



Market Report

A Snapshot of your Market Sector

Childcare

Cost of Doing Business Support

For information on **reducing the cost of running your business**, the [Find Business Support](#) website has links to advice, funding and regional support.

This pack has been designed to provide information on setting up a business in the **Childcare** industry in Scotland, as well as helping to inform the market research section of your business plan. You can find more information on how to write a business plan from the Business Gateway website (www.bgateway.com/businessplan), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in **December 2021**. If you find the information contained in this document useful, tell us about it! Send us feedback [here](#); we will use your comments to help improve our service.

What do I need to know about the Childcare market?

The following summary statistics have been taken from market research reports and reliable resources that the Information Service uses to compile industry information. They should give you an indication of how your industry is faring at present and whether there is demand for your type of business:

- ◆ The Department for Education estimated there to be **697,000 children attending early year childcare on 16 September 2021**, approximately 54% of the number of children who would normally attend. In the current year enterprise and **establishment numbers are expected to increase by 4.6% and 1.3% respectively**, as industry operators slowly recover from plunging revenue and profit during 2020-21. IBISWorld projects a rise in industry revenue at a compound annual rate of **3.1%** over the five years through **2026-27 to £5.1 billion**. However, as more firms offer work from home options for their employees, they may be less likely to opt into childcare and nursery schemes. (IBISWorld, *Pre-Primary Education in the UK*, November 2021).
- ◆ IBISWorld expects steady expansion in the industry, with **revenue anticipated to rise** at a compound annual rate of **6.6% over the five years** through **2026-27 to reach £4.4 billion**. Parents that are able to work from home are less likely to have need of industry services, especially in the day-care and school clubs segments of the industry. This may cause a fall in demand for industry services, resulting in enterprise numbers falling at a compound annual rate of 0.2% over the five years through 2026-27, despite industry revenue growth over the same period. (IBISWorld, *Child Day-Care Centres in the UK*, June 2021).
- ◆ Rising costs have made professional childcare services prohibitively expensive for many households with parents increasingly relying on grandparents for help. However, affluent parents have also been keen to ensure their children do not fall behind due to school closures, and nanny recruitment agencies such as Duke & Duchess International, Nanny & Butler Bespoke Services have also reported a huge increase in demand for governesses. (Mintel, *Families UK*, March 2021).
- ◆ 2020 UK population estimates reported approximately **263 806 children aged 0-4 years living in Scotland**. In 2021, the **average weekly cost** of a full-time nursery place in Great Britain was around **£264 for under 2s, £254 for 2-year-olds**, and almost **£102 pounds for those aged between 3 to 4**. Childminder costs were less expensive than nursery costs, with the average weekly cost of a part-time childminder as low as £48 for those aged between 3 and 4. (Statista, *Childcare in the UK - Statistics & Facts*, November 2021).
- ◆ The national organisations for this industry are the [Scottish Childminding Association](#) and the [Scottish Family Information Service](#). Other industry bodies include the [National Day Nurseries Association](#), and the [Care Inspectorate](#).

Where can I find more information on my market?

The Information Service has access to a number of databases which can offer more detail on this industry. Some of these reports are listed below - if you would like to be sent extracts from any of these reports, please contact us on **0300 013 4753** or email info@bgateway.com.

- ◆ **IBISWorld - Child Day-Care Centres in the UK (June 2021).** Parents are most likely to demand childcare services because they are working during the day. Many parents now working from home will not require industry services, and parents may also be fearful of their children catching the virus while at childcare. In the long-term, if remote working remains popular, it could cause a considerable decline in demand for industry service. In the current year, approximately 16.7% of revenue is expected to be accounted for by direct government funding, though this figure is expected to rise in the coming years as the number of parents using the 30-hour scheme rises. Proximity to a parent's home or work is important, so centres must focus marketing on the local area. There is apparently little benefit from nationwide branding, meaning that marketing must be localised.
- ◆ **IBISWorld - Pre-Primary Education in the UK (November 2021).** The Pre-Primary Education industry has a low level of concentration, as the two largest enterprises, Bright Horizons Ltd and Busy Bees Nurseries Ltd are estimated to control just 7.7% of the market. There has been consolidation activity over the past five years, particularly among multi-establishment enterprises. For instance, recent consolidation activity by Kids Planet, UK's third largest nursery group, including the acquisition of Kids Allowed in February 2020 and Poppy & Jack's in July 2021, has contributed to the rise in market concentration. However, limitations on size will continue to apply to other operators and could potentially limit expansion within the industry. The widespread geographic distribution of target markets in conjunction with the fact that there is no one-size-fits-all nursery, with parents likely to favour different types of establishments, makes it unlikely one company can dominate the industry.

There are also a number of online resources you may find helpful:

- ◆ **Early Years Scotland, A Guide to Early Years Scotland's Services** (tinyurl.com/msfahyjf). This is the leading national third sector organisation for children pre-birth to aged 5.
- ◆ **Children in Scotland** (tinyurl.com/2dm767kb). This is the national agency for voluntary, statutory and professional organisations and individuals working with children and their families. You will find a range of resources for the children's sector including current and past projects, events and industry news.
- ◆ **Scottish Government, Summary statistics for schools in Scotland 2020** (tinyurl.com/mwypzaw7). Results of the annual pupil and teacher census and early learning and childcare provision conducted in September 2020 and attendance, absence and exclusions for the 2019 to 2020 school year.
- ◆ **GOV.UK, Register as a childminder (Scotland)** (tinyurl.com/2p9y5znb). This page provides a guide to applying for a childcare license in Scotland, with information on registration, price, and other aspects you need to know when going through the registration process.

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How can I find out about my competitors?

Business Gateway's online guide to [Competitor Analysis](#) explains how to find your competitors, how to research what they're doing and how to act on what you learn about them.

Immediate competition will be from other businesses in your local area. There are several online directories which can be used to find company information and generate lists easily and at no expense. Many Local Authorities also publish local business directories on the web. Below are some key web resources:

- ◆ General business directories such as [Yell](#) ,[Thomson Local](#) or [Google Maps](#)
- ◆ Trade specialists like [EuroPages](#) (European directory), [The Wholesaler](#) or [Free Index](#)
- ◆ Business to business (B2B) specialists such as [Kompass](#)

Likewise, your local Chamber of Commerce may publish a members' directory; find your local Chamber on the [Scottish Chambers](#) website.

Once you've identified who your competitors are, the next step is to gather information on the way they do business. Which services do they provide? How do they market themselves? How much do they charge?

To learn about your competitors:

- ◆ Look for articles or adverts in local newspapers, trade press and directories.
- ◆ Try to read their marketing material; if the company has an online presence, visit the company's website as a first port of call. Not only does it give you a better understanding of the company's activities, it can also offer a wealth of information such as a company history or staff biographies, as well as the company's partners or suppliers
- ◆ Search for information on limited UK companies via the [Companies House](#) website
- ◆ Gain an insight into your competitor's performance using credit checks and the accounts that limited companies are required to submit to Companies House each year.

We can provide credit checks free of charge; if you are interested in using this resource, or looking for us to help you find relevant publications, please contact us by emailing info@bgateway.com or by calling **0300 013 4753**



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What about suppliers?

[Choosing and Managing Suppliers](#) can help you decide what you need from a supplier, how to identify one and how to choose one to deal with.

Trade associations or industry specific organisations may also be able to recommend suppliers or contacts. You can also use the aforementioned resources for finding competitors to find suppliers.

Once you have decided on a supplier, we can run a credit check on the company to help assess their financial stability. We provide credit checks free of charge; if you are interested in using the resource please info@bgateway.com or by calling **0300 013 4753**.

Who are my customers?

Your business plan should include information about the customers you would expect. Business Gateway's guides on [Market and customer research](#) will help you to identify new trends, opportunities, customers and competitors.

It can be useful to group your customers by geographical location, age or lifestyle. The websites listed below are freely available and can provide most of this information. If you can't find what you're looking for from these website, please contact us and one of the team will be happy to help:

- ◆ Access the latest population estimates from the [National Records of Scotland \(NRS\)](#). NRS also offers demographic factsheets for each council area in Scotland, which can provide summary statistics for the area you will be based in.
- ◆ Information from the most recent census in 2011 is released via the official website. See in particular the [Census Area Profiles](#). Clicking on your area of interest will give the latest population figures, including estimates by age.
- ◆ [Understanding Scottish Places](#) has interactive profiles of towns and cities across Scotland. It can be useful for understanding the interrelationships and flows between towns, and also gives comparisons between two or more places.
- ◆ [Scottish Government Statistics](#) provide accurate and up-to-date statistics on Scotland, covering population, health, education and housing.
- ◆ [The Scottish Household Survey](#) provides information on the structure, characteristics, attitudes and behaviour of Scottish households, both at a national and local level.
- ◆ [Office for National Statistics \(ONS\)](#) is the recognised national statistical body for the UK. ONS covers a wide range of demographic, economic and social issues at a UK level.

How can you help me with other aspects of starting my business?

The Business Gateway website has guides, videos, online tutorials and tips on all aspects of starting up a business in Scotland. Follow the links below to explore each resource:

Accountancy

Institute of Chartered Accountants of Scotland's (ICAS) "[Find a Chartered Accountant](#)" tool

Funding

[Practical information](#) on finance and funding for starting and growing your business

Insurance

[Business insurance guide](#)

Legal Help

Gov.uk "[Licence Finder](#)" tool

Law Society of Scotland's "[Find a Solicitor](#)" tool

Pricing

Business Companion [Pricing & payment guide](#).

Please note: the most effective way to research pricing is to conduct your own research – visit wholesalers or suppliers to obtain price lists, find quotes from similar companies and work out what other businesses in your area are charging

Promotion

[BG guides to Marketing](#)

Training

[Skills Development Scotland's My World of Work](#)

[Funding for training](#)

[Small Business Bonus Scheme \(Scotland\)](#)

Your local Business Gateway can offer events, workshops and 1:2:1 support on all aspects of starting and developing your business. Call the helpline on **0300 013 4753** to find out what is available in your area.

We hope you find this Market Report useful and we'd love to hear your feedback [here](#).

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