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The influence of technology on business

Are firms electric?



In this issue of *Referendum*, we're taking a look at how new technology is impacting on smaller businesses.

For better or worse, computers, the internet and mobile phones have transformed the business environment in recent years – and we want to know what that means for you.

Social media, in particular, is proving to

be a divisive issue for small firms and entrepreneurs, with some hailing it as a revolutionary and cost-effective marketing tool, and others dismissing it as a time-consuming fad with no real commercial benefits. Do you think sites like Twitter, LinkedIn and Facebook can make a difference to your business's bottom line, or would you rather leave it up to others to 'YouTube if they want to'?

Another increasingly high-profile technological issue facing small businesses is that of internet connection speeds. Amid media reports of homeowners and businesses in rural areas being quoted tens of thousands of pounds for broadband installation, the new Government has agreed to stick to the previous administration's commitment to ensure a minimum broadband speed of 2Mbps for everyone in the UK by 2012.

However, the coalition has not yet revealed exactly how it plans to implement the upgrade. And with Labour's plans for a broadband levy now shelved, there remains some doubt over exactly how faster connection speeds for everyone can be achieved.

Has electronic media such as email and text messaging made it easier for you to communicate with your customers and suppliers? Or is it just a distraction you don't need?

Is it worthwhile for your business to have its own website? Or do you source all the work you need through word-of-mouth and traditional means of contact?

Does your business suffer from sloth-like surfing speeds? Or do you find your current connection to be perfectly adequate, even if your business is based in the countryside?

These are just some of the questions we'd like you to answer in the enclosed ballot form. If you can spare just a few minutes to complete it, you'll be playing a crucial role in raising awareness of the issues facing both your own business as well as other small firms across the country.

Each quarter's *Referendum* results are highlighted extensively through the media and put to politicians and decision-makers at all levels, in order to continuously change the small business landscape for the better.

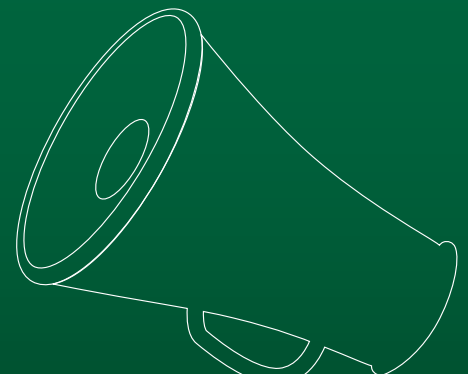
We have been asking our members for their views on important business topics since 1977, and what they tell us feeds directly into our campaigns and policies. *Referendum* is our primary method of gauging the views of our members on issues of the moment, and by completing the ballot form, you can help ensure that we're able to represent your views too.

Previously, *Referendum* has given you a whole host of general news on our public affairs activities, however from this issue onwards, we'll be focussing more on the

ballot itself, along with other Forum research. By concentrating on this vital aspect of our work in *Referendum*, we'll be able to keep you better informed about this key area of the organisation.

Each quarter we will focus on a specific issue, and will rely on YOU to tell us how each one affects your business, so that we can campaign on those that matter to you.

Our other publications – *Business Insight* and the weekly eNewsletter – give you a wealth of information on our campaigning, press coverage and our other areas of activity.



Small businesses and selling online

There is little doubt that the internet has revolutionised the retail industry.

Online-only giants like Amazon have used the world wide web to offer heavily discounted goods, freed from the cost of maintaining a customer-facing presence.

This has often proved highly contentious with smaller shop owners, who argue that, with expensive business rates, rents and utility bills to pay, independent retailers are up against unfair competition.

The increasing trend for consumers to treat high street stores as a 'shop window' to view goods they are interested in before buying them more cheaply online, is another understandably sore point for small shops, while recent figures from the Valuation Office Agency highlighted the rate at which independent retailers are vanishing from the high street.

Here at the Forum, we believe small shops play an important and valued role in the communities they serve. This view is widely shared by the British public, who appreciate the choice, character and individuality they bring to their villages, towns and cities.

As a result, we have been arguing that local authorities should be able to give struggling

smaller shops a rebate on their business rates – as they can with charity shops – in order to make them more viable. By doing this, councils would be serving local taxpayers by helping to provide them with the sort of varied, diverse high street they want to see. Such a measure would also help to cut down on the blight of empty units, which are an eyesore and negatively impact on the trade of surrounding businesses.

Online = opportunities

However, we would also argue that the internet offers valuable opportunities for independent retailers.

Selling online is becoming increasingly affordable for small firms, thanks to secure payment software which can be 'leased' at reasonable rates. Online sales can also provide a valuable financial 'back-up' for times when footfall is down, due to factors like the weather or the time of the year.

Many small retailers – including several Forum members – have also successfully started using social networking sites to communicate with their customers and build up a 'fan base' for their products and services.

Online-only VAT controversy

HM Revenue and Customs recently courted controversy when it removed the option for VAT-registered firms to file and pay their VAT returns by post.

VAT-registered companies must now carry out the entire process online and the rule change has proved hugely unpopular with some business owners.

Do you resent being forced to carry out an increasing number of processes online? Do you think internet-only services are unfair on those who aren't computer-literate, or simply don't want to do certain things online?

Tell us what you think by filling in and returning the enclosed ballot form by **Monday, 13 September 2010**.



Online trading 'not anti-competitive' for small firms

The Office of Fair Trading (OFT) recently concluded that SMEs do not face major barriers when trying to trade online.

The OFT claimed that the internet had done much to help smaller firms and that, in most cases, online technologies keep competition healthy.

However, the OFT did warn that the dominance of companies like Google and PayPal could cause problems for small businesses which are completely reliant on their services.

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If you need help with an issue affecting your business, we want to hear from you: contact our public affairs team.

Other news on Forum research

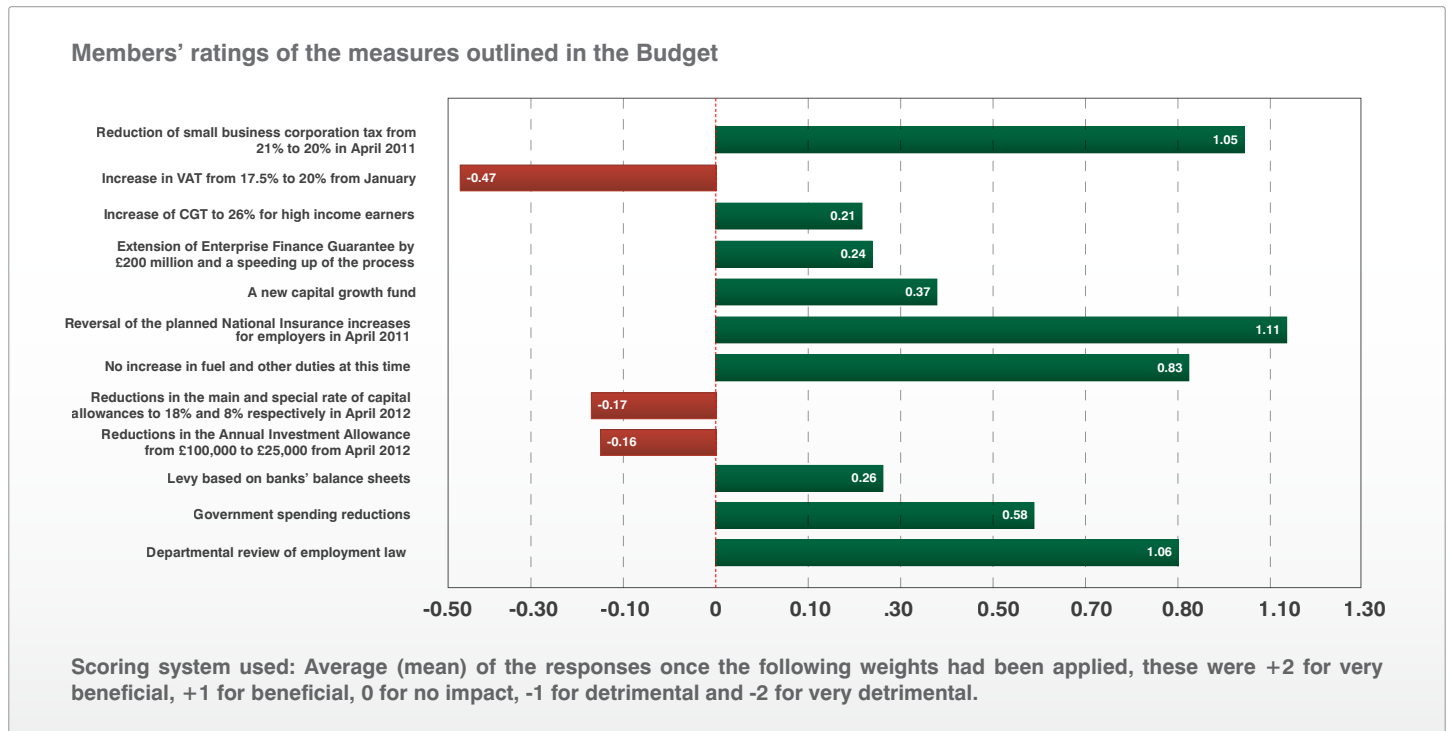
Your reaction to the Budget

In the days after George Osborne delivered his first Budget on 22 June, we asked Forum members what they thought of the measures it contained.

Almost half of those who took part in our survey were pleasantly surprised by the new Chancellor's small business-friendly policies, such as cutting corporation tax and reducing red tape.

However, other respondents said they feared that the rise in VAT, coupled with savage spending cuts, could tip the economy back into recession.

This graph shows the reaction of Forum members to each small business-related measure in the Budget. The green bars indicate a positive response, while the red ones indicate a negative one. The longer the bar, the greater the strength of feeling on the issue.



Member panels

Tax and Budget Panel

Encouragingly, the Budget included many things demanded by small business owners on the Forum's Tax and Budget Panel.

Members of the Panel drew up a 'wish list' of measures they wanted to see enacted. The list included:

- ▶ Prioritising fairness in the taxation system
- ▶ Reducing the deficit
- ▶ Reducing corporation tax but not bringing in a flat rate for everyone
- ▶ Making the UK more competitive internationally.

One problem not addressed in the Budget, but identified as the second biggest area of concern for members of the Panel, was the complexity of Britain's tax system.

However, since the Budget, the Government has announced that it is setting up the Office of Tax Simplification; a new department tasked with addressing this very issue. As a result, our

next Tax and Budget Panel survey will focus directly on the tax system to help guide the new Office towards making the system easier to understand and use.

Employment Law Member Panel

An overwhelming 92% of our Employment Law Member Panelists said they would like to see an overhaul of employment law to re-balance it in favour of businesses.

As such, it is unsurprising that the Government's pledge to conduct a department-by-department review of employment legislation to ensure fairness was the second most popular element of the Budget.

We are now asking members to tell us which laws could be removed or modified to encourage smaller firms to employ more readily. The latest survey can be found at www.fpb.org/employmentpanel.

Other panel activity

In the next few months, panels will be reporting on health and safety issues, late payment

and the environment. We are now able to email the individuals who are responsible for specific areas at your business directly, so that the relevant members of your team can be on the relevant panel.

If any member of your staff would like to be on one of our panels, please let us know.

Economy Watch

Economy Watch has provided valuable, real-time information on the key issues affecting smaller firms in the wake of the recession.

It has also increased our influence in bringing banks, late payers and the Government to account. According to our latest Economy Watch research, small businesses have seen a marginal increase in confidence since the Budget. However, access to affordable finance has deteriorated and cash flow remains a key issue for our members, with 37% of their turnover tied up in late payment.

We would like to thank the 356 panel members for their dedication in completing the questionnaire on a monthly basis.

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What you told us in the previous *Referendum* ballot

The last *Referendum* ballot went out to Forum members just as the country went to the polls so, inevitably, it was heavily themed around the general election.

We asked members how the election was impacting on their firms, which political parties they felt best understood their businesses, and what they thought the forthcoming Government's priorities should be.

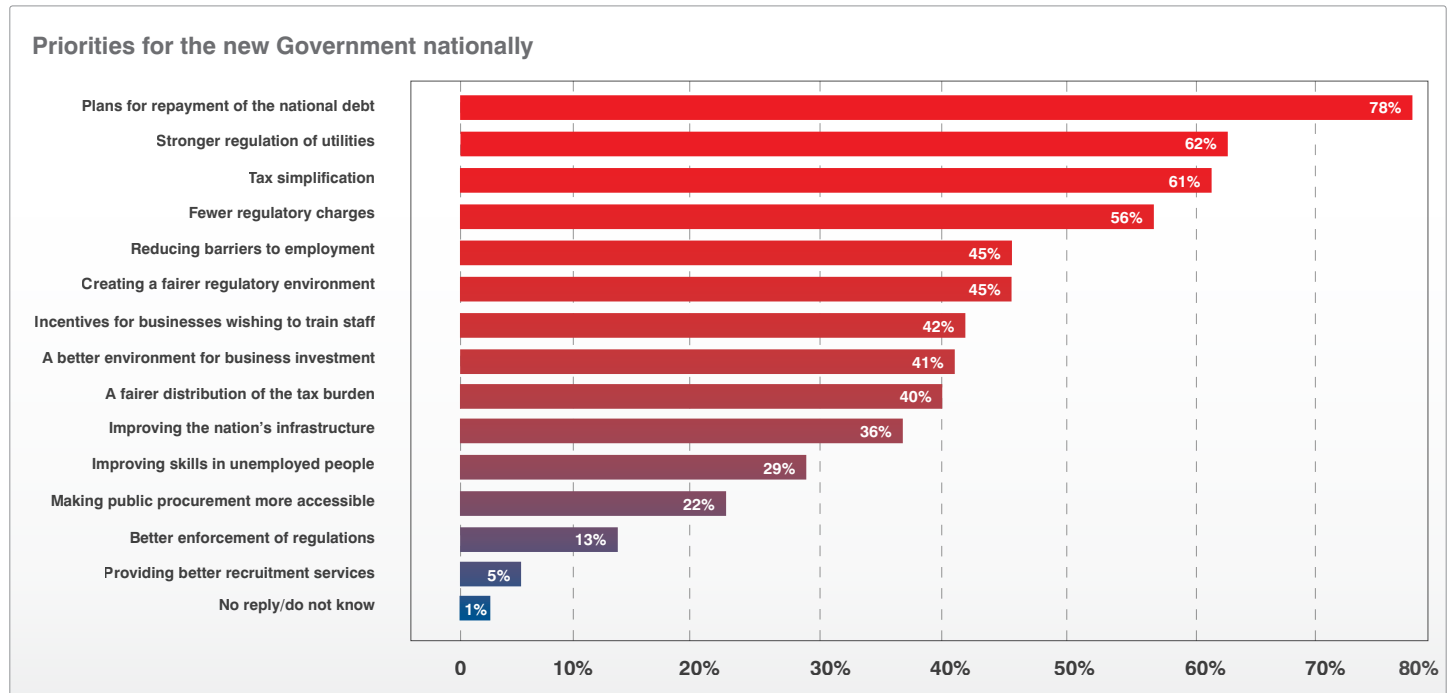
Perhaps surprisingly, 63% of respondents said the election process did not have any significant impact on their business at all, although some commented that candidates could have done more to understand local firms.

A minority of those surveyed – mainly travel agents – saw an increase in sales and some were genuinely enthused with the choice available to them at the

ballot box. However, the main impact on business was a delay in orders and sales until the political landscape was clearer.

A sizeable 59% felt that the policies of the Conservative party best reflected the way that their business operates. This was highlighted in the priorities that businesses wanted a new administration to focus on – a reduction in red tape, reversal of the planned National Insurance increase, the repayment of the national debt and greater use of apprenticeships and on-the-job training all of which had been part of the Tory manifesto.

However, at 22%, almost a quarter of respondents felt that none of the parties understood their business and some felt that there had been limited engagement with them.



When it came to selecting the main priorities post-election, 78% of Forum members wanted an incoming government to prioritise the repayment of the national debt.

Almost two thirds (62%) wanted to see tougher regulation of banks and utilities firms, reflecting a widespread view that the current regulators seem unable to control industry excesses.

At 61%, a similar percentage of respondents said they wanted to see Britain's tax system simplified so that they could increase control of their own finances.

There was also a noticeable sense that large corporations should take on a fairer burden of taxation, while 56% wanted fewer regulatory changes, reflecting a commonly-held belief that complying with the rules is already too time consuming and expensive a process.

At a local level, businesses cited reduced local taxation as their primary demand, at 56%.

Parking and transport issues were also a clear bone of contention, with 42% of members saying they need attention in their areas.

