



SOUTH of
SCOTLAND
ENTERPRISE

SOSE Business Panel Survey

June/July 2021



Ipsos MORI



Executive summary (1)

Overview

This report presents the findings from the first business panel survey for South of Scotland Enterprise. It involved a survey of 600 businesses across the region, conducted in June/July 2021.

The survey was conducted as businesses were continuing to respond to the disruption brought about by COVID-19. However, lockdown restrictions were easing and Scotland was preparing to move to Level 0 on 19 July. At this time businesses were also responding to the end of the EU transition period and associated changes to import and export procedures.

Against this backdrop, confidence in Scotland's economy was modest, with businesses more likely to say their confidence had decreased in the last six months than to say it had increased. However, businesses were generally positive about the economic outlook for the South of Scotland region and optimistic about their own future prospects, suggesting an overall sense of confidence among the region's business.

There was also a sense of resilience in the face of the disruption brought about by the pandemic. Most businesses had experienced changes to their ways of working as a result of COVID-19, but they had taken action to help them respond and generally felt confident about their ability to deal with future changes. Looking ahead, while around a quarter of businesses were embracing change and wanted to maintain new ways of working, more wanted to return to the way they operated before.

Turning to Brexit, around half felt they had not yet been impacted. Among those that had been, views were more negative than positive.

Importers felt relatively unaffected, with most able to access the goods and services they needed. However, in spite of most being able to access what they needed, a majority nonetheless faced issues when doing so, mainly higher costs and delays.

Among exporters, a third were currently experiencing issues selling outside of Great Britain. Expectations around future sales varied depending on the market, with businesses most positive about sales in domestic markets and in England and Wales, and least positive about sales to EU markets. Overall, as might be expected, issues with both imports and exports were more strongly felt by businesses trading with markets in the EU.

In relation to workforce, around half of employers had some concerns about their workforce, with availability of candidates for both permanent and temporary/seasonal roles the key issues.

Across all topics covered in the survey, there were some notable variation in views by sector. Tourism and creative industries businesses had not yet recovered from the pandemic to the extent that other sectors had, with tourism businesses in particular needing to make more changes to their business to help them respond to change. Food and drink businesses, meanwhile, showed higher levels of concern about their workforce, particularly their ability to fill vacancies and recruit from the EU.

Executive summary (2)

Optimism and performance

- **Economic optimism was modest:** 38% of businesses said their confidence in Scotland's economic outlook had decreased in the last six months, 45% reported it had stayed the same, and 16% that it had increased in the last six months.
- **In terms of the regional economy, businesses in South of Scotland were more positive than negative:** two thirds (63%) were confident in the economic outlook for the South of the Scotland over the next 12 months, while 35% were not.
- **There was a mixed picture on business operation compared to before the COVID-19 pandemic:** 42% were operating at much the same level, 18% over and above that level and 38% below that level.
- **Business performance varied.** Over the past six months, employment had been relatively stable (71%). Exports were more likely to have decreased than increased (38% and 11%). Sales or turnover performance was more mixed (39% said it had decreased, 28% stayed the same and 32% increased).
- **Most (79%) were optimistic about their prospects** in the next 12 months, while 19% were not.
- **Just over a third of businesses (38%) were striving for growth** in the future, while half (50%) were aiming to retain current level of performance, and 10% wanted to downsize.

Adapting to change

- **Although two thirds (65%) of businesses had experienced change as a result of COVID-19, there were mixed feelings on whether that change should be sustained.** A quarter wanted to maintain new ways of working, while 40% said they had adapted to change but would like to return to the way they operated before. A third (33%) had not experienced much change.
- **Businesses were taking a number of actions to respond to change.** The most common action was doing more online (37%).
- **Businesses were generally confident in their ability to respond to future change.** They were most confident about: managing cash flow (86%), dealing with increased costs (70%), responding to changing customer needs/demands (85%), remaining competitive in current markets (85%), and adapting/responding to ongoing restrictions (84%). Confidence was lower in relation to accessing external finance (49%), accessing new markets (41%) and accessing staff with the skills they need (43%).
- **Key priorities for businesses over the coming months were growing their customer base (40%) and ensuring the wellbeing of their staff (38%).**
- **The vast majority (91%) were confident about their business's viability** over the next six months, while 7% were not confident.

Executive summary (3)

Brexit / Markets

- Just under half (48%) said that the UK leaving the EU had no impact on their business. Among those that had been impacted, **views on Brexit were more negative than positive**: a third (33%) felt it had a negative impact on their business, while 15% felt it had been positive.
- **Most importers (90%) were able to access the goods or services they needed**, with the majority sourcing from within Scotland or their local area. However, just under a fifth (18%) had to source from alternative suppliers.
- **In spite of most saying they were able access the goods or services they needed, a majority (83%) nonetheless faced issues when doing so.** The most common issues that businesses experienced when accessing goods or services were high or increased costs (68%) and delays (60%).
- **Looking ahead to changes to future import procedures, 34% felt prepared while 43% did not.** Around a quarter (23%) were unaware of these changes or did not know whether they were prepared or not.
- **Thinking about the 12 months ahead, expectations around future sales varied depending on the market.** Businesses were most positive about sales in domestic markets and England and Wales, and least positive about sales to the EU.
- **Of those exporting outside of Great Britain, 33% were experiencing issues doing so.** The most common issue (for 19%) was retaining or re-establishing customer demand.

Workforce

- **Among employers, 41% were concerned about some aspect of their workforce**
- **Top concerns for employers were having fewer candidates to fill permanent (54%) and temporary/seasonal vacancies (49%),** the attractiveness of their sector to candidates (42%) and being able to offer competitive pay (36%).
- **Most employers (79%) said they currently had the staff they needed for permanent roles. Fewer (59%) said they had the staff needed for temporary/seasonal roles.**
- **Skills being in short supply was the most commonly mentioned barrier to staffing (50%)** followed by location (33%) and perceived lack of career prospects (29%).
- **Half of employers were taking some action to help them attract staff.** The most common action businesses were taking was offering competitive levels of pay (52%), followed by informal learning and development (45%) and flexible working patterns (44%).

Executive summary (4)

Innovation

- **Most businesses (81%) were innovating** in some way
- **The main approaches to innovation that businesses had taken were making processes more efficient (56%),** adjusting products or services (43%) or adapting their business model or structure (39%).
- In terms of support, **businesses were aware of, and most likely to have engaged with, enterprise agencies or Business Gateway (31%) or knowledge sharing networks (28%).**
- **The main barriers to innovation were other priorities (50%),** lack of time (33%) and cost (31%).

Awareness and engagement with SOSE

- **Awareness of SOSE was fairly high, with the majority of businesses (64%) saying they knew least a little about SOSE,** while just over a quarter (26%) knew a fair amount. Around a third of businesses (35%) said they knew nothing of SOSE, while 13% had not heard of it.
- **42% said they would be likely to contact SOSE** if they needed help, advice or support with their business. Just over half of businesses (53%) said they would be unlikely to do this.
- **The majority of businesses (67%) said they their preferred source of information for more information on SOSE would be the website.**



01

Introduction

Introduction and context

Introduction

The South of Scotland Enterprise (SOSE) Business Panel was created to measure and monitor the economic health of the South of Scotland region through the experiences and opinions of businesses and social enterprises in the area, and to explore topical issues at a regional, sub-regional or sectoral level.

SOSE commissioned Ipsos MORI to establish and manage the panel and run a survey with businesses and social enterprises, representative of the South of Scotland business base in terms of geographic area, organisation size and sector. The survey was carried out in parallel with one for the Highlands and Islands Enterprise (HIE), using largely the same questions.

This report presents findings from the panel survey carried out in June and early July 2021. The survey covered a range of topics including economic optimism, the impact of COVID-19 on working practices and business confidence and import and export challenges associated with the end of the EU exit transition period. It also explored workforce and innovation issues as well as awareness and engagement with SOSE.

Context

The survey was carried out against the backdrop of both COVID-19 and Brexit. Fieldwork was carried out while businesses continued to respond to the pandemic but lockdown restrictions were gradually easing.

On 5th June, the Scottish Borders and Dumfries and Galloway moved from Level 2 to Level 1 restrictions. This meant the continuation of social distancing and hygiene measures and the general advice to work from home where possible. Many businesses taking part in the survey will have been affected by these restrictions. The survey therefore explores issues such as current working practices and actions taken for workforce in response to COVID-19.

Fieldwork was also carried out since the end of EU transition period, with new rules in place for businesses importing from and exporting to the EU. The survey therefore explores the experiences of businesses that employ EU staff, and any impacts on imports from and export to these markets.

Methodology

Sampling

The survey sample was sourced from the Dun and Bradstreet business database and was stratified by sector and size to reflect the population of businesses in the South of Scotland. Quotas were set for recruitment and interviewing so that the achieved sample reflect the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR).

Eligible organisations were defined by SIC (Standard Industrial Classification (SIC) code, with the following SIC 2007 sections excluded from the sampling:

- Public administration and defence; compulsory social security;
- Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; and
- Activities of extraterritorial organisations and bodies.

SIC codes were used to identify areas of economic activity considered to be growth sectors (as set out in the Government Economic Strategy) so that quotas could be set to ensure these were represented in the survey sample.

Within each participating organisation, the survey respondent was the owner or a senior manager able to comment on the performance and future prospects of the organisation.

Survey fieldwork

Fieldwork was conducted between 2nd and 30th June 2021, using telephone interviewing. In total 600 eligible interviews were achieved.

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate. Weighting was applied to correct the distribution of sectors to match the sample counts. A breakdown of the achieved profile of businesses is provided in the Appendix.



Presentation and interpretation of the data

The survey findings represent the views of a sample of businesses, and not the entire business population of the South of Scotland, therefore they are subject to sampling tolerances, meaning that not all differences will be statistically significant.

Throughout the report, differences between sub-groups are commented upon only where we are sure these are statistically significant, i.e. where we can be 95% certain that they have not occurred by chance. The typical sub groups reported on are:

- Size of business (grouped by 0-4, 5-10, 11-24 and 25+ staff)
- Sector* (using the Scottish Governments' six growth sector groupings: Creative Industries, Energy, Financial and Business Services, Food and Drink, and Life Sciences)
- Location (Dumfries and Galloway and the Scottish Borders)
- Rurality** (remote rural, accessible rural and urban)
- Other characteristics based on responses to the survey (e.g. the markets they trade with, their growth aspiration etc)

Where percentages do not sum to 100%, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers. Aggregate percentages (e.g. "optimistic/not optimistic" or "important/not important") are calculated from the absolute values. Therefore, aggregate percentages may differ from the sum of the individual scores due to rounding of percentage totals.

Throughout the report, an asterisk (*) denotes any value of less than half a percent and a dash (-) denotes zero. For questions where the number of businesses is less than 30, the number of times a response has been selected (N) rather than the percentage is given.

02

Optimism and Performance

Key findings

- **Economic optimism was modest:** 38% of businesses said their confidence in Scotland's economic outlook had decreased in the last six months, 45% reported it had stayed the same, and 16% that it had increased in the last six months.
- **In terms of the regional economy, businesses in South of Scotland were more positive than negative:** two thirds (63%) were confident in the economic outlook for the South of the Scotland over the next 12 months, while 35% were not.
- **There was a mixed picture on business operation compared to before the COVID-19 pandemic:** 42% were operating at much the same level, 18% over and above that level and 38% below that level.
- **On aspects of business performance, there was a mixed picture.** Over the past six months, employment had been relatively stable (71%). Exports were more likely to have decreased than increased (38% and 11%). Sales or turnover performance was more mixed (39% said it had decreased, 28% stayed the same and 32% increased).
- **A majority (79%) of businesses in the region were optimistic for their prospects in the next 12 months, while 19% were not.**
- **Just over a third of businesses (38%) were striving for growth** in the future, while half (50%) were aiming to retain current level of performance, and 10% wanted to downsize.

Economic outlook for Scotland

Thinking about the last six months, 38% said their confidence in Scotland's economic outlook had decreased, 45% reported it had stayed the same, and 16% that it had increased.

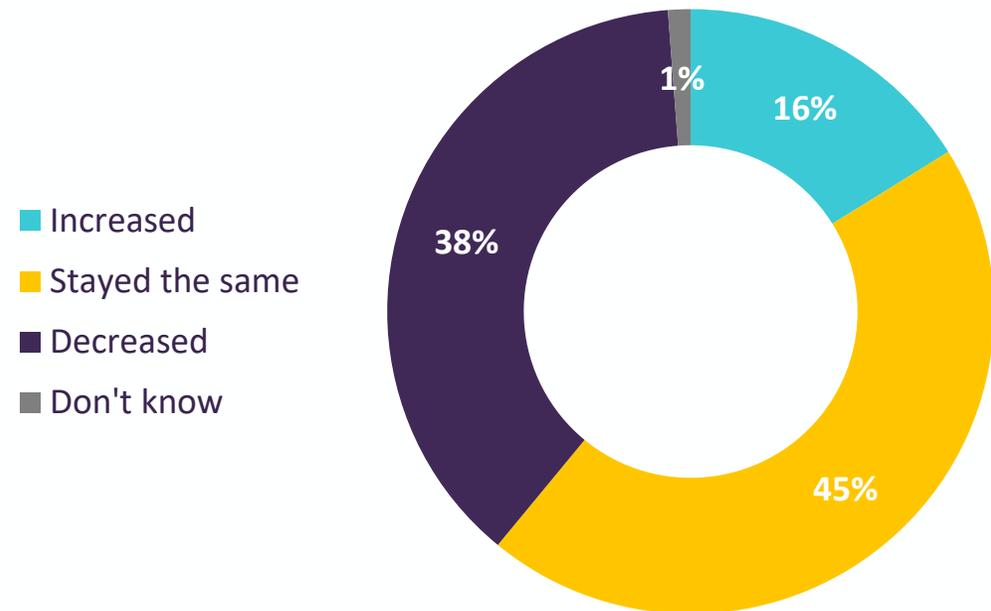
Net confidence was -22*. For context, net confidence among businesses in the Highlands and Islands was -14. Both these figures are considerably higher than recent waves of the HIE business panel survey (e.g. confidence in the Highlands and Islands was -76 in June/July 2020, the lowest ever level), suggesting signs of improvement in economic optimism.

Variation

Businesses more likely to say their confidence had increased were:

- those in non-growth sectors (20% compared with 16% average)
- those selling to international** markets (22%) compared with those only selling to domestic markets (10%)
- those in accessible rural areas (20%) and urban (19%) areas compared with those in remote rural areas (9%)

Q. Since January 2021, has your level of confidence in the economic outlook in Scotland increased, decreased or has it stayed the same?



Base: All businesses (600)

NOTE:

*The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative

** "international" markets is a combination of those selling to either the EU or markets outside of the EU . "domestic" markets are those in Scotland only

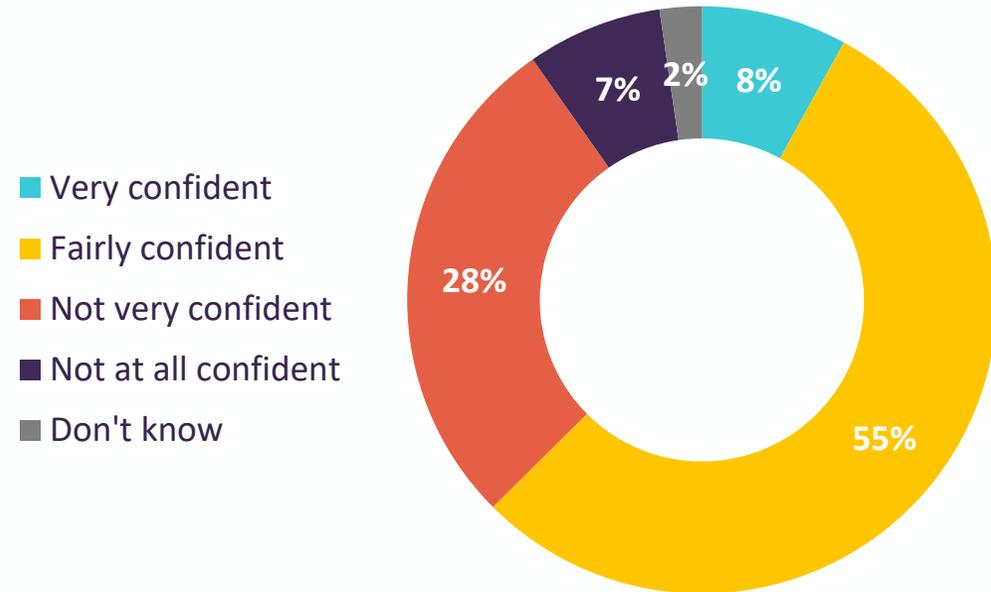
Economic outlook for South of Scotland

In terms of the regional economy, businesses were more positive than negative. Almost two thirds of businesses (63%) were confident in the economic outlook for the South of the Scotland over the next 12 months, while 35% were not. These findings were similar to those seen in the Highlands and Islands (67% confident, 31% not)

Variation

- Businesses selling goods and services to England and Wales were more likely to be confident (67% compared to 63% overall).
- Creative industries sector were *least* confident in the region's economic outlook (50% not confident compared to 36% overall).

Q. Thinking about the South of Scotland as a whole, how confident are you in the economic outlook for the region over the next 12 months?



Base: All businesses (600)

Impact of Covid-19 on business operation

There was a mixed picture on business operation compared to before the COVID-19 pandemic: 42% were operating at much the same level as they had been, while 18% were operating over and above that level and 38% below that level.

More likely to be operating at the same level:

- Food and drink businesses (67%)
- Those selling only to Scottish markets (53%)

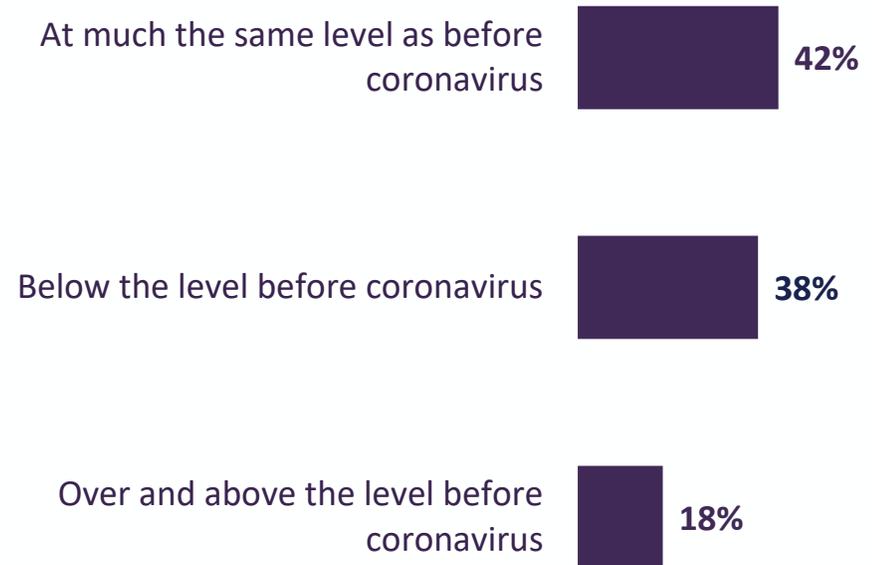
More likely to be operating below pre-pandemic levels :

- Tourism (58%), creative industries (54%) and non-growth sector businesses (45%)
- Those selling to Northern Ireland (44%) and to the EU (46%)

More likely to be operating above pre-pandemic levels:

- Businesses with 5-10 employees (26%), striving for growth (24%), and selling to England and Wales (21%)

Q. Which of the following best describes the way you are currently operating in relation to how you had been before the coronavirus outbreak?



Base: All businesses (600)

Aspects of business performance

On aspects of business performance, there was a mixed picture. Over the past six months, employment had been relatively stable (71%). Exports were more likely to have decreased than increased (38% and 11%). Sales or turnover performance was more mixed (39% said it had decreased, 28% stayed the same and 32% increased).

Sales or turnover

- Increases were more common among: those selling goods/services to England and Wales (36%), those in remote rural locations (40%) and those striving for growth in the next 12 months (37%).
- Decreases were more common among: tourism businesses (58%) and those in urban areas (51%).
- Food and drink businesses were more likely than average to say that sales or turnover had remained the same (42%).

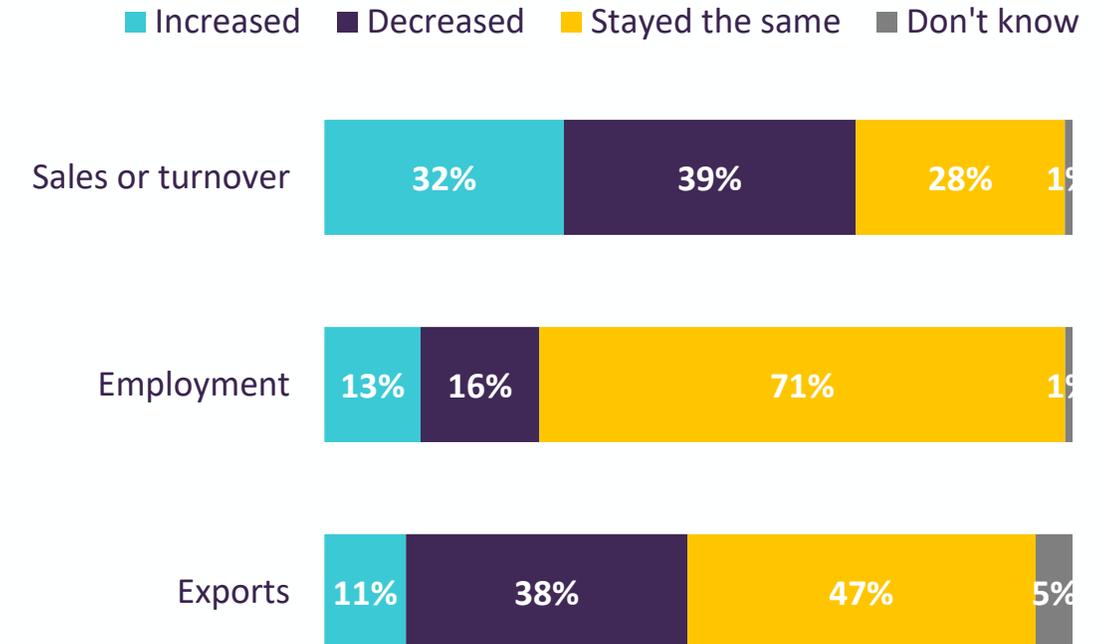
Employment

- Increases were more common among: those selling to England and Wales (16%) and Northern Ireland (18%).
- Decreases were more common among: tourism businesses (29%) and those expecting to downsize in the next 12 months (30%).
- Food and drink businesses were more likely than average to say that employment (82%) had remained the same.

Exports

There was less variation in export performance. However, those striving for growth in the next 12 months were more likely to report an increase (20%).

Q. Has following has increased, stayed the same or decreased since the beginning of this year?



Base: All businesses for whom it applied; employment (536), exports (110), sales or turnover (593)

Business optimism

A majority (79%) of businesses in the region were optimistic for their prospects in the next 12 months, while 19% were not.

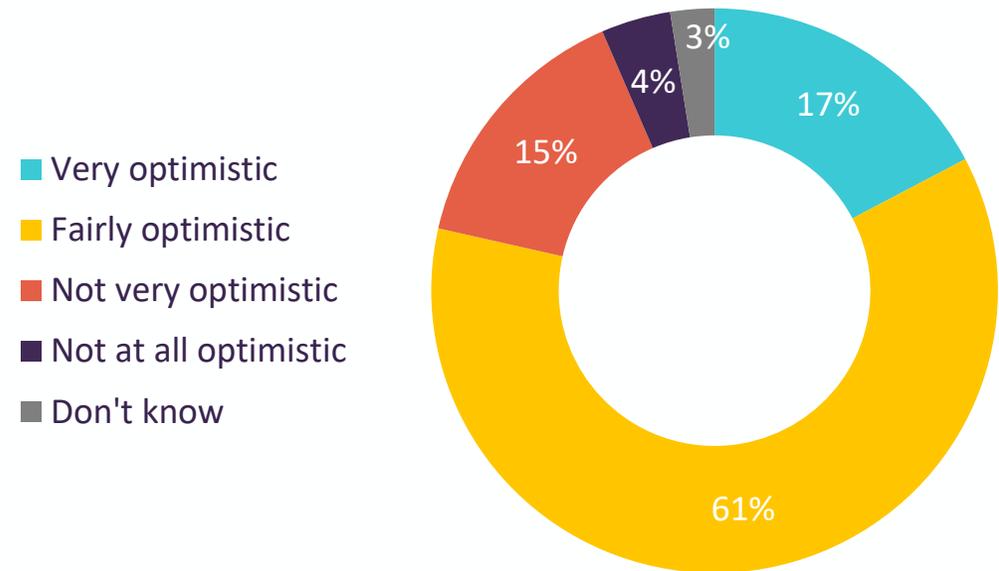
More optimistic than average

- Businesses with 5-10 employees (87% optimistic)
- Selling to England and Wales (82%)
- Those striving for growth (85%)

Less optimistic than average

- Businesses with 0-4 employees (21% not optimistic)
- Those planning on downsizing (33%)

Q. How optimistic are you for your business's prospects in the next 12 months?



Base: All businesses (600)

Business aspirations

Just over a third of businesses (38%) were striving for growth in the future, while half (50%) were aiming to retain their current level of performance, and 10% wanted to downsize.

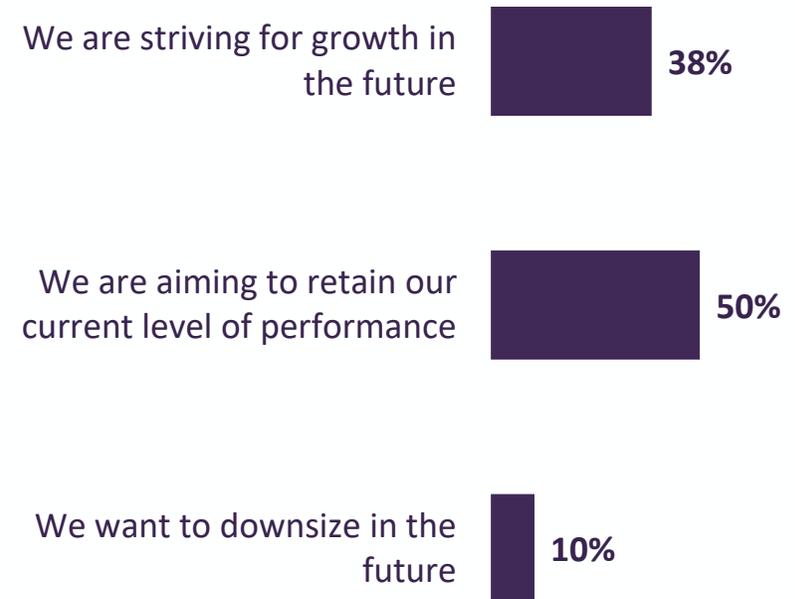
Those striving for growth

- Tourism businesses (50%)
- Businesses with 5-10 (61%) and 11-24 employees (64%)
- Those selling to international markets (43%)

Those hoping to retain current level of performance or downsize

- Businesses with 0-4 employees (55% retain, 14% downsize)
- Those selling only in Scotland (57% retain, 14% downsize)

Q. Which of these statements best describes your current aspirations for the business?



Base: All businesses (600)

03

Adapting to
change

Key findings

- **Although two thirds (54%) of businesses had experienced change as a result of COVID-19, there were mixed feelings on whether that change should be sustained.** A quarter wanted to maintain new ways of working, while 40% said they had adapted to change but would like to return to the way they operated before. A third (33%) had not experienced much change.
- **Businesses were taking a number of actions to respond to change.** The most common action was doing more online (37%).
- **Businesses were generally confident in their ability to respond to change.** They were most confident about: managing cash flow (86%), dealing with increased costs (70%), responding to changing customer needs/demands (85%), remaining competitive in current markets (85%), and adapting/responding to ongoing restrictions (84%). Confidence was lower in relation to accessing external finance (49%), accessing new markets (41%) and accessing staff with the skills they need (43%).
- **Key priorities for businesses over the coming months were growing their customer base (40%) and ensuring the wellbeing of their staff (38%).**
- **The vast majority (91%) were confident about their business's viability** over the next six months, while 7% were not confident.

Impact of Covid-19 on ways of working

Although two thirds (65%) of businesses had experienced change as a result of COVID-19, there were mixed feelings on whether that change should be sustained. A quarter wanted to maintain new ways of working, while 40% said they had adapted to change but would like to return to the way they operated before. A third (33%) had not experienced much change.

Businesses embracing change

- Financial and business services (38%)
- Urban businesses (30%)
- Businesses striving for growth (33%)
- Businesses selling to England and Wales (29%)

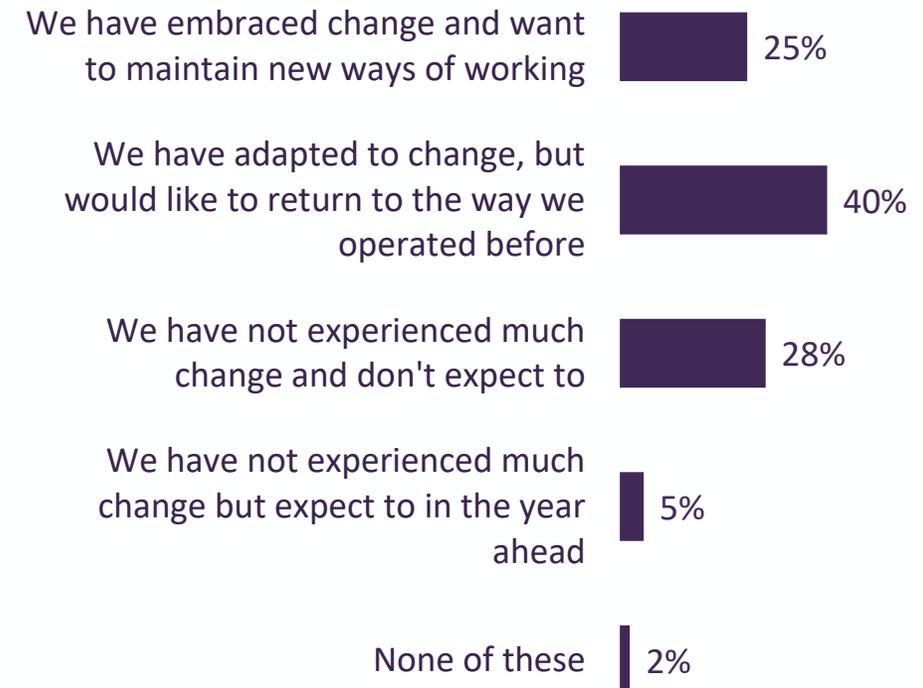
Businesses wanting to return to how they operated before

- Tourism businesses (63%)
- Businesses selling to Northern Ireland (47%)

Businesses not experiencing much change

- Businesses with 0-4 employees (37%)
- Food and drink businesses (54%)

Q. Covid-19 has brought about a lot of change in the ways businesses have had to work. Which of these best describes your own experience and outlook?



Base: All businesses (600)

Responding to change (1)

Most businesses (83%) were taking action to help them respond to change. A range of actions were being taken, with doing more online (37%) being the most common.

Variation by sector

- **Tourism** businesses were more likely than average to be taking a number of actions: changing operating hours (44%), amending their product offering (43%), using cash reserves (43%), changing their business model (41%), scaling back activity (39%) and only delivering some aspects of their business (38%).
- **Financial and business services** were more likely to be collaborating (43%), scaling back activity (42%) and enabling staff to work from home (42%).
- **Creative industries** were more likely to be enabling staff to work from home (35%).
- **Food and drink** businesses were more likely to say they were not taking any actions (26%).

Variation by rurality

- **Urban** businesses were more likely to be reducing profit margins (36%) and changing operating hours (30%).
- Businesses in **accessible rural** areas were more likely not to be taking any actions (24%).

Q. In what ways is your business responding to change?



Base: All businesses (600)

Responding to change (2)

Variation by growth aspiration

- There was variation in a number of actions taken by growth aspiration. Figures highlighted in the table to right are higher than the average.

Variation by market sold to

- Businesses **selling internationally** were more likely than average to be: targeting new or different markets (40%), collaborating (36%), changing their business model (32%) and amending their product offering (31%).
- Businesses **selling to Northern Ireland** were also more likely to be: targeting new/different markets (40%), collaborating (36%), changing business model (36%), amending product offering (36%) and only delivering some aspects of the business (32%).
- Businesses **selling to England and Wales** were more likely to be targeting new or different markets (34%) and changing their business model (30%).

	Aim to grow (%)	Aim to stay the same (%)	Aim to downsize (%)
Doing more online	43	32	39
Collaborating	41	22	29
Targeting new or different markets	45	21	14
Reducing profit margins	35	25	27
Using cash reserves	32	21	38
Only delivering some aspects of the business	26	22	40
Changing our business model	36	16	31
Scaling back activity or production	27	17	53
Amending our product offering	33	18	22
Changing operating hours	27	18	35
Enabling staff to work from home	26	13	12
None of these	11	23	8

Base: All businesses (600)

Confidence in ability to manage change (1)

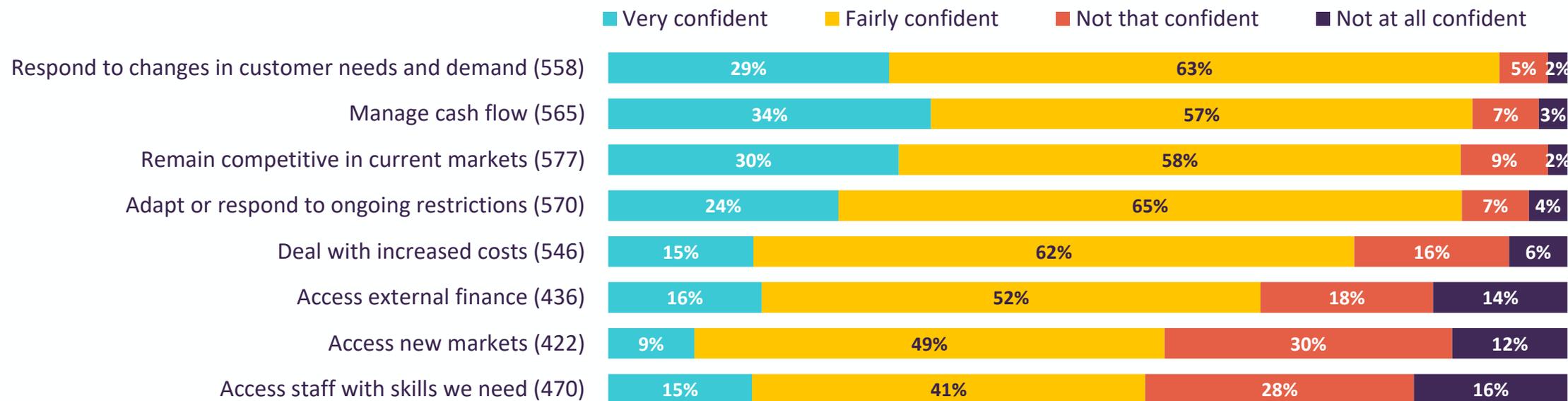
Thinking ahead to changes that might occur over the coming months, businesses were generally confident in their ability to respond to those changes.

Overall, businesses were more likely to be confident than not in relation to each potential change.

Confidence was highest in relation to: responding to change in customer needs and demand (92% very/fairly confident), ability to manage cash flow (91%), remain competitive (89%), adapt to restrictions (89%) and deal with increased costs (78%).

However, confidence was lower in relation to accessing external finance (68%), accessing new markets (59%) and accessing skilled staff (56%).

Q. Thinking about changes that may occur to your working environment over the coming months, how confident do you feel about your ability to...



Base: All businesses to whom each applied (number of businesses is showing beside each aspect in the chart)



Confidence in ability to manage change (2)

Confidence to manage changes that might occur over the coming months varied by business characteristic.

Variation by size

- Businesses with **0-4 employees** were less confident than average about: accessing new markets (45% not confident), accessing external finance (35%), and remaining competitive in current markets (14%).

Variation by sector

- **Tourism** businesses were less confident than average about accessing external finance (48%).
- **Financial and business services** were more confident than average about accessing new markets (77% confident), while **food and drink** businesses were less confident (50% not confident).

Variation by rurality

- **Urban** businesses were more confident about accessing skilled staff (63% confident), but less confident about managing cash flow (13% not confident)
- **Accessible rural** businesses were less confident than average about accessing skilled staff (52% not confident).

Variation by growth aspiration

- Businesses **looking to downsize** were less confident than average in dealing with increased costs (35% not confident), remaining competitive in current markets (23%) and responding to ongoing restrictions (22%).
- Businesses **striving for growth** were more confident in responding to changing customer need/demand (97%), remaining competitive in current markets (95%) and accessing new markets (64%)

Variation by market

- Businesses **selling to England and Wales** were more confident than average in their ability to remain competitive in current markets (91%).
- Businesses **selling internationally** were more confident in their ability to access new markets (65%)

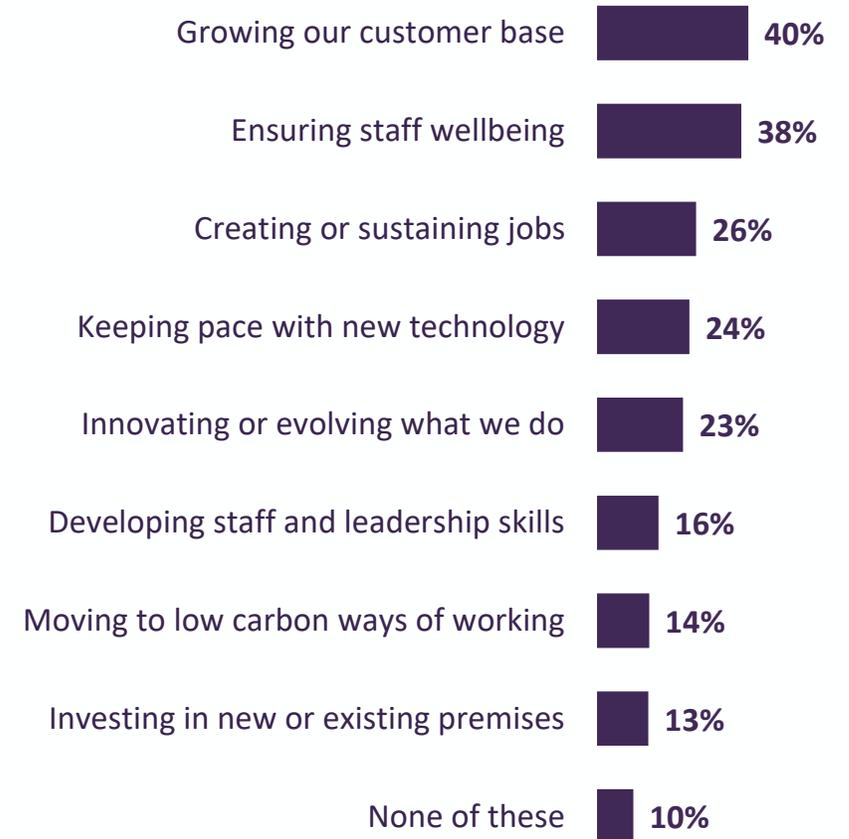
Important issues for businesses

Key priorities for businesses over the coming months, aside from financial viability, were growing their customer base (40%) and ensuring the wellbeing of their staff (38%)

Certain priorities were more common among:

- **Tourism** businesses: growing customer base (57%)
- **Financial and business services**: keeping pace with new technology (49%)
- **Creative industries**: innovating/evolving (42%) and moving to low carbon ways of working (26%).
- **Food and drink**: low-carbon ways of working (20%)
- Those **selling outside the EU**: growing customer base (48%)
- Those **selling to Northern Ireland**: growing customer base (48%) and creating/sustaining jobs (32%).
- Businesses **striving for growth**: growing customer base (48%), ensuring staff wellbeing (45%), creating/sustaining jobs (31%), innovating/evolving (29%), developing staff leadership skills (22%) and investing in new/existing premises (19%).

Q. Aside from financial viability, which two or three of the following will be most important to your business over the coming months?



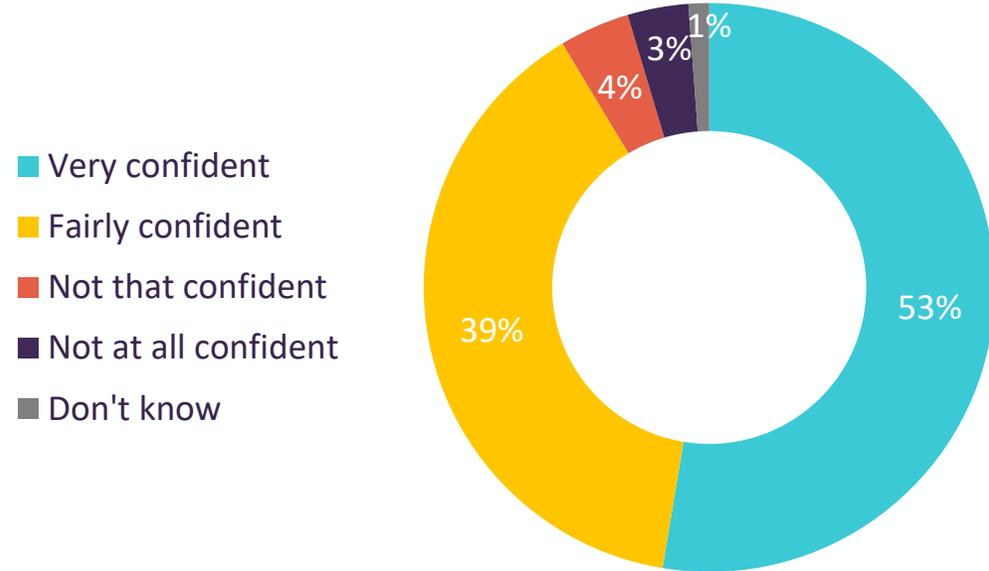
Base: All businesses (600)

Business viability

The vast majority of businesses (91%) were confident in their viability over the next six months, with 53% saying they were very confident. 7% were not confident.

There was little variation between types of business. However, those aiming to downsize were more likely to say they were not confident in their viability (17% compared to 7% overall).

Q. How confident are you that your business will be viable over the next 6 months?



Base: All businesses (600)

04

Brexit / Markets

Key findings

- Overall, the impact of Brexit has been limited, with just under half (48%) saying that the UK leaving the EU had no impact on their business. Among those that had been impacted, **views on Brexit were more negative than positive**: a third (33%) felt it had a negative impact on their business, while 15% felt it had been positive.
- **Most importers (90%) were able to access the goods or services they needed**, with the majority sourcing from within Scotland or their local area. However, just under a fifth (18%) had to source from alternative suppliers.
- **In spite of most saying they were able access the goods or services they needed, a majority (83%) nonetheless faced issues when doing so.** The most common issues that businesses experienced when accessing goods or services were high or increased costs (68%) and delays (60%).
- **Looking ahead to change to future import procedures, 34% felt prepared while 43% did not.** Around a quarter (23%) were unaware of these changes or did not know whether they were prepared or not.
- **Thinking about the 12 months ahead, expectations around future sales varied depending on the market.** Businesses were most positive about sales in domestic markets and England and Wales, and least positive about sales to the EU.
- **Of those exporting outside of Great Britain, 33% were experiencing issues doing so.** The most common issue (for 19%) was retaining or re-establishing customer demand.

Impact of Brexit

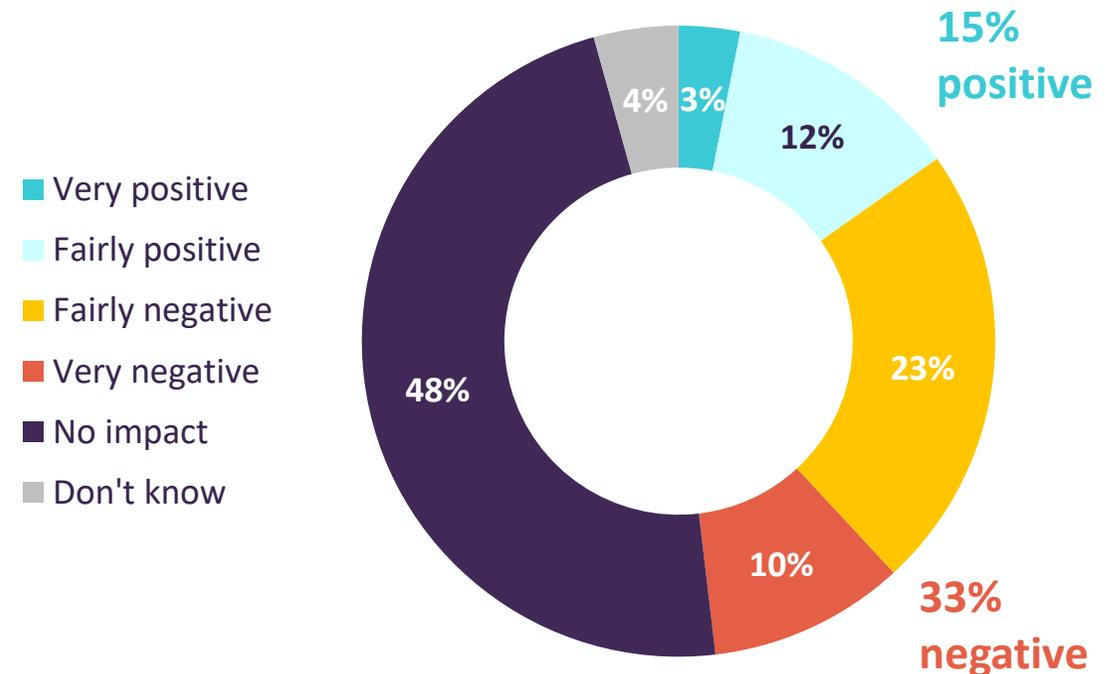
Overall, the impact of Brexit has been limited, with just under half (48%) saying that the UK leaving the EU has had no impact on their business.

Among those that had been impacted, views were more negative than positive. A third (33%) considered Brexit to have had a negative impact on their business, while 15% said it had a positive impact.

Variation

- Food and drink business were more likely to say that Brexit has had a positive impact (26%).
- Negative impacts were more common among those importing from and selling to markets in the EU (52% of importers and 41% of exporters) and Outside the EU (49% and 39%)

Q. Overall, what impact would you say the UK leaving the EU has had on your own business so far?



Base: All businesses (600)

Import markets

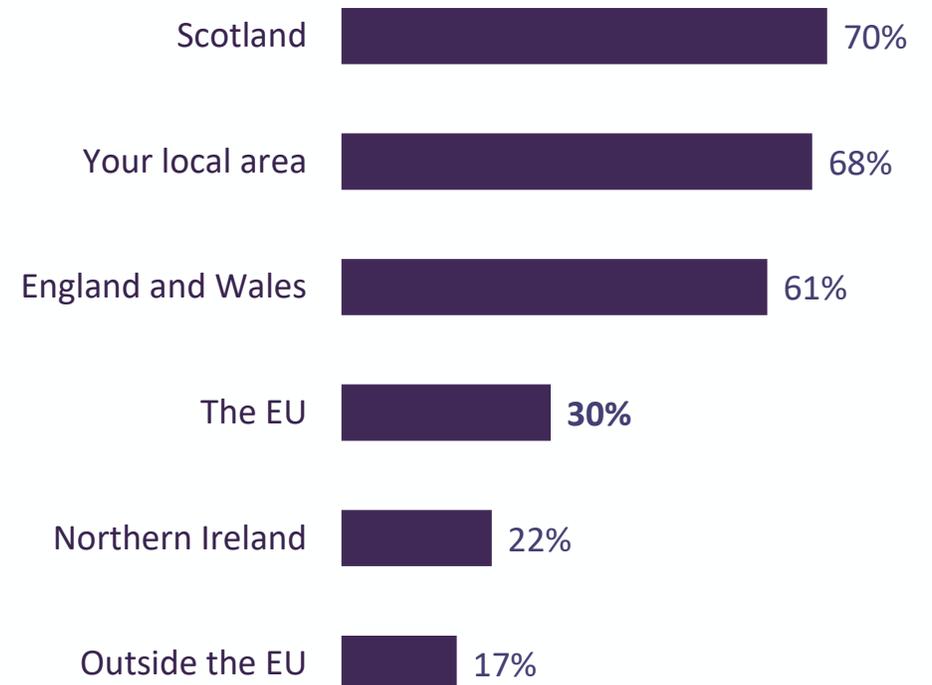
The majority of businesses (70%) sourced equipment or materials within Scotland and almost as many (68%) sourced within their local area.

70% were importers*. The largest import market was England and Wales (61%), followed by the EU (30%), Northern Ireland (22%) and outside the EU (17%).

Variation

- Food and drink business were more likely to source equipment or materials from within their local area (82%).
- Creative industries business were more likely to import from countries within the EU or outside the EU (53% and 33% respectively).

Q. From which of these markets do you currently source equipment or materials?



Base: All businesses (600)

NOTES

*In this report, "importers" are defined as those that source equipment or materials from any market outside of Scotland

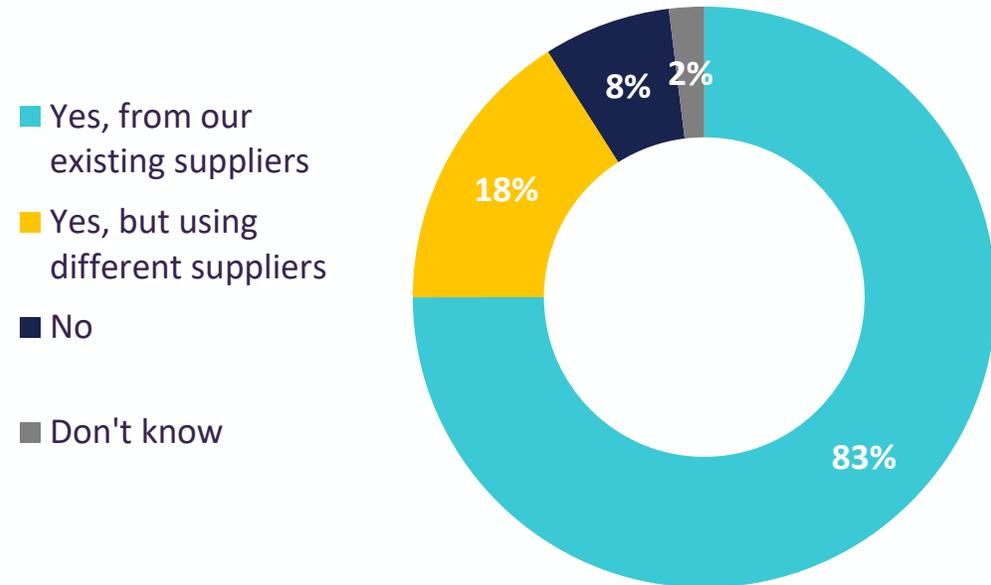
Availability of goods and services

A majority (90%) of businesses were able to access the goods or services that they needed. Most (83%) said they could do so from existing supplier, while (18%) had to do so using different suppliers. Fewer than one in ten businesses (8%) said they were not able to access what they needed.

Variation

- A higher proportion of businesses based in the Scottish Borders were able to access the goods or services the needed (93%) compared to those based in Dumfries & Galloway (87%).
- Those importing from within the EU (12%) were more likely to say were unable to access the goods or services that they needed.
- Businesses whose economic confidence had decreased in the last 6 months were also more likely to say that they could not access the goods or services they need (12%).

Q. Are you currently able to access the goods or services that you need?



Base: All businesses (600)

Access issues

In spite of most saying they were able access the goods or services they needed, a majority (83%) nonetheless faced issues when doing so. The most common issues that businesses experienced when accessing goods or services were high or increased costs (68%) or delays (60%).

Variation

Issues with **high or increased costs** were common among:

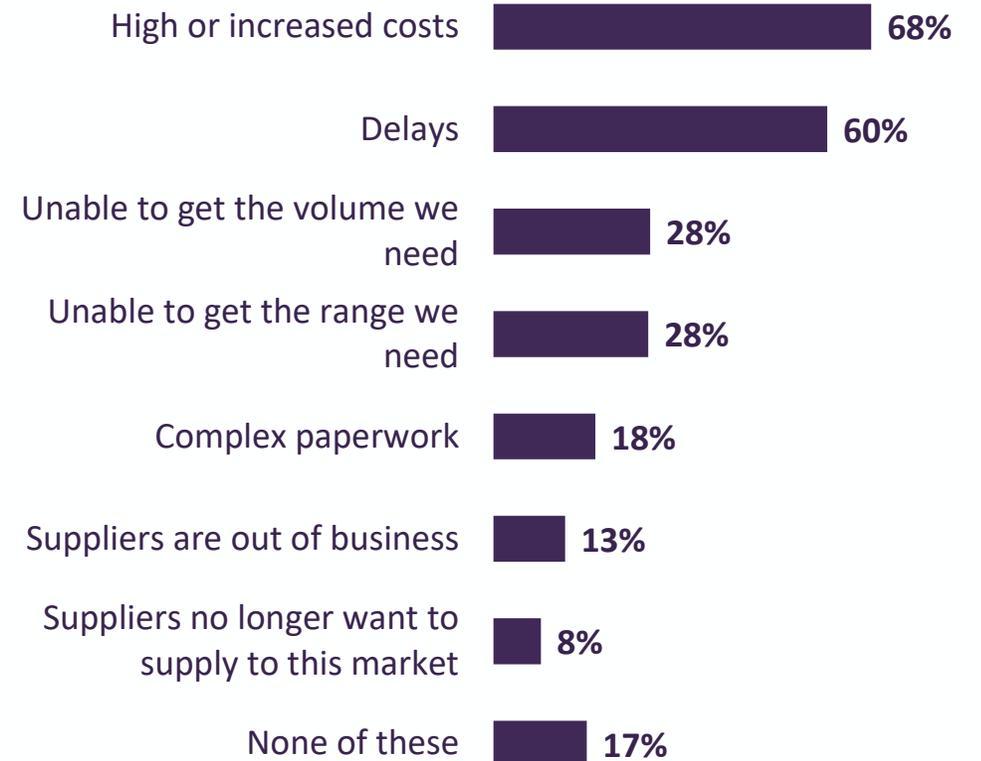
- Food and drink businesses (77%)
- Businesses importing from international markets (80%), particularly within the EU (83%).
- Businesses selling to the EU (75%).

Issues with **delays** were common among:

- Businesses importing from international markets (77%), particularly within the EU (79%).

Businesses in the financial and business sector were more likely to have experienced none of these issues (46%), as were those businesses sourcing goods only within Scotland (25%).

Q. Which of these issues, if any, are you experiencing when accessing the goods or services that you need?



Base: All businesses (600)

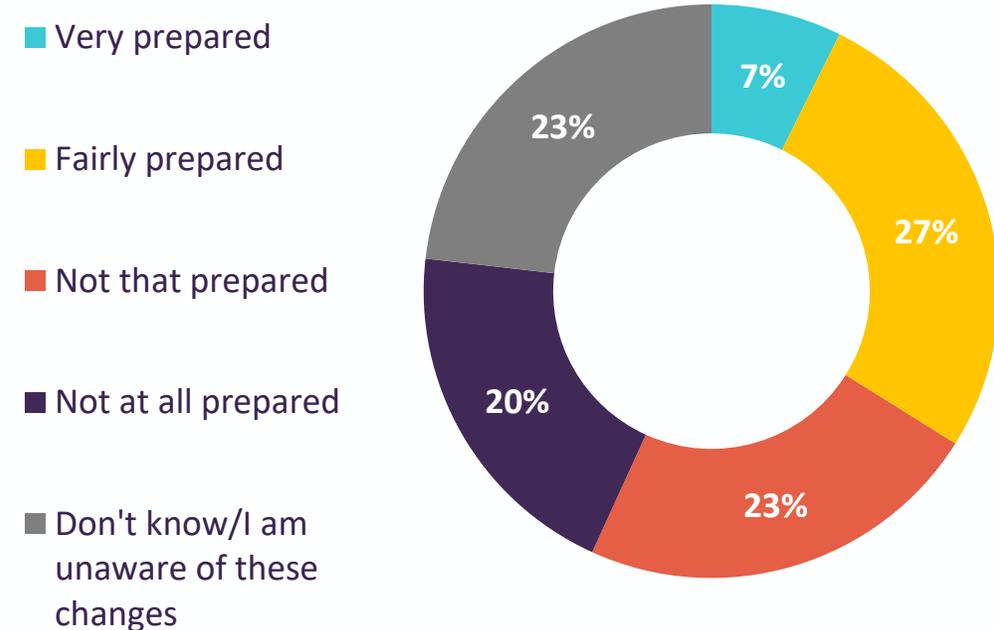
Preparedness for changes to import procedures

At the time of survey fieldwork, changes to import processes had yet to be implemented but were expected to begin being introduced later in 2021. The survey sought to explore the extent to which businesses felt prepared for these changes.

Looking ahead to change to future import procedures, businesses were split: 34% felt prepared while 43% did not. Around a quarter (23%) were unaware of these changes or did not know whether they were prepared or not.

Views did not vary, however those importing from markets outside of the EU reported feeling less prepared (54%) than average.

Q. How prepared do you feel for changes to import procedures expected later this year?



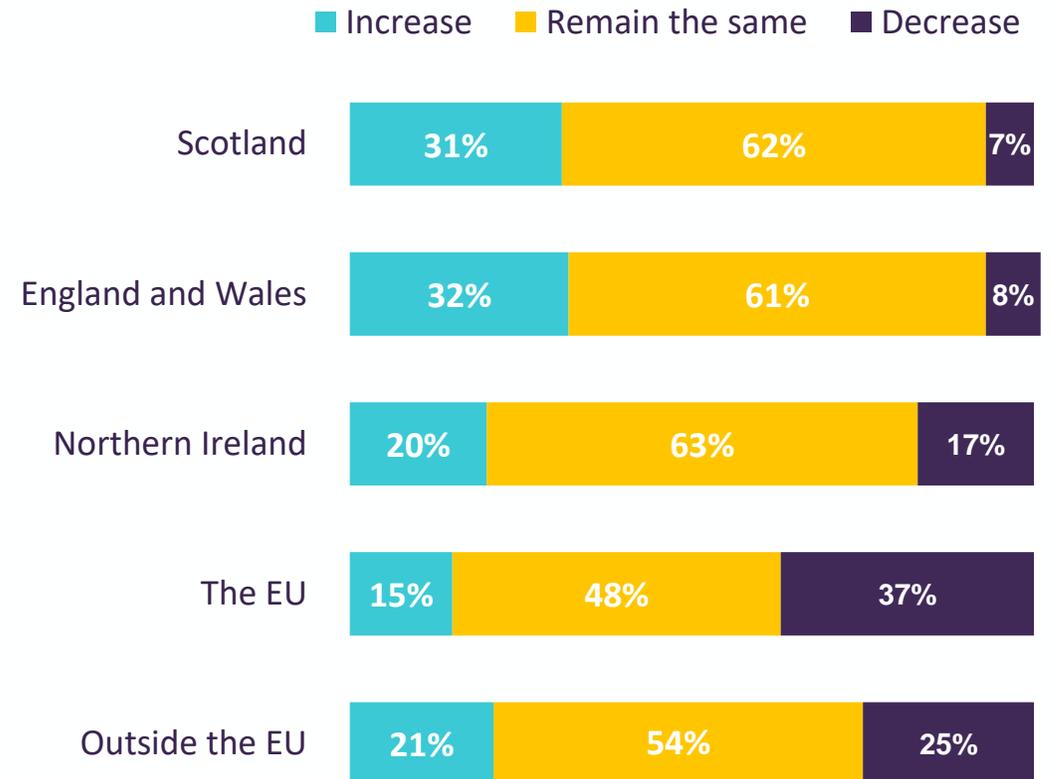
Base: All those importing from outside GB (179)

Future sales to markets

Thinking about the 12 months ahead, expectations around future sales varied depending on the market. Businesses were most positive about sales in domestic markets and England and Wales, and least positive about sales to the EU.

- More than half expected sales in Scotland and England and Wales to remain the same (62% and 61% respectively) and around a third expected them to increase (31% and 32%).
- Those selling to Northern Ireland also generally expected stability (63%), while 20% expected an increase and 17% a decrease.
- Views were more mixed in relation to markets outside the EU, with similar proportions expecting an increase (21%) as expected a decrease (25%).
- Businesses were most negative about sales to the EU: 37% expected a decrease, more than double the proportion expecting an increase (15%).

Q. In the next 12 months do you expect the amount you sell in each of these markets to increase, decrease or remain about the same?



Base: All business to whom each applied (i.e. excluding don't know and not applicable responses)

Export issues

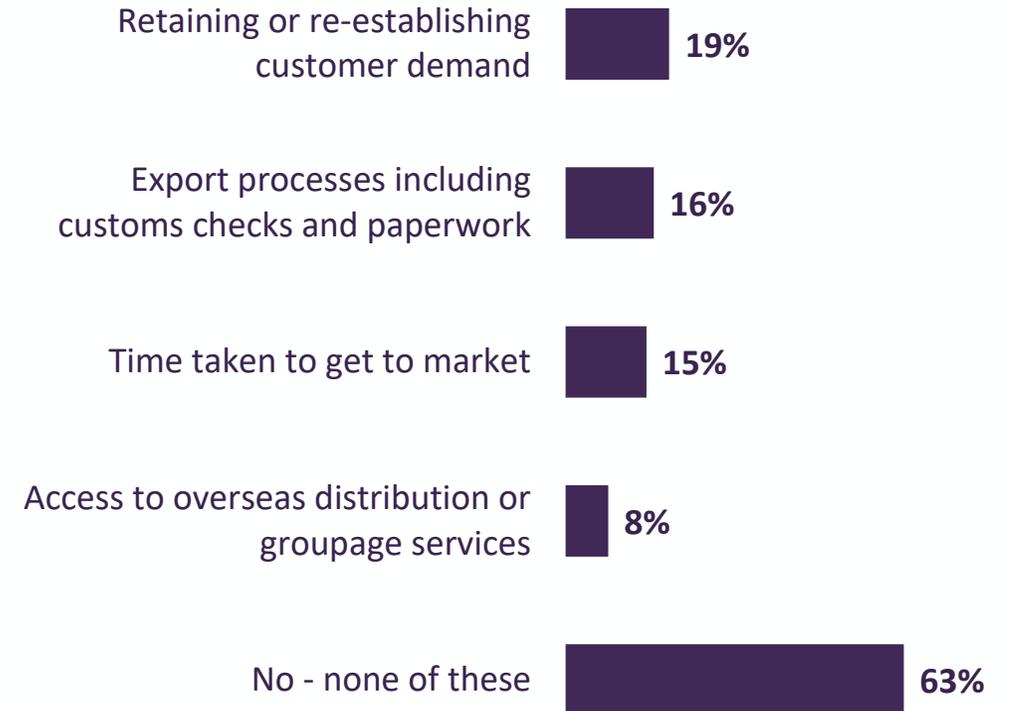
Of those exporting outside of Great Britain, 33% were experiencing issues doing so. The most common issues was retaining or re-establishing customer demand (19%).

Other issues experienced by exporters were: export processes (16%), time taken to get to market (15%), and access to overseas distribution or groupage (8%).

Variation

- Those operating below pre-pandemic levels were more likely to have experienced issues with retaining or re-establishing customer demand (30%).
- Issues with export processes and access to overseas distribution or groupage services were more common among businesses importing outside the EU (29% and 21% respectively).

Q. Are you currently experiencing issues with any of the following?



Base: All those exporting outside GB (266)

05

Workforce

Key findings

- **Among employers, 41% were concerned about some aspect related to their workforce.**
- **Top concerns for employers were having fewer candidates to fill permanent (54%) and temporary/seasonal vacancies (49%),** followed by the attractiveness of their sector to candidates (42%) and being able to offer competitive pay (36%).
- **Most employers (79%) said they currently had the staff they needed for permanent roles. Fewer (59%) said they had the staff needed for temporary/seasonal roles.**
- **Skills being in short supply was the most commonly mentioned barrier to staffing (50%)** followed by location (33%) and perceived lack of career prospects (29%).
- **Half of employers were taking action to help them attract staff.** The most common action businesses were taking was competitive levels of pay (52%), followed by informal learning and development (45%) and flexible working patterns (44%).

Workforce concerns

Among employers, 41% were concerned about some aspect related to their workforce. Top concerns were **having fewer candidates to fill permanent (54%) and temporary/seasonal vacancies (49%)**, followed by the attractiveness of their sector to candidates (42%) and being able to offer competitive pay (36%). Concern was lower about being unable to recruit from the EU (29%) and EU workers leaving the business (26%).

Variation by sector

- Food and drink businesses were more concerned about: filling permanent (73%) and temporary (69%) vacancies, being unable to recruit from the EU (45%), being able to offer competitive pay (47%), and the sector not being attractive to candidates (55%).

Variation by location

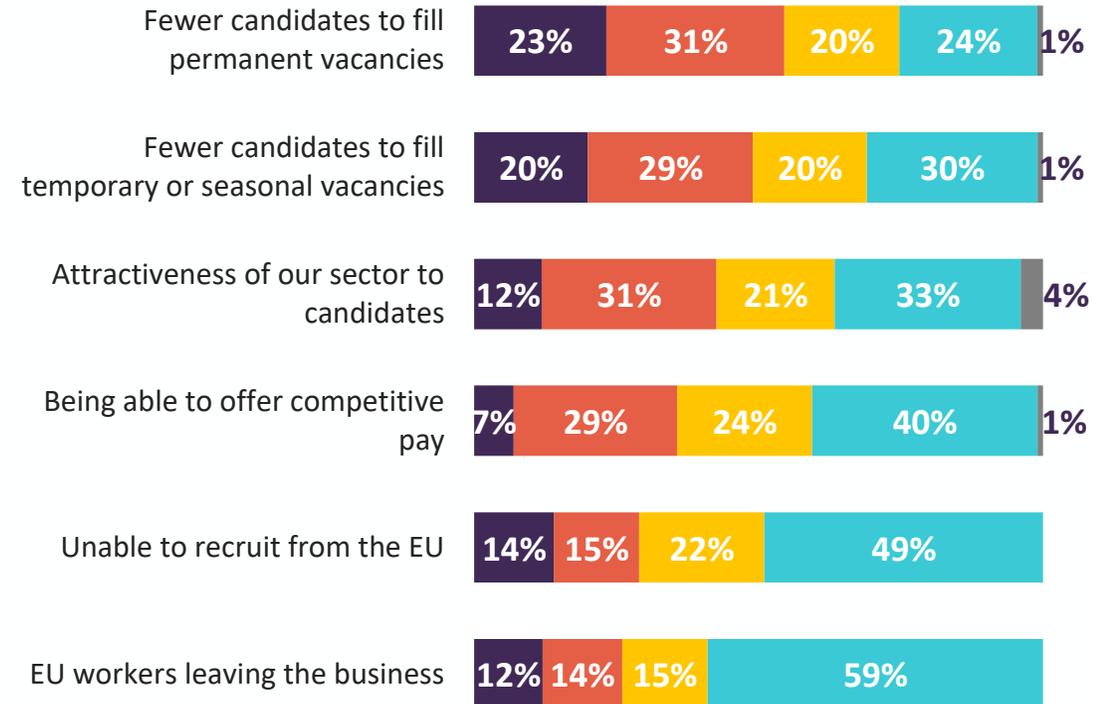
- Businesses in accessible rural areas were more concerned about EU workers leaving their business (42%).

Variation by market

- Businesses selling outside the EU were less likely to be concerned about filling temporary/seasonal vacancies (64% not concerned) and about the attractiveness of their sector to candidates (65% not concerned).

Q. How concerned are you about each of the following in relation to your workforce?

■ Very concerned
 ■ Fairly concerned
 ■ Not very concerned
■ Not at all concerned
 ■ Don't know



Base: All employers for whom it applied

Staffing levels

Most employers (79%) said currently had the staff they needed for permanent roles. Fewer (59%) said they had the staff they needed for temporary/seasonal roles.

Variation

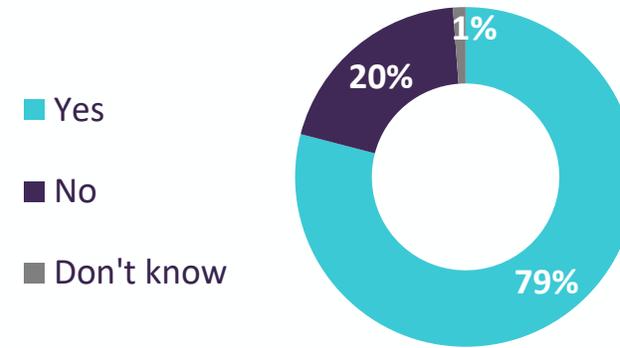
There was no variation in terms of views on permanent staffing levels. However, those *less* likely to have the temporary/seasonal staff they needed were:

- Tourism businesses (33% said no)
- Businesses with 11-24 employees (36%)

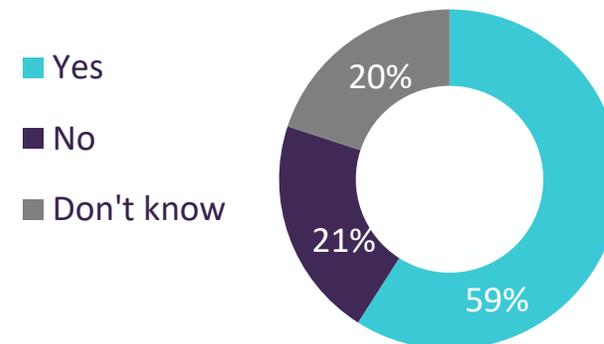
Those *more* likely to have the temporary/seasonal staff they needed were:

- In remote rural areas (70% said yes)
- Selling internationally (65%)

Q. Do you currently have the level of staff that you need for permanent roles?



Q... for temporary or seasonal roles?



Barriers to staffing

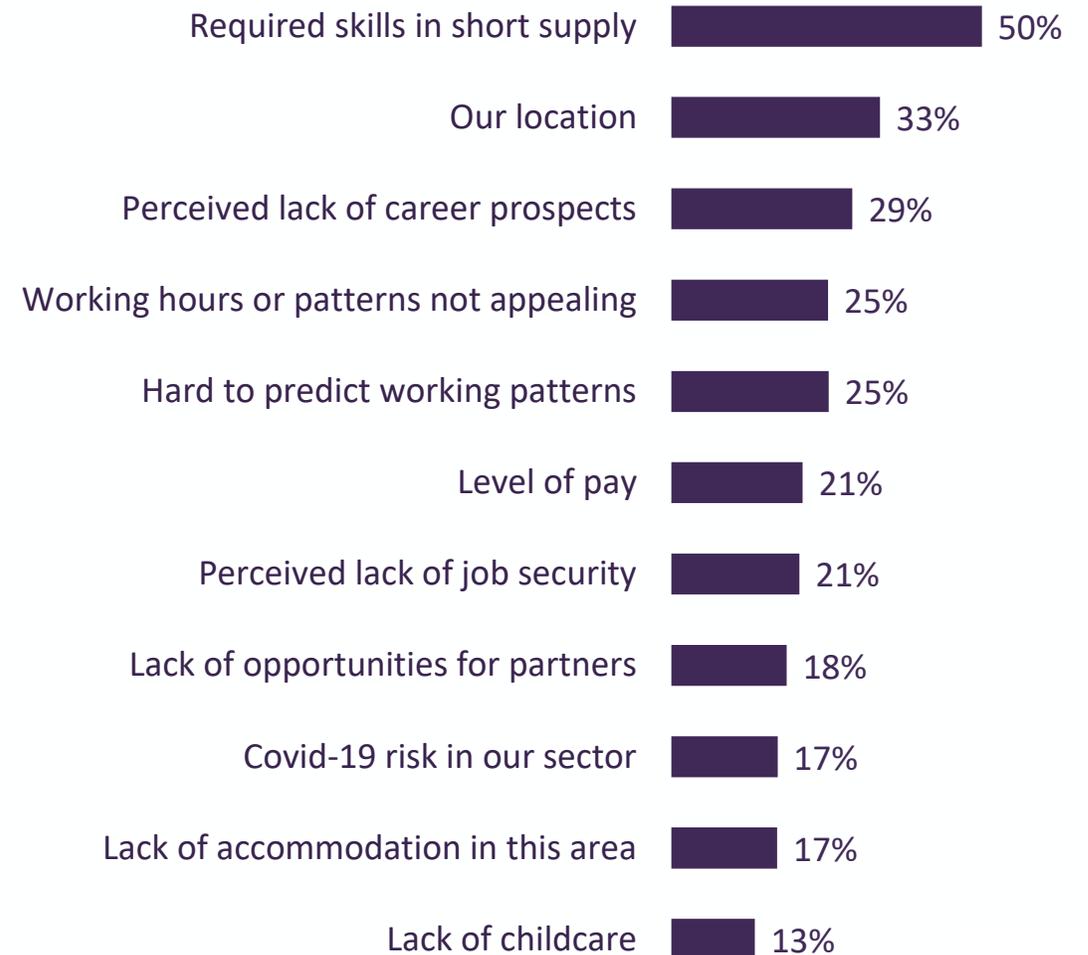
The most common perceived barrier to accessing staff was skills being in short supply (50%) followed by location (33%) and perceived lack of career prospects (29%).

Variation

- Businesses with 5-10 employees were more likely than average to mention level of pay (40%) and lack of childcare (24%).
- Businesses aiming to grow were more likely to mention location (45%), level of pay (28%), perceived lack of job security (28%) and lack of childcare (22%).

Base sizes were too small for other subgroup analysis.

Q. What do you think is preventing you from getting the staff you need?



Base: Employers without the level of staff they need (143)

Attracting staff

Half (50%) of employers were taking action to help them attract the staff they needed. The top action being taken was offering competitive levels of pay - 52% were doing this. This was followed by informal learning and development (45%) and flexible working patterns (44%).

Variation by sector

- Tourism businesses were more likely to be using informal learning and development (58%).
- Food and drink businesses were more likely to be sharing staff resources (23%).

Variation by growth aspiration

- Businesses aiming to grow were more likely than average to be taking all these actions, while businesses aiming to stay the same size were more likely to be taking no actions (37%).

Variation by market

- Businesses selling to England and Wales, the EU and outside the EU were each more likely to be sharing staff resource with other businesses (17%, 20% and 17% respectively).

Q. Which of the following actions, if any, is your business taking to help ensure it can attract the staff it needs?



Base: All employers (461)

06

Innovation

Key findings

- **Most businesses (81%) were innovating in some way.**
- **The main approaches to innovation that businesses had taken were making processes more efficient (56%),** adjusting products or services (43%) or adapting their business model or structure (39%).
- In terms of support, **businesses were aware of, and most likely to have engaged with, enterprise agencies or Business Gateway (31%) or knowledge sharing networks (28%).**
- **The main barriers to innovation were other priorities (50%),** lack of time (33%) and cost (31%).

Approaches to innovation

Most businesses (81%) were innovating in some way. The top approach, for over half (56%), was making processes more efficient, followed by adapting the product or service (43%) and adapting their business model or structure (39%).

Variation

Businesses **aiming to grow** were more likely than average to have made their processes more efficient (67%).

Businesses **importing outside the EU** were more likely to have developed new products or services (48%).

The focus of innovation approaches also varied by growth sector:

- **Food and drink** businesses were more likely to have invested in low carbon technology (38%)
- Among **creative industries** and **tourism** businesses, there was a greater focus on adapting products or services (61% and 56% respectively).

Just under a fifth of businesses (18%) had not taken any of these approaches to innovation. Those trading within Scotland were more likely to say they had taken no actions (32% among those sourcing goods and 23% among those selling).

Q. Which, if any, of the following approaches to innovation has your business undertaken?



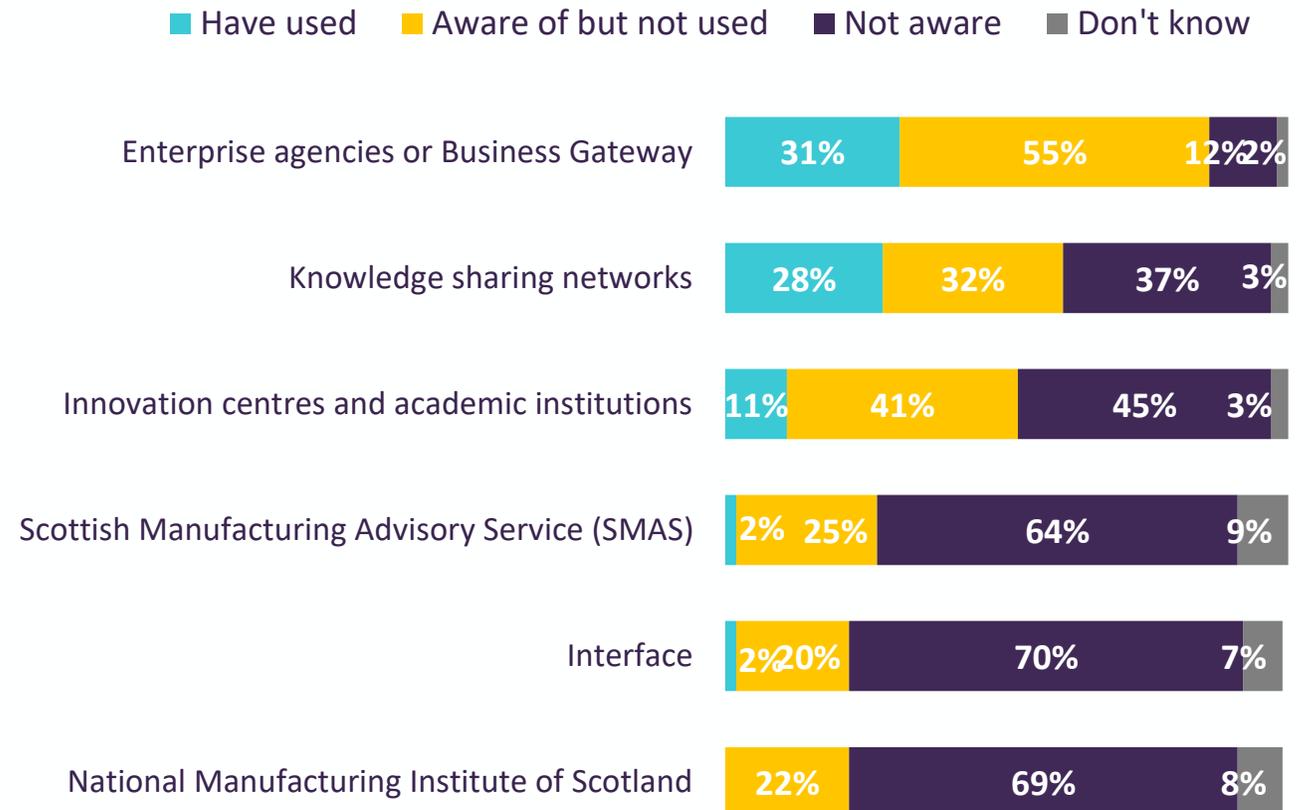
Awareness of support for innovation

The most common innovation support used by businesses were enterprise agencies or Business Gateway (31%) and knowledge sharing networks (28%).

Variation

- Those in the creative industries (46%) and tourism businesses (45%) were more likely to have used **enterprise agencies or Business Gateway** than average.
- Use of **knowledge sharing networks** was highest among financial and business services (47%), and creative industries (43%) sector and businesses aspiring to grow (36%).
- Food and drink (20%) and businesses located in accessible rural locations (18%) were more likely to have used **innovation centres and academic institutions**.

Q. Are you aware of and have you used any of the following for innovation support?



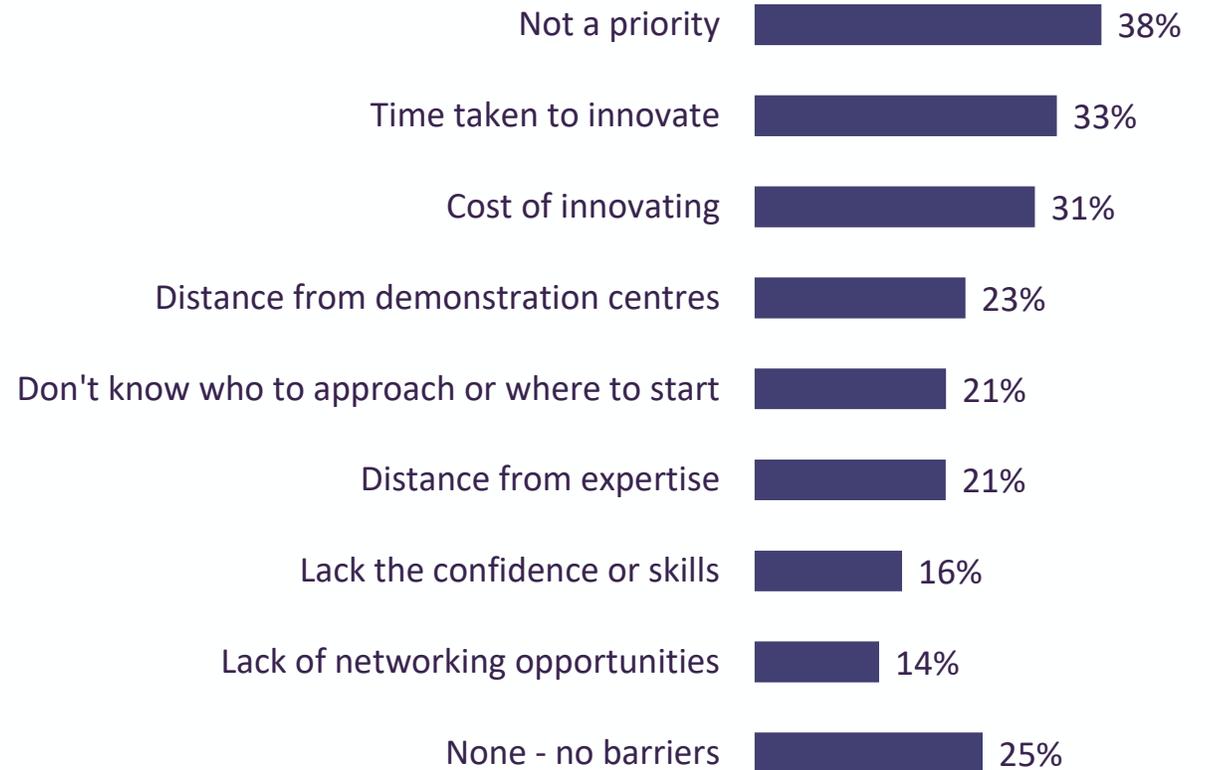
Base: All businesses (600)

Barriers to innovation

The main barrier to innovation for businesses was that it simply wasn't a priority at the moment (38%).

- Tourism businesses were more likely to say it wasn't a priority (50%)
- The **cost of innovation** was also a barrier for just under a third (31%), especially for businesses in tourism (42%) and the food and drink (38%) sectors.
- Some businesses cited geographical issues, such as being too far from **demonstration centres** (23%) or from **expertise** (21%). This was particularly the case for businesses in remote rural locations, with just under a third (31%) citing distance from demonstration centres and 28% citing distance from expertise as barriers to innovation.
- Over one in five (21%) felt they didn't know who to approach or where to start with innovating their business.

Q. What barriers to innovating might your business face?



Base: All businesses (600)

07

Awareness and
engagement with
SOSE

Key findings

- **Awareness of SOSE was fairly high, with the majority of businesses (64%) saying they knew least a little about SOSE**, while just over a quarter (26%) knew a fair amount. Around a third of businesses (35%) said they knew nothing of SOSE, while 13% had not heard of it.
- **42% said they would be likely to contact SOSE** if they needed help, advice or support with their business. Just over half of businesses (53%) said they would be unlikely to do this.
- **The majority of businesses (67%) said they their preferred source of information for more information on SOSE would be the website.**

Awareness of SOSE

The majority of businesses (64%) knew at least a little about SOSE, while just over a quarter (26%) knew a fair amount. Over a third of businesses (35%) said they knew nothing of SOSE.

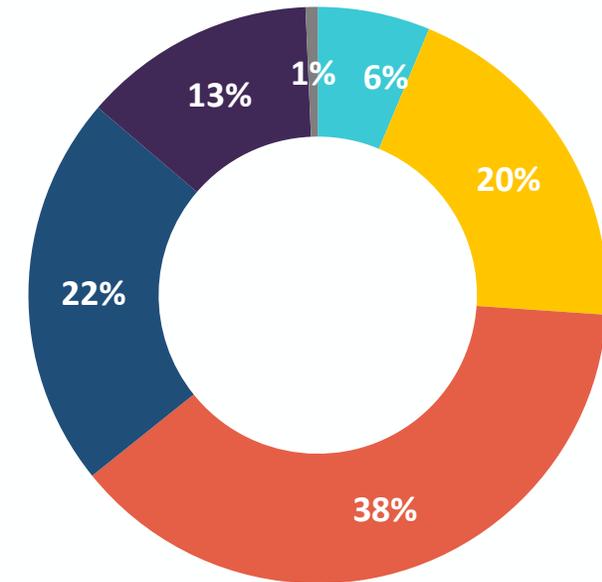
Awareness was **higher** (knowing at least a fair amount about SOSE) among:

- Creative industries businesses (41%)
- Those in the financial and business services sector (39%)

Awareness was **lower** (knowing nothing about SOSE) among:

- Food and drink businesses (39%)
- Tourism businesses (38%)

Q. Before today, how much, if anything, did you know about South of Scotland Enterprise?



Base: All businesses (600)

Likelihood of contacting SOSE

42% said they would be likely to contact SOSE if they needed help, advice or support with their business. Just over half of businesses (53%) said they would be unlikely to do this.

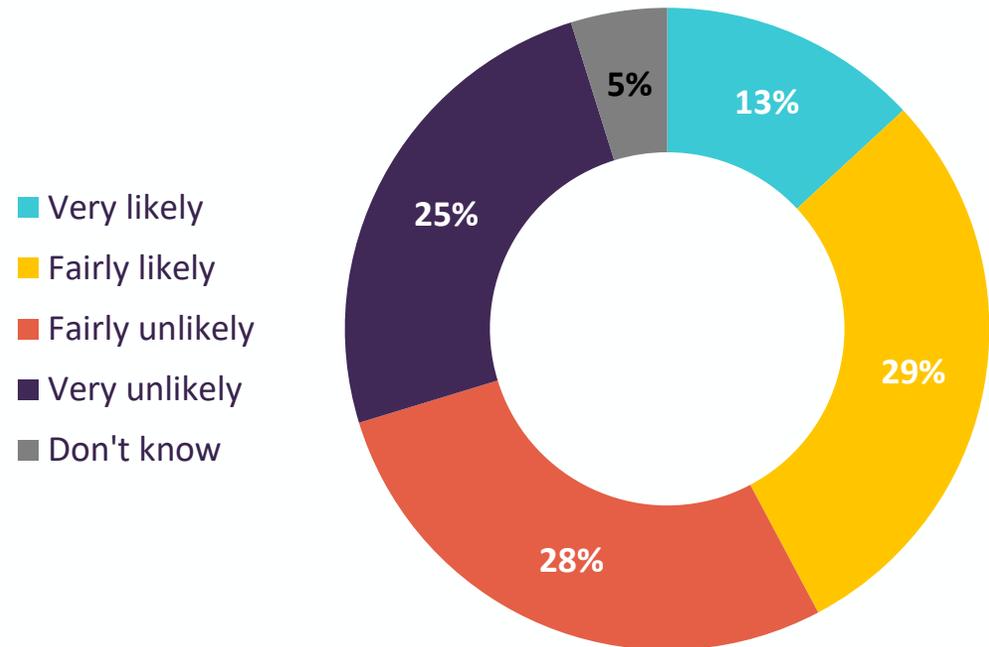
Those **more likely** to contact SOSE were:

- Tourism (61%), creative industries (53%) and financial and business services (51%) sectors
- Businesses striving for growth (55%)
- Businesses selling to Northern Ireland (50%)
- Businesses importing from/selling to England & Wales (46% respectively)

Those **less likely** to contact SOSE were:

- Food and drink businesses (66%)
- Those not confident in their viability (70%)
- Businesses importing from international markets (59%)

Q. If you were looking for help, advice or support with your business, how likely or unlikely would you be to contact South of Scotland Enterprise?

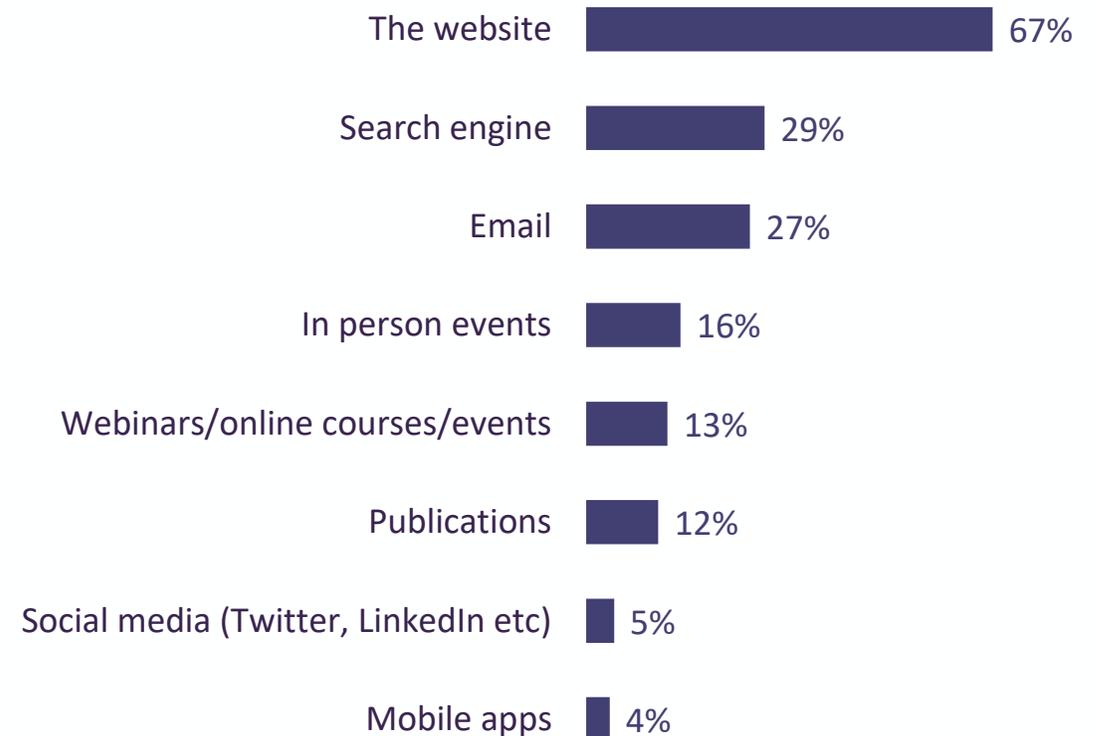


Base: All businesses (600)

Accessing information

- The majority of businesses (67%) said they would visit SOSE's **website** to access any information they were looking for. This channel was most favoured by businesses in the financial and business service (90%) and creative industries (88%) sectors.
- Almost one in three businesses (29%) would use a **search engine**, which rose to 42% among businesses in the tourism sector.
- While use of **social media** was low overall (5%), over one in ten (12%) businesses in the tourism sector would use this channel to find the information they were looking for from SOSE.

Q. If you were looking for information from South of Scotland Enterprise, how would you be most likely to access that information?



Base: All businesses (600)

08

Appendix

Profile of businesses interviewed

Size (no of employees)	%
Sole trader	26
1-4	52
5-10	13
11-24	6
25+	3

Growth sector	%
Creative industries	4
Energy	1
Financial and business services	9
Food and drink	29
Life sciences	-
Tourism	9
Non-growth	48

Location	%
Dumfries and Galloway	50
Scottish Borders	41
Not stated/unknown	9

Urban/Rural	%
Remote rural	24
Accessible rural	29
Urban	38
Not stated/unknown	9



Ipsos MORI's Standards & Accreditations

Ipsos MORI's standards & accreditations provide our clients with the peace of mind that they can always depend on us to deliver reliable, sustainable findings. Moreover, our focus on quality and continuous improvement means we have embedded a 'right first time' approach throughout our organisation.



ISO 20252 – is the international market research specific standard that supersedes BS 7911 / MRQSA & incorporates IQCS (Interviewer Quality Control Scheme); it covers the 5 stages of a Market Research project. Ipsos MORI was the first company in the world to gain this accreditation.



MRS Company Partnership – By being an MRS Company Partner, Ipsos MORI endorse and support the core MRS brand values of professionalism, research excellence and business effectiveness, and commit to comply with the MRS Code of Conduct throughout the organisation & we were the first company to sign our organisation up to the requirements & self regulation of the MRS Code; more than 350 companies have followed our lead.



ISO 9001 – International general company standard with a focus on continual improvement through quality management systems. In 1994 we became one of the early adopters of the ISO 9001 business standard.



ISO 27001 – International standard for information security designed to ensure the selection of adequate and proportionate security controls. Ipsos MORI was the first research company in the UK to be awarded this in August 2008.



The UK General Data Protection Regulation (UK GDPR) & the UK Data Protection Act 2018 (DPA) – Ipsos MORI is required to comply with the UK General Data Protection Regulation and the UK Data Protection Act; it covers the processing of personal data and the protection of privacy.



HMG Cyber Essentials – A government backed and key deliverable of the UK's National Cyber Security Programme. Ipsos MORI was assessment validated for certification in 2016. Cyber Essentials defines a set of controls which, when properly implemented, provide organisations with basic protection from the most prevalent forms of threat coming from the internet.



Fair Data – Ipsos MORI is signed up as a 'Fair Data' Company by agreeing to adhere to ten core principles. The principles support and complement other standards such as ISOs, and the requirements of Data Protection legislation.

This work was carried out in accordance with the requirements of the international quality standard for market research, ISO 20252 and with the Ipsos MORI Terms and Conditions



SOUTH of
SCOTLAND
ENTERPRISE