

LANCASHIRE COVID-19 BUSINESS RECOVERY SURVEY - AUGUST 2020
REPORT OF KEY FINDINGS

Executive Summary

Marketing Lancashire set out to measure the post-lockdown business environment across Lancashire's visitor economy and to understand how best to support businesses as we move forward. Research was carried out between 6-14th August 2020 via means of an online survey and a total of 147 responses were received.

The sector comprises a wide range of business types and whilst a vast majority, such as accommodation providers, retail and food and drink establishments, have been able to reopen in some way, there are a number of organisations, for example, business conference venues and festival and event organisers, who are still bound by restrictions preventing them from reopening.

Most businesses in this survey were well established with almost two-thirds (61.5%) having operated for over 10 years and a further 20% having operated between 4-10 years. Yet despite this, many still experienced issues in accessing finance, grants and loans designed to support businesses cope with the impact of the severe restrictions imposed upon them due to COVID-19, with a leading issue being that of eligibility.

Of those applying for a Business Interruption Loan Scheme (CBILS), 33% succeeded whilst over half (56%) were deemed ineligible and 11% were unsuccessful. This pattern was also seen amongst those applying for the Local Authority £25K Retail, Hospitality & Leisure Grant. Of those businesses who applied, around one third (36%) were successful whilst 60% found themselves to be ineligible and 4% were unsuccessful. Those turning to standard bank loans or overdrafts were also met with mixed results – just over half (54%) succeeded yet a significant proportion – 40% were deemed ineligible and 6% were unsuccessful in their application. Access to the furlough scheme (CJRS) proved somewhat more successful with 65% businesses accessing support. 2% were unsuccessful and 33% were deemed ineligible.

Further actions to support the sector through a temporary reduction in VAT were met with mixed results. Just 23% businesses felt that this would be of benefit to them whilst over half (54%) believed it would be of no benefit and a further 23% were unsure. VAT savings were not commonly being passed onto the customer – just 7% stated that they were doing so.

COVID safety measures, including social distancing requirements, alongside the need to rebuild consumer confidence were impacting significantly on business capacity, in turn affecting financial viability. Just 8% businesses stated that there was no impact and that they were operating at their usual levels of capacity. Around one third were operating at up to 50% less capacity with the vast majority (56%) operating at over 50% of their usual capacity. Leading operational challenges for businesses were the increased level of cancellations, postponements and refunds alongside the implementation of social distancing measures.

Comparing the period since reopening with the same period last year (July – August 2019) revenue had fallen significantly for the vast majority (85.5%). Of these, 21% reported that revenue had fallen across the same period by >90%; 19% that it had fallen between 75-90% and a further 21% between

50-75%. However, a small number (3.5%) stated it was on a par with last year and 8% reported revenue was up year on year.

Businesses using the furloughing scheme (CJRS) were asked what impact changes will have on their organisation from August when they will be required to contribute financially. 10% stated that this would have no impact whilst a further 15% felt that the impact would be minimal. However, for some (13% businesses), the changes will mean the scheme is only affordable for key members of staff and that they will have to let some furloughed workers go. An additional 2% businesses felt that they were likely to have to let all furloughed workers go ahead of these changes.

Of those employing seasonal staff, 24% stated that they would no longer be taking any on this year.

Looking ahead, advanced bookings for October to December 2020 were significantly down for the majority of businesses (61%) when compared with the same period last year, however around a quarter of respondents felt that it was too early to say. Similarly, when looking further ahead into early 2021, almost half felt that it was too early say. Of those who felt able to comment, 42% stated that advanced bookings for January – March 2021 were significantly down on the same period at the start of 2020.

Business recovery was expected to take between 1-2 years for the majority of businesses (41%) although almost one third (30%) felt that it could be shorter than this, between 7-12 months. Just 9% stated that they were already back up to their usual levels of business.

Businesses had a number of concerns moving forwards with leading challenges seen as being a lack of consumer confidence, reduced consumer demand, restrictions on mass gatherings, lack of forward bookings and increased operating costs.

Although many businesses had not made any changes to their business model, others reported a variety of adaptations to their activity. Leading changes included increased marketing and advertising, increased use of discounts and offers and targeting new markets and customers. While strategies to attract customers through reduced pricing were regarded as more of a short term incentive upon reopening, there was some recognition of the need to look at longer term changes such as increased development of online service options (e.g. booking, billing, payment systems; online retail) and maintaining activity to target new markets and customers.

There is still a clear need to aid business recovery with those in the sector keen to see further initiatives targeting financial aid (grants), extension of the furlough scheme, marketing initiatives and specific support in the event of local lockdown and / or a Test & Trace closure.

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1. Introduction

Marketing Lancashire carried out a business survey between 6th-14th August 2020 to measure the post-lockdown business environment across Lancashire's visitor economy and help understand how best to support businesses as we move forward.

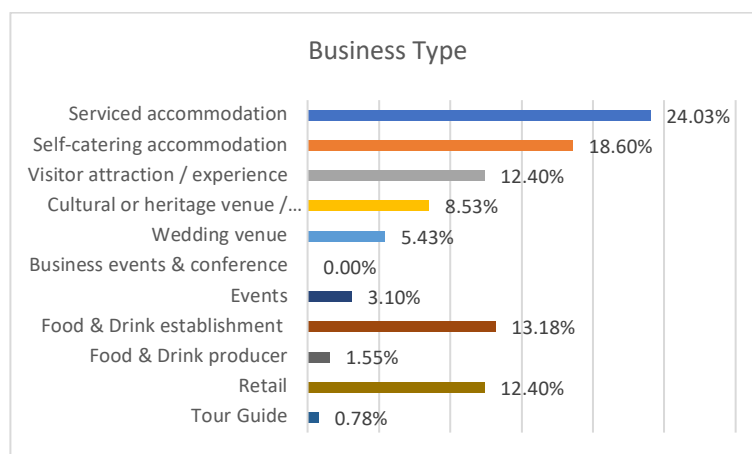
A total of 147 responses were received and key findings are presented below. It may be noted that the survey period fell approximately 4 weeks after the official reopening date for many tourism and hospitality businesses (4th July) including accommodation providers, food and drink establishments and some visitor attractions. However, it is recognised that some elements of the visitor economy, such as weddings and events, business conferences and a range of attractions, for example, soft play centres have continued to be affected by restrictions during this time.

There also continues to be several areas in Lancashire subject to greater restrictions at this time, namely Preston and areas of East Lancashire – Blackburn with Darwen, Burnley, Hyndburn, Pendle and Rossendale.

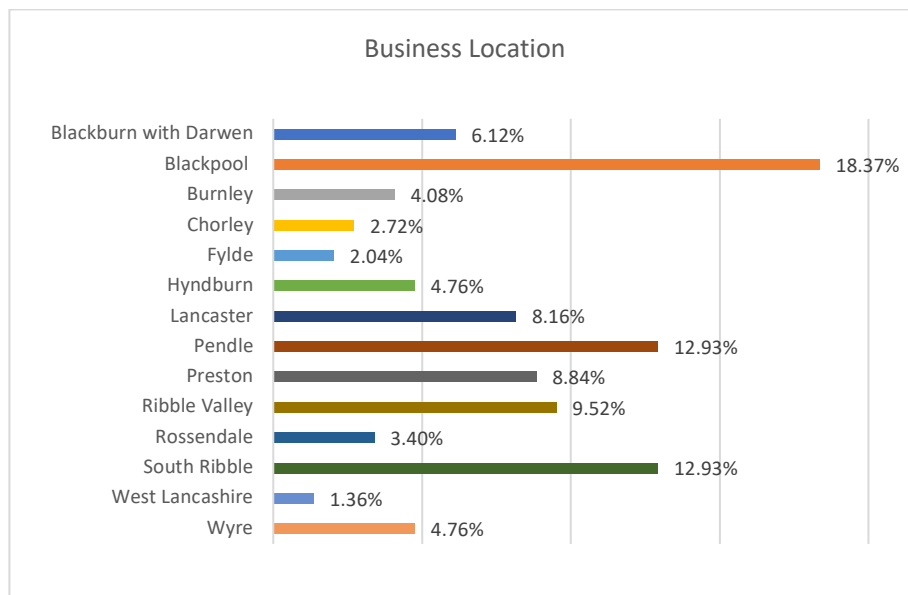
2. Business Demographics

2.1 Business Type – The majority of businesses were accommodation providers, accounting for almost half of respondents (43%); this was split across serviced accommodation at 24% and non-serviced / self-catering at 19%.

Food and drink establishments totalled 13% of all responses, followed by visitor attractions and experiences at 12%; retail 12%; cultural and heritage venues 9%; wedding venues 5%; event organisers 3%; food producers 2% and tour guides 1%. Whilst no respondents identified business events and conferences as their main business, it should be noted that many hotel venues offer business meeting and conferences as a secondary business activity.



2.2 Business Location – At a district level, the highest level of responses was seen from Blackpool (18%), Pendle (13%) and South Ribble (13%) with the least number of responses seen from Rossendale (3%), Chorley (3%), Fylde (2%) and West Lancashire (1%).



2.3 Business Age – The majority of businesses were well established ones with almost two-thirds (61.5%) having operated for over 10 years and a further 20% having operated between 4-10 years.

Just 15% of businesses have been open between 1-3 years and the number of new start-ups less than one year old stood at 3.5% of respondents.



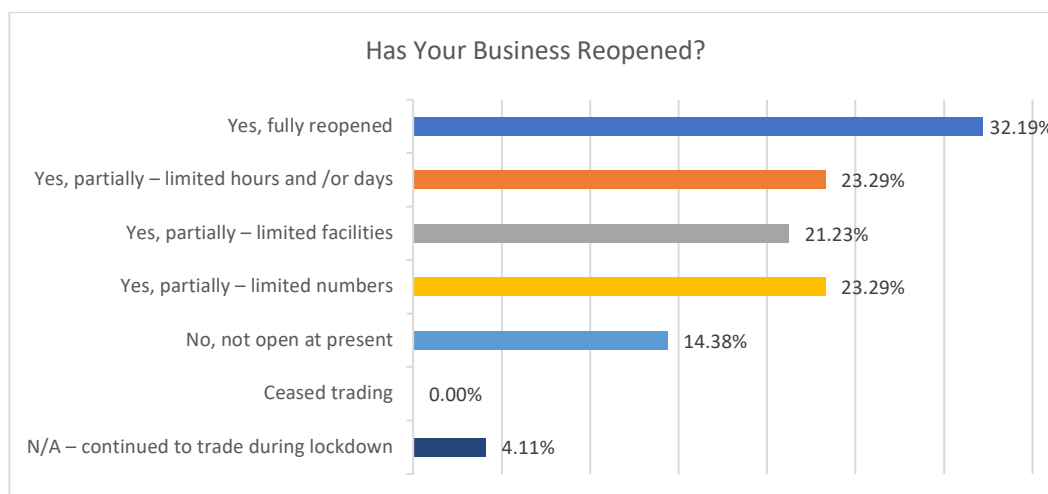
3. Business Closures

During the pandemic, the majority of businesses closed (80%); either through enforced closure (60%) or because they had already chosen to temporarily close (20%).

Approximately one fifth businesses found some opportunity to either remain open or reopen during the main lockdown period with 7% stating that they provided keyworker / essential services; a further 6% operating by developing different services e.g. switching to takeaway and / or delivery services; and 9.5% working remotely and / or by moving services online.

Around one third businesses (32%) have fully reopened, although a greater majority have partially reopened (67%). Of these 23% are operating with limited days / hours, a similar number are operating with limited numbers / reduced capacity (23%) and a further 21% are operating limited facilities at this time.

14% businesses remain closed.



4. Business Capacity

COVID safety measures, including social distancing requirements, alongside the need to rebuild consumer confidence have the potential to impact significantly on business capacity and affect business viability. This research found that, for those businesses who had stayed open or now reopened, overall business capacity was down. Just 8% businesses stated that there was no impact and that they were operating at their usual levels of capacity. Around one third were operating at up to 50% less capacity with the vast majority (56%) operating at over 50% of their usual capacity.

Of those operating at over half of their usual capacity, 22% were operating between 50-75% capacity; 18% between 75-90% and 16% were operating at over 90% their usual capacity.

Looking at the impact of reduced operating capacity across specific business functions within organisations, events are the hardest hit with 70% of those operating events stating that they are currently achieving less than 10% of their usual capacity. Around one third of visitor experiences (31%) and retail (32%) stated that they were also operating at less than 10% of their usual capacity. Of those offering food and drink on site, 21% were operating at less than 10% capacity.

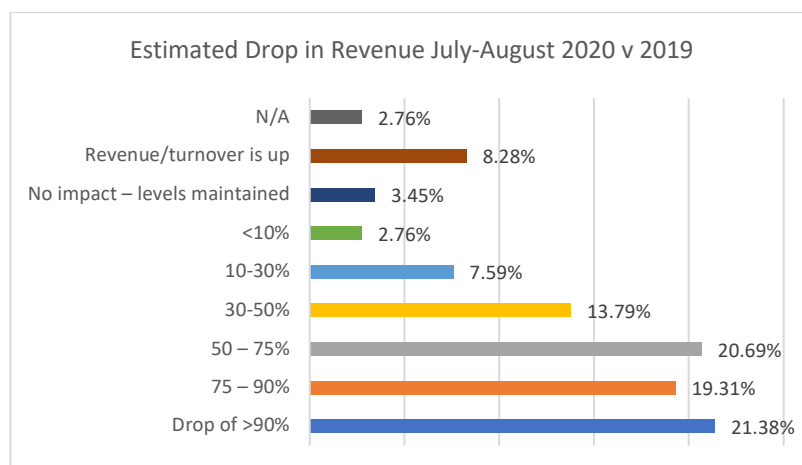
Accommodation providers fared better with just 5% stating that they were operating at less than 10% capacity. The majority (33%) were operating between 50-75% capacity with a further 18% between 75-90% capacity and another 18% operating above 90% capacity.

5. Business Performance

5.1 Revenue - Looking back at the same period last year (July – August 2019), businesses were asked what percentage of revenue / turnover they would say they have lost across July-August 2020 due to

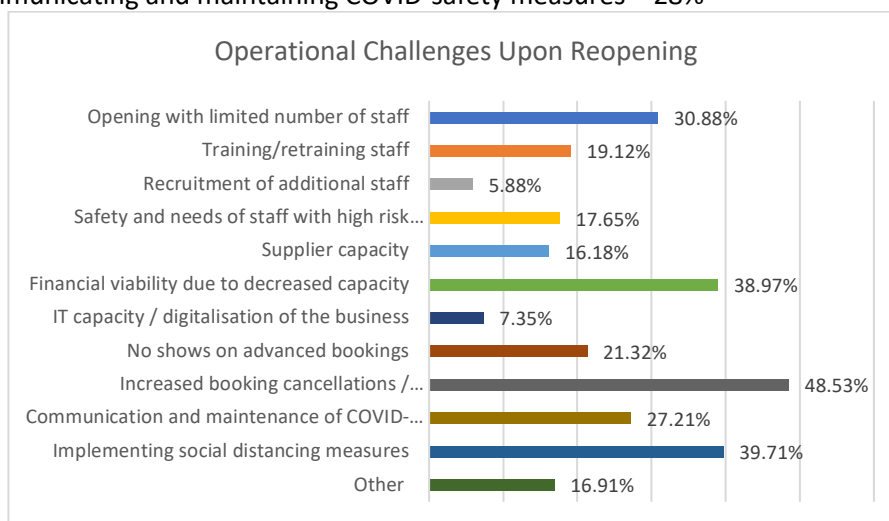
the Coronavirus pandemic. For the vast majority (85.5%), revenue was down with just 3.5% stating that it was on a par with last year's levels and 8% stating that revenue was up year on year.

Of those stating that revenue had fallen, the variance was significant. 21% reported that revenue had fallen across the same period by >90%; 19% that it had fallen between 75-90% and a further 21% between 50-75%.



Leading operational challenges were observed as:

- Increased cancellations/postponements/refunds for 49% businesses
- Implementing social distancing measures – 40%
- Financial viability resulting from decreased capacity – 39%
- Operating with limited numbers of staff – 31%
- Communicating and maintaining COVID-safety measures – 28%



Additionally, a number of verbatim comments highlighting this are outlined below:

“Short notice over re lockdown meant last minute cancellations and unclear end date means future bookings are struggling to commit.”

“Uncertainty with potential local lock downs. Customers reluctant to return.”

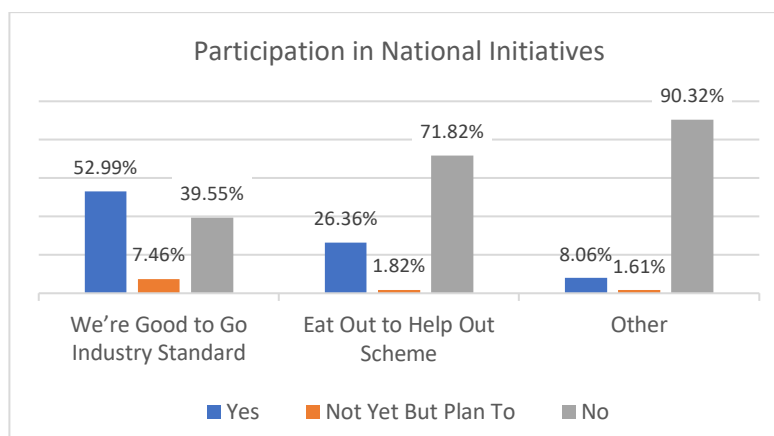
“As a one-person business, managing Covid safe cleaning levels and factoring in 72-hour gaps between guests leaving and arriving.”

“I find guests are using COVID as an excuse to cancel. An example today “We are unable to travel to Blackpool due to covid restrictions in our area (Oldham) for the foreseeable future. We are currently due to stay with you on the 24th August for 1 week. We are all deeply affected by the situation and hope for your understanding in these uncertain times. Please could you advise me as to my cancellation options.” They ARE allowed to travel and this particular guest has changed their ‘story’, several times... Very annoying and leading to bad feeling on both sides quite frankly..”

5.2 VAT Reductions - Despite the Chancellor’s actions to reduce VAT costs until January 2021, only 23% businesses felt that this would be of benefit to them. Over half (54%) believed that it would be of no benefit and a further 23% were unsure. VAT savings were not commonly being passed onto the customer – just 7% stated that they were doing so. The majority of businesses (62.5%) felt that this was question was not applicable to their business and 31% clearly stated that they were not passing this onto customers through the means of discounted prices.

5.3 Tourism Business Initiatives - 71 businesses (almost half of respondents) had signed up to the industry COVID-safety scheme, We’re Good to Go, with a further 10 who had not yet done so but were planning to. A small number of businesses reported taking part in alternative schemes such as the AA COVID Confident scheme.

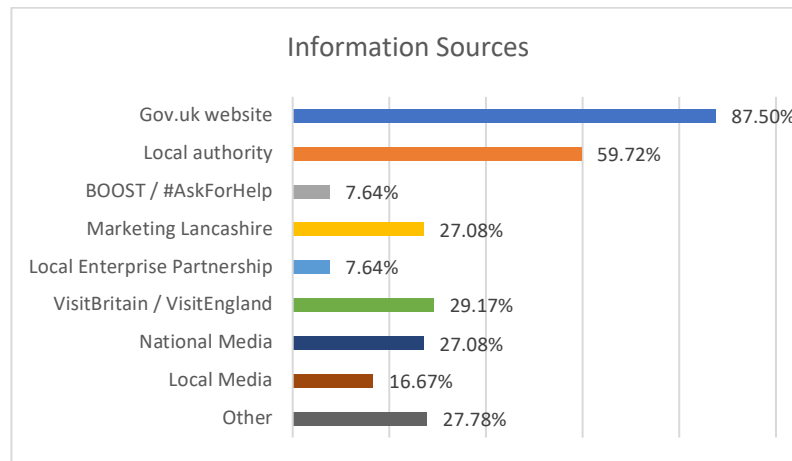
29 businesses were participating in the Eat Out to Help Out initiative with 2 more planning to sign up. It should be remembered that not all participants offer food and drink services and are therefore eligible for this scheme and it is not possible to identify the true number of business respondents who may be meet the scheme criteria versus those who have signed up.



6. Business Support and Funding

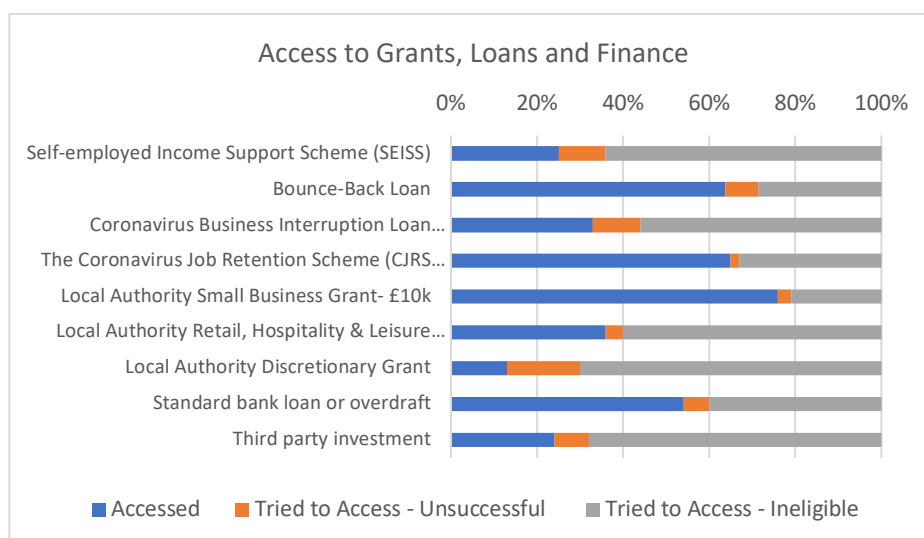
6.1 Information Sources – The most information sources for businesses has been through the government’s official online information source www.gov.uk used by 88% businesses. Local authorities have also been a common source of information for 60% businesses whilst industry trade

bodies such as VisitBritain/VisitEngland were used by 29% businesses alongside Marketing Lancashire, also used by 27% businesses at a local level. 27% businesses also stated national media as an information source which they used.



Other industry trade associations and business support organisations mentioned included local Chambers of Commerce, BIDs and the Federation of Small Businesses alongside more sector specific ones such as StayBlackpool, the British Holidays and Home Parks Association, Historic Houses and the Arts Council.

6.2 Business Grants, Loans and Financing Options - Access to a range of financial support services demonstrated mixed results in terms of eligibility and success across the sector.



Of those seeking to access the Self-employed Income Support Scheme (SEISS), just 25% were successful with 64% deemed ineligible and 11% who were unsuccessful.

Similarly, of those applying for a Business Interruption Loan Scheme (CBILS), 33% succeeded whilst over half (56%) were deemed ineligible and 11% were unsuccessful. This pattern was also seen

amongst those applying for the Local Authority £25K Retail, Hospitality & Leisure Grant. Of those businesses who applied, around one third (36%) were successful whilst 60% found themselves to be ineligible and 4% were unsuccessful.

Local authority discretionary grants also saw 70% businesses deemed to be ineligible. Just 13% were successful in securing the grant they applied for and 17% were unsuccessful.

Access to the furlough scheme (CJRS) proved somewhat more successful with 65% businesses accessing support. 2% were unsuccessful and 33% were deemed ineligible.

A number of businesses turning to standard bank loans or overdrafts were also met with mixed results – just over half (54%) succeeded yet a significant proportion – 40% were deemed ineligible and 6% were unsuccessful in their application.

7. Staffing

7.1 Coronavirus Job Retention Scheme - Around 40% stated that they were not using the furlough scheme (CJRS). Of those who had used the furlough scheme:

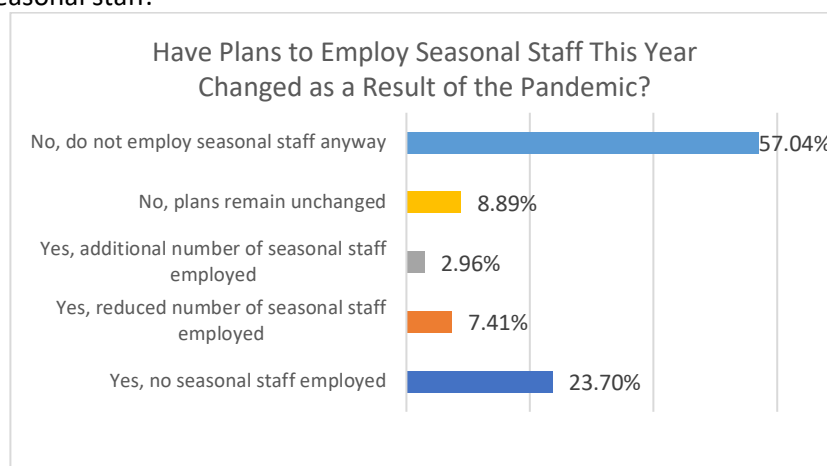
- 64% had furloughed over 75% staff;
- 7% between 50-75% staff;
- 5% between 30-50% staff;
- 11% between 10-30% staff;
- 12% less than 10% staff.

Businesses were also asked what impact changes to the furloughing scheme will have on their organisation from August when they will be required to contribute financially. 10% stated that this would have no impact as staff would be back in place by this time. A further 15% felt that the impact would be minimal with 5% reporting that the phased contributions will be affordable and 10% reporting that they will move to a flexible part work / part furlough arrangement.

Likely Impact of Government Changes to the Furloughing Scheme (CJRS)	
No impact: we are not furloughing	39.86%
No impact: furloughed workers will be back at work by August	10.14%
Minimal impact: will move to part-time / part furlough	10.14%
Minimal impact: the phased employer contributions will be affordable	5.07%
Only affordable for key staff: will have to let some furloughed workers go	13.04%
We are likely to be letting all furloughed workers go ahead of any changes in August	2.17%
Don't yet know	11.59%
Other	7.97%

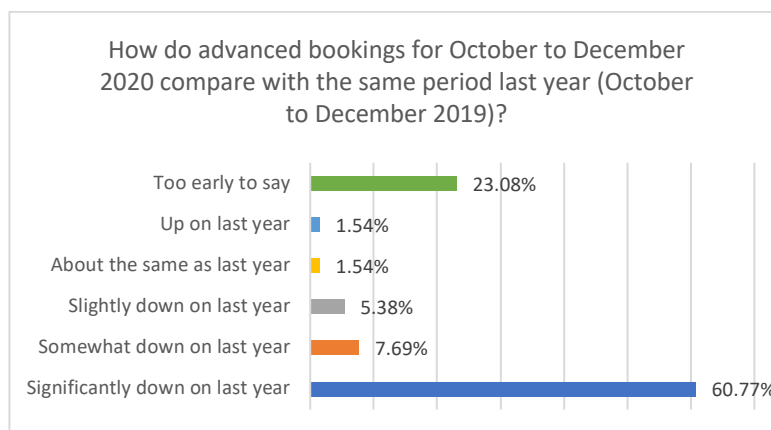
Unfortunately, 13% businesses stated that the changes will mean the scheme is only affordable for key members of staff and that they will have to let some furloughed workers go. An additional 2% businesses feel they are likely to have to let all furloughed workers go ahead of these changes.

7.2 Seasonal Employment - Over half businesses stated that they do not use seasonal staff (57%); of those that do, 24% stated that they would have to change their plans and would no longer be taking on any seasonal staff. 9% businesses did not intend to change their usual plans and 7% businesses said they would be reducing the number of seasonal staff employed whilst 3% anticipated increasing their level of seasonal staff.



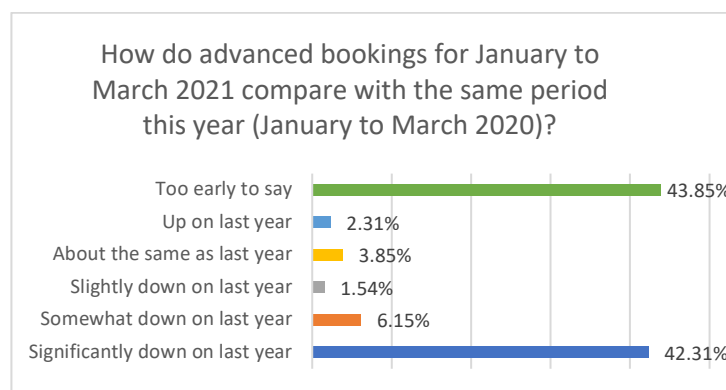
8. Business Forecasts

8.1 Advanced Bookings - When asked how advanced bookings for October to December 2020 compare with the same period last year (October to December 2019), the majority of respondents (61%) stated that bookings were significantly down, with a further 13% reporting them to be somewhat or slightly down. Just 1.5% stated that advanced bookings were on a par with the same period last year and another 1.5% reported bookings to be up. Around a quarter of respondents (24%) felt that it was too early to say.



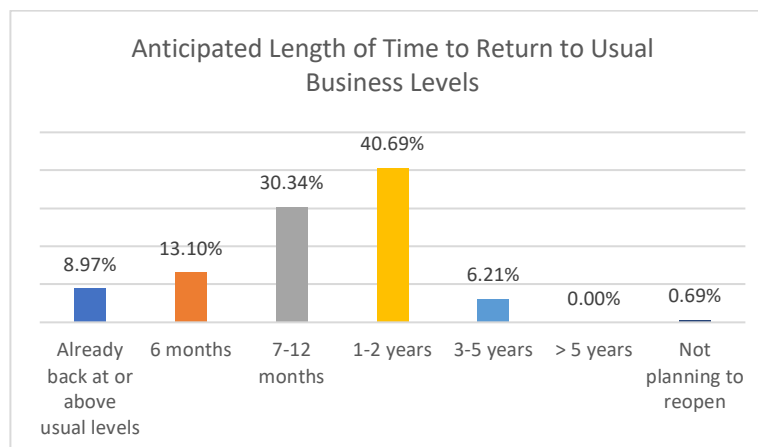
Looking further ahead into early 2021, businesses were asked to compare advanced bookings for January – March 2021 with the same period at the start of 2020. 42% businesses stated that

bookings were significantly down and a further 7.5% reported that they were either somewhat or slightly down (6% and 1.5% respectively). 4% businesses stated that booking levels were the same and 2% reported bookings to be up. An increased number of business respondents (44%) felt that it was too early to say.



8.2 Business Recovery - The majority of businesses (41%) believed that it would take between 1-2 years to recover to pre-COVID business although almost one third (30%) felt that it could be shorter than this, between 7-12 months.

9% stated that they were already back up to their usual levels of business.



8.3 Business Changes – Whilst 29% businesses had not made any changes to their business model in the short term, others reported a variety of short-term adaptations to their activity. The most popular changes were:

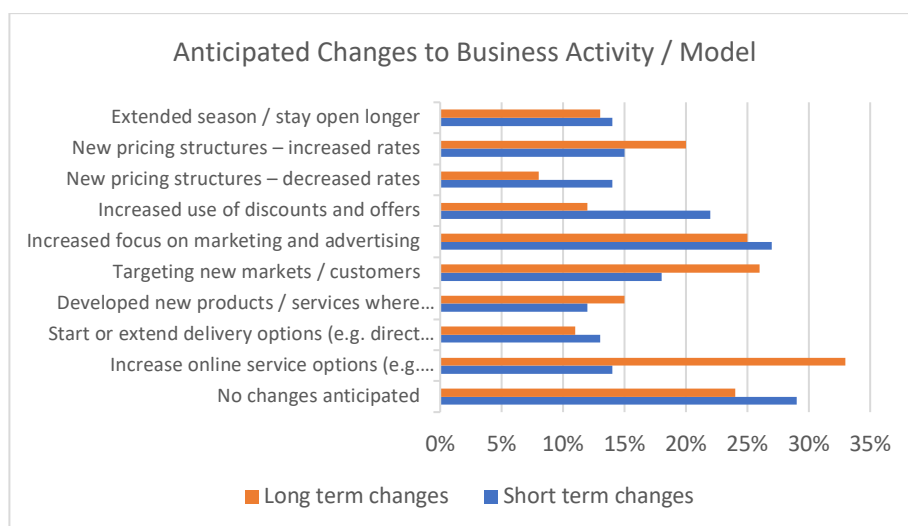
- increased marketing and advertising 26.5%;
- increased use of discounts and offers 22%; and
- targeting new markets and customers 18%

Whilst 14% reported the use of lower rates within their pricing structures, 15% stated that they had increased rates in the short term.

Other strategies included plans to extend the season through longer opening hours (14%) as well as the development of new online service options (14%), delivery options (13%) and new products / services (12%).

Plans to adapt activity over the long-term rose across many areas of response. For example, the development of online service options (e.g. booking, billing, payment systems; online retail) rose from 14% businesses in the short term to 33% in the long term. Similarly, the level of businesses targeting new markets and customers rose from 18% businesses in the short term to 26% in the long term.

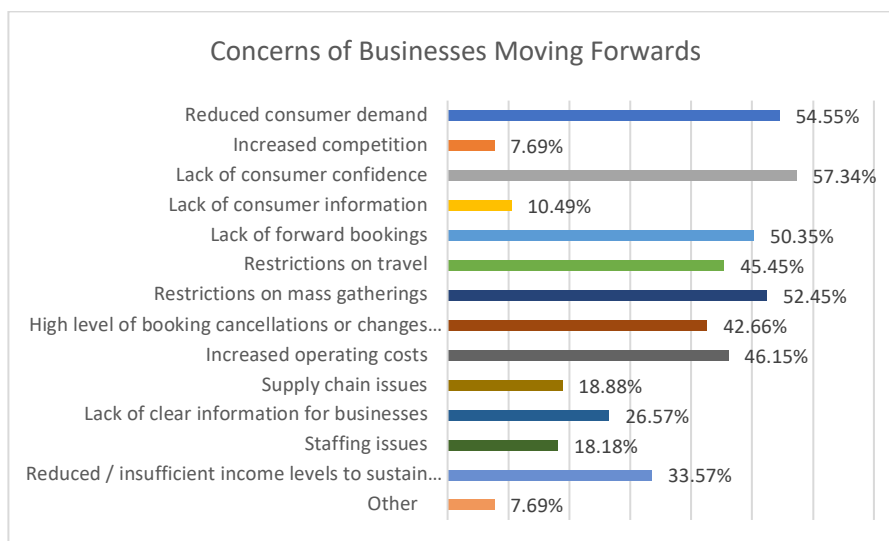
However, not all activity is sustainable over the long term, for example, the use of discounts and offers was regarded more as a short term incentive upon reopening; the level of businesses adopting this approach was 22% in the short term, decreasing to 12% in the long term. The use of reduced rates also fell from 14% in the short term to 8% over the long term.



8.4 Business Concerns - Leading business concerns moving forwards were:

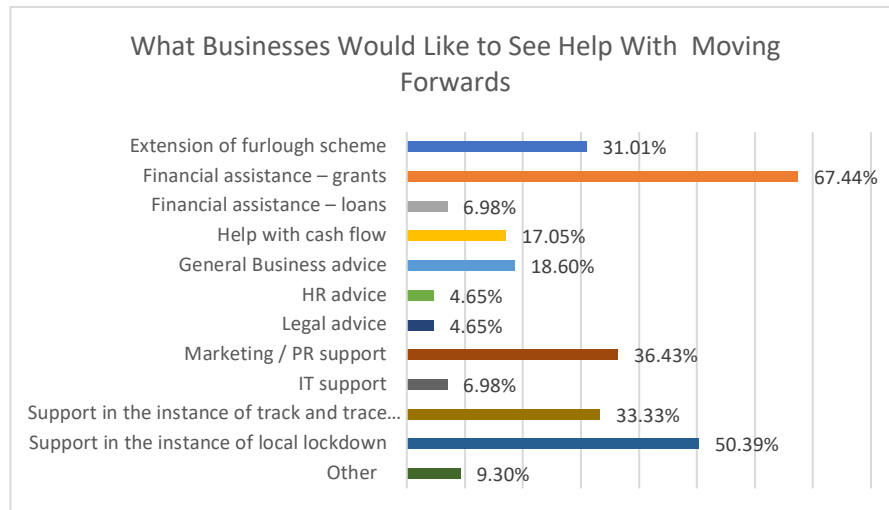
- Lack of consumer confidence 57%
- Reduced consumer demand 55%
- Restrictions on mass gatherings 52%
- Lack of forward bookings 50%
- Increased operating costs 46%
- Restrictions on travel 45%

Responses reflect reports of increased cancellations, postponements and refunds as well as the lack of ability to host events at this time and a high proportion of businesses reporting advanced bookings to be down when compared to the same period across the previous year.



Moving forwards, the type of support that businesses sought most were:

- Financial – grants 67%
- Support in the event of local lockdown 50%
- Marketing / PR 36%
- Support in the event of Test & Trace closure 33%
- Extension of the furlough scheme 31%



9. Verbatim Comments

Business were invited to make any further comments in addition to the survey questions asked and a range of verbatim comments are outlined below:

"I've had no support from the available options so far even getting turned down for the local authority discretionary grant was a real slap in the face."

"I'm one of those who have fallen through the gap, seen a 40% reduction in income and no routes for help."

"People booking and not cancelling."

"The Winter Months is going to be very difficult - Financial Aid is required."

"Last year I had over 130,000 facebook enquiries for just 300 places. This year my income is zero."

"We are still unable to open our indoor play centre and may have to close permanently unless we receive an imminent opening date or significant financial support. We are also having to invest in IT systems for new online booking and capacity managed online play sessions, a huge financial investment required by the new rules at the very worst time. We are really in need of help."

"There are business recovery training courses offered, funded by the government for SMES (over 5 employees), such as those offered by East Lancs Chamber of Commerce, we are interested, but only employ 4 people! Can this scheme be extended to micro-businesses? there must be lots of producers/small retail/ B&Bs in Lancashire who fall into the micro-business category."

"There are many self-employed and micro-businesses who are too small even to be VAT registered, some are almost volunteers. Not in it to make millions, just to make life a little bit nicer."

"More support for British handmade products and services such as the support that has been given to the hospitality industry."

"I feel the wedding and events sector has not been addressed by government. Due to nature of our business we need large expensive properties to operate and we have not been eligible for any grants due to threshold in rateable value. We are still unable to operate where other businesses have had grants and started trading now. Government needs to provide financial grants to our sector especially the businesses who have not been eligible for grants in first round. I have a perfectly viable and sustainable business even if I can operate at 30% capacity. The challenge is to survive this period of being unable to trade financially and be there when the market opens up."

"The wedding industry has been particularly hit on because this is vital as a venue to us the impact upon our finances is disastrous."

Marketing Lancashire is the agency charged with promoting the county on a national and international stage and is the official Destination Management Organisation (DMO) for Lancashire. The agency also provides marketing and communications support to the LEP.

Our activities in marketing and communications, commercial membership and place marketing are focused on promoting sustainable economic development and growth; raising the profile of Lancashire as a leading leisure, learning and business destination for domestic and international visitors #WeAreLancashire

Lancashire attracts 68.74 million visitors annually, who contribute £4.41 billion to the local economy and help support almost 61 thousand jobs. Visit Lancashire is the tourist board for the county and a division of Marketing Lancashire.

For more information go to MarketingLancashire.com or follow @MarketingLancs @VisitLancashire

