

## **Cambridge Online Systems – 2011 East of England Business Survey Introduction**

### **Foreword from Ray Olds, chief executive officer, Cambridge Online Systems Ltd**

Welcome to our latest Eastern region business trends survey. I would like to thank the 100 senior business decision makers from across the Eastern region who gave up their valuable time to contribute their views to our survey. Similar to yourselves, Cambridge Online Systems is a business with 'roots' in this region, founding our business in Cambridge in 1978 and moving to the Cambridge Science Park in 1982.

We wanted to know how businesses in our region had fared during the recent recession. We wanted to gauge the impact on sales and look at the strategies businesses deployed to minimise the effects of the downturn on their businesses. We also wanted to find out what businesses think about the Eastern region and why they are based here.

With the downturn beginning to fade, many businesses are planning to grow this year. In our survey, we explored the prospects for growth over the next 12 months and discovered the barriers to success, the business priorities and the forward strategies to achieve that growth.

We all know that technology plays an important role in all of our businesses. We wanted to examine if businesses are making the most of technology, are maximising sales opportunities through the use of CRM systems, integration of applications; delivering better information for decision making or exploring cloud computing.

We hope you find this short executive summary informative and trust it helps your business gain some insight into what other businesses in our region are thinking and planning at the current time.

### **About our survey**

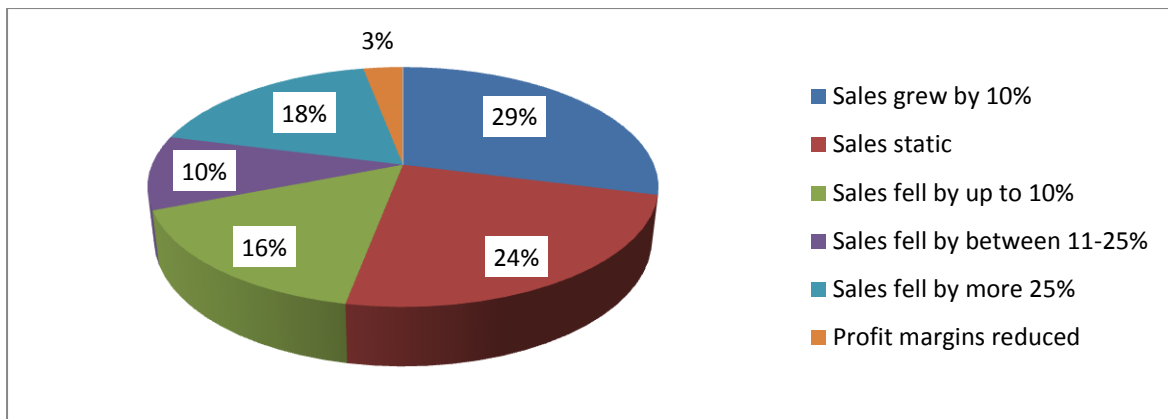
We invited nearly 8,000 senior decision makers across a range of businesses with £500k to £200m annual sales in the Eastern region (Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Lincolnshire, Norfolk, Northamptonshire, Rutland and Suffolk) to participate in our on-line survey which we distributed during late March-early April 2011. We received 100 responses spread across the region, from a wide cross-section of industries.

## The Downturn in the Eastern Region

It may be surprising to hear that more businesses across the Eastern region saw their sales rise or remain static than those who saw their sales fall during 2009/10. Many businesses did not feel a significant effect from the downturn with 29% reporting sales growth of up to 10% and 24% seeing sales remain static during the period.

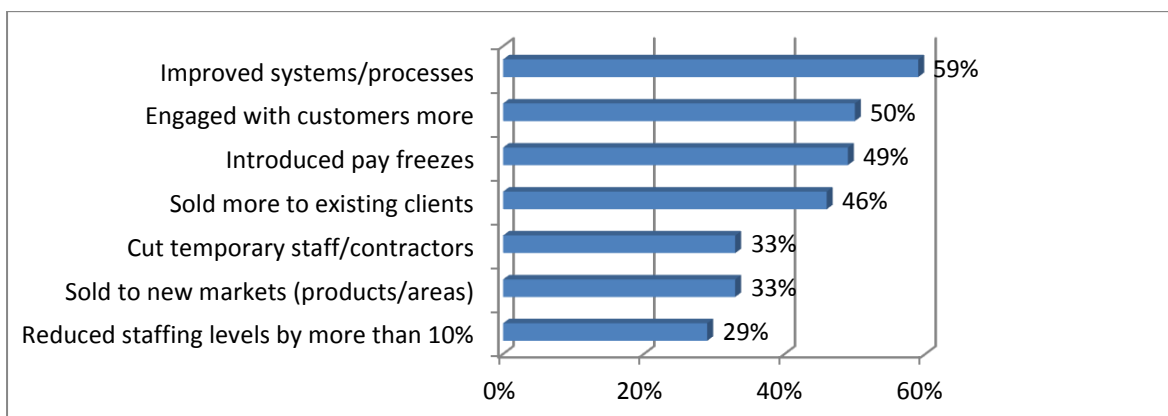
However, these findings do not hide the fact that nearly one in five (18%) of businesses in the Eastern region did see sales fall dramatically by more than 25% during 2009/10. Many businesses must still be hurting from their fall in sales volumes.

### 1. How the 2009/10 recession affect businesses in the Eastern region



The downturn engendered a spirit of innovation amongst businesses in the Eastern region. In a recession as deep as we experienced in 2009/10, it was inevitable that businesses needed to cut costs quickly. Businesses needed to make staff reductions and impose pay freezes – 29% of businesses reduced staffing levels by more than 10% and nearly half (49%) introduced pay freezes for permanent employees.

### 2. How businesses reduced the impact of the downturn during 2009/10



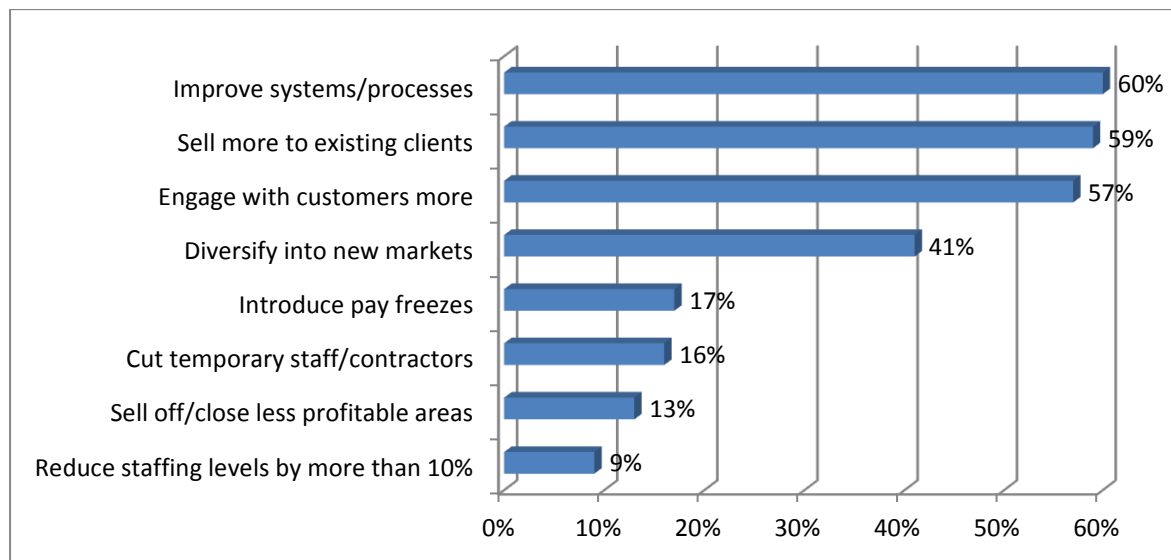
Decisions to freeze pay and reduce staff numbers were not taken lightly. Businesses tempered the impact on their employees by looking hard at their systems and processes to find efficiencies (59%), and engaged more deeply with customers to ensure they were looked after (50%). Keeping clients happy was a core strategy as businesses then went out and sold additional products and services to their

existing clients (46%). Diversification into new product or geographic markets for a third (33%) also staved off some of the impact of the downturn.

### The Downturn – work in progress

Most businesses in the Eastern region recognise that we are not out of the woods yet, and some companies surveyed are still in the process of cutting staffing levels by more than 10% (9% of businesses). Others are selling off or closing less profitable parts of their businesses (13%) or introducing pay freezes for their permanent employees (17%). For the majority of businesses (60%), this relentless focus on improving systems and processes still remains the key to ensure they are leaner and fitter to compete. Getting much closer to customers is a lesson learned from the downturn for many businesses, with many still implementing plans to focus on customers and clients by engaging more with customers (59%) and selling more to existing clients (57%).

### 3. Outstanding activities businesses are planning to do to reduce the impact of the downturn



The downturn also forced businesses to bring forward their plans. Just under half of the businesses in our survey (49%) brought forward supplier reviews to rationalise their supplier base and renegotiate supplier contracts.

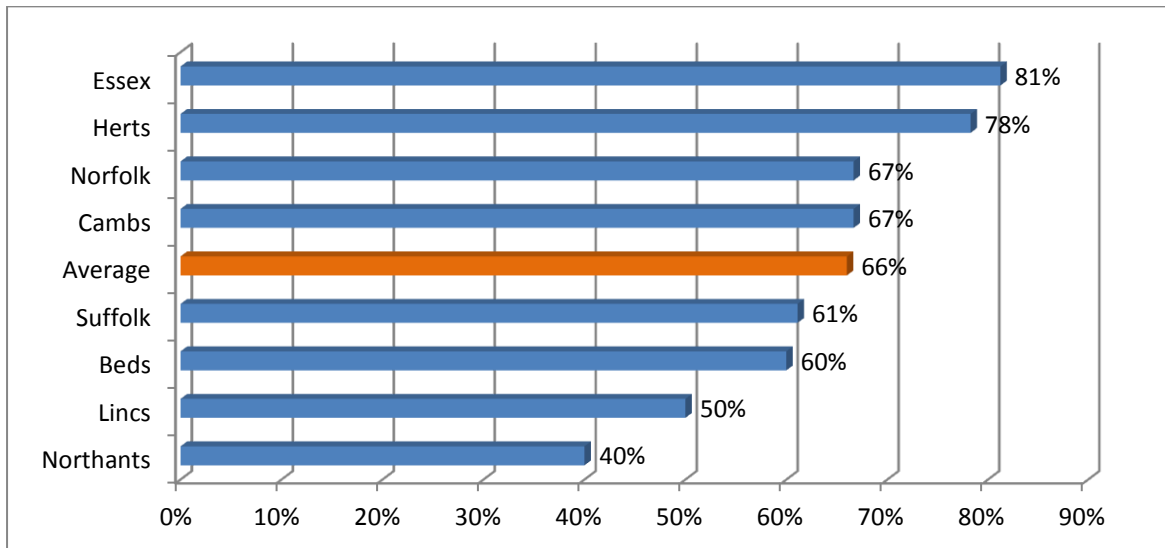
### County variations

- Hertfordshire had the highest proportion of businesses (27%) reporting sales falling by over 25% during 2009/10, compared to the regional average of 18%.
- Suffolk and Cambridgeshire had the highest proportion of businesses (41%) growing sales by over 10% during 2009/10, compared to the regional average of 28%
- Norfolk businesses were almost twice as likely to have reduced their staff levels by more than 10% during 2009/10 compared to the regional average
- 17% of Cambridgeshire businesses are still planning to reduce staff levels by 10% and 33% are still planning to introduce pay freezes – twice the regional average

## Doing business in the Eastern region

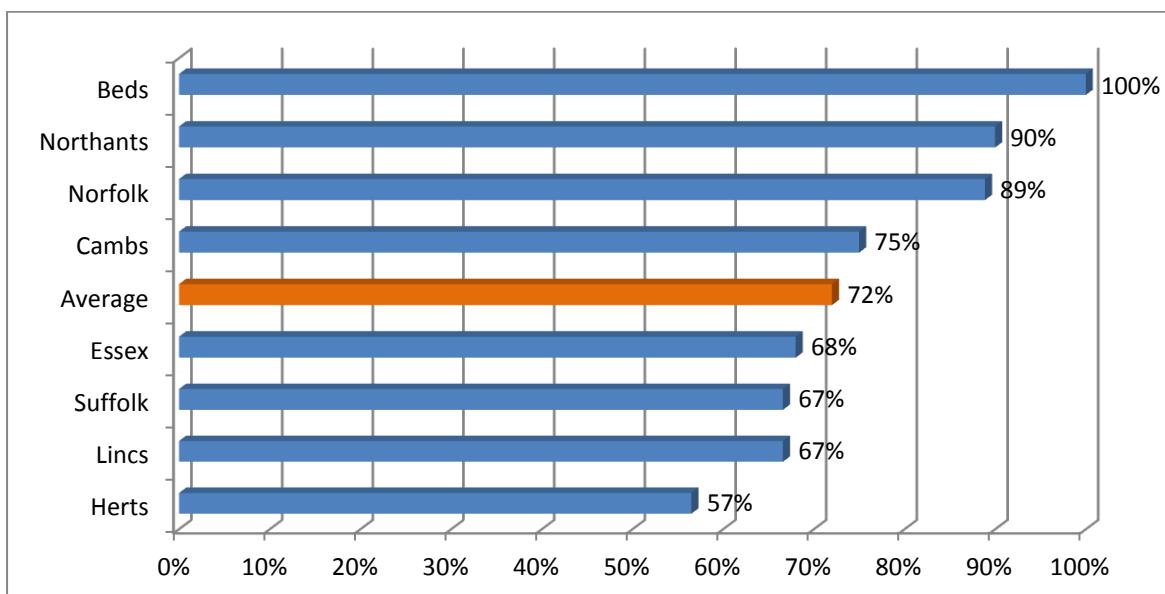
Most businesses surveyed in the Eastern region (66%) agreed that it is an area which offers the skill bases that they need to grow their businesses, although it is a concern that the remaining third of businesses in our survey feel that the region is suffering from skill shortages for their specific business needs.

### 4. Businesses agreeing that the East of England is a great place to access the highly skilled people they need to grow their businesses



Nearly three quarters of businesses (72%) surveyed expressed concerns about the state of the road network across the Eastern region and stated that it needs significant investment and improvement in the near future.

### 5. Businesses agreeing that the local road network needs significant investment/improvement in the near future



## Support for regional business

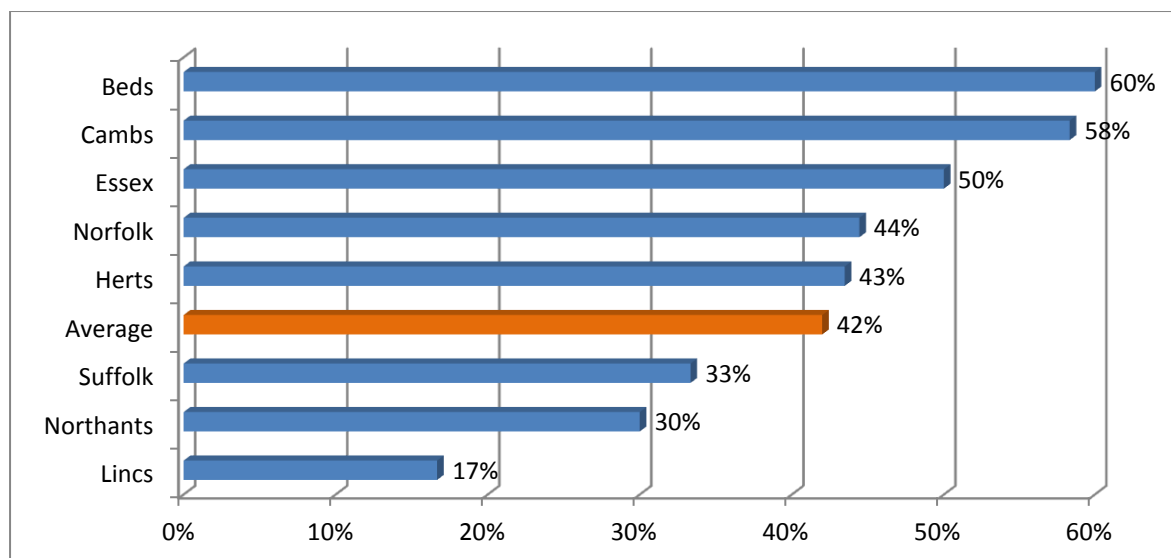
The coalition government was quick to review ‘Quangos’ - arm's-length bodies which are funded by government but not run by them. In October 2010, it announced that 192 organisations would be closed and a further 118 would be merged in order to save costs. This ‘bonfire of the quangos’ affected businesses in the region with the loss across the country of regional development agencies such as EEDA (East of England Development Agency), plus the nationwide small business support service – Business Link. Business Link is set to close in November 2011.

EEDA is to be wound down and replaced by new Local Enterprise Partnerships, based around smaller districts with local councils and businesses working together. New Local Enterprise Partnerships for the region include Greater Cambridgeshire and Greater Peterborough, Hertfordshire, Lincolnshire, New Anglia (Norfolk, Suffolk and East Cambridgeshire) and Kent, Greater Essex and East Sussex.

From our survey, businesses are split in terms of whether the new Local Enterprise Partnerships would be more effective than EEDA – 50% of businesses thought the new partnerships would be more effective, compared to 39% disagreeing and 11% were unsure what the change would mean. It was a similar result for the closure of Business Link – 46% of businesses thought it deserved to be closed down, with 46% disagreeing and 8% unsure.

Many businesses in the region have public sector customers and the coalition government is having to make cuts across the board in order to meet its deficit reduction target –and this will affect local business services. Our survey showed that businesses are split in terms of the impact that the cuts will have on their local business services: 50% disagreed that the cuts will severely damage local business services provision in the near future.

### 6. Businesses agreeing that the government's current cuts will severely damage local business services provision in the near future



## County variations

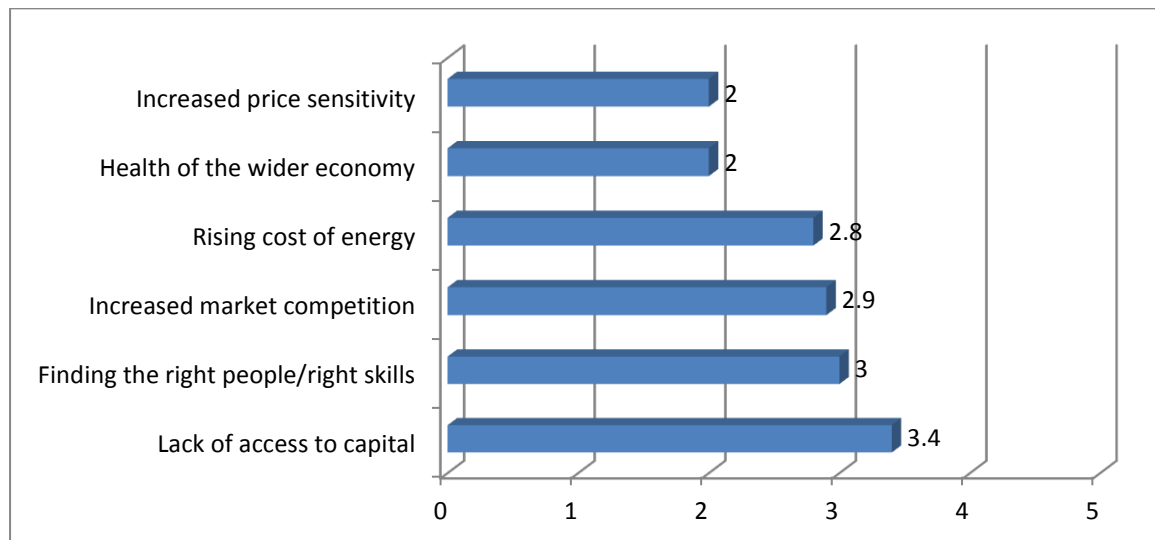
- Only 40% of businesses in Northants agree that the Eastern region is good for employing the highly skilled employees they need to grow their businesses
- 100% of survey respondents in Bedfordshire agreed the local road network needs significant investment and improvement
- Just 16% of Lincolnshire businesses believe the Government cuts will hurt their local business services compared to a regional average of 42%

## Getting back to growth in the next 12 months

In our survey, we examined the barriers to growth in the next 12 months to see which factors were most likely to hold back business growth. Even though it has been widely reported in the press that businesses are struggling to gain access to the capital they need to grow, this was the least ranked factor in our survey, suggesting that banks were lending again although lending criteria has tightened up.

The two main barriers to growth recorded by our survey are the intense and increasing price sensitivity of customers and prospects and also the health of the wider economy. Price sensitivity was ranked highest by a third of our survey – by far the highest figure. This trend is set to continue with customers and prospects being squeezed by rising inflation and looking to maximise the value from every purchase.

### 7. Factors holding back business growth in 2011 - (1) Most likely to hold back growth (5) Least likely to hold back growth



Four out of ten businesses (41%) surveyed believe the most significant opportunity for their businesses in the next 12 months will come from innovation – creation of new products and services to help diversify into new areas, spreading the risk of being too concentrated in one sector and seeking out new, fast growing areas. 16% of businesses are looking to acquire businesses or establish partnerships in order to grow. Listing their top priorities for the next 12 months, getting new customers is the main priority for 43% of our survey while 24% are focusing on improving the profitability of each customer.

## County variations

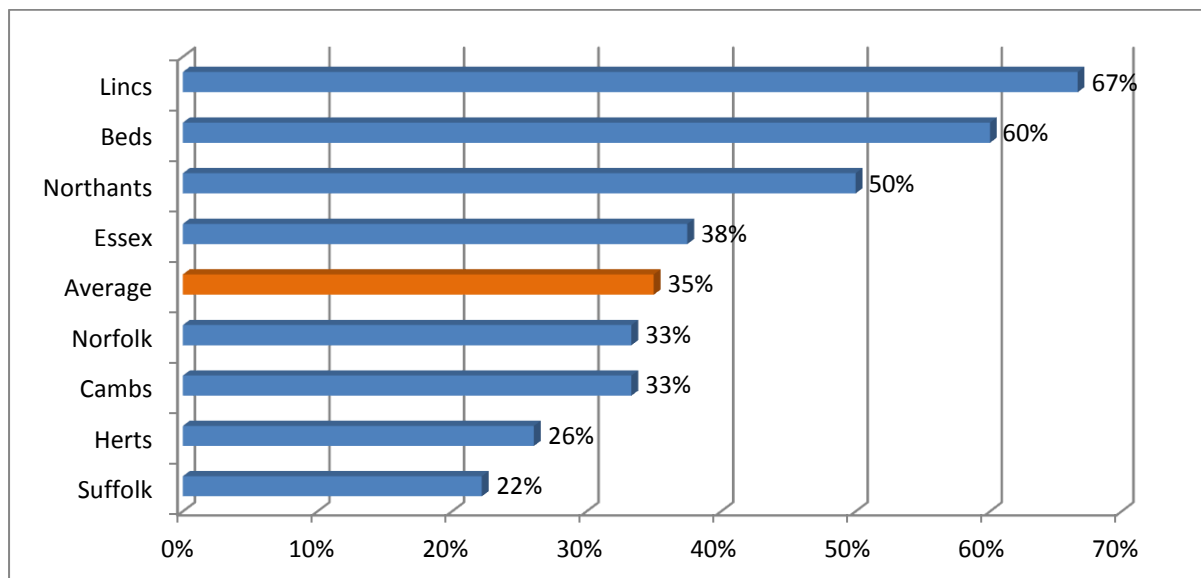
- 80% of Bedfordshire businesses reported that price sensitivity was the key barrier to growth in the next 12 months, more than double the regional average of 33%
- 55% of businesses in Norfolk are worried about the health of the wider economy as a barrier to growth compared to 26% for the region
- Customer retention is the top business priority for a third of Norfolk businesses, three times the regional average

## Growing businesses and their use of IT

Throughout our survey, businesses in the Eastern region have told us that they are looking to improve their systems and processes to find efficiencies, engage with customers more, increase profitability, attract new customers and diversify into new products, services and geographic areas (it's quite a long list!).

The two main areas for overall business improvement are to deliver higher quality information to support senior management decision-making (64%) and increase the productivity of back office functions (47%). These business improvements rely on effective IT systems and our survey shows that businesses want to get much more from their IT, through integrating systems together, making sure that every potential sales opportunity is exploited to the full while giving managers the information they need to succeed in their roles.

### 8. Counties where IT budgets are increasing this year

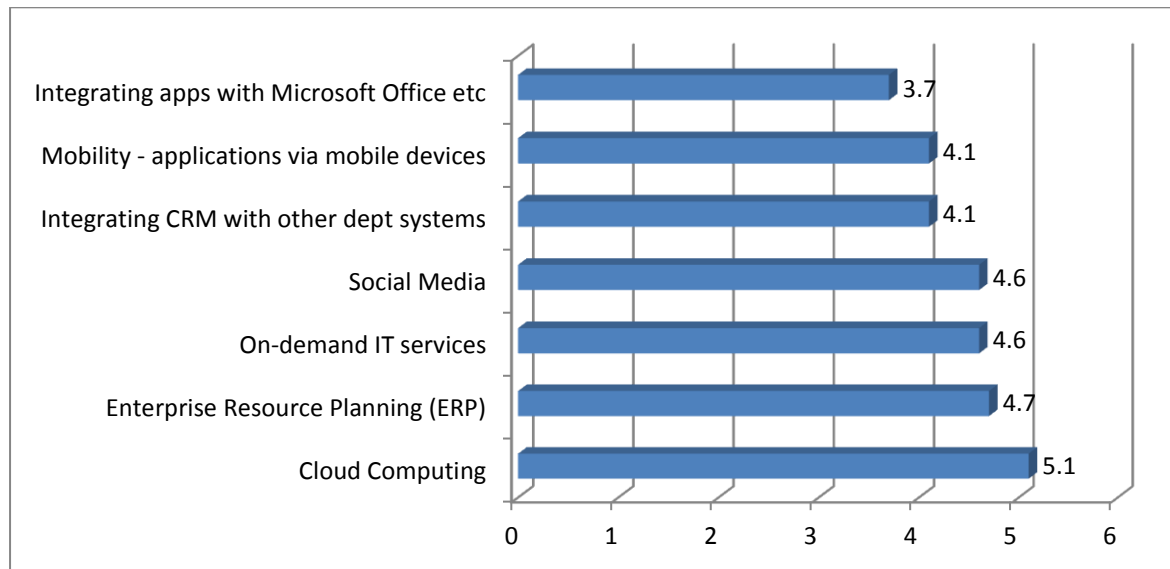


IT investment is being sustained or growing for most businesses. The majority of businesses surveyed (50%) across the region are keeping budgets at the same level as 2010 for the year ahead, with 35% looking to increase their budgets. With IT budgets representing a significant spend for most businesses, it was surprising to find that half of businesses in the region do not measure return on investment (ROI) on their IT projects. Nearly a third (28%) expect IT projects to deliver ROI within two years.

## Getting the most from integration, CRM and ERP

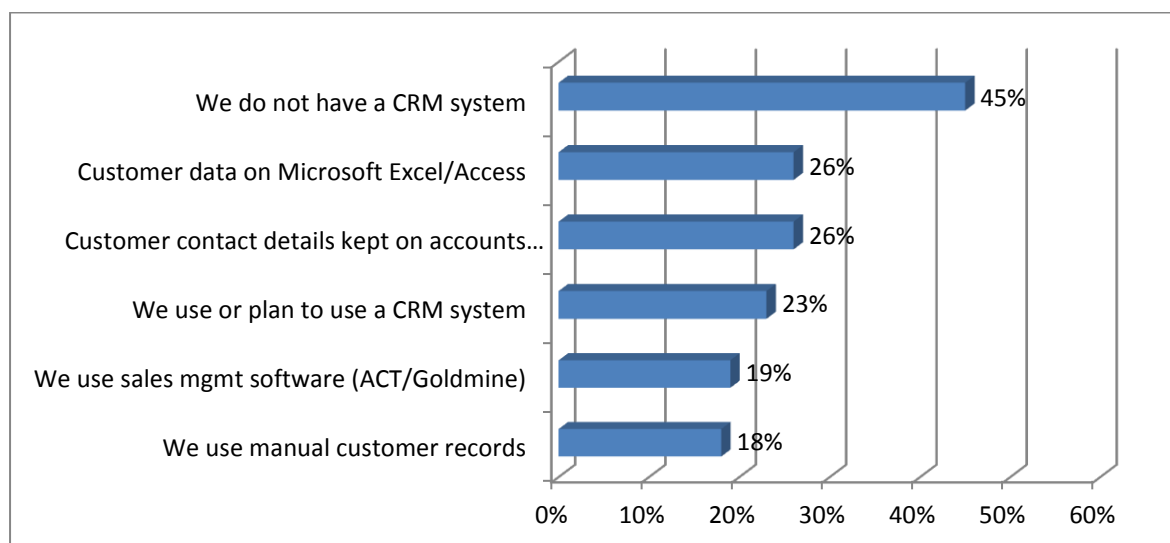
Two areas of integration topped the list for our survey respondents – integrating applications with desktop software such as Microsoft Office and making much more use of customer relationship management (CRM) systems by getting CRM to talk to other departmental systems such as accounts packages.

### 9. IT developments businesses are looking to explore this year - (1) most important (7) least important



Less than a quarter of businesses (23%) in the region use a CRM system to manage their customer and sales prospect relationships. 26% of businesses manage their data on Microsoft Excel worksheets or Microsoft Access databases – the same number use their accounting package to manage customer relationships. Worryingly, nearly one in five businesses (18%) still rely on paper-based customer records.

### 10. Business use of CRM systems



The majority of businesses surveyed appreciate they need a CRM system, giving two clear reasons to invest in a system: effective management of their customer and prospect databases (56%) and the ability to maximise potential sales opportunities (56%).

Nearly half of all respondents (47%) are planning to implement a new CRM system in the next 12 months, or are interested in CRM but need to plan a system. Others are expanding or upgrading their CRM systems – stressing the importance of ensuring customers and prospects are managed effectively.

Getting different departments to talk by integrating departmental systems together is vital for delivering significant business efficiencies and 28% of businesses have or are planning enterprise resource planning (ERP) projects to do just that.

### **County variations**

- Businesses in Essex are the least interested in investigating cloud computing, with 63% rating it lowest in terms of IT developments they are interested in exploring in 2011
- Northants businesses score highest for storing customer records on Microsoft Excel or Access – 60% in the county compared to the regional average of 26%
- Exploring social media is also a low priority with 44% of businesses in Suffolk rating social media at the bottom of their IT development wish list

### **What have we learnt?**

- Similar to the rest of the country, businesses in the Eastern region suffered a hard recession, with job cuts, pay freezes and closing and selling off unprofitable businesses. As a whole, the UK lost 6.2% of overall output between Q2 2008 and Q3 2009.
- 18% of businesses in the Eastern region saw their sales fall by over 25%, although there is no real pattern in terms of business sector, size or location – it seems that some businesses were much less prepared to endure the severe downturn.
- As the downturn hit, businesses ensured they protected their customer bases and exploited opportunities to sell more to existing customers. It became harder for businesses to sell into new markets – to either new geographic or product sectors as barriers to entry increased.
- Innovation was seen as the crucial factor for survival in the downturn, whether it was improving systems and processes to increase efficiency, developing new products and services or diversification strategies. Businesses recognised the role IT plays in innovation, making their business more flexible and integrated in a range of areas such as improving business information for decision making or bringing disparate parts of the business together.
- Businesses in the region are split in terms of the changes to government support agencies (EEDA, Business Link) – each business has had a different experience with these agencies, some receiving excellent support with others having a poor experience or no support at all.

- The health of the economy is an ongoing concern which presents new challenges – now with a mix of higher inflation fuelled by VAT and commodity price rises, plus lower than expected growth. Price competition is set to remain intense for all businesses, requiring new strategies to manage the next 12-24 months.
- Improvements in IT systems are recognised as a key driver for efficiency and innovation for businesses, though half of businesses surveyed are unsure how to measure return on their investment. Businesses need to work with their IT suppliers to set measurement criteria for every IT project.
- Getting serious about customer relations requires better systems for customer management. Only a quarter of businesses use a customer relationship management (CRM) system with many relying on spreadsheets and manual records. CRM systems are the key to unlocking customer value, provide proper measurement and allow every sales opportunity to be explored and exploited.

### **About Cambridge Online Systems**

Cambridge Online Systems is a leading IT systems and services provider serving mid-sized and enterprise organisations in the UK and overseas. Founded in 1978, Cambridge Online Systems has a strong track record of delivering effective IT solutions, through long-term partnerships with its customers by identifying and supporting their wider business objectives.

The business has deep expertise and experience across its chosen areas of business software applications including Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems, wider physical IT infrastructure and its own intellectual property in profitable niche areas such as airline maintenance software. For more information, visit [www.cambridgeonline.net](http://www.cambridgeonline.net)

Cambridge Online Systems thanks you for your time and hopes you found our report informative. If you have any questions or would like more information, please contact Amy McGregor on:

**TEL:** 01223 422600

**FAX:** 01223 422601

**WEB:** [www.cambridgeonline.net](http://www.cambridgeonline.net)

**EMAIL:** [web@cosl.co.uk](mailto:web@cosl.co.uk)