

# **Tourism South East Business Confidence Survey January – June 2007**



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## **Executive Summary**

The following report presents the findings from the 15th tourism business confidence survey conducted by Tourism South East, covering the period from January to June 2007.

A total of 372 completed questionnaires were received. 35% of responding businesses were serviced accommodation providers, 14% were non-serviced accommodation providers and a further 33% were visitor attractions. The remainder were retail, leisure, food and drink, travel and transport and 'other' tourism service providers.

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

- 50% of businesses reported their level of performance to be better in the second quarter of 2007 compared with 2006. 25% were at the same level of performance with a further 25% worse overall. This was an improvement on the snapshot taken 12 months ago when 45% reported better overall performance.
- Results suggest a better overall performance in Hampshire, West Sussex, Kent and BBO during the second quarter of 2007. Businesses in IOW, Surrey and East Sussex and Brighton reported a mixed performance for this period.
- Businesses in rural, coastal and urban locations generally reported improved performance over the January-June period.
- Guest houses, hotels, B&B's and caravan and camping reported a more positive performance. Self catering and visitor attraction businesses reported a more mixed performance compared with 2006.

### ***Continuing optimism for 2007...***

- 54% 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 expect their performance to be the same and a further 18% expect their performance to be worse overall. This was an improvement on the snapshot taken 12 months ago when 50% of businesses expected better overall performance for 2006 (compared with 2005).
- Businesses in Surrey, West Sussex and BBO were more optimistic than other sub regions about business performance in 2007, as were businesses in Kent and Hampshire. East Sussex and Brighton and IOW businesses appeared to be more cautious about the year ahead.
- Both rural and urban businesses were more likely to expect better performance in 2007 than those in coastal areas.
- Guest houses, visitor attractions, hotels and 'other' businesses were more optimistic about the year ahead. B&B, self catering and caravan and camping were more circumspect.

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

- A large proportion of business operators reported that the weather had the most significant impact on business performance during the first half of the year, up 30 percentage points from this time last year.
- In previous quarters, the current UK economic climate was a key concern for most businesses and this doesn't appear to be diminishing with the same response as this time last year (29%).
- Businesses are 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 15<sup>th</sup> tourism business confidence survey conducted by Tourism South East, covering the period from January to June 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 372 completed questionnaires were received this quarter. A recruitment drive is planned for next quarter, with particular attention to boosting samples within Berkshire, Buckinghamshire & Oxfordshire (BBO), Surrey, West Sussex, East Sussex & Brighton and the Isle of Wight (IOW).

Next quarter's business confidence survey will analyse the impact of the recent flooding and FMD outbreak on business performance.

## 2 Overall business performance

### 2.1 Performance up to end of June 2007

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

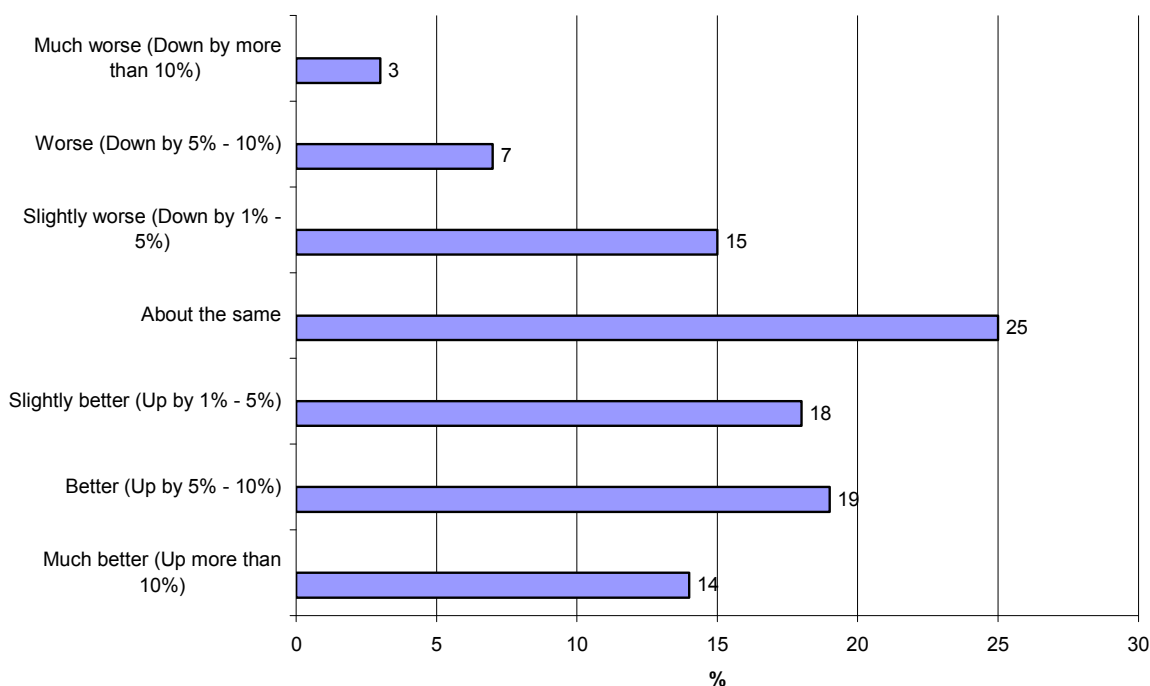
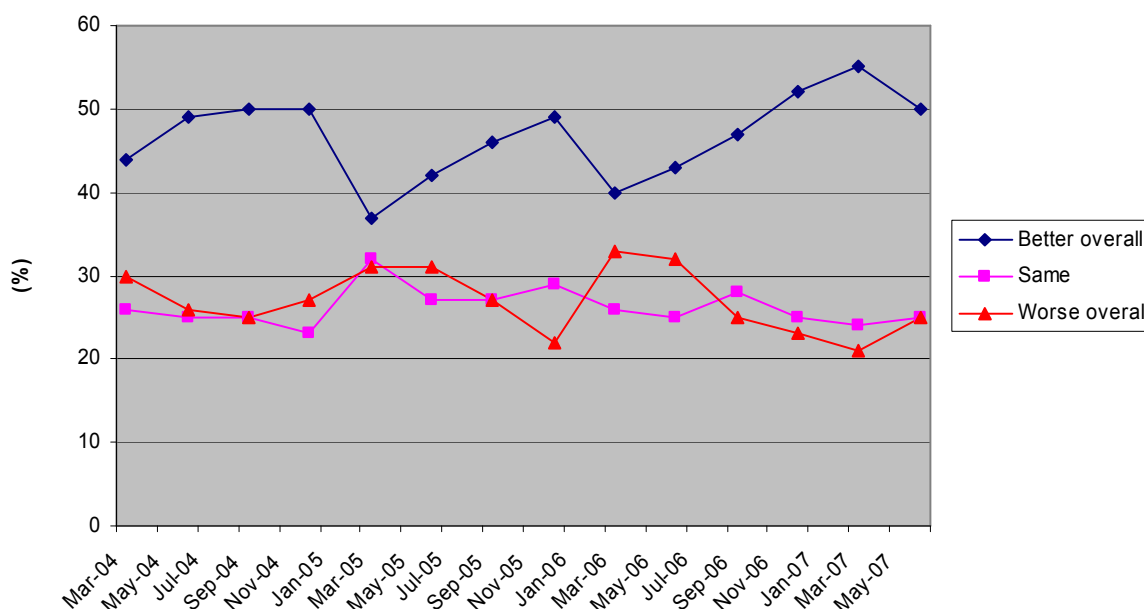


Figure 1 indicates that tourism businesses performed better overall during the first six months of 2007 compared with the same period in 2006. Despite looking favourable, this total figure of 50% is actually 4 percentage points down on the previous quarter. 25% reported their business performance to be the same whilst a further 25% reported worse overall performance (up 4 percentage points on the last quarter).

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

The proportion of businesses reporting better overall performance, compared with the same period in the previous two years, saw an improvement of 7 percentage points from June 2006 and 8 percentage points from June 2005. The total number of businesses reporting a worse performance overall has also consistently fallen from 31% reported in June 2005 and 32% reported in June 2006. However, the proportion of businesses reporting worse overall performance compared with the last quarter is actually up by 4 percentage points. Furthermore, this quarter saw a disruption to the continued upward trend of overall better business performance since March 2006.

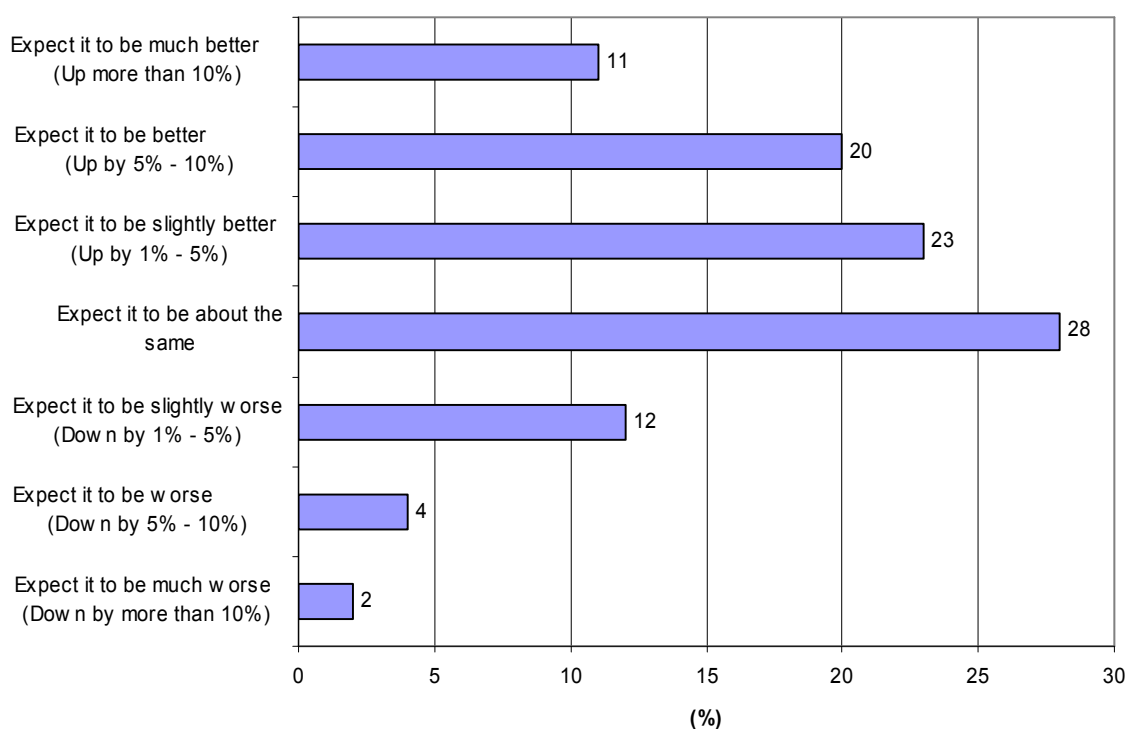
**Figure 2 Business performance since March 2004**



## 2.2 Expectations for 2007

Businesses were asked to indicate their expectations for the year ahead compared with 2006. Just over half (54%) of businesses expect their performance for the remainder of the year to be better overall compared with last year. However, this was 10 percentage points lower than the figure reported in the last quarter. Just over a quarter of businesses expect their performance to be the same as 2006 (up 2 percentage points from the last quarter) and a further 18% expect their performance to be worse overall (up 8 percentage points from last quarter).

**Figure 3 Business expectations for 2007 (compared with 2006)**

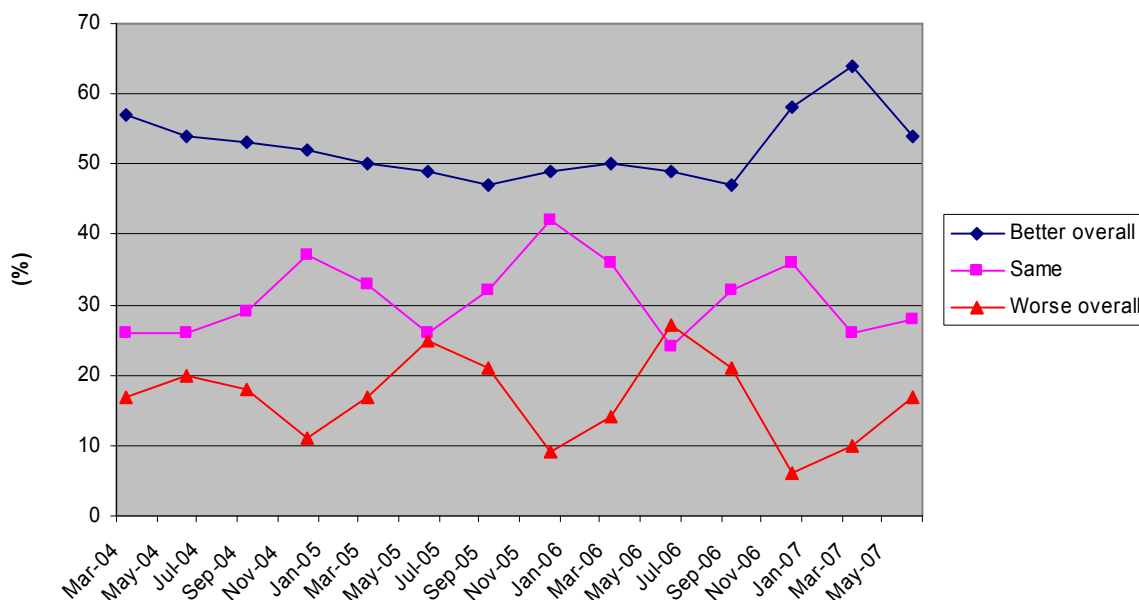


### 2.2.1 Trends in business confidence (March 2004 – June 2007)

Business confidence appears to have weakened since the start of the survey in 2004. This trend saw a turnaround in December 2006 and January 2007, when the level of confidence rose to 58% and 64% respectively, compared with 49% recorded in December 2005. Unfortunately this trend has not continued into this second quarter and is down by 10 percentage points to 54%. The recent wet weather, flooding in some areas of the region and the recent foot and mouth outbreak in Surrey may have dampened confidence this year.

The proportion expecting worse overall performance for the year ahead (compared with the same period in the previous year) increased again since the last quarter by 7 percentage points (up to 17%).

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 weather had the most significant impact on business performance over the first six months of 2007. This figure was 30 percentage points higher than the last quarter. The sectors more likely to report that the weather had impacted on their performance over the first half of this year were caravan and camping (90%) and the visitor attraction sectors (82%). These figures are considerably higher than the previous quarter, up by 67 and 58 percentage points respectively. Again, the UK economic climate and the strength of the pound/exchange rates are proving key concerns for most businesses (33% and 28% respectively), both up on the previous quarter. 28% of businesses were concerned about competition from overseas holidays.

**Table 1 Key business concerns**

	Count	%
Weather	244	76%
UK Economic Climate	105	33%
Competition from overseas holidays	89	28%
Strength of the pound/exchange rates	89	28%
Local competition	66	20%
Over regulation	66	20%
Poor transport network	59	18%
High UK retail prices	52	16%
Lack of promotion	52	16%
Competition from low-cost airlines	45	14%
General security fears	39	12%
Competition from other parts of the UK	39	12%
Other (Please specify)	31	10%
No real concerns	25	8%
Threat of avian flu	9	3%

**NB: More than one response permitted.**

Businesses were asked about factors (both positive and negative) that had affected their performance over the April–June 2007 period. For those who had reported better overall performance, the good weather during April and early May was claimed to have boosted business over the second quarter of 2007. In particular, businesses mentioned that the warmer weather over the Easter period encouraged more visits.

A number of businesses remarked upon an increase in enquiries through better marketing, an improvement in relations with local media and notably through winning awards. As well as attracting new customers, more businesses are reporting an increase in repeat custom due to improved facilities, providing a good service and making visitors feel welcome. Other establishments mentioned that more bookings from the domestic visitors, group bookings or long stay bookings had also proved positive for business.

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 the Tour de France in Canterbury, as well as the IOW festival.

The wet weather in May and June was reported as a key contributing factor by those businesses experiencing a poor performance during the second quarter of 2007, particularly for outdoor visitor attractions. In contrast to this, many indoor attractions noted that their business did improve during this time with increases in visitors as a result of the poor weather.

Other factors, that had negatively affected performance, included rising interest and exchange rates, the strength of the pound, less disposable income and the general economic uncertainty. On a more localised level, special mention was made to poor public transport infrastructure including road works and closures and negative rail coverage. The increase in ferry fares to the Isle of Wight was again highly mentioned, indicating that for most businesses on the Island the cost of travel is considered to be affecting their performance.

### 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 second quarter of 2007 compared with 2006 into sub regions.

##### 3.1.1 Performance from January to June 2007

Results suggest a better overall performance in Hampshire, West Sussex, Kent and BBO during the second quarter of 2007 compared with 2006. Businesses in IOW, Surrey and East Sussex and Brighton 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>	(39)	(99)	(39)	(20)	(29)	(54)	(87)
	%	%	%	%	%	%	%
Much better (Up more than 10%)	8	15	8	10	28	7	17
Better (Up by 5% - 10%)	28	21	15	10	21	15	16
Slightly better (Up by 1% - 5%)	28	12	18	20	14	15	24
<b>Total % 'Up'</b>	<b>64</b>	<b>48</b>	<b>41</b>	<b>40</b>	<b>63</b>	<b>37</b>	<b>57</b>
About the same	18	26	31	25	24	31	18
Slightly worse (Down by 1% - 5%)	13	14	13	35	10	17	13
Worse (Down by 5% - 10%)	3	9	8	0	0	15	6
Much worse (Down by more than 10%)	3	2	8	0	3	0	6
<b>Total % 'Down'</b>	<b>19</b>	<b>25</b>	<b>29</b>	<b>35</b>	<b>13</b>	<b>32</b>	<b>25</b>

The proportion of BBO, Surrey, West Sussex and Kent businesses reporting better overall performance has improved compared with the snapshot taken 12 months ago (June 2006). West Sussex saw the biggest increase (42 percentage points) from this time last year, whilst BBO, Surrey and Kent all increased by 10, 9 and 19 percentage points respectively.

Fewer East Sussex and Brighton, Hampshire and IOW businesses reported better overall performance compared with 12 months ago. Only 37% within East Sussex and Brighton reported a better overall improvement this quarter compared with 49% twelve months ago, whilst marginally fewer businesses reported better overall performance in Hampshire (down 2 percentage points) and IOW (down 1 percentage point).

##### 3.1.2 Expectations for 2007

Table 2b breaks down expectations for 2007 by sub region. Overall, South East businesses' expectations for 2007 remain reasonably favourable, although optimism was lower than that reported last quarter.

Businesses in Surrey (70%), West Sussex (68%) and BBO (68%) were more optimistic than other sub regions about business performance in 2007 compared with 2006. East Sussex and Brighton and IOW appear to be more cautious about the year ahead with 43% and 49% of businesses respectively expecting better overall performance.

With the exception of East Sussex and Brighton (up 13 percentage points) and Kent (up 8 percentage points), businesses were generally less optimistic than the last quarter. Businesses on the IOW were the least optimistic, with only 49% (down 14 percentage points) expecting a better overall performance. The proportion expecting better overall performance fell by 10 percentage points in Hampshire, 8 percentage points in West Sussex, 7 percentage points in BBO and 3 percentage points in Surrey.

**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>	(32)	(99)	(40)	(16)	(25)	(42)	(70)
	%	%	%	%	%	%	%
Up more than 10%	9	13	8	13	20	7	10
Up by 5% - 10%	31	18	23	13	16	12	26
Up by 1% - 5%	28	19	18	44	32	24	20
<b>Total % 'Up'</b>	<b>68</b>	<b>50</b>	<b>49</b>	<b>70</b>	<b>68</b>	<b>43</b>	<b>56</b>
Expect it to be about the same	25	31	25	19	24	36	27
Down by 1% - 5%	3	12	18	13	8	17	10
Down by 5% - 10%	3	6	5	0	0	5	3
Down by more than 10%	0	0	5	0	0	0	4
<b>Total % 'Down'</b>	<b>6</b>	<b>18</b>	<b>28</b>	<b>13</b>	<b>8</b>	<b>22</b>	<b>17</b>

Compared with 12 months ago, it appears that most sub regions, except East Sussex and Brighton (down 21 percentage points), were more optimistic about business performance. The most significant differences were in Surrey and West Sussex, where an additional 39% and 37% of businesses expect a better overall performance for the year ahead. Kent also saw a significant increase (up 10 percentage points) whilst BBO, Hampshire and IOW improved by 3%, 2% and 2% points respectively.

## 3.2 Location

### 3.2.1 Performance from January to June 2007

Businesses in rural, coastal and urban locations all reported a better performance for the first half of 2007 compared with the same period in 2006, although a lower proportion of businesses in coastal locations reported better overall performance.

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

	Rural	Coastal	Urban
<i>Base</i>	(222)	(77)	(68)
	%	%	%
Much better (Up more than 10%)	15	10	13
Better (Up by 5% - 10%)	19	17	18
Slightly better (Up by 1% - 5%)	16	19	25
<b>Total % 'Up'</b>	<b>50</b>	<b>46</b>	<b>56</b>
About the same	25	27	19
Slightly worse (Down by 1% - 5%)	15	13	15
Worse (Down by 5% - 10%)	7	10	4
Much worse (Down by more than 10%)	3	3	6
<b>Total % 'Down'</b>	<b>25</b>	<b>26</b>	<b>25</b>

### 3.2.2 Expectations for 2007

Both rural (55%) and urban (59%) businesses were more likely to expect better performance in 2007. The performance for coastal businesses varied, with 48% expecting better overall performance and 21% expecting business to be worse.

**Table 3b Expectations for 2007 compared with 2006**

	Rural	Coastal	Urban
<i>Base</i>	(196)	(70)	(58)
	%	%	%
Much better (Up more than 10%)	11	11	12
Better (Up by 5% - 10%)	21	20	19
Slightly better (Up by 1% - 5%)	23	17	28
<b>Total % 'Up'</b>	<b>55</b>	<b>48</b>	<b>59</b>
About the same	29	30	24
Slightly worse (Down by 1% - 5%)	10	20	9
Worse (Down by 5% - 10%)	5	1	3
Much worse (Down by more than 10%)	1	0	5
<b>Total % 'Down'</b>	<b>16</b>	<b>21</b>	<b>17</b>

### 3.3 Type of business

#### 3.3.1 Performance up to end of June 2007

Guest houses (63%), hotels (59%), B&B's (57%) and caravan and camping (52%) reported a more positive performance over the first half of the year, compared with 2006, than other sectors. Self catering and visitor attraction businesses reported a more mixed performance over the first half of the year.

**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>	(29)	(16)	(83)	(65)	(23)	(121)	(30)
Up more than 10%	7	19	22	6	13	13	13
Up by 5% - 10%	31	19	16	14	35	17	17
Up by 1% - 5%	21	25	19	15	4	17	33
<b>Total % 'Up'</b>	<b>59</b>	<b>63</b>	<b>57</b>	<b>35</b>	<b>52</b>	<b>47</b>	<b>63</b>
Expect it to be about the same	14	13	24	40	26	21	20
Down by 1% - 5%	17	6	8	12	13	22	10
Down by 5% - 10%	7	13	7	8	9	7	0
Down by more than 10%	3	6	4	5	0	2	7
<b>Total % 'Down'</b>	<b>27</b>	<b>25</b>	<b>19</b>	<b>25</b>	<b>22</b>	<b>31</b>	<b>17</b>

Almost all sectors saw a better performance this quarter compared with the snapshot taken 12 months ago in June 2006. The most notable increases come from 'other' (up from 32% to 63%), caravan and camping (up from 33% to 52%), B&Bs (up from 42% to 57%), guest houses (up from 50% to 63%) and caravan and camping (up from 39% to 52%). However, for hotels, the picture was slightly less positive than 12 months ago when 60% reported better overall performance.

### 3.3.2 Expectations for 2007

Guest houses (67%), visitor attractions (62%), hotels (55%) and 'other' businesses (72%) were more optimistic about the year ahead. Of the remaining sectors, B&Bs, self catering and caravan and camping businesses were more cautious about their expectations for the remainder of the year.

**Table 4b Expectations for 2007 compared with 2006**

	Hotels	Guest Houses	B&B	Self Catering	Caravan and Camping	Visitor Attractions	Other
<i>Base</i>	(22)	(15)	(70)	(64)	(10)	(108)	(35)
	%	%	%	%	%	%	%
Up more than 10%	14	7	9	6	0	14	20
Up by 5% - 10%	27	40	21	14	20	17	29
Up by 1% - 5%	14	20	17	19	20	31	23
<b>Total % 'Up'</b>	<b>55</b>	<b>67</b>	<b>47</b>	<b>39</b>	<b>40</b>	<b>62</b>	<b>72</b>
Expect it to be about the same	32	33	34	33	20	23	23
Down by 1% - 5%	9	0	7	20	40	12	3
Down by 5% - 10%	0	0	10	5	0	3	0
Down by more than 10%	5	0	1	3	0	0	3
<b>Total % 'Down'</b>	<b>14</b>	<b>0</b>	<b>18</b>	<b>28</b>	<b>40</b>	<b>15</b>	<b>6</b>

Most business sectors appeared to be more optimistic than they were 12 months ago in June 2006. Of these, the most notable improvements in optimism were 'other' (up from 32% to 72%), guest houses (up from 50% to 67%) and visitor attractions (up from 45% to 62%). Confidence within the self catering sector remains the same as the snapshot taken 12 months ago, while hotel businesses were less optimistic than 12 months ago (when 60% of 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 either by fax, post or complete on-line. In all, 53% of responses were returned by post, 31% by fax and 14% online. The remaining 2% of responses were completed over the telephone at the participant's request.

Although the sample size increased by 12% from the first quarter it is still slightly under the required 400 participants and therefore a new recruitment exercise is planned for the autumn.

### 4.2 Dates for next survey

The next survey covering the third quarter of 2007 and expectations for the remainder of 2007 will be mailed on 1<sup>st</sup> October 2007.

## 5 Profile of sample

For the second quarter of 2007, a total of 372 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	39	10
Hampshire	101	27
IOW	41	11
Surrey	21	6
West Sussex	29	8
East Sussex and Brighton	54	15
Kent	87	23
<b>Total</b>	<b>372</b>	<b>100</b>

## 5.2 Type of location

60% of businesses were located in rural areas, 21% 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	224	60
Coastal	79	21
Urban	69	19
<b>Total</b>	<b>372</b>	<b>100</b>

## 5.3 Type of business

**Table 7 Business sector**

	Count	%
Hotels (including motels, travel lodges, inns)	29	8
Guest houses	18	5
B&B (including farm houses)	83	22
Self catering (including flats, cottages, houses)	66	18
Holiday park (included under caravan & camping)	13	3
Caravan and camping	10	3
Visitor attractions	123	33
Leisure/sport centre	4	1
Retail	5	1
Food and drink	5	1
Travel and transport	4	1
Tourism services (i.e. tour operator, travel agent/guide)	1	0
Other	11	3
<b>Total</b>	<b>372</b>	<b>100</b>