

COVID-19: Business Impact (Canada except Quebec)



With less customers, dwindling sales, and possible job cuts, your SMB is feeling the effects of COVID-19. A study by the Canadian Federation of Independent Business (CFIB) suggests that 25% of small and medium-sized businesses won't survive longer than a month due to COVID-19 if they continue to lose revenue.

The economic impact of a health crisis like the one we're seeing with the coronavirus is unavoidable for most SMBs. But it's important to respond correctly. Find out how to adapt your operations to minimize the damage.

Understanding the situation

While consequences seem inevitable, you can still prepare to face this crisis and even get through it. Before undertaking any concrete action, it's important to take the time to analyze the situation, understand the challenges, then find any possible alternative solutions.

Figure out the challenges specific to your business, because the situation is different from one sector to another. Take a look at what you're up against. Determine which sources of supply are being disrupted or blocked altogether. It may also be difficult to reach your usual sales objectives, therefore you may not have enough cash to pay for your fixed expenses, like rent, loan repayments, taxes, payment for your suppliers, or even your employees' salaries.

Once you have an idea of your overall situation, start thinking about how your business will have to operate for the time being.

Consider alternatives

As Martin Cinq-Mars, Senior Advisor, Commercial Banking Sales Effectiveness at National Bank, explains, "To free up cash in the short term, you'll have to work on your long-term liabilities."

If you still haven't set up a contingency plan, it isn't too late. You can still set up some survival strategies to ensure your operations continue. Here are some guiding principles you can follow:

Maintain your business's essential activities at the very least

- Try to maximize your efforts on high-return activities so you can cover your fixed expenses.
- Get your family involved to minimize the variable costs related to production and limit your operating hours to the most profitable times of day.
- Continue providing customer service and communications (emails, social media, phone line, etc.) in order to stay in contact with your customers. Keep them up to date on the developments of your business and take this opportunity to show your support.

Adjust your plan so it lines up with the new challenges you're facing

- Suspend your usual business objectives. You need to think short-term and adapt to your current needs.

Manage your employees' expectations and needs

- Take care of your employees, especially during this crisis. Good labour is hard to find, and they contribute to your company's success. For example, you can take advantage of our partnership with Dialogue and offer your employees a remote consultation service staffed by a team of qualified and accessible healthcare professionals.
- Encourage remote work and teleconferencing if possible. Otherwise, make sure your employees have everything they need to protect themselves. Stay informed by checking the news or the Canadian government's website regularly.
- In the case of temporary layoffs, take the time to talk to your employees and to listen to them. Provide clear explanations of the challenges the business is facing and direct them to available government resources. Your employees are also impacted by the situation, same as you.

Change your usual operations process

- Rethink the way you work by setting short-term goals, but act rationally, with the long term in mind. Remember: this is a temporary situation
- Come up with a viable solution for depleting perishables in your inventory and minimizing losses. What some restaurant owners have done is offer discounted take-out meals, or they've simply invited their customers to come by and purchase products they have in stock.
- Offer a delivery or pick-up service if you haven't already.
- Look over the deals you have with your customers and adjust your fees to help out and, more importantly, reward their loyalty.

Generate cash and reduce risk

- Update the way you perform your bank transactions to shorten your cash conversion cycle (the time it takes to convert a sale into cash) as much as possible by opting for *Interac* e-transfers® and online payment processing or payment terminals. On top of reducing risks of infection related to COVID-19, these solutions will allow you to speed up the time it takes to convert your sales into cash.
- Contact your advisor to find out what solutions are available to you.
- Take advantage of this calmer period to get in touch with clients who have had outstanding balances for a while. But given the situation, show some sympathy and be diplomatic in order to maintain a good relationship with these clients.
- Contact your main suppliers to establish payment agreements. It's a good way to free up some short-term cash. Your suppliers need you the same way you need your clients. If you're renting your space, see if you can share the rental fees with the building owner. For example, you could pay rent every other month to keep your unit, and offer to cover the unit's maintenance fees.

Find the support you need for your business

Speak with the experts

"Get support from your specialists before making a decision," explains Charif Madih, Chief Advisor for Commercial and International Solutions, at National Bank.

Whether you go to the Bank, to your advisor, to your accountant, or even to a legal practitioner, speaking with an expert is always a good idea before making a decision.

For example, if you contact your advisor, they could inform you of government relief programs that your business is eligible for and pick out the best options among the various programs.

Find out about government measures

To minimize the economic impact, the government at both the provincial and federal levels are setting up financial support and recovery measures.

If you're an exporter, Export Development Canada (EDC) has said they're ready to help Canadian exporters during the crisis, particularly by expanding access to credit for Canadian exporters.

As for the CFIB, they're providing advice and support to independent business owners.

Other sources of support and information are maintaining minimal operations and remain available despite the circumstances. But because the situation is changing rapidly, it's important to stay informed every day. You can read about new measures established by the government by checking out the Department of Finance Canada's website, which outlines the economic intervention plans in response to COVID-19.

How can National Bank help?

The Bank is adapting and reacting to the situation. We're aware of the challenges you're facing and doing everything we can to help and support you as best as possible.

If you're a business owner or administrator, contact your advisor. Each business segment has their own particularities, and the same goes for the solutions we can propose.

Even in these trying times, the Bank is here to help and is committed to keeping its promise of meeting your needs.

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