



Department  
for Business  
Innovation & Skills

**SME BUSINESS BAROMETER:  
FEBRUARY 2013**

A report by BMG Research

MAY 2013

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# 1. Summary

## Introduction

This report shows the results of the February 2013 wave of BIS's Business Barometer: a series of 14 surveys to date that provide a snapshot of SME employers' performance, activity and concerns. 508 telephone interviews were conducted with owner/managers of SMEs employing between one and 249 people, between the 13<sup>th</sup> and 27<sup>th</sup> February 2013.

## Growth

Twenty-eight per cent of SME employers employed fewer people than they did 12 months previously, 19 per cent employed more, and 53 per cent had approximately the same numbers. These results were similar to those seen in the previous Barometer which was conducted in June 2012.

Forty per cent had recruited any new employees in the last 12 months. This was an insignificant increase on June 2012, but still the highest proportion seen in the Barometer series.

Asked about their expectations for the next 12 months, 25 per cent said they would employ more people than they did currently, 64 per cent the same number and 10 per cent fewer. These proportions were not significantly different from the previous Barometer in June 2012, but the overall trend is positive.

A third of SME employers increased their turnover in the previous 12 months, with 31 per cent having decreased turnover, and 35 per cent having roughly the same turnover. The proportion with increased turnover rose by eight percentage points on June 2012, and the February 2013 survey was the first time in the Barometer series when there were more with increased rather than decreased turnover.

Sixty-eight per cent of SME employers had generated a profit or surplus in the previous 12 months and, whilst this proportion was not significantly higher than that seen in previous Barometers, the proportion stating that they had managed to increase profit (50 per cent) was 13 percentage points higher than in June 2012, and the highest proportion yet seen in the Barometer series.

Forty-two per cent of SME employers expected turnover to increase in the next 12 months, with 43 per cent thinking it would stay the same, and 11 per cent thinking it would decrease. Again, this was a very positive prediction, with the proportion thinking turnover will increase up 13 percentage points on the June 2012 Barometer. This was also the highest proportion expecting increased turnover in the Barometer series so far.

Eighty-three per cent expected to make a profit in the next 12 months. Again, this was the highest proportion yet seen in the Barometer series.

Seventy per cent of SME employers aimed to grow their business over the next 2-3 years, a nine percentage point increase on June 2012, and the joint highest proportion seen in the Barometer series.

The proportion that said they will increase their plans for growth has risen significantly on the figure for June 2012 (by seven percentage points), and is at the highest level since December 2011.

## **Business environment**

Nineteen per cent of SME employers currently sell goods or services or licence their products outside of the UK. This proportion was slightly lower (three percentage points) than in June 2012, but not significantly different. Among exporters, the level of exports in the previous six months was largely stable.

The main obstacles to the success of businesses were similar to those seen in previous Barometers, with the economy cited as the main obstacle by 33 per cent, taxation by ten per cent, regulations by nine per cent, cash flow by eight per cent, and competition and obtaining finance by six per cent each.

Thirty-one per cent of SME employers had any public sector clients, and 22 per cent had done any work for these in the previous six months. Overall, there was a small (five percentage points) but insignificant fall in the proportion working for the public sector in the previous six months.

Ninety-two per cent of SME employers were confident that their businesses would still be trading in 12 months time, the highest proportion yet seen in the Barometer series. Four per cent anticipated the closure of their businesses in 12 months time, and another four per cent the transfer of ownership. The proportion that thought they would transfer ownership fell significantly on June 2012 by four percentage points.

Forty-eight per cent of SME employers had introduced new or significantly improved products or services in the previous 12 months, an insignificant increase on June 2012. Thirty-nine per cent had introduced new or significantly improved processes in this time, a significant increase of nine percentage points on June 2012.

Sixty-two per cent had funded or arranged staff training or development in the previous 12 months, a similar proportion to previous Barometers.

## **Access to finance**

Fifteen per cent of SME employers had sought external finance in the previous six months. This was a eight percentage point decline on February 2012, and the joint lowest proportion seen in the Barometer series. The main reasons for seeking finance remained the need for working capital (39 per cent), to buy equipment or vehicles (29 per cent) and to buy land or buildings (14 per cent).

There was a significant increase in the proportion of those seeking finance looking for bank loans (up 16 percentage points), and a corresponding decrease in the proportion seeking bank overdrafts (down 12 percentage points).

Fifty-two per cent of those that had sought finance encountered any difficulties from the first source they approached. Seven per cent obtained all they needed but with problems, whilst 44 per cent were unable to obtain any finance from this first source approached.

Fifty-one per cent of those that applied for bank loans were unable to obtain any finance from the first source approached.

Sixty per cent of those that applied for finance managed to obtain all that they needed, 49 per cent from the first source approached (seven per cent with some problems, and 11 per cent from a secondary source. Eight per cent were still waiting on decisions, with 32 per cent unable to obtain any finance.

The proportion experiencing a rise in interest rates or fees on their overdraft facilities has been roughly consistent since December 2009, but since June 2012, there has been a significant decline in the proportion where more security was required, but a significant increase in the proportion with reduced limits.

Fourteen per cent of SME employers in February 2013 had an outstanding business loan from a bank in the previous six months. This was significantly lower than the 21 per cent with loans in June 2012.

## Business support

In February 2013, 41 per cent of SME employers had sought external advice or information on business matters in the last 12 months. Forty per cent had sought at least some kind of private sector advice, and 14 per cent some kind of public sector advice. These proportions have changed little since August 2011, but are higher than those reported

Of those using external advice or information, accountants were the most used source (47 per cent), followed by professional bodies such as accounting, marketing and personnel consultants (19 per cent), banks (16 per cent) and consultants.

The main spontaneously given reasons for seeking financial advice were for general financial advice on the running of the business (36 per cent), business plans or strategy (23 per cent), business growth (22 per cent), tax or NI law or payments (14 per cent) and advice and information on where to get finance (12 per cent).

Eight-four per cent of SME employers were aware of the .Gov.uk website. Of those aware, 65 per cent were aware of the tools and guidance for businesses section. This is equivalent to 55 per cent of all SME employers. For comparative purposes, between 79 and 90 per cent of SME employers were aware of the previous businesslink.gov.uk.

Fifty-nine per cent of those aware of the business section (32 per cent of all SME employers) had ever visited the section of the site. Fifty-five per cent of these had done so since October 2012 when the business section of the site was launched, meaning that the others had probably visited the Business Link website. Overall, this means that 17 per cent of all SME employers have visited the business section of .Gov.uk.

Ten per cent of SME employers had used a mentor in the previous 12 months. This was a similar proportion to those seen in the previous three Barometers, but lower than the 16 per cent that used mentors in the August 2011 Barometer.

Seven per cent of those who had not used a business mentor had consider taking one on, the same proportion seen in June 2012.

Nine per cent of SME employers were currently acting as a mentor for another business owner or entrepreneur. A further six per cent would consider becoming a mentor. These proportions were similar to those seen in previous Barometers.

Steve Lomax,  
BMG Research,  
May 2013



## 2. Introduction

### Background

The Business Barometer is a series of 14 surveys dating back to December 2008 among owners and managers of small and medium-sized (SME) employer enterprises in the UK, conducted on behalf of the Department for Business, Innovation and Skills (BIS).

The survey provides data on SME performance, and business needs, concerns and barriers to growth. Each survey wave of the Business Barometer consists of approximately 500 interviews with SME employer owners and managers, all of whom have previously been interviewed as part of larger BIS surveys – the 2006/07, 2007/08 Annual Surveys of Small Business (ASBS) or the 2010 and 2012 Small Business Surveys (SBS). The Business Barometers have occurred at least twice yearly since their inception. As a rule, they are not conducted at the same time as the larger SBSs.

### Methodology

508 interviews were conducted among SME employers between the 13<sup>th</sup> and 27<sup>th</sup> February 2013. All respondents had previously taken part in the 2012 SBS. Those interviewed were directors, owners and co-owners of the businesses. The February 2013 survey was carried out by BMG Research, an independent market research agency based in Birmingham.

The sample design boosts larger SME employers with between 10 and 249 employees, and also those that had sought finance in the year before SBS 2012 took place. At the analysis stage weighting was applied on these criteria and also broad sector so that the dataset was closely representative of all UK SME employers<sup>1</sup>. However, when interpreting these findings it must be borne in mind that the sample is not fully representative in that:

- Businesses with no employees have been excluded from this survey
- Businesses that started up since SBS 2012 were not interviewed, although as this occurred only six months before the February 2013 Barometer, the numbers here are very small compared to the total numbers of SMEs generally

Nor is the survey exactly representative of SME employers that operated at the time of SBS 2012, as those that have closed since cannot be interviewed, although again this number will be relatively small given the timing of the survey.

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<sup>1</sup> More details on the sampling and weighting process are given in the technical appendix to this report



## Note on the report

It should be noted that the report is based on *SME employers only*, and not on all SMEs.

Charts in the report show trends based on all 14 Barometers conducted since December 2008. Results from ASBS and SBSs are not shown as these are not strictly comparable, as they contain a higher proportion of newer businesses than do the Barometers. It should also be noted that not every question described has appeared in every Barometer, and charts only give data for the Barometers where data is available.

Standard tables in the report focus on employment size: micros (1-9 employees), small businesses (10-49) and medium-sized ones (50-249). These show data for the latest (February 2013) Barometer, the previous Barometer which was conducted in June 2012, and then past Barometers in February 2012, 2011, 2010 and 2009. Tables are not shown by employment size where sample sizes are small, e.g. those based on SMEs that sought finance. Any significant differences from the overall figure by sector and age of business are commented on in the report text.

Unless stated otherwise, all findings commented upon in the text are statistically significant, whether reported as a comparison between the February 2013 Barometer and previous Barometers, or where findings for sub-groups are compared with the overall total. In this latter instance it should be noted that the comparison is between the sub-group (e.g. all micro employers), and the total minus that sub-group (which in the cases where comparisons are made between micros and others means a comparison between micros and small/medium-sized businesses combined). In the tables shown in this report, figures in bold are statistically significant for sub-groups against the overall findings of that Barometer wave.

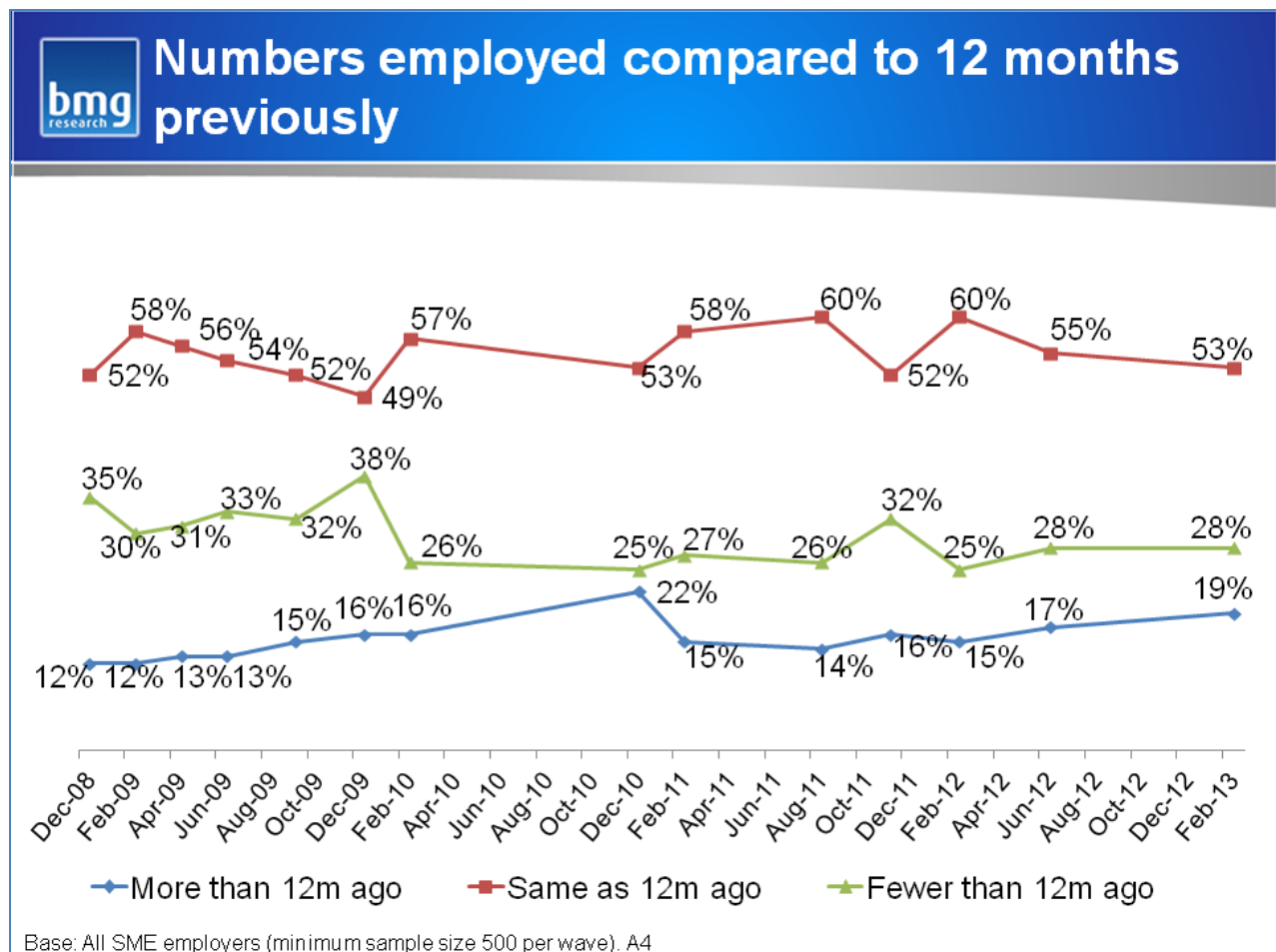
### 3. Growth

This section explores whether SME employers have grown in the last 12 months in terms of numbers employed and turnover, and their plans for growth.

#### Numbers employed now compared to 12 months previously

In February 2013, 28 per cent of SME employers employed fewer people than they did 12 months previously. Nineteen per cent employed more, and 53 per cent had approximately the same numbers.

**Figure A: Numbers employed compared to 12 months previously**



The trend data show that the gap between the proportion employing more and those employing fewer was greatest in December 2008 at the onset of the economic downturn. Over time the gap has reduced, so that by December 2010 there was only a three percentage point difference in the two measures. However, the gap widened again in February 2011 with 15 per cent employing more and 27 per cent employing fewer. Since then the trend suggests a slow increase in the proportion employing more than 12 months previously, which was up to 19 per cent in February 2013. However, there was no significant change between the proportions employing fewer, more or the same when compared to the previous Barometer survey in June 2012.

Despite the indication that trends have been slowly improving, it should be noted that the proportion with reduced employment has been greater than the proportion with increased employment, in all Barometers. This does not necessarily mean that the overall employment levels have continued to reduce; employees could be moving from SMEs to larger businesses, or that the number of businesses, including those with no employees, has increased.

**Table 3.1: Numbers employed compared to 12 months previously – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
More than 12 months previously	19	16	<b>31</b>	<b>46</b>
Same as 12 months previously	53	55	46	39
Fewer than 12 months previously	28	30	<b>23</b>	<b>15</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
More than 12 months previously	17	14	<b>31</b>	<b>41</b>
Same as 12 months previously	55	58	<b>41</b>	44
Fewer than 12 months previously	28	28	28	<b>15</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
More than 12 months previously	15	13	<b>23</b>	<b>44</b>
Same as 12 months previously	60	64	<b>40</b>	<b>31</b>
Fewer than 12 months previously	25	24	<b>38</b>	25
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
More than 12 months previously	15	12	<b>26</b>	<b>41</b>
Same as 12 months previously	58	61	<b>41</b>	<b>39</b>
Fewer than 12 months previously	27	26	33	19
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
More than 12 months previously	16	14	<b>25</b>	18
Same as 12 months previously	57	65	<b>36</b>	<b>38</b>
Fewer than 12 months previously	26	21	<b>39</b>	<b>44</b>
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
More than 12 months previously	12	11	13	<b>19</b>
Same as 12 months previously	58	61	<b>41</b>	<b>46</b>
Fewer than 12 months previously	30	27	<b>46</b>	34

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A4

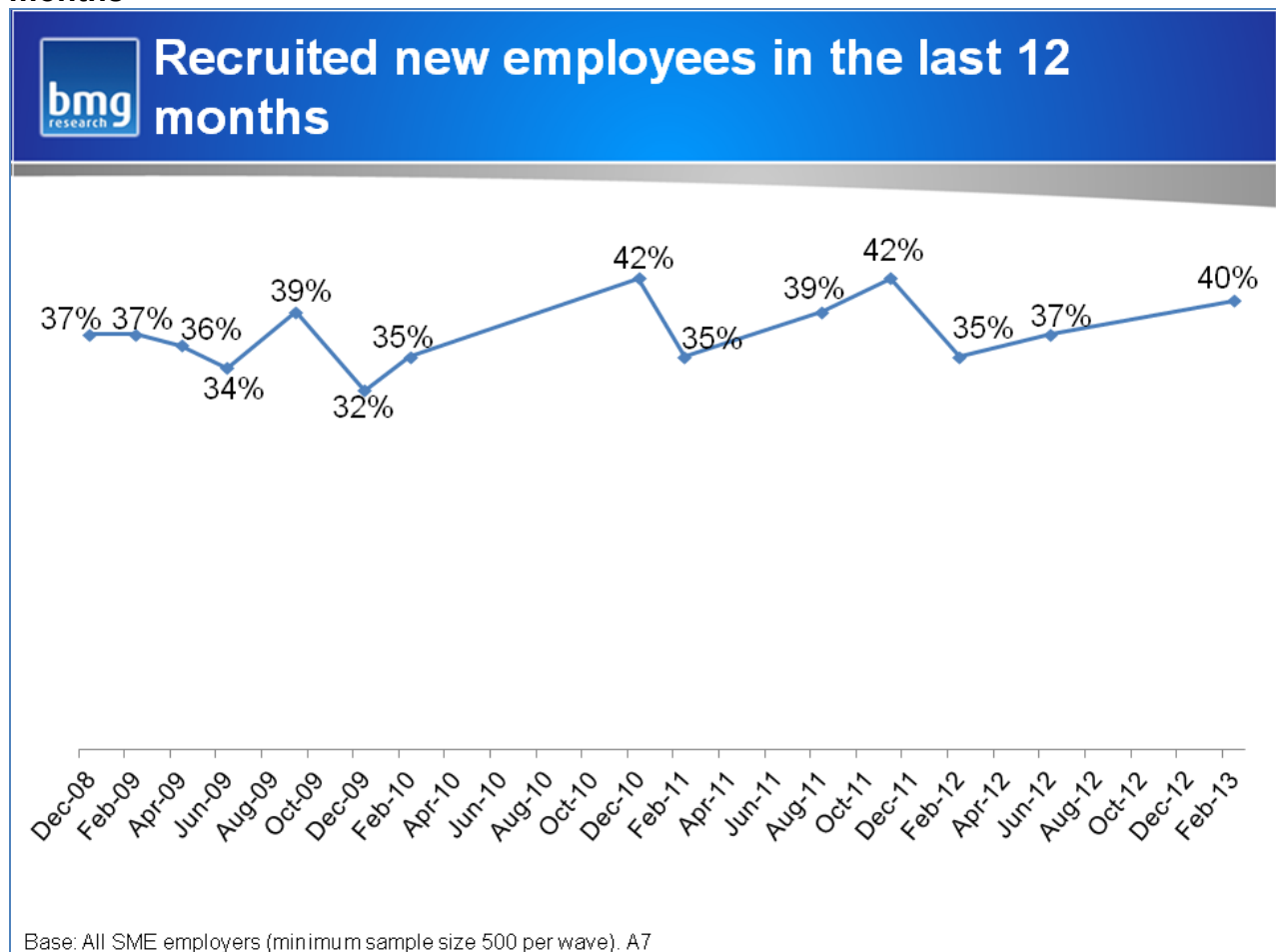
By employment size it is to be expected that larger SMEs are more likely than smaller ones to have employed more in the past 12 months, and this has been the case in most of the Barometers. However, in the past the small and medium-sized businesses (as opposed to the micros) have also been more likely than average to have had reduced levels of employment, and this was not the case in February 2013 or June 2012.

By sector, in February 2013 business services were less likely than average to have reduced employment (21 per cent). Businesses aged 4-10 years were the most likely to have increased employment levels (27 per cent), and the least likely to have reduced employment (17 per cent), whilst those aged over ten years were the most likely to have had reduced employment (34 per cent), and the least likely to have had increased employment (15 per cent).

## New employees in the previous 12 months

In February 2013, 40 per cent of SME employers had recruited at least one new employee in the previous 12 months. This result is consistent with previous Barometers.

**Figure B: Recruited new employees in the last 12 months**



**Table 3.2: Recruited new employees in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Any new employees	40	<b>32</b>	<b>80</b>	<b>92</b>
<b>June 2012</b> (n=)	500	227	182	91
	%	%	%	%
Any new employees	37	<b>29</b>	<b>75</b>	<b>93</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Any new employees	35	29	<b>64</b>	<b>84</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Any new employees	35	29	<b>66</b>	<b>86</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Any new employees	35	<b>27</b>	<b>57</b>	<b>65</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Any new employees	37	31	<b>64</b>	<b>90</b>

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A7

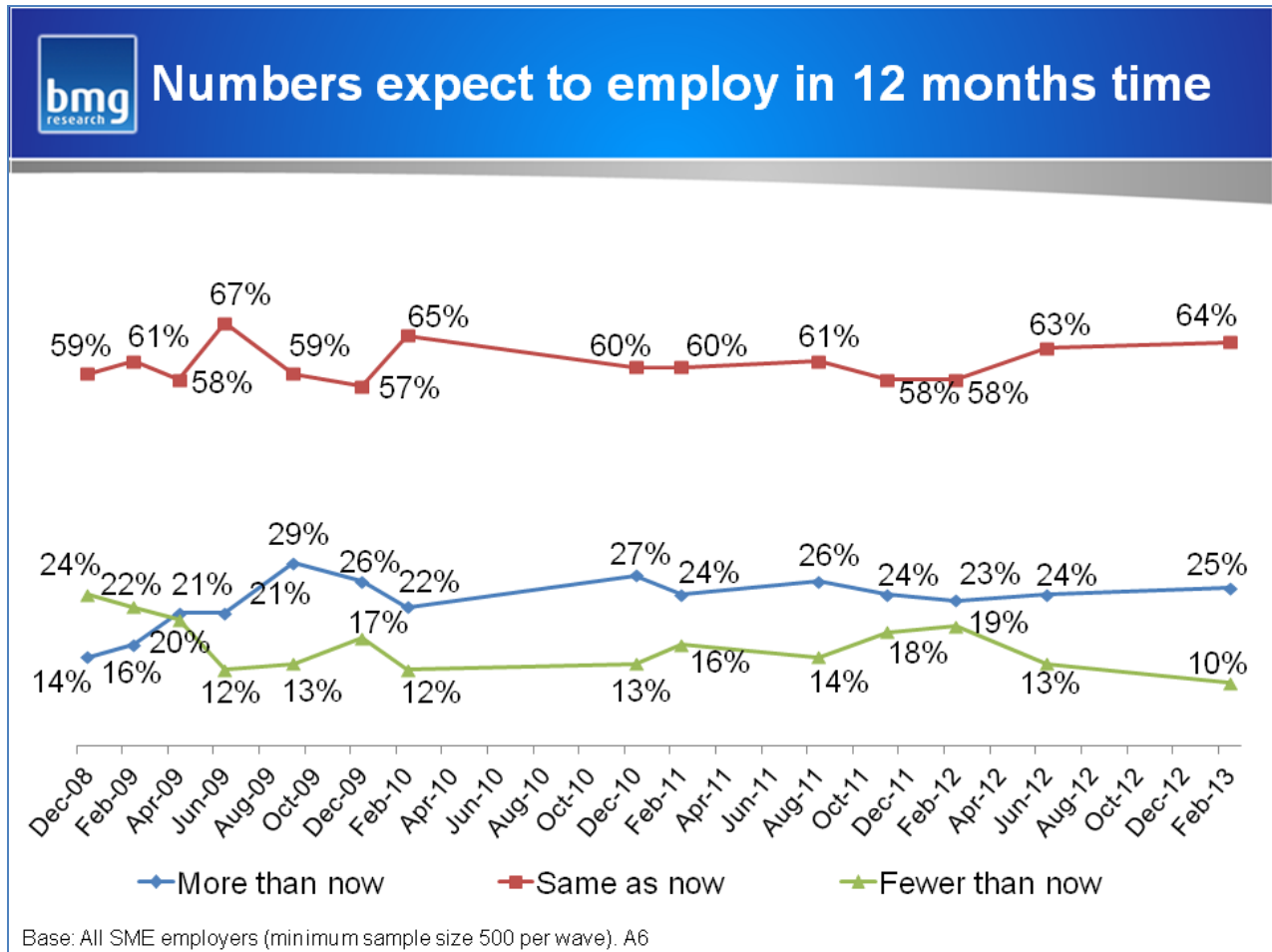
The trend data shows that in February 2013 small and medium-sized businesses were more likely to have recruited new employees than was the case three years previously, and to a much greater extent than the micros.

In February 2013, services were less likely than average to have recruited new employees (35 per cent), as were those aged over ten years (36 per cent).

## Numbers expect to employ in 12 months time

In February 2013, 25 per cent of SME employers said that they expected to have more employees in 12 months time, with 64 per cent expecting the same number, and 10 per cent expecting to have fewer.

**Figure C: Numbers expect to employ in 12 months time**



There was no significant change in the proportion expecting to employ fewer people in 12 months time between June 2012 and February 2013, but the trend here is generally positive.



**Table 3.3 Numbers expected to employ in 12 months time – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
More than currently	25	23	<b>37</b>	<b>40</b>
Same as currently	64	67	<b>47</b>	<b>41</b>
Fewer than currently	10	9	<b>15</b>	<b>17</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
More than currently	24	23	<b>32</b>	<b>37</b>
Same as currently	63	64	56	<b>50</b>
Fewer than currently	13	13	13	13
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
More than currently	23	22	27	<b>36</b>
Same as currently	58	60	<b>49</b>	<b>44</b>
Fewer than currently	19	18	24	20
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
More than currently	24	22	<b>33</b>	32
Same as currently	60	63	<b>46</b>	<b>41</b>
Fewer than currently	16	15	21	<b>27</b>
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
More than currently	22	19	<b>32</b>	30
Same as currently	65	70	<b>52</b>	<b>55</b>
Fewer than currently	12	11	16	15
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
More than currently	16	15	17	20
Same as currently	61	63	53	<b>40</b>
Fewer than currently	22	21	27	<b>38</b>

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A6

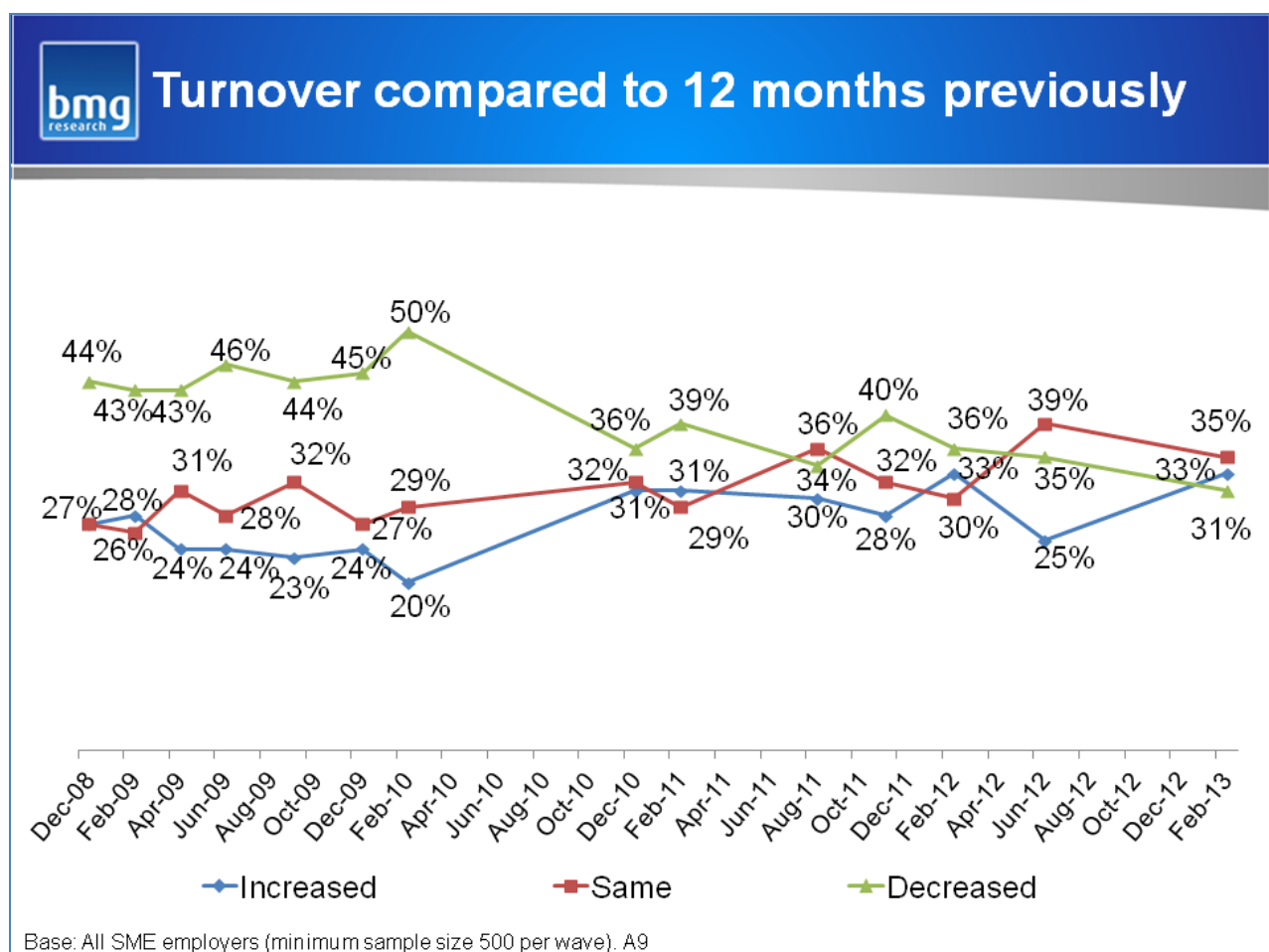
Small and medium-sized businesses were more likely than micros to predict both increased and reduced employment.

By sector those in other services were less likely than average to increase employment levels (17 per cent). By age of business, those aged 0-3 years were the most optimistic in their outlook (46 per cent expecting to employ more, 5 per cent to employ fewer), and those aged over ten years were the least optimistic (22 per cent expecting to employ more, 12 per cent to employ fewer).

## Turnover compared to 12 months previously

In February 2013, 33 per cent of SME employers said that their turnover had increased compared to 12 months previously, 35 per cent that it had stayed roughly the same, and 31 per cent that it had decreased.

**Figure D: Turnover compared to 12 months previously**



Compared to June 2012, the proportion saying that turnover had increased was significantly higher by eight percentage points, but only to the level seen in February 2012. Nonetheless, the proportion reporting decreased turnover has contracted steadily over time, and February 2013 was the first Barometer when the proportion with increased turnover exceeded that with reduced turnover.

**Table 3.4 Turnover compared to 12 months previously – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Increased	33	31	38	<b>57</b>
Stayed the same	35	36	33	<b>25</b>
Decreased	31	33	27	<b>15</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Increased	25	21	<b>46</b>	<b>47</b>
Stayed the same	39	40	32	34
Decreased	35	38	<b>21</b>	<b>19</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Increased	33	33	31	<b>52</b>
Stayed the same	30	29	35	24
Decreased	36	37	32	<b>24</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Increased	31	30	32	<b>48</b>
Stayed the same	29	28	30	34
Decreased	39	40	35	<b>16</b>
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Increased	20	20	20	14
Stayed the same	29	29	34	<b>13</b>
Decreased	50	50	46	<b>72</b>
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Increased	28	26	35	<b>40</b>
Stayed the same	26	27	23	25
Decreased	43	43	43	34

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A9

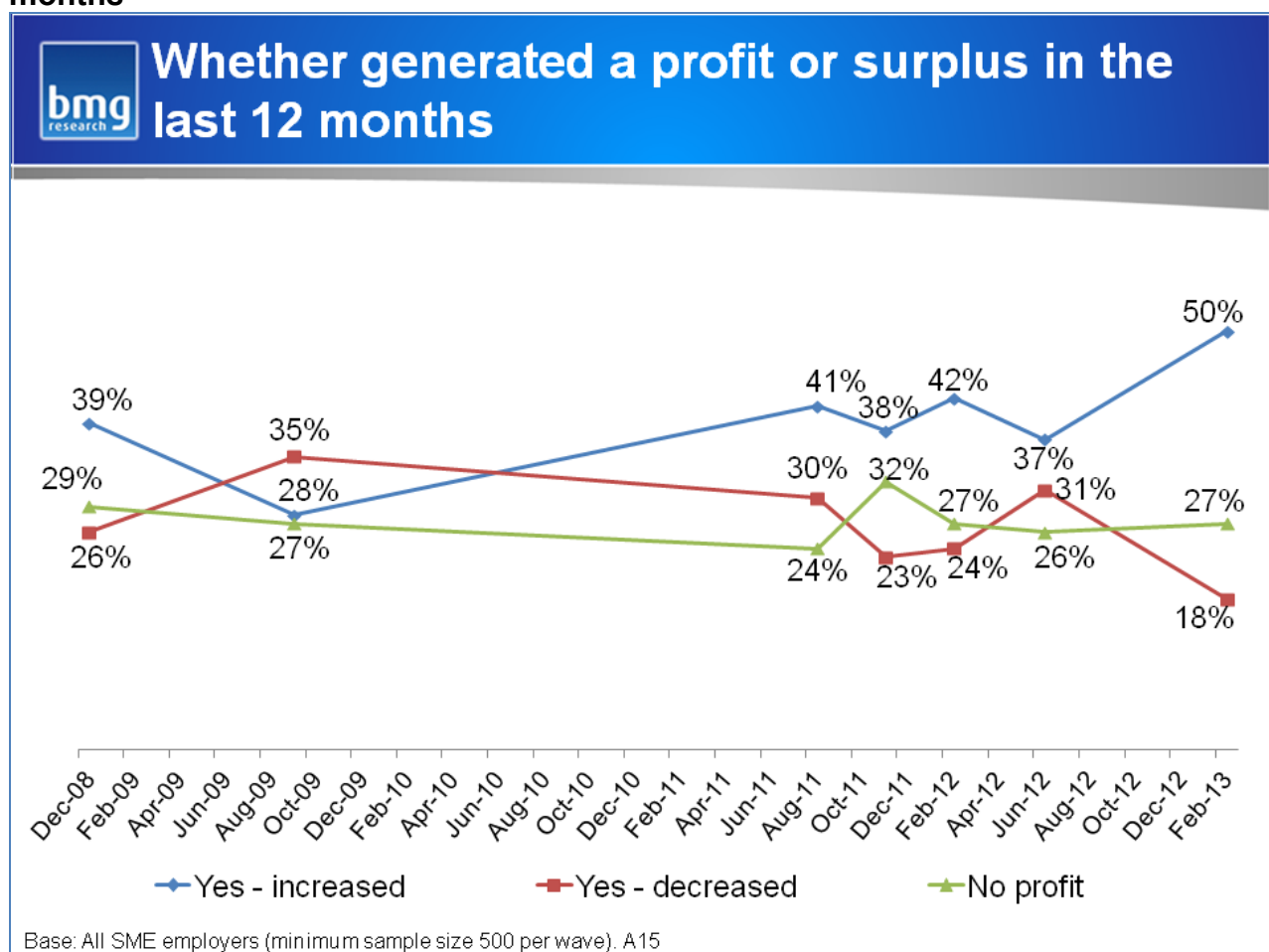
Compared to June 2012, both micro and medium-sized businesses were more likely to report increased turnover in February 2013, but this was not the case for the small businesses.

By sector, those in construction (45 per cent) and other services (41 per cent) were more likely than average to report decreased turnover. This was also the case for businesses aged over 10 years (37 per cent). Seventy per cent of businesses aged 0-3 years reported increased turnover.

## Whether generated a profit or surplus in the last 12 months

In February 2013, sixty eight per cent of businesses reported that they had made a profit, with 50 per cent saying that this level of profit had increased on the previous 12 months profit.

**Figure E: Whether generated a profit or surplus in the last 12 months**



The trends do not show not an increase over time in the proportion making a profit. However, they do show an increase in the proportion with a higher profit than the previous 12 months. This proportion rose by 13 percentage points on the equivalent figure in June 2012.

All sizes of business were more likely to have increased their levels of profit when compared to June 2012. By sector, those in construction were the least likely to have had increased profit (31 per cent) and the most likely not to have made a profit at all (49 per cent). Other services were also less likely than average to have increased profit (42 per cent), with those in business services the most likely to have increased profit (62 per cent).

By age of business, those aged 4-10 years were the most likely to have made a profit at all (79 per cent), and those aged more than ten years were the least likely to have increased profit (46 per cent).

**Table 3.5: Whether generated a profit or surplus in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Yes – increased on previous 12m	50	49	55	<b>65</b>
Yes – decreased on previous 12m	18	18	18	17
No profit/surplus	27	28	22	<b>18</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Yes – increased on previous 12m	37	35	44	47
Yes – decreased on previous 12m	31	32	24	31
No profit/surplus	26	27	26	<b>16</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Yes – increased on previous 12m	42	42	45	<b>59</b>
Yes – decreased on previous 12m	24	24	25	26
No profit/surplus	27	28	27	<b>11</b>

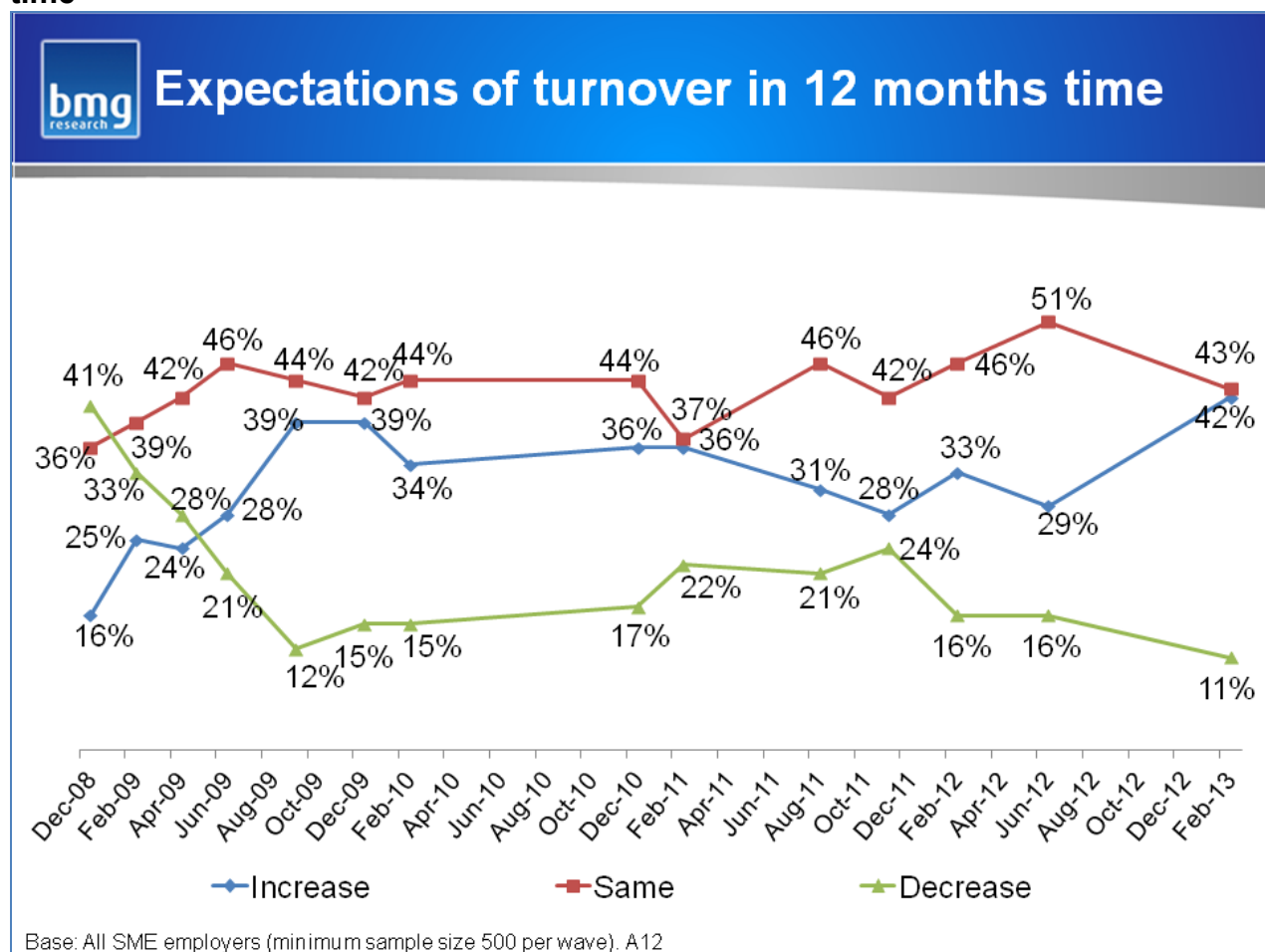
Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A15

## Expectations of turnover in 12 months time

In February 2013, 42 per cent of SME employers said that they expected their turnover to be higher in 12 months time. Forty-three per cent expected it to be roughly the same as it was, and 11 per cent for it to decrease.

**Figure F: Expectations of turnover in 12 months time**



The proportion expecting turnover to increase has risen significantly on the June 2012 figure, and the proportion expecting it to decrease has fallen significantly. The figures for turnover outlook in the February 2013 Barometer are the healthiest since the Barometer series began.

**Table 3.6 Expectations of turnover in 12 months time – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Increase	42	41	<b>49</b>	<b>55</b>
Stay the same	43	45	<b>36</b>	<b>30</b>
Decrease	11	11	12	11
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Increase	29	25	<b>45</b>	<b>45</b>
Stay the same	51	54	<b>37</b>	46
Decrease	16	17	14	<b>7</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Increase	33	33	32	<b>51</b>
Stay the same	46	46	45	<b>30</b>
Decrease	16	16	18	19
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Increase	36	34	<b>49</b>	<b>51</b>
Stay the same	37	38	34	33
Decrease	22	24	<b>13</b>	14
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Increase	34	32	43	37
Stay the same	44	43	46	48
Decrease	15	17	10	13
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Increase	25	25	24	20
Stay the same	39	40	30	36
Decrease	33	31	<b>43</b>	41

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A12

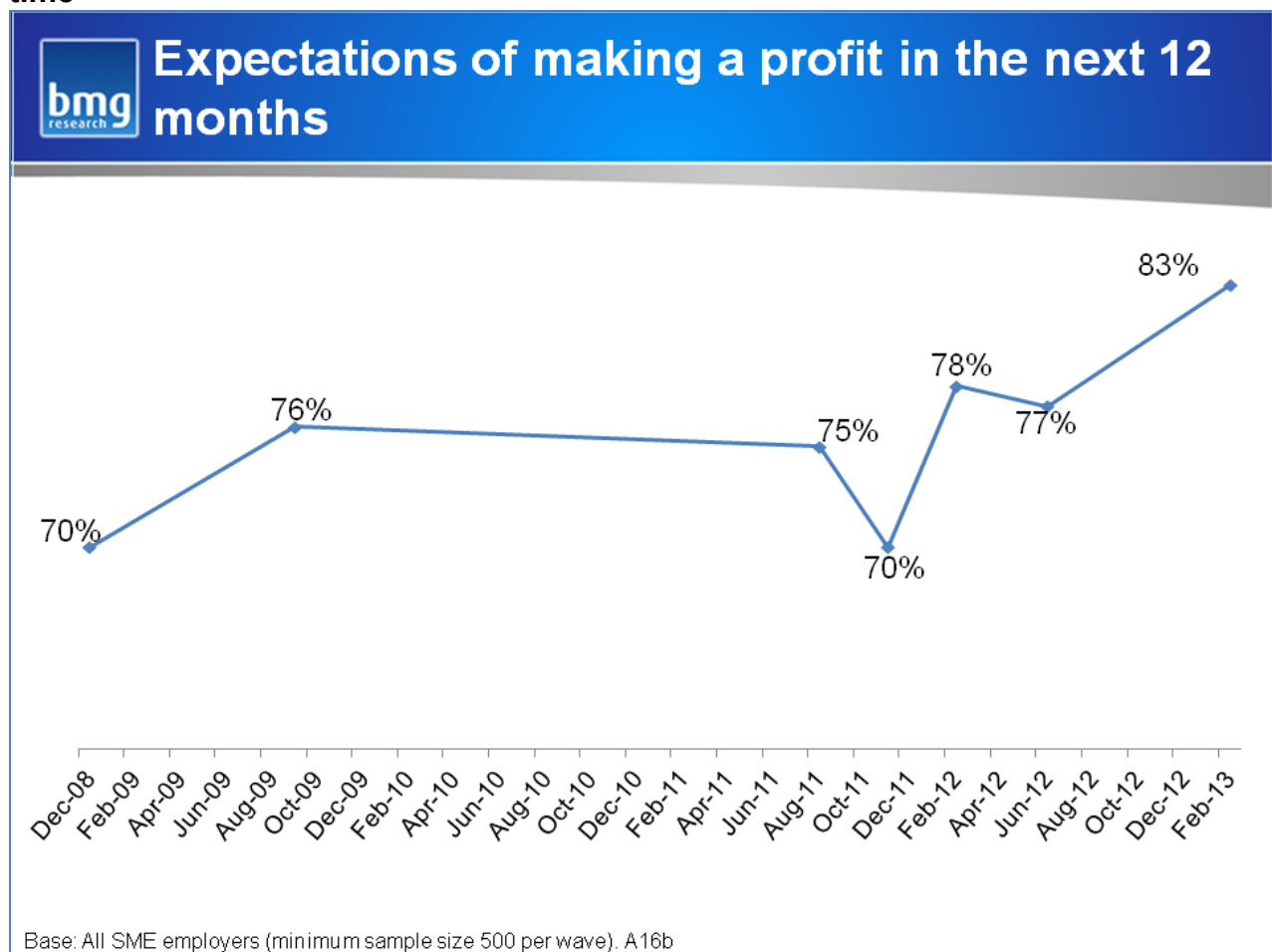
By employment size, it is again to be expected that larger SMEs are more likely to think turnover will increase than micros, and this has been the case in most of the Barometers. However, when comparing the figures for February 2013 with those for June 2012, it is the micros that exhibit the greatest rise in terms of expectations for increased turnover, up 16 percentage points.

The only significant difference in the February 2013 data by sector was that those in business services were the least likely to think their turnover would decrease (seven per cent). By age of business, 69 per cent of those aged 0-3 years thought turnover would increase, compared to 37 per cent of those aged over 10 years.

## Expectations of making a profit in the next 12 months

In February 2013, 83 per cent of SME employers expected to make a profit in the next 12 months.

**Figure G: Expectations of making a profit in 12 months time**



This was another positive finding, with an increase on the June 2012 figure of six percentage points, and the highest proportion seen yet in the Barometer series.



In February 2013 small and medium sized businesses were more likely than micros to expect to make a profit (88 per cent and 87 per cent compared to 82 per cent of micros).

Expectations for profit were highest among business services (91 per cent) and lowest for the other services (66 per cent). Businesses aged over ten years were the least likely to think they would make a profit (80 per cent).

## Whether expect to grow over the next 2-3 years

In February 2013, 70 per cent of SME employers aimed to grow their business over the next two to three years.

**Figure H: Whether expect to grow over the next 2-3 years**



This was a significant increase on the figure for June 2012 when only 61 per cent expected to grow. However, it is not higher than the figure in February 2011.

Growth is another measure likely to be affected by employment size, and as such small (80 per cent) and medium-sized SMEs (88 per cent) were more likely than micros (68 per cent) to aim to grow. However, compared to June 2011 it was the micros that had the greatest increase in the proportion expecting to grow, up 11 percentage points, and it is the micros that drive the overall increase.

By sector in February 2013 there were no significant differences. Businesses aged over ten years were less likely than average to expect to grow (67 per cent).

**Table 3.7: Whether expect to grow over the next 2-3 years – by employment size**

	<b>All SME employers</b>	<b>Micros (1-9 employees)</b>	<b>Small (10-49 employees)</b>	<b>Medium (50-249 employees)</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Expect to grow in next 2-3 years	70	68	<b>80</b>	<b>88</b>
<b>June 2012</b> (n=)	500	227	182	91
	%	%	%	%
Expect to grow in next 2-3 years	61	57	<b>79</b>	<b>84</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Expect to grow in next 2-3 years	64	63	70	<b>85</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Expect to grow in next 2-3 years	70	68	<b>82</b>	<b>87</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Expect to grow in next 2-3 years	67	61	<b>83</b>	<b>88</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Expect to grow in next 2-3 years	65	63	<b>74</b>	<b>86</b>

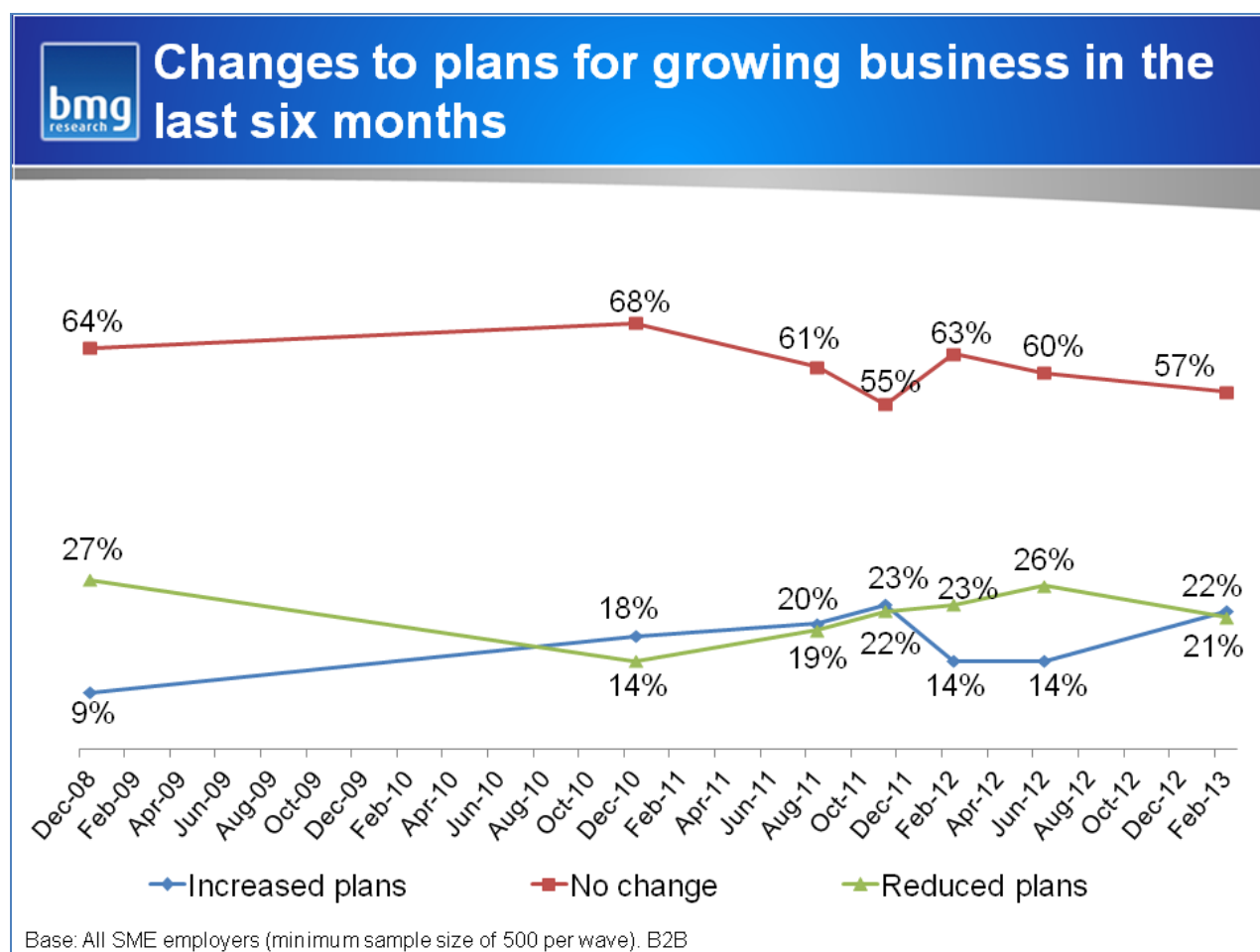
Base = all SME employers.

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A17

## Changes to plans for growing business in the last 6 months

In February 2013, 22 per cent of SME employers said that they had increased their plans for growth in the previous six months (five per cent significantly, 17 per cent slightly), whilst 21 per cent had reduced their growth plans (eight per cent significantly, 12 per cent slightly).

**Figure I: Changes to plans for growing business in the last six months**



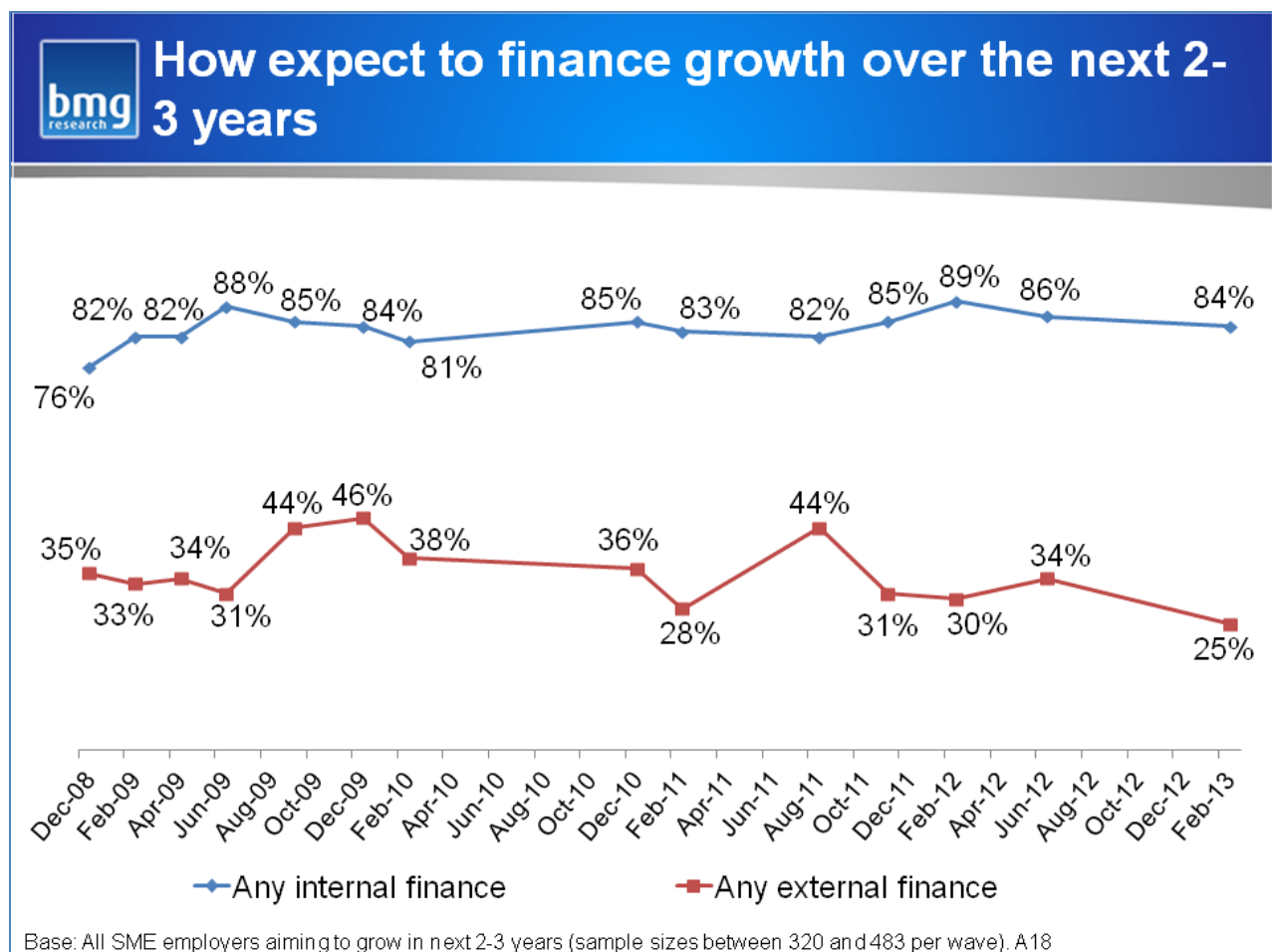
The proportion that said they will increase their plans for growth has risen significantly on the figure for June 2012, and is at the highest level since December 2011.

There were no significant differences in these proportions according to employment size, other than small businesses were the least likely to have reduced their plans (16 per cent). By sector, those in production (mainly manufacturing businesses) were more likely than average to have increased plans (35 per cent), as were businesses aged 4-10 years (30 per cent).

## How expect to finance growth over the next 2-3 years

In February 2013, 70 per cent of those SME employers that expected to grow said they expected to fund their business growth using just internal finance. Eleven per cent would just use external finance, and 14 per cent would use both internal and external finance (five per cent did not know).

**Figure J: How expect to finance growth over the next 2-3 years**



Combining those that said they would use internal finance only, and those who would use both internal and external finance, 84 per cent would use any internal finance. This proportion has remained stable since February 2009, with only the first Barometer in December 2008 indicating a lower proportion willing to use internal finance.

By combining those that would use external finance only with those who would use both internal and external finance, we find that 25 per cent of those aiming to grow plan to use external finance. This is the lowest proportion seen in the Barometer series.

Compared with June 2012 the proportion saying they would use both internal and external finance decreased (from 22 per cent to 14 per cent). The proportion saying they would use

only internal finance increased (from 64 per cent to 70 per cent). The proportion saying only external finance decreased but not significantly, from 12 per cent to 11 per cent.

**Table 3.8 How expect to finance growth over the next 2-3 years – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013</b> (n=)	393	155	156	82
	%	%	%	%
Any internal finance	84	85	81	81
Any external finance	25	23	<b>33</b>	<b>56</b>
<b>June 2012</b> (n=)	347	134	137	76
	%	%	%	%
Any internal finance	86	86	87	87
Any external finance	34	34	32	<b>46</b>
<b>February 2012</b> (n=)	483	174	188	121
	%	%	%	%
Any internal finance	89	89	90	85
Any external finance	30	28	<b>39</b>	<b>40</b>
<b>February 2011</b> (n=)	382	149	156	77
	%	%	%	%
Any internal finance	83	84	78	81
Any external finance	28	25	<b>39</b>	<b>41</b>
<b>February 2010</b> (n=)	380	129	135	116
	%	%	%	%
Any internal finance	81	79	83	92
Any external finance	38	39	40	33
<b>February 2009</b> (n=)				
	%	%	%	%
Any internal finance	82	83	79	82
Any external finance	33	31	<b>47</b>	38

Base = all SME employers looking to grow in the next 2-3 years

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A18

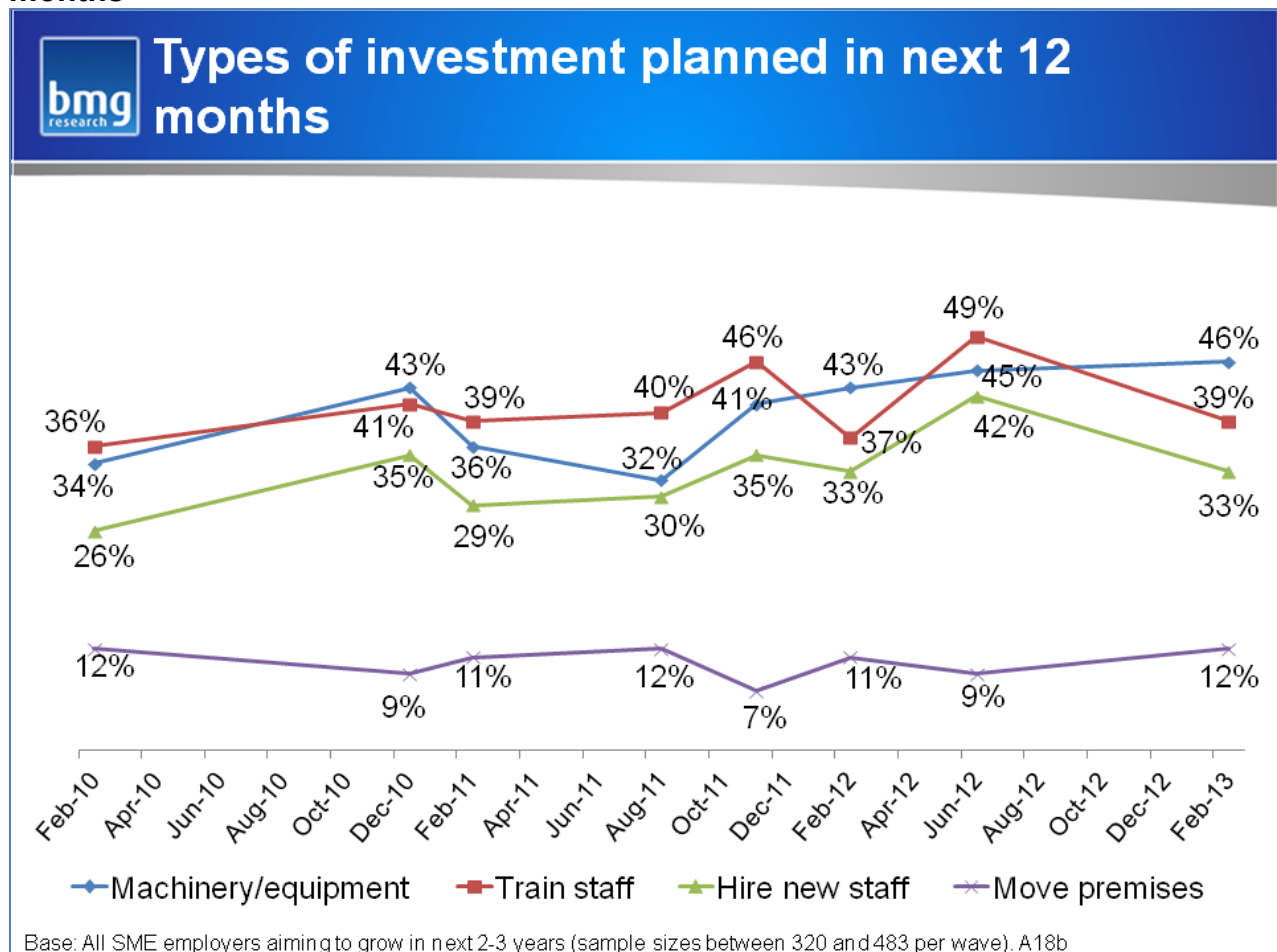
The demand for external finance is higher among small and medium-sized businesses, and this has been the case in most of the Barometers. By sector in February 2013, those in production were the least likely to rely solely upon internal finance to grow their business (59 per cent of those aiming to grow).

## Types of investment planned in the next 12 months

Of those aiming to grow in February 2013, 61 per cent said they were planning to increase investment in their business in the next 12 months.

Out of all those aiming to grow (and not just those increasing investment), 46 per cent said they would buy new equipment or machinery, 39 per cent would train existing staff, 33 per cent would hire new staff, and 12 per cent would move to larger or better quality premises. Other investments that were mentioned spontaneously included marketing/advertising, upgrading or developing IT software/websites, improvements to building or land, product/service development and increasing stock levels<sup>2</sup>.

**Figure K: Types of investment planned in the next 12 months**



<sup>2</sup> Figures are not given for these other types of investment as the main four shown in the chart above were prompted, while these others were not. Therefore a comparison is not valid.

The long term trend for buying machinery or equipment is upwards, with the 46 per cent of those aiming to grow in February 2013 being the highest proportion yet. The proportion looking to train staff or hire new staff has fallen significantly since June 2012.

**Table 3.9 Types of investment planned in the next 12 months**

	<b>All SME employers</b>	<b>Micros (1-9 employees)</b>	<b>Small (10-49 employees)</b>	<b>Medium (50-249 employees)</b>
<b>February 2013 (n=)</b>	393	155	156	82
	%	%	%	%
Machinery/equipment	46	45	53	<b>60</b>
Staff training	39	34	<b>57</b>	<b>64</b>
Hire new staff	33	30	<b>44</b>	<b>61</b>
Move premises	12	15	12	<b>21</b>
<b>June 2012 (n=)</b>	347	134	137	76
	%	%	%	%
Machinery/equipment	45	43	52	55
Staff training	49	47	55	<b>64</b>
Hire new staff	42	40	47	<b>61</b>
Move premises	9	8	10	<b>22</b>
<b>February 2012 (n=)</b>	483	174	188	121
	%	%	%	%
Machinery/equipment	43	41	48	<b>58</b>
Staff training	37	33	<b>51</b>	<b>69</b>
Hire new staff	33	30	<b>42</b>	<b>55</b>
Move premises	11	11	13	16
<b>February 2011 (n=)</b>	382	149	156	77
	%	%	%	%
Machinery/equipment	37	36	38	<b>55</b>
Staff training	39	38	44	<b>60</b>
Hire new staff	29	26	37	<b>53</b>
Move premises	11	11	13	6
<b>February 2010 (n=)</b>	380	129	135	116
	%	%	%	%
Machinery/equipment	34	39	<b>22</b>	27
Staff training	36	35	38	41
Hire new staff	26	22	35	33
Move premises	12	13	11	9

Base = all SME employers aiming to grow in the next 2-3 years

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Multiple answers allowed at this question. A18b

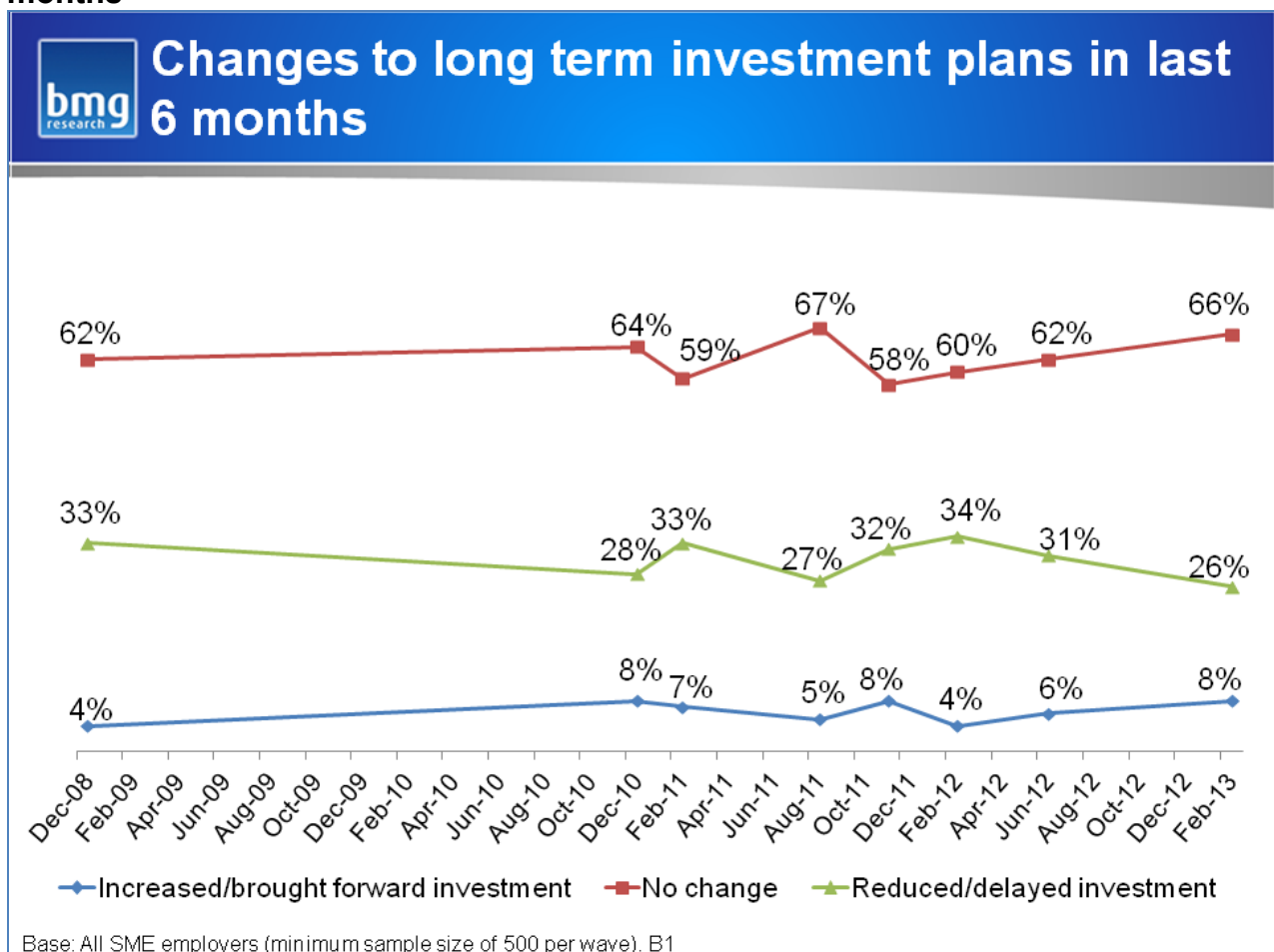
By employment size, it is the decrease in the proportion of micros that plan to achieve growth through staff training and hiring new staff that is driving the decline in these measures.

By sector, those in production were the most likely to invest in new machinery or equipment (77 per cent of those aiming to grow).

## Changes to long term investment plans in the last 6 months

In February 2013, eight per cent of SME employers said that they had increased or brought forward their long term planned investments as a direct result of economic conditions (three per cent significantly, five per cent slightly), with 26 per cent saying that they had reduced or delayed them (13 per cent significantly, 14 per cent slightly).

**Figure L: Changes to long term investment plans in the last 6 months**



Perhaps because of the way the question is asked, the findings across time appear somewhat negative, with the proportions saying that plans have been brought forward always being lower than those saying investment had been reduced or delayed in each of the Barometers where the question was asked. However, in February 2013 the gap between the two measures was the lowest seen to date.



**Table 3.10 Changes to long term investment plans in the next 6 months**

	<b>All SME employers</b>	<b>Micros (1-9 employees)</b>	<b>Small (10-49 employees)</b>	<b>Medium (50-249 employees)</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Increased/brought forward investment	8	7	<b>11</b>	<b>16</b>
No change	66	67	61	66
Reduced/delayed investment	26	26	27	19
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Increased/brought forward investment	6	5	<b>12</b>	11
No change	62	63	55	62
Reduced/delayed investment	31	32	31	25
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Increased/brought forward investment	4	3	<b>10</b>	8
No change	60	61	57	59
Reduced/delayed investment	34	34	32	31
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Increased/brought forward investment	7	6	<b>15</b>	7
No change	59	61	<b>48</b>	55
Reduced/delayed investment	33	33	35	35

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. B1

Small and medium-sized SMEs were more likely than micros to have increased or brought forward investment plans. Those in transport, retail and distribution were the least likely to have increased investment plans (four per cent), with those in other services being the most likely to have increased investment intentions (13 per cent). Perhaps surprisingly, by age of business, those aged over 10 years were the most likely to have increased or brought forward investment plans in the last 6 months (nine per cent).

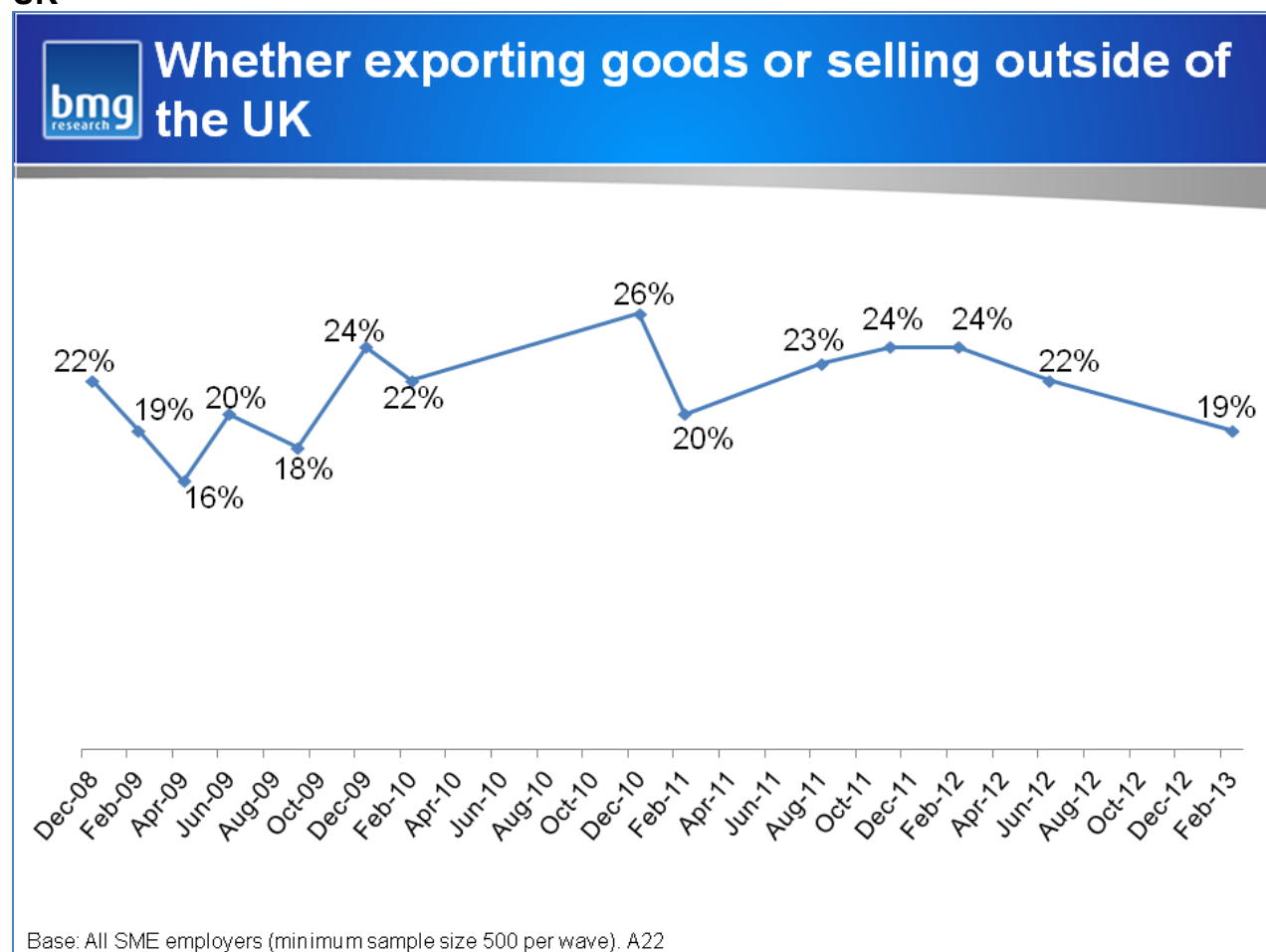
## 4. Business environment

This section covers a range of measures relating to business performance and the environment in which SME employers operate, including whether they export, obstacles to success, work for the public sector, business confidence, innovation and training.

### Whether exporting goods or selling outside of the UK

In February 2013, 19 per cent of SME employers said that they currently sold goods or services or licence their products outside of the UK.

**Figure M: Whether exporting goods or selling outside of the UK**



This proportion is three percentage points lower than in June 2012, which is an insignificant change.

**Table 4.1: Whether exporting goods or selling outside of the UK – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Exporter	19	17	<b>28</b>	<b>33</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Exporter	22	21	26	<b>40</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Exporter	24	22	<b>32</b>	<b>44</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Exporter	20	19	<b>30</b>	<b>31</b>
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Exporter	22	22	19	<b>45</b>
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Exporter	19	18	26	25

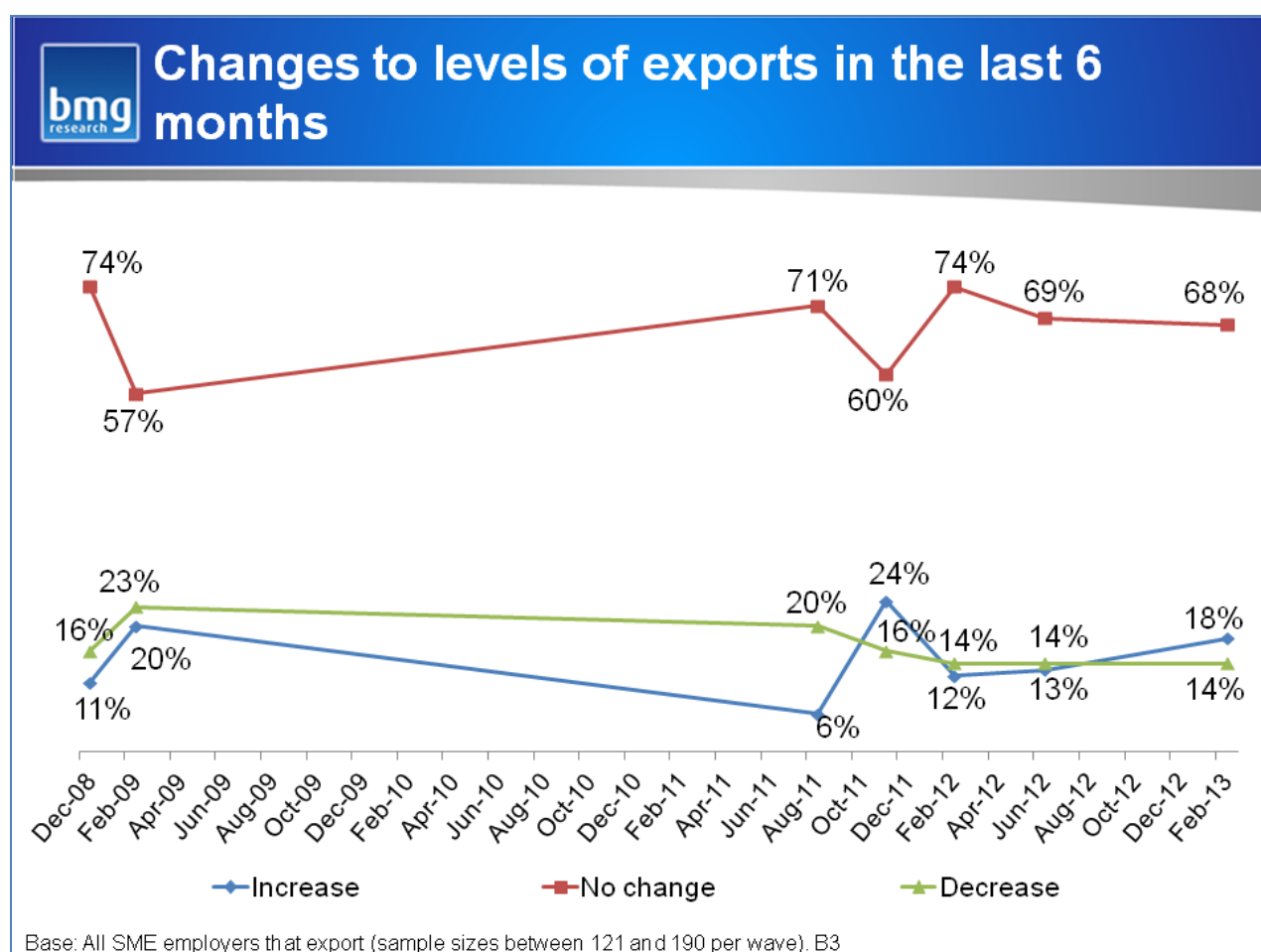
Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A22

Larger SMEs are more likely to export, and this has been the case in most of the Barometers undertaken. By sector, exporting was most likely to be seen in business services (28 per cent), and was least likely in construction (five per cent) and other services (ten per cent). There were no differences according to the size of a business.

## Changes to levels of exports in the last 6 months

Among exporters in February 2013, 18 per cent said their levels of exports had increased in the last 6 months (six per cent significantly, 12 per cent slightly) whilst 14 per cent said they had reduced. Whilst the proportion reporting increased exports was not significantly higher than in June 2012, the trend is moving in the right direction, and February 2013 was the first time that there were more firms reporting increased levels of exports compared to reduced levels since December 2011.

**Figure N: Changes to levels of exports in the last 6 months**

The exporters most likely to report reduced exports were in the manufacturing sector (27 per cent). Those aged over ten years were the least likely to have increased exports (11 per cent). There were no other significant differences.

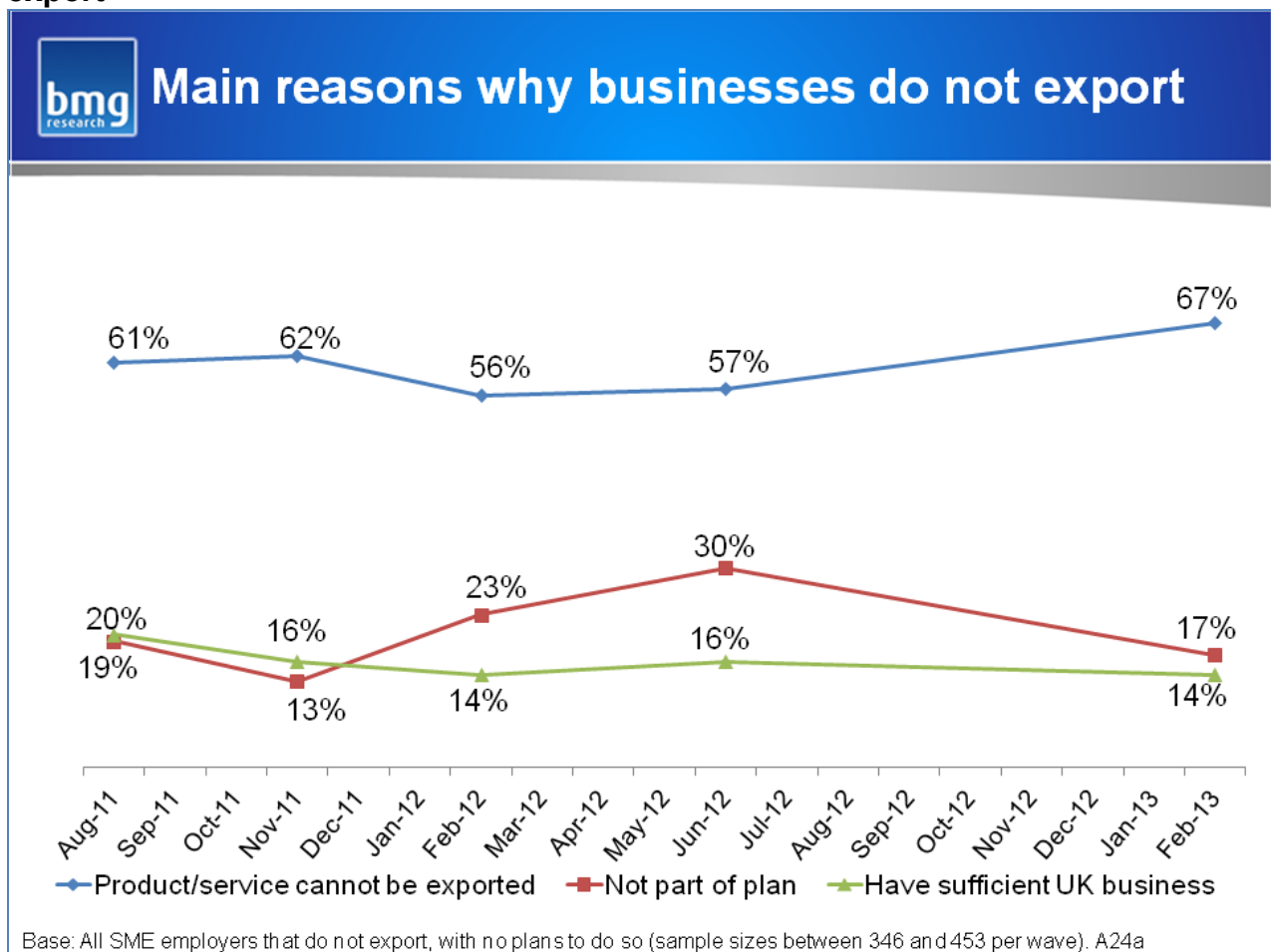
Forty-two per cent of exporters in February 2013 expected their overseas sales to increase in the next 12 months, while 55 per cent thought they would stay roughly at their current levels, and just two per cent thought they would decrease. The proportion expecting an increase has risen by 14 percentage points on June 2012, and the proportion expecting decreases in overseas sales has decreased by five per cent.

Only three per cent of those SME employers not currently exporting have plans to start in the next 12 months. This is a similar proportion to that seen in previous Barometers.

## Main reasons why businesses do not export

Of those businesses not exporting in February 2013 and with no plans to start in the next 12 months, 67 per cent spontaneously gave their reason for this as being that they had no product or services that could be exported. Seventeen per cent said that they did not export because it was not part of their business's plan, with 14 per cent saying that they had sufficient business in the UK already, or that they preferred to be local. Six per cent said that they did not have the finance to enable exporting, four per cent were put off by cashflow issues exchange rate fluctuations or payment risks, two per cent had difficulty finding overseas customers, and a further two per cent each cited regulations/red tape and a lack of knowledge of how to export.

**Figure O: Main reasons why businesses do not export**



Trends suggest a growing number of SME employers claiming they do not have a product or service that can be exported, and fewer saying that it is not part of their plan.

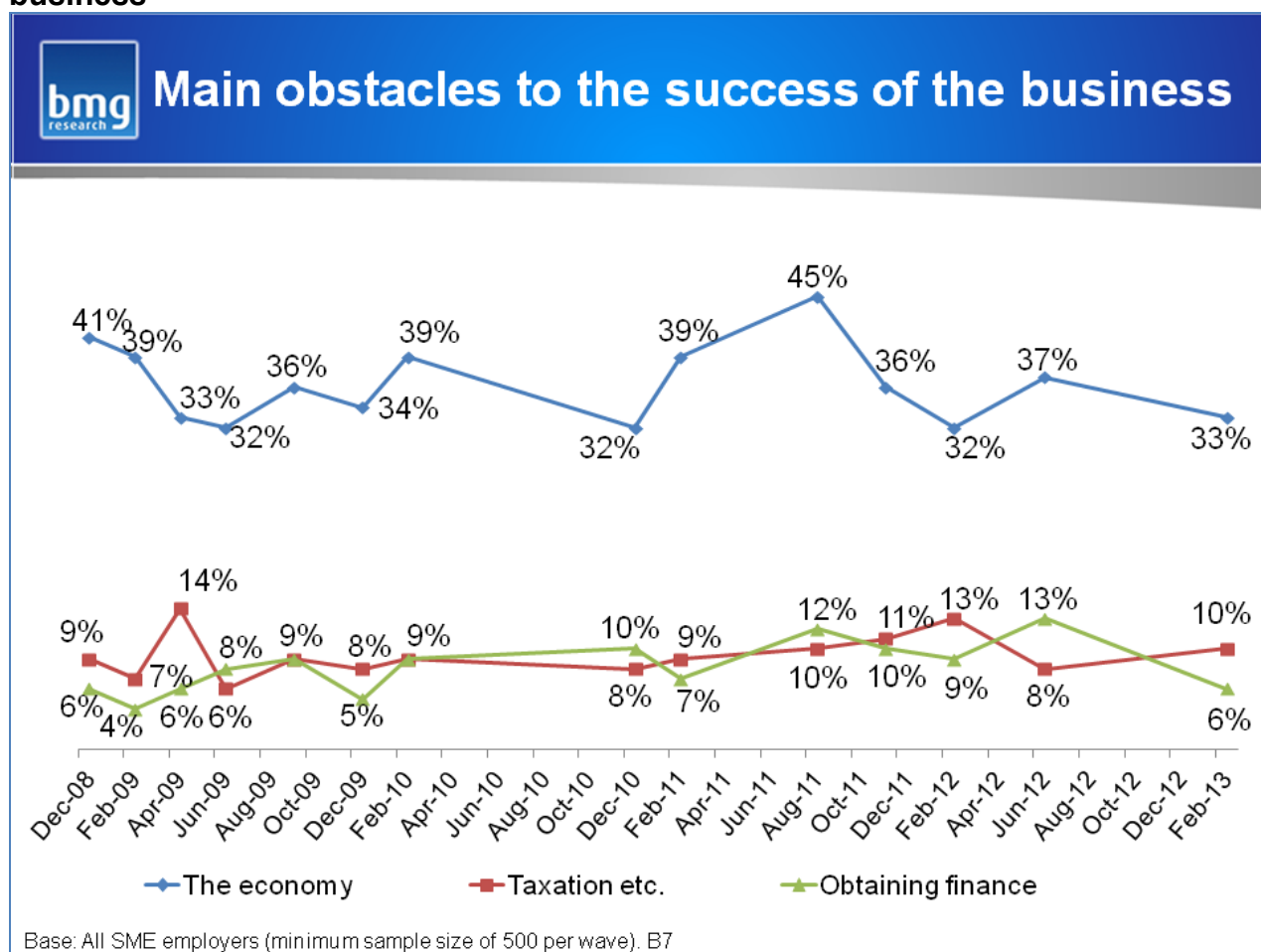
Most likely in February 2013 to say they did not have a suitable product/service were those in transport, retail and distribution (80 per cent) and other services (79 per cent). Least likely to say this were those in production (46 per cent), 27 per cent of whom said that they lacked the finance to enable exporting.

## Main obstacles to the success of the business

SME employers were read a list of possible difficulties and were asked which, if any, represented obstacles to the success of their businesses. Overall in February 2013, 71 per cent agreed that the economy was an obstacle, 53 per cent cited taxation (including VAT, PAYE, national insurance and business rates), 51 per cent competition in the market, 45 per cent regulations, 43 per cent cash flow, 32 per cent obtaining finance, 21 per cent a lack of financial understanding, 20 per cent recruitment of staff and 19 per cent shortage of skills generally. Further obstacles included transport issues (18 per cent), keeping up with new technology (18 per cent), availability/cost of suitable premises (16 per cent), lack of broadband access (14 per cent), shortage of managerial skills/expertise (13 per cent), keeping staff (12 per cent), pensions (ten per cent) and crime (ten per cent).

Asked which of those they had mentioned was the main obstacle to success, 33 per cent said the economy, ten per cent taxation, nine per cent regulations, eight per cent cash flow, six per cent competition and six per cent obtaining finance. The chart below shows trends for the most cited three of these: the economy, taxation and obtaining finance.

**Figure P: Main obstacles to the success of the business**



Since the Barometer series began, the economy has always been cited as the main obstacle, although the extent to which it is named as the main obstacle does vary. It was most likely to have been mentioned in August 2011, and the February 2011 level is low compared to this, but there has been no significant change in the likelihood of it being named since June 2012. The other five obstacles that are most likely to be mentioned (taxation, cash flow, regulations, competition and obtaining finance) switch in their rankings in terms of likelihood of being mentioned from wave to wave.

The evidence suggests that taxation may be more likely to be considered as the main obstacle between February and April, when many people's tax end year approaches or is fresh in mind.

**Table 4.2 Main obstacles to the success of the business – by employment size**

	<b>All SME employers</b>	<b>Micros (1-9 employees)</b>	<b>Small (10-49 employees)</b>	<b>Medium (50-249 employees)</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
The economy	33	34	32	29
Taxation, VAT, PAYE, NI, rates etc.	10	10	8	<b>1</b>
Regulations	9	9	7	9
Cashflow	8	7	9	10
Competition	6	6	<b>10</b>	<b>14</b>
Obtaining finance	6	6	6	7
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
The economy	37	39	30	31
Obtaining finance	13	13	11	10
Cashflow	10	10	10	5
Taxation, VAT, PAYE, NI, rates etc.	8	8	12	2
Competition	8	8	10	<b>17</b>
Regulations	5	4	<b>9</b>	<b>12</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
The economy	32	33	33	30
Taxation, VAT, PAYE, NI, rates etc.	13	13	10	<b>4</b>
Cashflow	10	10	12	7
Obtaining finance	9	10	8	8
Competition	7	7	6	12
Regulations	7	6	9	10

**Table 4.2 (continued) Main obstacles to the success of the business – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
The economy	39	39	40	37
Cashflow	10	11	6	8
Taxation, VAT, PAYE, NI, rates etc.	9	9	11	7
Competition	8	8	9	13
Regulations	8	8	9	10
Obtaining finance	7	6	8	5
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
The economy	39	37	44	41
Cashflow	11	12	7	14
Taxation, VAT, PAYE, NI, rates etc.	9	8	11	<b>2</b>
Obtaining finance	9	9	7	12
Competition	9	8	10	11
Regulations	7	8	6	<b>1</b>
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
The economy	39	37	47	49
Cashflow	12	12	12	9
Regulations	12	12	11	7
Taxation, VAT, PAYE, NI, rates etc.	7	7	4	4
Competition	7	7	5	7
Obtaining finance	4	4	6	<b>9</b>

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. B7

By employment size, medium-sized businesses were more likely than average to cite competition as their main obstacle (in February 2013 and June 2012 this was significantly higher than average), and were less likely to cite taxation (in February 2013, 2012 and 2010 this was significantly lower).

In February 2013, those in the construction sector were more likely than average to cite the economy as their main obstacle (66 per cent). Those in transport, retail and distribution were more likely than average to cite regulations (14 per cent), competition (11 per cent) and obtaining finance (nine per cent). Businesses aged over ten years were more likely



than average to mention regulations (12 per cent), and those aged 0-3 years were more likely than average to mention obtaining finance (14 per cent).

Those who cited the economy as being the main obstacle to the success of their business were asked if this was because of a number of reasons which were read to them. Seventy-nine per cent in February 2013 said this was the case because they were uncertain about the future, 78 per cent that there was a lack of demand from customers, 72 per cent that there were increased running costs, 48 per cent that there was increased competition, 35 per cent that it was not the right time to invest in the business and nine per cent (spontaneously) said that it was due to lack of public sector funding (21 per cent of those in other services citing the economy as their main obstacle).

Compared to June 2013 there has been a significant increase in the proportion in February 2013 citing increased running costs (up 13 percentage points). Those in transport, retail and distribution that cited the economy as their main obstacle were the most likely to say this (85 per cent).

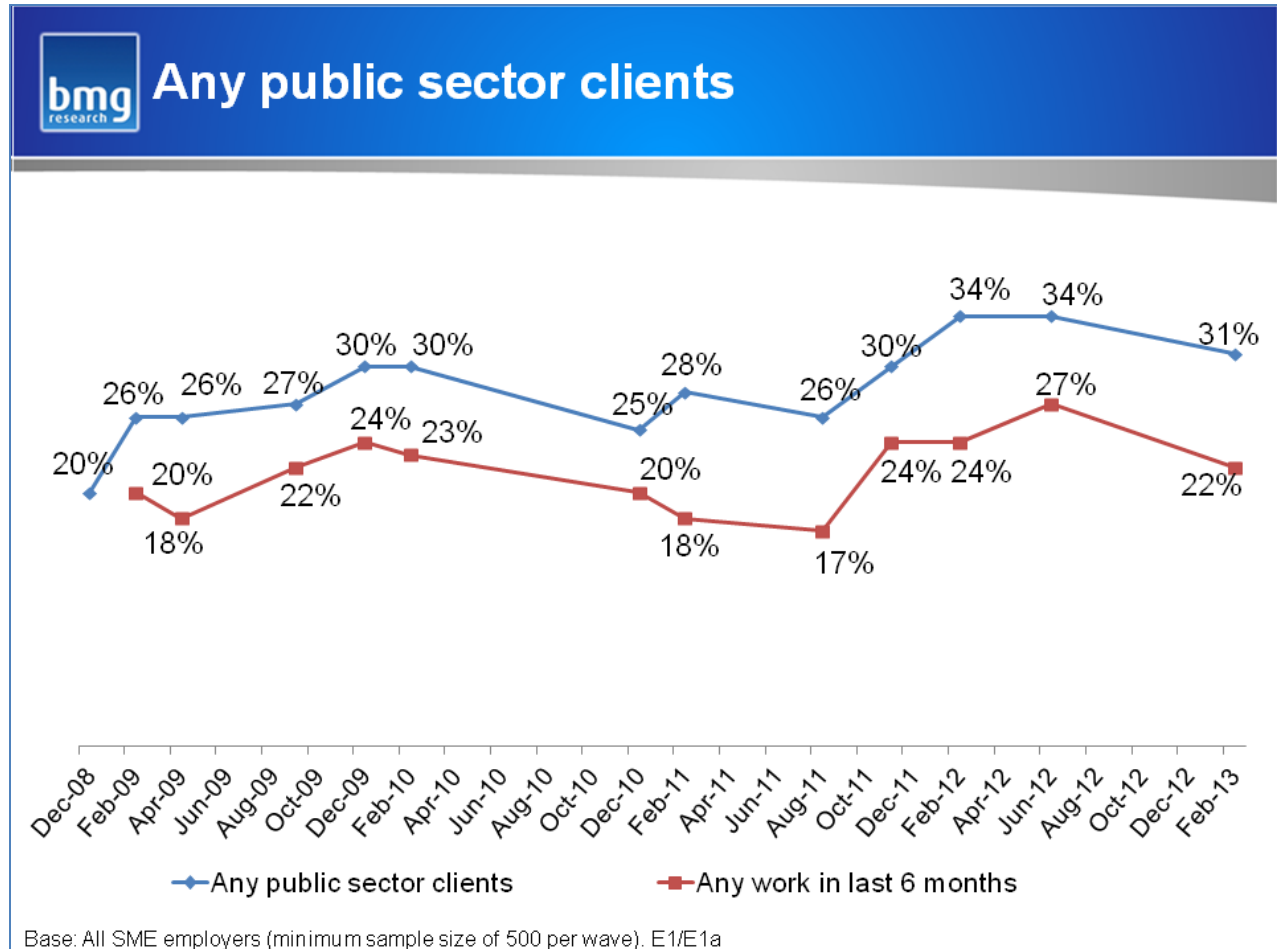
Those who said that cash flow was an obstacle to success were also read a list of possible reasons for this. Respondents were most likely to agree that cash flow was an obstacle because: income fluctuates while outgoings are steady (76 per cent), that they received late payment from other business (70 per cent), that they received late payment from individual customers (68 per cent), the timing of tax payments (51 per cent), individual customers expecting credit (49 per cent), high levels of working capital being required (39 per cent), early payment required by suppliers (35 per cent), high levels of investment required by their business (28 per cent), outgoing fluctuating while income is steady (26 per cent) and the difficulty of getting credit from suppliers (24 per cent).

Compared to June 2012, the timing of tax payments was more likely to be considered a cause of cash flow difficulties (up 12 percentage points). This may be due to the timings of the two surveys.

## Whether have any public sector clients

Thirty one per cent of SME employers in February 2013 counted Government departments or other public sector bodies as clients. Twenty-two per cent have worked for the public sector in the last six months.

**Figure Q: Whether have any public sector clients**



The data show a fluctuating but generally upward trend from late 2008 and early 2009.

Larger SMEs were more likely than micros to have public sector clients. The decline in the proportion that have worked for the public sector in the last six months is mainly due to the micros. Small and medium-sized businesses in February 2013 were actually more likely to have worked for the public sector than was the case in June 2012.

**Table 4.3: Whether have any public sector clients – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Any public sector clients	31	29	<b>41</b>	<b>50</b>
Worked for public sector in last 6m	22	20	<b>30</b>	<b>41</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Any public sector clients	34	34	36	44
Worked for public sector in last 6m	27	25	33	<b>41</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Any public sector clients	34	35	30	41
Worked for public sector in last 6m	24	24	24	<b>35</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Any public sector clients	28	27	29	34
Worked for public sector in last 6m	18	17	<b>26</b>	<b>31</b>
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Any public sector clients	30	27	<b>39</b>	31
Worked for public sector in last 6m	23	21	28	25
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Any public sector clients	26	25	30	<b>40</b>
Worked for public sector in last 6m	20	19	23	<b>35</b>

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. E1/E1a

By sector, business services were the most likely to have public sector clients (41 per cent), and transport, retail and distribution the least likely (21 per cent). There were no significant differences by age of business.

Of those that worked for the public sector in the last six months, 34 per cent said that they were now doing less work for them than they were 12 months previously (seven per cent much less work, 27 per cent slightly less work), and 17 per cent said that they were doing more work (eight per cent much more work, nine per cent slightly more work). In June 2012 26 per cent said they were doing more work, and 32 per cent less work.

Those that worked for the public sector in the last six months were most likely to have worked for local authorities (49 per cent), followed by Government departments (17 per cent), health services (14 per cent) and higher education institutions (13 per cent). Since June 2012, the proportion working for higher education institutions has risen by 11 percentage points. The proportions working for the other types of public sector bodies remained at similar levels.

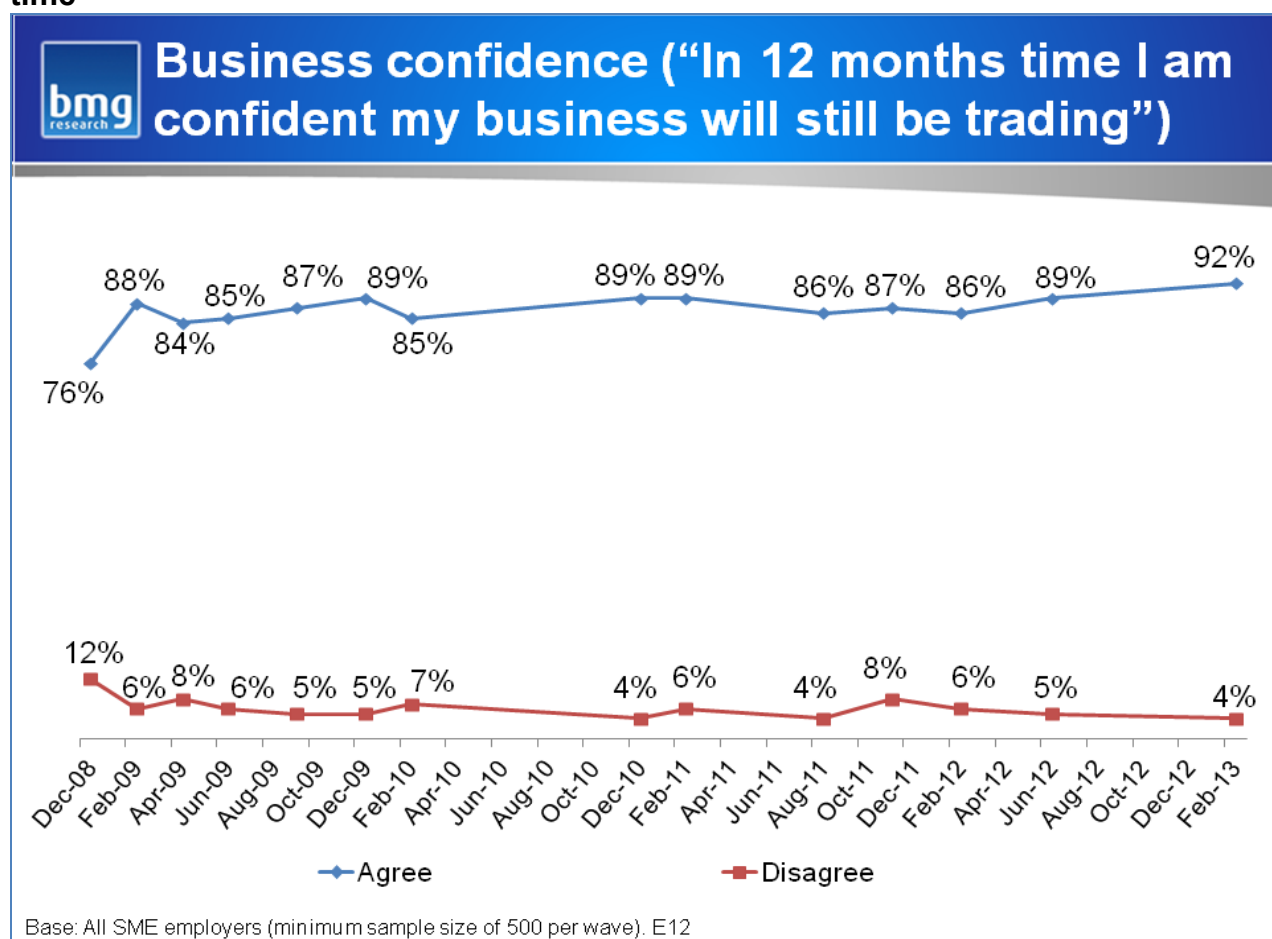
Five per cent of those working for public sector bodies claimed that payment from these has speeded up, 20 per cent that it had slowed down, with 73 per cent saying there was no change (59 per cent of these claiming that they tended to be paid promptly, 14 paid slowly). These were similar proportions to those seen in the June 2012 Barometer.

The average payment time was 28 days from raising an invoice, although 45 per cent typically had to wait longer than 30 days to receive payment. These proportions are similar to those seen in previous Barometers.

## **Whether business will still be trading in 12 months time**

In February 2013, 92 per cent of SME employers agreed with the statement that they would still be trading in 12 months time (79 per cent agree strongly, 13 per cent agree slightly). Four per cent disagreed (two per cent disagreed slightly, one per cent strongly).

**Figure R: Whether business will still be trading in 12 months time**



**Table 4.4: Whether business will still be trading in 12 months time – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Agree	92	92	92	95
Disagree	4	3	5	1
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Agree	89	89	89	<b>100</b>
Disagree	5	5	3	0
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Agree	86	85	87	<b>96</b>
Disagree	6	6	4	<b>0</b>
<b>February 2011 (n=)</b>	500	215	192	93

	%	%	%	%
Agree	89	89	90	95
Disagree	6	7	5	3
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Agree	85	85	85	88
Disagree	7	6	11	5
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Agree	88	88	88	92
Disagree	6	6	6	1

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. E12

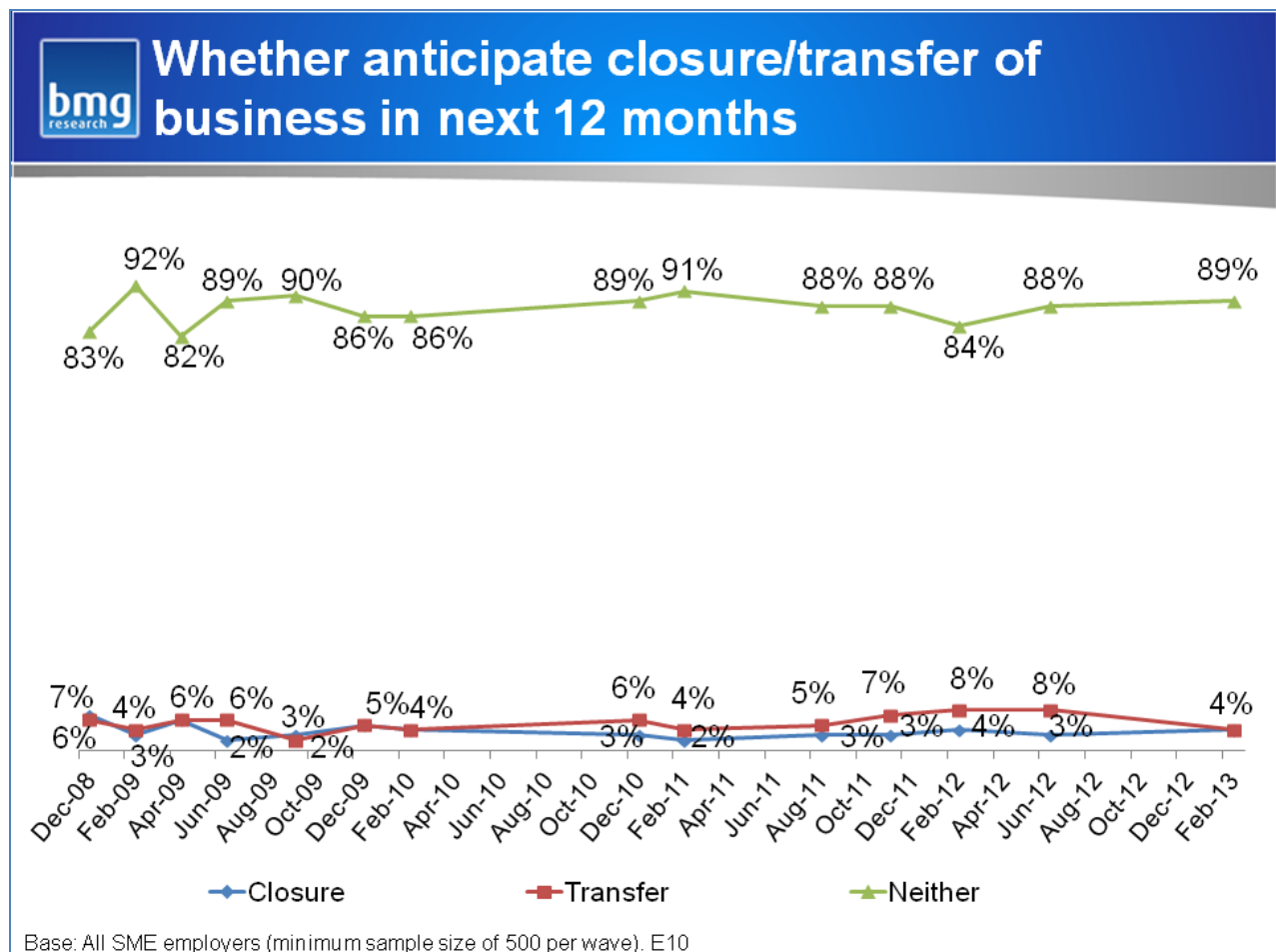
The trends show that there was some serious concern back in December 2008, with 12 per cent not confident of their own survival, but these concerns have largely dissipated since then, with the vast majority confident that they would be trading in a year's time in all other Barometers. The February 2013 figure for those confident of their own survival is the highest yet seen.

In general, medium-sized businesses have been more confident than the small and micros. Businesses aged 10 years or more were the least likely to be confident in February 2013 (five per cent disagreeing with the statement), with four per cent of businesses aged 0-3 years and less than half a per cent of those aged four to ten years disagreeing with the statement. By sector, the other services were the most likely to disagree with the statement (eight per cent).

## Whether anticipate closure/transfer of business in next 12 months

Four per cent of SME employers in February 2013 anticipated the closure of their business in the next 12 months, with the same proportion anticipating the full transfer of ownership in the same period. Eight-nine per cent said that neither of these would happen.

**Figure S: Whether anticipate closure/transfer of business in next 12 months**



In the whole Barometer series only a small minority anticipated closure or the transfer of their business. The proportion anticipating closure was highest in December 2008 at seven per cent, but since then this proportion has been at two to four per cent. Between June 2012 and February 2013 there was a significant decline of four percentage points in the proportion anticipating full transfer of ownership.

**Table 4.5: Whether anticipate closure/transfer of business in next 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Closure	4	4	3	1
Full transfer of ownership	4	4	3	3
Neither of these	89	89	92	92
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Closure	3	4	1	0
Full transfer of ownership	8	8	7	<b>1</b>
Neither of these	88	87	89	<b>99</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Closure	4	5	3	1
Full transfer of ownership	8	9	5	6
Neither of these	84	83	89	<b>93</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Closure	2	2	2	3
Full transfer of ownership	4	4	4	3
Neither of these	91	91	92	94
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Closure	4	4	3	*
Full transfer of ownership	4	5	1	1
Neither of these	86	83	93	97
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Closure	3	3	3	0
Full transfer of ownership	4	4	6	3
Neither of these	92	92	91	95

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. \* = a figure of less than 0.5 per cent but more than zero. E10

In previous Barometers medium-sized businesses were less likely to anticipate closure or full transfer of ownership, but there were no significant differences by employment size in February 2013.

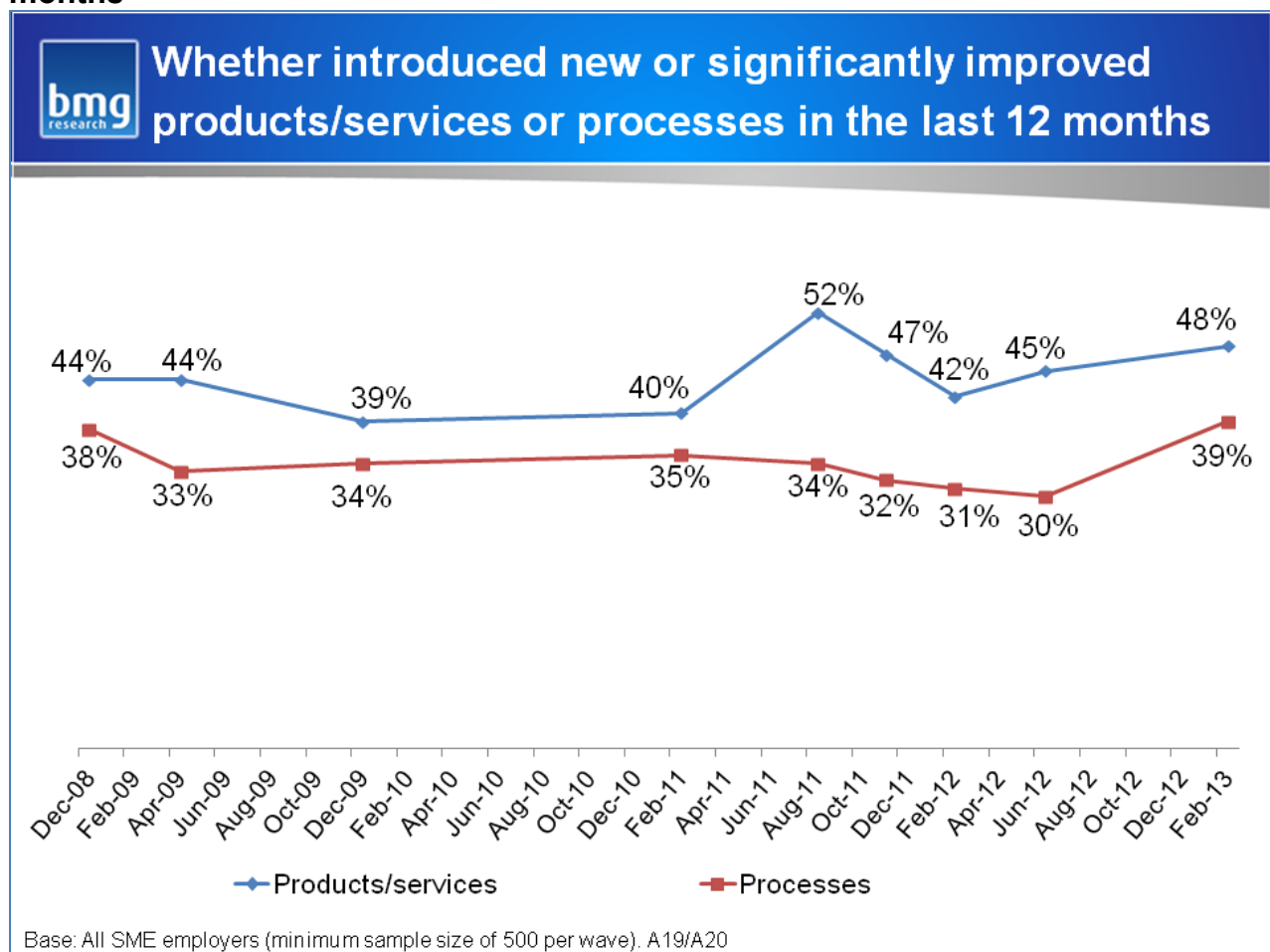


Most likely to anticipate closure were those in the construction sector (ten per cent). Least likely were those in business services (one per cent). Six per cent of those aged more than ten years anticipated closure, compared to four per cent of those aged 0-3 years and one per cent of those aged 4-10 years.

## Whether introduced new or significantly improved products/services or processes in the last 12 months

In February 2013, 48 per cent of SME employers said they had introduced new or significantly improved products or services in the previous 12 months. Thirty-nine per cent said they had introduced new or significantly improved services.

**Figure T: Whether introduced new or significantly improved products/services or processes in the last 12 months**



The proportions introducing new or improved products/services or processes have risen since June 2012, significantly in the case of processes, to the highest proportion yet seen in the Barometer series.

**Table 4.6: Whether introduced new or significantly improved products/services or processes in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
New/improved products/services	48	47	52	52
New/improved processes	39	37	<b>48</b>	<b>52</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
New/improved products/services	45	43	51	<b>61</b>
New/improved processes	30	27	<b>42</b>	<b>54</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
New/improved products/services	42	41	45	<b>52</b>
New/improved processes	31	29	<b>42</b>	<b>54</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
New/improved products/services	40	38	<b>49</b>	<b>55</b>
New/improved processes	34	32	<b>47</b>	<b>51</b>

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A19/A20

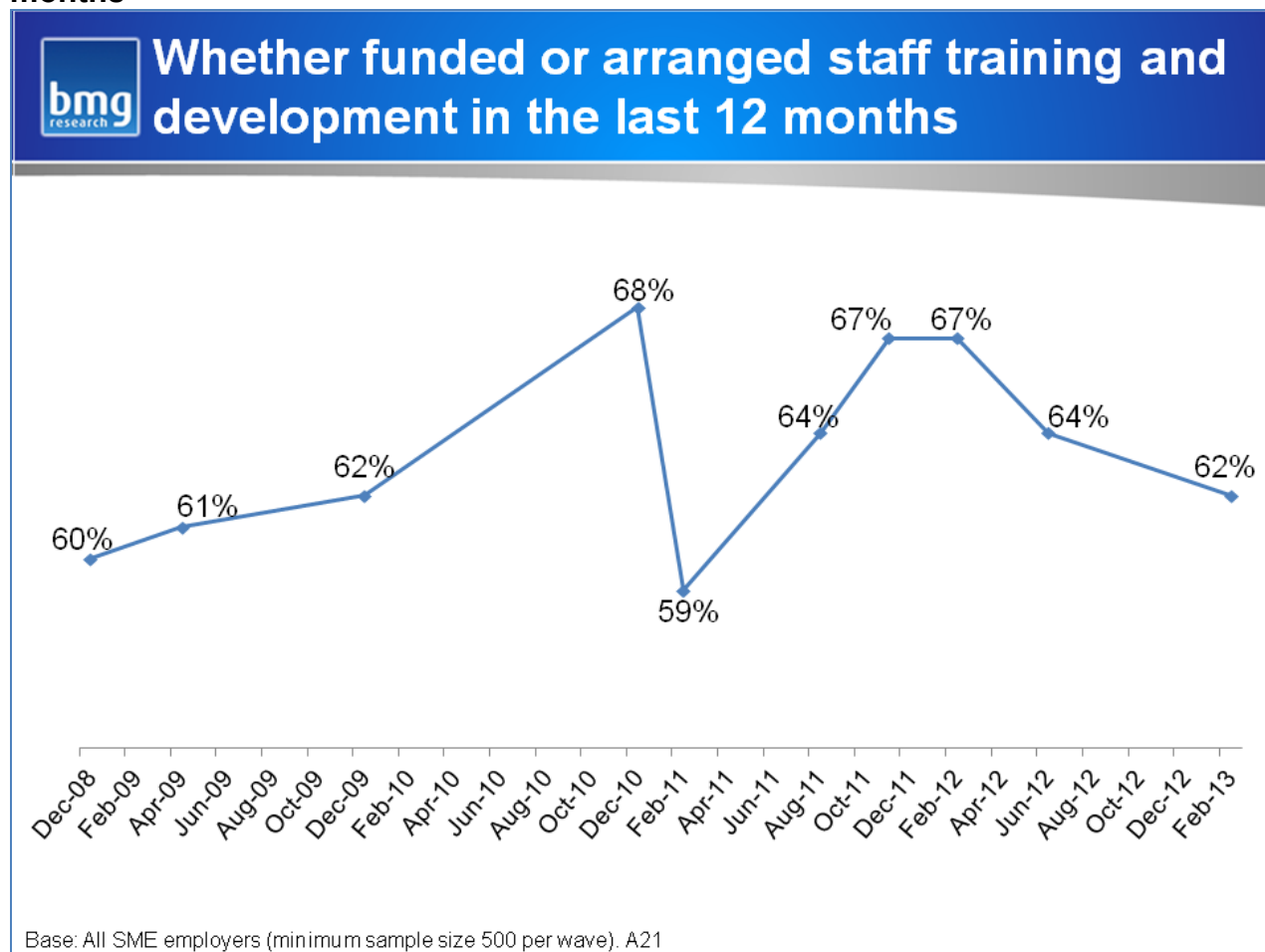
By employment size, larger SMEs were the most likely to have introduced new or improved processes, but this was not the case for products and services in February 2013. The increase in the overall proportion introducing new or improved processes is driven by micro and small businesses improving their methods.

By age of business, those aged 0-3 years were the most likely to have introduced new or significantly improved products/services (69 per cent), and those aged over ten years were the least likely to have done so (43 per cent). For new or improved processes there were no significant differences by age or sector, nor by sector for products/services.

## Whether funded or arranged staff training and development in the last 12 months

Sixty-two per cent in February 2013 had funded or arranged any training and development for staff in the previous 12 months. Including any informal on the job training.

**Figure U: Whether funded or arranged staff training and development in the last 12 months**



The overall trends show that, apart from a blip in February 2011, the proportions of SME employers offering training increased steadily from December 2008 to February 2012. However, since then, the proportion appears to be declining.

In February 2013, medium-sized businesses were more likely to have offered training (91 per cent) than the small businesses (84 per cent) and micros (58 per cent). There were no significant differences in training provision according to sector or age of business.

Of those that offered training in February 2013, 45 per cent had used some of it to develop management skills, a similar proportion to that seen in June 2012.

Seven per cent expected to reduce their investment in training over the next 12 months, 29 per cent to increase investment levels in training, and 64 per cent to maintain investment levels. Again, these were similar proportions to those seen in June 2012.

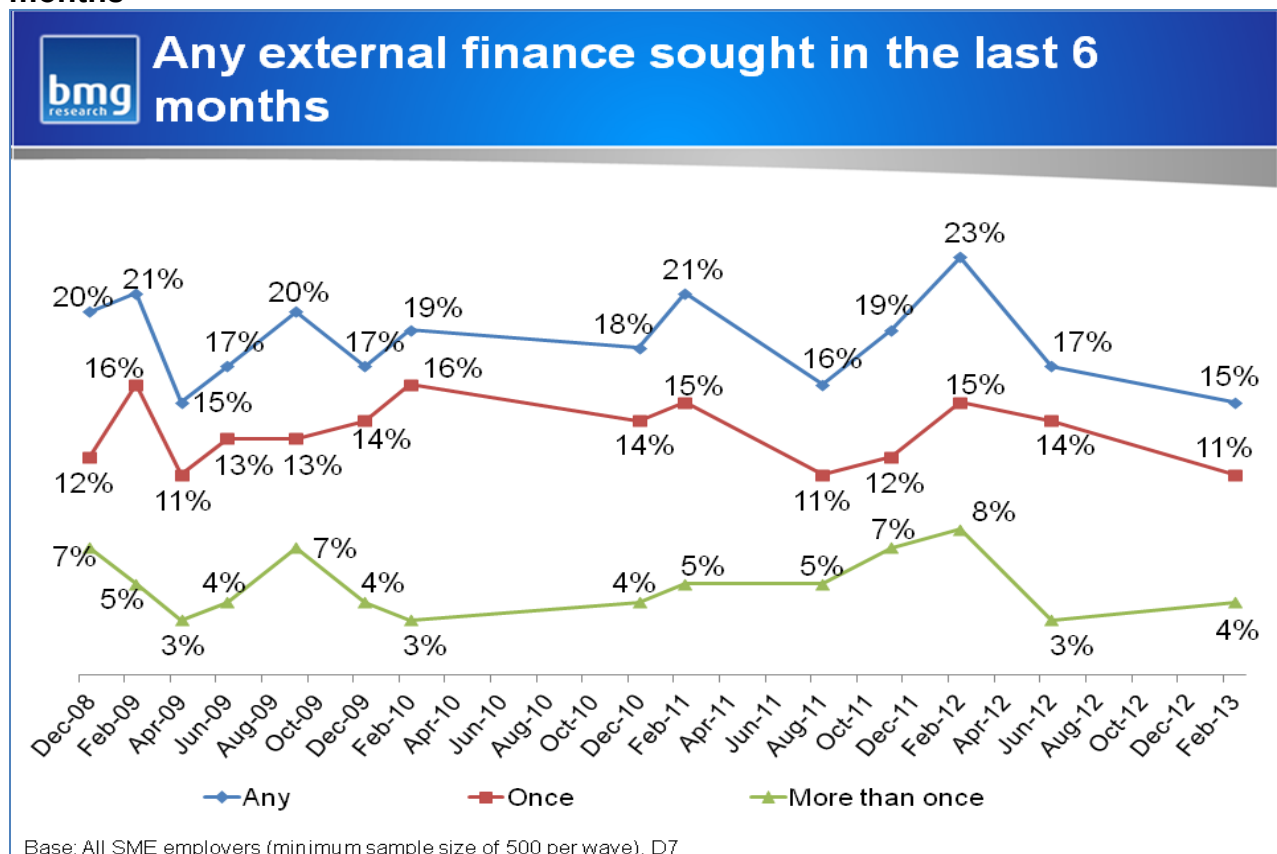
## 5. Access to finance

This section explores the need for external finance and the relationship that SME employers have with their banks.

### Any external finance sought in the last 6 months

Fifteen per cent of SME employers had sought external finance in the previous six months, eleven per cent on one occasion, four per cent on more than one occasion.

**Figure V: Any external finance sought in the last 6 months**



There are no clear trend patterns for the demand for finance across the Barometer series, the proportion seeking it varying from wave to wave. However, since the peak in February 2012 when 23 per cent had sought finance, demand for it seems to be lessening.

In February 2013, medium-sized businesses were more likely than average to have sought any finance (44 per cent), as were small businesses (22 per cent). However, this has not always been the case, and in past Barometers small and mediums were not significantly more likely to have sought finance.

**Table 5.1: Any external finance sought in the last 6 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Any sought	15	13	<b>22</b>	<b>44</b>
- Once	11	10	14	<b>19</b>
- More than once	4	3	<b>8</b>	<b>25</b>
None sought	84	87	<b>73</b>	<b>51</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Any sought	17	15	<b>27</b>	22
- Once	14	13	19	10
- More than once	3	2	<b>8</b>	<b>12</b>
None sought	82	84	<b>71</b>	<b>71</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Any sought	23	22	27	30
- Once	15	14	16	18
- More than once	8	8	12	13
None sought	75	76	70	<b>66</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Any sought	21	20	27	21
- Once	15	15	18	13
- More than once	5	5	9	8
None sought	77	79	<b>68</b>	78
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Any sought	19	17	23	22
- Once	16	15	18	14
- More than once	3	2	5	<b>8</b>
None sought	80	81	76	76
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Any sought	21	20	<b>30</b>	29
- Once	16	15	18	18
- More than once	5	4	<b>13</b>	<b>11</b>
None sought	79	80	<b>70</b>	<b>69</b>

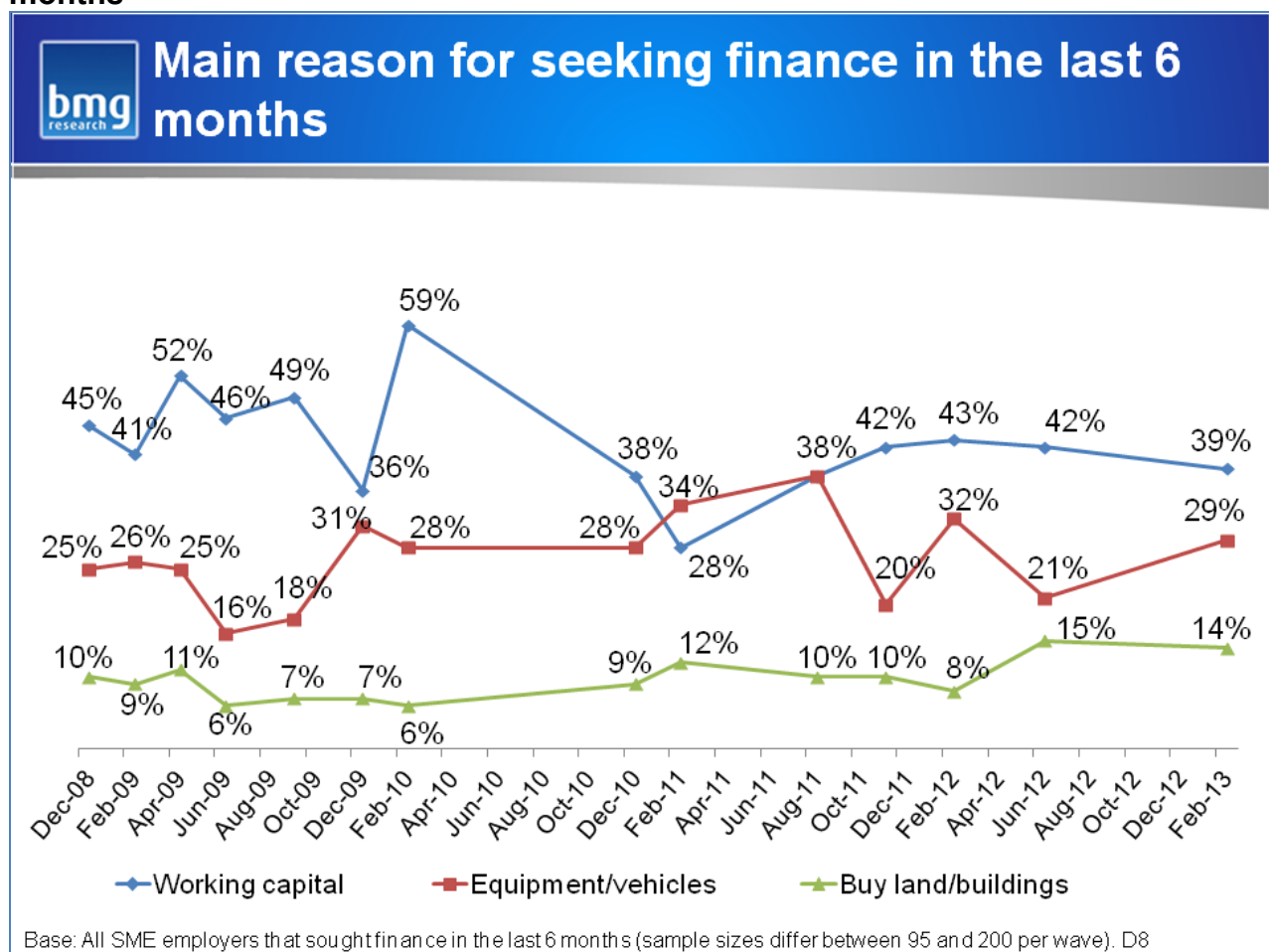
Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. D7

In February 2013, finance was most likely to have been sought by businesses aged 4-10 years. There were no significant differences by sector.

## Main reason for seeking finance in the last 6 months

Since February 2011 the main reason for seeking finance has been to improve cash flow or to secure working capital. Before then, the main reason was to buy equipment or vehicles. In February 2013 39 per cent of SME employers that sought finance did so for cash flow/working capital reasons, 29 per cent to buy equipment or vehicles, 14 per cent to buy land or buildings and six per cent to improve buildings. There were other less common reasons to seek finance such as buying another business (two per cent), research and development (two per cent), refinancing and marketing (both one per cent).

**Figure W: Main reason for seeking finance in the last 6 months**

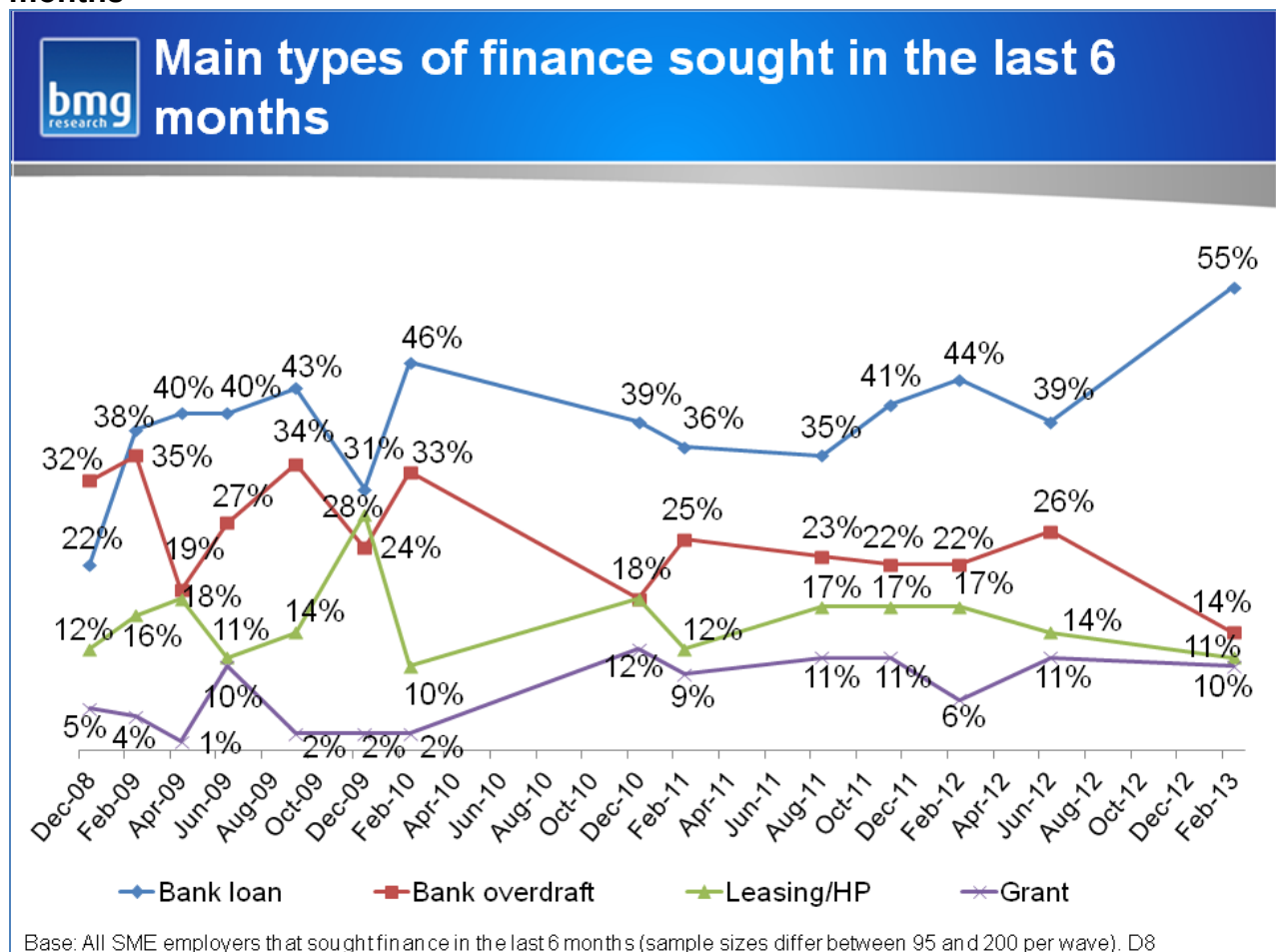


Working capital was most likely to be needed by those applying for finance in the transport, retail and distribution sector (54 per cent), with equipment/vehicles most likely to be the reason among small and medium sized businesses (42 per cent each).

## Main types of finance sought in the last 6 months

In February 2013 55 per cent of those that sought finance sought a bank loan, 14 per cent a bank overdraft, 11 per cent leasing or hire purchase, and ten per cent a grant. Nine per cent sought a mortgage for property purchase or improvement, three per cent a loan from a Community Development Finance Institution (CDFI), two per cent asset finance (factoring or invoice discounting), two per cent equity investment from existing shareholders, and there were a few mentions of SMEs seeking loans from families/business colleagues, credit card finance, trade finance and equity investments from new shareholders.

**Figure X: Main types of finance sought in the last 6 months**



Bank loans have been the preferred form of finance since February 2009, but the increase from 39 per cent in June 2012 for bank loans, to 55 per cent in February 2013, is a significant increase, with a corresponding significant decrease by 12 percentage points in the demand for bank overdrafts. Bank loans were the main choice for finance among micros (65 per cent), but a smaller proportion of small (33 per cent) and medium-sized businesses (24 per cent) sought these. Seventy-five per cent of those that sought finance in transport, retail and distribution sought bank loans, and bank loans were less likely than average to be sought by those seeking finance aged over ten years (49 per cent).

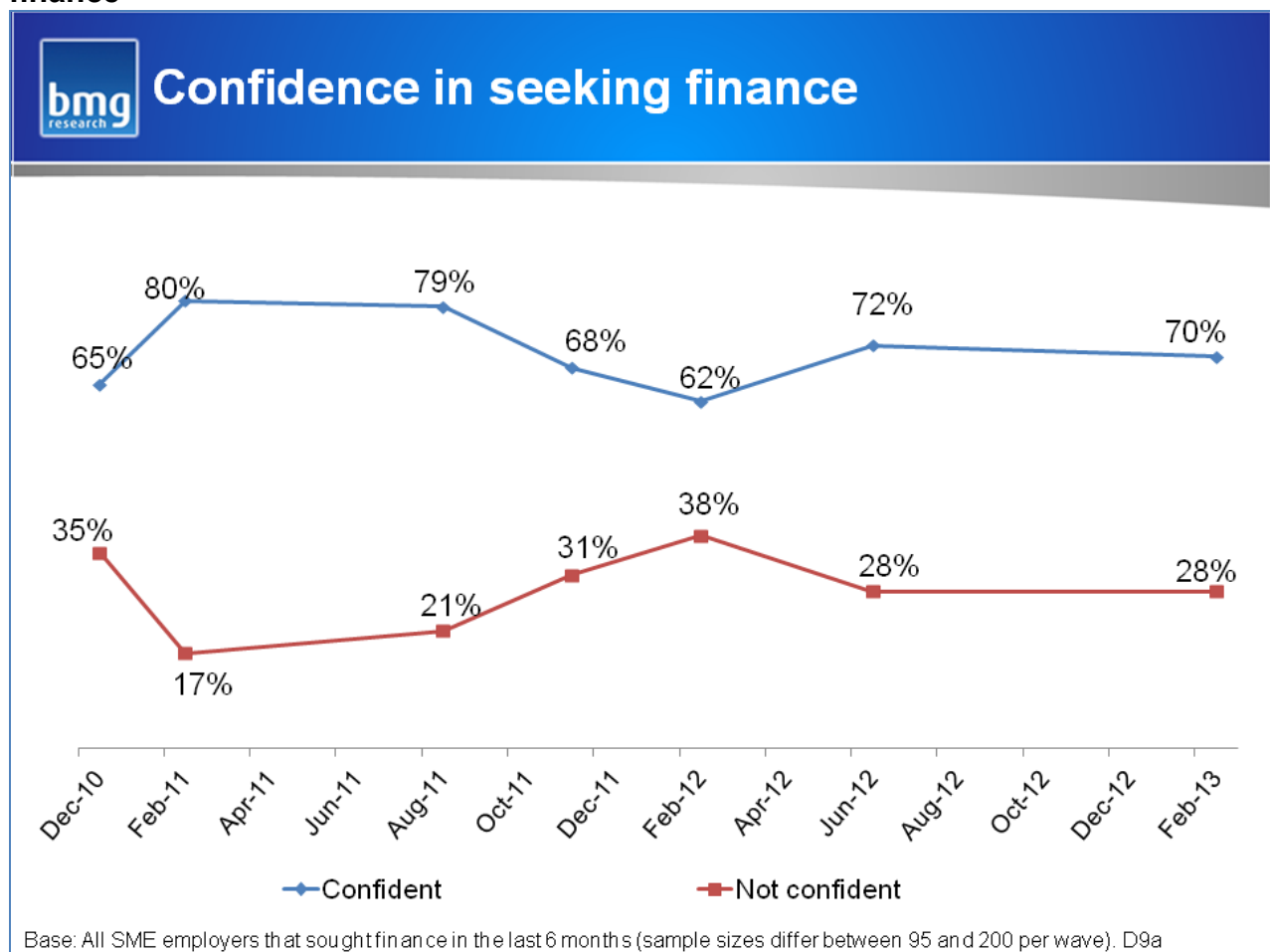


Alternative non-bank forms of finance such as leasing/HP and asset finance were more likely to be sought by larger SMEs than micros. Twenty-seven per cent of small, and 33 per cent of medium-sized businesses seeking finance sought leasing/HP, compared to four per cent of micros, and eight per cent of small businesses, and nine per cent of medium-sized businesses sought asset finance, compared to zero per cent of micros.

## Confidence in seeking finance

In February 2013, 70 per cent of SME employers that sought finance were confident that they would be successful before they applied (35 per cent very confident, 35 per cent fairly confident). Twenty-eight per cent were not confident (21 per cent not very confident, seven per cent not at all confident). These proportions were very similar to those seen in June 2012.

**Figure Y: Confidence in seeking finance**



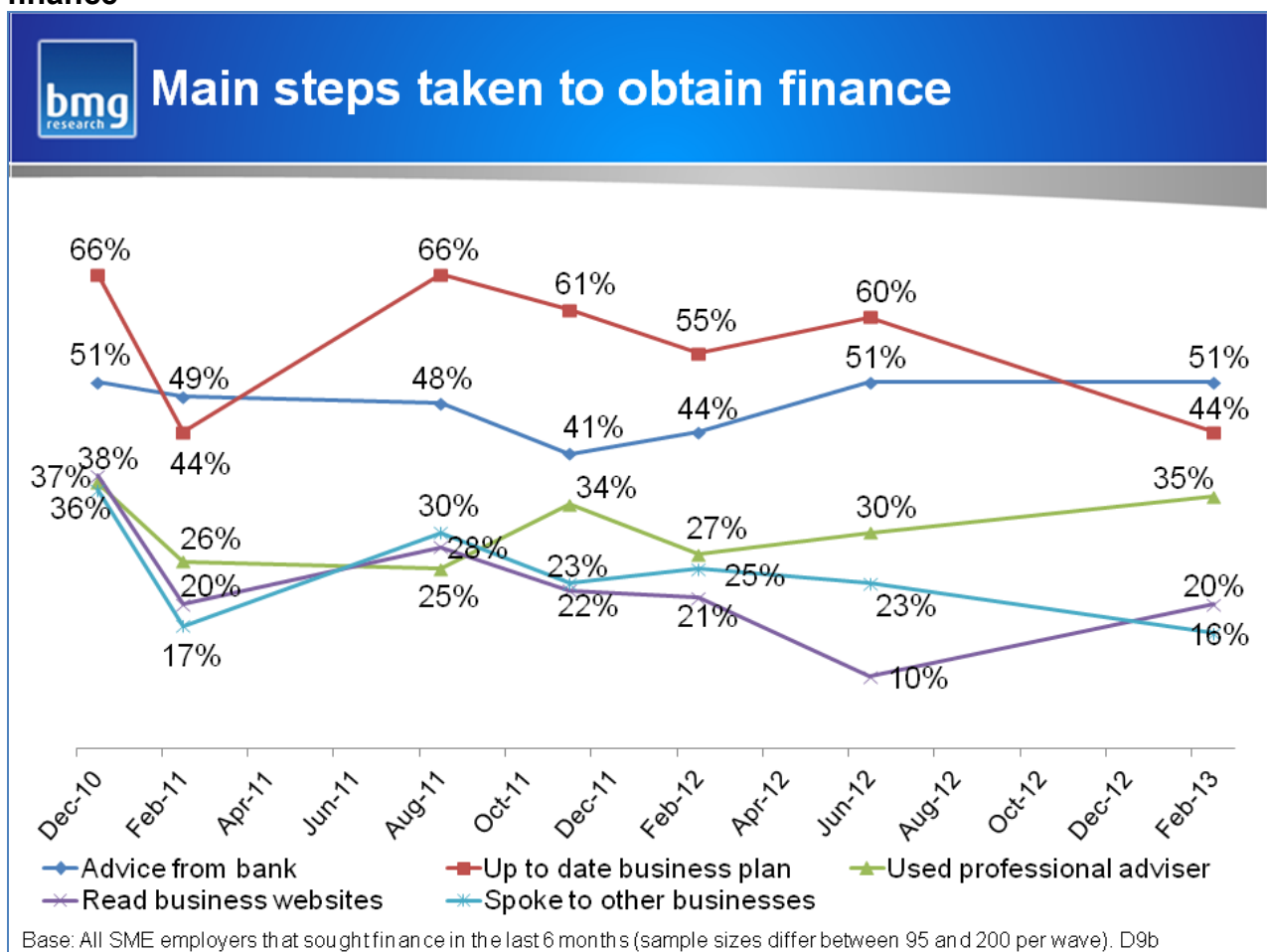
As might be expected, medium-sized businesses in February 2013 were more confident than the small businesses and micros (84 per cent for mediums, 78 per cent for smalls and 67 per cent for micros). Businesses aged over ten years were more likely than average to be confident.



## Main steps taken to obtain finance

Of those SME employers that had sought finance in the six months prior to February 2013, most made some kinds of preparation to try and ensure they were successful. Fifty-one per cent spoke first with a bank to get their advice, 44 per cent made sure they had an up to date business plan, 35 per cent had their business plan or an application looked over by a professional advisers, 20 per cent read some business websites, and 16 per cent spoke to other businesses in order to get their advice. Just three per cent had taken a course in business finance, and 25 per cent took none of these measures.

**Figure Z: Main steps taken to obtain finance**



Long-term trends are inconclusive, but the proportion making sure they had an up to date business plan has declined significantly between June 2012 and February 2013, by 16 percentage points. The proportion that read business websites has increased significantly, by ten percentage points.

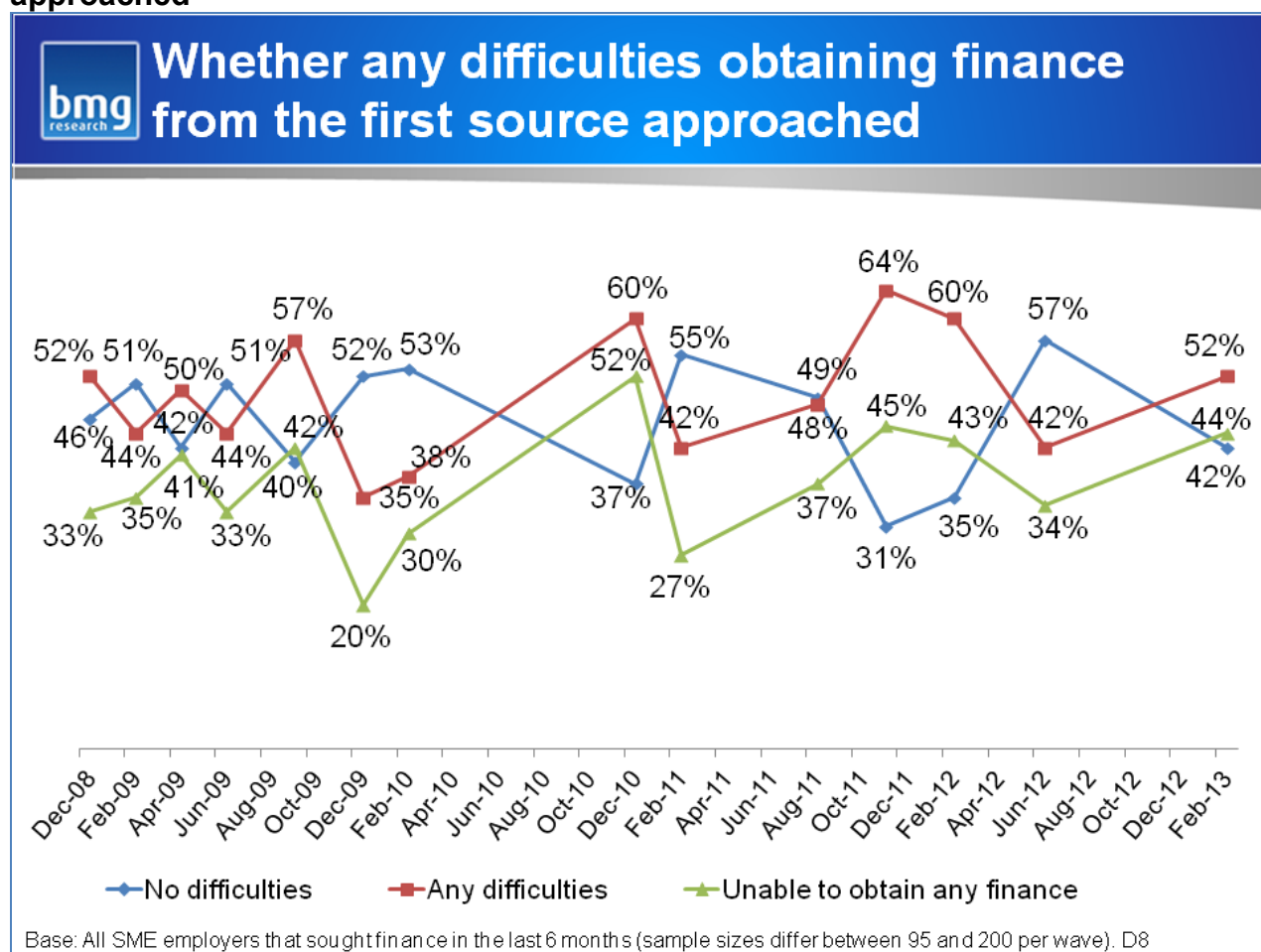
Medium-sized SMEs were less likely than average in February 2013 to seek advice from banks (38 per cent). They were also less likely to read business websites (six per cent) and speak to other businesses (six per cent).

Older SMEs aged over ten years were more likely than average to seek bank advice (56 per cent). They were less likely than average to have their business plans and/or application looked over by advisers (26 per cent).

## Whether any difficulties obtaining finance from the first source approached

Fifty-two per cent of those SME employers in February 2013 that had sought finance encountered any difficulties from the first source they approached. Seven per cent obtained all they needed but with problems, whilst 44 per cent were unable to obtain any finance from this first source approached. Less than half a per cent obtained some, but not all, of the finance they wanted.

**Figure AA: Whether any difficulties obtaining finance from the first source approached**



The long term trends suggest a good deal of variance from wave to wave in whether SMEs obtained the finance they needed. The proportion unable to obtain any finance in February 2013 was not the highest seen in the Barometer series (that was in December 2010), but was still higher than in June 2012, although the percentage change was not significant.

In February 2013, small (61 per cent) and medium-sized businesses (75 per cent) were more likely not to have encountered difficulties than micros (33 per cent). Older businesses aged over ten years were also less likely to have had difficulties (51 per cent

had no difficulties). Difficulties in obtaining finance were most commonly seen in the business service sector (68 per cent).

Fifty-one per cent of those that applied for bank loans were unable to obtain any finance from the first source approached.

Of those unable to obtain any finance from the first source approached, 71 per cent had their applications rejected, and 24 per cent rejected the terms on offer. This rejection of terms by the SME was for a variety of reasons, including the interest rates being too high, too much personal securitisation required, too much security on the business's reserves required, and fees being too high. The rejection by the lender was also for various reasons including not being able to provide enough security, applying for too much money, the business sector being considered too risky, and poor personal credit histories (sample sizes are too small here to show percentages or to compare against previous Barometers).

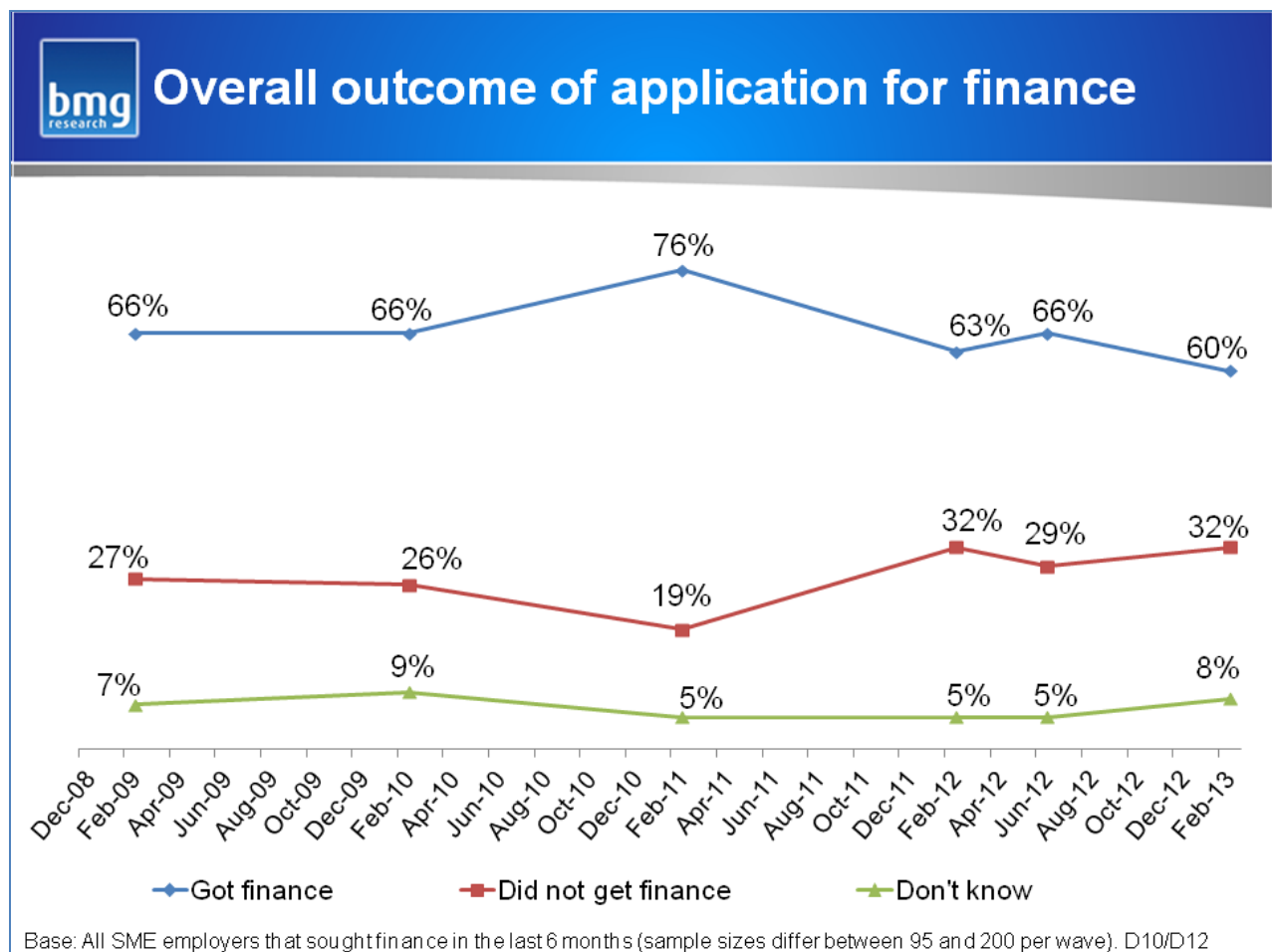
## **Overall result of search for finance**

Overall, 49 per cent of those that sought finance got all that they needed from the first source they approached (42 per cent with no difficulty, seven per cent with some difficulties). A further six per cent did not yet know whether their application for finance had been successful.

Of the remaining 45 per cent that did not obtain all they needed from the first source, 25 per cent were able to get finance from another source (roughly half from an internal business sources, and half from an external provider). This means that 11 per cent of all that sought finance obtained it from a secondary source.

Adding together the proportions that obtained finance from primary and secondary sources, overall 60 per cent of those that applied for finance in the last six months managed to obtain all that they needed.

Of those applying for finance, eight per cent were still waiting on decisions (six per cent from the primary source, two per cent from the secondary source). Thirty-two per cent were unable to obtain any of the finance they needed.

**Figure AB: Overall outcome of application for finance**

The proportion able to obtain finance in February 2013 was lower than that seen in previous Barometers, but the change is not statistically significant.

Medium-sized (86 per cent), and small businesses (75 per cent) were more likely to have obtained finance than micros (53 per cent).

Of those unable to obtain any finance from any source, 25 per cent had to drop their plans completely. Sixteen per cent deferred plans which eventually went ahead, nine per cent had to use personal finance, and for seven per cent their business got into serious financial difficulties.

## Main reasons for not applying for finance

Of those that did not seek finance in the last six months, 78 per cent (spontaneously) said that this was because they did not need the finance, 30 per cent that they did not want to take on additional risk, 12 per cent that the finance would be too expensive, and ten per cent that they thought they would be rejected. In terms of long-term trends, there are almost no differences in these proportions since the question was first asked in the August 2011 Barometer.

There was some variance in the answers given by employment size, sector and age of business. Business services were more likely to say they did not need the finance (86 per cent), as were businesses aged over ten years (81 per cent). Micros (32 per cent) were more likely than small (18 per cent) and medium-sized businesses (13 per cent) to say they did not want to take on additional risk, as were those in the construction sector (48 per cent) and businesses aged 4-10 years (42 per cent). Those in other services were more likely than average to think the finance would be too expensive (24 per cent), and those in transport, retail and distribution were more likely than average to think they would be rejected (15 per cent).

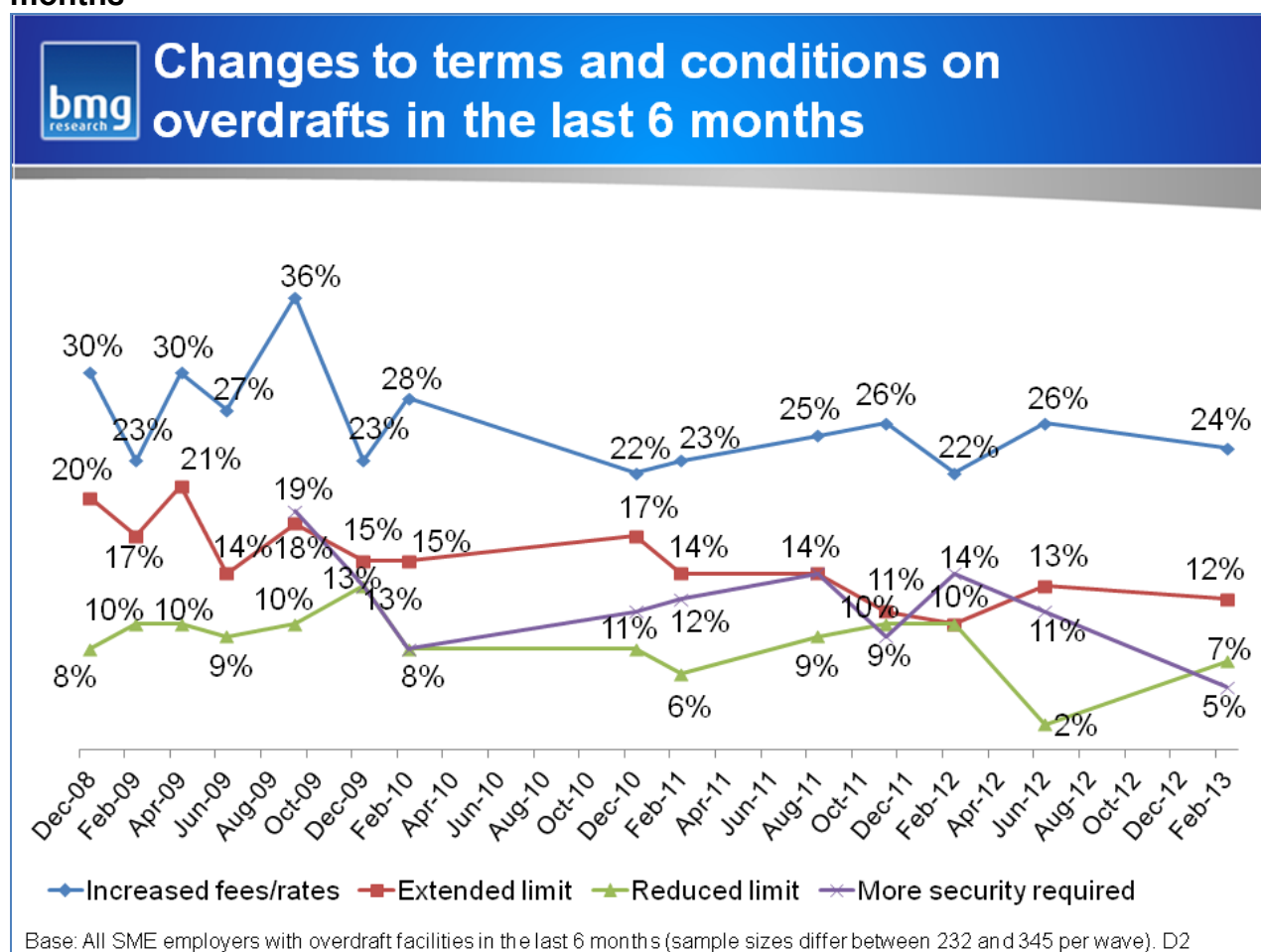
## **Changes to terms and conditions on overdrafts in the last 6 months**

In February 2013 45 per cent of SME employers had a bank overdraft facility for their business in the previous six months. This was more likely to be the case for medium-sized businesses (60 per cent) and those aged over ten years (49 per cent). Only 18 per cent of businesses aged 0-3 years had an overdraft facility.

The overall proportion with an overdraft facility was very similar to that seen in the previous two Barometers.

Of those with overdrafts in February 2013, 37 per cent said there had been changes to their terms and conditions in the last six months. Twenty-four per cent said that the bank had increased fees or interest rates, 12 per cent that their limit had been extended, seven per cent that their limit had been reduced and five per cent that the bank asked or required more security. Three per cent reported reduced overdraft fees or interest rates, one per cent had their facility cancelled, and less than half a per cent had relaxed security requirements.

**Figure AC: Changes to terms and conditions on overdrafts in the last 6 months**



The proportion experiencing a rise in interest rates or fees has been roughly consistent since December 2009. Since June 2012, there has been a significant decline in the proportion where more security was required, but a significant increase in the proportion with reduced limits.

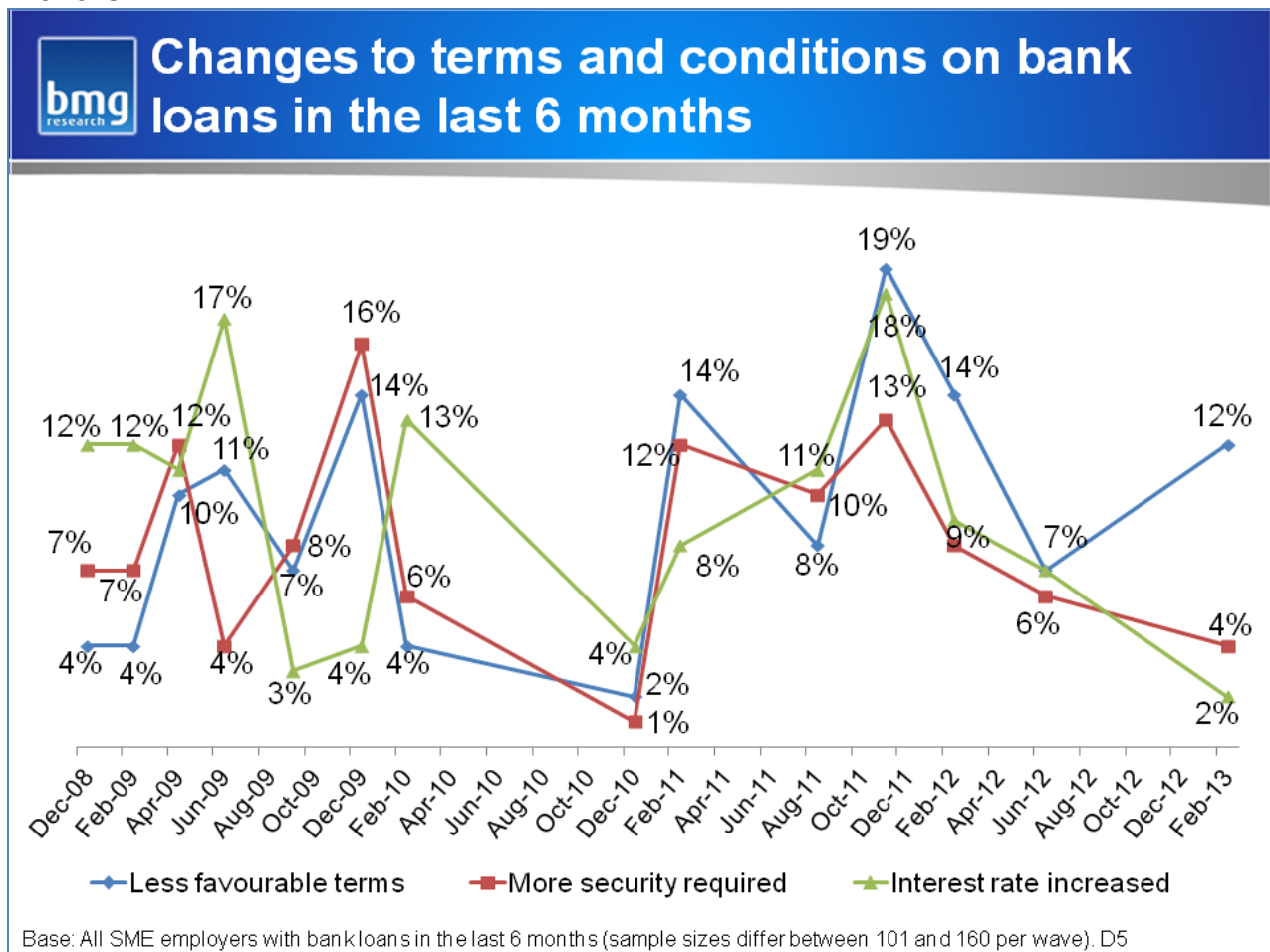
Sixteen per cent of those with overdrafts had exceeded their authorised limit in the last six months (three per cent once, seven per cent two or three times, and six per cent more than three times). A similar proportion had exceeded their overdraft limit in June 2012.

## Changes to terms and conditions on bank loans in the last 6 months

Fourteen per cent of SME employers in February 2013 had an outstanding business loan from a bank in the previous six months. This was significantly lower than the 21 per cent with loans in June 2012.

Loans were more common than average for medium-sized businesses (33 per cent) and in transport, retail and distribution (20 per cent). They were less common in other services (five per cent).

**Figure AD: Changes to terms and conditions on bank loans in the last 6 months**



Of those with loans in February 2013, twenty-six per cent experienced changes to their terms and conditions in the previous six months. Twelve per cent got less favourable terms than they previously, eight per cent got better terms, five per cent had their loan cancelled, four per cent were asked for more security, and two per cent had increased interest rates. One per cent had decreased interest rates.

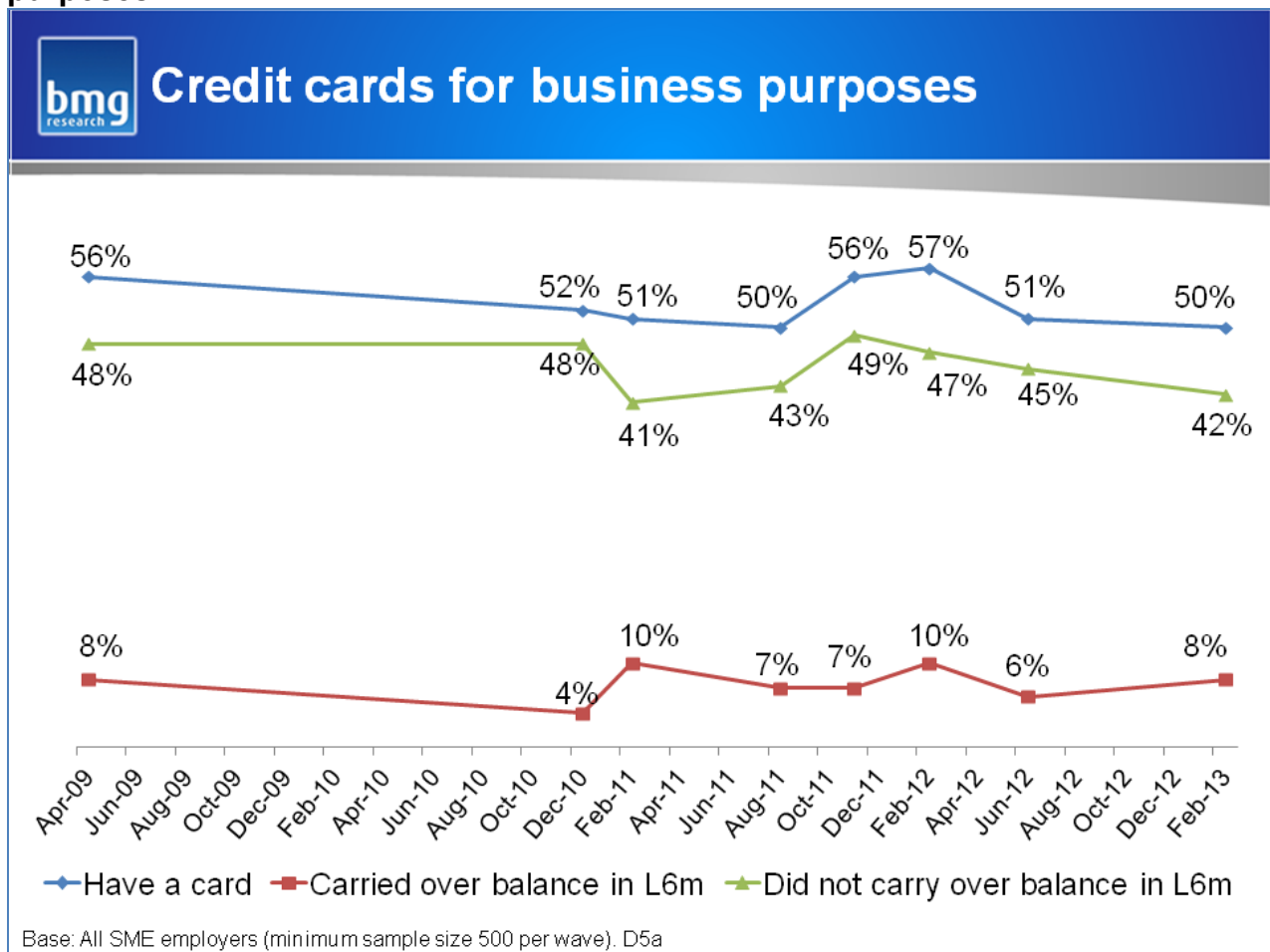
The long term trends are inconclusive, largely due to small sample sizes, and the percentage changes from June 2012 to February 2013 are not significant.

## Credit cards used for business purposes

Fifty per cent of SME employers in February 2013 had a credit card that they used for business purposes, a similar proportion to those seen in previous Barometers. Overall, eight per cent had carried over balance in the last six months, another proportion that has not changed significantly since the Barometer series began. We do not know whether the cards used were in the name of the business, or personal credit cards.



**Figure AE: Credit cards used for business purposes**



Medium-sized businesses were more likely than average to have credit cards for business purposes at all (68 per cent), but were the least likely to carry over balances (three per cent). Those in the construction sector were the most likely to carry over balances (21 per cent).



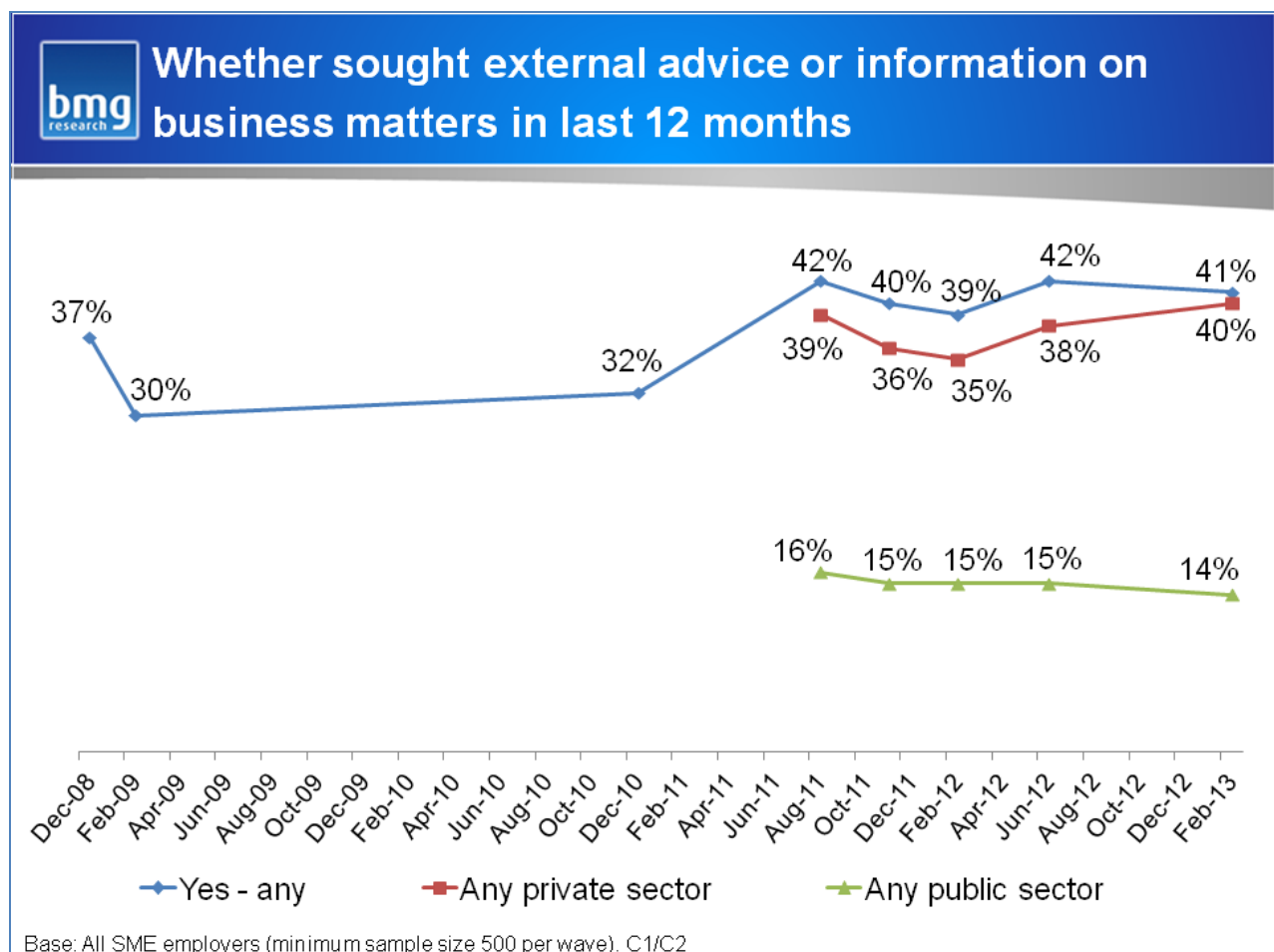
## 6. Business support

Since the previous Barometer in June 2012, the public provision of business support has changed in England. Business Link no longer exists, and information and advice for businesses has migrated to the .Gov.uk website. This section explores aspects of public and private sector business support used by SME employers across the UK.

### Whether sought external advice or information on business matters in the last 12 months

In February 2013, 41 per cent of SME employers had sought external advice or information on business matters in the last 12 months. Forty per cent had sought at least some kind of private sector advice, and 14 per cent some kind of public sector advice. These proportions have changed little since August 2011, but are higher than those reported between 2008 and 2011.

**Figure AF: Whether sought external advice or information on business matters in the last 12 months**



**Table 6.1: Whether sought external advice or information on business matters in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Any	41	40	45	<b>55</b>
- Any private sector	40	39	41	<b>51</b>
- Any public sector	14	13	16	<b>23</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Any	42	40	49	46
- Any private sector	37	36	44	41
- Any public sector	15	14	18	18
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Any	39	36	<b>53</b>	<b>57</b>
- Any private sector	35	32	<b>51</b>	<b>55</b>
- Any public sector	15	15	19	21

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. C1/C2

In February 2013 medium sized businesses were more likely than average to have sought any external information or advice (55 per cent). This had also been the case in February 2012.

Of those using external advice or information, accountants were the most used source (47 per cent), followed by professional bodies such as accounting, marketing and personnel consultants (19 per cent), banks (16 per cent), consultants (12 per cent), solicitors/lawyers (nine per cent), business representation organisations (nine per cent), business networking organisations (seven per cent), the Federation of Small Businesses (five per cent), friends/family (four per cent), the .Gov.uk website (three per cent), local authorities (two per cent), Local Enterprise Partnerships (one per cent), the Businesslink.gov.uk website (one per cent), Business Link helpline (one per cent) and HMRC website (one per cent). This question was not prompted.

The main spontaneously given reasons for seeking financial advice were for general financial advice on the running of the business (36 per cent), business plans or strategy (23 per cent), business growth (22 per cent), tax or NI law or payments (14 per cent), advice and information on where to get finance (12 per cent), legal advice (nine per cent), regulations (either per cent), employment law/redundancy (eight per cent) and marketing/advertising (seven per cent).

Eighty-five per cent of those that had used information and advice were satisfied with it (54 per cent very satisfied, 30 per cent fairly satisfied), while seven per cent were dissatisfied (five per cent fairly dissatisfied, two per cent satisfied).

## Awareness of .Gov.uk

Questions on the .Gov.uk website appear for the first time in the February 2013 Barometer.

Of those that had sought business information or advice in February 2013, 65 per cent said that they used the internet to identify potential providers when looking for it. By size, this was less likely for medium-sized businesses (48 per cent), and by sector those in other services were more likely than average to do this (79 per cent).

Out of all SME employers, 84 per cent were aware of the .Gov.uk website. Most likely to be aware were medium-sized businesses (92 per cent) and those in the business service sector (91 per cent).

Of those aware, 65 per cent were aware of the tools and guidance for businesses section. This is equivalent to 55 per cent of all SME employers. There were no differences in awareness levels by size, sector or age of business. For comparative purposes, between 79 and 90 per cent of SME employers were aware of [businesslink.gov.uk](http://businesslink.gov.uk).

Those aware of the business section of .Gov.uk were most likely to have found out about it through search engines (25 per cent), through visiting .Gov.uk for other purposes (12 per cent), through their accountant (eight per cent), friends/work colleagues (seven per cent), by searching for [businesslink.gov.uk](http://businesslink.gov.uk) and being redirected (six per cent) and from business networking organisations (three per cent). There were numerous other answers accounting for two or less per cent each.

Of those aware of the business section of .Gov.uk, 44 per cent were aware that it had replaced [businesslink.gov.uk](http://businesslink.gov.uk). This was most likely to be the case for medium-sized businesses (67 per cent).

## Usage of .Gov.uk

Fifty-nine per cent of those aware of the business section (32 per cent of all SME employers) had ever visited the section of the site. Fifty-five per cent of these had done so since October 2012 when the business section of the site was launched, meaning that the others had probably visited the Business Link website. Overall, this means that 17 per cent of all SME employers have visited the business section of .Gov.uk.

Figures for usage of [businesslink.gov.uk](http://businesslink.gov.uk) from previous Barometers are not strictly comparable as they measured usage in the 12 months preceding interview (whereas .Gov.uk. had only been running for 4-5 months at the time of the February Barometer). In the past three Barometers between 24 and 28 per cent of all SME employers had visited the Business Link website in the previous 12 months.

Of those that had visited .Gov.uk since October 2012, 41 per cent had looked for specific information. Of these, 68 per cent had always found the specific information that they had looked for, 30 per cent sometimes found it, and two per cent never found it.

Of those that had looked for specific information, 43 per cent did so via the search option within .Gov.uk, 15 per cent browsed through the links, and 34 per cent used both of these methods. Overall, therefore, 77 per cent used the search option, and 49 per cent browsed through the links.

Ninety-four per cent of those that had looked for specific information found it easy (30 per cent very easy, 64 per cent fairly easy) to find what they were looking for. Six per cent found it not very easy.

Ninety-nine per cent found the content and usefulness of the information they found useful (43 per cent very useful, 56 per cent fairly useful). Only one per cent did not find it useful.

Of those that had used the business section on .Gov.uk since October 2012, 22 per cent found other information or advice in the tools and guidance for business section that they had not been specifically looking for. Of these, 95 per cent found this content useful (30 per cent very useful, 66 per cent fairly useful). Five per cent found it not very useful.

Of those aware of .Gov.uk, 43 per cent had visited other parts of the website (i.e. not the tools and guidance for business section). This was most likely to be the case for small (54 per cent) and medium-sized businesses (57 per cent).

## **Business Link helpline**

Five per cent of SME employers in February 2013 had used the Business Link helpline in the last 12 months. This was most likely to be the case for small businesses with 10-49 employees (eight per cent) and those in the business services sector (nine per cent). In June 2012 just one per cent of SME employers had used the helpline.

Of those using the helpline, 19 per cent were offered a call back from a Business Support Adviser to discuss their business needs.

Seventy-seven per cent of those that had used the Business Link helpline found it useful (30 per cent very useful, 47 per cent fairly useful). Thirteen per cent found it not useful (three per cent not very useful, 11 per cent not at all useful).

## **Unmet needs for business support**

In February 2013, four per cent of SME employers had difficulties or important information or advice needs in the last 12 months where they did not get external advice or support. This figure compares with three per cent in June 2012, and four per cent in February 2012.

Most likely in February 2013 to have these unmet needs were the business services sector (eight per cent) and businesses aged four to ten years (nine per cent).

The main reasons why these people did not seek information or assistance were that they had doubt about the benefit or value of obtaining advice (60 per cent), they had sufficient expertise and resource within their own businesses (54 per cent), they did not know where to find the appropriate advice (54 per cent), they did not feel that the right type of advice existed (51 per cent), they had concerns about trusting external advice (51 per cent), they did not have time to use external advice (50 per cent) or they thought that obtaining advice would be too expensive (50 per cent). Small sample sizes mean that there were no significant differences in these responses compared to June 2012.

## **Future needs for business information and advice**

Forty-five per cent of SME employers in February 2013 thought that they would need business information or advice over the next year. There were no significant differences in this proportion according to employment size, sector or age of business.

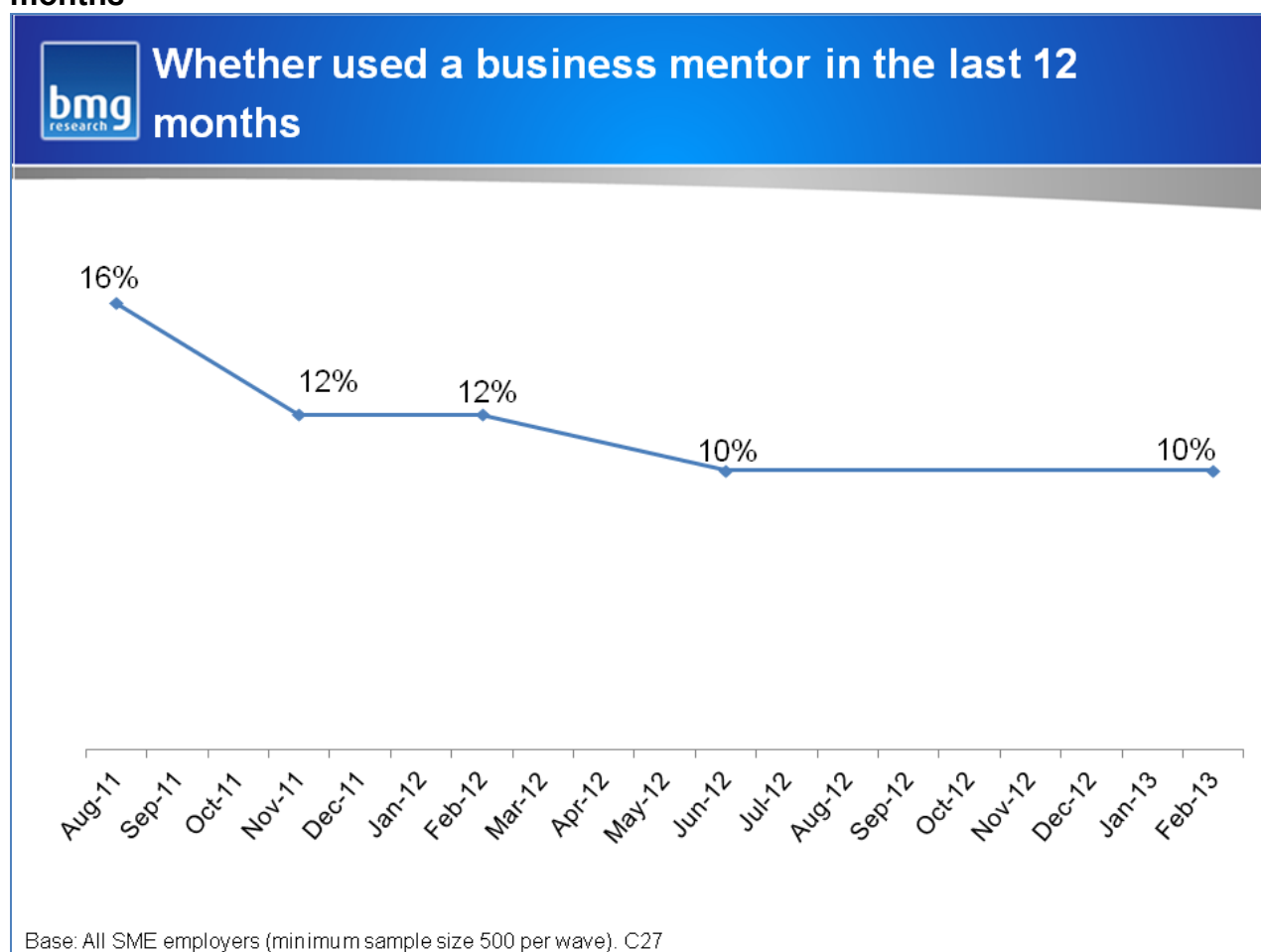
There were various areas where business information or advice was thought to be needed. The main areas, based on all SME employers, were financial information or advice for the general running of the business (11 per cent), financial information or advice on where to get finance (six per cent), tax/national insurance law and payments (six per cent), business growth (six per cent), marketing/advertising (six per cent), e-commerce/technology (five per cent), employment law/redundancies (five per cent), business plan/strategy (four per cent), legal advice (three per cent) and regulations (three per cent). Human resources, Government grants, moving/extending premises, training/skills needs, mergers/acquisitions, health and safety, quality control, and exporting were mentioned by two per cent of SME employers or less.

## **Whether used a business mentor in the last 12 months**

In February 2013, ten per cent of SME employers had used a mentor in the previous 12 months.

This was the same proportion that was seen in June 2012, and only slightly less than the 12 per cent that used mentors in the December 2011 and February 2012 Barometers. However, the proportion is significantly lower than the 16 per cent that used mentors in the August 2011 Barometer, when the question was first asked.

**Figure AG: Whether used a business mentor in the last 12 months**



**Table 6.2: Whether used a business mentor in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Used a mentor	10	8	<b>19</b>	7
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Used a mentor	10	9	<b>16</b>	16
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Used a mentor	12	11	17	12

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. C27

By employment size, small businesses with 10-49 employees were the most likely to use a mentor in February 2013 (19 per cent), and this was also the case in June 2012. Mentors were most likely to be used by businesses aged 0-3 years (22 per cent) and were least likely to be used by those aged over ten years (eight per cent). There were no differences by sector.

Thirteen per cent of those aiming to grow their business over the next two to three years used a mentor, compared to two per cent of those that did not aim to grow.

Of those using mentors in February 2013, 46 per cent described them as specialist business mentors, 44 per cent as somebody who provides other services to businesses, such as accountants or lawyers, 36 per cent as a friend or peer, and 30 per cent as somebody with a commercial interest in their business, such as an investor. Respondents were able to categorise their mentor into more than one category at this question.

Compared to June 2012 there was an increase in the proportion describing their mentor as a friend or peer (by 21 percentage points), and also an increase in the proportion describing their mentor as somebody with a commercial interest in the business (up 25 percentage points). Despite small sample sizes, both of these trends were statistically significant.

Of those using mentors in February 2013, 52 per cent interacted with primarily face to face, 18 per cent by telephone, and 27 per cent by email. Compared with June 2012 there has been a decrease in the proportion primarily interacting face to face (down 24 per cent), and a corresponding increase in the proportion primarily interacting by email (up 23 per cent).

Of those using mentors in February 2013, 75 per cent said that they had helped develop business plans and strategy, 63 per cent that they had helped increase sales or profits, 44 per cent that they had enhanced leadership and management skills, 43 per cent that they had helped with people management such as recruitment, 30 per cent had helped to obtain finance, and 26 per cent had helped with the development of new products or processes.

Compared with June 2012 there was an increase in the proportion of mentors that helped with sales or profits (up 20 percentage points).

Seven per cent of those who had not used a business mentor had consider taking one on, the same proportion seen in June 2012. Businesses aged over ten years were the least likely to consider taking one on (five per cent).

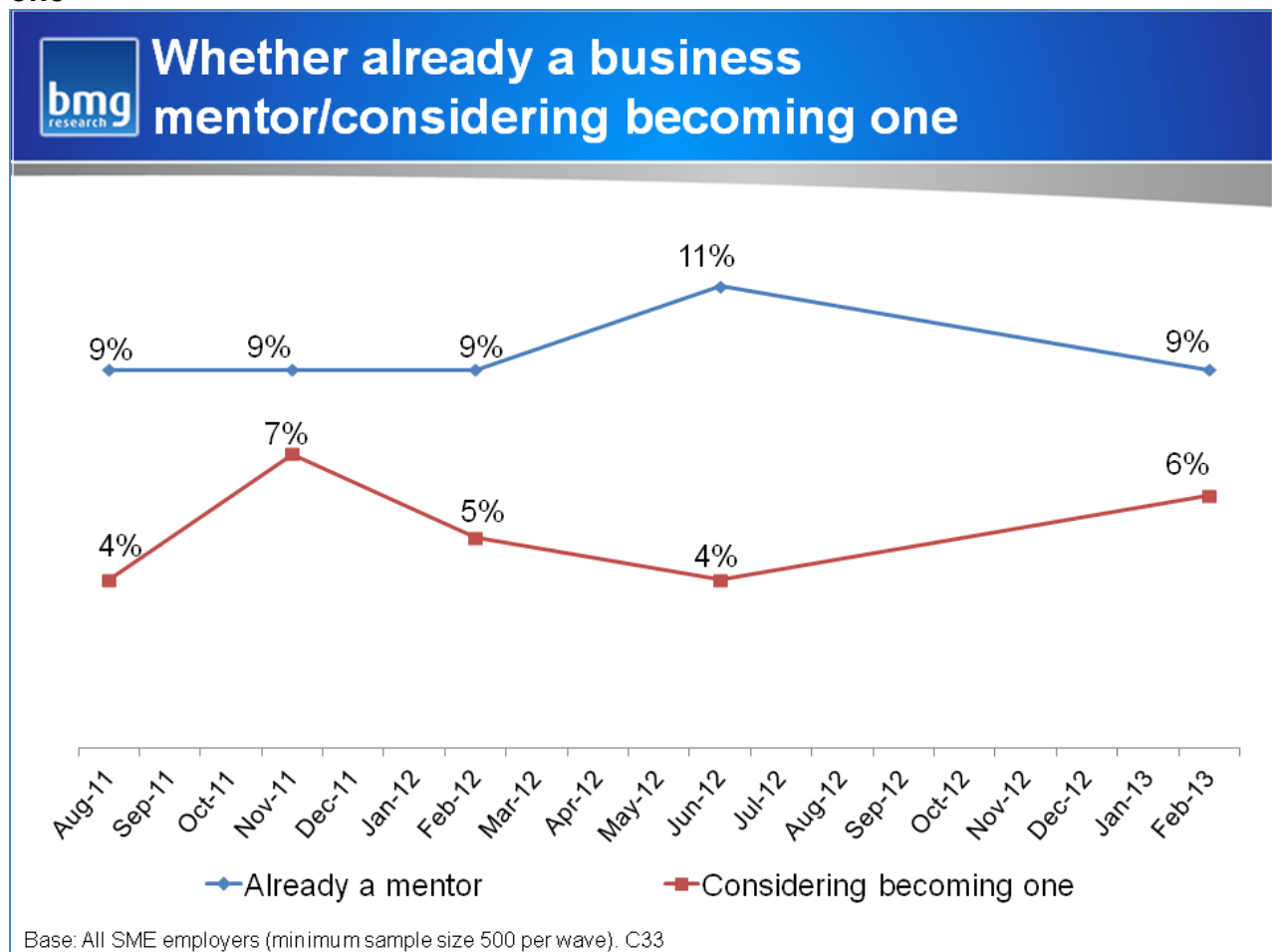
Of those that would consider taking on a mentor, 41 per cent had not taken one on because of lack of time, 26 per cent thought it might be expensive, 18 per cent did not know where to go to find one, and 14 per cent did not feel the appropriate type of assistance was available.



## Whether already a business mentor/considering becoming one

Nine per cent of SME employers in February 2013 were currently acting as a mentor for another business owner or entrepreneur. A further six per cent would consider becoming a mentor. These proportions are similar to those seen in previous Barometers.

**Figure AH: Whether already a business mentor/considering becoming one**



There were no significant differences by employment size or age of business as to whether SME owner/managers were already mentors, or considering becoming mentors. However, those in the other services sector were more likely than average both to be mentors (17 per cent) and to want to become mentors (11 per cent).

Of those who were already business mentors, 50 per cent said that it had helped their own business to increase sales or profit due to having the chance to reflect on their own business strategy, and 49 per cent said it had helped them to enhance their leadership and management skills.



## 7. Technical appendix

A sample of SME employers was drawn from those who had taken part in the 2012 SBS survey and who were willing to be re-contacted for survey research.

Because SBS contained boosts to the sample in Wales, Scotland and Northern Ireland, a sub-sample was initially drawn in the correct national proportions (according to Business Population Estimates<sup>3</sup> for 2012)

Only those with employees were sampled

Those that had applied for finance in the 12 months preceding the 2012 SBS interview were over-sampled

Large SMEs (small and medium-sized) were over-sampled

Quotas were imposed on employment size, broad sector (production; construction; transport, retail and distribution; business services; other services) and whether finance had been sought in SBS. Data were weighted at the analysis stage to correct any sampling bias and so make the survey representative of all SME employers, according to the 2012 Business Population Estimates.

**Table 7.1: Unweighted and weighted data – February 2013**

	Unweighted		Weighted	
	n=	%	n=	%
Micro (1-9 employees)	219	43	422	83
Small (10-49 employees)	195	38	74	15
Medium (50-249 employees)	94	19	12	2
	n=	%	n=	%
Production	81	16	60	12
Construction	45	9	62	12
Transport, retail and distribution	136	27	164	32
Business services	135	27	154	30
Other services	111	22	68	13
	n=	%	n=	%
Sought finance in last 12 months	217	43	122	24
Did not	291	57	386	76
<b>TOTAL</b>	<b>508</b>	<b>100</b>	<b>508</b>	<b>100</b>

<sup>3</sup> <https://www.gov.uk/government/publications/business-population-estimates-for-the-uk-and-regions-2012>

508 interviews were conducted between the 13<sup>th</sup> and 27<sup>th</sup> February 2013 using Computer Assisted Telephone Interviewing (CATI). Interviews were conducted by BMG Research Limited based in Birmingham.

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