

Major Issues Post Pandemic Survey



Flexible, agile, a resilient disposition are the hallmarks of the winners and will assist us to adopt a positive outlook and adapt in an environment of constant change. The question is what will the new normal look like and what will the road ahead deliver?

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Executive summary

The qualitative issues emerging in year 3 of the pandemic were explored through interviews with clients and members of our professional network. We covered a large range of industries from manufacturing, govt agencies, to professional services, across small, medium, and large corporations. Each has its challenges, however, the tensions for most are what we report here. The big issue is costs: out of control across supply chains, people, and business expenses. Overarching this is the change in workplace needs and new ways of working, with most employers accepting the change, whilst others are opposed to it.

We heard about significant investment to increase efficiencies of businesses and less reliance on people as an important strategy being employed by those able to make these investments.

Others are preparing their businesses for sale having decided they have had enough.

Tensions are brought about by not knowing what's next and continuing uncertainty particularly around issues we as businesspeople cannot control. This has created an environment for many where it's all about now. Tactics versus strategic future looking.

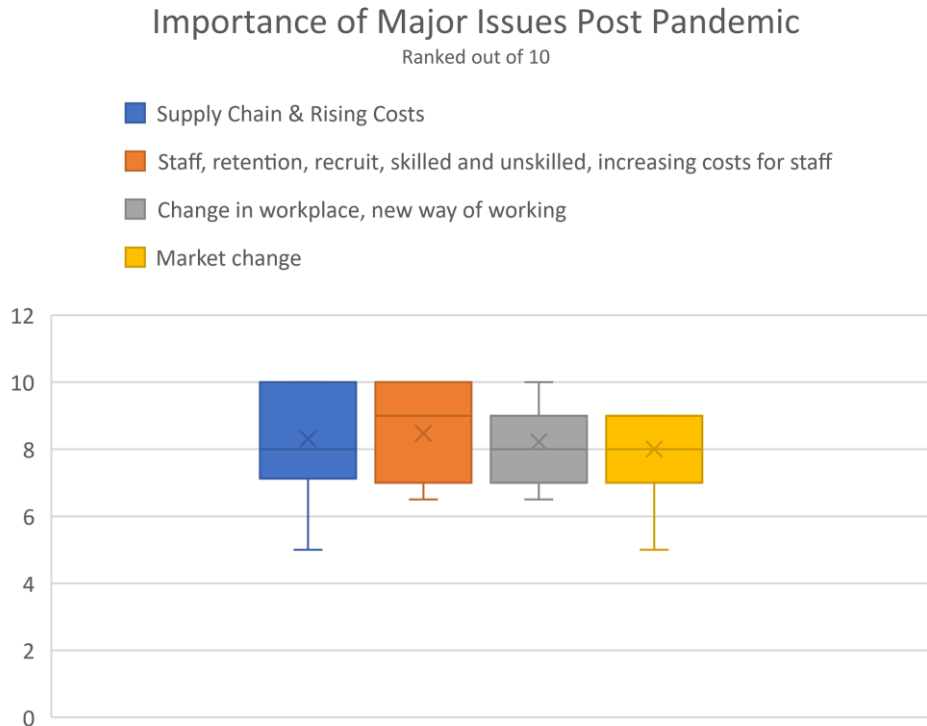
Health concerns centre around living with Covid. Specifically, the 'flu has now emerged and new strains of Covid persist as absenteeism is rife although many continue working from home despite illness.

The report is broken into three main parts:

1. Importance of major issues post pandemic,
2. Business confidence, and
3. What you said that really matters to you and your business?

Thanks to everyone that took the time to talk with us and answer our questions. If you would like further details, please give me a call.

1. Importance of Major Issues Post Pandemic



The importance factors identified (10 being most important):

Supply chain & rising costs

- Inventory increases along with cost increases, material and transport costs escalating, inability to acquire stock and raw materials, unreliable suppliers
- Reliance on China mindset change, India becoming an option - better price & quality
- Ability to pass full or part cost increases on becoming more challenging
- Rising cost still to hit some industries
- Price rise and fall conditions and penalty for non-supply exercised in contracts
- Mental health of staff (stress & pressure) concern managing constant change in availability of products and materials. Staff time to implement price changes almost daily - now virtually a full-time job
- Buyer power imbalance, producers profit marginal/under pressure.

Staff, retention, recruitment of skilled & unskilled, and overall increasing costs for staff

- Retention bonuses
- Staff being head hunted
- Lack of skills in the marketplace
- Training to be more efficient
- Culture has taken a hit
- Price for employees increasing
- Premium wages paid to qualified staff to entice a move, or to maintain

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- Challenge re continuing to attract and obtain competent employees
- Absenteeism.

Change in workplace, new way of working

- Work from home, new way of working, living with Covid
- Pool of workers now geographically dislocated. The good – better quality to select from, no need for large office. Not so good – workers not coming to office, loss of community, productivity
- Work life balance increasingly valued, now desired and an expectation
- Work is not a place
- Expectation for hybrid work arrangements
- Focus on deliverables and quality of work
- Inability to meet people face to face, no cross fertilization, difficult to learn from others
- Fireside chats more difficult
- Health of work force, 'flu & Covid
- Employee desire for their work to be effective and 'make a difference'
- Technology
- Vaccination status less important now.

Market changes

- Consumer behaviour - increase buying online, convenience
- Gap from govt & big business to SME increasing
- Presumptive nature of politics
- Media scare mongering (consumer confidence)
- Uncertainty, want certainty around carbon
- Projects on hold - now pent-up demand
- Concentration on holding customers, not after increasing market share via new customers
- Economy, cost, people, war, inflation
- Builders and developers – percentage going broke
- Increasing competition for staff
- Govt. policy
- Staff - perceptions of work
- Insurance refusing to insure and conditions changing.

Overall costs and expenses

Increasing costs of doing business was mentioned numerous times and generally in the context of people, materials, and stock. Other areas mentioned include:

- Fuel, energy (electricity & gas), insurance, interest rates, carbon, land rates for small farms
- Red tape continues to hamper progress
- More being spent on cyber security
- Meeting platforms created less need for travel (reduced travel \$'s), more efficient meetings.

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Features created by the pandemic

Panic phase, to survive, to thrive. Money in the bank, less people, less inventory, Covid payments, paid down debt. Tightened cashflow, longer terms for suppliers, more strategic finance decisions. Investment decisions supported via Govt. depreciation measures before June 30, onshore manufacturing faster, better quality, better value, greater sourcing alternatives and from multiple suppliers. Tensions remain, creating considerable challenges, to some extent this has brought forward retirements as business owners reassess “why am I doing this”. Opportunity to buy/sell businesses.

The pandemic is a backdrop to natural disasters that devastated businesses and communities multiple times.

Tsunami of administrations predicted in some areas.

Investment decisions

We heard about investment decisions re capital improvements to reduce environmental impacts, reduce people dependence, improve productivity & quality to reduce cost. (Medium to large business able to fund this and is industry and market specific.)

There was also a willingness to look at multiple alternative suppliers and significantly increase inventory and manufacturing capacity. New IT systems were being implemented to achieve a better measure of control over inventory and component orders for manufacture.

Investment in communication and customer relationships has not changed, for some it has been ramped up. (Often, it's more transactional or tactical (price) than brand building, positioning or brand value to create customer stickiness). Some questioned if what they were doing was effective and that this should be reviewed.

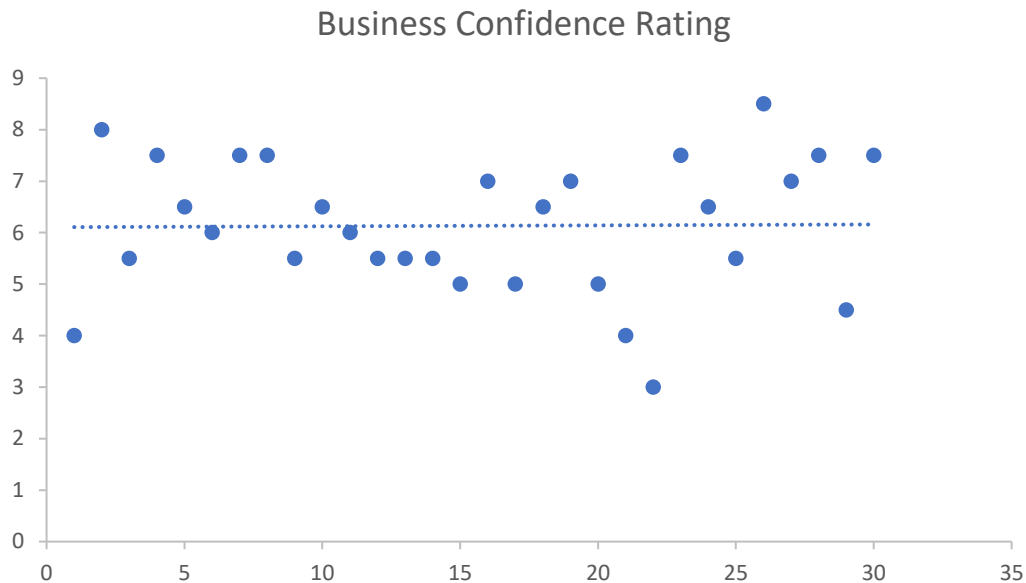
Willingness to invest in quality staff was a fundamental success factor and one where increased salaries, bonuses and other retention payments featured in a tight employment market.

Willingness to shop around for better value as costs increase to less expensive suppliers whilst still maintaining quality.

Many investment decisions are internal facing in preparation for the future. An observation would be that not so much attention is being paid to competitors as everybody is going through the same or is still experiencing challenges and market tensions and the Covid boom is now being governed by rapidly rising business and household expenses. This is demonstrated by customers understanding the need for and willingness to accept price increases is past tense and is now evaporating.

2. Business confidence

How would you rate your Business Confidence?



The linear trend line is sitting at just above 6 out of 10.

Subjectively respondents are cautious to cautiously optimistic. However, they report that they feel less confident than a few months ago.

A 2-tier economy has winners “thriving” and others described as “surviving”.

Some business owners opting to sell and retire, asking big question why do I do this? They do not wish to go through another pandemic or GFC.

Adding weight are increasing cost to do business, red tape for small business segment and costs related to government regulations although not new consume endless time. Having gone through the lockdowns and time out, business owners are reassessing whether they want to “continue the battle” in business.

Opportunities present for mergers and acquisition.

Flexible, agile, resilient are hallmarks of the winners.

Investment in efficiencies and cost saving are on the rise. IT, AI and robotics. There is a trend to look at ways to reduce dependance on people. Meta Verse and Blockchain not on the radar and not seen as options.

ESG: Environmental, Social, and Governance seen as important. Seen as needed to meet market expectations for a low carbon economy. SME group rated this as highly valued.

Tensions affecting confidence are:

- Rising costs for all business inputs – services, materials, and people
- Sourcing people and quality people

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- Ability to access material inputs
- Uncertainty, not sure what's happening
- Change to workplace and employee expectations
- Meeting platforms make buying signals difficult to read
- Just in time is out now, rather its hold as much stock and raw materials as you can get

Winners have positioned for the future, including:

- Through Covid their products and services demand exploded, and balance sheets ballooned
- Banked Covid payments
- Investing in efficiencies and cost saving. New IT systems, AI and robotics
- Investing in ESG
- Searching and supporting new raw material and product sources
- Less dependence upon one supplier
- Greater trust and respect for changed workplace
- Support for staff through pandemic and ongoing
- Care and attention to customer relationships and communication
- Passing costs on to customers.

3. What you said really matters to you and your business?

- Happy customers & staff
- Satisfaction for staff - meaningful work, rewards, flexibility, an environment to flourish
- People and relationships
- Staff and customer satisfaction
- Welfare of our people – staff, suppliers, customers
- Business – culture/people/sales
- Delivering value for clients, being effective
- Quality service & delivery
- Revenue, cashflow
- Continuity of income and existing clients and staff
- Mobility, more agile
- Predictability, stability, sustainability, fair job fair return
- How much we give back to the community
- Legacy and custodians, leave a sound business for future generations.

Thank you.