



Swoop State of Business Survey 2022

As we leave the pandemic and enter a recession, how has the mood changed over the last 12 months?



Swoop

Introduction



The biggest story of the Swoop State of Business Survey 2022 is growth. Swoop has been in operation since 2018, but in the last year, putting our own funding to use saw a 450 percent growth in the company.

This has been driven in part by a need from SMEs to access funding, for which Swoop provides an easy-to-use platform. As businesses look at the post-pandemic world, they are seeing opportunities to grow to meet a rising demand for products and services. Achieving growth inevitably means securing funding.

Swoop's growth, too, has been dependent on funding. We often say we are our own best case study as the company has been structured and grown through various means such as R&D tax credits, grants, borrowing and lately, £5.4million in Series A funding. This has enabled the company to pursue ambitious plans to expand worldwide, with Swoop North America now finding its feet and closing its first deals.

This growth can be felt in many subtle ways but perhaps the most remarkable example is the one you're reading now: the first Swoop State of Business Survey was published last year, pulling together the results from fewer than 100 respondents. This year, the survey was answered by 1,674 SME owners.

In this Report, we will be putting the percentages side by side for comparison and to spot trends in the SME sector.

Commenting on the results are:



Andrea Reynolds
Co-founder and CEO at Swoop



Sam Tasker-Grindley
Head of Advisory at Swoop



Results



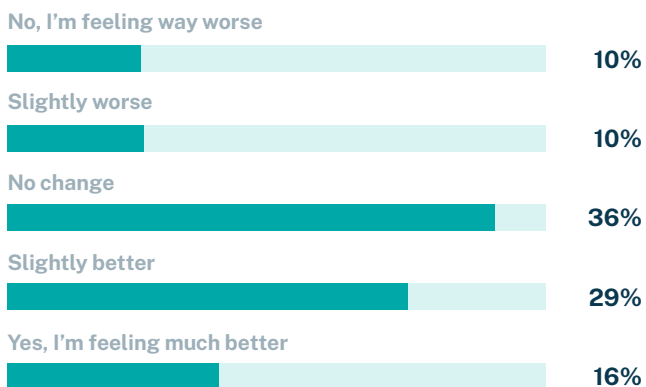
SWOOP: Our first questions aim to find out how SME owners feel about their own businesses, comparing their attitudes with last year and what they see for the industry in the next 12 months.

Broadly, there is a more positive feeling from SME owners about the future for their businesses with fewer respondents giving the bottom (“feeling much worse”) score and the second best answer (“feeling slightly better”) picking up a further nine percent. The top score remains unchanged, suggesting a shift from unsure last year to slightly more positive this year.

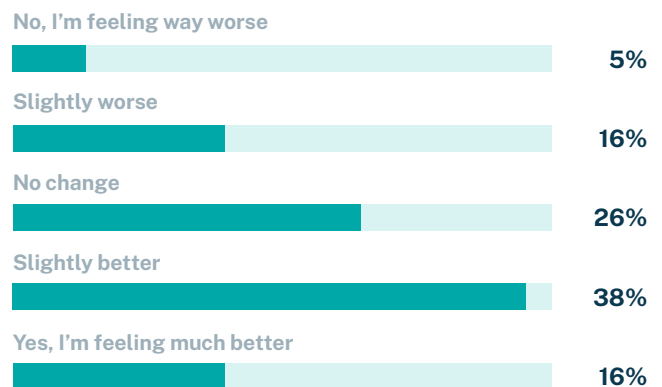


In 2022, have you been feeling better about your business than last year?

2021

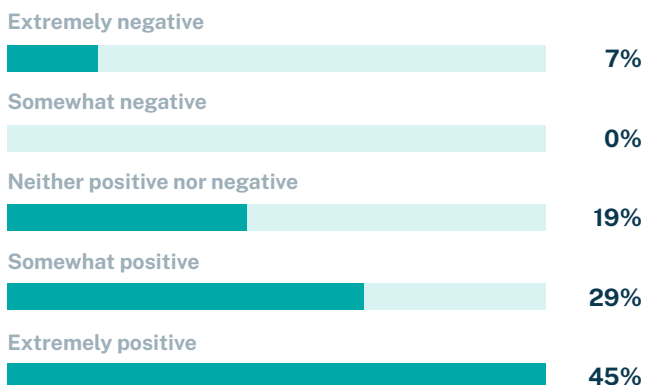


2022

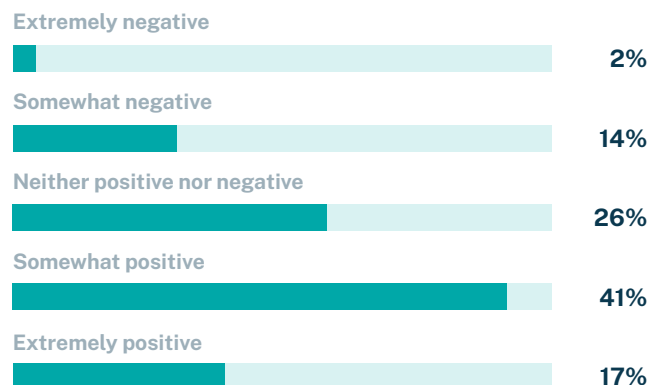


How confident do you feel about the future of the market you operate in?

2021



2022



Results



ANDREA: The talk of recession and spiking energy prices have had an impact on negativity: twice as many respondents as last year felt “extremely or somewhat negative” about the future of the market they operate in.

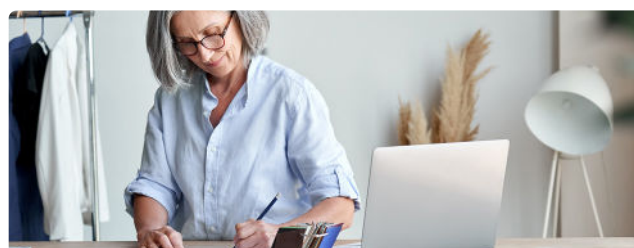
Although the SME sector is hugely diverse and we shouldn’t treat it like a monolith, entrepreneurs tend to be positive. These numbers show a clear drift towards pessimism.

The ambition typical of a founder has been tempered by world events, and there is a sense that more needs to be done to turn around the wider economy.

SAM: We are seeing a lot of accounting firms change their marketing strategy and focus towards supporting businesses with growth plans. This might seem like a strange tactic when heading into a potential recession. But the underlying ambition reflected in the results of the survey would suggest that they are right to do so given that

many SME founders still see properly funding growth as a strategy for the rest of 2022 and beyond..

The accounting firms that are putting some energy into growing a funding advisory service are further building loyalty and trust with their clients. The result will invariably be a longer lasting relationship with additional services provided along the way.



“The SME sector is hugely diverse and shouldn’t be treated like a monolith”

“We’re seeing a large number of business owners who are looking to acquire the property their business trades from. This is born out of the long term confidence they have in their business coupled with creating a ‘nest egg’ to potentially retain the property should they eventually sell the business in the future.

With 50 percent of respondents telling us that they need funding or advice to fulfil their future ambitions, Swoop’s specialist Commercial Mortgage Team is seeing an increasing number of SME owners reaching out for that initial guidance to help structure their future plans and realise the ambition of owning the property from which they trade.

Many other clients are seeking support with their existing borrowings and we’re able to talk them through all their options for either reducing repayments by restructuring existing debt or find them a cheaper/more cost effective form of borrowing.”



Stuart Pawelczyk, Head of Commercial Mortgages at Swoop

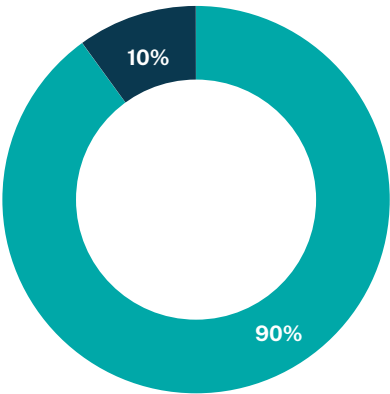
Results



Are you expecting revenue to increase over the next 12 months?

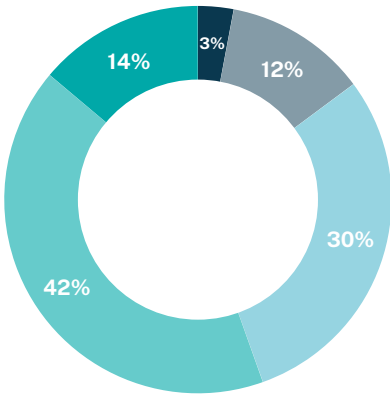
2021

- No
- Yes



2022

- Definitely not
- Might not
- Might / might not
- Probably yes
- Definitely Yes



SWOOP: Last year we asked a simple yes/no question. This year, a more nuanced response was allowed, which showed a stronger cluster in the centre (with a positive skew).

ANDREA:

It's worth remembering that this data was gathered before the energy crisis really hit. For all the talk of recession, there is a real sense among SMEs that their business will buck the trend. Whether this is wishful thinking or not remains to be seen.

The responses were largely positive and despite this summer being gloomy with talk of an oncoming recession and energy price hikes, it's remarkable how little change there is in the results for our question on the broader economic outlook.

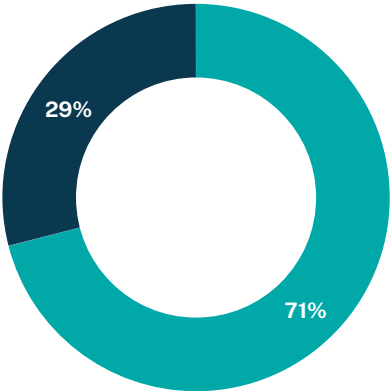
SAM: The role of the accountant will be vital in steering SMEs through the next 12 months and it's great to see businesses are expecting revenues to continue to increase despite the doom and gloom reported. Without proper forecasting and working capital management, though, businesses could be caught out by the rising costs that we are already starting to witness.

It is an opportunity for accountants to work even more closely with their clients to discuss ways of growing their revenue in the next 12 months. It might be as simple as increasing prices, changing product mix or entering new markets. Whichever they choose, it will be imperative to keep an eye on profitability and cash flow.

Are you expecting to invest more in R&D over the next 12 months?

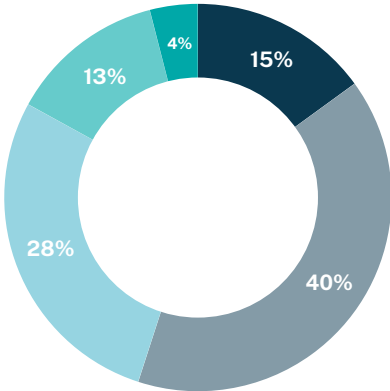
2021

- No
- Yes



2022

- Definitely not
- Might not
- Might / might not
- Probably yes
- Definitely Yes



Results



ANDREA: R&D is one of those areas of operations which risk being cut back on if there are other more pressing calls on capital. It is important for businesses to embrace R&D, not least because the tax credits available to businesses can make a big difference to your bottom line.

R&D tax credits can take a while to come through, so if you need the money in a hurry, there are lenders who will advance you a percentage of an accepted claim.

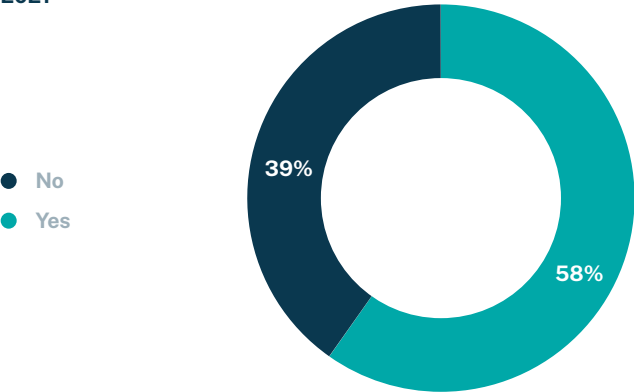
SAM: With the number of new players in the R&D world increasing all the time, the market clearly believes that R&D investment will continue to rise across the board. Whether accountants can prepare R&D tax claims themselves or not, it is important that they are aware of the criteria and can at least offer an outsourced solution.

The increase in R&D providers has coincided with an increase in HMRC enquiries into claims and, as a result, claims and payments are taking longer than ever to go through. R&D advances are a great option to accelerate the cash due for those businesses that are relying on the payment for their working capital.

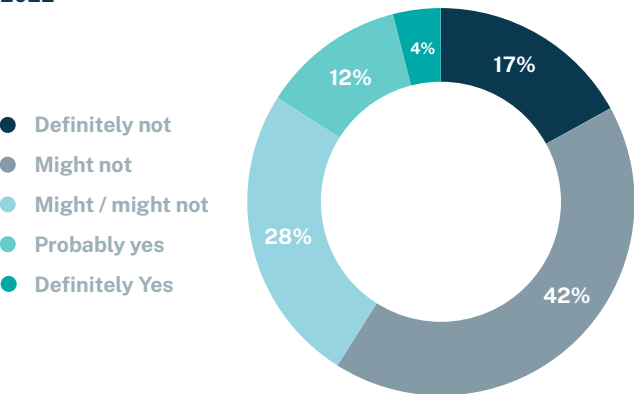
SWOOP: The big change here is in opportunities that businesses feel they will be able to take advantage of. While confidence remains almost unchanged in the “yes” vote, there is some movement in the “don’t knows”. This is however a positive trend towards “yes”.

Do you feel you’re well equipped to take advantage of business opportunities over the next 12 months?

2021



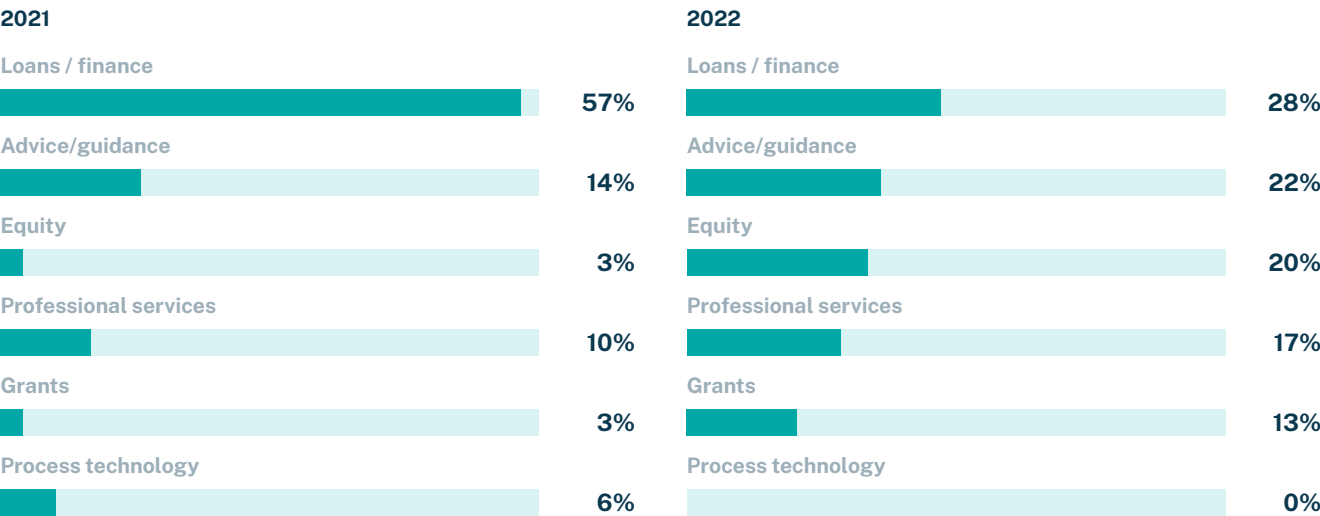
2022



Results



What support products or services would you need to fulfil your ambitions?



SWOOP: This year, we rephrased the question on business opportunities to get more nuance. There was little change in the respondents answering broadly that yes, they were equipped to take advantage of business opportunities, but given the opportunity to answer ambiguously, many admitted they did not know that they had what they needed.

The most notable thing about the results for the question on products and services is that last year had a clear front runner (loans). This year, loans still lead but the votes are more evenly distributed.

ANDREA: Businesses have gone through a lot in the last couple of years and while some have struggled, there have still been opportunities. If anyone has answered that they are not sure they can take advantage of whatever opportunities may present themselves, they need to think carefully about what they can do if something comes along. Luck is where preparation meets opportunity, and many of us feel we could do with some more luck in the current climate.

For process technology to simply vanish is a bit of a surprise. RPA was the big business story a few

short years ago. Either everyone has sorted out their processes, or that particular bubble has burst. I think it is always worth making sure you're not losing money through your processes: investing in efficiency is always going to pay you back in the long term.

Advice and guidance has shot up - it looks like people want to do more with what they have and use their resources smarter.

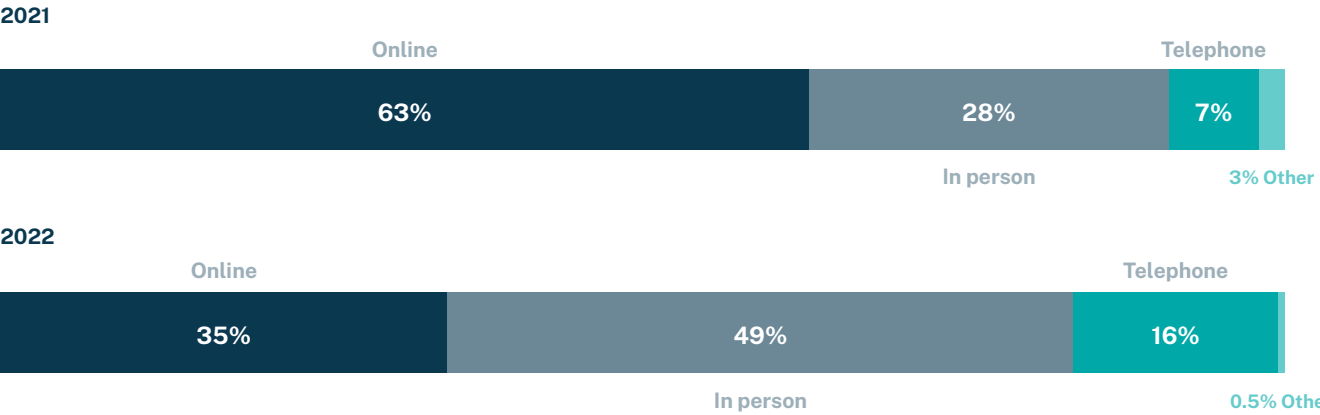
SAM: The answers to this question makes great reading for advisors and accountants. SMEs are looking for advice and guidance and support from professionals more than they ever have to help navigate them through the next 12 months. If the accountant can position themselves as the "go to" for their clients to discuss their growth plans and ambitions, then they themselves will be set up for success for the year ahead.

Accountants don't need to have all of the answers themselves. By partnering with Swoop, we can act as an extension of your team to provide them with guidance and all of their options when it comes to funding for each part of their life cycle.

Results



Where do you prefer to manage your business finances?



ANDREA: Is this a backlash against the acceleration of digital transformation we saw during Covid? These numbers show that many of us have grown tired of having everything delivered through the computer screen.

“Businesses are estimated to be up to four times more likely to be successful in a funding application if an accountant is involved”



Swoop has always been first and foremost a digital platform, but we do have an expert team in the background and for every case that’s too complex for the APIs, someone is available to step in and solve a customer’s problem.

We have a lot of five-star TrustPilot reviews. Most of them are about their interactions with the Swoop team. The expectation is that a computer should just work. If it doesn’t -you have an unhappy customer!

SAM: There will be an element of “zoom fatigue” in this response which we have no doubt all been through over the past few months. Business finances can feel like such a personal thing that is no surprise that many business owners would prefer a human interaction.

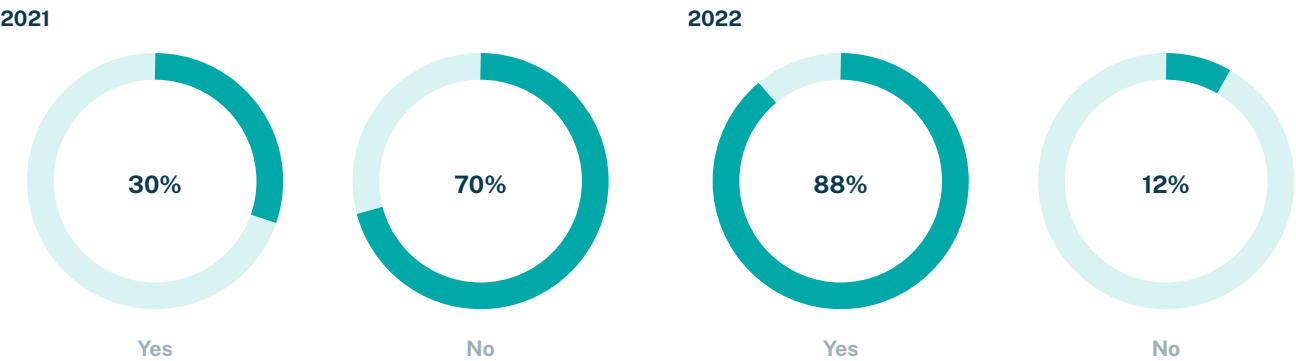
The beauty of the Swoop offering is that the digital platform is backed up by funding experts who are just as happy to pick up the phone.

And this news reads well for accountants too. Businesses are estimated to be up to four times more likely to be successful in a funding application if an accountant is involved in the process. If you are discussing the finances of your clients in your usual year-end and monthly meetings, then they are likely to be much more comfortable talking things through.

Results



Have you checked your business credit score in the past 12 months?



SWOOP: This is the biggest turnaround in numbers from the whole survey. It indicates that businesses are now much more savvy about the need to have a good reputation for credit in order to secure the funding they need to grow.

ANDREA: The finding from last year’s survey was a bit of a wake up call for Swoop. We decided early on that we would create a really easy way for our customers to check their credit score through Credit Passport. Unlike a full check, Credit Passport gives useful actionable insights without damaging your credit score, which some diagnostics can.

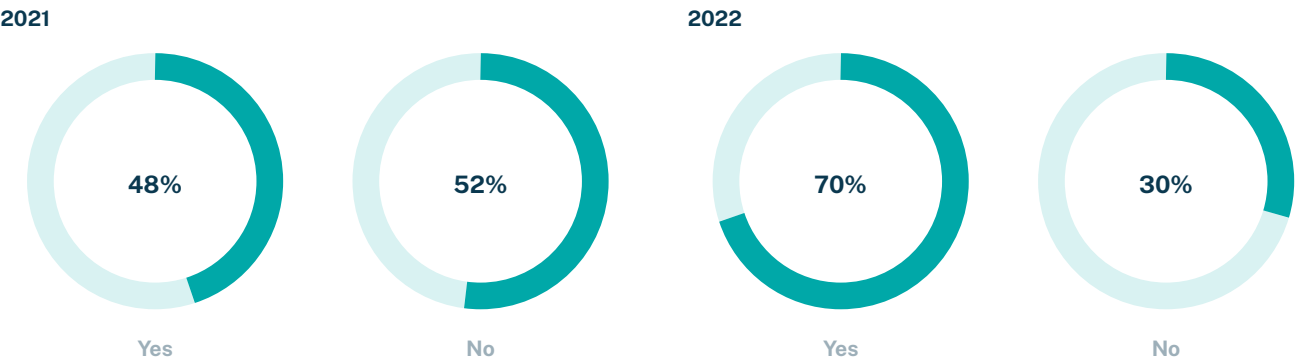
I am delighted that by keeping this idea alive, making it easy for businesses to check their score and pushing the

benefits of doing so, Swoop has turned the story around for businesses and given them a valuable tool to help them get a better deal next time they need to borrow.

SAM: This is an amazing shift in results from 2021 to 2022 and the importance of a good credit score is increasing now month on month. A poor credit score can impede your chances of securing funding. It can also increase the tariffs your business might be offered when looking to renew your energy contracts. If you can help your clients be aware of their score on a regular basis, you can help to put steps in place to keep it healthy.

With accountants always looking for new ways of giving added value to their clients, awareness of credit score can be a really simple one.

Have you taken advantage of CBILS/Bounce Back Loans/RLS in the past 12 months?



Results

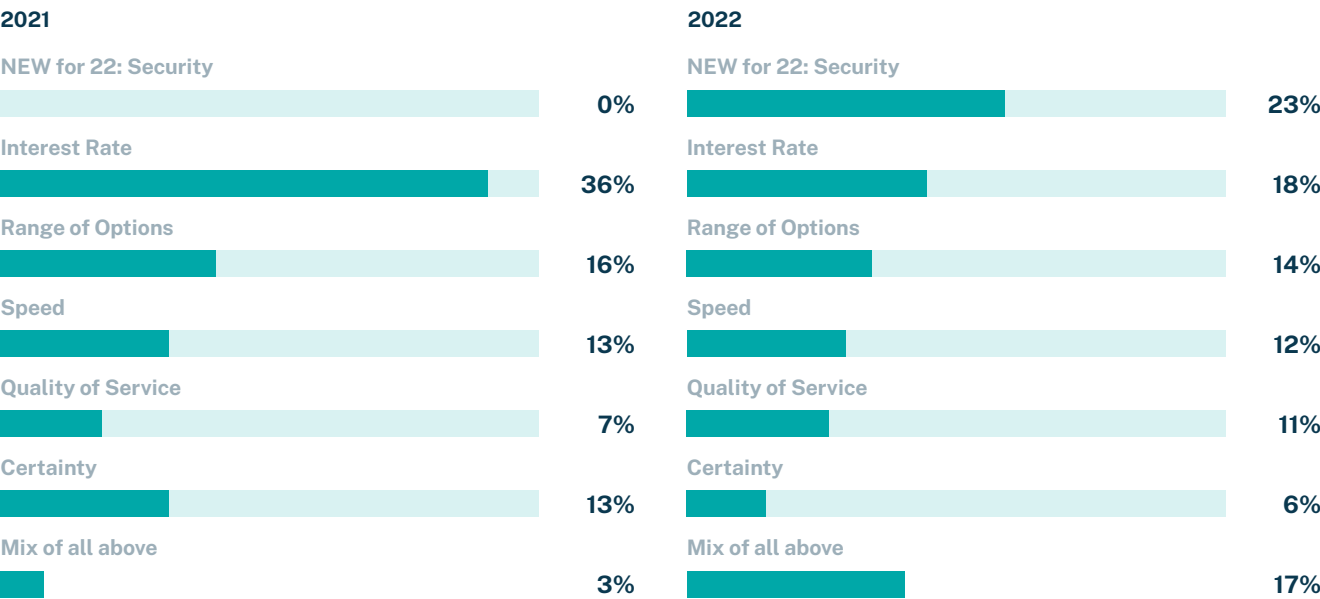
ANDREA: The number of businesses accessing government help has stepped up in the last year. RLS captured the imagination of business owners and the number of respondents taking advantage of the scheme shows how important government help is to struggling businesses at this time.

SAM: Even the most reactive accounting firms will no doubt have been involved in some way in guiding their clients through the various different government support available. It has been a great platform to help accountants be the first port of call to discuss funding and business finances and many firms are now seeing it as a fundamental service they can offer.

More business owners than ever before are taking an interest in funding and for the accountant to truly be the trusted advisor, it makes sense that they can support in this area and beyond when support is removed.



When making funding decisions, what is the most important factor to consider?



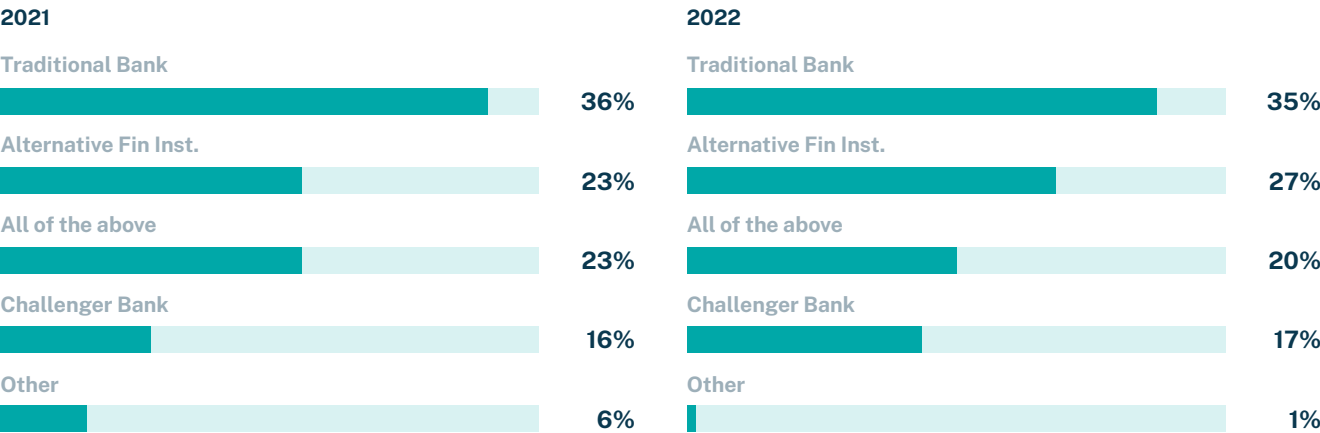
SWOOP: It was important for us in revising this survey to reflect learnings in the previous year. We heard anecdotally that security was a major consideration for SME owners when considering funding. We included the option -and found it took the most popular spot.

Lesson learned: be open to discover the “unknown unknowns”.

Results



Based on your answer above, which institution would you expect to deliver this?



ANDREA: It's clear that people are still thinking of their bank for lending before they look elsewhere. As long as they are looking elsewhere that's OK, but we should really be pushing the message that banks are much less likely to agree to funding an SME and they are not likely to be offering the best deal on the market.

SAM: It makes sense that businesses speak with their incumbent bank first. But where do they go next? By partnering with Swoop, you can make sure your business goes to the accountant next and you can give them all of the best options on the market.



Final remarks



The big takeaways from this report are as follows:

SMEs are hungry for education

By explaining the reasons for taking a credit score check and making the opportunity available to all, Swoop has really turned around this statistic.

Andrea says: “A credit score is a snapshot of your business. It’s how other people see you. If you don’t know what you look like to others, you can’t be an effective leader. I am delighted that so many people are now educating themselves on their credit score.”

The role of traditional banks is holding firm - for now

Business owners are still going to the bank as a first step in acquiring funding. There is a risk that if businesses do not realise the wider opportunities that are in the market, being turned down by the bank may be the end of the journey.

Swoop has the challenge of educating customers and the SME community generally to understand that the

landscape has changed. Challenger banks, niche lenders and digital-first disruptors are all seizing opportunities that legacy banks are missing.

Trust is a must

Respondents to the survey have indicated that they need to feel that they trust their sources of funding. With security highlighted as the most important factor in the funding journey and a preference for meeting lenders face-to-face, it is clear that the cost of disruption has been to sow the seeds of suspicion.

Will trust be restored? A big question, and one that will need work from the financial services industry as a whole. Security certainly has a part to play and there may be an element of suspicion around challenger lenders.

It is essential for those of us in the industry to be truthful, transparent and honest. Swoop’s values have always been integrity and empathy -both qualities which will serve the sector well in the future.

About Swoop

Swoop helps SME take control of their finances.

While 68 percent of SMEs regularly cite access to finance as one of the main barriers to growth, Swoop gives businesses access to funding across grants, borrowing and equity.

Swoop makes funding quick and simple, using AI technology to analyse every opportunity available, matching SMEs with relevant funding and savings solutions in a matter of seconds.

We work with over 1,000 funding providers from mainstream banks to alternative lenders, venture capital

funds, SEIS/EIS funds, angel investors and grant agencies.

Swoop also enables businesses to identify savings through our Open Banking API allowing businesses to find the best deals for banking, foreign exchange, utilities, broadband, mobile phones and insurance –and the platform enables them to switch seamlessly.

For more information or to join the thousands of businesses Swooping their finances, visit www.swoopfunding.com

