





Big Small Business Survey

2023 Findings Report

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Foreword

Andrew McRae
Scotland Policy Chair



It would be fair to say that the last few years have been transformative times for all of us, in so many ways. We've seen businesses start up in areas we wouldn't have imagined before the pandemic, entrepreneurs pivoting in a heartbeat in response to the unique challenges lockdown presented them and, sadly, a number of businesses unable to weather the successive storms we've seen since the beginning of 2020.

Given the seismic shift in the conditions in which Scotland's smallest traders have found themselves operating, it's vital that we understand how they're doing now.

This report provides the most comprehensive study FSB in Scotland has ever undertaken, asking business owners from every sector and every area of Scotland about the state of their business, the challenges they have faced and the opportunities they see ahead.

It will perhaps come as little surprise that, given the chaos and crises of the last few years, there is no uniform conclusion to be drawn about the exact state of the average Scottish small business - if, indeed, such a thing exists. Rather, when we analysed the broad range of topics businesses told us about, the key takeaway in many cases was that there was no overwhelming majority for one answer over others.

Encouragingly, however, the findings do reveal that three fifths of Scottish small businesses have plans for growth in the next year. This offers hope that the much discussed 'recovery', from the pandemic at least, is now underway.

Often, when we meet with government representatives and other stakeholders, we make the case that business should not be treated as a monolith, and that the needs of smaller operators often vary greatly from those of their larger counterparts. This report underlines the diversity that exists within the small business community.

What follows is a presentation of Scotland's small business community's views on a variety of subjects, with insights into the variance in different groups according to business age, sector, gender and more.

In the weeks and months ahead, we look forward to publishing a series of spin-off reports, examining each of the areas of study in closer detail, and providing our recommendations on how government and other stakeholders can support more Scottish small businesses to grow and thrive.

Acknowledgements

This report was written by Stacey Dingwall (Head of Policy and External Affairs, Scotland) and Rachel Cook (Deputy Head of Policy, Scotland). However, it could not have been produced without the support and guidance of the entire Scottish team, including the wider Glasgow office team, field team and, of course, our volunteer members. Thanks are also extended to the Scottish Policy Unit and colleagues across the devolved nations and Westminster teams for their support along the way, and our friends and stakeholders who helped the survey reach as large an audience as possible.

Most importantly, thank you to the hundreds of small businesses across Scotland who took part in this first edition of the Big Small Business Survey.

Methodology

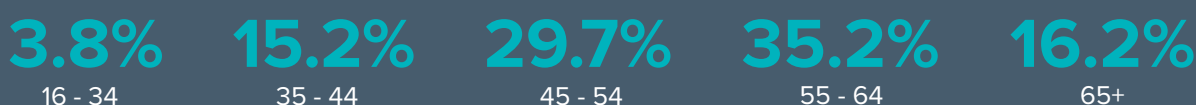
This report is based on the Q1 2023 research survey of small businesses carried out via Smart Survey. Scottish small businesses were invited to take part in an online survey via an open link shared by FSB Scotland and key stakeholders. We received 602 responses to the survey, which was live between 30 January – 10 March 2023.

Demographics

Which gender do you identify as?



What is your age?



Are your day-to-day activities limited because of a health problem or disability which has lasted or is expected to last at least 12 months?



What is your ethnic group?

- White - English/Welsh/Scottish/Northern Irish/British: **90.8%**
- White – Irish: **1.2%**
- White - Gypsy or Irish Traveller: **0.0%**
- White - Any other White background, please describe: **4.5%**
- Mixed/Multiple ethnic groups - White and Black Caribbean: **0.2%**
- Mixed/Multiple ethnic groups - White and Black African: **0.0%**
- Mixed/Multiple ethnic groups - White and Asian: **0.5%**
- Mixed/Multiple ethnic groups - Any other Mixed/Multiple ethnic background, please describe: **0.3%**
- Asian/Asian British – Indian: **0.2%**
- Asian/Asian British – Pakistani: **0.0%**
- Asian/Asian British – Bangladeshi: **0.0%**
- Asian/Asian British – Chinese: **0.0%**
- Asian/Asian British - Any other Asian background, please describe: **0.2%**
- Black/ African/Caribbean/Black British – African: **0.5%**
- Black/ African/Caribbean/Black British – Caribbean: **0.0%**
- Black/ African/Caribbean/Black British - Any other Black/African/Caribbean background, please describe: **0.0%**
- Other ethnic group - Arab: **0.0%**
- Any other ethnic group, please describe: **0.0%**
- Rather not say: **1.7%**

Which of the following best describes the nature of your business?

Agriculture, Forestry and Fishing: 4.2%	Real estate activities: 1.8%
Mining and Quarrying: 0.2%	Professional, scientific and technical activities: 9.0%
Manufacturing: 7.1%	Administrative and support service activities: 2.0%
Electricity, gas, steam and conditioning supply: 0.0%	Public Administration and defence; compulsory social security: 0.0%
Water supply, sewage, waste management and remediation activities: 0.2%	Education: 1.7%
Construction: 2.3%	Human Health and social work activities: 3.0%
Wholesale and retail trade; repair of motor vehicles and motorcycles: 15.3%	Arts, entertainment and recreation: 7.6%
Transportation and Storage: 1.7%	Other service activities: 16.9%
Accommodation and food service activities: 20.8%	Activities of households as employers; undifferentiated goods – and services – producing activities of households for own use: 0.3%
Information and communication: 4.3%	
Financial and Insurance activities: 1.2%	

How is your business structured?

31.1%	53.8%	11.3%	1.7%	2.2%
Sole Trader	Limited Company	Partnership	Charity	Other

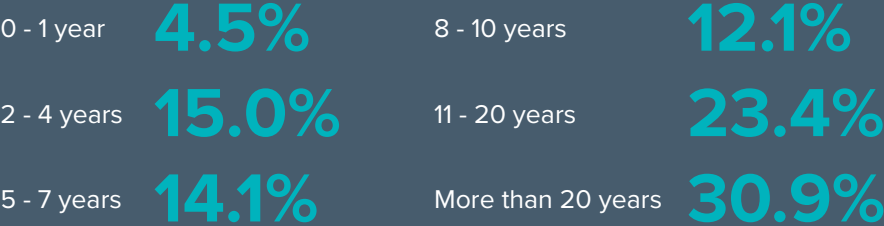
Thinking about your main business, where do you normally operate?

Home	34.2%	Shop	20.1%
Public space – e.g. café/restaurant/hotel	13.3%	Vehicle	1.7%
Industrial park/unit	15.1%	Office	13.6%
Shared workspace	2.0%		

How many staff do you employ (across all your businesses, if applicable)?



What is the age of your main business?



Are you a member of the Federation of Small Businesses?

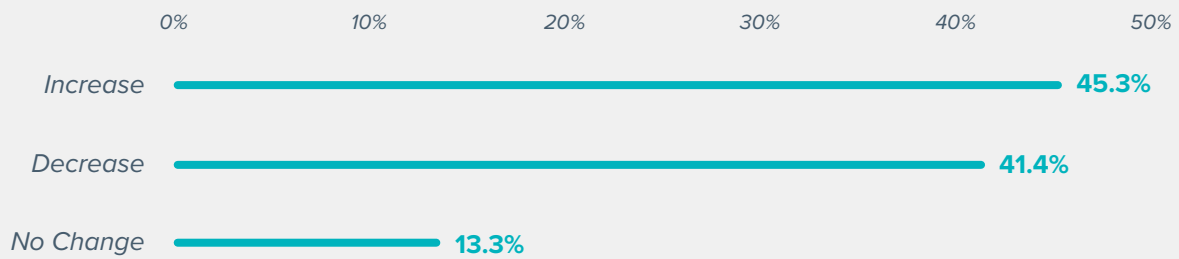


Trading Conditions

Economic uncertainties and historically high inflation have created one of the most difficult trading environments for businesses to date. The cost-of-living crisis gripping the country means a corresponding cost-of-doing business crisis has developed.

In this section of the survey, we sought a clearer understanding of how businesses have been faring over the past year, particularly in relation to turnover.

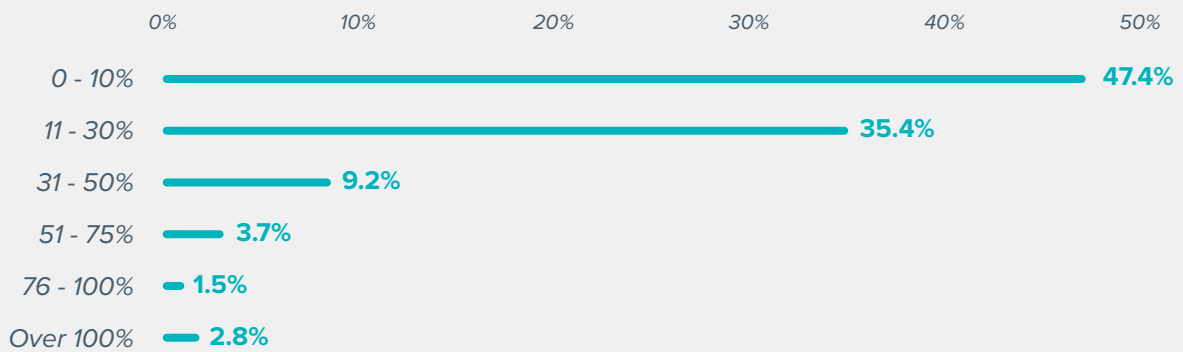
Did you see an increase or decrease in turnover in the last year?



Almost an equal number of small businesses saw either an increase or a decrease in their turnover last year.

Businesses in the **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles** (52%), and **Accommodation and Food Service Activities** (51%) sectors were most likely to report a decrease in turnover in the last year.

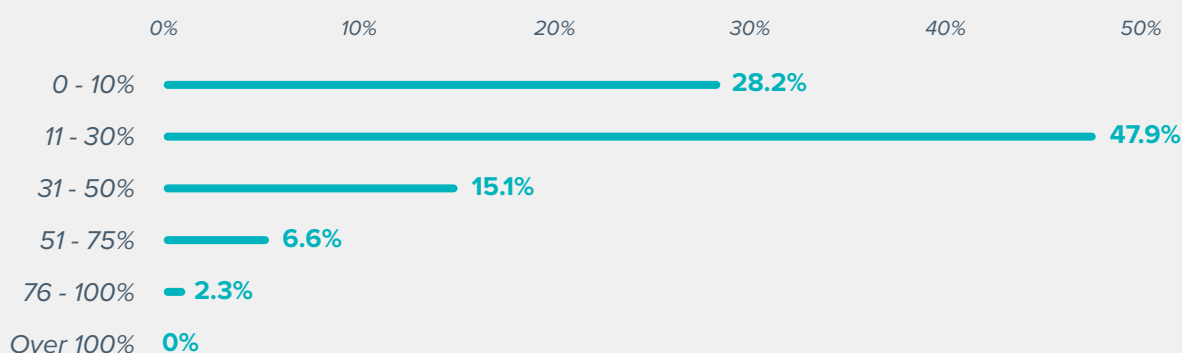
In responding 'increase' to the above question, what was the percentage increase in your turnover?



Almost half of Scottish small businesses saw an increase in turnover of between 0-10% last year.

More male-owned businesses saw an increase in turnover when compared to female-owned businesses. 23% of male-owned businesses reported a turnover ranging from 31% to over 100%, whereas only 13% of female-owned businesses reported the same.

In responding 'decrease' to the above question, what was the percentage decrease in your turnover?

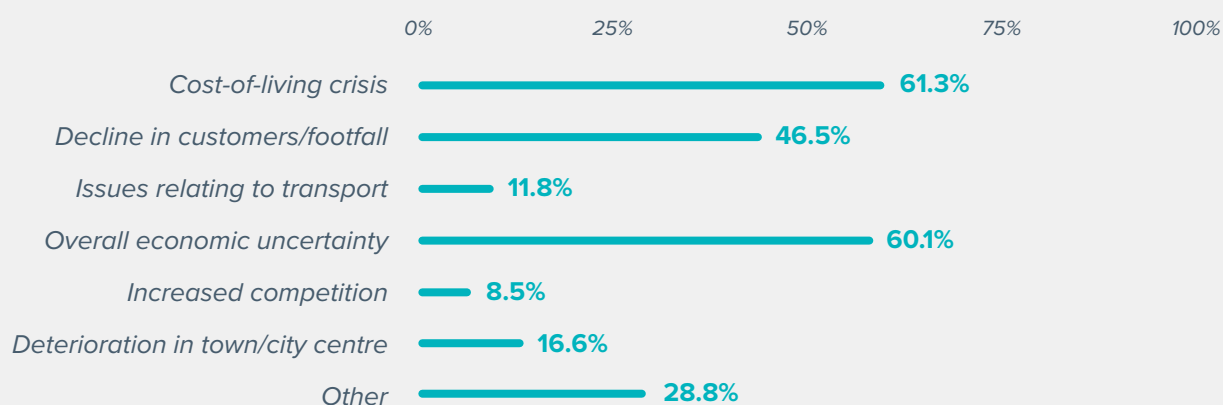


Nearly half of those businesses who reported a decrease in turnover in the last year lost between 11-30% of turnover.

More female-owned businesses (18%) reported a decrease of 31-50% in turnover in the last year compared to male-owned businesses (12%).

Over half of businesses in the **Accommodation and Food Service Activities** sector (52%) and those in the **Manufacturing** sector (58%) reported a decrease of between 11-30%.

If your business' turnover has decreased to what do you attribute this?



Over three fifths of businesses that reported a decrease turnover in the last year attributed this to either the cost-of-living crisis or overall economic uncertainty.

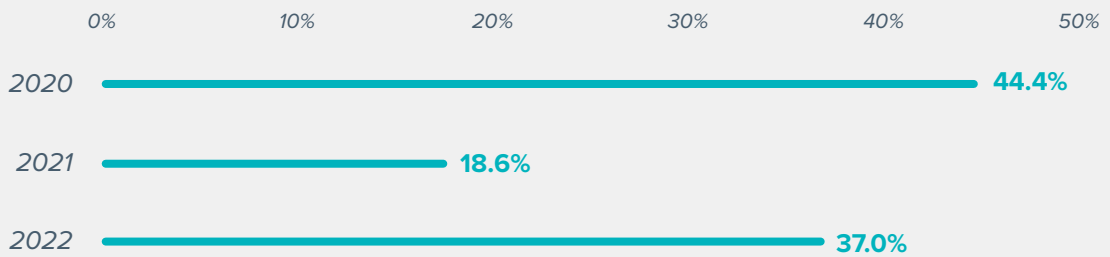
Those businesses who selected 'other' as part of this question often specified Brexit as a reason why business turnover decreased. Many also reported the hangover from the Covid-19 lockdowns.

“Rocketing energy and raw material costs. Passing most of this on to customers has definitely impacted negatively on sales.”

“Smaller repeat orders from existing customers.”

“Ongoing effects of Covid closure and Brexit.”

Looking at the last three years, which of the following years would you say has been the most difficult in terms of trading conditions?



As one might expect, most small businesses (44%) across Scotland reported 2020 as their most difficult year in terms of trading conditions. However, nearly as many businesses (37%) cited 2022 as their most difficult year. Fewer than 19% of businesses cited 2021.

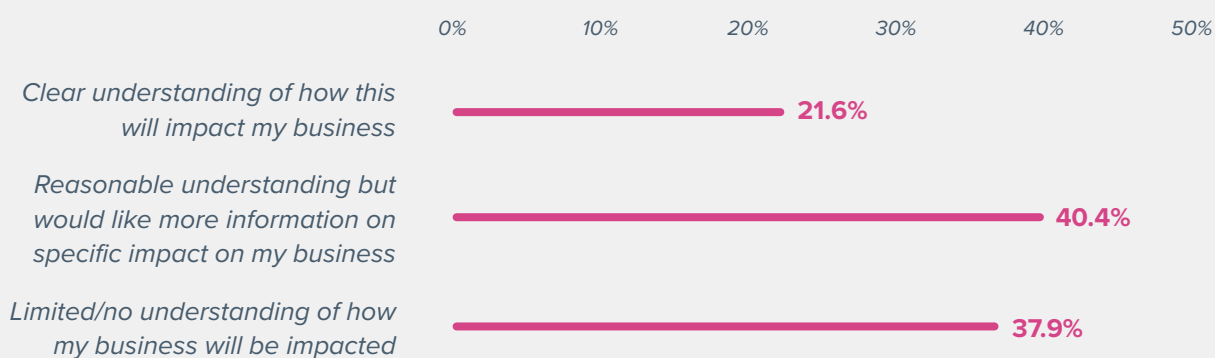
There were some sectoral differences in the impacts of the last few years - a higher number of businesses in the **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles** sector cited 2022 (52%) as a more difficult year than 2020 (27%). However, a higher number of those in the **Accommodation and Food Service Activities** sector found 2020 (50%) to be more difficult than 2022 (33%).

Net Zero

The Scottish Government has set the most ambitious targets of any government in the UK with its ambition to reach Net Zero by 2045. The journey to Net Zero will require significant changes in our behaviours, not only on a personal basis but also in terms of business operations and processes.

This section sought to find out how engaged Scottish small businesses currently are in the transition to Net Zero, and their views on the current support offering from government.

How would you describe your understanding of government targets related to Net Zero?

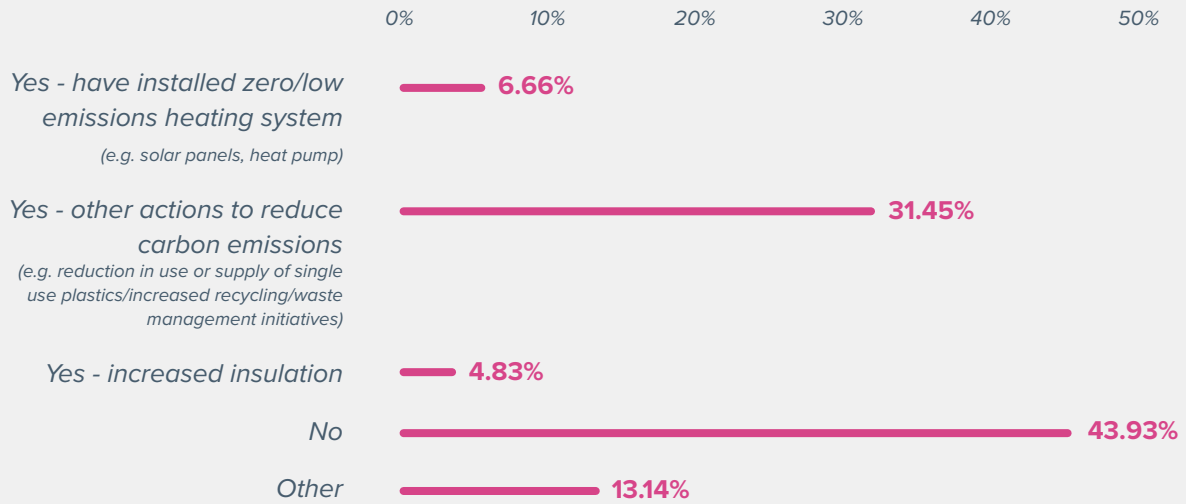


Almost two fifths of Scottish SMEs have limited or no understanding of government targets related to Net Zero and how these will impact their business.

In terms of sectors, there was a relatively wide range of reported understanding of targets. Businesses in the **Accommodation and Food Service Activities** sector were least likely to have an understanding of targets and their impact (38% had limited/no understanding), while those in the **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles** sector were most likely (22%) to have a clear understanding.

Awareness seems to grow with time in business – start-ups were less likely to have a clear understanding; 2% did compared to an average of 23% for businesses operating for 2+ years.

Have you made any changes to your business with regards to Net Zero?

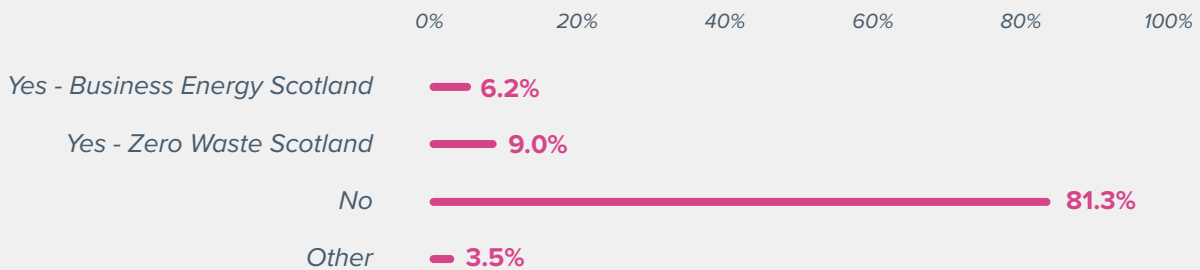


The proportion of businesses who have made changes (two fifths) is almost the same as the proportion of businesses who have not made changes relating to Net Zero.

Those operating in the **Agriculture, Forestry and Fishing** sector were more likely to have made changes (67%); those operating in the **Information and Communication** sector were least likely (42%).

Start-ups were less likely to have made changes; only 41% had, compared to an average of 57% of businesses operating for two years or longer.

Have you engaged with any government support initiatives with regards to the transition to Net Zero?



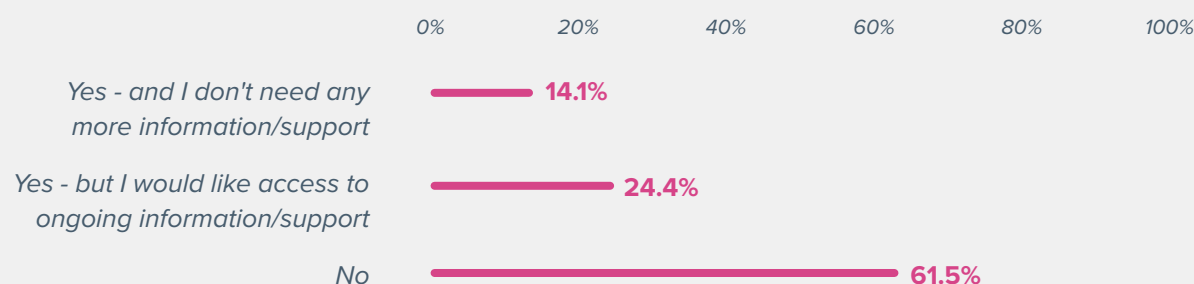
Four fifths of Scottish SMEs have not engaged with any government support initiatives with regards to the transition to Net Zero.

There is a wide disparity between younger and older entrepreneurs: those aged 16-34 were least likely to have engaged with government support initiatives (91% had not) while those aged 45-54 were most likely to have engaged (21% had).

Businesses in the **Manufacturing** sector were more likely to have engaged with support initiatives (30%), while those in the **Human Health and Social Work Activities** sectors were least likely (6%).

Larger employers were more likely to have engaged; 38% had, compared to only 15% of those employing 0-5 employees. Companies operating for 5-10 years were more likely to have engaged (25%) compared to start-ups (11%) and those operating for 10 years+ (17%).

Do you feel enough support is available to you with regards to the impact the transition to Net Zero will have on your business?



Three fifths of Scottish SMEs do not feel enough support is available to them with regards to the impact the transition to Net Zero will have on their business.

Businesses owned by those aged 16-44, or 65+, were more likely to feel enough support is available (43%) than businesses owned by those aged 45-54 (36%).

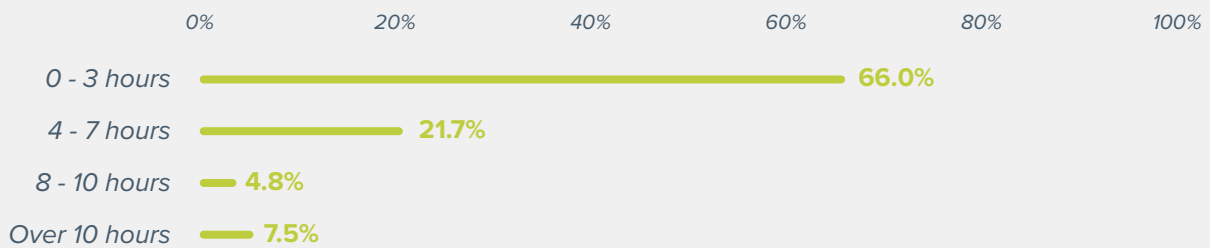
Businesses in the **Human Health and Social Work Activities** sector were least likely to feel enough support is available (18%); businesses in the **Manufacturing** (57%), **Information and Communication** (54%), and **Administrative and Support Service Activities** (58%) sectors were most likely to believe enough support is available.

Regulation and Tax

Regulatory compliance has been a key issue for small businesses in recent years, with concerns around the cumulative impact of different regulations coming from across different areas and spheres of government. FSB has also raised issues around regulations being designed without taking into consideration the specific impact on small businesses.

This section of the survey sought to understand how long SMEs are spending on regulatory compliance, views on local authority control over specific forthcoming regulations, and the impact of recent reforms to the non-domestic rates relief system brought forward by the Scottish Government.

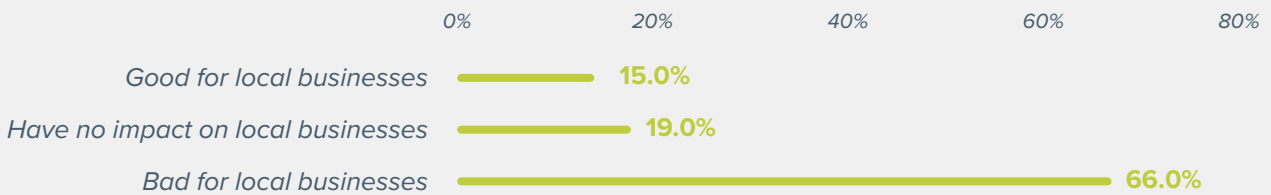
How much time (roughly) do you spend on paperwork associated with regulatory compliance each week?



Over a tenth of Scottish small businesses spend more than eight hours per week on regulatory compliance.

As might be expected, businesses in the **Financial and Insurance Activities** sector were most likely to spend more than 10 hours per week on regulatory compliance (29%). Almost a third (30%) of businesses with more than 50 employees were also more likely to spend more than 10 hours per week on regulatory compliance.

If councils were given more powers over taxes and charges, such as introducing workplace parking or local visitor levies (tourist tax), would this be:



Two thirds of businesses believe it would be bad for local businesses if councils were given more powers over taxes and charges, such as introducing workplace parking or local visitor levies (tourist tax).

Older business owners (65+) were more likely (80%) to believe there would be a negative impact than their younger counterparts (43% of 16-34s). Additionally, start-ups were more likely (24%) to believe the outcome would be positive compared to businesses operating for 20 or more years (13%).

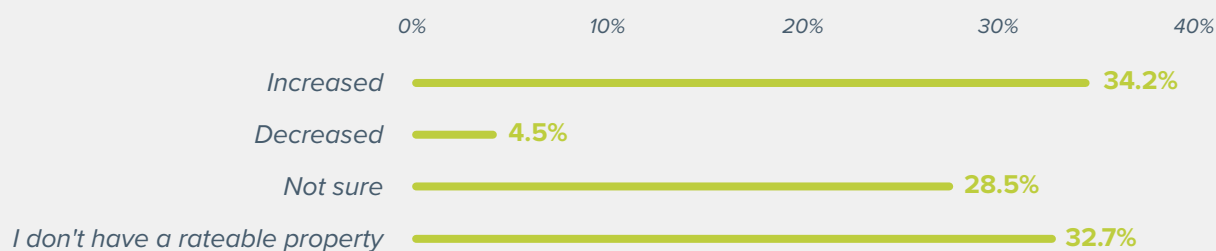
Businesses in the **Information and Communication** sector were most likely to believe the outcome would be good for business (23%); businesses in the **Transportation and Storage**, and **Human Health and Social Work Activities** sectors were most likely to believe the outcome would be negative (89% each).

“Anything that adds to the cost of tourists coming has to be a bad thing.”

“If the money was put back into the infrastructure and not wasted, this would help with local businesses.”

“Extra admin to collect the taxes, report and pay to council or government. We already have a high burden of admin.”

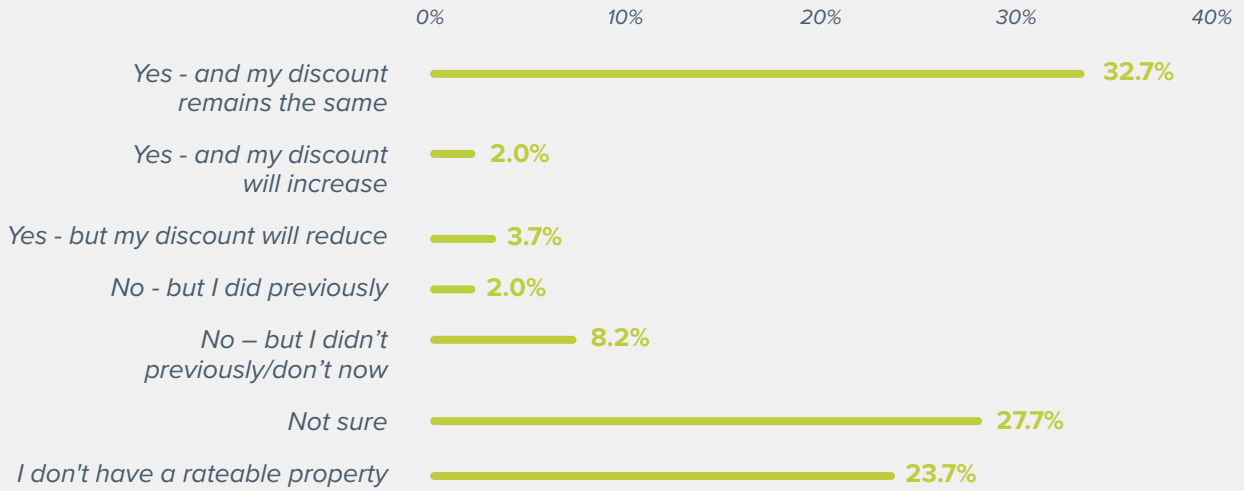
Following the non-domestic rates revaluation, did your draft notice indicate that your rateable value has:



A third of small businesses saw their rateable value increase following the recent non-domestic rates revaluation.

Businesses in the **Accommodation and Food Service Activities** sector made up 30% of businesses who had seen an increase. Non-domestic rates has been a particular issue for businesses in this sector as the Scottish Government did not reintroduce Covid reliefs for the sector, as was seen in England and Wales.

Do you qualify for the Small Business Bonus Scheme - and will this change following the recent reforms announced by government?



Over a third of Scottish SMEs will maintain some level of Small Business Bonus Scheme relief following recent reforms by the Scottish Government.

Businesses in the **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, and Accommodation and Food Service Activities** sectors were most likely to have seen a reduction in their SBBS relief (28% each).

Meanwhile, limited companies made up 82% of those who have seen a reduction in their SBBS relief.

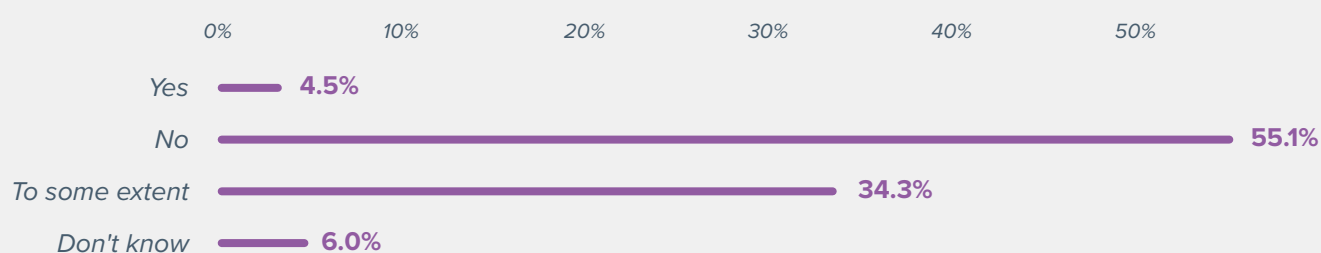


Community Wealth Building and Procurement

Community Wealth Building is a key priority of the current Scottish Government, with their consultation on introducing legislation recently closing. It is also a key interest area for small businesses in Scotland due to the opportunities it could offer in terms of boosting local prosperity and addressing some of the issues which currently deter small businesses from receiving a larger amount of spend from public bodies including local authorities.

In this section of the survey, we sought to understand SMEs' current experiences around community wealth building/planning and procurement.

Do you believe that the key players in your local community (e.g. local authority) understand the needs of local businesses like yours, and your importance to community wellbeing?

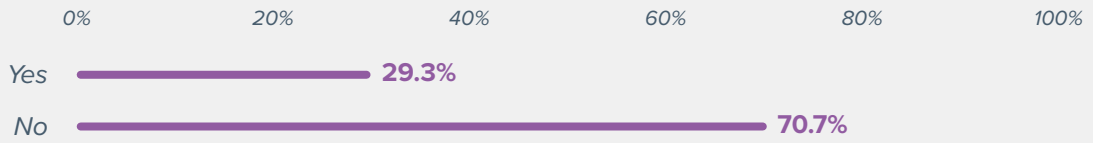


Over half of Scottish SMEs do not believe the key players in their local community (e.g. local authority) understand the needs of local businesses like theirs, and their importance to community wellbeing.

In terms of sector analysis, businesses in the **Financial and Insurance Activities** (57%) and **Information and Communication** sectors (54%) were most likely to believe their needs/importance are understood; those in the **Transportation and Storage** (10%), **Real Estate Activities** (27%), and **Administrative and Support Service Activities** (25%) were least likely.

Start-up businesses were more likely to believe their needs/importance are not understood (58% did not) when compared to those operating for between 8-10 years (47% did not).

Have you tendered for/run any public contracts?



The majority of Scottish SMEs have never tendered for or run any public contracts.

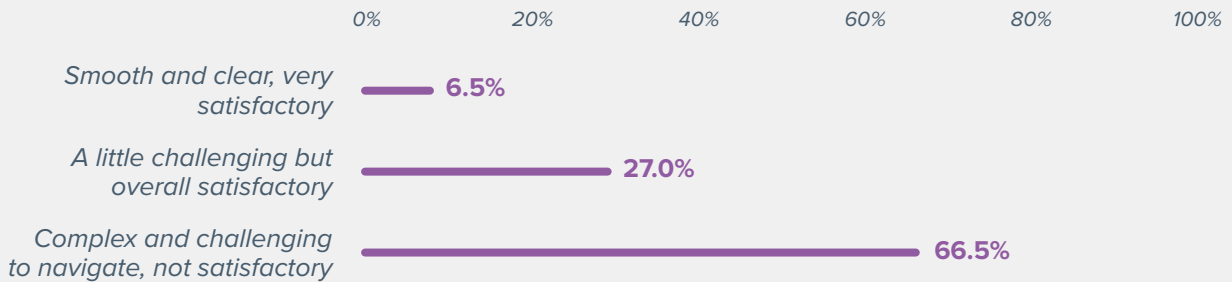
Female-owned businesses were less likely to have tendered for / run any public contracts (28% had not) compared to male-owned businesses (34% had not).

Looking at results across sectors, businesses in the **Construction** (65%), and **Professional, Scientific and Technical Activities** (57%) sectors were more likely to have tendered for / run any public contracts; those in the **Real Estate Activities** (9%), and **Accommodation and Food Service Activities** (10%) sectors were least likely.

Sole traders were less likely to have been involved in public procurement (17%) when compared to limited companies (38%). Equally, micro businesses (0-10 employees) were significantly less likely to have had experience of the public procurement process (26%) than those with 10+ employees (67%).

Newer businesses (operating 0-7 years) were less likely to have tendered for / run any public contracts when compared to those operating 10+ years (22% vs 33%).

If you have tendered for a public contract, how would you describe the process?

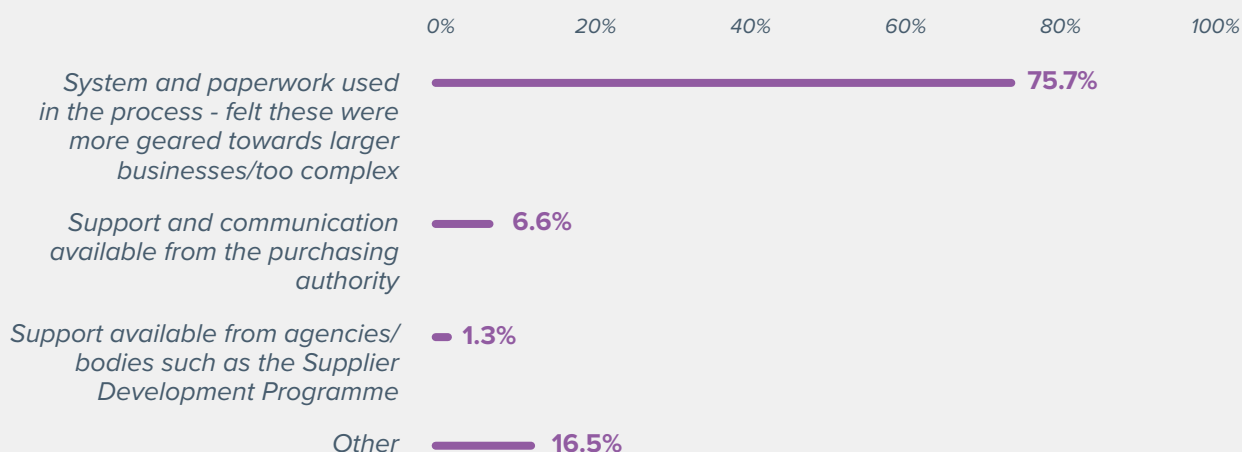


Two thirds of Scottish SMEs who have tendered for a public contract found the process complex and challenging to navigate, not satisfactory.

Business owners aged 16-34 were more likely to criticise the process (100%) than those aged 65+ (58%).

Businesses in the **Education** sector were most likely to have had a very or overall satisfactory experience (67%), while businesses in the **Construction** sector were least likely (23%).

If your experience was negative, what was the main factor in this?



Three quarters of Scottish SMEs find the public procurement process too complex and geared towards larger businesses.

Male-owned businesses were more likely (80%) to have found the process too complex than female-owned businesses (70%).

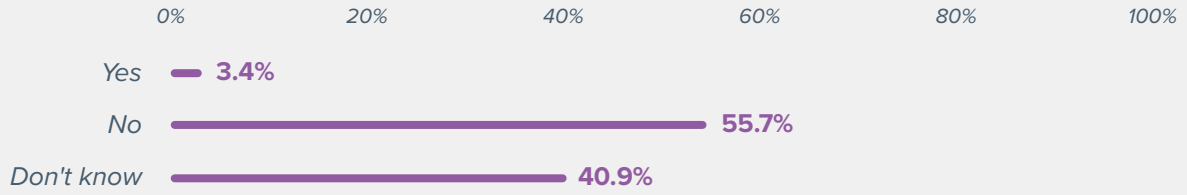
100% of respondents in both the **Accommodation and Food Service Activities**, and **Information and Communication** sectors said they found the process too complex. Those in the **Human Health and Social Work activities** sector were least likely to describe the process as too complex (57%).

“All processes are complex and the decision making process unclear. Recent decisions by the local authority completely ignored the local council recommendations.”

“The process can be overwhelming for small businesses and support from people like me can be expensive.”

“The entire process is biased towards larger businesses both in turnover, staff numbers and time required to complete the paperwork. Years ago I would add it is biased towards older, established businesses.”

Do you believe procurement spend by your local authority/public sector bodies is sufficient with small/micro businesses?



Over half of Scottish SMEs do not believe procurement spend by local authorities/public sector bodies is sufficient with small/micro businesses.

Looking across individual sectors, businesses involved in the **Construction** sector were least likely to believe procurement spend by local authorities/public sector bodies is sufficient with small/micro businesses (65%).



Staffing

Employment is one of several components which can help maximise Scotland's economic prosperity. Delivering higher rates of employment, alongside increased wage growth, is crucial in reducing structural poverty and increasing the standard of living. SMEs play a major role in creating employment opportunities across the country, which in turn can help businesses expand further and deliver more investment into local communities. However, recruiting and retaining staff, even in more favourable economic conditions, can be difficult for small businesses.

In this section of the survey, we wanted to gain a clearer picture of SMEs' staffing levels and the challenges they are currently facing in terms of recruitment.

If you employ staff, do you feel have had enough staff to meet your business needs over the past year?

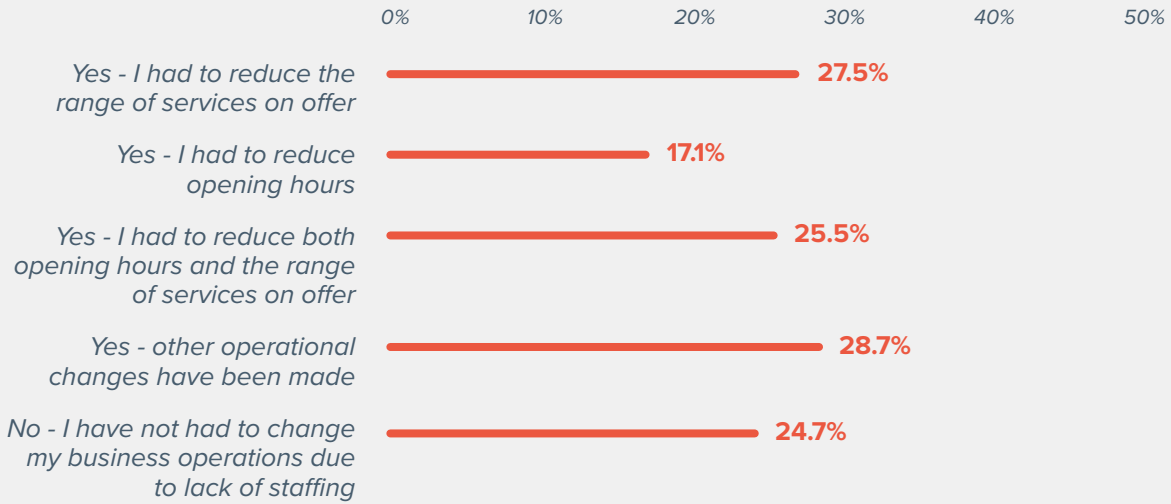


Respondents were evenly split on the issue of whether or not they have had enough staff to meet their business needs over the past year.

Looking across the sectors, businesses in the **Accommodation and Food Services Activities** (67%) and **Construction** sectors (62%) were more likely to report not having enough staff to meet their business needs over the past year. Meanwhile, 60% of businesses in the **Manufacturing** sector reported that they had had enough staff to meet their needs.

Businesses with 11-50 employees (74%) were more likely to report not having enough staff to meet their business needs over the past year compared to micro-businesses (43%).

If you answered no to the above question, do you feel lack of staff has had an impact on the way your business operates?



Almost a third of businesses who feel a lack of staff has had an impact on how their business operates have had to reduce the range of services they offer.

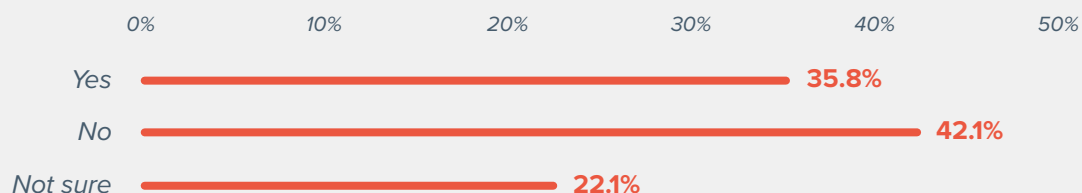
Businesses in the **Accommodation and Food Service Activities** sector (37%) were most likely to say they had had to reduce both opening hours and the range of services they have on offer due to lack of staff!

“Employees are working more overtime to complete works.”

“I have to work longer hours to keep on top of things as our business is seasonal and it is difficult to employ seasonal staff”

“There is lower productivity and hence lower turnover, which poses a risk to the sustainability of my business.”

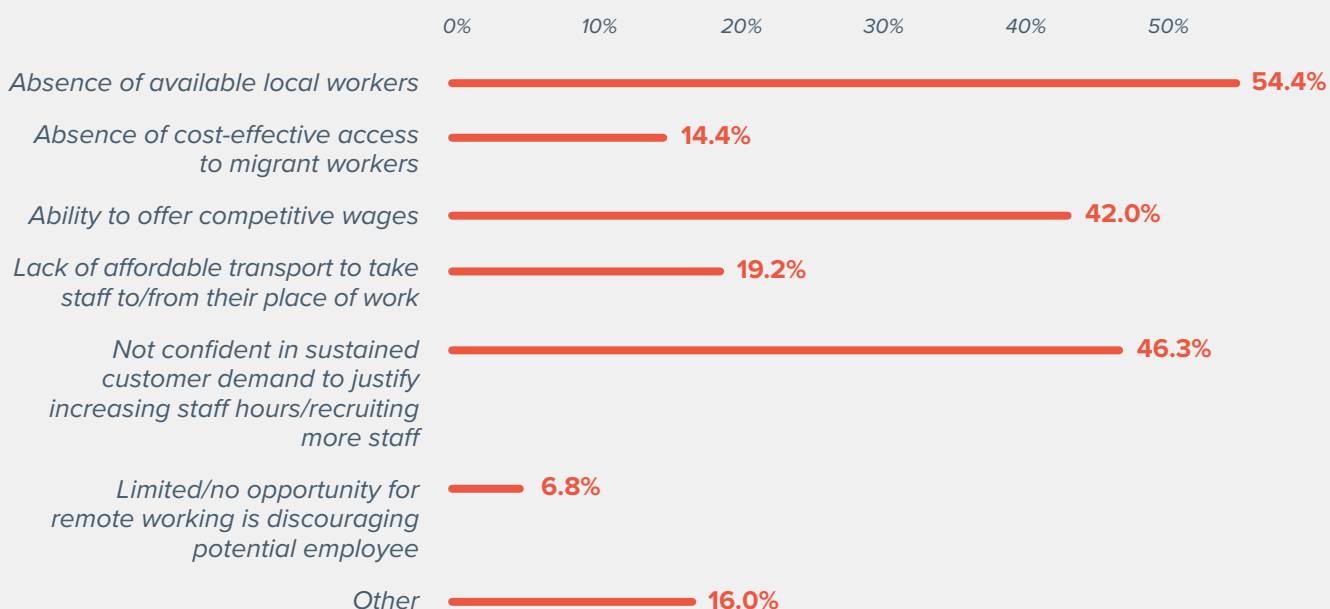
Do you feel confident you can employ enough appropriately skilled staff if necessary this year?



Over two fifths of small businesses do not feel confident that they have enough appropriately skilled staff.

Looking across the sectors, businesses in the **Human Health and Social Work Activities** sector (64%) were most likely to not feel confident they can employ enough appropriately skilled staff, if necessary, this year. However, businesses in the **Arts, Entertainment and Recreation** sector (51%) were most likely to feel confident that they can employ sufficient numbers.

Thinking about your current and future staffing needs, please tick all of the following indicators that are relevant in affecting your ability to recruit/retain the staff you need for your business:



Over half of businesses are finding an absence of available local workers is affecting their ability to recruit/retain the staff they need.

Looking across the sectors, businesses in the **Construction** sector (38%) were most likely to cite absence of available workers as the key reason affecting their ability to recruit/retain staff.

Businesses in the **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles and Arts, Entertainment and Recreation** sectors (both 29%) were least confident in sustained customer demand to justify increasing staff hours/recruiting more staff.

“Real Living Wage rise which means we may have to reduce staff hours.”

“Increased energy costs may mean I have to cut business opening hours and therefore staff contract hours. This may lead to me finding it difficult to retain staff or recruit replacements for part time working.”

“Lack of accommodation for seasonal staff.”

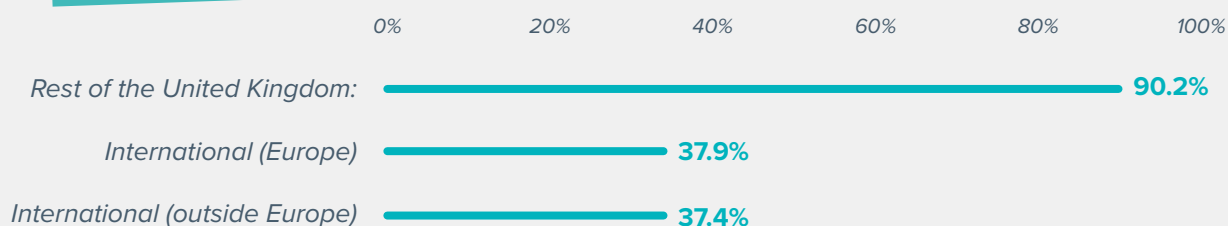
“Rural location is an obstacle.”



Exporting and Markets

This section of the survey looked at levels of exporting activity among Scottish SMEs, and from which parts of the world they are generating sales.

Do you export any goods or services? If so, please select export destinations below. (NB this includes posting orders to customers outside the UK)

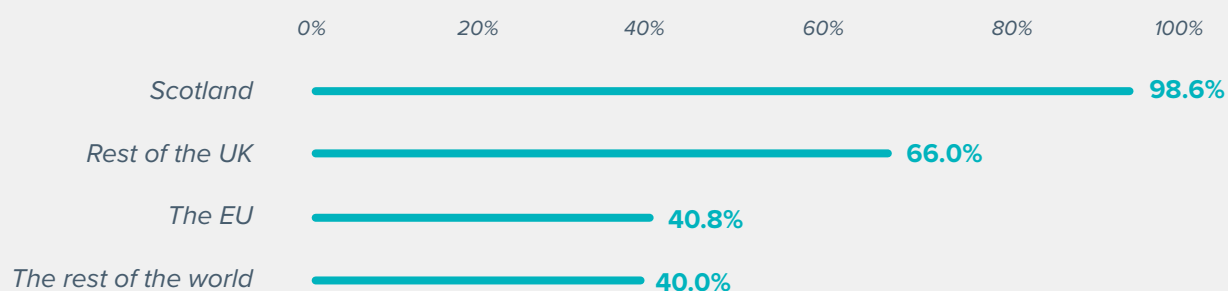


The majority of Scottish SMEs sell to other parts of the UK, while almost two fifths export to both Europe and further afield.

Businesses operating in the **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles** sector (19%) were most likely to export to the rest of the UK; those operating in the **Manufacturing** sector were most likely to export to Europe (25%), and outside Europe (22%).

Businesses operating for 20 years+ were most likely to export, overall: 33% did, compared to an average of 13% for those operating for less than 20 years.

Does your business export to the following areas:



Over two fifths of Scottish small businesses continue to generate some of their income from the EU.

Looking at those who trade exclusively in Scotland, businesses owned by those aged 16-34 were most likely to generate 100% of their income in Scotland (36%); businesses owned by those aged 65+ were least likely (19%). In terms of age of business, start-ups were most likely to generate 100% of their income from Scotland (37%), compared to an average of 24% of those operating for two years or more.

Businesses operating in the **Accommodation and Food Service Activities** sector were most likely to generate 100% of their income in Scotland (46%); businesses operating in the **Construction** and **Education** sectors were least likely (0%).

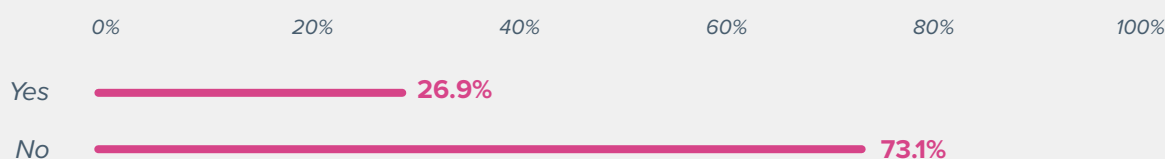


Fair Work, Skills and Employment

The Scottish Government is committed to tackling the cost-of-living crisis with a Fair Work approach, ensuring workers are paid the Real Living Wage (currently £10.90 per hour) and ensuring people have the right skills to effectively participate and progress in the labour market. Small businesses can play their part in helping Scotland reach this aim by providing employment and training, which in turn creates sustainable standards of living and improves health, cultural and social outcomes for all of society.

In this section of the survey, we sought to understand SMEs' experiences in investing their time and financial resources in delivering fair work, staff training, and engaging with the wider skills system across Scotland.

Do you engage with schools and/or colleges/universities with regards to careers/recruitment?



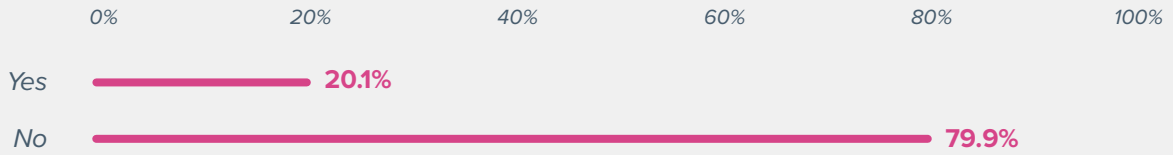
Nearly three quarters of Scotland's businesses do not engage with schools/colleges/universities with regards to careers and recruitment.

Companies which had between 11 and 250 employees engaged more (67%) with schools/colleges/universities with regards to careers and recruitment than micro businesses (22%).

Businesses who had been operating for less than 10 years were less likely to report that they have engaged (22%), than longer running businesses (31%).

One third of businesses structured as a limited company reported engagement with education systems across Scotland, while only 16% of sole traders reported the same.

Do you employ (or have you previously employed) an apprentice?



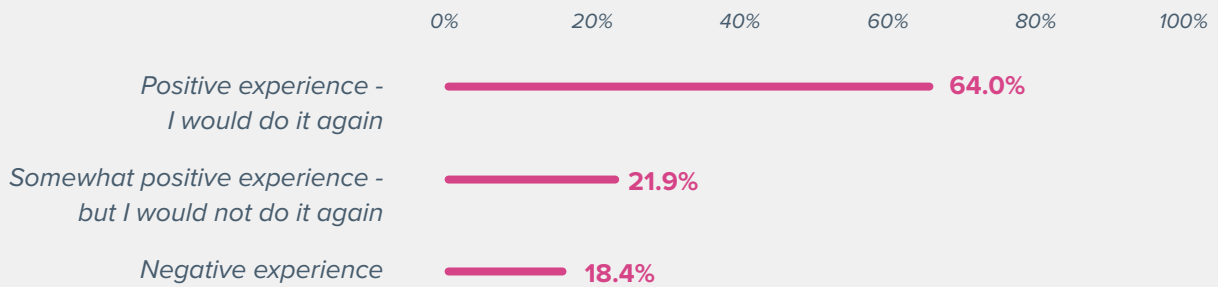
Four fifths of businesses do not (or have not previously) employed an apprentice.

Male-owned businesses (23%) were more likely to report having employed an apprentice than female-owned businesses (16%).

Businesses operating for longer than 10 years were more likely to report taking on an apprentice, with over a quarter (26%) doing so, compared to those businesses operating for 10 years or less (13%).

Looking at results across sectors, businesses in the **Construction** sector (76%) were more likely to take on an apprentice; those in the **Agriculture, Forestry, and Fishing** (13%), **Manufacturing** (14%), **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles** (18%), and **Accommodation and Food Services Activities** (15%) sectors were least likely.

If you answered yes to the above, did you find taking on an apprentice to be:*



*More than one answer could be submitted for this question.

Of those businesses who do (or have previously) employed an apprentice, over three fifths found it to be a positive experience.

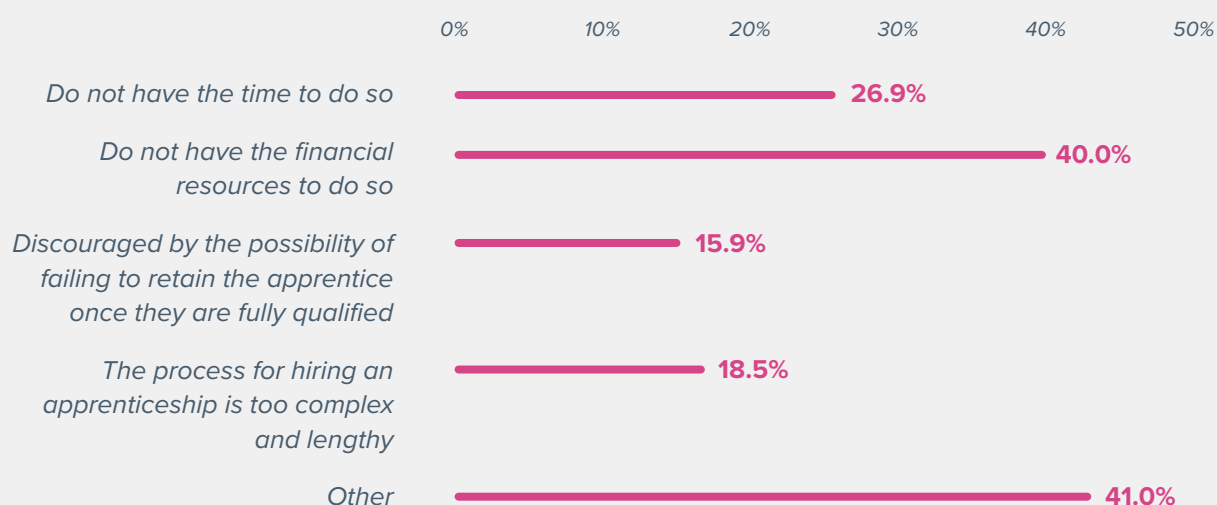
“Positive experience although difficult to retain once fully qualified (4 years) as more lucrative to go self-employed.”

“A lot of personal time spent trying to train person up before they are any help to the business at all. Generally from a profit generating point of view, it has not been advantageous to the business.”

“We found a great candidate that developed well and contributed to our success.”

“Very positive, having an apprentice changed the workplace dynamic and I feel it keeps the longer serving workers fresh by teaching an apprentice.”

If you have never offered an apprenticeship, please select the reason(s) why this may be the case.



Of those businesses who have never offered an apprenticeship, two fifths had not done so due to not having the financial resources to do so.

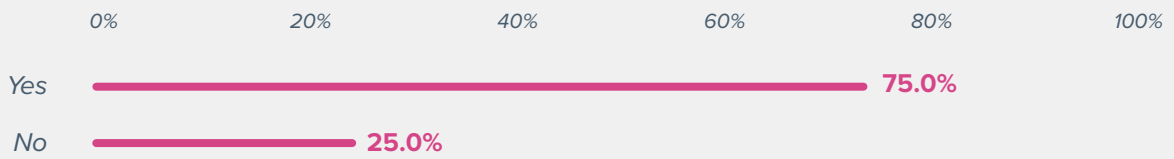
Male-owned businesses were slightly more likely to cite the process for hiring an apprentice to be too complex and lengthy (15%) than female-owned businesses (12%). However, both female-owned and male-owned businesses equally cited not having the financial resources to do so (28%).

Businesses operating for less than five years were more likely to cite not having the financial resources to do so (38%), than businesses operating for more than five years (26%).

“I have employed trainees, but not apprentices because of our unique activity in the area. There is no local educational support for apprenticeships.”

“As a micro-business, our needs are largely seasonal, and also, I do not have the resource to fully support and manage an apprentice so that they also get the most out of the experience.”

Do you provide in work-training?

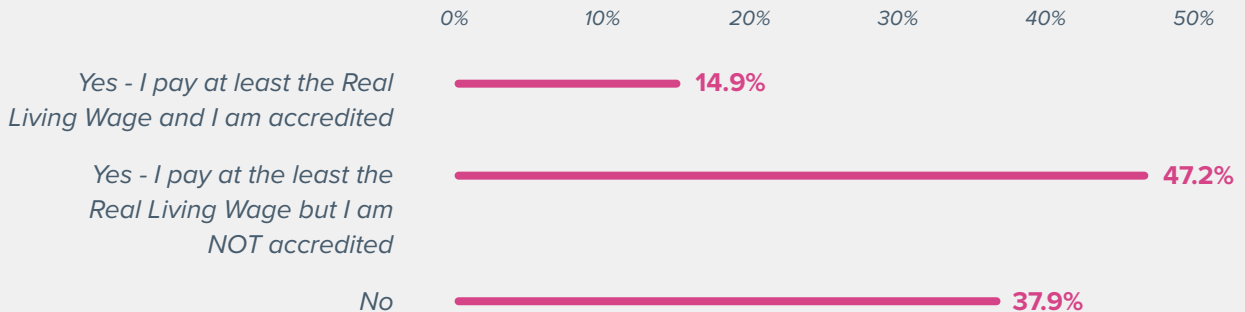


Male (76%) and female-owned (74%) businesses were equally likely to provide in-work training. Meanwhile, businesses operating for longer (more than 10 years) were more likely to provide training; 79% did so, compared to newer businesses (69%).

Employees in the **Construction** sector were most likely to receive in-work training, with 94% of businesses in this sector stating they provided this. Perhaps unsurprisingly, businesses with more employees (5+) were more likely (98%) than those with 1-5 employees (81%) to provide training.

Three quarters of Scotland’s SMEs provide in-work training.

Are you an accredited Real Living Wage (£10.90 p/h) employer?



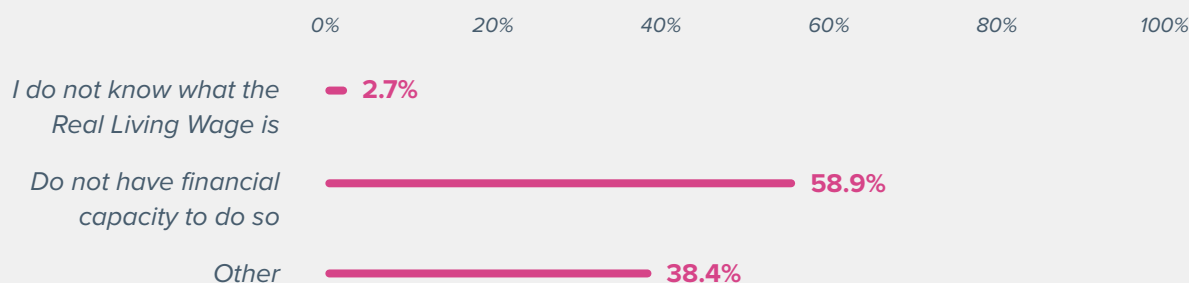
Over three fifths of Scotland’s SMEs pay at least the Real Living Wage. However, almost half of those businesses are not accredited.

More male-owned businesses (17%) are accredited Real Living Wage employers than female-owned businesses (12%).

Businesses operating for less than 10 years were less likely to be an accredited Real Living Wage employer (41%) than longer running businesses (35%).

Businesses in the **Accommodation and Food Services Activities** (40%), **Administrative and Support Services** (44%) and **Arts, Entertainment and Recreation** (47%) sectors were less likely to be a Real Living Wage employer.

If you don't offer the Real Living Wage as a minimum to employees, what is the main barrier for you?



Two fifths of businesses who do not offer the Real Living Wage as a minimum to employees cited not having the financial capacity as the main barrier to not doing so.

Businesses in the **Manufacturing** sector were slightly more likely to state they did not have the financial capacity to offer the Real Living Wage to employees (70%).

“I feel by the time we have paid NI, pensions, PAYE, the living wage is too much.”

“I don’t have any employees because I do not have the financial capacity to pay them above the Real Living Wage, because let’s face it, even that isn’t a living wage now.”

“I was offering the RLW until the rate went up, can only afford to pay the minimum now.”

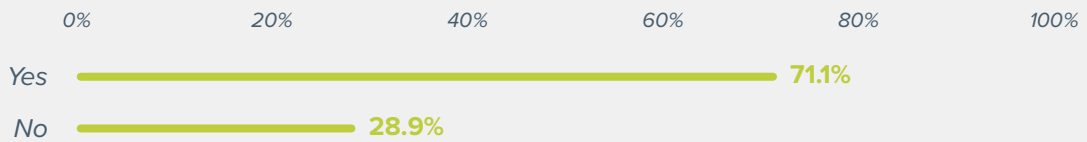
“I want to set wages according to skill level, not the government.”

Prices

Small businesses have been dealing with significant pressures on their input costs. The fallout from the pandemic, the war in Ukraine and other factors have driven rising costs within the supply chain and, hence, sharp rises in the inflation rate. At the same time, the cost-of-living crisis has resulted in lower levels of consumer disposable income, which of course has an impact on demand.

This section of the survey looked at how Scotland’s small businesses have reflected this challenge within their current pricing strategies, as well as their plans for the near future.

Did you increase prices across your operations in the last year?

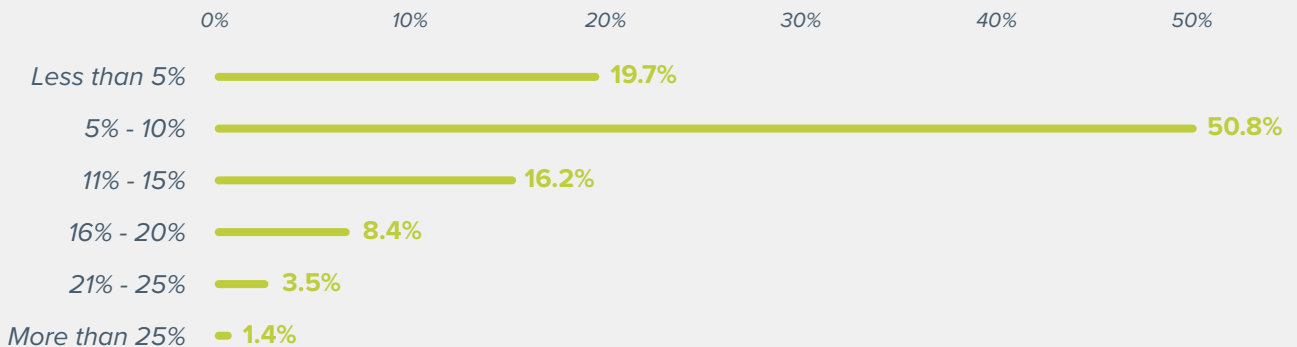


Almost three quarters of Scottish SMEs increased prices across their operations in the last year.

Longer running businesses were more likely to have increased their prices; those operating for 20+ years comprised 32% of those who had, compared to just 2% for start-ups.

Businesses in the **Accommodation and Food Service Activities** sector were most likely to have raised prices (79% did so) while those in the **Professional, Scientific and Technical Activities** were least likely (56% did so).

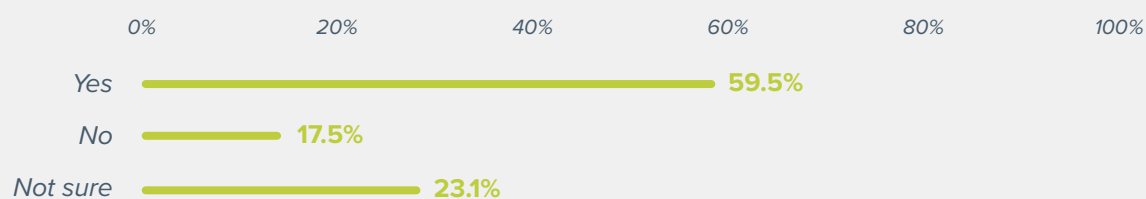
If you answered yes to the above, can you please specify how much (roughly) you increased your prices overall in 2022?



The majority of Scottish SMEs raised their prices by 5-10% in the last year.

Businesses in the Other Service Activities sector comprised the largest proportion (22%) of those who raised their prices by more than 10% in the last year. Meanwhile, businesses in the **Accommodation and Food Service** Activities sector comprised the largest proportion (24%) who had raised their prices by less than 10% in the previous 12 months.

Do you plan to increase your prices for 2023?



Two fifths of Scottish SMEs plan to increase their prices in 2023.

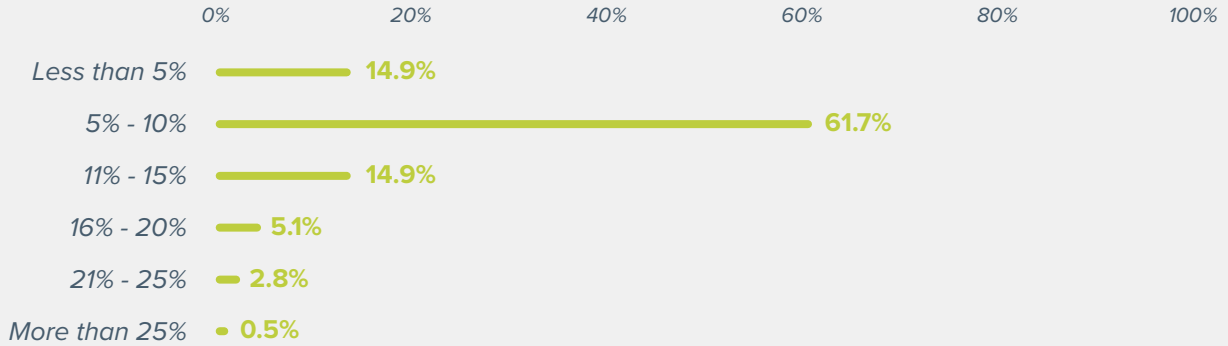
Businesses in the **Accommodation and Food Service Activities** sector were most likely to say they would raise prices in 2023 (72%). Those in the **Financial and Insurance Activities** sector were least likely to say they would (29%).

Businesses operating for between 8-10 years were least likely to be increasing their prices this year (26% said they did not plan to). Uncertainty was highest among start-ups; 32% were unsure whether they would increase prices this year.

Female-owned businesses were less likely to be increasing their prices; 51% said they would, compared to 67% of male-owned businesses.

Businesses with fewer than five employees were less likely to be increasing their prices in 2023; 55% said they would, compared to 67% of those with 6-250 employees.

If you do intend to increase your prices for 2023, can you please specify how much (roughly) you intend to do so:



Two thirds of Scottish SMEs intend to increase their prices by 5-10% in 2023.

Businesses in the **Accommodation and Food Service Activities** sector were most likely to be intending to increase their prices by less than 10%, comprising 22% of those who intended to do so. Businesses in the **Manufacturing, Accommodation and Food Service Activities, and Arts, Entertainment and Recreation** sectors were most likely to be intending to increase their prices by more than 10%, comprising 22% each of those who intended to do so.

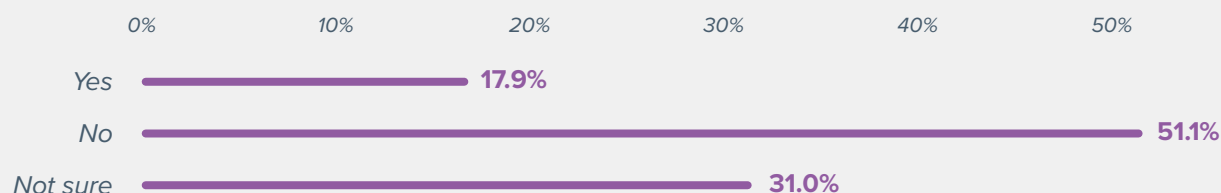


Tourism

Scotland's tourism sector has borne the brunt of the challenges for businesses over the last few years, from Covid restrictions, to staffing issues, to the current cost-of-living and doing business crisis. Forthcoming regulation in the form of, for example, the Deposit Return Scheme and on short-term lets, is also having an impact across this sector.

In this section of the survey, we looked at attitudes towards another of the Scottish Government's proposed new regulations, the local visitor levy, or 'tourist tax', which is already in operation in other countries across Europe.

Do you support the introduction of a local visitor levy (tourist tax)?



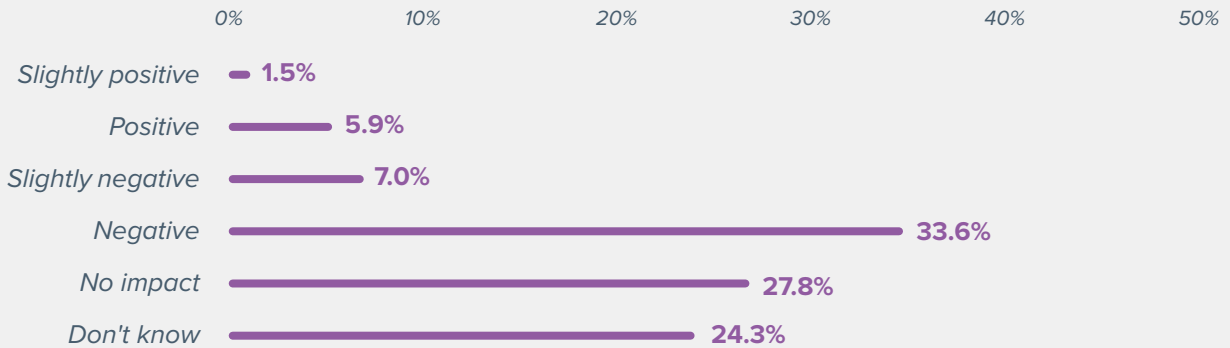
Half of Scottish SMEs do not support the introduction of a local visitor levy (tourist tax).

Two thirds of businesses owned by those aged 65+ were opposed to the introduction of a local visitor levy, compared to an average of 44% of those aged under 64. Additionally, businesses operating for more than five years were more likely to oppose the introduction of a local visitor levy; an average of 54% did, compared to 43% of those operating for less than five years.

Female-owned businesses were more likely to be unsure about introducing the levy, comprising 59% of those who indicated their uncertainty.

Businesses in the **Other Service Activities** sector were most likely to support the introduction of the levy, accounting for 18% of all of those who did so. Businesses in the **Accommodation and Food Service Activities** sector were most likely to oppose the introduction, comprising 28% of the total.

What impact would a local visitor levy (tourist tax) have on your business and the local economy in your area?



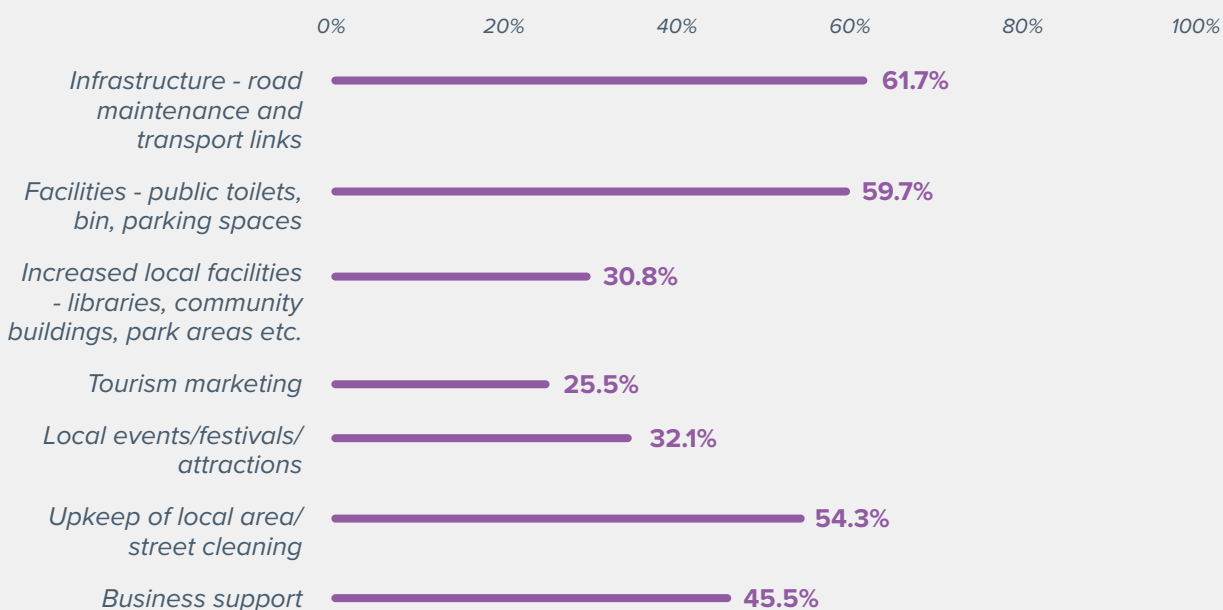
Two fifths of Scottish SMEs believe the introduction of a local visitor levy (tourist tax) would have a negative or slightly negative impact on their business and local economy.

Businesses operating for more than five years were more likely to believe the introduction would have a negative impact (35%) than newer businesses (30%).

Male-owned businesses were most likely to believe the introduction of the policy would have no impact on their business, comprising 59% who chose this response. Female-owned businesses were most likely to be unsure of the impact, comprising 67% who chose this response.

Businesses in the **Arts, Entertainment and Recreation** sector were most likely to believe the introduction would have a positive impact, comprising 29% of those who chose this response. Businesses in the **Accommodation and Food Service Activities** sector were most likely to believe the introduction would have a negative impact, comprising 36% of those who chose this response.

If a visitor levy (tourist tax) was to be introduced, what would you like to see the revenue raised spent on? Select all that apply:



Two thirds of Scottish SMEs believe any revenue raised from a local visitor levy (tourist tax) should be spent on local infrastructure, road maintenance and transport links.

Businesses operating for more than 10 years were more likely to believe revenue should be spent on the upkeep of local area/street cleaning (20%) than those operating for less than a decade (15%).

Male-owned businesses were more likely to believe revenue should be spent on tourism marketing, comprising 55% of those who chose this response, compared to 44% of female-owned businesses.

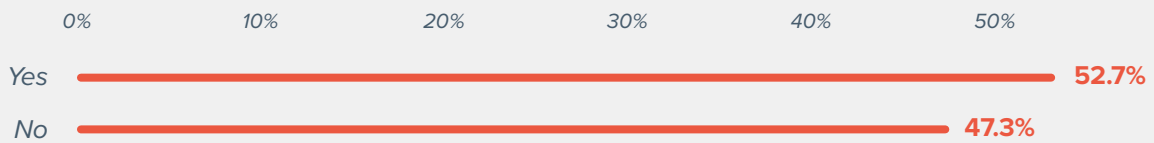


Entrepreneurship

The Scottish Government’s National Strategy for Economic Transformation sets out an aim to “establish Scotland as a world-class entrepreneurial nation founded on a culture that encourages, promotes, and celebrates entrepreneurial activity in every sector of our economy”.

With this in mind, we wanted to better understand experiences of starting your own business in Scotland.

Reflecting on your own experience, do you feel there is enough support to start your own business in Scotland?



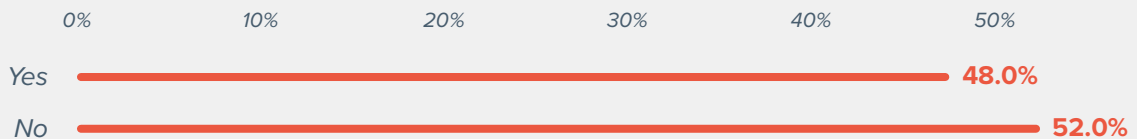
More than half of Scotland’s small businesses believe there is enough support to start your own business in Scotland.

A similar proportion of male-owned (46%) and female-owned (48%) businesses did not believe enough support is available to start your own business in Scotland.

57% of businesses in the **Accommodation and Food Services Activities** sector said there was insufficient support to start your own business. Those in the **Arts, Entertainment and Recreation** sector were most likely (63%) to believe there was enough.

53% of those who reported having their day-to-day activities limited a little because of a health problem or disability did not feel there was enough support to start your own business.

In the current climate, do you feel Scotland is an attractive place to start up a business?

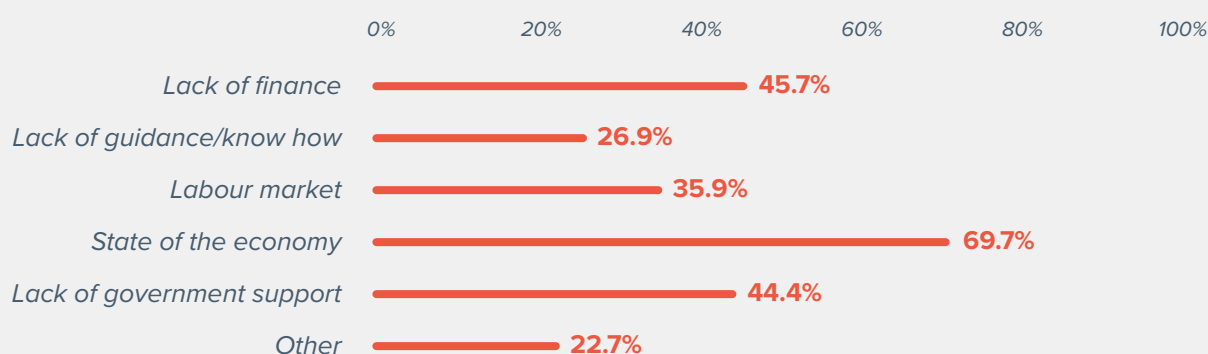


More than half of small businesses do not feel Scotland is currently an attractive place to start up a business.

Looking across the sectors, those in the **Construction** (71%), **Accommodation and Food Services Activities** (62%) and **Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles** (56%) sectors were most likely to believe that, in the current climate, Scotland is not an attractive place to start up a business.

Businesses with 11 to 250 employees were slightly more inclined to think that Scotland was not an attractive place to start up (56%) than micro businesses (51%).

Please select any of the following options that you would believe are the main barriers to starting up a business in Scotland



More than two thirds of Scottish small businesses cited the state of the economy as the main barrier to starting up a business in Scotland.

Female-owned businesses were more inclined to cite lack of finance as a main barrier to starting up a business in Scotland (21%) than male-owned businesses (16%).

Businesses in the **Agriculture, Forestry and Fishing** sector were more likely to cite lack of government support and finance as the main barriers to starting up a business (21% each). Those in the **Manufacturing** sector were more likely to cite the state of the economy (32%) and labour market (18%).

“Too much red tape/government interference.”

“There are huge variances between communities in Scotland, rural and urban, the support doesn’t always recognise this.”

“Poorly implemented policies that adversely affect businesses, e.g. DRS.”

“Scottish Government bureaucracy and initiatives which are anti-business – STL, DRS, alcohol advertising, tourist levy etc.”

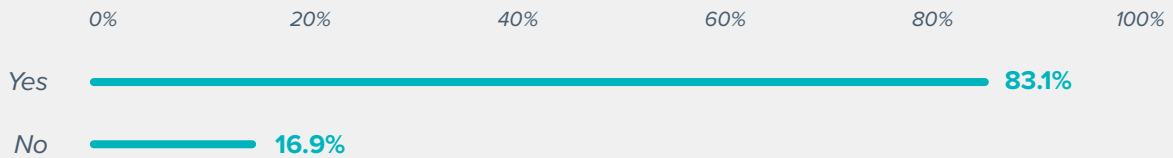
“Economically and politically, it is the wrong time to open up a new business.”

Digital

The Covid-19 pandemic highlighted the importance of having access to adequate broadband. It is critical to most modern-day businesses, essential for economic growth, increasing productivity and innovation.

With this in mind, we thought it would be useful to get a snapshot of the digital connectivity needs of small businesses, as well as their engagement with government support in this area.

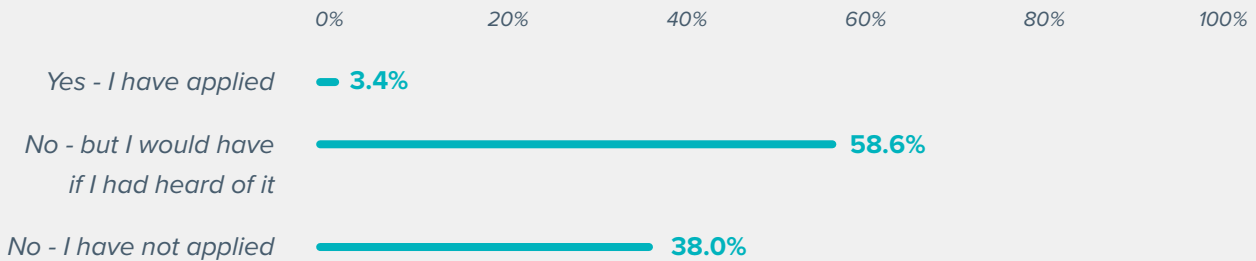
Do you have access to adequate broadband, sufficient for your current business needs?



Four fifths of businesses reported having access to adequate broadband, sufficient for their current needs.

Male-owned businesses were more likely to have access to adequate broadband (85%) than female-owned ones (81%). In addition, start-ups were more likely to have access to adequate broadband (93%) than longer running businesses (83%).

Have you applied for the Scottish Broadband Vouchers Scheme (SBVS)?



Almost none of Scotland's SMEs have applied for the Scottish Broadband Vouchers Scheme (SBVS).

Female business owners were more likely to say they would have applied for the scheme if they had heard of it (63%) than male (54%). Meanwhile, businesses operating for less than 10 years were more likely to say they would have applied for the scheme if they had heard of it (65%) than older businesses (54%).

Businesses operating in the **Agriculture, Forestry and Fishing** sector were most likely to have applied to the scheme (17%).

Business owners aged under 45 were more likely to say they would have applied for the scheme if they had heard of it (65%) than those aged 45+ (57%).

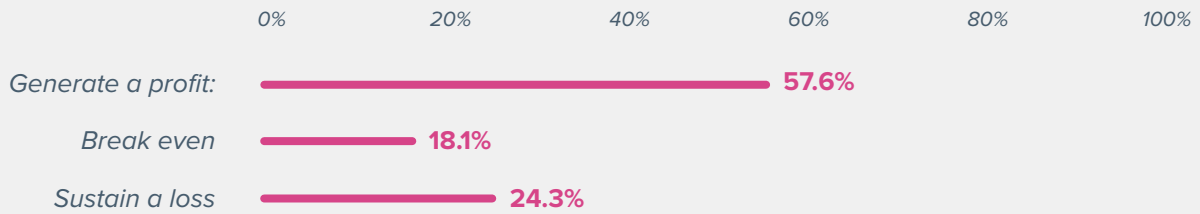


Finance

Small businesses disproportionately rely on external finances for their business operations, cashflow and investment opportunities. Therefore, access to finance is crucial for small businesses and in turn economic prosperity.

In this section of the survey, we wanted to better understand how business profits have fared over the last year and if small businesses feel adequate financial support is available to them.

Taking into account all sources of income in the last year, did you:



Almost three fifths of Scottish SMEs generated a profit last year.

Male-owned businesses were more likely to have generated a profit in the last year (62%) than female-owned businesses (54%).

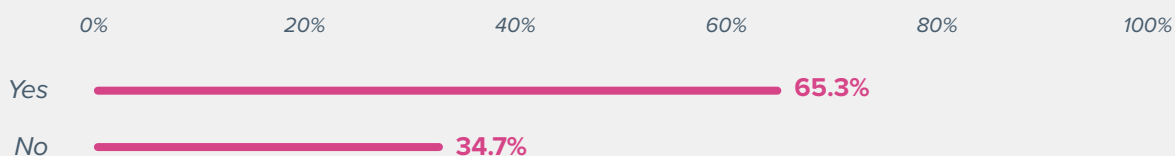
21% of start-ups generated a profit, while 42% sustained a loss. 60% of businesses operating for more than five years generated a profit, while 23% ran at a loss.

Businesses operating in the **Financial and Insurance activities** sector were most likely to have made a profit (86%). Businesses operating in the **Arts, Entertainment and Recreation** sector were most likely to have made losses (41%).

Businesses with more than five employees were more likely to have generated a profit (66%) than those with five or fewer (55%).

Businesses owned by those whose activities are limited a lot or a little because of a health problem or disability were less likely to have generated a profit (41%) than those whose activities are not limited (61%).

Do you feel you have access to sufficient financial advice?



A third of Scottish SMEs do not feel they have access to sufficient financial advice.

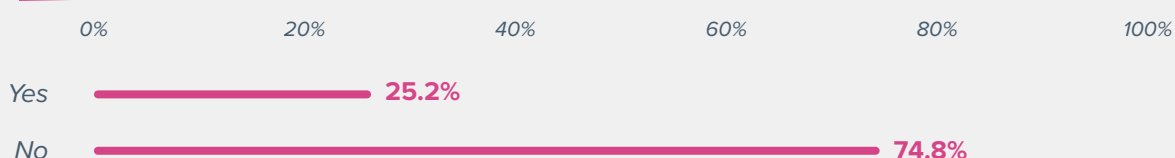
Only 35% of start-ups feel they have access to sufficient financial advice, compared to 65% of those operating for two years or longer. In addition, 43% of sole traders do not feel they have access to sufficient financial advice, compared to 31% of limited companies.

72% of male business owners feel they have access to sufficient financial advice, compared to 58% of female business owners.

Businesses owned by those whose activities are limited a lot or a little because of a health problem or disability were less likely (49%) to feel they have access to sufficient financial advice, compared to 69% of those whose activities are not limited.

Businesses owned by those aged 16-34 were less likely (50%) to feel they have access to sufficient financial advice, compared to 66% of those aged 35+.

Have you tried to obtain external finance for your business in the last twelve months?



Only a quarter of Scottish SMEs tried to obtain external finance for their business in the last twelve months.

Male-owned businesses were more likely to have tried to obtain external finance (28%) than female-owned ones (22%). Meanwhile, 44% of start-ups had tried to obtain finance in the last year, compared to 23% of businesses operating 5+ years.

30% of limited companies had tried to obtain finance in the last year, compared to 18% of sole traders.

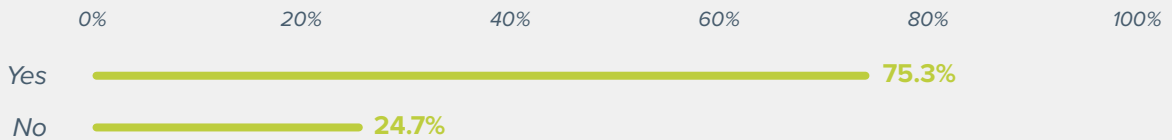
Business owners aged 45+ were less likely (22%) to have tried to obtain external finance, compared to 32% of those aged 16-44.

Transport

Transport connectivity is vital to wider economic growth and plays an important role in SMEs’ day-to-day operations. Small businesses recognise the important role transport will play in helping to reach net zero, improving sustainable and inclusive economic growth, and addressing inequalities and accessibility.

In this section of the survey, we wanted to gain a snapshot of how small businesses make use of vehicles and public transport.

Do you use a vehicle(s) as part of your business operation?

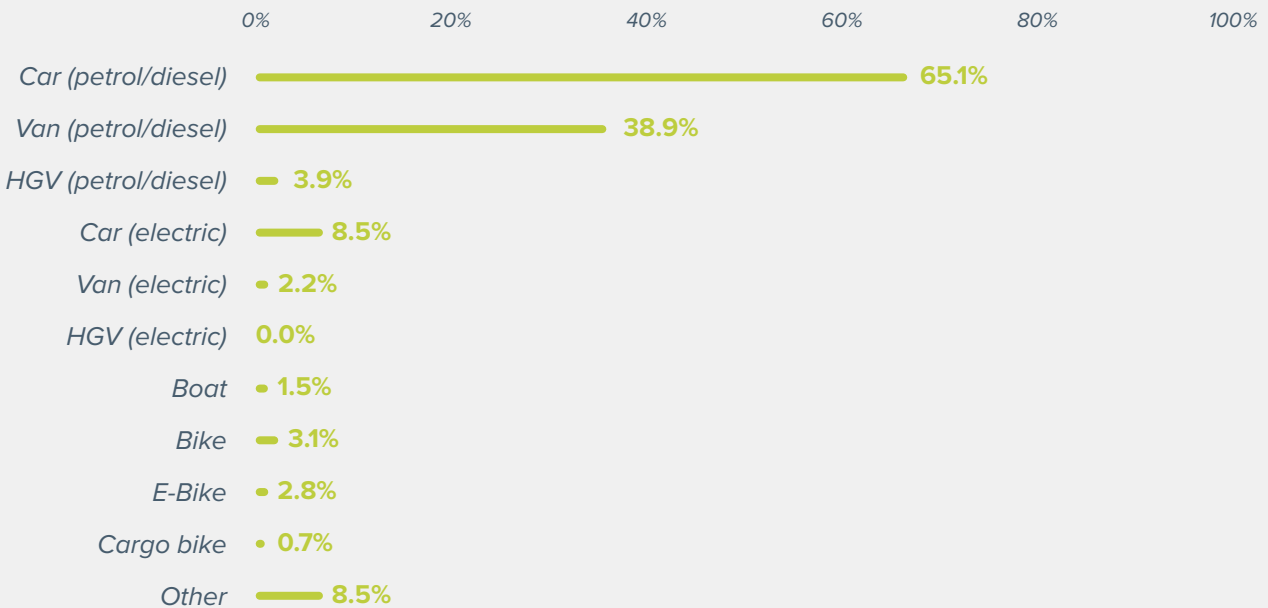


Three quarters of Scottish SMEs use a vehicle(s) as part of their business operation.

Male-owned businesses were more likely (79%) to use a vehicle than female-owned businesses (71%).

Start-ups were less likely to use a vehicle; 67% did so, compared to 81% of businesses operating 20 years+.

If you answered yes to the above question, what type(s) of vehicle(s) do you use?

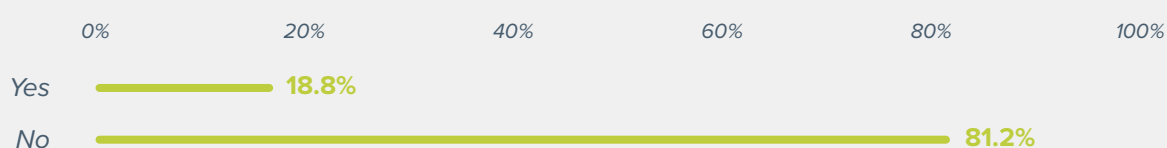


Just over a tenth of Scottish SMEs use an electric vehicle for their business operations.

Female-owned businesses were more likely to use a petrol or diesel car (57%) than male-owned businesses (41%). Male-owned businesses were more likely to use a petrol or diesel van (32%) than female-owned firms (24%).

Although the numbers are small, male-owned businesses were twice as likely to use an electric car (8%) than female-owned (4%).

Do you rely on public transport as part of your business operations?



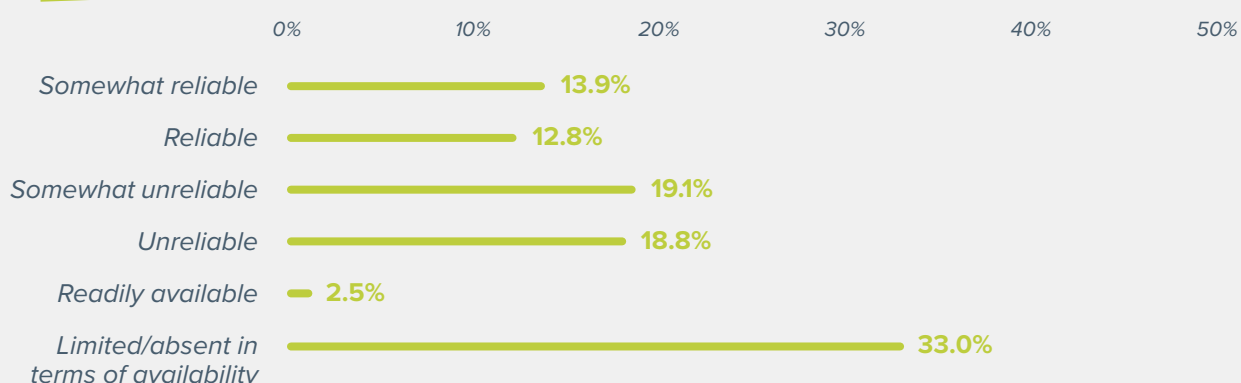
Almost one fifth of Scottish SMEs rely on public transport as part of their business operations.

Newer businesses (operating five years or less) were more likely to rely on public transport (24%) than those operating for longer (18%).

Businesses operating in the **Construction** sector were least likely to rely on public transport; those operating in the **Education** sector were most likely (40%).

Business owners aged 16-34 were more likely to rely on public transport (27%) than those aged 45+ (18%).

Would you consider public transport to be:



A third of Scottish SMEs consider public transport to be limited/absent in terms of availability.

Female business owners were more likely to consider public transport to be limited/absent in terms of availability (36%) than male (28%).

Businesses owned by those whose activities are limited a lot or a little because of a health problem or disability were more likely to consider public transport to be limited/absent in terms of availability (39%) than those whose activities are not limited (32%).

Business owners aged 45+ were more likely to consider public transport to be limited/absent in terms of availability (36%) than those aged 16-44 (22%).

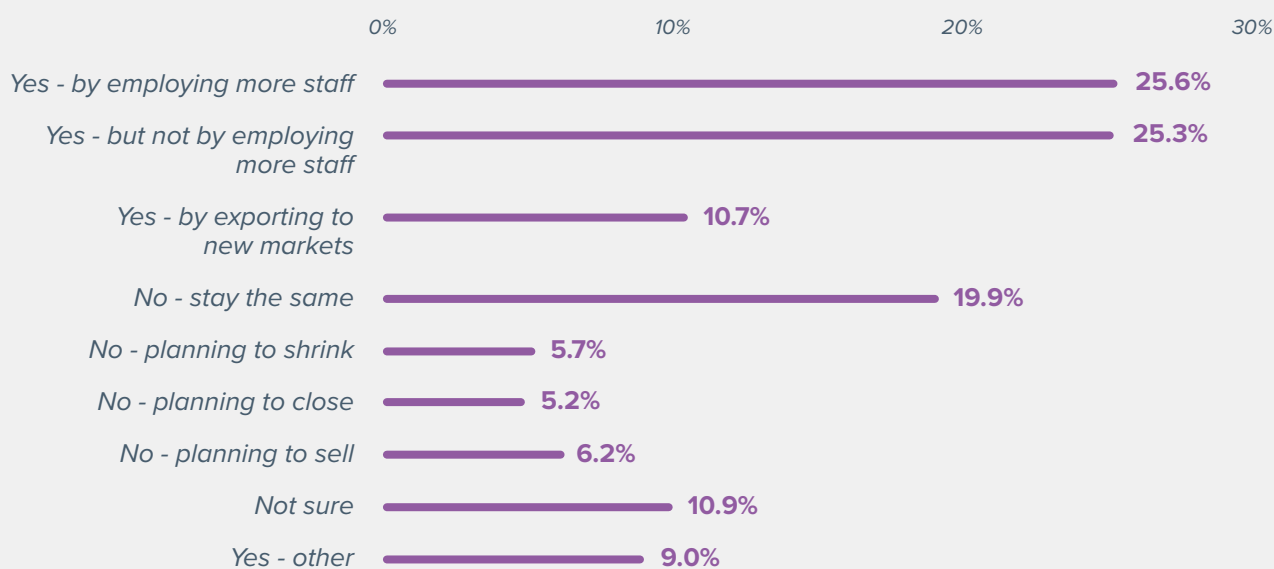


Future

Future plans and growth

Given that the survey asked about challenges and opportunities facing small businesses from a range of angles, we were keen to examine what impact the last few years has had on Scottish SMEs' plans for the future, and particularly on their ambitions to grow their business.

Over the next two years (2023 and 2024), do you plan to grow your business?
Please tick all that apply



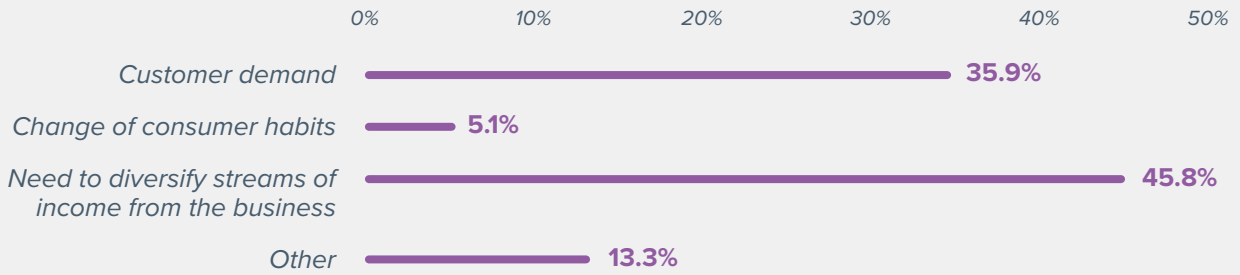
More than three fifths of Scottish SMEs plan to grow their business in the next two years.

Young entrepreneurs have the biggest ambitions for growth; 85% of businesses owned by 16-34 year olds plan to grow in the next two years, while 40% of businesses owned by those aged 65+ have the same plan.

Unsurprisingly, start-ups were most likely to be planning growth in the next two years (87%) compared to 48% of businesses operating for more than 20 years.

Growth plans were highest in the **Information and Communication** sector (84%) and lowest in the **Transportation and Storage** (36%), and **Accommodation and Food Service Activities** (37%) sectors.

If you answered yes, what is driving this ambition for growth?

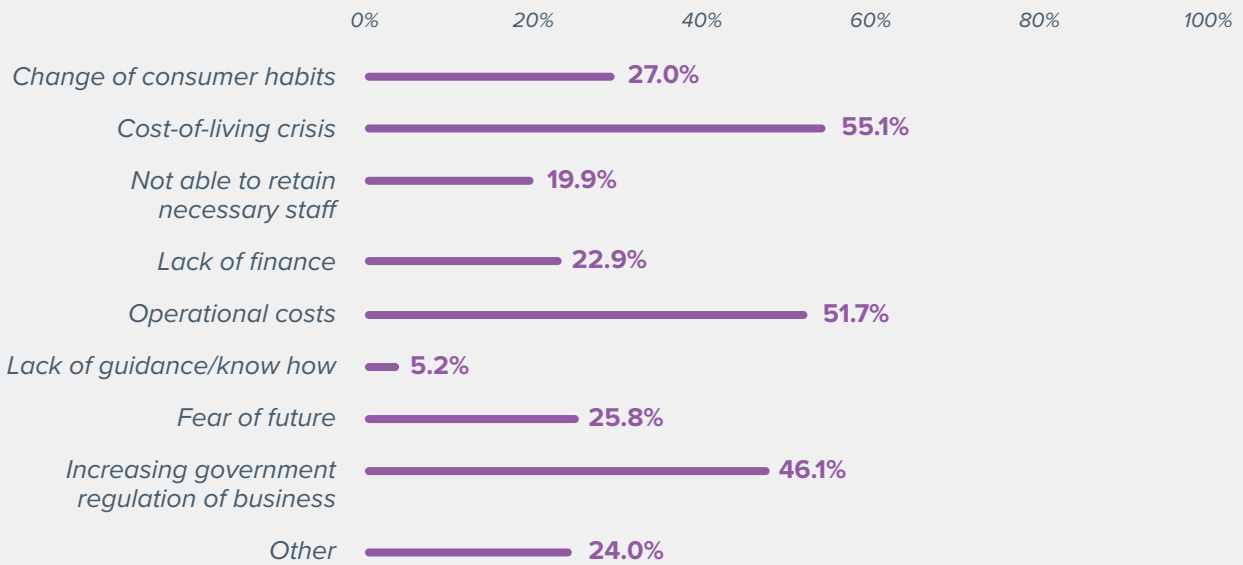


Almost half of those businesses planning to grow in the next two years are doing so due to a need to diversify streams of income from the business.

Of those planning to grow due to a change in consumer habits, the majority (39%) had been operating for 20 years or more.

Those in the Other Service Activities sector were the most likely to identify a change in consumer habits as a key driver of growth, alongside the **Accommodation and Food Service Activities** sector (each sector comprised 28% of those identifying this as a driver).

If you answered no, what are the main obstacles that might divert you from this ambition? Select all that apply



The cost-of-living crisis is the key obstacle to growth for Scottish SMEs in 2023.

The cost-of-living crisis was identified as the main obstacle to growth across a wide range of demographic identifiers. This includes all age groups, except for those aged 55-64, who identified operational costs as their main obstacle to growth. Similarly, analysis by age of business found that the current crisis was identified as the main obstacle to growth across all businesses except for those operating for more than 20 years, who identified operational costs as their key challenge.

Businesses operating in the **Agriculture, Forestry and Fishing** sector were least likely to identify the cost-of-living crisis as the key obstacle to their growth (14%). Those operating in the Real Estate Activities sector were most likely (29%).

Finally, the survey found that inability to retain staff becomes a larger obstacle the bigger a business is. 16% of companies with 11-50 employees identified this as a barrier, compared to 7% of businesses with 1-5 employees.



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