Cost & credit headache forces SMEs to ‘raid the family silver’

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• 47% of UK small business owners inject personal cash into their company to stay afloat
• Average amount borrowed from personal sources is £20,400
• 27% of entrepreneurs forced to turn to friends and family for a loan as banks look the other way
• 13% of SME owners have had to re-mortgage their homes

Rising business costs are adversely affecting the private lives and personal finances of many SME owners, according to a new study by Make It Cheaper (http://www.makeitcheaper.com) and the Centre for Economic and Business Research (Cebr (http://www.cebr.com)).

The research reveals that almost half of small businesses (47%) have had no choice but to inject additional cash into their company from personal sources this year.

Jonathan Elliott, Managing Director of Make It Cheaper, comments: “The effects of squeezed margins and cost increases are not only threatening businesses, but the financial security of their owners and families.”

The study is based on independent research among owners and managing directors of 750 UK small businesses with twenty employees or less, commissioned by business saving advisor Make It Cheaper and supported by macroeconomic modeling by Cebr.

SMEs take desperate measures

The vast majority (89%) of small businesses currently view the UK as an ‘unbearably expensive’ place to do business and many are finding they can only survive by supplementing the company with personal finances.

Almost a third of small businesses (27%) have had to turn to friends and family for a loan to cover spiraling costs while a quarter (26%) have taken out a personal overdraft, bank loan (22%) or credit card (25%) for a cash injection.

Some small business owners have been pushed into even more extreme measures, with 13% going as far as re-mortgaging their homes.

According to the Make It Cheaper research, the average amount raised from all personal channels stands at just over £20,400 per business. However this figure is much higher in some sectors, such as dental and medical surgeries – whose borrowing averages £120,000.

Cebr and Make It Cheaper have modeled an inflation tracker for small business overheads – the Business Cost Index (http://www.businessfit.makeitcheaper.com/business-news/NewsItem/the-business-cost-index). The Index exposes the areas which will exert the most financial pressure on SMEs this year, including transport costs, which are expected to rise 20.5%, energy bills, forecast to grow 8.5% and insurance premiums, set to rise 7.1% in 2011.

Jonathan Elliott, Managing Director of Make It Cheaper comments: “It is extremely concerning that small business owners have been compelled to take the drastic step of placing their own financial stability in jeopardy to keep the company afloat.
“However, many small businesses feel they have no alternative, as costs rise and traditional lines of credit remain cut off. The situation is particularly pronounced in sectors such as hospitality, where businesses are red flagged as far as banks are concerned. It is no surprise that so many are turning to personal loans and credit cards to survive.

“These businesses are having to box clever with their borrowing, but for an SME, saving £1 is like making £1 without having to take £10 in turnover first. So it’s time to think about switching suppliers and cutting costs.”

For further information, advice and free tools to help manage overheads and tightening credit from Make It Cheaper, please go to http://www.businessfit.makeitcheaper.com/family-silver.

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About the research

The Business Cost Index is based upon historical price indices published by the Office for National Statistics for labour, physical input & materials, telecoms, insurance, transport, energy and financial services. Supplementary historical price indices have been provided for rents using Cebr’s Commercial Property model. Forecasts for 2011 to 2012 are based on Cebr’s in-house UK Macroeconomic Model.

Economic modelling was supplemented by opinion research among owners and managing directors of 750 UK small businesses (with less than 20 employees), commissioned by Make It Cheaper and carried out by independent market research agency Coleman Parkes.

About Make It Cheaper

Established in 2007, Make It Cheaper (http://www.makeitcheaper.com) is the number one destination for businesses to get a better deal on their utilities and business services. Based in Central London, Make It Cheaper receives more enquiries and arranges more new contracts than any other business price comparison service. These include the business customers of most of the major domestic price comparison services with whom Make It Cheaper has partnerships, as well as business membership organisations, charities and trade associations. Acting on behalf of all these customers (http://www.facebook.com/pages/Make-It-Cheaper/131782560241194) with total impartiality (http://www.makeitcheaper.com/about-us/our-promise.aspx) and free of charge, Make It Cheaper offers year-on-year savings across a range of products including business electricity (http://www.makeitcheaper.com/business-electricity.aspx), business gas (http://www.makeitcheaper.com/business-gas.aspx), insurance and telecoms. Using its expertise and scale

in the SME market, Make It Cheaper will typically save its customers over 30% of costs as well as a considerable amount of time that they can then spend on running their businesses.
Make It Cheaper was recently a finalist for ‘SME of the Year’ at the National Business Awards, ‘Young Company of the Year’ at the CBI’s Growing Business Awards and ‘B2B Customer Service Team’ at the National Customer Service Awards.

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