



# How To Adapt: The 'Cost-Of- Doing-Business' Crisis



There is no shying away from it – times are tough for businesses. From the hike in energy bills, borrowing costs and raw materials to the fall in consumer spending, the cost-of-living crisis has also become a cost-of-doing-business crisis (CODB).

While there are a lot of factors out of businesses' control, there are steps organisations can take to adapt to the current pressures. In this guide, we take a look at the challenges SMEs are facing in this tough financial climate, as well as suggesting ways that businesses can try to drive better outcomes.

# Three

01

# Taking stock of the situation



In the UK, **99.9% of businesses are SMEs**. Adaptable and agile, they are the cornerstone of the economy. But the current crisis is causing them concern.

In June 2022, **78% of SME owners** said rising costs were the biggest threat to survival in the coming year. Plus, **according to PayPal**, 44% of SME owners are working weekends and over a third (36%) are going six months or more without a holiday.

Of course, there are many facets to the rising costs, and many factors fuelling the CODB crisis.



## Economic pitfalls

Researchers at Headland interviewed SMEs of all sizes, with 59% reporting that costs are a key challenge in 2022. More specifically, these cost increases will likely come in the form of skyrocketing energy bills.

For energy-intensive industries such as steel, paper, glass, ceramics, and cement, this can pose a real threat. A recent **YouGov report** found that 60% of businesses surveyed say they're paying higher energy bills at the end of 2022 vs the start of the year.

What's more, prices for petrol and diesel **spiked in summer 2022**. While fuel costs are predicted to slump again soon, filling up your vehicles still is a lot more expensive than it was a year ago.

On top of this, the CO2 crisis is tied to **inflation**. The Bank of England predicts rates will hover at 10% for an unknown amount of time. This could lead to SMEs having to pay their staff higher wages, as well as increased prices for raw materials – something many are struggling to afford.

Finally, **since the pandemic**, employee turnover – otherwise known as 'The Great Resignation' – has impacted businesses everywhere. Workers feeling the pinch have been looking to maximise their salary – something that often results in leaving their current employer and moving elsewhere, leaving a costly recruitment process in their wake.



02

# Five Steps to Adapt



While SME decision-makers can't solve the CODB crisis, there are ways to protect themselves. They can consider the following steps to adapt.

# 1

## **Review your organisations' providers and suppliers.**

It's worth checking out the competition to see who is offering the best value – without compromising on service and quality. You might be able to find a better deal, or see if there's an opportunity to negotiate a price match with current suppliers. Now is the perfect time to challenge the status quo and consider suppliers you may not have worked with before.

# 2

## **Keep your workers engaged.**

It's crucial to keep employees engaged, as this can improve retention and avoid costly recruitment processes. Employees who feel their voices are heard are **4.6 times more likely** to feel empowered to perform their best work. One approach is to ensure your team are consulted and included as part of business-wide change and process.

# 3

## **Think about adaptability.**

It's a good idea to partner with suppliers that can shift and shape services to meet your organisation's changing needs. An example of this could be investing in flexible working spaces rather than permanent offices, or looking for providers that offer fixed term or shorter contracts.

# 4

## **Reach out for help**

There's no need to suffer in silence. It's always worth picking up the phone and speaking to your suppliers or providers in person – after all, they're human, and they likely understand your challenges. Asking for a payment holiday or to renegotiate your contract terms could help with cash flow, benefitting your organisation now while allowing time to prepare for the future.

# 5

## **Promote wellbeing and mental health.**

Research from **Three Business** has shown that the cost-of-living crisis **is impacting** the mental health of SME decision-makers, as well as their employees – meaning it's important to promote wellbeing in the workplace. This can involve encouraging workers to take annual leave, promoting employee assistance programmes or introducing training to assist with good mental health and resilience.

# How can Three help your business?

While there is no single solution to the current economic crisis, there are ways to adapt to the challenges and put your business in the best position possible.

Crucially, taking stock of your situation, being aware of any potential financial threats and ensuring you get the most value from your suppliers will help you cope with whatever the future brings.

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