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# **Tourism South East**

## **Business Confidence Survey**

### **January – June 2008**



INVESTOR IN PEOPLE

**TOURISM**  
**SOUTH EAST**

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## **Executive Summary**

A total of 306 businesses took part in the 19th tourism business confidence survey, covering the period from January to June 2008. Of these businesses, 24% were serviced accommodation providers, 27% were non-serviced accommodation providers and a further 42% were visitor attractions (10% Free and 32% Charged). The remainder comprised of retail, leisure, food and drink, travel and transport and 'other' tourism service providers.

### ***A mixed first half of the year...***

- 42% of businesses reported their level of performance to be better in the second quarter of 2008 compared with 2007. 21% were at the same level of performance with a further 37% worse overall. This was worse than the snapshot taken 12 months ago, when 50% of businesses reported better overall performance and 25% of businesses reported worse overall performance.
- Results suggest a better overall performance in Hampshire, Surrey, IOW, West Sussex and Hampshire during the second quarter of 2008. Businesses in BBO, East Sussex and Brighton and Kent all reported a mixed performance for this period.
- Businesses in rural and coastal locations reported a slightly better performance for the first half of 2008 compared with the same period in 2007. A higher proportion of businesses in urban locations however, reported a worse overall performance.
- Other tourism businesses (67%) reported a more positive performance over the first half of the year, compared with 2007. The remaining businesses reported a more mixed performance over the first half of the year.

### ***Continuing concern for 2008...***

- Only 39% of businesses expect their performance for the remainder of the year to be better overall compared with last year. Just over a quarter of businesses (27%) expect their performance to be the same, while a further 34% expect their performance to be worse overall. This was worse than the snapshot taken 12 months ago when 54% of businesses expected better overall performance and 18% of businesses expected worse overall performance.
- South East businesses' expectations for 2008 continue to remain cautious, with optimism proving much lower than that reported last quarter. The proportion expecting better overall performance fell considerably within Hampshire, East Sussex and Brighton, Kent, IOW and West Sussex by 27, 23, 15, 15 and 12 percentage points respectively.
- Rural, coastal and urban businesses are all circumspect about their expectations for the year ahead.
- Caravan and camping, guest houses, 'other' businesses and self catering were more optimistic about the year ahead. Hotels, free and charged visitor attractions and B&B's were more cautious.

### ***Businesses increasingly concerned about the UK economic climate...***

- A high proportion of business operators (76%) reported that the UK Economic Climate had the most significant impact on business performance during the first half of the year, up 7 percentage points from the previous quarter.
- In previous quarters, the weather was a key concern for most businesses and this doesn't appear to be diminishing (up 8 percentage points from the previous quarter to 64%).
- Businesses are still concerned about high UK retail prices and the strength of the pound/exchange rates.

## Tourism South East Business Confidence Survey

### 1 Introduction

The following report presents the findings from the 19<sup>th</sup> tourism business confidence survey conducted by Tourism South East, covering the period from January to June 2008. Background to the survey methodology is given in section 4 and the sample profile for this quarter is detailed in section 5. A total of 306 completed questionnaires were received this quarter.

### 2 Overall business performance

#### 2.1 Performance up to end of June 2008

Figure 1 Business performance since start of 2008 (compared with the same period in 2007)

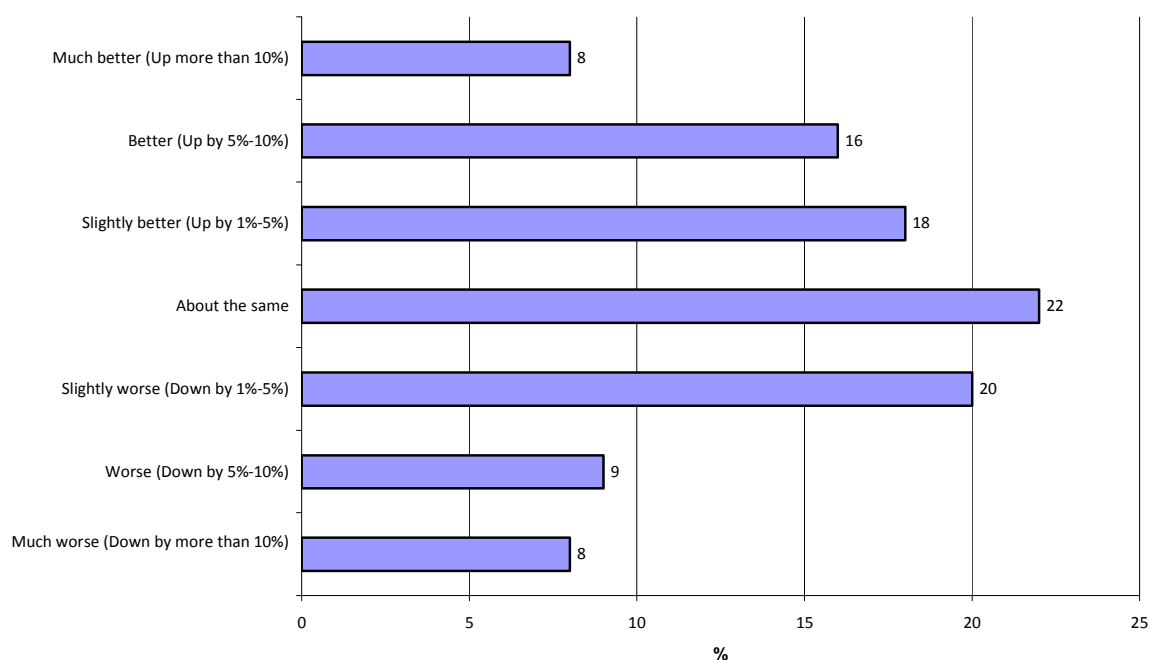


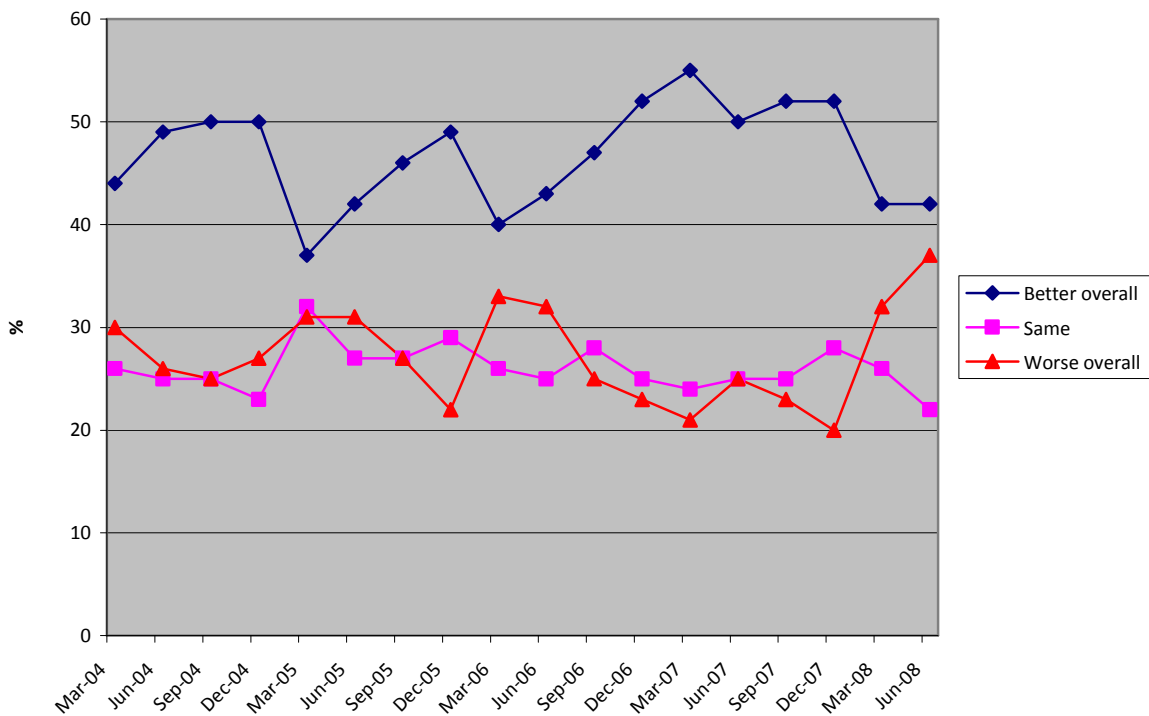
Figure 1 indicates that 42% of tourism businesses performed slightly better overall during the first six months of 2008 compared with the same period in 2007 (the same percentage as last quarter). A further 21% reported their business performance to be the same whilst 37% reported worse overall performance (up 5 percentage points on the last quarter).

**2.1.1 Trends in business performance (March 2004 – June 2008)**

The proportion of businesses reporting better overall performance (42%), compared with the same period in 2007, has seen a decline of 8 percentage points. However, it is consistent with both 2005 and 2006, where 42% and 43% of businesses reported better overall performance respectively.

The total number of businesses reporting a worse performance overall has increased from the previous quarter, up 5 percentage points to 37%. This overall figure for worse performance overall is the highest since the Confidence survey began in 2004.

**Figure 2 Business performance since March 2004**

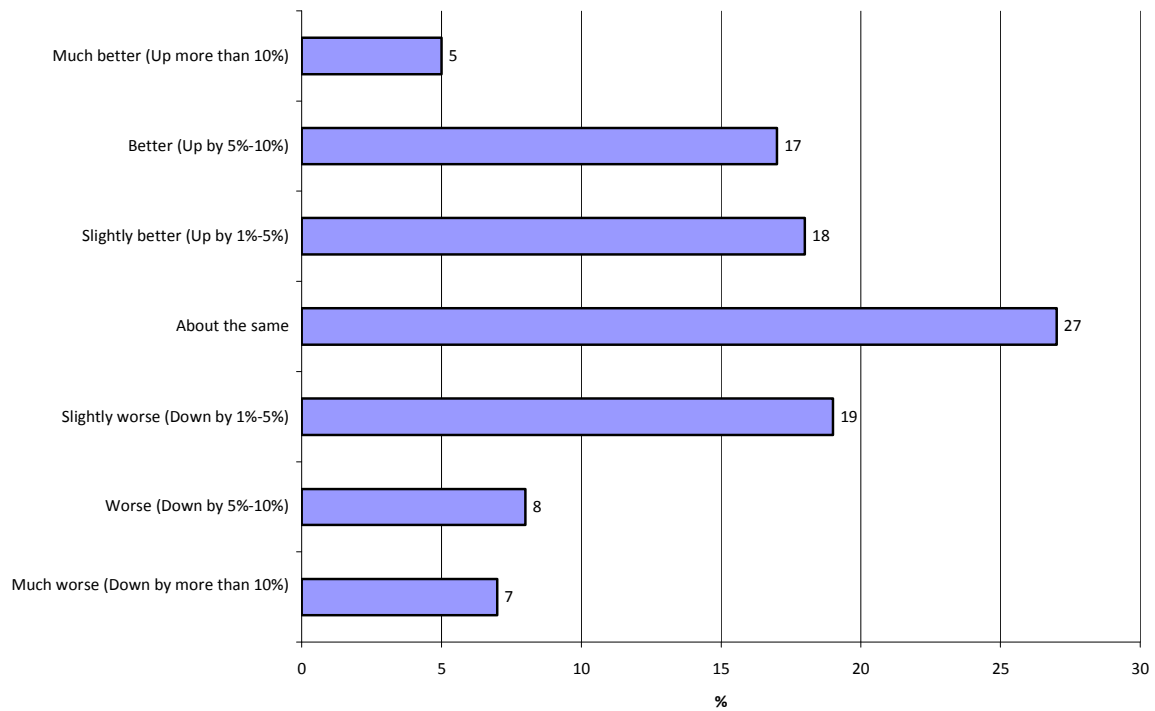


## 2.2 Expectations for 2008

Businesses were asked to indicate their expectations for the year ahead compared with 2007. Thirty Nine per cent of expect their performance for the remainder of the year to be better overall compared with last year. This was two percentage points lower than the figure reported in the last quarter.

Just over a quarter (27%) of businesses expect their performance to be the same as 2007 – down 6 percentage points from the last quarter - and a further 34% expect their performance to be worse overall - up 8 percentage points from last quarter.

**Figure 3 Business expectations for 2008 (compared with 2007)**

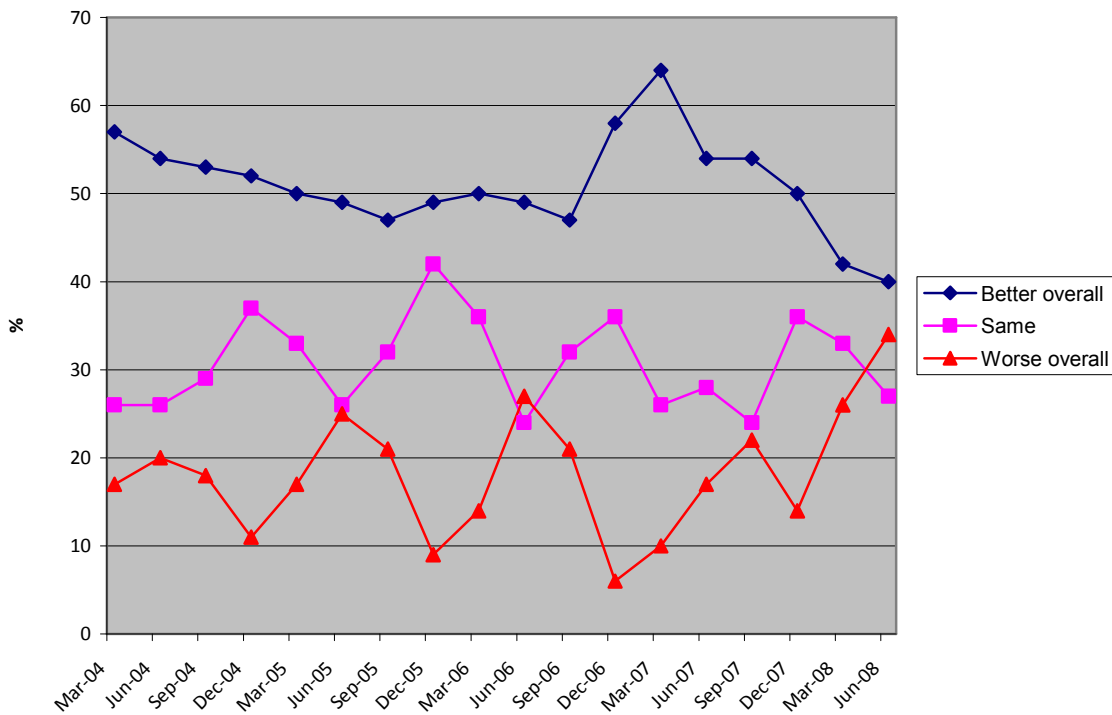


**2.2.1 Trends in business confidence (March 2004 – June 2008)**

Business confidence has continued to weaken since the start of the survey in 2004, despite the turnaround in December 2007 and January 2008, when the level of confidence rose to 58% and 64% respectively. The proportion of businesses expecting better overall performance for the year ahead (39%), compared with the same period in the previous year, is at its lowest level since the Confidence survey began in 2004. The current UK economic climate certainly appears to have dampened confidence this year.

The proportion expecting worse overall performance for the year ahead (compared with the same period in the previous year) has increased since the last quarter (up 8 percentage points to 34%) and is now at its highest level since the Confidence survey began.

**Figure 4 Trends in business confidence compared with same period last year**



### 2.3 Key business concerns

The majority of business operators (76%) reported that the UK Economic Climate had the most significant impact on business performance over the first six months of 2008, 7 percentage points higher than the last quarter. The sectors more likely to report that the Economic Climate of the UK had impacted on their performance over the first half of this year were holiday parks (100%), caravan and camping (83%), guest houses (83%) and charged visitor attractions (80%). These figures are all higher than the previous quarter (up by 20, 27, 3 and 8 percentage points respectively).

The weather is once again proving a real key concern for most businesses (64%), up 8 percentage points on the previous quarter. Businesses were also concerned about high UK retail prices (25%) and the strength of the pound/exchange rates (22%).

**Table 1 Key business concerns**

	Count	%
UK Economic Climate	229	76%
Weather	193	64%
High UK retail prices	76	25%
Strength of the pound/exchange rates	68	22%
Lack of promotion	53	17%
Local competition	52	17%
Poor transport network	51	17%
Over regulation	46	15%
Competition from overseas holidays	37	12%
Competition from other parts of the UK	36	12%
Other (Please specify)	31	10%
No real concerns	28	9%
Competition from low-cost airlines	24	8%
General security fears	7	2%

*NB: More than one response permitted*

#### 2.3.1 Positive factors affecting business over the April to June 2008 period

Businesses were asked about factors (both positive and negative) that had affected their performance over the April–June 2008 period. For those who had reported better overall performance, the good weather was claimed to have boosted business over this period. In particular, businesses mentioned that the warmer weather during late April and early May encouraged more visits.

A number of businesses are once again seeing an increase in enquiries through better marketing, improvements in relations with local media and through word of mouth/recommendations. As well as attracting new customers, more businesses are reporting an increase in repeat custom due to sustained levels of high quality and service. Other businesses also mentioned that more bookings are being made by domestic visitors due to the cost of travelling abroad in the current economic climate.

Businesses also suggested that special events and festivals held both regionally and locally, helped improve performance over the second quarter. Particular mention was made to IOW festival which took place towards the end of this quarter.

### **2.3.2 Negative factors affecting business over the April to June 2008 period**

The 'credit crunch' and current economic climate of the UK, is seen as the key contributing factor by those businesses experiencing poor performance during the second quarter of 2008. Particular mention was made to the constant rise in the cost of living, especially the price of petrol. Many businesses are concerned that the cost of fuel, and lack of disposable income, is preventing people from travelling for leisure purposes.

The poor and unsettled weather was also reported as a key contributing factor by those businesses experiencing poor performance during the second quarter of 2008, particularly by outdoor visitor attractions. In contrast to this, many indoor attractions noted that their business did improve during this time, with increases in visitor numbers as a result of the poor weather.

The cost of ferry prices to the IOW is still considered to be too high, with businesses worried that this is deterring visitors. Businesses on the IOW are also becoming increasingly concerned with the lack of advertising and promotion of tourism on the island.

On a more localised level, special mention was made of road and building works affecting businesses as well as increased competition.

### 3 Sector insights

The results by sub region, location and business type need to be viewed with a consideration of the sample sizes (provided in brackets). Please note that care must be taken when interpreting results where the sample size is small.

#### 3.1 Sub regions

Table 2a below breaks down business performance for the second quarter of 2008 compared with 2007 into sub regions.

##### 3.1.1 Performance from January to June 2008

Results suggest a better overall performance in Surrey, IOW, West Sussex and Hampshire during the second quarter of 2008. Businesses in BBO, East Sussex and Brighton and Kent all reported a mixed performance for this period.

All sub regions saw significant increases in the in the proportion of businesses reporting worse overall performance. In particular West Sussex (up 37 percentage points from the previous quarter to 50%), Surrey (up 34 percentage points from the previous quarter to 44%), Hampshire (up 20 percentage points from the previous quarter to 37%) and East Sussex and Brighton (up 19 percentage points from the previous quarter to 48%) all reported high increases.

**Table 2a Business performance since start of 2008, compared with same period in 2007**

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
<i>Base</i>	<i>(32)</i>	<i>(86)</i>	<i>(30)</i>	<i>(14)</i>	<i>(27)</i>	<i>(36)</i>	<i>(77)</i>
	%	%	%	%	%	%	%
Much better (Up more than 10%)	8	19	8	3	-	-	6
Better (Up by 5% - 10%)	16	19	16	20	7	4	14
Slightly better (Up by 1% - 5%)	18	19	19	10	21	26	19
<b>Total % 'Up'</b>	<b>42</b>	<b>57</b>	<b>43</b>	<b>33</b>	<b>28</b>	<b>30</b>	<b>39</b>
About the same	22	6	26	23	21	22	31
Slightly worse (Down by 1% - 5%)	20	22	22	10	29	37	11
Worse (Down by 5% - 10%)	9	9	3	17	7	7	11
Much worse (Down by more than 10%)	8	6	6	17	14	4	8
<b>Total % 'Down'</b>	<b>37</b>	<b>37</b>	<b>31</b>	<b>44</b>	<b>50</b>	<b>48</b>	<b>30</b>

The proportion of Hampshire and IOW businesses reporting better overall performance has improved compared with the snapshot taken 12 months ago (June 2007). Hampshire saw the biggest increase from this time last year with 9 percentage points, whilst IOW increased by 2 percentage points.

Fewer West Sussex, BBO, Kent, Surrey and East Sussex and Brighton businesses reported better overall performance compared with 12 months ago. Only 28% of businesses within West Sussex reported a better overall improvement this quarter compared with 63% twelve months ago, whilst the proportion of businesses in BBO (down 22 percentage points) and Kent (down 18 percentage point) also saw a considerable decreases in performance.

The number of businesses in all sub regions reporting worse overall performance increased compared with 12 months ago. West Sussex (up 37 percentage points to 50%), BBO (up 18 percentage points to 37%), East Sussex and Brighton (up 16 percentage points to 48%) and Hampshire (up 12 percentage points to 37%) businesses have been affected the most. Businesses in Surrey, Kent and IOW also increased by 9, 5 and 2 percentage points respectively.

### 3.1.2 Expectations for 2008

Table 2b breaks down expectations for 2008 by sub region. Overall, South East businesses' expectations for 2008 remain cautious, with optimism proving much lower than that reported last quarter.

With the exception of Surrey (up 9 percentage points), businesses were less optimistic about the year ahead than they were last quarter. Businesses on the IOW were the least optimistic, with only 14% (down 15 percentage points) expecting a better overall performance. The proportion expecting better overall performance also fell considerably within Hampshire (down 27 percentage points), East Sussex and Brighton (down 23 percentage points), Kent (down 15 percentage points) and West Sussex (down 12 percentage points).

**Table 2b Expectations for 2008, compared with 2007**

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
<i>Base</i>	<i>(31)</i>	<i>(88)</i>	<i>(30)</i>	<i>(14)</i>	<i>(27)</i>	<i>(35)</i>	<i>(77)</i>
	%	%	%	%	%	%	%
Up more than 10%	10	7	3	-	-	3	5
Up by 5% - 10%	19	1	1	-	1	2	
Up by 1% - 5%	16	19	10	29	19	23	14
<b>Total % 'Up'</b>	<b>45</b>	<b>27</b>	<b>14</b>	<b>29</b>	<b>20</b>	<b>28</b>	<b>19</b>
Expect it to be about the same	19	34	17	29	22	26	27
Down by 1% - 5%	19	15	20	36	33	11	18
Down by 5% - 10%	10	6	17	-	11	6	9
Down by more than 10%	6	5	17	7	-	11	6
<b>Total % 'Down'</b>	<b>35</b>	<b>26</b>	<b>54</b>	<b>43</b>	<b>44</b>	<b>28</b>	<b>33</b>

Compared with 12 months ago, it appears that all sub regions are less optimistic about business performance. The most significant differences are in West Sussex, Surrey, BBO and IOW, where an additional 36%, 30%, 29% and 26% of businesses expect a worse overall performance for the year ahead. Kent has also seen a significant increase (up 16 percentage points) whilst Hampshire and East Sussex and Brighton have increased by 8% and 6% points respectively.

### 3.2 Location

#### 3.2.1 Performance from January to June 2008

Businesses in rural and coastal locations reported a slightly better performance for the first half of 2008 compared with the same period in 2007. However, a higher proportion of businesses in urban locations reported a worse overall performance.

**Table 3a Business performance since start of 2008 compared with same period in 2007**

	Rural	Coastal	Urban
<i>Base</i>	<i>(167)</i>	<i>(73)</i>	<i>(62)</i>
	%	%	%
Much better (Up more than 10%)	8	8	7
Better (Up by 5% - 10%)	16	14	19
Slightly better (Up by 1% - 5%)	18	19	14
<b>Total % 'Up'</b>	<b>42</b>	<b>41</b>	<b>40</b>
About the same	22	25	18
Slightly worse (Down by 1% - 5%)	20	19	21
Worse (Down by 5% - 10%)	9	8	11
Much worse (Down by more than 10%)	8	7	11
<b>Total % 'Down'</b>	<b>37</b>	<b>34</b>	<b>43</b>

#### 3.2.2 Expectations for 2008

Rural, coastal and urban businesses are all circumspect about their expectations for the year ahead. Although a higher proportion of businesses within these locations expect better overall performance (40%, 36% and 39% respectively), this is only marginal with 34%, 33% and 38% also expecting worse overall performance.

**Table 3b Expectations for 2008 compared with 2007**

	Rural	Coastal	Urban
<i>Base</i>	<i>(167)</i>	<i>(73)</i>	<i>(62)</i>
	%	%	%
Much better (Up more than 10%)	5	5	4
Better (Up by 5% - 10%)	17	14	19
Slightly better (Up by 1% - 5%)	18	17	16
<b>Total % 'Up'</b>	<b>40</b>	<b>36</b>	<b>39</b>
About the same	27	31	22
Slightly worse (Down by 1% - 5%)	19	20	16
Worse (Down by 5% - 10%)	8	9	11
Much worse (Down by more than 10%)	7	4	11
<b>Total % 'Down'</b>	<b>34</b>	<b>33</b>	<b>38</b>

### 3.3 Type of business

Please note that care must be taken when interpreting results where the sample size is small.

#### 3.3.1 Performance up to end of June 2008

Other tourism businesses reported a more positive performance over the first half of the year, compared with 2007 (up 13 percentage points from the previous quarter to 67%). Guest houses, caravan and camping and B&B businesses also reported increases in better overall performance compared with the previous quarter (up 11, 8 and 1 percentage points respectively). The remaining businesses reported a more mixed performance over the first half of the year.

**Table 4a Business performance since start of 2008 compared with same period in 2007**

	Hotels	Guest Houses	B&B	Self Catering	Caravan and camping	Free Visitor Attraction	Charged Visitor Attraction	Other
<i>Base</i>	(19)	(12)	(44)	(65)	(15)	(31)	(98)	(15)
	%	%	%	%	%	%	%	%
Up more than 10%	-	8	9	8	13	6	9	7
Up by 5% - 10%	16	25	16	15	13	13	14	20
Up by 1% - 5%	26	8	14	14	7	13	20	40
<b>Total % 'Up'</b>	<b>42</b>	<b>41</b>	<b>39</b>	<b>37</b>	<b>33</b>	<b>32</b>	<b>43</b>	<b>67</b>
Expect it to be about the same	5	25	18	32	20	29	18	13
Down by 1% - 5%	37	17	18	15	20	29	21	7
Down by 5% - 10%	16	17	18	5	13	6	7	-
Down by more than 10%	-	-	7	11	13	3	9	13
<b>Total % 'Down'</b>	<b>53</b>	<b>34</b>	<b>43</b>	<b>31</b>	<b>46</b>	<b>38</b>	<b>37</b>	<b>20</b>

Only other tourism businesses (up 4 percentage points to 67%) and self catering (up 2 percentage points to 37%) saw a better performance this quarter compared with the snapshot taken 12 months ago in June 2007. Conversely, caravan and camping (down from 52% to 20%), guest houses (down from 63% to 41%), B&B (down from 57% to 39%) and hotels (down from 59% to 42%) all reported a significant decline in better performance.

The picture certainly looks less positive than 12 months with all business types reporting worse overall performance. In particular hotels (up 26% to 53%), caravan and camping (up 24% to %) and B&B (up 24% to 43%) all experienced high increases in poor performance.

### 3.3.2 Expectations for 2008

Despite remaining circumspect about their expectations for the year ahead, caravan and camping (up 13 percentage points), guest houses (up 12 percentage points), other tourism businesses (up 8 percentage points) and self catering (up 4 percentage points) are more optimistic about the year ahead than last quarter. Of the remaining sectors, hotels, free and charged visitor attractions and B&B were more cautious.

Table 4b Expectations for 2008 compared with 2007

	Hotels	Guest Houses	B&B	Self Catering	Caravan and Camping	Free Visitor Attraction	Charged Visitor Attraction	Other
<i>Base</i>	(19)	(12)	(43)	(67)	(14)	(31)	(98)	(15)
	%	%	%	%	%	%	%	%
Up more than 10%	-	8	7	4	14	6	4	-
Up by 5% - 10%	11	17	9	19	14	16	16	27
Up by 1% - 5%	21	17	14	9	7	19	26	20
<b>Total % 'Up'</b>	<b>32</b>	<b>42</b>	<b>30</b>	<b>32</b>	<b>35</b>	<b>41</b>	<b>46</b>	<b>47</b>
Expect it to be about the same	32	17	26	31	14	32	23	40
Down by 1% - 5%	26	33	19	16	7	23	20	-
Down by 5% - 10%	11	8	16	9	29	3	4	-
Down by more than 10%	-	-	9	10	14	-	6	13
<b>Total % 'Down'</b>	<b>37</b>	<b>41</b>	<b>44</b>	<b>35</b>	<b>50</b>	<b>26</b>	<b>30</b>	<b>13</b>

All business sectors appear to be more pessimistic than they were 12 months ago in June 2007. The most notable lack of confidence comes from guest houses (up from 0% to 41%), B&B (up from 18% to 44%) and hotels (up from 14% to 37%). Caravan and camping (up 10%), self catering (7%) and other tourism businesses (7%) also expect worse overall performance for the year ahead compared to the snapshot taken 12 months ago.

## 4 Survey background

### 4.1 Methodology

Tourism businesses in the South East region were asked to complete a simple two page questionnaire and return either by fax, post or complete on-line.

The sample size has slightly decreased by 1% from the first quarter and is still under the required 400 participants. Therefore a new recruitment exercise is planned for the autumn.

### 4.2 Dates for next survey

The next survey covering the third quarter of 2008 and expectations for the remainder of 2008 will be mailed on 1<sup>st</sup> October 2008.

## 5 Profile of sample

For the second quarter of 2008, a total of 306 questionnaires were returned by the analysis deadline. As the survey is self selecting rather than random, it is not possible to calculate margins of error associated with the sample. However, there remains a substantial core of survey participants (over 200) who currently provide data each quarter, and therefore the trends identified by the survey are believed to accurately reflect overall trends in business performance and expectations.

Care should be taken when interpreting the results where the sample size is small.

### 5.1 Sub region

Indicative analysis at a sub regional level has been provided within this report.

**Table 5 Sub region**

	Count	%
Berks, Bucks, Oxon	33	11
Hampshire	89	29
IOW	30	10
Surrey	14	5
West Sussex	27	9
East Sussex and Brighton	36	12
Kent	77	25
<b>Total</b>	<b>306</b>	<b>100</b>

## 5.2 Type of location

56% of businesses were located in rural areas, 24% in coastal areas and the remaining 20% were located in urban areas.

Indicative analysis by location has been provided within this report.

**Table 6 Location**

	Count	%
Rural	170	56
Coastal	74	24
Urban	62	20
<b>Total</b>	<b>306</b>	<b>100</b>

## 5.3 Type of business

**Table 7 Business sector**

	Count	%
Hotels (including motels, travel lodges, inns)	19	6
Guest houses	12	4
B&B (including farm houses)	44	14
Self catering (including flats, cottages, houses)	68	22
Holiday park (included under caravan & camping)	9	3
Caravan and camping	6	2
Free Visitor attraction	31	10
Charged Visitor attraction	99	32
Leisure/sport centre	3	1
Retail	2	1
Food and drink	3	1
Travel and transport	1	0
Tourism services (i.e. tour operator, travel agent/guide)	-	-
Other	9	3
<b>Total</b>	<b>306</b>	<b>100</b>

Other types of Business sectors include:

- *Nursery, Gift Shop & Coffee Shop*
- *Non-residential conference venue*
- *River trips / Narrow boat holiday hire*
- *University attraction*
- *Boating holidays*
- *Inland waterways holidays*
- *Private beach and car park*
- *Holiday and day boat hire on River Thames*
- *University Conference Venue*