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## Reasons for staying small

2017-18



# REASONS FOR STAYING SMALL

WHY DO SOME FIRMS DECIDE TO REMAIN SMALL?

- ▶ *Lower costs:*
  - ▶ large firms → salaries paid at *nationally agreed rates*
  - ▶ small firms → lower salaries to *non-union* workers
- ▶ *Low barriers to entry:*
- ▶ *Small firms can be monopolists:*

# PRODUCT DIFFERENTIATION AND USPs

People prefer products that *stand out from the crowd*

- ▶ banking: *peer-to-peer lending*
  - ▶ many *unsecured loans* → higher interest rates to lenders
  - ▶ borrowers can get a loan even if they are refused elsewhere
- ▶ confectionary industry: *handcrafted chocolate*
- ▶ retail: *more choice*

# FLEXIBILITY IN RESPONDING TO CUSTOMER NEED

Large complex organisations → *delay in business decisions.*

Small businesses:

- ▶ can make *changes to customer orders*
- ▶ can respond to *external factors*
  - ▶ *shifts in demand*
  - ▶ *exchange rate*
  - ▶ *legislation*
- ▶ able to adapt to *special requests*

# CUSTOMER SERVICE

Small businesses can more easily:

- ▶ offer *personal services*
- ▶ geographical *proximity* to customers
- ▶ *communicate* within the business
- ▶ build up *relationships* with customers by using customer feedback

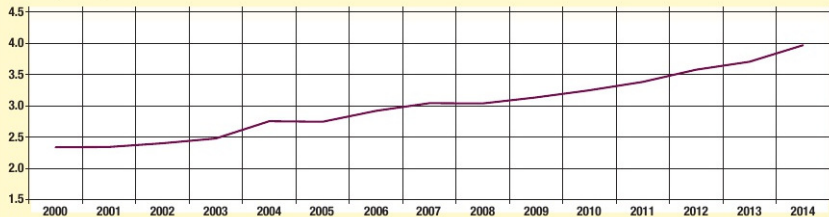
# E-COMMERCE

Small *barriers to entry* for small businesses (e.g., run from home, webdesign, hosting):

- ▶ *Online shops:*
- ▶ *Social media consultants:* small businesses operating social media of larger businesses
- ▶ *Information and advice sites* (e.g., blogging sites)
- ▶ *Tutoring, training or mentoring:*

### The growth in the number of single-person businesses in the UK 2000 to 2014

Businesses (millions)



Source: [www.gov.uk](http://www.gov.uk)

Year