How to Emerge from Lockdown Stronger - A Focus on SMEs

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THE ECONOMIC IMPACT OF COVID19 ON UK BUSINESSES .....

The Federation of Small Businesses has reported that 87.7% of small businesses have suffered a reduction in confidence in the first quarter of 2020 off the back of the spread of COVID19.

The quarterly fall in confidence for Q1 2020 is the largest ever reported by the FSB Small Business Index, and the FSB reports that more than four fifths of small businesses expect business revenues to fall over the next 3 months with 9% of organisations planning to either sell, close or hand on their business [Federation of Small Businesses, 2020 (1)].

The stats are stark.

(1) Federation of Small Businesses. (2020). FSB Q1 2020 Small Business Index. Retrieved from National Federation of Self Employed & Small Businesses: https://www.fsb.org.uk/resource-report/fsb-q1-2020-small-business-indes.html

SO WHAT CAN YOU DO TO AVOID THIS HAPPENING TO YOU?

1

ENSURE YOU HAVE TAKEN ADVANTAGE OF THE GOVERNMENT SUPPORT AVAILABLE

The UK government are very aware of the economic impact of this pandemic and the devastating impact it could have upon small to medium sized
enterprises. They have announced a series of aid packages to help businesses survive the pandemic, with the most effective and direct help for SMEs being the furloughing of staff through their Coronavirus Job Retention Scheme (which at the time of writing has been extended to the end of October 2020), and business rates relief and grants such as the Self-Employment Income Support Scheme.

Other options such as bank loans and VAT payment holidays should be considered, but with a cautionary note; they offer welcome relief in the short-term, but for most SMEs they do not offer a sustainable solution for the medium and long term.

2

USE THIS PERIOD OF LOCKDOWN WISELY AND REVIEW YOUR OUTGOINGS

Understandably, many SMEs are focused upon implementing strategies to enable them to remain or get back to trading whilst maintaining safe and practicable solutions to mitigate a resurgence in COVID19 cases. But controlling your outgoings is ever more important in the current climate and will stand you in good stead as we prepare to come out of the lockdown period.

Although general outgoings are likely to have temporarily reduced as employees are working from home or have been furloughed, there will be a time when we return to normality and so will expenditure. The majority of suppliers will still be operating in some capacity during lockdown and will welcome any opportunities to win work, so take the time to test the market rates for your frequent, everyday business expenses during this period.

Generally suppliers only need basic information to review and quote, and as spend information can be found on your invoices and contracts, which for most companies, are now electronic and therefore easily available when working from home, it's very possible to save money on your general business expenses now.

WHERE SHOULD YOU FOCUS YOUR EFFORTS FOR MAXIMUM GAIN?

3 PRIORITISE QUICK WINS

All suppliers' costings and contracts can, and should, be reviewed regularly, but in the current climate where trading is particularly tough, you should first focus on quick wins. These can lead to immediate savings and will probably require less effort for most gain. The areas to focus on first are:

Gas and Electric
Review now, even if in a contract. Lock in prices at today's rate for up to 2 years in advance. This could realise 10% savings on your current payments, but by acting now you could enjoy even greater savings in a year's time. It's entirely possible to save an average of 28% across your utility bills.

Business Rates
A reputable Business Rates Partner can check if you qualify for a rates relief on the amount you have been paying over the last three years. If you have overpaid, you will be entitled to a much-needed refund. If you operate in the hotel and leisure industry you have an excellent chance of a refund. Business Rates Partners will only charge on a 'No Win, No Fee' basis, therefore you have nothing to lose.

Stationery
Often there are no contracts involved for office consumables such as stationery, making this expenditure review a very simple process and a quick win in these difficult times. Reviewing this commodity will usually yield approximately 20-30% immediate savings for SMEs.

Printer Devices
Review your cost per print and lease payments. Did you know that once you are 60% into the length of your current contract, then you can switch contracts and often achieve considerable savings with your new supplier.

4 TACKLE EXPENDITURE IN 'FORGOTTEN' AREAS OF YOUR BUSINESS

Don't forget the expenses that are frequently 'forgotten about'. Travel expenses, waste management and cleaning services are key to helping the organisation 'tick' but it doesn't mean they should be immune from a review to ensure you're paying the price you should. Your business may not be using some of these services currently making them easy to overlook. Also, ensure you're not locked into payments for a service you're not currently utilising.

5 DON'T FORGET; LOYALTY COUNTS

If you've been a loyal customer to a supplier for many years, your faithfulness should be rewarded. Consider the suppliers who've enjoyed a long-standing commitment from your business and request preferential terms and conditions, if only on a temporary basis. During this time, businesses will be well aware of the significant impact the economic downturn will be having upon SMEs so are likely to have a greater understanding of the authenticity of your need. They'll also be keenly aware that they don't wish to lose your custom right now.

6 TALK TO YOUR CUSTOMERS ABOUT PAYMENT TERMS

It's worth noting that during this unprecedented period, the Federation of Small Businesses have asked larger businesses to consider paying small businesses immediately upon receipt of invoice. The FSB also advise that SMEs should issue invoices immediately upon completion of work, so if you are currently operating, don't wait to request payment, act now. Consider asking customers if these terms can be extended into the future to facilitate your businesses recovery and ensure constancy of supply.

7 EMBRACE NEW WAYS OF WORKING

Pre COVID19 most businesses were sceptical whether working from home produces the same outcomes as working in an office. As a result of the lockdown, and having to adjust to working from home, it has become apparent that in many cases, it is possible to operate outside of an office environment with the same, if not better, outcomes. This opens up the possibility to review office space requirements. Rent is a major expense for companies. Early indications are that you may require 30-50% of your staff in the office at any one time and that hot desking, which allows home workers to 'keep in touch' with the office, will increasingly be the operating norm for many organisations [Integral Group, 2020 (2)]. Consider now if your current office environment will be right for post-pandemic ways of working and start to cost out whether you could make real savings by adjusting your pre-pandemic working environments and working practices.

8 STAY FOCUSED AND SEIZE THE OPPORTUNITIES AVAILABLE

It's undoubtedly the case that for most businesses the current climate is incredibly tough, but by following the guidance above, you can ensure that you're taking positive steps to benefit from the help available and crucially, reviewing outgoing spend and future working practices, which could save you thousands of pounds.

Act now to start saving money everyday.

ABOUT THE AUTHOR

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Adam has over 11 years' experience working with small and medium sized enterprises, reducing their overheads and every day costs. Adam supports businesses to make average savings of around 28% across key expenses.

(2) Integral Group. (2020, April 30). Covid and Workplace Wellness. Retrieved from INtegral Group: https://www.Integralgroup.com/news/covid-19-workplace-wellness-recording/

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