

St Austell & Newquay Business Survey – Key Findings

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Introduction

The past year and a half has been an almost unrivalled time of disruption to business globally.

Particularly over the first few months of the UK's coronavirus restrictions, the consumer's way of life was dramatically and forcibly altered as a necessary precaution against the spread of coronavirus. Busy shopping areas, in person meetings and dining-in, all had to come to an end.

The Government, of course, stepped in with a whole range of support measures, which helped businesses to stay afloat and enabled companies to keep their employees on, through the Furlough Scheme for example. However, it was clear from the outset that the state alone would not be able to save every business and every job, and so business owners across the country have had to adapt to stay afloat.

This adaptation has been ongoing, since a variety of restrictions have been in place at different stages of the pandemic, from complete lockdown to only a few limits on numbers gathering.

The success of the UK's vaccine rollout has also meant that we have now been able to lift all restrictions, with the exception of mandatory face coverings in certain settings. However, despite the fact that much trading can in theory return to 'normal', two key developments persist. First, some businesses have discovered new and better ways of operating, and second, it seems many changes in consumer habits are here to stay for the time being.

With all this in mind, I commissioned a survey of all the businesses in the constituency I represent – St Austell and Newquay. My hope was that, as we emerge from the height of the pandemic, we might use this opportunity to understand the lessons businesses have learned, and therefore be better equipped as we learn to live with COVID-19 and ensure we are prepared for any future threats that come our way.

It goes without saying that businesses across all industries have done fantastically well over the course of the pandemic, keeping millions employed and our economy afloat through extremely trying circumstances.

I sincerely hope that this will go some way towards informing the Government's plan to get behind business as we recover from the effects of the virus and build back better.

Government Support

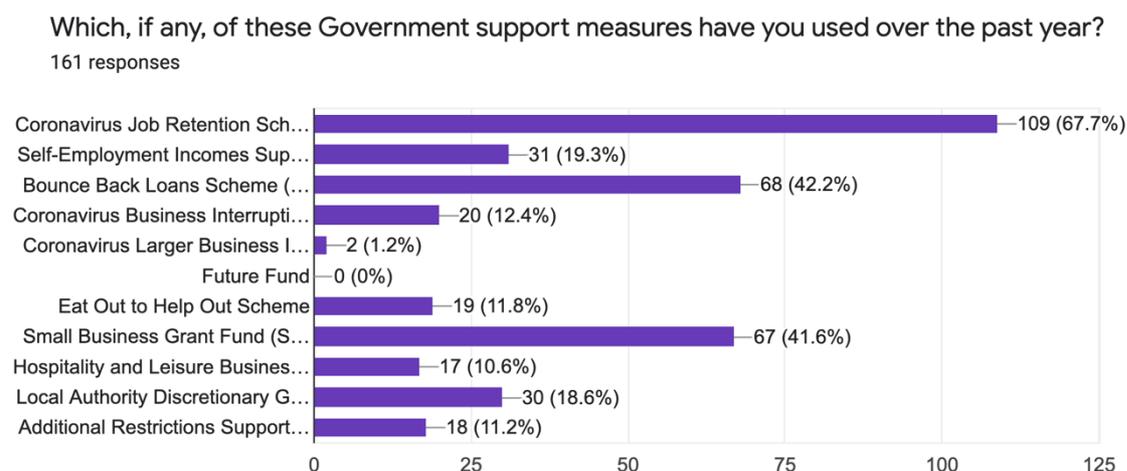
In March 2020, the Government rapidly rolled out the most extensive collection of financial support the UK has ever seen.

From the Self-Income Support Scheme (SEISS) to the Bounce Back Loans Scheme (BBLs), the Government was adamant that it would do everything within its power to mitigate the effects of the restrictions and protect both businesses and jobs.

According to official data, more than a million businesses in the country have received Government support of some kind, with many more self-employed individuals claiming funding through SEISS.¹

Businesses in St Austell and Newquay were no exception to this, with the vast majority of those responding to the survey making use of multiple forms of Government support.

Furlough has by far been the most used form of Government support in the constituency, with 68% of respondents taking part in the scheme.



Official data further reveals that, as of 14th June 2021, a total of 22,500 jobs have been saved through Furlough in St Austell and Newquay alone.²

It is also of note that business owners in the constituency gave a considerably positive reaction to the help they have received.

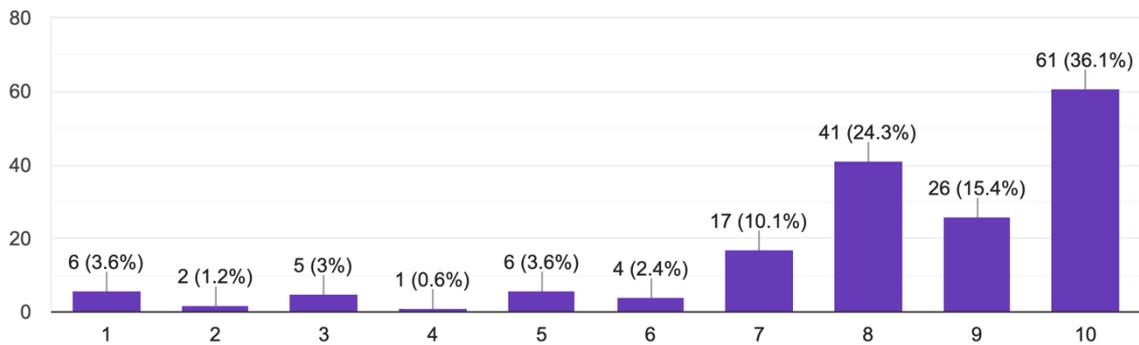
¹ House of Commons Library, <https://researchbriefings.files.parliament.uk/documents/CBP-8938/CBP-8938.pdf>, 4 August 2021

² House of Commons Library, <https://researchbriefings.files.parliament.uk/documents/CBP-8938/CBP8938-for-publication-constituency-and-LA-data.xlsx>, 4 August 2021

Over 85% of respondents gave their experience of Government support a rating of 7/10 or more, and over one third rated it 10/10 – “extremely positive”.

On a scale of 1-10, how positive has your experience been of Government support? (With 1 being not at all positive, and 10 being extremely positive).

169 responses

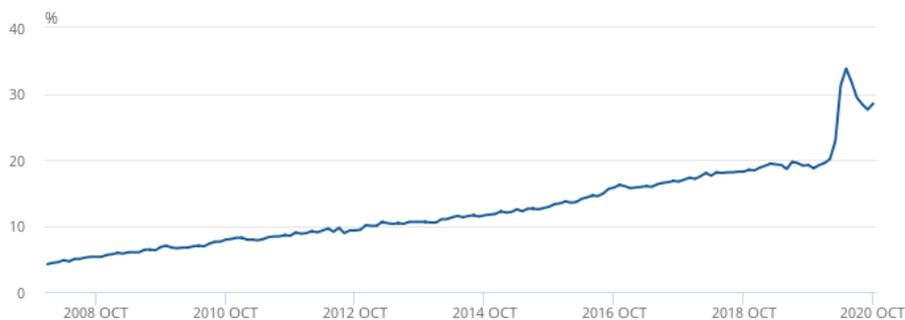


At this point, it is worth mentioning that not every business has required the same level of support from the Government. In fact, some businesses have thrived, especially during the beginning of the pandemic.

Online retailers and their associated sectors, for example, experienced record growth. Even after the height of the first lockdown, online purchases represented 28.5% of all retail sales in October 2020, compared with 20.1% in February 2020 before the lockdown, demonstrating an acceleration of an already growing trend.

Online sales are growing again following a dip after shops reopened in June

Internet sales as a percentage of total sales (ratio), seasonally adjusted, Great Britain, January 2008 to October 2020



Source: Office for National Statistics – Monthly Business Survey – Retail Sales Inquiry

This figure has only fallen to 26.1% in June 2021,³ and so remains considerably higher than pre-pandemic levels, despite a significant relaxation in coronavirus restrictions.

Another sector that has performed well over the past year is the home improvement industry. Household goods stores saw a dip in sales during both the March 2020 and January 2021 lockdowns, which subsequently increased as restrictions relaxed and settled above pre-lockdown levels.

June has seen the first dip in sales since the beginning of 2021, but sales of household goods, such as furniture, electrical appliances and toiletries remain notably higher than they were pre-Covid.

Volume sales, seasonally adjusted, Great Britain, June 2019 to June 2021



Source: Office for National Statistics – Monthly Business Survey – Retail

Sales Inquiry

Whilst it is too soon to say for sure, this appears to suggest a change in consumer buying habits with people spending more time at home, as a result of increased home working, for example.

³ Office for National Statistics, <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>, 4 August 2021

That said, whilst some have done well, the range of businesses surveyed in St Austell and Newquay predominantly faced challenges to how they could operate initially.

This is unsurprising, since the constituency is often considered to be the most reliant in the country on hospitality and tourism, which in turn are perhaps the industries most effected by the pandemic. Indeed, in Newquay, it is estimated that 50% of jobs are directly reliant on tourism, and so the travel restrictions alone have heaped considerable pressure on the local economy.⁴

It is in light of this context, therefore, that the positive reaction of St Austell and Newquay businesses to Government support is good news, showing the Government was able to deliver help where it was most needed.

⁴ National Coastal Tourism Academy, <https://coastaltourismacademy.co.uk/coastal-tourism>, 4 August 2021

Business Response

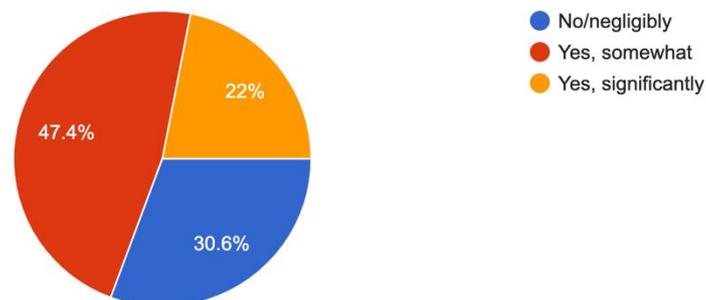
Despite a considerable level of Government support well received, more money by itself was not a viable solution for helping businesses to keep going. That is why many have had to adapt to the new circumstances in which they have found themselves.

The survey, unsurprisingly, found that most businesses have had to adapt in some way over the past year.

More than 20% of respondents indeed adapted “significantly” in response to the challenges posed by Covid.

Have you adapted your business model as a result of Covid?

173 responses

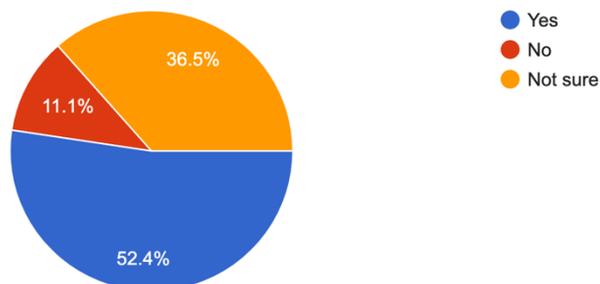


Perhaps more interesting, however, is what businesses responded when asked whether they would continue to adapt beyond the pandemic.

Of those who had adapted their business model, over half plan to either sustain the changes they have made or adapt further. Only 10% who have adapted plan to return to their pre-pandemic way of trading.

If you have adapted your business model, do you intend to sustain the changes you have made, or adapt further in the coming years as a result of the pandemic?

126 responses



This may suggest ongoing uncertainty about the future, and a willingness to continue to adjust for the sake of public health, but it may also indicate that many have discovered new skills and more productive ways of operating due to forced change.

As we have seen, there is every reason to believe that there will be long-lasting changes to consumer habits. Added to this is the fact that the virus is not going to disappear entirely, and we now need to learn to live it. This may mean that what success looked like prior to the pandemic now looks different.

Undoubtedly, many will not feel as comfortable out in public as they were before the pandemic for some time, and many more will have become used to new behaviours, such as takeaways for a night-in or online shopping.

This new landscape was reflected in many of the survey responses, with a number who have made significant transitions to online trading and remote work planning to continue on this trajectory. Some in the hospitality sector also found that, alongside enhanced hygiene measures, practices such as table service were a real success, which they plan to continue.

Current obstacles

Despite the excellent work of companies altering their business models in such challenging circumstances, many highlighted their concerns regarding issues outside their control.

In this regard, I have listened to the constructive criticism many have offered concerning how the Government can best support them as they continue to lead their businesses through the coming months and years, over which there is still significant uncertainty.

The most common observations were the success of the Government's VAT reduction for hospitality, holiday accommodation and attractions businesses, and business rates relief for those in the retail, hospitality, and leisure industries.

I understand that, given how much they have helped businesses, many would like these measures to continue as they are for a much longer period of time. In fact, as chair of the All-Party Parliamentary Group for Hospitality and Tourism, I campaigned to have these allowances extended, which indeed they have been.

It is important to note, however, that the Government has never injected so much money into our economy as it has done over the past year and a half, and we do need to think about safeguarding our debt for future generations.

That is why the reduced rate of VAT, though it will not return to normal immediately, will rise to 12.5% in October 2021 until the end of March 2022, and the business rates relief will steadily decrease from 100% off to 66% off bills between 1st July 2021 until 31st March 2022.

I believe this is a recognition of both the extra support businesses need now, and the long-term help our economy will also need.

Another key issue raised was that of staff shortages.

I am aware that this is certainly a critical issue for many, and especially those in the hospitality sector, as many potential employees are reluctant to come off Furlough to change jobs. This will of course be less of an issue when the Furlough scheme ends after the summer, but it will still be a pressing problem during these critical few weeks.

Staff shortages are also linked to Cornwall's present housing crisis, as young people in particular are being priced out of towns and forced to move elsewhere. I am pleased, in this respect, that the Government is drawing up plans to build more affordable homes for Cornish residents, making it easier for local people to work in their hometowns.

It is unlikely, however, that building more affordable homes will alone solve the problem. That is why I am arguing for a new category of planning permission to be introduced, whereby property owners will have to apply for permission if they wish to

change the use of their premises from full residential to holiday accommodation. This will enable Local Authorities to manage the number of holiday lets, and introduce new incentive measures, such as a premium council tax for holiday accommodation.

In the meantime, however, please know that I am working closely with the Government and my colleagues in Parliament, considering every possible avenue to ensure that we solve this issue as quickly as we can.

Be assured that I will also continue to feedback all the concerns of business owners to the Government.

Looking to the Future

It will be possible to solve some of these issues in the short term, but it is without question that the effects of COVID-19 will have a lasting impact on our country and the world.

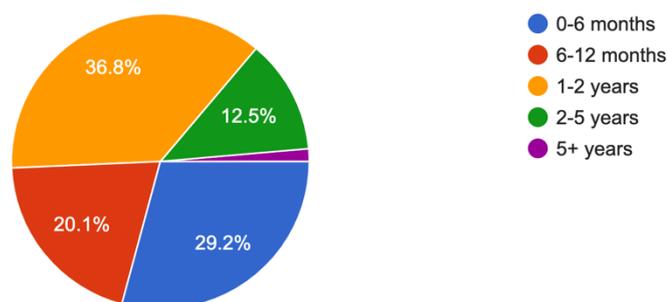
That said, there is a great deal of cause to be optimistic about the future, and in particular about our economic recovery.

This sentiment was reflected in the survey when it came to estimating the time it will take for businesses to bounce back. Indeed, businesses who faced setbacks estimated relatively quick recovery times.

The most popular time estimate to return to pre-pandemic trading levels was 1-2 years, with only 1% of responders estimating it would take their business more than 5 years to recover.

If your business has experienced setbacks over the past year, how long do you estimate it will take to return to pre-pandemic trading levels?

144 responses



This optimism also complements a range of financial forecasts concerning the UK economy's recovery.

On 12th August 2021, the Office for National Statistics (ONS) announced that the UK economy grew by 4.8% in the second quarter of the year, meaning we are now only 2.2% below pre-pandemic levels. This is one of many examples of stronger than expected growth.

As a result, the Office for Budget Responsibility (OBR) March forecast of an annual GDP growth of 4%⁵ is set to be an underestimate. The Organisation for Economic Co-operation and Development (OECD), for example, projects a 7.2% growth in GDP for the year 2021.⁶ The success of the UK's vaccine rollout has undoubtedly played a large part in allowing these projections to be adjusted.

⁵ OBR, <https://obr.uk/overview-of-the-march-2021-economic-and-fiscal-outlook/>, 16 August 2021

⁶ OECD, <https://www.oecd.org/economy/united-kingdom-economic-snapshot/>, 16 August 2021

In the same report of March 2021,⁷ the OBR also foresaw an economic scarring of 3%, meaning that the UK's economic output would remain 3% below its pre-virus path in the long-term. However, the Bank of England now assumes this long-term scarring will amount to just 1% of GDP.⁸

Similarly, the OBR's estimate that GDP would return to its pre-pandemic level by the second quarter of 2022 is now contested by the Confederation of British Industry (CBI), who have since forecast that GDP will return to that level by the end of 2021.⁹

All these increasingly optimistic forecasts then sit within a global context in which the UK is set to have the joint-fastest growth among G7 countries for the year 2021, alongside the US, which will amount to a 7% rise in GDP, according to the International Monetary Fund (IMF).¹⁰

Economic forecasts are, of course, extremely difficult to get right with a high degree of precision, and so we should remain cautious about our future, but what does seem to be clear is that our economic recovery is set to be much better than previously thought.

It is therefore alongside a cause for cautious optimism that ongoing Government support for businesses is welcome news.

This includes but will not be limited to: the Government's Recovery Loan Scheme, through which recovering businesses can access up to £10 million;¹¹ the Reopening High Streets Safely Fund, a £50 million package for Local Authorities to support local businesses to reopen safely;¹² the Welcome Back Fund, which, building on the Reopening High Streets Safely Fund, provides an additional £56 million to help boost the look and feel of high streets.

The Welcome Back Fund also has a particular emphasis on coastal areas, with Cornwall Council receiving among the highest allocations of over £600,000.¹³ This comes alongside more flexibility for businesses in how they use their land, with more relaxed rules for marquees for outdoor seating, for example.

It is my sincere hope that we will keep learning from businesses, especially in the most effected industries, and continue to adapt to this new world of commerce.

⁷ OBR, <https://obr.uk/download/economic-and-fiscal-outlook-march-2021/>, 16 August 2021

⁸ Bank of England, <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2021/may/monetary-policy-report-may-2021>, 16 August 2021

⁹ CBI, <https://www.cbi.org.uk/media-centre/articles/uk-economy-back-to-pre-covid-level-by-end-of-year/>, 16 August 2021

¹⁰ IMF, <https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>, 16 August 2021

¹¹ Gov.uk, <https://www.gov.uk/guidance/recovery-loan-scheme>, 16 August 2021

¹² Gov.uk, <https://www.gov.uk/government/news/50-million-boost-to-support-the-recovery-of-our-high-streets>, 16 August 2021

¹³ Gov.uk, <https://assets.publishing.service.gov.uk/media/6059f3d4d3bf7f2f1a015bc0/welcome-back-fund-allocations.pdf>, 16 August 2021

Conclusions

Across the range of responses, some clear and simple themes emerged regarding what businesses had found helpful in facing the new challenges posed by the pandemic.

I have condensed these into three final reflections on what businesses have said will help them make the most of the future.

1. Remaining agile

Businesses affected by the virus who seem to have fared the best since March 2020 are those who have adapted to their circumstances.

Many have made significant changes to their own advantage, beyond just following coronavirus health guidance. For example, one business switched from operating primarily as a garden centre to predominantly a fruit and veg store, allowing them to continue to trade during the first lockdown. Many have started offering a takeaway service for the first time, now giving them a broader range of customer services. Others have sped up change that was already planned, such as boosting their online capabilities.

Whatever it might look like practically, a clear theme is that building the muscle of adaptation will be key in a world of change and ongoing uncertainty.

2. Hybrid approach

Increasingly common appears to be the model of operating both online and offline, with a seamless connection between the two. Where businesses have found this to be possible, by having both digital and bricks and mortar stores, for example, this has been a real help to their companies.

Many customers will doubtless have become used to the ease of online orders, or may still wish to avoid unnecessary in-person meetings. At the same time, for some things there is no online substitute, such as the atmosphere created in a bar or restaurant. People's return to shops and cafes clearly shows this to be the case.

So, the experience of businesses surveyed suggests that having both options will prove advantageous moving forward.

3. Ongoing hygiene measures

Whilst restrictions have relaxed, the virus has not gone away. Regular testing and isolation where necessary remain important measures as we complete our vaccination programme and learn to live with the virus.

Many are understandably still displaying cautious behaviour, either for their own health concerns, or to avoid the inconvenience of isolation, the latter of

which the Government is intent on tackling by making self-isolation upon being identified as a close contact no longer mandatory for those who have been double vaccinated.

More than this, though, the virus has raised awareness of the spread of disease more generally. As a result, many businesses plan to continue to offer hand sanitiser, carry out regular enhanced cleaning of their facilities, and ensure their premises are well ventilated.

Such hygiene measures will no doubt go a long way in giving customers and clients the confidence they need to engage with businesses in person, and more generally ensure better hygiene practices for the benefit of public health.

It is important to note that these three themes do not represent an exhaustive list, nor do they constitute a 'silver bullet' to guarantee commercial success. But they do provide an important summary of the key lessons businesses have learned over the pandemic, which I trust will be helpful to all those reading this report.

If you are a constituent and would like to discuss any of this further, please do not hesitate to get in touch with me via steve.double.mp@parliament.uk.

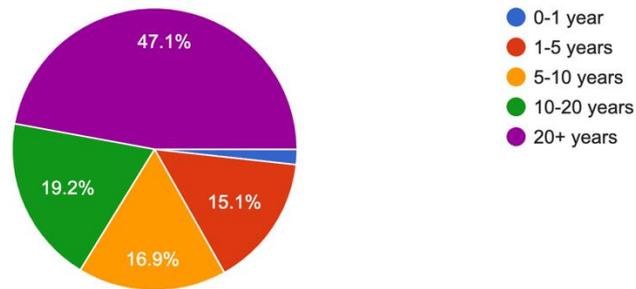
Appendix

Survey details:

- Number of responses – 174
- Industries represented – 32+
- Age of businesses – see below

For how long has your business been trading?

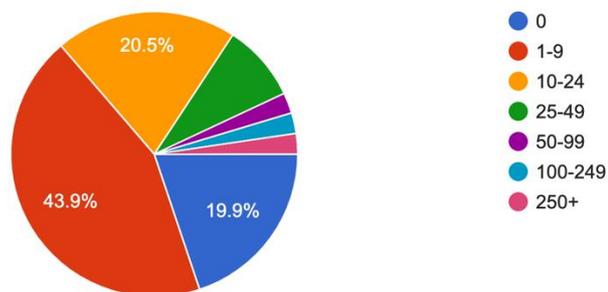
172 responses



- Size of businesses – see below

How many people do you employ?

171 responses



What is your annual turnover?

169 responses

