



The business people – an extension to your team



Research report

Exporting and Foreign Exchange

July 2010

Contents

	Page
1. Introduction	3
2. Summary	3
3. Recommendations	5
4. Strategy for developing the business	6
5. Exporting	8
6. Importing	13
7. Risk management	15
8. Currency fluctuations	18
9. Foreign exchange services	21

1. Introduction

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses. Global Reach Partners Ltd is a leading foreign exchange provider. The business recently relaunched Smart FX, an online international payments and trading platform. 385 randomly selected business owners and a number of Forum members responded to the questionnaire and as Figure 1 shows the sample was skewed slightly towards larger SMEs and manufacturers.

Figure 1: Comparison of the Sample with BIS data

	Sample	Analysis of UK employers ¹
Under 10	67%	83%
10 to 49	27%	14%
50 to 249	5%	2%
Over 250	<1%	<1%
Manufacturers	36%	14%
Wholesalers, retail, transport and storage	23%	24%
Construction	7%	12%
Business services	27%	27%
Other	7%	23%

The respondents were self selecting, but the focus was on businesses engaged in or considering trading internationally. Fieldwork from Lloyds TSB Commercial² undertaken in May 2010 using a random selection of over 500 SMEs and our own recent panel research show a consistent pattern.

Figure 2: Comparison with other recent export research

	Sample	Other research
Proportion currently exporting	51%	34% ²
Looking to export	11%	6% ²
Business targeting growth through exporting	34%	15% ³

The figures in this research are higher to ensure larger samples for information on export and import markets; broadly they are around double the more randomly sampled figures. In general there is a ratio of around 5:1 between exporters and those looking to export and for around half these businesses it is a major source of revenue growth.

2. Summary

Business development

The strategy for businesses looking to develop their business internationally is consistent with the findings of our panel held in February 2010; businesses that are currently involved in international trade have more options for growth than businesses that only trade in the UK.

Uncertain trade conditions (54%) are the main barrier for businesses looking to grow, followed by the cost of employing additional staff (42%) and cash-flow issues (41%). Uncertain trading conditions were ranked much higher for those involved in international trade (61%) than those operating only in the UK. Cash flow issues were also significantly higher for exporters.

51% of the sample were currently exporting with 11% considering exporting in the future. Larger SMEs were more likely to be looking at growing their market share in regions where they already had a foothold as well as exporting to new markets, whilst micro businesses were more likely to choose between these two strategies for exporting growth.

Exporting

The European Union was the most frequently targeted area for growth, although some businesses felt that Africa or the Far East were the more important markets for their business.

The key barrier for businesses that expressed no interest in exporting was that they felt that their business model or services would only work in the UK. For those considering exporting this was a factor for around 1 in 4 businesses but the main problems were lack of information on potential markets (42%), a lack of a local presence (42%) and excessive cash-flow risks (32%).

Similar issues were highlighted by those currently exporting with 36% needing more information on markets, market entry and distribution, 34% requiring information on regulations and 31% wanting better systems to assess credit risk.

Importing

50% do not currently import, although 2% are interested in doing so. 42% import products and raw materials and 16% import services, 9% of which import both products and services.

The major reasons given for importing were the lack of UK suppliers (52%), costs of UK equivalents (47%) and because the business has always done so (30%).

The internet is the most commonly used method of finding suppliers, often in conjunction with trade fairs, business associates and trade associations.

Risk management

Currency fluctuations were considered the most significant risk in terms of the cost of doing business internationally. With 63% considering this to be a significant risk for their business, increased shipping costs (31%) and payment of additional duty (28%) were the next most significant risks for businesses trading internationally.

57% of businesses carry out credit checks on customers to reduce risk, Retention to Title clauses in customer contracts were used by 44% of businesses and a similar proportion are actively managing foreign currency risk. Just 18% have taken out credit insurance and 18% check that their suppliers have credit insurance.

Currency fluctuations

69% of company owners/board directors were responsible for managing the impact of foreign exchange, indicating just how important this issue is for businesses. Research by the Forum and other sources⁴ indicate that these individuals have become increasingly time poor as the economic climate has worsened and they have had to take on more regulatory and financial responsibilities.

Late payment and customer insolvency pose greater problems for businesses than currency fluctuations. Supplier insolvency is less of an issue, although anecdotal evidence indicated that the disappearance of Chinese suppliers poses a considerable problem for businesses with links to China. This was also highlighted in PIMS qualitative research in September 2009⁵.

49% of businesses used foreign exchange services on an ad hoc basis, and these transactions tended to be in sterling. 7% made international payments on a daily basis, 22% on a weekly basis and 21% on a monthly basis.

Impact of the currency changes

In total 72% had seen a noticeable difference to their profitability as a result of currency fluctuations. 26% have seen an increase in the overall profitability of their business, and 44% had seen a decrease.

Exporters tended to see a positive outcome of the weakening of sterling with 36% seeing an increase, however 18% saw a decrease in exports as international trade declined. These businesses also reported an increase in import/raw material costs.

In total 36% saw a decrease in imports as a result of higher costs of importing although 7% saw an increase. Overall the supply chain seems to have weakened with 19% more seeing a decrease in the strength of their supply chain compared to 7% who saw it improve.

Provision of foreign exchange support

36% spoke to their current bank about the provision of foreign exchange services and 30% contacted a specialist foreign exchange broker. Trusted sources of information such as accountants (25%) UKTI (20%) and trade associations (19%) were also contacted whilst 19% used the internet to find the ideal supplier.

While 63% felt that the best rate was a significant factor in choosing the provider 42% felt that speed and convenience of exchange was important as the person responsible for foreign currency (the business owner or financial director) has a multitude of other responsibilities. Control (41%) and competitive rates of commission (33%) were also considered. Security was not offered to respondents as an option but was reported by 2% of respondents of their own accord.

3. Recommendations

In the current economic environment, businesses need to achieve value for money with tailored support designed to help them grow, particularly as weak domestic demand and the difficulty for businesses in attracting a price premium in the UK indicates that international trade is a key way to increase profitability.

Greater support is needed from Government support agencies for businesses internationalising their business:

- Training and support is needed for businesses in internationalising their business in order to increase their turnover. 67 per cent of UK companies who were not exporting felt that their business model was not conducive for exporting or that the business only provides a local need. However, as Starbucks has shown, there are potential solutions such as franchising or joint ventures that can be used to overcome these issues.
- UKTI provides support for both businesses looking to export for the first time and for experienced exporters. However, the research indicates that there is greater demand than supply in this area and that additional funding would help in developing UKTI's services further.
- Support agencies must ensure that they are working cohesively and not duplicating support already available from the public sector. For example, a small business which is not able to attend a trade show because they cannot afford the time away from their business could be supported with a translation service and key distribution contacts.

Improved support to businesses from financial institutions is also required:

- Better protection for importers and exporters is needed from international credit ratings agencies. Businesses frequently complain that it is difficult to assess credit risk internationally and the information available is not always current enough to allow them to make an informed decision on the level of credit they should extend to trading partners.
- Overseas customers must be encouraged to pay invoices promptly.
- A greater range of financial products that support international trade such as a greater range of choice on international merchant services, web-based foreign exchange products or products to effectively reduce the risk of international trading is also needed.

Greater financial discipline is needed from businesses themselves:

- Businesses must be prepared to agree to greater financial transparency in order to improve their credit rating. To some extent this is already happening as a by-product of the credit crunch
- Businesses must also ensure that they research potential suppliers and overseas customers and look at a variety of sources of information.
- In addition businesses should also pay closer attention to detail on contracts so that businesses have recourse to legal redress in case of a contractual dispute.

Take greater control over currency trades to reduce the risk of international trade

With currency fluctuations a key concern for businesses even before the sovereign debt crisis Global Reach Partners says that there are a number of steps that businesses can take to manage their foreign exchange risk and retain control over their currency management.

Global Reach Partners recommends that in order to manage their foreign currency effectively businesses should:

- Seek specialist help on currency hedging in order to protect against currency fluctuations
- Put in place an effective and flexible strategy, which could incorporate using a platform that suits their individual business needs
- Carry out research in order to secure the best rates of exchange, a key concern highlighted by 63% of respondents

4. Strategy for developing the business

Business owners were asked how their business intends to develop in the next 12 months. This same question had been asked to 6,000 Forum members in September 2009 and 360 members of the Economy Watch Panel in February 2010. The results are broadly similar to February³ except a much more aggressive targeting of new customers in the UK and abroad.

Figure 3: Business strategy for smaller firms since September

	Referendum 189 ⁽⁶⁾	Economy watch ³	Export research	
	Sept 2009	Feb 2010	May 2010	
None - we will remain as we are	30%	12%	49	13%*
Introduce new products or services	38%	48%	194	50%
Target new customers in the UK	52%	57%	270	70%
Start or increase exports of products and services	12%	15%	129	34%
Try to sell more to current customer base	47%	65%	239	62%
Review/cut costs	48%	46%	163	42%
Start or increase imports from overseas suppliers	n/a	n/a	41	11%
Concentrate on cash flow	47%	35%	131	34%
Improve customer satisfaction	45%	41%	170	44%

* Includes "Do not know" around 2% of responses.

34% of businesses saw exporting as a key element of their business and 11% felt that importing would be significant to the development of the business over the next twelve months.

Those already involved in international trade are more likely to be planning the introduction of new products or services. 5% of those who are not involved in importing or exporting are looking to begin doing so and 1% are considering using imported goods to develop their business.

Figure 4: Strategy based on type of trading currently undertaken

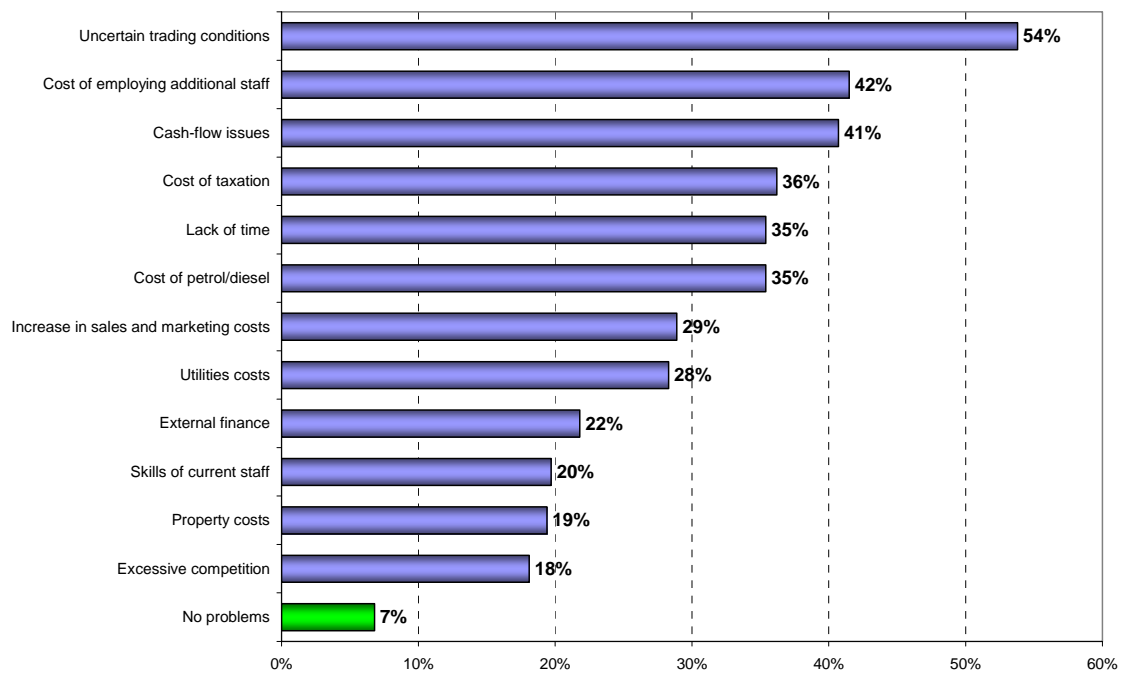
	UK trade only	Importers	Exporters
We do not, we will remain as we are	23%	7%	6%
Introduce new products or services	35%	61%	59%
Target new customers in the UK	69%	71%	69%

Start or increase exports of products and services	5%	49%	59%
Try to sell more to the current customer base	49%	70%	71%
Review/cut costs	41%	46%	42%
Start or increase imports from overseas suppliers	1%	20%	17%
Concentrate on cash flow	37%	35%	32%
Improve customer satisfaction	43%	47%	45%

Barriers to business development

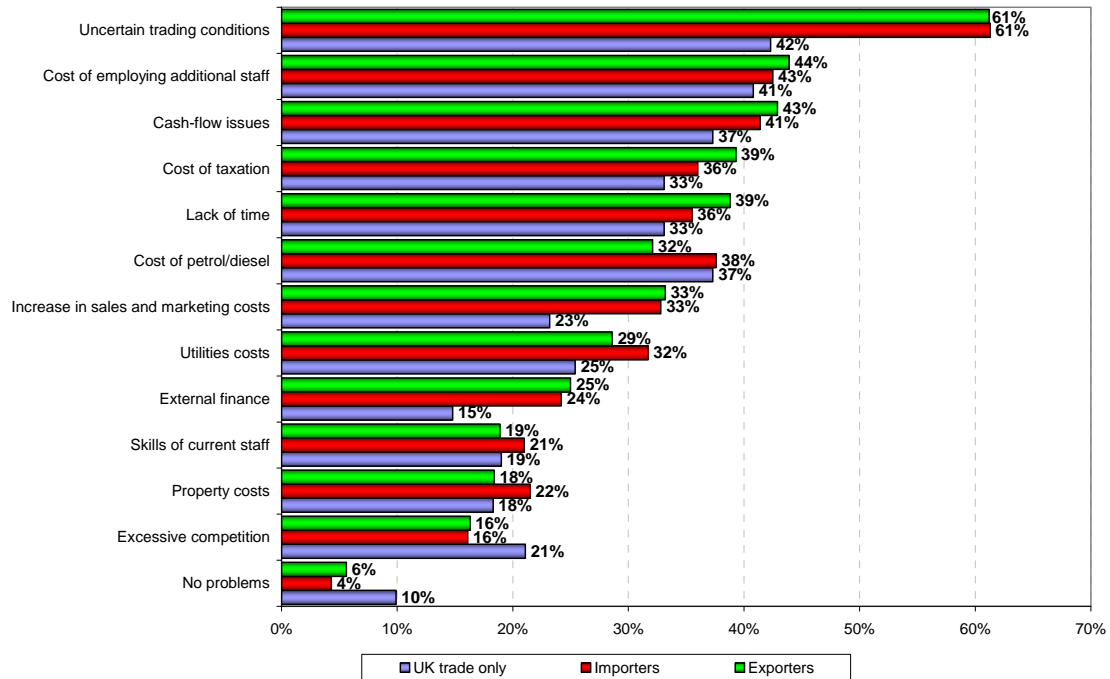
The most frequent problem affecting businesses is uncertain trading conditions, followed by the cost of employing additional staff and cash-flow issues.

Figure 4: Barriers to business development



Lack of time and cash-flow were greater issues for smaller companies but uncertain trading conditions became more frequent the larger the business became. Uncertain trading conditions was more frequently cited amongst those involved in international trade, however those who neither imported nor exported were most likely to see excessive competition as an issue.

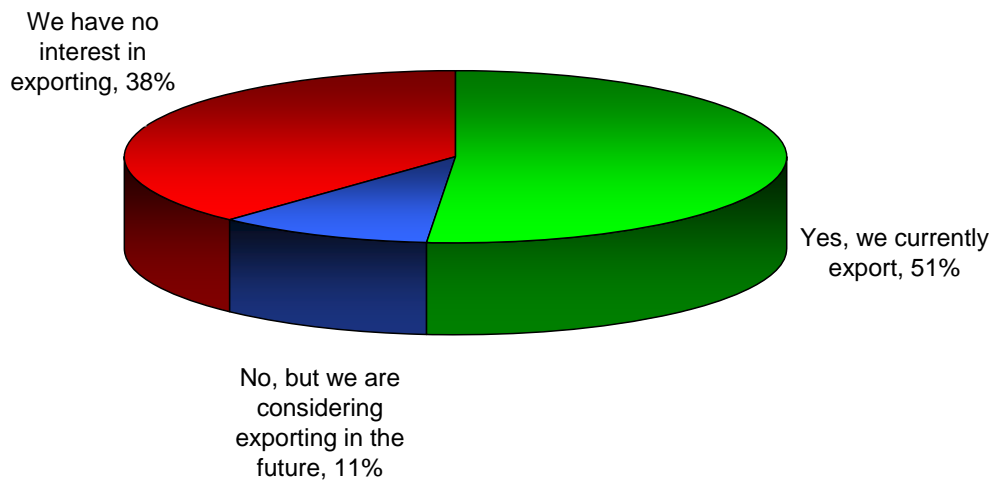
Figure 5: Barriers to business development based on type of trading



5. Exporting

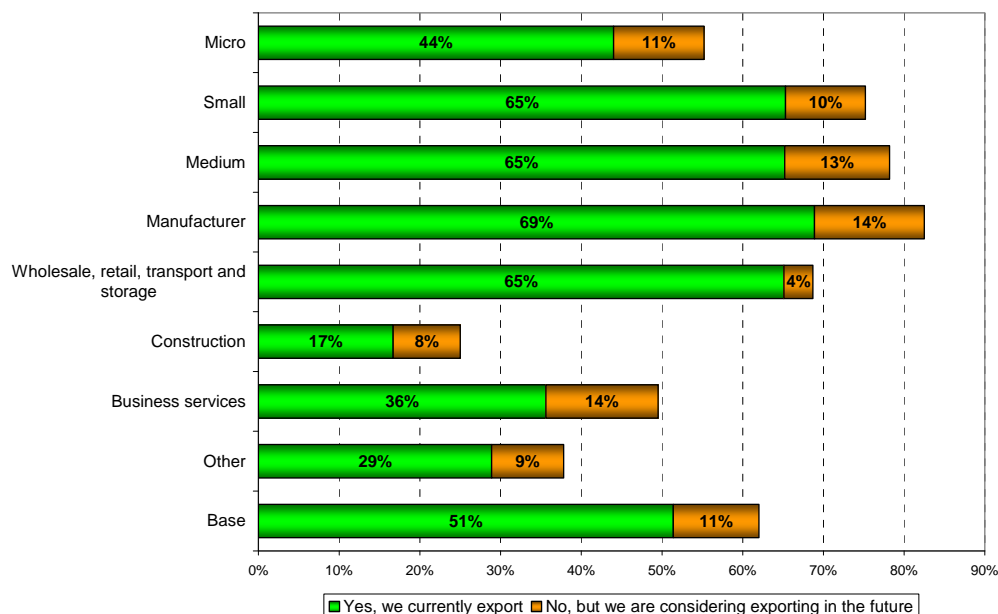
Respondents were asked whether they currently export or were considering exporting.

Figure 6: Interest in exporting



Micro businesses were less likely to undertake exporting than slightly larger firms. Unsurprisingly the main determining factor was the industry sector of the business, with construction and some personal services organisations less likely to consider exporting. Manufacturers were the most likely to be currently exporting, but business services companies were as likely to be considering trading overseas as manufacturers.

Figure 7: Interest in exporting based on company type



Export business development

Those looking to export were asked whether they were looking to sell more into the countries they currently export to.

Figure 8: Export plans analysed in terms of the size of the business

	All	Micro	Small	Medium
Not looking to export at all	38%	45%	25%	22%
Considering exporting	12%	11%	10%	13%
Increase the number of countries we export to	30%	25%	41%	35%
Sell more into the countries we currently export to	37%	33%	44%	57%
Not looking to increase exports	6%	5%	9%	9%
<i>Proportion looking to increase number of countries exported to and selling more in one area</i>	<i>22%</i>	<i>19%</i>	<i>28%</i>	<i>35%</i>

Small businesses are more likely to increase the number of countries exported to, however this may be due to a proportionally higher number of manufacturers in this sector. Businesses with greater resources are able to look at a dual marketing approach: new entry in some countries and selling more in the countries that they already export to.

In terms of overall business development there is a similar proportion looking to remain as they are, however exporters are more likely to try and sell more to the countries that they are already trading in rather than increasing the number of companies that they are exporting to.

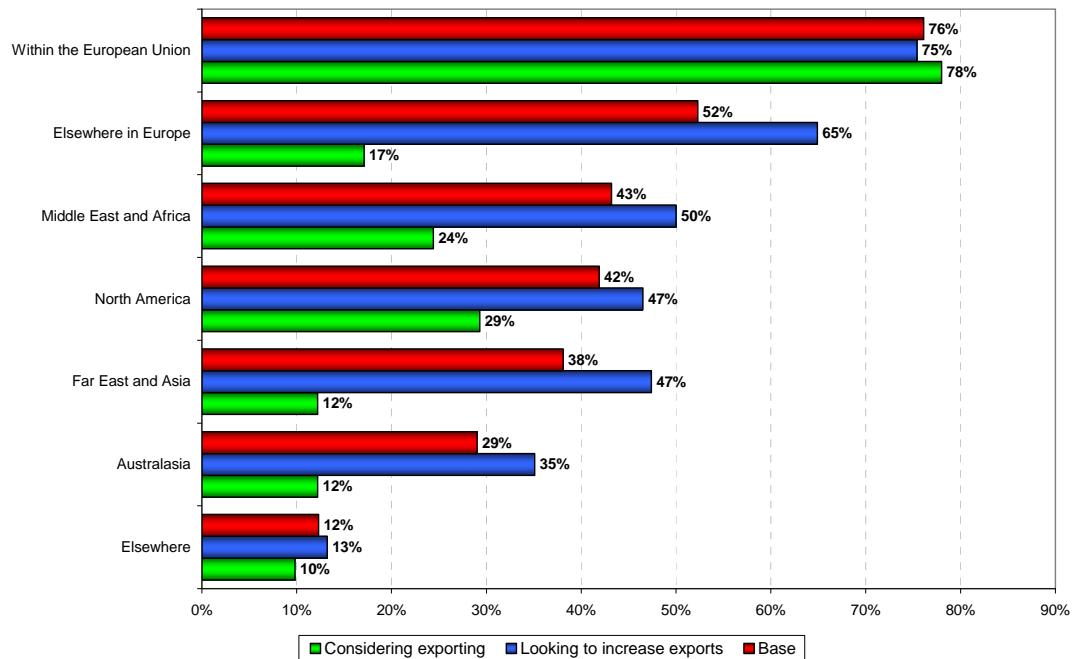
Figure 9: Comparison between business development in the UK and Exporting

	UK development	Exporters
We do not, we will remain as we are	13%	12%
Target new customers /countries	70%	60%
Try to sell more to the current customer base	62%	74%

Geographical targets for SMEs

This highlights the risk of exporting to new companies at the current time when many businesses do not have the monetary reserves that they previously had.

Figure 10: Targeted location for increases in exports



Europe is the key market for both those who are looking to increase their exports and those that are considering exporting. Those who are relatively inexperienced in exporting were more likely to target one or two areas for exporting with the geographical proximity of the European Union and the cultural proximity of North America the main targets.

Service providers were able to broaden their international presence as technology allowed them the ability to market themselves more widely.

Barriers to exporting

Those respondents not currently exporting were asked about a number of barriers to exporting to see what the issues over starting the export process would be. Unsurprisingly those that had seriously considered exporting were likely to have a number of barriers to exporting whereas those that were not considering exporting were more likely to cite fewer reasons.

7% of those that were considering exporting in the future will have to change their business model and look at how their products or services can fulfil a need outside the UK. This compared to 22% of those who had no interest in exporting.

Figure 11: Barriers to exporting for non-exporters

	Current survey			2009 Innovation survey ⁷
	Base	Considering exporting in the future	No interest in exporting	
Our business model requires a local customer/client base	49%	22%	57%	41% ^a
Our products/services fulfill a local or UK-specific need	45%	15%	55%	
Direct cost of exporting too high	11%	22%	8%	17% ^b
Excessive cash-flow risks	14%	32%	8%	n/a
Excessive economic risks	10%	20%	7%	15%
Cost of finance	7%	17%	4%	17%
Access to finance	8%	22%	3%	16%
Lack of qualified personnel	8%	20%	4%	7%
Lack of information on markets	19%	42%	12%	3%
Lack of information on technology	2%	2%	2%	3%
Lack of local presence	18%	42%	11%	n/a
Lack of language skills	15%	27%	12%	n/a
Uncertain demand for services	20%	29%	17%	8%
Uncertainty caused by currency fluctuations	14%	22%	11%	n/a
Concerns over insurance cover	9%	17%	7%	n/a
UK regulatory markets	6%	10%	5%	8%
Non-UK regulation	8%	22%	4%	7% ^c

a Proportion of businesses that do not feel the need for innovation

b Cost of innovation rather than cost of exporting in the innovation survey

The major barriers to future exporting are lack of information on markets and the lack of a local presence. To some extent these are provided already through UKTI, however in the case of around a quarter of those who see the lack of a local presence as an issue, they also cite a localised client base which would tend to indicate a more manpower-intensive solution than using trade fairs and embassies to tap into a local distribution network.

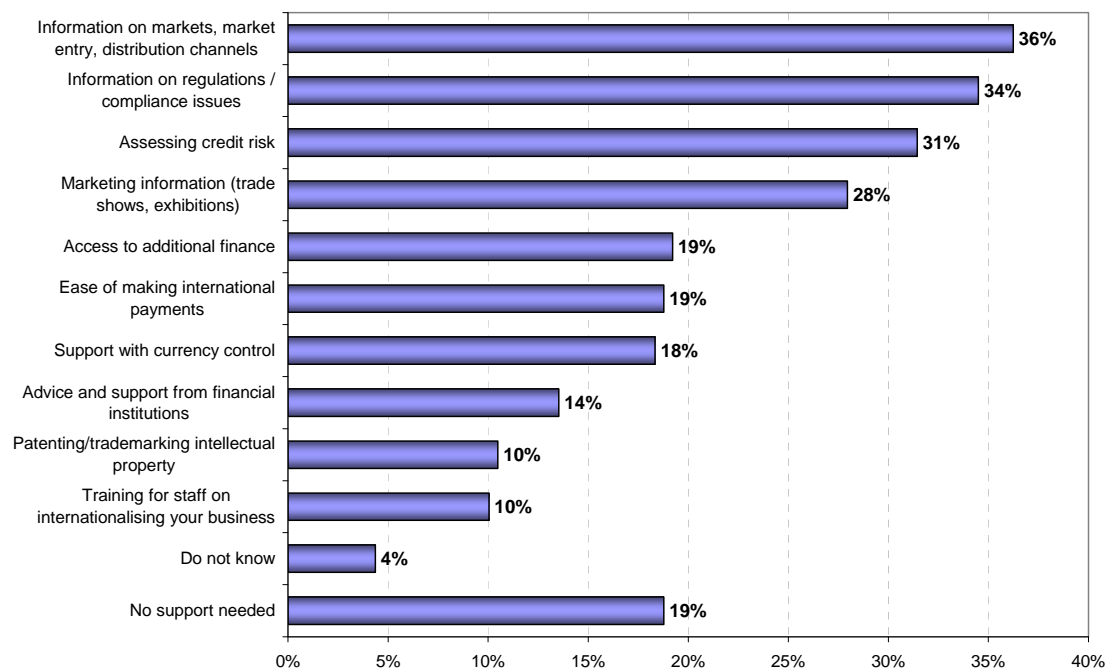
Excessive cash flow risk was a key issue for those looking to export and uncertain demand was a big barrier for both those who were considering exporting and those who were not.

Compared to the Departments of Business Innovation and Skills research on Innovation⁷ the belief that there is no need for exporting (65%) is lower than the need for innovation (41%). Overall the cost of change, finance and economic risk are lower barriers than for innovation, although higher for those looking at exporting. The fieldwork for the innovation report was, however undertaken at a time of harsher financial constraints than are currently the case.

Barriers to further export development

Lack of information on markets was the most frequently cited reason as a barrier for developing their business by seasoned exporters with 36% mentioning this. Information on compliance / regulatory issues and on market distribution channels was required by around 30% of respondents. Assessing credit risk was also important for businesses as late payment and bad debt can be exacerbated by national boundaries.

Figure 12: Barriers to further development of export markets



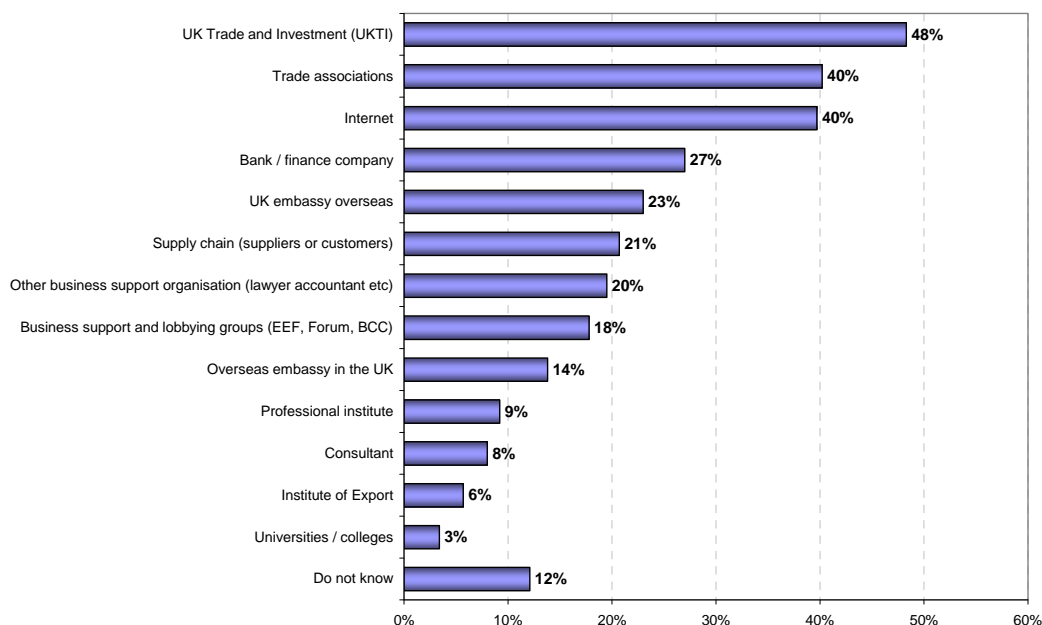
Unsurprisingly considering the need for information on potential export markets, UKTI, trade associations and the internet were the most frequently locations for businesses seeking help.

Business support groups and other support organisations appear to have generally been used for signposting to other areas, the exceptions were compliance and regulatory issues and credit risk where other support organisations (assumed to be lawyers and accountant respectively) were used.

Support providers for exporters

Banks and finance institutions were important for access to finance and credit risk assessment, with accountants, trade associations and the internet also thought capable of providing a reasonable assessment of their customers' needs.

Figure 13: Probable support agencies for exporters



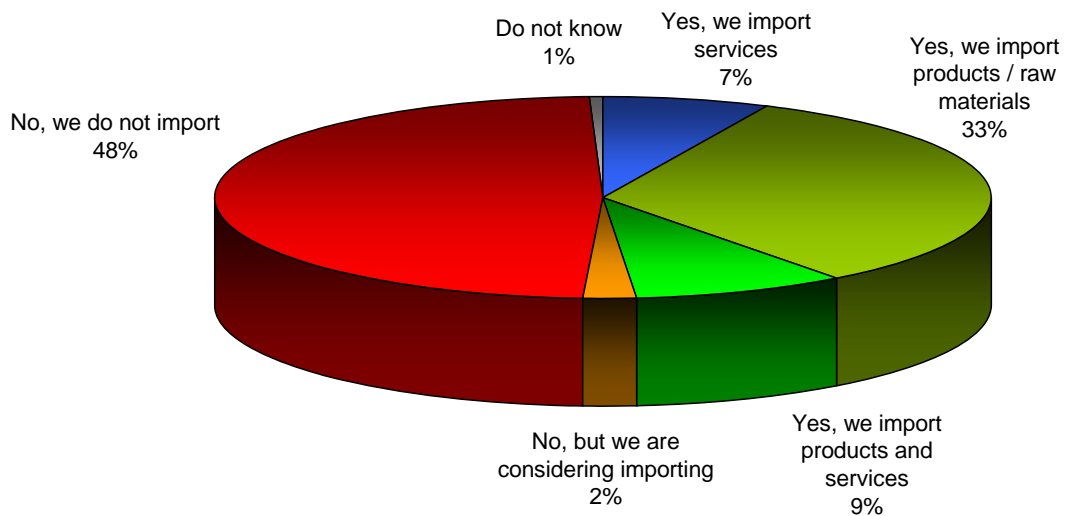
Businesses were least certain of where to find support for training for internationalising their business and for international regulatory or compliance issues.

In the course of the research a number of experienced companies indicated other support needs, these included cost effective translation services, card payment services that were available throughout Europe and infrastructure concerns.

6. Importing

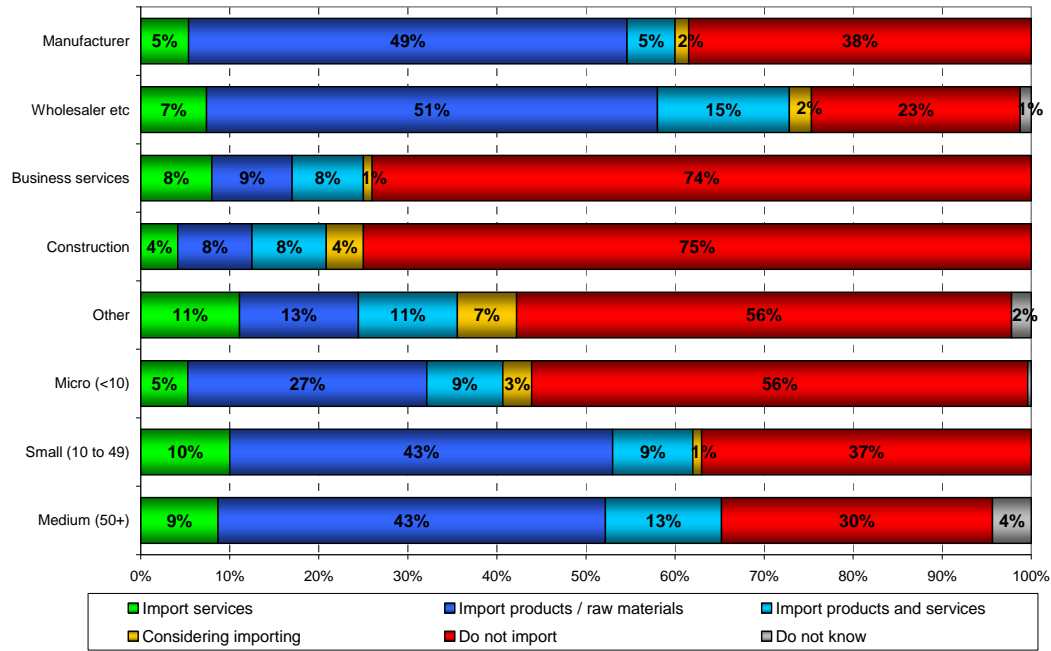
Around half of respondents to the survey did not currently import, although around 2% were considering doing so. 41% imported products or raw materials and 16% imported services.

Figure 14: Level of interest in importing



Business services providers and construction companies were least likely to import. Over half of manufacturers (54%) also import products or raw materials. Medium sized business (22%), wholesalers (22%) and personal services providers were most likely to import services.

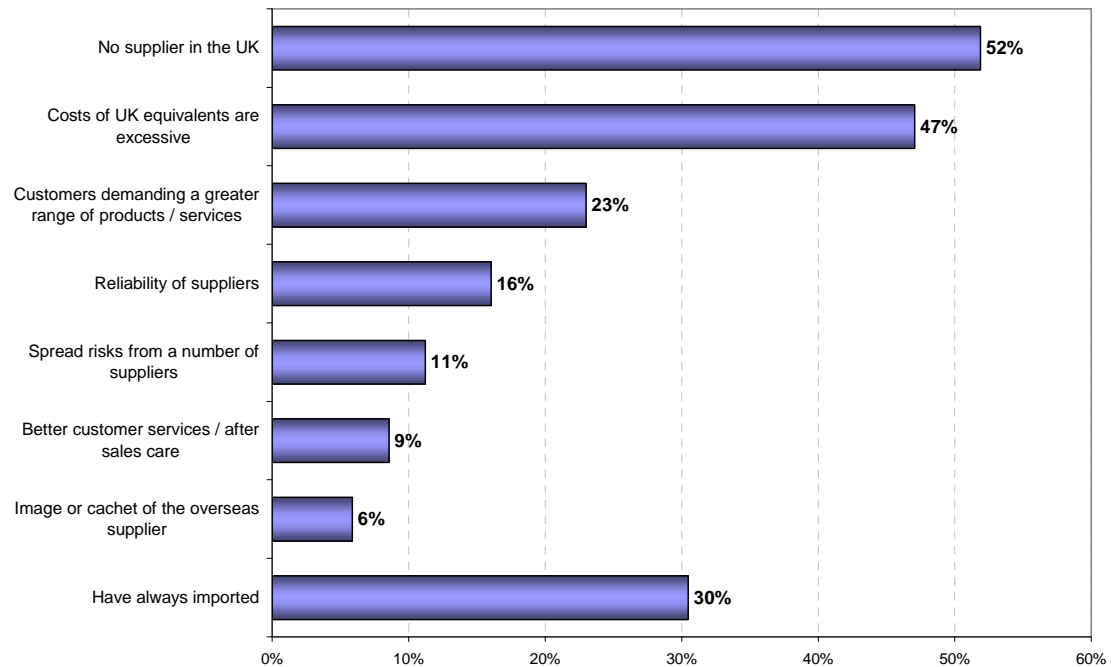
Figure 15: Interest in importing by business type and size



Reasons for importing

Around 1 in 3 importers had always imported goods as part of their business model (import/export agents) although for some other businesses it had become an integral part of their business over time.

Figure 16: Reason for importing



A lack of suitable UK suppliers tended to vary according to industry with 54% of manufacturers and wholesalers and transport specialists citing this as a reason for importing goods. In contrast around 30% of business services and construction firms saw this as a key reason for importing.

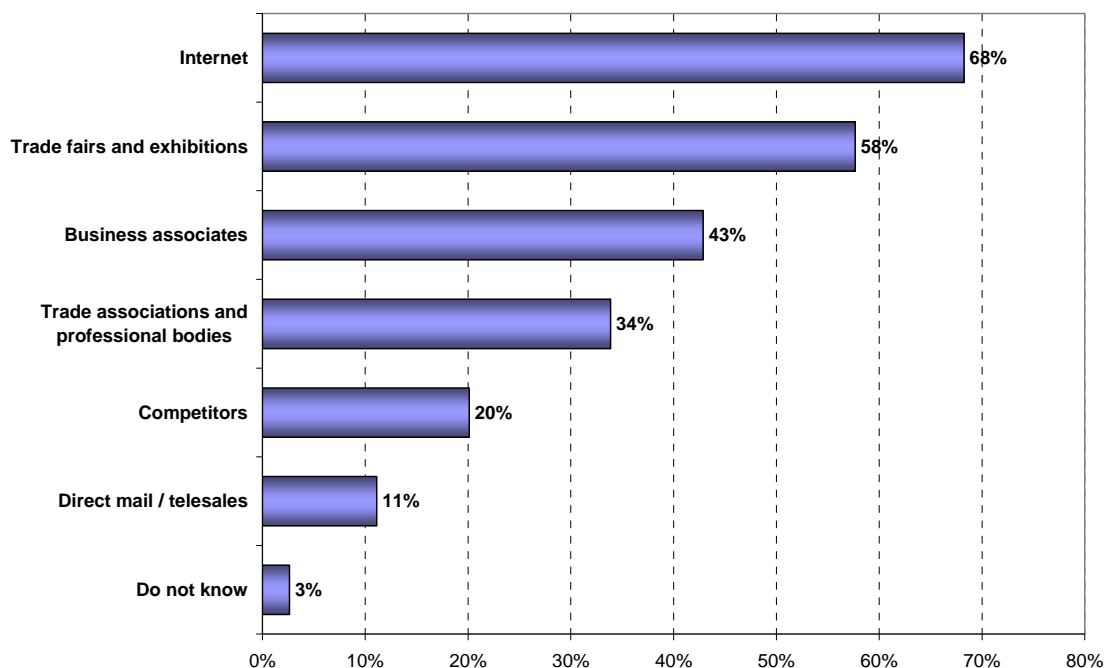
In terms of size, 57% of small businesses imported due to the lack of UK suppliers, the most frequently cited region for this size of firm. In contrast the most common reason for importing in businesses with over 50 employees was cost issues.

Micro and medium-sized businesses were more likely to consider the spreading of risk as important, whereas small firms were more interested in low cost provision.

Key sources of information on importers

The internet is the most important source of information on new importers and their products. Trade shows are also important, even amongst micro businesses where 56% of businesses will attend trade shows or exhibitions.

Figure 17: Key sources of information on importers



The internet is the most frequently cited source of information on importers for all types of business. Wholesalers were the most likely to use trade fairs or exhibitions as manufacturers tended to import more straightforward goods such as raw materials and other relatively basic products. Businesses that were already at trade fairs for export reasons were more likely to use the events to look at potential importers as well.

Those in the service sector were more likely to trust business associates as a back up to internet searches whilst larger companies were more likely to use information from their trade association or professional body to help them in choosing the most suitable importers.

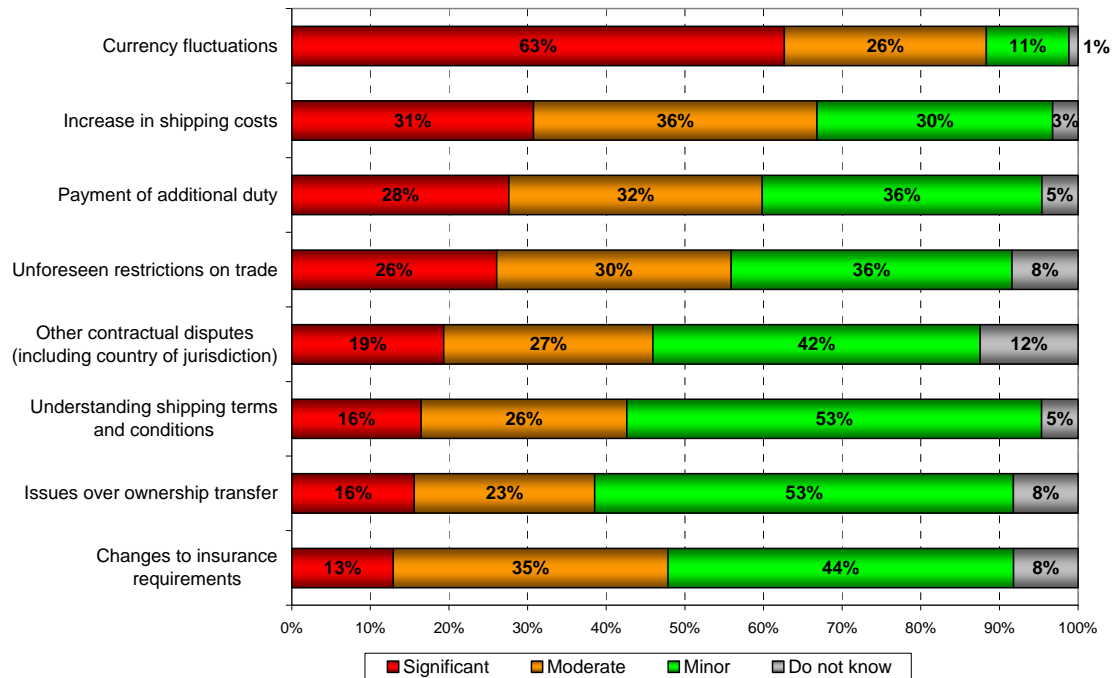
7. Risk management

62% of businesses considered currency fluctuations to be a significant financial risk for their business, double the number of businesses who thought that an increase in shipping costs would have significant financial implications. The exceptions were some import/export specialists who gained on some transactions but lost on others and those who exported only.

Unsurprisingly those in business services were less concerned about the risk of an increase in shipping costs compared to wholesalers and manufacturers. Organisations were not expecting an increase in global protectionism and the businesses most likely to be concerned about additional duty were businesses who were not currently exporting, suggesting that administrative oversight was the biggest concern over duty.

Similarly 1 in 3 businesses that were considering exporting saw insurance as a potential barrier for their business; otherwise there was no real difference between businesses by size or industry sector.

Figure 18: Significant of major cost risks to businesses

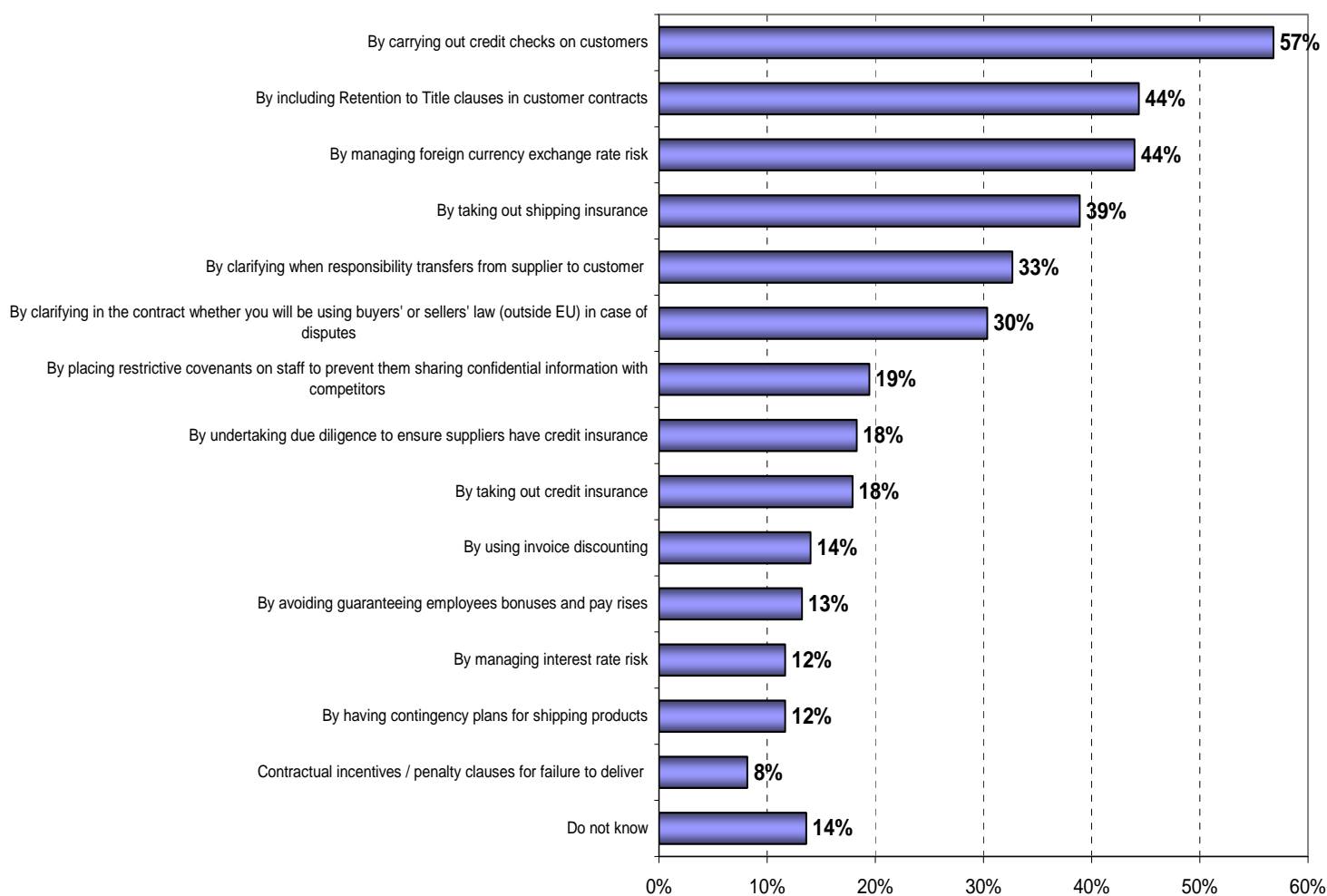


Businesses tended to be more cautious about foreign customers compared to the UK. In total 57% of businesses involved in international trade carried out credit checks on customers compared to 45% of UK businesses⁸. Those trading internationally were three times more likely to use invoice discounting than other UK businesses⁸ indicating that exporters and importers are more fearful of late payment and bad debt.

Ways of de-risking international trade

Businesses were asked what methods they used to reduce the risks of international trade.

Figure 19: Ways of reducing the risk of international trade



The majority of manufacturers had shipping insurance and have “Retention to Title” clauses contained in customer contracts; in contrast, services exporters were much less likely to cite such clauses - this may be an awareness issue. Manufacturers (45%) and wholesalers/transport specialist (54%) were most likely to be managing their foreign currency exchange risk compared to 29% of business service providers. Those not looking to expand their exporting activity were more likely to rely on “Retention to Title” clauses and credit checks with only 22% actively managing their currency risk - around half that of businesses who are looking to increase the level of their exports.

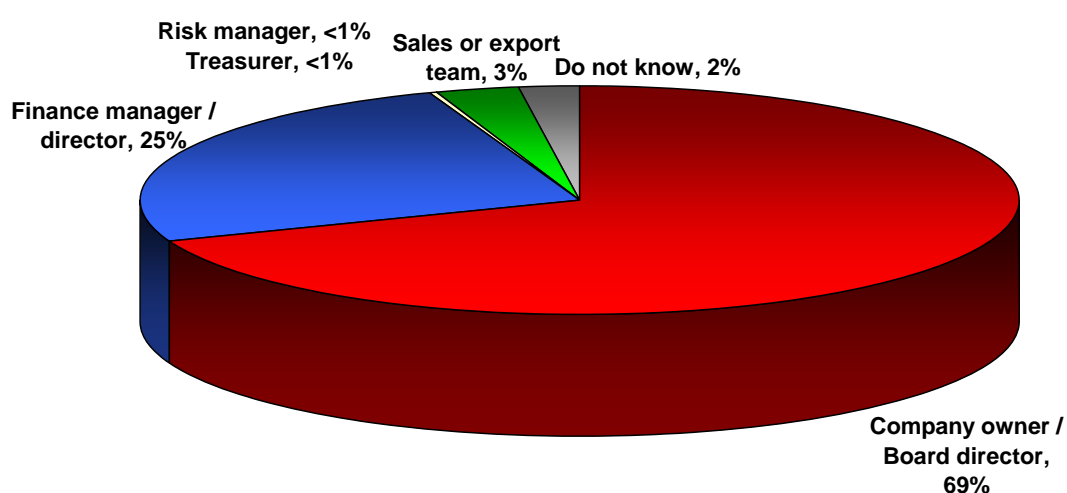
Medium-sized businesses were most likely to have contingency plans in case something went wrong through the provision of trade insurance.

8. Currency fluctuations

Currency fluctuations were perceived as a significant risk for many businesses involved in international trade and as a result the person with overall responsibility is often at senior management level. In almost 70% of instances the owner or a director at board level is responsible for managing the risk associated with foreign exchange rates. In the remainder of cases it was the responsibility of the financial director. Just 3% put the onus on the sales or export team.

The larger the business the more likely that the financial director would be accountable, with a majority of businesses employing more than 50 staff placing the responsibility on the financial director.

Figure 20: Person responsible for managing the risk associated with currency fluctuation



Currency fluctuation in the context of other financial risk

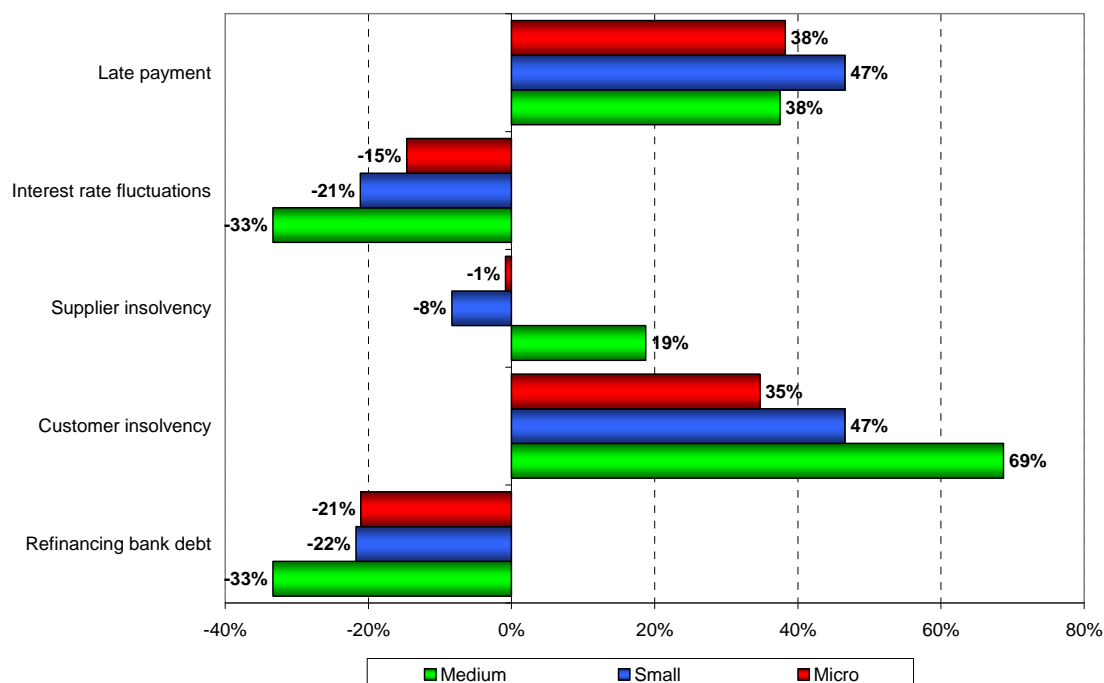
Compared to currency fluctuations, businesses involved in international trade seemed to be more concerned by late payment (net balance of 42%) and customer insolvency (41%). In contrast refinancing bank debt (-21%) and interest rate fluctuations (-18%) were less of an issue.

Figure 21: Comparison of other financial risks with currency fluctuations

	Greater impact	Less of an impact	Similar impact	Do not know	Balance
Late payment	60%	18%	18%	3%	41%
Interest rate fluctuations	24%	42%	30%	5%	-17%
Supplier insolvency	34%	36%	21%	9%	-2%
Customer insolvency	60%	19%	18%	3%	42%
Refinancing bank debt	18%	40%	21%	21%	-21%

Larger companies were more likely to consider customer insolvency to be a greater problem and for businesses employing over 50 people supplier insolvency is seen as an even bigger issue. In contrast interest rate fluctuations and bank debt were less of a concern.

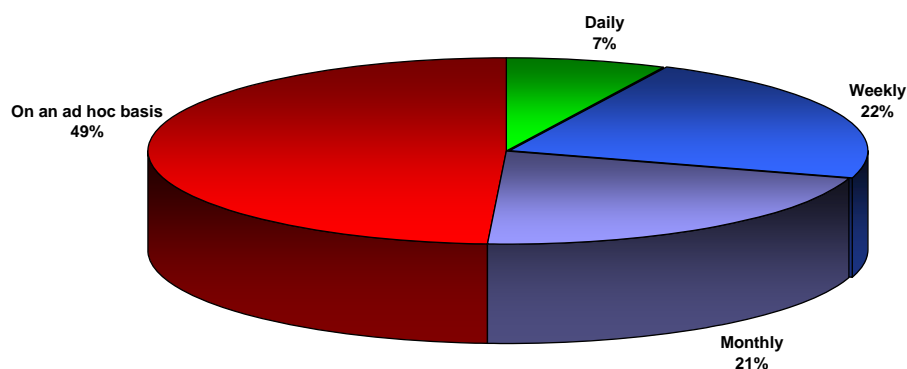
Figure 21: Net impact of other financial impacts based on the size of the business



Frequency of international payments

Almost half of businesses tended to make international payments on an ad hoc basis; this was highest amongst exporters not looking to import (81%), companies involved in business services (71%) and exporters who were not looking to grow their business internationally (65%). Larger companies were more likely to make frequent payments as were wholesalers/transport specialists and manufacturers.

Figure 22: Frequency of international payments



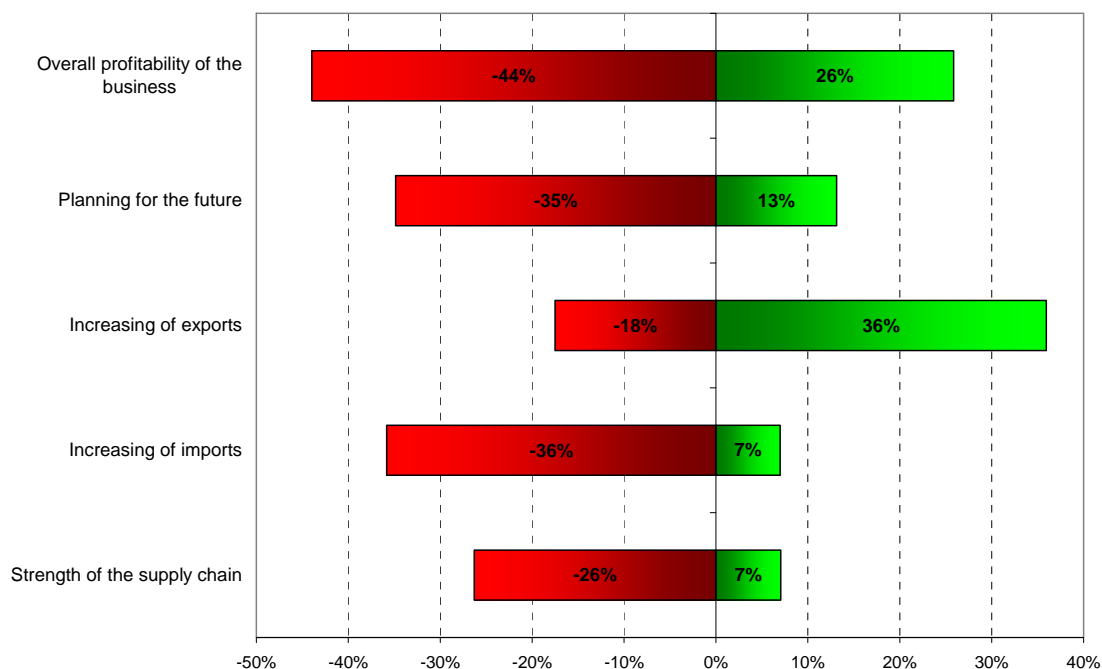
Impact of currency fluctuations

The recent currency fluctuations have had a significant impact on businesses. 70% of businesses have seen a definite impact on the overall profitability of the business. 44% had been adversely affected and 26% positively affected by the changes in international trade. Wholesalers/transport specialists were most likely to have been adversely affected and business services companies least so. Manufacturers were almost as badly affected as

wholesalers indicated the importance of importing for UK manufacturing and the impact of the recent turmoil of the Eurozone.

Fluctuations had made planning for the future difficult for wholesalers, more so than for manufacturers or service providers as they appear to be more reliant on international trade than other types of business.

Figure 22: Impact of currency fluctuations



There were winners and losers in terms of imports and exports depending on the main countries where trade occurred and the increasing globalisation of supply chains. Larger businesses in particular were more likely to have seen negative effects of the strength of the supply chain.

Although a small number of companies stated that they buy foreign currencies in advance, agree exchange rates in their contracts with suppliers or hedge their bets by using a variety of currencies, the majority of firms stated that they only used sterling so they were not affected that much. Research from GE Capital⁹ indicates that the number of IT & telecoms companies using sterling has increased from 11% in 2008 to 60% in 2010 following the effective devaluation of sterling. Some businesses highlighted that this has made them more susceptible to recent difficulties in the Eurozone. The news of the reaction to the proposed Greek repayment plan during the fieldwork also highlighted the planning problems that exporters into Europe faced.

For businesses providing contracted services overseas the currency fluctuations have made it far harder to cost 1 to 3 year contracts that give them a competitive edge over local firms. This is particularly an issue in Europe where some exporters have not seen any significant increase in the take up of their products despite becoming more competitive.

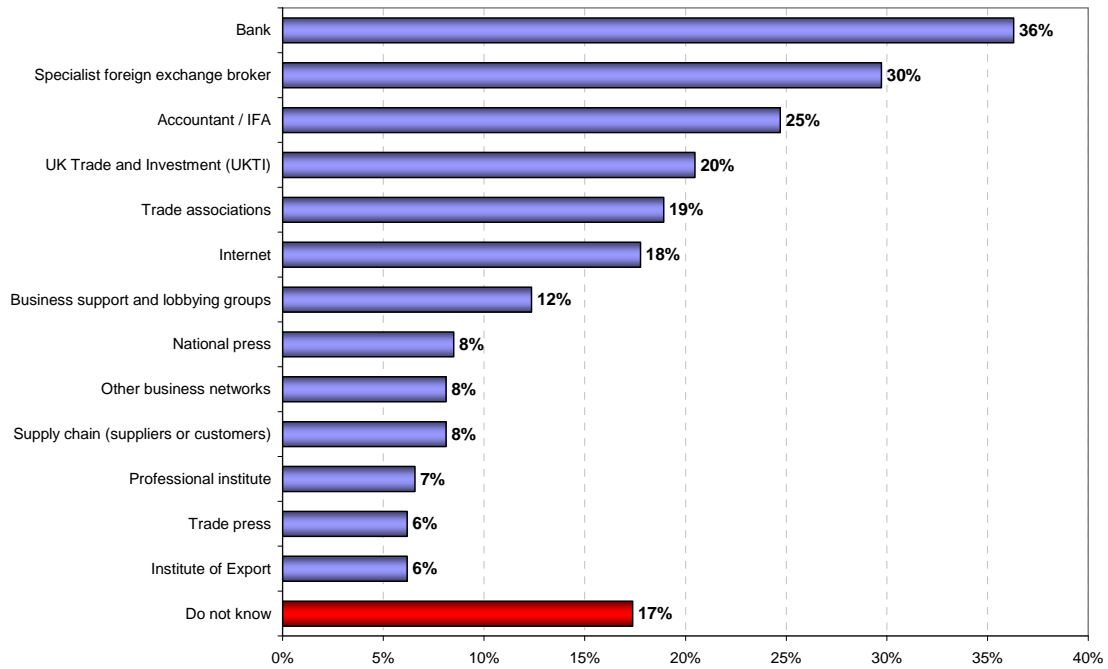
Importers often saw foreign exchange in a purely negative light as the cost of goods tended to rise significantly and impact on profits. Some businesses also had cash flow problems exacerbated by foreign exchange rates whilst others found that the time between quoting and invoicing had changed their margins quite a lot.

Some businesses put currency fluctuations in context stating that other issues were more important. These included lack of demand, other key increased costs of doing business and the issue of bad debts, unreliability or inconsistency from suppliers.

9.Foreign exchange services

Banks and foreign currency specialists are the preferred choice for businesses, with 33% of respondents using their banks' foreign currency service and 30% looking to dedicated foreign exchange providers. The most commonly consulted sign-posters are accountants (25%) and UKTI (20%).

Figure 23: Trusted sources of information and advice on foreign currency issues

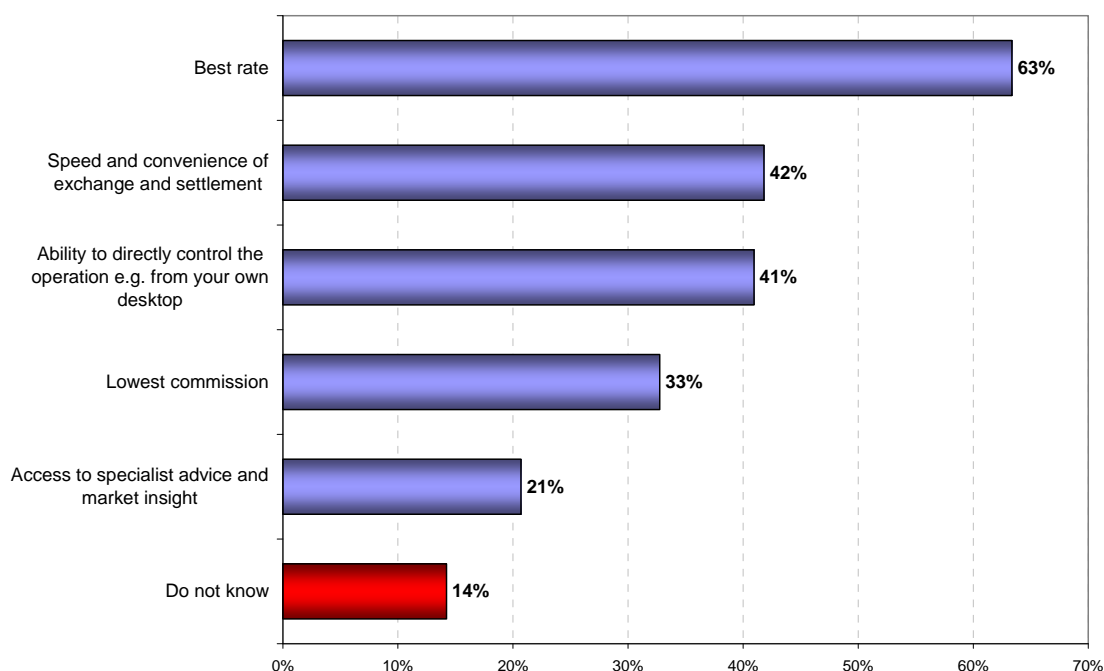


17% are uncertain of who to talk to. Generally business owners looked at 2 to 3 options with larger companies were less likely to speak to more than one option and would generally rely on their bank to provide such services. Exporters who were not looking to grow their international trade were most likely to speak to a variety of businesses to cut costs.

Key criteria when assessing foreign exchange providers

Businesses were given a set list of possible criteria for comparing foreign exchange providers.

Figure 24: Key criteria in comparing foreign exchange providers



The best rate was the main requirement for businesses with 63% citing this as a deciding factor. For businesses who undertook regular international transactions the ability to access the best rate was much more important than those who were considering transactions on an ad hoc basis.

Access to specialist advice was important to 28% of businesses that were undertaking international payments on a weekly or more frequent basis. Almost 1 in 5 businesses who undertook payments on an ad hoc basis were uncertain about what criteria were important to them.

54% of business services companies felt that commission was also an issue. Control was particularly important for business services providers and those undertaking monthly international payments whilst speed was needed by businesses that undertook frequent transactions as well as medium-sized businesses.

Although not offered as an option, around 2% of respondents indicated that security was a main concern.

As part of *Referendum 189*, we asked business owners a similar question on what they wanted from mainstream finance. The comparison indicates that cost is the key concern however the frequency with which speed, control and advice was cited as important criteria suggest that there is a greater awareness of a trade off when comparing providers.

Figure 25: Comparison with mainstream financial services.

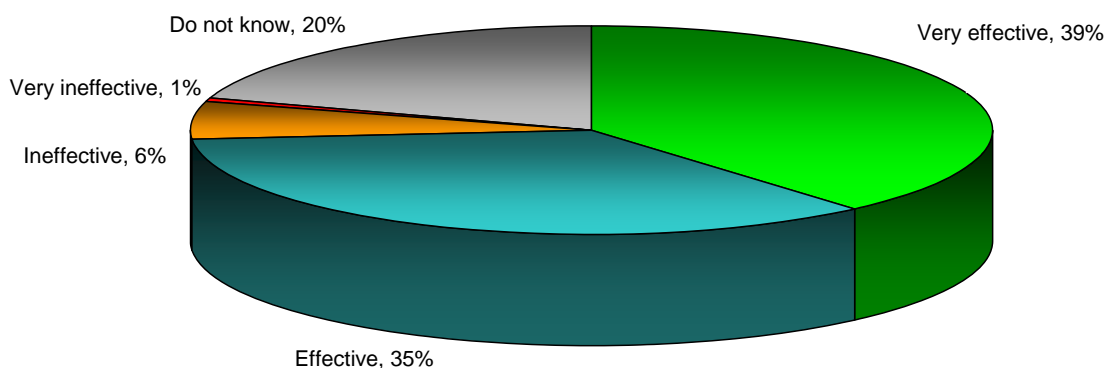
	Foreign Exchange	Finance ⁽⁶⁾
Cost (lowest commission and best rate)	66	43
Speed	42	19
Flexibility/Control	41	32
Advice	21	28

It may however suggest that the current provision of foreign exchange provision is in need of improvement.

Effectiveness of a website-based system for executing financial transactions

74% felt that a website-based foreign exchange provision would be effective or very effective in aiding them in their foreign currency transactions. This rose with the frequency with which businesses make international payments, with 88% of those who undertook weekly or more frequent payments thinking this would be an effective or very effective solution. Exporters who did not import and micro businesses were slightly less enthusiastic about the idea, with 64% and 69% respectively feeling this would be an effective solution.

Figure 26: Likely effectiveness of a website based system for executing financial transactions and or international payments.



In total 47% of businesses would like to know more about managing their currency risk, with micro and small businesses most keen to reduce their exposure to unforeseen changes in the market. The majority of exporters who were looking to expand their business would like to know more about this.

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About the Forum of Private Business

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses.

The organisation aims to deliver an exceptional service to its members, adding value through the provision of practical, tailored solutions that promote business success, and by being their voice in government.

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