



Market Report

A Snapshot of your Market Sector

Childcare

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 **November 2020**. 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:

- ◆ Despite increasing funding over much of the period, many operators have faced shortfalls, as government funding for the 15 to 30 hours of free childcare a week for children aged three- to four-years-old has not fully covered the total costs. Subsequently, there has been a gradual rise in nursery fees over the past five years, which has hindered demand. Direct government funding for the industry increased substantially through 2017-18 and 2018-19, amounting to **£3.5 billion and £4.2 billion** respectively under the Early Years National Funding Formula. This led to revenue growth of **10.5% and 16%** in those years. However, revenue is forecast to fall by an estimated **11.7%** in the current year due to the forced closure of almost all industry establishments from March to June 2020, in line with government restrictions aimed at curbing the spread of COVID-19 (coronavirus). (IBISWorld, *Pre-Primary Education in the UK*, July 2020).
- ◆ The industry is expected to be greatly affected by the COVID-19 (coronavirus) pandemic. The coronavirus lockdown, and subsequent falling disposable incomes and rising unemployment is expected to contribute to falling demand for services over 2020-21. In addition to this, a falling number of children aged 10 and under has limited growth in recent years. Over the five years through 2020-21, industry revenue is projected to fall at a compound annual rate of **1.9%**, including an expected **18.3% fall** in the current year, to reach **£3.7 billion**. (IBISWorld, *Child Day-Care Centres in the UK*, August 2020).
- ◆ The UK self-employment rate continues to grow, rising **14% over** the five years to 2017. This trend is projected to continue over the coming five years. Notable here is the significant increase in the number of self-employed women. Self-employment strongly appeals to new mothers due to the higher levels of flexibility it offers over standard employment, particularly when it comes to childcare. This is reflected in data from Mintel's Marketing to Parents – UK, November 2017 Report, which found that 35% of women who have become mothers for the first time in the last five years say that they have become more interested in starting their own business since becoming a mum. (Mintel, *The Working Life - UK*, January 2018)
- ◆ 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 - Pre-Primary Education in the UK (July 2020)**. Traditionally, women have filled the role of small children's caretakers in the family. However, as more women enter the workplace, parents increasingly require their children to be looked after outside of the home. Many forms of pre-primary education, such as nurseries, can cater their childcare services to fit around parents' working hours by offering full or half-day childcare. Female participation in the labour force is expected to increase slightly in 2020-21, providing a potential opportunity for operators.
- ◆ **IBISWorld - Child Day-Care Centres in the UK (August 2020)**. The Industry is expected to recover in the coming years. Falling unemployment and rising disposable income are expected to be key drivers of growth. Revenue is expected to rise at a compound annual rate of 3.8% over the five years through 2025-26 to reach £4.5 billion. While profit margins are expected to grow over the period, as wage costs fall due to the prevalence of part time employment. Price inflation is unlikely to limit demand as government funding schemes continue to improve the affordability of childcare.

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). This is the leading national third sector organisation for children pre-birth to aged 5.
- ◆ **Children in Scotland** (tinyurl.com). 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 no. 10: 2019 edition** (tinyurl.com). Results of the annual pupil and teacher census and early learning and childcare provision conducted in September 2019 and attendance, absence and exclusions for the 2018 to 2019 school year.
- ◆ **GOV.UK, Register as a childminder (Scotland)** (tinyurl.com). 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.

Disclaimer: This report has been updated in October 2020 - we have included Post COVID-19 market material where available. Please note that this research may contain copyrighted material. Copyright belongs to the holders credited above and, as such, recipients of this research reproduce and repurpose this information at their own risk.

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**

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 websites, 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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