



Lloyds Bank • Small Business Research Trust

Quarterly

Small

Business

Management

Report

No.4 Vol. 3 1995

Lloyds Bank/Small Business Research Trust

**Quarterly Small Business
Management Report - Vol.3, No.4**

November 1995

ISSN 0968-6444

£15.00

Pricing Policies

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

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University of Westminster**
<http://www.westminster.ac.uk/schools/business>

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Kingston University**
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Lloyds Bank/TSB & SBRT
Quarterly Small Business Management Report
ISSN 0968-6444

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- 4 Financial ManagementDecember 1993

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- 1 Purchasing March 1994
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- 4 Customers & Competitors . November 1994

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- 1 Information Technology..... March 1995
- 2 Holidays.....June 1995
- 3 Company Vehicles.....August 1995
- 4 Pricing Policies..... November 1995

1996 (Vol.4)

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- 3 Information Technology..... October 1997
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2002 (Vol.10)

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- 2 Pensions February 2004
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- 1 The London 2012 Olympic
And Paralympic Games..... April 2008
- 2 Competition: Small Firms
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WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

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HIGHLIGHTS

This is the twelfth of a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Pricing Policies** in small firms. The principal findings were as follows:

- **Basic price determination** - Respondents, especially the smallest firms, largely set their prices on the basis of unit costs plus a margin for overheads and profit. Only 2 per cent say that meeting competitors' prices best describes their approach, 48 per cent use cost plus, and 40 per cent combine cost plus with allowance for competitors' prices. Retailers and all firms in the South are most likely to take account of competitors in fixing prices.
- **Customer types** - Only a little over half of respondents (56 per cent) are selling direct to end customers, 13 per cent sell via intermediaries, and the remainder do both.
- **Price reviews** - Almost as many respondents review prices only once a year (42 per cent) as review them monthly or continuously (48 per cent). Smaller firms tend to review prices less frequently than larger firms. Most retailers (85 per cent) need to review prices quarterly or more often.
- **Discounts** - Most respondents offer discounts for quantity (61 per cent), to maintain customer loyalty (44 per cent), and for prompt payment (29 per cent). Smaller firms are less likely to offer discounts for prompt payment, and all discounts are especially rare in business services.
- **Authority for price changes** - Owner-managers keep a tight rein on price variations. Only 16 per cent of owner managers on average give discretion to staff to vary prices, though the proportion doing so rises with firm size. Only 6 per cent of respondents (mainly in manufacturing) operate solely on list prices.
- **Sales appeal** - 74 per cent of respondents think that the single most important reason why customers buy from them is the quality and service they offer. 14 per cent cited their range of goods and services, and only 5 per cent sold mainly on the basis of low prices. Retailers accept that customers shop around, and only 48 per cent rely mainly on quality and service, with 30 per cent giving emphasis to range of goods and services compared with only 15 per cent in manufacturing, 8 per cent in other sectors and 3 per cent in business services. Although location is generally thought to be very important in retailing, only 11 per cent thought it the most important reason for customer purchases; however, it received no mention by the other sectors.
- **Competitor price information** - Customers are the most common source of information on prices (cited by 61 per cent of respondents, 78 per cent in manufacturing), followed by price lists and advertisements (41 per cent), competitors (32 per cent) and suppliers (20 per cent). Only 33 per cent of retailers get price information from customers, since competitors' prices are easily found out by looking in other shops (70 per cent) or lists and advertisements (78 per cent). In manufacturing and business services a wider range of methods is used, including feedback from tendering and market research.

continued overleaf ...

- **Price pressures** - Pressure on prices and margins at present is more than usual for 51 per cent, and about the same as usual for 49 per cent. Pressures are particularly acute in retailing, where 59 per cent report more than usual pressures, and least in business services (only 36 per cent). Price pressures seem to be less in the Midlands than in the North and South, and least for the smallest firms.
- **Pricing policy** - Many respondents said that although consumers are very price-conscious, there is no future in offering low quality even at rock bottom prices, and some competitors were committing financial suicide with their pricing policies. There were references to low-cost imports from the Far East, and higher costs imposed on business by governments and local authorities.

TABLE OF CONTENTS

| | |
|--|-----------|
| Figure 1 - Determining Basic Prices: By Employee Size | 7 |
| Figure 2 - Determining Basic Prices: By Sector | 8 |
| Figure 3 - Customer Types: By Sector | 8 |
| Figure 4 - Customer Types: By Employee Size | 9 |
| Figure 5 - Price Review Frequency: By Employee Size..... | 9 |
| Figure 6 - Price Review Frequency: By Sector | 10 |
| Figure 7 - Price Review Frequency: By Region | 10 |
| Figure 8 - Reasons For Discounting: By Sector | 11 |
| Figure 9 - Reasons For Discounting: By Employee Size | 11 |
| Figure 10 - Authority For Price Variation: By Sector | 12 |
| Figure 11 - Authority For Price Variation: By Employee Size..... | 12 |
| Figure 12 - Sales Appeal: By Sector | 13 |
| Figure 13 - Competitor Price Information: By Sector | 14 |
| Figure 14 - Competitor Price Information: By Employee Size..... | 14 |
| Figure 15 - Price Pressures: By Sector | 15 |
| Figure 16 - Price Pressures: By Employee Size | 16 |
| Figure 17 - Price Pressures: By Sector | 16 |
| Addendum - Additional Information About Sample | 21 |
| Figure 18 - Industrial Sector: By Region | 21 |
| Figure 19 - Region: By Employee Size | 22 |
| Figure 20 - Industrial Sector: By Employee Size..... | 22 |
| Survey Questionnaire | Appendix |

ACKNOWLEDGEMENTS

The Small Business Research Trust wishes to thank all responding firms for their time and effort involved in participation in the production of this Management Report.

The Trust acknowledges the help provided by Graham Bannock & Partners Ltd, David Purdy, The Open University and The University of Westminster in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report will address one or more highly topical small business management issues. In this survey we focus on **pricing policies**.

Past surveys have covered:

1993: Vol.1

- No.1 *Surviving The Recession***
- 2 *Using Your Time***
- 3 *Management Style***
- 4 *Financial Management***

1994: Vol.2

- 1 *Purchasing***
- 2 *Quality Standards & BS 5750***
- 3 *Management Succession***
- 4 *Customers & Competitors***

1995: Vol.3

- 1 *Information Technology***
- 2 *Holidays***
- 3 *Company Vehicles***

It is planned to cover the following management issues in future:

- Health & Safety
- Personnel
- Incentives
- Premises

THE SAMPLE

This report is based on responses received from a panel of some 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. Over half of the participating firms employ fewer than 10 people and over one-third of the firms are less than 5 years old.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during September 1995.

ATTITUDES TO PRICING

Respondents were invited to add comments on the subject of the survey, and almost one-third did so. Many of these comments were concerned with the importance of providing good service and quality as the only long-run guarantee of survival of quality:

“Clients rightly insist on high quality and will negotiate hard to try to bring [the] price down. There’s no future to businesses offering low quality, even at rock bottom prices.”

However, not all customers insist on quality:

“There is a substantial increase in the number of prospects who make decisions on price alone and assume, or hope, that the quality will be there...”

Some competitors were “committing financial suicide” with their pricing policies:

“A lot of less professional companies sell on price only, with little regard to attaining their margins ... then after they have decimated the market they go into liquidation.”

Three respondents commented on the effects of low-cost imports from the Far East, and others said that customers were not aware of price increases from the respondent’s suppliers - for example, of paper and steel. There was just one complaint about bank interest charges but several criticisms of government policy - for example:

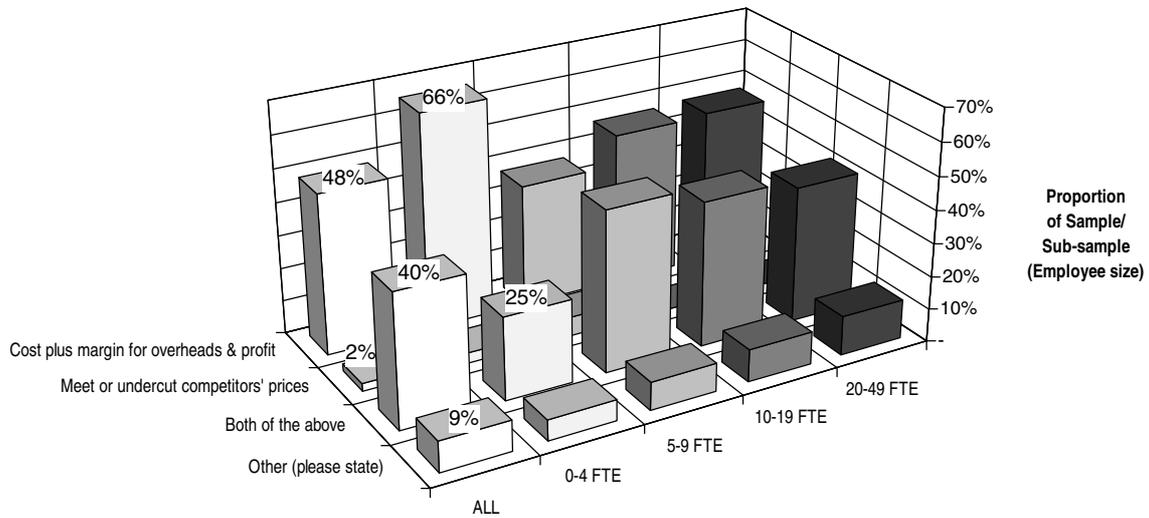
“While Government and public authorities are reliant on manufacturers keeping inflation low ... they themselves are increasing their charges...”

One retailer of photographic products said that:

“Pricing policies of suppliers in discounting to ‘big buyers’ severely adversely affects small independent retailers.”

There was a comment on the additional burden of three months delayed payment on a keenly priced product. One respondent hoped for the return of resale price maintenance.

Fig 1 - DETERMINING BASIC PRICES: BY EMPLOYEE SIZE

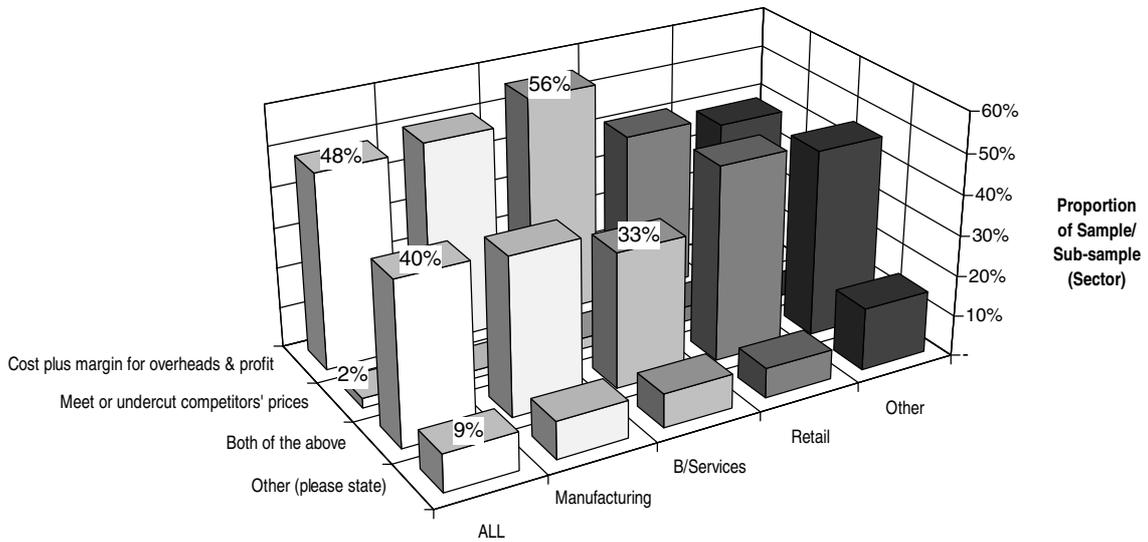


DETERMINING BASIC PRICES

Businesses largely set their prices on the basis of unit costs plus a margin for overheads and profit. Most firms, in determining mark-ups, need also to take account of what their competitors are charging. Only 2 per cent of our respondents gave the need to meet or undercut competitors' prices as the best description of their approach to pricing: 48 per cent used cost plus, and 40 per cent cost plus and meeting competition. The smallest firms (66 per cent in the 0-4 employees size band) place most emphasis on the cost plus approach (Figure 1).

There are some exceptions to these generalisations. Included in the 9 per cent of respondents who use other approaches are insurance brokers, who are remunerated by fixed commission on product prices set by insurance companies, while several other respondents said that they charged what the market would bear. Other respondents indicated that for strategic reasons, or because of availability or speed of delivery, they might depart from cost plus or from levels set by competitors. These instances no doubt include firms that use marginal cost as well as average cost calculations, but none used these terms in their comments. The significance of marginal cost pricing is that it may increase profitability to make some extra sales at lower than average cost once basic overheads have been covered on earlier sales.

Fig 2 - DETERMINING BASIC PRICES: BY SECTOR



Retailers, and all firms in the South, are more likely than other firms to take account of competitors' prices in fixing their own prices (Figure 2).

CUSTOMER TYPES

A little over half of all firms (56 per cent) are only selling direct to the end customer, 13 per cent sell via intermediaries, and 31 per cent are selling both directly and indirectly to end customers (Figure 3).

Fig 3 - CUSTOMER TYPES: BY SECTOR

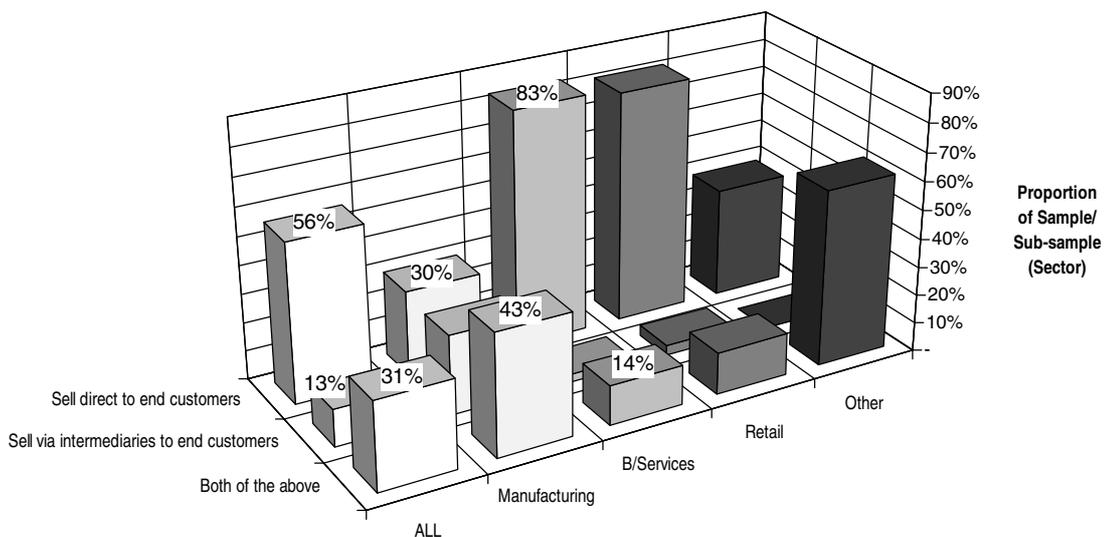
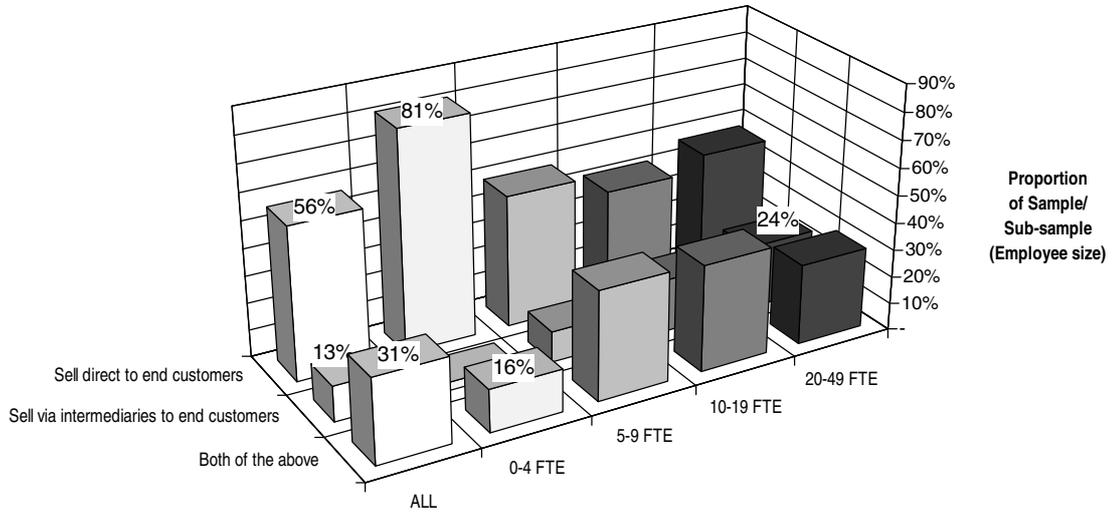


Fig 4 - CUSTOMER TYPES: BY EMPLOYEE SIZE



Manufacturers sell mainly indirectly, and business services and firms in the distributive trades mainly to end customers. The smaller the firm, the more likely it is to be selling direct (Figure 4).

FREQUENCY OF PRICE REVIEWS

Respondents fall into two main groups: those that review prices only once a year or less often (42 per cent), and those that review them monthly or continuously (48 per cent). Only 8 per cent fall inside these

Fig 5 - PRICE REVIEW FREQUENCY: BY EMPLOYEE SIZE

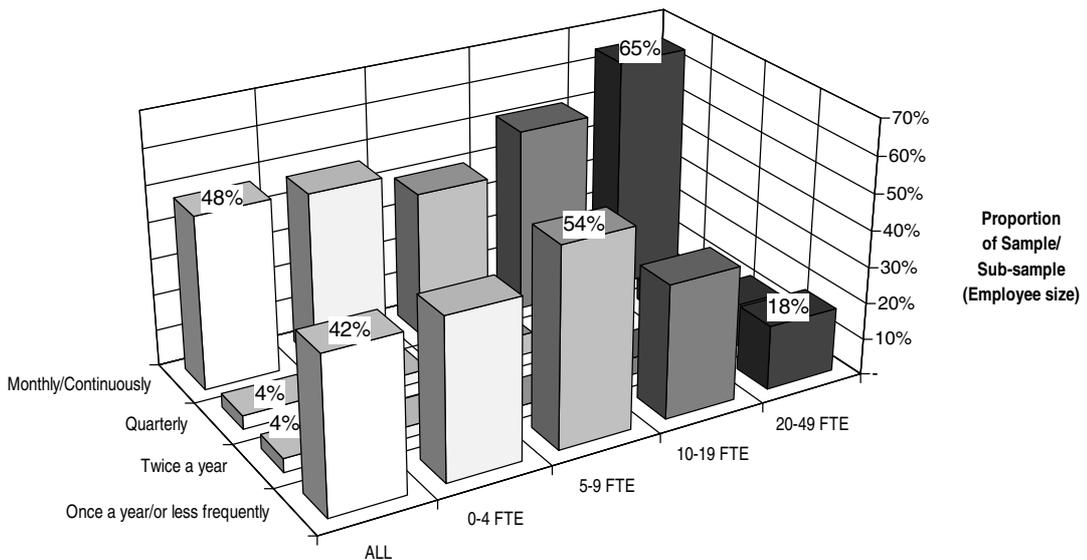
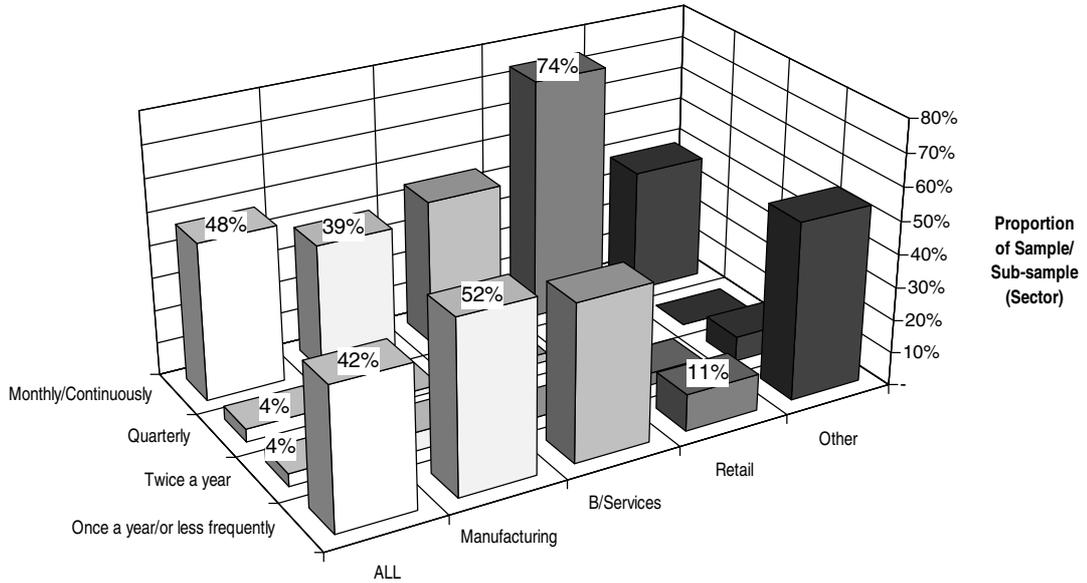


Fig 6 - PRICE REVIEW FREQUENCY: BY SECTOR



two extremes, but smaller firms review prices less frequently than larger ones (Figure 5).

Retail and other distributors have to keep their prices under frequent review: 85 per cent of these respondents review prices

quarterly or more often (Figure 6). Only 41 per cent of manufacturers and 47 per cent of business service providers review prices quarterly or more frequently. Firms in the Midlands seem more likely to review prices frequently than those in the North and South (Figure 7).

Fig 7 - PRICE REVIEW FREQUENCY: BY REGION

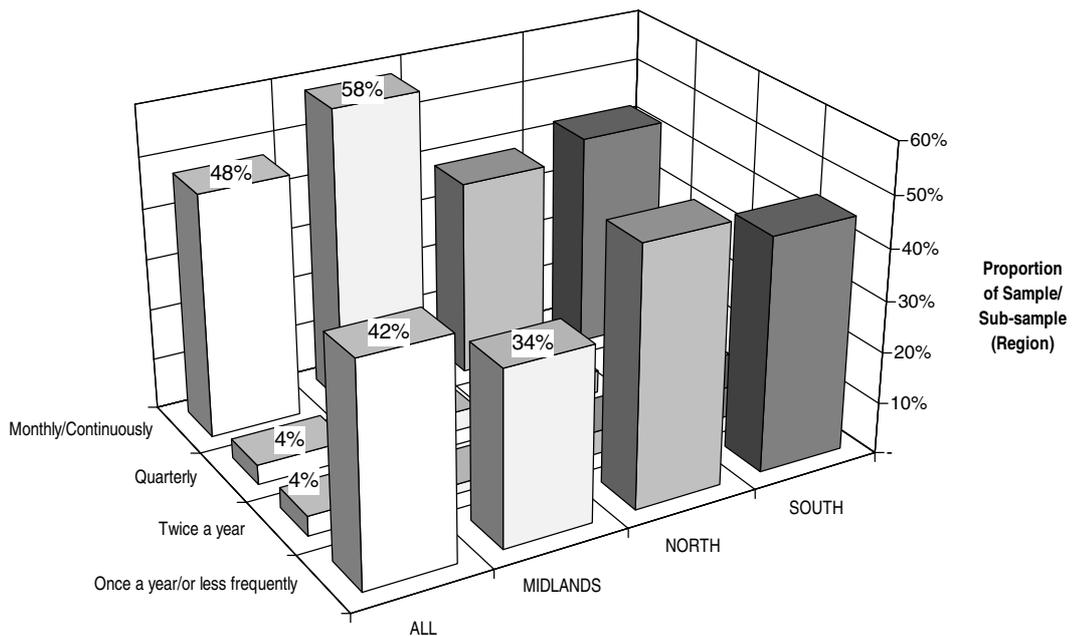
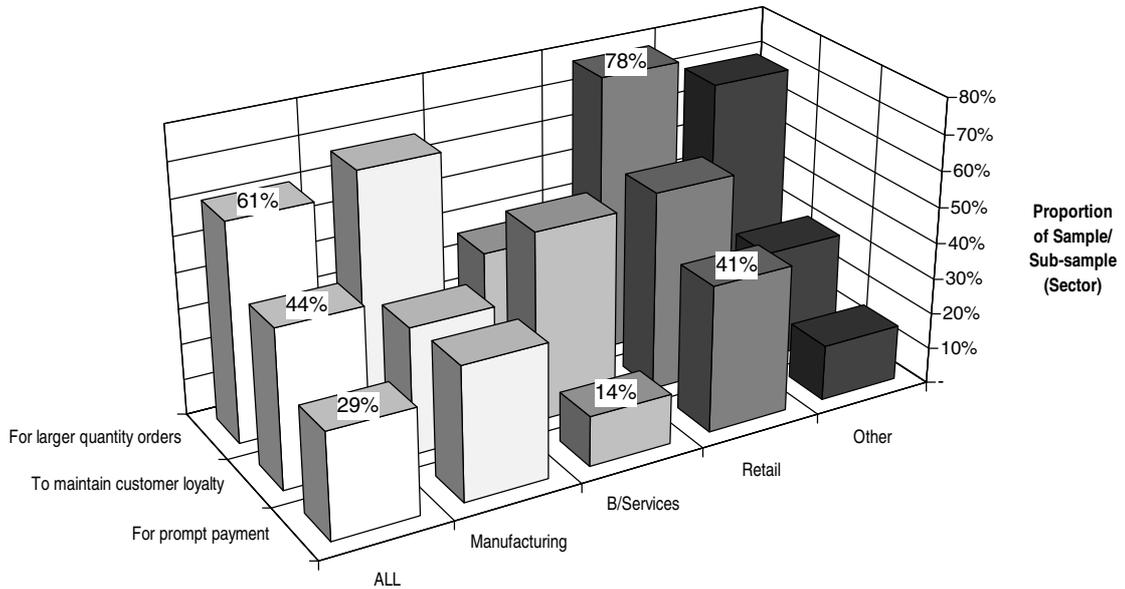


Fig 8 - REASONS FOR DISCOUNTING: BY SECTOR



DISCOUNTS

The vast majority of respondents appear to offer discounts. The most common eligibility for discounts is for quantity (61 per cent), though many use discounts to maintain customer loyalty (44 per cent)

(Figure 8). Only 29 per cent of respondents offer discounts for prompt payment.

Discounts are especially rare in business services (14 per cent), where the 'product' is often not subject to standardised pricing, but more common in

Fig 9 - REASONS FOR DISCOUNTING: BY EMPLOYEE SIZE

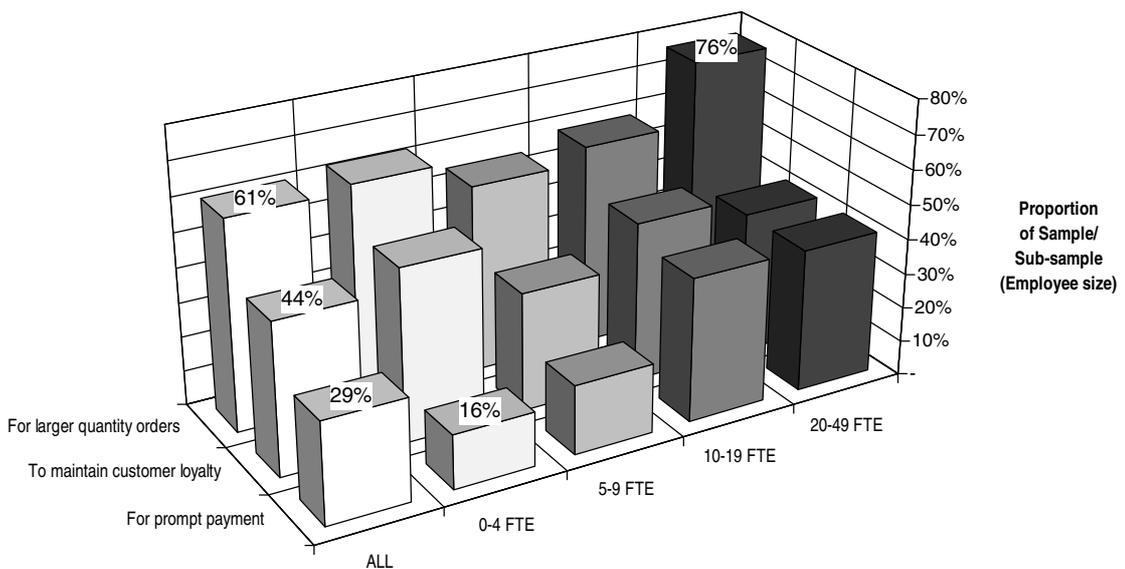
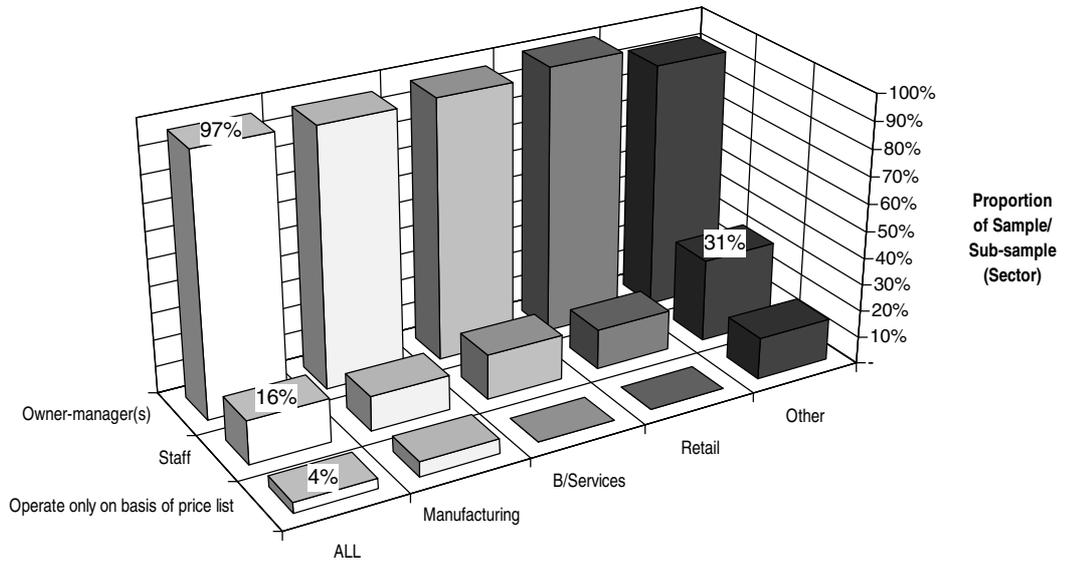


Fig 10 - AUTHORITY FOR PRICE VARIATION: BY SECTOR



manufacturing (37 per cent) and retailing (41 per cent), where they are used to promote payment in cash.

employees) use discounts to maintain customer loyalty (Figure 9).

Smaller firms are significantly less likely to offer discounts for prompt payment, but 50 per cent of the very smallest (0-4

AUTHORITY FOR PRICE VARIATION

In these times of low inflation and keen competition, very few firms (4 per cent,

Fig 11 - AUTHORITY FOR PRICE VARIATION: BY EMPLOYEE SIZE

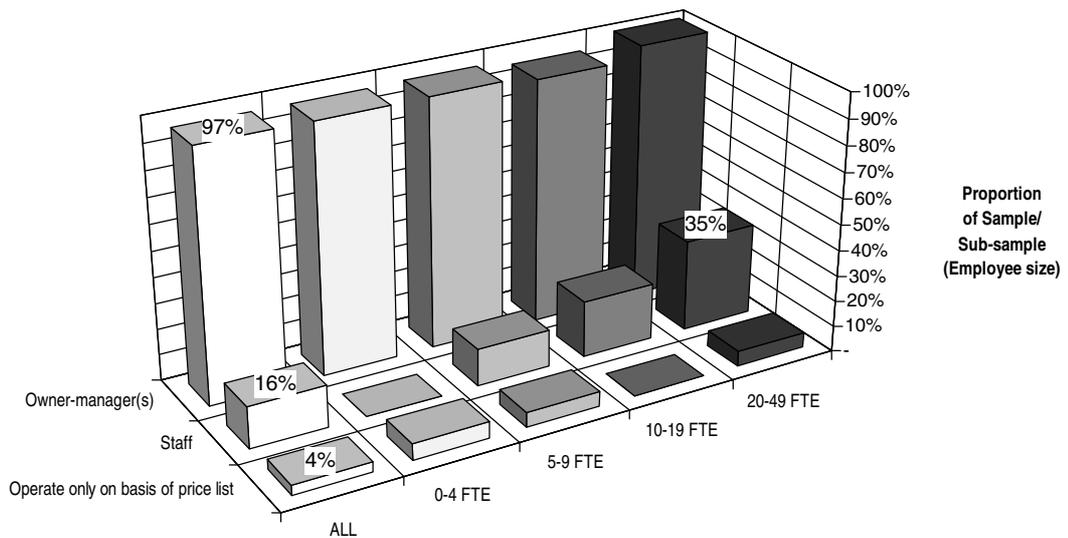
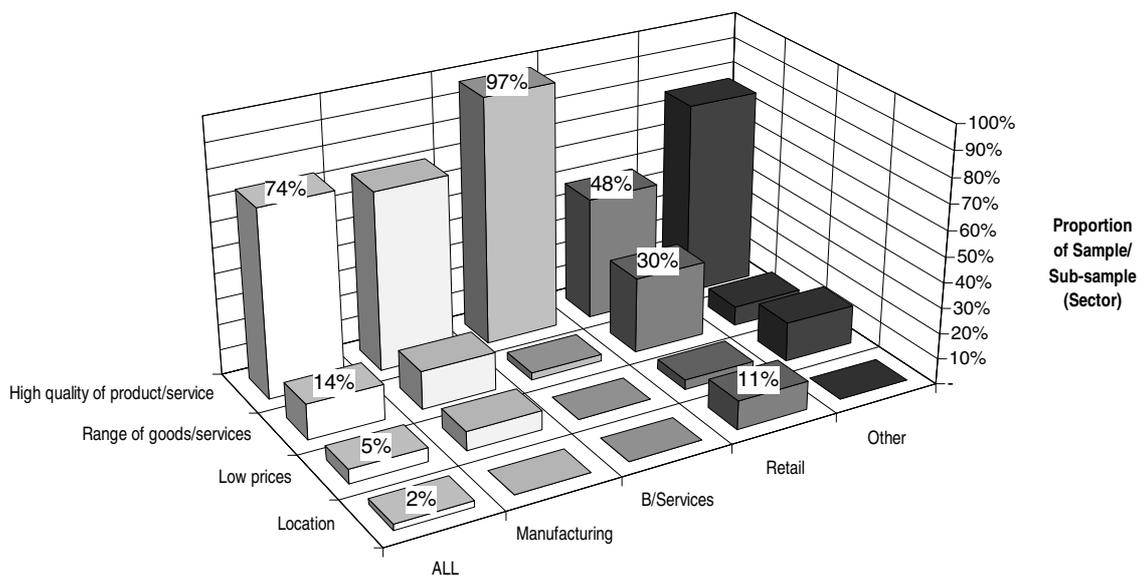


Fig 12 - SALES APPEAL: BY SECTOR



mostly in manufacturing) operate solely on the basis of a fixed price list (**Figure 10**). Owner-managers keep a tight rein over price variations. Only 16 per cent allow staff to vary prices from listed or displayed prices, though for obvious reasons this proportion increases with firm size: up to 35 per cent for firms in the 20-49 employee size band (**Figure 11**).

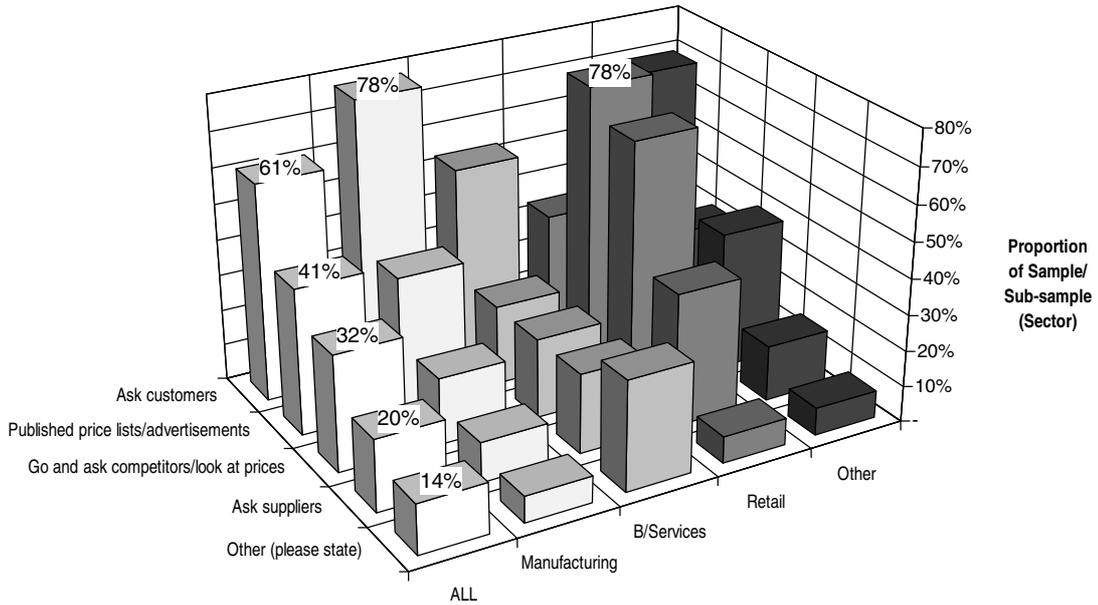
SALES APPEAL

The large majority of respondents (74 per cent) think that the single most important reason why customers buy from them is the appeal of their high quality of product and service. This is particularly true for business services (97 per cent) and manufacturing (70 per cent) (**Figure 12**). The second most important reason was range of goods and services (14 per cent).

Retailers accept that customers shop around, and only 48 per cent rely mainly on quality and service, with 30 per cent giving emphasis to range of goods and services compared with only 15 per cent in manufacturing, 8 per cent in other sectors and 3 per cent in business services. Although location is generally thought to be very important in retailing, only 11 per cent thought it the most important reason for customer purchases; however, it received no mention for other sectors.

Only 5 per cent of respondents, 7 per cent in manufacturing, 4 per cent in retailing, 5 per cent in 'other' and none in the remaining sectors gave low prices as the single most important reason for customer purchases from them. There were no significant differences in the pattern of responses by region or firm size: it seems that quality of product and service is regarded as the single most important reason for customer appeal.

Fig 13 - COMPETITOR PRICE INFORMATION: BY SECTOR



COMPETITOR PRICE INFORMATION

The most common source of information on competitors' prices (61 per cent) is the customers themselves. This proportion rises to 78 per cent in manufacturing, and is lowest in retailing (33 per cent). Next in

importance are published lists or advertisements (41 per cent), competitors (32 per cent) and suppliers (20 per cent).

Retailers and wholesalers especially also get information on competitors from their suppliers (37 per cent) but have little need

Fig 14 - COMPETITOR PRICE INFORMATION: BY EMPLOYEE SIZE

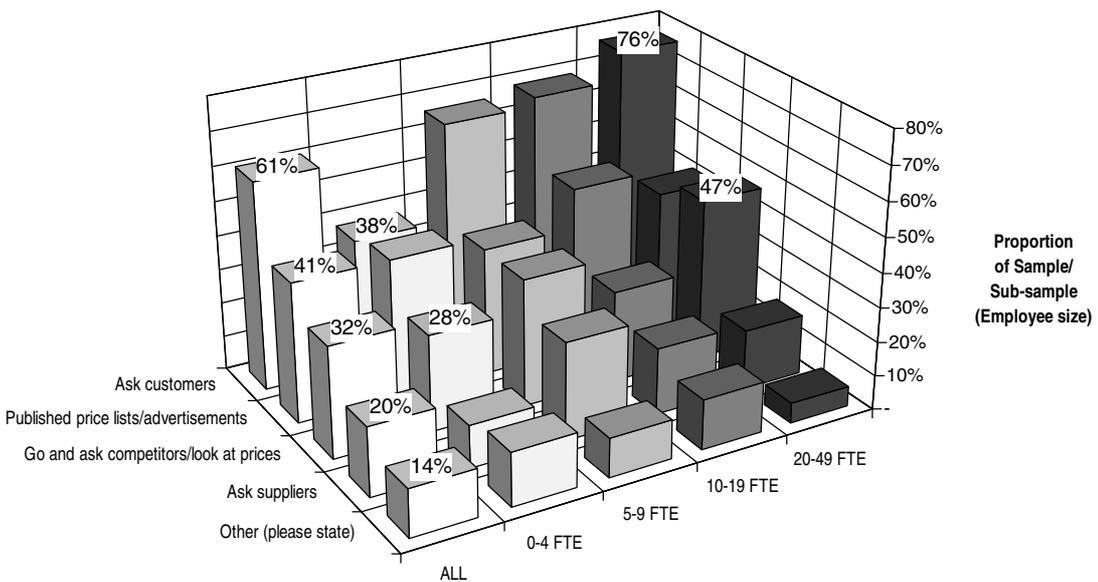
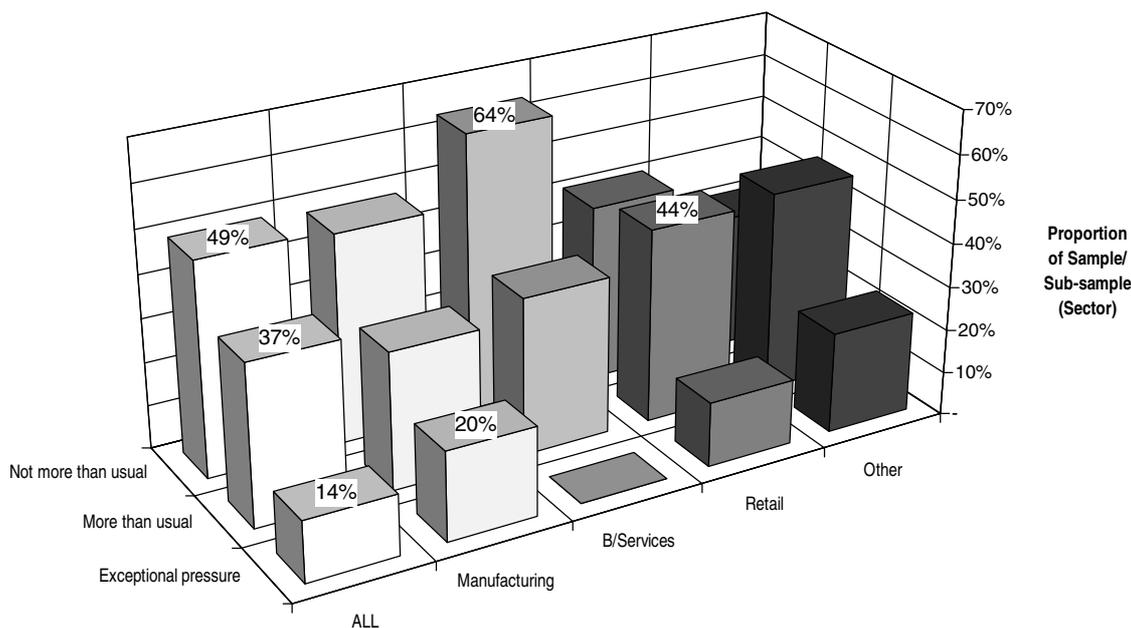


Fig 15 - PRICE PRESSURES: BY SECTOR



for other methods since retailer prices are transparent, being generally on display (**Figure 13**).

Manufacturers and firms in business services use a wider range of methods. Several firms pointed out that they received feedback from competitive tendering, and three referred to participation in industry surveys or other forms of market research. One firm used its sales agents to monitor competitors' prices. Four firms commented that they were not interested in competitors' prices: one was a highly specialised manufacturer and one a firm of accountants. In addition, one firm, remunerated by commission, pointed out that competitors' prices were irrelevant. Finally, one respondent remarked that he avoided asking customers about prices - they told him!

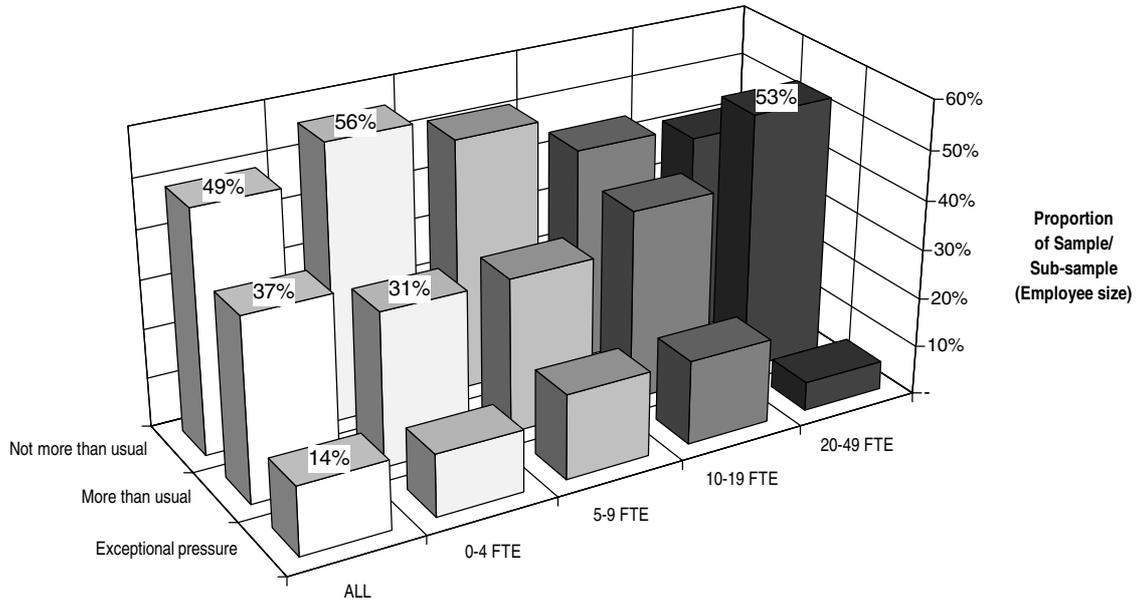
The smallest firms were least likely to ask customers for price information (38 per cent against the average of 61 per cent), and also somewhat less likely to ask competitors or look at prices elsewhere (**Figure 14**). There were no significant differences in the pattern of responses to this question by region.

PRICE PRESSURES

Respondents were almost equally divided on whether they were experiencing more than usual pressure on prices and margins at present (51 per cent) or no more than usual (49 per cent) (**Figure 15**). Pressures are most acute in the distributive trades and 'other' activities (which include personal services) serving the consumer, where 59 per cent and 69 per cent respectively said that pressures were more than usual or exceptional. These pressures are least in business services, where no respondents complained of exceptional pressures and only 36 per cent of more than usual pressure on prices. In manufacturing, the pattern of responses was in between these extremes and similar to that for the sample as a whole.

The proportion of respondents indicating that price pressures were no more than usual decreases as number of employees increases, up to the 20-49 employee size band, with a clear majority (56 per cent) among the smallest firms (0-4 employees) experiencing no more than usual pressures (**Figure 16**). In the lowest band,

Fig 16 - PRICE PRESSURES: BY EMPLOYEE SIZE

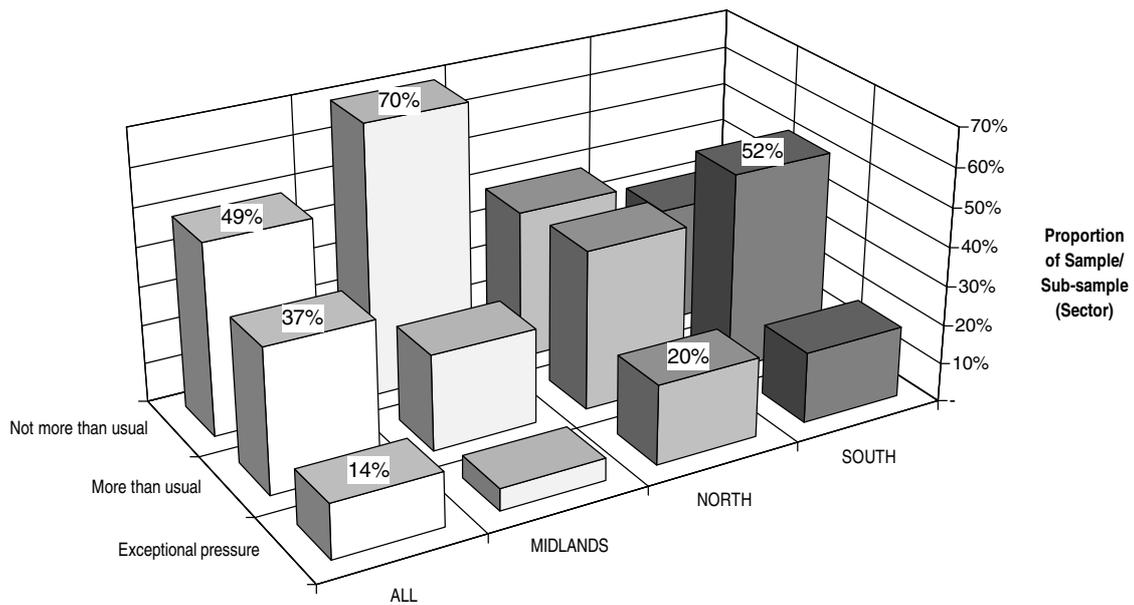


only 13 per cent complained of exceptional pressure on prices. Other surveys suggest that it is demand (not price) which is the current problem for small firms.

There are regional differences in price

pressures. Firms in the Midlands (where 70 per cent say pressures are no more than usual) seem best off, compared with 39 per cent in the North and 30 per cent in the South. About one-fifth of respondents in these two areas complain of exceptional pressures (**Figure 17**).

Fig 17 - PRICE PRESSURES: BY SECTOR



RESPONDENTS' COMMENTS

A major selection of respondents' comments is shown below, listed by industrial sector.

MANUFACTURING

| | |
|--|--|
| Cash Register Ribbons and Stationery | <i>"Chinese and other Far Eastern imports are driving prices down due to their lower labour costs."</i> |
| Clothing Manufacturer | <i>"There is no money being spent."</i> |
| Computer Hardware and Software | <i>"Not enough small businesses have had their eyes opened to marketing principles - provide a different and better product or service and charge more for it - it does wonders for the bottom line !"</i> |
| Data Communications Products | <i>"During the last 1-2 years there has been extreme and unreasonable pressure on pricing at the expense of other factors, e.g. quality and service. A national psychosis !?"</i> |
| Equipment Installation | <i>"I think if the Government made a fixed date for payments of work completed it would considerably reduce my costs and so make me more competitive."</i> |
| Equipment Maintenance. Garage Equipment Supply and Maintenance | <i>"There is a substantial increase in the number of prospects who make decisions on price alone and assume or hope that the quality will be there. Clients appear to have a shorter term view with regard to the products they purchase. They no longer accept products that will last 25 years if they can buy something cheaper that may only last 5-10 years."</i> |
| Fibreglass-handled Hand Tools | <i>"Cheap (poor) imports."</i> |
| Manufacture of Products for Protection and Cleaning of Fabrics | <i>"It is not always appreciated in our trade the very large discounts that major manufacturers will give to hospital buying groups and the like in order to maintain their share of the market."</i> |
| Manufacturing and Publishing Greetings Cards and Gift Stationery | <i>"Uniform Business Rate should be reduced. Government agencies fail to realise cash flow constraints on smaller businesses."</i> |
| Mechanical Installation and Maintenance Service | <i>"Being in the service industry, competition - especially in the power industry - is fierce. Have concluded this is due to privatisation - profit being paramount at the expense of in-depth maintenance plans."</i> |
| Party/Carnival Goods | <i>"Very cheap Far-Eastern imports (due to low wage costs) makes life difficult."</i> |
| Printing | <i>"Work is very difficult to get and this is causing prices to be very low, margins are almost nil."</i> |
| Products for the Building Industry | <i>"Variation in selling prices have to be limited due to pressure from competition - U.K. and foreign - but material costs have risen in excess of previous levels - steel especially - during 94/95."</i> |
| Publishing | <i>"Very difficult to raise long-established prices."</i> |

MANUFACTURING continued

| | |
|---|---|
| Publishing. Trade and Leisure magazines | <i>"Prices should be the last negotiating point and should not dictate the sale. Product quality and service relieves pressure on pricing."</i> |
| Self-adhesive Label Printers | <i>"Buying power of the multiples is a threat when they exclude opportunities."</i> |
| Trade Vacuum Forming | <i>"There is so much pressure on prices but the banks now want greater margins to lend money 'because the base rates are low and 12% isn't expensive'! How is industry ever to grow with this type of attitude. What about tax breaks for investment ? How come Italy, Germany etc. look after manufacturing - this country is returning to 'a nation of shopkeepers'."</i> |

BUSINESS SERVICES

| | |
|--|---|
| - | <i>"More understanding [needs] to be given to small business."</i> |
| Accountancy, Audit, Tax & Management Consultancy | <i>"In a service business price is important. However, the quality of service is of greater importance if the objective is to achieve value billing."</i> |
| Architect | <i>"Profit margins are narrowing, yet high standard needs to be maintained."</i> |
| Consulting Engineers | <i>"We have a view that in competitive tendering we will not offer prices that will result in loss of quality service. There is a direct link between low prices and poor quality and performance."</i> |
| Food Technology & Quality Consultant | <i>"The most important single factor is that having agreed a competitive price and conditions - invoices are not paid for 3 months."</i> |
| Legal and Debt Recovery Services | <i>"The U.K. appears to have become a nation of service-providers. Competition in these areas is now much greater than 5 years ago and as a result of survival techniques by a number of companies, prices have been driven lower."</i> |
| Publishing Services, Artwork, Setting, Design, Typesetting | <i>"Catch 22 ! Customers will go elsewhere if prices are not kept down, but prices of materials keep going up."</i> |
| Storage and Management of Business Records | <i>"As a service business we are able to negotiate individual pricing structures with each customer on an annual basis."</i> |
| Textile Marketing | <i>"Commission is an outdated arrangement for remuneration, but no other suitable formula has been developed."</i> |

RETAIL AND DISTRIBUTION

| | |
|--|--|
| Electrical Distributors | <i>"A lot of less professional companies sell on price only, with little regard to attaining their margins ... then after they have decimated the market they go into liquidation !"</i> |
| Hardware and Pet Store | <i>"Percentage points, margins and fixed pricing have little to do with perceived value. Customers are only concerned with value in whatever form it takes, i.e. price, location, convenience."</i> |
| Photographic Products and Services | <i>"Pricing policies of suppliers in discounting to 'big buyers' severely adversely affects small independent retailers."</i> |
| Prams & Nursery Equipment | <i>"Retailing in our trade is desperately difficult right now and some outlets seem to be committing financial suicide with their pricing policies. This makes it difficult for sensible businesses to compete - until these 'outlaws' finally disappear."</i> |
| Retail Perfumes/Cosmetics/ Pharmacy | <i>"I believe we should return to the days of RPM [retail price maintenance], when all retail prices were fixed. Current policy will soon lead to the closure of all smaller independents, due to competition from the retail giants and superstores. At least with RPM, everyone has an equal chance to compete !"</i> |
| Retail/distribution | <i>"While Government and public authorities are reliant on manufacturers and retailers to keep inflation low by keeping factory gate and retail prices down, they themselves are increasing their charges, placing retailers and manufacturers in the difficult situation of either absorbing these increases or passing them on to the customer."</i> |
| Retailing of Motor Accessories and Spares | <i>"Supply and demand still plays a part in many cases."</i> |
| Suppliers of Woodscrews, Adhesives, Fixings &c. | <i>"Business must start thinking of ways to increase their prices not how they can sell their products cheaper. Governments can help by modifying some of their procurement policies !"</i> |

OTHER

| | |
|---|---|
| Broadcast & Corporate TV Production & Provision of Technical Facilities | <i>"Customers demand forever lower prices, while suppliers and manufacturers ever-increasing prices, put[ting] undue pressure on small businesses to the point of killing them off altogether. This means less choice, less competition, more monopoly situations. Customers lose as well."</i> |
| Garden Design & Implementation | <i>"Too many workmen are claiming unemployment benefits but working for cheap rates and cash."</i> |
| International Freight Forwarding Services | <i>"We price according to what the customer is prepared to pay - as long as it meets our minimum gross profit margin requirement."</i> |
| Management Training Courses | <i>"Clients rightly insist on high quality and will negotiate hard to try to bring [the] price down. There's no future to businesses offering low quality, even at rock bottom prices."</i> |
| Motor Factors | <i>"It appears that U.K. manufactures [named company] can be purchased on continent and imported back to U.K. offering larger discounts, i.e. +12%"</i> |
| Plumbing & Heating Services | <i>"The construction industry is in a rut of low margin which does affect quality. As a sub-contractor it is all about price - very, very rarely is an order placed with ourselves unless we are the lowest. Even if our nearest competitor provides a poor service, they are still used as a lever to lower our price. Single figure margin is the norm."</i> |

ADDENDUM - ADDITIONAL INFORMATION

As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector, region and employee size** are those most frequently used as they are reasonably reliable indicators and less prone to misinterpretation.

Industrial sectors - based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution and 'other' bands.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time

equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the sectoral and regional analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

DISTRIBUTION OF FIRMS

Similar to several previous surveys, the highest concentration is in manufacturing (42 per cent of the sample) compared to business services (28 per cent) - with another 21 per cent in retail/distribution (Figure 18).

Regionally, the bias towards firms engaged in **business services** in the **South** is less than before (27 per cent of the region's respondents, compared to 42 per cent in the survey 12 months previous). **Manufacturing** is the still most predominant sector in the **North**.

Fig 18 - INDUSTRIAL SECTOR: BY REGION

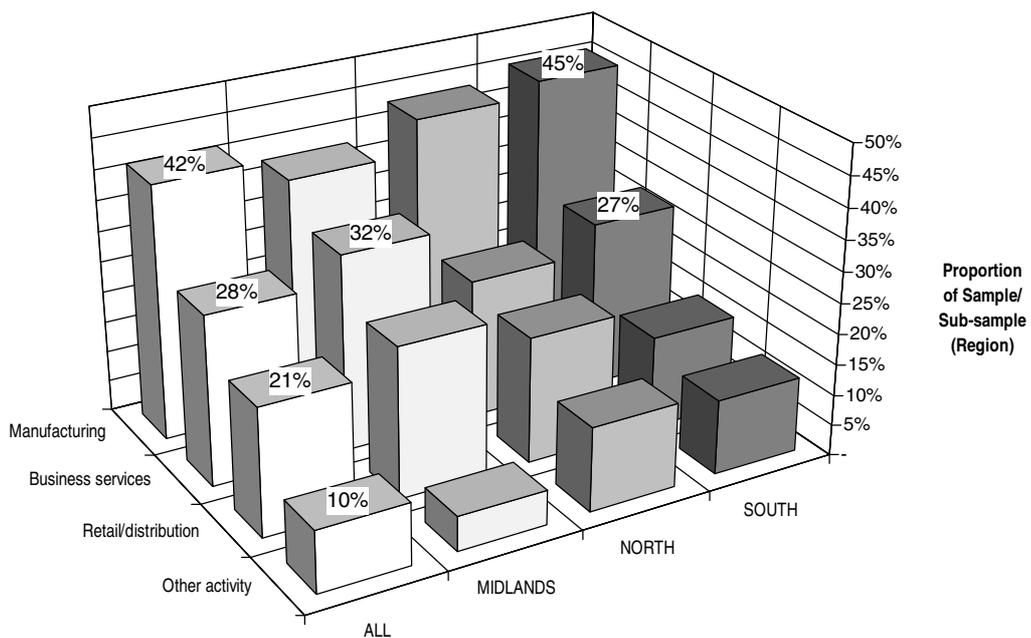
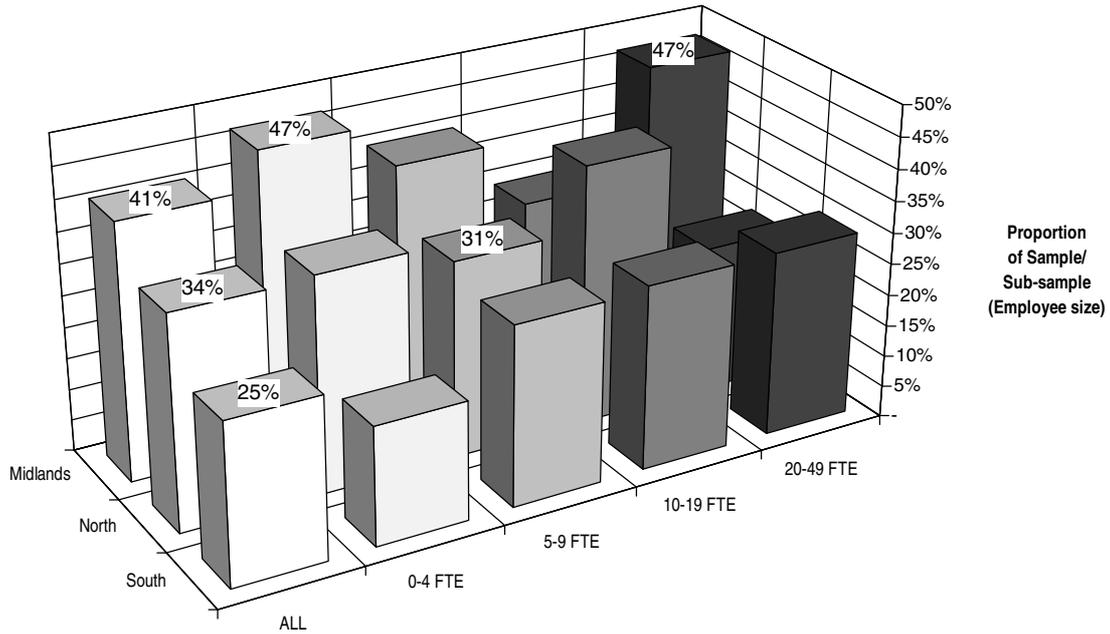


Fig 19 - REGION: BY EMPLOYEE SIZE

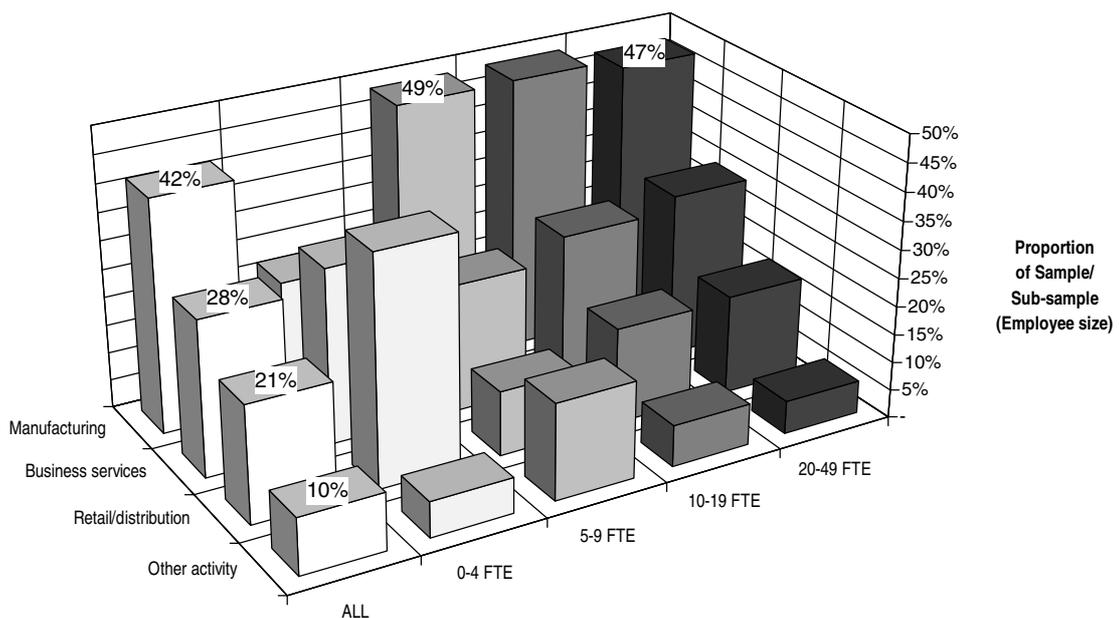


The sub-sample in the **Midlands** for this survey has 47% of the smallest businesses - compared to 48% in the previous survey (see also Figure 19).

whereas the **business services** and the firms in **retailing/ distribution** tend to have **fewer full-time equivalent employees** (Figure 20).

Manufacturing firms in the sample tend again to be **larger**, in terms of employees,

Fig 20 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE





This questionnaire will take approximately 5-10 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. **PLEASE DESPATCH AS SOON AS POSSIBLE.**

MANAGEMENT ISSUE: Prices

1 How many people work in your business (including yourself) ?

Full-time: _____ :..... A

Part-time (16 hours/wk or less): _____ :..... B

2 Determining basic prices - Which of the following best describes your method ?

Just ONE ✓ only

Cost plus margin for overheads & profit..... A

Meet or undercut competitors' prices..... B

Both of the above..... C

Other (please state): D

3 Do you normally sell direct to the end customer of your product/service, or through intermediaries ?

Just ONE ✓ only

Direct..... A

Via intermediaries..... B

Both of the above..... C

4 How often do you review prices ?

Just ONE ✓ only

Once a year/or less frequently..... A

Twice a year..... B

Quarterly..... C

Monthly/Continuously..... D

5 Do you offer discounts ?

✓ Against all which apply

For larger quantity orders..... A

For prompt payment..... B

To maintain customer loyalty..... C

6

Who has the authority to vary prices ?

✓ Against all which apply

- Owner-manager(s) A
- Staff..... B
- We operate only on basis of price list C

7

What is the SINGLE most important reason why customers buy from you ?

Just ONE ✓ only

- Location..... A
- Low prices B
- High quality of product/service..... C
- Range of goods/services..... D

8

How do you keep informed of competitors' prices ?

✓ Against all which apply

- Published price lists/advertisements..... A
- Go and ask competitors/look at prices B
- Ask customers C
- Ask suppliers D
- Other (please state): E

9

Are you experiencing pressure on prices/margins at present ?

Just ONE ✓ only

- Not more than usual..... A
- More than usual..... B
- Exceptional pressure..... C

10

Pricing policies or pressures - If you have any strong views about them, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services), then please comment

ISSN 0968 6444

Cover design • Simon Head