West Devon Borough Council

DR research

South Hams District Council

DR Business Survey for West Devon and the South Hams

May 2012




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2. EXECUTIVE SUMMARY

2.1.1. Following a series of surveys over the last 6 years, this survey was carried out to update the data on businesses in the West Devon and South Hams areas, with a particular focus on business premises.

2.1.2. The survey was carried out online, and ran from November 2011 to February 2012, with a total of 356 respondents.

2.1.3. The profile of businesses surveyed in West Devon was broadly similar to the national distribution of businesses, with the only significant variation being an over-representation of accommodation and food service providers.

2.1.4. In the South Hams, the profile of businesses surveyed was less typical of the national or regional picture, with a much higher proportion of wholesale and retail businesses and professional, scientific and technical businesses.

2.1.5. Agriculture was a dominant business sector in the 2009 business survey; but not dominant in this survey.

2.1.6. As in the previous survey, businesses in the South Hams and West Devon were found to be generally small in terms of staffing, although turnover levels compared favourably with the South West average.

2.1.7. There were reports of increased staffing from 2010 to 2011 following a big drop in 2009, but the predictions for the future showed a trend towards more casual and temporary staffing.

2.1.8. Nearly one third of businesses reported an increase in turnover from 2010 to 2011, with less than a quarter reporting a decrease.

2.1.9. Businesses were generally optimistic about their future turnover and customer base, even though over a third reported a decrease in profitability in the past year.

2.1.10. The largest and smallest businesses were showing the greatest resilience to recession, retaining or increasing both their turnover and profitability, whilst the medium sized businesses had taken the greatest financial hits.

2.1.11. The first evidence is found in this survey of a change in recruitment issues, with a lack of relevant experience becoming the most frequently reported issue. There is a reflection of the national trends in this survey with businesses attracting lots of unsuitable applicants for posts, but few with the right skills experience and attitude to meet their needs.

2.1.12. Businesses in the two districts differed in their perception of other issues, with West Devon businesses reporting that meeting wage demands was a significant issue whilst South Hams reported that unsuitable personal attributes was a common recruitment issue.

2.1.13. Whilst the nature of the recruitment challenges have changed, for over three quarters of the businesses the issue of staff recruitment difficulties remains a threat to the growth of their business and their ability to compete with other businesses particularly in the South Hams.

2.1.14. Following a period of reduced activity in the 2009 survey period, there was a refreshed attitude for the majority of businesses towards investing in their own development, in particular investing in premises, equipment and marketing.

2.1.15. Many of the businesses had now set up their own websites and environmental policies, reflecting a forward thinking approach to business development.

2.1.16. There were significant issues and frustration expressed by businesses in accessing finance, which was more of an issue than has been found in any of the previous surveys, and which is viewed as a constraint on growth and development.

2.1.17. Accessing finance has been shown to be a particular issue for women, with issues sometimes being perceived as greater than they are.

2.1.18. Conversely, female run businesses have been shown to be more resilient in times of recession and have been demonstrated to perform more strongly than their male counterparts, so the prospects for these districts with high proportions of female run businesses should be strong for the future.

2.1.19. Businesses were keen to receive support from local authorities through a strong economic policy which supports small businesses and understands the financial pressure that they face, and encourages visitors and customers into towns/villages.

2.1.20. The availability of appropriate premises was a significant concern, particularly in the South Hams, and businesses were prepared to invest in tailoring their premises to their needs, contingent on being able to access finance and planning policy that supports small business.

2.1.21. There is an interest from businesses of all sorts in developing their premises or finding new premises, and many of these businesses intend to implement their development plans soon.

2.1.22. Of these, just under half planned on expanding their existing premises, with just over a quarter planning on refurbishment.

2.1.23. Costs, size and access to broadband are the most important factors in choosing and finding new premises.

2.1.24. Businesses find out about the availability of premises through local knowledge and through estate/commercial agencies by preference.

2.1.25. Businesses in West Devon are more likely to turn to their local authority for assistance with finding new premises than in the South Hams.

2.1.26. Contrastingly, when considering the place they would like to relocate their premises to, more businesses are prepared to consider locations in the South Hams than locations in West Devon.

2.1.27. The most popular places for businesses to consider as locations within the South Hams and West Devon are Totnes, Kingsbridge and Dartmouth, with Tavistock and Okehampton a little lower down.

2.1.28. A significant proportion of businesses are interested in relocating outside the districts, mainly in Plymouth and Torbay.

2.1.29. Whilst the use of broadband is considerably higher than has been found in previous surveys, there is still room for further development, and businesses from all sectors reported they would need some support to make best use of Broadband for their businesses.

2.1.30. Businesses were more satisfied with the reliability of broadband than with speed.

2.1.31. West Devon businesses were more dissatisfied with all aspects of broadband than the South Hams businesses.

2.1.32. The least developed area of broadband use is online sales, although businesses attitudes to internet trading have become considerably more positive since the 2006 survey, and the majority of businesses have either already developed internet trading or plan to do in the next three years.

3. INTRODUCTION

3.1. Background

3.1.1. The DR Company has carried out a series of comprehensive business surveys covering thousands of businesses in the rural districts of Devon since 2005, covering all areas of business function, development and growth.

3.1.2. Copies of reports on previous surveys are available on our website: www.DRcompany.co.uk

3.1.3. As part of these surveys, a number of issues have been identified regarding availability of suitable premises. In order to explore this further, and to answer the current queries over demand for business premises, a detailed survey on this topic has been carried out in the West Devon and South Hams areas.

3.1.4. The survey also covers a range of context setting general questions about business. This will provide information that may be useful for other purposes.

3.1.5. Where appropriate, comparisons with previous surveys are made in order to understand changes over time.

3.2. Methodology

3.2.1. This research study was carried out as an online survey, with the option of telephone interviews for businesses without internet access.

3.2.2. The survey was designed in consultation with West Devon Borough Council and South Hams District Council, and covered the following main topics: General business demographics, developing new ideas, products & services, business planning, current premises and future needs, computers and broadband.

3.2.3. The survey was open for responses from November 2011 until February 2012.

3.2.4. The survey was publicised through a series of press releases which were published in both West Devon and the South Hams.

3.2.5. It was also emailed out to the database of businesses held by the DR Company.

3.2.6. The response rates were analysed to ensure that a representative sample of businesses was included, and this was followed up by targeted emails to businesses in specific sectors and specific locations with a personalised invitation to participate to ensure that the overall business sample was balanced.

3.2.7. This was backed up by desk research into the latest business trends and demographics to put the findings into a wider context.

3.2.8. The results were analysed using SPSS and tested for their statistical significance where appropriate. This is noted in the report along with the significance level where relevant.

3.2.9. All of the general findings have been compiled into this report. Further specific research into issues can be carried out on an ad hoc request basis.

3.3. Note on Survey Bias

3.3.1. As the survey was promoted partly as one that relates to premises issues, and the respondents were self-selecting, there is a bias in the responses towards those businesses with premises requirements. This does not invalidate the responses received, but the information on premises requirements should not be treated as representative of all businesses, merely an absolute measurement of the requirements of those businesses that responded.

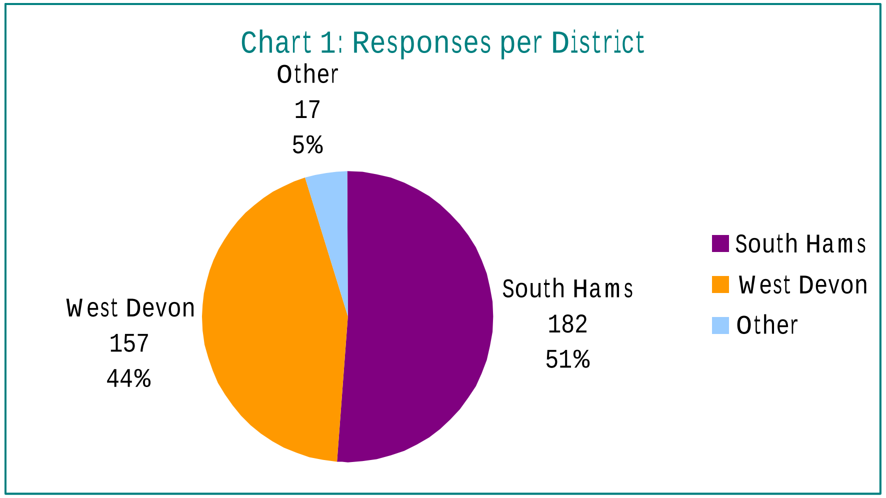
3.3.2. The survey was carried out online, and whilst telephone surveys were offered as an alternative, this option was not taken up by any respondents. The results on broadband and ICT usage are interpreted in this report in this context, and where this may have influenced the results a comment is made in the relevant section.

4. SAMPLE AND BUSINESS DEMOGRAPHICS

4.1. Response Rates

4.1.1. 356 survey responses were received by the survey close date of 29th February 2012.

4.1.2. Of these responses, 182 (51%) were from the South Hams and 157 (44%) from West Devon, with 17 (5%) from other areas, as shown in chart 1[1].



[1] Note: The "other" responses relate to businesses from outside the two districts but very close to the district borders and their views are still of relevance in this survey. From this point on, the "other" responses are included in the total results but excluded from results by district.

4.2. Business Types

4.2.1. The businesses were categorized by business type using the 2007 Standard Industrial Classification Codes.

4.2.2. The number of businesses of each type who responded to the survey are shown in the table below, and compared with the regional and national figures for 2011.

Standard Industrial Classification	South Hams		West Devon		Total		South West[2]		England	
	No	%	No	%	No	%	No	%	No	%
A: Agriculture, Forestry and Fishing	8	4.5	4	2.6	12	3.4	26,000	5.9	103,000	2.6
B, D and E: Mining/Quarrying; Utilities; Water services	0	0.0	1	0.6	1	0.3	3,000	0.7	20,000	0.5
C: Manufacturing	16	8.9	11	7.1	30	8.6	28,000	6.4	207,000	5.3
F: Construction	6	3.3	6	3.9	12	3.4	100,000	22.8	758,000	19.3
G: Wholesale and retail	35	19.6	24	15.6	61	17.4	40,000	9.1	416,000	10.6
H: Transportation and storage	2	1.1	8	5.2	11	3.1	11,000	2.5	216,000	5.5
I: Accommodation and food service activities	17	9.5	43	27.9	60	17.1	17,000	3.9	121,000	3.1
J: Information and communication	10	5.6	6	3.9	19	5.4	17,000	3.9	244,000	6.2
K: Financial and insurance activities	1	0.6	2	1.3	3	0.9	3,000	0.7	74,000	1.9
L: Real estate activities	6	3.4	2	1.3	8	2.3	10,000	2.3	78,000	2.0
M: Professional, scientific and technical activities	31	17.3	16	10.4	49	14.0	59,000	13.5	546,000	13.9
N: Administrative and support service activities	10	5.6	9	5.8	21	6.0	31,000	7.1	308,000	7.8
P: Education	7	3.8	4	2.6	11	3.1	21,000	4.8	199,000	5.1
Q: Human health and social work activities	4	2.2	5	3.2	9	2.6	25,000	5.7	263,000	6.7
R: Arts, entertainment and recreation	13	7.3	7	4.5	22	6.3	22,000	5.0	171,000	4.3
S: Other service activities	9	5.0	6	3.9	17	4.9	25,000	5.7	213,000	5.4
T: Activities of households as employers	4	2.2	0	0.0	4	1.1	0	0.0	0	0.0

4.2.3. The profile of businesses surveyed in West Devon was broadly similar to the national distribution of businesses, with the only significant variation being an over-representation of accommodation and food service providers.

4.2.4. In the South Hams, the profile of businesses surveyed was less typical of the national or regional picture, with a much higher proportion of wholesale and retail businesses and professional, scientific and technical businesses.

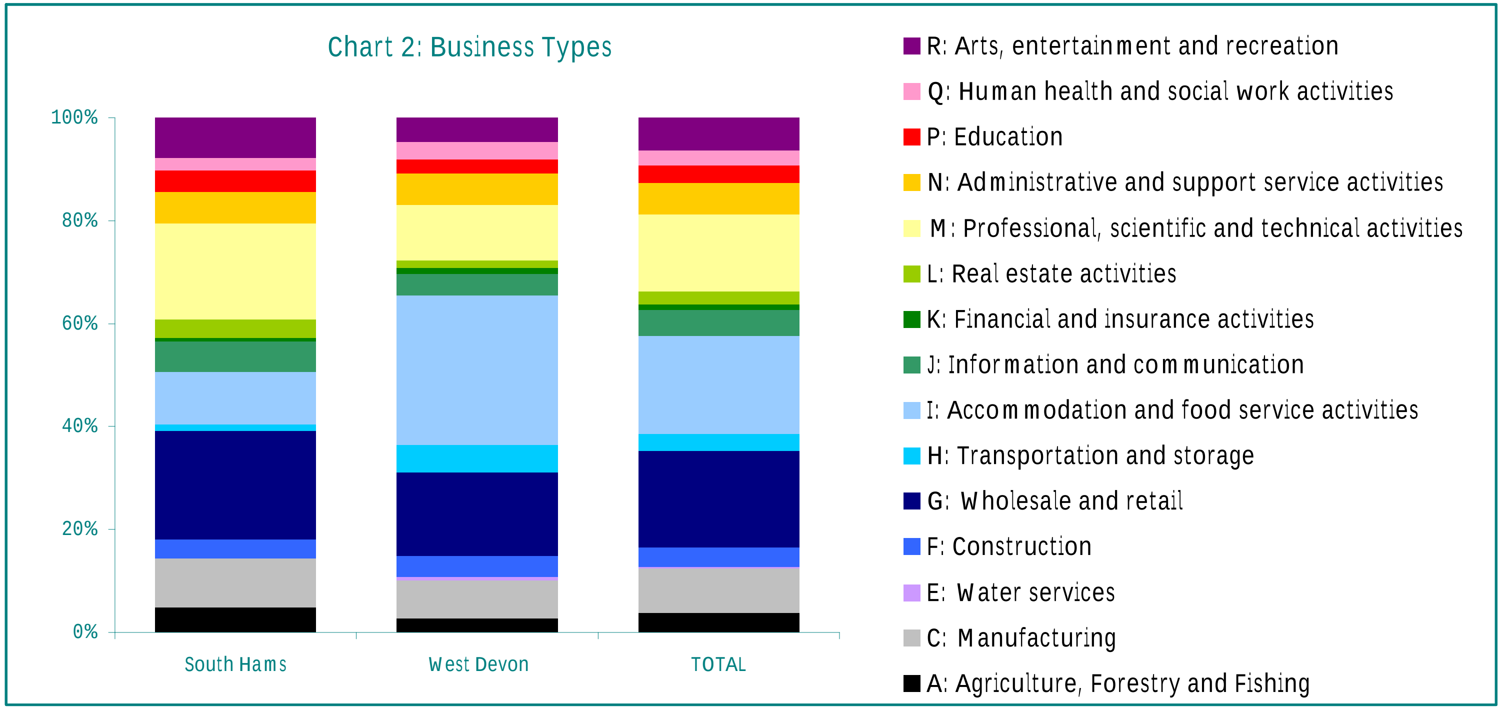
[2] Source: Business Population Estimates 2011: ONS. Rounded to the nearest 1,000 businesses for both the South West and England

4.2.5. In both districts the proportion of manufacturing businesses was higher than the national average; 9% in South Hams and 7% in West Devon compare with the national average of 5%.

4.2.6. There was also an under-representation of businesses in the construction sector compared with the national figures.

4.2.7. In comparison with the previous surveys, there were fewer agricultural businesses represented in the results, but contrastingly more accommodation and food service business.

4.2.8. The overall distribution of businesses between code categories is shown in the chart below.



4.2.9. Among the respondents, the dominant business sectors in the South Hams were wholesale and retail (20%) and professional, scientific and technical services (17%).

4.2.10. In West Devon, more of the respondents were accommodation and food service businesses (28%) followed by wholesale and retail (16%).

4.3. Business Location

4.3.1. The tables below show the breakdown of responses within each district to ward level.

West Devon Wards	No	%
Bere Ferrers	7	4.5
Bridestowe	4	2.6
Buckland Monachorum	6	3.9
Burrator	2	1.3
Chagford	13	8.4
Drewsteignton	10	6.5
Exbourne	4	2.6
Hatherleigh	1	0.6
Lew Valley	11	7.1
Lydford	9	5.8
Mary Tavy	10	6.5
Milton Ford	8	5.2
North Tawton	2	1.3
Okehampton East	2	1.3
Okehampton West	13	8.4
South Tawton	3	1.9
Tamarside	9	5.8
Tavistock North	20	13.0
Tavistock South	3	1.9
Tavistock South West	3	1.9
Thrushel	6	3.9
Walkham	8	5.2

South Hams Wards	No	%
Allington & Loddiswell	7	3.9
Avon and Harbourne	4	2.2
Charterlands	3	1.7
Cornwood & Sparkwell	2	1.1
Dartington	10	5.6
Dartmouth & Kingswear	33	18.3
East Dart	1	0.6
Eastmoor	18	10.0
Erme Valley	26	14.4
Ivybridge Central	6	3.3
Kingsbridge East	2	1.1
Kingsbridge North	10	5.6
Newton & Noss	2	1.1
Salcombe & Malborough	13	7.2
Saltstone	5	2.8
Skerries	2	1.1
South Brent	2	1.1
Stokenham	3	1.7
Thurlestone	2	1.1
Totnes Bridgetown	2	1.1
Totnes Town	15	8.3
Wembury & Brixton	3	1.7
West Dart	7	3.9
Yealmpton	2	1.1

4.3.2. There was generally a good spread of businesses across the wards, with the highest proportion of responses from businesses in Dartmouth & Kingswear (33, 18%) followed by the Erme Valley (26, 14%) and then Tavistock North (20, 13%).

4.4. Business Age

4.4.1. Businesses reported how long they had been established, and as with previous surveys the average age of businesses was higher in this area than is typical nationally as shown below.

No of Years Established	South Hams		West Devon		Total		South West[3]		England	
	No	%	No	%	No	%	No	%	No	%
Under a year	10	5.5	5	3.2	16	4.5	24,025	12.2	271,250	15.2
1 – 3 years	28	15.5	25	16.0	56	15.8	22,730	11.5	238,035	13.3
4 – 10 years	40	22.1	44	28.0	89	25.1	54,765	27.8	504,135	28.3
11 – 19 years	36	19.8	23	14.6	65	18.4	95,085	48.3	767,405	43.0
20 + years	67	36.8	59	37.6	128	36.2				

4.4.2. Overall, 55% of businesses had been established for 10 or more years, compared with 48% in South West England, and 43% for England as a whole.

4.4.3. In West Devon there was a fairly even split between the proportion of businesses that had been established for more or less than 10 years, although the proportion of new businesses (less than one year) was significantly lower than the regional and national averages, (at 3% compared with 12% and 15% respectively).

4.4.4. In the South Hams the average business age was greater than 10 years, and the proportion of these older businesses was well above the regional and national average (57% compared with 48% and 43% respectively).

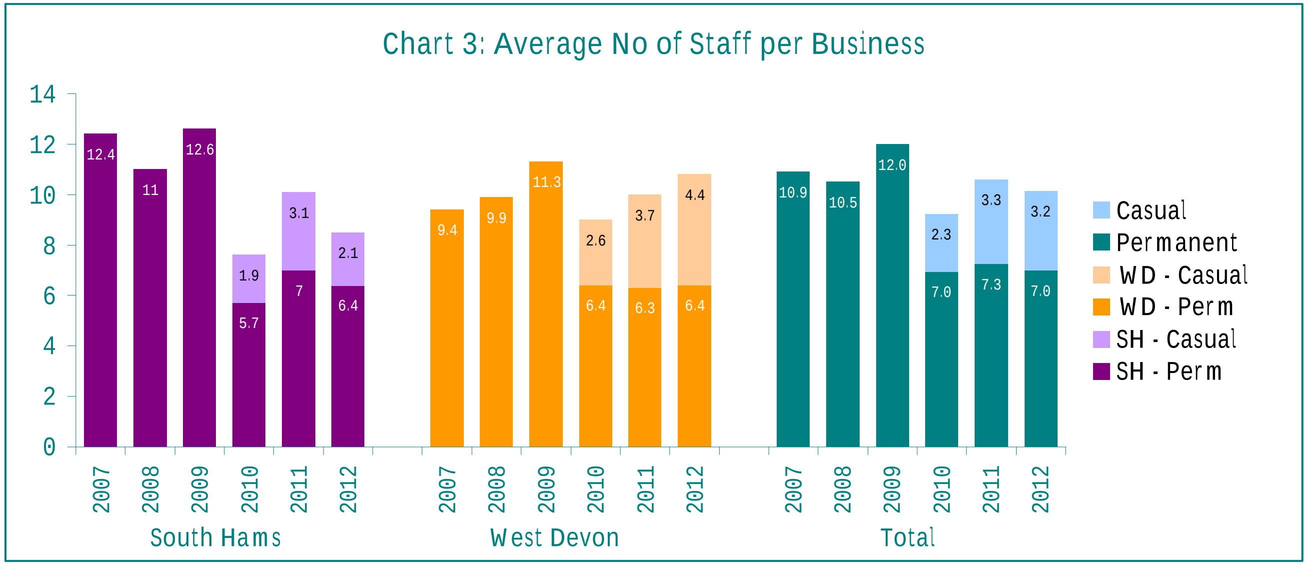
4.4.5. This was also found in previous surveys where the longevity of local businesses is greater than is typical across the country.

[3] Source: UK Business: Activity, Size and Location – 2011, ONS.

4.5. Business Size

4.5.1. Businesses were asked to report on how many staff they employed, and how this changed over a three year period.

4.5.2. Overall, businesses reported a slight increase in staffing between 2010 and 2011, but projected that it would fall again slightly in 2012, as illustrated in the chart below, and compared with the reported number of staff in previous years[4].



4.5.3. Overall, there was a notable decrease in the average number of employees per business between 2009 and 2010, which could be explained as the effects of the initial recession period of 2008-9.

4.5.4. From 2010 to 2012, there was some recovery of staff numbers, particularly in West Devon, but the projections for 2012 show this tailing off and this may become more pronounced as a period of double dip recession starts.

4.5.5. There was a movement towards more temporary and casual workers in general between 2010 and 2012, perhaps offering businesses more employment flexibility in uncertain economic times, with an increase from 2.2 in 2010 to 3.3 in 2011, and a prediction of this type of employment for 2012 of 3.2 per business.

[4] In 2007–2009, businesses were asked to report on the combined figure for permanent and casual/temporary staff. This was separated in the data from 2010-2012

4.5.6. When categorized into the main business size categories, the following results were found for each district and again these are compared with the regional and national figures.

No of employees	South Hams		West Devon		Total		South West[5]		England	
	No	%	No	%	No	%	No	%	No	%
0-1 (SoHo)	44	25.7	34	23	83	24.7	315	73.7	2,928	74.4
2 – 9 (Micro)	99	57.9	90	60.8	198	58.9	94	21.9	830	21.1
10 – 49 (Small)	24	14.0	21	14.2	47	14.0	16	3.7	148	3.8
50 – 249 (Medium)	4	2.3	3	2.0	7	2.1	2	0.6	26	0.7
250 – 999 (Large)	0	0	0	0	1	0.3	0.4	0.1	5.5	1.3
1,000+ (Corporate)	0	0	0	0	0	0				

4.5.7. 281 (84%) businesses employed fewer than 10 staff, and 328 (98%) employed fewer than 50 staff.

4.5.8. When compared with the national figures, the overall distribution shows higher levels of micro, small and medium enterprises, and an under-representation of the extremes of SoHo businesses and large/corporate businesses.

4.5.9. The variation from the national figures, particularly at SoHo level is dramatic. The national numbers of SoHo businesses had increased by over 10% since 2008, and these businesses were typically start up enterprises.

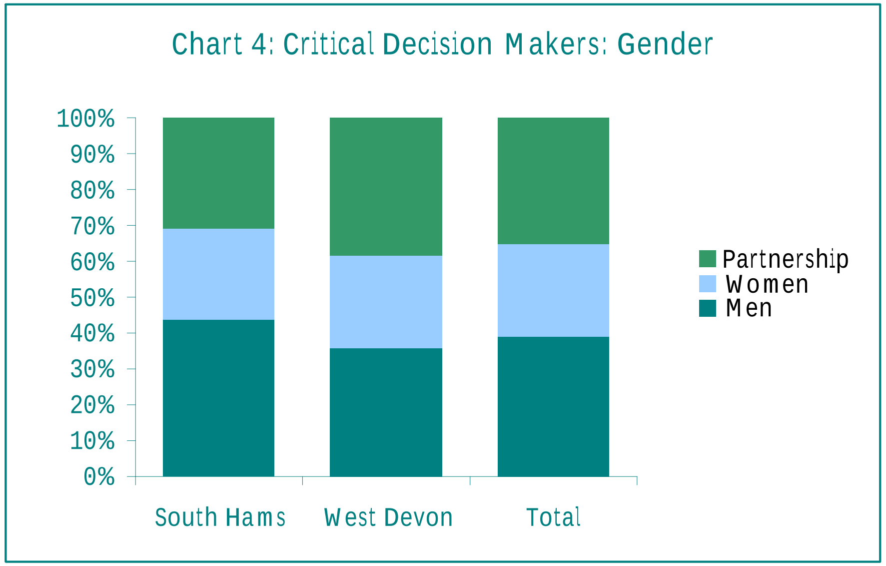
4.5.10. The proportions of start up enterprises in South Hams (7.7%) and West Devon (7.9%) are well below the national proportion[6] (10.4%) and this may have had an impact on the overall proportion of SoHo businesses, but it does not explain the extent of the differences from the national figures.

4.5.11. When considered by sector, the average business size was greater for education and ICT businesses, and smaller for wholesale & retail businesses and for professional businesses which were predominantly SoHo businesses.

[5] Source: Business Population Estimates 2011: ONS. Shown as 000s businesses for both the South West and England.
[6] Source: Business Demographics 2009-2010: ONS. Start ups as a proportion of the total active enterprises.

4.6. Critical Business Decision Makers

4.6.1. In 136 (39%) businesses, critical business decisions are made by men, as shown by district below.



4.6.2. A higher percentage of partnerships make the critical business decisions in West Devon, at 38%, contrasting with 31% in the South Hams.

4.6.3. When the partnerships are discounted, the proportion of female critical decision makers is 37% in the South Hams and 42% in West Devon, both of which are higher than the national average of 29%.[7]

4.6.4. It has been noted in national research that "*If the UK had the same level of female entrepreneurship as the US, there would be approximately 600,000 extra women-owned businesses, contributing an estimated additional £42 billion to the economy. If women started businesses at the same rate as men, there would be an additional 150,000 extra start-ups each year in the UK.*"

4.6.5. The position in South Hams and West Devon is relatively strong and should present opportunities for economic advancement, although there are some gender specific issues in terms of access to finance which may have an adverse impact (See Chapter 6).

[7] Source: Bigger, Better Business – Helping Small Firms Start, Grow and Prosper Jan 2011. BIS

4.6.6. Overall, 264 (77%) critical decision makers were over 45, with 143 (41%) over 55 and only 22 (6%) under 35 years old.

4.6.7. This is shown in the table below.

Age group	South Hams		West Devon		Total		England[8]
	No	%	No	%	No	%	%
Under 25	2	1.1	0	0.0	3	0.9	6
25 – 34	10	5.7	8	5.2	19	5.5	27
35 – 44	35	19.9	19	12.4	59	17.1	31
45 – 54	61	34.7	56	36.6	121	35.1	26
55 – 64	53	30.1	59	38.6	117	33.9	13
65+	15	8.5	11	7.2	26	7.5	2
AVERAGE AGE	51		53		52		42

4.6.8. In the South hams, the average age of the critical decision maker was 51 years, 9 years older than the national average.

4.6.9. In West Devon, this difference was even greater with an average age of 53 years, 11 years older than the national average.

4.6.10. The average age of critical decision makers in the South Hams has come down very slightly since 2009, whilst it has remained constant in West Devon.

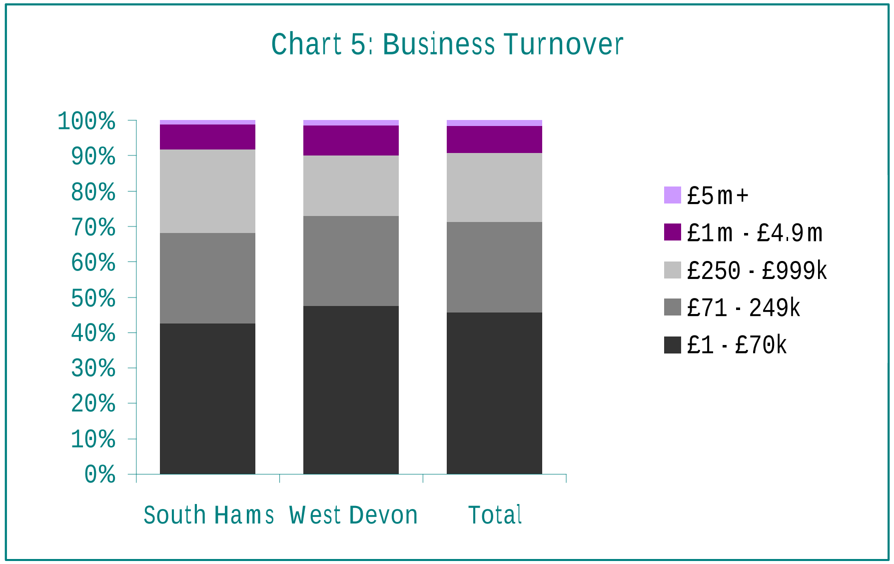
4.6.11. This contrasts with the national picture, where the average age of business leaders has come down as more 18 – 25 years olds set up businesses.[9]

4.6.12. In both districts, the proportion of critical decision makers over 65 years old was significantly higher than the national position[10], which may be a reflection of the older population in the area: For England the overall average age is 39.4 years, whilst in the South West the average age is 41.6 years (making it the region with the highest average age) and for both the South Hams and West Devon the average age is higher again at 44.5 years.[11]

[8] Source: Britain's Entrepreneurial Landscape March 2011. Simply Business.
[9] Source: Britain's Entrepreneurial Landscape March 2011. Simply Business.
[10] Chi Square: Significant at the 0.01 level
[11] Source: Population Estimates Analysis Tool - Mid 2010. ONS.

4.7. Business Finances and Health

4.7.1. Businesses were asked to report on their turnover for the financial year ending 2011, and the results are shown in the chart below[12].



4.7.2. The majority of businesses had a turnover between £1 and £70k throughout both districts, with a slightly higher average turnover in the South Hams and more businesses in the turnover range £250-£999k (37 businesses, 24%) than West Devon (24 businesses, 17%).

4.7.3. Based on derived estimates for average actual turnover, at £492k in South Hams and £511k in West Devon, the businesses that responded to this survey compare favourably with the South West average turnover of £386k, but less favourably with the England average turnover of £697k.

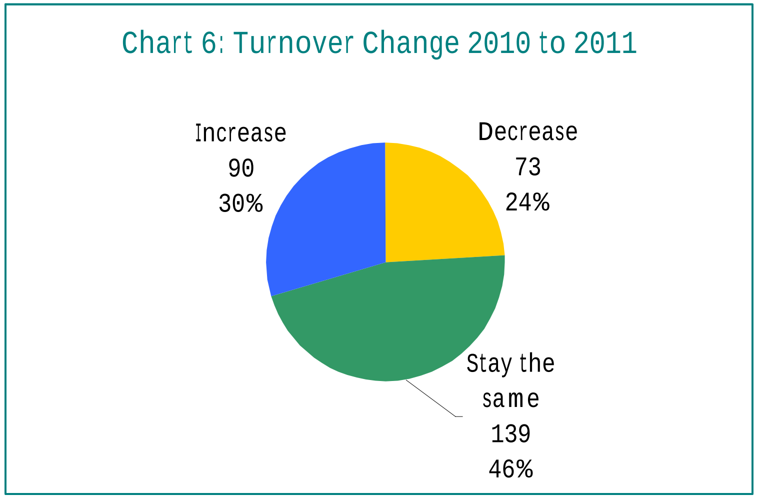
[12] By asking the businesses to respond to turnover bands rather than specifying actual turnover, we were able to achieve response rates of 90% in West Devon and 86% in the South Hams. Equivalent response rates were also achieved for the questions regarding profitability and changes in both turnover and profitability.

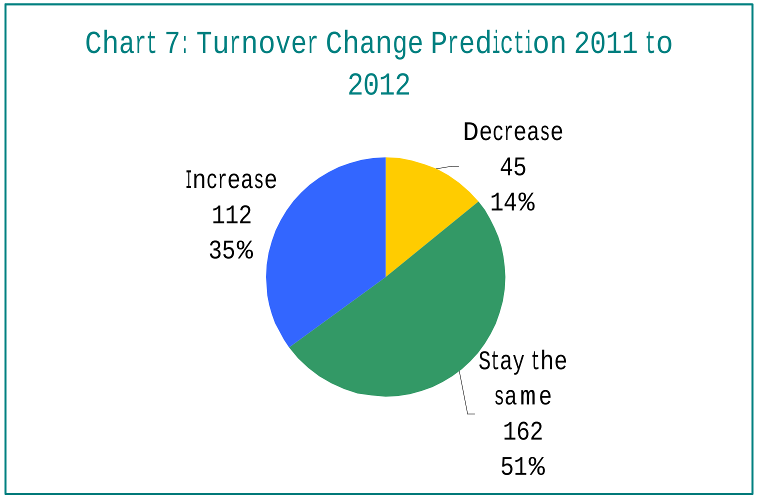
4.7.4. As with previous surveys, this survey captured a good proportion of responses from the non VAT registered businesses that are often excluded from national statistics, with 130 (41%) non VAT registered businesses.

VAT Registration	South Hams		West Devon		Total	
	No	%	No	%	No	%
Yes	103	64	79	56	189	59
No	59	36	63	44	130	41

4.7.5. The South Hams had a higher proportion of VAT registered business respondents than West Devon (64% and 56% respectively).

4.7.6. They were then asked to review turnover against the previous year and against their prediction for the next year, and the results are shown in the charts below[13].





4.7.7. 30% of businesses reported an increase in turnover from 2010 to 2011, with 24% reporting a decrease.

4.7.8. Businesses were more optimistic about their future prospects with 86% predicting increased or maintained turnover levels.

4.7.9. 28% of businesses in West Devon reported an actual decrease in turnover from 2010 to 2011.

[13] Businesses that were in their first year of trading are excluded from these results

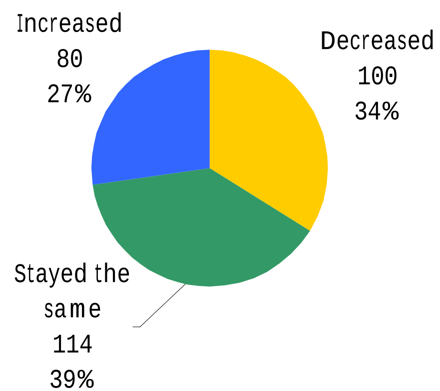
4.7.10. In the South Hams 19% of businesses reported an actual decrease in turnover from 2010 to 2011.

4.7.11. The districts did not differ in their turnover predictions for 2012.

4.7.12. The larger businesses with a turnover of over £250k were more optimistic for the future with 36% predicting an increase in turnover for 2012.

4.7.13. Businesses were also asked to comment on their relative profitability, as shown in the chart below.

Chart 8: Profitability Change 2010 to 2011



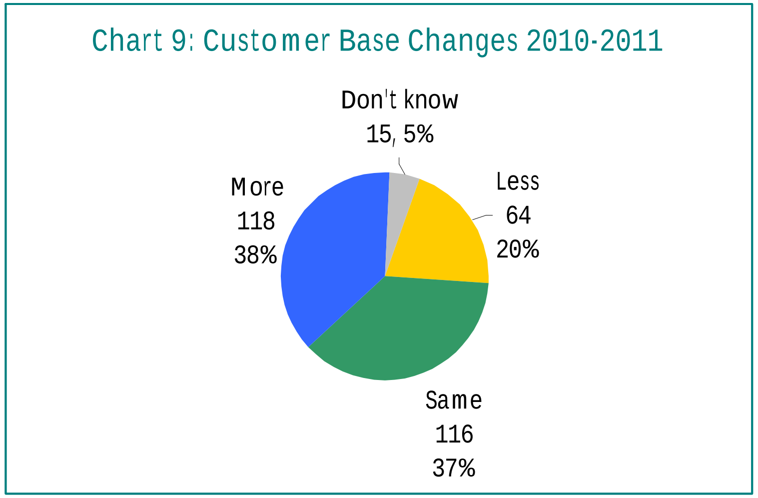
4.7.14. Over a third of businesses reported that their profitability had decreased from 2010 to 2011.

4.7.15. This was more pronounced in West Devon with 37% of businesses reporting a decrease in profitability, compared to 30% of businesses in the South Hams.

4.7.16. In the South Hams the profitability was generally steadier, with 41% of businesses reporting that they had maintained their profit levels compared with 30% of West Devon businesses.

4.7.17. There appears to be a three way split for business profitability, with more of the larger businesses (turnover greater than £1m) reporting an increase in profits between 2010 and 2011, the medium businesses (turnover between £250k and £999k) reporting a reduction in profits, and the smallest businesses (turnover less than £250k) maintaining even profit levels.

4.7.18. In order to complete the picture of business health, they were also asked about changes in their customer base as shown in the chart below.



4.7.19. 38% of businesses reported an increase in their customer base from 2010 to 2011, with 37% of businesses retaining their customer numbers.

4.7.20. In the South Hams, businesses were more likely to report a steady performance, with 40% of businesses retaining a steady customer base between 2010 and 2011, whilst in West Devon this proportion was 35%.

4.7.21. It is of concern that 5% of businesses were unable to assess whether their customer base had changed.

4.7.22. There was a tendency for businesses to report increased numbers of customers but reduced profits, particularly amongst the very small and very large businesses.

4.7.23. This could be explained by more customers spending less money with the businesses, and may reflect a business strategy to offering incentives to retain customers for future benefit.

4.8. Summary

4.8.1. The profile of businesses surveyed in West Devon was broadly similar to the national distribution of businesses, with the only significant variation being an over-representation of accommodation and food service providers.

4.8.2. In the South Hams, the profile of businesses surveyed was less typical of the national or regional picture, with a much higher proportion of wholesale and retail businesses and professional, scientific and technical businesses.

4.8.3. Agriculture was a dominant business sector in the 2009 business survey; but not dominant in this survey.

4.8.4. As in the previous survey, businesses in the South Hams and West Devon were found to be generally small in terms of staffing, although turnover levels compared favourably with the South West average.

4.8.5. There were reports of increased staffing from 2010 to 2011 following a big drop in 2009, but the predictions for the future showed a trend towards more casual and temporary staffing.

4.8.6. Nearly one third of businesses reported an increase in turnover from 2010 to 2011, with less than a quarter reporting a decrease.

4.8.7. Businesses were generally optimistic about their future turnover and customer base, even though over a third reported a decrease in profitability in the past year.

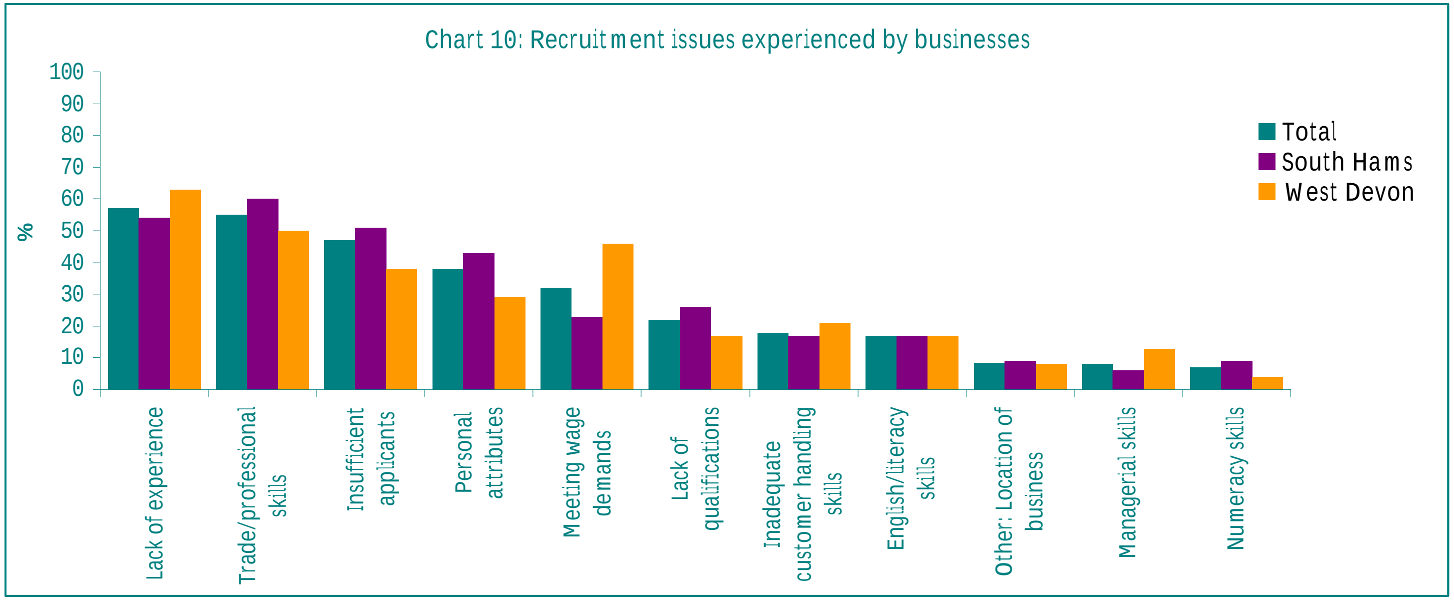
4.8.8. The largest and smallest businesses were showing the greatest resilience to recession, retaining or increasing both their turnover and profitability, whilst the medium sized businesses had taken the greatest financial hits.

5. STAFFING AND RECRUITMENT

5.1.1. 182 (52%) businesses attempted to recruit staff during 2011.

5.1.2. Of these, 60 (33%) experienced difficulties with recruitment.

5.1.3. When asked to comment on the difficulties, the reasons given are shown in the chart below



5.1.4. For the first time in this series of surveys since 2005 business survey, a lack of relevant experience became the dominant recruitment issue for businesses (57% of businesses), and overtaking a lack of trade/professional skills as the most frequently reported recruitment issue.

5.1.5. This may link to the CIPD finding that three quarters (73%) of UK organisations have highlighted an increase in the number of unsuitable candidates for job vacancies. They went on to conclude that "Employers are being inundated with unsuitable candidates, struggling to fill vacancies, and talented individuals are staying put, concluding that the grass is greener on their own side of the fence in these volatile economic times." [14]

5.1.6. In West Devon, the three most frequently reported issues were lack of experience (reported by 63% of businesses), lack of trade/professional skills (50%) and meeting wage demands (46%).

5.1.7. For the South Hams, the three most frequently reported issues were lack of trade/professional skills (60%) lack of experience (54%) and insufficient applicants (51%), which is similar to the traditional pattern found in previous surveys.

5.1.8. South Hams businesses also reported personal attributes[15] as an issue in recruitment, and a range of other issues were described by businesses, in relation to the unsuitability of applicants, a lack of willingness to work to business need rather than personal preference and a lack of specific trade/professional skills.

What were the difficulties that you experienced in recruiting suitable new staff?

"Unfortunately we were inundated with college or university leavers who are desperate for any job, but who were not suited to our business."
Clothes shop, South Hams

"Applicants inflexible in the hours that they wanted to work."

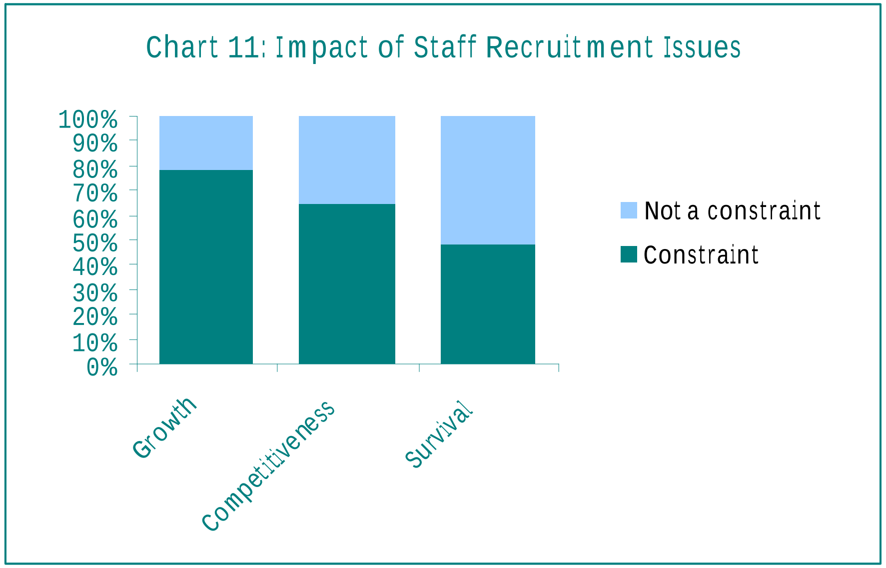
"Failure to turn up to interview."

"General lethargy to accept one has to work hard!".
Manufacturing business, West Devon

"Rural businesses in our sector suffer: No public transport, split shifts, low wage structure – this means staff MUST be recruited very close to business premises – not a large pool of people to recruit from".
Pub, South Hams

[14] 2011 Resourcing and Talent Planning Survey; CIPD
[15] Personal attributes include such things as work ethic, attitude and punctuality/timekeeping.

5.1.9. For those businesses that experienced recruitment difficulties, the majority reported that it constrained their growth and competitiveness, as shown in the chart below.



5.1.10. For 44 (79%) businesses, the issue of staff recruitment difficulties was considered a threat to the growth of their business.

5.1.11. South Hams businesses reported the issue of staff recruitment to have a greater impact on the competitiveness of their business than West Devon business, 73% compared to 53%.

5.1.12. The impact of staff recruitment was considered to be a constraint on businesses growth; which reflects previous survey results, whilst the impact on the survival of their businesses was reported as less significant.

5.1.13. 88% of micro-businesses (2-9 employees) reported that staff recruitment difficulties act as a constraint on the growth of their business.

5.2. Summary

5.2.1. The first evidence is found in this survey of a change in recruitment issues, with a lack of relevant experience becoming the most frequently reported issue. There is a reflection of the national trends in this survey with businesses attracting lots of unsuitable applicants for posts, but few with the right skills experience and attitude to meet their needs.

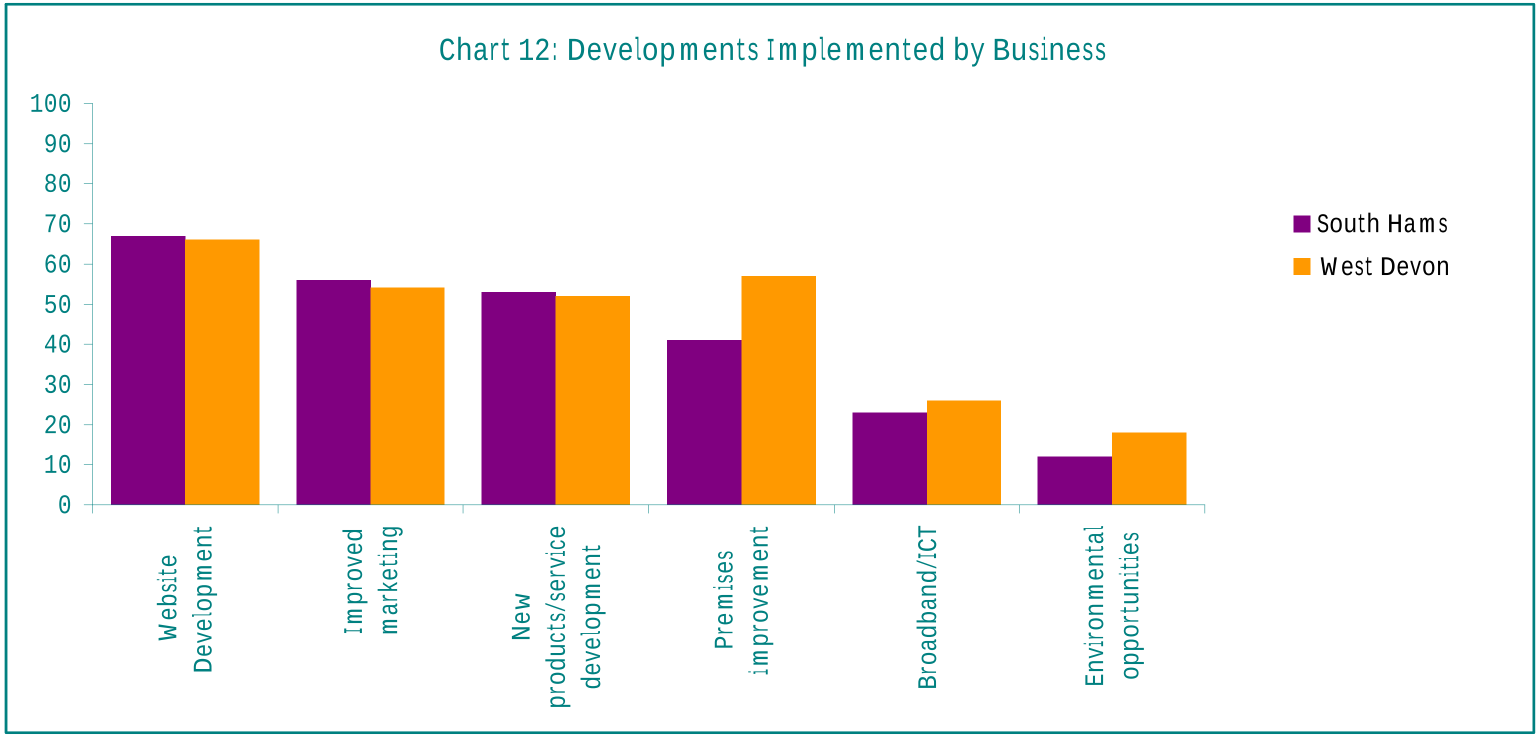
5.2.2. Businesses in the two districts differed on their perception of other issues, with West Devon businesses reporting that meeting wage demands was a significant issue whilst South Hams reported that unsuitable personal attributes was a common recruitment issue.

5.2.3. Whilst the nature of the recruitment challenges have changed, for over three quarters of the businesses, the issue of staff recruitment difficulties remains a threat to the growth of their business and their ability to compete with other businesses particularly in the South Hams.

6. DEVELOPING THE BUSINESS

6.1. Recent Developments

6.1.1. 223 (63%) businesses had implemented development plans over the last three years.



6.1.2. The nature of these developments was most frequently to have developed their website (67% and 66% for South Hams and West Devon respectively), followed by developing new products (53% and 52% respectively) and improving their marketing (56% and 54% respectively).

6.1.3. Over half of the businesses in West Devon had implemented premises improvement plans (57%).

6.1.4. The businesses were also asked if their plans over this period had been implemented successfully, and all 223 of the businesses above reported that they had, whilst 99 other businesses (31% of the total sample) reported that they had not been able to develop as planned.

6.1.5. This was explained by some businesses when they described their approach to implementing opportunities, and the reasons why they have not developed their businesses as planned.

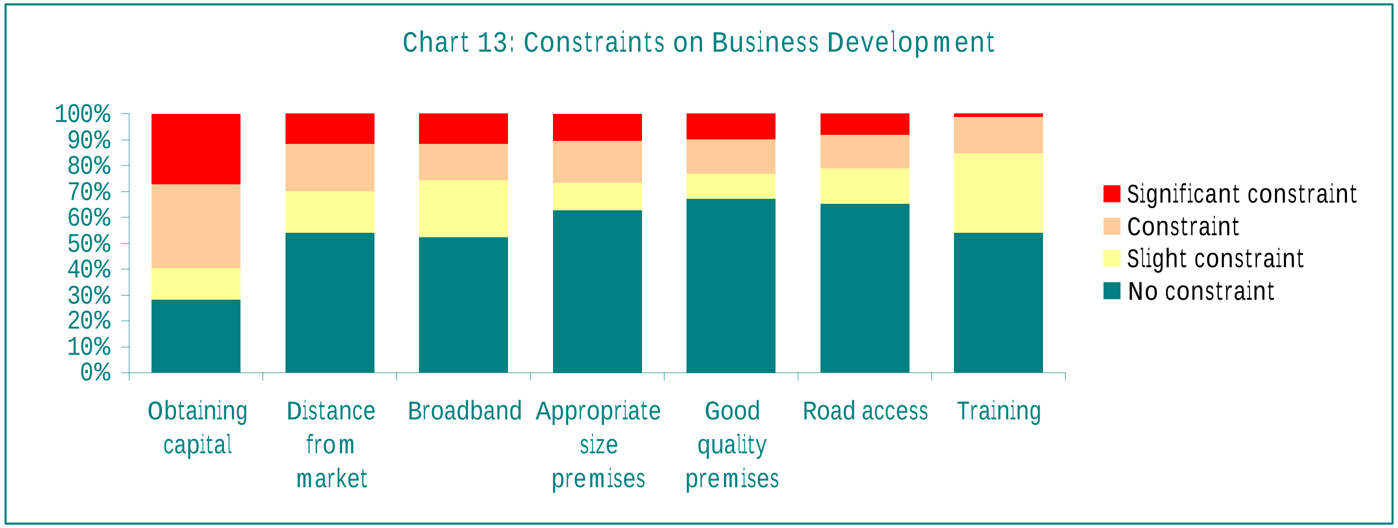
> What new opportunities have you implemented?
>
> *"We have developed direct marketing to local businesses, we would have like to develop more but low Broadband speed prevents on-line sales".*
> Farm, South Hams
>
> *"We are in a recession and therefore trying to cut costs not increase them".*
> Wholesale Pet Food Distribution, South Hams

6.1.6. There was an increasing interest in businesses working together for mutual benefit, as described below.

> What new opportunities have you implemented?
>
> *"Developed closer working relationships with others to enable larger scale projects to be undertaken."*
> Tourism Business, South Hams
>
> *"Links with other businesses in West Devon"*
> ICT Company, West Devon
>
> *"Networking with local courts, businesses & national organisations".*
> Legal Advisors, South Hams

6.2. Constraints on Growth

6.2.1. Businesses were asked which factors 'constrained' or 'significantly constrained' their development plans, and the most frequently raised issue was obtaining capital (60%), followed by distance from market (30%), as illustrated in the chart below.



6.2.2. Businesses were also asked which was the most important constraint to overcome, and 38 (45%) businesses reported that obtaining capital was the most important constraint to overcome, which represents a 5% increase from the previous survey and a 24% increase from the 2007 survey.

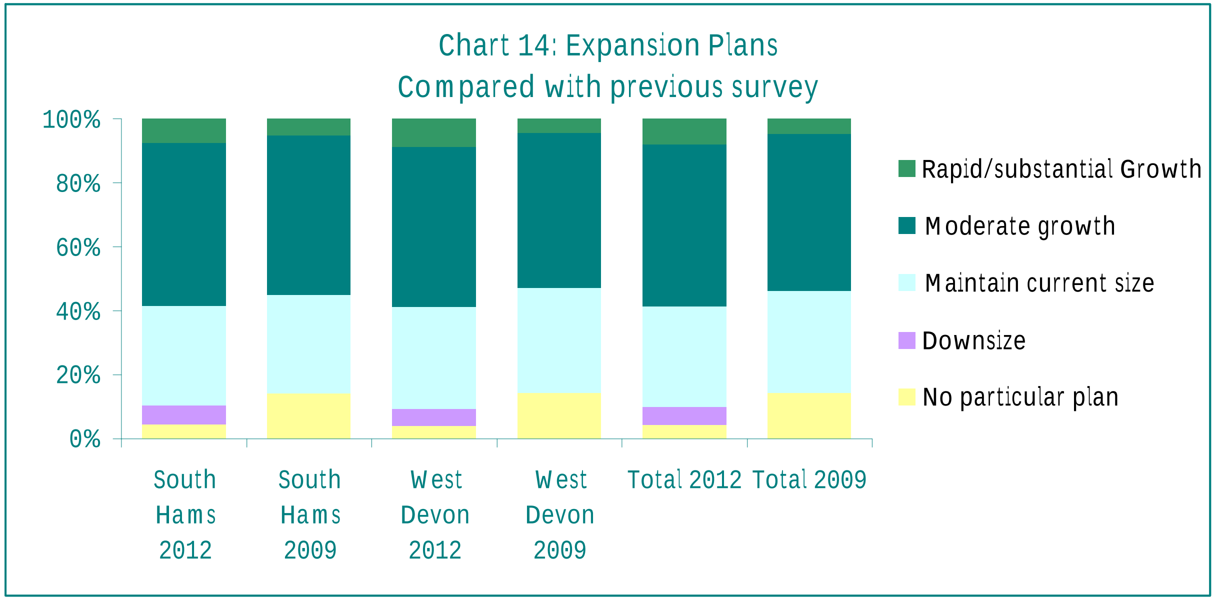
6.2.3. South Hams businesses were more likely to report obtaining capital as the most important constraint to overcome (49% compared to 39% of West Devon businesses).

6.2.4. 18% of businesses viewed distance from market and customers as the second most important constraint to overcome, which represents a 7% increase from the previous survey.

6.2.5. West Devon businesses considered access to broadband a more important constraint to overcome than South Hams businesses (19% compared to 5%).

6.3. General Plans for the Future

6.3.1. Businesses were asked to comment on their plans for expansion over the next three years, with the following results and a comparison is shown with the previous results from 2009.[16]



6.3.2. Across both districts 60% of businesses were interested in either moderate or rapid/substantial growth over the next 3 years, which represents a 4% increase from the previous survey for South Hams businesses and an increase of 8% for West Devon businesses.

6.3.3. There were no significant differences between sectors, with the overall majority interested in moderate growth

6.3.4. Businesses reported on the specific actions they intended to take to sustain and develop their business and the timescale to achieve this as shown in the following sections.

[16] Please note that the 2009 survey did not offer the option of "downsizing", and therefore the comparative results should be treated with caution.

6.4. Business Planning

6.4.1. 51% of businesses had already prepared a formal business plan, with a further 15% planning to write one within the next 3 years.

6.4.2. In contrast, 34% had no plans to write a formal business plan at all.

6.4.3. This is as shown below, along with a comparison with the previous surveys.

Writing a Formal Business Plan	2012						2009			2006		
	South Hams		West Devon		Total		SH	WD	Total	SH	WD	Total
	No	%	No	%	No	%	%	%	%	%	%	%
Have undertaken recently	77	55.4	52	44.8	137	51.3	36.5	31.6	34.1	39.0	35.3	37.2
Plan to undertake within 12 months	14	10.1	18	15.5	34	12.7	15.1	10.5	13.8	13.4	13.9	13.5
Plan to undertake within 3 years	5	3.6	1	0.9	6	2.2	4.1	2.8	3.3	4.3	3.0	3.6
Not planning	43	30.9	45	38.8	90	33.7	44.2	55.1	48.7	43.3	47.9	45.8

6.4.4. Over time, businesses that have developed business plans had risen by 14%, from 37% in 2006 to 51% presently.

6.4.5. South Hams businesses were more likely to have developed a business plan than West Devon business (55% and 49% respectively).

6.4.6. The vast majority of health (100%), service businesses (73%), education (71%) and creative businesses (70%) already had a business plan in place.

6.4.7. Contrastingly, half or more of the transportation and storage (86%) and construction businesses (50%) neither had a business plan, nor had any plans to write one.

6.4.8. Unsurprisingly, there is a significant correlation between the size of business and the stage of business plan development[17]; the larger the business, the more likely they are to have a business plan.

[17] Spearman's Correlation: Significant at the 0.05 level (one-tailed)

6.5. Investing in New Equipment

6.5.1. 48% of businesses had already made an investment in new equipment recently, with a further 32% planning to do so within the next 3 years.

6.5.2. In contrast, 20% had no plans to invest in equipment at all.

6.5.3. This is as shown below, along with a comparison with the previous surveys.

Invest in new equipment	2012						2009			2006		
	South Hams		West Devon		Total		SH	WD	Total	SH	WD	Total
	No	%	No	%	No	%	%	%	%	%	%	%
Have undertaken recently	61	44.9	60	49.2	130	48.1	42.3	38.6	39.4	48.0	45.1	47.7
Plan to undertake within 12 months	37	27.2	32	26.2	71	26.3	24.0	20.9	23.5	24.5	20.6	22.6
Plan to undertake within 3 years	10	7.4	5	4.1	16	5.9	12.8	14.2	13.3	9.7	11.3	10.8
Not planning	28	20.6	25	20.5	53	19.6	20.9	26.3	23.9	17.8	23.0	18.8

6.5.4. Nearly half of businesses had recently invested in new equipment in the 2006 survey, this then dropped in 2009, but numbers have now increased again to above the 2006 level.

6.5.5. A higher proportion of South Hams businesses have plans to invest in new equipment in the next 3 years than West Devon businesses (35% compared to 30%).

6.5.6. 60% or more of accommodation and food service providers, professional scientific & technical businesses and education businesses had recently invested in new equipment.

6.6. Investing in Improving Premises

6.6.1. 41% of businesses had invested in improving their premises, with a further 32% planning to do so within the next 3 years.

6.6.2. In contrast, 27% of businesses had no plans to invest in premises at all, as shown below, and compared with previous surveys.

Invest in improving premises	2012						2009			2006		
	South Hams		West Devon		Total		SH	WD	Total	SH	WD	Total
	No	%	No	%	No	%	%	%	%	%	%	%
Have undertaken recently	50	37.9	55	43.7	110	40.9	27.7	28.2	29.4	39.0	36.9	38.0
Plan to undertake within 12 months	28	21.2	31	24.6	62	23.0	20.7	17.4	19.0	20.2	19.8	19.7
Plan to undertake within 3 years	13	9.8	11	8.7	25	9.3	16.5	16.3	14.4	12.5	11.4	13.1
Not planning	41	31.1	29	23.0	72	26.8	35.1	38.2	37.2	28.3	31.9	29.3

6.6.3. A similar pattern is shown to investment in equipment, where 38% of businesses had recently invested in improving premises in the 2006 survey, dropping to 29% in 2009, but numbers have now increased again to 41%. This shows that businesses were more cautious in 2009, but since then have not only come up with plans, but also implemented them.

6.6.4. A higher proportion of West Devon businesses had invested in their premises than in the South Hams (44% compared to 38%).

6.6.5. Over 50% of the businesses from the accommodation and food service activities and arts, entertainment and recreation sector reported to have recently invested in improving their premises.

6.6.6. Contrastingly, over 50% of the businesses from the construction and administrative and support service activities sectors had no plans to improve their premises.

6.6.7. This was a similar finding to the 2009 survey, and may reflect the particular impact of recession on the construction industry: "*Output in the construction industry fell faster than GDP of the economy as a whole during the recession [of 2009] and rebounded faster than the economy as a whole during the last three quarters of 2010. In Q3 of 2011 the output of the construction industry fell once again.*"[18]

6.6.8. This links to the reduced demand for house-building and the typically arrears payments structure of the sector, making it more risky and harder to find the finance to make business investments.

[18] House of Commons Briefing Note: Construction Industry. March 2012

6.7. Increased Marketing/Sales

6.7.1. 54% of businesses had already increased their marketing and sales activity, with a further 34% planning to do so within 3 years.

6.7.2. In contrast, 12% had no plans to increase marketing and sales activity at all as shown below, compared with previous surveys.

Increase marketing/sales	2012						2009			2006		
	South Hams		West Devon		Total		SH	WD	Total	SH	WD	Total
	No	%	No	%	No	%	%	%	%	%	%	%
Have undertaken recently	85	58.2	63	50.4	152	53.7	29.6	30.3	32.0	39.0	36.9	38.0
Plan to undertake within 12 months	43	29.5	38	30.4	87	30.7	35.6	28.1	32.0	20.2	19.8	19.7
Plan to undertake within 3 years	6	4.1	3	2.4	10	3.5	9.0	9.5	8.8	12.5	11.4	13.1
Not planning	12	8.2	21	16.8	34	12.0	25.8	32.2	27.2	28.3	31.9	29.3

6.7.3. There is a significant movement towards increasing marketing and sales activity, with 22% more businesses having carried out additional activity of this sort in 2012 than in 2009.[19]

6.7.4. Over half of the businesses in both districts had increased their marketing and sales activity, but this was more pronounced in the South Hams where 58% of businesses had taken this action.

6.7.5. This is an encouraging sign, as both UK and international research studies suggest that pro-active marketing is a good response to recession and enhances business performance in challenging economic circumstances;

"Several studies argue that firms adapt to recession conditions by implementing business strategies centred on [increased marketing spending] and that such strategies lead to higher levels of business performance." [20]

"Firms that have a proactive marketing response in a recession achieve superior business performance even during the recession." [21]

6.7.6. Creative businesses were the most likely to have invested in marketing and sales activity recently at 68%, whilst land based and construction businesses were least likely to have taken this action.

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[19] Chi Square: Significant at the 0.05 level (one-tailed)
[20] Business Strategies and Performance During Difficult Economic Conditions. BIS, 2009
[21] Turning adversity into advantage: Does proactive marketing during a recession pay off? International Journal of Marketing, 2005, Vol 22, Issue 2

6.8. Developing an Environmental Policy

6.8.1. 41% of businesses had already developed an environmental policy, with a further 21.8% planning to do so within the next 3 years.

6.8.2. In contrast, 38% had no plans to develop an environmental policy at all, as shown below, and compared with previous surveys.

Develop an environmental policy	2012						2009			2006		
	South Hams		West Devon		Total		SH	WD	Total	SH	WD	Total
	No	%	No	%	No	%	%	%	%	%	%	%
Have undertaken recently	45	37.2	44	44.9	93	40.6	29.8	26.6	29.5	39.0	36.9	38.0
Plan to undertake within 12 months	16	13.2	14	14.3	30	13.1	15.5	11.3	13.7	20.2	19.8	19.7
Plan to undertake within 3 years	11	9.1	7	7.1	20	8.7	10.0	9.0	8.5	12.5	11.4	13.1
Not planning	49	40.5	33	33.7	86	37.6	44.7	53.1	48.3	28.3	31.9	29.3

6.8.3. This was another area where businesses had followed a pattern of reducing activity between 2006 and 2009, and then increasing again by 2012.

6.8.4. In contrast to the 2009 survey results, a higher proportion of West Devon businesses had developed an environmental policy than in the South Hams, (45% and 37% respectively).

6.8.5. Administration and support businesses were most likely to have to have developed an environmental policy, at 64%.

6.8.6. Transportation and health sector businesses were least likely to have plans to develop an environmental policy, at 80% and 60% respectively.

6.9. Achieving Formal/Professional Accreditations

6.9.1. For the first time in this survey, businesses were asked about their intentions to achieve formal accreditations such as IIP, and star ratings.[22]

6.9.2. 20% of businesses reported that had invested in achieving such accreditations, with a further 21% planning to do so within the next 3 years.

6.9.3. In contrast, 60% had no plans to gain accreditations at all, as shown below broken down by district.

Achieving Formal/Professional Accreditations	South Hams		West Devon		Total	
	No	%	No	%	No	%
Have undertaken recently	16	14.5	25	26.3	43	20.0
Plan to undertake within 12 months	18	16.4	9	9.5	29	13.5
Plan to undertake within 3 years	9	8.2	6	6.3	15	7.0
Not planning	67	60.9	55	57.9	128	59.5

6.9.4. West Devon businesses were 12% more likely to have achieved formal accreditations recently than South Hams business, at 26% and 15% respectively.

6.9.5. However, South Hams businesses were 9% more likely to have plans to achieve formal accreditation in the next 3 years; at 25% and 16% respectively so if the plans are successfully implemented this will result in similar levels of accreditations across the districts in the next three years.

6.9.6. Financial and health businesses were more likely to have recently undertaken formal accreditations than those in other sectors, both at 50%, which may simply be a reflection of the requirements to operate in these highly regulated sectors.

6.9.7. None of the real estate businesses had plans to undertake any form of formal accreditation at all.

[22] The response rate on this question was low compared with other survey sections, but the results are statistically valid.

6.10. Developing New Products/Services

6.10.1. 46% of businesses had already developed a new product or service recently, with a further 31% planning to do so within the next 3 years.

6.10.2. In contrast, 23% had no plans to develop new products or services at all, as shown below, along with a comparison with the previous surveys.

Develop a new product/service	South Hams				West Devon				Total			
	2012		2009	2006	2012		2009	2006	2012		2009	2006
	No	%	%	%	No	%	%	%	No	%	%	%
Have undertaken recently	61	46.2	28.1	39.0	56	45.9	26.0	36.9	122	45.9	26.6	38.0
Plan to undertake within 12 months	28	21.2	23.6	20.2	33	27.0	17.3	19.8	65	24.4	20.4	19.7
Plan to undertake within 3 years	10	7.6	10.3	12.5	6	439	11.8	11.4	17	6.4	9.9	13.1
Not planning	33	25.0	38.1	28.3	27	22.1	44.9	31.9	62	23.3	43.0	29.3

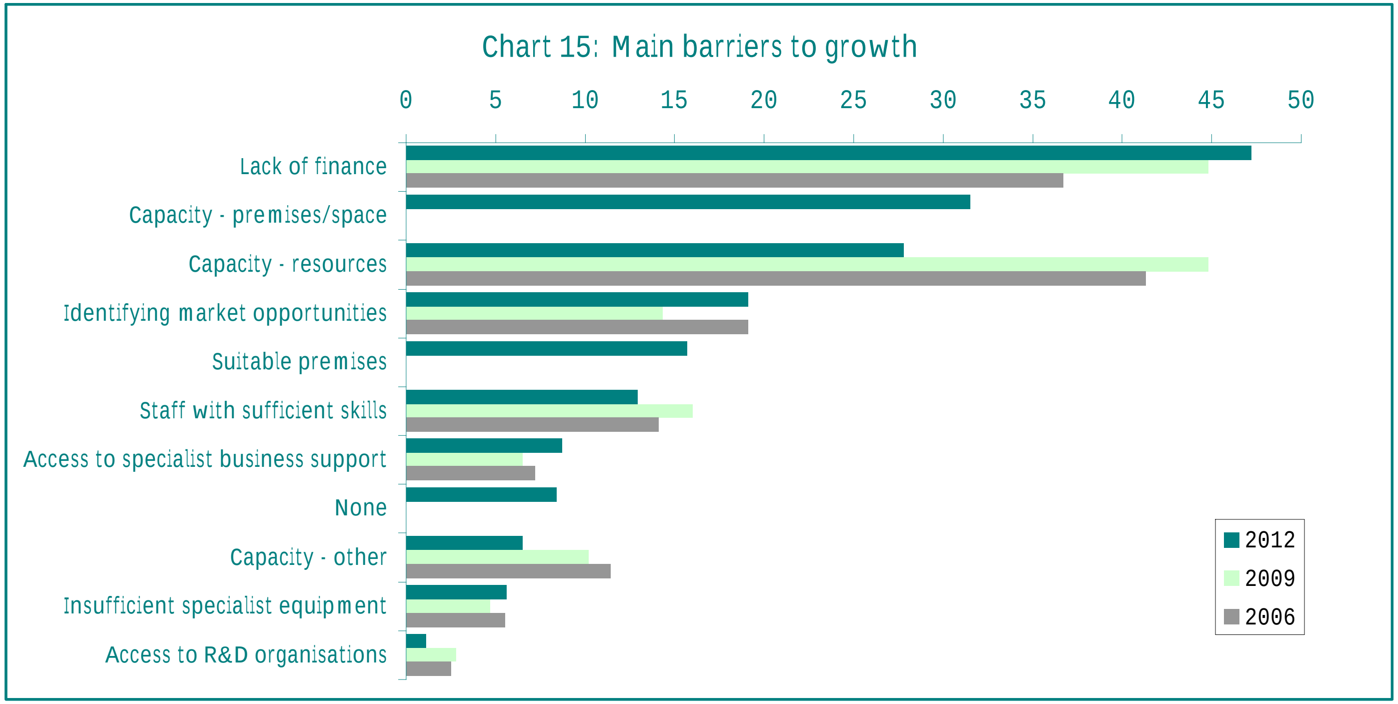
6.10.3. Businesses were 19% more likely to have developed a new product/service recently in 2012 than in 2009, although again there was the picture of reduced activity in the 2009 survey and a recovery for the 2012 survey.

6.10.4. Real estate businesses were least likely to plan to develop new products/services, with 86% and 62% having no plans to do this at all.

6.10.5. For the land based sector the result exceeded the 2009 predictions when only 38% reported they planned to invest in new products/services, but in reality 50% of these businesses had made such an investment by 2012.

6.11. Barriers to Developing New Opportunities

6.11.1. Businesses were asked what the main barriers were to developing new opportunities, as shown in the chart below and compared with the previous two surveys[23]:



6.11.2. Lack of finance was the main barrier to developing new opportunities, and when compared to the previous surveys this has steadily increased as a barrier to development.

6.11.3. Capacity, in terms of both premises/space and resources, was also identified as one of the main barriers to development, with 32% and 28% of businesses reporting these issues respectively.

[23] Two new categories were added in this survey; capacity in terms of premises/space and suitable premises. There is no comparison data from previous years on these factors.

6.11.4. In their responses, businesses also described the impact of the overall economic situation in terms of reduced spending by consumers, reduced availability of funding and issues with current government policy.

What are the main barriers to developing new opportunities?

"As a result of poor consumer confidence, there is a lack of customers with disposable income which they are prepared to spend".
Clothes shop, South Hams

"Bankers and the government are not funding construction schemes. Until this position changes there will no new opportunities".
Landscape design, West Devon

"General downtown in economy leading clients to cut back – in particular the public sector".
Graphic design, West Devon

"Lack of visitors to the town, with disposable income".
Accessories and gifts retail, South Hams

"Our market was mainly couples or families booking a cottage for one week for their second, third or additional holiday. The recession seems to mean people are only travelling for one main holiday – aware of fuel costs – and do not take the other holidays they have in the past".
Self catering holiday cottages, West Devon

"The current economic climate. Clients are only commissioning work that is absolutely necessary".
Accountancy services, South Hams

"Changes in shopping habits – less local buying from small concerns (for me local markets and shows) and more purchasing from large retail outlets being the main problem".
Plant nursery, South Hams

6.11.5. In general, the businesses viewed these issues as external to their business, and therefore out of their control.

6.11.6. There were also a number of more local issues raised:

> What are the main barriers to developing new opportunities?
>
> *"Lack of new business coming into the area this coupled with many businesses closing limit the opportunity for growth in our business".*
> Accountancy Services, West Devon
>
> *"Lack of understanding of small manufacturing businesses by local government i.e. staggeringly high rateable value, which affects expansion if not ability to stay in businesses".*
> Manufacturing Business, West Devon
>
> *"Poor local marketing of the South Hams as a quality destination".*
> Self catering holiday cottages, South Hams
>
> *"More plumbers than there are customers. They are moving to the West Country from other parts of the UK that have been inundated with tradesmen from the EU and other Eastern European Countries and it has to be said that they are much more engaged, interested and highly skilled than so many of our indigenous workers".*
> Plumbing and Heating Engineers, West Devon

6.11.7. The issue of migrant workers was not explored in detail in this survey, but anecdotal evidence suggests that the views expressed by the business above were also accepted by others in relation to the work ethic of migrant workers compared to local workers.

6.12. Gender Differences in Accessing Finance

6.12.1. There is extensive evidence that women perceive more difficulties in accessing finance than men.

"Finance has long been regarded as the main obstacle preventing women from starting and growing a successful business. Although the sources of finance are common to women and men, women perceive higher access barriers."[24]

6.12.2. Historically this had been put down to risk aversion amongst women, although this would suggest that finance should be more easily available to female entrepreneurs:

"There is vast literature which looks at the skillsets of entrepreneurs suggesting women are equally able and equipped to run a business as men and often their 'natural' financial risk-aversion makes women more investable …

"It can be argued that males are less risk averse and more self-confident which could drive growth, whilst conversely a more risk-averse female should be able to raise finance more easily."[25]

6.12.3. There is a however a tendency towards debt aversion amongst women running businesses:

"Certainly, many women entrepreneurs are reluctant to take on unnecessary bank debt."[26]

"Many women, it appears, prefer starting smaller enterprises which require smaller amounts of personal and external financial investment. When women ask for external bank finance, they have an equal chance of success, but request lesser amounts."[27]

6.12.4. The reasons for this have been explained through both nature and nurture and attributed to other factors, but whatever the reasons, the higher than average levels of female-run businesses in West Devon and the South Hams mean that this is an important factor in the local economy.

6.12.5. Men are typically more bullish in their future business and financial projections, but the actual results for female run businesses demonstrate stronger performance compared with projections:

"Men say they will create more jobs as they start up and also say they will create more jobs as they grow their business. However, women create more jobs when they start up a business and also as they grow."[28]

6.12.6. The potential exists for higher than average economic growth as businesses run by women have proven more resilient over time.

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[24] Source: Women's Enterprise and Access to Finance 2009. Prof Sara carter, University of Strathclyde.
[25] Source: Women in business – A gender or youth issue? World Entrepreneur Society
[26] Source: Women's Enterprise and Access to Finance 2009. Prof Sara carter, University of Strathclyde.
[27] Source: Women's Business Ownership: Recent research and Policy Developments 2006. Small Business Service.
[28] Challenges and Opportunities for Growth and Sustainability (COGS) 2011. Delta Economics

"Nearly a third of them say their business has grown faster than they expected, despite the downturn (compared to 20% of men). 80% of them are innovative in some way (compared to 75% of men). UK women employ more people than UK men and have grown as fast in terms of % turnover growth since they started as men."[29]

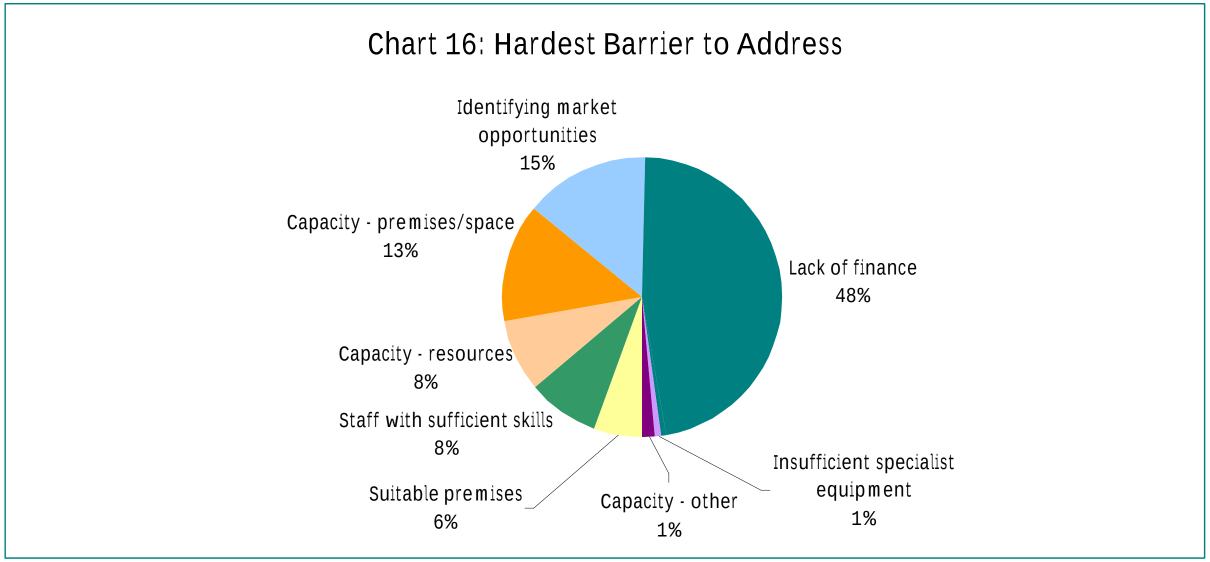
6.12.7. In addition the relatively low level of borrowing for businesses run by women may offer some additional protection against the economic conditions.

6.12.8. In this context, the businesses in the local economy may show better resilience than in other areas.

[29] Challenges and Opportunities for Growth and Sustainability (COGS) 2011. Delta Economics

6.13. Difficulties in Addressing Development Barriers

6.13.1. Businesses were asked which barrier to growth they considered hardest to address, as shown in the chart below.



6.13.2. Almost half of the businesses identified lack of finance as the hardest issue to address, far more than any other response.

6.13.3. The other barriers which businesses identified as challenging to address were identifying market opportunities, and capacity in terms of premises/space.

6.13.4. This is a similar but more pronounced result than was found in previous surveys.

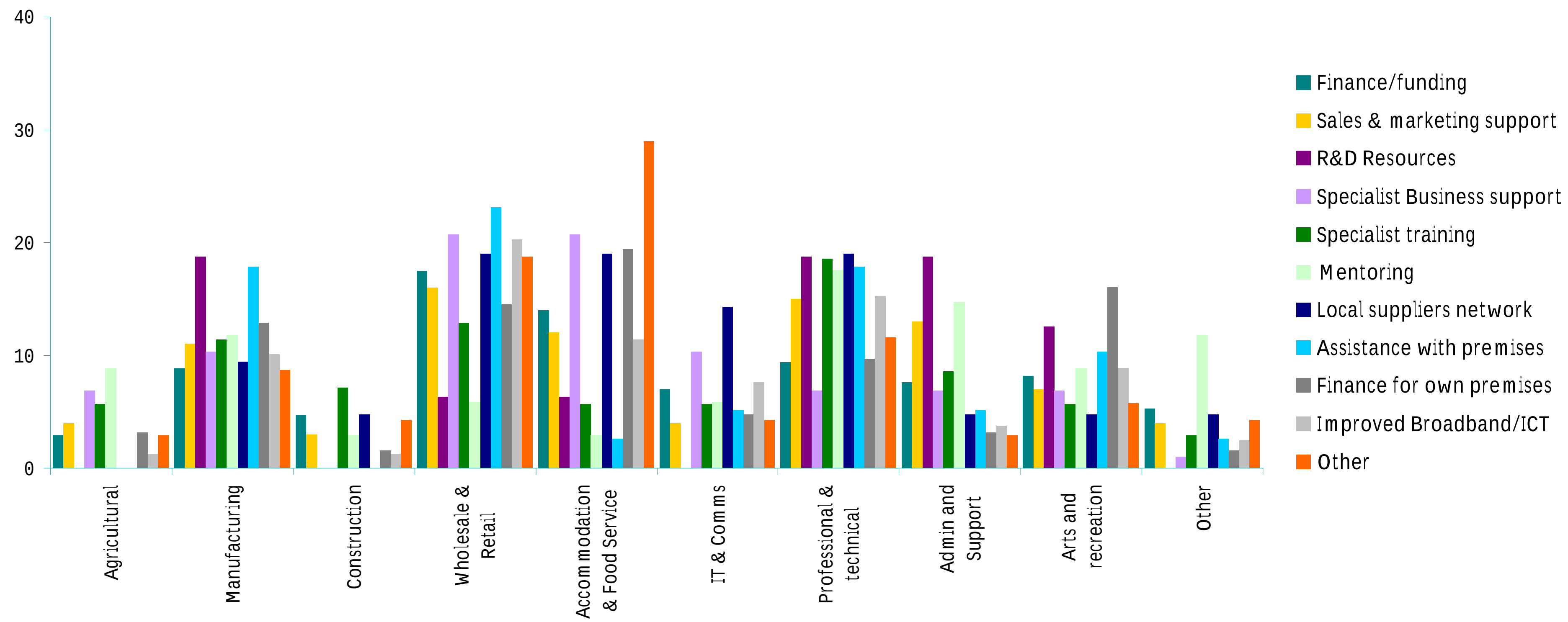
6.13.5. There was no significant difference between the two districts in terms of perception on hardest barriers to address.

6.14. Overcoming Barriers to Growth

6.14.1. When considering the measures that could be taken to address these barriers identified above, the most frequent response was finance/funding with 174 (49%) businesses mentioning this approach, followed by sales and marketing support (101 businesses, 28%) and improved Broadband/ICT (81 businesses, 23%).

6.14.2. This is illustrated in the chart below, broken down by sector.

Chart 17: Overcoming Barriers to Developing New Opportunities



6.14.3. There were some differences between the sectors, with wholesale and retail and professional and technical businesses attaching a greater relative importance to finance/funding in overcoming the barriers, whilst manufacturing businesses identified assistance with premises as an important barrier to overcome.

6.14.4. Businesses from the professional and technical sector cited specialist training as important at 18%.

6.14.5. Broadband was more of an issue for wholesale & retail and professional businesses.

6.14.6. When commenting in detail on how barriers can be overcome, many suggestions related to policy shifts.

What are the main ways to overcome barriers?

"A cohesive long term strategy from the government, not knee jerk reactions"
Renewable energy installer, South Hams

"General support from the Local Authorities to encourage business into the South West region. Improving transport links and encouraging rate free occupancy for new business"
Accountant, West Devon

"Less interference/more flexibility form government (at all levels) – Planners being less obstructive, more understanding of how difficult it is to manage a small rural business profitably and how much hard work/long hours are involved.
Pub, South Hams

"Local government need to concentrate on getting people into local towns not out of town developments"
Gift shop, South Hams

"Planning and environmental barriers used in a reasonable manner, not arbitrary and draconian to restrict business growth and employment"
Boatyard, South Hams

"Abolish small business rates so all money can be ploughed back into the business"
Manufacturing business, West Devon

6.14.7. There appears to be a demand for support which was perceived as coming from local authorities, in terms of both rate relief and flexibility from the areas which restrict businesses, alongside a clear economic strategy that supports small businesses.

6.14.8. For the accommodation and food service businesses, there was a range of sector specific issues raised, including an appreciation of the particular working conditions that typify the industry in designing business and planning policy, such as long and anti-social working hours and the challenges of increasing regulation.

6.14.9. There were several comments made specifically about the availability of suitable premises

> What are the main ways to overcome barriers?
>
> *"Finding the right premises in the right location"*
> Manufacturing business, West Devon
>
> *"Future town development – there seems to be a shortage of good quality business (office) premises in the local area".*
> Legal and mediation services, South Hams
>
> *"Small business premises that are not retail/office seem very hard to find. Difficult to justify the cost of a unit when not used all the time".*
> Carpenter, South Hams
>
> *There seems to be a lack of innovative, forward thinking in West Devon, with an emphasis on preserving the past taking precedent. We need suitable high tech premises, skilled local young people to work and as much business support as possible. Starting up a new business with ambitions for rapid expansion is expensive and we need as much assistance as possible".*
> ICT Business, West Devon

6.14.10. The premises issues are explored in more detail in the following chapter.

6.15. Summary

6.15.1. Following a period of reduced activity in the 2009 survey period, there was a refreshed attitude for the majority of businesses towards investing in their own development, in particular investing in premises, equipment and marketing.

6.15.2. Many of the businesses had now set up their own websites and environmental policies, reflecting a forward thinking approach to business development.

6.15.3. There were significant issues and frustration expressed by businesses in accessing finance, which was more of an issue than has been found in any of the previous surveys, and which is viewed as a constraint on growth and development.

6.15.4. Accessing finance has been shown to be a particular issue for women, with issues sometimes being perceived as greater than they are.

6.15.5. Conversely, female run businesses have been shown to be more resilient in times of recession and have been demonstrated to perform more strongly than their male counterparts, so the prospects for these districts with high proportions of female run businesses should be strong for the future.

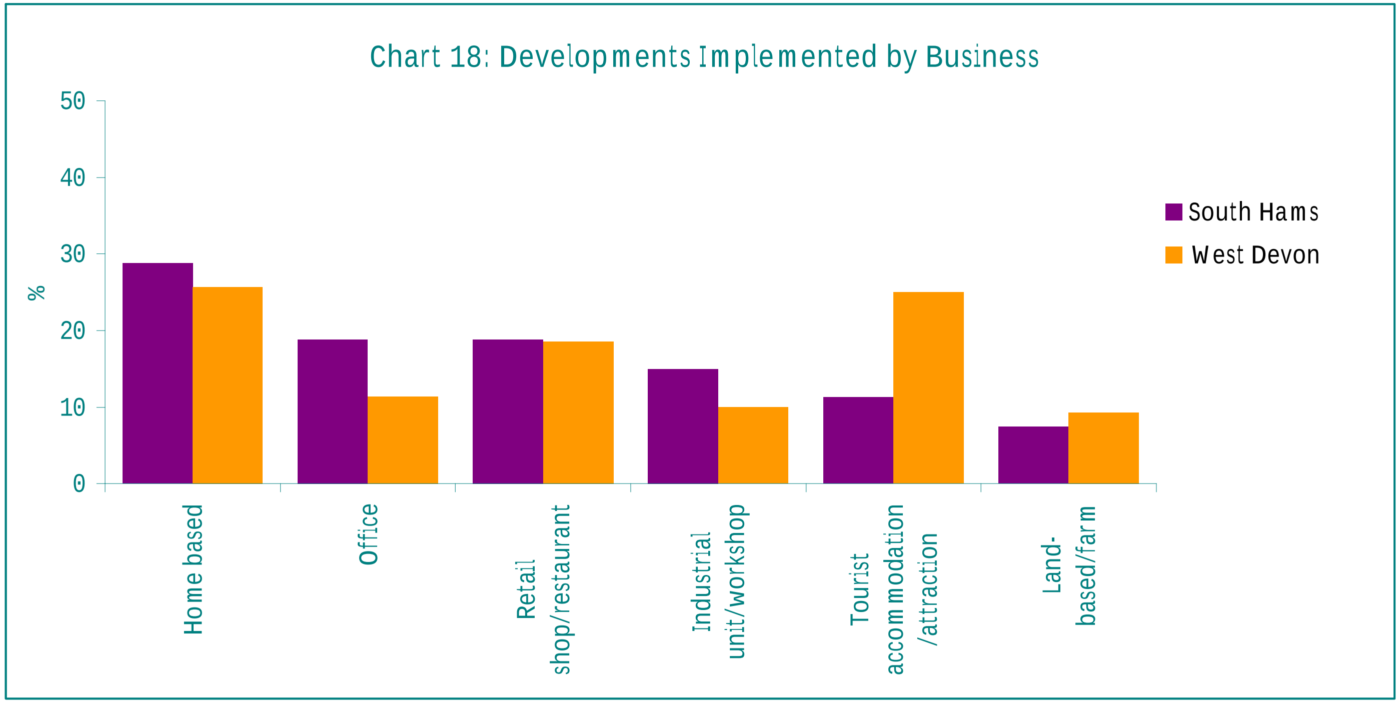
6.15.6. Businesses were keen to receive support from local authorities through a strong economic policy which supports small businesses and understands the financial pressure that they face, and encourages visitors and customers into towns/villages.

6.15.7. The availability of appropriate premises was a significant concern, particularly in the South Hams, and businesses were prepared to invest in tailoring their premises to their needs, contingent on being able to access finance and planning policy that supports small business.

7. BUSINESS PREMISES

7.1. Current Premises and Future Needs

7.1.1. 88 businesses (25%) who responded to the survey currently operate their business from home, 59 (19%) operate from retail shop/restaurant premises, as illustrated in the chart below.



7.1.2. In both the South Hams and West Devon the most frequently reported business premises type was home based businesses, and this is typical of largely rural areas, however, the significance of this type of economy has been undervalued historically.

"Home-based businesses comprise a significant proportion of the small business sector. But because they are invisible, their economic significance is assumed to be minor. This paper challenges this view. The majority are full-time businesses. One in ten has achieved significant scale. They create jobs for more than just the owner(s). They are concentrated in computer-related,

business, and professional service sectors. They also have a distinctive geography. Rural areas and non-metropolitan parts of Southern England have the highest proportion of home-based businesses. Urban–industrial regions have the lowest proportion. This suggests a need to reconsider the role of home-based businesses in local economic development."[30]

7.1.3. In West Devon, 25% of businesses operated from tourist accommodation/attraction premises and 19% from retail shops/restaurants.

7.1.4. In the South Hams, however, 19% of businesses operated from office premises, and further 19% from retail shops/restaurants and 15% from industrial units/workshops.

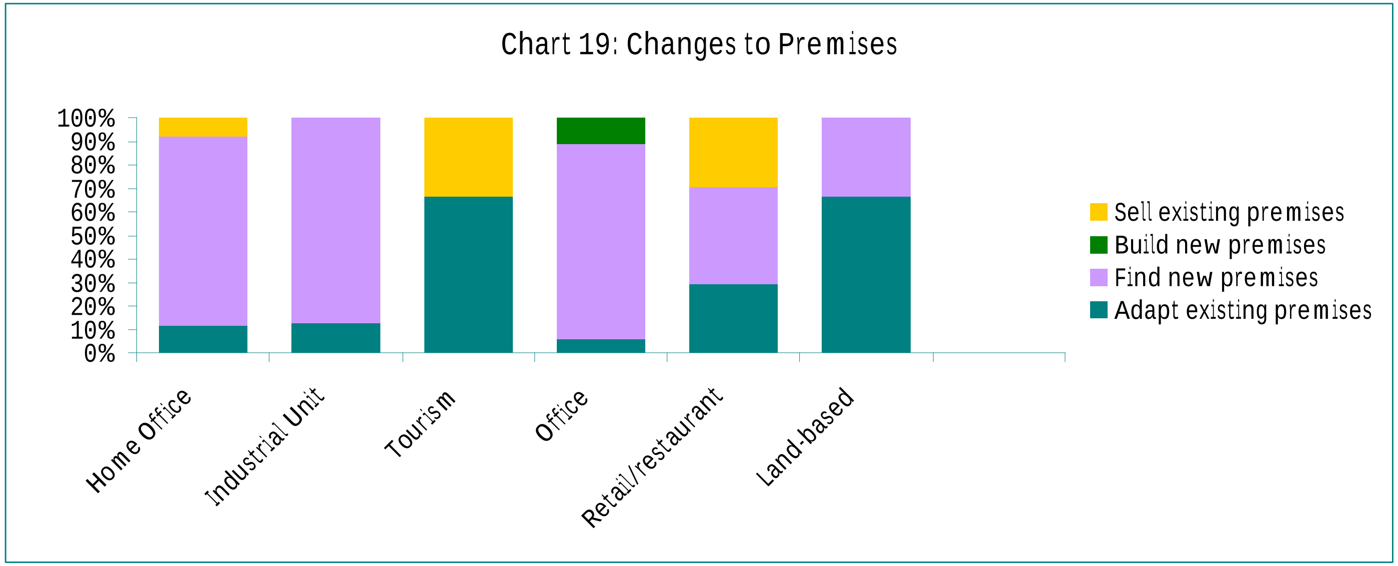
7.1.5. Overall, 88 (28%) businesses reported that they had plans to make premises changes over the next five years.

7.1.6. Of these businesses, they were most frequently operating from an industrial unit or workshop (41%), followed closely by office based businesses (40%).

7.1.7. When considered by sector, ICT, real estate and manufacturing businesses were most likely to plan changes to their premises.

7.1.8. Businesses explained the way in which they intended to implement changes as shown in the chart below.

[30] Source: Invisible Businesses - The Characteristics of Home-Based Businesses in the United Kingdom, 2011. Mason, Carter & Tagg. University of Strathclyde.



7.1.9. In general, businesses were more likely to plan to find more suitable existing premises rather than building or adapting their own premises, with the exception of tourist accommodation/attractions and land-based businesses who were interested in adapting their existing premises.

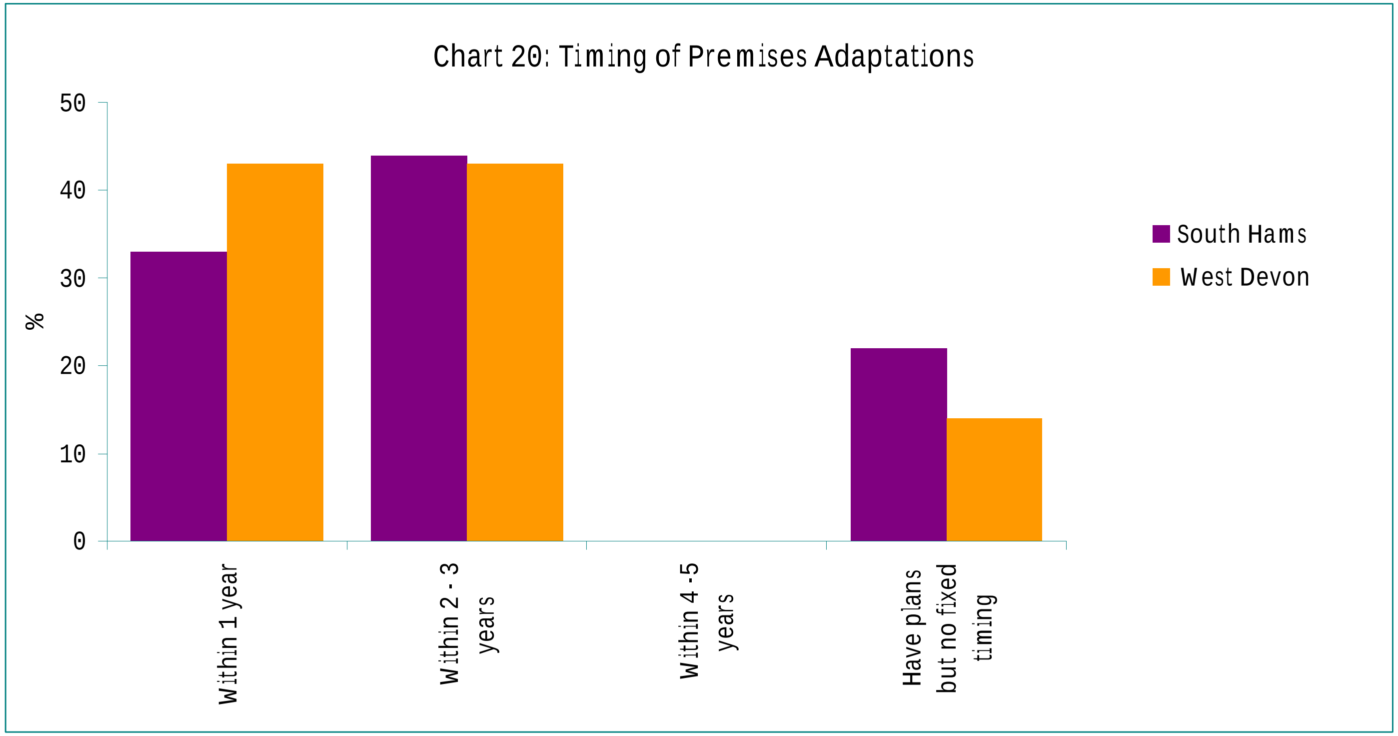
7.1.10. The only businesses that had plans to build new premises (11%) were office based businesses.

7.1.11. Significant numbers of tourism and retail/restaurant businesses were planning to sell up their existing premises.

7.1.12. Each of these is explored in more detail below.

7.2. Adapting Existing Premises

7.2.1. For those businesses that planned to adapt their existing premises, their planned timescale was as illustrated in the chart below.

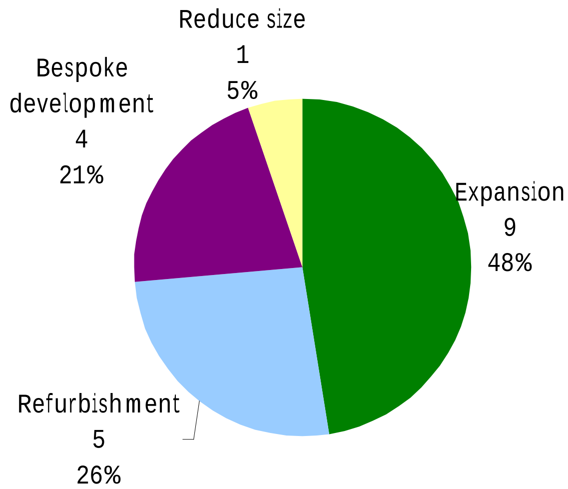


7.2.2. The majority of businesses were planning to implement changes for adapting their existing premises within 3 years.

7.2.3. In West Devon, there was slightly more urgency to the plans, whilst in the South Hams more businesses had general plans but no specific dates for implementation.

7.2.4. The way in which the businesses planned to develop their premises was split into expansion, refurbishment, developing bespoke space and reducing size, and this is illustrated in the chart below.

Chart 21: Adapting Businesses



7.2.5. Just under half of the businesses (48%) planned on expanding their existing premises, with just over a quarter (26%) planning on refurbishment.

7.2.6. In commenting on the reasons for adaptations, the businesses were primarily focused on how to make the premises fit for purpose and help them remain competitive

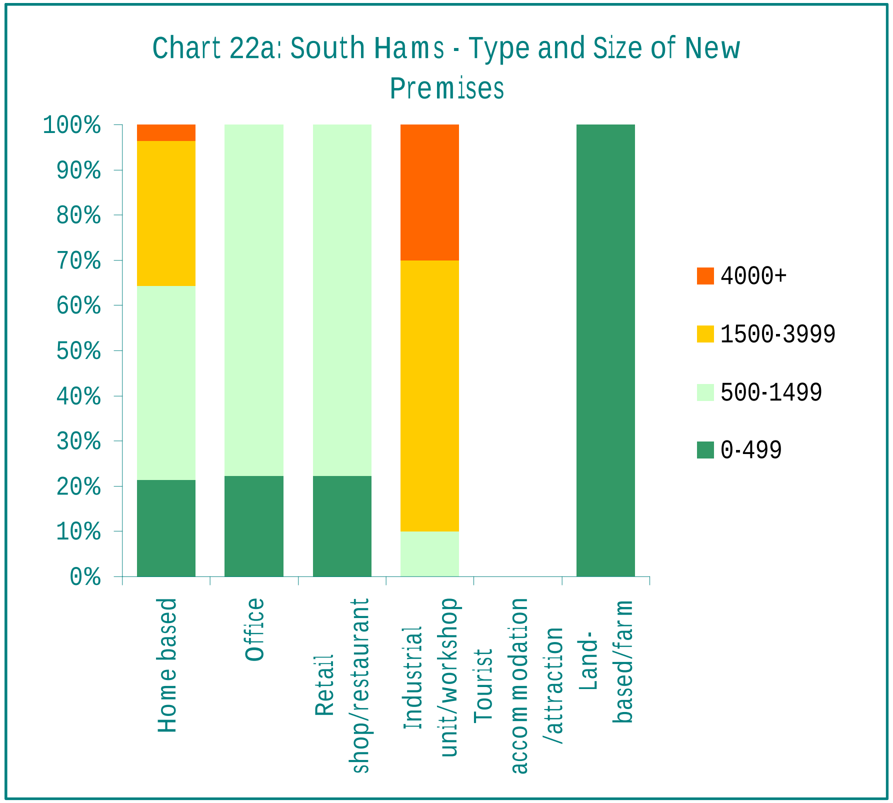
Please explain the main reason(s) for adapting your premises

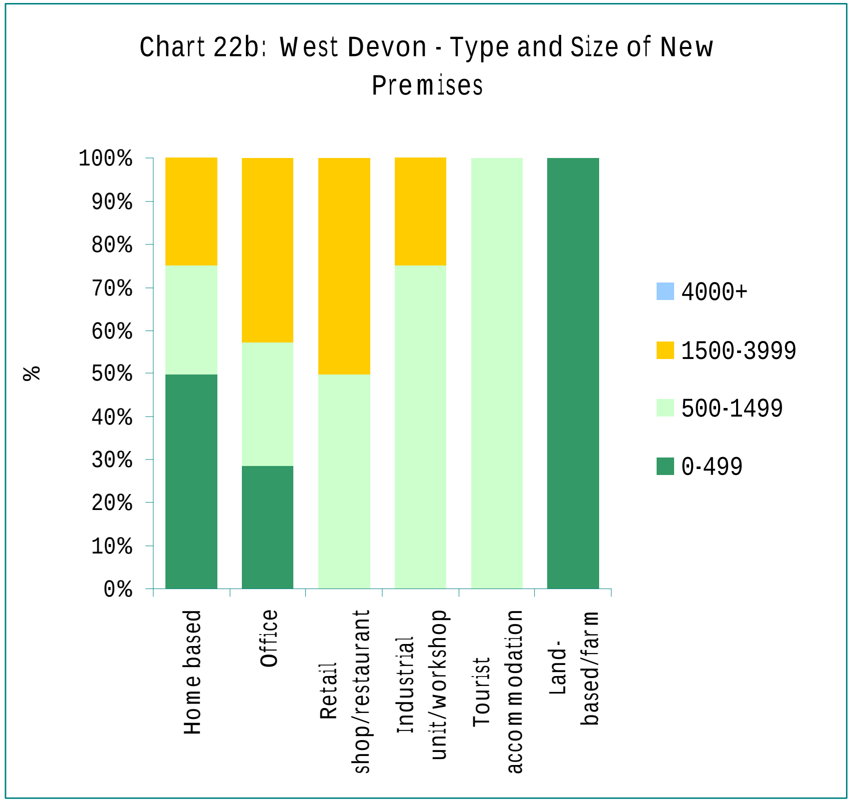
"Better accessibility and room for new product".
Gift shop, South Hams

"We need to refurbish 'tired' building in order to maintain competitiveness in our sector"
Holiday Park, South Hams

7.3. Finding New Premises - Features

7.3.1. For the businesses that were interested in finding new premises, the charts below show their preferences in terms of both size (floor area in square feet) and type of premises.

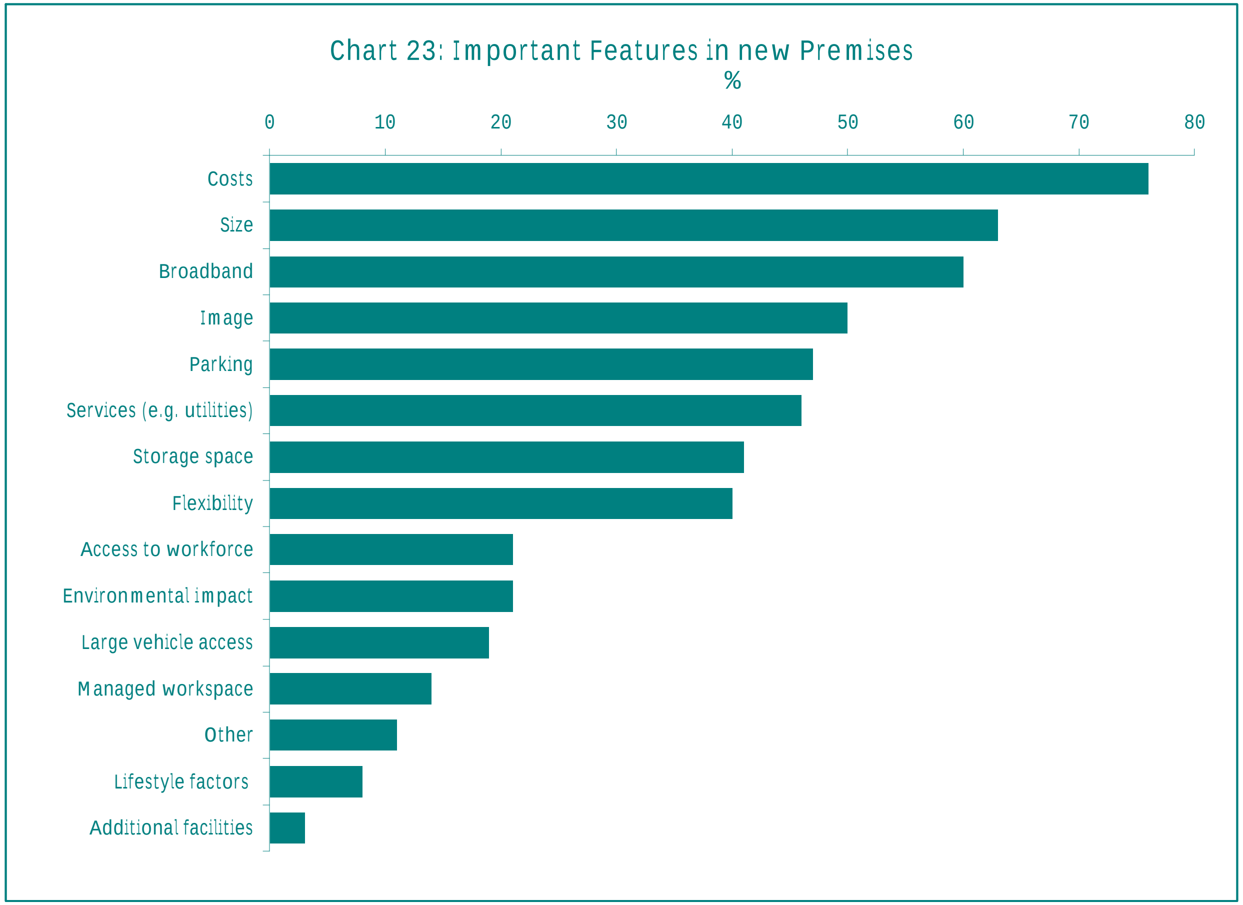




7.3.2. Home based and industrial businesses in the South Hams were more likely to seek larger premises than in West Devon.

7.3.3. With the exception of the industrial businesses, most businesses were interested in smaller premises of up to 4,000 square feet.

7.3.4. Businesses also selected from a list of options the features that matter most to them in selecting new premises, whether self build or rented/purchased, as illustrated in the chart below.



7.3.5. Perhaps unsurprisingly, the factor selected most frequently was cost (76%), followed by size (63%).

7.3.6. Broadband access was the next most important factor to businesses, with 60% identifying it as an important feature for choosing new premises.

7.3.7. Lifestyle factors and additional facilities were least important features to businesses; at 8% and 3% respectively and this suggests that this is the area businesses would be most prepared to compromise on.

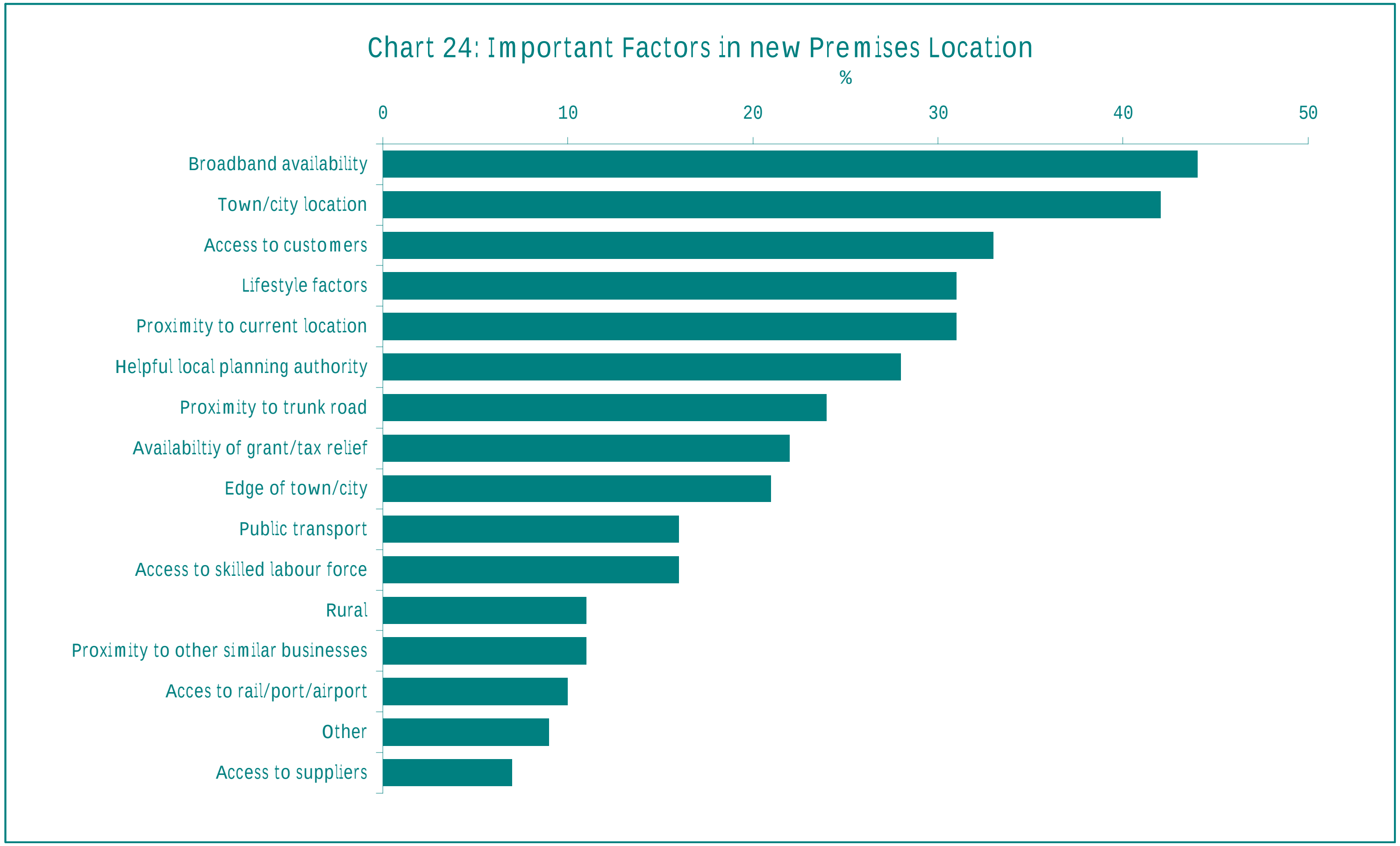
7.3.8. In making a final decision, two thirds of businesses rated cost of premises as most important.

7.3.9. Although Access to Broadband was cited as the third most important feature in choosing new premises, only 6% of businesses reported as the most important feature in making their decision, although this was much more pronounced in West Devon than South Hams.

7.3.10. The results across the sectors were similar, with premises size by far the most important feature for education businesses, and cost the most important feature for transportation, real estate and professional service businesses.

7.4. Finding New Premises - Location

7.4.1. Businesses then reported on their location requirements, as shown in the chart below.



7.4.2. In terms of location, Broadband availability was reported as the most important selection factor (44% businesses), followed than town/city location (42% businesses) as opposed to a rural or edge of town location.

7.4.3. For businesses, access to customers, lifestyle factors and proximity to current location were also important features in choosing their location of new premises (33%, 31% and 31% respectively).

7.4.4. A helpful attitude to planning was ranked as a more important factor in the South Hams than in West Devon (31% compared to 18%), perhaps a reflection of business intention to make adaptations to premises once purchased.

7.4.5. Access to Broadband was more likely to be reported as an important feature for South Hams businesses than those in West Devon in making their decision (49% compared to 41%).

7.4.6. West Devon businesses were 10% more likely than businesses in the South Hams to report that lifestyle factors were an important factor in choosing new premises (35% compared to 25%)

7.4.7. Some respondents also provided comments to explain their specific requirements.

Which factors are important to you in choosing the location for your new premises?

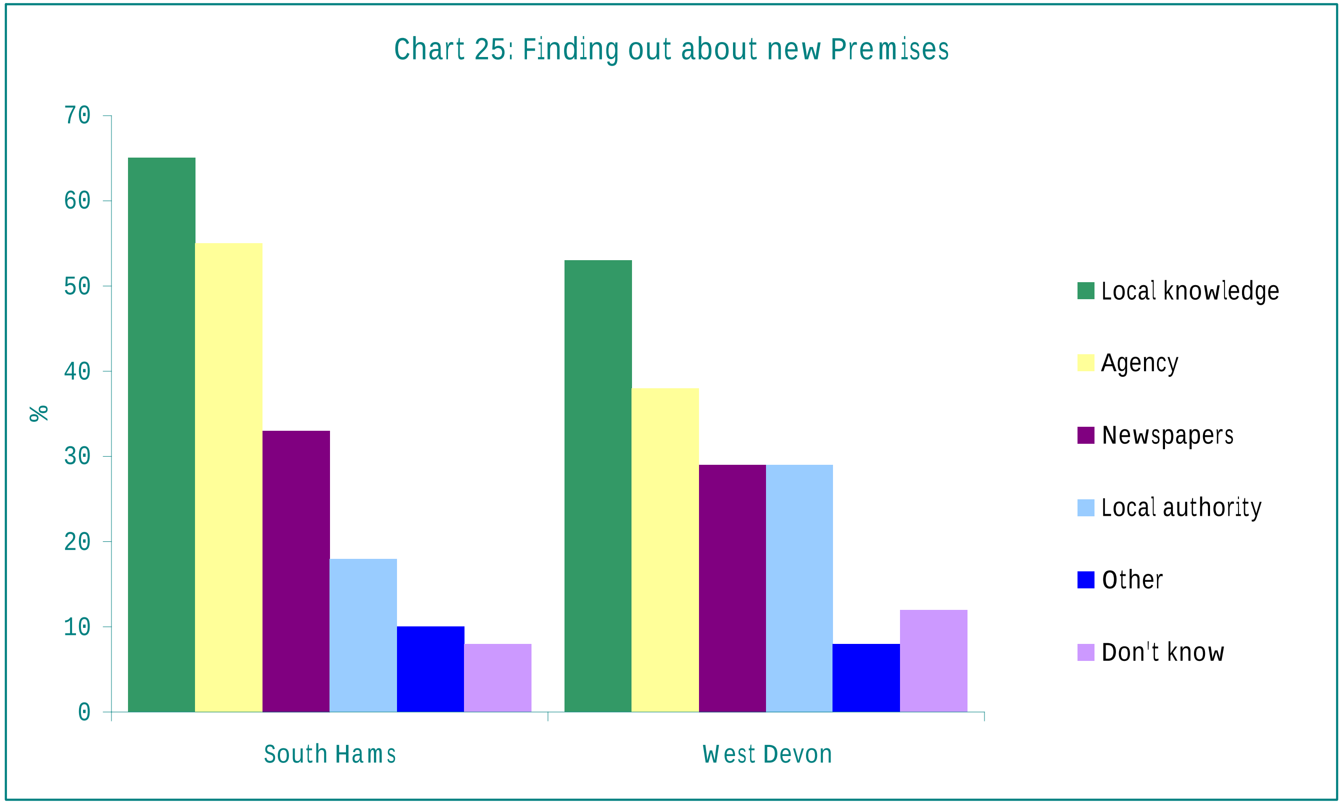
"Ideally we would require ground floor premises of a standard suitable for high tech ICT businesses; office space, workshops and secure storage".
ICT business, West Devon

"Visibility on the high street".
Estate Agents, South Hams

"Access to local operating venues"
Outdoor Adventure business, West Devon

"Affordability and improvement of existing facilities".
Creative Arts business, South Hams

7.4.8. They were also asked about how they would find out about the availability of premises, and the results are shown in the chart below.



7.4.9. 58% of businesses reported that they would find out about available premises through local knowledge, with 49% looking to estate/commercial agencies for this information.

7.4.10. Business in West Devon were 11% more likely to find out available premises through the Local Authority than South Hams businesses (29% compared to 18%).

7.4.11. One comment made by a respondent expressed dissatisfaction with the service provided by local authorities:

"The service provided by Local Authorities and most commercial agents is so poor that we have engaged Statton Creber to find something for us. After five years, initially in Totnes and now in Exeter, we are still looking".

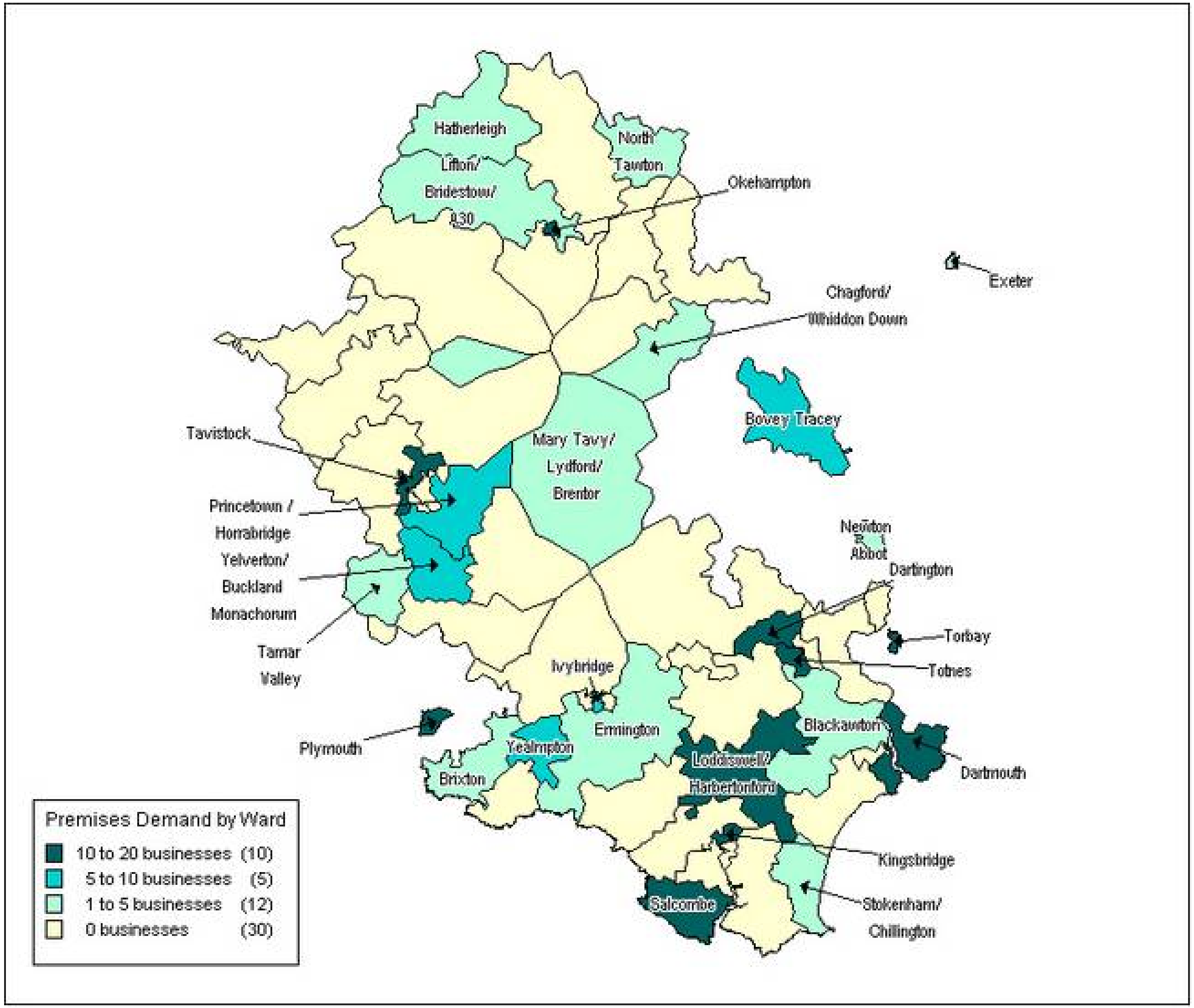
7.4.12. In selecting specific locations, the most frequent response within West Devon was Tavistock (12 (14%) businesses), and in the South Hams the most frequent response was Totnes (20 (23%) businesses).

7.4.13. Over half of the businesses that responded (53%) reported that they would not consider any locations in West Devon, whilst just under a third reported that they would not consider any location in the South Hams (30%).

7.4.14. There was some interest in premises location outside of West Devon and the South Hams, with 16 business (18%) expressing an interest in relocating to Plymouth, 10 business (11%) expressing an interest in relocating to Torbay, and 18 business (21%) expressing an interest in relocating elsewhere, primarily around east Dartmoor/Bovey Tracey area.

7.4.15. The places that were identified by businesses are illustrated on the map below.

Map to Illustrate Premises Demand by Ward in South Hams and West Devon



7.4.16. The full breakdown of responses is shown in the table below:

South Hams	No
Totnes	20
Kingsbridge	17
Dartmouth	15
Dartington	12
Salcombe	10
Ivybridge	9
Modbury	7
Harbertonford	6
Yealmpton	5
Loddiswell	4
Stokenham/Chillington	2
Blackawton	2
Brixton	2
Ermington	1

West Devon	No
Tavistock	12
Okehampton	11
Yelverton/Buckland	6
Hatherleigh	3
Chagford/Whiddon Down	3
Princetown/Dartmoor	3
Lifton/Bridestow/A30	3
Mary Tavy/ Lydford/Brentor	3
North Tawton	2
Tamar Valley	2
Monochorum/Horrabridge	2

Elsewhere	No
Plymouth	16
Torbay	10
Bovey Tracey	6
Exeter	3
Launceston	1
Newton Abbot	1

7.5. Summary

7.5.1. There is an interest from businesses of all sorts in developing their premises or finding new premises, and many of these businesses intend to implement their development plans soon

7.5.2. Just under half of the businesses planned on expanding their existing premises, with just over a quarter planning on refurbishment.

7.5.3. Costs, size and access to broadband are the most important factors in choosing and finding new premises.

7.5.4. Businesses find out about the availability of premises through local knowledge and through estate/commercial agencies by preference.

7.5.5. Businesses in West Devon are more likely to turn to their local authority for assistance with finding new premises than in the South Hams.

7.5.6. Contrastingly, when considering the place they would like to relocate their premises to, more businesses are prepared to consider locations in the South Hams than locations in West Devon.

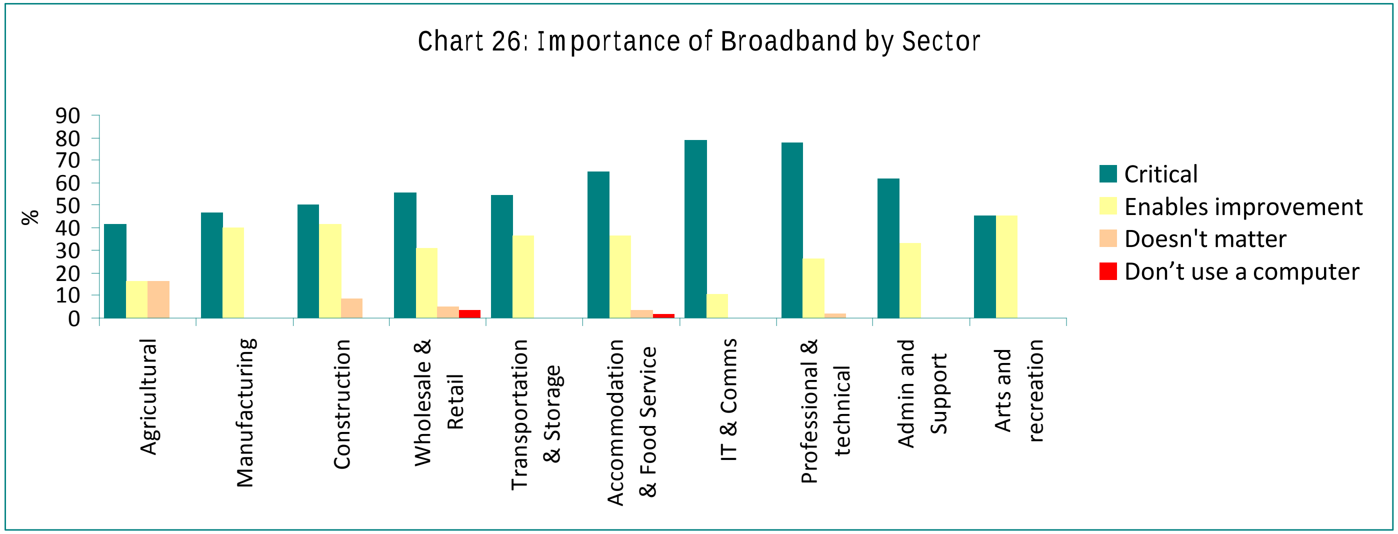
7.5.7. The most popular places for businesses to consider as locations within the South Hams and West Devon are Totnes, Kingsbridge and Dartmouth, with Tavistock and Okehampton a little lower down.

7.5.8. A significant proportion of businesses are interested in relocating outside the districts, mainly in Plymouth and Torbay.

8. COMPUTERS AND BROADBAND

8.1. The Significance of Broadband to Businesses

8.1.1. Businesses had varying views about the importance of broadband, with notable differences between business sectors, as shown in the chart below.[31]



8.1.2. Across all of the sectors, businesses were most likely to report that broadband is critical to their business, although at slightly lower levels than the 91% of businesses that reported this nationally.[32]

8.1.3. This result is most pronounced for ICT businesses and professional & technical services, which whilst unsurprising, is important because these are also the sectors which offer the highest salaries for their staff and have a disproportionately high impact on GVA in the area.

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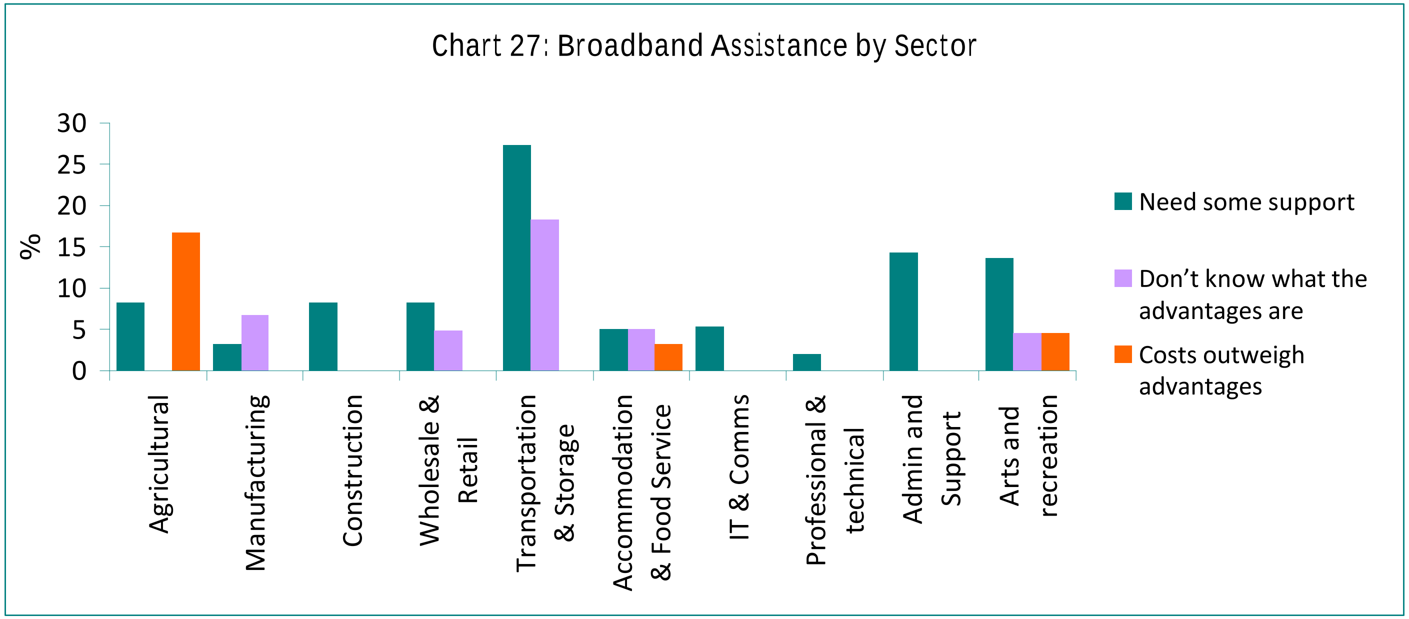
[31] Respondents could select as many answers as were relevant to them, and the perentages are of the total number of businesses
[32] Source: Voice of Small Business Panel Broadband, 2012. FSB

8.1.4. In addition, for all of the manufacturing, transportation & storage, administrative & support and creative businesses, broadband was considered either critical or extremely important in terms of future improvement and sustainability, and no businesses from these sectors reported that Broadband doesn't matter or that they don't use a computer.

8.1.5. In this survey, very few businesses reported not using a computer at all. Those that did were from the wholesale & retail and accommodation & food service sectors. It is surprising that any business reported this given that this was an online survey.

8.1.6. For some businesses the main constraint was availability of broadband, with 7 (2%) businesses reporting that broadband was not available to them. This was reported most frequently in the West Devon postcode area of EX20 at 29% and the South Hams post code area of PL21 area at 29%.

8.1.7. There were also options that enabled businesses to report if they needed some assistance, including financial support, to make use of broadband, as shown in the chart below.



8.1.8. Businesses in all sectors reported they would need some support to make best use of broadband for their businesses, the sectors most likely to report the need for this assistance were from transportation & storage, accommodation & food service and creative sectors.

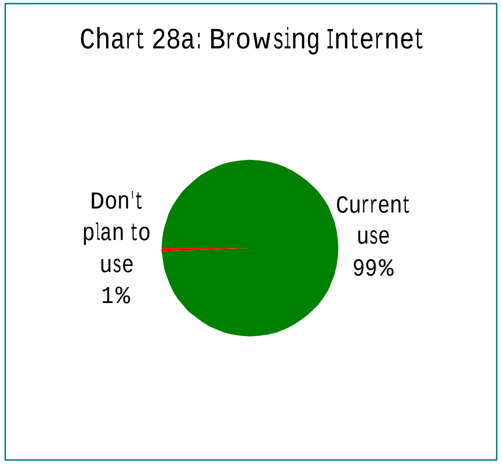
8.1.9. Businesses in the wholesale & retail and accommodation & Food service sectors were most likely to report that they don't know what the advantages of Broadband are.

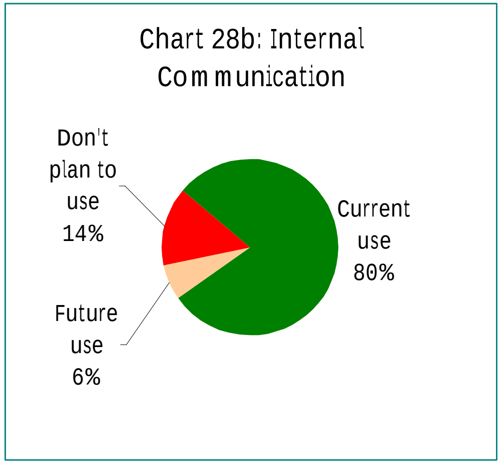
8.1.10. Agricultural businesses reported most frequently that the costs of broadband outweigh the advantages, and the only other sectors where this was reported at all were the accommodation & food service and creative sectors.

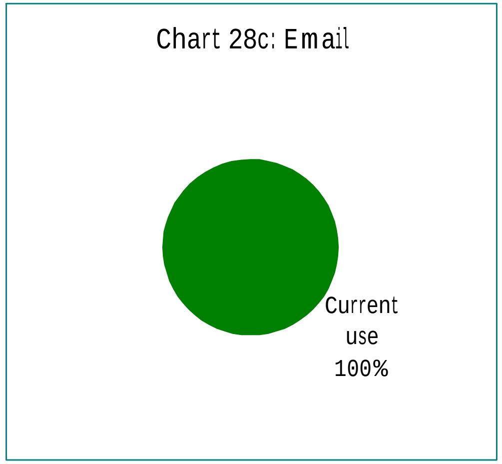
8.1.11. For those businesses benefitting from broadband, the nature of their use of the technology both now and in the future was reported, and is considered in the following sections.

8.2. Basic Use of Broadband

8.2.1. Basic use covers general browsing on the internet, internal business communication and general email use, and the results are shown in the charts below.







8.2.2. 100% of respondents reported using broadband for general email communication, and over 80% of businesses also use it to browse the internet and for internal communication.

8.2.3. Of the businesses that don't plan to use broadband for internal communication, 21% are from accommodation & food services and 13% are from the professional & technical sector. For the professional & technical sector this may link to the high proportion of SoHo businesses, where internal communication is not relevant.

8.3. More Advanced Communication

8.3.1. More advanced communication includes communication with customers, online banking, online purchasing and official reporting, such as tax returns, and the results are shown in the charts below.

Chart 29a: Communication with customers

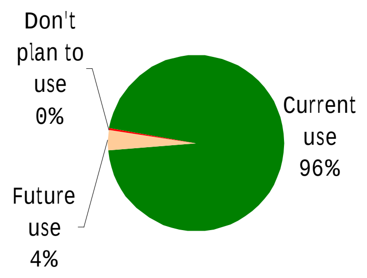


Chart 29b: Online banking

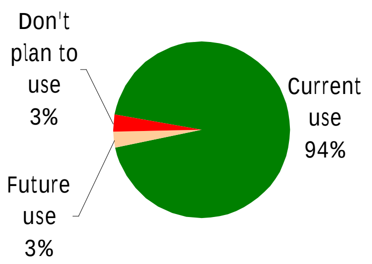


Chart 29c: Online purchasing

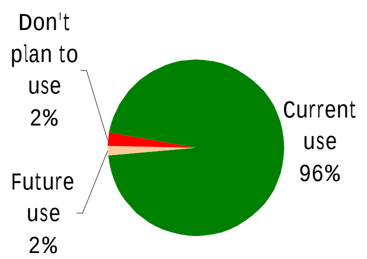
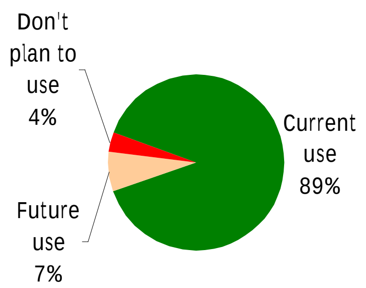


Chart 29d: Official reporting

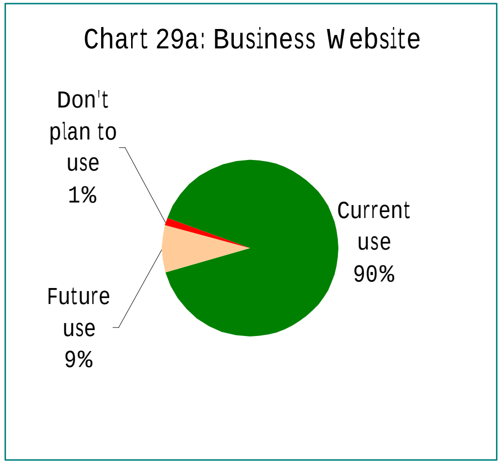


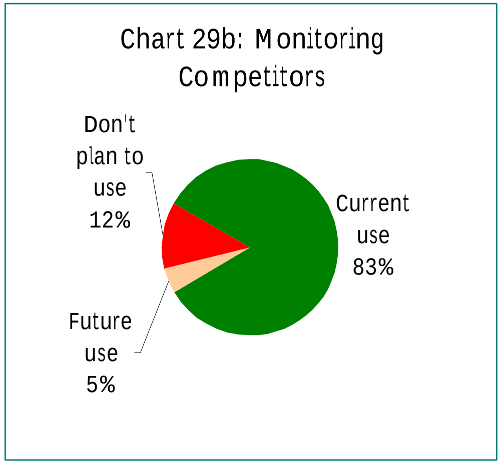
8.3.2. Over 90% of businesses are currently using Broadband for all types of more advanced communication (89% for official reporting).

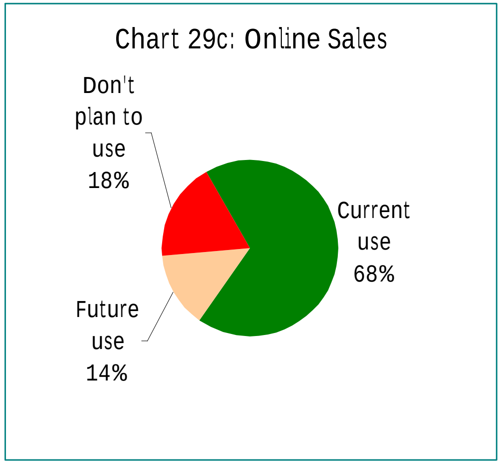
8.3.3. 7% of businesses are planning to use Broadband for Official Reporting in the future; of these businesses 20% were from the accommodation & food service sectors and 15% were from agricultural and professional & scientific sectors.

8.4. Advanced Business Use

8.4.1. Advanced business use includes having a web presence, monitoring competitors and online sales, and the results are shown in the charts below.







8.4.2. Over 80% of businesses use broadband for their own business website and to monitor competitors.

8.4.3. An additional 9% of businesses were planning to use broadband for maintaining their web presence in the future; mainly from the professional & technical and wholesale & retail sectors.

8.4.4. Agricultural, wholesale & retail, professional & technical and administrative & support sectors (all at 15%) were most likely to report that they are planning to use broadband for monitoring their competitors in the future.

8.4.5. The least frequent use for a broadband connection is online sales, with 68% of businesses reporting they currently use it for this purpose, 14% intend to use it in the future and 18% don't plan to use it all.

8.4.6. Of those that planned to develop online sales, most were from the professional & technical (27%) and manufacturing (14%) sectors.

8.4.7. More specific questions were also asked about the future plans for internet trading, and these are compared with the results from the previous surveys as shown below:

Internet Trading	South Hams				West Devon				Total			
	2012		2009	2006	2012		2009	2006	2012		2009	2006
	No	%	%	%	No	%	%	%	No	%	%	%
Have established already	45	36.3	23.8	27.2	49	45.4	22.5	27.7	98	40	25.6	25.8
Plan to establish within 12 months	30	24.2	19.9	19.3	25	23.1	14.0	14.7	60	24.5	17.0	16.3
Plan to establish within 3 years	7	5.6	8.6	6.6	5	4.6	10.1	6.7	15	6.1	8.0	7.5
Not planning	42	33.9	47.6	46.9	29	26.9	53.4	50.8	72	29.4	49.5	50.3

8.4.8. 40% of businesses had already established plans for internet trading, with a further 31% planning to develop internet trading within the next 3 years.

8.4.9. In contrast, 29% had no plans to trade on the internet at all

8.4.10. Since 2006, there has been an overall rise of 14% in businesses developing internet trading and a rise of 7% planning to develop internet trading within the next 3 years.

8.4.11. The proportion of West Devon businesses planning to offer internet trading had risen by 23% from the 2009 survey (from 22% to 45%).

8.4.12. South Hams businesses were more likely to report that had no plans to develop their internet trading than West Devon businesses (34% compared to 27%).

8.4.13. Accommodation & food service and wholesale & retail businesses were most likely to have developed their internet trading (at 70% and 61% respectively).

8.4.14. None of the agricultural businesses that responded had any plans to develop internet trading.

8.5. Satisfaction with Broadband

8.5.1. Businesses were asked to report on their satisfaction with both the speed and reliability of their current connection, as shown in the chart below.

Chart 30: Satisfaction with Broadband

8.5.2. The satisfactions ratings for reliability were higher than those for speed for all businesses.

8.5.3. The overall level of satisfaction compared poorly with the 60% satisfaction levels found among small businesses nationally.[33]

8.5.4. Satisfaction levels were lower in West Devon than the South Hams.

8.5.5. Businesses reporting that they were very satisfied with the speed of their Broadband connection were low, but those more likely to report this were from the post code areas of PL21 (South Hams), TQ13 (West Devon), TQ6 (South Hams) and TQ9 (South Hams); at 3%, 6%, 3% and 5% respectively.

8.5.6. Businesses from the post codes areas of EX20 (West Devon), PL19 (South Hams) and PL6 (South Hams) were more likely to report they were very dissatisfied with the speed of their Broadband connection (at 40%, 37% and 33% respectively).

[33] Source: Voice of Small Business Panel Broadband, 2012. FSB

8.5.7. Businesses from the post codes areas of PL18 and PL9 (both South Hams) were more likely to report they were very satisfied with the reliability of their Broadband connection (100% and 44% respectively).

8.5.8. Businesses from the post codes areas of PL6 (South Hams) and EX20 (West Devon) were more likely to report they were very satisfied with the reliability of their Broadband connection (33% and 19% respectively).

8.5.9. Businesses also made general comments about their broadband use.

What do you currently use your connection for?

"Keeping up with industry performance and standards".
B&B, South Hams

"The current speed of broadband available to me is entirely adequate. Superfast broadband is nice but unnecessary, having it would not actually impact on my profitability".
Office Supplies, West Devon

"Online course booking etc. Internet access is vital for my business and a faster broadband speed would make statutory reporting and business communication much more efficient and productive". Business consultant, South Hams

"We could not be here without Broadband even if it is very slow by modern standards".
Commercial Retailer, South Hams

8.6. Summary

8.6.1. Whilst the use of broadband is considerably higher than has been found in previous surveys, there is still room for further development, and businesses from all sectors reported they would need some support to make best use of Broadband for their businesses.

8.6.2. The least developed area of broadband use is online sales, although businesses attitudes to internet trading have become considerably more positive since the 2006 survey, and the majority of businesses have either already developed internet trading or plan to do in the next three years.

8.6.3. Businesses are more satisfied with the reliability of broadband than with speed.

8.6.4. West Devon businesses were more dissatisfied with all aspects of broadband than the South Hams businesses.