

Start-ups lose faith in London after just 12 months

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Start-up firms fall out of love with London after just 12 months, according to research from Sussex Innovation Croydon, the business incubation network wholly owned by the University of Sussex.

The study into the [attitudes](#) of 500 small business leaders across London and South East[1] reveals a startling change in attitudes after a year of operation. The likelihood of leaving London jumps by almost half within a year of start-up, from 47% considering re-location to 66%. The research shows it takes another eight years of operation for attitudes to return to the same balance as during the first 12 months.

Rising property rents appear to play a key role in the switch of attitudes. Amongst firms established for less than 12 months, a minority (37%) agreed property rents would hold back growth, this switches to a majority (62%) after a year, declining to 53% after three to five years, and back to a minority (31%) after 9 years or more. There was similarly a stark doubling after a year, rising from 8% to 20%, in the number feeling they were held back by a lack of proximity to like-minded business.

To address such challenges, the research is to be used to shape the coaching offered at Sussex Innovation's Croydon incubator hub, which opens this autumn. The centre will provide a base for up to 30 high-growth potential companies with over 300 employees, and support more than 100 local businesses through its network.

Mike Herd, Executive Director of Sussex Innovation at the University of Sussex, said: "Our findings reflect the start-up journey; a London address provides kudos and contacts when you begin but a year later, the honeymoon is over as bills start to flow in. In a reverse of the seven year itch, our polling shows small firms fall back in love with London only once they're well established. If London is to hang on to more growth businesses it needs to look again at business rates and affordability."

The research reflects the importance such business coaching has on the success of start-up ventures. Bosses quizzed on the value of various support services, showed a rapid increase in interest in access to skilled counsel after one to two years, rising from 41% to 54%. Similarly the number feeling such support services were of little value fell from 28% to 15% after just one year.

Mr Herd, concludes: "The start-up mentality is something we've long studied. A classic response to cashflow problems is to seek savings from the bottom line, but this is often a false economy, what you save on rent you lose in connections and support networks. The world is full of people with ideas and low on experience, support networks such as our own can bridge that gap, ensuring ideas become successful commercial innovations. As we open our first off-campus incubator, it is important we adjust to the mind-set of London entrepreneurs."

More information: [1] Carried out between 02/04/2015 and 09/04/2015; Sample: 501 business owners, entrepreneurs and senior decision makers in London and the South East (companies of under 20 employees)

Provided by University of Sussex

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