

SMALL & MEDIUM-SIZED ENTERPRISES IN SW ENGLAND

SUMMARY

- SWE has more SMEs per head than the England and Wales average.
- A higher proportion of SMEs in the region earn lower levels of turnover than in England and Wales.
- The highest proportional components of stock, in terms of business sector, include business services, construction and retail.
- The only major exception to this is the Isles of Scilly – perhaps unsurprisingly, just over a half of stock is concentrated in retail and hotels and catering.
- The region has a higher proportional number of partnerships and sole traders relative to England and Wales, but less companies.
- There is a higher proportion of female involvement in SMEs than the England and Wales average.
- A higher proportion of SMEs are owned by older individuals.
- There is a marginally higher proportion of older SMEs (i.e. above 3 years old) although the business composition by age for the South West is very similar to the England and Wales average.

INTRODUCTION

This report considers estimates of the number, size, sector and composition of Small to Medium-sized Enterprises (SMEs) in South West England (SWE)¹. The figures are as at the end of Q3 2007 and provide evidence for a number of trends, of which the major ones are summarised below.

¹ We are grateful to the Barclays SME Market Analysis Team for the original data and their comments on a draft of this report.

OUR PARTNERSHIPS



RESULTS

Turnover

There are approximately 313,000 mainstream businesses in SWE; 6,000 more than in 2006. This number accounts for around 11% of all mainstream businesses in England and Wales. The region also has an average of 10.4 businesses per 100 people which exceeds the England and Wales average of 8.6 – there is, however, substantial variation across the SW sub-regions. For instance, in Plymouth there are 4.7 businesses per 100 people whilst in the Isles of Scilly there are almost five times as many.

Turnover figures reflect the relative size of businesses in SWE compared to England and Wales – 69% of SW businesses earn less than £100,000 p.a. in contrast with the England and Wales figure of 66%. In addition, only 5% of SW businesses earn over £1 million p.a. compared to 7% of those in England and Wales. Together with the fact that the region’s share of productivity (8%) and employment (10%) is slightly lower than the share of total number of businesses, there is evidence to suggest that SW businesses are smaller scale than the England and Wales average.

Chart 1: % of stock by turnover (£000s)

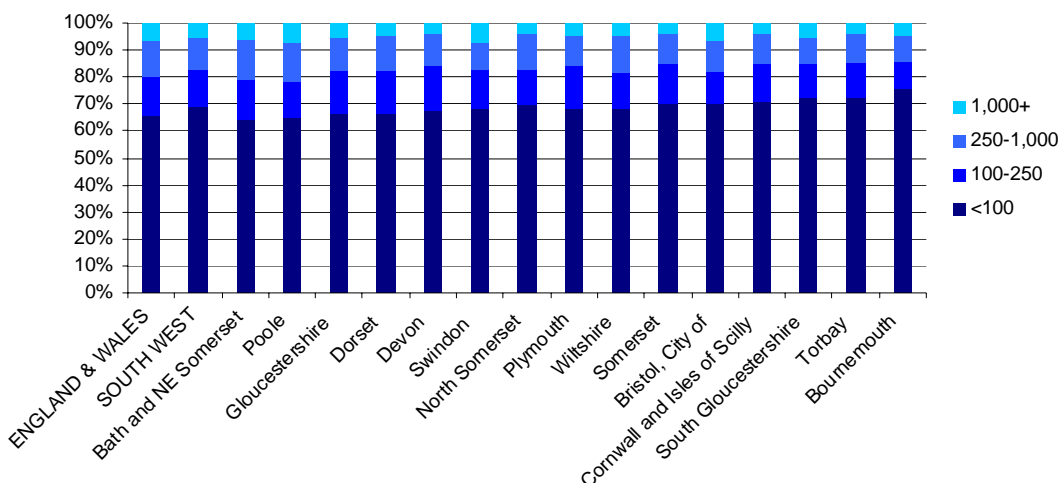
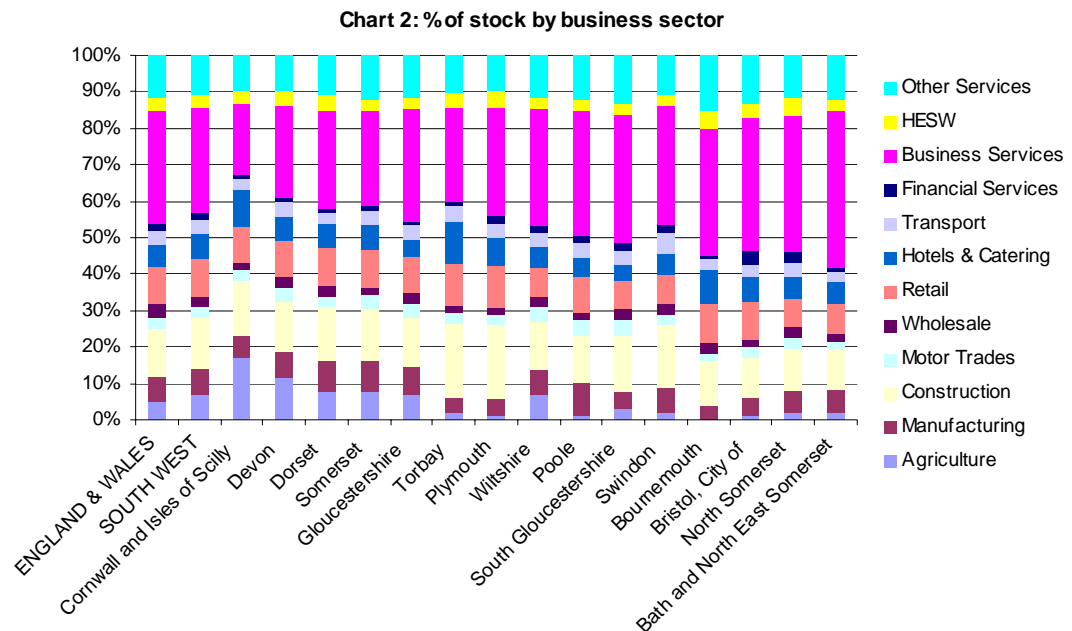


Chart 1 shows the distribution of businesses by turnover in the South West compared to England and Wales, as well as the variation at a sub-regional level. Poole, Swindon and Bristol are the only county/unitary authorities where a similar number of businesses to the England and Wales average earn an annual turnover of over £1million – 7% of the total business stock. At the district level, Exeter, Christchurch, Cheltenham and Gloucester also exhibit this trend. Bournemouth, Torbay and South Gloucestershire have the highest proportion of businesses with relatively low levels of turnover, with 76%, 73% and 72% earning less than £100,000 p.a. respectively.

Industry

Chart 2 shows the proportion of SME stock attributed to each sector of business broken down by county/unitary authority. The first point to make is that the proportion of stock attributed to each sector in SWE is broadly similar to that of England and Wales. The only major difference is that SWE has a slightly higher proportion of

agricultural stock, which is exchanged for a greater proportion of business services in England and Wales. The chart also shows that the highest proportional components of total business stock (in each county/district authority) include the sectors for business services, construction and retail. Agriculture is also prominent in more rural areas where it accounts for around 17% and 12% of the business stock in Cornwall and Devon respectively.



The West of England (Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire) has the highest proportion of stock concentrated in business services, with each of the four areas sitting in the top six highest proportions of stock in the sector. Bath and North East Somerset has the highest proportion with 42% followed by North Somerset and Bristol with 38% and 36% respectively. Rural and peripheral areas tend to have the lowest concentration of business services, predominantly in Cornwall and the Isles of Scilly, South and West parts of Somerset and Devon. Construction accounts for a substantial proportion of stock across the region, with relatively high proportions focused in Torbay and Plymouth, both at 20% of total business stock. This is potentially a positive signal for regeneration of the economies in these areas, particularly for Torbay which has experienced an economic downturn in the early part of the decade following a rapid decline of ICT businesses. The proportion of retail stock was similar across all county/unitary authorities with little deviation from the average of approximately 10%.

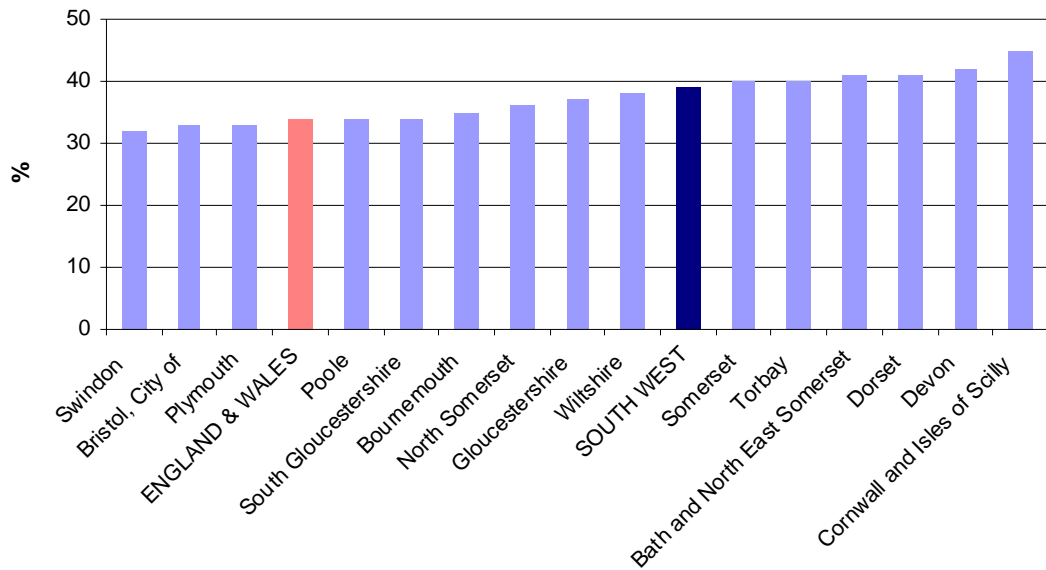
Legal structure

In terms of legal form, SMEs are categorised into three sections – sole traders, partnerships and companies. Proportionally, SWE has fewer companies than England and Wales but more sole traders and partnerships. Urban areas tend to have a greater proportion of companies with Poole, Bath and North East Somerset and Bristol (52%, 51% and 51% respectively) leading the region. SMEs categorised as partnerships are more prevalent in rural areas, particularly in Cornwall and the Isles of Scilly where the average proportion is approximately 28% of the total stock of businesses (13% higher than the England and Wales average). Rural areas are also more likely to accommodate sole traders with some remote areas of Cornwall seeing up to 50% of stock concentrated in this category.

Women in business

Chart 3 displays female involvement in SME businesses as a proportion of total business stock. The region as a whole has a substantially higher proportion of female involvement than the England and Wales average, with a figure of 39% compared with 34%. Cornwall and the Isles of Scilly has the highest proportional female involvement with 45% of business stock while Swindon has the lowest with 32%.

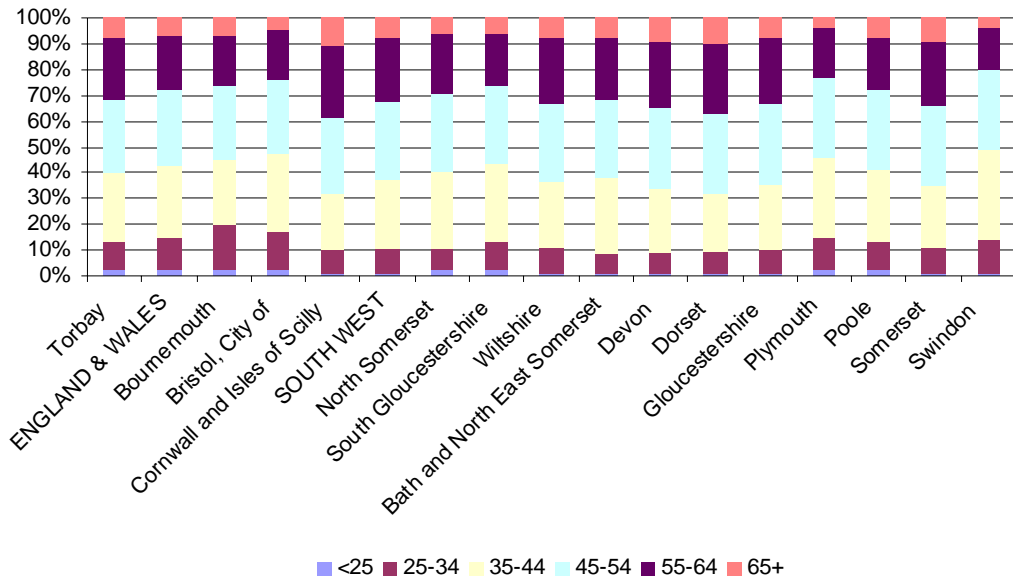
Chart 3: Female involvement as % of stock



Age of owners

Chart 4 provides evidence that owners of SMEs in SWE are older than the England and Wales average. The proportion of SME owners over the age of 45 in SWE is 62%; 5% higher than in England and Wales. This is perhaps not surprising as SWE has an older than average population. The district/county authorities with the youngest SME owners (i.e. highest proportions below the age of 45) are Swindon (48%), Bristol (47%) and Plymouth (46%), while the areas with the oldest SME owners (i.e. highest proportions above the age of 45) are Cornwall and the Isles of Scilly and Dorset (both with 68%). There is a clear relationship between location and age of ownership – businesses with older owners tend to be in rural areas, which is possibly related to lifestyle choice.

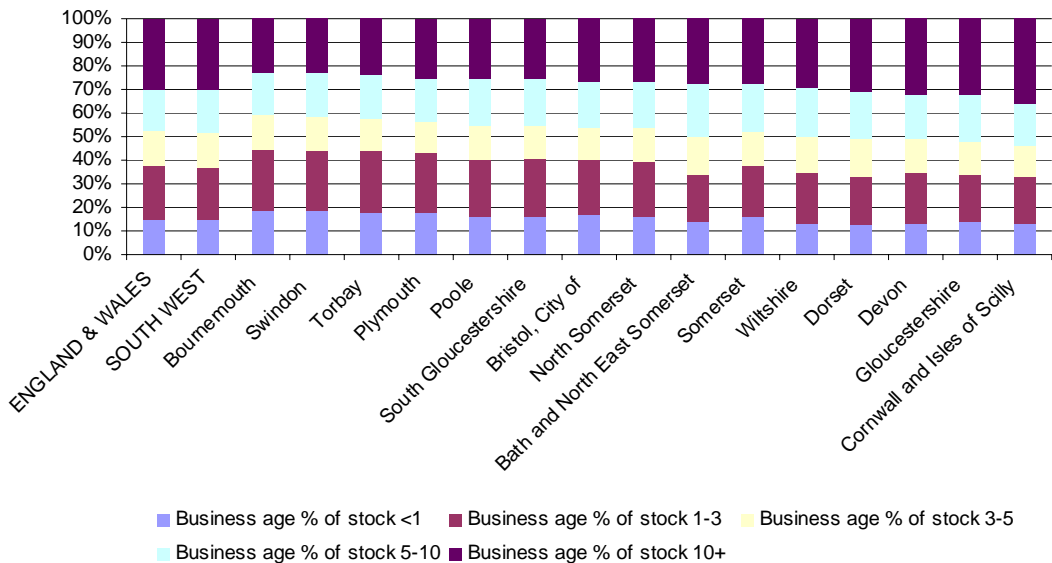
Chart 4: Age of SME owners in SWE as % of stock



Age of business

The composition of business age in SWE is very similar to that of England and Wales. Businesses in rural areas tend to be older, mirroring analysis of other (ONS) business data. The highest proportion of older businesses is in Cornwall and the Isles of Scilly where around two thirds of all SMEs are above three years old. Within this figure, 36% of SMEs are over ten years old which is 6% above the England and Wales average. The highest proportions of young businesses are found in Bournemouth, Swindon and Torbay where 45%, 44% and 44% of SMEs are below the age of three years old, respectively, compared to 38% for England and Wales, and 37% for the South West.

Chart 5: Age of business as % of stock



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