Foundations for Growth 2006

City Centre Business Perceptions Study

Summary

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creating a world class city for business

1. Background and overview

Liverpool city centre is re-establishing itself as a premier business location. It more than pulls its weight as an economic driver for the city region, generating just over half of Liverpool's gross value added – over £3bn, of which about a third helps to sustain workers living outside of Liverpool.

The city centre accounts for more than 50% of all financial services and business services jobs in Liverpool, more than 40% of all jobs in hotels and restaurants, transport and communications and property and real estate, and more than 30% of all retail and other service jobs in Liverpool. Many of these jobs are characterised by high level occupations and contain particular niche, higher value activities.

Liverpool City Council, BusinessLiverpool and Liverpool Vision are keen to ensure that this momentum is continued and that the views of city centre businesses inform the delivery of public sector services and programmes.

The report identifies that businesses perceive the city centre as a good place to do business but Liverpool cannot afford to be complacent. There are some specific areas where improvements could be made to ensure an environment in which businesses can thrive and flourish.

2. Research features

This study, commissioned by BusinessLiverpool, Liverpool Vision and Liverpool City Council was undertaken by an independent research firm and the report compiled by economic consultants, Pion Economics.

Nearly 520 city centre businesses took part in a telephone survey and a series of sector based focus groups. Both the survey and focus groups were carried out in accordance with Market Research Society guidelines. The survey sample was statistically valid, covering 20% of the available business base and representative of business in the city centre stratified according to sectors and size bands giving a high degree of statistical confidence. [1]

The findings are based on a robust and independent process that provides a template for monitoring business perspectives on the development of the city centre over time, inviting constructive debate about the future. Although not a replication of the Liverpool City Growth Strategy survey work (2005), core questions were designed so that they could integrate with the key findings of this previous survey of 1,000 businesses, thereby providing a city wide picture.

Respondents were asked their views on three key areas:

- The extent to which Liverpool city centre was felt by business to be a good place in which to conduct their operations, invest, create wealth and jobs. This involved the creation of a 'Business Friendliness Index'.
- The likelihood of growth in their business and associated premises requirements over the coming years.
- Skills, recruitment and training, especially in retail and in relation to the challenges and opportunities presented by the Grosvenor Liverpool One retail development.

[1] The BETA Model was used to establish the business base available for contact purposes.

3. Business Friendliness Index

Only businesses can determine whether Liverpool is business friendly and no accepted definition or system for measuring perceptions currently exists. The research was designed to construct a sound methodology for understanding business satisfaction with the city centre and the key public services which support the business environment. The Business Friendliness Index which has been developed is a benchmark indicator which makes it possible to understand key issues for the city's businesses and to provide an action response.

The business friendliness profile of the city centre was defined by asking businesses about both the importance and performance of the city centre in relation to a range of factors:

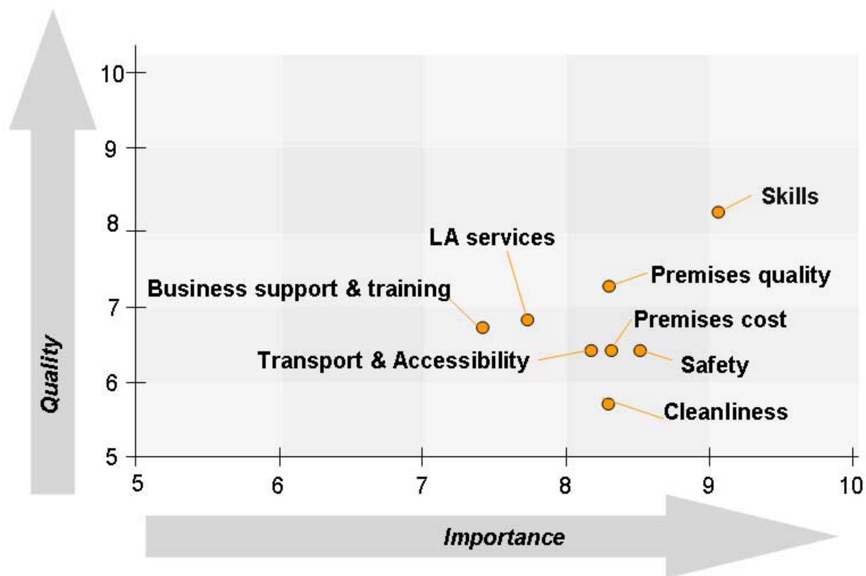
(i) cleanliness;
(ii) safety;
(iii) premises costs;
(iv) premises quality;
(v) transport links and accessibility;
(vi) workforce quality and skills;
(vii) local authority services; and
(viii) business development and training support.

Respondents allocated a score of importance for each factor and then a score for the quality of that factor. The scores from all the businesses have then been combined and weighted to reflect the actual composition of the business base in the city centre. This provides an intelligent measure which reflects the issues that business feels to be most important and also reflects them in a way that ensures the views of the most significant sectors are represented proportionally.

The overall Business Friendliness score (BFI value) for Liverpool city centre this year was calculated as 6.8 out of 10, indicating that while there are some clear areas for improvement, businesses rate the city centre environment as a good place to do business generally.

The design of the survey makes it possible to obtain a fine grain of analysis. Scores for importance and quality can be examined independently for each factor, identifying the views of each sector, size group or business zone.

Fig 3.1 Importance and quality of business friendliness factors

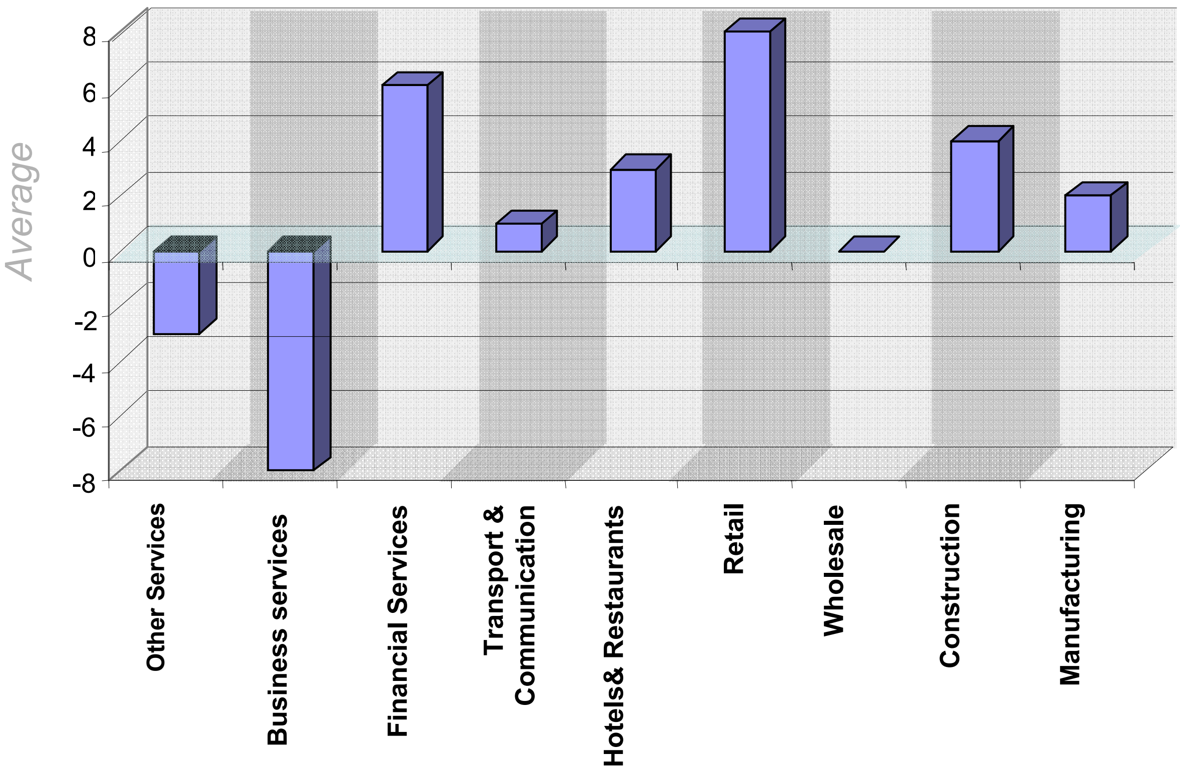


The results are that each of the 8 factors were rated as of relatively high importance and of relatively high quality. Only 1 factor (cleanliness) received a quality rating below 6/10 with skills and premises quality being rated above 7/10. Figure 3.1 illustrates where businesses placed each of the factors in terms of importance and quality.

Nine broad industry sectors were defined in the study reflecting the composition of the business base in the city centre.[2] The retail sector was the most satisfied with a BFI index value 8% higher than the overall BFI value (6.8). The financial service sector was 6% higher than average; however this sector had some specific less positive issues.

In contrast, both business services and other services have lower index values (-8% and –3% respectively) suggesting that these important sectors were less satisfied with the city centre businesses environment as indicated.

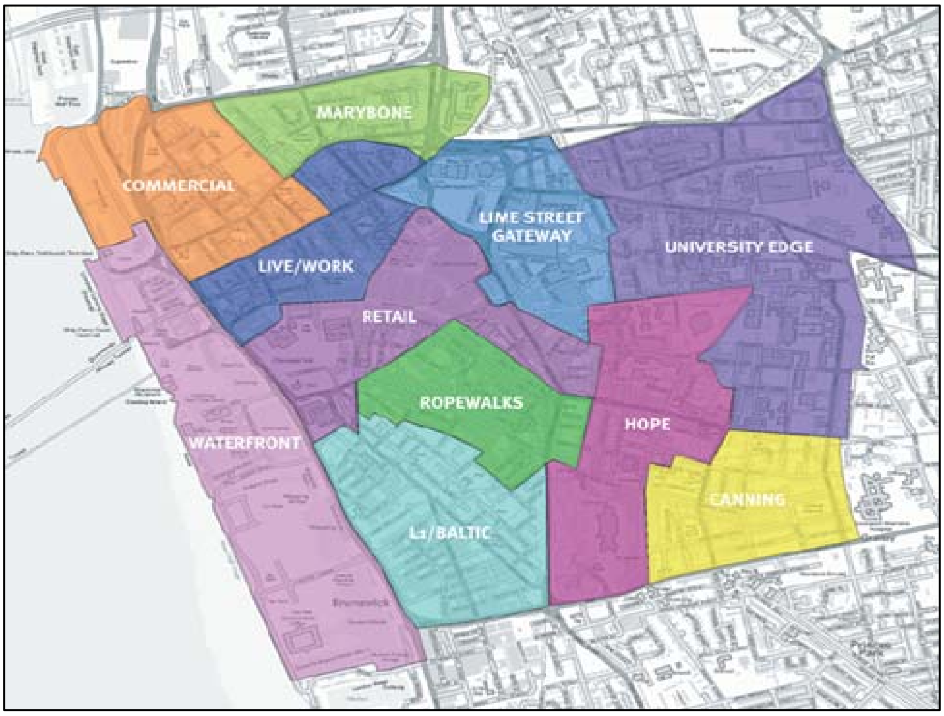
Fig 3.2 Sector views relative to the overall business friendliness index value



Analysis revealed some variation in business satisfaction views by size band (defined by the number of employees). There is some evidence that businesses in the larger size bands are less satisfied than those in the smaller bands but the scale of variation is relatively minor at the aggregate level.

[2] The 9 sectors comprised: **Retail, Wholesale, Construction, Hotels and Restaurants, Manufacturing, Transport and Communications, Business Services** (including for example real estate, legal activities, advertising and architectural activities), **Financial services** (including insurance, pensions, accounting and tax consultancy) and **Other Services** (including service companies not placed in financial or business classifications). Complete definitions available in the full report.

Fig 3.3 Liverpool city centre zones



Analysis by city centre zone reveals some important variations, with University Edge and the retail zone reporting highest satisfaction overall. [3] At a more detailed level cleanliness was reported as an issue in most areas except the Retail, University Edge and Rope Walks zones. Safety concerns are highest in the Lime St, Waterfront and Commercial areas whereas transport and accessibility concerns are most pronounced in the L1/Baltic, Lime St and Waterfront areas but not the Retail zone.

It should be noted however that all of these variations are in the context of the relatively high overall business friendliness index value of 6.8 out of 10.

4. Liverpool as a place to do business

When asked to score Liverpool city centre as a place to do business, results were consistent with the BFI index showing a strong skew towards the higher scores. 74% of all respondents rated Liverpool with a 4+ score (on a scale of 1-5) as a good place to do business.

Asked about change during the last five years, businesses report notable improvement. 76% of respondents reported an improvement of which 29% thought it had very much improved as a place to do business.

Such views, of course, do have to be tempered with evidence that many English urban centres have experienced revival in the recent past. The findings point towards the need for Liverpool to maintain focus on driving forward an economic strategy to deliver the best possible environment for city centre businesses to flourish.

In addition, businesses were asked what could make the city centre even better. The responses included improved parking (32%), better infrastructure and transport (26%) and a reduction in litter (22%). Other prominent factors referenced include image (19%) as well as continued investment (17%) and regeneration (13%).

[3] Canning and Marybone zones had to be omitted from the analysis as they both contain less than 10 businesses in the sample.

The survey tool also sought views about business involvement with the Local Authority; 12% of respondents indicated that they had had contact with the Local Authority in last 12 months and of those 75% reported that they were either very or quite satisfied with the outcomes – a high satisfaction rating but with room for complacency.

5. Premises satisfaction

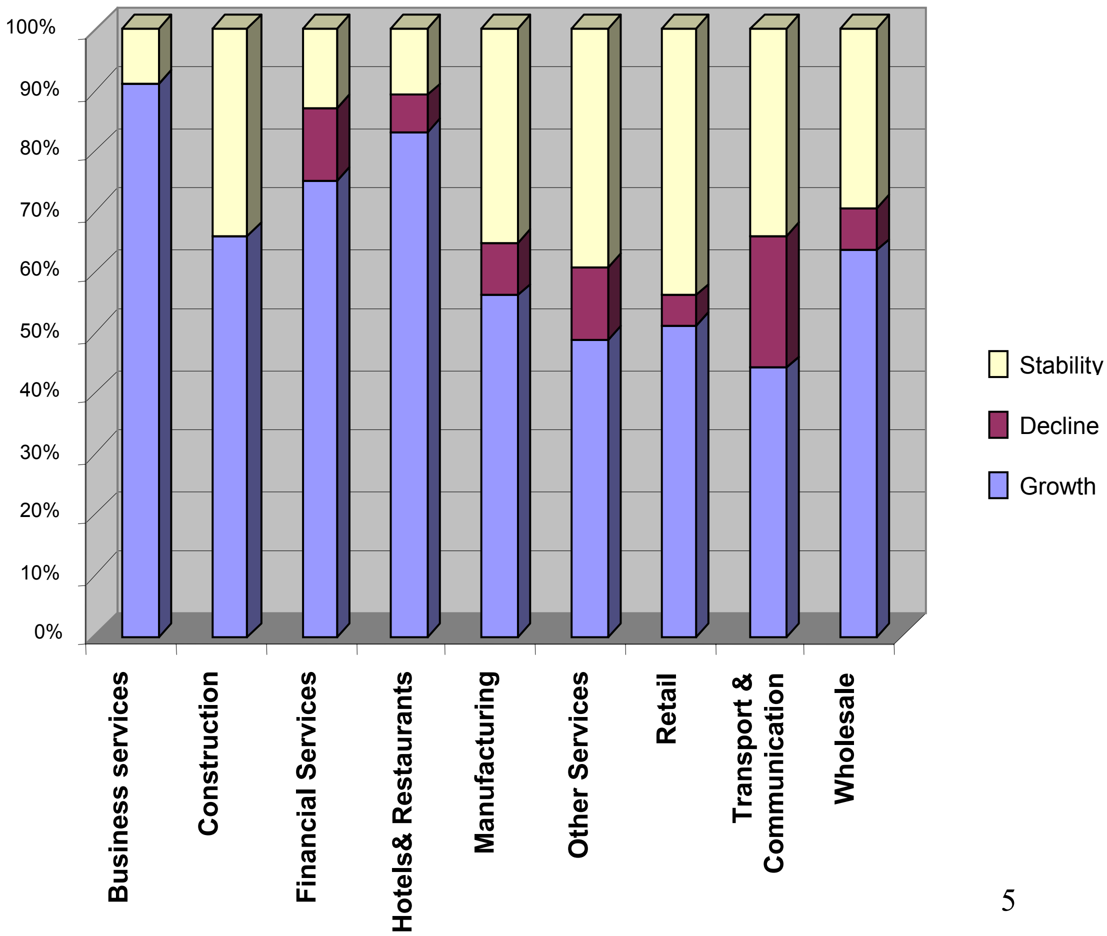
The survey suggests that the city centre business community is, for the most part, satisfied with accommodation. Generally businesses felt that there was a good match; 68% of businesses rated their premises as 8+ out of 10 as meeting current operating needs. However the remaining 32% represents a not insubstantial cohort where larger companies and those operating in financial services, other services and manufacturing sectors reported below average satisfaction.

Highest satisfaction with premises was evident in Lime St, Live Work, University Edge and Commercial zones with highest dissatisfaction in L1/ Baltic, Lime Street and Waterfront areas. Lime Street businesses are featured in both highest and lowest satisfaction brackets indicating some degree of polarisation.

6. Anticipated business growth

City centre businesses were asked if they planned to grow, remain stable or if they anticipated decline. Some 69% of businesses anticipate growth over the next five years providing a solid platform for optimism, while 25% anticipate stability and only 6% anticipate decline. There was some significant variation according to what sector businesses operated in with business services, hotels and restaurants and financial services having the highest growth expectations. Lowest expectations for growth were found in transport and communications, other services and retail sectors.

Fig 6.1 Anticipated growth, stability or decline by sector



Concern about the scope for expanding the customer base was identified as a key constraint for those businesses who were either planning to remain stable or anticipating decline. Issues such as competition, access to funds and maintaining margins were also reported as barriers in stable firms and those anticipating decline. For firms planning to remain stable there was some evidence that a proportion of firms either believe they have reached optimum capacity either of the market they are in or in terms of personal ambition.

Although just 6% of the total number of firms surveyed anticipated decline in the coming five years, over 40% of that group expect decline of more than 15%. Of those anticipating decline, hotels and restaurants and wholesale represent the most pessimistic sectors. It should be noted, however, that hotels and restaurants also feature strongly in the group of businesses that anticipate growth.

6.1 Property implications

Businesses were asked about the implications growth would have on property requirements. The findings suggest that the dynamism of the city centre commercial property market is set to continue. Just under a fifth (17%) of firms planning to grow report that this will entail significant change in property requirements. A further 27% indicate some degree of change as a result of the growth and the remaining 56% indicate limited, if any, change. Of the group anticipating changes in property requirements it is the Business Services sector that dominates. Analysis by size-band shows that property adjustments are most likely at the smaller end of the size spectrum.

Evidence from the survey suggests that property change requirements for growing firms are based on the need to accommodate more staff and to a lesser extent the need to house IT equipment, more machinery and meeting space. Important requirements for new space included meeting/conference space, a specific location within the city centre and parking. The time frames for emerging space requirements were commonly 12-24 months in the future (41%) or 25+ months (36%).

7. The Retail Sector and Retail Development

Despite trends toward out-of-town development, retail activity lies at the heart of Liverpool City Centre contributing an estimated £310m towards city centre GVA, a key part of the city’s destination offer and a sector of real significance for local jobs. The sector is set to see a considerable expansion as the result of the Liverpool One development and smaller schemes such as the Met Quarter. A substantial proportion of the workforce lives locally. 68% firms reported more than 90% of employees live within Liverpool.

Retail companies in the city centre appear to be highly satisfied with the skills of their staff - 86% providing a score of 8 or higher and none reporting a score of five or less. However whilst it is not unexpected that employers should believe in the capabilities of their staff it is unusual that the ‘scope’ for improvement is perceived to be so low suggesting that aspiration levels may not be particularly high.

Close to two-thirds of firms indicate that they have arranged for staff to have training in the last 12 months, the majority of which is delivered in house. Of those not providing training only 4% refer to cost as a barrier whereas 72% point to the fact that their staff are already sufficiently trained. 82% of firms report no difficulty in recruitment of staff and any problems that exist are more often related to quality rather than volume. Likewise, 74% of firms report no difficulty in retention of staff.

7.1 Paradise Street – Liverpool One

Next to no impact on recruitment or retention is anticipated from the development of Paradise Street with the highest proportions of 'no impact' scores occurring in the businesses operating in the two smallest size-bands.

Consistent with these findings, most retail businesses have not planned or anticipated the need to respond in any way to the growth of the sector which will be generated by the Liverpool One development.

Part of the reason for inaction lies in lack of understanding - over half of the sample profess that they are not really sure about how the development will affect their business and close to a third admit that they have not really considered the issues. Businesses in the smallest band (0-4 employees) were least likely to have considered the issue to date which raises some concerns about the extent and depth of business development planning.

8. Action response

This survey report comprises a wide range of findings about the views and perspectives of a significant sample of city centre firms, covering the most important business environment factors. It is a platform for the development of an improved dialogue and increased involvement of the business community in planning for the future of the city centre. BusinessLiverpool plans to roll out the survey city wide in 2007 and to make it a central feature of its role for ensuring that business views inform the development and delivery of public services and investment in the city's business environment.

Specifically this report provides the benchmark of how well Liverpool city centre is currently performing and has identified areas where improvements can be made.

In the first instance, the survey findings will be shared with businesses in the key sectors and city centre zones and with key service delivery organisations including the city council. BusinessLiverpool considers this dialogue to be essential to ensure clarity and agreement with the business community about the nature of the action response needed. The agreed action priorities will make up an action plan for partners to deliver.

The survey and index provide a unique baseline from which the city and its business community can work together to continue the momentum of Liverpool's economic growth. Far from being a one-off academic study, the survey and its resulting action plans will become important tools in the step change in Liverpool city centre.

BusinessLiverpool will monitor and report on performance and will work with city centre businesses to establish a forum for continuing dialogue on the changing priorities of the city centre and for accountability on the delivery of agreed actions. One way in which success will be measured will be through the annual survey and the resulting scores on the Liverpool Business Friendliness Index.

Further information:

The survey was carried out with the financial support of City Focus through single regeneration budget.

To obtain a full copy of the report view and print from: www.businessliverpool.co.uk

Copies of the City Growth Strategy and associated research are available from: www.citygrowthliverpool.com