

# Thinking Big *for* Small Business

*Seven Square Sellers  
Discuss the State of the  
Microbusiness Nation*





mojo

coffee house

independent artisan

fpr group

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DI'S

The FAIR Shop

EDEN



COFFEE

Mojo Coffee  
Artisan Coffee  
Fresh Fruit Smoothies  
Homemade  
Pastries  
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Mojo Coffee  
TRAPPE / COFFEE / PANINI  
FRESH FRUIT SMOOTHIES  
...  
"THE DAY IS ALWAYS  
BETTER AFTER A COFFEE"

## SQUARE UK MICROBUSINESS REPORT 2019



# Introduction

*Microbusinesses—those with fewer than 10 staff members—make up 96% of all businesses in the United Kingdom, accounting for 33% of all employment.<sup>1</sup> Square’s commitment to these business owners is deep and enduring. We have worked with elected representatives and community groups through our Digital Towns initiative to empower British small businesses to participate on an equal footing with larger competitors and help local communities revitalise their high streets and economies.*

In recent years, Britain’s smallest businesses have faced economic headwinds driven by weak consumer spending, the rise of online retailers and the decline of “offline” spending on British high streets. Since 2015, 3,300 UK bank branches have shut, with an additional 488 ATMs closing per month.<sup>2</sup> These conditions make it tough for microbusiness owners to access basic banking services in their local area.

But while the uncertainty of Britain’s departure from the European Union looms large, resilience abounds: businesses continue to be established, with owners recalibrating, innovating and building their own success.



96% of businesses in the UK are microbusinesses



33% of all UK employment are microbusinesses







## Digital Towns

Square has established partnerships with a number of cash-heavy communities across the UK which have helped local businesses accept digital payments for the first time, encouraging shoppers back to high streets and enabling business owners to revitalise their local communities. These partnerships include the areas of Holywell in North Wales, Batley & Spen in Yorkshire, Darwen in Lancashire, Bishop Auckland in County Durham, and Rochford in Essex. 75% of the UK businesses using Square are located outside of London.

Square has worked hand-in-hand with MPs, councillors, community groups and activists, providing local businesses with free Square Readers and Point of Sale technology, giving them the tools they need to grow their businesses. We have also offered Digital Skills training and bursaries to community business owners.

Our Digital Towns initiative has been successful in helping microbusiness owners and local high streets find new ways of increasing footfall, taking payments and saving precious time.

# 95%

of Holywell's  
high street shops  
now accept card  
payments.<sup>3</sup>





**81%**

of consumers we surveyed would shop more locally if they knew a business took card payments.<sup>4</sup>





**Danielle Morgan**  
*Founder of Flax Fox*  
Belfast, Northern Ireland



**Carrie Hyndman**  
*Founder of Junkbox Apparel*  
Chester, England



**Lacey Hunter-Felton**  
*Co-founder of Hunter Collective*  
London, England



**Sasha Sabapathy**  
*Founder of Glow Bar*  
London, England



**Lois du Plessis**  
*Co-founder of The Bus Café*  
Margate, England



**Ted Palmer**  
*Founder of Sweeney Ted's Barbers*  
Holywell, Wales



**Scott James**  
*Founder of Coaltown Coffee Roasters*  
Ammanford, Wales

## Methodology & Sellers

*In May 2019, Square identified seven British microbusiness owners who use Square. They represent a cross-section of sellers from different sectors and locations across the UK who are pursuing varied business models and growth plans.*

We held focus-group style discussions with them in order to better understand the journey that may be traversed when starting, running and expanding a microbusiness. In this report we explore how microbusiness owners are responding to challenges, opportunities and concerns, what they want from the future, and how British policymakers can help them better achieve their goals.

Their views inform a set of policy recommendations which, if implemented, have the potential to help microbusiness owners achieve success earlier and more easily.



# THINK LOCAL



BAKERY



**WE ARE  
BACK**

BAKERY //  
FRUIT & VEG

*Coming soon...*

**ELEMENTAL**

*Grocers, Roasters and Tasters*

Library

GRAFFITI





## I.

### *The challenge of financing a business through its lifecycle*

Whether it be early funding to realise ideas and buy inventory, through to top-up funds to implement expansion plans, our panelists reported that securing finance remains a concern throughout the business lifecycle. Our sellers unanimously reported difficulties when they had approached banks to finance their business plans. They also recognised that the finance journey could become problematic at any number of points, from the challenges of demonstrating viability or not having a sizable credit history, through to the realities of late payments and the considerable administrative burden of finance applications.

As of 2018 just 36% of smaller businesses engaged external financing, down from 44% in 2012.<sup>5</sup> Sellers we spoke to had often turned to friends and family for help and resources when starting their businesses. Scott James founded Coaltown Coffee Roastery at his parents' property, and it is now a thriving employer in Ammanford. Lois du Plessis and her three co-owners of The Bus Café in Margate—originally friends who lived in the same neighbourhood—decided to take the plunge together by investing their savings to bring their idea to fruition. Government initiatives have also helped smooth the process: the family and friends who invested in Lacey Hunter-Felton's and Nico Bonfiglioli's venture Hunter Collective ended up benefiting from the Seed Enterprise Investment Scheme, which offers tax relief to individual investors who buy shares in the early days.

## 2x more likely

How likely microbusiness owners are to have had a loan application rejected compared to businesses employing between 50 and 249 people.<sup>6</sup>

“  
Traditional banks  
have an outdated  
model which  
is not suitable  
for new small  
businesses or  
start-ups.”

Lacey, Hunter Collective

## Lacey Hunter-Felton

**Business** Hunter Collective

**Location** London, England

**The Story** Hunter Collective started in September 2017 to give beauty professionals the chance to build their business on their own terms. They operate a 2,000-square-foot co-working salon, studio and event space designed for freelance beauty and fashion experts. The majority of their members are freelance hairdressers who want a flexible workspace to suit their business needs.

**The Challenges** When starting out the main obstacle was convincing potential members of the benefits of locating at Hunter Collective. Securing funding was another challenge as traditional lenders did not understand their innovative business model.

**What's Next?** The business is now thriving and they are looking to expand into another site and introduce more technology, particularly by further integrating Square.





## Scott James

**Business** Coaltown Coffee Roasters

**Location** Ammanford, Wales

**The Story** Coaltown, a speciality coffee roastery, was established in 2013 to introduce a new industry to the former mining community of Ammanford, Wales. The business comprises a coffee roastery, espresso bar and academy.

**The Challenges** A key obstacle to growth has been the uncertainty caused by Brexit. Coaltown has been ready to trade internationally for about 6 months, however they don't want to commit to any trading relationships until the UK Government provides clarity on how Brexit will affect their operations.

**What's Next?** Coaltown wants to trade internationally and in particular develop a good trading relationship with the US.

“  
Because there aren't many  
career opportunities in  
Ammanford, most young  
people move away, and so  
it's hard to find talented and  
skilled workers.”

Scott, Coaltown

## 2.

### *Recruiting and retaining skilled staff during labour market changes*

Finding people with the right skill sets was a challenge for many of those we spoke with. In recent years microbusiness owners in cities have been confronted with high levels of employment, a lack of local talent and declining European immigration. After recognising that young people were seeking opportunities outside of ex-mining town Ammanford, Scott from Coaltown Coffee Roasters sought to attract locals who shared his ambition for revitalising the town. He focused on hiring and training locals who he thought had the potential to do the job well, rather than those with the requisite skillset.

While our panel understood that many business owners were in a financial position to hire more staff, they are wary of the responsibilities. They felt that there was a lack of readily available information about how to employ people and how to create suitable payroll and HR systems. Some have purposefully stuck to employing casual staff and supplementing with freelancers who have book-keeping or marketing skills. While this approach is adequate when a business is small, some of our sellers understood how it inhibited expansion plans. The panel recognised how important it was that their staff were invested in their vision, but understood that relinquishing control and trusting new people was naturally a challenge for microbusiness owners. Of course, some panelists want to remain as sole-traders: Ted Palmer of Sweeney Ted's Barbers in Holywell prefers the independence of working on his own, believing that hiring new staff would be a burden to him.





## Danielle Morgan

**Business** Flax Fox

**Location** Belfast, Northern Ireland

**The Story** Danielle established Flax Fox in 2010 when she discovered a gap in the Northern Ireland tourism market. She is an artist and illustrator who prints her artwork of local landmarks and buildings onto canvases and items like tea towels and mugs.

**The Challenges** Danielle would like to expand her business, but she doesn't feel as though she can articulate her business needs to a bank in order to get the right financing. She feels she has a 'knowledge gap' holding her back from growing her business.

**What's Next?** Danielle would like to focus on more technology-based artwork. She would also like to invest in a studio workspace and hire a graphic designer.

## 3.

### *The importance of matching entrepreneurialism with business literacy*

Sound financial and business skills allow owners to have more confidence in the direction of their businesses, providing some insulation from future risks and allowing opportunities like financing to be grasped. Many of the business owners we spoke to had no formal finance or business training and developed their microbusinesses after pursuing other careers. Before opening Glow Bar, Sasha Sabapathy had a career in international branding and marketing. Danielle Morgan from Flax Fox was first and foremost a self-taught artist. The co-owners of Hunter Collective—professionals in haircare and commerce by training—had not previously managed a co-working space.

The majority of our panel recognised the steep learning curve they faced in their work. Many spoke about challenges accessing

information on how to conceptualise, run and expand a business, and what skills they need to succeed. While the GOV.UK portal, membership organisations and trade bodies provide an array of resources, the information is often general in nature and can be tricky to locate. Those who consider themselves to be time-poor, like Danielle from Flax Fox and Carrie Hyndman from Junkbox Apparel, noted difficulties making use of such tools. Both noted that the all-consuming nature of their work meant they were unable to dedicate time to developing business skills, as well as to activities like meeting like-minded professionals or mastering digital sales and marketing techniques.

Our sellers also saw it as important that entrepreneurship was viewed as a viable career option. Many business owners felt that because a perception of risk exists around starting up a business, people were reluctant to view entrepreneurship as a viable career path. Whether in school or later in life, many on our panel feel that proper business and entrepreneurship education is crucial.

“**I don't know where I can find information on finance, employment and growth for small businesses, or if such support even exists.”**

Danielle, Flax Fox

## Sasha Sabapathy

**Business** Glow Bar

**Location** London, England

**The story** Sasha created her wellness company, Glow Bar, in 2018 out of a desire to share stress management remedies with women. Glow Bar consists of a café, spa and online shop, which provide treatments to help women de-stress.

**The challenges** Finding an affordable space to rent in London was a significant early challenge. Once she'd secured her space she faced delays, fees and charges from local council regarding planning permissions and business rates. She also found the hiring process very difficult, especially when it came to navigating employment contracts.

**What's next?** Sasha would like to launch new, mainstream products, and have them sold widely. She'd also like to promote and sell at more pop-ups in the UK and abroad.

“

**I really think that entrepreneurship should be taught in schools. Young people are not encouraged or taught how to start up their own business.”**

Sasha, Glow Bar



**6 *in* 10**

microbusinesses accept card payments, compared to 9 in 10 with businesses between 10 and 249 employees.<sup>7</sup>



## 4.

### *Interacting with local government can present challenges*

Concerns aired in the media about high business rates were shared by our panel. They perceive a bias in the rates system against smaller businesses (even after the introduction of the small business rates relief) and that the correlation between square-footage and business value is not fit-for-purpose, particularly in the digital age. Many of our sellers felt it was reductive to assume that a business with a higher rateable value was immediately classified as a larger business. This is both true of businesses that need larger spaces in order to operate (e.g. event spaces or retail units) and businesses which were in areas with high rents (notably in London), or both, as is the case for Hunter Collective.

While national government tends to drive small business policy, it is interactions with local councils which often leave our panelists feeling the most frustrated. Glow Bar faced challenges and delays when applying for planning permission to install sauna pods, which are not easily classifiable under current planning categories. Owing to an error made by the council when calculating her business rates, founder Sasha was unable to qualify for the business rates relief, even when her property was empty. The Bus Café team also faced challenges when seeking to rent a piece of disused land that had been earmarked for a carpark, but which remains empty a year later.

Ensuring that local councils support microbusinesses appropriately would improve the situation, according to our panel. For example, Hunter Collective successfully appealed a fine for using the wrong bin bags and depositing refuse at the wrong location, even though they were following the previous tenant's practice. Many of our panelists believe more collaboration with local councils would be beneficial, in recognition of the fact that many microbusinesses are starting out their journeys and are building their knowledge, and are making a valuable contribution to the community.

**“We wanted to expand and approached our local council for a piece of land. Our ‘street food village’ would’ve fit perfectly with the council’s plans. We were turned down.”**

Lois, The Bus Café



#### **Lois du Plessis**

**Business** The Bus Café

**Location** Margate, England

**The story** Lois and three others had a vision to bring locally sourced, healthy food to the people of Margate. They launched The Bus Café last year, housing it in a vintage double-decker bus settled on the beachfront.

**The challenges** The Bus Café team have found it very difficult to rent more space. They recently approached their local council for a piece of land but were turned down because the council wanted to use the space for parking. While they applied for a business rates relief when starting up, the process was disorderly and time consuming.

**What's next?** The Bus Café want to expand and create a 'street food village' by collaborating with other 'foodie' startups and small businesses.

## 5.

### *The importance of embracing digital technology*

While developing a strong brand and concept was key for all the businesses we spoke with, it has been digital technologies, such as social media advertising, which have been the most transformative. The Bus Café in Margate grew organically from word of mouth until their savvy use of Facebook & Instagram created a real “buzz” around the business. London’s Glow Bar has also leaned on social media to enhance awareness of their business, as has a more ‘traditional’ business like Sweeney Ted’s Barbers in Holywell.

Our panelists recognise the power of online technologies to help expand their “offline” businesses, which underlines the importance of the government’s digital skills agenda, but some feel they aren’t harnessing all the benefits. Understanding how best to leverage paid social media advertising is something our sellers sought to know more about. Carrie from Junkbox Apparel would love to promote her products more on her website and through social media but recognises that making the wrong choices about content and targeting, could waste valuable resources. Sellers also expressed a lack of understanding of specific digital strategies they could implement.

“

**I was wary of the wrong type of digital advertising. Facebook marketing is a really useful tool, but if you don’t use it properly you can waste a lot of money.”**

Carrie, Junkbox Apparel

Using technology to better understand and manage a business was also seen as important. The majority of our sellers had used digital systems, including those from Square, to better understand their businesses. Square inventory systems have helped Carrie from Junkbox understand which of her products sell best, and at which specific events and times.



#### **Carrie Hyndman**

**Business** Junkbox Apparel

**Location** Chester, England

**The story** In 2013 Carrie quit her career in high street retail to set up her own clothing brand, Junkbox. She designs clothes to suit an active life: music, travelling, outdoor adventures, skating and surfing. Carrie has an online store, and sells at pop-up events, markets and especially festivals.

**The challenges** Securing finance was a big challenge after Carrie was refused business loans from all of her high street banks. As a result she had to resort to an online payday lender, despite being aware of the very high interest rates and the risk of falling into debt. Carrie has also had to spend considerable time figuring out how to use digital technology to her advantage.

**What’s next?** Carrie continues to work on another business she began last year – an independent retail shop space – and she would like to take on employees to support her.





## 6.

### *Using digital payments to reinvigorate local economies and communities*

As cash usage has declined in the UK, shoppers have increasingly transacted digitally. *Which?* estimates that 3,000 ATMs closed in the second half of 2018<sup>8</sup>, while Square's own research shows that one in six British shoppers (around 17%), is now a "card-only" consumer, with a further two in five (38%), describing themselves as "card-first" shoppers.

Against the backdrop of ATM and bank-branch closures, our panel raised the UK's declining high streets and how technology can help to plug the gaps. Many of our panelists sought to respond positively to these challenging economic and consumer demographics, particularly Ted from Holywell and Scott from Ammanford. Ted, who had previously never taken card payments at his barbershop, explained his view that Holywell had been in decline for a decade, noting that they had just "one bank on the high street, with the rest around 5-10 miles away". Scott on the other hand has specifically made his business 'card only' and, along with Ted, recognises that card acceptance is key to his future success. Square's research shows that there is some way to go on this front, with **more than 3 million of Britain's 5.9 million small businesses still not accepting payment by card.**

The panel also flagged how digital payments impart convenience and security benefits not present with cash. Panelists recognised that making trips to deposit money into an account was time and labour intensive, particularly when living in underserved rural towns. Scott saw the added security benefits of introducing a cashless model and now has peace of mind that all transactions are being logged and recorded. He also understands that his business is not at risk from burglars who target premises based on cash being held on site.

**Over 50%**

of British small businesses still do not accept card payments.<sup>9</sup>



#### **Ted Palmer**

**Business** Sweeney Ted's Barbers

**Location** Holywell, Wales

**The story** Ted worked as a barber for over 20 years before opening his own barbershop 12 years ago. While he had built up a solid client base in that time, he has recently started using social media to appeal to new customers. Ted wasn't interested in card payments before, but after going to a presentation, Square is now integrated into his payment offering.

**The challenges** Many small businesses in Holywell's town centre, including Ted's, have faced difficulties as the town has slowly declined in the past decade. With a number of banks closing and a move to cashlessness, the high street has suffered. Reinvigoration is an essential yet difficult task.

**What's next?** While Ted is content with his business, he will continue to prioritise digital skills.



“

Holywell had been in decline over the past 10 years, but the town has been revived with MPs and councils working to support small businesses. Square has also played a large part in this revival.”

Ted, Sweeney Ted's Barbers





Croque Shop  
sandwiches

Manja!

Manja!

TAM

Croque Shop

BEN'S BO  
Drinks





## Conclusions

*While the owners we spoke with represent only a small sample of UK microbusinesses, their experiences can be seen as broadly representative of those of their peers. A number of these experiences stand out:*

- ♦ **Knowledge gaps** Microbusiness owners need financial literacy and basic familiarity with tax and employment law. Where they don't can partly be seen as a function of having limited time to invest in training and development and the required information not being easily accessible.
- ♦ **Credit and capital** Microbusinesses are worried about the availability of credit. But they also flag the challenge that traditional lenders often face in lending to small start-up firms and the need for a cultural shift in the UK towards investing in microbusinesses.
- ♦ **Local government** Apart from the tax authorities, local government is often the part of government microbusinesses deal with most. Our panel would like to see local government given more freedom and encouragement to help them, and for councils to get even smarter in supporting local microbusinesses.
- ♦ **Digital technology** For many microbusinesses, digital transformation has been an enabler and an amplifier. We often focus on the costs the digital economy is imposing on the high street, but it is also worth remembering that tools like digital payments can also support UK microbusinesses to strengthen their local high streets, economies and communities.

I

### *New ways to open up lending to microbusinesses*

Often with limited forms of traditional collateral, or without a long business history, microbusinesses may not be able to meet the rigid requirements imposed by conventional lenders. Policymakers need to help and support lenders to explore innovative ideas for rating risk to allow microbusiness owners to access working capital and longer term finance.

2

### *A new focus on business skills*

The National Careers Service and programmes like the Apprenticeship Levy rightly seek to develop employee skills, but microbusiness owners also need support. Government should provide them with access to training in financial literacy, employee management and other microbusiness basics.

**3** *x more likely*

How likely microbusiness owners are to have not applied for a bank loan compared with owners of businesses employing between 50 and 249 people.<sup>10</sup>

# Policy recommendations to boost microbusinesses

*Policymakers are encouraged to consider the following six recommendations to underwrite the success of microbusiness owners.*

3

## *Clearer online assistance*

A number of OECD countries have developed excellent online platforms for small business information and support, including one-stop-shop resources for owners seeking to clarify their obligations under tax or employment law. The UK should do the same by creating an online compliance portal which offers guidance about running a small business.

4

## *Helping Councils champion local microbusinesses*

Many councils do a good job of advocating for microbusiness, but they could provide greater value. We believe every council should have a designated microbusiness champion with a clear mandate and genuine authority to help cut through processes and get help to where it is needed, particularly on business rates and local government planning reforms.

5

## *A fresh look at business rates*

Current exemptions from small business rates capture a lot of SMEs, but still pose challenges for microbusinesses. Government could consider exemptions based on short operating tenures, or which ensure that microbusinesses with large square footage usage are not penalised purely because their business requires them to have larger floorspace.

6

## *Consider digital payments infrastructure as high streets evolve*

Policymakers and industry should conduct thorough impact assessments and support initiatives to improve card acceptance and digital-payments uptake in areas at risk of financial exclusion. The adoption of digital payments technology can serve as a gateway to greater digital and financial literacy. This will become increasingly important with the roll-out of Making Tax Digital.



Espresso	2.00	Cappuccino	2.40
Macchiato	2.20	Latte	2.60
Cortado	2.20	Iced Latte	2.80
Flat White	2.40	Mocha	2.80

Filter Coffee 2.40    Aeropress 3.00  
Ask the barista!    See the Brew Bar  
ROASTED IN THE BARN

Hot Chocolate	3.00	Soft Drinks	1.50 / 2.40
Iced Tea	0	Fruit Juice	2.50 / 3.50

Teas	2.40	Buenos Vistas
Grey		Cascara
Green Oolong		THE BARN

Soy, Coconut, Almond    2.00  
d 627c 96 a 6

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Blueberry & banana muffins 2.00  
Cheesecake 2.00  
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Almond croissants 2.80  
Cinnamon rolls 2.80



# About Square

*Square believes that everyone should be able to participate in the economy and thrive. We empower our sellers to accept all forms of payment and make a sale anytime, anywhere.*

The company was founded in San Francisco in 2009 to help people start, run and grow their businesses with competitive and transparent rates, no monthly contracts or hidden fees.

It started with our Reader, and today we offer a range of products — from a point-of-sale app and employee management software, to business analytics and eCommerce solutions.

Since Square's arrival in the UK in March 2017 we have grown across all communities. More than three-quarters of Square sellers in Britain are located outside of London.



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