



# Small Business: Moving Forward 2023





Small Business Britain is the UK's leading champion of small businesses, supporting all 6 million small businesses in the UK – no matter their background or circumstances, their location, their sector or their ambition. Through a series of reports, events and campaigns, Small Business Britain champions, inspires and accelerates small businesses in the UK to foster growth and increased confidence.

# Foreword

After a bumpy Winter, small businesses are looking to the Spring for more than better weather: a return to growth, a return to footfall, and a boost to optimism that is sorely needed.

At Small Business Britain, we have worked with small businesses throughout the Winter and what is clear from our research with Square and Clearpay is that there are significant challenges still on the horizon. There is also significant opportunity remaining, and with a bit of small business savvy and support, there are good times ahead.

Small businesses, entrepreneurs, are always naturally buoyant, always looking for opportunities and endlessly optimistic. But even this has been tested as we have gone from one crisis to another. Whether it be Brexit, Covid, cost of living crisis, war in Ukraine, climate crisis, there seems no end to what small businesses have been dealing with and many are feeling the strain, and no small amount of exhaustion.

As businesses look forward to Spring however, there are signs of new hope, and at Small Business Britain it is very much our job to nurture that hope, and I do believe that by working together we can move forward in 2023 with confidence.

Having narrowly avoided recession in 2023, and with signs that inflation will also come down by the end of the year, the fears of a severe economic crisis are starting to wane, and small businesses are definitely responsive to that. Talk of recession tends to do as much damage as recession itself, so talking about recovery and growth instead can have an opposite, positive impact too.

As the days get longer, small businesses are starting to look up, and what they are finding, with a little help, is that there are still opportunities out there. Digital engagement, skills and tools are still a huge opportunity, as is sustainability - and these two are of course linked. Businesses are becoming ever more efficient with the incredible array of digital tools now available to them, at no or low cost, and that is helping reduce waste, energy usage, travel and having a hugely positive impact on small business climate impact.



Michelle Ovens CBE  
Small Business Britain

What we see time and time again is that where businesses engage with one opportunity, more come along in their wake. Giving something new a go, trialling some new technology or functionality, trying a new strategy all give the small business a boost, and drive a positive upward spiral of motivation and success.

The key is for businesses to always look up and out. If you hold off marketing, put the brakes on opportunity creation because you are worried about the future, then that will lead to worse outcomes. Looking forward with optimism, confidence and an openness to new things – even if you need to beg, steal or borrow that optimism from your peers and community – will lead inevitably to good things, even if the road there might be a bit bumpy at times.

Small Business Britain are absolutely here, with our friends at Square and Clearpay, for both those bumpy roads and the sunny uplands. I look forward to us all working together to move forward in 2023.

**Michelle Ovens CBE**  
Small Business Britain

Samina Hussain-Letch  
Head of Payment Partnerships and  
Operations UK at *Square*



Rich Bayer  
Clearpay UK and  
EU Country Manager



# Foreword

Small businesses are the backbone of the UK economy. [Accounting for 99.9% of the business population](#), they provide growth and employment opportunities in communities up and down the country. The past few years have been particularly challenging for these businesses having to deal with the pandemic, supply chain disruptions, and broader economic uncertainty.

At Square and Clearpay, meeting the needs of small businesses and helping them grow are at the heart of everything we do. Square and Clearpay are both part of Block, Inc, a global technology company with a purpose to build technology that gives everyone equal opportunity and access to the economy. We believe that everyone should have access to the tools and resources they need to succeed, regardless of their size or industry.

That's why we're proud to support small businesses through our ongoing partnership with Small Business Britain, to provide businesses with the guidance they need to thrive in today's rapidly changing business landscape.

Based on our research with more than 1,000 UK small businesses, we've gained valuable insights into the challenges businesses are facing and how they're adapting to changing circumstances. We've heard from them about the difficulties they experienced during Christmas trading last year with consumer spending down, and how they're looking to build confidence, utilise digital skills, become more sustainable, and increase their resilience.

One of the key lessons we learned from the pandemic, and which has been further highlighted in this research, is the importance of digital skills and tools. As businesses were forced to adapt to remote work and online sales, those that had already invested in digital infrastructure were better positioned to weather the storm.

The adoption of digital payments and omnichannel selling has accelerated as businesses had to make dramatic changes to their operations and these trends are here to stay. We've seen a significant increase in businesses that typically only accepted payments in-store and were cash-only, now adopting online payments, QR code ordering, and other payment innovations to survive.

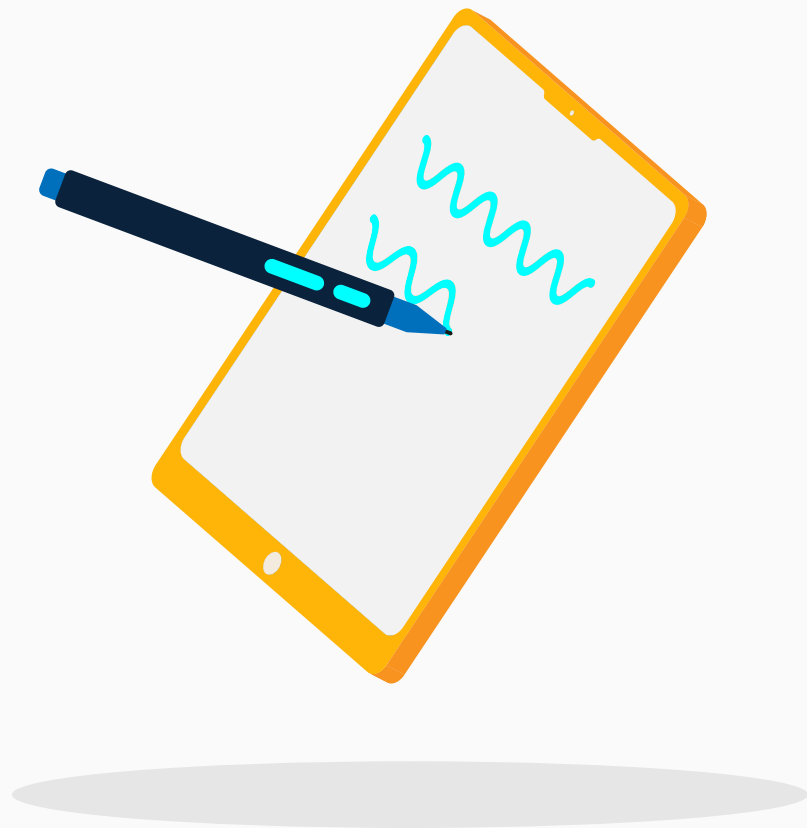
As business and health regulations continue to change, it's more important than ever for businesses to have access to integrated tools that allow them to pivot and adapt so they can sell online or in-store. Looking ahead, businesses must remain agile and open to these new technologies to thrive and compete in today's rapidly changing business landscape.

In this report we highlight the benefits that these new technologies can bring to small businesses. We understand that every business is different, whether you're a cashless store already selling on Instagram or a cash-only shop with no online presence. This report aims to meet you where you are and equip you with the necessary knowledge to maximise the benefits of technology in your business, so you can stay ahead of the game.

We believe that everyone should have access to the tools they need to succeed, and we're proud to work with Small Business Britain to support the UK's small business community. We hope this research report will be a valuable resource for small businesses as they navigate the challenges and opportunities of 2023 and beyond.

**Samina Hussain-Letch**  
Head of Payment Partnerships and  
Operations UK at *Square*

# Executive Summary



How do small businesses move forward after the major challenges that we have seen over the past few years? Together with Square and Clearpay, Small Business Britain has examined this question in depth.

As we find ourselves well into 2023, small businesses are at a key inflection point. Coming out of a difficult winter, when seasonal lights twinkled a little less brightly than hoped. And heading into a spring that on one-hand offers hope and optimism, but also has many challenges on the horizon.

As fears of a UK recession calm, and with hopeful signs that inflation will come down by the end of the year, the economic outlook is more positive. Small businesses are heartened by this, but they are also bruised and battle-weary, and in major need of help to navigate and boost them on the route ahead. In this report, we focus on identifying the most effective ways to support and empower small businesses in the UK to move forward into a period of growth and success in 2023.

The top-line of our research shows businesses have reported considerable challenges over the signs that many are pressing on regardless, in the hope that better things are coming.

Our data shows a mixed picture over Christmas, but one that was lack-lustre for many small businesses. Escalating inflation, gloomy headlines about recession and strike disruption meant a lot of businesses saw consumer demand decline precisely when their outgoings were surging, whether that be from crippling energy costs, supply chain costs or finance costs.

The good news is that 41% of businesses reported having a 'good' or 'great' festive trading season. But alongside this is a larger proportion of business owners who found their first Christmas period without lockdown restrictions disappointing. Over a third (36%) said the season was not as good as usual, but they got by. And even more worryingly, 10% of businesses reported a poor festive season which left them worried about the future, while 7% found Christmas trading to be a major issue.



## Confidence Game

Why does this matter for future growth? Seasonal trade is vital to small businesses, and the absence of a winter boost means many small businesses lack important reserves for the year ahead and are also starting from a lower base of confidence.

Perhaps unsurprisingly 87% of small businesses are worried about recession. This nervousness translates into caution. Nearly 40% of businesses think they will either not grow, or even decline, in 2023. However, more positively 61% of entrepreneurs believe they will experience growth in the next 12 months. But this is set against signs that small businesses are delaying growth plans for their business, to manage short term cash challenges. Almost one fifth (17%) of businesses have delayed expansion and 13% of businesses have delayed hiring. Many small firms tell us that hiring people with the right skills remains a major headache, even if they are in the position to take staff on.

Not only do we need to see more small businesses achieving this growth, but also more believing that they can. As our report illustrates, with a brightening economic picture, there is huge scope for turning the story around for small businesses. But in a world of perpetual uncertainty the conversation for small businesses must also change.

By nature entrepreneurs tend to be a uniquely positive group, and the UK's small businesses have shown incredibly inspiring courage and tenacity to succeed over the past few years.

But we need to hear more talk of growth, hope, and opportunity. This is what will inspire more opportunities and fire up the nation's 5.5 million small businesses to be the engine of growth, jobs, and innovation that the UK so badly needs. This effort must be driven by leaders across the economy; from government, from big business, from supply chains and customers too.

This new narrative must certainly embrace the ongoing conversation around resilience that has developed over COVID, Brexit, cost of living crisis and more. Lessons learnt in these periods have been hard on businesses, so making the most of those learnings will help businesses get to where they need to be. With rocky roads likely to happen at some point again, businesses need to create a resiliency with back up plans and diverse routes to market.

## Digital Dividends

Digital plays a critical role at the heart of growth and resilience, and businesses need to be open to new things; new technology, innovation (even small things) in digital and also in finance. The hunkering down mentality seen over the winter needs to be converted into a greater openness to trying new things. The law of probability indicates that at least one of these things could be the key to a bright new future.

Indeed, one key area of potential is sustainability, which remains a growing hot topic across society. We are likely to see new opportunities emerge now, and in the future, as new developments open up for small businesses to reduce their costs and engage powerfully with a growing customer base that is keen to focus on sustainability.

While we have generally seen a broader, positive trend for businesses to embrace digital throughout the pandemic and since, there are concerning signs that investment in this, and other vital areas for business growth, are stalling, or even falling. Our data shows that 54% of small businesses have not invested in their, or their staff's, digital skills, or added new technology in the last year.

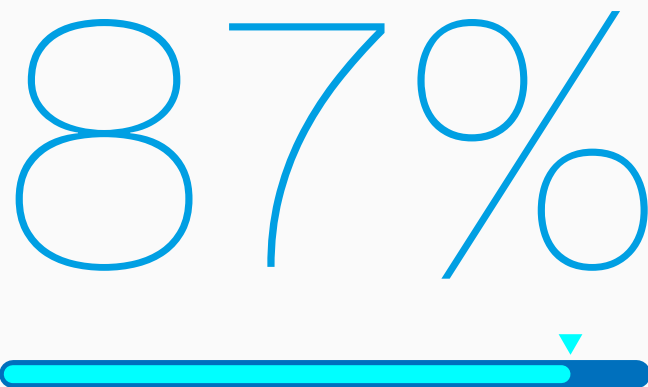
## Short-term savings, long term risk

And this is not the only concerning trend to be identified in this research. Many small businesses have responded to the current challenging market conditions by managing spend – specifically in the critical area of marketing. Almost one third (31%) of businesses have delayed marketing spend, whilst 27% have cut it. While the need to reduce costs is understandable, cutting marketing activity is counter-productive, as it also jeopardises an important sales and revenue driver, both now and in the future.

Instead, as this report sets out, there needs to be more support and encouragement for firms to use innovative approaches to marketing at lower or no cost. And more help and advice to help businesses find better ways to manage costs, whether that be sustainability savings, or evaluating and negotiating supply chains. For example, only 19% of businesses have sourced lower cost raw materials to create their products or services.

After a turbulent period with more than its fair share of challenges, it is time for small businesses to move on and put their best foot forward. Undoubtedly there will continue to be bumps along the road, but with sustainability, innovation and optimism underpinning a resilient growth agenda for small businesses, there is every reason to be hopeful for a better 2023.

Small Business Britain, Square and Clearpay are committed to supporting businesses through this by sharing practical, relevant tools, advice and opportunities as the year progresses.



◀ Number of small businesses owners worried about recession

# Responding to a Winter Storm



Christmas 2022 was lack lustre at best, and whilst the UK narrowly avoided recession, it had a significant impact on small businesses, creating worries about the future and having some concerning impacts on decision making.

Whilst not returning to COVID downturns, the winter season did not bring the boost businesses need, and many still face crippling energy, supply chain and finance costs. Whilst the prevailing need to push on through to Spring is encouraging, businesses need to keep an eye on their customers and marketing in order to prevent facilitating their own demise.

"Parents being able to work from home has taken a lot of our work away, also the strikes have had a big impact. The last 2 years have been quite devastating - since the pandemic the needs have greatly reduced. Parents were working from home so we weren't needed. We're at about 25% occupancy compared to 2019. People have less to spend so they are looking at different and cheaper ways - neighbours, sharing the childcare. The people that do this are great but it's not the same as using a registered childcare provider."

Fiona Campbell  
Managing Director, *Crazy Capers Ltd*

While many businesses were optimistic about the first Christmas period without lockdown restrictions, they faced an additional challenge with disruptions to transport services negatively impacting on footfall. Despite these difficulties, it was encouraging to see that 41% of businesses reported having a good or great festive trading season. This is a testament to the resilience and determination of small businesses to succeed. Another 36% found the season was not as good as usual, but they got by. This is a big group of small businesses, and a concerning statistic.

With 10% of businesses having a poor festive season and worried about the future, as well as 7% finding Christmas trading to be a major issue, it becomes apparent that the Christmas period was not the lifeline many businesses were hoping for after such a challenging year.

87% of businesses came into the new year worried about the recession, yet still 61% of respondents believe they will experience growth in the next 12 months. That is very encouraging indeed! This ability to continue to be optimistic in difficult times is a defining characteristic of entrepreneurs which we have seen demonstrated time and time again. It takes optimism to start your own business: the belief that you can make something happen out of nothing is inherently optimistic. This is good news.

The response to difficult trading conditions over the festive season is interesting and potentially suggests opportunities for a change in direction in 2023. Businesses that have pressed on or are facing serious challenges are looking for the best route forward in 2023, and some concerning trends are emerging – or perhaps some opportunities to do things a bit differently.

## Marketing Has To Stay

Small businesses have responded to challenging market conditions over the past 6 months by managing spend – specifically, and concerningly, in marketing. 31% of businesses have delayed marketing spend whilst 27% have cut it. Marketing drives sales, supports future sales and engages customers to continue to bring cash in the door over coming months.

When businesses are concerned about income, it is natural to look for areas to cut. However, marketing should not be at the top of that list.

It is a short-term saving and a long-term challenge: when the pipeline dries up it is much harder to get a marketing and sales operation back up and running, and there will always be a lead time to translating it into sales. If businesses are feeling the pinch, there are other ways they can manage costs that will have less of an impact on on-going sales. There are also many ways to engage in marketing that are low or no cost. Businesses should investigate new and innovative approaches to marketing to ensure that they don't put their future sales pipeline at risk.



# 31%

of small businesses have **delayed** marketing spend

# 27%

of small businesses have **cut** marketing spend

## Top Tips For Marketing On A Budget

### 1. Use free social media platforms

Focus on platforms such as Instagram with 2 billion monthly active users and TikTok with over 1 billion, and focus on regular posting and video. Instagram has great, free in-platform analytics that can tell you how your posts are doing – so keep an eye and when a post does well, learn and repeat!

### 2. Start and grow a mailing list

Social media is great, but you don't 'own' it. If you have a mailing list, the power is in your hands. Many providers allow people to start growing their lists for free, and this means you can contact your customers whenever you like, whether this is to tell them about a product launch, a sale, or maybe the opportunity to grow a focus group. You can even automate this to save time and make sure you are communicating regularly.

### 3. Up-skill yourself

Professional images and videos are great, but if you are on a budget, you don't need to spend this money. Your phone is all you need to create great videos and quality images for social media and beyond if you learn how to use it well. Head on over to YouTube and start learning for free. Even when you have the budget to hire in the pros, being able to take good videos and images when they're not there will be hugely useful.

### 4. Nurture the press

There are so many free opportunities just waiting to be taken if you put yourself in the right place and offer value. Research (by which we mean have a Google around...) the relevant magazines and websites in addition to bloggers and influencers and start to see what kind of content they produce. Do they like news stories? Tips? Do they create buyer guides? Do they run competitions? Then find the right contact (which can often be done through the website or by calling the office) and start sending them relevant information! And do not think they won't be interested in you- if you provide relevant content in a timely manner, why wouldn't they be?

### 5. Collaborate

This is such an easy one and one that so many people miss. Working with brands that align but don't conflict or compete with yours is a great way to not only extend your network and find more potential customers, but also to help the other brand too. Whether you run a competition together, share guest blogs, or maybe even do lives on social media that appeal to everyone, you're getting yourself out in front of more relevant people, which is what it's all about!

### 6. Use online directories

Buy now pay later platforms, web service platforms, and more provide customers with shop directories. This is a great way to reach a new audience without spending extra on marketing.

**Rhea Freeman**  
Rhea Freeman PR





# quietly optimistic



“We did really well over Christmas, but not as good as last year. Not just because people are spending less but the postage strikes meant that I had to cut off ordering earlier than usual. Some stock went off because of the delays. I’ve approached some local shops to see if they want to sell my items and want to look into the possibility of me doing some kind of subscription - they would pay a small amount each month so that they can then spend that credit when they want to.”

**Celia McDonald**  
Owner, *For Dogs Sake Treats*

When it comes to keeping your costs in check, taking a closer look at your supply chain is a great place to start. It is all about getting a handle on the prices you’re paying for the products or services you’re getting from your suppliers. But it is not just about the cost, it is also important to consider things like delivery times, payment terms and how dependable your suppliers are.

From our survey we found that only 19% of businesses have sourced lower cost raw materials to create their products or services. Re-examining the supply chain can bring great opportunities for margin management.

Many small businesses report that they rarely renegotiate, and often have agreements in place that are years old or commit them to long term contracts – including payment terms that have never been reviewed.

Taking some time to review and renegotiate these may open up more breathing room in margins for small businesses and could mean that marketing activities can stay.

In the meantime, focusing on marketing that does not have to cost the earth will keep businesses moving forward when costs are tight.



Small Business Britain spoke to Kate Tompsett, Founder of *Happy and Glorious*, about her experience this winter and how she is remaining optimistic, despite the challenging environment:

“I sell British made gifts, art and homeware. I started in 2012 with an online shop. I then had a high street shop in 2016 in Ashford, part of the Mary Portas regeneration scheme, then moved the shop to Cranbrook where I stayed for six years. My shop is now in Canterbury as I moved there in October last year.

Generally, things are feeling kind of medium – it is quiet. I am still finding my feet now in a city rather than in a town. People are being cautious and are enjoying a bargain. I do not think that I have made cutbacks to spending as such, but I have not maybe grown as quickly as I would have hoped. I can’t think of any costs I have cut - I think that I will just be gently trying to grow. Selling overseas is something that I would really like to do.

If it wasn’t for digital technology then my business would have collapsed in 2020. People were so obedient and I would send out a newsletter saying ‘please buy this’ and they would! Developing online and installing a POS system has made everything much more seamless - it feels so much more simple and grown up. I want to increase my website sales going forward. Currently online sales make up about 10% of my income, but would like it to be about 45%. I want the website to be a true reflection of what is in the shop. I don’t have the ambition of having a chain or having someone else run the business for me. I want to do what I do well and make some money from it.

I would say I am quietly optimistic. I do not think that change is going to happen very quickly but by the end of this year I think things will have settled a little. My one piece of advice to other small businesses is take every opportunity to learn things. I started when I was 17 in retail and I’m now 44 and still don’t know everything.”

# Spring Forward With Confidence



As we move into Spring, small businesses are looking for a boost to their confidence to lift them up from a difficult winter.

Talk about recession and no end to inflationary pressures had a downward impact on business confidence, and businesses looked to leadership in media, government and across society to find reasons to be optimistic.

“Christmas was amazing although it was quite nerve wracking - there has been a lot of bad press in the media about the cost of living crisis which has whipped up some frenzy. There is uncertainty and that is affecting customer confidence.

We were worried about what stock to buy and how much but we did really well. People are still being invited to birthday parties, average basket size is down and spending is a little bit lower than it would have been but we've ticked on and have bought in more lines for under a tenner.”

**Amanda Alexander**  
Founder, *Giddy Goat Toys*



Our research found that nearly 40% of businesses think they will either not grow or actually decline in 2023. This is absolutely not the direction of travel the economy needs to recover from teetering on the edge of recession, or the message businesses need to hear from Government in particular.

There are concerning signs that small businesses are delaying growth plans for their business. 17% of businesses have delayed expansion and 13% of businesses have delayed hiring. Delaying key growth activities may feel necessary to manage short term cash challenges, but it will lead to medium term slowdown in growth and recovery overall.

Small businesses continue to face significant financial challenges in the business. Energy remains high on business's minds and there remains concern about the impact of Government support for energy bills, particularly with the changes to the support package that came in at the start of April.

Even with these financial hurdles, small businesses are still not looking externally for finance to support the business. There is a nervousness about taking risk, and a worry about interest rates. If businesses continue to be nervous and avoid risk, there will inevitably be an impact on business growth and success: a concerning trend for 2023.

Businesses that can overcome the weight of the challenges in their business and the wider economy to face the future with a positive plan for growth are however reporting an increased optimism across the board, which in turn leads to better planning and decision making.



Jasmin Barlow-Wilkinson  
Founder, *Homemade Café*

It is not clear that small businesses see Government as having a key role to play in picking them up from the current challenges. Only 7% of businesses in our research had received support from Government in the last year, a sharp contrast to during the pandemic when huge programmes such as Furlough, Bounce Back Loans, SEISS, local council grants and more meant that many turned for the first time to government support, either locally or at a national level.

Although the pandemic may have turned a corner, economic challenges remain and both Government and the private sector can play a role in picking businesses back up again. It does not have to involve financial intervention as it did during the Pandemic, but there are things we can all do to bring a spring back to small businesses.

Jasmin Barlow-Wilkinson, founder of *Homemade Café*, told us;

“The media are a large part of the problem and it is amazing how quickly people can be swayed into a different mindset just by what is reported. The hospitality industry relies on people going out and feeling good.

I feel like we have done ok through the pandemic and cost of living crisis, we have been luckier than a lot of other places. I did have to work my socks off though. I had the focused mindset - I was determined to not let my years of hard work be wasted.

We did use Square in the kiosk and bakery, and also for the pop ups. I changed the till to Square over lockdown for the cafe so people have the option to order from the tables and that has been a game changer. Square made things a lot easier and it is so useful for me to see what has happened each day - I'm more in control of seeing what has gone on.

My advice to small businesses is to prepare yourself for the rollercoaster. You have to be adaptable and be able to think on your feet all the time.”

## Confidence

With the focus earlier this year on a potential recession, the message small businesses (and their customers) were receiving was that things are bad and times are tough. Businesses find this unhelpful and are looking to government, media and influential voices and their supply chain for a more positive story. Post budget, with the chance of recession this year receding, there is a great opportunity to tell a more positive story to businesses.

Even in a flat economy, there are always areas of opportunity. Many businesses continue to do well, new businesses are starting and there are positive signs that inflation is starting to come down. Businesses need to hear about areas of opportunity, not just of challenge, in order to create plans for growth and create the jobs and contribution to GDP that small businesses have historically played such a big role in.



## Digital Skills and Technology

The announcement of a new government department, the Department for Science, Innovation and Technology, suggests a renewed focus on technology and innovation, as does the Chancellor's goal of creating a Silicon Valley in the UK. There is an opportunity in 2023 to bring small business, key innovation drivers, into this conversation.

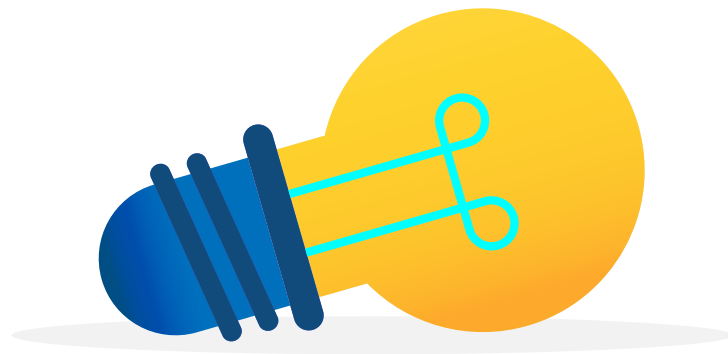
Small businesses, like Jasmin, have found digital skills and technology to be transformational to their business, but we know from our research that 54% of small businesses have not invested in their or their staff's digital skills or added new technology in the last year. There is a big gap here and an opportunity with a new departmental focus to fill it.

“It has been very tough - the hardest time that my business has ever had in the 11 years I have been operating. I don't think I realised how well it was going pre-COVID! When everyone started to go online, I did really well but of course it dropped off when the Summer hit and the weather improved - and footfall in some groups has carried on slowing down. I think that the cost-of-living crisis is just a bridge too far for people and I've noticed a massive drop in some of my offerings, thank goodness not all of them. The positive way to look at it all is it's put another rocket up my arse! Being a small business owner, and always having to be resilient and flexible, I'm really pushing and trying to grow my YouTube channel; I am creating another Festival Tour over the Summer and I am really excited about a new subscription service I am developing so I can continue with my mantra of 'music and singing for everyone', not only in this country but globally.”

Catriona Bateman  
Owner, *Little Folk Nursery Rhymes Ltd*



# mentoring and intervention



## Training and Staff

Staffing remains a key issue for businesses with well reported talent shortages and small businesses in particular sharing challenges in growing staff skills or recruiting staff ready for the business.

Small businesses need support in finding skilled staff, training staff and also in knowing what to focus on and when: in short, there is a strong need for mentoring for small businesses in this area. Often businesses find that they have a need but are not clear on how to address it. Intervention with mentoring specifically in this area can help unlock potential.

This is not just about Government intervention and the private sector can and does play a big role here. Access to mentoring, skills and digital technology as well as a renewed optimism can also come from the private sector too.

Small businesses can also take control of their confidence and we asked Alexis Powell-Howard MA BACP (ACCRED), founder of *Fortis Therapies*, to share her tips on how to get back on top.

## 5 Top Tips for Growing your Confidence

Running your own business or side hustle is an amazing challenge and just like every other human on the planet, there are times when owners have more confidence, more capacity and more energy....and times when we do not!

If you are feeling confident, you will be more effective in many ways – in being consistent, being clear in your communication, being able to lead the way, and in being proactive. Here are some top tips to help.

### 1. Stretch yourself

Trust yourself and take the opportunities you see or are offered along the way – stepping into the stretch zone and increasing the size of your comfort zone is essential when growing your confidence – suddenly things that once felt daunting can become part of your norm. When we actively push ourselves and take risks we can increase our confidence, begin to understand and trust our capabilities with an added bonus of learning constantly, even if things don't entirely work out as planned.

### 2. Manage your boundaries

Saying yes and figuring out how you are going to deliver later is often a wonderful trait of many business owners, and this helps grow you and your business. However, it is important to consider your boundaries: how do you feel about saying no? And if you are saying 'yes' to something, what are you potentially saying 'no' to? How can you manage your boundaries effectively, so you are valuing you, your time, energy and focus.

### 3. Find your tribe

Identify your people, people who will help encourage you when your confidence is low, or when you are doubting yourself. It is essential to have mentors, friends and family members who will remind you how amazing you are in times of need!

### 4. Duty of self-care

Look after yourself and make 'you' your priority as this can only positively impact on your capacity and confidence. You can't keep your focus and drive if you are tired and running on empty. Model how you would like the wellbeing culture of your business to be now, and as it grows in the future. Managing your rest and recovery is crucial to feeling good and confident in your own ability – it also helps with creativity.

### 5. Success setting – plan backwards!

Consider what success means to you – not just in your business but in all of life, relationships, finances and in what brings you joy. Acknowledge how you will know you are feeling successful and scale where you are against your criteria right now. You might be closer than you think. Work on enjoying the process – the process is as important as reaching your feelings of success.

Between taking control in the business, external support and leadership from across society, we can get a Spring back in our small business steps and set on a better, more positive course for the rest of 2023.

# A Sustainable Year



Sustainability has been a standout area for growth over the past year, even despite the economic downturn and the ongoing uncertainty of the UK business environment. With the climate crisis becoming ever more acute, it is a topic that is likely to make its way to the forefront over the next year, and years to come, and is already an area in which small businesses can find real opportunities for growth.

Small businesses will increasingly need to be ready to implement green practises, adapt to new ways of thinking and consider the environmental impact of their business operations – luckily adaptability, flexibility and innovation are things they are inherently good at.

We know that small businesses have a clear drive to increase their sustainability activity; Research done by Small Business Britain and Oxford Brookes Business School last year encouragingly showed that 71% of small firms in the UK said they were likely to take action to reduce their carbon emissions over the next two years.

Small Business Britain has already seen this desire to take action play out in real terms thanks to their Sustainability Basics and Business for Good Programmes, which have seen over 1500 businesses also commit to furthering their green skills.

“Sustainability has always been at the heart of my little jewellery business. Even so, I’m constantly learning and pushing myself to improve where I can. In line with my pledge to be carbon-neutral by 2026, this year I’m baselining my workshop emissions using smart plugs, so I can understand where I can reduce my energy use and where I need to offset”

Leila Arakji  
Founder, Ethical jewellery company *Lilac Tree*







“Our research reveals that Gen Z consumers care deeply about sustainability, with nearly 3/4 buying sustainable products when possible. Brands with poor reputations on sustainability and ethics are seeing abandonment by Gen Z. However, not all is lost as they are willing to forgive and forget when brands change their approach and buy into sustainable and ethical practices. To attract Gen Z spend, businesses need to get on board with sustainability in an authentic manner that is true to their business identity.”

Rich Bayer  
Clearpay UK and EU Country Manager

Whilst the positive environmental and social impacts of committing to sustainability are evident, consumer research completed in January 2023 by Small Business Britain and Oxford Brookes Business School also underlined the real commercial advantage of doing so. The research found that 61% of consumers feel the sustainability of a business is important when they consider where to spend their money.

Additionally, Clearpay research with over 1,000 Gen Z UK consumers in 2022 found that one in three customers aged 11-26 have gone as far as abandoning a brand in the last 12 months based on that brand’s reputation for sustainability and ethics. A clear trend is emerging that customers are choosing businesses who share their values and favouring those that are committing to a greener future.

Our research with businesses over the Winter has understandably shown that they are concerned about rising costs across the board, meaning many have resisted investment and cut back on operational costs. The perceived financial burden of implementing sustainability in their business can prove to be a barrier.

However, when considering sustainability, the first step need not be to invest in new strategies or the latest technologies but should be to consider areas to cut back on. Reduction across the board is one the most effective ways to help the environment. By minimising travel, energy usage and packaging, not only can a business help the planet, but it has the welcomed knock-on effect of reducing costs too.



It is the case though that many businesses do not know where to start. Expert and founder of Small99, which is focused on leading 1 million businesses to net zero, Adam Bastock, shares his top tips for small businesses to get going with a plan for sustainability, and explains how it does not have to be complicated and the most important thing is progress.

Reduce electricity usage



Electric vehicles: Focus on the journey



## 5 Top Tips for being more sustainable



Reduce packaging, not just plastic free



Consider what you sell



Write your policy

## 5 Top Tips for Being More Sustainable



### 1. Reduce Electricity Usage

- If you're unable to do the big things like installing solar, then start small with Smart Plugs. At ~£10 per plug, they're a great way to schedule devices to turn off out of hours.
- Do a walk around your building too, and check you have LEDs in every fitting. They cut usage by 80%+, and pay themselves back in less than a year.



### 2. Electric Vehicles: Focus on the Journey

- When you're considering a change to your vehicle, sketch out what your week looks like in terms of distance, locations and journey times.
- Only once you have an accurate idea of your needs start to look at alternatives.
- It may be that new cycle lanes locally mean that an electric cargo bike can replace a van, or a second hand EV has enough range to cover your actual weekly mileage.



### 3. Reduce Packaging, not just plastic free

- Packaging is one of the first places you'll have already made progress if you've gone plastic-free. However even plastic-free packaging has an impact!
- No-one likes opening an oversized box that's stuffed full of unnecessary paper. Instead, reduce the amount of packaging you use and find boxes that are appropriately sized for your items. Where possible, use cardboard as it's more easily recycled by your customers than biodegradable plastics.



### 4. Consider what you sell

- The biggest part of your environmental impact is your supply chain. Think of every purchase decision you make, and what environmental impact that business has.
- While you may already have swapped packaging, the products you put in those boxes may still be "plastic-full".
- Where do your products come from, and how does your customer dispose of it?
- Look into alternatives such as upcycling, refurbishing or repairing items for resale. This "circular economy" approach is an opportunity to reduce costs, improve profits and reduce your impact.



### 5. Write your Policy

- You may well have already taken some of the above actions. But have you told others about it?
- One of the biggest issues small businesses face is "green hushing" where your action on sustainability isn't discussed, which in turn makes others less likely to take action.
- Grab a piece of paper, write a list of bullet points of all the things you have done, are working on, or are planning to do in the future. Use this as a basis to build your sustainability policy and be proud and shout about it!

Small changes such as favouring digital communication tools such as video conferencing over in-person meetings can have advantageous effects in many areas of business. It can help firms cut back on travel which not only reduces overall carbon emissions but also improves overall operational sustainability and efficiency.

Once businesses tap into the opportunities that sustainability can bring a new world of possibilities - and potential income streams – open up.

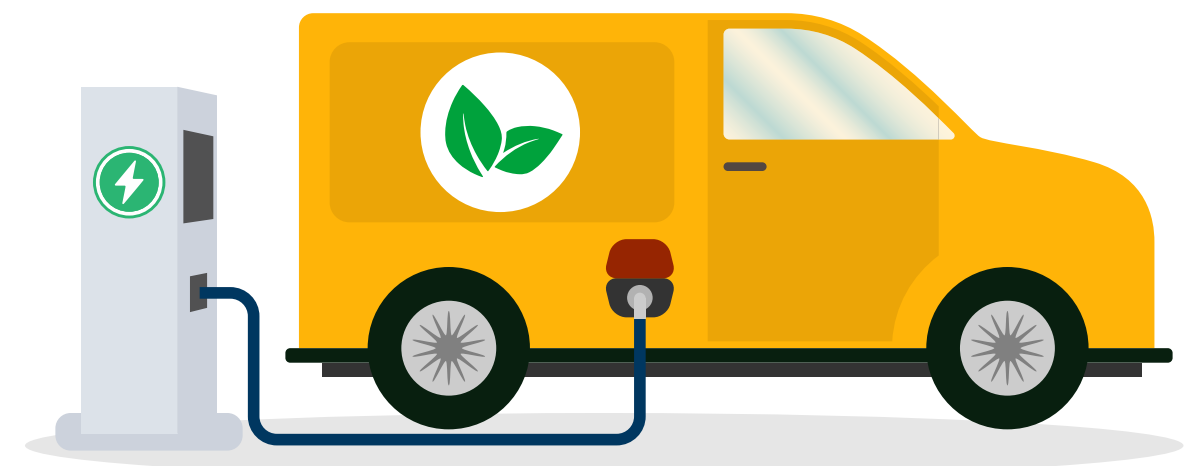
With the British Business Bank estimating that small businesses are responsible for around 50% of all UK business carbon emissions, making strides with sustainability is becoming ever more vital. Businesses need not fear the adoption of green practises but should welcome the exciting benefits that come with it. Progressing in this area is a chance to create real impact whilst attracting new customers and maintaining a good reputation with current ones.

Embracing sustainability is a win for the business and a win for the planet. And that can only be good news for 2023.



"In 2023 and beyond, we will continue to prioritise our tree-planting initiative, expand our support to more charities, maintain our single-use plastic-free policy, and work closely with SEDEX-registered suppliers to improve our sustainability practices. We have also pledged to become NetZero by 2030"

**Marc Bucci**  
Founder, *Social Socks*



# A Resilient Future



Over the past few years, small businesses have demonstrated remarkable resilience in the face of major challenges. Despite significant headwinds, businesses have become more digitally engaged, increased their productivity, reduced waste and are more open to change. This resiliency has been forged in difficult times, but will set businesses up well for the future.

With continued economic and political uncertainty and with the impact of climate change at the top of everyone's mind, businesses need to focus on their resiliency like never before. There can no longer be a resiliency plan during a crisis and a return to business as usual: businesses need to focus on this as part of general business planning so that they can face the future with confidence and reassurance.

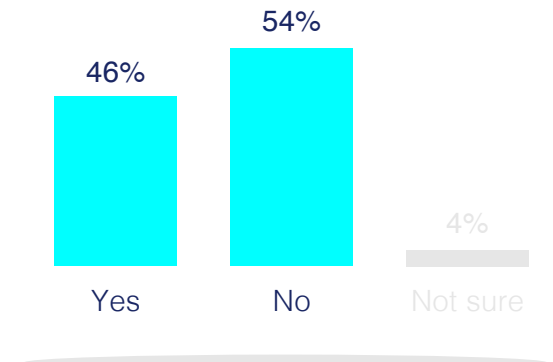
We can see from our research that many businesses - 42% - continue to invest in their or their staff's digital skills and technology throughout the year. This is creating opportunities, increasing productivity and providing new routes to market. However, the fact that 54% of businesses are not investing in these areas presents an opportunity for growth. 59% of businesses are certain that investing in skills and technology will positively impact their business, a strong vote of confidence indeed.

"As an artist and practitioner, I have had to cut back in terms of materials and many other costs. I have been more resourceful as things are so expensive. As a result, I now pay for the best Zoom package out there so that I can do diverse things. The option of being able to transition my workshops to a virtual platform has been such a marvellous and eco-friendly idea."

**Victoria Ajoku**  
Founder and Artist, *Fan The Glory With Tori*



Have you increased your / your staff's digital skills or added new technology to your business in the last year?



Lessons learnt during COVID need to be remembered as they apply just as much during other crises: flooding, snow storms, even unpredictable challenges such as social media platforms going down for 24 hours. It is clear that businesses need back up plans, and flexible business plans that can adapt to uncertainty and allow the business to continue and even thrive when things go wrong.

"We feel pretty optimistic, the economy will recover and there are some people who aren't affected, not everyone reacts to this kind of thing in the same way. Think outside the box, you need to be reactive, try and find a solution."

**Vanessa Barzasi**  
Co Founder and CEO, *BioBright*





Businesses need to develop back up plans, diversified strategies, and always think about alternatives should the primary route to market fail for some reason. This could include leveraging digital channels for marketing, exploring alternative payment methods, tapping into different marketing channels and more.



“It’s been good, fairly flat year on year revenue wise but profit is up 10%. I cut back on things that I could and I’m looking to expand into new platforms this year. I find it tough being a sole trader and not having any staff is the hardest thing for me. I don’t have enough money to outsource any of the admin duties and so on.”

Rachel Warner  
Owner, *RS Footwear*

Whilst avoiding spreading themselves too thin, small businesses can really maximise the opportunities of digital channels to give themselves back up plans. It may be a website in addition to a store; it may be Instagram shopping as well as a website; it may be a big platform as well as social media selling.

Whatever the back up plan, and the back up on a back up, using technology and data, and upskilling staff accordingly, will give businesses confidence and resilience for the future.

A bit of planning, flexibility, and a keen eye on the data of the business can give you the confidence to both continue and try new things. Regularly checking in on these areas rather than waiting for a crisis to bring the problems to the fore is critical to the resilience of small businesses in 2023 and beyond.

What is clear from our conversations with small businesses is that there is scope for flexibility and bouncing back from challenges. Businesses are becoming more resilient, more optimistic and more confident.

As Spring turns to Summer, we can look forward to a brighter future for small businesses. As energy prices and inflation begin to decrease and customers begin to regain their confidence, small businesses can leverage these positive trends and position themselves for long-term success.

## 5 Top Tips for Building Resilience

We asked small business resilience expert Emma Mills-Sheffield, founder of *Mindsetup*, for her top tips on building resilience into your small business:

### 1. Building a resilient business starts with having a business plan.

You should have a clear view of your goals, financial targets, cashflow, marketing and the products or services you provide. This does not need to be huge – even a page or two detailing the basics means you have a solid plan to refer to. This should give you comfort in knowing you have the basics nailed so when looking at growing or cutting costs, you know where and how to do it.

### 2. Niche or diversify?

There is no straight answer as only you know your customers and market best. Sitting down to plan out the options, you should come up with a good answer – but do look at the data. Gut feel is great too, but having solid sales figures and information will support your decision. Being niche can differentiate you, which is great, and you could charge more. However, if you are reliant on one service, product or client you may want to diversify for more financial resilience.

### 3. Track your business data.

This does not need to be complicated – it could be as simple as tracking your sales, profit, margin, overheads, marketing spend, social media and web analytics or customer footfall. If something changes, you should see the impact quickly and be able to deal with it. It is not all negative – if you advertise and get inundated with sales, or you win a new contract, ensure you have planned for this uptick and have the resources ready.

### 4. Do you have a team or are you your business?

Having a clear guide, or a simple handbook, for running your business means someone can take over if needed. If you work alone, what is your back up plan if you are away? Plan ahead for scheduled breaks so you can take time out. Equally if you are taken ill, can someone in a similar business cover for you? You could reciprocate so you both have a back-up.

### 5. Remember, in a small business YOU are a massive part of it.

Make sure you focus on your own health, wellbeing and balance. A great business plan can only be used if there is a well-supported business owner to lead it. Keep an eye on your boundaries and if you think they are getting blurred, then you may need to readjust.

Emma Mills-Sheffield  
Founder, *Mindsetup*



# Driving Growth



Even with a broadly flat economy, there is absolutely opportunity for small businesses to grow. Despite the major challenges of the last few years, there have still been small “winners”. This offers inspiration for the sector and lessons learnt can help small businesses succeed.

60% of businesses expect their business to grow to some degree in 2023, with over 16% expecting growth over 50%. There are strong signs that small businesses have not given up on a growth agenda.

60%  
of businesses  
expect to grow  
in 2023



“Over the last year we’ve really grown, starting off at home and now I’m in a 1500 sq.ft warehouse. There’s always opportunity in a recession, people want things cheaper and people need to get rid of stock. I’d like to grow the business more in America. I did about 5-7% of sales there last year and I’d like to make the most of the currency rates, I just use general ads at the moment so I might look at how I can tailor things to that market.”

**Rob Oakley**  
Owner, *Oakley Home and Gifts*



“We have been getting some very good feedback from clients about what we do - that’s been so nice. They think that we are amazing and have asked if we can be referred to others - the referrals are going well. It means that the teams are working well and that makes me super proud. We’ve been trying to come up with new offerings - coming into 2023 we’ve been looking at ways we can diversify and de risk the business. Re-positioning some of our offers and that’s had some great responses. Business coaches often advise ‘to find your niche’ but we have looked at what else we could be offering and have actually pitched to a lot of existing clients.”

**Stacey Kehoe**  
Founder, *Brandlective Communications Ltd.*



Small businesses have the agility to respond to market conditions and are often the source of innovation in creating new ideas, solutions, products and services. Harnessing this agility and creativity will be critical to driving growth. New businesses will start up, growth will drive job creation and spend up the supply chain, and will support the stability and vibrancy of local communities, the heart of small businesses.

Small businesses report digital technology as a key factor in driving growth. 59% of businesses believe that new digital skills and technology will positively enhance their business (none think it will damage their business, which is reassuring too).



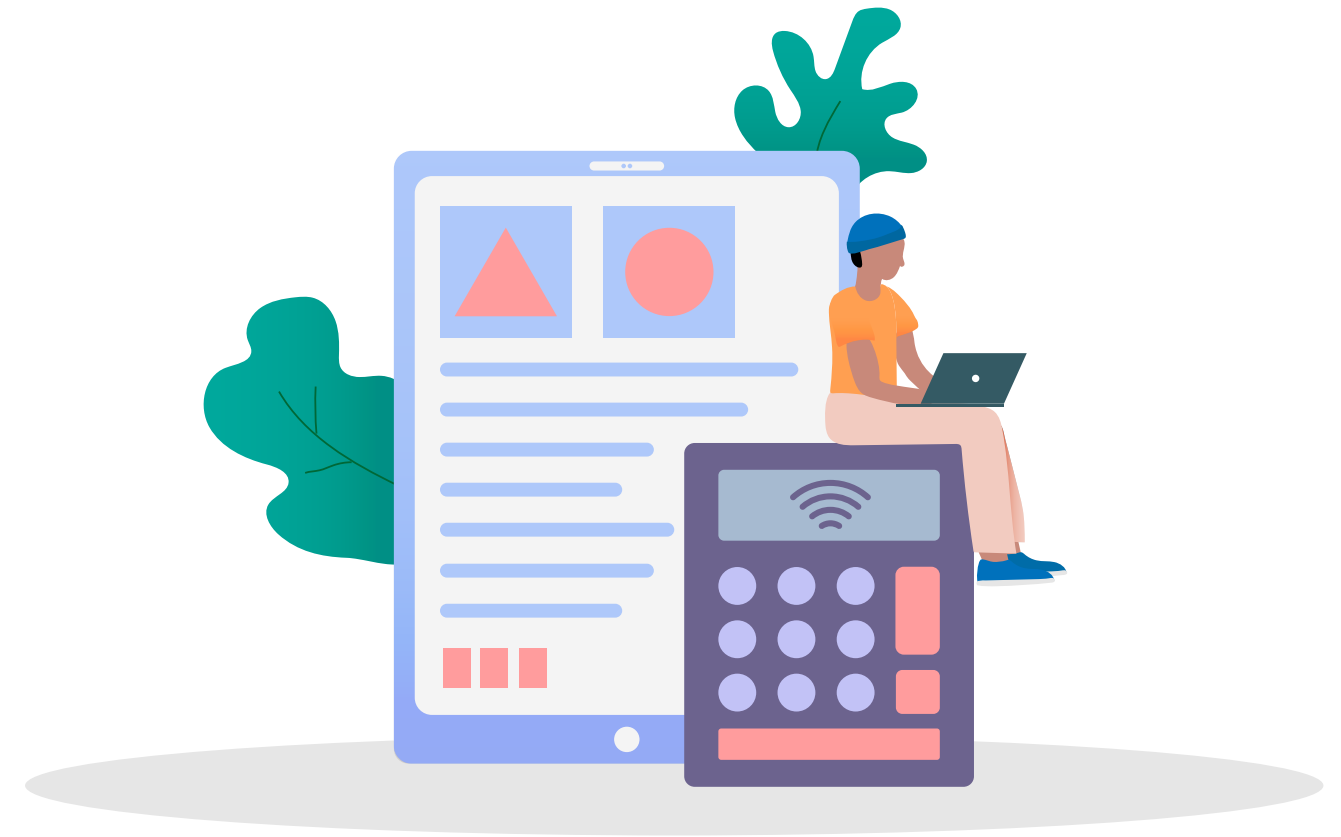
“I don’t think that I’ve made cutbacks as such but I haven’t maybe grown as quickly as I would have hoped. Selling overseas is something that I’d really like to do. I stuck to the UK as the Brexit thing made things really difficult. I want to increase my website sales - currently it’s about 10% of my income but would like it to be about 45%.”

**Kate Tompsett**  
Owner and Director, *Happy & Glorious*



“I bought my first computer last year. I call myself ‘Billy 2 fingers’. I’ve learned a lot and everything is going the right way. I’ve never had an email address before and now I have 2 but am learning more and more on a daily basis. Just waiting for the Internet to be put into my house so I get up at 8 each day to use a community centre space where there’s nice coffee, internet and cake!”

**Nick Avery**  
Owner and Designer, *Pawfect Bags*



Even with this knowledge of the upside, still 54% of businesses did not increase digital skills or technology in their business in the last year, leaving huge scope for improvement, and growth, in 2023.

There is also marked increase in optimism and growth expectations amongst ethnic minority led businesses, which we have seen come out of the research. 28% expect to grow more than 50% this year, significantly higher than the 16% for the total population. There is a sharper focus on trying new things, a focus on new revenue streams, and an optimism that even in a recession, things will work out well with 32% feeling very confident their business will grow (verses 22% overall).

There is clearly something worthy of further investigation and understanding the great leadership and inspiration these businesses are showing.

There is no one single, simple digital solution that fits all, so all levers need to be pulled in order to find something that works for each business and maximise opportunities to find a positive way forward.



With this in mind, we asked Dr Tom Williamson, Assistant Principal of ARU Peterborough University, for his Growth Hacks for Small Business.

“As a small business, the use of digital tools and platforms can be game changing to help you reach and engage with new customers. However, it can also be a minefield of terminology, rapidly take up a lot of precious time, and doesn’t always yield instant results. Here are my five top tips for using digital tools to grow your small business.”

### 1. Use Social Media Platforms to Reach Customers

Social media platforms like Facebook, Twitter, and Instagram are great tools to connect with potential customers. It’s important to develop a social media strategy that aligns with your business goals and target audience. One of the key benefits of social media is that it allows you to create engaging content that can be shared with your followers. Engaging with your followers and responding to their comments and questions can also help build a loyal customer base.

### 2. Build or join a Referral Program

A referral program is a powerful growth hack for small businesses. By incentivising your customers to refer their friends and family, you can tap into a powerful network effect. Referral programs can be as simple as offering a discount or reward for every new customer that a current customer refers. This can be an effective way to acquire new customers and build brand awareness.

### 3. Monitor your online reputation

Your online reputation can make or break your business. Monitor your brand’s online presence regularly, including social media, review sites, and forums. Respond promptly and professionally to negative reviews or feedback, and use positive feedback to build social proof for your business. Consider using a reputation management tool like Google Alerts or Mention to monitor your brand mentions online.

### 4. Implement Search Engine Optimisation (SEO)

Search engine optimisation (SEO) is the process of optimising your website and content to rank higher in search engine results pages. By improving your website’s ranking for relevant search terms, you can increase the visibility of your business and attract more organic traffic to your website. Implementing SEO best practices, such as keyword research, on-page optimisation, and link building, can help improve your website’s ranking and drive more traffic to your website.

### 5. Utilise Influencer Marketing

Influencer marketing is the process of partnering with individuals or businesses with a large following on social media to promote your products or services. By leveraging the audience of influencers, you can reach a larger audience and build brand awareness. It’s important to identify influencers that align with your business values and target audience, and to develop a clear partnership agreement that outlines expectations and deliverables.



“I’m feeling quite optimistic - this specific term has been a bit of a disappointment, one of my classes had to be dropped but it gave me a chance to breathe and there’s some really exciting things on the horizon for me. Teaching and speaking within the world of modern quilting, it’s going to be good. Don’t ever say no - say yes and then work out how you’ll do it.”

**Sheena Roberts**  
Founder, *Green Man Quilts*



“The average order value was down and we had to spend a lot more money on online advertising. We are still hoping to grow this year and are cautiously optimistic about increasing awareness of our brand and attracting other small businesses to our platform.”

**Rachel Marshall**  
Owner, *Uniquely Local*



In conclusion, leveraging digital tools and the internet is essential for small businesses looking to grow in today’s digital age. By utilising email marketing, investing in SEO, using social media advertising, collaborating with influencers, and monitoring your online reputation, you can take your business to the next level and reach new levels of success.



## What Next

As spring turns into summer, small businesses have every reason to be optimistic. Along with better weather, there is a hope of better economic conditions as consumer spend recovers and inflation starts to drop.

Aside from macro economics factors, there are so many opportunities still open to small businesses. Whether that be digital technology, sustainability or collaboration, with some support and encouragement - and tapping into confidence and resilience - there is a bright future ahead for businesses across the U.K.

Small Business Britain, Square and Clearpay will continue to support businesses with skills, inspiration, communities and advice as 2023 moves on. We encourage all small businesses to tap into all support offered and give everything a go.

Check out free courses such as Small & Mighty, Business For Good and more on the Small Business Britain website and join the newsletter to be the first to hear about new free training, mentoring and support as it goes live:

[smallbusinessbritain.uk](https://smallbusinessbritain.uk)

Stay in touch:

[hello@smallbusinessbritain.uk](mailto:hello@smallbusinessbritain.uk)

 [Small Business Britain](#)

 [@BritainSmallBiz](#)

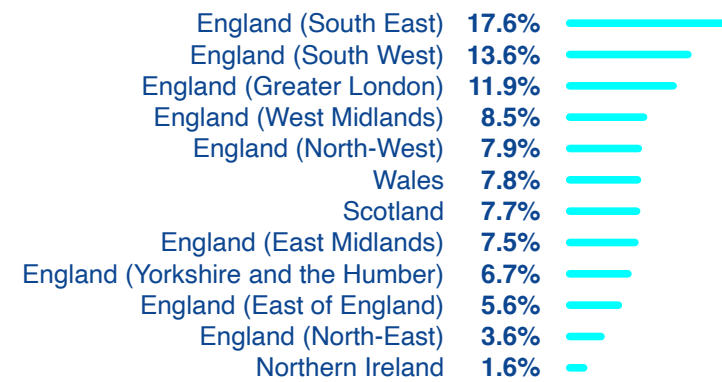
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# Methodology

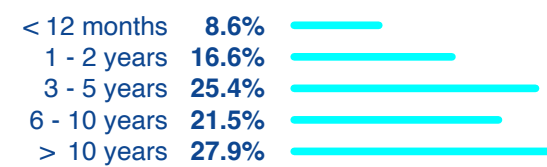
## Number of businesses surveyed

1038

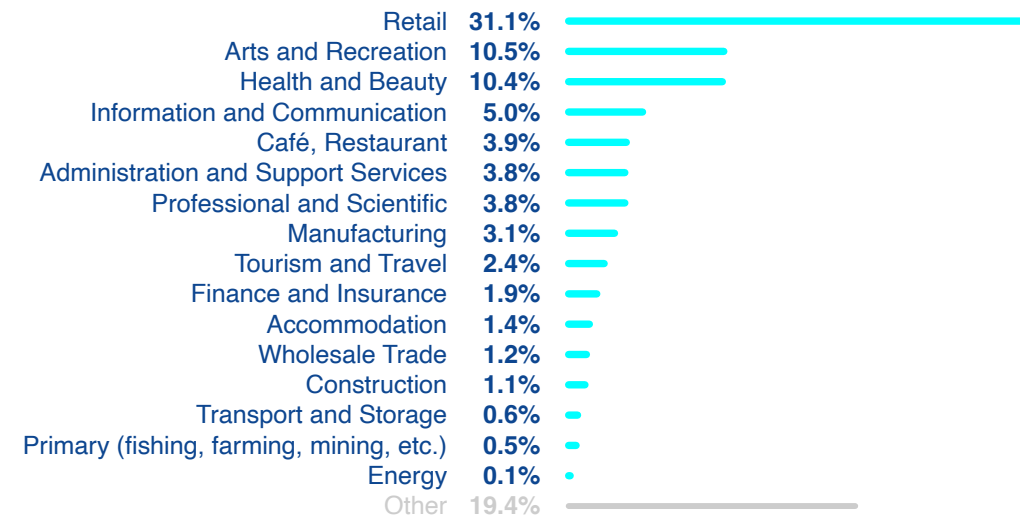
### Location



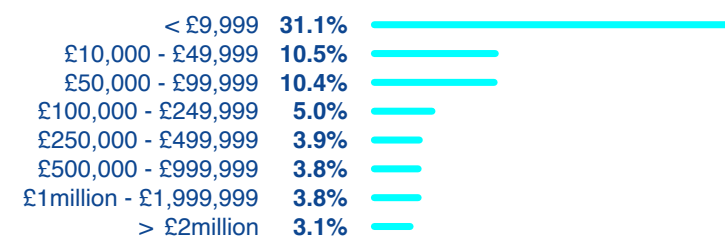
### Age of business



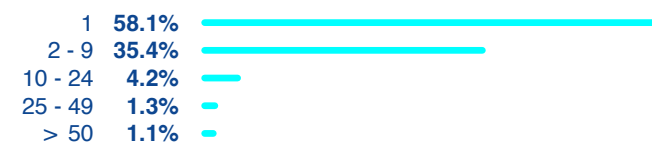
### Sector



### Turnover



### Number of employees



Thanks to **Square** and **Clearpay** for their ongoing support for this work.

