

# THE GREATER MANCHESTER BUSINESS GROWTH REPORT

Opportunities to unlock SME growth in 2021

## INTRODUCTION

**Unprecedented. A word so chronically overused in the last 12 months, but one that remains the most apt. It is unlikely that there will be another situation like this for generations, disrupting our national and local economy at a level that far exceeds that seen during the 2008 financial crisis.**

Our first annual report into Greater Manchester's business ecosystem is designed to help SMEs and business owners as they continue to adapt, highlighting some of the key trends seen over the last 12 months and offering learnings. Alongside this, we have identified significant areas of opportunity for entrepreneurs to unlock growth as we continue to recover.

As is in our DNA, Greater Manchester has adapted and shown resilience in responding to the challenges of the last 12 months. From innovating product ranges to transforming the foundations of their businesses, entrepreneurs across the region have identified opportunities and implemented enormous change. It is this agility and forward-thinking nature that provides hope for a strong economic recovery.

This is also being supplemented by strong local government leadership. Even before the pandemic Greater Manchester's Combined Authority had put ambitious strategies to drive inclusive growth across the region's businesses. This includes the June 2019 Local Industrial Strategy and the February Digital Blueprint to enhance stronghold sectors, as well as the Zero Carbon Framework designed to create a more sustainable working and living environment.

During the pandemic, the GMCA has taken an active role in providing support. In November, the GMCA became the first local authority to directly offer funding to support the distribution of Bounce Back Loans, pledging £10m to help the region's businesses. Likewise, the organisation provided valuable guidance on approaching international trade through a revised One Year International Strategy.

Building on this outstanding leadership, it is now our responsibility to ensure that the region's companies have the support they require to build on their successes. For those that have seen an uptick in demand, we need to help them manage their growth sustainably, creating the next generation of global business leaders. With the barriers to entry lowered, the world is now more accessible to SMEs than ever before.

Likewise, it is crucial that we provide a safety net to those businesses and individuals that have struggled during this period. From accessing finance to mental health concerns, the last 12 months has taken a toll on many industries, and we need to help them rebuild.

I hope you find our report an interesting and informative read, and I look forward to working more closely with you over the coming year.

Kind regards,



**Janine Smith**  
Head of Specialist Services  
at Business Growth Hub

## OPERATIONAL EFFICIENCY

**In today's business environment, reducing operational waste has become pivotal to both survival and growth. Scrutiny must therefore be placed on every aspect of the production and service process, from initial customer engagement to end stage delivery.**

For manufacturers, this means having a strong understanding of each of the following areas, ensuring each is as efficient as possible:

- The factory/production floor
- The back-office function
- The supply chain

In order to improve efficiencies, businesses are becoming increasingly innovative – something that will continue to be hugely valuable as they look to recover and thrive post-COVID.

## Technology as the enabler of efficiency

At the turn of the new decade, the focus for companies looking to improve operational efficiency was on the digitalisation of processes. The ultimate goal for many is Industry 4.0: an automated system that manages the end-to-end customer interface, freeing up time for staff to perform more complex tasks.

While we expect this to remain a priority for businesses, the financial impact of the pandemic has caused some companies to place plans on the back burner. However, it is important to understand that digital innovation does not necessarily need to represent a huge project and significant cost. By considering the multitude of options available, companies can more accurately assess which one or combination of technologies can be used in a cost-effective way, adding value to both the customer base and the business as a whole.

Instead of viewing the pandemic as a disruptive force, forward-looking businesses have found a way to innovate to maximise their opportunities. We have already seen manufacturers introduce wearable technology to support social distancing, with wristbands designed to buzz when individuals come less than two meters from one another on the factory floor. This is something we expect to see continue as businesses embrace innovation to gain a competitive advantage and maximise efficiencies.



## The online race

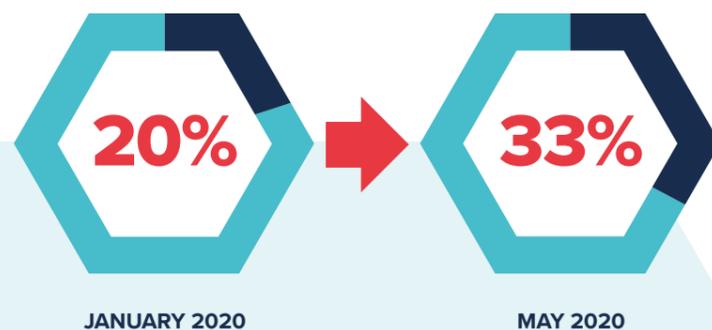
The appetite for online sales has never been more apparent than since the start of the pandemic.

The latest ONS figures, released in September, reveal that online sales comprised 20% of total retail revenues in January 2020 – a figure that jumped to 33% in May. For context, the previous decade had only seen a 13% rise in internet purchases as a percentage of total retail sales, with just 7% online in January 2010.

While the spike caused by the pandemic presented an immediate opportunity for pre-existing ecommerce businesses, this rapid change in consumer behaviour forced some businesses to properly invest in existing or new ecommerce offerings. According to figures from Deloitte, 45% of businesses saw more than 10% growth in their online sales in March 2020 compared to their initial expectations pre-COVID.

To take full advantage of this online growth, companies with a lack of experience in this area have had to challenge core business practices and ideas. Given the saturation of the marketplace, identifying a core target audience and marketing directly has never been more important. Similarly, having recognised that their online market has shrunk compared to traditional retail, some companies have looked to adapt their product range to appeal to a larger audience.

With areas of the country expected to experience differing restrictions over the course of the next 12 months, adaptability is going to be crucial to remain competitive, as well as an optimised online platform to generate additional revenue.



ONLINE SALES COMPRISED 20% OF TOTAL RETAIL REVENUES IN JANUARY 2020 – A FIGURE THAT JUMPED TO 33% IN MAY (ONS)

## CASE STUDY

# ALI & FAJAR

**Prior to the pandemic, Ali & Fajar was a logistics delivery business. However, as the pandemic hit, the management team saw an opportunity to quickly shift business models to focus on manufacturing face masks to be sold direct to the public.**

The GC Business Growth Hub team helped the founder make the transition into the new business model, as well as providing advice on establishing production, manufacturing processes and digital innovation to improve the firm's website.

Mohammed Ali, founder of Ali and Fajar, said: "As has been the case for many businesses across the UK, COVID-19 has forced a significant rethink when it comes to operations, products and target audiences. In order for us to adapt our offering, GC BGH has been pivotal in advising us on best practice and introducing us to both influencers and business development opportunities."



**Mohammed Ali**  
Founder of Ali and Fajar



**Sarah Novotny**  
Design Creative and Tech Lead at GC Business Growth Hub

"Technology has become the new normal when it comes to improving efficiencies, and we are set to see an ongoing development race as companies look to future proof. In particular, businesses will continue to improve technology to create a customer-centric and localised experience, despite shopping online."

## Sparking productivity

As part of this adaptability, most companies have also needed to be increasingly flexible with the human resource they have at their disposal. The restrictions of COVID-19, from social distancing to the loss of contracts and sales, has meant that companies have had to do more with less.

While initially daunting, the March lockdown period highlighted to many companies just how productive staff can be when working remotely.

According to a Deloitte survey, 55% of workers believe that their colleagues are just as, if not more productive than they were before lockdown.

Despite this, companies have been forced to make decisions on the delicate balance between the demand from customers with staffing requirements.

Figures from the government reveal that more than 1.2m UK businesses have made use of the government's furlough scheme, designed to support workers.

For some companies, that has meant that remaining staff members have been required to fulfil multiple job roles or take on greater responsibility. Others have elected to invest in technology, enabling greater automation of tasks and removing the need for permanent staff.

While businesses continue to stabilise in the 'new normal' environment, the balance between customer demand and resourcing will remain difficult to predict. To maximise efficiency, we expect to see a greater number of companies invest in automation for simple tasks wherever possible, enabling them to face into the uncertainty by limiting the necessary human resource.

## Controlling the supply chain

In addition to removing waste from an entrepreneur's own business, perhaps the largest operational efficiency gains can be made in the supply chain. In the current environment, ensuring consistency and reliability across the supply chain is vital, providing confidence that products and operations will continue to function as normal.

Prior to the pandemic, many companies will have been making use of long international supply chains, often enabling them to cut costs by manufacturing products in cheaper locations. However, with different restrictions on freedoms and movement around the world, it is now almost impossible to accurately predict the impact of the pandemic on international product delivery. Similarly, there is no way of knowing when a further wave of the virus may hit, or how the new EU

trade deal may affect production, throwing international supply chains into chaos once again. As a result, we expect to see a greater number of businesses reassess their supply chains, looking to onshore or nearshore to gain more control. Similarly, we're likely to see businesses sourcing products more locally, which may have a positive impact on the Greater Manchester economy and SMEs across the region.

When onshoring production, businesses should be mindful of the hugely positive impact of the region's commitment to carbon reduction. In many cases, international supply chains do not represent the most sustainable methods of production and delivery, and in order to move production back to the UK, businesses may need to accept an increase in cost as a trade-off for greater reliability and sustainability.

55%

55% OF UK WORKERS BELIEVE THEIR COLLEAGUES ARE JUST AS, IF NOT MORE PRODUCTIVE THAN BEFORE COVID-19

(DELOITTE)

£1.2m

1.2M UK EMPLOYERS HAVE MADE USE OF THE GOVERNMENT'S FURLOUGH SCHEME

(UK GOVERNMENT)



**Dr Tony Bannan OBE**  
CEO at Precision Technologies Group and director of the proposed Advanced Machinery & Productivity Institute

### A VIEW FROM THE MARKET

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To drive value back into the UK economy after the pandemic, we need to make better use of the expertise we have in the UK, especially when it comes to the supply of key products.

To take advantage of this, Greater Manchester must strive to improve collaboration with the broader North. With pockets of technology-based excellence across Manchester, Liverpool and Leeds, there is a real opportunity for the region to become UK leaders in industrial technology.

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**Get in touch to find out more about how GC Business Growth Hub can help you maximise your growth potential.**

**E** [bgh@growthco.uk](mailto:bgh@growthco.uk)

**T** 0161 359 3050

**W** [businessgrowthhub.com](http://businessgrowthhub.com)



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