

C19

Impact Series

SMEs Edition

ASSESSMENT OF THE IMPACT OF THE COVID-19 CRISIS ON SMEs –
IDENTIFYING MEASURES NEEDED TO ENSURE BUSINESS CONTINUITY

PREPARED BY IPSOS
MAY 2020

SMES EDITION, IN
COLLABORATION WITH



GAME CHANGERS





STUDY BACKGROUND

In light of the situation across the country, SMEs are up against unprecedented challenges whose repercussions will be felt for years to come. Currently, SMEs are the most vulnerable to social distancing measures put in place, with many facing complete shutdowns as a result of the ongoing crisis. While some measures have been put forward to support SMEs combat the short term implications of the shutdown, there continues to be a need for a more effective response in order to be able to mitigate the effects of the crisis on the country's economic lifeline.

The following report outlines the impact of the crisis on SMEs as well as their readiness to address the current crisis and its aftermath. Furthermore, this study will shed light on response measures adopted by businesses as well as identifying needs and expectations of SMEs from various stakeholders moving forward.

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STUDY APPROACH & METHODOLOGY

QUANTITATIVE APPROACH



METHODOLOGY

SELF-ADMINISTERED
ONLINE INTERVIEWS



SAMPLE PROFILE

OWNERS/DECISION MAKERS
NATIONWIDE COVERAGE



LENGTH OF INTERVIEW

15 MINUTES



SAMPLE SIZE

290 SMEs



FIELDWORK DATES

10 APRIL – 27 APRIL

METHODOLOGY



SAMPLE RECRUITMENT

- SMEs were recruited from the KINZ' databases,.
- Participating businesses were selected randomly based on a predetermined quota on sector, region & size.
- The sample is representative of SMEs across different sectors in Jordan as per 2018 "Department of Statistics" census.

DATA INTEGRITY AND QUALITY CONTROL

Level 1: Recruitment

- Ipsos online surveys were sent as unique and single-use SMS links to a randomly pre-selected sample of business managers/owners, who represent the universe of SMEs in Jordan.
- Such Business managers/Owners were validated and contacted by Kinz
- No Open Links were used for this study
- Ipsos unique Links were valid only on the respondent's unique IP address

Level 2: Data Integrity

- Ipsos deployed automatic detection and removal from the data of speeders & straight liners
- Ipsos Scripts utilized Enhanced Captcha measures to verify human input and prevent inaccurate responses

Level 3: Quality Control

- Quality control and verification through Ipsos call backs via our WFH CATI centers.

An overhead view of a group of people in a meeting around a wooden table. There are laptops, tablets, and notebooks on the table. A white banner with the text 'KEY HIGHLIGHTS' is overlaid on the image. On the left side, there is a decorative graphic of overlapping hexagons in shades of blue and teal.

KEY HIGHLIGHTS



KEY HIGHLIGHTS

Amidst Reopening, Businesses Worry about Pending Financial Obligations

The current crisis has had a substantial impact on the country's economic lifeline with the vast majority of SMEs experiencing complete shutdowns and loss of revenue. With many depending on revenues to cover current expenses, businesses' resilience against this crisis is quite limited. In fact, The Government's decision to ease lockdown measures has come at the right time considering that the majority of businesses will be unable to financially sustain themselves beyond April had the lockdown persisted. Nonetheless, the current disruption has led many to be extremely concerned about covering immediate costs like paying rent and payroll.

Measures Implemented by Businesses Aim to Preserve Liquidity:

In an attempt to mitigate the negative impact of the crisis on the business, the majority have started deferring payments and a sizable percentage have also resorted to external financing, with many intending to follow suit. It is worth noting that businesses are delaying measures that have a direct impact on their employees, opting to look for other solutions and keeping salary deductions and lay offs as a last resort.

Government Measures Fall Short in Addressing SME's Current Business Challenges:

While businesses appreciate the measures implemented by the government to minimize the negative impact of the crisis on the overall economy, they are less likely to feel that these measures are addressing their businesses' direct challenges. Furthermore, government measures are seen to favor the rights of employees over those of their employers.



KEY HIGHLIGHTS

Expectation from the Government to Offer Instant Relief Measures:

Given the severity of the impact on business operations and revenues, there are high expectations when it comes to the degree of government intervention. In fact, the government is expected to support on a wide scale by increasing spending in order to stimulate the economy as well as offer support on businesses immediate challenges mainly by working with relevant stakeholders to defer rent and loan payments.

High Levels of Concern Regarding Business Continuity:

Half of SME's in Jordan are not confident about their ability to survive the current crisis, with this worry especially highlighted amongst the most vulnerable establishments, namely small businesses and those operating within the hospitality sector. Additionally, businesses share a bleak outlook regarding the duration of the crisis with 1 in 2 expecting that things will not resume to normal before August and expecting the recovery period for their business to be even longer.

The Current Crisis is Forcing Many to Rethink their Business Models:

In light of the current crisis the majority of businesses expect to change their business operations in at least one way. Most businesses intend on implementing long term cost cutting measures and focus more on better cash management which will offer resilience in the face of future adversities. Furthermore, there is a clear shift towards digitization, with many businesses intending to focus on improving their digital presence.

The background of the slide is a photograph of a dark, possibly black, door. The door has a diamond-patterned mesh or screen. A small, rectangular, light-colored sign with the word 'PULL' in black capital letters is mounted on the door handle. A larger, white, rectangular sign with the word 'CLOSED' in black capital letters is hanging from the handle. The sign is slightly tilted. On the left side of the image, there is a decorative graphic consisting of a series of overlapping hexagons in various shades of blue and teal, arranged in a pattern that suggests movement or a digital interface.

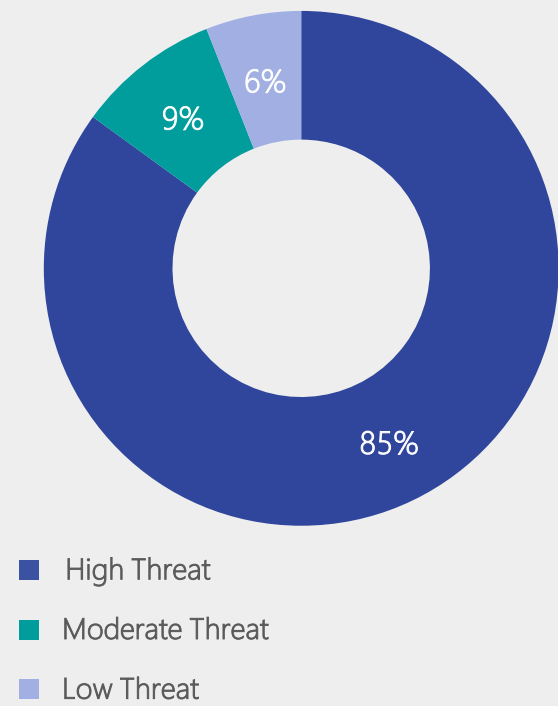
UNDERSTANDING THE CURRENT BUSINESS SITUATION

LEVEL OF THREAT POSED BY COVID-19 ON BUSINESSES

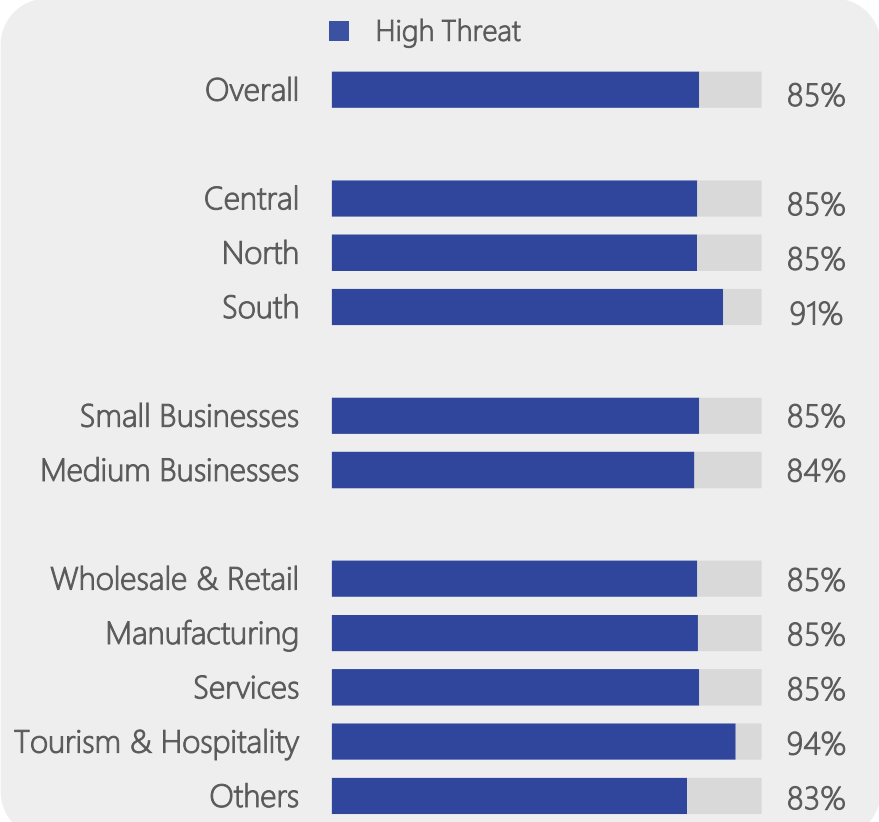
The vast majority of businesses perceive high levels of threat posed by the pandemic on their operations. However, this is especially more pronounced amongst businesses located in the South as well as those in the Tourism & Hospitality sector.

Perceived Level Of Threat

Q. What level of threat do you think the coronavirus or COVID-19 poses to your business?



BY REGION, SIZE, & SECTOR



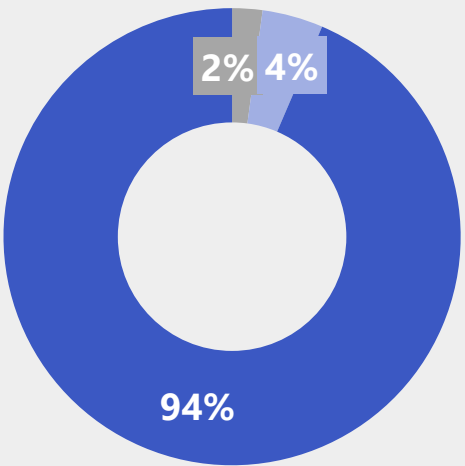
IMPACT OF COVID-19 ON OPERATIONS & REVENUE

For the majority of SMEs operating in the country, the lockdown has led to a complete halt of their activities and as a result revenue streams were gravely impacted with 9 in 10 experiencing complete loss of revenue.

The minority that managed to maintain some of their operations, were mostly medium sized companies, with Healthcare Service companies being the most resilient.

Impact On Current Business Operations

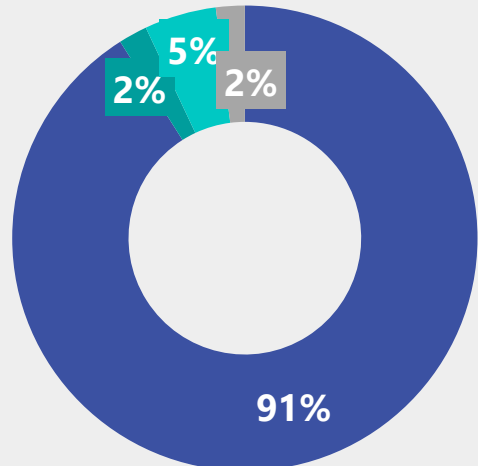
Q. What is the impact of the lockdown on your business' current operations?



- No Impact - Business As Usual
- Significant Impact - Continued With Limited Capabilities
- Total Impact - Complete Shutdown

Impact On Revenue

Q. How has your business been impacted since the government imposed the lockdown?



- No Revenue
- Decreased By Up To 50%
- Decreased By More Than 50%
- No Change

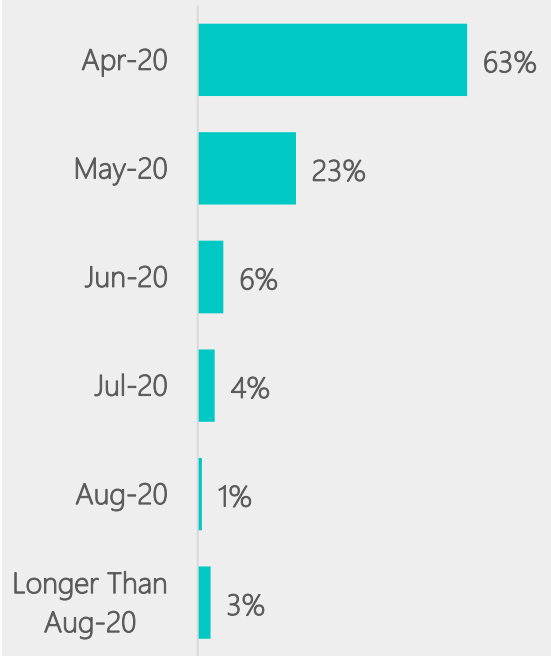
FINANCIAL SUSTENANCE

The Government’s decision to ease lockdown measures has come at the right time considering that the majority of businesses will be unable to financially sustain themselves beyond April, should the lockdown persists.

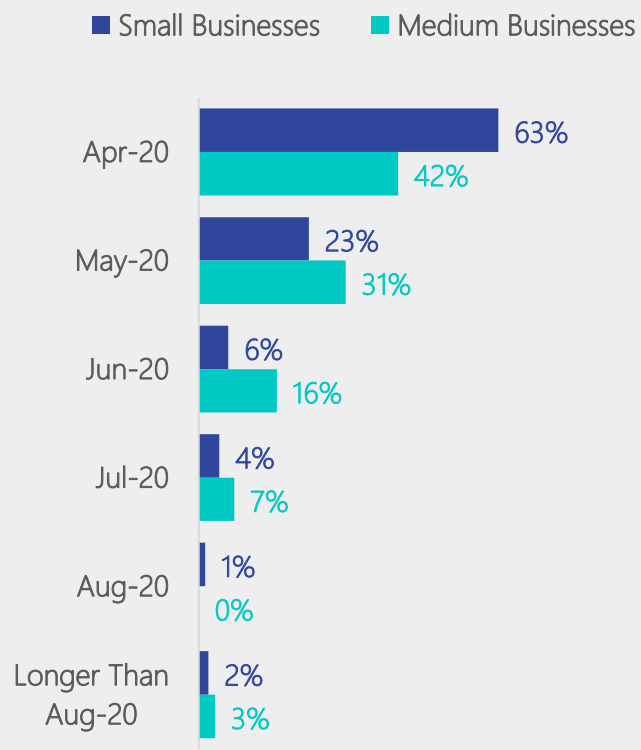
This was especially a worry amongst smaller businesses who struggle with liquidity and depend on revenue streams to be able to cover monthly expenses.

Duration of Financial Sustenance

Q. How long would you be able to financially sustain your business if the lock down persists?



Duration Of Financial Sustenance - By Size of Business



TOP CONCERNS & COSTS

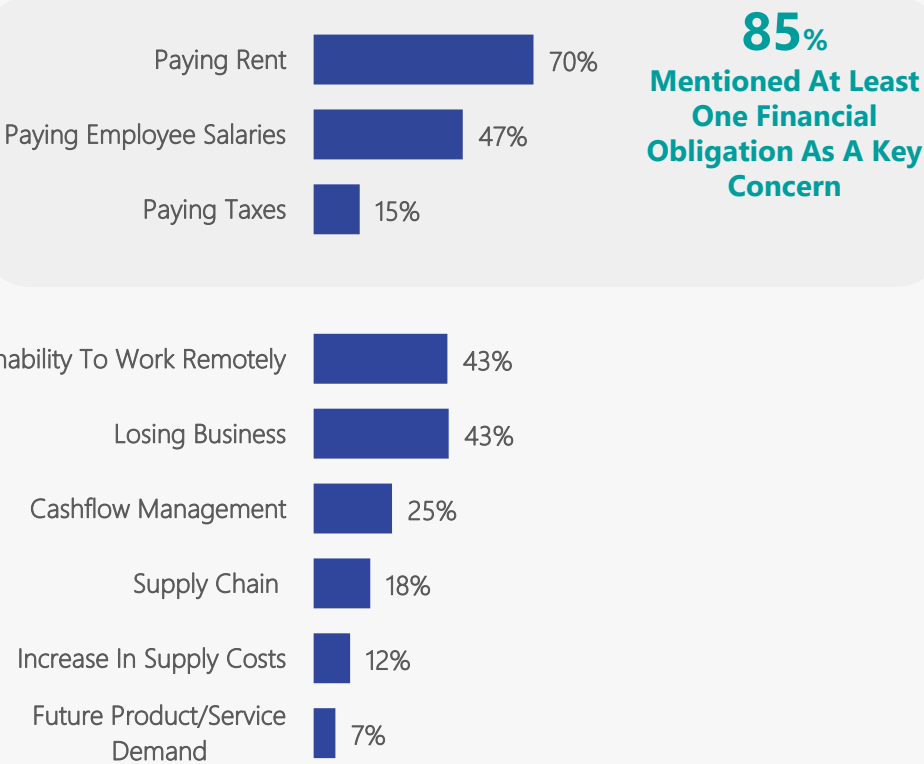
With revenues coming to a complete halt and companies struggling with liquidity, many are extremely concerned about covering their top immediate costs, namely rent and payroll.

While medium-sized companies are more concerned about making payroll, smaller businesses on the other hand are more worried about paying rent.

Nevertheless, many are also concerned about the long term impact this crisis will have on their business, especially when it comes to retaining clients.

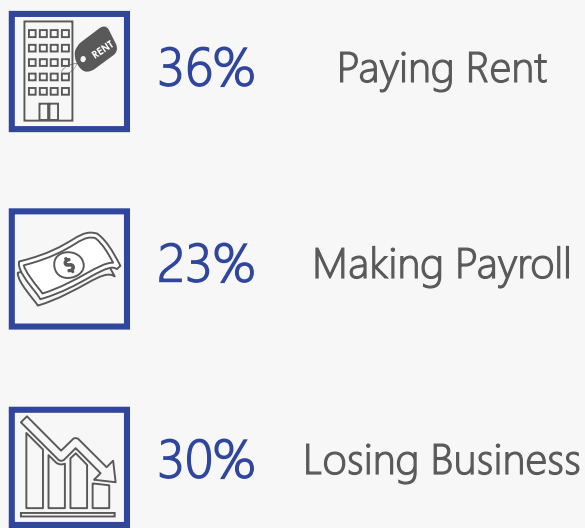
Top Concerns Amongst Businesses

Q. Thinking about your current business situation, out of the below factors, which do you consider to be your top 3 concerns?



Highest Costs Suffered

Q. What is the highest cost you currently have?



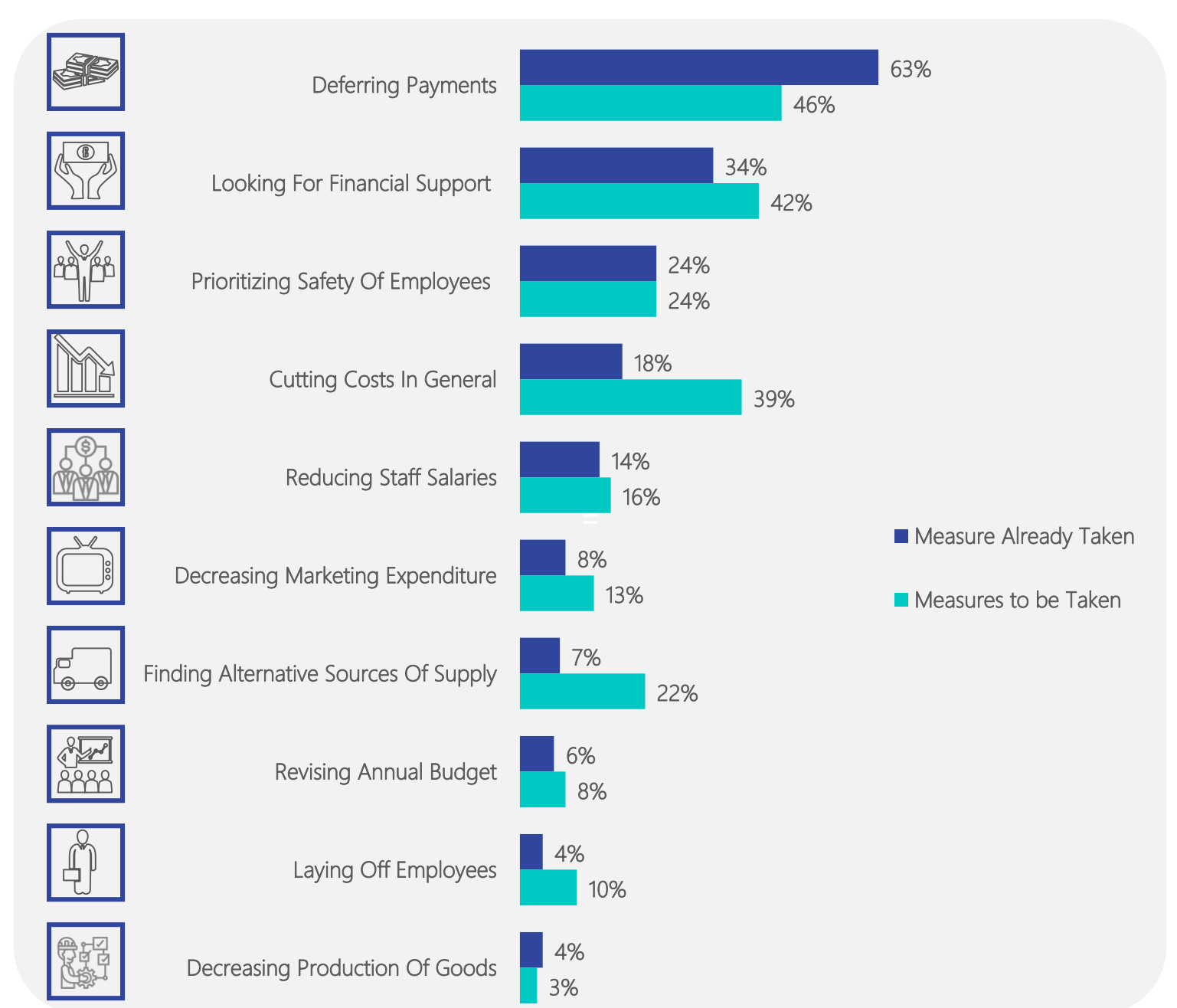


MEASURES IMPLEMENTED BY BUSINESSES

MEASURES TO MITIGATE THE IMPACT ON BUSINESSES

With making payments being a primary concern, the majority of businesses have already resorted to delaying upcoming payments with many intending to further defer in the future. However, more than a third have already sought financial assistance in order to be able to cover expenses with many more planning on resorting to additional financing.

Furthermore, businesses are putting off measures that affect their employees, with the vast majority wanting to protect the livelihoods of their staff and as such postponing layoffs and salary reductions.



Q. In light of outbreak, which of the following measures have you already taken to mitigate the negative impacts on your business?
 Q. Which of the below measures are you planning to take in the future to mitigate the negative effect of COVID-19 on your business?



AWARENESS & PERCEPTIONS TOWARDS GOVERNMENT MEASURES

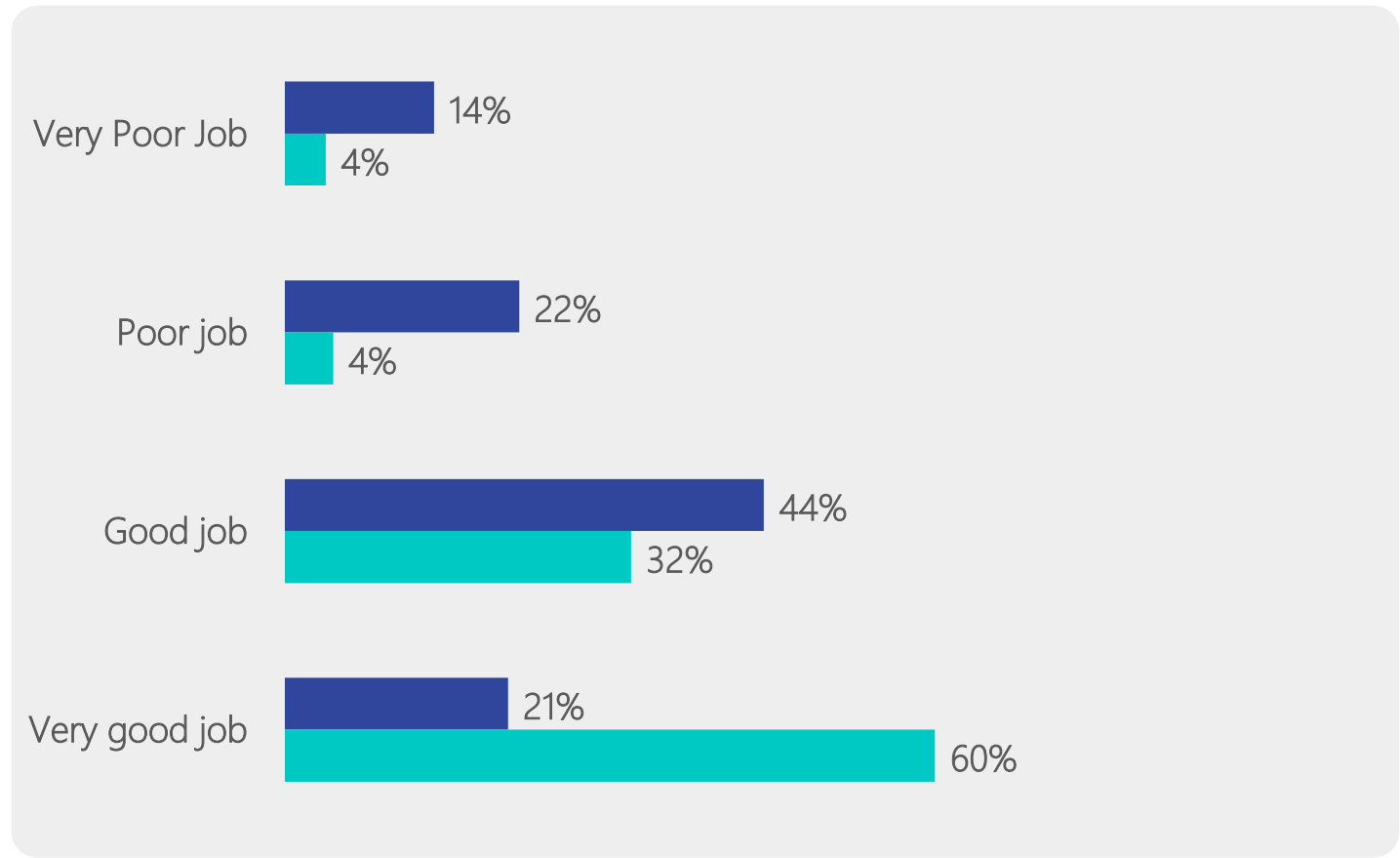
EVALUATING THE GOVERNMENT'S PERFORMANCE

The overwhelming majority of businesses are praising the government for its efforts when it comes to containing the spread of the virus in the country.

Although to a lesser extent, businesses also feel that the government's efforts in minimizing the negative impact on the economy has been commendable, with 1 in 2 believing that the government has done a good job on that front.

However, the following slide shows that businesses have a different perception when it comes to the effectiveness of government measures in tackling their own specific business challenges.

- Minimizing Negative Impact On The Overall Jordanian Economy
- Containing The Spread Of COVID-19 In Our Communities



Q. In light of the current COVID-19 outbreak, how good or poor of a job is the government doing when it comes to the following?

DEFENSE ORDER NUMBER 6

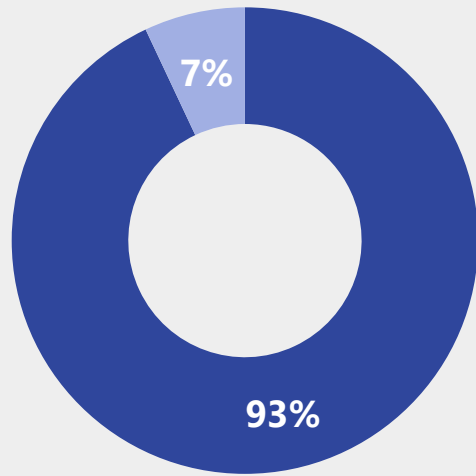
While businesses appreciate the efforts made by the government to protect the country's overall economy, they are more skeptical about the effectiveness of government decisions when it comes to addressing their own business's direct challenges.

Furthermore, given that small businesses along with manufacturers and service providers were greatly affected by this crisis, it comes as no surprise they are the most skeptical about the government efforts.

On the other hand, given that wholesalers and retailers were able to operate under certain precautionary measures, one quarter have communicated that the Defense Order number 6 has resolved many of their challenges.

Awareness of Defense Order Number 6

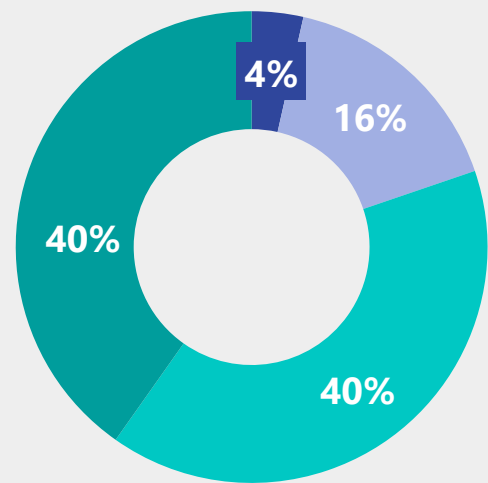
Q. Have you heard about defense order number 6 relating to employees' and employers' rights and procedures put in place to mitigate the economical effect of the lockdown?



Aware Unaware

Impact of Defense Order Number 6 on Current Business Challenges*

Q. Do you think that these new regulations address the specific challenges your organization is currently facing?



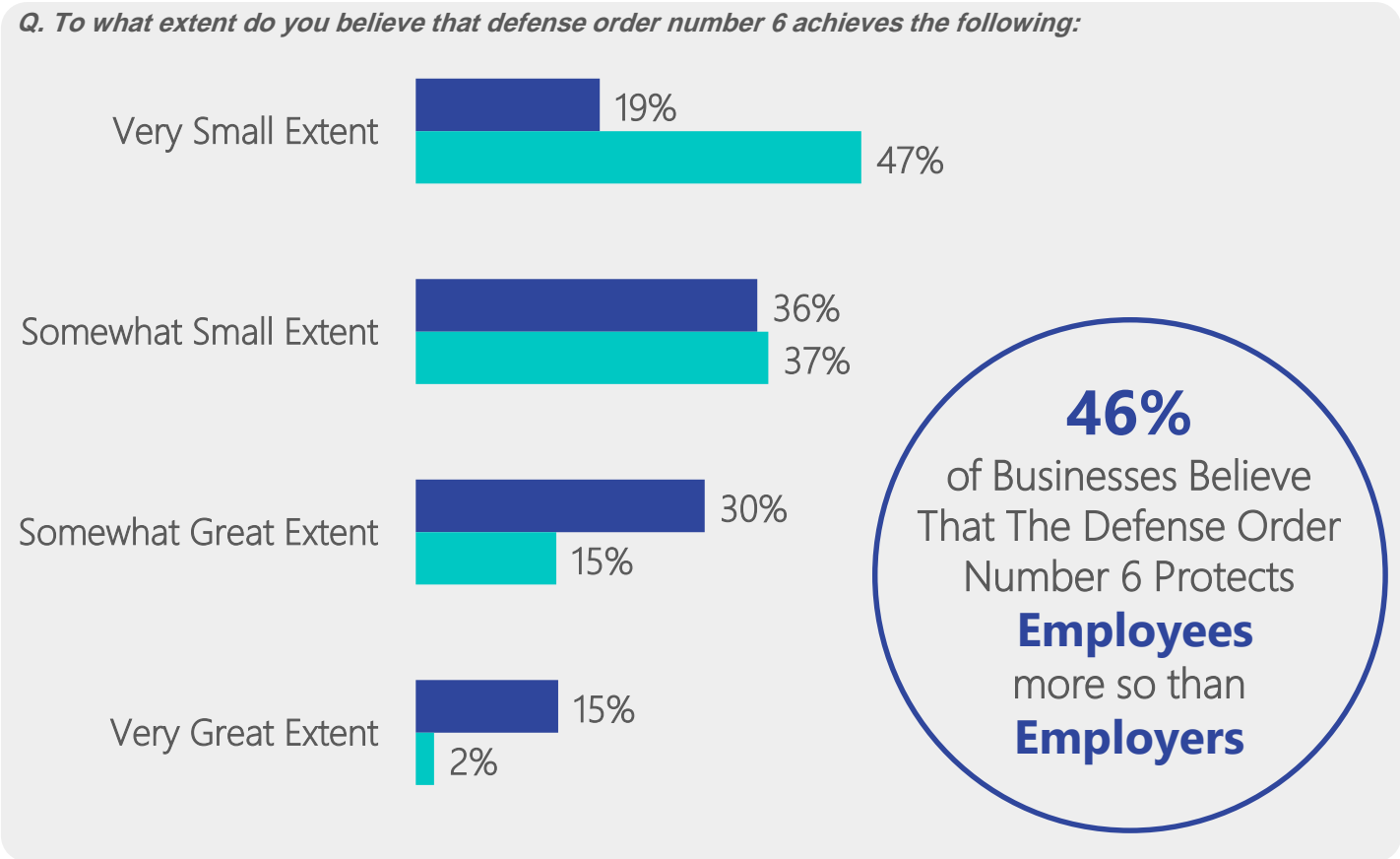
Solves All Challenges
Resolves Many But Not All Challenges
Resolves A Few Of My Challenges
Resolves None Of The Challenges

**Out of those who are aware of defense order number 6*

DEFENSE ORDER NUMBER 6

While Defense order number 6 seeks to balance employees and employer interests, businesses feel that it is more likely to be favoring the financial well-being of employees over the needs of employers.

- Protecting The Rights of Employees*
- Protecting The Rights of Employers/ Businesses*



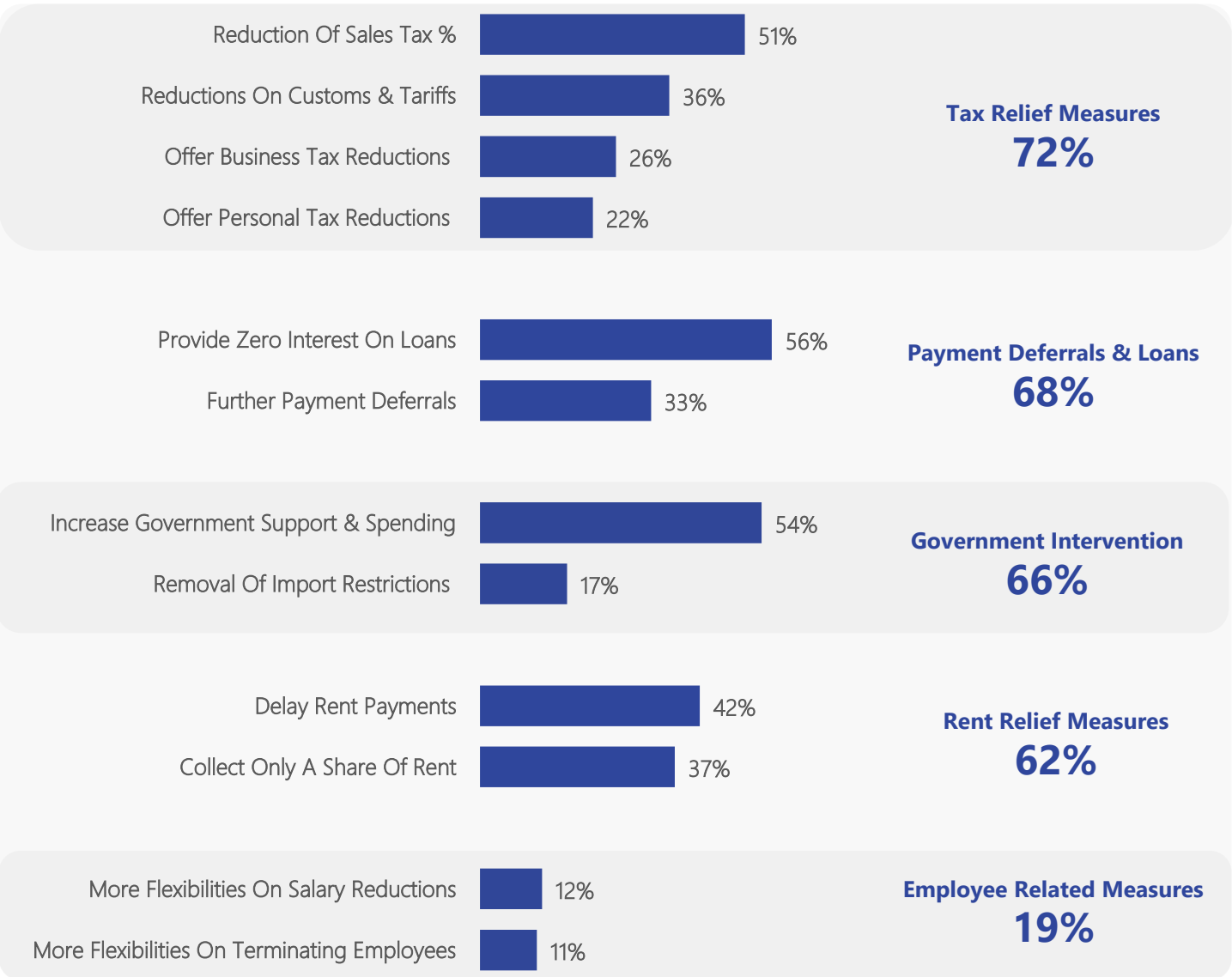
*Out of those who are aware of defense order number 6

SUPPORT MEASURES NEEDED BY BUSINESSES

Given the experienced halt in revenues, businesses have very high expectations when it comes to the needed government interventions. In fact, its is expected that the government intervenes on several fronts, namely, tax relief measures, further payment deferrals and providing support on loans, as well as increasing spending to stimulate the economy.

Furthermore, given that the highest level of concern, to most businesses is rent payments, businesses would like to see the government putting rent relief measures in place to help them cut their costs in the short-term.

Types of Support Needed



Q. What kind of measures/ support would you like to have in place, to be introduced by the government and other entities to minimize the impact of the situation on your company/industry?



SUPPORT MEASURES NEEDED BY BUSINESSES

Medium-sized businesses are mostly on the lookout for tax relief measures and government intervention. On the other hand, given that small businesses are mostly suffering with the costs of rent, they are more likely to express the need for measures that can support them on that front. This is also the case for companies operating in the Tourism & Hospitality sector, as well as those within the Manufacturing and Service sectors.

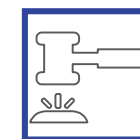
BY REGION, SIZE, & SECTOR



Tax Relief
Measures



Payment Deferrals
& Loans



Government
Intervention



Rent Relief
Measures



Employee
Related

Overall	72%	68%	66%	62%	19%
Small Businesses	72%	68%	66%	62%	18%
Medium Businesses	86%	67%	73%	42%	41%
Wholesale & Retail	74%	68%	70%	59%	15%
Manufacturing	72%	78%	63%	66%	25%
Services	66%	65%	58%	65%	6%
Tourism & Hospitality	72%	64%	43%	73%	36%
Others	69%	64%	71%	59%	25%

Q. What kind of measures/ support would you like to have in place, to be introduced by the government and other entities to minimize the impact of the situation



ATTITUDES & FUTURE OUTLOOK

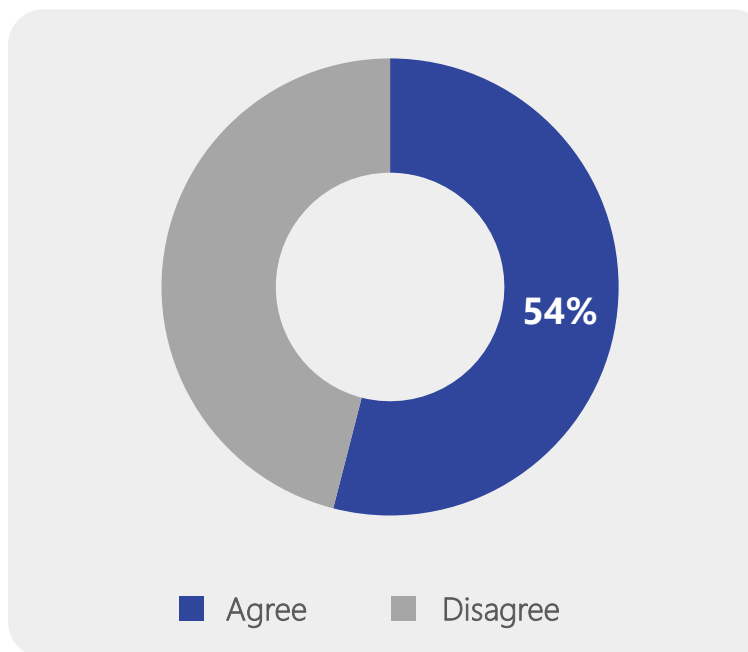
FUTURE PERCEPTIONS OF COVID-19'S IMPACT ON BUSINESSES

More than 1 in 2 businesses believe that the pandemic will have a lasting impact on the global economy, and this is more pronounced amongst small businesses, service providers and hospitality.

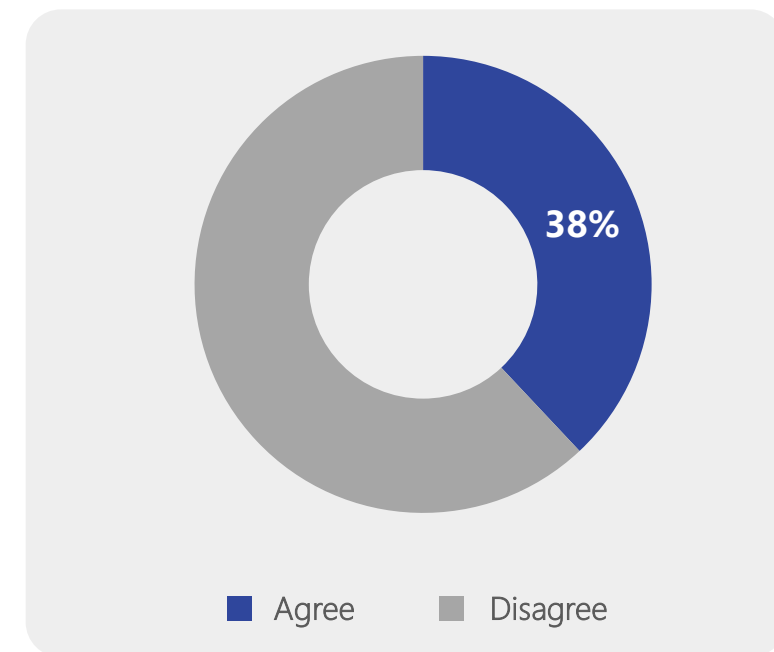
Furthermore, 4 in 10 believe that businesses in general should be changing their activities after containing the risk of COVID-19. Service providers and Wholesale and Retail businesses were found to be the driving force behind this belief.

% of Those who Agree

The Coronavirus or COVID-19
Outbreak Will Have A Lasting
Impact The Global Economy



Businesses In General Should Be Changing
Their Activities In A Significant Way After The
Risk Of COVID-19 Is Contained



Q. For each of the below statements, to what extent you agree using a scale from 1-7, where 1 = Disagree completely and 7 = Agree completely.

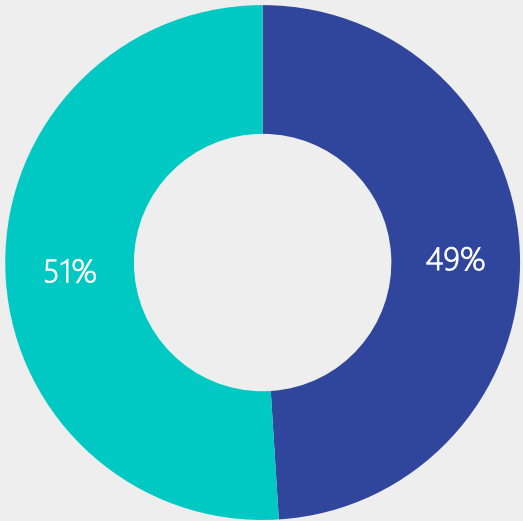
LEVEL OF BUSINESS CONFIDENCE

Half of businesses share a negative outlook about the future of the business – not being confident about their ability to survive the crisis. Smaller businesses are more concerned when compared to medium businesses, and it comes as a virtue of them being in a more vulnerable position in the midst of the crisis, with less buffers to fall back on.

Additionally, Service providers and Tourism & Hospitality were also the most apprehensive, while businesses in the Wholesale & Retail as well as the Manufacturing sectors were found to be more confident about the future of their business.

Confidence Levels Towards Business Survival

Q. How confident are you that your business will survive the current crisis?



■ Not Confident
■ Confident

BY REGION, SIZE, & SECTOR



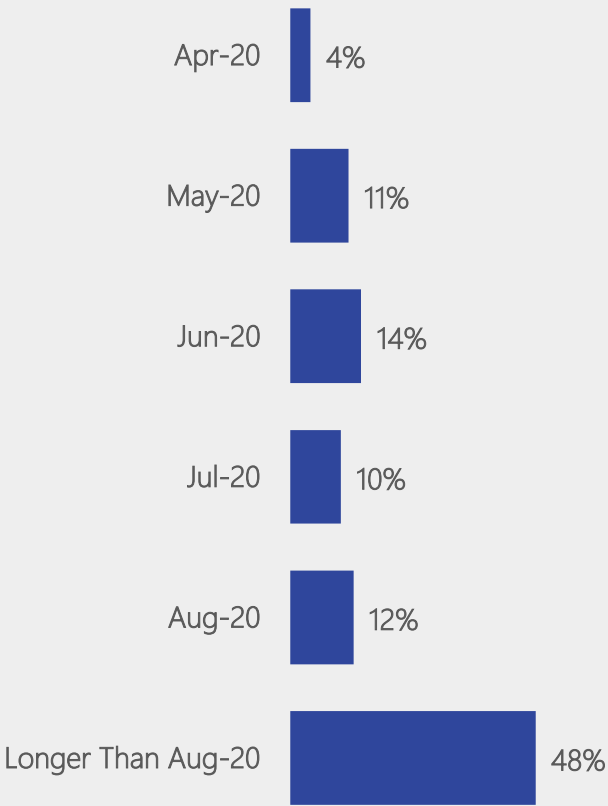
FUTURE OUTLOOK

Nearly 1 in 2 businesses expect that the impact of COVID-19 on their business will last longer than August 2020. However, it's important to highlight that the businesses that are suffering the most are the ones expecting longer recovery periods, namely; small businesses, and those within the Tourism and Hospitality sector.

Given that most of the businesses foresee the impact to continue for a while, the expected recovery duration follows a similar trajectory, whereby, almost 50% of businesses believe they will need 6 months or more to be able to fully recover.

Covid-19 Impact Duration

Q. When do you expect things to go back to usual?



Expected Duration For Recovery

Q. How long do you expect it will take for your organization/ industry to recover from the covid-19 outbreak?



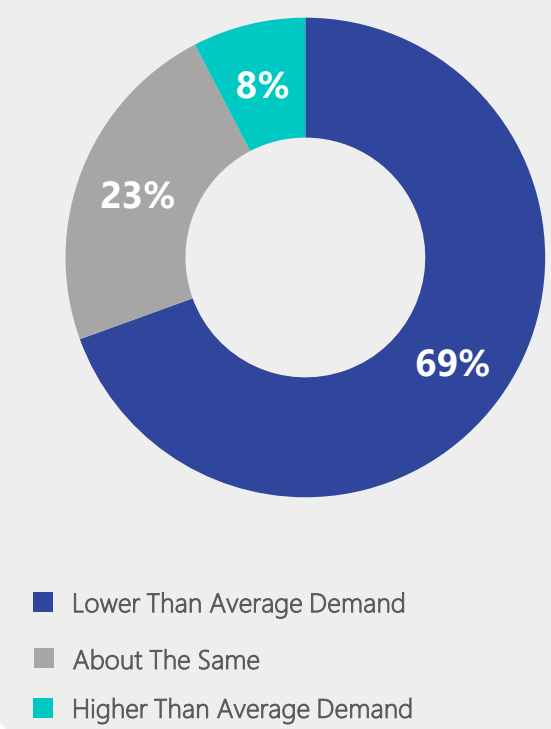
EXPECTED FUTURE DEMAND FOR PRODUCTS/ SERVICES

Generally, businesses are expecting lower future demand for their products or services, however, with medium-sized businesses showing signs of resilience to the crisis, they were more likely to forecast larger demand levels than average when compared to smaller businesses.

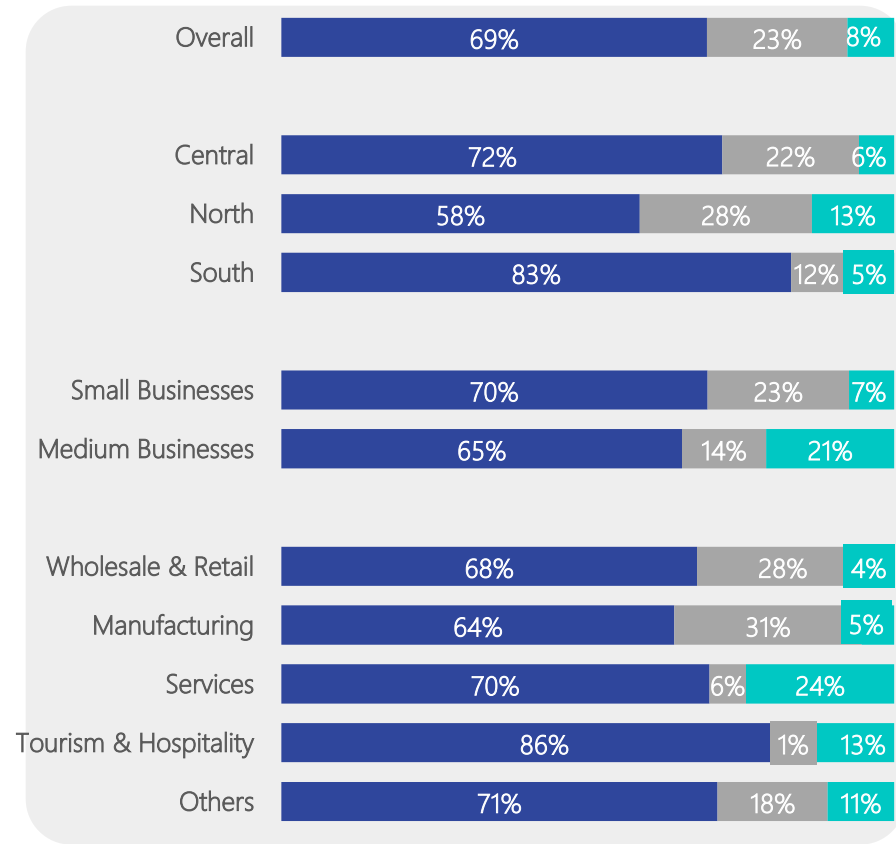
1 in 4 Service providers are anticipating higher demand, while 3 in 10 Wholesale and Retail businesses are expecting no changes in demand.

Expected Demand For Products/ Services

Q. Once life returns to normal, do you expect demand for your products/services to be:



BY REGION, SIZE, & SECTOR



IMPACT ON BUSINESS MODEL IN THE FUTURE

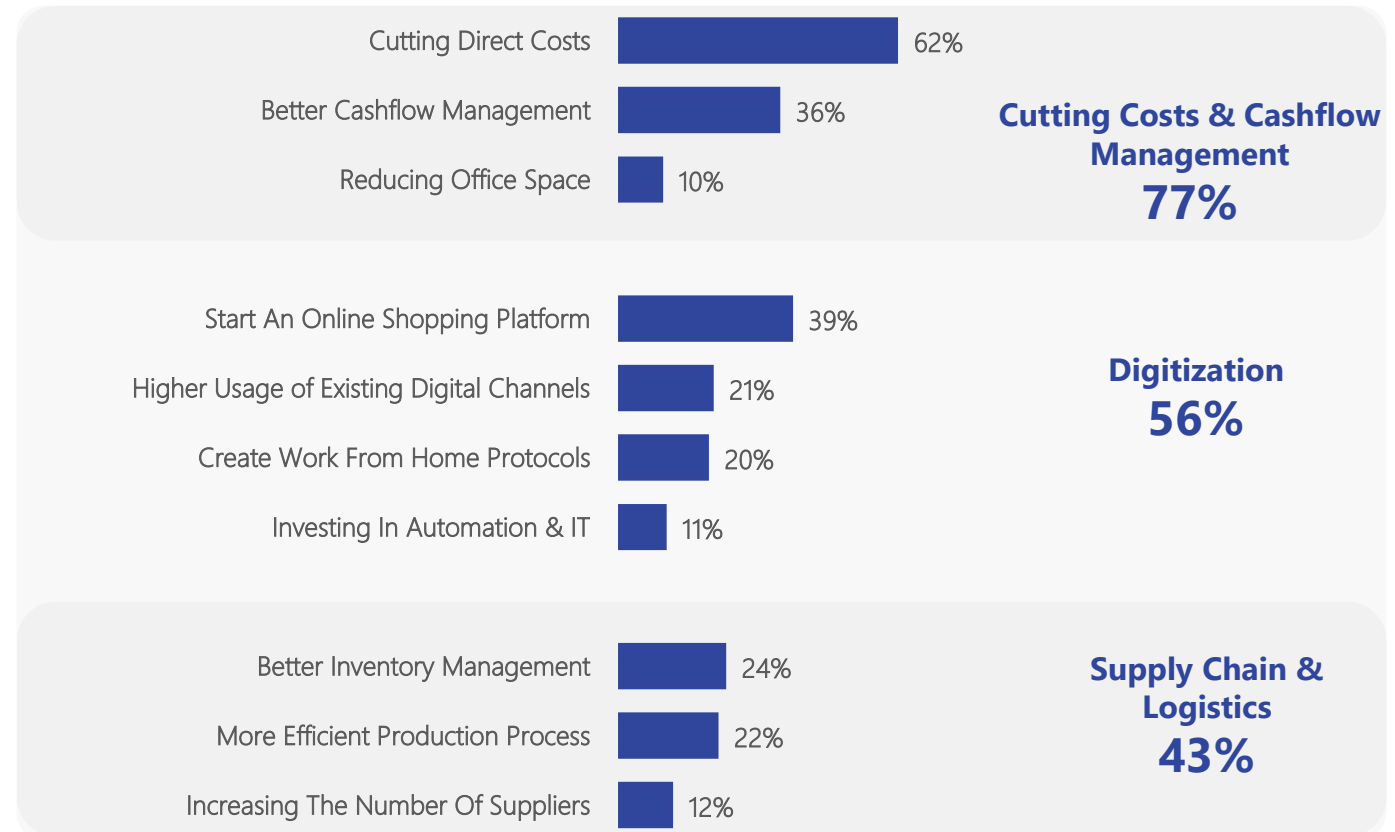
The majority of businesses are looking into changing their business models in a way that can help them cut costs or better manage their cashflow; this being the most popular choice amongst medium-sized businesses, Wholesale and Retail as well as those in the Tourism & Hospitality.

Moreover, small businesses and Wholesale and Retail companies were found to be skewed towards innovation and digitization. On the other hand, Manufacturing companies were mostly looking into changing their supply chain and logistics.



80% OF BUSINESSES INTEND TO CHANGE THE WAY THEY MANAGE THEIR BUSINESS IN THE FUTURE

Changes In Business Model



Q. In light of the recent COVID-19 global outbreak, how do you intend to change your business model in the future?



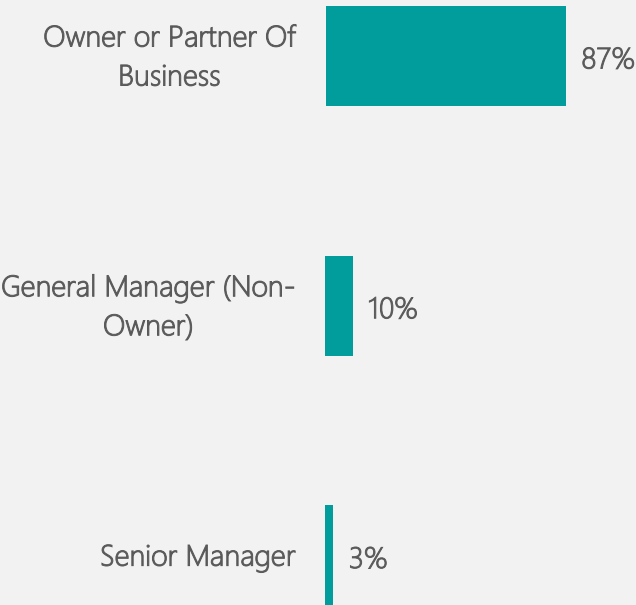
SAMPLE DETAILS

SAMPLE DETAILS

THIS WAS A PRESELECTED SAMPLE COMPRISED OF BUSINESS OWNERS OR PARTNERS

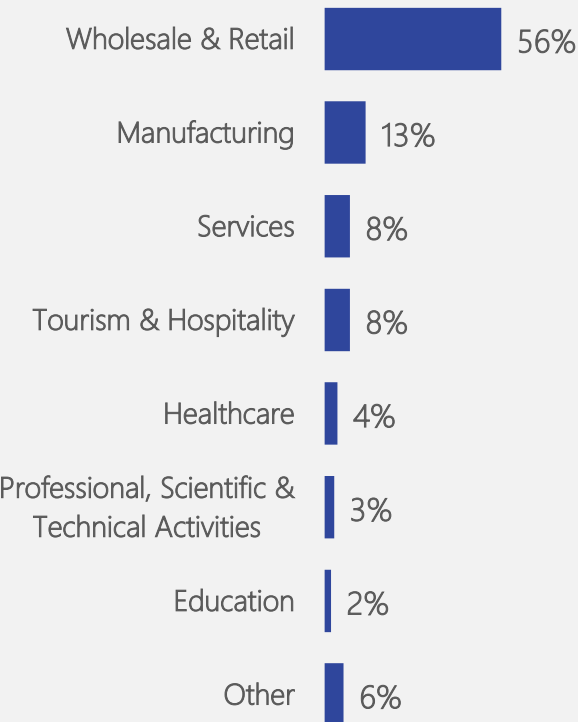
Position of Respondent

Q. Within the business you are currently working in, what is your position?



Sector

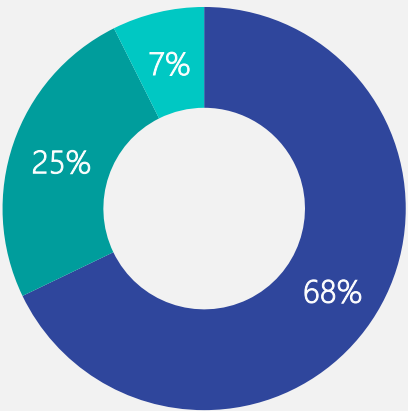
Q. What is the nature of your business



Location of Business

Q. Where is your business based?

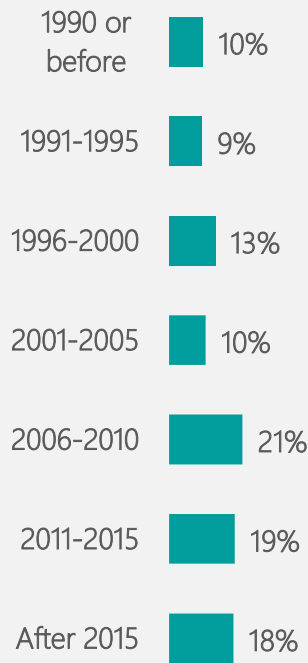
■ Central ■ North ■ South



SAMPLE DETAILS

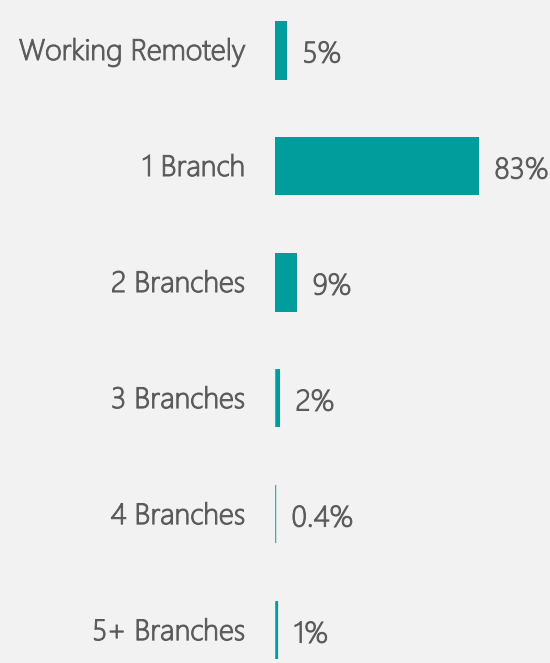
Year of Business Establishment

Q. What year was your business established?



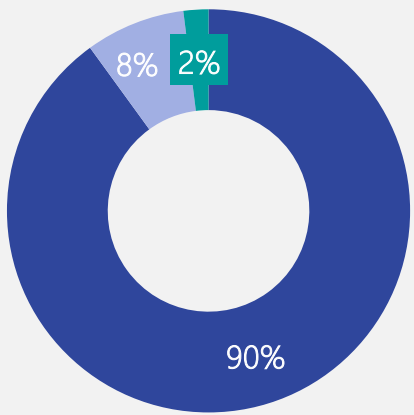
Number of Branches

Q. How many branches of your business operate in Jordan?



Size of Businesses

■ Less Than 5 Employees
■ 5-19 Employees
■ 20-99 Employees



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GAME CHANGERS

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So that our clients can act faster, smarter and bolder.
Ultimately, success comes down to a simple truth:
You act better when you are sure.



THANK YOU!

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GAME CHANGERS

