

Tourism South East Business Confidence Survey January – December 2007



INVESTOR IN PEOPLE



CONTENTS

TOURISM SOUTH EAST BUSINESS CONFIDENCE SURVEY	3
1 Introduction	3
2 Overall business performance	3
2.1 Performance up to end of December 2007	3
2.1.1 Trends in business performance (July 2004 –December 2007)	4
2.2 Expectations for 2008.....	5
2.2.1 Trends in business confidence (March 2004 – December 2007).....	6
2.3 Key business concerns.....	7
3 Sector insights	9
3.1 Sub regions	9
3.1.1 Performance up to end of December 2007	9
3.1.2 Expectations for 2008	10
3.2 Location	11
3.2.1 Performance up to end of December 2007	11
3.2.2 Expectations for 2008.....	11
3.3 Type of business	12
3.3.1 Performance up to end of December 2007	12
6 Survey background	14
6.1 Methodology	14
6.2 Dates for next survey	14
7 Profile of sample	14
7.1 Sub region	14
7.2 Type of location	15
7.3 Type of business	15

Executive Summary

The following report presents the findings from the 17th tourism business confidence survey conducted by Tourism South East, covering the period from January to December 2007.

A total of 318 completed questionnaires were received. 28% of responding businesses were serviced accommodation providers, 25% were non-serviced accommodation providers and a further 40% were visitor attractions. The remainder comprised of retail, leisure, food and drink, travel and transport and 'other' tourism service providers.

A better overall performance for 2007...

- 52% reported their level of performance to be better overall compared with last year. 28% reported the same level of performance, and a further 20% reported worse overall performance. This was similar to the snapshot taken 12 months ago when 52% also reported better overall performance.
- Results suggest a better overall performance in West Sussex, Kent and Hampshire during the whole of 2007 compared with 2006. Businesses in IOW, East Sussex & Brighton and BBO reported a mixed performance over this period.
- Businesses in rural, coastal and urban locations all reported a better performance for the whole of 2007 compared with 2006.
- Caravan and camping (69%), 'other' (64%), Hotels (54%), B&B's (54%) and self catering (50%) all reported a more positive performance during 2007. Visitor attractions and guest houses reported a more mixed performance for 2007 compared with 2006.

Businesses more cautious about performance this year ...

- 50% of businesses expect their performance for the remainder of the year to be better overall compared with 2007. Just over a third (36%) of businesses expect their performance to be the same and a further 14% expect their performance to be worse overall. This was eight percentage points down on the snapshot taken 12 months ago when 58% of businesses expected better overall performance for 2007 (compared with 2006).
- Businesses in West Sussex (58%), Hampshire (55%), Kent (54%) and Surrey (50%) proved to be the most optimistic about their business performance in 2008 compared with 2007. BBO, East Sussex & Brighton and IOW however appear to be more cautious about the year ahead.
- Both coastal and urban businesses were more likely to expect better performance in 2008 than those in rural areas.
- Caravan and camping (62%), 'other' businesses (59%), guest houses (55%), visitor attractions (55%) and hotels (54%) were more upbeat about the year ahead. Self catering and B&B businesses were more circumspect.

Continued concern about the weather...

- More than half of business operators (52%) reported that the weather had the most significant impact on their business performance throughout 2007.
- Once again, the UK economic climate (45% this quarter, compared with 33% last quarter) and the strength of the pound/exchange rates (25% this quarter, compared with 28% last quarter) are proving real key concerns for most businesses.
- There has been a noticeable increase in concerns over high UK retail prices, which increased by 5 percentage points to 22%.

Tourism South East Business Confidence Survey

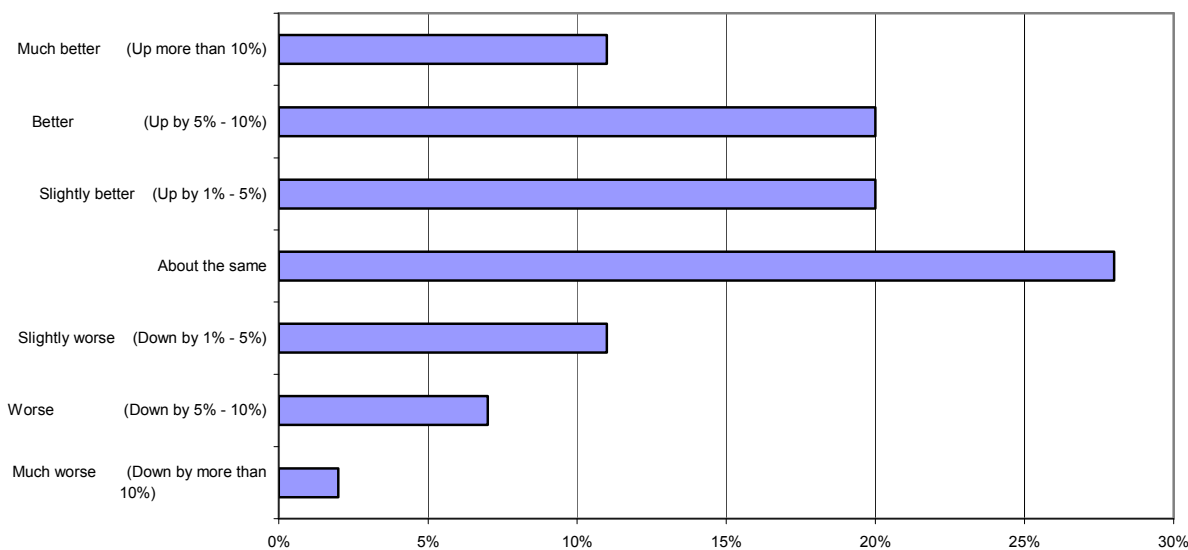
1 Introduction

The following report presents the findings from the 17th tourism business confidence survey conducted by Tourism South East, covering the period from January to December 2007. Background to the survey methodology is given in section 6 and the sample profile for this quarter is detailed in section 7. Despite a recruitment drive at the end of the second quarter, the sample still remains below the target of 400 participants (a total of 318 completed questionnaires were received for the October –December survey period).

2 Overall business performance

2.1 Performance up to end of December 2007

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



Tourism businesses performed better overall for the whole of 2007 compared with 2006. 52% reported their level of performance to be better overall compared with last year, the same as last quarter. 28% reported their business performance to be the same as 2006 over this period, and a further 20% reported worse overall performance (although this proportion was down 3 percentage points on last quarter).

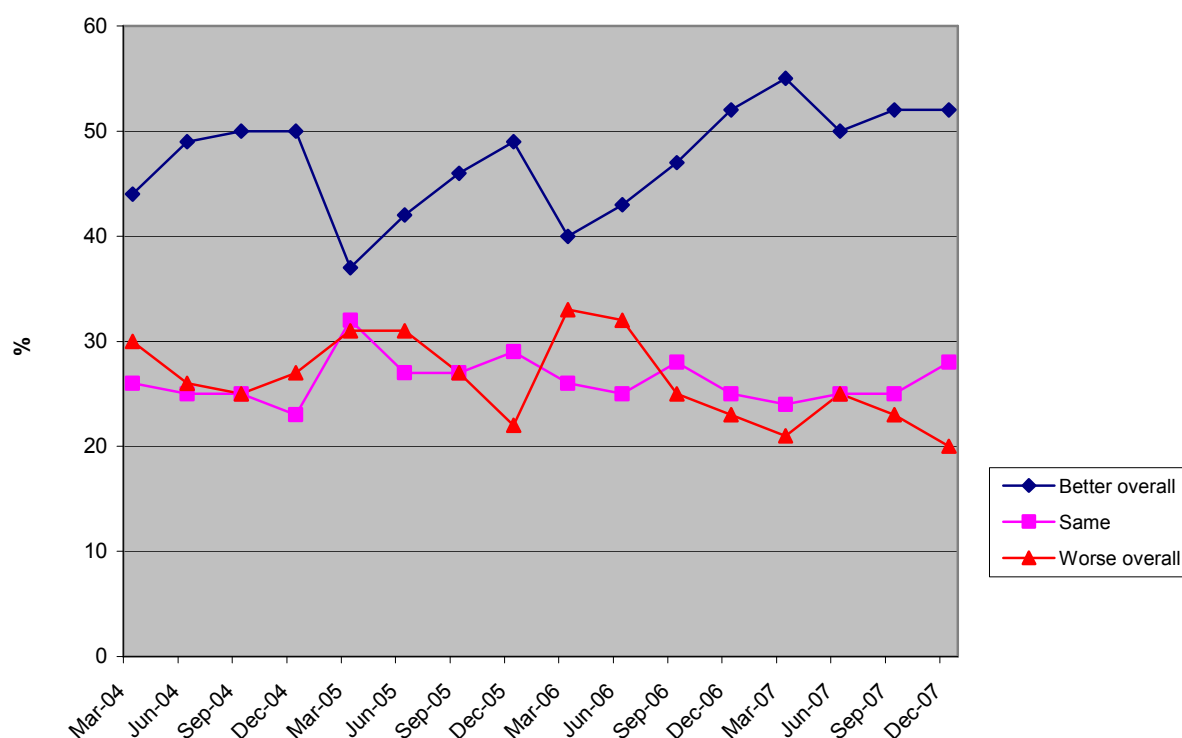
2.1.1 Trends in business performance (July 2004 –December 2007)

Business performance has consistently improved compared to the same period in 2004. Although synonymous with the same period in 2006 (52%), the proportion of businesses reporting better overall performance this quarter is 3 percentage points higher than 2005 and 2 percentage points higher than 2004. Despite this, the figure is lower than that reported in March 2007 which, at 55%, remains the highest overall level for business performance since the survey began.

The proportion of businesses reporting worse overall performance (20%) is consistently lower when compared to December 2006 (down 3 percentage points), December 2005 (down 2 percentage points) and December 2004 (down 7 percentage points).

The number of businesses that reported no difference in their performance had reached a plateau in recent months with a constant 25%. However, this quarter saw a slight improvement with 28% of businesses now reporting the same level of business.

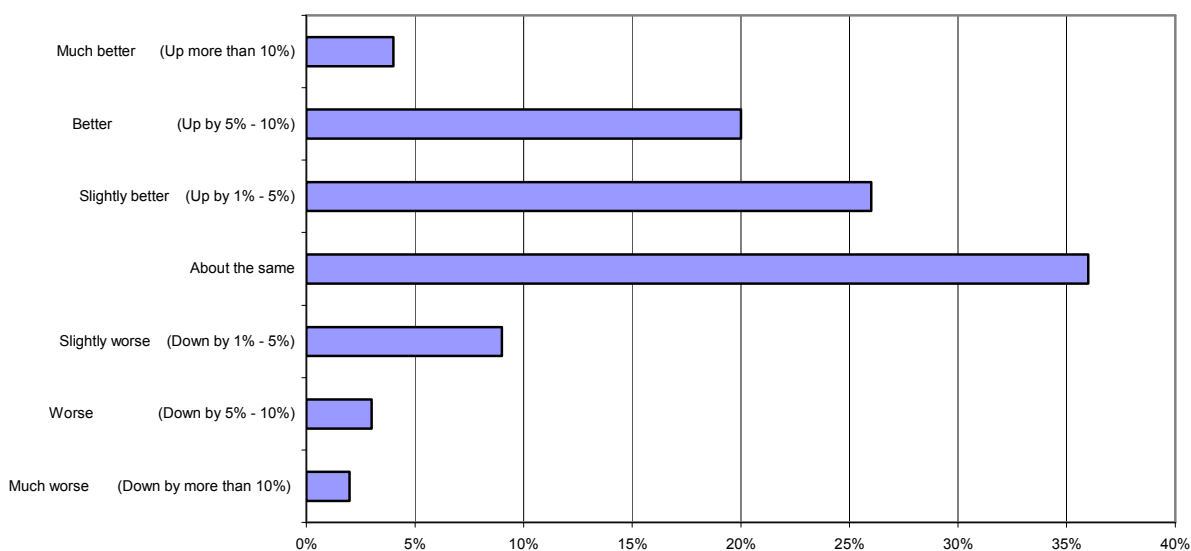
Figure 2 Business performance since March 2004



2.2 Expectations for 2008

Businesses were asked to indicate their expectations for the year ahead compared with 2007. Half of all businesses expect their performance to be better overall compared with 2007, 4% points lower than that reported last quarter. Just over a third (36%) expect their business performance to be the same as 2007 levels (up 12 percentage points from last quarter) and a further 14% expect their business performance to be worse overall (down 8% points from last quarter).

Figure 3 Business expectations for 2008 (compared with 2007)



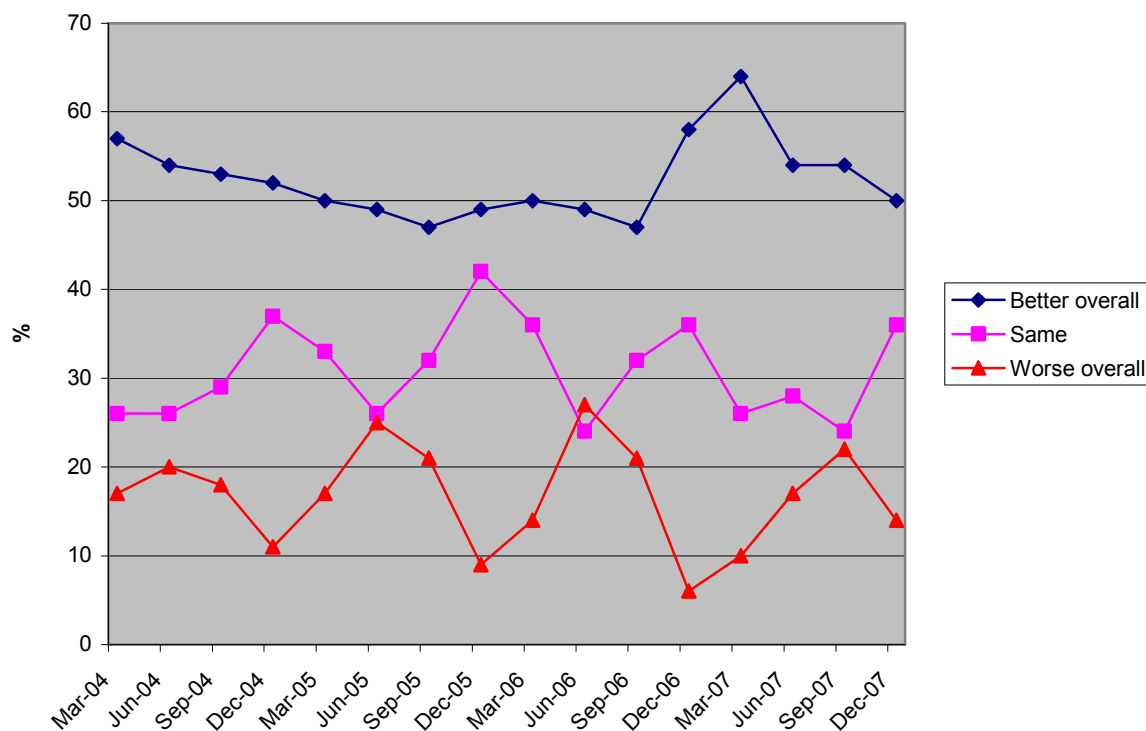
2.2.1 Trends in business confidence (March 2004 – December 2007)

Business confidence continues to weaken since the start of the survey in 2004, despite a brief turnaround in December 2006 and March 2007, when the level of confidence rose to 58% and 64% respectively. This quarter, the number of businesses expecting their business performance to be better overall has seen a significant decrease on the same period as last year (down 8 percentage points) and recent quarters (down 4 percentage points on June and September 2007 respectively and down 14 percentage points on March 2007)

The number of businesses expecting their business performance to remain the same has reduced from previous years (37% in 2004 and 42% in 2005), although remains the same as 2006 (36%).

As shown in figure 4 overleaf, the proportion of businesses expecting worse overall performance for the year ahead - compared with the same period in the previous year - has fallen since the last two quarters to 14%.

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



2.3 Key business concerns

More than half of business operators (52%) reported that the weather had the most significant impact on their business performance throughout 2007. This was, considerably down (16 percentage points) on the previous quarter. The sectors most likely to report that the weather had had an impact upon their performance were caravan and camping (86%), guest houses (79%) and visitor attractions (72%), although these sectors reported a lesser impact during the last quarter.

Once again, the UK economic climate (45% this quarter, compared with 33% last quarter) and the strength of the pound/exchange rates (25% this quarter, compared with 28% last quarter) are proving real key concerns for most businesses.

There has been a noticeable increase in concerns over high UK retail prices, increasing by 5 percentage points to 22%, although businesses have become less concerned about competition from overseas holidays compared with recent quarters (down from 24% to 14%).

Table 1 Key business concerns

	Count	%
Weather	181	52%
UK Economic Climate	158	45%
Strength of the pound/exchange rates	86	25%
High UK retail prices	78	22%
Local competition	73	21%
Over regulation	59	17%
Poor transport network	52	15%
Competition from overseas holidays	49	14%
Lack of promotion	44	13%
Competition from other parts of the UK	39	11%
No real concerns	39	11%
Competition from low-cost airlines	32	9%
Other (Please specify)	30	9%
Threat of avian flu	26	7%
General security fears	7	2%

NB: More than one response permitted.

Businesses were asked about factors (both positive and negative) that had affected their performance over the October – December 2007 period. For those who had reported better overall performance, the mild weather over this period and the Christmas holiday period were all felt to have boosted performance over the final quarter of the year.

A number of businesses remarked on increased and better advertising, marketing, PR, promotion. As well as attracting new customers, businesses also reported an increase in repeat custom, with some already receiving bookings for next year. Businesses also highlighted that improvements in the quality of their service and building on their reputation were both key factors in their success.

Businesses mentioned that special events and festivals held both regionally and locally also helped to improve their performance over this quarter.

The weather was also reported as a key contributing factor by those businesses experiencing poor performance, particularly outdoor visitor attractions. In contrast to this, many indoor attractions noted that

footfall did improve during this time. Other key factors that had negatively affected performance included the rising interest and exchange rates, less disposable income and the general economic uncertainty.

On a more localised level, special mention was made of road and building works affecting businesses as well as increased competition both locally and from overseas. Ferry prices to the IOW are once again highlighted, indicating that for most businesses on the Island, the cost of travel is still considered to be deterring visitors.

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 2007 compared with 2006 into sub regions.

3.1.1 Performance up to end of December 2007

Results suggest a better overall performance in West Sussex, Kent and Hampshire during the whole of 2007 compared with 2006. Businesses in Surrey also reported a better overall performance; however this was based on a sample of 10 respondents. IOW, East Sussex & Brighton and BBO businesses reported a mixed performance over this period, with 29%, 29% and 28% of businesses respectively reporting a worse overall performance.

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>	(22)	(81)	(31)	(10)	(24)	(35)	(112)
	%	%	%	%	%	%	%
Much better (Up more than 10%)	9	11	-	-	17	3	18
Better (Up by 5% - 10%)	5	22	26	20	17	26	18
Slightly better (Up by 1% - 5%)	32	20	19	40	21	17	18
Total % 'Up'	46	53	45	60	55	46	54
About the same	27	30	26	30	33	26	27
Slightly worse (Down by 1% - 5%)	14	5	26	10	-	17	13
Worse (Down by 5% - 10%)	5	11	3	-	13	6	6
Much worse (Down by more than 10%)	9	1	-	-	-	6	1
Total % 'Down'	28	17	29	10	13	29	20

The proportion of Surrey, Kent and Hampshire businesses reporting better overall performance has improved compared with the snapshot taken 12 months ago (December 2006). Surrey saw the biggest increase (9 percentage points) from this time last year, although these results should be treated with caution due to the small sample. Additionally, Kent saw an increase of 6 percentage points compared with 12 months ago whilst better overall performance in Hampshire increased by 5 percentage points over the same period.

West Sussex (55%) and BBO (46%) businesses saw a significant fall in the proportion reporting better overall performance this quarter compared with the snapshot taken 12 months ago (70% and 59% respectively). Fewer IOW (down 9 percentage points) and West Sussex & Brighton (down 3 percentage points) businesses also reported better overall performance compared with 12 months ago.

3.1.2 Expectations for 2008

Table 2b breaks down expectations for 2008 by sub region.

Businesses in West Sussex (58%), Hampshire (55%) and Kent (54%) proved to be the most optimistic about their business performance in 2008 compared with 2007. Businesses in Surrey also expected 2008 to be more favourable, although this was based on 10 respondents.

BBO, East Sussex & Brighton and IOW however appear to be more cautious about the year ahead with only 24%, 40% and 48% of businesses respectively expecting better overall performance.

With the exception of BBO (down 31 percentage points), East Sussex & Brighton (down 8 percentage points), and Hampshire (down 1 percentage point) businesses were generally more optimistic than last quarter. Surrey proved the most optimistic, with 50% expecting a better overall performance (up 6 percentage points on last quarter) however this result is based on a small sample.

Table 2b Expectations for 2008, compared with 2007

	Berks, Bucks, Oxon	Hampshire	I.O.W	Surrey	West Sussex	East Sussex and Brighton	Kent
<i>Base</i>	<i>(21)</i>	<i>(81)</i>	<i>(31)</i>	<i>(10)</i>	<i>(24)</i>	<i>(35)</i>	<i>(109)</i>
	%	%	%	%	%	%	%
Up more than 10%	5	2	3	-	8	3	6
Up by 5% - 10%	5	30	13	10	17	11	22
Up by 1% - 5%	14	23	32	40	33	26	26
Total % 'Up'	24	55	48	50	58	40	54
Expect it to be about the same	43	33	29	40	33	46	33
Down by 1% - 5%	19	7	16	-	8	11	8
Down by 5% - 10%	10	2	3	10	-	-	4
Down by more than 10%	5	1	3	-	-	3	2
Total % 'Down'	34	10	22	10	8	14	14

Although the expectations for 2008 remain reasonably favourable compared with the previous quarter, optimism is much lower in some sub regions than that reported this time last year.

Businesses in BBO (down 27% points), East Sussex & Brighton (down 19% points), IOW (down 16% points), Kent (down 8% points), Hampshire (down 3% points) and West Sussex (down 3% points) were less optimistic about business expectations for the coming year, compared with 12 months ago (December 2006). Only businesses based in Surrey were more optimistic in December 2007 (50%) than they were in December 2006 (28%). Again, care should be taken with this result due to the small sample.

3.2 Location

3.2.1 Performance up to end of December 2007

Businesses in rural, coastal and urban locations all reported a better performance for the whole of 2007 compared with 2006. Although the proportion of businesses in rural areas reporting a better performance increased by 2 percentage points over the last quarter, coastal and urban business have declined slightly by 4 percentage points and 1 percentage points respectively.

With the exception of coastal areas (up 1 percentage point), the proportion of businesses reporting a worse performance improved from the previous quarter.

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

	Rural	Coastal	Urban
<i>Base</i>	(184)	(70)	(61)
	%	%	%
Much better (Up more than 10%)	13	9	11
Better (Up by 5% - 10%)	20	20	20
Slightly better (Up by 1% - 5%)	21	13	26
Total % 'Up'	54	42	57
About the same	27	33	25
Slightly worse (Down by 1% - 5%)	12	11	10
Worse (Down by 5% - 10%)	5	13	7
Much worse (Down by more than 10%)	2	1	2
Total % 'Down'	19	25	19

3.2.2 Expectations for 2008

Both coastal (54%) and urban (51%) businesses all expect a better performance in 2008. Although the figure for coastal areas is higher than the previous quarter (up 2 percentage points) the figure for urban areas has dipped slightly by 3 percentage points.

Rural businesses were slightly less optimistic, with 48% expecting better overall performance (down from 54% last quarter).

Table 3b Expectations for 2008 compared with 2007

	Rural	Coastal	Urban
<i>Base</i>	(182)	(70)	(59)
	%	%	%
Much better (Up more than 10%)	3	4	7
Better (Up by 5% - 10%)	20	26	12
Slightly better (Up by 1% - 5%)	25	24	32
Total % 'Up'	48	54	51
About the same	37	33	32
Slightly worse (Down by 1% - 5%)	10	7	12
Worse (Down by 5% - 10%)	3	6	2
Much worse (Down by more than 10%)	2	-	3
Total % 'Down'	15	13	17

3.2.3 Type of business

3.3.1 Performance up to end of December 2007

Caravan and camping (69%), 'other' (64%), hotels (54%), B&B's (54%) and self catering (50%) all reported a more positive performance during 2007 than other sectors. Visitor attractions and guest houses both reported a more mixed performance for 2007 compared with the previous 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>	(13)	(19)	(58)	(60)	(16)	(126)	(23)
Up more than 10%	8	-	14	12	6	14	4
Up by 5% - 10%	23	21	19	25	13	18	17
Up by 1% - 5%	23	11	21	13	50	17	43
Total % 'Up'	54	32	54	50	69	49	64
Expect it to be about the same	46	37	24	30	19	30	9
Down by 1% - 5%	-	21	17	8	6	10	13
Down by 5% - 10%	-	11	3	12	6	8	4
Down by more than 10%	-	-	2	-	-	2	9
Total % 'Down'	-	32	22	20	12	20	26

B&B (up 8 percentage points), self catering (up 5 percentage points) and visitor attractions (up 4 percentage points) saw a better performance this quarter compared with the snapshot taken 12 months ago in December 2006.

For guest houses, the picture was considerably less positive than 12 months ago when 63% reported better overall performance compared with only 32% this quarter. 'Other' forms of business, hotels and visitor attractions also fared unfavourably, with the proportion reporting better overall performance down 8, 5 and 2 percentage points respectively.

3.3.2 Expectations for 2008

As shown in table 4b overleaf, Caravan and camping (62%), 'other' businesses (59%), guest houses (55%), visitor attractions (55%) and hotels (54%) were more upbeat about the year ahead.

Self catering businesses and B&B's were more circumspect about the year ahead with self catering the more cautious of the two (21% expecting worse overall performance and only 36% expecting performance to be better).

Table 4b Expectations for 2008 compared with 2007

	Hotels	Guest Houses	B&B	Self Catering	Caravan and Camping	Visitor Attractions	Other
<i>Base</i>	<i>(13)</i>	<i>(20)</i>	<i>(58)</i>	<i>(60)</i>	<i>(16)</i>	<i>(222)</i>	<i>(22)</i>
	%	%	%	%	%	%	%
Up more than 10%	15	5	5	3	6	3	-
Up by 5% - 10%	8	10	21	25	6	21	23
Up by 1% - 5%	31	40	10	15	50	31	36
Total % 'Up'	54	55	36	43	62	55	59
Expect it to be about the same	38	35	43	40	31	31	23
Down by 1% - 5%	-	5	12	12	6	8	18
Down by 5% - 10%	8	5	7	2	-	2	-
Down by more than 10%	-	-	2	3	-	2	-
Total % 'Down'	8	10	21	17	6	12	18

Most business sectors, with the exception of guest houses and 'other', appear to be less optimistic than they were 12 months ago in December 2006. Of these, the most notable decline in optimism were caravan and camping (down from 88% to 62%), hotels (down from 78% to 54%) and visitor attractions (down from 68% to 55%). B&B's and self catering were also less optimistic, with the proportion expecting better overall performance down by 8 and 8 percentage points respectively on 12 months ago.

6 Survey background

6.1 Methodology

Tourism businesses in the South East region were asked to complete a simple two page questionnaire and return either by fax, post, email or complete on-line. In all, 67% of responses were returned by post, 25% by fax and 6% online. An additional 2% of responses were completed over the phone.

The sample size decreased by 9% from the previous quarter and is still slightly under the required 400 participants.

6.2 Dates for next survey

The next survey covering the first quarter of 2008 and expectations for the remainder of 2008 will be mailed on 1st April 2008.

7 Profile of sample

For the fourth quarter of 2007, a total of 318 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.

7.1 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, BBO, West Sussex, East Sussex & Brighton and IOW sub regions due to small sample sizes.

Table 9 Sub region

	Count	%
Berks, Bucks, Oxon	22	7
Hampshire	83	26
IOW	31	10
Surrey	10	3
West Sussex	24	8
East Sussex and Brighton	35	11
Kent	113	35
Total	318	100

7.2 Type of location

58% of businesses were located in rural areas, 22% in coastal areas and the remaining 20% were located in urban areas. Indicative analysis by location has been provided within this report.

Table 10 Location

	Count	%
Rural	186	58
Coastal	70	22
Urban	62	20
Total	318	100

7.3 Type of business

Table 11 Business sector

	Count	%
Hotels (including motels, travel lodges, inns)	13	4
Guest houses	20	6
B&B (including farm houses)	58	18
Self catering (including flats, cottages, houses)	60	19
Holiday park (included under caravan & camping)	8	3
Caravan and camping	8	3
Visitor attractions	128	40
Leisure/sport centre	1	<1
Retail	4	1
Food and drink	4	1
Travel and transport	4	1
Tourism services (i.e. tour operator, travel agent/guide)	2	1
Other	8	3
Total	318	100