CEDA

CENTRAL ECONOMIC
DEVELOPMENT AGENCY

Business Survey Insights

Impact of COVID-19

Third Survey

Manawatū-Whanganui

1 May – 15 May 2020

Introduction

CEDA has released a business survey to assess the impact of COVID-19 on businesses during each of the national alert level phases. This is the third survey in the series. The surveys are intended to understand the impacts, challenges and themes across our economy. The results ensure CEDA can provide tailored support, guidance and information to our wider business community while capturing the pulse of our region's economy to help inform the recovery effort underway.

Methodology

The survey was sent out to the business community across the Manawatū-Whanganui Region on 1st May and closed off on the 15th May. The survey was undertaken whilst New Zealand was in Alert Level 3 and was sent out via CEDA's regional partners and through CEDA's newsletters, databases and social media channels.

The survey covered 16 main questions and was completed by 271 respondents. The questions examine the economic impact of COVID-19 on businesses as well as the support that businesses require, and for this third survey additional questions were included regarding revenue and employment impact, as well as questions on digital marketing platforms being used. This survey also looked at how visible businesses are on-line.

28 FEB	First case of COVID-19 reported in New Zealand
9 MAR	CEDA First Survey commenced
11 MAR	WHO declares COVID-19 as an official pandemic
15 MAR	Travel restrictions come into effect, events are cancelled
17 MAR	Governments support package announced, including wage subsidy
19 MAR	Border closers announced
23 MAR	Alert Level 3 implemented
24 MAR	State of Emergency declared in New Zealand
25 MAR	Alert Level Four begins at 11:59pm
27 MAR	CEDA Second Survey commenced
6 APR	New Zealand reaches 929 cases of COVID-19
9 APR	CEDA Second Survey ends
20 APR	Alert Level Four extended, with a date given for Alter Level 3
26 APR	New Zealand reports 310 cases of COVID-19
28 APR	New Zealand entered into Alert Level 3
1 MAY	CEDA Third Survey commenced
5 MAY	New Zealand reaches 1,487 cases of COVID-19
9 MAY	New Zealand records its first day of no new COVID-19 cases
13 MAY	New Zealand entered into Alert Level 2 at 11:59pm
14 MAY	Minister of Finance budget speech; additional support announced
15 MAY	CEDA Third Survey ends
21 MAY	4 days without any new COVID-19 cases

The first survey Business Impact Survey conducted by CEDA was undertaken from 9th – 15th March.

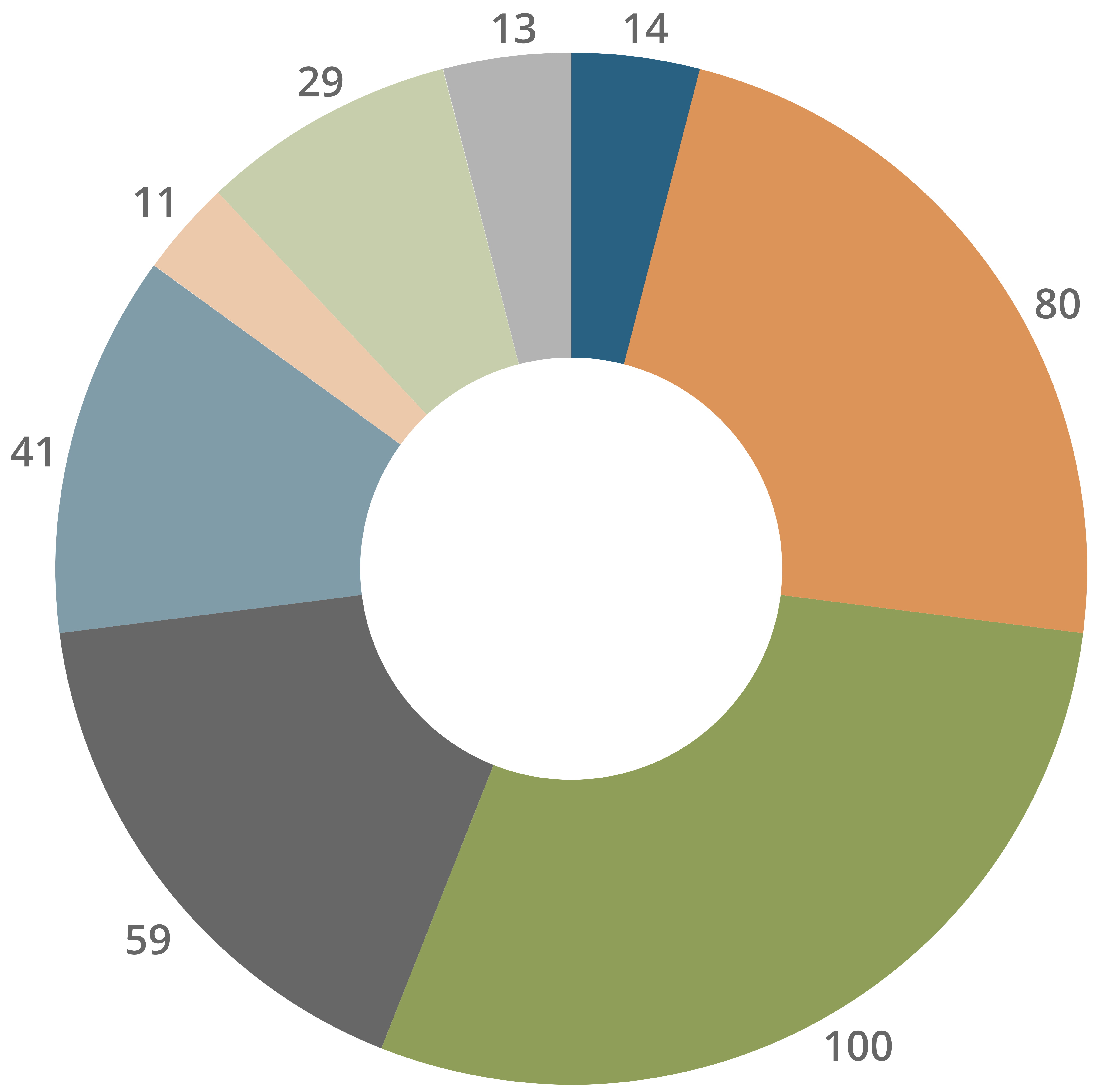
Regions

Respondents were from the Manawatū-Whanganui region, with a high concentration of businesses from Palmerston North city, Manawatū and Rangitikei districts. Businesses from Rangitikei and Ruapehu had a higher representation in this survey compared to the first and second surveys.

- Horowhenua
- Manawatū
- Palmerston North
- Rangitikei
- Ruapehu
- Tararua
- Whanganui
- Other

Note: Some companies selected more than one location due to the distribution of their businesses across regions.

Figure 1: Regional Breakdown of Survey Respondents



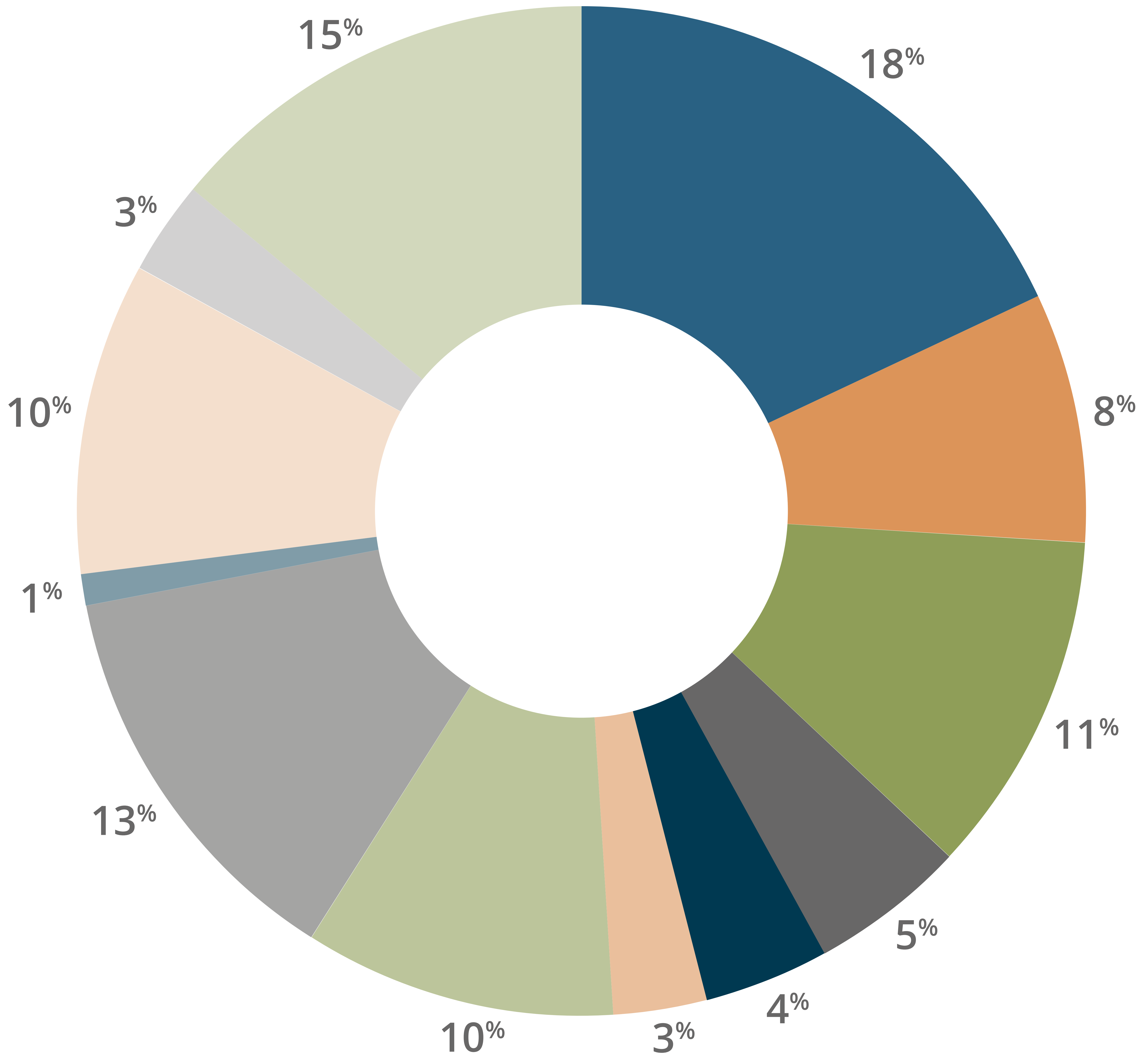
Sectors

The sectors provided in the survey questions are based on the regions key sectors of strength and the sectors in which CEDA's business support work is primarily undertaken. The breakdown by sector represented in the survey is as shown.

The hospitality sector had the largest representation (18%) in terms of responses, followed by retail trade 13%, manufacturing 11%, professional, scientific and technical services 10%, and construction and trades 10%. Fifteen percent of businesses selected "other", with responses including real estate, recruitment, and business services such as marketing.

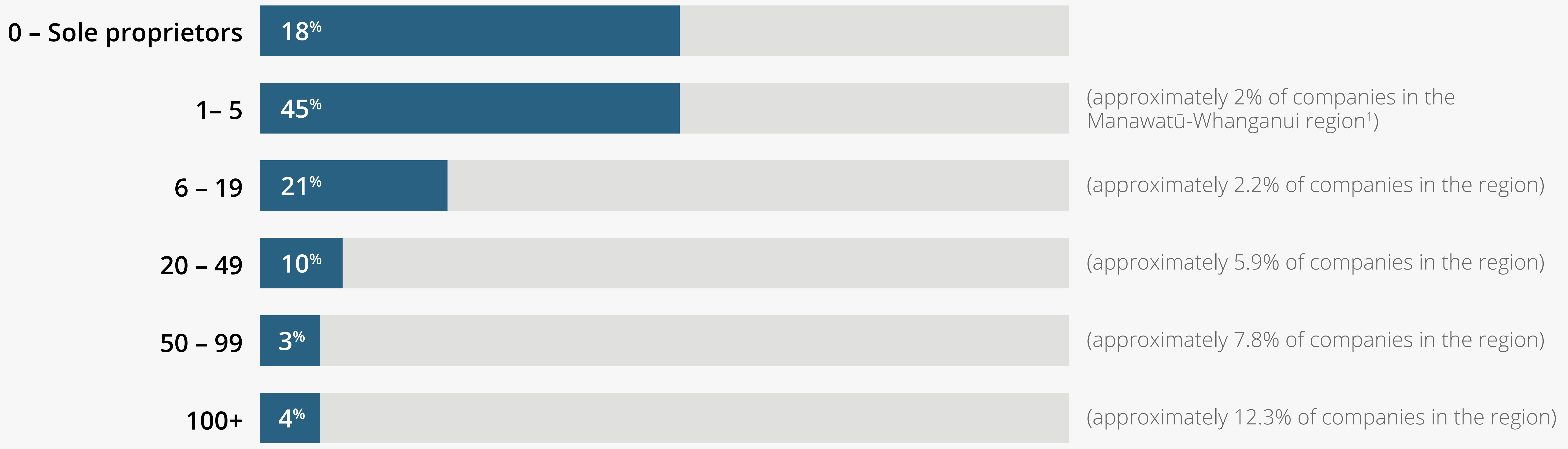
- Hospitality - Accommodation and Food
- Tourism, Conference and Events
- Manufacturing
- Primary Industries
- Education and Training
- Information Communication Technology
- Professional, Scientific and Technical Services
- Retail Trade
- Transport and Logistics
- Construction and Trades
- Health and Fitness including Gyms
- Other

Figure 2: Breakdown by Sector



Business Demographics

Respondents by size of business, or number of Full Time Equivalent (FTE), staff were:



The majority of businesses were Limited Liability Companies (69%), with the remainder being made up of Sole Trader businesses (15%), partnerships (6%), Charitable Trusts, and Incorporated Societies.

Seven percent of respondents identified as a Māori business.

1. Stats NZ (2018)

On-line Visibility of Businesses

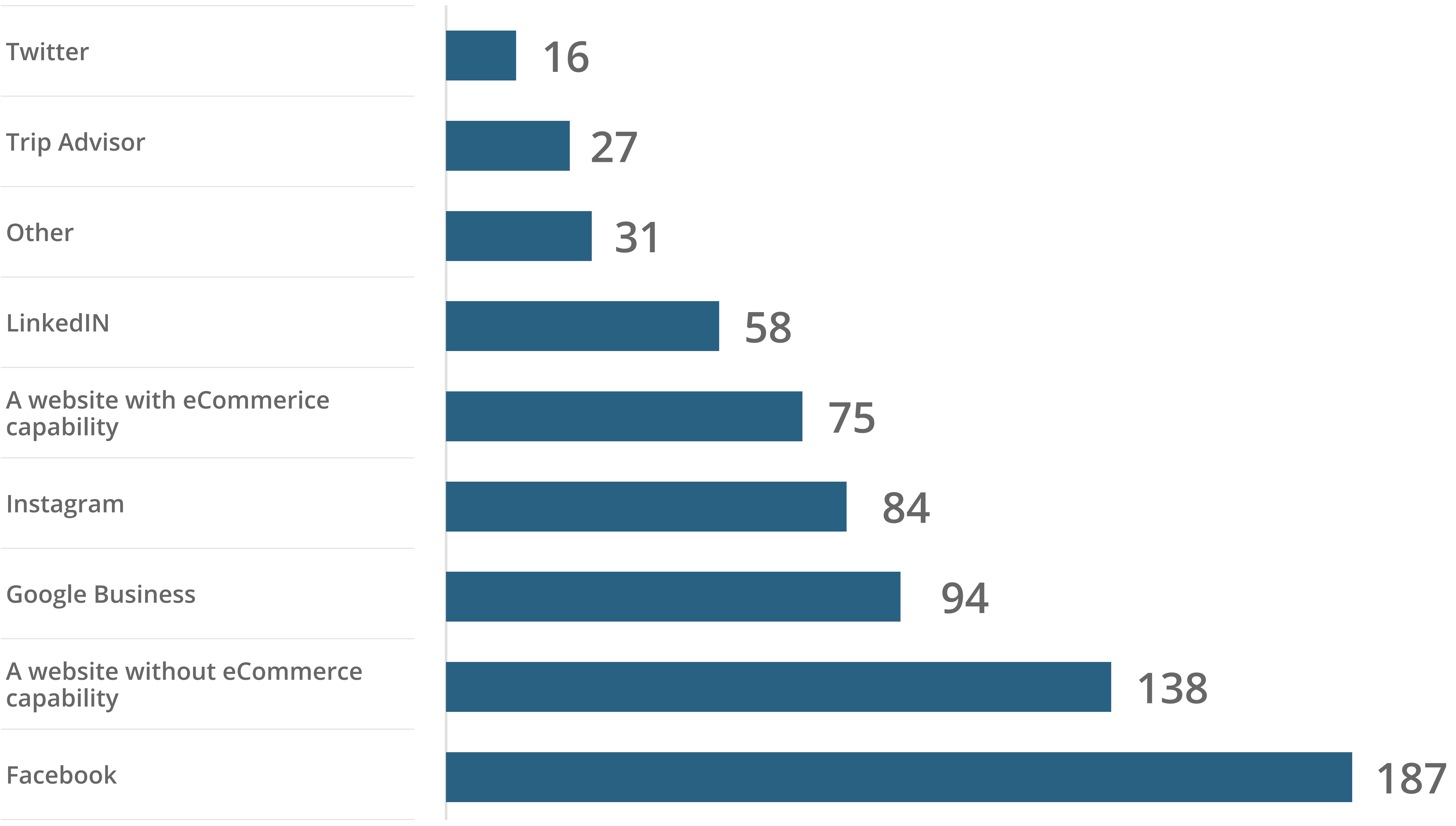
With the strong request for communications support coming through in the previous surveys, we included questions to understand what the digital 'footprint' of our business community is when it comes to their profile online. The survey examined to what extent businesses are visible on-line, and which channels or mediums were most used. This will inform our tools and templates that we make available, and some of the training resources.

The most frequently selected responses are Facebook and websites without e-commerce capability.

Respondents

Note: respondents were able to select multiple answers.

Figure 3: On-line Visibility



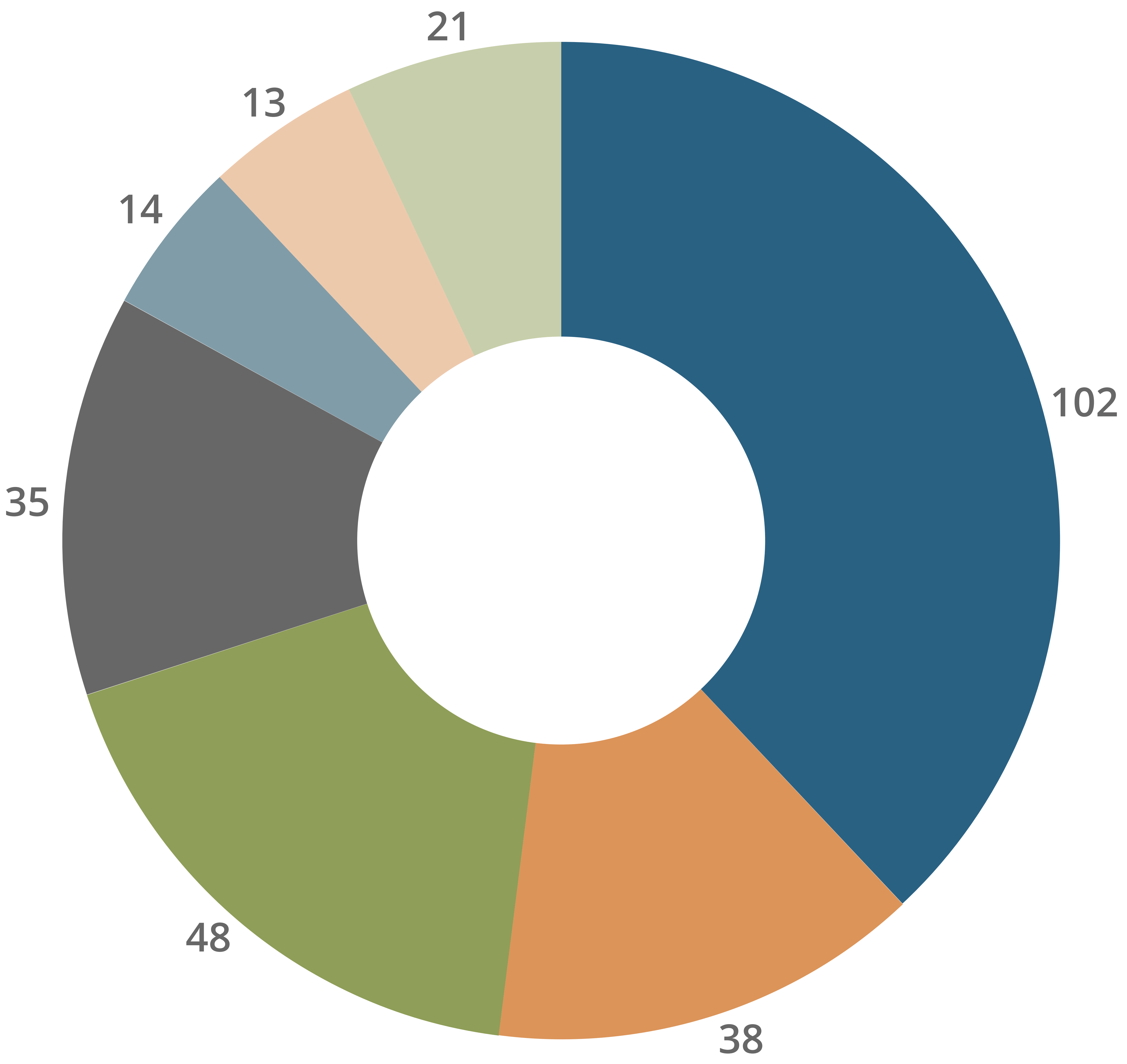
Impact of COVID-19 on Businesses

56% of respondents indicated that they are significantly concerned about the Impact of COVID-19 on their businesses, with the level of concern being 'a great deal' or 'a lot'. This has decreased from the second survey which showed that 70% of respondents were significantly concerned. The first survey found that 28% of businesses were significantly concerned. In this third survey, larger businesses with over 50 employees and businesses with employees between 1 to 5, and 6 to 19, had the highest levels of concern.

This survey measured the revenue impact on businesses.

- 76% or more
- 56% to 75%
- 36% to 55%
- 26% to 35%
- 11% to 25%
- 10% or less
- 0 %

Figure 4: Revenue Impact on Businesses



Most businesses have experienced a revenue impact. The above graph shows that 102 businesses have had a revenue impact of 76% or more, 38 had a revenue impact of between 56% to 75% and 48 businesses have had a revenue impact of 36% to 55%.

For this survey, intentions to reduce staff numbers or staff hours did not feature prominently across respondents. Most businesses (59%) intend to maintain staffing levels, whilst only some intend to reduce staff (13%). Of the businesses that intend to reduce staff, 20% intend to reduce staff by 76% or more, 9% by 56% to 75%, and 29% by 36% to 55%.

Respondents indicated that their businesses were mostly impacted in the following areas:

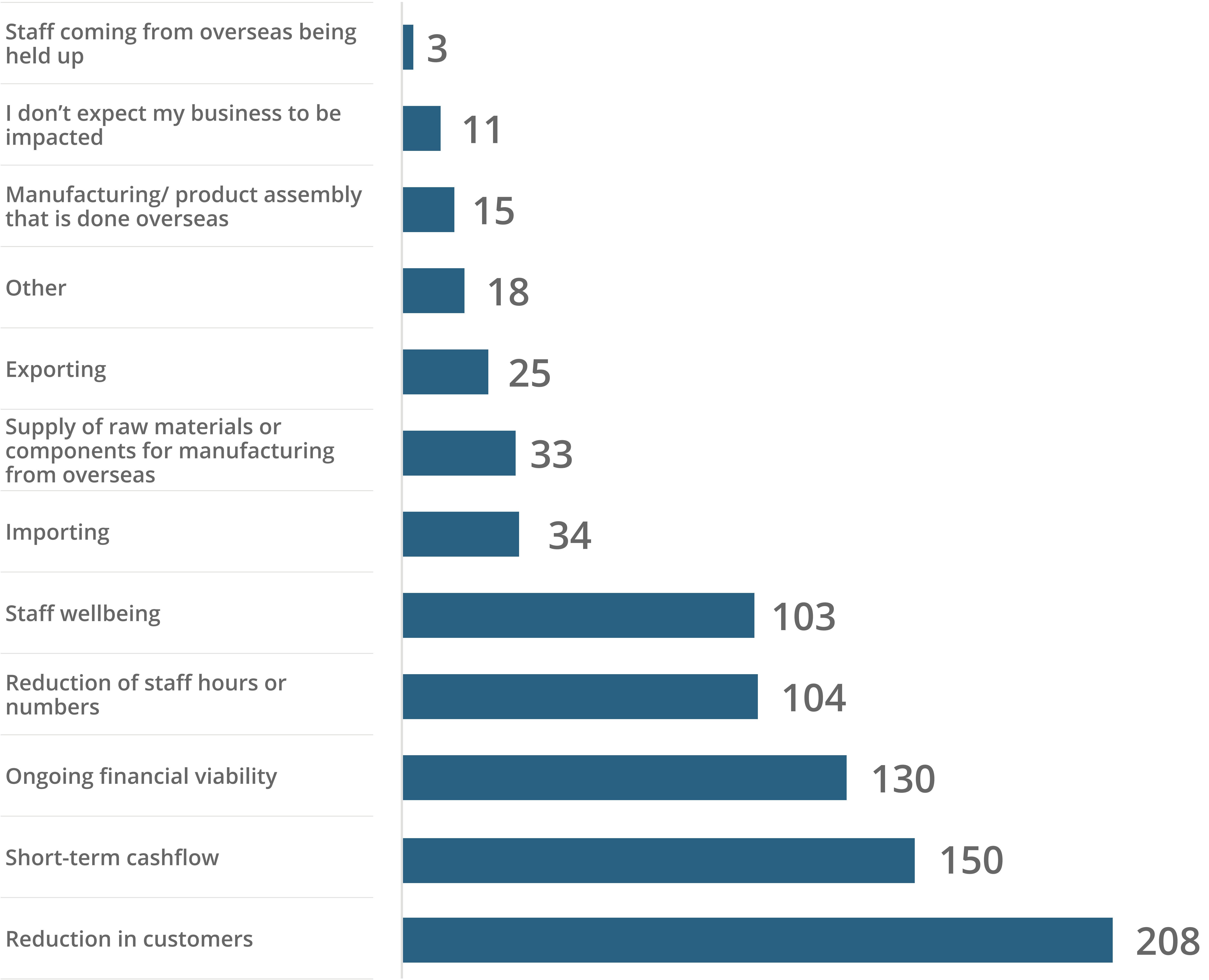
Table 1: Top Six Business Areas Impacted

Rank	Impact on Businesses
1	Reduction in customers
2	Short-term cash flow
3	Ongoing financial viability
4	Reduction of staff hours and numbers
5	Staff wellbeing
6	Importing

The top five key areas of impact mirror the results of the second survey. In the second survey the 'supply of offshore raw materials' ranked sixth whilst importing has ranked sixth in this survey.

Reductions in staff hours or numbers is ranked as number 4 whilst the overall survey results show that companies do not generally intend to reduce staff going forward. An explanation could be that companies may have already reduced staff hours or numbers and the question about whether there are intentions to reduce staff is forward looking.

Figure 5: Impact of COVID-19 on Businesses



Note: respondents were able to select multiple answers.

When analysed by sector, the key areas of impact varied slightly. The following summarizes the areas of impact for some of the biggest representative sectors.

Hospitality (accommodation and food)

Key areas of impact are a reduction in customers, financial viability, short-term cashflow and a reduction in staff hours or numbers. 63% of businesses in this sector have experienced a revenue impact of 76% or more and 15% of businesses have had a revenue impact of 56% to 75%. 25% of respondents in this sector indicated that they intend to reduce staff.

Tourism, conference and events

Key areas of impact are a reduction in customers, on-going financial viability, reduction in staff hours or numbers, and staff wellbeing. 78% of businesses have had a revenue impact of 76% or more. 30% of companies intend to reduce staff.

Manufacturing

Key areas of impact are a reduction in customers, a reduction in staff hours or numbers, on-going financial viability and staff wellbeing. 23% of businesses have had a revenue impact of 76% or more, and 19% had a revenue impact of between 56% and 75%. 23% of respondents in this sector indicated that they intend to reduce staff.

Health and fitness

Key areas of impact are a reduction in customers, short-term cash flow, on-going financial viability and staff wellbeing. 29% of respondents have had a revenue impact of 76% or more, and 43% had a revenue impact of between 56% and 75%. None of the respondents in this sector intend to reduce staff numbers or hours.

A common theme amongst respondents in the above sectors is a reduction in customers, ongoing financial viability and a reduction in staff hours and numbers. Staff wellbeing also featured prominently in three of these four key sectors.

There were only two transport and logistics companies, so the sample size was too small to draw definitive conclusions. The impact on these two companies was a reduction of customers, on-going financial viability and importing.

Support Required

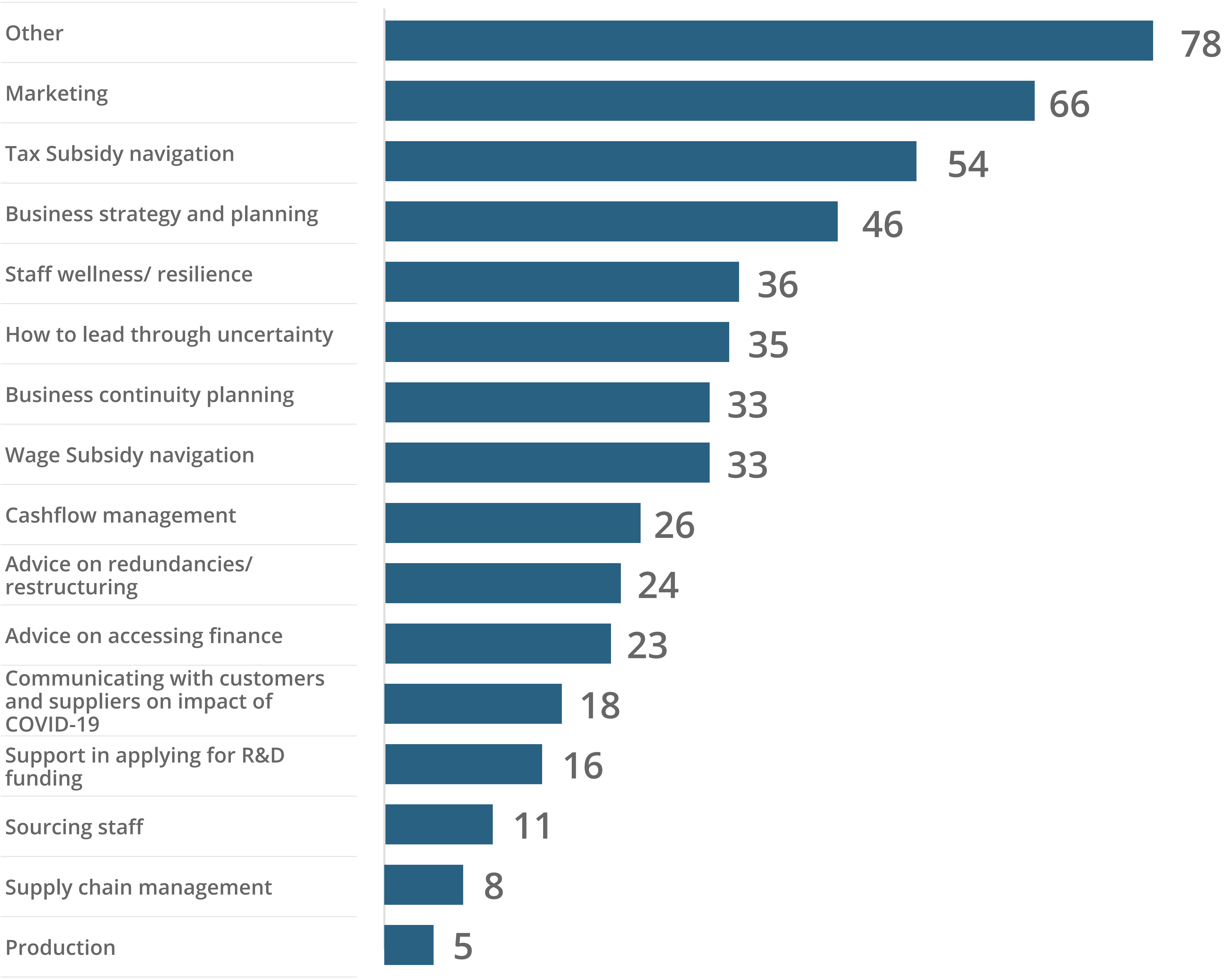
Businesses require support across a number of areas. Across all sectors and respondents, marketing featured highly, along with support needed in tax subsidy navigation and business strategy and planning:

Respondents

Note: respondents were able to select multiple answers.

A large number of respondents selected "other" under support required. Individual responses included the need for rates relief from local council, support with e-commerce, the need for on-going market information and a requirement for certainly from central Government. Some respondents indicated that no support is required and intend to ride the impact of COVID-19 out.

Figure 6: Support Required by Businesses



Delivering Support

Respondents were asked what their preferred method of delivery is. The preferred methods are, in order of priority:

1. Online resources
2. Webinars
3. Online workshops
4. Mentoring (by phone or on-line)
5. On-line meetings with professional advisors and training courses

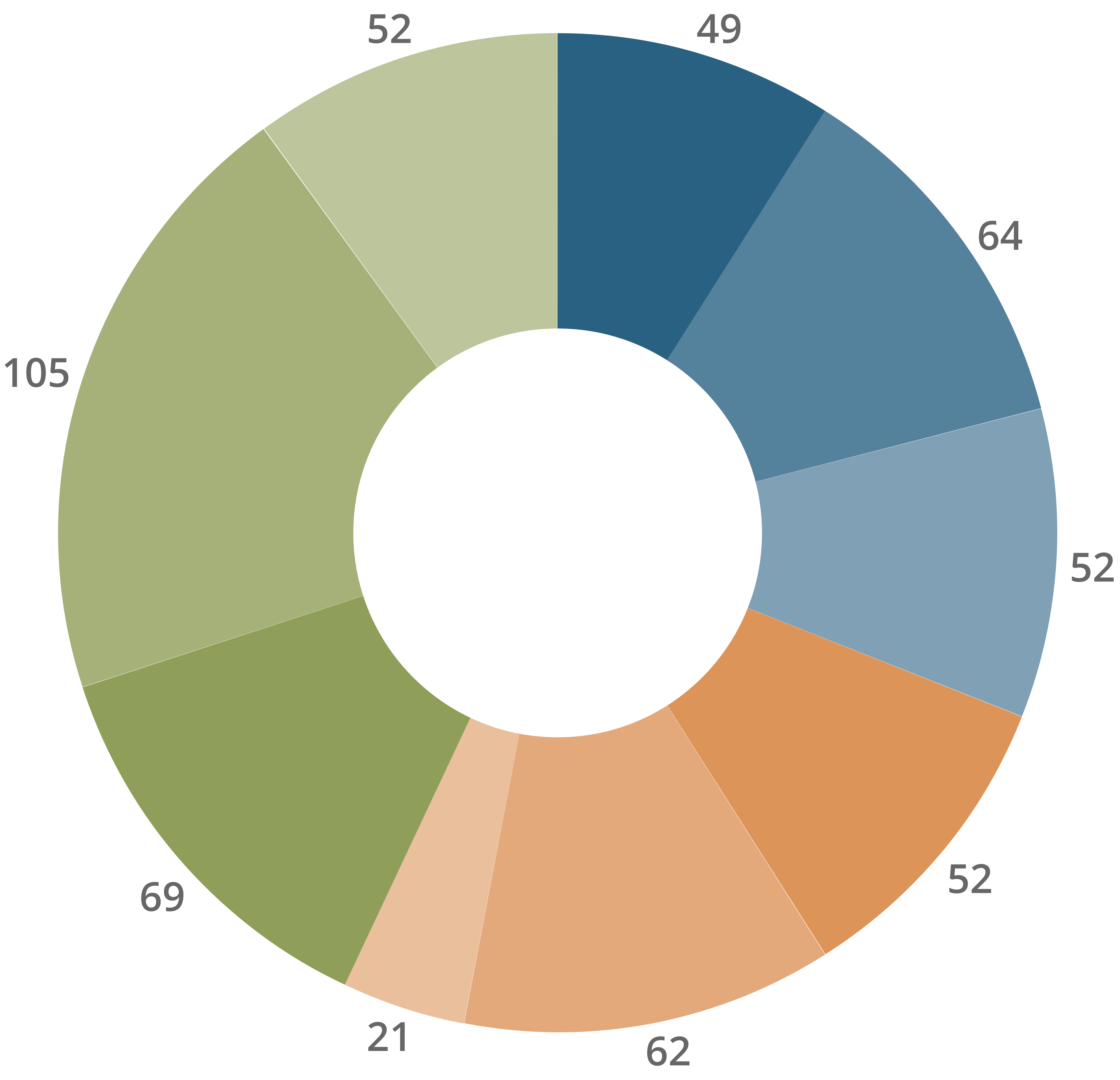
The "other" category was selected fairly frequently, with the responses including need for on-line and social media support, direct credit from IRD without companies applying, face-to-face discussions with like-minded groups and physical workshops.

The delivery methods have stayed consistent compared to the second survey.

- Online forums of discussion groups
- Online workshops
- Online training course
- Online meetings with professional service advisors
- By phone or online one-on-one mentoring
- Calling an advice line
- Webinars
- Online resources
- Other

Note: respondents were able to select multiple answers

Figure 7: Preferred Support Delivery Methods



Summary of Key Survey Insights

- The level of concern under COVID-19 Alert Level 3 has been lower than that shown under Alert Level 4 in the second survey.
- Most businesses have experienced a revenue impact, with 38% of businesses having experienced a revenue impact of 76% or more, 14% experiencing a revenue impact of between 56% to 75% and 18% of businesses experiencing a revenue impact of between 36% to 55%.
- Intentions to reduce staff numbers or staff hours did not feature prominently across all survey respondents. Most businesses (59%) intend to maintain staffing levels, whilst 13% intend to reduce staff.
- The most reported areas of business impact were a reduction in customers, short-term cashflow, ongoing financial viability, a reduction of staff hours or numbers, staff wellbeing and importing. This mirrors the top five business areas impacted that were reported in the second survey.
- The main sectors impacted were hospitality (accommodation and food); tourism, conference and events; manufacturing; and health and fitness. This compares to the second survey which found that the top six sectors impacted were: tourism and hospitality; construction and trade; manufacturing; professional, scientific and technical services; retail; and primary industries as impacted sectors.
- Businesses require support in a number of areas, with the key themes being marketing, tax subsidy navigation and business strategy and planning.

Implications for CEDA's COVID-19 Response

- Online resources have featured prominently in terms of the support required from businesses. The COVID-19 business support hub on CEDA.nz continues to be relevant for businesses. The support hub provides access to the latest Government information on support to industry, resources for businesses, CEDA's webinars, economic impact data, business survey results and the latest news. CEDA will also be launching a tools and templates page as an additional resource for businesses.
- CEDA continues to roll-out the Navigating COVID-19 for Businesses webinar series that was launched on 2nd April to provide expert advice and information to businesses. Topics have included business continuity planning, financial management, communicating in a crisis, leadership resilience, business planning, managing supply chain risk, team management, employment law, marketing, director responsibilities/company insolvency, practical implementation of LEAN, cash flow management and accessing financing and tax schemes.
- The demand for mentoring support through the Business Mentors New Zealand (BMNZ) programme under the Regional Business Partner (RBP) Programme continues at an unprecedented level.
- On-line meetings with professional advisors and training courses both rank fifth in terms of preferred delivery mechanism. The RBP programme that CEDA implements includes significant support for companies to access professional advisors, and the uptake from the business community has been significant.
- It is encouraging to see that businesses are using social media for marketing. eCommerce is also going to be increasingly important due to the changing nature of business transactions and customer requirements. MBIE is currently developing a support mechanism to support digital capability enhancement for SMEs and this support is likely to be welcomed by businesses. CEDA are looking to further develop their tools and resources available for businesses to help address the need for further digital marketing support and guidance, and will work with partners to do so.

If you'd like to be involved in future surveys, or hear about the work underway to support businesses during the COVID-19 situation, please contact communications@ceda.nz

For further information, business support and the latest news on our economy visit CEDA.nz or call 0800 CEDA SUPPORT (233 278).

For specific COVID-19 impacted business support please go to ceda.nz/covid-19-business-support for information available or if you would like us to contact you for support complete the following support request form ceda.nz/covid-19-business-support/how-ceda-can-help

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