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2021



How to be resilient

Lessons on surviving a crisis





» Small Business Britain is the UK's leading champion of small businesses, supporting all 5.8 million small businesses in the UK – no matter their location, their sector, or their ambition level. Through a series of reports, events and campaigns, Small Business Britain champions, inspires and accelerates small businesses in the UK to foster growth and increased confidence.

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Foreword

Never has so much been said about small business as in the last year.

If there is one silver lining in the very grey cloud of COVID-19 for small business, it is the greater awareness of their value, the challenges they face, and the need for all to step up their support for these stalwarts of the British economy.

In a year that was devastating for many across the world, we have seen breath-taking changes to the small business landscape. Businesses have ceased trading overnight; businesses have gone through desperately difficult times and found a way through; and some businesses have even started or grown in the crisis, realising new opportunities through the gloom.

Many businesses have come into 2021 with significant hurdles ahead of them, unsure how lockdown 3 will impact their business and themselves personally.

At Small Business Britain, we have worked throughout the pandemic to help as many businesses as we can: to grow in skills, to grow in confidence, and to make the decisions to get through this period in the very best position they possibly can. As we navigate the continuing challenges, we have developed this report to continue that support; not just as an insight into small businesses, but as a guide in "How To" make the best of a bad situation, based on the expertise and experience of successful small

businesses throughout the pandemic so far. There is of course no "one size fits all" solution to the many difficulties facing small business, so please do not expect a magic answer in this report. Businesses have been impacted in wildly different ways depending on their individual circumstances, cash reserves and situation going into the pandemic, existing digital skills and of course their location, sector and size.

However, what we can do is understand some common themes, actions and approaches that have worked for businesses across the spectrum and share these with all businesses as inspiration to find the next step forwards for each of them. Over the last few months, we have spoken to businesses individually and in large scale surveys to get under the skin of how they have best survived this difficult time. The lessons we have learnt are shared here in this report.

Whilst we continue to work on supporting entrepreneurs – through skills training, help, advice, support and sometimes even just a friendly face – throughout lockdown and beyond, we hope that this guide will inspire actions, adapting and progress in small businesses. Not everything will work for everyone, but there is something in here that will make a difference to every business.

As we continue to respond to the changing situation, now including changes due to Brexit as well as operating in a restrictive world, returning to strong advice and checking in with our support networks continues to be critical to surviving and thriving.

We encourage all businesses to get in touch with us and others and take up any offers of support they can. None of us are experts in the world as it is – it really is unprecedented. But whatever you do, do not try and get through it alone. There is a huge amount of help, advice, support and encouragement available, so use it.

We want to help you. Others want to help you. Together we will get through this crisis and prosper again.



Michelle Ovens CBE
Founder, Small Business Britain



2020 delivered a shock to the economy like no other in living memory.

For UK SMEs - responsible for half of the UK's business revenue and just under half of its workforce¹ - the unprecedented task of responding to the virus came on top of existing economic challenges. This was made harder by the unequal impact on different sectors: where construction, gyms, and dine-in business have all been hit hard - 'staycation' spots, takeaway restaurants and online businesses have, in many cases, seen a rapid rise in sales.

For most small businesses, the focus has simply been to survive. While some have managed to thrive, sadly many others have had to fold. The speed and scale of the Government's response has been critical. As this report bears out – for most small businesses, access to government support schemes like business rates relief, the furlough scheme and the Bounce Back Loan Scheme has been a determinant of survival.

At TSB, our business banking team has worked day and night to support our small business customers through the pandemic. So far, we have provided over £576m of Bounce Back Loans (BBL) and top-up lending - having been live on day one for the BBL schemes. We have also provided repayment holidays across our lending products, to help provide breathing space when small businesses need it most. And over 2021, we will be providing a series of events to help bring advice and support to customers, so that they don't have to go it alone.

¹ Department for Business, Energy & Industrial Strategy

Through our experience in serving customers and working with Small Business Britain, key themes for doing even more for SMEs in 2021 have become clear:

1. Cash flow is king

Resilience and understanding cashflow is front of mind for small businesses - and will remain there as part of financial planning. It's why at TSB we are committed to paying all our own small business suppliers promptly within ten working days and are becoming signatories of the prompt payment code. Before Covid-19, not all small businesses necessarily needed to keep an eagle eye on cashflow. Even if you wanted to, it wasn't always easy to do so. Over 2021 that will change - supported by the increasing range of software services that can help monitor cashflow. Maintaining a 'safety buffer' to help absorb shocks, where possible, is a behaviour we're already seeing with our customers, as 37% of government lending scheme funds remain in business accounts.

2. The shift to digital has jumped forward five years

2020 data from the US² shows e-commerce penetration growing by the same amount as it did in the previous 5 years, the UK has likely experienced something similar. Everything from how small businesses interact with customers, take and deliver orders, interact with their teams and organise their business has been forced to go digital where possible - as highlighted by this report. We've seen this trend first-hand as customers have gone cashless: accepting over three times as many card payments in volume and value, via our partnership with Square. Riding this trend will be key to having a successful business.

3. Sustainability continues to move up the agenda

As businesses flex costs down, customer demand grows and government schemes develop to support green initiatives, we expect to see momentum continue to build in this space through 2021.

² IBM and US Government Department of Commerce



This pandemic is not over yet, but there does now seem to be light at the end of the tunnel. With the lessons learned so far, small businesses have an opportunity to go beyond resilience and aspire to be 'anti-fragile'. As Nassim Nicholas Taleb wrote in his book by the same name, "Anti-fragility is beyond resilience or robustness. The resilient resists shocks and stays the same; the anti-fragile gets better".

Adeel Hyder
Business Banking Propositions Director,
TSB Bank Plc

Executive Summary



Small businesses have been at the heart of our communities and economy in the UK for as long back as we can remember or record. They are embedded and entwined in our character as a nation, and what they bring to our lives continues to develop and grow.

With this backdrop, 2020 came as a huge shock and blow to the small business eco-system, creating massive challenges, many of which businesses were wildly unprepared for. At Small Business Britain, we tend to avoid calling small businesses a “sector” as small businesses exist in all sectors. This is not a set of issues facing a “sector”: this is an existential challenge to the very fabric of our society and prosperity.

The silver lining in the chaos however has been a realisation of the huge value small businesses bring, not just by Government with extensive support packages, but by the general public, big business, media and more. Small businesses have been high on the agenda throughout 2020 and this has led to a huge outpouring of support that has been instrumental in many businesses weathering the COVID storm.

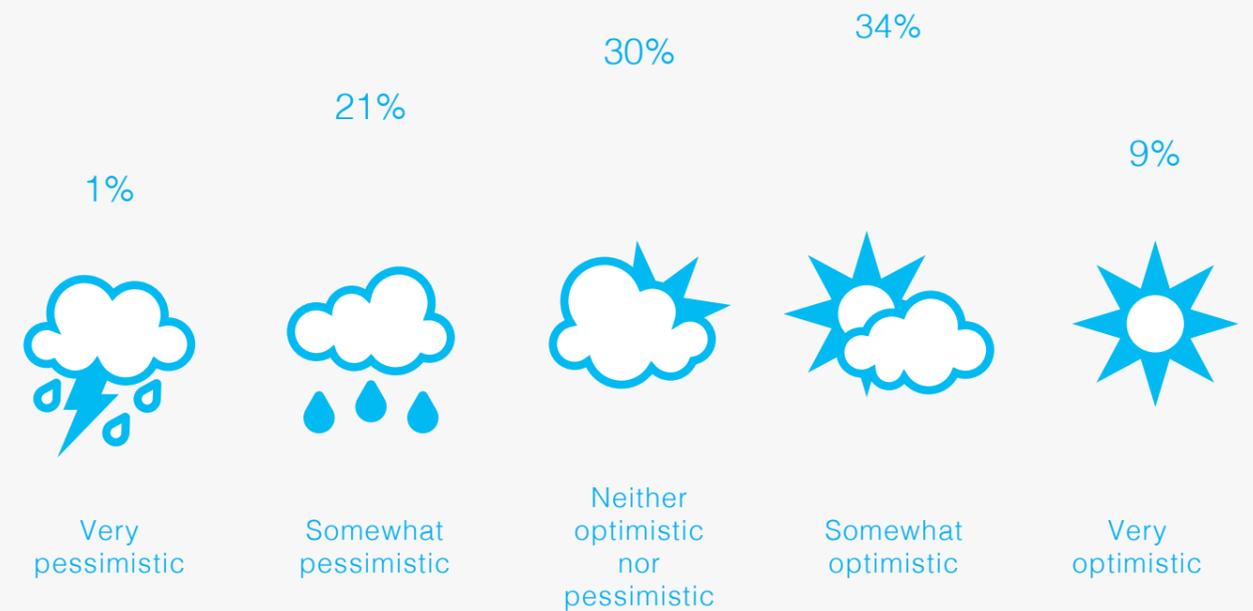
There have of course been many elements that have contributed to business survival, or not, in 2020. In this report we have explored these extensively with surveys, interviews and expert analysis to understand what can make a business more resilient in the face of such extreme circumstances. Importantly, we also look at how other businesses can learn from this and use these lessons to be more resilient in 2021.

The question we asked ourselves, and continue to as this crisis continues, is this: are there common actions, circumstances or characteristics that make a business more likely to be resilient to significant shocks such as COVID-19? Is this separate to sector? Is this apart from age and location?

If there are common themes and specific actions, these can be passed on to other small businesses and can be instrumental in ensuring the longevity of small businesses throughout 2021 and beyond. This report lays out our insights so far based on extensive knowledge of the sector and provides a roadmap of sorts for small businesses to navigate the difficult path ahead. It is not too late to adapt as a business. There is much that can be done, even in the bleakest of situations.

Outlook

Feelings of small business owners about the next 12 months



The first and repeated action that this report will come back to repeatedly is not to try and navigate this on your own. As entrepreneurs, there is a tendency towards independence; a natural inclination to portray things in their best light and not admit concern or failure. There also tends to be a strong problem-solving trait that can stand entrepreneurs in good stead. But it must not over-ride the inclination to reach out for help and support. There is much available across the UK and online, and much of it free.

For their economic and mental health, the first thing for businesses to do is to search out a support team. This could consist of staff, friends, family, financial professionals such as accountants or bank managers, and should definitely include informal mentors and peers in the small business community. There is nothing more valuable in a crisis than a friend, particularly one that has been through a financial crisis before and knows the way out.

Once you have your support team in place, start looking at lifelines for yourself and the business. Look for what is possible regardless of tiers or lockdowns; look for what can continue despite Brexit or virus mutations; look for more than one way forward as now is not the time to narrow focus. It is the time to get and create more options

for yourself. These options might be in alternative cost models; they might be in new products or services [44% of those surveyed added on new products and services]; they will definitely include digital skills in one way or another.

There is one big positive revolution to come out of 2020 and that is the dramatic growth in digital engagement and skills. As business follows its customers, as the general public learnt overnight about video streaming, online shopping, booking delivery slots and The Gram, so businesses started to realise big new opportunities to engage, serve, communicate and ultimately sell to customers. This applied to B2B, product and services businesses, tiny one person businesses and larger established small businesses too. It also applied to medium and large businesses, leading to dramatic shifts in how people, meetings, development and transactions took place.

During the pandemic, 58% of businesses increased their or their staff's digital skills in response to the crisis; 50% added new technology to the business. There was a big shift in digital of a speed never seen before. Digital skills has demonstrably played a key role in confidence: while 74% of those who did not increase their digital skills feel they will survive

58% of businesses increased their or their staff's digital skills in response to the crisis

the next 12 months, 89% of those that did increase their digital skills feel they will survive. It also plays a role in growth confidence: Of those that did not increase their digital skills, only 41% expect to grow this year. However 57% of those who increased their digital skills expect to grow this year.

Digital is a tool for growth. It is a tool for survival. Importantly, it is not just one tool. There are many ways that a small business can make the most of digital to maximise their opportunities and find ways to thrive in a difficult climate. Digital can be about marketing and sales, and for many this has been a lifeline in 2020. Digital can be about saving costs, doing things such as online accounting, video calls rather than travel, searching for lower cost options for all sorts of business processes. Digital can also be about productivity, about doing what the business does, but in a more efficient way, allowing time and money to be spent on growth. Digital has also been about connectivity for people as well as businesses. Restrictions in 2020 have been

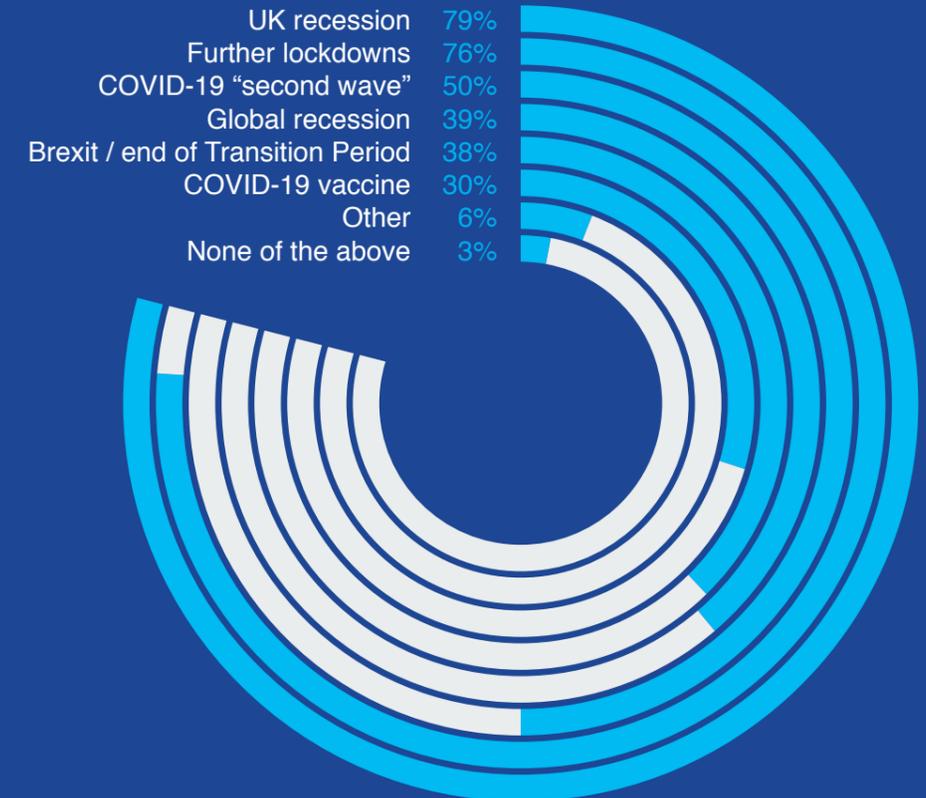
very isolating, meaning individuals as well as teams have been on their own for long periods of time. This can have an adverse impact on how a business operates, particularly if staff have had to have a period of time on furlough, as 27% of businesses have had to do. It can also have a significant impact on mental health for the business. Working on connectivity and keeping in touch is not just good for customers, it is good for staff and founders too.

Whilst the focus on digital is a key driver for resilience and financial confidence, focusing on the finances themselves is also a critical activity and one that should be a key focus when adapting. Finance is not just the result of resilient behaviour; the business's approach to finance can be the key factor in its ability to survive, and optimism to get there.

Small businesses took a number of routes to ensure financial survival in 2020. The largest of these at 53% of businesses was government financial support. From local authority grants,

Impacts

Factors that small business owners consider impacting the future performance of their business



furlough and SEISS, businesses had a range of financial support packages from the government to help them through. Not all businesses opted to use them, and not all were able to due to their structure or eligibility rules. But without a doubt those that accessed them are more likely now to feel positive about survival.

The second biggest lever in ensuring financial survival was working on the top line: 44% of businesses brought in new revenue streams. With the core business facing critical issues, there was a need to "pivot". Possibly the business word of 2020, the pivoting of the business to allow for new opportunities to bring in cashflow was a critical route, and one supported significantly by the aforementioned digital skills.

The third biggest financial route used was the government backed Bounce Back Loans (BBL), with 30% of businesses accessing them. Whilst debt is not the ideal solution for many businesses, this provided a lifeline for others, enabling them to continue when there was little other option. The ease of access of BBL has been lauded by many small businesses as critical in their ability to continue. The extension of the BBL scheme into 2021 has been welcomed, but small businesses are clear that there needs to be an extension to the amount allowed and the period of payback to reflect that the crisis has continued far longer than was envisaged when the loans were first announced.



Delight Mapasure

Founder, K's Wors

» Post pandemic, businesses should focus on maintaining relationships that have been formed in these times. Focus on team development and ensuring they are digitally equipped to work remotely. Focus on training and awareness of mental health. And make sure you focus on race and inequality. «

What the finance was spent on gives an interesting insight into how businesses best used the financial support available to them to build resilience. The biggest group, 30%, saved the cash for future needs. They did not spend it on urgent business costs (27%), office costs (25%) or staff costs (18%). It was put to one side to allow for a buffer as the situation continued to bring instability and uncertainty. For many, this has created confidence and optimism going into 2021, allowing the business to continue without the threat of running out of cash – the small business classic nightmare. It allows businesses to look after their staff and it allows businesses to plan for the future, key considerations in building a resilient business.

Over 22% invested the finance in new growth opportunities, making the decision that the best way to move forward was to look for ways to grow. This group has built a base for 2021 from which to build. Of course, many businesses could not do this. Urgent costs such as rent and equipment costs that could not be easily exited had to be paid. But businesses who took a forensic look at these costs and restructured, cut as much as possible (apart from staff) and focused on flexible costs, were in a much better position to start thinking about investing for growth.

Speaking to businesses in depth about their financial management, a key factor in their decision making, and their confidence in that decision, was getting help. A key theme of this report, getting support from experts is absolutely demonstrably a critical factor in resilience. Financial planning is a key activity for small businesses, and many small business leaders have no formal financial training. As well as this, running a business in a crisis is very different to running the business day to day. Getting help, advice and guidance over a period of time is central to putting the business in the best possible position to survive.

Of course, support goes more than one way. An encouraging characteristic of the small businesses of the UK is their unending willingness to support others as well. Even businesses in real crisis have been seen in 2020 to step up to support their communities, local people, key workers, their staff and other small businesses too. Indeed 48% of small businesses actively supported those shielding or in quarantine; as many supported local charities through the period; 28% supported the NHS; and 12% of businesses actively changed their business model, sourcing, selling and delivering whatever their community needed to get through.

Small businesses are a huge support for one another, and for us all. This has been recognised widely throughout 2020 and came to a peak on Small Business Saturday, which saw a 38% increase in spend at small businesses on the day. The message from the general public is that they love small business, and they want to actively help them survive. The work small businesses have done to support others during the COVID-19 crisis is absolutely coming back to pay dividends. Though not done out of self-interest, and in fact very few small businesses have a formal CSR (corporate social responsibility) policy at all, it has had the impact of creating financial opportunities from the delivery of good deeds.

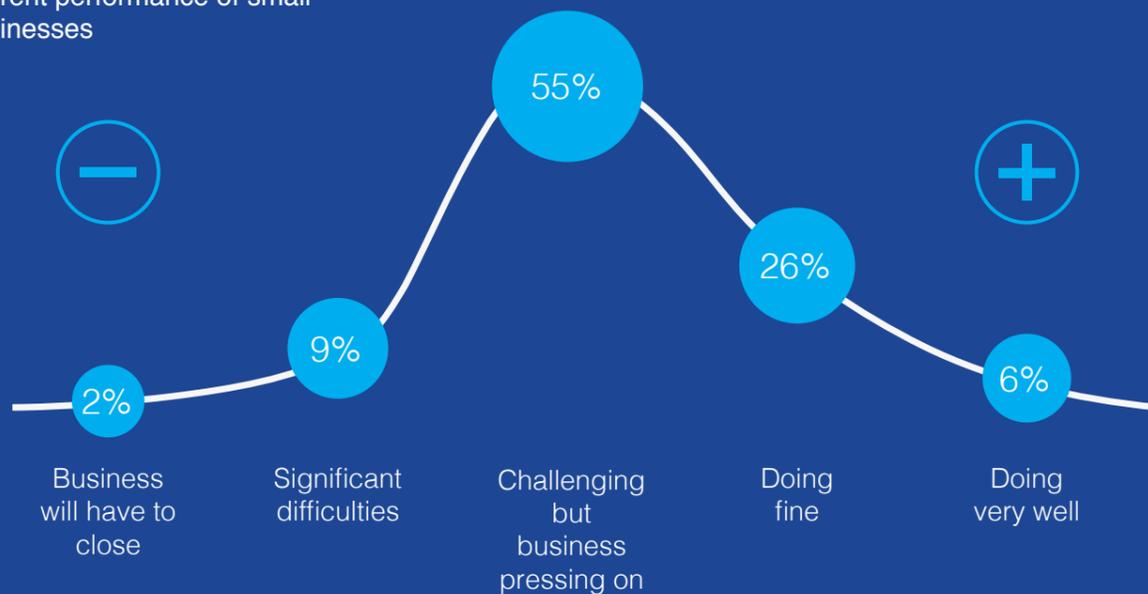
Customers remember the things small businesses did for them when they were struggling, and that makes a loyal customer for life. Other businesses remember which businesses were there in their very darkest time, and that makes advocates and allies for life. The very nature of small businesses that leads to looking after others due to their inextricable ties to local communities (by location, staff or service), leads to opportunities for resilience going forward. Businesses that did the most are reaping the biggest rewards. Those that supported their local community are more confident about survival and growth for the next 12 months than those that did not. It turns out it pays to make friends.

It is important when looking at these characteristics that we do not underplay the gravity of the huge hurdles small businesses have had to overcome to get through 2020. Although many do now hope to recover in 2021, this is not a small feat. A huge part of the ability to keep pressing on is, of course, mindset. For small businesses as for everyone, this is not necessarily a consistent thing. Some days are good, others feel harder to manage. But over the long term, throughout 2020 and into 2021, there are some key mindset traits that resilient small businesses possess. If businesses that are struggling can work on this approach, they would universally benefit from a boost to resilience, based on the feedback from small businesses we spoke to.

It is not simply about having a “positive” mindset. Optimism only gets you so far, and it has been tough to remain buoyant throughout the year. The key factors have been both a speed of adapting, and an ability to not get bogged down by baggage such as previous ways of working, old plans for the business, or even old ways of working. Flexibility, speed and an action oriented approach have stood businesses in good stead this year. This applies across sectors, size and location of business. Those businesses that moved fast in response to lockdowns, tier changes and restrictions were much more confident about moving forward. This could be as simple as moving a restaurant to takeaway, or creating a click and collect point at the front of a bookshop; or it could be more complex and involve changing completely the product or service of a business. We have spoken to businesses that moved from event planning to candle making, from party planning to online training. The key factor is being able to say no to the old plans and try something new. And fail at it fast if necessary.

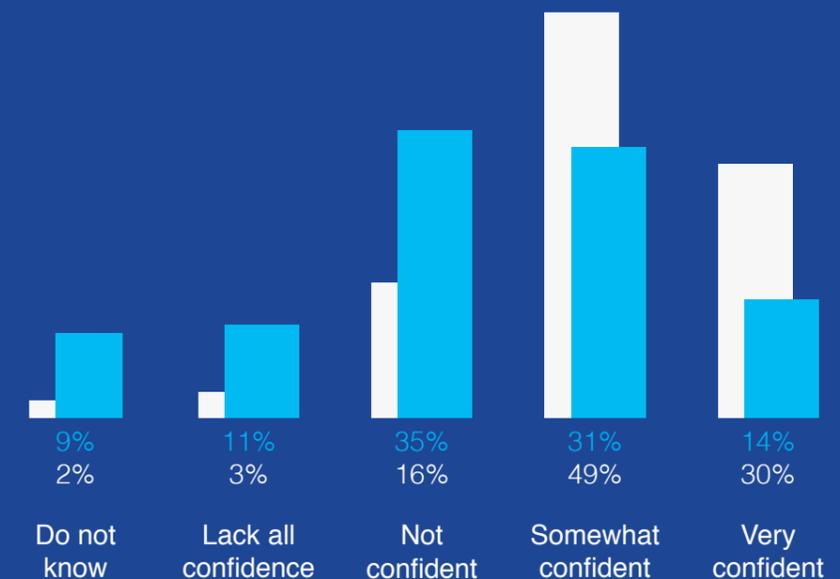
Financial Stability

Current performance of small businesses



Survival & Growth

■ Owners' confidence that their businesses will **survive** the next 12 months
 ■ Owners' confidence that their businesses will **grow** in the next 12 months



As 2020 progressed, the need to adapt changed repeatedly, and we noted a definite increase in speed to respond to changes later in the year. In the first national lockdown of 2020, there was a long period of “mourning” as businesses waited to see what would happen. Businesses that adapted on day one almost universally are doing better now. It is not too late to adapt now, however, and taking a fast moving, positive, action-oriented approach in 2021 is going to help get through.

Finding a way through is definitely the theme as 2021 commences. Although a number of businesses have thrived during the pandemic, due to being in unimpacted sectors, taking advantage of opportunities or adapting quickly, the majority of businesses (56%) are feeling the challenges but pressing on. Finding a way to press on successfully is key to ensuring small business survival and enabling businesses to get past the period of crisis and into a more stable period of growth.

Businesses can gain valuable skills from this crisis: add on new routes to market and products that can continue when the old ones come back online; add on new skills rapidly that can help with growth when the opportunity arises; restructure their business to be more productive and efficient, making it more primed for growth when restrictions ease. Businesses should not see this as lost or wasted time, but an opportunity to rethink and readjust. It is not without substantial pain, and we should by no means diminish this. 37% of businesses have seen their revenues decrease by over 50% due to the pandemic. This is devastating for businesses and gravely worrying for the economy as a whole.

But entrepreneurs are a resilient breed. The ability and drive to start your own business bring with it a determination to continue and succeed. This determination, if we can find ways to support it, will be critical to the continued entrepreneurial landscape of the UK. Small Business Britain and TSB are working to support small businesses through this crisis, and will be here with free training, free advice, mentoring, peer support and more. Do not try and get through this crisis on your own. Use this guide, use offers of support and find for your business How To Be Resilient.

» For me, the key to resiliency is accepting that situations are always changing (good and bad) and we can actively chose how we respond to them. Sometimes those changes are completely in our control, sometimes we can influence them and sometimes they just happen to us. Understanding how we respond is key as it can impact the level of control we have over the next set of changes. By choosing how we react, we also choose how we “frame” our view of the situation as well. If you actively choose to frame things positively you find yourself experiencing more positives from the exact same situations that occur. «



88%

of small businesses have not hired any new staff since the start of the pandemic

Owen Conti
Founder, Code 56



1



Digital Skills

With the challenges that came in 2020, there is perhaps one area that had a good year: digital skills. Both for customers, businesses and even the public sector, the step change in digital skills made in 2020 will have lasting positive effects on the economic landscape for decades to come.

With increased isolation, many individuals had to step up their engagement with digital almost overnight. Whether that was working from home, or moving a business online, speaking to family over video call or even watching Joe Wicks on YouTube, new ways of doing things were adapted and developed as a necessity. This has had a profound impact on small businesses as it has on all individuals and sectors.

Digital became for many a lifeline. It was a way of accessing essentials, keeping in touch, and keeping businesses moving when other avenues closed. The speed of adaptation and the willingness to engage had direct impacts on the small businesses navigating this (for many) new landscape.

For businesses already “digital”, such as online product sales or those with a strong multi-channel offer, the transformation was swift and without too much challenge. It did however bring considerable practical hurdles as many businesses succeeding online had to fulfil orders in a complex COVID-secure offline environment. Embracing this challenge and communicating the changes to customers were two areas that differentiated the businesses who thrived and those who struggled to keep up.

Digital gave small businesses hope for a possible return to business

For businesses not already digital, there was a big mountain to climb and not a lot of time to climb it. To move a non-digital business online requires a number of activities, including:

- New tools or platforms including web development or mastering entrance to an existing platform. This could cover a huge spectrum of technology and integration to the business
- Staff training (even for the business owner themselves) to adapt to these new channels and ensure the business can operate effectively with them
- Customer engagement, bringing existing customers along with the business and using the new channels and tools to reach new customers as well

Businesses that have thrived have one thing in common: engaging fast, taking the team on the journey with them, and giving things a go.

» Small businesses epitomise the spirit of resilience. They're resourceful. Brilliant at getting things done. And they're enterprising – no challenge is too large or too small. They are limitless in optimism, positivity and motivation – with seemingly boundless energy. And they are empowering, bringing heart and hope to high streets and communities. It has been so inspiring seeing the way so many small businesses have shone through the dark days of lockdown, adapting their operating models and responding to change. At BT Skills for Tomorrow, we have been working with Small Business Britain to listen to the things small businesses need – the stuff they get stuck on or need help with. We've been proud to support them with digital skills to help their businesses thrive in the digital marketplace and are here to help through 2021 and beyond. «



Professor Kerensa Jennings
Digital Impact Director, BT



Leanne Farmer
Founder, A Wee Pedal

» My advice to small businesses is don't give up on it. Find new ways around it. Keep an open mind. And promote on social lots! «

Engaging Fast

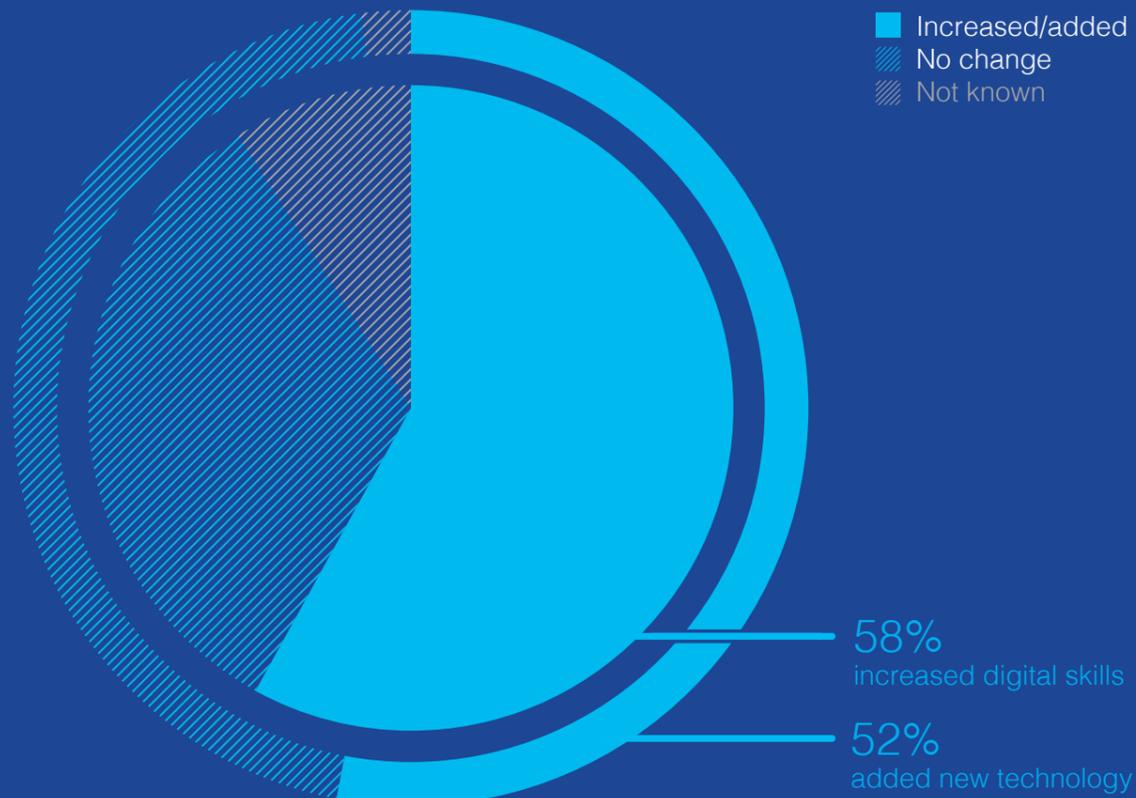
When the COVID-19 pandemic hit and lockdowns started in Spring 2020, small businesses had very little time to plan. Spend, footfall, business across many, many sectors fell off a cliff almost overnight. The sudden shock of the change left most businesses reeling and looking for a way forward. Many businesses had a 2020 plan put in place, even if only at a high level, and there was a strong sense of loss seeing these plans become impossible to deliver.

Responding fast was a key element in the survival and resilience of many small businesses. Realising that the world was changing, and that digital offered a lifeline, and then finding ways to make it work for their business gave two important things to the business: firstly, options for revenue generation when others are in decline; hope for the future that all is not lost. This second thing should not be underestimated – more than anything, digital gave small businesses hope for a possible return to business.

Digital lifeline

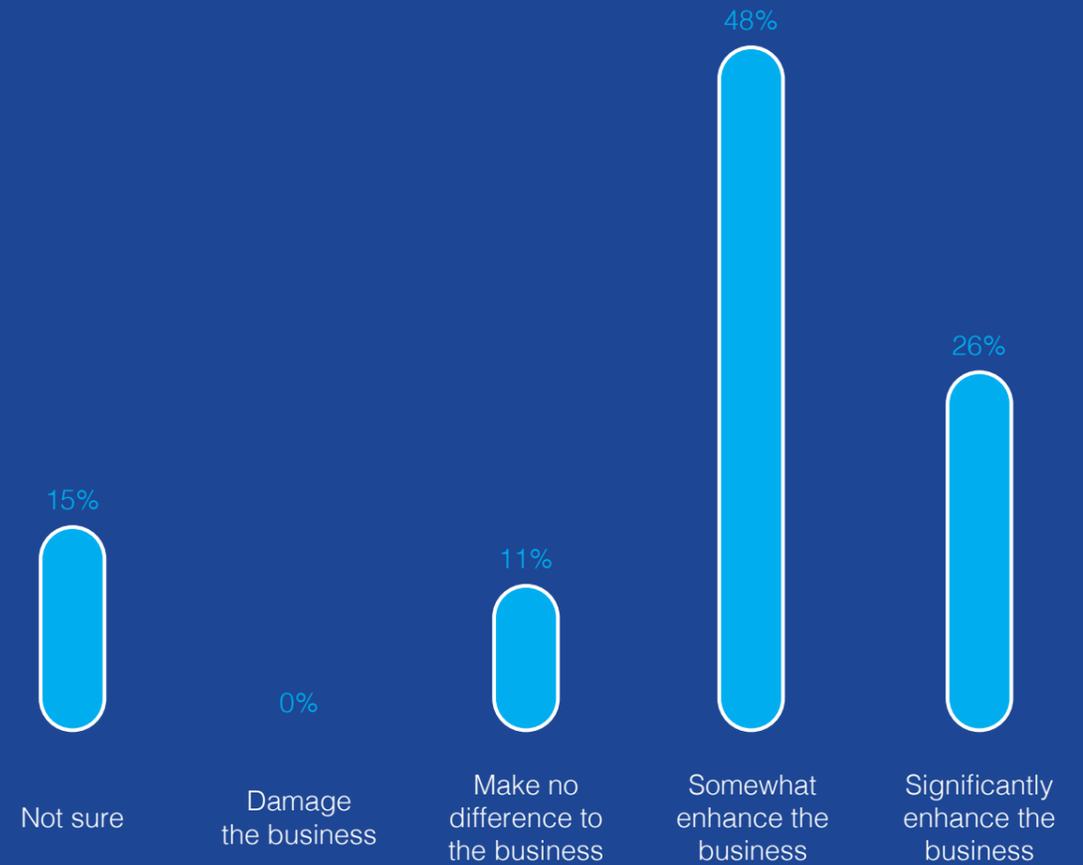
Digital Skills & Technology

Did small businesses increase their digital skills or add new technology due to the pandemic?



Impact

What effect did increasing digital skills have on small businesses?



Engaging The Team

A key success factor noted by many small businesses for navigating the COVID-19 challenges brought by 2020 was engaging the team in digital skills as well. 58% have increased team digital skills, and taking the team on the journey with you, and allowing them the autonomy to develop their own skills, is a key factor in building resilience.

Many businesses found staff were working remotely for the first time so needed to find new ways of working. Digital tools allowed for collaboration, including:

- Cloud based storage and collaboration
- Video conferencing for team meetings and delegation
- Access to digital marketing and scheduling tools
- Access to online sales tools

Small businesses found they had to accelerate any digital plans, which created significant challenges in workload, skills training timescales and go live plans. Many small businesses learnt as they went, developing their digital proposition as they went along.

Without your small team coming along the journey with you, as a founder you will likely find that things do not go too smoothly! Technology that key staff cannot operate, essential tools that are only now accessible to certain members of the team, can leave staff feeling disheartened and disconnected, to confound those feelings driven by remote working or even a period of furlough.

Engaging the team from the start has shown to be a winning strategy, with small businesses reporting innovations coming from all team members. In fact, allowing for more creativity in problem solving has for some really resilient businesses opened up fantastic new opportunities that they had never before considered. Small businesses are, in essence, all about people and bringing the people with you on your digital journey can make all the difference between success and failure.



Mark Tomkins
co-Founder, Aubergine

» Whilst the pandemic has been terribly destructive to some businesses in particular sectors, it has, out of necessity, spawned a hugely creative-thinking mindset to change the way many people do business and how they deliver their service or product. We've seen, and been involved with, some absolutely fantastic and ingenious ideas from small businesses that are adapting to take their service or products online – whether through a website or another digital platform. The pandemic has shown that British small business owners are skilled, nimble, creative and have a deep sense of succeeding through adversity. «

Give It A Go

The speed that the pandemic hit in 2020 created considerable challenges for small businesses. The overnight impact on income and just a few days of notice to shift working patterns meant that plans had to be made on the go, and that included developing digital skills. The usual process for considering something new to the business often had to be short-cutted. Businesses that took a "give it a go" approach found that they came across workable solutions faster. Businesses that were happy to fail also found they made quicker progress. Many solutions that were implemented early in the pandemic did not last the year; but this did not matter as they offered opportunities to learn. Those small businesses that gave it a go, learnt lessons as they went and were flexible enough to pick up and drop solutions when they did not work have made the most of the digital opportunity of 2020.

Having the confidence to fail was an important part of new digital engagement in 2020. We will discuss mindset further later on in the report, but in particular with digital, many small businesses tried a number of options before they found the thing that worked for them. This might have been the right platform to sell on (Instagram versus eBay?) or might have been the best video conferencing service. Going through this iteration process without spending lots of money or getting frustrated when things did not work was a key skill for small businesses. Over the course of the pandemic, we have seen this reported more and more. It is a fundamental shift in how businesses adopted new technology in the past. Any historical nervousness has made way for a more speculative approach.

How to be resilient

Digital Skills

- 1 **Let's go: there is no time to lose:** start exploring more digital options for your business, starting with communication and marketing
- 2 **Take up free training:** there are many sources, such as BT Skills for Tomorrow, Digital Boost, and more available to small businesses immediately
- 3 **If you have a team, ask for their input into what you can do using digital tools.** They may be able to save you costs and find new revenue streams, and will appreciate being asked
- 4 **Give it a go and Fail Fast:** try new digital tools and if they do not work for you, move on quickly and do not look back
- 5 **Track your progress:** many digital tools have analytics. Check what is working: Sales coming through a platform? Instagram posts getting responses? If it is not working, change it (if it is working, do more!)



Customer Relations

It is often said that when you buy from a small business, you are buying the people. This is true in good times as well as the challenging ones. What we have seen in 2020 is a stark realisation from customers (both consumer and business types) of the humanity behind the businesses that they trade with. Strong customer relationships, engaging with people, clients and traders as people not just as businesses, has been the saving grace for many small businesses this year.

Going into the pandemic, many small businesses already had great customer relations. These could be formalised in databases, regular communications such as newsletters, or informally through regular face to face interaction. It may have also been on social media, with engaged social audiences reaching a peak during the first UK-wide lockdown. Those businesses that hit March 2020 with a strong communication channel to their customers found it was a huge asset with which to navigate the first lockdown in particular.

Those without a formal process to regularly speak to customers often found themselves on a back foot

Businesses that reached out to their customers immediately, explained the situation they were in and engaged their customers in the changes and challenges they were going through, by and large fared better than those that did not have such a good contacts programme in place. These customer relationships were turned into opportunities in a number of ways:

- Focus of crowdfunding / pay it forward campaigns to drive income to businesses when the usual operations were limited or closed
- Focus of new marketing and sales campaign for pivoted business line or service, e.g. moving product online or changing to service the needs of a mid-pandemic world
- Growing deeper client relationships in order to be in a good position to serve and sell to customers once restrictions had been lifted

Those without a formal process to regularly speak to customers often found themselves on a back foot, struggling to reignite customer relationships without a clear communication channel.

However, all was not lost. Many businesses used the first lockdown in 2020 to develop their communications with customers, to build new contacts lists and channels. These businesses also realised huge value from this exercise, giving themselves more opportunities to engage customers regularly whilst restrictions remained, and in a much better position to serve customers when restrictions lifted somewhat over the summer.

When further restrictions came into place later in the year, many small businesses stated that they were in a better place to weather the storm having put new processes in place for lockdown 1. This rapid learning curve has in fact super-charged the overall small business communication skills across the UK and puts businesses in a much better position to return to growth in 2021.

» Small business owners amaze me. We are a unique collection of people who treat failure as a lesson, each problem as a plot twist and each potential disaster as an opportunity.

Small business owners have the ability to understand the world around them with empathy, determination and compassion, constantly looking for opportunities in the market even when it changes daily.

These skills have allowed them to pivot, using their existing skills, knowledge, products or services in new ways, finding a way to carry on regardless of what the world has thrown at them. «

Katherine George
Founder, Oh So Social

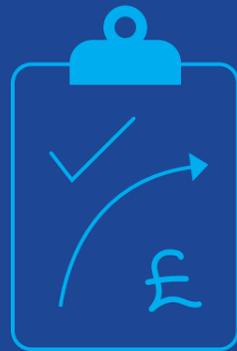


How to be resilient

Customer relations



3



Financial Planning

To be blunt, no amount of financial planning could have prepared businesses for the pandemic in 2020. Although businesses with bigger cash reserves were, in general, in a better position going into months of restrictions, the impact of the pandemic on income and cash flow varied wildly by sector, location, size of business and cost structure. Businesses with large fixed costs found themselves faced with some very difficult numbers; businesses that could flex fast were in general better positioned for the wave of change.

Whilst we cannot turn back the clock and change how businesses went into Lockdown 1 in the UK, we can look at how businesses were impacted based on their preparedness for disaster and how well they could navigate the challenges financially. What made a business financially resilient in 2020? With this insight, perhaps we can better prepare businesses for any future shocks, be they global, national or specific to the business.

From our research, the following were key in financial planning to get through the crisis, regardless of sector:

- Having a business able to move and flex its costs quickly going into the crisis
- Taking a forensic look at costs fast as the pandemic hit and making difficult decisions rapidly
- Reaching out for help and advice from financial experts such as banks and accountants
- Taking advantage of all financial support packages as soon as available.

Move and Flex

Flexing costs down fast has been stated by small businesses as the one biggest factor in surviving the pandemic in 2020. Some large fixed costs are for many businesses an inevitability – office, retail or workshop rent costs, equipment costs and rates being the largest for many (and of course staff). Whilst rates were rapidly cut, and many landlords were flexible with rent, these remained the biggest challenge for many small businesses. Local authority grants specifically directed at these costs made a big difference to eligible businesses, but most told Small Business Britain that the money ran out before the business came back again. Other costs that caused considerable challenge were staff costs. While the furlough scheme has been a lifeline for the majority of businesses, supporting staff was the number one concern for businesses with staff in March 2020.

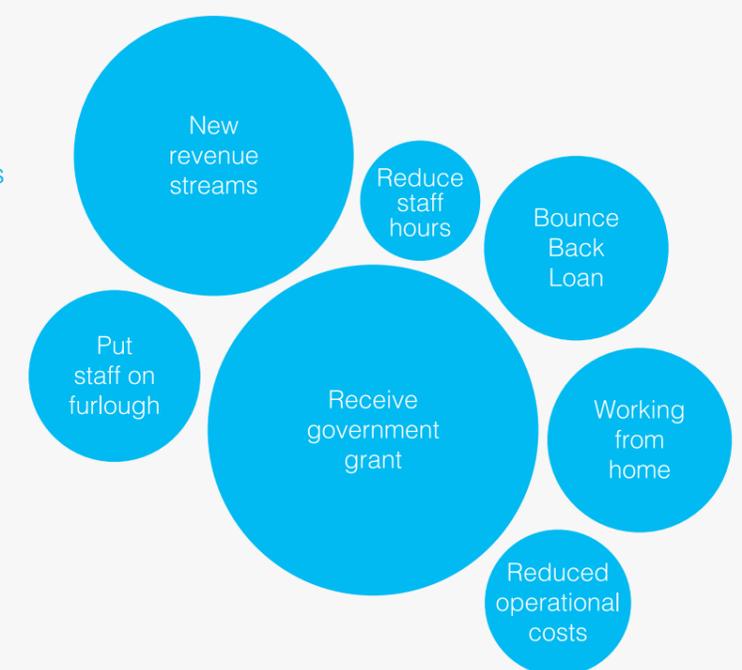
How were some businesses able to flex down faster? Businesses that had flexible workspace, worked from home or could exit their rental or shared office contract could flex their significant costs down quickly. As the furlough scheme was announced and rates cut, that left mostly flexible costs to the majority of businesses. The exception was businesses with large amounts of equipment and in particular vehicles that still had to be paid for even while dormant.

What we have seen coming out of 2020 is a shift in how businesses see these costs and will likely lead to significant shifts in contracting. Businesses are looking for much more flexible terms for equipment and vehicles, as well as shorter and more flexible office contracts. Small businesses now feel they are in a stronger position to negotiate these as demand has shrunk as the economy has declined. This is in many ways a good thing for small businesses and we expect many of the new start-ups from 2020 to take advantage of more accessible space in towns and cities and more flexible terms on contracts.

Financial Measures

Measures taken by small businesses during the pandemic

- 53% Received government grant
- 44% New revenue streams
- 29% Bounce Back Loan
- 29% Working from home
- 27% Put staff on furlough
- 23% Reduced operational costs
- 17% Reduced staff hours
- 15% Reduce workplace costs
- 11% Reduced number of staff
- 8% Delay operational costs
- 4% Loan
- 9% Other
- 11% None of the above



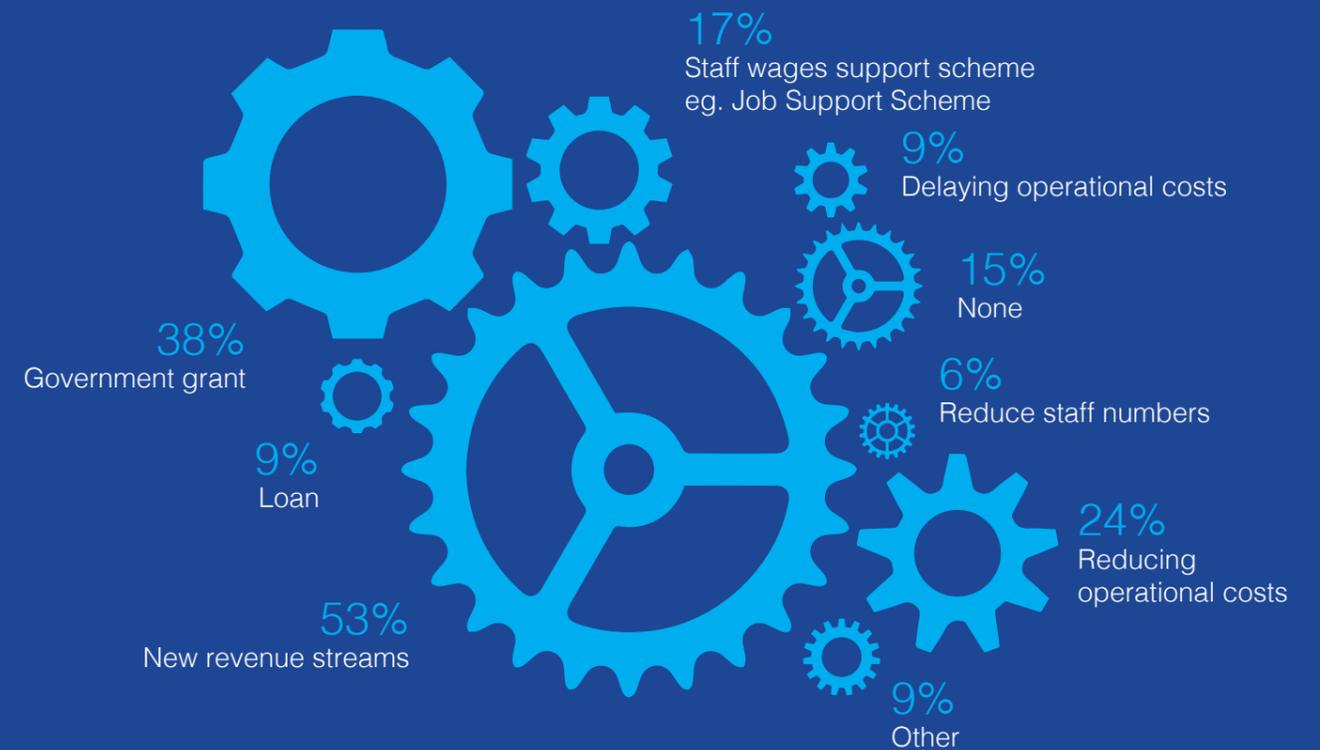
» Do not compare yourself to others - it is toxic. Work out what works best for you. You need a balance between what is trending and what works for you «



Nora Ma
Founder, Envolve Wellness

Upcoming Financial Measures

Measures small businesses anticipate taking in the next 6 months



Being Forensic Fast

With the speed that the pandemic hit in 2020, the response of businesses was often reactive and not strategic. There was really no time for planning or taking a step back to review; businesses needed to respond rapidly. For some, this created panic, fear and even a period of mourning as business founders felt the loss of their plans and fear for their future. For others, this led to a period of shock and inaction, not knowing the way forward so taking no action in the hope that a solution would present itself.

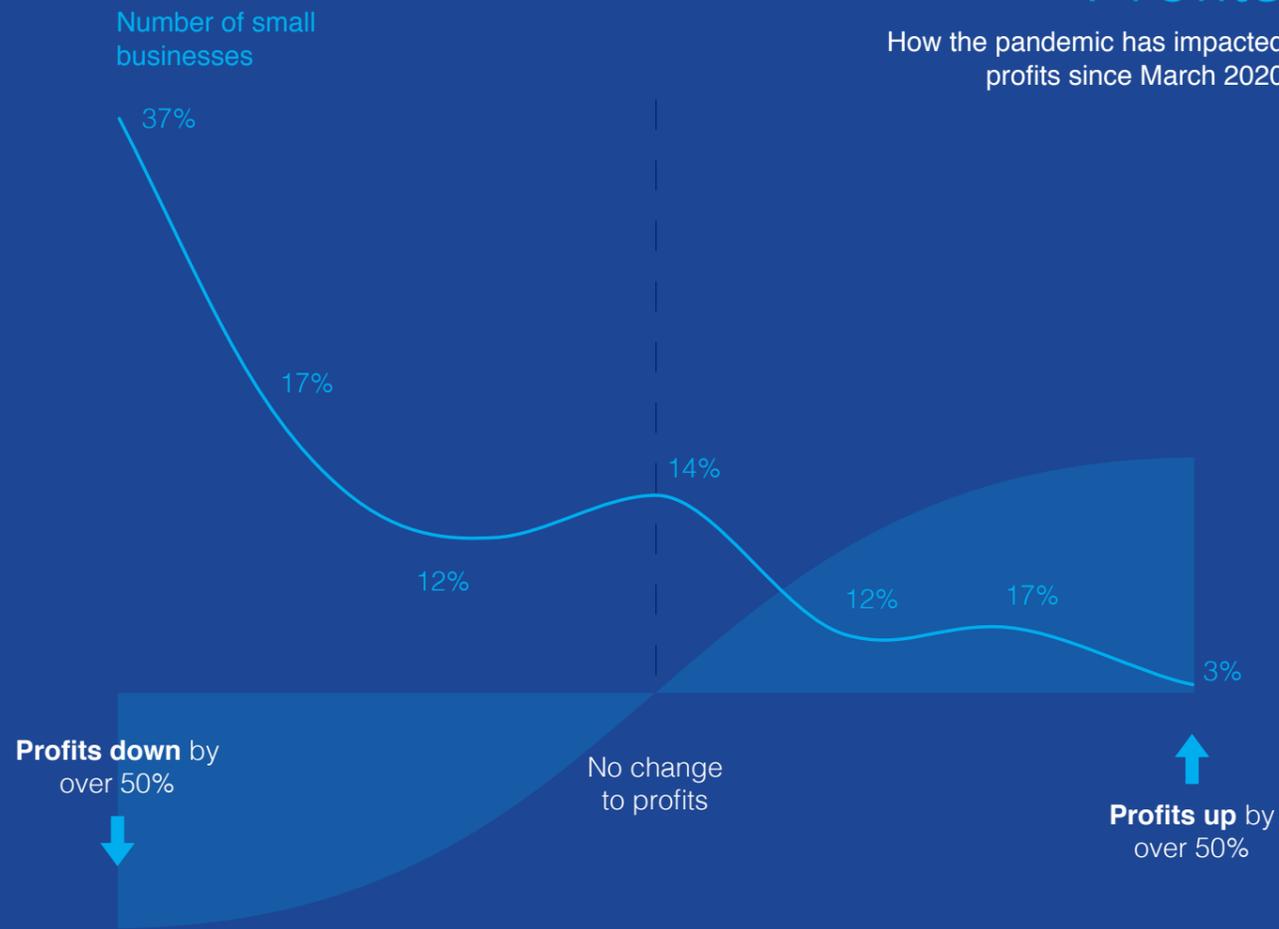
For the most resilient of businesses, the response to the sudden shock was fast, forensic action. Taking a step back, looking at every cost and element of the business in a detailed dispassionate way, led to some good changes that took the pressure off the business as they looked for ways to move forward. This could be as simple as going through every line of a bank statement; or reviewing costs in an online

accounting platform; or some businesses even brought teams together to brainstorm areas they could cut without damaging the core business. The key to this approach being successful is to lose any emotional attachment to any previous ways of working. For some this was an immediate response in the first month of lockdown; for others this grew as a process over the course of 2020. It is no small thing to throw out the previous plans, perhaps plans made just a few weeks earlier in January 2020, and look for a completely new way forward.

However, it has been an approach that businesses have found has served them well when applied again and again as 2020 continued. A continuous process of review and being able to exit any activities that are no longer critical has allowed businesses to continue responding to further lockdowns and restrictions as the year has continued.

Profits

How the pandemic has impacted profits since March 2020



Reach Out For Financial Advice

A key to navigating this very difficult landscape is, at a very minimum, do not try and do it alone. There is no blueprint for the challenges of 2020 and running a business in a crisis is very different to running a business in normal times. One thing that is clear is that most small businesses do not have extensive financial training or a financial background. This has most definitely been the time for reaching out for help.

Many small businesses have reached out for support from their accountant this year. Although it is true that even trained financial advisors have never seen the like of this situation before, they do have expertise in managing a crisis. Help has been most important and effective in cutting costs, managing cashflow,

and in applying for and best allocating spend from loans. Those businesses that have reached out for expert financial advice are on the whole more confident, more likely to have a plan and have better visibility of the challenges at hand.

Many accountants, who are themselves small businesses, have also really stepped up in 2020, sensing a need and filling a real gap in business support. Accountants have found themselves helping with furlough, with CBILS (Coronavirus Business Interruption Loan Scheme) and BBL (Bounce Back Loan Scheme) applications, and as much as anything a trusted advisor and friend. Many small businesses cite their accountant, bookkeeper or payroll manager as absolutely critical to surviving the crisis.

Take All Financial Support

At this point, we should note that Small Business Britain are not financial advisors! What we can do is report on what businesses have told us has made them resilient this year.

Much has been available from Government in terms of financial support packages for small businesses. This has included local authority grants for rates payers, the furlough scheme for staff, SEISS grant for the self-employed, delayed VAT payments, deferred tax payments, delayed reporting submission, a ban on eviction of small businesses, Government-backed Coronavirus Business Interruption Loan Scheme, Government-backed Bounce Back Loan Scheme and more.

There have been challenges for businesses accessing all these schemes; some small businesses struggled with the application process; some found themselves not eligible for some schemes; and many simply did not know enough about them and missed out as a result.

Businesses that felt more resilient, regardless of the level of impact of COVID on their business, by and large accessed as many of these schemes as possible, including the Bounce Back Loan scheme. While many businesses fed back that they were nervous of taking on debt, a third of those taking out the loan were doing so to put it away for future needs. They saw the opportunity of a very low cost, delayed payment loan, highly accessible, and took advantage of the window of opportunity to boost their business's resilience for the future. At some point in the coming months and years, the business may need the cashflow to survive, so the business is shoring up their reserves in anticipation.

Arguably, this was not the intention of the loans. A good 27% of loans went on urgent expenditure – outstanding bills that needed paying immediately, and therefore took some pressure off the businesses in the short term, albeit with a long-term liability in exchange. But actually, is taking out the loan as insurance for the winter or future years really a bad decision to make?

Loans & Grants

How small businesses used government grants or loans such as Bounce Back Loans.



Many small businesses cite their accountant, bookkeeper or payroll manager as absolutely critical to surviving the crisis

These businesses by and large now feel much more secure in a highly unpredictable world. It has given them the confidence to continue and the cash to grow when the opportunity arises. It could be argued that this is an ideal use of the funds.

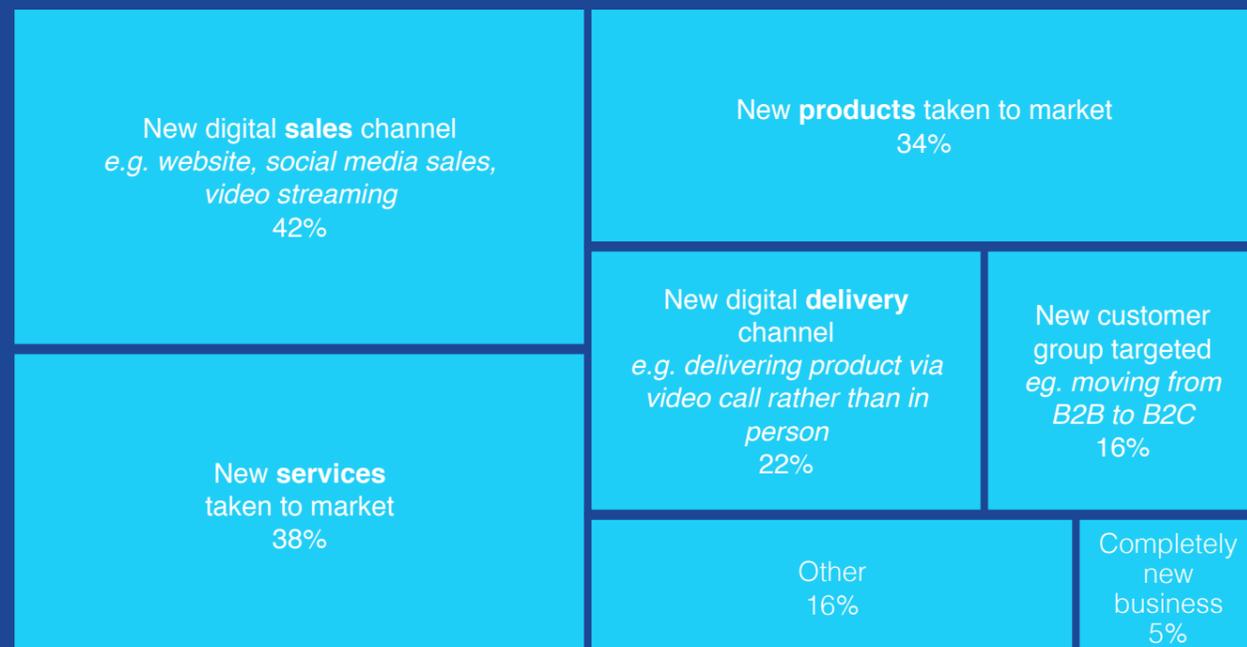
throughout the year and the Small Business Britain i:Entrepreneur campaign has sought to address this issue. The result of not accessing schemes when the business is eligible is an impact on resilience: no furlough, no loans, no grants, and likely ultimately more business failures.

Access to available programmes was critical in the first half of 2020 for business survival, but certain groups, such as those not fluent in English, not digitally skilled or ethnic minority groups were disproportionately disadvantaged by the methods of promotion and delivery. There was much discussion about the difficulty of accessing information on gov.uk and the lack of trust for Government communications from some communities. This has been discussed

We must ensure as this crisis continues that all businesses with all skills and background have adequate access to all schemes available, at the very least, to make sure that your ability to survive the pandemic as a business is not impacted by your background or education.

Adapting

How small businesses adapted since the start of the pandemic (March 2020)



How to be resilient

Financial planning

- 1 Review your costs regularly:** is there anything you do not need? Are your costs as flexible as possible?
- 2 Review your revenues regularly:** are you reliant on one source of income? Look to diversify routes to market, products, services, channels so you are not reliant on one
- 3 Get help:** speak to a financial advisor, accountant, bank or mentor and get as much support as possible
- 4 Access everything:** make sure you are aware of and accessing every single bit of financial support available from central and local government and other sources
- 5 Stay flexible:** the financial plan might need to change often so do not stay wedded to the old plan



Give a Little to Get a Little

Even prior to the pandemic, Small Business Britain noted in its “The Small Report” in February 2020 that small businesses are naturally integral to communities and often the first to step up in a difficult situation. This was tested to its limit in 2020 and, unsurprisingly, small businesses rose to the challenge.

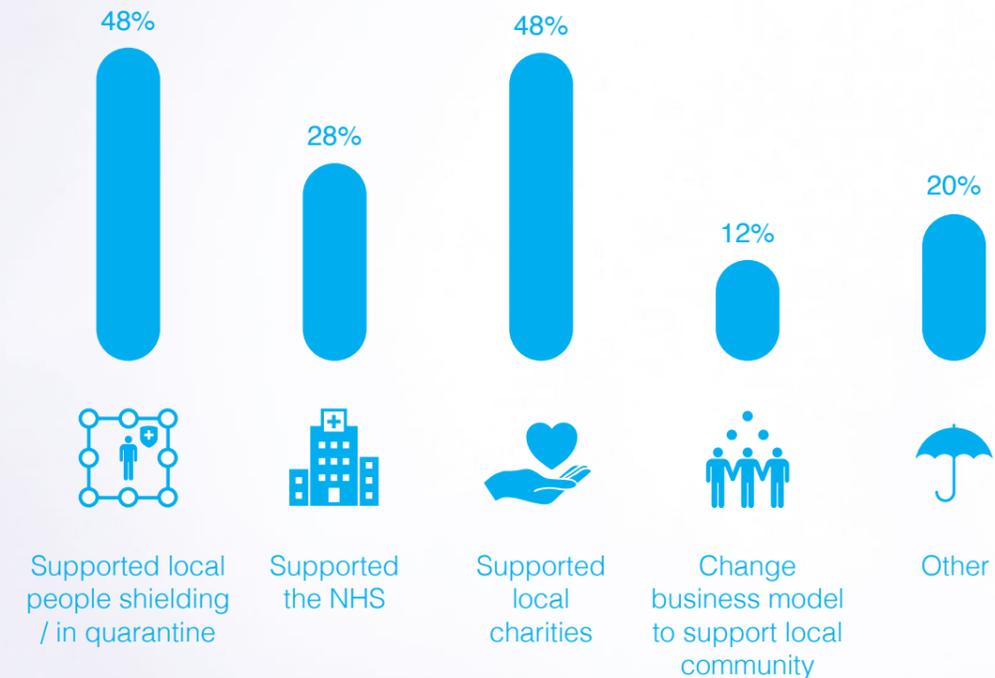
As communities went into lockdown, and in particular individuals and families became isolated, small businesses used their proximity to those communities to step in with support. Businesses added on new services, new deliveries and new products, driven by what local people needed. When shielding households needed groceries, but could not get a supermarket delivery slot, small businesses were dropping off essentials to keep them going. When there was a flour shortage, small businesses started stocking it for the first time. When things needed fixing, building, growing

and delivering, small businesses were front line. Considerable numbers [48%] also supported local and national charities during the pandemic, understanding their critical need in this time. This was financial, but also services, making masks and other equipment, or trying to ease the load for essential workers.

The businesses that did this, really felt the long-term benefits. Though not a driver or rationale for the behaviour, they have found that communities have responded in kind and continued to support them as parts of society opened up again. Customers are showing this support through promotion such as sharing on social, through spend and through word of mouth. Many businesses stated that although they played a role in supporting their community, really it was the community that saved them in the end.

Support Given

How small businesses supported their local community during the pandemic



» My advice to small business is to keep going. Ask questions, use your network, use local people and use free advice as much as you can. Use free events, meet with people and talk: always access whatever is available «

Daniel Hoff-Rodriguez
 Founder, {cx2} Talent Solutions





Louise Brogan
Founder, SocialBeeNI

» In 2020, I really saw the positive impact of small business community - small business owners supporting each other, taking time out to listen, act as sounding boards and helping each other. A lot of businesses seem to be able to adapt and change their offerings in order to stay in business. Others have continued by cutting down the number of products and services - making their business more lean. The key in both situations is that being smaller can make it easier for a business to change direction. «

Values

Community values have been a frequent topic of conversation, and with good reason, throughout 2020 as individuals, customers and enterprises have looked closer to home for business and support, and isolation has drawn a sharper emphasis on local businesses. As the nation has been asked to pull together for its health and economy, the notion of values has been highlighted like never before.

Even before the pandemic hit, the notion of “values” was a growing topic within small businesses, and importantly how being a value-led business can lead to better customer engagement and greater success in the long term. Small businesses tend not to have a formal Corporate Social Responsibility (CSR) programme, but more than 80% have historically stepped up to support others in their community both formally and informally.

COVID-19 has escalated the need for social cohesion, supporting each other and considering others needs. Where small businesses do this well, and where they have demonstrably done it even prior to the

pandemic, they are finding that with the public's greater appreciation of small businesses, it is now turning into financial returns and business resilience. Even with tighter budgets, customers are taking their values into account with their spending much, much more than pre-2020. If a business can demonstrate and articulate how they are good local, community and corporate citizens, customers are responding.

When looking to the future, small businesses who have perhaps in the past not highlighted this activity, for fear of being accused of seeming disingenuous, would do well to talk more about their values, the work they do to help people and the planet. They will likely see customers respond positively. In a crisis, such as we saw in 2020, individuals look for others that share their values and tend to pull together. They look to support those who shared their values pre-crisis too. Many crowdfunding campaigns for small businesses during the pandemic centred on this very point. When preparing to be resilient in the future, building values-based relationships with customers can serve small businesses well.

How to be resilient

Give a little to get a little

- 1 Support other small businesses in your supply chain:** they will support you back
- 2 Support local people by offering local and tier-related support:** they will be long term customers
- 3 Support local services by sharing your knowledge and expertise:** remind people that you are a key part of their community
- 4 Support others with promotion, social media and good reviews:** they will support you back
- 5 Share your business values with your customers** in your interaction and communications programme

5



Mindset

Going into the pandemic, there was much discussion of small business confidence being down. There had previously been a long period of depressed small business confidence, driven by a number of factors, including Brexit. Small businesses on the whole did not go into the pandemic at a high point.

As the pandemic hit, there was a shock period of around 8 weeks that was noted in Small Business Britain research at the time [Small Business Britain surveyed small businesses five times during lockdown and summer 2020]. During this period, small business optimism and confidence practically disappeared with an initial >70% of businesses expecting their revenues to drop by over 50%.

However even at this lowest moment, there were small businesses bucking the trend, and not just those in relevant industries. Of course, businesses that operated online and sold hand gel, products such as gifts and sportswear (and gardening equipment!) did well quickly from lockdown trade. But others also kept positive through a driven and can-do mindset.

» My advice to small businesses is focus on their core offering: if it isn't working, pause or pivot. As Gunny Highway says in Heartbreak Ridge: Improvise, adapt and overcome «



Clare Talbot Jones
co-Founder, Talbot Jones Ltd

There were a number of characteristics of businesses that used a positive mindset to navigate the crisis:

- Responded immediately to tackle the challenge, not going through a period of “mourning” for the business
- Responded actively, looking for positive actions to take to adapt the business
- Responded flexibly, continuing to adapt as rules and lockdown and support changed or a strategy did not work

This is by no means to trivialise the enormous challenges businesses faced. Many saw their revenues disappear overnight. Years of work building a business were hanging in the balance as footfall disappeared or customers stopped spending and remembering that society did not know how long this period would last. It was no small feat to respond to this with fast and flexible action. But those that did reaped the rewards. Those that shifted to this mindset even a bit later, are also finding the continued restrictions UK-wide easier to handle.

So, how do you act fast, flexibly and dynamically? And is this something you can learn? Small businesses show evidence that they can indeed “learn” this behaviour, and the best method is through the example of peers. Seeing other businesses “like me” responding

and seeing the impact it has is a great way of influencing businesses to act differently. Having a positive example is also much more inspiring than a negative one. Taking action requires energy, and that energy comes from inspiration. Some businesses are doing this naturally, but many are not. It may not feel natural to you if your tendency is towards caution, conservative decision making and thoughtful reflection. These can all be good things, of course, but may be holding you back from responding to the crisis. If a business is not naturally inclined this way, perhaps speaking to a mentor in business, a friend, or via a small business network such as Small Business Britain, businesses can find inspiration and the drive to change their mindset.

» One of the defining factors of whether or not a small business is resilient or not is their mindset. Some businesses get stuck in fear or anger over their current situation and some of them remain open, curious, and optimistic. Whilst everyone of course has been through a huge amount emotionally as well as practically in the last year, it is clear that the businesses that can keep being optimistic, pushing forward, learning and responding to the new situation are the ones able to stay the most resilient. «

Catherine Erdley
Founder, The Resilient Retail Club



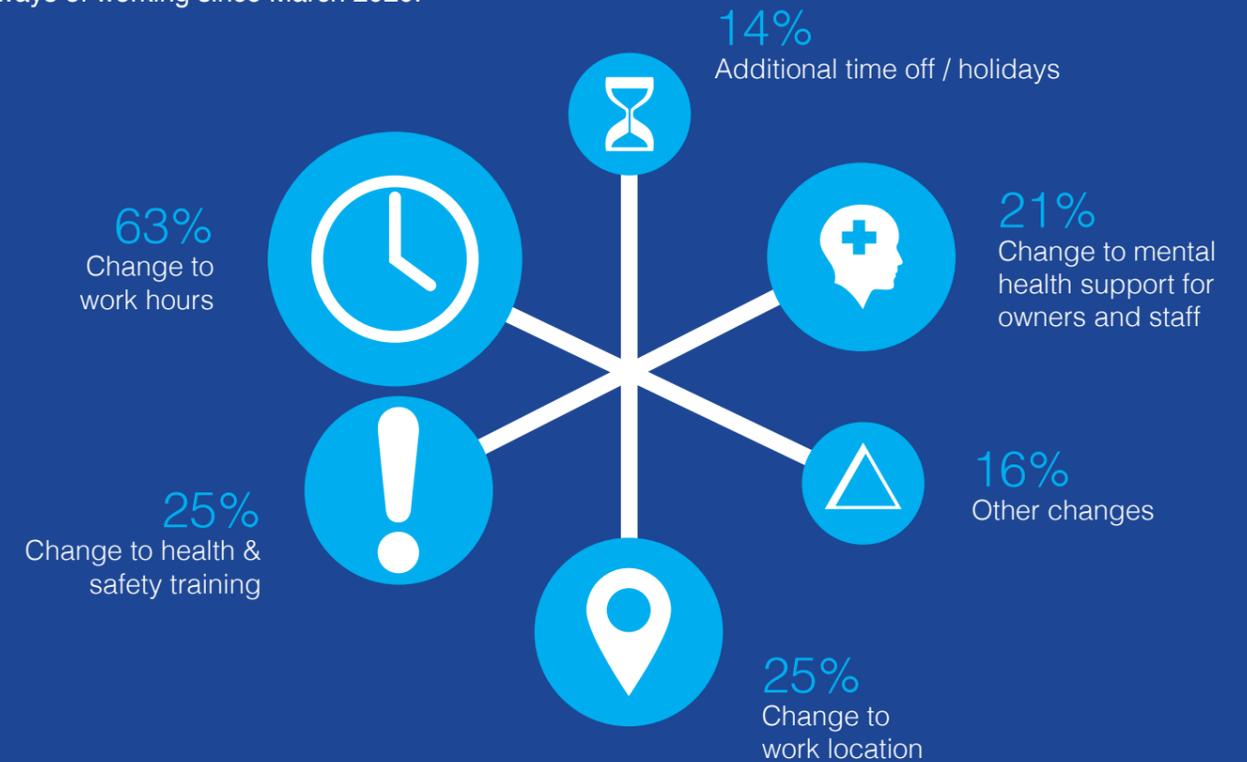


Minal Patel
Founder, Marketing By Minal

>> Working with small businesses every day, I have seen so many affected by COVID-19 restrictions. The ones that have survived and thrived have thought about different ways to do business. They have also kept marketing their business throughout and worked out how to create new income streams. Most importantly, they have sought out support and advice. <<

Changes

How small businesses changed their ways of working since March 2020.



How to be resilient

Mindset

- 1** **Respond to new challenges fast** and focus on solving the problems immediately, not waiting for a solution to present itself
- 2** **Do something positive:** create something, encourage someone, add in something new. Positive action gives us forward momentum
- 3** **Keep an open mind:** things will continue to change so be open to that and prepared to carry on changing with it
- 4** **Speak to a mentor:** find a business mentor who can help you get into a more positive and constructive mindset about your business
- 5** **Get support with your mental health:** embrace that this is a very difficult time and many of us need help. Be it speaking to a friend or accessing mental health support services, do what works for you to get a helping hand

6

What's Next

As we move into 2021, there remains considerable uncertainty for small businesses. There continue to be strict restrictions across the UK due to COVID, even with the rapid rollout of a vaccine. Although the Brexit transition period thankfully ended with a deal, small businesses still have a lot of new processes to get up to speed with. There are a number of milestones for small businesses to navigate: deferred VAT payments coming due (even spread over several months), debt repayments starting, the potential end to the Furlough scheme, eventually an end to the ban on evictions for small businesses, as well as months of uncertainty as the country gets back to business and opens up again.

There is a continued need to adapt and reassess

There is a continued need to adapt and reassess, and there is no time to be lost in putting in place plans for greater resilience. 2020 certainly taught us that there is no way to predict all the things that could possibly happen. But it also taught us ways to adapt that can help us get through the challenges. Not everything will work for everyone. Not every business can survive. But taking steps now, taking the insight from businesses who have adapted to keep going, can make the difference between failure and being able to start looking at building back through 2021.

The biggest challenge for small businesses is keeping the momentum going with the huge stresses that have been thrown at them for the last year.

The most important lesson to take away is to not try and do it on your own. There is a huge amount of help and goodwill available for small businesses and that is only getting bigger. Reach out to your local communities; reach out to trusted partners such as your bank or accountant. Look for peers and peer support in places like Small Business Britain.

Collectively we can help each other through this difficult period and grow together through 2021.

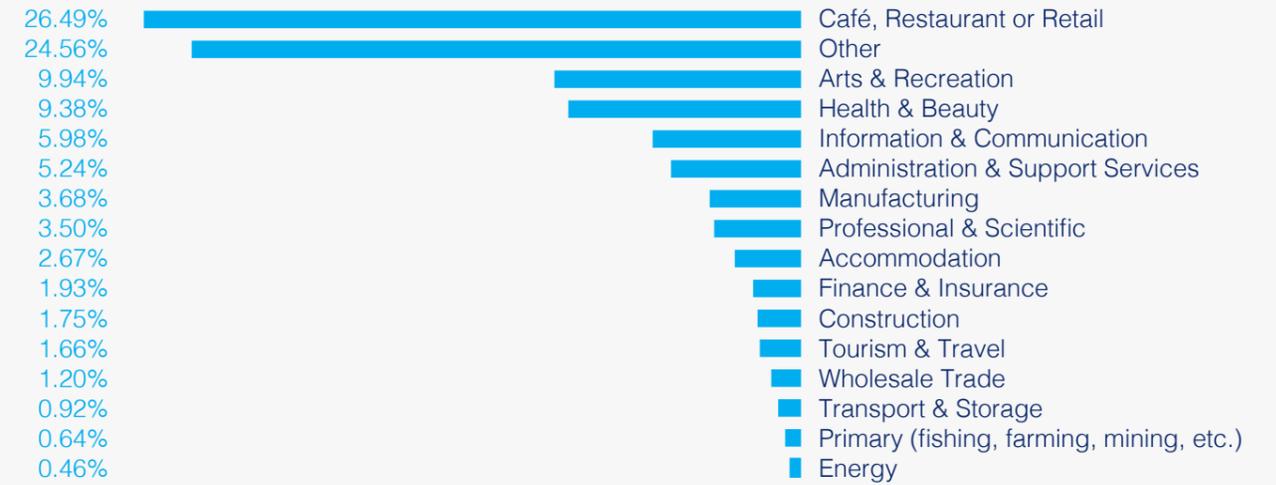
Methodology

Small Business Britain surveyed 1,115 small businesses from across the UK. A further 45 small businesses were interviewed along with experts in entrepreneurship. A breakdown of the small businesses surveyed is as follows:

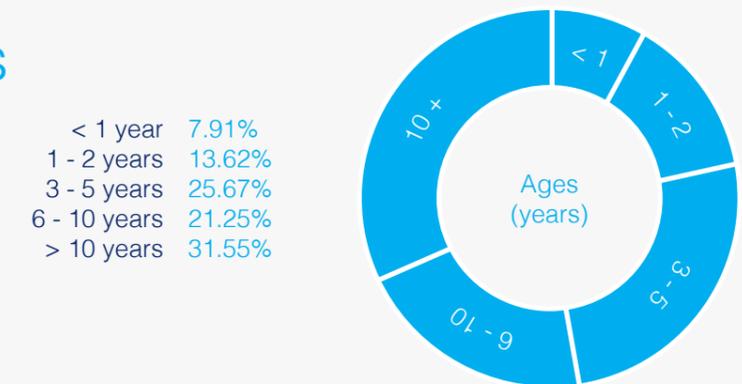
Locations of Small Businesses



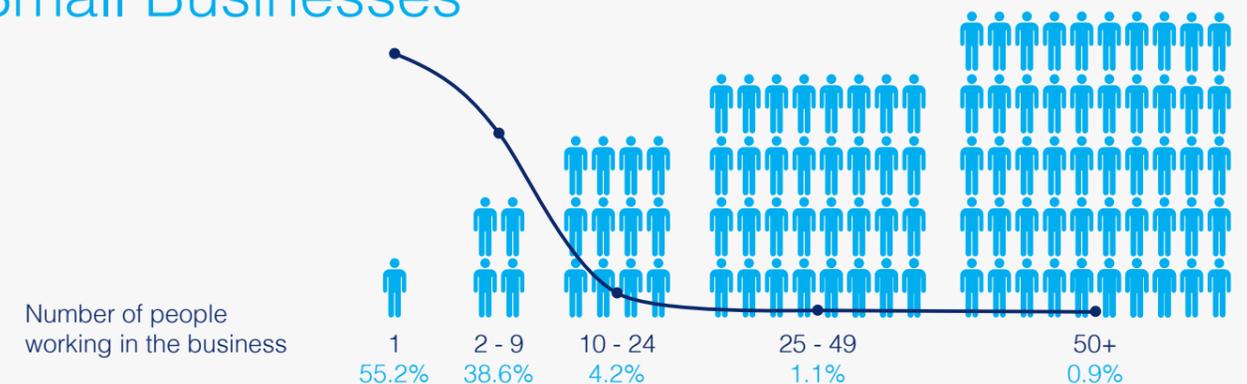
Sectors of Small Businesses



Ages of Small Businesses



Sizes of Small Businesses



If you would like to know more about this research, or would like to get involved with future reports, please do get in touch. You can reach us at:

hello@smallbusinessbritain.uk



With thanks to TSB for supporting this research



