



RUTTER & ALLHUSEN

CHARTERED ACCOUNTANTS

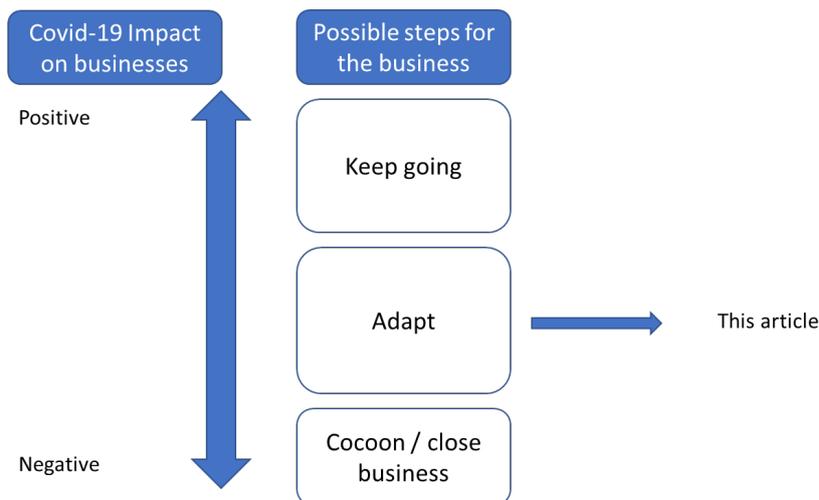
PIVOTING AND REPURPOSING A BUSINESS

Overview

Covid-19 has had a big impact on many SMEs in the UK. A recent study by the Office for National Statistics showed that nearly 40% of businesses in the UK had a substantially lower turnover. With the current level of disruption likely to remain for some time, many businesses are adapting their practices to continue trading in some form.

For businesses in this position they may also benefit from reviewing their vision and strategy through our One Page Plan process. This is a condensed business plan which focuses business owners' minds on the key areas that will make an impact in the business.

As businesses consider their options the diagram below shows what paths are available:



For businesses which have been negatively impacted and are considering how to adapt, they have two main choices:

- Continue providing the same product / service in broadly the same way to the same customers (e.g. restaurants providing take away service); and
- Repurposing or Pivoting the business to provide a new service (which is now in high demand) to a new customer

In either case the benefit of adapting is that the business remains open, employees are retained, and the organisation is seen as being agile and innovative.



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CHARTERED ACCOUNTANTS

In the case of repurposing there may also be an additional benefit of strengthening the values and reputation of the business as it has risen to support the community in a health crisis.

Deciding which choice to make

Questions that a business owner should ask before deciding what to do:

Continue providing the same product / service

- What is the current demand for my product / service and how will that change over time?
- How can I adapt the business to continue serving these customers?
- What is the financial impact (revenue and costs) of this choice?

Repurpose / Pivot

- Are any of the current products / services which are in high demand (e.g. PPE, accommodation for NHS staff) which the business could repurpose to serve?
- What is the current and future demand of this product / service?
- What is the financial impact (revenue and costs) of this choice?

For either option the business owner also needs to confirm that they can ensure the safety of all staff and stakeholders no matter what decision.

Having considered the two choices above, there may be an obvious outcome. However, if not then this may be a good opportunity to raise it with the wider team to get their views. This can engage the team into finding creative solutions – some of which may have a lasting positive impact once the pandemic has passed.

Some businesses will be able to continue trading **and** repurpose. In this case the business owner should consider whether the business can do both activities or have to make a decision between the two.

Continue Trading

When a business chooses to continue to trade it means that there is still demand from the customer and (somehow) they can deliver that service. The obvious example is a restaurant that now provides take away food or a pub providing alcohol sales for take away. However, many businesses can continue to provide a service where it may not be immediately obvious.

A hairdresser for example may still be able to sell their product range online, provide an online tutorial for basic hairdressing and even do virtual hairdressing appointments. Several other examples are shown below:



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Business	Different Channel	Different Product / Service
Restaurants	<ul style="list-style-type: none">• Take away food• Take away alcohol	<ul style="list-style-type: none">• Provide packed meals for healthcare workers
Hairdresser	<ul style="list-style-type: none">• Online product sales (hair gel etc) & delivery• Vouchers / discount for when re-open	<ul style="list-style-type: none">• Online courses / tutorials on how to cut hair
Social clubs / Pubs	<ul style="list-style-type: none">• Take away food• Take away alcohol	<ul style="list-style-type: none">• Virtual quiz / bingo• Virtual drinks evenings
Schools / Universities	<ul style="list-style-type: none">• Move classes online	<ul style="list-style-type: none">• Offer new courses
Personal Trainer	<ul style="list-style-type: none">• Provide virtual exercise sessions	<ul style="list-style-type: none">• Online training tips / exercise workouts for customers

Repurposing / Pivoting

When a business chooses to repurpose, this is to address an increase in demand for a product / service as a result of Covid-19.

Some of the high-profile repurposing's have been to address the UK Government Ventilator Challenge (e.g. McLaren and Dyson) however there are many smaller examples which are likely to be more relevant for 2020 member clients.

The decision to repurpose a business should be done in conjunction with the relevant government department / trade body / relevant organization to ensure compliance with the various regulations and laws – especially if manufacturing healthcare equipment.



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Determining what products / services are in demand and which your business is best placed to fulfil may be obvious but may also require some thought. The World Health Organisation (WHO) has provided some guidance on this below.

Category	Critical items identified by WHO	Example of facilities that might be repurposed
Protective personal equipment (PPE)	<ul style="list-style-type: none"> Gloves, examination Gloves, surgical Goggles, protective Gown, protective Face shield Mask, particulate respirator Mask, surgical 	<ul style="list-style-type: none"> Textile factories Garment plants Yarn spinning mills Electronics assembly plants Injection moulding facilities Prototyping shops (including 3D printing)
Diagnostic equipment	<ul style="list-style-type: none"> Lab screening test kit Lab confirmation test kit RT-PCR kit Extraction kit Cartridges for RT-PCR automatic systems Swab and viral transport medium 	<ul style="list-style-type: none"> Pharmaceutical preparations Biopharmaceutical preparations Pilot biotech plants Clinical research laboratories
Clinical care equipment	<ul style="list-style-type: none"> Pulse oximeter Concentrator O2, 10L, 230V, 50 Hz + acc. Nasal oxygen cannula, with prongs, Ventilator patient, for adult, pediatric. CPAP with tubing and patient interfaces for adult and pediatric. Suction pump, mechanical High-flow nasal cannula (HFNC) 	<ul style="list-style-type: none"> Automotive production lines Aerospace manufacturing plants Specialized engineering service and testing facilities Manufacturing technology and innovation centres Vacuum cleaner assembly plants Machining shops

In addition to the WHO guidance there are some further examples of businesses pivoting recently:

Business	Repurposing / Pivoting	Example
Hotel	<ul style="list-style-type: none"> Accommodation for healthcare workers and those in quarantine 	<ul style="list-style-type: none"> Best Western Hotels and Britannia Hotels providing accommodation to NHS workers
Sports centre / recreation club	<ul style="list-style-type: none"> Pop-up hospital / healthcare facility Testing centre 	<ul style="list-style-type: none"> Deeside Leisure Centre – Temporary hospital Lincoln Leisure Centre – Testing centre
Restaurants	<ul style="list-style-type: none"> Provide packed meals for healthcare workers 	<ul style="list-style-type: none"> Leon providing packed meals to NHS workers
Distilleries / Micro-distilleries	<ul style="list-style-type: none"> Alcohol hand sanitiser 	<ul style="list-style-type: none"> BrewDog and Absolut Vodka shifted production to make hand sanitiser
Airlines	<ul style="list-style-type: none"> Cabin crew providing non-clinical support in hospitals 	<ul style="list-style-type: none"> EasyJet and Virgin Atlantic at Nightingale Hospitals
Swimwear retail	<ul style="list-style-type: none"> Emotional support hotline 	<ul style="list-style-type: none"> Summersalt customer support team providing Covid related emotional support

Many of the examples above also have a positive PR impact, however, for a business owner trying to find a way to keep their business operating it is important to find a substantive pivot with sustainable financial performance.



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CHARTERED ACCOUNTANTS

Of course, when repurposing a business may have a new supply chain and a new customer.

These should both be identified along with the financial considerations (cost of materials / inputs, set up costs and operating costs) before going ahead with the project to ensure that it is feasible.

Determining the selling price for the new product / service is a key sensitivity. Some repurposed businesses have decided to give away their product (e.g. BrewDog producing hand sanitizer is giving it away to the NHS) and in other circumstances the business is free to select the price.

Whilst high demand can often lead to pricing power, in these exceptional circumstances it is key to remember the wider context of the crisis and the potential reputation impact of setting prices too high. Some businesses have clearly taken the view that giving back to the community as well as the likely reputational enhancement are enough.

When repurposing a business, it is worth remembering that there will be a new product and customer. Whilst there may be ample demand, this is also an area where the business lacks expertise. Therefore, it is important for a business to take advice and make sure it understands the supply chain, competencies required to provide the good / service and who it is selling to.

Other considerations

When considering any change, a business should ensure it has the necessary permissions and approvals before progressing. In some cases, the government has made this easier – for example extending permitted development rights for restaurants so they do not need to apply for planning permission to provide take away food.

Talk to us if you are planning changes in your business. We have the tools and resources to help you achieve your goals.