The year ahead: a view from Britain's small businesses

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BARCLAYS

Presentation Structure

What are the **ambitions** of SMEs for 2011?

What are their **expectations**?

How are they **repositioning** themselves for **recovery**?

Are SMEs **investing** in **growth**?

What effect will SME plans have on **employment**?

What are the **attitudes** and **plans** towards SME **exporting**?

Methodology

n =1000 SME survey completed in September 2010 (all firms in presentation unless otherwise stated)

10 Regions in UK (excluded NI)

Turnover < £5m

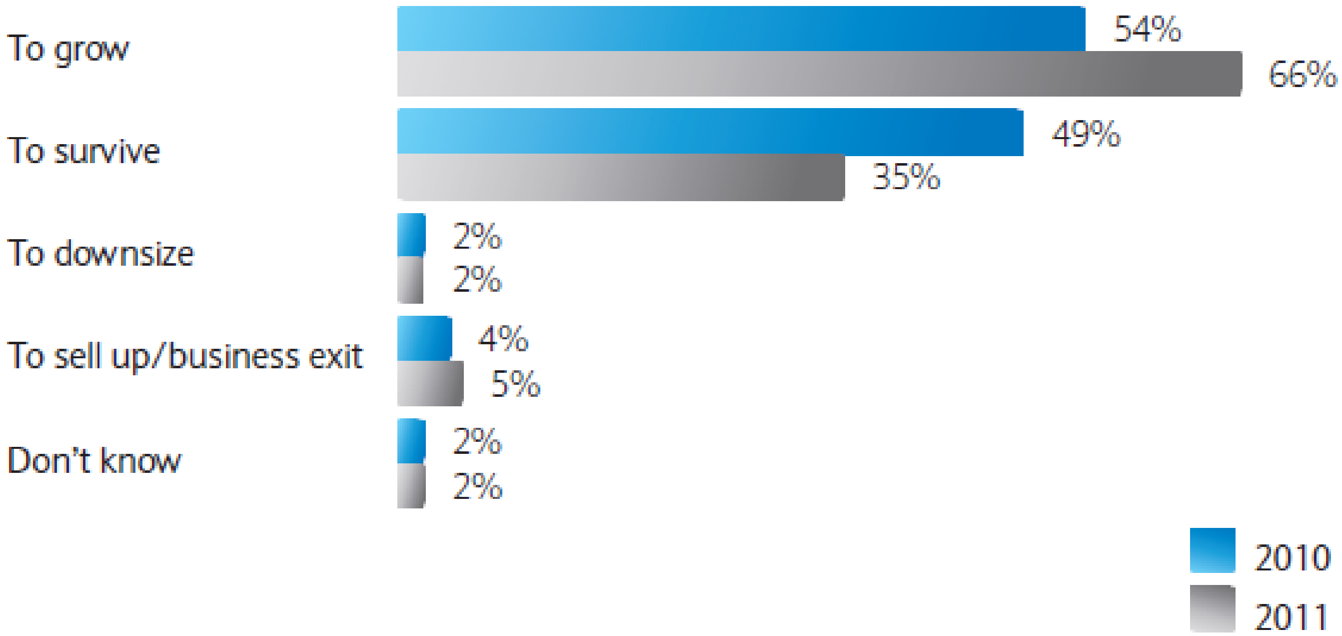
12 Sectors

Agriculture Forestry & Fishing	Business & Professional Services
Manufacturing	Consumer Services
Construction	Financial Services
Retail Trade	Transport & Communications
Hotels, Catering & Hospitality	Health & Social Work
Leisure & Entertainment	Technology/IT/Computer Services

Minimum quota samples by region, turnover size and exporter/non-exporter

Aims, Ambition and Strategy

Ambitions 2011



Ambitions 2011

Plans for growth and downsizing vary by **turnover size** and **sector**

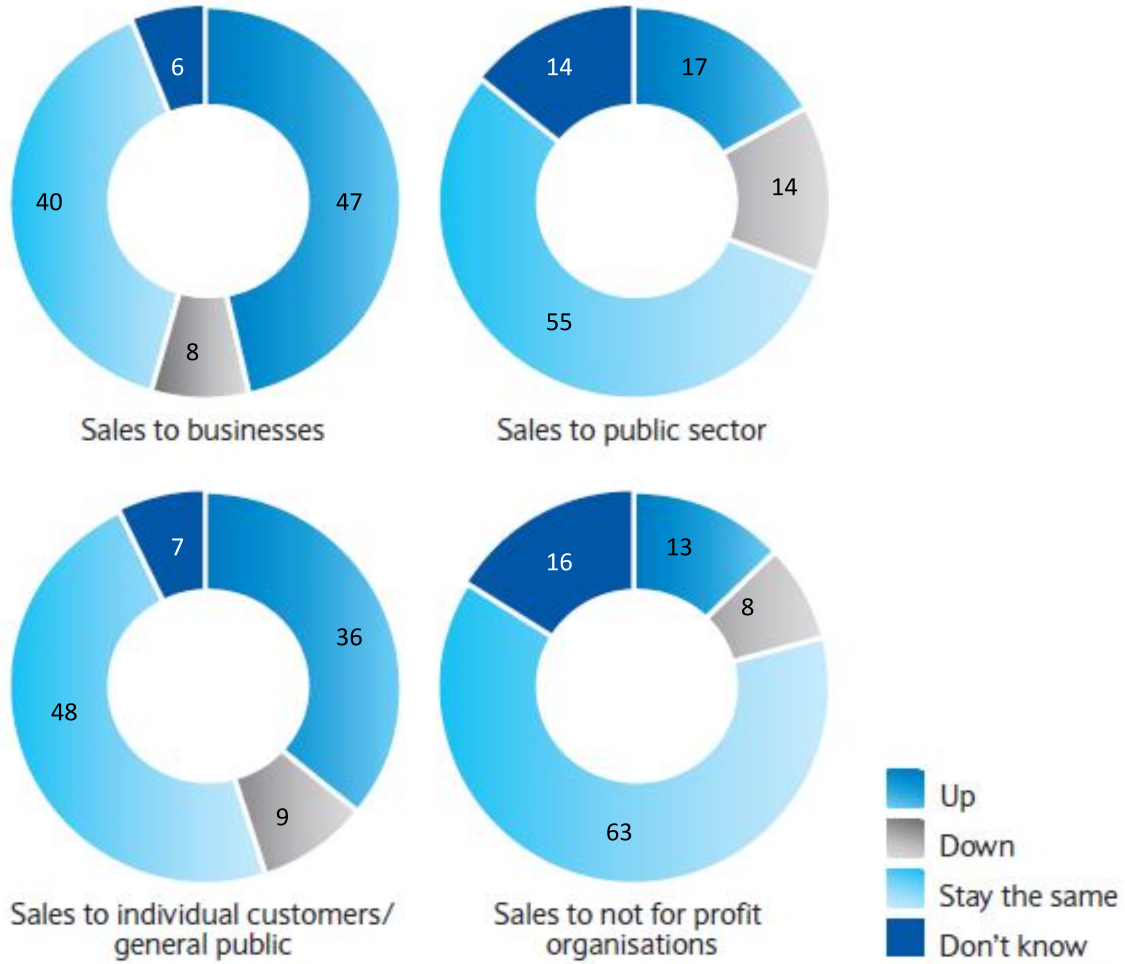
70% of firms in turnover categories of **£500,001-£1m** and **£100,001-£5m** seek to grow, compared with...

63 % of firms in turnover categories **<£100,000** and **£100,001-£500,000**

The turnover category of **£100,001-£500,000** has the highest proportion of firms expecting to **downsize (4%)**

Sectors with the largest proportion of businesses expecting growth/downsizing are:
Agriculture, Forestry & Fishing (79%), **Financial Services (76%)**, **Transport & Communications (71%)**
Business & Professional Services (5%), **Leisure & Entertainment (4%)**

Expected Performance in 2011



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Expected Profit Performance in 2011

In the last trading year **72%** of firms reported a **profit**

For 2010 **35%** of firms expected profits to **increase**

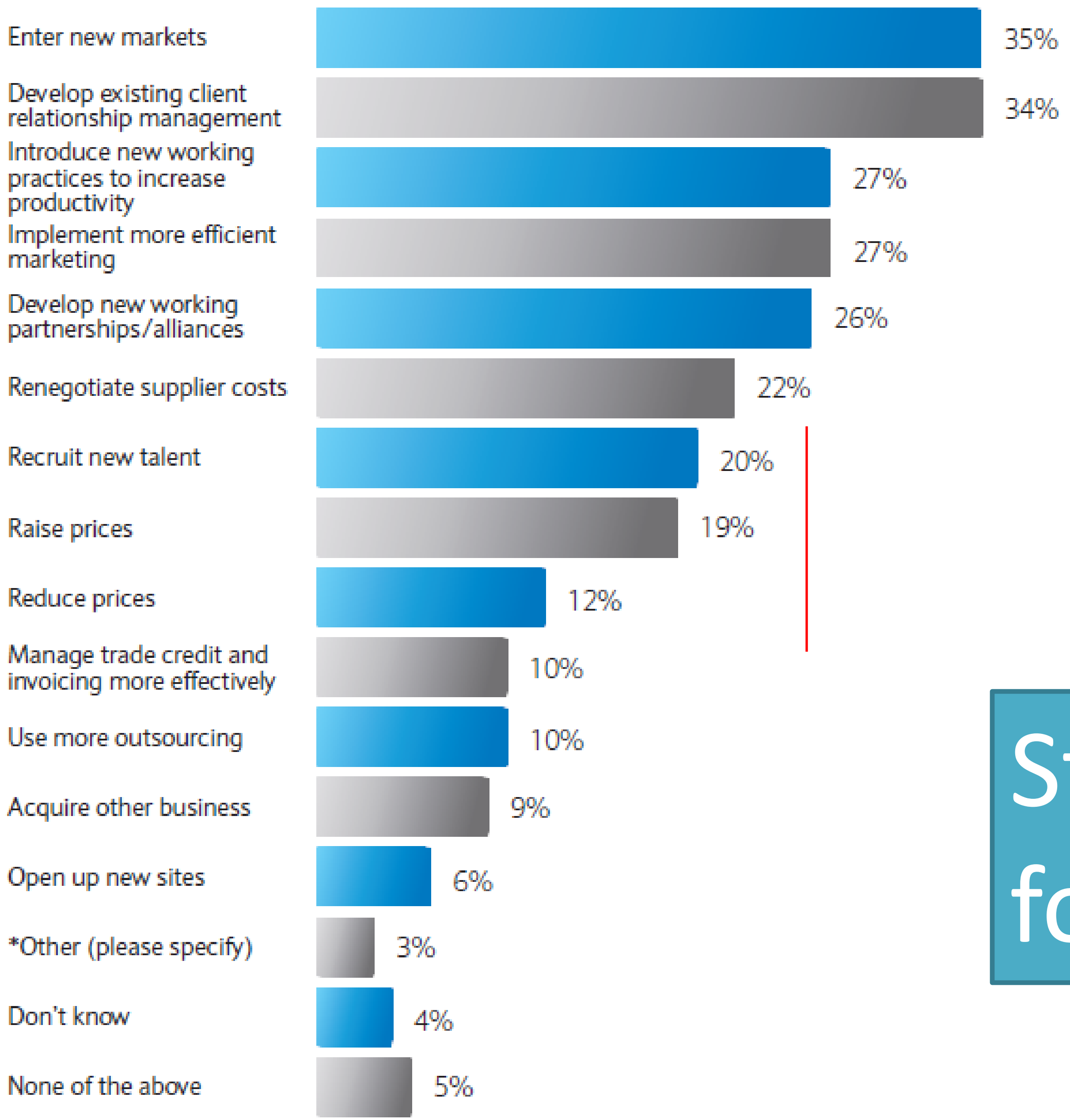
For 2011 **56%** of firms expect profits to **increase**

Sectors with the largest proportion of businesses expecting increases/decreases are:
Agriculture, Forestry & Fishing (75%), **Financial Services (68%)**, **Transport & Communications (63%)**
Construction (12%), **Business & Professional Services (11%)**, **Leisure & Entertainment (10%)**

The **'£500,001-£1m'** category has the most SMEs that are expecting **profit increases**

Results suggest increased **profitability** may emerge from **increased marketing** and **sales** efforts, **increases** in **efficiency**, **innovation** and **market diversification**

Strategies for 2011



Investment Strategy 2010/11

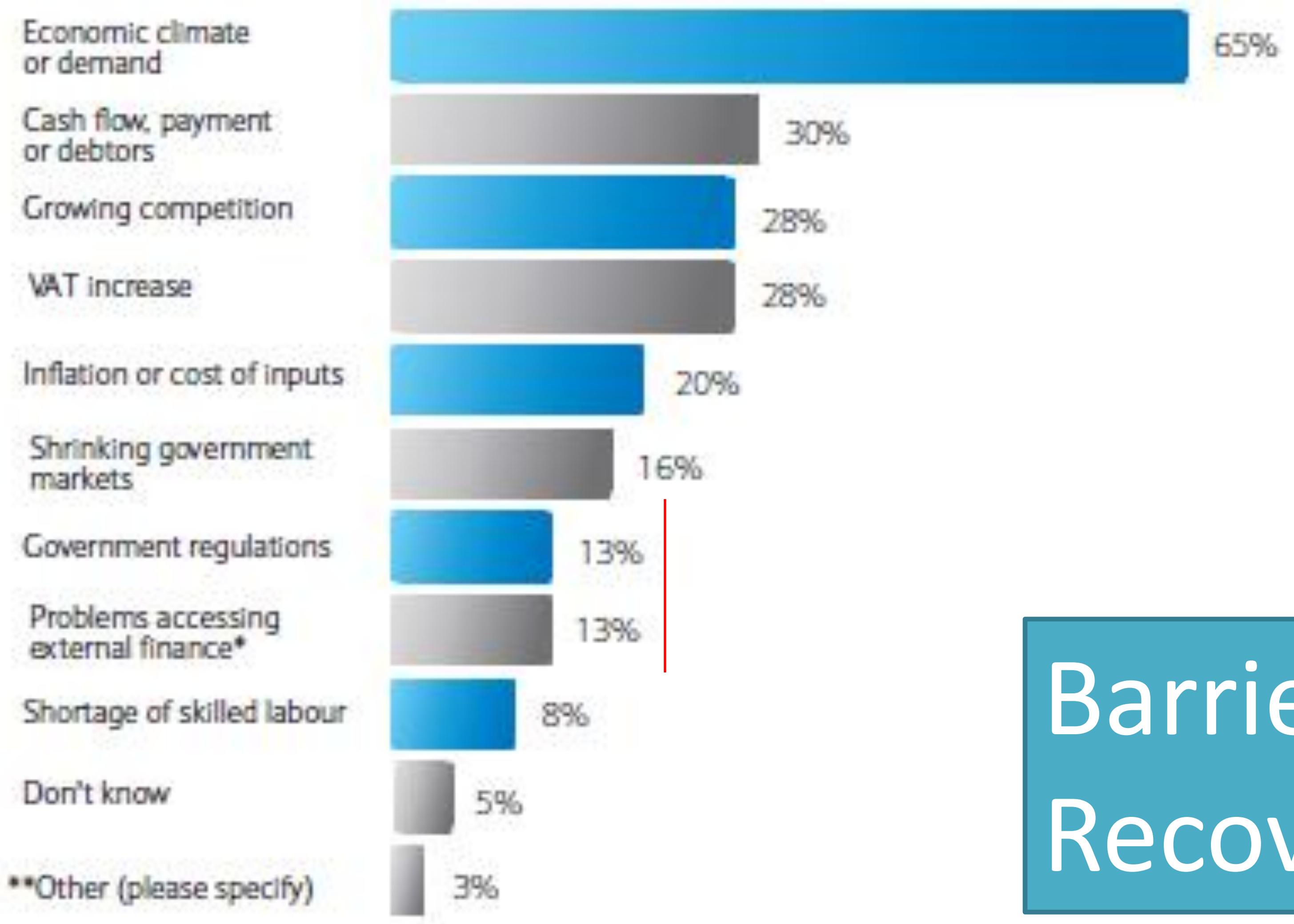
Overall, SMEs spent **16%** of their income on developing **new products and services in 2010**

Highest spend from **Agriculture, Forestry and Fishing (24%)** and lowest spend from **Business and Professional Services (12%)**

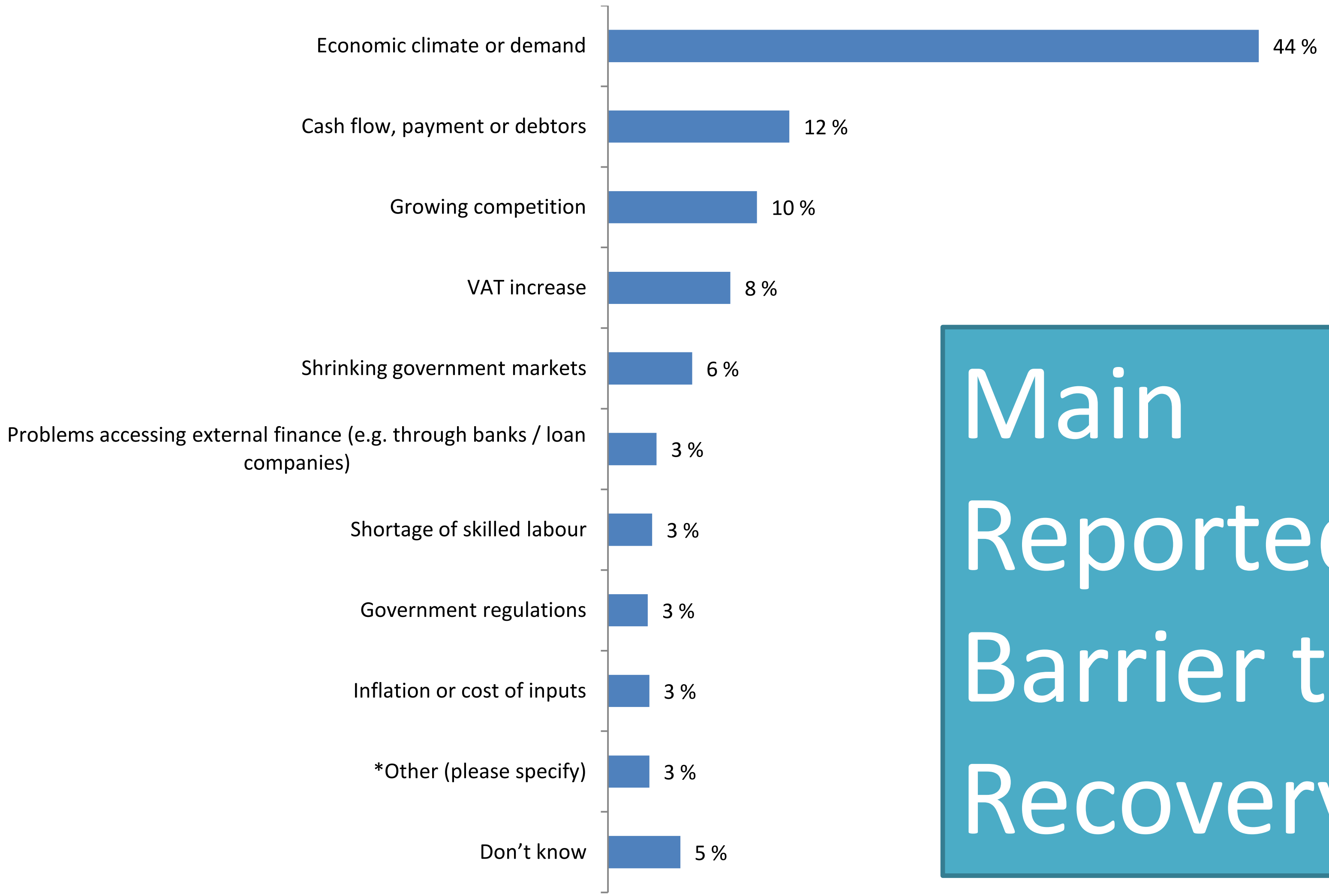
Larger firms (turnover) spend more on new products and services developments, **£1,000,001 - £5m (19%)** compared to **<£100,000 (14%)**

In 2011, **29%** of **Manufacturers** and **Financial Services Firms** plan to increase innovation spending **(highest increase)** with **10%** of **Health and Social Work** firms planning to decrease innovation spending **(highest decrease)**

In addition to investing in products and service development, notable investment will be made in **IT (26% increase overall)** suggesting efficiency costs and a **43% increase in marketing**, to increase sales and to enter new markets.



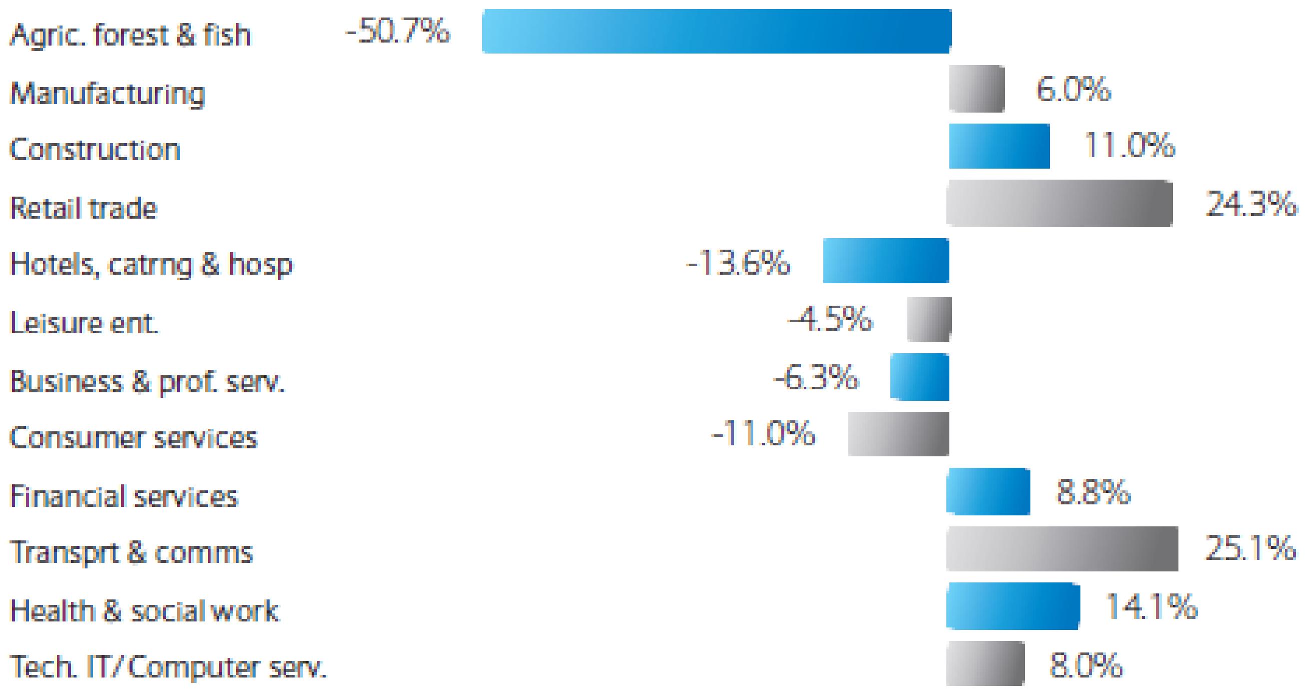
Barriers to Recovery



Main Reported Barrier to Recovery

Employment Intentions

2010-11 Employment Change



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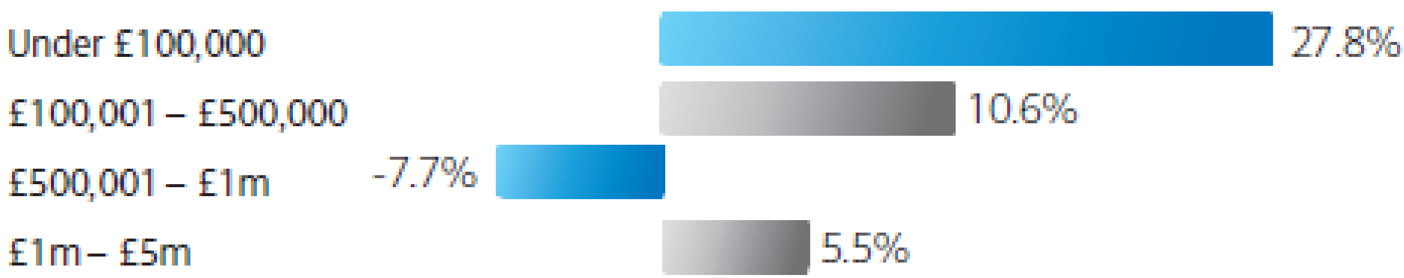
N.B. The percentage represents the change in the mean average number of employees in a firm for each sector.

2010-11 Employment Change (turnover)



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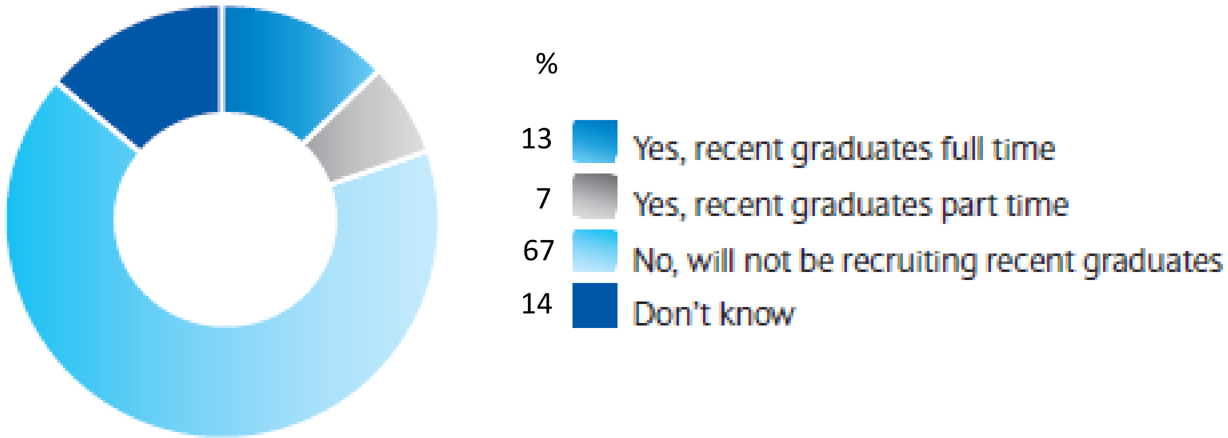
Graduate Recruitment Intentions 2011



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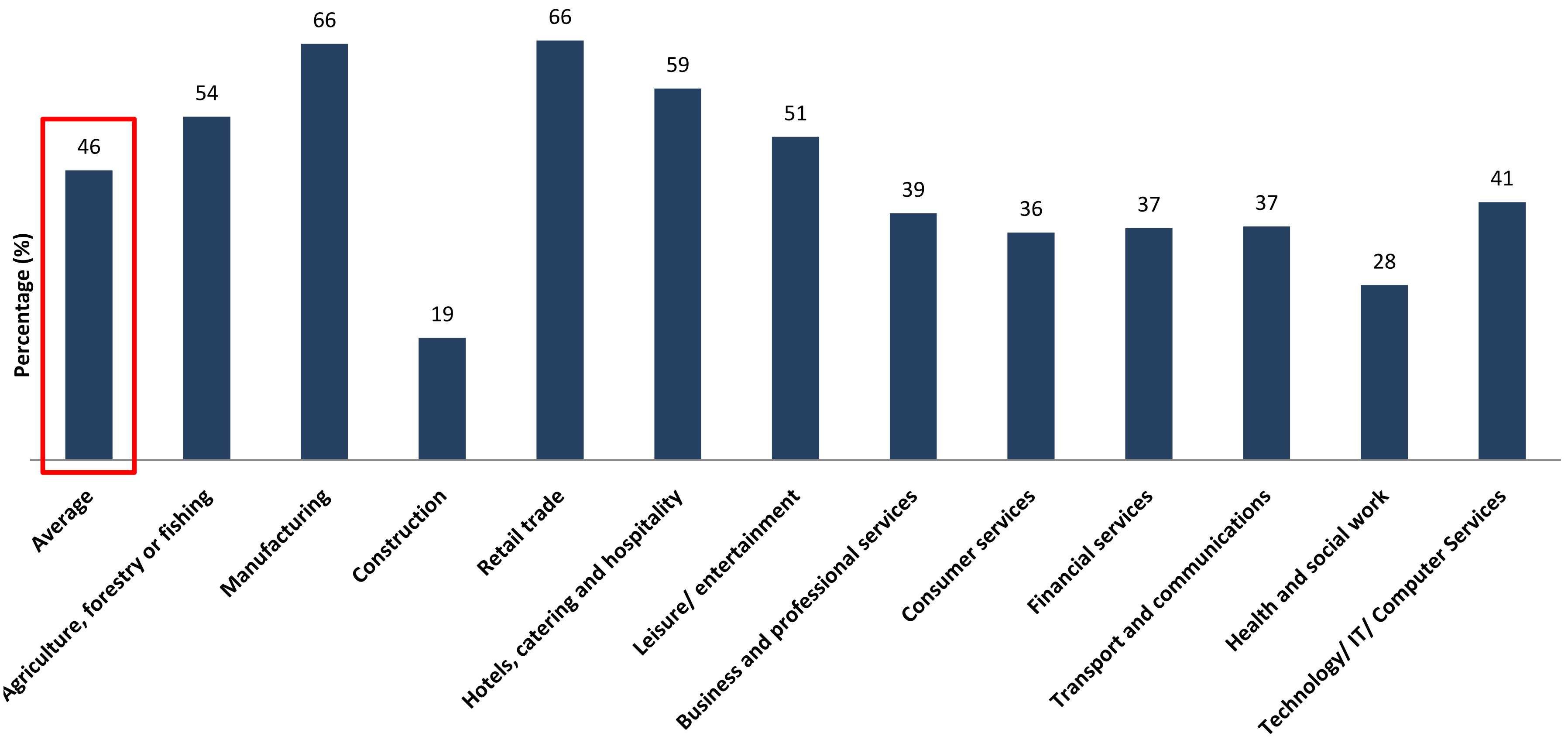
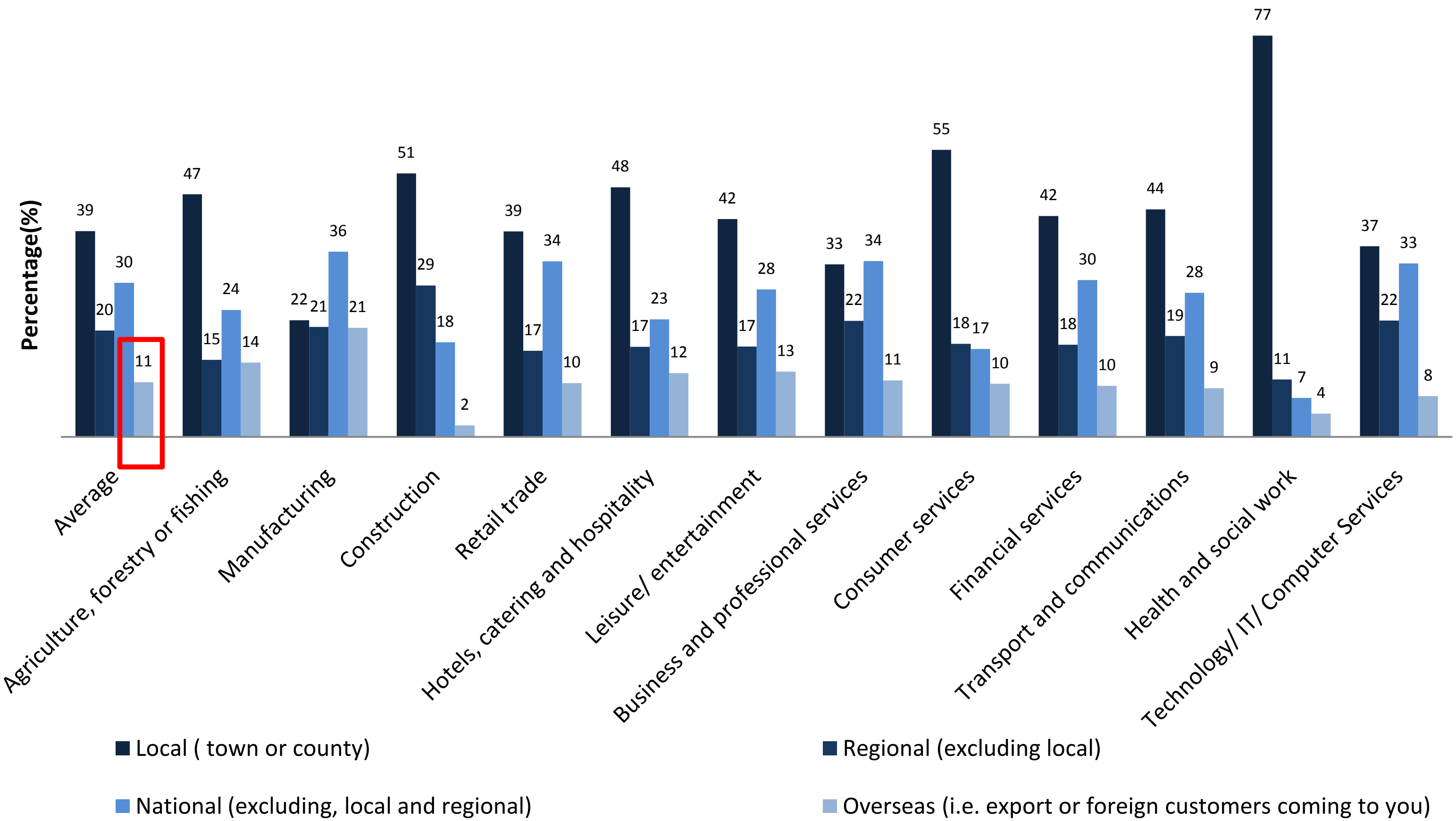
Export Intentions

Exporters by Sector



N.B. This graph includes exporters and non-exporters

Markets: Exporting



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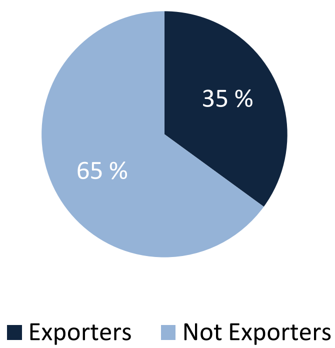
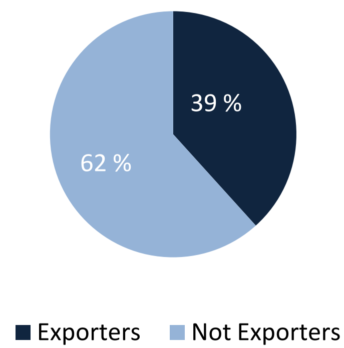
Exporter Turnover 2010

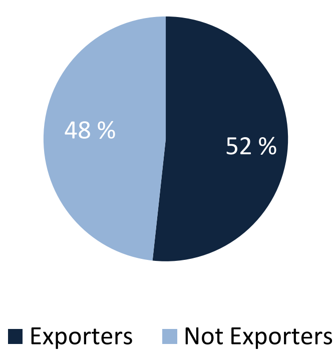
Under £100,000



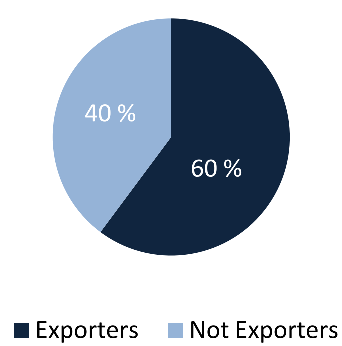
£100,001 - £500,000



£500,001 - £1m



£1,000,001 - £5m



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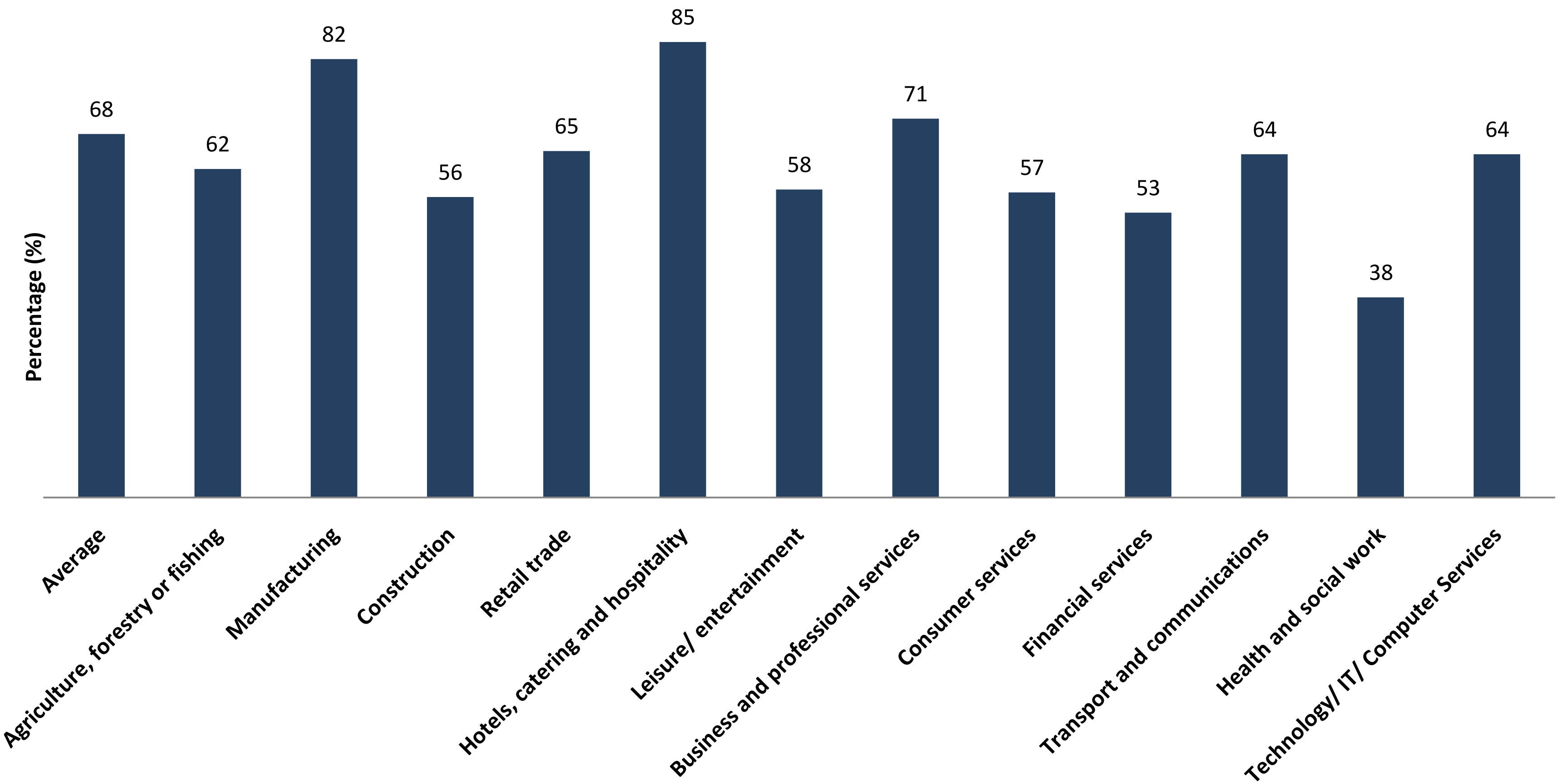
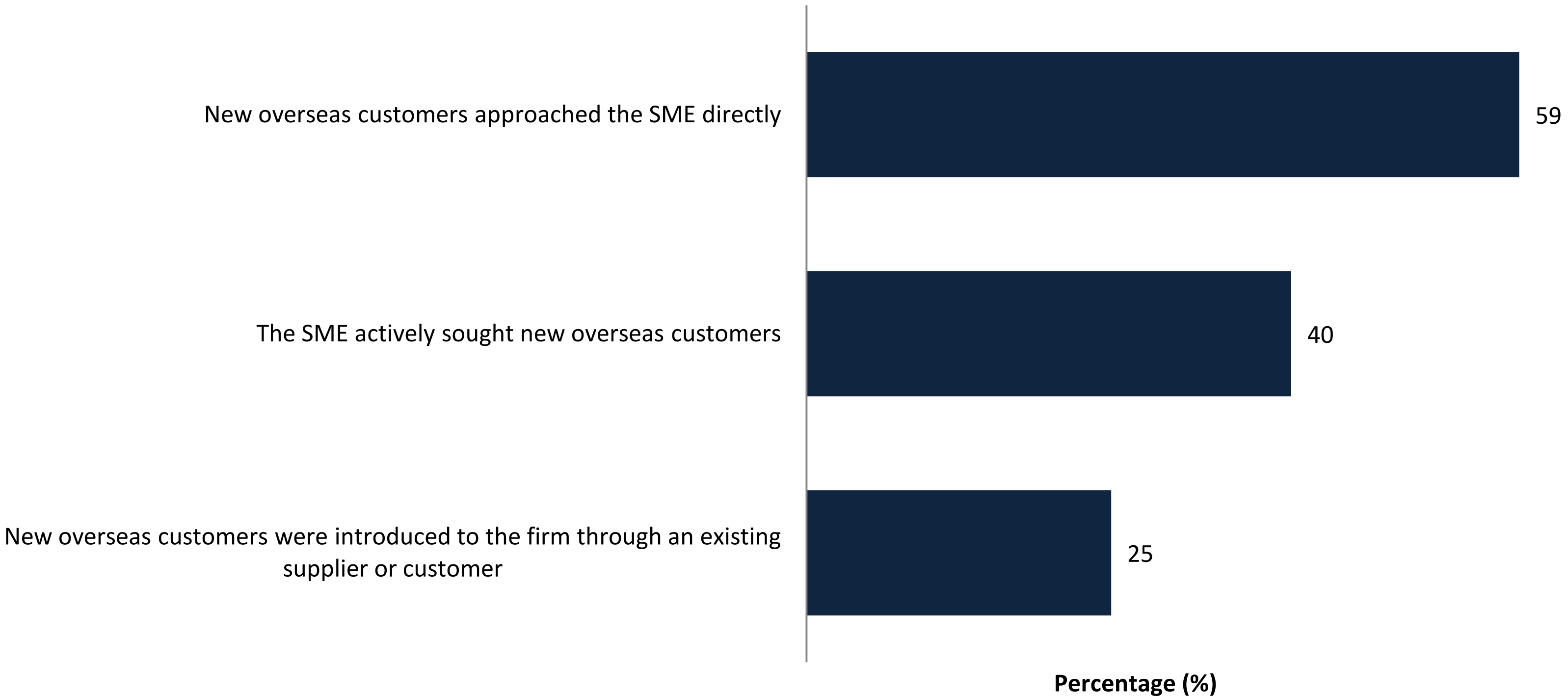
Born Global Exporters



N.B. This graph only includes firms that export (n=457)

Export Customer 'Contact'



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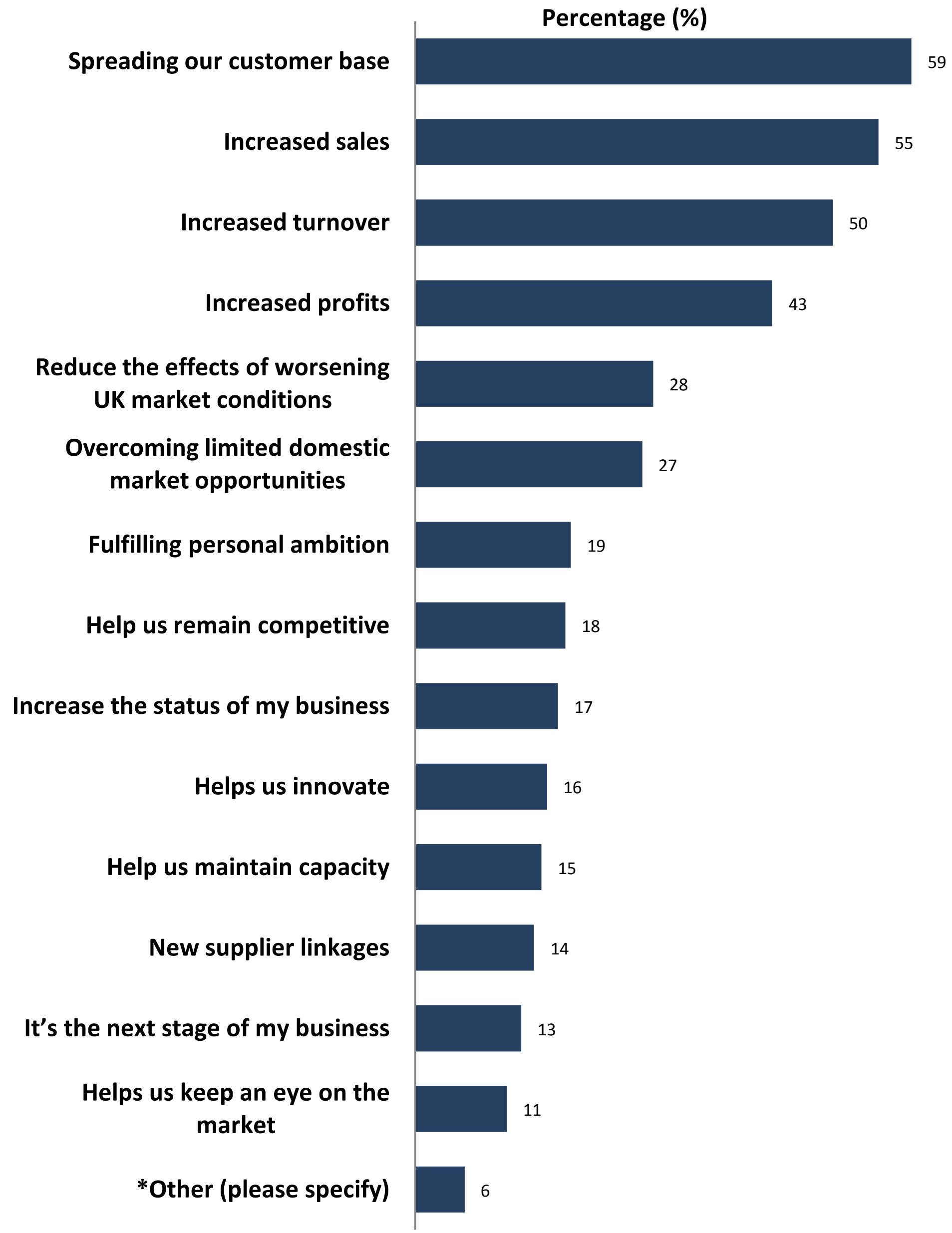
Perceived Benefits of Exporting



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Barriers to Exporting

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Summary

SMEs are well-placed for the recovery

Broadly, they are seeking **growth** – BUT this varies by **sector, size** and **location**

SMEs are investing for growth in **IT, marketing** and **innovation**

SMEs believe that an increase in **business** and **consumer confidence** is needed to boost demand

Non-exporter -> exporter transition will be **limited** – targeted advice and understanding is required

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http://business.kingston.ac.uk/research/research-centres/small-business-research-centre

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