

SMEs must prepare for the impact of Covid-19

Businesses will bear the brunt of social distancing practices and disrupted supply chains caused by the outbreak of Covid-19. While it is too soon to say what the impact of the pandemic will have on the local economy, many small to medium-sized enterprises (SMEs) will be most affected by changes in customer behaviour, labour shortages and late payments.



Daniel Goldberg, CEO of Bridgement

“Given their size, lack of access to emergency capital and additional resources, small businesses are likely to be most affected by the declaration of a national state of disaster,” says Daniel Goldberg, CEO of Bridgement.

“It’s difficult to determine how long businesses will experience disruptions from Covid-19, it could be weeks or months. The best thing SMEs can do is to be as prepared as possible,” says Goldberg.

Goldberg highlights some key considerations for local SME owners to manage the impact of the outbreak:

- **Monitor customer behaviour:** Small businesses may need to alter their activities to suit their customers change in behaviour. SMEs in the service industry is at risk due to restrictions on travel and fear around contamination, making it more difficult to make up cash flow losses.

- **Manage cash flow:** Under extended pandemic scenarios, SMEs are at risk of running short on working capital. Labour and material shortages and lower demand from customers may result in less turnover.
- **Communicate with suppliers:** While you may not have direct links of trade to China or any other affected regions, some of your suppliers might. Ask if they're facing delays in obtaining stock and whether or not they have additional materials on hand for you to purchase in advance.



Covid-19 and your small business

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- **Balance supply and demand:** Consider whether production can be scaled back or amended to protect imported stock. If this is your business's offseason, look into slowing down on the production side of things to keep a steady cash flow available.
 - **Consider a work from home policy:** If your industry, internal systems and processes allow for it, consider allowing employees to work from home. This can help maintain productivity and greatly reduce the chances of employees contracting Covid-19. Remote work is especially relevant for SMEs in professional services but is less applicable for SMEs in the manufacturing and retail/restaurant sectors.
 - **Prepare for late payments:** If your business fits into a larger supply chain, you may face late payments from customers who are experiencing a decline in sales as a result of the outbreak. It may be worth looking into accessing additional funding to manage this.

With the economy already feeling the pinch of the recession, the government is finalising a package of interventions to offset the impact of Covid-19 on local businesses.

"SMEs will need financial support during this difficult economic time," says Goldberg.

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