

# **Tourism South East Business Confidence Monitor**

## **2008 Overview & Impact of the Economic Downturn**

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### **About the Business Confidence Monitor**

As part of our mission to provide an authentic voice for the industry across the South East region, Tourism South East established a quarterly business confidence monitor in December 2003. The questionnaire is very simple, asking businesses (both members and non-members) about performance, expectations for the forthcoming year and factors affecting business performance.

The monitor covers all areas within the region except Kent (Visit Kent conduct their own business barometer, the results of which are fed into the TSE monitor). All sectors of the industry are also covered: serviced accommodation, self-catering, caravanning and camping, visitor attractions, leisure/sport, travel and transport, retail etc.

Around 250 businesses currently participate in the survey providing a comparative assessment of business performance within the region.

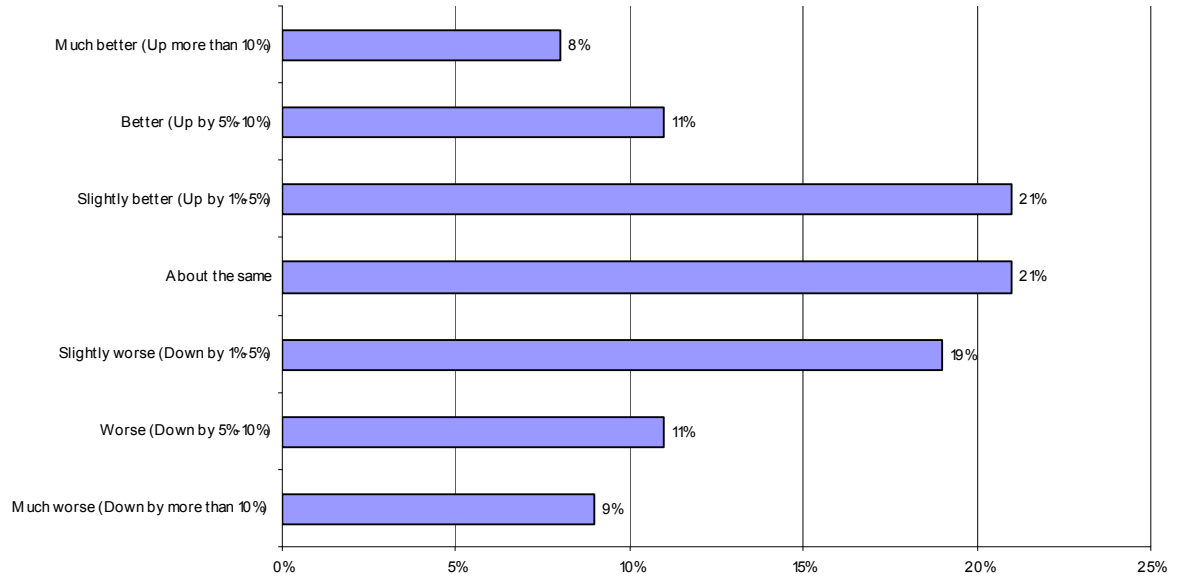
### **Business Confidence Monitor - January to December 2008**

A total of 245 businesses took part in the most recent tourism business confidence monitor (October to December 2008), providing an insight into business performance for 2008 and expectations for 2009. Of the businesses that participated, 32% were serviced accommodation providers, 24% were non-serviced accommodation providers and a further 38% were visitor attractions (10% Free and 28% Charged). The remainder comprised of retail, leisure, food and drink, travel and transport and 'other' tourism service providers.

**Business Performance for 2008**

Forty percent of businesses reported their level of performance to be better for the whole of 2008, compared with 2007. A further 39% reported worse overall performance while the remaining 21% were at the same level. This was worse than the snapshot taken 12 months ago, when 52% of businesses reported better overall performance and 20% of businesses reported worse overall performance.

**Figure 1: Business confidence compared to year before**



The proportion of businesses reporting worse overall performance in all regions saw considerable increases. In particular Surrey (46%), Kent (36%) and Hampshire (31%) all reported the highest increases of 22, 11 and 10 percentage points respectively.

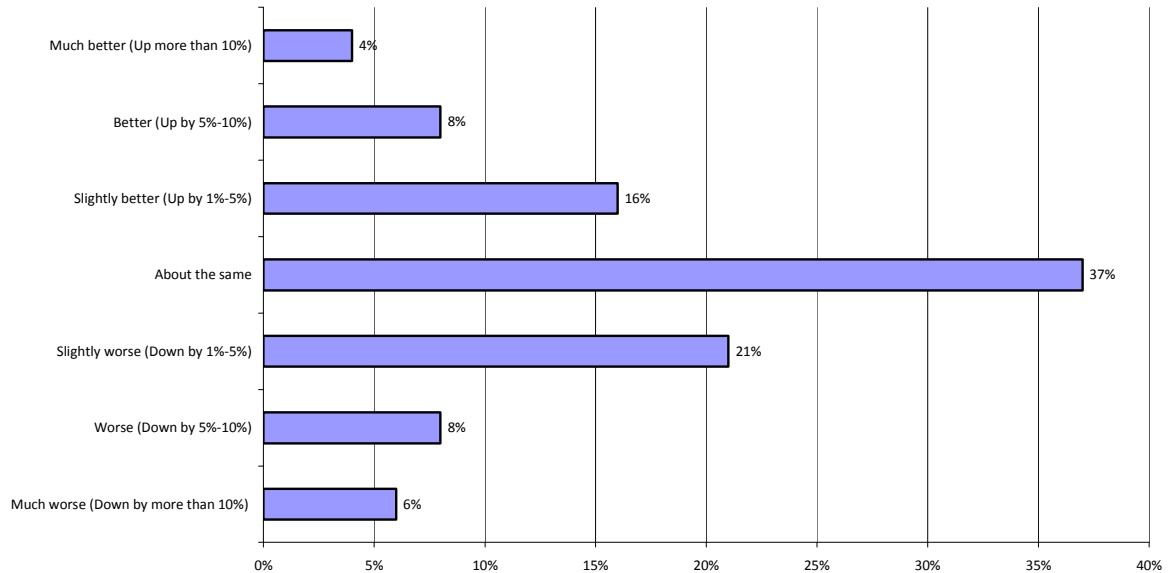
Although businesses in rural locations (up 3 percentage points from previous quarter to 45%) reported a slightly better performance for the whole of 2008 compared with 2007, the number of businesses that reported a worse overall performance in all three locations increased compared to the previous quarter.

Free visitor attractions (up 13 percentage points), self catering (up 11 percentage points) and B&B (up 4 percentage points) businesses all reported a slightly more positive performance, with all three sectors reporting increases in better overall performance. Despite this, all sectors except self catering (down 3 percentage points to 30%) also saw increases in the number of businesses reporting worse overall performance.

### **Business Confidence for 2009**

As shown in Figure 2, only 28% of businesses expect their performance for the coming year to be better overall compared with 2008. Thirty seven per cent anticipate their performance to be the same, while a further 35% expect their performance to be worse overall. This was worse than the snapshot taken 12 months ago when 50% of businesses expected better overall performance and only 14% of businesses expected worse overall performance.

**Figure 2: Expectations on performance for following year**



Rural (29%), coastal (37%) and urban (19%) businesses appear particularly negative about their expectations for 2009, with the proportion expecting better overall performance down 12, 11 and 22 percentage points respectively on the previous quarter.

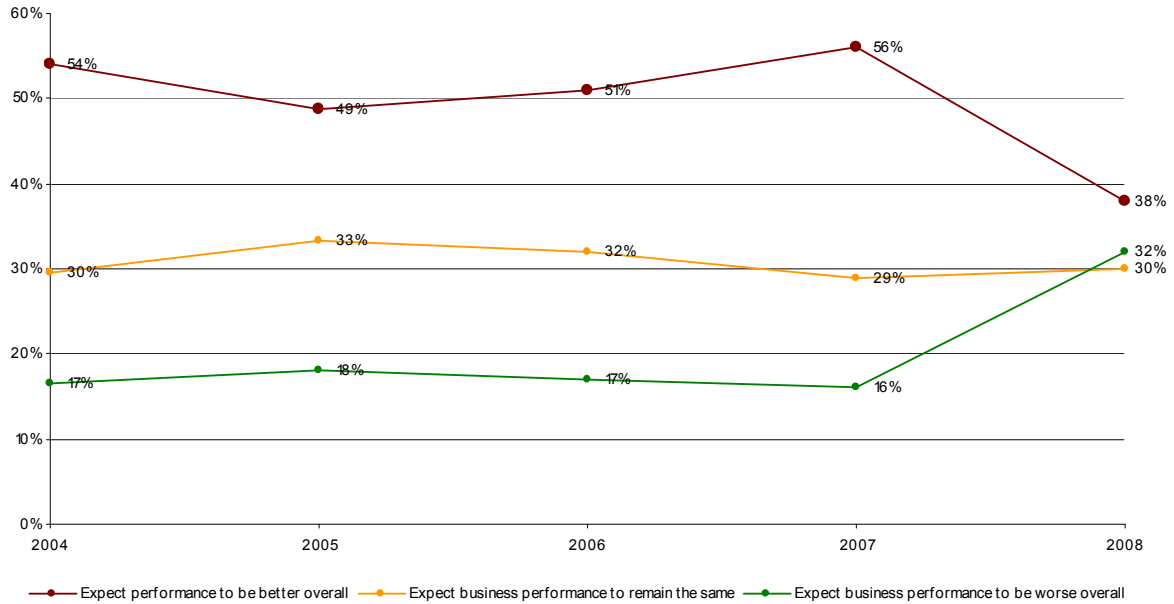
With the exception of Kent (31% expect better overall performance compared with 20% last quarter) and West Sussex (32% expect better overall performance compared with 27% last quarter), all other sub regions saw considerable declines. In particular, the proportion of businesses expecting a better overall performance in Hampshire (down 21 percentage points to 29%), BBO (down 19 percentage points), IOW (down 15 percentage points) and Surrey (down 11 percentage points) have seen significant changes.

Results split by business type indicate that the proportion expecting a worse overall performance in 2009 has increased considerably compared with the previous quarter. In particular, 70% of hotels (up 25 percentage points) and 'other' tourism businesses (up 28 percentage points) expect worse overall performance.

**Trends in Business Confidence**

The plotting of annual trends clearly shows that confidence took a fall in 2008, with only 38% of businesses expecting improved performance in 2009, compared to more optimistic 2007 when 56% of businesses expected improved performance in 2008. Please note that the annual percentages have been taken from averaging the results from all four quarters for that year.

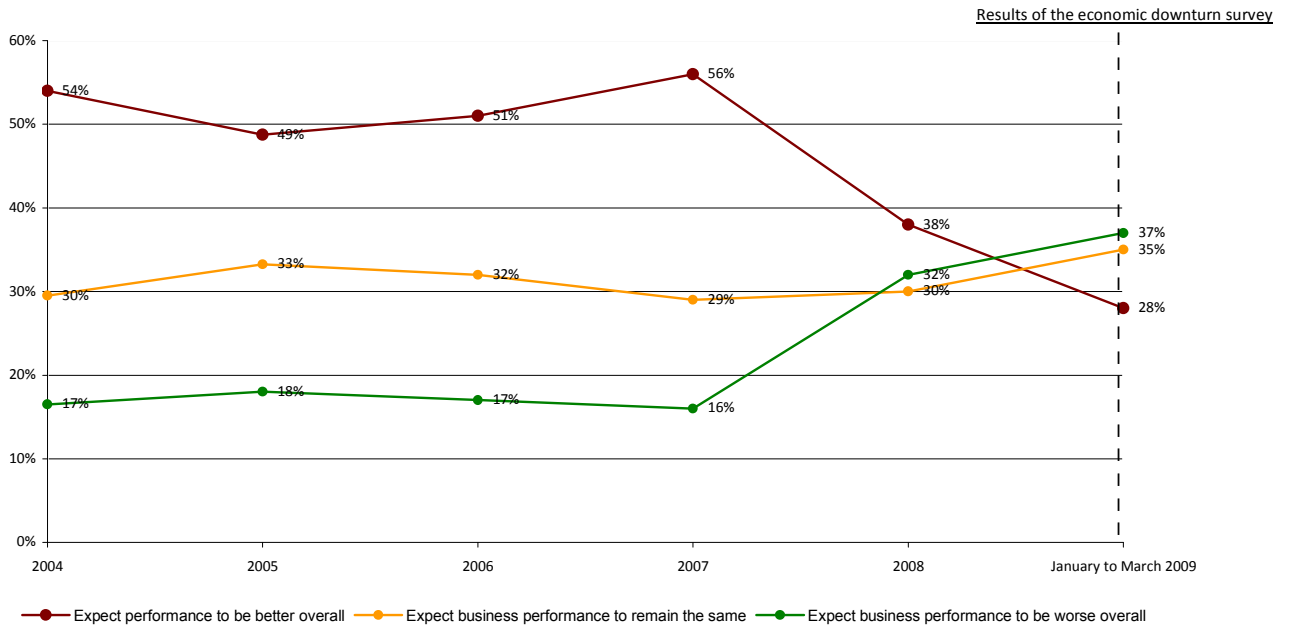
**Figure 3: Expectations on business performance for the following year – 5 year trend**



Early indications about the impact of the economic downturn this year comes from a special Business Confidence survey conducted between January and March 2009. Results from this survey, indicated on the graph below, show a continual downward trend in confidence.

Further results from the survey can be found on the subsequent pages of this report.

**Figure 4: Expectations on business performance for the following year – including results of the economic downturn survey**



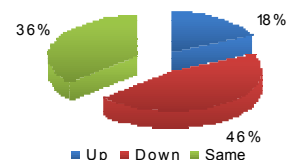
### **Business Confidence during the Economic Downturn**

In order to keep a close eye on the impact of economic downturn, an additional survey was carried out between January and March 2009. A total of 167 businesses took part in this survey (both TSE members and non-members). Overall, 53% of businesses were serviced accommodation providers, 18% non-serviced accommodation providers and a further 20% are visitor attractions (4% free and 16% charged). The remainder comprised of 'other' tourism service providers, such as retail, leisure, food and drink and travel and transport.

### **Impact of the Economic Downturn on Business Activity during January to March 2009**

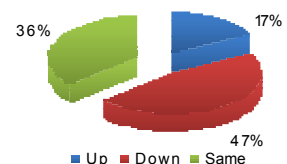
#### **Trade Levels (Number of guest/visitors)**

- 46% of businesses reported a decline in guest/visitor numbers during January to March 2009 compared with the same period in 2008
- 18% experienced an increase in guest/visitor numbers
- 36% had a similar volume of guest/visitors
- Guest houses, free attractions, B&B and hotels appear to have been affected the most of all tourism sectors, with 67%, 58%, 53% and 50% of businesses respectively reporting guest/visitor numbers were down during January to March 2009 compared with the same period in 2008
- Charged attractions were more positive, with 38% of businesses reporting guest/visitor numbers were up during the same period



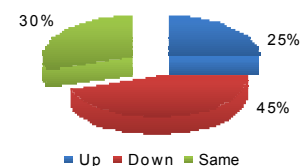
#### **Trade Levels (Income received from guest/visitors)**

- 47% of businesses reported a decline in income received from guest/visitors during January to March 2009 compared with the same period in 2008
- 17% experienced an increase in income received from guest/visitors
- 36% had a similar level of income from guest/visitors
- Free attractions, hotels, guest houses and self catering appear to have been affected the most of all tourism sectors, with 67%, 61%, 60% and 50% of businesses respectively reporting levels of income received from guest/visitor numbers were down during January to March 2009 compared with the same period in 2008
- 'Other' tourism businesses and charged attractions were more positive, with 36% and 26% of businesses respectively reporting levels of income received from guest/visitor numbers were up during the same period



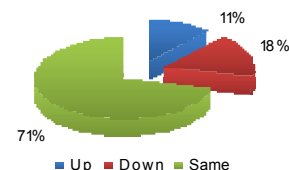
#### **Advanced Bookings**

- 45% of businesses reported a decline in the number of advanced bookings during January to March 2009 compared with the same period in 2008
- 25% experienced an increase in advanced bookings
- 30% indicated that advanced bookings remained the same
- Guest houses, hotels, B&B and 'other' tourism businesses appear to have been affected the most of all tourism sectors, with 57%, 56%, 53% and 50% of businesses respectively reporting advanced bookings were down during January to March 2009 compared with the same period in 2008
- 'Other' tourism businesses, self catering, charged attractions and caravan and camping were more positive, with 42%, 37%, 35% and 33% of businesses respectively reporting advanced bookings were up during the same period



#### **Difficulties Accessing Finance**

- 11% of businesses reported more difficulties accessing finance during January to March 2009 compared with the same period in 2008
- 18% found it easier to access finance
- 71% had not noticed a change in accessing finance
- The majority of businesses reported that they had not noticed a change in accessing finance during January to March 2009 compared with the same period in 2008. In particular, the proportion of self catering (93%), 'other' (83%), B&B (77%), charged visitors attractions (77%), hotels (76%) and caravan and camping (63%) businesses reporting no change was very high.
- Free visitor attractions appear to have been affected the most of all tourism sectors, with 25% of businesses finding it more difficult to access finance during this period. In contrast, guest houses were more positive with 39% finding it easier to access finance.



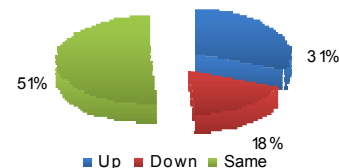
### Anecdotal Comments from Respondents Regarding Recent Trading Conditions

- Many businesses reported substantial declines in visitor numbers, visitor expenditure and enquiries during January to March 2009
- Several businesses have experienced an increase in European visitors during the same period, particularly from France, Belgium and Germany, due to the devaluation of the pound
- Several businesses have indicated that they have yet to access finance, deciding to use savings to make up for any shortfalls instead

### Measures Taken to Mitigate any Negative Impacts or Capitalise on Opportunities

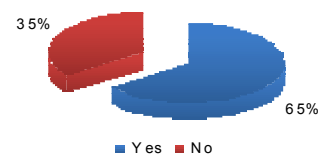
#### Marketing Spend

- 31% of businesses have increased their levels of spending on marketing activities as a result of the economic downturn
- Only 18% are spending less on marketing
- 51% reported that marketing spend has remained the same
- Self catering, B&B, 'other' tourism businesses and guest houses have tended to spend more money on marketing activities due to the current economic situation, with 38%, 37%, 36% and 35% respectively reporting an increase in marketing spend
- 'Other' tourism businesses (29%), charged attractions (26%) and free attractions (25%) were more likely to report that marketing spend has been down



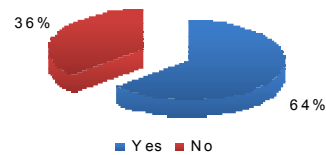
#### Introducing New Efficiency Measures

- 65% of businesses have introduced new efficiency measures as a result of the economic downturn
- The remaining 35% have not introduced any new measures
- Hotels, 'other' tourism businesses, charged attractions and guest houses have been the most proactive of all sectors, with 89%, 83%, 81% and 69% respectively introducing new efficiency measures
- Caravan and camping (56%), self catering (55%), B&B (43%) and free attractions (40%) were more likely not to introduce new efficiency measures



#### Special Offers/Discounts

- 64% of businesses are providing special offers/discounts as a result of the economic downturn
- The remaining 36% are not offering any special offers/discounts
- Hotels, 'other' tourism businesses, guest houses, charged attractions, B&B and caravan and camping incentives due to current economic situation than other sectors, with 95%, 77%, 69%, 67%, 61% and 56% of businesses respectively using special offers/discounts to attract/maintain custom
- Free attractions (75%) and self catering (60%) were more likely not to offer special offers/discounts



### HM Government Finance Schemes for Businesses Struggling in the Economic Downturn

HM Government has recently been advertising existing and new finance schemes for businesses that are struggling in the economic downturn. These schemes are designed to maintain cash flow and provide 'transitional' funding to enable businesses to survive the economic downturn.

- 36% of businesses were aware of the finance schemes compared to 64% that they were not
- Only 4% of businesses indicated they had taken advantage of the finance schemes. The remaining 96% had yet to do so
- Guest houses, B&B, caravan and camping, hotels and charged visitor attractions appear to be more aware of the finance schemes available by the HM Government, with 80%, 67%, 67%, 63% and 58% of businesses respectively indicating that they are familiar with the existing and new finance schemes available
- Free attractions, 'other' tourism businesses and self catering appear less aware of the finance schemes available by the HM Government, with 50%, 46% and 43% of businesses respectively indicating that they are not familiar with the existing and new finance schemes available

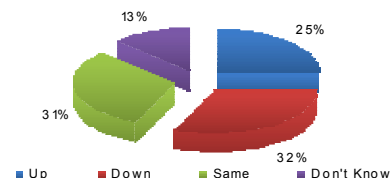
### Anecdotal Comments from Respondents Regarding HM Government Finance Schemes

- There appears to be some confusion with banks over these schemes. It has been suggested that some banks aren't aware of these schemes, whilst others are telling businesses that the funds are not actually available
- Some businesses that have taken advantage of the schemes are finding the VAT and PAYE payment holidays or staged payments very helpful
- Of the businesses that have been unsuccessful in accessing the finance schemes, one in particular indicated that they are having to use personal savings to finance their business through the winter with no overdraft

## Prospects for 2009

### Performance Overall

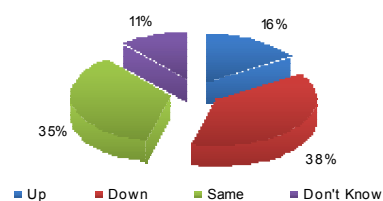
- 31% of businesses interviewed expect performance overall to be down in 2009
- 25% remain optimistic for the year ahead and expect performance to improve
- 31% expect their overall performance to be the same
- The remaining 13% of businesses were unsure and unable to comment



- Free attractions and guest houses appear to have the worst negative perception of all tourism sectors, with 50% and 41% of businesses respectively expecting their performance overall to be down in 2009
- 'Other' tourism businesses, hotels, charged attractions and B&B all appear more positive, with 43%, 26%, 26%, 24% and 24% of businesses respectively expecting their performance overall to be up in 2009

### Cash Flow

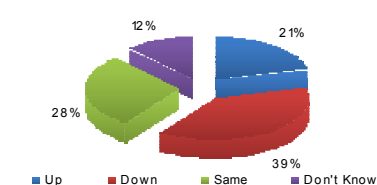
- 38% of businesses expect cash flow to be down in 2009
- Only 16% expect levels to increase
- 35% expect their levels of cash flow to remain the same this year
- The remaining 11% of businesses were unsure and unable to comment



- Hotels, free attractions, guesthouses and self catering appear to have the worst negative perception of all tourism sectors, with 63%, 50%, 48% and 45% of businesses respectively expecting cash flow to be down in 2009
- 'Other' tourism businesses, caravan and camping and B&B all appear more positive, with 36%, 22% and 21% of businesses respectively expecting cash flow to be up in 2009

### Turnover

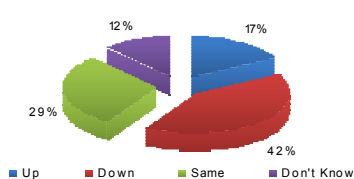
- 39% of businesses expect turnover to be down in 2009
- Only 21% expect an increase in turnover
- 28% expect turnover levels to be the same throughout 2009
- The remaining 12% of businesses were unsure and unable to comment



- Free attractions, guest houses, self catering and hotels appear to have the worst negative perception of all tourism sectors, with 67%, 52%, 43% and 42% businesses respectively expecting turnover to be down in 2009
- 'Other' tourism businesses, charged attractions, caravan and camping and B&B all appear more positive, with 36%, 22%, 22% and 21% of businesses respectively expecting turnover to be up in 2009

### Profitability

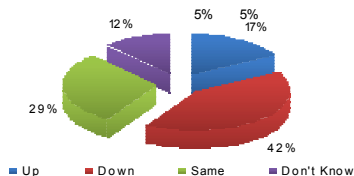
- 42% of businesses expect profitability to be down in 2009
- Only 17% expect profitability to increase
- 29% expect profitability to remain the same this year
- The remaining 12% of businesses were unsure and unable to comment



- Guest houses, hotels, free attractions and self catering appear to have the worst negative perception of all tourism sectors, with 59%, 58%, 50% and 43% respectively expecting profitability to be down in 2009
- 'Other' tourism businesses, caravan and camping and B&B all appear more positive, with 29%, 22% and 18% of businesses respectively expecting profitability to be up in 2009

### Staffing Levels

- 24% of businesses expect staffing levels to be down in 2009
- Only 5% expect to recruit more staff this year
- 66% of businesses expect their staffing levels to remain the same in 2009
- The remaining 5% of businesses were unsure and unable to comment



- Hotels, caravan and camping and free attractions appear to have the worst negative perception of all tourism sectors, with 58%, 44% and 33% respectively expecting staffing levels to fall in 2009
- 'Other' tourism businesses and guesthouses all appear more positive, with 14% and 7% of businesses respectively expecting staffing levels to increase in 2009