

FEBRUARY 2010 EDITION — REPORTING ON FINDINGS FROM QUARTER 1 - JANUARY 2010

## The Barometer Project

Developed in The University of Nottingham Institute for Enterprise and Innovation (UNIEI), UKBB and UKBAB are on-line surveys operating in parallel with each other collecting the views of both businesses and advisers on a wide range of subjects.

Surveys are open to anyone active in either of the two 'communities' and allow a comparison of their views on the same issues, thereby providing a useful indication to government of how policies and other government measures are impacting upon businesses.

To view current and previous analyses documents and for further information, please visit the [UK Business Barometer](http://www.ukbb.ac) at:

[www.ukbb.ac](http://www.ukbb.ac)

and/or the [UK Business Adviser Barometer](http://www.ukbab.ac) at:

[www.ukbab.ac](http://www.ukbab.ac)

Alternatively, contact

[admin@ukbb.ac](mailto:admin@ukbb.ac)

**Welcome to the report on the 1<sup>st</sup> quarter survey of the Barometer Project for 2010. A total of 308 panellists responded to the UKBB and UKBAB questionnaires; included here is a full analysis of the UKBB findings together with a selection of panellists' comments.**

*A full list of questions for each of the two surveys is given below.*

### UK Business Barometer - Q1 2010

1. Revisiting the topic of internet usage - a comparison of views shared in the year 2000 with responses made in 2010.
2. Anyone looking to set up or expand a business should wait till after the general election, entrepreneur Theo Paphitis has warned. Mr Paphitis, of Dragons' Den fame, said that entrepreneurs should "not take a gamble" because the UK is "in no man's land" and politicians will not say what they're going to do about the economy. To what extent do you agree with this view?
3. How common is it, when advertising non graduate vacancies, for graduates to apply?
4. Taking a medium term view, to what extent do you think that the adverse weather conditions at the start of the year will affect your business?
5. Faced with short term cash flow difficulties where would you look first to improve your cash position?
6. To what extent do you experience difficulties when making cash flow projections?
7. To what extent do you rely upon accurate cash flow projections when managing your cash flow?

Plus the five regular questions asked with a view to revealing trends in growth, skills, finance, and market demand as they apply to your business.

### UK Business Adviser Barometer – Q1 2010

1. Anyone looking to set up or expand a business should wait till after the general election, entrepreneur Theo Paphitis has warned. Mr Paphitis, of Dragons' Den fame, said that entrepreneurs should "not take a gamble" because the UK is "in no man's land" and politicians will not say what they're going to do about the economy. To what extent do you agree with this view?
2. In general, taking a medium term view, to what extent do you think that the adverse weather conditions at the start of the year will affect clients businesses?
3. When asked by your clients how best to deal with cash flow problems, assuming all the following factors to be relevant, which of them would be your most common initial response?
4. To what extent do your clients experience difficulties when making cash flow projections?
5. To what extent do your clients rely upon accurate cash flow projections when managing their cash flow?
6. 'Through enterprise education, we're encouraging young people to be entrepreneurial and to consider self-employment. To what extent do you feel that the current business support infrastructure is relevant to their needs?'
7. The internet is regarded by the under-25s as integral to the development of their businesses. To what extent would you feel comfortable advising under-25s on the use of modern integrated technology?

Plus the five regular trends questions.

# UKBB 125 January 2010 Analysis

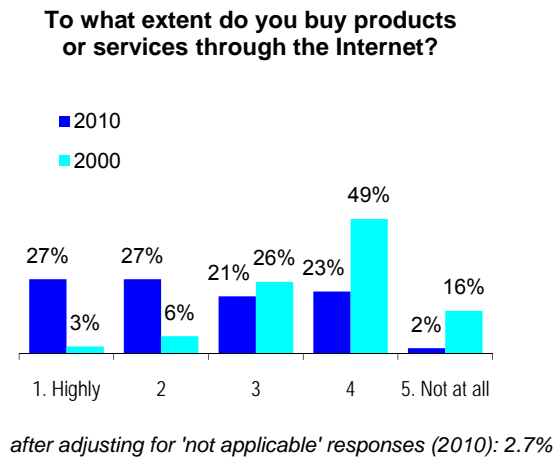
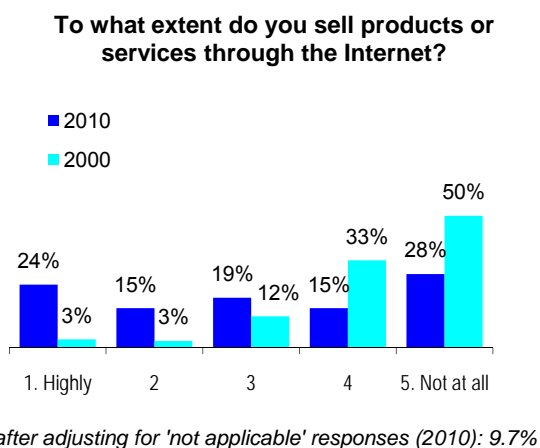
The UK Business Barometer seeks to shed light on how smaller businesses are coping with the current state of the economy. Questions are focused on topical issues and the survey is deliberately kept short, but additional comments on problems facing business are invited as part of the survey submission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

This quarter's survey asked panellists for their views on changes seen in internet usage for selling, buying and monitoring of competitors, holding back on expansion ideas until after the election, graduate job applicants, adverse weather conditions, short term cash flow difficulties and cash flow projections plus the usual quarterly trends questions.

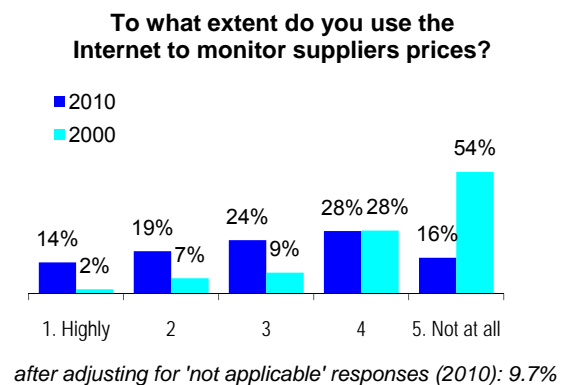
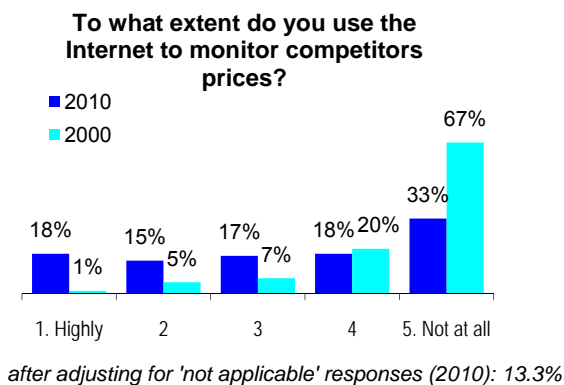
## Survey Findings

In the year 2000, we asked the UKBB panel about internet usage. At the beginning of this new decade we have revisited the topic and asked the 2010 panel the same questions on using the internet for selling, buying, monitoring competitors' prices and monitoring suppliers prices. The increase in usage for all these activities is very clear.

When asked about selling through the internet, 39% of respondents now use it highly or relatively highly compared to 6% in 2000, while 54% buy products or services through the internet to a high or relatively high extent now, compared to 9% in 2000. The percentage not selling on the internet has dropped from 50% to 28%.



Frequent activity on monitoring competitors' prices has also grown hugely over the decade, from 6% to 33%, and 33% now monitor suppliers prices by internet highly or reasonably highly, compared to 9% in 2000.



As one respondent commented "The internet is now vital for business intelligence...and customer finding..." Other comments included "the key issue for me is that competition are dropping their rates by up to 50% to win business. They cannot be making money

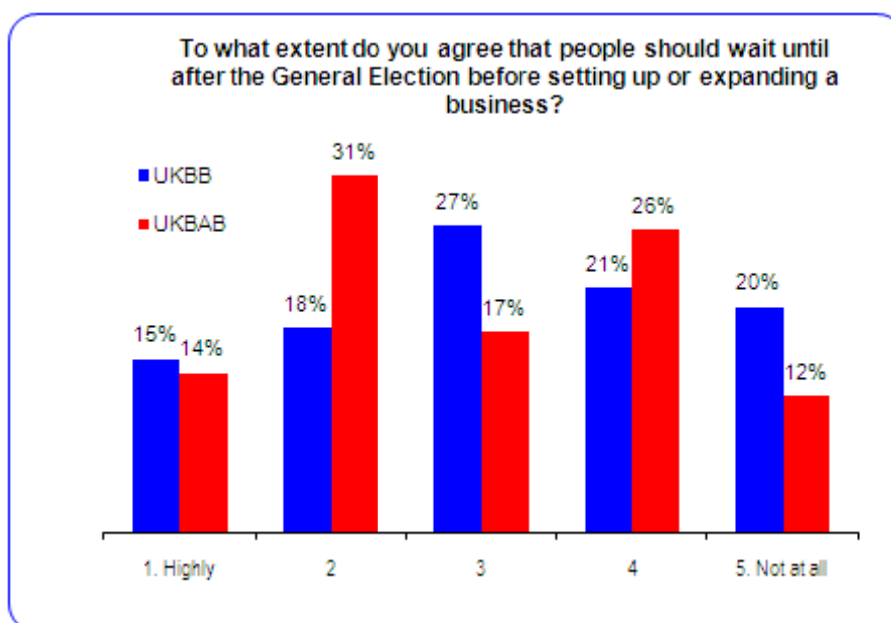
at these rates...." And " Pricing is less at the forefront often due to complexity or fear of competition".

During a recent interview on BBC 'Working Lunch', Theo Paphitis, of 'Dragons' Den' fame, said that entrepreneurs should "not take a gamble" because the UK is "in no man's land" and "politicians will not say what they're going to do about the economy". He advises people to "take their time". We asked participants in the UKBB survey and also those who participated in the UKBAB (Business Adviser) survey whether they thought people should wait until after the General Election before starting up or expanding a business.

There was no consensus on this. Amongst the smaller business community (UKBB respondents) 33% agree highly or reasonably highly that it would be better to wait, but 41% disagree either totally or to some extent. Amongst the business adviser community 45% agree highly or reasonably highly that it would be better to wait, but 38% disagree either totally or to some extent.

Respondents were invited to add their personal views on this question and a total of 122 across the two surveys did so (they can be viewed on the Survey results page: [www.ukbb.ac/ui/commentsBB125.aspx](http://www.ukbb.ac/ui/commentsBB125.aspx) and [www.ukbab.ac/ui/commentsBAB74.aspx](http://www.ukbab.ac/ui/commentsBAB74.aspx) ). UKBB respondents comments ranged from "At the end of the day, a business is set up to meet demand. If the demand is there why shouldn't they go ahead", to "I see the way to expand my business is to be a survivor. Be mean and lean and see off the opposition. The man is right, now is the time to stay calm and stalk the market. The time to pounce will come." There were many other shades between these.

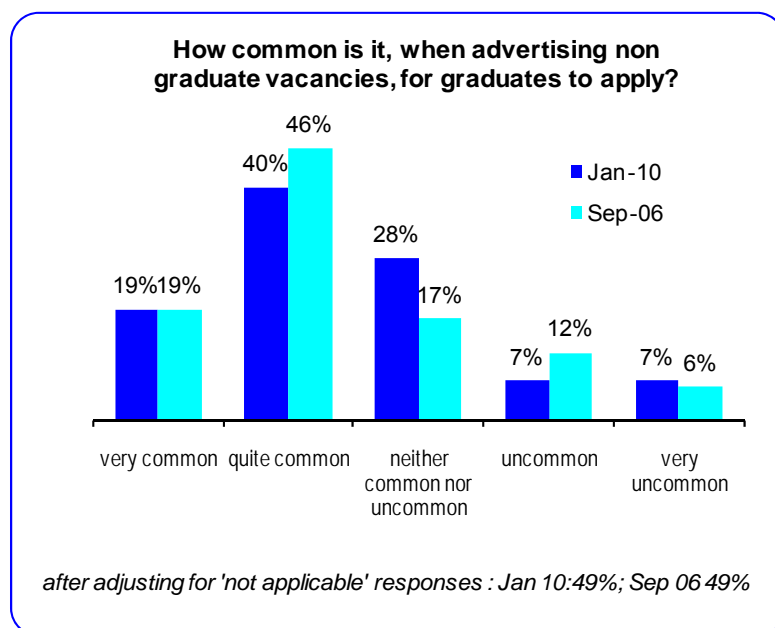
A more general view was "The election will still cause uncertainty even if we knew exactly what each party planned - because we still wouldn't know the result. This may make some major decisions difficult. However, if we procrastinate, we lose virtually a year - as it will be some time after the election before we see the true shape of the next government. Businesses must work together to shape their destiny within the environment they find themselves."



In September 2006 65% of respondents UKBB survey said that it is very common or quite common for graduates to apply for non-graduate vacancies. The latest result shows a decrease from 65% to 59%, but 28% of respondents now view applications by graduates for non-graduate posts as neither common nor uncommon compared to 17% in 2006. It should be borne in mind that graduates frequently take short-term first post-graduation jobs while considering their longer-term strategy. According to the DLHE

survey\*, six months after graduation in 2008 34.3% of graduates were in non-graduate occupations compared with the results two years earlier (for 2006 graduates) of 35.6% .

\* *Destinations of Leavers from Higher Education, reported in the latest edition of What Do Graduates Do?, published jointly by HECSU, the Association of Graduate Careers Advisory Services (AGCAS) and UCAS*

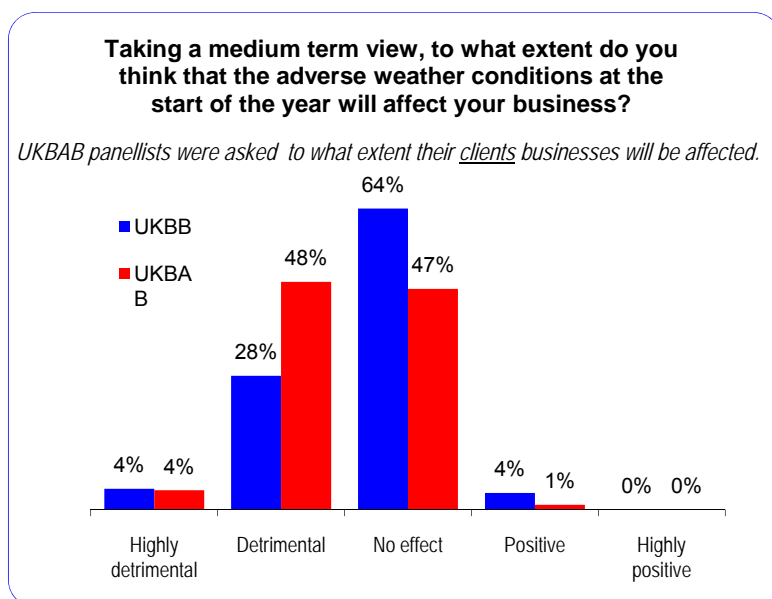


During the second half of December and the first half of January the UK experienced very cold temperatures and heavy snowfalls, with consequent disruption to travel, school and workplace operations in many locations. Average rainfall in December was 4% above the 30 year average, while January saw the average temperature at its coldest since 1987.

Despite these problems, 64% of respondents think that in the medium term the poor conditions will have no effect on their businesses, although 32% fear that there will be a detrimental or highly detrimental impact.

Business advisers responding to the UKBAB are more pessimistic. Over half, 52%, fear that there will be a detrimental or highly detrimental impact on their clients' businesses whereas 47% think that the poor weather conditions will have no effect.

Insolvency statistics have been regularly making the headlines over the last year. The number of UK companies going into liquidation over the whole of 2009 was the highest since 1993, but provisional fourth quarter figures were down 3% on Q4 2008. An often quoted maxim is "Cashflow is the lifeblood of any business". Over the last year, even more advice has been offered to smaller businesses by media commentators and government offices as well as professional business advisers, on how to manage cash flow problems, particularly since access to finance has become very limited and very expensive.



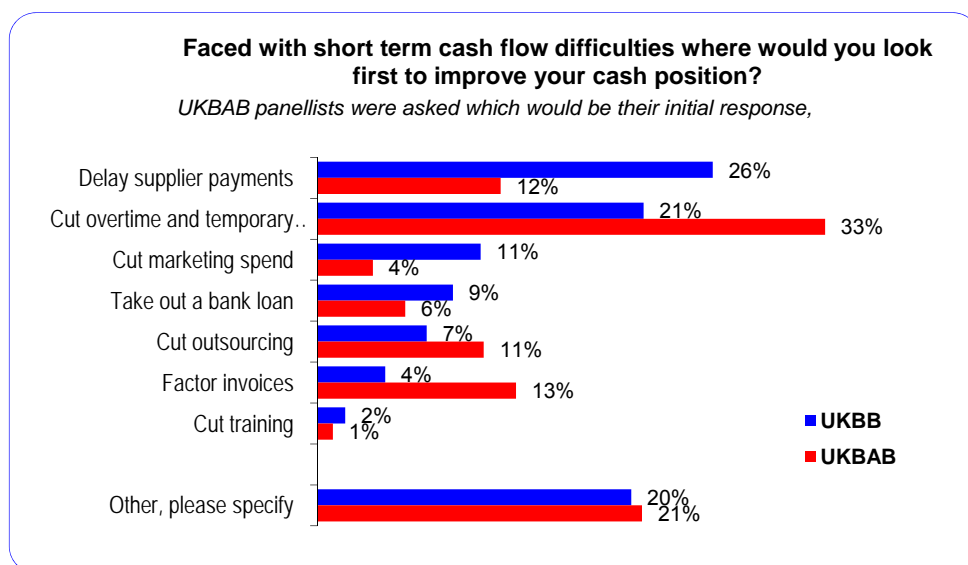
Over a quarter of UKBB respondents say that their first move, in looking to improve their cash position, would be to delay payments to suppliers. 21% say that they would first cut overtime and temporary staff, and 11% would first cut expenditure on marketing.

Amongst the 20% who would choose something other than the seven areas offered, around one quarter would look to borrow from their personal finances, their family or other company directors. Some would conclude that short term cash difficulties meant that their business was failing. Other approaches included: increase marketing spend, more vigorous chasing of debts, seeking an overdraft, reducing outgoings generally, drawing on reserves, reducing stock.

One respondent speaking of their own situation, said "Unable to find marketing staff and tired of living a hand-to-mouth existence as far as cash flow is concerned, and with a bank unwilling to lend any money because of poor figures, I'm about to undertake a mammoth marketing exercise in an attempt to increase sales revenue."

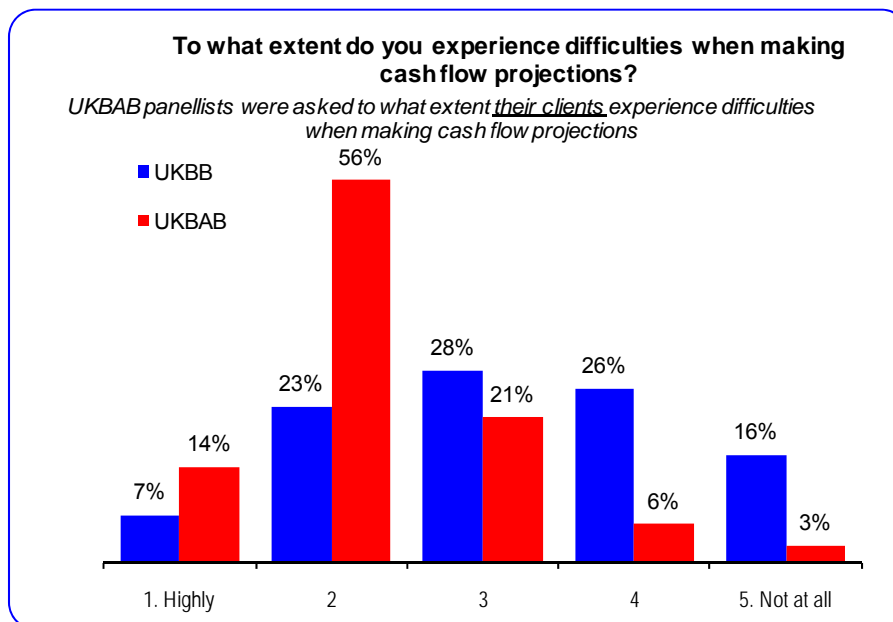
The UKBAB survey of business advisers asked what response they would most commonly give initially when asked by clients how to best deal with cash flow problems. One third would advise cutting overtime and temporary staff first, 13% would advise clients to factor invoices and 12% would advise clients to delay payments to suppliers.

Amongst the 21% who would choose something other than the seven areas offered, around one third would advise chasing debts more vigorously. Other ideas offered included: reducing outgoings generally, increasing/targeting selling, negotiating payment terms/prices with suppliers, improving operational efficiency, asking staff to help, reducing Directors' costs, increasing prices, combinations of the seven listed areas, taking loans instead of overdrafts. Several said it would depend on the problem or what drives the cash flow.



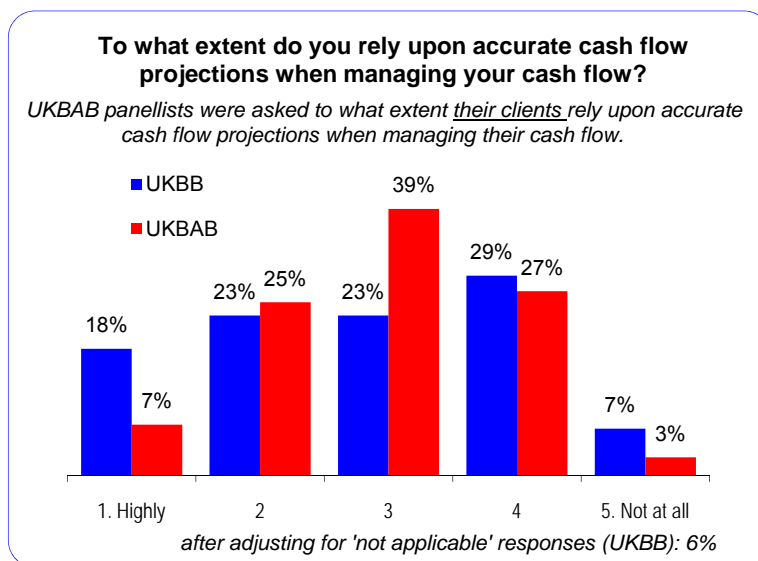
Asked about problems when making cash flow projections, only 30% of UKBB respondents admit to experiencing any to a high or fairly high degree, but 70% of UKBAB respondents think their clients have difficulties to a high or fairly high extent.

A UKBB respondent commented "My feeling is that, for very small businesses, cash flow projections, access to finance etc are so fluid as to be meaningless - there is simply no time available to spend on things that 'might be' at the expense of winning new business. My opinion may change once we have the capacity to take on more staff and bigger projects!"



When asked to what extent they relied upon accurate cash flow projections when managing their cash flows, 41% of UKBB respondents said 'highly' or reasonably highly (category 2) while 36% said 'not at all' or not much (category 4). 6% said this was not applicable.

Business advisers were asked how much their clients rely on accurate cash flow projections for cash flow management. 32% of respondents thought clients rely on them to a high or reasonably high extent and 30% thought they rely on them very little or not at all.



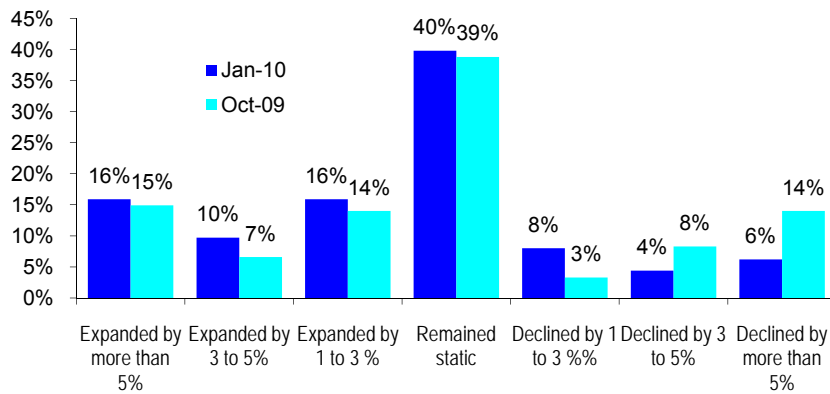
Growth over the previous three months and the next three months

The balance of growth amongst UKBB respondents over the last quarter increased from 10% in the October 2009 survey to 23% in the January survey, the second positive balance since July 2008. 22% of respondents experienced rapid change in the period: 16% of respondents expanded by more than 5% and only 6% declined by more than 5%.

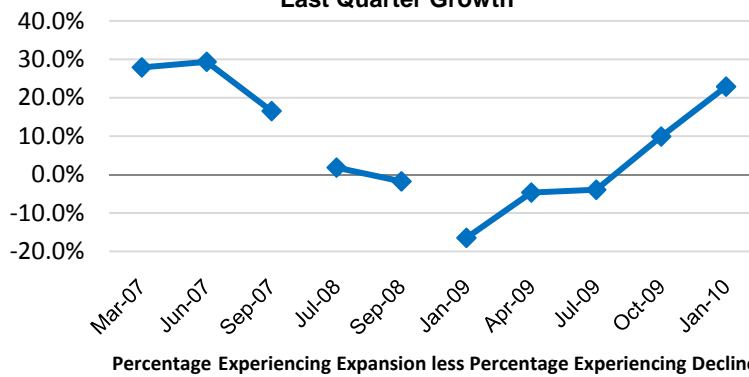
The average index showed a growth of 9.2% over since October but it should be born in mind that respondents are smaller businesses; 62% have 10 or less full time employees and 65% have turnover of less than £1 million per annum. As one respondent commented "As a micro business it is easy to increase by more than a modest amount, but the revenue growth in £value is modest." However, others said "This has been my busiest year in 5 years of trading. We are working in a well defined market supporting

innovation...." and "we launched in September 2009 and have only just started to see our product being noticed, this has taken a lot of hard work with no budget, tapping the media and also 'going out to our potential customers'"

**Over the last 3 months, has your business:-**

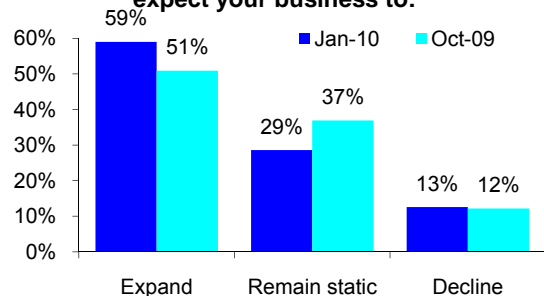


**Last Quarter Growth**



For expected next quarter growth, the balance is even more strongly positive than in October, with 59% of respondents expecting to expand while 13% expect to decline. The balance is a positive 46%, compared to 39% in October.

**Over the next 3 months, do you expect your business to:**

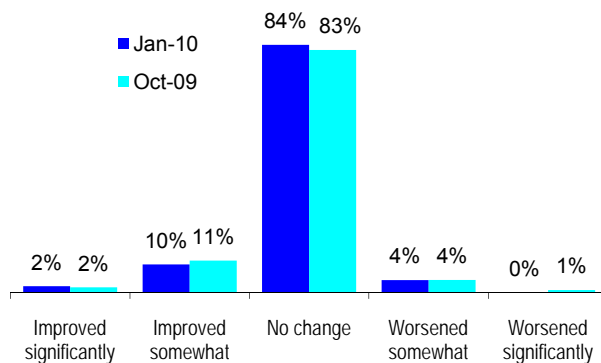


However the average % growth expected does not show such optimism. The index of average growth for the January quarter shows a decrease of 0.7% on the October quarter mainly because the average expectation of rate of expansion has

decreased.

The overall situation with regard to skills shortages has been virtually static over the last three months for respondents to this survey.

**How has your situation with regard to skill shortages changed in the last 3 months?**

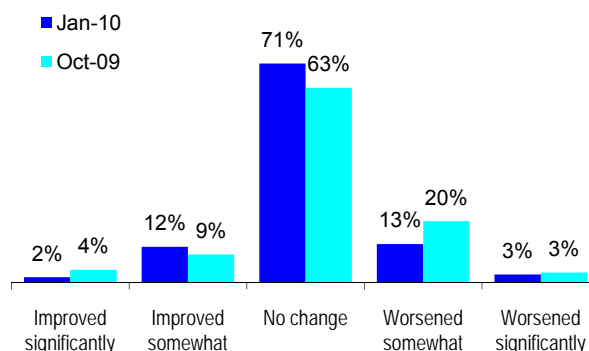


84% of respondents said that the skills shortage situation in their own business had not changed in the last three months but 12% reported an improvement in their position compared with 13% in October, while 4% said that their situation had worsened over the last three months, compared with 5% in October.

after adjusting for 'not applicable' responses: 14%

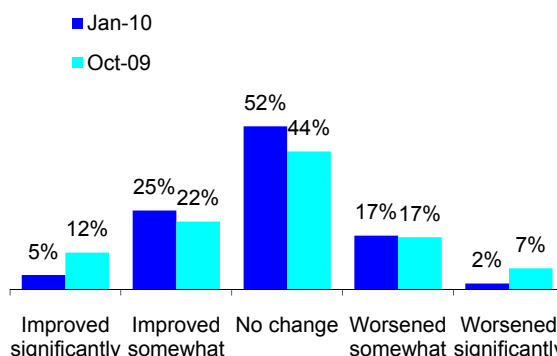
71% of respondents say that their situation with regard to lack of finance has stayed the same over the last three months, and 16% have found that it has worsened for them compared with 23% in October. However 14% have perceived an improvement compared with 13% in October. The average index shows a rise of 2.2% since October 2009.

**How has your situation with regard to lack of finance changed in the last 3 months?**



With regard to low market demand, 19% of respondents say that their situation has worsened during the last three months, compared to 24% in October.

**How has your situation with regard to low market demand changed in the last 3 months?**



30% have experienced an improvement, down from 34% in October. 52% have had no change.

These results yield a small decrease of ½% since October in the average index.

Listed below are some of the other personal views supplied in feedback received from respondents to Survey BB 125 January 2010.

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

- Government policies combined with the buying strength of the major supermarkets has eroded margins to such an extent that it is becoming impossible to compete if manufacturing in the UK. We have seen a monthly decline still in UK manufacturing with customers either relocating to cheaper European countries or moving their purchases to the same countries. A classic example announced this weekend is Bosch closing their Welsh plant with 900 redundancies and relocating in Hungary. Doom and gloom unfortunately.
- The surveys that we submit, are they seen by any politicians who can help to revive the sorry state that small business are in. We have found that since the government bailed out the banks our overdraft costs as well as our loan cost have risen substantially. Who is monitoring the banks it appears to us they are controlling the political elite.
- I have this usual problem putting dots in circles, because boarding kennels are SO seasonal, and should I get either or both of the dog control contracts mentioned above, my

business will expand by far more than 5%. Here's hoping!

- Doing JVs and looking for books to author/publish
- I will be presenting future strategies with Hampshire economic Partnership in Winchester on 10th March.
- No comments on the survey it self but who made this page? The Iframe scroller and scroller on the right reminds me of the early 90s and frames all over the place.  
I would of expected a more flowing website from someone that wants other to commit their time for your gain.

### **About the respondents**

The UK Business Barometer surveys the people running small and medium size businesses. This analysis is based on submissions to the January 2010 Survey, made up to 10<sup>th</sup> February 2010. 113 respondents were drawn with the following population characteristics:

<b>Sector</b>			
Production & Manufacturing	Distribution	Services	Total
34%	12%	54%	100%

<b>Turnover (£)</b>			
< 1M	1M - 3M	> 3M	Total
67%	14%	19%	100%

<b>Number of Full-time Employees</b>					
1-10	11-20	21-50	51-100	100+	Total
62%	12%	14%	4%	7%	100.0%