

UKBAB 53 January 2007 Analysis

The first survey of 2007 looks at the supplier/customer relationship, starting a business and familiarity with WiFi. Panellists' views were also sought on school leavers and graduates and the value they bring to business.

In total 171 Business Advisers responded to this Survey.

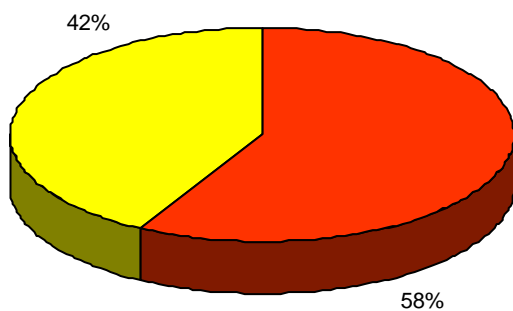
Survey Findings

Relationships with suppliers can vary from simple and non-integrated to more elaborate types of competition and co-operation. The balance between customer and supplier, when both are businesses, is affected by the relative size and market power of each but some regulation exists which is intended to protect smaller businesses from predatory behaviours by larger customers and suppliers. A large amount of management advice focuses on building and sustaining successful relationships with both suppliers and customers.

In a series of questions asked in the January 2007 Business Adviser Barometer survey, it emerged that 58% of respondents (after adjusting for 'don't know' responses) believe that their clients take a long term view of their relationships with suppliers, and 45% (again after adjusting for 'don't know' responses) said that clients place conditions other than just price and delivery dates, such as quality control, on their relationships with suppliers

In the parallel survey of Businesses, the UKBB, 79% of respondents (after adjusting for 'not applicable' responses) view their relationship with their suppliers as long term i.e. more than two years duration, and 56% (again after adjusting for 'not applicable' responses) place conditions other than just price and delivery dates, such as quality control, on their relationships with suppliers.

In your experience, when choosing and working with their suppliers, do clients take a long term view of the supplier/business relationship?

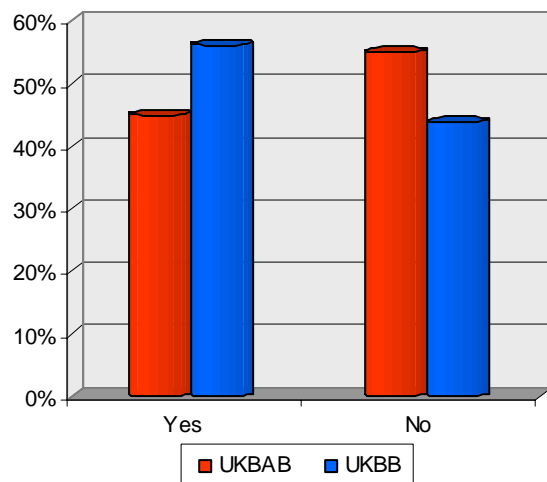


■ Yes

■ No

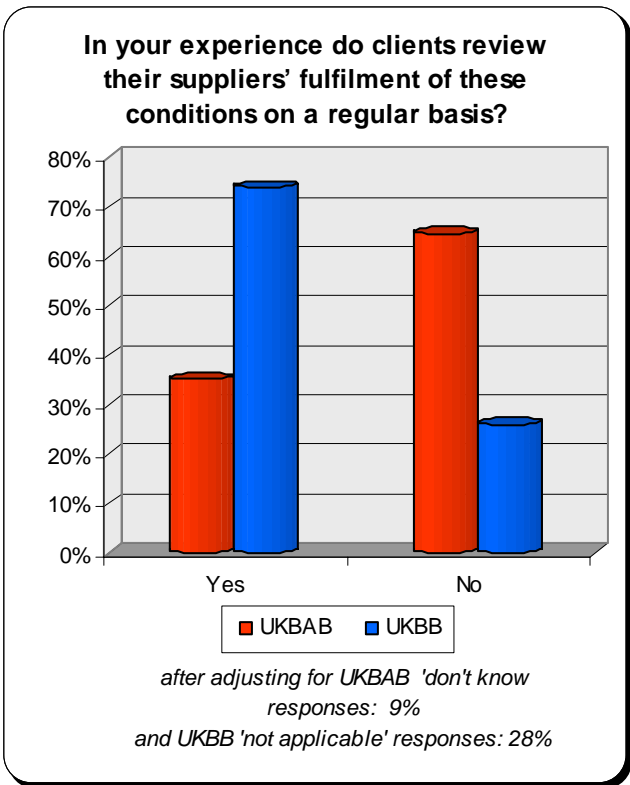
after adjusting for 'don't know' responses: 6%

In your experience, over and above agreed delivery dates and terms and conditions of payment, do clients tend to place other formal conditions upon that relationship (eg. quality control)?

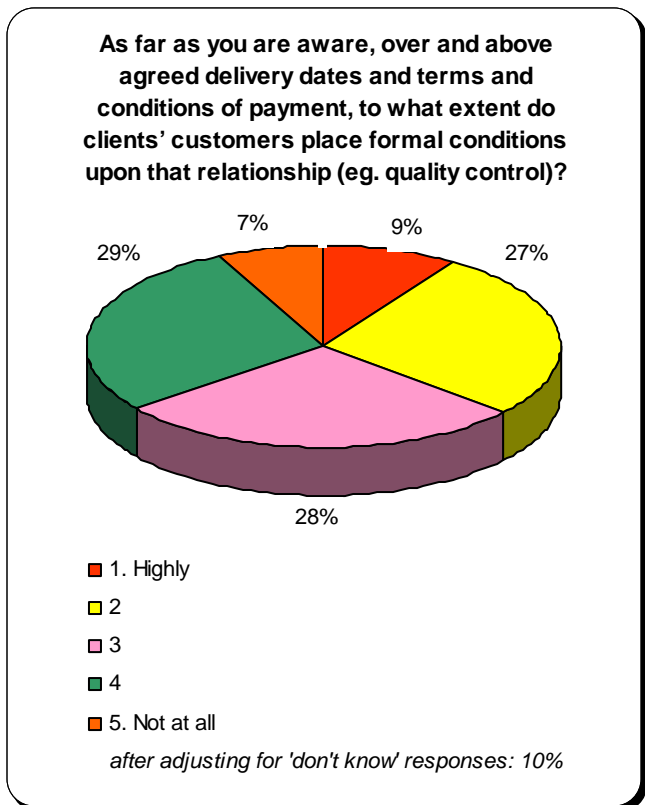
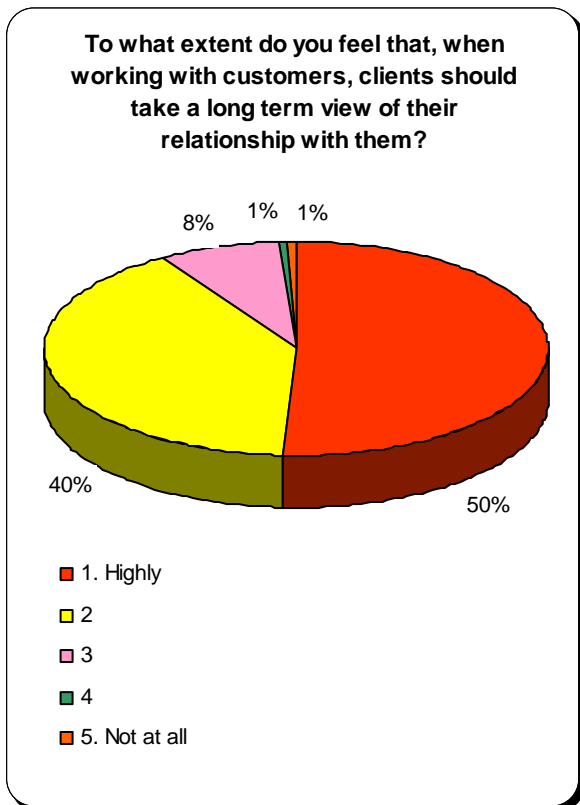


after adjusting for UKBAB 'don't know' responses: 6% and UKBB 'not applicable' responses: 9%

34% of UKBAB respondents (after adjusting for 'don't know' responses) say that clients regularly review how their suppliers fulfil their conditions of supply. This contrasts sharply with the UKBB finding that 74% of responding smaller businesses regularly review fulfilment of conditions of supply by their suppliers.



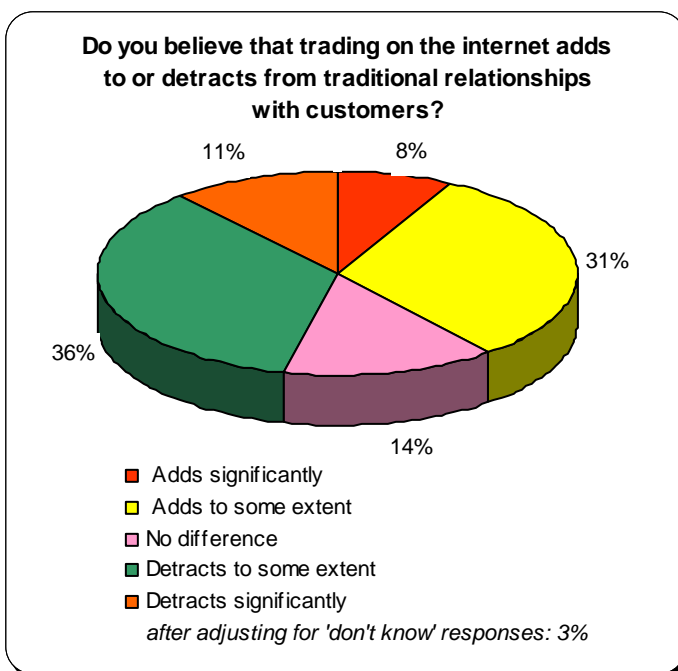
Panellists were asked about long term relationships between clients, when acting as suppliers themselves, and their customers. 91% of respondents feel highly or reasonably highly that their clients should take a long term view of relationships with their customers. 33% of UKBAB respondents say that to a high or reasonably high extent clients' customers have placed upon their relationships formal conditions, other than delivery dates and payment. When UKBB panellists were asked if their relationships with their customers involve formal conditions other than delivery dates and payment terms, 65% said that they do.



The Office of National Statistics reported last autumn that the value of internet sales in the UK had risen by 56% in 2005. The survey also showed that 56.3% of businesses made purchases over the internet.

39% of UKBAB respondents believe that using the internet for trading adds either significantly or to some extent to traditional relationships with customers. However 47% believe that internet trading detracts from the relationship, either to some extent or to a significant extent.

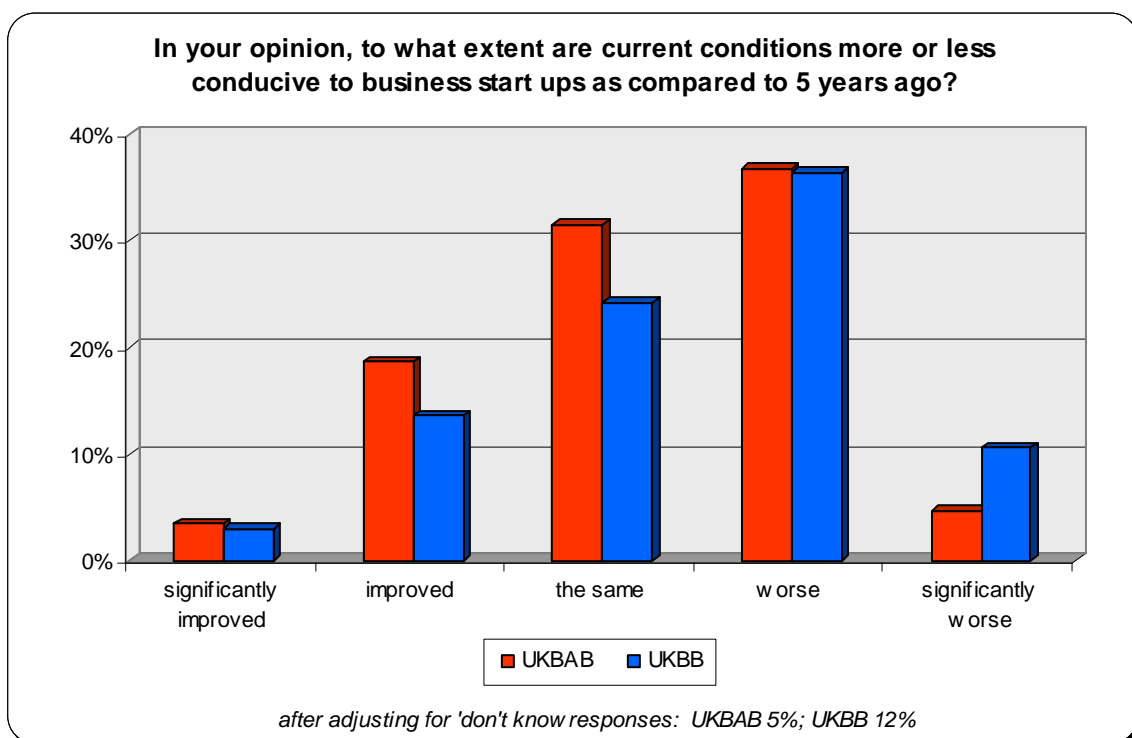
Two respondents commented that the answer depends on the client, how they use the website and the quality of the website.



With much recent media attention given to new business start ups and those who say they are contemplating starting a new business, panellists of both the UKBAB and the UKBB were asked their opinion on the current climate for new businesses. The two surveys asked the same question three and a half years ago, and respondents to the UKBAB seem to have become gloomier, although the results from the UKBB respondents were quite close to last time's.

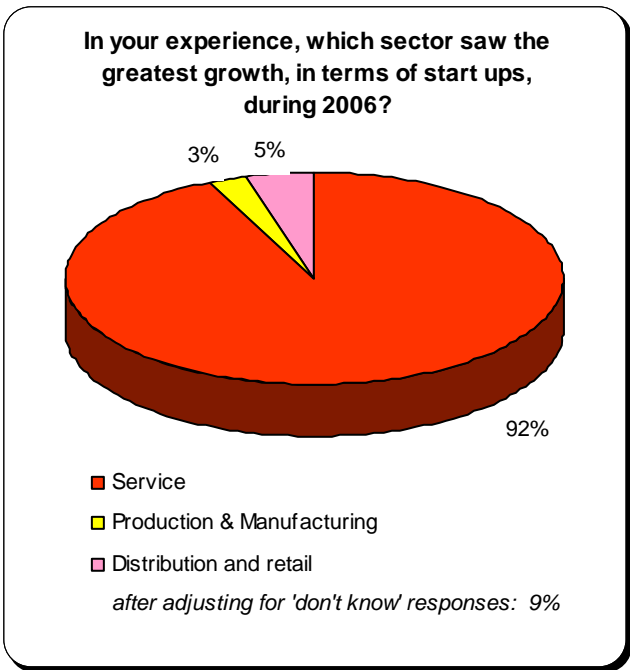
Although 23% of UKBAB respondents think that current conditions have significantly improved or improved compared to 5 years ago, in July 2003 the figure was 39%, and 44% think they have worsened or significantly worsened compared to 34% in July 2003.

19% of UKBB respondents think that current conditions have significantly improved or improved compared to 5 years ago (21% in July 2003) while 54% think they have worsened or significantly worsened (59% in July 2003).

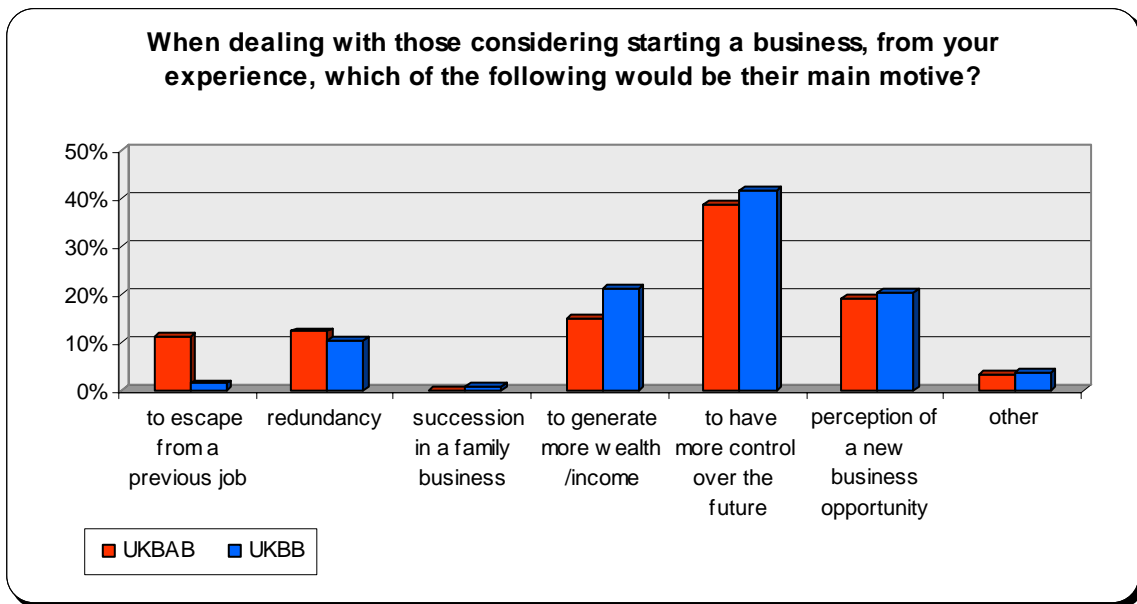


Our respondents are drawn from different specialisms of business advice, some of which relate to particular business activities or stages of business, for example advising business start-ups. Responses to questions based on Advisers' experience are very dependent on the differences between types of business advisers.

92% of the responding Business Advisers have found that the greatest growth in business start-ups has been in the Services sector but one comment submitted said that many enquiries about start-ups in the retail sector eventually don't work out because suitable premises are not available.



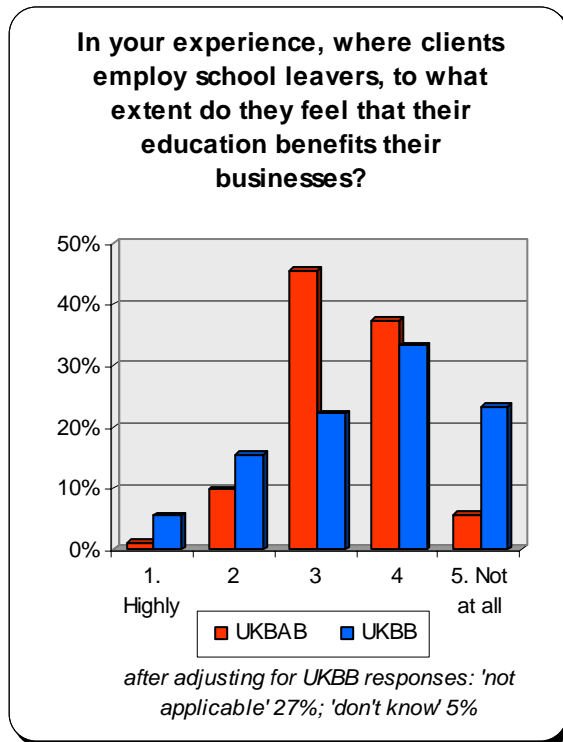
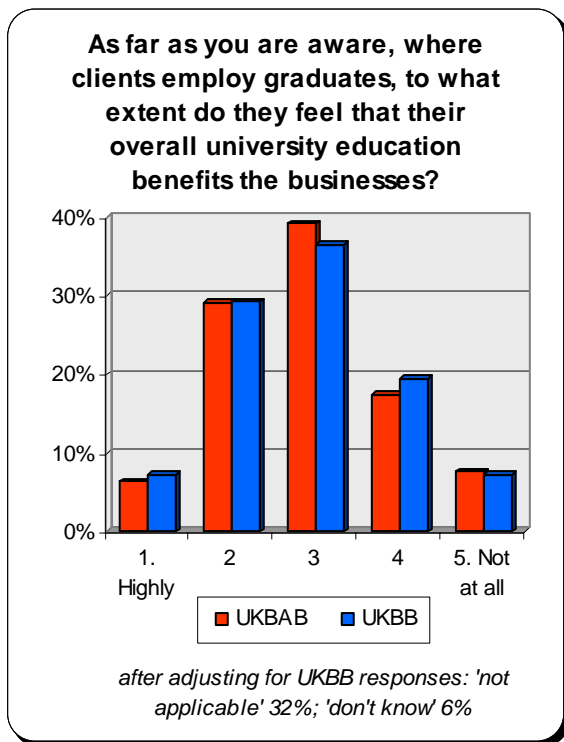
Looking at why new businesses are started, we asked both the business advisers who form the respondents to this survey and the businesses who respond to the parallel survey, the UK Business Barometer. There was a strong and similar leader among the possible responses, with around 40% in each case believing that it is to have more control over the future. Nearly 19% of UKBAB respondents believe it is because of the perception of a new business opportunity (compared with 21% of UKBB) and 15% of UKBAB respondents believe it is to generate more wealth and/or income (compared with just over 21% of UKBB).



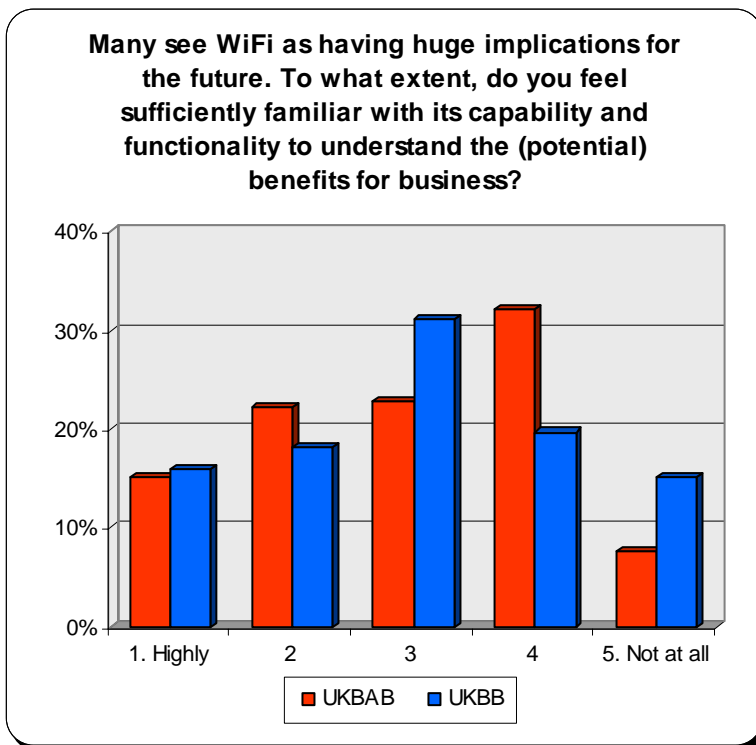
OECD research* published in 2006 indicated that earnings for graduates are 58% higher on average than those with only a secondary education. The January UKBAB survey included a question on the extent of value that graduates add to their employers' businesses and a similar question with respect to the employment of school leavers. Questions were also put in the parallel UKBB survey, asking participating businesses how they feel about these issues.

There was close correspondence between the results of the two surveys on graduate value-added, and both surveys rated the value added by school leavers much lower, with the UKBAB coming in lower than the UKBB. With respect to the employment of graduates, 36% of UKBAB

respondents feel highly or reasonably highly that their overall university education brings/adds value to their businesses, while 25% feel the reverse: that there is no or very little value brought or added by graduate recruits. With school leavers, only 11% of UKBAB respondents feel highly or reasonably highly that their education brings/adds value to their businesses and 43% feel that school leavers bring or add no or very little value. One comment received was that far too many school leavers have inadequate literacy and numeracy skills



The results of the December 2006 survey showed that 52% of UKBAB respondents consider that smaller businesses will benefit highly or relatively highly and only 3% think there will be no business benefit at all from WiFi technology. However the precise benefits are less well understood. Only 37% of respondents to this current survey feel sufficiently familiar with the capability and functionality of WiFi to a high or reasonably high extent to understand the benefits for businesses. 40% of UKBAB respondents are not at all familiar or are hardly familiar with WiFi's capability and functionality – this was strongly underlined by one respondent's comment: "What is WiFi?". Another respondent felt that at the moment there are probably as many dangers as benefits from WiFi for business, because of security risks.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BAB53 January 2007

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

In response to Q8, I ticked Distribution and Retail because I am aware that Hairdressing is the fastest growing retail business sector but one could equally consider this to be a service.

(Q8. In your experience, which sector saw the greatest growth, in terms of start ups, during 2006?)

Re Q11: far too many school leavers have inadequate literacy and numeracy skills, for many a grade C in GCSE is inadequate as it still leaves them with illegible handwriting, poor if any grammar and a total inability to do even simple mental arithmetic (such as the VAT on £200.00)

(Q11. In your experience, where clients employ school leavers, to what extent do they feel that their education benefits their businesses?)

Q6 - I said 'Don't Know' as there was no heading to indicate the following. It does depend on the quality of the website and how the business deals with customers by email both during purchase and follow-up. Some small businesses have been very successful by giving their websites a personal feel and responding to customer requests rapidly.

(Q6. Do you believe that trading on the internet adds to or detracts from traditional relationships with customers?)

Q1 - the actual answer should be "sometimes"

(Q1. In your experience, when choosing and working with their suppliers, do clients take a long term view of the supplier/business relationship?)

Q2 - the actual answer should be "sometimes"

(Q2. In your experience, over and above agreed delivery dates and terms and conditions of payment, do clients tend to place other formal conditions upon that relationship (eg. quality control)?- when choosing and working with their suppliers)

Q5 - there are often informal conditions to the relationship

(Q5. As far as you are aware, over and above agreed delivery dates and terms and conditions of payment, to what extent do clients' customers place formal conditions upon that relationship (eg. quality control)? when working as a supplier)

Q6 - the answer to this depends on the client, what they use the web for and what their relationship with their customers is. If they use their website to enhance customer service (e.g. reporting progress to customers), it will add to the relationship. If they use their website to compete with customers (e.g. a wholesaler selling direct), it can be a major problem.

(Q6. Do you believe that trading on the internet adds to or detracts from traditional relationships with customers?)

Q9 - n/a as I don't deal with start-ups.

(Q9. When dealing with those considering starting a business, from your experience, which of the following would be their main motive?)

At the moment there are probably as many WiFi dangers for businesses as benefits e.g. having people hacking into unsecured networks and accessing personal and business details.

We advise all clients to build relationships with suppliers/customers and to have quality/equal opportunities/health and safety and disability discrimination policies ready in

case they are asked for them - however, they rarely are.

We also get many enquiries about start-ups in the retail sector which eventually don't work out because suitable premises are not available