NEW SURVEY INDICATES UK BUSINESSES ARE ON THE ROAD TO RECOVERY WITH PLANS TO STEP UP B2B SPENDING TO DRIVE GROWTH

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Today, American Express unveiled the Global Business Spend Indicator (GBSI), its new survey of global businesses conducted with the Centre for Business and Economic Research (CEBR)[1].

The survey reveals that, after a bumpy ride over the last year, business spending levels are set to grow in the UK, with survey participants predicting that B2B spend will grow at an average of 1.4% in the second quarter compared to the same period last year. Applying that projection from the survey respondents to broader UK macroeconomic data would equate to an estimated £5 billion[2] in additional B2B spending from UK businesses. Increased spending plans are bolstered by widespread optimism, with 70% of UK businesses saying they feel positive about their prospects over the next 12 months.

“While it has been a very challenging year for UK businesses, the GBSI shows signs of optimism - with increased spending across key B2B categories, including online advertising, ecommerce and technology,” said Dan Edelman, Vice President and General Manager, UK Merchant Services at American Express. “Businesses have their sights on the future and have been spending to increase their resilience and take advantage of growth opportunities ahead.”

The GBSI is designed to explore the importance of business spending in both the global and local economies based on a survey of more than 3,600 businesses of all sizes in the UK, Australia, Canada, Japan, Mexico, and the U.S. For this report, B2B spend is classified as goods and services that a business purchases from another business to keep their business running. The survey focused on nine B2B spending categories, and three additional categories - taxes, people/workforce and travel, entertainment and expenses - for a robust look at the dynamics and impact of overall business spending.

After A Slow Start to the Year, Business Spending Plans Indicate a Boost for UK Businesses

The report reveals that the UK has been hardest hit by the pandemic’s impact on business revenues compared to the other countries covered by the GBSI, with revenues down by an average of 9.3% year-over-year in Q1 2021.

However, confidence is increasing among the business community in the second quarter of 2021, most likely boosted by the UK vaccination programme and gradual easing of lockdown restrictions. The latest GDP growth estimates from the CEBR, which predicts UK GDP growth of 7.1% in 2021, show that confidence amongst UK businesses is well founded.

This is reflected in the fact that the UK businesses surveyed report that, overall, they have been increasing business spending across all the core categories of spend (except for travel, entertainment and expenses) since the start of the year. For B2B spend specifically, the UK companies surveyed report that spending was up by an average of 2.7% from Q4 2020 to Q1 2021 and anticipate further increases in Q2 2021 at an average 0.9% growth rate relative to Q1.

This increase in B2B spending reflects the UK businesses’ focus on growth in 2021 based on the research findings.

Remaining competitive (32%), securing new business (33%), and increasing profitability (32%) are the top three priorities for UK businesses in the next twelve months, reflecting their desire to drive growth[3].

Digital Investments Accelerate with Focus on E-Commerce and Online Advertising

The pandemic has clearly transformed the way people buy, communicate, and work over the past twelve months, which has accelerated the pace of digital transformation for UK businesses across all areas of their operations.

The GBSI findings show that UK businesses are keen to take advantage of digital growth opportunities this year, by boosting investment in e-commerce technologies and spending on online advertising. Technology spending by the businesses surveyed increased by 5% on average in Q1 2021 compared to Q4 2020 and is anticipated to grow by a further 2.4% in Q2 over Q1. The businesses surveyed also expect their spend on Search Engine Optimization, social media, search, and digital costs to be up by 4%

Q2 2021 compared to the prior quarter, reflecting the focus on reaching new audiences and securing new business.

UK businesses also appear to be harnessing the power of technology to improve efficiency as they grow, with IT and technology consultancy expected to be among the fastest growing areas of spend within the business and professional services category between Q1 and Q2 2021.

Supply Chain: Cost Matters but Supplier Reputation and Flexibility Increasingly Important

*all percentages are averages

Alongside their growth agenda, research reveals UK businesses' strong focus on the operational effectiveness of their business, especially when it comes to their suppliers.

Of the countries studied in the GBSI, the UK has the second highest share of businesses that have mostly or fully automated their processes such as receiving payments from business customers (52%), making payments to suppliers (47%), and procurement (42%).

"Many businesses have been thinking differently about supply chain management - from how they select suppliers to how and what they pay in order consolidate the supply chain and keep cashflow moving. This, in turn, has helped unlock the renewed confidence we're now seeing, as businesses look to shift their focus on investing to grow," added Edelman.

Interestingly, while cost remains a major factor in supplier choice - 18% say the costs of products and services is extremely important when selecting a supplier - reputation is also growing in importance likely due to the supplier disruption brought about by the pandemic and the need to quickly adapt their businesses. Just under a quarter of companies surveyed (21%) rank company reputation as extremely important in supplier choice and 12% of UK businesses surveyed now consider environmental concerns as extremely important when selecting suppliers.

Flexibility of supplier arrangements has also risen in importance as businesses adapt to the ebbs and flow of demand, with one in five UK businesses surveyed (20%) saying they have reduced their long-term commitments to purchase from specific suppliers, and a similar share of respondents (18%) saying they have chosen suppliers with more flexible payment terms to increase their adaptability.

In addition, 22% of respondents report that payment flexibility has become more important as a result of the pandemic.

1] CEBR is a leading economics consultancy specialising in economic forecasting and analysis.

[2] Estimates of the £ change in spending across the six countries are computed based on the proportion of total spend that each category accounts for among businesses in the survey together with the average change in spend reported. Baseline levels of business spending are estimated using the latest available national accounts data on intermediate consumption, gross fixed capital formation and employee compensation, with figures for 2020 computed based on the assumption that changes in business spending in each country are proportional to GDP. The £ changes presented specifically for the UK market are based on the responses from UK businesses in the sample only.

[3] Figures in parentheses indicate the share of UK businesses that listed each item as being among their three most important goals for the next 12 months.

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