



COVID-19: HOW UK SMEs ARE RESPONDING

APRIL 2020

WE BELIEVE IN **YOUR** BUSINESS

INVOICE FINANCE • ASSET FINANCE • TRADE FINANCE • STOCK FINANCE • FX

BIBBY
FINANCIAL SERVICES





SMEs FACE CRITICAL CHALLENGES AS THE IMPACT OF COVID-19 IS REVEALED

Covid-19 continues to have a significant impact on the global business community. This study, which surveys 500 of the UK's small and medium-sized businesses across the manufacturing, construction, wholesale, transport, and services sectors, indicates that the picture is mixed, but what is clear is that the pandemic is severely affecting how SMEs operate and manage costs.

The research revealed that almost a third of SMEs (31%) believe they will be unable to cover their running costs by the end of July, despite the support available from the Government. Looking further ahead, this number rises to more than half if the lockdown continues into Q3.

Since the outbreak in the UK, a quarter of the SMEs surveyed have experienced bad debt, writing off an average of £34,500. Bad debt notwithstanding, SMEs are facing mounting cashflow pressures with more than three-quarters (77%) experiencing a decline in sales since the outbreak began. Additionally, almost a fifth (17%) of SMEs have been forced to renegotiate contracts with customers and suppliers.

These challenges are further compounded by late payments, with over a third (35%) of SMEs reporting that customers are taking longer to pay than usual.

HOW ARE SMEs RESPONDING?

SMEs are reacting to these cashflow issues in different ways. Perhaps most worryingly, almost two-fifths (39%) have ceased operations for the time being, while 38 per cent of SMEs have closed parts of their businesses.

In response to the Government's social distancing guidelines, remote working is something that almost half (47%) of SMEs have fully implemented, and that many (39%) have introduced partially, with

some staff still attending their premises. Just 15 per cent of SMEs have not enabled remote working at all, and it is likely that these are in 'key' B2B sectors such as retail.

THE IMPACT OF GOVERNMENT MEASURES

Despite these challenges, SMEs have responded positively to the Government's measures, with half believing that salary support, closely followed by Government grants (47%), are the most helpful. It is encouraging to note that these measures have delayed redundancies for almost a quarter (24%) of businesses and saved over a fifth of businesses (21%) from collapsing.

However, the data found that over a third (36%) of SMEs do not understand whether they are eligible for Government support, and more than a quarter (26%) feel that the schemes are either too complex to grasp, or that they are too time-consuming to apply for. Whilst a third of businesses (33%) say that by the time Government support comes through it will be too late.

WHEN CAN SMES EXPECT TO GROW?

In regards to business growth, perhaps unsurprisingly, a third (32%) of SMEs state that they will start to grow again after lockdown measures are lifted or reduced, while 19 per cent said they will consider growing again once it is clear that we are through the worst of the pandemic.

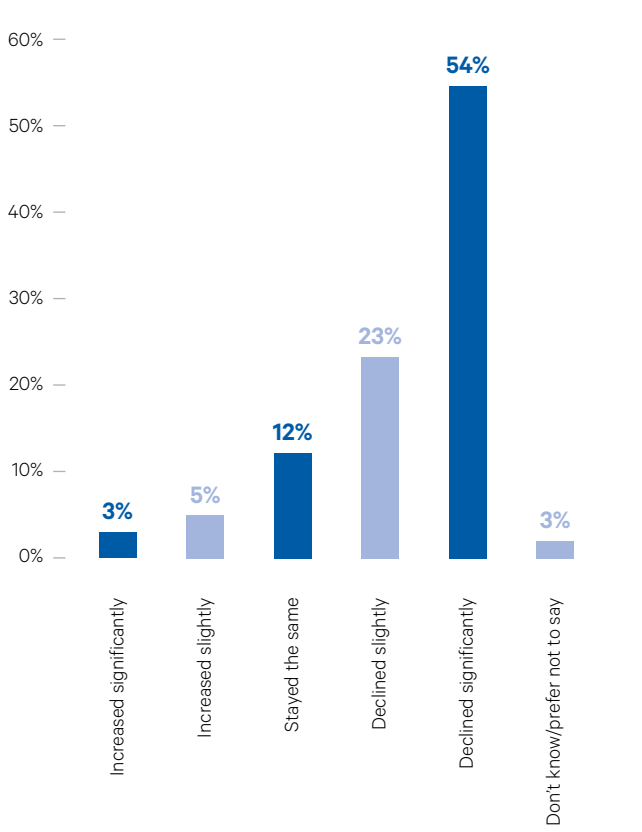
It is evident that for many SMEs, right now is a period of survival, while they look to manage costs and understand the public sector measures which may help them to navigate these uncertain times.



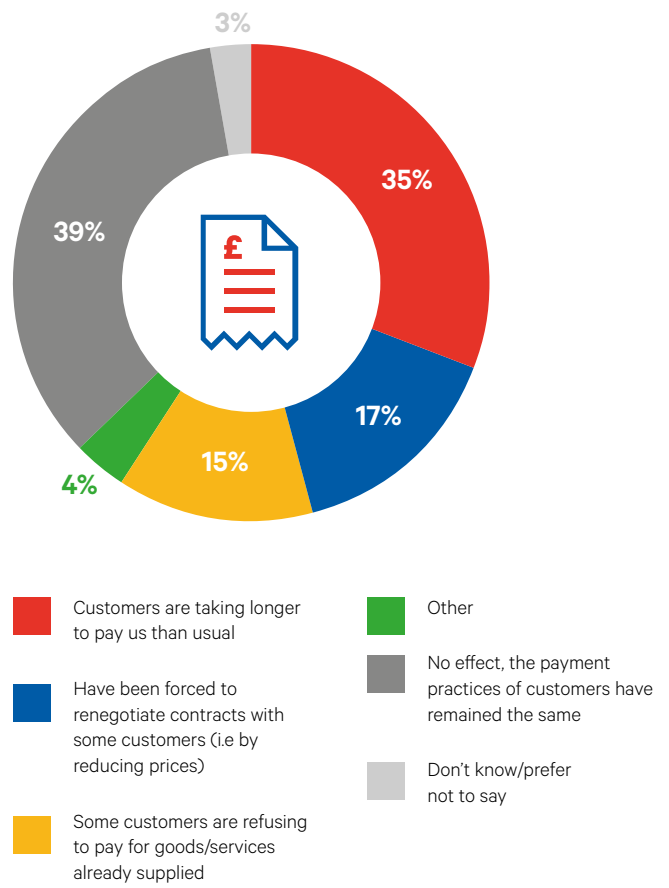
“Government support has provided some relief to SMEs during this challenging time, however there is more work to be done. While it's positive to see the Chancellor proactively supporting the UK's businesses, it is vital that the private and public sectors work collaboratively to support all SMEs. In order for the economy to recover, we must ensure that those not eligible for Government support can still access the funding they need to weather the storm.”

EDWARD WINTERTON
UK CEO at Bibby Financial Services

IMPACT ON ORDERS



IMPACT ON PAYMENT PRACTICES



COST SAVING MEASURES



31%

Have had to furlough some staff



18%

Have closed some sites/lines of business



18%

Have stopped trading to reduce costs



12%

Have withheld payment to suppliers



12%

Have had to lay off some staff



7%

Have withheld rent on premises



2%

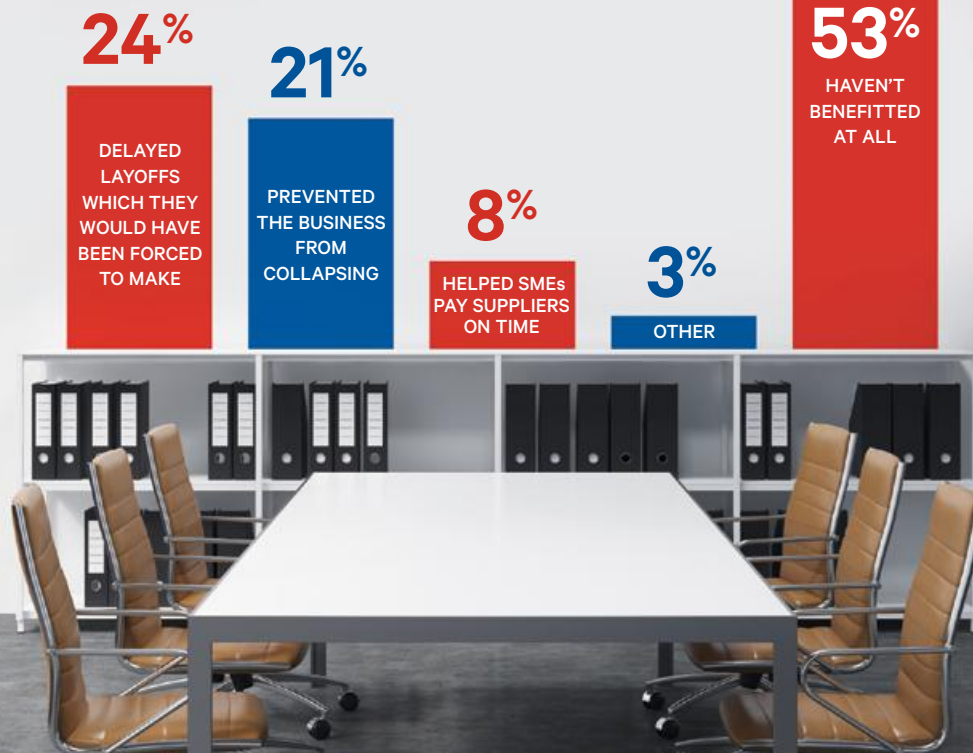
Other



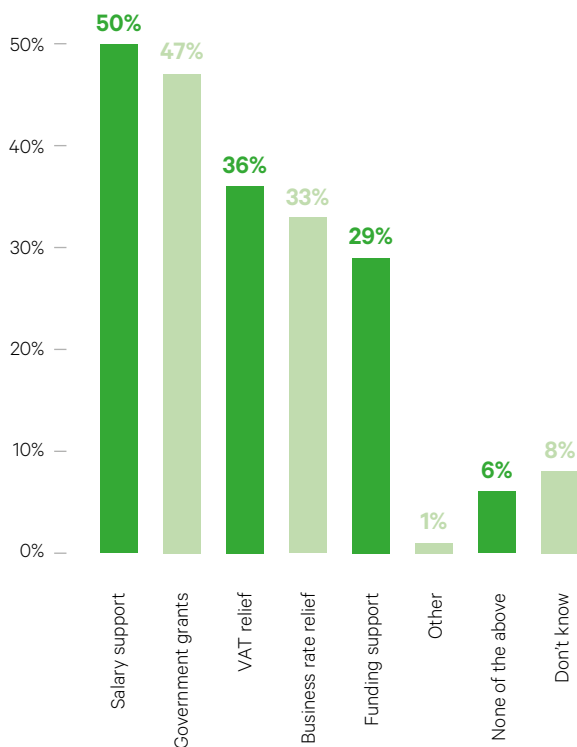
35%

Haven't done anything so far to try and reduce costs

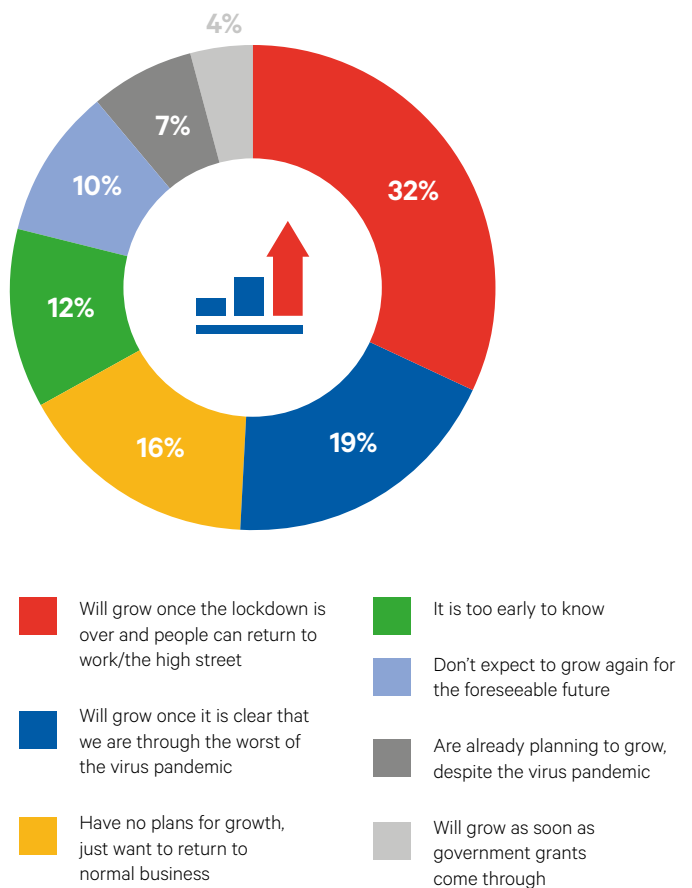
THE IMPACT OF GOVERNMENT MEASURES



MOST HELPFUL GOVERNMENT MEASURES



SME GROWTH EXPECTATIONS



ABOUT THE RESEARCH

The study is based on Bibby Financial Services' Covid-19 Pulse Survey - a poll of 500 UK SME owners and decision makers across the manufacturing, construction, wholesale, transport and services sectors. Fieldwork for the survey ran from 2nd April - 14th April 2020 and respondent businesses had an average annual turnover of £1.68m. Research is conducted by Critical Research, one of the UK's leading independent market research companies.

ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services (BFS) is a leading independent financial services partner to over 12,000 businesses worldwide.

We provide specialist and adaptable trade, asset and working capital finance, FX and insurance services helping businesses to grow in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 200 years.

In 2011, 2012, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 the business was awarded a place in The Sunday Times 100 Best Companies to Work For, ranking 72nd in the most recent poll.

To find out more about Bibby Financial Services, visit:

www.bibbyfinancialservices.com

CONTACT

CHARLOTTE KNIGHT

PR and Content Manager
Bibby Financial Services

charlotte.knight@bibbyfinancialservices.com

Connect with us on:



CALL US ON 0808 2310 865

VISIT bibbyfinancialservices.com

WE BELIEVE IN YOUR BUSINESS

INVOICE FINANCE • ASSET FINANCE • TRADE FINANCE • STOCK FINANCE • FX

