



Cairngorms Business Barometer | Quarter 4 (October to December) | 2018

DASHBOARD SUMMARY

There was an increase in visitors from Scotland and a decrease in those from England while overseas remained level compared to Q4 2017. The German market continued to account for the largest share of international visitors (56% which broadly was on par with the Q4 Average).

Levels of business confidence were notably below recent quarters and tracked below Q4 Average and the Overall Average levels.

Bucking the trend of recent Q4s, businesses recorded reductions in customers and turnover this quarter compared to a year ago. Whilst businesses expected performance to increase in the year ahead, there was evidence of more muted growth compared to recent Q4 periods and the Q4 Average.

Perceptions of barriers to growth increased compared to Q4 2017 although they were less pronounced compared to Q3 2018. For the first time in 2018, tourism trends were cited as the largest barrier to growth and were the only barrier not to decrease between Q3 and Q4.

The vast majority of businesses (85%) are aware of the Snow Roads initiative but less than 30% are actively involved in supporting it. There were low levels of awareness of specific developments associated with the route (11% were aware of partnerships or new products due to the initiative).

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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67
PARTICIPANTS
Q4 2018

KEY VS LAST YEAR (LY)

Higher*	▲
Same	▬
Lower	▼

BUSINESS LEVELS

	TURNOVER	CUSTOMERS	£	PERSON
	Last 3 months	Next 12 months	Last 3 months	Next 12 months
Q4 18	▼ -23%	▼ 13%	▼ -18%	▼ 19%
Q4 17	25%	45%	9%	40%
QTR AVG	-3%	27%	-6%	25%

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

CAIRNGORMS BUSINESS PARTNERSHIP COMMENTARY

Survey results demonstrated that Q4 was a more difficult quarter for the National Park than we have seen in recent years with more businesses reporting both a reduction in the number of customers and turnover than we have seen in previous Q4's. Linked to this Tourism Trends was reported as the largest barrier to doing business. The challenges with the funicular and then the operator of the Cairngorm Mountain hit the national press in a very negative way. Whilst it is not easy to draw tangible conclusions it appears that this has had an impact on business.

Whilst businesses do remain confident about the next twelve months, those confidence levels are well below the confidence levels of 12 months ago.

It has clearly been a challenging winter so far and this has compounded underlying issues that have existed for some time with businesses being unable to fill vacancies (staffing levels are still the second highest barrier to doing business). As the National Park Authority reviews its economic strategy we, at the CBP, will be pushing for them, and other public agencies across the National Park, to take a much more proactive and supportive role to create the environment in which businesses can thrive.

BUSINESS CONFIDENCE

NEXT X MONTHS:



Q4 18	▼ 5.25	▼ 5.79	▼ 5.76
Q4 17	5.79	6.68	6.59
QTR AVG	5.68	6.69	6.84

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

BARRIERS TO GROWTH

	5.82	5.60	5.55	AVG
	5.18	5.50	5.62	4.93
	5.65	5.37	6.03	5.41
Q4 18	◆	◆	●	◆
Q4 17				
QTR AVG				

Tourism Trends, Staff Levels, Bureaucracy

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

	Q4 18	Q4 17	QTR AVG
STAFF			
LAST 3 MONTHS	▲ 35%	32%	29%
NEXT 12 MONTHS	▲ 61%	48%	47%
SUPPLIER			
LAST 3 MONTHS	▲ 52%	48%	60%
NEXT 12 MONTHS	▼ 63%	73%	70%
ADMINISTRATION			
LAST 3 MONTHS	▼ 24%	28%	36%
NEXT 12 MONTHS	▬ 38%	38%	48%

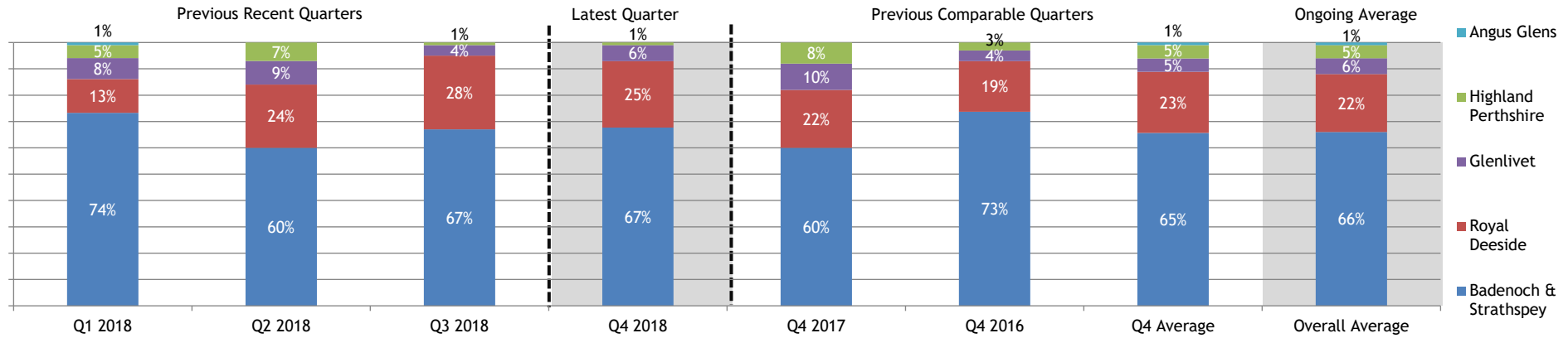
Net cost changes in last 3 months and in next 12 months compared to LY and quarter average.

ORIGIN OF VISITORS

	SCOTLAND	ENGLAND	OVERSEAS
Q4 18	▲ 53%	▼ 26%	▬ 17%
Q4 17	47%	31%	17%
QTR AVG	52%	31%	16%

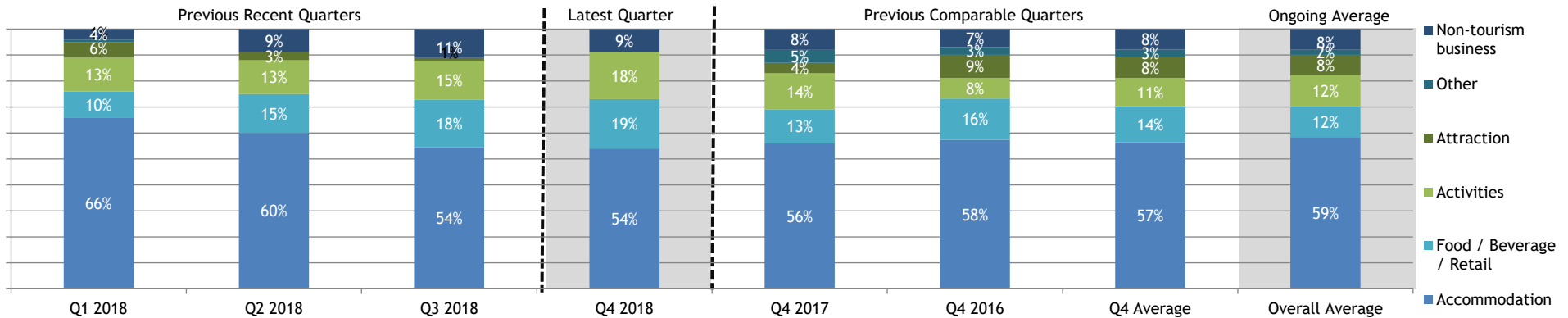
Mix of customers during quarter compared to LY and quarter AVG.

Area



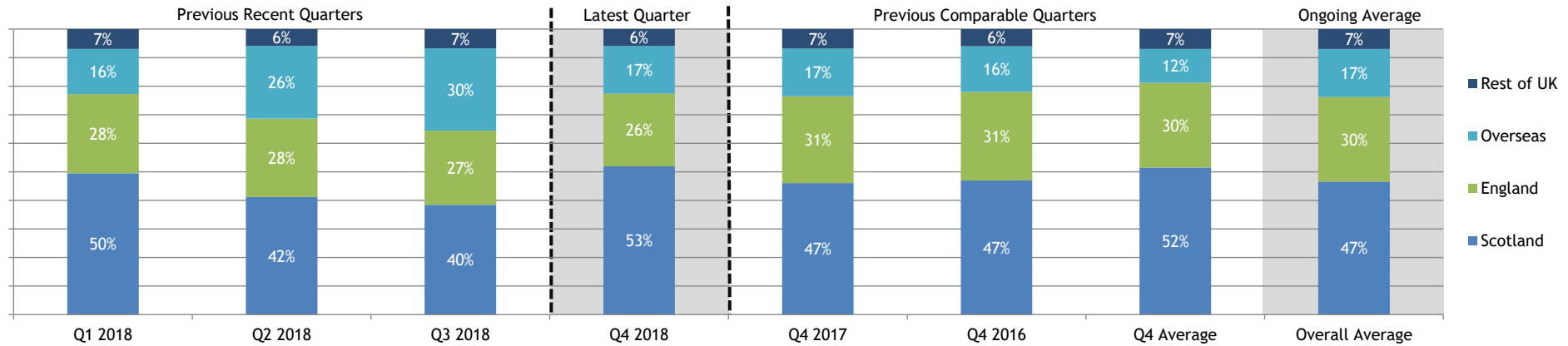
► The sample was comprised as follows this quarter: Badenoch & Strathspey businesses (67%), Royal Deeside (25%), Glenlivet (6%), Highland Perthshire (1%) and Angus Glens (0%).

Sector



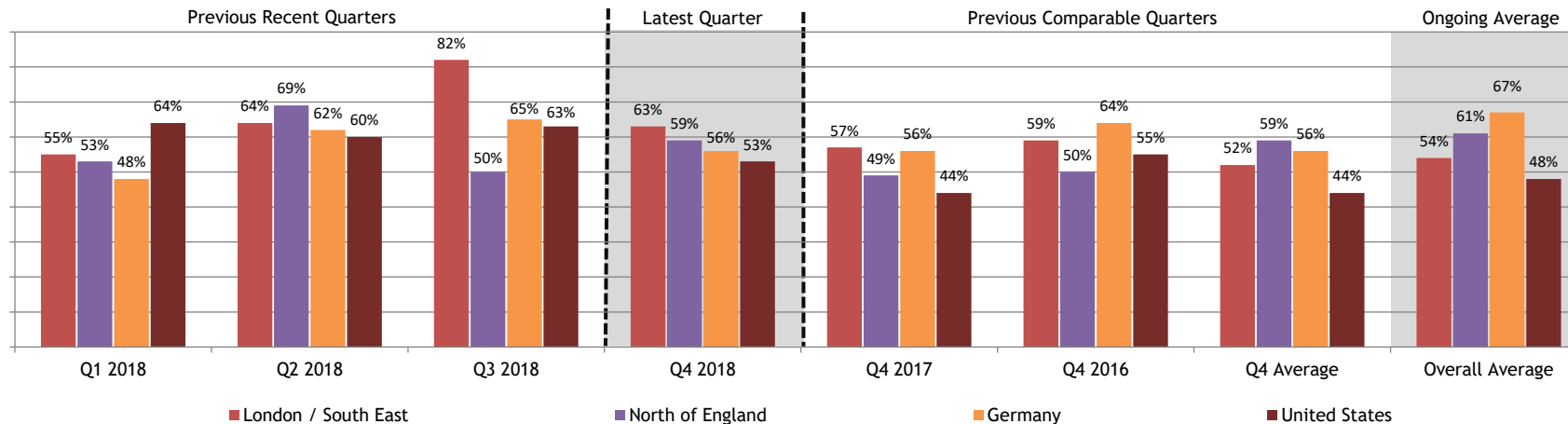
► In terms of business sector, the sample was made up as follows: Accommodation provider (54%), Food / Beverage / Retail business (19%), Activity operator (18%), Attraction (0%), Non tourism (9%), Other (0%).

Origin



- ▶ The mix of customers in the Park area during the quarter was as follows: Scotland customers (53% of all customers), visitors from England (26%), Overseas visitors (17%), and visitors from the rest of the UK (6%).
- ▶ The Scottish market continued to account for the largest share of visitors (53%). Overseas visitors made up 17% of customers during the quarter which was on par with recent Q4s and above the Q4 Average. Visitors from England accounted for 26% of the customer base which marked a reduction compared to recent Q4s and the Q4 Average.

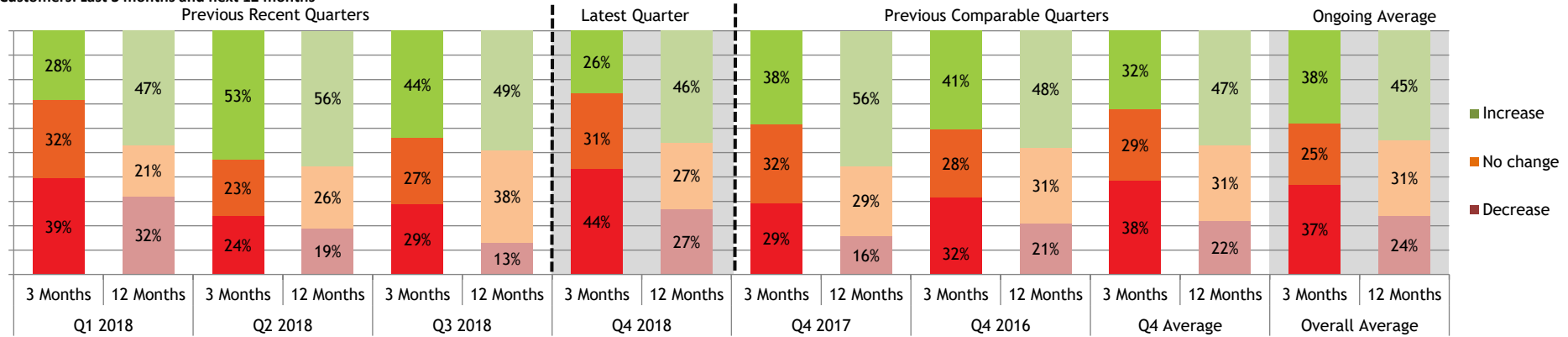
Origin - Top Source Markets England and Overseas



- ▶ The most common segment from England was visitors from London / South East (63% of businesses who engaged with visitors from England traded with customers from this area) followed by visitors from the North (59%). The proportion of visitors from London / South East was above recent Q4s and the Q4 Average.
- ▶ The German market was the most common segment from abroad (56%) in line with the Q4 average. The next most significant market was the United States which grew in comparison to the Q4 Average.

Business Levels

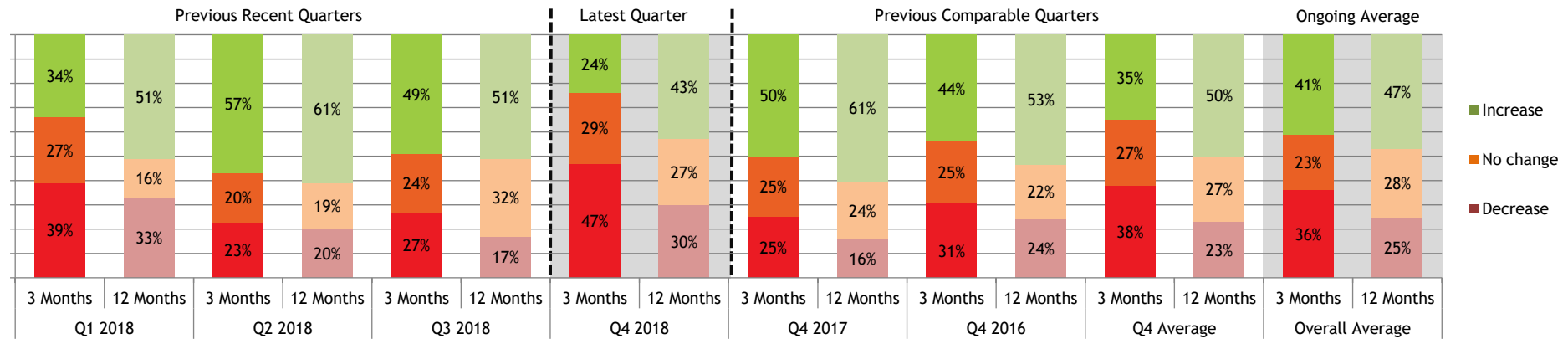
No. Of Customers: Last 3 months and next 12 months



- ▶ There was an overall decrease in customer numbers as more businesses decreased their customer numbers than increased (44% versus 26%). Customer number performance was, therefore, significantly reduced compared to recent Q4s, the Q4 Average and the Overall Average.
- ▶ 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 (46% versus 27%). However, the outlook recorded this quarter was less positive compared to recent Q4s, the Q4 Average and the Overall Average.

Business Levels

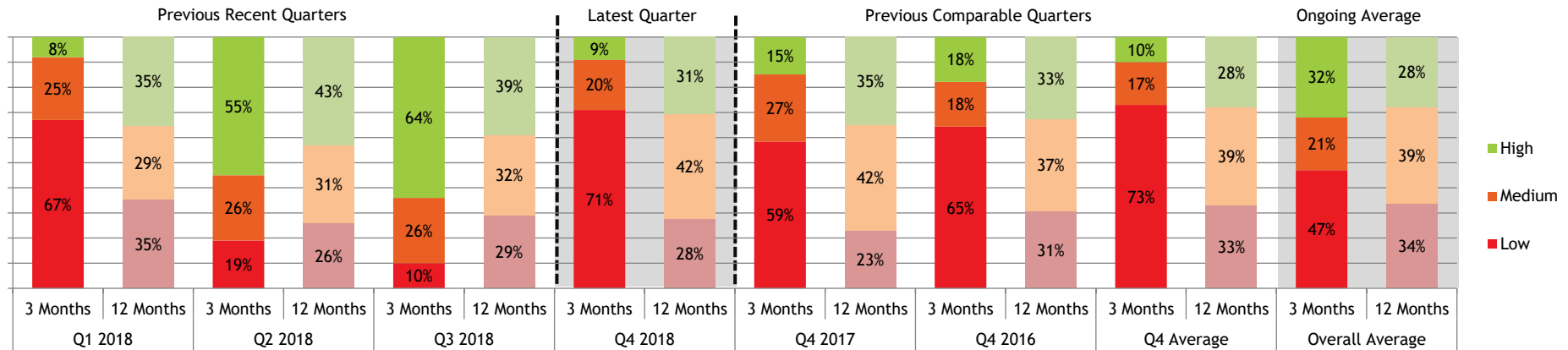
Turnover: Last 3 months and next 12 months



- ▶ Consistent with the customer number performance, there was an overall decrease in turnover this quarter as more businesses decreased their turnover than increased (47% versus 24%). These results constituted a marked decrease in turnover compared to recent Q4s, the Q4 Average and the Overall Average.
- ▶ An 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 (43% versus 30%). However, consistent with other findings, the results this quarter showed less optimism for future performance compared to recent Q4s, the Q4 Average and the Overall Average.

Business Levels

Accommodation Occupancy: Last 3 months and next 12 months

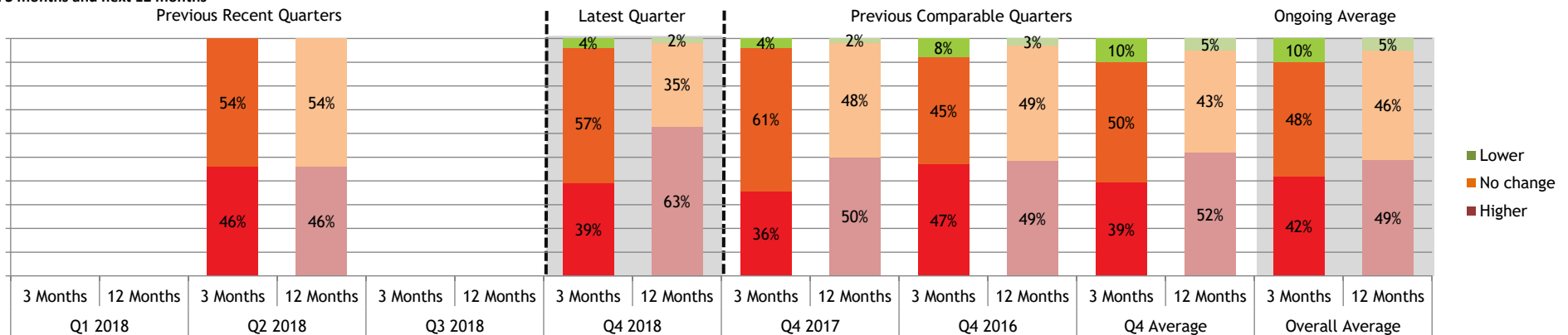


► 71% of accommodation providers recorded low occupancy of less than 50% whilst 9% achieved high occupancy of 70% or above during the quarter. These results were well below recent Q4s but were close to the Q4 Average.

► 28% of accommodation providers expected to achieve low occupancy of less than 50% for the year ahead whilst 31% expected to achieve high occupancy of 70% or above. As a result accommodation providers had lower expectations regarding future performance compared to Q4 2017. However, they had a more positive outlook compared to the Q4 and the Overall Averages.

Costs

Staff: Last 3 months and next 12 months

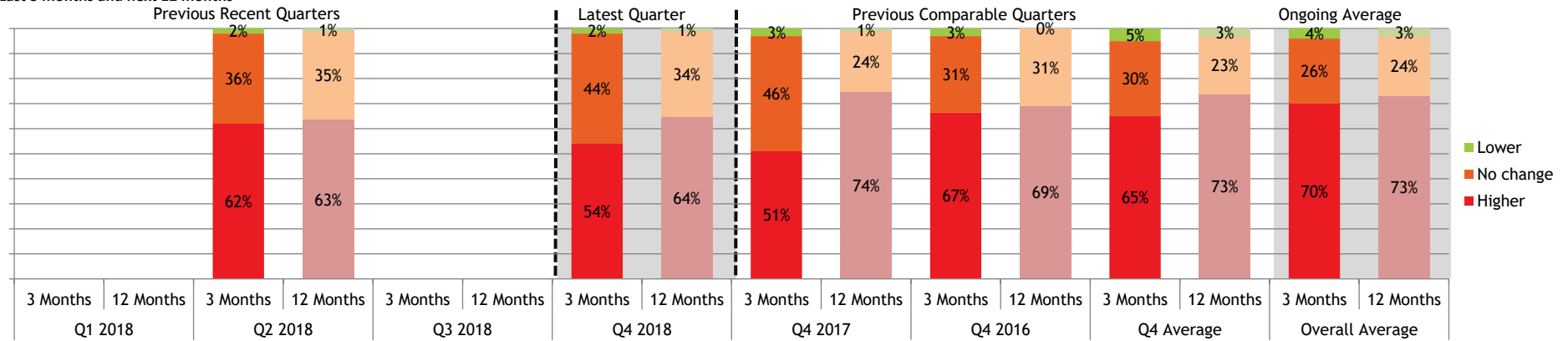


► Most businesses had no change in staff costs but 39% registered an increase whilst 4% recorded a decrease. Overall, therefore, there was a net increase in staff costs. The overall increase in staff costs was broadly on par with Q4 2017, the Q4 Average and the Overall Average.

► Staff costs are expected to increase for 63% of businesses in the year ahead whilst only 2% expected them to decrease. These results imply that staff costs are expected to rise more steeply compared to recent Q4 periods, the Q4 Average and the Overall Average.

Costs

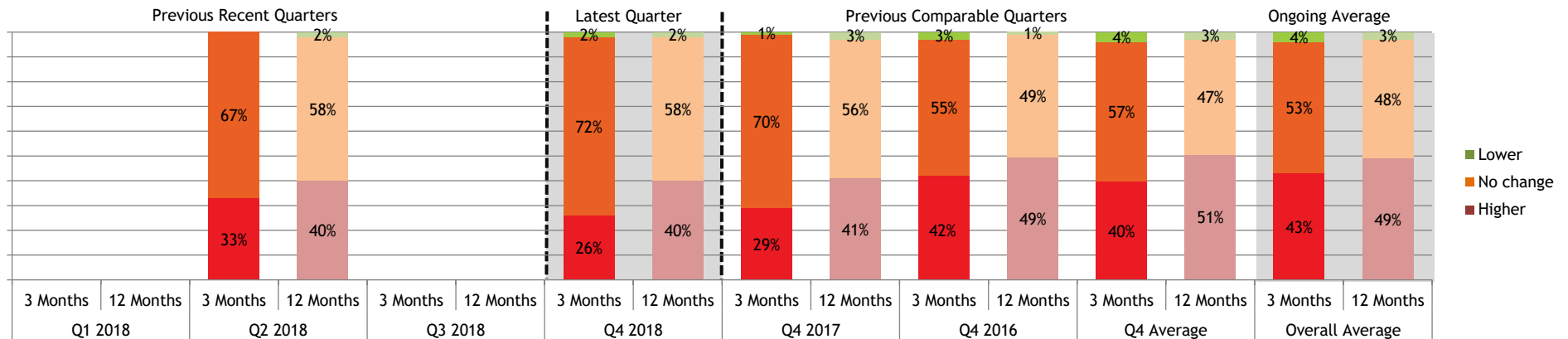
Supplier: Last 3 months and next 12 months



- ▶ An overall increase in supplier costs was evident as 54% of businesses indicated that these costs had increased compared to only 2% who said supplier costs had decreased. These results imply that supplier costs increased more compared to Q4 2017 but increased less compared to the Q4 Average and the Overall Average.
- ▶ Supplier costs were expected to increase for 64% of businesses in the year ahead compared to just 1% who expected a decrease. These results imply that businesses expect less steep increases in supplier costs compared to recent Q4s, the Q4 Average and the Overall Average.

Costs

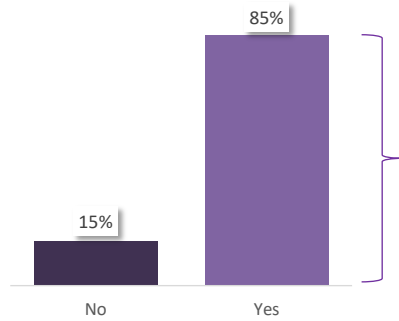
Administration: Last 3 months and next 12 months



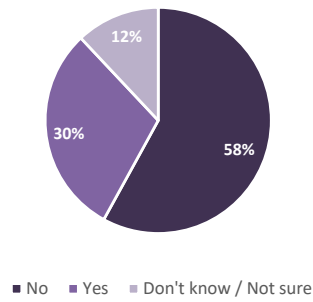
- ▶ The majority of businesses (72%) noted no change in admin costs. However, an overall increase was recorded as 26% stated that these costs had increased whilst 2% said these costs had decreased. These results imply that admin costs increased less steeply compared to recent Q4s, the Q4 Average and the Overall Average.
- ▶ Administration costs were expected to rise by 40% of businesses in the year ahead whilst only 2% expected a decline. These results imply that businesses expect admin costs to continue increasing but less steeply compared to the Q4 Average and Overall Average.

Quarterly Topical Questions:

Q: Are you aware of the Snow Roads initiative currently underway in the Cairngorms National Park?

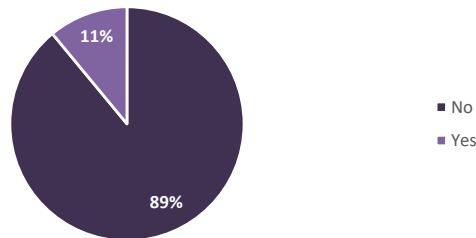


Q: Are you actively engaged in supporting the initiative?



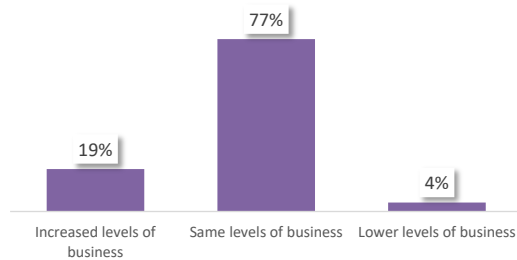
- The majority of local businesses are aware of the 'Snow Roads' initiative but only 30% of those aware are actively engaged in supporting it.

Q: Are you aware of any partnerships/collaborations or new products/offerings/services/start-ups as a result of the project?



- Of those businesses aware of the Snow Roads, 11% were aware of new businesses, products and/or services that had been started as a result of the initiative.

Q: What effect do you think the Snow Roads will have on your business?



- While most businesses (77%) believe there will be no change in business levels as a result of the Snow Roads initiative, 19% believe it will lead to increased levels of business.

Q: Please tell us how you are engaged with the Snow Roads project:

“ We have a listing (through CBP) on their website, we attended their presentation/info day at Marr Lodge which was great, follow on Instagram, Facebook and use their hashtag occasionally. We are on the printed Snow Roads map with a paying ad, and give hard copies of the maps out to our customers. ”

“ We are right on the snow road and we are very active in giving our customers information etc about the route. ”

“ We already had a "snow roads challenge" set up, and many bikers take part each year. ”

“ We have included a piece on it on our website and also this allows people to link to the snow roads website, we have also advised to download the app, we have leaflets in the accommodation and when guests arrive we actually ask how they arrived and how they plan to go back and encourage the use on their return journey if its not been done and they have the time. Many have loved it. ”

Q: Do you have any other thoughts or comments regarding the Snow Roads initiative?

“ I'd like more information and to understand if it will help my business. ”

“ We're not in favour of the 'snow roads' initiative; we live right beside the A939, and now have trouble justifying that we advertise 'quiet, peaceful holidays' as the road, particularly at weekends, has become something of a target for bikers and car groups, not to mention FIT travellers, and the noise is more or less constant during daylight hours. Barely a week passes in summertime without an accident on the A939 in our area, and it is no longer safe to walk along this road because of the volume of fast-moving traffic. In winter, too, we are now seeing an increase in vehicular traffic, very much of which is unsuited to the conditions and causes problems for essential users and rescue services, but at least does not affect our business. ”

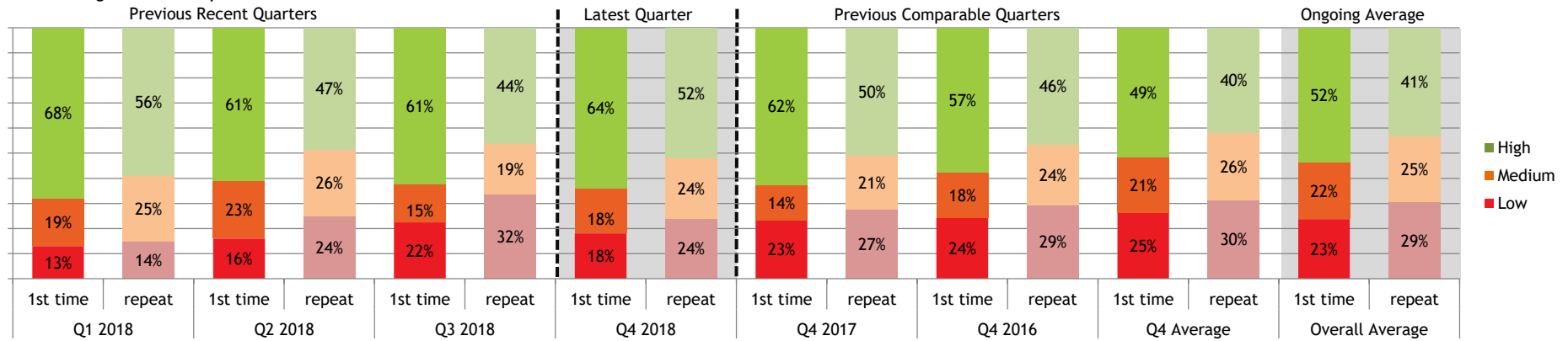
“ Think it was a clever idea and marketing, all being well it should start to have the interest as the North Coast 500 has succeeded in doing. ”

“ I don't consider it has much impact on our business in Kingussie. ”

“ I do not think it is a good idea as witness the problems associated with the NC500 associated with the high winter passes in the Cairngorms. ”

Influences

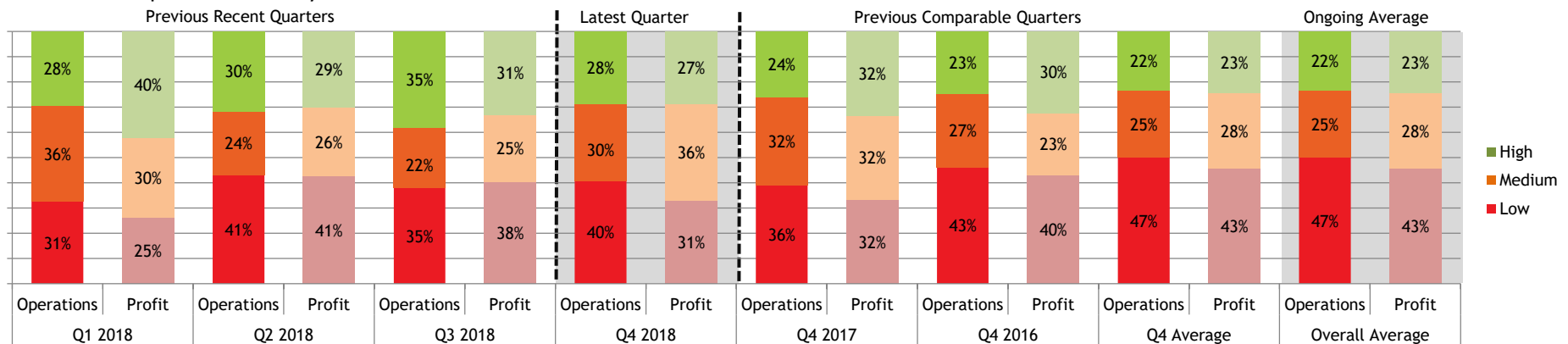
Influence of CNP - Attracting First time & Repeat Customers



- ▶ 64% 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 18% 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 above Q4 2017 as well as the Q4 Average and the Overall Average.
- ▶ 52% 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 above Q4 2017 as well as the Q4 Average and Overall Average.

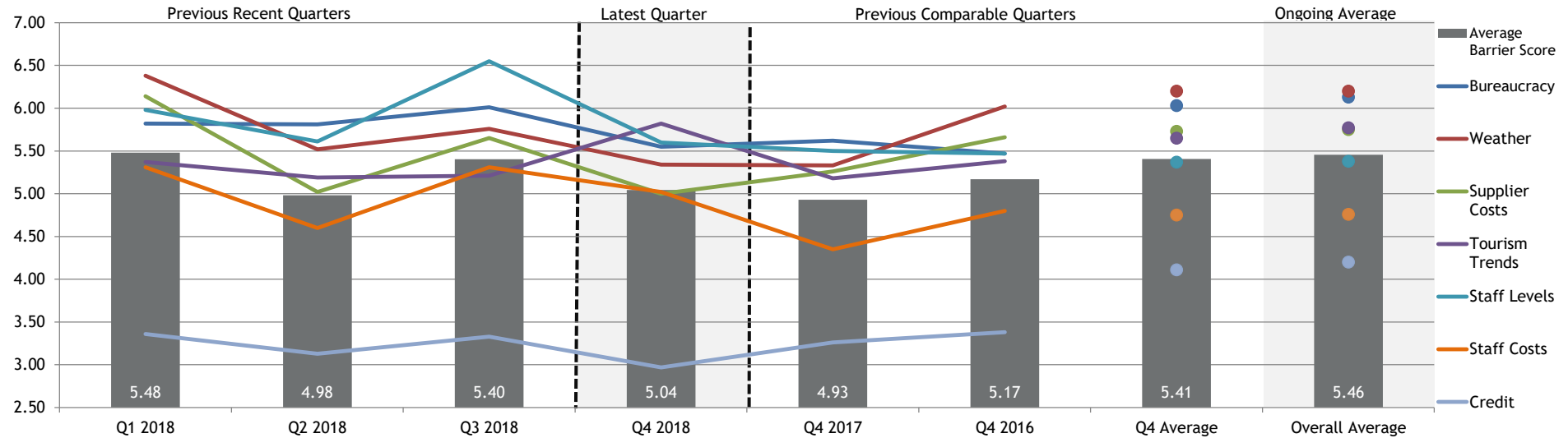
Influences

Influence of CNP - On Business Operations & Profitability



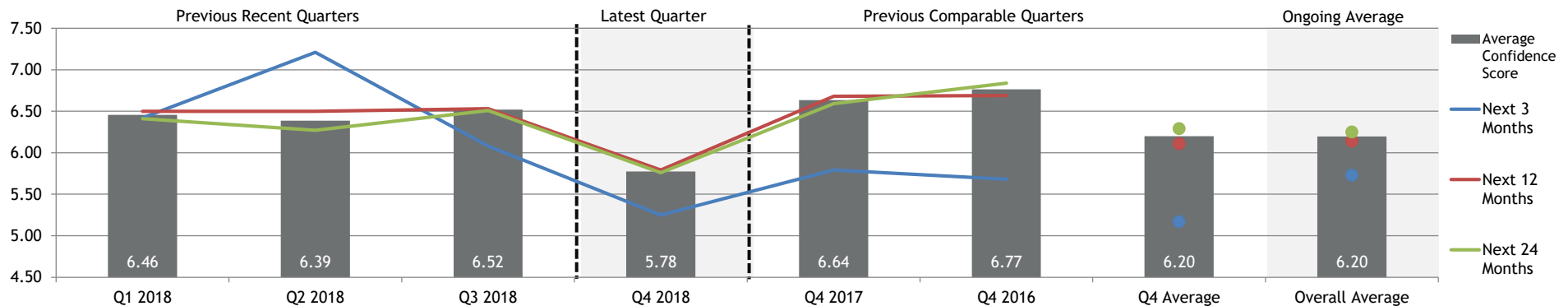
- ▶ 28% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) on their business operations whilst 40% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence on business operations was above recent Q4s as well as the Q4 and the Overall Averages.
- ▶ 27% 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 31% 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 lower compared to recent Q4s but was above the Q4 and the Overall Averages.

Barriers



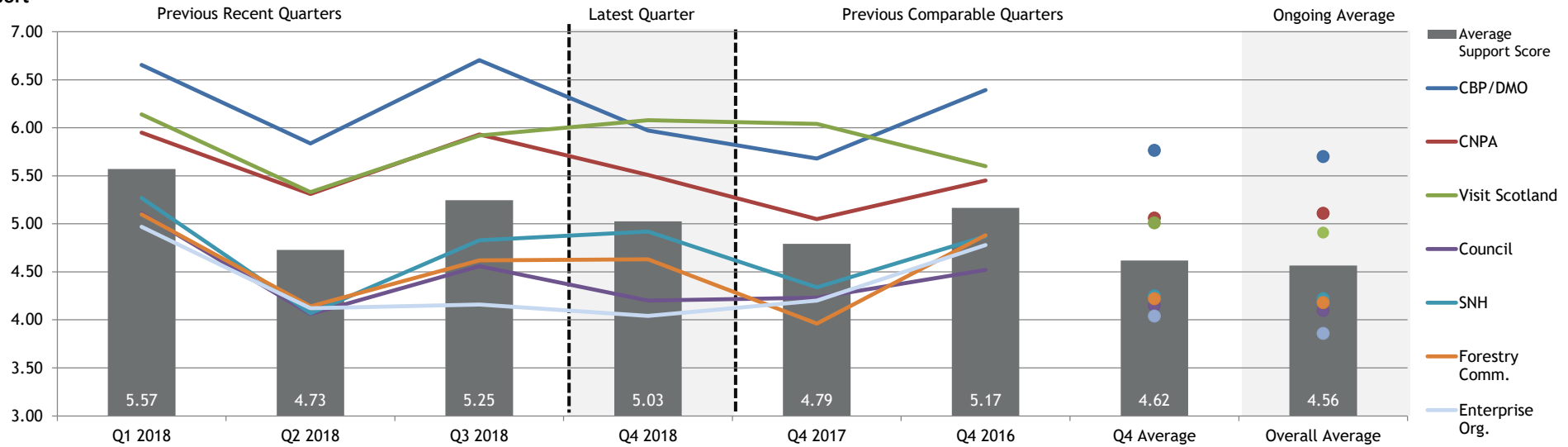
- ▶ The average barrier to growth score this quarter was 5.04 out of 10 which was slightly higher than Q4 2017 but below the Q4 Average and the Overall Average.
- ▶ Tourism trends (5.82), staff levels (5.60) and bureaucracy (5.55) were perceived to be the most significant barriers to growth this quarter.
- ▶ The barrier which recorded the steepest increase from last quarter was tourism trends which increased from 5.21 in Q3 2018 to 5.82 in Q4 2018. Meanwhile, the barrier which increased the the most from last year was staff costs which increased from 4.35 in Q4 2017 to 5.02 in Q4 2018.

Business Confidence



- ▶ Short term confidence (next 3 months) was rated at 5.25 out of 10 which was lower than Q4 2017 and the Overall Average but above the Q4 Average of (5.17).
- ▶ Medium term confidence (next 12 months) was rated at 5.79 out of 10 which was below the recent Q4s, the Q4 Average and the Overall Average.
- ▶ Long term confidence (next 24 months) was rated at 5.76 out of 10 which was the lowest level recorded so far this year, and was lower than recent Q4s as well as the Q4 and Overall Averages.
- ▶ The Average Confidence Score - factoring in the medium and long term view - was 5.78 which is again the lowest level recorded this year and was below the Q4 and Overall Averages.

Support



- ▶ The overall level of support / contribution provided by organisations was rated at 5.03 which was well above Q4 2017 and much higher than the Q4 and Overall Averages.
- ▶ The contribution / support provided by CBP / DMO (5.97) was rated behind VisitScotland for the first time since Q4 2017 whilst Enterprise Organisations (4.04) continued to be rated the lowest.
- ▶ The organisation which recorded the largest change in perception from last quarter was CBP/DMO as scores decreased from 6.70 in Q3 2018 to 5.97 in Q4 2018. The organisation which recorded the largest change compared to last year was the Forestry Commission which increased from 3.96 in Q4 2017 to 4.63 in Q4 2018.