



**BUSINESS PLAN –
First Full Trading Year
1 April 2019 to 31 March 2020**

1. Objective

Cairngorm Mountain (Scotland) Ltd – hereinafter referred to as CMSL – has the potential to become a world class visitor destination. This is the company’s long-term aspiration and we are ‘ambitious to succeed’. This Initial one year plan is centred on stabilising the business in 2019/20; thereafter the business can be transformed and the building blocks put in place to achieve a world class visitor destination.

2. Background

Cairngorm Mountain Ltd (CML) went into Administration on 29 November 2018. Following an intensive period of due diligence, HIE established a subsidiary company, CMSL, to be the operator of the Cairngorm Mountain facility.

On 14 December 2018 HIE acquired the assets of the previous operator CML. This enabled HIE to transfer staff of CML under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and for operations to continue at Cairngorm Mountain. HIE also appointed a ‘turnaround expert’ [REDACTED] acting as interim Chief Executive of CMSL, which ended on 31 March 2019.

HIE has seconded an internal member of staff, Susan Smith to the interim chief executive role in CMSL for a period of up to 6 months, commencing on 1 April 2019. Running in parallel with this, the CMSL Board are working with a recruitment agency, Aspens, to support the recruitment of a permanent chief executive for CMSL.

3. CMSL

HIE as the sole shareholder, owning 100% of the shares of CMSL, appointed a new interim Board who met on 14 January 2019. The current composition of the Board is:

- Peter Mearns (Chair) – [REDACTED]
- Douglas Yule – former HIE Director, [REDACTED]
- Bill Lobban – [REDACTED]
- David Oxley – HIE Director of Business and Sector Development and qualified accountant.

External Directors’ are expected to commit two days per month to CMSL. Their remuneration is in line with the Scottish Government pay policy guidance for senior appointments at a rate of £ [REDACTED] per day to reflect the higher risk nature of the requirements. The ‘Chair’ rate is £ [REDACTED] per day, again in line with Scottish Government guidance.

Burness Paull are acting as ‘Company Secretary’. CMSL has secured its own legal advisors, Brodies.

A training session on Governance for the CMSL Board took place in early February 2019. Currently, HIE is supporting CMSL in areas of Governance by the appointment of Saffrey Champness, who are undertaking a review and due to report in April 2019.

4. The Business – What it Does

The business of Cairngorm Mountain is essentially split into two parts – winter and summer. The winter, when snow conditions permit, provides snow sports for a wide range of enthusiast of all abilities (from Dec to Apr). The summer is focussed on a product offering which at the centre lies the Funicular railway where customers are taken to the top station (the Ptarmigan) and can admire the views, visit the exhibition and there is a shop and restaurant.

The customer numbers all year round are outlined in the table below :

	1 Apr 14 - 31 Mar 15		Total	1 Apr 15 - 31 Mar 16		Total	1 Apr 16 - 31 Mar 17		Total	1 Apr 17 - 31 Mar 18		Total	1 Apr 18 - 31 Oct 18
	Summer	Winter	2014-15	Summer	Winter	2015-16	Summer	Winter	2016-17	Summer	Winter	2017-18	Summer
Visitor Numbers *	89,583	107,889	197,472	95,549	110,644	206,193	84,745	102,900	187,645	95,057	83,343	178,400	73,634
Funicular Customers	87,210	32,678	119,888	93,817	43,959	137,776	83,017	55,695	138,712	91,305	40,483	131,788	62,267
Skier Days		77,187			66,658			21,267			59,003		

*Total visitor numbers in the summer includes Funicular and walk and bike visitors

This year, with the Funicular not operating, the emphasis is concentrated on providing a sense of arrival at the base station, an exhibition, an outdoor adventure area, a summer walking and events programme and a revamping of the retail and catering areas to appeal to a wide-ranging customer base.

5. Project Plan – Budget Requirements for Summer 2019

With the Funicular grounded, subject to HIE determining the optimal way forward, there is currently a need for immediate investment to provide a reason for summer visitors to travel to Cairngorm Mountain. CMSL want to do everything possible to protect the brand, take advantage of the latent opportunities to attract summer visitors to the Mountain, whilst also being uncompromising on Health and Safety matters.

At present, there are two main cost centres – a retail shop and a mountain café. Both are tired, with a complete lack of investment over the last 5 years, and in need of investment to provide a ‘fit for purpose’ experience for the summer market. It is proposed to rebrand these cost centres: ‘Cairngorm Mountain Shop’ and ‘Cairngorm Mountain Café’. Without investment, it will be extremely difficult to be able to market the facility and do anything to arrest the decline in visitor numbers and therefore almost impossible to stabilise the business.

It is proposed to charge a car and camper van charge of £2.00 entry to the base station car park from May to October 2019 and on a conservative projection of [REDACTED] vehicles it is projected that revenue of £ [REDACTED] k may be generated. Staff are currently assessing the best way of operating this cost centre. It is proposed that any revenue will be ring-fenced for reinvestment in the environmental aspects of the business (e.g. maintenance of car parks, paths etc.) and most likely for ongoing maintenance costs in the car park.

The proposed areas for immediate investment are outlined as :

Theme	Detail	Cost £s
Exhibition	<ul style="list-style-type: none"> Promote a new exhibition in the Base Station, depicting the story of the National Park and themed accordingly, providing a reason for visitors to come to Cairngorm Mountain in the summer. 	60,000
Catering	<ul style="list-style-type: none"> A modest refresh of the café area – complete with painting, soft furnishings, improved layout etc. New menus and realignment of the flow of customers in the café. 	10,000
Retail	<ul style="list-style-type: none"> Reintroduce the Cas Bar into the retail area, providing a café bar with nice seating and lighting for hot and cold drinks, soup and sandwiches. Reallocate the retail area to the lower floor of the Day Lodge and rethink the merchandise on offer. 	10,000
Outdoor Activities	<ul style="list-style-type: none"> Tubing run from – lower base car par 	25,000
Events	<ul style="list-style-type: none"> Launch a summer walk programme Familiarisation visit for accomm providers Road bike to the top (cycle to base station) Mountaineering talks with experts 	5,000
Marketing Collateral	<ul style="list-style-type: none"> Produce marketing collateral, including social media content, written content, signage & PR / communications content 	35,000
Training	<ul style="list-style-type: none"> Customer Service Training – for all staff 	10,000
Staff Uniform	<ul style="list-style-type: none"> A new corporate staff uniform for all staff – summer and winter with the appropriate clothing for the environment 	35,000
Other	<ul style="list-style-type: none"> Contingency 	10,000
Total		

Whilst this is the company's short-term capital and revenue project plan, the projects are essential to move forward and develop the business. The capital items (exhibition and outdoor activities) will have a focal point in the business for years to come and can be built-upon and developed further as the business adopts a growth trajectory.

In terms of priority ordering there is a requirement to proceed immediately in placing orders for the exhibition (design work) and the outdoor activities as there is a lead time of 4/6 weeks and the company will require to have this in place by early June 2019.

More detail on the proposed capital and revenue investment is highlighted below:

Exhibition

A key focus of attracting visitors to Cairngorm Mountain in the summer 2019 is centred around creating a sense of purpose to visit. It is proposed to create an exhibition around telling the story Cairngorm Mountain and the National Park, using people who have been inspirational in the context of Cairngorm Mountain – iconic figures such as John Muir, Robert Burns and local people: [REDACTED], [REDACTED], [REDACTED] to name a few.

A work in progress strap line has been identified: **'It's not ours but it's ours to look after'** and stunning photography and messaging to convey the right messages to the target market. [REDACTED] and [REDACTED] associates are developing their thinking. Early feedback from CNPA and CBP has been very positive.

Catering

There is an urgent need to reconfigure the catering offering and provide a summer menu which is fit for purpose, healthy and appealing to the core target market. This work is in-hand. In parallel, the café in the Day Lodge requires modest modification to make it more appealing and to provide a 'warmer' environment for customers.

Retail

It is proposed to reconfigure the retail space in the Day Lodge and reconsider the merchandise stocked to ensure that it is fit for purpose for the target market. It is also proposed to change the retail space on the upper floor of the current location and transform this into a small bar / café, recreating a relaxed, comfortable environment with sofas, using the fire place, changed lighting – serving hot and cold drinks with soup and snacks.

Outdoor Activities

The proposed outdoor activities, located within the lower car park, is centred around attracting a family market to Cairngorm Mountain, utilising the outdoors as the theme

[REDACTED] It is also proposed to create a small pump park area where kids can take their bikes and use the facility. This will generate direct revenue from a £5.00 charge for the tubing and secondary spend in the retail and café area.

Events

A range of summer events are proposed from concerts, ceilidhs, talks from mountaineering authorities etc. These will most probably be outsourced for others to undertake and it is projected that if undertaken professionally that there should be a direct revenue injection of c. [REDACTED] from such events.

Marketing Collateral

At present, the business has no new marketing collateral and there is an urgent need to address this situation. The marketing consultants appointed to support CMSL are currently considering this requirement and will provide the essential detail over the next few weeks.

Training

Staff training is an essential part of this plan for all customer facing staff, to ensure that the brand is prominent in all that is said and done and to provide customers with an exceptional experience, which is consistent and delivered effectively to all customers. This work will help CMSL with the need to improve its grading with VisitScotland and it is proposed to commence dialogue with this body and use their expertise in the development of a staff training programme.

Staff Uniform

Currently, CMSL staff are wearing uniforms which are 4-6 years old and retain the 'Natural Retreat's branding on all clothing. We have tried to remove the NR branding but this has proved impossible because of the way it was embroidered and/or transferred onto clothing.

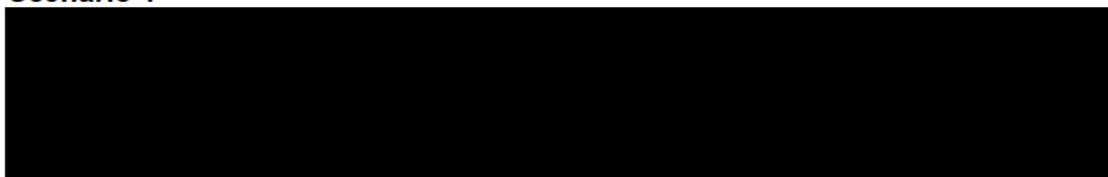
It is proposed to commit up to £35k for a new staff uniform for external and internal staff, which is fit for purpose and will last up to 4 years. The detail attached in 'Attachment 2' outlines the range of the requirements. In the winter season CMSL appoint temporary staff for ski patrol, lift and tow work, paramedics etc. and they along with permanent staff require to have the right clothing for the environment upon which they work in (winds of up to 100 mph and extreme weather conditions).

6. Scenario Plans

In considering how best to stabilise the business it was considered prudent to identify a range of scenarios which the CMSL Board felt merited attention:

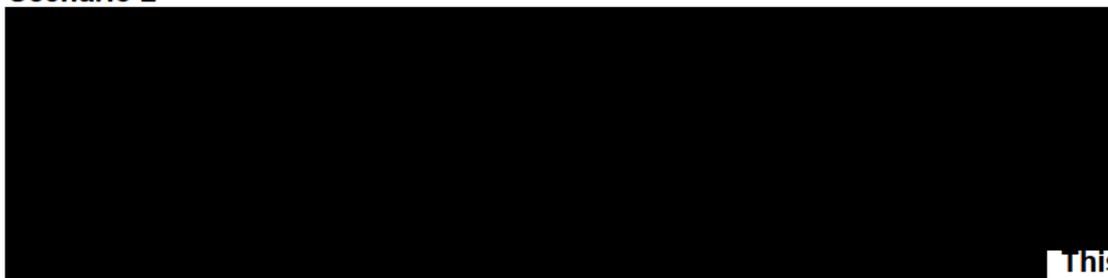
- **Scenario 1** – continue to trade without any changes;
- **Scenario 2** – close the business for the summer and open for winter snow sports;
- **Scenario 3** – invest in the short-term, stabilise the business and capitalise on the latent opportunity from 1.8m visitors coming through the Glenmore corridor.

Scenario 1



This option is not recommended.

Scenario 2



This option is not recommended.

Scenario 3

This scenario accords with the company's overall vision in terms of enabling Cairngorm Mountain to become a world class visitor destination and is the start of this journey of being ambitious to succeed. It enables a longer-term vision and plans to be developed from this starting point.

The assumptions on this model, as outlined in 'Attachment 5', assumes that immediate investment is undertaken, as outlined in section 5.

At the same time, a review of the staffing structure recommends a [redacted] here is no requirement for a General Manager and this post has been taken out of the staffing structure. This model will require a cash injection of 1.4m from HIE throughout this trading year. This scenario provides all year-round employment, helps to develop the business, the brand, provides a new product offering and supports the supply chain which is a major component of why HIE stepped in to secure the assets from the Administrator in the first place. **This option is recommended.**

7. Financial Projections for Scenarios

The financial projections for the three scenarios that are considered as part of this Business Plan are attached as a separate file to this document. However, it should be noted that none of the scenarios take account of the 2018/19 winter snow sports season – the worst in recent times. The basis behind the projections is an average of winter snow sports numbers over the last 5 years and sensitised further by 30% to take account of no Funicular.

8. Staffing

CMSL has a current staff count of 56 staff, providing a range of roles and functions given the complex nature of the business and the need to maintain the assets and infrastructure on the site.

The post of General Manager has been taken out of the structure of the company [REDACTED]

A proposed staff structure chart is attached as a separate file to this document, which outlines the current roles and the proposed new roles to fully stand-up a management team and deliver a fully functioning business.

Proposed Staff Restructure

The tables outlined below provides an overview of the proposed staff restructuring:

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*These posts do not require to be replaced.

Proposed New Permanent Positions

Detail	Leaving	New Positions	New Costs £s
Chief Executive		Yes	75,000
Health & Safety Manager		Yes	35,000
Engineering Manager		Yes	30,000
Sub Total			140,000

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[Redacted]

[Redacted]

Proposed New Short-Term Contract Posts

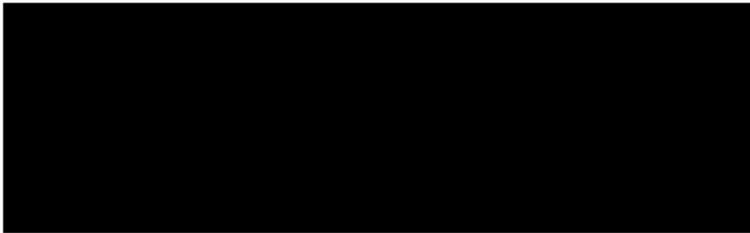
Detail	Leaving	New Positions	New Costs £s
Commercial Manager		Yes	
Marketing Manager		Yes	
Finance Contract		Yes	
Sub Total			75,000

It is proposed that these contract posts do not form part of the staff head-count but are dealt with as a revenue cost to the business for a period of up to 6 months to determine their impact and requirement to the business in the longer-term. It is proposed that these contracts are secured via recruitment agencies.

The proposed new roles comprise:

- An Engineering Manager – who will be responsible for the fitters and electricians, ensuring that the summer and winter maintenance plans are undertaken properly, whilst also closely aligned to the Health and Safety Manager and the functions of this job. This post will report to the Head of Technical Operations.
- A Marketing Manager – who will be responsible for implementing the new strategy and plan. It is proposed that this is a contract via an agency.
- A Commercial manager – who will be responsible for ensuring that the catering, retail and guest services functions are delivered competently, whilst also driving up business through the cost centres. This is proposed as a short-term contract via an agency.
- Finance – there is a requirement to ensure that the trial balance is taken to management accounts and the preparation of budgets and then associated monitoring. This is proposed as a short-term contract via an agency.

The impact of the proposed staffing changes in monetary terms are outlined as:



- Contracts for short-term (6 months) business requirements of up to £75,000;
- Therefore, overall, the impact of these changes provides a saving of £2,150.

It is also proposed to fully consider the need to refill any role as any employee leaves the business.

9. Marketing

Currently, CMSL has no marketing strategy and plan. The company has just commissioned View Marketing [REDACTED] for a two-month period to put in place this strategy and plan. [REDACTED] and [REDACTED] associates come with a solid track record in this type of work and has previous knowledge and expertise of this geography and the Cairngorm Business Partnership 'DMO'.

There is c. 1.8m visitors in the Glenmore corridor each year and Cairngorm Mountain on average attracts somewhere in the region of 10% of this market each year. There are significant opportunities to derive more business from this visitor number and to provide a product offering which is compelling and attractive.

The market is split into summer and winter visitors. Summer is centred around accommodating visitors from all over the world who come into the Destination and are looking for various things to do and see. Winter is centred on snow sports and has a Scottish and UK market appeal.

The work involved in preparing a marketing plan will feature on developing a broad range of marketing collateral, using the story of Cairngorm Mountain to provide talks to the visitors on-site, the preparation of a 'sense of arrival' by way of new signage and a summer events programme which meets the needs of a wide range of user segments (mountaineers, walkers, climbers, generic visitors).

The use of digital and social media will feature prominently in the marketing plan, along with the need to reconnect the local accommodation providers with print material on the summer and winter product offerings.

A communications plan, to foster the energy and interest of the key strategic and tactical networks that exist locally will be developed. It is proposed to host a familiarisation visit to the Mountain for local accommodation providers once the short-term investments have been undertaken and to encourage people to promote the facility across the region and beyond.

10. HIE – Contractual Obligations

There are a number of ‘Reserved Matters’ matters in place between HIE and CMSL (direct awards, staffing, investment beyond £20k on a single item etc.) outlined in detail in the Protocols and Controls Framework.

HIE is currently drafting a new Operating Agreement, Lease arrangements and other Services Agreements which require to be in place. CMSL will move swiftly to understand these agreements and having studied them, when they are available, having taken legal advice, will arrange to meet with HIE to agree the most expedient way forward on these matters.

11. Conclusions

This business plan takes a short-term view in that it is a one-year operational plan for 1 April 2019 to 31 March 2020. However, the strategic emphasis is towards stabilisation and once achieved to look at the most expedient way upon which to transform the business by investment in the next 3-4 years, focussing on the Uplift Review and Findings from the SE Group, Vermont, USA. This gives a compelling reason to develop the infrastructure at Cairngorm Mountain, also signalling a clear message that snow sports has a long-term future and provides the mechanism for the company to be ambitious to succeed.

Susan Smith
Interim Chief Executive
For an on Behalf of CMSL
12 April 2019

Attachment 1 – Proposed Staff Structure
Attachment 2 – Staff Uniform Spreadsheet
Attachment 3 – Scenario 1 Financial Model & Assumptions
Attachment 4 – Scenario 2 Financial Model & Assumptions
Attachment 5 – Scenario 3 Financial Model & Assumptions
Attachment 6 – Job Description for Commercial Manager
Attachment 7 – Job Description for Engineering Manager
Attachment 8 – Marketing Information