



## **MACM Survey – Covid-19**

**22 May 2020**

**This survey was conducted among MACM Members in the IT Sector 11<sup>th</sup> May 2020 – 18<sup>th</sup> May 2020.**

### **1.0 Objectives**

- 1.1 To establish the level of impact on the cash flow of the IT Sector in Malta due to Covid-19 crisis.
- 1.2 To understand the paying behaviour and attitude of customers in the IT Sector.
- 1.3 To learn what methods the business players in the IT Sector in Malta are deploying to collect money from their customers during Covid-19 crisis.
- 1.4 To determine the effectiveness of the government's financial incentives provided to the Maltese businesses in relation to the IT Sector.

### **2.0 Background**

The IT Sector was effected globally due to the Covid-19 crisis in different ways. It had a significantly negative impact on the supply of raw materials, especially from Asia, which disrupted the electronics value chain. However, it benefited greatly from remote working and accelerated digitalisation.

When it comes to hardware, although a number of organisations in Asia are reopening, various companies around the world are facing the challenge getting production fully running. This may have a significant impact in the short and long-term potential growth of the industry.

Other IT companies, specialising in remote working technologies, are facing a huge demand for their services as more employees are working from home using VPNs. This is also creating an increase in demand for security software. A high demand for hardware (mobile devices such as laptops) is also being felt due to more workers are working from home.

IT specialists forecast that the demand for cloud services, communications equipment and telecom services will increase due to more people working from home. This new working-from-home norm will also create an increase in demand for IT Services including, procuring devices, setting up of resilient, flexible and secure network, systems recovery and IT security systems. The need for faster access to data and automation will increase and will speed up the 5G network deployment and adoption.

Source: **Deloitte Industry Report**

### **3.0 Survey Methods**

The survey was conducted among the MACM Members in the IT Sector, including Hardware and Software providers.

Business owners, CFOs, Credit Managers and Credit Controllers responded to the questionnaire which was conducted by telephone.

The Questionnaire consisted of both closed and open-ended questions. This type of questionnaire was used both to generate statistics in quantitative terms and also to understand and identify clearly what MACM Members think and feel about the impact on their business, cash collection and their respective cash flow due to Covid-19 pandemic.

### **4.0 Findings**

#### **4.1 Payment behaviour within the IT Sector in Malta**

Respondents were asked whether they have been effected by the Covid-19 crisis in terms of longer payment periods which may have impacted negatively on their cash flow. 83% of respondents confirmed that payments from their customers were taking longer than usual during the Covid-19 crisis and this was having a negative impact on their cash flow. Only 17% confirmed that Covid-19 crisis had no effect on their cash collection and without any effect on their cash flow.

#### 4.2 MACM Members being effected by Covid-19

67% of respondents who are being effected verified that the amount due which was not collected compared to the same period of time was between 0% - 20%.

The remaining 33% of the effected MACM members from the IT Sector stated that they failed to collect 20% – 40% of what they used to collect during the same period of time.

#### 4.3 Cash Collections and Methods deployed

83% of the MACM Members who participated in this industry survey revealed that they tried to collect money from their customer as usual since the outbreak of the pandemic.

MACM Members who tried to collect money from their customers disclosed that 60% of their customers reacted normally when they contacted them to collect money due by them, while 40% of customers reacted negatively. Figure 4.1 refers.

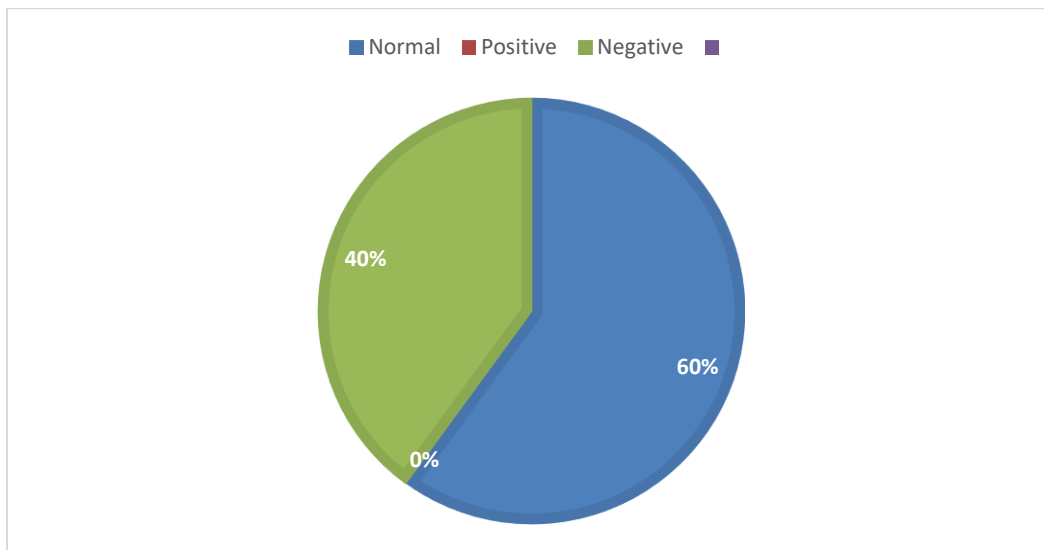
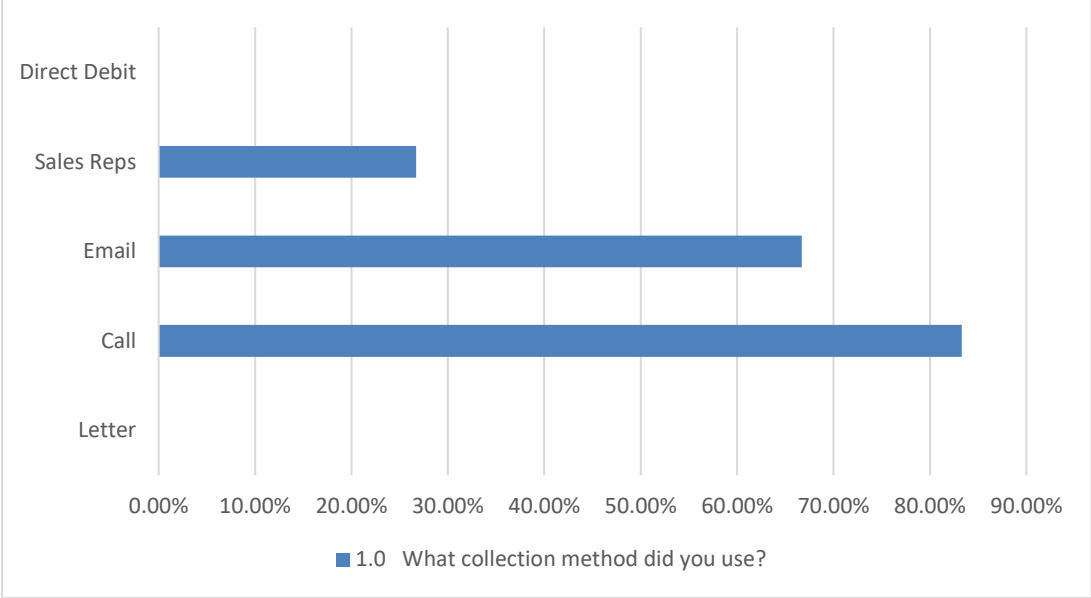


Figure 4.1 Reactions of Customers when contacted to pay since the outbreak of Covid-19

In view that the majority of people are currently working from home, different collection methods were deployed by the MACM Members from the IT Sector when communicating with their customers, with 83% of respondents preferring telephone calls over other collection methods.

Figure 4.2 depicts clearly the methods deployed by suppliers in order to collect money from their customers since the outbreak of Covid-19.



**Fig 4.2 Methods deployed to collect money from customers during the Covid-19 crisis**

When the respondents were asked whether they have offered any kind of payment incentives to encourage their customers to pay their dues, only 17% used this collection tactic.

**4.4 Government Financial Assistance**

67% of respondents applied for Government Covid-19 financial assistance that would help them in their cash flow and working capital management.

The rest of the respondents claimed that they did not apply for government financial assistance mainly because:

- a. Their business was not effected and Financial assistance was not required.
- b. Their business does not qualify to apply for such incentives.

None of the respondents encouraged or suggested their respective customers to apply for the financial incentives provided by the government in order to assist them financially.

#### **4.5 Actions taken by Suppliers**

To-date, 83% of the MACM members did not take any particular action/s against their customers who are paying them late or who are not paying them at all.

However, respondents intend to deploy stricter credit policies in the future should their customers refuse to pay.

#### **5.0 Recommendations**

Given the current economic crisis and from the survey conducted among the MACM Members in the IT Sector in Malta, the following are the recommendations and conclusions:

- 5.1 Suppliers should be conversant with the law of prescription and Constitution of Debt or an Acknowledgement of Debt should be signed by the customers whenever possible. In case of registered companies, Legal representatives must sign these documents.
- 5.2 In case of corporate customers, the Company Recovery Procedure (CRP) may be used when a company is in distress. A CRP can be filed by either:
  - a. the company following an extraordinary resolution;
  - b. the directors following a decision of the board of directors; or
  - c. the creditors of the company representing more than half in value of the Company's creditors.
- 5.3 Good credit management practices should be deployed to ensure sound cash flow in order to survive this unprecedented crisis.
- 5.4 IT providers should be flexible and understand the challenges that their customers are currently facing. The use of technology to communicate effectively with customers is imperative.
- 5.5 Effective negotiation tactics are critically important for cash collection during this difficult period.
- 5.6 MACM members are encouraged to use the MACM services provided online in order to monitor their customers on a daily basis. Financial statements have become obsolete and irrelevant in general terms. MACM provides data which is current, relevant and most reliable at no additional cost, irrespective of the usage frequency.

- 5.7 Keeping abreast with any changes and developments in the markets. It is commendable to keep up-to-date data on Customers, including any changes in their respective jobs.
- 5.8 Invest in staff training and retain the morale of the employees by keeping them informed of the situation.
- 5.9 Communicate proactively with customers using the 80/20 Pareto principle (*surviving businesses will need surviving customers*).
- 5.10 Procure carefully, cut back on borrowing (*whenever possible*) and reduce fixed cost wisely (*without losing key people*).
- 5.11 Identify any overcapacity in the resources employed and in the execution of internal business processes.
- 5.12 And most importantly: MONITOR CLOSELY THE CASH FLOW OF THE BUSINESS. Cash is King and healthy cash flow is needed more than ever.

## 6.0 Organisation Profile

The Malta Association of Credit Management (MACM) is a not-for-profit organisation, providing a central national organisation for the promotion and protection of all credit interest pertaining to Maltese businesses.

MACM represents the credit profession across all economic sectors. It is a centre of expertise for all matters relating to credit management in Malta. MACM offers a range of services to the local creditors, including, credit management information systems, credit management education, training, conferences, seminars, and lobbying activities.

It is the CICM (UK) accredited Training Centre for Malta.

MACM is a member of the Federation of European Credit Management Associations – FECMA.

**[www.macm.org.mt](http://www.macm.org.mt)**