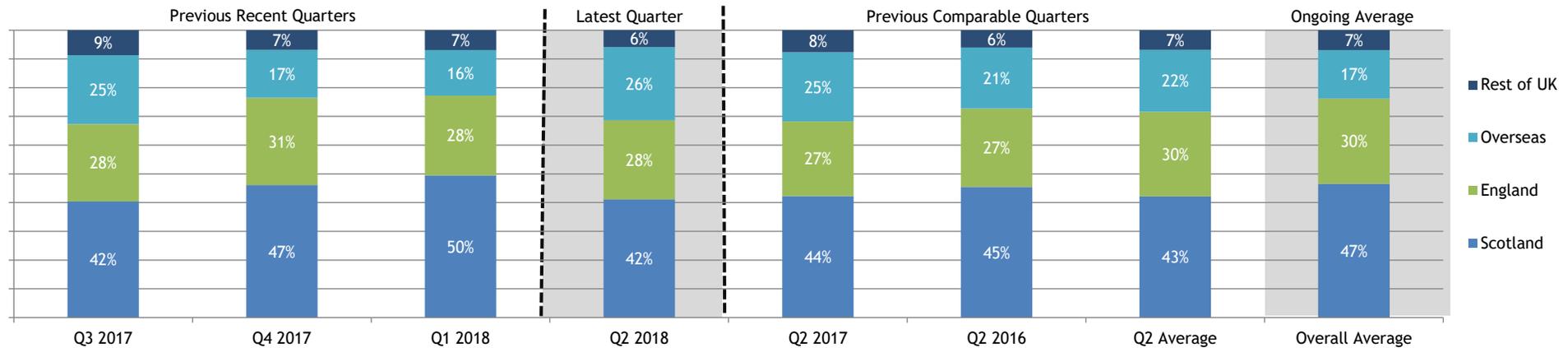
► The sample was comprised as follows this quarter: Badenoch & Strathspey businesses (60%), Royal Deeside (24%), Glenlivet (9%), Highland Perthshire (7%) and Angus Glens (0%).

Sector



► In terms of business sector, the sample was made up as follows: Accommodation provider (60%), Food / Beverage / Retail business (15%), Activity operator (13%), Attraction (3%), Non tourism (9%), Other (0%).

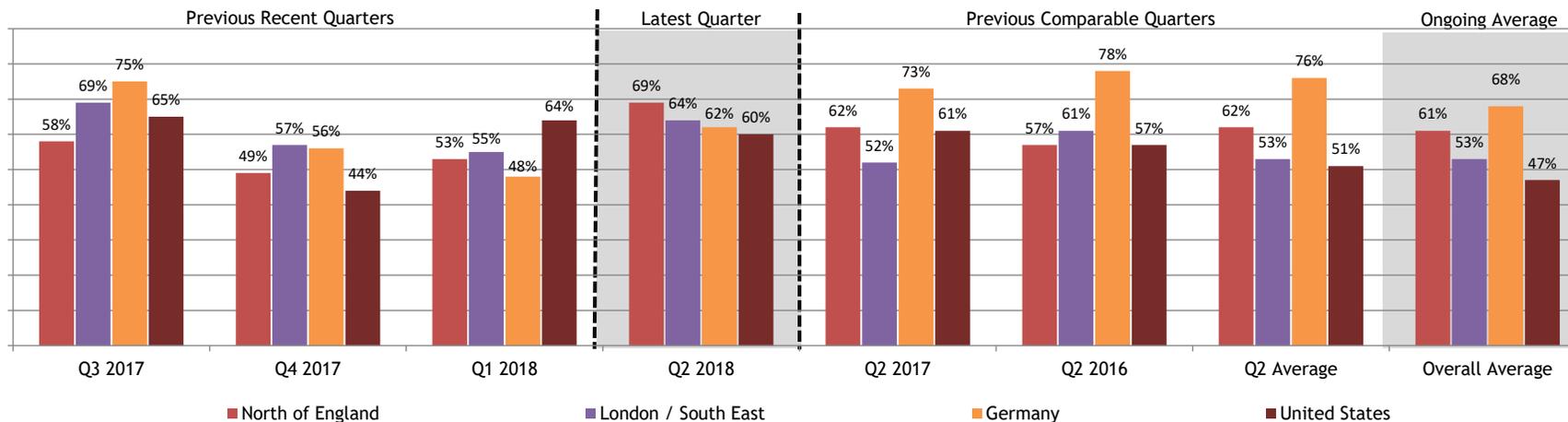
Origin



► The mix of customers in the Park area during the quarter was as follows: Scotland customers (42% of all customers), visitors from England (28%), Overseas visitors (26%), and visitors from the rest of the UK (6%).

► As in previous quarters, the Scottish market continued to account for the largest share of visitors (42%). Overseas visitors made up 26% of the overall sample which was above Q2 2016 and the Q2 and the overall Averages.

Origin - Top Source Markets England and Overseas

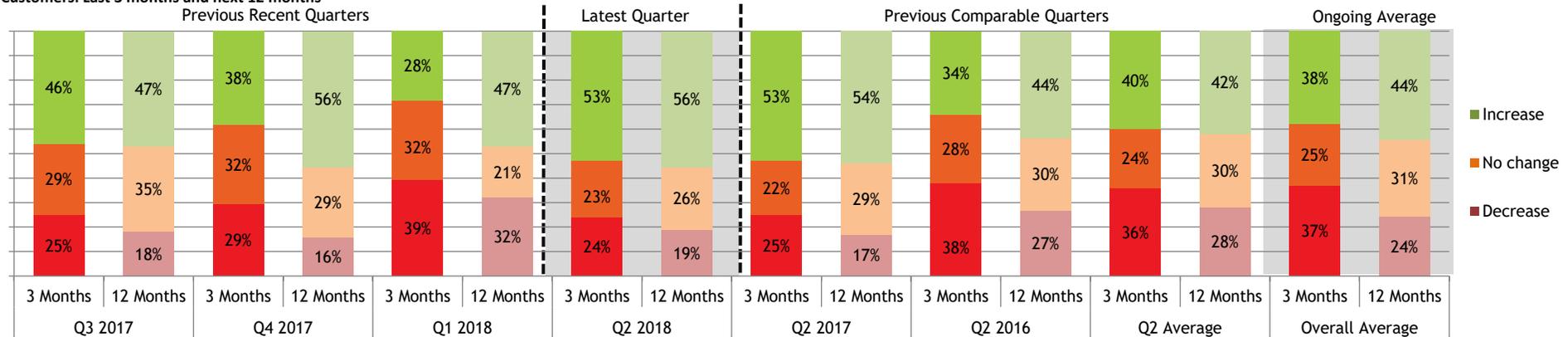


► The most common segment from England was visitors from the North (69% of businesses who engaged with visitors from England traded with customers from this area) followed by visitors from London / South East (64%). The proportion of the visitors from both London / South East and the North was well above recent comparable quarters as well as the Q2 and the Overall Averages.

► The German market was the most common segment from abroad (62%) despite decreasing significantly compared to previous Q2 periods as well as the Q2 and the Overall Averages. The next most significant market was the United States which was on par with recent comparable quarters but noted an increase compared to the Q2 and the Overall Averages.

Business Levels

No. Of Customers: Last 3 months and next 12 months

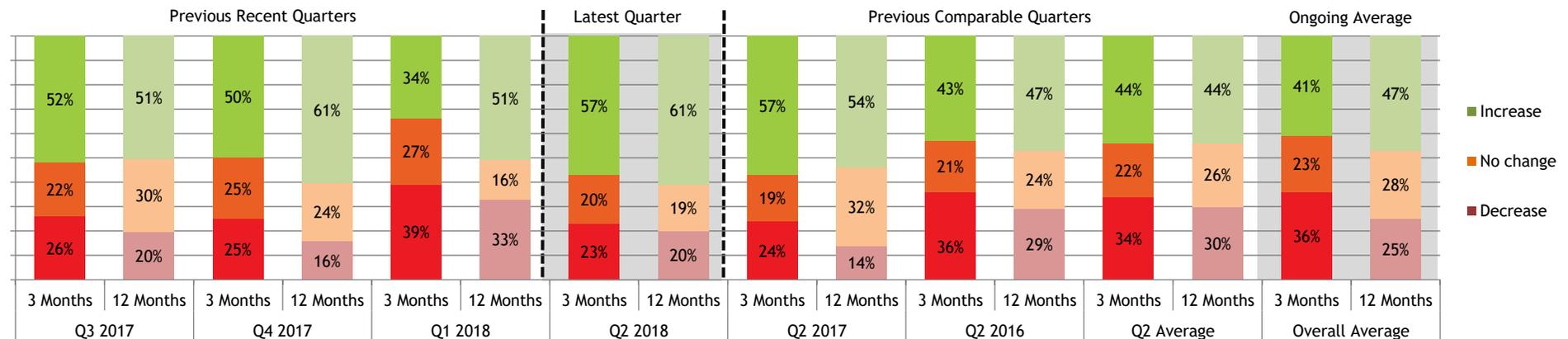


► There was an overall increase in customer numbers as more businesses increased their customer numbers than decreased (53% versus 24%). Customer number performance was slightly more positive than in Q2 2017 and well above the levels of Q2 2016 as well as the Q2 and the Overall Averages.

► An overall increase in customer numbers was expected in the year ahead as more businesses expected to increase customer numbers from their current level in the next 12 months than decrease (56% versus 19%). The outlook recorded this quarter was similar to Q2 2017 and more positive compared to Q2 2016 as well as the Q2 and the Overall Averages.

Business Levels

Turnover: Last 3 months and next 12 months

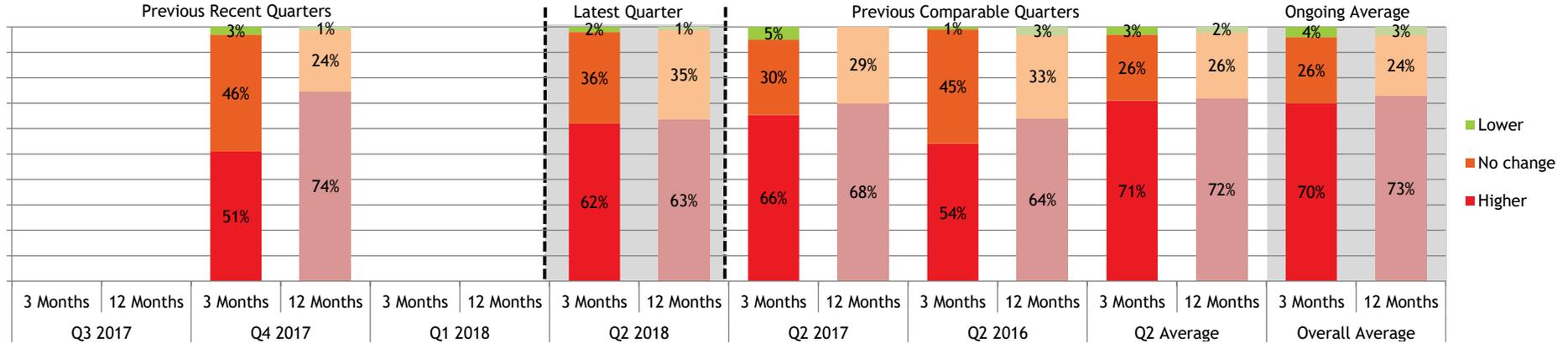


► There was an overall increase in turnover this quarter as more businesses increased their turnover than decreased (57% versus 23%). Turnover has grown at the same rate as in Q2 2017 but at a much higher rate than Q2 2016 and versus the Q2 and the Overall Averages.

► An even higher overall increase in turnover was expected in the year ahead as more businesses expected to increase their turnover from the current level in the next 12 months rather than decrease (61% versus 20%). The results this quarter were on par with Q2 2017 but constituted a more positive outlook compared to Q2 2016, the Q2 Average and the Overall Average.

Costs

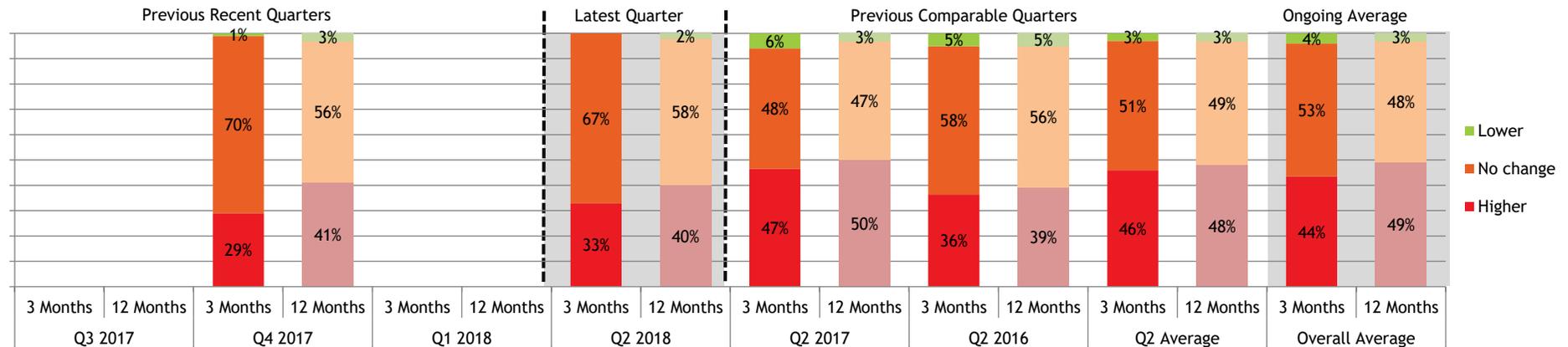
Supplier: Last 3 months and next 12 months



- ▶ An overall increase in supplier costs was recorded as 62% of businesses noted higher supplier costs this quarter compared to the same quarter a year ago whilst 2% noted lower costs. The overall results suggest a similar level of increase in supplier costs compared to recent Q2 periods but a less steep increase compared to the Q2 Average and the Overall Average.
- ▶ Supplier costs overall were expected to increase at a similar rate as 63% of businesses expected these costs to increase in the year ahead and 1% expected these costs to decrease. These results implied that less steep increases in supplier costs were expected compared to recent Q2 periods as well as the Q2 Average and the Overall Average.

Costs

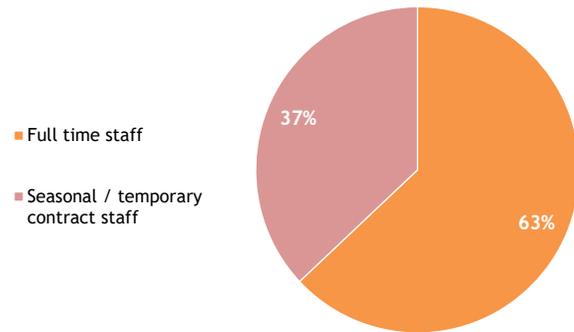
Administration: Last 3 months and next 12 months



- ▶ Whilst most businesses (67%) noted no change in admin costs, a small overall increase was recorded as 33% of businesses observed higher admin costs. The overall rate of change was below that of Q2 2017, the Q2 Average and the Overall Average.
- ▶ Administration costs were expected to increase at a higher rate than currently as 40% of businesses expected these costs to increase in the year ahead whilst only 2% expected these costs to decrease. These results still implied less steep increases in administration costs were expected compared to recent Q2s as well as the Q2 and the Overall Averages.

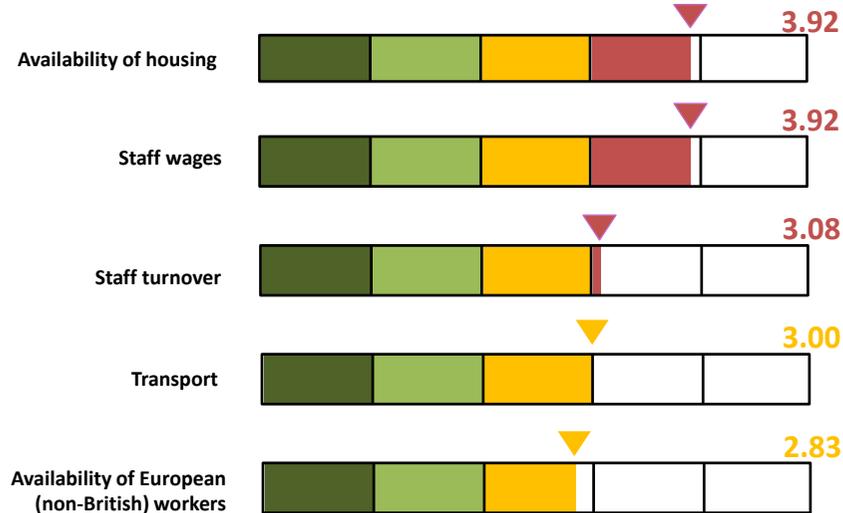
Quarterly Topical Questions:

Q: Please tell us the proportion of full time and seasonal / temporary employees within your business:



► Local businesses employ on average 63% of full time staff and 37% of seasonal / temporary contract staff.

Q*: You said staff levels were a barrier to growth for your business. To what extent do you consider the following factors to be an issue when it comes to staff levels?



- For those who stated that staff levels were a barrier to growth for their business in the last 12 months, availability of housing and staff wages were perceived to be the most significant issues.
- In contrast, availability of European (non-British) workers was perceived to be a less of an issue for local businesses.

Q: Do you have any comments regarding staff levels and their impact on profitable growth for your business?

“ Our biggest barrier is recruiting qualified staff, have to go to EU most years since Brits not interested at rates we can pay and still operate at a surplus, without driving costs up crazily. ”

“ There is a general lack of available, experienced staff in our local area due to lack of accommodation. ”

“ I need my one member of staff throughout the year - not only to keep the bookings going but to allow us to get days off - its becoming increasing difficult with what you have to pay out being a small business - I also need casual staff throughout the year that work for themselves and this again is very hard to come by even with good pay rates.... ”

“ Wages increased greatly. While turnover dropped making a lower operating profit. ”

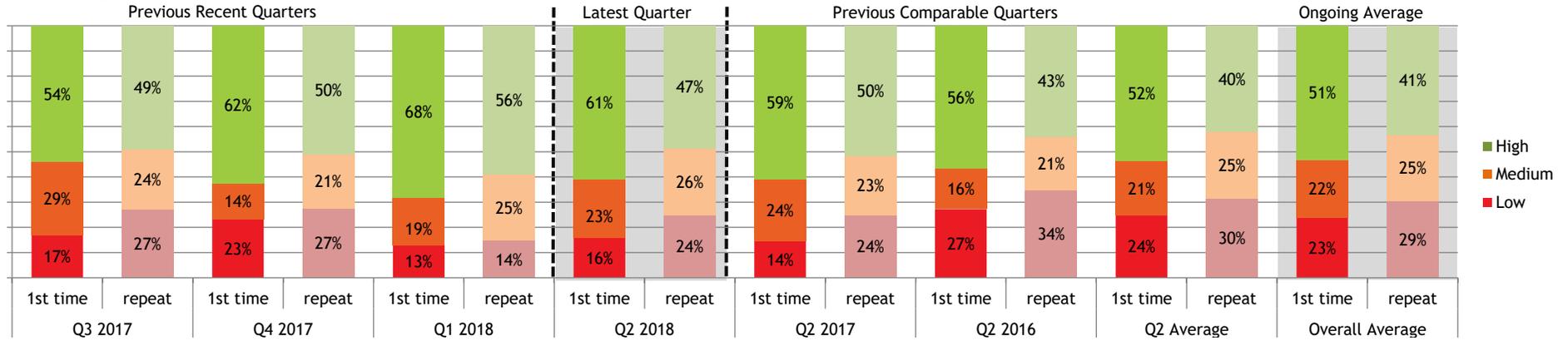
“ Quality of staff willing to do the job is a challenge in this area. You have to fight to grab the best staff ”

“ Regular public transport needed that is not highly expensive as it is now. Also the availability of affordable accommodation limits us greatly. ”

*Please note that analysis of this question are based on a low sample (13) including only businesses which stated that staff levels were a barrier to growth for their business.

Influences

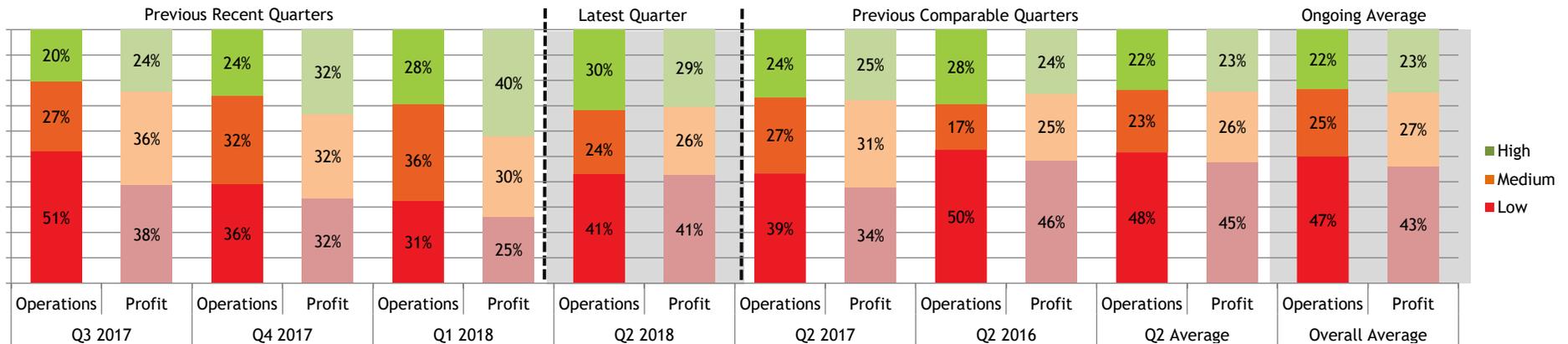
Influence of CNP - Attracting First time & Repeat Customers



- ▶ 61% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) in attracting first time customers whilst only 16% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence in attracting first time customers was on par with Q2 2017 but above Q2 2016 as well as the Q2 Average and the Overall Average.
- ▶ 47% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) in attracting repeat customers whilst 24% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence in attracting repeat customers was slightly below Q2 2017 but was again above Q2 2016 as well as the Q2 Average and the Overall Average.

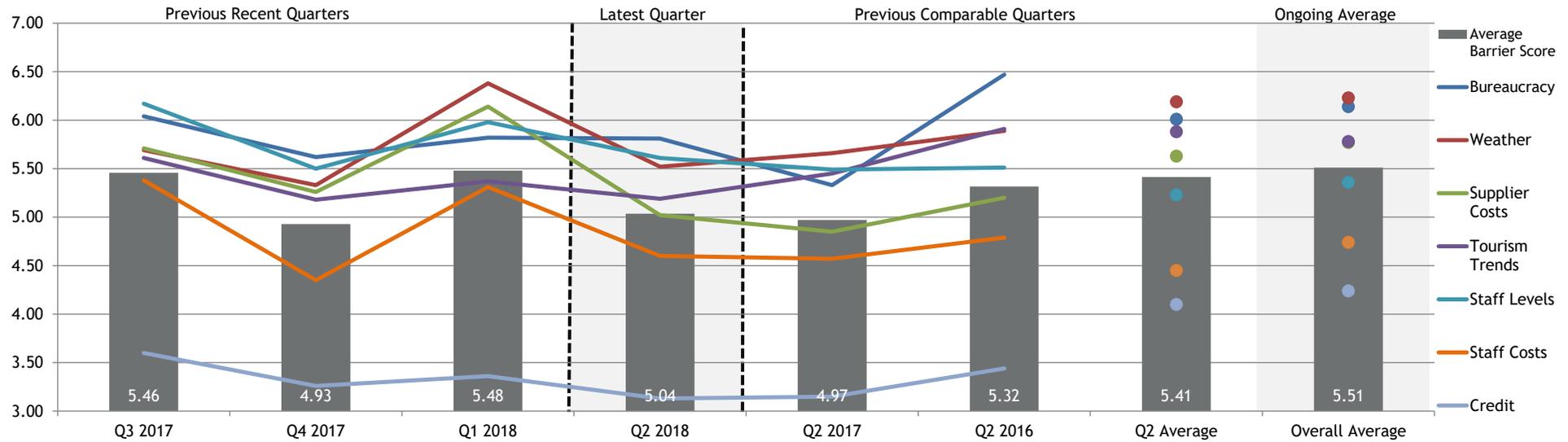
Influences

Influence of CNP - On Business Operations & Profitability



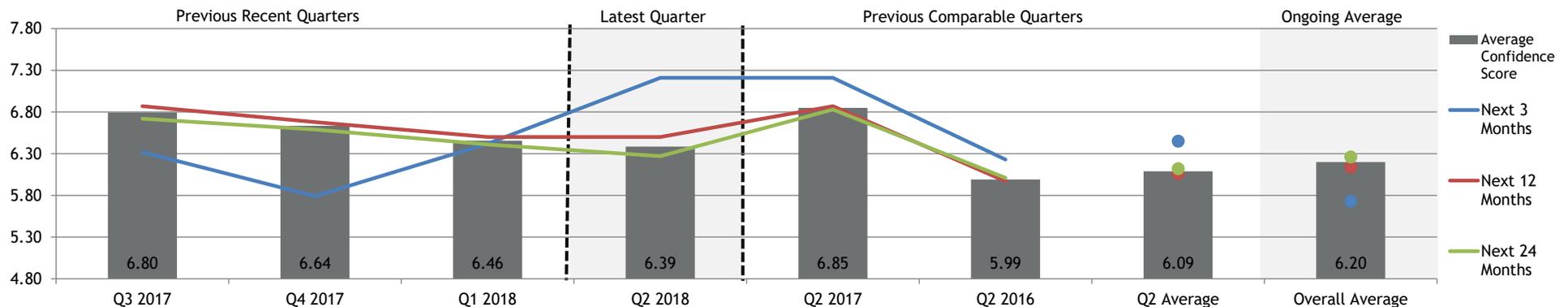
- ▶ 30% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) on their business operations whilst 41% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence on business operations was on par with Q2 2017 but above Q2 2016 as well as the Q2 Average and the Overall Average.
- ▶ 29% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) on their profitability whilst 41% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence on profitability was slightly below Q2 2017 but higher than Q2 2016 as well as the Q2 Average and the Overall Average.

Barriers



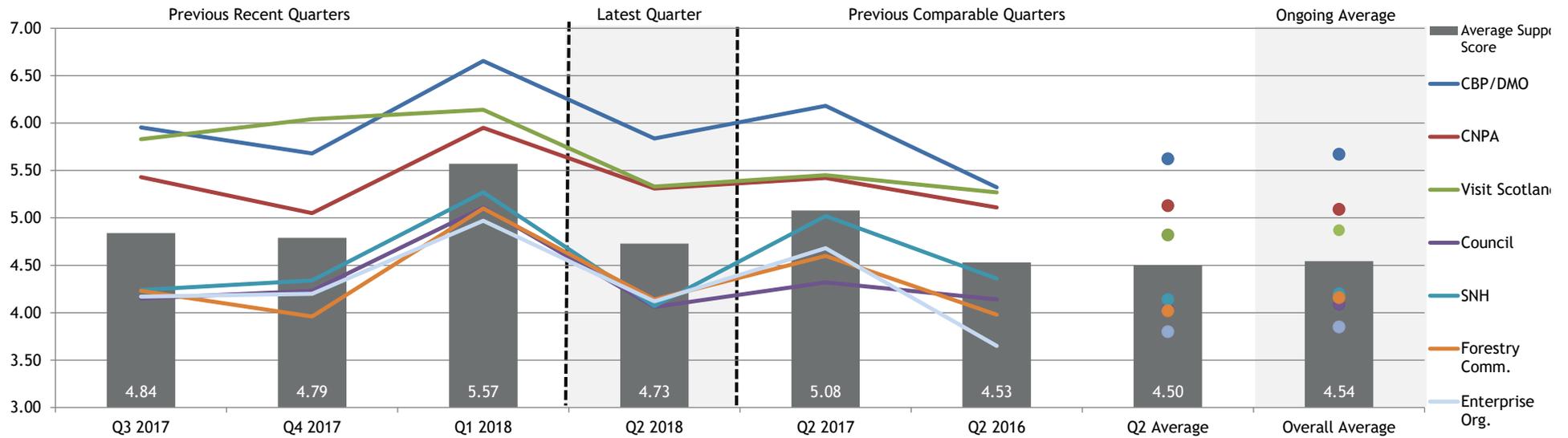
- ▶ The average barrier to growth score this quarter was 5.04 out of 10 which was roughly on par with Q2 2017 but below Q2 2016 as well as the Q2 Average and the Overall Average.
- ▶ Bureaucracy (5.81), staff levels (5.61) and weather (5.52) were perceived to be the most significant barriers to growth this quarter.
- ▶ Encouragingly, all barriers to growth were on par or recorded a decrease from last quarter. The barrier which recorded the steepest decrease from last quarter was supplier costs decreasing from 6.14 in Q1 2018 to 5.02 in Q2 2018.

Business Confidence



- ▶ Short term confidence (next 3 months) was rated at 7.21 out of 10 which was on par with Q2 2017 but well above recent quarters, and the Q2 and the Overall Averages.
- ▶ Medium term confidence (next 12 months) was rated at 6.50 out of 10 which was below the same quarter last year, but well above the Q2 Average and the Overall Average.
- ▶ Long term confidence (next 24 months) was rated at 6.27 out of 10 which was lower than recent quarters and Q2 2017 but higher than Q2 2016 and the Q2 Average.
- ▶ The Average Confidence Score - factoring in the medium and long term view - was 6.39 which is lower than Q2 2017 but again higher than the Q2 Average and the Overall Average.

Support



- ▶ The overall level of support / contribution provided by organisations was rated at 4.73 which was lower than recent quarters and Q2 2017 but above the Q2 Average and the Overall Average.
- ▶ The contribution / support provided by CBP/DMO (5.84) was rated most positively whilst the opposite was true for the Council (4.06).
- ▶ The organisation which recorded the largest change in perception from last quarter and the same quarter a year ago (i.e. Q2 2017) was SNH as scores decreased from 5.02 in Q2 2017 and 5.27 in Q1 2018 to 4.07 in Q2 2018