

This report provides an overview of results from a survey of 1034 businesses in rural Wales undertaken by the Wales Rural Observatory [WRO] during 2007.

KEY FINDINGS

- The dominant types of businesses identified were in the Retail; Accommodation, Food and Drink; and Construction sectors.
- There were almost four times as many male business owners as female owners.
- 62% of businesses were VAT registered; 58% had increased turnover; and 42% had increased profits.
- 64% of businesses surveyed had employees - 68% of full-time employees were male and 71% of part-time employees were female.
- In terms of recruitment, businesses pointed to shortages of suitable applicants for jobs in rural Wales, coupled with a small pool of skilled labour and low educational attainment.
- Perceived threats to business included supermarkets, shortages of skilled, motivated and dedicated labour, and an ageing customer base.
- 50% of businesses had expanded over the past five years, and 40% of businesses planned to expand over the next two years.
- 61% of businesses recycled waste products.
- The advantages of rural Wales for business included scenic beauty, high quality of life, strong local community feeling, niche markets, lower costs and lower overheads.
- Concerns were expressed about low population density, a low wage economy, a small customer base, a reliance on seasonal working, and limited markets.

The Research

By a team at Cardiff University for the Wales Rural Observatory (WRO)



BACKGROUND

This is the second report produced by the WRO on businesses in rural Wales and provides an update on business activities since 2004. The survey on which the report is based is similar to that used in our previous (2004) survey, although new questions on business and the environment were added to the latest survey and businesses were given the option to complete the questionnaire electronically. As with the 2004 survey, it was requested that the questionnaire be completed by, or on behalf of, the business owner.

The definition of rural Wales used for this survey was broader than the previous and was based on that provided by the Welsh Assembly Government in its Consultation on the Draft Rural Development Plan for Wales (2007 – 2013).

METHODOLOGY

The 2007 Business Survey was designed as an integral part of the WRO work programme. Its underlying rationale was to provide a large volume of data on the state of rural businesses in Wales in 2007 and to examine changes since 2004.

The 2007 Business Survey aimed to investigate the state of rural business activities in Wales, where the business was not a farm. This involved exploring and quantifying the attitudes of rural business owners towards a range of business, economic and environmental issues, and ascertaining what changes have affected businesses in rural Wales.

In total, 8,000 businesses were contacted and 1034 responses were received. This response rate was comparable to the 2004 survey.

The Questionnaire

The questionnaire for the 2007 survey used the 2004 questionnaire as a basic template, but with a number of modifications and updates, including some new themes and areas for interrogation. There were eight sections in the questionnaire:

- Section 1 – A Profile of the Business and the Owner
- Section 2 – About your Employees
- Section 3 – Recruiting and Training your Employees
- Section 4 – Your Business Operations and Strategy
- Section 5 – Business Support
- Section 6 – Changes in Business Activities
- Section 7 – Your Business and the Environment
- Section 8 – Financial Information

FINDINGS

The State of Rural Business Activities in Wales

Types of Business in Rural Wales

In terms of the types of businesses surveyed, 62% were VAT registered and the dominant categories were Retail (20%); Accommodation, Food and Drink (17%); and Construction (10%).

Business owners were almost four times more likely to be male than female (79% against 21%) and the vast majority (71%) were aged 40 to 64 years. Comparing the 2004 and 2007 survey data, there appeared to be a trend towards an ageing population of business owners in rural Wales.

At 28%, a relatively small proportion of business owners had received formal business training. In addition, only 35% considered formal business training to be important and 25% thought that it was not important. These negative attitudes towards formal business training and practice tended to be carried over into the realm of business operations and strategy, where only 31% of businesses had a written business plan, and 18% had a written marketing plan.

In addition, 64% of respondents did not do Research and Development. The principal reasons given were a lack of resources, financial constraints and no apparent need.

Employees and Businesses in Rural Wales

Of the businesses surveyed, 64% had employees. In total, 663 businesses employed 11,075 employees. Reinforcing previous research, there were more full-time male employees than female (68% against 32%) and more part-time female employees than male (29% against 71%).

Word of mouth continued to be the most used method of recruitment; indeed, its use increased from 40% in 2004 to 43% in 2007. The majority of employees were recruited locally, with 64% recruited from within 10 miles of the workplace.

Returns were low for the Workers Registration Scheme [WRS], with 17 businesses employing a total of 74 WRS workers.

Customers and Suppliers

Seven out of ten businesses had customers within a 20 mile radius. Long distance customers tended to be less well represented, although 22% of businesses had international customers. Suppliers tended to be at a greater distance than customers, but only 13% of businesses had international suppliers. The Table below indicates the ranges of customers and suppliers.

| Range in miles | % of businesses with customers & suppliers at range | |
|----------------|---|-----------|
| | Customers | Suppliers |
| Less than 20 | 70% | 55% |
| 20 -60 | 62% | 50% |
| More than 60 | 53% | 58% |
| Outside UK | 22% | 13% |

Attitudes and Perceptions of Business Owners in Rural Wales

The Labour Market in Rural Wales

There appeared to be a degree of dissatisfaction with both the quality of potential employees and recruitment agencies. Half of the respondents agreed that there was a shortage of applicants for jobs and 63% agreed that it was difficult to recruit appropriately skilled employees. Informal networks for recruitment were generally preferred by businesses in rural Wales; 38% considered that the formal recruitment agencies (e.g. Jobcentres) did not provide good applicants, while only 13% considered that they did.

Advantages and Disadvantages of Rural Wales as a Location for Business

The main advantages of rural Wales as a business location identified by respondents were its scenic beauty, high quality of life and the strong sense of local community feeling. Economically, there were perceived advantages in being the leading players in smaller and niche markets, without competition from the large multiples, lower costs and overheads, affordable premises, and reduced or non-existent commuting times and costs.

The principal negative factors identified by businesses were low population density, low disposable incomes, a small customer base, reliance on seasonal working, and limited markets. In addition, there were perceptions of a small pool of skilled labour with low educational attainment. The remoteness of some rural locations incurred high fuel and commuting costs; poor roads; inadequate public transport; and generally poor access to transport and other services.

Factors such as the ageing rural population, the growing environmental sector, and the strength of Welsh identity and culture were seen as opportunities by some respondents and as threats by others.

Rural Businesses and the Welsh Assembly Government

Of the businesses surveyed, 2% had benefited directly from WAG financial initiatives, such as grants and loans. Some respondents criticised WAG for its focus on larger businesses, its marketing of initiatives and programmes, and its communications with businesses in general.

Rural Business and the Environment

Costs were held to be a disincentive to recycling, as was the regulatory regime for business waste recycling. Nevertheless, 61% of businesses in the survey recycled waste products. Slightly more than half of the businesses surveyed (53%) were participating in an environmental initiative such as tree planting, carbon offset or green power. However, despite increasing levels of environmental awareness and concern, over the last five years almost twice as many businesses had increased energy consumption as had achieved a decrease.

Internet use by Businesses

The Internet is a potentially useful tool for business and of the 67% of respondents with Internet access, 80% had increased use over the last five years. Some respondents complained of unreliable or non-existent Broadband access in rural Wales. Others harboured suspicions of both the Internet's efficacy as business tool and its potential for fraud.

Many of those who had increased their use of the Internet viewed it as a business necessity. They pointed to the advantages and ubiquity of e-mail and e-communications and the Internet's use for accounting and book-keeping, as an advertising medium, as means of communicating with both customers and suppliers, and as a research tool.

Financial Information

Over the last five years, 58% of businesses had increased turnover, and 42% had increased profits. Data analysis indicated that business operating costs had tended to rise.

Of the responding businesses, half had expanded over the past five years, 35% had stayed the same, and 15% had contracted.

Respondents pointed to new and expanding markets resulting from increases in segments of the population, such as students in some areas, and older people in rural Wales more generally. New and niche markets were forming for organic products and environmental and carbon neutral products and services. These factors contributed to business optimism, with 40% of respondents planning to expand their business over the next two years. In contrast, the 53% of respondents who predicted contraction pointed to factors such as an economic climate not conducive to business success, a shortage of skilled workers, and contracting markets.

Rural Businesses and Change

The positive changes for businesses during the last five years included changes in ownership, incorporation, partnership and related issues, new and larger premises, new products and other modes of expansion.

Negative changes for business cited included increased regulation, government policies and government intervention, the entrance of large competitors into local labour markets, and a general rise in costs, particularly energy costs.

The effects of some changes were not clear. For example, some businesses saw the introduction of broadband and improved Internet access as a benefit to their business; others argued that they had lost customers to Internet sales. Similarly, some businesses viewed the influx of labour from Eastern Europe as an opportunity, while others saw it as a threat.

For further information

The full report, Rural Business Survey 2008 is published by the WRO.

It is available free as a download from: www.walesruralobservatory.org.uk

Tel: 029 208 74970

email: wro@cardiff.ac.uk