

‘Our income has fallen off a cliff’: how lockdown hit firms large and small

Companies from FTSE 100 giants down to sole traders have been battered by the coronavirus pandemic. Observer writers asked four bosses in the UK about how the crisis has affected them, what action they are taking to deal with the problems it has created, what measures they are introducing to look after their employees, and what they think the prognosis is for them and the British economy. By *Mark Sweney, Gwyn Topham, Joanna Partridge and Sarah Butler*

James Morris **Managing director,** **Trafalgar Marquees**

Morris first realised coronavirus could be a problem in late February, when a German company cancelled its marquee booking for a corporate event in London in June. “At that point,” he recalls, “we slightly shrugged it off, and said it was a bit extreme to cancel for June.” But it was only the beginning.

Morris would usually be gearing up for the busiest time of year for his events company, which he founded in 2007 using his student overdraft. He had, he says, the “strongest order book ever” for his marquees, furniture and lighting.

The company had been preparing to take on temporary staff and hire vans in April to take equipment to about six events per week, ranging from corporate meetings and outdoor opera to a food festival. Instead, he has lost £100,000 in cancelled and postponed bookings and has hurriedly tried to cut costs. “Our income has just fallen off a cliff. We are doing some work for the NHS, but it doesn’t really touch the sides.”

Morris’s request for an overdraft

extension from his bank – NatWest, part of Royal Bank of Scotland – was refused. He has subsequently tried to apply for the government’s coronavirus business interruption loan scheme (Cbills), but the bank has told him his business is not eligible as it is “not viable”.

“We have invested heavily back in the business, so we have made a loss, but that’s due to our investment. All our assets are fully owned, they are not financed,” says Morris. He claims NatWest has “stonewalled” him.

Morris had six weeks’ worth of cash in the bank before the shutdown. But four weeks after trade disappeared, the money is now running out. He warns: “We will be one of thousands.”

Joanna Partridge

Philip Jansen **Chief executive, BT**

The coronavirus outbreak hit home for Jansen when he became the first FTSE-100 boss to be publicly confirmed as infected with the virus, in mid-March.

At that time, BT had already started changing the way it worked in some territories. “We had started in China, Hong Kong, Italy and Spain at the end of February and early March, as social distancing and lockdowns were implemented,” he says. “Then it became clear that the virus was in the UK. We were a little bit ahead because of our experience in other countries.”

“The week I began to have symptoms, the advice was to come to work but keep your distance. I turned up to meetings with the culture secretary, Oliver Dowden, and new Ofcom chief executive Melanie Dawes – and deliberately didn’t shake their hands.”

At the end of the second week of March, when Jansen tested positive and self-isolated with his family at their second home in Devon, the UK had recorded only 11 deaths and almost 800 cases.

“I had mild symptoms,” he said. “I was always up early, always working. My most important priorities were to keep customers connected and keep our staff safe.”

He continued to lead the company and his first job was to film a six-minute video for the 120,000



employees of BT, which includes mobile operator EE as well as Openreach, which runs the UK's broadband network.

When the lockdown started, BT immediately saw a doubling of broadband usage as the country became housebound. Staff absence, due to self-isolation or sickness, is a particular problem. At times up to 20% of staff have been off work, and the company is currently down about 12%, he says.

"We have 25,000 call-centre people, and we handle all the 999 calls – which have seen a massive spike. We have 30,000 engineers out there working on the broadband and phone network. They are all key workers, and at one stage we were 4,500 down."

One of the most serious issues Jansen and other telecoms companies are dealing with is the spate of attacks on mobile phone masts by conspiracy theorists who wrongly believe 5G technology is linked to the spread of the virus.

"We have had 45 incidents, ranging from burning masts – about 18 – to barbed wire being put around fixed poles where people saw a shiny box and thought it was 5G kit when it wasn't at all," he says. "We have had people driving their cars at our Openreach engineers then swerving at the last minute to intimidate them, as well as verbal and physical abuse."

He is scathing about the conspiracy theorists: "It is more dangerous lying in the sunshine than walking past a 5G mast. It is unfounded nonsense."

Jansen recognises that BT is not under the immense pressure that many businesses have found themselves under during lockdown. However, he says, its pay-TV operation is being hurt by there being no sport on air, and it will also be hit if many of the small businesses it provides telecoms services to do not survive.

"The good news is everyone needs what we do," he says. People need connectivity more than ever before. But we are not immune. The two big

areas are BT Sport and the impact on small and medium-sized businesses, restaurants and leisure centres and the like. We can see businesses in deep trouble, and if they fold, that will impact us. But we will weather the storm."

Mark Sweney

Johan Lundgren **Chief executive, easyJet**

For Lundgren, memories of one particular meeting underline just how swiftly coronavirus turned from a distant Chinese problem into an insurmountable block on aviation.

It was 3 March and Lundgren was in Brussels for a summit of A4E – an airline association that includes carriers such as easyJet, Ryanair, BA, Lufthansa, and Air France-KLM. The main subjects for discussion were airspace management and green targets. With coronavirus restrictions at that point limited to northern Italy, Ryanair said plummeting demand would be a short-term blip.

Lundgren says: "I remember some companies were saying it wouldn't have a big impact. And I said, 'We don't know anything about this. It's very uncertain – you can never tell.' I wish I had been wrong."

Four weeks later, easyJet's entire 337-strong fleet was grounded.

"First and foremost it was a public health issue, so the focus was on the wellbeing of our people and customers. It's one of those things: when the virus first hits you and you get the first reported case, it becomes very, very real."

At this point, easyJet had only one reported coronavirus case among operating crew, and the airline does not know if they contracted the disease on board.

The majority of easyJet employees around Europe have been put on furlough – just over half of them in the UK scheme. "We had around 14,000 staff, and now there are about 650 people working, almost all from home."

He holds daily remote confer-

ences with his team and tries to communicate with the whole company via Facebook's Workplace platform. He says those employees who have not been furloughed staff have never worked harder: "People are flat out ... It's the biggest crisis aviation has ever gone through."

For Lundgren, the main focus is financial – "getting access to liquidity, and to reduce the cash burn so we can survive". That has included

renegotiating a £4.5bn contract with Airbus for new aircraft – a deal that has been the subject of broadsides from easyJet's founder and biggest shareholder, Stelios Haji-Ioannou, who last week called for Lundgren to be sacked.

The easyJet chief says keeping in touch with staff is vital: "Clearly there are a lot of people out there sitting at home, without work, concerned, who want to get back flying. You want to be sure that as we go through this crisis, you don't leave them out. But it's hard. We're not getting everything right."

EasyJet has been criticised for not automatically offering refunds, and for being slow to cancel flights when restrictions meant passengers were unlikely to travel. Lundgren says the company has been doing

its best: "You make sure you look after, as much as you can, your customers during this process – and that's difficult. We've got customer call centres in countries affected by the lockdown, that have been operating with limited access when the demand has been very high."

The airline is maintaining – rather than mothballing – its fleet, so the planes can be ready to fly again at 15 days' notice, and Lundgren says the airline is in daily communication with EASA, the European safety regulator, about measures that could be needed for flights to restart.

"We need to do it in a way that's safe, orderly and matches the demand that's out there. But at the same time, no one knows what will happen."

Gwyn Topham

Neil Clifford
Chief executive, Kurt Geiger

A sunny Easter would normally have meant strong sales of strappy sandals and trainers at Kurt Geiger shoe shops. Instead, sales are down by two-thirds after the company closed its stores a few days ahead of last month's high street lockdown.

Chief executive Neil Clifford says online trade is up 10% – led by an 80% jump in sales of slippers as the nation stays indoors – but it's nowhere near enough to offset the lost store sales. "It's a shocker. I used to be depressed by a 10% drop; now I look and it's down 66%," he says.

Clifford reckons it will take three years to rebuild to where Kurt Geiger started the year – on a high with record takings of nearly £400m, underlying profits of £40m and 10 new shops planned.

It is hoped shops will be able to reopen in June, and summer stock sold in July and August. But in the meantime Kurt Geiger has slashed costs where possible, freezing rents and benefiting from the business rates holiday. It has had to cancel orders, delay shipments and try to repurpose materials, such as leather ordered for summer footwear, into styles appropriate for autumn.

Despite that, it has mountains of stock which is unlikely to sell this year, though some will be held until next spring or summer.

Clifford has been encouraging employees not required at work to volunteer for the NHS. He is offering 50% discounts for health workers and giving away 2 million pairs of shoes to NHS staff.

He is also not drawing a salary until stores reopen, and expects to ask higher-paid staff to take a pay cut next month. But he is topping up the pay of the 83% of employees who are furloughed. Clifford says the firm has been able to do the right thing with support from its banker, Lloyds, and private equity backer Cinven. "It's about trying to

come out of this on the right side from a human perspective," he says. "It gives the message to employees that everyone's together on this. But there is no manual for this event. It's not something you could Google – what to do in a pandemic."

As the business fights these battles, it is also planning for a different future: Clifford believes this will accelerate the move to online.

"It's clearly an awful time for everyone. We're going through five years in one in retail. Life has sped up."

Sarah Butler

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