

‘Not well’: The post-lockdown diagnosis for small business

Sarah Smit 28 Jun 2021



Small businesses are still reeling from last year's lockdown, with 63% of their owners saying they are “not well” or “not very well” — according to a survey by market research firm Ipsos.

0

Small businesses are still reeling from last year's lockdown, with 63% of their owners saying they are “not well” or “not very well” — according to a survey by market research firm Ipsos.

Ipsos interviewed 724 small, medium and micro enterprises (SMMEs) in September 2020, after South Africa was hit by the first wave of Covid-19.

The survey found that whereas larger businesses fared better after the lockdown, with 43% of their owners saying they are “not well” or “not very well”, smaller businesses were not so lucky. More than 70% of micro businesses, which have an annual turnover of less than R5-million, gave this answer.

The Ipsos survey also noted that more than half (54%) of business owners used their personal savings to keep their companies running and 36% had to revise their company spending to reduce expenses. About a quarter (26%) of businesses had to let workers go, stating they could not pay their suppliers or accounts.

Ipsos also asked business owners about the lessons they learned because of the pandemic. The top lesson, cited by 42% of the business owners, was to save in case of an emergency.

Businesses have also had to change the way they conduct marketing, with fewer of them relying on word of mouth after the lockdown. There was a 7% decline in businesses

owners putting down “word of mouth” as a key marketing strategy after the lockdown, although this type of marketing still remains the most used. There was a 12% increase in businesses using websites for marketing.

The SMMEs said they still required advice on how to cope with the financial blow dealt by the pandemic. According to the survey, 20% of business owners said they needed advice on how to access relief funds and 19% said they needed access to emergency loans.

Last week, the *Mail & Guardian* reported on findings by economic research institution **Trade & Industrial Policy Strategies** (Tips) on Covid-19’s effects on small business. According to the Tips data, the pandemic reversed a decade’s worth of progress made towards closing the race gap in small business ownership.

According to the Tips research, between 2010 and 2019 the proportion of formal black-owned small businesses was steadily rising, at 3% a year. But, from the third quarter of 2020, the proportion of formal small businesses owned by white people started to rise and the number of black-owned businesses declined by more than a quarter.

On Sunday night, President **Cyril Ramaphosa** announced that the country will be put under tighter lockdown restrictions for at least the next two weeks — signalling further uncertainty for businesses.

Under the current adjusted level-four lockdown regulations, restaurants will be closed for sit-down dining and will not be allowed to sell alcohol, which has been prohibited for on- and off-site consumption.

The Beer Association of South Africa (Basa), which represents **South African Breweries**, **Heineken South Africa** and the Craft Brewers’ Association, said the 14-day alcohol ban will be the death knell for some businesses.

“We have repeatedly communicated to the government how the previous three alcohol bans have devastated thousands of small businesses across the beer value chain, leaving business owners, their employees and families destitute,” Basa said in **a statement** after the president’s announcement.

“Many more businesses will now find themselves on the brink of closure as a result of the latest 14-day ban, and no financial relief being made available by the government.”