



## **SMEs – Surviving the Recession White Paper**

Throughout December 2008 more than 1300 KashFlow users were canvassed on their opinions about survival and business success in the future. The results offer a fascinating snapshot of SME concerns and an insight into their resolve to survive the economic downturn.

### **Payment**

More than half of small businesses are anticipating cash flow issues caused by the recession. Despite anticipated slower payment, more than 60% were not anticipating delays in paying suppliers themselves.

### **Staffing**

Small businesses are committed to retain staff – more than 80% do not anticipate losing staff through redundancy. In fact, more than 30% intend to take on new staff.

### **Recession Predictions**

Most small businesses expect the recession to last about two years. Small businesses actually collectively predict the recession to last 1 year and 11 months. 20% of SMEs fear the recession will last 3 years or more.

### **Sales**

Small businesses are in bullish mood with 77% predicting sales growth in 2009.

### **Survival tactics**

More than 60% of small businesses instead to diversify to survive the recession.

### **Marketing**

More than half of small businesses are intending to increase marketing spend.

## Comments

Duane Jackson managing director of KashFlow who commissioned the report said:

"If the UK economy needs inspiration to work its way out of this recession – then it should look no further than the country's SMEs. More than three quarters of them are planning for increased sales despite the economic down turn. They are seeking out new business opportunities, spending more on marketing and employing more staff.

"The dynamic response of SMEs and sheer bloody-mindedness is the approach larger businesses and financiers should be doing to drag us through the current down turn."

Consultant Graham Way from London said,

"Having lived and worked through three recessions, this is only different in that it is global and has happened more quickly than previous downturns. Careful planning and sensible management has always worked in the past and will again."

Mike Toone of Flying Pig Solutions said,

"I am a sole trader working as a specialised courier using my own car. I have no employees. I mainly deal with Solicitors and Law Firms who need valuable/confidential items delivered door to door. I expect to expand my client base next year expect the next twelve months trading conditions to be difficult but not insurmountable."

Alison Wre of the Wedding Crafter in Malton said,

"We feel the recession offers good opportunities for us in the "value for money" end of the wedding industry."

Claire Petrie says,

"Being a new company, I do not have a lot of prior knowledge to go by. I am almost certain sales will go up, and I am planning on spending the majority of money on Marketing and improving our market position."

Matthew at View3sixty in Portishead, Bristol said,

"I am hopeful that the recession will not last more than a year, although as we started in a recession, and we're doing well, hopefully when it does end we'll be swimming in the dosh!"

George Hewitt of MD Wise Systems and Solutions Ltd in said

"We believe that the current crisis will mean that the fictitious climate created by the banks and other agencies is a good thing. Borrowing more when you are broke is folly. We focus on bringing improvement in business processes, particularly information management, and assisting in the management of business risk. We now have the full attention of people who shown have sought us out in the last 10 years or so."

Peter Taylor director of Carbon Plan in London said,

"The last quarter of 2008 delivered record revenues. This continued a trend of the last 12 quarters. We are looking to double turn over in 2009 as demand for Sustainability in the built environment increases. We see growth coming from the Education, Health Care and Local Authority sectors. Our main threat is the decrease in the value of the pound against the dollar and the Euro as we import almost everything we sell and sell

relatively little overseas.”

Denise Ziani from justdresses.co.uk in Tunbridge Wells said,

“I would love to be able to manufacture in the UK and believe we could do it cost effectively if only the factories and skilled workers were accessible. I will definitely continue to explore this possibility during 2009.”

David Egerton Limesharp Internet in Newcastle said,

“There is still plenty of new orders to be had. But business needs not to be complacent and must focus on innovation and delivering greater value to its customers.”

Peter van Rijn said,

“We have a very cost effective hospitality company in Dubai that we feel will become more sought after during this recession. Business and holiday travelers are still coming to Dubai, they're just looking for cheaper ways to do it.”

Glenda Shawley, The Training Pack in London said,

“I'm not sure how long the recession will last but the strategies the government has employed to get us out of it will leave us all feeling poor for a long time as we pay back all this debt. However as a business specialising in helping small businesses with their marketing and new businesses to grow I believe that the recession will create opportunities for my business.”

Maria Telford from Eternal Envy Boutique in Manchester said,

“Overall our strategy for next year will be building a solid customer database, working hard on our website for online sales and being cautious with our buying as an acceptable price point for our customers has changed.”

Barrie Newton at The Light Works said,

“We are busier at the moment than ever. Sales of electrical heating appliances have rocketed this autumn and winter, low energy bulbs continue to show rapid growth, and Christmas lights have started so well that we have already run out of some sets. Light fittings and other lights still show steady if unspectacular growth. I keep waiting for the recession to cause a downturn but so far this has not happened. This seems to be hitting certain sectors more than others - the building and motor trades particularly. I would also include retailers with poor customer service, and those businesses that are over reliant on credit from banks.”

Jamie Jackson at 2J design and media in Sheffield said,

“With our Google rankings every improving and still recording record turnover every month we hope 2009 will only head in the same direction.”

## Appendix

Questionnaire Results in Full

Number canvassed = 1301

1) Are you expecting your customers to be slower to pay? :

Yes 51% No 49%

2) Are you expecting to find it more difficult to pay loans and suppliers:

Yes 37% No 63%

3) Will you be considering reducing your staff levels? :

Yes 16% No 84%

Conclusion: Small businesses are committed to retain staff

4) How long do you think the recession will last? :

Less than one 6%

One Year 31%

Two years 43%

Three Years 11%

Four Years or more 9%

5) What will be your main focus?:

Diversification 80

Core business 52

Total 132

Conclusion: More than 60% of small businesses instead to diversify to survive the recession.

6) Are you expecting more sales in 2009 compared to 2008? :

Yes 102 No 30 Total 132

7) Will you spend more on marketing than you did in 2008? :

Yes 70 No 62 Total 132

Conclusion: More than half of small businesses are intending to increase marketing spend

8) Will you take on more staff? :

Yes 48 No 84 Total 132

Conclusion: Despite the recession - more than 30% intend to grow and take on new staff