

Human Signals: The Local UK High Street in Times of Covid-19

... *Edition 2, Issue 1: High Street SMEs* →

January 2021

REMEMBER
BETTER
DAYS
ARE
COMING

PEOPLE
IS OUR
HOME

YOU
ARE

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A rolling research project

EY Seren helps organisations achieve growth by serving the needs of people, communities and the planet.

For this issue of the Human Signals series we researched how UK high street SMEs are reacting to the C-19 pandemic. To do that we carried out:

- **Desk research** across over 50 sources
- **Depth interviews** with business owners focusing on understanding their business and how their experiences in the pandemic so far
- **Diary study** with business owners to get insight into coming out of the second national lockdown and adapting to new ways of operating
- **Interviews with experts** with experience serving SMEs across the UK & different industries

If you want to **share your opinion** or find out more about this research, please let us know



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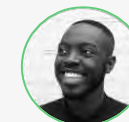
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“Those that will survive will be stronger and they will know how to do things differently and try new things. They will be more innovative.”
Coffee shop, London”

●● The UK High Street – An Introduction

The local high street has been the epicenter of British culture since its emergence in the 1870s, serving not only communities' material needs but also providing space for socialising and leisure. It has effectively held up a mirror to the various economic and cultural changes the UK has experienced in the past 150 years. Ever-changing, the high street is once more facing an existential threat and will emerge from the economic aftershock of the pandemic looking very different.

This research tells the stories of how the local, high street businesses we all know are navigating through this extraordinary crisis.

60% of jobs within the UK private sector are with SMEs

50% of UK private sector turnover is generated by SMEs

UK high street

1870s

The decline of rural self-sufficiency brings rise to urban high streets



1900s

Large department stores change the face of the high street



1940s

The first "self-service" grocers change the shopping experience for good



1960s

Out-of-town supermarkets and shopping centres shift consumer spending away from local high streets



2008

the great recession triggers high street closures for the following decade



2015

Supermarkets return to the high street in the form of local convenience stores



2021

The C-19 pandemic leads to significant closures on the high street and a further acceleration in ecommerce



Ecommerce

Mid-1990s

The first online retailers start operating: ecommerce is born



2010s

Acceleration in ecommerce is changing the way the UK shops

2015

Fast fashion is fueled by ecommerce's fast delivery and uncomplicated returns



2016

Selling on social media becomes more accessible for all



2019

Ecommerce giant Amazon surpasses Walmart as the world's largest retailer



Themes & Insights



●●● Themes & Insights in this issue

Competitive Constraints

- **Pick your battles** (p.7)
Small, high street retailers are evolving; creating their own niches and strategies to differentiate from the digital retail behemoths
- **Staying true to your local, physical roots** (p.8)
Local retailers are becoming more digital but understand that their brand identity is inextricably linked to the local community
- **Hard to differentiate digitally** (p.9)
The experience and benefits of shopping locally can be hard, or impossible, to replicate and recreate online

Innovation Imperatives

- **Hacking it together** (p.11)
With limited access to resources and support, local SMEs have had to piece together their own handmade digital solutions
- **Distinct digital skills and mindsets** (p.12)
Local, high street retailers are realising that being successful online often requires a whole new skillset, and a whole new mindset
- **Separating, not integrating** (p.13)
To be successful, adding an online store to a physical shop often requires separating not integrating the business

Welfare Ecosystems

- **Run by people, not boards** (p.15)
Local SME owners understand the long term benefits investing in the social and human aspects of their businesses
- **Leading from the store-front** (p.16)
Local SME owners have shouldered the business burden of the pandemic, often beyond the call of duty, but see this as part of their job
- **Knock on effects and unintended consequences** (p.17)
SMEs operate in complex ecosystems of relationships and realise their interdependencies are both a strength and a weakness

Community Support

- **Give and take in the community** (p.19)
The pandemic has strengthened the symbiotic relationships that exist between local, high street retailers and the community
- **Physical store as shortcut to trust** (p.20)
In the sometimes murky world of digital retail, maintaining a brick and mortar presence can help to drive trust and perceptions of legitimacy
- **Solidarity and solace through social media** (p.21)
Being an SME owner is a tough, and often lonely job. During the pandemic many have found release and support in social communities

Futures Reimagined

- **The Micawber principle** (p.23)
Currently propped up by debt, many SMEs face the danger of defaulting if innovative institutional policy and stimulus aren't introduced
- **Disappearing customers or determined advocates?** (p.24)
Heightened unemployment means local SMEs may find themselves with a dwindling, albeit passionately supportive, customer base
- **Opportunity in adversity** (p.25)
Dwindling competition on the high street, and a surfeit of public goodwill means optimistic local SMEs see opportunities for growth
- **Reassessing risk** (p.26)
Local high street SMEs have been forced to reframe their attitudes to risk; whether retrenching or learning to live with it

Competitive Constraints

- > Pick your battles
- > Staying true to your local, physical roots
- > Hard to differentiate digitally

Much has been written about the accelerating effect of the pandemic on the transition towards more digitally led businesses. And whilst it is true that many SMEs, alongside their larger corporate counterparts, have been galvanised into action, the notion that 'pivoting to digital' is the answer to local, high street retailers Covid related problems is overly simplistic. Digital is not the panacea.

There are multiple competitive constraints for SMEs to deal with. Online retail is not just a digital version of the physical experience. To succeed online, and against the world's largest retailers, they must find a niche. They must also be careful not to jeopardise the valuable, and symbiotic, relationship with physical location and community that is so important to local retailer's success.

Those who are charting the most profitable course are often those making the most nuanced decisions about where to compete, digitally and physically, and where to capitulate.



Competitive Constraints:

●●● Pick your battles

In ecology, the competitive exclusion principle states that two species can't coexist if they occupy exactly the same niche (competing for identical resources). To overcome this, species whose niches overlap may evolve by natural selection to have more distinct niches, resulting in resource partitioning.

For example, in the Galapagos Islands, finches with small beaks have evolved, who are more able to consume small seeds, whilst finches with large beaks are more able to consume large seeds.

Small, high street retailers are finding themselves in the same situation as the finches when they face the likes of Amazon and Asos online. They can't compete directly, so are evolving and creating their own niches to occupy and strategies to add value that differentiate from the digital retail behemoths.

“

Amazon is a massive rival, we can't compete with them. That's why we are a physical store in a lucrative area, There's no other vape store in the area. Online we are focusing on some channels. Right now I'm focusing on social media and becoming an official eBay seller, which can be a massive revenue generator.

Vape Shop, London ”

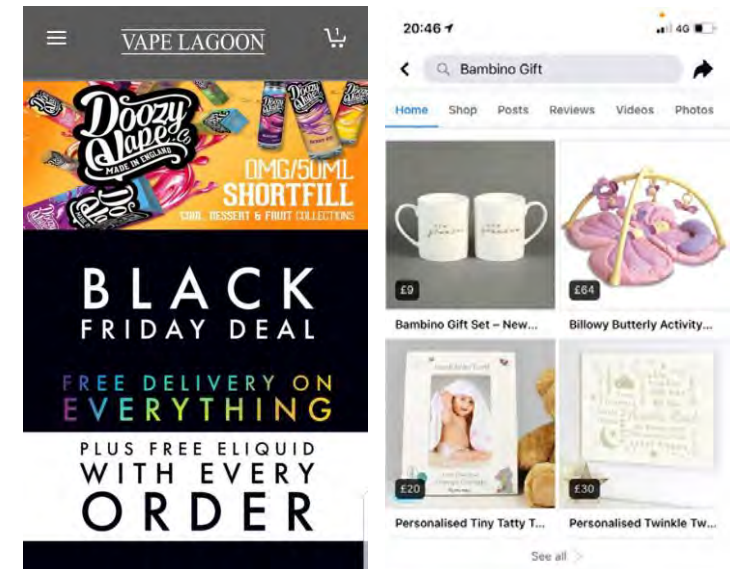
“

You can't compete with Amazon, they very quickly pick up your product codes and then undercut you, so we don't want to go down that route. For me it's about personal relationships with key sellers and growing our social media presence.

Baby Gift Shop, Glasgow ”

86% of UK consumers use Amazon to shop

40% of UK consumers have access to Amazon Prime



- Help support your SME customers in finding their own distinctive niches, where they can excel and add value. Don't assume that they want to replicate or compete with an Amazon type model

- Consider focusing on how you can help SME customers grow their businesses through channels that are highly relevant to them like building personal relationships and marketing via social media

Competitive Constraints:

●● Staying true to your local, physical roots

The restrictions placed on physical retail over the various phases of the pandemic means that local high street retailers who have been able to move to a more digital or omnichannel approach have started to do so, at pace.

But this hasn't been a simple, straightforward transition. For those businesses born and bred in the local community, it has often involved a complex set of decisions and trade-offs.

Local retailers understand that their brand identity and the value of their business is inextricably linked to the local community and customers that they serve in-store. Being seen to prioritise new digital channels, or focus scarce resources away from the physical shop itself, at the time of greatest need, has the potential to damage the DNA of the business and undermine long term relationships with existing customers.

“ We had to make a decision whether to keep the shop open or switch to delivering. But because the shop is important to the community and because we had queues of people out the door, then I decided we needed to go with the shop.

Butcher shop, London ”

“

We are very well connected to the community - that's what kept us connected during lockdown. If we had been a younger business I don't think we would have survived. It's because we are well connected to the community that we survived.

Coffee shop, Sutton Coldfield ”

“

I'm not looking to be the Bill Gates of flowers. I could have opened a second shop years ago but decided not to and focus on just the one.

Florist, London ”



75% of small UK businesses see themselves as having a competitive advantage over large enterprises, and the most popular reason was the personal and emotional connections they have with customers

75% of UK consumers feel a personal sense of loss when a small business closes in their community



- Find ways to support your local, high street retail clients reaffirm and strengthen their local, physical brand presence and demonstrate their value to the community
- Look to deliver products and services that SMEs can use to drive deeper, personal and emotional connections with their customers

Competitive Constraints:

●●● Hard to differentiate digitally

The physical experience is a critical element of many local, high street retailers appeal and success, especially for those trading in non-essential categories. Customers value the chance to see, touch, smell and even taste the products on offer as well to interact with the shop staff and other customers.

These experiences can be hard, or impossible, to replicate and recreate online, especially within the resource constrained environments many SMEs are operating in.

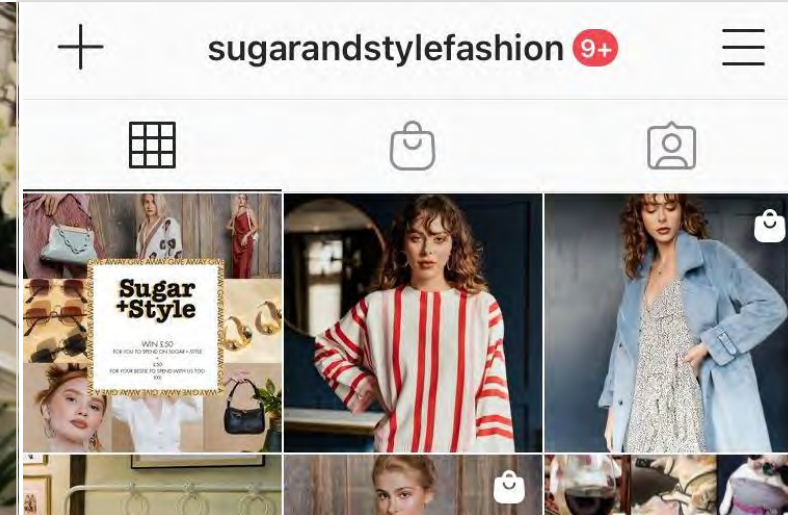
Much like the way that flagship stores operate as showcases for customers to experience the world's largest brands, local, high street retailers give people the opportunity to interface with high quality and distinctive independent goods and produce on their doorsteps.

“There are lots of businesses selling flowers online so why would anyone choose us? Unfortunately, people shop for low prices online. We pride ourselves for the quality, but you can't tell the quality online. It's a challenge to stand out.”
Florist, London”

“We were online before the big brands came in. We were one of the first who were on Asos market place - there were maybe 25 brands on there. Now there are 20,000 and many are much cheaper than we are. We're not expensive but we offer quality and we can't show that online as much as in store. That's why we focused on our store.”
Clothes shop, London”

79% of UK SMEs stated that their toughest challenge online was attracting new customers

50% of consumers enjoy the personal service they receive when they shop locally, such as knowing their name or usual order



- Recognise the value of the ongoing investment that local, high street retailers have to make in order to create high quality in-store experiences for their customers

- Support SME clients extend their unique local brand to ecommerce (“local USP”) by providing guidance around advertising, use of social media, SEO, photography / content creations

●● Innovation Imperatives

- > Hacking it together
- > Distinct digital skills and mindsets
- > Separating, not integrating

SME owners mostly have limited, streamlined budgets and don't have access to the same external networks of specialist suppliers, consultants and experts as large corporates. But they do tend to be resourceful, pragmatic, self-starters who are willing to roll up their sleeves to get things done.

So, it comes as no surprise that many have adopted a DIY approach to the need to innovate, both digitally, and physically, in the pandemic.

We have seen SMEs creating and customising their own digital systems and solutions to respond to new needs. Many have also been busy acquiring new digital skills and reframing the way that they work to embrace new mental and emotional challenges.

In a world of lean processes and agile approaches, SMEs are very much walking the talk.



Innovation Imperatives:

●●● Hacking it together

The transition to digital systems and processes that operate and integrate across channels is mired with complexity. It requires expertise, resources and careful planning to be achieved seamlessly in even the most technologically savvy organisations.

Local high street retailers, who have been blindsided by the pandemic and who don't have access to the technical support required to achieve this seamless transition have had to piece together their own handmade digital solutions.

They have created customised tools that combine DIY approaches with off the shelf products, across different channels. Whilst these may work in the short term there is a sense that more optimised systems will be required in the longer term.

“*It's a bit patchwork right now. Some customers order by direct contact on WhatsApp but it's difficult to keep track. We try to move away from it, but at the moment we are a bit desperate. There's also a click and collect option on the website or they can email us directly and pay by Paypal then pick up or we deliver.*

Vaping shop, London”

“

Our till system provider ("Nobly") offered us their click & collect but our menu changes all the time and it's such an effort to keep it updated. It's much easier to post the menu on social media every day and people just message us. We just get it ready - works pretty well.

Coffee shop, Sutton Coldfield”



Over 50%

of SMEs have claimed that they have little to no tech support, and are having to figure things out for themselves as they go along

47%

increase in the use of messaging apps (Facebook Messenger or WhatsApp) amongst small businesses



- Focus on creating intuitive and accessible digital tools and business support services that time poor, non-technical SME owners will find easy to work and engage with

- When developing new products and services, consider a modular and customisable approach, so that elements can be added and integrated easily with existing systems and processes

Innovation Imperatives:

●● Distinct digital skills and mindsets

Local, high street retailers know how to run their shops. They know their customers, their staff, and they have honed their marketing and sales tactics to present their products and services in the best light.

But being successful online requires a whole new skillset, and often, a whole new mindset. Dressing a window and holding a sale is one thing, taking perfect product images for a website and mastering SEO is another. And putting down the shutters in the evening can create a sort of mental separation between work and life that isn't the same when you're running a website 24/7.

SMEs are acquiring new skills to adapt to changing realities and developing new mental models that reflect these new ways of working.

“*The skillsets of online and offline retail are very different. It's hard to translate the instore experience online. In the first lockdown I had to teach myself how to do paid digital adverts, so I did an online course.*

**Clothes shop,
London**”

“*Bad online advertising is like setting up your shop in a bad location. You can waste so much money getting it wrong.*

Clothes shop, London”

“*In a situation like Covid-19, the use of technology is the best solution to keep the sustainability of SMEs. Some SMEs do not know about digital skills that are relevant to business, so this condition forces them to learn online business.*

**Winarsih, Indriastuti M., Fuad K.,
2021**”

42% of small business owners are more reliant on technology because of coronavirus

25% of small business owners and their staff learned new skills during lockdown



- Consider what sort of digital training, skills development and business support services you can provide to SMEs or help them to access
- Think about how you can use your brand as a platform to connect SMEs so that they can share experiences, advice and guidance with each other as they take on similar challenges

Innovation Imperatives:

●●● Separating, not integrating

If you've already got a physical store, it should be pretty straightforward to just add in an online store as well. That way you can be more efficient and get the most out of the space, keep the staff busy, right?

In actual fact, adding an online store often requires separating not integrating the business. Storage needs and fulfilment requirements are very different in the on and offline environments, as are the skills required by staff (e.g. empathetic service vs speed and productivity). Opening hours don't match, nor necessarily do customer segments.

Some of the most successful, apparently seamless, physical and digital local, high street retailer are essentially two businesses, operating under one brand.

“
To do the online thing properly you need a separate business. Your stock needs to be separate; you need a separate way to fulfil it, you can't just take stuff off the shelves and send it out.

Butcher, London ”

“

You have to run an online store like a separate physical store, it takes the same amount of effort. During lockdown online was almost easier because the stores were closed. When they were open we would sell something online and then it would sell in store. The stock systems wouldn't talk to each other.

Clothes shop, London ”

4x higher costs

Online fulfilment costs are typically ca. **4 x higher** than store fulfilment



- Design your products and services so that they align with the way that SMEs run their online and physical businesses. For example, systems which can be managed separately but that which integrate seamlessly
- Identify how you can help local, high street retailers add an online or digital offering to their physical store. Are there lessons or experiences that you can share from helping others to make the same transition?

Welfare Ecosystems

- > Run by people, not boards
- > Distinct digital skills and mindsets
- > Knock on effects and unintended consequences

SMEs operate in an ecosystem very different to large corporates. The human connections they have built over years are crucial to the way they operate and influence everything they do.

During a time of crisis this ecosystem is also vital to survival. Staff and owners are leaning on each other beyond their professional relationship, owners are ploughing their personal capital into their business to keep it afloat and different businesses are rallying to find ways through the crisis together.

Beyond the measurable financials of each high street SME, the strength of this ecosystem is going to influence their resilience and chances to make it through the pandemic.



Welfare Ecosystems:

●●● Run by people, not boards

Running a high street SME can be very challenging. Owners work long hours and need to make tough decisions. Despite this they place significant value on the impact of their decisions on their people and the community around them.

Instead of only being driven by cost-saving or profit they are aware that a greater focus on the social and human aspect will bring greater benefit to their business in the longer term. During the pandemic they have not only protected jobs but also supported their staff and community wherever possible.

This mindset means that they instil loyalty in their employees and the community around them, who will in turn support them. An advantage during the crisis and for a post-pandemic recovery.

“ I have contacted my staff several times, had training they'll be paid for. Staff is my family, don't want to lose them, invested lot of time in them.

Vaping shop, London ”

“ My girls are just part of the business. All of them have been with me since they were apprentices. You get very close with them.

Beauty & hair salon, Manchester ”

54% Over half of SME owners say that they are making sure to support and look after their colleagues and staff's mental health



- Recognise that SMEs are fundamentally different businesses to larger enterprises, with different values, priorities and investment timelines. Ensure products and services reflect these different needs
- Consider how you can provide business owners with the sort of 'soft' skills and knowledge they may need to provide further support to their employees (e.g. around mental health awareness, financial management skills)

Welfare Ecosystems:

Leading from the storefront

In the best of times, high street SME owners need a resilient mindset to succeed. Having built their business over years, they are now doing everything they can to keep their business going through the pandemic.

They have shouldered the burden of the pandemic beyond the call of duty but see this as part of their job. Many have invested their personal capital to keep their business afloat despite low revenues, some topped up on the furlough wages of their staff and have also been taking care of their staff and community in a personal manner.

This leadership will be a key feature in sustaining businesses through the pandemic and through the financial hardship they will continue to face.

“*When one of my employees developed Covid, I had to take my business hat off and support him at a personal level. Another employee lost a family member. I found it quite challenging as I had to support employees at the same time as having 3 kids at home.*

Baby gift shop, Glasgow”

“

Now they're back, we are trying to give something back. We increased their wage by 50p and 80p per hour and offered a few more hours - as much as we can anyway.

Coffee shop, Sutton Coldfield”

47% of employees at SMEs are finding that their mental health has been negatively impacted by the pandemic

30% of SMEs have ploughed their personal funds into their businesses to keep them afloat



- Look for ways in which you can help SME owners to reduce the pressure of the burdens they face. Not just in financial terms, but also through providing emotional support, guidance and advice
- Explore innovative, new ways to make it easier for SME owners to survive the pandemic and drive the recovery of their businesses (e.g. offering new terms, benefits packages, financial repayment holidays)

Welfare Ecosystems:

●●● Knock on effects and unintended consequences

Behind and within every SME is a complex ecosystem of interdependent relationships, responsibilities and unwritten agreements. Long-term, close relationships with staff and connections to other local businesses are central to how high street SMEs operate.

As much as this helps in a crisis, the impact of the pandemic on revenues is threatening the integrity of this ecosystem. If one SME fails, this will not only impact its staff's income, but also neighbouring businesses due to loss of footfall and local suppliers missing out on revenue; setting in motion a knock on effect that can send a high street into negative spiral.

On the positive side, however, this means that the resilience of one high street SME extends to the others that are connected, improving the outlook for the entire ecosystem.

“ Our USP is local. All cakes are made locally, the coffee is roasted locally, we sell local painters' works on our walls, and local fashion designer's hats and scarfs. If we're not open we order less so that affects all those around us.

Coffee shop, Sutton Coldfield ”

“

With other SMEs and suppliers, it's a friendship, you build bonds together, we're our own community and we depend on each other.

Baby gift shop, Glasgow ”

60% of all private sectors employees are supported by SMEs

50% About half of small business owners agree that they need other small businesses to survive



- Find ways to help employees and communities facilitate the recovery of SMEs. Consider whether you can play a role in enabling or financing new ownership models or crowdsourcing support
- Help SMEs to connect and find synergies, scale and efficiencies with other businesses in their ecosystems. Assist them in thinking about their own value chain and where these overlap with others

Community Support

- > Give and take in the community
- > Physical store as shortcut to trust
- > Solidarity and solace through social media

High street SMEs are rooted in the community around them. This is where they build personal relationships, establish their customer base, and set up long-term partnerships with other businesses. Once established, they become part of the community and can count on the support of those around them.

During the pandemic, this accelerated a growing trend towards buying and supporting local. People are bringing their custom to their local shops, restaurants and pubs as much as possible.

For many SMEs it is these roots that have been sustaining them through the pandemic and will be crucial to survival in the uncertain future they face. In return, they are giving back as much as they can. Being part of the community around them is in high street SMEs' DNA now more than ever.



Community Support:

●●● Give and take in the community

Communities have been lending support to businesses on their local high street by bringing their custom to them rather than larger competitors. This growing trend towards localism has been a lifeline for many high street businesses.

SMEs are giving back by supporting vulnerable members of their communities and forming new alliances with other local businesses. In the midst of the crisis, they are finding novel ways to involve them in their business whilst creating new revenues for themselves.

The positive experiences of this symbiotic relationship during the pandemic are likely to further strengthen the community bond and sustain SMEs on the long road to recovery.

“We have a bit of a network and get customers from word of mouth. The support from my long-term customers is overwhelming, really. I've got people handing out flyers to their friends and even hanging up posters. It's bringing in new people. **Hair salon,**”

“

We were involved with a children's play group that were able to use our venue for 6/8 mums because it was classed as education and we did a session a day for 20 days which was nice to see families back in the business.

Coffee shop, Sutton Coldfield”

57% of small firms are carrying out community roles during the crisis

54% of shopkeepers admitted that the support of their local community has helped them to keep going through this difficult year



- Support your high street SME clients in being active in their communities and in building relationships that can help to sustain them in the future (recognising that there is “capital” in community support)

- Look for ways to facilitate SME and community initiatives. Use your brand as the connective tissue that joins the two, through activities like sponsorship, contributing resources and helping to make connections and create relationships

Community Support:

Physical store as shortcut to trust

With an ever-growing online retail landscape, ordering products can be hit and miss, with customers never sure of the quality they will receive. This is an advantage for larger, well-know online retailers customers are more likely to trust. Due to their size and low brand reach, building that trust online is far more difficult for SMEs.

Retaining a brick and mortar presence in addition to building out online can support customer perception of legitimacy and induce trust in their business.

This is influencing their decision to “stay physical” and emphasises the importance of being anchored on the high street, with online as a supplemental revenue stream.

“*We have good quality but people don't see it. So if customers don't know us because we are quite small, they're not that confident to buy from us. Having stores helps us build that trust. If people see that they think we're more legitimate.*”

**Clothes shop,
London** ”

“

People can't see the quality of our product, and might not trust buying from us online. If they see our creations in the shop they see the high quality.

Florist, London ”

68%

of consumers are inclined to spend more if they feel they are getting in-store levels of service, including next or same day delivery, in-depth product information and accurate images or videos of products



- Recognise the value that a physical store adds to an SME retail brand and reflect this in terms of how you measure, monitor and assess the business (for example in terms of credit worthiness and risk assessment)
- Help SMEs gain customer trust online. For example, by developing a “trusted high street shop” brand marque, providing purchase protection, or creating a platform for sharing reliable user reviews

Community Support:

●●● Solidarity and solace through social media

Being an SME owner is a tough and often lonely job at the best of times. The Covid pandemic has compounded this even further, with owners facing unprecedented financial challenges, pressure to innovate and confusion regarding Covid measures.

Social media has helped them find solace in communities of other owners, facing similar challenges all over the world. They have also been able to connect to other businesses in their area, stay in touch with their customer base and extend their reach virtually when physical is not an option.

This positive experience has driven experimentation with social media and is likely going to change the way SMEs navigate online going forward.

“Facebook has been our lifeline, really. I think some of our posts have reached 10,000 people. For just a small coffee shop in Sutton Coldfield it's absolutely amazing. Having done that now with that sort of reach, I think the world is our oyster in terms of what we could push for.”

Coffee shop, Sutton Coldfield”

“

Someone set up a WhatsApp group for all the local market traders. Everyone rallied around each other, it opened my eyes to how everyone is in the same boat, supporting each other.

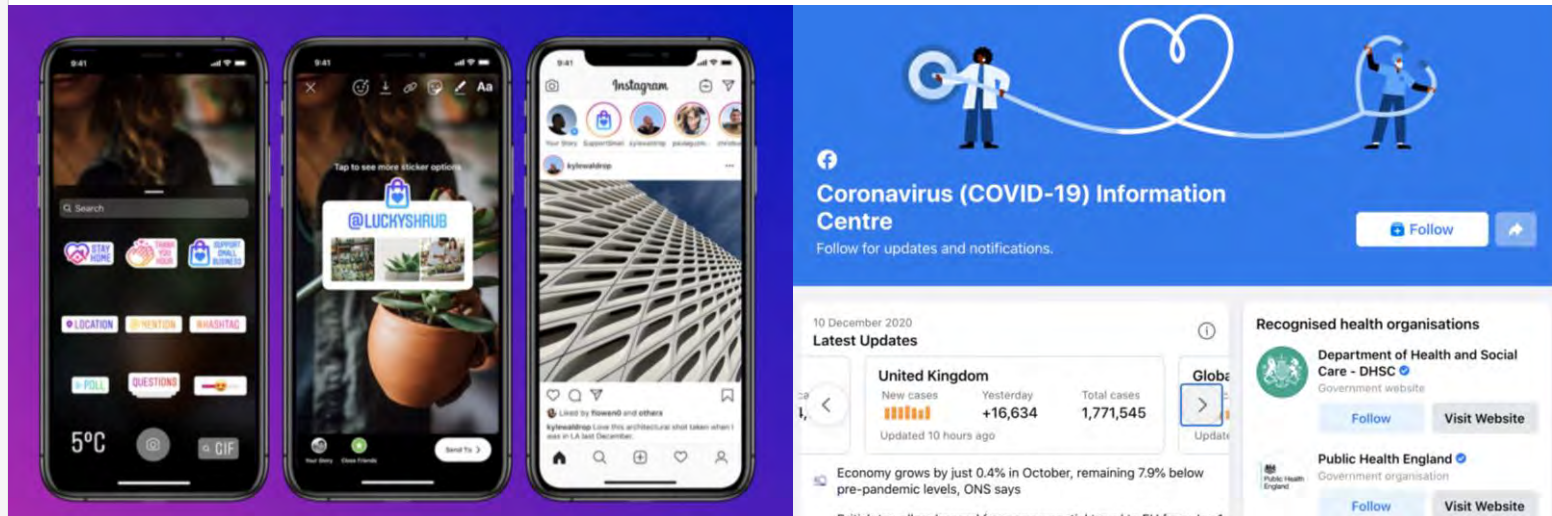
Clothes shop, London”

33% increase in social media use amongst SME owners

“

The best thing about Facebook is that it's nice to know that there are other people out there, all over the world in same situation. Makes me feel like we're not alone with this.

Beauty & hair salon, Manchester”



- Provide a networking platform for SMEs to share knowledge, resources and experience with each other

- Collaborate with other SME, industry and high street organisations to provide education, organise networking and develop mentoring schemes

●●● Futures Reimagined

- > The Micawber principle
- > Disappearing customers or determined advocates?
- > Opportunity in adversity
- > Reassessing risk

Local, high street retailers undoubtedly face more turbulence. In an unpredictable and unsustainable cycle of lockdowns and re-openings, there is a sense that this is the not-so-calm before the terrible storm. Bail out debts will have to be repaid or defaulted upon. Growing unemployment will affect businesses, customers and employees.

But for some, better times may lay ahead. Those who have been fortunate enough to sustain themselves through the crisis or who have managed to innovate to capture new revenue opportunities could have the opportunity to prosper on a newly levelled playing field.

The question as to whether we will see the emergence of a more resilient, independent, high street, or one irrevocably scarred by the virus remains unanswered for now. Mindset will certainly play an important role and from our research fortune would seem to favour the brave.



Futures Reimagined:

●●● The Micawber principle

In Charles Dickens' 1850 novel, David Copperfield, Wilkins Micawber is a clerk whose name has become synonymous with living in hopeful expectation. His famous quote, "annual income twenty pounds, annual expenditure nineteen nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery" is analogous to the precarious cashflow situation many SMEs now find themselves in.

Currently propped up by debt, many SMEs face the danger of defaulting or failing in the coming year if innovative institutional policy and stimulus aren't introduced to provide some form of relief.

It is a situation exacerbated by the difficulty SMEs face in deciding how much more debt to take on in the current stop / start business cycle. There is a tangible sense of weariness and a desire not to 'throw good money after bad'.

“*What's the point in taking charity, if I can't run my business? Maybe if it's to tide me over and we know that we'll be coming out of it, I'd consider. If it's just for the sake of taking it and this will go on indefinitely, then no thank you. I'd rather close down.*

Florist, London ”

“*The RCG currently estimates that unsustainable debt volumes of **c.£67-70bn** could arise by the end of March 2021.*

TheCityUK ”

36% of SMEs are concerned about running out of money

12% of SME owners worry about going bankrupt

10% of SMEs are concerned about being able to pay back government support taken out during coronavirus



- The stultifying effects of uncertainty mean that SMEs need, and will highly value, as much clarity, specificity and reassurance as their service partners and suppliers are able to provide

- Regulators and financial providers will need to continue to work hard to reframe the huge levels of debt faced by SMEs; to make it manageable rather than an insurmountable burden

Futures Reimagined:

Disappearing customers or determined advocates?

There are no positive forecasts for unemployment levels, post-Covid, just different degrees of pessimism.

The prospect of much heightened, or even mass, unemployment is concerning to local high street retailers, especially those dealing in non-essential products and services, who could find themselves with a dwindling customer base.

However, not all feel this way. Some local, high street businesses are expecting heightened levels of support from their loyal customers and community, as they help them get back on their feet.

Whether customers disappear, mobilise as local brand ambassadors, or both, they will certainly play a crucial role in shaping the future direction of the local high street.

“There’s not much point in having a big push to shopping locally, if there are so many people out of work that no-one has any money to spend.”
Industry Expert

“I’ve put on a pensioners’ deal, which I never normally do, but they are the only people round here who have guaranteed money to spend at the moment.”
Beauty & hair salon, Manchester

2.6m unemployed by mid 2021

UK unemployment is likely to reach 2.6 million in the middle of 2021, according to the government’s economic watchdog, or 7.5% of the working age population. It’s currently about 1.6 million



- Times will be tough for SMEs. In many cases they are likely to see fewer customers, who are spending less. SMEs will be looking to their own providers and suppliers to help manage and absorb these deficits
- Identify how you can play a role in helping SMEs to galvanise support from their local communities and how you can encourage local customers in supporting local high street businesses to get back on their feet

Futures Reimagined:

●●● Opportunity in adversity

Benjamin Franklin famously quoted that 'out of adversity, comes opportunity'. And this is true for entrepreneurial and optimistic SME owners who have been fortunate enough to survive throughout the pandemic.

Dwindling competition on the high street, as major chains fold or move more online, combined with a surfeit of public goodwill and a desire to support local independents means that many see opportunities for growth ahead.

Of course this is not true for everyone. Some sectors and regions have been hit harder than others and face existential threats beyond their own control. And others, perhaps less willing to make changes, or who see the challenges ahead as running contrary to why they decided to work for themselves in the first place (e.g. lifestyle, control, freedom) will decide to shut up shop for good.

“*Those that will survive will be stronger and they will know how to do things differently and try new things. They will be more innovative.*”

Coffee shop, London”

“*The last recession meant that some of the little stores got a break, as the bigger ones were going bust. I feel like this is the same, it's an opportunity for little stores to pop-up*”

Clothes shop, London

“*It's going to be difficult to keep the independent shops going but I think, the ones that will get through, they'll probably be stronger because they've changed what they're doing. We'll see a different kind of high street with more independent shops, the big ones will go online.*”

Beauty & hair salon, Manchester

38% Struggling
41% Surviving
21% Thriving

Recent research identified three different SME segments in terms of response to the Covid 19 pandemic



- Consider how you will deal with a likely polarisation of needs, as some SMEs require support in winding up their businesses and exiting whilst others will need assistance to capitalise on their growth ambitions
- Review how you approach profiling and segmenting your SME customer base to include more attitudinal and mindset based factors like ambition, outlook and resilience.

Futures Reimagined:

●● Reassessing risk

Much like the credit crunch of 2007 forced banks and financial institutions to shore up their balance sheets and reduce their exposure to volatile investments, the Covid pandemic has led SMEs to reassess their attitudes and appetites for risk.

Many of those who had plans to expand are now focusing instead on retrenching and securing their financial positions. High levels of uncertainty are having a toxic effect, with the unknown proving more damaging than almost anything else.

There is a suggestion though, that being forced to take on debt during the pandemic has shown some SME businesses, especially those who have been historically averse to borrowing, that they do have the facility to service debt and that this could help to spur future growth.

“*We’ve made sure that we are a lot more stable, a lot more financially robust. We’re definitely not planning on opening another shop and expanding anytime soon in case this happens again.*

Butcher, London ”

“*Taken a hit very badly - the first lockdown we were doing nothing. Fortunately, I had some capital reserve. The first three months were very difficult. If it would happen for another three months - we might not be here at the end.*

Florist, London ”

“*I had ideas to open another store but I've had to pull out. There's just too much uncertainty at the moment and uncertainty is worse than lockdown for us.*

Clothes shop, London ”

10% of SME owners say they're 'confident' about their business' future



- Recognise that SMEs business and financial priorities may have changed and that they will now require, or be open to, different types of products and services
- Businesses often face the greatest financial risks as they emerge from recessions. Providing clear guidance and advice, especially around managing working capital will be critical

Meet the Participants



A deep dive into our diary study

Natalie, Owner, 33

Fashion brand

Creative Entrepreneur



Andrew, Owner, 55

Flower shop

Seasoned Trader



Lydia, Owner, 53

Hair salon

Community Veteran



Rich, Owner, 32

Vaping shop

Ambitious Go-Getter



Ivan, Owner, 46

Baby gift shop

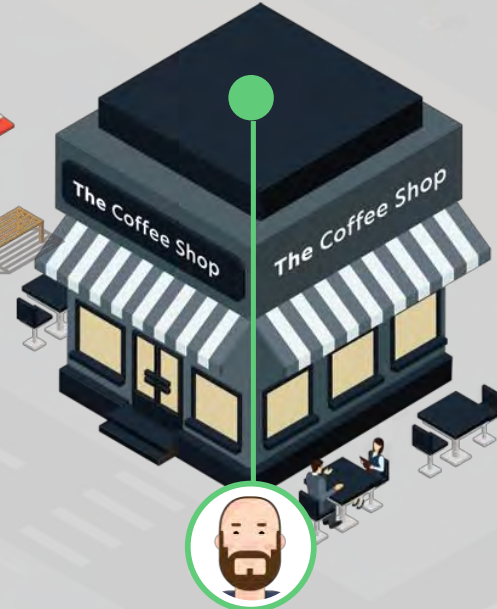
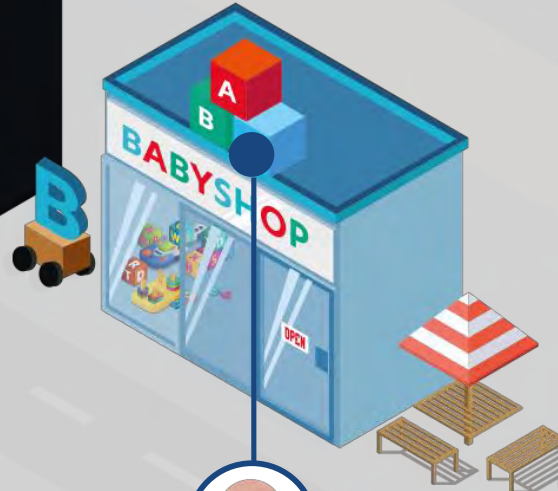
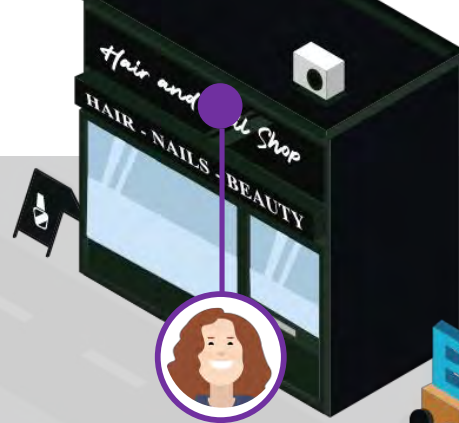
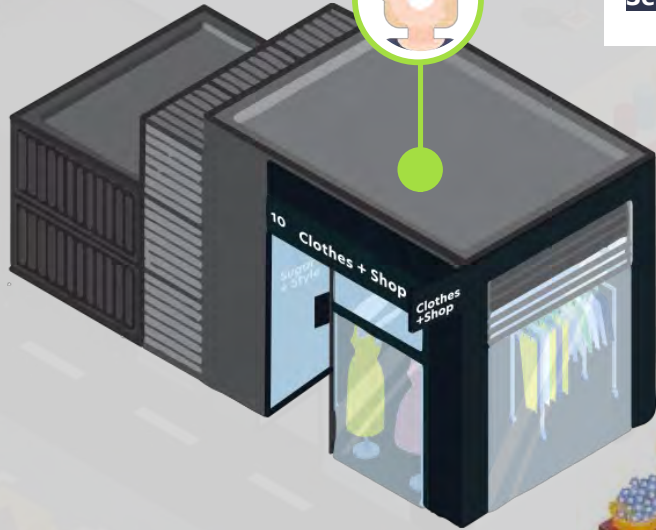
Savvy Innovator



Andy, Owner, 48

Coffeeshop

Local Champion





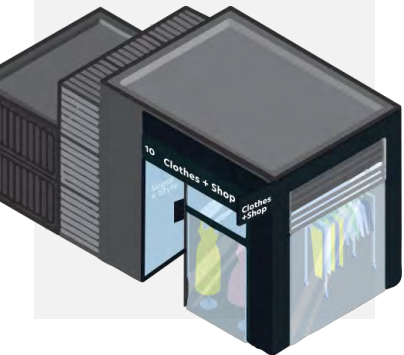
Natalie, Owner, 33

Fashion brand

Creative Entrepreneur

We sell women's clothing and accessories at affordable prices but with quality. Our style is feminine yet edgy.

Location: 2 stores in London & online
Established: 2013
Employees: Me and my 5 part-time staff



Andy, Owner, 48

Coffee shop

Local Champion

We are a family owned coffee shop that sells excellent coffee, tea in a relaxed and comfortable environment

Location: Outside of Birmingham
Established: 2017
Employees: 8



Lydia, Owner, 53

Hair salon

Community Veteran

We do hair services, beauty treatments, nail and spray tanning.

Location: Outside of Manchester
Established: 2012
Employees: 2 full-time employees, 2 self-employed



Rich, Owner, 32

Vaping shop

Ambitious Go-Getter

I run a premium UK Vape shop to support and deliver an alternative to smoking.

Location: 2 stores in London & online
Established: 2016
Employees: 3 full time staff, 2 seasonal staff



Andrew, Owner, 55

Flower shop

Seasoned Trader

I run a business that sells flowers in shop and offers services for functions.

Location: Northwest London & online
Established: 2000
Employees: 9 full-time employees



Ivan, Owner, 46

Baby gift shop

Savvy Innovator

I run a business that sells customisable gifts for babies and new-borns.

Location: Glasgow & online
Established: 2010
Employees: 9



●●● Fashion brand



We sell women's clothing and accessories at affordable price but with quality. Our style is feminine yet edgy.

Location: 2 stores in London & online

Established: 2013

Employees: Me and my 5 part-time staff

Natalie, Owner, 33

"We are a small team, but we all are quite creative"



My business before COVID

- Managed e-commerce marketing for fashion brands. I was made redundant during the last recession, and set up my online fashion brand.
- Online store was successful initially, but now it's very competitive. So I shifted focus to running physical stores, which was 95% of revenue.
- Now have 2 stores in London (Shoreditch and Camden market). Rent was expensive, but it was generating great footfall.

Impact of COVID on my business

- Sales is 82% down this year. We were closed during the lockdown, and I furloughed staff. Government grants and rent holidays helped a lot.
- We tried to push our online shop, but the growth was slow.
- My physical stores no longer have good footfalls after lock down eased.
- Cash is tied up in summer stock, don't have enough for the Xmas stock.

What's important to me, as a business owner

- Being creative
- Me and my staff are paid and happy
- Have work-life balance

Key challenges

- Capital tied up in stock and rent
- Uncertainty makes it difficult to plan
- Online is competitive and hard to gain traffic
- Me and my staff lack the skill to run online business

Surprise from COVID

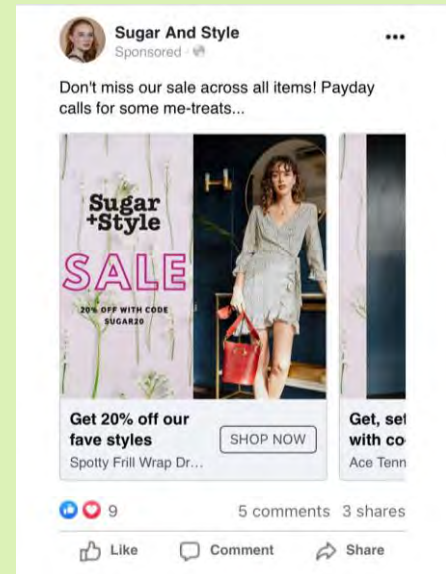
- Nice to have time off without worrying about work
- Discovered how much my staff were dedicated to my business
- SMEs rallied around and supported each other (e.g. WhatsApp group from Camden Market)

Opportunity / plans for my business

- Might relocate stores from touristy / office locations to residential areas to gain more local crowd
- Investing time and money in our online shops
- Expand wholesales, which might help online sales by building brand awareness

Outlook for High street

- Recession brings opportunity to start new businesses
- High street will be more local and independent, as chains are going away. People will support small independent shops.



Coffee shop



We are a family owned coffee shop that sells excellent coffee, tea in a relaxed and comfortable environment.

Location: Outside of Birmingham

Established: 2017

Employees: 8

Andy, Owner, 48

"Our concept is face to face and integrating with the community."



My business before COVID

- Used to work in hospitality, opened cafe to change life-style
- Started with coffee and cake, grew our food offering gradually
- Well connected with the local community – offered a playroom for kids, regularly hosted community events, and worked with local businesses

Impact of COVID on my business

- Initially business was closed for 6 weeks. But when we started offering takeaways, the support from the local community was overwhelming, our revenue actually accelerated.
- The government grants and furlough scheme really helped.
- The support from the local community wore off after the 2nd lockdown, our revenue dropped a lot. We might have to shorten the hours.

What's important to me, as a business owner

- Being connected to the community

Key challenges

- We lost our identity of being a local, sit-down and community café, because of the social distancing

Surprise from COVID

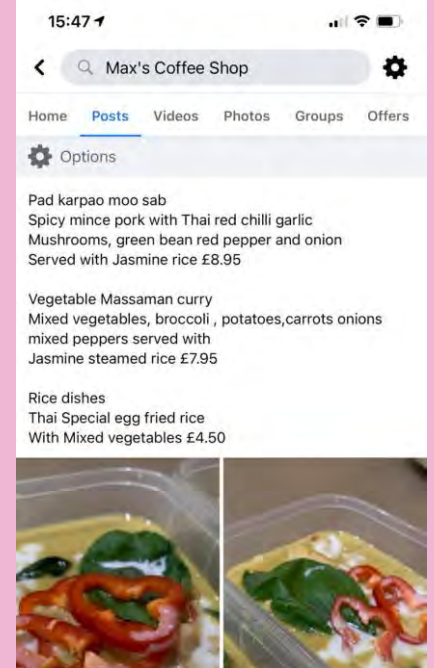
- How well we were supported by the government and local community
- Grew our takeaway service

Opportunity / plans for my business

- Plan is always to buy the premise of the business, and do it up. Plan hasn't changed, just with slower progress
- Get more outdoor space
- Stay prominent on social media
- Secure an alcohol license since local pub is going away

Outlook for high street

- High street will be more independent, people will support that
- If we can ride this wave, the next 2 years would be even better than we ever been



Hair salon



Lydia, Owner, 53

We do hair services, beauty treatments, nails and spray tanning.

Location: Outside of Manchester

Established: 2012

Employees: 2 full-time employees, 2 self-employed

"The support from the community and my employees is the reason I'm fighting so hard to keep going."



My business before COVID

- Worked in business for many years, opened the shop to settle down with more regular hours

Impact of COVID on my business

- We completely closed during the lockdowns and furloughed the staff.
- It has a big financial impact. Clients are wary of coming in. We have restricted capacity. We have added costs on PPEs and cleaning.
- Received grant from the government for the 1st lockdown, just enough to cover the rent and the PPEs. In the 2nd lockdown, no support.
- We were all a bit depressed, because of the lockdown and out of work.
- I am a lot more aware and strict about spending, and now buy supplies cheaper online.
- My clients are our community. We keep connecting with them on social media. They supported us by sharing our posts online, or bring flyers to care homes.

What's important to me, as a business owner

- The community and my employees

Key challenges

- In winter time, keeping the place warm but ventilated
- Reduced customers and capacities to serve customers
- Increased costs of PPE and cleaning
- Insufficient support since the 2nd lockdown
- Landlord still wants the full rent
- Worry about how long this is going to last

Surprise from COVID

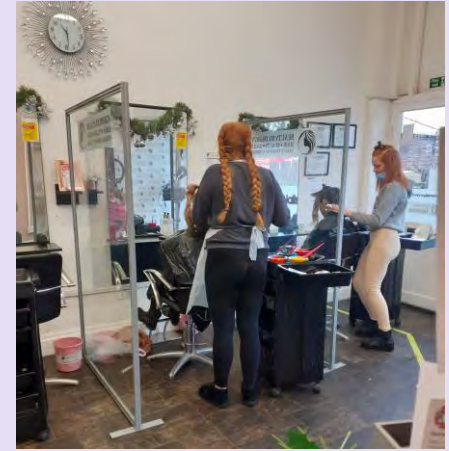
- How supportive people are, e.g. bring chocolates to cheer us up

Opportunity / plans for my business

- I might have to bring a new service to build the business back up (e.g. Botox)
- Renting out my space to self-employed beautician
- Targeting different customer groups with offers

Outlook for High street

- Big companies will move online, because they have more support - more opportunity for local independent businesses on the high street



Ambitious Go-Getter

Vaping shop



Rich, Owner, 32

I run a premium UK Vape shop to support and deliver an alternative to smoking.

Location: 2 stores in London & online

Established: 2016

Employees: 3 full time staff, 2 seasonal staff

"In 3 years, you'll see my logo everywhere. We'll be up against the big brands."



My business before COVID

- Opened the first store in 2016, business did well, so I opened a 2nd store.
- We have exclusivity in the canary wharf area on vaping products

Impact of COVID on my business

- Detrimental effect on my business, we lost 75% revenue. We had to close during the lock down.
- We had enough financial help in the 1st lockdown to pay wages. For the 2nd lock down, we didn't receive much help.
- Now our footfall is reduced, because the offices next to us are empty.
- We are just about break even, thanks to the online business. We have click and collect on our website, and we take orders directly from phone and email.
- I had to hold back investing in 3rd store, staff training, and delivery cars.

What's important to me, as a business owner

- Growth of the business

Key challenges

- High effort to keep track of orders via WhatsApp and email
- Our overheads is higher compared to online-only sellers

Surprise from COVID

- Best thing is to spend time with family, starting to appreciate working from home
- Mental health impact on everyone including me and my staff

Opportunity / plans for my business

- Rent out store space to physiotherapist, to partially cover rent
- Invest significantly in online (e.g. adding content), and use new social media platforms like TikTok
- Open a new store in lucrative area in London, buy vape stores that were closed
- Become an official seller on eBay

Outlook for High street

- Opportunity to fill in the space, now that a few bigger competitors are out of business



Seasoned Trader

Flower shop



I run a business that sells flowers in shop and offers services for functions.

Location: Northwest London & online

Established: 2000

Employees: 9 Full-time employees

"I'm not looking to be the Bill Gates in the flower industry. My plan was to retire in 5 years."



My business before COVID

- Wife is a florist, when I sold my last business, we opened this shop.
- My business is 60% retail (walk-in buyers) and 40% events.
- We are next to a big hospital which brings traffic to our shop.

Impact of COVID on my business

- We were closed in the 1st lockdown. We furloughed the staff, but dipped into our own pocket to make up the wage difference.
- Had a private arrangement with landlord to reduce rent, which helped. We had reserves, so I didn't look into government grants and loans.
- After the 1st lockdown, we were open but only taking orders on the phone and online. But we have taken a bit very badly. Shop footfall dropped because hospital nearby is not open to visitors. Events business has stopped because people cancelled events.

What's important to me, as a business owner

- Running a profitable business, sell it and retire in 5 years

Key challenges

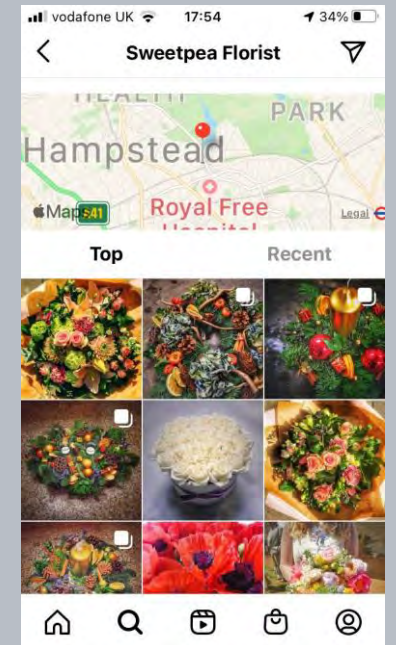
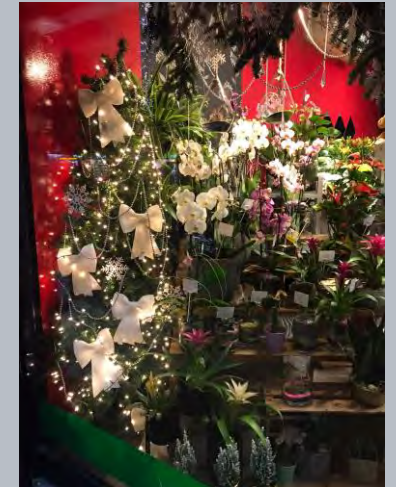
- Feel that there is nothing that I can do
- Feel that the support available for small business is not well circulated
- Lots of competitions online selling flowers at cheaper price, it's difficult to stand out

Opportunity / plans for my business

- Look into advertising online to attract local customers, but will wait a few months to be back on the even keel. Otherwise, nothing will work.
- Had plans to retire and sell the business as going concern in 5 years. But if COVID continues for another year, I might lose interest and close the business in a year.

Outlook for High street

- Retail in high street is doomed, this pandemic has brought it sooner. People will shop online, or go to shopping malls where they have more options.



Savvy Innovator

Baby gift Shop



Ivan, Owner, 46

I run a business that sells customisable gifts for babies and new-borns.

Location: Glasgow & online

Established: 2010

Employees: 9

"As a business, you either try to make as much money as you can, or you build it up and sell it."



My business before COVID

- Started online but opened physical shop so customers can touch the products (because they are expensive and customised).
- We sell online to consumers and businesses. We also sell in store, which makes up 10% revenue.
- We are well set up to sell online – advertise through social media and google ad words, take orders on our website, and use drop-ship.

Impact of COVID on my business

- Overall it had a big impact on our revenue - Initially sales dropped, but we increased advertising spend, and it went back up. We now started to see the delayed effect on our wholesale business - trade customers are not ordering because they haven't sold their stocks.
- We closed our store during the lockdowns. Now is still closed because employees were concerned of COVID.
- Some employees and their families were affected by COVID. I found it challenging to support them emotionally.

What's important to me, as a business owner

- Making profit or increasing the value of my business

Key challenges

- Taking care of the well-beings of my staff, especially emotional well-being

Surprise from COVID

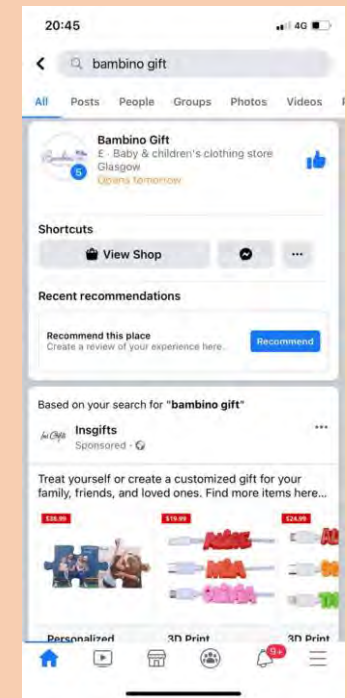
- Made me aware that I need to spend more time with my family

Opportunity / plans for my business

- I have looked into closing the store, and set up a way to send samples to customers.
- A supplier offered to buy my business, but I don't want to be a distressed seller. I will look for a good time to sell.

Outlook for High street

- Worried about future of the high street, as institutions like Arcadia are collapsing. Think it's only a matter of time before people go online, and small retailers are closed.



Insights Applied



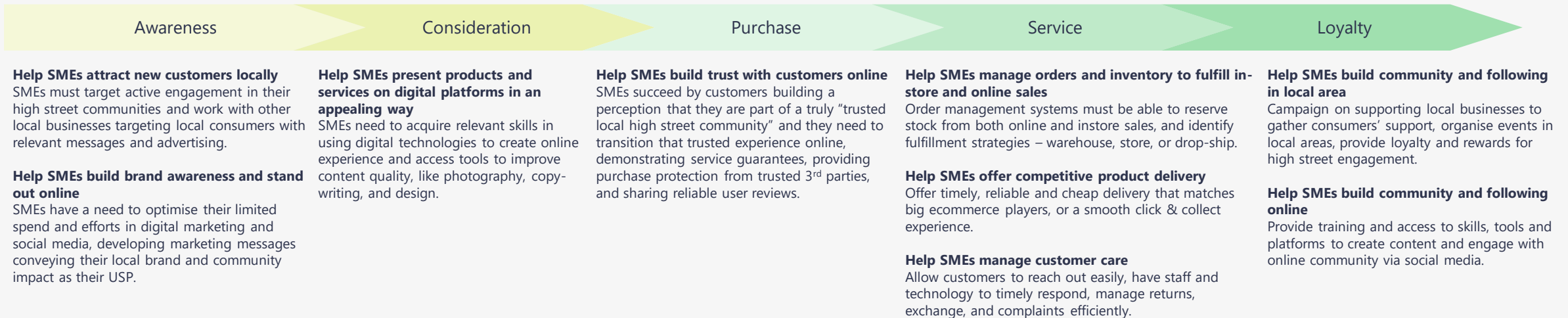
●●● **Design principles to adopt for serving local SME retail businesses:** SMEs have unique businesses powered by their passion and commitment to their families, colleagues, customers and communities and providers must share their vision and purpose at every stage of a service proposition

- 1. Share skills and knowledge:** Support local SMEs by leveraging your resources and experience to provide training, education and advice. Consider both 'harder' commercial and financial upskilling as well as 'softer' management and leadership guidance
- 2. Facilitate community connections:** Use your brand, your relationships and your network to create opportunities and initiatives for local SMEs, their customers and their communities to come together and support each other
- 3. Design with SME needs at the core:** Recognise that local SMEs are fundamentally different businesses to larger enterprises, with different values, priorities and decision-making processes. Ensure products and services reflect these different needs
- 4. Innovate and collaborate:** Local SMEs will need providers, regulators and institutions to work together and create products, services and solutions that are specifically designed to help them recover in the short term and prosper in the longer term
- 5. Reappraise segmentation approaches:** The pandemic has highlighted the importance of differing SME mindsets, beliefs and aspirations. These should be considered in segmentation approaches alongside existing factors like size and turnover of business
- 6. Provide platforms for engagement:** Create spaces that can generate and foster connections between different local SMEs who might be facing similar issues or challenges. Bring like-minded communities together so that they can share and learn

SMEs need help: SMEs will require help from the providers they trust to take advantage of the emerging digital and virtual economy as Storefront Entrepreneurs navigating an uncertain future

We have outlined the opportunities where businesses, institutions and government could help high street SMEs navigate the new normal, where consumers are at mass adoption levels of virtual and digital services using eCommerce solutions during lock downs whenever possible and SMEs must compete with global platforms offering same day delivery, high impact customer experiences and efficient back-office operations. SMEs have unique competitive advantage if they can capture the purpose in their 'local-ness' and bring their passion for their business to life in digital and virtual customer experience but the risks are high; they must effectively manage eCommerce enablement, find back office efficiencies, and achieve same day delivery equivalence to survive

Delivering a compelling, and competitive, customer and colleague experience in a new digital and virtual high street



Managing overheads, digital and virtual transitions, and back-office operations



Notes from the Field, Next Edition and References



●●● Reflections from the Field

Observations from our team conducting research in unusual times

Changing circumstances and longitudinal research

At the time we started our 2-week research, the end of the second national lockdown in England was approaching. Participants were still hopeful that once their shops re-open, their sales would pick up quickly and they would be able to take advantage of a pre-Christmas boost. These hopes were soon dampened by the tier system and cold weather. Frequently changing circumstances resulted in participants going through a range of emotions and approaches in quick succession. Accompanying participants over 14 days enabled us to understand these shifts and participants' experience over time, highlighting the advantage of research across longer periods over "snapshot" approaches.

Everyday research in the pandemic

As research professionals we are used to connecting with people in various ways. Since the beginning of the pandemic, however, we have been limited to interacting remotely with our participants. As a team we realised that, whilst this was novel in the beginning it is now "business as usual" and the efficiencies such as being able to interview people from different parts of the country at the same time have allowed for more rapid research during the Human Signals series.

The benefits of sharing during a crisis

The pandemic has been challenging for SME owners as they are struggling to keep their businesses going. During our interviews and the diary study the frustration was tangible and participants welcomed the opportunity to voice it, openly stating that it was good to talk about what they have been going through with someone neutral. Acknowledging these feelings and show our empathy for their difficult situations helped built rapport, made the conversation more comfortable and allowed us to get deeper into the topics our participants were struggling with.

Connecting via familiar tools puts participants at ease

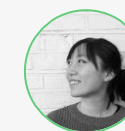
Connecting with our participants via Whatsapp again supported getting a window into their "everyday" in a way that is accessible for them. All participants were familiar with the platform, immediately at ease with it and allowed them to share experiences as they were happening.

Making their voice heard

It can be a lonely job running a high street SME and the pandemic has brought many challenges for business owners. We noticed that our participants were motivated by making their voices heard via the research and share the experiences. This supported our discussions and benefited participants.



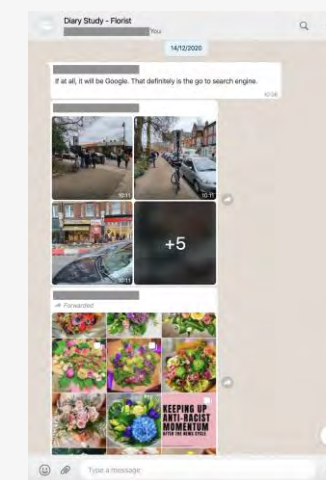
Giles Powdrill



Pei Wang



Oliver Kastner



What next?

Human Signals will be back soon with new editions focused on Sustainability and Social Justice. If you want to share your opinion, get earlier editions or find out more about this research, **please let us know.**



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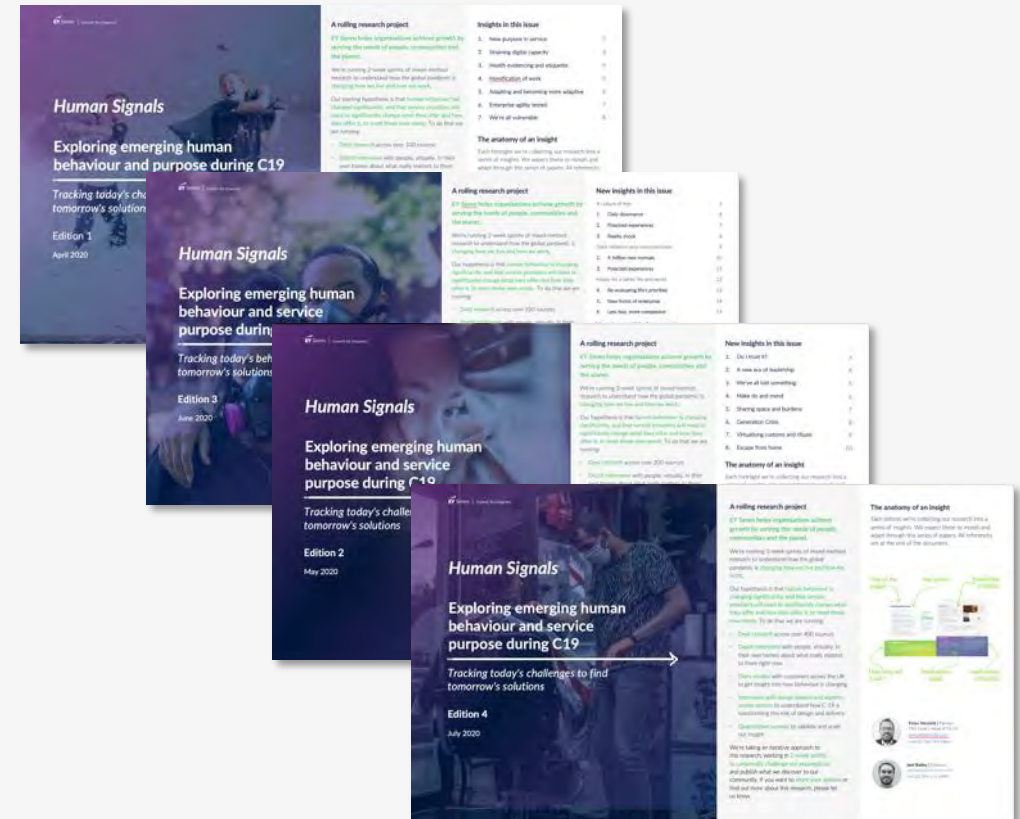


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Get in touch to receive copies of previous editions of Human Signals



References & further reading

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2. **Pick your battles**
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