

Cairngorms Business Barometer | Quarter 4 (October to December) | 2020



99
PARTICIPANTS
Q4 2020

KEY

VS LAST YEAR (LY)

Higher*

Same

Lower

DASHBOARD SUMMARY

With the new national lockdown introduced by the UK and Scottish Governments at the end of December last year, businesses in the Cairngorms National Park area continued to highlight downward trends in Q4 2020 as they recorded significant reductions in customers and turnover compared to Q3 2020, recent Q4s and the Q4 and Overall averages.

Moreover, businesses continued to express low levels of optimism in the short and medium terms. These scores fell below previously recorded levels, except those of Q1 2020 when confidence was dashed due to the first national lockdown. Reflective of the low levels of optimism for the short and medium term businesses expected performance to continue to drop in the year ahead. Additionally, an overall decrease in profitability was expected in Q4 2021 compared to the levels recorded in Q4 2019. The results recorded in Q4 2020 constituted a less optimistic outlook compared to the previous quarter.

Businesses expressed moderate support towards the assistance provided by the Scottish and UK Governments during the crisis. With another dip in performance compared to the previous quarter, the overall level of confidence to survive the crisis noted a further decrease.

However, as the vaccination delivery programme continues, members were more confident about the long term. Long term confidence was broadly on par with last quarter and the Q4 and Overall averages.

Reflective of the new restrictions and uncertainty linked to the end of the Brexit transition period, tourism trends remained the most prominent barrier to growth recording the steepest increase from the previous quarter.

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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BUSINESS LEVELS

	TURNOVER		CUSTOMERS	
	Last 3 months	Next 12 months	Last 3 months	Next 12 months
Q4 20	▼ -82%	▼ -43%	▼ -78%	▼ -38%
Q4 19	-2%	23%	-5%	24%
QTR AVG	-11%	19%	-13%	20%

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

CAIRNGORMS BUSINESS PARTNERSHIP COMMENTARY

Q4 2020 was a very challenging quarter for the visitor economy in the Cairngorms. The tier system meant that most businesses were allowed to trade, so could not access grant funding, even though our core markets of the central belt and the rest of the UK were not allowed to travel here. This was reflected in the numbers with 88% of businesses reporting a decrease in turnover for the quarter compared to the historic average of 40%.

The importance of the National Park brand in attracting first time visitors has grown significantly with 72% of businesses stating that the Park had a high level of influence compared to the historic average of 54%. These results perhaps reflect people's desire to find space in the countryside when they were allowed to travel.

Given the trading conditions in Q4, it is not surprising to see short and medium term confidence decline again, whilst confidence in the longer term held firm.

The topical questions clearly demonstrate the very real and significant challenges many businesses face, many still fall through gaps in funding support. 53% of businesses stated they are likely to reduce or further reduce staff numbers in the coming months.

The CBP will continue to press for the issues highlighted above to be resolved, both directly and through Scottish Chambers of Commerce.

BUSINESS CONFIDENCE

NEXT X MONTHS:

	3	12	24
Q4 20	▼ 2.59	▼ 4.58	▼ 6.24
Q4 19	5.25	6.30	6.48
QTR AVG	4.95	5.98	6.30

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

BARRIERS TO GROWTH

	SUPPLIER	ADMINISTRATION	TOURISM TRENDS	AVG
Q4 20	◆ 7.04	◆ 6.77	● 5.28	5.29
Q4 19	5.99	6.19	5.78	5.39
QTR AVG	5.80	6.10	5.70	5.40

Tourism Trends, Bureaucracy, Supplier Costs

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

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

COSTS

	Q4 2020	Q4 2019	QTR AVG	
SUPPLIER				
LAST 3 MONTHS	● -22%	44%	52%	
NEXT 12 MONTHS	● 33%	61%	66%	
ADMINISTRATION				
LAST 3 MONTHS	● -1%	19%	31%	
NEXT 12 MONTHS	● 31%	39%	46%	
STAFF				
LAST 3 MONTHS	● -31%	8%	22%	
NEXT 12 MONTHS	● 9%	38%	43%	

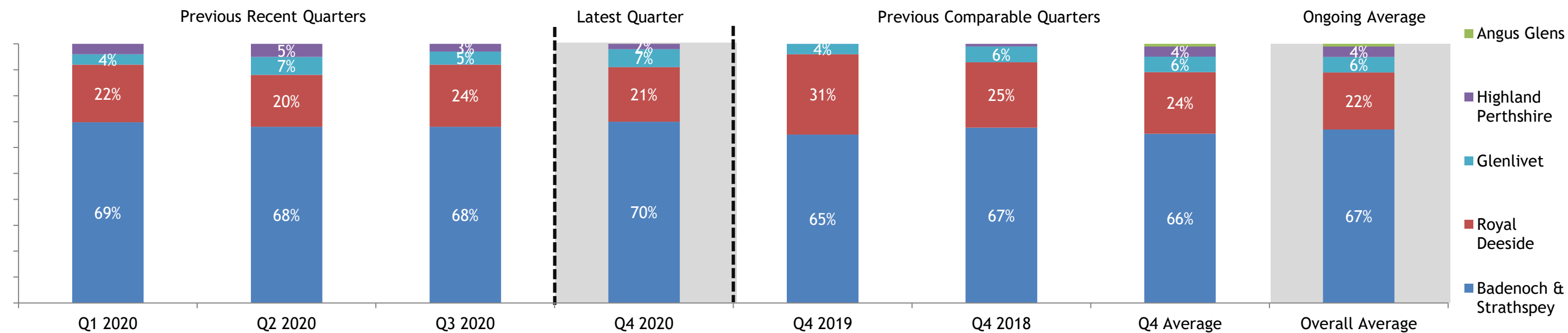
Net cost changes in last 3 months and in next 12 months compared to LY and quarter average

ORIGIN OF VISITORS

	SCOTLAND	ENGLAND	OVERSEAS
Q4 20	▲ 72%	▼ 23%	▼ 1%
Q4 19	51%	27%	20%
QTR AVG	54%	29%	12%

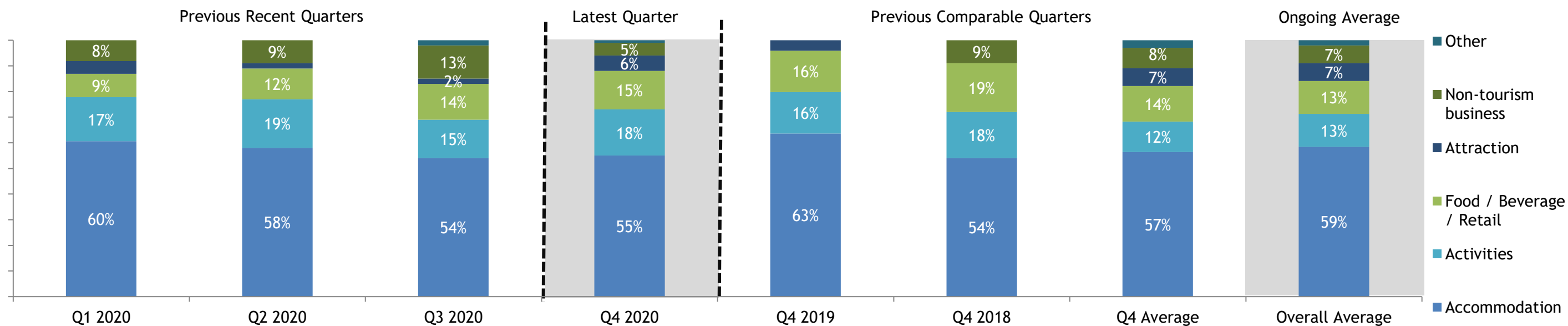
Mix of customers during quarter compared to last year and quarter AVG.

Area



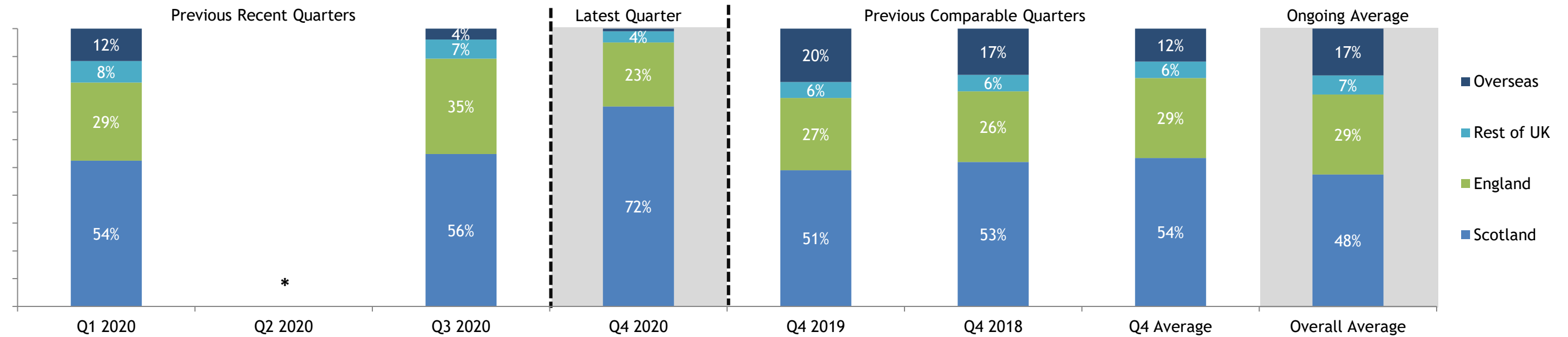
► The sample was comprised as follows this quarter: Badenoch & Strathspey businesses (70%), Royal Deeside (21%), Glenlivet (7%), and Highland Perthshire (2%).

Sector



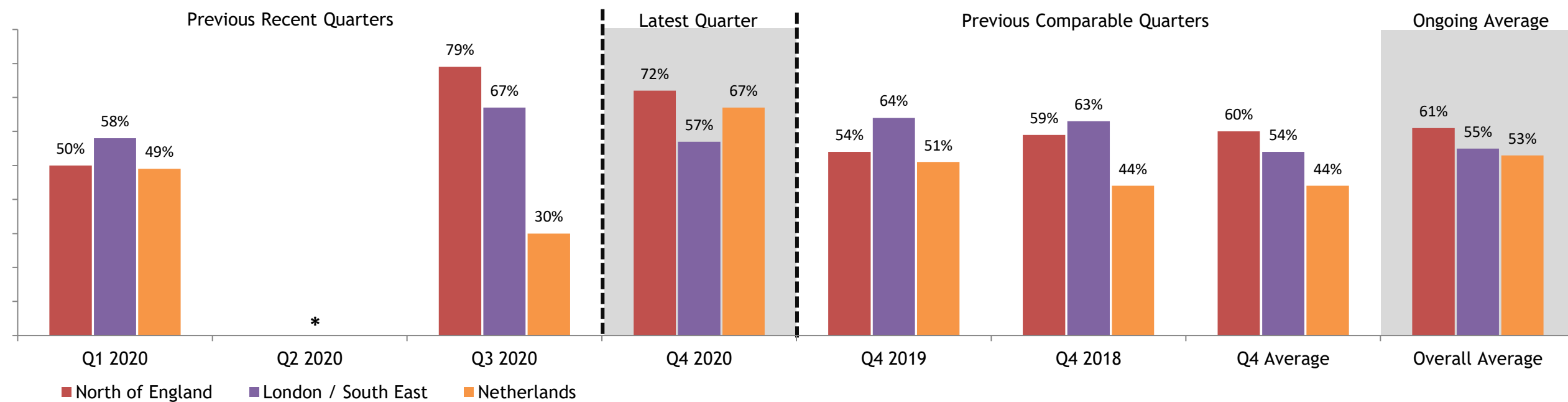
► In terms of business sector, the sample was made up as follows: Accommodation provider (55%), Activity operator (18%), Food / Beverage / Retail business (15%), Attraction (6%) and Non-tourism business (5%).

Origin



- The mix of customers in the Park area during the quarter was as follows: Scotland customers (72% of all customers), visitors from England (23%), visitors from the rest of the UK (4%) and overseas visitors (1%).
- As in previous quarters, the Scottish market continued to account for the largest share of visitors (72%). Their representation was significantly higher compared to recent Q4s and the Q4 and Overall averages. In contrast, a noteworthy decrease was evident among visitors from England (23%) and, even more so, overseas (1%) compared to recent Q4s and the Q4 and Overall averages.

Origin - Top Source Markets England and Overseas

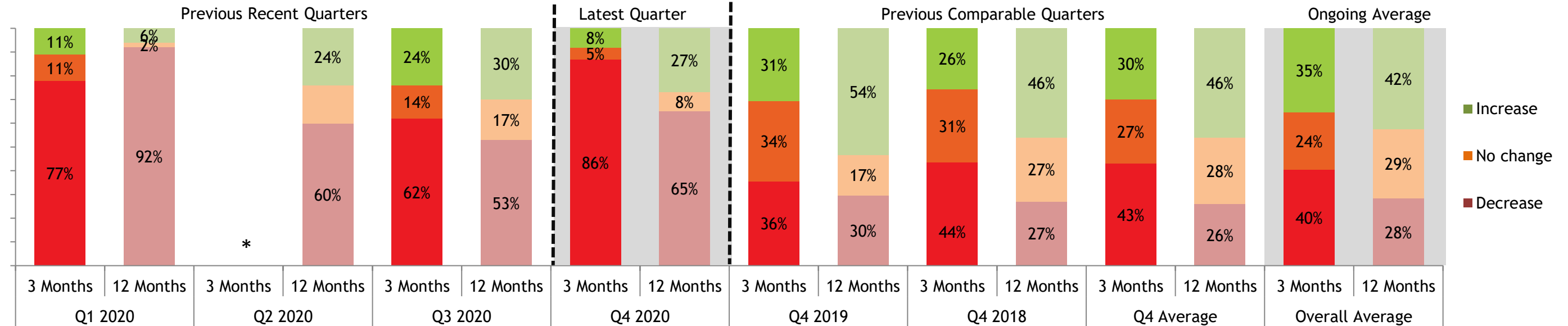


- The most common segment from England was visitors from the North of England (72% of businesses who engaged with visitors from England traded with customers from this area) followed by visitors from London/South East (57%). Albeit below the previous quarter, the proportion of visitors from the North of England was much higher compared to recent Q4s and the Q4 and Overall averages.
- The Dutch market was the most common segment. However, as mentioned above, it is important to note that the proportion of overseas visitors was extremely low in Q4 2020.

* Due to Covid-19, the Cairngorms National Park area saw an unprecedented number of businesses temporarily close their doors starting in March of 2020. Therefore for the Q2 2020 survey, STR and CBP made the decision to temporarily exclude these questions from the research.

Business Levels

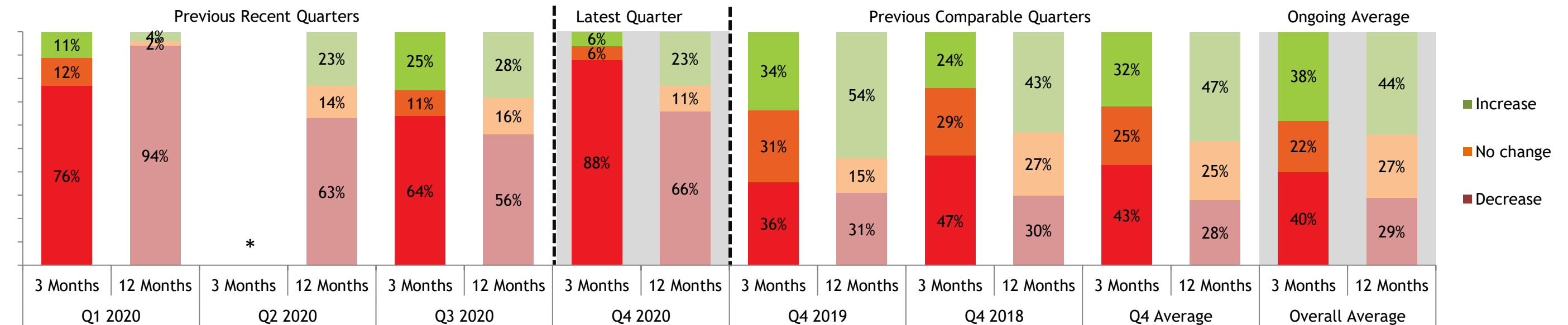
No. Of Customers: Last 3 months and next 12 months



- There was an overall decrease in customers as more businesses decreased their customer numbers than increased (86% versus 8%). Customer number performance was well below recent Q4s as well as the Q4 and Overall averages. Furthermore, customer numbers performance was below the levels recorded in the previous quarter.
- An overall decrease in customers was expected in the year ahead as significantly more businesses (65%) expected to decrease customer numbers than increase (27%) from their current level in the next 12 months. This signified a much more negative outlook compared to recent Q4s and the Q4 and Overall averages. Moreover, businesses showed lower levels of optimism for performance in the next 12 months compared to the previous quarter.

Business Levels

Turnover: Last 3 months and next 12 months

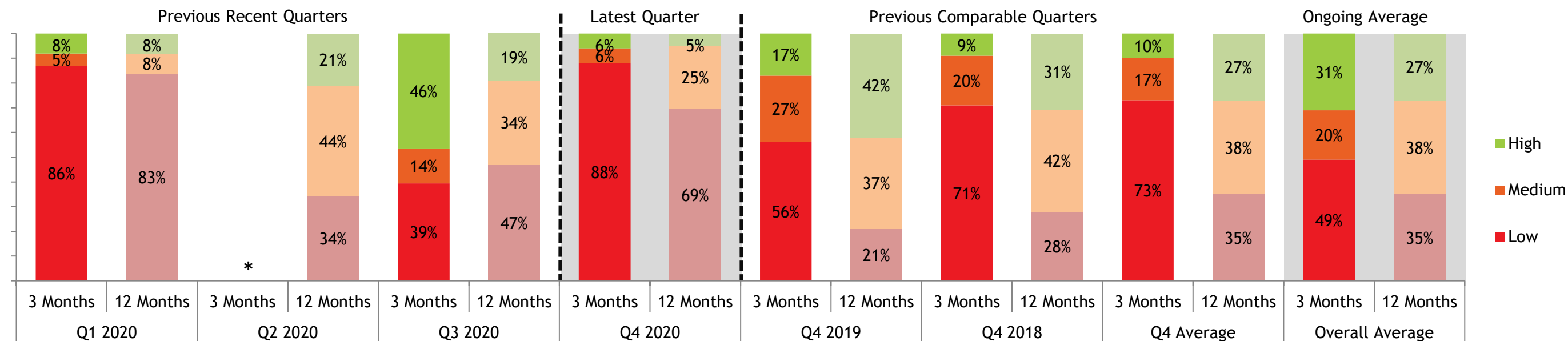


- There was an overall reduction in turnover this quarter as more businesses decreased their turnover than increased (88% versus 6%). This drop in turnover was much larger than recent Q4s and the Q4 and Overall averages. Turnover performance was also well below the levels recorded in Q3 2020.
- An overall decrease in turnover was expected in the year ahead as significantly more businesses (66%) expected to decrease their turnover than increase (23%) from the current level in the next 12 months. Similar to above, these results constituted a much more negative outlook compared to recent Q4s and the Q4 and Overall averages. Consistent with other findings, these results were also a more pessimistic assessment compared to the previous quarter.

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Business Levels

Accommodation Occupancy: Last 3 months and next 12 months

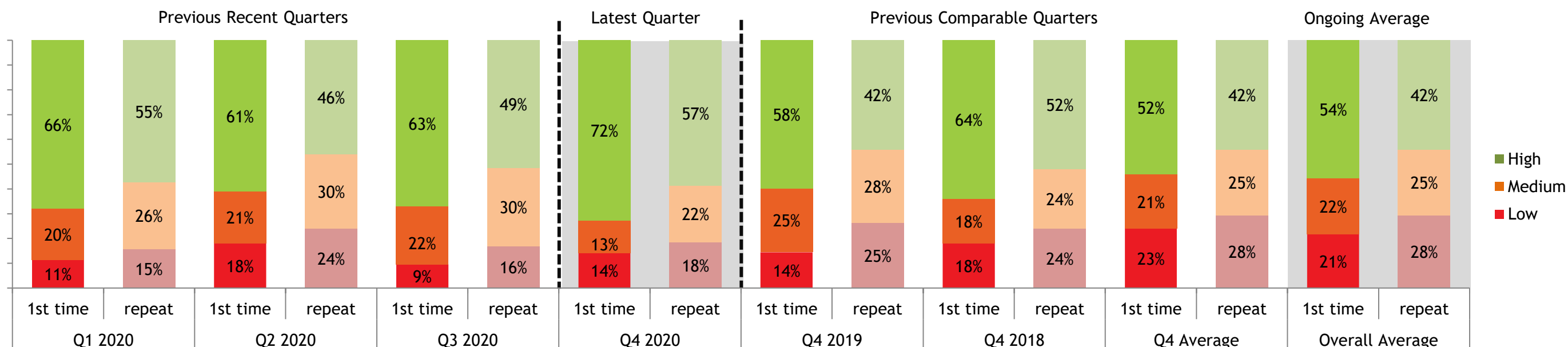


► 88% of accommodation providers recorded low occupancy of less than 50% whilst 6% achieved high occupancy of 70% or above during the quarter. These results were on par with the Q1 2020 performance and were well below recent Q4s and the Q4 and Overall averages.

► 69% of accommodation providers expected to achieve low occupancy of less than 50% for the year ahead whilst only 5% expected to achieve high occupancy of 70% or above. Accommodation providers demonstrated weaker expectations regarding future performance compared to recent quarters (Q2 and Q3 2020) as well as recent Q4s and the Q4 and Overall averages. However, they were more optimistic about their future performance compared to Q1 2020.

Influences

Influence of CNP - Attracting First time & Repeat Customers



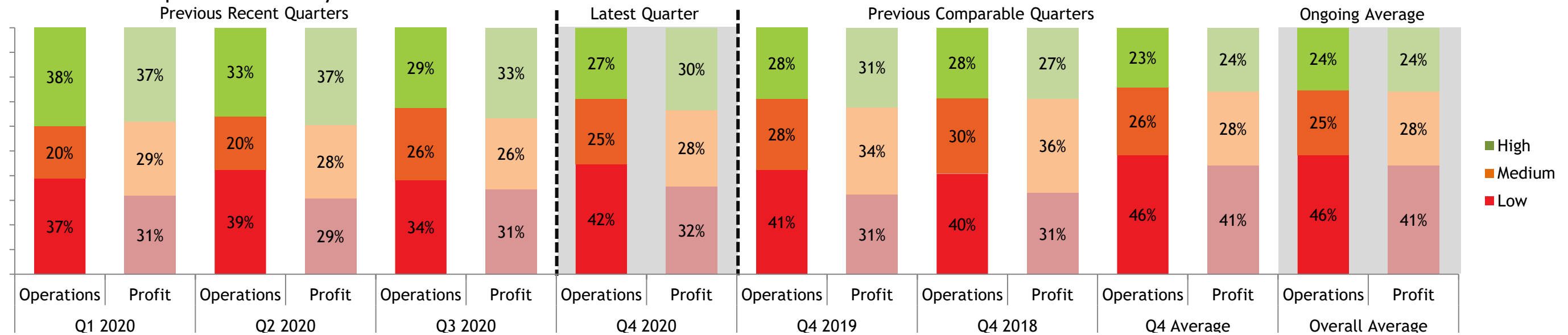
► 72% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) in attracting first time customers whilst 14% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence in attracting first time customers was above recent Q4s and the Q4 and Overall averages.

► 57% 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 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 repeat customers was above recent Q4s and the Q4 and Overall averages.

* Due to Covid-19, the Cairngorms National Park area saw an unprecedented number of businesses temporarily close their doors starting in March of 2020. Therefore for the Q2 2020 survey, STR and CBP made the decision to temporarily exclude this question from the research.

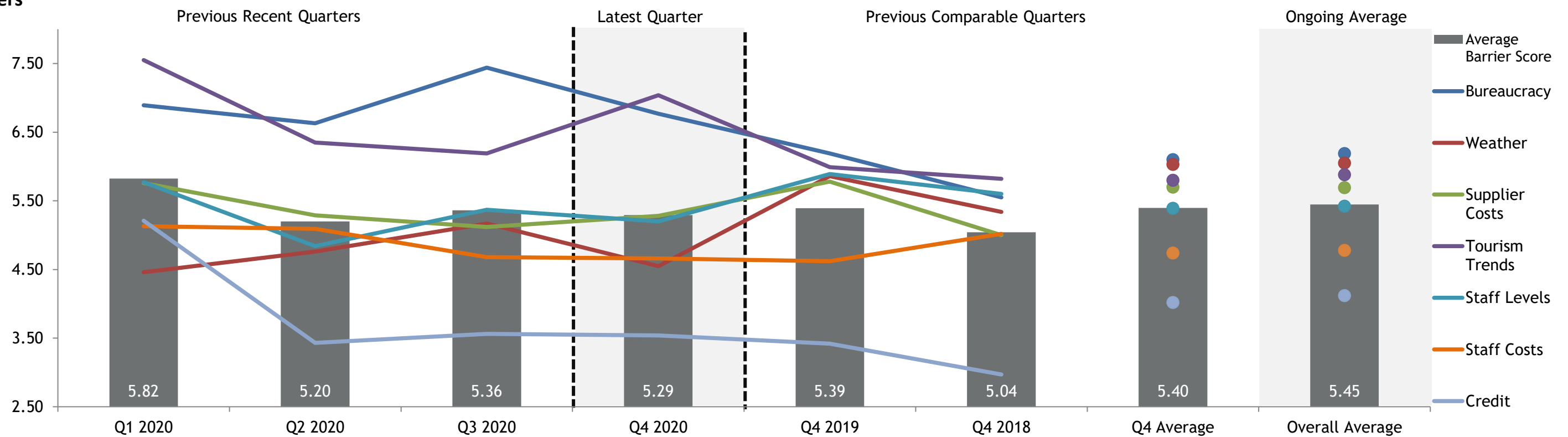
Influences

Influence of CNP - On Business Operations & Profitability



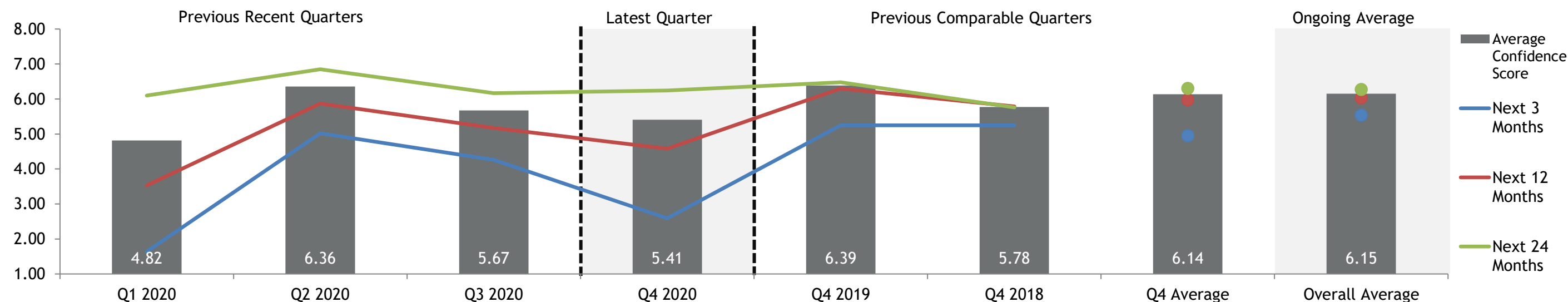
- 27% of businesses stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) on their business operations whilst 42% stated it had a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence on business operations was below recent quarters, on par with Q4 2019 and slightly above the Q4 and Overall averages.
- 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 profitability whilst 32% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). Whilst below recent quarters and Q4 2019, the overall level of influence on profitability was above Q4 2018 and the Q4 and Overall averages.

Barriers



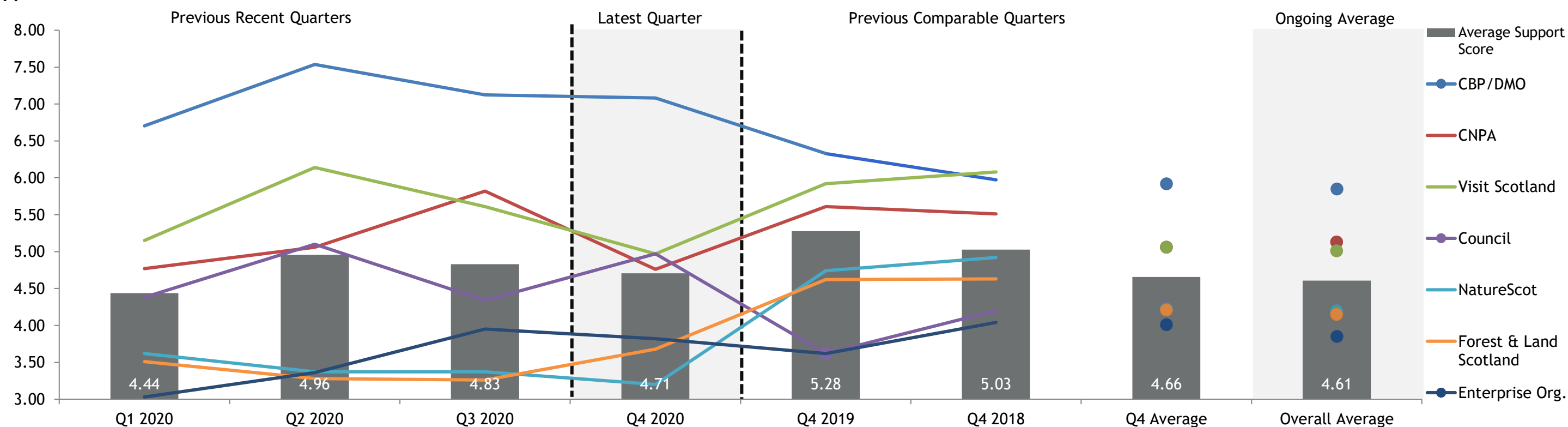
- The average barrier to growth score this quarter was 5.29 out of 10 which was below the same quarter last year and the Q4 and Overall Averages.
- Tourism trends (7.04), bureaucracy (6.77) and, less so, supplier costs (5.28) were perceived to be the three most significant barriers to growth.
- The barriers which recorded the steepest increase from last quarter were tourism trends going up from 6.19 in Q3 2020 to 7.04 in Q4 2020. This barrier also saw the steepest increase from Q4 2019.
- As expected, challenges and concerns relating to the Covid-19 outbreak were also cited as prominent barriers to growth during the quarter, although they are not evaluated in the above analysis.

Business Confidence



- Short term confidence (next 3 months) was rated at 2.59 out of 10 which was well below recent Q4s and the Q4 and Overall averages. Furthermore, businesses demonstrated much less optimism in the short term compared to recent quarters (Q2 and Q3 2020).
- Medium term confidence (next 12 months) was rated at 4.58 out of 10 which was well below recent Q4s as well as the Q4 and Overall averages. Albeit above Q1 2020, it was also below Q2 and Q3 2020.
- Long term confidence (next 24 months) was rated at 6.24 out of 10 which signifies a significantly more positive outlook compared to the short and medium term confidence levels. It was broadly on par with Q3 2020 and the Q4 and Overall averages, but below Q4 2019.
- As a result, the Average Confidence Score - factoring in the medium and long term view - was 5.41 which was well below recent Q4s and the Q4 and Overall averages. Whilst higher compared to Q1 2020, it was below Q2 and, less so, Q3 2020 levels.

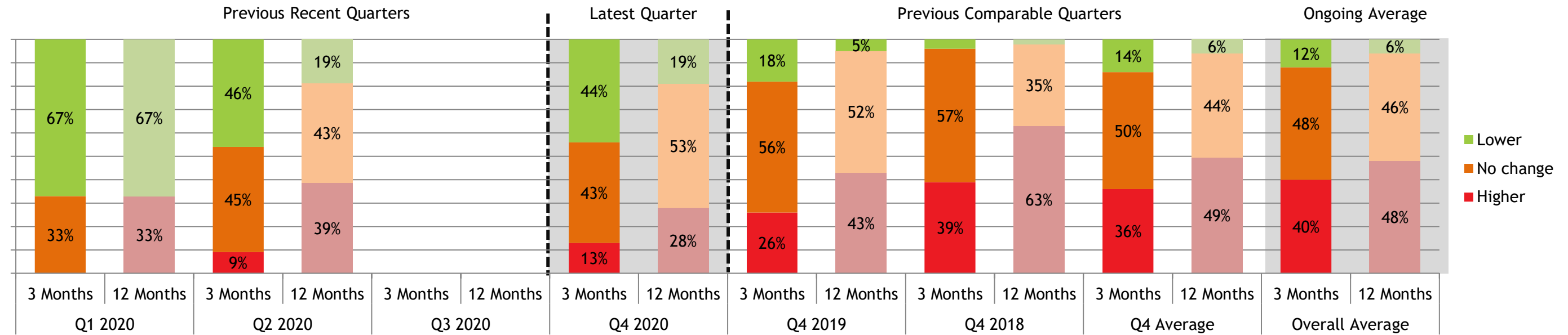
Support



- The overall level of support / contribution provided by organisations was rated at 4.71 which was lower than recent Q4s but above the Overall average.
- The contribution / support provided by CBP/DMO (7.08) was rated most positively. Whilst the organisation recording the least positive perception was NatureScot (formerly Scottish Natural Heritage) (3.20).
- The organisation which recorded the largest positive change in perception from Q3 2020 was the Council as scores increased from 4.34 in Q3 2020 to 4.97 in Q4 2020. The support provided by the Council also noted the highest increase compared to the same quarter last year.
- The organisation which recorded the largest negative change in perception from Q3 2020 was the CNPA as scores decreased from 5.82 in Q3 2020 to 4.76 in Q4 2020.

Costs - Staff

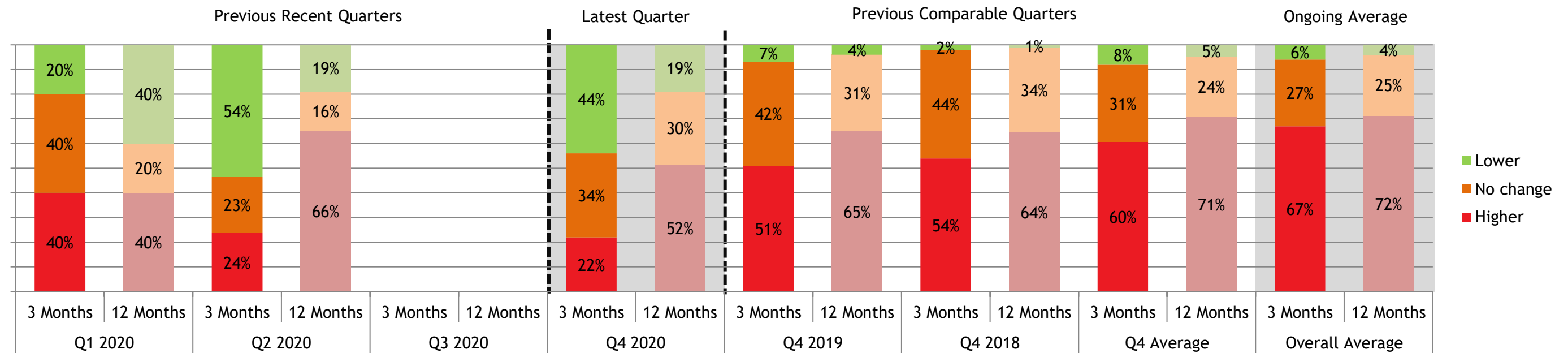
Staff: Last 3 months and next 12 months



- 44% of businesses registered a decrease in staff costs whilst 13% recorded an increase. The overall net change in staff costs was positive. This is a reflection of staff being furloughed and a large proportion of businesses not trading or operating at reduced capacity during the quarter.
- Staff costs are expected to increase for 28% of businesses in the year ahead whilst 19% expected them to decrease. These results imply that staff costs are expected to rise less steeply compared to recent Q4 periods and the Q4 and Overall averages.

Costs - Supplier

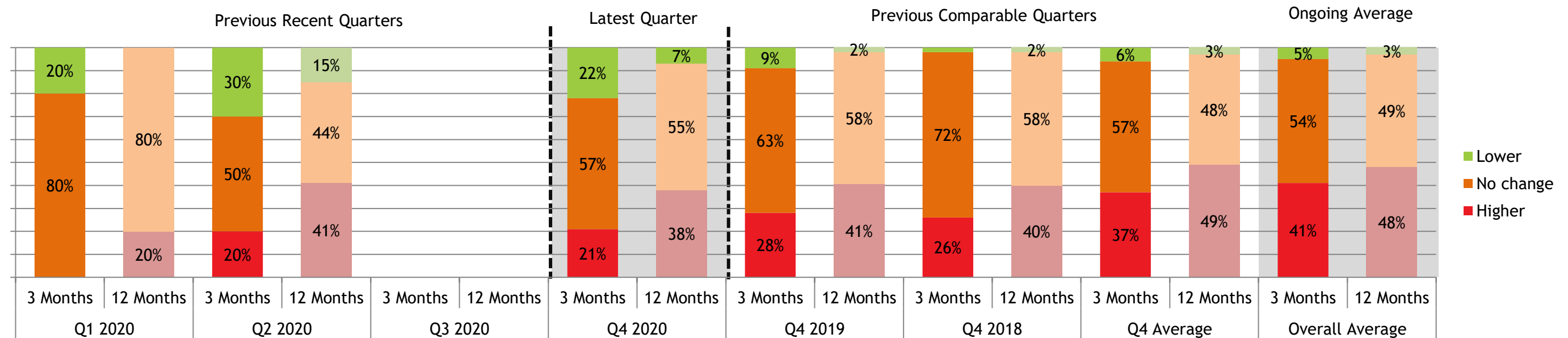
Supplier: Last 3 months and next 12 months



- An overall decrease in supplier costs was evident as 44% of businesses indicated that these costs had decreased compared to 22% who said supplier costs had increased. As was the case for staff costs, due to a large proportion of businesses not trading or operating at reduced capacity, overall supplier costs decreased.
- Staff costs are expected to increase for 52% of businesses in the year ahead whilst 19% expected them to decrease. These results imply that staff costs are expected to rise less steeply compared to recent Q4 periods as well as the Q4 and Overall averages.

Costs - Administration

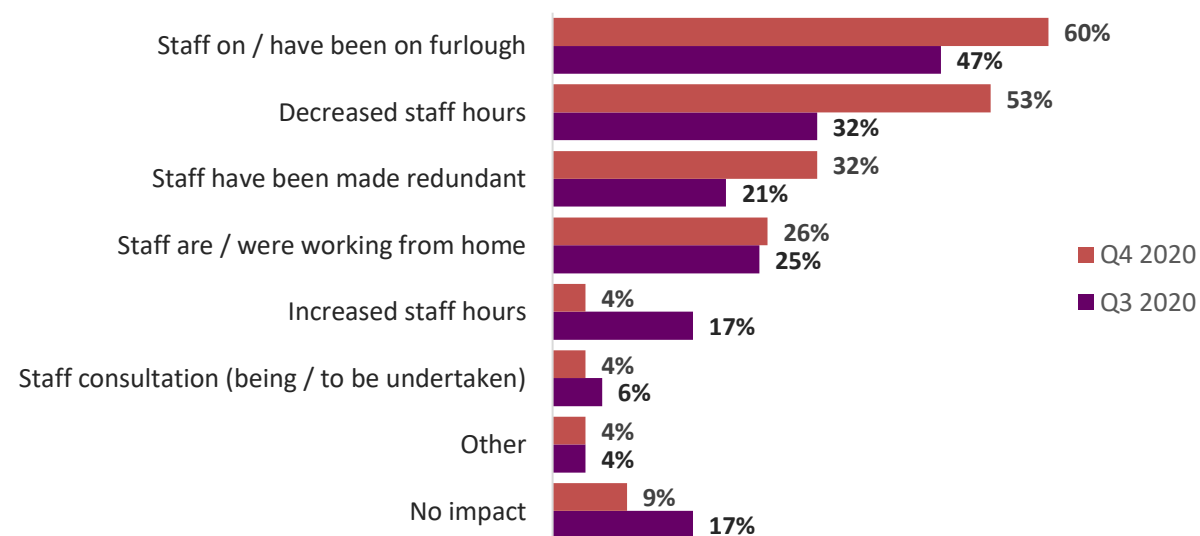
Administration: Last 3 months and next 12 months



- 22% of businesses registered a decrease in administration costs whilst 21% recorded an increase. As a result, the overall administration costs did not change.
- Administration costs were expected to rise in the year ahead by 38% of businesses whilst 7% expected a decline. These results imply that businesses expect administration costs to increase less steeply than the Q4 and Overall Averages.

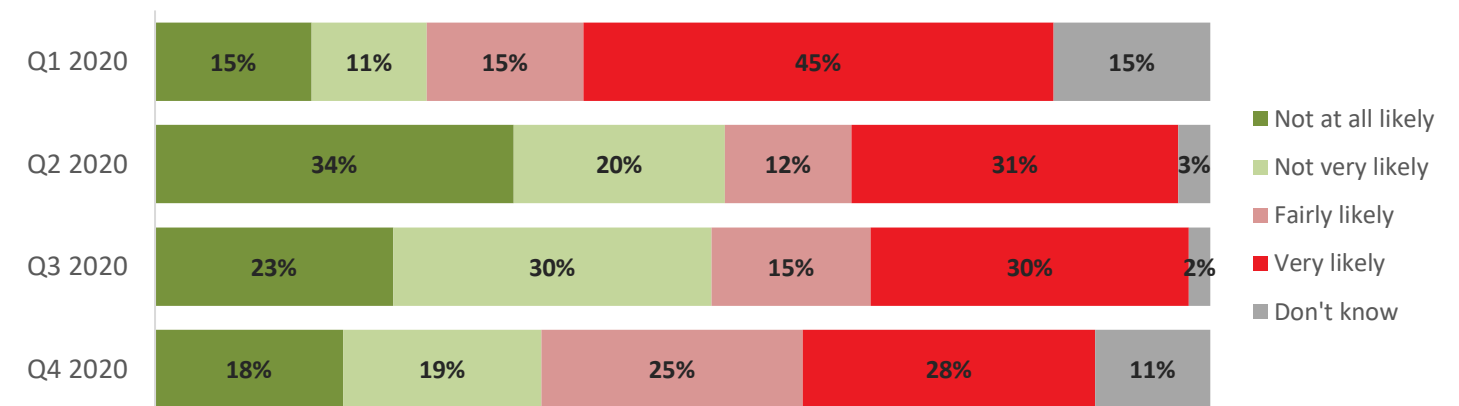
Quarterly Topical Questions:

Q: How has the crisis impacted on your employees and staffing levels?



- A higher proportion of businesses that employ staff claimed that the crisis has had an impact on their employees and staffing levels (83% in Q3 2020 compared to 91% in Q4 2020).
- Businesses were significantly more likely to furlough staff (60%), reduce staff hours (53%) or make staff redundant (32%) compared to the previous quarter. They were also less likely to increase staff hours.

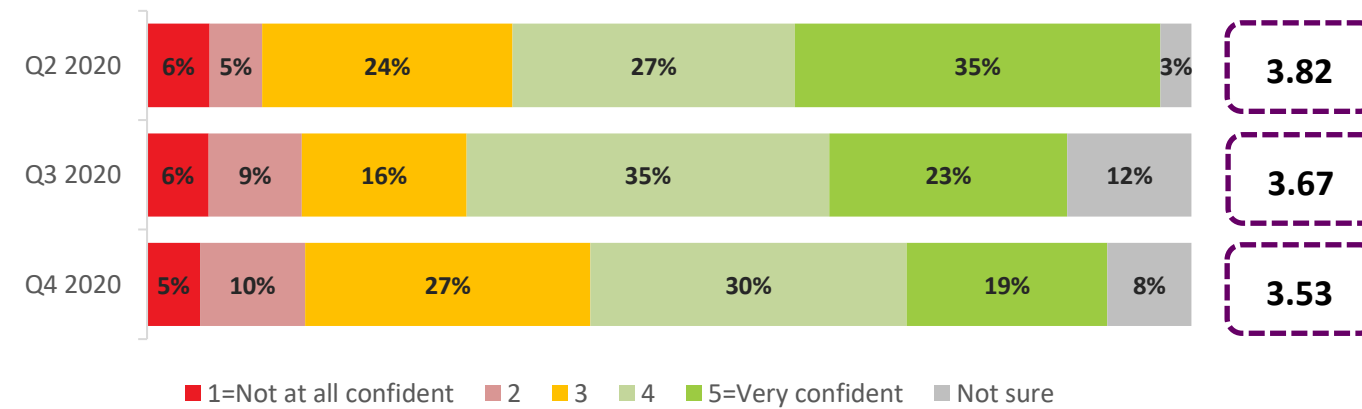
Q: How likely is it that you will have to reduce staff numbers from normal levels in the coming months?



- A higher proportion of businesses (53%) stated that they are likely to reduce or further reduce staff numbers in the coming months compared to Q2 and Q3 2020 (43% and 45%, respectively).
- However, the proportion of businesses that stated that they are 'very likely' to do so was on par with recent quarters (28% in Q4 2020 compared to 30% in Q3 2020 and 31% in Q2 2020).
- Furthermore, when compared to Q1 2020, businesses demonstrated a more positive outlook.

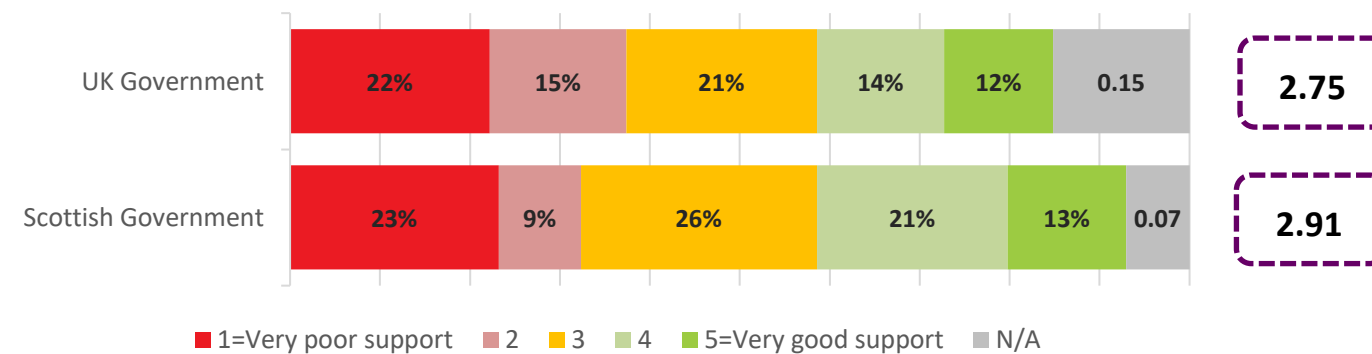
Quarterly Topical Questions:

Q: How confident are you of your business surviving the crisis?



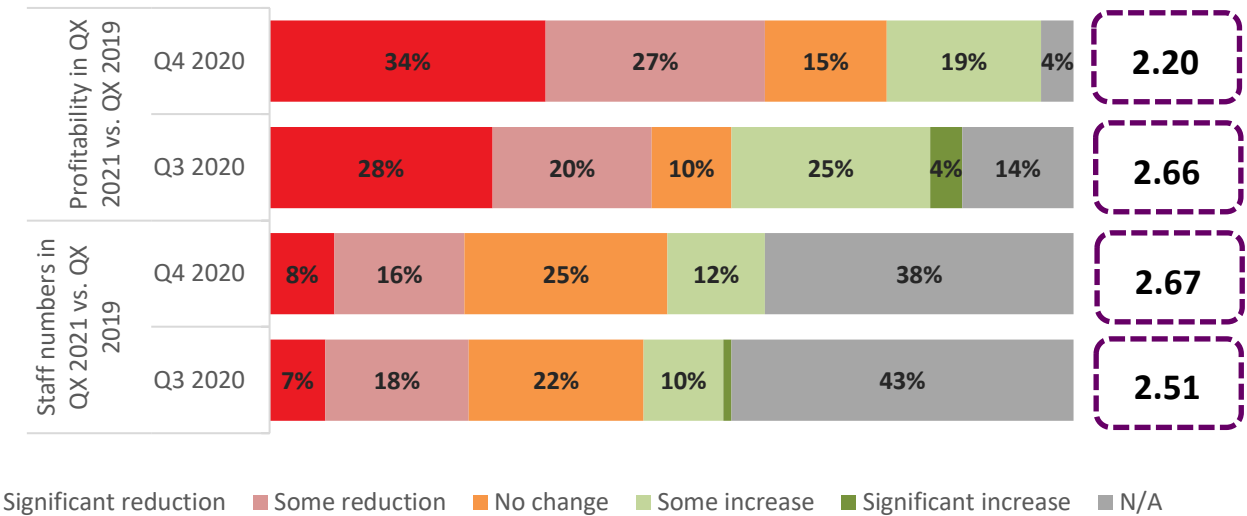
- The level of confidence to survive the crisis among businesses in the Cairngorms National Park area remained moderately healthy with 76% of businesses stating a positive or neutral level of confidence.
- However, when compared to the two previous quarters, overall confidence to survive the crisis decreased even further in Q4 2020.
- Furthermore, the proportion of business that were "very confident" to survive the crisis decreased compared to the two previous quarters.

Q: Please rate the overall level of support that governments have provided to your business during the crisis.



- The overall level of support provided by Scottish Government during the crisis was rated more positively than the support provided by UK Government.
- Overall, businesses expressed a neutral point of view regarding the support provided by Scottish Government and a slightly negative sentiment towards the support provided by UK Government.

Q: When thinking about levels in QX 2019 (i.e. pre COVID-19), how do you anticipate your business will change in terms of likely staff numbers you will have and profitability you will achieve next year in QX 2021?*



- An overall decrease in staff numbers and profitability was expected in Q4 2021 (October to December 2021) as more businesses expect to decrease their staff numbers (24%) and profitability (61%) from Q4 2019 (i.e. pre COVID-19) than increase (12% and 19%, respectively).
- Businesses demonstrated less optimism regarding their future profitability compared to the previous quarter. Meanwhile, staff number expectations were slightly more positive compared to those recorded in Q3 2020.

* The results are based on the following rating scale: (1) = Significant reduction, (2) = Some reduction, (3) = No change, (4) = Some increase, (5) = Significant increase