

A DIFFERENT PERSPECTIVE, A BROADER VIEW

JAMES COWPER RECESSION SURVEY: THE THAMES VALLEY & THE CREDIT CRUNCH

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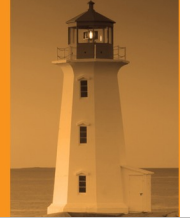
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Introduction

It is often easy to forget how the recession affects business owners and senior managers with much of the media attention focusing on the large numbers of staff being made redundant.

James Cowper has surveyed 1,000 clients and friends of the firm for their thoughts and plans during this period of extremely tough trading. The survey results offer an insight into the minds of company directors and business owners on how they are approaching this recession and the impact it is having on them personally.

Our survey respondents were drawn from a wide variety of sectors, representing the spread of businesses found across the wider Thames Valley, from IT and telecoms to agriculture and property.

Below is a summary of our findings which shows how this global economic slowdown has hurt businesses and people at all levels of organisations in the Thames Valley.

State of market over next 12 months

We asked respondents how they felt about the potential for their business in their sector both now and over the next 12 months.

Over half stated that they were “very concerned” or “concerned” against just a quarter who stated they were “optimistic”. Their biggest concern (23 per cent) is currently finding or losing customers, with the picture changing little when asked to look forward six months with 17 per cent of respondents believing this will still of concern.

Cash flow is of a concern for 20 per cent, both now and when looking forward. General confidence in the economy is also of concern for a further fifth of respondents now, but perhaps more encouragingly, just 10 per cent of respondents believe this will be of concern in six months – the first sign of those green shoots perhaps.

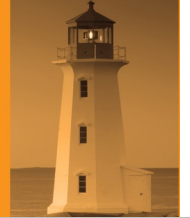
Bank lending is also of concern for 11 per cent of respondents, which rises to 15 per cent in 12 months’ time.

It is interesting that whilst respondents are not particularly bothered by the threat of suppliers significantly increasing costs now, almost 20 per cent fear this will happen and cause problems next year.

Impact of lack of lending

The lack of bank lending has dominated headlines throughout this recession and is reported to have had a detrimental affect on the business community. Lending from VCs and institutional lenders has also dried up. However, when we asked respondents whether this had had an impact on their own business whilst a third felt that it had caused problems for them; two-thirds said that it had not.

Those working in the property sector have been hit hardest by the reluctance of banks to lend, especially those operating in the residential market. As one developer stated “we have planning permission but cannot sell completed developments to release cash and the banks are unwilling to lend.”



Survival strategies

We asked respondents what survival strategies they had put in place to help survive the currently tough economic trading conditions. Almost two thirds of all respondents have put in place cost controls of one sort or another. In some cases this has been cutting costs hard, in other cases this has just been a more cautious approach to spending. 20 per cent of respondents have had to cut costs via making redundancies.

But survival isn't all about cutting overheads and headcount: 14 per cent of respondees have significantly increased marketing spend, 11 per cent are looking to diversify their business activity into perceivably less affected markets, including the public sector, and 7 per cent stated that they are working harder in improving client service.

Retirement plans

We asked survey participants how the current recession has affected them personally, and the results showed that almost 40 per cent are delaying their retirement plans by up to 10 years as a result in the global economic slowdown. 50 per cent of company directors and business owners have also taken a significant drop in personal income with 25 per cent having to look to alternative sources of income to survive. The current recession led two respondents to question their career choice, with one asking "whether I am doing the right thing".

Government help

The government has made great play on how it is trying to help businesses and individuals survive this recession. We asked respondents to rate the effectiveness of governmental strategy in this area.

54 per cent said that the reduction in the VAT rate from 17.5 per cent to 15 per cent has made no difference at all. However, almost two thirds applauded the support given by the government to the banks and half welcomed the launch of the government's funding initiatives such as Enterprise Finance Guarantee Scheme, although few had experienced accessing it. By far and away the most popular government step, however, has been the introduction of HMRC's time to pay arrangements with nearly three quarters (73 per cent) stating that this has been of help.

Respondents were also asked what additional help they would like to see from the government. Leaving aside calls to step down and call an election, almost half would like to see the government make more money directly available to struggling businesses. A further 29 per cent would like to see a significant increase in public expenditure, for example on construction projects.

Respondents were also given the opportunity to make further suggestions and tax cuts are on the lips of many. From tax holidays to reductions in income tax, tax cuts will always be popular, but significant tax cuts would inevitably mean a drop in public spending.

Thames Valley success

James Cowper is at the heart of the Thames Valley business community and so asked respondents if they thought their location would leave them better placed to ride out this recession than other parts of the UK. Almost 60 percent thought being in the Thames valley would help them, with its "entrepreneurial culture" and "built in prosperity" helping to keep it afloat. Its mix of technology and more traditional business leaves it well placed to emerge not perhaps unscathed, but certainly in robust health.



ABOUT JAMES COWPER INSOLVENCY SERVICES

Our experienced team handle business recovery and turnaround situations as well as formal insolvency procedures across a wide range of industry sectors.

We focus on providing constructive advice for commercial lenders, professional advisers, credit providers, company directors, partnerships and individuals.

We place an emphasis on the recovery and rescue of ailing businesses with a view to maintaining the business and safeguarding employment. Where this is not possible we assist in selecting the correct insolvency procedures to minimise losses to creditors and, thereby, exposure to risk on the part of directors. Our professionally qualified and experienced insolvency practitioners are licensed to provide you with the advice you need and regulated by the Institute of Chartered Accountants.

We have specialist skills in the fields of aerospace, bloodstock, charities, education, engineering, hotels leisure and licensed trade, IT, life sciences, manufacturing, marine, media, motor trade, nursing care and residential homes, printing, property, technology, telecoms and transport.

Led by Sue Staunton, James Cowper Insolvency Services brings together a ten strong team of highly experienced insolvency, restructuring and business turnaround specialists, combining almost 100 years' top flight experience working in major international insolvency practices, and the ability to draw upon the extensive resources of James Cowper, one of the region's largest accounting firms.



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