

Acknowledgements

The team responsible for conducting this survey and producing the report thanks the owners and managers of the responding firms for their time and effort in completing the questionnaire for this survey. This report represents their views and experience.

Drawn from a wide range of sources, they reflect the complexity and richness of business life in Britain today. **Additions to the sample from individual small businesses and from business organizations are always welcome.**

It should be noted that the survey is not a panel, nor is it fully random. It continuously recruits new members, in order to reflect the national distribution of small firms; yet it also retains long time respondents, in order to gauge changes over time.

The research team is a small group that is part of a wider network of small firms. Survey design, data processing and analysis of results are provided by Bannock Consulting. Academic and administrative support is provided by the Open University Business School. The team is also able to draw on the wide contacts and expertise of the Institute for Small Business Affairs (ISBA). The team is particularly pleased to acknowledge the generous support provided by NatWest in sponsoring the research, analysis and publication of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of NatWest.

Highlights

Britain's small firms' performance has weakened a little in the third quarter of 2003 and confidence about the final quarter is lower than last year. Small retailers report the worst performance and are not optimistic about the Christmas period. Use of networked computers by small firms has grown sharply in recent years, but few have fully embraced e-commerce.

- The balance of small firms increasing sales over the past year is down, to practically the same level as six months ago. More small firms shed staff than recruited new employees, though more increased than cut investment.
- Small firms are less optimistic about their prospects for the final quarter of this year than about the third. Although in some sectors, such as construction and hotels & restaurants, this is seasonal, the balance expecting an increase in sales is lower than at this time last year.
- The improvement in the previous survey in consumer spending seems to have been temporary. Far more small retailers saw their sales fall over the past year than saw them increase. Retailers are also far less optimistic about their prospects for the final quarter of 2003 than they were at the same time last year.
- Government regulations and paperwork has become the top-ranked problem for small businesses overall, though those with fewer than 5 employees more often say that the general economic climate is their biggest problem.
- The total tax burden is the biggest problem facing hotels & restaurants. Construction firms often complain of a lack of skilled employees/high pay.
- All firms in the survey with 10 or more employees (and most of the rest) use computers.
- Half have a network of computers. This proportion has grown sharply in recent years and is expected to continue to do so.
- One in seven already use wireless networking and this proportion is set to double within a year.
- Most of these businesses use Internet e-mail - very few do not yet but expect to start within a year.
- Little more than half of small businesses currently have a business web-site, not many more than two years ago.
- Less than one in ten accept orders and payment through their web-site, almost always by credit/debit card, hardly any growth on two years ago.
- A fifth have updated their web-site within the past week but even more have not updated theirs within the past year.
- Broadband ADSL connections to the Internet have become common within small firms - usurping dial-up modem connections in London.
- Relatively larger firms more often than the smallest have computer networks and their own web-site. However, small business service firms are also more likely than average to have a network (often wireless) and use Internet e-mail, though not to have a web-site.



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Survey Details

Questionnaires for this survey were despatched from 14th November 2003 to 2,866 owners and managers of small businesses, 753 by e-mail and the remainder by post.

By the cut-off date of 1st December, a total of 687 completed questionnaires had been received, a response rate of 24%.

Note that where comparisons are made with 'earlier surveys', these refer to Volumes 1 to 18 of the NatWest/SBRT Quarterly Survey of Small Business in Britain.

Following the well-established practice of the CBI in its **Industrial Trends Survey**, a summary statistic, the **balance**, is used to monitor the responses to key questions. The balance is the percentage of respondents replying 'up' minus the percentage replying 'down' (we ignore, for this purpose, the percentage replying 'same').

The key balances for the questions on performance, expectations and problems are split by industrial sector and re-weighted according to the national sectoral small firm distribution, using DTI estimates of total employment by firms with fewer than 50 employees. In earlier surveys results for previous years were re-weighted as DTI estimates for those years became available. To avoid continuous revisions figures are now weighted by the latest figures available (currently 2002) and not revised. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain. (Between 1989 and 1995 results were weighted by the sectoral distribution of all VAT-registered businesses and prior to 1989 they were unweighted.)

Please note, however, that other breakdowns by industrial sector, region and firm size and the tables in the special topic section use unweighted data and are not seasonally adjusted.

Survey Details



Actual Performance

The performance of Britain's small firms has weakened a little. Last quarter's modest improvement in the sales of small retailers seems to have evaporated as these now report falling sales. London and the South East is the most negative area. Small manufacturers, however, continue to show a mini-revival in fortunes.

Despite some positive signals from the economy as a whole and concerns over possible emerging inflationary pressures, Britain's small firms report a weakening in their own performance in the year to the third quarter of 2003.

Chart 1.1 shows that the headline balance of Britain's small firms increasing turnover over the past year has fallen from +15% in the previous quarter to +10%, though this is higher than six months ago.

Since our last report, revisions of official estimates of GDP growth have brought that more in line with the findings of this survey. The estimate of the rate of

quarterly GDP growth for the second quarter was doubled, from +0.3% to +0.6%, meaning that the annual rate rose in the second quarter, as had our headline turnover balance. In early November, shortly before questionnaires for this survey were despatched, the Bank of England raised interest rates, for the first time in almost four years, by one quarter of a percentage point, citing concerns over inflation, consumer debt and house prices. However, figures for GDP growth in the year to the third quarter of 2003 show that the rate has reached a plateau, unchanged at +2.0%. This survey suggests that any economic growth remains hesitant, especially for small firms.

Chart 1.1: Percentage balance of respondents reporting an increase in sales, employment, investment or selling prices (weighted figures)

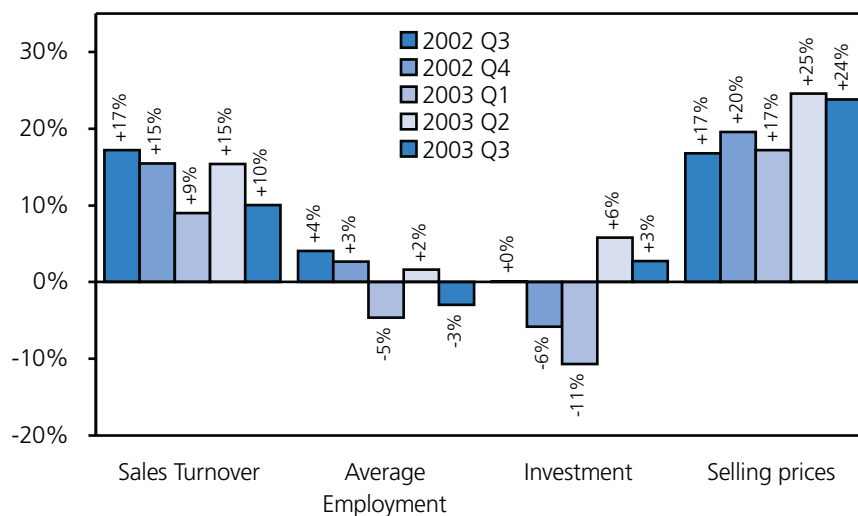


Table 1.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2003Q3 on 2002Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	43%	33%	23%	1%	+10%
Average Employment	17%	20%	60%	3%	-3%
Investment	22%	19%	54%	4%	+3%
Selling prices	35%	12%	49%	4%	+24%

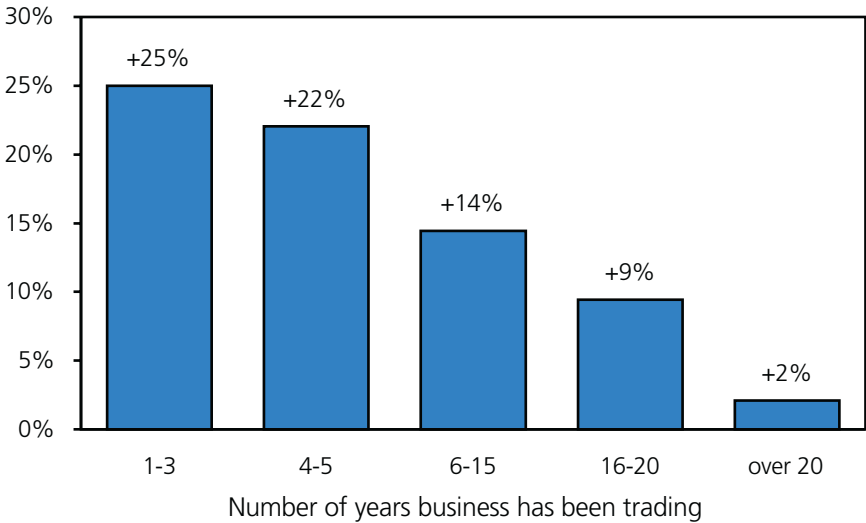
Chart 1.1 and Table 1.1 also show that, in contrast to the previous quarter, those small firms which cut jobs in their firms in the year to the third quarter of 2003 outnumber those recruiting extra staff. Official figures also showed a slight drop in the employment rate in the economy as a whole in the third quarter.

Although the balance of firms investing more during the past quarter than in the same quarter of 2002 has fallen from the +6% in the previous survey to +3% it remains positive and well above the -11% six months ago. Increasing sales and investment but falling employment may reflect productivity gains in some of these firms.

The balance of small firms reporting that they increased their average selling prices over the past year has fallen only marginally and remains at a historically high level.

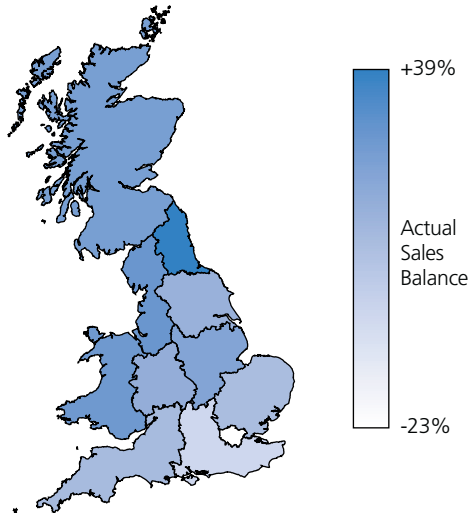
Chart 1.2 shows that the oldest firms in this survey still seem to be having less success than the youngest firms in improving their sales. Firms established within the past three years are those most likely to have increased their turnover within the past year, those in business for more than 20 years are the most likely to say their sales have fallen. However, unlike in the previous quarter, even among the oldest firms more have seen their sales rise than fall over the year.

Chart 1.2: Percentage balance of respondents reporting an increase in sales over past year - by age of business



Performance: Comparison Across Regions

Chart 1.3: Percentage balance of respondents reporting an increase in sales over past year - by region



In the previous survey, fewer small firms in London and the South East of England than in the other regions reported an increase in sales performance. This time, the balances in these two regions have fallen sharply and they are now the only two areas where more small

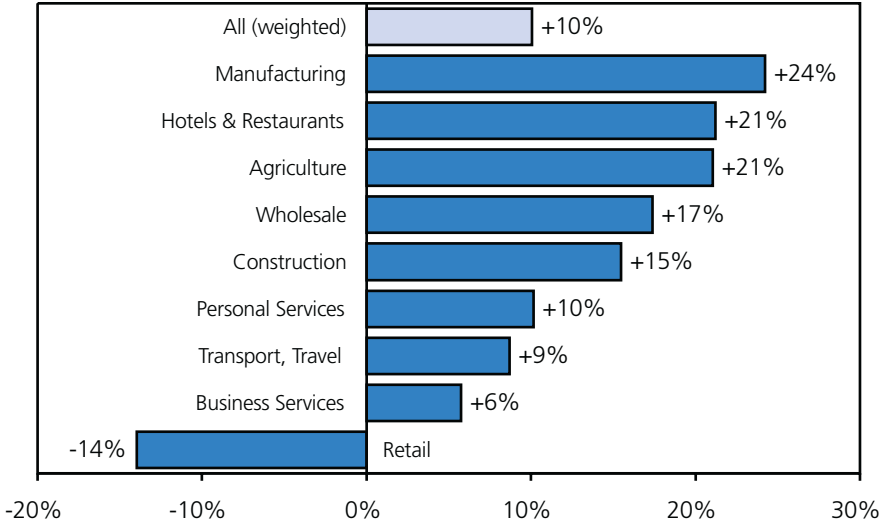
firms report a fall in turnover over the past year than report a rise. Firms in London are also among the most negative about employment and investment performance over the past year.

Table 1.2: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+39%	-17%	+0%	+48%	23
North West	+28%	-3%	+13%	+11%	61
Yorkshire & the Humber	+14%	-5%	+16%	+25%	64
East Midlands	+21%	+9%	+2%	+19%	43
West Midlands	+16%	-11%	-4%	+4%	55
East of England	+9%	+2%	+5%	+26%	91
London	-23%	-11%	-7%	+14%	57
South East	-4%	+6%	-1%	+18%	130
South West	+10%	-4%	+4%	+29%	70
Wales	+27%	+4%	+4%	+23%	26
Scotland	+24%	-6%	+4%	+31%	54

Performance: Comparison Across Business Sectors

Chart 1.4: Percentage balance of respondents reporting an increase in sales over past year - by sector



Considerably more small manufacturers than in the previous survey report an increase in their sales over the past year. This follows an improvement in the previous survey and manufacturing is now the sector with the highest balance of small firms reporting a sales increase (Chart 1.4). The balance is considerably higher than it has been in recent years. Although official GDP figures showed no improvement in economy-wide manufacturing value added during the third quarter, Index of Production figures did show increases in September and October. Despite the improvement in the sales balance, more small manufacturers cut employment than increased it in the year to the third quarter (Table 1.3). This is worse than in the previous survey, where those small manufacturers cutting jobs were matched by those recruiting extra employees. Increased sales accompanied by falling employment could imply increased productivity for these firms or a running down of stocks.

Small firms in the hotels & restaurants sector report relatively robust sales performance compared with those in other sectors, though the balance of +21% reporting an increase is markedly down on the +37% in the previous survey and lower than the +27% at this time last year. Hoteliers and restaurateurs are also the most likely to have increased the numbers they employ over the past year. The balance increasing their selling prices over the past year has risen since the previous survey and is once again higher than in the other sectors. Many of these firms will have slashed prices in late 2001 and early 2002 when the tourism industry was particularly depressed. In recent surveys they appear to have been attempting to restore their profit margins.

Table 1.3: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+21%	+5%	+11%	+16%	19
Manufacturing	+24%	-2%	+7%	+14%	128
Transport, Travel	+9%	-26%	-13%	+26%	23
Construction	+15%	-2%	+10%	+42%	84
Wholesale	+17%	+2%	+9%	+11%	46
Retail	-14%	-3%	+3%	+7%	86
Hotels & Restaurants	+21%	+6%	+3%	+67%	33
Business Services	+6%	+0%	-1%	+15%	209
Personal Services	+10%	-8%	+0%	+29%	59
All (weighted by sector)	+10%	-3%	+3%	+24%	687

Small retailers remain, as they have been for the past four surveys, those firms where the greatest proportion report a fall in sales over the past year. In the previous survey those reporting an increase in sales at least outnumbered those reporting a fall (a balance of +6%). This time, however, the balance is again negative (the only sector where this is the case), at -14%, only fractionally better than six months ago. The balance has fallen more sharply for retailers than for any other sector. At this time last year the balance of small retailers reporting an increase in sales was a

comparatively healthy +20%. Small retailers have also been least successful in increasing their average selling prices over the past year. A balance of only +7% shows that almost as many have cut their prices over the past year as have increased them.

The balance of firms in the other consumer-facing sector, health/education/leisure & other personal services, reporting an increase in turnover during the past year is also sharply down on the +26% in the previous survey.

Performance: Comparison Across Size Bands

Table 1.4: Change over past year in sales, employment, investment and selling prices by turnover

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	-12%	-13%	-20%	+12%	112
£50,000-£99,999	+20%	-8%	+2%	+30%	98
£100,000-£249,999	-4%	+1%	-3%	+20%	133
£250,000-£499,999	+23%	-2%	+13%	+17%	115
£500,000-£999,999	+26%	+5%	+12%	+30%	93
£1m+	+17%	+3%	+15%	+21%	127
All (weighted by sector)	+10%	-3%	+3%	+24%	687

Tables 1.4 and 1.5 and Charts 1.5 and 1.6 show that, as has been the case for some years, the very smallest firms taking part in this survey report the worst sales performance.

The picture is clearest when analysed by employment size band. Chart 1.6 shows that of the firms where just the proprietor or partners work on their own, more have seen their sales fall over the past year than have managed to increase them. Larger firms have, on balance, seen their sales rise over the past year. The picture is similar for the numbers employed and also the amount invested over the past year.

Table 1.5: Change over past year in sales, employment, investment and selling prices by employees

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	-24%	-14%	-18%	+14%	84
1-2	+3%	-12%	-4%	+5%	165
3-4	+10%	+2%	+1%	+20%	83
5-9	+17%	+0%	+8%	+29%	143
10-19	+32%	+7%	+16%	+36%	101
20+	+21%	+9%	+14%	+27%	108
All (weighted by sector)	+10%	-3%	+3%	+24%	687

Chart 1.5: Percentage balance of respondents reporting an increase in sales over past year - by turnover size band

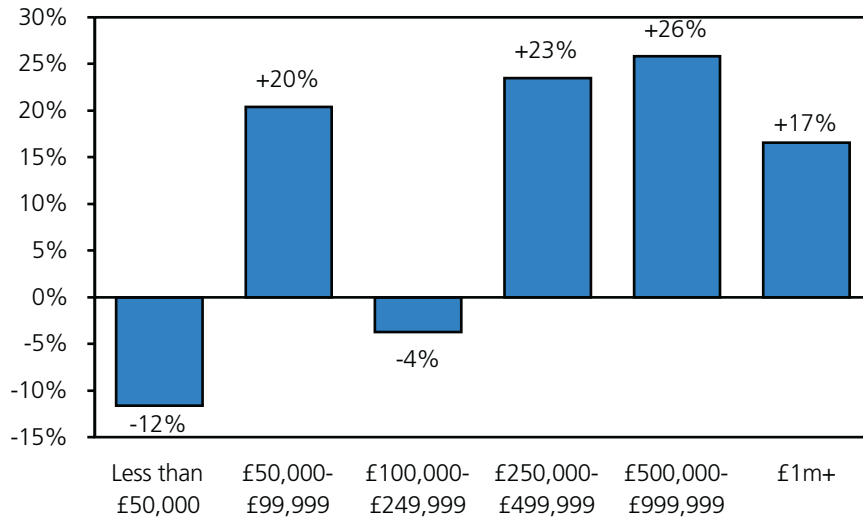
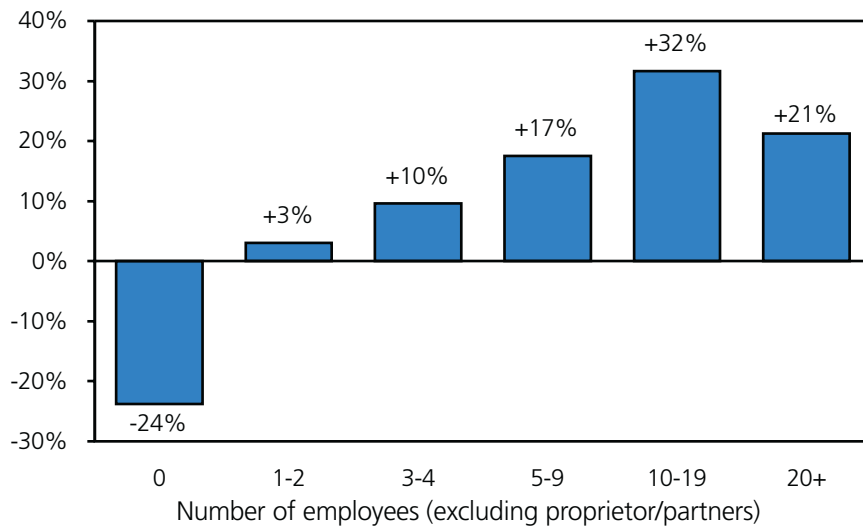


Chart 1.6: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



Expectations

Britain's small firms are less optimistic about their immediate prospects than they were three months ago or at this time last year. Hotels & restaurants and construction have seen the expected seasonal falls, but small retailers are not anticipating the Christmas rush they were last year.

Fewer of Britain's small firms than in the previous survey expect their turnover to rise during the current quarter (the final quarter of 2003) and more than in the previous survey expect it to fall. The balance expecting an increase in sales has therefore fallen, from +16% to +9%. This is also lower than the +14% which at this time last year were expecting their sales to rise in the final quarter of 2002 (Chart 2.1).

Those small firms expecting to cut the number of people they employ outnumber those expecting to recruit extra staff during the final quarter. Chart 2.1 shows that the balance of -3% compares with +6% three months ago and -1% at this time last year.

Chart 2.1: Percentage balance of respondents expecting an increase in sales, employment, investment or selling prices (weighted figures)

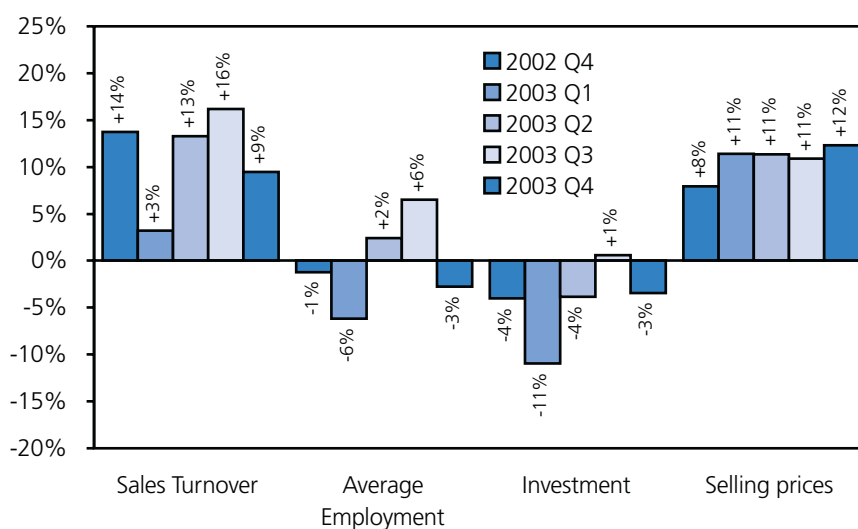




Table 2.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2003Q4 on 2003Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	39%	29%	30%	2%	+9%
Average Employment	11%	14%	71%	5%	-3%
Investment	14%	17%	63%	6%	-3%
Selling prices	21%	8%	66%	5%	+12%

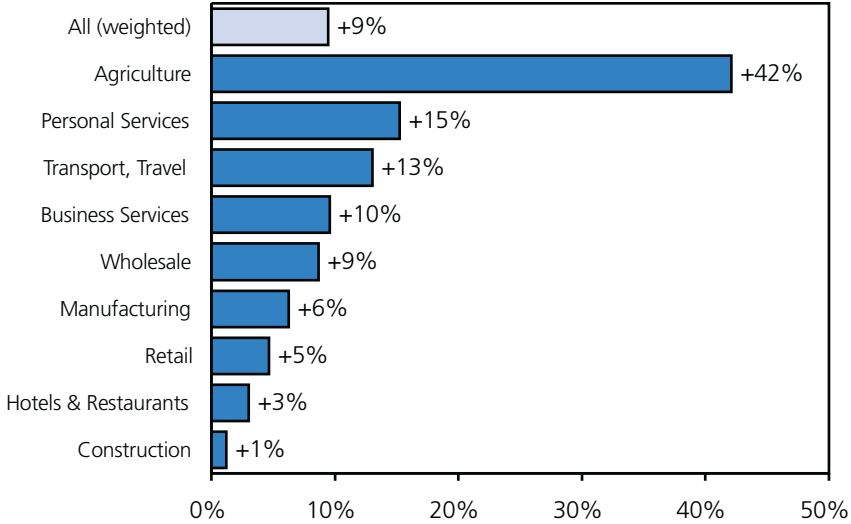
Small firms intending to cut back on investment also outnumber those intending invest more. Although a fall compared with the previous survey, this balance is at least not as negative as at this time last year.

The changing short-term optimism of Britain's small firms over the past year does not seem to have had much impact on their pricing decisions. In each of the past four quarters the balance expecting to increase their average selling prices has been practically unchanged (Chart 2.1).



Expectations: Comparison Across Business Sectors

Chart 2.2: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



63% of the (relatively few) small agricultural firms taking part in this survey expect their turnover to be higher in the final quarter of 2003 than it was in the third quarter. Only 21% expect their turnover to fall, giving a balance of +42% expecting an increase, far more than any other sector (Chart 2.2). This does not appear to be a seasonal effect, as the balance for agriculture was the lowest of all the sectors (at -10%) at this time last year. Small agricultural firms are also by far the most likely to expect to increase their average selling prices over the current quarter. In the previous survey agricultural firms were already relatively positive about sales prospects and also were the most likely to be increasing investment, perhaps foreseeing increased output this quarter. There are signs, however, that the improvement may be short-lived as now those agricultural firms expecting to cut investment easily outnumber those expecting to invest more (Table 2.2).

After being the most optimistic sector for the past two quarters, the balance of small hotels & restaurants expecting an increase in turnover during the current quarter has fallen sharply, from +49% to only +3%. However, this was to be expected, as this is a very seasonal sector, for which turnover is usually lower in the winter months. At this time last year the balance fell by almost exactly the same amount, to the point where as many small hoteliers and restaurateurs expected their turnover to fall as expected it to rise. Hotels & restaurants is also the sector where the greatest balance of small firms expect to cut the amount they invest during the current quarter.



Table 2.2: Expected change over quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+42%	+0%	-11%	+53%	19
Manufacturing	+6%	+5%	+14%	+9%	128
Transport, Travel	+13%	-17%	-4%	+13%	23
Construction	+1%	-13%	-4%	+13%	84
Wholesale	+9%	+0%	-2%	-4%	46
Retail	+5%	-2%	-13%	+3%	86
Hotels & Restaurants	+3%	+0%	-15%	+21%	33
Business Services	+10%	+1%	-2%	+3%	209
Personal Services	+15%	-3%	-3%	+24%	59
All (weighted by sector)	+9%	-3%	-3%	+12%	687

Small construction firms are the least likely to expect their turnover to increase during the final quarter of 2003. This is also doubtless partly a seasonal effect as the construction industry usually has a lull in the winter months. However, in this case the balance is lower than the +5% at this time last year.

For the final quarter of 2002, retailers were the most optimistic small firms, with a balance of +25% expecting an increase in sales in the run-up to the Christmas period. This year, however, they are much less positive, with a balance of only +5% expecting an increase in turnover.

Further up the supply chain, wholesalers are, on balance, more optimistic about their sales prospects than in the previous survey and than last year. However, many of those expecting sales to fall also expect to have to cut prices, making this the only sector where more expect to cut than raise prices during the final quarter.

Small manufacturers are considerably less optimistic about the current quarter than they were in the previous survey and than they were at this time last year. However, more hopeful medium-term signs are given by the fact that this is also the sector with the highest balances expecting to increase employment and investment during the current quarter.

Expectations: Comparison Across Size Bands

Table 2.3: Expected change in sales, employment, investment and selling prices by turnover size band

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	+5%	+1%	-7%	+0%	112
£50,000-£99,999	+12%	-3%	-3%	+12%	98
£100,000-£249,999	-2%	-9%	-14%	+8%	133
£250,000-£499,999	+23%	-1%	+0%	+7%	115
£500,000-£999,999	+5%	+2%	+6%	+16%	93
£1m+	+11%	+3%	+13%	+15%	127
All (weighted by sector)	+9%	-3%	-3%	+12%	687

The relationship between firm size and optimism is not as clear as in recent surveys. It has generally been the case that the smallest firms have been the least optimistic, but Tables and Charts 2.3 show that in this survey the mid-sized firms with a turnover between £100,000 and £250,000 are the only ones where more expect to see sales fall than expect to see them rise during the current quarter.

In terms of employment, it is true that those with no employees (just the proprietor or partners) are most likely to expect their turnover to fall, but also that those with 20 or more employees are markedly less optimistic than those with fewer employees.

Table 2.4: Expected change in sales, employment, investment and selling prices by employee size band

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	-13%	-8%	-4%	-1%	84
1-2	+8%	-4%	-8%	+2%	165
3-4	+18%	+0%	-4%	+8%	83
5-9	+12%	-1%	-2%	+13%	143
10-19	+23%	+4%	+5%	+18%	101
20+	+1%	+1%	+6%	+19%	108
All (weighted by sector)	+9%	-3%	-3%	+12%	687



Chart 2.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

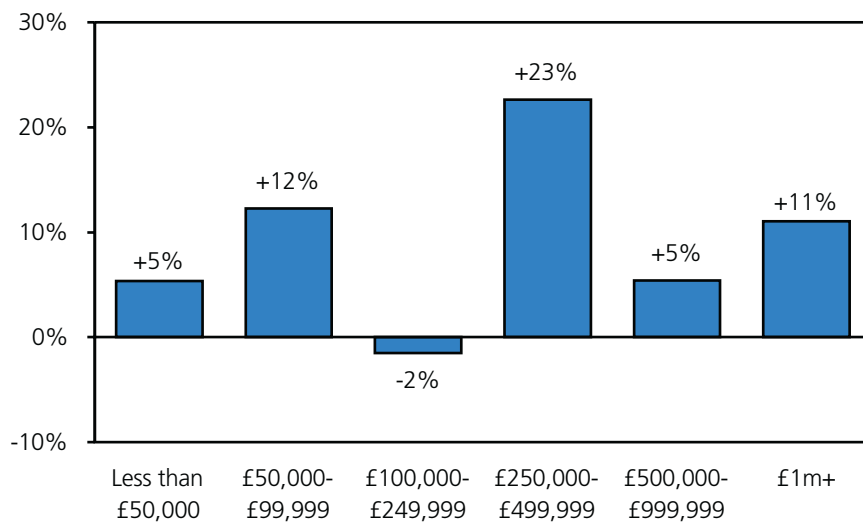
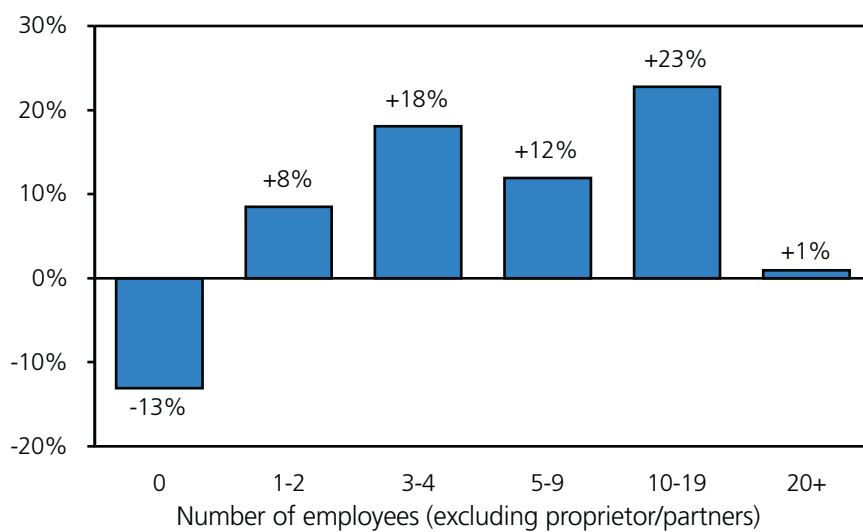


Chart 2.4: Percentage balance of respondents expecting an increase in sales, by employee size band



Expectations: Comparison Across Regions

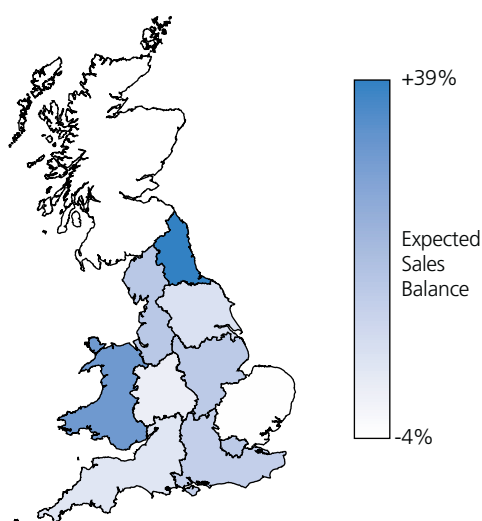
Table 2.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+39%	-9%	+22%	+30%	23
North West	+15%	+7%	+10%	+5%	61
Yorkshire & the Humber	+6%	+2%	+0%	+6%	64
East Midlands	+14%	+5%	-12%	+7%	43
West Midlands	+2%	-5%	-11%	+2%	55
East of England	-3%	-7%	-3%	+11%	91
London	+14%	-5%	+7%	-2%	57
South East	+12%	-1%	-4%	+5%	130
South West	+4%	+0%	-4%	+19%	70
Wales	+31%	-4%	+4%	+8%	26
Scotland	-4%	+0%	-7%	+30%	54

Small firms in the North of England (the North East and North West regions in Table 2.5) are the only ones, on balance, more optimistic about their sales prospects than they were three months ago.

Although few report improvements over the past year, small firms in London and the South East remain reasonably optimistic about their immediate prospects. Those in Scotland and the East of England, however, expect their sales to fall in the final quarter of 2003.

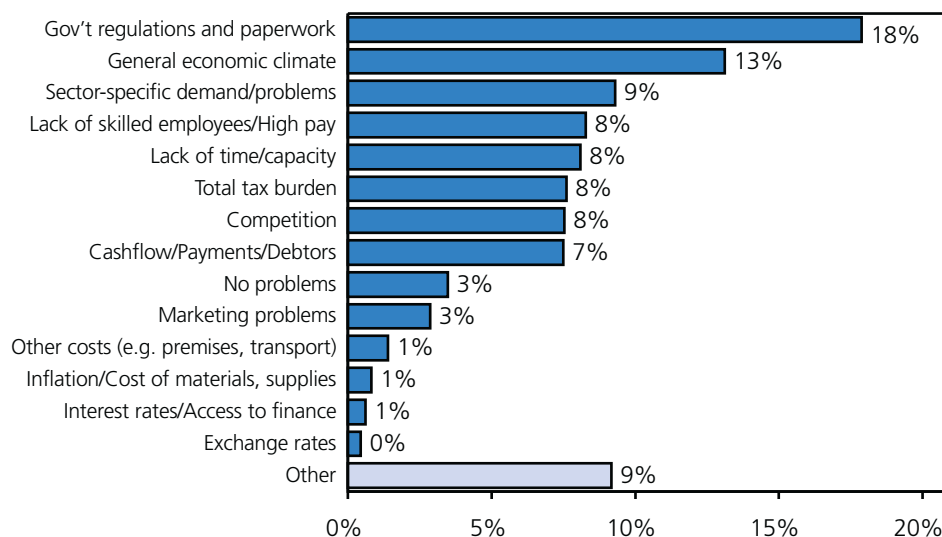
Chart 2.5: Percentage balance for the expected change in sales - by region



Problems

Over the past two surveys the issue of government regulations and paperwork has risen up from third to a clear first place in the ranking of most important problems. The smallest firms, however, more often say that the general economic climate is their biggest problem.

Chart 3.1: Proportion indicating each as the single most important problem facing their business today - weighted by sector



Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Many firms face multiple problems, but we focus in this question on the single most important problem at the time.

Government regulations and paperwork

Chart 3.1 shows that the top-ranked problem is now government regulations and paperwork, dislodging the general economic climate, which had been the biggest

problem for the past year (this survey was carried out before the Chancellor's pre-budget statement in which he identified 147 regulations to be abolished or reformed). Table 3.1 (overleaf) shows that the proportion indicating that government regulations and paperwork is the single most important problem facing their business increased from only 10% six months ago to 15% in the previous survey and 18% now.

In the previous survey regulations and paperwork was already the top-ranked problem for firms with 10 or

Table 3.1: Most important problem, current survey compared with recent quarters

	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4
Gov't regulations and paperwork	15%	14%	10%	15%	18%
General economic climate	16%	20%	21%	18%	13%
Sector-specific demand/problems	7%	8%	8%	9%	9%
Lack of skilled employees/High pay	10%	6%	9%	9%	8%
Lack of time/capacity	9%	8%	9%	10%	8%
Total tax burden	6%	7%	6%	9%	8%
Competition	7%	9%	7%	6%	8%
Cashflow/Payments/Debtors	9%	9%	11%	6%	7%
No problems	2%	2%	2%	2%	3%
Marketing problems	4%	4%	4%	3%	3%
Other costs (e.g. premises, transport)	2%	1%	1%	1%	1%
Inflation/Cost of materials, supplies	1%	0%	1%	1%	1%
Interest rates/Access to finance	1%	1%	1%	1%	1%
Exchange rates	1%	1%	1%	1%	0%
Other	8%	9%	8%	7%	9%

more employees. This time the proportions of these firms citing it as their biggest problem has increased and also those with 5 to 9 employees more often say that it their biggest problem. Table 3.2 shows that this is therefore now the top-ranked problem for firms with 5 or more employees.

As usual, this is a particular problem for agricultural firms and those in construction, though it is now also the top-ranked problem for manufacturers and those in health/education/leisure & other personal services.

Economic climate

Table 3.1 shows that as the proportion of firms reporting that the biggest single problem facing their business is government regulations and paperwork has gone up over the past two surveys, there has been a corresponding fall in the proportion citing the general economic climate as their biggest problem. However, this remains the top-ranked problem for firms in wholesale (26%), retail (17%) and business services (17%).

Table 3.2 shows that when analysed by size of firm, the general economic climate remains the biggest problem for those with fewer than five employees - consistent with findings elsewhere in this survey that these firms

Table 3.2: Most important problem, by employee size band (number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+
General economic climate	17%	19%	20%	12%	7%	10%
Gov't regulations and paperwork	8%	13%	12%	20%	26%	24%
Lack of time/capacity	6%	11%	11%	8%	8%	4%
Total tax burden	11%	8%	11%	6%	5%	6%
Lack of skilled employees/High pay	2%	1%	7%	10%	13%	17%
Sector-specific demand/problems	10%	11%	5%	8%	15%	9%
Cashflow/Payments/Debtors	6%	8%	10%	13%	3%	7%
Competition	10%	5%	8%	10%	5%	7%
Marketing problems	4%	4%	0%	4%	2%	4%
No problems	7%	4%	1%	3%	2%	0%
Other costs (e.g. premises, transport)	4%	1%	1%	1%	0%	1%
Inflation/Cost of materials, supplies	0%	1%	0%	1%	2%	1%
Interest rates/Access to finance	0%	1%	2%	1%	0%	0%
Exchange rates	0%	0%	1%	0%	1%	1%
Other (please specify)	17%	10%	10%	3%	10%	6%
No response	0%	3%	0%	0%	2%	3%
Sample	84	165	83	143	101	108

have been far less successful in increasing sales over the past year than their larger counterparts.

The related sector-specific demand/problems is now the third ranked issue, though the proportion selecting this is only fractionally higher than in the previous survey, when it ranked only sixth. This problem is most often selected by those in the health/education/leisure & other personal services sector, though as this is such a diverse grouping it is not clear exactly what issues are causing the problem.

Other problems

The problem of a lack of time/capacity is given as most important by only 8% of respondents in this survey, dropping it down the rankings from third to fifth place (Table 3.1). There have been no other significant changes in the overall proportions citing each problem.

Although only the sixth-ranked problem overall, the total tax burden is the top-ranked problem for hotels & restaurants, where 21% report that it is the biggest single problem facing their business.

A lack of skilled employees/high pay remains a particular problem for construction firms (18%), even though relatively few expect to be recruiting extra staff this quarter.

ICT and the Internet

Small businesses nearly all now use computers and a majority have a network or expect to implement one soon. Wireless technologies are already common and expected to spread. Most use internet e-mail, though the proportion with a web-site remains below 60% and only 8% have an e-commerce web-site.

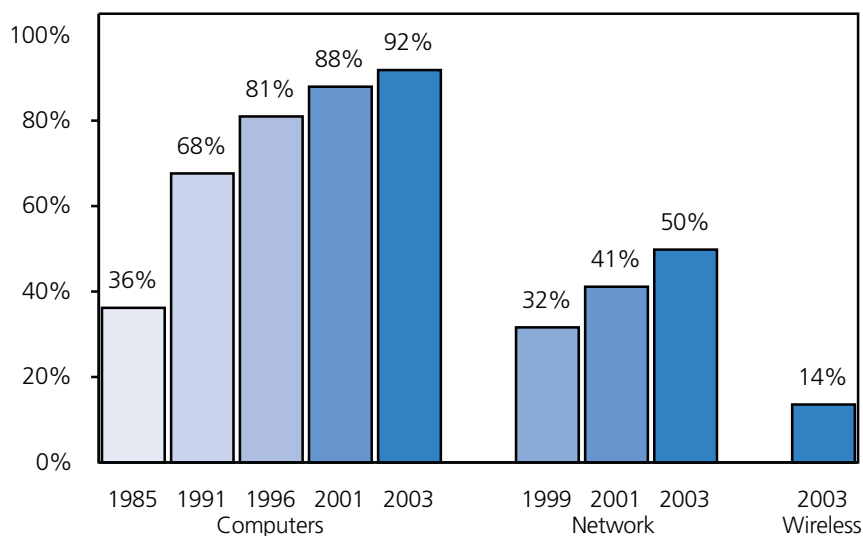
Computer and network usage

Back in 1985, only 36% of Britain's small firms owned or leased a computer¹. Chart 4.1 shows this proportion has risen to the point where now 92% report that they use computers. Chart 4.2 shows that every one of the firms in our survey with ten or more employees now uses at least one computer. Small retailers and firms in agriculture more often than other firms manage without a computer (though even in these sectors more than three-quarters have one).

The proportion with computers has reached virtual saturation point, showing little increase in the past two years and only 2% do not currently have a computer but expect to get one within a year (Table 4.1). However,

the proportion which have more than one computer networked together has shown as much growth in the past two years as it did in the previous two (Chart 4.1) and a further 10% expect to network their computers together within the next year (Table 4.1). Naturally, networks are more important to firms with more employees (Chart 4.2), but even one-fifth of firms where only one person works have more than one computer networked together². Business service firms (including IT consultancies), despite being, on average, the smallest firms taking part in the survey, are more likely (59%) than the average to have a computer network while hotels & restaurants (with the most employees) are much less likely (27%) to have a network. Table 4.1 shows

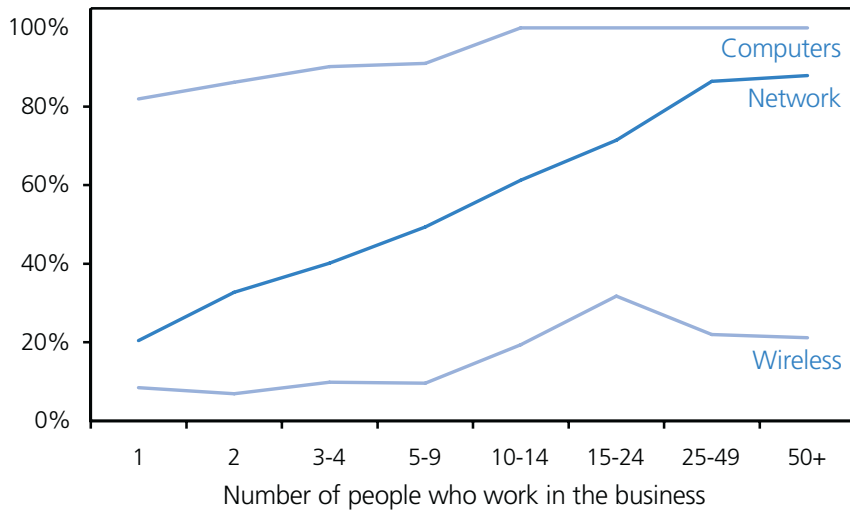
Chart 4.1: Proportion with computers, a computer network or a wireless network/access point, compared with previous surveys



1 NatWest/SBRT Quarterly Survey of Small Business in Britain, Vol 1 No 3.

2 Networks now link not just computer users but also computers with different functions, such as a laptop and desktop, storage or backup device, email, web or print server and so on.

Chart 4.2: Proportion with computers, a computer network or a wireless network/access point, by number who work in business



that the prevalence of computer networks is expected to continue to extend into smaller firms, with two-person firms most likely to expect to network their computers within the coming year.

For the first time, small firms were asked whether they have a wireless network or access point³ and Chart 4.1 shows that, despite concerns over security issues, 14% of small firms say that they already do so. Table 4.1 shows that this proportion is potentially set to double soon, as just as many expect to adopt wireless

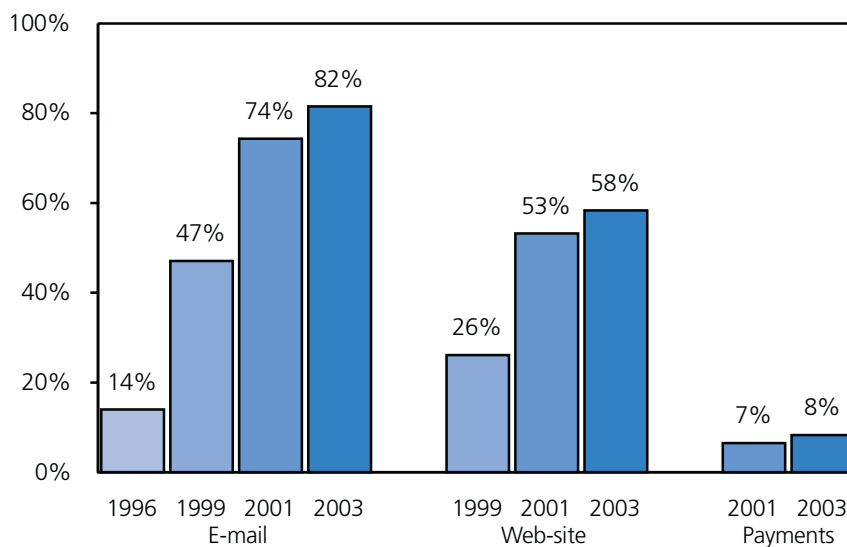
networking technology within the next year. Chart 4.2 shows that in this case, the largest firms taking part in the survey are not the biggest users. This may be partly because the largest firms more often already had wired networks while relatively smaller firms have found wireless a quick, economic and flexible way of setting up a new network. In addition, business service firms, which tend to have few employees but include consultants which are frequent users of laptop computers, most often use wireless networks (22%).

Table 4.1: Proportion which do not yet use each product/service, but expect to do so within a year (by number of people which work in the business)

	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Computers	6%	6%	2%	1%	0%	0%	0%	0%	2%
Network	11%	18%	9%	6%	13%	8%	2%	3%	10%
Wireless network/access point	8%	18%	13%	13%	15%	13%	14%	12%	14%
Internet e-mail	2%	3%	3%	2%	2%	2%	0%	3%	2%
Own web-site	13%	13%	11%	10%	11%	16%	7%	6%	11%
Online payments	6%	10%	11%	10%	11%	11%	12%	27%	11%
Sample	83	116	112	156	62	63	59	33	687

³ Some may not have more than one computer networked together wirelessly, but may have an access point in order to use the Internet, a printer or other resources wirelessly.

Chart 4.3: Proportion using Internet e-mail, with their own business web-site or which allow customers to order and pay on-line, compared with previous surveys



Internet e-mail

Even more striking than the rise in the use of computers themselves has been the explosive growth in the use of Internet e-mail. Chart 4.3 shows that in 1996 only 14% of small firms used Internet e-mail but that this proportion leapt to almost half by 1999 and three-quarters by 2001. This survey shows that saturation point has almost been reached, with the proportion of small business users increasing at a more modest rate, to 82% and only 2% of small firms intending to start using Internet e-mail within the next year (Table 4.1, page 23). Firms in wholesale (93%), manufacturing (91%) and business services (90%) are most likely to use Internet e-mail, those in retail (62%) and agriculture (63%) least likely (though the gap is set to narrow as retail and agriculture are the only two sectors where over 5% expect to start using Internet e-mail within a year). Chart 4.2 shows that the smallest firms taking part in our survey are almost as likely as the largest to use Internet e-mail.

Business web-sites

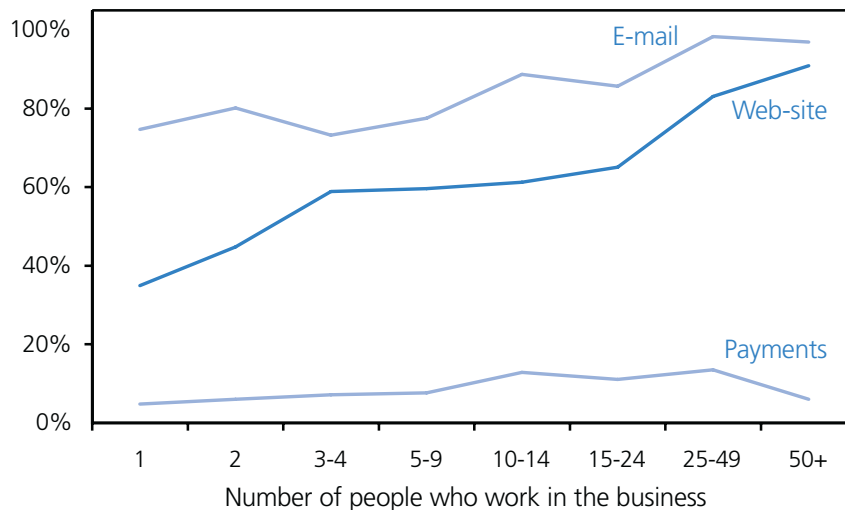
After more than doubling in the two years between 1999 and 2001, the proportion of small firms with their own web-site has increased by only five percentage points in the subsequent two years (Chart 4.3). The increase in firms which allow customers to order and pay for goods and services on-line is even smaller - up only one percentage point to 8%. This is much less growth than respondents to the 2001 survey expected⁴. These findings (which do not appear to be due to differences in the composition of firms in the survey samples) may be only a temporary blip, as 11% report that they intend to establish a web-site within the next year and the same proportion intend to begin to accept on-line orders and payment (Table 4.1). Alternatively, it could be that these intentions will also turn out to be unfulfilled.

Business services firms, although among the most frequent users of computers, networks, wireless technologies and Internet e-mail are only slightly more

⁴ Other intentions expressed (including the 1999 prediction of web-site establishment and both 1999 and 2001 predictions of e-mail usage) have generally been good predictors of actual adoption of these services.



Chart 4.4: Proportion using Internet e-mail, with their own business web-site or which allow customers to order and pay on-line, by number who work in business



likely than average to have their own web-site (59%). Manufacturers (74%), hotels & restaurants (70%) and wholesalers (65%) are most likely to have a web-site, construction firms (40%) least likely. Although only half of the small retailers taking part in our survey have their own web-site, over 20% of these (compared with an average of 14% of all web-sites in the survey) accept on-line orders and payment. Agriculture (because of a few firms which sell specialist produce to final consumers) and transport, travel, storage & communication (due to an express delivery firm and some communication providers) are the other two sectors where over one-fifth of web-sites accept on-line orders and payment. Although many of the hotels & restaurants in this survey have a web-site, most of these are just 'brochure' sites, with less than one in ten allowing on-line booking and payment.

Chart 4.4 shows that the relatively larger firms taking part in the survey remain considerably more likely than the smallest to have their own web-site. The proportion of these web-sites which accept on-line payments is highest for the 10-49 employee size range, but dips for those with over 50 employees (where manufacturers and hotels/restaurants are common and retailers rare).

Table 4.2: Reasons for not allowing on-line payments, (by annual turnover of business)

	Less than £50,000	£50,000 - 99,999	£100,000 - 249,999	£250,000 - 499,999	£500,000 - 999,999	£1m+	All
High set-up costs of payment system	23%	17%	12%	10%	5%	6%	11%
High running (including transaction) costs	18%	17%	8%	7%	0%	2%	7%
Lack of appropriate skills	15%	5%	3%	8%	5%	11%	8%
Concerns over security/trust	8%	10%	12%	10%	5%	9%	9%
Not suitable for type of business/customers	64%	62%	60%	68%	65%	72%	66%
Other	5%	7%	8%	7%	7%	8%	7%
Sample (with web-site, no online payments)	39	42	60	59	57	88	346

Payment methods

Over 90% of those respondents whose business does accept on-line orders and payment (and know which payment methods they use) report that they accept credit/debit cards⁵. Almost two-thirds of these have their own e-commerce merchant account with a bank. The remainder use a service bureau to process their credit/debit card transactions, paying an extra transaction fee. Although the relatively small number of firms which accept on-line payments makes it difficult to generalise, it does appear (unsurprisingly), that the larger firms are somewhat more likely to have gone through the procedure of getting their own merchant account rather than relying on a service bureau.

12% of the small businesses which accept on-line payments report that they accept payment through 'wallet systems', where customers with, for example, PayPal, NoChex or FastPay accounts credit their account and then use this to pay on-line. Half of these accepted the wallet system in addition to credit/debit cards, though the remainder (all very small firms, with 3 employees or fewer) used only wallet systems, which can be used to send payments via email without needing a secure web-server.

Reasons for not accepting on-line payments

Table 4.2 shows that two-thirds of the small businesses which have a web-site and yet do not accept on-line orders and payments say that this is simply because on-line payment methods are not suitable for their type of business or customers⁶. This is often because they offer bespoke goods and services without a standard price, or because they sell to other businesses and invoice for large sums of money, or according to pre-existing payment arrangements.

Only 13% report that high set-up or running costs (or both) have dissuaded them from allowing on-line payments. Table 4.2 shows that the smallest firms (in terms of turnover) are most likely to cite these reasons.

Despite widespread publicity over recent years about the security of on-line payment systems, fewer than one in ten of these small businesses report concerns over security/trust are why they have not started to allow on-line payments (though this is, of course, a higher proportion of firms for which on-line payments might be suitable).

8% of businesses say that a lack of appropriate skills has prevented them from implementing on-line payment systems, and this seems to be almost as much of an issue for the largest firms in our survey as the smallest. In addition, a number of firms giving 'other' reasons said that a lack of time is the main reason they have not introduced an on-line payment system, or that they had not yet even considered it

5 11% of those which accept on-line payments did not answer this question - if all of these accept credit/debit cards but do not know whether or not they have an e-commerce merchant account this would raise the proportion just slightly, to 91%.

6 This includes 24% of respondents which indicated 'other' but gave an answer which appeared to fit within the 'not suitable' category.



Table 4.2: "When was your web-site last updated/modified", only those with a web-site, by whether web-site allows customers to order and pay for goods and services on-line.

	Yes	No, but will within a year	No	All	Cumulative (excluding no response)
Within past day	22%	2%	3%	5%	5%
Within past week	24%	11%	14%	15%	20%
Within past month	27%	28%	17%	20%	40%
Within past 3 months	9%	18%	17%	16%	57%
Within past year	13%	25%	21%	20%	78%
More than one year ago	4%	15%	27%	22%	100%
No response	2%	2%	1%	1%	
Sample (respondents with a web-site)	55	61	283	401	

Web-site updates

20% of businesses with web-sites report that they were updated within the past week, though 22% say that it was more than a year since their site was last updated (Table 4.2). Since small businesses were last asked⁷, in 2001, there has been some polarisation in web-site updates as the equivalent figures then were only 16% updated within the past week and only 13% which had not been updated for a year.

Table 4.2 shows that web-sites which accept on-line orders and payments are updated far more frequently - 22% within the past day and 46% within the past week.

Internet connections

Only just over half of small businesses now connect to the Internet with a dial-up modem⁸ (Table 4.3).

Broadband ADSL or similar connections have increased sharply from only 3% in 2001 to one-third now (not only at the expense of dial-up connections, but also ISDN, which is down from 27% to 18% of small businesses). In London, ADSL is the most common connection, with 58% of small businesses using it.

Now that the ADSL roll-out has finally gathered pace far more small businesses use it than the competing cable modem technologies, though availability of these is restricted to certain geographical areas. WAP and other mobile connections still seem not to have caught on.

Table 4.3: Proportion using each type of connection to the Internet (by number of people which work in the business)

	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
WAP or other mobile	9%	3%	7%	2%	5%	2%	5%	13%	5%
Fixed-line telephone dial-up (modem)	58%	61%	65%	52%	61%	43%	47%	34%	54%
Broadband cable modem (NTL/Telewest)	13%	3%	5%	4%	3%	14%	12%	22%	8%
Broadband ADSL or similar	30%	26%	31%	31%	31%	45%	31%	53%	33%
ISDN	6%	11%	10%	24%	19%	21%	24%	34%	18%
Leased Line	3%	1%	1%	1%	2%	5%	3%	9%	2%
Don't know	4%	5%	4%	1%	0%	5%	5%	3%	3%
Other	0%	1%	0%	0%	2%	0%	2%	3%	1%
Sample (respondents with a connection)	67	97	91	127	59	58	58	32	592

⁷ NatWest/SBRT Quarterly Survey of Small Business in Britain, Vol 17 No 3, 2001.

⁸ When similar questions were asked in the 2001 survey there was evidence that some respondents had confused the option of 'cable modem' with a dial-up modem and so comparisons are difficult, though it seems likely that well over two-thirds then connected to the Internet using a dial-up modem.

Conclusions

Over the past 18 years computer usage among small firms has gone from being relatively unusual, and confined to the relatively larger businesses, to being almost universal. Internet e-mail usage has grown even more rapidly and again is not far from saturation point. Much growth is now expected in local area networks and especially wireless networking, which is already used by 14% of small firms, a proportion set to double within the next year. Although there are concerns about the security of wireless networks, the fact that cabling does not need to be laid, that equipment can be mobile and that the cost of the technology has fallen dramatically makes them very appealing to small business.

The 2001 survey on this topic⁹ noted the low penetration of broadband ADSL connections within small businesses. Since then such services have become available in far more areas and some competition has been introduced into the market. This survey shows that there has been a resultant ten-fold increase in the use of broadband. In London, more small businesses now use broadband than a dial-up connection to the Internet.

A less clear-cut picture emerges regarding business web-sites and especially e-commerce. The proportion with a site is now only five percentage points higher than in the 2001 survey and the proportion which accept on-line orders and payments is up by only a single percentage point. This is much less growth than was expected in the 2001 survey. However, 11% of respondents now report that they intend to establish a web-site within the next year and the same proportion that they expect to start accepting on-line orders and payment. It remains to be seen whether these aspirations are fulfilled. Some clues as to why the growth predicted in the 2001 survey was not achieved may be found in the number of respondents reporting that they have not found the time to establish an e-commerce web-site and also in the increased proportion (from 13% to 22%) which have not updated their web-site within the past year - some firms may have found their web-site adds little to their business and indeed others may have allowed their site to lapse.

Although some businesses now depend on e-commerce clearly many feel that, often because of the nature of their products and services but also sometimes because of the types of payment they receive, they are not able to join this revolution. This may well continue to be the case, or it could be that a new service may emerge, such as a standard payment system more suited to business-to-business transactions than the credit/debit card system which currently dominates small business e-commerce.

9 NatWest/SBRT Quarterly Survey of Small Business in Britain, Vol 17 No 3, 2001.

The survey reports in each issue on changes in sales, employment, investment and prices and on the ranking of most important problems experienced by small firms. The percentage balances for sales, employment,

investment and prices are shown in Appendix Table A.1. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain¹.

The following topics have been examined to date:

(note, the results from two surveys were published in Volume 1 Number 1)

Special Topics

Year	Volume	Number	Survey Number	Topic
1985	Vol. 1	No 1	1 & 2	Some Characteristics of the Respondents
		No 2	3	Changes in Employment, New Business
		No 3	4	Part-time Employees, Computers in Small Firms
		No 4	5	Employment
1986	Vol. 2	No 1	6	Finance, Membership of Representative Bodies
		No 2	7	Exports, The Business Expansion Scheme
		No 3	8	Employment, Skill Shortage
		No 4	9	Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors
1987	Vol. 3	No 1	10	Domestic versus Business Telephone Usage, Employment
		No 2	11	Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents
		No 3	12	Employment, Slow Payment Problems
		No 4	13	Use of Accountants
1988	Vol. 4	No 1	14	Use of Solicitors
		No 2	15	Training background of managers and arrangements for staff training
		No 3	16	Access to external information
		No 4	17	Present and future use of Telecommunications products and services, Characteristics of Respondents
1989	Vol. 5	No 1	18	Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey
		No 2	19	The effects of 1992 on small firms
		No 3	20	Intergenerational and previous business background of respondents
		No 4	21	Origins of new employees
1990	Vol. 6	No 1	22	European Community Special Directorate DG23
		No 2	23	Motivation and Objectives of respondents for setting up their own business
		No 3	24	School-leaver Training
		No 4	25	School-leaver Training Problems
1991	Vol. 7	No 1	26	Training and Enterprise Councils
		No 2	27	Use of Computers
		No 3	28	Business Growth Objectives, Gender of Owner
		No 4	29	Sources of Small Business Finance

¹ The reports of the surveys were published as the NatWest/SBRT Quarterly Survey of Small Business in Britain until Vol 18 No 4.

Year	Volume	Number	Survey Number	Topic
1992	Vol. 8	No 1	30	Co-operatives
		No 2	31	Exports
		No 3	32	Quality Standards (BS 5750)
		No 4	33	Impact of the Recession on Incomes and Prices
1993	Vol. 9	No 1	34	Business Premises and the UBR
		No 2	35	Rented Business Premises
		No 3	36	Delayed Payments
		No 4	37	External Sources of Information
1994	Vol. 10	No 1	38	The Single Market
		No 2	39	Pensions
		No 3	40	The Past Ten Years
		No 4	41	Minimum Wage
1995	Vol. 11	No 1	42	Capacity Utilisation
		No 2	43	Succession and Ownership
		No 3	44	Staff Recruitment
		No 4	45	Employee Turnover and Training
1996	Vol. 12	No 1	46	Compliance Costs
		No 2	47	IT - Communications and Computers
		No 3	48	Business Support Organisations
		No 4	49	Motivations, Objectives and Targets
1997	Vol. 13	No 1	50	50th Survey (employment change, hours worked, satisfaction)
		No 2	51	Incomes and Prices
		No 3	52	Minimum Wage
		No 4	53	Slow Payment
1998	Vol. 14	No 1	54	VAT Compliance Costs
		No 2	55	Low Turnover, Advertising and Promotion
		No 3	56	Lack of Skills, Training and the 'New Deal'
		No 4	57	The euro
1999	Vol. 15	No 1	58	IT, Communications and Year 2000
		No 2	59	Business Finance
		No 3	60	Government Regulations and Paperwork
		No 4	61	Motivations, Objectives and Targets
2000	Vol. 16	No 1	62	Changes
		No 2	63	Slow Payment
		No 3	64	Government Regulations and Paperwork
		No 4	65	Skills Shortages and Training
2001	Vol. 17	No 1	66	Employee Turnover and Retirement
		No 2	67	Exports and the Euro
		No 3	68	IT and the Internet
		No 4	69	Business Climate
2002	Vol. 18	No 1	70	Sources of Business Information
		No 2	71	Business Networks and Supply Chains
		No 3	72	Ownership and Intentions
		No 4	73	Pensions and Stockmarket Slide
2003		No 1		Minimum Wage and Cost Pressures
		No 2		Government Regulations and Paperwork
		No 3		Business Finance
		No 4		ICT and the Internet

Performance Tables

Table A.1: Actual and expected changes, percentage balance

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter					
			Sales		Investment		Sales		Employment		Investment Prices	
			Employment	Prices	U	S	U	S	U	U		
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+23.1%	+3.3%	+5.2%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+17.7%	+0.9%	+3.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.4%	+9.5%	+7.1%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+28.8%	+5.3%	+2.8%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+28.1%	+5.3%	+7.2%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+18.0%	+5.3%	+8.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+23.6%	+5.6%	+3.2%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+27.0%	+11.9%	+9.4%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+24.2%	+6.0%	+7.9%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+25.2%	+4.6%	+7.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+32.2%	+15.1%	+12.7%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+34.2%	+13.2%	+10.7%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+30.7%	+10.0%	+11.9%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+39.6%	+10.5%	+13.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+39.2%	+15.3%	+12.9%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+45.3%	+19.1%	+16.6%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+36.3%	+13.3%	+15.2%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+33.8%	+5.7%	+8.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+11.1%	+5.6%	+3.2%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+28.2%	+10.4%	+7.9%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+22.1%	+7.4%	+9.3%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+18.8%	+0.9%	+3.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+17.0%	+3.5%	+1.1%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+12.1%	+0.9%	-1.7%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	+5.5%	-4.1%	-2.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-7.8%	-14.4%	-11.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	+4.9%	-7.6%	-10.0%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-7.8%	-11.5%	-14.1%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	+0.9%	-17.5%	-15.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-1.2%	-16.9%	-13.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	+12.0%	-5.5%	-7.9%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	+1.6%	-5.9%	-8.4%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-4.3%	-17.7%	-15.8%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	+4.3%	-10.7%	-7.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+16.0%	+0.7%	-1.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+16.4%	+4.3%	+1.7%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	+16.6%	-3.4%	-1.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	+23.4%	-0.2%	+2.8%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	+15.5%	-1.1%	-3.5%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+15.8%	+1.6%	-0.9%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	+16.5%	-0.2%	+1.7%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+25.4%	+3.7%	+6.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+20.3%	+5.7%	+3.4%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+15.9%	+4.3%	+1.8%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	+15.9%	-1.9%	+0.1%	-2.1%	-

continued ...

Table A.1: Actual and expected changes, percentage balance (continued)

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter					
			Sales	Investment	Prices		Sales		Employment		Investment Prices	
			Employment				U	S	U	S	U	U
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	+10.8%	-6.7%	-3.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+13.3%	+1.9%	-0.5%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+13.4%	+3.3%	+0.8%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+26.2%	+5.1%	+7.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+25.6%	+4.8%	+7.7%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+20.3%	+8.6%	+6.3%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+19.5%	+7.3%	+4.7%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+26.0%	+3.9%	+5.8%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	+21.0%	-0.7%	+2.3%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+13.8%	+3.9%	+1.5%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+7.6%	+5.6%	+3.1%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	+4.9%	-2.9%	-1.0%	-8.0%	+0.5%
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	+3.2%	-2.9%	+0.1%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+13.3%	+4.4%	+2.0%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+4.2%	+0.1%	-2.4%	-5.0%	+4.8%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	+13.3%	-0.7%	+1.3%	+0.1%	+5.8%
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	+14.6%	-2.5%	+0.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+15.1%	+5.4%	+3.0%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+9.0%	+3.0%	+0.5%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	+8.2%	-2.7%	-0.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+11.9%	+0.5%	+3.4%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+4.6%	+1.7%	-0.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+6.8%	+1.2%	-1.3%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	+5.6%	-2.9%	-0.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	+5.9%	-2.0%	+1.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+12.6%	+5.8%	+3.4%	+2.3%	+11.9%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%	+1.4%	+13.1%	+31.0%	-	+8.1%	-	+4.2%	+14.3%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%	+7.0%	+22.6%	+24.5%	-	+10.7%	-	+5.9%	+15.2%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%	+0.1%	+16.8%	+13.7%	-	-1.2%	-	-4.0%	+7.9%
2003 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-	-6.2%	-	-10.9%	+11.4%
2003 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	-	+2.4%	-	-3.9%	+11.3%
2003 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	-	+6.5%	-	+0.6%	+10.9%
2003 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-	-2.7%	-	-3.4%	+12.3%

Notes: Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have also constructed seasonally-adjusted figures for these balances. These are listed in Appendix Table A.1 above. The breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.

a, b – The results from two surveys were published in Vol. 1 No. 1

A – From Vol. 5 No. 1, results were weighted to the sectoral distribution according to VAT statistics.

B – From Vol. 11 No. 1, results are weighted to the sectoral distribution of employment in firms with under 50 employees according to DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted

Quarterly Survey 2003Q4

Survey Section, c/o Bannock Consulting, Freepost WD549, Chorley, Lancashire PR6 7ZZ

CONFIDENTIAL

Please circle the appropriate letters or fill in the blanks. Your answers will remain confidential.

- 1** Please indicate your firm's annual turnover (excluding VAT):
- | | | | |
|----------------------|----------------------|----------------------|--------------|
| 1. Less than £25,000 | 4. £100,000-£149,999 | 7. £350,000-£499,999 | 10. £1m-£3m |
| 2. £25,000-£49,999 | 5. £150,000-£249,999 | 8. £500,000-£749,999 | 11. over £3m |
| 3. £50,000-£99,999 | 6. £250,000-£349,999 | 9. £750,000-£999,999 | |
- 2a** Employment: How many people (including yourself) work in the business? _____
- 2b** If your business is not a limited company, how many of these people are self-employed proprietors or partners? _____
- 3** How many years has your present business been trading? _____
- 4a** Please classify your business activity by circling one of these categories:
- | | | |
|--|-----------------------------------|--|
| 1. Agriculture, Forestry, Fisheries | 4. Construction | 7. Hotels & Restaurants |
| 2. Manufacturing (incl. Publishing/Printing) | 5. Wholesale | 8. Business Services/Real Estate/Finance/Renting |
| 3. Transport, Travel, Storage, Communication | 6. Retail, Repair household goods | 9. Health/Education/Leisure/Personal Services |
- 4b** Please also describe in a few words the precise nature of your business: _____
-
- 5** Does your business use any computers? 1. YES 2. NO, but will within a year 3. NO
- 6** Does your business have more than one computer networked together? 1. YES 2. NO, but will within a year 3. NO
- 7** Does your business have a wireless network or access point? 1. YES 2. NO, but will within a year 3. NO
- 8** Does your business use Internet e-mail? 1. YES 2. NO, but will within a year 3. NO
- 9** Does your business have its own web-site? 1. YES 2. NO, but will within a year 3. NO
- 10** When was your web-site last updated/modified?
- | | | | | | |
|--------------------|---------------------|----------------------|-------------------------|---------------------|---------------------------|
| 1. Within past day | 2. Within past week | 3. Within past month | 4. Within past 3 months | 5. Within past year | 6. More than one year ago |
|--------------------|---------------------|----------------------|-------------------------|---------------------|---------------------------|
- 11a** Does your web-site allow customers to order and pay for your goods and services on-line? 1. YES 2. NO, but will within a year 3. NO
- 11b** If YES to 11a (i.e. you DO allow on-line payments), which of the following methods do you use (circle all those which apply)?
- | | |
|--|---------------------------|
| 1. Credit/debit cards - you have your own e-commerce merchant account with a bank | 4. Other (please specify) |
| 2. Credit/debit cards - no e-commerce merchant account with a bank, use service bureau | |
| 3. Wallet system (e.g. customers with PayPal, NoChex or FastPay accounts) | _____ |
- 11c** If NO to 11a (i.e. you DO NOT allow on-line payments), why is this (circle all those which apply)?
- | | | |
|---|--|---------------------------|
| 1. High set-up costs of payment system | 4. Concerns over security/trust | 6. Other (please specify) |
| 2. High running (including transaction) costs | 5. Current on-line payment methods not suitable for our type of business/customers | _____ |
| 3. Lack of appropriate skills | | |
- 12** Which of the following types of connection to the Internet does your business use (circle all those which apply)?
- | | | |
|---|------------------------------|---------------------------|
| 1. WAP or other mobile | 4. Broadband ADSL or similar | 7. Don't know |
| 2. Fixed-line telephone dial-up (modem) | 5. ISDN | 8. Other (please specify) |
| 3. Broadband cable modem (NTL/Telewest) | 6. Leased line | _____ |

- 13** How did your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compare with the same period in 2002? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	July, August, September 2003 compared with the same period 2002			October, November, December 2003 compared with July, August, September 2003		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

- 14** Which of the following is the SINGLE most important problem facing your business today? (Please circle ONE ONLY - we appreciate that every firm faces many problems, but we wish to focus on your current single MOST important problem)
- | | | | |
|------------------------------------|---|--|----------------------------|
| 1. General economic climate | 5. Interest rates/Access to finance | 9. Cashflow/Payments/Debtors | 13. Lack of time/capacity |
| 2. Sector-specific demand/problems | 6. Inflation/Cost of materials, supplies | 10. Gov't regulations and paperwork | 14. No problems |
| 3. Competition | 7. Other costs (e.g. premises, transport) | 11. Lack of skilled employees/High pay | 15. Other (please specify) |
| 4. Marketing problems | 8. Exchange rates | 12. Total tax burden | _____ |
- 15** Please indicate the sex of the owner(s) of the business:
- | | | |
|---------|-----------|--------------------------------|
| 1. Male | 2. Female | 3. Joint Male/Female ownership |
|---------|-----------|--------------------------------|

Thank you for completing this confidential survey questionnaire.
Please return it in the envelope provided by 24th November 2003.
 Please note that this is a FREEPOST address (no stamp required).