

# Supply

*National SME Engagement Programme*

*Helping you win more Government business*

# OPPORTUNITY KNOCKS

OVER  
**£230bn**  
MARKETPLACE

## SHOWCASE YOUR TALENT TO THE UK'S SINGLE LARGEST MARKET

**The SME Market: Attitudes,  
projections and trends**

## **The SME Market: Attitudes, projections and trends**

By Michael Crosby  
Supply Communications Officer

### **Follow us on Twitter**

[@SupplyContracts](https://twitter.com/SupplyContracts)

### **Connect on LinkedIn**

Michael Crosby: [uk.linkedin.com/in/michaelcrosby2/](https://uk.linkedin.com/in/michaelcrosby2/)

Supply: [http://www.linkedin.com/groups?gid=4571375&trk=my\\_groups-b-grp-v](http://www.linkedin.com/groups?gid=4571375&trk=my_groups-b-grp-v)

## The SME Market: Attitudes, projections and trends

### Contents

- 3 | Introduction
- 4 | Growth potential
- 5 | Finance
- 7 | Support
- 8 | Obstacles to success
- 9 | How Supply can help

### Introduction

Confidence among SMEs about their growth prospects in the coming year is at an all-time high, according to recent analysis.

As confidence rises and more SMEs become active in the public procurement marketplace, it is important that your firm is aware of trends in the industry and what your competitors' perceptions are of their prospects in the year ahead.

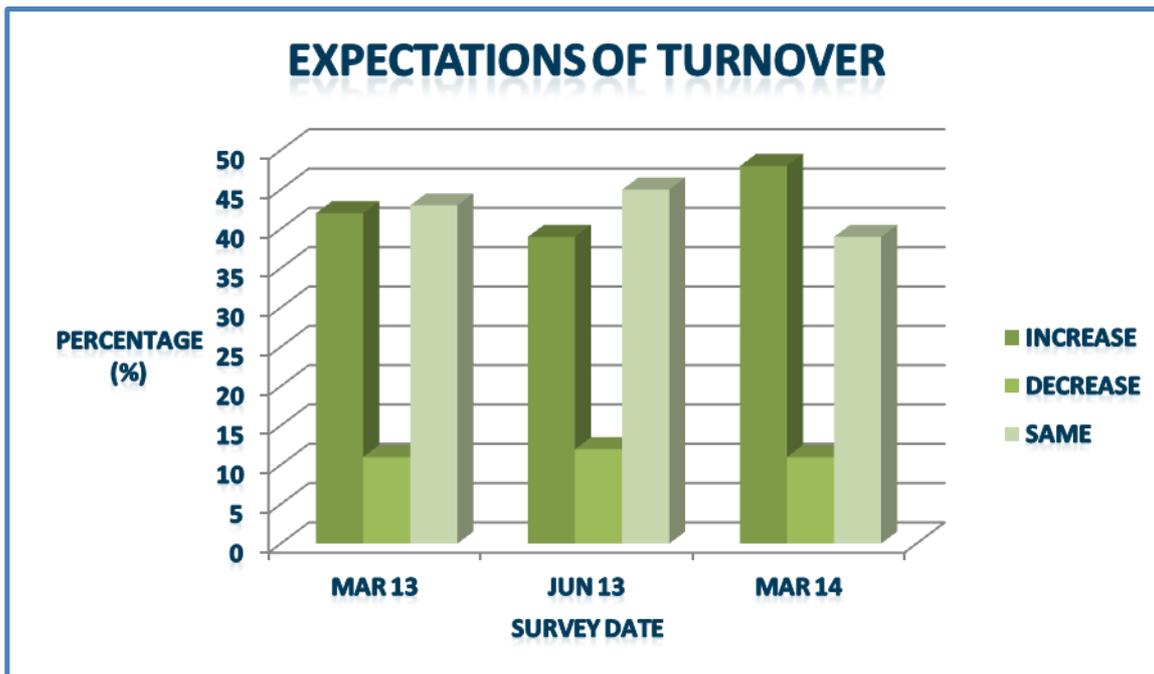
Recent surveys including the SME Business Barometer, published by the Department for Business, Innovation and Skills (BIS), and the CBI Quarterly SME Trends Survey provide a snapshot of SME performance over the last few months while looking to the future success of SMEs in the UK.

These reports outline perceptions of SME growth and the current business environment, financial prospects and access to funding, plus potential obstacles to SME growth.

This Supply National SME Engagement Programme Market Report provides an overview of current market trends, examines the outlook for the public procurement sector in the year ahead and analyses what these results mean for SMEs in procurement.

## Growth potential

According to the most recent SME Business Barometer report from BIS, SMEs' confidence in the future success of their business is at an all-time high.



Just 11% of those surveyed said that they expected their turnover to decline over the next 12 months, meaning that 89% expected either a growth in turnover or no change to their overall income. Significantly, the number of businesses expecting their turnover to rise increased by 9 percentage points on the June 2013 SME Business Barometer report (39% in 2013 to 48% in 2014).

The CBI has also reported the highest levels of business confidence since its quarterly SME surveys began in 1988. 46% of the 366 firms surveyed by the CBI in April 2014 said they were more optimistic about the general business situation than three months previously. In contrast, just 10% of those firms said they were less confident.

The CBI places special emphasis on the manufacturing sector. According to its latest Industrial Trends Survey, 36% of UK manufacturers surveyed expected total new orders to rise while just 10% expected a downturn in order numbers in the next 12 months. This represents the highest level of confidence achieved in this sector since 1996.

*“It’s very encouraging to see record levels of optimism among smaller manufacturers, on the back of robust growth in domestic and export orders, and a leap in output levels.*

*“Hiring is also on the up, and is set to strengthen as we look ahead...*

*“As confidence beds in, we need to see more firms exporting their products to high-growth markets across the globe, giving a healthy and sustainable boost to the UK’s recovery.”*

**Katja Hall, CBI Chief Policy Director**

## Finance

### Turnover

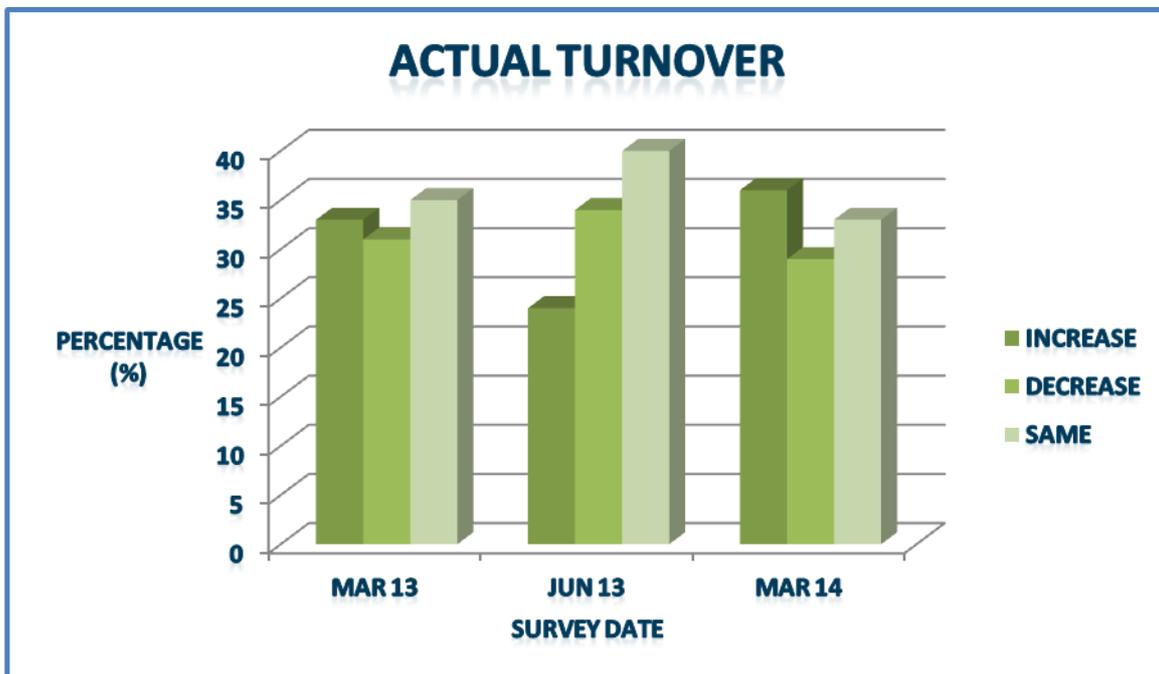
This increase in confidence has coincided with a tangible improvement in turnover for small firms over the last 12 months.

The number of companies experiencing a decline in turnover reached its lowest-ever level in the most recent SME Business Barometer survey – just 29% compared to the peak level of 50% experienced at the height of the financial crisis in 2009-10.

Since last year’s survey, there has been a 12% upturn in the number of companies enjoying an increased turnover. This is particularly significant given the 9% decrease in this figure experienced between 2011 and 2012, showing that small firms are regaining not only their confidence in their future success, but also their ability to succeed in the present market.

Perhaps as a result of the real-terms increase in turnover, firms are also confident of an increase in profits over the coming months, with a massive 85% of SME employers in March 2014 expecting to return a profit in the year ahead, six percentage points higher than in June 2013.

Manufacturers also reported an increase in their investment intentions for the year ahead compared to the previous 12 months, particularly for plant and machinery, which should see investment rise by 16% this year compared to just 4% last year.



## Access to finance

The SME Business Barometer was especially revealing on the subject of access to finance for SMEs.

Of those surveyed, just 12% had sought external finance in the last six months, the lowest figure in the Barometer series.

The overwhelming reason cited for not applying for external finance was a lack of need of such funding, which coincides with the previously explored increases in SME turnover, profit projections and business confidence.

Other reasons cited for not seeking external finance included unnecessary risk (24%), excessive expense (11%) and the possibility of rejection (6%).

Of the small percentage who did seek external finance, the main reasons for doing so included to acquire further capital (40%), to acquire new equipment or vehicles (35%), to improve buildings (10%) and to purchase new land or buildings (5%). These reasons are all tied to business growth or future planning, reinforcing the perception of growing confidence across industry and improved future business prospects.

## Support

At a time of high business confidence, it is perhaps to be expected that fewer firms would feel the need to seek business advice and support from external organisations and government initiatives, and the Business Barometer survey initially appears to confirm this – in March 2014 it was reported that just 36% of SME employers sought external business advice or support, the lowest recorded level since December 2010.

However, there is an intriguing similarity between the percentage of medium-sized businesses (50-250 employees) seeking advice and the percentage of medium-sized businesses expecting to see an increase in turnover in the next 12 months – with 65% seeking advice and 63% expecting growth. This would suggest that in this category those businesses doing well are often the same businesses eager to ensure the success of their further growth plans by investing in external support.

If your firm is anticipating growth in the coming months, it is crucial that you get any and all help possible to plan for manageable growth in a sustainable and secure way.

Government efforts to create more support opportunities for small firms include the Mentor Challenge Fund, which is designed to provide small businesses with assistance and advice from a peer with direct experience of their particular sector.

13 projects will share an initial £1.27m of government funding plus investment from industry for a total fund of £2.69m. It is expected this will help to sustain and create over 200 jobs, increase skills levels in participating firms and generate increased sales in excess of £7m. To find out more, [click here](#).

In addition, the Supply National SME Engagement Programme provides monthly Market Reports, webinars on how to grow your business and prepare for success, and How To guides which explain how to find the contracts that can really make a difference to your business.

**[Find out more about what Supply can offer you here](#)**

## Obstacles to success

Despite increased turnover and higher levels of business confidence, it is crucial for small firms to remain aware of potential obstacles which may arise in the future.

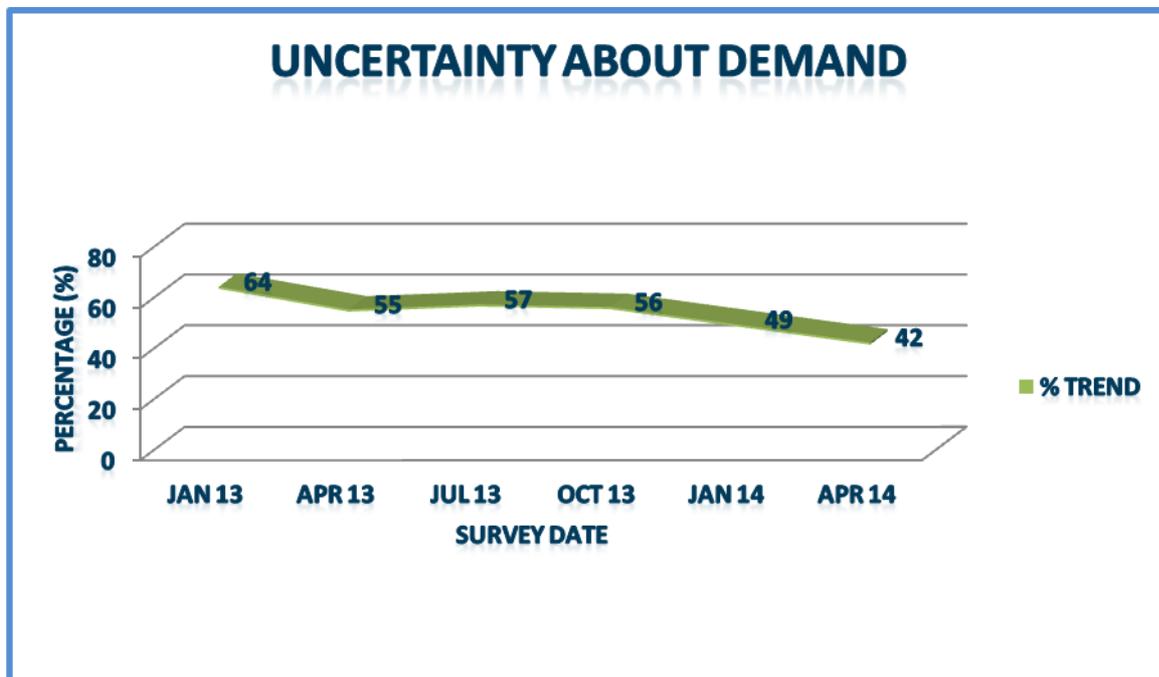
When asked what were the main obstacles to the future success of their business, respondents to the most recent SME Business Barometer survey said that their main worry was the economy (28%). Although the economy has been the main obstacle cited since the Barometer series began, the trend is for this to be mentioned less each year, down from a high of 45% in September 2011.

The Government's recent steps to stimulate the economy seem to have had an impact on the attitudes of small firms in the UK. Over the past five years, the Coalition Government has taken steps to reduce the deficit and to open up the marketplace to smaller firms.

This includes removing the Pre-Qualification Questionnaire for the procurement of goods and services under £100,000; relieving 450,000 small firms from National Insurance obligations; and introducing a new Business Bank to promote finance to small firms across the UK.

Other obstacles cited included competition from other firms (13%); cash flow (11%); red tape and regulations (6%); obtaining finance when needed (5%); and taxation (1%).

In the CBI survey, respondents were asked to identify the factors most likely to limit their expenditure over the next 12 months. Among SMEs, the main factor cited was uncertainty about demand at 42%. Although this was the highest-rated response, it is actually part of a continuing downward trend in this area of enquiry, representing a 22 percentage points drop since the highest recorded level of 64% in January 2013.



There was also a substantial decrease in the number of respondents citing political or economic conditions abroad as a factor likely to limit their exporting potential, which halved from 32% to 16% in the year to April 2014.

## How Supply can help

For businesses such as yours, it is important to make the most of rising confidence in the public sector procurement market and the Government’s increased focus on helping SMEs grow their business.

Having visibility of the right opportunities for your business from the start is vital in gaining first-mover competitive advantage, and Supply gives you more opportunities than anyone else.

The Supply National SME Engagement Programme provides a key route to finding new public sector contracts and awards information.

There’s a Supply subscription that’s right for your business – whether you are a sole trader, a micro business or a small or medium sized enterprise. You can also choose from ‘low value’ or ‘low and high value’ subscriptions to suit your needs.

The Supply National SME Engagement Programme is your partner throughout the process of winning government contracts. From sourcing and delivering contracts relevant to you via your unique daily email alert to guiding you through the process with the help of reports, blogs, newsletters and discounted training events, Supply gives you the best possible head start in winning new business.

Supply published over 58,000 UK contract notices in 2013 alone, making it the clear choice to help you grow your business in the public sector.

**[Win more Government business with the Supply National SME Engagement Programme](#)**



2014 © BiP Solutions Limited (BiP)

No part of this document or accompanying material may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the copyright holder.