



Small Business Recession Review and Guide

Introduction

For the past year, small business Britain has been struggling to survive one of the worst recessions of all time. The exact scale of business closures and employee redundancies amongst small businesses may never be fully known but with over 35% of the UK economy reliant on the 4,727,945 small businesses operating in the UK, their success is as vital

35% of the UK economy relies on small businesses

as any of the large publically quoted businesses. Indeed, the Government was quick to recognise this and attempted to implement measures from the beginning of the recession to assist small businesses to survive. This in itself was quite a contrast to previous recessions where most of the focus and help was aimed at the large employers.

To discover how small businesspeople in the UK have been faring and, more importantly, to understand what they have done and how successful they have been, Intuit conducted a detailed survey of 165 small businesses in the UK at the start of July 2009. The results of this research form the basis of this report, which is intended not just as an analysis of the findings but to also present guidance to small business readers of what their peers have done and how successful they have been. With the knock-on impact of the recessionary period likely to linger for many more months or years, this guidance could prove vital to the future prosperity of many small businesses in the UK.

Please also note that we welcome other insights, tips and advice from small businesspeople throughout the UK and have set up a dedicated blog post within our small business blog for people to discuss this report and other small business matters within our blog: www.smallbizmatters.co.uk.

We would also like to thank Racehorses Hotel, R&A Electrical, Tango Romeo and Teeny Beanies, who kindly provided more detailed information on their experiences over the past year. Their stories and guidance are presented within this document as example case studies, with the articles available in Appendix A: 'Tales from the Frontline'.

For those of you who are unfamiliar with Intuit and the tools and support we offer small businesses in the UK and globally, please see Appendix B or go to www.intuit.co.uk.

How bad has it been?

We wanted this survey to focus on the business impacts of the recession rather than simply looking at revenue levels. This was mainly because we were concerned that any retrospective survey would not paint a true picture of the impact of the recession as it would only focus on those businesses which have survived. However, our case studies did indeed prove what most people would have expected with businesses such as aviation firm Tango Romeo losing over 50% of their revenues.

Instead, what our research highlighted was the key issues that can make or break a business. Predictably, our respondents pointed to a reduction in sales volumes as having the most effect, with over a half agreeing very strongly or strongly that it had impacted their business. This was closely followed by problems with cash flow (46% agreeing strongly or very strongly) which reiterated a point that Intuit has been firmly campaigning on, namely that any small business that does not have clear and accurate visibility of its cash flow is exposing itself to serious levels of risk. Connected to this was the issue of payments deadlines and here one in three of our respondents replied that they have been impacted by this issue, although few felt very strongly that it was a problem (6%).

However, it was surprising to see that only one in five businesses named access to credit as having an impact on their business. This comes in the wake of the considerable exposure given to Government calls on the banking industry to ensure lines of funding are available to businesses. While 20% of businesses agreeing strongly or very strongly that this had impacted their business is still high, we were expecting it to be far higher and perhaps indicates that businesses worked around this challenge. It was also good to see bank charges scoring a relatively low 17% as an impact, with only 6% agreeing very strongly that this had affected their business.

It is hard to know whether to be relieved or shocked by the revelation that 5% of businesses, one in twenty, felt that the impact of these business issues is so severe that it may threaten their ability to survive. While the percentage is low, it still means that if this was extended to the number of small businesses in the UK, around 236,400 will cease trading due to these issues. Indeed a further 8% felt that the impact on their businesses was very damaging and would have serious ramifications on

their business such as redundancies or massive drop of income. However, on the flip side one in four have felt no noticeable effect and 35% had felt a negligible impact. Given the proactive steps taken by the majority of our respondents, this is a comforting set of statistics as it clearly demonstrates, as you will see later in this report, that by taking proactive measures in the face of a downturn **can** make a real difference to business success.

Yet the two most revealing statistics were undoubtedly the responses given to our questions about the general reasons behind their survival. First and foremost, our respondents were damning about access to advice and support. Only 23% felt it had been easy to access external help and the overwhelming majority were unable to support the statement, which clearly shows that efforts need to be redoubled to get vital advice and support out to small business owners.

All of which basically means that small business Britain has survived not just through its own grit and determination but by the sensible business decisions that have been taken. Our respondents strongly agreed, with one in four stating that the success of their business in the recession was only down to their own individual efforts and that of the team they work with. A further 47% generally agreed with this statement bringing to three quarters the total number of businesses that felt their survival was broadly speaking down to them alone. It is their collective experiences and successes that we will now share.

Weathering the storm

While it does depend on the type of business, there is an arsenal of proactive measures that business owners can adopt to protect themselves in the downturn. It was clear from our survey that the vast majority of business owners have adopted one or more of these measures over the past year and it is worth examining these in more detail.

The most commonly adopted measures were:

1. Reduced overheads

Not surprisingly, the most common measure taken to address the challenges of the economic downturn was reducing overheads, with 45% of respondents choosing a tighter management of outgoings as the first point of call. In reducing expenses, small business owners

need, however, to make sure they only tackle non-essential items and safeguard investments crucial for the present and future needs of their businesses.

2. *Introduced new products/services*

It was incredibly positive to see that the second most commonplace activity undertaken to fight the impact of the recession was the introduction of new products or services rather than other means of cost cutting. Of our respondents, 30% of business owners took this step and of those 57% were confident it had made a positive impact. However, all but one of the remaining respondents were unsure whether this measure had been successful which suggests that while this may be a positive proactive measure it actually had less impact than other tougher choices.

3. *Renegotiated prices with suppliers*

This was the third most successful measure adopted by businesses with 74% of respondents claiming success from this approach. While in the first instance this may seem daunting, in a period of recession it is a sound strategy and one that the vast majority of suppliers will be happy to consider. This is because it not only helps retain customers but it also reduces the risk of bad debt. It was, however, disappointing to see that such a prudent and worthwhile activity was only undertaken by 27% of our respondents.

4. *Reduced prices*

One of the toughest decisions a business owner can make is to sacrifice margin by reducing prices as a means of remaining competitive and keeping or attracting custom. Unfortunately, only a half of respondents (52%) actually believe this was a successful strategy. This reflects the fact that firstly many of their competitors will have adopted a similar approach and that secondly, for many potential customers, reducing the price does not necessarily affect a decision to do without or delay purchase.

5. *Reduced headcount*

This is by far and away the hardest decision to make in a recession and the one that has the most visible impact on a business. Not only is there the human cost of those being made redundant, but there is also the impact on morale of remaining staff, the effect it has on external

perceptions of the business and the question mark that will hang over any business that loses highly talented individuals about how easily those skills can be replaced when the economy turns around. This may seem like a contradiction, but it is understood that some businesses that fight hard to make their way through a recession do, unfortunately, fail to grow successfully as things pick up due to some of the actions taken in the teeth of the downturn. However, the fact that 82% of the respondents felt that reducing headcount had been successful for their business is testimony to the fact that such a hard decision is usually worth doing. At the same time, the fact that only 15% of small business owners took this course of action shows that it is not a path that many are prepared to tread – we also acknowledge the fact that 19% of respondents were sole traders and if they are discounted, the percentage of small businesses that made staff redundant rises to 19%.

6. *Discontinued products/services*

When the economy is in difficulty it makes sense that not all products and services that a business offers will be as easy to sell, making their discontinuation a sensible course of action. Understandably, this is not an option for all businesses and so only 14% of our respondents stated that they had discontinued a product or service and of those it appears that the results were mixed with only 52% perceiving any success and 42% unsure of the outcome.

7. *Reduced wages*

While the press have reported widely on the activities of big business in relation to wage cuts and other such measures, this is a route only one in ten small businesses have pursued. Obviously wage costs are one of the largest outgoings of any business so their reduction can have a large impact and this was reflected by our respondents who stated that 67% felt that this had been a successful action.

We also asked the respondents what action they had taken around the three key pain-points of cash flow, bank charges and access to credit:

Cash flow

There are several options available to a business when it is struggling with its cash flow. In quizzing our respondents, the results were as follows:

1. Renegotiated deadlines with customers

The opposite of renegotiating with suppliers was by far and away the most common strategy undertaken to combat cash flow difficulties and it appears to have been successful for the vast majority of our respondents, with 71% seeing a positive result.

2. Negotiated a loan

While the second most commonly pursued course of action, few businesses (one tenth) took this course of action. However, of those that did successfully secure a loan despite the current difficulties in accessing credit from banks, 81% of our respondents said that it had a successful impact on their ability to manage their cash flow difficulties.

3. Negotiated trade financing

While this only applies to businesses that are involved in exporting, three of our respondents had negotiated trade financing to ensure that their customers pre-paid for their goods. Of those, two of the business stated that this strategy had proved successful in assisting their cash flow issues.

4. Sought invoice financing

Invoice financing is a lesser known strategy for managing cash flow difficulties, and this was reflected by the fact that again only three of our respondents had negotiated invoice financing with a factoring service such as their bank. For those unaware of invoice financing, it involves the factoring service paying a significant proportion of the invoice within 24 hours and managing the risk of then chasing for payment. Interestingly, of those three respondents, two said this strategy had not been successful in assisting their cash flow difficulties, while one was unsure. While this was too small a sample to draw any significant conclusions, any company considering using invoice financing for the first time would be advised to undertake careful research first.

Bank charges

Approximately one third of the respondents have faced challenges with bank charges and two main courses of action were undertaken:

1. Renegotiated bank charges

One in six of our respondents pursued this course of action and of these, 58% found this successfully impacted their business. However, a strong minority (29%) found the effort not to have been worthwhile and had no beneficial impact.

2. Changed banks

This is the most extreme course of action in response to a perception of overly high bank charges and it has been pursued by one in ten of our respondents. Of these, over three quarters found this to be successful in terms of the impact on their company proving that banks are still hungry for the custom of small businesses and, despite the current difficulties within the banking sector, prepared to offer favourable rates to win their custom.

Access to credit

One of the key effects of the credit crunch has been the widespread reluctance of banks to lend to businesses. This highly charged issue has been of extreme concern and the focus of attention from the Government and the Bank of England. For small businesses, however, the starvation of credit has for many proved fatal. Of our respondents, one in four has found it necessary to seek additional credit and two approaches were pursued.

1. Renegotiated access to credit with bank

One in ten of our respondents sought additional access to credit from their banks and the vast majority found that this had a positive impact on their business. The issues here is, of course, not whether getting additional credit is a successful strategy and more about whether the business' bank is even prepared to offer it. This explains why so many sought different sources of funding (see below).

2. Sought new sources of funding

Nearly twice as many businesses sought additional credit from new sources of funding as from their bank. This, more than anything else, underlines the difficulties businesses have faced in getting additional credit from their banks. For those businesses willing to explore new sources of funding, there are a wide range of possibilities available. If a business wishes more guidance on this then we recommend reading this neutral guide produced by business investment agency Beer & Partners – www.fundingforgrowth.co.uk/Guide.pdf. The proportion of

businesses that found this new funding to have a positive impact on their business was slightly down on the above at 63%.

Managing your way out of the downturn

As well as those measures already mentioned that were designed to alleviate the negative affects of the recession, we also asked our respondents what positive management steps they had taken over the past twelve months. Their experiences should also hopefully provide inspiration and insight to other small business owners. We have split the responses between business strategy and HR.

Business strategy

1. Focused only on existing business/clients

This batten down the hatches mentality that appreciates that what matters most is protecting and serving the customers you already have and rely upon, was a dominant strategy adopted by nearly half (45%) of our respondents. In the vast majority of instances (80%) our respondents have witnessed the success of this strategy and not a single business owner surveyed felt this had been unsuccessful with the remainder unable to definitively state that there was a positive impact upon the business.

2. Improved customer care

Obviously this is closely linked to the point above and while slightly fewer of our respondents (38%) had deliberately adopted this strategy as a response to the recession, those that did had an extremely positive experience – 83% reported that this approach had proved successful for them and, yet again, there were no negative experiences.

3. Tapped into e-Commerce

While not appropriate to all types of business, 18% of our respondents had invested in e-commerce during the recession. Of those, 63% felt it had been a successful thing for them to do, 21% were unsure and 16% felt that there had been no positive impact.

4. Dramatically changed the focus of the business

Understandably, few businesses took this course of action but nevertheless, the fact that 14% did will surprise many and shows that any accusations of complacency in the face of a recession would be

unfounded when it comes to small business Britain. This bold strategy was also reasonably successful for those businesses involved, with just over a half (53%) reporting success and only 15% saying that it had failed to deliver the turnaround they were seeking. For the remaining third there has been no negligible impact to date.

HR

1. Worked to improve employee productivity

Top of the list of HR initiatives was to actively seek ways to improve employee productivity. Obviously the majority of our respondents had three or less employees and so this strategy involved the team effort of pulling together to do more with what the business already had. For many businesses, the employees are the most important and most expensive asset and so working to 'sweat' this asset is a sensible course of action and 78% of our respondents found it had proved to be successful for their business.

2. Offered flexible working

As mentioned, the employees are often the most expensive asset the employer has and finding ways to reduce the monthly wage bill is prudent. One in five of our respondents successfully offered flexible working and of those 82% said it had been successful with the rest waiting to see what the impact will be.

3. Hired new talent

Contrary to popular belief, recessions are not simply characterised by redundancies. To prove this point, one in five of our respondents hired new talents into their organisation and 87% found this to be a successful course of action.

4. Invested in training

A decent proportion of our respondents, 17%, invested in training despite the recession. However, unlike the other HR strategies mentioned above, this was not as overwhelmingly successful. Having said that, the fact that 61% saw a positive impact of this strategy on their business and only 8% said that this approach had not worked for them still goes to reinforce that having a well trained workforce is more often than not a sound investment strategy.

Top tips

There isn't a magic wand, but small business can rely on some practical advice to help them sail through the difficult times and, most importantly be ready for the post-downturn. Here are some top tips to help business owners successfully manage their businesses in this difficult economical climate:

Financial management

1. *Track finances*

Be fully aware of how much you spend and for what. Make sure all aspects of accounting are in order and effectively managed. Don't miss payment and tax deadlines to avoid paying fines. Awareness of how much is being spent and for what is important, as is tracking VAT and making accurate returns. It is important to keep on top of bookkeeping right from the start, otherwise there is a risk of forgetting crucial costs or, even worse, failing to invoice a customer.

2. *Manage relationships*

Relationships with banks, suppliers and customers should be checked regularly to be fully aware of all payment dates and their terms. Investigate if there is anything that could be modified to help maintain a healthy cash flow, such as moving key dates and adjusting payment terms.

3. *Slash your bills*

Now is the time to shop around and check if you are paying over the odds on your utilities bills or if you are getting value for money. The same applies to bank charges, if you are not happy with how you have been treated by your bank arrange meetings with other institutions to make sure you are getting the best deal.

4. *Explore funding options*

Looking for alternative forms of finance in an environment in which banks are tightening their credit criteria is definitely worth considering. Cash flow forecasting also helps to plan borrowing, with many banks requiring forecasts before considering a loan. Once you know what money is coming in and out, you can manage your cash to unlock capital, transform your bottom line and safeguard your future in uncertain times.

Business strategy

1. At the heart of business

Focus your company strategy on its core activities. Keep doing well what you do best.

2. Small client/big client

During the downturn, bigger players operating in the same field of your company are likely to focus their resources on more important and profitable clients. In this, some smaller clients may be overlooked, a good opportunity for you to reach out to new prospects.

3. Understand your customers better

It would be unwise to approach your existing clients and prospects with the same old sales pitch. Show understanding of their issues and work with them to find affordable solutions for their needs.

4. Don't fall below the radar

For as hard and long as it may be, no recession lasts forever. When the economy upturn will finally arrive, the name of your business should be front of mind. To achieve this, maintain a proactive approach to marketing and sales activities investing in quality rather than quantity.

HR

1. Acknowledge the fear factor

Your employees are likely to be worried about the future of their jobs. While this is perfectly understandable, it needs to be managed correctly to avoid serious consequences. In some cases you may need to consider arranging counselling sessions to support your employees.

2. Be honest

Don't lie to your employees; use a sincere, adult approach when communicating problems arising from the economic downturn. Make sure your employees are aware of what issues your business is facing and understand what challenges they will need to face.

3. Invest in people

It is crucial that you invest in your team to make sure you have all the necessary skills available in-house. This will cut the cost of freelancers and external contractors while benefiting the growth of your staff in the long term. Also, make sure your staff are aware of their potential and work to their full productivity levels.

4. *Put loyalty first*

Foster your employees' belief in the business and in their value for the company. Reward them with inexpensive, yet thoughtful gifts.

APPENDIX A – Tales from the frontline

Racehorses Hotel

The Racehorses Hotel is an independently run 18th Century country inn with thirteen en-suite bedrooms located in North Yorkshire. The owner, Kevin Sands, bought the lease of the property back in 2005 and since then he has been working on improving the hotel's quality standards and to consolidate relations with clients.

Kevin has invested in upgrading the rooms and communal areas to bring them to the high standard customers are increasingly demanding. Making

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clients happy is a key priority for whoever runs this type of business, says Kevin, as it ensures long-lasting loyalty. “Many of the guests have been here many times before – some first came to the hotel 50 years ago and they come back over and over again.” As a result, and despite the present tough economic climate, Kevin finds himself

in an excellent position going forward. “We are fully booked for New Years Eve six months in advance and to date are 50% full for Christmas. We even have reservations for next year.”

But success also means hard work and Kevin doesn't take for granted the influx of customers, especially in current conditions. “It's very important to cater for all needs from business conventions to family holidays. People want simple things: clean rooms, good food and human interaction. It's my job to make sure they get what they are looking for and go home happy at the end of their break. The most important thing is to be available. I'm always around so that I can interact with my customers and residents and make them feel welcome.”

Continual investment has been absolutely crucial to Kevin, despite the recession. “When I took over the management of the hotel I made a four-year plan to refurbish the entire building and, even with the downturn, I made a point of finishing what I started. It would have been unwise to start cutting back on such an important project. At the end of the day, you have to invest money to make money, but do it wisely.”

In doing this, it has been of vital importance to keep track of all expenses, small and big ones. Kevin tapped into relatives and trusted suppliers to get the best deals without compromising quality. "Keep your eye on small things as they tend to add up quickly and shop around to strike a bargain. What I buy is all up to a good standard, but I use the web to find products I want at a price I'm willing to pay. I also have a good relationship with my suppliers, my business is doing well so I look after them by paying my bills on time, and they look after me by offering good deals."

Although Kevin's story is a very positive one, over the last 12 months he has had to deal with his own share of very diverse challenges. In the

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leisure industry high staff turnover is a given, but particularly in an economic slowdown, it is important to be able to rely on a winning team. As such, Kevin takes on foreign placement students and seasoned professionals, and has created a multi-ethnic, 11-strong team that

appeals to the hotels' varied clientele. "Treat your staff fairly and work as hard as they do, they will respect you and do a great job."

In addition, Kevin has had to face increases in utility bills such as electricity, which went up of £500 a month. The cost of alcohol has also been rising month on month as suppliers up prices while the duty on liquor went up by 8% in December 2008. Nevertheless, Kevin has not passed on these costs to customers.

In Kevin's opinion, small businesses should make sure they keep tabs on their expenses and manage tightly their finances. "As an independent company I can't really afford to use an accountant to take care of my payroll or other financial matters. It would cost me a fortune! So I got organised to streamline the process as much as possible. I have an accountant that helps me with tax returns at the end of the financial year but I use financial management software to keep good records and simply email him all my reports. It also helps me track my cash flow and if any problem arises I can act promptly."

Kevin's business is doing well, but he remains focused on all details of his activity to ensure nothing falls through the cracks. "A full understanding

of how your business is doing, either in rainy days or sunny spells, can help you plan ahead in readiness for the next challenge.”

R&A Electrical Ltd

R&A Electrical is a Buckinghamshire-based electrical contractors business that Richard Lacey set up approximately five years ago to support his family and realise his dream of becoming his own boss. The company specialises in private and commercial electrical work, as well as working for some local building companies. Before the economic downturn, the company was very successful. Richard often filled his order book with work months in advance including large projects, and the firm soon grew from one to four full-time employees.

Since the recession has hit, customers have been less plentiful for R&A Electrical. "The phone isn't ringing as much as it used to, and we have

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had to look and fight harder to get new business". One method of attracting potential customers that Richard used initially was purchasing adverts in local newspapers and telephone directories. "Unfortunately, the type

of customer that we attracted through this channel was usually seeking the cheapest deal as opposed to the best quality work. This was the kind of work that we wanted to avoid."

Instead, Richard and his team have worked hard to ensure that existing customers are very satisfied with the work they provide, thereby building a strong reputation and a network of personal recommendations to support the pipeline for future jobs. The team has also had to get used to working to much shorter lead times on projects, booking jobs only two to three weeks in advance. "We have had to remain flexible in order to survive in the downturn."

Another obstacle that Richard has faced during the recession has been late or non-payment of work by customers who have gone bust in the tough conditions. This amounted to around £7,000 of lost revenue, which caused a considerable financial strain on the business. "I turned to a debt collection agency to try to help recover the payments and manage my cash flow, however they were unsuccessful. In the end, I had to sacrifice my pay in order to keep the business afloat, only drawing a living wage." By reducing his overheads in this manner, Richard was able to avoid the need to make any of his staff redundant.

By keeping an eye on his cash flow forecast and balance sheet, Richard has managed the difficult task of absorbing the lost revenue. In using financial management software, Richard has been able to minimise the amount of time that he spent on his accounting, allowing him to focus on running his business more effectively.

A year on from when the economy took a turn for the worse, Richard remains positive about the future of his company. His business strategy to focus on 'keeping customers happy' has allowed him to maintain a steady, albeit slower, stream of new business and to ensure that his employees' jobs are safe. Key to his approach is the ability to deliver on promises to customers. "Making sure that you agree when the work will be started and completed, then sticking to those deadlines is very important to ensure customers are satisfied with the work that you do."

Richard's advice for other UK small businesses experiencing similar problems in the recession is "to keep trying and never give up". Through a combination of hard work, fighting for new customers and keeping his business flexible, Richard has successfully navigated his company through the first year of the recession, and is well-placed to ensure that R&A Electrical Ltd will continue to prosper through the remainder of the downturn.

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Tango Romeo

The husband and wife team behind aviation management consultants and pilot services firm, Tango Romeo, have felt the full force of the recession. Set up in 2005, the business was thriving as Shaun Tinkler-Rose, a highly qualified pilot, flew freelance for private individual and corporate helicopters and planes whilst doing a steady trade as a broker of used Agusta 109 helicopters. This had been the natural evolution from his navy flying days which had been followed by stints flying helicopters to offshore oil and gas platforms and a long spell as a pilot for air ambulance and police helicopters. While Shaun may have been the front face and revenue earner, the success of the business was down to Shaun and wife Susie's strong team work as she managed all the essential back office functions that kept the business efficiently managed.

However, in spring 2008 they knew the recession had come. "Things started getting bad quite early and this year things have been pretty dire. Chartering and flying of private and corporate aircraft has really slowed down with planes and helicopters the length and breadth of Britain and Europe sitting idle on airport tarmac. At the same time the brokering side of the business has totally died as aggressive price cutting by manufacturers means that it is as cheap and often cheaper to buy new," said Susie.

Year on year, revenues at Tango Romeo are down 50% and so they have had to work hard to keep their heads above water. The key to their survival has been an excellent blend of flexible thinking and business management skills.

With so many years of experience as a pilot, Shaun had built up an impressive network of contacts throughout the aviation business. These have proved invaluable over the past year as Shaun has maintained constant dialogue with all his contacts so that he keeps on their radar and is aware of any available work. He has also coupled this with pragmatic flexibility, which has included going back to air ambulance flying.

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Their approach was neatly summed up by Susie: "We have just made sure that we are as flexible as possible, not turning any work down,

talking to and seeing as many people as possible and always being available." At the same time, the couple have sought new revenue streams and Shaun is currently expanding his offering by adding a jet pilot rating to his accreditations. It has also been necessary to think globally instead of locally, and it is with this approach that Shaun has found himself flying clients in some of the world's remotest regions. Shaun said: "If you deliver a quality service then very quickly your positive networking covers a vast area and hence increases your client base."

This proactive approach has been followed through into the back office where Susie has rigorously stayed on top of every aspect of the business. No room for error has been allowed, with the complex legal pilot licences scrupulously maintained and all business overheads reviewed and minimised.

By using financial management software, Susie has also been able to

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keep a close eye on debtors and invoices. "It has been very important to us to be able to quickly and easily view our cash flow and see the aging of our debts and unpaid invoices.

This has allowed me to prioritise my actions very easily and stay on top of things."

However, it seems that Tango Romeo may be coming out of the turbulence as there are clear signs that things are picking up. A few of the larger corporate fleets based in the North West of England, which Tango Romeo used to deal with regularly, has suddenly seen an increase in demand for its jets and helicopters.

Having hopefully weathered the worst of the financial storm, Susie gave the following advice: "Be flexible. If the phone rings, even if you are doing something else, answer it, deal with it, be available."

Teeny Beanies

Teeny Beanies is a Telford-based business run by Kerry Swinton that produces children's character bean bags and other products for the middle to high end gift market. Set up in 2007, the idea for the business came after Kerry trained as a textile designer and began making soft furnishings for her friends. Working from home on a part-time basis, Kerry designs, makes and sells all the products herself and occasionally hires another self-employed designer to help her manufacture the goods. Since the start of the credit crunch, Teeny Beanies has undergone a lot of changes. As expected, consumer spend has reduced dramatically and at £25 per bean bag, Kerry was finding it difficult to persuade people to part with their money for such a non-essential item. "I had many people saying how nice the designs were and how their kids would love them but just how they couldn't justify spending that much money for a bean bag." As a result, Kerry decided to branch out from her 10 original designs and introduced smaller products to the range, which incorporated the Teeny Beanie characters. "These included cushions and keepsake bags, which were cheaper to produce therefore I could sell them at lower prices."

As well as adapting her product range to suit lower budgets, Kerry has had to review her business activities and cut back on areas that weren't

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generating as much revenue. "Whereas before I would spend a lot of my time at retail and craft shows advertising and selling my products, I have pulled back on going out and selling and instead am doing things in-house, particularly pushing my online presence." Not only has it been more

cost-effective for Kerry to drive sales via this channel but she is also making more money online as consumers turn to the internet to shop. "I am also investing my time better and don't have to spend all day at a fair and come away with nothing."

To minimise the impact of the recession on her business, Kerry also sought advice from local support networks such as Business Link and the Federation of Small Business. Taking heed of their guidance, Kerry's approach has been to be as frugal as possible and practical measures she has taken to address the economic climate have included keeping stock levels low, making to order and only turning to her hired help when

necessary. "Also, since the downturn I have found that I have more bargaining power as suppliers have been hit too so I am cutting costs by buying in bulk, which I couldn't do before."

The result of all of these initiatives has been that sales have more than doubled in the past year and Teeny Beanies has been selected for a Star Idea 2009 award and the chance to win £4,000 in funding. "It shows that there is money out there, it's just a matter of getting to it. This means stay positive and don't give up at the first hurdle – keep persevering."

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Despite this success, Kerry continues to stay grounded and is planning for the future. "I am looking at the long-term as I still fund the business with my second income and keep re-investing the money back into the business to keep it growing."

She also continues to make sure she is equipped with the right tools. "Being organised and keeping on top of my finances has been crucial to running my business. Investing in financial management software has helped me to do just that as its simple to use and keeps everything stored in the one place such as my main contact and supplier details."

Overall, the recession has presented challenges for Kerry but with a little support and creative thinking, she has managed to overcome many of these obstacles to not only survive but thrive in current market conditions. "The key is to not stick to the same mould. That doesn't mean abandon your core values but adapt your business to meet climate changes and customer needs."

APPENDIX B – About Intuit

Intuit UK is a leading provider of business and financial management solutions for small organisations and their advisors including accountants and bookkeepers. Intuit's solutions are based on the simple principle of ease-of-use, backed by the highest levels of service and support. The flagship product QuickBooks is designed to help small businesses succeed through taking the worry out of managing business finances. Intuit works through its QuickBooks ProAdvisor Programme and Intuit Developer Network to partner small businesses nationwide, saving them time so they can focus on running and growing their businesses. Intuit UK is a subsidiary of Intuit Inc.

For more information about Intuit UK please visit www.intuit.co.uk.

www.smallbizmatters.co.uk is Intuit's blog about the financial issues that affect small businesses in the UK. It is an online source of advice and resources for small business owners, as well as expert comment on current issues.