Business Growth Hub

THE GREATER MANCHESTER BUSINESS GROWTH REPORT

Opportunities to unlock SME growth in 2021

European Union
European Regional Development Fund

GMCA GREATER MANCHESTER COMBINED AUTHORITY

NORTHERN POWERHOUSE

Greater Manchester Local Enterprise Partnership

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INTRODUCTION

Unprecedented. A word so chronically overused in the last 12 months, but one that remains the most apt. It is unlikely that there will be another situation like this for generations, disrupting our national and local economy at a level that far exceeds that seen during the 2008 financial crisis.

Our first annual report into Greater Manchester's business ecosystem is designed to help SMEs and business owners as they continue to adapt, highlighting some of the key trends seen over the last 12 months and offering learnings. Alongside this, we have identified significant areas of opportunity for entrepreneurs to unlock growth as we continue to recover.

As is in our DNA, Greater Manchester has adapted and shown resilience in responding to the challenges of the last 12 months. From innovating product ranges to transforming the foundations of their businesses, entrepreneurs across the region have identified opportunities and implemented enormous change. It is this agility and forward-thinking nature that provides hope for a strong economic recovery.

This is also being supplemented by strong local government leadership. Even before the pandemic Greater Manchester's Combined Authority had put ambitious strategies to drive inclusive growth across the region's businesses. This includes the June 2019 Local Industrial Strategy and the February Digital Blueprint to enhance stronghold sectors, as well as the Zero Carbon Framework designed to create a more sustainable working and living environment.

During the pandemic, the GMCA has taken an active role in providing support. In November, the GMCA became the first local authority to directly offer funding to support the distribution of Bounce Back Loans, pledging £10m to help the region's businesses. Likewise, the organisation provided valuable guidance on approaching international trade through a revised One Year International Strategy.

Building on this outstanding leadership, it is now our responsibility to ensure that the region's companies have the support they require to build on their successes. For those that have seen an uptick in demand, we need to help them manage their growth sustainably, creating the next generation of global business leaders. With the barriers to entry lowered, the world is now more accessible to SMEs than ever before.

Likewise, it is crucial that we provide a safety net to those businesses and individuals that have struggled during this period. From accessing finance to mental health concerns, the last 12 months has taken a toll on many industries, and we need to help them rebuild.

I hope you find our report an interesting and informative read, and I look forward to working more closely with you over the coming year.

Kind regards,

Janine Smith
Head of Specialist Services
at Business Growth Hub

EXECUTIVE SUMMARY

Despite a year of unparalleled disruption, Greater Manchester's business community has demonstrated the potential to, in the words of Mayor Andy Burnham, Build Back Better.

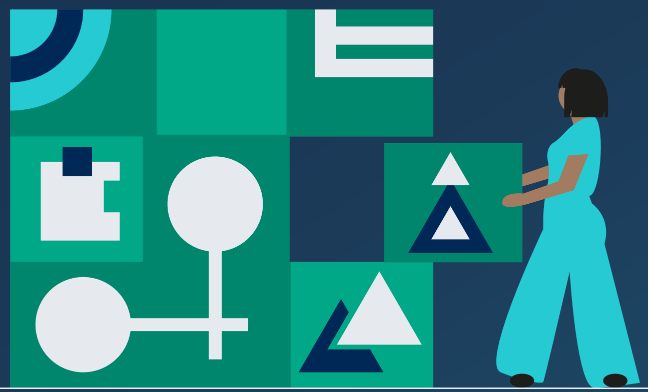
The ability of our SMEs to innovate has been at the core of the region's resilience. According to the GM Business Survey, 76% of Greater Manchester businesses conducted innovation projects in the last 12 months, with 44% implementing new business models or services.

However, with businesses investing in technology to support remote working, the threat of cyber crime has increased dramatically. Understanding what vulnerabilities exist and how to minimise any damage will be a key next step to ensure the long-term survival of many SMEs.

Alongside digital innovation, we have seen businesses increasingly prioritise eco-friendly and sustainable initiatives. With Greater Manchester's ambitious 2038 carbon neutral deadline a full decade ahead of the wider UK, SMEs have seen an opportunity to take the lion's share of an estimated £230bn market (GMCA).

Since some of the most significant changes in this area can be made relatively cheaply and quickly, we expect to see a greater number of businesses recognise the long-term benefits. With the region's low carbon sector already generating sales of £6.8bn (GMCA), this presents a huge and obvious opportunity to drive growth, and change the way that many leaders perceive sustainability within their business.

Moving forwards, it is also crucial that businesses fully understand the processes through which their products and services are created if they are to increase margins and unlock growth. Controlling the supply chain represents one of the greatest opportunities to improve efficiencies, both in terms of sustainability and operationally. By understanding the economic, environmental and social factors when making procurement decisions, companies will be able to ensure they maximise productivity and profitability.



Alongside improving internal operations in the supply chain, many companies have had to do more with less over the last 12 months, both in terms of human resource and available capital. As a result, a key question for business leaders has been where to make investments for the future, while balancing the immediate demand from customers with staffing requirements.

With 1.2 million UK employers making use of the furlough scheme (UK Government), additional pressure has been placed on employees through new responsibilities and dual roles. As companies continue to adjust and evolve, there will likely be a renewed focus on employee engagement in 2021. As a result, we expect to see a greater number of businesses introduce wellbeing and mental health initiatives, especially as remote and flexible working practices continue to grow.

Alongside the furlough scheme, the government saw 43,000 Greater Manchester businesses access funding through the CBILS or BBLS loan schemes to August last year. While these funds have been a lifeline to many companies, understanding how to repay this debt moving forward will present a key challenge, with major UK banks predicting that 40-50% of loans will default. Helping businesses manage their cashflow will be crucial when it comes to repayments, as well as understanding how to generate additional revenue streams.

Just as businesses have needed to be flexible during this time, so have funders. Finance providers have recognised the need to provide more creative deal structures to enable businesses to recover and grow. The equity markets seem set to rebound strongly, with Beauhurst data revealing that 425 investments were made in the UK in Q2 2020, almost the same as Q3 2019. Likewise, we have seen an explosion of alternative funders, from invoice finance to peer-to-peer. To find the right type of finance, it is crucial that business owners understand how they plan to use the funding, and what deal structures best suit them.

For many businesses, funding will be used to facilitate international expansion – a core priority outlined in the Greater Manchester Internationalisation Strategy. Despite the restrictions placed on movement across the globe, the world has never been more open to SME growth.

Thanks to online communication platforms like Zoom and Microsoft Teams, the barriers to entry have been removed, enabling companies to maximise their growth potential. As a result, we are also seeing companies look to engage with non-traditional markets, with countries like Libya and Senegal being used as gateways to Africa, while Cambodia and New Zealand have been seen as strong routes into Asia and Oceania.

It would also be prudent for businesses to turn their attention towards the implications of the new EU trade deal. It is critical that businesses fully understand how the new trade deal will affect them, as well as how they may be able to take advantage of new opportunities that are presented.

Greater Manchester's SME community has shown an unwavering ability to seek opportunity, innovate and thrive in the hardest of times. It is this entrepreneurial spirit, coupled with a strong support network, that will see the region recover and rebuild in 2021.

INNOVATION

Greater Manchester has a long and proud history when it comes to innovation. From spearheading mass production and the Industrial Revolution to the technical ingenuity of graphene, Manchester has always looked for ways to break new ground.

In today's 24/7 business environment, innovating to maximise your business performance has never been more important. But, this doesn't always mean radical change – often, innovation is about identifying and implementing the everyday solutions that will make a huge difference to your business.

INNOVATION IN THE LAST 12 MONTHS
(GM BUSINESS SURVEY JUNE 2020)

76%
GM BUSINESSES CONDUCTED INNOVATION PROJECTS

44%
IMPLEMENTED NEW BUSINESS MODELS OR SERVICES

28%
INNOVATED THEIR PRODUCT RANGES

COVID-19 silver lining

The wide-ranging impact of COVID-19 has caused companies of all sizes to reconsider their approach to doing business. For some, the pandemic has forced a fundamental shift in operations. For others, the uncertainty has caused them to explore how they can build back better in the post-COVID environment.

While a similar approach to the 2008 financial crisis was initially expected at the start of the COVID-19 outbreak – where businesses delayed or cancelled planned research and development projects – it is encouraging to see that there was no downturn during 2020.

In fact, our innovation specialists have been inundated with requests for support from Greater Manchester SMEs, highlighting that smaller companies recognise now is the time to think differently. This is something that will only gather speed over the coming year, as the focus shifts back towards maximising growth opportunities.

120
NEW INVENTIONS INTRODUCED TO MARKET
(DUE TO THE INNOVATION VOUCHER SCHEME)

£4m
COLLABORATIONS HAVE DRIVEN OVER £4M IN RESEARCH FUNDING FOR INNOVATION PROJECTS

A VIEW FROM THE MARKET

Innovation continues to be an essential ingredient for all businesses and since the launch of our Innovation Voucher Scheme, we have seen over 100 new collaborations for contract research with the major Greater Manchester universities. These collaborations have driven over £4m in research funding for innovation projects, highlighting this as a major focus for all Greater Manchester businesses.

As a result of these collaborations, over 120 new products have been introduced in the market, adding over £5m in sales revenues to Greater Manchester businesses.

John Willis
Manchester Metropolitan University

> **The Innovation Programme we have run in partnership with GC Business Growth Hub has been a huge success, enabling us to reach out and use our expertise to support businesses looking to innovate. We are seeing businesses begin to think creatively about solutions and how to respond effectively, prioritising research and development projects despite the ongoing uncertainty.**

Survive or thrive

With GDP growth in 2020 forecast at between -7% and -13% (ONS), the pandemic has created a change in mindset for most of Greater Manchester's SME community. Innovation is no longer a nice to have, it is a strategic necessity.

This is especially true when it comes to digital innovation. As this period of change continues, the most successful businesses will be the ones that can tailor technology and adapt to new ways of working to suit their specific needs, rather than trying to mould themselves around existing platforms. Digital transformation has never been more important.

The initial transition threatened the survival of many businesses that were not digitally ready prior to lockdown. The significant investment required to restructure their operations was not easy for a business whose market disappeared overnight. However, we saw that more digitally agile companies were able to open up new commercial opportunities.

On the other end of the spectrum, many SMEs have taken the opportunity to step back from the daily grind. This allowed them to focus on expanding their current products and services into more commercially robust sectors. Some were also able to bring completely new propositions to market by altering their existing business model, or through strategic acquisitions.

TOP 5 BARRIERS TO INNOVATION IN GM (GM BUSINESS SURVEY JUNE 2020)

1. AVAILABILITY AND COST OF FINANCE
2. UNCERTAIN ECONOMIC CONDITIONS
3. COST OF INNOVATION
4. UK GOVERNMENT REGULATIONS
5. LACK OF TALENT

CASE STUDY

THE INSIGHTS PEOPLE

Founded in 2017, The Insights People is a global leader in kids, parents and family market intelligence. The firm currently surveys more than 4,000 children every week, across five continents and 12 countries. Clients include Amazon, Crayola, F1, Lego, Pokemon and Warner Bros.

During the pandemic, we have worked closely with the business to strengthen its international links. Using our links with the Department for International Trade, we helped the business to expand operations into Australia and Canada, providing new marketplaces for its services, and adding a further 11 jobs to the business.

“We reacted quickly to COVID-19 after two international contracts were paused - putting a number of things on hold and went into lockdown two weeks earlier than the rest of the country to protect the team. The collaboration of the team, continuing business as usual whilst expanding both geographically and innovating new tech innovations has been quite a juggling act, but one we have managed amazingly well.

“The Hub is an accelerant – we have got there quicker by working with them on every step of our journey. There’s a lot of support available, and making sense of it isn’t easy, but the Hub makes it much more straightforward.”

Nick Richardson
CEO and Founder of
The Insights People

The forgotten threat

As workforces become far more flexible than ever before, we have seen a significant increase in cyber crime. To ensure continued growth, businesses should learn more about what a cyber attack could look like and understand the processes they can put in place to either prevent an attack in the first instance or minimise any damage should one occur.

When it comes to cyber, Greater Manchester is exceptionally well placed with key players in the industry. This includes the launch of a £10m Cyber Innovation Centre, as well as the £6m Cyber Foundry initiative, designed to support SMEs of all sectors with their cyber innovation.

Yvonne Grady
Innovation Lead at GC Business Growth Hub

“The impact of COVID has accelerated the pace of innovation so rapidly, we are unlikely to see this again during our lifetime. While disruptive to all aspects of our lives, the pandemic has presented more opportunities for innovation, with the likely winners set to be those that have been agile in their response.”

The national picture

While not using the same definition of ‘innovation active’, the Greater Manchester Business Survey, conducted in June 2020 by GC Business Growth Hub in partnership with Greater Manchester Combined Authority, highlighted the volume of innovation from the region. In total, 76% of SMEs surveyed said that they had undertaken some form of innovation project in the last 12 months, with 28% changing their product range, 44% improving their services and 33% modernising processes

According to the latest UK Innovation Survey, published by the government in 2019, just 38% of UK SMEs identified themselves as being ‘innovation active’ between 2016 and 2018. Only 18% suggested they had innovated products during this time, and 13% had altered processes.

In contrast, the June 2020 Greater Manchester Business Survey, conducted by GC Business Growth Hub in partnership with Greater Manchester Combined Authority, revealed that 76% of businesses have undertaken some form of innovation project in the last 12 months. 28% of the region’s firms had innovated their product range, 44% had significantly improved their services, with 33% also modernising processes.

The strong innovation seen from Greater Manchester’s SME community is driven by the access that businesses have to knowledge and skills at every level. From our innovation experts at the Hub to specialists at our universities, as well as centres for innovation in healthcare, materials science, digital, circular economy and engineering, the city region has a fertile ecosystem established to support SMEs at every stage of their journey.

Funding Innovation

Given the significant rise in innovation required by UK SMEs during 2020, it has been encouraging to see the government response to funding these projects.

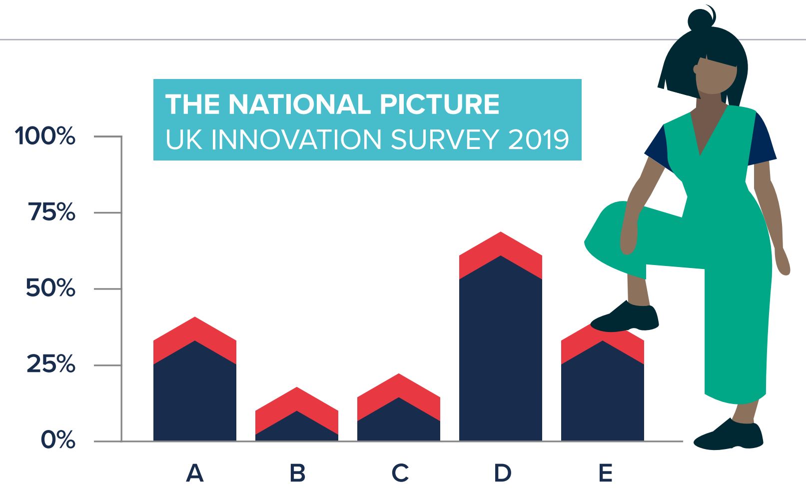
On a national scale, the government has announced over £2bn worth of funding specifically for businesses looking to innovate. Delivered by Innovate UK, this includes targeted funds for the development of COVID-19 vaccines and gene therapy (£100m), as well as £40m to support new digital and technological innovation.

In some cases, this money is 100% underwritten by the government – a statement of intent and a level of intervention previously unheard of.

Alongside grant funding sits hundreds of competitions run by the Innovation Funding Service. In the 12 months between August 2019 and July 2020, more than £9.5m in grants have been won by Greater Manchester SMEs through Innovate UK competitions, with over £5.5m of that being provided since March (Innovate UK).

Flexibility has also been crucial when providing funding at the local level. As part of our Innovation Programme, we launched a voucher scheme, designed to help businesses to accelerate the development of innovative products and services.

While the June 2020 Greater Manchester Business Survey revealed that availability of finance was seen as the main barrier to innovation, this could be seen as a misconception. Asking for financial support may seem daunting, but funding, and the specialist support to access it, is available at both a national and local level. Innovation will remain crucial to securing sustainable success, so it will be vital for businesses to understand what help they can receive.



A 38% of companies conducted innovation projects

B 13% implemented new processes

C 18% innovated their product ranges

D 54% of Creative and Digital businesses improved processes for providing goods and services – the highest in GM

E 37% of Manufacturing companies invested in R&D projects

Embracing eco-innovation

Eco-innovation has certainly become more of a focus for businesses in recent years across the UK. However, with Greater Manchester making the commitment to being carbon neutral by 2038 – a full decade ahead of the 2050 deadline set by national government – SMEs in the region will be at the forefront of driving performance.

Where previously, considerations around sustainability will have been isolated to a single product or service, we are expecting to see businesses take a more holistic approach.

We are already seeing this change in attitudes to eco-innovation and expect this to accelerate further in the coming years as business owners begin to truly understand the long-term financial benefits.

CASE STUDY

FUTURE SAFETY

Colin Holmes
Managing Director at Future Safety

The family-run firm specialises in manufacturing high performance helmets for markets including the emergency services, sports and industrials.

Having applied for the Hub's Innovation Vouchers, our specialist advisors introduced them to academics from Manchester Metropolitan University. Working alongside the University, Future Safety has been able to drive product development in line with studies into traumatic brain injury and materials performance design.

"The Innovation Vouchers scheme has been hugely important for our next phase of development, bringing access to a team of academics and professors at Manchester Metropolitan University. They've helped the business to ensure that our product development is truly evidence-based, and played a central role in enhancing our network."

SUSTAINABILITY

Environmental considerations have been a growing factor in recent years at both a local and national level. Businesses and individuals are becoming increasingly aware of the environmental impact of their decisions, and are recognising the opportunities that this presents to drive value for both the economy and the environment.

Driving the zero-carbon agenda

As a city region, Greater Manchester has been at the forefront of driving the zero carbon agenda, setting an ambitious target to be carbon neutral in 2038 – a full 12 years ahead of the national deadline. GMCA's Five Year Plan sets out aims to generate an additional 24 megawatts of power and 10.4 terrawatt hours of low carbon heat, enabling Greater Manchester to take the lion's share of the estimated £230bn market and two million jobs that the low carbon sector will create in the UK by 2030.

According to our 2018 report on the potential of the low carbon sector, Greater Manchester currently generates £6.8bn in sales. This is only second to London, and when considered in proportion to GDP, sees the region outperform European counterparts like Barcelona, Milan and Copenhagen.

Perhaps most surprisingly, the region's low carbon sector is larger than the traditional powerhouses of advanced manufacturing, digital, life sciences and textiles combined.

The 2038 target also presents a considerable opportunity for the sector to flourish for the foreseeable future. To achieve it, at least 61,000 homes will need to be retrofitted with energy efficient technology every year, providing the potential to support over 13,000 additional jobs in the city region (GMCA). As well as upgrading existing buildings, focusing on zero carbon, modular construction methods for new housing could create thousands more.

A VIEW FROM THE MARKET

Mark Atherton
Environment Director at GMCA

By achieving our 2038 carbon neutral deadline, we see an enormous opportunity for Greater Manchester to take the national lead when it comes to the low carbon sector, which we hope will result in financial prosperity and job creation across the region.

However, to deliver this, we recognise that existing technologies and business models are insufficient. We need to rethink how we operate across all sectors, and give businesses the confidence to invest in developing and upskilling their workforce, as well as innovate their products and services.

We want our public sector to adopt a leadership role in the low carbon transition, to help stimulate the local market and give that confidence to our firms – particularly in these uncertain times.

GM's low carbon sector is larger than Advanced Manufacturing, Digital, Life Sciences and Textiles combined

(GC Business Growth Hub Report 2018)

2018 GC BUSINESS GROWTH HUB REPORT

2,400
LOW CARBON SECTOR COMPANIES IN GM

45,100
PEOPLE EMPLOYED

A chance to Build Back Better

While there are few positives that can be taken from the COVID-19 pandemic, the environmental benefits seen as a result of government restrictions cannot be ignored. In the first month of lockdown, research from the BBC Shared Data Unit revealed a 40% reduction in air pollution. With a similar impact on the quality of water in the region, maintaining this must be a priority. This is a view shared by the general public, with a 2020 YouGov survey showing that just 9% of Brits wanted to return to life as it was before COVID-19.

This has also changed the mindset of many entrepreneurs. We have all had to recognise the fact that climate change and global pandemics present a real and recurring threat to our way of life, and so, business decisions should be made that not only have a positive impact on the economy, but on the environment as well.

For those in the low carbon sector already, this presents a huge and obvious opportunity to drive growth as eco-adoption increases, but we also expect to see the emergence of innovative companies looking to capitalise on this rising trend.

£6.8bn

2nd

£6.8BN IN LOW CARBON SECTOR SALES – 2ND HIGHEST IN ENGLAND

OUTPERFORMING BARCELONA, MILAN AND COPENHAGEN ON LOW CARBON SALES IN PROPORTION TO GDP

(GC BUSINESS GROWTH HUB REPORT 2018)

Myth busting

Despite momentum building around the low carbon agenda, there remains a misunderstanding around the value of implementing initiatives, which has seen them become de-prioritised in the boardroom. This is especially true for SME business owners, who often find themselves focused primarily on day-to-day operations and are therefore unable to consider structural changes.

When it comes to making these changes, a common myth is that sustainability is expensive to implement, and costly to maintain. This is simply not true. For most initiatives, the initial financial or time investment will reduce operating costs and continue to deliver year-on-year savings, providing a more efficient structure.

Even when a company recognises the value, they often adopt an incoherent and inconsistent sustainability strategy, with ownership of energy or materials often sitting with multiple people. And with no set timeframe to implement these changes, they simply get buried by the urgent jobs that come in each day.

However, the setting of the 2038 zero carbon deadline by the Greater Manchester Combined Authority should be taken seriously, especially as local councils are starting to prioritise environmental or social impact factors in their tenders. For example, a number of Greater Manchester councils now place 15% weighting on social value for all of their tender processes.

Given the rise in focus and opportunity presented by the lockdown period, we expect to see a growing number of businesses prioritise the implementation of green technology over the next 12 months. With times lean and margins squeezed, companies would be wise to take advantage of reducing operating costs, saving money and minimising environmental impact.

Amy House

Low Carbon Lead at GC Business Growth Hub

"While there is still some way to go, it is positive to see that businesses are focussing more of their efforts on sustainability. This is an opportunity for large businesses to not only lead by example and utilise the power of their brands to make a difference, but also to embed, support and educate their own supply chains."

Controlling your supply

Getting their own houses in order will be the first step for most businesses, but the long-term opportunity to get ahead is within the supply chain. Historically, the quest to source products and materials at the lowest possible price has led to longer and more complex supply chains, often resulting in a lack of transparency and an over-reliance on specific regions or suppliers.

However, a lower financial cost often creates a higher environmental impact. To control financial and environmental inefficiencies, it is crucial that companies take economic, environmental and social factors into account in procurement decisions – known as the 'triple bottom line'.

Evidence is starting to build that those that have actively engaged with their supply chains to understand the environmental impacts have consequently built up a very good understanding of the risks and opportunities of their business. This science-based approach has also enabled them to use data to put in place measures that mitigate risk quickly, making them more resilient in times of crisis.

This high quality data is also beneficial when it comes to driving new business. Customers are now placing greater weight on ensuring suppliers fully understand the environmental impact of their supply chains. As a result, recorded measurements that reinforce any claims provide a strong argument when it comes to helping customers' buying decisions.

Alongside this, we expect to see a trend in businesses shortening their supply chains, ensuring that they retain greater transparency and control over the environmental impact of production. Many will also look to diversify their supply chains and drive inclusive local growth by onshoring production, having seen a dramatic impact on long and international supply as a result of COVID-19.

Supply chain sustainability has already made it onto the agenda of larger companies, and we expect to see a significant trickle-down effect as a result. In the medium term, SMEs may even be forced to adapt their operations to become more environmentally friendly in order to retain contracts.

24%

SALES IN GM LOW CARBON SECTOR GREW BY 24% BETWEEN 2011/12 AND 2015/16

(GC BUSINESS GROWTH HUB REPORT 2018)

CASE STUDY

HOME

HOME, a celebrated centre for art, theatre and film in Manchester, worked with specialist advisers from GC Business Growth Hub to improve sustainability in its supply chain.

With the aim of ensuring that suppliers match the sustainable values of HOME, the business has developed a sustainable procurement questionnaire which could be used to assess potential and existing suppliers.

Debbie Bell, building and environmental manager at HOME, said: "To remain a leader in sustainability, we need to be an ambassador to those not only in our first sphere of influence, but outside of it too. The support we have received from GC Business Growth Hub has helped us make significant and timely progress on this front."

Debbie Bell
Building and Environmental Manager at HOME

Understand the impact of government policy

Limiting the impact on the environment has become a key issue of focus for government at all levels. From a national perspective, we have seen the government turn its attention towards energy efficiency in buildings. In line with its target of removing all gas boilers from new homes by 2025, it launched the Green Homes Grant in August for vouchers up to £10,000, designed to cover the cost of making energy efficient improvements in residential properties.

The regular government interventions in the low carbon sector presents businesses with an opportunity to capitalise on rising trends. For example, the Clean Air Act is set to force companies and individuals to pay a charge in designated ‘clean air zones’ based on the emissions of the vehicle they are driving. Electric cars will be exempt from this charge, while some heavy goods vehicles will incur significant costs.

As a result, businesses in the haulage and logistics companies have an opportunity to electrify their fleet and gain a competitive advantage in their market. According to research from Direct Line, the cost of an electric vehicle is already 3% cheaper as an annual cost (£3,751 on average) than the petrol alternative (£3,858) and is set to become cheaper still as numbers in production rise.

However, it is important to understand how government focus may be shifting in the future. Aligning too closely with a specific policy can have significant risks, and a legislation change can have a direct knock on effect on sales. This was seen previously with solar panels, with the removal of subsidies in April 2019 resulting in a 94% drop in installations in the following month. Fortunately, the sector has since rebounded, with The International Energy Agency describing solar as the ‘new king of the power sector’, and its pipeline predicted to be three times that of 2020.

As the 2nd largest low carbon cluster of companies in the UK, Greater Manchester has a strong balance of different industries focusing on low carbon initiatives. However, in addition to the GMCA commitment to being carbon neutral by 2038, we are expecting to see focus shift onto two key areas over the next 12 months. Firstly, ensuring that both the commercial and domestic sectors are adopting energy efficient practices so new technology can be implemented, and secondly, considering the best way to generate energy locally and become self-sufficient.

Reacting to changing perceptions

Attitudes towards social and environmental factors have changed dramatically in recent years – something that has only been accelerated by the COVID-19 pandemic. Given the pace of change in the last 12 months, people have developed a greater tolerance for more, providing us with the ideal opportunity to mitigate the threat of climate change.

As the general public have become more aware of these issues, additional pressure has also been placed on consumer-facing businesses to ensure that they are operating in a sustainable and ethical manner. Retail is an excellent example of this, with consumer pressures forcing businesses to introduce initiatives around biodegradable packaging and fair-trade sourcing.

Public perception will continue to be a huge driving factor in the short term across Greater Manchester, especially as a result of the COVID-19 pandemic. For example, having seen a dramatic reduction in air pollution across Greater Manchester during the initial lockdown period between March and June, the public reputation of any business using excessive carbon emissions is expected to significantly decline over the next 12 months.

Alongside this, public perception is also having a knock-on effect on the way businesses look at social and environmental issues in their supply chains. Driven by both concerns of consumer repercussions and government incentives, many buyers are now specifying a minimum criteria on social impact and environmental factors when it comes to the businesses they work with to source products.

At a larger corporate level, we are seeing a number of businesses prioritise the creation of a ‘circular economy’ when it comes to their supply chains.

With strong proponents of this system including Unilever and IKEA, a lack of sustainability could also have damaging effects on SME suppliers to larger companies. As a result, we expect to see a greater number of businesses respond to this growing demand by innovating their business models to become more sustainable in the coming months and years.

OPERATIONAL EFFICIENCY

In today's business environment, reducing operational waste has become pivotal to both survival and growth. Scrutiny must therefore be placed on every aspect of the production and service process, from initial customer engagement to end stage delivery.

For manufacturers, this means having a strong understanding of each of the following areas, ensuring each is as efficient as possible:

- The factory/production floor
- The back-office function
- The supply chain

In order to improve efficiencies, businesses are becoming increasingly innovative – something that will continue to be hugely valuable as they look to recover and thrive post-COVID.

Technology as the enabler of efficiency

At the turn of the new decade, the focus for companies looking to improve operational efficiency was on the digitalisation of processes. The ultimate goal for many is Industry 4.0: an automated system that manages the end-to-end customer interface, freeing up time for staff to perform more complex tasks.

While we expect this to remain a priority for businesses, the financial impact of the pandemic has caused some companies to place plans on the back burner. However, it is important to understand that digital innovation does not necessarily need to represent a huge project and significant cost. By considering the multitude of options available, companies can more accurately assess which one or combination of technologies can be used in a cost-effective way, adding value to both the customer base and the business as a whole.

Instead of viewing the pandemic as a disruptive force, forward-looking businesses have found a way to innovate to maximise their opportunities. We have already seen manufacturers introduce wearable technology to support social distancing, with wristbands designed to buzz when individuals come less than two meters from one another on the factory floor. This is something we expect to see continue as businesses embrace innovation to gain a competitive advantage and maximise efficiencies.

The online race

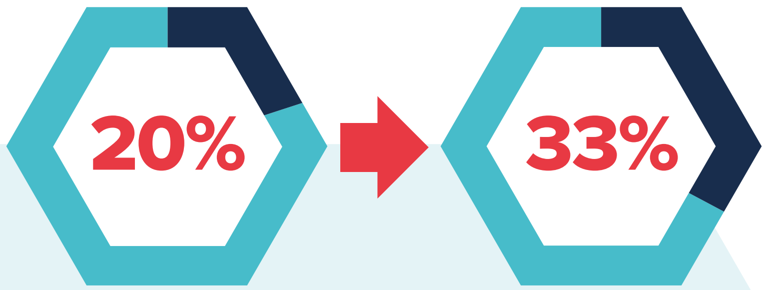
The appetite for online sales has never been more apparent than since the start of the pandemic.

The latest ONS figures, released in September, reveal that online sales comprised 20% of total retail revenues in January 2020 – a figure that jumped to 33% in May. For context, the previous decade had only seen a 13% rise in internet purchases as a percentage of total retail sales, with just 7% online in January 2010.

While the spike caused by the pandemic presented an immediate opportunity for pre-existing ecommerce businesses, this rapid change in consumer behaviour forced some businesses to properly invest in existing or new ecommerce offerings. According to figures from Deloitte, 45% of businesses saw more than 10% growth in their online sales in March 2020 compared to their initial expectations pre-COVID.

To take full advantage of this online growth, companies with a lack of experience in this area have had to challenge core business practices and ideas. Given the saturation of the marketplace, identifying a core target audience and marketing directly has never been more important. Similarly, having recognised that their online market has shrunk compared to traditional retail, some companies have looked to adapt their product range to appeal to a larger audience.

With areas of the country expected to experience differing restrictions over the course of the next 12 months, adaptability is going to be crucial to remain competitive, as well as an optimised online platform to generate additional revenue.



JANUARY 2020

MAY 2020

ONLINE SALES COMPRISED 20% OF TOTAL RETAIL REVENUES IN JANUARY 2020 – A FIGURE THAT JUMPED TO 33% IN MAY

(ONS)

CASE STUDY

ALI & FAJAR

Prior to the pandemic, Ali & Fajar was a logistics delivery business. However, as the pandemic hit, the management team saw an opportunity to quickly shift business models to focus on manufacturing face masks to be sold direct to the public.

Mohammed Ali
Founder of Ali and Fajar

The GC Business Growth Hub team helped the founder make the transition into the new business model, as well as providing advice on establishing production, manufacturing processes and digital innovation to improve the firm's website.

Mohammed Ali, founder of Ali and Fajar, said: "As has been the case for many businesses across the UK, COVID-19 has forced a significant rethink when it comes to operations, products and target audiences. In order for us to adapt our offering, GC BGH has been pivotal in advising us on best practice and introducing us to both influencers and business development opportunities."

Sarah Novotny
Design Creative and Tech Lead at GC Business Growth Hub

"Technology has become the new normal when it comes to improving efficiencies, and we are set to see an ongoing development race as companies look to future proof. In particular, businesses will continue to improve technology to create a customer-centric and localised experience, despite shopping online."

Sparking productivity

As part of this adaptability, most companies have also needed to be increasingly flexible with the human resource they have at their disposal. The restrictions of COVID-19, from social distancing to the loss of contracts and sales, has meant that companies have had to do more with less.

While initially daunting, the March lockdown period highlighted to many companies just how productive staff can be when working remotely.

According to a Deloitte survey, 55% of workers believe that their colleagues are just as, if not more productive than they were before lockdown.

Despite this, companies have been forced to make decisions on the delicate balance between the demand from customers with staffing requirements.

Figures from the government reveal that more than 1.2m UK businesses have made use of the government's furlough scheme, designed to support workers.

For some companies, that has meant that remaining staff members have been required to fulfil multiple job roles or take on greater responsibility. Others have elected to invest in technology, enabling greater automation of tasks and removing the need for permanent staff.

While businesses continue to stabilise in the 'new normal' environment, the balance between customer demand and resourcing will remain difficult to predict. To maximise efficiency, we expect to see a greater number of companies invest in automation for simple tasks wherever possible, enabling them to face into the uncertainty by limiting the necessary human resource.

55%

55% OF UK WORKERS BELIEVE THEIR COLLEAGUES ARE JUST AS, IF NOT MORE PRODUCTIVE THAN BEFORE COVID-19

(DELOITTE)

£1.2m

1.2M UK EMPLOYERS HAVE MADE USE OF THE GOVERNMENT'S FURLOUGH SCHEME

(UK GOVERNMENT)

Controlling the supply chain

In addition to removing waste from an entrepreneur's own business, perhaps the largest operational efficiency gains can be made in the supply chain. In the current environment, ensuring consistency and reliability across the supply chain is vital, providing confidence that products and operations will continue to function as normal.

Prior to the pandemic, many companies will have been making use of long international supply chains, often enabling them to cut costs by manufacturing products in cheaper locations. However, with different restrictions on freedoms and movement around the world, it is now almost impossible to accurately predict the impact of the pandemic on international product delivery. Similarly, there is no way of knowing when a further wave of the virus may hit, or how the new EU trade deal may affect production, throwing international supply chains into chaos once again. As a result, we expect to see a greater number of businesses reassess their supply chains, looking to onshore or nearshore to gain more control. Similarly, we're likely to see businesses sourcing products more locally, which may have a positive impact on the Greater Manchester economy and SMEs across the region.

When onshoring production, businesses should be mindful of the hugely positive impact of the region's commitment to carbon reduction. In many cases, international supply chains do not represent the most sustainable methods of production and delivery, and in order to move production back to the UK, businesses may need to accept an increase in cost as a trade-off for greater reliability and sustainability.

Dr Tony Bannan OBE
CEO at Precision Technologies Group and director of the proposed Advanced Machinery & Productivity Institute

A VIEW FROM THE MARKET

"To drive value back into the UK economy after the pandemic, we need to make better use of the expertise we have in the UK, especially when it comes to the supply of key products.

To take advantage of this, Greater Manchester must strive to improve collaboration with the broader North. With pockets of technology-based excellence across Manchester, Liverpool and Leeds, there is a real opportunity for the region to become UK leaders in industrial technology."

TALENT STREAMS

There have been few areas more affected by the COVID-19 crisis than the jobs market. According to September figures from the Office for National Statistics, almost 700,000 jobs were lost across the UK in the previous six months, something that has hit major cities like Manchester more than most.

Unfortunately, when we surveyed 3,500 of our business contacts across Greater Manchester in June 2020, we found that more than a quarter of the region's businesses had either already made redundancies, or were considering it.

Limiting the losses

Thanks to continual restrictions, Greater Manchester's thriving retail and hospitality scene became paralysed overnight, while social restrictions severely limited production across the manufacturing and engineering spaces. And while the introduction of the government's furlough scheme and Job Retention Scheme have been a lifeline for many SMEs and their staff, these are only short-term safety blankets.

In these times of uncertainty, business owners should avoid starting redundancy procedures as a knee jerk reaction, and instead consider options to restructure. We are already seeing companies benefit from moving into new markets to accommodate existing jobs, or partnering with complementary organisations to broaden products and services.

Where redundancy is unavoidable, good employers are already working alongside agencies and public sector organisations to ensure those losing their jobs find work elsewhere. Initiatives like Employ GM and the Talent Hub have been created to directly support with this, matching individuals and their experience with vacancies or helping them to retrain and change careers.

These organisations and measures will be crucial to help minimise job losses and support the economy in 2021 and beyond.

Mind the skills gap

44.2%

OF GM BUSINESSES IDENTIFIED LEADERSHIP AND SALES AND MARKETING AS MAJOR SKILLS GAPS (AUGUST 2020)

(GC SKILLS INTELLIGENCE SURVEY 2020)

For those that remain in employment, upskilling is set to play a central role in the development of Greater Manchester's workforce. Given the downsizing and restructuring undertaken by many companies across the region this year, some individuals may have found themselves with additional responsibilities, dual roles or in another area of the business entirely.

When it comes to skills gaps, leadership and sales and marketing have been identified as the two areas most in need of improvement, in our Skills Intelligence Survey in August 2020, with around a quarter of businesses (22.1%) identifying these elements as the most significant gap affecting their operations.

Given the increased reliance on digital platforms and ecommerce, it is perhaps unsurprising that sales and marketing represented one of the largest challenges.

Adapting to an increasingly digital world and improving digital skills will continue to be a key focus for companies across the board in the next 12 months. We should expect to see a boom in digital start-ups, while other businesses look to refine internal operations and diversify their routes to market through online platforms and digital marketing.

In the midst of this challenging environment, leadership has played a pivotal role in the stability of most Greater Manchester businesses this year, with difficult decisions needing to be made on an almost daily basis. However, instilling leadership at all levels is now more important than ever. This offers the key to unlocking growth for many businesses, as they deal with the challenges of managing teams remotely, maintaining productivity and motivating their workforce long-term after such a surreal year.

Dawn Duggan
People, Skills and Talent Lead at GC Business Growth Hub

"At the start of 2020, it was the EU transition that was expected to result in a significant loss of staff and skills, but the COVID-19 pandemic has accelerated this in almost every area, forcing businesses to re-evaluate their staffing needs. As businesses look to retain as many jobs as possible, we expect to see greater partnerships between companies looking to reduce overheads with those that are expanding operations, with staff being moved over wherever possible."

CASE STUDY

CRAVEN SCAFFOLDING

Independent family-owned construction company Craven Scaffolding was enrolled on GC Business Growth Hub's Executive Development Programme (EDP) in 2020, with the objective of implementing a growth strategy through a change in business culture.

The programme of support aimed to improve leadership, training and development and communications at the business, as it looked to expand turnover from its current £1.5m level.

Jamie Charles, managing director at Craven Scaffolding, said: "The EDP was really helpful in identifying our priorities for the future, resulting in a thorough review of our business practices. As a result, we have now managed to restructure our management and leadership responsibilities, improving both communications and delegation. As a result of this restructure, we have managed to win a couple of substantial contracts, which has enabled us to create an additional six full time roles."

Jamie Charles
Managing Director
at Craven Scaffolding

Mental health becomes front of mind

69% OF UK ADULTS ARE CONCERNED ABOUT THE IMPACT OF COVID ON THEIR MENTAL HEALTH (ACCORDING TO UNIVERSITY COLLEGE LONDON)

Given the additional stress of new roles and responsibilities, alongside the removal of normal social interaction, it is unsurprising to see the impact that the pandemic has had on mental health in the UK.

While the topic has become far more public on a national and international scale in recent years, this has yet to fully translate into action in a professional context. This needs to change dramatically in 2021 to ensure that employees remain engaged, understand their roles and are able to perform them to the best of their ability. Leadership development will also be crucial to ensure that management are empathetic with their staff and understand the external issues that may affect their work.

From a grassroots level, we expect to see a continued focus on regular communication between colleagues. Businesses that are able to retain company culture through regular communication, both professionally and socially, will be the ones who gain most during this period and will emerge from the crisis stronger as a result.

GM Good Employment Charter

To improve the experience of all employees across the Greater Manchester area, GMCA launched the Greater Manchester Good Employment Charter in 2019. A voluntary membership and assessment scheme, the Charter focuses on improving seven key characteristics of every employer:

- Secure work
- Flexible work
- Real living wage
- Engagement and voice
- Recruitment
- People and management
- Health and wellbeing

The evolving jobs market

With controlling costs still the priority for many, we expect companies in Greater Manchester will look to innovate to reduce staff expenditure. In the short to medium-term, this may mean a significant shift in the types of roles offered by businesses. Temporary contracts in particular are set to become increasingly popular at the SME level, enabling businesses to meet demands during busy periods, while providing the freedom to reduce headcount once projects are complete.

For some individuals, these temporary contracts are likely to result in them taking on multiple jobs in order to sustain themselves financially. To be eligible for a greater number of temporary roles, we expect to see an increasing number of people look to retrain, enabling them to take jobs both within their original area of expertise and outside of it.

In addition to temporary contracts, many businesses are likely to continue reducing hours among existing staff. In addition to conserving revenue, this will also enable businesses to protect their workforce and avoid making redundancies in the medium term. The government's Job Retention Scheme has accelerated this trend and we can expect this to be the case at least until April 2021 when the scheme is due to end.

The changing jobs market has caused people to reassess what they want and, rather than search for employment, an increasing number of people have found their entrepreneurial drive. This is something we expect to continue, with many looking to take advantage of the so-called 'COVID economy' through the creation of internet retail businesses and healthcare services, both of which have seen more than a 300% rise on 2019 (ONS).

Early Stage Programmes

In order to maximise economic growth, it is crucial that we continue to support start-up organisations and our self-employed workers with dedicated programmes and 1-2-1 support. Greater Manchester is blessed with an enormous support network and new entrepreneurs should take advantage of the support on offer from organisations like ours.

Gaining insights into the basics of running a business, working alongside peer groups, transitioning into the scale-up phase and accessing university expertise to drive product and service innovation can be invaluable to the long-term success of embryonic businesses.

Alongside professional support, these programmes also provide advice on more personal skills. Improving mental health and wellbeing has become increasingly important, alongside skill development and retraining to protect start up organisations and self-employed professionals from any adverse economic effects.

Hilary Centeleghe
Growth and Startup Lead at GC Business Growth Hub

"While many of our conversations with early stage businesses during 2020 have been about resilience management, the focus for the next 12 months will be on ensuring that new companies can future proof and thrive. In particular, we are seeing huge demand from entrepreneurs for advice on creating an online offering – in many cases before they have a physical presence.

"We are also expecting the boom in new startups to continue in 2021. In addition to traditional ventures, we have seen a marked rise in the number of individuals starting small businesses from 'passion projects' from their kitchens, even in areas that have struggled during the pandemic like the food and beverage space."

Maximising employment

Those expected to be worst hit by changes in the jobs market are at either end of the age spectrum. With supply of talent expected to far outstrip demand in the short term, businesses will be able to attract skilled and experienced workers at a comparatively small cost to the same time last year. As a result, new graduates or young professionals may lose out on jobs, with companies employing individuals that can make an immediate impact. This trend is evident when you look at redundancies post-COVID.

In order to maximise employment and drive business growth, we need to ensure that individuals can access a comprehensive system of real-world training and retraining, enabling them to expand their options and find roles that they can fully embrace.

Likewise, improving diversity at board level must continue to be a priority. With the February 2021 Green Park report revealing that there were no black chairs, CEOs or CFOs in the FTSE 100 – the first time in the report's six year history – the focus must be on ensuring businesses at all levels become more inclusive and representative of the population, enabling them to maximise growth.

£130bn

9/10

NINE IN 10 WORKERS WILL NEED TO LEARN NEW SKILLS OR BE ENTIRELY RETAINED IN THE NEXT DECADE – AT A COST OF £130BN, ACCORDING TO THE CBI

47,000

ACCORDING TO THE OFFICE FOR NATIONAL STATISTICS, THE ESTIMATED NUMBER OF PEOPLE UNEMPLOYED AGED BETWEEN 16 AND 24 HAS RISEN BY 47,000 ON THE SAME TIME IN 2019

A VIEW FROM THE MARKET

The Decent Work and Productivity Research Centre is part of Manchester Metropolitan University's Business School. The Centre engages with organisations and policy-makers, to shape the nature of decent work and productivity.

Dr Katy Jones
Manchester Metropolitan University

“

Experiencing unemployment while young has significant long term scarring effects. It is crucial that young people are able to access quality training and work opportunities. New initiatives, such as the government's Kickstarter scheme and support for apprenticeships are welcome but employers, particularly small employers, need clear guidance and support to engage.

Policymakers and businesses must act to ensure skills inequalities are narrowed and not exacerbated by this crisis. Going forward, a joined up approach from the DWP, BEIS and DfE should ensure that the UK's welfare and skills systems do not continue to operate in isolation. This should be central to the government's strategy to re-build our economy and support those who are unemployed or on a low income through the COVID-19 crisis and recovery.

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FUNDING AND FINANCE

It is easy to forget that before 2020 the North West's funding markets were extremely buoyant. The Centre for Management Buyout Research (CMBOR) found that North West mid-market private equity investments were rising, from 14 in 2018 to 17 in 2019 with strong appetite from investors suggesting this trend was set to continue.

This picture was mirrored across the UK, with Beauhurst data revealing that in Q1 2020, nearly 500 equity transactions were completed at a value in excess of £3bn, the second highest Q1 figures in a decade.

On the debt front, the region took the lead. Since the founding of the British Business Bank's Start Up Loans scheme in 2012, a total of 8,366 loans worth more than £65m were provided to new businesses in the North West by the end of 2019 – second only to London. And in Greater Manchester, we delivered 278 Start Up Loans to businesses in the region in 2019 alone, designed to drive future growth.

While COVID-19 has certainly changed plans for some in the short term, there are a number of market trends that encourage optimism around future growth prospects in the region.

Markets react to crisis management

For the majority of businesses in Greater Manchester, crisis management was the focus during Q2 of 2020. Cashflow was king. In addition to ensuring that revenue continued to come in, management teams worked tirelessly to understand how to maximise efficiencies, cutting unnecessary costs wherever possible.

In the first instance, emphasis was placed on developing cashflow forecasts and management information. For many SMEs, this data also enabled them to make the case to their existing funders for another injection of capital, or at the very least, prevent their current arrangement from being pulled from underneath them.

Government intervention in this space has been a lifeline, but the instruments put in place have presented their own set of problems. For the Coronavirus Business Interruption Loan Scheme (CBILS), the checks and balances required by banks often meant that accessing the funding required was more difficult than intended.

Likewise, British Business Bank statistics suggest that just £80m (11%) of the government's £770.8m Future Fund was invested into North West business. However, as Beauhurst suggests, the data points currently available do not accurately identify where the funding has gone, and whether it is flowing to companies that are likely to be facing financial difficulties.

This availability of funding was countered by the Bounce Back Loan Scheme (BBLS), providing easier access to smaller sums. However, this borrowing is set to have a dramatic effect once repayments start in May 2021. Many of the UK's largest banks have warned that 40-50% of BBLS borrowers will default on their payments – meaning that tens of thousands of businesses may struggle to manage repayments.

40-50% OF CBILS/BBLS LOANS EXPECTED TO DEFAULT, ACCORDING TO MAJOR UK BANKS

40-50%

Coping with debt

For many businesses, it is their inexperience around accessing a loan and the terms they are agreeing to that will be a challenge. Others often panic, and in their haste to access necessary funds, they inadvertently cause themselves greater problems.

However, given the current situation, the focus now must be on helping businesses to understand how to manage their cashflow in a way that enables them to repay their debts. Firstly, companies should look to use management information to gain a deep understanding of their business, profitability and cost base, as well as consider current trends in their market.

To maximise opportunities, we expect to see a number of companies alter their business models to generate additional income. Since last March, entrepreneurs will have seen that they cannot stick to the same model they were using to manage their cost base before the pandemic. Instead, they need to be creative and think differently.

Equity markets set to rebound

The equity market has been understandably cautious throughout the majority of 2020, with investors electing to focus their attention on stabilising their existing portfolio rather than making large new investments. That has not stopped activity, however.

Unlike the 2008 financial crisis, access to capital is not the major issue for investors. Equity houses now have considerable dry powder, with Preqin data suggesting investors are sitting on a global war chest of $1.5tr. As a result, we expect to see deal activity begin to rise as businesses demonstrate a steadier footing in the current environment, especially in sectors like healthcare, technology and life sciences, all of which have seen considerable growth opportunities due to the pandemic.

Ensuring that access to this funding occurs at all levels remains key. According to The Future of Growth Capital Report from August 2020, the current gap between the capital businesses need to grow and the funding available to them is between £5bn-10bn and growing annually.

This is set to be especially pronounced at seed stage, with the British Business Bank's 2020 Small Business Equity Tracker revealing a drop in seed investment in 2019, driven by ongoing macroeconomic uncertainty - the first reduction since 2011. With early stage deals often the worst hit, the economic challenges caused by COVID-19 are expected to have had a significant impact on these figures. As a result, start up businesses considering early stage funding should take the time to fully understand the options available to them, and if necessary, seek external advice.

425

EQUITY INVESTMENTS IN Q2 2020 (BEAUHURST) NEARLY THE SAME AS Q3 2019

Funders get creative

Given the current instability, funders are also recognising the need to provide more flexible deal structures to enable businesses to maximise value. As a result, alternative structures are set to feature more prominently both in terms of debt and equity transactions throughout 2021.

With concerns rising that there will be too much debt in the market, we expect to see funders start to experiment with more quasi-equity transactions. With these, businesses will be able to take out an initial loan, with an agreed time frame to repay. At the time this expires, the loan will then be converted into equity, removing the debt from the market and enabling the lender to reclaim value from the future performance of the business.

Similarly, some lenders are already looking to leverage future growth potential through their loans. In some cases, these are provided with an agreement that the lender takes a stake of future sales over a set period. While potentially riskier for funders, a deal of this type provides businesses with the capital they need, without a long-term commitment of repayments.

41,615
BUSINESSES IN GM ACCESSED BBLS LOANS TO AUGUST 2020

£1.3bn
LOANS PROVIDED

1,588
BUSINESSES IN GM ACCESSED CBILS LOANS TO AUGUST 2020
(UK GOVERNMENT)

CASE STUDY

COLLCTIV

In May 2020, GC Angels provided a funding round for Manchester-based payment firm Collctiv, alongside an angel investor, worth £200,000. Founded in September 2019, the business has developed a platform to allow friends and family to collect money together seamlessly and make bookings and purchases as a group.

In order to best structure the deal during the pandemic, GC Angels provided its share as a direct equity investment, while enabling the angel investor to provide the remaining funding as a convertible loan note.

Amy Whitell, CEO and co-founder of Collctiv, said: "As we move closer towards a cashless society, we believe that exchanging money between friends and family should be a completely seamless process, which is why the average Collctiv transaction takes only 10 seconds.

"During the pandemic, accessing funding has certainly been a challenge, but GC Angels supported us at the perfect time. By understanding the requirements and challenges faced by the business, GC Angels was able to ideally structure the funding round, enabling us to build on our platform and manage the growing number of consumer users and commercial customers."

Amy Whitell
CEO and co-founder of Collctiv

Understanding the options

Despite the most significant economic shakeup this century, the businesses best able to navigate the challenges are those that get the basics right. The advice given to businesses when it comes to accessing finance remains largely the same.

Entrepreneurs are encouraged to build strong and lasting relationships with their funders, enabling them to lean on them in times of crisis. By being open and honest with existing providers, funders will be able to offer a more personal and tailored approach, and are more likely to be flexible.

Those taking their first steps towards accessing finance should take great care to understand the full range of options available to them. In addition to equity financing, the commercial funding market is more complicated than it has ever been, with countless options for businesses to choose from. The traditional high street bank approach has been supplemented by challenger banks, alternative finance solutions like asset-based lending and invoice finance, as well as the recent rise in fintech offerings, crowdfunding and peer-to-peer.

It is very rare for a single lender to be a one-stop-shop for finance, so businesses would likely benefit from finding a blended approach to funding, particularly in the current climate. By understanding where their company sits in its marketplace, businesses can identify which combination of products will maximise their growth potential.

That said, it is worth remembering that committing to the wrong product can be an expensive mistake for any business, and one that is not quickly solved. We are therefore likely to see more businesses seek advice from trusted finance advisors before making any decisions. This will help to mitigate the risks while creating opportunities for growth.

£5bn–10bn funding gap for growth capital in the UK

(Deloitte, Scale Up Institute, Innovate Finance)

A VIEW FROM THE MARKET

Sue Barnard

North West Senior Manager at British Business Bank

Founded in 2014, the British Business Bank was established to provide greater access to forms of finance for SMEs at all stages of their development. To support UK companies through the COVID-19 pandemic, the Bank launched both the CBILS and CLBILS schemes, as well as the Bounce Back Loans Scheme and the Future Fund.

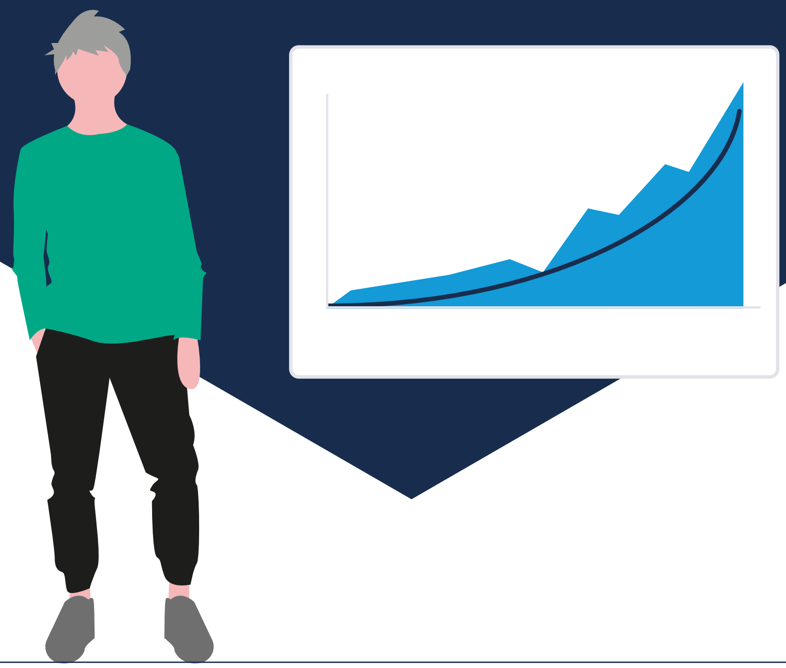
To specifically promote growth in the North of England, the Bank launched the £400m Northern Powerhouse Investment Fund (NPIF) in 2017, and also runs the successful Start Up Loans programme.

Sue Barnard, North West Senior Manager at British Business Bank, said:

“No one type of funding will suit every SME, across all sectors and growth stages. One of our primary objectives is to help businesses better understand the funding options available to them and provide access to the necessary finance to support growth.

The pandemic has understandably had a severe impact on the health of many of the region’s SMEs and ensuring that funding remains flexible has been a major priority. As a result, during the COVID-19 pandemic, NPIF’s Microfinance and Debt funds have also been providing funding backed by CBILS.

We continue to work closely with our delivery partners to understand the needs of the region’s SMEs and remain committed to supporting the recovery and growth of the North West’s business community.”



NEW MARKETS

Since 2013, Greater Manchester has been executing a clear strategy when it comes to supporting the internationalisation of the city and its businesses, with the objective of becoming a top 20 global city by 2035. From creating an international gateway through Manchester Airport, to showcasing its attributes to overseas investors, visitors, businesses and students, the city region has consistently set ambitious targets.

Following the COVID-19 outbreak, the city has sought to refresh its approach, outlining the steps to recovery. This refreshed strategy focuses on building the central blocks of internationalisation, adding economic value to the region, driving growth and creating jobs. This includes strengthening key relationships with Europe, China, India and the United States, as well as looking to seek out new partnerships with opportunity markets across the globe.

Taking advantage of growth opportunities

It has been encouraging to see that despite the inevitable disruption caused by COVID-19, the appetite from businesses for international growth has not wavered. After an initial survival period, companies have recognised the opportunity that global expansion poses, enabling them to diversify their income and minimise risk.

A number of sectors have benefitted enormously from the situation. With businesses more reliant on technology for operations than ever before, the growth journeys of many of the region's digital, creative and technology firms have skyrocketed, along with the region's stronghold sectors of life sciences and healthcare.

As well as realising global aspirations, opportunities also exist for companies to expand their horizons here in the UK. For many of the region's SME and scale-up businesses, this period has offered them the time to re-evaluate their business models, and consider the best way for them to engage with their customers. Given their size, many have been able to be nimble and adapt their approach accordingly, enabling them to diversify their offering and generate additional revenue streams with new products and services.

Following the initial growth that some have experienced, we expect to see more businesses look inwardly at their operations. Many early stage SMEs will not have fully operational boards, or basic business functions like HR management, which may cause problems as the business continues to develop. Strengthening and expanding operational infrastructure and management teams should help these businesses adapt to current and future growth levels.

The challenge for these companies over the next 12 months will be to continue to maximise growth while putting the foundations in place to ensure it remains sustainable.

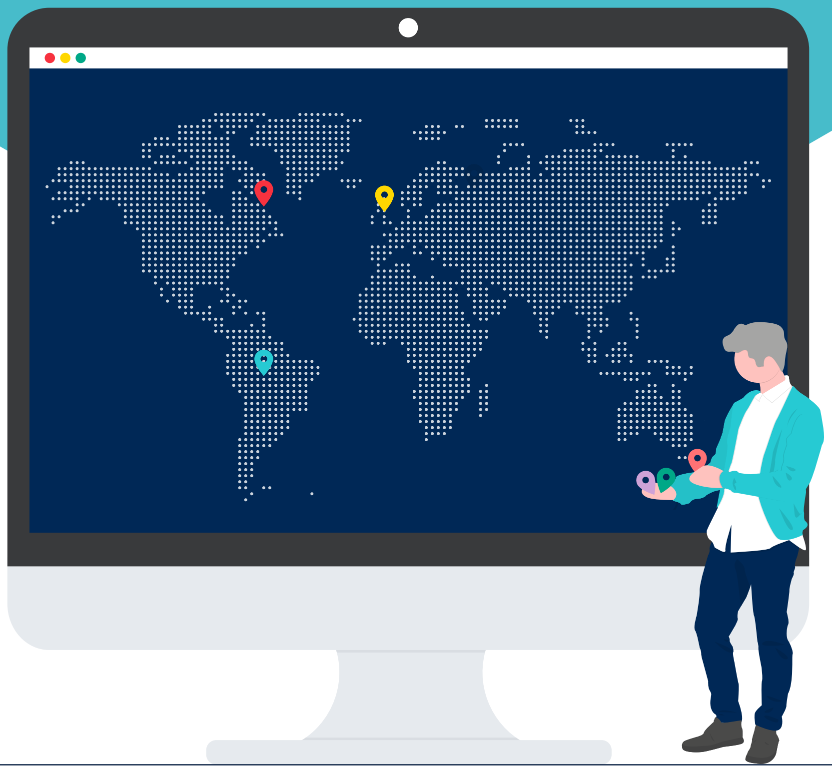
A VIEW FROM THE MARKET

Warren Middleton
Manchester Senior Partner, KPMG

KPMG's Emerging Giants team works with us on our Global Scale Up Programme – a partnership designed to support Greater Manchester's SME community as businesses look to expand into international markets.

Given the digitisation of business in the last six months, young companies are finding it easier and quicker to go global than they have done previously. Other territories see the UK as best in class, so a UK brand carries significant weight overseas, driving appetite and demand that SMEs would not have had access to before.

With businesses also looking to diversify their products and services, we are seeing greater collaboration between non-competing organisations. Where a single business may have been unable to break into international markets previously, a partnership of several complementary organisations presents overseas buyers with significant value.



Unlocking barriers to entry

According to the 2017 Greater Manchester Business Survey, access to new markets was identified as a key barrier to maximising international growth, with SMEs facing rising costs on entry into new territories. However, the COVID-19 pandemic has accelerated global accessibility by up to 10 years, providing entrepreneurs with an unprecedented opportunity to expand their horizons.

With the explosion of communication platforms like Zoom and Microsoft Teams, SMEs are now able to conduct international business meetings without needing to invest significant time and money into travelling overseas. Similarly, the majority of major global events and trade missions have now been moved online, providing greater opportunities for companies of all sizes.

We expect to see businesses continue to lean into this trend to unlock the world further. As the technology continues to develop, companies will likely be able to interact with multiple international targets simultaneously, enabling them to expand far more efficiently on a global scale.

£7.4bn
2016

TOTAL VALUE OF GM GOODS EXPORTS
(DEPARTMENT FOR INTERNATIONAL TRADE)

£8.2bn
2017

TOTAL VALUE OF GM SERVICES EXPORTS (THE HIGHEST REGION OUTSIDE LONDON)
(DEPARTMENT FOR INTERNATIONAL TRADE)

New emerging opportunities

As businesses continue to look for ways to reduce risk, we are seeing increased appetite for non-traditional international markets. According to the Department for International Trade, there has been a marked rise in the volume of exports from the UK to both Sweden and Japan over the past 12 months, as well as interest in new markets including Libya, Senegal, Cambodia and New Zealand.

This is something we have seen first-hand. Data from the 2019 and 2020 cohorts of our Global Scale Up Programme, which supports Greater Manchester SMEs in their expansion into new international markets, showed that the number of territories targeted by companies this year has risen by 65%, with increased interest in doing business with Hong Kong, Mexico and South Korea (as outlined opposite). There is also a desire among businesses to strengthen existing relationships, with more than 60% of companies now identifying the US as a key target, as well as Australia and Africa.

With the world now more open to SME expansion than ever before, and the striking of the new EU trade deal, we expect to continue to see businesses test the waters in a greater number of previously untapped markets, especially in Oceania, Asia and the Middle East.

A VIEW FROM THE MARKET

Audrey Peers
Business Development Manager at MIDAS

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Just as we have seen interest from Greater Manchester’s businesses in expanding into new markets during the COVID-19 pandemic, so too have we seen inward investment trends shift. Alongside traditional source markets like the USA and Europe, we have seen a rise in interest from businesses in Australia, Turkey and Israel, who see the potential that the region has to offer.

Inward investment presents significant benefits to the local economy, as while international companies can come to Manchester and drive value; companies investing in Greater Manchester often support the city region’s strategies and initiatives, providing expertise to help achieve the aims and ambitions of the Local Industrial Strategy, our Digital Strategy, and the ambitious target to become carbon neutral by 2038.

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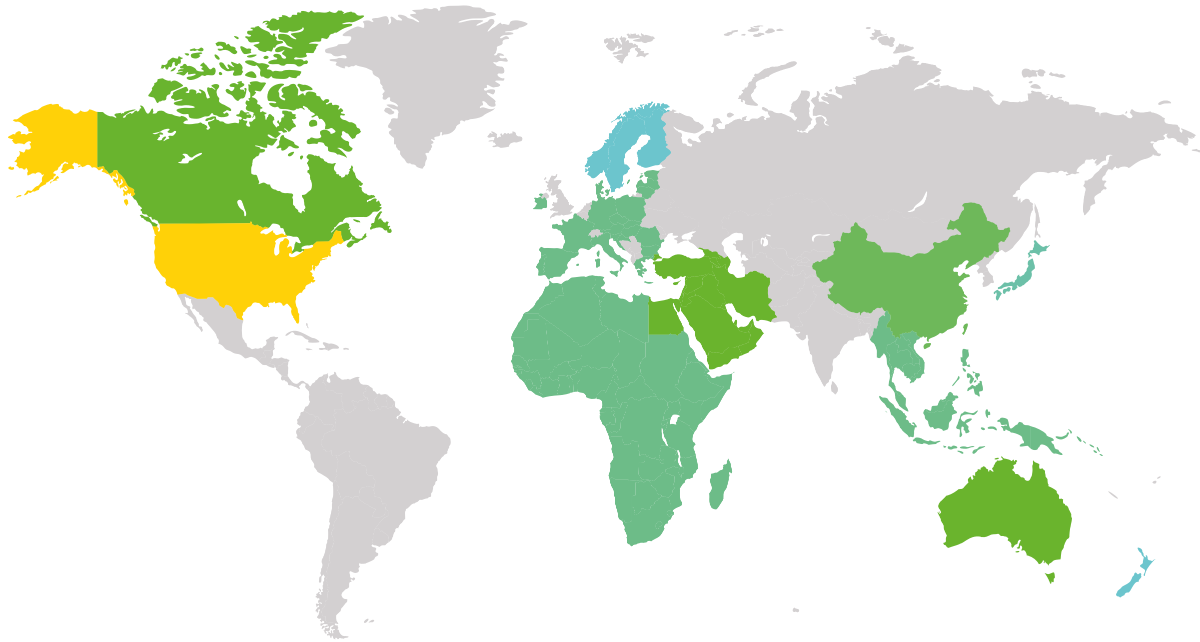
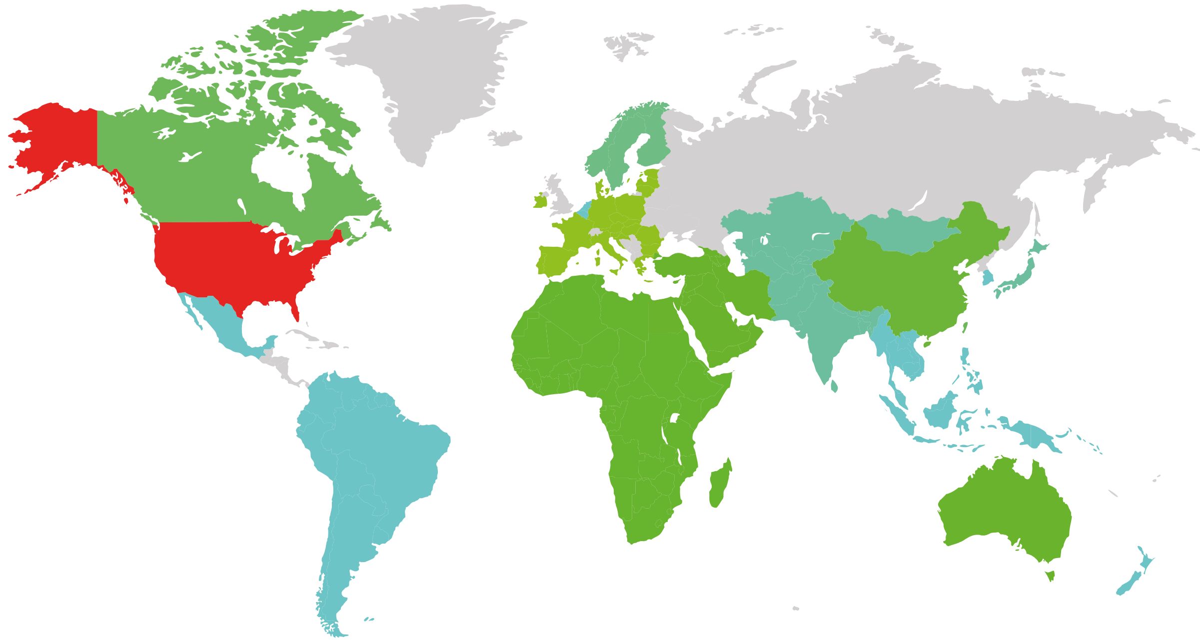
% of companies interested in market 2019



% of companies interested in market 2020



Using expansion as a stepping stone

For many businesses, entering into new international markets does not just provide them with access to one area – the objective is to drive into the wider continent. For example, companies targeting Australia will often look for routes into New Zealand and Malaysia, while firms exploring options in Dubai will also be planning moves into Abu Dhabi, Saudi Arabia and other Middle Eastern areas.

With global expansion more accessible to SMEs than ever before, selecting the right international market is pivotal. It is therefore important for companies that are exploring their options to conduct a full roadmap exercise, to ensure they properly understand the audiences they want to target and the best routes to market.

As a first step, we expect to see the majority of businesses look to target markets with the lowest barrier to entry, ensuring they have the best chance of success and enabling them to gain confidence in building their companies overseas.

Anna Carson-Parker
Global Scale-up Programme Manager at GC Business Growth Hub

"We are currently experiencing extraordinary change and challenges, and it is the ability to be more agile, more responsive and capitalise on new market opportunities, that will shape the future success of your international business."

Unlock growth with the new EU trade deal

While COVID remains a key focus, it would be naïve to forget about the impact that adapting to the new EU trade deal will have during 2021.

Given the significance, it is critical that businesses fully understand how the new trade deal affects them in the short and long-term. Even as late as December, a GS1 study revealed that almost half (45%) of SMEs were still unprepared for Brexit, despite nearly five years having passed since the referendum.

It is important to note that despite the agreement, there will still be a significant transition period. As a result, businesses should seek expert advice on what elements of the 2,000 page document are likely to affect them.

However, having an in-depth understanding of these changes will allow businesses to take advantage of opportunities presented by the new EU trade deal. The ability to be flexible and agile will prove crucial in 2021, and in order to accomplish this, we expect to see businesses continue to accelerate their digital transformation and innovation plans. This will also help them to offset skills shortages and adapt their business model quickly to respond to legislation.

59% OF GOODS FROM GREATER MANCHESTER GO TO EU COUNTRIES – HIGHER THAN THE 42% AVERAGE FOR ENGLAND AS A WHOLE. FIGURES FROM GREATER MANCHESTER COMBINED AUTHORITY

Get in touch to find out more about how GC Business Growth Hub can help you maximise your growth potential.

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