

HIE Business Panel Survey

Wave 16 – Responding to COVID-19



Ipsos MORI
Scotland



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

CONTENTS

- CONTENTS 1**
- 1. INTRODUCTION 2**
 - BACKGROUND 2
 - METHODOLOGY 2
 - PRESENTATION AND INTERPRETATION OF THE DATA 3
- 2. IMPACTS OF COVID-19 4**
 - CURRENT TRADING STATUS 4
 - IMPACT ON SALES 6
 - LEVEL OF CURRENT OPERATION 7
 - IMPACTS ON THOSE THAT WERE TEMPORARILY CLOSED OR HAD PAUSED TRADING 8
 - MEASURES TAKEN IN RESPONSE TO COVID-19 9
 - IMPACT ON RECRUITMENT PLANS 12
 - ECONOMIC OPTIMISM 13
- 3. ADAPTING TO NEW WORKING ENVIRONMENT 15**
 - ACTIONS TAKEN TO ADAPT TO CURRENT ENVIRONMENT 15
 - COLLABORATION 17
 - CHALLENGES FACED 18
- 4. SUPPORT PACKAGES AND FINANCIAL RESOURCES 20**
 - APPLYING FOR SUPPORT PACKAGES 20
 - ACCESS TO FINANCIAL RESOURCES 22
- 5. EMERGING FROM LOCKDOWN AND BEYOND 24**
 - BUSINESS VIABILITY 24
 - ADHEREING TO GOVERNMENT GUIDELINES 26
 - CONCERNS FOR NEXT SIX MONTHS 31
 - OPPORTUNITIES FOR NEXT SIX MONTHS 32
- SUMMARY 34**
- APPENDIX 37**

1. INTRODUCTION

BACKGROUND

The Highlands and Islands Enterprise (HIE) Business Panel was established to measure and monitor the economic health of the region through the experiences and opinions of businesses and social enterprises in the area, and to explore topical issues at a regional, sub-regional or sectoral level.

Following two waves of panel surveys in 2014 and 2015, HIE commissioned Ipsos MORI to carry out regular business panel surveys with 1,000 businesses and social enterprises, representative of the Highlands and Islands business base in terms of geographic area, organisation size and sector. The surveys ran quarterly during 2016 and 2017, before changing to three times per year in 2018.

This report presents findings from the most recent wave of the survey (the sixteenth overall) carried out in June/July 2020. The survey typically covers a range of topics including business performance, prospects for the year ahead, and growth aspirations. However, as this wave took place in the midst of the COVID-19 crisis, the survey concentrated almost entirely on COVID-19. It covered the impacts of COVID-19 on businesses so far, the measures taken by businesses in response to this new working environment, and their views on emerging from lockdown and their future viability.

METHODOLOGY

Sampling

The survey sample was mainly sourced from businesses that took part in the previous waves of the survey and had indicated that they were willing to be re-contacted. Additional HIE panel members and HIE account-managed businesses were also approached along with companies identified from the Experian business database. The sample was designed to match the structure of the Highlands and Islands business population in terms of sector, size and geographical distribution. Quotas were set for recruitment and interviewing so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR). Eligible organisations were defined by SIC code, with the following SIC 2007 Sections excluded from the sampling:

- Public administration and defence; compulsory social security;
- Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; and
- Activities of extraterritorial organisations and bodies.

SIC codes were used to identify areas of economic activity considered to be growth sectors (as set out in the Government Economic Strategy) so that quotas could be set to ensure these were represented in the survey sample. Within each participating organisation, the survey respondent was the owner or a senior manager able to comment on the performance and future prospects of the organisation.

Survey fieldwork

The survey fieldwork was conducted between 3rd June and 1st July 2020, using telephone interviewing. In total 1,002 eligible interviews were achieved.

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate. Weighting was applied to correct the distribution of sectors to match the sample counts. A breakdown of the achieved profile of businesses is provided in the Appendix (Tables A.12 to A17).

This wave, the number of food and drink businesses and large businesses (25+ employees) was lower than in previous waves. This reflected difficulties reaching these businesses by telephone during the fieldwork period, which may have been as a result of COVID-19 and lockdown restrictions. Responses for these groups have therefore been weighted more heavily than they normally would.

Context

This wave took place during the unprecedented disruption brought about by COVID-19. Lockdown restrictions were in place, though these were gradually being eased during the fieldwork period. Businesses were therefore operating in a unique and changing environment. Some of the key announcements made during the fieldwork period included:

- From 29 June – some businesses in the construction sector were allowed to resume working, along with drive through food outlets and takeaways, garden centres, childcare, and household waste recycling.
- From 19 June - indoor non-office based workplaces reopened including factories and warehouses, along with zoos and garden attractions. Pubs and restaurants were allowed to open outdoor spaces and people were allowed to use self-contained holiday accommodation.

The unique and changing circumstances also made it more difficult to contact businesses than would normally be the case. In interpreting the findings from this wave, it should be noted that those that had permanently closed since COVID-19, and those that were unreachable at this time, were unable to take part.

PRESENTATION AND INTERPRETATION OF THE DATA

The survey findings represent the views of a sample of businesses, and not the entire business population of the Highlands and Islands, therefore they are subject to sampling tolerances, meaning that not all differences will be statistically significant. Throughout the report, differences between sub-groups are commented upon only where we are sure these are statistically significant, i.e. where we can be 95% certain that they have not occurred by chance.

Where percentages do not sum to 100%, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers. Aggregate percentages (e.g. "confident/not confident") are calculated from the absolute values. Therefore, aggregate percentages may differ from the sum of the individual scores due to rounding of percentage totals.

Throughout the report, an asterisk (*) denotes any value of less than half a percent and a dash (-) denotes zero. For questions where the number of businesses is less than 30, the number of times a response has been selected (N) rather than the percentage is given.

This work was carried out in accordance with the requirements of the international quality standard for Market Research, ISO 20252.

2. IMPACTS OF COVID-19

KEY MESSAGES:

Around half (49%) of businesses had continued to trade without pause since the start of the COVID-19 crisis, 37% were temporarily closed or had paused trading, and 12% had restarted trading after having closed or paused trading temporarily.

The majority (85%) of businesses had seen either a decline in sales (61%) or had no sales at all (24%) as a result of COVID-19. A minority (4%) had experienced an increase in sales, while 10% had seen no change.

Among those that had continued to trade without pause or had restarted trading, around two-thirds (65%) were operating below the level they were before COVID-19. Around a quarter (26%) were operating at much the same level and 8% were operating over and above the level they had been.

Among those that were temporarily closed or paused trading, almost all (97%) had experienced a loss of income. A majority had also experienced other impacts from COVID-19, including: having to use their cash reserves, loss of domestic and/or UK markets, putting their investment or growth plans on hold, disruptions to supply chain, loss of customers or customer loyalty, and loss of international markets.

Most employers had taken measures for their staff as a result of COVID-19, the most common being placing them on furlough: 64% of those that had continued or restarted trading, and 70% of those that had temporarily closed had done so. For employers that had continued or restarted trading, most (87%) had made no changes to pay and benefits for staff that had continued to work. However, 28% had reduced their working hours and a quarter (25%) had reduced training and development.

Just over a quarter (27%) of business owners had reduced their own salary or the amount they drew down, with 23% stopping entirely. A further 18% had accessed self-employment income support and 13% had placed themselves on furlough.

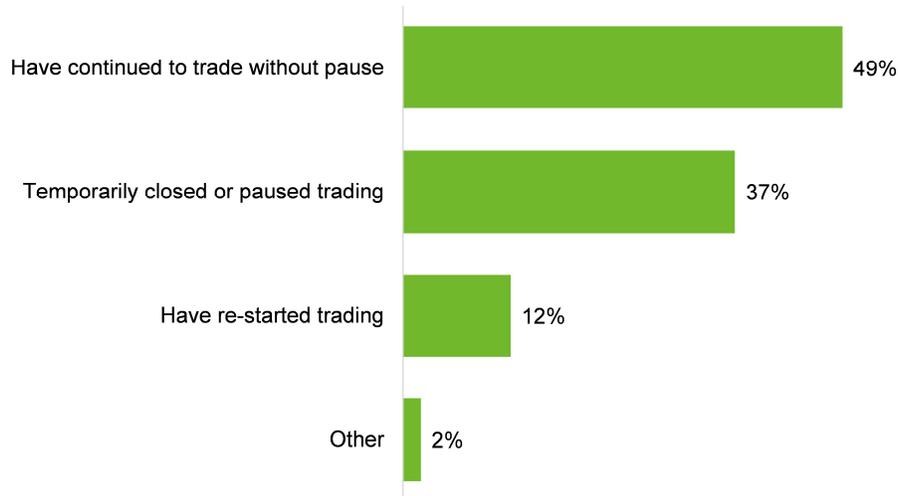
Reflecting these impacts, economic optimism fell to the lowest level ever recorded in the survey: 79% of businesses said their confidence in the economic outlook in Scotland had decreased over the last six months, 17% said it stayed the same and 3% said it had increased.

CURRENT TRADING STATUS

At the time of taking part in the survey, around half (49%) of businesses had continued to trade without pause since the outbreak of COVID-19, 37% were temporarily closed or had paused trading, and 12% had restarted trading after having closed or paused. (Figure 2.1). Businesses that had permanently ceased trading were not included in the survey.

Figure 2.1: Current trading status

Q. What is the current trading status of your business?



Base: All businesses

Businesses in Orkney (74%), those in the financial and business services sector (64%), and those with 5-10 employees (57%) were all more likely than average to have continued to trade without pause (compared with 49% overall).

Businesses with 25+ employees (25%) and those in the Inner Moray Firth (17%) were more likely than average to have restarted trading (compared with 12% overall).

Tourism and food and drink businesses were both more likely to be temporarily closed than financial and business service businesses were (43% and 37% respectively compared with 22%). Those in Lochaber, Skye and Wester Ross (62%), those in remote rural¹ areas (43%), and small businesses with 0-4 employees (41%) were more likely than average to be temporarily closed (compared with 37% overall). It is worth noting that there was a higher than average proportion of tourism businesses in Lochaber, Skye and Wester Ross (17% of businesses in this area were in the tourism sector, compared with 10% in the overall sample). Therefore, where variation in findings are noted for Lochaber, Skye and Wester Ross, this may at least in part reflect the different profile of businesses in this area.

Non-HIE account managed businesses were more likely than HIE-account managed businesses to be temporarily closed (38% compared with 24%).

¹ Businesses classed as "remote rural" or "accessible rural" are based on the Scottish Government's three-fold RESAS urban rural classification. Those that would be classed as "rest of Scotland" at a national level, are referred to as "those in other areas" for reporting purposes. <https://www.gov.scot/publications/understanding-scottish-rural-economy/pages/13/>

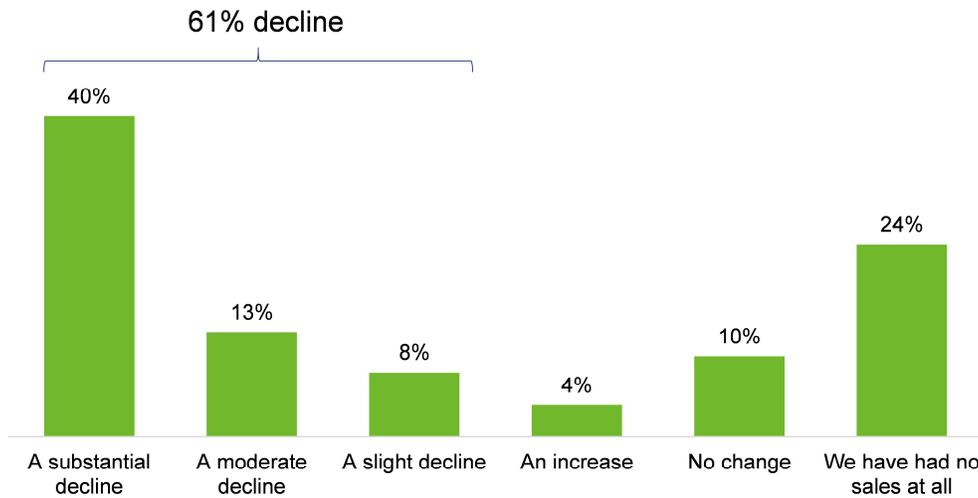
International and rUK businesses² were more likely than average to be temporarily closed (54% and 42% compared with 37% overall), while domestic only businesses were more likely to have continued to trade without pause (54% compared with 49% overall).

IMPACT ON SALES

The majority (85%) of businesses had seen either a decline in sales (61%) or had no sales at all (24%) as a result of COVID-19; 40% had seen a substantial decline, 13% a moderate decline and 8% a slight decline. A minority (4%) had seen an increase in sales, while 10% has seen no change (Figure 2.2)

Figure 2.2: Impact of COVID-19 on sales

Q. What has been the impact so far of the coronavirus on your business' sales, relative to what you were expecting?



Base: All businesses

Those that had restarted trading or had continued to trade without pause were more likely than average to report a decline in sales (81% and 69% compared with 61% overall), while those that were temporarily closed were more likely to report no sales at all (55% compared with 24% overall). (Table 2.1– shaded cells show findings that are significantly different from the average).

² International, rUK and domestic businesses refer to the markets businesses typically sold to. International = outside of the UK, rUK = outside of Scotland but within the rest of the UK, and domestic = Scotland only. A breakdown of these businesses is provided in the Appendix, at Table A.1.

Table 2.1 – Impacts of COVID-19 on sales by current trading status

Impact on sales	Trading status		
	Continued to trade	Restarted trading	Temporarily closed or paused trading
A substantial decline	37	56	39
A moderate decline	18	19	3
A slight decline	14	5	2
An increase	8	3	-
No change	17	6	1
We have had no sales at all	5	9	55
Any decline	69	81	44
<i>Base:</i>	<i>488</i>	<i>129</i>	<i>365</i>

Large businesses (25+ employees) were more likely than average to report a decline in sales (75% compared with 61%), while small businesses (0-4) were more likely than average to report having no sales at all (28% compared with 24%).

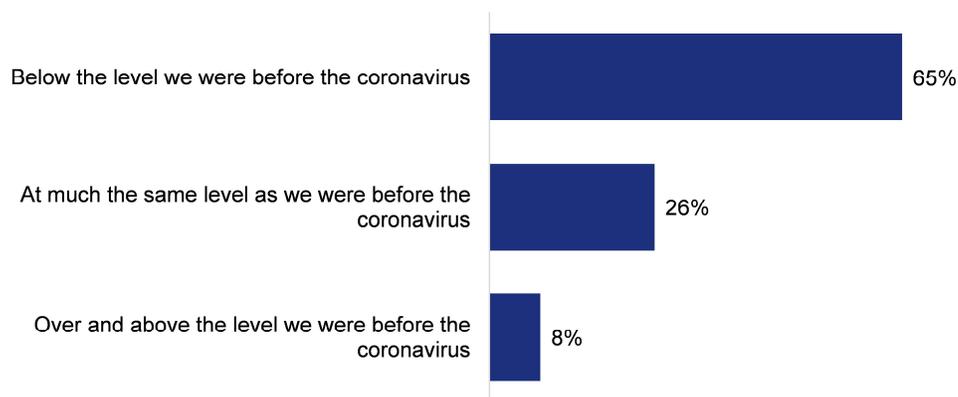
Businesses in Lochaber, Skye and Wester Ross (41%) and those in fragile areas (37%) were more likely than average (24%) to report having no sales at all.

LEVEL OF CURRENT OPERATION

Among those that had continued to trade without pause or had restarted trading, around two thirds (65%) were operating below the level they had been before COVID-19. Around a quarter (26%) were operating at much the same level as before, while 8% were operating over and above the level they had been (Figure 2.3).

Figure 2.3: Current operating level

Q. Which of the following best describes the way in which you are currently operating?



Base: All businesses who had continued or restarted trading (617)

Small businesses (0-4 employees) were more likely to say they were operating at much the same level (33% compared with 26% overall).

International businesses were more likely to say they were operating below the level they were (76%, compared with 67% of rUK and 64% of domestic businesses). Otherwise, there was little variation by different types of business.

IMPACTS ON THOSE THAT WERE TEMPORARILY CLOSED OR HAD PAUSED TRADING

Among businesses that were temporarily closed or had paused trading, almost all (97%) had experienced a loss of income. A majority had also had to use their cash reserves (81%), had lost domestic and/or UK markets (75%), had their investment or growth plans put on hold (74%), saw their supply chain disrupted (65%), lost customers or customer loyalty (64%) and lost international markets (58%) (Figure 2.4).

Figure 2.4: Impacts of COVID-19 on those who had temporarily closed or paused trading

Q. What have been the key impacts on your business since the coronavirus outbreak?



Base: All those that had paused trading (365)

Those in remote rural areas were more likely than average to have lost domestic and/or UK markets (81% compared with 75% overall) and international markets (65% compared with 58%). Loss of international markets was particularly pronounced in Lochaber, Skye and Wester Ross, where 75% of businesses had experienced this impact.

Businesses that were not confident about their future viability (see chapter 5) were more likely than confident businesses to have experienced several of these impacts: having to use cash reserves (89% compared with 73%), loss of domestic and/or UK markets (89% vs 65%), loss of customers or customer loyalty (84% vs 48%) and loss of international markets (76% vs 44%).

International and rUK businesses were both more likely than average to have experienced a loss in international markets and loss of customers and customer loyalty. (Table 2.2 – shaded cells show findings that are significantly different from the average).

Table 2.2– Impacts by markets usually sold to

Measure	Markets usually sold to		
	International	rUK	Domestic
Loss of income	99	98	95
Have had to use cash reserves	84	81	79
Loss of domestic and/or UK markets	86	81	67
Investment or growth plans put on hold	80	78	69
Disrupted supply chain	67	68	62
Loss of customers or customer loyalty	74	70	56
Loss of international markets	87	74	32
<i>Base:</i>	<i>176</i>	<i>193</i>	<i>148</i>

There was less variation in impacts between importers, however those who usually imported goods or services from international markets were more likely than average to say their supply chain had been disrupted (Table 2.3).

Table 2.3 – Impacts by markets usually sold to

Measure	Markets usually imported from		
	International	rUK	Domestic
Loss of income	99	97	96
Have had to use cash reserves	80	84	76
Loss of domestic and/or UK markets	74	77	72
Investment or growth plans put on hold	79	74	72
Disrupted supply chain	78	70	57
Loss of customers or customer loyalty	72	67	56
Loss of international markets	60	63	49
<i>Base:</i>	<i>95</i>	<i>222</i>	<i>120</i>

MEASURES TAKEN IN RESPONSE TO COVID-19

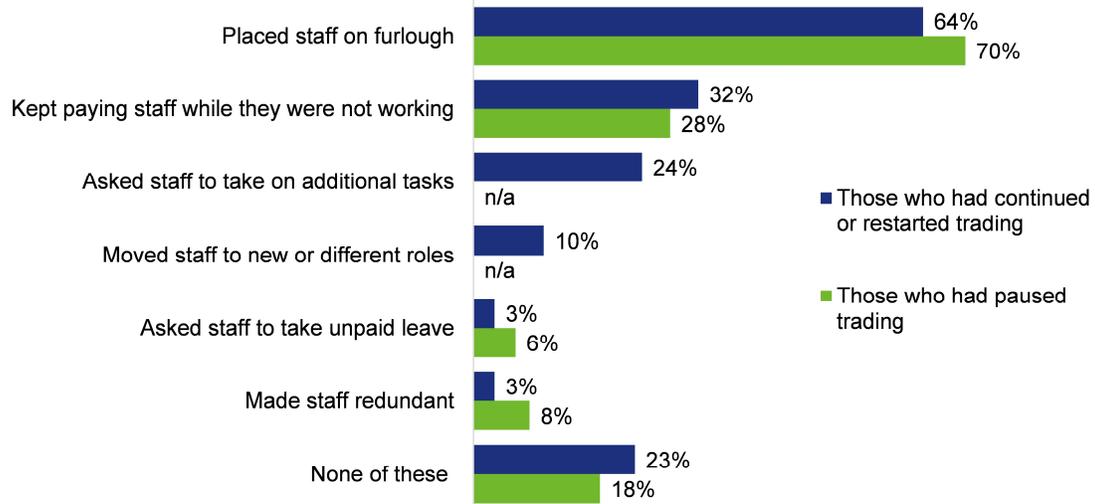
Measures taken for staff

Most employers had taken some measures for their staff as a result of COVID-19, the most common being placing staff on furlough. For those employers that had continued or restarted trading, 64% had placed their staff on furlough. Around a third (32%) had kept paying staff while they were not working, while 24% asked staff to take on additional tasks and 10% moved staff to new or different roles. A minority (3%) had made staff redundant, with the same proportion having asked staff to take unpaid leave.

It was a similar picture for those who were temporarily closed or paused trading: 70% had placed staff on furlough, 28% had kept paying staff while they were not working, 8% had made staff redundant and 6% asked staff to take unpaid leave (Figure 2.5).

Figure 2.5: Measures taken for staff as a result of COVID-19

Q. Which of the following measures, if any, have you taken for any of your staff as a result of the coronavirus outbreak?



*Base:
All employers that had continued or restarted trading and for whom it applied (469)
All employers that had paused trading and for whom it applied (243)*

Placing staff on furlough was more common among those that had seen a decline in their sales (72% among those that had continued/restarted trading and 76% of those that were temporarily closed, compared with 64% and 70% overall).

Small businesses (1-4 employees) were less likely than average to have taken any measures for staff: 38% of those that had continued/restarted trading and 31% of those that were temporarily closed had taken none of these measures (compared with 23% and 18% overall).

Among those that had continued/restarted trading, large businesses (25+ employees) were more likely to have taken a number of measures: placing staff on furlough (93% vs 64% overall), keeping paying staff while they were not working (50% vs 32%), asking staff to take on additional roles (44% vs 24%), and moving staff to different roles (28% vs 10%).

Also, among those that had continued/restarted trading, HIE-account managed businesses were more likely than non-account managed to have placed staff on furlough (78% vs 61%) and moved staff to different roles (23% vs 8%).

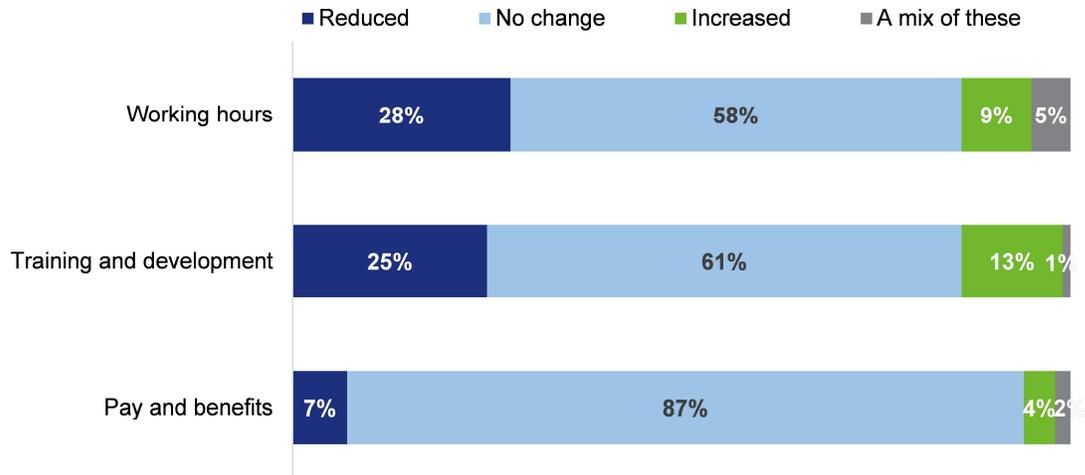
Changes for staff that had continued working

For employers that had continued/restarted trading, most (87%) had made no changes to pay and benefits for staff that had continued to work; 7% had reduced and 4% had increased pay and benefits for those staff.

Changes to working hours and training and development were more common: 28% had reduced working hours for those staff that continued to work, while 9% had increased them. A quarter (25%) had reduced training and development and 13% had increased it. (Figure 2.6).

Figure 2.6: Changes for staff that had continued working

Q. For staff that have continued to work, have you reduced, increased or made no changes to the following?



Base: All employers that had continued or restarted trading and to whom each applied

Large businesses (25+ employees) were more likely than average to have reduced training and development (50% compared with 25% overall). Those in remote rural areas were more likely than average to say they had increased staff working hours (13% compared with 9% overall).

Those whose sales had declined and those who were operating below their pre-COVID-19 level were more likely to have reduced working hours (33% and 38% respectively, compared with 28% overall).

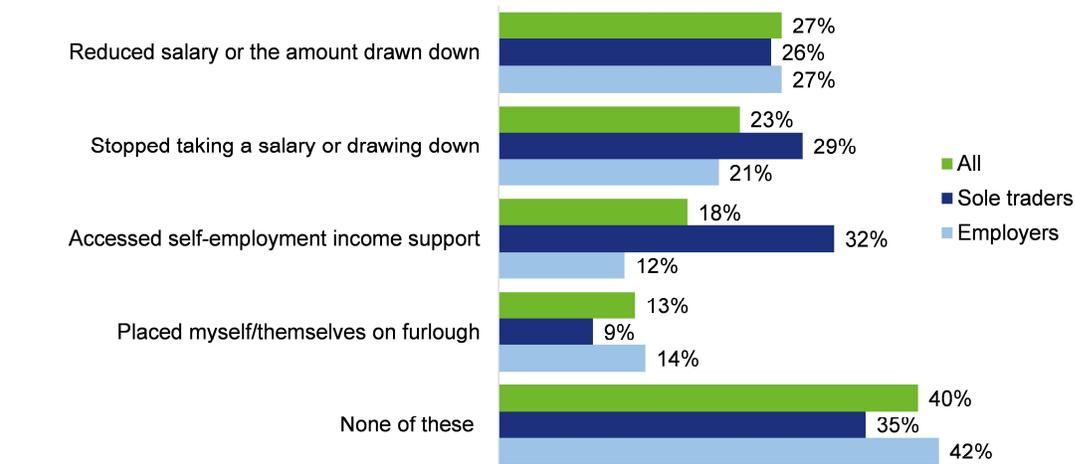
Measures taken by business owners for themselves

As well as the above measures taken by employers, business owners were asked about the measures they had taken for themselves. In cases where the respondent was a senior manager, they were asked to comment on measures taken by the business owner “to the best of their knowledge”. Responses from both business owners and senior managers have been combined for analysis purposes.

Just over a quarter (27%) of business owners had reduced their salary or the amount they drew down, and 23% had stopped taking a salary or drawing down entirely. A further 18% had accessed self-employment income support and 13% had placed themselves on furlough. Two-fifths (40%) had not taken any of the listed actions to adjust or support their income during the COVID-19 crisis. (Figure 2.7).

Figure 2.7: Measures taken by business owners as a result of COVID-19

Q. Which of the following measures, if any, have you taken for yourself/has the owner taken as a result of the coronavirus outbreak?



Base:
 All businesses (1,002)
 All sole traders (257)
 All employers (745)

Measures taken were fairly similar between sole traders and employers. However, around a third (32%) of sole traders had accessed self-employment income support (compared with 12% of employers) while 29% had stopped taking a salary or drawing down (compared with 21% of employers).

Among all business owners, those that were temporarily closed or had paused trading were more likely than average to have placed themselves on furlough (20% compared with 13% overall) or stopped taking a salary/drawing down (35% compared with 23%). Those that had continued trading without pause, on the other hand, were more likely to say they had taken none of these actions (55% compared with 40% overall).

Businesses that were not confident about their future viability were more likely than average to have stopped taking a salary/drawing down (36% vs 23% overall). Those that were confident were more likely to say they had not taken any actions (45% compared with 40% overall).

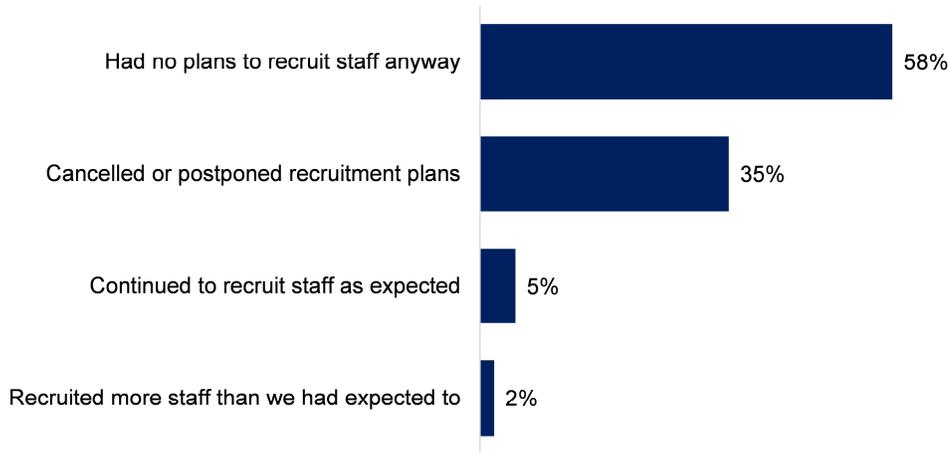
IMPACT ON RECRUITMENT PLANS

While 58% of businesses said they had had no plans to recruit, 35% said they had cancelled or postponed recruitment plans because of COVID-19. A minority continued to recruit staff as expected (5%) or recruited more staff than expected (2%). (Figure 2.8).

Of those that *had* planned to recruit, 82% had cancelled or postponed plans, 11% had recruited as expected and 4% recruited more staff than they had expected to.

Figure 2.8: Impact of COVID-19 on plans for recruitment

Q. In what ways, if any, have your plans for recruitment been impacted by the coronavirus?



Base: All businesses for whom it applied (988)

Larger businesses were more likely than smaller businesses to have cancelled or postponed recruitment: 62% of those with 25+, 61% of those with 11-24, and 47% of those with 5-10 employees had done so, compared with 23% of those with 0-4 employees. This may reflect that small businesses (0-4 employees) were more likely than average to say they had no plans to recruit anyway (73% vs 58%).

Businesses in the Outer Hebrides were more likely to have cancelled or postponed recruitment plans (51% compared with 35% overall). HIE-account managed businesses (57%) were more likely than non-account managed (33%) to have done so.

Cancellation or postponement of recruitment plans was also more common among international businesses (44%), those that were temporarily closed (44%), had seen a decline in their sales (38%), and were not confident about their future viability (46% compared with 35% overall).

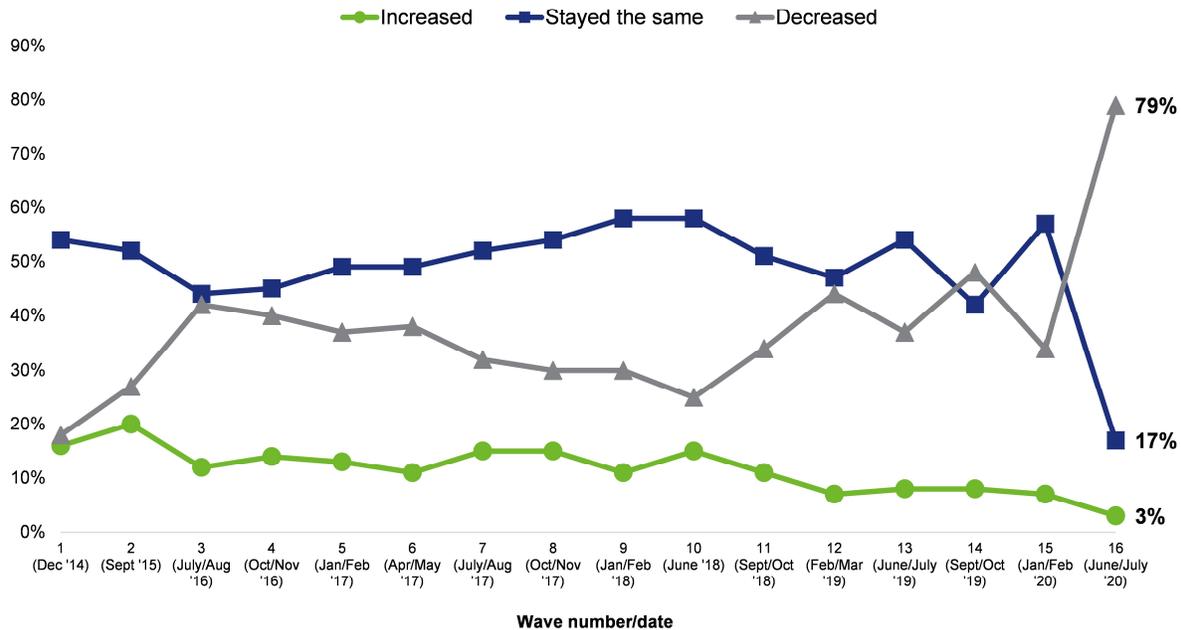
ECONOMIC OPTIMISM

Reflecting these impacts, economic optimism fell to the lowest level ever recorded in the survey: 79% of businesses said their confidence in the economic outlook in Scotland had decreased over the last six months, 17% said it stayed the same and 3% said it had increased (Figure 2.9). Net confidence this wave was -76³, a large drop from the previous level of -27 in January/February 2020. Prior to this the lowest level of net confidence reported in the survey was -40 in October 2019. At this point the UK was due to depart the EU on the 31st October, with the announcement of the extension to the Brexit deadline only announced a few days before the survey fieldwork was completed.

³ The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative.

Figure 2.9: Confidence in the economic outlook in Scotland over time

Q. Over the past six months, since January 2020, has your level of confidence in the economic outlook in Scotland increased, decreased or has it stayed the same?



Base: All businesses

Tourism businesses were particularly negative, with 90% saying their confidence had decreased (higher than the 79% average). Non-growth sector businesses were more likely than average to say their confidence had stayed the same (23% compared with 17% overall). The 3% of businesses whose confidence had increased were almost all made up of food and drink or non-growth sector businesses.

HIE-account managed businesses were more likely than non-account managed to say their confidence had decreased (88% compared with 78%). Non-account managed businesses, on the other hand, were more likely to say their confidence had stayed the same (18% compared with 8% of HIE-account managed).

Those in remote rural locations were more likely than average to say their confidence had decreased (83% compared with 79%), while those in accessible rural locations were more likely to say it had stayed the same (31% compared with 17%).

Those that were temporarily closed or had paused trading were more likely than average to say their confidence had decreased (86%), while those that had continued to operate without pause were more likely to say it had stayed the same (22%).

3. ADAPTING TO NEW WORKING ENVIRONMENT

KEY MESSAGES:

Businesses that had continued or restarted trading had taken a range of actions to help ensure they could continue trading in the current environment. Making processes more efficient and looking for new opportunities in domestic and/or UK markets were the most common actions, with around half of businesses having done each of these. Looking for new opportunities in international markets was the least reported action (16%).

HIE-account managed businesses were generally more likely to be taking actions than non-account managed businesses. Businesses that had received government support packages were also more likely than average to be taking actions. Small businesses (0-4 employees), on the other hand, were less likely to be doing so.

Businesses that had continued or restarted trading were asked what challenges they had come across when trying to adapt to the new environment. The most widespread challenge was general uncertainty of the current operating environment (69%), followed by having to put investment or growth plans on hold (59%) or having to use cash reserves (52%) in order to make changes.

Around three in ten businesses (29%) were collaborating in new ways with others in response to COVID-19. Of these, 59% were collaborating on distribution channels or sales platforms, 52% on marketing activity and 50% were sharing resources.

ACTIONS TAKEN TO ADAPT TO CURRENT ENVIRONMENT

For businesses that had continued or restarted trading, the most common actions taken to ensure they could trade in the current environment were: making processes more efficient (50%), looking for new opportunities in domestic and/or UK markets (48%), improving their competitive position (44%) and only delivering some aspects of the business (41%) (Figure 3.1).

Around three in ten businesses (29%) said they were collaborating with others; a quarter had changed their products or services (26%) or moved them online (24%) and a fifth were working with new suppliers (20%). Looking for new opportunities in international markets was the least reported action (16% had done this).

Figure 3.1: Actions taken to adapt to current environment

Q. What, if anything, is your business doing differently to help ensure it can continue to trade in the current environment?



Base: All that have continued or restarted trading (617)

Those that had restarted trading were more likely to say they were now only delivering some aspects of their business (59%) compared to those that had continued without pause (41%).

International businesses were more likely than average to be: looking for new opportunities in domestic and/or UK markets (64% compared with 48% overall), looking for new opportunities in international markets (40% vs 16%), improving their competitive position (59% vs 44%), and collaborating in new ways with others (39% vs 29%).

There were also some differences in the types of actions taken by size of business (see Table A.3 in the Appendix for a more detailed breakdown):

- Large businesses (25+ employees) were more likely to be only delivering some aspects of their business (65% vs 41% overall) and changing their product or service (52% vs 26% overall).
- Those with 11-24 employees and 25+ employees were each more likely to be looking for new opportunities in international markets (27% and 28% respectively vs 16% overall).
- Businesses with 5-10 employees were more likely to be collaborating in new ways with other businesses (37% vs 29% overall) and working with new suppliers (29% vs 20% overall).
- Small businesses were *less* likely than average to be taking most measures.

There were fewer sectoral differences, however those in financial and business services were more likely than average to be moving products/services online (36% vs 24% overall) and creative industries businesses were more likely to be looking for new opportunities in international markets (29% vs 16% overall).

In terms of location, businesses in Orkney were more likely to be making their processes more efficient (65% vs 50% overall), while those in Moray were more likely to be changing their product or service (39% vs 26% overall). Those in Shetland were more likely to be working with new suppliers (43% vs 20% overall) and looking for opportunities in international markets (32% vs 16% overall).

HIE-account managed businesses were more likely than non-account managed businesses to be looking for new opportunities in both domestic/UK markets (86% vs 43%) and international markets (56% vs 10%). They were also more likely to be improving efficiency (65% vs 48%), improving their competitive position (61% vs 42%), collaborating with others (53% vs 26%) and changing their product/service (37% vs 24%).

Businesses that had experienced an increase in sales were more likely than average to be improving their competitive position (64% vs 44% overall). Those that had received government support (see chapter 4) were more likely than those that had not, to be: making processes more efficient (55% vs 42%), looking for opportunities in domestic markets (53% vs 42%), improving their competitive position (48% vs 38%), only delivering some aspects of the business (45% vs 34%) and changing their product/service (31% vs 19%).

COLLABORATION

Among businesses that were collaborating in new ways with others in order to continue trading, 59% said they were collaborating on distribution channels or sales platforms, 52% were collaborating on marketing activity, and 50% were sharing resources (Figure 3.2).

Figure 3.2: New ways in which businesses are collaborating with other businesses

Q. You said you were collaborating in new ways with other businesses. In what ways are you collaborating?



Base: Businesses collaborating in new ways with others (171)

Food and drink businesses were more likely than average to say they were collaborating on distribution channels or sales platforms (73% compared to 59%).

Businesses that were operating below their pre-COVID-19 levels were more likely to say they were collaborating on distribution channels or sales platforms (64%) compared to those who were operating at the same level as before (36%).

Those that had not received any government support were more likely to say they were sharing staff, skills or expertise with others (46%) compared to those who had received at least some support (25%).

CHALLENGES FACED

Businesses that had continued or restarted trading were asked what challenges they had come across when trying to make the changes discussed above. The most widespread challenge was general uncertainty of the current operating environment, with seven in ten businesses citing this (69%). More than half of businesses also said they had had to put investment or growth plans on hold (59%) or had to use cash reserves (52%) in order to make changes (Figure 3.3).

Figure 3.3: Challenges facing businesses when trying to adapt to the current environment

Q. What challenges, if any, have you faced when trying to make the sorts of changes we just discussed?



Base: All that have continued or restarted trading (617)

Large businesses (25+ employees) were more likely to say they had come across various challenges: putting investment or growth plans on hold (80% vs 59% overall), using cash reserves (80% vs 52%), seen changing demand across their product portfolio (68% vs 46%), lost traction in domestic/UK markets (64% vs 45%) and international markets (38% vs 16% overall) (see Table A.4 in the Appendix).

HIE-account managed businesses were more likely than non-account managed businesses to say they came across most challenges (apart from difficulty accessing the skills and expertise they needed) (see Table A.5). Businesses that were operating below pre-COVID-19 levels were also more likely than average to have experienced most challenges (see Table A.6).

There were no sectoral differences for this question, suggesting that similar challenges were faced by businesses across different sectors.

Challenges for those that continued/restarted trading vs impacts on those temporarily closed

Findings on challenges have been compared with the impacts experienced by businesses that were temporarily closed, (as outlined in Figure 2.4) to show the overall proportion experiencing these issues. (Though it should be noted that these two questions were worded slightly differently, therefore findings are not directly comparable).

Overall, two thirds (65%) of business had put investment of growth plans on hold, and a similar proportion (63%) had used their cash reserves. Over half (56%) had lost domestic and/or UK markets, 48% had lost customers or customer loyalty, and 31% lost international markets (Table 3.1).

Generally, businesses that were temporarily closed were more likely to have experienced each impact/challenge than those that had continued or restarted trading, highlighting the different ways in which businesses had been impacted by COVID-19.

Table 3.1 – Challenges faced when trying to adapt/impacts of COVID-19 by trading status

Measure	Continued or restarted trading	Temporarily closed	All who continued or restarted or temporarily closed
Investment or growth plans put on hold	59	74	65
Have had to use cash reserves	52	81	63
Loss of/lost traction in domestic and/or UK markets	45	75	56
Loss of customers or customer loyalty	38	64	48
Loss of/lost traction in international markets	16	58	31
<i>Base:</i>	<i>617</i>	<i>365</i>	<i>982⁴</i>

⁴ This is all businesses excluding those (20) that said “other” when asked what their trading status was. Those 20 businesses were not asked questions that were specifically for either busiensse that had continued or restarted trading, or were temporarily closed.

4. SUPPORT PACKAGES AND FINANCIAL RESOURCES

KEY MESSAGES:

A majority (70%) of businesses had applied for government support packages designed to help those affected by COVID-19. Of those that had applied, 91% had been successful with at least one of their applications.

A quarter of businesses had not applied for any government support. Their main reasons for not doing so were because they had used their own financing, (46%) they did not need the support (44%), and they were not eligible for these support packages (43%). Just over one in ten (12%) were not aware of the support packages and 9% said they did not know how to apply for support.

Most businesses were confident they could access the financial resources needed to get them through the coronavirus crisis (71%). However, a quarter said they were not confident (26%) (16% not very confident, 9% not at all confident).

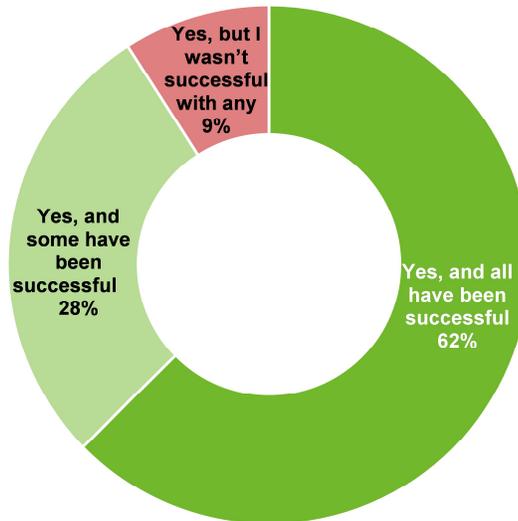
APPLYING FOR SUPPORT PACKAGES

A majority (70%) of businesses had applied for government support packages designed to help those affected by the COVID-19 crisis. A quarter of businesses (25%) said they had not applied for any government support, while 5% did not know if they had applied or not

Of those that had applied, 91% had been successful (62% with all applications, 28% with some applications) and 9% had not been successful with any (Figure 4.1). Taken as a proportion of *all* businesses taking part in the survey, 63% had received at least some support from government.

Figure 4.1: Success applying for government support packages

Q. Have you applied for any of the support packages available from government to help businesses affected by the crisis?



Base: All businesses that had applied (699)

Large businesses (25+ staff) were more likely than average to have applied for support (83% compared with 70% overall, while small businesses (0-4 staff) were more likely to not have applied for any support packages (32% vs 25% overall). Large businesses (25+ staff) were also more likely than average to have been successful in at least one of their applications for support (95% of those that had applied vs 91% overall).

Among tourism businesses, 72% had applied for support and, of those, 89% were successful with at least one application. Tourism businesses were more likely than average to have been successful with *all* applications (73% vs 62% overall).

Businesses in Orkney (42%) and those in remote rural locations (28%) were more likely than average to say they had not applied for any support (compared with 25% overall). Non-account managed businesses were more likely than HIE-account managed to have not applied for any support (28% compared with 6%).

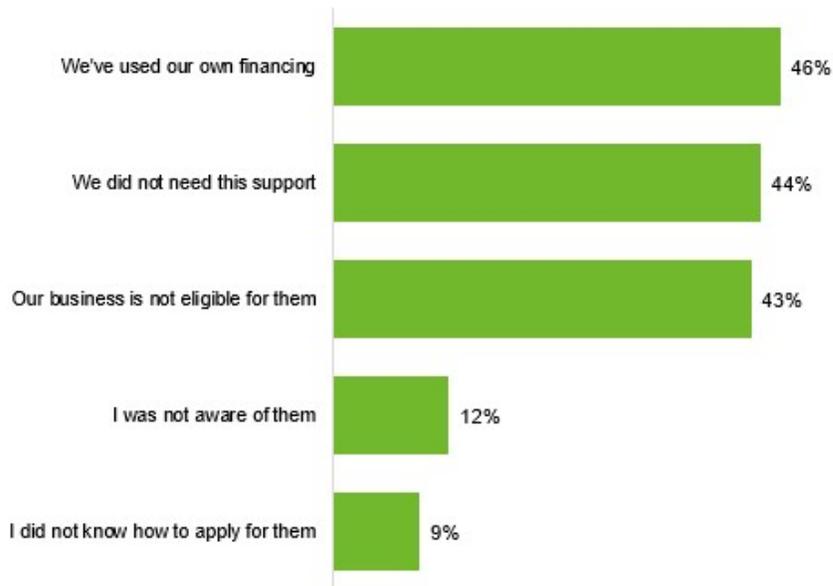
Those that had restarted trading (84%) or were temporarily closed (77%) were more likely to have applied for support than those who had continued trading (59%). Of those that *had* applied, similar proportions were successful: 89% of those that had restarted trading, 89% of those that were temporarily closed and 92% of those that continued trading.

Reasons for not applying for support

Businesses that had not sought support from government support packages were asked why this was the case (and were able to select more than one reason). The main reasons given were: they had used their own financing (46%), they did not need the support (44%), and their business was not eligible for these support packages (43%). Just over one in ten (12%) were not aware of the support packages and 9% said they did not know how to apply for support (Figure 4.2).

Figure 4.2: Reasons businesses have not applied for support

Q. What is the main reason you have not applied for any of the government support packages?



Base: Businesses that have not applied for support

Food and drink businesses were more likely than average to say they did not know how to apply for support (18% compared with 9% overall).

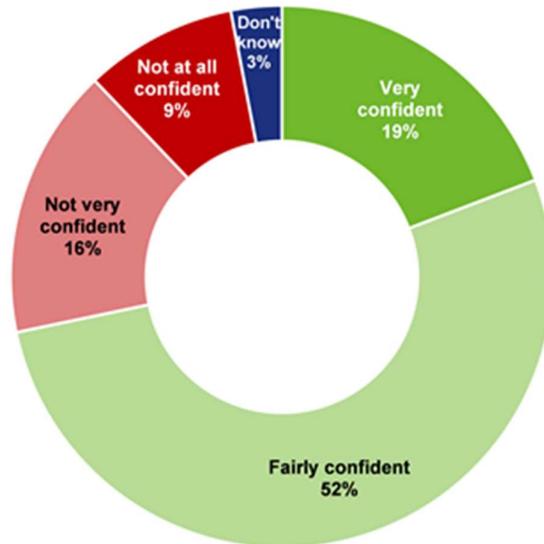
Those saying they did not need support were represented across range of business sizes, sectors, and locations. However, they were more likely to be; those whose confidence had remained the same over the last six months (57%), those with confidence in their viability (51%), those that had continued to trade (54%) and whose level of sales remained at the same level as before COVID-19 (64% compared with 44% overall).

ACCESS TO FINANCIAL RESOURCES

Most businesses were confident that they could access the financial resources needed to get them through the coronavirus crisis (71%). However, a quarter said they were not confident (26%) (16% not very confident, 9% not all confident) (Figure 4.3).

Figure 4.3: Confidence in access to financial resources needed to get through the crisis

Q. How confident are you that you have or can access the financial resources needed to get through the coronavirus crisis?



Base: All businesses

Large businesses (25+ employees) were more likely than average to say they were very confident about accessing the financial resources they needed (81% confident, including 31% very confident, vs 71% confident, including 19% very confident, overall).

The majority of businesses that were trading above pre-COVID-19 levels (92%), whose sales had increased (97%), and who were confident about their future viability (81%) were confident in their ability to access financial resources (compared with 71% overall). Those that had continued trading (78%) were more confident than those that were temporarily closed or had paused trading (62%).

On the other hand, businesses who were operating below pre-COVID-19 levels (76%), that had seen no sales at all (33%) and were not confident about their future viability (54%), were all more likely to say they were not confident about their access to financial resources (compared with 26% overall).

5. EMERGING FROM LOCKDOWN AND BEYOND

KEY MESSAGES:

Three quarters of businesses said they were confident they would remain viable over the next six months. However, almost a quarter (23%) were not confident. Confidence was particularly low among businesses that were temporarily closed or had paused trading due to COVID-19.

Businesses were generally confident in their ability to adhere to government guidelines as lockdown measures eased, with 87% confident and 9% not confident. There was again variation by trading status, with those that had continued (91%) or restarted (92%) trading more confident than those that were temporarily closed or had paused trading (80%).

A vast majority (93%) of businesses said they had already taken or planned to take at least one measure in order to comply with government and public health guidelines. The most common measures already taken were appropriate safety measures (72%), making physical layout changes (38%), enabling staff to work from home (37%), and training staff (33%).

The main concerns businesses had about taking measures to comply with guidelines were the impacts these may have on customer numbers and experience (59%) and a lack of clarity on government guidance for their area of work (52%). Concerns were most pronounced amongst businesses that were temporarily closed or paused trading.

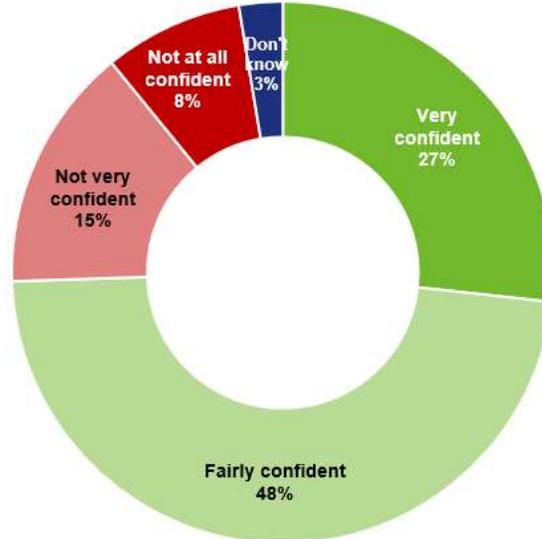
The biggest concerns facing businesses in the next six months were economic downturn (61%) and future waves of coronavirus and further lockdown (55%). The perceived opportunities for businesses over the next six months included: growing their online presence, adapting products or services, changing customer behaviour or preferences, and targeting new or different markets (each selected by approximately a quarter of businesses).

BUSINESS VIABILITY

Three-quarters of businesses said they were confident they would remain viable over the next six months (27% very confident and 48% fairly confident). However, almost a quarter (23%) were not confident, with 15% saying they were not very confident and 8% not at all confident (Figure 5.1).

Figure 5.1: Confidence in business viability

Q. How confident are you that your business will be viable over the next 6 months?

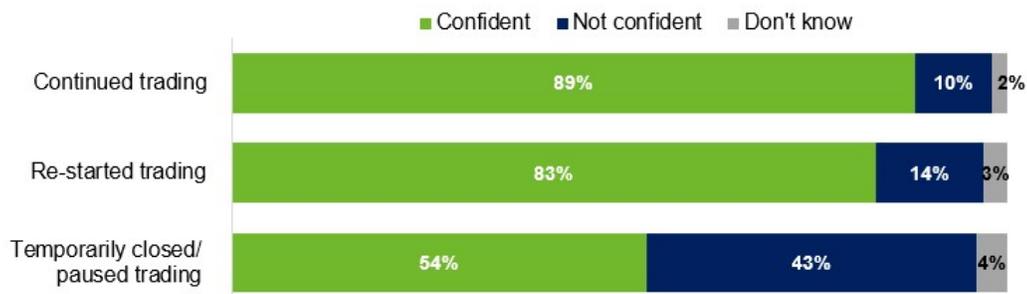


Base: All businesses

There was notable variation by trading status, with those that were temporarily closed or had paused trading being more pessimistic: just over half (54%) of these businesses were confident they would remain viable over the next six months, considerably less than businesses that had continued (89%) or restarted (83%) trading (Figure 5.2).

Figure 5.2: Confidence that business will be viable over the next six months by trading status

Q. How confident are you that your business will be viable over the next 6 months?



Base: All businesses

Businesses that were operating at a similar or higher level than before COVID-19 were more confident than those operating below their usual levels (92% and 99% compared with 84% respectively). Confidence in future viability was also linked to level of sales since COVID-19. All those who has seen their sales increase were confident about the next six months. At the other end of the scale, however, around half (49%) of those with no sales since COVID-19 said they were not confident in their future viability (Figure 5.3)

Figure 5.3: Confidence that business will be viable over the next six months by sales

Q. How confident are you that your business will be viable over the next 6 months?



Base: All businesses

There was also a link between confidence in business viability and ability to access finance: 85% of those confident they could access the financial resources needed to get through the crisis were optimistic about their viability, compared to less than half (47%) of those who were not confident in their ability to access finance.

Further variation by type of business

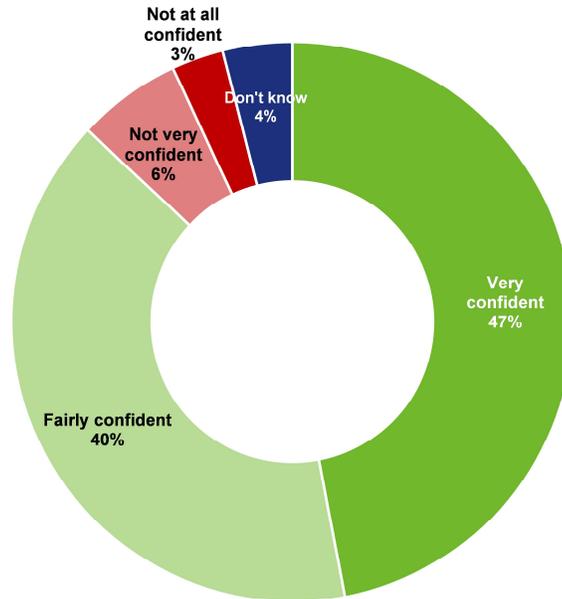
- Those in the financial and business services sector were most confident in their future viability: 81% said they were confident, compared to the average of 75%. There were no other significant differences by sector (see Table A.7 for a full breakdown).
- Businesses in Lochaber, Skye and Wester Ross were less confident than average (33% not confident, compared with 23% overall). In contrast, businesses in Shetland and Moray were each more confident than average (94% and 86% confident respectively compared to 75% overall). A full breakdown by area is given in Table A.8.
- Confidence was lower in remote rural locations: 27% in these areas were not confident, compared to 16% in accessible rural areas and 19% in other areas. Businesses in fragile areas were also less confident than those in non-fragile area (33% not confident, compared to 20%).

ADHEREING TO GOVERNMENT GUIDELINES

Overall, businesses were confident in their ability to adhere to government guidelines as lockdown eases: almost nine-in-ten were confident (47% “very confident” and 40% “fairly confident”). A further 9% were not confident, with 6% “not very confident” and 3% “not at all confident”, and 4% not sure.

Figure 5.4: Confidence in adhering to government guidelines

Q. How confident are you that you will be able to adhere to government guidelines as we emerge from lockdown?



Base: All businesses

Businesses that were temporarily closed or paused trading had lower levels of confidence (80%) than those that had continued (91%) or restarted (92%) trading.

There was correlation between confidence in adhering to guidelines and business viability: 93% of those confident in their viability were also confident in adhering to government guidelines, compared to 71% of those who were not optimistic about their viability.

Further variation by type of business

- Those in the financial and business services sector were more confident than average in their ability to adhere to guidelines (94% compared to 87% overall).
- The Inner Moray Firth was the area that showed above average confidence (92%). There was also lower confidence in fragile areas (82%) compared with non-fragile areas (89%).
- HIE-account managed businesses (95%) were more confident in their ability to adhere to guidelines than non-account managed businesses (86%).

Measures taken to follow guidelines

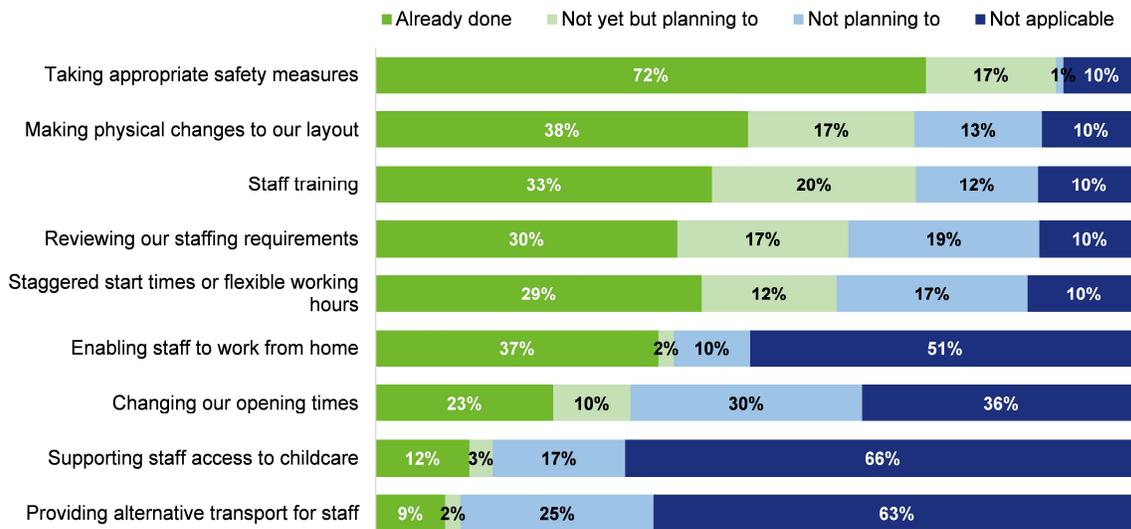
Businesses were asked what measures they had taken or planned to take to follow government guidelines on physical distancing and other public health guidelines. Almost all (93%) said they had already taken or planned to take at least one measure.

The most common actions either taken or planned were: taking appropriate safety measures (72% already done; 17% planned to), making physical layout changes (38% already done; 17% planned to) and training staff (33% already done; 20% planned to) (Figure 5.5).

Less common actions were: providing alternative transport for staff (9% already done; 2% planned to), supporting staff access to childcare (12% already done; 3% planned to), and changing opening times (23% already done; 10% planned to). A significant proportion of businesses said that these less common measures, along with enabling staff to work from home, were not applicable to them.

Figure 5.5: Measures taken or planning to take to follow guidelines

Q. What measures, if any, have you taken or are you planning to take in order to follow government guidelines on physical distancing and other public health guidelines?



Base: All businesses

Of the minority (7%) of businesses that had not taken and did not plan to take any action, all employed less than four members of staff, with 80% employing no staff at all.

Businesses that had continued or restarted trading were more likely to have already implemented many of the measures than those that were temporarily closed (Table 5.1 – shaded cells indicate a percentage significantly higher than the survey average).

Table 5.1: Measures already taken by trading status

Measure	Continued trading	Restarted trading	Temporarily closed/paused trading
	% Already done		
Enabling staff to work from home	46	27	28
Making physical changes to our layout	39	60	31
Taking appropriate safety measures	81	91	52
Changing our opening times	26	34	15
Reviewing our staffing requirements	34	34	23
Providing alternative transport for staff	9	15	8
Staggered start times or flexible working hours	35	33	18
Staff training	38	37	24
Supporting staff access to childcare	15	18	6
<i>Base: All businesses</i>			

Businesses that were confident in their viability over the next six months were more likely to have already implemented many of the measures, as were those confident in adhering to government guidelines (see Table A.9).

There was further sectoral variation:

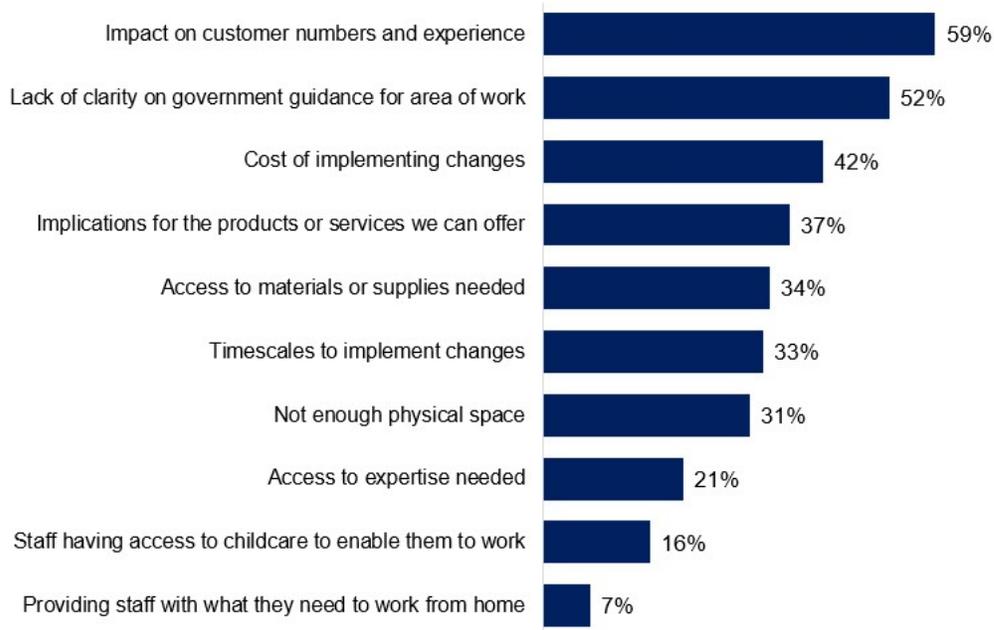
- Financial and business services were more likely than average to have already made physical changes to their layout (56% compared to the average of 38%).
- Tourism businesses were more likely than average to plan to, but not yet have implemented, appropriate safety measures (25% versus 17% overall) (with 64% of tourism business having already done this).

Concerns about measures

The main concerns businesses had about taking measures to comply with guidelines were the impacts these may have on customer numbers and experience (59%) and a lack of clarity on government guidance for their area of work (52%). Other concerns included the cost of implementing the changes (42%) and implications for the products or services they offered (37%) (Figure 5.6). Around one ten (11%) reported no concerns at all.

Figure 5.6: Main concerns about required measures

Q. What are your main concerns about measures you have taken or are planning to take to adhere to government guidance?



Base: All businesses

With few exceptions, businesses that were temporarily closed were more likely than average to cite most of the factors as a concern (see Table A.10). Those less confident in their viability or in their ability to adhere to guidelines were also more likely to say each of these factors were a concern (see Table A.11 for full breakdown).

Further variation by type of business

- Larger organisations tended to be more concerned about many of the factors, in particular the cost of implementing changes (61% of those with 11-24 staff and 57% of those with 25+ staff vs 42% overall), the implication for the products and services offered (54% of 25+ vs 37%), not having enough physical space (55% of 11-24 and 42% of 25+ vs 31%) and staff having access to childcare (35% of 11-24 and 46% of 25+ vs 16%).
- Food and drink businesses were particularly concerned about the lack of government guidance for their area of work (61% compared with 52% overall). Tourism businesses expressed higher than average concern about the timescales to implement changes (40% vs 33% overall), not having enough physical space (40% vs 31%) and access to the expertise needed (32% vs 21%).
- Businesses in Lochaber, Skye and Wester Ross were particularly concerned about the impact on customer numbers and experience (69% vs 59% overall), lack of clarity on guidelines (68% vs 52%), implications for the products offered (51% vs 37%) and timescales to implement changes (45% vs 33%). It is again worth noting the higher than average proportion of tourism businesses in Lochaber, Sje and Wester Ross, which may partly be driving these differences.

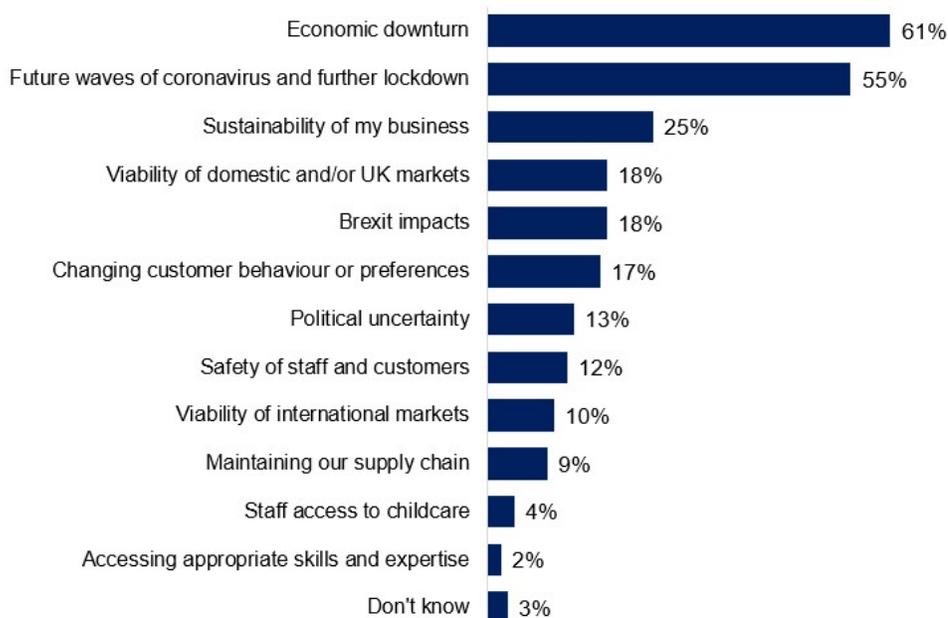
- Finally, HIE-account managed businesses were more likely than non-account managed businesses to be concerned about impact on customer experience (74% vs 57%), implication for products and services offered (48% vs 36%), staff having access to childcare (36% vs 14%) and providing staff with what they need to work from home (22% vs 6%). Non-account managed businesses were more concerned about lack of clarity on government guidance for their area of work (40% compared with 54% of HIE-account managed).

CONCERNS FOR NEXT SIX MONTHS

Businesses were asked to select up to three factors which they were most concerned about when thinking about the next six months. The top concerns were economic downturn (61%) and future waves of coronavirus and further lockdown (55%) (Figure 5.7).

Figure 5.7: Key concerns for next six months

Q. Thinking about the next 6 months, what are the two or three key concerns for your business?



Base: All businesses

Business sustainability was a more prominent concern for businesses that were temporarily closed (35%, compared with 17% of those who had continued trading and 26% that had restarted). This group also expressed greater concern about the viability of international markets (16% compared with 6% respectively amongst businesses that had continued or restarted trading).

Businesses that had continued trading were more likely to rate the impacts of Brexit as a concern (23% compared with 14% of those who had restarted trading and 11% of temporarily closed businesses), along with political uncertainty (17% compared with 11% of restarted businesses and 10% of those closed).

International businesses were more concerned than average with the viability of international markets (20% compared with 10% overall).

Further variation by type of business

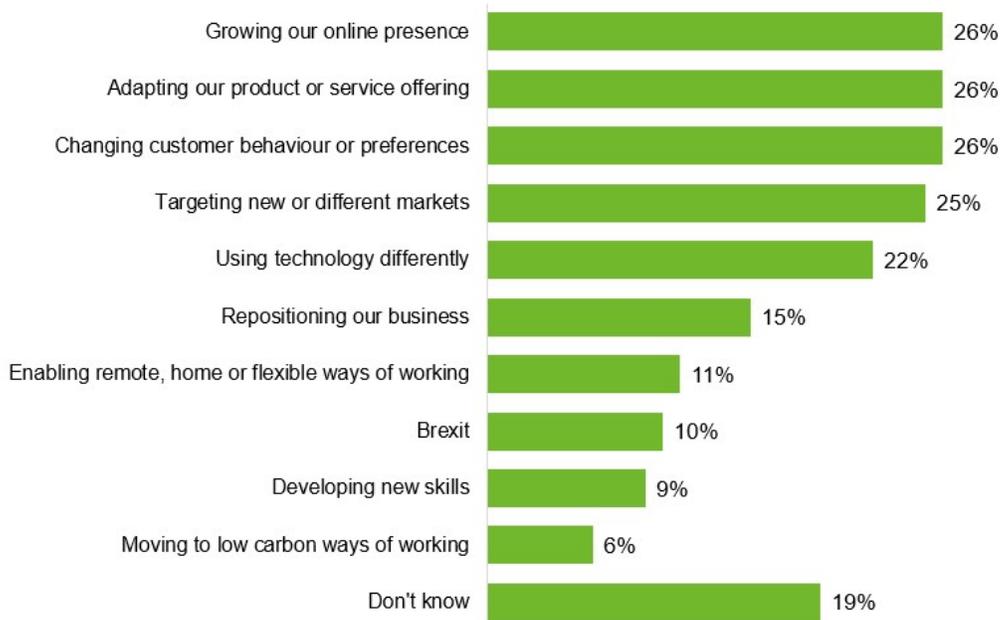
- Larger organisations (25+ staff) were more likely than average to select the safety of staff and customers (30% compared to 12%) and staff access to childcare (16% compared to 4%) as one of their top concerns.
- Safety of staff and customers was also more likely to be a concern to tourism businesses (19% vs 12% overall), as was sustainability of the business (32% vs 25%).
- Those in Lochaber, Skye and Wester Ross were more likely to rank business sustainability as one of their top three concerns (35% vs 25%), along with viability of international markets (16% vs 10%). Businesses in Caithness and Sutherland also showed higher than average concern about sustainability (36%), while businesses in Orkney were more likely to be concerned about the impacts of Brexit (31% vs 18% overall).
- Businesses in fragile areas were more likely than those in non-fragile areas be concerned about viability of domestic (24% vs 16%) and international (15% vs 8%) markets.

OPPORTUNITIES FOR NEXT SIX MONTHS

Businesses were less certain when asked to select up to three opportunities for the next six months: almost a fifth said “don’t know”. Around a quarter saw opportunity from growing their online business (26%), adapting their product or service offering (26%), changing customer behaviour or preferences (26%) and targeting new or different markets (25%) (Figure 5.8).

Figure 5.8: Key opportunities for next six months

Q. And still thinking about the next 6 months, what do you expect to be the two or three main opportunities for your business



Base: All businesses

Businesses that had restarted trading were more likely to see opportunities in adapting their product or service (35% compared to 29% of businesses temporarily closed and 20% of those that continued trading) and developing new skills (15% compared to 7% and 9% respectively).

Among businesses that had continued trading, enabling remote, home or flexible working (16%), Brexit (12%) and moving to low carbon ways of working (9%) were more likely to be given as opportunities. In contrast, almost a quarter (24%) of those that were temporarily closed said “don’t know”, higher than the 15% of businesses that continued trading and 19% of those who had restarted.

Further differences of note:

- A higher proportion of larger organisations (25+ staff) saw using different technologies (43% vs average of 22%) and enabling remote, home or flexible working (22% vs 11%) as opportunities.
- Those in the creative industries were more likely to see growing their online presence as an opportunity (40% compared with 26%), while financial and business services were more likely to see opportunity in changing customer behaviour or preferences (35% versus 26%) and enabling remote, home or flexible ways of working (22% versus 11%).
- HIE-account managed businesses were more inclined than non-account managed to view many of the factors as a potential opportunity for the next six months, in particular: growing their online presence (36% vs 24%), targeting new or different markets (44% vs 23%) and repositioning their business (27% vs 13%).

SUMMARY

This wave of the survey took place during the unprecedented disruption brought about by COVID-19. Lockdown restrictions were in place, though these were gradually being eased during the fieldwork period. Businesses were therefore operating in a unique and changing environment. Findings from this wave show COVID-19 has had a number of impacts on businesses in the region, including a disruption to trade, decline in sales, loss of income, and staff being placed on furlough. Reflecting the timing of the survey, businesses also had the lowest economic confidence ever recorded.

In response to these impacts, businesses made a variety of changes in order to adapt and continue trading in the current environment. Changes included making their processes more efficient and looking for new opportunities in domestic and UK markets. However, businesses had faced a range of challenges when making these changes, including the general uncertainty of the current environment and the ability to access finance needed to make changes.

A majority of businesses had benefitted from government support packages designed to help businesses through the the COVID-19 crisis. Most were also confident that they had access to the financial resources they needed to get through the crisis, though a quarter were not. Perhaps reflecting this overall confidence, three quarters of those interviewed were also confident that their business would remain viable over the next six months. However, the position was less certain for almost a quarter of businesses surveyed.

Turning to the future and emerging from lockdown, most businesses were confident that they could adhere to government guidelines. However, economic downturn and the threat of a second wave of the coronavirus were the most prominent risks facing businesses in the region. The main opportunities for businesses over the next six months were growing their online presence, adapting their products or services, changing customer preferences and targeting new or different markets.

Impacts of COVID-19

- Around half of businesses had continued to trade without pause since COVID-19, 37% were temporarily closed or had paused trading, and 12% had restarted trading.
- The majority (85%) of businesses had seen either a decline in sales (61%) or had no sales at all (24%) as a result of COVID-19. Among those that had continued to trade without pause or had restarted trading, around two-thirds were operating below the level they were before COVID-19. Around a quarter were operating at much the same level and 8% were operating over and above the level they had been.
- Among those that had temporarily closed or had paused trading, almost all (97%) had experienced a loss of income. Other common impacts included: having to use their cash reserves, loss of domestic and/or UK markets, putting their investment or growth plans on hold, disruptions to supply chain, loss of customers or customer loyalty, and loss of international markets.
- Most employers had taken measures for their staff as a result of COVID-19, the most common being placing them on furlough: 64% of those that had continued or restarted trading, and 70% of those that had temporarily closed had done so. Just over a quarter (27%) of business owners had reduced their own salary or the amount they drew down, with 23% stopping entirely. A further 18% had accessed self-employment income support and 13% had placed themselves on furlough.

- Reflecting these impacts, economic optimism fell to the lowest level ever recorded in the survey: 79% of businesses said their confidence in the economic outlook in Scotland had decreased over the last six months, 17% said it stayed the same and 3% said it had increased.

Adapting to new working environment

- Making processes more efficient and looking for new opportunities in domestic and/or UK markets were the most common actions, with around half of businesses having done each of these. Looking for new opportunities in international markets was the least reported action (16%).
- HIE-account managed businesses were generally more likely to be taking actions than non-account managed businesses. Businesses that had received government support packages were also more likely than average to be taking actions. Small businesses (0-4 employees), on the other hand, were less likely to be doing so.
- Businesses that had continued or restarted trading were asked what challenges they had come across when trying to adapt to the new environment. The most widespread challenge was general uncertainty of the current operating environment (69%), followed by having to put investment or growth plans on hold (59%) or having to use cash reserves (52%) in order to make changes.
- Among the 29% of businesses that were collaborating in new ways with others, 59% were collaborating on distribution channels or sales platforms, 52% on marketing activity and 50% were sharing resources.

Support packages and financial resources

- A majority (70%) of businesses had applied for government support packages designed to help those affected by the COVID-19 crisis. Of those that had applied, 91% had been successful (62% with all applications, 28% with some applications).
- A quarter of businesses (25%) said they had not applied for any government support, while 6% had applied but not been successful. The businesses that had not applied tended to be smaller businesses (0-4 employees) that had continued trading. Their main reasons for not doing so were because they had used their own financing, (46%) they did not need the support (44%), and they were not eligible for these support packages (43%). Just over one in ten (12%) were not aware of the support packages and 9% said they did not know how to apply for support.
- Most businesses were confident they could access the financial resources needed to get them through the coronavirus crisis (71%). However, a quarter said they were not confident (26%).

Emerging from lockdown and beyond

- Three quarters were confident that they would be viable in the next six months, while a quarter were not. The future was more uncertain for businesses that had temporarily closed or had paused trading at the time of interview, with almost half (43%) of those businesses not confident they would remain viable over the next six months. Further, while all businesses that reported an increase in sales since the COVID-19 outbreak were confident about their viability, half (49%) of those without sales said they were not confident they would remain viable.

- There was also notable variation by location, with businesses in Lochaber, Skye and Wester Ross the most pessimistic: a third of the businesses in this area said they were not confident in their future viability. This is also reflected when looking at businesses in fragile areas: a third of businesses in fragile areas were not confident about their viability compared to 20% in non-fragile areas.
- Most businesses (87%) said they were confident in their ability to adhere to government guidelines as the country moves out of lockdown. Confidence was highest amongst businesses that had remained open (91%) or been able to restart trading (92%), and notably lower among those that were temporarily closed (80%).
- Almost all (93%) had taken or planned to take at least one measure in order to comply with government and public health guidelines, most notably taking the appropriate safety measures, making physical changes to their layout or undertaking staff training.
- The top concerns businesses had about implementing the required measures centered on the impact they would have on customer numbers and the customer experience (59%) and the lack of clarity on government guidance for their area of work (52%). Concerns were most pronounced amongst businesses that were temporarily closed or paused trading.

Risks and opportunities

- Thinking ahead to the next six months, businesses saw more risks than opportunities. Economic downturn was the top risk identified, followed by future waves of COVID-19 and further lockdowns.
- Overall there was less certainty around opportunities for the next six months: almost a fifth said “don’t know” when asked. Approximately a quarter of respondents identified growing their online presence, adapting products or services, changing customer behaviour or preferences, and targeting new or different markets among their top opportunities.

APPENDIX

MARKETS OF OPERATION

Markets usually sold to

At the beginning of March, before coronavirus lockdown restrictions, the vast majority of businesses sold goods or services within Scotland (90%), while 50% *only* sold in Scotland and not in other markets (these are referred to as 'domestic businesses'). Just under half (45%) sold outside Scotland but within the rest of the UK (referred to as 'rUK businesses'). A third (33%) of businesses sold goods or services outside of the UK (referred to as 'international businesses'); 29% within the EU and 26% outside of the EU (Table A.1). These findings are in line with those in the previous wave.

Table A.1: Markets usually sold to

	Markets sold to
	%
Scotland	90
Outside Scotland, but within the UK	45
Outside the UK, but within the EU	29
Outside the UK, outside the EU	26
Don't know	1
<i>Base</i>	<i>1,002</i>

Markets usually imported from

At the beginning of March, most businesses sourced equipment or materials from within Scotland (80%), while 63% did so from outside Scotland but within the UK. 29% of businesses imported from outside of the UK (these are referred to as 'importers'); 25% from within the EU and 15% from outside of the EU (Table A.2). These proportions are lower than those seen in the previous wave. This may suggest that businesses were already seeing a reduction in importing activity as a result of COVID-19 in early March. It may also reflect a difference in the profile of businesses in this survey wave; there were fewer food and drink businesses and fewer large businesses (25+ employees), both of whom are typically more likely to import from each of these markets.

Table A.2: Markets usually imported from

	Markets imported from
	%
Scotland	80
Outside Scotland, but within the UK	63
Outside the UK, but within the EU	25
Outside the UK, outside the EU	15
Don't know	3
<i>Base</i>	<i>1,002</i>

ACTIONS TAKEN TO ADAPT TO CURRENT ENVIRONMENT

Table A.3: Actions taken by business size (number of employees)

	Number of employees			
	0-4	5-10	11-24	25+
	%	%	%	%
Making our processes more efficient	40	65	57	69
Looking for new opportunities in domestic and/or UK markets	42	54	56	62
Improving our competitive position	35	55	54	62
Only delivering some aspects of the business	36	43	46	65
Collaborating in new ways with other businesses	25	37	28	36
Changing our product or service	21	30	19	52
Moving our product or service online	24	24	19	27
Working with new suppliers	17	29	16	23
Looking for new opportunities in international markets	11	17	27	28
<i>Base: Employers/businesses that have continued or restarted trading</i>	368	134	64	51

Table A.4: Challenges facing businesses by business size (number of employees)

	Number of employees			
	0-4	5-10	11-24	25+
	%	%	%	%
General uncertainty of current operating environment	64	76	79	76
Had to put investment or growth plans on hold	52	58	79	80
Having to use cash reserves	50	46	53	80
Difficulty sourcing equipment and materials	44	57	42	54
Changing demand across our product portfolio	37	53	60	68
Lost traction in domestic and/or UK markets	39	42	67	64
Loss of customers or customer loyalty	34	43	51	41
Difficulty distributing our goods or services	30	37	29	47
Hard to access the skills and expertise we need	19	21	30	25
Lost traction in international markets	13	12	17	38
<i>Base: (Employers/businesses that have continued or restarted trading)</i>	368	134	64	51

Table A.5: Challenges facing businesses by HIE-account management

	HIE-account managed	Non-account managed
	%	%
General uncertainty of current operating environment	88	67
Had to put investment or growth plans on hold	82	56
Having to use cash reserves	73	49
Difficulty sourcing equipment and materials	61	46
Changing demand across our product portfolio	70	43
Lost traction in domestic and/or UK markets	60	43
Loss of customers or customer loyalty	53	36
Difficulty distributing our goods or services	53	31
Hard to access the skills and expertise we need	26	20
Lost traction in international markets	42	12
<i>Base: (Employers/businesses that have continued or restarted trading)</i>	70	547

Table A.6: Challenges facing businesses by level of operation

	Below pre-COVID-19 level	About the same	Above pre-COVID-19 level
	%	%	
General uncertainty of current operating environment	79	47	62
Had to put investment or growth plans on hold	69	38	48
Having to use cash reserves	65	25	38
Difficulty sourcing equipment and materials	51	37	52
Changing demand across our product portfolio	56	22	40
Lost traction in domestic and/or UK markets	58	19	26
Loss of customers or customer loyalty	50	16	22
Difficulty distributing our goods or services	41	21	10
Hard to access the skills and expertise we need	21	23	15
Lost traction in international markets	21	7	3
<i>Base: (Employers/businesses that have continued or restarted trading)</i>	390	169	56

EMERGING FROM LOCKDOWN

Table A.7: Business viability by growth sector⁵

	Confident	Not confident	Don't know	Base
	%	%	%	N
All businesses	75	23	3	1002
Non-growth sector	76	22	2	502
Tourism	72	26	2	150
Financial and business services	81	12	7	90
Food and drink	70	26	3	171
Creative industries	74	26	0	58
	N	N	N	N
Energy	17	5	0	22
Life sciences	1	1	0	2

Base: All businesses in each sector

Table A.8: Business viability by location

	Confident	Not confident	Don't know	Base
	%	%	%	N
All businesses	75	23	3	1002
Argyll and the Islands	71	24	4	206
Caithness & Sutherland	71	26	3	87
Inner Moray Firth	77	21	2	289
Lochaber, Skye and Wester Ross	65	33	2	142
Moray	86	8	6	82
Orkney	77	23	0	75
Outer Hebrides	66	33	1	68
Shetland	94	6	0	53

Base: All businesses in each area

⁵ As the base size for Energy and Life Sciences is less than 30, the number of responses (rather than percentages) are shown. As number of responses have been weighted, the base size shown for these sectors are the weighted, rather than unweighted, base.

Table A.9: Measures already taken by confidence in business viability and adhering to guidelines

Measure	Confidence in business viability		Confidence in adhering to guidelines	
	Confident	Not confident	Confident	Not confident
	% Already done		% Already done	
Enabling staff to work from home	41	24	40	20
Making physical changes to our layout	41	28	41	19
Taking appropriate safety measures	78	54	75	51
Changing our opening times	24	48	23	19
Reviewing our staffing requirements	34	21	32	17
Providing alternative transport for staff	11	5	10	2
Staggered start times or flexible working hours	31	20	30	15
Staff training	36	24	35	15
Supporting staff access to childcare	14	4	13	2
<i>Base: All businesses for whom it applied</i>				

Table A.10: Concerns about measures by trading status

Shading indicates a percentage significantly above average.

Measure	Continued trading	Restarted trading	Temporarily closed/ paused trading
	% Concern		
Impact on customer numbers and experience	49	59	72
Lack of clarity on government guidance for my area of work	46	47	63
Cost of implementing changes	33	47	51
Implications for the products or services we can offer	27	39	51
Access to materials or supplies needed	30	31	41
Timescales to implement changes	26	29	43
Not enough physical space	27	24	42
Access to expertise needed	16	18	28
Staff having access to childcare to enable them to work	17	24	12
Providing staff with what they need to work from home	9	6	5
<i>Base: All businesses</i>			

Table A.11: Concerns about measures by confidence in business viability and adhering to guidelines

Shading indicates a percentage significantly higher than the other category.

Measure	Confidence in business viability		Confidence in adhering to guidelines	
	Confident	Not confident	Confident	Not confident
	% Concerned		% Concerned	
Impact on customer numbers and experience	53	78	58	72
Lack of clarity on government guidance for my area of work	47	69	49	74
Cost of implementing changes	37	57	41	53
Implications for the products or services we can offer	31	55	35	56
Access to materials or supplies needed	31	45	33	41
Timescales to implement changes	30	43	29	59
Not enough physical space	26	49	28	60
Access to expertise needed	16	32	18	39
Staff having access to childcare to enable them to work	17	12	17	9
Providing staff with what they need to work from home	7	7	7	5
<i>Base: All businesses</i>				

Table A.12: Profile of businesses that took part in the survey – number of employees

	% (weighted)
0 (Sole traders)	26
1-4	38
5-10	17
11-24	11
25+	9
<i>Base: All businesses</i>	

Table A.13: Profile of businesses that took part in the survey – sector

	% (weighted)
Food and drink	24
Tourism	10
Financial and business services	9
Creative industries	4
Energy	2
Life sciences	*
Non-growth sections	50
<i>Base: All businesses</i>	

Table A.14: Profile of businesses that took part in the survey – area office

	% (weighted)
Inner Moray Firth	29
Argyll and the Islands	21
Lochaber, Skye and Wester Ross	13
Caithness and Sutherland	9
Moray	8
Orkney	7
Outer Hebrides	7
Shetland	5
<i>Base: All businesses</i>	

Table A.15: Profile of businesses that took part in the survey – relationship with HIE

	% (weighted)
Account-managed	10
Non-account managed	90
<i>Base: All businesses</i>	

Table A.16: Profile of businesses that took part in the survey – fragile status

	% (weighted)
Account-managed	22
Non-account managed	78
<i>Base: All businesses</i>	

Table A.17: Profile of businesses that took part in the survey – urban/rural classification (based on the Scottish Government's three-fold classification)

	% (weighted)
Remote rural	56
Accessible rural	10
Rest of Scotland	35
<i>Base: All businesses</i>	



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