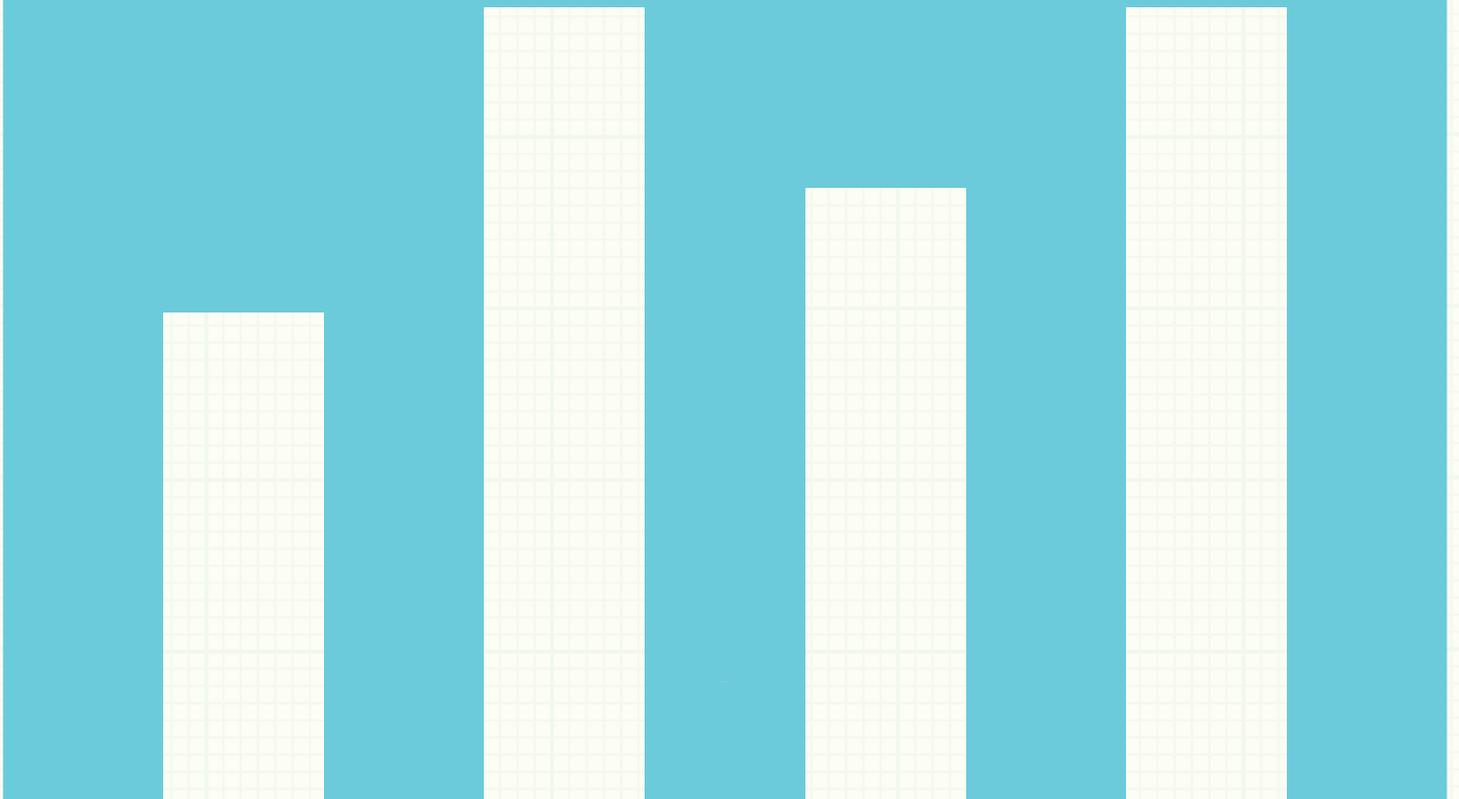




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Community Business Market Survey 2020: Impact of the Covid-19 pandemic



A report prepared for Power to Change

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About this paper

This is the sixth in a series of annual surveys conducted by CFE Research on behalf of Power to Change Research Institute on the state of the community business market.

The report has been researched and written as an independently. Although Power to Change has provided considerable input and support to the team, the views expressed here remain entirely those of the authors. The study did not aim to advise Power to Change as an organisation on how to define a community business, or to determine its overall strategy or grant-giving criteria.

This report is the first of two to be published around the 2020 data. This report considers the survey data only. A second report will be published in early 2021 which will provide a fuller overview of the findings in 2020 including market assessments and qualitative findings.

About the author



Founded in 1997, CFE Research is a highly regarded, independent social research company, providing research and evaluation services to government departments, public sector agencies, education providers, and local and national charities.

CFE is a not-for-profit organisation, employing a team of dedicated consultancy and research professionals, as well as an extensive network of quality-assured associates selected for their expertise. Our reputation for depth of knowledge, timely results, innovative research methods and flexible approach has seen us become a leading social research agency within the UK. Our services help customers to understand what works, in what context and why.

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Foreword

The Covid-19 pandemic introduced immediate and long-lasting implications for businesses across the world, and this does not differ for community businesses. As the pandemic hit the UK, the Power to Change Research Institute was about to survey community businesses for our annual study of the community business market – so we took the opportunity to ask questions about the impact of Covid-19 on these organisations and their views about the future. We had the largest response we've ever had to this survey, and this short report summarises what they told us.

Perhaps the most striking insight is how community businesses in England have seized opportunities and proved their resilience during this period. Only 1% of community businesses responding to the survey succumbed to the pandemic and shut their doors for good, and an incredible 89% of community businesses adapted operations to remain open, innovating at great speed.

It is perhaps the ethos of community businesses which may have encouraged their sustainability; the desire to continue supporting their communities during this difficult time. Whilst we've heard anecdotally that the journeys have not always been easy, the adaptations and innovations required by this pandemic are viewed as opportunities for longer-term change, with most businesses (71%) likely to maintain these changes post-Covid. In addition, nearly three in 10 (28%) of community businesses participated in local Covid-19 Mutual Aid Groups; commitment to communities is clearly illustrated.

Like many other sectors, community businesses too took up government support schemes such as furlough to stay afloat. We're happy to hear that most (79%) community businesses received some kind of financial support, showing the focus of funders to keep the sector alive as well as the drive of businesses to seek support. As expected, most community businesses (73%) are less confident about their future financial prospects, however we hope that funders and communities alike can continue to support these businesses as times goes on. And we'll revisit this survey in 2021 so that we can understand the longer-term impacts of the pandemic and the economic aftershocks on community businesses.

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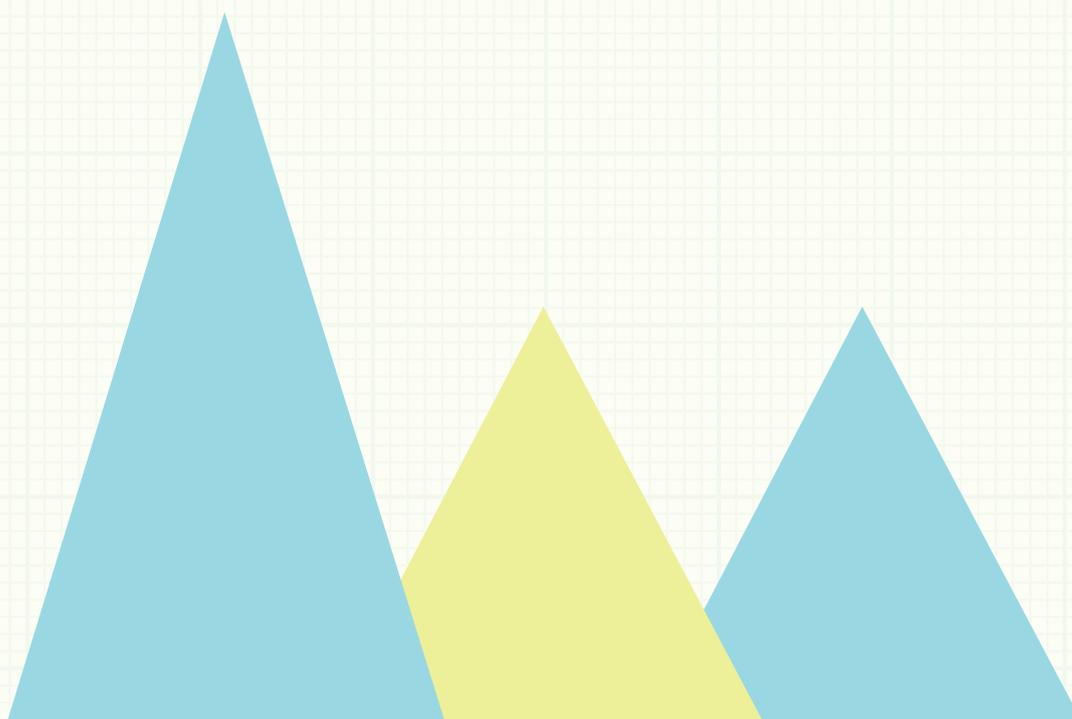
Head of Research and Policy, Power to Change

01. Executive summary

These research findings are based on questions relating to the impact of the Covid-19 pandemic in the 2020 iteration of Power to Change’s annual Community Business Market survey. This paper provides top-level findings about the impact of the pandemic on community businesses and is purposefully limited to descriptive findings.

More interpretation of these findings will appear in the Community Business Market report for 2020, which is due to be published in early 2021. The report has three purposes. The first is to estimate the size and composition of the community business market. This is necessary because no authoritative list of all community businesses exists. The wider survey supporting the report also covers the other two purposes: to gauge the outlook of community businesses for the coming year, and identify challenges and opportunities.

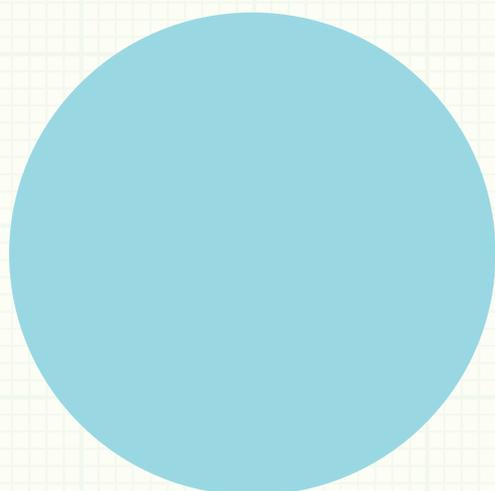
The Covid-19 pandemic is an unprecedented shock to modern economies. This early report can therefore provide an initial view on the issues community businesses have faced as a result. In addition to the survey data, findings from in-depth interviews with community business leaders and a rapid review of evidence in related literature will be included in the final report.





Key points

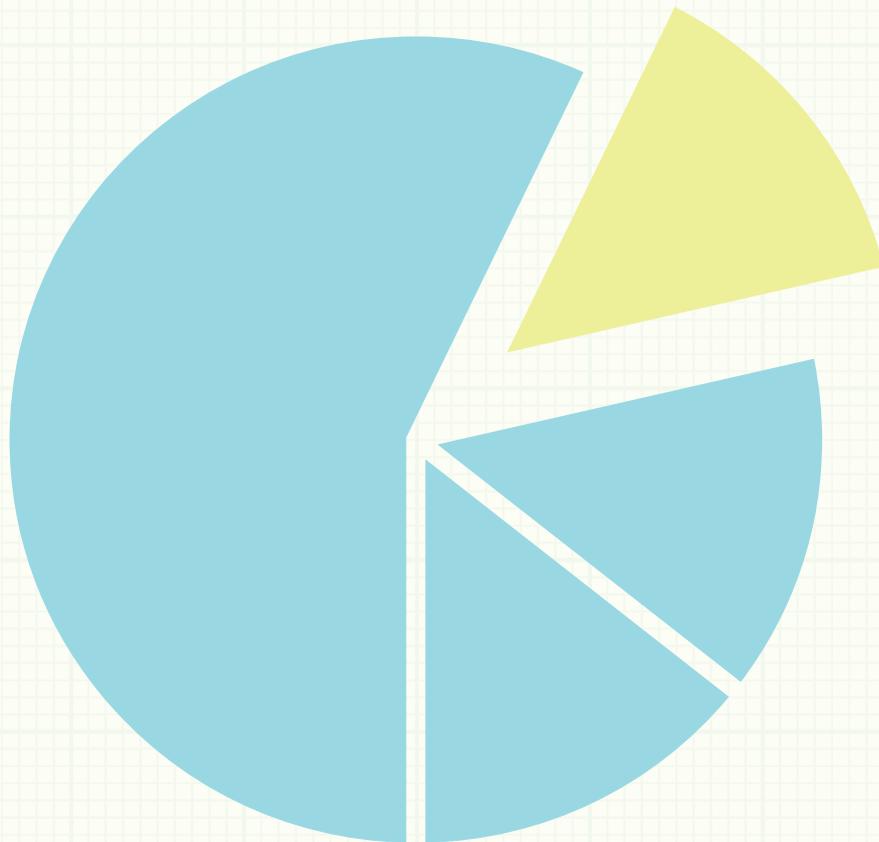
- **Community businesses have thus far proven their resilience to the impact of the Covid-19 pandemic. Only 1% of participants ceased operating and did not anticipate reopening. Community businesses in rural areas and shops appear to have fared best in the challenging circumstances, and multi-activity providers and those in urban areas fared worse. In-depth interviews are planned to examine the reasons.**
- **Many community businesses adapted quickly to the challenges – nine out of 10 of those still operating had changed or adapted their business in response to it.**
- **As another demonstration of resilience, nearly three-quarters identified an opportunity in the current circumstances in spite of the uncertain outlook. Developing new methods of working with customers or delivering products/services was the most frequently cited. Similarly, community businesses are already planning for their future – over half expected to open up a new line of trading activity or diversify their products/services once the pandemic ends.**
- **However, nearly three-quarters were less confident about their future financial outlook as a result of the pandemic and their resilience to date could be dependent on the availability of financial support. Eight in 10 had received some form of financial support during the pandemic.**
- **Furthermore, an observed drop in the average number of volunteers engaged may challenge community business models that rely on them. The in-depth interviews will explore what might be driving this, and the implications.**



02. Introduction

CFE Research (CFE) conducted the 2020 Community Business Market survey online in May and June 2020. The survey included a number of questions to help understand the impact of the Covid-19 pandemic on community businesses. It was distributed to Power to Change’s grantees and applicants and promoted on social media by Power to Change and its partners.

The survey was completed by 449 community business representatives. A summary of the profile of participants is provided at the end of this paper, which outlines the key survey findings relating to the impact of the pandemic on community businesses. It identifies any statistically significant differences within the survey sample by type of community business (whether by sector, size, age or location).¹ While the last Community Business Market report estimated the number of community businesses at 9,000 in England, the true population profile remains unknown and precludes the use of weighting on the survey data. The findings should not therefore be generalised to the whole population of community businesses.



¹ Statistically significant at $p < 0.05$ and only in relation to the community businesses who completed the survey. The survey sample did not aim to be representative of the community business population.

03. Impact of Covid-19 on business operations

Extent still operating

The business operations of the majority of community businesses surveyed were negatively affected by the pandemic. Only 15% of participants reported that their community business was still fully operational. This was more likely to be the case for community businesses in rural locations, those with a single business activity, and those in the retail sector (driven by shops). Half (50%) stated that they were operating in part, while a third (33%) had ceased operations, but anticipated reopening. Only 1% of community businesses had ceased operating and did not anticipate reopening. This demonstrates the potentially distinctive resilience of community businesses. In a survey by the British Independent Retailers Association, for example, 20% of retailers said they did not intend to reopen after the relaxation of lockdown restrictions (Jahshan, 2020)².

Survey participants anticipated the long-term impact of the pandemic on community businesses' operations. When the pandemic is over, only a third (33%) of community businesses expected to resume full operations at their pre-pandemic level. This was more likely to have been reported for those businesses with no employees, compared to small and medium-sized³ organisations and those which had continued to operate fully during the pandemic.

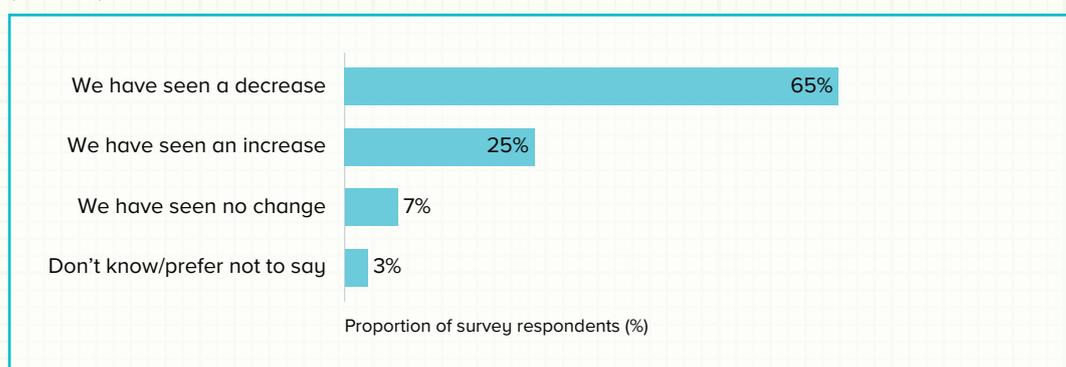
Changes in level and type of business activity

For the community businesses still operating, the pandemic typically had a negative impact on levels of business activity (see Figure 1). Business activity decreased for almost two-thirds (65%) of operating businesses, in particular those involved in multiple activities. However, a quarter (25%) saw an increase in activity compared with levels prior to the pandemic. This was more likely for community businesses located in rural areas and in the retail sector (again driven by shops).

² Jahshan, E. (2020) '20% of high street shops won't reopen after lockdown, MPs warned', Retail Gazette <https://www.retailgazette.co.uk/blog/2020/04/20-of-high-street-shops-wont-re-open-after-lockdown-mps-warned/>

³ With 11–249 employees.

Figure 1: Change in community business activity levels since February 2020 (n=273)



Of those still operating, nine out of 10 (89%) changed or adapted their business activities or delivery in response to the pandemic. Multi-activity and micro-sized⁴ community businesses (when compared to those without any employees) were significantly more likely to have adapted or changed. In Figure 2 the changes have been categorised into 'service changes' (blue) and 'changes to business operations' (yellow).⁵ The three most common changes were:

- offering a new or existing service remotely (46%) – e.g. craft/exercise classes via video conferencing or welfare calls to those who are shielding
- providing a community service to meet a new need (24%) – e.g. offering their venue as a neighbourhood resource centre or shopping on behalf of those who are shielding
- delivering their products to people's homes (17%).

Many participants felt the pandemic would result in longer-term change in the community business offer:

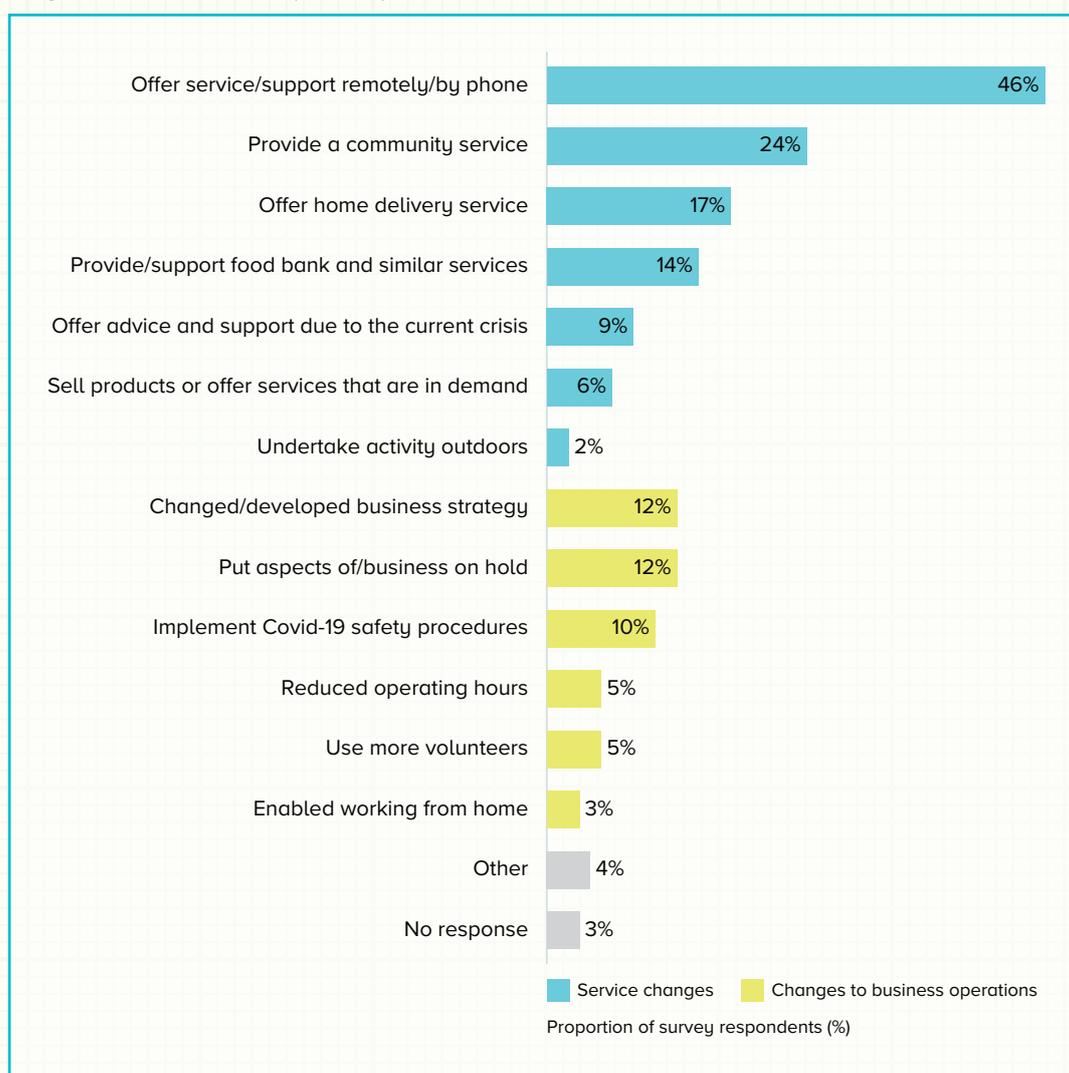
- Seven in 10 (71%) community businesses that changed or adapted their business activity in response to Covid-19 were at least 'fairly likely' to continue with this new or adapted activity once the pandemic has ended.
- Over half (55%) expected to open up a new line of trading activity or diversify their products or services once the pandemic has ended. This was driven by micro-sized and multi-activity community businesses.

This ability and motivation to change business models in response to the challenges of the pandemic illustrates the adaptability and resilience of community businesses.

⁴ With 1–10 employees.

⁵ Some community businesses reported multiple changes and so the results total more than 100%.

Figure 2: Changes and adaptations community businesses have made in response to Covid-19 (n=242)



Changes in business structure

Employees

The average total number of community business employees remained relatively stable during the pandemic (see Table 1). On average, participants had nine employees in May or June 2020 compared to 10 in February 2020. Just over a quarter (26%) of participants reported a decrease in their number of paid staff, compared to only 7% reporting an increase. The latter was more likely to have been the case for rural community businesses.

Table 1: Number of employees and volunteers in community businesses before and during the Covid-19 pandemic

	Mean pre-Covid-19 (February 2020)	Mean during Covid-19 (May/June 2020)	Mean change
Employees (n=401)	10	9	-1
Volunteers (n=393)	25	14	-11

Nearly seven in 10 (69%) community businesses employing paid staff during the Covid-19 pandemic (n=273) took action to reduce their staff costs. Six in 10 (57%) had furloughed staff, while just under two in five (16%) had asked staff to reduce their hours. One in 10 (9%) had asked paid staff to take a pay cut. Larger community businesses, with at least 11 paid staff and £50,000 of trading activity, as well as those longer established (pre-2007) were significantly more likely to have reported furloughing staff.

Volunteers

More notable changes were observed in the number of volunteers working for the community businesses since the outbreak of Covid-19 (see Table 1). Prior to the pandemic, community businesses on average had 25 volunteers compared to 14 during it. Over half (57%) of the community businesses surveyed reported a decrease in volunteer numbers. This was more likely to have been reported for community businesses employing staff and those offering multiple services. Seventeen per cent reported an increase in volunteers, in particular rural community businesses. The reasons for the fall in volunteer numbers – which may reflect reduced demand for services, or where volunteer age makes them more vulnerable to coronavirus – will be explored in interviews and reported in the full 2020 Community Business Market study.

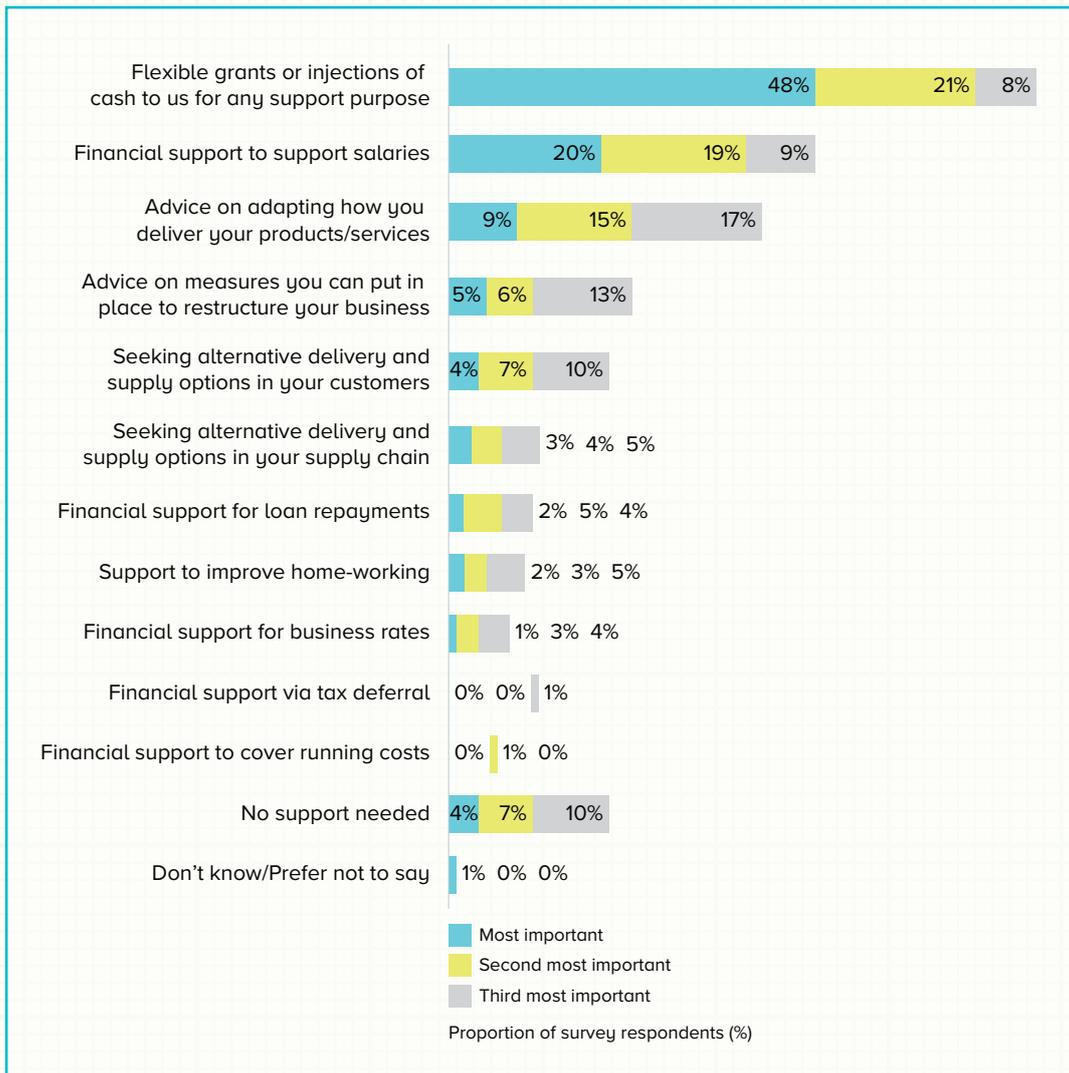
Overall structure

Many community businesses anticipated changing their approach to human resources in response to the pandemic. Nearly half (49%) of participants expected to re-evaluate their staffing and volunteer structures once the pandemic ends. This was reported more for larger businesses (with at least 11 employees and trading activity of £100,000 or more) and those providing multiple activities.

04. Business support needs in response to Covid-19

The survey asked participants to rank the three most important types of support their business needs as a result of the Covid-19 pandemic (see Figure 3).

Figure 3: Three most important types of support required by community businesses to respond to Covid-19 (n=416)



- ‘Flexible grants or cash injections to use for any support purpose’ was the most important support selected by nearly half (48%) of participants, and was placed in the top three by three-quarters (77%).
- This is followed by ‘financial support for salaries’ (ranked by 20% of participants as the most important and 48% within their top three).

- Two in five (40%) participants considered ‘advice on adapting the delivery of products/services’ within their top three support needs.
- More than one in five identified ‘advice on measures to restructure community businesses’ and ‘alternative delivery and supply options with customers’ in their top three support needs (23% and 21% respectively).
- Only 4% of participants indicated that they required no support.

Figure 4 shows the organisations that provided important support.

- Local authorities were most cited as supporting community businesses during the pandemic (61%, rising to 76% if considered with district or parish councils).
- This was followed by central government agencies (30%), other community businesses (25%) and industry/sector membership bodies (22%).
- 15% of participants said ‘none of the above’.

Larger community businesses, with at least 11 employees and those with trading activity of £100,000 or more, as well as those providing multiple activities, were more likely to report receiving support from their local authority or central government. Community businesses which had temporarily ceased operating were also significantly more likely to have received support from central government.

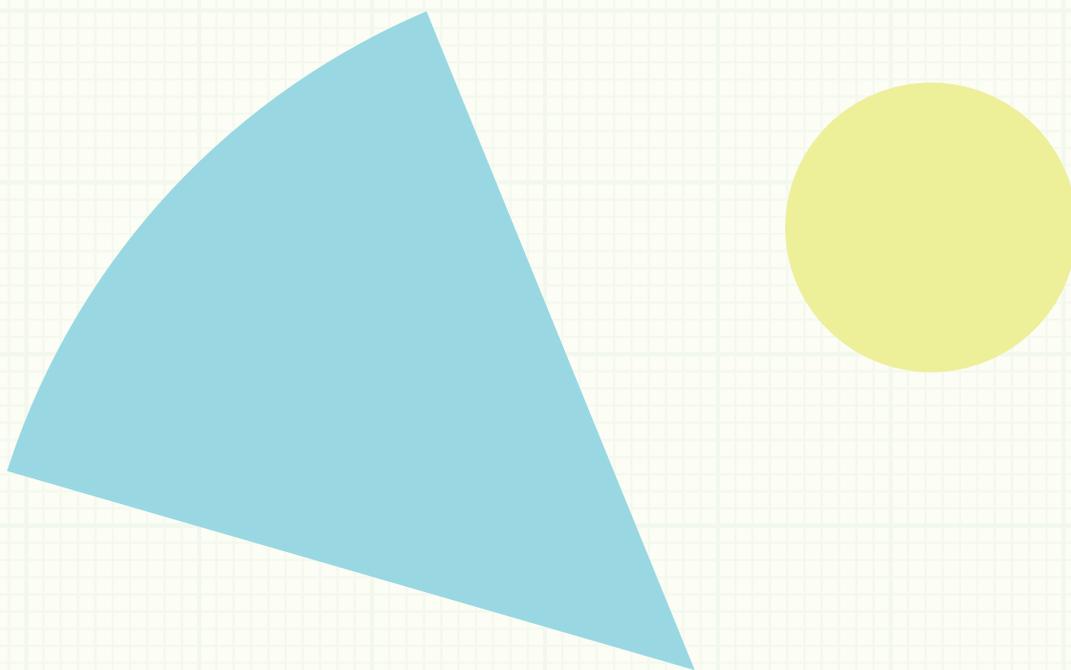


Figure 4: Organisations providing community businesses with important support in response to Covid-19 (n=416)

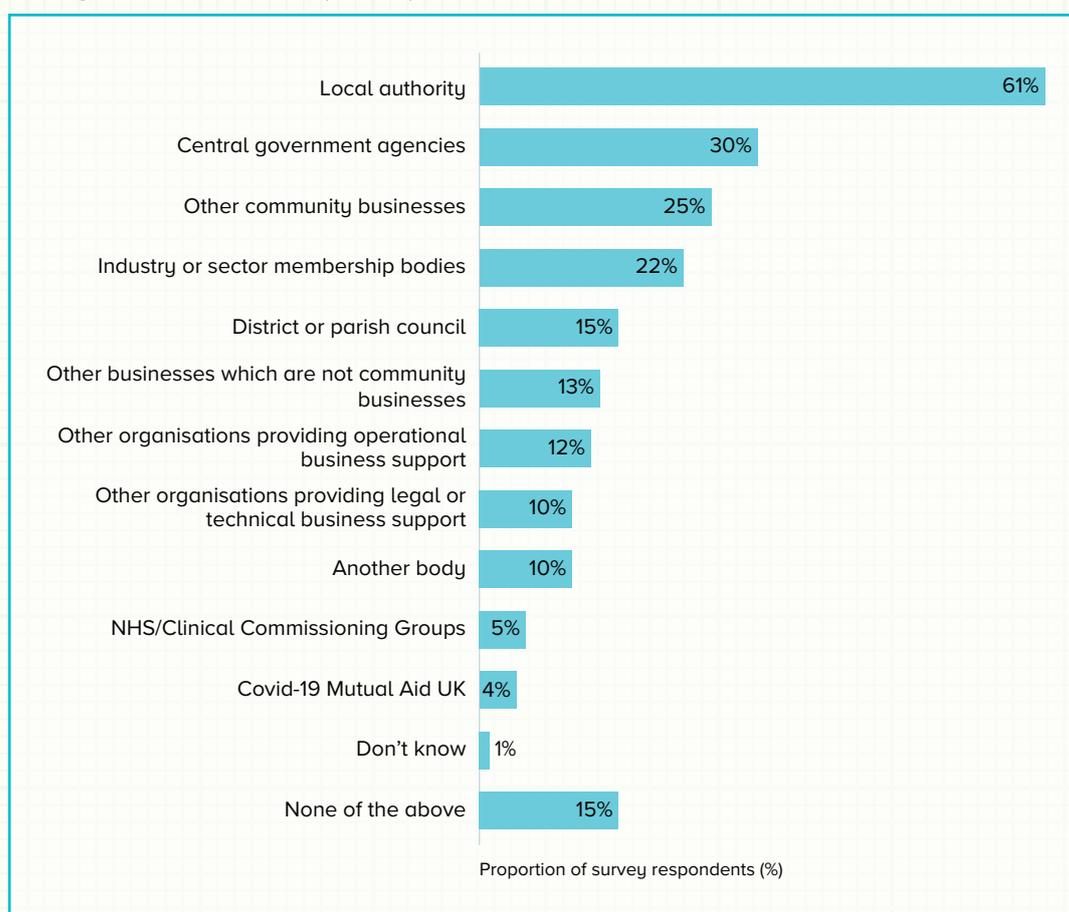
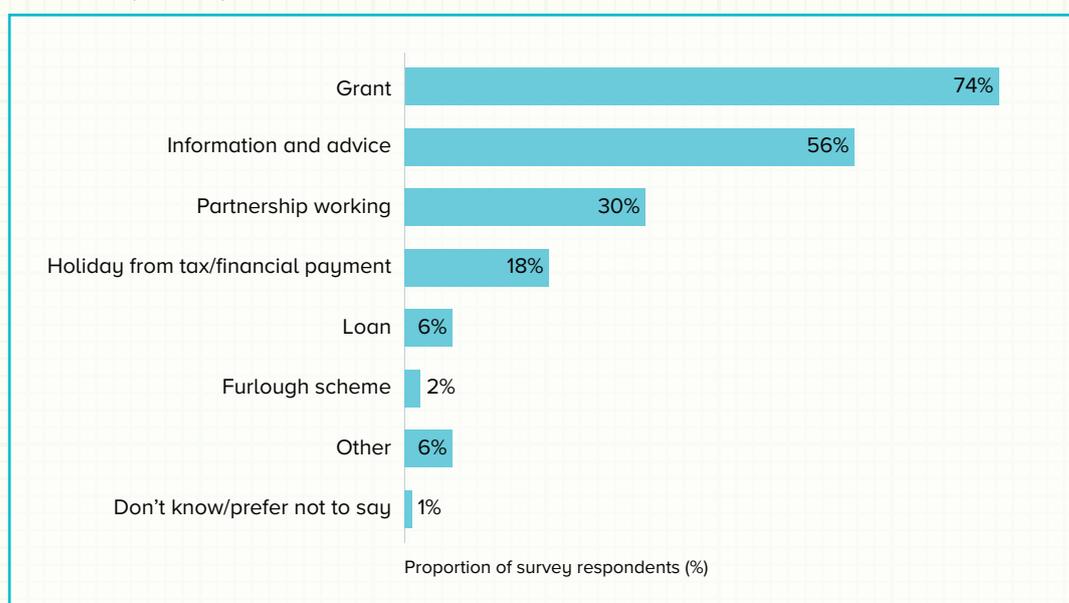


Figure 5 illustrates the type of support that community businesses received from these organisations. Eight in 10 (79%) community businesses received some form of financial support⁶, and those that did most referenced:

- grants (74%)
- information and advice (56%)
- partnership working (30%)
- a holiday from tax/financial payment (18%).

⁶ Whether grant, payment holiday, loan and/or furlough scheme.

Figure 5: Type of support received by community businesses in response to Covid-19 (n=350)



Of the participants who received a loan or grant support, the mean amount was £21,711 and the median was £11,763. Larger community businesses (with at least 11 employees and trading activity of £100,000 or more) and those in urban areas received significantly more financial support than the sample average.

Role of partnership working

Partnership working was an important form of support which community businesses received and gave. Nearly three in 10 (28%) contributed to the efforts of Covid-19 Mutual Aid UK⁷ in their area, to support people through the pandemic; 5% were leading such efforts. Partnership working was also a key element contributing to community businesses' anticipated recovery from the pandemic. Nearly two-thirds (64%) of participants expected to develop new partnerships or collaborations with other organisations when the pandemic ends.

⁷ For further information about Covid-19 Mutual Aid UK see: <https://covidmutualaid.org/>

05. Future outlook

Financial

Community business confidence in future financial prospects was negatively affected by the pandemic (see Figure 6). Nearly three-quarters (73%) of participants were 'slightly' or 'much less confident' in their future financial prospects. Community businesses in urban areas and those running reduced, or had temporarily ceased, operations were significantly more likely to report being 'much less confident'.

Figure 6: Community business confidence in future financial prospects following Covid-19 (n=449)

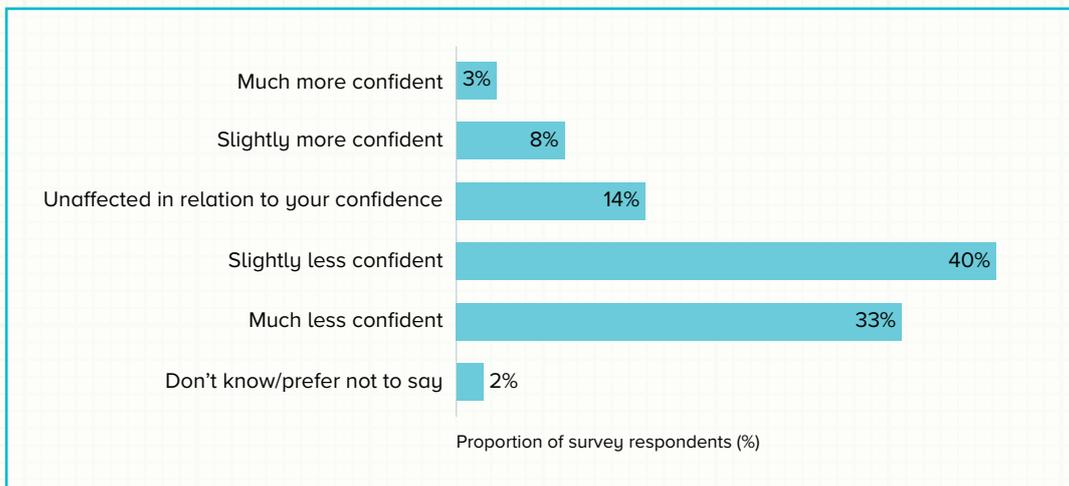
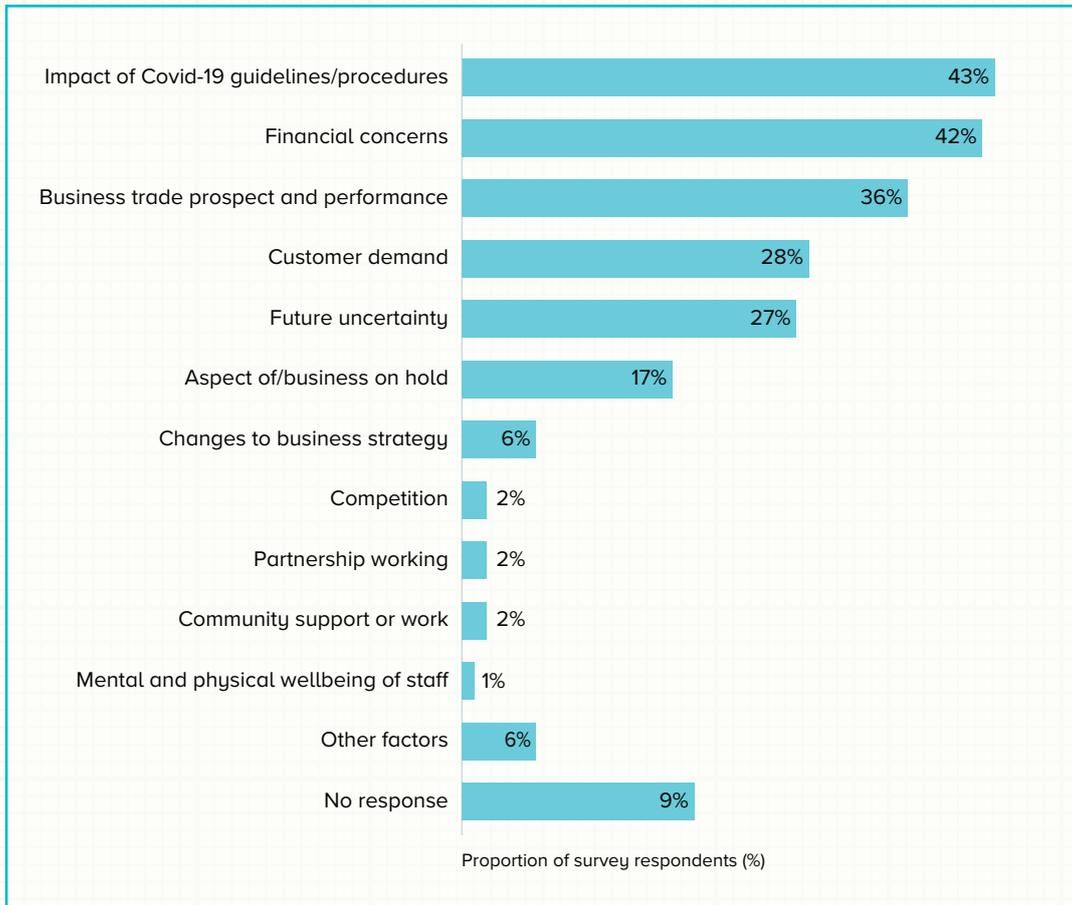


Figure 7 shows that the most frequently reported factors having a negative influence on confidence were:

- the impact of implementing the Covid-19 guidelines and procedures on their business (43%)
- financial concerns including access to/availability of loans/grants and costs incurred (42%)
- the impact of the pandemic on their business prospects and performance (36%).

Figure 7: Factors influencing community businesses with low confidence in future financial prospects following Covid-19 (n=327)



Base: All participants 'slightly' or 'much less confident' in their future financial prospects (n=327)

Similarly, most community businesses were concerned about their future income (see Table 2). Seven in 10 (71%), particularly community businesses in urban areas and those running reduced or temporarily ceasing operations, anticipated their overall income would decrease. This was driven by a decline in income from trading and contracts which over three-quarters (77%) felt would decrease.

The latter was significantly more likely to be reported for community businesses which were:

- in urban areas
- with paid staff
- running reduced or temporarily ceasing operations
- delivering multiple services and/or venue based
- particularly community hubs.

Conversely, over three in 10 (31%) participants anticipated that their income from grants would increase. Furthermore, nearly three-quarters (73%) expected to seek grant funding from new sources (driven by urban and multi-activity providers and venues such as community hubs) while 42% were likely to consider alternative funding opportunities such as crowdfunding once the pandemic ended. The latter was significantly more likely to have been reported by urban community businesses.

Table 2: Community businesses’ expectations about the impact of Covid-19 on their future income (n=416)

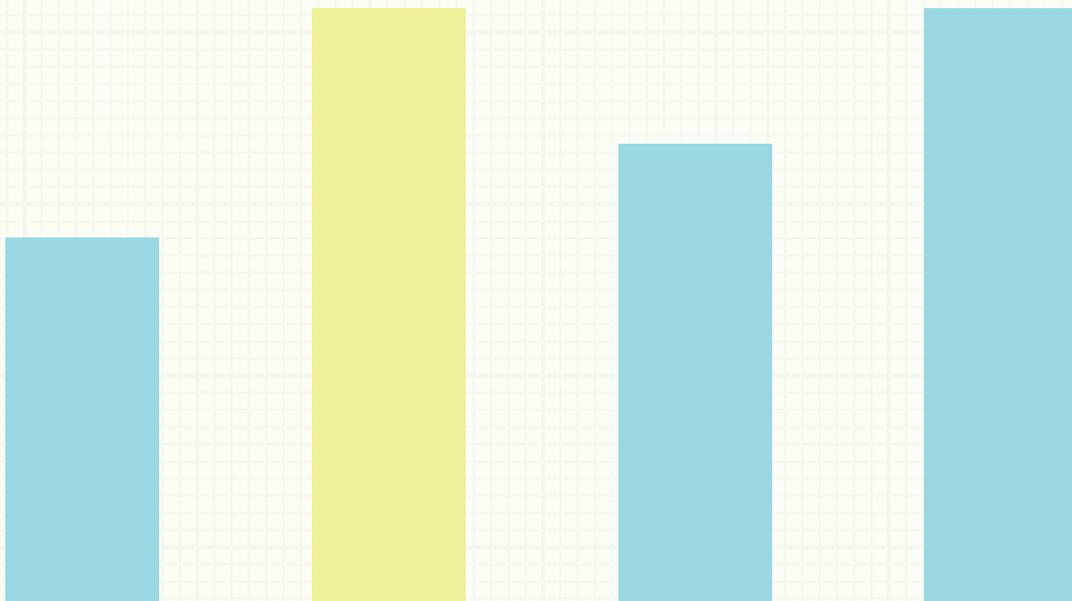
Income	Increase	Stay the same	Decrease	Don’t know/prefer not to say
Overall	12%	8%	71%	9%
Trading/contracts	9%	9%	77%	5%
Grants	31%	20%	33%	15%

Challenges resulting from Covid-19 pandemic

The Covid-19 pandemic created many challenges for community businesses. Figure 8 captures responses to an open question⁸ that shows more than one in five participants identified the following as key challenges:

- incorporating Covid-19 guidelines and procedures into their business (27%)
- concerns about financial losses (23%)
- the impact of the pandemic on demand for their products/services (22%)
- apprehension about how they would restart/revive their business (21%)
- general uncertainty about the future, such as the economic recovery or future waves of Covid-19 (20%).

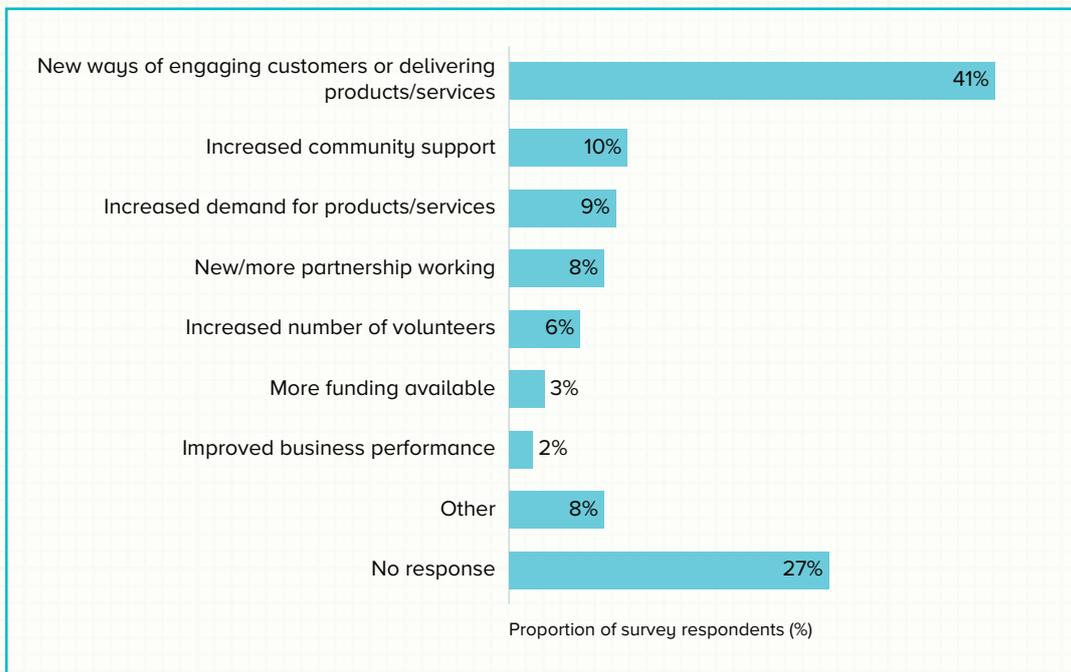
Figure 8: Main challenges facing community businesses as a result of Covid-19 (n=449)



Opportunities presented by Covid-19 pandemic

Despite facing an uncertain future, 73% of community businesses surveyed were able to identify at least one opportunity provided by the pandemic. The most cited opportunity was developing new methods to work with customers or deliver products/services to them (41%) (see Figure 9).⁹

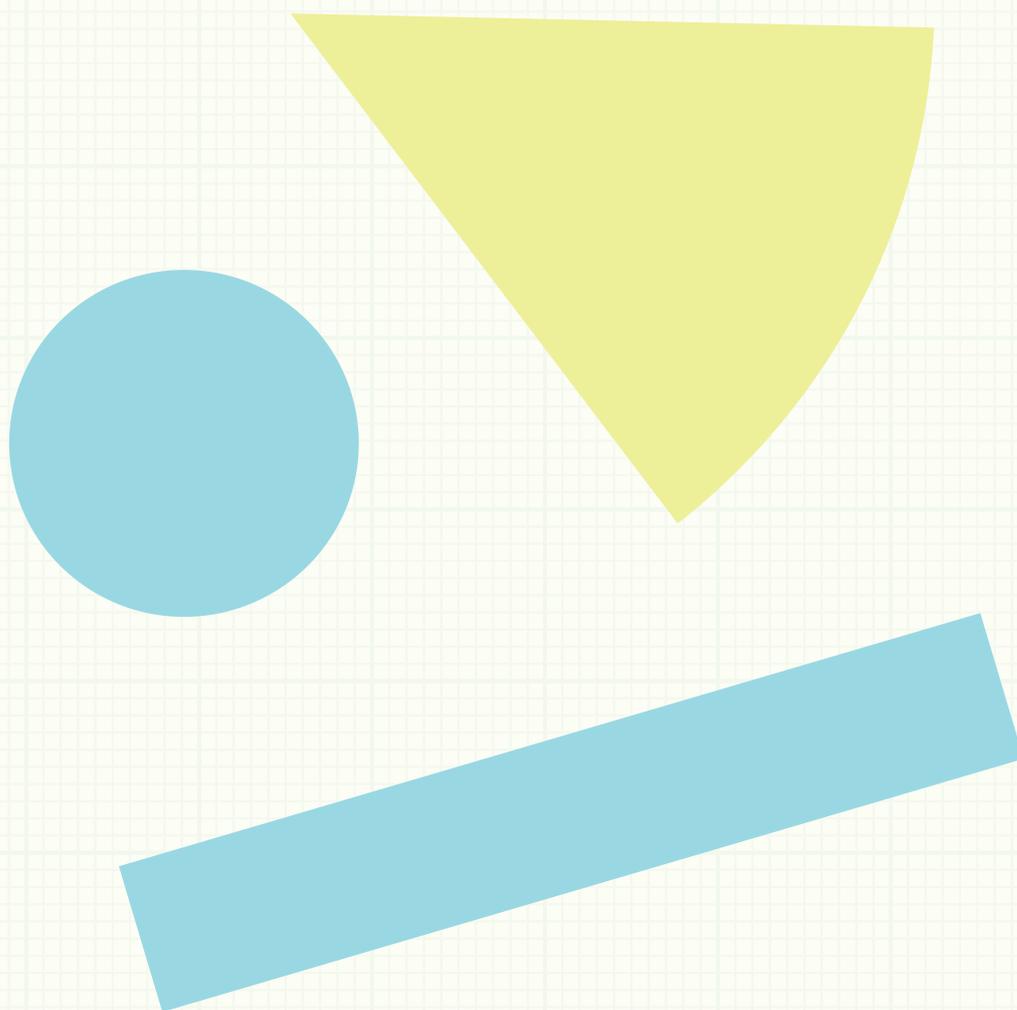
Figure 9: Opportunities presented to community businesses by Covid-19 (n=449)



⁹ Some community businesses reported multiple opportunities and so the results total more than 100%.

06. Next steps

This paper has identified the impact of the Covid-19 pandemic on community businesses. To build on these survey findings, CFE will hold telephone interviews with community business leaders who completed the 2020 survey, as well as a range of sector representatives. These will help provide a greater understanding about how the pandemic has impacted community businesses, the ways in which community businesses adapted in response, the support they sought and received, and their confidence in the future outlook for the sector. These findings will be interpreted alongside the survey results in the Community Business Market in 2020 report which is due to be published in early 2021.



Appendix: Profile of community business survey participants

The survey was completed by 449 community business representatives. No population census of community businesses exists which could be used to weight the data although the Community Business Market in 2019 report estimated the total number of community business as 9,000. Summary profile of participating community businesses:

- In terms of main activity, community hubs make up the largest proportion (28%) and the rest cover a wide range of business activities.
- Two-thirds (66%) undertake two or more business activities.
- Predominantly located in urban (74%) rather than rural (26%) areas.
- Represented across the nine regions of England – the largest proportion from the North West (17%) and smallest from the East Midlands (6%).
- Relatively young in terms of the length of time they have been operating – more than two in five (44%) began operating in the last six years.
- The majority (57%) are micro businesses with 1–10 employees.

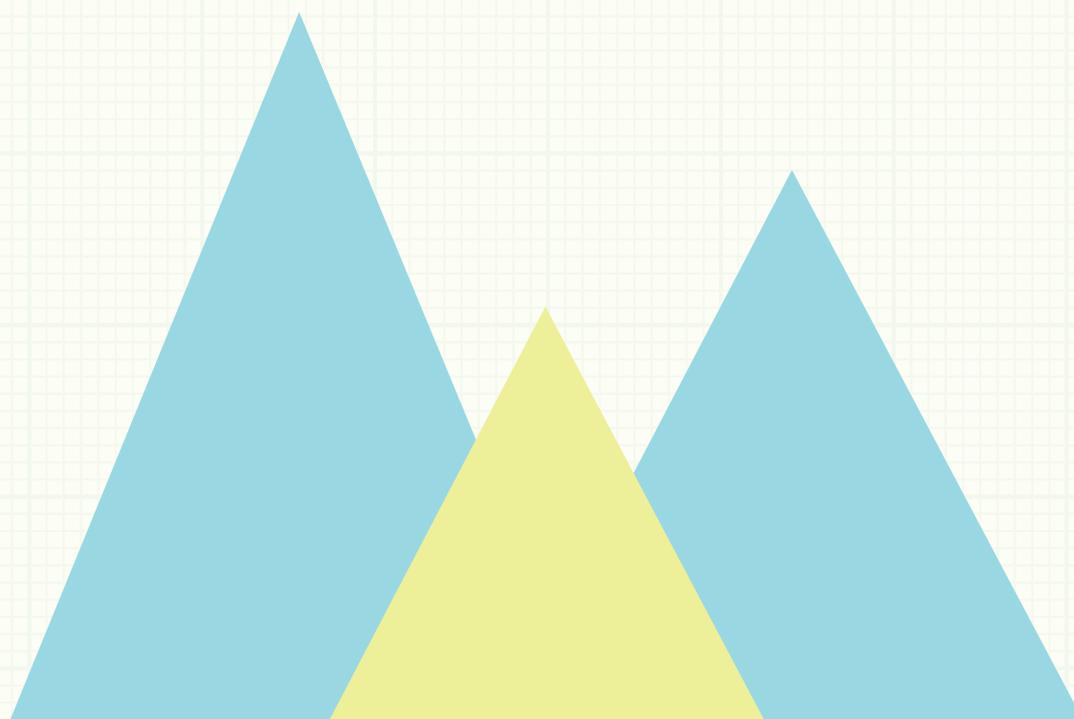


Table 3: Main business activity reported by community businesses

Main business activity	(n=449)
Community hub	28%
Training and education	7%
Shop	7%
Arts centre	7%
Sports and leisure	7%
Health and social care	6%
Pub	6%
Café	3%
Food/farming	3%
Environmental/nature	3%
Housing	3%
Business support	3%
Youth services	3%
Energy	2%
Information, advice and guidance/employability support	2%
Transport	2%
Childcare	1%
Library	1%
Craft	1%
Digital	1%
Finance	1%
Village hall	1%
Other	5%

Table 4: Number of different business activities reported by community businesses

Number of business activities	(n=449)
Single	34%
Multiple	66%

Table 5: Location of community businesses

Location ¹⁰	(n=424) ¹¹
Urban	74%
Rural	26%

Table 6: Regional location of community businesses

Region	(n=424) ¹²
North West	17%
South West	16%
Yorkshire and The Humber	15%
South East	12%
North East	10%
West Midlands	9%
East of England	8%
London	8%
East Midlands	6%

¹⁰ By appending the Office for National Statistics' rural/urban classification to the postcodes provided in the survey data.

¹¹ Not all participants provided the postcode for their community business.

¹² Ibid.

Table 7: Length of time community businesses have been operational

Established	(n=449)
Pre-2000	14%
2000–2007	15%
2008–2013	20%
2014 or after	44%
Not yet operational	7%

Table 8: Size of community businesses by number of paid employees

Size by number of employees	(n=404)
No employees	23%
Micro business (1–10 employees)	57%
Small/medium-sized enterprise (11–249 employees)¹³	20%

¹³ One participant community business had more than 249 employees but has been grouped as a small/medium-sized enterprise for analysis purposes.

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