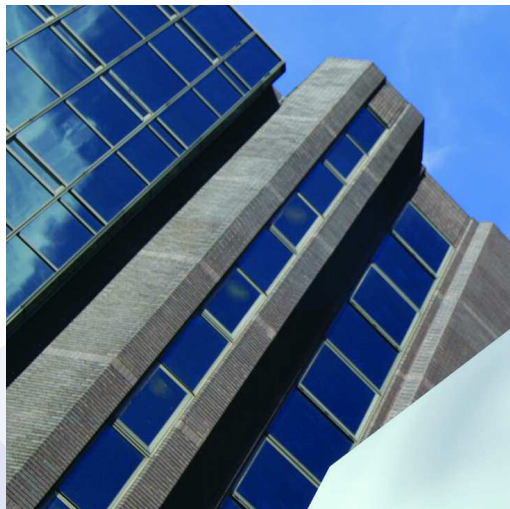
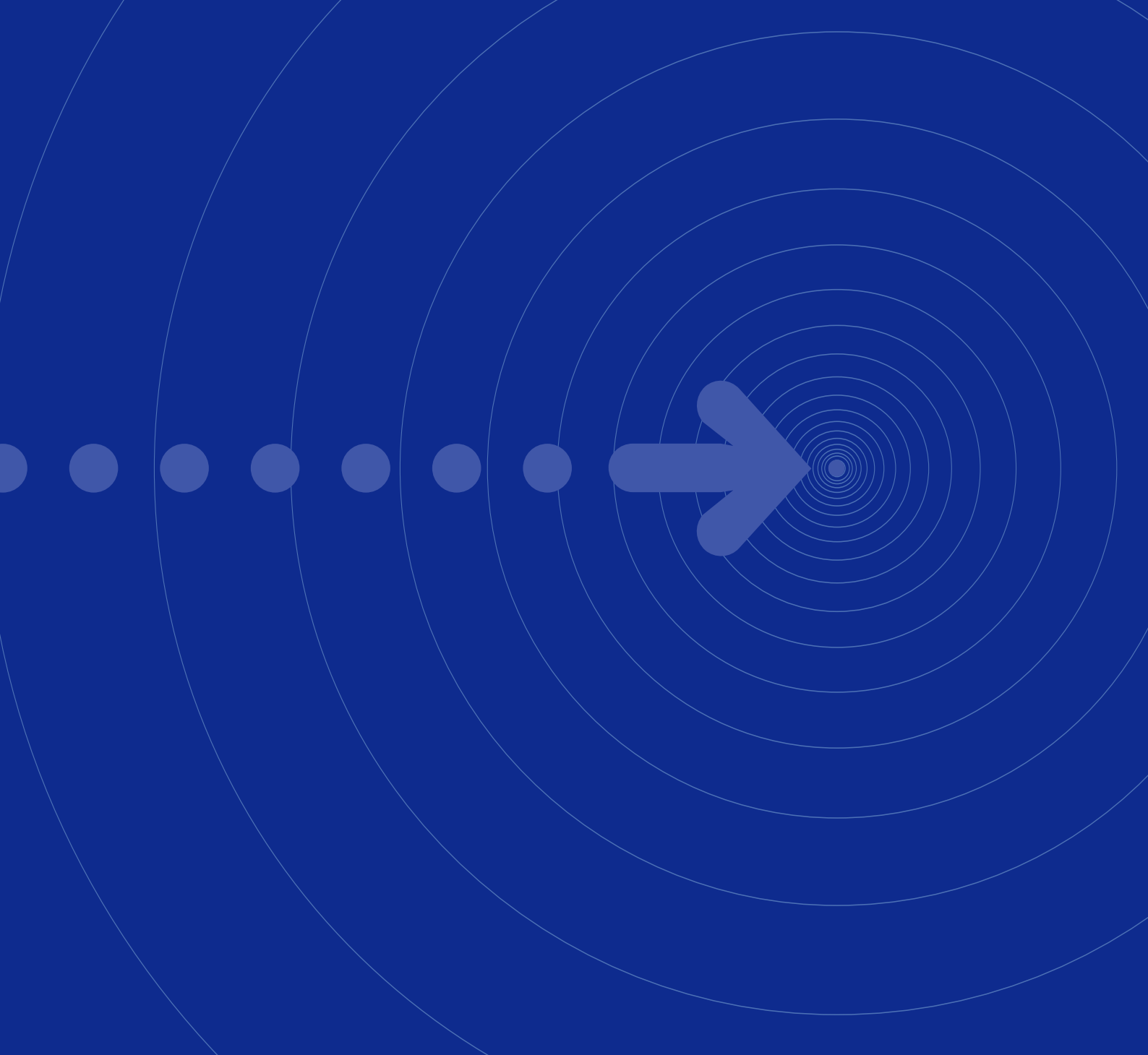


BUSINESS SURVEY SUMMARY



THE SOUTH LONDON ECONOMY

2008



**Prepared by South London Business
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Highlights

1. 15,000 surveys were distributed to businesses across South London (Croydon, Bromley, Richmond, Kingston, Merton, Sutton, Southwark, Lambeth, Greenwich, Bexley, Lewisham and Wandsworth) in December 2007.
2. Surveys were sent to the top 1,000 companies ranked by turnover and number of employees; 14,000 were sent to a representative sample of small and medium sized businesses. 279 completed surveys were returned – a response rate of 2%.
3. 19 surveys were from outside of the area, so had to be discounted from the overall results.
4. The survey is the largest undertaken that specifically targets companies in South London.
5. Business Confidence and growth – in general expectations about future business prospects were encouraging but the survey was conducted prior to full impact of the sub-prime crisis.
6. Business Growth frustrated – with a significant proportion of respondents optimistic about the future, realising ambitious growth targets could easily be frustrated by a range of significant issues especially to do with finance, premises and the local labour market.
7. Advantages to operating within the area – access to customers and quality of life were strong pull factors reported by local firms.
8. Retail in South London – Respondents critical of transport in the area. Croydon and Sutton particularly critical of the local environment and Bromley respondents of local retail.
9. Local retailers want – subsidised retail premises for small entrepreneurial retailers and reduction in parking costs.

1. Business Confidence and growth – in general expectations about future business prospects were encouraging but the survey was conducted prior to full impact of the sub-prime crisis.

In terms of general business confidence 37% felt that they were more confident than six months ago, 41% were about the same and 20% were less confident. There was a slight increase in general business confidence in this survey compared to March 2007 and July 2006.

47% of the respondents believed that UK economic growth would be higher than the last six months, 15% thought it would be lower and 35% thought it would be about the same. Again expectations about UK economic growth were higher than previously.

In terms of UK consumer demand 43% thought it would be higher, 18% lower and 36% reported it would remain the same.

Of the 179 firms (69% of the responses) expecting their turnover to increase the average increase was predicted to be 29%.

45% of the respondents reported that their firm was going to increase employment over the next six months, and 46% said that their employment would remain the same. Trend analysis shows that compared with previous surveys, over the last 18 months or so there has been a steady increase in the respondents expectation of employment growth.

Compared with previous surveys (July 2006 and March 2007) there was an increase in expectations of UK economy/business growth and optimism. There were statistically significant differences between business opinion as categorised by boroughs on this though, with Kingston standing out as having firms that are less positive about future UK customer demand than the other boroughs.

2. Business Growth – with a significant proportion of respondents optimistic about the future, realising ambitious growth targets could easily be frustrated by a range of significant issues especially to do with finance, premises and the local labour market.

Premises with 47% and finance with 44% of the respondents rating them to be very significant or significant issues to their firm, headed the list of barriers.

Staff recruitment was cited by 36% of the respondents and staff retention was mentioned by 39% as being either very significant or significant issues to them. 23% of the respondents said that lack of skills was also a very significant or significant issues for their firm.

Businesses confirm the above mentioned frustrations by ranking premises (44% cost of property in their top three and 25% said that property availability was another top three issue), local labour market and poor local environment including crime and transport links, as the highest three issues impacting them in South London.

Given that lack of skilled labour is an important issue for over one quarter of the firms it is important to note that only 37% of the firms have a training budget. This suggests that many of the firms expect the local labour market to supply them with staff who are already skilled as opposed to investing in unskilled or semi skilled staff and upskilling them within the firm.

3. Advantages to operating within the area – access to customers and quality of life were strong pull factors reported by local firms.

The advantages of operating in South London – access to customers (49%) and quality of life (39%) were strong pull factors and to a lesser extent local commercial property market. The role the property market plays in the area is again highlighted. For many firms it is a particular barrier to growth and day to day business but for others it is regarded as a positive influence. Evidently the local property market is not a homogeneous one with some firms seeing it as a pull factor and others as a push factor.

Local labour markets were a relatively unimportant pull factor in terms of attracting businesses to the area. Improvements to local labour markets, so firms can be supplied with suitable skilled employees at competitive pay rates again appears to be a significant issue for firms.

4. Retail in South London – Respondents critical of transport in the area.

Respondents were very critical of problems to do with transport and how these negatively impacted on the areas retail centres: 61% said high parking costs were an issue, getting on for one half (49%) said the lack of availability of parking spaces and 54% said heavy traffic congestion was a problem. While many borough councils have active proposals to reduce parking in town centres and increase the cost of parking – heavy investment needs to be made in public transport/park & ride schemes to encourage members of public to use retail in town centres. Given that quality of life was a key pull factor in location decisions by firms improvements in transport to maintain and enhance this would be welcome.

In terms of firms' responses, as analysed by borough, two negative influences are statistically significant: uninviting local environment with Croydon and Sutton respondents being especially critical, and 'I prefer out of town developments such as Bluewater or Lakeside', with Bromley respondents much more likely to agree with this than respondents from other boroughs. These boroughs need particular attention in terms of improving the local environment (Croydon and Sutton) and shopping facilities (Bromley) if they are to remain attractive locations for firms.

5. Local retailers want – subsidised retail premises for small entrepreneurial retailers and reduction in parking costs.

Subsidised retail premises for small entrepreneurial retailers and reduced parking costs top the list of recommendations to help local retailers with about half of the 37 retailers putting these in their top three solutions.

Also of note are town centre shop-front improvements grant schemes – 39% of retailers requested this and increased marketing and promotion of the area as a retail location – 32%.

As few retail centres have very active promotional activities outside of their immediate location thought should be given to extending their schemes to a wider catchment area. An example of active promotion is in Kingston where the Kingston Business Improvement District invested in marketing of the area.

Sample Details

Of the 260 responses to the survey 20% were from Croydon, 15% from Richmond, 13% from Sutton, 12% from both Bromley and Merton and 9% from Kingston. Full details are given in the table below.

Which borough is your business based in?

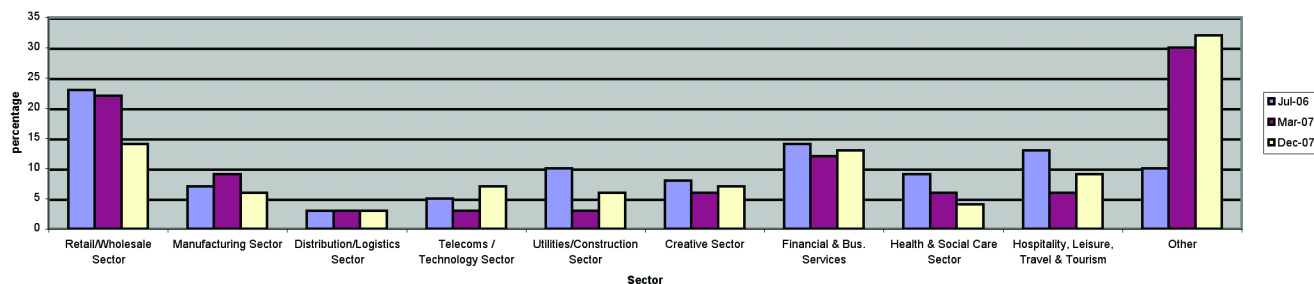
Borough	Frequency	Percent
Croydon	51	19.6
Richmond	40	15.4
Sutton	34	13.1
Bromley	32	12.3
Merton	32	12.3
Kingston	23	8.8
Lewisham	14	5.4
Wandsworth	10	3.8
Lambeth	9	3.5
Greenwich	8	3.1
Not given	3	1.2
Southwark	2	.8
Bexley	2	.8
Total	260	100.0

About 14% of the firms were in retail/wholesale or in financial and business services. Hospitality, leisure and travel accounted for about 9% of the responses. Nearly a third of the businesses specified other as their main activity.

What is the main activity of your business?

What is the main activity of your business? % of respondents	Jul-06	Mar-07	Dec-07
Retail/Wholesale Sector	23	22	14
Manufacturing Sector	7	9	6
Distribution/Logistics Sector	3	3	3
Telecoms / Technology Sector	5	3	7
Utilities/Construction Sector	10	3	6
Creative Sector	8	6	7
Financial & Bus. Services	14	12	13
Health & Social Care Sector	9	6	4
Hospitality, Leisure, Travel & Tourism	13	6	9
Other	10	30	32

What is the main activity of your business ?



65% of the firms were limited companies and another 21% were sole traders with 92% of them being UK owned. 72% were owned mainly by males, 19 % by females and the remainder could not say. Two-thirds were owned by white British, 7% by black British and 5% Asian British. 55% of the firms had a turnover of between £0-£ 500,000 and 34% had a turnover in excess of £1,000,000. Of the firms that gave the number of employees, the average employed in South London was 63, for London as a whole it was 378 (62 responses) and for the UK 2885 (62 responses). The distribution of employment was highly skewed though towards small firms with the smallest firm in South London employing one and the largest 5000. In all firms in the survey employed some 14,027 staff in the area and in the UK as a whole some 178,855.

In terms of firm size and location there were some differences in average firm size as measured by employment the differences were not statistically significant.

Number of employees in South London

Borough	Mean	Number of responses	Std. Deviation ¹	Minimum	Maximum
Croydon	129.00	47	727.350	1	5000
Richmond	55.97	36	155.279	0	800
Sutton	45.96	27	101.996	0	500
Bromley	19.30	28	27.717	0	100
Merton	28.11	28	73.776	1	350
Kingston	97.65	20	196.486	1	800
Other ²	37.55	38	161.792	0	1000
Total	62.62	224	352.253	0	5000

¹ Std. Deviation is a measure of the spread of the data with the larger the value the more disperse the data is.

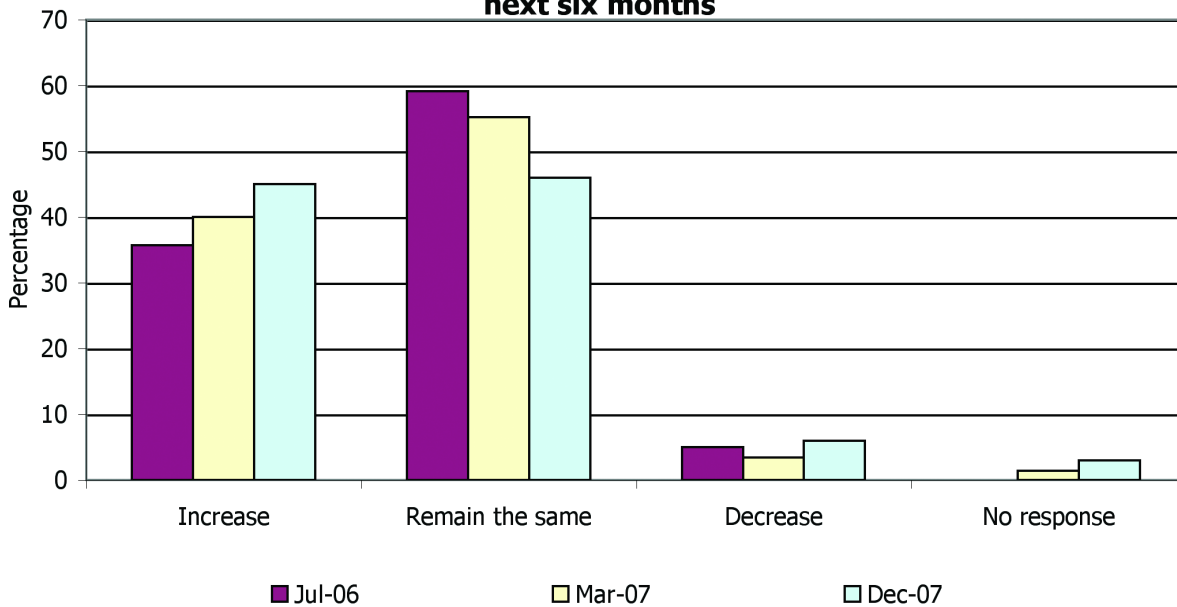
² Other is those firms in Lewisham, Wandsworth, Lambeth, Greenwich, Southwark, Bexley and not given as there are too few of them to make robust comparisons with other boroughs

Business Conditions – optimistic about the future but some concern over wage inflation

Of the 179 firms (69% of the responses) expecting their turnover to increase, the average increase was predicted to be 29%. And of the seven who thought their turnover was going to decrease they estimated it to be by about 24%.

45% of the respondents reported that their firm was going to increase employment over the next six months, with only 6% saying they were going to reduce employment. 46% said that their employment would remain the same. This shows that over the last 18 months or so a steady increase in the respondents expectation of employment growth. They did report that they anticipated some wage inflation with 49% reporting that on average pay would rise by some three to six percent.

Trend in company expectations of number of staff employed in next six months



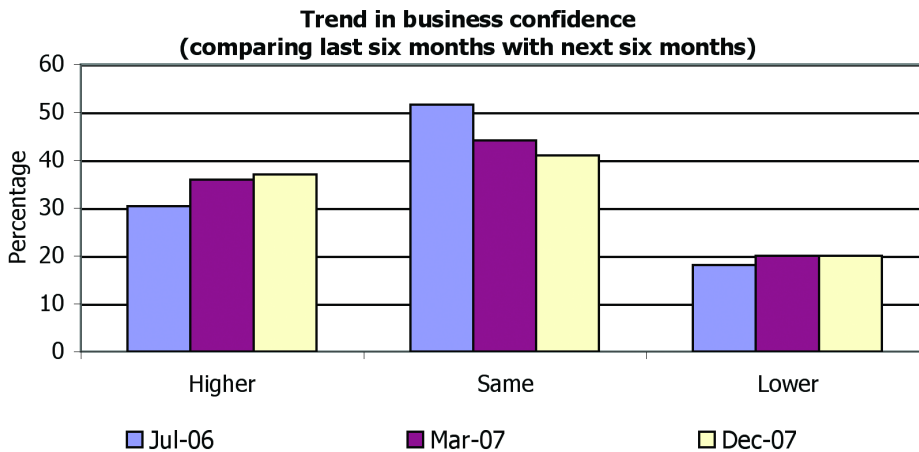
There is some evidence to suggest that the expected employment growth is more likely to occur in Croydon, Richmond, Sutton and other as opposed to Merton, Bromley and Kingston³ (chi square 27.417, df 18, sig 0.071)

Over the next six months do you expect the number of people employed in your business to:

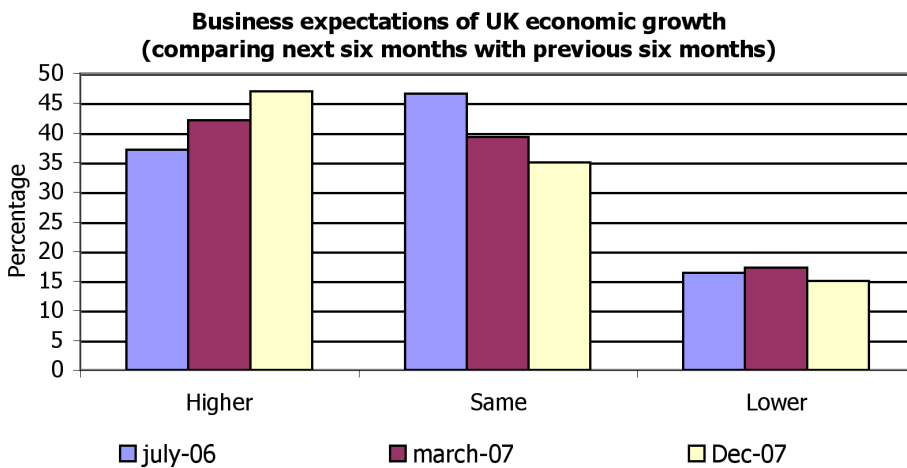
		Borough						
		Croydon	Richmond	Sutton	Bromley	Merton	Kingston	Other
Can't say	% within borough	3.9%	2.5%	5.9%	3.1%	6.3%	.0%	2.1%
Decrease	% within borough	3.9%	.0%	.0%	15.6%	3.1%	21.7%	6.3%
Increase	% within borough	54.9%	50.0%	47.1%	31.3%	37.5%	30.4%	47.9%
Remain the same	% within borough	37.3%	47.5%	47.1%	50.0%	53.1%	47.8%	43.8%

In terms of general business confidence 37% felt that they were more confident than six months ago, 41% were about the same and 20% were less confident. There was then a slight increase in general business confidence compared to March 2007 and July 2006. There were no statistically significant differences between boroughs on this.

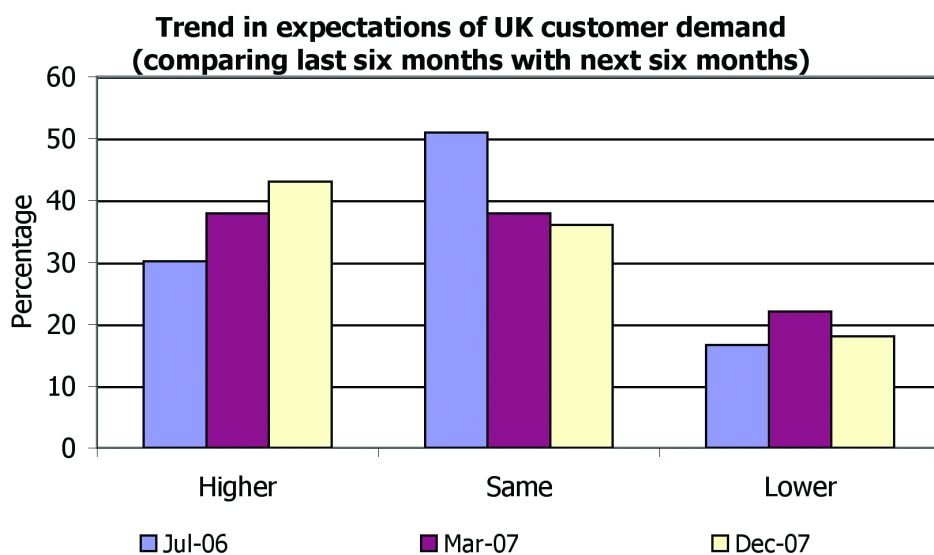
³ Using the chi square statistic that tests whether two variables, here borough and economic growth, are unrelated or not the value of the chi square statistic is 27.417 which gives a significance level of 0.071 with 18 degrees of freedom. This is greater than the conventional level of 0.05 which would have shown that the two variables are related. In this case the borough and economic growth statistics are unrelated. In other words knowing what borough the firm is in does not tell us anything about the respondents view on growth expectations.



47% of the respondents believed that growth would be higher than the last six months, 15% thought it would be lower and 35% thought it would be about the same. Again expectations about UK economic growth were higher than previously. There were no statistically significant differences between boroughs on this.



In terms of UK demand 43% thought it would be higher, 18% lower and 36% reported it would remain the same.



Clearly at the time the survey was taken firms in South London were on the whole feeling reasonably optimistic about future business conditions but there was some concern over wage inflation. In terms of the previous samples (July 2006 and March 2007) there was an increase in expectations of growth and optimism. There were statistically significant differences between the borough on this⁴ with Kingston standing out as having firms that are less positive about future UK customer demand than the other boroughs.

Do you expect demand from UK customers to be:

		Borough						
		Croydon	Richmond	Sutton	Bromley	Merton	Kingston	Other
Can't say	% within borough	.0%	5.0%	17.6%	.0%	.0%	.0%	2.1%
Higher	% within borough	49.0%	40.0%	41.2%	43.8%	56.3%	26.1%	39.6%
Lower	% within borough	15.7%	17.5%	5.9%	18.8%	25.0%	30.4%	16.7%
Same	% within borough	35.3%	37.5%	35.3%	37.5%	18.8%	43.5%	41.7%
Total	Count	51	40	34	32	32	23	48

⁴ chi square 38.012,df 18, sig 0.004

Business Strategy – increase market share and launch new products or services

Given the general optimism about the future, the most widespread business strategy to grow the business was by increasing market share with 59% of the firms reporting that they intended to do this. 37% were going to launch a new product or service, 25% were going to access new markets and 24% were going to enter into new sectors. Typically firms reported a mixture of growth strategies that included increasing market share and/or introducing new products and services.

How do you plan to grow your business in the next twelve months?

Increase market share	59%
Launch new products or services	37%
Expand into new sectors	24%
Acquire another business	10%
Expand outside South London	17%
Access new markets	25%
Franchise	.4%

Interestingly just 10% of the respondents said that they intended to sell their business within the next three years. This is more or less about the same percentage of those who were going to acquire another business to realise their growth ambitions.

In terms of differences between the boroughs only planning to grow by acquiring another business was statistically significant,⁵ with Kingston and Croydon having the highest percentage of firms and Merton the lowest.

How do you plan to grow your business in the next twelve months? : Acquire another business

		Borough							Total
		Croydon	Richmond	Sutton	Bromley	Merton	Kingston	Other	
Yes	% within borough	17.6%	7.5%	11.8%	6.3%	.0%	21.7%	4.2%	9.6%

Significant issues for the businesses – growth plans could be frustrated by issues to do with finance and premises. Also concerns raised about local labour markets

Premises with 47% and finance with 44% of the respondents rating them to be very significant or significant issues to their firm, headed the list of barriers.

Issues to do with the labour market were also highly significant. Staff recruitment was cited by 36% of the respondents and staff retention was mentioned by 39% as being either very significant or significant issues to them. 23% of the respondents said that lack of skills was also a very significant or significant issue for their firm.

Factors to do broadly with the local environment were also significant. For instance 30% said that the local environment was either very significant or significant, another 29% mentioned transport issues and 25% mentioned crime again as being either very significant or significant issue to them.

Given the desire of many firms to grow, issues to do with premises and finance are important, as are issues arising from the labour market.

In terms of local business support, 21% said that this was either a very significant or significant issue to them.

Interestingly for all the issues, there were no statistically significant differences with regards to boroughs.

Premises	46.5%	Business Support	21.2%
Staff Recruitment	36.2%	Transport	28.5%
Local Environment	30.4%	Crime	24.6%
Staff Retention	38.5%	Lack of Skills	23.1%
Finance	43.8%		

⁵ chi square 13.523 df 6 sig 0.035

Top three issues in South London – premises, local labour market and better local environment including crime and transport links could frustrate growth ambitions.

Another way of assessing the issues faced by local businesses is to ask them to report their top three issues. Using this 44% put cost of property in their top three. Also 25% said that property availability was a top three issue. This reinforces the difficulties local firms have with the property market.

Transport links – mentioned by 34% of the respondents – and crime mentioned by 33% of the firms were also significant issues.

29% reported that a better local environment was a top three issue for them and lack of skilled labour with 27% of the respondents citing it to be in their top three issues. High labour costs, with 21% of the firms reporting it to be a top three issue, strengthens the evidence that the local labour market may not be functioning effectively for a significant number of local firms.

Relatively unimportant were access to business support – 16% and access to markets – 15%. Given that lack of skilled labour is an important issue for over one quarter of the firms it is important to note that only 37% of the firms have a training budget. This suggests that many of the firms expect the local labour market to supply them with staff who are already skilled as opposed to investing in unskilled or semi skilled staff and upskill them within the firm.

Access to business support	42	16.2%
Access to markets	39	15.0%
Better local environment	74	28.5%
Cost of property	115	44.2%
Crime	85	32.7%
High Labour costs	55	21.2%
Lack of skilled labour	70	26.9%
Other	22	8.5%
Property availability	66	25.4%
Threat of terrorism	5	1.9%
Transport links	89	34.2%

The advantages of operating in South London – access to customers and quality of life were strong pull factors and to a lesser extent local commercial property market. Local labour markets were a relatively unimportant pull factor.

49% of the firms reported that access to markets and clients was the reason they had located in South London. 39% reported that it was the quality of life that had attracted them to the area. On the other hand the cost of labour was not seen to be a pull factor with only 3% of the firms mentioning it. Neither business support infrastructure nor international transport links being mentioned by only about 7% of the firms were seen as major pull factors. Both cost of commercial premises (22%), the availability of quality premises (16%) and local or regional transport links (22%) were significant pull factors. It appears that some concerns are present in terms of the labour market as labour costs are hardly mentioned as a pull factor (3%) and availability of skilled labour is cited as a pull factor by only 12% of the respondents. From the responses to significant issues, concern was raised about the local labour market this is reinforced by the responses to the pull factors. That said only 7% of the respondents were either very dissatisfied or dissatisfied with South London as a business location. 79% were either very satisfied or satisfied with the area as a business location.

Why are you located in South London?

	Yes
Labour costs	2.7%
Availability of Skilled Labour	11.9%
Business support infrastructure	7.3%
Access to markets/clients	48.8%
Availability of quality commercial premises	15.8%
Costs of commercial premises	21.9%
Local or regional transport links	21.5%
International transport links	6.2%
Quality of life	38.8%

Only for quality of life were there any statistically significant differences ⁶ ranging from 63% of Richmond firms saying quality of life was an advantage in locating in the borough to only 26% in Croydon and 25% in Merton.

Why are you located in South London? : Quality of life

		Borough						
		Croydon	Richmond	Sutton	Bromley	Merton	Kingston	Other
Yes	% within borough	25.5%	62.5%	44.1%	34.4%	25.0%	39.1%	41.7%

South London's retail centres

Thinking about South London's retail centres which of the following factors negatively affects your decision about where you shop?

	Yes
Poor public transport access	16.5%
High parking costs	60.8%
Availability of parking spaces	49.2%
No Park and Ride facility	9.6%
Heavy traffic congestion	53.8%
Poorly trained staff	24.2%
Uninviting local environment	27.7%
Fear of crime	15.4%
The quality of retail outlets present	27.2%
I prefer out-of-town developments such as Bluewater or Lakeside	8.8%
I prefer to shop online	10.0%

⁶ chi square 16.661, df 6 sig 0.011

Respondents were very critical of problems to do with transport and how these affected the areas retail centres. 61% said high parking costs were an issue, getting on for one half (49%) said the lack of availability of parking spaces and 54% said heavy traffic congestion was a problem. Clearly these three areas significantly impact on the attractiveness of the area's shopping centres. The local environment, the quality of retail outlets and poorly trained staff were also significant factors in deterring respondents to shop in the area. In terms of boroughs, two negative influences are statistically significant – uninviting local environment with Croydon and Sutton respondents being especially critical and 'I prefer out of town developments such as Bluewater or Lakeside' with Bromley respondents much more likely to agree with this than respondents from other boroughs.

Thinking about South London's retail centres which of the following factors negatively affects your decision about where you shop?

			Borough						
			Croydon	Richmond	Sutton	Bromley	Merton	Kingston	Other
Uninviting local environment ⁷	No	Col %	66.7%	80.0%	67.6%	81.3%	81.3%	87.0%	56.3%
	Yes	Col %	33.3%	20.0%	32.4%	18.8%	18.8%	13.0%	43.8%
I prefer out-of-town developments such as Bluewater or Lakeside ⁸	No	Col %	86.3%	97.5%	94.1%	78.1%	96.9%	100.0%	89.6%
	Yes	Col %	13.7%	2.5%	5.9%	21.9%	3.1%		10.4%

Top three solutions to help South London's retail sector – subsidised retail premises for small entrepreneurial retailers and reduced parking costs headed the list.

Unsurprisingly subsidised retail premises for small entrepreneurial retailers and reduced parking costs top the list with about half of the 37 retailers putting these in their top three. Also of note are town centre shop-front improvements – 39% of retailers and increased marketing and promotion of the area as a retail location – 32%. Also included were an increased police presence with 30%. A range of other solutions were mentioned by a significant number of retailers, town centre loyalty schemes for shoppers and environmental improvements.

	Percent
Business Improvement Districts	13.5
Consolidated freight distribution	2.7
Controlled drinking zones	5.4
Improved public transport facilities	10.8
Increased CCTV cameras in the retail area	16.2
Increased marketing and promotion of the area as a retail location	32.4
Increased night-time deliveries	5.4
Increased police presence	29.7
Reduced parking costs	48.6
Subsidised retail premises for small entrepreneurial retailers	51.4
Town centre loyalty schemes for shoppers	16.2
Town centre shop-front improvement grants	37.8
Improved environment such as street furniture and street cleaning	18.9

⁷ Chi square 13.65 df 6 sig 0.035

⁸ Chi square 14.288 df 6 sig 0.027

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