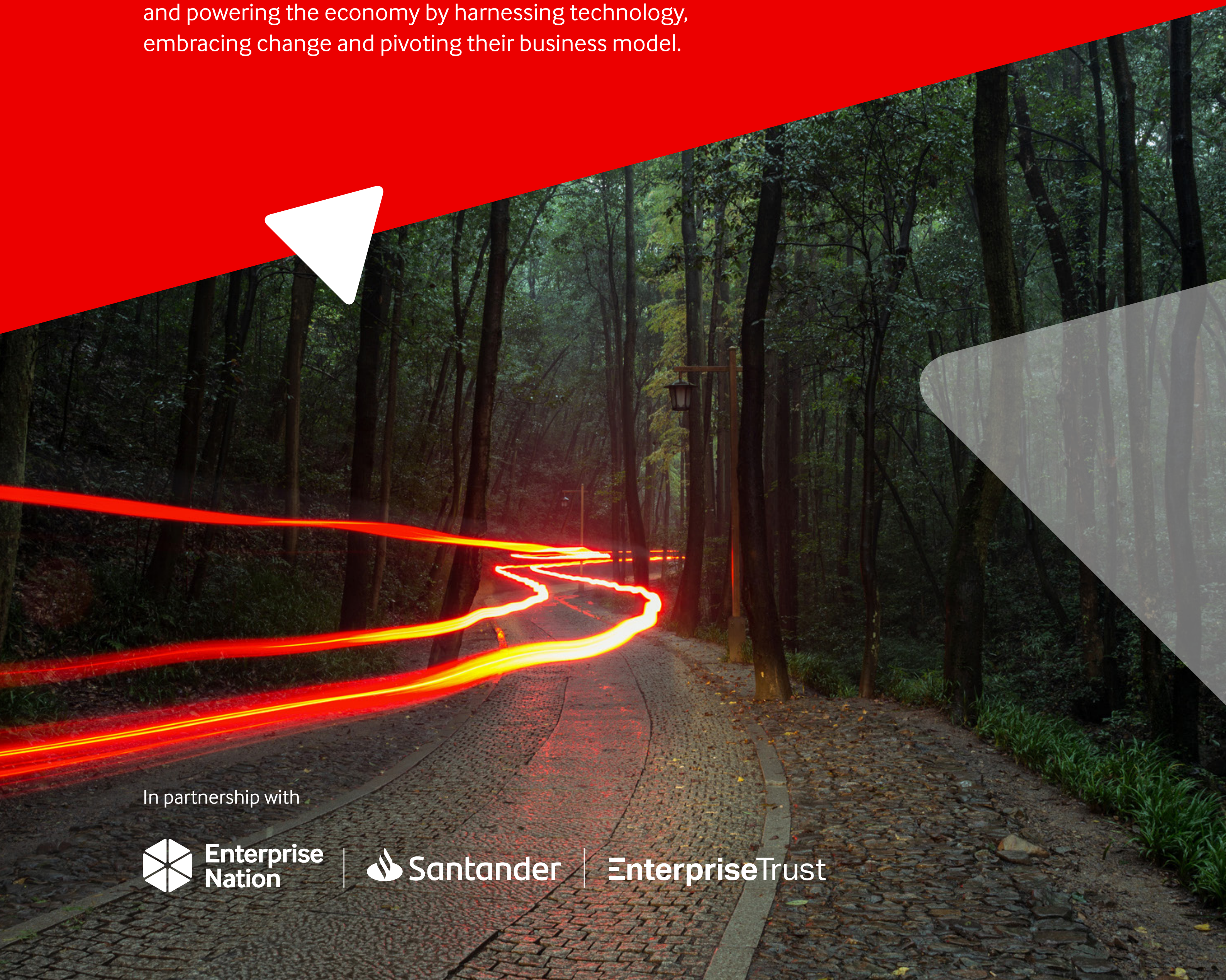
The 10 per cent

One in ten businesses are trailblazers, prospering and powering the economy by harnessing technology, embracing change and pivoting their business model.



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About this report

'The truth is that our finest moments are most likely to occur when we are feeling deeply uncomfortable, unhappy, and unfulfilled. For it is only in such moments, propelled by our discomfort, that we are likely to step out of our ruts and start searching for different ways or truer answers'.

M. Scott Peck
American Psychiatrist

More than a year on from the beginning of the COVID-19 pandemic, this report reflects its impact on the UK business landscape. It also seeks to quantify and understand the response from business and learn lessons about the possible future the pandemic has shaped for business.

Following a review of pandemic related research and commentary from across 2020-21, the report pulls together key findings about some of the major changes the pandemic has initiated and accelerated. The report considers both the good and bad that the pandemic has triggered for UK business, but at a time of optimism, it prioritises understanding in more detail the positive outcomes.

A central insight from this report is that **one-in-ten UK businesses experienced an increase in turnover during the pandemic.** This aligns with findings from research into previous economic shocks that one-in-ten businesses typically flourish in difficult times. Interested in understanding who **the 10 per cent** are and to identify what they did differently, this study also brings in fresh findings from a newly-commissioned survey of UK business leaders and a number of illustrative case studies.

What is clear is that those who triumphed are the ones who took action. They changed plans and pivoted towards opportunity finding new ways of working, capitalising on the pace of change and leveraging their existing competitive advantages. They also invested in research and development, and embraced technology and a more digital future.

Now that the horizon is clearer and confidence and optimism are climbing, there are important lessons we can learn from these businesses.

The report goes on to make a number of policy recommendations, primarily targeting ways of not just 'building back better' but focusing on building back balanced and building more resilience into Britain's entrepreneurs.

Foreword

Sean Longsdale
Managing Director
Structured Finance, Santander

It's clear to see from our report, that the entrepreneurial spirit is still very much alive and kicking among SMEs in the UK, despite the impact of the COVID-19 crisis.

The challenges of COVID-19 and the UK's departure from the EU have impacted businesses across the UK. But for high growth businesses, flexibility and the ability to adapt quickly and show resilience have been crucial. Our report shows the top three responses to COVID-19 cited by high growth businesses were - making their business more agile and responsive (29%), encouraging staff to use their initiative and take decisions quickly (26%) and monitoring and responding quickly to changing demands (26%).

Thanks to the pandemic, many businesses were forced to rethink the way they operate. That's not just adaptations and changes to the way they do business but for some a complete rethink of their long-term business strategy moving forward. There's no doubt that remote and hybrid working is here to stay and those that embraced it early will reap the rewards.

While the pandemic has been harsh for some businesses and sectors, we have seen other companies and sectors that are doing surprisingly well and carrying on with little impact to trading - these are the businesses we'll be celebrating and focusing on in this report.

As you will see, looking ahead, more than 4 in 5 (87%) high growth businesses are confident about their prospects over the next twelve months and the proportion of businesses classified as 'high-growth' (those with a turnover growth rate of +20%) has increased by a third compared to before the pandemic (27% vs. 20%).

Many businesses have already speeded up their drive towards digitisation as a result of the pandemic. Next on the agenda is the aspiration to be greener and more sustainable, with 72 per cent of high growth businesses confident that a movement toward a greener economy offers positive opportunities for UK businesses.

I would encourage every UK business to read this report and to heed the lessons of the trailblazers – the fast-growing businesses. Consider the efficiencies that can be driven through by working differently or through adopting technology. Remain agile and make decisions quickly, invest in your teams and think about where your business can grow. You will come out of this leaner and stronger if you can embrace the changes wrought by the pandemic.

At Santander, we're here to help fast growth businesses as they navigate these changes. **More information is available on our website www.santandercb.co.uk/trailblazers.**

Foreword

Helen Booth
Director
The Enterprise Trust

This report demonstrates why it's important to study how successful businesses respond to economic shocks such as the pandemic.

We must learn from those that thrived to help all businesses develop confident coping strategies that can support them in the future, protecting livelihoods and the economy.

They changed course, they embraced change, they leveraged their competitive advantage and invested.

It's fascinating to see how they not only pivoted, but they pivoted quickly, 80 per cent had changed their business model by the end of March 2020. It's interesting to note in many cases they had already invested in technology and advice and so had the framework in place to handle what happened.

They also had the management structure in place to empower staff to allow change to happen. These are important lessons for the future.

A key finding for us at the Enterprise Trust is that there must be more consistent support for entrepreneurs to help them understand market opportunities such as the green economy.

This report makes it clear consideration needs to be given to delivering the knowledge as well as the skills we will need for the future economy and to hit net zero targets.

To find out more go to www.enterprise-trust.co.uk.

Executive summary

The report examines the impact the COVID-19 pandemic has had on the UK business landscape. It reviews and maps the response from business, focusing particularly on those that reported experiencing a positive or, in some cases, a dramatic impact or upturn, during the crisis. Finally, the report considers the lasting impacts of COVID-19 on UK firms, investigating the major trends shaping business now and in the future.

The 10 per cent – the title of this report refers to a statistic which was repeatedly identified throughout this research. It was this figure which became the benchmark in helping to frame the scale of the positive effects felt by UK business. On one hand, the figure demonstrates the enormity of the negative impact the pandemic has had on business, whilst on the other, it represents the steadfast dose of optimism which has remained throughout the pandemic.

Our research found:

- fairly consistently across the pandemic, **roughly one-in-ten businesses reported an increase in turnover**, when comparing to normal expectations for this time of year[1,2]; and
- insight from previous recessions has also found that again around **one-in-ten businesses truly flourish after an economic slowdown**, doing better financially than before the recession[3].

It was this **10 per cent** which Enterprise Nation, Santander and the Enterprise Trust were interested in understanding further. What lessons could be distilled and how could this concentrated understanding be utilised in future policy planning to better support all businesses?

Of course, increased turnover isn't the only effect on business (positive or negative) from the pandemic, but it's useful when considering the economic impact and is one of the metrics most commonly used across COVID-19 business related research. Other positive impacts are also explored throughout this report.

This report also identifies how the pandemic and business has become synonymous with the term '**acceleration**'. Specifically, the acceleration of micro and macro trends which were playing out on business prior to COVID-19. These include things such as the decline of the high street, the adoption of technology, growing ethical consumerism and societal responsibility, health consciousness and changing work practices. This serves as a reminder that it's important to remember the world prior to COVID-19 and to understand the context in which the pandemic hit. Although the pandemic has felt like a standalone period, separate from the past, but ultimately it's the same world which we'll inevitably return to, albeit in an accelerated position.

The pandemic has reached every corner of the UK and, as seen with health pressures, the virus has affected different places at different times and at different rates. This is true for business too. Evidence suggests places with the weakest economies prior to the lockdown have been hardest hit during the pandemic. Affluent areas and areas with high tech or high productivity, although have still been impacted, but have been affected least. This identifies an important point about ensuring the UK economy **builds back balanced** as opposed to **builds back better**.

1 Office for National Statistics, Business Impact of Coronavirus Survey/Business Insights and Conditions Survey (BICS), March 2020-May 2021
2 Enterprise Research Centre, Assessing the impact of Covid-19 on Innovate UK award holders, March 2021
3 www.hbr.org/2010/03/roaring-out-of-recession

To deepen understanding of the **10 per cent** (or those that fared relatively well during the pandemic) a survey of more than 500 British businesses was commissioned. The sample here focused specifically on those whose turnover wasn't negatively affected by the pandemic (i.e. stayed as expected or grew). Questions within this survey focused on key themes around entrepreneurship and innovation, digital transformation, workplace changes, finance and investment. The survey also aimed to understand what actions had been taken and what their current outlook was for the future. The survey found the following.

The impact

- Of those businesses that had performed well during the pandemic, 11% reported turnover had **increased by more than 50%.**
- **Demand for existing products/services from new and existing customers** were the reasons most businesses gave to explain their growth in turnover (new customers = 40% and existing customers = 37%). A third (31%) of respondents also attributed the growth to **new product/service offerings** developed during the pandemic. One in four (26%) attributed the growth to the use of **digital delivery channels e.g. online shops**. Whilst **reduction of costs** played a part in growth, it was to a lesser extent than these other elements (23%).
- The proportion of these businesses classified as 'high-growth' (those with a turnover growth rate of +20%) had increased compared to before the pandemic (27% vs. 20%).
- Bigger businesses (those with 50+ employees) were more likely to report seeing an increase in turnover compared to smaller businesses (those with less than 50 employees).
- The pandemic drove a number of positive changes for businesses. A **surge in demand** was particularly common among well performing businesses (24%), as well as **new partnerships being built** (21%), **new products and services being developed** (19%), and **job opportunities being created** (18%).
- These businesses however didn't all escape negative impact with 17% having at some stage **to reduce their operation or temporarily close premises.**

11%

reported turnover increased by 50%

The response

- Speed and agility proved to be key for these businesses in the face of the pandemic. **'Making our business more agile and responsive'** was the most cited response to the pandemic (29%), followed by **encouraging staff to use their initiative and take decisions quickly** (26%) and **monitoring and responding quickly to changing demands** (26%).
- Over two-thirds of these businesses also rated themselves as 'very good' or 'good' at undertaking **innovation** (71%) and **new product development** (68%).
- Two in five of these strong performing businesses (43%) found **government-backed loans important**.
- Almost one-third of businesses (28%) reported that remote working had **made staff more productive** and the pandemic had highlighted the **limited need for permanent office/shop space** going forward.
- Four in ten (39%) of these businesses plan to **make working from home permanent.**
- The **introduction of flexible working** (as a result of the pandemic) is likely to be the change that businesses are most likely to **make permanent** (42% of responding businesses).

The Outlook

- 72% thought that a **movement toward a greener economy offers positive opportunity for business.**
- Just over half (53%) plan to **invest more in tech, data, and digitisation** over the next three years, with cloud computing and cybersecurity as the two most popular technologies for prioritisation.
- **87% feel confident about their business prospects over the next 12 months**, with 10% expecting turnover growth to continue by at least 50%.
- The biggest perceived threat over the next year among businesses that did well during the pandemic is **increased competition** (62%). **Post COVID-19 uncertainty** was an ongoing future concern for half (52%) of respondents.
- When asked which support options these businesses felt they would benefit from most in the future, **finding new markets** was the most popular response (28%). More traditional support around **financial advice** (23%), **sales and marketing advice** (23%) and **employment advice** (22%) were also commonly cited. One-in-five (22%) again highlighted support to **understand market opportunities** as a potential benefit going forward.

Whilst this focus is on the economic impact, it's important to highlight that Enterprise Nation, Santander and the Enterprise Trust don't underestimate the enormity of the human health and social impacts caused by the pandemic.

28%

said remote working made staff more productive

Policy recommendations summary

A summary of policy recommendations based on the findings of this report by Enterprise Nation, Santander and the Enterprise Trust.

Mitigating future impact

- Launch a consultation into the short and long-term economic impact of the pandemic and monitor long-term economic scarring it has caused. The consultation should develop initiatives that support the most disadvantaged businesses and communities.
- Capture insight on the most effective interventions for small business during the pandemic to feed into crisis planning to mitigate future impact.

Regional 'build back balanced'

- Ensure local small businesses are included in employer representative bodies as part of the development of local skills improvement plans of the Skills and Post-16 Education Bill. This will ensure small local firms have access to a trained workforce with relevant skills.
- Encourage the British Business Bank to promote more widely its regional investment programmes in regions that are under-served by venture capital or angel investment, such as the Cornwall & Isles of Scilly Investment Fund, via LEPs.

Encouraging entrepreneurship

- Prioritise building skills such as resilience, innovation management, opportunity identification and new product/service development via private sector training providers such as Enterprise Nation and Government-funded initiatives through local LEPs and providers such as Be the Business.
- Encourage innovation by simplifying and modernising SME Research & Development Relief by speeding up applications and their feedback, and expanding activities that qualify as R&D. This would allow start-ups to innovate more quickly and frequently, making them more resilient through future economic shocks.

Digital transformation

Direct businesses to the support offered by the private sector to adopt new technologies, such as Google Digital Garage and TechPixies. This should emphasise efficient use of digital tools to increase long term productivity and resilience.

Workplace Evolution

- The Government should be an advocate for flexible workplaces by developing a strategy for future Civil Service working options, taking into account technology adoption and societal change.
- Consult with small and large businesses on flexible working best practices and review the skills and career support needed to enable the UK to become a world-leader in flexible working.
- With the increase in homeworking and the decline of bricks and mortar retail, there's a need to radically reimagine urban spaces. Identify the sectors impacted by changing work practices such as transport and the high street and assess how they need to adapt. This could include using empty shops to educate the next generation of retail entrepreneurs via pop-up shops such as those offered by Enterprise Nation and Amazon, Sook and Appear Here.

Sustainability

- Prioritise the 'green recovery' – incentivise UK businesses to lead the global charge to achieve net zero by extending Super Deduction and Special Rate (SR) allowances to investment in environmentally efficient equipment
- Offer green entrepreneurship courses as part of the Government's lifelong learning programme via local further education colleges and private sector specialists such as Enterprise Nation and Be the Business.
- Use COP26 to showcase British entrepreneurial talent in environmental innovation.

Introduction

This report is written in response to the COVID-19 pandemic, at a time of vaccination roll out, hopefulness and gently-building optimism amongst consumers and businesses. The review aims to explore and build upon early findings emerging from the pandemic and its relationship with UK business.

The pandemic has had an unparalleled negative impact for many and that is not underestimated or overlooked by this report. As an economy, gross domestic product (GDP) declined by 9.9% in 2020, the steepest fall since consistent records began in 1948[5] and much deeper than the most recent 2009 recession. However, this report aims to highlight the areas of economic strength, and importantly, learn from them.

Focus is given to those areas of opportunity, the acceleration experienced by others and the inventiveness seen among UK businesses. It's hoped that the plans and actions taken by some can be learned from to help influence policy and shape future business support through the 2020s.

The report looks across industries and geography, pulling out positives where they're found. This focus on unearthing the positive was not an insignificant task, given the scale of the damage caused by the pandemic and, unsurprisingly, the associated media coverage and commentary.

This report is structured in a way that looks at **the impact** on UK businesses, but more importantly **the response** they took. Whilst for many it's arguably still too early to tell, evidence is also collected around **the predictions** being made about which COVID-19 induced impacts might live on.

As part of this research, a survey of 500 UK businesses whose turnover wasn't affected negatively by the pandemic (i.e.. stayed as expected or grew) was commissioned. To understand these businesses better, they were asked questions about the impact felt, actions taken and their outlook for the future. Guided by findings from an initial literature review these businesses were also asked questions relating to key themes, particularly pertinent to the effects seen on UK business. These included: **entrepreneurship in the face of adversity, increased use of technology, new ways of working, supply chain disruption** and **investment/finance**. Key findings from the survey are interspersed throughout the report alongside several business case studies.

One key term which from the literature review has clearly become synonymous with the pandemic and business is **'acceleration'**. Specifically, the acceleration of micro and macro trends which were playing out on business prior to COVID-19. These trends include things such as the decline of the high street, the adoption of technology, growing ethical consumerism and societal responsibility, health consciousness and changing work practices. The frequency with which these were referred to reminds us that it's important to recognise and remember the world prior to COVID-19 and to understand the context in which the pandemic hit. In the UK this was a time when the economy could be characterised by modest GDP growth of around 1% per year and high rates of employment[6], but also a time in which seismic changes were already stirring.

5 House of Commons Library, Coronavirus: Economic Impact (Briefing Paper 8866), Feb 2021
6 Ibid

The impact

The pandemic has affected the world on health, social and economic planes. The almost unimaginable responses needed to curtail and control the virus have caused the considerable resulting economic impact. Lockdown restrictions, the closure of certain sectors, supply chain disruption and a mandate to work from home where possible, all restricted how businesses could operate and indeed what they could, or could not, sell.

The different stages of the pandemic in the UK, and the associated lockdowns, have all had varying degrees of severity in terms of impact. At the time of writing, a large number of businesses have now had the time to adjust their operations, alter their models and are in a different place to where they were during the most acute and unfamiliar disruptions of 2020.

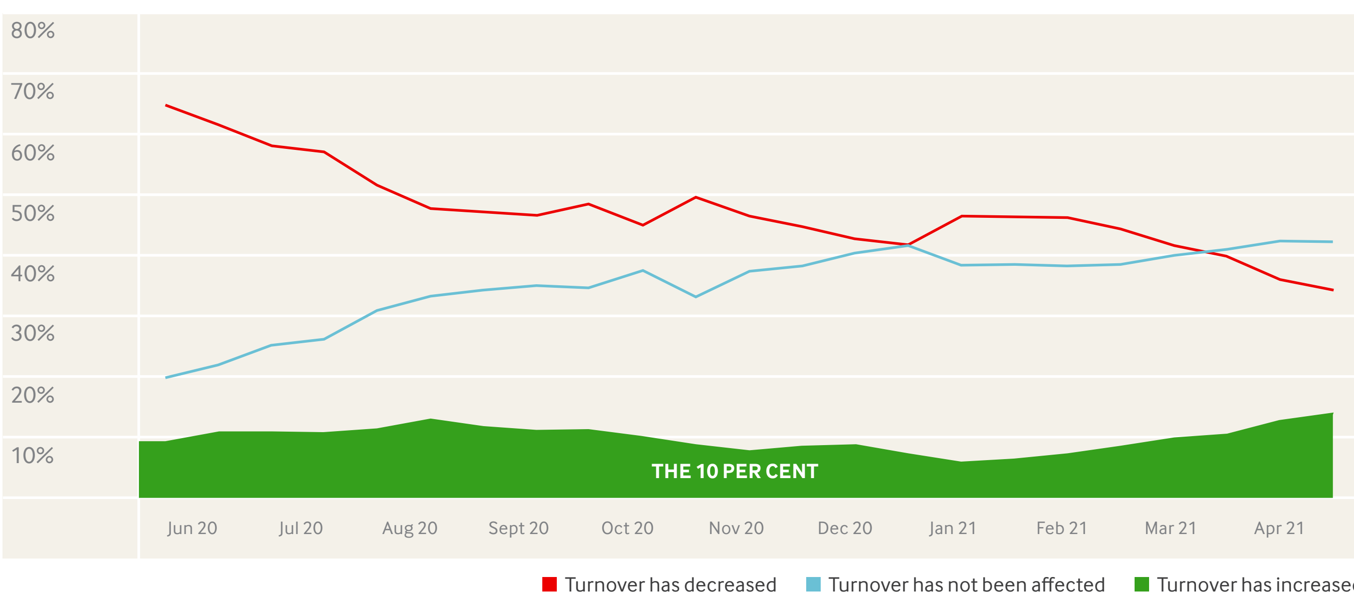
The official data from the Office for National Statistics relating to UK business activity and demography (composition) will be released later in 2021 and are much anticipated. However, in the meantime a number of other studies have been carried out (particularly surveys of various business communities) to try and identify the true size and scale of COVID-19's impact on the business landscape.

Early on, the British Chamber of Commerce's weekly business impacts tracker gave insight into the enormous falls in turnover for UK business, the adoption of the furlough scheme and attitudes toward taking on government loans and debt[7,8]. Surveys from the Enterprise Research Centre focused on effects for small and medium-sized enterprises (SMEs) and supported evidence that the clearest effects in business had been on turnover and employment. It was also clear that for the majority this impact was negative, particularly when compared to their previous expectations of growth for 2020. Significant proportions of the SME business community have reported decreased sales and having to make job cuts[9].

The Santander Trade Barometer[10] monitors businesses with the size and ambition to engage in international trade. Findings from this group suggest that coronavirus is anticipated to continue being the main source of negative impact on business activity over the next 12 months (71%), followed by UK economic slowdown (63%), the global economic climate (55%) and Brexit (55%).

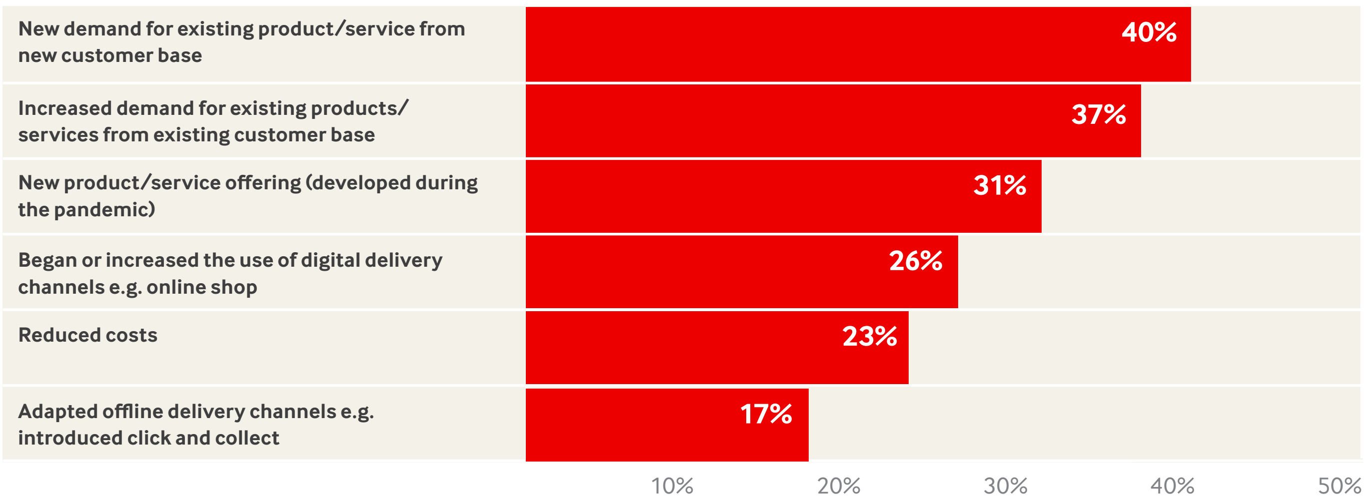
Looking at key data gathered by the Office for National Statistics through the Business Insights and Conditions Survey (BICS) it's clear that throughout the pandemic the number of businesses suffering a decrease in turnover has declined in a relatively consistent manner. In recent months, roughly one-in-four businesses have reported their turnover has not been affected. Perhaps most interestingly is the finding that consistently throughout the pandemic roughly one in ten businesses reported that they had experienced an increase in turnover[11] – see **Figure 1**.

Figure 1 **Impact on turnover - % of businesses currently trading (June 2020- May 2021)[12]**



7 www.britishchambers.org.uk/news/2020/06/the-impact-of-coronavirus-on-uk-businesses-what-we-know-so-far
8 www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker
9 www.enterpriseresearch.ac.uk/wp-content/uploads/2021/02/ERC-Insight-The-impact-of-the-COVID-19-pandemic-on-UK-SMES-and-their-response-3.pdf
10 www.santandercb.co.uk/factsheet/trade-barometer-2020/21.pdf
11 www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheukeconomy/6may2021
12 Ibid

Figure 2 **Which of the following, if any, best describe why this increase in turnover has taken place?**



This is where we at Enterprise Nation, Santander and the Enterprise Trust began to ask questions about who this 10% were. What did they do, were they just lucky or had they done something others hadn't? And, importantly, what could be learned from them.

40%

said new demand for existing products was behind the increase in turnover

Findings from the newly commissioned survey of businesses that performed well during the pandemic first sought to understand what businesses attributed this growth to. Whilst there was a range of responses (see **Figure 1**), **demand for existing products/services from new and existing customers** were the top two answers (40% and 37% respectively). A third (31%) of respondents also attributed the growth to **new product/service offerings developed during the pandemic**. One in four (26%) attributed the growth to use of **digital delivery channels e.g. online shops**. Whilst a **reduction of costs** played a part (23%), it was to a lesser extent than these other elements.

It's not only who the pandemic has impacted that is important to examine, but the ways in which that impact has been felt - and caused. In the business context, the impacts have been far reaching and for many it has touched every corner of their operation. Commonly, but not exhaustively, issues and challenges have occurred in:

- employment and the redesign of working practices
- financial management (particularly cash flow and cost management)
- disconnected supply chains, logistics and availability of key resources
- changing consumer behaviour
- technology roll out
- price alterations
- regulatory compliance
- leadership and management (particularly around crisis and forward planning capabilities).

The causes, effects, challenges and uncertainty, have made it extremely difficult for businesses to understand what the appropriate response is. It has also forced many to re-evaluate what the future looks like, beyond the short-term and into the medium and long-term.

26%

started using or increased use of new digital delivery channels

However, positively, results captured through multiple business surveys do support a trend of recovery. Multiple sources point to increased stability and forecasts for 'returning to growth' seem to be quickening each week . Latest data available from the ONS (May 2021) highlights that the percentage of businesses whose turnover had stayed the same or increased (this month versus normal expectation) grew to 57.4% . Whilst the proportion of the workforce on furlough had increased again with the most recent lockdown (to 20%) this was 10% lower than during June 2020. This is likely a result of many factors, one of which however is likely to be that businesses have since adapted to restrictions and found new ways of working within the constraints[15].

Other sources have also provided glimmers of positivity in the darkness. Results from a McKinsey survey conducted online in May and November 2020 identified a decline in the number of SMEs that felt they could be out of business within 12 months. As measured by a handful of recent surveys (Centre for Economics and Business Research & YouGov, Accenture & IHS Markit), business optimism levels have climbed to pre-pandemic levels, primarily attributed to the vaccination roll out.[17,18]

The Quarter 1 '**Manufacturing Outlook**' report published by Made UK and BDO highlighted improvements in manufacturers' confidence levels, but also UK manufacturing output and UK order levels. The latter is of particular note as the positive balance of UK orders is a first since Q3 of 2019.[19] This surge in domestic sales is likely to be in part due to confidence among manufacturing customers, but also perhaps an indication for some of a 'reshoring' of manufacturing (a return to greater reliance on more UK-based manufacturing), potentially driven by increased costs and current difficulties of moving goods across countries.

15 www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheukeconomy/25february2021
16 www.mckinsey.com/~/media/McKinsey/Industries/Public%20Sector/Our%20Insights/How%20the%20COVID%2019%20crisis%20is%20affecting%20UK%20small%20and%20medium%2size%20enterprises/How-the-COVID-19-crisis-is-affecting-UK-small-and-medium-size%20enterprises.pdf
17 cebr.com/reports/the-times-economy-set-for-rebound-as-covid-19-vaccine-raises-household-and-business-confidence/
18 news.sky.com/story/covid-19-business-optimism-highest-since-2015-thanks-to-vaccine-progress-12246559
19 www.makeuk.org/insights/reports/manufacturing-outlook-2021-q1

Beauhurst, which focuses on high-growth companies, identified early in the pandemic that just under a third of the UK's 28,000 most ambitious companies were within the COVID-19 'low impact' group. Furthermore, they identified that more than one in ten (15%) high-growth companies would likely experience a positive outcome as a result of the pandemic[20]. Beauhurst's 2020 Scaleup Index also identifies some positive insight. Looking specifically at 7,500 visible scaleups (those with 20%+ recurring growth per annum over three years, and full accounts at Companies House), almost 80% showed indications of moderate to positive impact. Even more positively, 14% of these businesses (1,048) had created jobs during the pandemic[21].

The 2020/21 Santander Trade Barometer also found that, although still the minority, 32% of businesses said their business performance had improved over the past 12 months, 39% intended to invest in product development and 36% intended to hire new staff in the next 12 months.

The latest forecasts (March 2021) from the Office for Budget Responsibility (OBR) suggest that GDP is expected to grow by 4% in 2021 and to regain its pre-pandemic level in the second quarter of 2022, an improvement on the forecast made in November.[23]

However, it's important to consider that at this stage it's still too early to truly judge the health of UK business, with many still accessing government assistance. It's probable that these state interventions have for some merely delayed business insolvency and job losses. The scale of this will only truly be seen once this support is withdrawn. But, at a time of increasing hopefulness, there's relevance in understanding and investigating those that have had success in navigating the opportunities presented by COVID-19.

Policy recommendations

- Launch a consultation into the short and long-term economic impact of the pandemic and monitor long-term economic scarring it has caused. The consultation should develop initiatives that support the most disadvantaged businesses and communities.
- Capture insight on the most effective interventions for small business during the pandemic to feed into crisis planning to mitigate future impact.

20 Beauhurst, Impact of COVID-19
21 Beauhurst, The Scaleup Index 2020
22 www.santandercb.co.uk/factsheet/trade-barometer-2020/21.pdf
23 obr.uk/efo/economic-and-fiscal-outlook-march-2021/
24 www.bbc.co.uk/news/uk-57088314

Regional analysis

The COVID-19 pandemic has reached every corner of the UK, but, as seen with the localised public health pressures and the Government's tiered response, the virus has affected different places at different times and at different rates. There's also evidence that it has affected different groups disproportionately. Diverse groups including women, ethnic minorities, LGBTQ+ employees, those with disabilities but also working parents have had the hardest time, both in the workplace and/or with re-balancing work and home life.[25,26,27,28]

The Institute for Fiscal Studies describes the pandemic's impact against the dimensions of vulnerability in health, jobs and socially.[29] Of course these are also interrelated. Now, much of the data points towards a heavier impact in some geographical areas compared to others.

Economically at least, this variation is in part a result of the industrial and occupational makeup of an area which existed before the pandemic. **Figure 3** provides a picture of England's regions in terms of the proportion of businesses within each of the broad industrial groups. Those regions with the highest (green) and lowest (red) percentages against each industry are highlighted. The data highlights a number of long established patterns such as the dominance of professional and scientific, information and communication, and financial industries in London and the South East. It is also clear to see the greater percentage of accommodation and food and primary production businesses based in the West and North.

1/3

More than a third of firms that saw turnover increase by over 50% were in London

25 www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diverse%20employees%20are%20struggling%20the%20most%20during%20COVID%2019%20heres%20how%20companies%20can%20respond/Diverse-employees-are-struggling-the-most-during-COVID-19-heres-how-companies-can-respond-vF.pdf?shouldIndex=false
26 www.theguardian.com/society/2021/apr/11/black-youth-unemployment-rate-brixton-riots-covid
27 www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/articles/coronavirusandthesocialimpactsondisabledpeopleingreatbritain/february2021
28 assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/977300/s1170-differential-impacts-covid-19-pandemic-on-men-women.pdf
29 www.ifs.org.uk/inequality/the-geography-of-the-covid-19-crisis-in-england/

Figure 3 **Percentage of private sector businesses by industry and region[30]**

	North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East of England	London	South East	South West	England Average
Agriculture, Forestry & Fishing	2.5	2.2	2.9	3.0	2.7	2.1	0.1	1.3	4.5	**2.0**
Mining, Quarrying & Utilities	1.2	0.5	0.6	0.4	0.7	0.8	0.9	0.4	0.3	**0.6**
Manufacturing	4.3	5.2	6.4	5.6	5.5	4.5	3.2	4.2	6.2	**4.7**
Construction	16.3	16.0	16.7	17.8	18.6	19.8	13.3	17.0	18.6	**16.7**
Wholesale & Retail Trade	9.8	12.9	10.2	12.1	9.9	8.4	7.0	8.5	8.8	**9.2**
Transportation & Storage	7.7	7.3	5.6	8.3	7.8	7.3	5.5	3.8	3.2	**5.8**
Accommodation & Food Service	5.4	3.6	4.2	3.4	3.2	3.0	3.6	3.0	4.6	**3.6**
Information & Communication	5.0	5.2	4.1	3.7	4.6	5.1	11.0	8.3	4.6	**6.7**
Financial & Insurance	0.6	1.4	1.1	1.3	1.4	1.1	2.5	1.6	1.5	**1.6**
Real Estate	1.9	2.2	2.4	2.2	1.6	2.0	2.6	1.8	2.5	**2.2**
Professional, Scientific & Technical	14.8	14.4	13.1	12.5	12.4	14.1	19.0	15.2	13.3	**15.0**
Business Administration & Support	8.7	7.5	9.9	8.8	10.2	9.9	8.4	9.7	9.1	**9.1**
Education	5.4	5.6	5.3	5.1	3.9	5.1	6.3	6.7	4.7	**5.6**
Human Health & Social Work	6.0	5.9	5.8	6.0	6.5	6.9	5.5	6.6	7.5	**6.3**
Arts, Entertainment & Recreation	4.1	3.7	3.5	3.3	4.9	4.8	6.9	5.9	5.0	**5.1**
Other Service	6.3	6.3	8.3	6.6	6.1	5.2	4.3	6.1	5.6	**5.8**

Beauhurst analysis found that London was home to the highest proportion of potentially positively impacted businesses, with the surrounding regions of South East and East of England also faring better than others. The high density of professional and technology-based businesses in these southern parts of the country clearly play a part in the more localised impact. The report also highlighted that a significant proportion of businesses in the South West and devolved nations would face greater difficulty due to their industrial makeup.[31]

Experimental regional statistics from the ONS' Business Impact of Coronavirus Survey during November 2020, supported the idea of pre-existing inequalities, finding that of the English regions, the North East had the highest percentage of businesses with weak cash reserves at 38%, compared to England average (35%) and South East (31%).[32,33]

One 2020 academic study specifically looked at the geographical economics of the COVID-19 pandemic in Great Britain and provides a broad but clear summary of how the pandemic has played out for different places:

'Places with the weakest economies prior to the lockdown have been hardest hit during the pandemic, with seaside towns, rural coastal areas, and the North and South West of England being particularly affected. Affluent and high-tech or high-productivity areas, and to some extent industrial areas, are least affected.'

Donald Houston
Professor of Economic Geography at University of Portsmouth[34]

30 ONS, Business population estimates for the UK and regions 2020, October 2020
31 Beauhurst, COVID-19 Business Impact, April 2020
32 based on single site businesses (therefore not representative of the full business landscape)
33 www.ons.gov.uk/businessindustryandtrade/business/businessservices/articles/businessinsightsandimpactontheukandsubnationaleconomy/2020-12-09
34 blogs.lse.ac.uk/politicsandpolicy/local-economic-impact-covid19/

Policy recommendations

- Ensure local small businesses are included in employer representative bodies as part of the development of local skills improvement plans of the Skills and Post-16 Education Bill. This will ensure small local firms have access to a trained workforce with relevant skills.
- Encourage the British Business Bank to promote more widely its regional investment programmes in regions that are under-served by venture capital or angel investment, such as the Cornwall & Isles of Scilly Investment Fund, via LEPs.

Interestingly, the study also identified that in fact the pre-existing levels of unemployment for an area (prior to the COVID-19) was a stronger predictor of the rise in unemployment in an area, than the industry mix[35]. This identifies an important point about predicting localised impacts for any future depressive shocks to the economy, but more critically ensuring the UK economy 'builds back balanced' as opposed to just 'builds back better'.

The complementary review from the Institute for Fiscal Studies raises an additional point about a more nuanced picture. Highlighting that beyond the regional patterns seen, in many cases neighbouring local authorities have also had different experiences of the crisis citing Nottinghamshire and Leicestershire as a key example[36]. This is a picture reflected in the ONS' interactive local authority map which highlights vastly difference stories at local level on factors such as trading status, partial or furlough leave, change in turnover and cash reserves[37]. It's imperative that the pandemic does not widen or deepen existing inequalities.

38%

North East had the highest percentage of businesses with weak cash reserves

35 Ibid
36 www.ifs.org.uk/inequality/the-geography-of-the-covid-19-crisis-in-england/
37 www.ons.gov.uk/businessindustryandtrade/business/businessservices/articles/businessinsightsandimpactontheukandsubnationaleconomy/february2021#further-geographic-analysis
38 www.bbc.co.uk/news/business-56490615

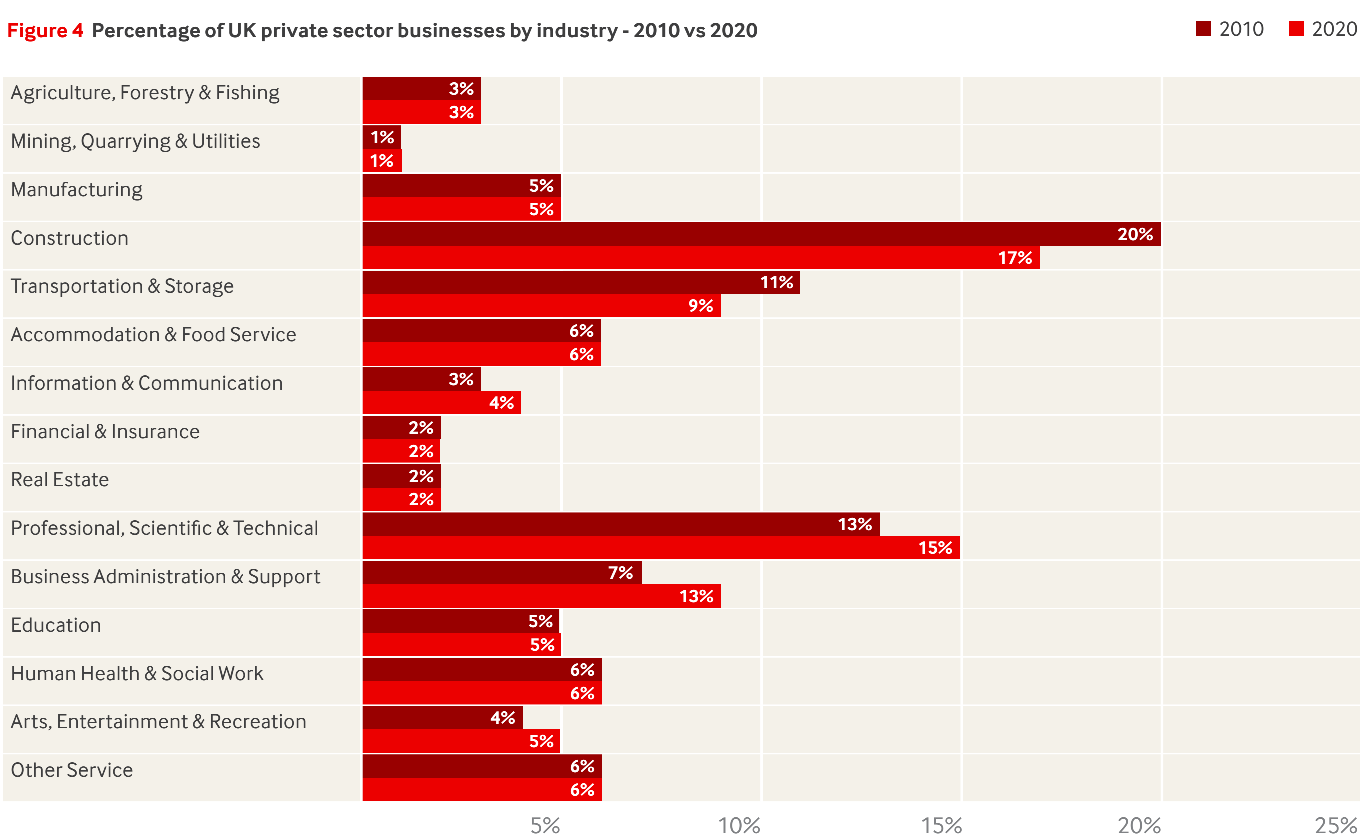
Sector analysis

The last section highlighted the importance of industrial makeup in determining the impact of the pandemic on local economies, but data and media coverage have also highlighted that industries have themselves been impacted in different ways. This section looks at some of the emerging findings around this variation, drawing on some of the more extreme winners and losers.

It's important to remember the UK business landscape going into the COVID-19 pandemic and the shifts that were already taking place ahead of it. **Figure 4** below, taken from ONS official business population statistics, provides a breakdown on the UK's private sector businesses by broad industry group, comparing 2010 to early 2020 (prior to the pandemic). This data is based on official records of all businesses operating VAT and PAYE schemes as well as an estimate of the additional businesses that aren't registered to these schemes[39].

Figure 5 shows that shifts in the UK industrial makeup were already taking place in the decade prior to COVID-19 with some industries seeing a decrease in their share of businesses (agriculture, forestry & fishing, construction, wholesale & retail) and others seeing increases (information & communication, professional/scientific/technical, business administration, arts & entertainment). These are all indications of longer-term trends at play but are important in the context of COVID-19, particularly when examining one of the most commonly associated pandemic business terms, **'acceleration'**.

Figure 4 **Percentage of UK private sector businesses by industry - 2010 vs 2020**



39 Office for National Statistics, Business Population Estimates for the UK and Regions 2020, 8 October 2020

Early stories and media attention focused on the sectors that were forced to cease trading overnight e.g. accommodation, food and non-essential retail. This was also coupled with a wave of articles focused on product-based opportunities e.g. personal protective equipment (PPE), hand-sanitiser and toilet paper. These were simple examples of supply and demand opportunities as manufacturing was halted or reduced and established supply chains struggled to support the spike in demand. A raft of businesses also moved in to aid the cause e.g. Rolls Royce, Dyson and McLaren,[40] many in a socially-minded manner as opposed to simple profiteering.

As the pandemic established its grip and the short-term became the medium-term, we saw altered consumer behaviour linger on. As a result, more considered and sustainable business model adaptions were invested in. These have resulted in a number of other sub-sectors capitalising on market opportunities e.g. online grocery providers, courier services and buy-now-pay-later providers. The popularity of pay-later schemes, for instance, increased sharply in 2020. An estimated £4 in every £100 spent in the UK now uses buy-now-pay-later.[41]

The shock has certainly been felt across economic sectors, but the extent has varied enormously. **Figure 5** taken from the House of Common's February 2021 briefing paper highlights monthly variations in sector output compared with pre-COVID-19 levels (based on ONS GDP data).[42]

It's clear that some sectors were hit harder than others and in fact in the case of accommodation & food and arts & entertainment the impact, particularly of the national lockdowns, are still close to the depths felt in the initial months and for many, the year ended in permanent closure. The Caterer, for example, reported that nearly 12,000 licensed premises closed in Britain between December 2019 and March 2021, averaging approximately 30 per day - the highest on record.[43]

For other industries, there was a clear initial shock which lasted many months before a return to more normal levels of output towards the end of 2020 (although in most cases still negative). This is the result of finding ways of operating within the allowed COVID-19 restrictions and more recent lockdowns allowing for greater activity e.g. schools re-opening. Unsurprisingly, sectors that saw the smallest reduction in output in at least the last quarter of 2020 included: energy and utilities, financial services, real estate, health and manufacturing. Wholesale, retail and construction both also saw large initial reductions during April to June, but strong recovery through October to December.

40 www.ibisworld.com/blog/the-global-economic-outlook-for-2021-united-kingdom/44/1128/
41 www.ibisworld.com/blog/covid-19-uk-industry-fast-facts/44/1128/
42 Harari and Keep, House of Commons Library – Briefing Paper: Coronavirus Economic Impact (Number 8866), 26 February 2021
43 www.thecaterer.com/news/cga-market-recovery-monitor-licensed-premises-closing-more-one-hour

Figure 5 % change in output of sector compared with pre-coronavirus level of February 2020

	% of UK economic output (2019)	Sector's output compared with February 2020 level (% ch.)								
		Monthly vs. Feb'20	Mar'20	Apr	May	Jun	...	Nov	Dec	Jan'21
Agriculture	0.7%		-4.9	-15.1	-14.6	-13.0		-9.0	-8.8	-10.1
Mining & quarrying	1.0%		-6.5	-8.4	-6.1	+0.7		-12.4	-13.1	-13.7
Manufacturing	9.7%		-6.8	-30.1	-23.9	-14.3		-3.7	-3.4	-5.7
Energy supply	1.4%		-0.3	-8.6	-7.5	-3.7		-1.7	-0.9	-0.1
Water supply	1.2%		+0.4	-7.2	-7.1	-1.7		+0.6	+0.7	+1.9
Construction	6.6%		-3.6	-42.8	-35.5	-22.1		-0.5	-3.4	-2.5
Wholesale & retail trade	10.4%		-10.3	-35.2	-26.9	-6.2		-3.5	-1.4	-10.3
Transportation & storage	4.1%		-12.7	-34.8	-30.5	-21.2		-12.5	-9.8	-16.0
Accommodation & food	3.0%		-31.9	-90.6	-89.2	-77.7		-64.5	-55.6	-68.0
Information & communication	6.9%		-1.4	-11.3	-12.9	-9.0		-7.1	-7.5	-4.3
Financial services	6.3%		-1.1	-5.0	-4.4	-3.4		-2.5	-3.1	-4.1
Real estate activities*	13.4%*		-0.4	-2.5	-2.9	-3.0		-2.1	-1.8	-1.7
Professional activities	7.7%		-1.8	-17.5	-18.4	-12.3		-4.7	-3.2	-6.7
Business admin & support	5.3%		-10.3	-34.1	-34.0	-23.2		-18.2	-16.1	-17.7
Public administration	5.0%		+0.1	+0.4	+0.7	+0.9		+1.5	+1.6	+1.8
Education	5.9%		-22.8	-33.9	-29.4	-23.2		-6.2	-7.2	-22.2
Health	7.6%		-9.2	-25.8	-23.6	-20.4		-2.3	0.0	+5.9
Arts & entertainment	1.6%		-16.5	-45.6	-49.3	-39.4		-33.2	-28.7	-34.1
Other service activities	1.7%		-13.4	-46.5	-44.3	-40.3		-31.7	-19.4	-36.1
Households as employers	0.3%		-21.2	-49.4	-55.2	-55.6		-56.5	-50.7	-49.9
Total services	*79.4%*		*-7.5*	*-22.6*	*-21.0*	*-14.6*		-8.5	-7.0	-10.2
Whole economy	**100%**		**-7.0**	**-24.0**	**-21.6**	**-14.5**		**-7.3**	**-6.2**	**-9.0**

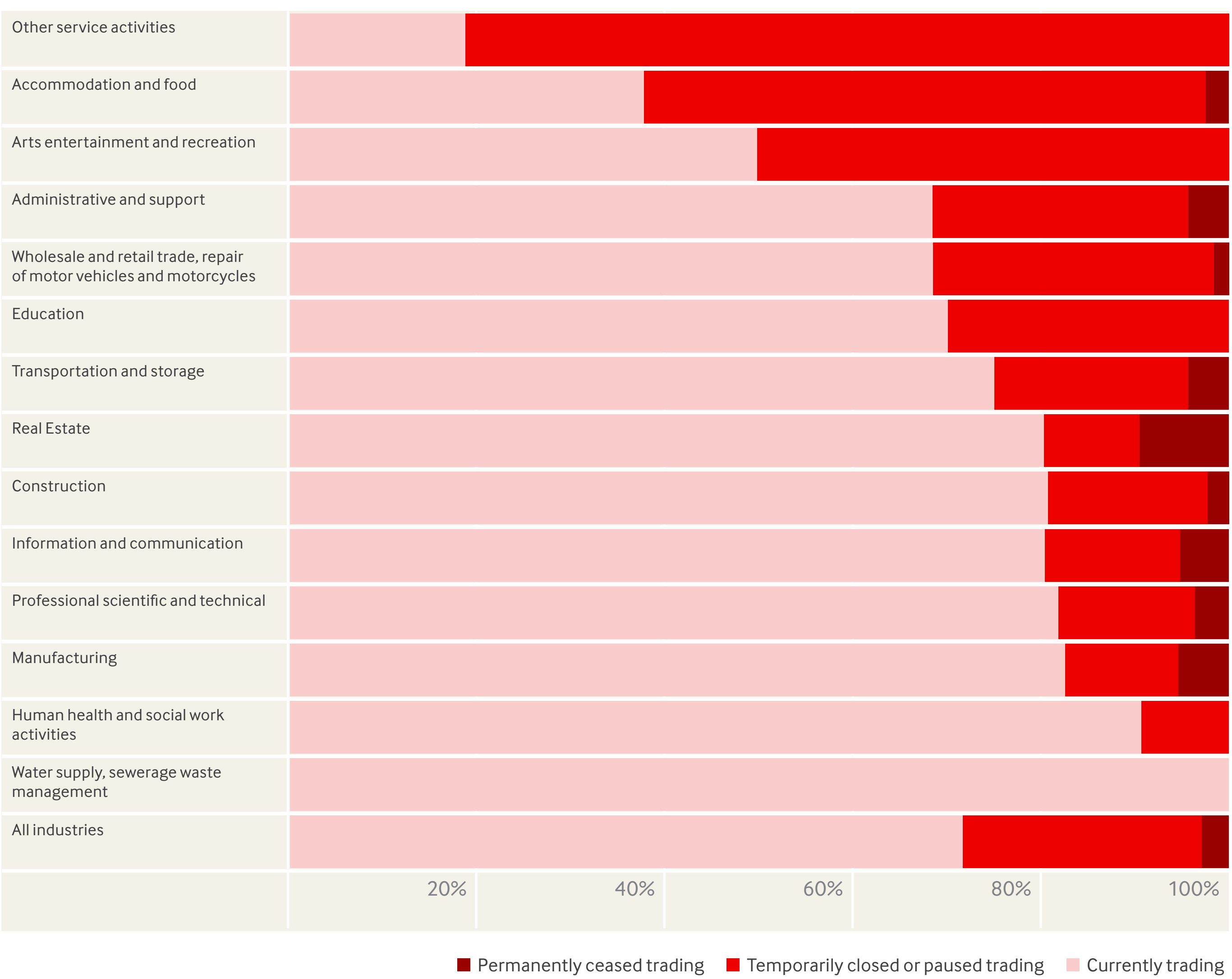
*Real estate activities includes 'imputed rents' - estimates of hypothetical rental value of homes that owner-occupiers live in. This is an attempt to include the value of housing services going to owner-occupiers.

Note: Economic output is Gross Value Added (GVA)

Sources: ONS, Monthly GDP by gross value added dataset (12 Mar); ONS, GDP – low-level aggregates (12 Feb)

As multiple sources identify, the UK's large service sector has been particularly hard hit.[44,45] Survey data (February 2021) suggested an unchanged picture with the three industries that had 50% or less of businesses currently trading being service based, arts, entertainment and recreation, accommodation and food and other service activities (see **Figure 6** below).[46]

Figure 6 **Current trading status broken down by industry (mid-February 2021)**



44 Enterprise Research Centre, The Impact of the COVID-19 pandemic on UK SMEs and their response, February 2021 www.enterpriseresearch.ac.uk/wp-content/uploads/2021/02/ERC-Insight-The-impact-of-the-COVID-19-pandemic-on-UK-SMES-and-their-response-3.pdf

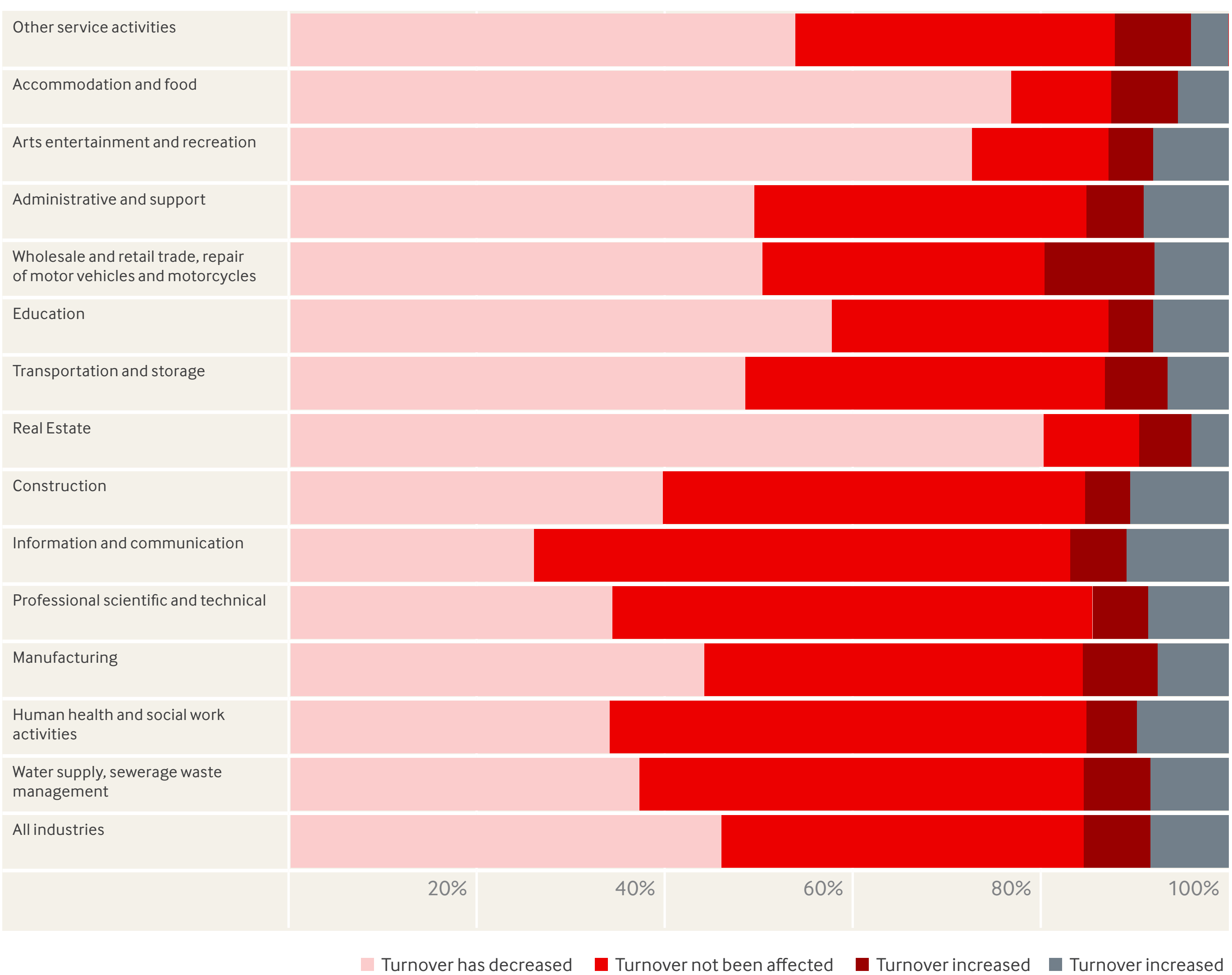
45 blogs.lse.ac.uk/politicsandpolicy/local-economic-impact-covid19

46 www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheukeconomy/25february2021

It has been evidenced that these sectors have clear vulnerabilities e.g. half of the businesses in the accommodation and food service activities industry had three months' or less cash reserves.[47] March 2021 data from the ONS highlighted that both the arts, entertainment and recreation industry and the accommodation and food service activities industry had more than half of their workforce on furlough.[48] However, even within these industries, some businesses have found ways through this challenging year and examples of this are looked at later.

Conversely, as seen below, some industries have clearly outperformed others. When looking purely at turnover it's clear that information and communication, real estate, health, professional scientific and technical and construction industries have outperformed the average across all industries in terms of levels experiencing a turnover decrease (see **Figure 7** below).[49]

Figure 7 **Impact on turnover, businesses currently trading, broken down by industry (Jan-Feb 2021)**



47 Ibid
48 Ibid
49 www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheukeconomy/25february2021

One interesting nuance here is around size of business and its links to sector. As reported by the Bank of England, small and medium-sized enterprises (those with fewer than 250 employees) make up the overwhelming percentage of UK businesses, 95% in fact. These businesses also provide significant economic contribution, accounting for around 45% of total revenues and around 60% of private sector employment. Bank of England analysis suggests the COVID-19 shock has had a bigger impact on smaller businesses than larger ones. This is in part because smaller businesses are more likely than larger companies to operate in sectors that have been most affected by the crisis (e.g. accommodation and food, arts and recreation).[50]

2/3

of high performing firms had pivoted by mid-March 2020

> Findings from the Enterprise Nation, Santander and Enterprise Trust survey support these findings with bigger businesses (those with 50+ employees) more likely to have reported an increase to turnover than micro and small businesses.

Again, the picture is nuanced as in some sectors the difference has not been so visible. For example, there didn't appear to be a notable difference between SMEs and larger businesses within the UK manufacturing industry as turnover levels for both sizes here have moved in line with each other since February 2020.[51]

However, as ever with such broad classifications, whilst useful at one level, they also hide a variety of stories. Clearly at a lower-level different sub-sectors and even similar businesses have fared differently. This is largely based on what they sold and how they were able to get it to their customers.[52]

50 www.bankofengland.co.uk/bank-overground/2020/how-has-covid-19-affected-small-uk-companies
51 www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09
52 www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09

Retail

The high-level picture for retail volumes across the year hides some extremely varied stories, notably differences between offline and online retailing and across retail types. **Figure 8** provides a pattern of total UK retail sales, whilst **Figure 9** highlights some of the patterns seen for retailers (just those with physical stores). The graphs highlight the key distinction between essential and non-essential retail performance, as well as varying patterns of recovery upon lockdown restriction easing.

Figure 8 Monthly retail sales volume (total), % change vs Feb 2020[53]

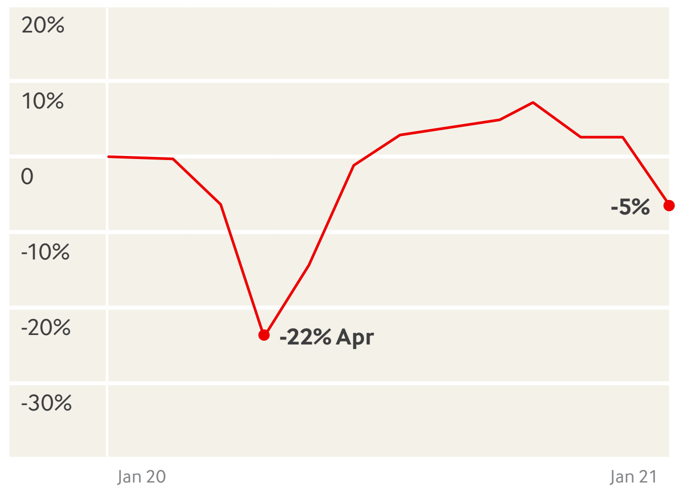
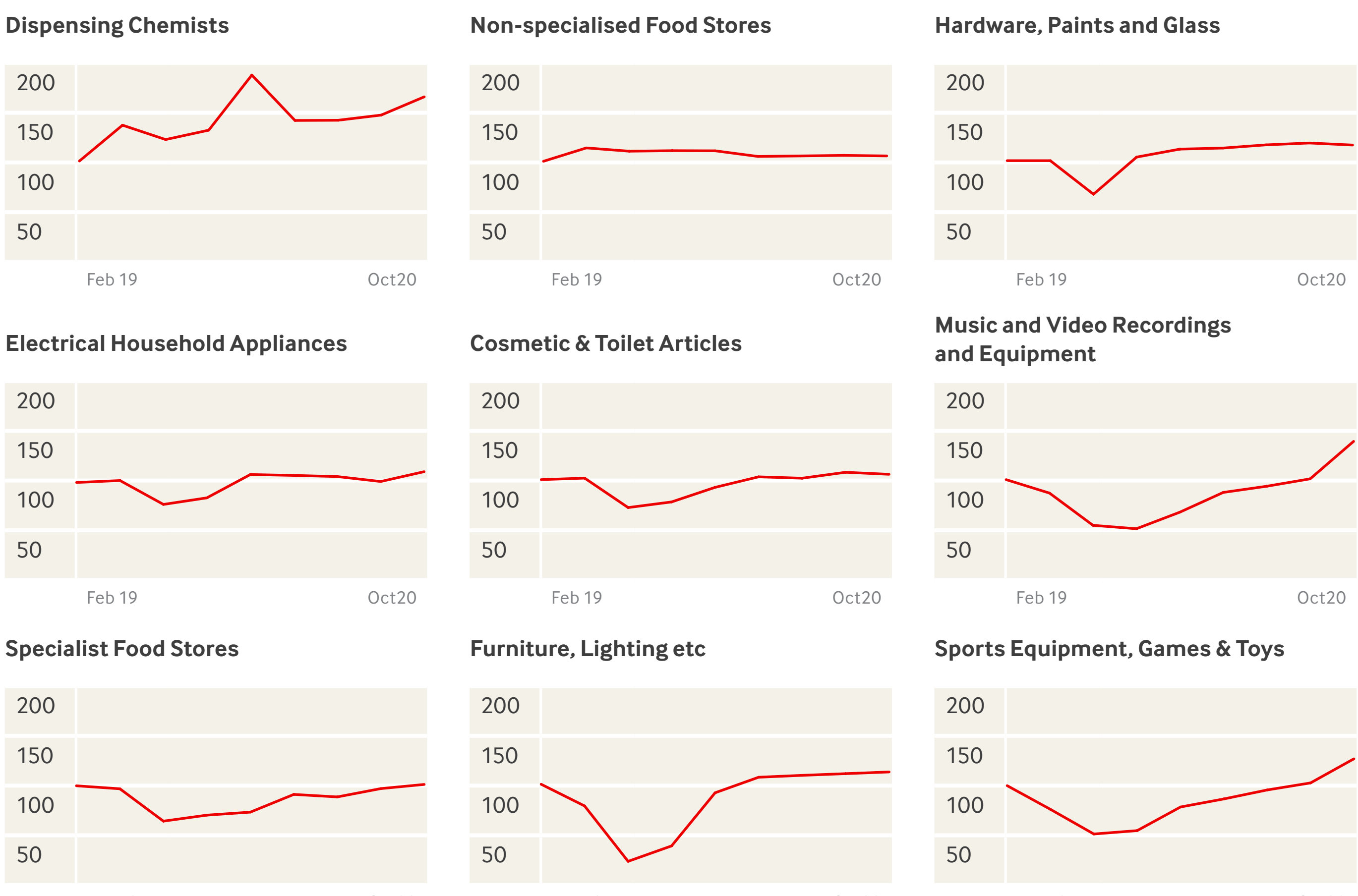


Figure 9 Retail 'stores' volume sales - Index Feb 2020 = 100[54]



In general, food shops have been able to realise some growth (although less so for smaller specialist food stores with a physical footprint). DIY stores were another example that fared well as people were forced to spend more time at home. Conversely, sales of clothing, footwear and cosmetics fell in March and April 2020, with shop closures and restrictions on social interactions meaning that people also had less reason to buy new clothes.[55]

2021 data from PwC and the Local Data Company suggests that 17,500 chain stores permanently closed in 2020 and, despite being partially offset by some store openings, the net fall represented the biggest decline in at least a decade, equivalent to 4.5%, or nearly one in twenty stores.[56] And there's a desensitisation building towards these stories. This is perhaps the clearest example of genuine COVID-19 induced 'acceleration', an escalation of the pre-existing 'decline of the high street' trend.

Of course, the greatest trend in retail during the pandemic has been the boost for online retailing. The ONS retail sales data across 2020/21 has demonstrated that the proportion of online sales has soared, reaching the highest on record in February 2021 at 36%,[57] compared with 20% in February 2020.

Interestingly, this rise has resulted in subsequent effects, as noted earlier, the indirect rising demand for couriers, smart logistics and distribution businesses. For clothing retailers, increased online shopping has also meant an increased number of items being returned. It's likely that consumer behaviours will, if not already, change for the longer-term.

Retailers have been investing in solutions to deal with these higher levels of returns. And, unsurprisingly, for many the answer is technology, from designing sophisticated real time stock management systems to algorithms learning from returns and improving future personalised recommendations.[58] Again, these represent an 'acceleration' but are perhaps some of the subtler indirect consequences COVID-19 will leave in its wake.

More recent studies offer positive news for retailers, with the Deloitte Consumer Confidence Index (Q1 2021) recording its highest ever rate of growth in its ten-year history -not quite yet returned to pre-COVID-19 levels but demonstrating a significant upswing on this time the previous year.[59] In practice, a recent pop-up shop run by Enterprise Nation and digital payment provider Sum Up on Oxford Street called Hello World, was overwhelmed with demand from small firms looking to experience high street sales.

53 Harari and Keep, House of Commons Library – Briefing Paper: Coronavirus Economic Impact (Number 8866), 26 February 2021
54 www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09
55 www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09
56 www.thetimes.co.uk/article/store-closures-hit-record-48-per-day-jng0nsf2b
57 www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/february2021#online-retail
58 www.bbc.co.uk/news/explainers-56103106
59 www2.deloitte.com/uk/en/pages/consumer-business/articles/consumer-tracker.html

Case Study

Sandeep Khosla

Director Medipharmacy Group, South London

It might sound obvious that a pharmacy chain increased turnover during the pandemic. Unlike other businesses, they were key workers and not subject to the same restrictions as non-essential retail, for example.

But that's not necessarily the whole picture. In February the family-run Medipharmacy Group opened a brand new 9,000sq ft warehouse and head office in East Grinstead. It also acquired two new independents, one in Putney and the other in Purley, taking its chain to 22 South London chemist shops and its employees to 150.

Set up in 1989 by Naveen Khosla, a pharmacologist and his wife Sadhna, a pharmacist, the couple's son Sandeep, also a qualified pharmacist, took over as Director in 2012.

Not short on ambition, the chain introduced the award-winning Medipharmacy app in 2018 which allowed regular patients to order more easily. That added to its existing free delivery service which meant it was able to easily cope with the increased demand the pandemic brought.

Sandeep said: 'We have an established delivery network which is free of charge. A lot of chains don't have it. We realised early on we needed to be able to compete against big chains. It gave us a unique offering to patients and set us apart from our competitors.'

This proved to give them a distinct advantage. Over the pandemic, the NHS introduced funding for deliveries. Many pharmacies couldn't access that funding because they didn't have the infrastructure in place.

Sandeep said: 'Suddenly we were getting funding for our deliveries and more patients from other pharmacies. Although there was funding, other independents couldn't get their heads around how to logistically do deliveries. For us it was just increasing what we were already doing.'

Turnover increased by 3% and the firm created an extra 15 jobs.

Another factor in its success was private healthcare. Just before the pandemic Medipharmacy had invested in training and introduced services in its consulting rooms such as blood testing for vitamin B levels, general health profiles and allergy patch tests which have increased over lockdown.

'We find people are more willing to pay for these services because you can't see a GP. As we come out of lockdown, GPs will have such a backlog, these preventative services will play an even greater role.'

Demand has doubled and the firm sees these moving from 3% of turnover to around 14% in 2022. The function also allowed the firm to bring in new income streams from COVID-19 vaccinations and PCR testing.

'If we stand still now and only dispense, we will be left behind,' Sandeep added.

www.medipharmacygroup.co.uk

3%

Medipharmacy Group created 15 jobs and increased turnover by 3% over the pandemic

Accommodation and food

As seen earlier, the worst-hit sector has arguably been accommodation and food service and as such, the places with a high presence of these businesses. However, this again hides more niche stories. For example, data from the ONS found camping businesses saw an increase in turnover on 2019, albeit while other industry counterparts saw considerable falls, undeniably reflecting a boost in domestic holidays (see **Figure 10**). Domestic tourism also seems to be lining up as another high-demand opportunity for Summer 2021.[61]

Additionally, some businesses found that their existing models gave an advantage during life under lockdown whereas others struggled.

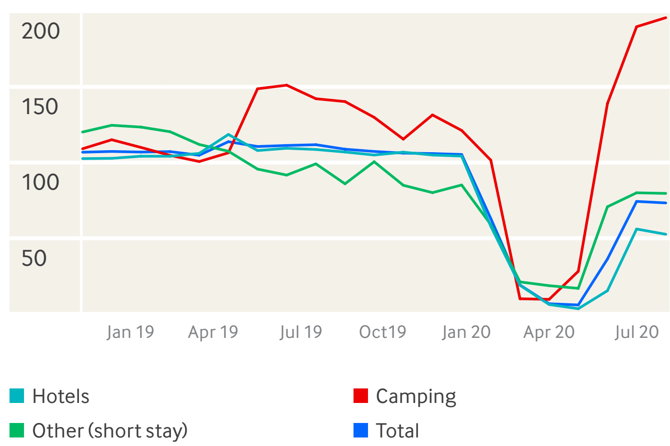
The closure of restaurants and stay-at-home measures has of course had unintended consequences, primarily meaning that consumers cooked more meals at home and as a result, supermarket sales grew. Retail insight company Kantar reported that the average spend of a supermarket shopper increased by over a third across May-July 2020 when compared to the year before.[63]

Demand for takeaway meals has escalated during the pandemic as restaurants have been forced to cut eating-in options. The recent listing of delivery giant, Deliveroo, on the London stock market for a valuation of £7.6 billion is testament to this. The firm reported the total value of orders in January and February 2021 had more than doubled the previous year[64] and in September the company announced plans to recruit 15,000 new riders by the end of 2020, doubling their driver numbers over the year.[65]

Towards the end of 2020 the services sector acted as the main contributor to growth, increasing by 1.7% in December as a number of consumer-facing industries reopened following the easing of restrictions.[66] This offers encouraging signs for the bounce back.

There's at least an awareness of the scale of the problem for this industry within government with the Chancellor's Budget 2021 announcing a £5 billion 'restart' grant scheme to aid those most affected businesses, including pubs and hotels, upon reopening.

Figure 10 Indexed seasonally adjusted turnover, Great Britain



60 www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09
61 www.bbc.co.uk/news/business-55826646
62 www.bbc.co.uk/news/business-56349666
63 www.ibisworld.com/blog/the-global-economic-outlook-for-2021-united-kingdom/44/1128/
64 www.bbc.co.uk/news/business-56481665
65 www.ibisworld.com/blog/the-global-economic-outlook-for-2021-united-kingdom/44/1128/
66 www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/latest
67 www.ibisworld.com/blog/covid-19-uk-industry-fast-facts/44/1128/

Case Study

Chris Smylie

Managing Director, Smylies

As a 20-year-old family-run business, Smylies is an outlier. It has consistently seen growth year-on-year since the export firm was launched in 2001 by Nigel Smylie.

Under the helm of his son Chris, now Managing Director, Smylies, which ships best-loved British products like Weetabix and Heinz Beans to supermarkets and outlets supplying ex-pats around the world, saw more than 10% growth over the pandemic with a projected £28m turnover.

Yet in early 2020, the firm was subject to the same restrictions on goods, including toiletries and cleaning products, that we saw plague British supermarkets. Add to that the issue of international shipping – flights such as Emirates which had played a key role in Smylies' export strategy to the UAE, for example, were grounded.

As an employer of 75 people, it also faced staff outages in its 30,000sq ft warehouse in Bromborough, Wirral. So, with products harder to come by, 50% less staff at some points, 30% more orders and reduced routes to market, how did Smylies grow in 2020/21?

Chris said: 'Three years before the pandemic, we had invested three quarters of a million pounds in a new IT system including an automated warehouse stock management system and increased e-commerce functionality with an industry-leading online ordering system. We also invested in equipment, conveyor belts, scanners and racking and we went paperless. We introduced Microsoft Teams in the office.

10%

Smylies saw 10% growth over the pandemic

'Two years ago, we started working with a management consultancy firm which gave our management teams a restructure, so we've now got better layering in the business.

'These were timely improvements in place when the pandemic hit and without these we wouldn't have been able to cope, but they were part of a wider strategy to make sure the business was in the best shape to hit our growth targets.'

While orders rocketed, capacity was still limited, so the company sought to bring down some of the barriers to fulfilment. One of the most labour-intensive jobs was translating the ingredients lists for the complex Middle Eastern market and printing labels which had to be stuck on to packaging by hand. The firm lobbied the customs in UAE, Saudi and Qatar to temporarily change the regulatory requirement.

Chris said: 'We told the authorities that due to reduced resources we cannot get the goods out to market, it's impossible. It took quite a few weeks with the help of the Department for International Trade and our own contacts. Thankfully, they relaxed the rules for us, which helped us adapt and service our clients.

'It was a challenge, a lot of companies might have thought, 'we haven't got the processes in place or the staff to manage it'. But everyone rallied round, and we put in place processes to keep everyone that had to come in, safe, because without the staff, we would not have managed.'

The firm found routes to market via re-purposed passenger flights and other alternatives.

In 2021, confidence is high. The firm is setting aggressive targets for 2024 when it hopes to hit £50m turnover with more capital investment in automation, expanding into more categories and territories.

www.smylies.com

Technology

At the other end of the industrial spectrum is the technology sector. The onset of the COVID-19 pandemic and the first national lockdown immediately resulted in a turn towards technological solutions to enable day-to-day life, notably in the early days particular attention focused on schooling and work solutions.

Zoom was one of the early winners with phenomenal rates of growth reported in its daily users and as a result, a soaring share price.[68] Other online working tools such as Microsoft Teams and Slack have also witnessed drastic growth since the imposed Government restrictions. More than a year later, it appears that the mass 'work from home' experiment has to some extent altered the working patterns and preferences for many on a more permanent basis. But, again for a proportion of the population, this was already a reality or an ambition, suggesting this is another strong example of a COVID-19 induced 'acceleration'. This is explored further later on.

COVID-19 has undeniably accelerated other technological change, perhaps nothing more evidently than the reduction in the use of physical cash, swapping more traditional technology e.g. ATMs, for new technology like contactless cards. UK Finance data highlights that for the first time in 2019, card payments overtook cash payments in the UK. The true scale of the effects of the pandemic on this space is yet to be revealed but one survey (commissioned by Boston Consulting Group) revealed that from May to June 2020, many formerly cash-loyal countries, such as Germany, Japan, and Italy, saw cash use fall by 30% or more. Other countries, including the UK (and Australia and Canada), made an even sharper move away from cash. Changing mindsets, greater accessibility, and higher contactless transaction limits helped drive this transition.[69] This shows no sign of slowing following the decision to increase in the UK contactless card limit to £100.[70]

Although, often harder to define within the typical Standard Industrial Classification (SIC) framework, key findings from the Tech Nation 2021 report[71] unsurprisingly evidences how technology is rapidly evolving the way we live and work. Alongside analysis from Beauhurst, it highlights how well the tech sector is performing and outperforming other areas of the economy. With an increasing rate of Gross Value Added (GVA) contribution to the UK economy, growing by 7% annually since 2016, it's also becoming increasingly important to the economy.[72]

Beauhurst analysis supports the finding that technology sub-sectors, which have performed particularly well throughout the pandemic, are those offering software services that enable remote working, learning and health-related activities.[73]

Unsurprisingly in a time of such major health-related crisis, health-related businesses have been presented opportunities, particularly health. This is a broad term that simply refers to the use of digital technologies in healthcare. One obvious example seen early in the pandemic, being the shift from gym-based fitness classes to virtual fitness. Recent data also suggests there has been a notable rise in ownership of wearable devices and fitness trackers since the onset of COVID-19 and this is expected to go much further in 2021. This builds upon pre-pandemic growth fuelled by a general trend of rising health consciousness and monitoring.

68 markets.businessinsider.com/news/stocks/zoom-stock-price-jumps-after-company-added-millions-users-coronavirus-2020-4-1029124065

69 Boston Consulting Group x Swift, Global Payments 2020: Fast Forward to the Future, Oct 2020

70 www.bbc.co.uk/news/business-56263582

71 technation.io/report2021/

72 Ibid

73 Beauhurst, Impact of COVID-19

74 www.gartner.com/en/newsroom/press-releases/2021-01-11-gartner-forecasts-global-spending-on-wearable-devices-to-total-81-5-billion-in-2021

Due to so many people working from home and with an ever-evolving situation, mental health apps also reported a spike in use. One market leader, Headspace, reported an increase in people downloading stress-relieving meditations, with a 14-fold jump in those intended to relieve anxiety. The company launched a free set of meditations called 'Weathering the Storm,' made specifically for dealing with the crisis.[75]

Of course, these types of technologies had also been performing well prior to the COVID-19 pandemic. For example, as shown in **Figure 11**, two of the top three health and fitness apps downloaded in Great Britain in 2019 (in the Google Play Store) were also meditation based - *Calm and Headspace.* Figures from January 2021, albeit a common time to begin a health kick, show an increase in the number of downloads as well as the growth in physical fitness apps with Strava and Walkfit taking the top two spots (Calm = 4th, Headspace = 10th).[76]

Analysis from industry research house IBIS World suggests revenue in the e-health services industry rose by 22.2% in 2020-21, almost twice as fast as in the previous year.[77]

Beyond health, the wide-reaching influence of technology has been obvious for example, in agriculture the universal move to online livestock auctions.[78]

Clearly, the introduction of this technology has an impact in itself and one that is commonly reported, is around the digital skills gaps required to utilise it. For example, for those farmers that aren't as digitally literate or comfortable using these tools, there may be an increasing disadvantage.

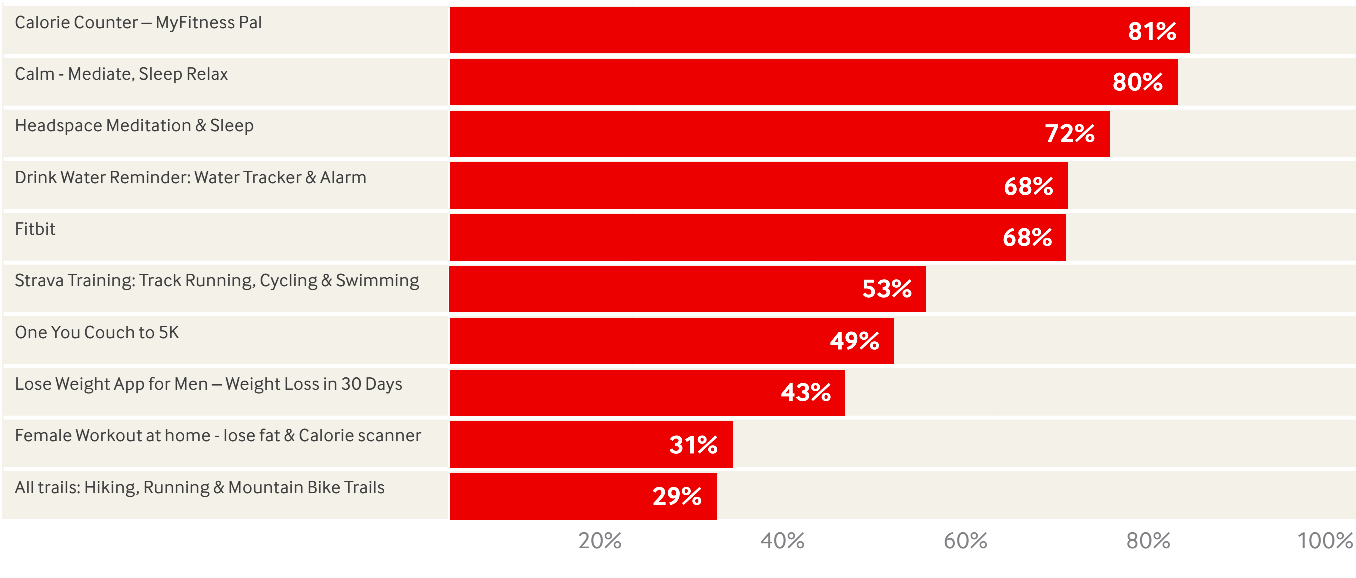
A second challenge is ensuring regional returns. Venture Capital (VC) investment for the tech sector primarily flows to London and at an increasing share (2018 = 73%, 2020 = 88%). Whilst technology clusters are forming outside London, the risk is of an overly heavy London-centric technology industry and a widening gap against the regions.[79]

'The introduction of health measures to self-track COVID-19 symptoms, along with increasing interest from consumers in their personal health and wellness during global lockdowns, presented a significant opportunity for the wearables market.'

Ranjit Atwal
Senior Research Director at Gartner[74]

75 www.technologyreview.com/2020/03/20/905184/coronavirus-online-therapy-mental-health-app-teletherapy/
76 www.statista.com/statistics/690336/leading-health-and-fitness-apps-in-google-play-in-great-britain-by-downloads/#:~:text=As%20of%20January%202021%2C%20Strava,with%20nearly%20 144.9%20thousand%20downloads.
77 www.ibisworld.com/blog/the-global-economic-outlook-for-2021-united-kingdom/44/1128/
78 www.fwi.co.uk/livestock/livestock-marketing/coronavirus-online-livestock-auctions-how-they-work
79 www.forbes.com/sites/trevorclawson/2021/03/17/on-the-levelmoney-flows-to-uk-tech-scaleups-but-london-still-takes-the-lions-share/?sh=42f486512d2c

Figure 11 **Leading health and fitness mobile apps in the Google Play Store in GB, May 2019 (number of downloads in thousands)**



The technology sector can arguably support genuine efforts to re-balance the economy. With increased working from home, these high-skilled, high-wage occupations can drive a dissemination of wealth. Unlike more traditional industries its geography doesn't have to be determined by external factors such as natural resources (e.g. soil type, fish stocks, presence of minerals) or a pre-existing infrastructure (e.g. access to a port or high footfall).

Policy recommendations

- Direct businesses to the support offered by the private sector to adopt new technologies, such as Google Digital Garage and TechPixies. This should emphasise efficient use of digital tools to increase long term productivity and resilience.

Case Study

Tanuvi Ethunandan, Co-founder, Data Duopoly

In less than two years, Data Duopoly's technology for helping visitor attractions manage queues has seen accelerated innovation, attracting investment and clients keen to provide a safe experience for people using their spaces.

The Falmouth-based start-up, co-founded by Tanuvi Ethunandan and Erin Morris, launched before the pandemic as a pilot with the Eden Project in Cornwall. It demonstrates the success of using location data to nudge visitors toward less crowded attractions or features.

They secured grant funding to develop their AI algorithms and were at early-stage conversations with potential clients when the national lockdown came in. Clients closed doors as they dealt with internal issues and, Tanuvi and Erin had to adapt to the shock of remote working and not being in the studio every day.

When the dust settled, venues returned their attention to their digital strategy, which suddenly was no longer a 'nice-to-have.' It was at this time they signed their first client, the National Trust.

Tanuvi said: 'We thought this was the perfect opportunity to launch and pivot at the same time. Before COVID-19 hit, we were providing a gamified experience, but it became so much more. We were already providing the data analysis to venues, tracking and monitoring where visitors were to give them a live heat map.

'We thought, why don't we give that information to the visitor as well? So, when you click on an exhibit in our app, it will say this area is really busy right now and nudge them somewhere else. Everyone gets personalised suggestions, so we're aiding with social distancing – helping venues recover as well and giving people the confidence to enjoy their day out.

'We went a step further, building on the NHS Track and Trace system, to think how people could report COVID-19 symptoms using our technology. We developed what we call COVID-19 Reporter, an anonymous button that people can press within the app to alert the venue to their positive test. The venue can use this data to decide its response. Whether that's to drill down its cleaning regime, contact everyone in a specific area or put in more social distancing in future.'

Data Duopoly was able to grow by securing match funding from the European Space Agency and Aerospace Cornwall and from raising seed round funding for £250,000 by showcasing the relevance and scalability of the product. They also used the Bounce Back Loan scheme, which enabled them to scale up quite quickly. Now they are aiming to build their recurring revenue since signing their first client.

Tanuvi said: 'I'd say it was very much like a hockey stick curve for us, the pandemic slowed us down and that initial uncertainty, and then it was the catalyst for what we're doing and bringing it to the forefront of our client's minds.'

The team is working on a pilot for students at Falmouth University to return safely to campus, adapting their technology to tell students which spaces are busy and suggesting alternative places for studying. They want to be in five university campuses a year after the pilot.

It's also developing technology for indoor spaces and have sights on the retail sector, where the firm sees huge potential. Locations like Westfield with existing apps can plug in the API to send visitors personalised notifications of less busy areas or information about which stores have sales to help manage the flow.

The response

We found the literature associated with how businesses (particularly small ones) respond to large-scale external shocks is relatively limited[80] and even more so in relation to the pandemic, given its freshness and recency (as well as in its magnitude when compared to other historical shocks).

This section explores the response by businesses, pulling in findings from the Enterprise Nation, Santander and the Enterprise Trust survey of business leaders during May 2021. These businesses were those whose turnover was not negatively affected by the pandemic (i.e. stayed as expected or grew) and therefore contains the 10 per cent cited throughout. Relevant case studies are also used to provide more detail on key themes identified from the initial literature review and survey.

Themes explored include: **entrepreneurship in the face of adversity, digital transformation, workplace evolution, deglobalisation, finance and investment.** These have been chosen based on the groupings of key information gathered from the available literature. As discussed earlier in the report it's important to recognise some of the pre-existing trends shaping UK business.

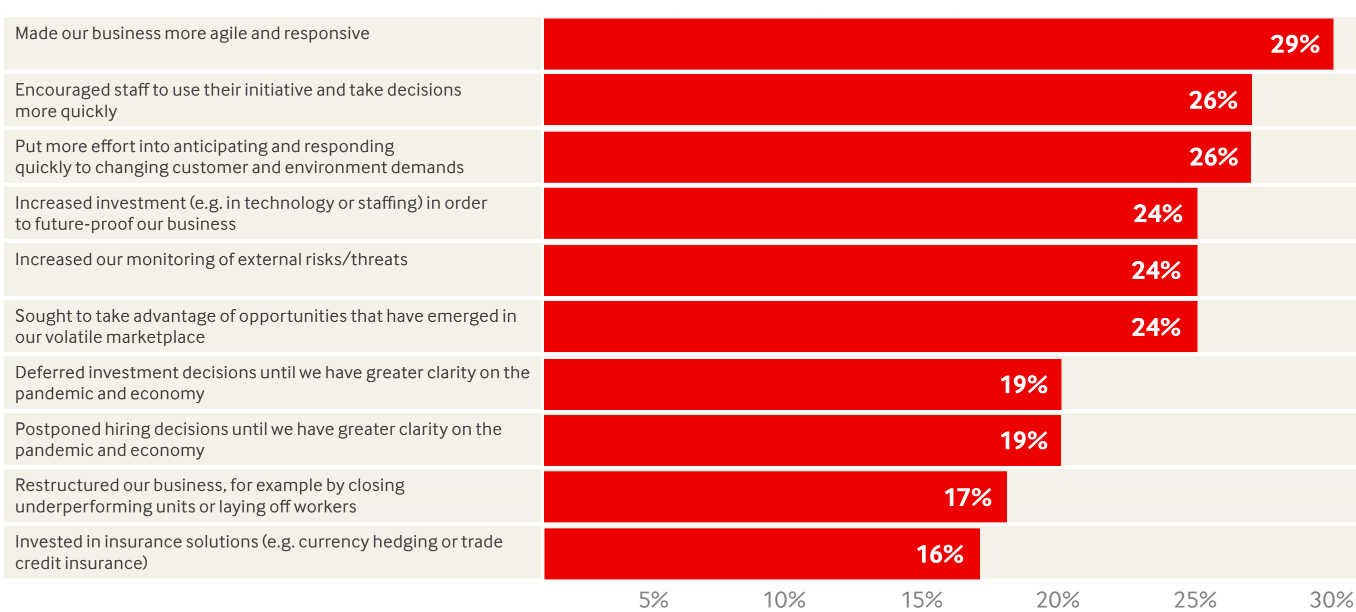
- **Technology advancement** – It's inevitable that technology will have an increased presence in our lives both at work and home (and for some now simultaneously) and it will improve and present new opportunities.
- **Ethical consumerism** – as environmental and societal challenges become more visible and time-pressured this trend is anticipated to march on. Interestingly this is now openly occurring alongside a paradigm shift in how we shop. The tension between convenience and consequence already being a conflict for many consumers.
- **Health consciousness** – another existing trend that will continue to grow, particularly as reminders of our vulnerabilities remain tangible from the memory of the pandemic.

What is true more than a year on from the initial shockwave, is that businesses now have a better sense of how quickly they can adapt and innovate, as noted in one piece of commentary 'as businesses are forced to do more with less, many are finding better, simpler, less expensive, and faster ways to operate'.[81]

> Results from the Enterprise Nation, Santander and Enterprise Trust survey support this finding with the top three reported responses by business in the face of the pandemic relating to speed and pace of work. 'Making our business more agile and responsive' was the most cited response (29%) followed by 'encouraging staff to use their initiative' (26%) and responding quickly to changing demands (26%) – see **Figure 12**.

It's also clear that those who triumphed, are the ones who took action. They changed plans, adapted or pivoted towards opportunity, found new ways of working, capitalised on the accelerated pace of change or a surge in demand, leveraged pre-existing competitive advantage, invested in research and development, embraced technology and a more digital future.

Figure 12 **How has your business responded to the COVID-19 pandemic?**



80 Morgan, Anokhin, Ofstein & Friske, SME response to major exogenous shocks: The bright and dark sides of business model pivoting, June 2020
81 www.mckinsey.com/featured-insights/leadership/the-future-is-not-what-it-used-to-be-thoughts-on-the-shape-of-the-next-normal

Entrepreneurship in the face of adversity

The first theme to be examined relates to **entrepreneurship** and **innovation**. The initial literature review identified research focused on entrepreneurship during times of uncertainty and as a route out of such times. This research and current thinking offers useful context and an insightful perspective ahead of reviewing the other key themes.

One survey of 1,000 UK SMEs in Autumn 2020 found that the majority had adjusted their business strategy in response to the pandemic. Unsurprisingly, the most common change was to focus on cost reduction, a tactic adopted across most sectors.[82] Reviewing business-related media coverage, it's also clear that there's significant focus on 'the pivot'.

A true business model pivot can be a rethinking or innovation in the proposition, activities, resources, customers, costs or channels used by a business,[83] but not all changes are a pivot, and certainly not all pivots are successful. New opportunities may not be as valuable as previous ones, they may not be sustainable and often when in response to an external shock the resources to make it happen simply aren't available or committing resources to it prove too high-risk.[84] This, for many in charge of businesses, will ring true when considering their options at the beginning of the pandemic. For some, COVID-19 didn't leave an option, the difficulty of being able to predict the duration of the crisis has forced them to change strategy or to pivot. All of this points to the value of strong leadership during a tumultuous time.

Results from the Enterprise Nation, Santander and Enterprise Trust survey support this finding with **81% of businesses that had performed well rating their business' leadership as Very Good (41%) or Good (40%)**. Interestingly, the proportion of businesses rating their *leadership* as Very Good during the pandemic was highest amongst those with higher levels of growth.

- Turnover increased by more than 50% = 55%
- Turnover increased by up to 20% = 38%

A similar pattern was seen when rating **strategic vision** (high growth = 60% very good vs steady growth = 29% very good) and **execution of strategy and vision** (high growth = 55% very good vs steady growth = 28%).

Data from the pandemic also highlights an important distinction between entrepreneurial necessity, as opposed to entrepreneurial choice. At an individual level, we've also seen an uptick of 'crisis entrepreneurs', people who have lost their jobs and have no other choice than to start their own business.[85] Positively, the media has been peppered with optimistic stories of this being an encouraging result for some, allowing them to explore opportunities they would not normally have considered. The number of businesses being created can be another helpful indication of the business landscape and according to Companies House, in the week to 26 February 2021, there were 17,096 company incorporations in the UK. This was an 8% increase from the previous week and higher than the number of incorporations seen in the same week of 2019 and 2020.[86]

82 www.enterpriseresearch.ac.uk/wp-content/uploads/2021/02/ERC-Insight-The-impact-of-the-COVID-19-pandemic-on-UK-SMES-and-their-response-3.pd
83 Christensen, Bartman, Van Bever, The hard truth about business model innovation, 2016
84 Morgan, Anokhin, Ofstein & Friske, SME response to major exogenous shocks: The bright and dark sides of business model pivoting, June 2020
85 www.enterpriseresearch.ac.uk/crisis-entrepreneurs/
86 www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukeconomyandsocietyfasterindicators/4march2021#company-incorporations-and-voluntary-dissolution-applications
87 Morgan, Anokhin, Ofstein & Friske, SME response to major exogenous shocks: The bright and dark sides of business model pivoting, June 2020
88 www.pwc.co.uk/issues/business-in-focus/podcast/transcript-lessons-from-2020.html
89 Rittera & Gemünden, The impact of a company's business strategy on its technological competence, network competence and innovation success, 2004
90 innovationmanagement.se/2020/12/02/the-pandemic-pivot-the-need-for-product-service-and-business-model-innovation/

Conversely, for many the response has also been **innovation**. And unlike short term price instability it's these innovative opportunities that can have a lasting effect (on a business, on consumers or on society).[88] As seen in previous entrepreneurial research, innovation success is often linked to a business' existing core competencies e.g. its technical knowledge or an established network it has built.[89,90] This highlights the importance for a business in doing its due diligence ahead of pivoting or innovating towards an opportunity. Research from McKinsey also suggests that businesses more familiar with pursuing strategic moves and changes, through every phase of the economic cycle, increase their odds of outperforming those businesses less skilled at embracing and handling change.[91]

> Results from the Enterprise Nation, Santander and Enterprise Trust survey found that of businesses that had performed well during in the pandemic.
>
> – 71% rated their business as very good or good at **innovation.**
>
> – 68% rated their business as very good or good at **new product development.**

Policy recommendations

– Prioritise building skills such as resilience, innovation management, opportunity identification and new product/service development via private sector training providers such as Enterprise Nation and Government-funded initiatives through local LEPs and providers such as Be the Business.

– Encourage innovation by simplifying and modernising SME Research & Development Relief by speeding up applications and their feedback, and expanding activities that qualify as R&D. This would allow start-ups to innovate more quickly and frequently, making them more resilient through future economic shocks.

Looking for insight from previous recessions, one large scale Harvard Business Review (HBR) analysed the performance and strategies of nearly 5,000 businesses across three recessions. Similar to findings highlighted earlier, and in line with this report's title, the HBR review found that around **one in ten** of the sample flourished after an economic slowdown, doing better financially than before the recession and outperforming industry rivals significantly. The study also concluded that businesses that did well had balanced their strategy, acting with a mix of defensive and offensive behaviour. Generally, the winners were found to have sensibly cut costs and made operational efficiencies but also developed new markets, increased spending on research and discovery and marketing. Whilst for most, this only yielded modest gains during the recession it helped to increase sales and profits afterwards.[92] Additional studies have also highlighted that most businesses that invest heavily in research and discovery tend to be those that perform well in recession.[93]

Research has shown that businesses that weathered the 2008 financial crisis well proactively changed their business plans. One study in the wake of COVID-19 highlights the speed of this change for many. Unsurprisingly, most entrepreneurs surveyed reported they changed their plans because of the COVID-19 pandemic (73%). Perhaps impressively though, two-thirds of those that changed their plans developed alternative plans by mid-March 2020 (more than 80% by the end of March 2020).[94]

As well as willingness to adapt, where to look for opportunities has become important for many and remains a key skill for successful entrepreneurs. The Spring 2021 Santander Trade Barometer found that 26% of businesses say international markets are more important to them because of the pandemic, against only 5% that say it's less so.[95]

> In the recent survey of strong performing businesses, 28% identified that support with **finding new markets** would be the most beneficial support to them in the future.

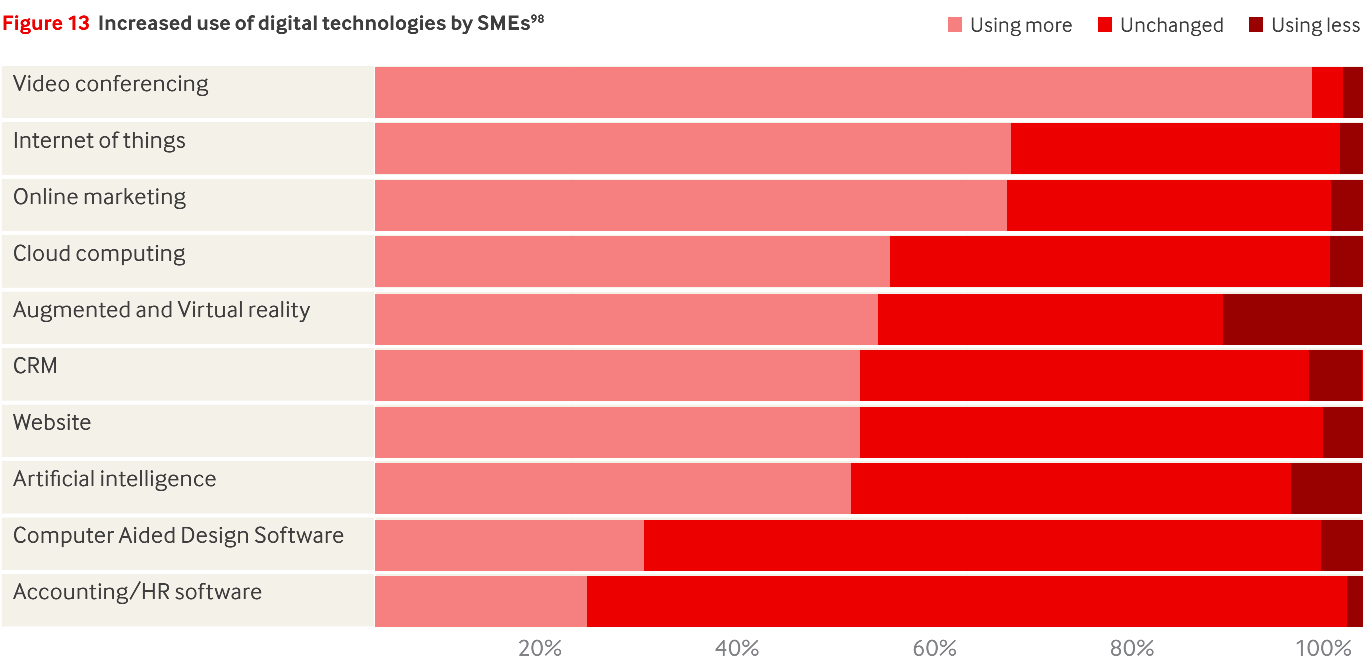
91 www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-great-acceleration
92 hbr.org/2010/03/roaring-out-of-recession
93 Morbey & Dugal, Corporate R&D spending during a recession, 2016
94 kclpure.kcl.ac.uk/portal/files/136834232/KCL_KBS_Covid_Impact_Paper_2_Entrepreneurship_Opp_Chall_Trends_2020.pdf
95 www.santandercb.co.uk/factsheet/trade-barometer-2020/21.pdf

Digital transformation

The onset of COVID-19 and subsequent restrictions meant that for many, technology became the enabler to stay connected across personal, educational and work activities. Video conferencing is perhaps the most obvious example of digital adoption 'acceleration' initiated by the pandemic. Online shopping is another, with this becoming the default purchasing channel for a far greater proportion of the population than prior to the pandemic.

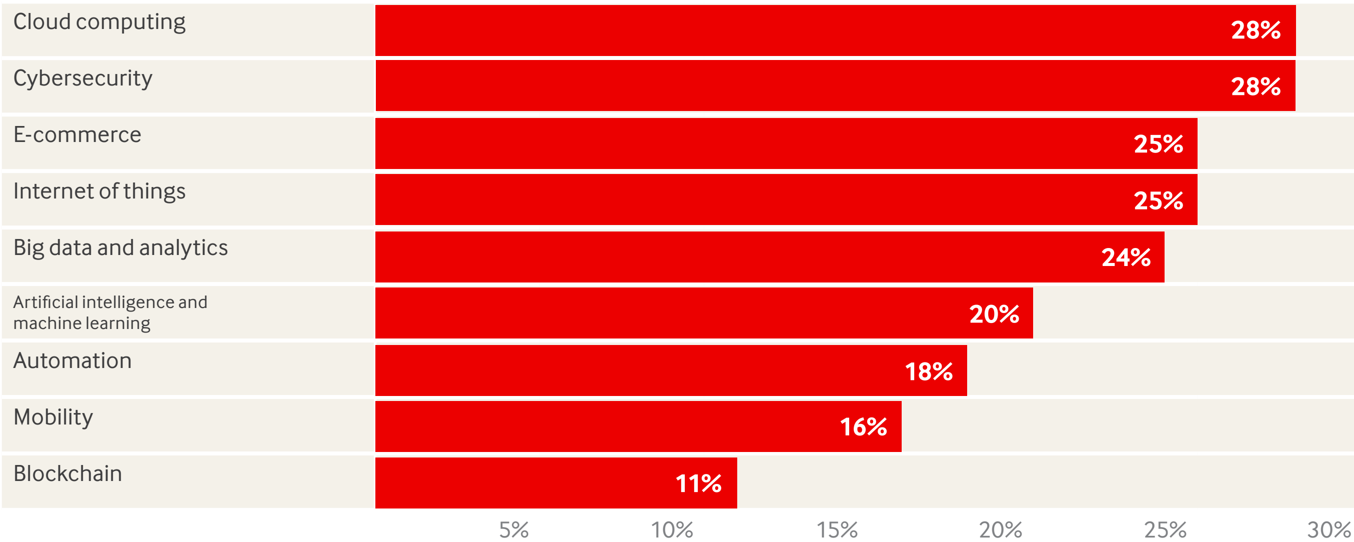
Data collected by Enterprise Research Centre supports this. When asking business about their changes in technology use the most common shift was in the use of video conferencing platforms. Increased use of online marketing was also a widely reported response to the challenges presented by the pandemic, responding to the online shopping increase. In addition, increased uptake of newer technologies such as the internet of things and augmented reality were also reported (see **Figure 13**). Those that have done so may be well positioned in terms of improving productivity and increasing sales over the long-term.[97]

Figure 13 Increased use of digital technologies by SMEs[98]



97 www.enterpriseresearch.ac.uk/wp-content/uploads/2021/02/ERC-Insight-The-impact-of-the-COVID-19-pandemic-on-UK-SMES-and-their-response-3.pdf
98 www.enterpriseresearch.ac.uk/wp-content/uploads/2021/02/ERC-Insight-The-impact-of-the-COVID-19-pandemic-on-UK-SMES-and-their-response-3.pdf

Figure 14 **Which technologies are you prioritising for investment over the next three years?**



Looking at online marketing specifically, 2019 research from the Boston Consulting Group and Google identifies the potentially untapped value of strong digital advertising. The study reported that just 2% of brands could be classed as 'best-in-class' at data-driven marketing. Yet those that were, drove up to 20% more revenue, and 30% more cost savings as a result.[99]

A report titled 'The State of Digital Advertising' by internet advertising platform Criteo found that 65% of UK marketers reported lost revenue in 2020 when compared to 2019. However, 71% of marketers stated that the share of digital marketing spend increased across all channels and will likely continue in 2021. Those marketeers surveyed identified that social media marketing represented the biggest increase in marketing spend, followed by spend on retail websites and apps. The increase in investment on retail websites and apps has reportedly helped many businesses, with one in three marketers saying COVID-19 has led to an increased website sales.[100] There have also been specific examples of social media influencer marketing, for instance helping to grow businesses during COVID-19, highlighting the importance of this new player in the digital marketing space.

Diversifying online presence was also a clear strategy for some businesses as witnessed from a large cohort of businesses that registered for the Enterprise Nation and Amazon Small Business Accelerator. Of those that registered and had an existing business, three-quarters were primarily keen to increase their online presence with more sales channels. 10% of existing businesses who registered identified that they did not have any online presence for their business.[101]

One report from the Centre for Policy Studies looked at how digital platforms can aid productivity gains in small businesses. The study included a poll from YouGov of more than 1,000 senior decision makers in British SMEs. Three-fifths of SMEs agreed that without digital platforms it would have been harder to operate during COVID-19. It also found that Google was the single most important digital platform for SMEs (selected by 22% of respondents). Facebook (16%), LinkedIn (15%), Sage (8%), Amazon (6%), Instagram and Xero (both 5%) held the next largest share. The survey identified there were more than 35 different platforms cited as the most important. A fifth of respondents reported that they did not know how to effectively make use of digital platforms to grow and succeed (20%).[102]

99 www.thinkwithgoogle.com/intl/en-gb/future-of-marketing/digital-transformation/research-driving-strong-business-growth-through-data-driven-marketing-transformation/
100 bdaily.co.uk/articles/2021/02/25/uk-marketers-overcome-covid-19
101 See JT's excel file
102 www.cps.org.uk/files/reports/original/200706165436-CPSPLATFORMSFORGROWTH1.pdf

Findings from the Enterprise Nation, Santander and Enterprise Trust survey found **cloud computing** and **cybersecurity** were the two technologies that strong performing businesses planned to prioritise investing in the next three years (see **Figure 14**). ***E-commerce, internet of things and big data and analytics*** also featured highly.

26%

attributed growth to new digital delivery channels

This hastening of technology adoption amongst UK SMEs clearly enabled opportunities for some to increase sales and improve productivity but the Government must be mindful of long-established warnings about the lack of available digital skills and talent. The Learning & Work Institute says the number of young people taking IT subjects at GCSE has dropped 40% since 2015, which it argues is evidence of the country heading toward a digital skills shortage disaster.[103]

The London School of Economics and Confederation of British Industry (CBI) in July 2020 found that financial incentives were the most popular policy to support continued technology adoption. Policies on new tax incentives and business grants were most popular among businesses (the latter particularly popular for smaller firms). Larger firms identified the importance of investments in the digital and professional skills of younger people entering the workforce.

28%

Top performing firms plan to invest in Cloud computing and cybersecurity over the next three years

103 www.bbc.co.uk/news/business-56479304#:~:text=The%20UK%20is%20heading%20towards,has%20dropped%2040%25%20since%202015.&text=Experts%20say%20digital%20skills%20are%20vital%20to%20economic%20recovery%20following%20the%20pandemic

Case Study

Nathan Bowles
Founder, Veezu

'We quickly issued them with face coverings, we installed partition screens, and introduced specialist vehicle cleaning stations. We also introduced Airpay, which worked for our customers who would normally pay by cash.'

Nathan Bowles
Founder, Veezu

While journeys outside the home were restricted over lockdown, UK's leading private hire technology platform Veezu was busy adapting ready to bounce back quickly and with volume.

The Newport-based firm, founded in 2013 by Welsh serial entrepreneur Nathan Bowles, partners with more than 6,000 drivers across 22 locations in the UK including Amber Cars in Leeds and A2B Radio Cars in Birmingham.

A week before the pandemic struck Veezu's latest acquisition Go Carz, based in Shropshire, came on board, and the UK Government told everyone to stay at home. So, the firm launched a series of initiatives that kept them and the self-employed driver partners in business. It also issued call operators and head office staff with laptops to keep things going remotely.

Nathan Bowles, Veezu CEO said: 'We were able to adapt our services, so we instigated things like a 'You click, We deliver' service for people who were self-isolating, this was for things like prescriptions and food parcels. We offered a discount for key workers. These were part of the measures we introduced to help driver partners keep operating, keep earning.

'We quickly issued them with face coverings, we installed partition screens, and introduced specialist vehicle cleaning stations. We also introduced Airpay, which worked for our customers who would normally pay by cash.'

Unlike other ride hailing firms such as Uber, before the pandemic, 75 per cent of its fares were in cash. So, finding a flexible payment solution was key.

'Airpay meant we could text passengers a link, so if they didn't have the app, they could pay on their credit card.'

The firm also built a Driver Partner Portal which reduced the number of times drivers needed to go into the local office as well as allowing them to upload insurance documents, change of car documents, request technical support, as well as see the balance of all their fees and fares in once place. This will also allow Veezu to offer insurance deals and promotions or perks to drivers in the longer term.

'It's been really important for us to adapt quickly and retain our relationships with different audiences including with the driver partners, particularly when it's been difficult to have face to face meetings.

'All the changes that we've made over the pandemic period have set us up for the next couple of years of growth, as things come back, we will be able to meet our target of 25m bookings per year, a 7m increase on pre-pandemic figures.'


TAXI

Workplace evolution

In response to the pandemic, businesses not only had to grapple with, and respond to changes in demand for products and services, but also had to transform the way they worked, and very quickly. As highlighted by leaders at PwC, for some, this meant a rapid and thorough reassessing of necessary skills, to investing in an altered flexible workforce. This brought rewards for some[104].

Remote working

Homeworking has been one of the most talked about impacts of the pandemic. Again, looking at data pre-COVID-19 there's evidence to suggest change was already happening. It was commonly reported that as the population ages and millennials and Gen Z account for a greater share of the workforce, the needs of the workforce will continue to change, with greater demand for working that is flexible both in place and time.

Businesses have for a while needed to respond to worker preferences to compete in recruiting the best talent but it's the 'acceleration' effect that COVID-19 has had which is clear. Working from home was on the rise but COVID-19 has made more businesses and individuals see the benefit or feel comfortable with it.[105]

First and foremost, the lockdowns drove drastic changes in the short-term, forcing employees to set up at home and compelling businesses to provide supporting infrastructure. Following the initial lockdown and the return to workplaces for some, businesses had to review and invest in re-designing spaces to help avoid transmission of the virus e.g. allowing for social distancing measures.

Secondly are the longer-term implications. Currently, businesses are re-assessing their workspaces. With so many people forced to work remotely from home, the requirement for traditional centralised office space is being put into question.

104 www.pwc.co.uk/issues/business-in-focus/podcast/transcript-lessons-from-2020.html
105 hbr.org/2021/03/what-do-we-like-about-wfh
106 www.businessinsider.com/what-spotify-twitter-goldman-sachs-said-about-long-term-remote-working-2021-3?r=US&IR=T
107 www.bbc.co.uk/news/business-57001914
108 Ibid

42%

businesses say flexible working is change most likely to be made permanent

We've seen announcements from major players keen to promote flexibility (e.g. Spotify, Twitter, KPMG[106,107]) but behind the headlines is a more realistic hybrid vision. Many are also arguing strongly that a remote-working model falls down on enabling collaboration, learning, progression and culture.[108] How this will balance out in the long-term is unknown. Furthermore, we have seen announcements, for example, from Google, articulating an intention to have employees back in the office.[109] Inevitably it's likely to remain a mixture of models that wins out. One recent BBC survey of 50 of the UK's biggest employers almost all (43) said they will embrace a mix of home and office working, with staff encouraged to work from home two to three days a week.[110]

There is an interesting link with data arising in the housing market, indicating potential changes in buying behaviour. One review by Savills, for example, highlighted changing attitudes toward location and property features. Assessing enquiries received since COVID-19 affected the UK, the property firm found an increase in demand for country and village locations and for properties with separate home-working space.[111] Longer commuter distances become more manageable if the frequency is reduced by working in the office only part of the week. Hotdesking or co-working options locally may also offer the balance of an interactive workspace with the necessary office amenities but close to home, and cater for that sought-after work/life balance.

Even in a compromised future it's clear that this is likely to leave some amount of empty office space and organisations will need to act to avoid this unnecessary cost. In recent headlines The City of London Corporation, which looks after the Square Mile, announced it's aiming to convert empty office space into housing – at least 1,500 new homes by 2030.[112]

Estimates about future levels of homeworking vary. It appears that a lower percentage of businesses state they intend to use increased homeworking as a permanent change compared to surveys of employees wishing for it.

> Results from the Enterprise Nation, Santander and Enterprise Trust survey asked businesses what consequences there had been from staff working predominantly from home. Unsurprisingly it had driven a need for investment to equip staff with technology (31%). Meanwhile, 28% of businesses reported it **had made staff more productive and highlighted their limited need for permanent office/shop space** – see **Figure 15**). One in five of this business cohort reported that homeworking had been unsuccessful and planned to bring staff back to a permanent office as soon as safe to do so.

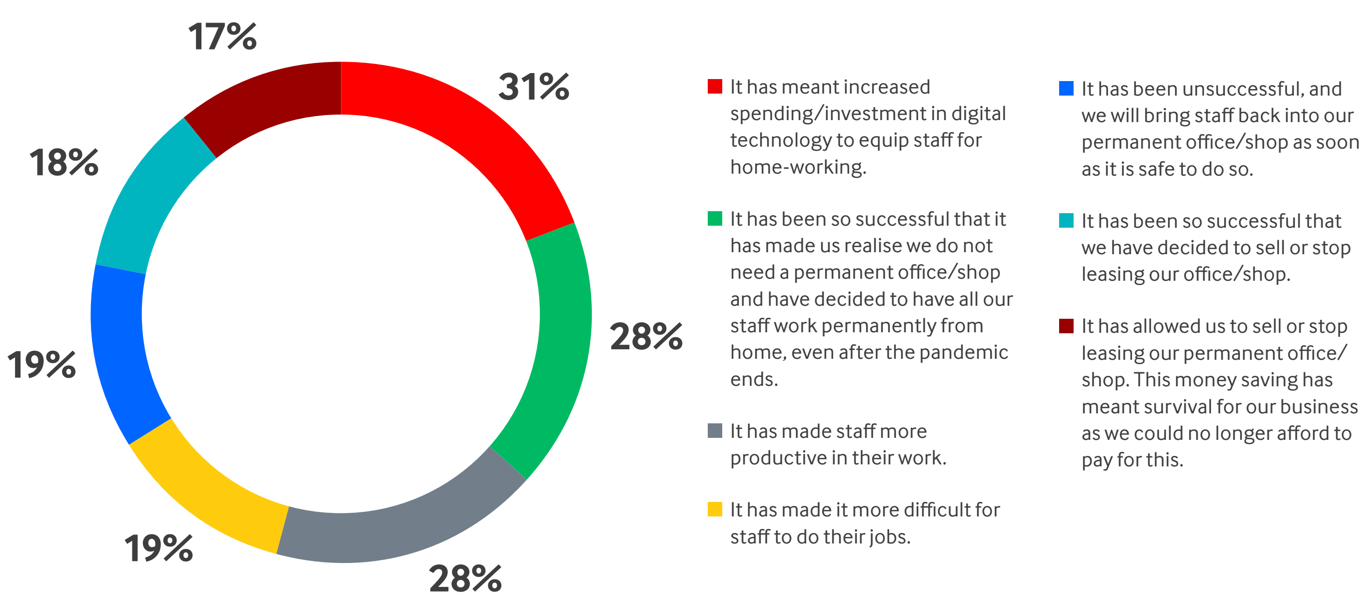
109 www.bbc.co.uk/news/technology-56614285
110 www.bbc.co.uk/news/business-56972207
111 www.savills.co.uk/insight-and-opinion/savills-news/301568/uk-s-prime-residential-market-defies-the-pull-of-gravity
112 www.bbc.co.uk/news/business-56888615

The changing working day

The pandemic has squeezed perception of the traditional working day, something that was changing ahead of the pandemic but with the required shift to home schooling alongside home working in particular, for many something had to give. Arguably this has forced businesses to experiment with accepting that everyone works on different schedules.[114]

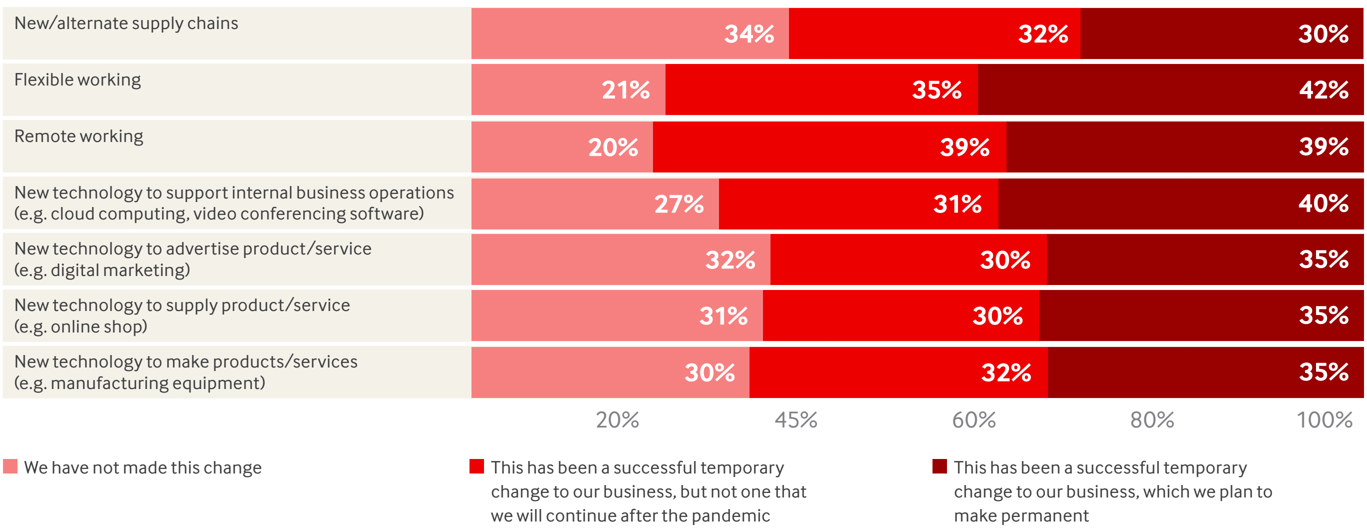
There are other important dynamics at play, such as a business' industry, its occupational composition and the tasks required of those jobs. One study that examined worker productivity during the UK lockdown and work-from-home periods found that workers at home reported being as productive as before the pandemic. There was, however, substantial variation across socioeconomic groups, industries and occupations. Groups that typically reported lower productivity were those with lower wages, the self-employed and women, particularly those with children. It was also highlighted that productivity declines are understandably linked with worsened mental wellbeing.[115]

Figure 15 **You said that your employees have predominantly worked from home over the past year. What consequences has this had?**



114 slack.com/intl/en-gb/blog/transformation/beyond-covid-19-three-trends-shaping-the-future-of-work
115 www.iser.essex.ac.uk/research/publications/working-papers/iser/2020-12.pdf

Figure 16 **Which of the following changes has your business made as a result of the pandemic?**



A study by McKinsey that looked at the likelihood of remote working beyond the pandemic suggested that 20-25% of the workforce in advanced economies could work from home between three to five days a week without suffering a loss of productivity. This is four to five times the levels of homeworking seen in these economies before the pandemic. It was also found some work that can be done remotely is achieved better in person. This includes specific tasks such as negotiation, making critical business decisions, brainstorming sessions, providing sensitive feedback and onboarding new employees.[116]

> One in four (39%) of businesses reported that they planned to make remote working a more permanent change (**Figure 16**).

Policy recommendations

- The Government should be an advocate for flexible workplaces by developing a strategy for future Civil Service working options, taking into account technology adoption and societal change.
- Consult with small and large businesses on flexible working best practices and review the skills and career support needed to enable the UK to become a world-leader in flexible working.
- With the increase in homeworking and the decline of bricks and mortar retail, there's a need to radically reimagine urban spaces. Identify the sectors impacted by changing work practices such as transport and the high street and assess how they need to adapt. This could include using empty shops to educate the next generation of retail entrepreneurs via pop-up shops such as those offered by Enterprise Nation and Amazon, Sook and Appear Here.

116 www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19
117 www.smf.co.uk/publications/health-on-the-high-street/

Deglobalisation

Supply chain disruption

'Supply chain' is a term typically more familiar to those working behind-the-scenes in business but is another term that has been more universally adopted in 2020-21 due to COVID-19, Brexit repercussions[118] and other news stories e.g. the Ever Given container ship blocking the Suez Canal.[119]

It's clear that awareness has risen of where our things come from and how dependent we are on the global interconnectedness of these established supply chains.

Early in the pandemic the movement of goods became slower, particularly with factory output from China suddenly halting, the heart of many supply chains.[120] Consequently, local supply chains were increasingly relied upon and valued. People looked to alternative retailers and retailers to alternative suppliers. We've already seen that manufacturers pivoted to products in demand and, whilst for many this was temporary, it has highlighted the fragility of our established global supply chains.

Commentators identify deglobalisation (or localisation) as one of the longer-term impacts of COVID-19 potentially amplified by Brexit.

A PWC report also emphasises the importance of ensuring businesses have end-to-end supply chain visibility and digitising numerous supply chain functions to enable this visibility.[122] Analysis from the HBR suggests that manufacturers will face pressure to increase domestic production, grow home employment, reduce dependence on risky sources and rethink the 'just-in-time' replenishment strategies consumers have become reliant on but also desensitised to.[123]

Partnering has been another approach to building in resilience both through exploring and securing additional supply sources.[124,125]

> One-in-five businesses (21%) which saw a positive impact on turnover during COVID-19 highlighted that they **built new partnerships**.

Doing things differently

It's not solely business logistics that are wrapped up in the term deglobalisation. For some consumers it's about deliberately doing things differently. Considering the societal and environmental impacts of these supply chains and the brands they buy.

Another long term trend that pre-dates the pandemic is ethical consumerism. An increasing number of customers are choosing to buy with an environmental and social conscience.

The trend has already led to a vast number of new businesses, products and business models. The Ethical Consumer market report acts as an annual barometer for UK ethical spending and has identified significant growth in the decade leading to 2020 (see **Figure 17**). Following its review of spending in 2020 it summarised that local shops may win out post-pandemic as a greater percentage of consumers plan to continue shopping locally, a promising indication for independent retailers. Shifts remain in consumer spending on food and drink, with sales of meat-free and dairy-free products increasing and evidence that more shoppers plan to purchase Fairtrade and organic food post-pandemic than they did before.[126]

It's clear that the increased attention on how much our food supplies are taken for granted will leave a mark on at least a segment of UK consumers. It's therefore clear that COVID-19 exaggerated the trend of ethical consumerism, for some, even if not directly, in their spending (due to financial pressures) then at least in their future ambitions. What is clear is that brands in this space are positioned well for future growth and that increasingly all brands will need to demonstrate their commitment to tackling climate change and societal injustice through zero-waste policies, carbon-emission pledges and strong stances on issues of equality and diversity.

118 www.bbc.co.uk/news/uk-scotland-scotland-business-56931396
119 www.ft.com/content/d452362c-b38d-4786-a2fb-14254df49dec
120 www.pwc.com/sg/en/publications/a-resilient-tomorrow-covid-19-response-and-transformation/supply-chain.html
121 www.cips.org/supply-management/opinion/2020/september/three-long-term-supply-chain-impacts-from-covid/
122 www.pwc.com/sg/en/publications/a-resilient-tomorrow-covid-19-response-and-transformation/supply-chain.html
123 hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world
124 www.ibm.com/thought-leadership/institute-business-value/report/covid-19-future-business#
125 www.pwc.com/sg/en/publications/a-resilient-tomorrow-covid-19-response-and-transformation/supply-chain.html
126 www.ethicalconsumer.org/sites/default/files/inline-files/Ethical%20Consumer%20Markets%20Report%202020.pdf

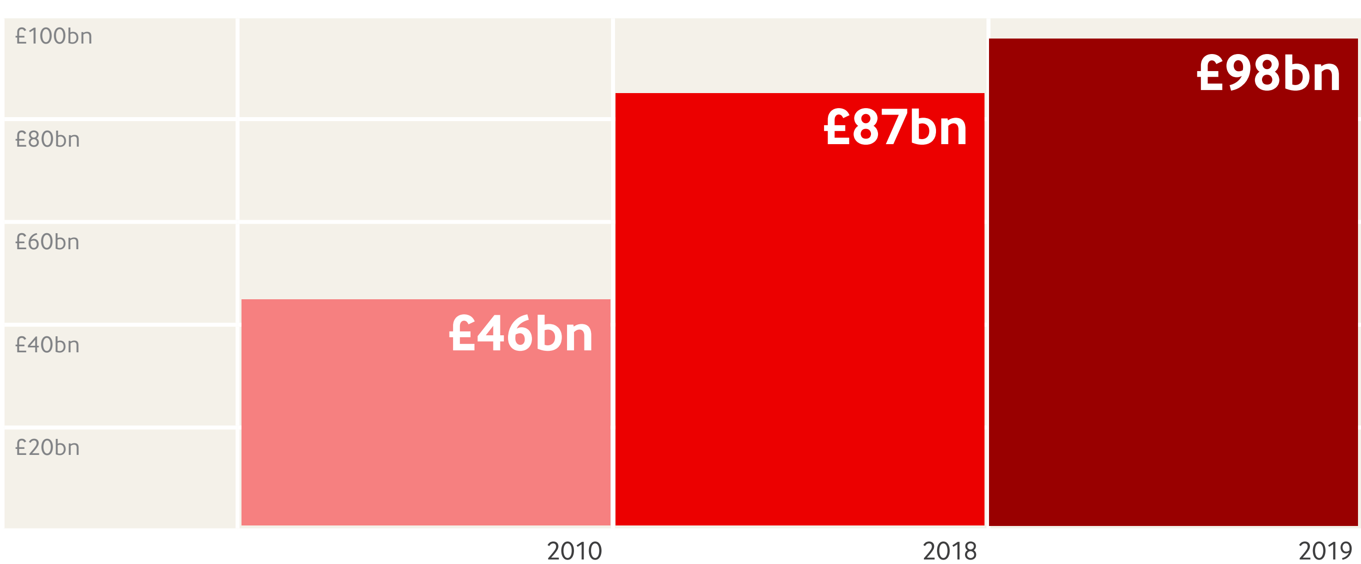
Results from the Enterprise Nation, Santander and Enterprise Trust survey found that of businesses that had performed well during in the pandemic:

- 72% thought that a **movement toward a greener economy offers positive opportunity for business** (strongly agree = 29%, somewhat agree = 43%). Interestingly, the proportion of businesses that strongly agreed with this statement was highest amongst those with higher levels of growth:
  - Turnover increased by more than 50% = 40% strongly agree.
  - Turnover increased by up to 20% = 29% strongly agree.
- 66% thought sustainability will **underpin their business philosophy.**

Policy recommendations

- Prioritise the 'green recovery' – incentivise UK businesses to lead the global charge to achieve net zero by extending Super Deduction and Special Rate (SR) allowances to investment in environmentally efficient equipment.
- Offer green entrepreneurship courses as part of the Government's lifelong learning programme via local further education colleges and private sector specialists such as Enterprise Nation and Be the Business.
- Use COP26 to showcase British entrepreneurial talent in environmental innovation.

Figure 17 **Spending on ethical personal products in the UK (£billion)**[127]



127 www.ethicalconsumer.org/sites/default/files/inline-files/Ethical%20Consumer%20Markets%20Report%202020.pdf
128 www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution/title#introduction

Finance and investment

Money matters

For many businesses, cashflow has been the difference between doing something and not, succeeding, standing still or failing.

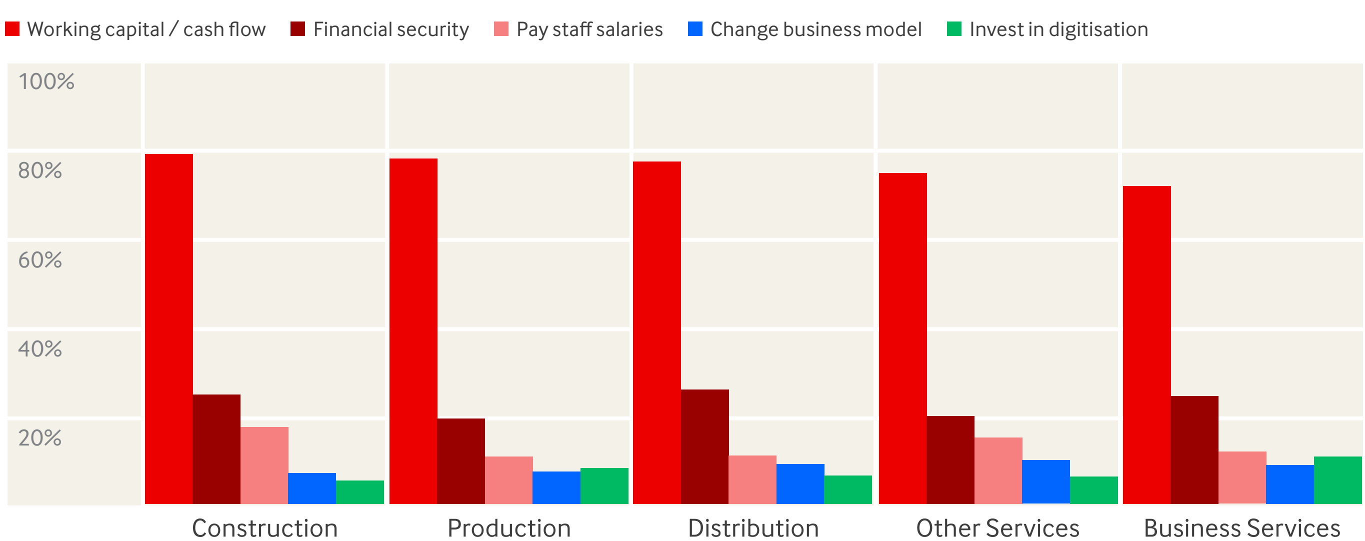
Following the extensive disruption caused by the pandemic, the UK Government created a range of measures to help support businesses through their lost income and manage their cashflow. The two most referenced schemes launched were the Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLS).[129]

Unsurprisingly, borrowing increased in 2020 with almost half the UK's small and medium-sized businesses seeking financial support in 2020, more than three times the total of the previous year.[130] Gross bank lending (excluding overdrafts) to SMEs was £103.7bn, 82% higher than in 2019.[131] Analysis from the British Business Bank found that money to cover short term funding gaps or disrupted trading were the dominant drivers of funding needs in 2020. More than three-quarters (78%) of small businesses that needed funding reported it was for cashflow support in 2020, an increase from 49% in 2019.[132]

Examples of how government support has been utilised varies by business, some reporting simply using it to cover costs when income couldn't be generated. Others however have utilised the schemes to their advantage, for example to buy extra stock in response to increased demand, or to switch operations online to continue serving customers. British Business Bank analysis also finds that how small businesses intended to use their COVID-19 accessed finance didn't vary greatly by either their broad industry or employment size (see **Figure 18**); except beyond a few obvious differences. For example, those with more staff typically spending a greater amount of their support on paying staff salaries. A relatively consistent 5%-10% reported investing in digitisation.[134]

Figure 18 Intended use of COVID-19 finance, by sector and size[135]

Sector



129 www.ukfinance.org.uk/policy-and-guidance/guidance/lets-talk-business-covid-19
130 www.ft.com/content/ed97b82e-db74-47d5-b527-126df6fc6c23
131 www.british-business-bank.co.uk/wp-content/uploads/2021/03/BBB-SBFM-Report-2021-Widescreen-AW-tagged-002.pdf
132 www.british-business-bank.co.uk/wp-content/uploads/2021/03/BBB-SBFM-Report-2021-Widescreen-AW-tagged-002.pdf
133 www.ukfinance.org.uk/press/press-releases/coronavirus-lending-schemes-support-over-15-million-uk-businesses
134 www.british-business-bank.co.uk/wp-content/uploads/2021/03/BBB-SBFM-Report-2021-Widescreen-AW-tagged-002.pdf
135 British Business Bank 2020 Business Finance Survey – Ipsos MORI

43%

said Government loan was important to survival

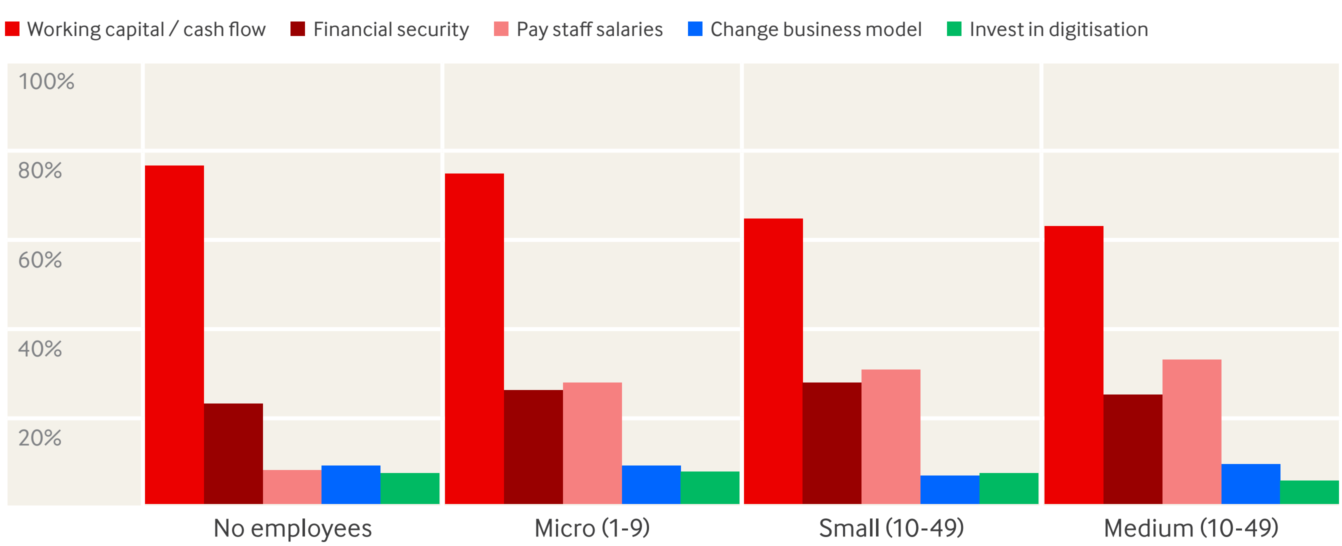
Data published by the British Business Bank also provides insight into regional and sectoral use of these support schemes. The proportion of overall loans in each of the nine English regions and three Devolved Nations broadly matches closely with their respective share of the business population. The North West had largest use of CBILs and BBLS (11%) outside London and the South East (34%) and just ahead of the East of England (10%).

The manufacturing sector has accessed a higher proportion of CBILS loans (13%) than its share of the business population (5%), with wholesale and retail (18% v 9.2%) the second-most over-represented sector for CBILS uptake. For BBLS loans, wholesale and retail also had the highest proportion versus its share of business population (15% v 9%) .

The Enterprise Nation, Santander and Enterprise Trust commissioned survey found that:

- Government-backed loans played a vital role in supporting businesses that did well during the pandemic, with 43% claiming that they received a government-backed loan or financial agreement and that it has been important in ensuring that they continued to operate.
  - This percentage rose to 67% for businesses whose turnover increased by more than 50% (versus 45% of those whose turnover increased by up to 20%).
- Some placed less importance on the Government support that they received, with 23% claiming to have received government-backed loans or financial agreements but feeling that they were not important in ensuring their business continued to operate.
- One in three (34%) businesses that did well during the pandemic did not receive a government-backed loan or financial agreement.

Size



Seeking investment

Beyond government support, analysis from Beauhurst, reported investment in start-ups and scale-ups in 2020 declined slightly but, considering the uncertainty and disruption, remained relatively steady. There were 1,957 equity investments worth £9.8 billion reported in the media in 2020 (excluding the Government's Future Fund), down from 1,977 worth £11.7 billion in 2019.[137] This suggests that despite the pandemic, investment activity remained resilient.

Figures from the British Business Bank highlight that as of the last round of the Government's Future Fund (February 2021), 1,140 deals totalling £1.1 billion had been completed.[138] This fund, designed for those that rely on equity investment and are pre-profit and pre-revenue ('start-up'), provides convertible loans to UK-based companies.

Analysis of Beauhurst data of businesses that raised some investment during COVID-19 (April 2020-February 2021) found the majority of businesses were headquartered in London (59%), the South East (13%) or East of England (7%). The North East had the lowest proportion of headquartered COVID-19 investment raisers (see **Figure 19**). An unsurprising story radiates when also looking at these businesses by Beauhurst's top level sector definitions, with Tech/IP based businesses topping the table for investment raising during the pandemic (see **Figure 20**).

Figure 19 **COVID-19 investment raisers (April 2020-February 2021) by region**

Head office region	Count	%
London	1723	57.5%
South East	416	13.9%
East of England	227	7.6%
South West	171	5.7%
North West	152	5.1%
West Midlands	93	3.1%
Yorkshire and The	76	2.5%
East Midlands	76	2.5%
North East	60	2.0%

Figure 20 **COVID-19 investment raisers (April 2020-2021) by sector**

Top Level Sector	Count	%
Technology/IP-based businesses	1889	35.1%
Business and professional services	1355	25.1%
Industrials	665	12.3%
Leisure and Entertainment	311	5.8%
Personal services	296	5.5%
Retail	257	4.8%
Media	243	4.5%
Built environment and infrastructure	94	1.7%
Supply chain	62	1.2%
Energy	56	1.0%
Craft industries	44	0.8%
Telecommunications services	35	0.6%
Agriculture, Forestry and Fishing	33	0.6%
Transportation operators	24	0.4%
Tradespeople	24	0.4%

137 Beauhurst, The Deal 2020
138 www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics#Future-Fund

Additional analysis from Beauhurst identifies that the rush to digitisation provided a record year for many technology sub-sectors. **Fintech** was the most popular (similar to previous years) however, there was also exceptional demand for **healthcare innovations and life science/ehealth** (as seen earlier), a 15% and 49% increase between 2019 and 2020 respectively.[139]

Reviewing the list of top technology scale-up sectors helps highlight the performance of some longer-term trends. For example, cleantech, clean energy generation and energy reduction technology being a staple contingent.[140] This highlights the important point that those areas of the economy experiencing longer-term dynamic changes have continued, it also provides some weight behind the Government slogan of a 'green recovery'.

Fortunately, the UK can also be proud to have a strong channel for investing in innovative ideas through UK Research and Innovation (UKRI). The UKRI has invested more than £554 million in a diverse range of 3,600 new COVID-19 research and innovation projects and the repurposing of existing projects. For this type of funding, many of the solutions were technological e.g. apps that support distancing measures and GP consultations to antimicrobial poles for public transport and virus-killing lights.[141] Analysis of Innovate UK projects funded during 2020/21 follows similar patterns in terms of geography to the Beauhurst fundraisers, although does have greater regional diversity. 24% of awards were London-based, followed by the South East (15%), see **Figure 21**. Analysis by sector, identifies that manufacturing sectors remain the top recipients of this type of funding and again provides evidence of some prioritisation of green energy/cleantech ideas.[142,143]

Figure 21 **Innovate UK funded projects (2020/21) by UK region**

Address Region	Count	%
London	1026	23.6%
South East	636	14.7%
South West	400	9.2%
East of England	394	9.1%
Scotland	379	8.7%
North West	301	6.9%
West Midlands	267	6.2%
East Midlands	256	5.9%
Yorkshire and The Humber	214	4.9%
Wales	157	3.6%
North East	137	3.2%
Northern Ireland	127	2.9%
Outside UK	45	1.0%

139 Beauhurst, The Deal 2020
140 Beauhurst, Scaleup Index, 2020
141 www.ukri.org/our-work/tackling-the-impact-of-covid-19/addressing-technological-challenges/
142 www.gov.uk/government/publications/innovate-uk-funded-projects
143 www.beauhurst.com/wp-content/uploads/2020/11/Scaleup-Index-2020-WEB.pdf?utm_medium=email&_hsmi=71327678&_hsenc=p2ANqtz-9v3atwN83EI0cahymYX4PyIIJFm9sIRWIvq8yIGHxQcUk_CZKCiEaguUTFpXHJMeoFCQoT5UgYcRAEOcrcPfp7qxwRvQ&utm_content=71327678&utm_source=hs_automation

A longitudinal survey of Innovate UK award-holders has monitored how the pandemic has affected them across 2020/21. COVID-19 has caused disruption to many firms both directly and indirectly through the impact on customers and suppliers. In a reoccurring theme, cash flow (as well as an inability to network with other businesses), has been a particular issue. Interestingly this study, comparable with other surveys of different business cohorts, found that **just over 10% of businesses reported their financial situation was improved during the pandemic.**[144]

Perhaps most positive for UK businesses, are the recent signs that investors are keen to supercharge business. Beauhurst analysis for the first three months of 2021 found a record 647 deals announced, a 13% increase from the previous period and a 23% increase from Q1 2020.[145] Investment in technology sectors continued to soar, with fintech holding firm as the top performing sub-sector whilst artificial intelligence saw the greatest growth in deal numbers between Q4 2020 and Q1 2021. There was cause to celebrate as for the first time in a quarter, more than £1bn was raised by UK companies with at least one female founder.

Perhaps these are the shoots of a trend to innovate out of uncertainty, embrace change and build back balanced.

72%

felt a greener economy presented opportunities

144 www.enterpriseresearch.ac.uk/wp-content/uploads/2021/03/Wave-3-Insights-Report_ERC-and-Innovation-Caucus_March-2021.pdf
145 Beauhurst, Equity Investment Market Update, Q1 2021

The outlook

Much of the current literature and media commentary is now turning to pre-empt how impacts will play out over the medium and longer-terms. Which changes will come and go, and which will become established as permanent?

It has been an almost impossible time for forecasters, with most having never experienced such uncertain, unquantifiable or unimaginable conditions to predict against. Afterall, 'all models are wrong, but some are useful' is the phrase coined by statistician George Box. In a time of widespread reliance on models it's significant to understand that this phrase stands as true in economics and business as it does within statistics. Nevertheless, the data is emerging, there are small shoots of certainty and as we proceed, so will our understanding and accuracy.

Some more tangible predictions are those focused on practical implications of COVID-19, such as the McKinsey and Board of Innovation's new low-touch economy, which represents the changes made by business as a result of new hygiene guidelines and restrictions to movement. There's a similarity in its feel to the *sharing economy* that boomed following the 2009 financial crisis.[146]

Figure 22 pulls together key trends and predictions from organisations and observers, some with a vested interest, but all with a respected eye for understanding the powers at play. During the review focus was given to COVID-19 related content and with a long-term view.

Those most commonly mentioned include the four key themes explored in the previous section.

- **Digital transformation**
- **Workplace evolution**
- **Deglobalisation/localisation**
- **Entrepreneurship and innovation**

Whilst these have been key areas of focus for businesses throughout the pandemic it's clear they will remain priority areas for future planning and future-proofing.

There are other external influences likely to have significant impact on business through the forthcoming decade,[155] notably for UK businesses, Brexit. But also the period of pandemic-induced recession, associated higher unemployment and established systemic skills mismatches.

10%

expect turnover to continue to grow by 50% over the next 12 months

146 www.boardofinnovation.com/low-touch-economy/

Figure 22 **Summary of post-COVID-19 trends and predictions (variety of sources)**

Forbes (July 2020)[147]

- Technology is accelerating
- Entrepreneurship will accelerate—because it must
- Supply chains will be shorter and more regional
- Wriston's Law of capital flow will be revealed, not repealed

Gartner (Nov 2020)[148]

- Traditional technology tanks
- DNA storage becomes a reality
- Physical experiences expand
- Farms and factories face automation
- CIOs become chief operating officers (COOs)
- Recorded work conversations drive change
- Freelance customer service experts increase
- Voice of society metric matters
- On-site childcare entices employees
- Malicious content takes over

PWC (end of 2020)[150]

- Collaboration tools (hybrid working environment)
- Wellbeing and longer-term development
- New operating models – technology transformation

Deloitte (Nov 2020)[149]

Mega Trends:
- Disruptive regulation
- Localisation
- Presence-free living

Consumer trends:
- Digital social interactions
- Value for money mentality
- Safety wins over privacy
- Community power
- The great indoors

Market trends:
- Societal responsibility
- The generous corporate
- Agile beyond technology
- Virtual economy
- E-commerce push

Technology trends:
- Streaming
- Contactless payment
- Fast scaling commerce platforms

The Scalers (Midpoint 2020)[153]

- The era of digital transformation
- Healthcare reformation
- Growth of online education systems
- Re-configuration of supply chains
- Evolution of traditional workspaces and remote teams

GHD (unknown)[151]

- Globalisation will be redefined with a stronger emergence of social capitalism
- Acceleration of digital transformation
- The use of an on-demand workforce will increase
- A new burning platform for healthcare reform
- Supply chains will fragment and reconfigure themselves
- The definition of 'workplace' will change
- Industries will be forced to reinvent with upskilling and reskilling becoming a major priority

Accenture (2021)[152]

- Collective displacement
- Do it yourself innovation
- Sweet teams are made of this
- Interaction wanderlust
- Liquid infrastructure
- Empathy challenge
- Rituals lost and found

IBM (June 2020)[154]

- Workforce safety and security
- Customer retention
- Cost management
- Cash-flow/liquidity management
- Enterprise agility
- Digital transformation

147 www.forbes.com/sites/richkarlgaard/2020/07/09/the-business-trends-that-will-emerge-out-of-covid-19/?sh=1d7ccfe93cf8
148 www.gartner.com/smarterwithgartner/8-macro-factors-that-will-shape-the-2020s/
149 www2.deloitte.com/content/dam/Deloitte/de/Documents/covid-19-induced-business-trends-deloitte-whitepaper.pdf
150 www.pwc.co.uk/services/consulting/finance/covid-19-impact-survey-results-finance-emerging-stronger-from-crisis.html
151 www.ghd.com/en/perspectives/ten-emerging-trends-shaping-our-new-future.aspx
152 www.accenture.com/us-en/insights/interactive/fjord-trends
153 thescalers.com/business-trends-emerging-in-the-post-covid-world/
154 www.ibm.com/thought-leadership/institute-business-value/report/covid-19-future-business

87% of businesses that performed well through the pandemic feel confident about their business prospects over the next 12 months, with 10% expecting turnover growth to continue by at least 50% over the next 12 months.

In line with findings about where growth originated during the pandemic, **new clients in existing and new markets** were identified by one in four businesses as the areas most likely to present exciting opportunities over the next three years (**Figure 23**).

The biggest perceived threat over the next year among businesses that did well during the pandemic is **increased competition** (62%). Just under a quarter (23%) expect this to pose a big threat and 39% expect it to pose somewhat of a threat. **Post-COVID-19 uncertainty** was an ongoing future concern for half (52%) of respondents (**Figure 24**).

87%

trailblazers feel confident about business prospects over next 12 months

Figure 23 **Where do you see the most exciting opportunities for your business coming from over the next three years?**

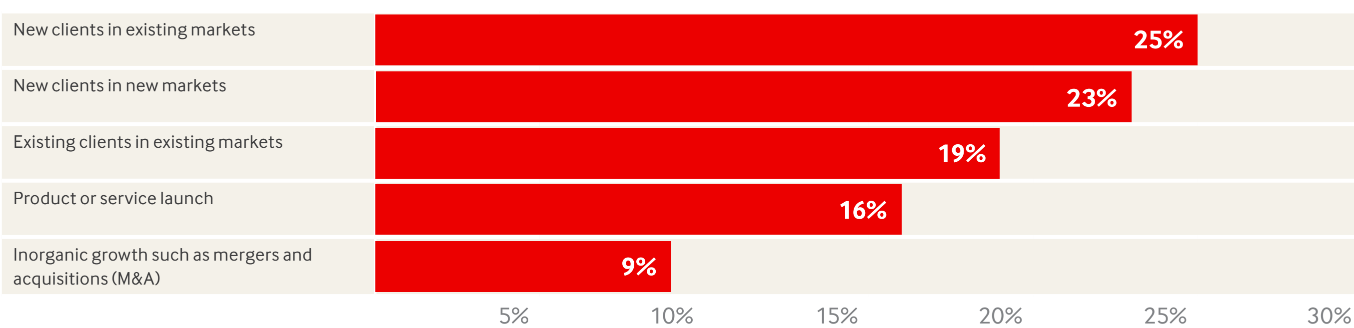
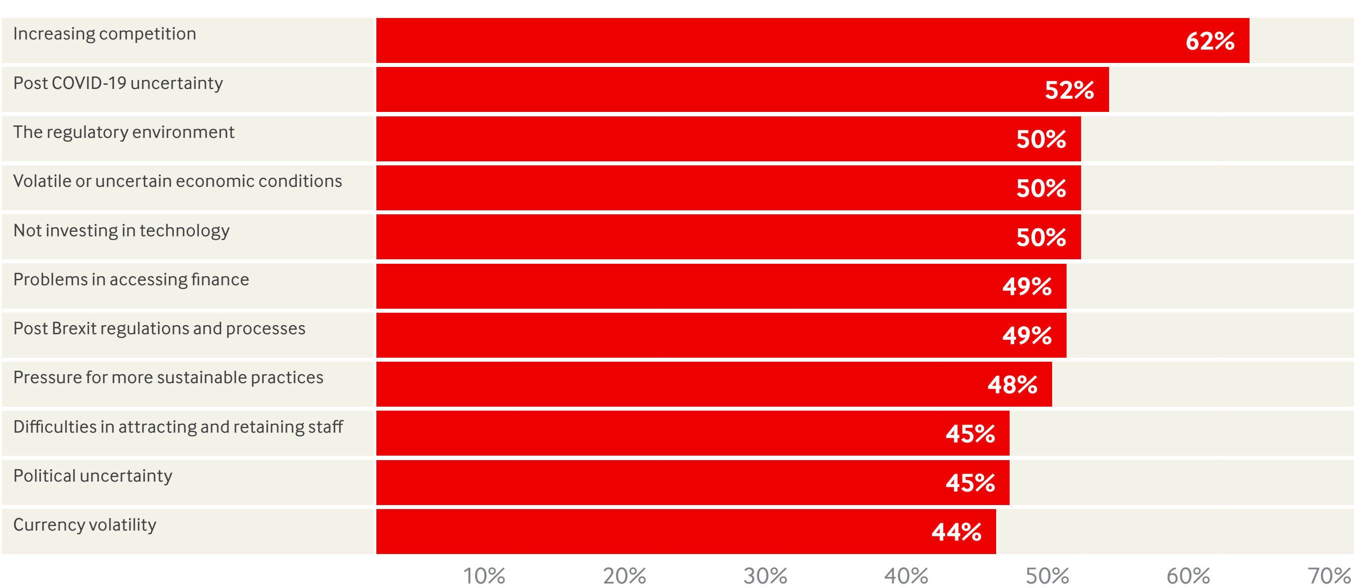
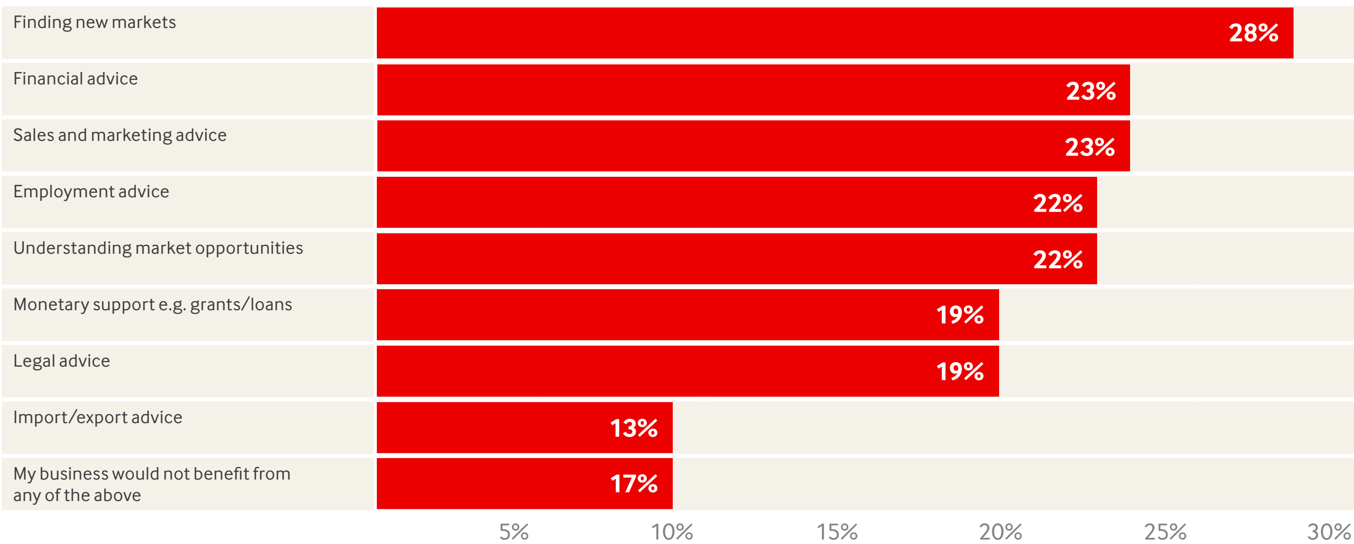


Figure 24 **To what extent do you expect that each of the following factors will pose a threat to the performance of your business over the next three years? (% of respondents who stated it poses a big threat/ somewhat a threat)**



155 www.gartner.com/smarterwithgartner/8-macro-factors-that-will-shape-the-2020s/

Figure 25 **Which of the following support options do you think your business would benefit from?**



The priority for investment over the next three years for businesses is in **technology, data and digitisation**, with 53% planning to invest further over the next three years. A similar amount also plan to **invest in research and development** and in **other products or service innovation. Plant and machinery** were less of a priority for future investment, however, 40% planned to invest more in it over the next three years.

When asked which support options these businesses felt they would benefit from most in the future, **finding new markets** was the most popular response (28%) – see **Figure 25**. More traditional support around **financial advice** (23%), **sales and marketing advice** (23%) and **employment advice** (22%) were also commonly cited. One in five (22%) again highlighted support to **understand market opportunities** as a potential benefit going forward.

Undeniably, there are options and decisions to be made about re-building the UK economy. Priority could be given to reducing inequality, to a green recovery, to future-proofing or building greater resilience. Initiatives could also determine the speed and rate of recovery, targeting high value innovation or incremental productivity gains for example.

Inevitably, there will be opposing views about what the priorities should be and an element of compromise, but this will be built on decisions at all levels, consumer, business and government.

For now, the mood among consumers, businesses and, importantly, **the 10 per cent** is buoyant. This confidence should be harnessed, targeting support in the areas identified and improving the capabilities in all businesses to be able to respond with agility and poise in future economic shocks.

40%

plan to invest in plant and machinery over next three year

Methodology

This report is the result of a research project into the positive trends in UK business during the COVID-19 pandemic.

An initial **literature review** of relevant existing research and commentary was undertaken by the report's author between March and May 2021. This review considered business-related data from a range of sources: academic journals, expert commentary, industry publications and media coverage. Findings were collated, data analysed, summarised and grouped by theme. This report is based primarily on this element.

Additionally, a **survey** of more than 500 British businesses whose turnover had not been negatively affected during the pandemic was commissioned to Opinium. This representative sample was surveyed between 7 and 14 May 2021 by Opinium.

Finally, the report highlights some key **business case studies** which offer illustrative examples of the report findings in action. These were based on interviews taken place during May 2021.

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Business **case study contributors**:

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- **Tanuvi Ethunandan, Co-founder, Data Duopoly**
- **Nathan Bowles, Founder Veezu**

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Opinium – is an award-winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people think, feel and do. Creative and inquisitive, it is passionate about empowering its clients to make the decisions that matter. It works with organisations to define and overcome strategic challenges – helping them to get to grips with the world in which their brands operate. It uses the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes.

Santander

Santander

At Santander, we're passionate about helping ambitious businesses fulfil their potential.

We have a wide range of services that will give you the support you need as you seek to accelerate your business's growth. From advice and expertise to practical assistance such as finance for organic expansion, mergers and acquisitions activity or working capital, we can help turn your vision of the future into reality.

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Enterprise Nation

Enterprise Nation

Enterprise Nation (https://www.enterprisenation.com/) is the UK's leading small business network and business support provider delivering support to more than 50,000 small businesses every month. Its aim is to help people turn their good ideas into great businesses – through expert advice (including a comprehensive resources library), events, acceleration support and networking. In 2020 it launched two high profile business support initiatives: the Amazon Small Business Accelerator and the Recovery Advice for Business scheme which collectively aimed to support thousands of small firms impacted by the pandemic. Enterprise Nation's small business active membership grew by 34 per cent in 2020. It now has more than 120,000 members and subscribers, ten per cent of which are professional advisers from a range of sectors offering strategic support to small firms. The adviser platform sees hundreds of connections every week with small firms reaching out for advice.

EnterpriseTrust

Enterprise Trust

Enterprise Trust was launched in 2011 by Richard Harpin, the entrepreneur behind the UK's leading home repairs and improvements business HomeServe, now a FTSE 250 company valued at more than £4bn. The charity aims to create an impact and leave a legacy by helping individuals from all backgrounds to realise their potential as independent wealth generators. In 2020 the charity launched a research arm to extend its reach and provide important insight, new thinking and evidence-based problem-solving around the key issues affecting the UK's small business community.