White Paper

Understanding the Small and Medium Business Landscape in the UK

salesforce

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In this White Paper

This White Paper provides insight into business behaviour of small and medium-sized enterprises (SMEs) across the UK and other core European countries. This study focuses on five key areas of behaviour: motivations for starting up a company, impressions of the current business climate, business needs and priorities, business applications and attitudes towards them, and buying journeys for companies.

The study was completed at the end of 2016 by Jigsaw Research on behalf of Salesforce. During this process, Jigsaw reached out to over 1,200 decision-making staff in marketing, sales, business development, and IT based in businesses with less than 100 employees.

For the purpose of this survey, these businesses were based in the United Kingdom, France, Germany, and the Netherlands. Of the 1,209 companies surveyed, 20% of these are start-ups.

Executive Summary

Small business decision-makers in the UK are cautiously optimistic in the current business climate and are focussed on business growth. Key to that growth is their relationship with customers, namely customer retention. However, many lack a knowledge or understanding of customer-centric technology that would allow them to meet these goals. This leaves significant room for business applications like CRMs to step in and assist SME's growth ambitions.

Starting a Business is Driven by a Desire for Self-Reliance

In the UK, self-reliance forms the the core of many entrepreneurs' desires to start a new venture, with 37% citing "empowerment and freedom", and "providing an income" following closely behind at 34%. Just under one-third reported working for themselves was also a leading factor. Research and financing is personal in the UK, with friends and family as primary starting-points for research, and personal savings as the foundation of starting a business.

SMEs are Cautiously Optimistic with Goals to Grow

In the short term, 77% of UK businesses surveyed have a cautiously optimistic outlook. Growth, maintaining customers, continuity, and remaining independent are key business objectives. Though 2 in 3 SMEs want to grow, this does not necessarily apply to their headcount where a majority either aim to hire enough staff to keep up with demand or have no plans to grow their employee numbers.

Customer Centricity is a Top Priority for Decision-Makers

Of the top ten business needs of SMEs, five involve customer-centricity. Customer relationships are vital for all European decision-makers, but the UK places the most importance equally on "ensuring customer retention and repeat business" and "going the extra mile for valued customers" (71%). Going the extra mile is more of a priority in the UK than in any other country surveyed. Staying competitive was the most important business need outside of customer-centricity.

Businesses have Poor Knowledge of Customer-Centric Technology

Only 1 in 4 (26%) of UK stakeholders claim to be aware of online customer relationship management platforms (CRMs), and only 1 in 33 (3%) currently use them. This is the lowest usage rate of all countries surveyed. However, 2 in 3 users claim it is key to their business. Beyond CRM systems, many businesses lack updated business applications, with as many as 1 in 3 using a paper filing system, and 1 in 4 using no system at all.

Starting Up

Starting a business is personal. Entrepreneurs in the UK utilise their personal savings and chat with family and friends in the earliest days of starting a business. Once a business gets on its feet, sales generation is both the biggest challenge and key priority of new business owners.

Motivations

Self-reliance is the most common reason UK entrepreneurs cite for starting their own business, with 37% citing they want "empowerment and freedom". Providing an income follows closely behind at 34%. Just over 30% report working for themselves is a leading factor overall. Misfortune in the form of losing a job or being unable to get employment is the least cited, with only 10% reporting this was one of several reasons for entrepreneurship.

Research

Research on how to start a business and the core business plan begins close to home, particularly for micro businesses (9 or fewer employees). 43% of all UK businesses interviewed claimed advice from friends and family is the most valuable. This was favored over government bodies, academic courses and professional marketing consultants.

Aside from personal connections, other business owners are viewed as key sources of information for start-ups, indicating that a strong referral program or information requirement amongst existing small business networks is critical to getting a company off the ground.

A quarter of respondents stated they consulted specialists – accountants, solicitors, and and business advisors in banking institutions – to ensure that their business concept was financially sound and legally verified. Small businesses are more likely to use accountants or business advisors at banks (38%/28%) than micro businesses.

Priorities and Challenges

A key challenge and priority across all EMEA markets surveyed is generating sales, with 45% of UK businesses citing this as their main obstacle. Marketing their product comes in as their second priority at 21%. This indicates that start up challenges in the UK are tied to revenue generation and awareness, more so than manufacturing the product, administrative tasks, or customer service.

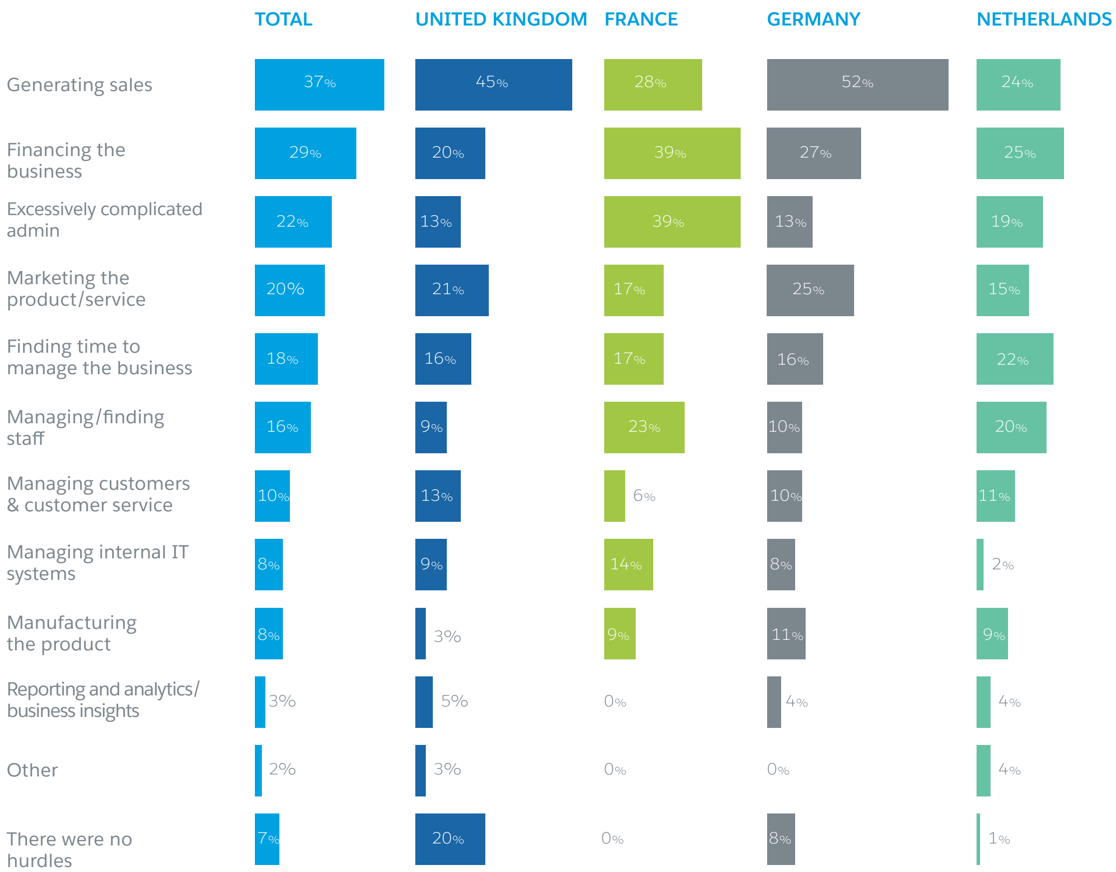
Financing

With a variety of potential approaches, from bootstrapping to VC funding to government grants, this study revealed SMEs around Europe are still relying on traditional methods of financing, with most UK businesses reporting they sourced initial financing from personal savings (59%), bank loans (16%) and funding from friends and family (12%). This level of self-funding was only second to the Netherlands, with 64% overwhelmingly using personal savings as well.

Case study:
UK SME's Greatest Challenges are in Sales and Marketing

UK business owners face similar challenges to many of their European counterparts, primarily in sales and marketing. However, they are far less stressed than countries like France and the Netherlands by administrative processes and managing/finding staff.

Fig. 1 – Key Hurdles and Challenges for Start-Ups



Question asked: To the best of your knowledge, what were the key hurdles and challenges faced on setting up the business?
Base: All start ups = 208, UK = 50, FR = 51, DE = 57, NL = 50

Business Climate

Outlook and Feelings

Small businesses generally feel positive in the current business climate. Across the four markets, at least 81% of businesses feel fairly or very positive, with 77% of small companies in the UK feeling fairly to very positive, only slightly lower than average. This rises to 90% in the most optimistic market, Germany.

"Responsible" swept all four countries as the most common word SME business owners used to describe themselves. However, more so than any other country, UK entrepreneurs consider themselves fortunate and in control.

Objectives

In terms of priority business objectives over the next 2–3 years, the findings across all markets were quite similar. The top four objectives reported by businesses were:

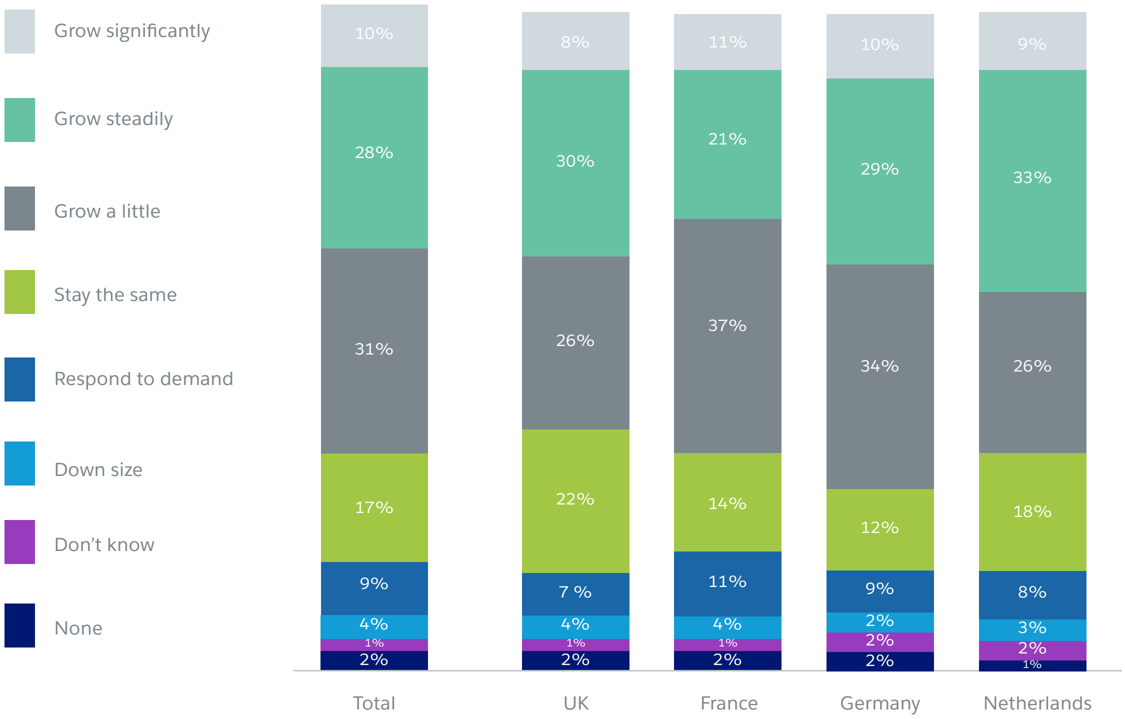
1. Growth
2. Maintaining Customers
3. Continuity
4. Remaining Independent

*Medium businesses more likely to cite improving customer experience as an objective at 41% vs 25% (micro) and 28% (small).

Case study:
64% of UK Businesses Intend to Grow

While not as optimistic as Germany where three quarters of businesses plan to grow in both sales and headcount, 38% of UK businesses intend to grow sales steadily or significantly over the next 2–3 years.

Fig. 2 – Sales Growth Objectives



Question asked: Over the next 2–3 years, what are your business objectives in terms of growing the number of sales you generate? (Please select one answer) Base: Total = 1209, UK = 300, FR= 307, DE = 301, NL = 301

Headcount

While the majority of businesses in Europe intend to grow in terms of sales, there was less certainty when it came to growing headcount, reflecting cautious optimism amongst UK small businesses. A mere 10% stated they would actively hire more staff with 47% expressing no plans to grow staff. Micro businesses are much less positive than small and medium businesses.

Business Needs

Businesses were surveyed in terms of their needs across six key business functions:

1 Customer Relationships

2 Business Performance

3 Managing Employees

4 Financial Management

5 New Customer Marketing

6 Keeping Customers Happy

Customer Relationships

Of the top 10 areas of focus for UK SMEs, 5 are rooted in customer relationships.

1. Going the extra mile for valued customers
2. Customer retention
3. Maintaining good customer relationships
4. Investing in relationships with key clients
5. Getting more value out of existing customers

On a more granular level, micro businesses are more likely to focus on maintaining relationships, retention and going the extra mile. Small and medium businesses are more likely to focus on making customer service process more efficient and exploring new avenues to communicate with customers.

UK small business owners were the most likely of their European counterparts in this study to say that going the extra mile for valued customers (72%) and that making customer service more efficient (51%) was important to the success of their business.

These results show that SMEs recognise the impact that consumer relationships have on the success of their business, and that they are more than willing to go out of their way to invest extra time and energy in retaining loyal customers. SMEs have found that investing in efficiency in customer service is a large contributor to their success and repeat business. In turn, they anticipate that those customers will become their most valuable.

Business Performance

When customer relationships were taken out of the picture and respondents were asked to consider sales performance and marketing, a different story emerged. Rather than focussing on the ROI of marketing or creating a targeted and structured approach to sales, UK small enterprises tended to place a higher value on staying competitive (58%) and proactively seeking new business (57%).

This more generalised approach translates to a lack of data-driven initiatives from SMEs to deliver more tangible and structured approaches to their sales and marketing tactics. The lack of prioritising data and measurement means that SMEs are more likely to “go with their gut” over actively measuring or targeting their sales and marketing efforts.

Employee Management

Staff retention is a key focus of 53% of employers surveyed in the UK, with staff productivity a close second at 47%. Of least importance to UK employers were reducing staff headcount and reducing overall wage bills, which is a positive sign for employees of SMEs. The UK also saw the lowest concern for being able to recruit new staff, at 22%.

Financial Management

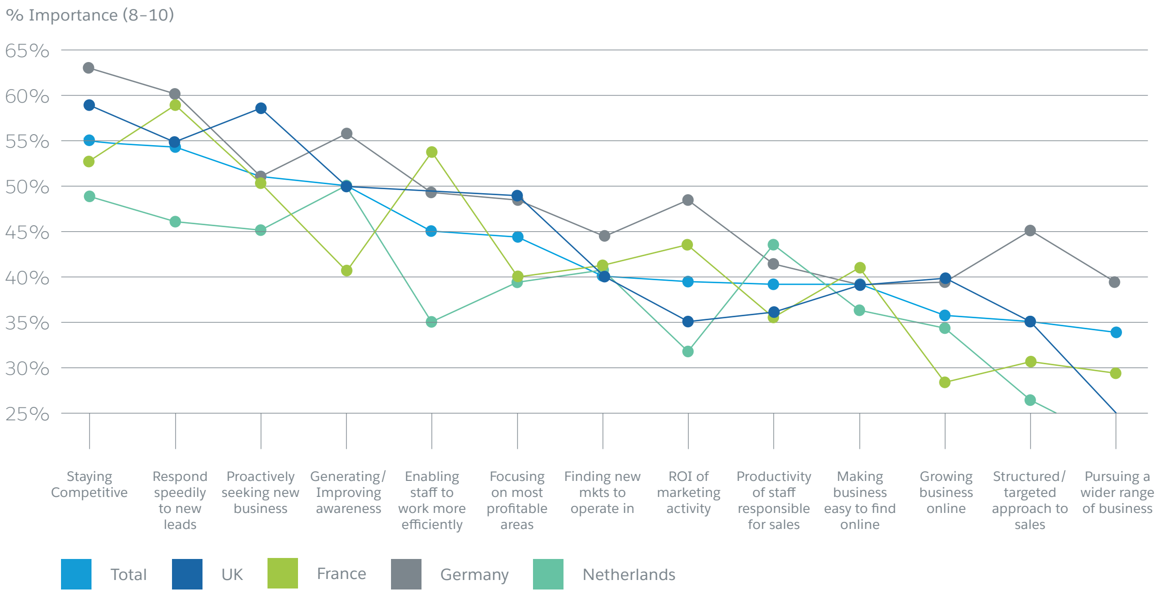
In every country surveyed, getting customers to pay on time was the most common topic when it came to financial management. The UK was above average with 54% claiming this was important to their business. Improving cash flow (44%) and having clearly defined terms and conditions for payment and policy cancellation (40%) were also reported as key priorities in financial management, highlighting sales forecasting as a core activity for small businesses.

These results show that SMEs are focused on tackling the basics; particularly nailing down their payment and cancellation terms so that their clients pay on time. This trickles down to cash flow and can impact how many sales are going to be made in a given quarter.

Case study:
Staying Competitive and Proactively Seeking New Business is Most Important in the UK

While staying competitive and responding to new leads ranked highly across all regions, UK businesses placed the most importance on staying competitive and proactively seeking new business.

Fig. 3 – Sales Performance, Business Development and Marketing



Question asked: Thinking about Sales Performance, Business Development and Marketing, how important are the following to your business? Please state how important each area is to your business using a scale of 1 to 10 where 1 is not at all important and 10 is extremely important.
Base: Total = 1209, UK = 300, FR = 307, DE = 301, NL = 301

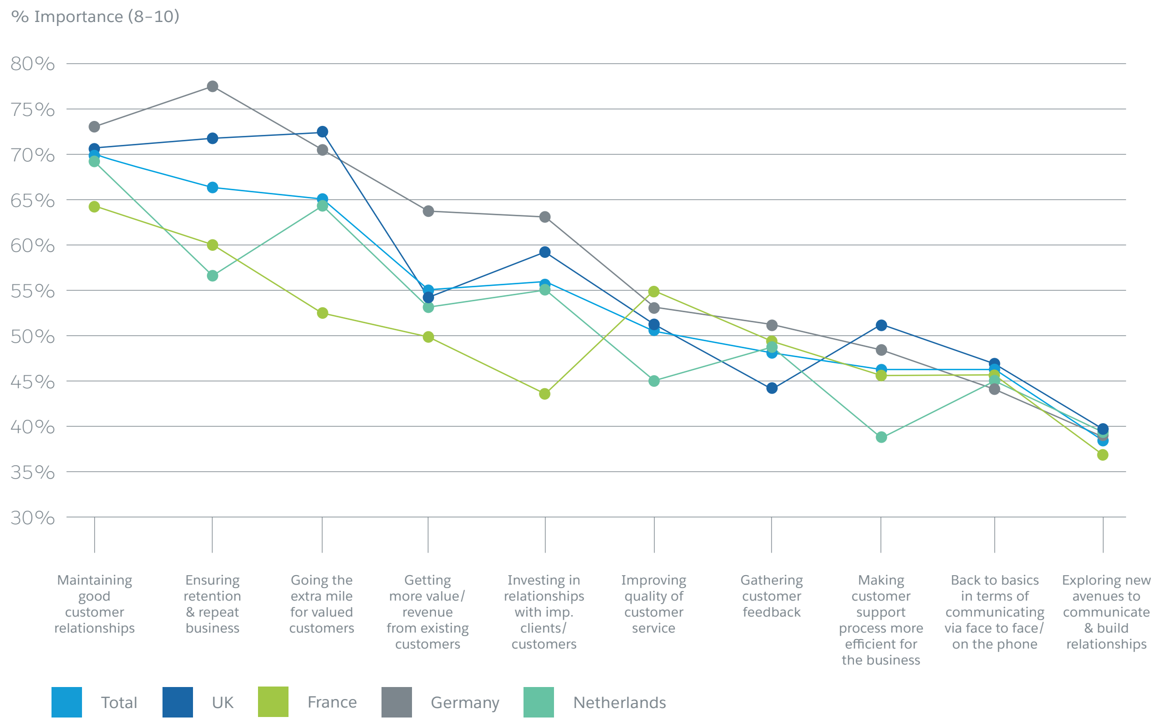
Case study:
UK Prioritises Valued Customers

In the UK, small businesses prioritise “going the extra mile” for customers, meaning that they aim to go above and beyond what is expected in order to accommodate their customer’s needs and requirements.

Meanwhile in France, maintaining a good customer relationship is the most important aspect of engagement, cited more than the other European countries in the study. French businesses invest in this area in an effort to gain a thorough understanding of the needs and objectives of their customers.

Fig. 4 – Customer Relations in Core European Countries

Micro businesses are more likely to focus on maintaining relationships, retention and going the extra mile. Small and medium businesses are more likely to focus on making customer service process more efficient and exploring new avenues to communicate with customers.



Question asked: Thinking about customer relationships, how important are the following to your business? Please state how important each area is to your business using a scale of 1 to 10 where 1 is not at all important and 10 is extremely important.
Base: Total = 1209, UK = 300, FR = 307, DE = 301, NL = 301

Business Applications and Attitudes Towards Them

When it comes to general awareness of CRM systems, only a quarter of small companies feel that they are well informed as to how online applications can help their business grow, despite growth in sales being indicated as a key objective across all markets.

Usage

Engagement with online customer relationship management applications (CRMs) was generally low in UK businesses surveyed. Only a quarter of small companies are aware of them, while 1 in 33 businesses use them. However, 2 in 3 users claim it is key to their business.

Nearly 30% of UK SMEs use a paper filing system. Around 1 in 4 use a bespoke system, with 1 in 10 using an online CRM and/or ERP tool. Around 1 in 5 have no system at all. Still, SMEs in the UK had an above awareness rate of customer relationship management applications, relative to other European countries, at 26%. Despite this, the usage rate was the lowest reported in the study at only 4%.

Perception of Functionality and Impact on Business

Most businesses across Europe expressed a clear idea of the core function of a CRM system; having the ability to record all their customer data and help maintain customer relationships. Like the rest of Europe, small businesses in the UK describe the function of CRM systems as recording all customer data and maintaining customer relationships.

Few UK SMEs understood CRM systems as a tool to automate repetitive tasks, qualify leads, maximise lead generation or understand the ROI of marketing activities, which are standard features of the majority of CRM software systems. Across all markets, small businesses felt they are not using their CRM system to its full potential.

Buying Journey

Influencers

Purchasing new technology is critical to the expansion and further development of small businesses across European markets. For the majority of SMEs in the UK, the biggest influencers when buying new technology tend to be business owners and senior management. Small businesses also consulted IT and telecommunications agencies for additional information about the technology that they are hoping to purchase. German businesses were hugely influenced by their marketing departments citing 87%, while in the UK their influence was minimal only citing 18%.

Engagement with Suppliers

When engaging with tech and software suppliers, small businesses prefer to trial the product before buying. In the UK 40% of small businesses prefer to be contacted by email, whereas the other markets primarily prefer to engage face-to-face. In general, this study found that the less formal the sales process, the quicker the sales time.

Purchasing Process

Price and supplier trust are the major influencing factors for small companies in the UK when purchasing technology. The purchasing process in UK was the quickest amongst all regions, averaging at 9.1 weeks. The UK also has the least formal buying process.

About half of businesses ask for multiple quotes, while only a fifth have a formal tender process. In comparison, German businesses tend to have a more formalised process, with most issuing formal quotes and the entire purchasing process averaging around 11.5 weeks, the longest amongst the regions studied.

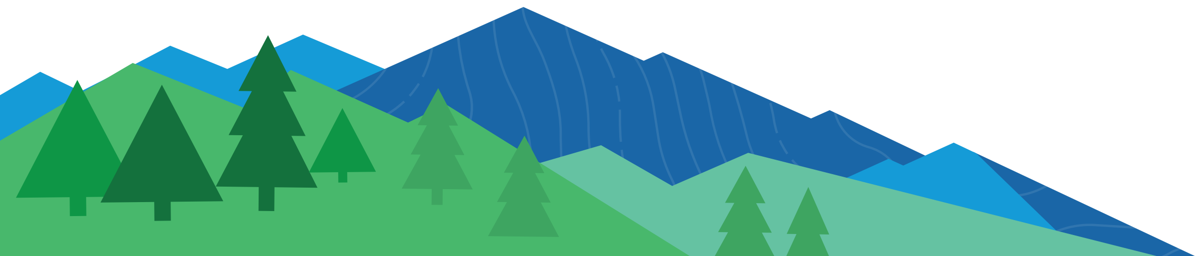
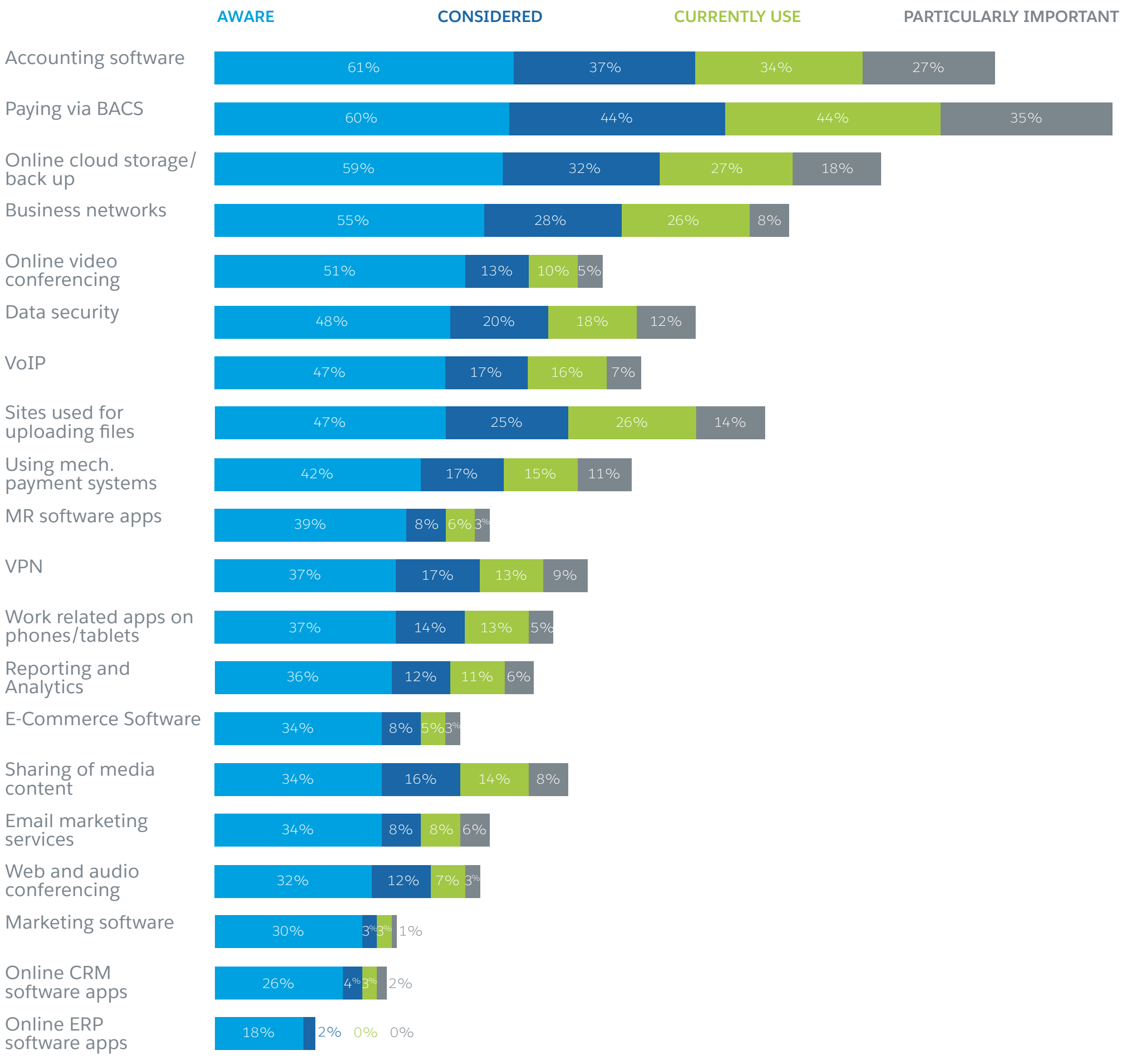
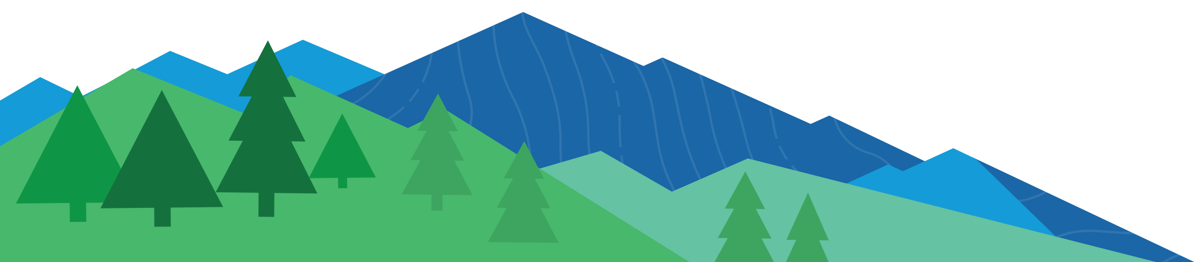


Fig. 5 – Sources of information - technology



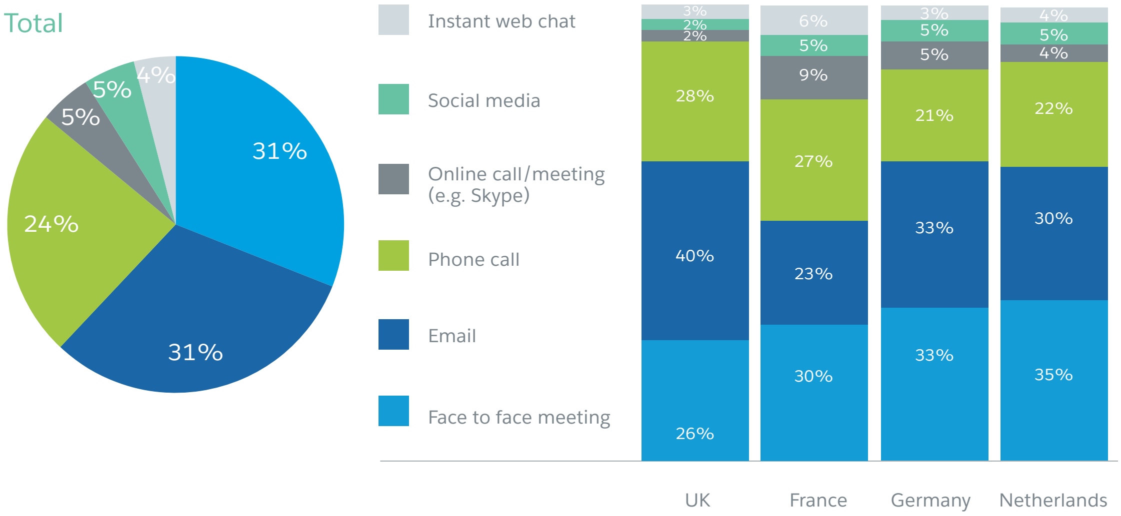
Questions asked: Which, if any, of the following business applications or services have you heard off? E2 Which, if any, of these applications or services have you considered using? E3 Which, if any, of these applications or services do you currently use? E4 And which are particularly important to your business? Please select as many as apply. Base: UK = 300



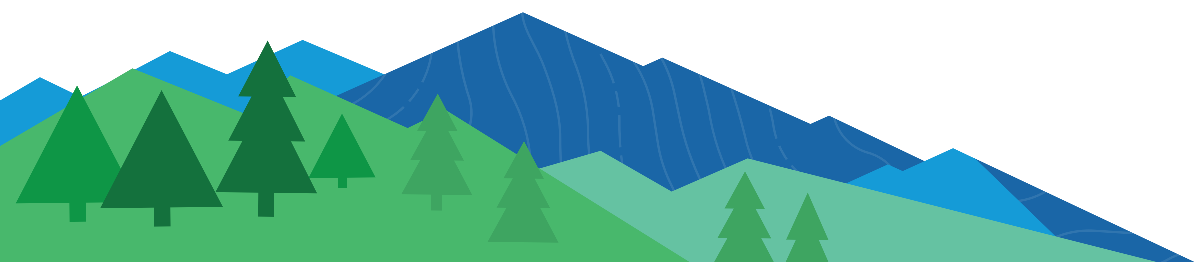
Case study:
UK Businesses Prefer Email

In the UK, most small and medium businesses prefer to be contacted by email which is distinct from the other countries surveyed, who place more weight on face-to-face meetings. Social media and instant web chats were the least preferred channels across the four markets surveyed.

Fig. 6 – Communication Preference



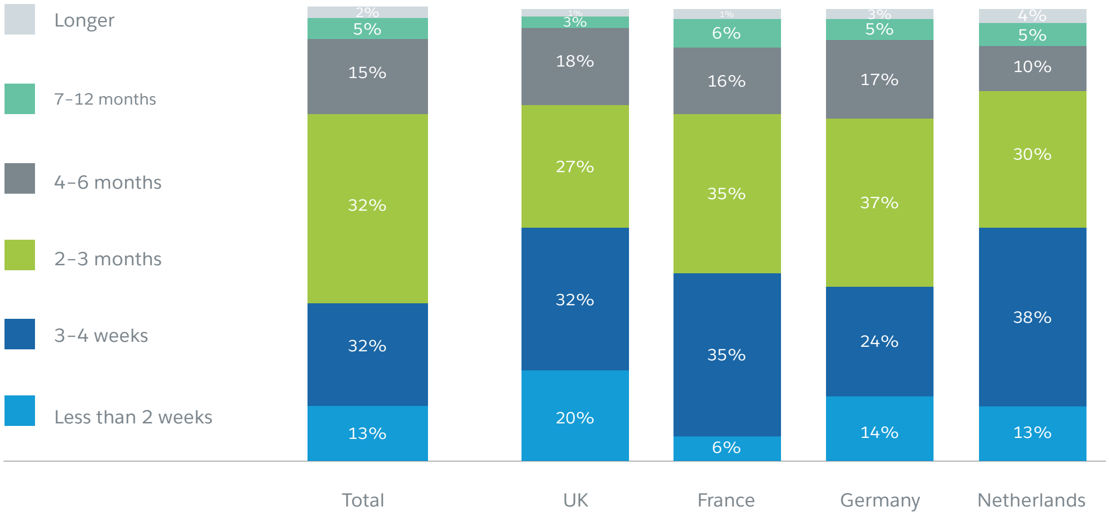
Question asked: How do you prefer to communicate with potential suppliers? Please sort the below from your most preferred to least preferred.
Base: Total = 659, UK = 142, FR = 158, DE = 174, NL = 185



Case study:
The Purchasing Process is Quickest in the UK

Only a fifth of small businesses in the UK employ a formal tender process when purchasing technology. This informality could be linked with a shorter sales time, as the purchasing process in the UK was the fastest amongst all regions, averaging at 9.1 weeks. In contrast, purchasing takes the longest in the German market where the process is most formal.

Fig. 7 – Length of Time in Buying Process

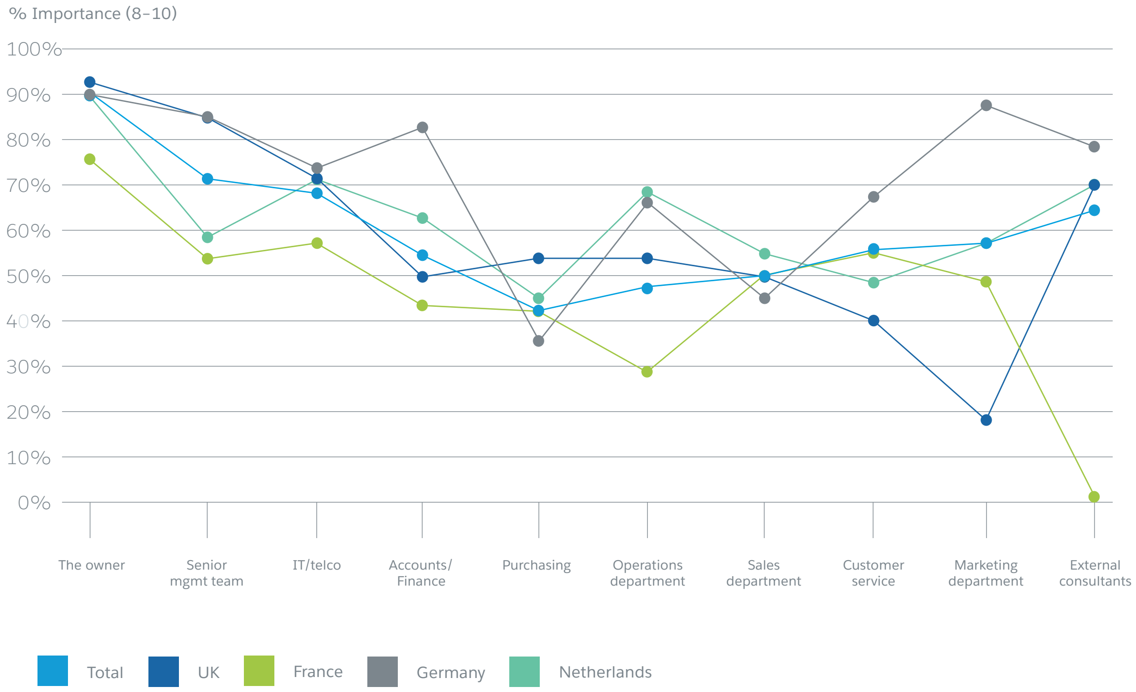


	Total	UK	France	Germany	Netherlands
Mean	10.5	9.1	11.0	11.5	10.4

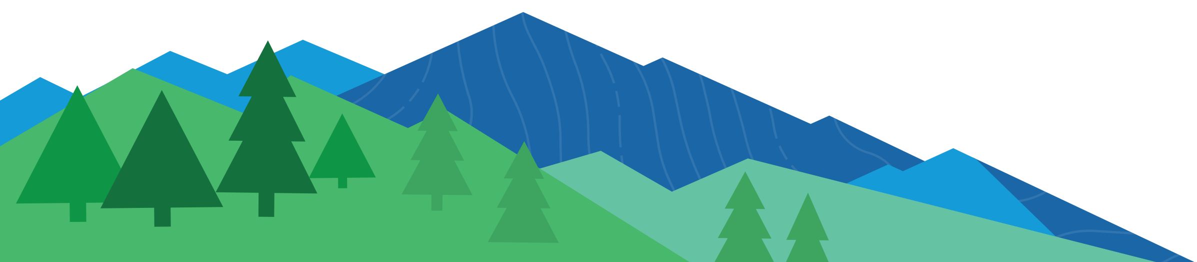
Question asked: How long does the buying process tend to be when buying technology/software? Please select one.
Base: Total = 1209, UK = 300, FR = 307, DE = 301, NL = 301

Fig. 8 – Departments' Influence when Buying Technology

Owners and senior management team have more influence in micro businesses.



Questions asked: How influential are the following functions / departments when buying technology / software, such as Online CRM or ERP applications? Please use the following scale of 1 to 10 where 1 is not at all influential and 10 is very influential. Please select one score for each statement. Base: All selecting function at G1 Bases vary.



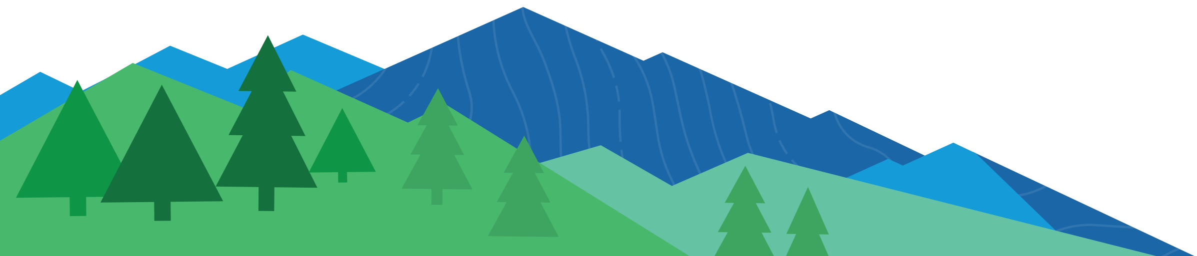
About Salesforce

Salesforce is the Customer Success Platform and world's #1 CRM company. The Customer Success Platform unifies six groundbreaking cloud services–Sales Cloud, Service Cloud, Marketing Cloud, Community Cloud, Analytics Cloud and Salesforce1 Platform–that empower companies to connect with customers, partners, and employees in entirely new ways.

Companies of every size and industry are using Salesforce to transform their businesses across sales, service, marketing, commerce, communities, analytics and IT - all on the Salesforce Platform. Companies can grow sales faster, deliver customer service everywhere, create one-to-one customer journeys, engage with customers in vibrant communities, deliver analytics for every business user, and build mobile apps – all from a single trusted platform built for customer success.

Get in Touch

For more information about Salesforce (NYSE: CRM), visit: https://www.salesforce.com/uk/ or call 1-800-NO-SOFTWARE.



Appendix

Fig. 9 – Industries Surveyed

	UK	France	Germany	Netherlands
Wholesale & Retail Trade	14%	13%	15%	15%
Professional, scientific and technical activities	18%	7%	13%	7%
Construction	4%	8%	7%	8%
Other service activities	5%	7%	7%	6%
Real estate activities	5%	11%	4%	3%
Information and communication	3%	3%	8%	5%
Manufacturing	4%	3%	8%	4%
Financial and insurance activities	5%	4%	4%	6%
Arts, entertainment and recreation	4%	5%	5%	4%
Other Retail	4%	6%	3%	4%
Human health and social work activities	3%	4%	2%	5%
E-commerce	4%	5%	2%	3%
Agriculture, Forestry, & Fishing	3%	4%	2%	4%
Administrative and support service activities	3%	1%	5%	3%
Accommodation and food service activities	4%	1%	3%	3%
Education	2%	2%	3%	2%
Transportation and storage	1%	2%	1%	3%
Mining and Quarrying	1%	2%	1%	0%
Public administration and defence compulsory social security	0%	3%	1%	0%
Repair of motor vehicles and motorcycles	2%	0%	1%	0%
Other	12%	8%	6%	15%

Question asked: Which of the following best describes the industry or main business activity of your organisation?
Please select one Base: UK = 300, FR = 307, DE = 301, NL = 301