MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS
Economic Cluster: Challenges of doing business on Lincoln's High Street

Theme:

Cost of doing business on Lincoln High Streets.

Area of Focus:

Costs of doing business (rent, utility, taxes, and competition) on the high street, and the effect of the COVID-19 pandemic and Brexit on business performance.

Key Findings:

Most properties on Lincoln high street are monopolised by a few firms, therefore reducing competitiveness, and hurting local business with 60% of businesses being owned by national chains, as opposed to 30% which are locally owned (10% unknown).

One way in which this appears to be occurring is through the forcing of high rental prices.30% of businesses engaged with in the study pay between £1,000-3,000 in rent monthly, whilst more than 20% pay over £5,000 – exorbitant prices which affect business survival. This is a major concern, with over 50% of the respondents within the findings stating that rent takes about 50% of their expenses every month - leaving them with a very tight budget constraint. Additionally, it was found that the annual private rental cost in the East Midlands is higher than the national average, at 5% and 4.2% respectively, supporting assertions that rental costs provide an unfavourable business environment locally.

This proposes an issue from a local multiplier effect perspective as the advantage gained from independent local businesses are enormous as opposed to national chains. Local businesses recirculate their revenue locally and pay more tax to local councils, whilst national chains repatriate most of their profits outside of the local area where their head offices are located. Moreover, these businesses bring in managers from outside Lincoln and tend to hire workers locally on a minimum wage.

Similarly, utility prices have increased across the board in the UK adding to the problem, with UK energy prices increasing by over 36% from 2020 to 2021 alone.

Midlands Engine Impact:

- Reduced profitability caused by rising costs on rent, utility and taxes will reduce business cashflows in Lincoln and the wider Midlands, affecting their ability to grow and sustain themselves, possibly leading to more business deaths which could later lead to higher unemployment and deprivation.
- Due to the decreased competitiveness of local firms against national chains, alongside reduced resources, local firms are more likely to close leading to reduced multiplier effects and earnings leaving the region. This impacts the retail sector in particular.
- High business costs may discourage investment and entrepreneurship in the region, deterring new business ventures and hindering innovation and economic growth. Passing down costs onto customers may also reduce further demand of local goods.

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