

## UKBB 97 June 2006 Analysis

In the June 2006 survey we invited panellists to give their views on dealing with complaints, truthfulness and trust in business, small business rate relief, and websites plus the quarterly trends questions. The trends charts from the responses to the regular quarterly questions can be found at <http://www.ukbb.ac/analyses/trends.aspx>.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the June 2006 survey 133 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
26.3%	9.0%	64.7%	100.0%

Turnover (£)			
< 1 M	1M-3M	>3M	Total
69.9%	18.0%	12.0%	100.0%

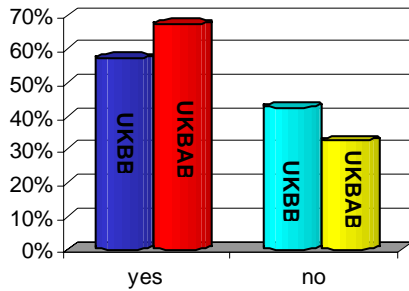
Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
59.4%	26.3%	8.3%	3.0%	3.0%	100.0%

### Survey findings

It is said that people who have a bad customer service experience will tell up to 25 others about it, but if a company gets it right, it can result in greater customer loyalty. Advice from management gurus is to deal with complaints quickly and ensure that the customer is satisfied, and to have a procedure in place so that any/all employees understand how to react. 53% of UKBB respondents have a formal system for dealing with complaints but 39% admit that they don't. 8% say it is not applicable. The parallel survey of Business Advisers, the UKBAB, put the identical question and found that 62% of responding advisers have a formal system in place.

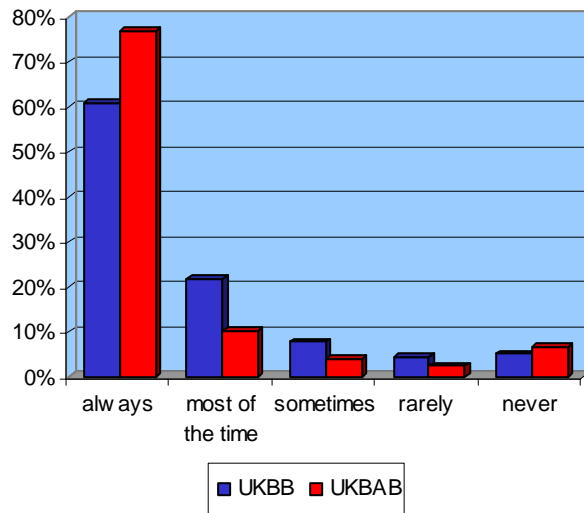
When asked to what extent records of complaints and responses were kept, 61% of UKBB respondents said always, while 22% said most of the time, after adjusting for the 14% responding 'not applicable'. Amongst advisers, 77% said always, and 10% said most of the time.

**Do you have a formal system for dealing with complaints?**



after adjusting for 'not applicable' responses: UKBB 8.3%; UKBAB 8.6%

**To what extent do you keep records of complaints and your business's response?**

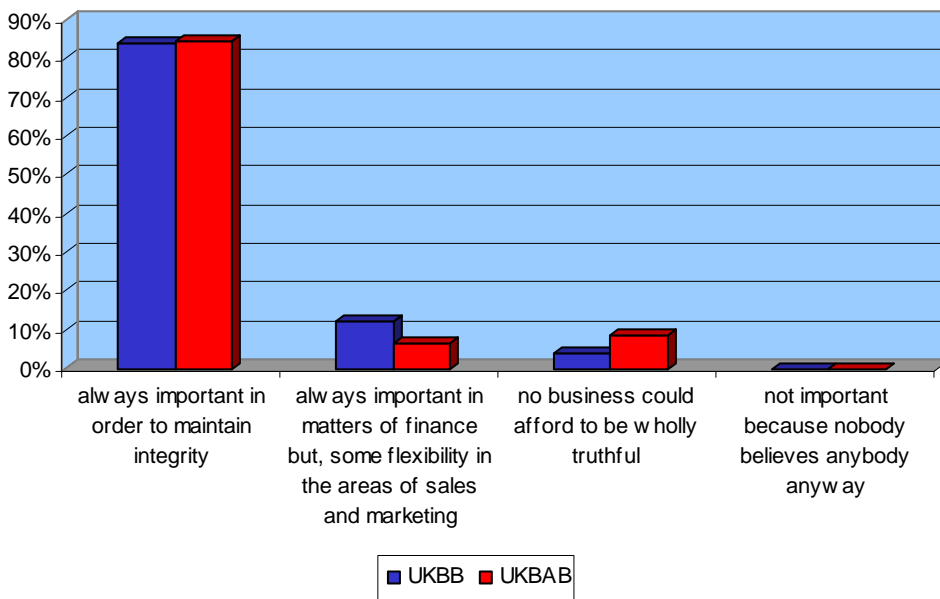


after adjusting for UKBB 'not applicable' responses (14%)

Business ethics and corporate social responsibility have come more and more into focus as issues such as fair trade and sustainability rise up the national and international agendas. Underlying such concepts are values such as truthfulness and trust.

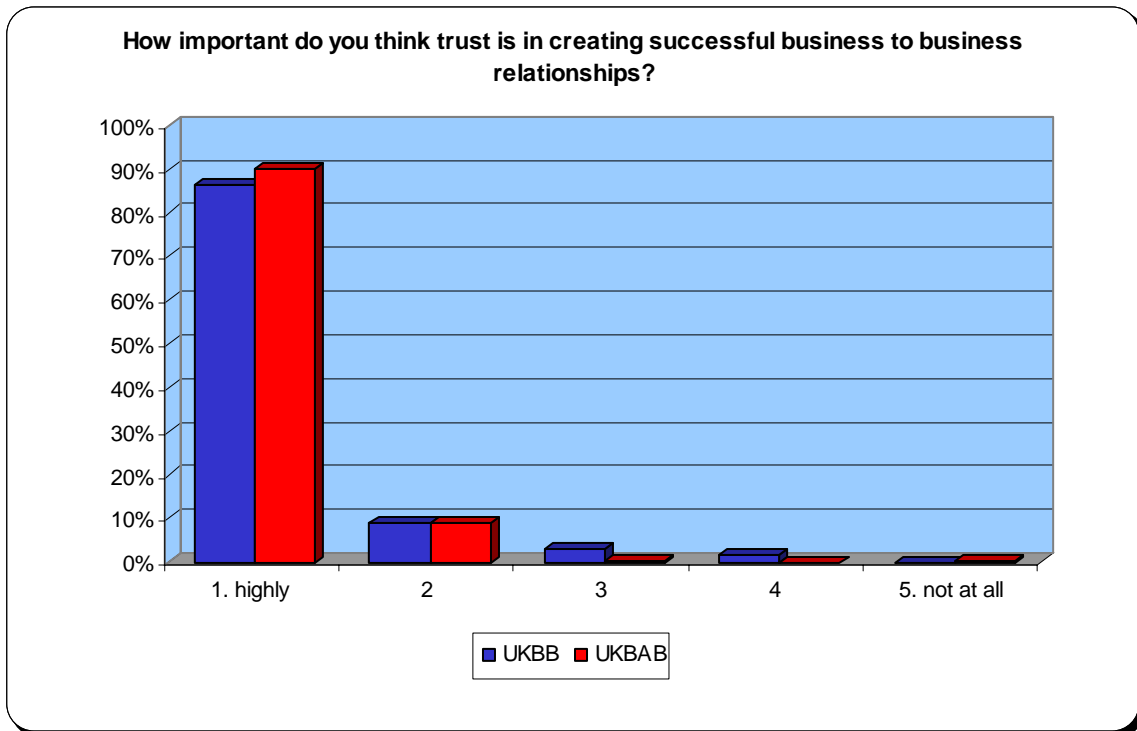
84% of UKBB respondents agree that truthfulness is always important in their business. The parallel Advisers' survey, the UKBAB, asked about the importance of truthfulness in business generally, and 85% agreed that it is always important. However, some respondents in both surveys recognized that there is some flexibility in sales and marketing (12% of BB respondents, 7% of BAB respondents). 4% of UKBB respondents believe that no business could afford to be wholly truthful, and 9% of UKBAB respondents agreed with them.

**How important is truthfulness in your business?**

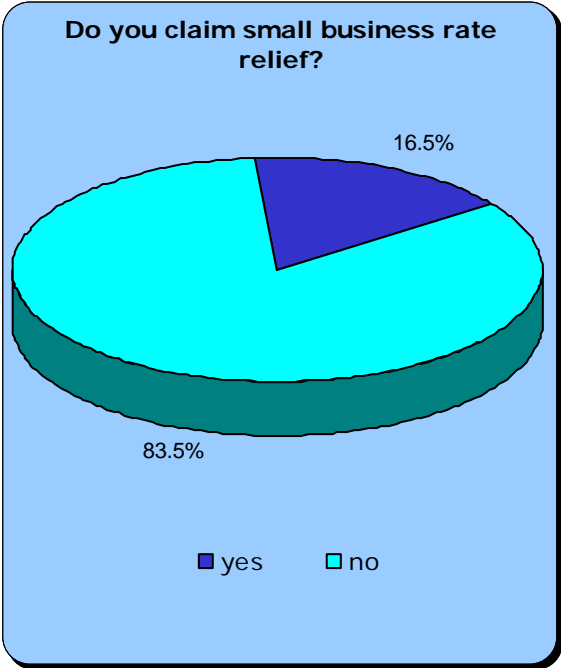
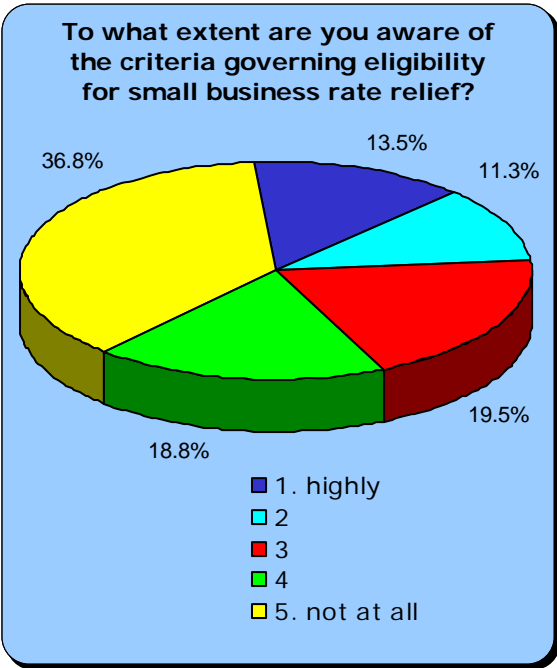


Compared to responses to the previous question, an even greater percentage of UKBB respondents believe that trust is important for successful B2B relationships: 95% answered 'highly' or relatively highly, and only 5% came in at lower levels, with none saying 'not at all'. Advisers were even more unified in responses, with 99% answering 'highly' or relatively highly.

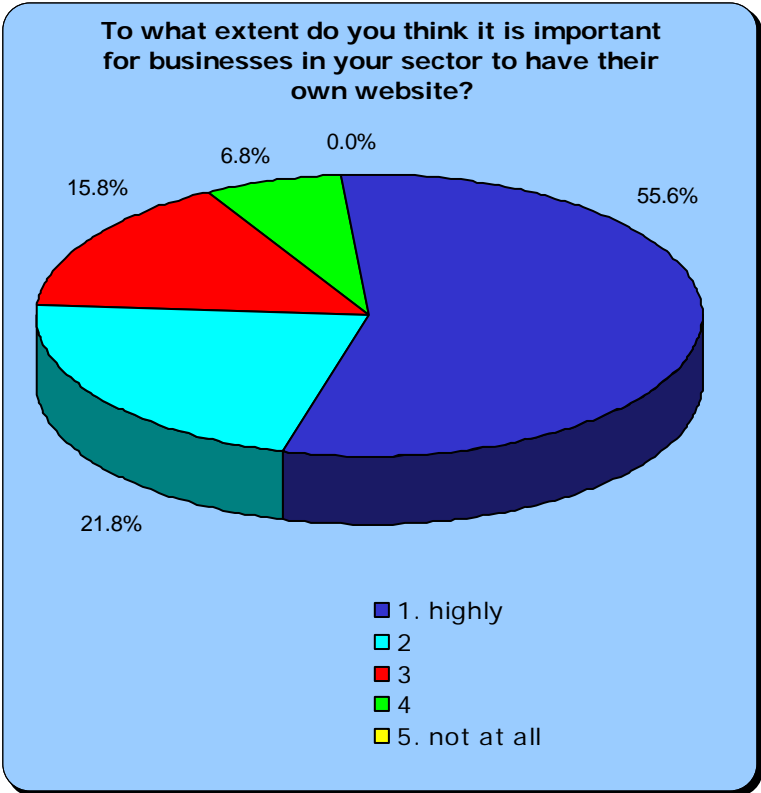
One comment received from a respondent noted that trust used to be important but money/profit seems to dictate all decisions when purchasing, although when selling, trust is still top of the list.



The Small Business Rate Relief came into effect on 1<sup>st</sup> April 2005. Businesses are eligible, on a sliding scale, if they have a rateable value of up to £10,000. Also businesses with rateable values less than £15,000 (£21,500 in London) are eligible for the lower Uniform Business Rate. 17% of respondents to the UKBB currently claim small business rate relief, but only 25% of respondents are highly or relatively highly aware of the criteria governing eligibility for small business rate relief, while 56% are hardly or not at all aware of them. These findings contribute to recent evidence that suggests there is significant under-claiming of the small business rate relief.



Responses to the next question suggest that a presence on the Internet is becoming more of a 'must have' for businesses of all sizes and sectors. The question focused on whether respondents thought it was important within their own sector. Within every sector the majority of responses were either 'highly' or relatively highly (category 2).

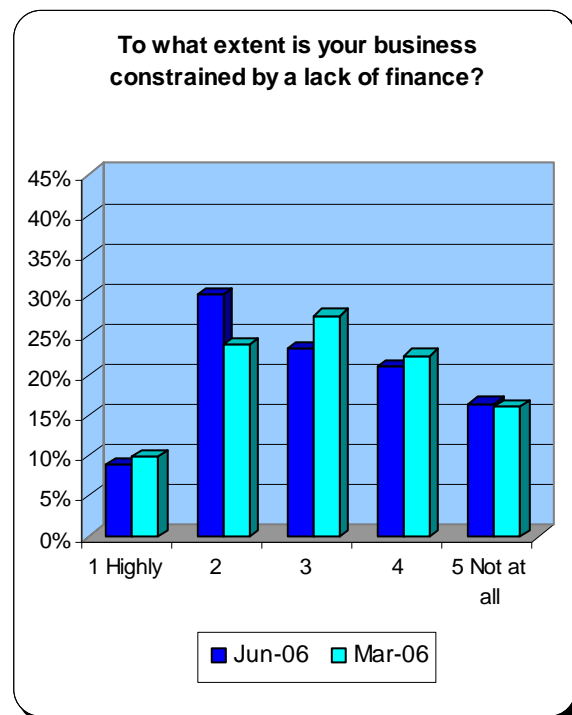
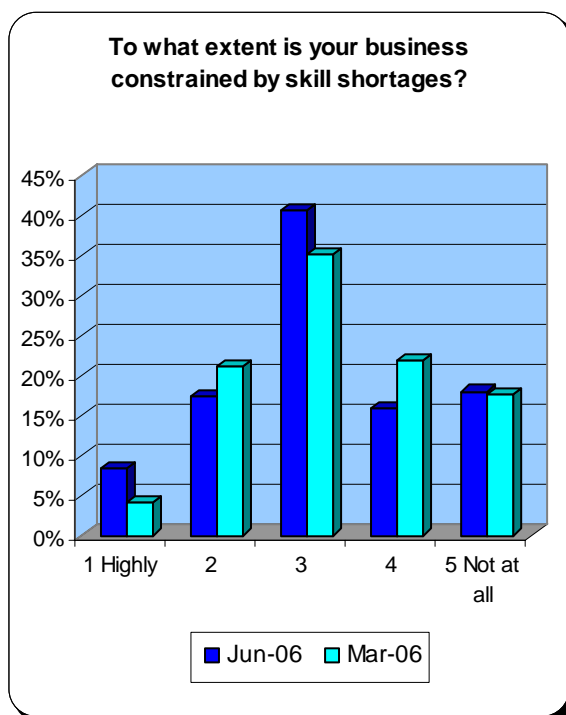


## Second Quarter 2006 Trends

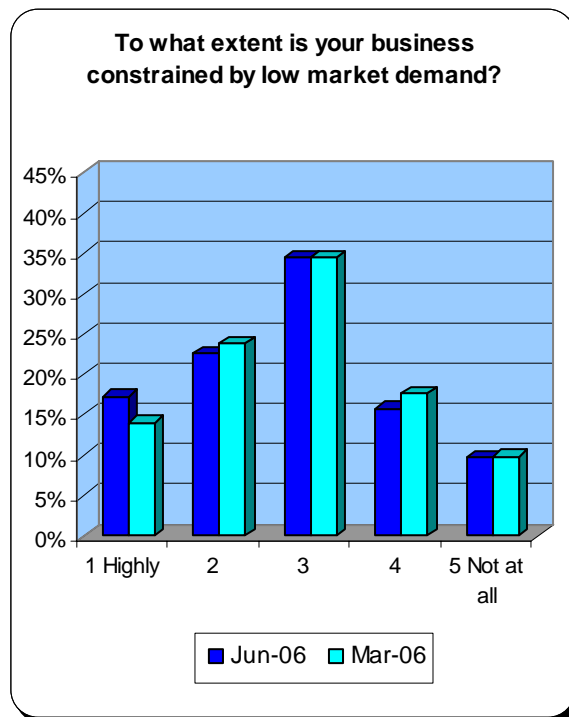
Constraints on business due to skill shortages and those due to lack of finance increased on average during the last quarter, more so with respect to skills shortages.

The index for businesses with turnovers of under £1M increased by 9% for constraints due to skill shortages, but this was offset by decreases for larger turnover business to produce an overall average index increase of 3.5% in the quarter. By sector, services suffered increases in constraints from shortages of skills while there was no change in the production and manufacturing index and a decrease in the distribution industries index. A contributor commented that skills shortages are a cost issue, thus lack of skills capacity leads to significant wage and cost volatility which is much more significant for a small business than for a large organisation.

Constraints due to lack of finance increased among firms with turnover of under £3M and also in the distribution and services sectors.

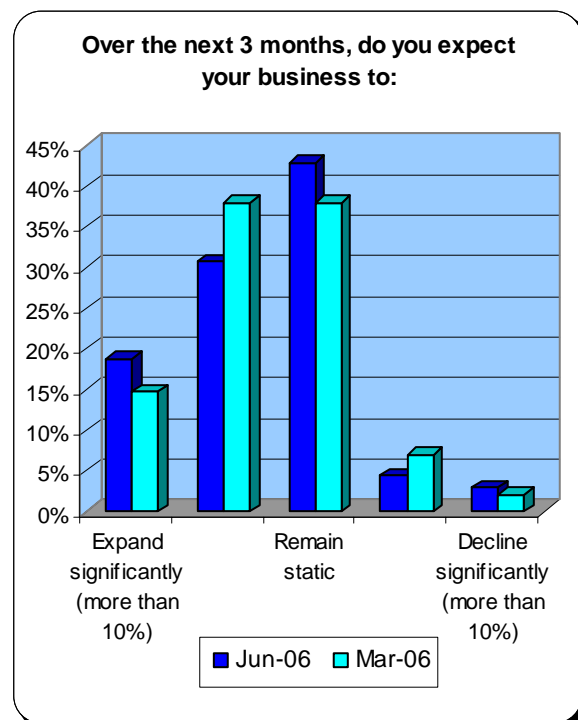
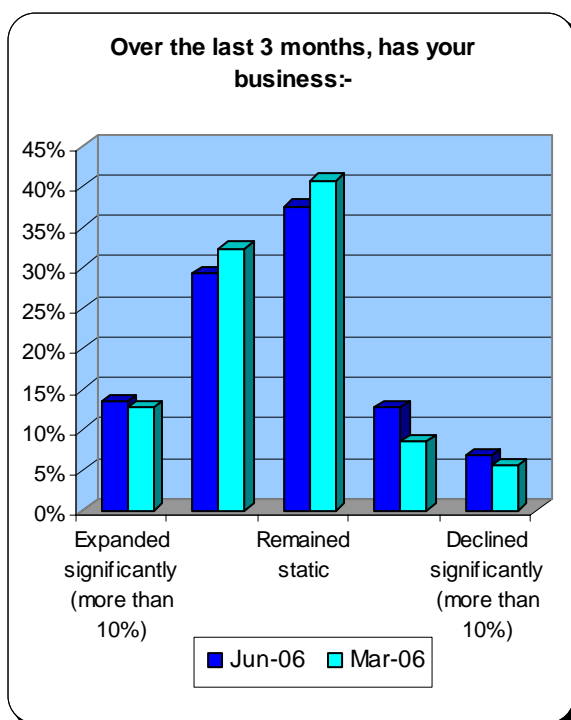


Constraints due to low market demand decreased across the middle (£1M - £3M) and upper (over £3M) ranges of turnover. They also decreased in the Production and Manufacturing and Distribution sectors, but increased in the Services sector. The overall average constraint index moved up by 2%.



Average growth in the last quarter increased for the second quarter across the mid range and also increased in the upper range of turnover, and in the distribution and services sectors. The overall average decreased in the three month period by 2.4%.

Overall, respondents expect growth in the third quarter to be about the same, although distribution companies are more pessimistic.



Listed below are extracts from feedback into the June 2006 Survey BB97

Comments are listed by sector

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

### **Business Services**

Skills shortages are a cost issue: you can always buy the skills you need, at a price. Lack of skills capacity (e.g. in IT) leads to significant wage and cost volatility. This is much more significant for a small business than for a larger organisation.

### **Other**

Trust used to be important but money/profit seems to dictate all decisions when purchasing. When selling, trust is still top of the list.