



# Small Business Metrics: Banking for Small Businesses in the UK

**Report Prospectus**

*September 2008*

*Expertise in financial services*

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## What is the research?

Finaccord's report titled *Small Business Metrics: Banking for Small Businesses in the UK* is one of two publications in the *Small Business Metrics* portfolio for the UK developed in conjunction with Tpoll ([www.tpoll.com](http://www.tpoll.com)). Based on an on-line survey of 1,325 small business owners and self-employed individuals, the study provides fresh and detailed insights into the market for providing a range of business banking services to the approximately 4.66 million businesses with fewer than 100 employees in the UK.

In addition to providing a comprehensive analysis of the results across all respondents, the publication also breaks out the findings for key trade categories in the small business market, namely: building and construction; child or pet care; education or training; healthcare or related services; hotels, restaurants, cafés and pubs; I.T. services; logistics, motor trades or transportation; media, marketing or entertainment; professional or financial services; property management or rental; retailing or high street services; and other consumer or business services.

Moreover, the research also provides clear answers to key issues in the market for banking for small businesses including propensity to strike up relationships with more than one bank, likelihood of changing the provider of the main business current account during the next year and actual switching of the provider of the main business current account during the last 12 months.

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## What is the rationale?

A number of factors underpin the rationale for publishing the latest *Small Business Metrics* studies, including this report titled *Small Business Metrics: Banking for Small Businesses in the UK*. First and foremost is the fact that the market for banking and insurance services promoted to small businesses is substantial given that there are around 4.66 million enterprises with fewer than 100 employees in the UK. Indeed, around 99.7% of registered businesses in the UK can be classified as small businesses if these are defined as enterprises with fewer than 100 employees.

In addition, the market for small business financial services, like that for consumer financial services, is subject to rapid change. As the UK's small business sector thrives and expands, it results in a community with more complex requirements in the domain of banking and insurance. Moreover, the increasing use of the Internet by consumers for financial services acquisition is mirrored in the small business sector, a development which opens up new opportunities for incumbent and aspiring providers of banking and insurance services to this segment.

Finally, use of the Tpoll Internet panel of small business owners allows both for a more detailed investigation than that which would be possible through conventional market research techniques and is of a magnitude that can yield credible results for key segments within the market for small businesses and self-employed individuals as well as an aggregate analysis.

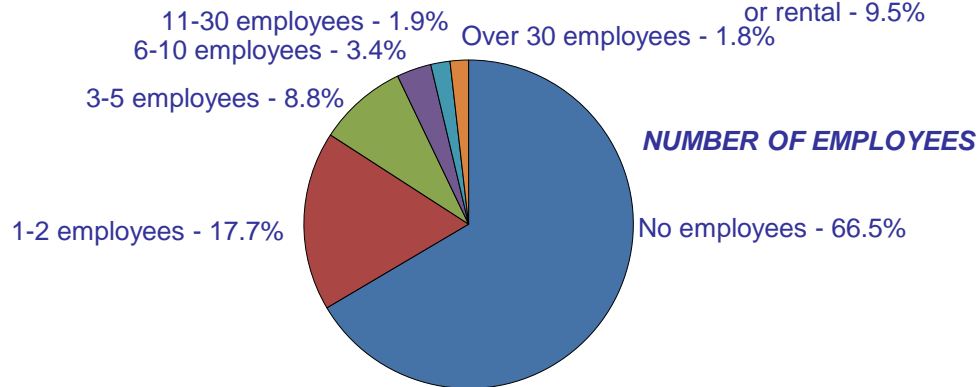
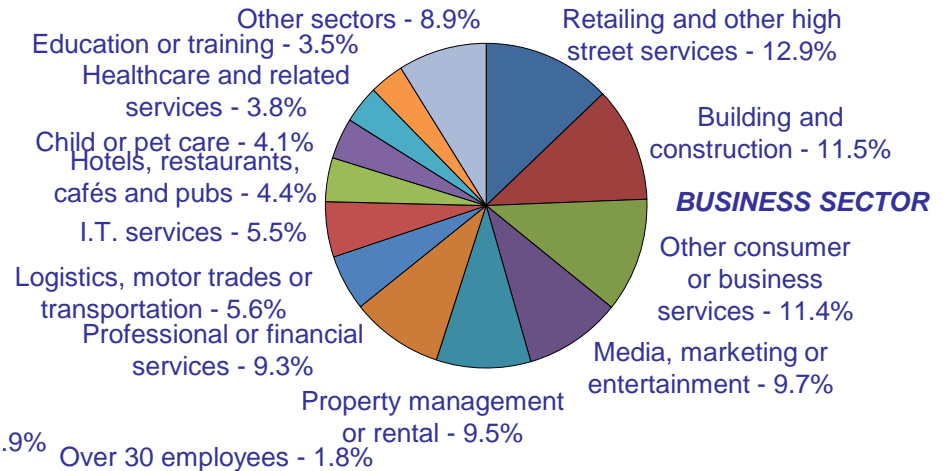
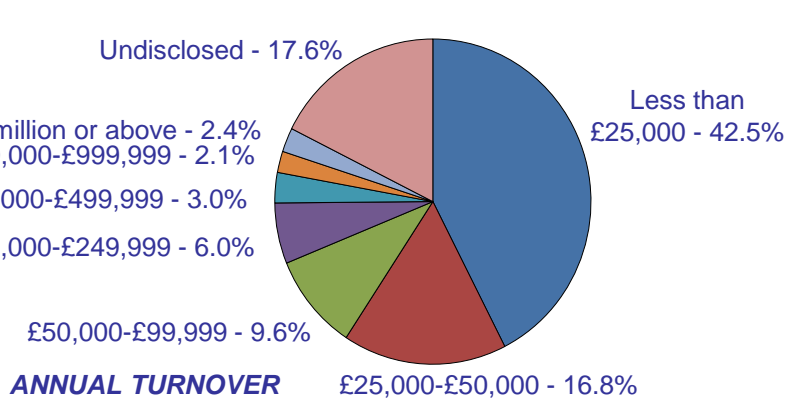
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## What methodology has been used?

The research for this study was carried out during June and August 2008 using the Tpoll Internet panel of small business owners. In total, completed surveys were filled in and submitted on-line by 1,325 small businesses and self-employed individuals breaking down by annual turnover, number of employees, business sector, geography, location of business and longevity of business as illustrated in the graphics on the following two pages.

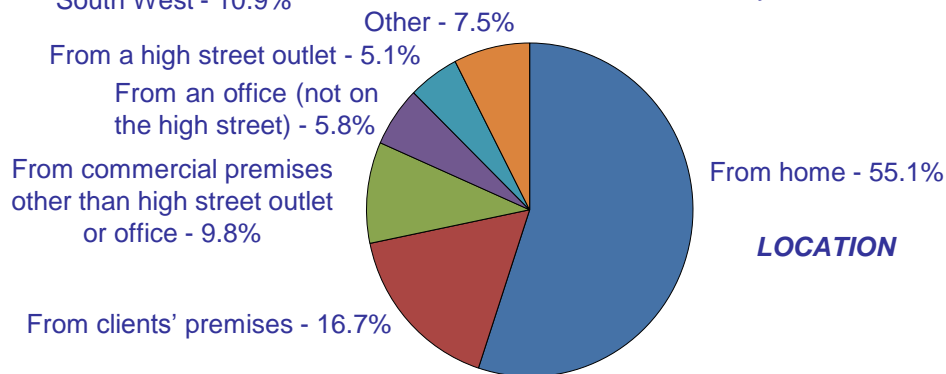
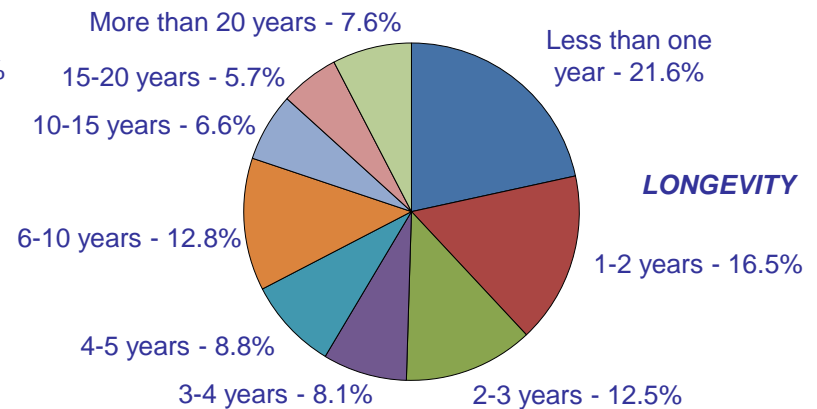
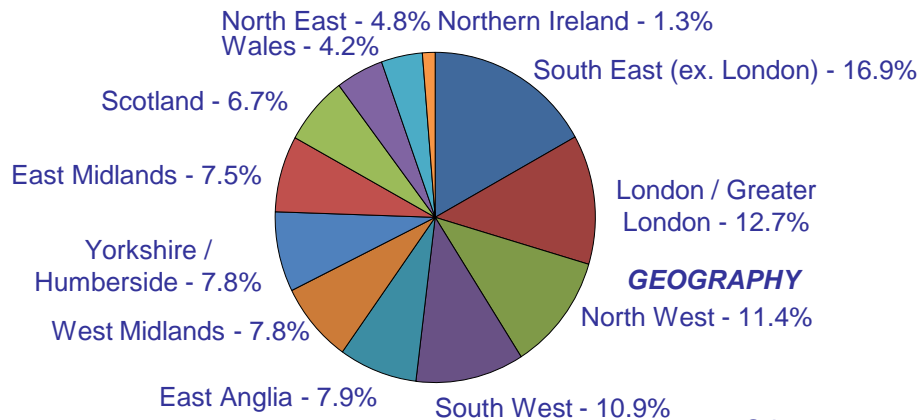
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# How does the sample of small businesses break down? (1)



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## How does the sample of small businesses break down? (2)



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# What are some of the principal metrics gathered?

**Frequency of requirement of small businesses for:** asset finance and leasing; business credit cards; business current accounts in pounds sterling; business current accounts in foreign currency; business deposit accounts; business investment accounts; bonds or funds; business overdrafts; card payment processing using a standard hand-held terminal; card payment processing using an on-line processing service; commercial mortgages; factoring; international payments; invoice discounting / cash flow finance; secured commercial loans; and unsecured commercial loans.

**Performance benchmarking for:** Abbey; Alliance & Leicester; Barclays; Co-operative Bank; HBOS (incorporating Bank of Scotland and Halifax); HSBC; Lloyds TSB; National Australia Group (incorporating Clydesdale Bank and Yorkshire Bank); NatWest; RBS; and other smaller banks. Market share data for primary and secondary banking relationships also supplied for other organisations including: AIB; Bank of Ireland; Handelsbanken; and Nationwide Building Society.

**Satisfaction of small businesses with:** accessibility / opening hours of bank branches; breadth / quality of business financial services offered; breadth / quality of extra services offered; ease of contact with a business banking manager; frequency of contact with a business banking manager; personal contact with a named business banking manager; charges levied on business accounts; interest rates offered on business accounts; ease of use of Internet banking service; and security associated with Internet banking service.

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## What is the report structure?

*0. Executive Summary:* providing a concise evaluation of the principal findings of the report.

*1. Introduction:* offering rationale and a detailed description of methodology.

*2. Banking Overview:* this chapter compares the survey results across the many segments of the small business market analysed. Key metrics presented in this chapter include frequency of usage of different forms of banking service, number of business banking relationships, identity of banks with which primary and secondary relationships held, actual switching rates for the main business current account ,and usage of commercial affinity groups to contract business banking services.

*3. Bank Performance:* for ten fundamental indicators, as well as for the apparent propensity of their customers to consider switching bank, the performance of the UK's top business banks is benchmarked in accordance with the feedback gathered in the survey from their own customers.

*4. Businesses with male owners:* an analysis of the principal survey results for business banking as they pertain specifically to small businesses with male owners.

5 - 23: similar results to those presented for businesses with male owners for 19 other categories of small business including 12 specific trade categories as well as other groupings such as self-employed individuals and businesses with international revenues.

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## What are the key features of the research?

Key features of this report include:

- clear presentation of results across 20 different segments of the small business market including home-based businesses and recently-established businesses (those set up in the last three years);
- data describing the frequency of usage by small businesses of core business banking services including asset / equipment finance / leasing, business credit cards, business deposit accounts, factoring, international payments and invoice discounting / cash flow finance;
- investigation into the apparent market shares of banks for primary (ie. the main business current account) and secondary (ie. all other services) banking relationships in the small business market;
- benchmarking of the apparent performance of the UK's leading business banks for a variety of key indicators as reported by a sample of their own customers;
- consideration of the degree to which small businesses are using commercial affinity groups to which they belong, such as professional / trade associations and franchise organisations, to contract business banking services on preferential terms.

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## How can the research be used?

You may be able to use this report in one or more of the following ways:

- gain detailed insights into how the requirements and behaviour of small businesses vary in accordance with key categories of customer and how many small businesses make use of a range of business banking services other than business current accounts;
- understand the frequency with which small businesses actually do change the provider of their main business current account;
- evaluate the degree to which banking sector consolidation threatens to create an uncompetitive and almost unbreakable oligopoly in the market for small business banking;
- assess the strengths and weaknesses of the UK's leading business banks and understand their apparent ability to win and retain new customers;
- comprehend the true potential for establishing partnerships with commercial affinity groups for the distribution of business banking services.

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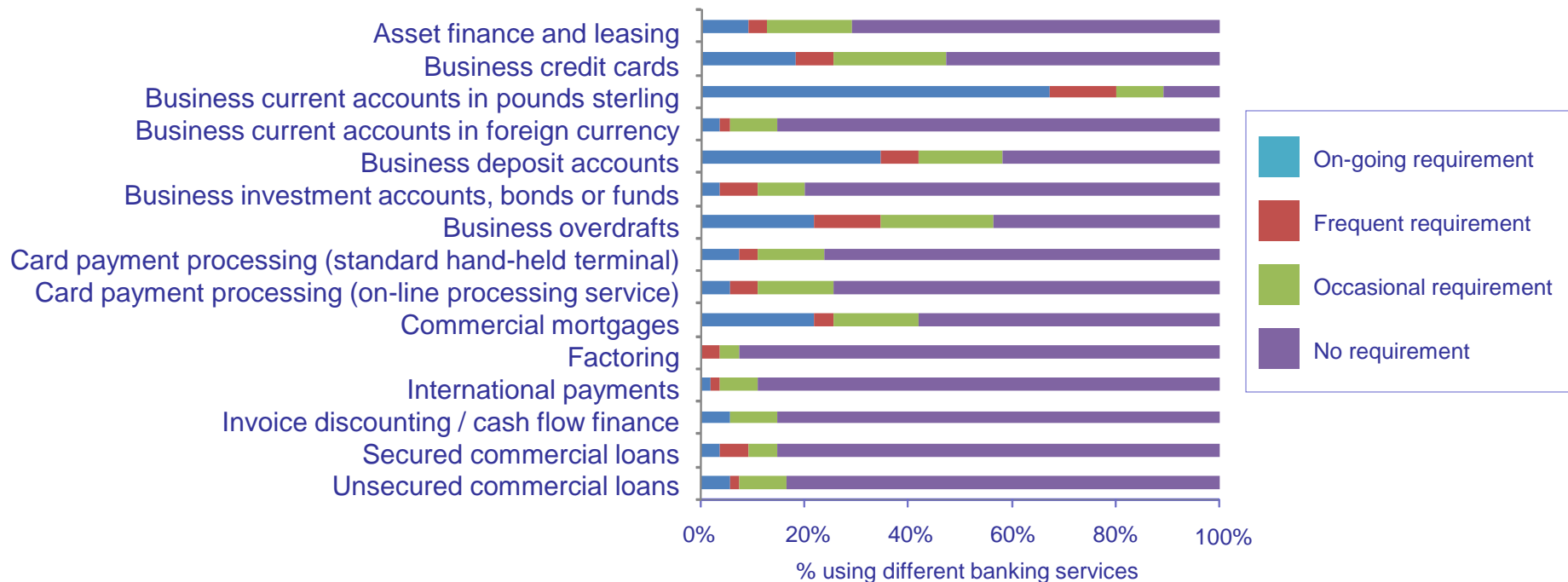
## Who can use the research?

1. *Banks*: banks already serving the small business market in the UK will gain access to a detailed source of primary market intelligence which will help them to understand better the environment in which they operate and to plan accordingly;
2. *Building societies*: although few court small business customers at present, it is true to say that many of the individual clients of building societies are also small business owners: therefore, the research will help to clarify whether they can extend their proposition into new fields;
3. *Insurance companies*: banks constitute an interesting distribution conduit for insurance for small businesses - arriving at a superior understanding of the environment for small business banking in the UK will help insurers to tailor their offering through this channel;
4. *Management consultancies*: are you helping a bank to develop its strategy for offering banking services to small businesses in the UK? If so, this study will provide you with unique insights into the behaviour of small businesses in this domain.

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# What are some of the key findings?

## 1. Small businesses in the property management and rental sector have a fairly regular requirement for business overdrafts and commercial mortgages



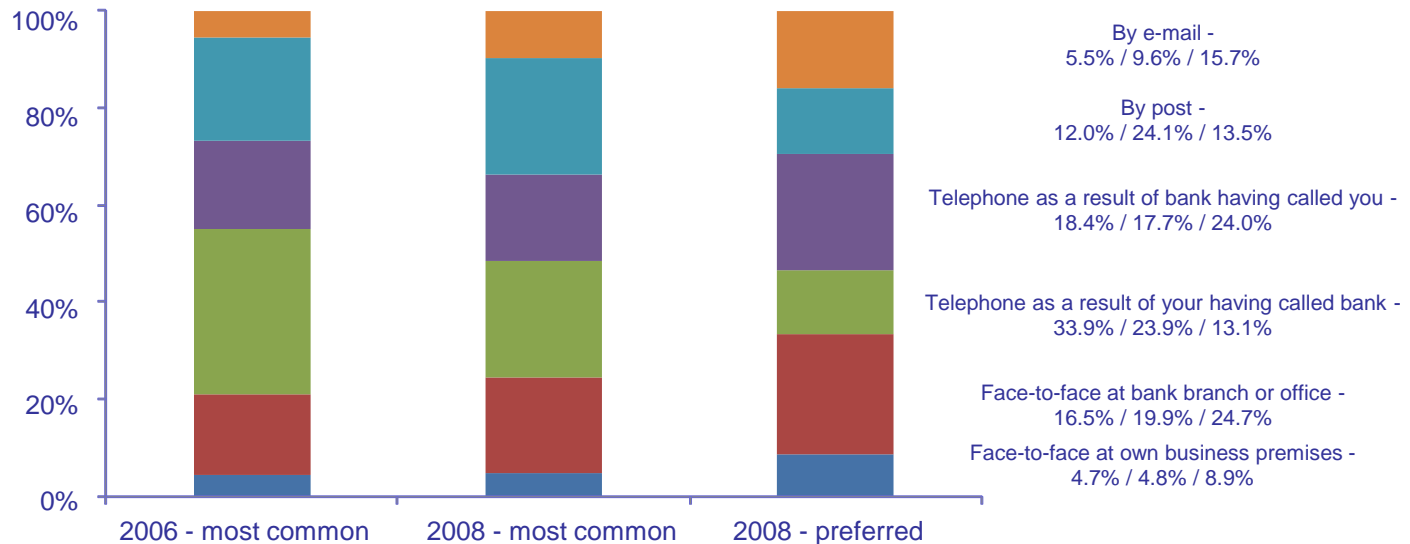
Source: Finaccord analysis of Tpoll survey

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# What are some of the key findings? (cont.)

## 2. Almost one third of small businesses would still prefer to interact with their main bank in a face-to-face environment

% split of responses

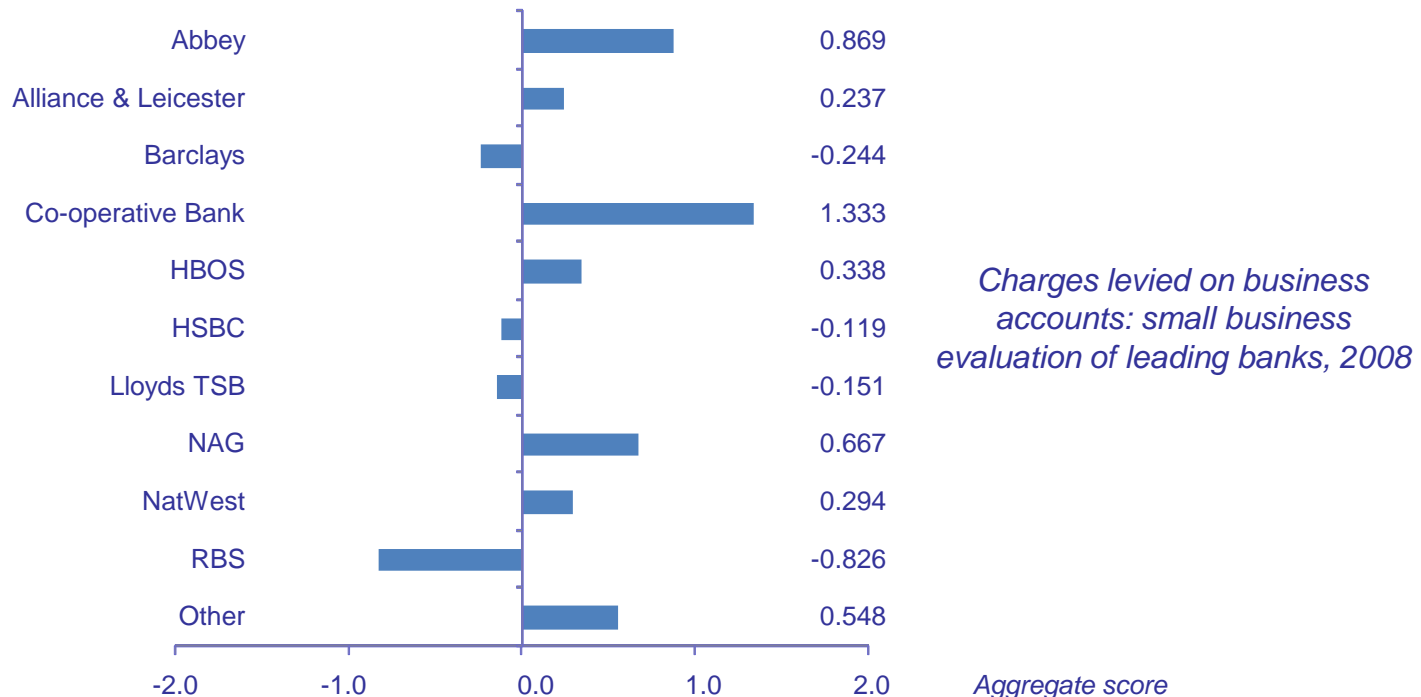


Source: Finaccord analysis of Tpoll survey

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## What are some of the key findings? (cont.)

### 3. The perceptions of small business customers vary when it comes to the charges levied on business accounts by the main bank that they use



Source: Finaccord analysis of Tpoll survey

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## What are some of the key findings? (cont.)

Key findings from the executive summary include:

- unquestionably, the consolidation of banks occurring in September 2008 changes the landscape for small business banking in the UK given that the previous dynamic, which saw Abbey, Alliance & Leicester and HBOS as feisty challengers to the dominant quartet of Barclays, HSBC, Lloyds TSB and RBS, may no longer be valid;
- the share of Abbey and Alliance & Leicester of small businesses switching to them is significantly higher than their share of small businesses defecting from them which underlines the degree to which a combination of Abbey and Alliance & Leicester will constitute an important presence in the small business banking market;
- there is probably more scope for banks outside of the top five groups to compete in the markets for secondary small business banking services such as asset finance and leasing, business credit cards, business deposit accounts, card payment processing, commercial mortgages, factoring and invoice discounting / cash flow finance given that there is generally less need for them to maintain a large branch network in order for them to do so.

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## What is the cost and format?

*Small Business Metrics: Banking for Small Businesses in the UK* is available as a standard Adobe Acrobat PDF document and / or hard copy. Costs for this research, the sister title covering insurance and a related study focused on commercial affinity groups in the UK are as follows:

<b>REPORT</b>	<b>COST *</b>	<b>FORMAT</b>
Small Business Metrics: Banking for Small Businesses in the UK	£2,495	c. 315 pages
Small Business Metrics: Insurance for Small Businesses in the UK	£2,495	c. 330 pages
Commercial Affinity Groups: Marketing Financial Services through UK Professional and Trade Associations, 2008	£1,195	c. 130 pages

*VAT at 17.5% will be added to the basic price except for where the request is for hard copy only.*

*Costs quoted are for a single site user license only.*

*For corporate user licence options, please see the next slide for further details.*

*Printing and postage costs of £50 per title will be payable if hard copy is required.*

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## How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord web site available at [www.finaccord.com/order\\_uk\\_sbfsr.htm](http://www.finaccord.com/order_uk_sbfsr.htm) and fill in the online order form, clearly indicating:

- report required
- type of corporate user licence, if required \*
- billing name
- address and e-mail address
- purchase order number, if applicable

Please allow up to one working day for the delivery of electronic copy by e-mail.

\* For the **corporate user licence** please choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

*VAT at the prevailing rate will be added to the price of any corporate user licence acquired by UK-based buyers.*

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