

Navigating The Cost-of-Doing-Business Crisis.



**The Big Network
For Your Business**

Foreword.

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Rising energy costs and upcoming tax hikes would challenge the cashflow of most companies just at a time when borrowing costs are rising. Customers are also feeling the strain of the economic downturn, both for businesses and consumers. Demand squeezed, costs increasing, financing hard to find at a reasonable cost. A perfect economic storm.

No sugar-coating. It's a tough time for many UK businesses and even the most optimistic economist is forecasting a bleak medium-term outlook.

Some businesses show great innovation in times of crisis and we saw that during the pandemic. Seeking out adjacent markets or new distribution channels seemed to be the most popular change, chasing demand to boost sales. Many businesses focus on reducing costs but that's not always possible, especially when costs are virtually fixed, such as long-term leases. Staff seemed to get the brunt of this and most business owners I speak to found that tough.

No matter how small a part of overall costs, this time we want technology to play a part in helping businesses get through the economic turmoil.

Many businesses have not reviewed their telecoms supplier contracts for several years, meaning they don't realise how much their bills have been creeping up. Switching or renegotiating is one way to ensure you're getting the best value. We are encouraging replacement of expensive fixed infrastructure with a move to the cloud, often based entirely on mobile connectivity. Invariably a cheaper and more reliable option, this would also remove expensive and outdated maintenance contracts.

For some businesses, reducing costs in one or two areas alone might not make a huge amount of difference. But through access to better tech and stronger mobility solutions, you can make major cost changes to your operating setup, often the costliest part of your business. It's about directly enabling change to the fundamental way of working.

Moving to a mobility solution embracing mobile connectivity and the cloud can reduce costs but can it improve demand? We say it can. It will enable new flexible ways of working in the field, moving to the demand for your product or service instead of expecting it to come to you. Field sales, popup retail, online fulfilment and to-the-premises delivery are all good examples of this.

Our whitepaper doesn't have all the answers, but we have seen many of our customers get through a crisis by adapting new technology and changing their operating models. Beginning with cost reduction, many customers have taken the opportunity to change the way they serve their market. We are here to help you on that journey.

UK Businesses are resilient. They will get through this economic storm in a better, more flexible shape than before.

Introduction.

As we all know, a cost-of-living (COL) crisis is now upon us. Everything from the price of fuel to the price of bread has gone up – and while households are doing their best to get through the winter, prices are still rising.

The media has primarily focused on how the COL crisis impacts individuals and families, but businesses are likewise affected. From the increase in the price of raw materials to reduced consumer spending, the COL crisis is also a cost-of-doing-business (CODB) crisis.

And the pain of that crisis is perhaps felt most keenly by small-and-medium-sized enterprises (SMEs). They're not always big enough to negotiate discounts on essential services, and they often have less of a buffer zone in terms of budget. It's little wonder that, as reported by PayPal, 78% of businesses see the economic crisis as their biggest threat.



What's Driving the Crisis?

There are a number of factors behind the UK's COL crisis. As reported by **Forbes**, COVID-19 and Brexit have played a part, but the war in Ukraine has been the **main driver**. While prices were already going up before February 2022, the conflict has caused energy rates and oil prices to rise in a serious way.

Alongside this, there are a number of other issues businesses have to contend with: the increase in the cost of raw materials, inflation, and reduced consumer spending to name but a few. Let's go into each in more depth.

Energy prices

The hike in the price of energy is affecting almost every business in the UK. While the price cap has now been frozen for the winter, the cost of energy is **still a lot higher** than it was even a year ago. According to **data** from the FSB, businesses have seen a 424% rise in the cost of gas and 349% rise in the cost of electricity since February 2021.

For energy-intensive industries, this is a very big challenge. What's more, it is not yet known how much the **energy price cap** will rise after government support ends in April 2023 – making it difficult for businesses to plan ahead.



Raw materials

The price of raw materials has also shot up. Building materials have been particularly affected; the cost of building supplies is set to **triple in 2022**, meaning businesses in the construction industry are feeling the strain. Ordinarily, businesses would be able to plan for changes in the price of raw materials, however in the current economic climate, it's harder to predict.

Higher wages

Some businesses will be more affected by wage increases than by the rise in raw materials. From June to August 2022, average pay increased at an **annual rate of 6.2%** across the private sector, a figure that can be difficult for businesses to keep pace with, no matter how much they value their employees. That said, it's nowhere near in line with inflation – and if business owners don't offer their workers an annual increase, there's a risk that employees will move on.

Inflation

Skyrocketing inflation surpassing expected rates has had a serious impact on essentially all business costs. And although this double-digit rate will eventually fall, it's likely that prices will stay high for a while longer as the markets recover.

Reduced consumer spending

Naturally, consumers are reining in their spending habits in response to the COL crisis. According to **Barclays**, overall growth in non-essential spending stood at just 1% in September 2022, a significant drop from 8% in July of the same year. For businesses, this means it's even harder to get customers to part with their money.



Employee Wellbeing

The **'Great Resignation'** is still ongoing – with workers everywhere looking to maximise their salaries by changing their place of work, as well as finding somewhere that better suits their wants and needs. At the start of this year, it was reported that a third of UK workers **were considering a career change** in 2022. As the job market is still hot, businesses definitely need to focus on the wellbeing of their employees if they want to keep them – although given many employee engagement initiatives will require additional budget, this could be adding one more financial burden to the mix.

What Are Other Businesses Doing?

SMEs make up the vast majority of UK businesses. Spanning every sector, they ordinarily underpin the economy – employing millions and forming the backbone of communities across the UK.

But the diversity of the UK's SME landscape means there isn't a rulebook or how-to guide that they can use to navigate their way out of a national (and in many ways international) CODB crisis.

That said, there are some common threads of advice business owners can consider.



Office space

Many businesses don't engage in desk-based work, and not everyone has an office to get rid of in the first place. But for those that do, it's worth considering exactly what space is actually needed in the modern world of work. Some business owners are giving up on offices altogether in favour of fully remote working, which can be a big help in terms of reducing overheads. Rent can be eye-wateringly expensive and the need for permanent space just isn't always there.

However, this should only be done in careful consultation with employees. As a general rule, **workers favour hybrid working over fully remote working**. With many now more **inclined to change jobs**, gathering thoughtful feedback before making any potentially unwelcome change will be key.

Increasing prices

If suppliers are upping their prices, then some businesses might have to increase their prices too – or let this eat into their margins. According to **Simply Business**, 49% of SMEs have chosen increasing prices as an option. However, this can be a tricky path to tread. Consumers are already cutting back on spending – so if prices rise, they may be even less inclined to spend.

Holding back

Many businesses across the country are pausing investment plans in favour of just getting through the immediate future, which is a sensible option. As **ACCA UK** has reported, SMEs are entering survival mode – something that has entailed 1 in 5 UK SMEs halting growth and investment.



Government relief

It's worth taking advantage of various government initiatives to navigate these tricky times.

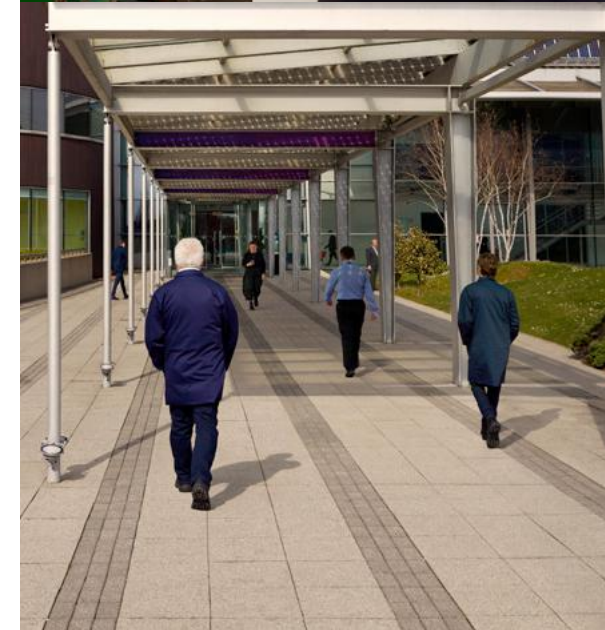
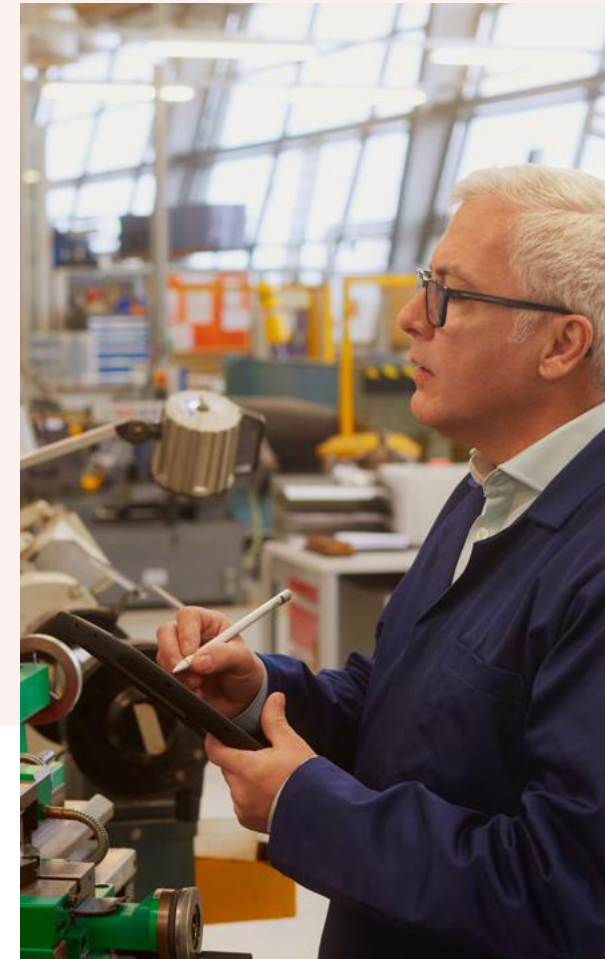
- For those in energy-intensive industries, the energy price hike can be an existential problem. The **EII Exemption Scheme** can help a little bit with this, as, if eligible, you can get an exemption of up to 85% of your Contract of Differences and Renewables Obligation costs.
- Many businesses are eligible for the **Employment Allowance**. This can reduce National Insurance liability by up to £5000.
- Other are eligible for the **Help to Grow** scheme. Targeted at SMEs, this scheme offers training and discounts on productivity-enhancing software

What Should Businesses Do Now?

Uncertain times require businesses to do one thing – adapt. Primarily, it’s about flexibility. This can entail shaking up processes, reassessing growth plans, and finding suppliers that flex to your needs.

It’s also a good idea to consider following the steps below. While there is an enormous diversity of SMEs in the UK – and what’s right for one business won’t be right for another – there are some ideas to keep in mind.

- It’s also important to **consider value**. Now more than ever, all businesses need to get the biggest possible bang for the smallest possible buck. This often entails finding providers that offer competitive pricing but don’t compromise on quality service. More so, it’s essential to shop around and compare deals on absolutely everything the business needs – workspaces, office broadband, catering suppliers, phone contracts, software, and more.
- Business owners should also **stay aware of any changes** in the pipeline, making sure contract renewal dates are penned in the diary. If a renewal is coming up, it’s time to scope out the competition and see if you can negotiate a price match deal. Things are unpredictable at the moment but planning for what you can do is essential.
- **Time is money**. Inefficient processes such as spending a morning on the phone, waiting for a customer support agent, is not only a waste of time but also a waste of money. Also, time-consuming admin tasks can sap away at employee morale, so it’s best to find providers with straightforward business and customer support.
- **Prioritise reliability**. In a world of volatile financial markets and unpredictability, it’s essential to prioritise reliability over everything else. This is especially important with telecoms and internet service providers. Unreliable tech is a key stressor in the workplace – and it’s stress we can all do without.



Stay Agile and Adapt.

With prices rising and an uncertain economy, times certainly are tough for businesses in the UK. But if SMEs do what they do best – plan ahead and stay agile – they’ll put themselves in the strongest possible position to survive into the future.

In the current environment of change and unpredictability, you need a provider and plan that can adapt with your business. At Three we offer Business Adapt packages for businesses of any size, that can be tailored to your businesses’ need. We offer unlimited calls, texts and data for a fixed monthly cost. Plus, we guarantee great value – our Business Price Promise means that if you find a better quote from EE, O2 or Vodafone, we promise to beat it.



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