

# NatWest SBRT Quarterly Survey of Small Business in Britain



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Researched and Published  
by The Small Business  
Research Trust





## Acknowledgements

The Small Business Research Trust thanks all responding firms for their time and effort in completing the questionnaire for this survey. In addition to the regular members of the SBRT Volunteer database, this includes members of the Federation of Small Businesses and Open University Small Business Customers. **The SBRT would welcome additions to the sample from other businesses and organisations.**

**This survey (the 58th in the series) was mailed out on 11th January 1999 to 1,334 small firms. By the cut-off date of 12th February, 601 completed questionnaires had been received.** It should be noted that the SBRT survey is not a panel, nor is it fully random among the total membership of the bodies listed above.

The Small Business Research Trust acknowledges the help provided by Bannock Consulting in designing the survey, processing data and analysing the results. The SBRT is also 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 report a small improvement in their sales over the past year. However, expectations for the first quarter of 1999 are down. Manufacturers and retailers are expecting the worst fall in sales since this survey began, in late 1984. There has been a tremendous growth in the use of the internet by small firms over the past few years and this looks set to continue. The majority of firms believe that their computer systems are ready to cope with the millennium bug.*

- The headline balance of small firms reporting an **increase in sales** over the past year has risen from -2.9 per cent to +5.7 per cent, the first increase in over a year.
- **Employment** in Britain's small firms was, on balance, unchanged over the past year, helping to keep unemployment down, contrary to expectations.
- **Manufacturing** continues to suffer, with employment within this sector down markedly.
- Small manufacturing firms also **cut prices** at the end of 1998, contributing to the first monthly fall in factory gate prices since records began.
- Despite the positive news on sales over the past year, small firms believe that this improvement may be **short-lived**.
- The seasonally adjusted balance of firms **expecting to increase sales** during the first quarter of 1999 is down from +4.5 per cent to +2.6 per cent, the lowest since late 1992.
- **Manufacturing** firms and **retailers** are more pessimistic now than at any time since the survey began, including during the depths of the last recession.
- **Low turnover** remains the most important problem for small businesses - especially the **smallest**.
- **Government regulations and paperwork** has jumped up from seventh to second place in the ranking of problems. The self-assessment tax form deadline probably played a part in this, but the minimum wage and other regulations are also causing concern.
- Recent cuts in **interest rates** mean that this issue has dropped from sixth to tenth place in the ranking of most important problems.
- Penetration of basic **telecommunication** products such as fax and answering machines among small firms has risen dramatically over the past decade, but now appears to be reaching **saturation point**.
- **Mobile telephone** usage has shown strong growth, but a use for **paggers** is still found in many small businesses. **Videoconferencing** still has to take off.
- The use of **internet e-mail** has risen dramatically, from only 14.0 per cent in 1996 to 47.1 per cent of respondents now.
- Over one-quarter (26.1 per cent) of respondents have their own **web-pages** and a further 18.1 per cent intend to have them within the year.
- Fewer than one in ten small business computer users have not taken any action to ensure **Year 2000** compliance of their computer systems and almost three-quarters believe that their systems are **ready** to cope with the millennium changeover.



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# Survey Details

*Respondents were asked to indicate whether their sales turnover, average employment, investment and selling prices were up, down or the same in the quarter just ended (October, November, December 1998) compared with the same quarter a year earlier, and also to indicate what they expect for the next quarter (January, February, March 1999) compared with the final quarter of 1998. The first of the responses to the two sets of questions is shown in Table 1.1 as the “Actual Change on Year” and the second as “Expected Change on Previous Quarter”.*

Following the well-established practice of the CBI in its **Industrial Trends Survey**, a summary statistic, the **balance**, is used to monitor these changes, although the full results are also shown in the tables. The balance is the percentage of respondents replying ‘up’ minus the percentage replying ‘down’ (we ignore, for this purpose, the percentage replying ‘same’). Appendix Table A.1 gives the percentage balances for both actual and expected changes since this survey began in the third quarter of 1984.

From 1989 the results of questions on performance, expectations and problems were split by industrial sector and re-weighted according to the sectoral distribution of all VAT registered businesses. In this survey, we have changed the weighting method to use instead the more appropriate DTI estimates of total employment by firms with fewer than 50 employees. Figures from 1995 onwards (the first year for which the DTI figures are available) have been re-weighted on the new basis. Many figures in this report therefore differ slightly from those published in previous reports. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain. 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

*A modest improvement in sales over the past year was reported by Britain's small firms, with the sales balance rising after four successive falls. Employment has, on balance, been maintained by these firms over the past year, though there are pronounced sectoral differences.*

## Sales turnover experience

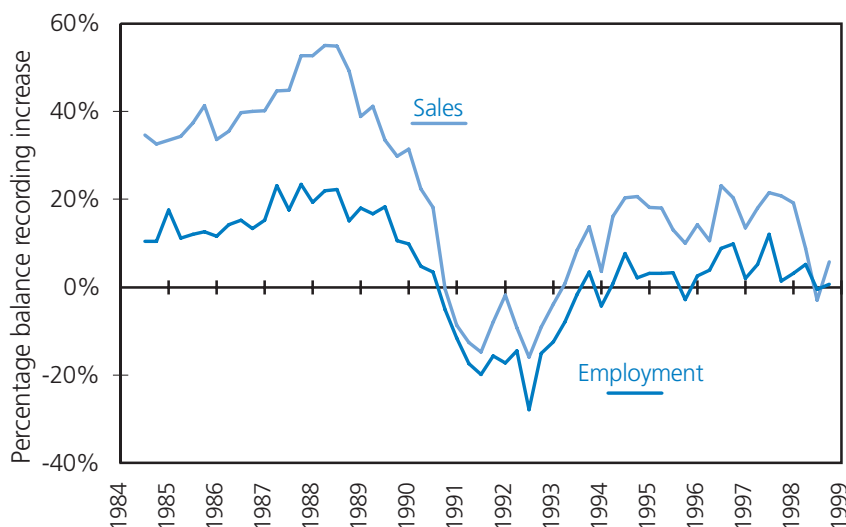
There are signs that the cuts in UK interest rates, which began in October last year, have had some effect in improving the lot of Britain's small firms. After falling for four surveys in a row, the balance of firms which report an increase in their sales over the past year has risen. While 42.1 per cent of firms report higher sales turnover in the final quarter of 1998 than one year earlier, 36.3 per cent report that their sales were down. This gives a balance of firms reporting an increase of +5.7 per cent (see Table 1.1 on page 7).

Although not too much should be read into the results of a single survey, the balance is markedly better than the -2.9

per cent last time. As shown by Chart 1.1 below (and Appendix Table A.1 on page 25), the balance had fallen precipitously from its peak of +21.5 per cent in the third quarter of 1997. It now appears that this fall in sales has been broken well before plumbing the depths which it reached in 1991, during the last recession.

The result is reasonably consistent with official figures for the economy as a whole. Although GDP growth in the final quarter of 1998 was only 0.2 per cent (the lowest for six and a half years), this is better than the halt to growth which many commentators had expected. However, growth for earlier in 1998 has been revised downwards.

Chart 1.1: Percentage balance for the actual change in sales and employment on year



### Employment experience

Although there was a marked slowing of economic growth during 1998, employment has been remarkably resilient. Official figures show that UK employment reached a record high in the final quarter of 1998. The number of people out of work and claiming benefit in January 1999 was the lowest since June 1980, confounding expectations of an increase.

Table 1.1 shows that Britain's small firms are playing their part in maintaining employment. In the previous report it was noted that the employment balance had not fallen as sharply as the sales balance. Although the balance was then just negative (-0.5 per cent) it was, for the first time since the survey began in 1984, above the level of the sales balance. In this survey, the proportion of firms which increased employment over the past year has risen to 19.1 per cent. This exceeds the 18.5 per cent which cut employment, giving a balance of +0.6 per cent.

However, the news on employment is far from positive in all sectors. 1998 has been a particularly bad year for employment in small manufacturing firms due, at least in part, to the continued strength of the pound. Almost one-third (33.1 per cent) of manufacturers taking part in the survey said that employment in their firms was lower in the final quarter of 1998 than in the final quarter of 1997. The employment balance for manufacturers, -20.7 per cent, has been lower only once before, in the survey carried out in October 1992, in the aftermath of the pound's departure from the Exchange Rate Mechanism.

### Investment experience

Despite the rise in the proportion of firms which increased sales over the year, the proportion of firms which increased investment is down, for the third successive survey, to 22.6 per cent. The proportion which cut investment is unchanged, at 20.1 per cent, giving a balance of +2.5 per cent (Table 1.1). This fall was not entirely unexpected, as in the previous survey the balance of firms expecting to increase investment had become negative for the first time in over two years.

Although firms may have some excess capacity, it is clearly a matter of some concern when many of the firms which are increasing sales are not increasing investment in plant, premises and equipment. They may well not be in a position to take advantage of any future improvement in the economic climate.

### Actual selling prices

The proportion of Britain's small firms reporting that their average selling prices increased between the final quarter of 1997 and the final quarter of 1998 fell by three percentage points, from 25.8 to 22.8 per cent. However, the proportion cutting prices also fell, from 16.3 to 14.3 per cent, meaning that the balance of firms increasing prices was down by little more than one percentage point, at +8.4 per cent (Table 1.1).

This is only the second time that this question has been asked and so it is difficult to benchmark the results against actual experience. However, the fact that the balance is down suggests that Britain's small firms are doing little to encourage inflation, the underlying rate of which remains close to the Bank of England's target of 2.5 per cent.

More small manufacturing firms taking part in this survey cut prices between the final quarter of 1997 and the final quarter of 1998 than increased them (a balance of -3.3 per cent). This contributed to the fall in the official measure of overall factory gate prices in the year to December 1998, the first since records began in 1958.





Table 1.1: Change and expected change in sales, employment and investment

|             | Actual Change<br>on Year |                        |                        |                        | Expected Change<br>on Previous Quarter |        |        |        |
|-------------|--------------------------|------------------------|------------------------|------------------------|--|--------|--------|--------|
|             | 1998/1<br>on<br>1997/1   | 1998/2<br>on<br>1997/2 | 1998/3<br>on<br>1997/3 | 1998/4<br>on<br>1997/4 | 1998/2                                 | 1998/3 | 1998/4 | 1999/1 |
|             | 55                       | 56                     | 57                     | 58                     | 55                                     | 56     | 57     | 58     |
|             | SALES                    |                        |                        |                        | SALES                                  |        |        |        |
| Up          | 48.2%                    | 42.5%                  | 38.2%                  | 42.1%                  | 42.4%                                  | 35.8%  | 34.2%  | 29.0%  |
| Down        | 29.1%                    | 33.7%                  | 41.1%                  | 36.3%                  | 21.5%                                  | 25.8%  | 31.4%  | 34.9%  |
| Same        | 22.0%                    | 23.3%                  | 19.4%                  | 21.0%                  | 35.0%                                  | 37.3%  | 31.8%  | 33.6%  |
| No Response | 0.7%                     | 0.5%                   | 1.4%                   | 0.6%                   | 1.1%                                   | 1.1%   | 2.6%   | 2.5%   |
| Total       | 100.0%                   | 100.0%                 | 100.0%                 | 100.0%                 | 100.0%                                 | 100.0% | 100.0% | 100.0% |
| Balance     | +19.1%                   | +8.8%                  | -2.9%                  | +5.7%                  | +20.9%                                 | +10.0% | +2.8%  | -5.9%  |
|             | EMPLOYMENT               |                        |                        |                        | EMPLOYMENT                             |        |        |        |
| Up          | 20.5%                    | 21.5%                  | 16.9%                  | 19.1%                  | 14.5%                                  | 14.9%  | 9.2%   | 11.0%  |
| Down        | 17.4%                    | 16.4%                  | 17.4%                  | 18.5%                  | 10.7%                                  | 9.3%   | 12.2%  | 14.4%  |
| Same        | 59.5%                    | 59.5%                  | 61.2%                  | 60.1%                  | 71.7%                                  | 72.6%  | 72.9%  | 70.6%  |
| No Response | 2.7%                     | 2.6%                   | 4.6%                   | 2.2%                   | 3.2%                                   | 3.3%   | 5.7%   | 4.1%   |
| Total       | 100.0%                   | 100.0%                 | 100.0%                 | 100.0%                 | 100.0%                                 | 100.0% | 100.0% | 100.0% |
| Balance     | +3.1%                    | +5.2%                  | -0.5%                  | +0.6%                  | +3.8%                                  | +5.5%  | -3.0%  | -3.4%  |
|             | INVESTMENT               |                        |                        |                        | INVESTMENT                             |        |        |        |
| Up          | 28.5%                    | 24.4%                  | 24.2%                  | 22.6%                  | 19.9%                                  | 19.3%  | 14.1%  | 16.2%  |
| Down        | 16.2%                    | 19.9%                  | 20.1%                  | 20.1%                  | 17.9%                                  | 17.7%  | 22.4%  | 22.3%  |
| Same        | 52.1%                    | 52.5%                  | 51.1%                  | 52.9%                  | 58.6%                                  | 59.6%  | 57.9%  | 55.4%  |
| No Response | 3.2%                     | 3.1%                   | 4.6%                   | 4.3%                   | 3.5%                                   | 3.4%   | 5.7%   | 6.1%   |
| Total       | 100.0%                   | 100.0%                 | 100.0%                 | 100.0%                 | 100.0%                                 | 100.0% | 100.0% | 100.0% |
| Balance     | +12.3%                   | +4.5%                  | +4.1%                  | +2.5%                  | +2.0%                                  | +1.6%  | -8.4%  | -6.1%  |
|             | SELLING PRICES           |                        |                        |                        | SELLING PRICES                         |        |        |        |
| Up          |                          |                        | 25.8%                  | 22.8%                  |  |        | 13.6%  | 18.4%  |
| Down        |                          |                        | 16.3%                  | 14.3%                  |  |        | 13.5%  | 13.3%  |
| Same        |                          |                        | 54.2%                  | 59.9%                  |  |        | 68.6%  | 63.6%  |
| No Response |                          |                        | 3.7%                   | 3.0%                   |  |        | 4.3%   | 4.7%   |
| Total       |                          |                        | 100.0%                 | 100.0%                 |  |        | 100.0% | 100.0% |
| Balance     |                          |                        | +9.6%                  | +8.4%                  |  |        | +0.1%  | +5.2%  |
| Base        | 1,273                    | 682                    | 654                    | 601                    | 1,273                                  | 682    | 654    | 601    |

Note: All figures shown in this table are weighted to the sectoral distribution of small firm employment.



# Actual Performance: Comparison Across Size Bands

Table 1.2 shows that the smallest firms taking part in the survey are those most likely to have suffered from a fall in sales over the past year. Less than one-quarter of the firms

with a turnover of under £20,000 say sales rose over the year, compared with over one-half of those with a turnover greater than £1,500,000.

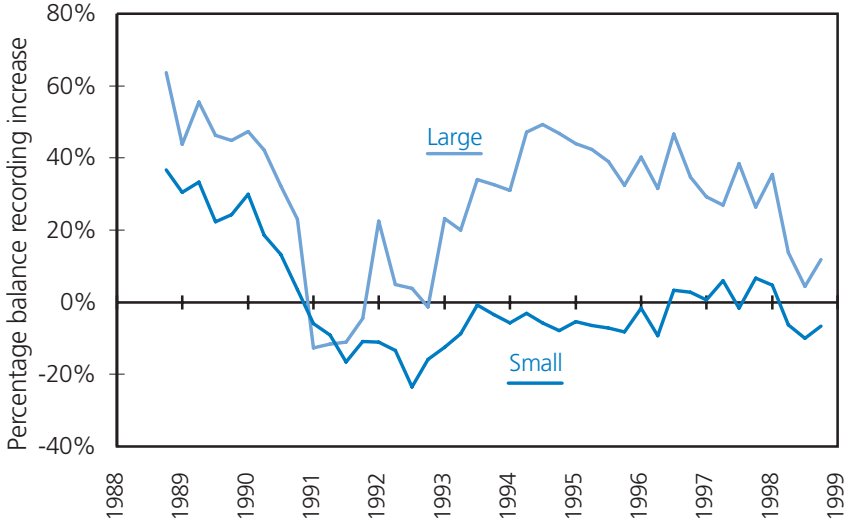
Table 1.2: Actual change in sales by turnover size band

| Turnover Size Band   | Up    | Down  | Same  | Balance | Sample |
|----------------------|-------|-------|-------|---------|--------|
| Less than £20,000    | 24.4% | 46.3% | 29.3% | -22.0%  | 41     |
| £20,000 - 49,999     | 40.0% | 36.9% | 23.1% | +3.1%   | 65     |
| £50,000 - 149,999    | 37.3% | 41.5% | 21.2% | -4.2%   | 118    |
| £150,000 - 349,999   | 40.8% | 39.2% | 19.2% | +1.6%   | 125    |
| £350,000 - 749,999   | 42.6% | 37.2% | 19.1% | +5.3%   | 94     |
| £750,000 - 1,499,999 | 41.9% | 33.8% | 24.3% | +8.1%   | 74     |
| £1,500,000 and over  | 52.9% | 37.1% | 10.0% | +15.7%  | 70     |
| Total                | 40.6% | 38.9% | 20.0% | +1.7%   | 601    |

Chart 1.2 shows that the smallest firms taking part in this survey have experienced no real recovery from the recession of 1990-92. Although the balance of large firms increasing sales regained by 1994 the levels which it had reached in 1989, the balance for the smallest firms remained negative. A partial explanation for this is that those small firms which grew moved up into the larger size

bands while there have been few corresponding additions to the sample of small, young firms with growth aspirations. However, in the previous two surveys the balance for large firms fell sharply, narrowing the gap between the two groups. In this survey both the large and the small firms have seen an improvement in the sales balance, though it remains negative for the smallest firms.

Chart 1.2: Percentage balance for the actual change in sales on year - for large firms (turnover greater than £750,000) and small firms (turnover below £50,000)



# Expectations

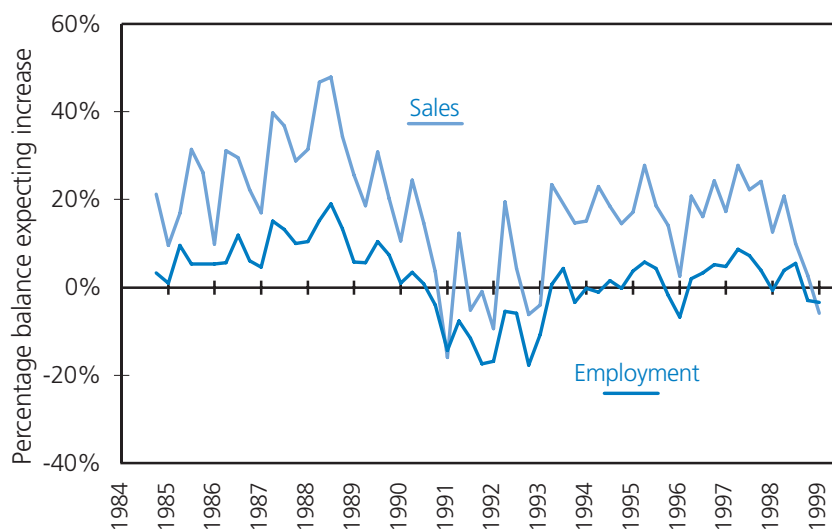
*Britain's small firms continue to become more pessimistic about their prospects for the current quarter. Manufacturers and retailers are more pessimistic about their prospects for the first quarter of 1999 than they were at any point during the last recession.*

## Sales expectations

Despite the improvement in the actual sales balance, the proportion of Britain's small firms expecting their sales to be higher in the current quarter (the first quarter of 1999) than in the previous quarter (the final quarter of 1998) has fallen, for the third survey in a row, and become negative

for the first time in six years (see Chart 1.3 below). Only 29.0 per cent of respondents expect their turnover to be up over the current quarter (far fewer than the 42.1 per cent who report an increase in turnover during the past year), while 34.9 per cent expect their sales to be down (see Table 1.1 on page 7).

Chart 1.3: Percentage balance for the expected change in sales and employment over previous quarter (not seasonally adjusted)



## Seasonally adjusted sales

The sales balance is usually low at this time of the year, after the Christmas period and before the summer. Chart 1.4 overleaf shows that the sales balance when seasonally adjusted is no longer negative, but still shows a marked drop compared with the previous survey.

On the seasonally adjusted basis, the balance has fallen from +4.5 per cent in the previous survey to +2.6 per cent now (Appendix Table A.1 on page 25 shows a complete list of these balances since the survey began). The continuing deterioration of the expected sales balance on both an unadjusted and seasonally adjusted basis suggests that

Britain's small firms fear that the improvement which they have reported in their sales over the past year may be short-lived.

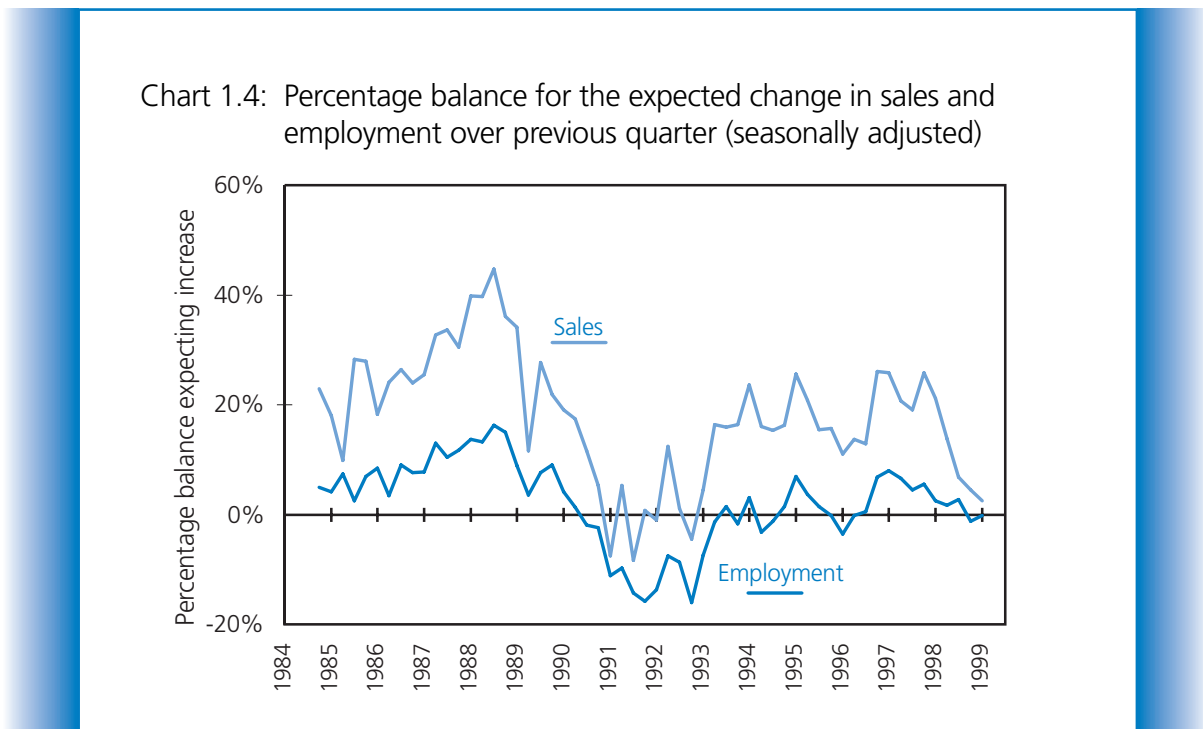
### Employment expectations

Firms are only slightly more pessimistic about employment in their firms over the current quarter than they were in the previous survey. Although a majority (70.6 per cent) of small firms expect employment to stay the same, 14.4 per

cent expect to reduce staff numbers while only 11.0 per cent expect them to increase. The balance of -3.4 per cent compares with -3.0 per cent in the previous survey.

When seasonally adjusted, this small fall is translated into a small increase, from -1.3 per cent to -0.2 per cent.

Although unemployment is widely forecast to begin to increase soon, it does not appear that small firms are likely to be the driver behind this.



### Investment expectations

The balance of small firms expecting to increase investment over the current quarter has improved a little from the previous survey, but remains negative. Table 1.1 on page 7 shows that some 22.3 per cent of respondents intend to cut investment during the first quarter of 1999 (almost unchanged on the previous survey), while 16.2 per cent aim to increase investment (up from 14.1 per cent last time).

### Price expectations

There has been a more significant increase in the balance of firms expecting to increase prices during the first quarter of 1999, up from only +0.1 to +5.2 per cent. Retailers expect prices to be down (a balance of -9.2 per cent), reflecting the heavy discounting in the January sales reported by the British Retail Consortium, but manufacturers expect prices to be relatively unchanged (+0.8 per cent) and firms involved in business and other services expect bigger increases.





## Expectations: Comparison Across Size Bands

Table 1.3: Expected change in sales and employment by turnover size band (current survey compared with previous surveys, percentage balances)

| Turnover Size Band   | EXPECTED SALES BALANCE |       |       |        | EXPECTED EMPLOYMENT BALANCE |       |       |       | Sample Size (this survey) |
|----------------------|------------------------|-------|-------|--------|-----------------------------|-------|-------|-------|---------------------------|
|                      | Survey Number          |       |       |        | Survey Number               |       |       |       |                           |
|                      | 55                     | 56    | 57    | 58     | 55                          | 56    | 57    | 58    |                           |
| Less than £20,000    | -8.8%                  | -6.3% | 23.5% | -14.6% | -8.8%                       | -2.1% | -2.0% | -7.3% | 41                        |
| £20,000 - 49,999     | 20.5%                  | -1.3% | -6.8% | -3.1%  | -1.9%                       | 1.3%  | -4.5% | -1.5% | 65                        |
| £50,000 - 149,999    | 21.6%                  | 14.1% | 2.0%  | -11.9% | 1.5%                        | 0.0%  | -9.8% | -5.1% | 118                       |
| £150,000 - 349,999   | 21.1%                  | 0.0%  | -6.5% | -10.4% | 2.6%                        | 9.4%  | 1.6%  | 0.0%  | 125                       |
| £350,000 - 749,999   | 22.5%                  | 22.1% | 11.3% | -6.4%  | 6.0%                        | 3.2%  | -3.1% | 0.0%  | 94                        |
| £750,000 - 1,499,999 | 27.1%                  | 21.7% | 3.0%  | -4.1%  | 15.7%                       | 19.3% | 0.0%  | -2.7% | 74                        |
| £1,500,000 and over  | 23.9%                  | 10.5% | 1.4%  | 12.9%  | 12.0%                       | 7.9%  | 9.9%  | 5.7%  | 70                        |
| Total                | 20.0%                  | 8.9%  | 2.4%  | -5.5%  | 4.2%                        | 5.6%  | -2.1% | -1.5% | 601                       |

In the last survey, the smallest firms taking part (those with an annual turnover of less than £20,000) were, unusually, the most optimistic about their sales prospects. This appears, however, to have been a temporary blip. In this survey they have returned to what has become their normal position, of being the most pessimistic firms taking part in the survey. Table 1.3 above shows that the balance of these firms expecting sales to be up during the first quarter of 1999 is -14.6 per cent, compared with +12.9 per cent for the largest firms in the survey (those with a turnover of £1.5m and over). The smallest firms are also most pessimistic about employment prospects.

Table 1.4 below shows a similar pattern when the balances are analysed by employment size band. One- and two-person firms are particularly pessimistic about sales prospects for the first quarter of 1999, with balances lower than -20 per cent.

The fact that larger firms are more likely to be increasing employment than the smaller firms means that the prospects for total employment may be better than the overall balance suggests. However, even the largest firms taking part in the survey are less optimistic about employment within their firms than they were three months ago.

Table 1.4: Expected change in sales and employment by employment size band (current survey compared with previous surveys, percentage balances)

| Employment Size Band | EXPECTED SALES BALANCE |       |        |        | EXPECTED EMPLOYMENT BALANCE |       |        |       | Sample Size (this survey) |
|----------------------|------------------------|-------|--------|--------|-----------------------------|-------|--------|-------|---------------------------|
|                      | Survey Number          |       |        |        | Survey Number               |       |        |       |                           |
|                      | 55                     | 56    | 57     | 58     | 55                          | 56    | 57     | 58    |                           |
| 1                    | 4.3%                   | -6.8% | 8.1%   | -20.3% | -4.3%                       | 1.4%  | -2.3%  | -8.7% | 69                        |
| 2                    | 12.2%                  | 8.4%  | 1.7%   | -22.0% | -1.6%                       | -3.7% | -2.5%  | -7.3% | 82                        |
| 3-4                  | 16.2%                  | 6.2%  | 9.7%   | 0.9%   | -2.1%                       | 3.5%  | -5.3%  | 0.0%  | 111                       |
| 5-9                  | 28.0%                  | 9.1%  | -1.3%  | -8.1%  | 8.4%                        | 5.8%  | -4.0%  | 0.0%  | 135                       |
| 10-14                | 22.8%                  | 23.6% | -1.8%  | 0.0%   | 8.8%                        | 16.7% | 1.8%   | 3.3%  | 60                        |
| 15-24                | 23.2%                  | 1.5%  | -17.3% | 1.5%   | 19.6%                       | 6.1%  | -15.4% | -1.5% | 68                        |
| 25-49                | 37.5%                  | 16.7% | 8.9%   | 13.0%  | 9.6%                        | 18.3% | 13.3%  | 0.0%  | 54                        |
| 50+                  | 27.5%                  | 28.0% | 24.0%  | 0.0%   | 5.9%                        | -4.0% | 16.0%  | 6.3%  | 16                        |
| Total                | 20.0%                  | 8.9%  | 2.4%   | -5.5%  | 4.2%                        | 5.6%  | -2.1%  | -1.5% | 601                       |

## Expectations: Comparison Across Business Sectors

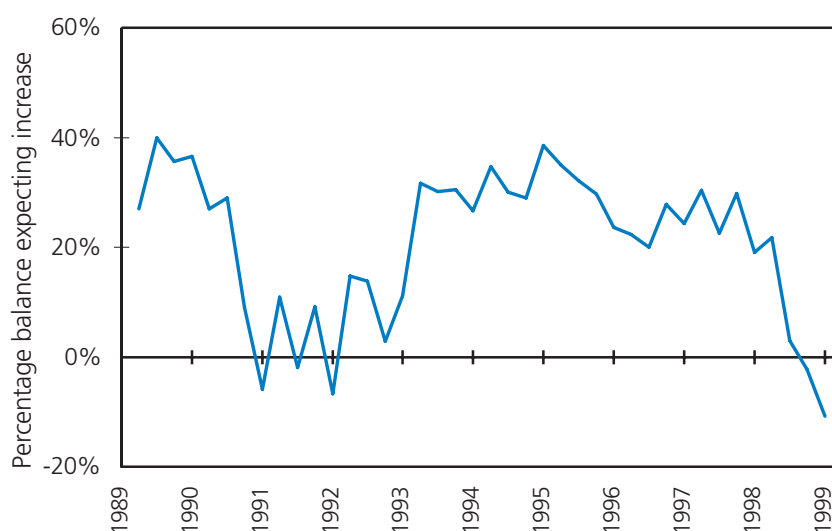
### Manufacturing

Britain's manufacturing sector has been having a very tough time recently. Official figures show that manufacturing output fell by 0.6 per cent in December 1998, much more than expected. This was the fifth monthly fall in a row. Although interest rates have been cut significantly since our last survey, there has not been a corresponding drop in the level of sterling against other major currencies. Many of the manufacturers in this survey are exporters and the strength of the pound, along with

faltering world economic growth (over the past year, the IMF has already twice cut its forecast for world growth in 1999), means that the prospects for manufacturing continue to look bleak.

The small manufacturers taking part in this survey share this view. Chart 1.5 shows that the balance of manufacturers expecting sales to be higher in the current quarter, -10.7 per cent, is the lowest on record. An employment balance of -6.6 shows that they also expect to cut more jobs.

Chart 1.5: Percentage balance for the expected change in sales - manufacturing, mining, processing



### Retailing

Despite government figures showing a 1.1 per cent increase in retail sales in January 1999, this survey shows that there is no sustained recovery expected by small firms on the high street. Chart 1.6 shows that the retail sector has a far more pronounced seasonal trend than manufacturing and that the expected sales balance usually falls in the first quarter. However, in this survey the balance has fallen to -30.6 per cent, the lowest ever. The previous worst was -26.7 per cent for the first quarter of 1993.

### Other sectors

Table 1.5 also shows the expected sales and employment balances for the other business sectors. However, it should be noted that the sample sizes for several sectors are too small for comparisons to necessarily be statistically significant.

Firms engaged in business and other services are more optimistic about sales than they were in the previous survey. These are the only sectors expecting, on balance, to increase employment during the first quarter of 1999.

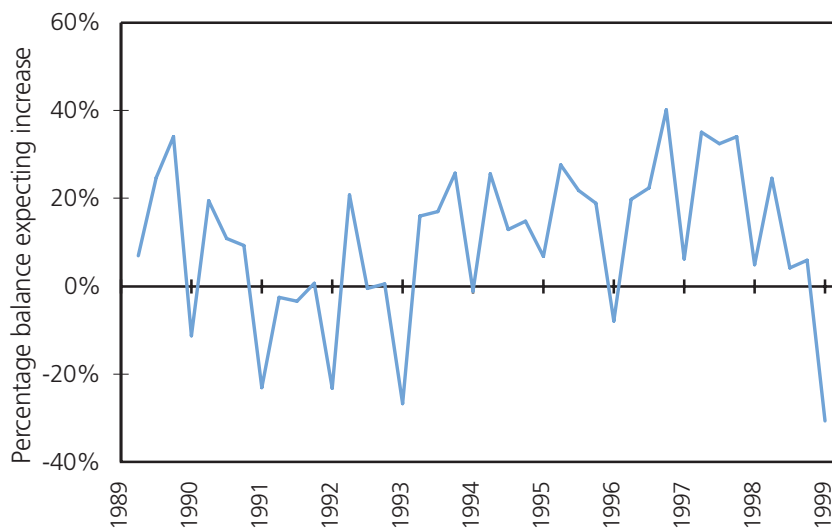


Table 1.5: Expected change in sales and employment by business sector  
(current survey compared with previous surveys, percentage balances)

| Business Sector                   | EXPECTED SALES BALANCE |             |             |              | EXPECTED EMPLOYMENT BALANCE |             |              |              | Sample Size (this survey) |
|-----------------------------------|------------------------|-------------|-------------|--------------|-----------------------------|-------------|--------------|--------------|---------------------------|
|                                   | Survey Number          |             |             |              | Survey Number               |             |              |              |                           |
|                                   | 55                     | 56          | 57          | 58           | 55                          | 56          | 57           | 58           |                           |
| Agriculture, Forestry, Fisheries  | -22.2%                 | -44.4%      | -25.0%      | -30.0%       | -7.4%                       | -11.1%      | -8.3%        | -20.0%       | 10                        |
| Manufacturing, Mining, Processing | 21.8%                  | 3.0%        | -2.3%       | -10.7%       | 6.6%                        | 3.0%        | -3.0%        | -6.6%        | 121                       |
| Transport                         | 41.4%                  | 25.0%       | -7.1%       | -5.3%        | 10.3%                       | 10.0%       | 0.0%         | -15.8%       | 19                        |
| Construction                      | 10.6%                  | 8.7%        | 0.0%        | -17.9%       | 0.0%                        | 8.7%        | -2.9%        | -2.6%        | 39                        |
| Wholesale                         | 0.0%                   | -4.6%       | -11.1%      | -8.5%        | 6.7%                        | 0.0%        | -1.6%        | 0.0%         | 59                        |
| Retail Trade                      | 24.6%                  | 4.1%        | 5.9%        | -30.6%       | 1.1%                        | -1.0%       | -8.9%        | -4.1%        | 98                        |
| Hotels & Restaurants              | 53.3%                  | 22.2%       | 22.2%       | 6.3%         | 10.0%                       | 5.6%        | -11.1%       | -18.8%       | 16                        |
| Business Services                 | 21.7%                  | 9.5%        | 5.2%        | 7.8%         | 3.8%                        | 10.1%       | -1.1%        | 5.4%         | 167                       |
| Other Services                    | 25.2%                  | 36.6%       | 12.9%       | 16.7%        | 0.7%                        | 12.7%       | 4.7%         | 4.2%         | 72                        |
| Other                             | 22.4%                  | 30.4%       | 6.9%        | -            | 16.3%                       | 8.7%        | 3.4%         | -            | 0                         |
| <b>Total</b>                      | <b>20.0%</b>           | <b>8.9%</b> | <b>2.4%</b> | <b>-5.5%</b> | <b>4.2%</b>                 | <b>5.6%</b> | <b>-2.1%</b> | <b>-1.5%</b> | <b>601</b>                |

Note that businesses previously classified as "other" are now included in the most appropriate of the remaining categories.

Chart 1.6: Percentage balance for the expected change in sales - retail trade





## Expectations: Comparison Across Regions

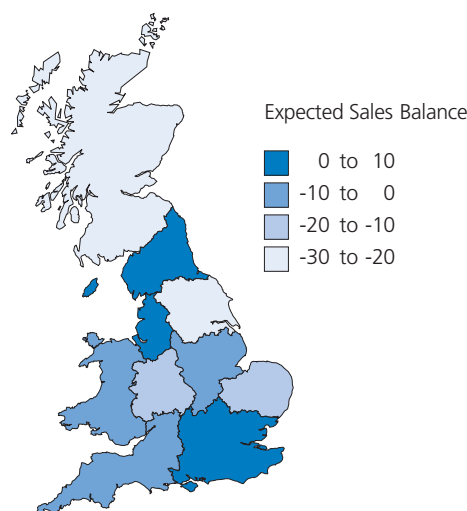
Table 1.6 shows the sales and employment balances by region and Chart 1.7 shows just the sales balance. As with the industrial sectors, sample sizes for several regions are too small for comparisons to be statistically reliable. This also means that the balances are subject to considerable variation from survey to survey.

Firms in the North and North West of England are more optimistic about sales than they were in the previous survey and are also among the most positive about employment. Those in Scotland are very pessimistic about their sales prospects for the first quarter of 1999, but nevertheless expect, on balance, an increase in employment.

Table 1.6: Expected change in sales and employment by UK standard region (current survey compared with previous surveys, percentage balances)

| Region                 | EXPECTED SALES BALANCE |        |        |        | EXPECTED EMPLOYMENT BALANCE |        |        |       | Sample Size (this survey) |
|------------------------|------------------------|--------|--------|--------|-----------------------------|--------|--------|-------|---------------------------|
|                        | Survey Number          |        |        |        | Survey Number               |        |        |       |                           |
|                        | 55                     | 56     | 57     | 58     | 55                          | 56     | 57     | 58    |                           |
| North                  | 25.6%                  | 5.9%   | -22.7% | 0.0%   | 11.6%                       | 5.9%   | 9.1%   | 6.7%  | 15                        |
| Yorkshire & Humberside | 13.8%                  | 0.0%   | -27.8% | -25.7% | 5.7%                        | 6.4%   | -18.5% | -8.6% | 35                        |
| North West             | 30.9%                  | 19.7%  | -1.5%  | 3.7%   | 8.1%                        | 8.2%   | -11.9% | 1.9%  | 54                        |
| East Midlands          | 17.4%                  | -2.2%  | 15.7%  | -8.3%  | -2.2%                       | 10.9%  | -7.8%  | 0.0%  | 36                        |
| West Midlands          | 4.7%                   | -5.1%  | 2.3%   | -18.3% | 3.8%                        | -6.8%  | 4.5%   | -6.7% | 60                        |
| East Anglia            | 7.0%                   | -11.1% | 15.2%  | -14.7% | 5.6%                        | 11.1%  | 6.1%   | 0.0%  | 34                        |
| South East             | 22.3%                  | 13.1%  | 6.1%   | 0.4%   | 5.5%                        | 7.7%   | 3.3%   | -1.6% | 250                       |
| South West             | 30.7%                  | 21.3%  | 5.3%   | -1.5%  | 4.7%                        | 8.2%   | -6.7%  | -1.5% | 66                        |
| Wales                  | 31.7%                  | 25.0%  | 41.2%  | -5.9%  | 0.0%                        | -10.0% | 5.9%   | -5.9% | 17                        |
| Scotland               | 2.9%                   | 0.0%   | -12.1% | -27.6% | -2.9%                       | 2.7%   | -6.1%  | 3.4%  | 29                        |
| Northern Ireland       | 20.0%                  | 100.0% | -50.0% | 50.0%  | -20.0%                      | 50.0%  | 0.0%   | 0.0%  | 2                         |
| Total                  | 20.0%                  | 8.9%   | 2.4%   | -5.5%  | 4.2%                        | 5.6%   | -2.1%  | -1.5% | 601                       |

Chart 1.7: Percentage balance for the expected change in sales on quarter - by region



# Problems

*Low turnover remains easily the most important problem facing Britain's small firms. Government regulations and paperwork have become more burdensome, while recent cuts in interest rates mean that these are now less of a problem.*

Table 2.1: Most important problem  
(current survey compared with previous surveys)

| Problem                                | Survey Number |      |       |      |       |      |       |      |
|--|---------------|------|-------|------|-------|------|-------|------|
|  | 55            |      | 56    |      | 57    |      | 58    |      |
| Low Turnover/Lack of Business          | 25.5%         | (1)  | 29.2% | (1)  | 30.8% | (1)  | 30.9% | (1)  |
| Gov't Regulations & Paperwork          | 8.4%          | (4)  | 9.6%  | (3)  | 6.0%  | (7)  | 11.3% | (2)  |
| Lack of Skilled/Trained Employees      | 10.2%         | (3)  | 7.7%  | (4)  | 9.7%  | (3)  | 8.9%  | (3)  |
| Cashflow/Payments/Debtors              | 10.8%         | (2)  | 9.8%  | (2)  | 10.6% | (2)  | 8.3%  | (4)  |
| Total Tax Burden                       | 5.0%          | (6)  | 5.0%  | (6)  | 7.0%  | (5)  | 7.1%  | (5)  |
| Competition from Big Business          | 8.1%          | (5)  | 6.2%  | (5)  | 7.7%  | (4)  | 5.4%  | (6)  |
| Premises/Rent/Rates                    | 3.2%          | (8)  | 4.8%  | (7)  | 2.0%  | (8)  | 4.2%  | (7)  |
| Access to Finance                      | 3.0%          | (9)  | 2.2%  | (10) | 1.8%  | (9)  | 2.0%  | (8)  |
| Internal Management Difficulties       | 1.9%          | (10) | 2.7%  | (9)  | 1.6%  | (10) | 1.8%  | (9)  |
| Interest Rates                         | 3.3%          | (7)  | 3.4%  | (8)  | 6.3%  | (6)  | 1.8%  | (10) |
| High Rates of Pay                      | 1.0%          | (11) | 0.8%  | (12) | 1.4%  | (11) | 1.1%  | (11) |
| Shortages of Materials, Supplies, etc. | 0.3%          | (12) | 0.1%  | (13) | 0.7%  | (13) | 1.0%  | (12) |
| Inflation                              | 0.2%          | (13) | 1.8%  | (11) | 0.8%  | (12) | 0.1%  | (13) |
| Other                                  | 18.1%         |      | 16.1% |      | 13.0% |      | 15.1% |      |
| No response                            | 0.9%          |      | 0.6%  |      | 0.6%  |      | 1.0%  |      |
| Base                                   | 1,273         |      | 682   |      | 654   |      | 601   |      |

Notes: All figures shown in this table are weighted to the sectoral distribution of small firm employment.  
Number in brackets refers to the problem's ranking each quarter.

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

As Table 2.1 shows, **low turnover/lack of business** is again the most frequently mentioned problem, as it has been in every survey since 1991, when it overtook **interest rates**. In this survey, 30.9 per cent of respondents say that low turnover is the single most important problem facing their business, almost exactly the same proportion as last time.

Reflecting the fact that they have seen sales drop over the past year, the smallest firms are most likely to say that low turnover is their most important problem. Table 2.2 on page 17 shows that 46.4 per cent of sole traders say that low turnover is their most important problem.

Jumping up from seventh to second place in the ranking of problems is **government regulations & paperwork**, selected by 11.3 per cent of respondents. This may be due in part to the need for some respondents to complete self assessment tax forms before the end of January (the proportion selecting this problem was also high at this time

last year - see Chart 2.1). However, Table 2.2 shows that the smallest firms - for which the self assessment tax forms are the largest burden - were not the most likely to cite this as their biggest problem. The larger firms in the survey may be more concerned over new legislation such as the impending minimum wage and the working time directive. The Employment Relations bill was only formally unveiled by the government after most of the questionnaires for this survey were completed, but many of its contents had been trailed in the preceding weeks and may have concerned some respondents.

**Lack of skilled/trained employees** is the most important problem for slightly fewer firms (8.9 per cent) than in the previous survey, but this remains as third most important problem overall. It is more of a problem for the larger firms taking part in the survey. The proportion complaining of the related problem of **high pay**, however, remains subdued, at just 1.1 per cent of the total.

The proportion of respondents indicating that **cashflow/payments/debtors** was their biggest problem has fallen to its lowest level, 8.3 per cent, since this option was first offered, in 1990. This is unlikely to be directly due to the

Late Payment of Commercial Debts Act (which enables businesses with 50 or fewer employees to claim interest at base rate plus eight per cent) as this only came into force in November last year. However, the climate surrounding the introduction of this act may have had some effect in improving the late payment problem.

Between the mail-out for the last survey and this one, UK interest rates were cut on four occasions, falling from 7.5 per cent to 6 per cent. There was a further cut to 5.5 per cent on 4th February, after almost all questionnaires had been completed. These cuts have led to a marked fall in the proportion of respondents reporting that **interest rates** are their most important problem, down from 6.3 per cent to only 1.8 per cent. Interest rates are now only the tenth most important problem for small business. Of course, interest rates remain as the main economic instrument being used to try to improve the current lack of demand - the biggest problem for small business.

The proportions of respondents selecting the other problems were relatively unchanged. Only one small business reported that the most important problem facing them was **inflation**.

Chart 2.1: Selected most important business problems

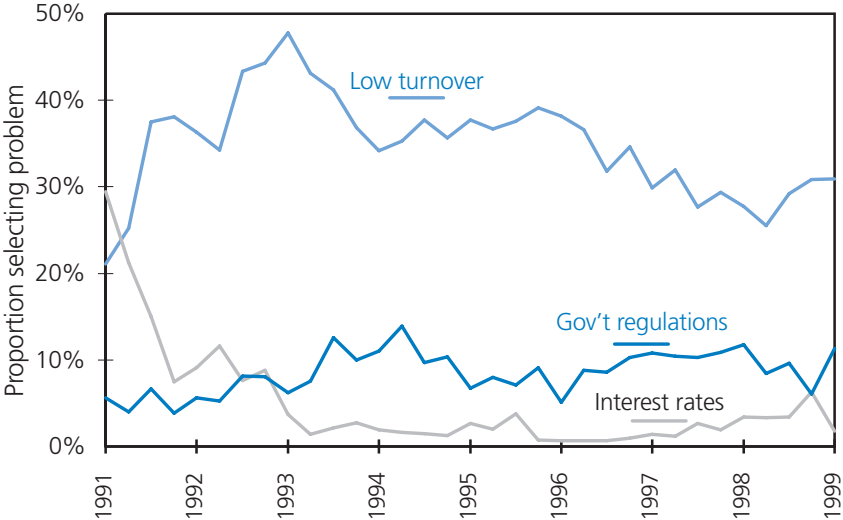






Table 2.2: Most important problem by employment size band

| Employment Size Band                   | 1     | 2     | 3 - 4 | 5 - 9 | 10 - 14 | 15 - 24 | 25 - 49 | 50+   | All   |
|--|-------|-------|-------|-------|---------|---------|---------|-------|-------|
| Inflation                              | 1.4%  | 0.0%  | 0.0%  | 0.0%  | 0.0%    | 0.0%    | 0.0%    | 0.0%  | 0.2%  |
| Interest Rates                         | 2.9%  | 0.0%  | 0.0%  | 3.0%  | 5.0%    | 1.5%    | 0.0%    | 0.0%  | 1.7%  |
| Access to Finance                      | 1.4%  | 1.2%  | 2.7%  | 1.5%  | 1.7%    | 2.9%    | 0.0%    | 6.3%  | 1.8%  |
| Lack of Skilled/Trained Employees      | 2.9%  | 1.2%  | 4.5%  | 11.1% | 10.0%   | 16.2%   | 14.8%   | 18.8% | 8.5%  |
| Total Tax Burden                       | 5.8%  | 8.5%  | 10.8% | 6.7%  | 8.3%    | 1.5%    | 1.9%    | 6.3%  | 6.8%  |
| Low Turnover/Lack of Business          | 46.4% | 42.7% | 35.1% | 31.1% | 30.0%   | 25.0%   | 33.3%   | 18.8% | 33.9% |
| Competition from Big Business          | 5.8%  | 6.1%  | 7.2%  | 5.9%  | 11.7%   | 5.9%    | 1.9%    | 0.0%  | 6.2%  |
| Gov't Regulations & Paperwork          | 8.7%  | 14.6% | 7.2%  | 8.1%  | 10.0%   | 16.2%   | 13.0%   | 6.3%  | 10.3% |
| High Rates of Pay                      | 0.0%  | 0.0%  | 0.9%  | 2.2%  | 1.7%    | 0.0%    | 0.0%    | 0.0%  | 0.8%  |
| Shortages of Materials, Supplies, etc. | 0.0%  | 1.2%  | 0.9%  | 0.7%  | 0.0%    | 0.0%    | 1.9%    | 0.0%  | 0.7%  |
| Internal Management Difficulties       | 1.4%  | 0.0%  | 0.0%  | 2.2%  | 0.0%    | 4.4%    | 3.7%    | 6.3%  | 1.7%  |
| Cashflow/Payments/Debtors              | 10.1% | 4.9%  | 12.6% | 7.4%  | 6.7%    | 13.2%   | 5.6%    | 6.3%  | 9.0%  |
| Premises/Rent/Rates                    | 1.4%  | 3.7%  | 6.3%  | 3.7%  | 5.0%    | 2.9%    | 1.9%    | 0.0%  | 3.8%  |
| Other                                  | 11.6% | 14.6% | 10.8% | 16.3% | 6.7%    | 7.4%    | 22.2%   | 31.3% | 13.6% |
| No Response                            | 0.0%  | 1.2%  | 0.9%  | 0.0%  | 3.3%    | 2.9%    | 0.0%    | 0.0%  | 1.0%  |
| Base                                   | 69    | 82    | 111   | 135   | 60      | 68      | 54      | 16    | 601   |

**Competition from big business**, although only the sixth most important problem overall was of particular concern for retailers (the most important problem for 14.3 per cent).

Table 2.1 shows that 15.1 per cent of respondents could not decide between a number of equally important problems, or added 'other' problems which were not given on the list. Rather fewer of these than in recent surveys said that the most important problem facing their business is the strength of sterling (1.0 per cent of the whole sample, compared with 2.1 per cent last time). It is likely, however, that this option would have been selected by far more if it had been offered as one of the predetermined options in the question.

Other problems listed included price competition from other small firms, the seasonality of turnover and the recent bad weather (affecting firms involved in the tourist industries). A number of firms complained about the general lack of business confidence, some clearly believing that this was justified, others that fears of recession were becoming self-fulfilling.

One business, a computer bureau, said that the biggest problem facing their business was the impending Millennium Bug, or Year 2000 problem. This issue is dealt with in more detail in the special topic section which now follows.



# IT, Communications and Year 2000

*The Government's recent Competitiveness White Paper emphasised the opportunities and challenges presented by information and communication technologies (ICTs). This survey examines small firm usage of some of these technologies, as well as one particular challenge, the Year 2000 problem.*

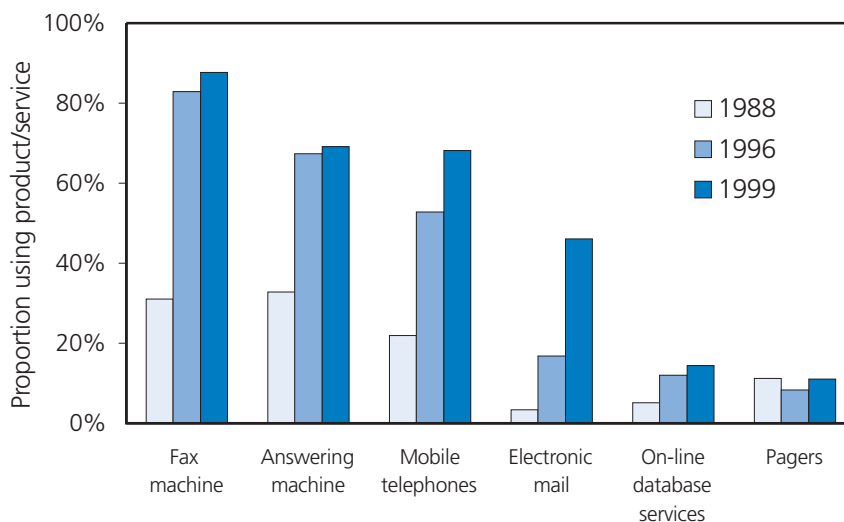
## Telecommunication products

As the longest-running small business survey in Britain, this survey is uniquely placed to show the explosive growth over the past decade in the use of telecommunication products and services by Britain's small firms. Chart 3.1 and Table 3.1 show how the proportion of firms with a fax machine rocketed from 31.1 per cent in 1988 to 82.9 per cent by 1996. Answering machine usage rose from 32.8 per cent to 67.4 per cent. The current survey shows that these products seem to be close to saturation point, with usage increasing only slightly in 1999, to 87.7 per cent and 69.1 per cent of small firms respectively.

Penetration of mobile phones into the small business market, however, continues apace. 68.2 per cent of small

firms now use mobiles, up from 52.9 per cent less than three years ago. Even more dramatic is the increase in the use of e-mail. In 1988, only 3.3 per cent of respondents said that their business used electronic mail. In the eight years to 1996, this only increased to 16.8 per cent. In the subsequent three years, however, this proportion has shot up to 46.1 per cent. It appears also that the term "e-mail" has become so common that some people do not realise that this is short for "electronic mail". A further 4.2 per cent of the sample did not indicate in this question that they used "electronic mail" and yet did in a later question say that they used "internet e-mail". If these respondents are added to the total then over half (50.3 per cent) of the small firms taking part in this survey use e-mail.

Chart 3.1: Communications products/services used (current survey compared with previous surveys)





The use of pagers decreased between 1988 and 1996, presumably because mobile phones became more widespread. However, new pricing structures seem to have persuaded small firms that there is still a role for pagers. This survey shows that the proportion of small firms using them has increased again to almost the same level as in 1988.

The use of telex had dropped almost to nothing by 1996 and this option was not offered in this survey. The use of videoconferencing was asked for the first time in 1996, but this has not yet increased at all, remaining at only 0.7 per cent of small firms (Table 3.1). This technology, which has been heralded as a major advance for many years, still has to win widespread acceptance from Britain's small firms.

**Table 3.1: Communications products/services used (current survey compared with previous surveys)**

| Year                      | 1988  | 1996  | 1999  |
|---------------------------|-------|-------|-------|
| Survey Number             | 17    | 47    | 58    |
| Facsimile (Fax) machine   | 31.1% | 82.9% | 87.7% |
| Answering machine         | 32.8% | 67.4% | 69.1% |
| Mobile telephones         | 22.0% | 52.9% | 68.2% |
| Electronic mail           | 3.3%  | 16.8% | 46.1% |
| On-line database services | 5.1%  | 12.0% | 14.5% |
| Pagers                    | 11.2% | 8.3%  | 11.0% |
| Telex                     | 13.1% | 1.4%  | -     |
| Video conferencing        | -     | 0.7%  | 0.7%  |
| Base                      | 950   | 1,099 | 601   |

### Computers

Overall, 79.0 per cent of small businesses say that they use personal computers. This proportion is actually a little down on the 81.0 per cent which in 1996 said that they owned or leased a computer. It seems likely that the change in the way the question was asked (as one option within a list and using the term "personal computer") has depressed the response very slightly compared with the question used in previous years. The fact that a number of

respondents (1.7 per cent) did not say that they used personal computers and yet did say that they had computers networked together reinforces this view.

Table 3.2 shows the tremendous increase in computer usage in the years since the survey was begun, especially amongst the smallest firms. Less than two in every ten firms with fewer than five employees had a computer in 1985, compared with over seven out of ten now.

**Table 3.2: Proportion of businesses using computers - by employment size band (current survey compared with previous surveys)**

| Year          | 1985  | 1991  | 1996  | 1999  |
|---------------|-------|-------|-------|-------|
| Survey Number | 4     | 27    | 47    | 58    |
| 1-4           | 19.5% | 56.1% | 73.2% | 70.2% |
| 5-9           | 28.9% | 70.8% | 85.6% | 80.0% |
| 10-14         | 38.3% | 78.9% | 88.1% | 86.7% |
| 15-49         | 60.7% | 81.8% | 94.0% | 91.8% |
| 50+           | 71.6% | 96.9% | 95.0% | 93.8% |
| All           | 36.2% | 67.6% | 81.0% | 79.0% |

### Usage by size and sector

Table 3.3 shows that usage of computers and most telecommunications products rises with firm size. The main exception is for answering machines, which are used by 87.0 per cent of the one-person firms in the survey, compared with less than two-thirds of those firms with 25 or more employees. In larger firms premises are more likely to be constantly staffed during working hours, but some of these firms might also use voice-mail systems but not have included these in their response. Construction firms - where people are often working on site - are heavy users of mobile phones (79.5 per cent), pagers (25.6 per cent) and

answering machines (84.6 per cent). Only 45 per cent of retailers have an answering machine - meaning that over half do not even use one to announce opening times.

Firms in business services are the most likely to use e-mail (61.7 per cent do so), but manufacturers are slightly more likely to have a computer in the business (91.7 per cent compared with 87.4 per cent). This is probably due to the fact that manufacturers are, on average, larger firms.

One revealing fact shown by Table 3.3 is that those firms using videoconferencing all have fewer than ten employees. These include a language school and an agency which organises corporate events.

**Table 3.3: Proportion of businesses using telecommunications products/services and computers - by employment size band**

| Number of employees:      | 1     | 2     | 3-4   | 5-9   | 10-14 | 15-24 | 25-49 | 50+    | All   |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|--------|-------|
| Facsimilie (Fax) machine  | 76.8% | 78.0% | 83.8% | 88.9% | 96.7% | 97.1% | 98.1% | 100.0% | 87.7% |
| Answering machine         | 87.0% | 78.0% | 78.4% | 57.0% | 51.7% | 67.6% | 64.8% | 62.5%  | 69.1% |
| Mobile telephones         | 40.6% | 52.4% | 68.5% | 71.1% | 70.0% | 82.4% | 96.3% | 87.5%  | 68.2% |
| Electronic mail           | 47.8% | 32.9% | 39.6% | 47.4% | 48.3% | 51.5% | 64.8% | 43.8%  | 46.1% |
| On-line database services | 7.2%  | 13.4% | 12.6% | 14.1% | 8.3%  | 25.0% | 18.5% | 37.5%  | 14.5% |
| Pagers                    | 5.8%  | 7.3%  | 5.4%  | 10.4% | 13.3% | 17.6% | 16.7% | 43.8%  | 11.0% |
| Video conferencing        | 0.0%  | 1.2%  | 0.9%  | 1.5%  | 0.0%  | 0.0%  | 0.0%  | 0.0%   | 0.7%  |
| Personal computers        | 72.5% | 64.6% | 73.0% | 80.0% | 86.7% | 88.2% | 96.3% | 93.8%  | 79.0% |
| Sample                    | 69    | 82    | 111   | 135   | 60    | 68    | 54    | 16     | 601   |

### Networking and the internet

Some 31.6 per cent of small firms have more than one computer networked together. A further 5.2 per cent of respondents say that they intend to network their computers this year (Table 3.4). Usage of internal networks, unsurprisingly, rises with firm size (Table 3.5).

Nearly half of small firms (47.1 per cent) say that they use internet e-mail. This is a very rapid increase on the 14.0 per cent when a similar question was asked in March 1996. The growth is expected to continue apace, with a further 12.0 per cent intending to start using internet e-mail this year. Very few small businesses now use internal e-mail but not internet e-mail.

**Table 3.4: Proportion of businesses using computer products/services**

|                             | Network | Internet e-mail | Web-pages |
|-----------------------------|---------|-----------------|-----------|
| Yes                         | 31.6%   | 47.1%           | 26.1%     |
| No                          | 36.9%   | 36.9%           | 51.4%     |
| No, but intend to this year | 5.2%    | 12.0%           | 18.1%     |
| No response                 | 26.3%   | 4.0%            | 4.3%      |
| Base                        | 601     | 601             | 601       |





Overall, 26.1 per cent of small firms already have their own internet web-pages, but a remarkable 18.1 per cent intend to have their own pages within a year (Table 3.4).

Table 3.5 shows that, although internet usage tends to rise with firm size, the one-person firms taking part in our survey are an exception, with almost half (49.3 per cent) using internet e-mail. Rather fewer (31.7 per cent) of the two-person businesses in the survey use internet e-mail.

Firms in business services (which are somewhat over-represented in our sample, especially in the smallest size bands) are most likely to use internet e-mail (60.5 per cent),

closely followed by manufacturers (57.9 per cent). The biggest growth in usage over the next year is expected in wholesaling, where 40.7 per cent currently use internet e-mail, but a further 22.0 per cent expect to do so within the year. Least likely to use internet e-mail are retailers, but even here 25.5 per cent of small firms do so.

Although they are very likely to use e-mail, business service firms are less likely than average to have their own web-pages (25.1 per cent). Manufacturers - with more easily described products to sell and support - are the biggest users of the web, with 39.7 per cent having their own pages.

**Table 3.5: Proportion of businesses using computer products/services - by employment size band**

| Employment Size Band  | 1     | 2     | 3-4   | 5-9   | 10-14 | 15-24 | 25-49 | 50+   | All   |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Have internal network | 8.7%  | 6.1%  | 17.1% | 34.8% | 41.7% | 54.4% | 68.5% | 81.3% | 31.6% |
| Use internet e-mail   | 49.3% | 31.7% | 42.3% | 48.1% | 51.7% | 52.9% | 64.8% | 37.5% | 47.1% |
| Have own web-pages    | 20.3% | 9.8%  | 20.7% | 23.7% | 31.7% | 36.8% | 53.7% | 37.5% | 26.1% |
| Base                  | 69    | 82    | 111   | 135   | 60    | 68    | 54    | 16    | 601   |

### Year 2000 compliance

Table 3.6 shows that 90.3 per cent of small firms with computers say that they have taken steps to check and ensure Year 2000 compliance of their computer systems.

Almost three-quarters of those with computers (74.5 per cent) believe that all of their computer systems are now Year 2000 compliant. The proportion of the smallest firms which believe themselves to be compliant is a little lower, with 68.9 per cent of one- and two-person firms with a computer believing that their systems are compliant.

The majority of those who are not yet Year 2000 compliant do not feel that they need more help to become so. Only

28.1 per cent of those who are not confident of Year 2000 compliance of their computer systems feel that they need more help. Whether this is confidence or complacency will only be fully revealed next year.

A number of respondents, despite saying that they believed that all of their business computer systems were Year 2000 compliant, nevertheless said that they felt they needed more help to become fully compliant. This presumably reflects concern over embedded systems in all sorts of office equipment and machinery, which has been given more attention recently by Action 2000, the company set up by the Government to help businesses deal with the millennium bug problem.

**Table 3.6: Year 2000 compliance**

|   | Yes   | No    | Don't Know/ No Response | Base |
|---|-------|-------|-------------------------|------|
| Taken steps to check and ensure Year 2000 compliance of computer systems? | 90.3% | 9.5%  | 0.2%                    | 475  |
| Believe all computer systems are now Year 2000 compliant?                 | 74.5% | 18.1% | 7.4%                    | 475  |
| If not, need more help to become so?                                      | 28.1% | 65.3% | 6.6%                    | 121  |

## Conclusions

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As the longest running survey of small business in Britain, this survey has been well placed to record the many changes within the sector over the past 15 years. In this survey, the most striking result is the tremendous growth in the use of the internet since this topic was last addressed, less than three years ago.

Some of the smaller, most cost-conscious firms may well have been encouraged recently by the announcements of services offering free internet access. These were started by Dixons Freeserve, which signed up almost 1 million users in the first four months after its launch in late September 1998. Other companies launching free internet services include Tesco, WHSmith and Telinco. Although primarily aimed at home users, there is no reason why small businesses with some technical knowledge (telephone support lines for these services are expensive) should not make use of services such as these. By saving a fee of at least ten pounds per month from a traditional Internet Service Provider, the cost of internet access for computer users is down to the cost of a modem (which can be as low as £30) and local phone call charges when connected. This may be enough to persuade many a small business to dip its toe into the waters of the internet and ensure that the rapid growth of internet usage by small firms continues.

There may well be a place for government in encouraging businesses to develop more sophisticated ways of using the new information and communication technologies, as proclaimed in the recent Competitiveness White Paper and supported by its Information Society Initiative. However, it is likely that the biggest drivers to such change among the smallest of Britain's businesses will be falling user costs, pressure from customers and the threat of competitors. It is possible that the low cost and global nature of the new technologies may be particularly helpful in restoring the competitiveness of at least some of the very small firms and the self-employed, who recently seem to have been suffering the most.

# Conclusions

The survey reports in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. The percentage balances for sales and employment are shown in Appendix Table A.1 and the percentage mention of problems are

shown in Appendix Table A.2 for each of the surveys carried out to date. In addition, each issue covers one or more special topics, based upon the survey results, designed to contribute to knowledge about small business in Britain.

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<br>New Business  |
|      |        | No 3   | 4             | Part-time Employees<br>Computers in Small Firms  |
|      |        | No 4   | 5             | Employment   |
| 1986 | Vol. 2 | No 1   | 6             | Finance<br>Membership of Representative Bodies   |
|      |        | No 2   | 7             | Exports<br>The Business Expansion Scheme   |
|      |        | No 3   | 8             | Employment<br>Skill Shortage   |
|      |        | No 4   | 9             | Incorporated and Unincorporated Business<br>Expanding Firms<br>Small Firms in the Service Sectors    |
| 1987 | Vol. 3 | No 1   | 10            | Domestic versus Business Telephone Usage<br>Employment   |
|      |        | No 2   | 11            | Most Important Problem Facing Declining and Growing Businesses<br>Characteristics of our Respondents |
|      |        | No 3   | 12            | Employment<br>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<br>Characteristics of Respondents |
| 1989 | Vol. 5 | No 1   | 18            | Employee Turnover<br>National Chamber of Trade Survey<br>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   |

| Year | Volume  | Number | Survey Number | Topic  |
|------|---------|--------|---------------|--|
| 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  |
| 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   |



## Performance Tables

Table A.1: Changes and expected changes in sales and employment, 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  | Employment | Investment | Sales  |       | Employment |        | Investment |
|             |             |                   |  |            |            | U  | S     | U          | S      |            |
| Vol.1 No.1a | 3,056       | 1984/3            | 34.7%  | 10.5%      | -          | 21.2%  | 22.9% | 3.3%       | 5.0%   | -          |
| Vol.1 No.1b | 1,795       | 1984/4            | 32.6%  | 10.4%      | -          | 9.5%   | 18.0% | 0.9%       | 4.1%   | -          |
| Vol.1 No.2  | 1,181       | 1985/1            | 33.4%  | 17.6%      | -          | 16.9%  | 9.9%  | 9.5%       | 7.4%   | -          |
| Vol.1 No.3  | 1,090       | 1985/2            | 34.4%  | 11.2%      | -          | 31.4%  | 28.2% | 5.3%       | 2.5%   | -          |
| Vol.1 No.4  | 1,072       | 1985/3            | 37.4%  | 12.1%      | -          | 26.2%  | 27.9% | 5.3%       | 7.0%   | -          |
| Vol.2 No.1  | 1,326       | 1985/4            | 41.4%  | 12.6%      | -          | 9.8%   | 18.3% | 5.3%       | 8.5%   | -          |
| Vol.2 No.2  | 1,052       | 1986/1            | 33.6%  | 11.6%      | -          | 31.1%  | 24.1% | 5.6%       | 3.5%   | -          |
| Vol.2 No.3  | 1,285       | 1986/2            | 35.5%  | 14.2%      | -          | 29.6%  | 26.4% | 11.9%      | 9.1%   | -          |
| Vol.2 No.4  | 1,435       | 1986/3            | 39.7%  | 15.2%      | -          | 22.3%  | 24.0% | 6.0%       | 7.7%   | -          |
| Vol.3 No.1  | 1,116       | 1986/4            | 40.0%  | 13.4%      | -          | 17.0%  | 25.5% | 4.6%       | 7.8%   | -          |
| Vol.3 No.2  | 1,746       | 1987/1            | 40.2%  | 15.2%      | -          | 39.7%  | 32.7% | 15.1%      | 13.0%  | -          |
| Vol.3 No.3  | 1,113       | 1987/2            | 44.7%  | 23.1%      | -          | 36.8%  | 33.6% | 13.2%      | 10.4%  | -          |
| Vol.3 No.4  | 977         | 1987/3            | 44.8%  | 17.6%      | -          | 28.8%  | 30.5% | 10.0%      | 11.7%  | -          |
| Vol.4 No.1  | 1,042       | 1987/4            | 52.7%  | 23.4%      | -          | 31.4%  | 39.9% | 10.5%      | 13.7%  | -          |
| Vol.4 No.2  | 933         | 1988/1            | 52.7%  | 19.3%      | -          | 46.7%  | 39.7% | 15.3%      | 13.2%  | -          |
| Vol.4 No.3  | 983         | 1988/2            | 55.0%  | 22.0%      | -          | 47.9%  | 44.7% | 19.1%      | 16.3%  | -          |
| Vol.4 No.4  | 950         | 1988/3            | 54.9%  | 22.3%      | -          | 34.4%  | 36.1% | 13.3%      | 15.0%  | -          |
| Vol.5 No.1A | 1,523       | 1988/4            | 49.2%  | 15.1%      | -          | 25.6%  | 34.1% | 5.7%       | 8.9%   | -          |
| Vol.5 No.2  | 947         | 1989/1            | 38.8%  | 18.1%      | -          | 18.6%  | 11.6% | 5.6%       | 3.5%   | -          |
| Vol.5 No.3  | 2,274       | 1989/2            | 41.1%  | 16.7%      | -          | 30.8%  | 27.7% | 10.4%      | 7.6%   | -          |
| Vol.5 No.4  | 795         | 1989/3            | 33.5%  | 18.3%      | -          | 20.2%  | 21.9% | 7.4%       | 9.1%   | -          |
| Vol.6 No.1  | 1,091       | 1989/4            | 29.9%  | 10.5%      | -          | 10.6%  | 19.0% | 0.9%       | 4.1%   | -          |
| Vol.6 No.2  | 1,384       | 1990/1            | 31.4%  | 9.9%       | -          | 24.4%  | 17.4% | 3.5%       | 1.4%   | -          |
| Vol.6 No.3  | 1,043       | 1990/2            | 22.3%  | 4.8%       | -          | 14.7%  | 11.5% | 0.9%       | -1.9%  | -          |
| Vol.6 No.4  | 1,312       | 1990/3            | 18.2%  | 3.5%       | -          | 3.6%   | 5.3%  | -4.1%      | -2.4%  | -          |
| Vol.7 No.1  | 1,239       | 1990/4            | -0.5%  | -5.1%      | -          | -16.0%   | -7.5% | -14.4%     | -11.2% | -          |
| Vol.7 No.2  | 984         | 1991/1            | -8.6%  | -11.6%     | -12.7%     | 12.3%  | 5.3%  | -7.6%      | -9.7%  | -15.0%     |
| Vol.7 No.3  | 1,718       | 1991/2            | -12.5%   | -17.3%     | -20.0%     | -5.2%  | -8.3% | -11.5%     | -14.3% | -20.6%     |
| Vol.7 No.4  | 835         | 1991/3            | -14.8%   | -19.9%     | -15.0%     | -1.0%  | 0.7%  | -17.5%     | -15.8% | -15.1%     |
| Vol.8 No.1  | 1,684       | 1991/4            | -7.9%  | -15.6%     | -20.5%     | -9.4%  | -1.0% | -16.9%     | -13.7% | -13.3%     |
| Vol.8 No.2  | 1,359       | 1992/1            | -1.8%  | -17.2%     | -13.9%     | 19.5%  | 12.5% | -5.5%      | -7.6%  | -6.8%      |
| Vol.8 No.3  | 1,527       | 1992/2            | -9.2%  | -14.6%     | -18.7%     | 4.2%   | 1.1%  | -5.9%      | -8.7%  | -11.8%     |
| Vol.8 No.4  | 921         | 1992/3            | -15.9%   | -27.8%     | -32.7%     | -6.2%  | -4.5% | -17.7%     | -16.0% | -24.1%     |
| Vol.9 No.1  | 1,339       | 1992/4            | -9.1%  | -15.1%     | -21.0%     | -4.0%  | 4.5%  | -10.7%     | -7.5%  | -13.1%     |
| Vol.9 No.2  | 1,021       | 1993/1            | -3.8%  | -12.4%     | -11.3%     | 23.5%  | 16.4% | 0.7%       | -1.4%  | -0.8%      |
| Vol.9 No.3  | 1,310       | 1993/2            | 0.9%   | -7.9%      | -7.4%      | 19.1%  | 15.9% | 4.3%       | 1.5%   | -0.5%      |
| Vol.9 No.4  | 1,076       | 1993/3            | 8.3%   | -1.6%      | -7.0%      | 14.7%  | 16.4% | -3.4%      | -1.7%  | -4.5%      |

continued ...

Table A.1: Changes and expected changes in sales and employment, 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 |       | Sales  |       | Employment |       | Investment |
|              |             |                   |  | Employment | U     | S  | U     | S          | U     |            |
| Vol.10 No.1  | 1,295       | 1993/4            | 13.8%  | 3.5%       | -3.3% | 15.1%  | 23.6% | -0.2%      | 3.0%  | 3.3%       |
| Vol.10 No.2  | 861         | 1994/1            | 3.6%   | -4.3%      | -3.8% | 23.0%  | 16.0% | -1.1%      | -3.2% | 3.7%       |
| Vol.10 No.3  | 2,327       | 1994/2            | 16.2%  | 0.8%       | -3.3% | 18.4%  | 15.3% | 1.6%       | -1.2% | -2.2%      |
| Vol.10 No.4  | 1,046       | 1994/3            | 20.3%  | 7.6%       | 0.6%  | 14.6%  | 16.3% | -0.2%      | 1.5%  | 1.9%       |
| Vol.11 No.1B | 983         | 1994/4            | 20.6%  | 2.1%       | 4.1%  | 17.2%  | 25.6% | 3.7%       | 6.9%  | 2.4%       |
| Vol.11 No.2  | 1,295       | 1995/1            | 18.2%  | 3.2%       | 1.4%  | 27.8%  | 20.8% | 5.7%       | 3.6%  | 5.0%       |
| Vol.11 No.3  | 669         | 1995/2            | 18.0%  | 3.2%       | 1.1%  | 18.6%  | 15.4% | 4.3%       | 1.5%  | -1.5%      |
| Vol.11 No.4  | 1,047       | 1995/3            | 13.1%  | 3.3%       | 3.1%  | 14.0%  | 15.7% | -1.9%      | -0.2% | -2.1%      |
| Vol.12 No.1  | 700         | 1995/4            | 10.0%  | -2.9%      | 1.9%  | 2.6%   | 11.0% | -6.7%      | -3.5% | -5.2%      |
| Vol.12 No.2  | 1,099       | 1996/1            | 14.2%  | 2.5%       | 1.0%  | 20.7%  | 13.7% | 1.9%       | -0.2% | -2.8%      |
| Vol.12 No.3  | 742         | 1996/2            | 10.5%  | 3.9%       | 5.1%  | 16.1%  | 12.9% | 3.3%       | 0.5%  | -2.7%      |
| Vol.12 No.4  | 753         | 1996/3            | 23.1%  | 8.9%       | 7.2%  | 24.3%  | 26.0% | 5.1%       | 6.8%  | 6.1%       |
| Vol.13 No.1  | 912         | 1996/4            | 20.4%  | 9.8%       | 10.9% | 17.4%  | 25.8% | 4.8%       | 8.0%  | 7.2%       |
| Vol.13 No.2  | 720         | 1997/1            | 13.6%  | 2.0%       | 9.9%  | 27.7%  | 20.7% | 8.6%       | 6.5%  | 7.0%       |
| Vol.13 No.3  | 909         | 1997/2            | 18.0%  | 5.3%       | 5.2%  | 22.2%  | 19.0% | 7.3%       | 4.5%  | 2.4%       |
| Vol.13 No.4  | 634         | 1997/3            | 21.5%  | 12.1%      | 10.7% | 24.1%  | 25.8% | 3.9%       | 5.6%  | 3.8%       |
| Vol.14 No.1  | 783         | 1997/4            | 20.8%  | 1.4%       | 10.2% | 12.7%  | 21.1% | -0.7%      | 2.5%  | 3.6%       |
| Vol.14 No.2  | 1,273       | 1998/1            | 19.1%  | 3.1%       | 12.3% | 20.9%  | 13.8% | 3.8%       | 1.7%  | 2.0%       |
| Vol.14 No.3  | 682         | 1998/2            | 8.8%   | 5.2%       | 4.5%  | 10.0%  | 6.8%  | 5.5%       | 2.7%  | 1.6%       |
| Vol.14 No.4  | 654         | 1998/3            | -2.9%  | -0.5%      | 4.1%  | 2.8%   | 4.5%  | -3.0%      | -1.3% | -8.4%      |
| Vol.15 No.1  | 601         | 1998/4            | 5.7%   | 0.6%       | 2.5%  | -5.9%  | 2.6%  | -3.4%      | -0.2% | -6.1%      |

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 Volume 1 Number 1

A – From Volume 5 Number 1, all results were weighted to the sectoral distribution of firms according to VAT statistics.

B – From Volume 11 Number 1, all results have been weighted to the sectoral distribution of employment in firms with under 50 employees according to DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted

Table A.2: Problems experienced by respondents (from 1989/1 figures are weighted - see notes on previous page)

|         | Inflation | Interest Rates | Access to Finance | Lack of Skilled Employees | Total Tax Burden | Low Turnover or Lack of Business | Competition from Big Business | Govt Regs and Paperwork | High Rates of Pay | Shortage of Materials, Supplies etc. | Internal Management Difficulties | Cashflow/ Payments/ Debtors | Premises, Rents, Rates | Other | No Response | Number of Replies Analysed |
|---------|-----------|----------------|-------------------|---------------------------|------------------|----------------------------------|-------------------------------|-------------------------|-------------------|--------------------------------------|----------------------------------|-----------------------------|------------------------|-------|-------------|----------------------------|
| 1984/4  | 3.5%      | 17.1%          | -                 | 5.4%                      | 15.9%            | 15.3%                            | 12.0%                         | 12.6%                   | 4.2%              | 1.1%                                 | -                                | -                           | -                      | 10.9% | 1.4%        | 3,056                      |
| 1985/1  | 3.8%      | 19.4%          | -                 | 4.4%                      | 15.9%            | 14.5%                            | 10.0%                         | 15.7%                   | 3.4%              | 1.3%                                 | -                                | -                           | -                      | 9.5%  | 1.5%        | 1,795                      |
| 1985/2  | 5.0%      | 22.1%          | -                 | 4.3%                      | 16.1%            | 14.3%                            | 10.8%                         | 12.5%                   | 2.4%              | 1.3%                                 | -                                | -                           | -                      | 9.1%  | 1.5%        | 1,181                      |
| 1985/3  | 2.0%      | 23.6%          | -                 | 4.9%                      | 12.8%            | 13.8%                            | 11.2%                         | 13.1%                   | 3.7%              | 1.9%                                 | -                                | -                           | -                      | 8.6%  | 3.8%        | 1,090                      |
| 1985/4  | 2.2%      | 24.0%          | -                 | 5.6%                      | 16.6%            | 15.7%                            | 11.0%                         | 10.2%                   | 2.0%              | 0.9%                                 | -                                | -                           | -                      | 9.2%  | 2.0%        | 1,072                      |
| 1986/1  | 3.0%      | 21.4%          | -                 | 7.2%                      | 17.1%            | 14.4%                            | 11.7%                         | 9.6%                    | 2.0%              | 1.8%                                 | -                                | -                           | -                      | 9.9%  | 1.3%        | 1,326                      |
| 1986/2  | 1.7%      | 29.9%          | -                 | 7.3%                      | 16.3%            | 12.6%                            | 9.1%                          | 9.9%                    | 2.2%              | 1.2%                                 | -                                | -                           | -                      | 9.4%  | 0.6%        | 1,052                      |
| 1986/3  | 0.9%      | 21.3%          | -                 | 7.3%                      | 16.6%            | 17.0%                            | 11.5%                         | 7.3%                    | 1.4%              | 0.9%                                 | -                                | -                           | -                      | 13.7% | 2.0%        | 1,285                      |
| 1986/4  | 1.1%      | 25.0%          | -                 | 7.2%                      | 17.7%            | 14.7%                            | 11.8%                         | 6.8%                    | 1.3%              | 1.3%                                 | -                                | -                           | -                      | 10.0% | 3.1%        | 1,435                      |
| 1987/1  | 0.9%      | 26.4%          | -                 | 8.0%                      | 16.0%            | 13.0%                            | 12.0%                         | 7.4%                    | 1.6%              | 1.3%                                 | -                                | -                           | -                      | 9.1%  | 4.2%        | 1,166                      |
| 1987/2  | 1.0%      | 23.7%          | -                 | 9.6%                      | 17.7%            | 12.0%                            | 10.7%                         | 7.6%                    | 2.6%              | 1.5%                                 | -                                | -                           | -                      | 10.3% | 3.3%        | 1,746                      |
| 1987/3  | 1.1%      | 20.3%          | -                 | 11.8%                     | 17.9%            | 12.9%                            | 11.5%                         | 6.6%                    | 1.9%              | 2.2%                                 | -                                | -                           | -                      | 10.5% | 3.5%        | 1,113                      |
| 1987/4  | 1.1%      | 18.0%          | -                 | 11.1%                     | 21.3%            | 13.0%                            | 12.5%                         | 6.3%                    | 1.3%              | 1.3%                                 | -                                | -                           | -                      | 9.6%  | 4.5%        | 977                        |
| 1988/1  | 0.7%      | 21.6%          | -                 | 11.1%                     | 20.1%            | 9.6%                             | 11.4%                         | 6.1%                    | 2.3%              | 1.9%                                 | -                                | -                           | -                      | 14.9% | 0.3%        | 1,042                      |
| 1988/2  | 1.0%      | 19.4%          | -                 | 12.7%                     | 15.5%            | 10.2%                            | 14.4%                         | 8.0%                    | 1.8%              | 2.3%                                 | -                                | -                           | -                      | 13.7% | 1.4%        | 933                        |
| 1988/3  | 0.9%      | 17.6%          | -                 | 17.7%                     | 13.7%            | 11.3%                            | 11.4%                         | 8.3%                    | 2.4%              | 2.7%                                 | -                                | -                           | -                      | 11.4% | 2.4%        | 983                        |
| 1988/4  | 2.8%      | 25.5%          | -                 | 16.9%                     | 12.5%            | 8.7%                             | 10.4%                         | 6.0%                    | 1.3%              | 3.3%                                 | -                                | -                           | -                      | 10.6% | 1.9%        | 950                        |
| 1989/1A | 5.3%      | 23.4%          | -                 | 16.4%                     | 11.1%            | 5.7%                             | 5.9%                          | 7.2%                    | 1.4%              | 0.3%                                 | -                                | -                           | -                      | 19.0% | 4.3%        | 1,523                      |
| 1989/2  | 6.3%      | 28.4%          | -                 | 14.0%                     | 12.2%            | 7.1%                             | 5.9%                          | 5.2%                    | 1.0%              | 0.8%                                 | -                                | -                           | -                      | 14.5% | 4.7%        | 947                        |
| 1989/3  | 6.1%      | 32.9%          | -                 | 13.3%                     | 7.1%             | 13.1%                            | 6.0%                          | 5.9%                    | 1.5%              | 0.5%                                 | -                                | -                           | -                      | 12.1% | 1.6%        | 2,274                      |
| 1989/4  | 6.9%      | 39.2%          | -                 | 10.4%                     | 5.4%             | 12.9%                            | 4.7%                          | 5.1%                    | 1.1%              | 0.6%                                 | -                                | -                           | -                      | 12.2% | 1.4%        | 795                        |
| 1990/1  | 4.2%      | 31.3%          | 3.1%              | 6.7%                      | 5.3%             | 13.3%                            | -                             | 5.5%                    | 2.5%              | 0.7%                                 | 0.6%                             | 11.5%                       | 8.4%                   | 5.3%  | 1.7%        | 1,091                      |
| 1990/2  | 6.7%      | 27.9%          | 3.2%              | 7.8%                      | 2.9%             | 14.6%                            | -                             | 5.6%                    | 1.5%              | 0.3%                                 | 1.6%                             | 11.6%                       | 6.6%                   | 8.2%  | 1.4%        | 1,384                      |
| 1990/3  | 4.3%      | 29.9%          | 3.6%              | 6.4%                      | 3.7%             | 14.7%                            | 3.1%                          | 4.3%                    | 1.6%              | 0.0%                                 | 1.9%                             | 13.6%                       | 4.8%                   | 5.5%  | 2.5%        | 1,043                      |
| 1990/4  | 7.5%      | 26.6%          | 2.3%              | 5.7%                      | 4.4%             | 18.9%                            | 3.8%                          | 6.3%                    | 0.2%              | 0.3%                                 | 0.8%                             | 8.6%                        | 4.7%                   | 7.9%  | 1.9%        | 1,250                      |
| 1991/1  | 6.0%      | 29.4%          | 2.7%              | 3.4%                      | 4.2%             | 21.1%                            | 2.6%                          | 5.6%                    | 0.9%              | 0.5%                                 | 0.8%                             | 11.4%                       | 4.2%                   | 5.5%  | 1.9%        | 1,239                      |
| 1991/2  | 4.0%      | 21.2%          | 4.3%              | 2.9%                      | 5.1%             | 25.2%                            | 2.9%                          | 4.0%                    | 0.4%              | 0.4%                                 | 0.6%                             | 14.9%                       | 7.1%                   | 6.0%  | 1.0%        | 984                        |
| 1991/3  | 3.3%      | 15.0%          | 3.0%              | 2.3%                      | 4.7%             | 37.5%                            | 2.4%                          | 6.7%                    | 1.2%              | 0.3%                                 | 1.2%                             | 11.0%                       | 3.3%                   | 6.7%  | 1.5%        | 1,718                      |
| 1991/4  | 1.2%      | 7.5%           | 4.6%              | 4.5%                      | 4.1%             | 38.1%                            | 3.4%                          | 3.9%                    | 0.7%              | 0.3%                                 | 1.3%                             | 13.2%                       | 5.7%                   | 10.7% | 0.8%        | 835                        |

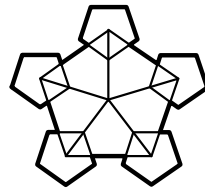
continued ...

Table A.2: continued

|         | Inflation | Interest Rates | Access to Finance | Lack of Skilled Employees | Total Tax Burden | Low T/over or Lack of Business | Competition from Big Business | Govt. Regs and Paperwork | High Rates of Pay | Shortage of Materials, Supplies etc. | Internal Management Difficulties | Cashflow/ Payments/ Debtors | Premises, Rents, Rates | Other | No Response | Number of Replies Analysed |
|---------|-----------|----------------|-------------------|---------------------------|------------------|--------------------------------|-------------------------------|--------------------------|-------------------|--------------------------------------|----------------------------------|-----------------------------|------------------------|-------|-------------|----------------------------|
| 1992/1  | 2.0%      | 9.1%           | 5.2%              | 2.1%                      | 5.6%             | 36.3%                          | 3.2%                          | 5.6%                     | 0.5%              | 0.4%                                 | 1.2%                             | 15.8%                       | 4.0%                   | 7.1%  | 1.8%        | 1,684                      |
| 1992/2  | 2.2%      | 11.6%          | 4.4%              | 3.4%                      | 5.4%             | 34.3%                          | 4.5%                          | 5.3%                     | 0.4%              | 0.3%                                 | 1.1%                             | 13.4%                       | 5.0%                   | 7.4%  | 1.3%        | 1,359                      |
| 1992/3  | 1.6%      | 7.6%           | 3.9%              | 2.9%                      | 5.1%             | 43.3%                          | 2.1%                          | 8.1%                     | 0.3%              | 1.0%                                 | 0.8%                             | 13.5%                       | 3.0%                   | 5.9%  | 0.8%        | 1,527                      |
| 1992/4  | 1.0%      | 8.8%           | 3.6%              | 1.6%                      | 6.0%             | 44.3%                          | 4.0%                          | 8.0%                     | 0.5%              | 0.3%                                 | 0.2%                             | 11.5%                       | 3.0%                   | 5.2%  | 2.0%        | 921                        |
| 1993/1  | 0.6%      | 3.7%           | 3.2%              | 3.2%                      | 4.1%             | 47.7%                          | 3.0%                          | 6.2%                     | 0.3%              | 1.2%                                 | 0.6%                             | 13.1%                       | 2.9%                   | 8.4%  | 1.8%        | 1,339                      |
| 1993/2  | 0.5%      | 1.4%           | 5.4%              | 3.3%                      | 5.4%             | 43.1%                          | 4.0%                          | 7.6%                     | 0.5%              | 0.7%                                 | 1.6%                             | 14.3%                       | 2.9%                   | 7.4%  | 1.8%        | 1,021                      |
| 1993/3  | 0.4%      | 2.1%           | 5.5%              | 4.5%                      | 5.4%             | 41.2%                          | 4.2%                          | 12.6%                    | 0.3%              | 0.7%                                 | 0.9%                             | 10.9%                       | 3.7%                   | 5.9%  | 1.6%        | 1,310                      |
| 1993/4  | 1.0%      | 2.8%           | 6.9%              | 3.0%                      | 6.5%             | 36.8%                          | 4.3%                          | 10.0%                    | 0.3%              | 0.6%                                 | 2.5%                             | 15.5%                       | 3.3%                   | 4.6%  | 2.0%        | 1,076                      |
| 1994/1  | 0.6%      | 1.9%           | 5.5%              | 4.2%                      | 6.8%             | 34.1%                          | 6.9%                          | 11.0%                    | 0.1%              | 0.6%                                 | 1.1%                             | 14.4%                       | 4.1%                   | 6.9%  | 1.7%        | 1,295                      |
| 1994/2  | 1.1%      | 1.6%           | 3.8%              | 5.4%                      | 7.0%             | 35.3%                          | 5.2%                          | 13.9%                    | 0.1%              | 0.4%                                 | 1.4%                             | 14.0%                       | 3.2%                   | 6.4%  | 1.3%        | 861                        |
| 1994/3  | 0.9%      | 1.5%           | 3.6%              | 4.9%                      | 5.9%             | 37.7%                          | 5.9%                          | 9.7%                     | 0.9%              | 0.8%                                 | 2.1%                             | 13.3%                       | 3.1%                   | 7.6%  | 2.0%        | 2,327                      |
| 1994/4  | 1.1%      | 1.2%           | 4.7%              | 4.8%                      | 6.4%             | 35.7%                          | 6.3%                          | 10.4%                    | 0.1%              | 1.1%                                 | 1.6%                             | 12.9%                       | 3.8%                   | 7.6%  | 2.5%        | 1,046                      |
| 1995/1B | 0.8%      | 2.7%           | 4.0%              | 6.1%                      | 6.2%             | 37.7%                          | 6.9%                          | 6.7%                     | 0.6%              | 1.1%                                 | 3.0%                             | 12.5%                       | 2.0%                   | 7.4%  | 2.2%        | 983                        |
| 1995/2  | 1.2%      | 2.0%           | 3.4%              | 5.1%                      | 6.9%             | 36.7%                          | 6.1%                          | 8.0%                     | 0.6%              | 0.9%                                 | 2.7%                             | 12.2%                       | 3.8%                   | 9.4%  | 1.0%        | 1,295                      |
| 1995/3  | 1.1%      | 3.8%           | 4.2%              | 4.0%                      | 6.8%             | 37.6%                          | 8.8%                          | 7.1%                     | 0.5%              | 0.5%                                 | 1.1%                             | 11.4%                       | 5.9%                   | 6.8%  | 0.4%        | 669                        |
| 1995/4  | 1.1%      | 0.8%           | 3.4%              | 6.0%                      | 6.0%             | 39.1%                          | 6.3%                          | 9.1%                     | 0.7%              | 0.3%                                 | 2.4%                             | 12.0%                       | 2.8%                   | 9.3%  | 0.9%        | 1,047                      |
| 1996/1  | 2.2%      | 0.6%           | 3.3%              | 4.5%                      | 6.5%             | 38.2%                          | 6.7%                          | 5.1%                     | 0.3%              | 0.7%                                 | 1.7%                             | 12.8%                       | 3.7%                   | 11.5% | 2.1%        | 700                        |
| 1996/2  | 0.4%      | 0.7%           | 2.6%              | 4.4%                      | 6.5%             | 36.6%                          | 6.1%                          | 8.8%                     | 0.4%              | 0.5%                                 | 2.6%                             | 13.1%                       | 3.4%                   | 13.1% | 1.0%        | 1,099                      |
| 1996/3  | 0.2%      | 0.7%           | 3.7%              | 6.1%                      | 6.3%             | 31.8%                          | 8.1%                          | 8.6%                     | 0.3%              | 0.5%                                 | 1.4%                             | 12.2%                       | 4.9%                   | 14.3% | 1.2%        | 742                        |
| 1996/4  | 0.6%      | 1.0%           | 2.5%              | 7.6%                      | 6.5%             | 34.6%                          | 7.5%                          | 10.3%                    | 0.4%              | 0.2%                                 | 2.5%                             | 9.5%                        | 4.2%                   | 11.6% | 1.0%        | 753                        |
| 1997/1  | 0.3%      | 1.4%           | 2.9%              | 8.2%                      | 6.6%             | 29.9%                          | 7.4%                          | 10.8%                    | 0.3%              | 0.5%                                 | 2.1%                             | 14.6%                       | 3.9%                   | 10.2% | 1.0%        | 912                        |
| 1997/2  | 0.1%      | 1.2%           | 2.0%              | 9.5%                      | 5.1%             | 31.9%                          | 7.2%                          | 10.5%                    | 1.4%              | 0.3%                                 | 2.5%                             | 11.2%                       | 3.5%                   | 12.6% | 1.1%        | 720                        |
| 1997/3  | 0.2%      | 2.7%           | 3.4%              | 8.1%                      | 8.1%             | 27.6%                          | 9.2%                          | 10.3%                    | 0.5%              | 0.5%                                 | 2.0%                             | 10.5%                       | 5.3%                   | 11.1% | 0.5%        | 909                        |
| 1997/4  | 0.7%      | 1.9%           | 2.5%              | 12.1%                     | 5.6%             | 29.4%                          | 7.0%                          | 10.9%                    | 0.6%              | 0.6%                                 | 2.5%                             | 10.3%                       | 4.9%                   | 9.7%  | 1.3%        | 634                        |
| 1998/1  | 0.2%      | 3.4%           | 1.8%              | 9.0%                      | 5.8%             | 27.7%                          | 8.1%                          | 11.7%                    | 0.9%              | 0.5%                                 | 1.6%                             | 12.1%                       | 3.4%                   | 12.5% | 1.2%        | 783                        |
| 1998/2  | 0.2%      | 3.3%           | 3.0%              | 10.2%                     | 5.0%             | 25.5%                          | 8.1%                          | 8.4%                     | 1.0%              | 0.3%                                 | 1.9%                             | 10.8%                       | 3.2%                   | 18.1% | 0.9%        | 1,273                      |
| 1998/3  | 1.8%      | 3.4%           | 2.2%              | 7.7%                      | 5.0%             | 29.2%                          | 6.2%                          | 9.6%                     | 0.8%              | 0.1%                                 | 2.7%                             | 9.8%                        | 4.8%                   | 16.1% | 0.6%        | 682                        |
| 1998/4  | 0.8%      | 6.3%           | 1.8%              | 9.7%                      | 7.0%             | 30.8%                          | 7.7%                          | 6.0%                     | 1.4%              | 0.7%                                 | 1.6%                             | 10.6%                       | 2.0%                   | 13.0% | 0.6%        | 654                        |
| 1999/1  | 0.1%      | 1.8%           | 2.0%              | 8.9%                      | 7.1%             | 30.9%                          | 5.4%                          | 11.3%                    | 1.1%              | 1.0%                                 | 1.8%                             | 8.3%                        | 4.2%                   | 15.1% | 1.0%        | 601                        |



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**SMALL BUSINESS RESEARCH TRUST**  
**Survey Section**  
**c/o Bannock Consulting**  
**FREEPOST 13 WD549**  
**LONDON W1E 6BJ**

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):**

- a. Less than £20,000  
 b. £20,000-£49,999  
 c. £50,000-£149,999  
 d. £150,000-£349,999  
 e. £350,000-£749,999  
 f. £750,000-£1,499,999  
 g. £1,500,000 and over

**2a Employment: The number of people (including yourself) who work in the business:** .....

**2b The number of these who work part-time:** .....

**3 How many years has your present business been trading?** .....

**4a Please classify your business activity by circling one of these categories:**

- a. Agriculture, Forestry, Fisheries  
 b. Manufacturing, Mining, Processing  
 c. Transport  
 d. Construction  
 e. Wholesale  
 f. Retail Trade  
 g. Hotels & Restaurants  
 h. Business Services (Finance, Consultants, Designers, etc.)  
 i. Other Services

**4b Please also describe in a few words the precise nature of your business:** .....

**5 Which of the following products/services does your business currently use?**

- a. Answering machine  
 b. Facsimile (Fax) machine  
 c. Electronic mail  
 d. On-line database services  
 e. Mobile telephones  
 f. Pagers  
 g. Personal computers  
 h. Video conferencing

**6 If your business uses more than one computer, are they networked together?**

- a. Yes    b. No    c. No, but intend to this year

**7 Does your business use internet e-mail?**

- a. Yes    b. No    c. No, but intend to this year

**8 Does your business have its own internet web-pages?**

- a. Yes    b. No    c. No, but intend to this year

**9 Has your business so far taken steps to check and ensure Year 2000 compliance of its computer systems?**

- a. Yes    b. No    c. Don't know

**10 Do you believe that all of your business computer systems are now Year 2000 compliant?**

- a. Yes    b. No    c. Don't know

**11 If you are not confident of Year 2000 compliance, do you feel you need more help to become so?**

- a. Yes    b. No

Please write any comments which you have on computers, communications or the internet on the reverse of this sheet

**12 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 1997? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:**

|                    | ACTUAL  |      |      | EXPECTED |      |      |
|--------------------|---|------|------|----------|------|------|
|                    | October, November, December 1998 compared with the same period 1997 |      |      |          |      |      |
|                    | UP  | DOWN | SAME | UP       | DOWN | SAME |
| Sales Turnover     |   |      |      |          |      |      |
| Average Employment |   |      |      |          |      |      |
| Investment         |   |      |      |          |      |      |
| Selling Prices     |   |      |      |          |      |      |

**13 What is the MOST important problem facing your business today? Please circle ONE only:**

- a. Inflation  
 b. Interest Rates  
 c. Access to Finance  
 d. Lack of Skilled/Trained Employees  
 e. Total Tax Burden  
 f. Low Turnover/Lack of Business  
 g. Competition from Big Business  
 h. Gov't Regulations and Paperwork  
 i. High Rates of Pay  
 j. Shortage of Materials, Supplies, etc.  
 k. Internal Management Difficulties  
 l. Cashflow/Payments/Debtors  
 m. Premises, Rents, Rates  
 n. Other (Please specify)  
 .....

**14 Please indicate the sex of the owner(s) of the business:**

- a. Male    b. Female    c. Joint Male/Female ownership

Thank you for completing this confidential survey questionnaire.

**Please return it to the Small Business Research Trust by 12th February 1999.**

Please note that this is a FREEPOST address (no stamp required).