



Beautiful business

# **The future of small business**

## Five opportunities for growth in 2021

MARCH 2021

## Looking to a brighter future

The impact of the pandemic and the cycle of lockdowns that came with it has devastated small businesses. There are 5.9 million of them, and they are central to our economy. Whilst there are positive signs for the future, we aren't out of the woods yet. This will be a year of great change for business owners, as they attempt to recover and rebuild as well as navigate new Brexit rules.

For some time now, the narrative has been about what businesses can't do. We still have tough times ahead, but instead we need to be talking about what they can do. Only then can we move forward to create new jobs, and to rebuild the economy.

We've identified **five predictions** set to shape recovery and help small businesses hit the ground running as they emerge on the other side.



## Prediction 1

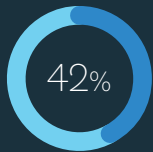
# Small businesses will have a critical advantage over corporates

Empathy for small businesses will grow into positive action in an effort to support them. Having been starved of social interaction, the public's support and loyalty will only deepen, presenting a big opportunity for small businesses, and high streets.

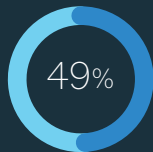
It paves the way for them to focus on tailor-made experiences, face-to-face interaction and areas like sustainability and community that corporates will struggle to replicate.

## ► Small businesses will have a critical advantage over corporates

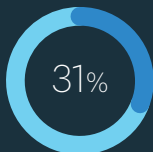
### Shopping small hasn't just become a necessity, but an affirmation of love:



of consumers plan to spend more money at local businesses after lockdown.



feel more loyalty to local businesses over larger corporates since the pandemic started.



of the public would rather work for a small business than a corporate business after the pandemic.

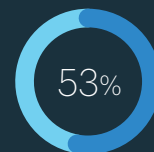
### Opportunity for small businesses to set themselves apart from online giants:



**Half** of consumers say that small businesses make them feel more valued than corporates.



The **top three** qualities customers say set small businesses apart are: **loyalty, approachability and trust.**



of SME owners say customers are looking for more than just a transactional relationship.

### The top five areas SMEs plan to expand in over the next three years are:



39% Grow relationships with customers

27% Build better trust among customers

25% Increase sustainability efforts

24% Strengthen ties within the community

24% Create loyalty and reward schemes for returning customers

## Prediction 2

# The explosive adoption of technology will wipe out old ways of working

The pandemic led to ten years of innovation and tech adoption taking place in just 90 days. Looking ahead, we will see a far greater migration of small businesses adopting digital tools.

The past year has hastened the use of contactless technology with traditionally cash-only shopkeepers. It doesn't stop there. Other ways of working will be replaced with modern alternatives. Paper receipts and invoices will be permanently replaced by digital alternatives and desktop software by cloud tech.

Small firms have seen the potential for business mastery with technology and this will grow.

## ► The explosive adoption of technology will wipe out old ways of working

### Tech is revolutionising old ways of working:

**40%**

of retail revenue is now from UK ecommerce (excluding groceries)

**31%**

of SME owners have stopped using paper invoices.

**26%**

have abandoned paper payslips.

**17%**

scrapped desktop accounting software in favour of cloud tools.

**26%**

of small companies have invested in cloud based technologies such as Google Drive, Slack and Xero as a result of the pandemic.

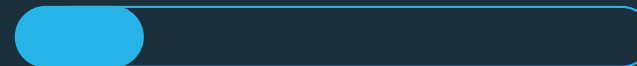
### New tools are helping small businesses to work smarter:



**26%** are now using technology that is increasing the productivity of their business.



**20%** say that with remote working technology, location of new employees is no longer an issue.



**20%** are planning to invest in AI and machine learning to help automate parts of their business

## Prediction 3

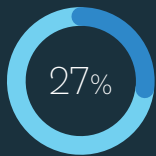
# Small businesses will have the analytical and technological power of big corporates

In recent years the playing field has been levelling up for small businesses. They now have access to the best technology available - from digital payment tools, and predictive apps that forecast cash flow into the future, to faster access to capital via a new breed of lenders.

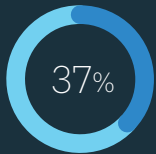
The cloud has boosted access and lowered costs involved. Having access to stronger insights and tools, coupled with support from accountants, they will punch way above their weight in the future.

## ► Small businesses will have the analytical and technological power of big corporates

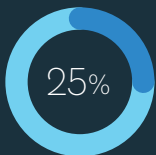
### The power to see into the future:



of SME owners are planning to start investing in more sophisticated analytical tools to help predict trends for their business.



of SMEs believe that access to predictive financial insights will enable them to compete with the larger competition.



of SME owners think that profitability would increase if they had access to better insights and data on business performance.

### Accountants will have an even bigger role to play in helping small businesses to turn data into actionable business insights:



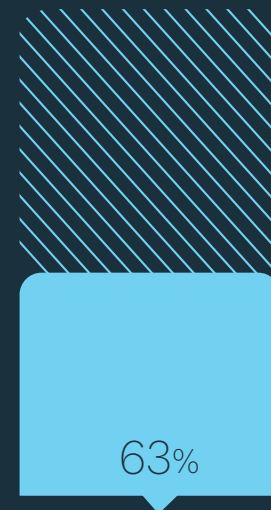
of small businesses say their accountant is more important to them than ever before.



say their accountant supports them in areas they struggle with or are baffled by.



of SME owners want their accountants to provide predictive financial insights for their business.



want their accountant to help them use insights and data more effectively.



## Prediction 4

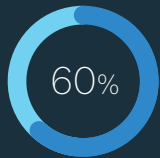
# Small businesses will benefit from a post-pandemic boom

When life begins to return to normal, there will be a huge flight into sociability. This happened in the roaring 20s, at the end of the Spanish Flu and World War I. Small businesses need to be ready to make the most of this boom.

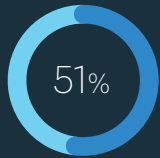
They've already worked hard to adapt, innovate and cultivate loyalty during the pandemic, and this mindset will help them capitalise on pent-up consumer demand and come back stronger.

## ► Small businesses will benefit from a post-pandemic boom

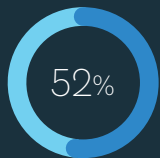
### Building on increased customer loyalty post-pandemic:



60% of consumers say they're planning to spend more when restrictions lift.



51% of SME owners say the public good will towards small businesses will continue beyond the pandemic.



52% of consumers say they will support small businesses more after the pandemic.

- UK households accumulated savings of **£18.5bn** in January as lockdown restrictions limited spending opportunities

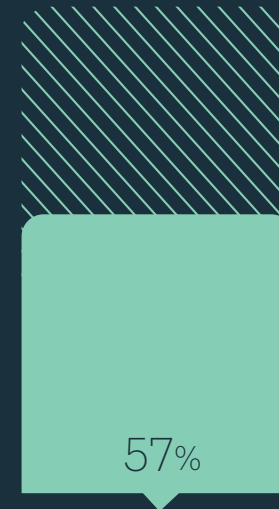
### Small businesses need to prepare for the future:



46% of SME owners say that new ways of working and pivots during the pandemic mean they're better set up for the future.



20% expect their business revenue to grow by **10%** in the first 6 months after the lockdown.



57% want to change areas of their business model after the pandemic - with **27%** identifying increasing online sales.

## Prediction 5

# Small businesses will explore new trading frontiers and attract borderless skill sets

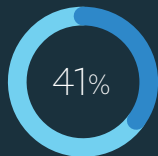
The way small businesses operate on a global scale is transforming. Brexit and the changes brought on by Covid will see them break into fresh territories and customer segments.

The rise of remote working means many can more easily expand their geographical presence, and the boom in e-commerce and online marketing makes it much easier to sell beyond physical location.

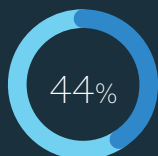
With new EU trading conditions, we'll see small businesses find new opportunities as they expand their national footprints and look to diversify products to reach new customer segments.

## ► Small businesses will explore new trading frontiers and attract borderless skill sets

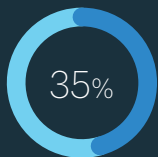
### Expanding into new markets:



of SME owners say online tools have enabled them to target new markets at home and abroad.



say the pandemic has pushed them to explore new markets for the first time.



are planning to increase the number of national / international territories they trade in in the next 12 months.

### Brexit:



**36%**

say Brexit has significantly reduced the markets they are able to trade within.

**36%**

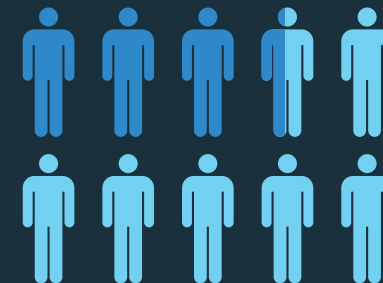
say Brexit regulation on trading with Europe and the import / export charges means it's now too expensive to sell to European customers.

**57%**

of SME owners will focus more on expanding international trade to places outside the EU (e.g. Asia, US).

### Borderless skills:

► **34%** of SME owners are now more willing to hire staff that are / could be entirely remote as a result of the pandemic.



## Moving forward

The past year has shown us that ways of doing business will never be the same again. Small businesses have shown immense resilience. They've adapted to keep trading and found new ways of working that will last far beyond this crisis.

But they'll need more support than ever. We hope that sharing these five opportunities for growth will help them better prepare for the future. This is essential, as small businesses will sit at the heart of the UK's wider economic bounceback.

We've also mapped out some of the support they'll require from the government in our [Road to Small Business Recovery Report](#). We all need to work together to support small businesses with the guidance and tools they need to come back fighting.



# Appendix

## Research methodology

The survey was conducted in January 2021 by Censuswide with 500 SME owners and 2,000 consumers.

Visit our [dedicated site for more resources](#), webinars and inspirational stories to help you emerge stronger from the COVID-19 pandemic.

