

COVID-19 Impact Survey: June 2020 (looking back at May)





COVID-19 Impact Survey: June 2020

Introduction

This survey is part of a series carried out by the EDA among its members during the COVID-19 crisis and took place in the first two weeks in June 2020, reflecting on May. The questionnaire was sent to the Principal Contact of the 244 EDA wholesaler member companies and was completed by almost a third of the members.

As you will see in the following pages, many respondents came from SMEs mirroring the significant representation of SMEs within EDA Members. Larger wholesalers were represented in the categories for those with 50-200+ branches.

Looking at the wider picture: in May global equity markets rallied at the prospect of easing the lockdown restrictions imposed by governments, and the potential return of workers. It is likely that the rate of unemployment due to COVID-19 will no doubt require a medium to long term recovery, for example the unemployment rate in the USA at the end of May was around 14%.

In the UK, small business owners, have responded positively to the easing of lockdown restrictions, and have consistently ensured that social distancing remains a key focus in day-to-day operations. As you will see reflected in some respondents' comments, the UK banks are concerned at the relative percentage of debt which has arisen due to COVID-19. Despite low interest, the sheer volume of debt in the working system remains a constant concern to both banks and investors as does the possibility of an increase in defaults in the months ahead.

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Highlights of the June Survey

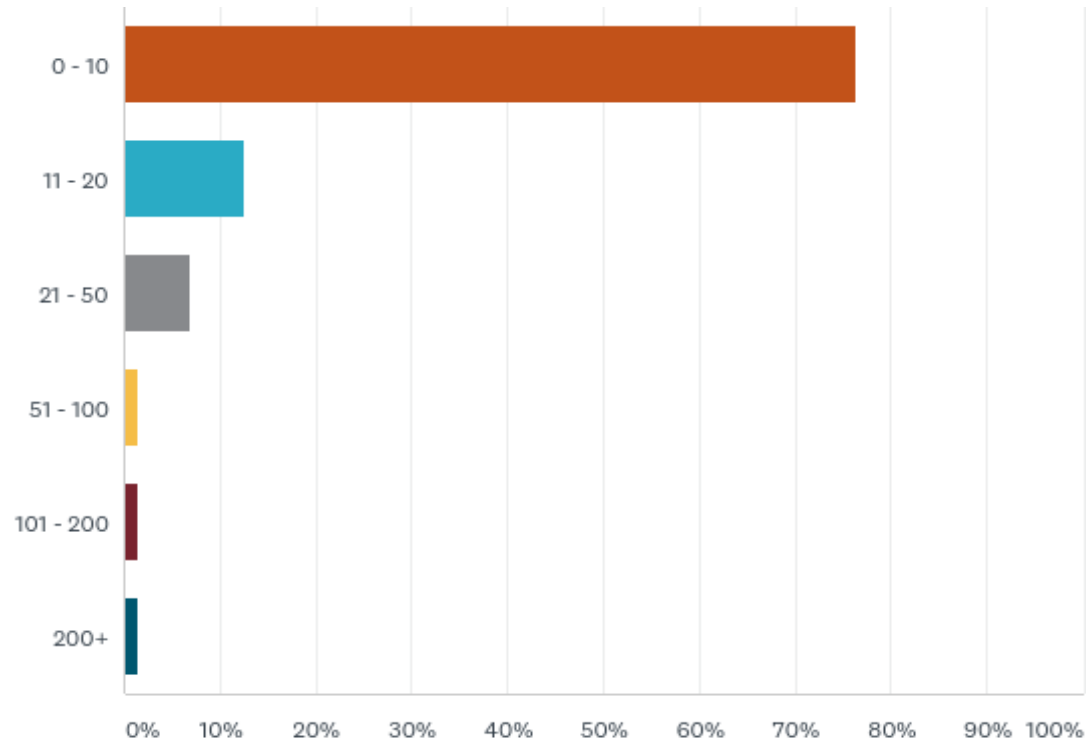
The June survey shows a turn around in the sector attitude, with a high proportion of businesses feeling more optimistic in May. This is likely owing to the large percentage off staff returning work, brought out of furlough and back into their teams.

On the 10th June, the latest Government ruling determined the furlough scheme would no longer facilitate the furloughing of staff that had not been previously furloughed. You will see that the c. 18% of respondents that took the opportunity to furlough additional staff for the first time before the deadline, did so in significant quantities.

There has been a spike in sales due to pre-COVID project completions and some businesses have seen a rise in activity since April 2020. There are concerns that this spike will lead to a second slump in business after these projects have been completed.



Q1: How many branches do you have?

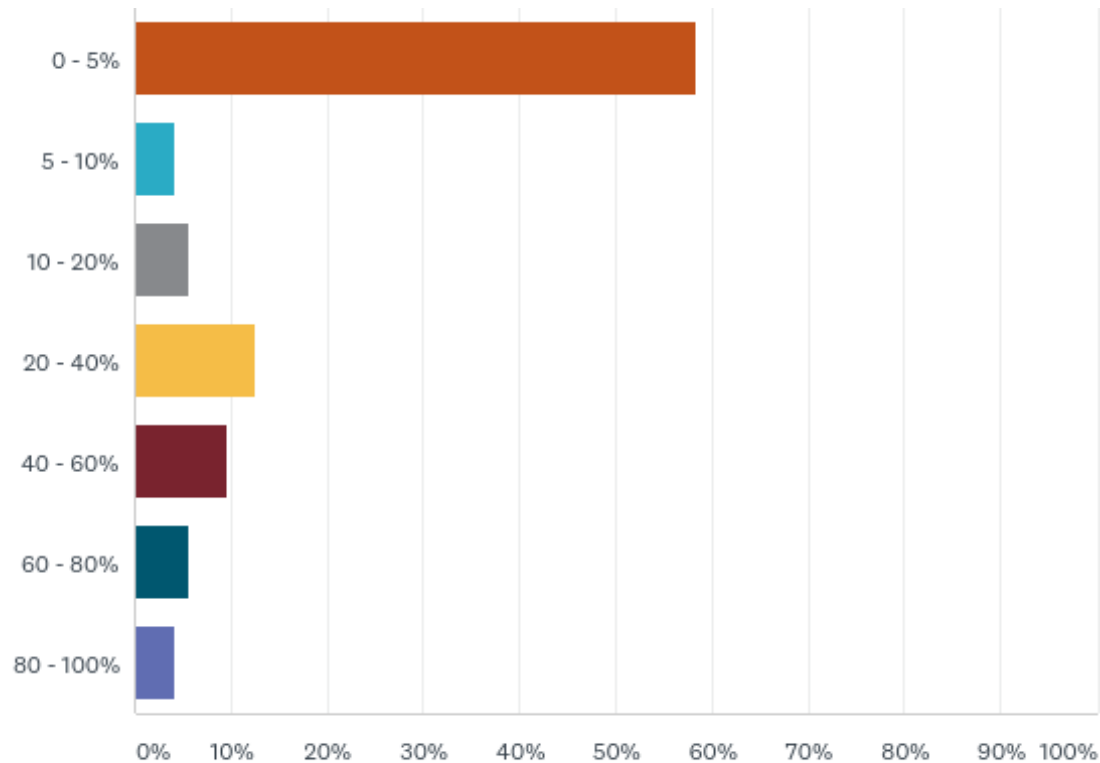


ANSWER CHOICES	RESPONSES
0 - 10	76.39% 55
11 - 20	12.50% 9
21 - 50	6.94% 5
51 - 100	1.39% 1
101 - 200	1.39% 1
200+	1.39% 1
TOTAL	72

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Q2: Proportion of business operations that are suspended as a result of COVID-19 during May.



ANSWER CHOICES	RESPONSES
0 - 5%	58.33% 42
5 - 10%	4.17% 3
10 - 20%	5.56% 4
20 - 40%	12.50% 9
40 - 60%	9.72% 7
60 - 80%	5.56% 4
80-100%	4.17% 3
TOTAL	72

COMMENTS

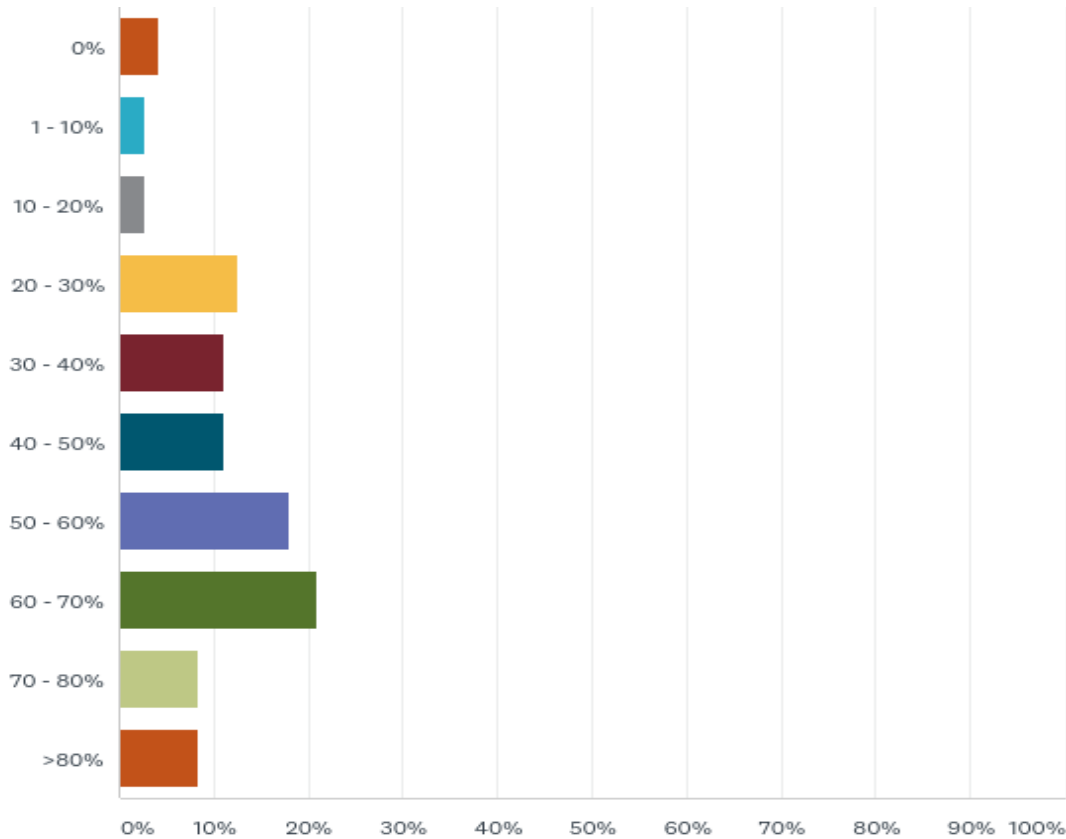
Wholesalers' answers to this question reveal a clear change as lockdown has gone on. In May, almost 60% respondents said between nearly 0-5% of operations were suspended and with only 4.17% of responses in the 80-100% bracket.

Wholesalers have clearly discovered ways to adapt despite the restrictions and with lockdown being lifted, figures for June may be more optimistic still.

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Q3: What percentage of your team have been furloughed?

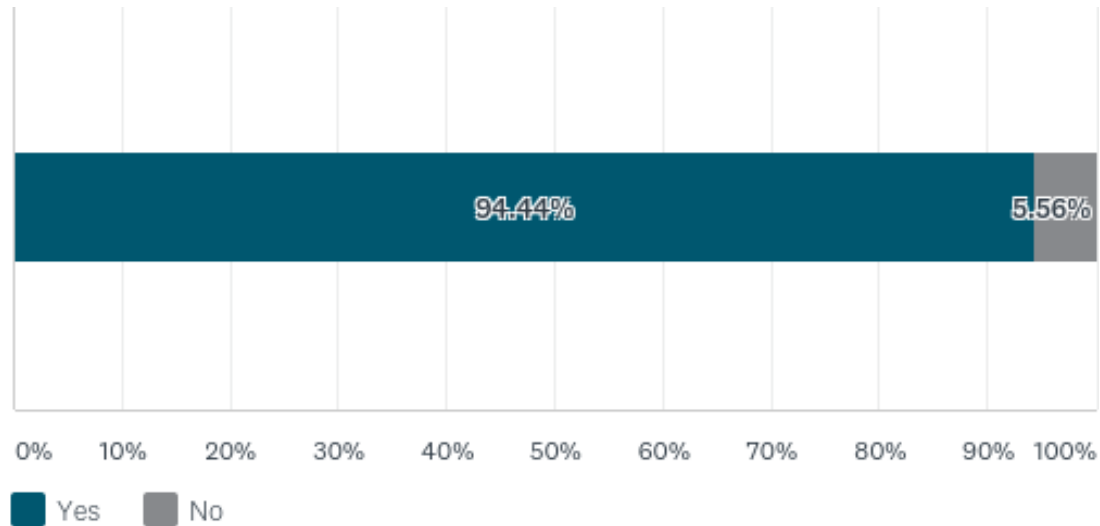


ANSWER CHOICES	RESPONSES	
0%	4.17%	3
1 - 10%	2.78%	2
10 - 20%	2.78%	2
20 - 30%	12.50%	9
30 - 40%	11.11%	8
40 - 50%	11.11%	8
50 - 60%	18.06%	13
60 - 70%	20.83%	15
70 - 80%	8.33%	6
>80%	8.33%	6
TOTAL		72

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Q4: Have you brought furloughed staff back into your business during May and early June?



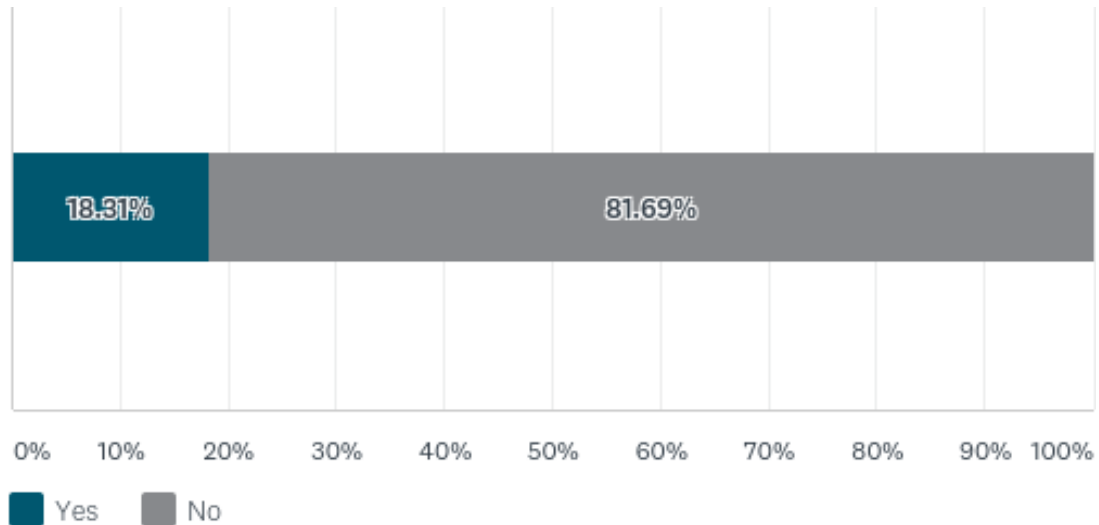
ANSWER CHOICES	RESPONSES	
Yes	94.44%	68
No	5.56%	4
TOTAL		72

COMMENTS

On average 35% of furloughed staff have been brought back into the 68 EDA Member businesses that answered yes, displaying a positive move to retain staff and keep them engaged with the industry.



Q5: Have you furloughed additional staff during May and early June?



ANSWER CHOICES	RESPONSES	
Yes	18.31%	13
No	81.69%	58
TOTAL		71

COMMENTS

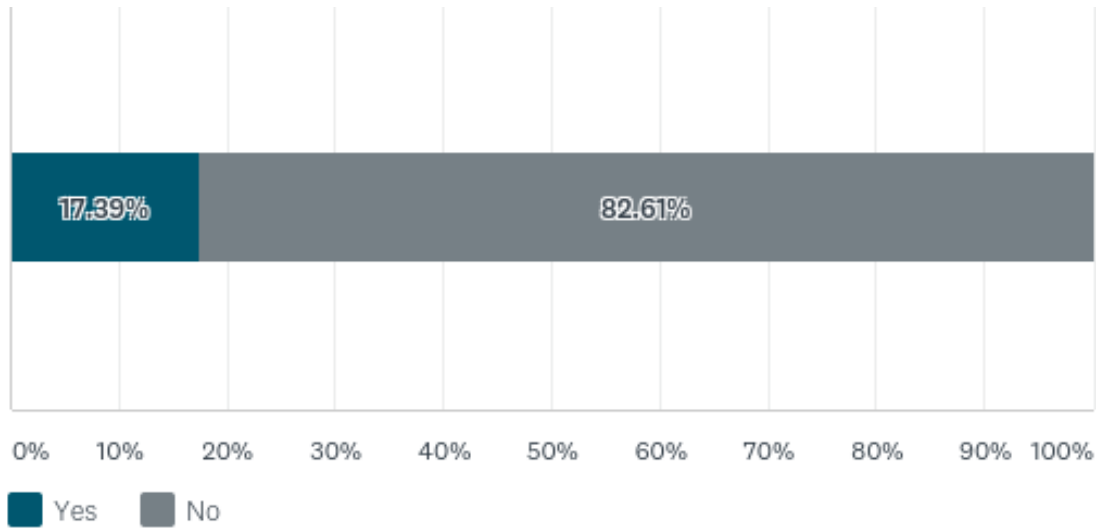
Looking back at the survey on March, 90% of businesses had commented that they would be looking to take up the Furlough scheme upon its launch.

In comparison, we see here that there has been a significant reduction in the move to furloughing additional staff in May and early June. The 13 businesses that have made the move to furlough further staff members, on average furloughed an additional 68% of their staff.

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Q6: Have you maintained the level of furloughed staff by moving them on and off furlough on a rolling basis?

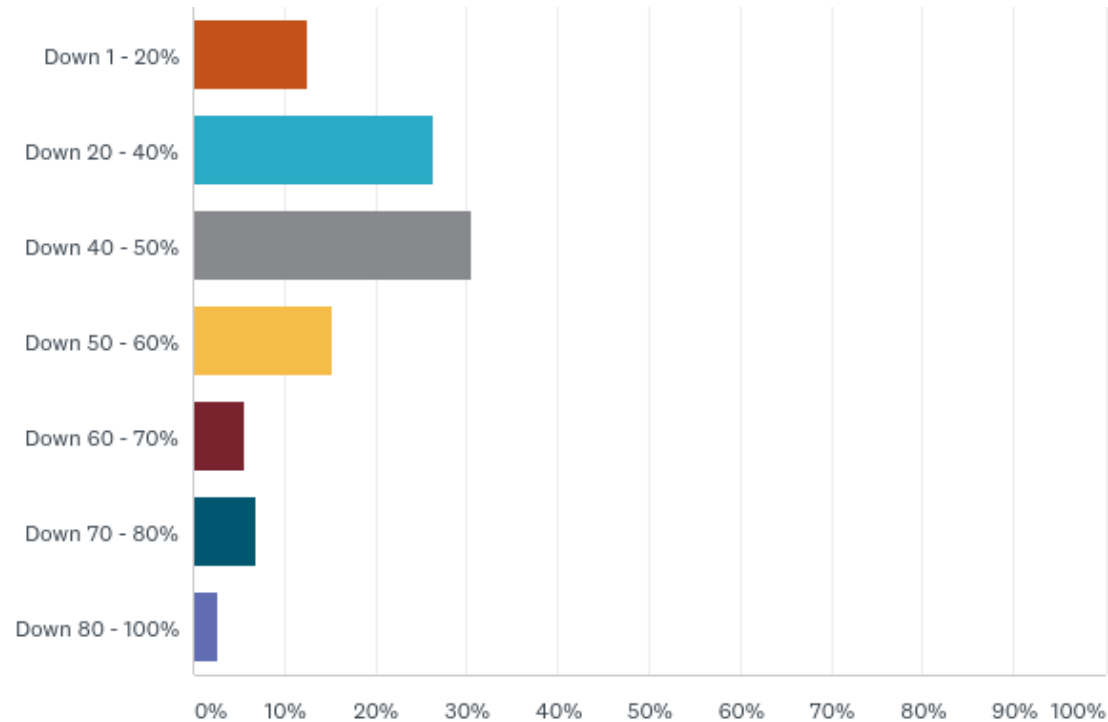


ANSWER CHOICES	RESPONSES	
Yes	17.39%	12
No	82.61%	57
TOTAL		69

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Q7: To what extent has your turnover has been affected when comparing May 2020 to May 2019?



ANSWER CHOICES	RESPONSES
Down 1 - 20%	12.50% 9
Down 20 - 40%	26.39% 19
Down 40 - 50%	30.56% 22
Down 50 - 60%	15.28% 11
Down 60 - 70%	5.56% 4
Down 70 - 80%	6.94% 5
Down 80 - 100%	2.78% 2
TOTAL	72

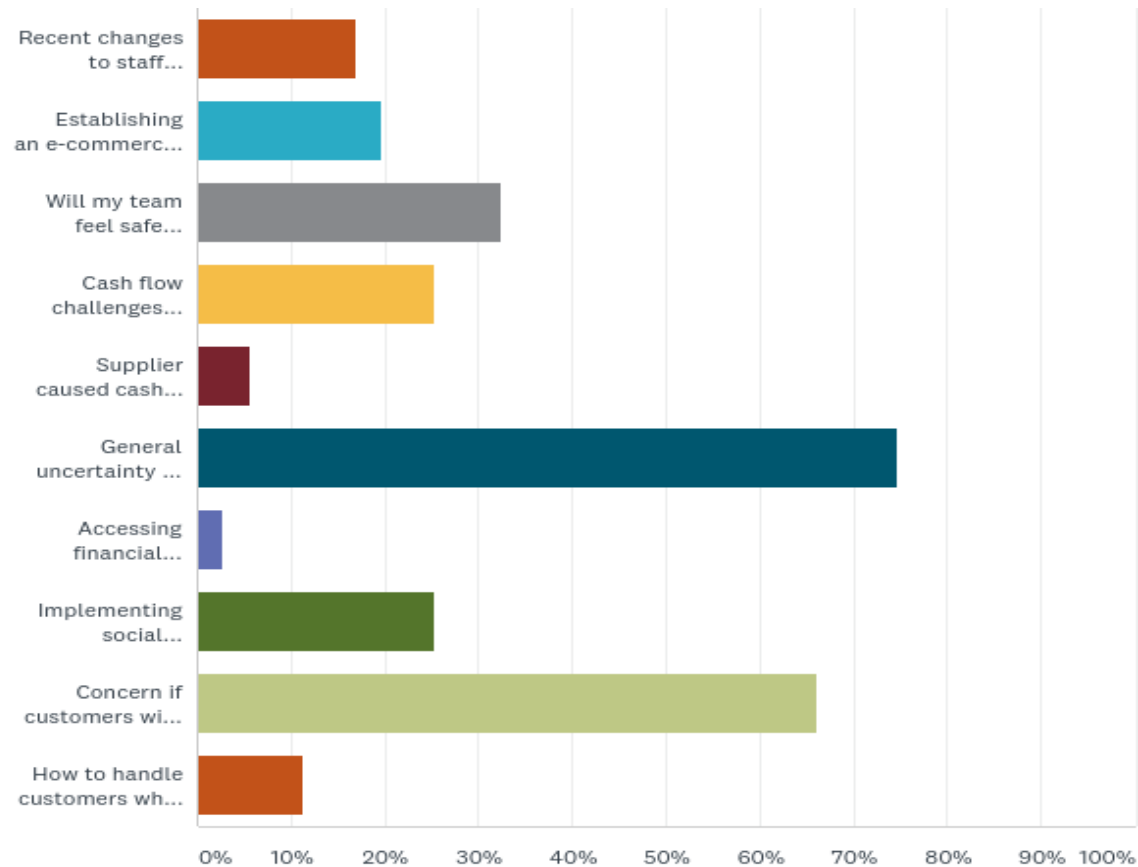
COMMENTS

Responses to the survey indicate a reversal of opinion from April to May as business has adapted to the effects of the pandemic. In April, respondents tended to estimate a drop in turnover at over 50%, but as we can see here the general response shows the turnover comparison to estimate a lower impact and now be below the 50% mark.

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Q8: What are the three greatest challenges your business is facing at this time?

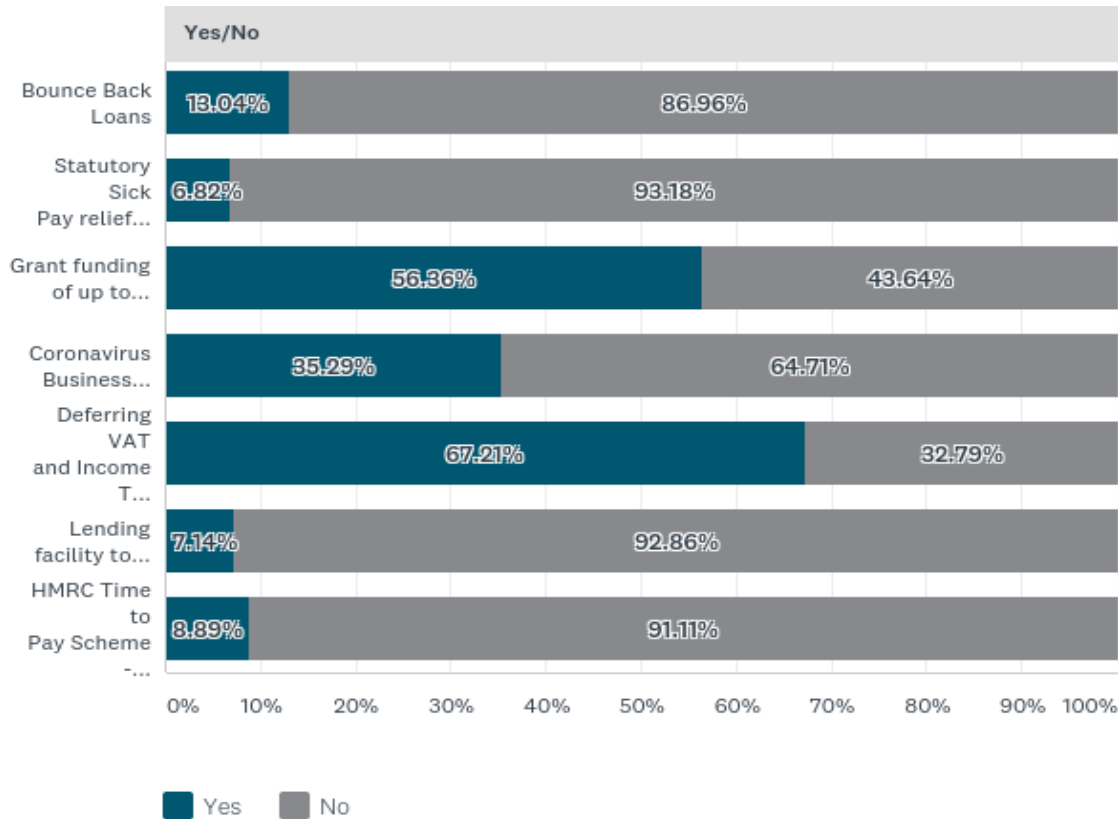


ANSWER CHOICES	RESPONSES
Recent changes to staff furlough rules, including the Scheme ending on 31 October 2020	16.90% 12
Establishing an e-commerce operation to meet changing customer demands	19.72% 14
Will my team feel safe returning to work?	32.39% 23
Cash flow challenges caused due to slower payments	25.35% 18
Supplier caused cash flow challenges due to stricter terms	5.63% 4
General uncertainty and challenges over forecasting	74.65% 53
Accessing financial support through the Government's schemes	2.82% 2
Implementing social distancing changes to enable us to trade	25.35% 18
Concern if customers will remain viable and return	66.20% 47
How to handle customers who don't respect social distancing measures	11.27% 8
Total Respondents: 71	

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Q9: Which of the following financial support packages have you used?

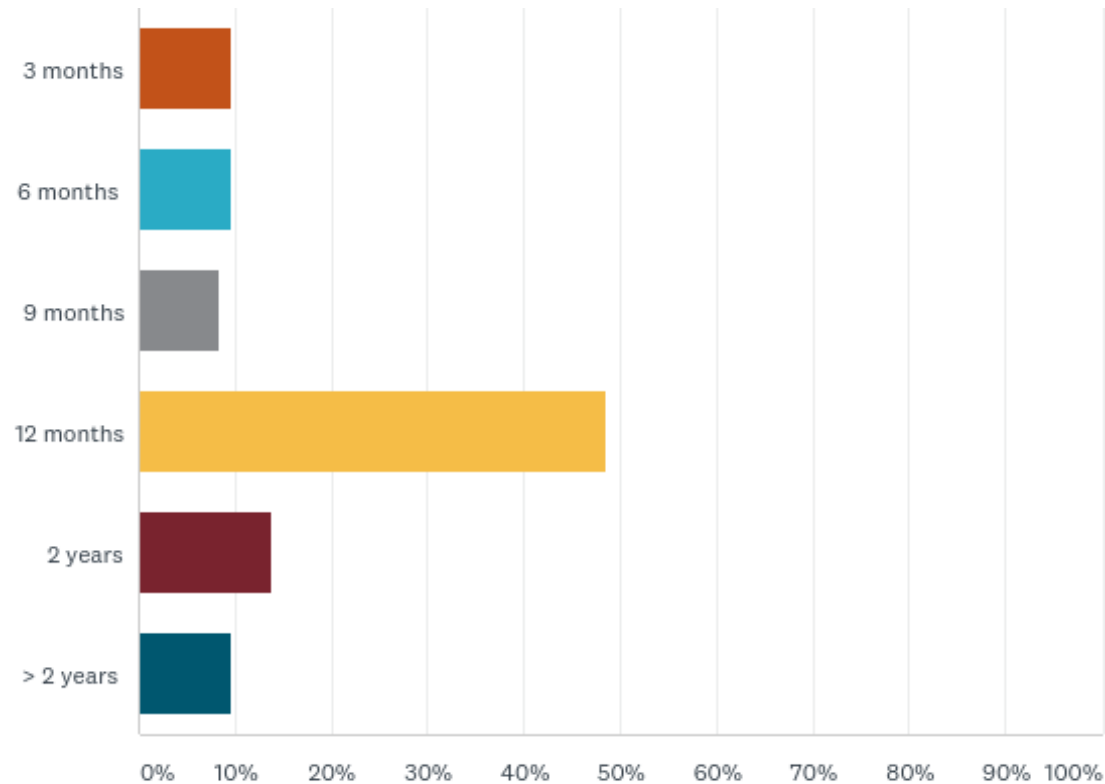


Yes/No	YES	NO	TOTAL
Bounce Back Loans	13.04%	86.96%	46
Statutory Sick Pay relief for SMEs	6.82%	93.18%	44
Grant funding of up to £10,000 for Small Businesses	56.36%	43.64%	55
Coronavirus Business Interruption Loan Scheme (CBIL) offering loans up to £5 million for SMEs	35.29%	64.71%	51
Deferring VAT and Income Tax Payments for 3 months	67.21%	32.79%	61
Lending facility to help support liquidity among larger firms	7.14%	92.86%	42
HMRC Time to Pay Scheme - support for businesses in immediate financial distress	8.89%	91.11%	45

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Q10: How long do you estimate that it will take until the sector reaches pre COVID-19 turnover levels?



ANSWER CHOICES	RESPONSES	
3 months	9.72%	7
6 months	9.72%	7
9 months	8.33%	6
12 months	48.61%	35
2 years	13.89%	10
> 2 years	9.72%	7
TOTAL		72

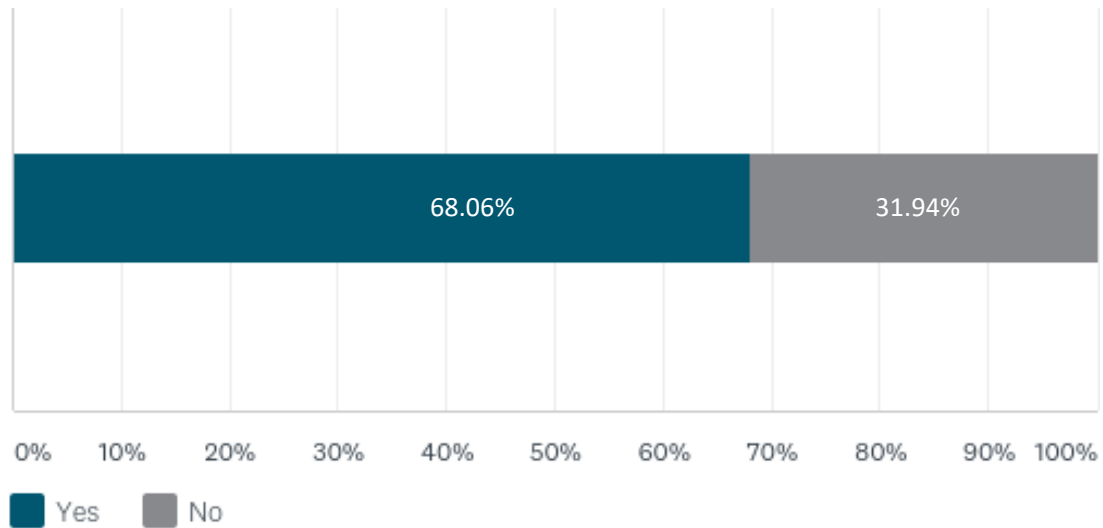
COMMENTS

Close to half the respondents believe that it will take a year for the sector to recover but one in ten believe that normality would be restored within three months. Almost three-quarters of respondents believe that a return to pre-Covid business levels will take from one to two years, if not longer.

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Q11: Do you feel more optimistic now than you did last month?



ANSWER CHOICES	RESPONSES	
Yes	68.06%	49
No	31.94%	23
TOTAL		72

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Q11: Continued - Yes, I am more optimistic. Here are respondents' comments:

Optimistic

- Businesses are going back to work slowly; some furloughed staff are returning to their jobs to find they have fundamentally changed. There will be a new normal for the immediate future, but I can definitely see a light at the end of the tunnel.
- June has seen a considerable upturn with different sectors returning to work and the re-engagement of businesses. Whilst not yet at pre-COVID levels, some retail and house building has resumed.
- Generally more activity.
- Sites are returning, and jobs need to be completed.
- Many industries are returning to work and the government are continuing to back large infrastructure projects which will hopefully create further inward investment projects.
- Our customers are slowly starting to get back to work.
- I am always optimistic. But that is not to say there aren't challenges ahead. Just have to take them one at a time.

Growth from April

- Turnover in May grew 40% over April.
- Turnover is up around 25% in May compared with April so we hope this will increase each month
- Underlying business levels accelerating.

Pleasantly surprised

- The financial impact to our business was considerably less than expected and below the current industry standard.
- Customers are slowly returning to work.
- We have not had any issues with customer payments due to the bounce back loans available; these have been a big help and have enabled us to continue to pay suppliers to term and maintain good levels of stock.

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Q11: Continued – Respondents who were concerned:

Concerned

- We are still concerned about the extent that will business recover
- Still too much uncertainty to understand where the business will be over the next few months.
- Tip of the iceberg I'm afraid.....
- We are seeing customers re-evaluate projects and cancelling works previously scheduled at this time and with the uncertainty of Brexit also looming at the end of the year it is difficult to be optimistic for the remainder of this year.
- My increase in optimism is tempered by the significant impact expected from October time, the fall out of increased redundancies and the knock-on effect within the supply chain e.g. Travis Perkins.
- We generally thought business would have picked up significantly more by now but that is not the case.
- Concern of second wave, also concern as to the impending depth of recession reducing investment.
- There is too much uncertainty to feel optimistic.
- Recovery has not been as quick as expected. Many of the self-employed contractors have yet to return to work.
- I think there will be an initial bounce in sales, as customers benefit from cash injections from the government, however I am concerned about delayed failure of businesses.

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- The long-term effects of Covid-19 will likely be stretched beyond our initial estimates and some sectors of our customer base will take 12-24 months to recover.
- No bounce-back in sales, the gradual sales growth will not cover overheads for some time to come. One unexpected outcome of the crisis is the lack of confidence/energy of both customers and staff, which is a drag on business growth.

Staff concerns

- We have brought some staff back. My main concern is being able to bring everybody back without making redundancies. The phones are busier than pre-COVID, and more orders are being taken.
- I feel more confident than I did but that could change going forward, especially when the furlough scheme ends.

Potential dip in business post pre-COVID project completion

- I fear there has been a surge of activity as a result of many companies trying to complete projects while they are still able but we will now be faced with a 3 month lag in the construction industry partially caused by issues with supply holding up projects and suppliers not having materials in the UK.
- Optimistic but concerned about the period following the initial catch up and completion of pre-lockdown projects!



Q12: Do you have any further comments?

Customer guidelines

- We still have key customers e.g. Retail and Education sectors that are only just returning; this could take time to build back up spend, particularly when they are being told to only purchase if in emergency and hold off on general maintenance.

The success of our business measures

- We believe the lower than expected financial impact was in a large extent due to offering our customers a full delivery service, implementing social distancing measures in our branch instantly and remaining open for business throughout the pandemic in line with all governmental safety advice.

Furlough

- When furloughing ends, people may stop treating the situation like a paid holiday and return to some form of normality.

Brexit

- And then there is Brexit!

EDA

- I would like to express my thanks to the EDA team. You have played an integral part to our sector dealing with this crisis from day one.

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