

SME OUTLOOK TRACKER **Report** October 2020

In August and the first half of September, before the new measures announced by the government, we asked SMEs across the UK to share their outlook for the next 12 months. This report summarises the findings.

Based on the findings we have made some observations and include some recommended actions for SMEs to take.

HEADLINES

- **Smaller businesses (up to £250k) are less likely to make redundancies than larger businesses (£1M+).**
- **61% of SMEs are expecting their revenue to drop over the next 12 months.**
- **One third (32%) of SMEs expect to make redundancies over the coming 12 months.**
- **The top 3 priorities for SMEs in the next 12 months are:**
 - 1. Looking after existing clients**
 - 2. Finding new clients**
 - 3. Survival**

Please do get in touch if you would like any advice, guidance or support.

01273 480480
info@knilljames.co.uk
www.knilljames.co.uk

KEY FINDINGS

Income predictions

- 61% of SMEs predict their income will reduce.
- 32% predict reductions of 20%+
- Only 22% of SMEs predict increases in income.

Headcount predictions

- 32% predict they will be reducing their headcount.
- 19% expect to increase their headcount.

By Business Size

- Only 18% of smaller businesses (under £250K turnover) are expecting to reduce headcount over the next year.
- In contrast, almost half (46%) of companies turning over £1M, and 57% of those turning over more than £5M, believe they will be making staff redundant.
- Larger SMEs (£1M+) have identified increasing operational efficiency as one of their key priorities.

By Region

- There are some marked differences across the regions: in the South 55% of SMEs predict reduced income, compared to 71% in the Midlands and 63% in the North.
- 29% of SMEs in the South expect to reduce their headcount, compared to 43% in the Midlands and 51% in the North.

Sectors

There are some significant variations in outlook across the sectors:

- 67% of those in the construction & engineering and the professional services sectors predict reduced income.
- Whereas 47% of the media & technology sector income increases; although this is matched by 47% also predicting reductions.
- The hospitality sector has slightly different priorities to the majority - their priorities are survival, reducing overheads and finding new clients.
- The professional services sector has prioritised looking after existing clients, closely followed by finding new clients.

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OBSERVATIONS

The poll has thrown up some interesting observations. Not surprisingly, there are some differences by business size, sector and regions. Our key observations are detailed below. On the following page we have listed some practical suggestions of things SMEs should look to do over the coming months.

Turnover & Headcount

There are some marked differences between the smaller and larger SME businesses surveyed.

Despite larger organisations being more optimistic about their turnover they are planning to reduce headcount whereas smaller businesses are focusing on keeping their staff. This could be a reflection of the need for larger businesses to keep shareholders happy meaning that they need to take decisions quicker, whereas smaller businesses are perhaps more paternalistic.

SMEs Priorities over the next 12 months

There are interesting, but not surprising, differences in the top 3 priorities between business sizes. The top four priorities across all business sizes are:

- **Cost reduction:** reduce overheads and increase operational efficiency.
- **Sales:** looking after existing clients, finding new clients.

The businesses with turnover above £1M are most likely to develop and invest in their people. Growth is also more of a priority for larger firms whereas smaller firms are very much pre-occupied with survival.

Smaller businesses leaner than larger businesses?

Many businesses are understandably pre-occupied with seeing themselves survive over the next 12 months.

Unfortunately, few will come through this period unscathed and if survival means having to reduce headcount, then this may be one of the few options available to them. It's interesting, however, that smaller businesses in the survey appear more resilient and may be an indication that they already run a leaner business than larger businesses.

The research was conducted by the UK200Group during August and September 2020. A total of 255 SMEs from across the UK participated in the research.

KEY AREAS FOR SMES TO FOCUS ON AS A PRIORITY

Cash

You need to understand your financial position before you can make the right decisions in other areas.

- Cashflow - do you have sufficient cash in the bank to enable you to continue to operate for the next 3, 6 and 12 months?
- Forecasting - what do the finances for your business look like in the short and medium term? Your forecast will inform you and enable you to make the right decisions to keep your business moving. Preparing longer-term cashflow forecasts will help you understand what additional funding requirements you may need.
- Collect the cash you are owed. Speak to customers that owe you cash and proactively work with them to secure payments. Show empathy to those that are struggling and work with them to agree a payment schedule. Similarly, if you owe cash to suppliers or others speak to them and agree a payment plan that works for you both.
- Do you need to access additional cash? If so, look at your options carefully and consider the impact of any additional borrowing.
- Make the most of tax deferrals, grants and other financial support that may be available to you.
- Review and refine your pricing and payment terms. How your customers pay you may need to change to help them and/or to help you. Think about the best way you can get paid in a way that is fair and appropriate for your customers.

People

Look after your people. Once you know your financial position, you will know whether you need to reduce, increase or maintain your headcount and you can plan accordingly. Your priorities for your people are their wellbeing and ensuring they have the tools and support to do their jobs.

- Do you need to make some job roles redundant? This needs to be handled carefully and appropriately. You must follow the correct protocols.
- Workplaces - whether this is their home or a workplace, ensure they have the tools to do their jobs – safely & securely. Ensure your workplace meets social distancing and hygiene requirements.
- Conduct regular H&S and wellbeing reviews. Record the outcomes and act on them.
- Communications will be key. Ensure you are communicating regularly and appropriately with all staff – whether they are at home, on furlough or in the workplace.

Customers

Your customers are vital to your business. You need to be talking to them and identifying the ways you can help them. Review products and services and how you deliver such. Make sure your customers feel safe and secure, know how to contact you and know how you can help them.

- Consider how the customer experience has been affected as a result of changes? Making appointments, access to your premises or changes to being able to book appointments will all affect your customers.
- Communications. Don't assume your customers know how you can help them and how they can buy from you.
- Get in touch with your existing customers. Call them and/or write to them. Post messages on social channels. Be highly visible with relevant and helpful information and content.
- Make sure you can deliver. If you are reliant on others e.g. suppliers or transportation, check your supply chain and secure what you need to ensure you can deliver for your customers.
- What do your customers need and want? Identify the key things that your customers need from you right now. This may have changed from 'normal times'.
- Review and refine your products and services. We are in a new world. What worked before may not now. Think about the alternative ways you can make life easier for them. Review packages, delivery options, promotion. Be creative and find ways to make your products and services accessible and attractive.