



COVID-19

Effects on your business

Taulia's special COVID-19 survey into supplier behavior

Introduction

Nothing ever happens like you imagine it will, but 2020 has proved to be one for the record books. COVID-19 came into existence and disrupted the entire world. Businesses that were once flourishing, found themselves struggling to stay afloat and many people found themselves either made redundant or furloughed. These shockwaves forced businesses to innovate and look for ways to weather the storm and survive.

The purpose of this survey was to take a pulse-check and to hear how businesses are adjusting and adapting to the new world, overwhelmingly the respondents were from small and medium enterprises with 55% generating less than \$10 million in revenue. This report provides meaningful insights into the plight of small businesses, which according to a recent J.P. Morgan survey only have 27 days of cash reserves to survive, and how COVID-19 has made a difficult economic climate even worse. Over three-quarters of our respondents have experienced a change in their customers' working practices (78%), with the vast majority saying they and their customers would like to further embrace technology, including automating their accounts payable process (66%). Further still, more than half of the respondents said they are interested in early payments to meet their financial obligations (62%).

Looking at this picture we can see a need for further innovation to improve efficiency and that access to funding is a vital part of achieving these aims.

I would like to take this opportunity to thank all of the businesses that participated in this survey for sharing your knowledge and insights with us.

Thank you,

Cedric Bru
CEO | Taulia



This survey was conducted over a two week period in June 2020 and over 9,000 businesses from across the world answered. Respondents were asked questions about the effects of COVID-19 on their business.

+9,000

respondents from around the world

55%



of respondents were from companies with less than \$10m in revenue



Supplier demographics by role...

Accounts Receivable	25%
Business Owner	25%
Finance	21%

Supplier demographics by industry...

Manufacturing	20%
Computer Software	5%
Automotive	4%

Main themes from the survey



- 1** Automate current financial processes

- 2** Late payments are on the rise

- 3** Business demand has been negatively impacted

- 4** The shift in working practices

- 5** Desire to request early payment

1 Automate current financial processes

What we found

66% of businesses say they have a greater interest in creating and receiving invoices electronically.



COVID-19 has created a huge demand for automating financial processes, especially in accounts payable and accounts receivable. With the closure of BPO centers and a large percentage of the global workforce working from home and unable to carry out their tasks, financial teams can no longer easily create, send and process invoices, purchase orders, and other financial documents the way they used to. The closure of these physical spaces, such as offices and processing centers has meant employees cannot use tools, such as printers, scanners, and fax machines to send and receive invoices. Companies that didn't go digital prior to COVID-19 have been forced to as a result of the changing working environment. Automation is no longer just a phase, it is the norm for global businesses.

The good news is that automating the invoice process has greater benefit than just the ability to carry on while working from home. Manual invoicing processes are prone to human error and can be costly, time-consuming and an all-around nightmare for AR/AP teams.

Businesses that choose to automate their invoicing process reap several benefits



Enhanced productivity and efficiency



Save time, money and energy



Full invoice visibility and control



Reduction in disputes and enquiries



Save costs and go paperless



Create the opportunity to get paid earlier

2 Late payments are on the rise

What we found

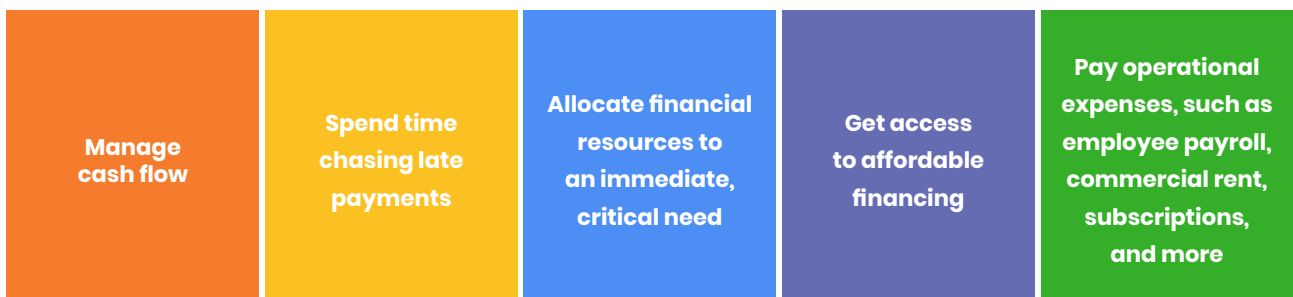
43% of businesses say there has been an increase in receiving late payments.



Small and medium businesses already suffered from late payments prior to COVID-19, but the resulting lockdown in many countries has amplified this. The surge in late payments could be due to a number of factors. Many businesses for instance have suffered from process disruption (see above) but the main reason seems to be that businesses are conserving their own cash amidst the economic uncertainty. Unfortunately, late payment often results in a domino effect, with one business getting paid late, who then pays their suppliers late, who then pays their suppliers late and so on and so on.

Few businesses have seen the opposite occur - **with only 5% of businesses saying there has been an increase in the payment received earlier than the due date.** These results suggest that some suppliers are so vital to the continued functioning of their customers that early payment and the continuing of vital cash flow makes commercial sense. Furthermore, many large businesses and government entities have taken proactive steps to pay all suppliers earlier to help improve supply chain health and stimulate the economy.

The impact of late payments is far reaching and is especially rough for small businesses. When a business gets paid late, it can be difficult to:



3

Business demand has been negatively impacted

What we found

56% of businesses say there has been a decrease in orders.

Only **12%** of businesses say there has been an increase in orders.



Ordinarily when consumer spending falls the knock-on effect can be devastating. But businesses have built-in resilience to weather these types of challenges. What marks this period as extraordinary is the sustained nature of the drop in spending. Major cities have been in lockdown for months and the resulting changes in consumer behaviour means that businesses will forever be changed.

Some industries have seen an increase in orders, albeit only 12% of suppliers have experienced this. Taulia's network data shows the leading industries in this area are food and beverage, electronics and pharmaceuticals.



4 The shift in working practices

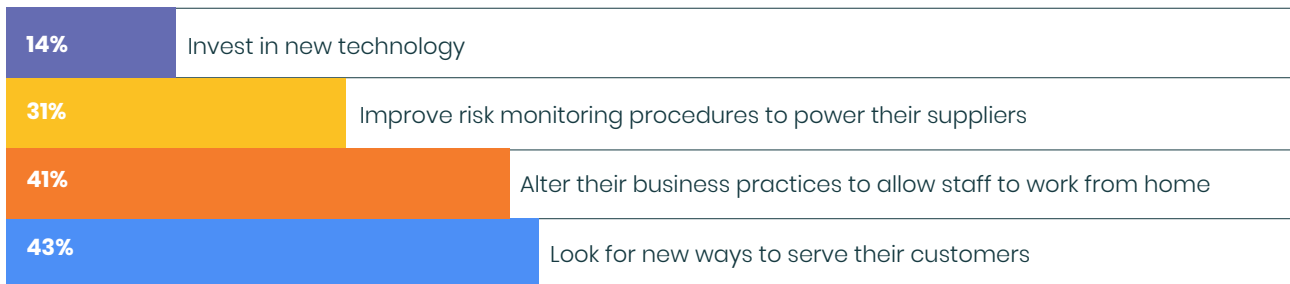
What we found

78% of businesses have said there has been a change in their customers' working practices over the last three months.



The pandemic has affected all areas of our lives, from personal to professional. The past three months have been filled with economic uncertainty, societal chaos, and unprecedented disruption. To thrive and survive in this 'new normal', businesses have had to alter their working practices to adapt to the ever-evolving change. An overwhelming 78% of businesses have said there has been a change in their customers' working practices over the last three months, with many looking for ways to invest in new technology, allowing employees to work from home and searching for new ways to serve their customers.

What does the 'new normal' business environment look like?



While disruption can be challenging, change can lead to long term benefits. Businesses have had to step outside of the box and think about the positive ways in which they can operate in the post-COVID-19 world. A majority of businesses stating they will allow their employees to work from home, will decrease operational costs that can then go towards implementing new technologies and improving their customer offerings. It's a win-win for everyone. Businesses are thinking of ways to cut costs, optimize their current cash flow, and maximize future profits.

5 Desire to request early payment

What we found

62% of businesses are more interested in requesting early payment.



With cash being so tight for many businesses, the experience of inconsistent payments can be quite stressful. It's no surprise that as a result of COVID-19, 62% of businesses are more interested in requesting early payment to meet their various business needs. Getting paid early can help alleviate some of the major financial concerns businesses face on a daily basis, with payment predictability and overcoming cash flow gaps being two major reasons to opt-in and request early payment. At a time when getting access to liquidity can be difficult, it's important that businesses get paid either early or on time to keep their businesses operating as normal.

Some of the benefits of early payment include:



Payment
predictability



Overcome cash
flow gaps



Reduce DSO



Immediate
working capital



Peace of mind



What does this all mean?



COVID-19 and the disruption it has caused has created a need to innovate. A need to create better and more flexible working environments for staff. Innovation to ensure vital processes, including those in AP and AR can carry on without the need for heavy duty equipment and processing centers. As companies pursue digital transformation they will become more efficient, productive, and profitable.

This survey has shown that innovative small businesses are especially vulnerable and need support to function and stay afloat. Getting access to affordable financing and being able to request early payment are ways small businesses can maintain their financial and operational health as they come out of the crisis. Businesses need to adapt to the 'new normal' and implement the necessary changes to stay ahead of the curve and remain competitive in the global marketplace.

