

## UKBB 107 April 2007 Analysis

The April survey looks into new product development, and also included this month are questions on pre-tax profit margins, capacity, the medium to long term future of the UK economy, plus what issues firms would most like advice on if they had free access to an expert consultant.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the April survey, 130 respondents were drawn with the following population characteristics:

<b>Sector</b>			
Production & Manufacturing	Distribution	Services	Total
25.4%	7.7%	66.9%	100.0%

<b>Turnover (£)</b>			
< 1M	1M - 3M	> 3M	Total
69.2%	17.7%	13.1%	100.0%

<b>Number of Full-time Employees</b>					
1-10	11-20	21-50	51-100	100+	Total
60.0%	24.6%	9.2%	3.1%	3.1%	100.0%

### Survey findings

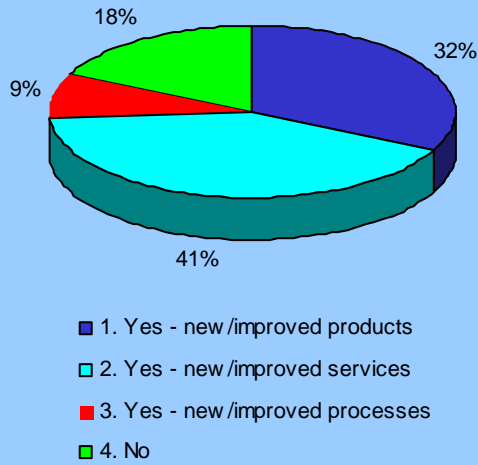
Over 80% of respondents have introduced new or improved products, processes or services over the last two years, the highest proportion being in new services.

When asked to focus on the most significant new product, service or process 20% had introduced something that was completely new, i.e. not introduced by any other businesses before. 31% of respondents had brought in something that, although new to their own business, was already available from others in their sector, and 49% had made changes to an existing product, service or process, with 42% providing improvements and 7% making some other sort of change.

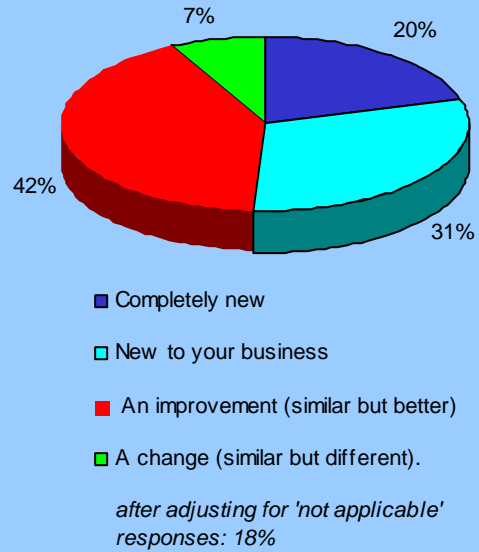
These overall figures show broadly similar results to those obtained in July 2005. The most marked differences between the two sets of results is a large increase in the percentage that say their most significantly improved product, service or process is an improvement to an existing one, similar but better (from 33% to 42%), with a large decrease in those who changed an existing product, service or process, something similar but different (from 15% to 8%).

Looking at results for products only, 36% said that their products were completely new and 41% said that they were improvements to existing products. For services, 44% said they had improved existing services, but 37% said they had taken on new services which were already offered by others in their sector. In the case of new or improved processes, 46% had introduced a process that was new to their business but already used elsewhere in their sector while 36% had improved a process they were already using.

**Has your business introduced any new or significantly improved products, services or processes in the past 2 years?**



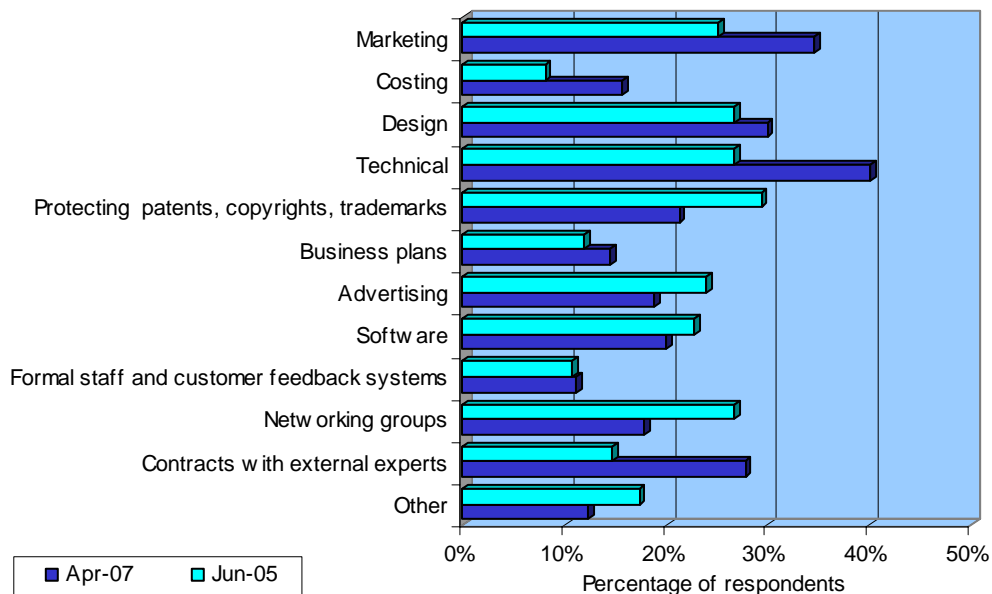
**Would you describe your most significant new or improved product / service / process as...**



When new products, services or processes are at the development stage, many respondents seek external advice about some aspect. The most frequent consultation was about technical issues - after adjusting for those responding with 'don't know or 'not applicable', 40% of remaining respondents have sought technical advice externally while 31% of respondents looked for external help on Marketing and 27% for Design advice.

The parallel UK Business Advisers Survey (UKBAB) asked advisers what kind of advice their clients most commonly asked for in connection with the introduction of new products, services or processes. The most frequent response was Business plans with just over 18%, followed by Marketing with just under 18% and protecting patents, copyrights and trademarks with 14%, after adjusting for 'don't know' and 'not applicable' responses.

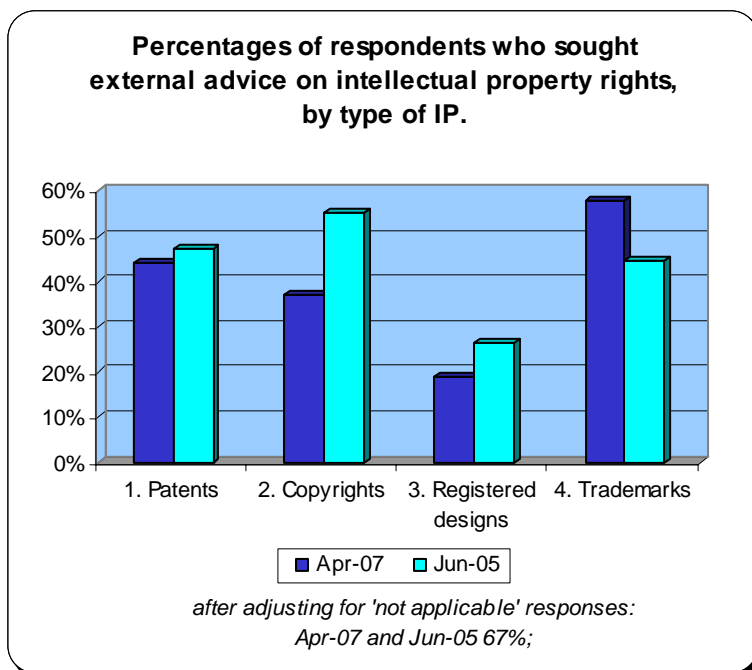
**Have you sought external advice on any of the following when developing new products, services or processes? [tick all that apply]**



*after adjusting for 'don't know' responses (2% Apr 07 and Jun 05) and 'not applicable' responses (29% Apr 07, 33% Jun 05)*

The type of intellectual property rights that respondents have most sought advice on have been Trademarks. After adjusting for those responding 'not applicable', 58% of remaining respondents sought advice on trademarks, 44% on patents and 37% on copyrights. Many have asked for more than one type of advice. Registered designs received the smallest response.

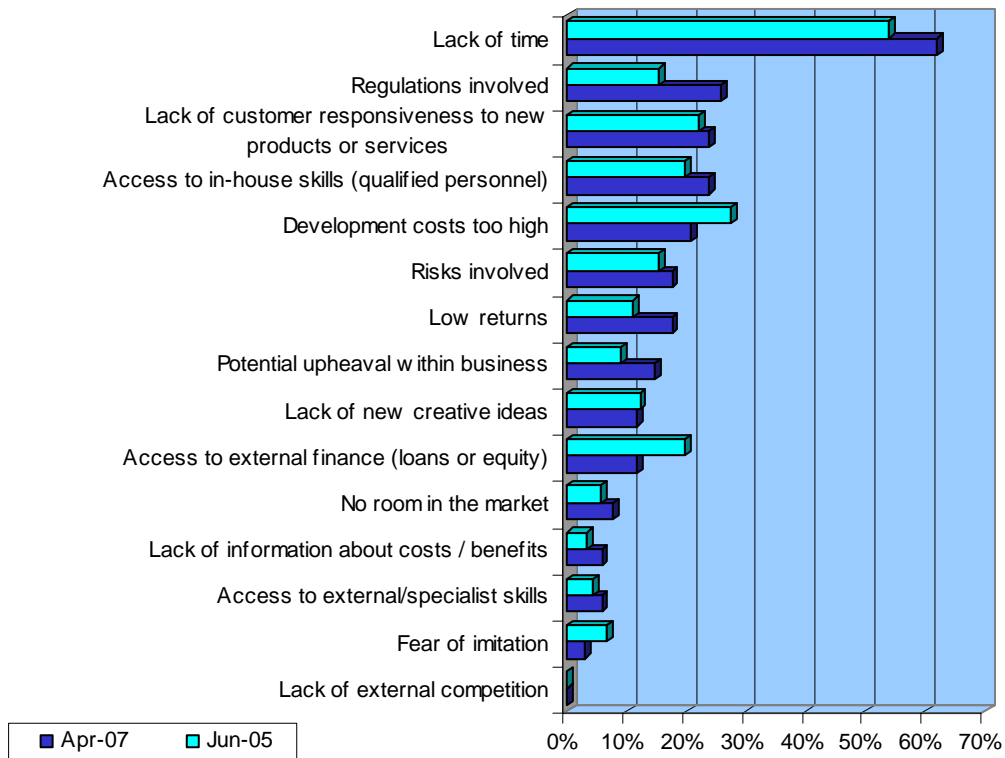
In the UKBAB survey, Advisers were asked about which type of intellectual property rights their clients have sought advice on. On average, advisers were asked for advice on between 2 and 3 out of the four categories, with patents topping the list. Again, registered designs were the subject of the least interest from clients.



Nearly two years ago, when we asked about factors inhibiting the introduction of new products, services and processes, the foremost factor to emerge was lack of time and this was unchanged in the latest survey, chosen by 62% of respondents this time compared to 54% in June 2005. The second factor at that time was 'development costs too high' but this time around too high development costs rank in fifth place and regulations have moved into place as the second greatest deterrent – last time regulations were sixth. Excluding those who responded with 'not applicable', don't know' and 'none', respondents selected an average of 2.5 responses. Unchanged ranking in third and fourth by relatively high numbers of respondents were lack of customer response to new products or services (24%) and access to in-house skills (24%).

The UKBAB Survey asked advisers to draw on their knowledge of working with businesses to say which of the listed factors limits businesses' ability to introduce new products services or processes. Advisers were invited to select all the factors they thought applied, and the same three factors as in June 2005 emerged as the strongest: lack of time, too high development costs and the risks involved, each attracting 12% of total responses. In fourth position was access to external finance (loans or equity). Excluding those who responded with 'not applicable', don't know' and 'none', advisers selected an average of 5 responses.

**Which of the following factors do you think limits the ability of your business to introduce new products, services or processes? [tick all that apply]**



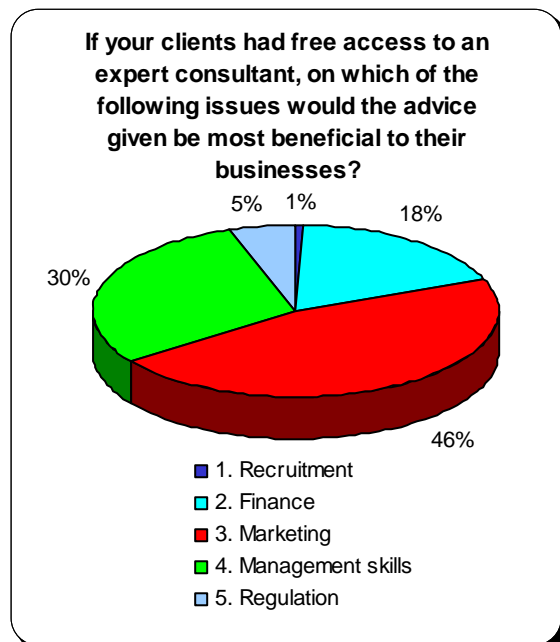
after adjusting for responses of 'none': Apr-07 4%; Jun-05 7%, 'don't know': Apr-07 3.2%; Jun-05 2.6% and 'not applicable': Apr-07 14.9%; Jun-05 12.6%

UKBB panellists were asked which issue would be most beneficial to their business if they could receive free consultancy advice. Marketing was chosen by 54% of respondents, with other choices all receiving many fewer votes. In the parallel survey of business advisers, the UKBAB, panellists were asked which issues would be most beneficial to their clients if they were offered free expert advice. Although Marketing was chosen by 46% of respondents, Management skills was favoured by 30%.

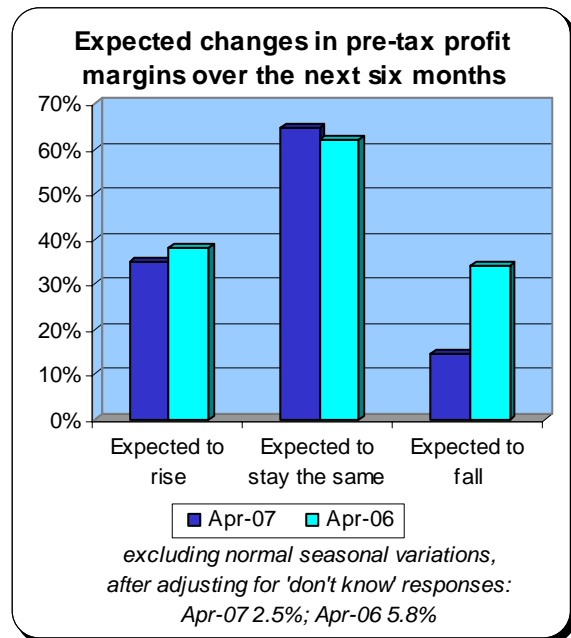
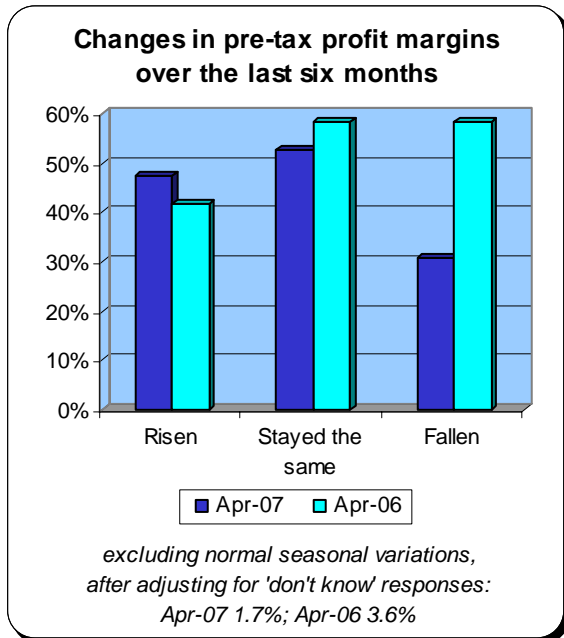
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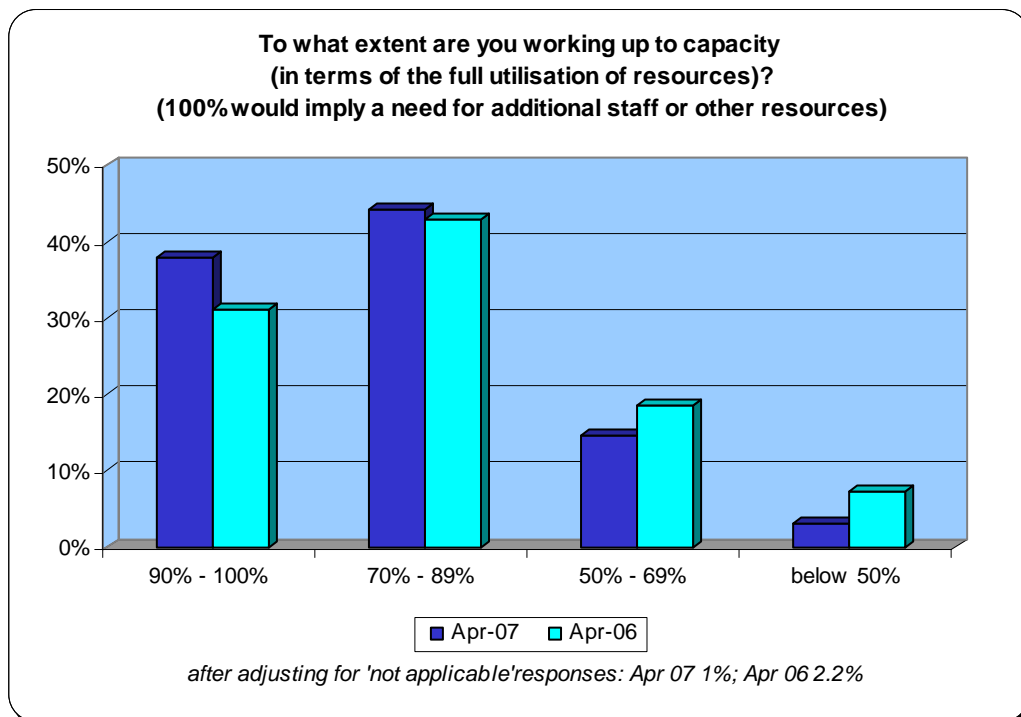
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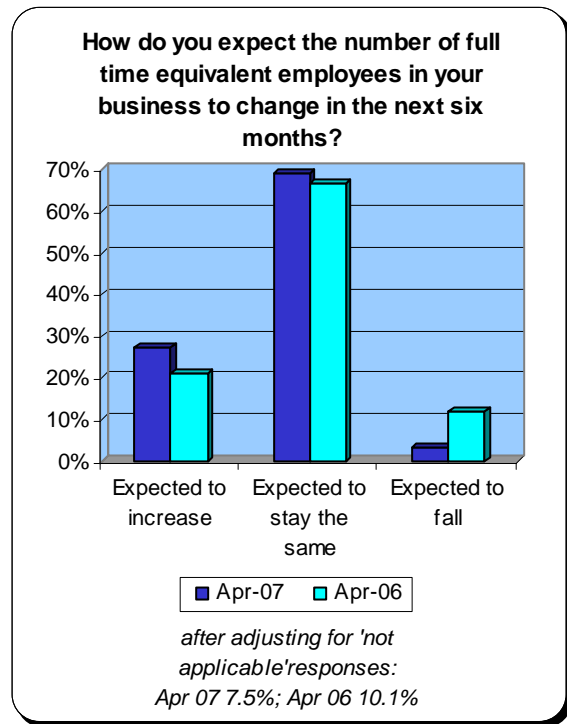
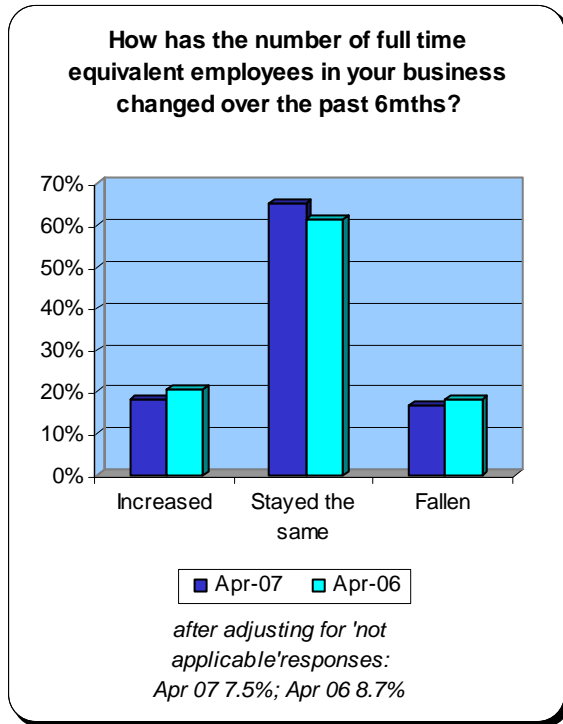
Over the last 6 months 36% of respondents have seen pre-tax profit margins rise, while 24% have experienced decreases. This is an improvement compared with the last time we asked this question, in April 2006, when 26% had seen rises and 37% had seen falls. In the next 6 months 31% expect pre-tax profits to grow, while only 13% expect reductions with 57% expecting pre-tax profits to stay the same. This is more optimistic than the April 2006 responses, when 29% looked forward to increases in the following six months, compared to 25% expecting decreases. (All percentages are after adjusting for those responding 'don't know')



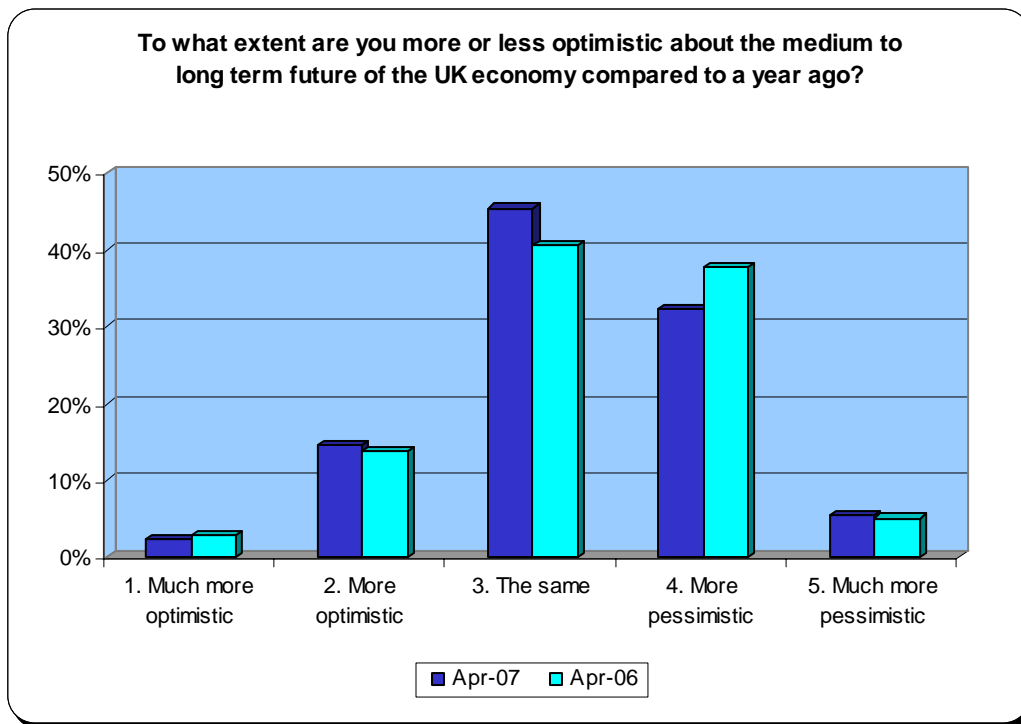
On average, respondents are working at higher levels of capacity compared with April 2006, most noticeably with an increase by 7% in those who estimate that they are working at 90%-100% capacity. A total of 82%, after adjusting for 'not applicable' responses, are working at over 70% capacity.



Over the last six months 18% of respondents have increased the number of full time equivalent employees in their businesses and 28% also expect to increase over the next six months. Although 17% said that the number of their employees has fallen in the last 6 months, only 3% expect falls in the next half year. Although the figures for the past six months are very close to the findings of the April 2006 survey, when the question was last asked, those for the next six months are much more optimistic. They are all quoted after adjusting for 'not applicable' responses.



In April 2006 we asked panellists if they were more or less optimistic about the medium to long term future than they had been a year before. We repeated the question in April this year (2007) and found very little change in attitude. Although 17% of respondents say they are more optimistic than they were a year ago, the same percentage as in April 2006, the percentage feeling more pessimistic has decreased to 38% from 43% last time. Those who have not changed their view have increased from 41% to 45%.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB107 April 2007

*Comments are listed under sector headings.*

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

**Production & Manufacturing**

I normally enjoy filling in the questionnaire, and find it a useful tool to help me review where I am and what I think..... I would encourage you to revert to the previous style of probing question with limited well thought through alternatives.

**Business services**

It would help if we were not forced into answering questions that were not applicable to one's business - Item 12 refers. A 'nil' box would have offered a more accurate answer.