



**MIDLANDS
ENGINE**

DISRUPTIVE TECHNOLOGIES FOR PROFESSIONAL AND FINANCIAL SERVICES

MIDLANDS CLUSTER SNAPSHOT 2023

Disruptive Technologies for Professional and Financial Services



Covering Disruptive Technologies for Professional and Financial Services, such as E-Commerce, and Digital Ledger Technology (Blockchain), this cluster is centred primarily in the West Midlands Combined Authority, notably Birmingham with a significant population of high growth companies and employees - with a “full service” offering as well as emerging strengths in FinTech and PropTech; also characteristic of Nottingham and surrounding areas.

This is a cluster of recognised innovators: with more than 100 current high growth companies awarded nearly 300 grants, and almost 120 active spin-outs

Competing with London, the cluster in the Midlands Engine has in recent years underperformed in attracting foreign investment but performed proportionately for domestic. Overall foreign ownership is low but early stage companies attract higher levels of FDI (accounting for 40% of investments in High Growth Companies).

There is a strong annual cohort of around 75,000 HE and FE graduates from relevant subjects.

Cluster in context

- Over 33,000 jobs; 7% of national total and largest region outside of London & SE.
- 106 high growth companies (11% of UK) and 36 £100m+ turnover companies (23% of UK).
- 27% of Midlands university graduates studied relevant subjects to disruptive technologies for professional and financial services.
- 16% of Innovate UK funding to disruptive technologies for professional and financial services businesses since 2005 has been awarded to those with a Midlands address.
- Over 1,100 businesses; 15% of UK total and 84% growth since 2013.
- 5% of cluster relevant UK Foreign Direct Investment Capex and 18% of cluster relevant UK disruptive Domestic Direct Investment Capex to this cluster from 2017-2021.

Business Ecosystem

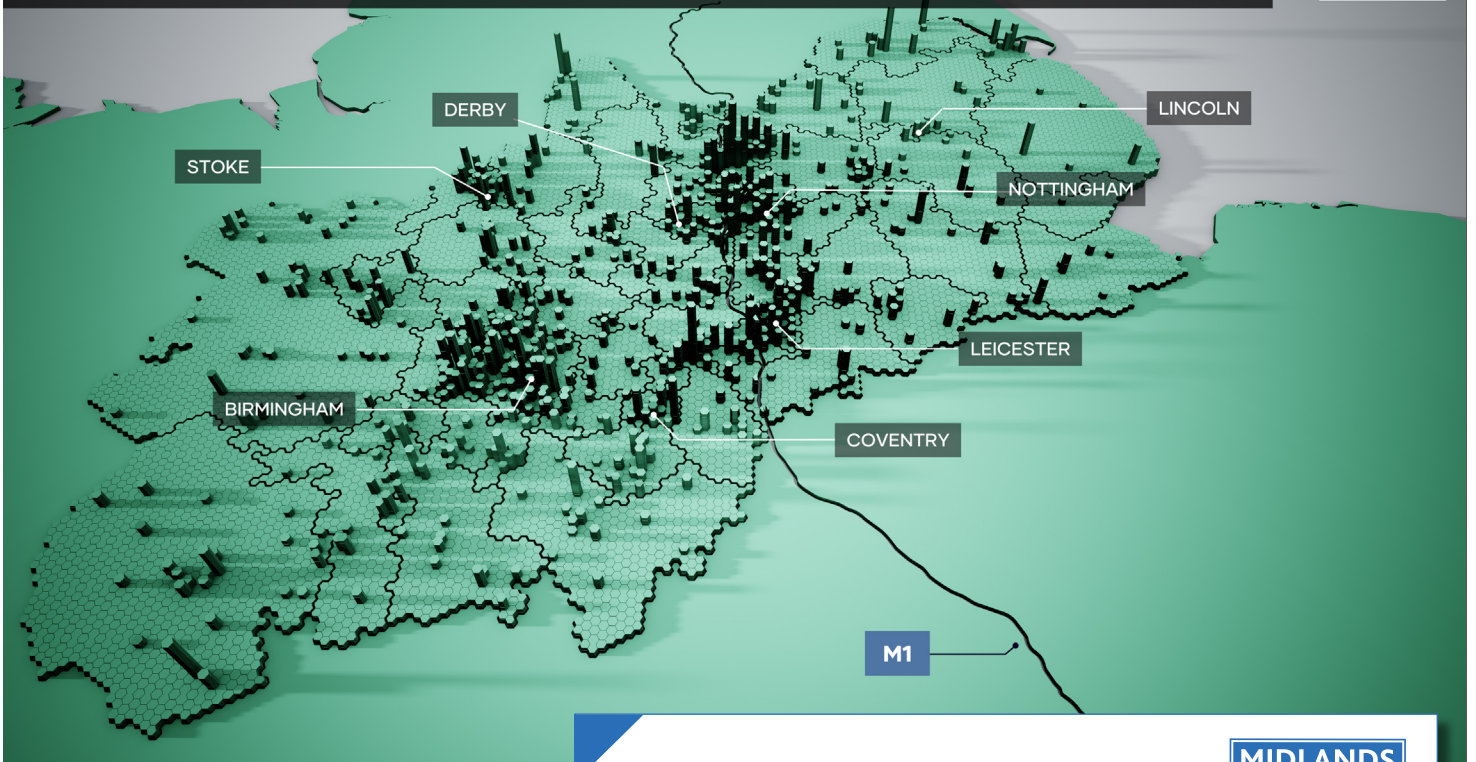
- Total Cluster Business Count:** 1,142
15% of UK; largest region outside of London / SE.
84% growth since 2013.¹
- £100m+ Turnover Companies:** 36
23% of all in the UK have a Midlands location.²
- High Growth Companies:** 106
11% of all in the UK have a Midlands location.³
- Incorporations 2017-22:** 351
11% of UK incorporations working in disruptive technologies for professional and financial services between 2017 and 2022 have a Midlands location.⁴
- Foreign-owned enterprises:** 15%
173 are known to be foreign-owned; Higher proportion of foreign-owned than national average (13%).⁵

^{1,2,4,5} Data City 2023, ³Data City 2023: 20%+ company growth percentage per year.

Disruptive Technologies for Professional and Financial Services here is defined as a cluster of strength within the established Business, Professional and Financial Services (BPFS) sector in the Midlands. It represents technology and change-driven activity in the sector, grouped into such sub-clusters as FinTech, PropTech and LegalTech; hence the figures represented are somewhat lower (for jobs and business data anyway) than reported for the wider BPFS sector – which is much broader. Work will inevitably be required in future to segment these technologies further and understand their clustering / potential in the Midlands; and this is already occurring in the region, for example through “SuperTech” in the West Midlands.

Furthermore, the number of actual Midlands jobs in Disruptive Technologies for Professional and Financial Services is likely to be underestimated by the Data City data (33,486) due to company account structures, and specifically addresses – businesses such as banks which have addresses all over the country will be under-reported in the Midlands due to the method for allocating jobs per location in this project (an equal distribution across addresses) – particularly where they have central offices / technology centres such as Birmingham and Nottingham. This is validated somewhat by the number of total employees in companies with a Midlands Engine address (before the division) being as high as over 150,000.

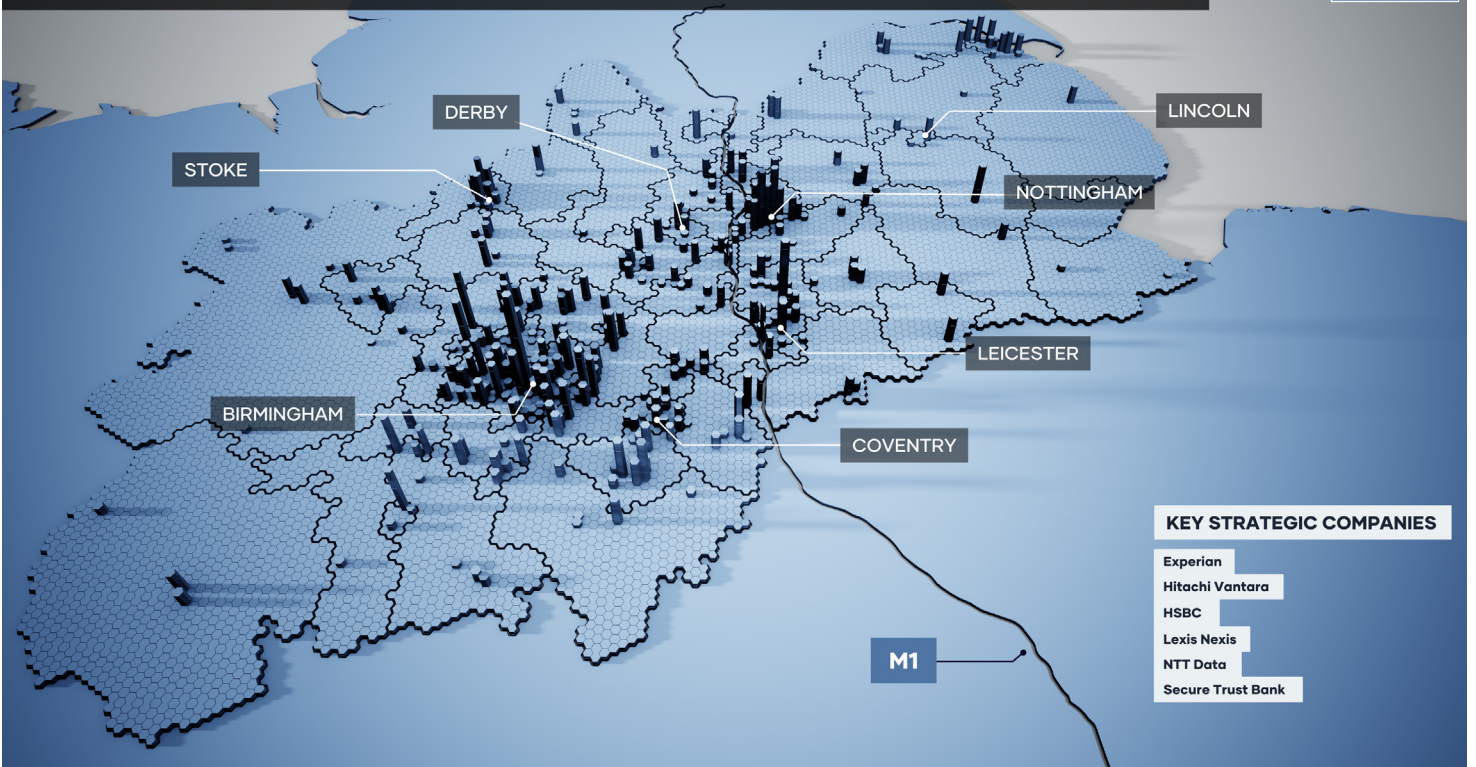
DISRUPTIVE TECHNOLOGIES FOR PROFESSIONAL AND FINANCIAL SERVICES - Business Counts



The high spike of the graph in North Lincolnshire is exaggerated by company duplicates across 2 individual companies. A more realistic visualisation of reality would be a spike around 75% smaller than displayed.



DISRUPTIVE TECHNOLOGIES FOR PROFESSIONAL AND FINANCIAL SERVICES - Turnover



KEY STRATEGIC COMPANIES

- Experian
- Hitachi Vantara
- HSBC
- Lexis Nexis
- NTT Data
- Secure Trust Bank

Disruptive Technologies for Professional and Financial Services



Innovation Ecosystem



Accelerator Engagement:¹

408

Relevant Cluster Organisations:

Fintech Midlands; Institute of Chartered Accountants in England and Wales, RICS, Federation of Small Businesses, Tech Nation Midlands

Relevant Spinouts:²

119

Relevant high performing HEI research:

Universities of Aston; Birmingham; Leicester; Lincoln; Loughborough; Nottingham; Nottingham Trent; Warwick

8 Midlands universities with high research ranking in relevant subjects.³

Significant Innovation Hubs:

Fintech Midlands; INFINITY, Gillmore Centre for Financial Technology; The Engine Room

High Growth Company Grants⁴:

299

Innovate UK funding:

£8.9m since 2005

16% of Innovate UK funding awards were to businesses with a Midlands location.⁵

¹Beauhurst 2022: High growth companies utilised accelerators ² Beauhurst, 2022, ³REF 2021 GPA >3.0 in any of Business and management studies; Communication, cultural and media studies, library and information management; economics and econometrics; law; sport and exercise sciences, leisure and tourism ⁴Beauhurst 2022, ⁵Data City 2023.



Disruptive Technologies for Professional and Financial Services



Talent Ecosystem



Estimated Employees:

33,486

7% of national; largest region in UK outside of London & SE.¹

Earnings:

Average salary £34,126

National average £42,563 (19.8% lower in Midlands).²

Further Education Leavers:

29,930

More FE leavers (including higher level) in relevant subjects than in any other region.³

Relevant HEI High-Ranking Department:

Universities of Nottingham; Birmingham; Warwick; Leicester

4 universities high ranked: international presence and expertise.⁴

University Graduates:

36,985

27% of Midlands graduates studied relevant subjects to professional and financial services.⁵

Graduate Retention: change over 3 years:

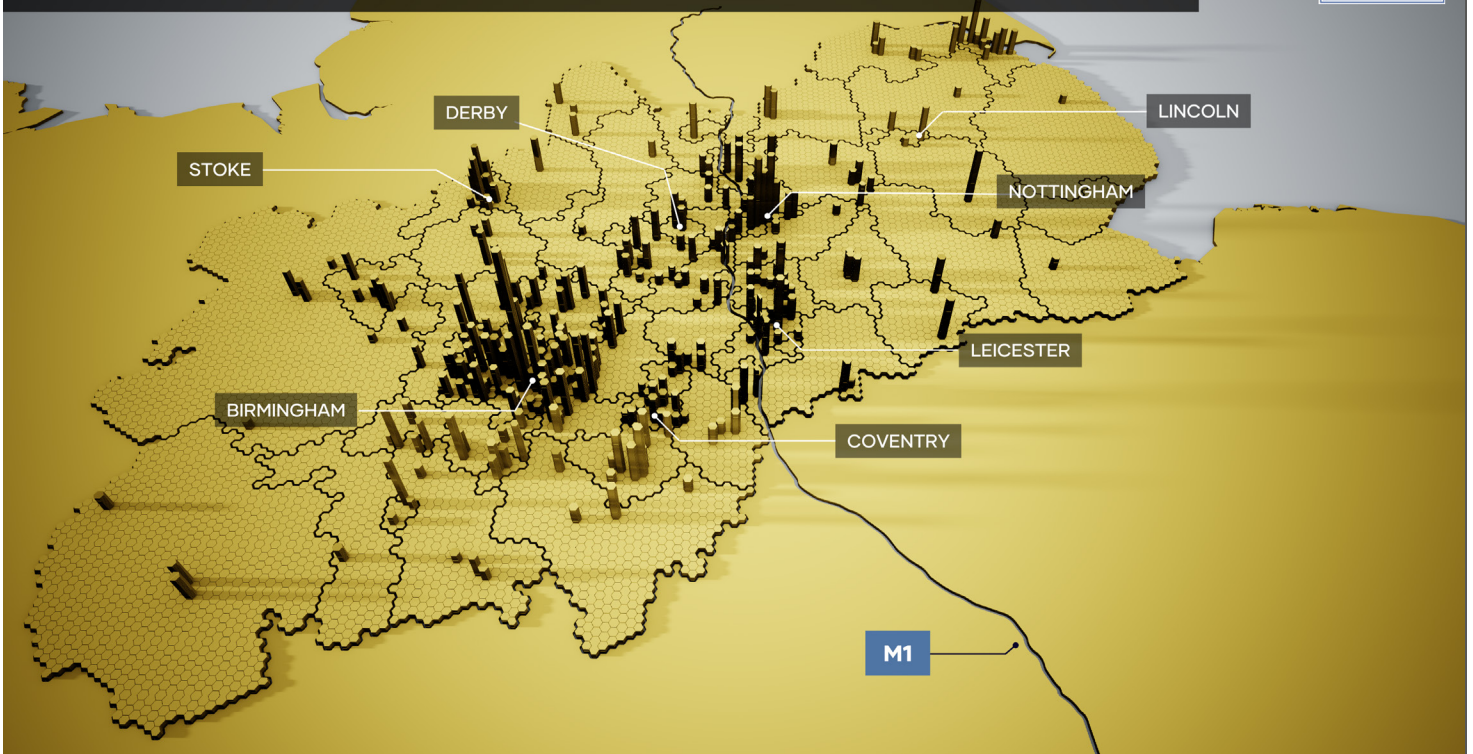
67.2%

Graduates in service sectors tend to leave their university region, predominantly for London.⁶



¹Data City, 2023, ²ONS ASHE, 2021, ³DfE Unit for Future Skills: Further Education leavers 18/19 in relevant fields, ⁴QS 'social sciences & management' & 'Computer Science and Information Systems' world ranking 2022 - institutions in UK top 25, ⁵Graduates from relevant subjects 2021, ⁶6995/10405 first degree graduates trained in region remain in 'Financial and insurance activities; Other Service Activities: Professional and technical services; administration & support services' in 3 years of graduating in 2019.

DISRUPTIVE TECHNOLOGIES FOR PROFESSIONAL AND FINANCIAL SERVICES - Employees



Disruptive Technologies for Professional and Financial Services



Investment Ecosystem



Investment/Venture Capital Firms:

Funds HQ'd in Midlands Engine area

200

313 Funds have offices in region.¹

FDI Jobs 2017-2021:

2,342 jobs

5% of UK total.⁶

FDI into High Growth Companies:

40%

857 of 2126 investments in High Growth Companies.²

DDI Jobs 2017-2021:

16,198 jobs

15% of UK total.⁷

FDI Capex 2017-21:

\$365.60m

5% of UK total.³

FDI Projects 2017-2021:

52 projects

5% of UK total.⁸

DDI Capex 2017-21:

\$1.54bn

18% of UK total.⁴

DDI projects 2017-2021:

688 projects

17% of UK total.⁹

Fundraising Volumes:

Mean av. £709k fundraising investment

£643m in 907 investments (inc. £90.4m across 399 seed investments; £247.8m across 291 venture investments).⁵

¹Beauhurst 2022, ²Beauhurst 2022, ³Wavteq 2022, ⁴Wavteq 2022, ⁵Beauhurst 2022, ⁶Wavteq 2022, ⁷Wavteq 2022, ⁸Wavteq 2022, ⁹Wavteq 2022.





COMMENTARY

- Despite a minor fluctuation inbetween, the UK's global marketshare in this cluster remained at 4.6% in 2017 and 2021.
- Wavteq forecast an FDI to UK Capex of \$1.54bn in this sector in 2025.
- Top foreign sources of company ownership are the USA, France, Ireland, and Denmark.
- The 2021 Kalifa Review commissioned by Treasury identified Birmingham as a key fintech cluster.



This data has been compiled from multiple sources, using classifications based on clusters as proposed by Midlands Engine Partners. Where necessary wider sector data has been used as a 'best proxy'. Unless otherwise stated, all data is contemporary as of May 2023, and is an aggregation of all known counts/data within the Midlands Engine's 65 Local Authorities. Unless otherwise stated, business, employee and turnover figures have been calculated via DataCity based on trading addresses within the Midlands Engine.