Market analysis of the UK's consumer retail social enterprises

November 2021

Social Enterprise UK

ebay for change

Contents

Executive summary

Social Enterprise UK (SEUK) has conducted a brief market analysis of UK social enterprises that sell retail products to consumers (consumer retail social enterprises). This analysis explores the size and growth potential of this sector, its social and environmental impact and barriers to growth.

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The research finds that:

- There are around 36,000 – 43,000 consumer retail social enterprises: this is over a third of social enterprises operating in the UK.
- About 360 new social enterprises planning to sell retail products to consumers are being set up each month in the UK.
- Three-quarters expect their consumer retail business to grow in the next 12 months, and of these, almost a third expect substantial growth
- There is an optimistic and rapidly growing start-up segment which further indicates growth potential in retail social enterprises, with the right support. 40% of those established in the last year expect to 'grow a lot'.
- Retail sales are often not the social enterprise's primary income source. Most consumer retail social enterprises also generate revenue from other means, and many work across non-retail sectors. This indicates further potential growth if these businesses can increase retail sales as a proportion of their trading income.
- Social enterprises that sell retail products have diverse leadership and social and environmental missions, making their work inclusive and impactful.

A social enterprise:

- Has a primary social and/or environmental mission which is set out in governing documents
- Earns 50%+ of income from trading
- Is controlled or owned in the interests of the business
- Reinvests or gives away 50%+ of profits or surplus

Methodology

This report uses data from Social Enterprise UK's (SEUK) 'State of Social Enterprise Survey 2021', as well as data from the UK Government CIC Regulator and Companies House[1] and from surveys conducted on behalf of SEUK by YouGov and BMG research into consumer attitudes and awareness (details in footnotes).

The State of Social Enterprise (SOSE) survey 2021 was undertaken between February and April 2021, full details of the methodology and findings can be found in the report State of Social Enterprise 2021: No Going Back[2].

In August and September 2021, top-up questions relating to how they trade were put to the 759 survey respondents who agreed to be re-contacted. This follow-up survey consisted of an email invitation to answer the questions online via a unique online survey link, followed by telephone-chasing those who had not answered the questions via the online survey. 459 responses were received; 268 online and 191 via telephone.

Data collection and analysis was conducted by BMG Research.

The survey data has been weighted using Business Population Estimates – the latest available at the time (2020) to ensure that the findings are representative by nation and English government office region. This corrected for any disproportionate representation of a region or nation across the achieved sample; part of which was achieved through an online survey.
The data relating to the follow up survey were weighted to be consistent with the main survey findings. Results have been presented rounded to zero decimal places, which may mean that in the reporting of percentages, some percentages may not add up to exactly 100%. The follow up survey participants are a sub-set of the main survey sample and BMG Research have established that the follow up survey profile can be considered broadly representative of the main survey sample in terms of size, legal status, and location of respondents.

1 https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies
2 https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/no-going-back-state-of-social-enterprise-survey-2021/

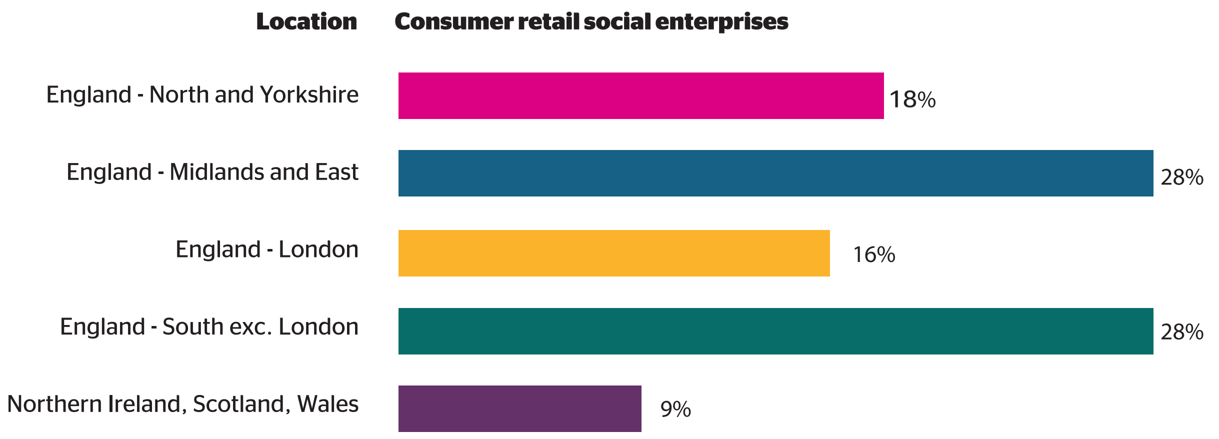
Sector Analysis

Using State of Social Enterprise (SOSE) data, this section sets out the business demographics, size and growth expectations of consumer retail social enterprises.

Sector demographics

Location

In terms of location, slightly fewer of the consumer retail social enterprises are in the North of England and London, and slightly more are in the Midlands compared to overall averages for social enterprise.



Age

There is a significant rate of start-ups - 33% are less than 3 years old. The rate of start-ups has grown in recent years and is significantly higher than for SMEs as a whole. Social enterprises selling consumer-facing retail products include long-established businesses (28% have been running for 11 years or more, 10% for 20+ years), The average age is 11 years, the median is 6 years (due to a couple of long-established outliers). Social enterprises are comparatively young in the context of SMEs as a whole, 45% of which have been running for over 20 years[3].

Legal form

Social enterprises operate under all legal forms. 45% of consumer retail social enterprises are operating as companies limited by guarantee, 30% are operating as CICs (some of which limited by shares, some by guarantee) and 26% are limited by shares (including CIC-CLS).

3 https://www.gov.uk/government/collections/small-business-survey-reports#2020

Current market size

Using SOSE data, sector size data from 2018[4] plus analysis of the Community Interest Company (CIC) register[5] and Companies House data combined with SOSE data, we estimate that between 36,000 and 43,000 social enterprises in the UK sell retail products directly to consumers. And we expect this to grow. Based on CIC registration data calculated as a proportion of social enterprises, we estimate that as many as 360[6] new social enterprises that intend to sell retail products are established each month.

Last year witnessed particularly high start-up rates for social enterprises. We estimate that around 12,600 new social enterprises were set up last year, of which we could assume around 6,000 may sell or plan to sell consumer retail products[7]. Although there appears to have been a particular spike in social enterprise start-ups last year (for example, there was a 42% increase in the registration of CICs using retail-related SIC codes between January 2020 and January 2021), SOSE data also shows a year-on-year growth in start-ups.

eBay has over 300,000 small and medium sized businesses in the UK, so small and medium sized consumer retail social enterprises have the potential to comprise around 10% of this market (around 3% of consumer retail social enterprises are large businesses, not SMEs).

Consumer retail social enterprises are not only significant in number, but in size. From SOSE data we know that social enterprises selling retail products directly to consumers have a median annual turnover of £116,000. Hence social enterprises selling retail products directly to consumers as part or all of their income-generation are worth around £4.2 – £5 billion to UK GDP[8].

63% of all consumer retail social enterprises have an annual turnover of under £250,000. 31% turnover more than £250,000 and 13% of consumer retail social enterprises have an annual turnover of over £1million.

These businesses are sustainable. In the last financial year, 72% of consumer retail social enterprises made a profit/surplus or broke even, which may include reinvesting surplus within their business.

Growth expectations

This section sets out the growth trajectory for consumer retail social enterprises, looking at overall turnover and direct-to-consumer retail business growth, staff numbers and consumer preferences.

Turnover and direct-to-consumer retail business growth

Consumer retail social enterprises are growing their businesses. 64% of social enterprises that sell consumer-facing retail products expect their overall turnover to grow in the coming 12 months, compared to 67% of all social enterprises in 2019 and 61% in 2017[9].

We also asked specifically about direct-to-consumer retail business growth – and growth expectations here are higher still. Three-quarters (75%) expect their consumer retail business to grow in the next 12 months: almost a third (30%) expect substantial growth during the next 12 months. Just 5% of those retailing to consumers expect a reduction in sales in the next 12 months, with 16% expecting there to be no change, with the remainder unsure (5%).

4 https://www.socialenterprise.org.uk/policy-and-research-reports/the-hidden-revolution/
5 Most CICs operate as social enterprises, so it is sometimes used as a proxy for social enterprise. However not all CICs are social enterprises. And around half of social enterprises are legally registered in forms other than CIC. To make this estimate, we combined CIC data on retail-related SIC codes and registration numbers with the analysis from SOSE on primary trading sectors and legal forms.
6 Based on CIC registration data, and the proportion of CICs that are social enterprises, and that are selling retail products to consumers – using data from May 2020 to April 2021.
7 We don't have data to say whether the proportion of social enterprises selling retail products is growing faster or slower than the sector as a whole, but looking at SIC codes in CIC registration, we do see a proportionately slightly higher registration rate for retail-focused social enterprises.
8 This represents around 5% of UK retail sector economic output, which was £97 billion last year – although this 5% includes non-retail income. https://researchbriefings.files.parliament.uk/documents/SN06186/SN06186.pdf
9 http://www.socialenterprise.org.uk/state-of-social-enterprise-reports/

Of those with a turnover of under £250,000, 76% expect to grow their direct-to-consumer retail business in the next year – 39% of these expect to grow 'a lot'. Of those that turnover more than £250,000 72% expect to grow in the next year, 45% expect to grow 'a lot'. This latter provides further indication that the overall size of the market is set to expand.

Younger organisations are also more likely to expect to grow their direct-to-consumer retail business 'a lot' in the next 12 months than longer established organisations (40% of those established for up to 5 years cf. 21% of longer established organisations).

Staff numbers

Social enterprise job creation has economic significance, but more than that it generates positive social outcomes. Nearly a third (27%) of consumer retail social enterprises focus on generating employment opportunities and 57% actively seek to employ people from disadvantaged backgrounds, including groups that typically face exclusion from the labour market.

Just over a third (37%) of consumer retail social enterprises saw staff numbers decrease over the last year during the COVID-19 crisis. However, only 4% expect staff numbers to decline in the coming year. 60% expect staff numbers to grow over the next 12 months, compared to just 26% of SMEs who expect staff numbers to grow.

Planned actions for growth

We asked SOSE respondents that said they expect to scale how they plan to achieve this growth. 69% of consumer retail social enterprises expect to develop new products and/or services, 59% plan to recruit new staff or increase the level of training, 57% expect to diversify or expand into new geographic or different customer markets and 33% expect to increase the level of marketing/advertising.

Consumer demand

There is strong evidence from consumer surveys that demand for social enterprise retail products is also set to increase.

Research by eBay[10] shows that the COVID-19 crisis has changed how people shop and found that the majority of UK consumers (56%) believe it's more important to buy from businesses that give back to society than before the pandemic. 1 in 4 people are looking to shop with businesses that positively impact their local community specifically.

Research commissioned by SEUK finds that 74% of consumers have heard of social enterprises and/or know what they are (up from 53% in 2018[11]). People aged 18-34 are most likely to know about social enterprise, indicating further growth potential. People over 65 are also more likely than average to know about social enterprises.[12]

10 https://static.ebayinc.com/assets/Uploads/Documents/Shop-for-Change-Report.pdf
11 The 2018 data was collected by YouGov in October 2018, sampling 2005 adults in the UK.
12 Based on BMG Research data collected in June-July 2021, sampling 1507 adults in the UK.

Case Study 1

Butterfly Books: eBay for Change seller

Butterfly Books is an example of the many social enterprises expecting to grow their retail business ‘a lot’ in the coming 12 months. Established six years ago, Butterfly Books is a social enterprise which creates playful and thought-provoking stories that aim to challenge stereotypes and encourage an open-minded world for children and families.

Set up by siblings Kerrine and Jason, Butterfly Books was inspired by Kerrine’s work as an award-winning engineer working in a traditionally male-dominated industry. It seeks to change perceptions around jobs and gender, and to help reduce gender bias in the workplace for the next generation.

Kerrine and Jason both write the books working with an illustrator to bring the stories to life. Book titles include ‘My Mummy is a Plumber’ and ‘My Daddy is a Nurse.’

Butterfly Book’s desire to break down stereotypes and promote a world of diversity and representation is reflective of ambitions of many social enterprises to build an economy based on principles of equity, diversity, inclusion and justice. 40% of social enterprises that sell retail products to consumers are led by women, 9% are led by people of Asian, Black or Mixed Ethnicity backgrounds and 8% are led by people with disabilities. Social enterprises are vital to building a truly inclusive economy and businesses like Butterfly Books are playing a part in breaking down barriers, changing attitudes and inspiring the entrepreneurs of the future.

https://butterflybooks.co.uk/

What is the profile of consumer retail social enterprises?

This section sets out how consumer retail social enterprises operate, looking at their primary trading sectors, social missions and sources of income.

Business models

Principal trading activity

Most social enterprises that sell retail products to consumers are operating beyond the consumer retail sector. Of these social enterprises, almost half (46%) also sell retail products to businesses and 9% sell retail products to other buyers.

Consumer retail social enterprises work across most sectors of the economy: retail is the principal trading activity for only 25%. Those in the creative industries represent 10% and education and skills development (8%) is the next most common area after retail.

From this it is implicit that retail sales are unlikely to be a primary source of income for at least some of the 75% of the social enterprises that sell consumer retail products.

The table below shows the proportion of all consumer retail social enterprises in terms of their principal trading activity.

Principal trading activity	All social enterprises	consumer retail social enterprises
Business support/consultancy	7%	2%
Creative industries – performing arts, music, film and television, book/magazine publishing, advertising, web, design, print, digital marketing	9%	10%
Culture and leisure (including sports and arts)	3%	5%
Education and skills development	15%	8%
Financial support and services	3%	3%
Health care	10%	5%
Retail	10%	25%
Social care	5%	7%
Other	40%	37%

Revenue generation model

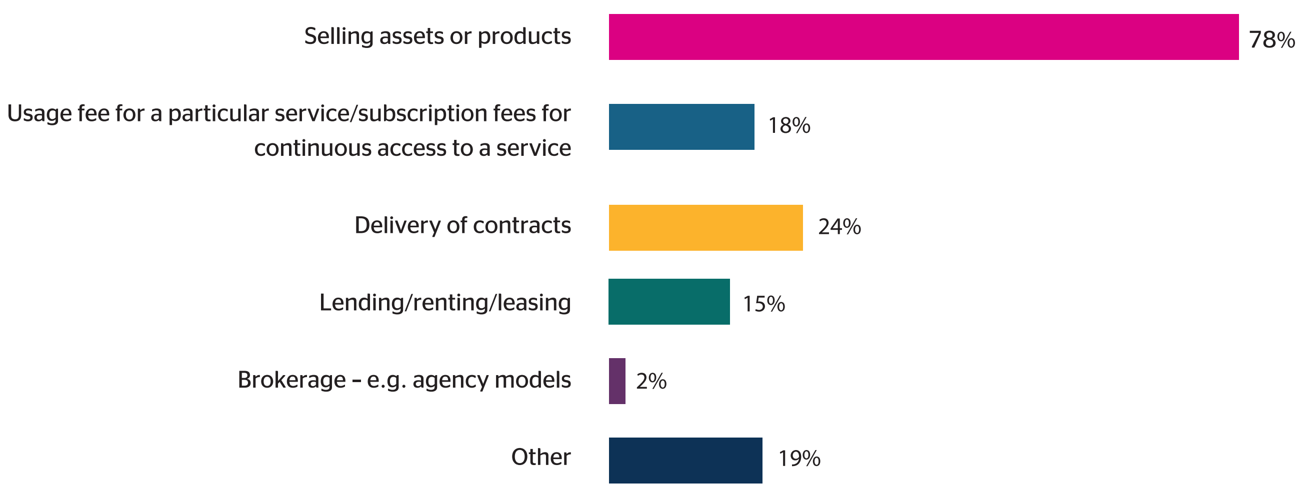
Most social enterprises that sell retail products to consumers are operating beyond the consumer retail sector. We asked SOSE survey respondents what their main revenue generation model is. They could select multiple options.

78% of consumer retail social enterprises said that selling products (or assets) best describes their revenue generation model. 18% rely on usage fees and subscriptions, 24% on contract delivery and 15% on lending/renting/leasing.

Of those selling assets or products, 46% also rely on another main source of income generation – and in total about 64% of consumer retail social enterprises don't rely mostly or entirely on these sales to generate revenue.

Over one in ten (11%) say that lack of demand is one of their top three barriers to growth, and 17% say that a top three barrier is difficulty accessing customers. So we can assume that there is further potential growth if demand and access to market obstacles are overcome.

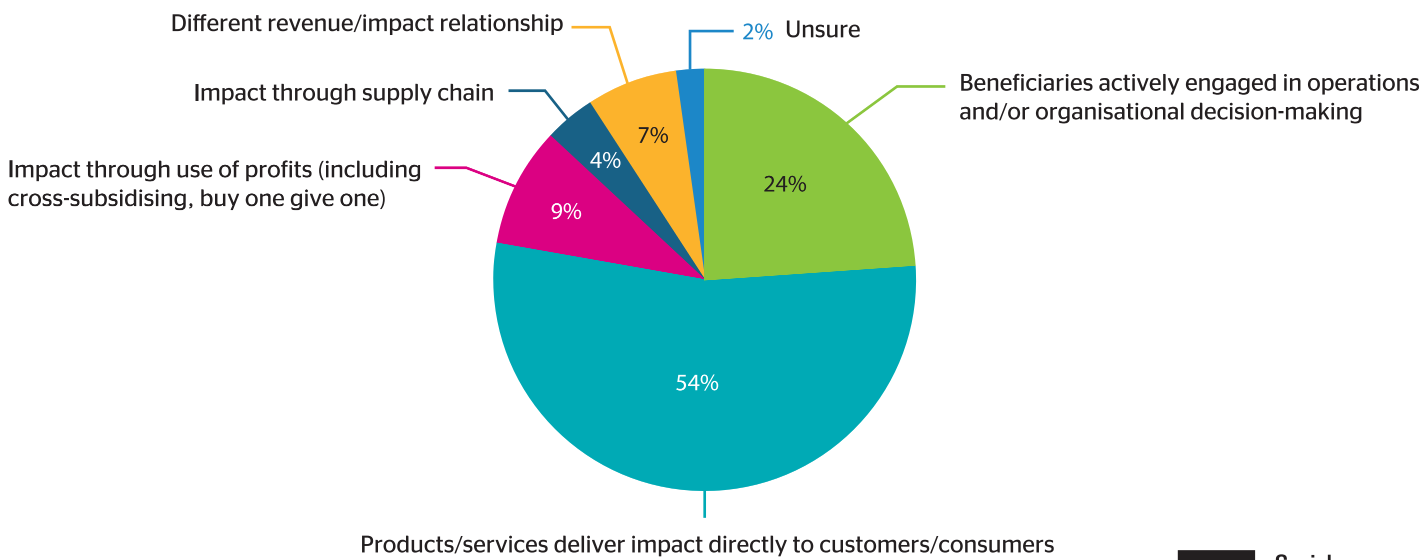
Main revenue generation model



We also asked respondents about the main relationship between their revenue generation and their mission.

Over half (54%) of consumer retail social enterprises said the main relationship between their revenue generation and their social mission is that these products directly impact customers/consumers. 21% said that beneficiaries are engaged in operations and/or organisational decision-making, and 10% deliver their impact through their use of profits (for example, donating to social/environmental causes or cross-subsidising parts of their work).

Main relationship between your organisation's revenue generation and social/environmental mission

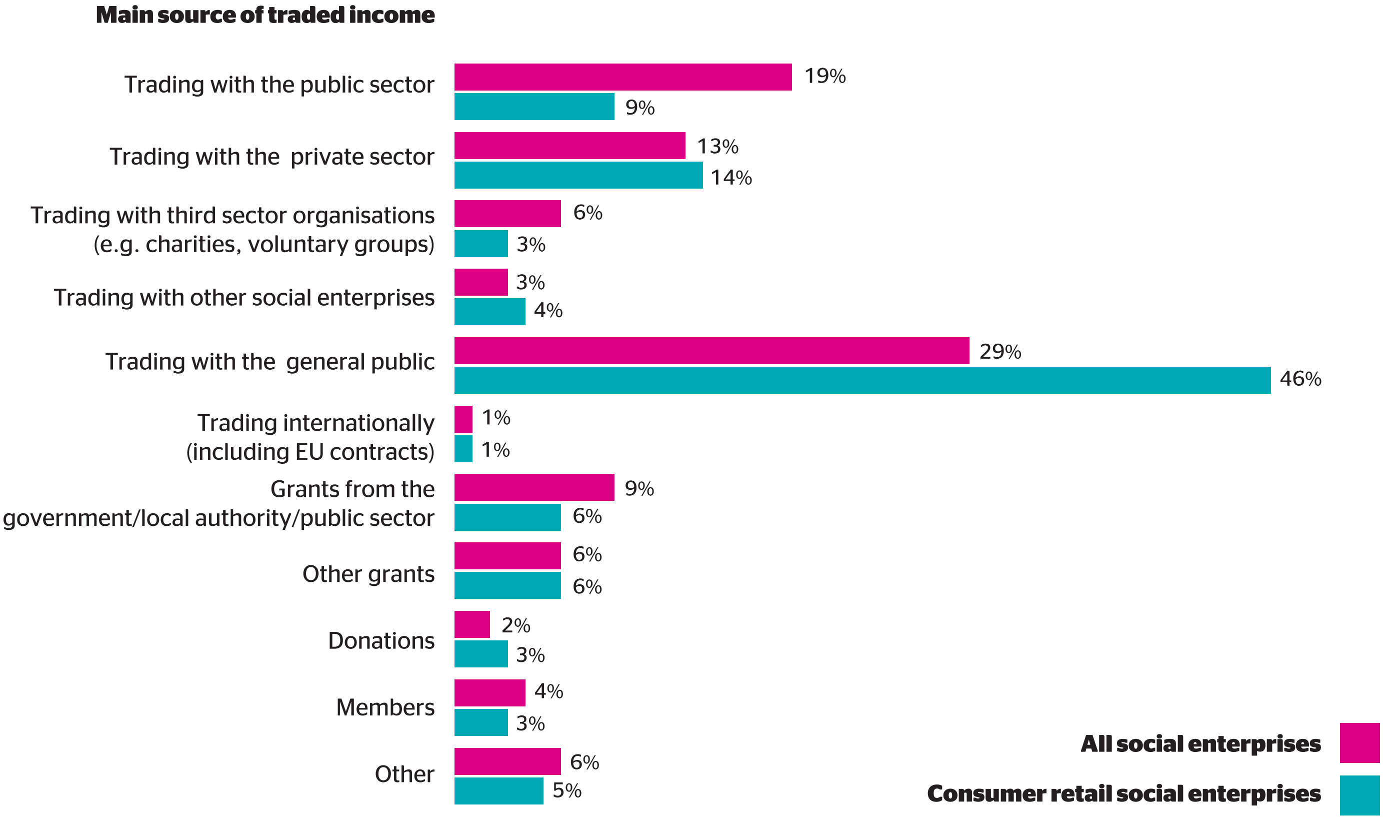


Trading and income source

We asked SOSE survey respondents how they generate their income.

Consumer retail social enterprises generate on average 80% of their income from trading activities. 79% generate income from the general public, 52% from the private sector and 44% get grants from government/public sector.

When asked which is their main source of income, 46% get their main income from trading with the general public, 14% from the private sector and 9% trading with the public sector. Unsurprisingly, consumer retail social enterprises are more likely than other social enterprises to trade with the general public. They are also slightly less reliant on grants.



Social and environmental impact

Social enterprises trade for their social/environmental mission. Of consumer retail social enterprises, 39% aim to benefit a particular community; 31% support vulnerable people; 34% seek to improve mental health and wellbeing and 32% address the climate emergency as part of their core mission.

Using estimates for the size of the sector, this means around 11,500 – 13,700 social enterprises addressing the climate emergency and 12,000-14,600 addressing mental health.

Social enterprises provide specific services or benefits to particular groups of people. 28% of consumer retail social enterprises provide services/benefits to people with mental illness or mental health problems; 25% provide services/benefits to individuals with a learning disability, 24% provide services/benefits to individuals with a physical disability, and 23% provide services/benefits to the long-term unemployed.

Social enterprises also seek to employ people from disadvantaged backgrounds. 18% of social enterprises that sell consumer-facing retail products seek to employ the long-term unemployed; 17% to employ individuals with a learning disability, 15% to employ people with mental illness or mental health problems, 14% to employ individuals who experience discrimination due to their race/ethnicity (Black, Asian, Minority Ethnic groups). Between 20-24,500 social enterprises in the UK are simultaneously selling consumer retail products – and seeking to employ people from disadvantaged groups.

A third of consumer retail social enterprises are addressing the climate emergency as part of their main social/environmental mission, but far more are engaged on environmental issues. 54% have embedded tackling climate change/climate emergency into their constitution/mem & arts/articles of association or have a climate strategy, and a further 14% are considering embedding climate activities into their legal structure.

87% think social/environmental factors are as if not more important than cost in procurement. Buying from social enterprises explicitly prioritises environmental factors, even if the social enterprise doesn't have climate as their primary focus.

Case Study 2

Crafting4Good CIC: eBay for Change seller

With the links between climate justice and social justice becoming ever clearer, many social enterprises work simultaneously to address social inequalities and to have a positive impact on the planet. One such business is Crafting4Good CIC.

Crafting4Good CIC is a social enterprise which diverts art and craft supplies from landfill, using them to promote creative wellbeing and positive mental health in a variety of ways. Crafting4Good creates part-time jobs and volunteering opportunities for people with mental health challenges. It shares surplus goods for free with community groups, runs subsidised Art Therapy and promotes creativity as route to well-being.

Incorporated as a CIC in 2017, it soon outgrew the local community centre in Wakefield where it began operating and opened a retail shop in a shopping centre just before the first COVID lock down. The closure of retail spaces and non-essential retail shops prompted the social enterprise to look at new income streams and it signed up to the eBay for Change Programme.

Since its shop space reponed in April 2021 it has received 2 tonnes of ‹unwanted› but perfectly usable creative supplies which are either sold on site, via eBay, or given for free to groups and organisations.

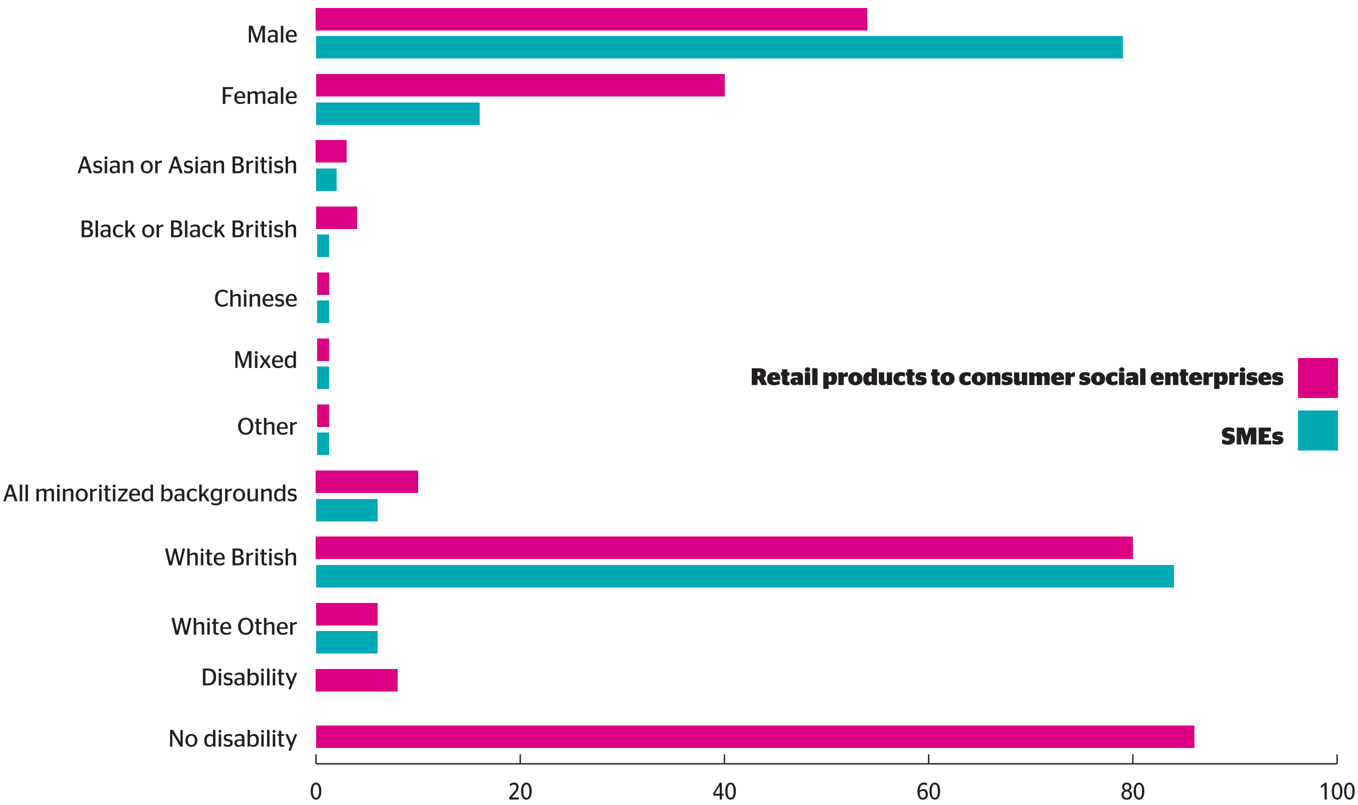
https://www.crafting4good.org/

Staff and leadership

This section sets out the leadership and staff profiles of consumer retail social enterprises, then looks at how they perform as employers.

Leadership

Compared to other businesses, social enterprise leaders are far more representative of our society. 40% of consumer retail social enterprises are led by women, 10% are led by people of Black, Asian and other Minority Ethnic backgrounds and 8% are led by people who have a disability.



Boards

Social enterprise governance structures are inclusive of those that the business seeks to represent. Over half (52%) of the Boards of consumer retail social enterprises include representatives of the local community that are not employed by the business. 38% include employees and 27% include service users.

Staff

Consumer retail social enterprises mostly have small staff teams. 69% have 9 or fewer staff and 5% have more than 100 staff. Removing major outliers with high staff numbers, these businesses have on average just over 20 staff.

59% of their workforce is female, 49% have staff with disabilities and 15% of workforce is people form Black, Asian and Minority Ethnic groups.

Social enterprises provide better pay and conditions, on average, that SMEs[13]. 65% of social enterprises selling consumer-facing retail products pay the Living Wage and 82% offer some form of flexible working to staff. 89% actively involve staff in organisational decision-making.

13 https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/no-going-back-state-of-social-enterprise-survey-2021/

Case Study 3

Mecoco: eBay for Change seller

Mecoco is a start-up social enterprise, founded in 2019 to create work experience opportunities for disabled adults and young people. Based in North Ayrshire, Scotland it manufactures sustainably sourced candles, reed diffusers and other scented products for the home.

Mecoco stands for MEaningful COntribution in your COmmunity and an ethos of inclusive participation runs through the social enterprise, with the belief that everyone has the right to experience the workplace in their own community. It welcomes disabled individuals with any level of support need, including those with significant and complex disabilities. It is an inclusive organisation with both disabled and non-disabled people working alongside each other.

Mecoco's commitment to the people it supports means that it takes meaningful steps to ensure that everyone it works with feels like they can contribute and play a part in the operation of the business. This includes adapting products, equipment and processes to make jobs as accessible as possible.

The social enterprise also works with local schools in the North Ayrshire community to provide work experience and runs classes and events such as candle making classes.

In the UK, people with disabilities have an employment rate 28% lower than the rest of the population. Social enterprises like Mecoco are a vital source of giving people the skills, confidence and opportunities to work in a supportive environment. In doing so they are countering widespread perceptions and prejudices amongst employers. Around 20% of all social enterprise have their primary mission as one of supporting people with disabilities.

You can find its products on the eBay for Change platform.

https://www.mecoco.org/

Barriers to growth

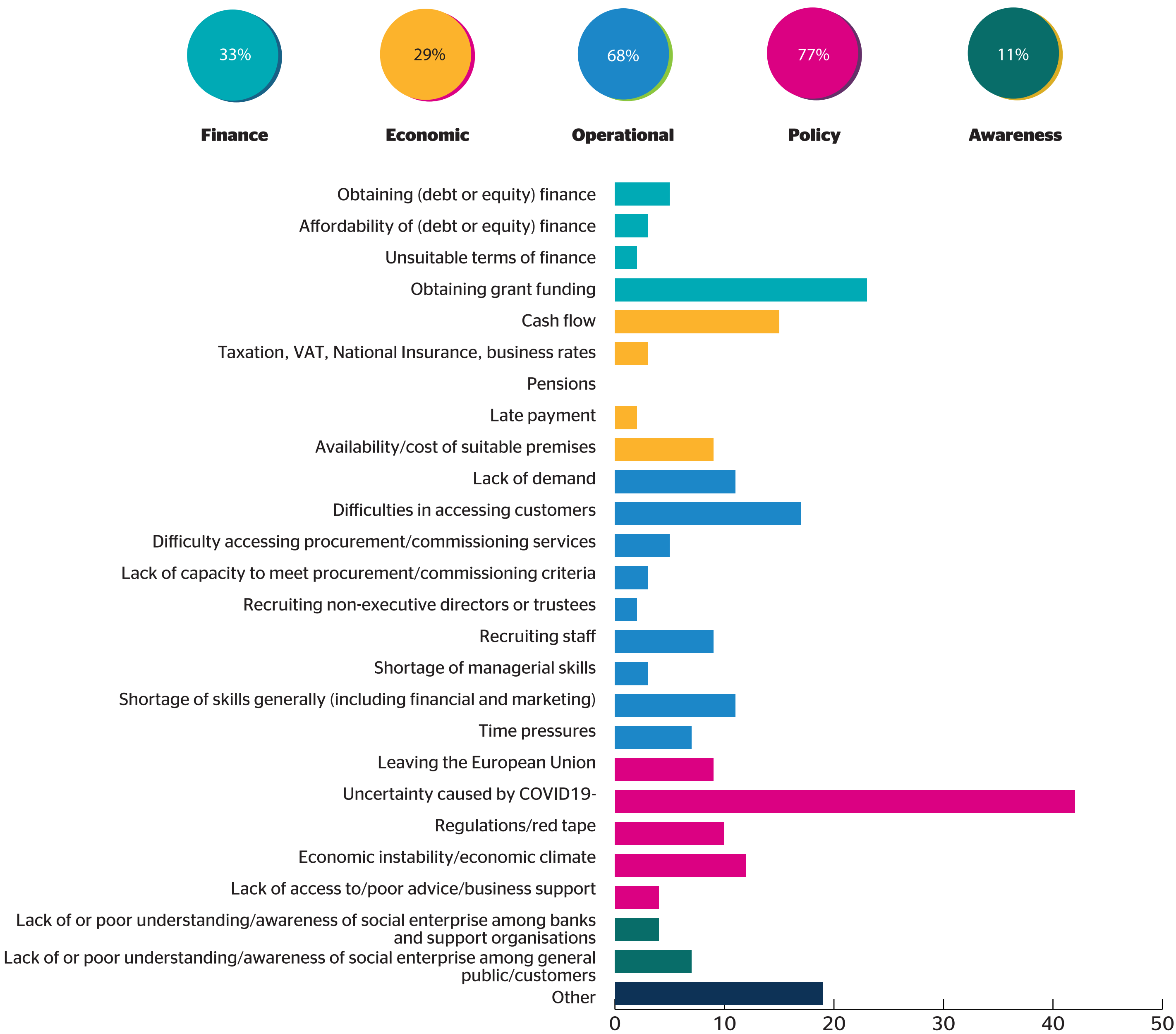
Whilst consumer retail social enterprises show strong growth potential, there will be barriers to achieving their potential. We asked SOSE respondents what the three most significant barriers to their organisation's sustainability/growth are.

Uncertainty caused by COVID-19 is a major concern, top three for 42% of consumer retail social enterprises. Overall, operational barriers (68%) are of greater concern than finance/funding (33%), with demand, difficulties accessing customers and shortage of general skills being seen as particular barriers.

This indicates three areas of potential support to allow these social enterprises to achieve their potential: increasing demand for products, and related – and perhaps more significantly – supporting access to customers, given what we have seen above in terms of overall demand trends for products from social enterprises.

The third area is skills, which is a top three barrier for more than one in ten social enterprises that sell retail products. It could be that this is related to demand and customer access issues, so support with staff skills, recruitment and access to external expertise could play an important role in driving up sales.

What are the three most significant barriers to your organisation's sustainability and/or growth currently?



Recommendations

Sustaining consumer retail social enterprises growth expectations: Consumer retail social enterprises are growing in number and in size – and over two-thirds plan to develop new products/services in the coming 12 months. Although this question was not asked specific to retail products, we can assume that this means a significant influx of new retail products from existing social enterprises, as well as diversification into new geographies and customer markets. Tracking the success of this activity, and support required to sustain it, will be important.

Meeting growing consumer demand: Given that demand for social enterprise products is increasing and given that almost one in five social enterprises with consumer retail products say that they are not achieving the customer reach that they would like to, there is clear potential for routes to market to improve. Further support to meet this gap between supply and demand can help to drive up growth, likely beyond current expectations.

Potential to grow retail sales: This research has shown that a large proportion of consumer retail social enterprises do not rely on sales from these products for most/all of their income generation – but we don't know why this is the case, or the extent to which this presents an opportunity for support and growth. Given that almost a fifth of respondents said that market access is a barrier to growth, it seems likely that increasing access to consumers could increase both the volume and proportion of retail sales for these social enterprises.

Better understanding of revenue models: The research highlights that most consumer retail social enterprises have diverse income sources – which is potentially a significant strength in terms of their sustainability and resilience. We don't know the extent to which retail sales are the sole, main or marginal part of income – and the significance of this to expanding sales to consumers. Further research could help better understand models and need for support.

ebay for change

What is eBay for Change?

'eBay for Change' developed in partnership with Social Enterprise UK and The World Fair Trade Organization. It is a programme designed to support the growth of the social enterprise sector. Through an in-depth package of support, including zero fees, one to one digital skills training and marketing support, we are helping social enterprises to setup and scale on eBay.co.uk.

Written by Emily Darko and Shehan Perera (Social Enterprise UK)
Published by Social Enterprise UK

We are the national body for social enterprise. Our members come from across the social enterprise movement – from local grassroots organisations to multi-million pound businesses, as well as the private and public sectors. Together with our members we are the voice of social enterprise. We believe that social enterprise is our best chance of creating a fairer world and protecting the planet.

Join us and support our work.

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