



**TECH IMPACT**

# **Tech Community COVID-19 Impact Survey**

## **New Brunswick**

**Key Insights**

**June 4, 2020**

# Survey Sample

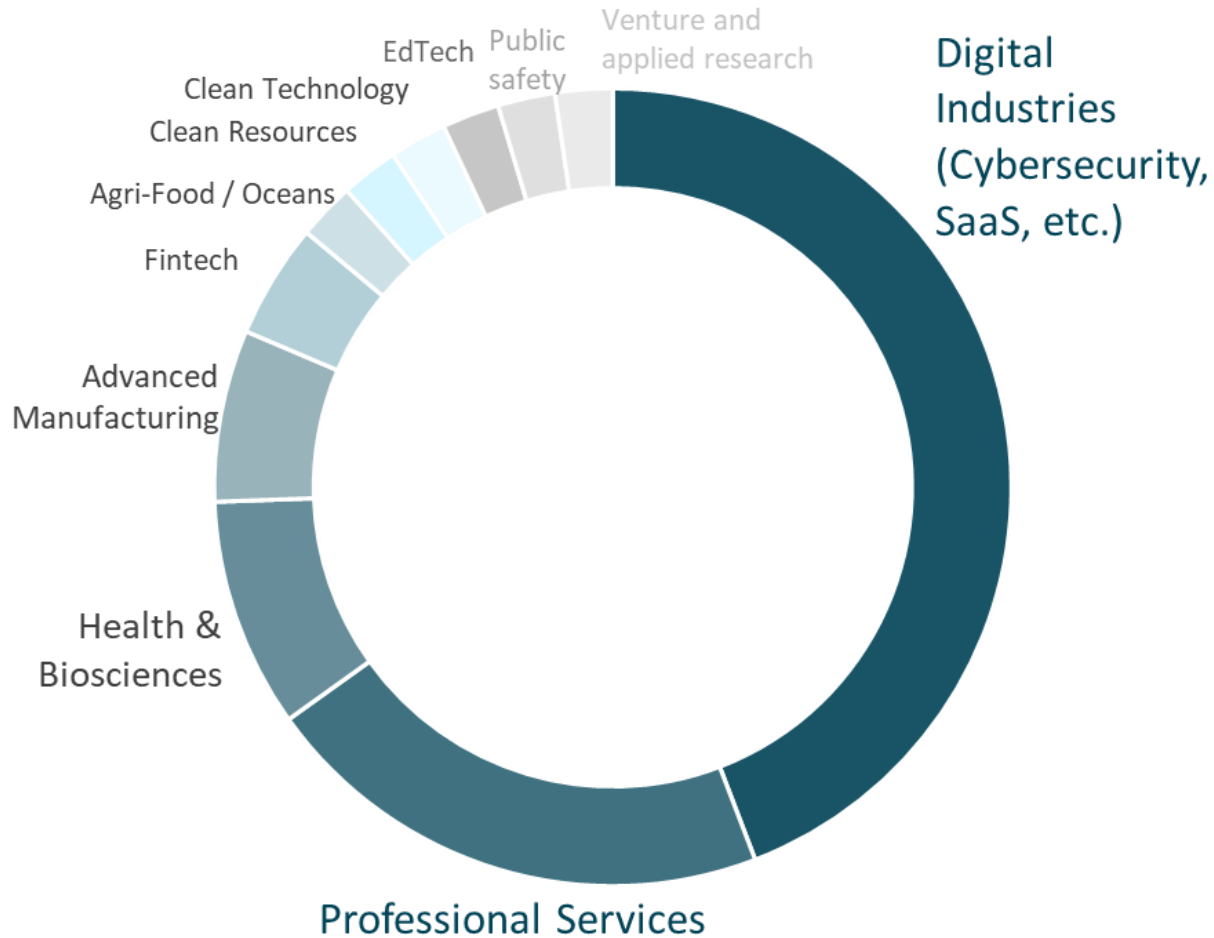
Immediate Impact

Business Outlook

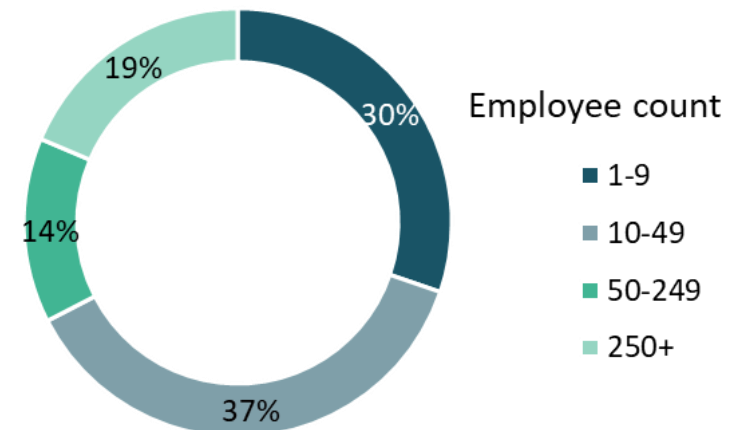
Policy Support



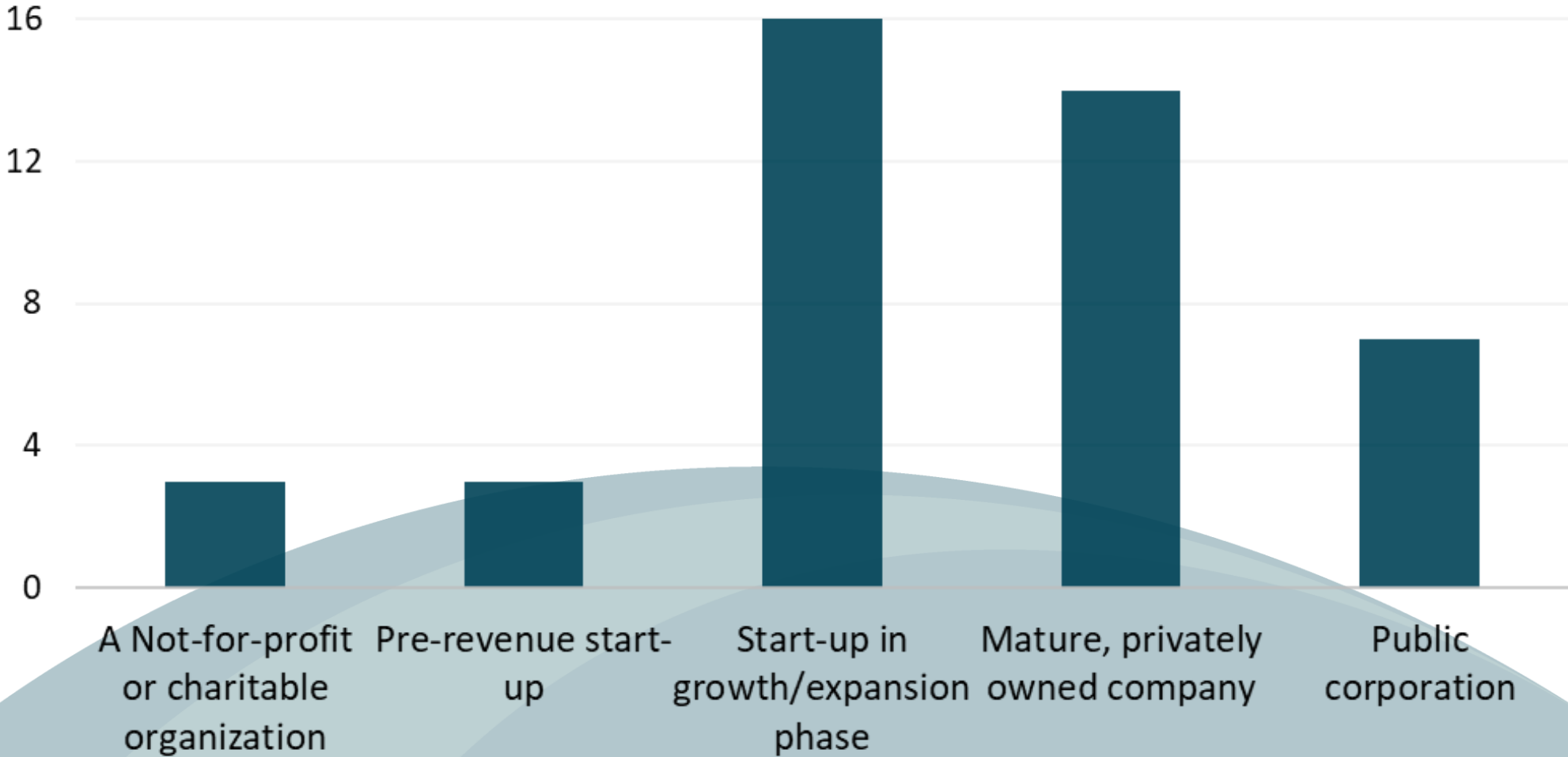
# Survey participants



- 43 NB businesses participated
- Spread across a wide variety of industries in the Tech sector
- All but one participant had a physical presence in NB
- A good mix of companies of different sizes (employee count), and maturities



# Business Representation: Size/Status



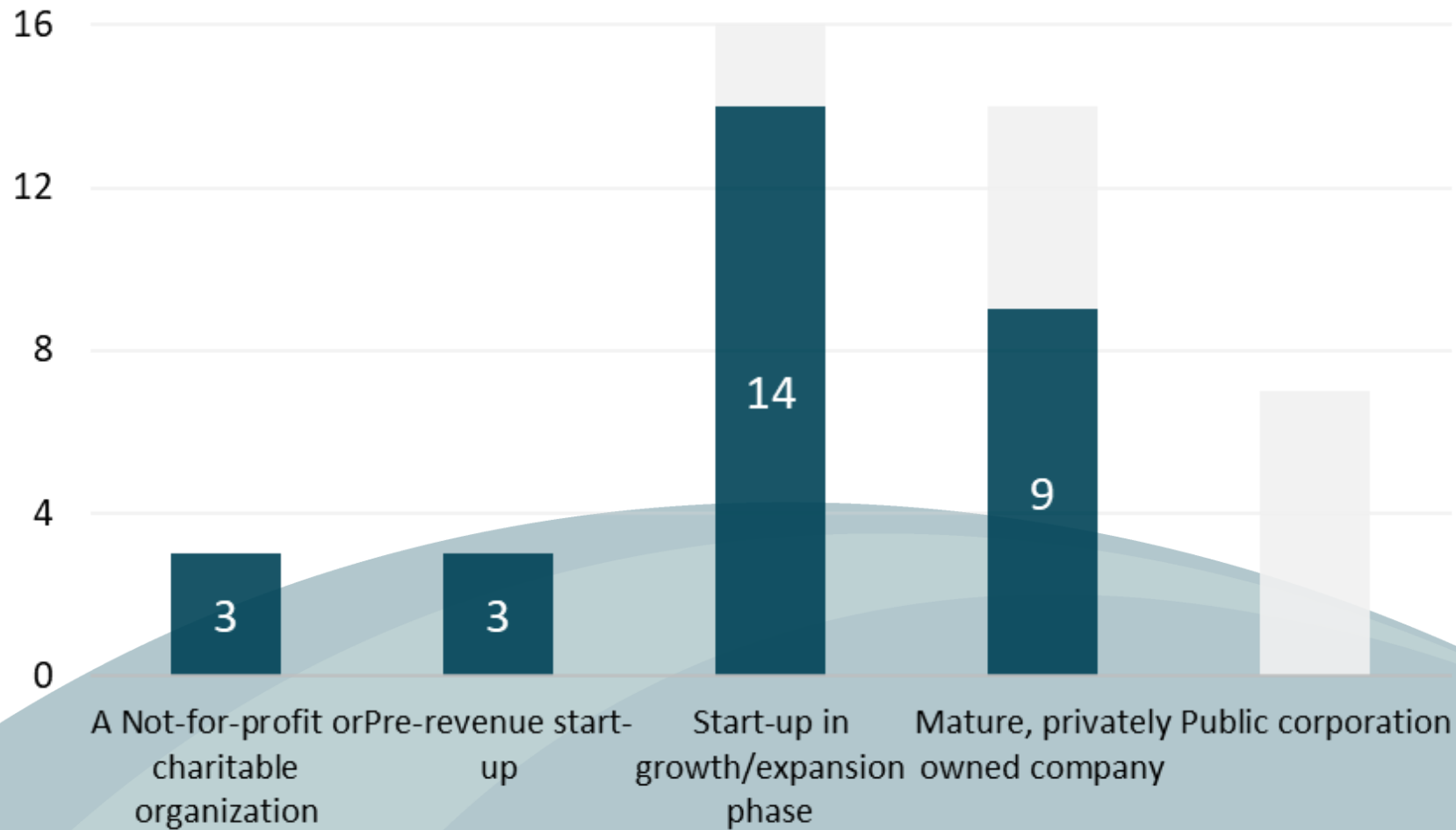
# Subsamples: Analysis

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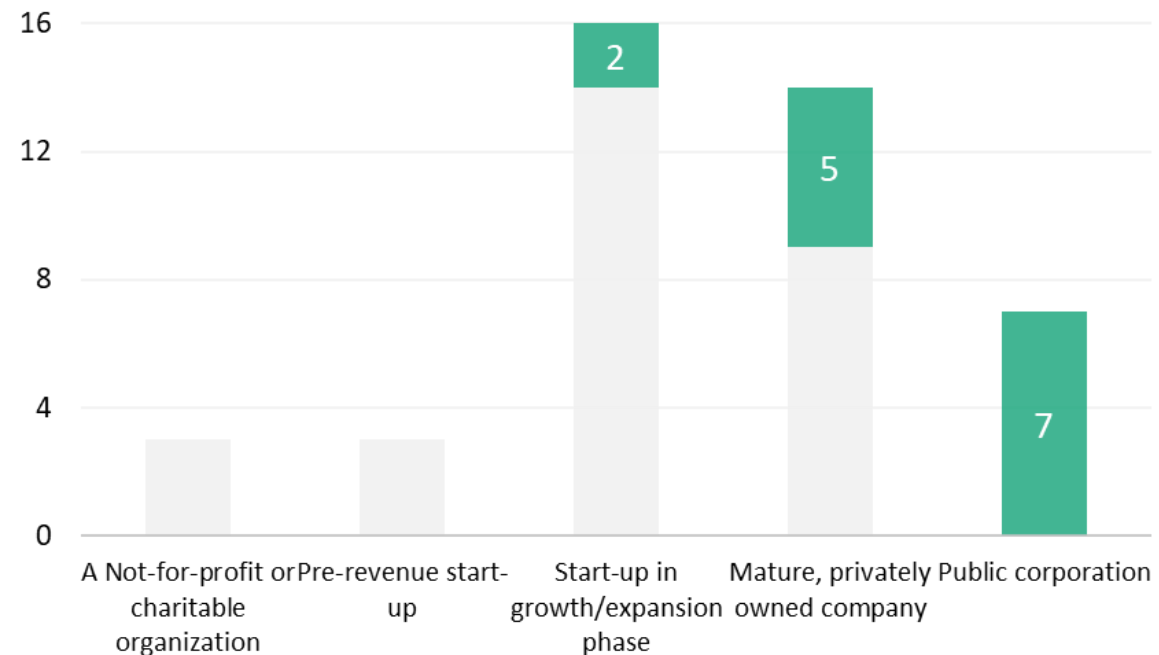
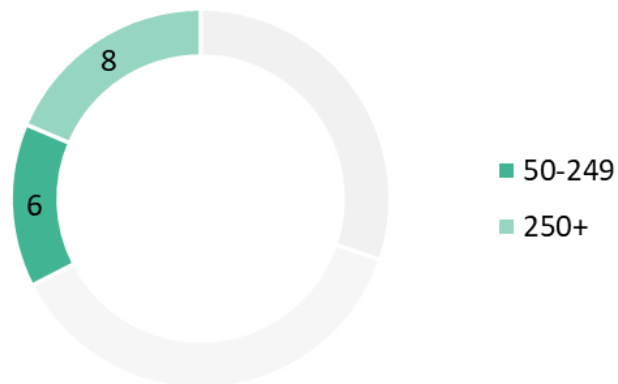
- It is instructive to look at impacts across two sub samples:
  - Small and micro enterprises (under 50 employees)
  - Medium and large companies (50+ employees)
- There are 29 small/micro companies, which is 67% of the total sample.
- They are fairly evenly split between micro (1-9 employees) and small (10-49 employees).
- They have a much more local footprint, limited mainly to NB and Atlantic Canada, and include not-for-profits and pre-revenue startups.

# Number of Company Types



# Subsamples: Analysis

- There are 14 medium/large companies, which is 33% of the total sample.
- They is fairly even split between medium (50-249 employees) and large (250+ employees).
- The larger companies have a Canada-wide presence, and include mature privately owned companies, and public corporations.



Survey Sample

# Immediate Impact

Business Outlook

Policy Support

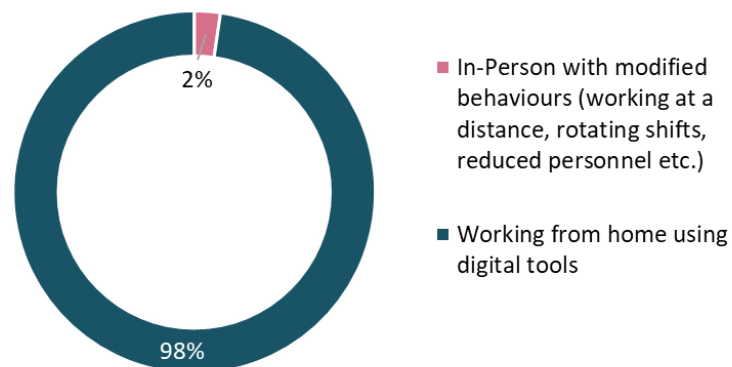




# COVID-19: Immediate Response by Industry

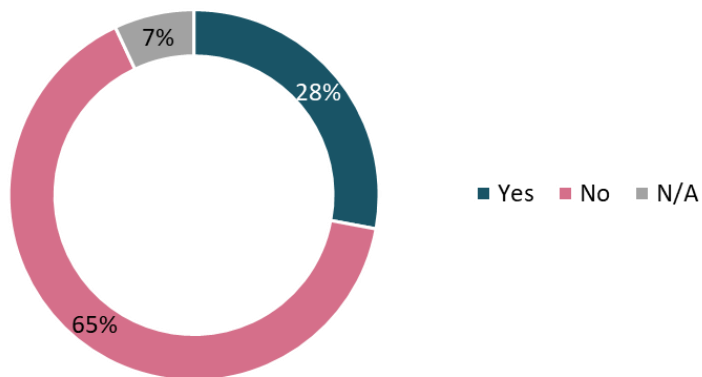


How is day-to-day business being conducted since the COVID-19 outbreak?



- 98% of all survey participants have switched to working from home, with the rest working on site with modified behaviour (shift rotation, social distancing, etc.).

## Have you laid off staff as a result of COVID-19?

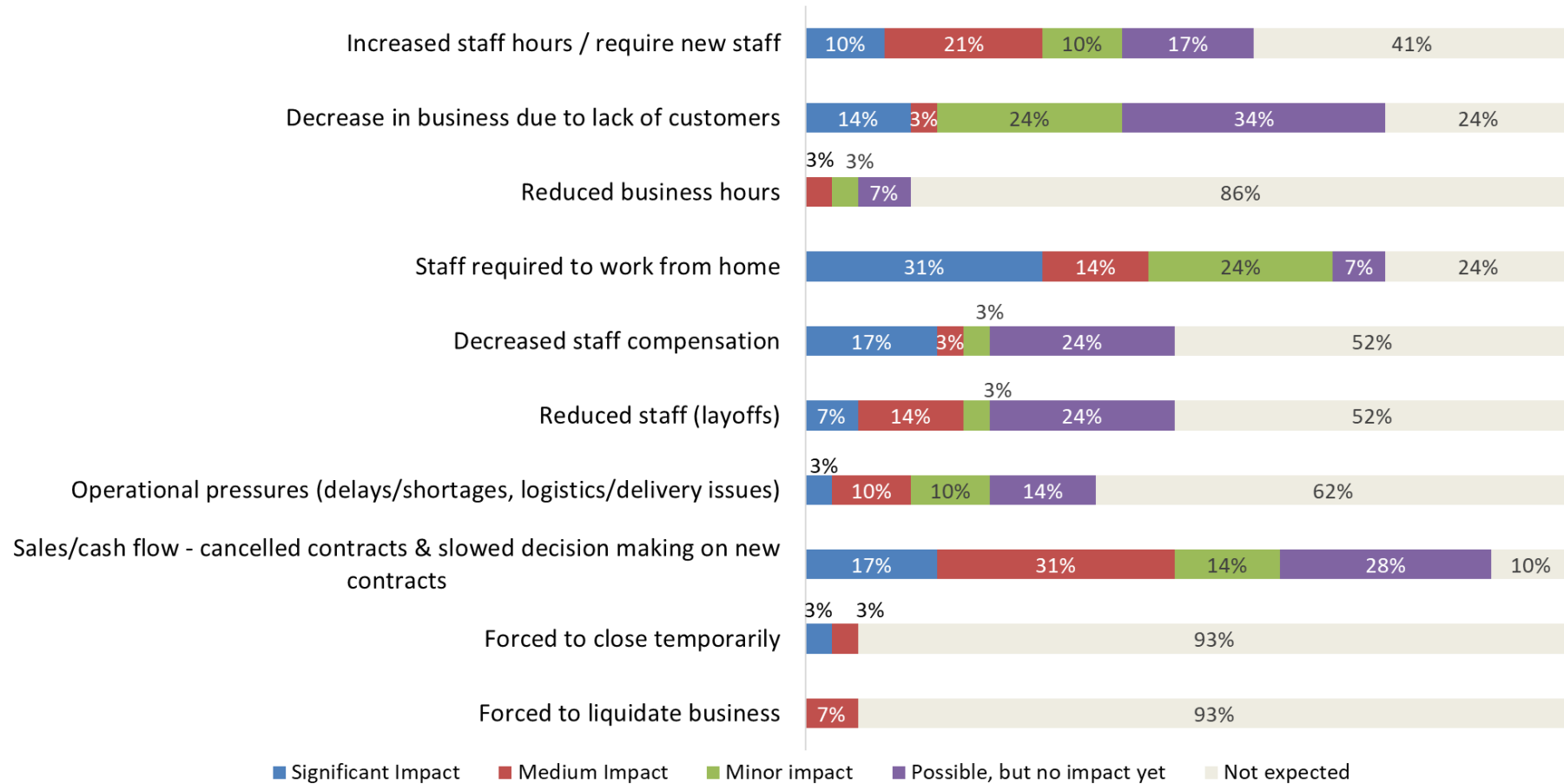


- 28% of all survey participants have laid off some staff as a result of COVID-19.
- *When we drill down by company size, we find that 57% of larger companies have laid off staff, while amongst smaller companies only 14% have done so.*

# Current impacts and challenges – smaller companies



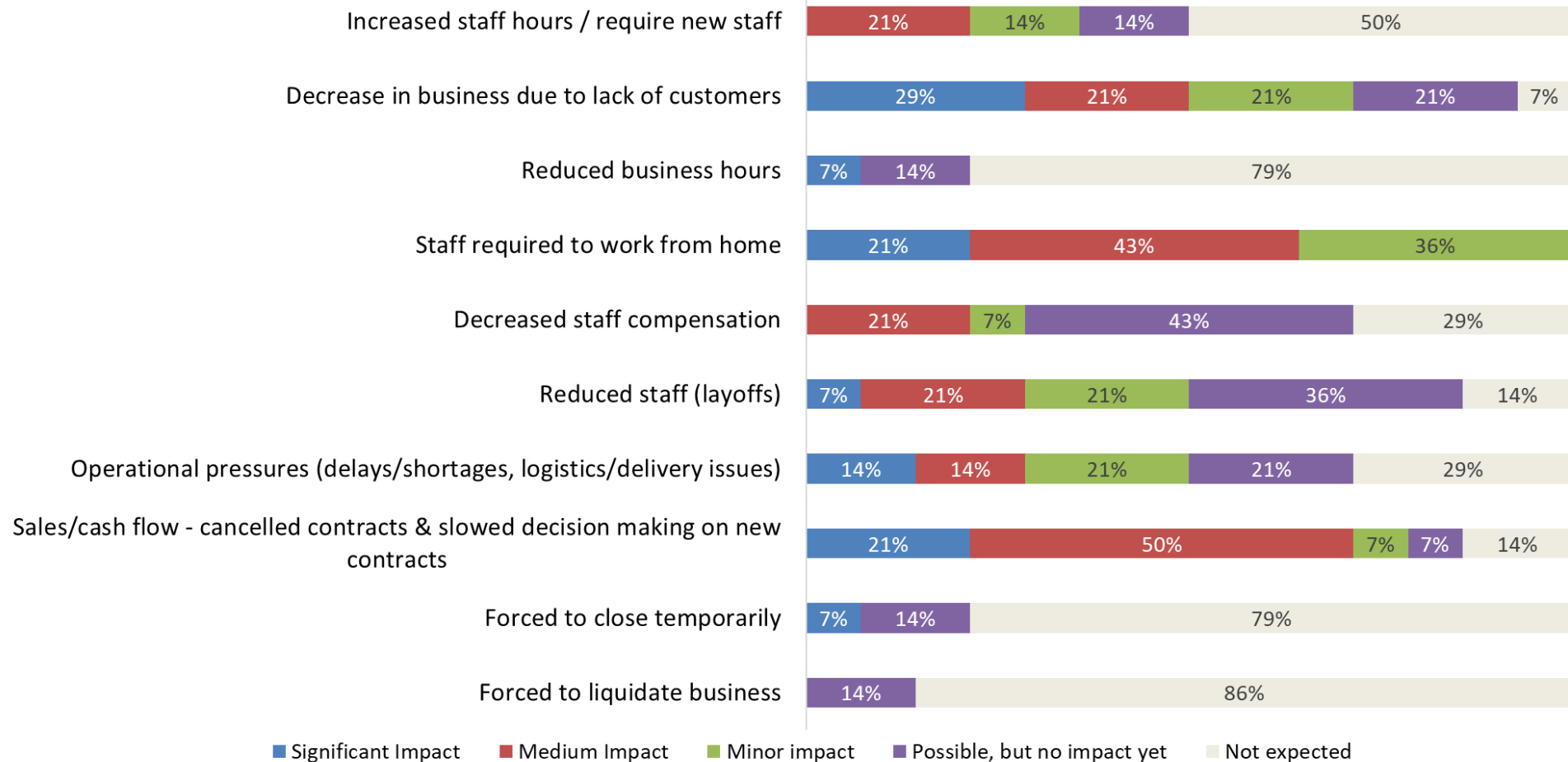
What impacts are you currently experiencing as a result of the COVID-19 outbreak?



# Current impacts & challenges – larger companies



What impacts are you currently experiencing as a result of the COVID-19 outbreak?



# Current impacts and challenges

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- Almost 40% of respondents have seen at least some positive impact, requiring new staff or an increase in staff hours.
- The biggest impacts so far have been the shift to remote working because of lockdowns, cashflow issues because of cancelled contracts, and a slowdown in sales.
- About 25% of respondents, most of them small businesses, reported making salary cuts.
- Larger firms, with presumably more complex supply chains, are facing shortages, delays, and other logistical issues.
- Under 5% of respondents reported having to temporarily shut down operations or liquidate businesses.

Survey Sample

Immediate Impact

# Business Outlook

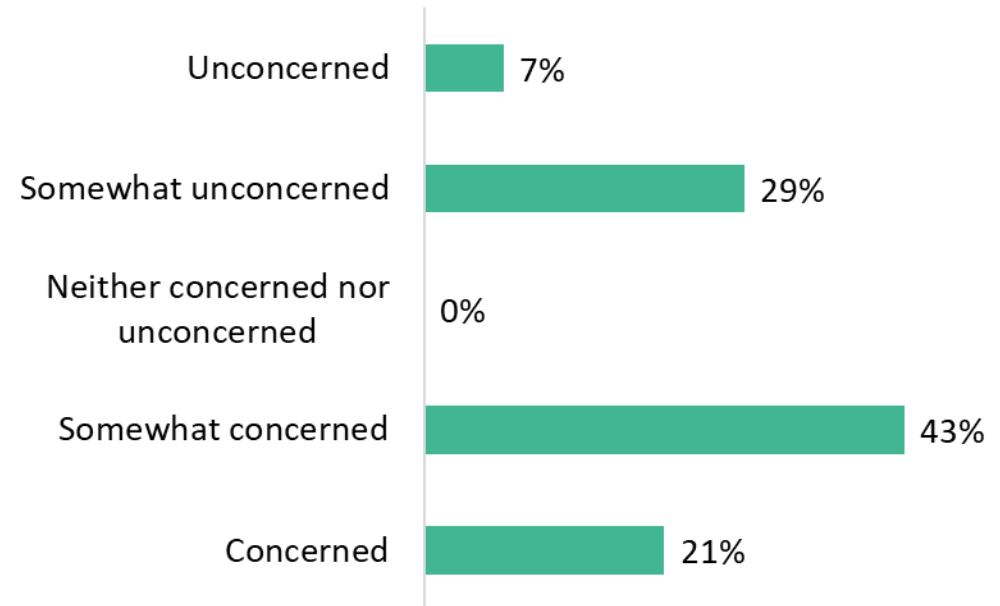
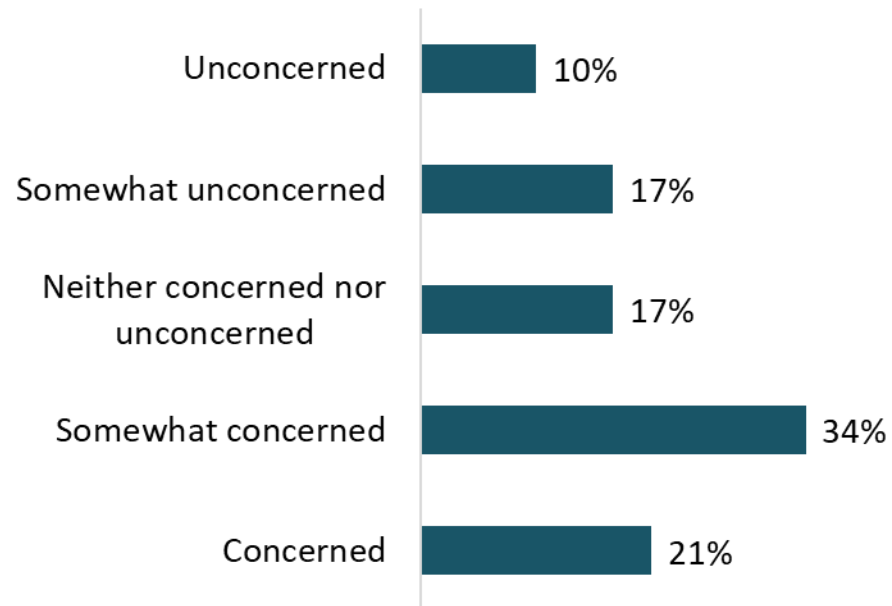
Policy Support



# Business outlook and concerns



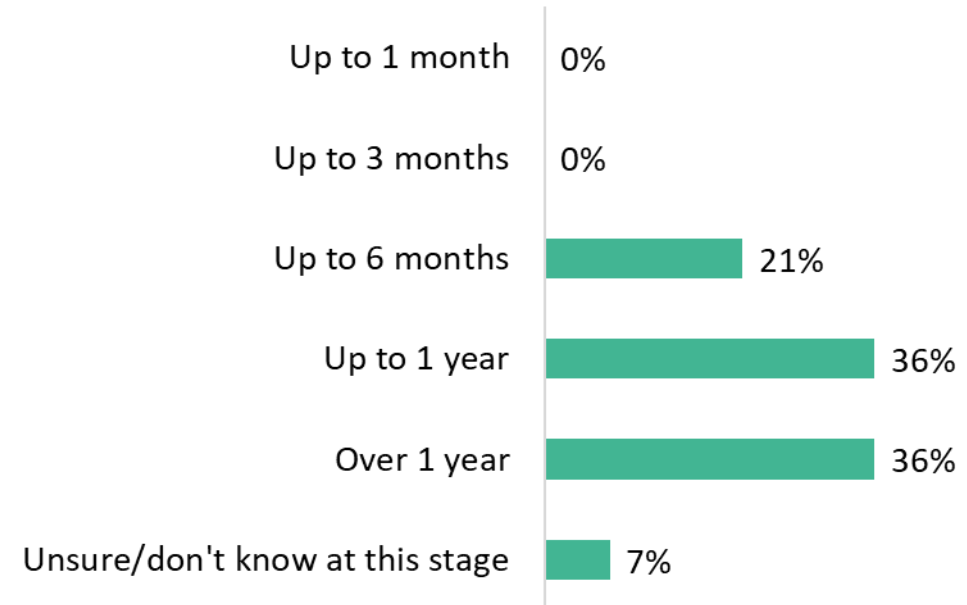
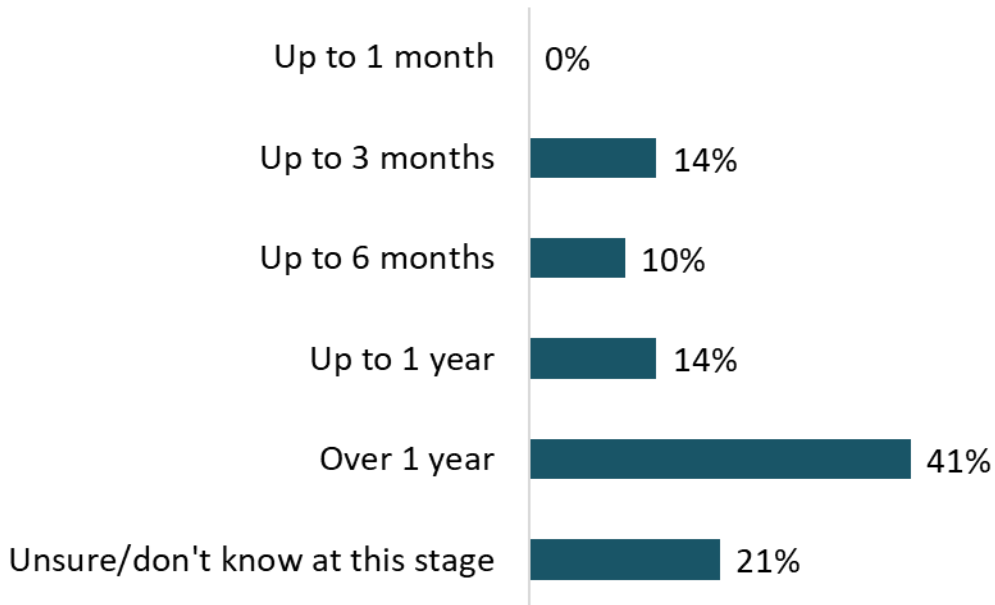
How concerned are you about your business's ability to deal with COVID-19? (Blue represents smaller business, green represents larger)



# Business outlook and concerns



How long do you predict COVID-19 will impact your business? (Blue represents smaller business, green represents larger)



# Business outlook and concerns

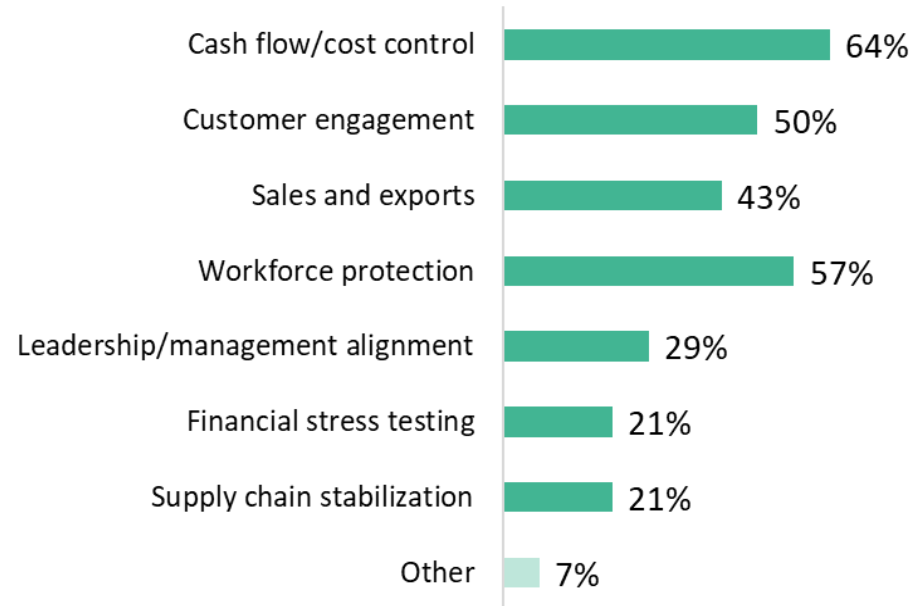
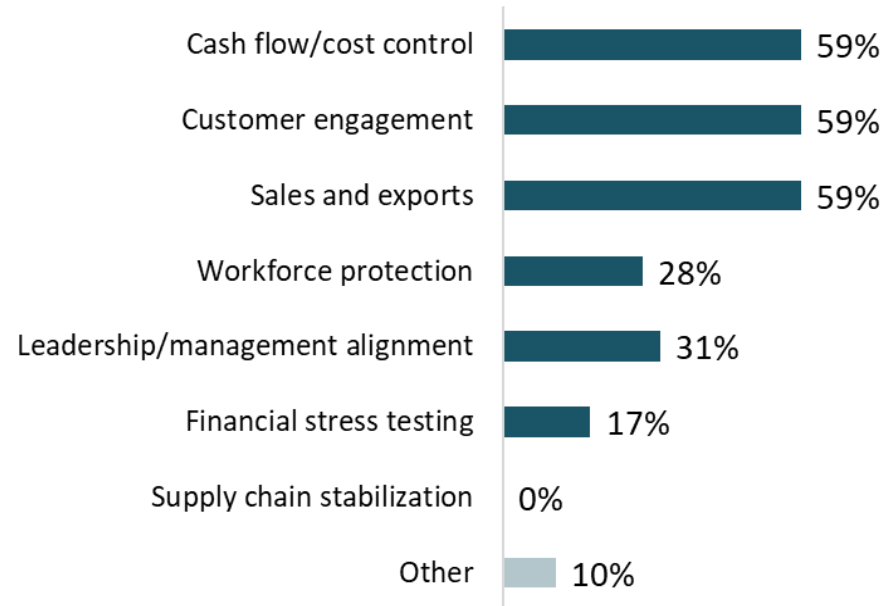
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- Nearly 60% of respondents are concerned or somewhat concerned about their business's ability to deal with COVID-19.
- Nearly 40% of respondents expect COVID-19 to impact their business for more than a year.
- *A further 16% are unsure or don't yet know how long their business will be affected.*
- Uncertainty and pessimism is relatively higher amongst smaller firms.



# Immediate areas of focus\*



*Other focus areas for smaller firms include:*

- *Further developing remote working capacity*
- *Modifying capabilities to stay relevant*
- *Delivery on current customer commitments*

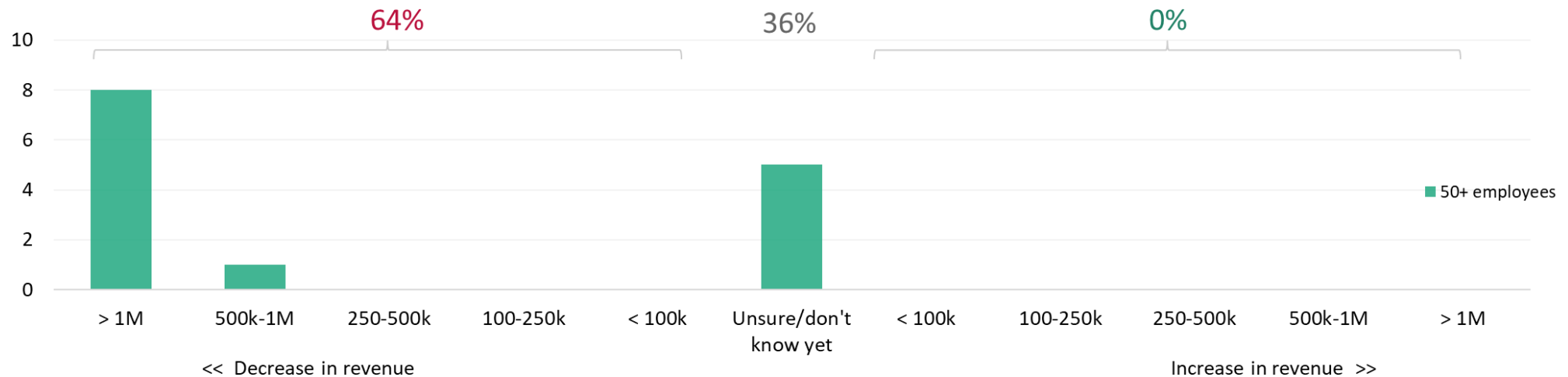
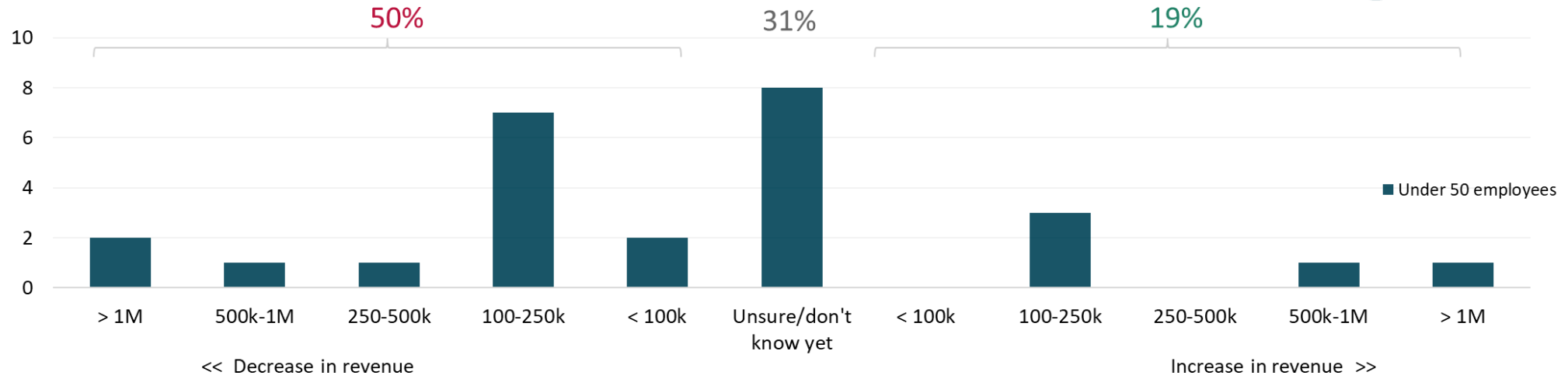
*Other focus areas for larger firms include:*

- *Contract cancellations and renegotiations*

**\*Blue represents smaller business, Green represents larger.**

- Smaller firms are more focused on cost control and cash flows, customer engagement, and sales.
- Larger firms are more focused on cost control, workforce protection, and customer engagement.

# Anticipated financial impact\*



\*Blue represents smaller business, Green represents larger.

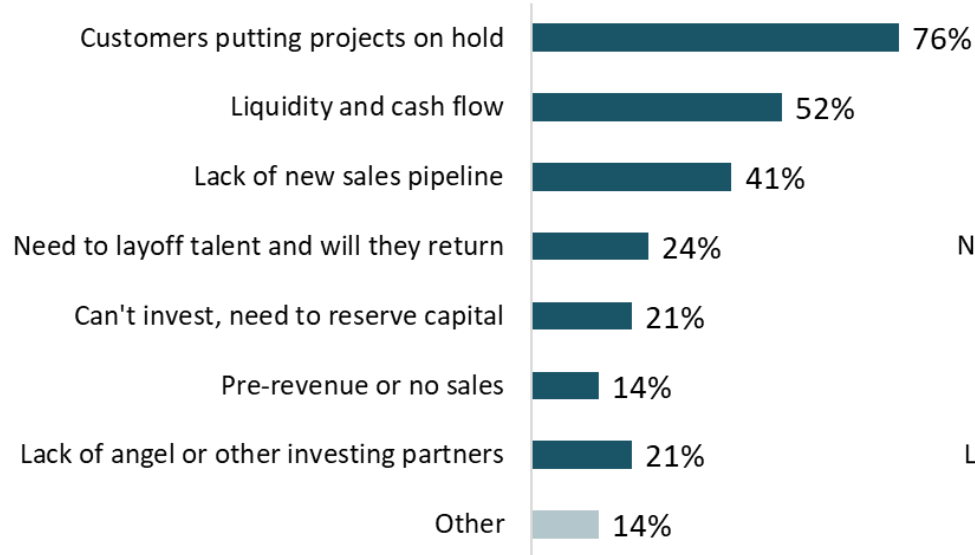
# Anticipated financial impact

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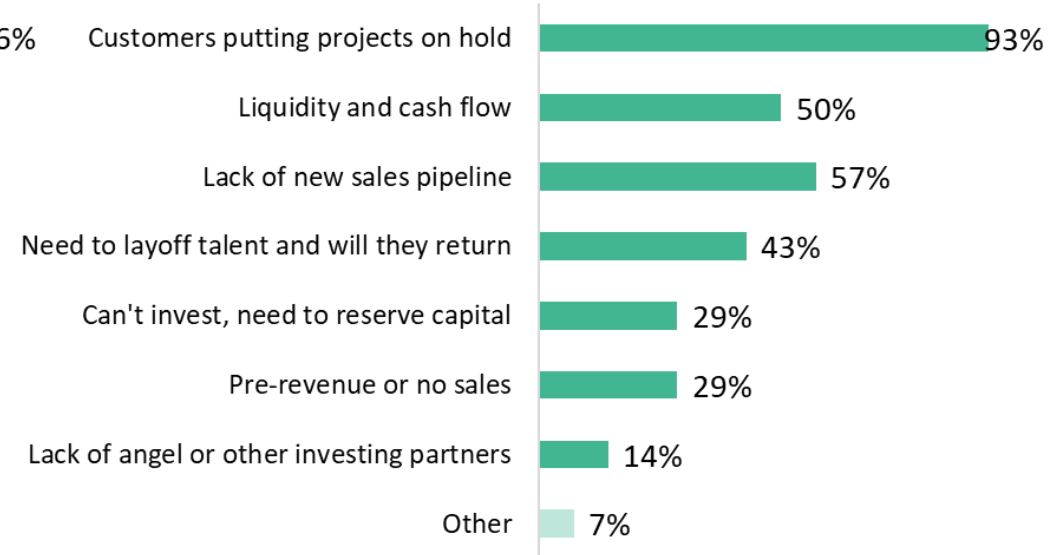
- Over half the respondents already anticipate a decrease in revenue because of the COVID crisis, with 25% of respondents expecting losses greater than \$1 million.
- Unsurprisingly, it is the larger firms that anticipate the largest losses in gross revenue.
- The uncertainty of the situation is highlighted by the fact that over a third of the respondents are currently unsure of the exact financial impact of the crisis on their balance sheet.
- A few smaller firms have even reported new business opportunities arising because of the COVID situation and lockdowns, and they foresee a positive impact to their top line.

# Main concerns for the future\*



*Other concerns for smaller firms include:*

- *Customer acquisition in the short-medium term*
- *Reconfiguring operations due to physical distancing and clients' new modes of operating*
- *Radically altering sales channels to a primarily online focus*
- *Finding ways to capitalize on new business opportunities brought about by the COVID-19 situation*



*Other concerns for larger firms include:*

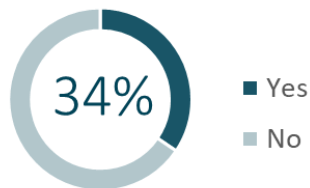
- *Human resources management*
- *Staff well-being*

**\*Blue represents smaller business, Green represents larger.**

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- The primary concerns for most firms in the short to medium term are a negative shock to revenue from cancelled or postponed projects, the lack of a new sales pipeline, and the associated liquidity and cashflow issues.
  - Larger firms are also concerned about being able to rehire or replace laid off workers later, while smaller firms and startups are concerned about their prospects for funding and raising capital.

# Longer-term implications

Do you anticipate any negative long-term implications for your business as a result of the COVID-19 outbreak?



*Concerns for smaller firms include:*

- *Deferral / cancellation of projects as customers hold off on making large investments*
- *Permanent loss in revenue from clients in worst hit sectors who may not recover from crisis*
- *Delays and difficulties in raising capital*
- *Changing consumer trends necessitating a change in business models, sales channels, and revenue streams*
- *Customer support and engagement with the constraints of social distancing*
- *High degree of uncertainty*



*Concerns for larger firms include:*

- *Widespread economic contraction*
- *Stalling growth*
- *Solvency of some long-term clients in sectors that have been worst hit*
- *Ability to rehire laid off staff and develop new human capital*
- *Capital investment needed to expand remote work capacity in a time of reduced sales*
- *Reorganization*
- *Structural changes in several industries in response to the COVID-19 crisis*

- 34% of small firms, and 57% of large firms anticipate negative long-term implications for their businesses as a result of COVID-19.
- The biggest concerns relate to a general slowing down of the economy, and the high degree of uncertainty about when “normal” times will return, and what the new normal looks like.
- A few firms have seen new opportunities emerge because of the crisis that could have long-term positive impact.

Survey Sample

Immediate Impact

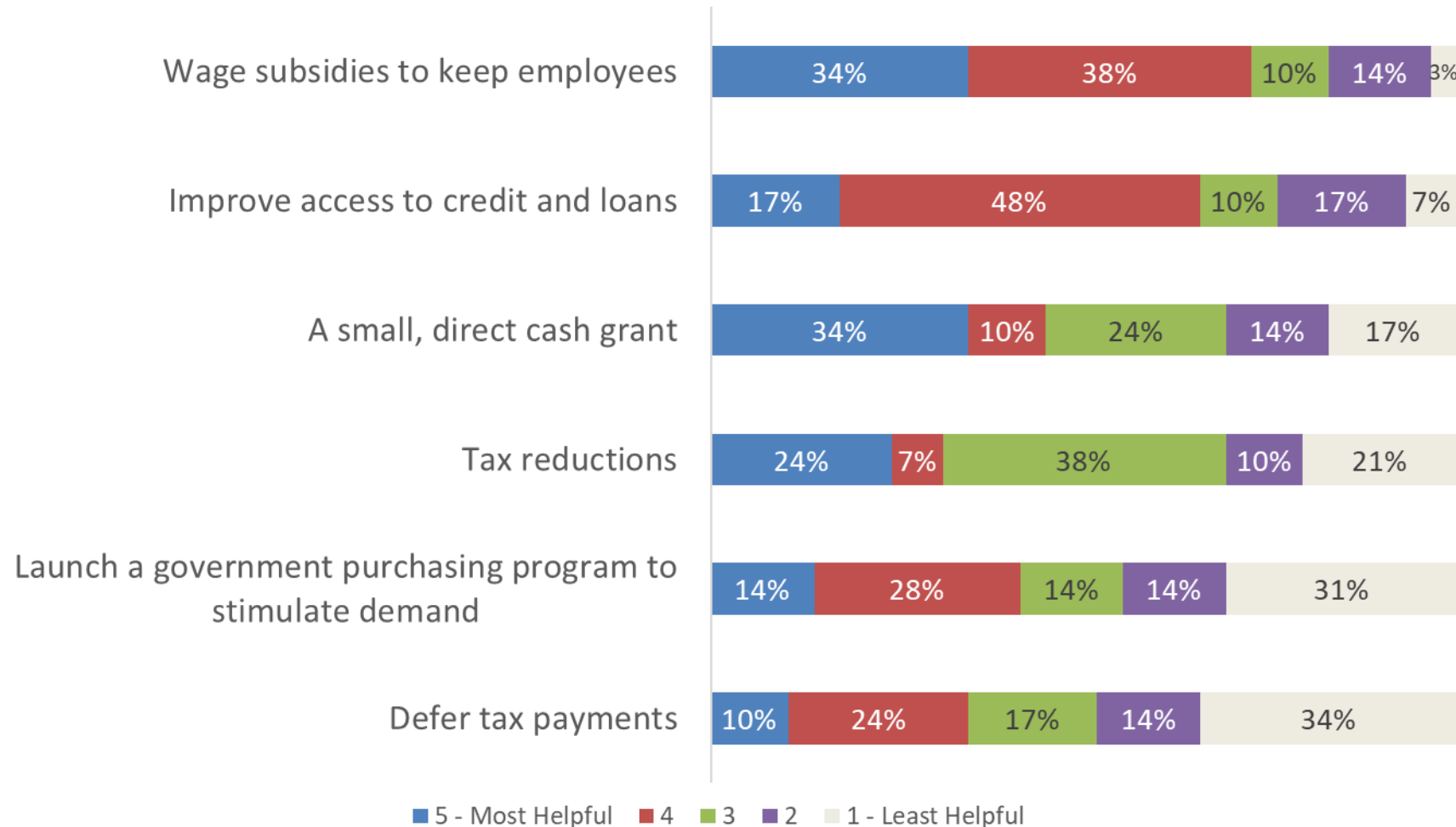
Business Outlook

**Policy Support**

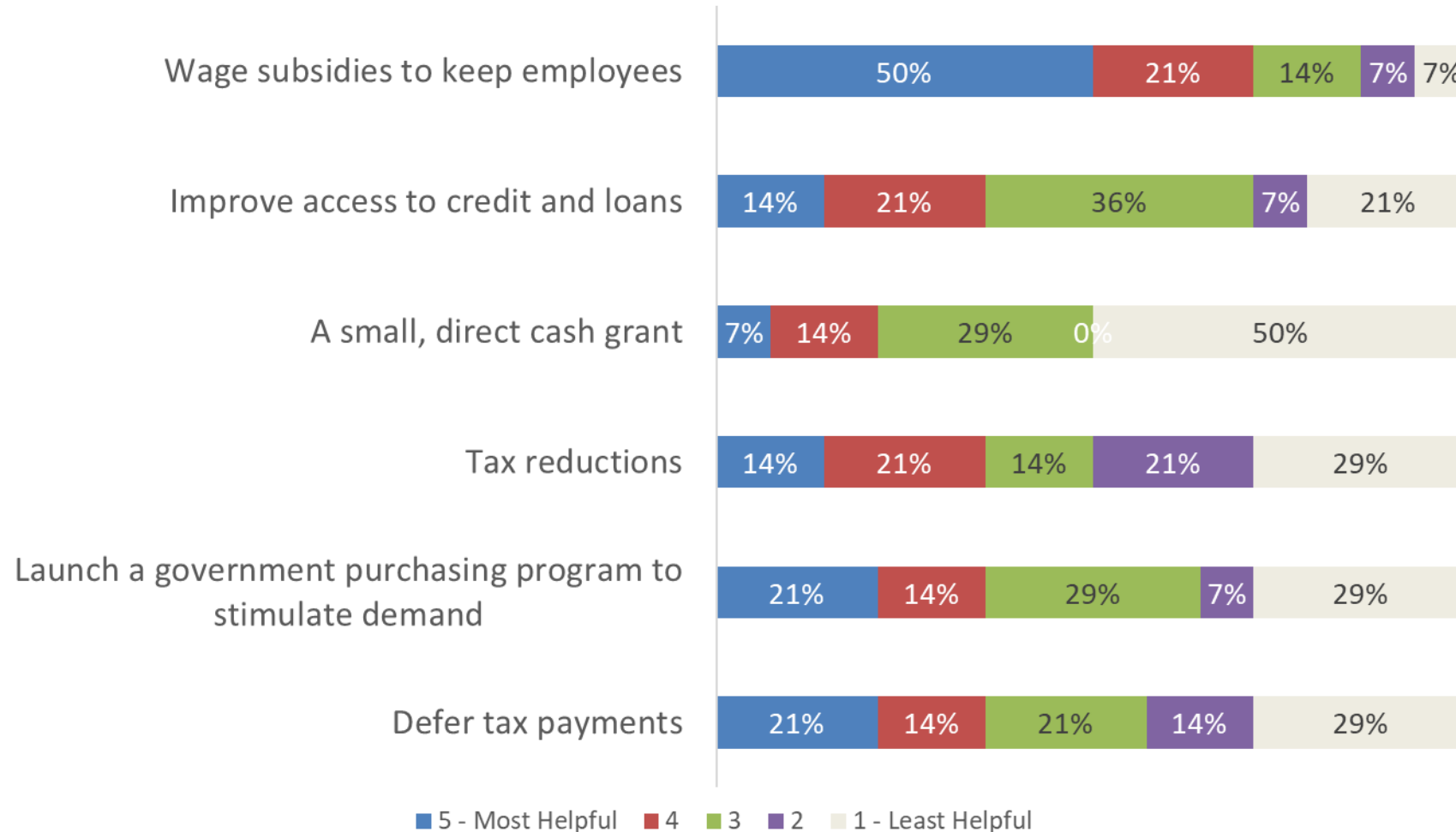




# Policy support sought – smaller companies



# Policy support sought – larger companies



# Policy support sought

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- 86% of small firms, and 57% of large firms aim to take advantage of the policy programs announced by the federal and provincial government.
- *A further 29% of large firms, might do so at a later date.*
- Wage subsidies, improved access to credit, and cash grants seen as most helpful by smaller firms.
- Wage subsidies, improved access to credit, tax breaks and deferrals, and purchasing programs preferred by larger firms.

# Policy support – other suggestions

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- Incentivize industries to make capital investments in digitization and digital initiatives, and thereby stimulate demand for the tech industry.
- Help high-growth companies pivot or change their business models to deal with the post-COVID 'new normal'.
- Tax credits to incentivize firms to invest in Canadian-made technology.
- Expansion of IRAP-type funding programs, to promote innovation during the downturn.

# Other comments



“ I find government support programs almost random in their qualification criteria. **We did not qualify for CEWS even though we were immediately impacted by COVID because our revenue does not follow a regular monthly or annual pattern.** We could just have easily qualified for CEWS yet be having a record-breaking year with no impacts whatsoever.

“ For existing programs and other programs moving forward, **the greatest service the government can offer (aside from the capital or financial resource) is the visibility/communication of the process and timing.** The unpredictability of the programs, whether a company qualifies, and the overall lack of visibility into what happens once a company applies - makes it difficult for companies to manage expectations, and plan effective cashflow strategies.

“ I think that **we need to collectively support a continued work anywhere mindset** and break down any barriers either tax or HR, etc that are required.

“ [...] most companies have negative impacts and positive impacts in a mixed environment. **It's not all negative and not all positive.** I'm most likely going to lose over \$500,000 in revenue for services but stand to make much more if we can capitalize on our product opportunity.

# Other comments

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“ Also for growth companies such as our software companies and other startups, growth is happening, but not nearly to the point as expected. Because these companies are built for the expected growth in terms of staffing etc, the burn rates are higher. So cash curtailment needs occurs and this impact or most likely will push their ability to raise cash on their initial time line. This impact in new employment being postponed and risk existing jobs. It not clear to me if there has been enough support provided to help to keep the hot engines of our economy churning which would help speed the economic recovery

“ 75% wage subsidy was not released in time to bring laid off staff back to work before the program is over

“ Thanks for reaching out to us. Although this pandemic has caused a lot of turmoil and strife for a lot of companies, we have been lucky to be not affected because more organizations have gravitated towards using virtual care platforms.

“ We are fortunate to be very busy during Covid-19. Although I'm very happy to see the grants provided, my concern is very much about our future tax situation and the burden of paying all of this back. Some companies are getting grants that are not required and will there be follow-up so that those receiving free money have to account for that free money. But that is now a concern globally and much worse in other countries.



TECH IMPACT

# Digital Futures Lab ICTC & TechImpact

