

UKBAB 47 July 2006 Analysis

July's survey asked panellists for their views on the biggest threat facing the UK economy, companies engaging in Research and Development, advising graduates, advising clients on staff wages and salaries, internet search engines, banking and tolerance of late payment.

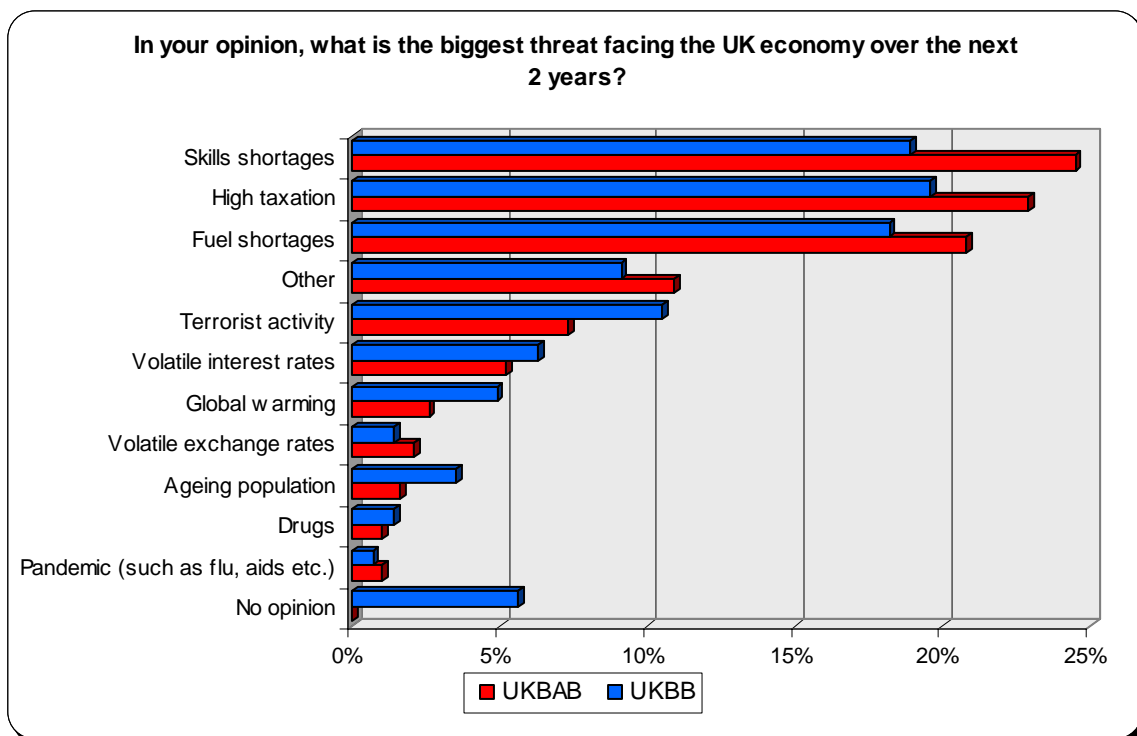
In total 192 Business Advisers responded to this Survey.

Survey Findings

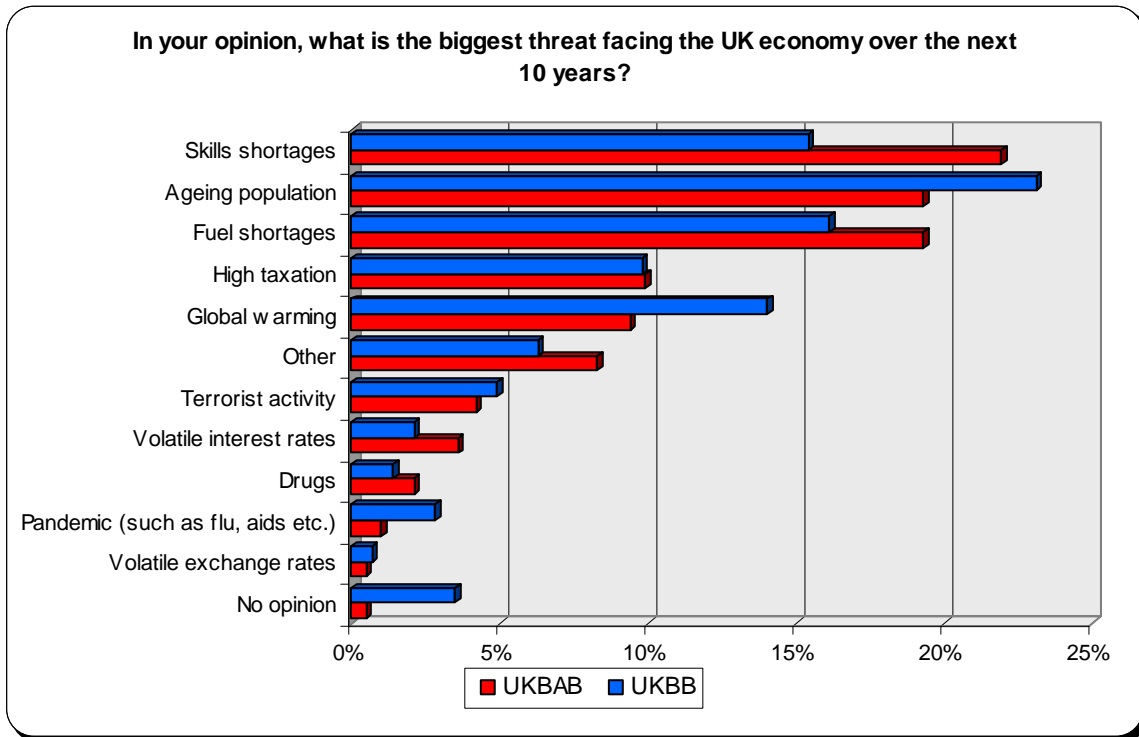
In the first two questions of the July UK Business Advisers Survey (UKBAB), panellists were asked to say what they see as the greatest threat to the UK economy in the shorter term (the next two years) and over the longer term (the next ten years). The same question was asked of businesses whose CEOs or MDs are panellists for the twin monthly survey, the UKBB (UK Business Barometer). The two sets of respondents responded slightly differently to each question.

Several respondents made use of the feedback/comments facility that is a feature of UK Barometer surveys, to set out what other ideas they have about threats to the economy. Some other potential greatest threats seen by panellists were personal debt (in both shorter and longer term), poor quality business management (shorter term), increasing regulation, and the scale of immigration (longer term). One panellist commented that some components of the lists could be seen as opportunities rather than threats.

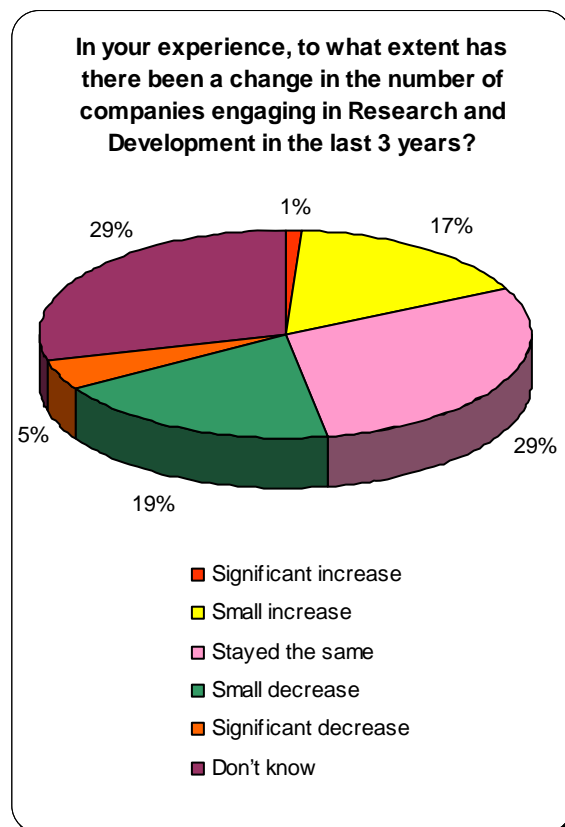
Both sets of respondents placed the same threats in the top three in the shorter term, although businesses placed skills shortages below high taxation and both put fuel shortages in third place.



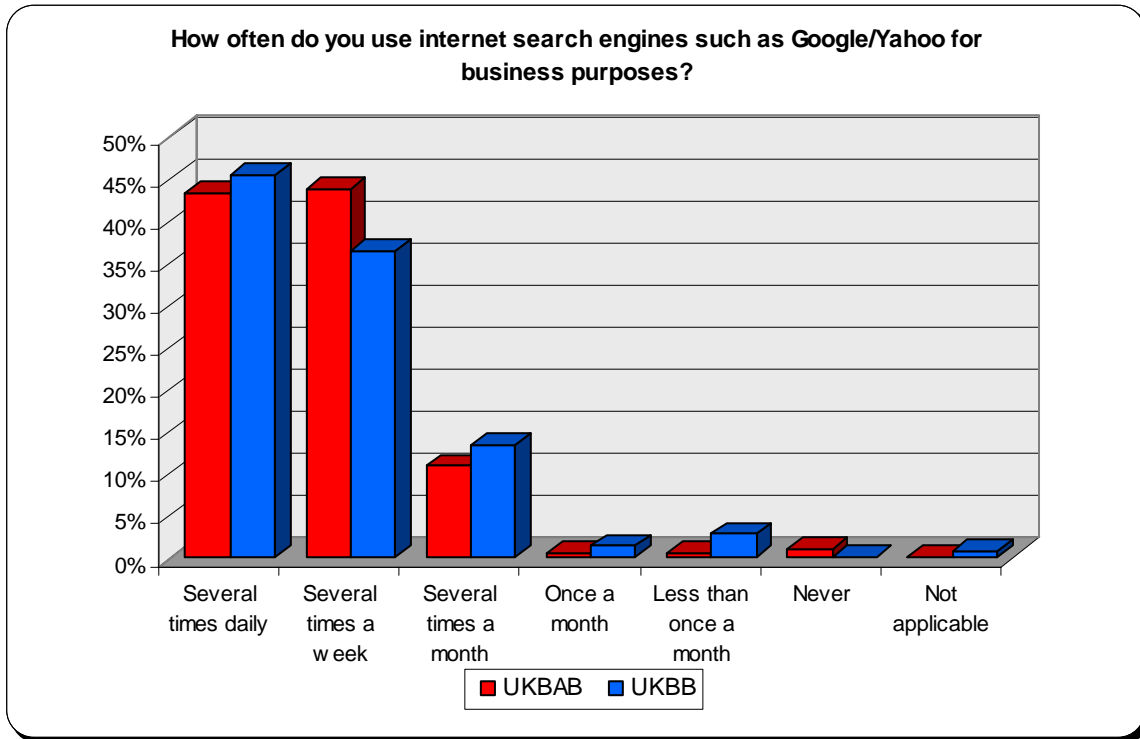
In the longer term Advisers also saw skills shortages as the greatest threat, but aging population and fuel shortages were in joint second place. BB respondents voted the ageing population, which had been in eighth place in the shorter term, as the greatest threat to the economy compared to the other factors, while fuel shortages move up to second place and skills shortages were third.



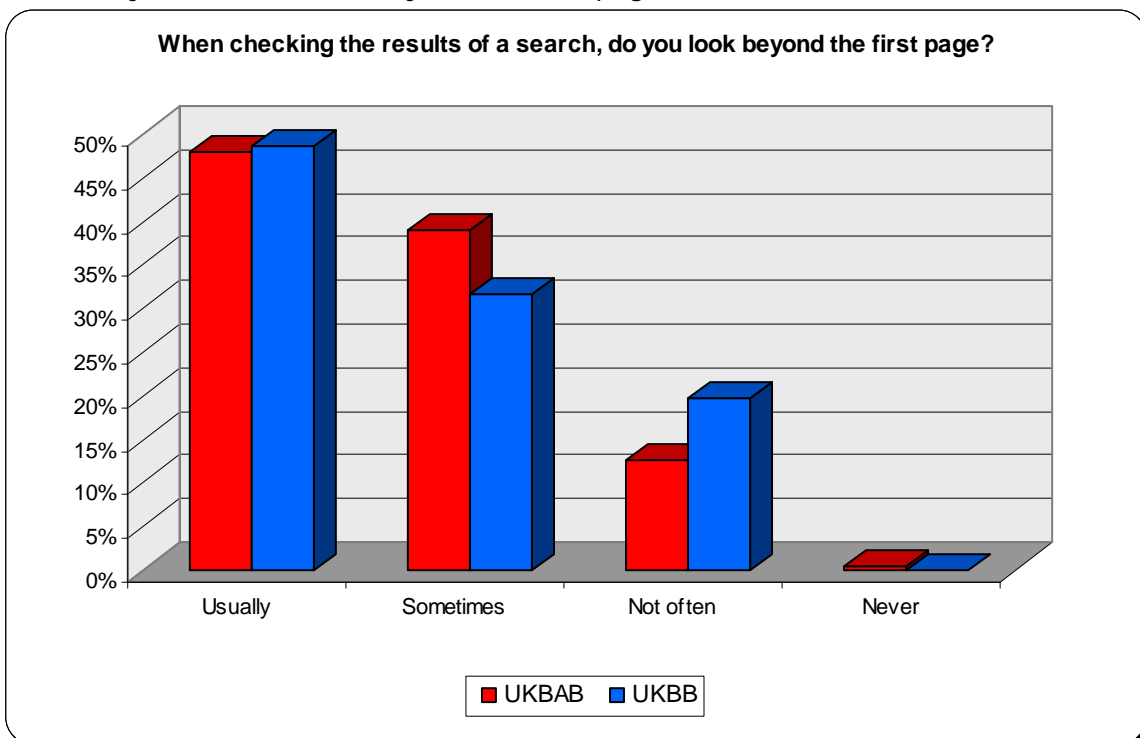
Panellists were asked to say, from their experience, what the extent of change has been in the number of companies engaging in Research and Development over the last three years. 29% were unable to answer this question and 29% judge that the number has stayed the same, but 18% have experienced increases in numbers and 24% decreases.



August 6th 2006 was the fifteenth anniversary of the launch of the first Web site. Browsers and search engines were subsequently developed, with 'Google' being launched a mere eight years ago. Now they seem to be almost indispensable - 43% of respondents to the UKBAB survey and 46% of respondents to the parallel survey of businesses, the UKBB, use search engines for business purposes several times daily. A further 44% (UKBAB) and 36% (UKBB) use them several times a week. A further 44% (UKBAB) and 36% (UKBB) use them several times a week. A further 44% (UKBAB) and 36% (UKBB) use them several times a week.

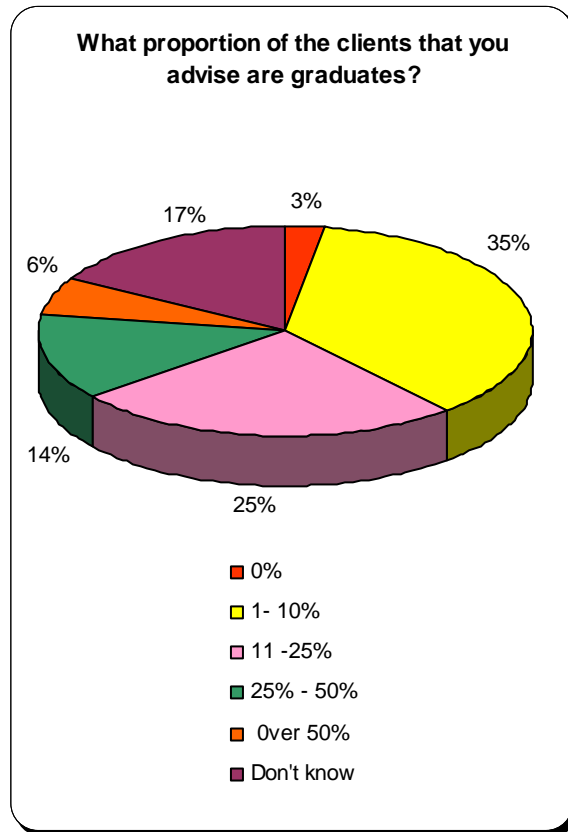


A whole area of e-marketing has grown up round the technique of maximising the number of times and position in the list a website is retrieved by a search engine query. The prime position is obviously at the top of the list, but what is the value of entries that fall after the first page? It must depend on how often searchers use second and subsequent pages. Nearly half - 47% of UKBAB respondents and 48% of UKBB respondents - say that they usually do look beyond the first page, and a further 39% of UKBAB and 32% of UKBB respondents sometimes look at page 2 onwards. However, 13% of UKBAB and 20% of UKBB respondents admit that they don't often look beyond the first page.

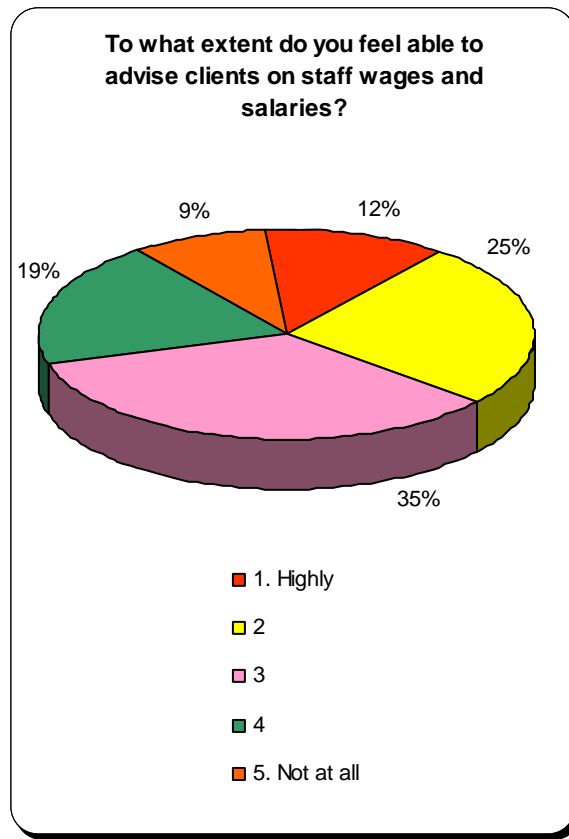


Changing work patterns and fewer large corporation career structures mean that recent and future graduates must look to less traditional areas for employment over their lifetimes. Higher education institutions have been providing more direct courses and other support to help graduates seriously consider self-employment and starting up new businesses as the way forward.

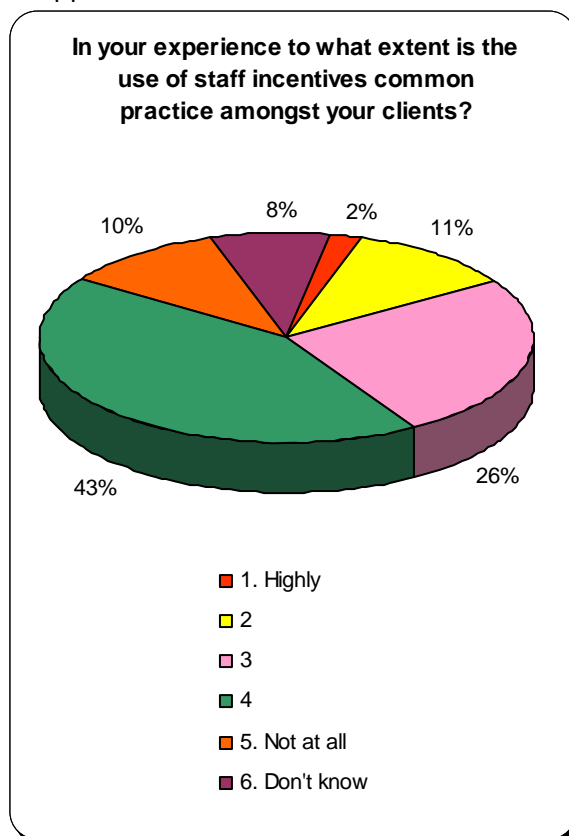
In the July survey, advisers were asked what proportion of clients now are graduates. Very few see no graduates and just over a third think that up to 10% of clients are graduates. One quarter of respondents say that between 10% and 25% of their clients have degrees, while 20% believe that over a quarter of their clients are graduates.



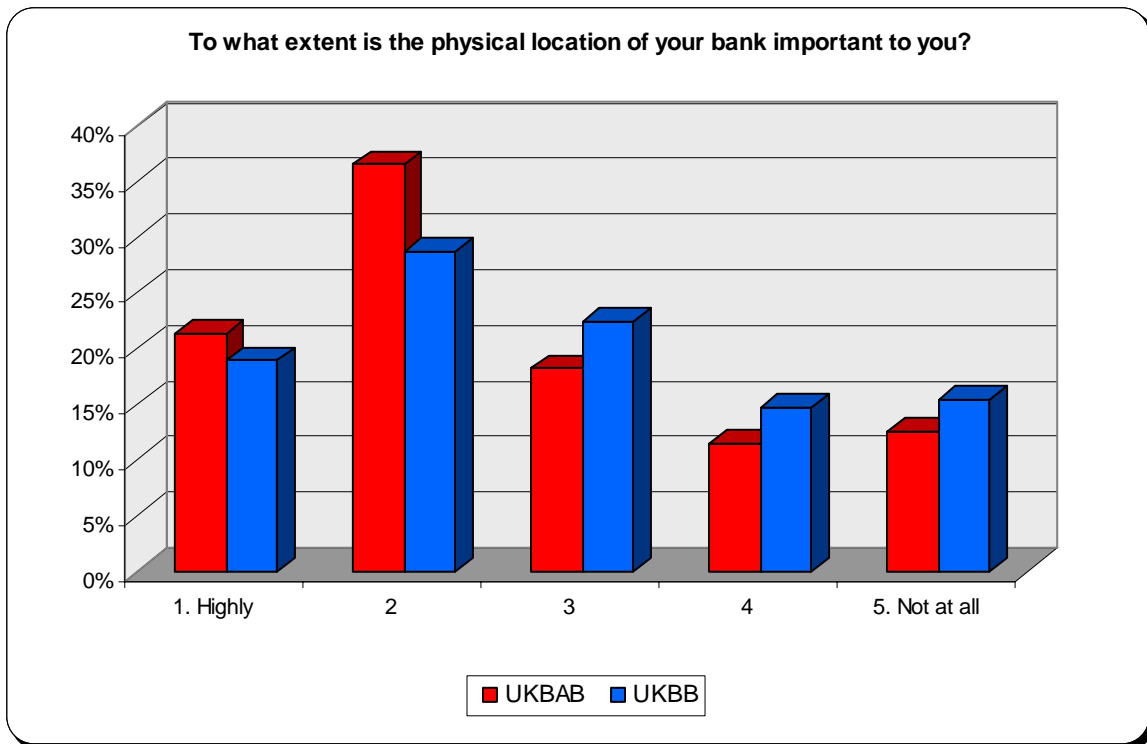
Advice on wages and salaries covers a wide area, from advising on rates of increases to pay packets or rewards, to compliance with legal requirements. 37% of responding advisers feel highly, or relatively highly, able to advise in the area, while 28% have little or no capability in this respect.



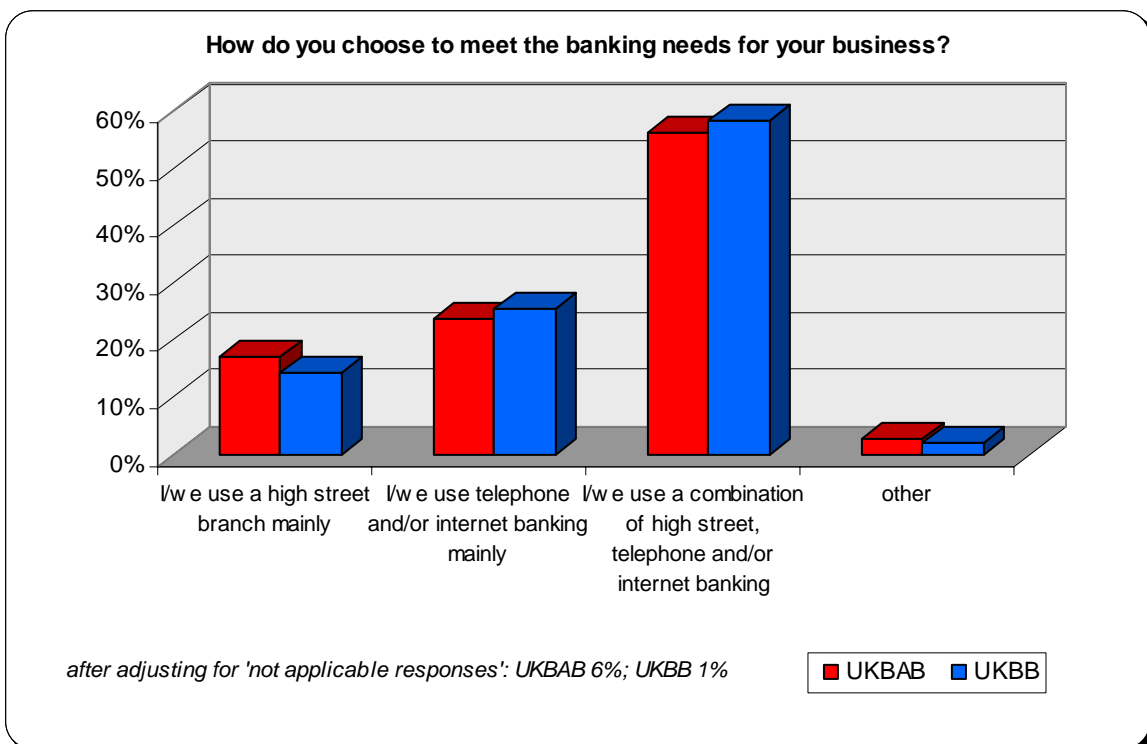
Staff incentives such as monetary performances bonuses, share ownership schemes and non-financial incentives such as holidays are thought to improve business performance and motivate staff to work harder and more loyally for their firm. Amongst our panellists, the results show that staff incentives are not generally widely used by their clients, with only 13% reporting that they are common practice amongst their clients to a high or relatively high extent, and 53% saying the opposite.



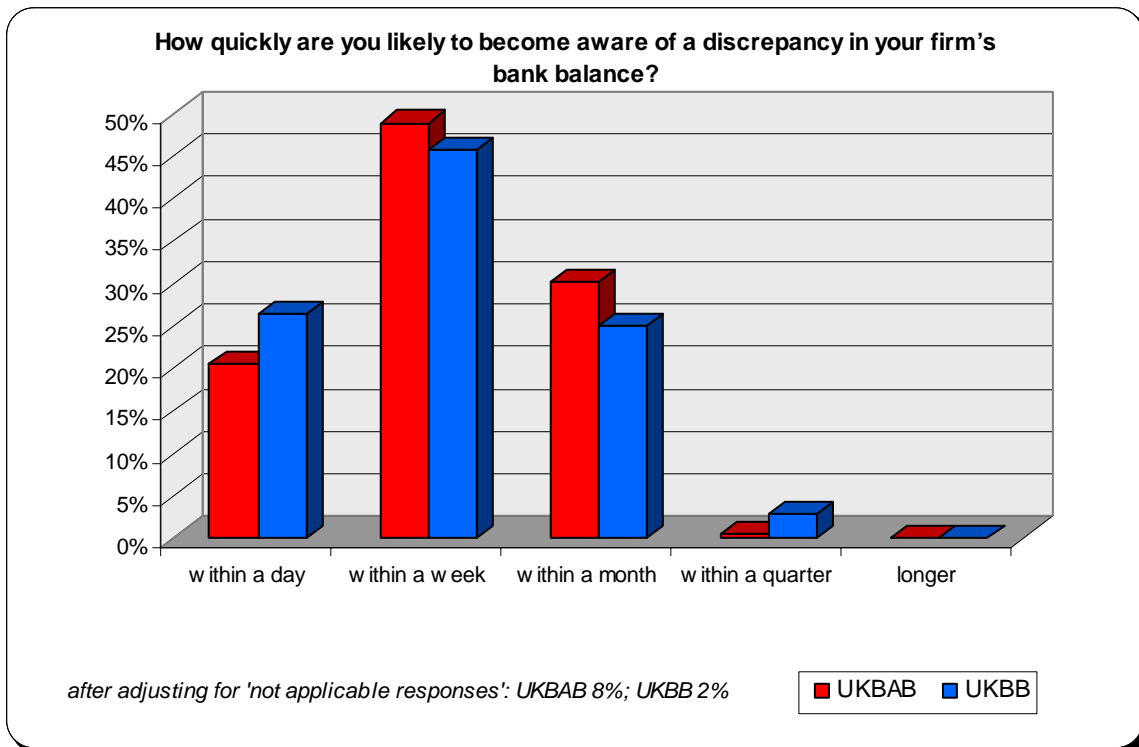
In 2000, banks were closing down local branches in many communities. Recently some major banks announced that they are to open new branches in Britain's high streets, so we asked whether physical location is important to our panellists. The UKBB survey also asked the identical question of businesses and the results show that UKBB respondents rate physical location of banks slightly less than do UKBAB respondents, on average.



When asked how panellists use their banks, 17% said that they mainly use a high street branch while 24% mainly use telephone or internet banking. 14% of UKBB respondents mainly use a high street branch, 25% of them mainly bank via telephone and/or internet banking. In both surveys over half of respondents use all three approaches: 56% of UKBAB respondents and 58% of UKBB respondents. All percentages are after adjusting for 'not applicable' responses.



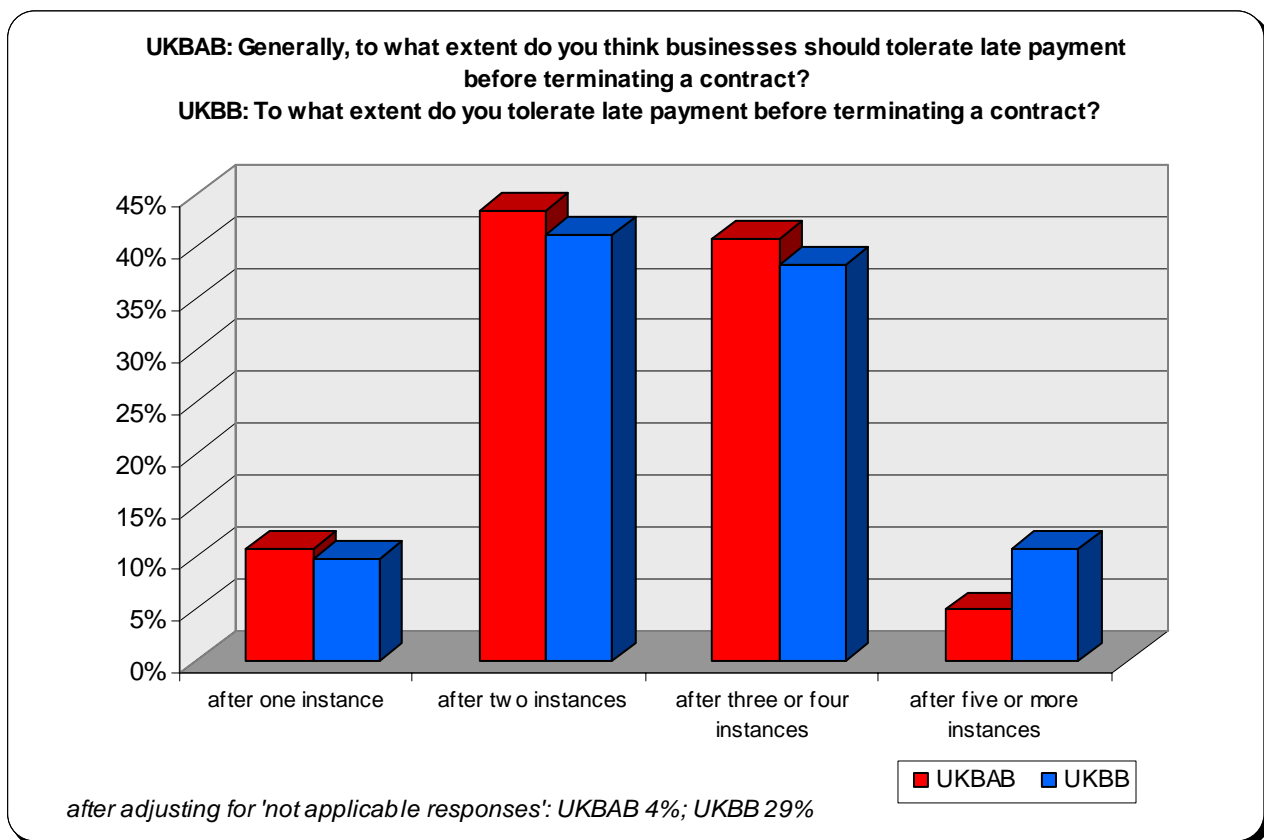
With the advent of online banking, immediate access to bank statements became available at any time of day. 21% of UKBAB respondents and 26% of UKBB respondents say they are likely to become aware of any discrepancy in their firm's bank balance within a day, with a further 49% from the UKBAB and 46% from the UKBB putting the timing at within a week. All percentages are after adjusting for 'not applicable' responses.



In February 2005 we asked to what extent late payment is an issue for the clients of responding business advisers. Reports on late payment have suggested that businesses in the UK have increased average payment times considerably over the last seven years, since the introduction of the Late Payment of Commercial Debts Act (1998), which was designed to deter such behaviour.

With 65% of respondents saying back in February 2005 that late payment is a significant or reasonably significant issue for their clients' businesses, we asked this month to what extent businesses should tolerate late payment before terminating contracts with late-paying customers. The finding was that although 4% said this wasn't applicable to them, out of the remainder 54% thought they should only tolerate one or two instances of late payments before terminating contracts.

In the parallel survey of smaller businesses we asked where respondents draw the line. After adjusting for the 29% who said this question was not applicable, 51% said after one or two instances.



Listed below are extracts from feedback into the July 2006 Survey BAB47

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

Question 12, late payment - this is what I think - what I would do about it depends on how much I need the client.

One of the biggest threats to Britain's economic welfare is the profligate way in which senior politicians give away, with little benefit, vast sums of money - overseas aid ...unproductive overseas military assignments, funding multi-thousands of bogus asylum seekers...., Civil Service waste and inefficiency like the Home Office, ridiculously unrealistic pension settlements for parts of the civil service etc etc.

All this money could help enormously the productive elements in Britain and the infrastructure such as decent railways which are so essential to the nation.

I've selected 'other' to the first two questions, which didn't allow an opportunity to specify, but thanks for this comment box...my answer to both is the same: personal debt. According to most sources, this is now running at £1.1trillion, up from around £450billion ten years ago. Wages have risen 29% but house prices have risen in the same period by 161%. Experian recently reported credit/store card debt alone equates to every UK man, woman and child paying £775pm. First-time buyers as % of all sales is now 23%, from 43% in 1996. Ave age of FTB is now 36, from 27 in last ten years. Need I say more?!!!!

One of the most important challenges facing the UK in the next ten years is the scale of immigration

An interesting list of threats in the first two questions. I would regard some of these as opportunities, rather than threats!

Q1 In your opinion, what is the biggest threat facing the UK economy over the next 2 years?

Lack of investment and poor support for manufacturing, loss of manufacturing to Far East, viz Dyson, and hence no one here will be able to afford the products as they will all be out of work or in service industries

Q12 Generally, to what extent do you think businesses should tolerate late payment before terminating a contract?

(It is) subject to good credit control procedures and client contact

The biggest short term threat to the uk economy is the failure to support legitimate business and the failure to identify and prosecute fraudulent traders the current approach is to cause red tape for honest business thus adding to the problem, we need a team of investigators who are actually intelligent. However all of this ceases to be of interest if we do not have a planet to operate from in ten years time.

Needs to be narrative about some answers as they are sometimes not straight yes/no

Re. Q1 - Poor quality UK business management is in my opinion the biggest threat over the next 2 years. There has been a huge loss of strong management expertise over recent years due to downsizing and emphasis on youth. Businesses are weaker as a result and many will be unsustainable.

Increasing regulation (e.g, employment law) is also a threat to smaller businesses, which are an engine of the economy.