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Two-thirds of Britain’s entrepreneurs’ experience ‘pain points’ when trying to grow their business

New research released today, shows finding clients, marketing and generating sufficient cash flow are proving to be the biggest pain points for Britain’s self-employed.

In total, almost seven in 10 (68%) of Britain’s entrepreneurs say that they have experienced barriers to growing their business. This ranges from struggling with late payments to understanding the complexity of the tax system.

As part of wider research into the self-employed market, Aldermore, the specialist lender, asked businesses what the biggest pain points were when launching and then growing their business.

Rank	Launch – biggest pain points (percentage)	Growth – biggest pain points (percentage)
1	Finding clients/marketing the business (21%)	Finding clients/marketing the business (14%)
2	Understanding tax requirements (10%)	Becoming profitable/generating sufficient cash flow (10%)
3	Invoicing/getting clients to pay on time (9%)	Dealing with unexpected costs (7%)
4	Balancing business & personal finances (6%)	Understanding tax requirements (6%)
5	Learning how to budget (2%)	Invoicing/getting clients to pay on time (7%)
	Nothing (31%)	Nothing (32%)

From a start-up perspective, in addition to finding new clients and marketing, understanding tax requirements, chasing invoices and balancing business and personal finances were the biggest pain points. Similarly for growing businesses, the on-going need to get clients to pay invoices on time is leading to issues with cash flow and dealing with unexpected costs.

Aldermore believes there are two products that the Government should consider introducing to help entrepreneurs manage their finances:

- The **Entrepreneur ISA** which could follow a similar model to the Help to Buy ISA, which sees the government provide a guaranteed 25% matched bonus to deposits between £50 to £200 per month. The bonus would be capped at £3,000.
- In addition, a **Small Business Savings Allowance** allowing sole traders and small businesses to earn up to £4,000 of income from savings, tax-free.

Aldermore’s Head of Savings, Ewan Edwards says: “It is understandable that finding clients and marketing are clearly the biggest pain point for start-ups and growing SMEs alike as, without clients there is no business.

“However, it is interesting to see that the financial side of business is also a significant pain point for those setting up their own firm. Understanding tax, legal and accounting issues is a huge learning curve for any start-up. Cash flow and managing invoices remain an issue for many growing

businesses, who may find themselves unable to service clients or orders if they are not paid within agreed timescales.”

Aldermore’s research shows that one-third of people (33%) are considering starting their own business in the next couple of years. There is a significant opportunity for Government to provide additional support to start-ups as well as existing SMEs to help build up savings and business resilience in those early years.

Edwards added: “We want to back Britain’s entrepreneurs and think that by helping ‘would be’ and new business owners to build a sufficient savings pot, it would help them in those early years to adapt and deal with potential financial issues.”

Ends

Notes to editors

The research was conducted by Toluna via an online panel between 28th March and 3rd April 2017. The sample consisted of 1,174 UK residents, including 317 entrepreneurs, self-employed people and business owners.

Below: An outline to how the Entrepreneur ISA and The Small Business Saving Allowance could work

Entrepreneur ISA	The Small Business Savings Allowance
<p>Launch – Encourage entrepreneurship and the creation of small businesses, something the Government wishes to promote. As many as one in three employed people are looking to become self-employed. The addressable market currently sits at 4.57m.</p> <p>Turn your idea into reality – build the capital you need with market leading rates in a tax free wrapper of up to 20,000 per year.</p> <p>You’re in control – deposit between £50 and £200 per month for a guaranteed 25% matched government bonus (up to a maximum of £3,000).</p> <p>Purpose: To launch a business We understand that setting up a business can be hard; that’s why we are championing the Entrepreneur ISA. Providing tax relief on business capital and up to and up to £3,000 of government support we help individuals make business ideas a reality.</p>	<p>Growth – Targets a large proportion of small businesses and would support economic growth post-Brexit. The addressable market shows at 1.5m self-employed people and 75% of those canvassed were supported of an ISA designed to help people grow their business.</p> <p>Your Business ambitions supported with the new personal Business Savings Allowance (BSA).</p> <ul style="list-style-type: none"> • Up to 4,000 a year of income from Savings is tax free for all Ltd Companies, Sole Traders and Partnerships with a turnover of less than £250,000. • Savings income includes account interest from bank and building society business accounts but also includes interest distributions (not dividends) from many. <p>Purpose: To grow your business The Small Business Allowance proposal is the business equivalent of the Personal Savings Allowance for business.</p>

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Support More Entrepreneurs Campaign

To find more information on the campaign – please look at the campaign microsite – www.supportmoreentrepreneurs.com

Aldermore

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