

COVID-19 Affiliate Impact Survey: January 2021 (looking back at December)





COVID-19 Impact Survey:

Introduction

This survey was taken in January, reflecting on business in Q4 2020, and represents the responses of EDA Affiliates.

In 2020, the COVID Pandemic brought unexpected changes to the UK Market and Global trade, with most of the world limiting free movement by closing borders and introducing national lockdowns.

As we have seen towards the end of 2020 and the start of 2021, UK ports are backed up and the price of shipping containers has soared, reducing the availability of many product areas dramatically and in some cases increasing product prices.

Construction has displayed a quicker recovery in comparison to many other industries, this is likely due to the continuation of trade throughout the second and third lockdowns with many of our businesses classed as essential. The largest falls in output for 2021 are anticipated in public & private housing, industrial and commercial, whilst output in infrastructure & public non-housing is expected to suffer the least.

Housing demand continues to be strong with many house builders confident about Q1 & Q2, despite the stamp duty holiday ending on 31 March and the change in the Help To Buy Schemes. Private housing, RM&I and DIY activity, appear to remain healthy and the Infrastructure demand remains strong for major projects such as HS2.

Highlights

The primary business concerns cited for December were listed as the Unknown impact of the latest lockdown, Price increases for raw materials and concerns over availability of products/materials from overseas and the impact on the ability to supply.

This month we can see a further reduction in the number of staff furloughed but some businesses have said that they will consider refurloughing staff should there be a decrease in business activity during this lockdown.

Affiliates reported an increase in effect of test and trace on their businesses, but many commented that this was not a concern as most of their staff are working from home.

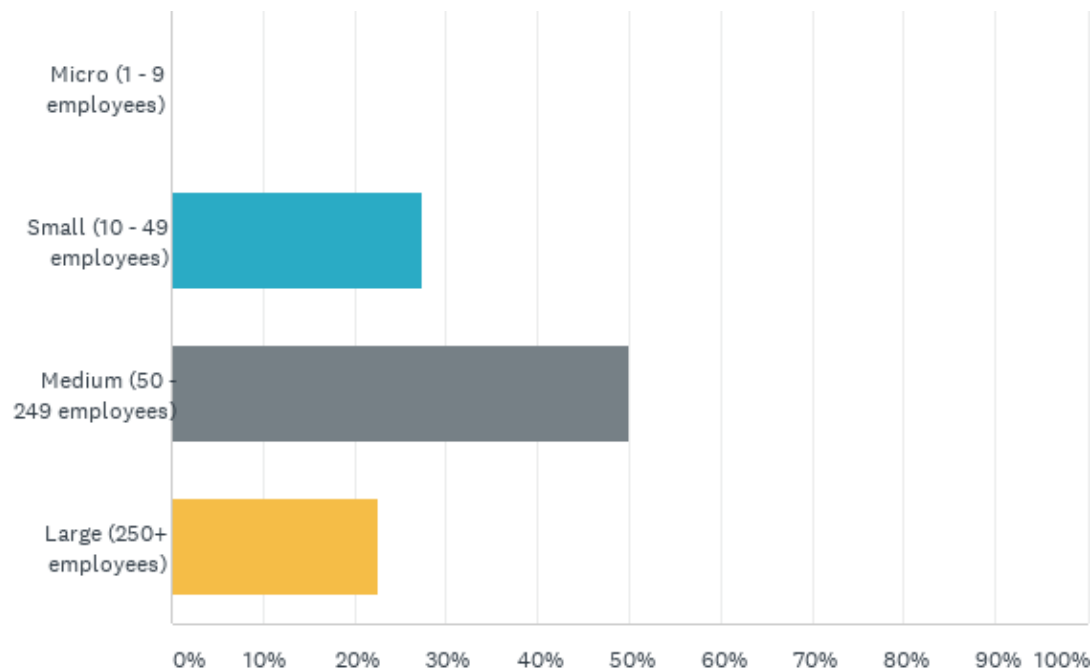
The cost of raw materials appear to be climbing with nearly 50% of respondents saying they are up between 0-5%.

Over 82% of respondents are confident that activity & sales will increase in 2021 but their has been a rise in the number of respondents reporting that they are putting wholesalers on allocation.

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Q1. Business size

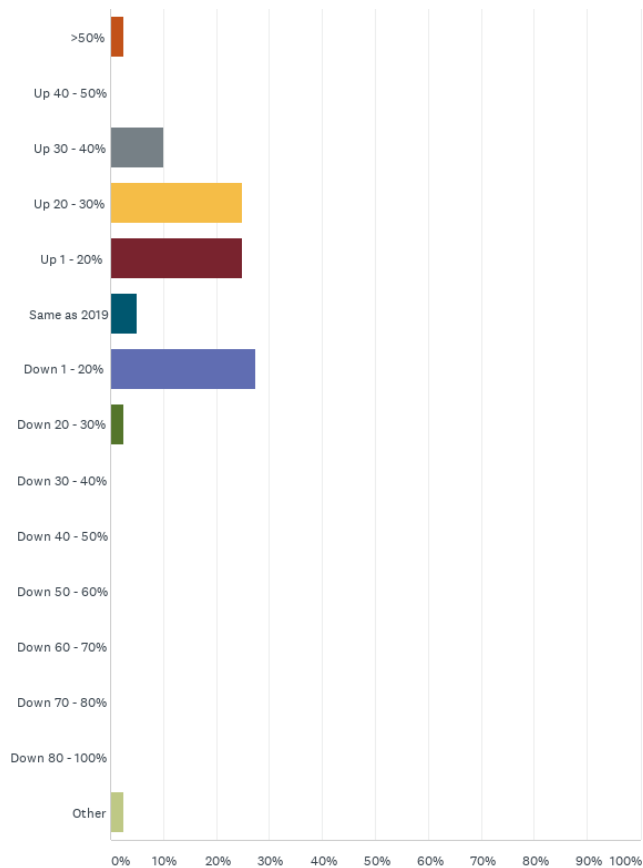


| Answer Choices | Responses | |
|-----------------------------|-----------|-----------|
| Micro (1 - 9 employees) | 0.0% | 0 |
| Small (10 - 49 employees) | 27.5% | 11 |
| Medium (50 - 249 employees) | 50.0% | 20 |
| Large (250+ employees) | 22.5% | 9 |
| TOTAL | | 40 |

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Q2: To what extent has your turnover has been affected when comparing November 2020 to November 2019?



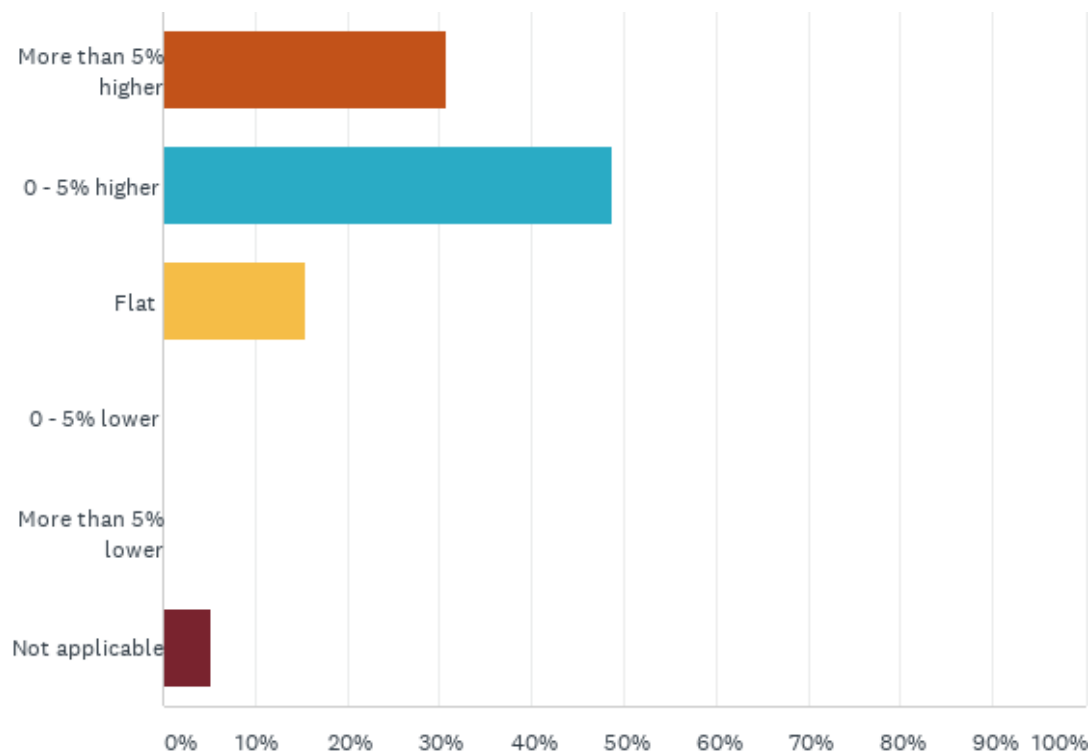
| Answer Choices | Responses |
|----------------------------|-----------|
| Up 50% | 2.5% 1 |
| Up 40 - 50% | 0.0% 0 |
| Up 30 - 40% | 10.0% 4 |
| Up 20 - 30% | 25.0% 10 |
| Up 1 - 20% | 25.0% 10 |
| Around the same as in 2019 | 5.0% 2 |
| Down 1 - 20% | 27.5% 11 |
| Down 20 - 30% | 2.5% 1 |
| Down 30 - 40% | 0.0% 0 |
| Down 40 - 50% | 0.0% 0 |
| Down 50 - 60% | 0.0% 0 |
| Down 60 - 70% | 0.0% 0 |
| Down 70 - 80% | 0.0% 0 |
| Down 80 - 100% | 0.0% 0 |
| Other | 2.5% 1 |
| ANSWER CHOICES | 40 |

Respondents' Comments
Turnover up significantly on last year, but some of this is due to changes in order patterns and stocking levels.

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Q3: Comparing the cost of raw materials in December 2020 with December 2019, were they:

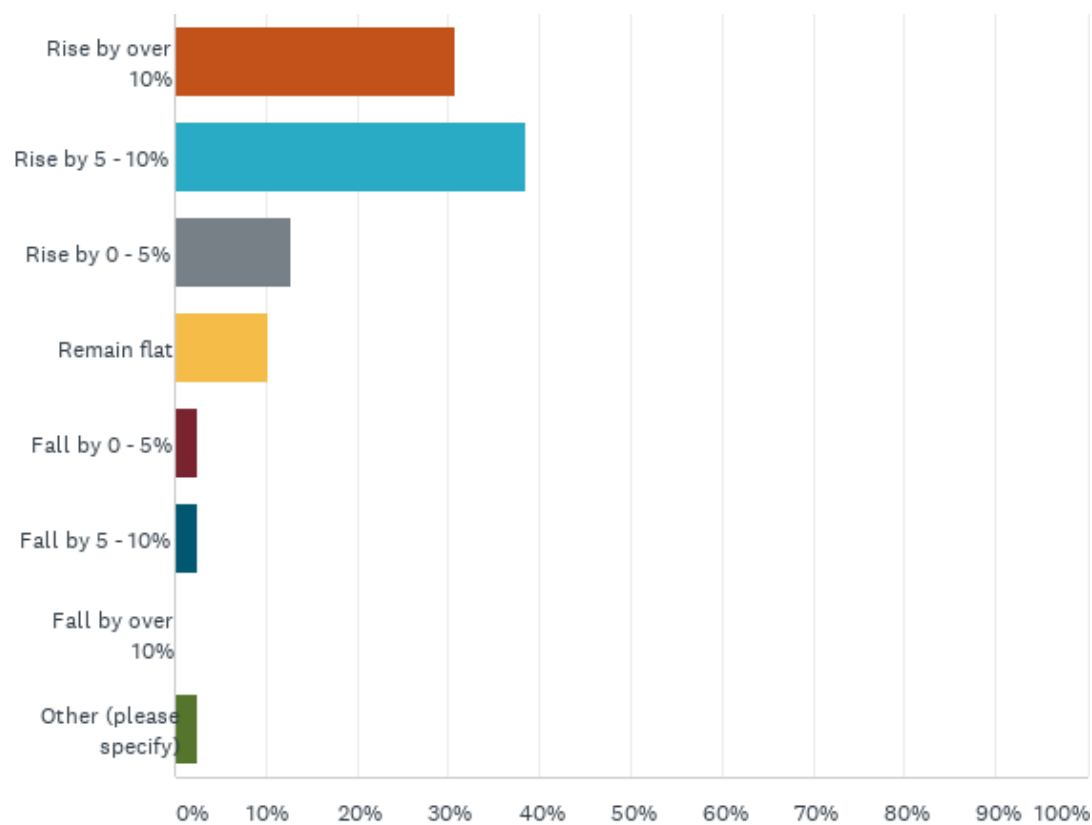


| Answer Choices | Responses | |
|-----------------------|-----------|-----------|
| More than 5% higher | 30.77% | 12 |
| 0 - 5% higher | 48.72% | 19 |
| Flat | 15.38% | 6 |
| 0 - 5% lower | 0.0% | 0 |
| More than 5% lower | 0.0% | 0 |
| Not applicable | 5.13% | 2 |
| ANSWER CHOICES | | 39 |

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Q4: How do you anticipate activity/sales will change in 2021 compared with 2020 overall?

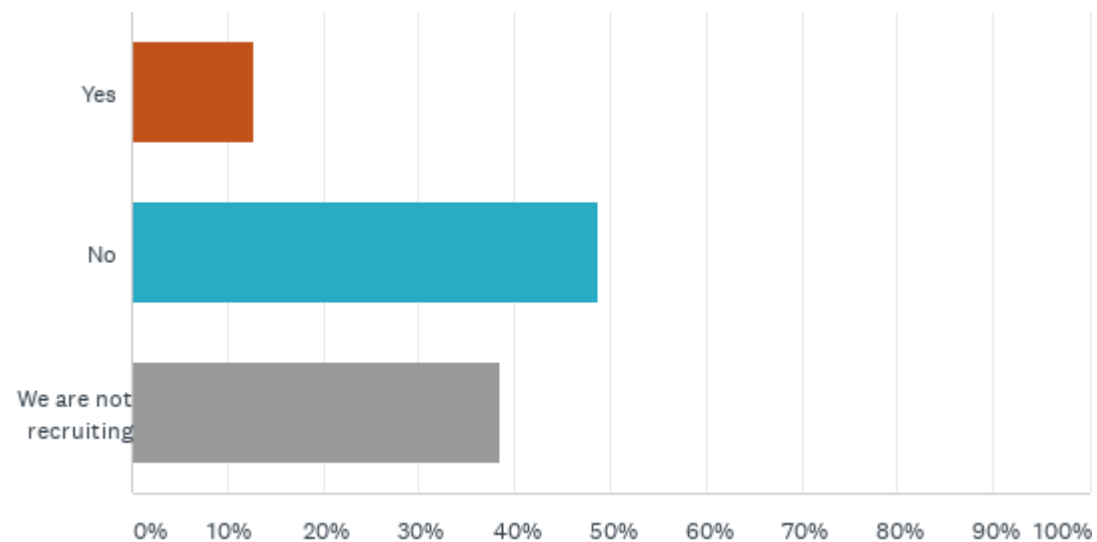


| Answer Choices | Responses | |
|------------------------|-----------|-----------|
| Rise by over 10% | 30.77% | 12 |
| Rise by 5 - 10% | 38.46% | 15 |
| Rise by 0 - 5% | 12.82% | 5 |
| Remain flat | 10.26% | 4 |
| Fall by 0 - 5% | 2.56% | 1 |
| Fall by 5 - 10% | 2.56% | 1 |
| Fall by over 10% | 0.0% | 0 |
| Other (please specify) | 2.56% | 1 |
| ANSWER CHOICES | | 39 |

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Q5: Did your firm have difficulty recruiting workers in December 2020?



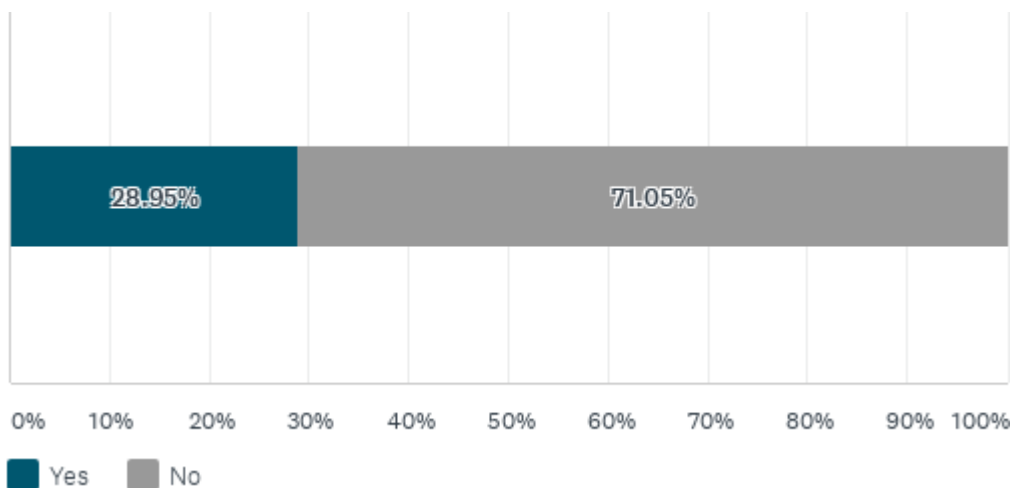
| Answer Choices | Responses | Count |
|-----------------------|-----------|-----------|
| Yes | 12.82% | 5 |
| No | 48.72% | 19 |
| We are not recruiting | 38.46% | 15 |
| ANSWER CHOICES | | 39 |

Respondents' Comments

- It has been very difficult to recruit for skilled positions within our business which has increased the reliance on our internal training programmes. We recruit staff and train them to the level we require.
- Certain skilled trades are still hard to find replacements for. Little investment in skills training has challenged this.



Q6. Has your business been affected by Test and Trace?



| Answer Choices | Responses | |
|----------------|-----------|-----------|
| Yes | 28.95% | 11 |
| No | 71.05% | 27 |
| TOTAL | | 38 |

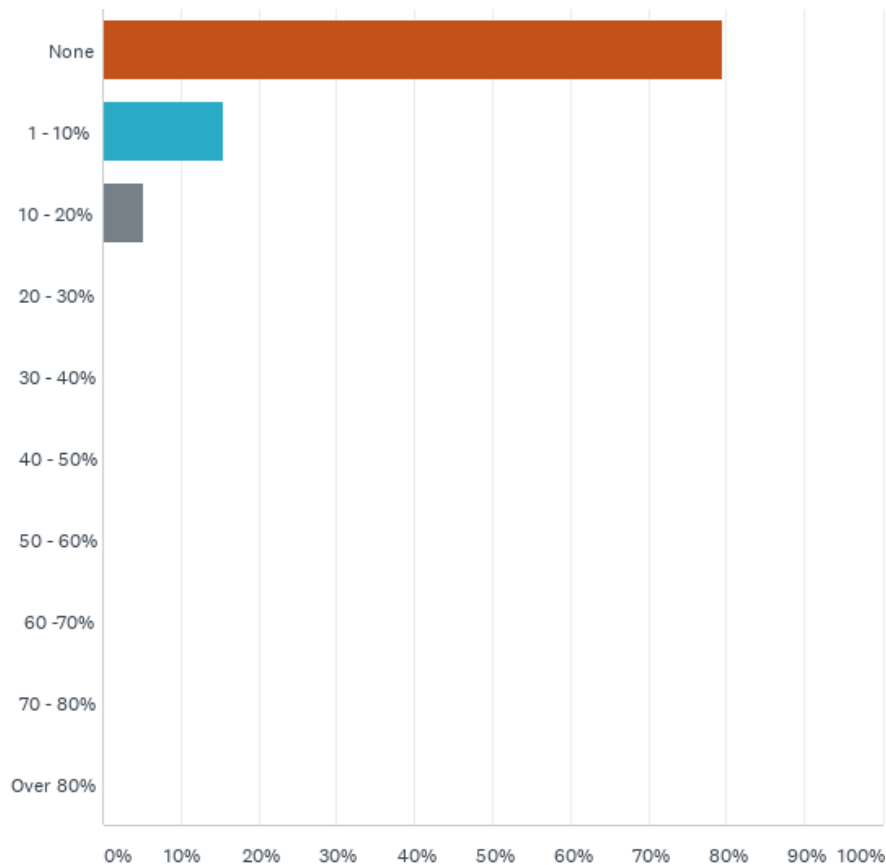
Respondents' Comments

- Higher rate of testing has resulted in higher positive results, resulting in increased absence from work due to illness and/or self-isolation requirements
- Some workers had to self isolate.
- Self Isolation awaiting COVID Test.
- It appears rules have become more stringent and the proximity between employees has been tightened meaning more members of the team have been asked to self isolate for 10 days.
- Small numbers of employees are required to take time off work - difficult to replace with 'like' skilled employees.
- We had a positive test amongst staff and lost 4 more due to track and trace.
- 6 office employees (and rising) have been contacted and instructed to isolate where 'close contact' has been deemed to have occurred.
- We had 5 members of the team self isolating at home but only 2 had actually contracted COVID.
- We had one member of staff test positive, this resulted in 7 staff (his work bubble) being contacted by track and trace.

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Q7. What percentage of your overall business is still on furlough as at Monday 4 January 2021?



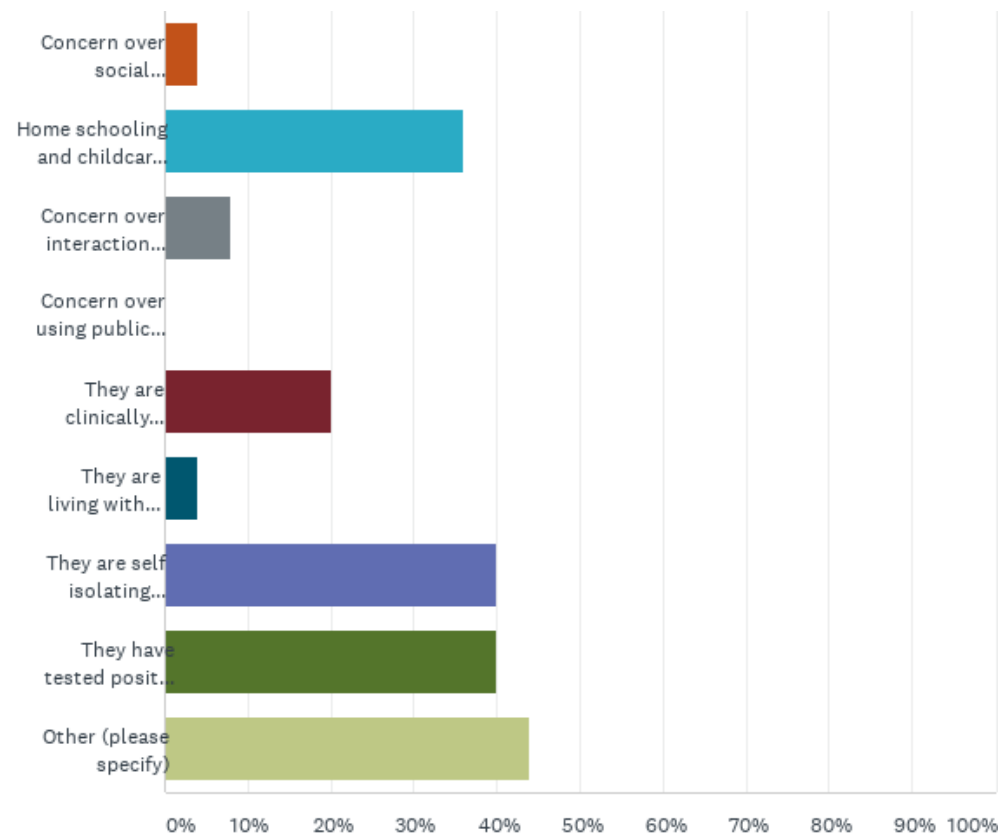
| Answer Choices | Responses | Count |
|----------------|-----------|-----------|
| 0% | 79.49% | 31 |
| 1 - 10% | 15.38% | 6 |
| 10 - 20% | 5.13% | 2 |
| 20 - 30% | 0.0% | 0 |
| 30 - 40% | 0.0% | 0 |
| 40 - 50% | 0.0% | 0 |
| 50 - 60% | 0.0% | 0 |
| 60 - 70% | 0.0% | 0 |
| 70 - 80% | 0.0% | 0 |
| 80 - 100% | 0.0% | 0 |
| TOTAL | | 39 |

2%, on average, of the respondents workforce are absent, excluding furloughed team members.

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Q8. What are the reasons for absence from work?



| Answer Choices | Responses | Count |
|---------------------------------------------------------------------------------------------------|-----------|-----------|
| Concern over social distancing between members of staff | 4.0% | 1 |
| Home schooling and childcare responsibilities | 36.0% | 9 |
| Concern over interaction with customers | 8.0% | 2 |
| Concern over using public transport for travel to and from place of work | 0.0% | 0 |
| They are self isolating because they are clinically vulnerable or extremely clinically vulnerable | 20.0% | 5 |
| They are living with someone who is clinically vulnerable or extremely clinically vulnerable | 4.0% | 1 |
| They are self isolating because they have been in contact with someone who has tested positive | 40.0% | 10 |
| They have tested positive for COVID-19 | 40.0% | 10 |
| Other (please specify) | 44.0% | 11 |
| TOTAL | | 25 |

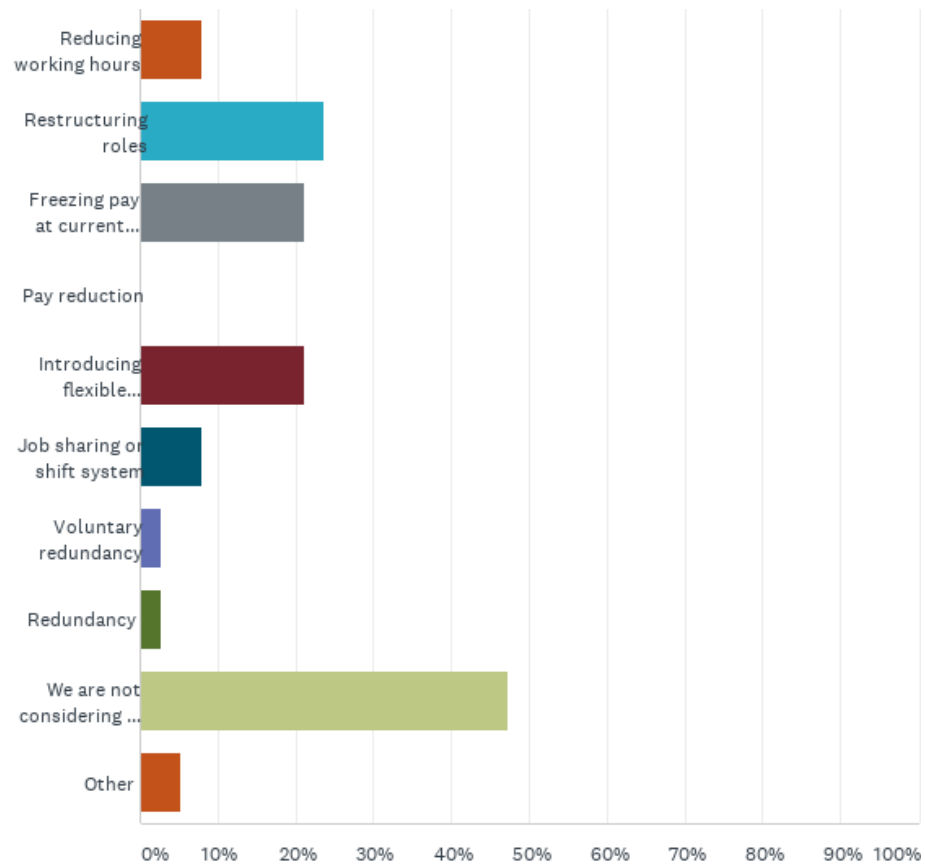
Respondents' Comments

- General illness
- Unable to return from spending Xmas overseas due to travel restrictions
- All staff working from home anyway now.
- All working from home or office
- Luckily we don't have any of these issues at moment.
- Actual absences are quite low, given the challenges, as digital remote working platform and flexible hours have been introduced
- Staff are working from home effectively

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Q9: Your people are your most important asset but some businesses are facing difficult decisions. Is your business considering any of the following?



| Answer Choices | Responses |
|-------------------------------------------|-----------|
| Reducing working hours | 7.89% 3 |
| Restructuring roles | 23.68% 9 |
| Freezing pay at current levels | 21.05% 8 |
| Pay reduction | 0.0% 0 |
| Introducing flexible working arrangements | 21.05% 8 |
| Job sharing or shift system | 7.89% 3 |
| Voluntary redundancy | 2.63% 1 |
| Redundancy | 2.63% 1 |
| We are not considering any of the above | 47.37% 18 |
| Other | 5.26% 2 |
| TOTAL | 38 |

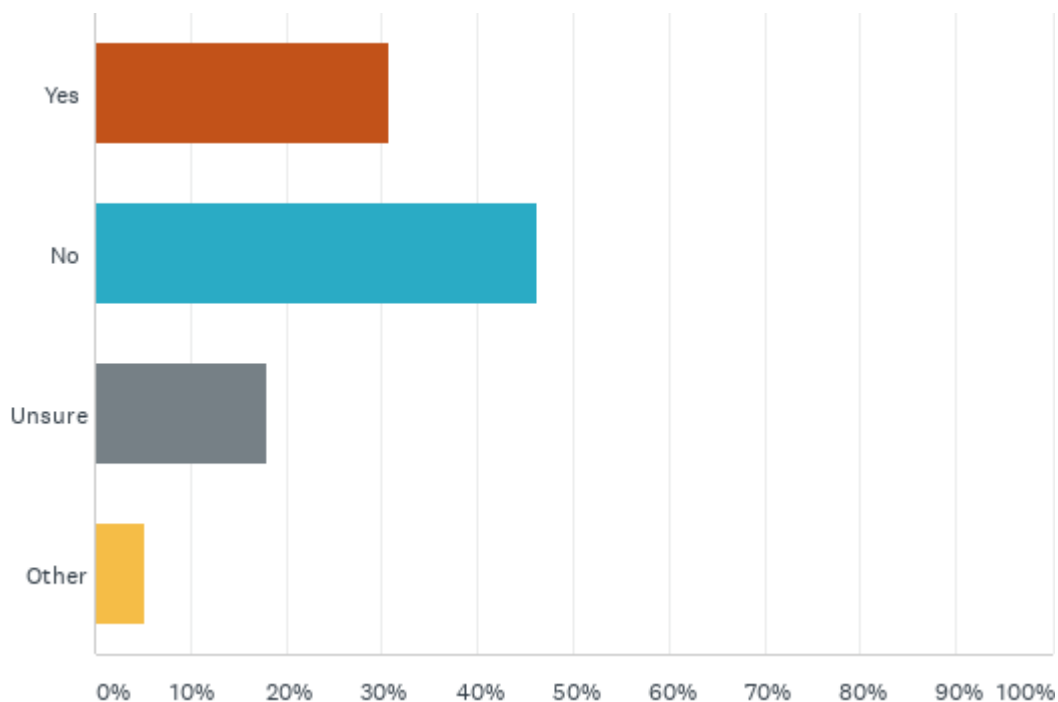
Respondents' comments

- Furlough

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Q10: Given the new lockdown decision on Monday 4 January 2021 are you likely to refurlough members of your team?



| Answer Choices | Responses | Count |
|------------------------|-----------|-----------|
| Yes | 30.77% | 12 |
| No | 46.15% | 18 |
| Unsure | 17.95% | 7 |
| Other (please specify) | 5.13% | 2 |
| TOTAL | | 39 |

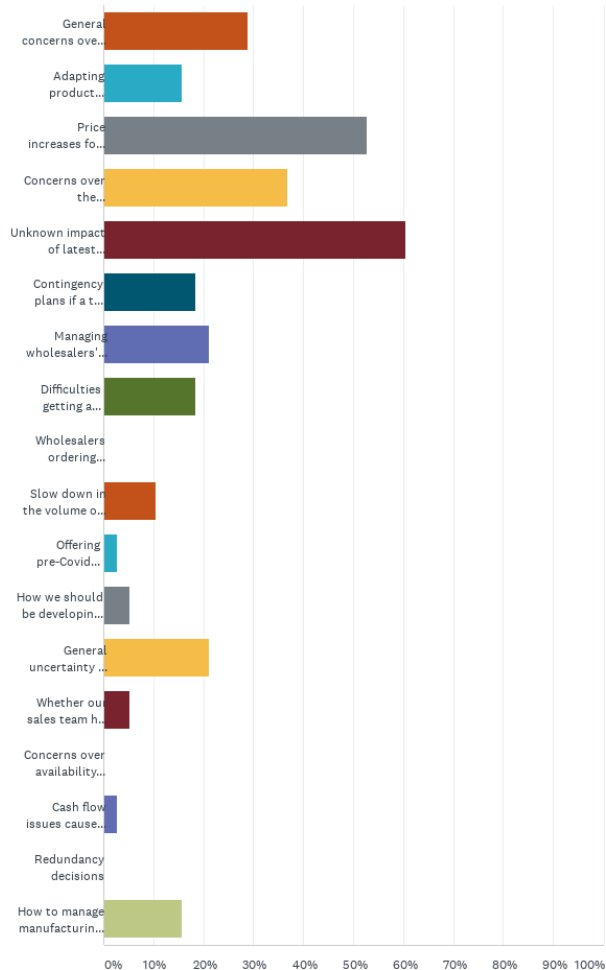
Respondents' comments

- We will be driven by demand and if this falls then we are very likely to refurlough certain roles.
- Watching brief

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Q11: What are the three greatest challenges your business is facing at this time?



Answer Choices

Responses

| | | |
|-------------------------------------------------------------------------------------------------------------------|--------|----|
| General concerns over the end of the Brexit transition process | 28.95% | 11 |
| Adapting product labelling to meet post-Brexit requirements | 15.79% | 6 |
| Price increases for raw materials | 52.63% | 20 |
| Concerns over the availability of products and materials from overseas which will impact on our ability to supply | 36.84% | 14 |
| Unknown impact of latest lockdown | 60.53% | 23 |
| Contingency plans if a team member tests positive for COVID, and other team members have to self isolate | 18.42% | 7 |
| Managing wholesalers' expectations | 21.05% | 8 |
| Difficulties getting a face-to-face appointment to meet our wholesaler customers | 18.42% | 7 |
| Wholesalers ordering minimum quantities | 0.0% | 0 |
| Slow down in the volume of orders from the wholesale channel | 10.53% | 4 |
| Offering pre-Covid levels of customer service to deal with trade enquiries | 2.63% | 1 |
| How we should be developing and shaping our sales teams to service the wholesale channel | 5.26% | 2 |
| General uncertainty and challenges over forecasting | 21.05% | 8 |
| Whether our sales team have the skills to sell virtually | 5.26% | 2 |
| Concerns over availability or stricter terms of Trade Credit Insurance | 0.0% | 0 |
| Cash flow issues caused by a slow down in payment from wholesalers | 2.63% | 1 |
| Redundancy decisions | 0.0% | 0 |
| How to manage manufacturing output when it is difficult to predict demand | 15.79% | 6 |
| Other challenges not listed above: | | 2 |

TOTAL

38

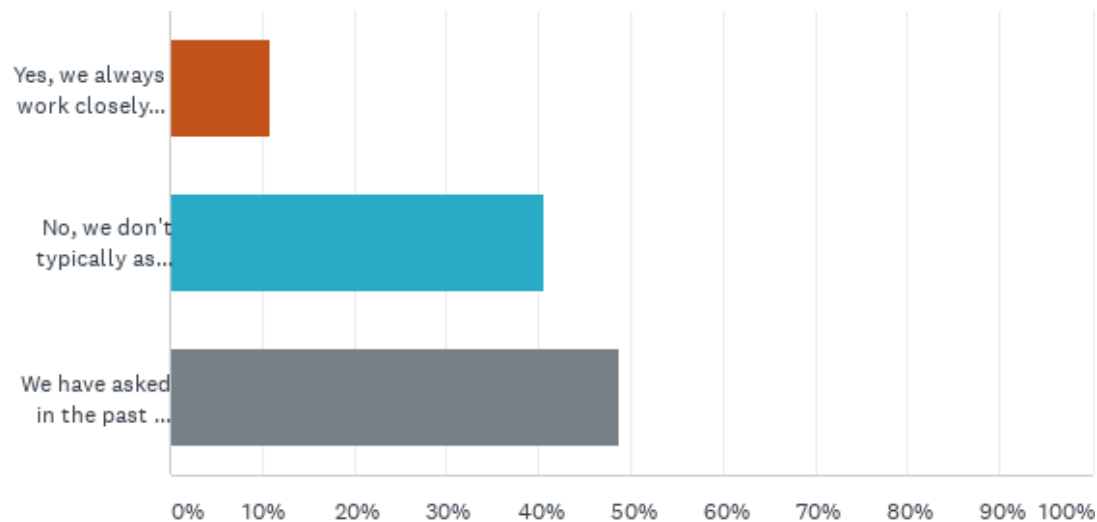
Respondents' comments

- Wholesalers taking settlement discount when they don't pay on time!
- Landing product and materials through UK ports!

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Q12: Typically, do you ask your wholesaler customers to help with forecasting?



| Answer Choices | Responses |
|---------------------------------------------------------------------------------------------|-----------|
| Yes, we always work closely with the wholesaler on forecasting | 10.81% 4 |
| No, we don't typically ask the wholesaler to be involved in forecasting | 40.54% 15 |
| We have asked in the past but they are not able to provide accurate forecasting information | 48.65% 18 |
| TOTAL | 37 |

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Q13: What input would you like to see from the wholesaler that would help you with forecasting?

- Sell out rates and stock levels
- I can't see that at the moment a Wholesaler can forecast their customer's demands anymore than we can.
- Rolling monthly forecast of purchases by month - at least on fast runners More consideration on the issues of supply
- Current Wholesaler stock levels vs normal sales. level of wholesaler sales out vs normal.
- Visibility of any project demand.
- Sales Out View of the project order book / longer term plans for promotions or taking on new products
- Indications from the market
- Substantial impact - crucial requirement; be open and work with us to determine the lower and upper limits
- Promotions, stock currently hold across the network
- Involvement of forecasting but I understand it is difficult for the uncertain future.
- I think wholesalers will be in the same position as us. Forecasting is becoming almost impossible.
- Telegraph project sales or 'additional' demand over and above usual organic trade
- Project work- being able to 'not leave it until the last minute'
- Good to share their sales expectations
- Support the manufacturer who is supporting them
- Let us know if there is a larger than expected order in the pipeline we can try to manage the stock and the logistics
- Monthly sales-out data
- Advance notice of project requirements
- It would be ideal for our Customers to offer some form of future orders to allow us to ensure continuity of supply
- To share with us their strategy for the year ahead. What market sectors they are targeting, new sales team members targeting specific markets/products etc
- Early engagement when we ordered our Brexit stock it was in Sept, to get deliveries in Oct/Nov to avoid any hold ups in December - forecast need to be around bulk and on a rolling quarter basis if possible
- Planned orders
- 3 months forward sales order



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Q14: What else could the wholesaler offer that would help your business with forecasting?

- Early warning of any significant changes in demand - up or down.
- High level updates on business sales out to judge how open their part of the industry is.
- Holding better stocks
- High demand forecast by SKU a month ahead, and maybe forecast approximately 3 months ahead.
- Sales Out Data
- Accurate view of what they are seeing in the market
- Sales trends by month
- Understanding sell-out
- Longer lead times
- Their clear supplier strategy, and everybody involved buy in the decision made to support manufactures they want to support
- 1-3 month call off orders Them getting more information from their customers/contractors
- Look at annual demand of fast moving products
- Provide historical data, benchmark competitor data (sanitised of course)
- Ordering in efficient bulk quantities as opposed to volume small value back to back orders
- How they see the market from their customers eyes and to share they promotional program for the year
- Ensure they have fast movers in stock
- Scheduled stock orders



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Q15: What challenges are you facing with product supply and keeping the wholesaler fully stocked?

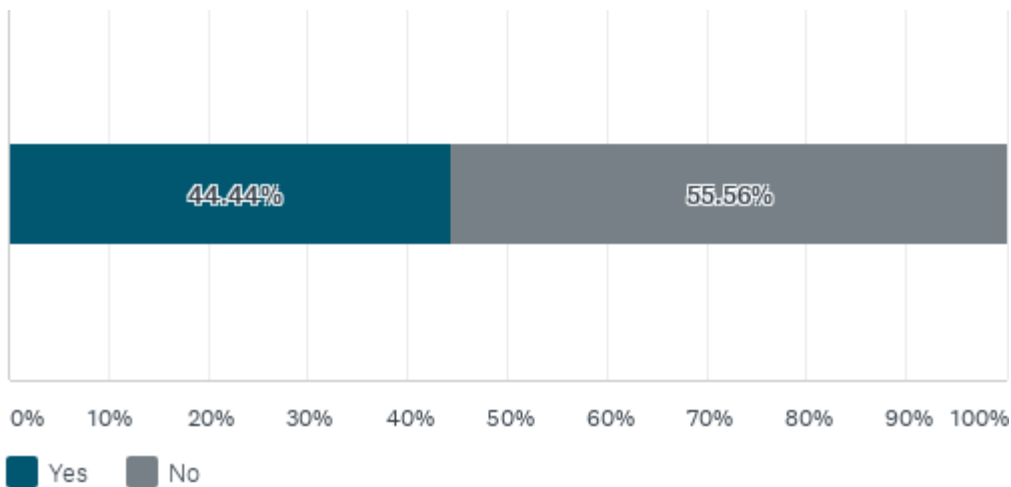
- General problems in whole supply chain, shipping delays, price
- Mainly shipping issues - container shortages, rising costs
- Delays at ports
- Stock and component delays.
- Container shortage / staff movements in supplier base
- Container shortages from
- No forecast, unprecedented rise in demand, difficult component and material
- Shipping with Containers shortages COVID lockdowns in other parts of the
- At moment is logistic issue is the biggest challenges: shortage of container pushed the price too high and delay the shipping time
- Both COVID and transport are difficult at the moment
- Running close to wire further to import delays, in short it was actually the 48 hour block on movement of goods due to coronavirus restrictions that caused the most problems.
- Transport costs and lack of it to service demand currently
- Congestion at UK ports (Felixstowe) and exorbitant increased freight charges
- Delays at ports, lack of containers in China, shipping costs that are spiralling daily and unpredictable demand make this a challenging time for manufacturers
- Getting goods from Asia by sea is a major issue and is now becoming very expensive which will drive up product costs
- Getting materials off boats currently looking for a port to off load



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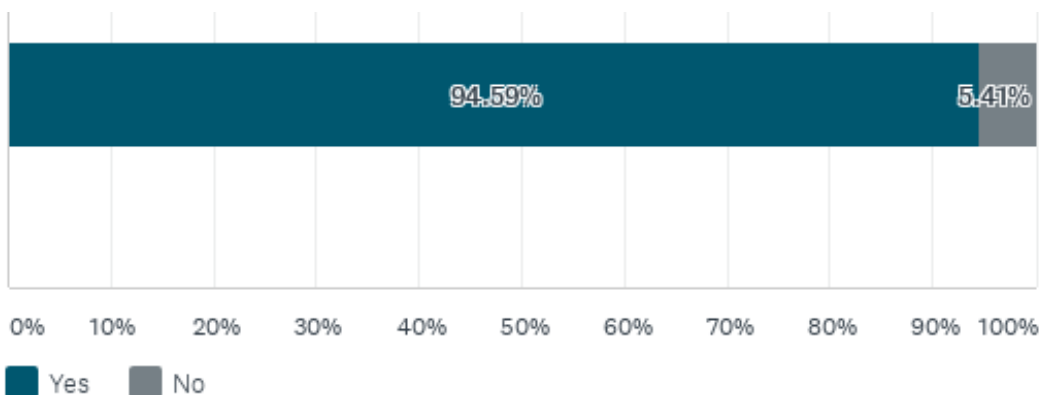
Q16: Have you placed products on allocation for the wholesale channel?



| Answer Choices | Responses | |
|----------------|-----------|-----------|
| Yes | 44.44% | 16 |
| No | 55.56% | 20 |
| TOTAL | | 36 |



Q17: Did you build up stock levels in advance of the end of the Brexit transition period on 31 December 2020 and Chinese New Year 2021?

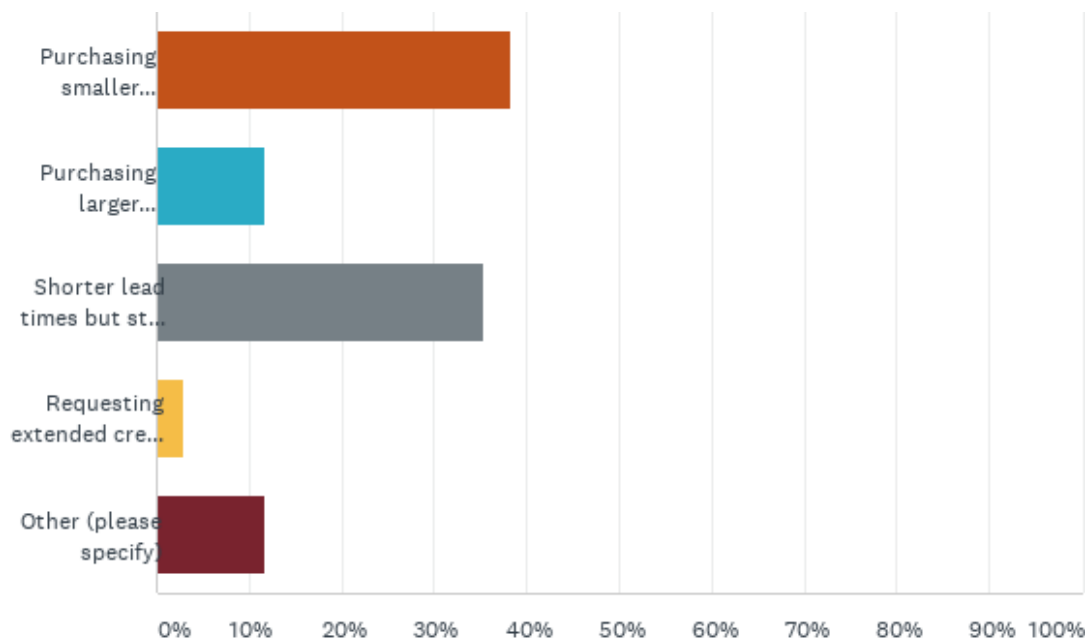


| Answer Choices | Responses | |
|----------------|-----------|-----------|
| Yes | 94.59% | 35 |
| No | 5.41% | 2 |
| TOTAL | | 37 |

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Q18: Have you noticed any changes in purchasing behaviour from your customers?



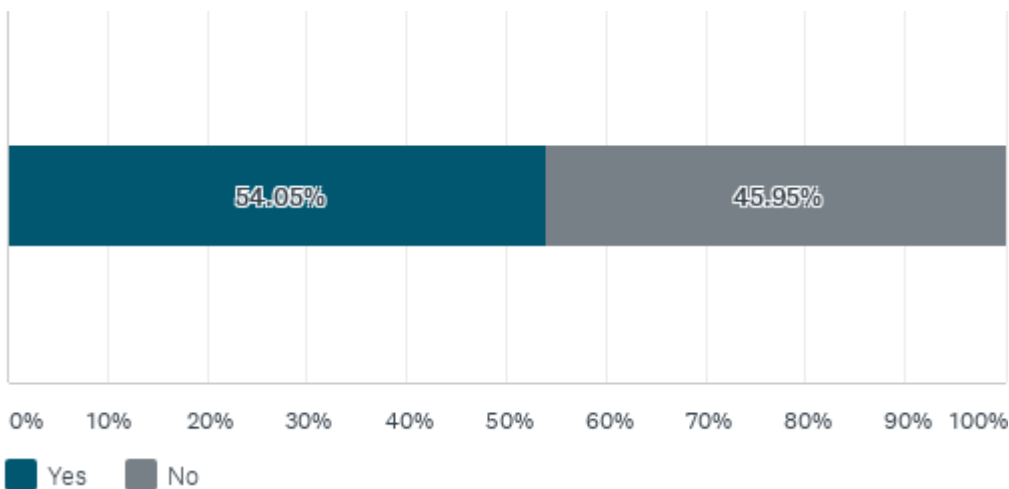
| Answer Choices | Responses | Count |
|---------------------------------------------------------------------------|-----------|-----------|
| Purchasing smaller quantities | 38.24% | 13 |
| Purchasing larger quantities | 11.76% | 4 |
| Shorter lead times but still expected products to be available from stock | 35.29% | 12 |
| Requesting extended credit terms | 2.94% | 1 |
| Other (please specify) | 11.76% | 4 |
| TOTAL | | 34 |

Respondents' Comments

- Faster purchasing decisions being made and shorter lead time requirements
- All of the above - it varies significantly from one wholesaler to another. Those without cashflow issues see holding stock as a commercial advantage.
- Nov and Dec saw the channel place larger orders to create a buffer for themselves this actually can exacerbate the situation.



Q19: Do you feel more optimistic now than you did in Q4 2020?



| Answer Choices | Responses | |
|----------------|-----------|-----------|
| Yes | 54.05% | 20 |
| No | 45.95% | 17 |
| TOTAL | | 37 |

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Q19: Do you feel more optimistic now than you did in Q4 2020?

- Pretty obvious with everything going on at the moment
- Q4 did not change the optimism for 2021; turnover and profitability expected to increase in 2021 (over 2020)
- Very uncertain year expected with many COVID unknowns With the vaccination process in place there (hopefully) is an end in sight. Nonetheless there are still difficult challenges ahead.
- Our industry is working hard to stay open and is continuing to operate at a decent level even though no doubt it is not at normal levels - there is optimism that as we move into Q2 the restrictions will ease and business will improve.
- Whilst the situation is very bad at the moment, there at least seems an end in sight for the pandemic and the Brexit situation has been finalised.
- Increased quantity of projects up for tender. Vaccinations creating positiveness in the market.
- Projects we quoted 3, 6 or 9 months ago are now being won or closed.
- I am concerned red tape is preventing shipment to and from Europe, I believe there will be additional taxation imposed within the budget in March and the first 6 months of 2021 will be hard given the extended lockdown.
- Uncertainty around impact of lockdown three and subsequent unlocking
- 2021 suggests a more focus on digitalisation and channels to market
- Yes, now that vaccines are being administered. If the most vulnerable group becomes safe and children can return to school, i am confident the economy will start moving again.



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Q19: Do you feel more optimistic now than you did in Q4 2020?

- I feel optimistic as vaccine started and wish it will deliver the result as expected, if all goes the plan, our economy will be saved and bounced back quickly.
- Oct-Dec where very busy I am not confident that this trend will continue.
- Q4 was unusually strong for many reasons, there wasn't an expectation that this trend would continue, we still remain cautiously optimistic about sales in Q1 2021.
- With the new lockdown this has caused a feeling of un-certainty
- New variant has taking the wind out of our sails (and sales!) I was very positive in Q4
- Still uncertainty in the market
- Construction sites remain open, and the vaccine rollout
- The most recent lockdown will be longer and potentially greater restrictions than previously seen
- If we can get out of lockdown in Q2 2021 we will see a good recovery. Any longer the damage will be too bad to recover in some cases
- Although there is still uncertainty about the impact on demand for goods, businesses are now in a better position to deal with the situation safely and remain open for business. Also, the vaccination programme is starting to roll out which will hopefully improve the situation going forwards.
- Order trends continue to grow. New product introductions coming through and competition suppressing demand creation activities.



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Additional Comments

- Well done on the role the EDA has performed during this time.
- Far to many EWS channel partners expecting manufactures to pay rewards on declining sales numbers, just because we are a manufacture doesn't mean we have money to give away
- Two concerns, freight from Asia and lockdown timeline and effect.



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