

Tourism South East Business Confidence Survey January – December 2006



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Executive Summary

The following report presents the findings from the 13th tourism business confidence survey conducted by Tourism South East, covering the period from January to December 2006.

A total of 354 completed questionnaires were received. 38% of responding businesses were serviced accommodation providers, 27% were non-serviced accommodation providers and a further 26% were visitor attractions. The remainder were retail, leisure, food and drink, travel and transport and other tourism service providers.

A better overall performance for 2006...

52% of businesses reported their level of performance to be better in 2006 as a whole compared with 2005. 25% reported the same level of performance and a further 23% reported worse overall performance. This was an improvement on the snapshot taken 12 months ago when 49% reported better overall performance.

Results suggest a better overall performance across most sub regions for 2006 compared with 2005, although businesses in East Sussex & Brighton and Kent reported a mixed performance for this period. Hampshire and Surrey businesses were more likely to report the same or better overall performance.

Businesses in rural, urban and coastal locations all reported a better overall performance for the whole of 2006 compared with 2005.

Hotel, guest house, caravan and camping and 'other' businesses reported a more positive performance for 2006 compared with other sectors. B&Bs and self-catering were more likely to report the same or better overall performance, whilst visitor attractions were more likely to report a mixed performance.

Optimism for 2007...

58% of businesses expect a better overall performance for 2007 compared with 2006. 36% expect their business performance to be the same, and only 6% expect their performance to be worse overall in 2007. This was significantly higher than the snapshot taken 12 months ago when 49% of businesses expected better overall performance for 2006 (compared with 2005).

Businesses in the Hampshire, IOW, West Sussex, East Sussex & Brighton and Kent sub regions were more optimistic than other sub regions about business performance in 2007. Surrey and BBO businesses were more cautious about the year ahead.

Coastal, rural and urban businesses all expect a better performance in 2007.

Hotels, holiday parks, and caravan and camping businesses were more upbeat about the year ahead. Guest houses, B&Bs, self-catering and 'other' businesses were more likely to expect the same level of business in 2007 as in 2006.

Continued concern about the UK economic climate...

In previous quarters, the current UK economic climate was a key concern for most businesses, and this quarter the concern has increased further. In September 2006, 27% of businesses reported this as a key concern whereas this quarter the percentage had increased to 30%.

As with previous quarters, the majority of business operators reported that the weather had the most significant impact on business performance during 2006.

Businesses were also concerned about competition from overseas holidays and the strength of the pound and exchange rates.

Tourism South East Business Confidence Survey

1 Introduction

The following report presents the findings from the 13th tourism business confidence survey conducted by Tourism South East, covering the period from January to December 2006. 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 354 completed questionnaires were received this quarter. A number of regular participating businesses were closed over the survey period or during the first quarter of 2007 when the survey was mailed. This will have affected sample size, however a general recruitment drive is planned for this year with particular attention to be paid to boosting samples in BBO, Surrey, West Sussex, East Sussex & Brighton and the IOW.

2 Overall business performance

2.1 Performance up to end of December 2006

Figure 1 Business performance since start of 2006 (compared with the same period in 2005)

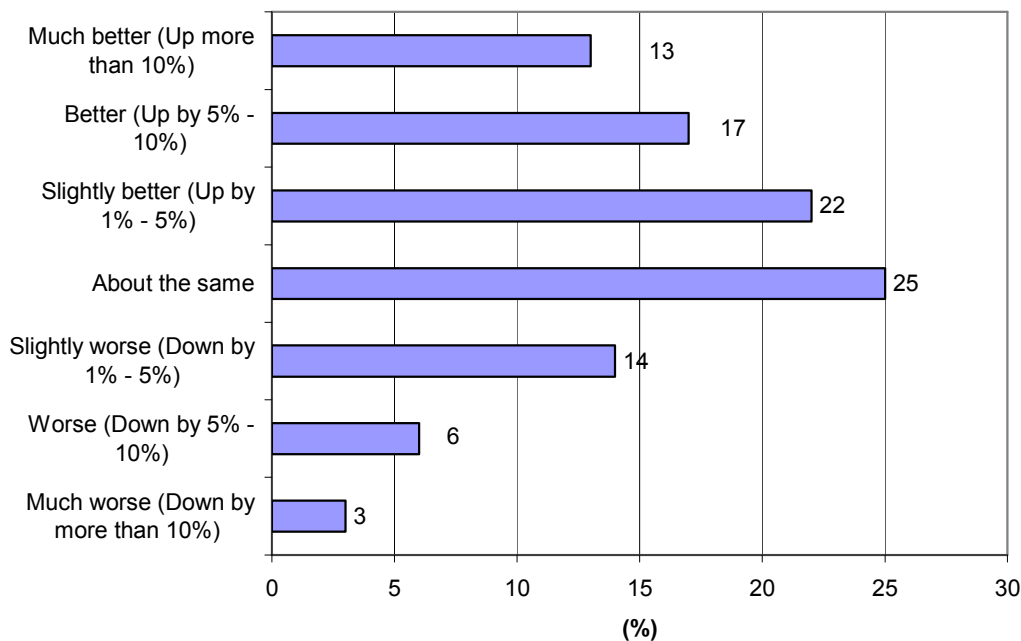
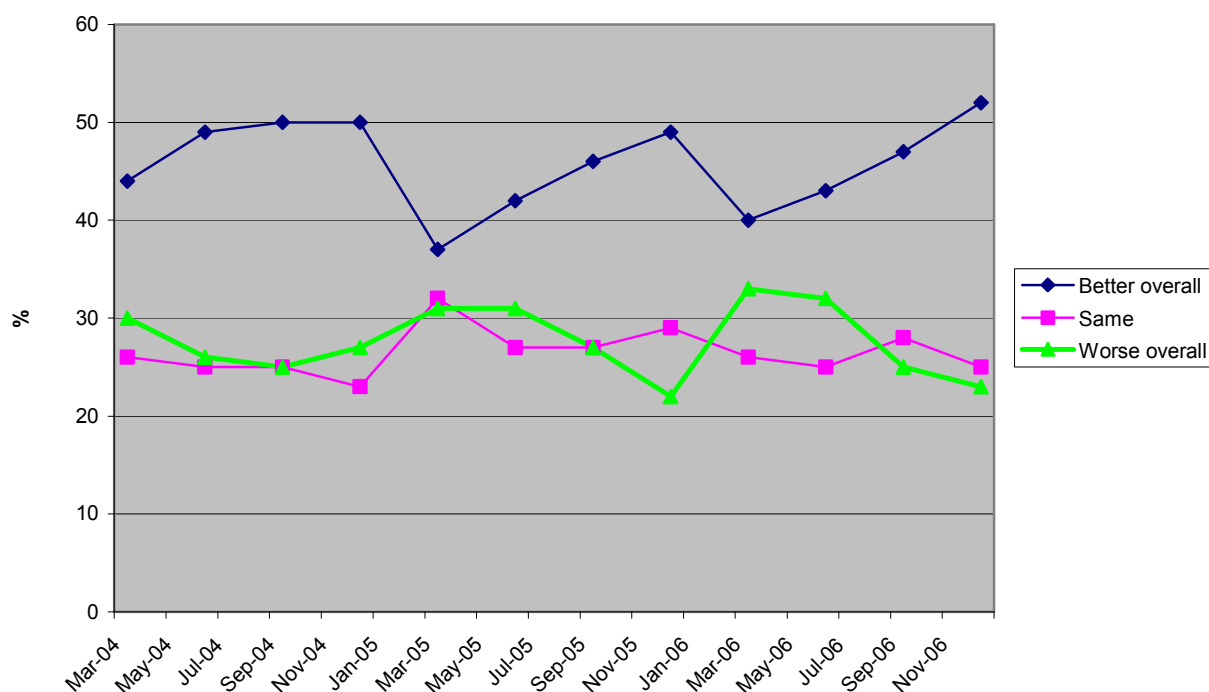


Figure 1 above shows better overall performance for tourism businesses for the whole of 2006 compared with 2005. 52% reported their level of performance to be better overall compared with last year (up 5% points on last quarter). 25% reported their business performance to be the same as 2005 over this period, and a further 23% reported worse overall performance (down 2% points on last quarter).

2.1.1 Trends in business performance (March 2004 – December 2006)

The proportion of businesses reporting better overall performance (compared with the same period in the previous year) saw an improvement over the second, third and fourth quarters of 2006 (April – December). Looking back over the last two years, the business performance was 3 percentage points higher than December 2005 and 2 points higher than December 2004. There has been a corresponding fall in the proportion of businesses reporting worse overall performance compared with last quarter (down 2% points), almost back to the lower levels reported at the start of 2006.

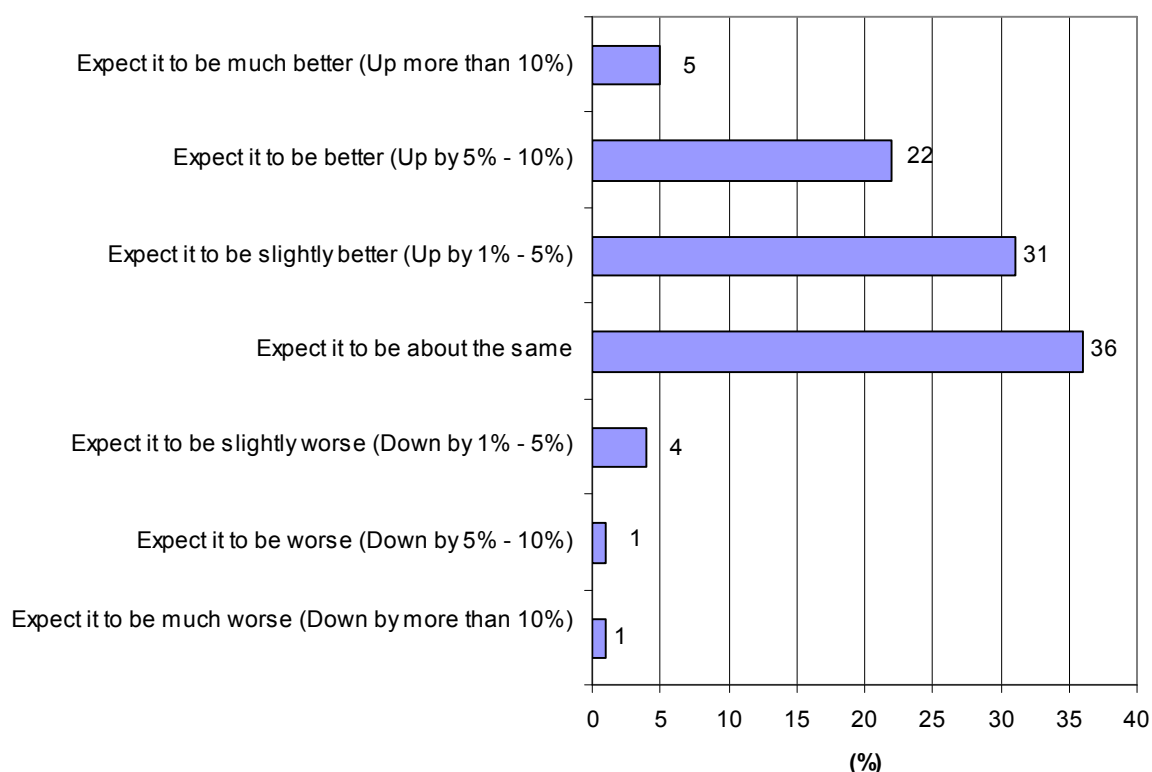
Figure 2 Business performance compared with the same period last year



2.2 Expectations for 2007

Businesses were asked to indicate their expectations for the year ahead compared with 2006. Over half (58%) of businesses expect their performance for 2007 to be better overall compared with 2006. This was 11% points higher than that reported last quarter. Over a quarter (36%) expect their business performance to be the same as 2006 levels (up 4% points from last quarter) and a further 6% expect their business performance to be worse overall (down a significant 14% points from last quarter).

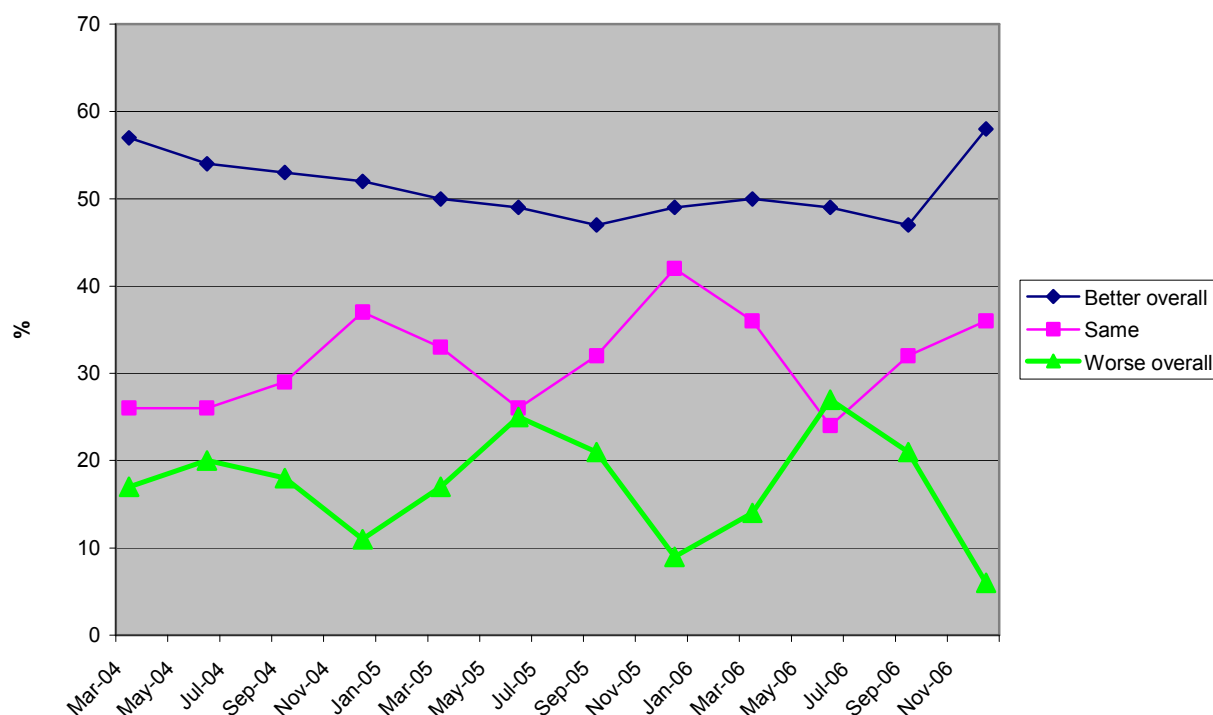
Figure 3 Business expectations for 2007 (compared with 2006)



2.2.1 Trends in business confidence (March 2004 – December 2006)

Business confidence has appeared to be weakening since the survey began at the start of 2004. This trend turned around in December 2006 though, with the level of confidence rising to 58% of businesses compared with 49% recorded in December 2005. The proportion expecting worse overall performance for the year ahead (compared with the same period in the previous year) has fallen to its lowest level (and therefore most positive) since the peak in June 2006 when 27% expected 2006 to bring a worse overall performance. This proportion has now decreased to 6%.

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



2.3 Key business concerns

The majority of business operators reported that the weather had the most significant impact on business performance throughout 2006. Both the caravan and camping and visitor attraction sectors were more likely to report that the weather had an impact on performance over 2006 (40% and 60% respectively), even though a lesser impact was reported than last quarter. Businesses this quarter were more concerned about the UK economic climate (30% this quarter, compared with 27% last quarter) and competition from overseas holidays (23% this quarter, compared with 30% last quarter).

Table 1 Key business concerns

	Count	%
Weather	143	40
UK economic climate	106	30
Competition from overseas holidays	82	23
Strength of the pound/exchange rates	78	22
Over regulation	70	20
High UK retail prices	68	19
Local competition	67	19
Competition from low-cost airlines	63	18
Lack of promotion	62	18
Competition from other parts of the UK	61	17
Poor transport network	56	16
General security fears	35	10
No real concerns	33	9
Other	34	10
Threat of avian flu	7	2

Businesses were asked about factors (both positive and negative) that had affected their performance over the October – December 2006 period. For those who had reported better overall performance, the mild weather over this period, the use of the Internet to advertise their business, and the Christmas holiday period were all felt to have boosted performance over the final quarter of 2006.

A number of businesses remarked on increased and better marketing and promotion, plus positive word of mouth recommendations. Some businesses commented that they were catering for more winter weddings, and several businesses mentioned an increase in business tourism generally; especially long stay business bookings from contractors working in the area had improved overall occupancy rates. A number of businesses reported turning away prospective guests due to 100 per cent occupancy.

However, the wet weather and winter closures were mentioned as key contributing factors by those businesses reporting poorer performance over the final quarter of 2006. Other factors mentioned that had negatively affected performance included the state of the UK economy, fewer American visitors, and increased competition both locally and from overseas holidays and a higher volume of cancellations.

On a more localised level, mention was made of road and building works affecting business and the detrimental effect of poorly maintained buildings on the general appearance of an area.

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).

3.1 Sub regions

Table 2a below breaks down business performance for the whole of 2006 compared with 2005 into sub regions.

3.1.1 Performance up to end of December 2006

Results suggest a better overall performance in BBO, IOW and West Sussex during the whole of 2006 compared with 2005. Businesses in East Sussex & Brighton and Kent reported a mixed performance for this period, whereas Surrey and Hampshire businesses were more likely to report better overall or the same level of performance compared with 2005.

Table 2a Business performance since start of 2006, compared with same period in 2005

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
<i>Base</i>	(37)	(100)	(43)	(16)	(30)	(45)	(76)
	%	%	%	%	%	%	%
Much better (Up more than 10%)	16	17	14	19	17	7	8
Better (Up by 5% - 10%)	19	13	21	13	23	20	16
Slightly better (Up by 1% - 5%)	24	18	19	19	30	22	24
Total % 'Up'	59	48	54	51	70	49	48
About the same	19	35	28	38	10	16	24
Slightly worse (Down by 1% - 5%)	16	10	14	6	7	20	20
Worse (Down by 5% - 10%)	5	4	5	6	7	9	7
Much worse (Down by more than 10%)	0	3	0	0	7	7	3
Total % 'Down'	21	17	20	12	21	36	30

The proportion of BBO, Hampshire, IOW and Kent businesses reporting better overall performance has improved compared with the snapshot taken 12 months ago (December 2005). 59% of BBO businesses reported better overall performance this quarter compared with 53% twelve months ago, 48% of Hampshire businesses compared with 47% 12 months ago, 54% of IOW businesses compared with 51% twelve months ago and 48% of Kent businesses compared with 43% 12 months ago.

East Sussex & Brighton businesses saw a significant fall in the proportion reporting better overall performance this quarter (49%) compared with the snapshot taken 12 months ago (62%). Surrey and West Sussex results were separated in 2006 to reflect the new sub regional arrangement, and therefore comparisons with 2005 results are not possible. However, future reports will compare 2007 performance with the previous year's performance for these two sub regions.

3.1.2 Expectations for 2007

Table 2b breaks down expectations for 2007 by sub region. Overall, South East businesses' expectations for 2007 are very favourable.

Businesses in the Hampshire, IOW, West Sussex, East Sussex & Brighton and Kent sub regions were more optimistic than other sub regions about business performance in 2007. 58% of Hampshire businesses, 64% of IOW businesses, 61% of West Sussex, 59% of East Sussex & Brighton and 62% of Kent businesses expect better overall performance for this year compared with last year. Surrey and BBO businesses however, were more cautious, with 57% and 45% respectively expecting 2007 to bring similar levels of performance as 2006.

Table 2b Expectations for 2007, compared with 2006

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
<i>Base</i>	(33)	(99)	(42)	(14)	(23)	(34)	(68)
	%	%	%	%	%	%	%
Up more than 10%	3	3	7	7	4	3	9
Up by 5% - 10%	24	25	12	21	26	18	22
Up by 1% - 5%	24	30	45	0	30	35	31
Total % 'Up'	51	58	64	28	61	59	62
Expect it to be about the same	45	36	36	57	39	32	29
Down by 1% - 5%	3	4	0	14	0	3	7
Down by 5% - 10%	0	0	0	0	0	3	1
Down by more than 10%	0	1	0	0	0	3	0
Total % 'Down'	3	5	0	14	0	9	8

Hampshire, IOW, East Sussex & Brighton and Kent businesses were slightly more optimistic than the BBO sub region about business expectations for the coming year, compared with 12 months ago (December 2005), when 45% of Hampshire, 56% of IOW, 49% of East Sussex & Brighton and 49% of Kent businesses expected better overall performance for the year ahead (2006). Businesses in BBO were less optimistic, with 51% expecting better overall performance for 2007 whereas 12 months ago 57% expected better overall performance for 2006.

Surrey and West Sussex results were separated in 2006 to reflect the new sub regional arrangement, and therefore comparisons with the previous year's results are not possible. However, comparisons between 2007 and 2006 will be made in future reports for these two sub regions.

3.2 Location

3.2.1 Performance up to end of December 2006

Businesses in rural, coastal and urban locations all reported a better performance for the whole of 2006 compared with 2005.

Table 3a Business performance since start of 2006 compared with 2005

	Rural	Coastal	Urban
<i>Base</i>	(193)	(78)	(76)
	%	%	%
Much better (Up more than 10%)	11	19	13
Better (Up by 5% - 10%)	17	13	21
Slightly better (Up by 1% - 5%)	21	18	26
Total % 'Up'	49	50	60
About the same	27	23	22
Slightly worse (Down by 1% - 5%)	15	14	12
Worse (Down by 5% - 10%)	6	9	3
Much worse (Down by more than 10%)	3	4	3
Total % 'Down'	24	27	18

3.2.2 Expectations for 2007

Rural, coastal and urban businesses expect a better performance in 2007, with over 50% of all businesses expecting to do better.

Table 3b Expectations for 2007 compared with 2006

	Rural	Coastal	Urban
<i>Base</i>	(171)	(70)	(72)
	%	%	%
Much better (Up more than 10%)	3	10	6
Better (Up by 5% - 10%)	23	16	24
Slightly better (Up by 1% - 5%)	30	34	31
Total % 'Up'	56	60	61
About the same	39	33	35
Slightly worse (Down by 1% - 5%)	4	3	6
Worse (Down by 5% - 10%)	0	3	0
Much worse (Down by more than 10%)	1	1	0
Total % 'Down'	5	7	6

3.3 Type of business

3.3.1 Performance up to end of December 2006

Hotels, guest houses, caravan and camping establishments, and 'other' businesses reported a more positive performance during 2006 than other sectors. Visitor attractions were more likely to report a mixed performance for 2006 with 51% performing better overall, and 32% reporting a worse overall performance compared with the previous year. B&Bs and self catering operators were more likely to report the same or better overall performance.

Table 4a Business performance since start of 2006 compared with same period in 2005

	Hotels	Guest Houses	B&B	Self Catering	Caravan and camping	Visitor attractions	Other
	%	%	%	%	%	%	%
<i>Base</i>	(27)	(21)	(83)	(73)	(20)	(90)	(33)
Up more than 10%	26	10	10	8	10	19	12
Up by 5% - 10%	22	29	12	15	25	13	27
Up by 1% - 5%	11	24	20	22	30	19	33
Total % 'Up'	59	63	42	45	65	51	72
Expect it to be about the same	26	14	33	41	10	18	9
Down by 1% - 5%	7	19	17	5	25	18	12
Down by 5% - 10%	7	0	5	7	0	8	6
Down by more than 10%	0	5	4	1	0	6	0
Total % 'Down'	14	24	26	13	25	32	18

Guest house, caravan and camping and 'other' businesses all saw a better overall performance this quarter compared with the snapshot taken 12 months ago (December 2005), when only 45% of guest houses, 44% of self-catering, 50% of caravan and camping and 37% of 'other' businesses reported better overall performance. However, for hotel, B&B and visitor attraction businesses the picture was less positive than the snapshot taken 12 months ago, when 66% of hotels, 46% of B&Bs and 54% of visitor attractions reported a better overall performance.

3.3.2 Expectations for 2007

Hotels, caravan and camping, and visitor attraction businesses were more upbeat about the year ahead, with 78%, 88% and 68% respectively expecting better overall performance this coming year compared with last year. Guest houses, B&Bs, self-catering and 'other' businesses were more circumspect about the year ahead.

Table 4b Expectations for 2007 compared with 2006

	Hotels	Guest Houses	B&B	Self Catering	Caravan and Camping	Visitor Attractions	Other
<i>Base</i>	(23)	(21)	(75)	(70)	(16)	(80)	(28)
	%	%	%	%	%	%	%
Up more than 10%	13	5	1	6	6	4	11
Up by 5% - 10%	26	14	20	19	19	30	14
Up by 1% - 5%	39	29	23	30	63	34	29
Total % 'Up'	78	48	44	55	88	68	54
Expect it to be about the same	13	43	49	44	13	25	43
Down by 1% - 5%	4	10	5	0	0	6	4
Down by 5% - 10%	4	0	0	1	0	0	0
Down by more than 10%	0	0	1	0	0	1	0
Total % 'Down'	8	10	6	1	0	7	4

All business sectors, with the exception of 'other' were more optimistic than they were 12 months ago (December 2005) when 69% of hotels, 39% of guest houses, 41% of B&Bs, 36% of self-catering, 75% of caravan and camping and 55% of visitor attraction businesses expected better overall performance for the year ahead. 'Other' business types were more optimistic about 2006 than they were about 2007.

4 Survey background

4.1 Methodology

Tourism businesses in the South East region were asked to complete a simple two page questionnaire and return by either fax or post. Alternatively, respondents had the option of completing the questionnaire on-line. 53% were returned by post, 37% were returned by fax and the remaining 10% were completed online. The sample size has remained constant at approximately 400 participants (despite a recruitment exercise over March last year and the introduction of a new prize draw).

4.2 Dates for next survey

The next survey covering the first quarter of 2007 and expectations for the remainder of 2007 will be mailed on 1st April 2007.

5 Profile of sample

For the fourth quarter of 2006, a total of 354 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. Care should be taken when interpreting the results for the Surrey, West Sussex and BBO sub regions due to small sample sizes.

Table 5 Sub region

	Count	%
Berks, Bucks, Oxon	37	10
Hampshire	103	29
IOW	44	12
Surrey	16	5
West Sussex	30	8
East Sussex and Brighton	46	13
Kent	78	22
Total	354	100

5.2 Type of location

57% of businesses were located in rural areas, 24% were in coastal areas and the remaining 19% were located in urban areas. Indicative analysis by location has been provided within this report.

Table 6 Location

	Count	%
Rural	195	55
Coastal	81	23
Urban	78	22
Total	354	100

5.3 Type of business

Table 7 Business sector

	Count	%
Hotels (including motels, travel lodges, inns)	27	8
Guest houses	22	6
B&B (including farm houses)	85	24
Self-catering (including flats, cottages, houses)	75	21
Holiday park (included under caravan & camping)	11	3
Caravan and camping	9	3
Visitor attractions	92	26
Leisure/sport centre	3	1
Retail	6	2
Food and drink	9	3
Travel and transport	1	*
Tourism services (i.e. tour operator, travel agent/guide)	2	1
Other	12	3
Total	354	100

* Less than 0.5%