UKBB 124 October 2009 Analysis

The UK Business Barometer seeks to shed light on how smaller businesses are coping with the current state of the economy. Questions are focused on topical issues and the survey is deliberately kept short, but additional comments on problems facing business are invited as part of the survey submission and they are reported within the analysis.

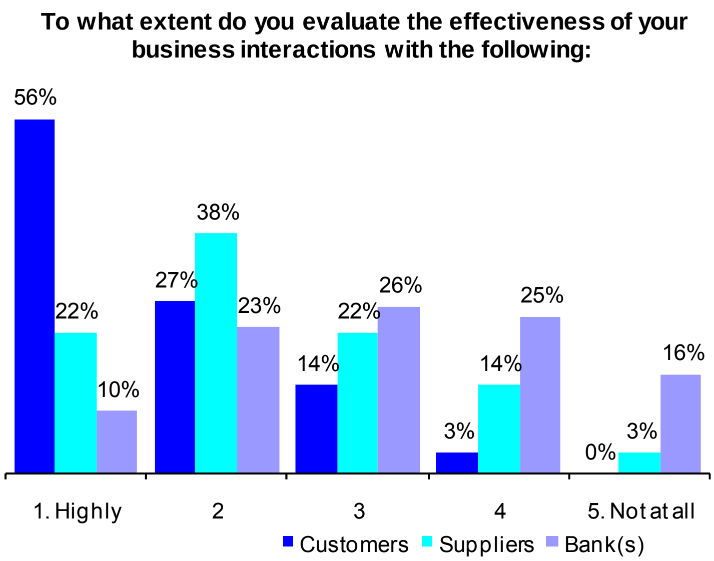
This quarter's survey asked panellists for their views on the sourcing of new ideas for the running of their businesses, on evaluating business interactions and on disseminating findings from lessons learned. Also included were three questions on the reporting of enterprise and entrepreneurs by the media plus the usual quarterly trends questions.

Survey Findings

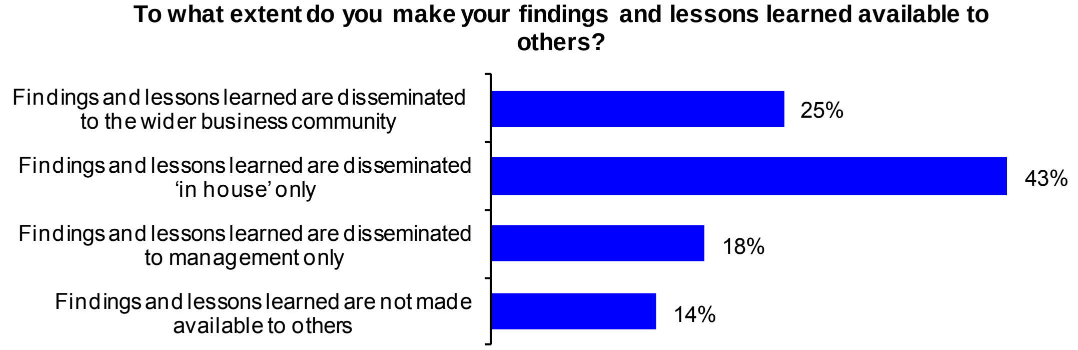
Customer Experience Management (CEM) is a well established practice in larger companies across all industries, covering interactions with customers in all modes of contacts and end-to-end customer related services. Various studies have shown that successful CEM helps with building customer satisfaction, loyalty and promotion. In common with larger company practice, 84% of responding smaller businesses also evaluate business interactions with customers to a high or reasonably high extent.

Supply Chain Management (SCM) has grown amongst larger firms, especially so with the growth of globalisation. The relationships between firms and suppliers change as the interactions between them increase. The goal of SCM is to improve performance and competitiveness. For smaller firms, depending on the circumstance, it may not be possible to exercise so much influence on suppliers, but evaluation of interaction with suppliers can provide much useful information and improve decision taking. The survey found that 60% of respondents evaluate business interactions with suppliers to a high or reasonably high extent.

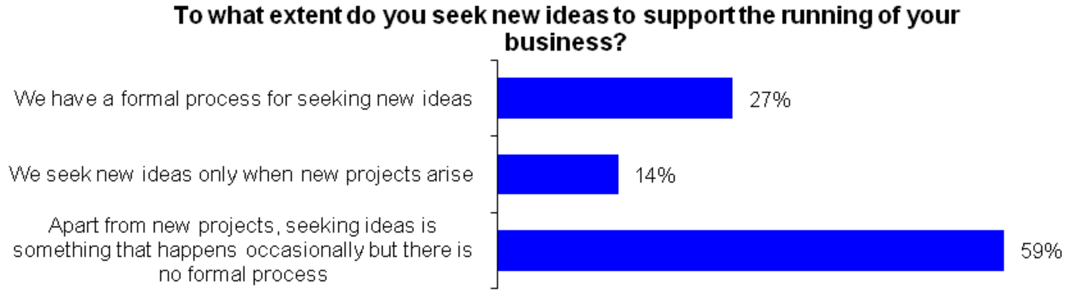
Other studies have shown that although larger companies avoid dependence on a single bank, smaller firms tend to use just one bank. Also that smaller companies are less likely to be satisfied with their banking than larger companies. Only one third of respondents evaluate their interactions with their bank to a high or reasonably high extent and a noteworthy percentage, 16%, say they do not make any evaluation at all.



Only 25% of respondents say that findings are shared outside their own organisations although 61% do disseminate their conclusions, either just ‘in house’ or to management only.

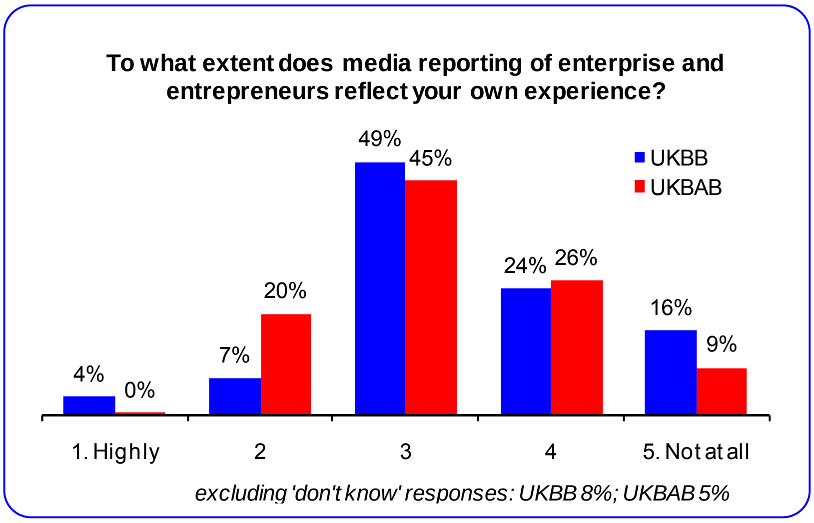


Some of the respondents to this survey may have experienced the ‘Ingenuity’ course at the University of Nottingham Institute for Enterprise and Innovation (UNIEI). Although this may have had some impact upon the distribution of the results, only 27% have a formal process for seeking new ideas. 59% say they don’t have a formal process but one respondent said “ There's no formal process for generating new ideas but it's an ongoing way of being, not just an occasional activity.” While another commented “...if you do not seek informally ideas all the time then it will be the death of your business.....”

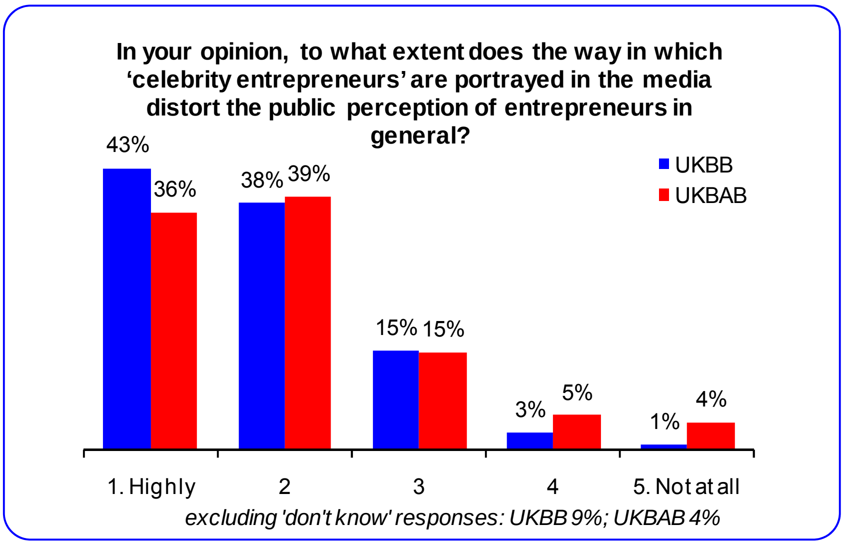


Asked to what extent media reporting reflects their own experiences, out of the smaller businesses responding to the UKBB only 11% thought it does so to a high or reasonably high extent, while 40% said that it does not reflect their experience at all, or not much.

The same question was asked of the participants of the parallel survey of business advisers, the UKBAB, who are well placed to acquire an in depth knowledge and experience of enterprise and entrepreneurs, and 20% said that media reporting reflected their experiences highly or reasonably highly while 35% said that it does not reflect their experience at all, or not much.

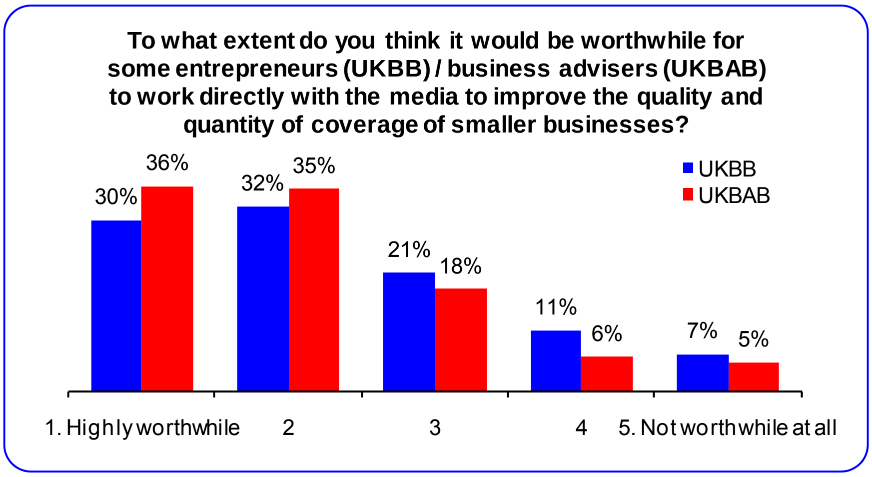


Considering how ‘celebrity entrepreneurs’ are portrayed in the media, the survey asked participants to say whether they thought this distorted the public perception of entrepreneurs in general. 81% thought this was the case to a high or reasonably high extent while only 4% thought this didn’t happen at all, or not much. 75% of respondents to the UKBAB thought reporting of ‘celebrity entrepreneurs’ distorted public perception of entrepreneurs in general.

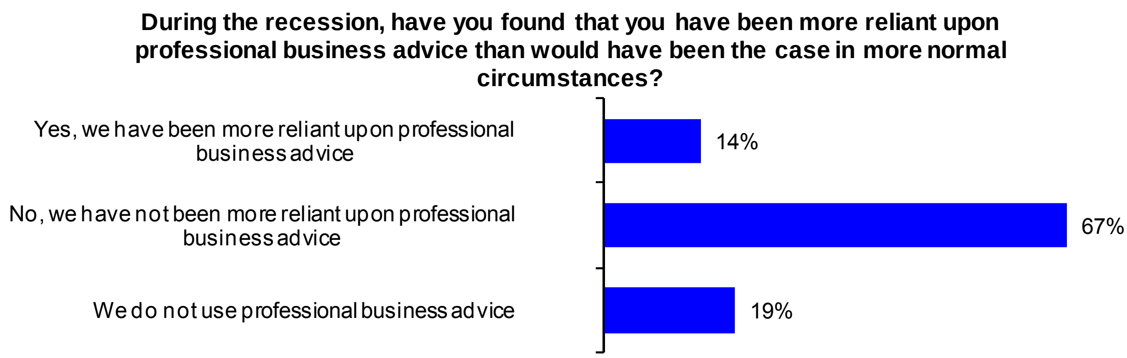


Over 60% of respondents said that they thought it would be highly worthwhile or reasonably worthwhile for some entrepreneurs to work directly with media to improve the quality and coverage of smaller businesses.

The UKBAB survey asked smaller businesses how worthwhile it would be for some business advisers to work with the media towards the same ends. Over 70% said it would be worthwhile to a high or reasonably high extent, and 11% said it would be not, or not very, worthwhile.

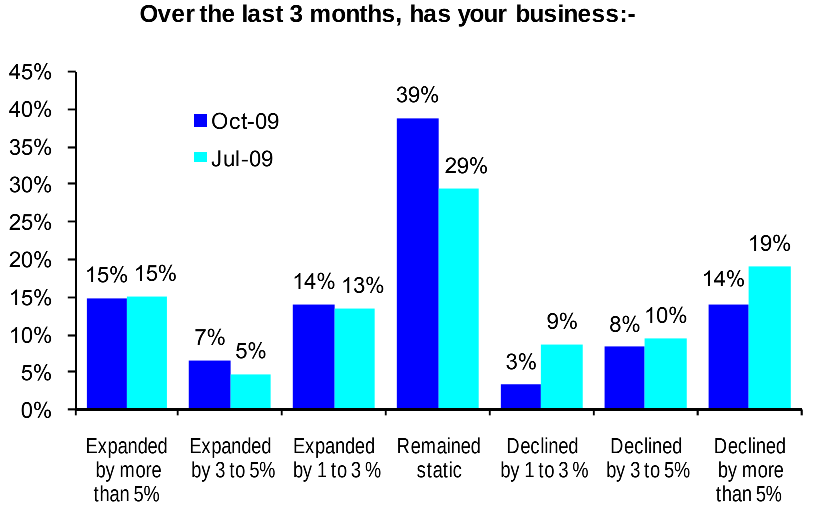


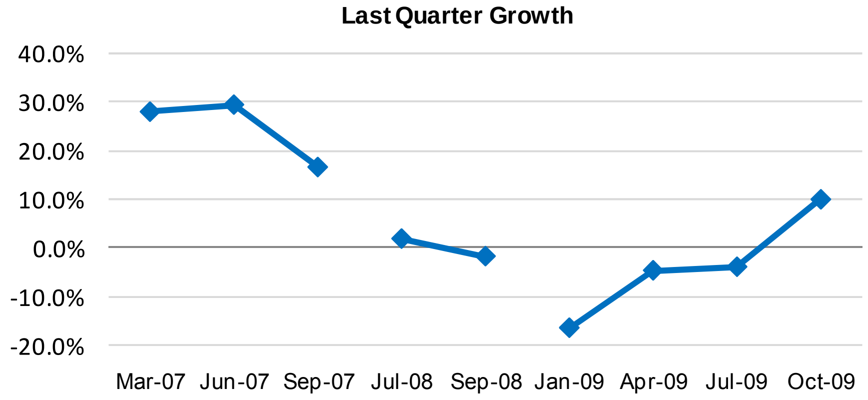
The recession has not generally triggered many survey participants to seek more professional advice – 67% say they have not been more reliant on professional advice during this recession, 19% do not use professional business advice anyway and only 14% have relied on professional business advice more heavily during this period.



Growth over the previous three months and the next three months

The balance of growth amongst UKBB respondents over the last quarter changed from negative 4% in the July 2009 survey to positive 10% in this October 2009 survey, the first positive balance since July 2008. 29% of respondents experienced rapid change in the period: 15% of respondents expanded by more than 5% and 14% declined by more than 5%.

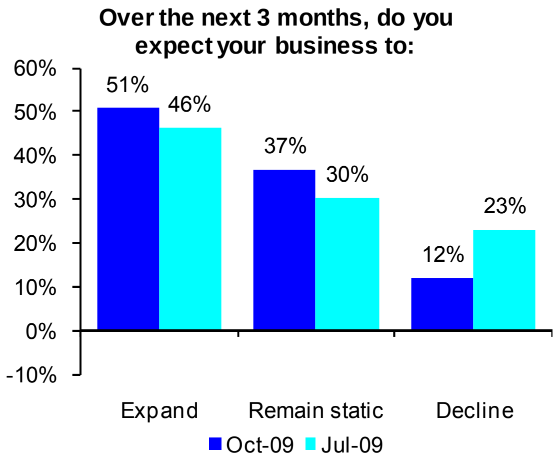


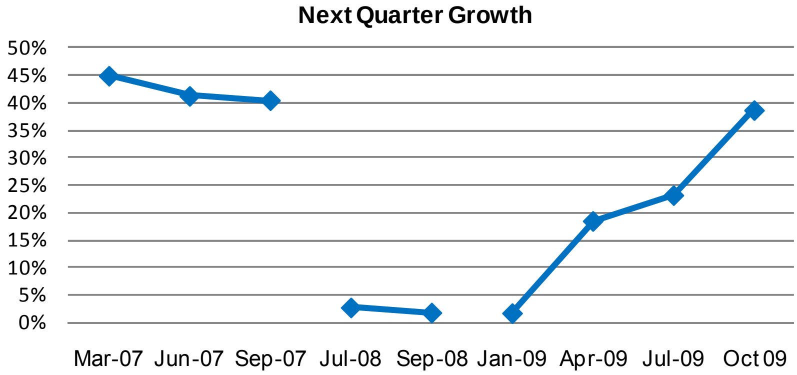


Percentage Experiencing Expansion less Percentage Experiencing Decline

For expected next quarter growth, the balance is even more strongly positive than in July, with 51% expecting to expand while 12% expect to decline. The balance is a positive 39%, compared to +23% in July.

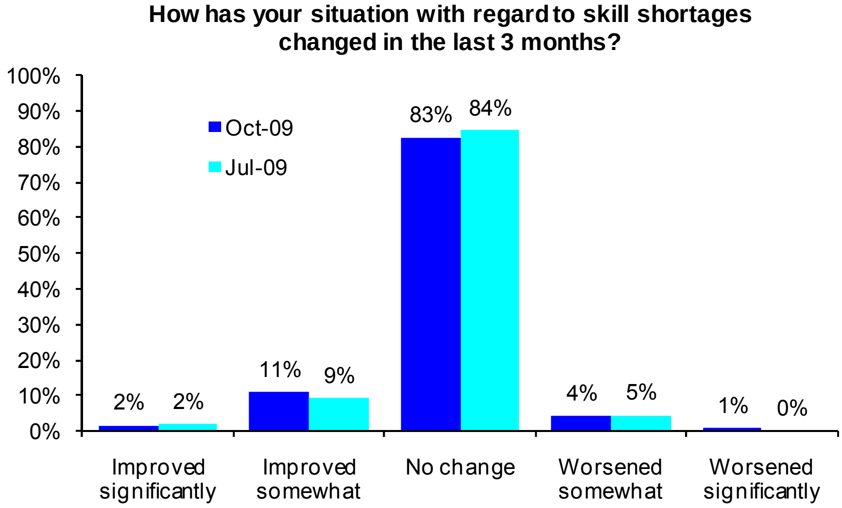
Several respondents expect to see higher growth over the three months to January 2010 due to Christmas effects, but at least one contributor expects lower growth because of winter seasonality.





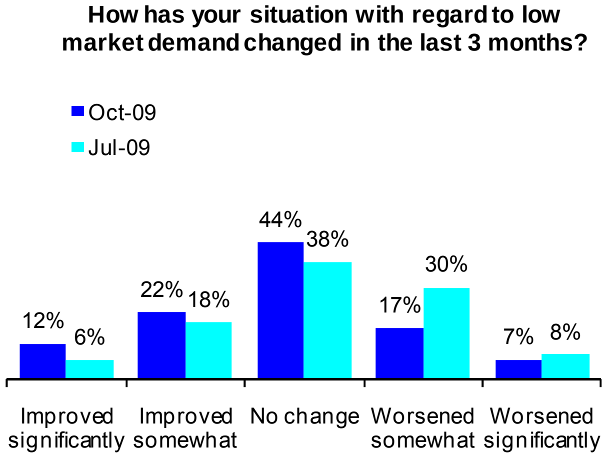
Percentage Expecting Expansion less Percentage Expecting Decline

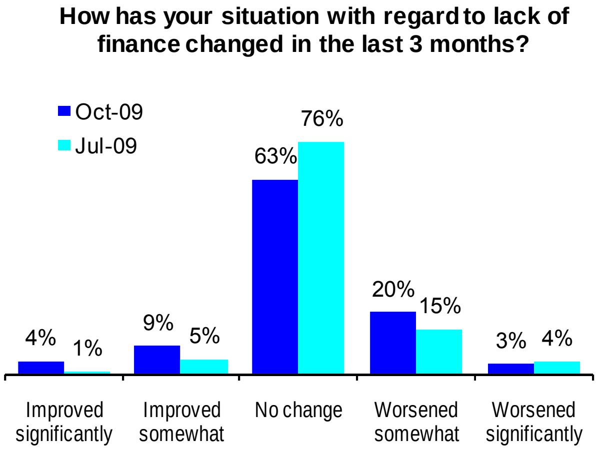
The overall situation with regard to skills shortages has improved only very slightly over the last three months for respondents to this survey.



83% of respondents said that the skills shortage situation in their own business had not changed in the last three months but 13% reported an improvement in their position compared with 11% in July, while 5% said that their situation had worsened over the last three months, the same as in July.

With regard to low market demand, 24% of respondents say that their situation has worsened during the last three months, although 34% have experienced an improvement. 44% have had no change. This is a more encouraging result than in July when 38% said that market demand had worsened and only 24% had seen an improvement.





63% of respondents say that their situation with regard to lack of finance has stayed the same over the last three months, but 23% have found that it has worsened for them compared with 19% in July. However 13% have perceived an improvement compared with only 6%in July.

Listed below are some of the personal views supplied in feedback received from respondents to Survey BB 124 October 2009.
Views expressed are those of individual panellists and may not represent those of the University.

- The word entrepreneur is only a noun to the media and those who are not one. To those who might be described as an entrepreneur it is a verb (in my humble opinion).
  I am always wary of people who describe themselves as entrepreneurs. it is invariably code for someone who wants to make money out of my ideas or energy.
- I doubt that entrepreneurs could persuade the media to change its perceptions and misreporting
- Some of these questions not applicable. Business Link provides free and impartial business advice
- 3 MONTH TIME FRAME IS TOO NARROW
  Even in our business it is too short a time frame...what would be better is let the responder set the time limit.....e.g. Has your situation with regards to low market demand changed? (as above) but then a sub question where we select time frame last 3 months, last 6 months, last 9 months, last 12 months etc.
- Only remaining static because it couldn't get any worse!!
- Boarding kennels are very seasonal.
  However, we have seen a marked increase in both last minute new and repeat bookings, compared with the same period last year. Also, although I cannot give exact figures, more people (we have a purely non-commercial business) are paying in cash, and often wanting to pay before they go away, rather than paying when they collect their pets at the end of their visits

- Expansion in the next 3 months solely due to seasonal effects..
- Public sector spending will have an impact on future sales, as will the inertia in the public sector of waiting for the general election. The current low value of the pound is also an issue for staff.
- Q12. Seasonal business, where winter produces less revenue.
- As a derived demand consultancy is not a typical service to offer and there is a lag in our customers funding and demand for the future which is difficult to read beyond the current financial year.
- The questions 11 & 12 could be refined in the light of the recent difficult trading conditions.
  I expect my own company to do better but its not a true expansion but based on the last 3 months it will be shown as one
- We are not reliant upon asset finance or overdraft facilities as we are fortunate to be cash rich. This non-reliance on banks has meant that we have not curtailed our marketing activities and not made any redundancies which has had a huge effect on staff motivation and has helped us to grow.
- A volatile exchange rate makes it very difficult to price accurately. If we are conservative about exchange rates, then we risk being uncompetitive; yet if we do not have a 'safety margin' we risk losing money as the pound tumbles (often by Mervin King opening his mouth). We think that the government do not realise that there are a lot of Companies that source goods overseas and re-export them, leaving them exposed to dramatic currency movements.
- Can you please tell me, what happens to the results you collect. Can you lobby the members of government to help out with regards to banks attitudes. In our experience the declining conditions have given banks carte blanche to increase costs. Just adding to the problems.
- Difficult times with no real quick fix, prospects may not improve at the retail end for some time!
- Due to the appalling state of the UK economy and the total lack of support from government and the banks in the UK we are in the process of dissolving all our UK companies and will locate abroad, as we can no longer see any benefit in having a UK company.
- Fixed costs and cost of sales just too high to make a profit during the recession.
- I find that there is an urgent need for transparency, honesty and integrity within the business community, and not just making money.
  It would be really commendable for those who have a lot of avenue to funding, skills and abilities to share them for a discounted price with those businesses who are struggling and in need of truthful advice and support.
- Independent repairing garage and MOT station. Recession has had an inverse impact on our trade in last 3 downturns. We no longer have an overdraft!
- MPs and the EC are no help to small business and still generate too much red tape! why do we need a license to operate in another EU country
- There is business out there!