

THE IMPACT OF COVID-19 ON THE UK RESEARCH INDUSTRY

Research compiled by Purple Market Research

Wave 3: June 11th 2020

RESEARCH BY:
Purple Market Research

CONTACT:
www.purplemr.co.uk
www.previsionresearch.co.uk



In this document



This report has been compiled by secondary research specialist **Purple Market Research**

This is the third in a series of reports summarising research on the impact of the Covid-19 crisis on the UK business sector

The information collated in the reports has been mined from a range of research studies available in the public domain

This report also includes data specific to the market research industry, drawn from our sister company Prevision's One Minute Surveys conducted among market researchers

This report has been compiled in week commencing 8th June 2020



The market is challenging but there is some positive news



A CHALLENGING MARKET

The UK economy has contracted, with April seeing a record 20.4% contraction

The UK economy is forecast to see the greatest decline among leading nations

Two-thirds of UK businesses have seen turnover decline due to the COVID-19 crisis

UK businesses are financially insecure with over half having less than 3 months cash in reserve

BUT SOME SIGNS OF RECOVERY

UK business activity has started to recover from April's all time low, albeit slowly

The UK economy is expected to see some improvement from May onwards, although the speed and duration of the recovery are uncertain

Most businesses are aware of government safety guidelines and are able to restart operating



**THE MARKET
CONTINUES TO BE
CHALLENGING**



The UK economy has contracted, with most sectors affected

ONS records UK GDP for April contracting by 20.4% - the greatest monthly contraction on record (and three times the total contraction during the 2008/9 downturn)

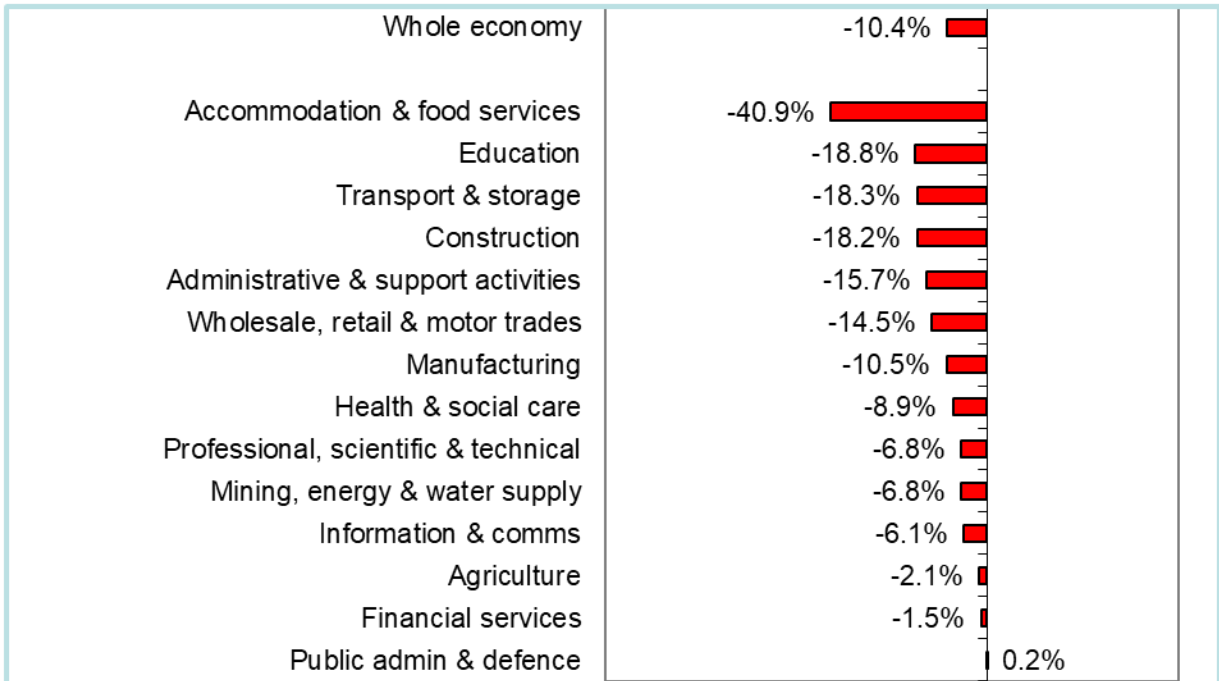
In the three months February to April, UK GDP contracted by 10.4% compared to the previous three months

The accommodation & food services sector was worst hit, although most sectors have been affected

Contraction of UK GDP

-20.4%	Change in UK GDP in April 2020 compared to previous month
-10.4%	Change in UK GDP in three months February to April 2020 compared to previous three months

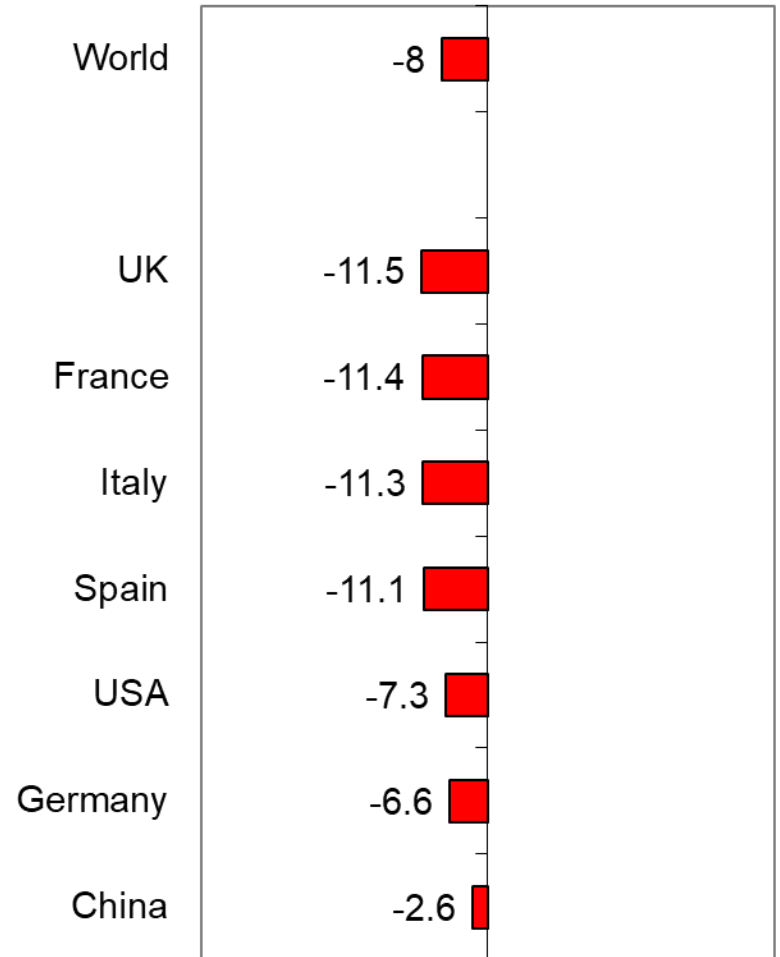
Contraction of GDP February to April compared with previous three months





UK economy could be the worst hit among leading nations

Projected percentage change in GDP in 2020 – assuming a single pandemic peak



OECD forecasts that the UK economy will slump by 11.5% in 2020

If there is a second wave of COVID-19 then that figure could be as much as 14%

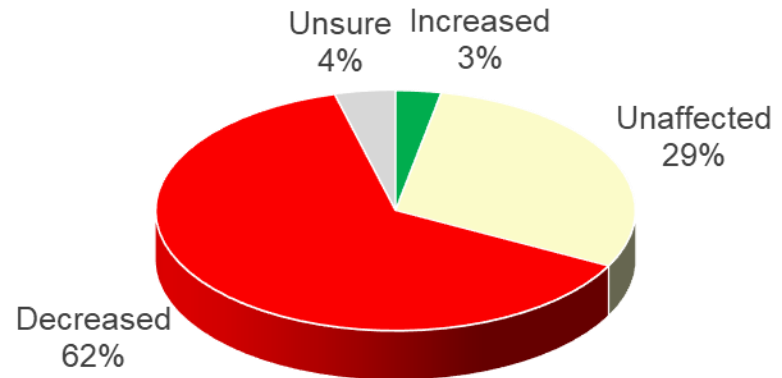


Two-thirds of businesses have seen turnover decline due to COVID-19 crisis, and over half have little or no cash in reserve

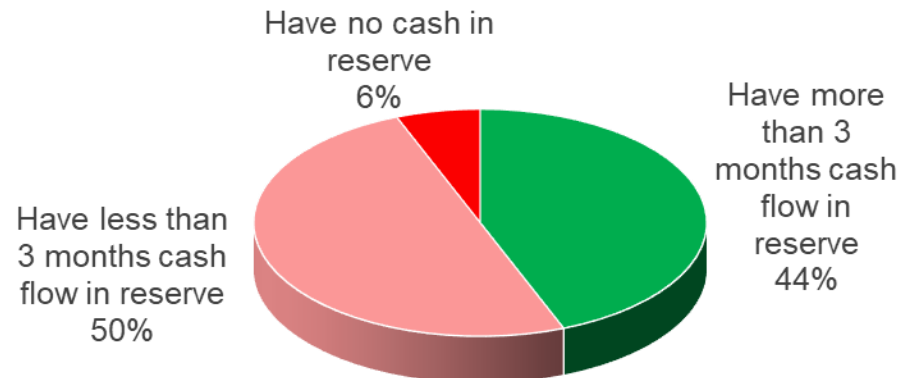
Office of National Statistics (ONS) reports that 62% of businesses still trading have seen a decrease in turnover due to the COVID-19 crisis

BCC reports that over half of UK businesses have less than 3 months' cash flow or no cash in reserve

Impact of COVID-19 on turnover



Cash in reserve



Sources:

ONS Business Impact of Coronavirus Survey wave 5, conducted 4-17 May n = 6364 responses (<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults>)

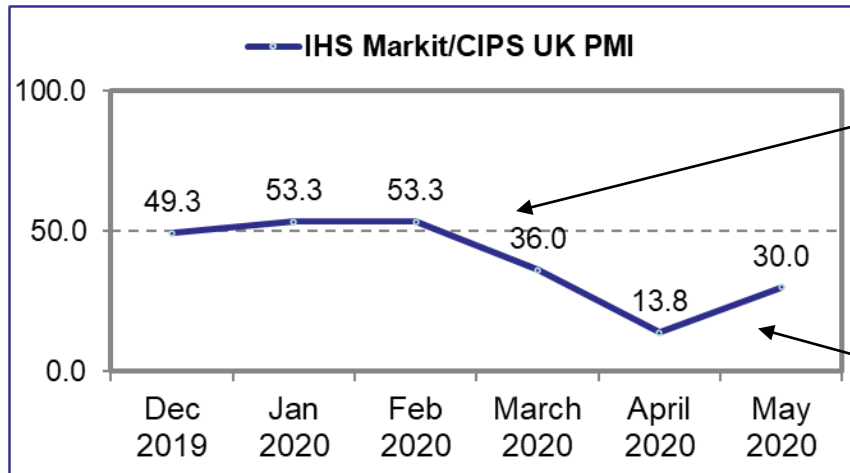
British Chambers of Commerce Business Impacts Tracker (CBIT) survey of UK businesses – wave 8 is based on 609 interviews with businesses (mainly SMEs in the service sector) conducted 13-15 May 2020



**THERE ARE
SOME SIGNS OF
RECOVERY**



UK business activity has started to recover from April's all time low, albeit slowly



The PMI is indicative of the health of the UK economy (index below 50 indicates contraction)

The PMI recovered from pre-Brexit uncertainty to reach 53.3 in January and February

March and April saw an unprecedented downturn

April's index of 13.8 is the lowest recorded since the index was launched in 1996

May 2020 saw a recovery, although an index of 30.0 is still indicative of contraction

The UK looks set to see a frustratingly slow recovery, given the likely slower pace of opening up the economy relative to other countries which have seen fewer COVID-19 cases

Chris Williamson, Chief Business Economist of IHS Markit

Source: HIS Markit / CIPS - survey of 400 UK purchasing managers in manufacturing and service industries – May data based on interviews conducted 7-21 May - an index under 50 indicates a deterioration compared to the previous month (<https://www.cips.org/who-we-are/news/>)



The UK economy is expected to see some improvement from May onwards, although the speed and duration of recovery is uncertain



Our own surveys and wider indicators have suggested a pick up in economic activity, but I think it's really too early to know how quickly economic activity will recover in the coming months

Jonathan Athrow, Deputy National Statistician for Economic Statistics, ONS (June 2022)

April 2020 is expected to be the worst month for the UK economy as the whole month experienced full lockdown

From May, improvement in the economy is expected as the government starts to ease up the lockdown

Source: Office for National Statistics

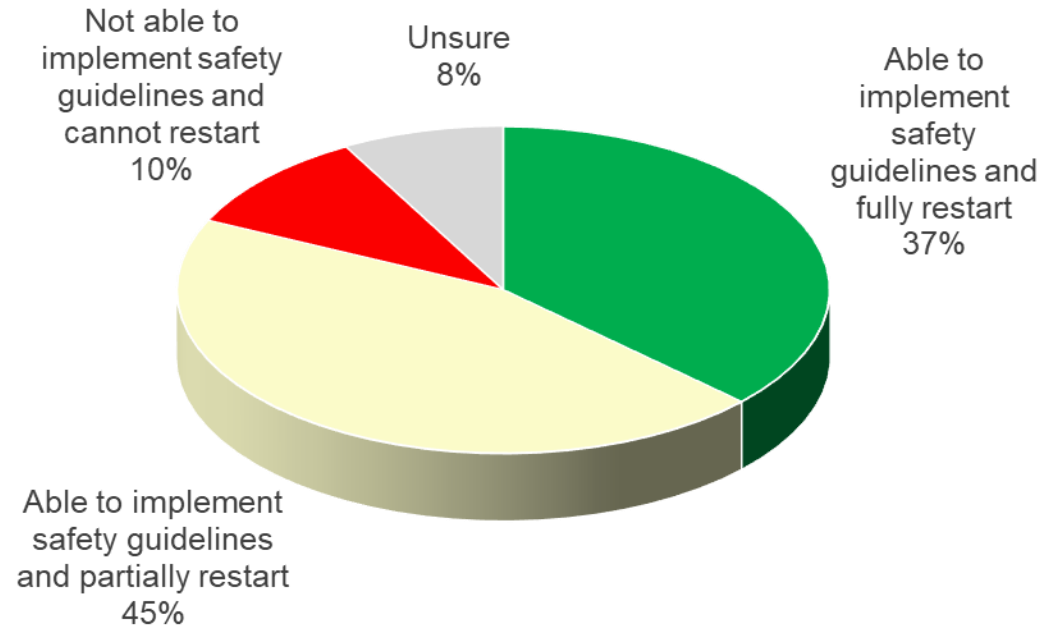


Most businesses are aware of government safety guidelines and able to restart

Ability to implement government safety guidelines and restart business

BCC reports that 83% of businesses are aware of government safety guidelines

Most businesses can implement guidelines and at least partially restart



Source: British Chambers of Commerce Business Impacts Tracker (CBIT) survey of UK businesses – wave 8 is based on 609 interviews with businesses (mainly SMEs in the service sector) conducted 13-15 May 2020



The market research industry and COVID-19



A CHANGING INDUSTRY

- Research methods involving personal interaction (physical focus groups and face to face interviewing) are expected to give way to online methods, AI and social media monitoring

A CHALLENGING INDUSTRY

- Market researchers express uncertainty about the market research industry in general over the next year
- MRS / Watermelon research confirms that the research industry has experienced significant decline in revenue and researchers are pessimistic about the next six months; the next year is expected to be tough going

BUT SOME OPTIMISM IN THE LONGER TERM

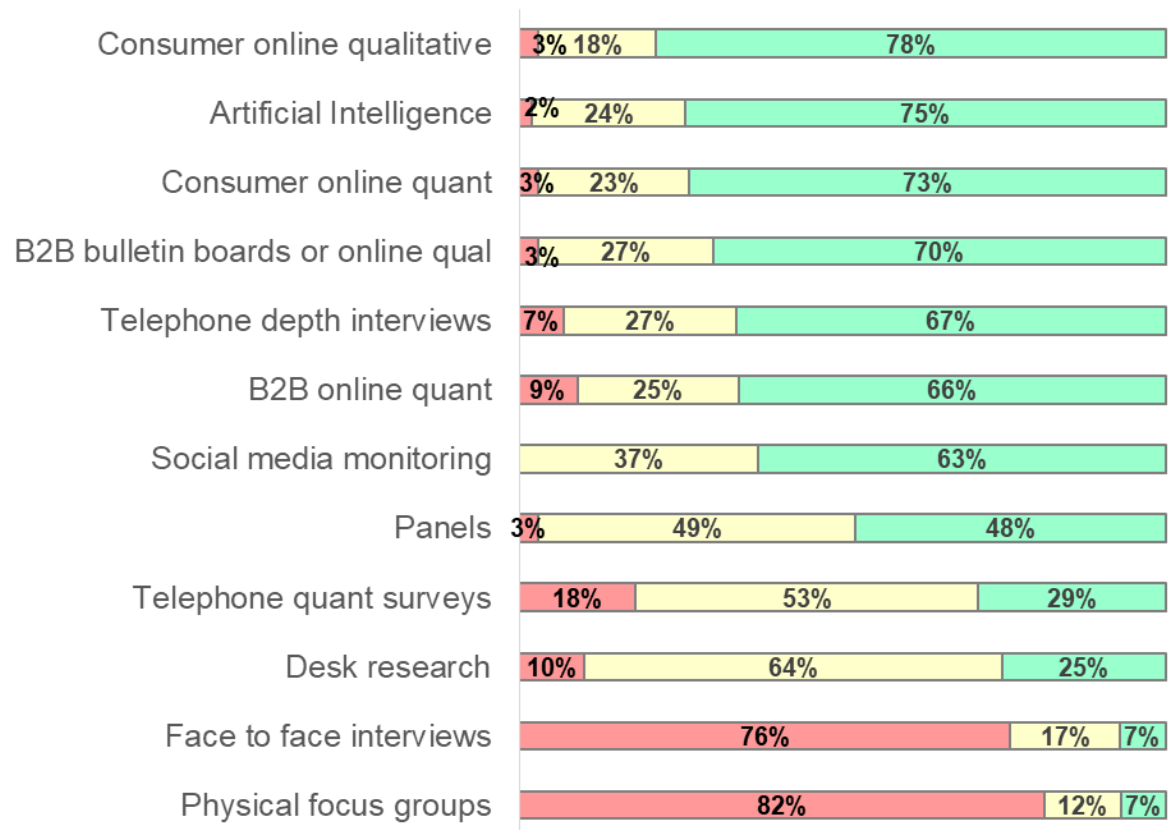
- In the longer term, one third of researchers are optimistic about the future of the market research industry
- Half of researchers believe that trading will recover within a year, although many believe it will take longer
- Most researchers believe that trading will recover eventually
- MRS / Watermelon research confirms that there is some optimism in the longer term



Research methods involving personal interaction are expected to give way to online methods, AI and social media monitoring

Over the next four years which research methods will grow, stay the same level and decrease in use?

■ Decrease ■ Stay the same ■ Grow



Researchers expect the use of online qual and quant, AI and SMM to increase at the expense of traditional methods (particularly F2F interviewing and physical focus groups)

Source: Prevision One Minute Survey among researchers – wave 2 comprised 67 interviews conducted 22-29 May

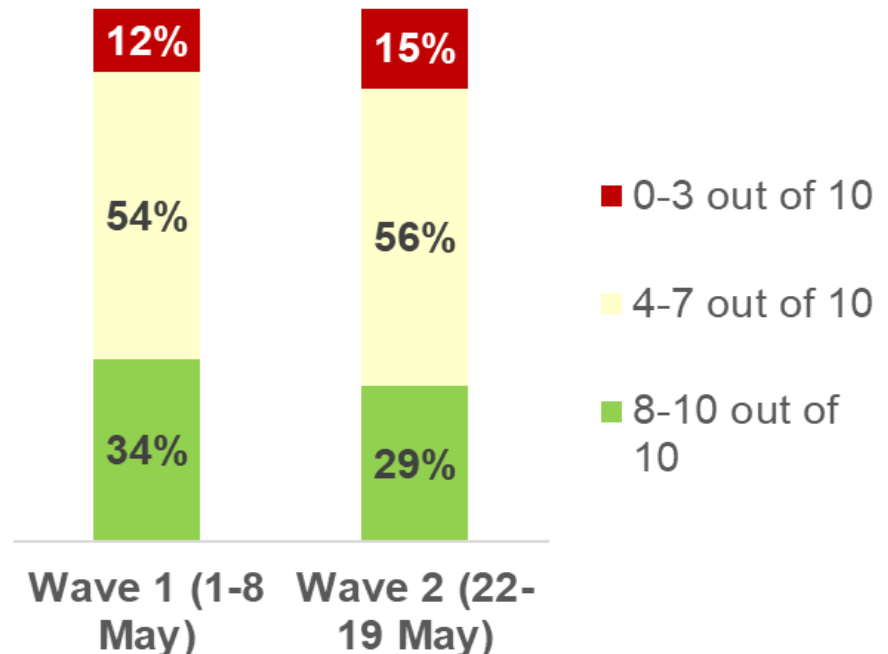


There is uncertainty about the future of the market research industry in general, but also some optimism in the longer term

How positive are researchers about the future of the research industry in the next five years (from 0 for very negative to 10 for very positive)?

There is still considerable uncertainty about the future of the market research industry

However, one third of researchers are optimistic about the market research industry in the next four years



Source: Prevision One Minute Survey among researchers – wave 1 comprised 108 interviews conducted 1-8 May 2020 / wave 2 comprised 67 interviews conducted 22-29 May (scale used is 0 = very negative to 10 = very positive)

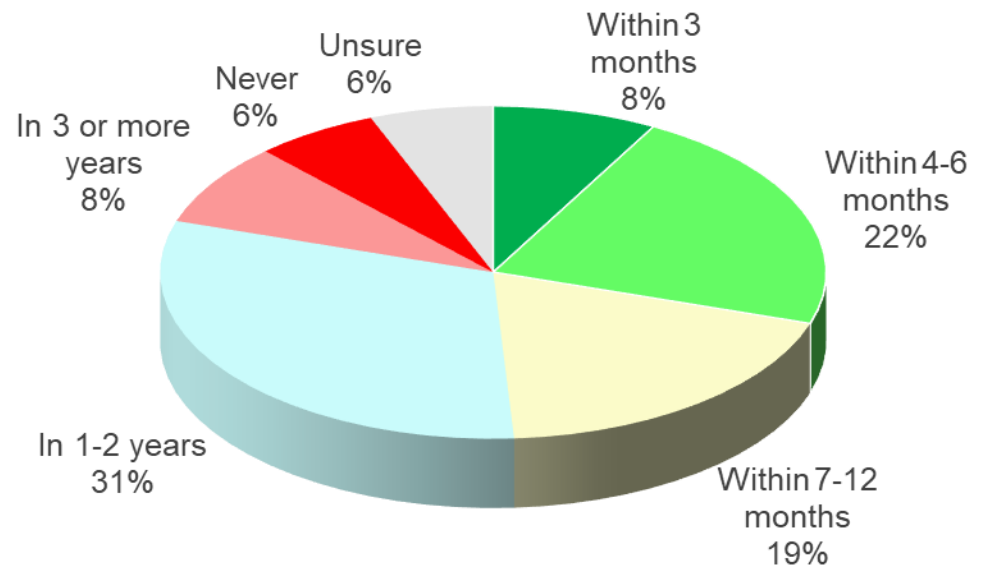


Most researchers believe that trading will eventually recover, but it may take some time

Half of researchers believe that trading will recover within a year

Most researchers believe that trading will recover eventually (although it may take two years)

When do researchers expect trading to return to the same level as it was before the Covid-19 crisis?



Source: Prevision One Minute Survey among researchers – wave 2 comprised 67 interviews conducted 22-29 May



Research by the MRS and Watermelon confirms that the present and future are challenging for the research industry, although there is again some optimism in the longer term

The MRS / Watermelon research indicates that the research industry has experienced significant decline in revenue and is pessimistic about the next six months

There is some optimism in the longer term

Of market researchers...

68%	have seen significant decline in revenue due to the Covid-19 crisis (with smaller companies particularly badly hit)
60%	have furloughed staff
69%	are fairly or very pessimistic about the next quarter (and 63% for the next six months)
41%	are fairly or very pessimistic about the outlook for the next 12 months
38%	are fairly or very optimistic about the next 12 months)

Source: Research among 176 MRS members conducted by the MRS and Watermelon May 2020



ABOUT US



The research team



OPERATIONS AWARDS 2018 & 2019,
WINNER, BEST VIEWING FACILITY

- Purple Market Research has conducted 100+ market, sector & competitor profiles for over 50 clients
- Approved desk research provider for:
 - Crown Commercial Service
 - Financial Conduct Authority
- Best practice desk research training, in collaboration with the MRS, provided since 2010
- We also offer primary research through our data collection centre, Prevision Research and qualitative specialists i-view

For more information:

W: www.purplemr.co.uk

E: info@purplemr.co.uk