



COVID-19 Business Survey Results

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In response to the COVID-19 emergency, Digital Enterprise launched a business survey in March 2020 to determine how businesses had been affected by the pandemic. The survey would help Digital Enterprise ascertain what support these businesses needed, both now and the future, to help them survive and recover after the lockdown eased.

Our survey was launched in late March and ran for eight weeks. The short online survey of businesses, included 12 questions and was undertaken using the Survey Monkey platform. Over 3,200 previous and current Digital Enterprise customers were emailed inviting them to take part. Digital Enterprise's social media channels were also deployed to publicise the survey in order to increase participation from businesses not currently or previously involved in the programme. In addition, partner organisations, such as Leeds City Region's local authorities, were notified about the survey and asked to encourage their own customers to take part.

The survey received 350 responses, representing a response rate of 11%, which is above average for online surveys.

This report includes a summary of the results, key findings and conclusions/recommendations. These are followed by an analysis of the survey results for each question, including a review of the sample by size and sector, where we highlight any key differences in responses received based on size or sector.

Summary, headlines and key findings from the survey are presented below:

- 350 businesses participated in our COVID-19 Business Survey – which represents 11% of the sample of businesses invited to participate (3,200). These included:
 - Current participants of the DE 2.0 programme.
 - Businesses that took part in the first phase of the DE programme (2016 to 2019).
 - Digital Knowledge Exchange participants past and present.
 - Firms responding to our social media posts about the survey.
 - Firms responding after being made aware of survey by partner local authorities.
 - All firms are based in the Leeds City Region.
 - Whilst there was a good even representation of all sectors, those with the highest representation included ICT, production/manufacturing, business administration and 'other' – which included marketing/creative agencies, design and print services.
 - The size profile of the sample included fewer micro firms and more larger firms compared to Leeds City Region and national business demography.

Immediate impacts upon businesses

- Immediate impacts on businesses of the COVID-19 emergency and lockdown included a fall in profits, customers, and turnover, as well as a depletion in cash flow, with contracts delayed/postponed and staff in some sectors (such as manufacturing) being unable to work from home. Some businesses had reported increased activity as a result of the lockdown.
- Sectoral and size differences were evident in relation to impact, with a higher percentage of firms in certain sectors (retail, construction), and those employing 6-10 staff, reporting falls in turnover and profits.
- In terms of staff availability, a higher proportion of larger firms (50 to 249 staff) and those in production, retail and construction reported difficulties.
- Issues with supply chains was highest amongst larger firms (50-249), perhaps not surprisingly as they are more dependent on international suppliers. Also, a higher number of firms in production and retail reported issues, in contrast to micro firms with a greater reliance on localised supply chains.
- Just over 67% of respondents indicated that they had the necessary IT/digital equipment to work from home – even more so for larger firms and those in the ICT/digital industries. This was in contrast to businesses in the retail and the production sector.
- Fewer firms reported their staff had the necessary equipment to work from home (just under 45%). A quarter of respondents indicated that employees were reliant on their own personal equipment or slower/older hardware. Due to the nature of the work, more firms in the production sector reported difficulties with staff being able to work from home, due to a reliance on specialist equipment and machinery only available on-site.

Help needed by businesses

- Over half of businesses in the sample intend to spend up to £5,000 on digital equipment to mitigate the effects of the COVID-19 emergency and lockdown, with a higher proportion of larger firms planning to spend more than £5,000. In contrast, less micro businesses intend to spend any more than £5,000 – due to limited financial capacity.
- Not surprisingly, the digital solutions/technologies which were most required by respondents included additional laptops, monitors, peripheral equipment (printers, etc), and an enhanced web presence, presumably to reach existing and new customers. Other digital solutions that are likely to be in demand include collaboration tools, such as MS Teams or Zoom, and also enhanced broadband/digital connectivity.

- Due to financial constraints being faced by businesses, particularly by smaller firms, 40% of respondents indicated that they would be unable to provide any match funding for their investment project, whilst 38% were able to provide up to a fifth of the value of their project. A higher proportion of larger businesses indicated the ability to offer more match funding.
- Almost half of respondents indicated the need to commence their investment in digital solutions immediately – (disproportionately more smaller firms), whilst 18.7% are looking to invest in the next three weeks.

Other issues

- The most popular themes selected by respondents for webinars included engaging customers using social media and digital marketing, and also around building business resilience. Other popular topics included using collaboration tools, running your business from home and cash flow management.
- Around 15% of respondents indicated that they provide goods and services for the NHS, social care services for nursing homes, emergency call out support to Ambulance and Police forces, security services to medical facilities, and home delivery services to the elderly or those that are self-isolating or the homeless.

Conclusions and recommendations

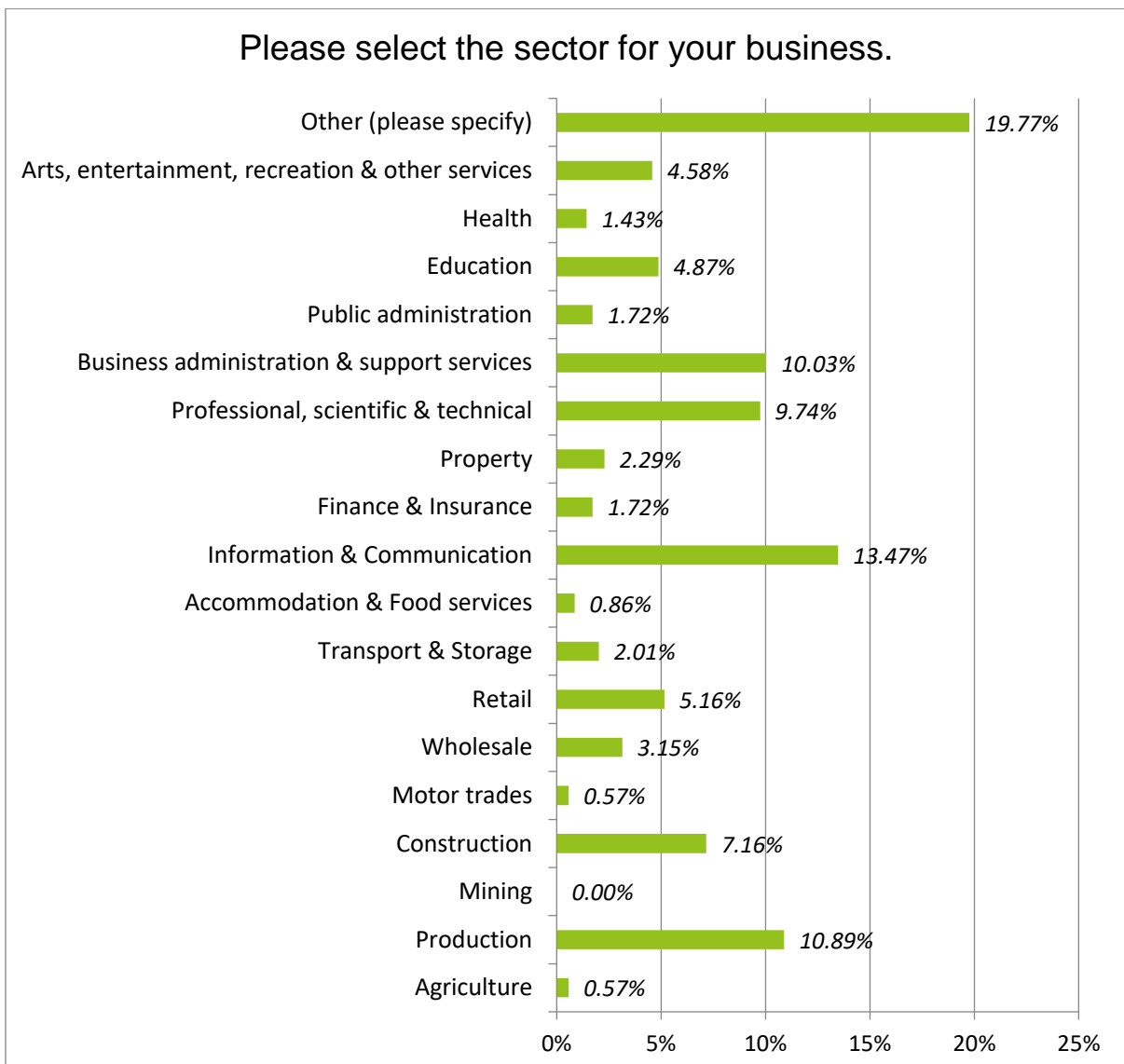
- All sectors and sizes of businesses have been impacted by the COVID-19 emergency and subsequent lock down - smaller firms in particular.
- The main impacts upon businesses have been related to falling customer numbers, profitability, turnover and cash flow. An easing of the lockdown will help many businesses recover their customers, but diversifying sales channels using digital technologies will become an even higher priority for many businesses with outdated web portals or inadequate web presence.
- The need for businesses to embrace digital transformation has become the highest priority for many firms as a result of the pandemic – requiring a need to fundamentally revise business models and modes of operation (using cloud based technologies and platforms) in order to operate flexibly and to build business resilience.
- Business support interventions will need to consider greater funding support and higher intervention offers for firms struggling with cash flow constraints and lacking any business confidence.
- Investment in cloud based technologies and hardware for staff will grow for many firms (particularly smaller firms) so that they can build business resilience and flexibility, particularly if further lockdowns are required due to COVID-19 pandemic.

1. Review of the sample of survey participants

The sample of businesses participating in the survey contained 350 completed questionnaires, which represents a response rate of 11%. The margin of error for responses is 5% (at a 95% confidence level).

Sectoral representation.

Survey participants were asked to select the sector for their business, from a list provided. The graph below shows the sectoral split of survey participants.



The graph shows that production (manufacturing), ICT and business administration, and the professional/scientific and technical sector had the highest level of representation in the survey.

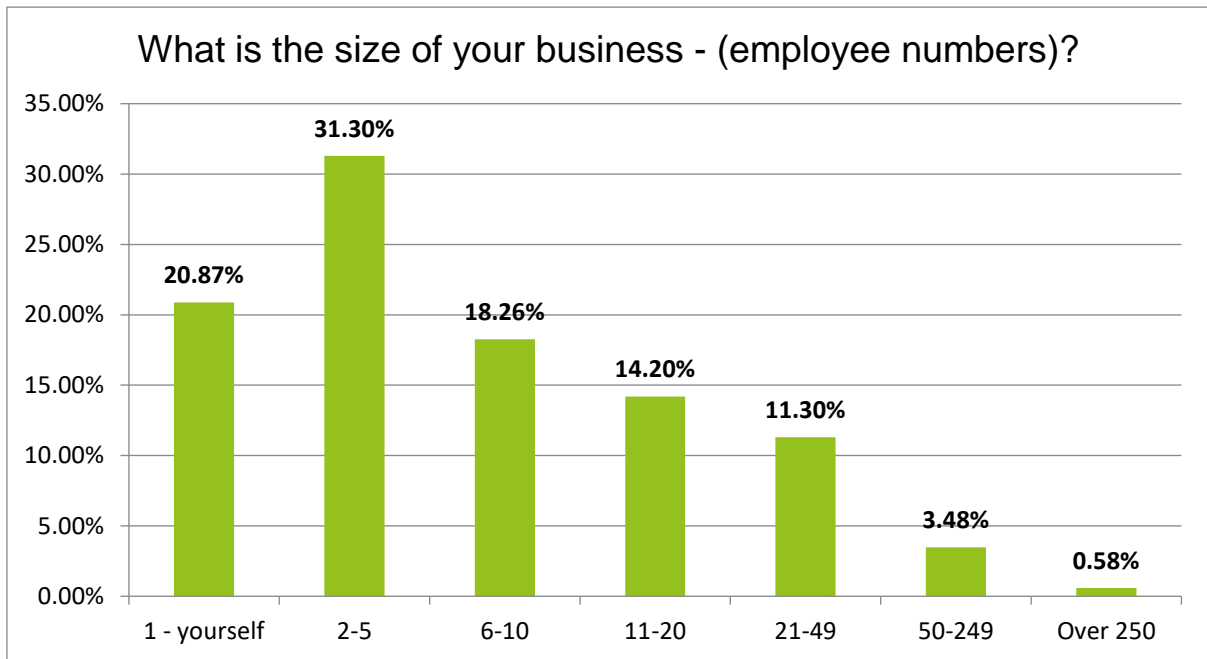
However, just under 20% of respondents indicated that their business was in the ‘Other’ category, which included:

- Marketing and communications (11 respondents)
- Graphic design and printing (11 respondents)
- Engineering and manufacturing services (8 respondents)
- IT, web development and technology services (11 respondents)

Size of firms (employees)

Respondents were also asked to indicate the size of their business – which is reflected in the graph below.

Micro SMEs, with between 0 to 10 staff, made up 70% of the sample, whilst around 21% of respondents do not employ any staff. A quarter of respondents employ between 11 to 50 staff, with the remainder (4%) employing more than 50 staff.



The size structure of the sample contained a higher representation of larger businesses compared to the business demography of the UK and the Leeds City Region.

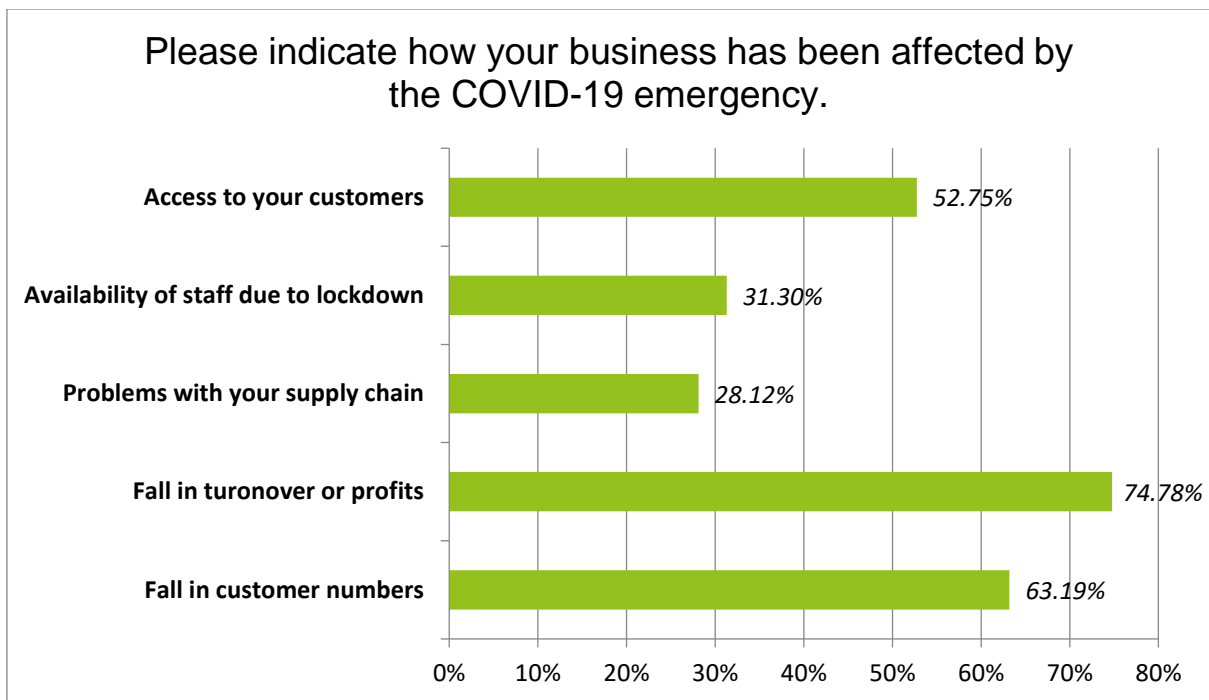
Location

Since the majority of respondents are either past or present participants of the Digital Enterprise programme, all firms indicated that they were based within the Leeds City Region.

2. Immediate impacts on businesses due to the COVID-19 emergency.

Respondents were asked to indicate how their business had been impacted by the COVID-19 emergency and subsequent lockdown, from a list of impacts. More than one choice was permitted.

The following graph shows the responses received on impacts upon businesses.



Respondents indicated a multitude of impacts, with the highest responses including a fall in profitability, turnover and in customer numbers. Nevertheless, over a third also indicated problems with staff availability due to the lockdown.

Variations to the response to this question were evident depending upon the size and sector of the business, including:

- A higher than average number of very small firms (1 employee or less), larger sized firms (50 to 249 employees), and retailers reported a fall in customer numbers. Whereas, fewer firms with 21-49 employees (50%) or firms in the ICT or construction sector reported falls in customer numbers.
- Profitability and turnover impacts were highest amongst firms employing 6 to 10 staff (84%) and those in the construction sector (84%). Interestingly, fewer larger firms (50 to 249 employees) reported a negative impact on profitability (62%).

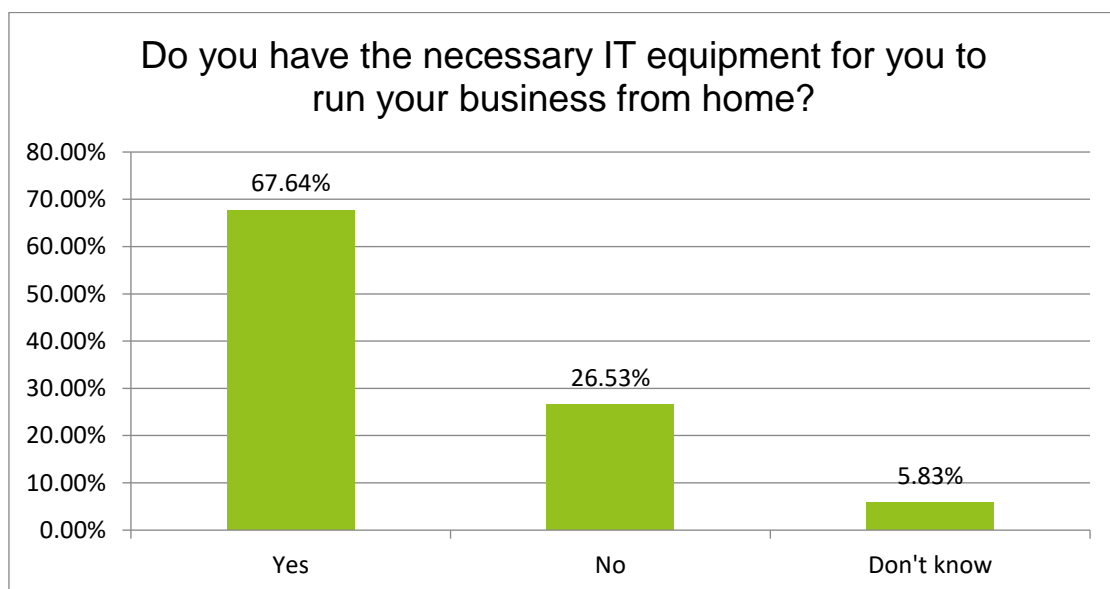
- In terms of problems with the availability of staff, a higher proportion of larger firms (50 to 249 employees) and firms in production/manufacturing, retail and construction indicated that as a constraint.
- Issues relating to supply chains were highest amongst firms employing 11 to 20 staff and those employing 50 to 249. Also, a higher than average proportion of firms in the production and retail sectors reported issues around supply chains. The ICT and business administration sectors were least likely to indicate issues in this regard.

Up to 21% of respondents described other impacts upon their business, which included:

- Lack of cash flow or financial difficulties.
- Forced closure of business due to lockdown.
- Delayed or cancelled contracts.
- Difficulty operating business remotely due to home working constraints and increased childcare.

Nevertheless, some respondents also indicated that their turnover/sales or workload had increased following the implementation of the lockdown.

Next, respondents were asked if they had the necessary IT equipment for them to run their business from home. The graph below reflects the responses to this question.

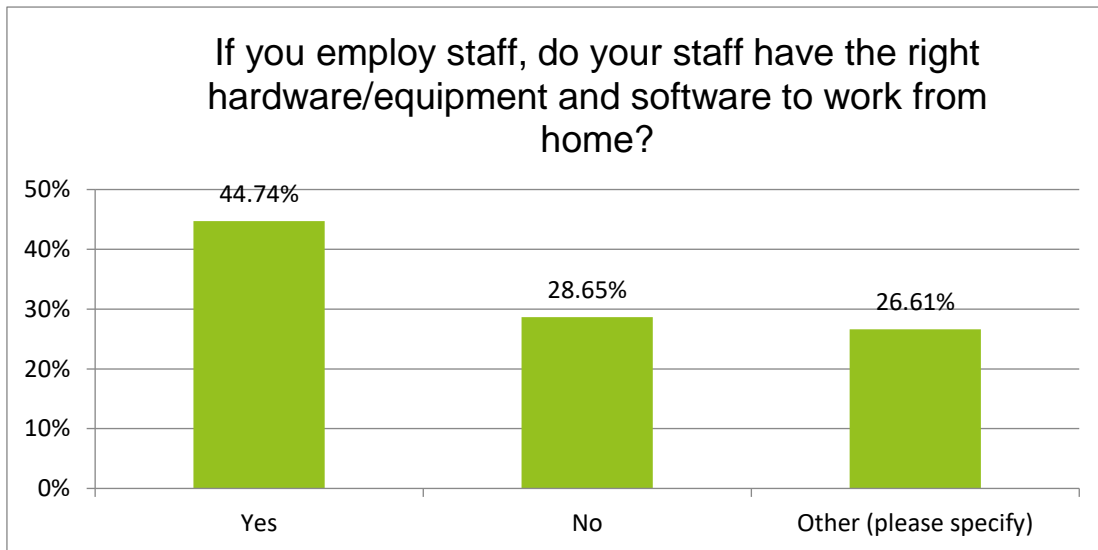


Just under 70% of respondents indicated they had IT equipment allowing them to work from home or remotely, whilst just over 26% indicating that they didn't – 6% were unsure.

Business size and sector differences influenced responses to this question as follows:

- Larger firms tended to provide a positive response to this question – with 75% of those employing 6 to 10 staff and 77% of those employing 50 to 249 staff indicating they had the necessary IT equipment.
- Fewer respondents in the production/manufacturing sector (42%) and retail industry (56%) reported having the necessary equipment to work from home, whereas 81% of respondents from the ICT/digital sector responded positively.

Respondents were then asked, if their staff have the right hardware/equipment and software to work from home (where they employ staff). 250 respondents (71% of the sample) replied to this question, with the results shown in the graph as follows:



Whilst the majority (45%) indicated that staff did have the right IT equipment to continue working, a high number of respondents (27%) qualified their answers – with responses including:

- Staff using their own equipment, which can be outdated.
- Heavy machinery for manufacturing processes cannot be used at home.
- Slow equipment or internet speeds limiting productivity.

As above, sector and size differences were prevalent with the responses received:

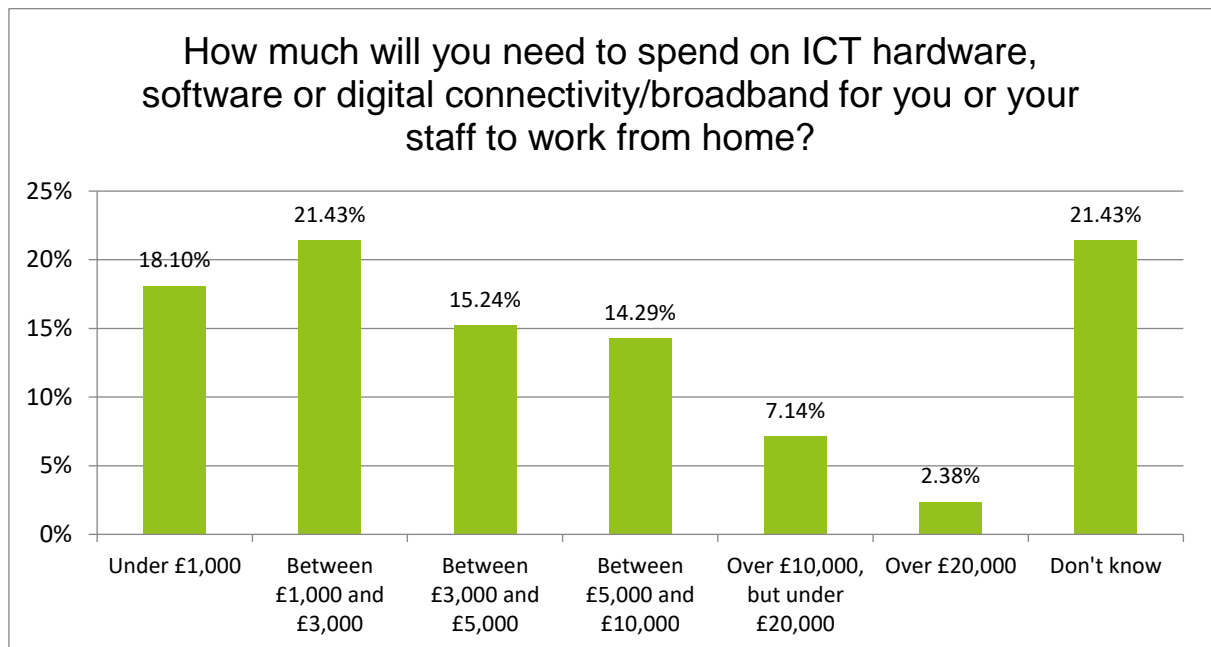
- Businesses in the production sector responded negatively – due to the nature of the work their staff undertake.
- Over 62% of respondents employing between 6-10 staff indicated that their staff had the necessary digital hardware/software to work from home.

3. Help needed by businesses

The next section includes responses to several questions about the help or assistance businesses need to be able to cope with the economic consequences of the lockdown.

Firstly, respondents were asked how much they intend to invest any new digital equipment or ICT systems/solutions to enable them or their staff to work from home.

The graph below shows responses to this question. Only 60% of respondents replied to this question, suggesting that the remaining firms in the sample do not intend to invest in new digital solutions for this purpose.

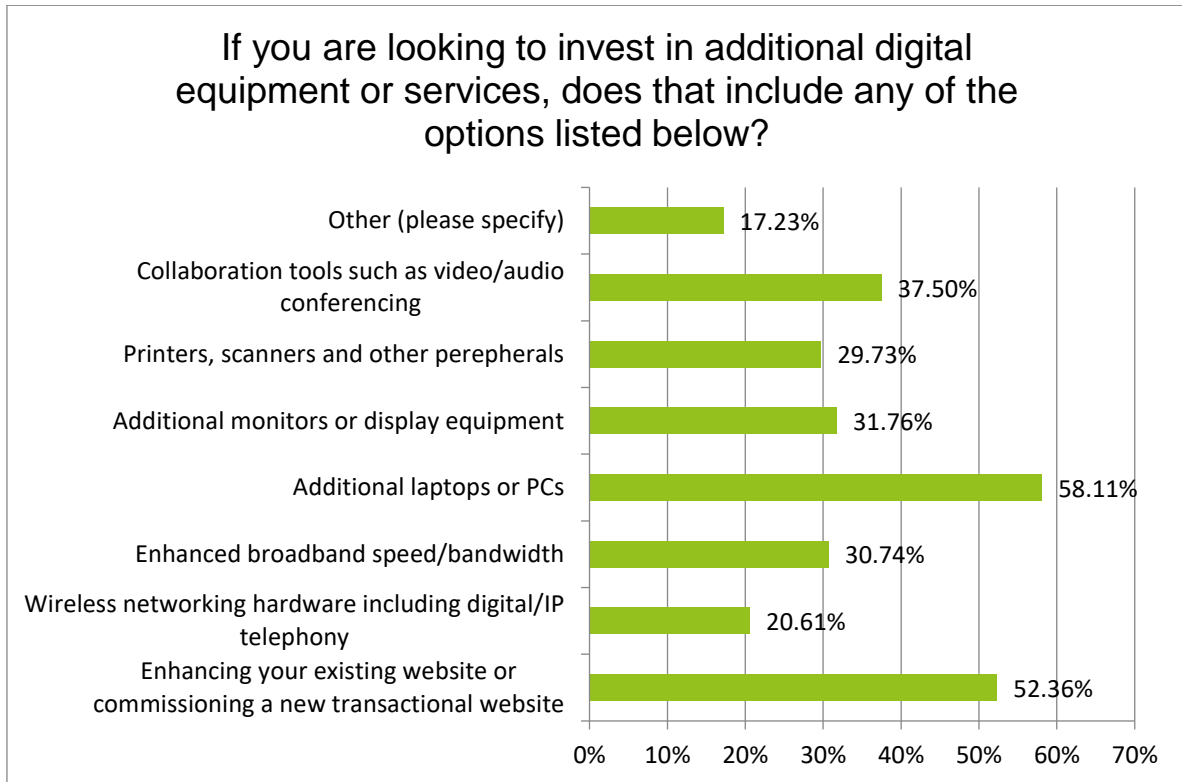


The graph shows that the majority of respondents (55%) intend to spend up to £5,000 on digital technology to facilitate home or off-site working for themselves and/or their staff.

Interestingly, over 21% of respondents were unsure about the level of investment – which may reflect upon uncertainty of requirements for staff and the cost outlay required.

Again, the size of a firm influenced the level of investment to be undertaken – with 31% of larger firms (employing over 50 staff) indicating plans to spend over £5,000 on digital equipment, whereas only 7% of respondents with 1 or no employees are planning this level of investment.

Respondents were asked to indicate the types of digital technology or solutions that they intended to invest in. This question generated a response from 85% of the sample, with the results indicated as follows:



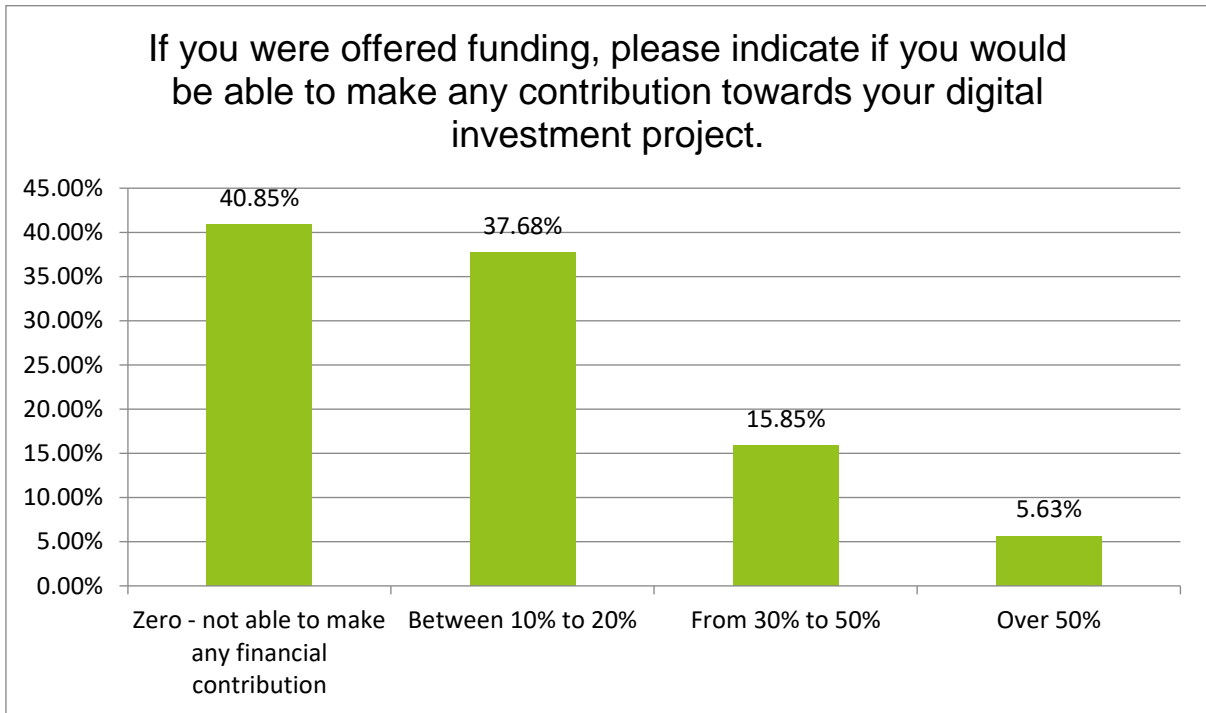
It is no surprise that digital hardware, including laptops/PCs, display equipment and peripherals (printers, etc), recorded the highest responses from firms. Investment in the current website also received a very high response (52%), followed by collaboration tools (facilitating team working) at 37.5%

Diverging responses were evident depending upon the size and sector of the respondent, for example only 31.5% % of businesses with 0 to 1 employee are aiming to invest in PCs/laptops, compared to over 60% of larger firms (more than 10 staff).

Interestingly, a survey of businesses by Forbes, undertaken in 2020 revealed that when asked which technologies they are looking to invest in, cloud based applications/solutions and cyber security were comfortably the most popular – particularly amongst larger SMEs and corporates.

Match contribution

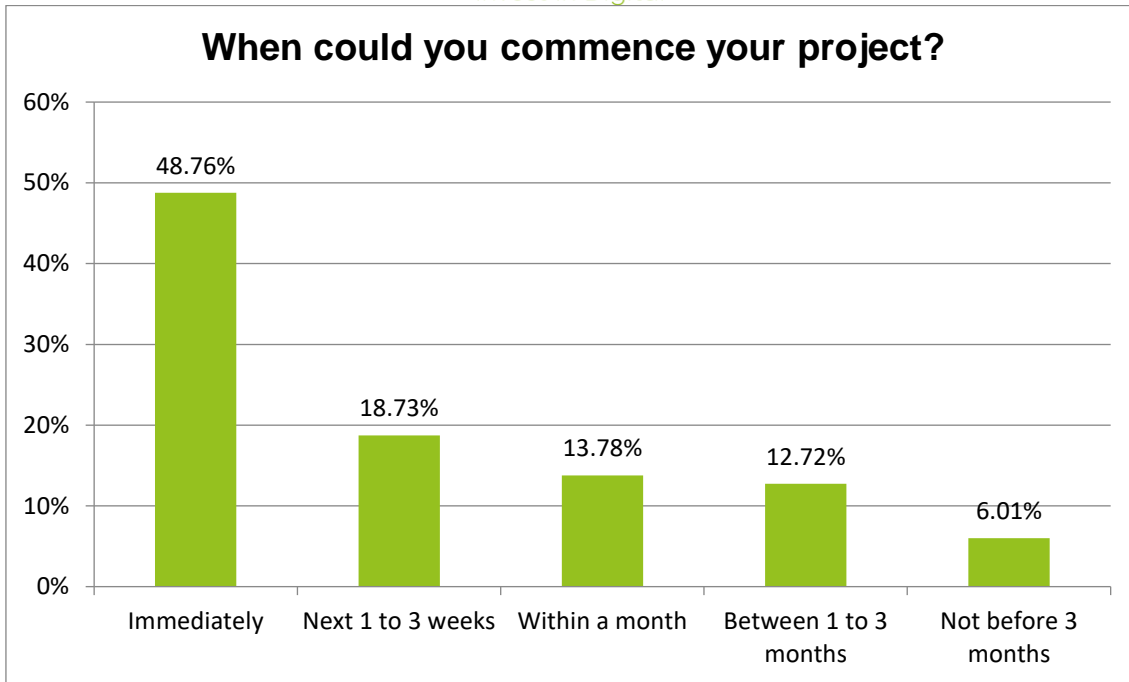
Business support programmes like Digital Enterprise often require participants to make a contribution to their investment project, which is typically around 50%. Hence, the next question aimed to determine if/whether respondents were able to make any match funding contribution, should they be accepted for funding for their project.



Not surprisingly, over 40% of firms indicated that they could not make any financial contribution to their investment project at this time – since diminishing cash flow will be a major issue. Just over 37% of firms indicated their ability to provide up to 20% match. The remainder of firms (21%) indicated that they could offer higher levels of match – over 30% of the project’s value.

Size is a key factor here, as cash flow constraints will affect smaller firms disproportionately. A higher number of firms with 1 or no employees indicated that they were unable to offer any match (47%), compared to only 25% of larger firms (21 to 49 staff), which are likely to have greater financial capacity, overall.

Finally, respondents intending to invest in new digital solutions to support home working, were asked to indicate an approximate timescale for their investment project. Responses to this question are shown in the following graph:



Again, not surprisingly, the clear majority of firms (49%) would like to commence their project immediately to help their business cope with the lockdown, with a further 32% intending to invest in the next month or so.

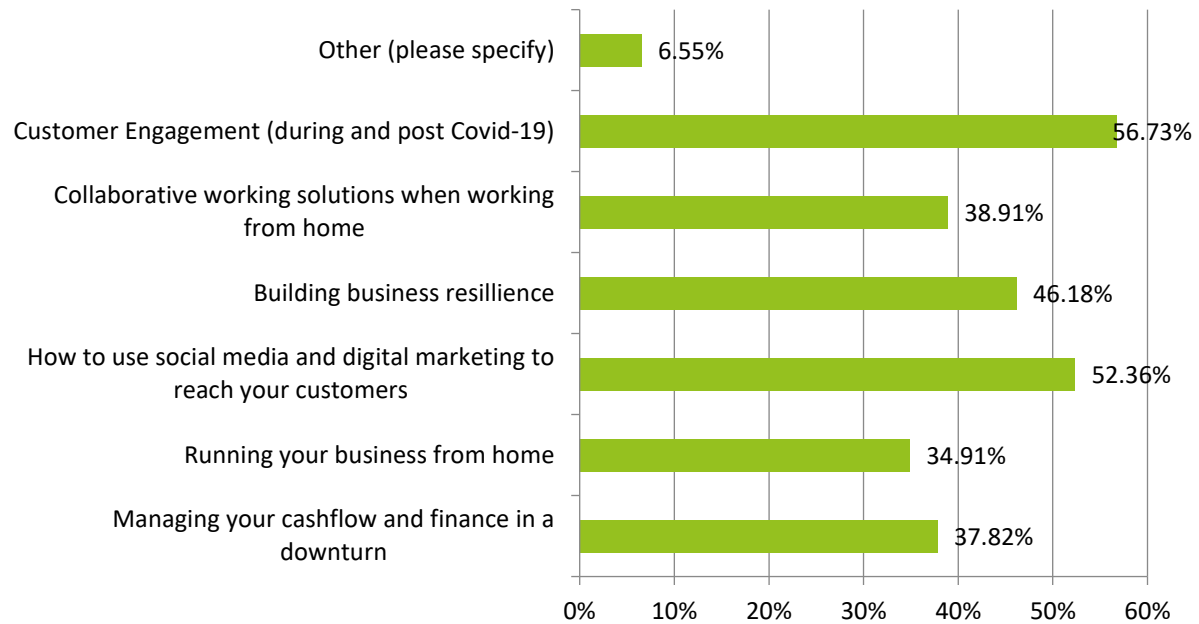
A higher proportion of smaller firms (less than 2 employees) indicated the need to commence their project immediately (56%) compared to the average and also compared with only 36% businesses with 6 to 10 staff.

4. Other issues

Businesses were then asked if they had a need for support around education and knowledge on digital technologies and solutions, which could be covered by the Digital Knowledge Exchange.

Over 79% of businesses in the sample indicated an interest in accessing webinars delivered through the Digital Knowledge Exchange or other providers. The graph below shows the most popular topics and themes selected by respondents.

Our Digital Knowledge Exchange will be rolling out a new programme of webinars to help businesses cope with the crisis. Please indicate below which topics you would like to see.



The graph shows the highest demand for topics including Customer Engagement during the COVID-19 emergency, and using social media to reach your customers.

Other topics in demand include building business resilience (46%) and managing cash flow (38%).

Respondents would also like to see webinars on:

- Cybersecurity.
- Help with finance and funding.
- Digital content creation.
- Enhancing web presences and sales.
- Adapting to new collaborative and remote working.

Finally, businesses were asked if they provide goods and services to supporting frontline services including the NHS and others. Just under 15% of the sample responded to this indicating the types of goods and services they provide. Below we have indicated a sample of the variety of goods and services mentioned by respondents:

- Social care services, including nursing homes.
- Emergency call support to Ambulance and Police forces.
- Security and safety services to medical facilities.
- Home delivery services to the elderly, those self-isolating and the homeless.

- Suppliers/manufacturers of component for medical equipment including mattresses and PPE.

5. Conclusions and recommendations

Below we have listed some conclusions and recommendations to business support agencies, based on the evidence presented above, around ways businesses can be assisted.

- The survey evidence indicates that all sectors and sizes of businesses have been impacted by the COVID-19 emergency and subsequent lock down. However, smaller firms and those in specific sectors have been impacted disproportionately, including firms with less than 1 employee, or retail and construction businesses.
- Falling profitability, turnover and cash flow, due to a reduction in customer numbers, have been the most reported impacts by businesses. Hence, the economic recovery of these businesses is dependent upon an easing of the lockdown, but also the ability to reach customers through other channels.
- Many firms have been successful in switching operations to home working for their staff, however, many employees are using old or outdated personal technology, affecting their productivity. Smaller firms are particularly in need of investment to help equip their staff with the necessary tools to operate from home.
- Cash flow constraints and business confidence will be the biggest barriers for further investment in digital technology by businesses, particularly for smaller firms. Business support programmes will need to consider increasing both funding levels and the intervention rate in order to incentivise businesses to update their digital technology in order to boost their resilience and long term growth.
- Businesses from all sectors and sizes are keen to access knowledge and skills focused on digital technologies via webinars – which will need to replace large scale events and face-to-face seminars in the medium term.
- Businesses are very keen to access knowledge and information about digital topics and themes, which will help develop their business, particularly around business resilience, engaging customers, managing cash flow and running a business from home. The COVID 19 emergency has made the delivery of traditional business support very difficult, hence online learning, through webinars and other engaging media will continue to grow in importance to engage businesses.

Finally, the key message around digital transformation, promoted by the Digital Enterprise programme over the last several years, has never been more relevant today and was confirmed by Forbes magazineⁱ, based on their own research findings - “Digital Transformation is no longer an option for businesses”.

Nevertheless, it is acknowledged that digital technology alone is not and has never been a silver bullet when it comes to successful business development and transformation, with business culture and engaging people/staff being equally important, as quoted by Forbes:



“Technology as a driver of company culture has got its place in the sun, and it is the responsibility of the leadership of companies of all sizes and sectors to futureproof their operations by keeping it there.”

Muz Mumtaz - May 2020.

ⁱ Digital Transformation Insights Report May 2020 – “Digital Transformation in the time of Corona” Business Survey 2020 and Forbes Media