TOURISM
SOUTH EAST

Tourism South East
Business Confidence Survey

January – September 2005

This survey covered the period 1st January – 30th September 2005

TOURISM BUSINESS CONFIDENCE SURVEY JANUARY – SEPTEMBER 2005

1. EXECUTIVE SUMMARY

This summary report presents the findings from the eighth tourism business confidence survey conducted by Tourism South East. This eighth business confidence survey covered the period from January to September 2005.

A total of 413 completed questionnaires were received. 38% of responding businesses were serviced accommodation providers, 28% were non-serviced accommodation providers and a further 27% were visitor attractions. The remainder were retail, leisure, food and drink, travel and transport and other tourism service providers.

A positive performance over the first nine months of 2005.

- 46% of businesses reported their level of performance to be better overall compared with the same period in 2004. 27% reported the same level of performance and a further 27% reported their business performance to be worse overall.
- With the exception of businesses in Surrey and West Sussex, most sub-regions reported better overall performance in the first nine months of 2005 compared with the same period in 2004.
- The proportion of IOW and Kent businesses reporting better overall performance improved this quarter.
- Businesses in rural locations were more likely to report better overall performance (51%).
- Hotel, visitor attraction and caravan and camping businesses reported a fairly positive performance over the first nine months of 2005. Self catering businesses were more likely to report the same or better overall performance compared with last year.

Businesses continue to be more upbeat about the year ahead

- 47% of businesses expect their performance in 2005 to be better overall compared with 2004. 32% expect their business performance to be the same as 2004 levels.
- Just over a fifth expect their business performance to be worse overall.
- IOW and East Sussex/Brighton businesses were more optimistic than other sub-regions about the remainder of the year.
- Kent businesses were the least optimistic (just over a third expect worse overall performance in 2005 compared with 2004).

- Guest house, visitor attraction and caravan and camping businesses were more positive about the remainder of the year. B&B businesses were more likely to expect the same level of performance overall in 2005 compared with 2004.

Most business operators were concerned about the impact of the current economic climate

- The majority of business operators reported that the UK economic climate had the most significant impact on business performance over the first three quarters of 2005.
- The improved weather over the July – September period was felt to have helped boost business performance for most businesses.
- Security fears were not a major concern during the early part of 2005, however, levels of concern were raised after the July bomb attacks in London. 12% of businesses reported a negative impact resulting from the July bomb attacks and a further 13% of businesses were concerned about continued impacts in the short term.

1. INTRODUCTION

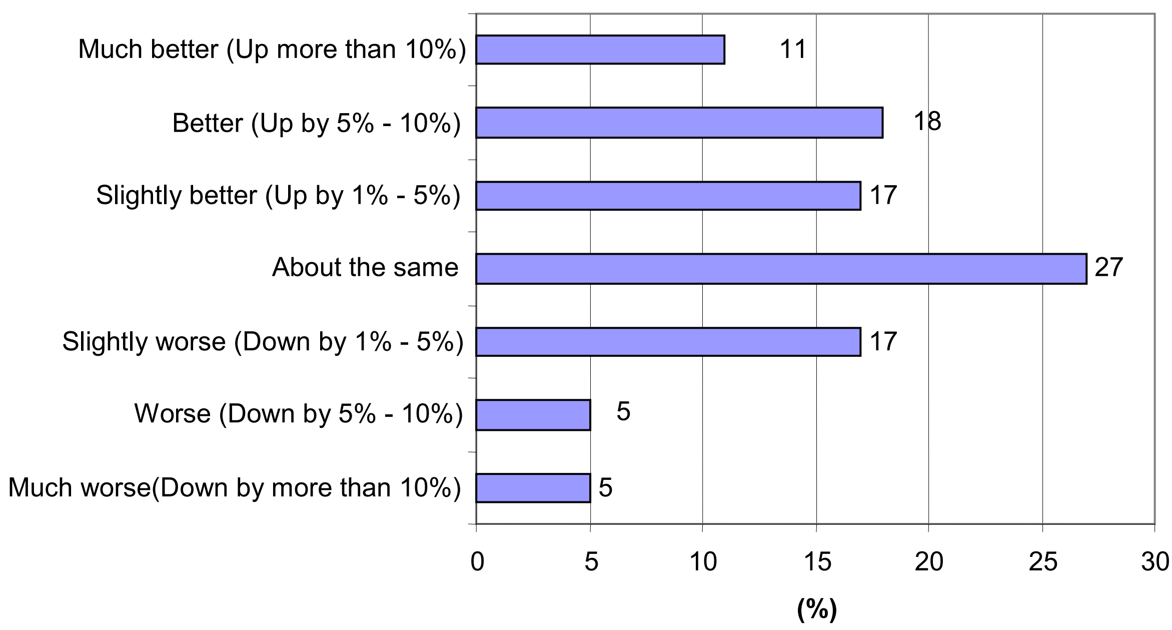
The following summary report presents the findings from the eighth tourism business confidence survey conducted by Tourism South East. This eighth business confidence survey covered the period from January to September 2005. Background to the survey methodology is given in section 4 and the sample profile for this quarter is detailed in section 5.

2. OVERALL BUSINESS PERFORMANCE

2.1. Performance up to end of September 2005

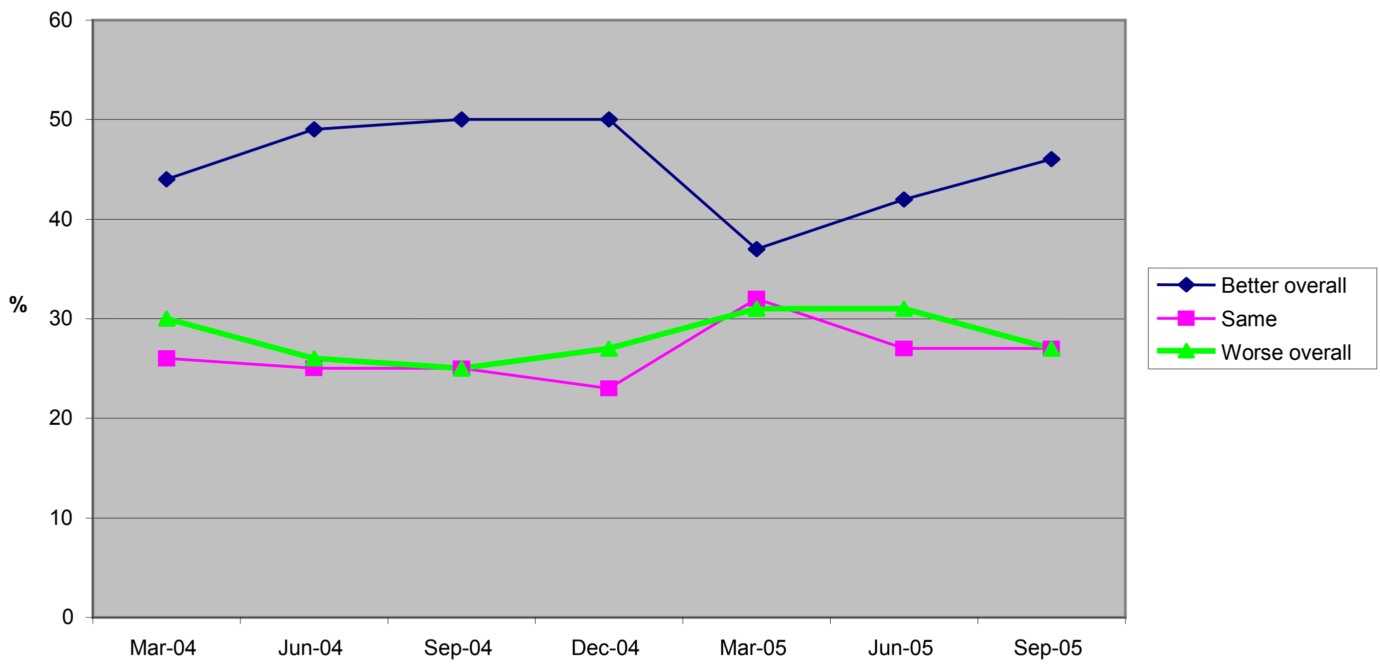
Figure 1 below indicates a positive performance for tourism businesses in the South East over the first nine months of 2005 compared with the same period in 2004. 46% reported their level of performance to be better overall compared with last year (up 4% points on last quarter). Just over a quarter (27%) reported their business performance to be the same as 2004 and a further 27% reported their business performance to be worse overall (down 4% points on the previous quarter).

Figure 1. Business performance since start of 2005 (compared with the same period in 2004)



2.1.2. Trends in business performance (March 2004 – September 2005)

Figure 2. Business performance compared with same period last year



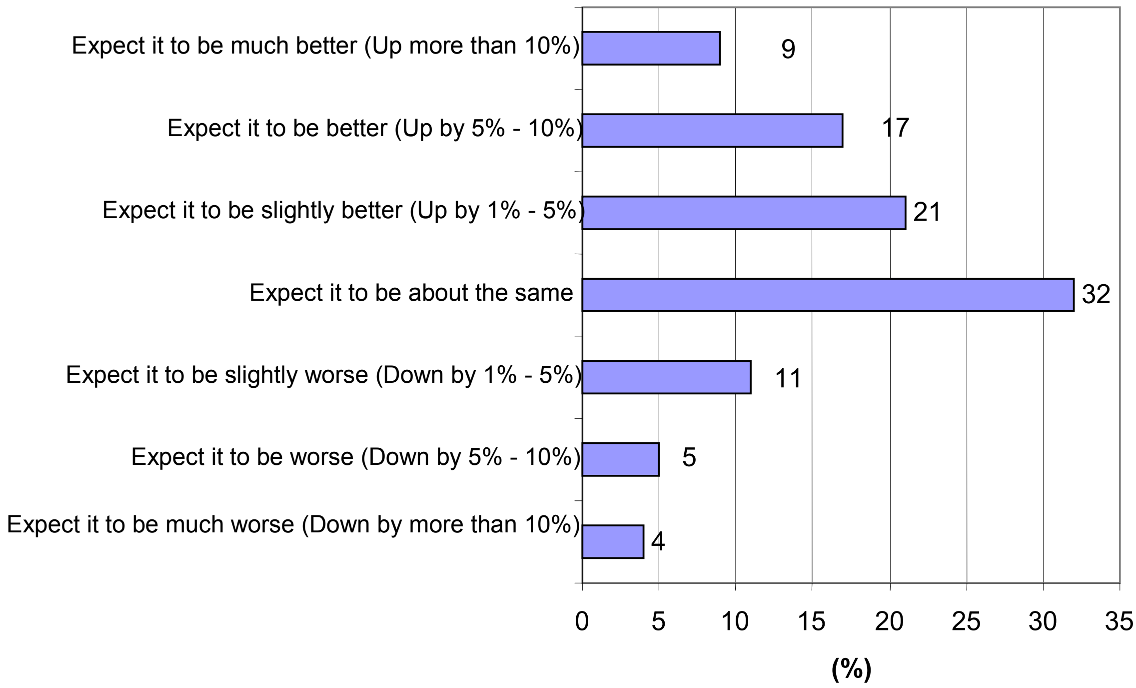
The proportion of businesses reporting better overall performance (compared with the same period in the previous year) peaked in September and December 2004 (50% better overall for both periods), but fell significantly in March 2005 (37% better overall). The proportion of businesses reporting the same or worse overall performance increased by nine and four percentage points respectively in March 2005 (compared with the previous quarter). The early Easter in March 2005 (and colder weather) and the 'sense of gloom' generated by the media in the run up to the General Election may have had a negative impact on business performance over the first quarter of 2005. The improved weather over July, August and September 2005 (above average temperatures and below average rainfall) helped boost business performance over this period.

Business performance has improved since the dip in March 2005, but has yet to reach the peak levels achieved in September and December 2004.

2.2. Expectations for 2005

Businesses were asked to indicate their expectations for the remainder of 2005, compared with last year. 47% of businesses expect their performance for the remainder of 2005 to be better overall compared with 2004. This was 2% points lower than that reported in the previous quarter. Just under a third expect their business performance to be the same as 2004 levels and just over a fifth expect their business performance to be worse overall (down 4% on last quarter).

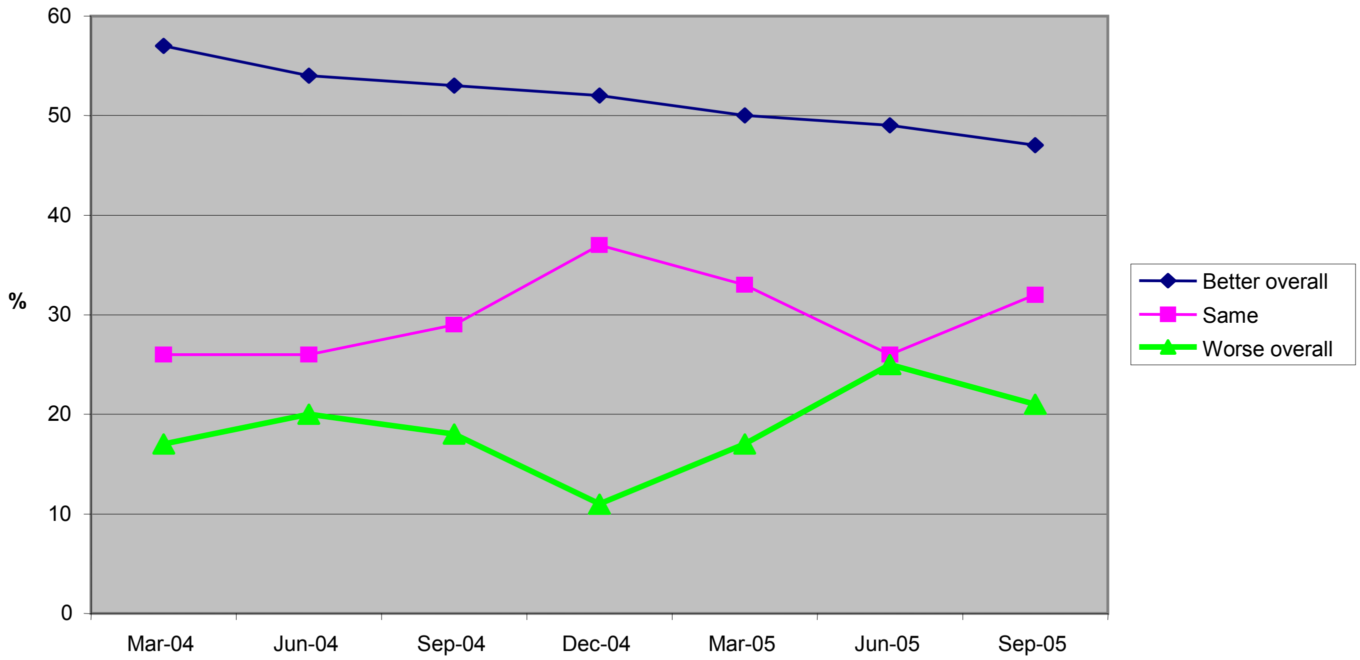
Figure 3. Business expectations for 2005 (compared with 2004)



2.2.2. Trends in business confidence (March 2004 – September 2005)

Business confidence has slowly weakened since March 2004 (Figure 4). Confidence was highest in March 2004 when 57% of businesses expected better overall performance for the remainder of the year. The proportion of businesses expecting worse overall business performance dipped in December 2004 (probably in anticipation of the year ahead), but increased slightly after that point.

Figure 4. Business confidence for the year as a whole compared with the previous year.



2.3. Key business concerns

The majority of business operators reported that the UK economic climate had the most significant impact on business performance over the first three quarters of 2005 – mentioned by 40% of businesses. British consumer confidence is currently at a two-year low – the lowest level since the start of the Iraq war in 2003. Coupled with this is a slow down in consumer spending – high petrol and utility bills and anxiety about the economic outlook have hit consumer spending in recent months. The rising cost of running a business whilst keeping prices down is also a concern for tourism businesses.

Just over a third of businesses mentioned the impact of the weather (34%) this quarter (11% points lower than last quarter). The improved weather over the July-September period (above average temperatures and below average rainfall) was felt to have helped boost business performance for most businesses. The competitive environment was still a concern for businesses this quarter – 23% of business operators were concerned about competition from overseas holidays, 21% mentioned local competition, and 14% were concerned about competition from low cost airlines.

Security fears were not a major concern during the early part of 2005, however levels of concern were obviously raised after the July bomb attacks. 12% of businesses reported a negative impact resulting from the July London bomb attacks (cancellations by overseas visitors and continued security fears deterring some overseas visitors from visiting the region). 13% of businesses were concerned about continued impacts from the July London bomb attacks in the short term affecting overseas visits to the region. However, a further 4% of businesses mentioned a positive impact (but short term) as a result of the London bombings in July – mainly due to an increase in the number of overseas groups that had been diverted away from London and UK residents preferring not to take day trips to London over the school holidays or preferring to holiday in the UK rather than fly abroad.

Table 1. Key business concerns

	Count	%
UK economic climate	164	40
Weather	139	34
Strength of pound/exchange rate	98	24
Competition from overseas holidays	94	23
Local competition	85	21
High UK retail prices	78	19
Poor transport network	69	17
Over regulation	71	17
Lack of promotion	69	17
Competition from low cost airlines	56	14
Continued impact from July London bombs	55	13
Competition from other parts of UK	51	12
General security fears	51	12
Other	43	10
No real concerns	38	9

Businesses were also asked about factors (both positive and negative) that have affected performance over the July to September period. For those businesses that had reported better overall performance, particular mention was made of the improved weather over July and August, which was also felt to have boosted September bookings. Mention was also made of more repeat business and bookings made on recommendation from previous guests or visitors, as well as good PR (one business featured on the BBC holiday programme) and more targeted advertising.

Conversely, the current economic climate has continued to have had an effect on performance (and even those businesses reporting improved performance), with many businesses commenting on a more cautious consumer, the high cost of running a business and the cost of petrol deterring some visitors. Mention was also made of anti-social behaviour and in particular towards overseas visitors, a lack of promotion generally and reduced funding by local authorities for tourism.

3. SECTOR INSIGHTS

The results by sector need to be viewed with a consideration of the sample sizes (sample size is given in brackets).

3.1. Sub-regions

Performance up to end of September 2005

Table 2a below breaks down business performance for the first nine months of 2005 compared with the same period in 2004, into sub-regions.

Table 2a Business performance since start of 2005, compared with same period in 2004

	Berks, Bucks, Oxon	Hamp-shire	I.O.W	Surrey and West Sussex	East Sussex and Brighton	Kent
Base	*(37)*	*(103)*	*(76)*	*(59)*	*(48)*	*(93)*
	%	%	%	%	%	%
Much better (Up more than 10%)	11	12	12	3	17	11
Better (Up by 5% - 10%)	19	20	14	15	19	17
Slightly better(Up by 1% - 5%)	19	16	18	20	13	17
Total % 'Up'	***48***	***48***	***45***	***39***	***48***	***46***
About the same	***22***	***33***	***29***	***27***	***29***	***20***
Slightly worse (Down by 1% - 5%)	16	14	14	22	19	19
Worse (Down by 5% - 10%)	8	2	5	7	2	9
Much worse (Down by more than 10%)	5	4	7	5	2	6
Total % 'Down'	***30***	***19***	***26***	***34***	***23***	***34***

With the exception of businesses in Surrey and West Sussex, most sub-regions reported better overall performance in the first nine months of 2005 compared with the same period in 2004. The proportion of IOW and Kent businesses reporting better overall performance improved this quarter. 45% of IOW businesses reported better overall performance this quarter compared with 31% the previous quarter, and 46% of Kent businesses reported better overall performance this quarter compared with 39% last quarter. Hampshire businesses were least likely to report worse overall business performance (19% reported worse overall performance). However, Kent and Surrey/West Sussex businesses were more likely to report worse overall performance.

Expectations for 2005

Table 2b breaks down expectations for 2005 by sub-region. South East businesses' expectations for 2005 continue to remain favourable.

Table 2b Expectations for 2005, compared with 2004

	Bucks	Hamp-shire	I.O.W	Surrey and West Sussex	East Sussex and Brighton	Kent
Base	*(37)*	*(102)*	*(75)*	*(59)*	*(48)*	*(94)*
	%	%	%	%	%	%
Much better (Up more than 10%)	8	10	8	5	10	11
Better (Up by 5% - 10%)	19	17	17	17	21	15
Slightly better(Up by 1% - 5%)	19	23	25	20	23	16
Total % 'Up'	***46***	***49***	***51***	***42***	***54***	***41***
About the same	***38***	***35***	***28***	***41***	***29***	***24***
Slightly worse (Down by 1% - 5%)	5	11	9	7	10	21
Worse (Down by 5% - 10%)	5	2	9	3	4	7
Much worse (Down by more than 10%)	5	3	3	7	2	5
Total % 'Down'	***16***	***16***	***21***	***17***	***17***	***35***

Businesses in the IOW and East Sussex/Brighton sub-regions were more optimistic than other sub-regions about the remainder of 2005. 54% and 51% of businesses respectively in the East Sussex/Brighton and IOW sub-regions expect business to be up on 2004 levels. Kent businesses were the least optimistic. Just over a third (35%) expect worse overall performance in 2005 compared with 2004, a further 24% expect business levels to be the same as 2004 and a further 41% expect better overall performance. Businesses in the Surrey and West Sussex sub-region were more likely than other sub-regions to expect business performance to be the same as 2004 levels.

3.2. Location

Performance up to end of September 2005

Table 3a Business performance since start of 2005, compared with 2004

	Rural	Coastal	Urban
Base	*(233)*	*(118)*	*(90)*
	%	%	%
Much better (Up more than 10%)	12	13	4
Better(Up by 5% - 10%)	20	15	17
Slightly better(Up by 1% - 5%)	18	12	18
Total % 'Up'	***51***	***40***	***39***
About the same	27	31	27
Slightly worse (Down by 1% - 5%)	14	17	22
Worse (Down by 5% - 10%)	4	5	8
Much worse (Down by more than 10%)	3	8	4
Total % 'Down'	***22***	***29***	***34***

Note: Respondents may choose to define their location by more than one type

Businesses in rural locations were more likely to report better overall business performance (51%), and those businesses in urban locations were more likely to report worse overall performance (34%).

Expectations for 2005

Rural businesses (49%) were more likely to expect better performance in 2005 than those businesses in coastal or urban areas.

	Rural	Coastal	Urban
Base	*(227)*	*(116)*	*(87)*
	%	%	%
Much better(Up more than 10%)	9	12	5
Better(Up by 5% - 10%)	18	16	15
Slightly better(Up by 1% - 5%)	22	16	21
Total % 'Up'	***49***	***45***	***40***
About the same	35	31	31
Slightly worse (Down by 1% - 5%)	9	12	17
Worse (Down by 5% - 10%)	4	7	6
Much worse (Down by more than 10%)	3	5	6
Total % 'Down'	***16***	***24***	***29***

3.3. Type of business

Performance up to end of September 2005

Hotel, visitor attraction and caravan and camping businesses reported a fairly positive performance over the first nine months of 2005. 50% of hotels and 56% of caravan and camping businesses reported better overall performance over the first three quarters of the year. However a further 31% and 32% of hotels and caravan and camping businesses respectively reported worse overall performance over this period compared with last year. Self catering businesses were more likely to report better overall performance or the same level of business compared with the same period last year.

Table 4a Business performance since start of 2005, compared with same period in 2004

	Hotels	Guest houses	B&B	Self catering	Caravan and camping	Visitor attraction	Other
Base	*(36)*	*(33)*	*(86)*	*(93)*	*(25)*	*(112)*	*(26)*
Much better (Up more than 10%)	11	9	9	12	28	9	8
Better (Up by 5% - 10%)	28	24	16	14	20	16	19
Slightly better (Up by 1% - 5%)	11	15	19	22	8	19	8
Total % 'Up'	***50***	***49***	***44***	***47***	***56***	***44***	***35***
About the same	19	21	28	34	12	28	27
Slightly worse (Down by 1% - 5%)	19	18	19	12	12	19	19
Worse (Down by 5% - 10%)	8	9	5	5	0	5	4
Much worse Down by more than 10%)	3	3	5	1	20	4	15
Total % 'Down'	***31***	***30***	***28***	***18***	***32***	***28***	***38***

Expectations for 2005

Table 4b Expectations for 2005, compared with 2004

	Hotels	Guest houses	B&B	Self catering	Caravan and camping	Visitor attractio n	Other
Base	*36*	*33*	*86*	*92*	*25*	*112*	*26*
Up more than 10%	8	6	9	10	20	9	0
Up by 5% - 10%	22	21	12	18	12	17	27
Up by 1% - 5%	14	27	19	20	20	26	15
Total % 'Up'	***44***	***55***	***39***	***48***	***52***	***52***	***42***
About the same	28	18	42	37	24	26	35
Down by 1% - 5%	19	15	9	11	4	13	8
Down by 5% - 10%	6	9	7	3	4	6	0
Down by more than 10%	3	3	2	1	16	4	15
Total % 'Down'	***28***	***27***	***19***	***15***	***24***	***22***	***23***

Businesses continued to be more upbeat about the remainder of the year. Guest house, visitor attraction and caravan and camping businesses were more positive about the remainder of the year.

However, 27% of guest houses expect business performance to be worse overall in 2005 compared with 2004. B&B businesses were more likely to expect the same level of performance overall in 2005 compared with 2004.

4. SURVEY BACKGROUND

4.1. Methodology

Tourism businesses in the South East region were asked to complete a simple two-page questionnaire (see appendix) and return by either fax or post. Alternatively, respondents had the option of completing the questionnaire online.

A total of 413 questionnaires were returned by the analysis deadline. 63% were returned by post, 35% were returned by fax, and the remainder were completed on-line.

4.2. Dates for the next surveys

The next survey covering the full year for 2005 and expectations for 2006 will be mailed on 3rd January 2006.

5.0. PROFILE OF SAMPLE

For the third quarter, 413 businesses participated in the business confidence survey. The overall sample size has decreased again this quarter. A recruitment drive is proposed for 2006 to boost the sample and improve reporting at a sub-regional level.

As the survey is self selecting rather than random it is not possible to calculate margins of error associated with the sample. However, as there is a substantial core of survey participants (over 200) who currently provide data each quarter, 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 sample size is small.

5.1. Sub-region

Indicative analysis at a sub-regional level has been provided within this report. Care should also be taken when interpreting the results for the Berkshire, Buckinghamshire and Oxfordshire, East Sussex/Brighton and Surrey/West Sussex sub-regions due to small sample sizes.

Table 5 Sub-region

	Count	%
Berks, Bucks, Oxon	37	9
East Sussex and Brighton	48	11
Hampshire	104	25
I.O.W	76	18
Kent	94	22
Surrey and West Sussex	59	14
Total	418	100

Note: Respondents may have businesses present in more than one sub-region

5.2. Type of location

53% of businesses were located in rural areas, 27% were in coastal areas and the remaining businesses were located in urban areas. Indicative analysis by location has been provided within this report.

Table 6 Type of location

	Count	%
Rural	234	53
Coastal	118	27
Urban	91	21
Total	443	100

Note: Respondents may choose to define their location by more than one type

5.3. Type of business

Table 7 Type of business

	Count	%
Hotels (including motels, travel lodges, inns)	36	9
Guest houses	33	8
B&B including farm houses)	87	21
Self-catering (including flats, cottages, houses)	93	23
Holiday park	5	1
Caravan and camping	20	5
Visitor attraction	113	27
Leisure/sport centre	4	1
Retail	5	1
Food and drink	3	1
Travel and transport	2	*
Tourism services (I.e. tour operator, travel agent/guide)	2	*
Other	10	2
Total	413	100

TOURISM SOUTH EAST

Tourism Business Confidence Survey
June 2005 (page 1 of 2)

Name of business ____________________ Your name ________________

Your email address ____________________ Your job title ________________

SURVEY QUESTIONS BELOW

A	**Please indicate in which sub-region you are located** [*tick one or more if applicable*]	Buckinghamshire, Berkshire and Oxfordshire Hampshire Isle of Wight Surrey and West Sussex East Sussex and Brighton Kent	☐ ☐ ☐ ☐ ☐ ☐
B	**Which of the following best describes your location?** [*tick one or more if applicable*]	Rural Coastal Urban	☐ ☐ ☐
C	Which of the following best describes your type of business? ***[tick one only]***	Hotel (including motels, travel lodges, inns) Guesthouse B&B (including farmhouses) Self catering (flats, cottages, houses) Holiday park Caravan and camping Visitor attraction (including museums, art galleries, historic houses, steam and heritage railways, country parks, heritage centres etc) Leisure/sport centre Retail Food and drink Travel and transport Tourism services (tour operator, travel agent) Other (please specify)____________________	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

PLEASE CONTINUE ON THE NEXT PAGE

To discuss this survey please call Nicola Rogers on 023 8062 5482

TOURISM SOUTH EAST

Tourism Business Confidence Survey
June 2005 (page 2 of 2)

SURVEY QUESTIONS CONTINUED FROM PAGE 1

Q1	**Since the start of 2005, how has your business performed compared with the same period in 2004?** [*tick one box only*]	Much better (up more than 10%) Better (up by 5% - 10%) Slightly better (up by 1% - 5%) About the same Slightly worse (down by 1% - 5%) Worse (down by 5% - 10%) Much worse (down by more than 10%)	☐ ☐ ☐ ☐ ☐ ☐ ☐
Q2	**Please indicate your current expectations for 2005, (compared with 2004)** [*tick one box only*]	Expect it to be Much better (up more than 10%) Expect it to be Better (up by 5% - 10%) Expect it to be Slightly better (up by 1% - 5%) Expect it to be About the same Expect it to be Slightly worse (down by 1% - 5%) Expect it to be Worse (down by 5% - 10%) Expect it to be Much worse (down by more than 10%)	☐ ☐ ☐ ☐ ☐ ☐ ☐
Q3	Please indicate the key business concerns you believe are affecting the current and future performance of your industry sector. ***[tick one or more]***	General security fears Strength of the pound/exchange rates Continued impact from London bombings UK economic climate Weather High UK retail prices Competition from overseas holidays Competition from other parts of UK Local competition Over regulation Lack of promotion Competition from low-cost airlines Poor transport network Other (please specify) ____________________ No real concerns	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Q4	Please indicate the key positive and negative factors you believe have affected your business performance over the Jul-Sept 2005 period.	Positive factors: ____________________ ____________________ Negative factors: ____________________ ____________________	

PLEASE **FAXBACK** TO NICOLA ROGERS **ON** FAX NO. **023 8061 2678**

IF YOU PREFER TO POST YOUR REPLY BACK TO US OUR ADDRESS IS:
TOURISM SOUTH EAST, 40 CHAMBERLAYNE RD,
EASTLEIGH, HANTS, SO50 5JH
Or, use the on-line questionnaire at http://www.southeastservices.co.uk/surveys/tbcm.htm