



LEICESTER SHIRE
economic
partnership

Leicester & Leicestershire **business survey** **winter 2003/04**





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foreword

Leicester Shire Intelligence is pleased to present the Winter 2003/04 edition of the Leicester and Leicestershire Business Survey.

Our local business survey is conducted every six months and is one of the most comprehensive surveys available, reflecting the views of over 750 businesses. It provides a barometer of local business confidence and an overview of business performance and concerns. We have a set of core questions that we ask every six months, so that we can examine trends over time. However, we also like to include some topical issues, such as e-commerce, local procurement, image and identity.

The current survey has some encouraging messages. Business confidence is slightly higher than six months ago and there has been a marked improvement in optimism in the manufacturing sector. The service sector remains more confident than manufacturing. The increased optimism is in line with national surveys conducted by the CBI and British Chamber of Commerce. Many local businesses reported improved sales and profits and recruitment activity has increased in the last six months.

Leicester Shire Intelligence is a key project within the Leicester Shire Economic Partnership's (LSEP) strategy. It builds upon the successful work of the Leicestershire Economic Research Partnership (LERP).

The purpose of Leicester Shire Intelligence is to provide high quality research and intelligence about the sub region. A key role is to encourage the commissioning of collaborative research projects such as this business survey, to avoid duplication and also to fill gaps in our knowledge.

Nationally, GDP growth accelerated in each of the last three quarters of 2003 and looks set to grow at an even faster rate in the first quarter of 2004. The improving outlook of the major world economies will be a significant and positive factor for the UK economy this year. This should benefit the manufacturing sector as well as the service sector. Given the importance of the manufacturing sector to Leicestershire, this is very welcome news.

We hope that you find this publication useful. If you have any suggestions about ways to improve the survey or the presentation of information, please contact me, or one of the partners in the project. We welcome new ideas.



CAROLINE BOUCHER

Research Programme Manager
Leicester Shire Economic Partnership

key issues

General business conditions

- Business optimism has improved slightly since Summer 2003. Overall, views on optimism were mixed (balance +3%). 24% thought business conditions would improve compared to 21% who thought they would deteriorate over the next six months. Two in five (41%) thought there would be little change.
- The service sector was more optimistic than manufacturing. The optimism of manufacturers has increased over the past 6 months, whereas that in the service sector has remained flat. Pessimism within the textiles sector remains very low at -55%.

Sales and profits

- The balance of businesses reporting an increased turnover is 30% (from +27% in Summer 2003), whilst the balance of increased profits has remained at +19%.
- Half the sample reported an increase in turnover with 20% reporting a decrease.
- Outlook for both sales and profits has improved slightly over the last six months. The balance of optimism with regard to future sales is +42%, whilst that for improved profitability is +43%.

Main business concerns

- The main concerns for businesses are still red tape and competition. Attracting customers, winning orders and business generation are also of concern.
- Exchange rates continue to be of concern to exporters.

Export activity

- Export growth has continued to improve, with a balance of +19% of exporters showing an increase in export sales, compared to +13% six months ago.
- The outlook for exports is also positive, with a balance of +21% experiencing an increase in their overseas orders over the past six months.

Business finance and investment

- The cashflow position has changed little. 29% said their cashflow position had improved with 16% saying it had worsened.
- The percentage of firms working at less than 70% capacity has remained much the same at 17%.
- The balance of firms that have revised their investment plans upward is now 29%, higher than six months ago (+24%).

Price pressures and labour costs

- 26% of businesses have increased their prices compared with 10% who have decreased their prices.
- The main price pressures are raw materials and other overheads, little changed over the past six months.
- Wage rates have increased by 3.1% overall, lower than in the Summer 2003 survey.

The workforce

- The proportion of firms recruiting staff has increased to 62%. The percentage of recruiting firms reporting difficulties was 50%, higher than that reported six months ago.
- The greatest area of recruitment difficulty remained skilled manual workers and plant and machine operatives.
- 39% of firms agreed that skill shortages were having a serious impact on their business, much the same as six months ago.
- 26% had spent more than their usual amount on training in the past six months, again much the same as six months ago.

E-commerce

- Almost all staff in a quarter of companies use computers on a daily basis. Computers are not used on a daily basis in 9% of firms.
- The growth in web site ownership has flattened, now standing at 69%.
- 50% of internet users used Broadband, an increase from 43% in Summer 2003.
- Almost half the firms surveyed (47%) undertake transactions or exchange documents on line, 42% with customers and 40% with suppliers. 16% of firms were under pressure to trade on line.

Image & Identity

- 11% of firms thought the image and identity of Leicester and Leicestershire was crucial for the success of their business and 34% said it was important.
- 41% of firms thought Leicester was improving and 14% that it was worsening, with 31% saying it was standing still.

general business conditions

I am encouraged that the survey shows business confidence continuing to improve in Leicestershire as the prosperity of all Leicestershire's residents depends on local business leaders having the confidence to invest in their companies.

David Parsons,
Leader of Leicestershire County Council
and Chairman of the East Midlands Regional Assembly

Business optimism

Local business confidence has continued to fluctuate slightly and has increased marginally over the past six months. The balance of optimism (*) is +3%, compared with 0% in Summer 2003 and -13% (Winter 2002/03). Overall, 24% of respondents thought that general business conditions would improve, 21% that they would deteriorate and 41% thought they would not change much.

Service sector organisations are again more confident than manufacturing with the balance of optimism positive (9%, much the same as six months ago), but higher than a year ago. Manufacturing optimism has continued to increase, now standing at -9% compared with -18% six months ago and -35% a year ago (Winter 02/03).

Optimism is still very low in the textiles sub-sector (-55%), lower than 6 months ago but much the same as a year ago (Winter 02/03). The balance of optimism in electrical/engineering has remained much the same at -13% compared to -15% six months ago, with 13% of firms in this sector thinking conditions will improve compared with 26% which think they will get worse.

Financial and business services are slightly more optimistic than others, with 30% thinking conditions will improve and 13% that they will get worse. In the wholesale/retail sub-sector, 20% thought conditions would improve compared to 25% who thought they would get worse, a decline since the Summer 2003 survey.

Figure 1: Balance of business optimism

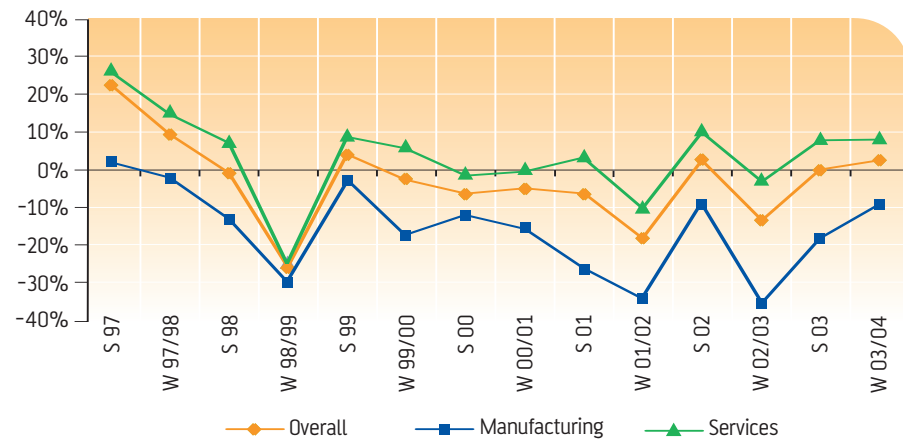
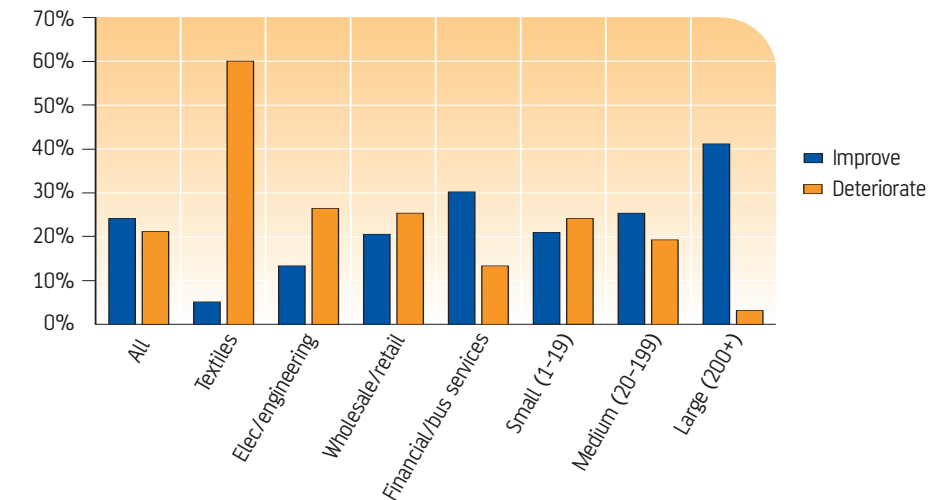


Figure 2: Percentage thinking business conditions would improve/deteriorate by size and sector



* Throughout this report balance data will be referred to. The balance is calculated by subtracting the percentage of businesses expecting a worse situation from those expecting an improvement.

sales and profits

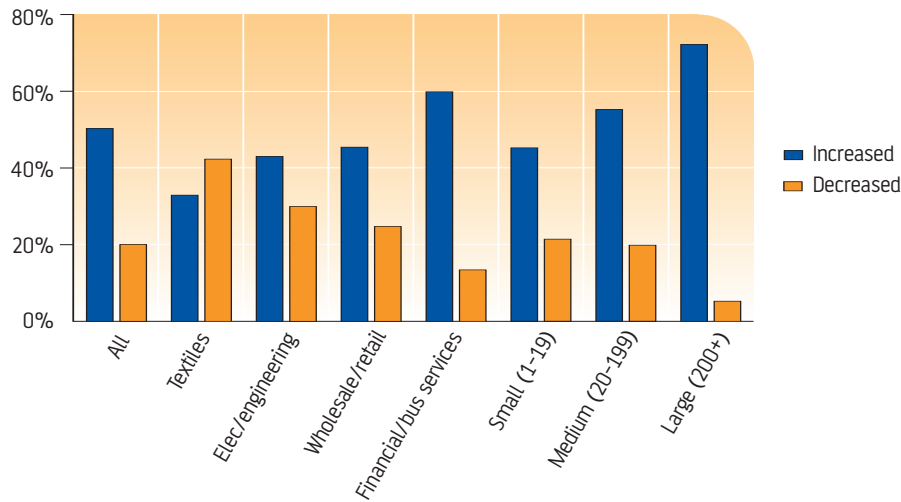
We are delighted with the increases in sales and profitability which reflect the positive outlook of our sub-regional economy. We must continue to identify and develop new sectors and provide support to sectors that provide the greatest opportunity for future growth. At the same time, we must offer support to the manufacturing sectors facing continued difficulties, by helping them to identify new products and markets.

Kishor Tailor
Chief Executive, LSEP

Sales performance

The position with regard to turnover has continued to improve although only slightly. The balance of businesses that reported increased turnover in the last six months is higher than reported in the Summer 2003 survey (+30%, compared with +27%). A total of 50% reported increased in turnover in the previous six months compared with 20% who reported a decrease. A total of 21% reported an increase on sales of more than 10%.

Figure 3: Balance of increase in sales over the last 6 months



Order intake

Just over a third (38%) of firms reported increased orders, advanced custom and advanced bookings in the last six months, slightly higher than in the previous six months.

In general, an increased number of firms were more positive regarding advanced orders over the next 6 months.

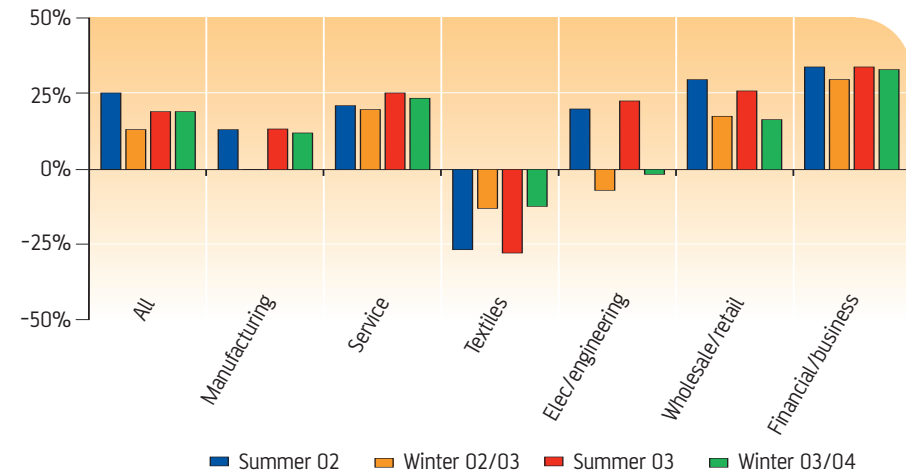
Profit performance

The balance of businesses that reported increased profits in the last six months was the same as was found in the Summer 2003 survey (+19%). However, this is slightly higher than a year ago (+13%). Overall, 43% reported an increase in profits and 24% a decrease. 17% reported an increase of more than 10%.

The best performing sector in terms of increases in profits was again, financial and business services (+33%) and other manufacturing sectors (+32%). Manufacturing in general was little changed at +12% (when compared to Summer 2003, +13%).

Textiles have again performed poorly at -12%, but this is an improvement from the -28% in Summer 2003. The engineering/electrical sub-sector had declined sharply from +22% in the Summer 2003 survey to -2% now.

Figure 4: Increase in profits over the last 12 months



Outlook

The outlook for sales has improved slightly over the past 6 months with a balance of +42% compared +36% a year ago. The manufacturing sector was slightly less optimistic than the service sector, with 13% predicting a decline in sales compared to 8% in the service sector.

The outlook for profits has also improved slightly over the past six months. Half the sample (53%) predicted an increase in profits over the next six months and 10% a decline.

export activity

It is good to see that the growth seen in the summer has been sustained across the board. The upward trend in exports by the service sector I noted last time continues strongly. The currency situation seems stable, but threats of increased interest rates cause me mild concern. One final thought, strong personal relationships with markets builds and protects your business - there is growing evidence that investment in language skills really pays off.

Martin Traynor
Managing Director, Leicestershire Chamber of Commerce

Export performance

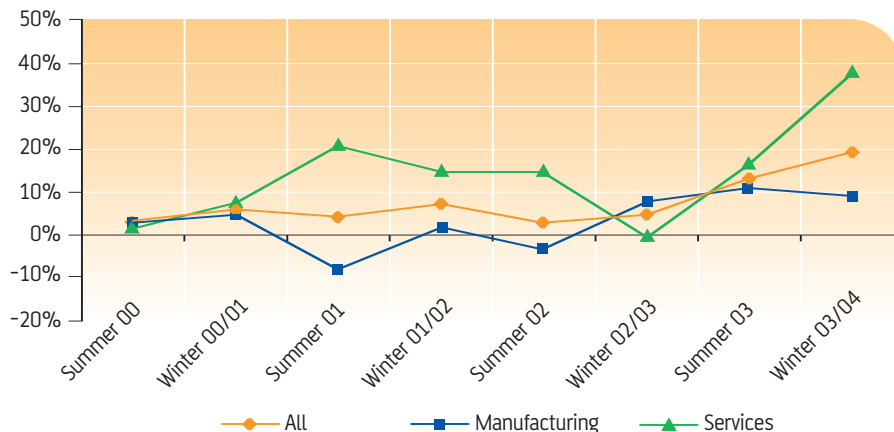
Just over one in five of firms surveyed (21%) export products or services, the same as six months ago. The proportion of manufacturers that export stands at 43%, compared to 10% of service sector businesses

Table 1: Percentage of products or services exported (%)

	None	4% or less	5-9%	10-24%	25-49%	50% or more
Manufacturing	55	5	7	14	5	12
Services	90	2	3	2	1	2

Over the last six months, 39% of exporters have increased their overseas sales, whilst fewer have seen a decrease (20%), a slight improvement on the situation in the Summer 2003 survey.

Figure 5: Balance of change in export sales over the past 12 months



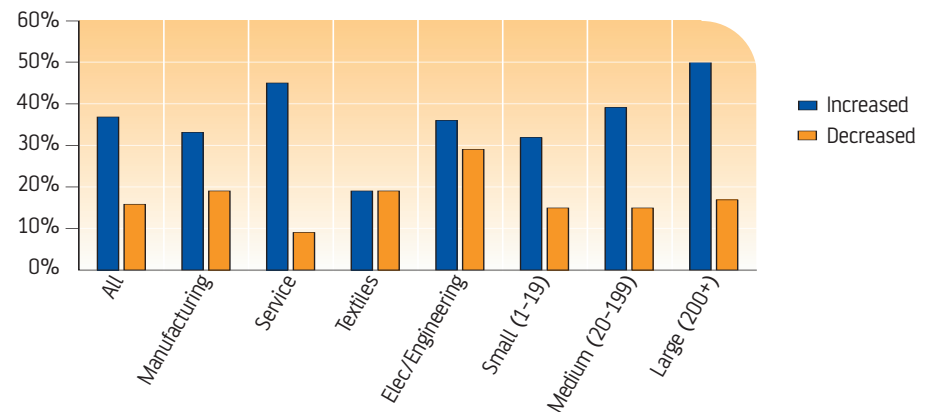
The balance of export sales has remained fairly constant for manufacturing (from +11% to +9%). Within manufacturing, the situation of textiles businesses has also remained much the same with an overseas sales balance of -12% compared to a positive balance of +10% six months ago. The balance for the engineering /electrical sector has declined to +13% from +27% six months ago. The service sector has continued to improve (from +17% to +38%).

Export outlook

The outlook for exports has remained much the same with a balance of +21% compared to +23% in Summer 2003. Overall, 37% said their advanced orders had increased, 42% that they were much the same and 16% that they had decreased.

Manufacturing shows a positive balance (+14%) much the same as six months ago. The advanced orders for the textile sub-sector shows a balance of 0% and the engineering/electrical sub-sector +7%.

Figure 6: Advanced export orders compared with 6 months ago



Exploration of European export markets

Companies were asked to say whether, in the past 2-3 years, they had tried to explore the export markets of existing and/or the new European Union countries and almost half of exporters said that they had. This proportion (47%) was similar for all sectors and sizes.

Table 2: In the past 2-3 years have you explored the export markets of existing and/or new EU countries?

	All	Manu- facturing	Service	Textiles	Elec/ Engineering	Small (1-19)	Medium (20-199)	Large (200+)
Yes	47	47	47	26	28	38	41	22

Base: exporters (161 respondents)

Among those who had explored EU export markets, 87% had explored one or more of the existing EU countries and 22% one or more of the countries which will shortly join the EU. France (39%) and Germany (37%) were the countries mentioned most often.

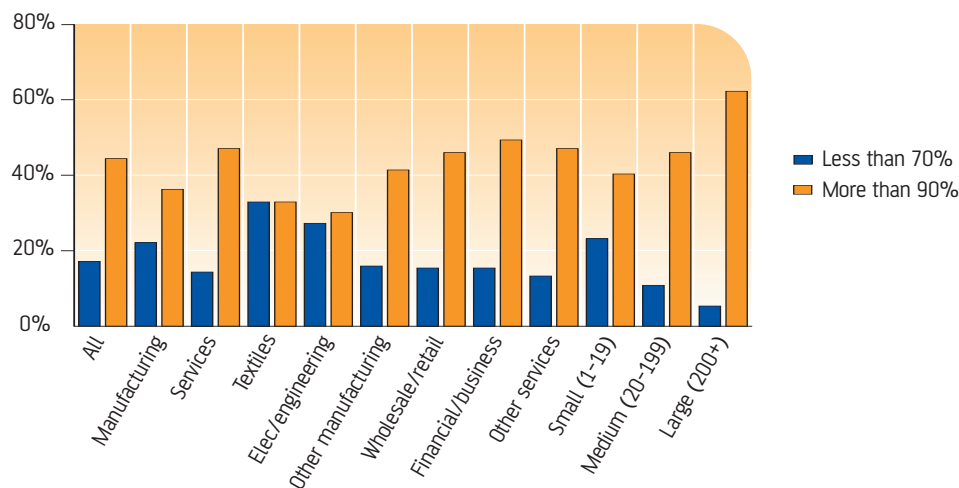
I very much welcome the improvement in investment trends indicated across all sectors. If the intentions are carried through to action it bodes well for the future. This positive view is very much in line with our own recent IoD survey.

V F R George
Regional Director, Institute of Directors

Capacity

Since the Summer 1999 survey, the proportion of organisations working at less than 70% of capacity has remained little changed. It is now 17%. The proportion of firms working at nearly full capacity is 44%, slightly improved from Summer 2003.

Figure 7: Percentage of firms currently working at less than 70% capacity

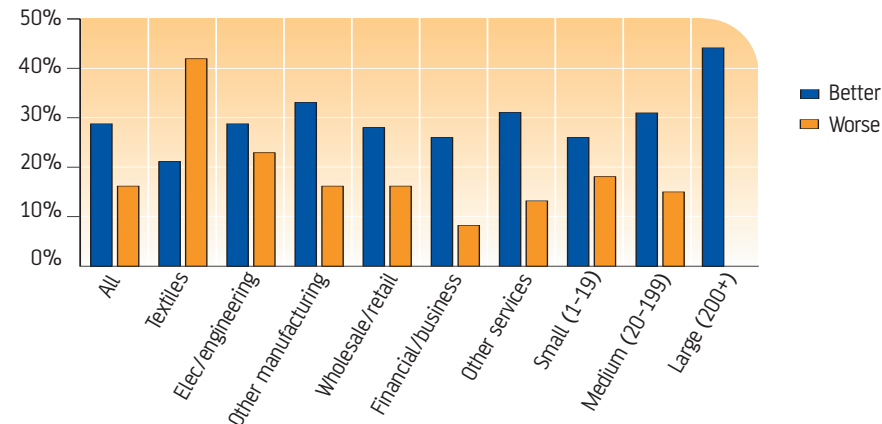


Manufacturing firms (22%) are more likely to be working at less than 70% capacity, particularly firms in the manufacturing sub-sector of textiles (33%).

Cashflow

The cashflow position has remained much the same with 29% of businesses saying that cashflow has improved, 46% saying it has not changed and 16% saying it has worsened. The balance for manufacturing companies is +6% and that for service sector organisations is +16%. Textiles firms continue to report a more difficult cashflow situation with the balance now at -21% compared with -13% six months ago.

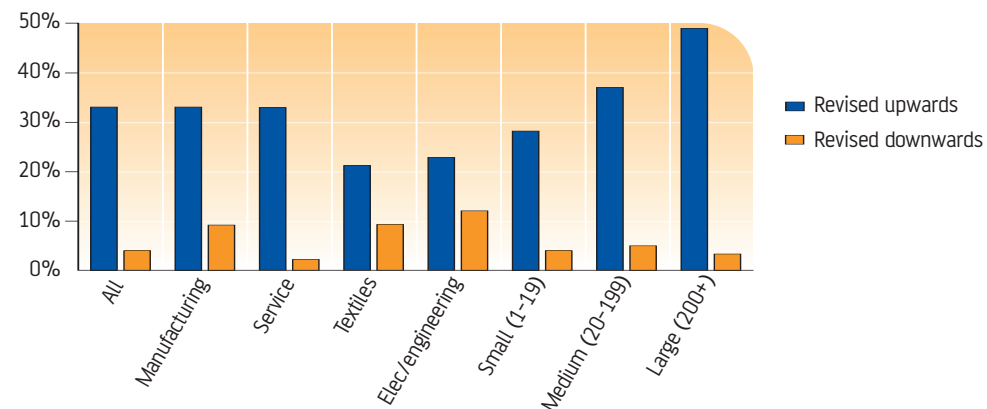
Figure 8: Percentage with cashflow better/worse than six months ago



Investment plans

Positive balances in terms of investment plans being revised upwards are evident in all sectors and manufacturing sub-sectors, with a third of all companies (33%) saying they had revised their investment plans upwards, 4% saying they had been revised downwards and 63% saying there had been no change. The balance of investment is now +29%, a slight improvement from the Summer 2003 survey. There is little difference between sectors.

Figure 9: Percentage changing their investment plans over the past 6 months



main business concerns

The small and micro business community have increasing demands on their time to fulfil legal and regulatory requirements. This cuts into the time needed to actually manage the business. In order to remain competitive, SMEs are seeking new ways of working more time efficiently such as learning from each other through the development of local business networks or accessing a broad range of professional business advice from the business support community.

Neil Farish
Marketing Manager - Business Link Leicestershire

Main concerns

When asked, unprompted, to state the main factor causing concern for their company, 15% said there was nothing. The six main concerns were: winning customers, orders or generating business; competition; red tape; lack of confidence in the general state of the economy from themselves or customers; recruitment of suitable or skilled staff and cheap imports.

In addition respondents were asked to rate their concern about a list of external factors on a scale of 1 to 5, where 1 is of no concern at all and 5 is of very great concern. Results are presented as mean scores.

Reflecting findings in previous surveys; red tape and competition are causing particular concern to local businesses. Attracting customers, winning orders and business generation are also of concern.

Manufacturing firms are slightly more concerned about most of these factors than service sector organisations.

Exchange rates continued to be of concern to exporters (2.9) but the level of concern was lower than in Summer 2003. Cheap imports were of particular concern to manufacturers (3.0), exporting companies (3.1), textile companies (4.4) and the engineering/electrical sub-sector (3.2).

There is little difference in the views of firms located in the City or the County or between urban and rural firms.

Table 3: Business concerns mean score ranked by order of importance

Factor	All Winter 03/04	All Summer 03	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)	City	County
Red Tape	3.6	3.5	3.6	3.5	3.5	3.7	3.8	3.4	3.7
Competition	3.3	3.3	3.3	3.3	3.1	3.4	3.5	3.4	3.2
Attracting customers	3.2	*	3.3	3.2	3.3	3.2	2.9	3.3	2.2
Business Generation	3.2	*	3.4	3.1	3.2	3.2	3.0	3.2	3.2
Winning orders	3.0	*	3.5	2.8	3.0	3.1	2.8	3.1	3.0
Business Rates	2.8	3.0	3.1	2.7	2.8	2.9	2.7	2.8	2.8
Cashflow	2.8	*	3.0	2.7	2.9	2.7	2.6	2.9	2.8
Inflation	2.7	2.8	2.7	2.6	2.6	2.7	2.7	2.8	2.6
Interest Rates	2.6	2.6	2.5	2.6	2.5	2.7	2.5	2.6	2.6
Corporation Tax	2.5	2.5	2.8	2.3	2.4	2.6	2.5	2.4	2.5
Cheap imports	2.1	*	3.0	1.7	2.1	2.2	1.5	2.2	2.1
Exchange Rates	2.0	2.1	2.3	1.8	1.9	2.0	2.5	1.8	2.1

* not asked in previous surveys

price pressures and labour costs

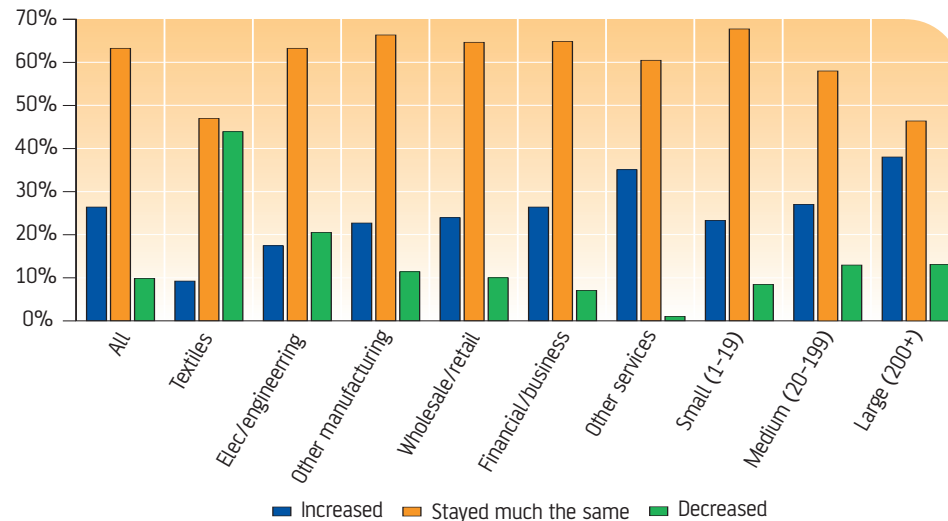
It is important for the City to be able to offer wages which reflect competitive rates otherwise we will fail to draw in a skilled labourforce and furthermore lose the people that we do have to neighbouring Counties. Also, the issue of graduate retention can be better addressed if our wage rates are competitive.

Patricia Hewitt MP (Leicester West)
Secretary of State for Trade and Industry, and Minister for Women and Equality

Prices

A quarter of firms increased their prices during the last six months (26%), whilst 10% indicated that their prices decreased. The balance of businesses that reported increases in prices is unchanged over the past six months at +16%. However, almost two in three businesses (63%) report no change in prices.

Figure 10: Businesses reporting increased and decreased prices by sector



Slightly more manufacturers had decreased their prices (20%) than had increased them (18%) but the situation was reversed for the service sector with 6% having decreased their prices compared to 29% who had increased them. In the textiles sub-sector 44% had decreased their prices compared with 9% who had increased them

Small companies were less likely to have increased their prices than larger ones. 23% of those with <20 employees had increased their prices compared with 27% of those with 20-199 employees and 38% of those with 200+ employees.

Table 5: Proportions by which prices have changed

% of busineses	Price increase				No change	Price decrease			
	>10	6-10	3-5	<3	0	<3	3-5	6-10	>10
%	1	3	12	5	63	*	3	1	2

* Figure is less than 1

Pressure to increase prices over the coming six months was higher than in Summer 2003. 59% of firms predict no change in prices, lower than six months ago with higher proportion (27%) predicting an increase.

A minority (5%) anticipate that prices will decrease, the same as six months ago. More service sector companies (29%) think that prices will increase than manufacturers (22%).

Of the factors mentioned to respondents, the main price pressures had changed little over the past 6 months. The main price pressures were raw material prices (26%) and other overheads (25%). 19% mentioned pay settlements and 13% mentioned finance costs. Manufacturers were more likely than service sector companies to face one or more of these pressures.

Labour costs

Locally, 68% of firms report increases in wage rates over the past 12 months, whilst only 1% report decreases. Other manufacturing and other services were the most likely to have increased their wages. Small firms (1-19 employees) were less likely than larger firms to have raised their wages (54% 1-19 employees; 83% 20-199 employees and 79% 200+ employees).

Overall (counting those firms whose wage rates have not changed much as a zero increase), wage rates have increased by 3.1%, much the same as the national headline rate figure for average earnings growth in the private sector of 3.2% in October 2003. This rate of earnings growth is lower than was found six months ago (3.7%). This ranges from 3.2% within service sector organisations to 2.7% in manufacturing businesses.

the workforce

The continued growth of non-traditional sectors such as the Service Sectors is an encouraging sign for the Leicestershire economy as it develops. It is also encouraging to see the figures for the manufacturing sector improve on the last survey, suggesting that recruitment in other sectors may be more than replacing lost jobs elsewhere but actually creating new jobs for the region. It is imperative that these results are built on over the next few years as the projected growth of newer sectors in the region gathers pace.

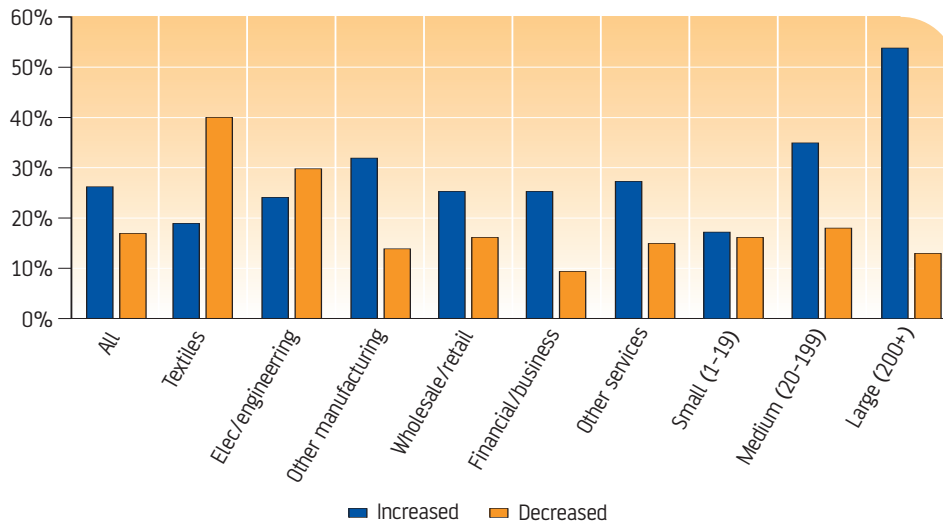
Martin Quinn Research Assistant
Centre for Labour Market Studies, University of Leicester

At the time of the survey, the local unemployment rate * for the LSC area ** was 2.7%, slightly above both the regional rate (2.1%) and the national rate of 2.4%. The rate for the County area was 1.5% and that for Leicester City was 5.4%, little changed since April 2003.

Workforce growth

57% of firms reported no change in their workforce over the past six months, much the same as in the Summer 2003 survey. 26% said that their workforce had increased and 17% that it had decreased. Overall, 24% of manufacturers said their workforce had declined and 27% said it had increased, compared with 14% of the service sector who said their workforce had declined and 26% who said it had increased.

Figure 11: Percentage of firms reporting increased and decreased workforce over the past six months



Smaller companies were less likely to have increased in size, (17% of those with <20 staff compared with 35% of those with 20-199 staff and 54% of those with 200+ employees).

The outlook for the next 6 months is still fairly optimistic. Over a quarter of firms surveyed (27%) expect the size of their workforce to increase during this time, 63% think it will stay much the same and 8% think it will decrease. 3% did not know.

* Resident-based unemployment rates based on claimant count (November 2003)

**LSC area comprises the areas of Leicestershire County and Leicester City

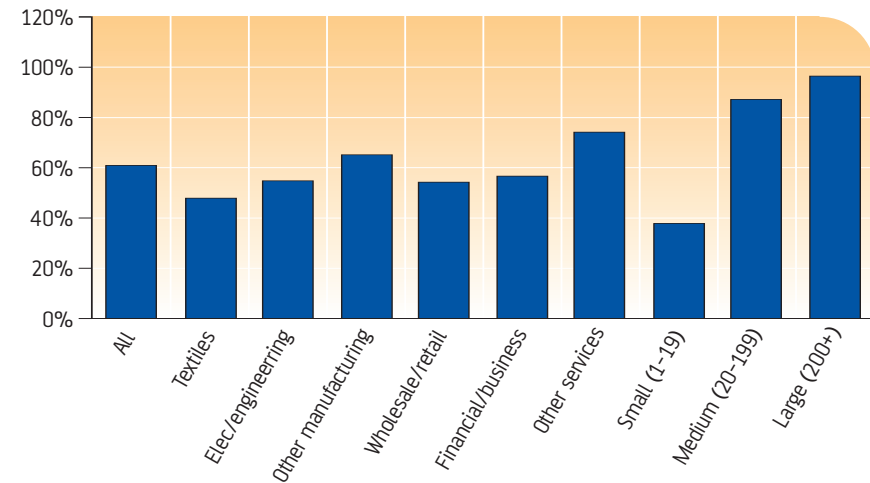
Recruitment

Nearly two in three firms surveyed (62%) have recruited staff in the last 6 months. Compared with six months ago, more firms in both the manufacturing and service sectors have recruited staff. The percentage recruiting in the past six months increases from 38% of firms with fewer than 20 staff to 88% of those with 20-199 staff and 97% of those with 200+ employees.

87% recruited full-time employees, whilst 45% employed part-time employees. In line with previous findings, manufacturing firms are half as likely to have taken on part-time employees (26%, compared with 52% of service sector firms).

The majority of recruiting companies (88%) have taken on permanent employees, whilst 19% have taken on temporary staff.

Figure 12: Types of post recruited in the past six months, % of recruiting firms



(multiple responses possible)

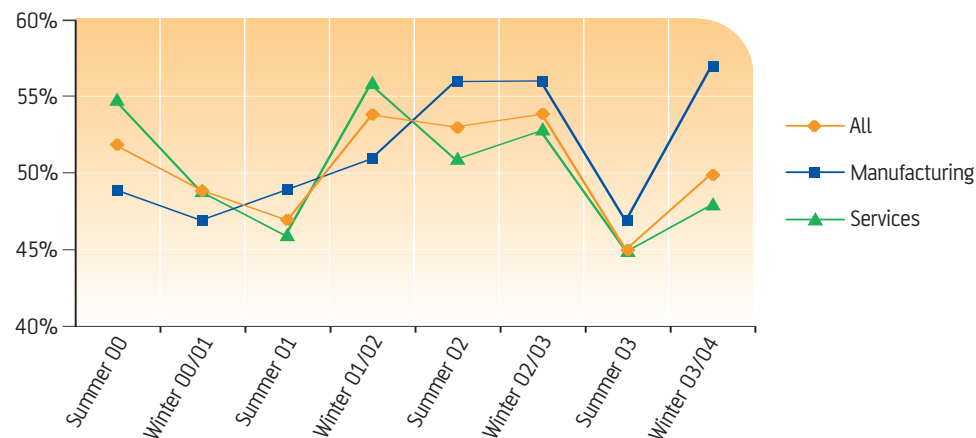
recruitment problems

Right people right job. We will only achieve this by: delivering improved services to businesses, making the most of new technology and strategic partnerships to offer a wider choice and greater control over how recruitment needs are met; working with local partnerships to develop the employment and skills agenda to ensure that our clients have the opportunity and skills to compete for available jobs and so become economically independent, socially included and not reliant on welfare benefits.

Jaqui Cryar, Business Development Manager, Jobcentre Plus Leicestershire.

Half of recruiting firms (50%) have experienced difficulties, higher than six months ago (45%). The problem was the greatest in the health and education sub-sector (73%), textiles sub sector (71%) and hotels/catering (63%). In general, the problems for manufacturing sector firms (57%) were slightly greater than in the service sector (48%).

Figure 13: Proportion of recruiting companies experiencing recruitment difficulties



Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting skilled craft (29%), plant and machine operatives (25%) and personal and protective services (23%). The proportion of firms reporting difficulties with clerical & secretarial occupations has decreased slightly to 15%.

The two most frequently cited difficult positions to recruit were care workers and drivers. Manufacturing firms experienced two key areas of difficulty (skilled manual and plant and machine operatives, both a sharp increase from Summer 2003). Problem occupations were more widespread in the service sector with the area of greatest difficulty being personal and protective services.

Table 6: % of businesses reporting recruitment difficulties by occupation (multiple responses possible)

	All Winter 03/04	All Summer 03	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Personal & protective services	23	28	-	34	21	25	11
Craft & related	29	23	55	16	30	30	22
Plant & machine operatives	25	19	43	15	18	26	33
Clerical & secretarial	15	18	11	16	18	12	28
Other low skilled	8	18	-	11	3	9	11
Associate technical & professional	14	12	6	18	15	14	11
Sales	13	12	12	13	10	14	17
Managers & administrators	7	7	4	9	7	6	11
Professional	5	6	6	3	4	3	11

Note: percentages refer to recruiting firms experiencing difficulties

skills shortages

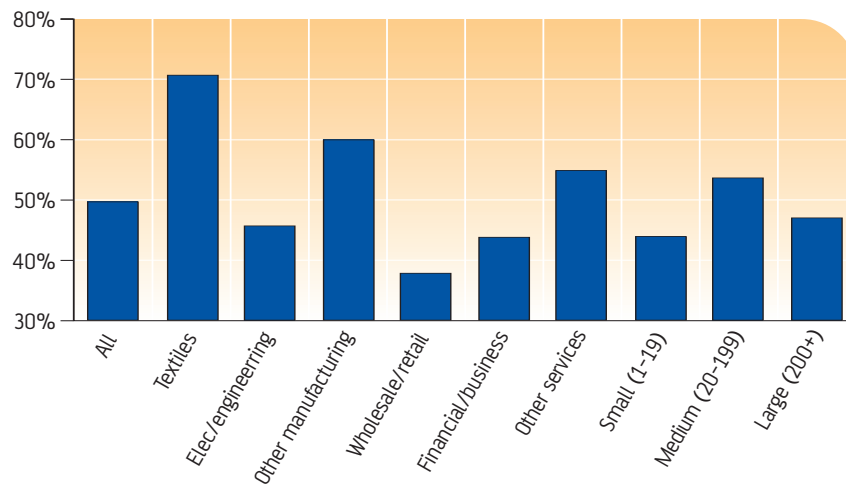
The level of skills shortages reported by this survey are not inconsistent with the LSC National Employer Skills Survey which recently reported Leicestershire as having the highest level of skills shortage vacancies in the the East Midlands. These findings highlight the importance of effective training and workforce development to the competitiveness of businesses in Leicestershire.

Will Rossiter
Research Manager, East Midlands Development Agency

The position on skills shortages has changed little in the last six months. Overall, 39% of firms surveyed agreed that skill shortages were having a serious impact on their business, much the same as six months ago (37%). 45% disagreed that skills shortages were having a serious impact and 16% either had no opinion or weren't sure.

In manufacturing there is a higher proportion of firms reporting skills shortages (46%) than in the service sector (36%). Very small companies (fewer than 10 staff) were the least likely to report skills shortages (26%).

Figure 14: Percentage of firms agreeing that skills shortages are having a serious impact on their business



Skills shortage – basic skills

1% of firms said that shortages in basic skills amongst their workforce were very serious and 6% fairly serious, much the same as six months ago. 75% said this was not a problem at all and 13% said it was not very serious.

Table 7: Percentage saying a lack of basic skills in the workforce is a problem (%)

	All Summer 2003	All Winter 2002/03	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Is a problem	7	6	4	8	5	10	10
Not a problem	87	86	91	85	87	87	87
Not sure, not applicable	6	7	5	6	8	3	3

The most significant skills which companies thought needed improving in their workforce were technical skills specific to their sector (29%), communications skills (28%), customer care (25%) and management or supervisory skills (23%). Small companies were less likely to say they had skills gaps.

Table 8: Skills which need improving in the workforce (%)

	All	Manu- facturing	Service	Small (1-19)	Medium (20-199)	Large (200+)
Communication skills	28	25	29	19	36	51
Management/supervisory skills	23	25	21	14	30	46
Technical skills specific to your industry	29	36	26	23	36	36
Customer care	25	20	27	16	33	49
Advanced IT	21	23	20	17	26	26
Marketing/sales	22	23	22	20	25	26
Basic IT	15	17	15	11	21	13
Professional	14	15	13	10	18	15
Literacy	14	10	15	10	18	18
Numeracy	12	9	14	8	17	18
None of these	40	40	40	50	30	21

training and investment

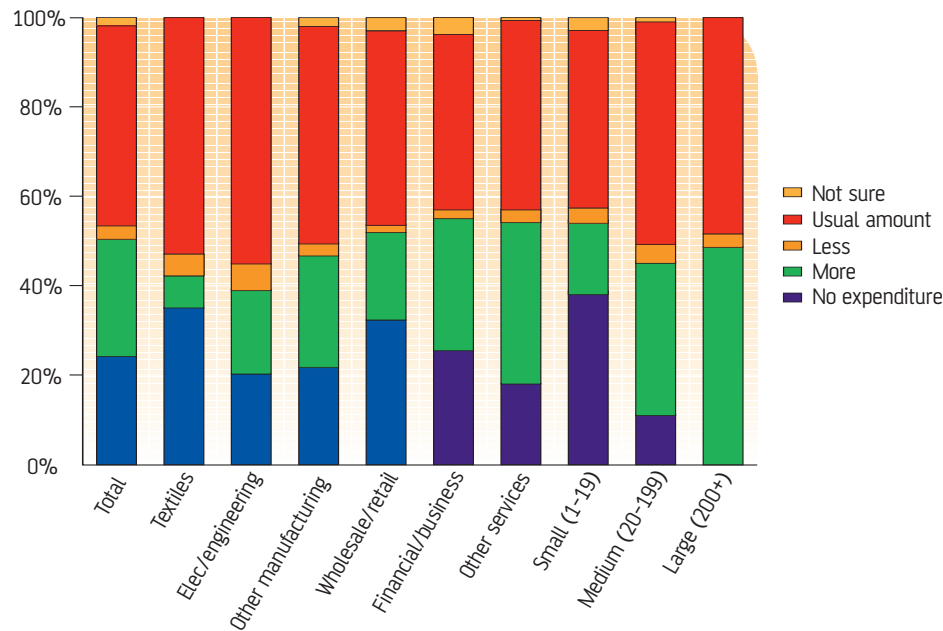
Skills at Work offers local organisations up to 35 hours' compensation for time spent by their employees learning new skills, as well as free or low-cost training. Since its launch in August 2003 interest in the pilot has been enormous and increasing numbers of local employers are reaping the benefits of developing their employees' skills via this funding.

Brett Hanson
Project Manager Skills at Work, Leicestershire Learning and Skills Council

Expenditure on training

Overall, 26% of firms surveyed said they have spent more than their usual amount on training in the past six months, whilst only 3% have spent less. A total of 45% have spent their usual amount, whilst 25% said they have spent nothing. This is much the same as six months ago. Larger firms (42% of those with 50 or more staff) are more likely to have increased their spend on training in the past six months. 51% of companies with fewer than ten staff spent nothing on training. Only 7% of textile companies reported increased training expenditure, with 35% spending nothing.

Figure 15: Change in expenditure on training



Skills at Work Campaign

A quarter of the sample (25%) said they were aware of the Skills at Work campaign and understood what it was. A further 23% said they had heard of it but did not really understand what it was. Half the sample (52%) were unaware of the Campaign. The manufacturing sector was slightly more likely than the service sector to have heard about Skills at Work.

Table 9: Awareness of Skills at Work Campaign (%)

	All	Manu- facturing	Service	Small (1-19)	Medium (20-199)	Large (200+)
Aware and understand what it is	25	28	23	25	25	23
Aware but do not really understand what it is	23	27	21	21	26	23
Not aware	52	44	55	55	48	54

e-commerce

The LSEP has just developed its Intelligent Landscape Strategy. The vision proposed is a landscape for Leicestershire where the latest in electronic communications assists us to invest for the long term. In so doing, Leicestershire will lead by example. This message now goes out to all partners who recognise that our sub-region means e-business and that every citizen will benefit from training and access to fast online services.

CLlr Max Hunt
Leader, Charnwood Borough Council

Use of computers

A quarter of firms said that all or almost all of their staff used computers on a daily basis. 9% reported that no staff used computers on a daily basis. Those that did not use computers daily said it was because they did not need to.

Table 10: Proportion of staff in a company who use computers on a daily basis (%)

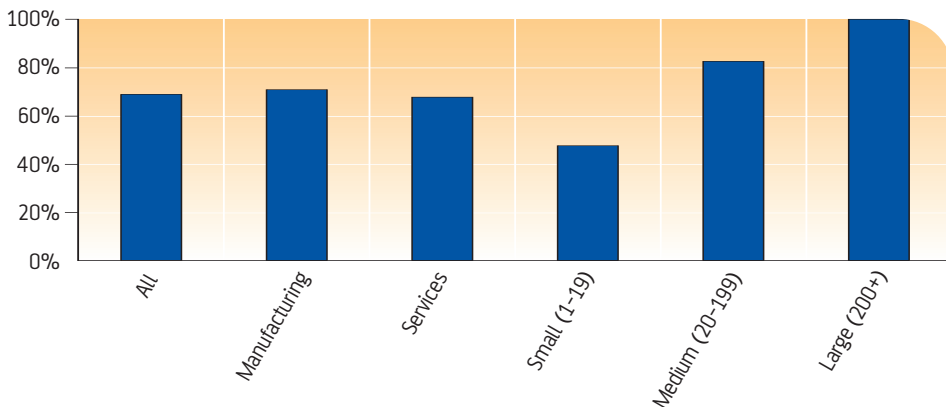
	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
None	9	6	10	16	2	-
1-24%	35	44	30	25	47	41
25-49%	11	18	8	8	14	15
50-74%	11	11	11	10	11	13
75-99%	10	8	10	8	11	15
All or almost all	25	12	31	34	15	15

Current web site ownership

69% of firms owned a web site, ranging from 47% of very small companies (under 10 staff) to all large companies. This has risen from 53% in Summer 2000.

By sector, web site ownership is slightly more widespread in the manufacturing sector (71%, compared with 68% of service sector firms). However, by sub-sector web site ownership is lower than average in the textile sector (56%) and is highest in the financial and business services sector. It increases with the size of the company.

Figure 16: Percentage of businesses with a web site



The use of web sites with interactive pages rather than merely 'poster-sites', has remained static (36% of firms with a web site have static pages, 31% have interactive pages and 23% have both). Service sector organisations are slightly more likely to use interactive pages on their web site than manufacturing firms (57%, compared with 49%).

Use of Internet

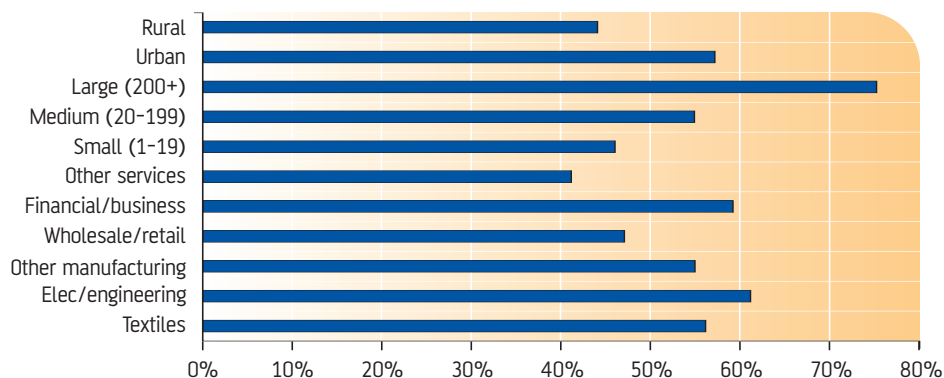
The majority of companies (83%) said they used e-mail and/or the internet, ranging from 70% of those with fewer than 10 employees to all of the large companies. Small retail outlets were the least likely to be connected to e-mail/ internet. This is unchanged since Summer 2003.

Use of Broadband

Just over half of those using the Internet had a high-speed Broadband connection (52%), this has increased from 43% in Summer 2003. This figure was slightly higher for manufacturers (57%) than service sector companies (49%). A further 2% are due to be connected shortly and a further 2% are looking into accessing Broadband. Broadband use was higher in urban (57%) than rural (44%) areas, although use in both types of area has increased over the past 6 months. Use was highest in Leicester (57%) and Oadby and Wigston (67%) and lowest in Harborough (42%), Hinckley and Bosworth (42%) and Melton (44%). (All figures are based on those using the internet).

The main reasons for not having Broadband were that it was not available in their area (24% of rural businesses), no perceived benefit to the business (22%), the cost (9%), not really investigated it (18%) with 23% saying they did not know. (All figures based on number with Internet connection not using Broadband).

Figure 17: Percentage of internet users using broadband



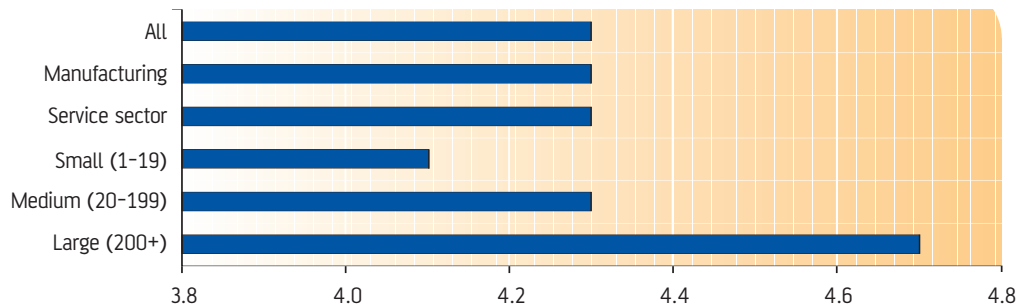
IT advice

The "mystique" surrounding IT and computers still seems to put an obstacle in the way of small business that want adequate independent advice on ICT. The technology is brilliant, the reliability, speed and security better than ever before but, unless we learn to solve the right business problems to win over and retain the smaller business sector, the quality is not right and it won't produce economic success.

Max Boden,
Policy Manager, Leicestershire Chamber of Commerce/East Midlands Business Champion

Companies were asked to say how easy it was for them to secure independent advice or practical help on the use of IT. 76% of those who used computers on a daily basis said this was easy or very easy with 5% saying that it was not easy.

Figure 18: Ease of securing independent advice or practical help on the use of IT – on a scale of 1 to 5 where 1 is not at all easy and 5 is very easy



IT Skills

75% of firms whose staff use computers on a daily basis said they had the IT skills they need but 7% said their staff did not.

Table 11: Extent to which employees have the necessary skills (%)

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Yes	75	75	75	75	73	97
Have some	16	15	16	16	18	
Not really	7	8	6	7	8	3
Don't know	2	1	2	2	1	

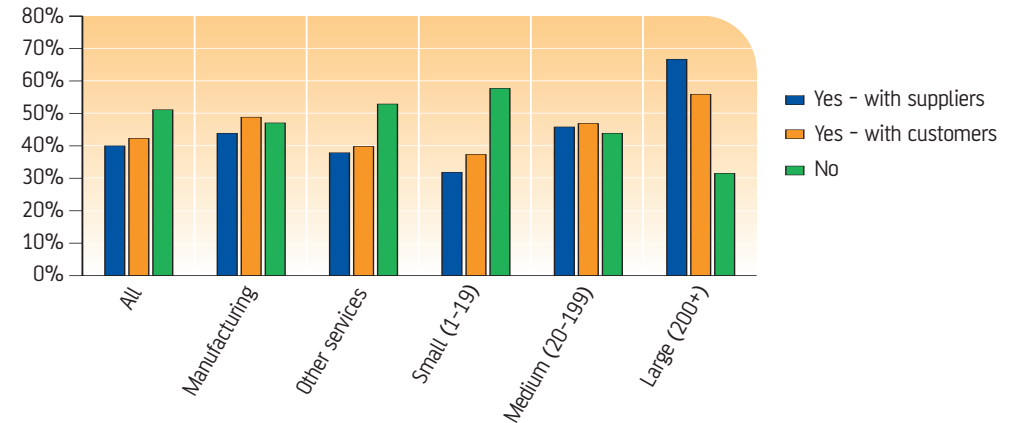
Base: those where staff used computers daily

On Line trading

Almost half the firms (47%) undertake transactions or exchange documents on line, 40% with suppliers and 42% with customers. Manufacturers (52%) are slightly more likely than the service sector (45%) to trade on line, either with customers or suppliers. Larger companies were more likely to trade on line (41% small, 53% medium and 67% of large companies).

16% of companies were under pressure from customers or clients to do business, trade or collaborate on line. 13% were under pressure from suppliers to trade on line.

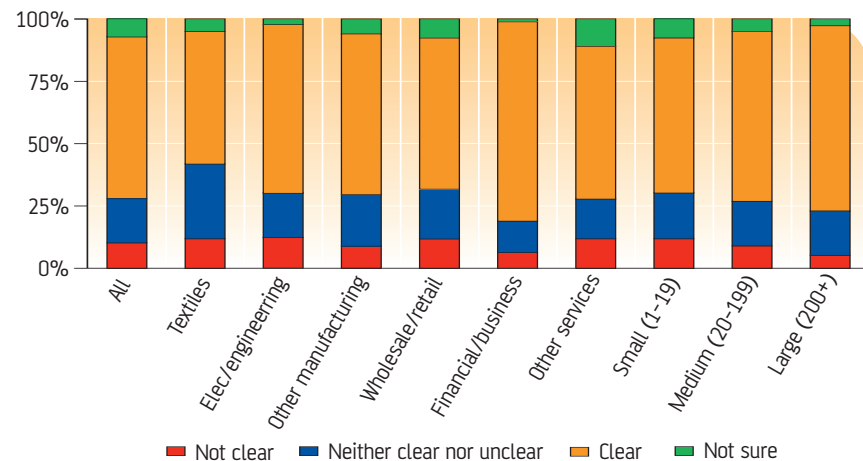
Figure 19: Proportion of companies who trade on line



Understanding of impact of IT on the business

Two in three respondents (65%) had a clear understanding of the impact of ICT on their business but 10% said this was not very clear, resulting in a mean score of 4.0 where 1 was not at all clear and 5 was very clear. The textile sector had the lowest level of understanding (3.7) and the financial/business services sector the highest (4.3).

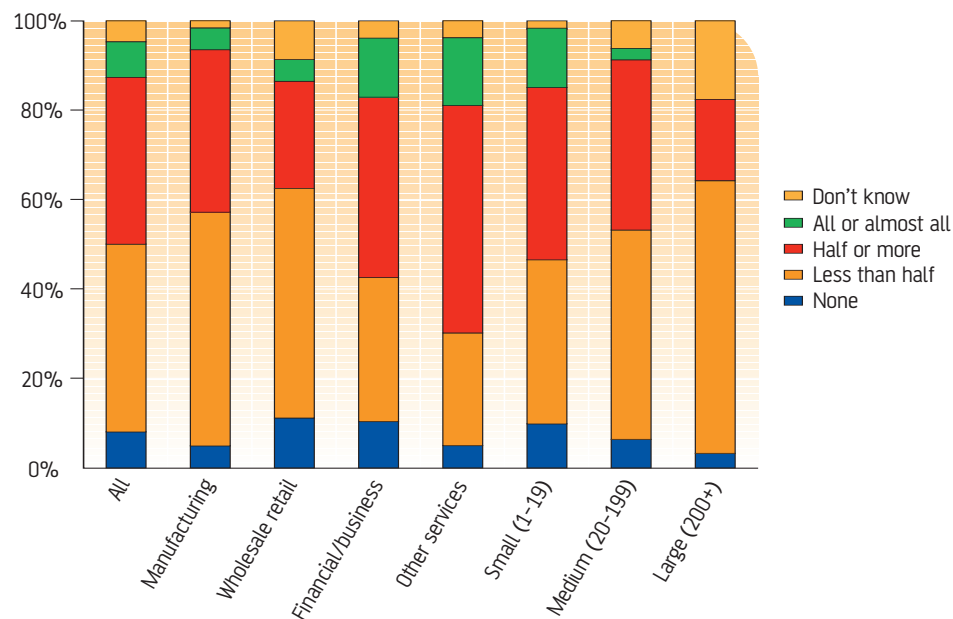
Figure 20: Understanding of the impact of ICT on the business



spotlight on: local procurement

Overall, 8% of companies said they sourced none of their supplies locally and a further 42% sourced under half. However, 37% sourced more than half of their supplies locally and 8% all or almost all locally. The financial and business services sub-sector and other services were the most likely to source supplies locally, but these sectors are, on average, likely to have a much smaller need for supplies than manufacturers or the wholesale and retail sector. Small companies were also slightly more likely to source their supplies locally.

Figure 21: Proportion of companies sourcing supplies locally



The service sector attempt to source their supplies locally to a greater extent than manufacturers (59% try hard, compared with 51% respectively).

Leicester City Council had already identified the need for Supplier Workshops from their own earlier survey. It is planned to run a series of short focussed events during the Autumn of 2004. These will be further supported by an Internet guide on 'How to do Business with Leicester City Council'.

Julie Horrocks
Procurement Officer, Corporate Procurement Team, Leicester City Council

Table 11: Extent to which firms try and source supplies locally on a scale of 1 to 5 where 1 is not at all and 5 is very hard – mean score

All	Textiles	Eng-Elec	Other manuf-acture	Whole-sale, retail, repairs	Financial business services	Other services	Small (1-19)	Medium (20-199)	Large (200+)
3.7	3.3	3.5	3.5	3.4	3.8	4.1	3.7	3.6	2.8

Public sector approved contractors' lists

A total of 22% of the sample have attempted to get on an approved contractors' list for a public sector organisation. One third of these (which is equal to 7% of the complete sample) said they had experienced difficulties with this. Smaller firms were slightly more likely to say they had problems (37% of small, 28% medium and 30% large companies who had attempted this). A quarter of firms said they were interested in attending seminars explaining how Local Authorities procure their services.

Table 12: Proportion of firms attempting to get on a public sector approved contractors' list (%)

	All	Manu-facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Tried to get on a list	22	20	23	18	27	26
Difficulties with getting on list *	32	31	32	37	28	30
Interest in seminar about procurement procedures	25	22	26	23	28	23

* (those who have tried to get on an approved contractors list)

spotlight on: external advice and support

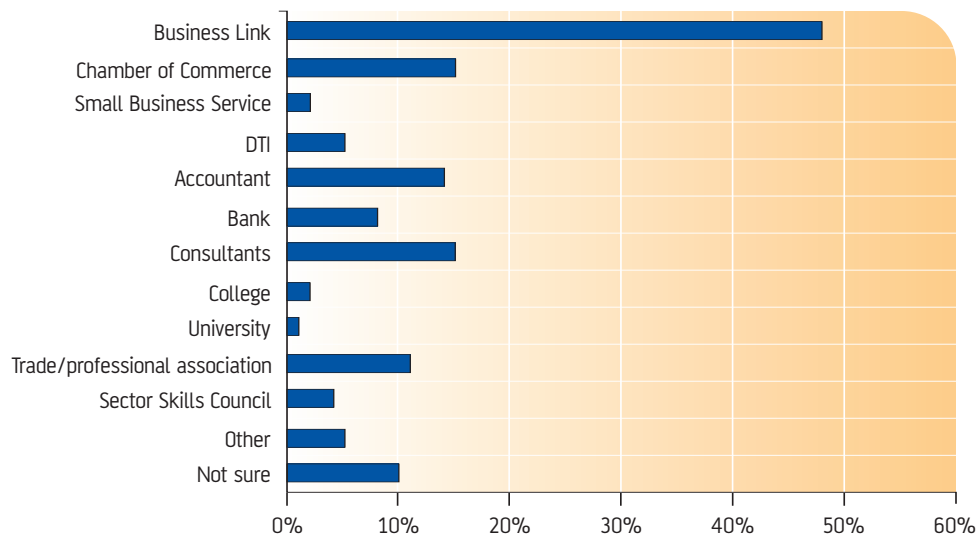
The figures below indicate a significant increase of awareness of the availability of business support services across the county. Businesses now realise that to optimise their development opportunities and bring about sustained success, there is a robust infrastructure of business support services from the public sector, commercial services industries and education sector. Continued strategic partnership collaboration provides the focus for the identification of business and individual needs and the development of an extensive provider network will deliver demand led solutions.

Tina McEwen, Chief Executive of Business Link, Leicestershire

39% of firms said they have accessed in the past or would consider accessing business support services from an external provider. Medium sized companies (45% of those with 20-199 employees) were the most likely to do this. Manufacturers (42%) were slightly more likely than service companies to access external business support.

When asked, unprompted, which companies or organisations they would consider contacting for business advice and support, 48% mentioned Business Link, 15% the Chamber of Commerce, 15% consultants, 14% an accountant and 11% a trade association.

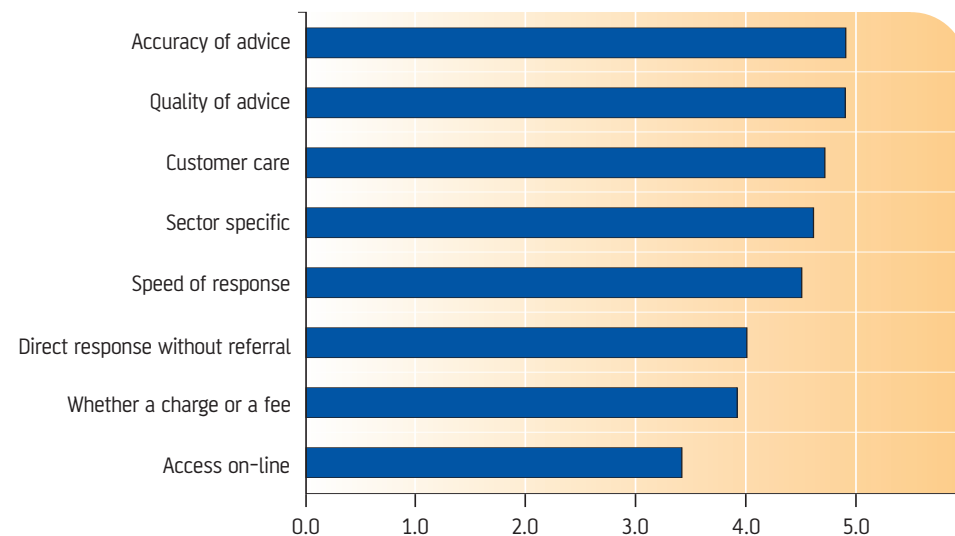
Figure 21: Companies or organisations firms have approached or would approach for business advice and support



Awareness of organisations as a source of business advice was much higher with 96% having heard of Business Link, 95% Chamber of Commerce, 91% an accountant, 89% the DTI, 89% a bank, 72% a college, 72% a university, 80% a trade or professional association, 61% the Small Business Service and 43% a Sector Skills Council.

Figure 22 shows the extent to which a variety of factors were important when looking for business support services. The most important factor was the accuracy and quality of advice given and the least was on-line availability and whether or not there is a charge or fee.

Figure 22: Importance of factors when looking for business support services. Mean rating where 1 is not at all important and 5 is very important.



spotlight on: image and identity

Overall the survey has indicated that image and identity play an important role for many businesses. There is a real sense that Leicester is seen as being on the 'up' by many businesses. The perception is not universal but forms the strongest perception across the city and county and between sectors.

Robin Pointon
Director of Business Development, Leicester Shire Promotions

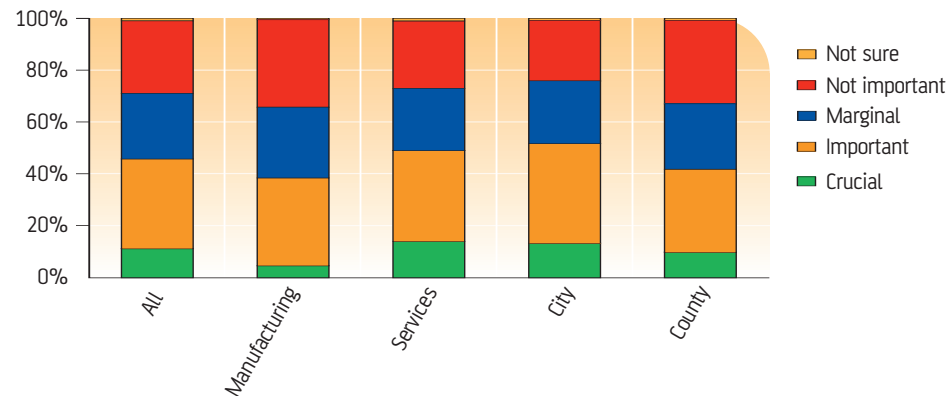
Leicester Revealed Programme

The survey asked about awareness of Leicester Revealed, a programme aimed at promoting and marketing Leicester. (Leicester Revealed is the place marketing programme through to 2010 addressing the negative perceptions of the city through the raising of confidence and pride. The negative perceptions act as a barrier and brake on both the city and county's ability to achieve business success. The Leicester Revealed programme includes campaign work to hit head-on these preconceptions and through a programme of themed years, provide a growing range of opportunities for residents, visitors and investors to 'taste' what Leicester has to offer.)

Importance of image and identity of Leicester and Leicestershire

11% of the sample thought that the image and identity of Leicester and Leicestershire were crucial for the success of their business and 34% said it was important. However, 25% thought it marginal and 28% said it was not important. This was of slightly more importance to service sector companies (14% crucial) than to manufacturers (5% crucial). City firms thought it more important than those based in the County. It was of most importance to the hotels and catering sector (21% crucial).

Figure 23: Importance of image and identity of Leicester and Leicestershire



Awareness of Leicester Revealed Programme

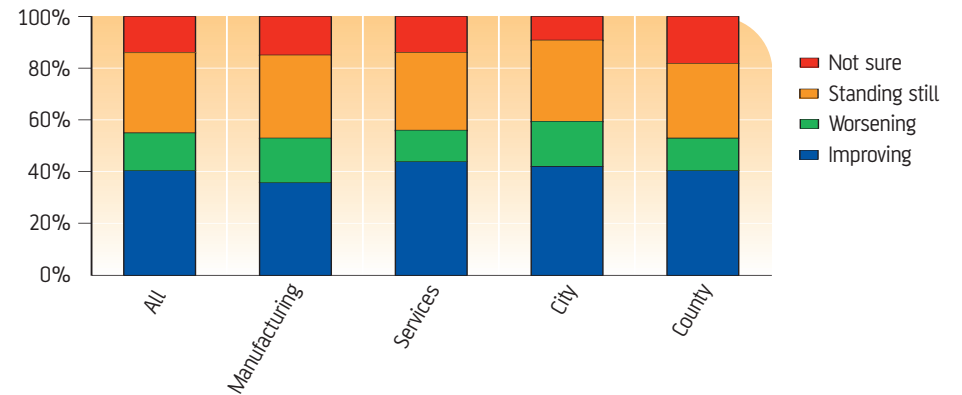
Only 7% of companies had heard of the Leicester Revealed programme, ranging from 10% of firms located in the City to 5% of those in the rest of the County.

Leicester – is it improving?

Overall, 41% thought Leicester was improving and 14% that it was worsening. One in three of the sample (31%) thought it was standing still and 14% were not sure. Service sector companies (44%) were more

likely than manufacturers (36%) to think Leicester was improving. The views of rural and urban and City and County firms were much the same but with County based firms more likely to say they did not know.

Figure 24: Percentage of firms thinking Leicester is improving or worsening



Priorities for decision makers

When asked what they felt were the top three things decision makers had to get right to make Leicestershire a better place, the main issue to emerge related to transport with 25% mentioning roads, transport or traffic, 5% improvements to public transport and 3% infrastructure. 10% of respondents mentioned policing or crime and 10% cleanliness, litter or 'the environment'.

Other issues cited by 3% or more of respondents included:

- encouraging more businesses to locate in Leicestershire
- giving more support to businesses
- reduce business costs
- continue with the regeneration of the City Centre or 'smarten up the City'
- improvements to the availability or the cost of parking
- concentrating on education and training
- dealing with the shortage of skilled staff
- a policy to promote manufacturing
- general improvement of services
- facilities and amenities and more attractions to bring people in to the City

methodological notes

Methodological notes

The Leicester & Leicestershire Business Survey is conducted twice a year and is produced through a partnership involving the Leicester Shire Economic Partnership, Leicestershire County Council, Leicester City Council, Leicestershire Chamber of Commerce, Leicestershire Learning and Skills Council and Business Link Leicestershire Ltd.

The survey

A telephone survey of 765 businesses within Leicester and Leicestershire was undertaken from mid-November to mid-December 2003. The sample was drawn from the Leicestershire, Leicester and Rutland Business Database (data4business) and aims to reflect as accurately as possible the mix of businesses found in the survey area. Rutland businesses were not included in this survey.

The following table shows the survey sample broken down into business sector and size band

	City	%	County	%	Total	%
Business Sector						
Manufacturing	94	31%	147	32%	241	32
Services	213	69%	311	68%	524	68
Business Size						
1-9 employees	92	30%	145	32%	237	31
10-19 employees	73	24%	90	20%	163	21
20-50 employees	85	28%	122	27%	207	27
51-199 employees	45	15%	74	16%	119	16
200+ employees	12	4%	27	6%	39	5

Leicester & Leicestershire **business survey** winter 2003/04

The next Leicester & Leicestershire Business Survey will be conducted in May/June 2004.

An electronic version of the survey report is available on the Leicester Shire Intelligence web site, www.lsint.info or www.lerp.co.uk

Requests for further copies of the survey or a large print version and requests for detailed statistical cross tabulations of the data should be made to:

Jo Miller
Senior Information Officer
Policy, Research and Information
Chief Executive's Department
Leicestershire County Council
County Hall
Glenfield
Leicester LE3 8RA.

Telephone: [0116 265 7341](tel:01162657341)
Email: jomiller@leics.gov.uk





If you would like to speak to a specialist advisor on any issues outlined in this survey please contact:



LSEP

Charnwood Court
5 New Walk
Leicester LE1 6TE
t: 0116 257 5684
e: caroline.b@lsep.co.uk
Caroline Boucher



Leicester City Council

Block A
New Walk Centre
Welford Place
Leicester LE1 6ZG
t: 0116 252 8634
e: pancd001@leicester.gov.uk
Daxa Pancholi



Leicestershire Learning and Skills Council

Meridian East
Meridian Business Park
Leicester LE19 1UU
t: 0116 228 1845
e: michael.evans@lsc.gov.uk
Mick Evans



Leicestershire Chamber of Commerce & Industry

Charnwood Court
5b New Walk
Leicester LE1 6TE
t: 0116 204 6606
e: boden.m@chamberofcommerce.co.uk
Max Boden



Leicestershire County Council

County Hall
Glenfield
Leicester LE3 8RA
t: 0116 265 7341
e: jomiller@leics.gov.uk
Jo Miller



Business Link Leicestershire

Charnwood Court
5b New Walk
Leicester LE1 6TE
t: 0845 070 0086
e: neil.farish@leicestershire.businesslink.co.uk
Neil Farish