

## UKBB 98 July 2006 Analysis

July's survey asked for views on the biggest threat facing the UK economy, banking, tolerance of late payment, training needs, internet search engines, gathering tacit knowledge and online 'Health Checks'/Reviewing tools' for business.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the July 2006 survey 143 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
27.3%	9.8%	62.9%	100.0%

Turnover (£)			
< 1 M	1M-3M	>3M	Total
70.6%	16.1%	13.3%	100.0%

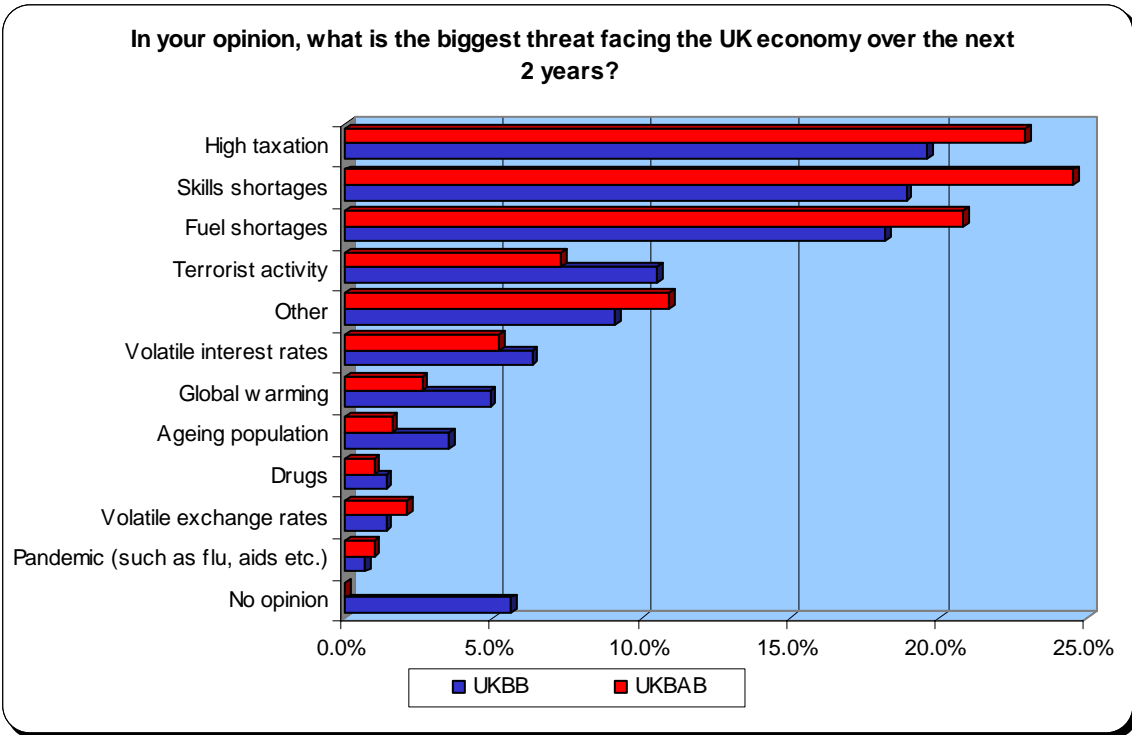
Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
61.5%	24.5%	7.0%	2.8%	4.2%	100.0%

### Survey findings

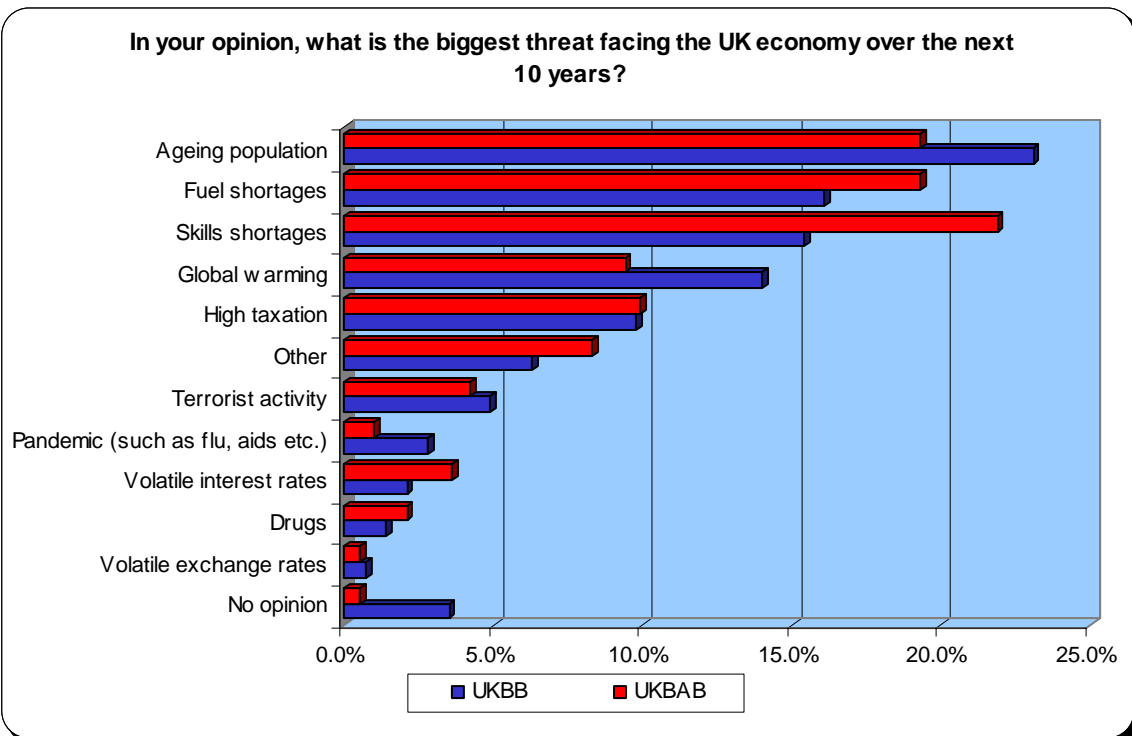
In the first two questions of the July BB survey, panellists were asked to say what they see as the greatest threat to the UK economy in the shorter term (the next two years) and over the longer term (the next ten years). The same question was asked of Business Advisers who are panellists for the twin monthly survey, the UKBAB (UK Business Adviser Barometer). The two sets of respondents responded slightly differently to each question. The questions prompted a number of comments from respondents suggesting sources of threat to the economy other than those given. Among these were:

- unpredictable governmental actions (e.g. recent indefinite postponement of the plans to introduce compulsory Home Condition Reports),
- fear of being led into another regional war,
- exclusion from government strategies of the economic impact of SMEs
- EU regulations
- red tape
- China
- India

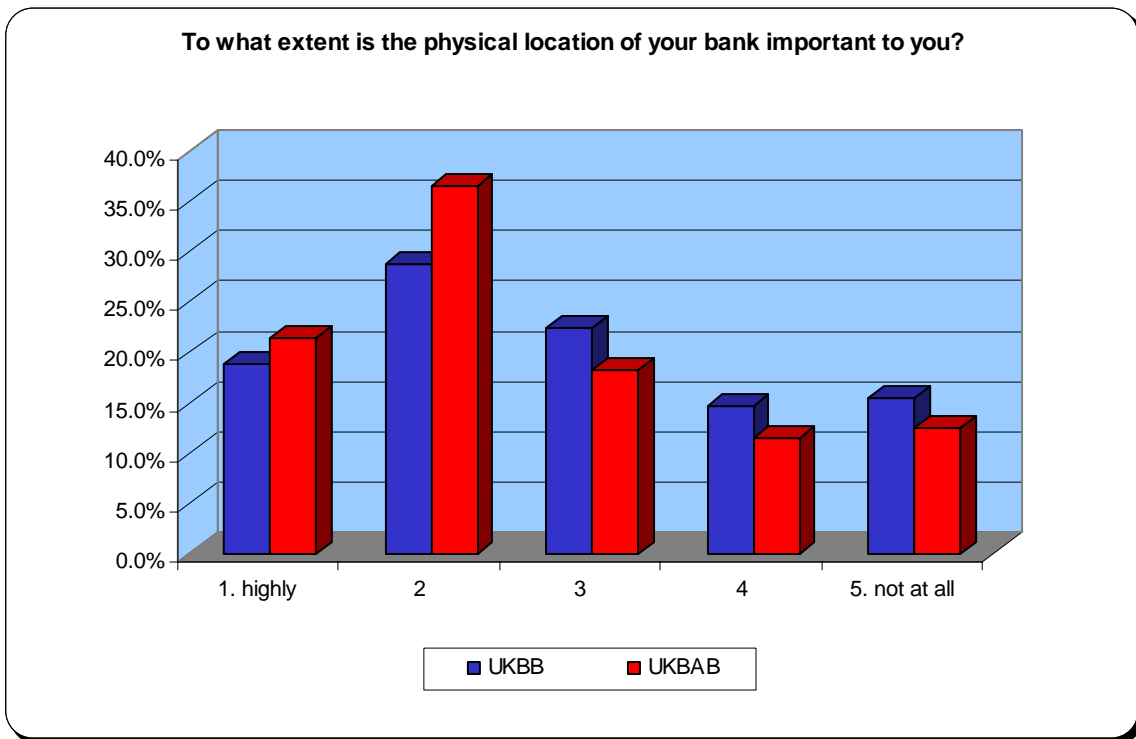
Both sets of respondents placed the same threats in the top three in the shorter term, although advisers placed skills shortages above high taxation and both put fuel shortages in third place.



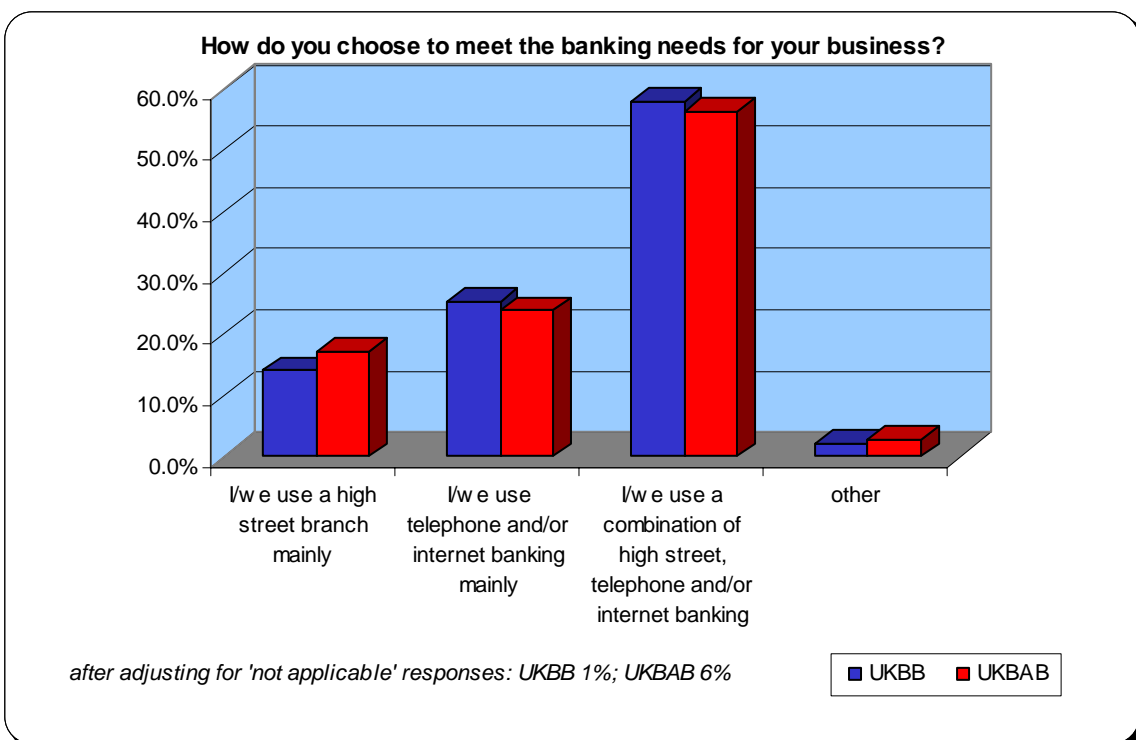
In the longer term, BB respondents voted the ageing population, which had been in eighth place in the shorter term, as the most threat to the economy compared to the other factors, while fuel shortages move up to second place and skills shortages were third. High taxation descended to fifth place. Advisers saw skills shortages as perpetuating over the longer term, but they also saw ageing population and fuel shortages in joint second place.



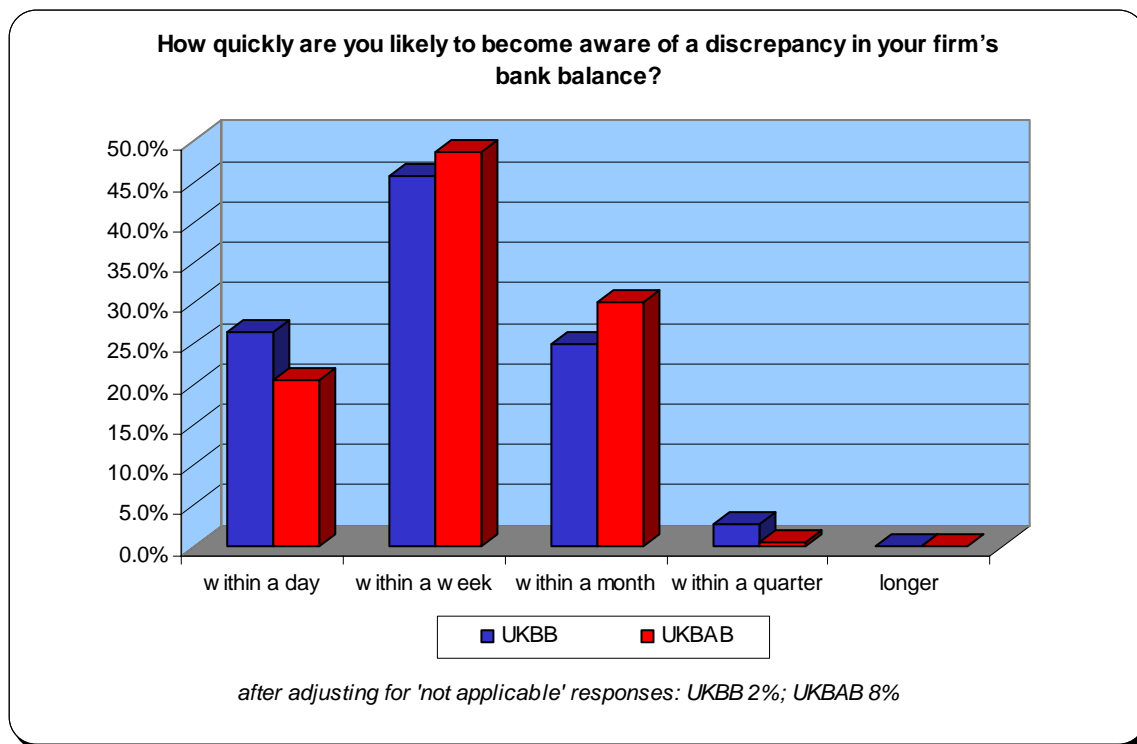
In April 2000, the UKBB survey focused on questions about banks because local branches were being closed in many communities. Recently some major banks announced that they are to open new branches in Britain's high streets, so we asked again whether physical location is important to our panellists. Compared to the responses in April 2000, the current survey result indicates a small decrease in importance (about 4%) on average. The UKBAB survey asked the identical question of advisers and the results show that UKBAB respondents rate physical location of banks slightly higher than UKBB respondents, on average.



When asked how panellists use their banks, 14% said that they mainly use a high street branch while 25% mainly use telephone or internet banking. 17% of UKBAB respondents mainly use a high street branch, 24% of them mainly bank via telephone and/or internet banking. In both surveys over half of respondents use all three approaches: 58% of UKBB respondents and 56% of UKBAB respondents. All percentages are after adjusting for 'not applicable' responses.



With the advent of online banking, immediate access to bank statements became available at any time of day. 26% of UKBB respondents and 21% of UKBAB respondents say they are likely to become aware of any discrepancy in their firm's bank balance within a day, with a further 46% from the UKBB and 49% from the UKBAB putting the timing at within a week. All percentages are after adjusting for 'not applicable' responses.



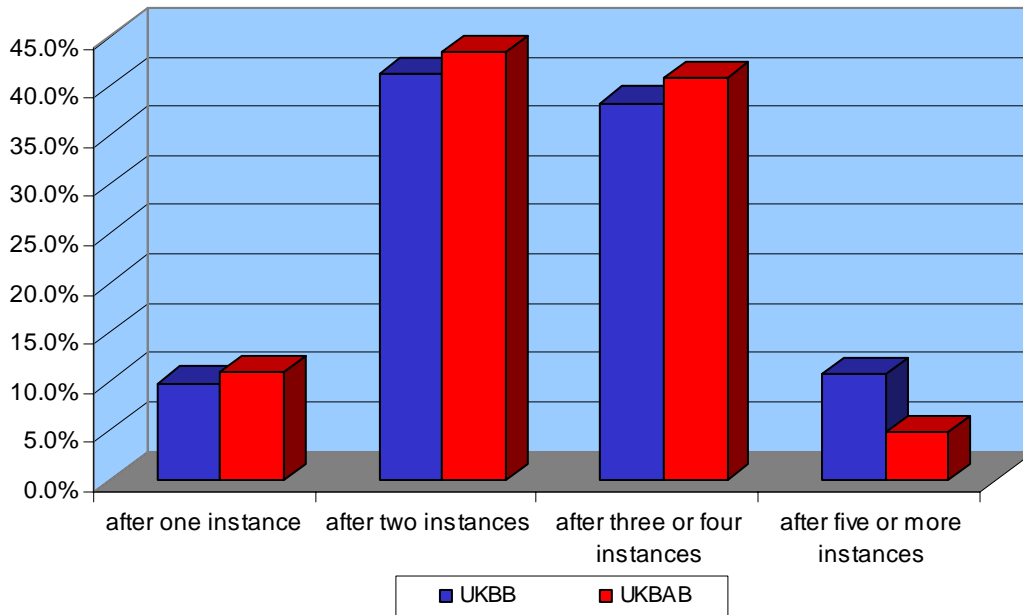
In February 2006 we asked to what extent late payment is an issue for responding businesses. Reports have suggested that businesses in the UK have increased average payment times considerably over the last seven years, since the introduction of the Late Payment of Commercial Debts Act (1998), which was designed to deter such behaviour.

With 60% of respondents saying back in February that late payment is a significant or reasonably significant issue for their business, we asked this month at what point respondents would be likely to terminate contracts with late-paying customers. The finding was that although 29% said this wasn't applicable to them, out of the remainder 51% would only tolerate one or two instances of late payments before terminating contracts.

In the parallel Business Advisers survey we asked where advisers think businesses should draw the line. After adjusting for the 4% who said this question was not applicable, 54% said after one or two instances.

**UKBB: To what extent do you tolerate late payment before terminating a contract?**

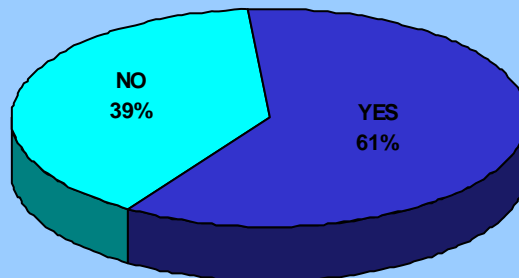
**UKBAB: Generally, to what extent do you think businesses should tolerate late payment before terminating a contract?**



*after adjusting for 'not applicable' responses: UKBB 29%; UKBAB 4%*

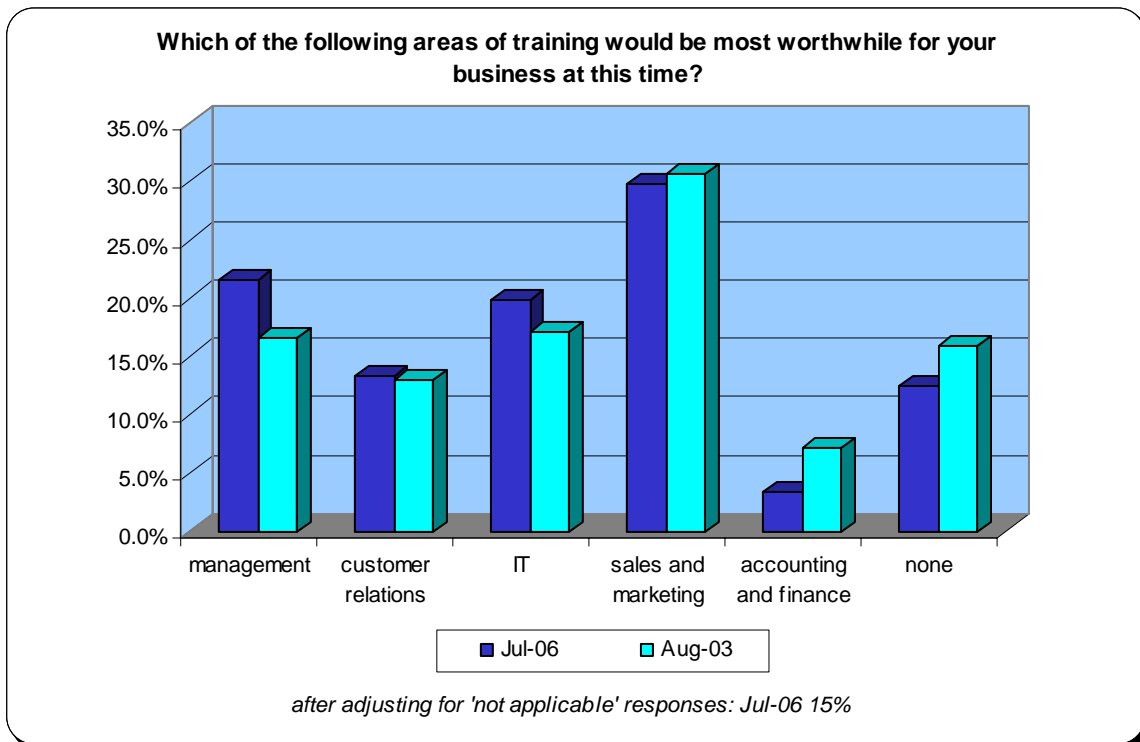
In April 2005 the UKBB survey included a question on when panellists had last conducted an analysis of their businesses training needs. Results showed that 60% had done one within the last twelve months, although 12% responded 'not applicable'. The question in this month's survey was slightly different – it asked about annual analyses rather than the latest occurrence, and the result showed that 48% of respondents perform an analysis of training needs annually, with 20% responding 'not applicable'. The two sets of responses are not inconsistent, and reveal that nearly half of the smaller businesses making up our panel are well aware of the need to keep training requirements under regular review.

**Do you conduct an annual analysis of your business's training needs?**

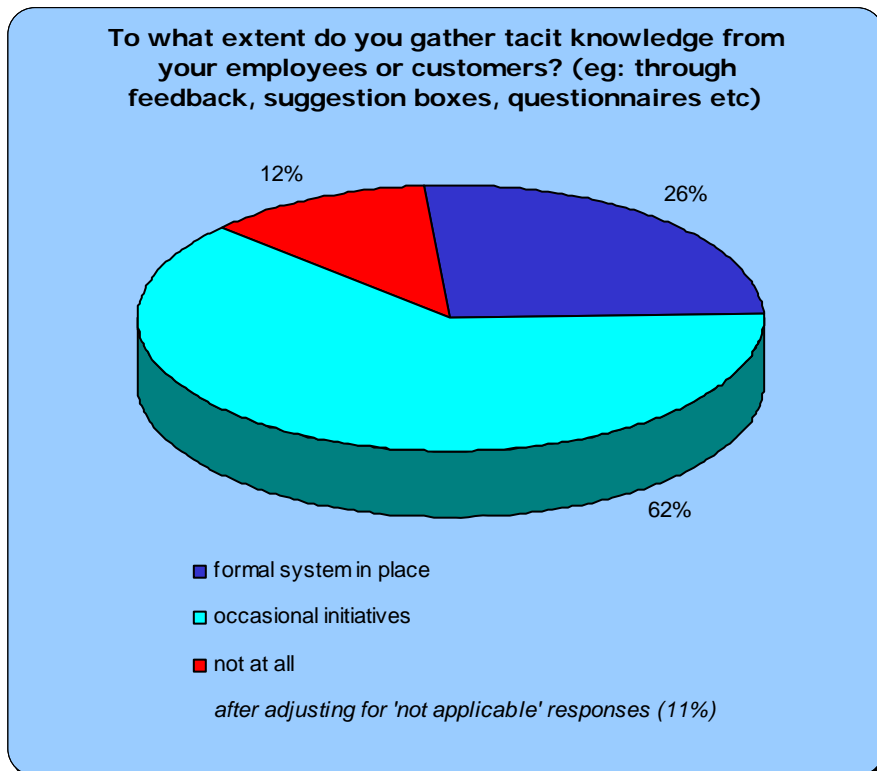


*after adjusting for 'not applicable' responses (20%)*

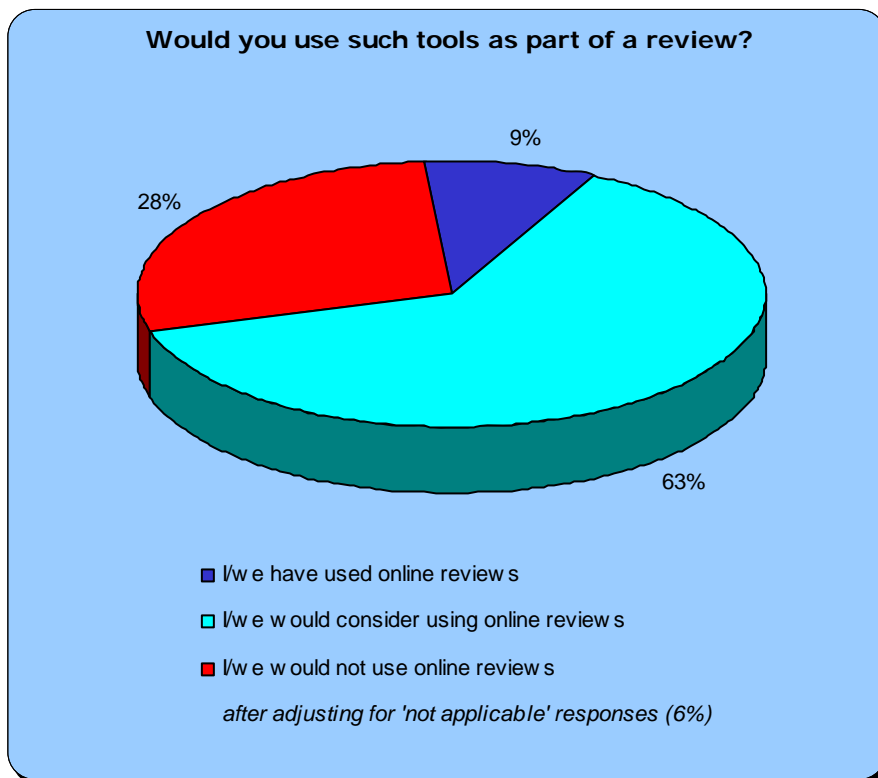
The second question on training requirements was specific to needs for expertise. We last asked this question in August 2003 and this month's results are not dissimilar, particularly the percentages of respondents who would value training in Sales and Marketing and Customer Relations.



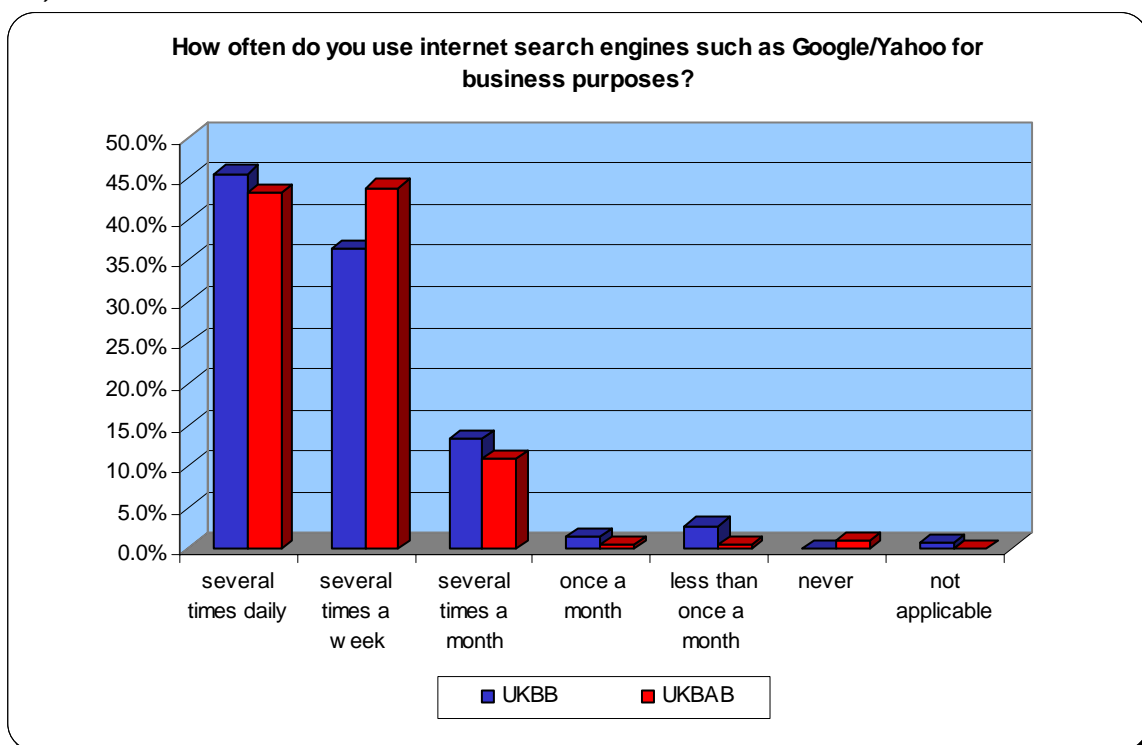
Tacit knowledge is far less tangible than other types of information and is often embedded, unrecognised, within a company's own culture. Recognising and exploiting tacit knowledge can improve competitive advantage and make a company more innovative. 26% of respondents have a formal system in place for tapping into tacit knowledge, while 62% create occasional initiatives for gathering it.



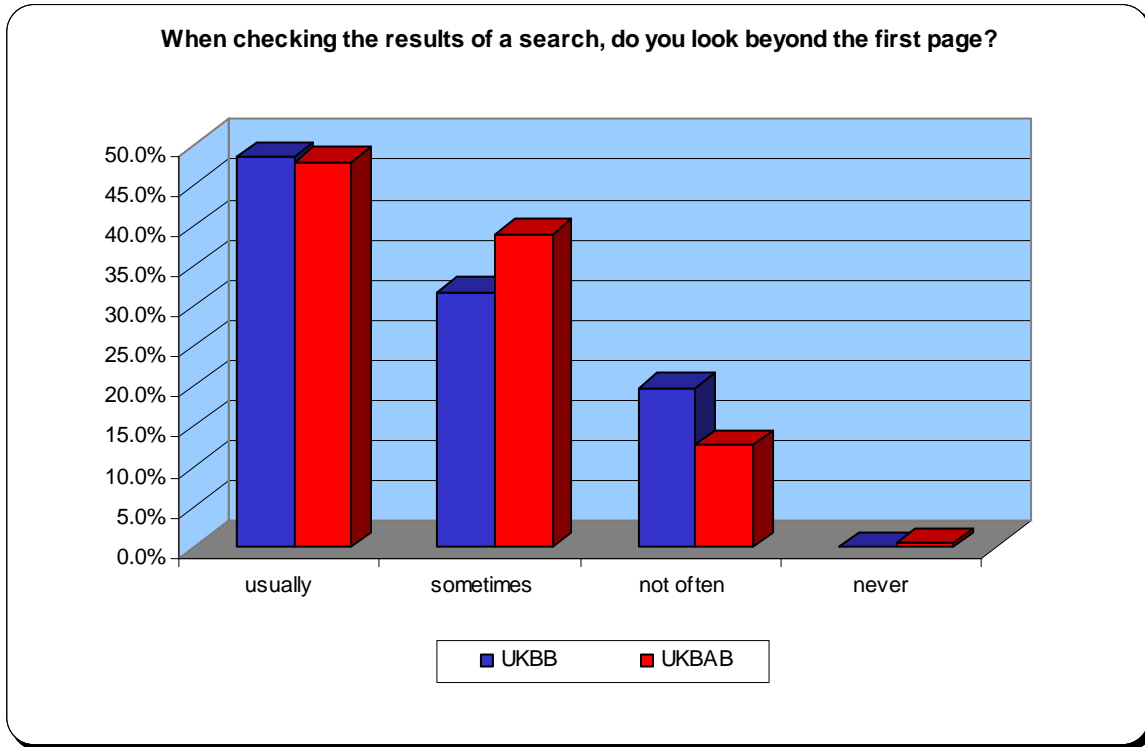
More online business 'Health Checks'/Reviewing tools are being made available to businesses including a new one from Business Link. 9% of UKBB respondents have already used online reviews, and 63% would consider using one. 28% would not consider using an online review.



August 6<sup>th</sup> 2006 was the fifteenth anniversary of the launch of the first Web site. Browsers and search engines were subsequently developed, with 'Google' being launched a mere eight years ago. Now they seem to be almost indispensable - 46% of respondents to the UKBB survey and 43% of respondents to the parallel survey of business advisers, the UKBAB, use search engines for business purposes several times daily. A further 36% (UKBB) and 44% (UKBAB) use them several times a week.



A whole area of e-marketing has grown up round the technique of maximising the number of times and position in the list a website is retrieved by a search engine query. The prime position is obviously at the top of the list, but what is the value of entries that fall after the first page? It must depend on how often searchers use second and subsequent pages. Nearly half - 48% of UKBB respondents and 47% of UKBAB respondents - say that they usually do look beyond the first page, and a further 32% of UKBB and 39% of UKBAB respondents sometimes look at page 2 onwards. However, 20% of UKBB and 13% of UKBAB respondents admit that they do not often look beyond the first page.



Listed below are extracts from feedback into the July 2006 Survey BB98

**Comments are listed by sector**

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

**Production & Manufacturing**

I have taken the questions where terrorism is a possible answer, to mean global state terrorism rather than individual acts in this country.

WHAT ABOUT CHINA AND INDIA AS A THREAT TO UK ECONOMY? WHAT ABOUT EU REGULATION AND RED TAPE?

**Business services**

Q1 and Q2 where I answered "other" I am most concerned about PMs and Presidents leading us into [at least] a regional war, such as in the eastern Mediterranean / Iraq & Iran / Arabia.

The UK economy will never be strong or static if the government do not take more notice of the impact small to medium business make, and include the findings into their short, medium and long term strategies, including funding, interest rates, red tape, easy access and over all business user friendly policies.

**Other**

Greatest short term threat is the unpredictable actions of the current gov't. eg home surveys