

Tourism South East Business Confidence Survey January – March 2007



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Executive Summary

The following report presents the findings from the 14th tourism business confidence survey conducted by Tourism South East, covering the period from January to March 2007.

A total of 328 completed questionnaires were received. 34% of responding businesses were serviced accommodation providers, 27% were non-serviced accommodation providers and a further 30% were visitor attractions. The remainder were retail, leisure, food and drink, travel and transport and other tourism service providers.

A good start to 2007...

55% of businesses reported their level of performance to be better in the first quarter of 2007 compared with 2006. 24% reported the same level of performance and a further 21% reported worse overall performance. This was a significant improvement on the snapshot taken 12 months ago when 40% reported better overall performance.

Results suggest a better overall performance across some of the sub regions for the first quarter of 2007 compared with the same period in 2006, including Hampshire, Surrey and West Sussex, although businesses in BBO, IOW, East Sussex & Brighton and Kent reported a mixed performance for this period.

Businesses in rural and urban locations all reported a better overall performance for the first quarter of 2007 compared with the same period in 2006. Coastal locations reported a mixed performance.

Caravan and camping, visitor attractions and 'other' businesses reported a more positive performance for the first three months of 2007 compared with other sectors. Whilst hotels, guest houses, B&Bs and self catering were more likely to report a mixed performance.

Continuing optimism for 2007...

64% of businesses expect a better overall performance for 2007 compared with 2006. 26% expect their business performance to be the same, and only 10% expect their performance to be worse overall in 2007. This was significantly higher than the snapshot taken 12 months ago when 50% of businesses expected better overall performance for 2006 (compared with 2005).

Businesses in the Hampshire, IOW, Surrey, West Sussex, BBO and Kent sub regions were more optimistic than other sub regions about business performance in 2007. A sizeable proportion of the East Sussex & Brighton sub region expect the same levels of performance as 2006.

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

Guest houses, visitor attractions, caravan and camping and 'other' businesses were more upbeat about the year ahead. Hotels, B&Bs and self catering 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 remained. In December 2006, 30% of businesses reported this as a key concern and this quarter the percentage had remained almost the same at 29%.

As with previous quarters, a large proportion of business operators (41%) reported that the weather had the most significant impact on business performance during the first three months of 2007. Businesses were also still 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 14th tourism business confidence survey conducted by Tourism South East, covering the period from January to March 2007. 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 328 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 as the sample has declined considerably.

2 Overall business performance

2.1 Performance up to end of March 2007

Figure 1 Business performance since start of 2007 (compared with the same period in 2006)

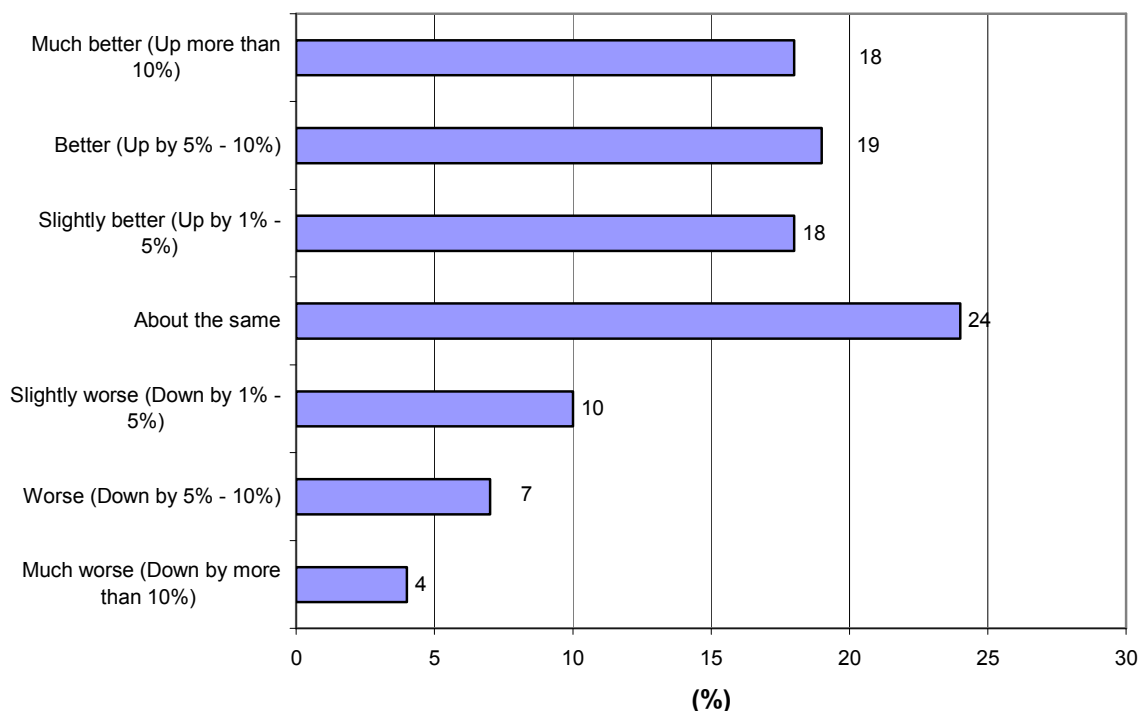
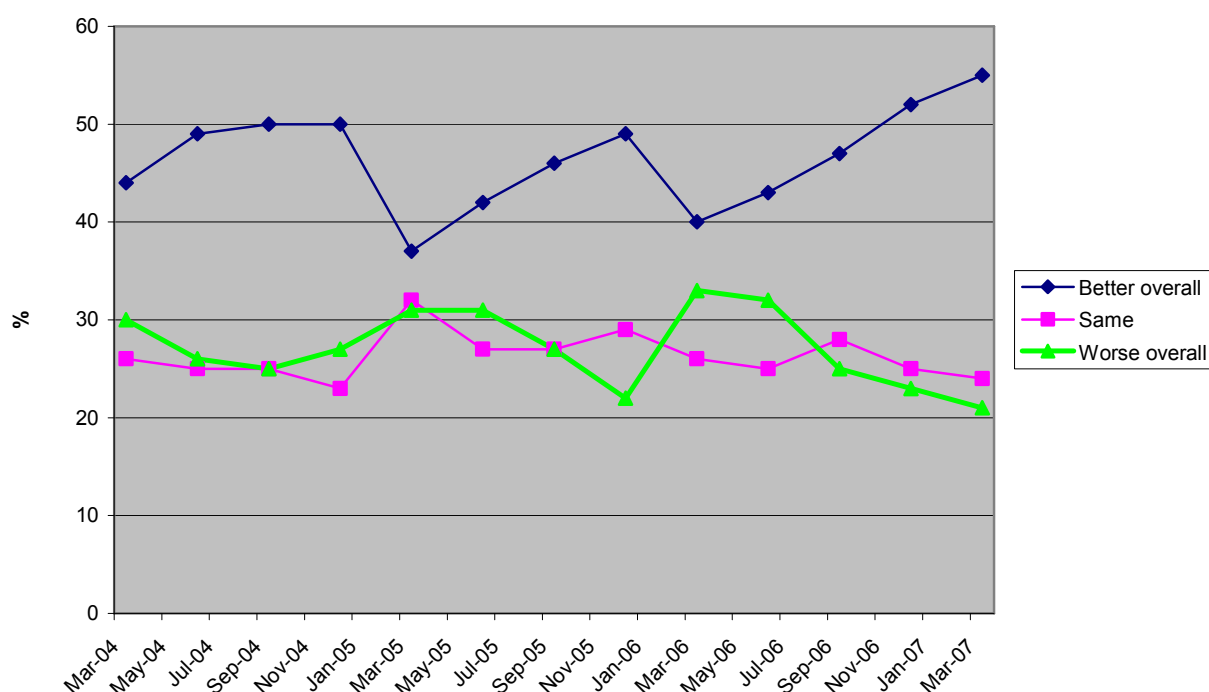


Figure 1 above shows better overall performance for tourism businesses for the first quarter of 2007 compared with the same period in 2006. 55% reported their level of performance to be better overall compared with last year (up 3% points on last quarter). 24% reported their business performance to be the same as the first quarter in 2006, and a further 21% reported worse overall performance (down 2% points on last quarter).

2.1.1 Trends in business performance (March 2004 – March 2007)

The proportion of businesses reporting better overall performance (compared with the same period in the previous year) saw an improvement this quarter in comparison to the fourth quarter of 2006 (up by 3 percentage points). Looking back over the last two years, the first quarter of each year showed a drop from the previous quarter, but encouragingly, the trend for 2007 has reversed and seen an increase instead. Furthermore, business performance was 15 percentage points higher than March 2006 and 18 points higher than March 2005. There has been a corresponding fall in the proportion of businesses reporting worse overall performance compared with last quarter (down 2% points), dropping to the lower levels reported at the start of 2006.

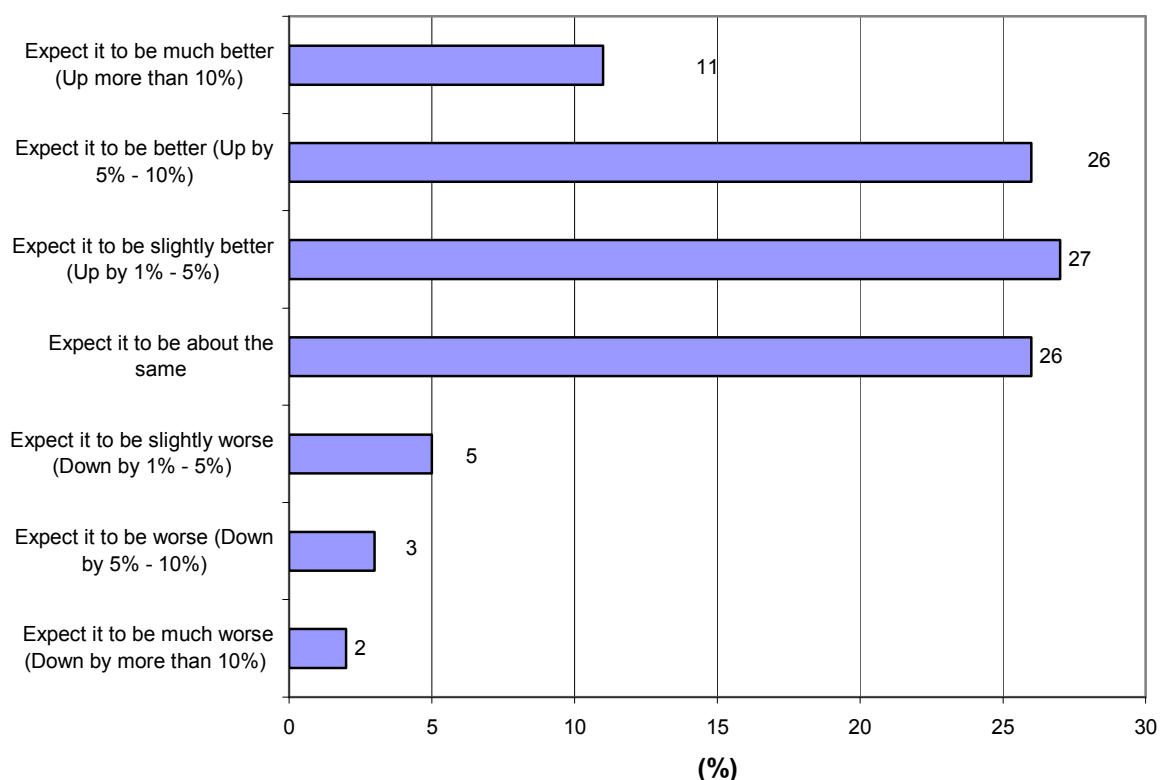
Figure 2 Business performance since March 2004



2.2 Expectations for 2007

Businesses were asked to indicate their expectations for the year ahead compared with 2006. Nearly two thirds of businesses (64%) expect their performance for 2007 to be better overall compared with 2006. This was 6% points higher than that reported last quarter. Just over a quarter (26%) expect their business performance to be the same as 2006 levels (down 10% points from last quarter) and a further 10% expect their business performance to be worse overall (up 4% points from last quarter).

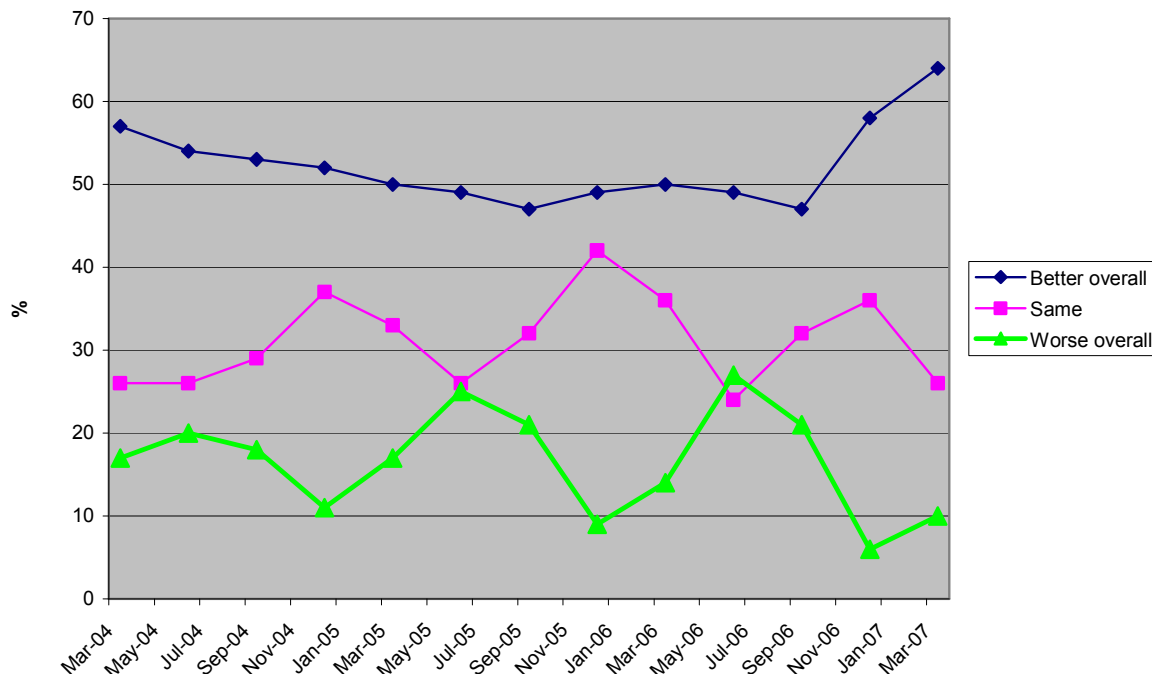
Figure 3 Business expectations for 2007 (compared with 2006)



2.2.1 Trends in business confidence (March 2004 – March 2007)

Business confidence had appeared to weaken since the start of the survey in 2004. This trend saw a turnaround in December 2006, when the level of confidence rose to 58% of businesses expecting better performance in the year ahead compared with 49% recorded in December 2005. This trend has now continued as confidence this year was a further 6 percentage points higher (up to 64%) than December 2006. The proportion expecting worse overall performance for the year ahead (compared with the same period in the previous year) increased slightly since the last quarter by four percentage points (up to 10%).

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



2.3 Key business concerns

The majority of business (41%) operators reported that the weather had the most significant impact on business performance during the first quarter of 2007. This is an almost identical figure to that recorded in the previous quarter (40%). Both the caravan and camping and visitor attraction sectors were more likely to report that the weather had an impact on performance over the first quarter of 2007 (76% and 61% respectively), even though a lesser impact was reported than last quarter. Businesses this quarter were concerned about the UK economic climate, (29% this quarter, compared with 30% last quarter) and competition from overseas holidays (29% this quarter, an increase on the 23% recorded last quarter).

Table 1 Key business concerns

	Count	%
Weather	122	41
UK economic climate	86	29
Competition from overseas holidays	85	29
Strength of the pound/exchange rates	77	26
High UK retail prices	75	25
Local competition	65	22
Over regulation	64	22
Poor transport network	59	20
Competition from other parts of the UK	52	18
Lack of promotion	48	16
No real concerns	44	15
Competition from low-cost airlines	42	14
Other	34	11
General security fears	14	5
Threat of avian flu	13	4

Businesses were asked about factors (both positive and negative) that had affected their performance over the January – March 2007 period. For those who had reported better overall performance, the milder winter weather over this period, better marketing and publicity and increased web presence (including more bookings being taken over the Internet) were all mentioned.

Several businesses reported an increase in business visitors, and an increase in repeat bookings. Other establishments mentioned that large group bookings or long-stay bookings had proved positive for business. Refurbishment or development to the business, development of the local area and competitors being closed over the period were also claimed to have improved business in this quarter.

However, the cold, wet weather and winter closures were mentioned as key contributing factors by those businesses reporting poorer performance during the first quarter of 2007. Other factors mentioned that had negatively affected performance included the rising interest rates, the strength of the pound, less disposable income and general economic uncertainty.

On a more localised level, mention was made of road and building works affecting business, and the increased ferry fares to the Isle of Wight.

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 first quarter of 2007 compared with 2006 into sub regions.

3.1.1 Performance from January to March 2007

Results suggest a better overall performance in Hampshire, Surrey and West Sussex during the first quarter of 2007 compared with 2006. Businesses in BBO, IOW, East Sussex & Brighton and Kent reported a mixed performance for this period.

Table 2a Business performance since start of 2007, compared with same period in 2006

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
<i>Base</i>	(33)	(98)	(29)	(17)	(30)	(34)	(64)
	%	%	%	%	%	%	%
Much better (Up more than 10%)	9	17	10	24	33	9	23
Better (Up by 5% - 10%)	18	21	3	24	30	24	16
Slightly better (Up by 1% - 5%)	21	20	17	18	10	21	14
Total % 'Up'	48	58	30	66	73	54	43
About the same	21	26	38	35	17	15	20
Slightly worse (Down by 1% - 5%)	12	9	21	0	0	18	11
Worse (Down by 5% - 10%)	15	4	3	0	10	9	9
Much worse (Down by more than 10%)	3	2	7	0	0	6	6
Total % 'Down'	30	15	31	0	10	33	26

The proportion of Hampshire, Surrey, West Sussex, East Sussex and Brighton and Kent businesses reporting better overall performance has improved compared with the snapshot taken 12 months ago (March 2006). 58% of Hampshire businesses reported better overall performance this quarter compared with 44% twelve months ago, 66% of Surrey businesses compared with 29% 12 months ago, 73% of West Sussex businesses compared with 51% twelve months ago, 54% of East Sussex & Brighton businesses compared with 32% 12 months ago and 43% of Kent businesses compared with 27% 12 months ago.

BBO and IOW businesses saw a significant fall in the proportion reporting better overall performance this quarter (48% and 30% respectively) compared with the snapshot taken 12 months ago (52% and 44% respectively).

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, with businesses in all sub-regions showing considerable optimism for the year ahead.

Businesses in the Hampshire, IOW, Surrey, West Sussex, Kent and BBO sub regions were more optimistic than other sub regions about business performance in 2007. 60% of Hampshire businesses, 63% of IOW businesses, 73% of Surrey businesses, 76% of West Sussex businesses, 64% of Kent businesses and 75% of BBO businesses expect better overall performance for this year compared with last year. A sizeable proportion of East Sussex and Brighton businesses expect the same levels of performance this year.

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>	(28)	(99)	(35)	(15)	(24)	(30)	(62)
	%	%	%	%	%	%	%
Up more than 10%	7	6	11	13	21	10	15
Up by 5% - 10%	32	30	23	20	38	23	18
Up by 1% - 5%	36	24	29	40	17	23	31
Total % 'Up'	75	60	63	73	76	56	64
Expect it to be about the same	14	27	23	27	25	37	24
Down by 1% - 5%	7	6	9	0	0	3	3
Down by 5% - 10%	4	3	0	0	0	3	6
Down by more than 10%	0	3	6	0	0	0	3
Total % 'Down'	11	12	15	0	0	6	12

BBO, Hampshire, IOW, Surrey, West Sussex and Kent businesses were slightly more optimistic about business expectations for the coming year, compared with 12 months ago (March 2006), when 63% of BBO, 42% of Hampshire, 43% of IOW, 54% of Surrey, 59% of West Sussex and 49% of Kent businesses expected better overall performance for the year ahead (2006). Businesses in East Sussex & Brighton were slightly less optimistic, with 56% expecting better overall performance for 2007 whereas 12 months ago 58% expected better overall performance for 2006.

3.2 Location

3.2.1 Performance from January to March 2007

Businesses in rural and urban locations all reported a better performance for the first quarter of 2007 compared with the same period in 2006. Coastal locations did not seem to fare so well though, as the performance appears to be more mixed.

Table 3a Business performance since start of 2007 compared with same period in 2006

	Rural	Coastal	Urban
<i>Base</i>	(173)	(75)	(57)
	%	%	%
Much better (Up more than 10%)	20	17	14
Better (Up by 5% - 10%)	20	15	23
Slightly better (Up by 1% - 5%)	22	9	16
Total % 'Up'	62	41	53
About the same	23	20	32
Slightly worse (Down by 1% - 5%)	6	23	7
Worse (Down by 5% - 10%)	8	9	4
Much worse (Down by more than 10%)	2	7	5
Total % 'Down'	16	39	16

3.2.2 Expectations for 2007

Rural, coastal and urban businesses expect a better performance in 2007, with at least half of all businesses expecting to do better.

Table 3b Expectations for 2007 compared with 2006

	Rural	Coastal	Urban
<i>Base</i>	(166)	(74)	(53)
	%	%	%
Much better (Up more than 10%)	9	15	9
Better (Up by 5% - 10%)	29	23	23
Slightly better (Up by 1% - 5%)	29	16	38
Total % 'Up'	67	54	70
About the same	25	31	19
Slightly worse (Down by 1% - 5%)	4	8	2
Worse (Down by 5% - 10%)	2	4	6
Much worse (Down by more than 10%)	2	3	4
Total % 'Down'	6	15	12

3.3 Type of business

3.3.1 Performance from January to March 2007

Caravan and camping, visitor attractions and 'other' businesses all reported a better performance for the first quarter of 2007 compared with the same period in 2006, with 62%, 69% and 73% respectively seeing better performance this quarter. Hotels, guest houses, B&Bs and self catering businesses reported a similar performance in 2007 in comparison to the same period in 2006.

Table 4a Business performance since start of 2007 compared with same period in 2006

	Hotels	Guest Houses	B&B	Self Catering	Caravan and camping	Visitor attractions	Other
	%	%	%	%	%	%	%
<i>Base</i>	(15)	(22)	(70)	(62)	(18)	(92)	(26)
Up more than 10%	20	5	11	16	28	23	27
Up by 5% - 10%	20	32	19	5	28	26	15
Up by 1% - 5%	13	18	13	19	6	20	31
Total % 'Up'	53	55	43	40	62	69	73
Expect it to be about the same	13	14	24	37	28	18	19
Down by 1% - 5%	13	18	14	11	6	9	0
Down by 5% - 10%	0	9	14	6	6	3	8
Down by more than 10%	20	5	4	5	0	1	0
Total % 'Down'	33	32	32	22	12	13	8

All sectors have seen a better overall performance this quarter compared with the snapshot taken 12 months ago (March 2006), when only 35% of hotels, 31% of guest houses, 43% of B&Bs, 39% of self catering, 52% of caravan and camping, 46% of visitor attractions and 38% of 'other' businesses reported better overall performance.

3.3.2 Expectations for 2007

Guest houses, caravan and camping, visitor attractions and 'other' businesses were more upbeat about the year ahead, with 57%, 82%, 76% and 88% respectively expecting better overall performance this coming year compared with last year. Hotels, B&Bs and self catering 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>	(15)	(21)	(68)	(63)	(16)	(86)	(24)
	%	%	%	%	%	%	%
Up more than 10%	27	14	6	10	13	10	13
Up by 5% - 10%	20	24	24	13	44	36	29
Up by 1% - 5%	20	19	26	22	25	30	46
Total % 'Up'	67	57	56	45	82	76	88
Expect it to be about the same	0	38	32	33	19	21	13
Down by 1% - 5%	27	5	4	10	0	0	0
Down by 5% - 10%	7	0	4	6	0	1	0
Down by more than 10%	0	0	3	6	0	1	0
Total % 'Down'	34	5	11	22	0	2	0

All business sectors were more optimistic than they were 12 months ago (March 2006) when 56% of hotels, 43% of guest houses, 41% of B&Bs, 33% of self catering, 58% of caravan and camping, 63% of visitor attractions, and 61% of 'other' businesses expected better overall performance for the year ahead.

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. 57% were returned by post, 36% were returned by fax and the remaining 7% were completed online. The sample size has dropped to under 400 participants and so a new recruitment exercise is planned for later this year.

4.2 Dates for next survey

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

5 Profile of sample

For the first quarter of 2007, a total of 328 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, BBO and East Sussex & Brighton sub regions due to small sample sizes.

Table 5 Sub region

	Count	%
Berks, Bucks, Oxon	33	10
Hampshire	102	31
IOW	38	12
Surrey	17	5
West Sussex	30	9
East Sussex and Brighton	39	12
Kent	69	21
Total	328	100

5.2 Type of location

57% of businesses were located in rural areas, 24% were in coastal areas and the remaining 18% were located in urban areas. Indicative analysis by location has been provided within this report.

Table 6 Location

	Count	%
Rural	183	56
Coastal	86	26
Urban	59	18
Total	328	100

5.3 Type of business

Table 7 Business sector

	Count	%
Hotels (including motels, travel lodges, inns)	16	5
Guest houses	24	7
B&B (including farm houses)	73	22
Self catering (including flats, cottages, houses)	69	21
Holiday park (included under caravan & camping)	12	4
Caravan and camping	7	2
Visitor attractions	100	30
Leisure/sport centre	3	1
Retail	6	2
Food and drink	3	1
Travel and transport	4	1
Tourism services (i.e. tour operator, travel agent/guide)	2	1
Other	9	3
Total	328	100