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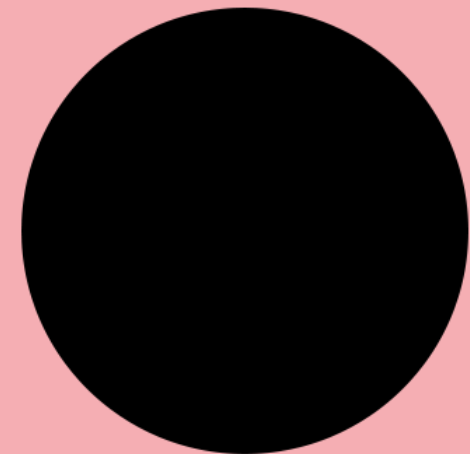
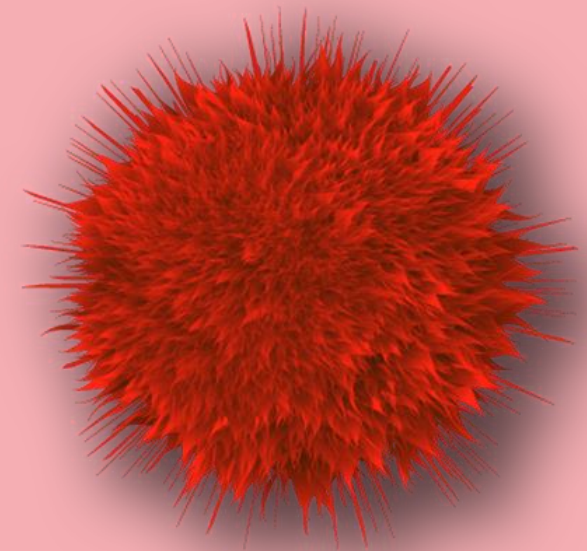
MARCH 2022

Business risk in a changing world

The past two years were without doubt the most uncertain of the 21st century so far, with the impact of a global pandemic and the repercussions of Brexit likely to be felt by British businesses for many years to come.

It is perhaps therefore surprising that only 60% of businesses currently have some form of business insurance according to Savanta's MarketVue Business Banking data. This is 7 percentage points higher than the end of 2019, but still suggests that many business owners are unphased by, or unprepared for, the threats they could be facing.

To get a better understanding of business risk, Savanta asked over 1,500 businesses with a turnover of £0-1 billion to evaluate their perception of a variety of threats. This was a repeat of our research from 2015 and 2017, thereby allowing us to understand how risk perception has changed over time.



Perception of threat has remained very stable for most risk factors despite the turbulent times we have been facing

Business risk perception has seen very little movement since 2015, with only 4 threats experiencing a change of more than 0.2 (2 having increased and 2 declining). All scores are relatively low, ranging from 2.8 to 5.4 out of 10, suggesting that GB businesses tend to either be optimistic by nature or are unaware of the potential dangers that may lurk.



Average business threat



On a scale of 1 to 10, where 10 is 'extremely serious and 1 is 'not at all serious', how much of a threat to your business do you regard each of these:

	2015	2017	2021
Interruptions to your business causing it to slow down or stop completely for a while	4.8	4.3	5.4
Security breaches of either your physical assets or your IT systems and information	4.6	4.9	4.9
Financial risks such as cashflow shortages, accounting errors and rising interest rates	4.6	4.4	4.5
Risks in your market, such as increasing competition, an innovation, or your market contracting	4.9	4.7	4.5
Employee risks, such as a key person falling ill or leaving, employee theft, failing to recruit the right people, and so on	4.4	4.3	4.3
Customer risk, including your customers not paying, switching to another provider or going bust	4.3	4.1	4.3
Damage to the reputation of your business	4.9	4.7	4.1
Supplier risk, such as your suppliers going bust or otherwise failing to deliver	3.2	3.3	4.1
Risks relating to your products, services or projects in terms of poor quality, appeal, profitability, and so on	3.9	3.9	3.7
The risk of you breaching any business laws or any special laws or regulations applicable to your industry	2.8	2.8	2.8

Business interruption is now perceived as the most serious threat, with an increased risk rating since 2015

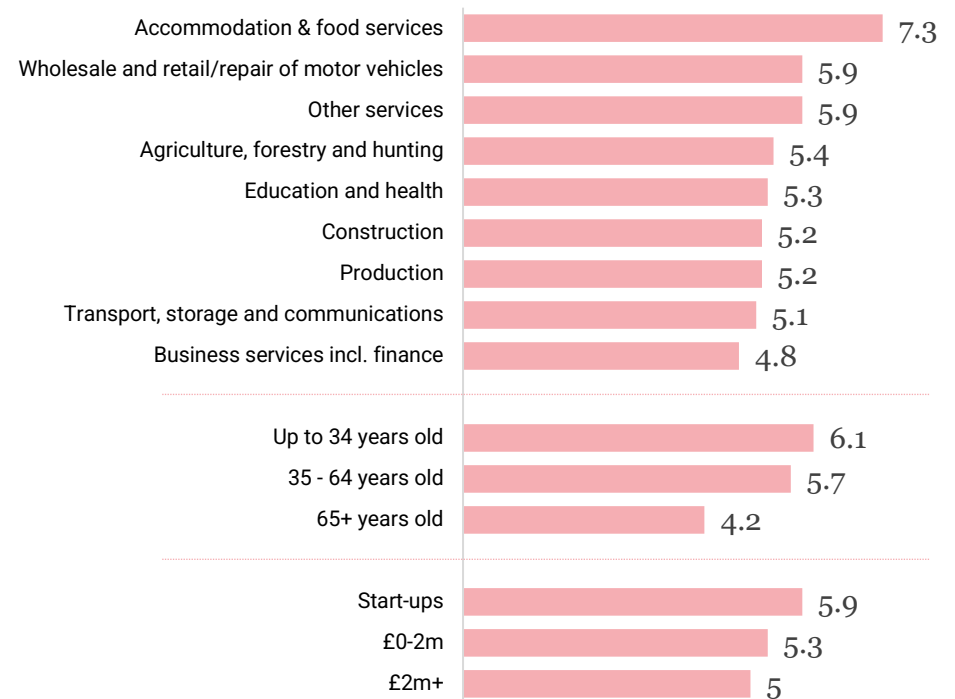
Business interruption is now considered to be the largest threat, with an average score of 5.4 out of 10 in 2021. This has increased from 4.8 in 2015, one of the largest movements. However, the rating still feels relatively low considering the interruptions so many businesses have experienced. This perhaps reflects a feeling that the worst of Covid-19 is over, meaning future lockdowns are no longer a major concern to many. There is also evidence to suggest that views are quite polarised, with 18% rating the risk as 9 or 10 (extremely serious) and 22% rating as 1 or 2 (not at all serious).

Ratings appear to be influenced by industry sector. Accommodation and food services were arguably the hardest hit by the pandemic and now view business interruption as a far greater threat than other industries do. The threat is also rated as more serious by younger business owners and by smaller businesses and start-ups.

Factors influencing perception of business risk



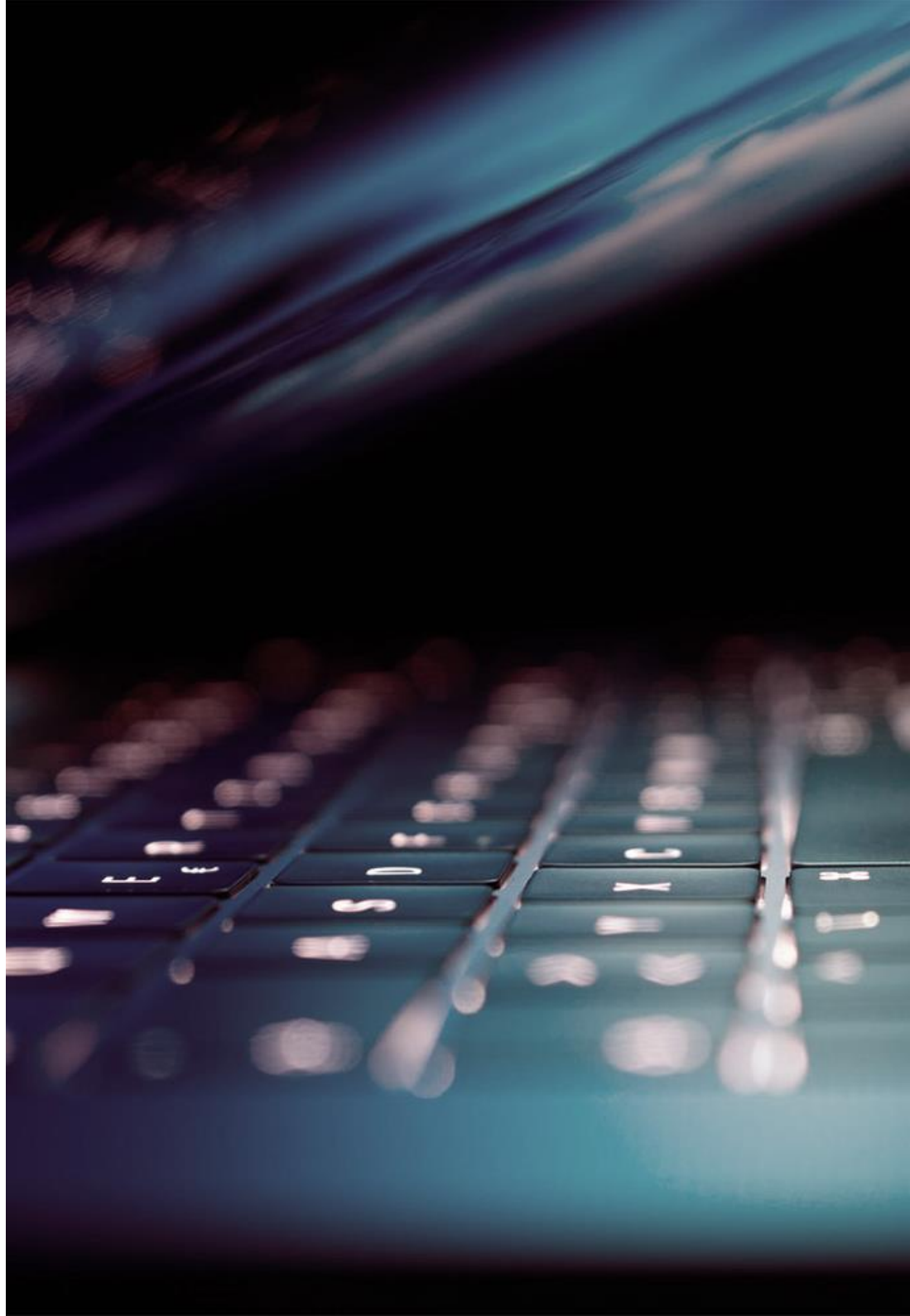
On a scale of 1 to 10, where 10 is 'extremely serious and 1 is 'not at all serious', how much of a threat to your business do you regard each of these:



Security breaches are rated as the second most serious threat, also increasing since 2015

In 2015, the risk of security breaches was ranked as joint 4th highest, with an average risk rating of 4.6, but this risk has moved to 2nd place in 2021 with an average score of 4.9. Nevertheless, this still feels relatively low considering the potential reputational damage and financial loss a security breach can cause.

Unlike business interruption risk, security breach risk is less variable by business type, with very similar rankings across industry sectors and owner profiles. The only noteworthy differences are a higher ranking for London (5.7) and turnovers of £25m+ (6.3).



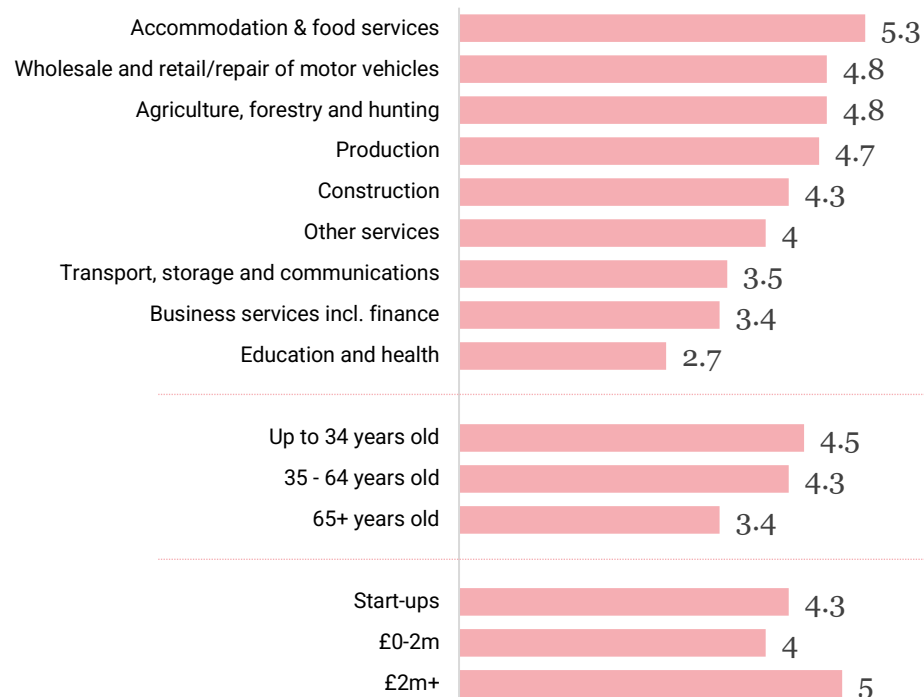
Supplier risk has the largest shift in perception over time

Supplier risk has experienced the largest increase overall between 2015 and 2021 (from 3.2 to 4.1). It is still only ranked joint 7th (vs 9th in 2015), but it is interesting to see the way its rating appears to mirror some of the business interruption trends, i.e., accommodation and food service, young business owners and start-ups all have higher risk ratings. These trends do not hold true across all business risks and whilst there is some evidence that the hospitality industry has become more risk adverse overall, this is mainly driven by the threat of business interruption and supplier risk.

Factors influencing perception of supplier risk



On a scale of 1 to 10, where 10 is 'extremely serious and 1 is 'not at all serious', how much of a threat to your business do you regard each of these:



Perceptions of reputational damage and market change risks have fallen over time

Since 2015, reputational risk has fallen from 4.9 to 4.1. This may reflect the way that businesses have become less fearful of the power of online reviews and social media and better equipped to deal with reputational damage, or perhaps simply illustrates the way that other threats now feel more “real” or dominant.

The perceived risk of market changes, such as competitor threat, innovation, or market shrinkage, has also fallen from 4.9 to 4.5, which perhaps reflects some optimism relating to Brexit, or at least acceptance of the market changes.

For both these risks, ratings fell between 2015 and 2017, as well as a further fall between 2017 and 2021, suggesting that the changes are not specifically linked to the pandemic.

Optimism prevails despite uncertainty

Since 2015, the ratings of 5 risks have fallen, 2 have stayed the same and 3 have increased, a surprisingly stable picture in unstable times. It is not uncommon for businesses to be overconfident and to overestimate their ability to influence events which are based heavily on chance. It is perhaps therefore reassuring to see that even a global pandemic cannot suppress optimism.

However, as over a third of businesses do not have any business insurance policy, there is a danger that threats are not being taken seriously and a risk management review could therefore be beneficial.

Data attribution:

Source: Savanta MVBC SU EST £0-1bn GB

Q4 2021 base: 1525-1597, survey period: 17th September – 17th December 2021

Q4 2017 base: 1594-1664, survey period: 2nd October – 14th December 2017

Q2 2015 base: 1604-1708, survey period: 1st April – 23rd June 2015

Source: Savanta MVBB SU Est £0-1bn GB

YE Q4 2021 base: 4375, survey period: 4th January – 17th December 2021

YE Q4 2019 base: 4890, survey period: 2nd January – 18th December 2019

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Savanta is one of the fastest-growing data, market research and advisory companies, born when eight best-in-class agencies, all specialists in their fields, joined forces to offer big agency benefits, while retaining a refreshingly boutique mindset.

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We inform and inspire our clients through powerful data, empowering technology and high-impact consulting. All designed to help our clients make better decisions and achieve faster progress.

“

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Meet the team



Stephen Palmer

EVP, Financial Services

Stephen has 25 years' research experience across financial services and tech and leads the financial services team at Savanta. Prior to Savanta, Stephen was Head of Insight at Kantar Financial Services & Technology and responsible for delivering customer experience, brand and segmentation research. Stephen is a certified member of the MRS and has sat on the standards board.

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Craig Tandy

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Craig has worked in a variety of roles across the financial services sector, including working directly with SMEs at Close Brothers Bank. More recently Craig worked for IBISWorld supporting banks across their credit approval process and relationship management capabilities, before moving to Savanta to support the wider financial services research team.

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Philippa has more than 20 years' research experience gained agency side and has worked in the MarketVue Business Banking team for the past 6 years. Philippa has considerable experience in managing large, complex continuous research programmes, with particular expertise in customer satisfaction.

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Savanta is the full-service global market research and data insight company that helps businesses make better decisions.

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