Arsyllfa Wledig Cymru
Wales Rural Observatory

CHANGE IN RURAL BUSINESSES

2004 - 2007

August 2008

Report 18

Prifysgol Aberystwyth University

Cardiff University Prifysgol Caerdydd

Cronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig: Ewrop yn Buddsoddi mewn Ardaloedd Gwledig
The European Agricultural Fund for Rural Development: Europe Investing in Rural Areas

Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Contents

1. INTRODUCTION

1.1 Introduction

The aim of this report is to examine changes in the state of businesses in rural Wales for the period August 2004 to August 2007. As a part of its programme of research for the Welsh Assembly Government, the Wales Rural Observatory [WRO] conducted a survey of 1008 businesses in rural Wales during 2004, followed by a similar survey of 1034 businesses in 2007. This report makes some comparisons between the findings of the two WRO Rural Business Surveys.

The structure of the report is as follows. Following this Introduction, Section 2 consists of an outline of the methods used. Section 3 provides the broad context for change in the economic climate for businesses in rural Wales, between 2004 and 2007. The analysis in Section 4 examines change on two levels. First, it examines change in terms of the total WRO survey populations for 2004 and 2007. Second, data for a longitudinal sample (118 businesses who responded to both the 2004 and 2007 surveys) are examined. Finally, Section 5 contains some closing remarks.

2. METHODS

As mentioned above, the WRO Rural Business Survey 2004 had 1008 respondents and the 2007 survey had 1034 respondents. Included in the numbers of respondents were 118 businesses who participated in both 2004 and 2007. The surveys were, then, comparable in size and both were concerned with the state of businesses in rural Wales. However, there were differences between the questionnaires for the two surveys. An examination of the 2004 and 2007 questionnaires revealed the following subject areas for comparison:

- Qualifications of owners
- VAT registration
- Turnover (predictions against out-turns)
- Profit (predictions against out-turns)
- Expansion of business
- Opinion of Business Support Advice
- Sponsorship by business
- Research & Development
- Numbers & categories of Employees
- Shortages of Skilled Workforce
- Distance of Customers
- Distance of Suppliers
- Proportions of sales from types of customer
- Media used for advertising for Recruitment
- Media used for advertising for Sales
- Advantages and disadvantages of basing business in rural Wales

Within these subject areas there were a number of questions. Some of these questions were identical for 2004 and 2007, some were directly comparable, and some required interpretation. In Section 4, comparisons are made between the results at two levels:

1. For the total WRO survey populations for 2004 and 2007.
2. For the longitudinal sample of 118 businesses.

To set the context for business change in rural Wales, Nomis [1] data were interrogated for 2004 and 2007 across the following economic criteria:

- Economic activity rate - working age
- Employment rate - working age
- % of working age who are employees
- % of working age who are self employed
- Unemployment rate - working age
- Unemployment rate - 16+
- % who are economically inactive - working age
- % of working age who are economically inactive - want a job
- % of working age who are economically inactive - do not want a job
- VAT registrations/deregistrations

Note that the 2004 WRO Business Survey defined rural Wales as the following nine local authorities: Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Monmouthshire, Pembrokeshire and Powys. To ensure parity, Section 3 of this report, which sets the context for change, also defines rural Wales using these nine local authorities.

3. THE CONTEXT FOR CHANGE IN RURAL WALES

Table 3.1 below shows the changes in rural Wales, between 2004 and 2007, across a range of economic indicators. Data are also shown for all-Wales.

Table 3.1

	2004 Rural	2007 Rural	2004 Wales	2007 Wales
Economic activity	75.4%	76.1%	74.9%	75.1%
Employment rate	72.3%	72.6%	71.2%	70.9%
Employees	58.4%	59.8%	62.1%	61.7%
Self-employed	13.4%	12.2%	8.6%	8.6%
Un -working age	4.1%	4.7%	4.9%	5.7%
Un - 16+	3.9%	4.5%	4.8%	5.5%
Economically inactive working age	24.6%	23.9%	25.1%	24.9%
Economically inactive – want a job	4.2%	4.5%	5.6%	5.6%
Economically inactive – do not want a job	20.4%	19.4%	19.6%	19.2%
VAT registrations	2760	2620 *	7010	6610 *
VAT deregistrations	2380	2300 *	5630	5270 *
VAT net change reg – dereg	380	320 *	1380	1340 *
VAT end of year stock	41640	42230 *	82310	84945 *

Data source: Nomis
* 2006 data - latest available

The Nomis data show that, in general terms, rural Wales out-performed all-Wales in both 2004 and 2007. For example, a greater proportion of the working age population of rural Wales were economically active than for all-Wales, and the results for rural Wales compared favourably with all-Wales for the categories of Employment Rate and Unemployment. However, rural Wales did not perform as well on the breakdown of Economic Inactivity. Here, in rural Wales smaller proportions 'wanted a job' and greater proportions 'did not want a job' than for all-Wales. Significantly greater proportions were Self-employed in rural Wales than for all-Wales.

[1] The National On-line Manpower System [Nomis] is a labour statistics database provided by the Office for National Statistics.

In terms of change in rural Wales, between 2004 and 2007 both Economic Activity and Employment Rate increased by small amounts but the Unemployment rate also rose, albeit by less than a percentage point. The rate of Economic Inactivity decreased by a small a mount, and the out-turns for the breakdown of Economic Inactivity into 'wanted a job' and 'did not want a job' both moved in favourable directions. There was a reduction of 1.2 percentage points in Self-employment.

At the time of writing, the latest available Nomis data for VAT registrations was for 2006. Overall, the end-of-year stock of VAT registered businesses for 2006 was greater than the stock for 2004. However, fewer businesses registered for VAT in 2006 than in 2004 and while there were also fewer deregistrations, the net change (registrations minus deregistrations) was smaller in 2006 than in 2004. The indications were that while the stock of VAT businesses was increasing, the rate of increase was slowing down.

4. Change in businesses in rural Wales on two levels

In the following analysis, comparisons are made between the results of the 2004 and 2007 WRO rural business surveys at two levels:

1. For the total WRO survey populations for 2004 and 2007.
2. For the longitudinal sample of 118 businesses.

As mentioned in the Introduction, some of the longitudinal questions could be read directly from 2004 to 2007, while others required interpretation.

4.1 Qualifications

Table 4.1 Highest Qualifications held by all business owners

	2004	2007
Post Graduate Degree/ NVQ Level 5	9%	18%
Degree/ NVQ Level 4	21%	22%
A Levels/ NVQ Level 3	16%	11%
GCSEs/ NVQ Level 1 – 2	22%	23%
None	21%	17%
Other	11%	8%

Both surveys asked for the highest qualifications held. There was a notable increase of nine percentage points for business owners with a post-graduate degree or equivalent.

Table 4.2 Highest Qualifications held by the longitudinal sample of business owners

	2004	2007
Post Graduate Degree/ NVQ Level 5	4	16
Degree/ NVQ Level 4	46	35
A levels/ NVQ Level 3	15	14
GCSEs/NVQ Level 1-2	24	30
None	14	11
Other	7	7
Did not respond	8	5
Total	118	118

Apparently, 12 of those business owners who responded to both surveys had gained a post-graduate degree since 2004.

4.2 VAT registrations

The number of VAT registrations provides an indication of the health of the business sector.

Table 4.3 VAT registrations – all respondents

	2004	2007
Yes	69%	62%
No	31%	38%
Total	1008	1034

There was a reduction of seven percentage points for VAT registered businesses between 2004 and 2007. This indication of a downturn accords with the observations in Section 3 of this report concerning the apparent slowing down of the rate of increase of VAT registrations.

4.3 Turnover and Profit

The questions regarding turnover and profit were asked in different ways in 2004 and 2007. In 2004, respondents were asked to predict whether or not their turnover and profit would increase, decrease or remain unchanged in the next five years. However, in 2007 respondents were asked whether or not their turnover and profit had increased, decreased or remained unchanged in the last five years.

Although the period between the surveys was three rather than five years, comparing predictions with outcomes allows an indication of trends.

Table 4.4 Turnover and Profit – all respondents

	Turnover		Profit	
	2004 Prediction	2007 Outcome	2004 Prediction	2007 Outcome
Increase	69%	58%	64%	42%
Decrease	11%	18%	13%	27%
No change	20%	24%	23%	31%

Table 4.4 shows that the 2004 predictions tended to be optimistic. In terms of turnover, a smaller proportion increased turnover than predicted, complemented by more businesses with decreased or unchanging turnovers. Similar trends were observed in terms of profit.

However, it should be noted that the 2004 survey population was, in the main, not the same population as that in 2007. Consequently, these were only indicative trends. Table 4.5 below shows these results for the **longitudinal** respondents, which should have shown a more accurate picture.

Table 4.5 Turnover and Profit – longitudinal respondents

	Turnover		Profit	
	2004 Prediction	2007 Outcome	2004 Prediction	2007 Outcome
Increase	76%	61%	70%	43%
Decrease	8%	19%	12%	26%
No change	16%	20%	18%	31%

For the **longitudinal** respondents the disparity between optimistic prediction and actual outcome was marked. In terms of turnover, 76% predicted an increase in 2004 but 61% achieved it, while the proportion of those with decreased turnover was 11 percentage points higher than predicted. With regard to profit, 70% had predicted an increase but 43% achieved this aim; more than twice as many recorded a decrease in profit than predicted; and the proportion of those whose profits had not changed was 13 percentage points higher than predicted. For this group of respondents, business appeared to be slowing down.

4.4 Expanding the rural business

Similarly to the analysis of turnover and profit above, this section compares predictions made in 2004 with outcomes recorded in 2007. In **2004** respondents were asked whether or not they would consider expansion of their business. Respondents to the **2007** survey were asked whether their business had expanded or contracted in the last five years. In addition they were asked whether or not they planned to expand their business in the next two years.

Although the period between the surveys was three rather than five years, Table 4.6 presents data that compare predictions with outcomes and allow an indication of trends in business optimism. Table 4.7 presents these data for the **longitudinal** business respondents.

Table 4.6 Predictions and Outcomes for Business Expansion –all respondents

	2004 Prediction	2007 Outcome	2007 Prediction
Proportion of Businesses Expanding	63%	51% *	43%

** 14% of businesses had contracted over the last five years*

Table 4.7 Predictions and Outcomes for Business Expansion – longitudinal respondents

	2004 Prediction	2007 Outcome	2007 Prediction
Proportion of Businesses Expanding	69%	55% *	42%

** 16% of businesses had contracted over the last five years*

From the tables it is apparent that business optimism was not matched by outcomes over the period 2004 to 2007. Additionally, in **2007** a smaller proportion of businesses were predicting expansion of their business. The longitudinal respondents were slightly higher in both prediction and outcome, but were also more cautious in predicting the next two years.

4.5 Opinion of Business Support Advice

The questions in this category for 2004 and 2007 were directly comparable. Respondents were asked to rate the quality of business support and advice available from a range of agencies. Table 4.8 shows the comparative results.

Table 4.8 **Rating the quality of business support and advice – all respondents**

	National Public Bodies		Local Authorities		Enterprise Agencies		Unions/ Chambers of Commerce		Trade Organisations	
	2004	2007	2004	2007	2004	2007	2004	2007	2004	2007
Very Good	4%	5%	4%	3%	3%	2%	2%	1%	6%	6%
Good	10%	10%	10%	11%	9%	7%	5%	4%	19%	18%
Satisfactory	24%	22%	31%	27%	22%	23%	22%	18%	23%	25%
Bad	12%	11%	18%	15%	15%	12%	12%	9%	10%	7%
Very Bad	9%	6%	9%	10%	7%	6%	5%	4%	3%	3%
Never Used	41%	46%	27%	34%	45%	50%	53%	64%	40%	42%

Overall, there was little difference between the 2004 and 2007 results. In both surveys, of those respondents that used these services, the highest proportions rated the agencies as ‘satisfactory’ and there was a tendency for greater proportions to rate services as ‘bad’ or ‘very bad’ rather than ‘good’ or ‘very good’. However, for each of the two surveys and for each of the agencies, by far the largest proportions did not use the agencies. This trend of not using business support agencies was actually more marked in 2007.

Table 4.9 **Rating the quality of business support and advice – longitudinal respondents**

	National Public Bodies		Local Authorities		Enterprise Agencies		Unions/ Chambers of Commerce		Trade Organisations	
	2004	2007	2004	2007	2004	2007	2004	2007	2004	2007
Very Good	2%	4%	2%	0%	3%	1%	1%	0%	3%	5%
Good	14%	7%	14%	10%	10%	7%	4%	2%	19%	19%
Satisfactory	25%	19%	38%	25%	25%	24%	20%	17%	25%	23%
Bad	14%	8%	15%	12%	22%	10%	17%	8%	16%	8%
Very Bad	8%	8%	8%	11%	6%	3%	4%	3%	2%	3%
Never Used	36%	44%	22%	32%	33%	43%	51%	60%	33%	32%

For the **longitudinal** respondents, the overall ratings of business support and advice agencies were similar to those for the total survey populations of 2004 and 2007. Again, for those respondents that used these services, there was a preponderance of ‘satisfactory’ ratings, and the ‘bad’ end of the ratings tended to outweigh the ‘good’ end, except for the category of Trade Organisations, which performed well in 2007. However, as with the total survey populations, the proportions of businesses that did not use the business support and advice agencies were in the majority for each type of agency, with the exception of Local Authorities in 2004 where ‘satisfactory’ outweighed ‘never used’. Moreover, with the exception of Trade Organisations, where there was a one percentage point improvement in use, each of the categories of agency witnessed a decline in use of between eight to ten percentage points.

4.6 Sponsorship

For both the 2004 and 2007 surveys, respondents were asked whether or not they sponsored local community activities, clubs, events or teams.

Table 4.10 Sponsorship of community activiti es - all respondents

	2004		2007	
Yes	448	44%	543	53%
No	560	56%	491	47%

There was an increase of nine percentage points in the proportion of businesses that sponsored local activities, for all survey respondents.

For the **longitudinal** respondents there was no change, implying that none of the longitudinal respondents had changed their decisions on sponsorship: 54% of the **longitudinal** respondents provided sponsorship, which was approximately the same proportion as the 2007 total survey population.

4.7 Research and Development

The 2004 and 2007 surveys sought information about Research and Development [R&D] in different ways. In 2004 respondents were asked, in broad terms, for some indication of their spending on R & D. The 2007 survey asked whether or not R & D spending had increased over the past five years. Table 4.11 shows these data for all the survey respondents.

Table 4.11 Research and Development spend – all respondents

2004	2004	2007	2007
Major spend	5%	Increased spend	15%
Minor spend	32%	Same spend	19%
		Decreased spend	2%
No spend	63%	No spend	64%

The R & D spend data for 2004 and 2007 were not comparable, except for 'No spend'. At 63% and 64% respectively these both represented high proportions of businesses not investing in R &D.

Table 4.12 shows the R& D data for the **longitudinal** respondents.

Table 4.12 Research and Development spend – all respondents

2004	2004	2007	2007
Major spend	5%	Increased spend	16%
Minor spend	37%	Same spend	15%
		Decreased spend	2%
No spend	58%	No spend	67%

The results for the **longitudina**l respondents showed a close correspondence with the total survey population. However, there had been an increase of nine percentage points in the proportion of the longitudinal businesses not spending on R &D.

4.8 Numbers and types of employees

Respondents to both surveys were asked for generic details of their employees. Table 4.13 shows these results.

Table 4.13 Employees – all respondents

	Regular Full-time				Regular Part-time				Seasonal Full-time				Seasonal Part-time				Casual
	2004		2007		2004		2007		2004		2007		2004		2007		2007 only *
Male	4448	**54%**	5178	**84%**	1553	**19%**	643	**10%**	1103	**13%**	171	**3%**	1114	**14%**	138	**2%**	287
Female	2897	**36%**	2453	**56%**	2795	**35%**	1573	**36%**	1084	**14%**	82	**2%**	1232	**15%**	252	**6%**	298
Total	7345	**45%**	7631	**73%**	4348	**27%**	2216	**21%**	2187	**13%**	253	**2%**	2345	**14%**	390	**4%**	585

**The 2004 survey did not request details of Casual employees*

Total employee numbers were down from 16,225 for 1008 businesses in 2004 to 11,075 for 1034 businesses, in 2007. The only employee category to increase in numbers between 2004 and 2007 was Male Regular Full-time, which resulted in an increase in the combined numbers for Male and Female Regular Full-time employees (Female Regular Full-time showed a decrease). All of the other categories had severe declines in numbers of employees. There were ordinal changes in the relative proportions of some categories.

Table 4.14 Employees – longitudinal respondents

	Regular Full-time				Regular Part-time				Seasonal Full-time				Seasonal Part-time			
	2004		2007		2004		2007		2004		2007		2004		2007	
Male	586	**83%**	541	**88%**	87	**12%**	62	**10%**	14	**2%**	6	**1%**	19	**3%**	7	**1%**
Female	288	**46%**	310	**54%**	302	**49%**	241	**42%**	4	**1%**	1	**>1%**	28	**5%**	21	**4%**
Total	874	**66%**	851	**72%**	389	**29%**	303	**25%**	18	**1%**	7	**1%**	47	**4%**	28	**2%**

For the **longitudinal** respondents total employee numbers dropped from 1328 in 2004 to 1189 in 2007. All categories of employees had declined in numbers, except ‘Female Regular Full-time’, which increased by 22 employees: eight percentage points.

4.9 Recruiting a Skilled Workforce

The recruitment of a skilled workforce is important for businesses. Both the 2004 and 2007 surveys sought information on this issue, but in different ways. The **2004** survey contained three questions of relevance.

‘Have problems been experienced in recruiting employees’? This elicited a positive response from 56% of the businesses surveyed.

Of those who had experienced problems recruiting employees, 62% stated that there was a shortage of applicants; 48% stated that applicants lacked academic and professional training; and 65% stated that applicants lacked appropriate work experience.

In response to a question about constraints on their business, 48% of respondents stated that (a lack of) a skilled workforce had constrained their business.

Finally, in **2004**, 37% of businesses considered that they had good access to a skilled workforce; 28% that they had bad access; and 35% considered the situation to be satisfactory.

The **2007** survey contained two questions relevant to the issue of employing a skilled workforce.

In response to the statement 'It is difficult to recruit skilled employees', 63% agreed to some degree; 16% disagreed; and 21% had no strong opinion.

For a second statement on the issue, 'There is a shortage of applicants for work', 55% agreed; 13% disagreed; and 32% neither agreed nor disagreed.

With regard to the **longitudinal** respondents to the survey, in **2004** 64% had experienced problems in recruiting employees. Of those who had experienced recruitment problems, 33% stated that applicants lacked appropriate academic and professional training; and 69% stated that applicants lacked appropriate work experience.

In response to the question concerning constraints on their business, 56% of respondents stated that (a lack of) a skilled workforce had constrained their business.

For the **longitudinal** respondents, in **2004**, 36% of businesses considered that they had good access to a skilled workforce; 33% that they had bad access; and 31% considered the situation to be satisfactory.

In **2007**, in response to the statement 'It is difficult to recruit skilled employees', 68% of the longitudinal respondents agreed to some degree; 16% disagreed; and 16% had no strong opinion.

Regarding the second statement on the issue, 'There is a shortage of applicants for work', 58% of the longitudinal respondents agreed; 13% disagreed; and 29% neither agreed nor disagreed.

Although the 2004 and 2007 questions were not directly comparable, there were strong indications from both surveys, including the longitudinal dimension, that businesses in rural Wales were continuing to experience problems with recruitment *per se*, and with the recruitment of skilled employees.

4.10 Distances of suppliers and customers from businesses

The distances that suppliers to rural businesses have to cover provide an indication of the size of the networks required to maintain rural communities.

Similarly, the distances at which rural businesses service their customers provide an indication of the resources required to run a rural business.

In Tables 4.15 and 4.16 businesses have been placed in a distance category if the majority of their customers and/or suppliers fell into that distance category.

Table 4.15 Distances of suppliers and customers from rural businesses – all respondents

Distance in miles	Suppliers		Customers	
	2004	2007	2004	2007
Less than 20	25%	25%	55%	47%
20 -60	15%	13%	8%	1%
More than 60	33%	1%	12%	2%
Outside UK	4%	3%	1%	2%

Table 4.16 shows the distances of suppliers and customers from the **longitudinal** sample of respondents for 2004 and 2007.

Table 4.16 Distances of suppliers and customers from rural businesses – longitudinal respondents

Distance in miles	Suppliers		Customers	
	2004	2007	2004	2007
Less than 20	30%	27%	52%	46%
20 -60	15%	11%	12%	13%
More than 60	32%	37%	13%	15%
Outside UK	3%	3%	1%	0%

This particular group of businesses exhibited little variation in their patterns of suppliers and customers between 2004 and 2007. The majority of their customers remained close to home. They conducted a small amount of business outside the UK, with customers dropping to 0 % in 2007.

4.11 Types of customer

Table 4.17 shows the proportions of the total survey population of businesses that had a majority of types of customer.

Table 4.17 Types of customer – all respondents

Type of customer	2004	2007
Private customers and households	81%	71%
Shops	3%	2%
Small businesses excluding shops	3%	5%
Larger businesses	3%	10%
Public sector (e.g. local authority)	5%	7%
Wholesale/Distributor	3%	3%
Other	2%	2%

Although private customers remained the principal sales outlet for most businesses there was a drop of ten percentage points in this category. This appeared to have been compensated for by more businesses selling to the categories of other businesses, particularly larger businesses, and the public sector.

Table 4.18 Types of customer – longitudinal respondents

Type of customer	2004	2007
Private customers and households	64%	64%
Shops	3%	2%
Small businesses excluding shops	3%	3%
Larger businesses	1%	3%
Public sector (e.g. local authority)	6%	3%
Wholesale/Distributor	0%	2%
Other	3%	2%

The longitudinal respondents displayed no significant differences between 2004 and 2007. There was, however, a decrease of three percentage points in public sector customers, and some (2%) of these respondents had started to do business with wholesale/distribution sector.

4.12 Advertising for employees

Respondents to both surveys were asked what media they used to advertise for employees. Table 4.19 shows these results.

Table 4.19 Proportions of all respondents using different types of media to advertise for employees

	Local Newspapers	National Newspapers	Local Radio/TV	Internet	Word of mouth	None
2004	50%	4%	4%	7%	59%	19%
2007	44%	5%	2%	12%	70%	10%

The most noticeable differences between the 2004 and 2007 surveys were the increases in use of the Internet and 'word of mouth', together with the decline in the use of local newspapers, which might have been compensated for by the increase in Internet advertising, although this was still relatively low.

Table 4.20 Proportions of longitudinal respondents using different types of media to advertise for employees

	Local Newspapers	National Newspapers	Local Radio/TV	Internet	Word of mouth	None
2004	55%	6%	5%	8%	62%	16%
2007	40%	4%	0%	6%	81%	7%

For the **longitudinal** respondents, Internet use was surprisingly lower in 2007 than 2004, and only half of that for the total survey population. In this group of respondents 'word of mouth' recruitment advertising was exceedingly popular, while the use of local radio and TV ceased at some point between 2004 and 2007 for this group.

4.13 Advertising for sales

Respondents to both surveys were also asked what media they used to advertise to sell their products and services. Table 4.21 shows these results.

Table 4.21 Proportions of all respondents using different types of media to advertise for sales of products and services

	Local Newspapers	National Newspapers	Local Radio/TV	Internet	Word of mouth	None
2004	54%	7%	10%	31%	80%	9%
2007	42%	6%	8%	42%	64%	13%

Internet use for selling increased by 11 percentage points between 2004 and 2007 to equal the use of local newspapers. All other methods showed a decline in use over the period. In addition there was an increase in those not advertising at all.

Table 4.22 Proportions of longitudinal respondents using different types of media to advertise for sales of products and services

	Local Newspapers	National Newspapers	Local Radio/TV	Internet	Word of mouth	None
2004	46%	2%	8%	39%	84%	7%
2007	38%	4%	5%	43%	72%	9%

For the **longitudinal** respondents, Internet use increased and overtook the use of local newspapers. The use of other methods declined.

4.14 The advantages and disadvantages for businesses of rural Wales

In terms of the perceived advantages of running a business in a small town or a rural area, there were few significant changes between responses to the 2004 and 2007 surveys. Respondents to both surveys referred to the superior quality of life in rural areas, made even more pleasant by the beautiful inland and coastal scenery of rural Wales, and the pleasant small market towns. Other advantageous factors were the slower pace of life; a better work-life balance; and less crime than in more urban settings.

Some businesses argued that the smaller rural populations and concomitant strong community spirit led to the facilitation of local networks of family, friends, customers and suppliers, the building of a strong business reputation, and the high standards of local staff. In both 2004 and 2007 some respondents commented on the economic advantage of being a 'big fish in a small pool', together with lower costs, lower overheads, affordable premises and reduced or non-existent commuting times and costs. Some respondents liked doing business in rural Wales simply because they were Welsh and valued place identity.

One significant area of change between 2004 and 2007 was that some **2007** respondents pointed to advantages on the global scale of carbon costs and emissions, with several business owners highlighting the smaller carbon footprint of rural businesses.

There were no significant changes between the 2004 and 2007 surveys in terms of the perceived disadvantages of doing business in rural Wales. Those respondents who pointed to disadvantages tended to characterize rural Wales as having a low population density; a low wage economy; low disposable incomes; and high running costs. From these basic perceptions flowed arguments that there was a small customer base; that the small passing trade had a definite seasonal element; and markets were limited. On the supply side, it was argued that there was a lack of job applicants; a small pool of skilled labour; and perceived low educational attainment.

Other perceived disadvantages tended to refract some of the advantages discussed above. Notably, a proportion perceived close local networks as a disadvantage; implying that such networks could isolate those others outside the networks.

Perhaps reflecting the increased use of the internet for selling, the principal difference between 2004 and 2007 was that some **2007** respondents pointed to the inadequacy of Internet provision in rural Wales.

5. CLOSING REMARKS

This report discusses change in businesses in rural Wales by examining and comparing data from the WRO business surveys of 2004 and 2007. Some of these data were directly comparable, while some have had to be interpreted. Many of the report's findings were, therefore, not straightforward, but a number of trends were apparent.

For example, more business owners appeared to have gained higher degrees, and there was an overall rise in the levels of qualifications.

Consistent levels of sponsorship of community activities by rural businesses demonstrated that they remained embedded in their local communities.

Broadly, rural businesses in Wales retained similar profiles for their customers and suppliers between 2004 and 2007. With regard to employees, there was a general downturn in the numbers of employees, and businesses continued to report difficulties in employing appropriately skilled and educated people, or to find enough people to interview as potential employees. This would seem to accord with Nomis data for the period, which indicated trends of higher economic inactivity.

Nomis data also indicated a slowing down of the rate of increase of VAT registrations. Comparisons between the 2004 and 2007 surveys appeared to support this trend. In addition, the comparisons between 2004 predictions and 2007 outcomes for turnover and profit, and for business expansion, indicated that businesses had been unduly optimistic in 2004. Investment in Research and Development was low in both 2004 and 2007 surveys.

Finally, there were significant changes in the qualitative data between 2004 and 2007. In assessing the advantages and disadvantages of running a business in rural Wales, respondents adduced similar factors in 2004 and 2007. However, in 2007 there were references that indicated an increase in environmental awareness. The 2007 survey also witnessed references to Internet coverage; the effects, perceived by some as beneficial and by others as detrimental, of the Internet on business; and an increase in the use of the Internet by businesses in rural Wales.