



# Hot Topic Flashlight

## Home based businesses

### August 2009

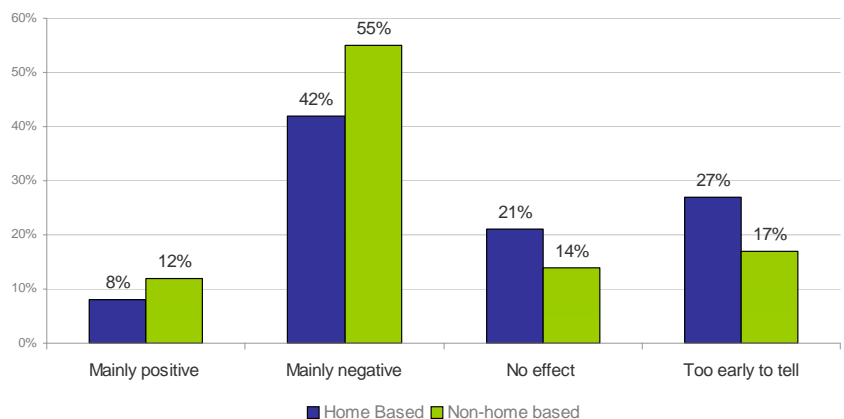
### Key Messages

- 44% of South East businesses are based from home
- Home based businesses are confident about surviving the recession, but less optimistic about taking advantage of the recovery.
- It is difficult to say whether they are showing resilience, or a lack of awareness. One in four has taken no action to respond to the recession or prepare for recovery, and 27% are still unsure how they have been affected. 6% moved their base to home to control costs
- Home based businesses are self-sufficient; their broadband connections are good and few can identify support needs. However, they have skills gaps which are similar to the general business population.
- The strongest driver for operating from home is related to cost, not lifestyle. Main disadvantages are separating home from work, and isolation

### Recession and recovery

Home based businesses *appear* to have suffered less than others from the recession. In July 2009, 42% said they had been negatively affected, compared with 55% of other SMEs. Interestingly, at this stage 27% still say it is too early to tell how they have been affected.

### Impact of the recession on home based and other SMEs



Source: South East Business Monitor July 2009. Base: 437 home based SMEs

Nearly four out of five are confident of surviving the recession (the same as non home-based businesses), but home based businesses are a little less geared up for recovery.

- 78% are confident of surviving the recession
- 61% say they have taken all the actions they can to guard against the recession
- 58% are well placed to deal with the recession
- 53% think their sector has been hit badly
- 65% are well placed to take advantage of recovery

Home based businesses have been less active than others in responding to the downturn or preparing for recovery. One in four has taken no action. Most of those who responded to tighter conditions have used new marketing approaches (42%) while 6% *became* home based in response to the downturn. That equates to around 19,500 SMEs .

# Hot Topic Flashlight: Home based businesses

## About this research

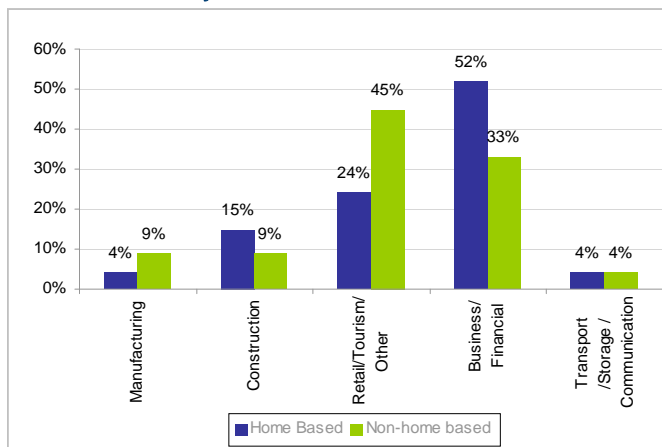
This Hot Topic flashlight report shows the position of home based businesses in the South East business population. It explores some of the issues facing home based businesses in particular, and their attitudes to general economic conditions. The research was carried out in July 2009. More detail will be available in the full Hot Topic Spotlight report on home based businesses, which will be published in October 2009. For a copy of the full report, email [siobhan.smith@businesslinksurrey.co.uk](mailto:siobhan.smith@businesslinksurrey.co.uk)

## Distribution of home based SMEs

44% of businesses in the South East are home based. This means that they do not have dedicated business premises. Of these, 44% work mainly at home, 23% mostly elsewhere (eg clients' premises) and 36% a mixture of the two. This pattern is related to the sectors they work in:

- 52% are in business/financial services, compared with a third of non home-based businesses,
- a quarter work in retail/tourism/other (45% of non home-based)
- 15% are in construction (9% of non home-based)

## Distribution of home based and other businesses – by sector



Source: South East Business Monitor July 2009  
Base: 437 home based SMEs, 777 non home based

Home based SMEs are more recently established than other SMEs; 53% have been established within the last 10 years. Being based from home does not limit their reach; 49% describe their main market as outside their own county.

Home based status is characteristic of certain business groupings. 44% of all SMEs are home based but home based businesses account for:

- 54% of all rural SMEs
- 49% of micros (1-9 employees)
- 78% of land based SMEs
- 57% of construction SMEs
- 56% of financial/business service SMEs
- 54% of start-ups
- 84% of single person SMEs
- 58% of female managed SMEs

## Turnover experience and expectations

Nearly half of home based businesses are in the under £68,000 turnover band, although 22% earn over £100,000. They have seen similar effects on turnover compared with non home based companies;

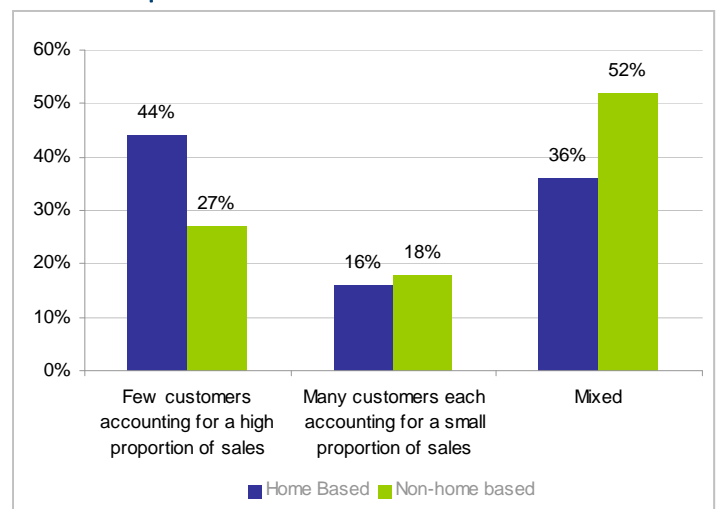
- 38% saw a decrease
- 23% increased
- 35% remained the same.

The expectation for the next 12 months is more optimistic, although home based businesses are more conservative in their forecasts than other businesses;

- 15% anticipate a decrease,
- 35% expect an increase,
- 41% expect no change.

Home based SMEs rely on a small number of customers.

## Customer profile of home based and other SMEs



Source: South East Business Monitor July 2009  
Base: 437 home based SMEs, 777 non home based

Depending on how carefully they select their customers, this could either be a strength, or make them vulnerable during these difficult times.

# Hot Topic Flashlight: Home based businesses

## Who runs the business?

About half of SMEs based at home are single-person businesses.

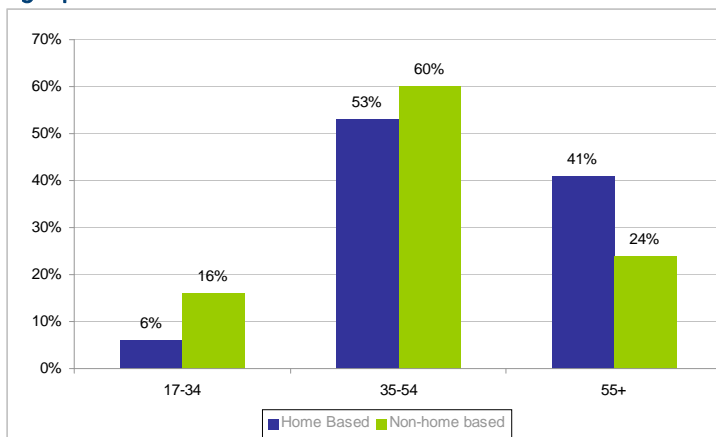
- 53% employ one person (the owner)
- 40% have 2-4 employees
- 6% employ 5-10 people.
- 13% intend to take on more staff in the next 12 months.

Home based businesses are more likely than other SMEs to have one or more female directors involved with running the company:

- 49% have at least one female director in control
- 33% of non home based SMEs have a female director in control

Home based SMEs have older managers than other businesses. It is likely that over 55s are attracted to use their experience to run their own, low-overhead businesses.

## Age profile of home based business owners



Source: South East Business Monitor July 2009  
Base: 437 home based SMEs, 777 non home based

## ICT and home based businesses

- 62% of home based SMEs have a website (80% of other SMEs).
- 92% have broadband, and 9 out of 10 are satisfied with their connection
- 34% need to improve their IT skills

## Challenges and skills development

Key challenges for home based SMEs are similar to other businesses, with finding new customers the top challenge (68%). Controlling costs is less of a pressure (50% compared with 67% of other SMEs). Management time is relatively more of a challenge (40% vs 36% of other SMEs).

44% of home based businesses invested in their skills levels in the last year, compared with 66% of other SMEs.

### Investment in training

Whether funded/arranged training over past 12 months	
	Home based
External training	33%
Internal training	19%
Coaching, mentoring / job shadowing	9%
None of these	56%

Source: South East Business Monitor July 2009  
Base: 437 home based SMEs

The prime skills need for home based (and other) SMEs is Sales and Marketing skills. Nearly half of home based businesses identify this as a gap which will limit their growth

### Training and development needs

Skills that need improving to help grow the business		
	Home Based	Non-home based
Sales or marketing	44%	48%
Professional or technical IT	33%	26%
Finance or accounting	25%	23%
Leadership and management	15%	30%
Customer service	20%	25%
Team working	9%	23%
None of these	28%	29%

Source: South East Business Monitor July 2009  
Base: 437 home based SMEs, 777 non home based

IT skills development is a higher priority for home based businesses, and they are less concerned about the "softer" skills, such as leadership & management and team working skills

# Hot Topic Flashlight: Home-based businesses

These are highlights of the findings from the South East Business monitor. Every four months, at least 1,200 telephone interviews are conducted with business owners and senior decision makers of small and medium sized enterprises (SMEs), based in the South East. This allows an ongoing "temperature check" of business issues and concerns. The survey results are weighted to reflect the size and structure of the region's SME population.

For the full Hot Topic Spotlight report on Home based businesses, available October 2009, email:

[siobhan.smith@businesslinksurrey.co.uk](mailto:siobhan.smith@businesslinksurrey.co.uk)

Other recent research reports include:

- Green Opportunities for SMEs
- Credit & Cash Flow
- Stress in the Workplace
- Public Procurement
- Enterprise among the Over 55s
- Responding to the Economic Downturn
- Women's Enterprise

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0845 600 9 006 or visit:  
[www.businesslink.gov.uk/southeast](http://www.businesslink.gov.uk/southeast)**

## Pros and cons of working from home

Discussion of why businesses choose home for their work base often focuses on work/life balance. Business Link's research shows that controlling costs is by far the strongest motivation. Over half (53%) said that is why they do not rent other premises.

### Why SMEs choose home as their base

Reasons for opting to become home based	
Ability to keep costs low	53%
Nature of the business	21%
Maintaining a good work/life balance	13%
Flexibility of working hours	9%
Inconvenience of renting premises	8%

Source: South East Business Monitor July 2009

Base: 437 home based SMEs

Work/life balance aspects are an advantage for at least 1 in 8. However this can be a double edged sword.

### Problems with having home as their base

Disadvantages of being home based	
Keeping work and home-life separate	23%
Lack of contact with other people/businesses	12%
Self motivation/discipline/ distractions	11%
Long /unsociable hours/getting away from work	8%
Getting the business to be taken seriously	3%
No disadvantages	44%

Source: South East Business Monitor July 2009

Base: 437 home based SMEs

44% see no disadvantages, but *of those who do* half point to difficulty separating work from home. All three main drawbacks relate to the need for self-reliance. Over a third of home based SMEs address this by joining a sector specific network or a local, generic network.

Rosemary French – Chief Executive of Business Link in Surrey says:

*"According to the research, the overwhelming reason for being home based is to keep costs to a minimum and some 19,500 South East businesses moved to working from home in response to the downturn. Business Link supports businesses in all situations, free of charge. We encourage business owners to contact us to meet an experienced and qualified Business Link Adviser to discuss their business issues".*

