



# 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](http://www.bgateway.com/businessplan)), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in **February 2023**. 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:

- ◆ Rising unemployment and the closure of most childcare centres, apart from for children of essential workers, led to reduced industry demand during 2020-21. Despite falling unemployment rate and reopening of nurseries during 2021-22, demand is expected to **remain below pre-pandemic levels** over the two years **through 2022-23** as many firms have introduced hybrid working structures, enabling parents to work remotely and look after their children. (IBISWorld, *Pre-Primary Education in the UK*, July 2022).
- ◆ Over the five years through 2022-23, industry revenue is projected to **fall** at a compound annual rate of **2.8% to £4.3 billion**. An increase in hybrid and homeworking among parents and a falling number of children aged 10 and under has limited demand over the past five years. IBISWorld do forecast a slow recovery as they say industry revenue is expected to **rise** at a compound annual rate of **2% over the five years through 2027-28 to reach £4.7 billion**. (IBISWorld, *Child Day-Care Centres in the UK*, September 2022).
- ◆ 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](mailto:info@bgateway.com).

- ◆ **IBISWorld - Child Day-Care Centres in the UK (September 2022).** The absence of any educational structure other than community playgroups for children under the age of four means there is high demand for full-day care options for children in this age group. Day-care centres are also experiencing difficulties in recruiting and retaining staff further limiting the number of places available. The level of real household disposable income also affects demand for childcare. When real wages fall, parents are less able to afford childcare. The number of children aged 10 years and under affects demand because the industry caters to children under 12. This demographic is expected to shrink over the four years through 2022-23. The UK's departure from the European Union is expected to lead to fewer families migrating to the United Kingdom, which is expected to weigh on demand for childcare services because many migrants come with young children
- ◆ **IBISWorld - Pre-Primary Education in the UK (July 2022).** Although many operators are privately owned, they also rely heavily on government funding for a proportion of their income. An overall expansion in government-subsidised places has resulted in more children attending nurseries. This, along with a rise in fees and demand for private nurseries, has supported revenue over much of the past five-year period. However, attendance rates have remained below pre-pandemic levels as more firms offer hybrid structure working. Moreover, soaring inflation rates during the current year are expected to cause disposable income levels to fall, reducing the number of parents that can afford private childcare. As a result, revenue is expected to rise by only 4.9% during the current year and remain below pre-pandemic levels.

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](https://tinyurl.com/msfahyjf)). This is the leading national third sector organisation for children pre-birth to aged 5.
- ◆ **Children in Scotland** ([tinyurl.com/2dm767kb](https://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](https://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](https://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](mailto: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](mailto: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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You must not rely on the information in the report as an alternative to advice from an appropriately qualified professional. If you have any specific questions speak to your Business Gateway Advisor or consult an appropriately qualified professional.

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**Updated by: Andy**

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