

UKBAB 56 April 2007 Analysis

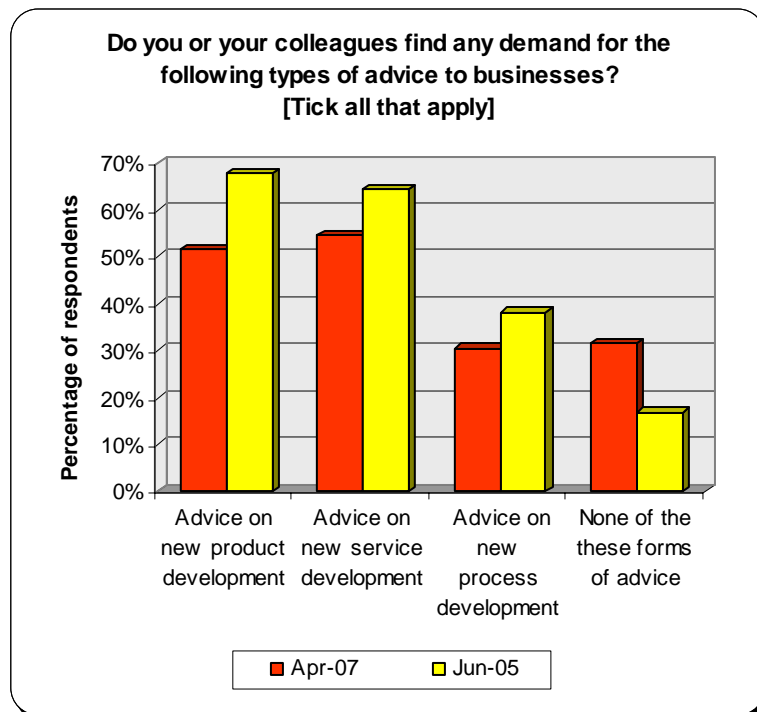
The April survey looks into new product development, and also included this month are questions on intellectual property rights, taking on debt, the 'entrepreneurial spirit', advice and associated fees plus what should your clients concentrate upon if they had the use of an expert for the day..

In total 174 Business Advisers responded to this Survey.

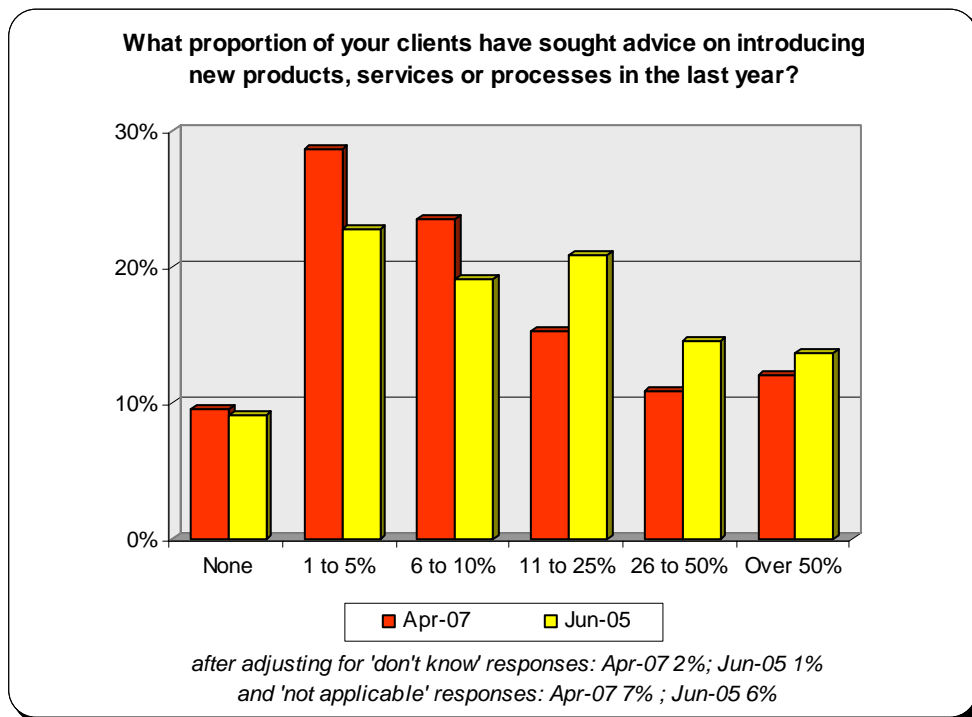
Survey Findings

The first four questions this month look at factors surrounding new or improved products and services introduced over the past two years.

The April 2007 survey found that 68% of respondent advisers or their colleagues are asked about advice on product, process or service development, compared to 83% in the June 2005 survey. Percentages decreased in all categories but with the greatest decrease in the percentage of respondents being asked for advice on new products.



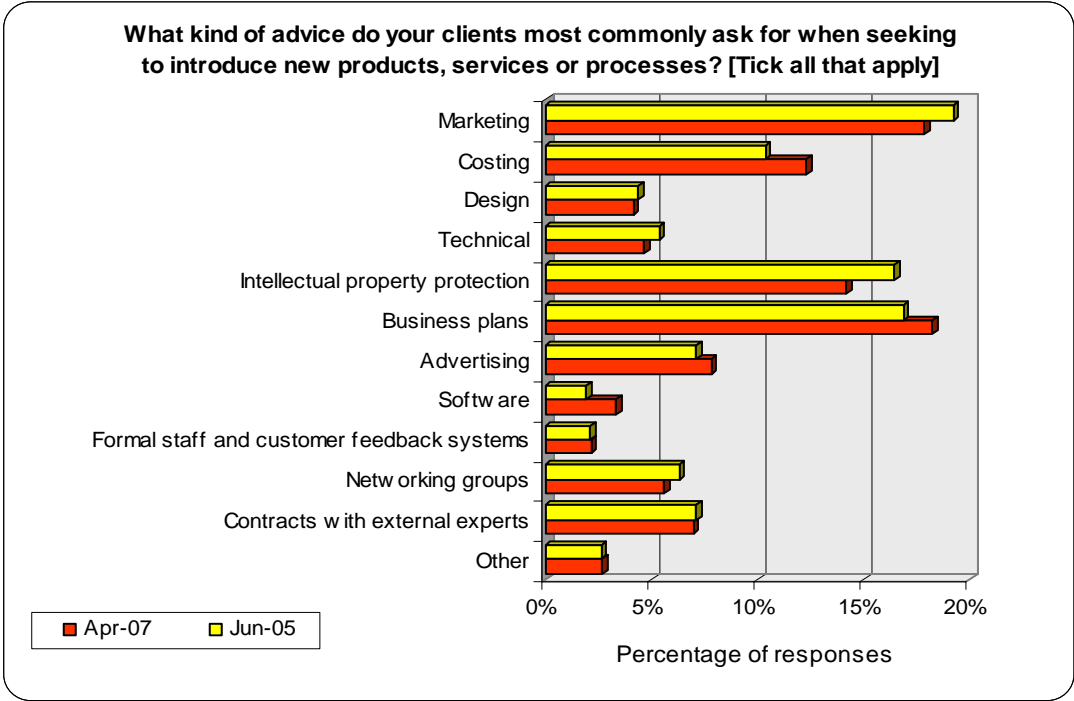
Over the last year 23% of respondents have been asked for this type of advice by more than 25% of their clients, compared with the equivalent figure of 27% in the June 2005 survey.



When new products, services or processes are at the development stage, many businesses seek external advice about some aspect. The UKBAB asked advisers what kind of advice their clients most commonly asked for in connection with the introduction of new products, services or processes. The most frequent response was Business plans with just over 18%, followed by Marketing with just under 18% and protecting patents, copyrights and trademarks with 14%, after adjusting for 'don't know' and 'not applicable' responses.

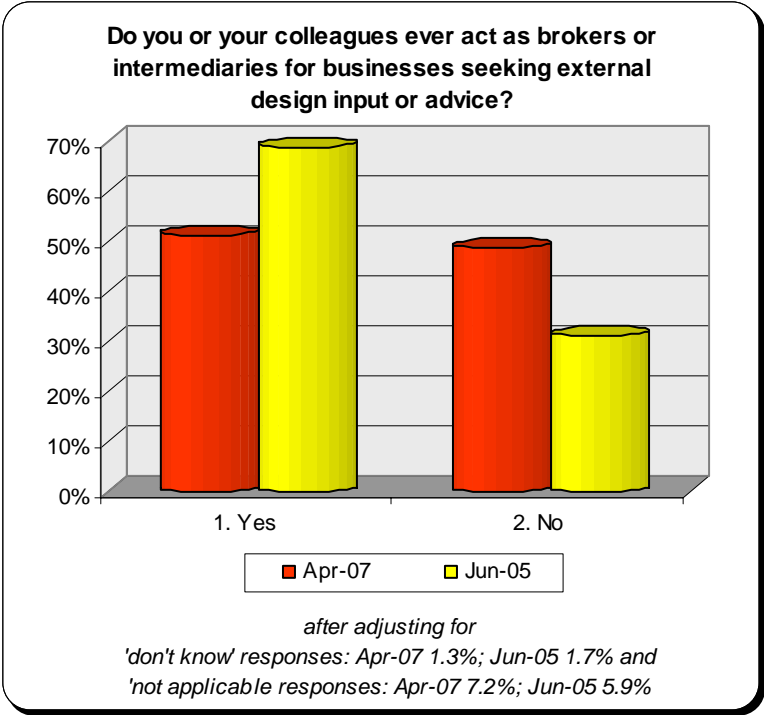
Amongst comments received this month from survey respondents, the point was made that assistance to access R&D grants is a big area, and much frustration is caused because innovation in software is not eligible for R&D grant funding.

In the parallel survey of smaller business, the UKBB, panellists were asked if they had sought advice on the same range of issues when developing new products services or processes. The most frequent consultation was about technical issues - after adjusting for those responding with 'don't know or 'not applicable', 40% of remaining respondents have sought technical advice externally while 31% of respondents looked for external help on Marketing and 27% for Design advice.



after adjusting for 'don't know' responses (2% Apr 07 and Jun 05) and 'not applicable' responses (29% Apr 07, 33% Jun 05)

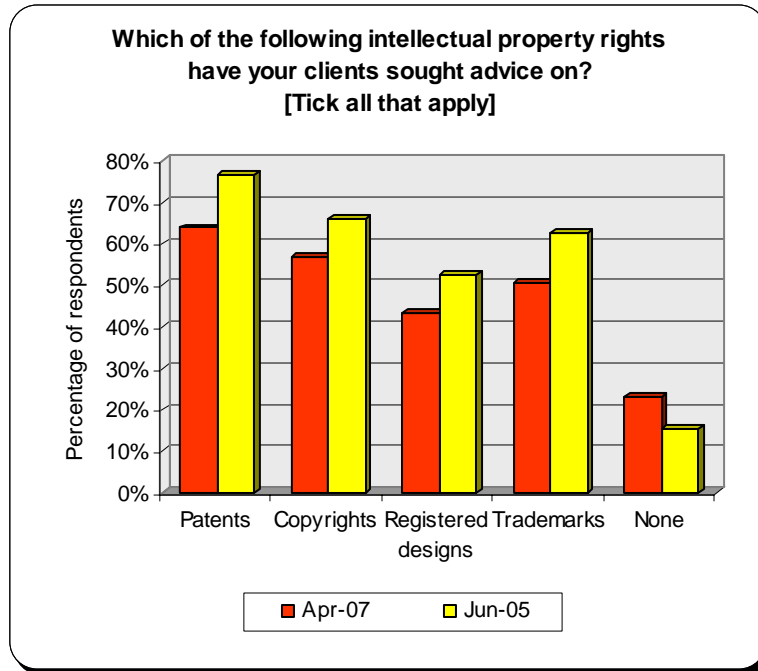
51% of respondents or their colleagues act as brokers or intermediaries for businesses seeking external design input or advice, although 49% do not.



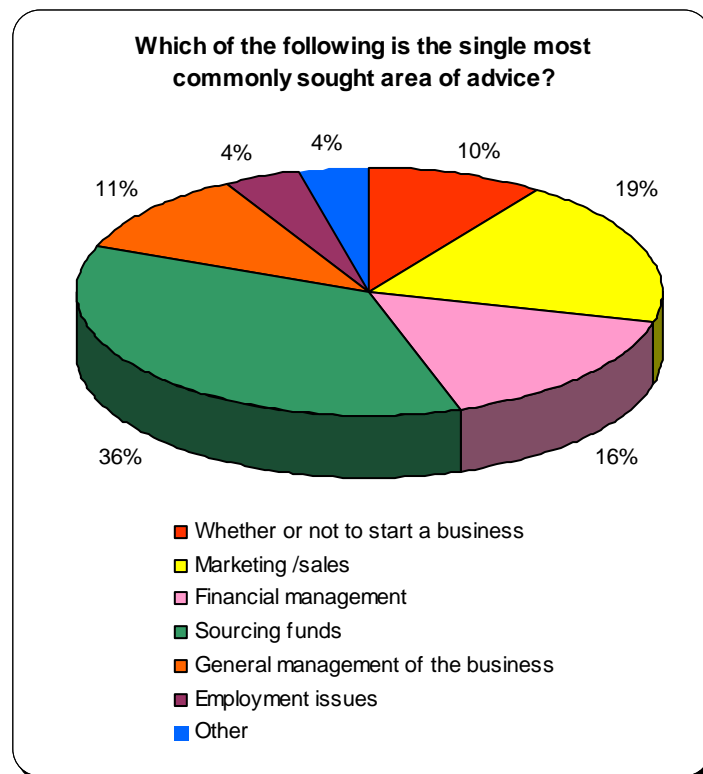
Advisers were asked about which type of intellectual property rights their clients have sought advice on. On average, advisers were asked for advice on between 2 and 3 out of the four categories, with 64% of respondents being asked for advice on patents and 57% on copyrights. Registered designs were the subject of the least interest from clients.

The results in the parallel UKBB survey of smaller businesses, show that the type of intellectual property rights that respondents have most sought advice on have been Trademarks. After adjusting for those responding 'not applicable', 58% of remaining UKBB respondents sought advice on trademarks, 44% on patents and 37% on copyrights. Many have asked for more

than one type of advice.



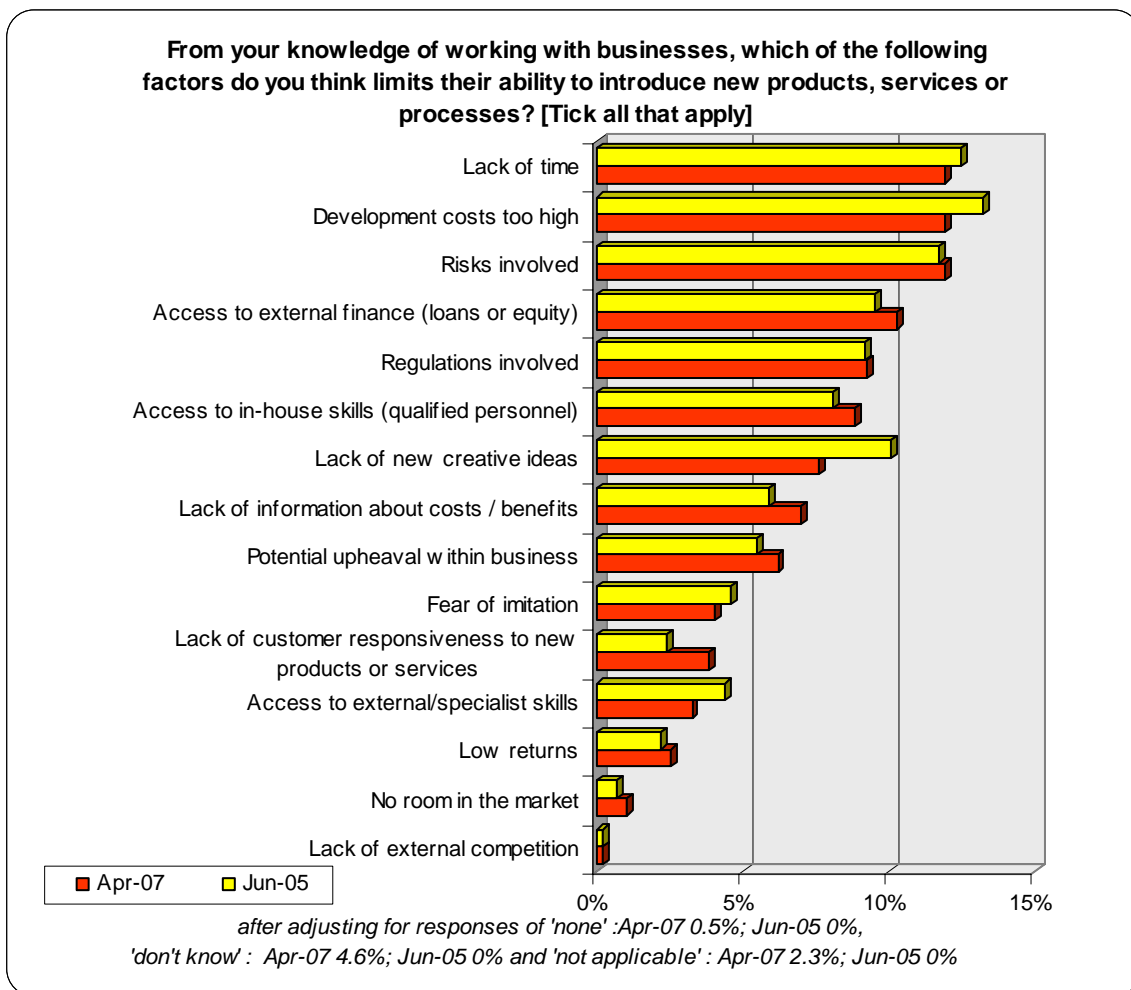
Respondents differed as to what they have experienced to be the single most commonly sought area of advice. 36% agreed on the sourcing of funds but marketing/sales was selected by 19% and financial management by 16%. One respondent commented that once people have decided they want to start a business, the advice they most often seek is on whether to be a sole trader, form a partnership or form a limited company.



The survey asked advisers to draw on their knowledge of working with businesses to say which of the listed factors limits businesses' ability to introduce new products services or processes. Advisers were invited to select all the factors they thought applied, and the same three factors as in June 2005 emerged as the strongest: lack of time, too high development costs and the

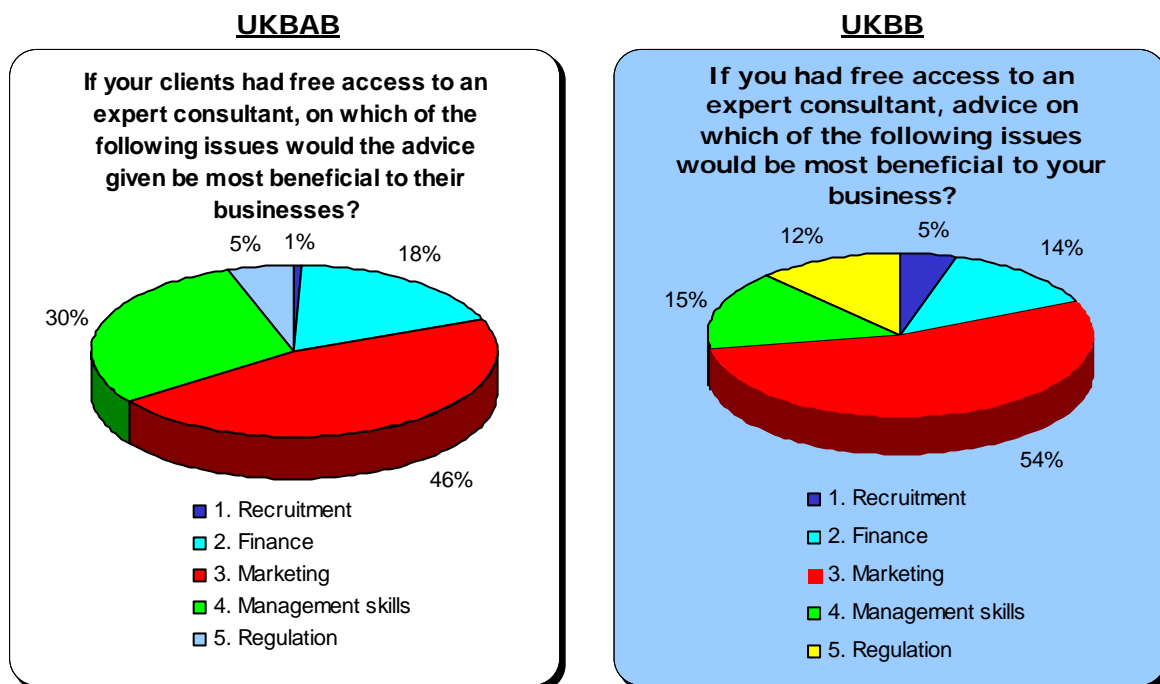
risks involved, each attracting 12% of total responses. In fourth position was access to external finance (loans or equity). Excluding those who responded with 'not applicable', don't know' and 'none', advisers selected an average of 5 responses. A respondent sent in the comment that one of the biggest factors inhibiting start-ups is their lack of understanding of the cost of their project and consequent under-capitalisation.

Businesses themselves were asked what factors inhibit the introduction of new products, services and processes in the parallel survey of smaller business, the UKBB. Nearly two years ago, when we last asked the same question, the foremost factor to emerge was lack of time and this was unchanged in the latest survey, chosen by 62% of UKBB respondents this time compared to 54% in June 2005. The second factor at that time was 'development costs too high' but this time around too high development costs rank in fifth place and regulations have moved into place as the second greatest deterrent – last time regulations were sixth.



UKBAB panellists were asked which issue would be most beneficial to their clients' businesses if they could receive free consultancy advice. Although Marketing was chosen by 46% of respondents, Management skills was favoured by 30%. One option not included was provision of mentoring – a respondent commented that having a respected knowledgeable outside person as a mentor is most important.

In the parallel survey of smaller business advisers, the UKBB, panellists were asked which issues would be most beneficial to them if they were offered free expert advice. Marketing was chosen by 54% of respondents, with other choices all receiving many fewer votes.

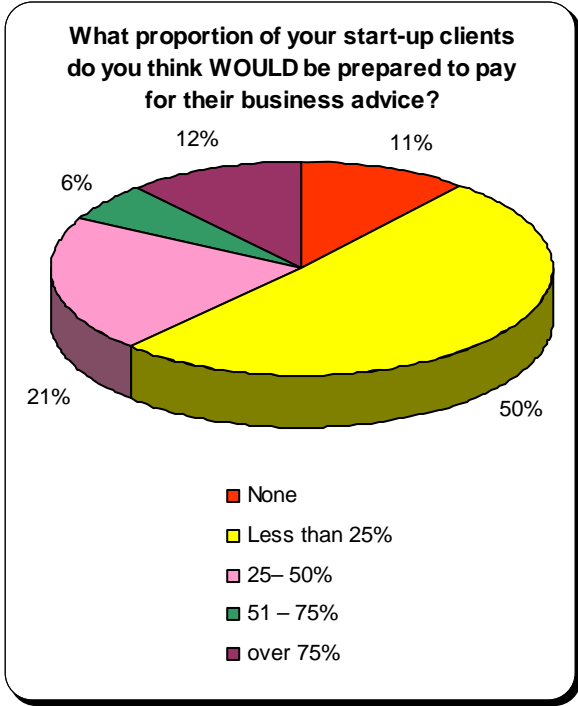
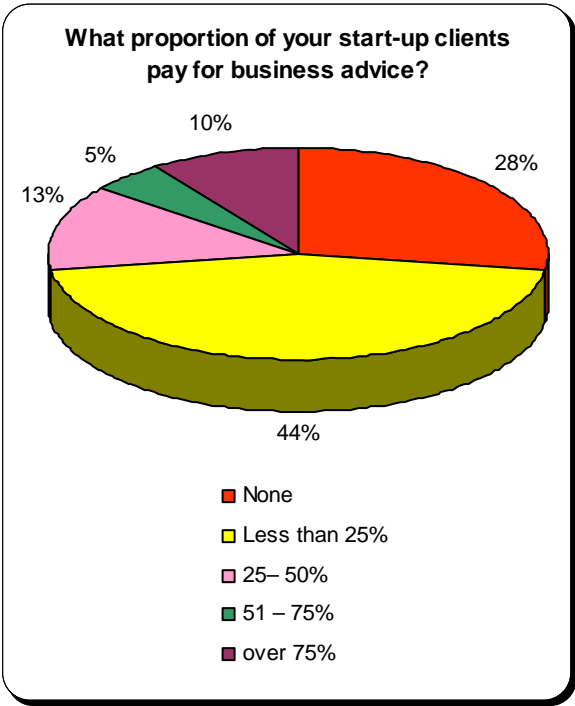


There are many sources of free advice to businesses, especially for potential new businesses. Many people do choose to pay for their advice, or are referred to a fee-charging expert after receiving free initial advice. UKBAB panellists were asked what proportion of their start-up clients pay for business advice and what proportion they think would pay.

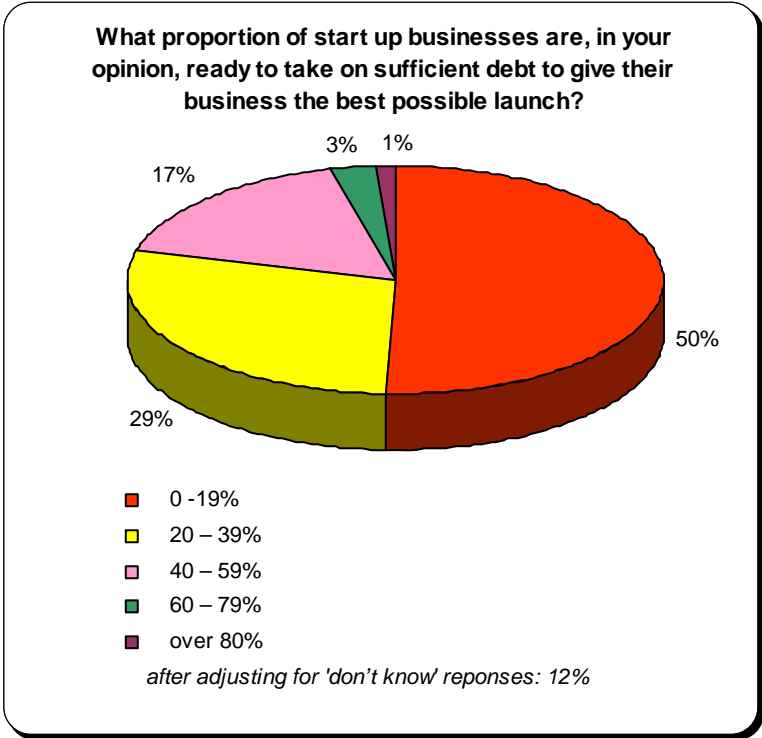
28% of respondents say that none of their start-up clients pay, but only 11% of respondents thinks that none would be prepared to pay. However 44% of respondents say that less than one quarter of their start-up clients pay at present, but half of all respondents think that less than one quarter would be prepared to pay.

At the other end of the scale, 15% of respondents say that over 50% of their start-up clients pay but 18% think that over 50% would be prepared to pay.

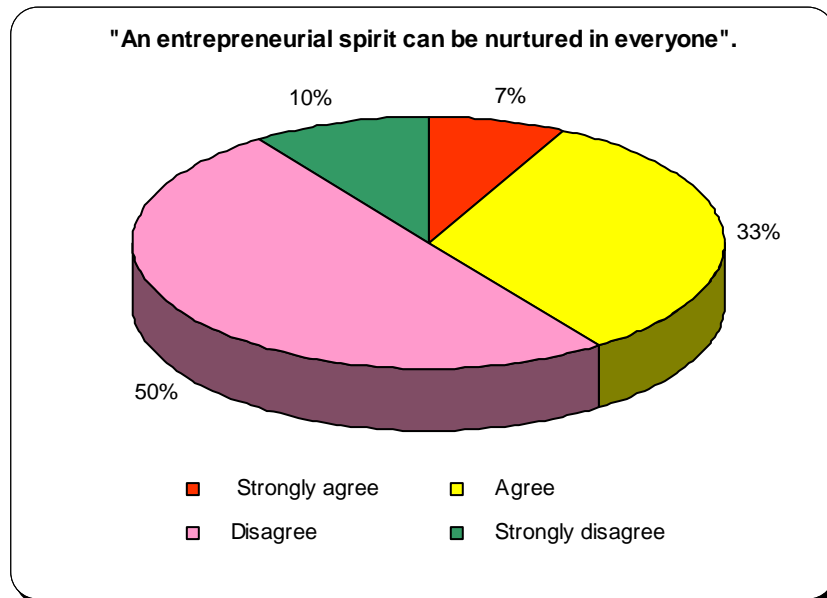
A comment was received from a contributing respondent flagging up that some offered advice is very short term and narrow in its coverage and that long term viability is about strategy and the actions that are used to implement that strategy.



The third question on start-up businesses related to the readiness of clients to take on sufficient debt to give their business the best possible launch. Respondents were not upbeat about this question – 50% said that less than 20% of their start-up clients were ready to take on enough debt, while a further 29% said that only between 20% and 39% of their start-up clients were reluctant about taking on debt for this purpose.



Are entrepreneurs born or made? UKBAB panellists, who are professional business advisers, were asked to respond to the statement "An entrepreneurial spirit can be nurtured in everyone". Although there is increasing provision of educational courses on creativity and entrepreneurship, and entrepreneurship options being provide within many degree courses, as well as initiatives involving school children, the debate continues. 40% of respondents agree with the statement but 60% disagree.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BAB55 March 2007

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

A source of great frustration is the DTI's reluctance to accept that new software is an innovation and deserves R&D support. (Under the question on areas clients have sought advice, assistance to access grants for R&D are the biggest area and this was not an option!)

One of the biggest factors inhibiting new 'start-up' is their lack of understand of the cost of their project. Many do not realise that cask does not flow from day one, the big failure is under capitalisation and the worst people to give advice in this area are banks and accountants. Many bank employees who look at start-up loans cannot read a CFF or Balance Sheet.

Last question too restrictive in number of responses. Most important need is to have external person who can act as guide/mentor. Must be person they can respect as having the required knowledge.

Will be interesting to set of results. Most businesses want sound business advice, but never want to pay for it. Also the likes of the Chambers of Commerce or Business Links use funding and grants as their "carrot" to get business to take advice. In the end this advice in our experience is generally very short term and only looks at one or two aspects of the business, not the whole business. Long term viability is about strategy and the action that are used to implement that strategy.

Once people have decided they want to start a business, the advice they most often seek is on whether to be a sole trader, form a partnership or form a limited company.