

How Greater Manchester became the land of tech unicorns and eCommerce giants



Greater Manchester
Local Enterprise Partnership

Contents

1. Introduction
2. How Greater Manchester became the land of tech unicorns and e-commerce giants
7. The ones to watch in e-commerce
8. Why Greater Manchester is the perfect place to grow a digital business
10. At a glance: Greater Manchester's £5bn Creative, Digital and Tech ecosystem

Introduction



With a rich history of innovation and trade, it's hardly surprising that Greater Manchester has become the land of tech unicorns and e-commerce giants. Our global tech success stories include The Hut Group, AutoTrader and AO.com. They are part of a fast-growing £5bn digital ecosystem underpinned by world-class infrastructure, a pipeline of talent from four universities and a place with purpose that people want to live. Building on the recent publication of the Greater Manchester [Economic Vision](#), this report examines Greater Manchester's recent successes as a centre for e-commerce and tech and asks how digital can provide a catalyst to further grow the local and national economy while supporting levelling up.

Lou Cordwell

Chair, Greater Manchester Local Enterprise Partnership



How Greater Manchester became the land of tech unicorns and e-commerce giants

The landmark flotation of The Hut Group has underlined Greater Manchester's success as a platform for digital innovation and growth. But what makes the city-region such a successful home for tech unicorns and eCommerce giants?

In September 2020, The Hut Group (THG) achieved the highest value flotation of any British company since the UK government had sold the shares of Royal Mail in 2013.

Raising £1.88bn through the sale of shares on the London Stock Exchange, the flotation provided THG with a valuation of £5.4bn which has since risen to £7.3bn, with investors convinced that even bigger things lie ahead.

Whatever comes next for THG will be driven from its new headquarters at Manchester Airport, where the group is investing \$1bn to develop two sites, including the UK's biggest ever bespoke office project outside of London.



THG's new landmark business campus, THQ, will span 280,000 sq ft and provide up to 10,000 jobs while ICON, its content creation studio, will be over 11.6 acres with more than 2,000 staff.

It builds on the sprawling network of digital and physical assets which make THG a shining example of end-to-end eCommerce success, with expertise, developed over 15 years harnessed to design, market, sell and deliver products to people across the world.

Turnover at the end of 2019 trading had hit more than £1.1bn and the company already employed 7,100 people. During the year ended 31 December 2019, more than 610 million visits were made to websites on the THG Ingenuity platform and more than 80 million units were dispatched using its infrastructure.

Matthew Moulding and John Gallemore founded The Hut Group in 2004 with a £500,000 investment and a hunch about the future potential popularity of online selling.



An accountant by trade, Moulding, THG's Chief Executive and majority shareholder, had previously worked for John Caudwell's Phones4U group, and suggested an eCommerce idea which was rejected, so took the opportunity to try it for himself.

The experiment started with the sale of entertainment products online but quickly pivoted to health and beauty product ranges, which appeared to appeal to the burgeoning number of online shoppers, promised strong profit margins and could be cheaply delivered to the door.

Success in creating, buying and building brands favoured by digital consumers led THG to begin white labelling its eCommerce offer to major household name brands who needed help in taking their products online, including Zavvi, Tesco and ASDA.

A decade on, THG has every step in the eCommerce consumer journey covered via a range of divisions centred around its proprietary end-to-end eCommerce technology and operating platform.

The empire includes vast logistics warehouses, specialist digital marketing insight and expertise, digital content hubs where products become the stars of social media clips shared with millions, and even a portfolio of luxury hotel and leisure destinations where the world's growing army of Instagram influencers can be tempted to support views of the latest beauty products.

Dotted across Greater Manchester, they include Hale Leisure Club, the Great John Street Hotel, King Street Townhouse and the iconic Art Deco 100 King Street, which was formerly home to the Midland Bank and Jamie's Italian.

Amid concerns about logistics issues during the pandemic, THG did what any self-respecting eCommerce giant would do, sealing a deal with Singapore Airlines to launch its own airline, THG Air.

While THG's ambitions are international, it is committed to Greater Manchester. Matthew Moulding, CEO and Chairman, THQ, said: "Manchester is a great location for our HQ because of its world class infrastructure, access to talent and global supply chains. THG is both a significant business and employer in the UK, and particularly, in the North. Although we are currently rapidly building out global operations, we intend to significantly accelerate our rate of investment in the region, attracting and retaining the most innovative and inventive talent from across the globe."

Prior to its flotation, THG had become known to tech investors as a unicorn, the term used in the venture capital industry to describe a privately-owned start-up company with a value of over \$1 billion.



As the name suggests, unicorns are rare beasts, but Greater Manchester is home to no fewer than five. Living in perfect harmony alongside those unicorns are eCommerce giants including AutoTrader, Boohoo and Booking.com, and retailers including AO.com.

So just why has Greater Manchester become the land of unicorns and eCommerce giants?

According to a new report from London Tech Week and the UK Tech Cluster Group, North-West England is the “perfect breeding ground” for technology start-ups and scaleups because of its entrepreneurial climate, academic connections and growing investment activity.

[The 12 Clusters of Tech: North West](#) report details Greater Manchester’s prominent role in attracting inward investment and providing a platform for start-ups.

It says that the North West is attracting ever greater international attention, with companies like Amazon, Microsoft and Booking Holdings all building a presence, and singles out the homegrown success of businesses including THG.

Factors fuelling tech clusters in Greater Manchester and the North West include ‘tech talent and entrepreneurial spirit’, universities and the dedicated support available to tech companies, with particular specialisms, including Citylabs in Manchester, and GCHQ’s Manchester office.

The report states that the North West’s increasing confidence as a technology hotspot is reflected in growing investment activity too. According to Beauhurst, there were 389 announced and 502 unannounced tech investment deals in Greater Manchester alone between 2011 and 2020.

Of the 14 unicorns in the UK, two were founded in the North West and three have expanded here. Alongside THG, other Greater Manchester unicorns include AO.com, AutoTrader and Boohoo, while Crewe-based Radius Payment Solutions operates a technology centre in Manchester.

Interestingly, Greater Manchester’s eCommerce success includes a mix of relatively recent start-ups and more established organisations which have undergone successful digital transformation.

Notable among the companies to have undergone digital transformation is AutoTrader, which launched more than 40 years ago as a weekly print publication containing car sales advertising. Headquartered in Tony Wilson Place, Manchester, AutoTrader evolved from an entrepreneurial print media business into one of the UK’s leading digital businesses.

Listed on the London Stock Exchange in 2015, AutoTrader has a market capitalisation of £5.85bn and employs around 850 people across offices in Manchester, London, High Wycombe and Dublin. AutoTrader achieves 50.1m cross-platform visits each month online and lists more than 470,000 cars each day.

Other factors underpinning Greater Manchester’s success arguably date back to the cotton trade.

Historically, textiles were central to Manchester’s industrial boom and the city was the prime location for weavers and cotton traders.

Today, Manchester, a magnet for cutting edge, innovative digital companies, has been referred to as a 21st Century Cottonopolis – a revival of its historic moniker. This follows the emergence of eCommerce and the success of its global brands including the unicorn Boohoo, Missguided, Lavish Alice and In The Style, which floated on AIM in March 2021.

In the space of 15 years, Boohoo has gone from a three-employee operation to a business with sales of £1.2bn and a 5,000-strong workforce.

According to Beauhurst, a database of the UK’s high-growth companies, as traditional retail has declined, Boohoo’s stock has risen and so far in 2021, Boohoo has acquired the eCommerce and digital assets of a portfolio of iconic High Street brands including Debenhams, Burton, Dorothy Perkins and Wallis.

Another eCommerce success story in Greater Manchester is AO.com, which began when founder and Chief Executive John Roberts accepted a £1 bet from a friend that he could change the way white goods are purchased via the internet.

Similar to THG, AO.com developed an end-to-end eCommerce offering – including logistics and digital content production – which attracted the interest of third-party retailers including Marks & Spencer, Argos and B&Q.

AO.com acquired its own logistics business and opened an in-house video production facility which produces video reviews of appliances.

Today, listed AO World PLC has a market capitalisation of £1.48bn, employs over 3,000 people and makes 72,000 deliveries per week. It is headquartered in Bolton, Greater Manchester. All of this activity supported Greater Manchester in cementing its reputation as the fastest-growing European tech city, with venture capital investment of £530m in 2019.

An increase of £153.22m on 2018 VC tech investment, it means that Greater Manchester has overtaken Cambridge as the UK’s most attractive city for tech investment outside London.

While the full impact of the coronavirus pandemic on global tech investment is not yet clear, Manchester tech investment continued to thrive in 2020, in part thanks to the successful IPO of THG, which demonstrated the calibre of tech companies across the region.





The strength of Greater Manchester's digital and creative industries was cited in the Greater Manchester Local Industrial Strategy agreed with Government in 2019. This was reinforced with the publication of the Greater Manchester Economic Vision in 2020.

Lou Cordwell, Chair of Greater Manchester Local Enterprise Partnership, said: "Greater Manchester's rich history of digital innovation has provided the perfect platform for today's tech and e-commerce success stories, attracting talent and investment and creating thousands of jobs.

"The Greater Manchester Economic Vision includes plans to further harness the opportunity that digital provides to deliver economic recovery and growth locally and on behalf of UK Plc.

"Supporting training, skills and innovation within emerging sectors of the digital economy will ensure that everyone can share the benefits that digital innovation can bring, while helping the UK achieve its ambitions for international trade."

Through the Local Industrial Strategy, Greater Manchester aims to build on its position as a leading European digital city region, to maximise growing assets in cyber security and capitalise on the links between digital, creative and other industries in the city-region that feed innovation in broadcasting, content creation and media, as well as in eCommerce, FinTech and other new technologies.

MIDAS, the city's dedicated investment promotion agency, has a strong track record of supporting and de-risking investment projects into Manchester. Tim Newns, CEO of MIDAS, said: "The pandemic has rapidly accelerated growth within the eCommerce and retail tech industry and with such a

strong standing in this sector – as well as supporting industries and technologies including FinTech, service design and AI – Greater Manchester is the perfect location for ambitious firms."

Being the largest creative, digital and tech hub outside of the capital, Manchester is home to a thriving community of businesses that sit side by side in the city's digital and technology clusters, incubators and co-working spaces, where they converge, collaborate and drive innovation.

New start-ups are joining that community all the time, while eCommerce businesses with an international presence understand the value of a Manchester base. In January 2021, European travel giant Awaze reaffirmed its commitment to Greater Manchester with plans for 75 new jobs.

The continent's leading managed vacation rentals and holiday resorts business has already recruited 25 new team members since starting operations at Dalton Place in October, but new roles in technology, revenue management, marketing, commercial and legal will see its city workforce swell to at least 100 by the end of next year.

Early in 2020, Greater Manchester launched the GM Digital Blueprint, setting out the next chapter in the city region's ambition to be recognised as a world-leading digital location. Building on existing strengths, Greater Manchester is now working to strengthen its digital talent pipeline and its world class digital infrastructure.

This can only make Greater Manchester more attractive to tech and eCommerce companies, with ambitious start-ups already following in the footsteps of THG, AutoTrader and Boohoo.

The ones to watch

In November 2020, Beauhurst published an article revealing the Hottest Tech Companies in Manchester. It said the county of Greater Manchester is home to 1,468 high-growth private companies altogether, and over a third of these are technology and IP-based businesses.

Beauhurst said Manchester's tech scene has also seen a general rise in the total value of fundraisings since 2014, with strong peaks of £400m in 2017 and £316m in 2019.

An increasing number of venture capital firms and angels with relevant domain expertise are now active in the area. And North West companies

seem increasingly successful at engaging with investors in London, the USA, and beyond. Funding availability is one factor highlighted by Beauhurst.

And others are already following in the footsteps of the eCommerce giants and tech unicorns. Among Beauhurst's 'ones to watch' is the eCommerce support business Shopblocks, which is effectively a one-stop shop for setting up an online store, and Clicksit, which has developed an app that allows users to track parcels, particularly when making returns to eCommerce companies. Watch this space for the next generation of tech giants and eCommerce unicorns.

Why Greater Manchester is the perfect place to grow a digital business

For more than 250 years, Manchester has been creating and shaping the future.

Birthplace of the Industrial Revolution and the first stored-program computer, Manchester continues to be a place where creativity and technology are jointly driving the next wave of innovation. Manchester has seen phenomenal growth in the number of online retailers based in the city region and it is home to the UK's greatest concentration of eCommerce start-ups.

The city region provides access to specialists in front and backend development, data analytics and marketing and PR and its central location and outstanding connectivity make it easy for eCommerce companies to ship goods nationally and globally; making Manchester the ideal location for eCommerce companies to thrive. As well as being home to a fast-growing £5bn digital ecosystem, Manchester is officially the UK's Top Digital Tech City, with ambitions to become a top five European digital city and global influencer.

Being the largest creative, digital and technology hub outside of London, Manchester has a thriving community of more than 10,000 digital and tech businesses from start-ups and SMEs to global brands including Google, Microsoft, IBM and Cisco. In addition, the city's globally recognised strengths in broader sectors including financial services, advanced manufacturing and life sciences provide digital and technology companies with outstanding market opportunities.

Boasting excellent connectivity 30–40% lower operating costs than the capital and an unrivalled quality of life offer (in 2019 The Economist crowned it the Best UK City to Live) Manchester is the ideal city to attract top talent from across the UK and the world.

The UK has the most advanced eCommerce market in Europe. According to the Office for National Statistics, the country's eCommerce revenue amounted to £688.4 billion in 2018 a sharp increase on the year prior.



Greater Manchester is firmly at the forefront of the UK industry having produced five homegrown eCommerce unicorns (companies that IPO at or above \$1 billion) including Boohoo, The Hut Group, AO.com, AutoTrader and On the Beach which have been joined by world-leading eCommerce companies such as Amazon, Booking.com and MoneySuperMarket.

Manchester is unique in that it offers wide market access and demand, specific technology strengths to serve eCommerce companies, a highly developed infrastructure, a skilled workforce, and a diverse and thriving ecosystem of companies supplying into it.

Manchester's entrepreneurial attitude, reflected by the success of its unicorns is also very welcoming of fast-growing eCommerce companies and suppliers into its established ecosystem. It is also a great base for them to internationalise.

Manchester is at forefront of the UK eCommerce industry with over 3,000 eCommerce and related companies based in the city. This includes five homegrown eCommerce unicorns and the greatest concentration of eCommerce start-ups than anywhere else in the UK.

Manchester's large eCommerce companies are actively looking to partner and work with innovative companies who can add value to their business and ultimately their customers.

Manchester is rich in specialist talent and skills that digital and technology businesses need to thrive, with 86 000 people currently employed in the city's creative, digital and technology industry.

It also has one of the largest and most diverse student populations in Europe, allowing businesses to tap into an emerging labour force.

Of those studying in Greater Manchester, 14,725 are enrolled in technology-related courses as well as industry-led apprenticeships and training programmes providing businesses with access to a wealth of specialist skills.

At a glance: Greater Manchester's £5bn Creative, Digital and Tech ecosystem



UK'S TOP DIGITAL TECH CITY

Home to the UK's fastest-growing regional economy, Manchester has established a strong reputation as an economic powerhouse and a competitive place to do business.

The city is located at the heart of the UK and has excellent connectivity with Europe and the rest of the world, providing companies with outstanding access to market. Manchester also offers businesses a diverse and sustainable talent pool, 30-40% lower operating costs than in the capital and outstanding quality of life for employees, which has led to 40 of the FTSE 100 having operations in the city region.

For more than 250 years, Manchester has been creating and shaping the future. Birthplace of the

Industrial Revolution and the first stored program computer, Manchester continues to be a place where creativity and technology are jointly driving the next wave of innovation.

The breadth and strength of Manchester's business environment provides endless opportunities for digital and technology companies to collaborate with and sell into non-tech firms that are going through digital transformation. From financial services firms that are collaborating with start-ups and SMEs to improve client services to healthcare providers using AI and data to better predict patient outcomes, as well as manufacturing companies that are looking to tech to improve efficiencies; Manchester offers unrivalled market opportunities.

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CREATIVE, DIGITAL & TECH HIGHLIGHTS

£5bn GVA

8 accelerator programmes

UK's fastest-growing cyber ecosystem

277% increase in tech investment

88,000 working in creative & digital companies

19,000 creative, digital & tech companies



5 eCommerce unicorns

IN GOOD COMPANY



ECOMMERCE

Manchester has seen phenomenal growth in the number of online retailers based in the city region and it is home to the UK's greatest concentration of eCommerce start-ups as well as five homegrown unicorns including The Hut Group, AO.com and Boohoo. The city region provides access to specialists in front and back-end development, data analytics and marketing and PR and its central location and outstanding connectivity make it easy for eCommerce companies to ship goods nationally and globally and the city, making Manchester the ideal location for eCommerce companies to thrive.



AI AND DATA

Manchester is leading the way in AI and data, outperforming all other major UK cities (The Data City, 2020). With a large and diverse commercial base where application of AI, big data, data science and analytics is increasing, Manchester provides a wealth of opportunity for AI firms.

SMART CITIES AND IOT

Manchester's MediaCityUK is home to the UK's first immersive 5G hub and offers a unique and super-connected 'mini-city' environment from which to test and pilot IoT and smart city technologies within. Vodafone's new Innovation Hub provides entrepreneurs and start-ups with access to 5G resources and IoT technology and MediaCityUK's Smart City Accelerator offers innovative companies an opportunity to develop and demonstrate smart solutions for both build and environmental management.

IMMERSIVE TECHNOLOGIES (AR/VR)

Manchester is a growing hub for augmented and virtual reality, home to several companies within the space that are creating content for a variety of purposes - from gaming, e-learning and training through to marketing, advertising and more.

CYBER SECURITY

The UK is committed to tackling cyber security and Manchester, home to the nation's fastest-growing cyber ecosystem, is the driving force. Manchester is also home to the UK's government intelligence, security and cyber agency GCHQ - placing the city at the heart of the nation's IT security effort. Manchester has nurtured homegrown digital security companies including Avecto, Hedgehog, NCC Group and Secarma, and has attracted established cyber divisions of global defence companies such as Raytheon, BAE Systems AI and Northrop Grumman to establish itself as a city committed to cyber security innovation and collaboration. Manchester's ecosystem provides access to expertise, research, market opportunity and talent for companies operating in the information security space.



MANCHESTER KEY FACTS



GET IN TOUCH

To find out how we can help you, contact

MIDAS, Manchester's dedicated inward investment agency, offers an extensive, free and confidential package of advice and assistance for potential investors and location consultants. MIDAS' services are available to companies of all sizes that wish to relocate to or expand within Manchester.



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