

UKBB 104 January 2007 Analysis

The first survey of 2007 looks at the supplier/customer relationship, starting a business and familiarity with WiFi. Panellists' views were also sought on school leavers and graduates and the value they bring to business.

About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the January 2007 survey 132 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
26.5%	9.1%	64.4%	100.0%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
69.7%	18.9%	11.4%	100.0%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
60.6%	25.8%	7.6%	2.3%	3.8%	100.0%

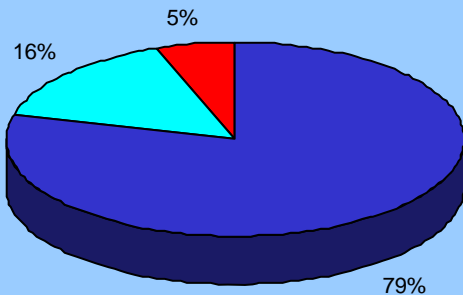
Survey findings

Relationships with suppliers can vary from simple and non-integrated to more elaborate types of competition and co-operation. The balance between customer and supplier, when both are businesses, is affected by the relative size and market power of each but some regulation exists which is intended to protect smaller businesses from predatory behaviours by larger customers and suppliers. A large amount of management advice focuses on building and sustaining successful relationships with both suppliers and customers.

In a series of questions asked in the January 2007 Business Barometer survey, it emerged that 79% of respondents (after adjusting for 'not applicable' responses) view their relationship with their suppliers as long term i.e. more than two years duration, and 56% (again after adjusting for 'not applicable' responses) place conditions other than just price and delivery dates, such as quality control, on their relationships with suppliers.

In the parallel survey of Business Advisers, the UKBAB, 58% of respondents (after adjusting for 'don't know' responses) said that their clients take a long term view of relationships with suppliers, and 45% (again after adjusting for 'don't know' responses) said that clients place conditions other than just price and delivery dates, such as quality control, on their relationships with suppliers. A respondent commented that conditions might include value for money, warranty and after sales service.

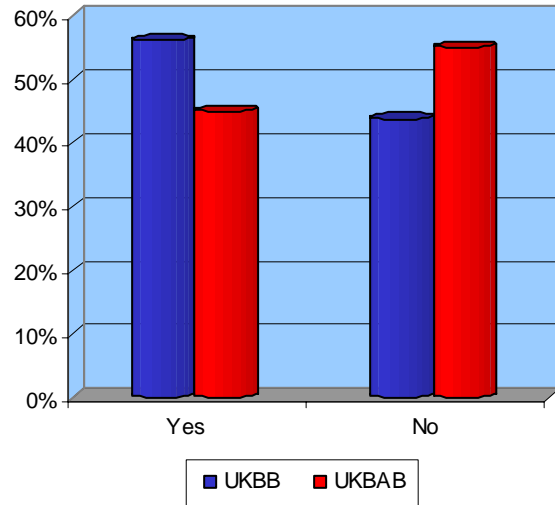
In general, when choosing and working with your suppliers, how long term is your view of the relationship with your business?



- Long term (2 years plus)
- Medium term (1 year plus)
- Short term (less than a year)

after adjusting for 'not applicable' responses: 2%

Over and above agreed delivery dates and terms and conditions of payment, are there other formal conditions placed upon that relationship (eg. quality control)?



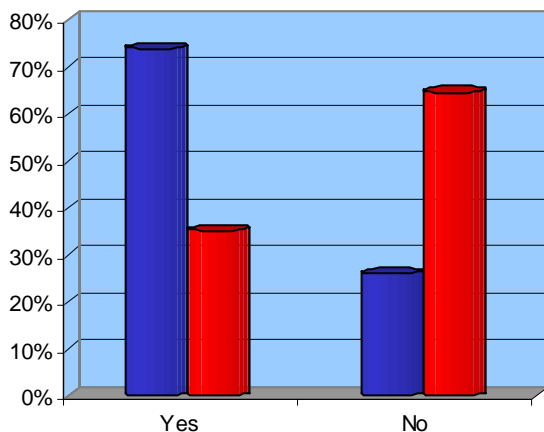
after adjusting for UKBB 'not applicable' responses: 8%

and UKBAB 'don't know' responses: 6%

74% of UKBB respondents (after adjusting for 'not applicable' responses) regularly review how their suppliers fulfil conditions of supply, and although over the last twelve months 51% of all respondents haven't left any suppliers because of failure to meet these conditions, 49% have had to change one or more suppliers, again after adjusting for 'not applicable' responses.

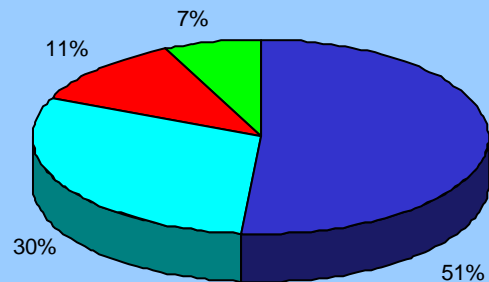
The percentage of smaller businesses responding to the UKBB who regularly review fulfilment of conditions of supply (74%) contrasts sharply with the 34% of Advisers responding to the UKBAB whose clients regularly review their suppliers' fulfilment of conditions of supply.

Do you review your supplier's fulfilment of these conditions on a regular basis?



after adjusting for UKBB 'not applicable' responses: 27%
and UKBAB 'don't know' responses 9%

In the last twelve months, have you had to terminate your relationship with any suppliers due to failure to meet the required conditions?

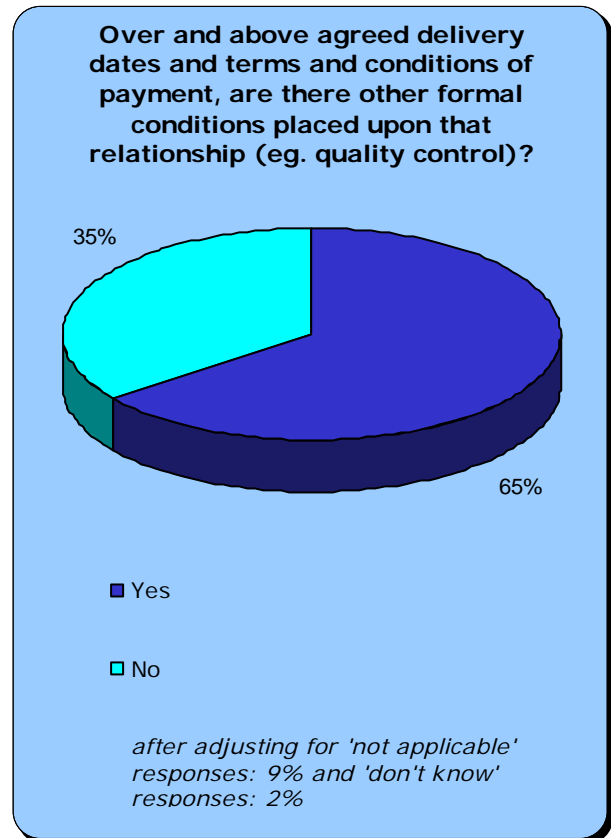
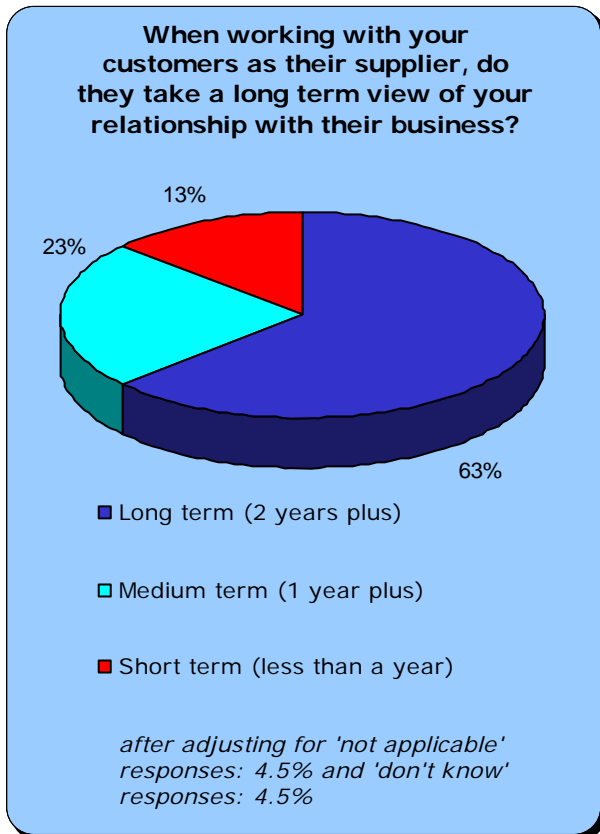


- None
- One
- Two
- More than two

after adjusting for 'not applicable' responses: 13%

When acting as suppliers themselves, 63% of respondents to the UKBB are in a long term (2 years plus) relationship with their customers, after adjusting for 'not applicable' and 'don't know' responses and 64% of all respondents have formal conditions, other than delivery dates and payment, placed upon their relationships.

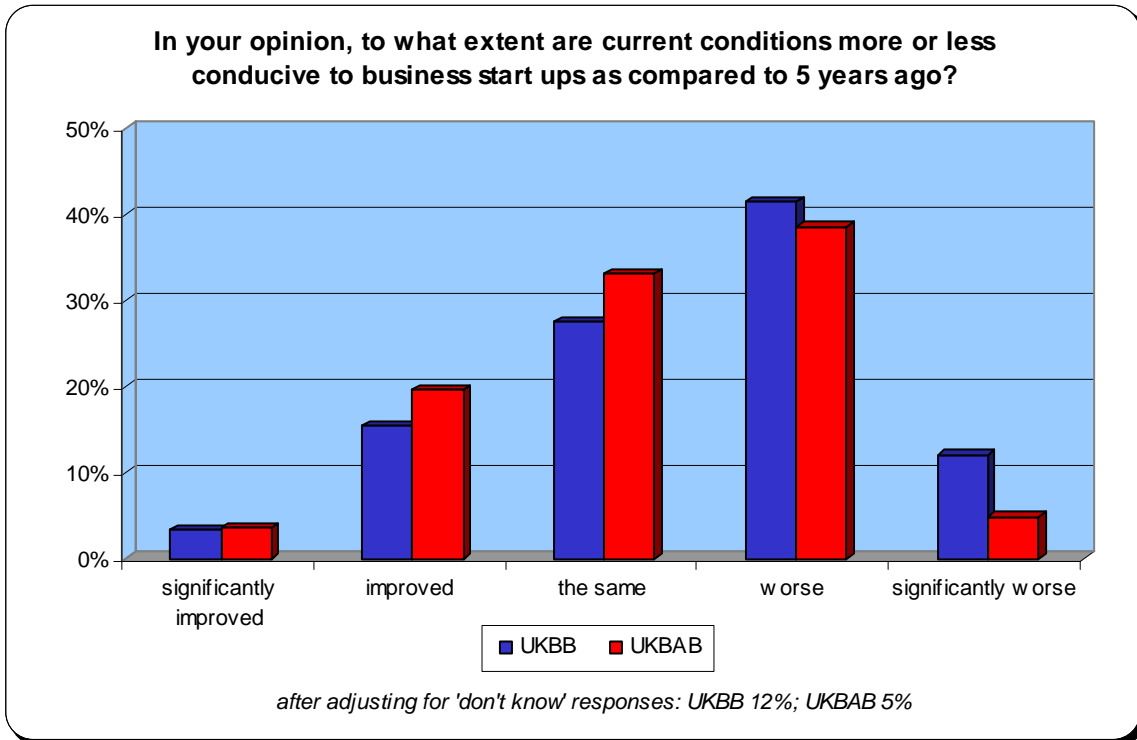
In the parallel survey of Business Advisers, panellists were asked about long term relationships between clients and their customers. 91% of respondents feel highly or reasonably highly that their clients should take a long term view of customer relationships and 33% of respondents say that to a high or reasonably high extent, clients' customers have placed upon their relationships formal conditions, other than delivery dates and payment.



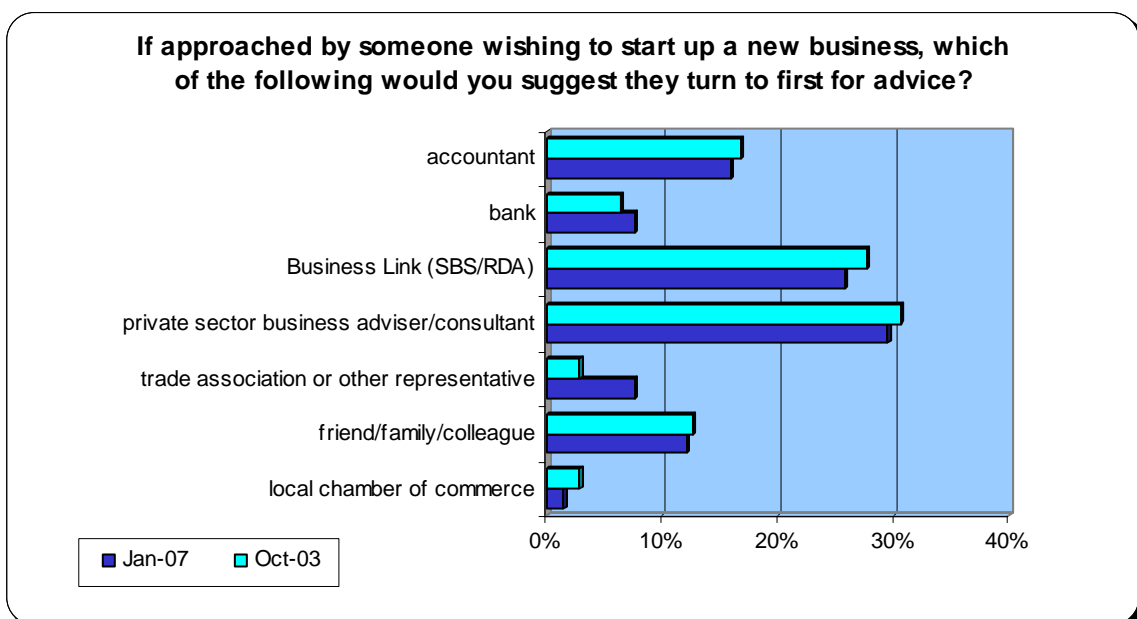
With much recent media attention given to new business start ups and those who say they are contemplating starting a new business, panellists of both the UKBB and the UKBAB were asked their opinion on the current climate for new businesses. The two surveys asked the same question three and a half years ago, and although the results from the UKBB respondents were quite close to last time's, respondents to the UKBAB seem to have become gloomier.

19% of UKBB respondents think that current conditions have significantly improved or improved compared to 5 years ago (21% in July 2003) while 54% think they have worsened or significantly worsened (59% in July 2003).

Although 23% of UKBAB respondents think that current conditions have significantly improved or improved compared to 5 years ago, in July 2003 the figure was 39%, and 44% think they have worsened or significantly worsened compared to 34% in July 2003.

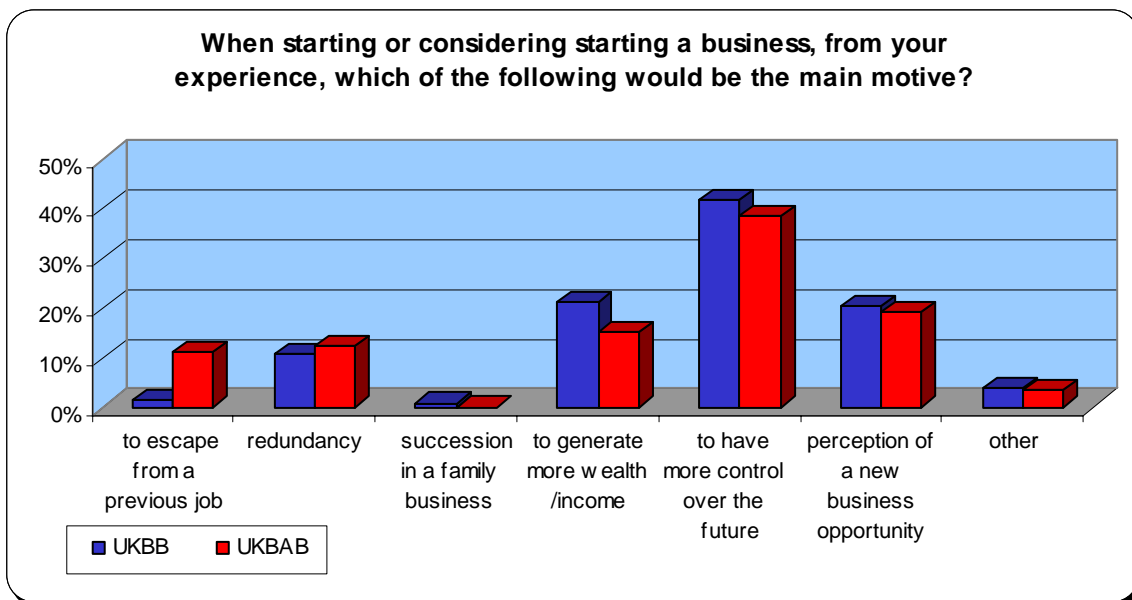


If someone wishing to start a new business asked the UKBB respondents, the majority of them would recommend the potential start-up to seek advice from Business Link or an independent business adviser first. 16% would recommend an accountant and 12% would advise going to a friend, family or a colleague. This finding is very close to that when the question was put in October 2003.



Looking at why new businesses are started, we asked both the businesses who form the respondents to this survey and the business advisers who respond to the parallel survey, the Business Advisers Barometer. There was a strong and similar leader among the possible responses, with around 40% in each case believing that it is to have more control over the future. Just over 21% of UKBB respondents believe it is to generate more wealth and/or income (compared with 15% of UKBAB), and nearly 21% of UKBAB respondents believe it is because of the perception of a new business opportunity (compared with 19% of UKBB).

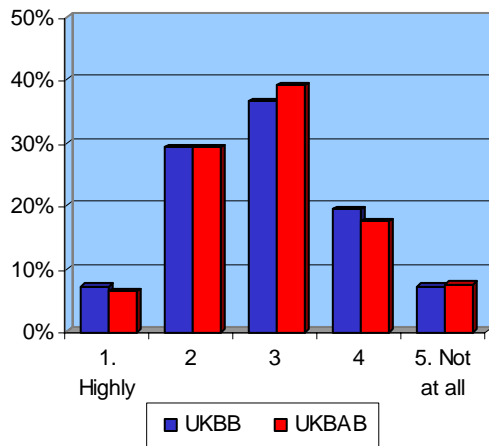
The question gave rise to several individual comments about motivation for starting a business. One was that it was "in the blood", others included a better quality of life and being one's own boss.



OECD research* published in 2006 indicated that earnings for graduates are 58% higher on average than those with only a secondary education. The January UKBB survey included a question on the extent of value that graduates add to their employers' businesses and a similar question with respect to the employment of school leavers. Questions were also put in the parallel UKBAB survey, asking Business Advisers how they perceive their clients feel about these issues.

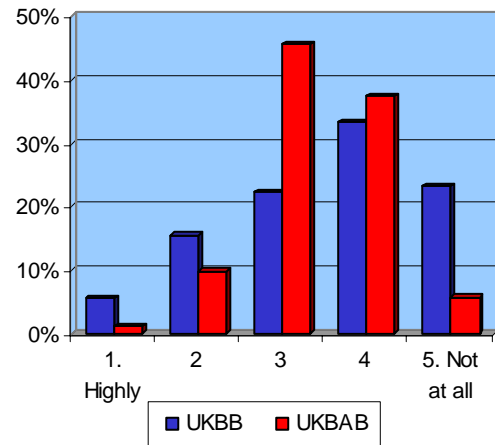
There was close correspondence between the results of the two surveys on graduate value-added, and both surveys rated the value added by school leavers much lower, with the UKBAB coming in lower than the UKBB. With respect to the employment of graduates, 37% of UKBB respondents feel highly or reasonably highly that their overall university education brings/adds value to their businesses, while 27% feel the reverse: that there is no or very little value brought or added by graduate recruits. One respondents felt that it depended on which University and on the subject studied. With school leavers, only 21% of UKBB respondents feel highly or reasonably highly that their education brings/adds value to their businesses and 57% feel that school leavers bring or add no or very little value.

In your experience, when employing graduates, to what extent do you feel that their overall university education brings/adds value to your business?



after adjusting for UKBB responses: 'not applicable' 32%; 'don't know' 6%

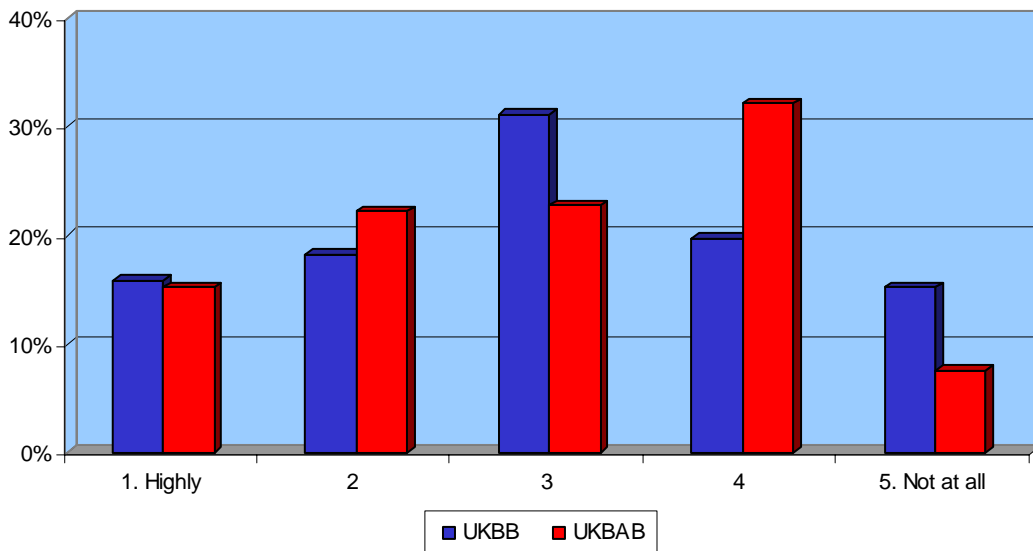
In your experience, when employing school leavers, to what extent do you feel that their education brings/adds value to your business?



after adjusting for UKBB responses: 'not applicable' 27%; 'don't know' 5%

The results of the December 2006 survey showed that 47% of UKBB respondents consider that WiFi is likely to be beneficial to their businesses either now or in the future, however the precise benefits are less well understood. Only 34% of respondents to this current survey feel sufficiently familiar with the capability and functionality of WiFi to a high or reasonably high extent to understand the benefits for their businesses. 35% of UKBB respondents are not at all familiar or are hardly familiar with WiFi's capability and functionality– this was strongly underlined by one respondent's comment: "What is WiFi?".

Many see WiFi as having huge implications for the future. To what extent, do you feel sufficiently familiar with its capability and functionality to understand the (potential) benefits for your business?



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB104 January 2007

Comments are listed under sector headings.

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

Motor Trade

The reason I started my own business was because doing it was in my blood. I knew that was what I was going to do from a very early age. (definitely as the RAF turned me down for fighter pilot training.) The innate skills for both ambitions being very similar.

Retail

Due to government restrictions on the tobacco trade, we shall be ceasing to trade within the next three months.

Business Services

Answer to Q1 - I look for the best value-for-money deal.

(Q1. In general, when choosing and working with your suppliers, how long term is your view of the relationship with your business?)

Answer to Q2 - Quality, warranty, and after sales support of the product or service is also necessary. *(Q2. (when dealing with your own suppliers) Over and above agreed delivery dates and terms and conditions of payment, are there other formal conditions placed upon that relationship (eg. quality control)?)*

Answer to Q6 - My contract with my clients provide warranty and after sales support.

(Q6. (when acting as a supplier to customers) Over and above agreed delivery dates and terms and conditions of payment, are there other formal conditions placed upon that relationship (eg. quality control)?)

Graduates from the 'new universities' and those who have taken subjects like media studies are a waste of time. I would only ever look at anyone from a real university and with a real degree.

Question 8 - There would be a few more options I would tick if I was allowed, because I have found that it depends on the person's skills and knowledge of their abilities, their understanding of the market place and their financial circumstances.

(Q8. If approached by someone wishing to start up a new business, which of the following would you suggest they turn to first for advice?)

Question 9 - Again I would tick more options if I had the opportunity, because there are a few options why a person wants to start their own business; the main one being a better quality of life and being their own boss.

(Q9. When starting or considering starting a business, from your experience, which of the following would be the main motive?)