

UKBB 57 February 2003 Analysis

The February survey asked for views on oil prices, the Pound, Capacity utilisation, order cancellations, investment decisions, red tape, the impacts of recent decreases in interest rates, competitive advantage, staff retention and challenges facing women in starting businesses.

About the respondents

162 respondents were drawn with the following population characteristics:

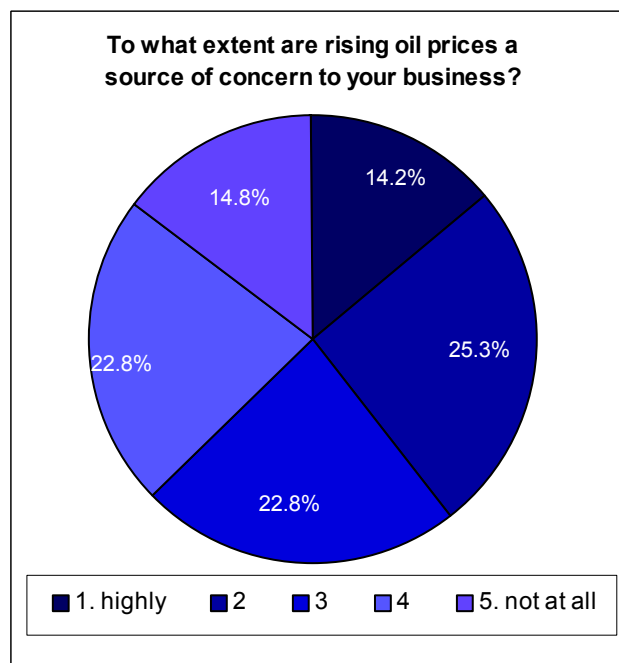
Sector			
Production & Manufacturing	Distribution	Services	Total
29.0%	5.6%	65.4%	100.0%

Turnover (£)			
< 1 M	1M-3M	>3M	Total
68.5%	17.3%	14.2%	100.0%

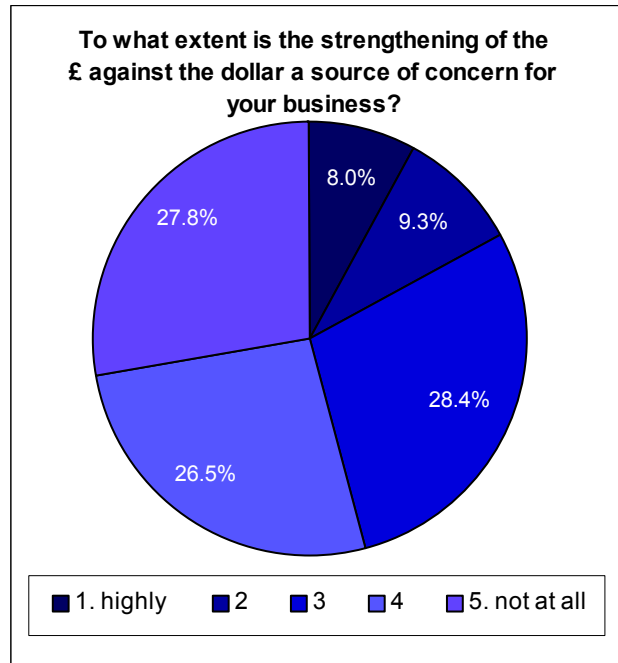
Number of Full-time Employees						
1-10	11-20	21-50	51-100	100+	Unknown	Grand Total*
40.1%	35.8%	5.6%	3.1%	3.7%	11.7%	100.0%

Survey Findings

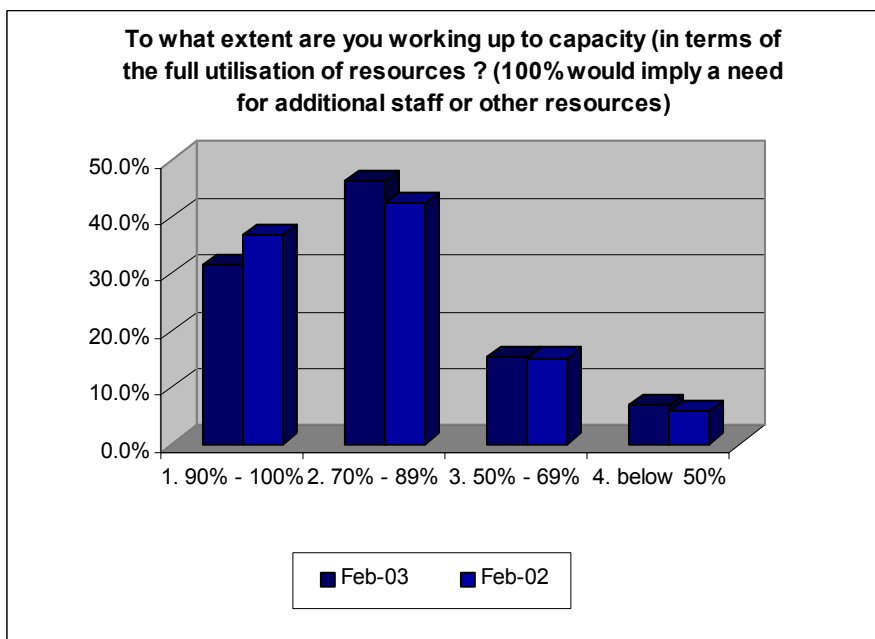
This month's survey revealed that there is some indication of a growing sensitivity to the impact of oil prices. Rises in oil prices have been feeding through in recent months and nearly 40% of respondents find these levels of increase are a serious cause of concern to their businesses, although for nearly 15% it is not. Last October the survey showed that 50% would be highly affected by a large rise of 50% in oil prices, while back in April 2002 only 28% felt that their costs were highly or relatively highly sensitive to changes in oil prices.



The UK has recently experienced a strengthening in the £/\$ exchange rate. Clearly the impact on respondents will vary with their dependency on input materials, goods and services from dollar-based markets and on exports to those markets. Only 17% of our respondents found this strengthening a source of concern for their businesses to a high, or relatively high, extent.

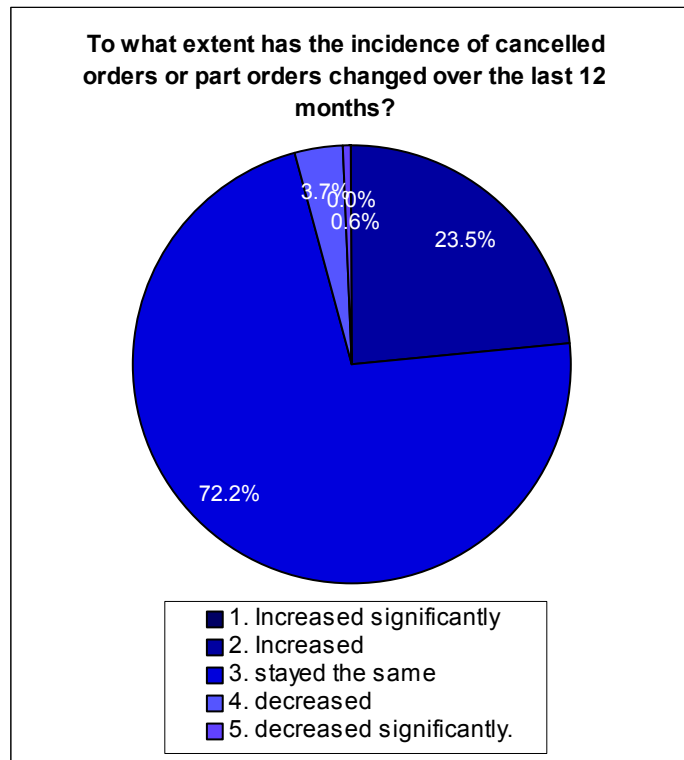


Capacity utilisation is indicating some small decrease compared to a year ago. 5% less respondents' companies are working at 90% - 100% capacity. 4% more are working at 70% - 89% capacity. The percentage of respondents' companies working at low utilisations remained very close to last year.

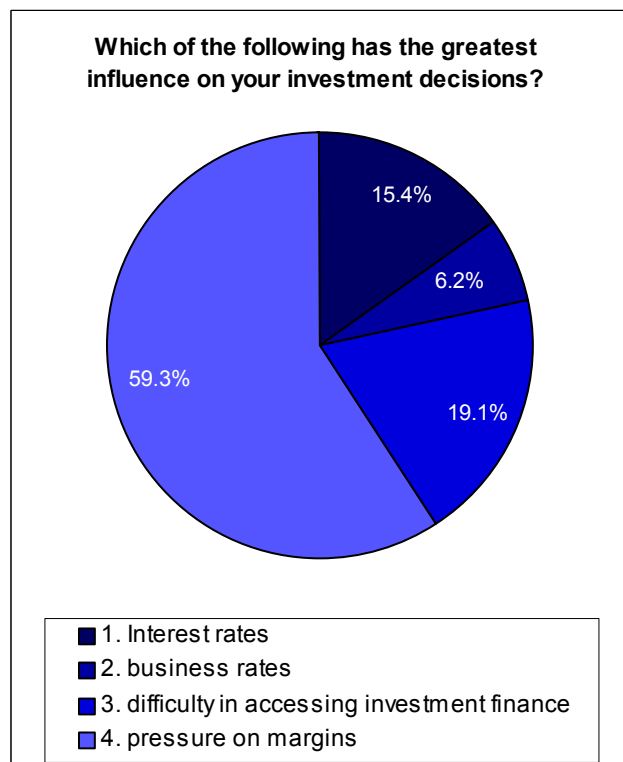


In line with the small reduction in capacity utilisation, 24% of respondents reported a relatively high extent of increase in cancelled orders in the last year, although none rated this as high extent. Nearly all the remainder say the cancellation rate has stayed the same

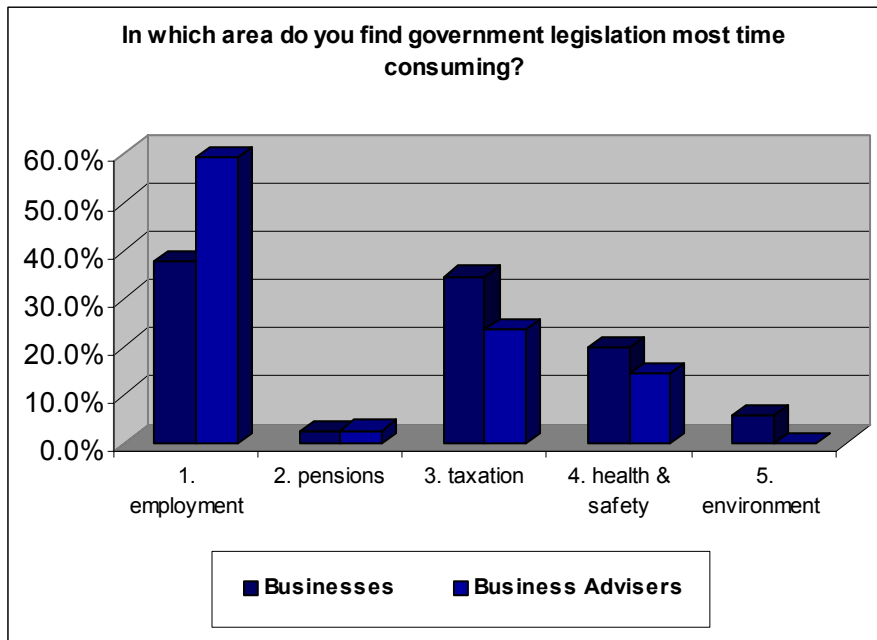
over the year.



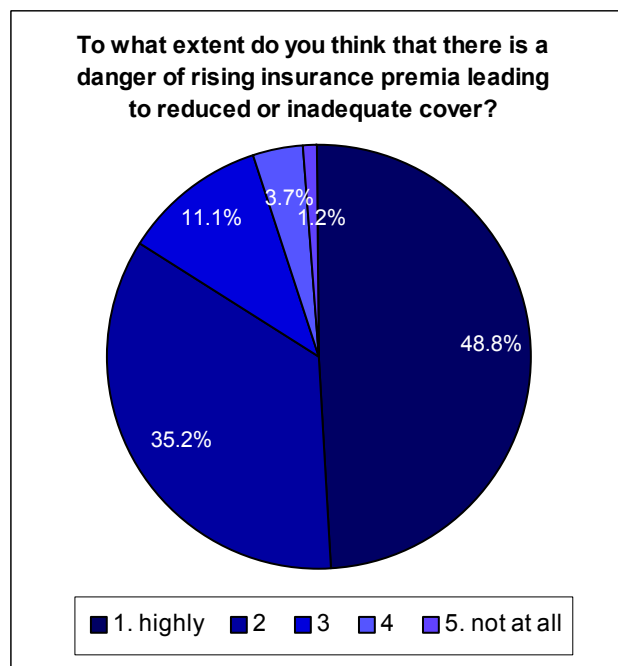
Pressure on margins was the majority influence on investment decisions from our respondents, from the four choices available in the February survey. Business rates came last with only 6%. There are still 19% who find that difficulty in accessing investment finance is the major influence on investment decisions.



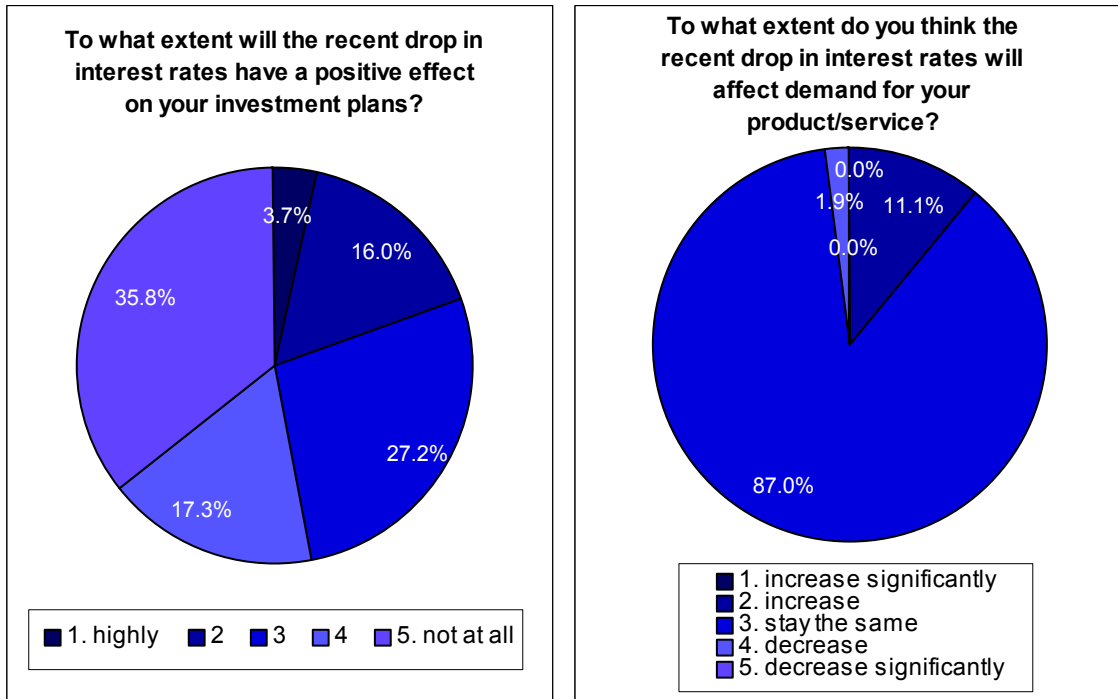
The time spent in coping with red tape frequently crops up in discussion about the UK business environment. Respondents to the UKBB, like those to the Business Advisers Barometer, find that employment and taxation are the two areas that are most time consuming, but the balance between them is different. Businesses responding to the UKBB survey were more evenly split between employment and taxation, while nearly three times as many Business Advisers rate employment as most time consuming rather than taxation.



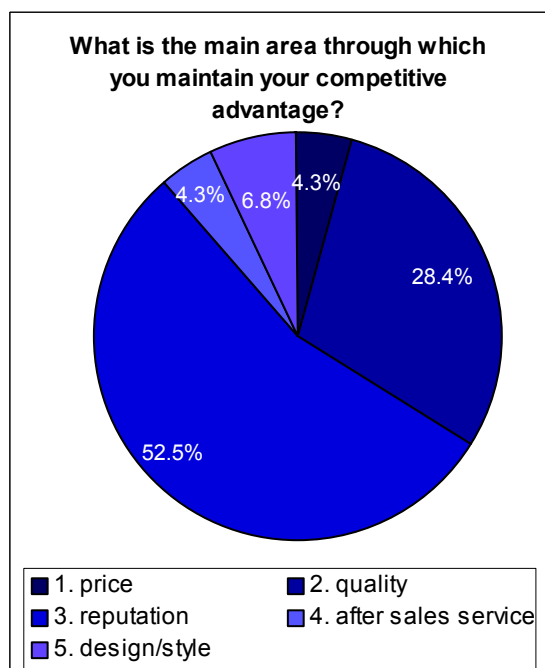
It was widely reported recently that smaller businesses were facing very large increases in insurance premia, to the extent that some were risking continuing without appropriate cover. Our respondents can clearly envisage this situation since an overwhelming 84% think this danger exists to a high or relatively high extent. Business advisers were asked if they see this danger for their business clients, and 61% thought there would be a significant impact on the level of cover taken by their clients.



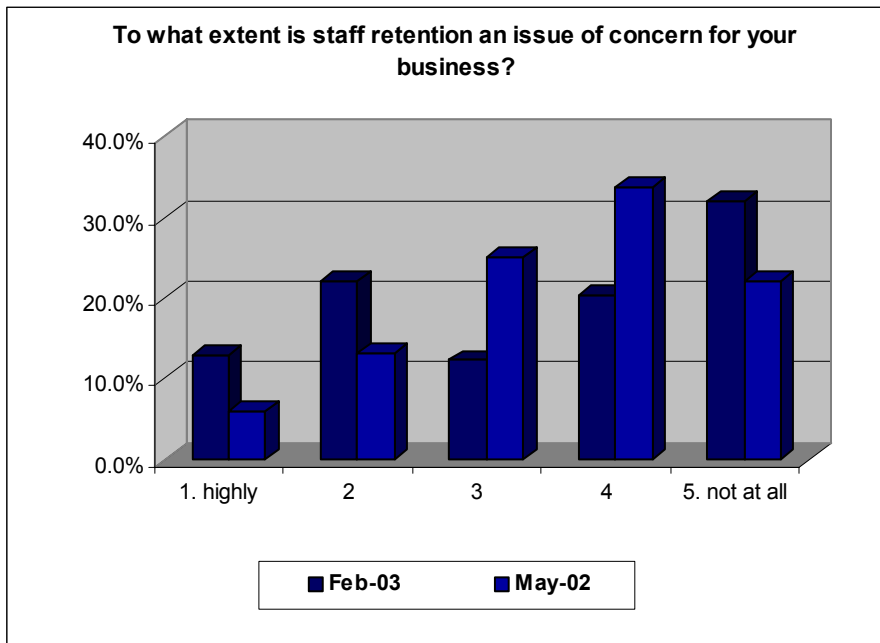
20% of respondents expect lower interest rates to have a positive effect on investment plans to a high or relatively high extent and a further 45% to a lesser extent, while 36% expect the change will not affect investment plans at all. In terms of demand for products or services – while 11% expect an increase in demand, 87% do not expect any change resulting from lower interest rates.



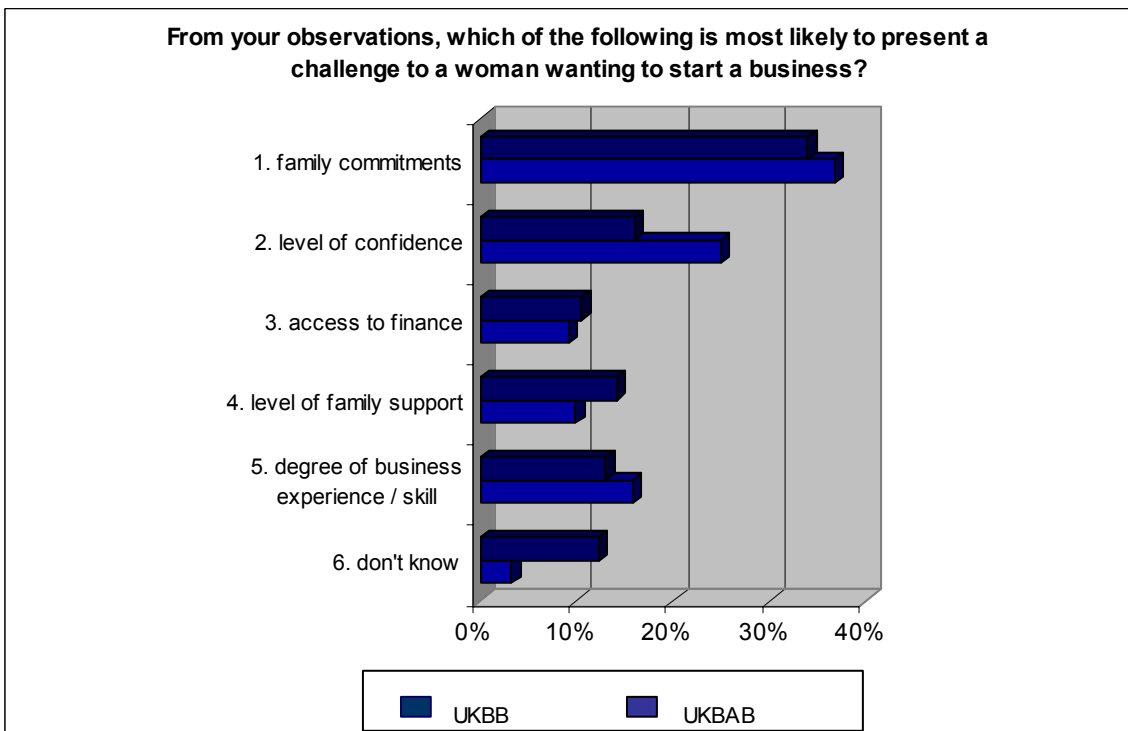
From the results of last month's survey, 78% of businesses participating face considerable competition. This month's question looks at how businesses maintain their competitive advantage. Over half the respondents mainly rely on reputation, with a further 28% mainly depending on quality. These responses are strengthened by another result from last month: nearly 70% said then that customer feedback is valuable or very valuable in providing the information needed to maintain competitive advantage.



Staff retention has become a greater issue to more companies over the last 9 months, with 35% of respondents in the two top categories of importance, as opposed to 19% last May. This increase is more marked in the Production and Manufacturing sector. More companies also now find staff retention is not an issue to any extent. – 32% in February compared with 22% last May.



There was general agreement between respondents to the Business Barometer and those to the Business Advisers Barometer on the two most likely causes of challenge to would-be women entrepreneurs: number one was thought to be family commitments and number two level of confidence, and in both cases access to finance came lower down the list than level of family support and degree of business experience or skill.



Listed below are extracts from feedback received in Survey BB57 February 2003.

Comments are listed under sector headings.

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

Business Services

Q7 (To what extent do you think that there is a danger of rising insurance premia leading to reduced or inadequate cover?) - my professional indemnity insurance has risen by 40 plus, yet the broker gave no explanation or comment. But this level of increase, which I hear from colleagues is not extortionate [sic] is very worrying, not to mention, expensive.

Your question 12 ***(From your observations, which of the following is most likely to present a challenge to a woman wanting to start a business?)**, I strongly feel that the level of confidence is due to the male attitudes in the UK, that will reduce the opportunities, which in time reduce the confidence and increase frustration

Re q12* the same problem relates to men as well as women who are looking to set up their own business

Production & Manufacturing

Hugely inflated premiums and/or a reduction in the maximum claim value has already impacted upon us last year and is a MAJOR issue for medical device manufacturers. We had to use 2 insurances to ensure that we got the cover the NHS demand - and we have a good track record!

I am gratified that at long last, the pound is realising a more realistic value against the Euro. My other main concern is that the government appear to be obsessed with the Iraq issue, to the detriment of their much-needed interest in the performance and support of our industry. Get on with it! We in industry do not enjoy the luxury of such hapless dithering.

Re Q10 **(What is the main area through which you maintain your competitive advantage?)** Our competitive advantage comes from shorter delivery lead times to our customers particularly in the busy summer months.

Construction

Increasing insurance premiums and massive drift towards a litigious society (no win no fee employee claims) coupled with health plan fees, tax on pensions and increases in NIC will force many businesses out of business sooner than Gordon Brown realises. If he came out of his ivory tower he would see that UK Limited is being crippled at the SME level by his recent 'innovations'. - and it is the SME level that employs most people in the UK these days. Eastern Europe and China here we come!

Retail

Q6 In which area do you find government legislation most time consuming?
[employment, pensions, taxation, health & safety, environment]

All indicated areas are significant time absorbers, time that I am sure, could be better used more productively in more practical ways.