

## UKBB 103 December 2006 Analysis

December's survey asked panellists for their views on responsibilities that banks have to their smaller business customers, comparing the charges and services of alternative banks, upgrading your IT system and 'WiFi' technology plus the usual quarterly trends questions.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the December 2006 survey 129 respondents were drawn with the following population characteristics:

<b>Sector</b>			
Production & Manufacturing	Distribution	Services	Total
26.4%	10.9%	62.8%	100.0%

<b>Turnover (£)</b>			
< 1 M	< 1 M	< 1 M	< 1 M
67.4%	67.4%	67.4%	67.4%

<b>Number of Full-time Employees</b>					
1-10	11-20	21-50	51-100	100+	Total
58.1%	27.9%	7.8%	2.3%	3.9%	100.0%

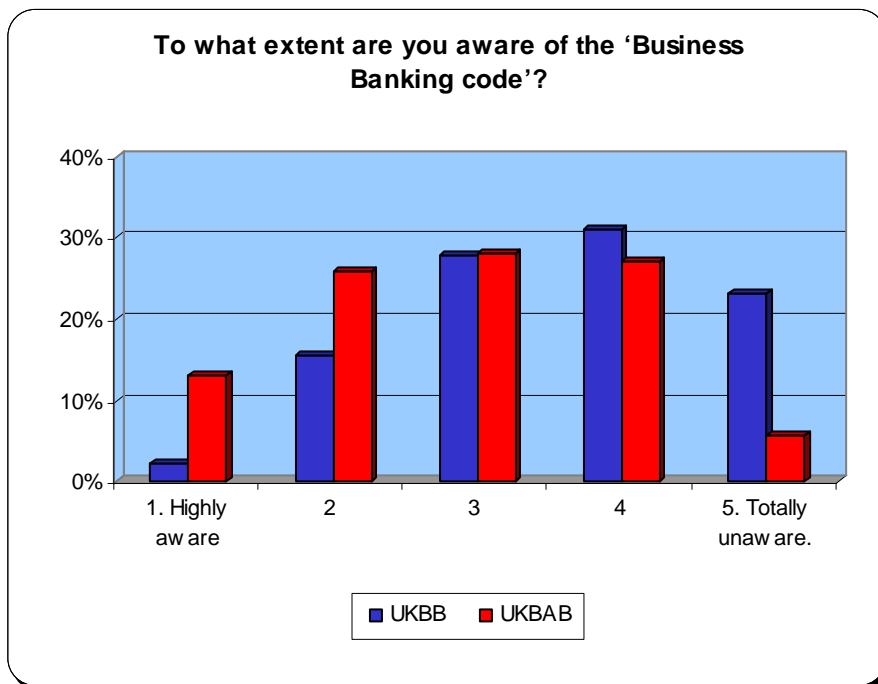
## Survey findings

The Business Banking Code, which covers smaller businesses, came into effect on 31 March 2002. It has been reviewed and updated several times since, and the latest independent review commenced in November 2006.

The Code, which is voluntary, sets standards of good banking practice for banks and building societies to follow when they are dealing with business customers in the UK. 25 main banking organisations plus 13 associated organisations have signed up to it, including most of the High Street banks, out of the total of 225 members of the British Bankers Association.

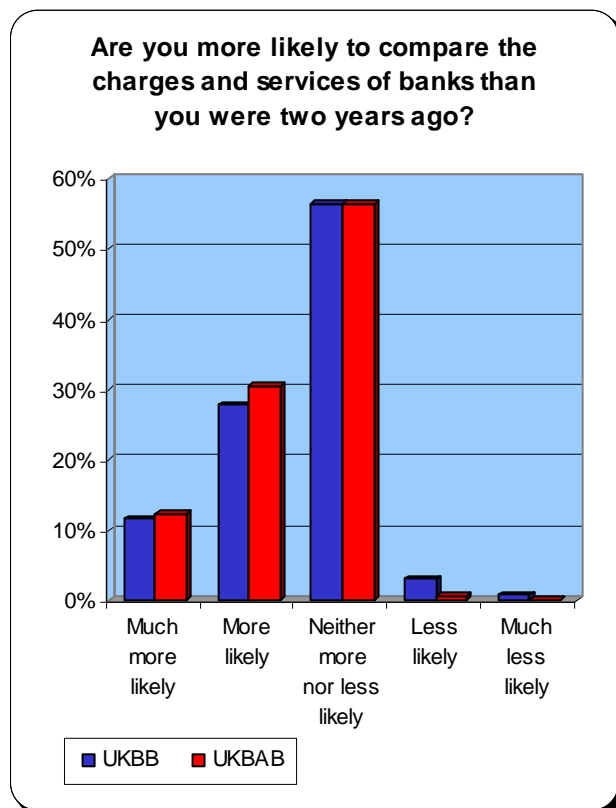
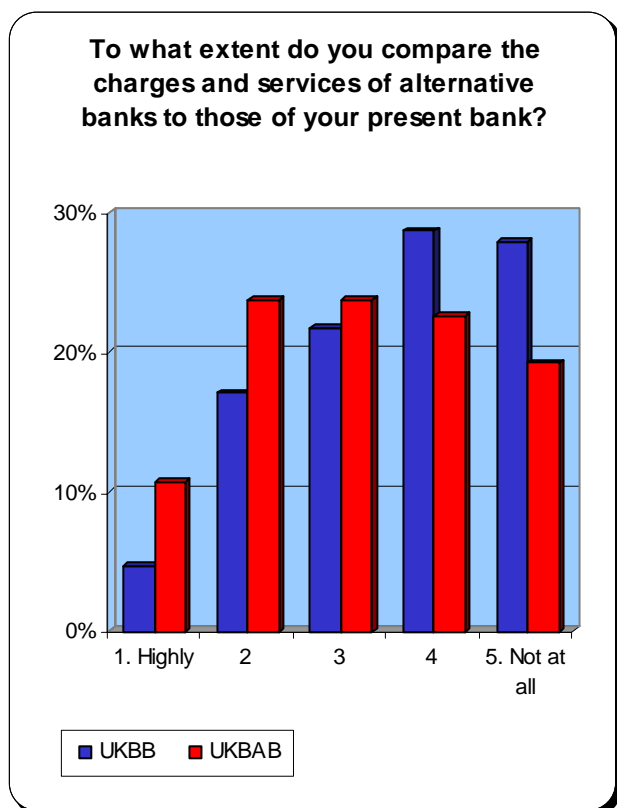
The December UKBB survey found that over half of the respondents (54%) were either totally or relatively unaware of the Business Banking Code, and only 18% said that they were highly or relatively highly aware of it.

The same question was asked in the parallel survey of business advisers, the UK Business Adviser Barometer (UKBAB). Awareness among these respondents was higher, with 39% being highly or relatively highly aware, but even so, one third (33%) were either totally or relatively unaware of the Code.



In terms of 'shopping around' for banks, only 22% of UKBB respondents say that they make comparisons of bank charges and services to a high or relatively high extent, while 57% say they don't at all, or only rarely. 34% of respondents to the UKBAB are highly or relatively highly active in making comparisons for the benefit of their clients, but 42% do very little or none of this. Compared to two years ago 56% of both sets of respondents reported no change but of the remainder, 40% of UKBB and 43% of UKBAB respondents say they are more or much more likely to compare charges and services of different banks.

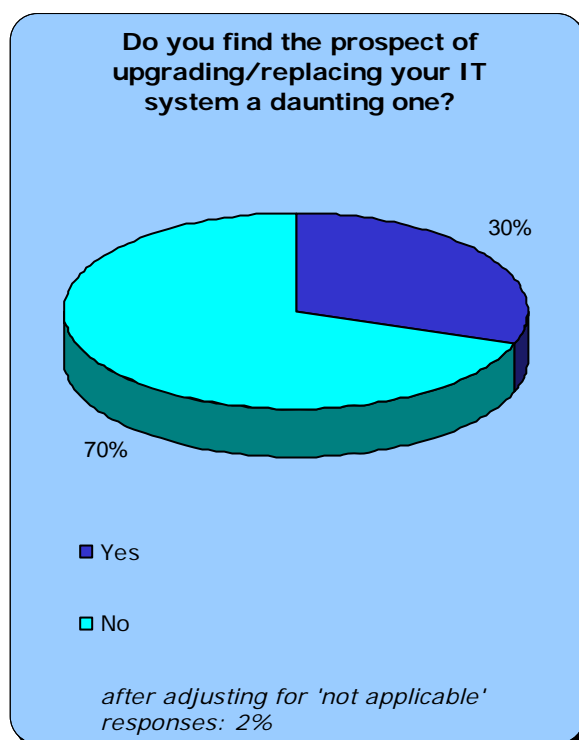
A comment made by one contributor was that the High Street banks seem similar in their charges and that the costs of researching for a better deal and then effecting a change would outweigh any savings.



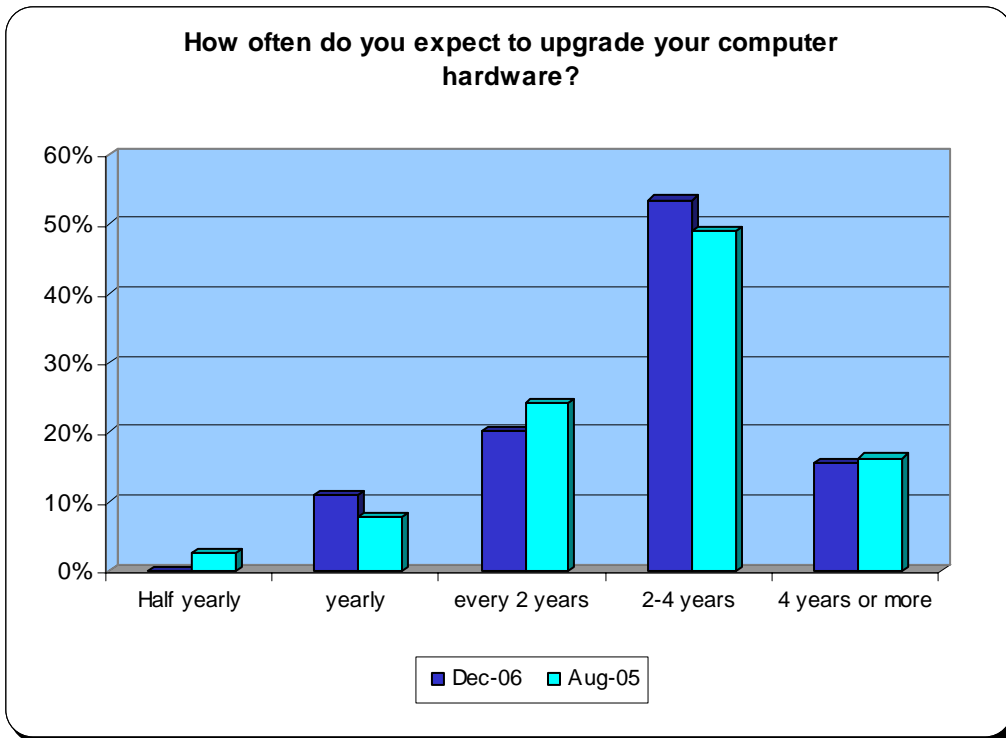
Recent research has found that investing in new information technology is more frightening for many small business owners than getting married or buying a house.

Although nearly a third of respondents find the prospect of upgrading or replacing their IT system is daunting, 70% don't.

One respondent said that the main fear about upgrading is that the new kit will not work and will result in down time or worse.



The frequency of upgrading computer hardware has not changed significantly from August 2005. 31% of respondents expect to upgrade every 2 years or less, 54% say between 2 and 4 years and 16% leave it for more than 4 years.



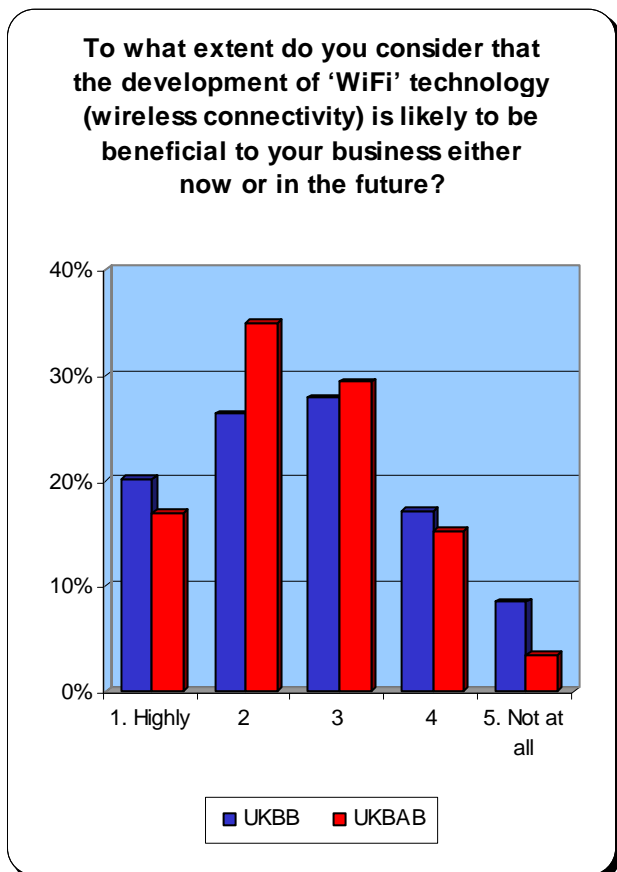
Many commentators have said that wireless access to the internet will allow more competitive opportunities to businesses.

Amongst the respondents to the December BB survey, 47% consider that WiFi will be beneficial to their businesses, either highly or relatively highly, although 9% do not foresee benefits from it.

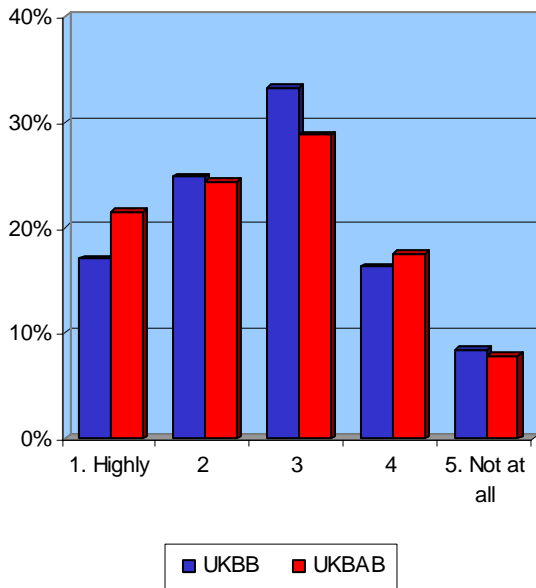
In the parallel UKBAB survey, business advisers were asked to what extent they think WiFi will benefit smaller businesses.

52% responded that they believe smaller businesses will benefit highly or relatively highly and only 3% think there will be no benefit at all from it.

One respondent to the UKBB commented that the technology is still very new and his business will not use it because of security considerations, despite the currently available security protocols



**To what extent do you believe that greater public investment in the creation of 'WiFi' hotspots (access points to wireless connectivity) is money well spent?**



The government's Digital Challenge Initiative was set up to improve social inclusion and has highlighted initiatives by local government around the UK in introducing wider access to the internet.

42% of respondents to the UKBB and 46% of respondents to the parallel survey of business advisers, the UKBAB believe to a high or relatively high extent that greater public investment in WiFi hotspots is money well spent. Totals of 25% of both sets of respondents disagreed, selecting either category '5. not at all' or category '4'.

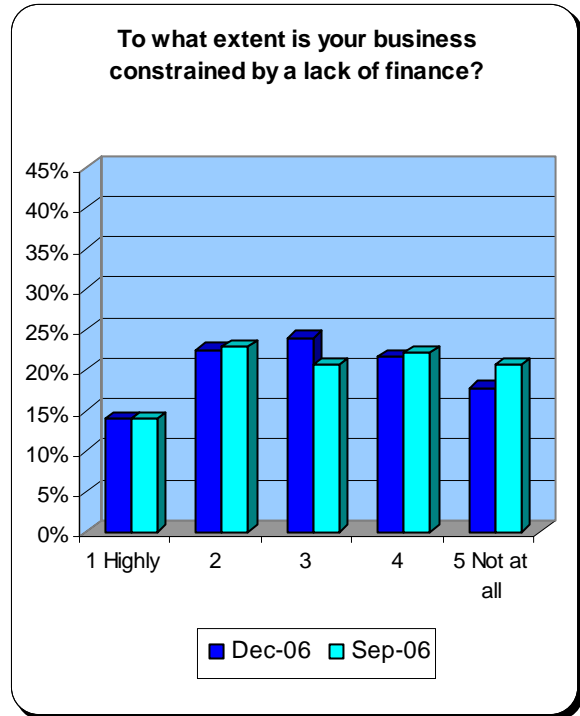
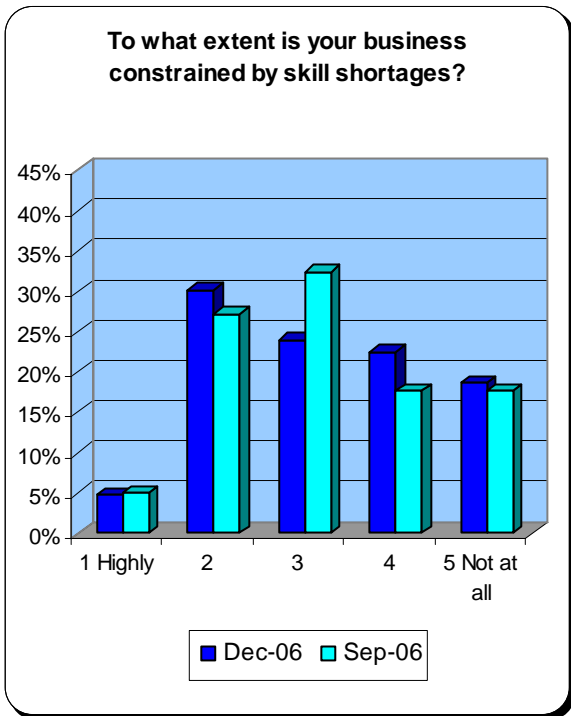
**Fourth Quarter 2006 Trends**

Constraints on business due to skill shortages decreased on average during the last quarter but those due to lack of finance slightly increased.

The index for businesses with turnovers of between £1M and £3M increased for constraints due to skill shortages, but this was offset by decreases for both smaller and larger turnover businesses to produce an overall average index decrease of 2% in the quarter.

By sector, production and manufacturing and distribution decreased in constraints from shortages of skills while there was an increase in the services industries index.

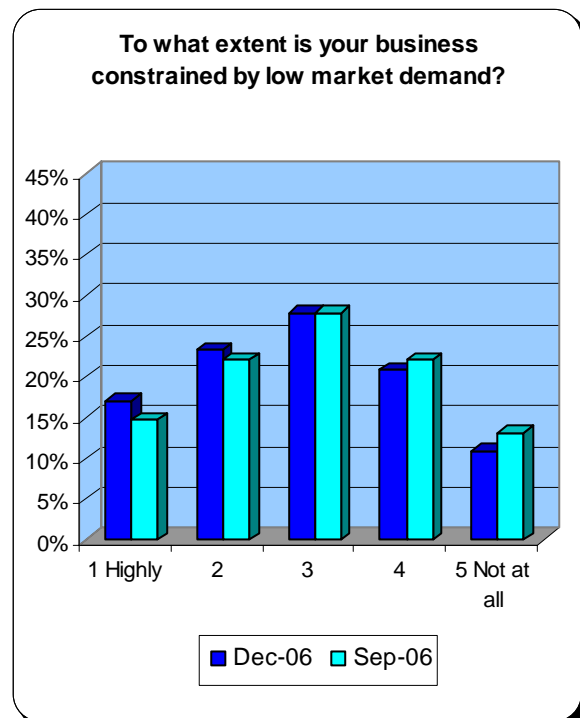
Constraints due to lack of finance also increased among firms with turnover of between £1M and £3M and in both the Production/.Manufacturing and Services sectors.



Constraints due to low market demand decreased in businesses across the middle (£1M - £3M) range of turnover but increased in the higher and lower ranges.

By sector, constraints increased in Production and Manufacturing, and Services but decreased in Distribution.

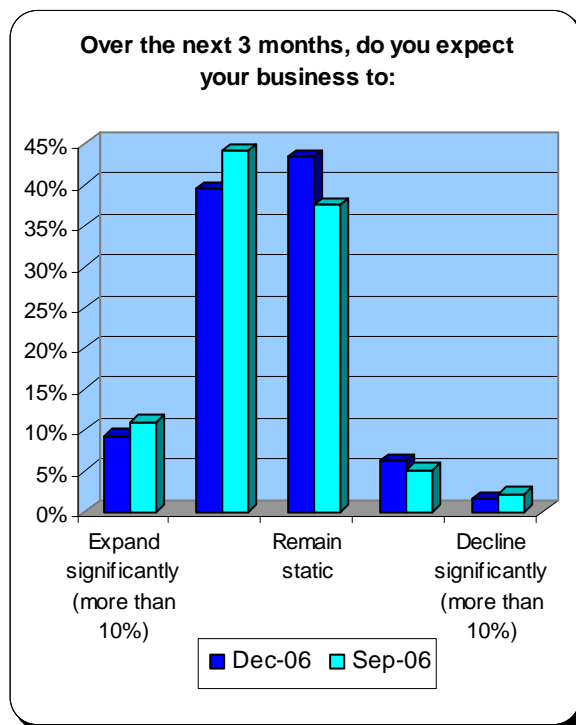
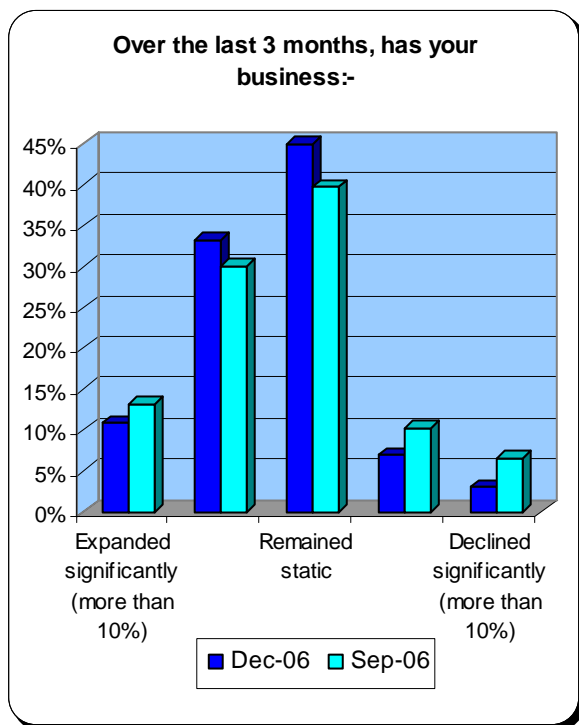
The overall average constraint index moved up by 4%.



Average growth in the last quarter decreased in the middle range of turnover (£1M - £3M), and in the distribution sector, but increased in the other turnover ranges and sectors.

The overall average increased in the three month period by 2½%.

Overall, respondents expect the growth rate in the fourth quarter to be lower, although service companies are more optimistic as are companies with turnovers of under £1M.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB103 December 2006

*Comments are listed under sector headings.*

Views expressed are those of individual panellists and may not represent those of the University.

**Business Services**

Free business banking is available to members of the FSB for the life of their membership.

All High Street banks seem fairly similar in their charges and services. For the amount of money I might save or make by switching to another bank, I believe will be matched by the amount of time I have to spend on research and application.

**Production & Manufacturing**

banks are very twitchy, asking for the shirt off your back for continued facilities.

The subject of WiFi could be expanded. Our company will not use such technology, despite the security protocols (WEP 128bit etc) that is easy to setup. It's no real cost to install cabling into a business. I think WiFi is suited to homes where cable installation is more of a hassle. On a side issue. There is a company opposite our factory that had a wireless network TOTALLY open and unsecure. I bought myself a new laptop that came with WiFi built in. It browsed their LAN without any configuration at all. They simply didn't configure ANY security AT ALL. But it shows that there is a lack of simple skills out there to lock down this new technology. Business NEEDS to be EXTRA safe as to their IT. WiFi is (in my opinion) too new, and it offers too many extra variable to worry about.

**Other**

I've been in business for 10 years and the 1 piece of advice I would pass on to anyone that wanted to listen is ...never trust a bank.

Banks are all the same.

The main barrier to upgrading IT is the fear that new kit will not work and result in down time or worse!