

Dated: 4th May 2020

MANAGING THROUGH COVID-19 AND THE 'NEW NORMAL'

WHAT ARE THE STRATEGIES AND OPTIONS FOR YOUR BUSINESS?

You are probably flat out dealing with grants, suppliers, customers, employees and doing the day job. We cannot think of a time where businesses had so many difficult choices to make. So, it is vital that you remain positive, informed and fully prepared to survive the pandemic and prosper in the future.

As we enter week 8 of the crisis, we have concluded that there are now 3 choices for businesses that are not already surviving and prospering online:

- Pivot or repurpose
- Cocoon
- Liquidate

Pivoting or repurposing a business

For businesses that have been impacted but can continue to trade they have two options available:

- Continue providing the same product / service in broadly the same way to the same customers (e.g. restaurants providing take away service and schools giving classes online) or;
- Repurposing or Pivoting the business to provide a new service which is now in high demand (e.g. manufacturing businesses making PPE and leisure centres providing space for testing facilities)

You will, no doubt, need some professional advice to help you navigate any changes in your business and understand what the impact may be on current and future financial performance. Given that repurposing involves a big change in the business there are likely to be many things including approvals, permissions, and supply chains to consider.

This is also an opportunity for you to review your business plan, revise your current strategy and consider how you are going to adapt to the changing business environment.

Cocooning a business

Cocooning, or mothballing, is a temporary suspension of a business and can be the result of sales reducing to zero (or nearly zero) with no prospect of this picking up in the short term. All cash outflows, are stopped or reduced, where possible and the business is left in a state from which it can emerge once the prevailing business conditions improve. Doing this means you can delay taking a decision on what to do next for 2 months – whilst the key government support schemes remain in place.

You should consider the financial impact of cocooning versus staying open (if that is possible), options for repurposing/pivoting as well as the impact on customers and suppliers.

Liquidating a business

For businesses who have been critically affected by Covid-19 (e.g. revenue has dropped to zero) these are categorised into two groups:

- Fundamentally sound
- Previously experienced periods of stress or distress

If your business is fundamentally sound, it may be possible to consider cocooning or repurposing, so that it can recover when conditions improve. You will be able to take advantage of Government supports such as CBILS, CJRS, VAT and other tax deferment and business rates support as well as rent reductions and other cost cutting exercises.

If your business has been critically affected or has previously experienced periods of stress or distress you are unlikely to get CBILS support. You may still benefit from other government support such as CJRS and BBLs, which will keep you going in the short term and you should also seek expert advice as there may still be options available.

Planning for the future

What is the “New Normal?” It is the most important question, however no one can predict the length of the crisis and what will be the outcomes post lock down. What is certain is that the best way to predict your future is to create it!

At this stage it’s impossible to know how things will work out but taking some time now to think about the future may lead to new opportunities and help focus your actions.