

**STEEL
SCOUT**



TATA STEEL
A Tata Steel Europe venture



SteelScout industry benchmark report:
**The impact of COVID-19 on
manufacturing and supply chains**

June, 2020

On 23rd March 2020, the UK entered one of the most challenging periods our industry has ever seen. As the lockdown was announced, many of us had to find completely new ways of working to keep the wheels of industry turning.

The consequences of the lockdown and other defensive measures against COVID-19 has made previously unfamiliar situations now common place. From social distancing and home schooling to video conferencing and flexible hours, we have all been affected in some way.

To better understand the impact of the pandemic and our subsequent recovery, SteelScout has sought the views of 100 manufacturing professionals on the impact to our industry.

The results are encouraging and highlight the resilience of the sector. Despite the widespread challenges that have faced industry in the UK, the overwhelming majority of people surveyed remain optimistic for recovery. While there are clear concerns around the recovery period and short-term outlook, the sector remains positive with most respondents confident of returning to business as normal within the next 12 months.

Many of those surveyed reported that they have adopted new working practices to deal with current rules and guidelines. Reassuringly many have been able to embrace new technology that will help them through this tough period and secure their future productivity.

However, there is cause for concern at some elements that are outside our respondents' control. For many, the lack of visibility and alternative options in the supply chain and procurement process is causing knock-on problems that are challenging to navigate.

More positively, transformative digital platforms are helping and make the procurement of materials an easy and efficient process. Indeed, nearly a third of those surveyed have increased their use of digital platforms in order to safeguard their supply chains.

SteelScout is a multi-supplier procurement platform that leverages bespoke digital technology to connect buyers with a UK network of suppliers, giving them access to highly competitive pricing 24/7 and de-risking supply. With the UK's largest metal supplier network, our online platform means more choice and better value, saving customers time and boosting productivity.

Productivity has flatlined for over a decade and remains a structural challenge for the UK. A sustainable economic recovery depends not only on improving productivity but also on increasing wider confidence for business investment and consumers creating demand.

We look forward to continuing our support of the industry with innovative and efficient solutions, providing capability enhancing foundations for recovery.



Matt Yeates
Managing Director
SteelScout

A handwritten signature in black ink, appearing to read 'M. Yeates', written in a cursive style.

Introduction

This survey was conducted between 29 May and 23 June 2020 interviewing 100 professionals working in or directly connected to the UK manufacturing supply chain. Respondents represented the whole of the UK, with no one region responsible for more than 22% of respondents. Around 78% of respondents were from small businesses (up to 50 employees), while 10% represented organisations with more than 250 employees.

Impact of COVID-19

The manufacturing sector was rocked by the impact of COVID-19. Only 16% of people surveyed reported that their companies were able to carry on as normal when the pandemic hit. The most common immediate response, which was felt across the base of respondents, was for teams to be asked to work at a reduced capacity, along with staff being asked to work remotely and others furloughed (52%). 13% of respondents reported whole companies sadly being mothballed and all staff furloughed.

Around just over half (56%) of respondents reported customer spend decreasing from the start of the pandemic.



How has your business been affected by COVID-19?

The company has been mothballed and all staff furloughed



Working at reduced capacity with some staff remote working and some furloughed



Working on rotation with a split team



All non-essential projects have been paused



We've carried on as normal, nothing has changed



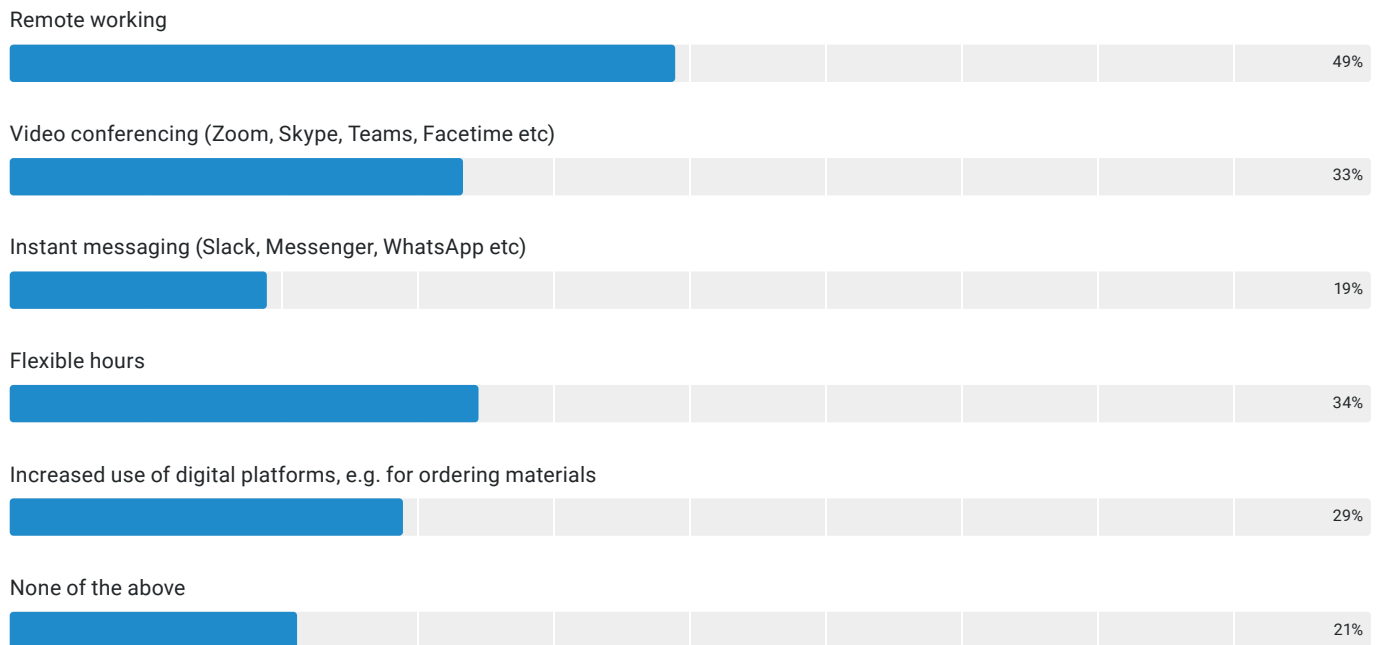
The crisis has accelerated digital adoption

Despite the enormous challenges facing the industry, it is clear that the majority of companies immediately took steps to adapt to the change and adopt new working processes.

Our survey found that 79% of respondents adjusted their working practices in response to the pandemic, with remote working options leading the way and being used by 49% of respondents. More than 33% added that they have been using video conferencing, and around the same number (34%) have embraced flexible hours. Almost a third (29%) have increased their use of digital platforms in order to secure the materials they need.

Respondents were also open to delivering new products and services to help with the national effort and lessen the impact of COVID-19 with over 22% of businesses pivoting to produce items from masks and screens to medical device parts. Around half of those companies added that they intend to incorporate the products and services into their offer on a long-term basis.

Has your business introduced new approaches to work since lockdown in March that you didn't have before?



SteelScout View

There is no doubt that the pandemic has dramatically increased the speed at which digital services are adopted for many industries. The cost of technology is becoming less of a barrier than the cultural change required to fully exploit its benefits. Even more traditionally analogue sectors such as metal procurement have realised the benefits that digitalisation can deliver, dramatically improving productivity and customer responsiveness.

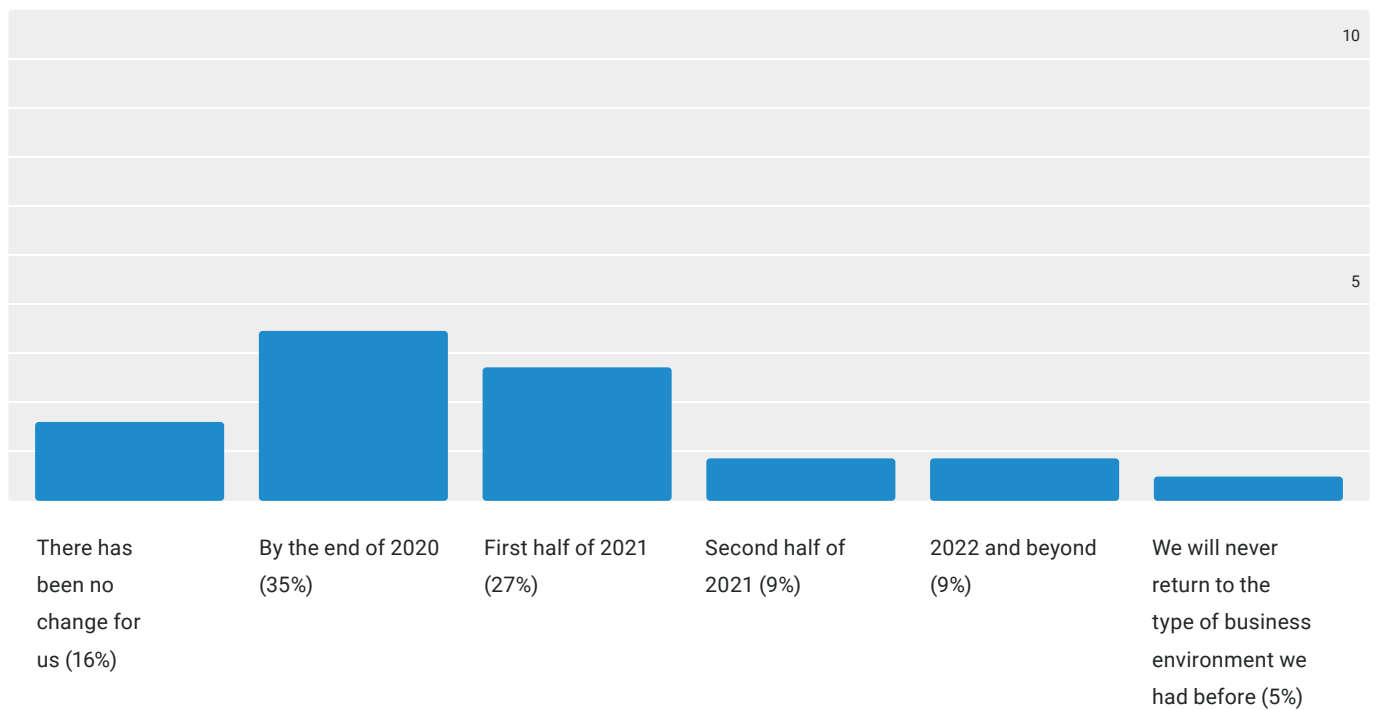
Optimism on recovery runs high

Businesses are positive about the recovery

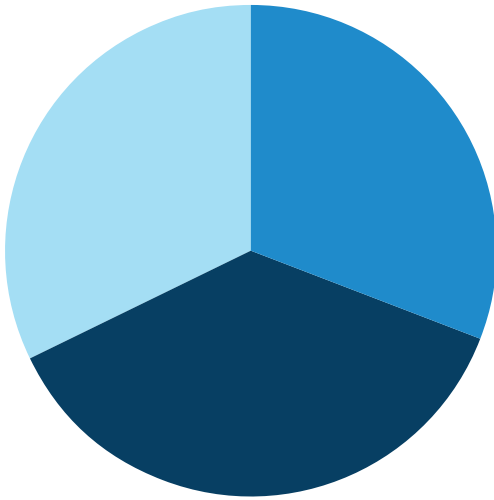
Throughout the survey base there was distinct optimism for recovery. The majority of respondents (62%) saw a full return to 'business as usual' by July 2021, with over half of this number (35%) predicting that the business environment would actually revive by the end of 2020.

Meanwhile, 68% of respondents said that they expected demand to return to pre-pandemic levels or for demand to be higher to compensate for the current situation.

When do you see business as usual returning?

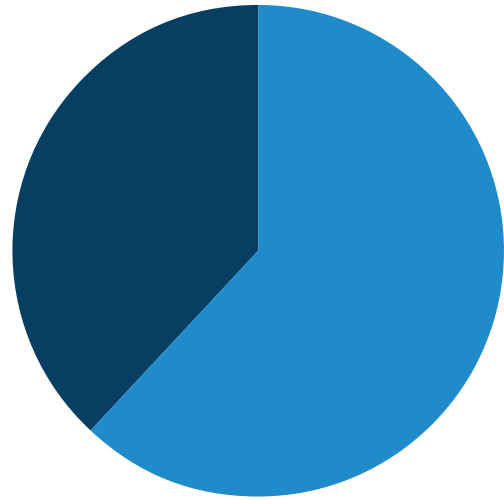


How do you see demand changing specifically next year (2021)?



- We expect demand to be higher to compensate for the current situation (31%)
- We expect demand to return to pre-pandemic levels (37%)
- We expect demand to be lower for the foreseeable future (32%)

Do you have orders waiting to be fulfilled once social distancing and lockdown rules have eased?



- 62% of respondents report having orders waiting to be fulfilled once social distancing and lockdown rules have eased. Within our survey base alone, those orders exceed £17m in value.

Looking at the long term

More than half (53%) of those surveyed believe that in the long-term, the virus will have no impact on their business, while close to 12% said they may actually get larger.

SteelScout View

The results show that many businesses are optimistic about the recovery, anticipating that the order backlogs before lockdown will need to quickly be fulfilled.

While feedback indicates that many businesses are investing in and deploying new technology that will help them become more efficient and effective, they will expect the same from the wider supply chain in order to meet demand.

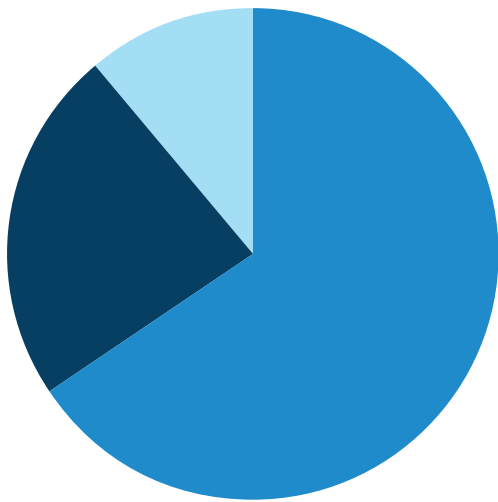
Modernising the supply chain

The impact of COVID-19 on supply

While those surveyed were optimistic of the prospects of short and long-term recovery, many highlighted a lack of support and visibility in the supply chain that gave them cause for concern.

While the majority of respondents (51%) are still contacting the same number of suppliers as they had been pre-pandemic, 66% report that it has been harder to get hold of the materials they need in the timeframe required. Additionally, 36% of respondents said that it was taking longer just to identify the 'winning quote' from suppliers, potentially causing further delays and adding inefficiency to the process.

Do you think it has been harder to get the Materials you need within the timeframe you need as a result of COVID-19 putting suppliers out of business and disruption to the supply chain?



- Yes (66%)
- No (23%)
- Don't know (11%)

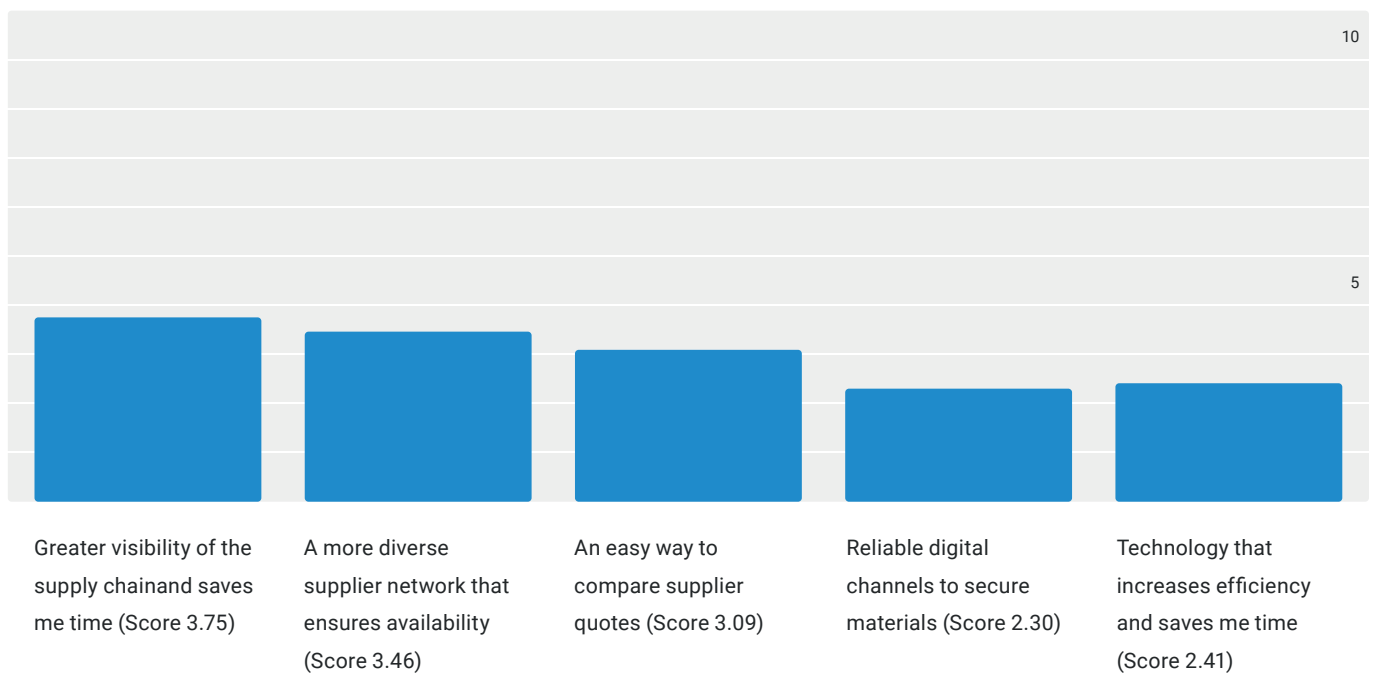


Modernising the supply chain

Greater visibility of the supply chain needed

When asked what the most valuable improvement would be to help fulfil post-pandemic orders, greater visibility of the supply chain was selected as first choice by 42% of those surveyed. A more diverse supplier network was selected by a fifth (21%) of respondents, whilst technology that increases efficiency was also a popular first choice (19%).

Which of the below will be most useful to your business to fulfil postpandemic orders?



SteelScout View

A lack of visibility of suppliers and product range, together with pricing opacity in metal buying has long been a challenge for businesses. This has been further exacerbated by the pandemic as some suppliers have been forced to stop their operations.

Ensuring continuity of manufacturing operations and the ability to confidently match demand to supply will be crucial to deliver order backlogs and enable a rapid recovery.

Conclusion

As with every business in the world, COVID-19 has had a fundamental impact, challenging all aspects of the way we work. Whilst this survey shows how far reaching and devastating its effects have been for some companies, it also shows the resilience of the manufacturing sector to pivot and now rebuild with confidence.

Responses show that some areas of the supply chain have rapidly adapted to meet demand. However, addressing structural problems the industry has uncovered, will be key for a sustainable recovery.

There is a significant opportunity ahead. A large majority of survey respondents indicate they are keen to take steps to improve visibility in the supply chain and digitalise for operational efficiency. With this approach, we could witness a strong recovery for UK manufacturing.

About the survey

- The survey was conducted between 29 May and 23 June 2020
- 100 respondents completed the survey who confirmed they were working in or connected to manufacturing, including fabricators, laser cutters, warehousing, stockholders, construction, engineering and fencing
- Respondents represented the whole of the UK, with no one region responsible for more than 22% of respondents
- Almost 78% of respondents were from small businesses (50 employees or less), while 10% represented organisations with more than 250 employees
- The survey was conducted using the independent survey tool, Survey Monkey and overseen by Fire on the Hill Ltd.

