

**“SMALL BUSINESSES IN THE  
LONDON ECONOMY”  
— Performance & Prospects**

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# → THE MARKET PLACE



## SMEs IN THE UK:

- **99% of the 3.86m businesses in the UK**
  - 68.2% have no employees
  - 29.3% have less than 20 employees
- **56% of employment (12.6m) & 52% of GDP (£1,100bn)**

(Small Business Service, 2003)

## SMEs IN LONDON:

- **93% of London's businesses have between 1 & 24 employees**
- **Accounts for 31% of all employment in London**

(London Employers Survey, 2003)

# → STARTS & CLOSURES IN 2003



## STARTS

— **465,000 new SMEs started-up across the UK (+20% on 2002)**

(000s)	Q1	Q2	Q3	Q4	2003 Total
London	17.9	21.7	22.4	22.4	<b>84.3</b>
South East	17.2	20.3	20.1	18.7	<b>76.3</b>

## CLOSURES

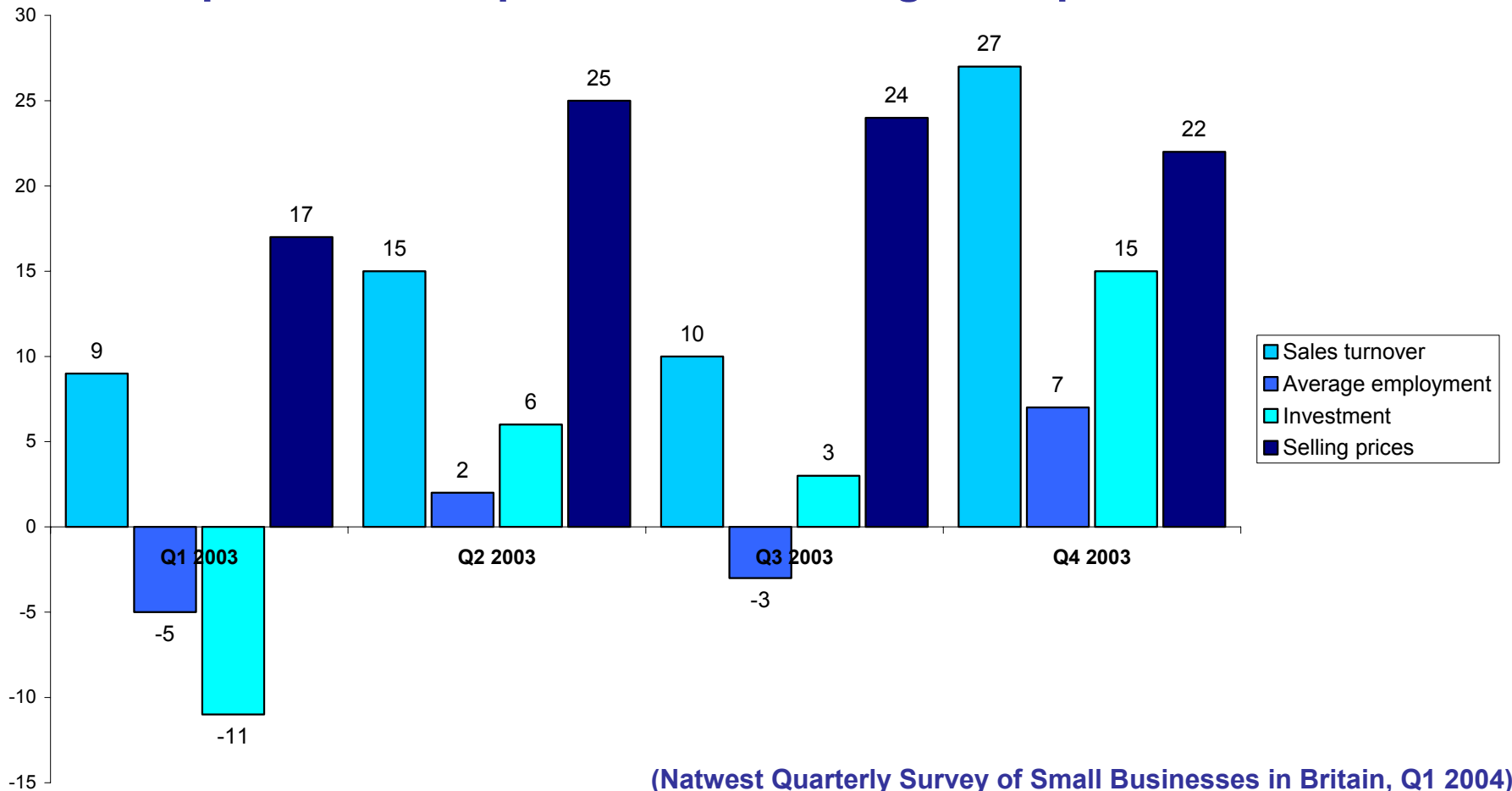
— **Less than 300,000 closures (-9% on 2002)**

— **About 50,000 across London**

(Barclays Small Business Survey, Q4 2003)

# → SME BUSINESS PERFORMANCE

## — Improvement in performance during final quarter of 2003



# → CREATIVE LONDON



**21bn**

The creative industries contribute £21bn to London's GDP

**500K**

The creative industries account for more than 500,000 jobs in London

**1 in 5**

One in every five new jobs in London is in the creative industries

**30%**

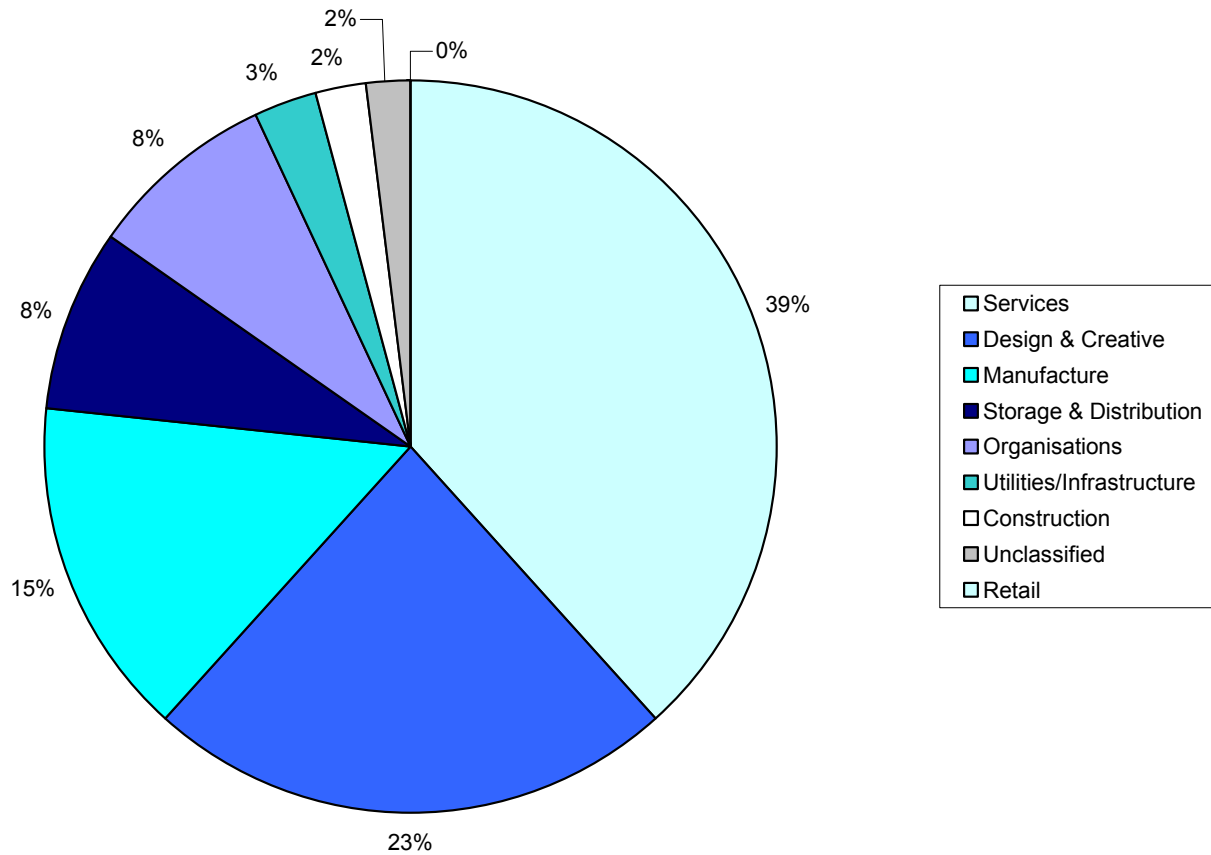
London is the UK's centre for creative industries, accounting for 30% of the UK's advertising, music, publishing, television, designer fashion, performing arts, and radio jobs

(Creative London, 2004)

# → WORKSPACE CUSTOMERS



## — DTI Classification of tenants



# → Our Coverage in London & the South East



Workspace Group



## Key

- Property acquired in 2003/04 (12)
- Portfolio property – London (71)
- Portfolio property – outer London (18)

- 1 National Works, Hounslow
- 2 Atlas Business Centre, NW2
- 3 Ellerslie Square, SW2
- 4 Michael Manley Centre, SW8
- 5 Rudolf Place, SW8
- 6 Zennor Road, SW12
- 7 Progress Way, Croydon
- 8 Hamilton Road, SE27
- 9 Hardess Street, SE24
- 10 Mahatma Gandhi Industrial Estate, SE24
- 11 Linton House, SE1
- 12 Poplar Business Park, E14

# → WORKSPACE SME RESEARCH



## COMPARING WORKSPACE OWNER-MANAGERS & BUSINESSES WITH:

**LONDON ANNUAL BUSINESS SURVEY (LAB), 2003:** LDA & Business Link survey of more than 4,000 businesses across London chiefly aimed at measuring competitiveness & productivity.

**KINGSTON SMITH (KS), 2002:** Kingston Smith & SBRC survey of owner-managers looking at business performance, management styles and attitudes & aspirations.

**SMALL BUSINESS SERVICE (SBS), 2003:** Annually published statistics from the SBS on size, composition and performance of the country's SMEs.

# → PAST PERFORMANCE



## SINCE START-UP:

**80% have increased turnover & 62% increased profits**

**Increases in turnover & profit out-paced increases in employees**

**= good performance & evidence of productivity gains**

## LAST 12 MONTHS:

**55% saw increases in turnover & 45% increases in profit**

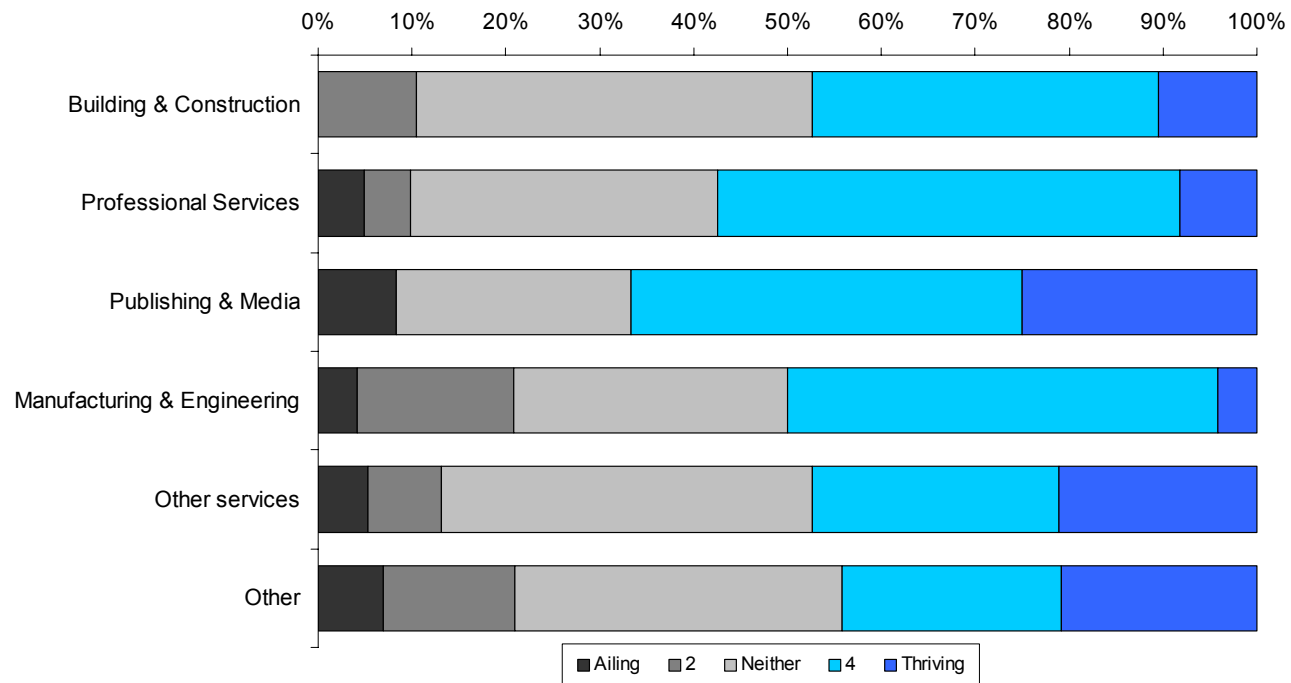
**Between 5 and 50 employees most dynamic**

**= year of solid performance & consolidation of turnover & profit**

# → CURRENT PERFORMANCE

More than half currently consider their business to be 'thriving'

= majority across all sectors in good financial health



# → PERFORMANCE EXPECTATIONS



## KEY PERFORMANCE INDICATORS:

### **% Anticipating an increase – balance scores**

	<b>Turnover (%)</b>	<b>Profit (%)</b>	<b>Employees (%)</b>
Next 12 months	+ 66.4	+ 57.4	+ 33.8
Next 3 years	+ 82.2	+ 81.3	+ 62.4

- **Optimistic for next 12 months & more so for next 3 years**
- **Increases in turnover & profit expected to out-pace increases in employment**
- **Consistent pattern across business sectors**

**= high optimism for the next 12 months & 3 years across business sectors**

# → FINANCIAL PERFORMANCE



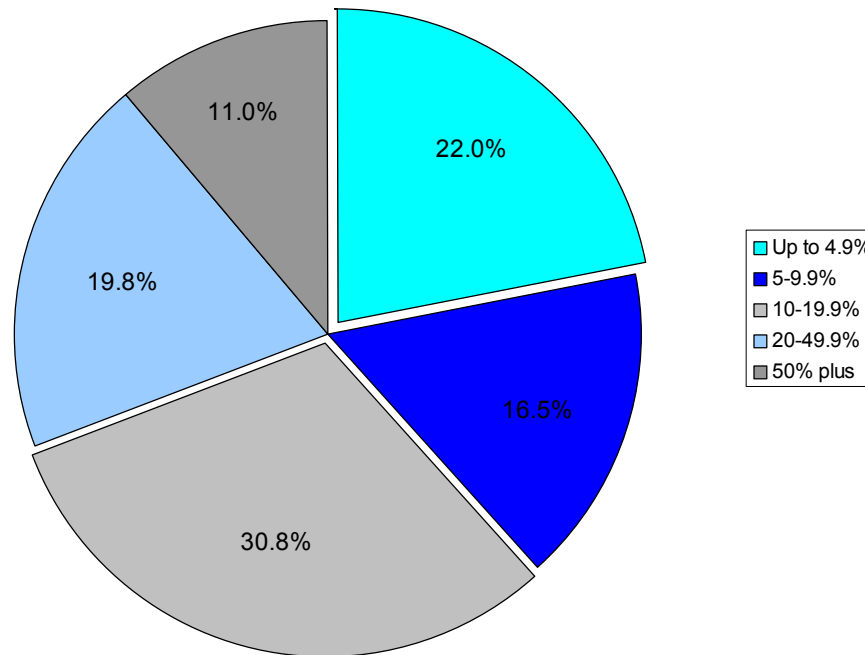
## TYPICAL WORKSPACE TENANT:

	<b>Median</b>	<b>% of median turnover</b>
Year of start	1996	—
Turnover	£250,000	—
Overheads	£90,000	36
Profits	£40,000	16
Rent	£12,000	4.8

**= rent accounts for low percentage of turnover**

# → PROFITABILITY

More than six in ten have a profit-to-sales ratio of 10%



**Median profit = £40,000**

**Median profit per employee = £8,780**

## OVER LAST 12 MONTHS:

**More than 4 in 10 introduced new service/product in last 12 months**

**About 4 in 10 introduced new practice/process in last 12 months**

**54% have introduced one or both (LAB = 37%)**

**32% have introduced both (LAB = 15%)**

**= Higher than London average**

# → WORKSPACE ARCHETYPES



## WORKSPACE ENTREPRENEUR

AGE  
EDUCATION  
MOTIVATION  
BUSINESS STYLE  
SUCCESS  
SERIAL/PORTFOLIO

## WORKSPACE BUSINESS

ROBUST SIZE, AGE,  
LEGAL TYPE  
SUPERIOR BUSINESS  
PERFORMANCE  
INNOVATIVE

# → CONCLUSIONS



- **Third quarter statement: Signs of improved business confidence in customer base & good enquiries**
- **SME research points to good level of optimism amongst SMEs in London**
- **Research of Workspace customers points to performance and optimism well above London average**