LLEP Business Tracker Survey

Wave 1 – February 2021

Research objectives

Leicester & Leicestershire Enterprise Partnership

The Leicester and Leicestershire Partnership (LLEP) wished to conduct a Covid-19 Business Tracker survey with the purpose of understanding the needs of local businesses to inform policy-making and ensure support is appropriately targeted.

The core research objective is to provide real-time insight into key issues being faced by businesses.

Specific objectives include:

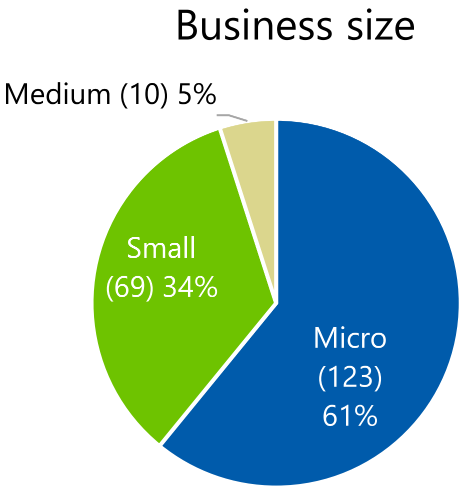
- Monitoring KPIs / business confidence / perceptions of economy;
- Identifying business support needs;
- Exploring how businesses are adapting to change following pandemic;
- Providing robust evidence to support funding bids.

Research landscape

- The survey is longitudinal and will last for 12 months
- Fieldwork for Wave 1 ran from December 2020 through to the end of January 2021
- 200 businesses have been recruited in Wave 1
- Each company will be re-contacted every 2 months
- The first wave was recruited by telephone interviews and they will be re-contacted online for subsequent waves
- Additional businesses may be recruited to compensate for any drop-outs
- The initial telephone interviews lasted just over 20 minutes and covered
  - Training and skills
  - Recruitment
  - Digital investment
  - Environmental issues
  - Imports and export
  - Business Performance / Covid-19

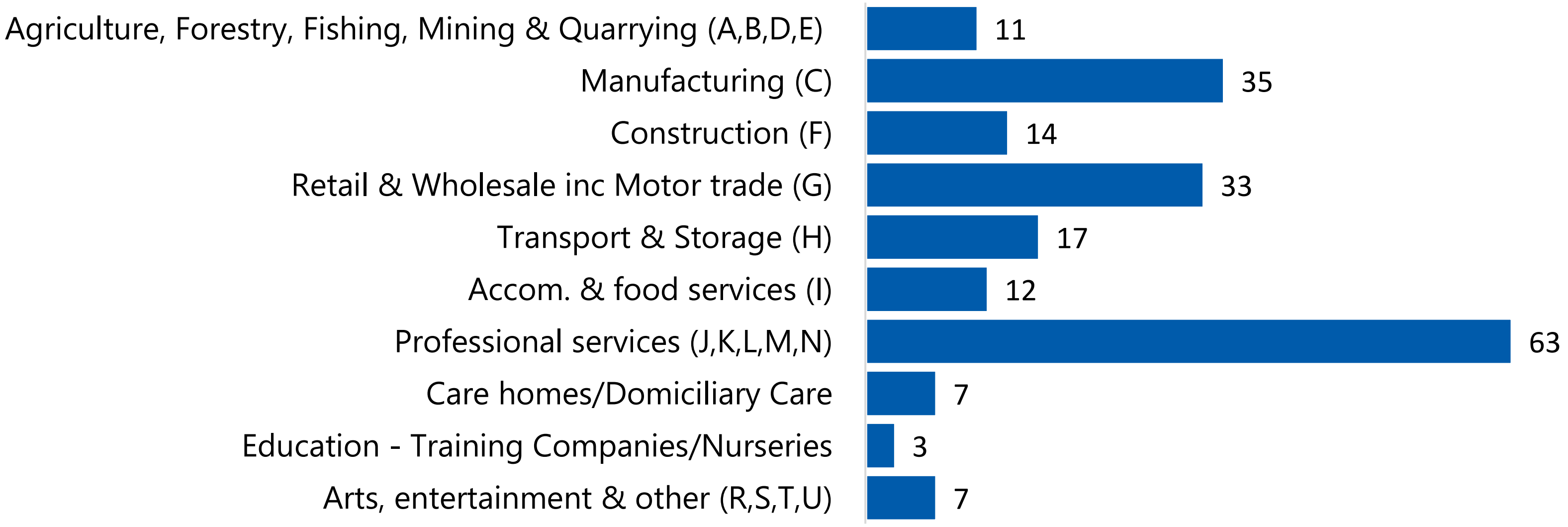
Who we spoke to

- Broad quotas were set to try and ensure a representative sample
- 28% of the interviews were in Leicester City, the remainder were in Leicestershire
- Businesses were categorised in three sizes:
  - Micro businesses have 2–9 employees
  - Small businesses have 10–49 employees,
  - Medium businesses have 50-199 employees.



Who we spoke to (2)

- The recruitment phase took place during lockdown making some types of organisations particularly difficult to reach. A breakdown by sector of the sample can be seen below.



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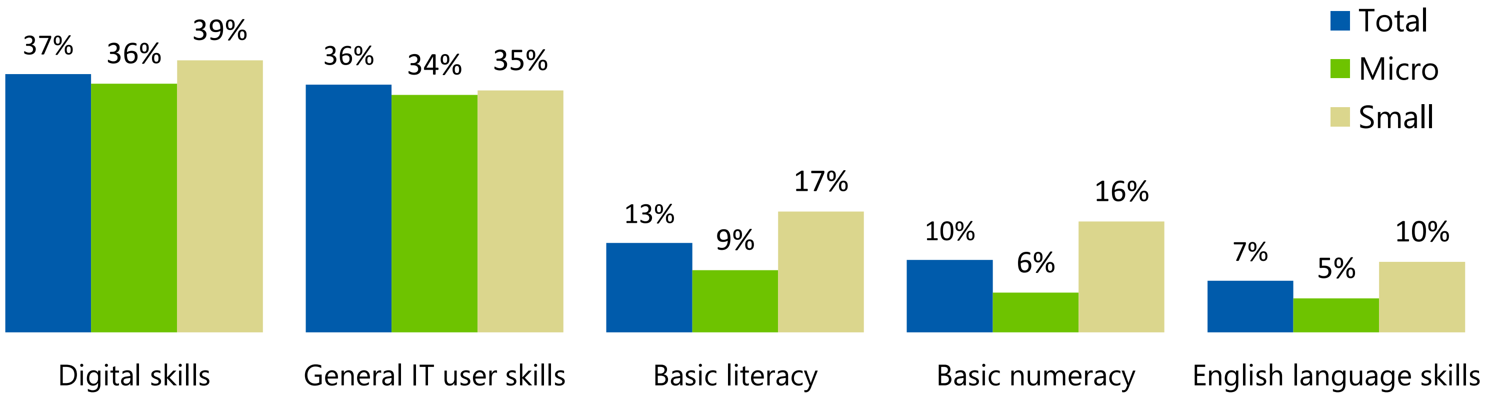
Staff – recruitment, training and skills

Over a third feel digital and IT skills need improving

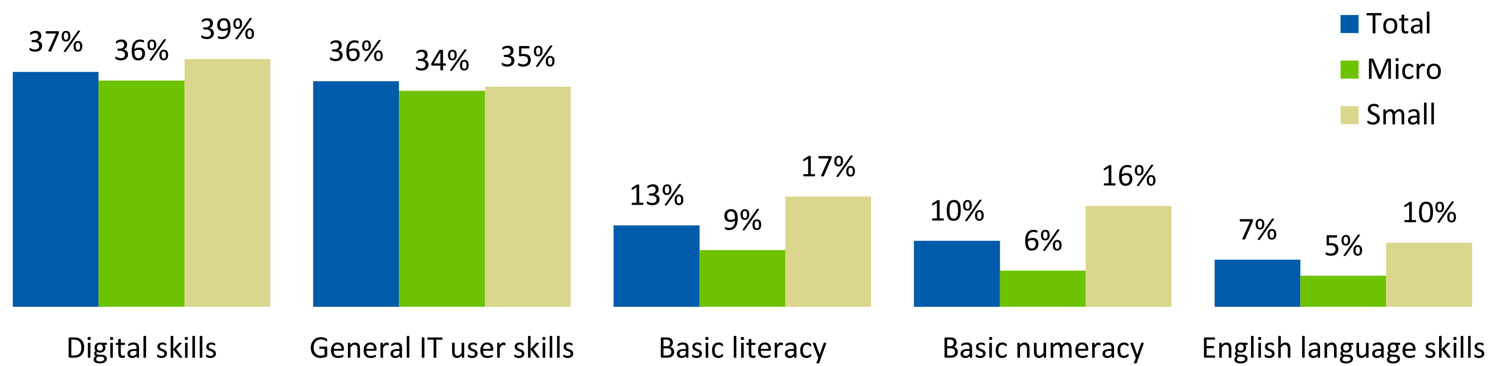
- Only around 4 in 10 (38%) organisations were happy with their workforce's basic skills
  - Micro businesses were more satisfied than small businesses (41% v 33%)
- The main areas of concern were with:
  - Digital skills – such as social media, Zoom, MS Teams, Slack
  - General IT users skill
- Basic literacy and numeracy was more likely to be an issue with Small than Micro organisations



Q6a - Which of the following basic skills would you like to see improved within your existing workforce?

Demand for improved work based skills

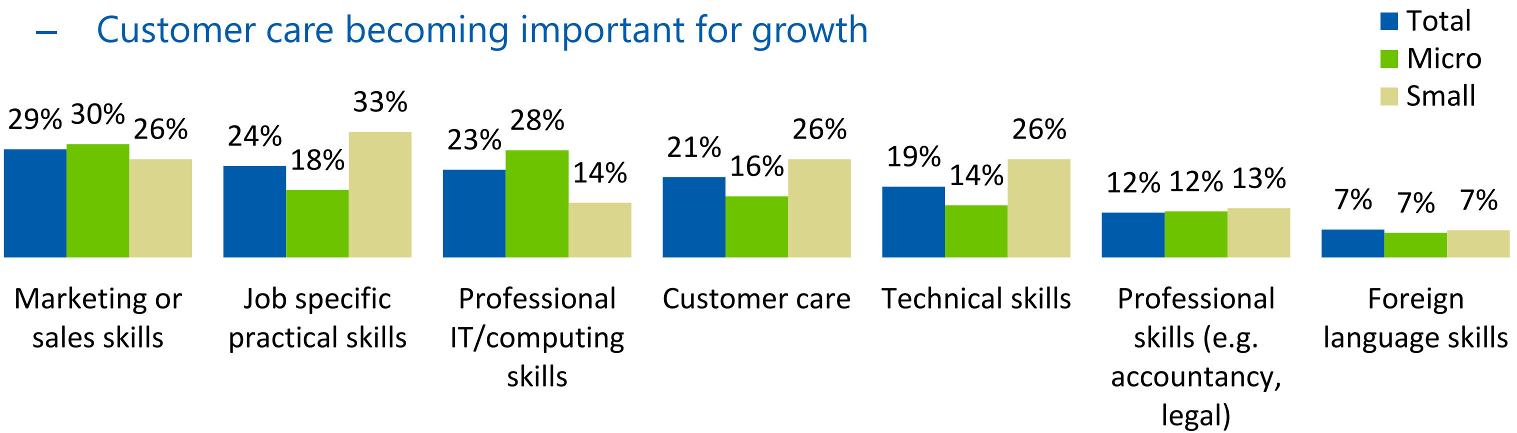
- Four in ten (38%) did not have any need to improve work based skills
- Micro businesses much less likely to identify or recognise any skill gaps
  - Size makes them likely to face less challenges with communication, management and team working
  - Owner / managers are still fulfilling key roles
- Work based skill shortages may come with growth



Q6b - Which of the following work based skills would you like to see improved within your existing workforce?

3 in 10 want to improve sales / marketing skills

- Micro businesses looking for marketing or IT skills
  - Skills that need to support the core business function
  - May not be natural to owner / manager and their first employees
- Small businesses more likely to be looking for job specific / technical skills as well as customer care
  - Perhaps as they move into having specialised task within the business
  - Customer care becoming important for growth



Q6c - Which of the following technical or job specific skills would you like to see improved within your existing workforce?

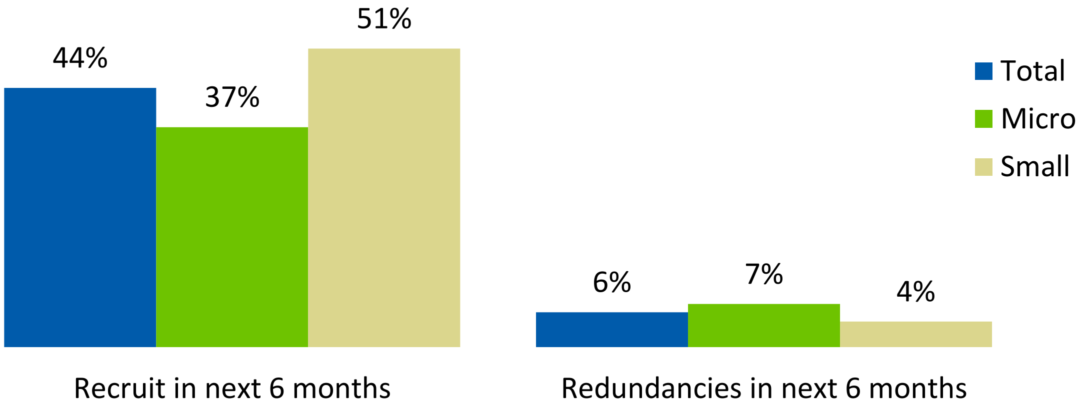
Experience of recruitment

- A quarter (25%) have recruited staff in the past two months
- 19 businesses (9%) have had difficulties recruiting staff in past two months
  - This included 7 micro businesses, 10 small businesses and 2 medium businesses
- Main issues were low number of applicants
  - With required skills
  - With required experience
  - With relevant qualifications
- Other issues with
  - Required attitudes
  - Anti-social hours
  - Location / accessibility
- Half are addressing issue by increasing recruitment spend
- A quarter by using a contractor
- Two in ten by increasing training of existing staff
- One in ten by offering training to recruits

Q8 – Has your business recruited any staff who have started work in the last 2 months?
Q9 – Has your business experienced any difficulties in recruiting staff in the last 2 months?

Nearly half looking to recruit in next 6 months

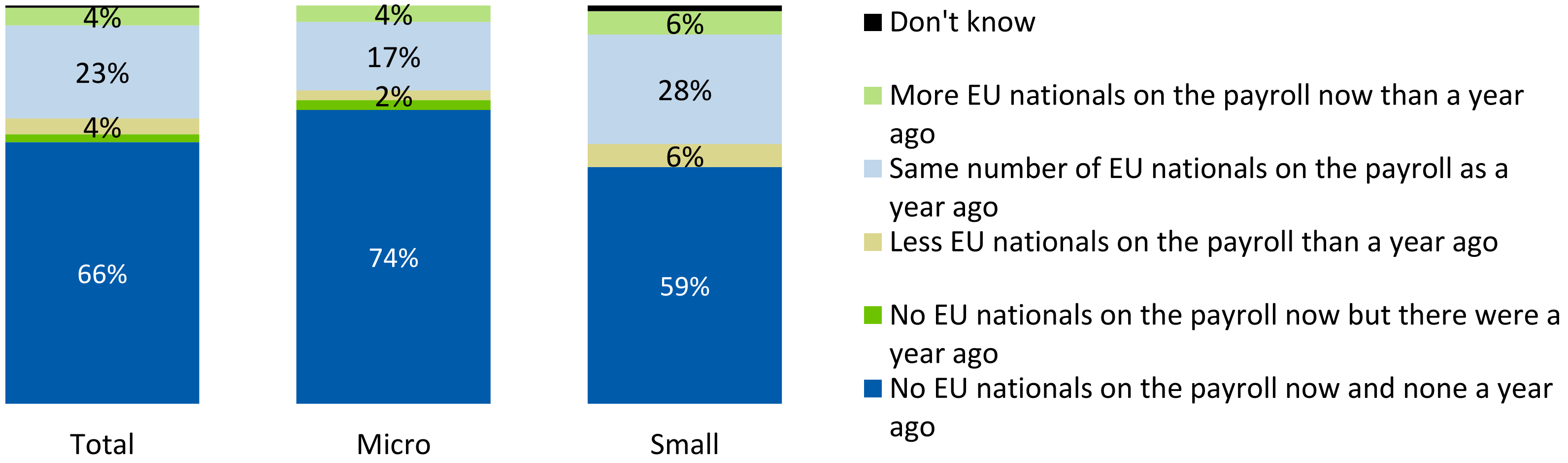
- 44% of those interviewed were hoping to recruit new staff in next 6 months
  - Increases to 51% amongst small businesses
- Only 6% are expecting to make redundancies
- This suggest a fairly optimistic approach for an immediate recovery



Q11 - Is your business looking to recruit in the next 6 months?
Q12 - Is your business looking to make redundancies in the next 6 months?

Employing non-UK staff

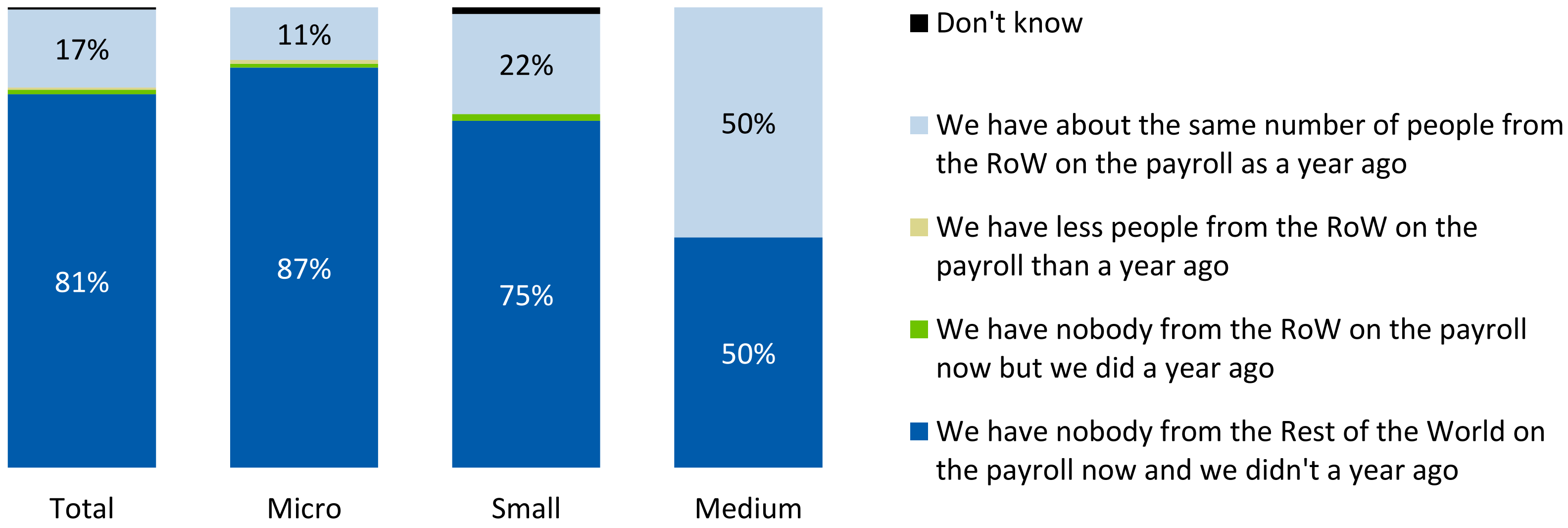
- Two thirds of businesses (68%) do not employ any EU nationals
- 6 % of businesses now employ less EU nationals than a year ago
  - 2% now employing none at all and 4% less than before
- In contrast, 4% now employ more EU nationals than in the past
- 23% say the position is unchanged and it will be interesting to monitor this over the next year



Q14 - Does your business employ more or less EU nationals than a year ago?

Employing staff from elsewhere

- Four in five businesses (82%) do not employ anybody from the Rest of the world
- There has been almost no change in this during the past 12 months
  - Considering the limits on travel during the past 12 months perhaps this is not surprising



Q15 - And does your business employ more or less people from elsewhere than a year ago?

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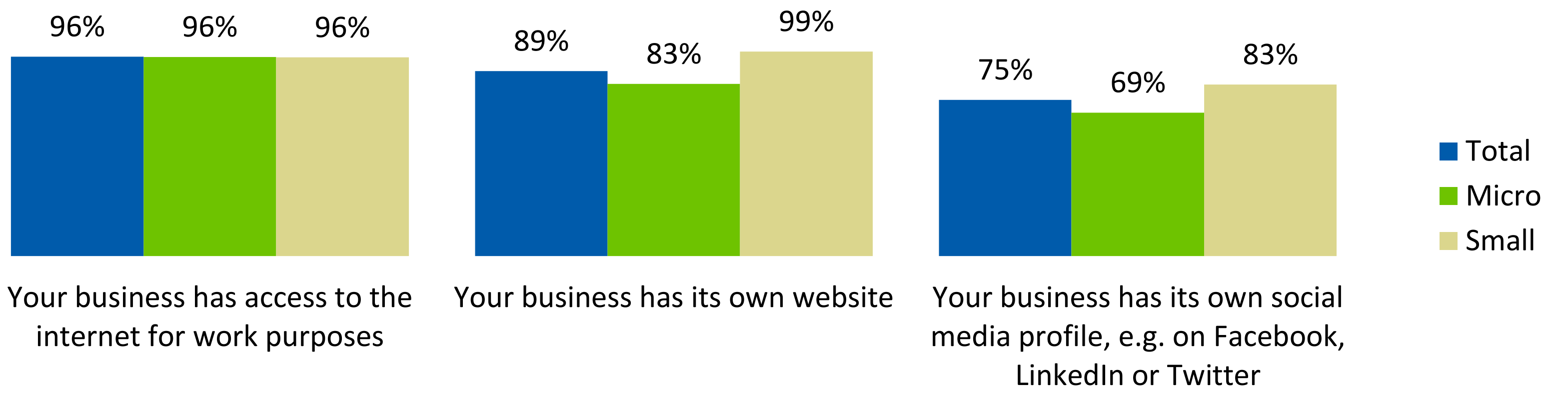
Digital transformation

3 in 4 businesses have a social media profile

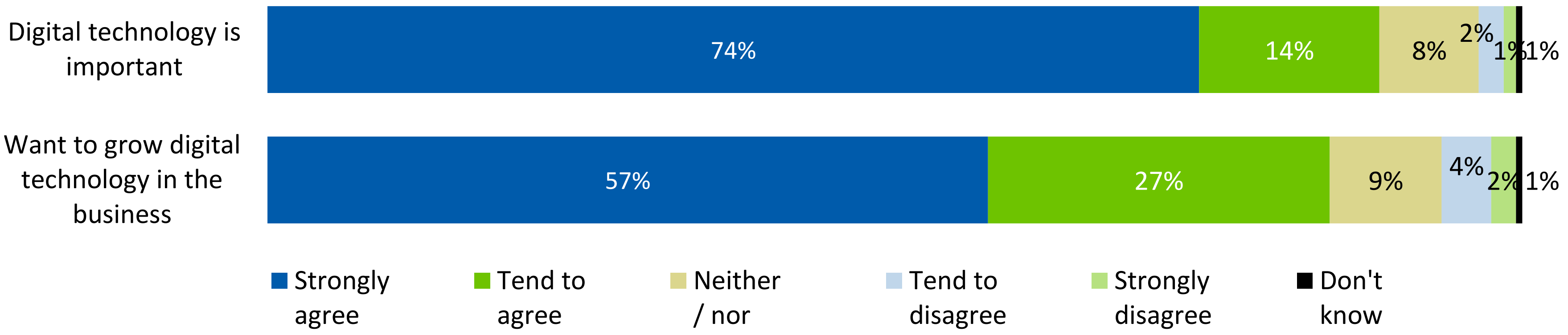
- Almost all have access to internet
- 9 in 10 have a website
  - Rises to 99% for small businesses
- But only 3 in 4 (75%) have a social media presence
  - This is perhaps the next step in development which requires an investment in time and skills which is difficult for smaller businesses



Q16 - Which of the following apply to your business?

Most agree digital technology is important

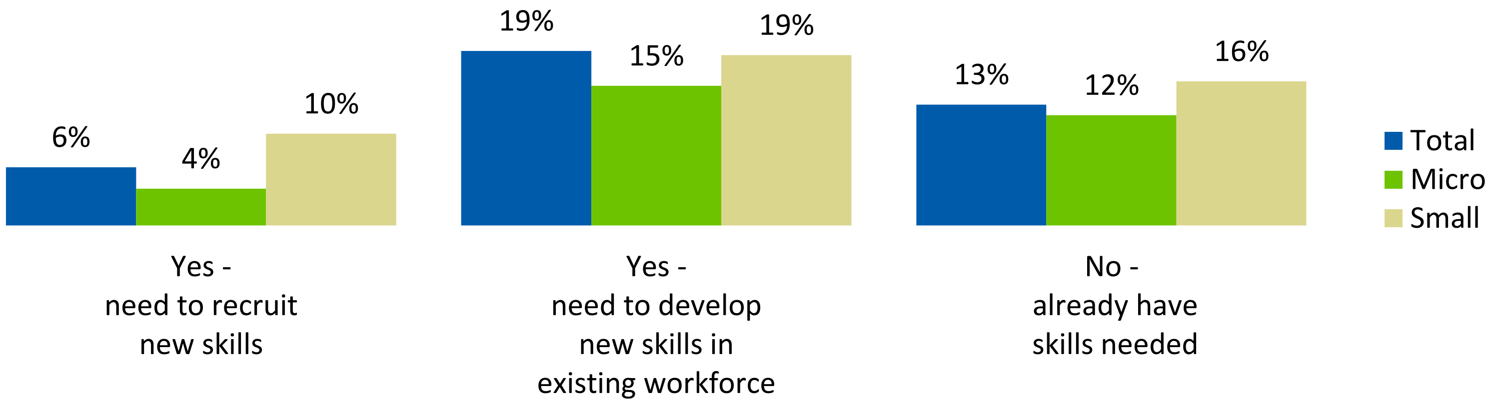
- Most (89%) agree digital technology is important and almost as many (85%) want to grow it's use
- Small businesses are more likely to agree on the need to grow this function than micro businesses (93% v 79%)



Q17a - How far do you agree or disagree that digital technology is important to your business?
Q17b - How far do you agree or disagree that you want to grow the use of digital technology within your business?

One in three have invested in digital in the last 2 months

- Just over one in three (35%) have invested in digital technologies over last 2 months
  - Investment may be more likely from larger organisations
- One in five businesses need to develop in-house skills to benefit from digital investment
- Small businesses more likely to want to recruit in the new skills



Q18 - Have you invested in any digital technologies (such as software, hardware, better broadband, CRM systems or specialist digital machinery) in the last 2 months?

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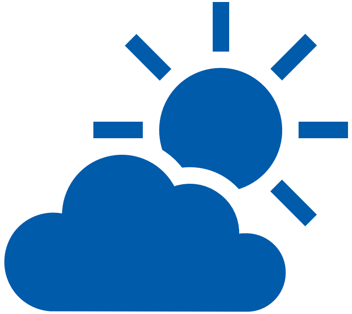
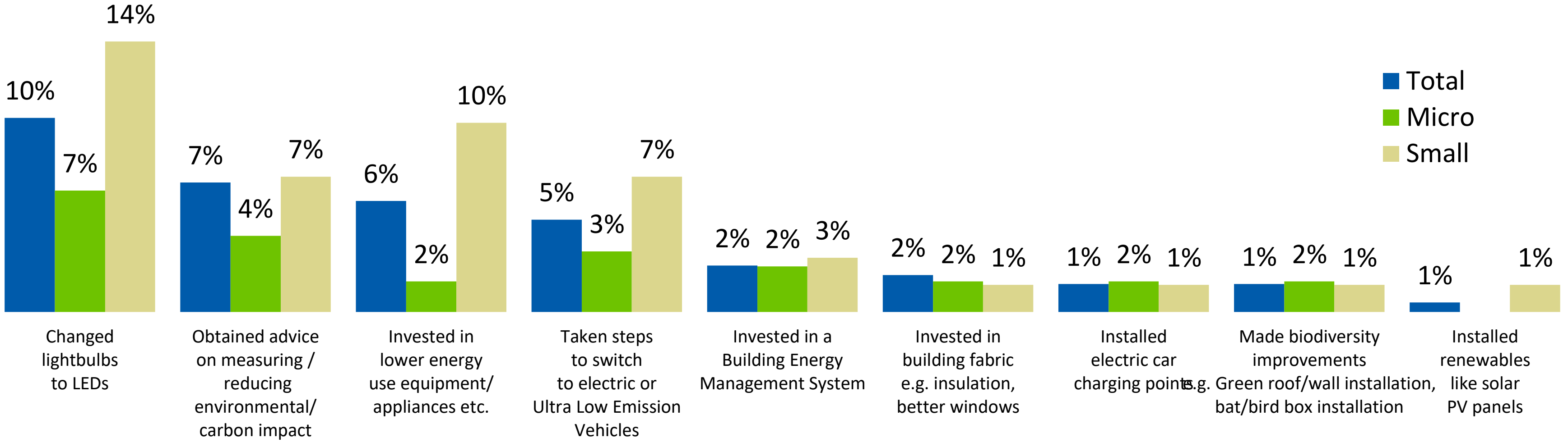
Environmental issues



Green measures in past 2 months

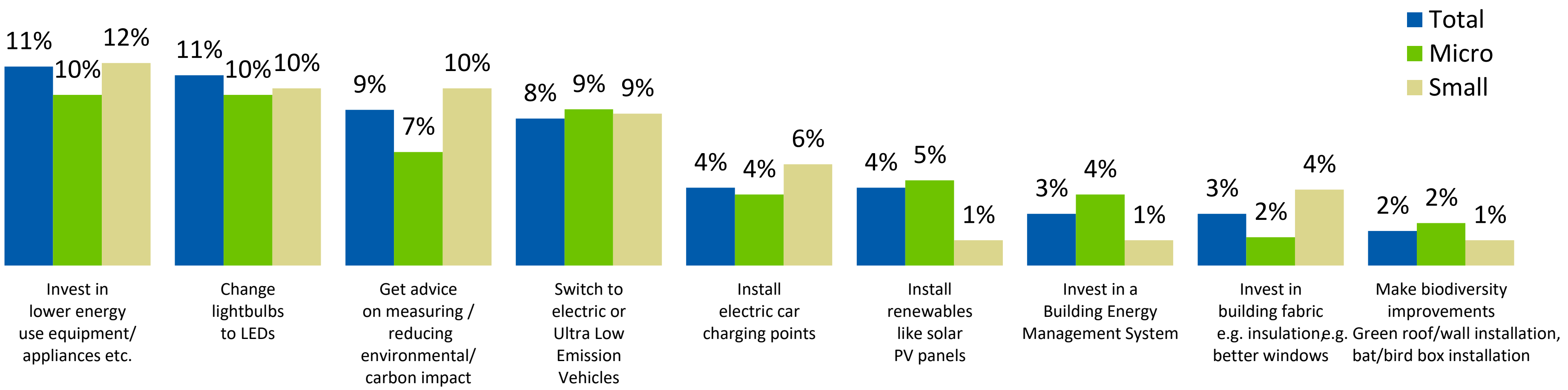
- Around a quarter (27%) have taken action to reduce carbon impact in past 2 months
  - Considering the time frame offered within the question – major infrastructure activities are likely to be limited
- The most frequent action was changing lightbulbs to LEDs (10%)
  - A simple step with potential immediate benefits on financial costs as well as environmental benefits



Q21 - Which of the following activities to reduce the carbon impact of your business have you undertaken in the last 2 months?

Green plans for the next 6 months

- Over four in ten (44%) plan to take action to reduce carbon impact in the next 6 months
- The most common planned changes are:
  - Switching to LEDs
  - Investing in lower energy use equipment
  - Both changes which reduce carbon footprint but also reduce financial costs
- Almost 1 in 10 are open to advice on reducing carbon impact



Q21 - Which of the following activities to reduce the carbon impact of your business have you undertaken in the last 2 months?

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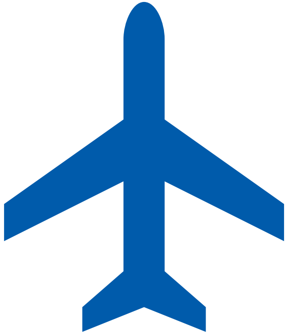
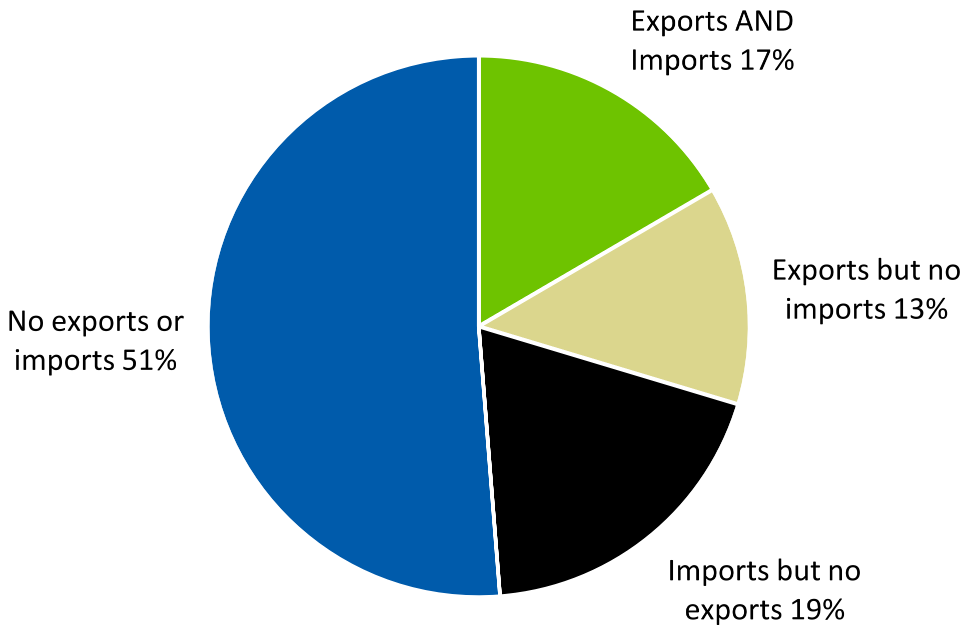
Exports and imports



Exporters and importers

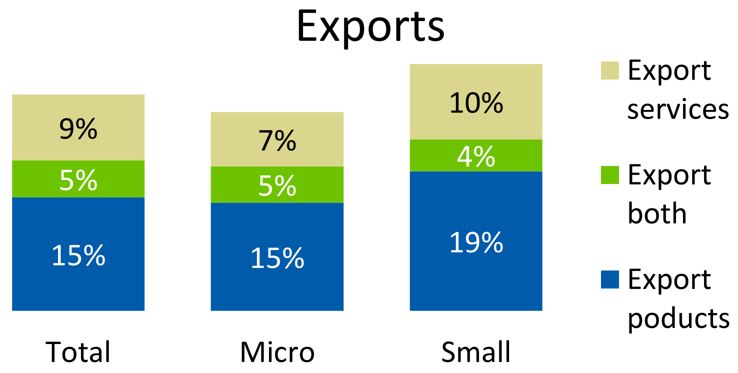
- Half (51%) of businesses we spoke to are not involved in any international trade

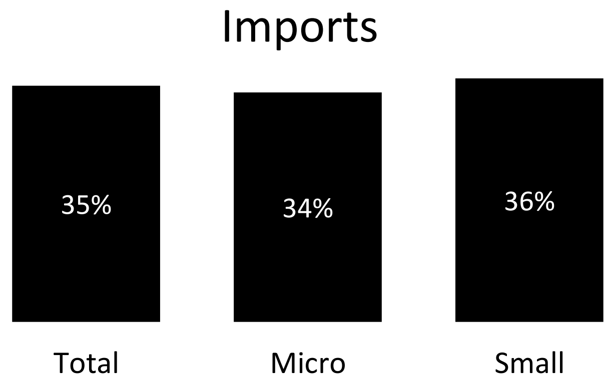


Q24 - Does your business export products or services outside the UK?
Q28 - Does your business directly purchase any physical supplies goods materials or stick from suppliers based outside the UK?

Just under 3 in 10 businesses are exporters

- Overall, 29% of businesses we spoke to are exporters
  - Around a fifth (20%) are exporting products
  - 14% exporting services
- Just over a third (35%) purchase physical supplies from outside the UK

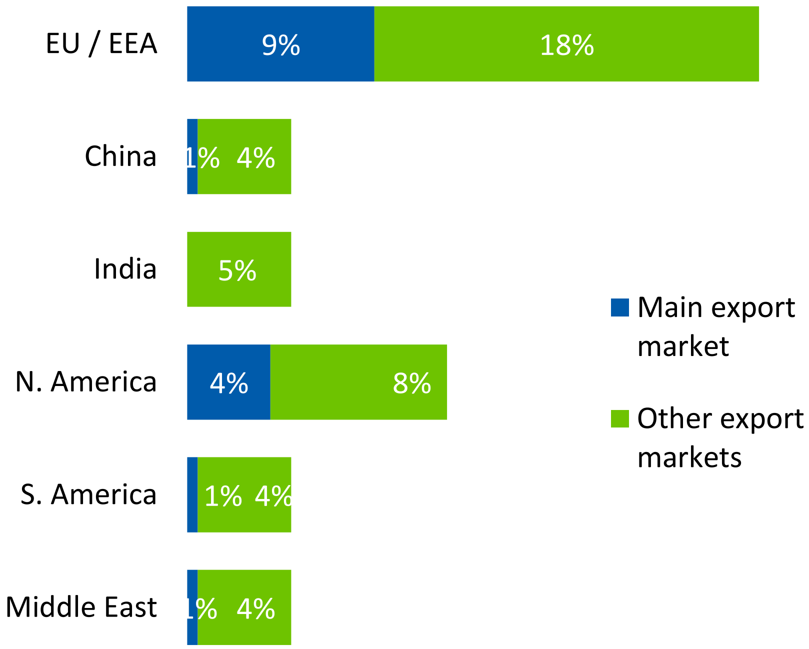




Q24 - Does your business export products or services outside the UK?
Q28 - Does your business directly purchase any physical supplies goods materials or stock from suppliers based outside the UK?

The most common export destination is the EU

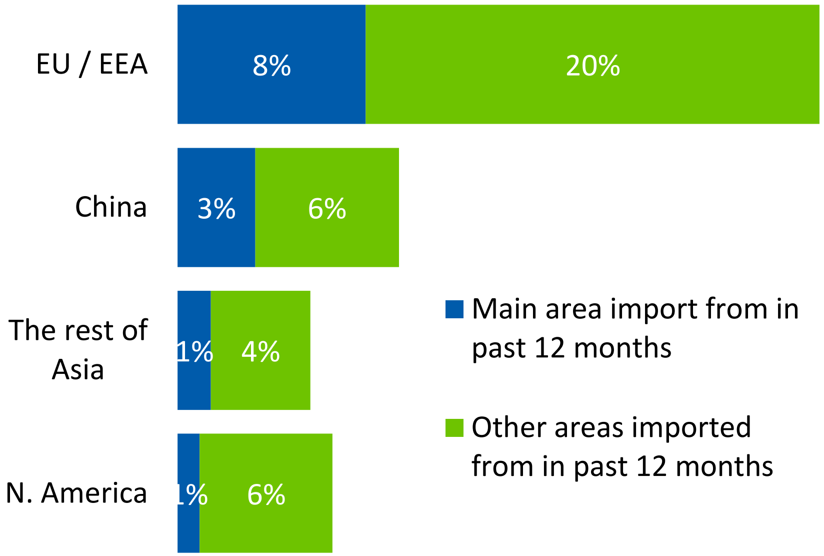
- The EU is by far the most important area for exports
- 27% of businesses export to the EU
- 9% of businesses identify the EU as their main export destination
- North America is the second key area providing a market for 12% of businesses and the main export market for 4%.



Q26 - *Which areas does your business export to? And which is your main destination, in terms of level of sales, for exports?*

The most common import source is the EU

- Just over a third of businesses had imported physical goods
- The EU is the most common source for imports during the last 12 months
  - 29% of businesses imported from the EU
  - 8% of businesses identified the EU as their main source for imports
- 9% had imported physical goods from China



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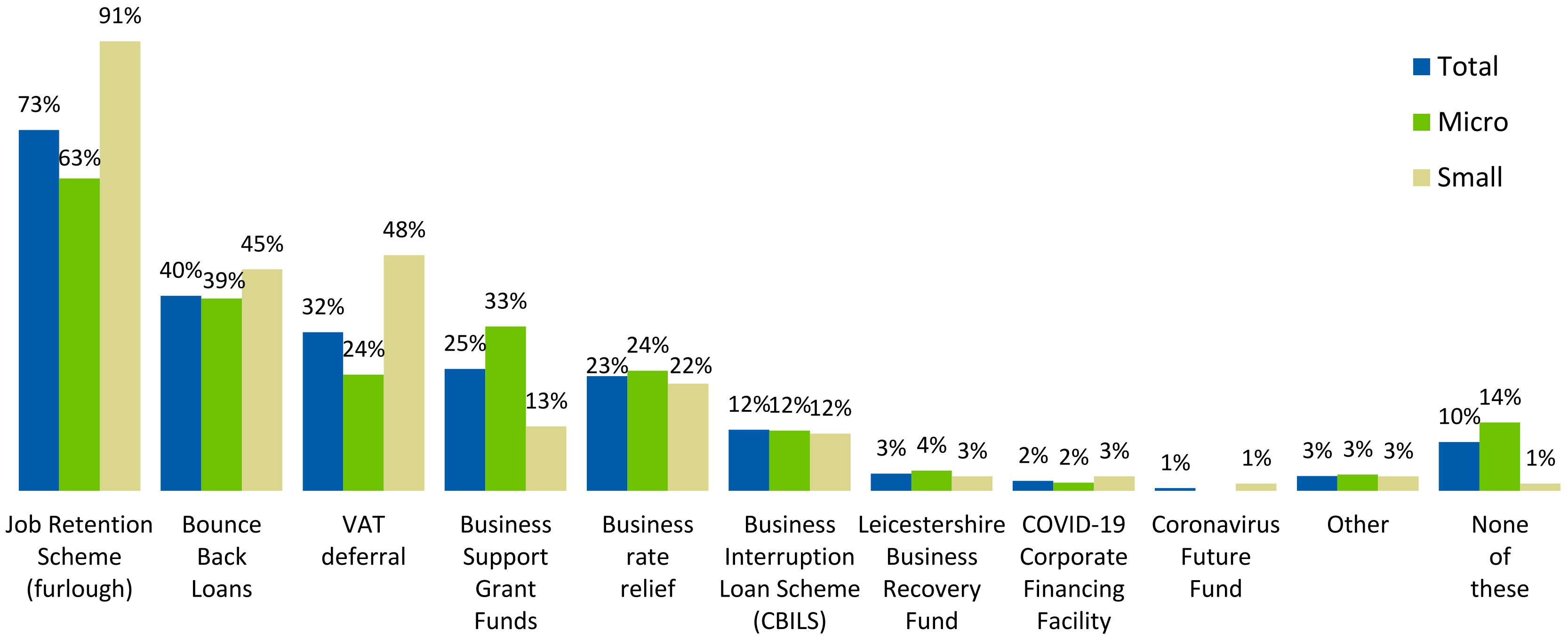
Working under Covid-19

1 in 10 companies have not accessed any support

- 10% have not accessed any support
  - Rising to 14% of micro businesses – could be due to scheme design or eligibility
- Nearly 3 in 4 (73%) have used the furlough scheme rising to 91% of small businesses
- Two in five (40%) have a Bounce Back Loan
- A third have used a VAT deferral
- Small businesses are more likely to have accessed the main support options
- Micro businesses were more likely to have accessed Business Support Grant Funds

Q31 - Which of the following government support schemes has your business accessed?

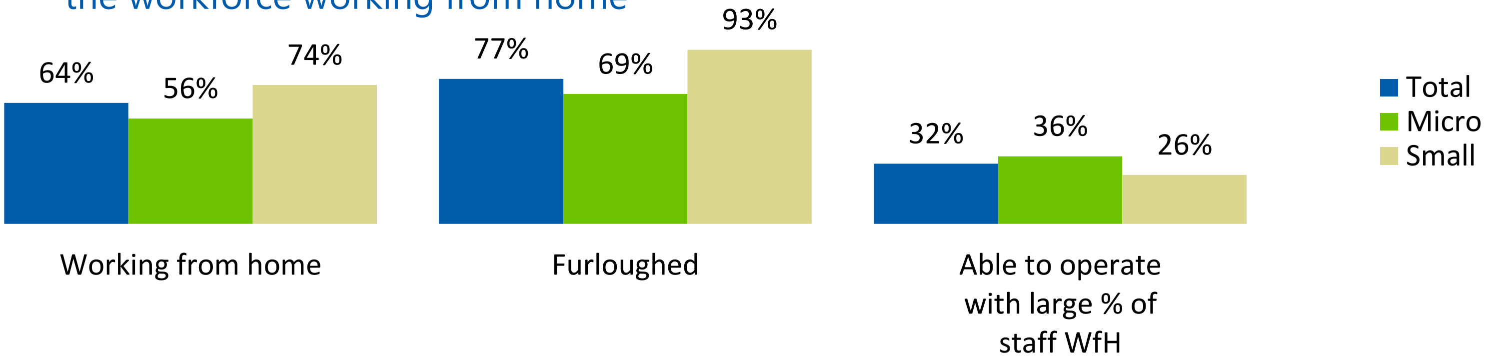
1 in 10 companies have not accessed any support (2)



Q31 - Which of the following government support schemes has your business accessed?

WFH in the last year

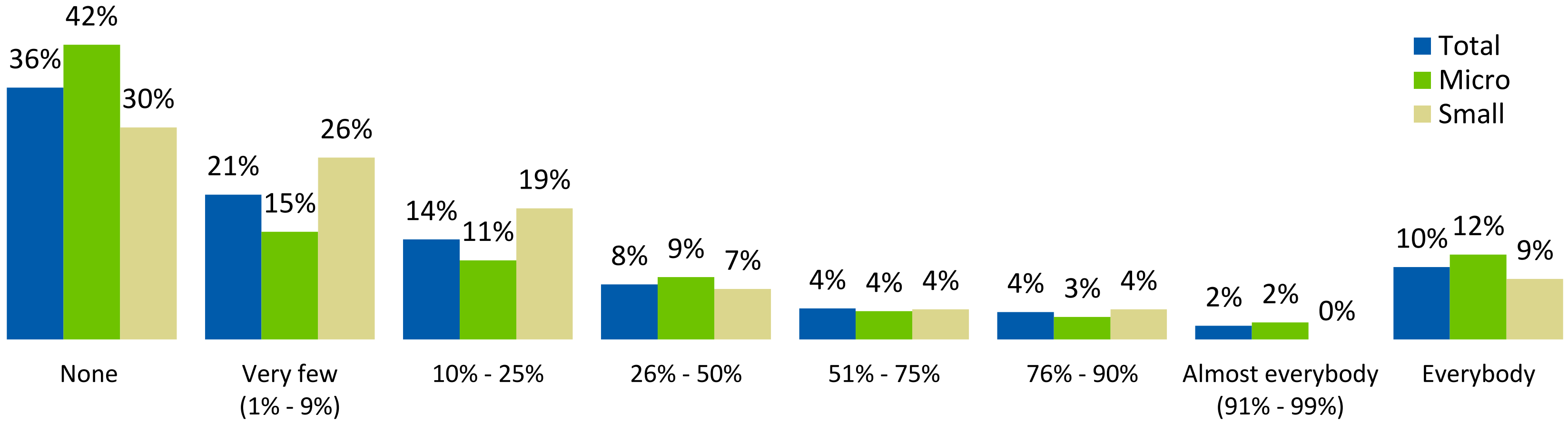
- Since April 2020
  - Nearly 2 in 3 (64%) have had staff working from home who don't usually do so
    - Rising to 74% of those in small businesses
  - More than 3 in 4 (77%) have furloughed some staff for some of the time
    - Rising to 93% in small businesses
  - Only a third of businesses think their business can operate with a substantial proportion of the workforce working from home



Q32a - Have any members of your workforce, who do not usually do so, been able to work from home since April 2020?
Q32b - Have any members of your workforce, been furloughed for either all or some of the time since April 2020?
Q35a - Do you consider that your organisation is the type of business that can operate with a substantial proportion of staff working from home?

Proportion working from home over last 2 months

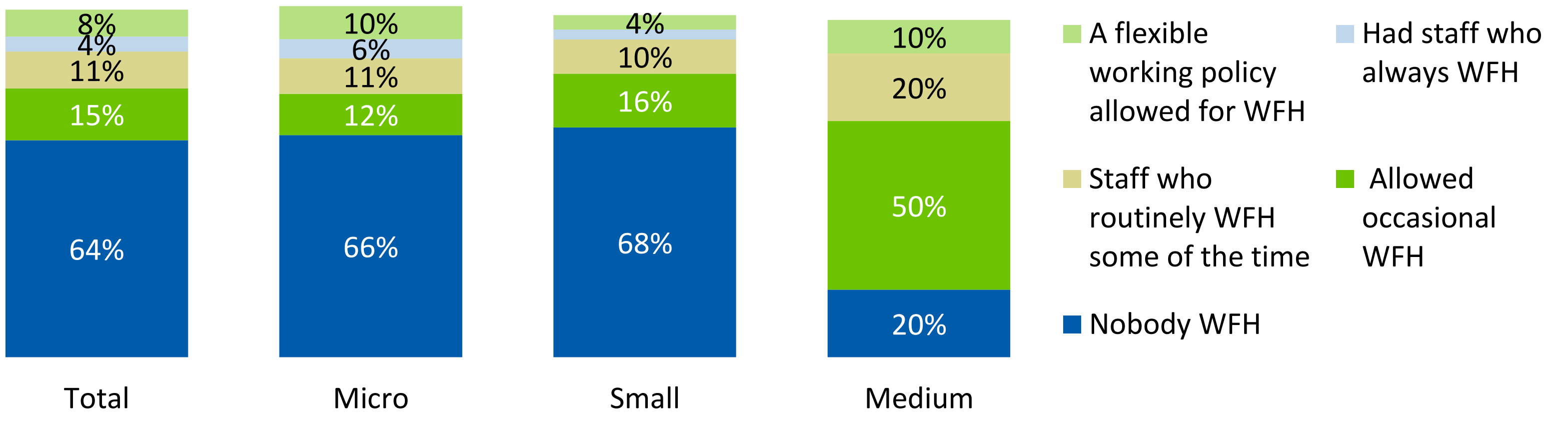
- There has been a wide range of experiences over the last 2 months
  - Around a third have had no staff working from home
  - A tenth have had all staff working from home
- Clearly the type and size of business will have impacted the need for furlough and this evidence needs to be interrogated in more detail.



Q33 - Roughly, what proportion of your workforce has been working from home, at least some of the time over the last 2 months?

Working from home policy pre-Covid-19

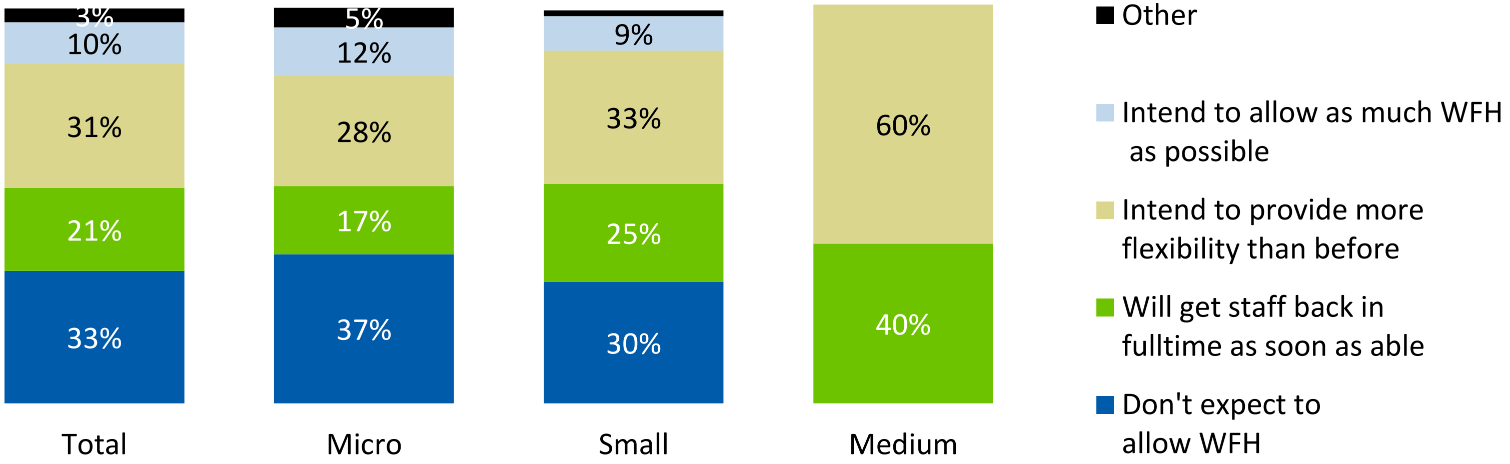
- Before Covid-19 two in three businesses (64%) had no provision for staff working from home
- Around a tenth (11%) had staff who routinely worked from home at least some of the time
- Just 8% had a flexible working policy which allowed for home working



Q34 - Which of the following statements best describe your working from home policy before Covid-19?

Working from home policy in next 6 months

- A tenth (10%) intend to encourage remote working in the future
- 3 in 10 intend to provide more flexibility than before
- However, more than half (54%) want to get staff back into the workplace fulltime as soon as regulations allow - for many of these businesses working from home is not an option



Q35b - Which of the following statements best describes how your business is likely to manage home working in the next six months?

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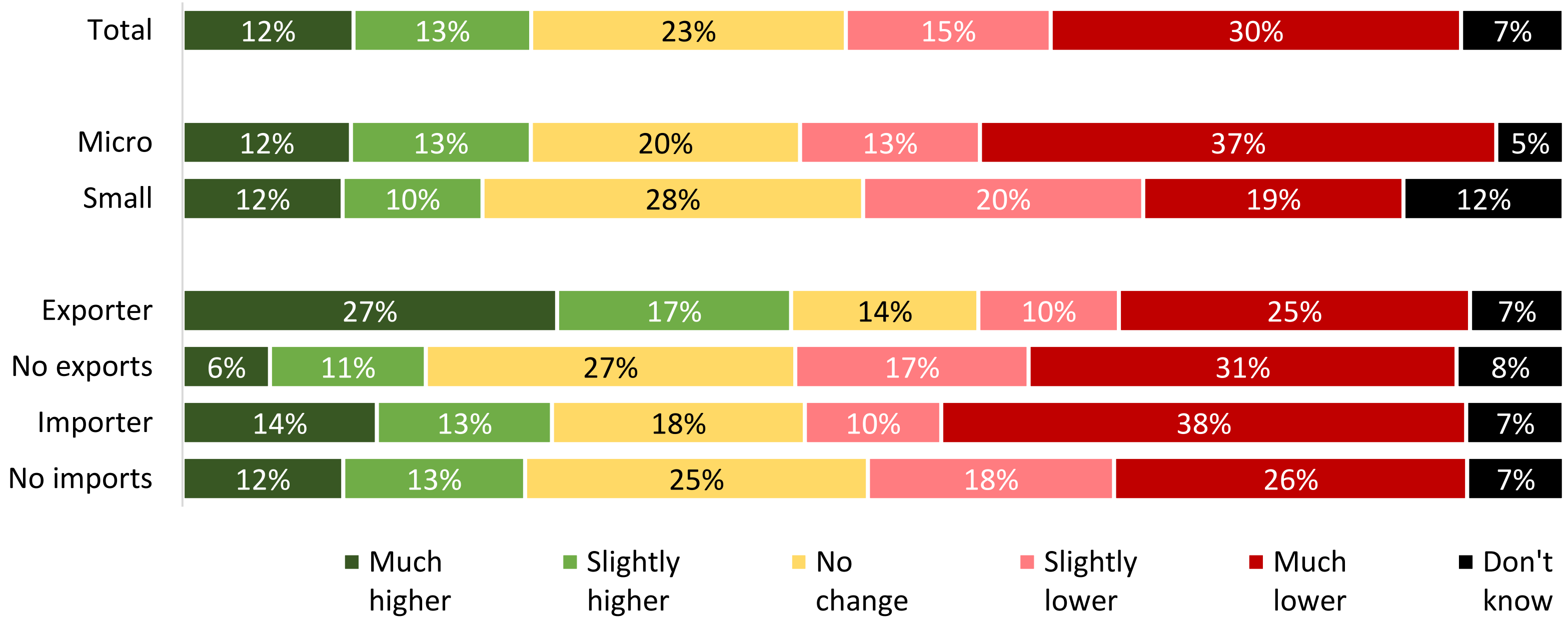
Business performance

Performance

- 45% have seen a fall in turnover
  - Micro businesses more likely to have seen a large fall than small businesses



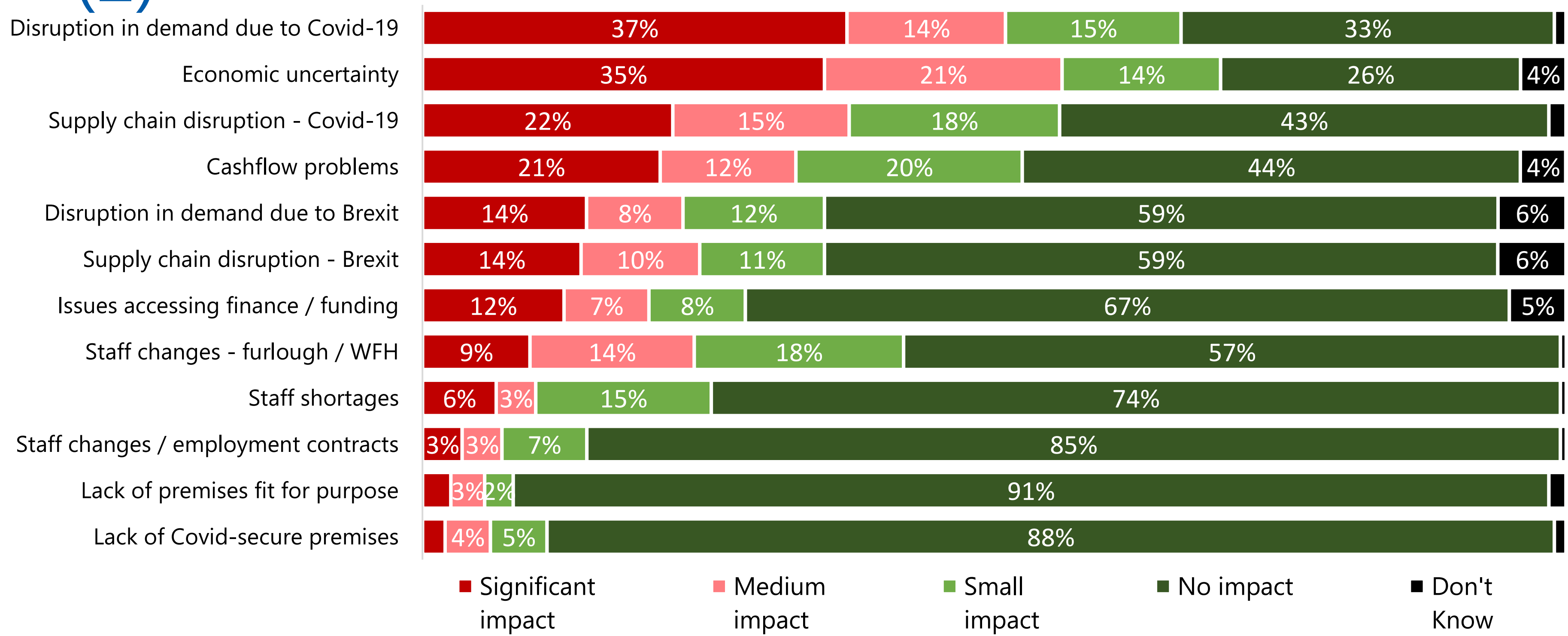
Q36 - How does the level of turnover from your last full month of trading compare with the same month last year?

Impact on business in last 2 months

- The greatest impact on businesses has come from a change to demand driven by Covid-19
- A similar impact has been seen from the (possibly) related issue of economic uncertainty
- Supply chain disruption (Covid-19 related) and cashflow problems are the next biggest impacts
- Brexit concerns - both demand and supply chain, are impacting around a third of businesses although only having a significant impact on 14%

Q37 - How far have each of the following had an impact on your business in the last 2 months?

Impact on business in last 2 months (2)



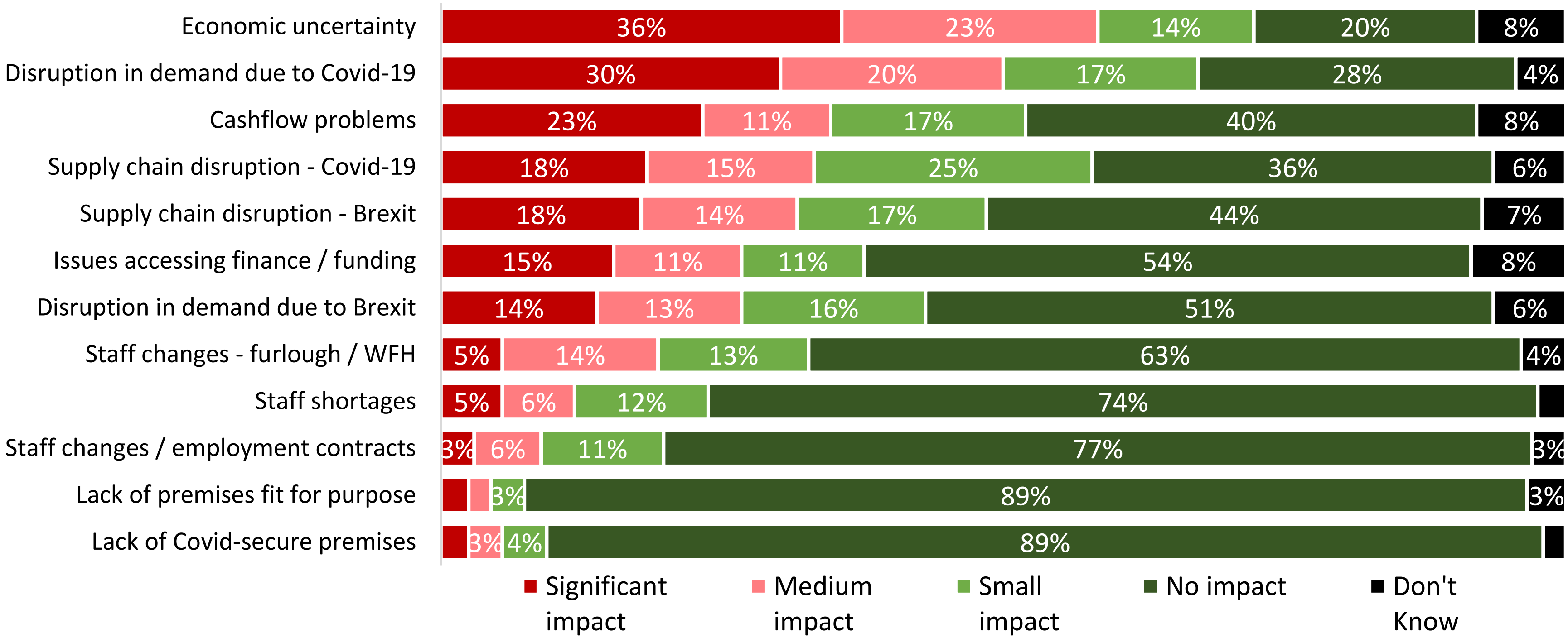
Q37 - How far have each of the following had an impact on your business in the last 2 months?

Impacts on business predicted for next 6 months

- The greatest concern is general economic uncertainty
- Covid-19 disruption is also a key concern for the next six months
- Brexit concerns are less important than those around Covid-19

Q38 - And how far do you expect each of the following to impact on your business in the next 6 months?

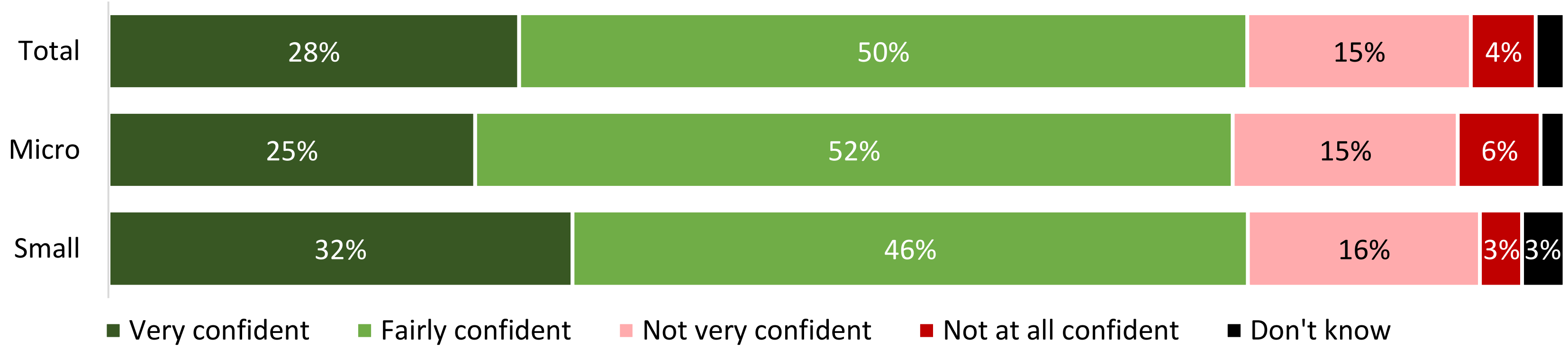
Impacts on business predicted for next 6 months (2)



Q38 - And how far do you expect each of the following to impact on your business in the next 6 months?

Business confidence for next 6 months

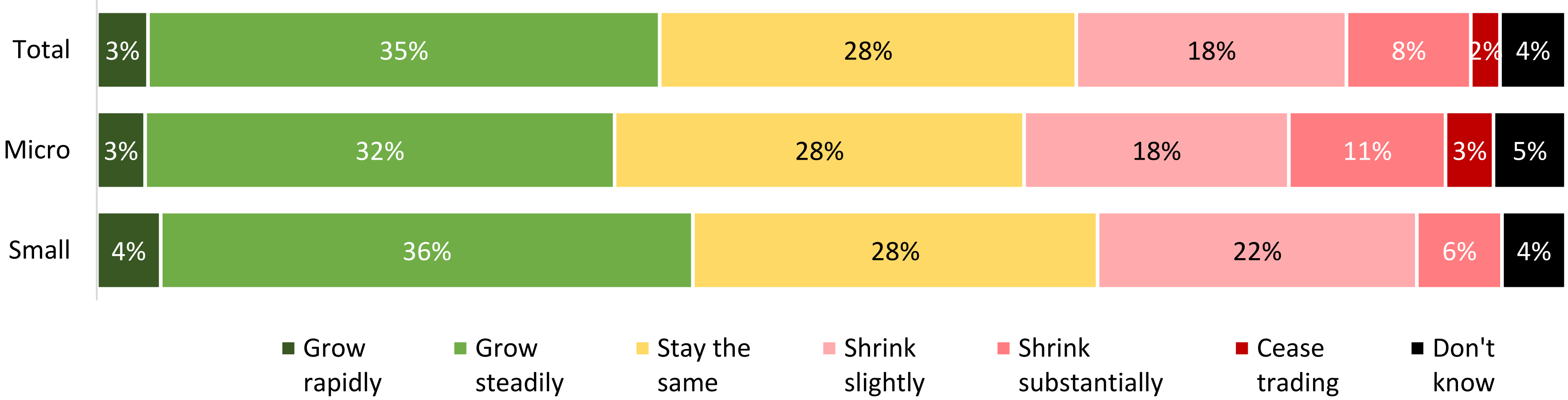
- Three in four businesses (78%) feel confident about the future of their business in the next 6 months
- Only 4% said they were not at all confident
- This is supported by the low numbers expecting to make redundancies and two in five businesses anticipating recruiting new staff



Q39 - How confident are you about the future of your business over the next 6 months?

12 month forecast

- Just under four in ten businesses (38%) expect to grow during the next 12 months
- Just under half (47%) expect to stay the same or shrink slightly
- However, a tenth expect to shrink substantially or even cease trading
  - Micro businesses are more concerned about the future than small businesses perhaps with less reserves to manage downturns



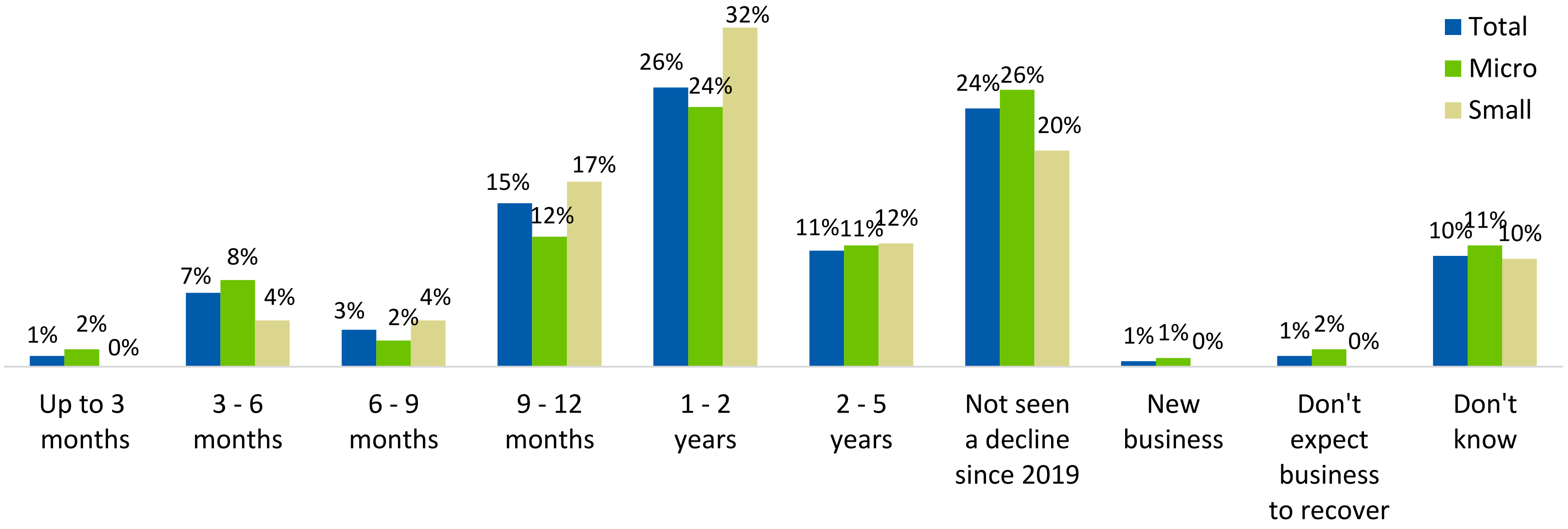
Q40 - Which of the following best describes your company's forecast for growth over the next 12 months?

Predicted time to recover to 2019 levels

- A quarter (24%) of businesses have not seen a decline in turnover
- A second quarter (27%) expect to recover within 12 months
- A third quarter (26%) expect to recover within 2 years
- Just over a tenth (11%) of businesses expect their recovery to take up to 5 years
- A tenth (10% or 21 businesses) were unable to answer the question and a further 2 businesses did not expect to recover

Q41 - How long do you expect it will take your business to return to 2019 performance levels?

Predicted time to recover to 2019 levels (2)



Q41 - How long do you expect it will take your business to return to 2019 performance levels?

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Business Gateway Growth Hub

Just under a tenth have contacted the Growth Hub

- 9% of businesses we spoke to had contacted the Business Gateway Growth Hub in the last 2 months
  - 13% of small businesses and 8% of micro businesses
- The most requested support was finance or funding (4%)
- Training workforce and skills was next most popular and used by more small organisations than micro organisations
- Businesses were also asked what form of Growth Hub support they would most benefit from over the next two months:
  - The most common requirement was for advice around funding and support for grants
  - A much smaller number were looking for support with staff issues such as training and recruitment
  - A quarter said they were not interested in support from the Growth Hub

Q42 - Have you reached out to the Growth Hub in the last two months for support?
Q43 - What support did you request?
Q45 - What forms of support from the Growth Hub do you believe your business would benefit from most over the next 2 months?

Summary

- Skills
  - A third feel digital and IT skills need improving
  - 3 in 10 want to improve sales / marketing skills
- Staffing
  - A quarter have recruited in past 2 months
  - 44% are looking to recruit in next 6 months
  - Two thirds employ no UK nationals - overall little change over the last year
- Digital
  - 3 in 4 have a social media presence
  - Most agree digital technology is important and want to grow its use
  - A third have invested in digital technology in past 2 months
- Environment
  - A quarter have taken action to reduce carbon impact in past 2 months
  - Four in ten plan to take action in next 6 months

Summary (2)

- Exports / Imports
  - Half of businesses are not involved in international trade - 29% export and 35% import
  - The EU is the most important trading partner for both imports and exports
- Covid-19
  - 1 in 10 companies have not accessed any support
  - 3 in 4 have accessed the furlough scheme
  - 2 in 3 have had staff working from home who wouldn't normally do so
  - 2 in 5 businesses are likely to allow more home working than before
- Performance
  - 45% have seen a fall in turnover
  - But three in four feel confident about the future
  - Half expect to recover to pre-Covid levels within 12 months and most (78%) within 2 years