TOURISM
SOUTH EAST

Tourism South East
Business Confidence Survey

January – December 2005

This survey covered the period 1st January – 31st December 2005

TOURISM
SOUTH EAST

TOURISM BUSINESS CONFIDENCE SURVEY JANUARY – DECEMBER 2005

1. EXECUTIVE SUMMARY

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

A total of 429 completed questionnaires were received. 36% of responding businesses were serviced accommodation providers, 27% were non-serviced accommodation providers and a further 31% were visitor attractions. The remainder were retail, leisure, food and drink, travel and transport and other tourism service providers.

A positive end to the year…

- 49% of businesses reported their level of performance to be better overall compared with the same period in 2004. 29% reported the same level of performance and a further 22% reported worse overall performance.
- Most sub-regions reported better overall performance for 2005 compared with 2004. A higher proportion of IOW, East Sussex & Brighton, Berkshire, Buckinghamshire and Oxfordshire, and Surrey and West Sussex businesses reported better overall performance this quarter than last quarter.
- Businesses in rural locations were more likely to report better overall business performance in 2005, compared with 2004.
- Hotel, visitor attraction, caravan and camping businesses reported a positive performance for 2005 than other sectors. Self catering businesses were more likely to report the same or better overall performance compared with 2004.

Businesses continue to be upbeat about the year ahead….

- 49% of businesses expect their performance in 2006 to be better overall compared with 2005. 42% expect their business performance to be the same as 2005 levels.
- Only 9% expect their business performance to be worse overall.
- Businesses in the IOW and Berkshire, Buckinghamshire and Oxfordshire sub-regions were more optimistic than other sub-regions about their business performance in 2006.
- Coastal businesses (55%) were more likely to expect better performance in 2006.

- With the exception of self catering, B&Bs and guest houses, most businesses continued to be upbeat about the year ahead.

Still concerns about the current UK economic climate….

- There are still concerns about the current UK economic climate, but these seem to be fading as fewer businesses mentioned concerns about the economy this quarter (34%) than last quarter (40%).
- The majority of business operators said that the weather had the most significant impact on business performance in 2005.
- Security fears were not a major concern during the latter half of 2005 (9% of businesses mentioned this – 3% points lower than last quarter).

1. INTRODUCTION

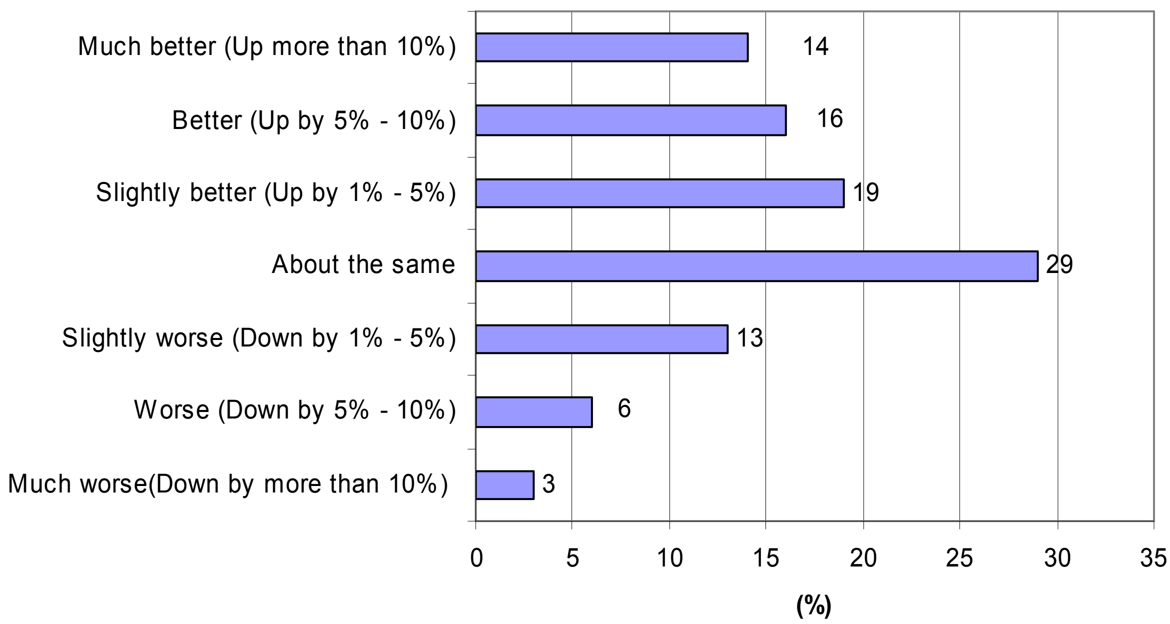
The following report presents the findings from the ninth tourism business confidence survey conducted by Tourism South East. This ninth business confidence survey covered the period from January to December 2005. Background to the survey methodology is given in section 4 and the sample profile for this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

2. OVERALL BUSINESS PERFORMANCE

2.1. Performance up to end of December 2006

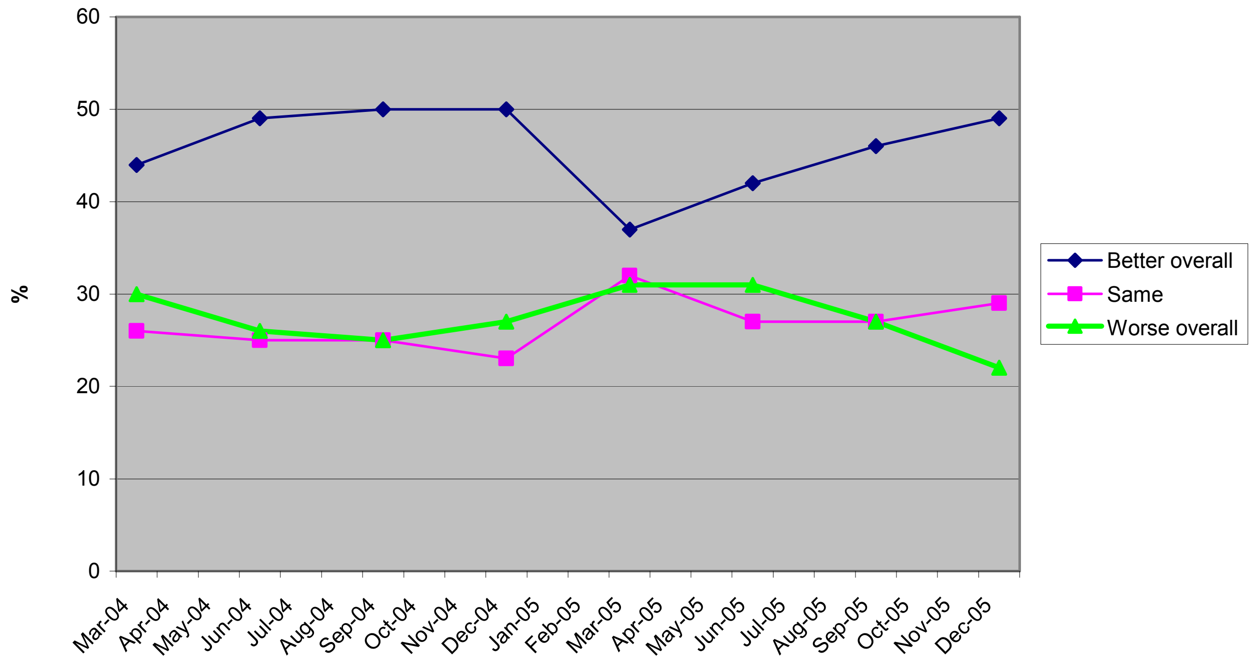
Figure 1 below indicates a positive performance for tourism businesses in the South East over the full year for 2005, compared with 2004. 49% reported their level of performance to be better overall compared with last year (up 3% points on last quarter). 29% reported their business performance to be the same as 2004 and a further 22% reported their business performance to be worse overall (down 5% 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 – December 2005)

Figure 2. Business Performance compared with same period last year

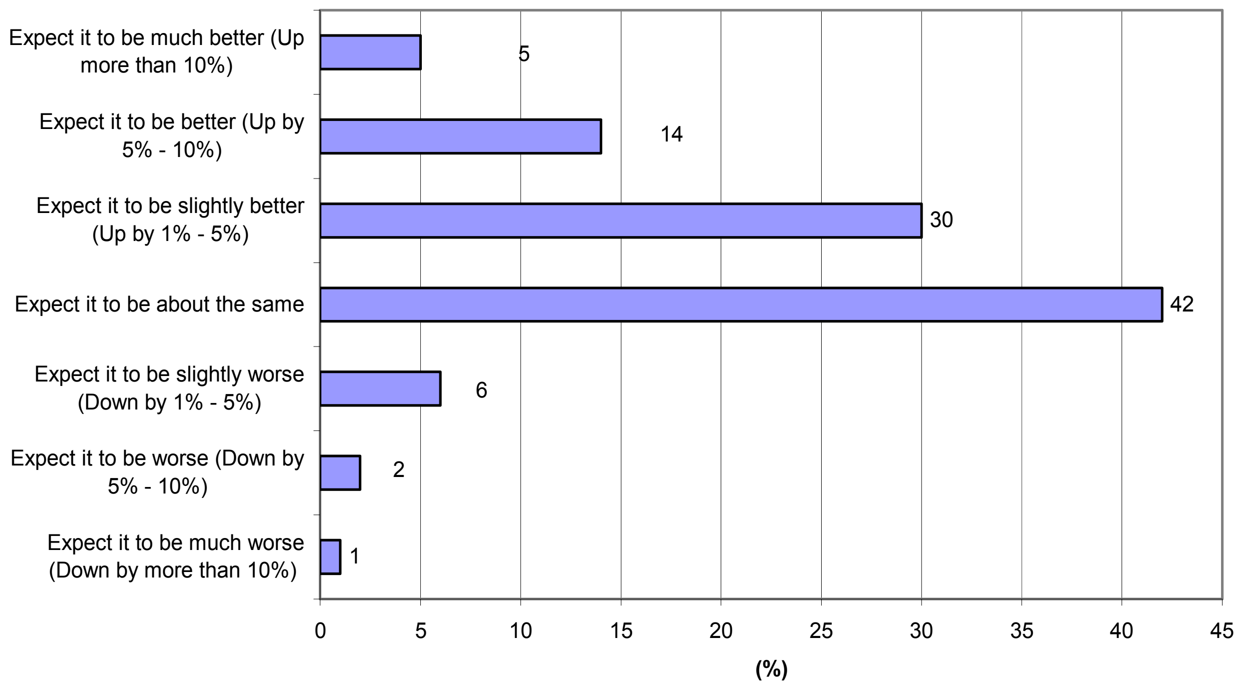


The proportion of businesses reporting better overall performance (compared with the same period in the previous year) peaked in September and December 2004 (50% better overall for both periods), but fell significantly in March 2005 (37% better overall). Business performance has improved since the dip in March 2005, reaching 49% better overall in December 2005, but has yet to reach the peak levels achieved in September and December 2004.

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), however, those reporting worse overall performance has continued to decline since then. 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 and the milder autumn weather was claimed to have helped boost business performance over these periods.

2.2. Expectations for 2006

Figure 3. Business expectations for 2006 (compared with 2005)

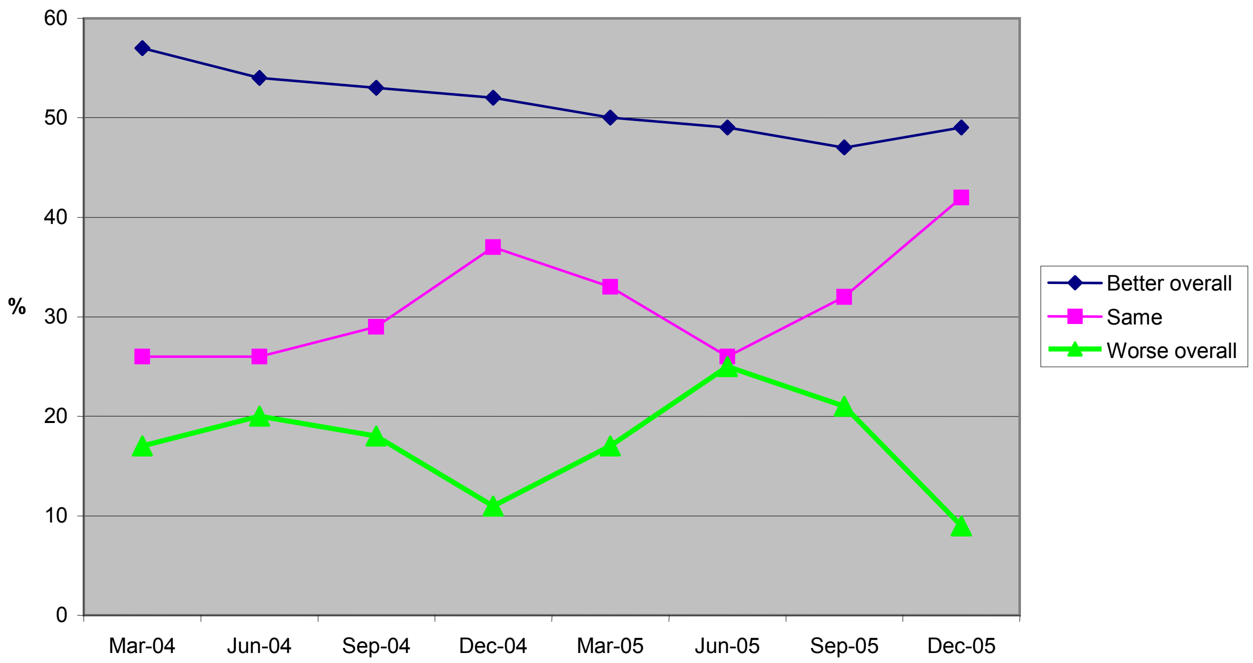


Businesses were asked to indicate their expectations for 2006 compared with 2005. 49% of businesses expect their performance during 2006 to be better overall compared with 2005. This was 2% points higher than that reported in the previous quarter. Just over two-fifths (42%) expect their business performance to be the same as 2005 levels and only 9% expect their business performance to be worse overall (down 12% points on last quarter).

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

Business confidence has slowly weakened since March 2004 (Figure 4 below). Confidence was highest in March 2004 when 57% of businesses expected better overall performance for the remainder of the year, but dipped to 47% in September 2005 (47% of businesses expected better overall performance for the remainder of 2005). However, confidence had started to improve in December 2005. At this point, only 9% of businesses expected a worse overall performance for 2006 compared with 2005, the lowest level recorded since the survey began.

Figure 4. Business confidence compared with same period last year



2.3. Key business concerns

Table 1. Key business concerns

	Count	%
Weather	168	39
UK economic climate	147	34
Competition from overseas holidays	113	26
Strength of pound/exchange rate	99	23
High UK retail prices	86	20
Local competition	81	19
Over regulation	78	18
Poor transport network	71	17
Competition from other parts of the UK	67	16
Lack of promotion	67	16
Competition from low cost airlines	63	15
Other	52	12
General security fears	40	9
No real concerns	34	8
Continued impact from July London bomb attacks	28	6

The majority of business operators reported that the weather had the most significant impact on business performance in 2005 – mentioned by 39% of businesses. The improved weather over the main summer months and the mild autumn weather had helped boost business.

In the two previous quarters the current UK economic climate was a key concern for most businesses. However, concern does seem to be diminishing (mentioned by 34% of businesses this quarter compared with 40% of businesses last quarter). Concerns about high UK retail prices did increase slightly this quarter though. 2005 did see British consumer confidence at an all time two year low – high petrol and utility bills and anxiety about the economic outlook hit consumer spending during 2005. The rising cost of running a business whilst keeping prices down is also a concern for tourism businesses. However, industry analysts expect consumer confidence and spending to recover during 2006.

Security fears were not a major concern during the latter half of 2005 (only 9% of businesses mentioned this compared with 12% last quarter). Furthermore, only 6% of businesses were concerned about continued impacts from the July London bomb attacks on overseas visitors to the region. There was only one mention of concern about the threat of avian flu deterring overseas visitors.

Businesses were also asked about factors (both positive and negative) that have affected performance over the October to December period. For those businesses that had reported better overall performance, particular mention was made of the mild autumn weather during October. Mention was also made of more repeat business and bookings made on recommendation from previous guests or visitors. The change in law to allow same sex partnership ceremonies was seen as an opportunity to bring in new business by one operator. Improved Internet advertising, having an online booking facility and improvements to information available on the web were felt to have helped boost business. One operator commented that internet bookings had risen by 70% over the last year. Half term activities, special Christmas events and the timing of Christmas and New Year over a weekend was felt to have encouraged more visits by some businesses.

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 the cost of running a business, especially the cost of heating over the winter period. Mention was also made of the lack of promotion generally around this time of year. Several B&B operators mentioned increased competition in their areas from farms offering B&B or converting redundant buildings to accommodation.

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 December 2005

Table 2a below breaks down business performance for the whole of 2005 compared with 2004 into sub-regions.

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

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey and West Sussex	East Sussex and Brighton	Kent
Base	*(43)*	*(124)*	*(70)*	*(61)*	*(40)*	*(87)*
	%	%	%	%	%	%
Much better(Up more than 10%)	16	13	14	13	10	15
Better(Up by 5% - 10%)	16	19	14	15	25	10
Slightly better(Up by 1% - 5%)	21	15	23	20	28	18
Total % 'Up'	***53***	***47***	***51***	***48***	***62***	***43***
About the same	21	25	31	36	20	36
Slightly worse (Down by 1% - 5%)	9	19	10	8	10	11
Worse (Down by 5% - 10%)	5	6	6	5	8	8
Much worse (Down by more than 10%)	12	2	1	3	0	1
Total % 'Down'	***26***	***28***	***17***	***16***	***18***	***21***

Most sub-regions reported better overall performance for 2005 compared with 2004. The proportion of IOW, East Sussex & Brighton, Berkshire, Buckinghamshire & Oxfordshire (BBO), and Surrey & West Sussex businesses reporting better overall performance improved this quarter. 51% of IOW businesses reported better overall performance this quarter compared with 45% the previous quarter, 62% of East Sussex & Brighton businesses reported better overall performance this quarter compared with 48% last quarter, 53% of BBO businesses reported better overall performance compared with 48% last quarter, and 48% of Surrey & West Sussex businesses reported better performance compared with 39% last quarter. East Sussex & Brighton, IOW and Surrey & West Sussex businesses were least likely to report worse overall business performance (18%, 17% and 16% respectively).

Expectations for 2006

Table 2b breaks down expectations for 2006 by sub-region. South East businesses' expectations for 2006 remain favourable.

Table 2b Expectations for 2006, compared with 2005

	Bucks	Hampshire	I.O.W	Surrey and West Sussex	East Sussex and Brighton	Kent
Base	*(44)*	*(122)*	*(71)*	*(60)*	*(39)*	*(88)*
	%	%	%	%	%	%
Up more than 10%)	7	2	6	8	3	7
Up by 5% - 10%	20	16	13	10	15	14
Up by 1% - 5%	30	27	38	27	31	28
Total % 'Up'	***57***	***45***	***56***	***45***	***49***	***49***
Expect it to be about the same	34	46	35	48	41	40
Down by 1% - 5%	2	6	8	2	5	10
Down by 5% - 10%	2	2	0	5	5	1
Down by more than 10%	5	1	0	0	0	0
Total % 'Down'	***9***	***9***	***8***	***7***	***10***	***11***

Businesses in the IOW and BBO sub-regions were more optimistic than other sub-regions about their business performance in 2006. 56% and 57% of businesses respectively in the IOW & BBO sub-regions expect business to be up on 2005 levels. Kent businesses were more optimistic about the year ahead this quarter than last, with only 11% of Kent businesses expecting worse overall performance in 2006 compared with 35% last quarter. Businesses in Hampshire and the Surrey & West Sussex sub-regions 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 December 2005

Businesses in rural locations were more likely to report better overall business performance (53%) – 2% points higher than the previous quarter.

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

	Rural	Coastal	Urban
Base	*(224)*	*(108)*	*(106)*
	%	%	%
Much better (Up more than 10%)	13	13	15
Better(Up by 5% - 10%)	19	15	11
Slightly better(Up by 1% - 5%)	21	19	15
Total % 'Up'	***53***	***47***	***42***
About the same	28	30	33
Slightly worse (Down by 1% - 5%)	12	12	15
Worse (Down by 5% - 10%)	5	10	5
Much worse (Down by more than 10%)	3	1	6
Total % 'Down'	***20***	***23***	***25***

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

Expectations for 2006

Coastal businesses (55%) were more likely to expect better performance in 2006 than those businesses in urban or rural areas.

Table 3b Expectations for 2006, compared with 2005

	Rural	Coastal	Urban
Base	*(224)*	*(107)*	*(106)*
	%	%	%
Much better(Up more than 10%)	5	5	6
Better(Up by 5% - 10%)	15	17	11
Slightly better(Up by 1% - 5%)	28	34	26
Total % 'Up'	***49***	***55***	***43***
About the same	42	35	47
Slightly worse (Down by 1% - 5%)	6	7	7
Worse (Down by 5% - 10%)	2	4	2
Much worse (Down by more than 10%)	1	0	1
Total % 'Down'	***9***	***10***	***9***

3.3. Type of business

Performance up to end of December 2005

Hotel, visitor attraction and caravan and camping businesses reported a more positive performance for 2005 than other sectors. 66% of hotels, 54% of attractions and 50% of caravan and camping businesses reported better overall performance for 2005 compared with 2004. However, a third of guest houses reported worse overall performance for the year compared with 2004. Self-catering businesses were more likely to report better overall performance or the same level of business compared with 2004.

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	*(35)*	*(33)*	*(83)*	*(96)*	*(20)*	*(131)*	*(24)*
Up more than 10%	11	9	19	13	25	10	21
Up by 5% - 10%	43	9	13	14	15	18	4
Up by 1% - 5%	11	27	13	18	10	27	13
Total % 'Up'	***66***	***45***	***46***	***44***	***50***	***54***	***37***
About the same	17	21	29	39	30	26	33
Down by 1% - 5%	11	21	14	11	10	10	17
Down by 5% - 10%	6	9	6	5	10	6	8
Down by more than 10%	0	3	5	1	0	4	4
Total % 'Down'	***17***	***33***	***25***	***18***	***20***	***20***	***29***

Expectations for 2006

With the exception of self catering, B&B and guest houses, businesses continued to be upbeat about the year ahead. Caravan and camping and hotel businesses were the most positive, whereas B&Bs, guest houses and self catering were more likely to expect the same level of business in 2006 as 2005.

Table 4b Expectations for 2006, compared with 2005

	Hotels	Guest houses	B&B	Self catering	Caravan and camping	Visitor attraction	Other
Base	*(36)*	*(33)*	*(83)*	*(95)*	*(20)*	*(130)*	*(24)*
Up more than 10%	11	0	2	5	10	6	4
Up by 5% - 10%	22	6	12	11	10	20	13
Up by 1% - 5%	36	33	27	20	55	29	46
Total % 'Up'	***69***	***39***	***41***	***36***	***75***	***55***	***62***
About the same	19	45	51	54	20	38	25
Down by 1% - 5%	8	9	7	6	0	4	8
Down by 5% - 10%	3	6	0	3	5	2	0
Down by more than 10%	0	0	1	1	0	0	4
Total % 'Down'	***11***	***15***	***8***	***10***	***5***	***6***	***13***

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 429 questionnaires were returned by the analysis deadline. 61% were returned by post, 35% were returned by fax, and the remainder were completed on-line. It should be noted that a number of businesses who regularly participate in the survey were closed over the October to December period.

4.2. Dates for the next surveys

The next survey covering the first three months of 2006 and expectations for the remainder of the year will be mailed on 3rd April 2006.

5.0. PROFILE OF SAMPLE

For the final quarter of 2005, 429 businesses participated in the business confidence survey. The overall sample size increased this quarter, however a new business confidence promotional flyer with a prize draw sponsored by EDF Energy has been produced and will be mailed to all commercial members in March 2006.

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 BBO and East Sussex & Brighton sub-regions due to small sample sizes.

Table 5 Sub-region

	Count	%
Berks, Bucks, Oxon	44	10
Hampshire	126	29
IOW	71	16
Surrey & West Sussex	62	14
East Sussex and Brighton	41	9
Kent	88	20
Total	432	100

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

5.2. Type of location

51% of businesses were located in rural areas, 24% were in coastal areas and the remaining 24% were located in urban areas. Indicative analysis by location has been provided within this report.

Table 6 Type of location

	Count	%
Rural	228	51
Coastal	109	24
Urban	108	24
Total	445	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	8
Guest houses	33	8
B&B including farm houses)	85	20
Self-catering (including flats, cottages, houses)	98	23
Holiday park	11	3
Caravan and camping	9	2
Visitor attraction	133	31
Leisure/sport centre	4	1
Retail	4	1
Food and drink	2	*
Travel and transport	1	*
Tourism services (I.e. tour operator, travel agent/guide)	3	1
Other	10	2
Total	429	100

* Less than 0.5%

TOURISM SOUTH EAST

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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 December 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 2006, (compared with 2005)** [*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 Oct-Dec 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