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Tourism South East

Business Confidence Survey

July – September 2008

INVESTOR IN PEOPLE

TOURISM SOUTH EAST

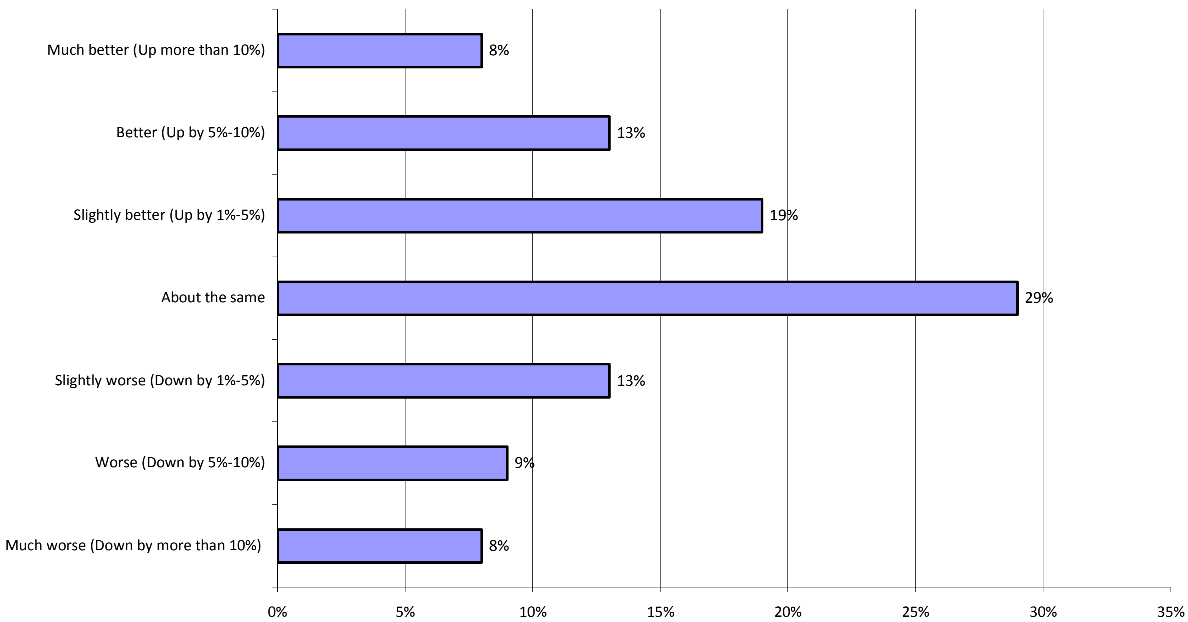
CONTENTS

Executive Summary

A total of 249 businesses took part in the 20th tourism business confidence survey, covering the period from January to September 2008. Of these businesses, 33% were serviced accommodation providers, 25% were non-serviced accommodation providers and a further 36% were visitor attractions (10% Free and 26% Charged). The remainder comprised of retail, leisure, food and drink, travel and transport and 'other' tourism service providers.

A slightly better overall performance for the first nine months of the year…

- 41% of businesses reported their level of performance to be better in the third quarter of 2008 compared with 2007. A further 29% were at the same level of performance whilst 30% were worse overall. This was worse than the snapshot taken 12 months ago, when 52% of businesses reported better overall performance and 23% of businesses reported worse overall performance.



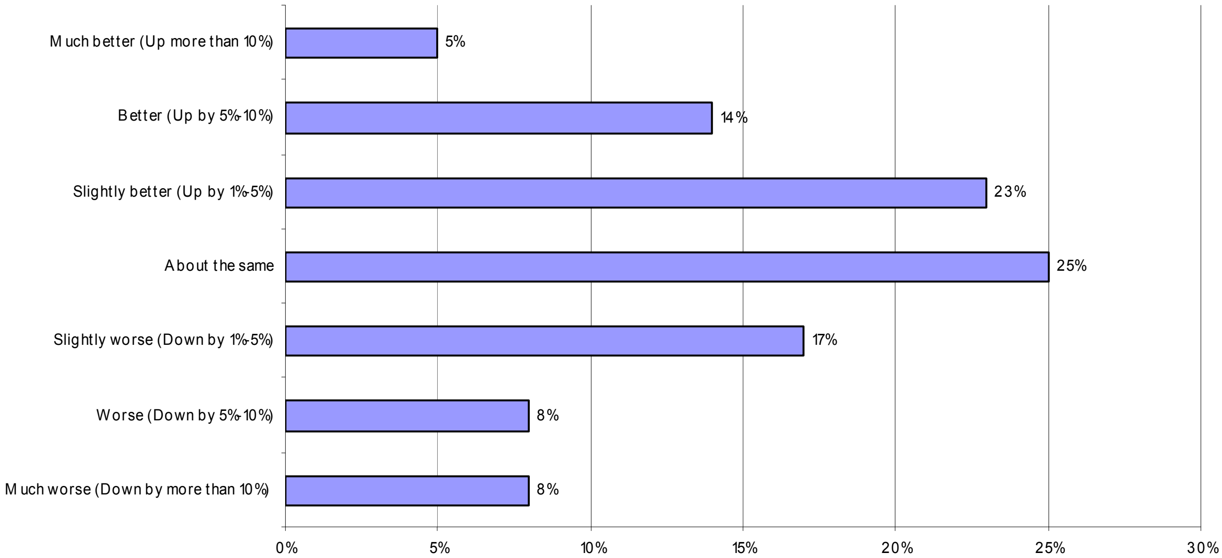
- Results suggest a better overall performance in Surrey, East Sussex and Brighton, IOW and West Sussex during the third quarter of 2008. The remaining sub regions reported a mixed performance for this period.

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

- Caravan and camping, guest houses, free visitor attractions, charged visitor attractions and hotels all reported a more positive performance over the first three quarters of the year, compared with 2007. The remaining businesses were more circumspect.

Mixed optimism for the remainder of the year …

- Only 42% of businesses expect their performance for the remainder of the year to be better overall compared with last year. A quarter of businesses (25%) expect their performance to be the same, while a further 33% 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 22% of businesses expected worse overall performance.



- Though overall optimism is lower when compared to the same period last year, business optimism reported in Quarter 3 this year, has improved from the level reported in Quarter 2 this year. Results split by sub-region indicate that the proportion of businesses expecting better overall performance improved within the IOW, Hampshire, East Sussex and Brighton, Surrey and West Sussex by 26, 23, 23, 18 and 7 percentage points respectively compared to the previous quarter.

- Results split by location also indicate that rural, coastal and urban businesses are more optimistic about their expectations for the year ahead than they were last quarter.

- Results split by business type indicate that caravan and camping, hotels, free visitor attractions, charging visitor attractions, and 'other' tourism businesses were more optimistic about the year ahead than B&B's.

Continued concern about the UK economic climate…

- A high proportion of business operators (77%) reported that the UK Economic Climate had the most significant impact on business performance during the first half of the year, up 1 percentage point 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 2 percentage points from the previous quarter to 66%).

- Businesses are also particularly concerned about the strength of the pound/exchange rates and lack of promotion.

Tourism South East Business Confidence Survey

1 Introduction

The following report presents the findings from the 20th tourism business confidence survey conducted by Tourism South East, covering the period from January to September 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 249 completed questionnaires were received this quarter.

2 Overall business performance

2.1 Performance up to end of September 2008

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

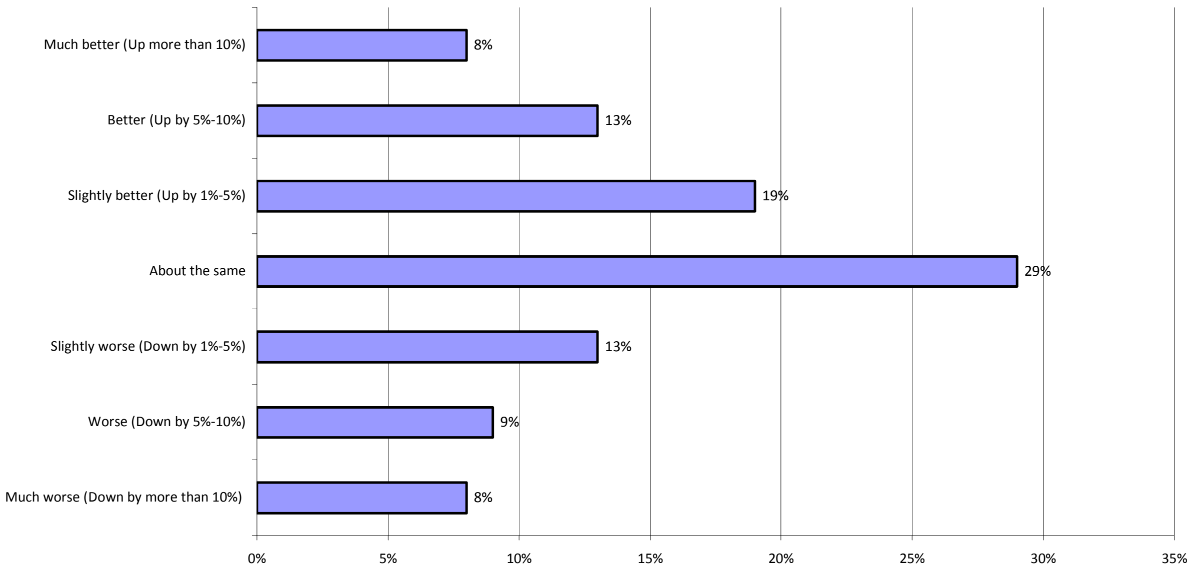


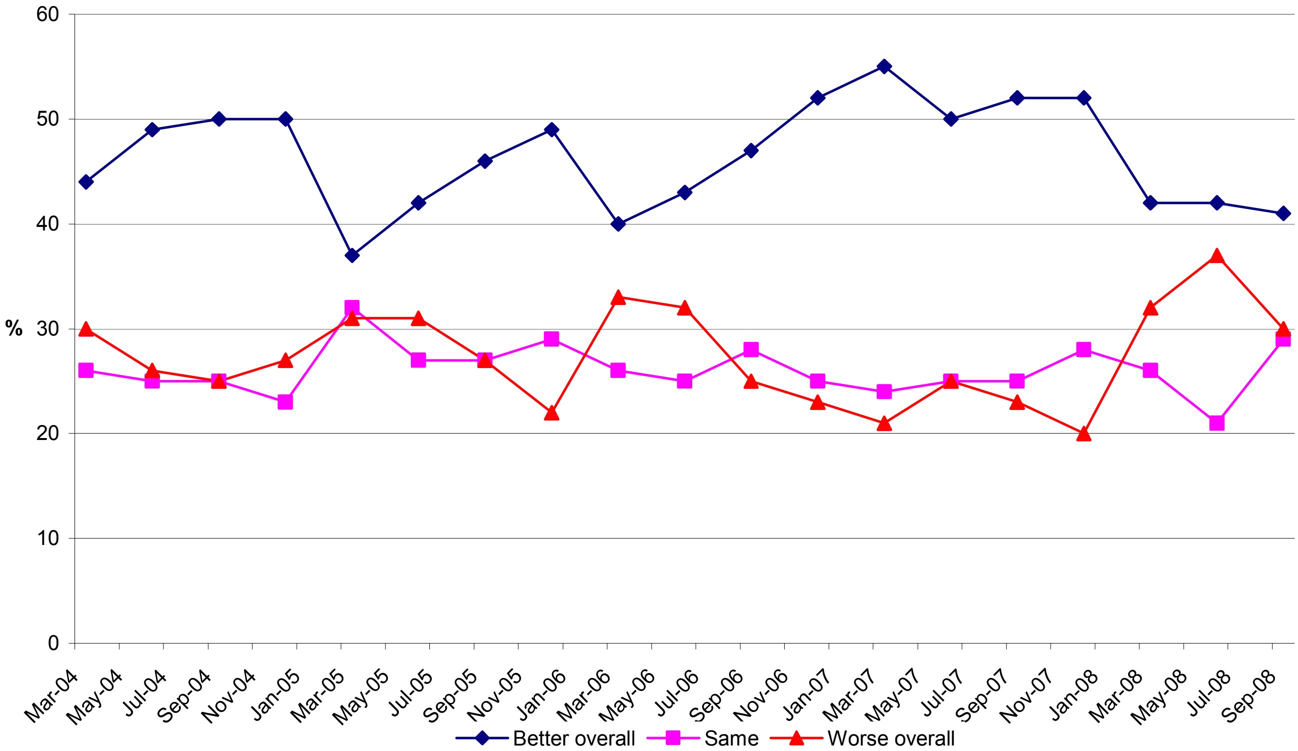
Figure 1 indicates that 41% of tourism businesses performed slightly better overall during the first nine months of 2008 compared with the same period in 2007 (down 1 percentage points from last quarter). A further 29% reported their business performance to be the same (up 8 percentage points on the last quarter) whilst 30% reported worse overall performance (down 7 percentage points on the last quarter).

2.1.1 Trends in business performance (March 2004 – September 2008)

The proportion of businesses reporting better overall performance (41%), compared with the same period in 2007, has seen a significant decline of 11 percentage points. It is also less than the performance reported in both 2005 and 2006, when 45% and 46% of businesses reported better overall performance respectively.

The total number of businesses reporting a worse performance overall has seen a decline from the previous quarter, down 7 percentage points to 30%. However, this figure still remains at its highest level since the Confidence survey began.

Figure 2 Business performance since March 2004

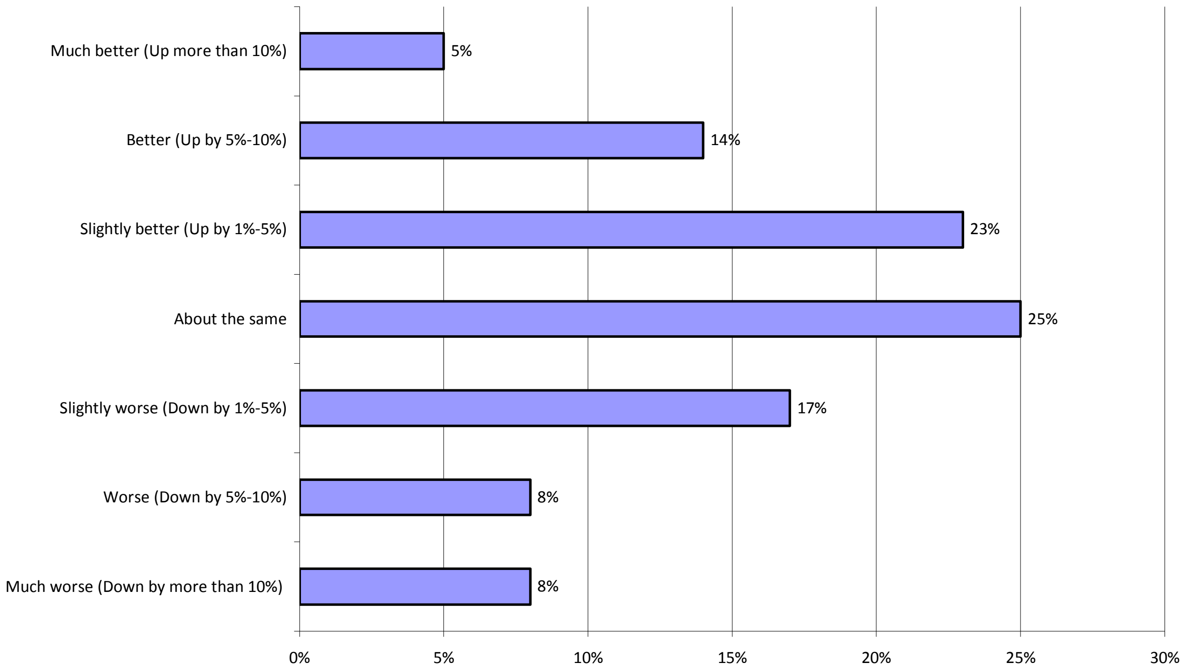


2.2 Expectations for 2008

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

A quarter (25%) of businesses expect their performance to be the same as 2007 – down 2 percentage points from the last quarter - and a further 33% expect their performance to be worse overall – a slight increase of 1 percentage point from last quarter.

Figure 3 Business expectations for 2008 (compared with 2007)



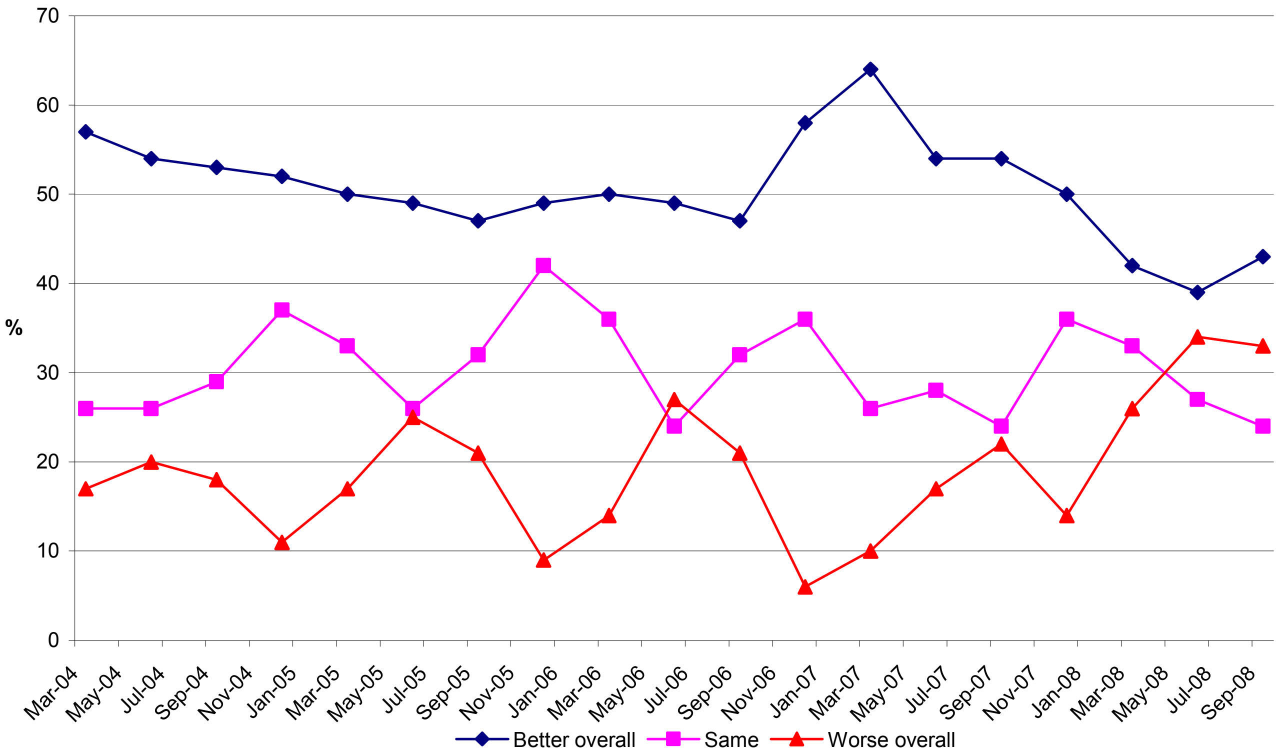
2.2.1 Trends in business confidence (March 2004 – September 2008)

The proportion of businesses expecting better overall performance for the year ahead (43%), compared with the same period in the previous year, has improved slightly since the last quarter (up 4 percentage points). However, it is important to note that the 39% recorded last quarter was the lowest level of confidence since the survey began in 2004.

The number of businesses expecting worse overall performance for the year ahead, compared with the same period in the previous year, has improved slightly since the last quarter (down 1 percentage point to 33%). However, this figure still remains at its highest level since the Confidence survey began.

The current UK economic climate certainly looks to continue to dampen business confidence this year.

Figure 4 Tends in business confidence compared with same period last year



2.3 Key business concerns

It will come as no surprise that a high proportion of business operators (77%) have once again reported that the UK Economic Climate had the most significant impact on business performance over the first nine months of 2008 (1 percentage points higher than the last quarter). The sectors most likely to report that the Economic Climate of the UK had impacted on their performance over the first three quarters of this year were hotels (100%), caravan and camping (83%), 'other' businesses (85%), B&B's (82%) and charged visitor attractions (81%).

The weather continues to prove a real key concern for most businesses (up 2 percentage points on the previous quarter to 66%).

Businesses were also concerned about the strength of the pound/exchange rates (up 4 percentage points on the previous quarter to 26%) and high UK retail prices (up 1 percentage point on the previous quarter to 26%). A high proportion of visitors (up 3 percentage points on the previous quarter to 20%) have also reported that they are worried by lack of promotion.

Table 1 Key business concerns

	Count	%
UK Economic Climate	188	77%
Weather	161	66%
Strength of the pound/exchange rates	64	26%
High UK retail prices	53	22%
Lack of promotion	48	20%
Local competition	40	16%
Over regulation	40	16%
Poor transport network	39	16%
Competition from other parts of the UK	32	13%
Competition from overseas holidays	28	12%
Competition from low-cost airlines	15	6%
No real concerns	11	5%
General security fears	10	4%
Other (Please specify)	29	12%

NB: More than one response permitted

2.3.1 Positive factors affecting business over the July to September 2008 period

Businesses were asked about factors (both positive and negative) that had affected their performance over the July–September 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 September encouraged more visits during the end of the traditional summer period.

Once again, a number of businesses are seeing an increase in enquiries through better marketing, improvements in relations with the local media and through word of mouth/recommendations. As well as attracting new customers, many businesses continue to report an increase in repeat custom. A number of 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 July to September 2008 period

The credit crunch and current economic climate of the UK are seen as the key contributing factors by those businesses experiencing poor performance during the third quarter of 2008. 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 this period, 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 many businesses on the island 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 third quarter of 2008, compared with 2007, into sub regions.

3.1.1 Performance from January to September 2008

Surrey and East Sussex and Brighton businesses reported a more positive performance over the first three quarters of the year, compared with 2007 (up 14 and 13 percentage points respectively from the previous quarter). The IOW (up 2 percentage points) and West Sussex (up 2 percentage points) also reported increases in better overall performance compared with the previous quarter. The remaining sub regions were more circumspect.

The IOW was the only sub region which saw an increase in the proportion of businesses reporting worse overall performance (up 9 percentage points to 40%). All other sub regions reported an improvement in worse overall performance. In particular Surrey (down 20 percentage points from the previous quarter to 24%), Hampshire (down 16 percentage points from the previous quarter to 21%) and East Sussex and Brighton (down 12 percentage points from the previous quarter to 36%) all reported high decreases.

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
Base	*(27)*	*(88)*	*(27)*	*(17)*	*(30)*	*(37)*	*(20)*
	%	%	%	%	%	%	%
Much better (Up more than 10%)	15%	8%	7%	-	-	11%	15%
Better (Up by 5% - 10%)	15%	18%	19%	12%	10%	8%	-
Slightly better (Up by 1% - 5%)	7%	17%	19%	35%	20%	24%	20%
Total % 'Up'	***37%***	***43%***	***45%***	***47%***	***30%***	***43%***	***35%***
About the same	30%	35%	15%	29%	27%	22%	40%
Slightly worse (Down by 1% - 5%)	22%	11%	7%	12%	20%	11%	15%
Worse (Down by 5% - 10%)	7%	7%	7%	6%	13%	11%	10%
Much worse (Down by more than 10%)	4%	3%	26%	6%	10%	14%	-
Total % 'Down'	***33%***	***21%***	***40%***	***24%***	***43%***	***36%***	***25%***

Fewer West Sussex, BBO, Kent, Hampshire, Surrey and East Sussex and Brighton businesses reported better overall performance compared with 12 months ago. Only 30% 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 20 percentage points to 37%), Kent (down 18 percentage points to 35%) and Hampshire (down 18 percentage points to 43%) also saw considerable decreases in performance.

The proportion IOW businesses reporting better overall performance has improved slightly (up 2 percentage points) compared with the snapshot taken 12 months ago (September 2007).

The number of businesses in all sub regions reporting worse overall performance increased compared with 12 months ago. West Sussex (up 24 percentage points to 43%), BBO (up 16 percentage points to 33%) and East Sussex and Brighton (up 16 percentage points to 48%) have been affected the most. Businesses in IOW, Hampshire, Surrey, East Sussex and Brighton and Kent also increased by 5, 4, 2, 2 and 1 percentage points respectively.

3.1.2 Expectations for 2008

With the exception of BBO (down 2 percentage points), businesses were slightly more optimistic about the year ahead than they were last quarter. Businesses on the IOW were the most optimistic, with 40% (up 26 percentage points) expecting a better overall performance. The proportion expecting better overall performance also increased considerably within Hampshire (up 26 percentage points), East Sussex and Brighton (up 23 percentage points), Surrey (up 18 percentage points) and West Sussex (up 7 percentage points).

Although businesses in Kent appear more cautious, an additional 12% of businesses this quarter expect worse overall performance, the number expecting better overall performance did see an increase of 1 percentage point.

Table 2b Expectations for 2008, compared with 2007

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
Base	*(27)*	*(88)*	*(27)*	*(17)*	*(30)*	*(37)*	*(20)*
	%	%	%	%	%	%	%
Much better (Up more than 10%)	11%	6%	4%	-	-	5%	5%
Better (Up by 5% - 10%)	11%	16%	18%	7%	17%	16%	5%
Slightly better (Up by 1% - 5%)	21%	28%	18%	40%	10%	30%	10%
Total % 'Up'	***43%***	***50%***	***40%***	***47%***	***27%***	***51%***	***20%***
About the same	21%	26%	18%	20%	34%	16%	35%
Slightly worse (Down by 1% - 5%)	29%	11%	7%	33%	17%	14%	25%
Worse (Down by 5% - 10%)	4%	6%	7%	-	10%	16%	15%
Much worse (Down by more than 10%)	4%	7%	29%	-	10%	3%	5%
Total % 'Down'	***37%***	***24%***	***43%***	***33%***	***37%***	***33%***	***45%***

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, Kent, IOW and Surrey where an additional 24%, 22%, 14% and 11% of businesses expect a worse overall performance for the year ahead. Hampshire and BBO regions have also seen a significant increase (up 8 and 7 percentage points respectively) whilst East Sussex and Brighton have increased by 4%.

3.2 Location

3.2.1 Performance from January to September 2008

Businesses in coastal (up 10 percentage points) and urban (up 12 percentage points) locations reported a slightly better performance for the first three quarters of 2008 compared with the same period in 2007. In contrast to this, the number of businesses in rural locations that reported a better overall performance fell by 7 percentage points.

The number of business's that reported a worse overall performance in all three locations improved, most notably within urban areas which declined from 43% to 27%.

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

	Rural	Coastal	Urban
Base	*(152)*	*(57)*	*(37)*
	%	%	%
Much better (Up more than 10%)	7%	12%	8%
Better (Up by 5% - 10%)	11%	16%	22%
Slightly better (Up by 1% - 5%)	17%	23%	22%
Total % 'Up'	***35%***	***51%***	***52%***
About the same	36%	18%	22%
Slightly worse (Down by 1% - 5%)	15%	9%	14%
Worse (Down by 5% - 10%)	9%	9%	8%
Much worse (Down by more than 10%)	7%	14%	5%
Total % 'Down'	***31%***	***32%***	***27%***

Fewer businesses within rural and urban locations reported better overall performance compared with 12 months ago. Only 35% of businesses within rural locations reported a better overall improvement this quarter compared with 52% twelve months ago, whilst the proportion of businesses in urban locations (down 6 percentage points to 52%) also saw a decrease in performance.

In contrast to this, businesses within coastal saw an improvement their performance compared with 12 months ago (up 5 percentage points).

3.2.2 Expectations for 2008

Rural, coastal and urban businesses appear more optimistic about their expectations for the year ahead, with a high proportion expecting better overall performance (41%, 48% and 41% respectively).

Table 3b Expectations for 2008 compared with 2007

	Rural	Coastal	Urban
Base	*(151)*	*(57)*	*(36)*
	%	%	%
Much better (Up more than 10%)	5%	9%	-
Better (Up by 5% - 10%)	10%	23%	19%
Slightly better (Up by 1% - 5%)	26%	16%	22%
Total % 'Up'	***41%***	***48%***	***41%***
About the same	28%	16%	25%
Slightly worse (Down by 1% - 5%)	17%	14%	17%
Worse (Down by 5% - 10%)	7%	11%	8%
Much worse (Down by more than 10%)	7%	12%	8%
Total % 'Down'	***31%***	***37%***	***33%***

It appears that rural, coastal and urban locations are less optimistic about the year ahead than they were at the same time 12 months ago, with an additional 8%, 16% and 7% businesses expecting a worse overall performance.

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 September 2008

Caravan and camping businesses reported a more positive performance over the first three quarters of the year, compared with 2007 (up 20 percentage points from the previous quarter to 53%). Guest houses, free visitor attractions, charged visitor attractions and hotels also reported increases in better overall performance compared with the previous quarter (up 9, 7, 3 and 3 percentage points respectively). The remaining businesses reported a more mixed performance.

Hotels and caravan and camping businesses saw a significant decline in the number of businesses reporting worse overall performance compared with the previous quarter (down 33 and 30 percentage points respectively).

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
Base	*(20)*	*(14)*	*(47)*	*(50)*	*(13)*	*(26)*	*(64)*	*(12)*
	%	%	%	%	%	%	%	%
Up more than 10%	5%	-	6%	6%	15%	12%	9%	17%
Up by 5% - 10%	20%	29%	9%	10%	15%	15%	14%	8%
Up by 1% - 5%	20%	21%	17%	12%	23%	12%	23%	42%
Total % 'Up'	***45%***	***50%***	***32%***	***28%***	***53%***	***39%***	***46%***	***67%***
Expect it to be about the same	35%	7%	36%	42%	31%	31%	19%	17%
Down by 1% - 5%	10%	21%	15%	10%	8%	12%	17%	8%
Down by 5% - 10%	10%	-	9%	6%	-	15%	13%	-
Down by more than 10%	-	21%	9%	14%	8%	4%	5%	8%
Total % 'Down'	***20%***	***42%***	***33%***	***30%***	***16%***	***31%***	***35%***	***16%***

'Other' tourism businesses saw a significant increase in better overall performance this quarter compared with the snapshot taken 12 months ago in September 2007 (up 29 percentage points to 67%). Guest houses (up 4 percentage points to 50%) and caravan and camping (up 3 percentage points to 53%) also saw a better performance. Conversely, B&B (down from 51% to 32%), self catering (down from 47% to 28%) and hotels (down from 62% to 45%) all reported a significant decline in better overall performance.

3.3.2 Expectations for 2008

'Other' tourism businesses (69%), Caravan and camping (56%), hotels (55%), free visitor attractions (54%), charged visitor attractions (48%) and guest houses (43%) were more optimistic about the year ahead than the last quarter. Of the remaining sectors, B&B's were more circumspect about their performance this year.

The proportion of caravan and camping businesses reporting a worse overall performance feel considerably compared with the previous quarter, with only 14% expecting a worse overall performance (down 36 percentage points).

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
Base	*(20)*	*(14)*	*(46)*	*(48)*	*(14)*	*(26)*	*(63)*	*(13)*
	%	%	%	%	%	%	%	%
Up more than 10%	5%	-	4%	2%	14%	4%	5%	15%
Up by 5% - 10%	10%	36%	2%	13%	21%	27%	16%	8%
Up by 1% - 5%	40%	7%	20%	15%	21%	23%	27%	46%
Total % 'Up'	***55%***	***43%***	***26%***	***30%***	***56%***	***54%***	***48%***	***69%***
Expect it to be about the same	-	14%	28%	35%	29%	15%	27%	23%
Down by 1% - 5%	30%	21%	22%	13%	7%	19%	14%	-
Down by 5% - 10%	15%	7%	15%	6%	7%	8%	5%	-
Down by more than 10%	-	14%	9%	17%	-	4%	6%	8%
Total % 'Down'	***45%***	***42%***	***46%***	***36%***	***14%***	***31%***	***25%***	***8%***

With the exception of other tourism businesses (up 19 percentage points to 69%) and caravan and camping (up 13 percentage points to 56%), all business sectors appear more pessimistic with their expectations for better overall business performance than they were 12 months ago in September 2007. The most notable lack of confidence comes from B&B's (down from 45% to 26%), self catering (down from 51% to 30%) and hotels (down from 63% to 55%).

Hotels (up 26%), B&B's (up 22%), self catering (up 17%) and guest houses (up 14%) have all reported an increase in their expectations for 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 19% from the first quarter. This is because Visit Kent is now responsible for the data collection of all Kent participants and the sample size has declined considerably from the previous quarter.

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 5th January 2009.

5 Profile of sample

For the third quarter of 2008, a total of 249 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	%
Buckinghamshire, Berkshire and Oxfordshire	28	11%
Hampshire	88	35%
I.O.W	28	11%
Surrey	17	7%
West Sussex	30	12%
East Sussex and Brighton	38	15%
Kent	20	8%
Total	**249**	**100**

5.2 Type of location

62% of businesses were located in rural areas, 23% in coastal areas and the remaining 15% were located in urban areas. Indicative analysis by location has been provided within this report.

Table 6 Location

	Count	%
Rural	155	62
Coastal	57	23
Urban	37	15
Total	**249**	**100**

5.3 Type of business

Table 7 Business sector

	Count	%
Hotels (including motels, travel lodges, inns)	20	8%
Guest houses	14	6%
B&B (including farm houses)	48	19%
Self-catering (including flats, cottages, houses)	50	20%
Holiday park	8	3%
Caravan and camping	6	2%
Free Visitor Attraction	26	10%
Charged Visitor Attraction	64	26%
Leisure/Sport Centre	-	-
Retail	2	1%
Food and Drink	1	0%
Travel and Transport	2	1%
Tourism Services (tour operator, travel agent)	-	-
Other (please specify)	8	3%
Total	**249**	**100**

Other types of Business sectors include:

- *Specialist nursery, Gift Shop & Coffee Shop*
- *River trips / Narrow boat holiday hire*
- *Retreat House*
- *Cycle hire/shop*
- *Private beach and car park*