



MACM Survey – Covid-19

20 May 2020

This survey was conducted among MACM Members from the Printing and Advertising Industry in Malta between 11th May 2020 – 15th May 2020.

1.0 Objectives

- 1.1 To establish the level of impact on the cash flow of the Printing & Advertising Industry due to Covid-19 crisis.
- 1.2 To understand the paying behaviour and attitude of customers of the Printing & Advertising Industry in Malta.
- 1.3 To learn what methods the service providers / suppliers in the Printing & Advertising Industry 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 within the Printing & Advertising Industry

2.0 Background

Printing and Advertising companies provide services to a range of economic sectors but trade fairs and exhibitions, meetings and events represent the largest percentage of their business. These events have been cancelled worldwide due to Covid-19. Hence, loss of business to the Printing and Advertising Industry on a global scale.

Due to cost-cutting exercise performed by businesses due to the unprecedented pandemic crisis, advertising is forecasted to be hard hit. Advertising represents 40% of all printed products in Europe and will have a negative impact on the printing industry.

The printing industry is also being effected by shortages and delays in the supply of paper due to transport limitations and bans. Additionally, both China and Italy are suppliers of foils and films used in the packaging printing and disruption in the supply chain is leaving much to be desired on the inventories of European printers.

One of the major concerns of the printing industry in Europe is however, the use of synthetic ethyl alcohol which is critical for the production of printing packaging material. Since this type of alcohol is also used in the production of disinfectants, which is in high demand due to Covid-19, the printing industry fears possible shortages and increase in its price.

Source: Intergraf

3.0 Survey Methods

The survey was conducted among the MACM Members from the Printing and Advertising Industry.

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 deployed 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 Printing & Advertising Industry 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 from the Printing & Advertising Industry effected by Covid-19

20% of the respondents verified that the amount due which was not collected compared to the same period of time was between 40% - 60%.

40% of the effected participants stated that they failed to collect 60% – 80% of what they used to collect during the same period of time.

Whilst another 40% of the effected MACM Members from the Printing & Advertising Industry were hard hit and collected 80% - 100% less than they used to collect pre-Covid-19 crisis.

4.3 Cash Collections and Methods deployed

Only 17% of the MACM Members from the Printing and Advertising Industry who participated in the survey revealed that they did not try to collect money from their customer. 83% of respondents have in fact tried to collect dues as usual since the outbreak of the pandemic.

MACM Members who tried to collect money from their customers disclosed that only 20% of customers reacted positively when they contacted them to collect amounts due by them, while 80% of customers reacted negatively. Figure 4.1 refers.

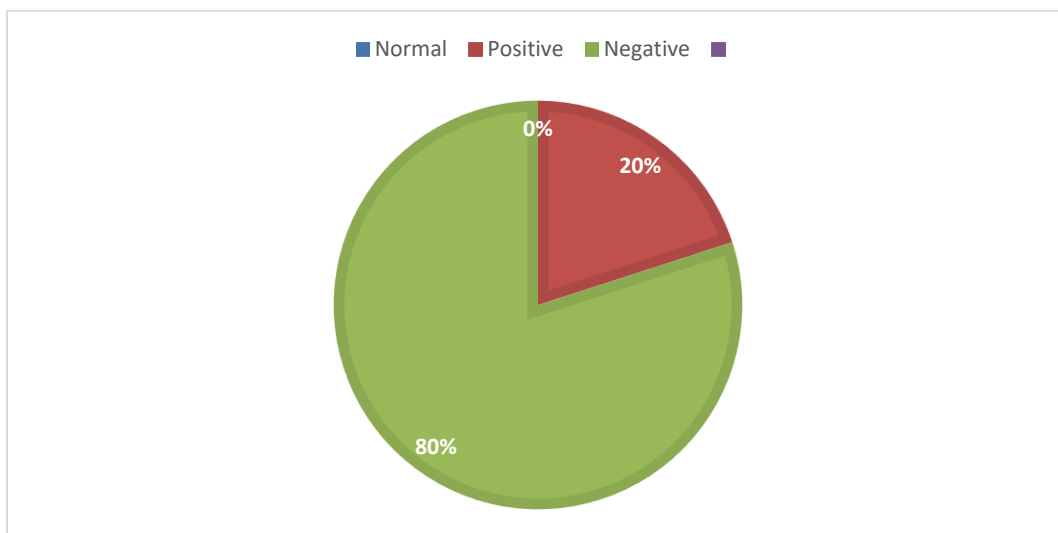


Figure 4.1 Reactions of Customers when contacted to pay since the outbreak of Covid-19

In view that the majority of people are currently working from home, a number of collection methods were deployed by the MACM Members, who participated in this survey, when communicating with their customers, with e-mails being the most preferred collection method, followed by telephone calls.

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

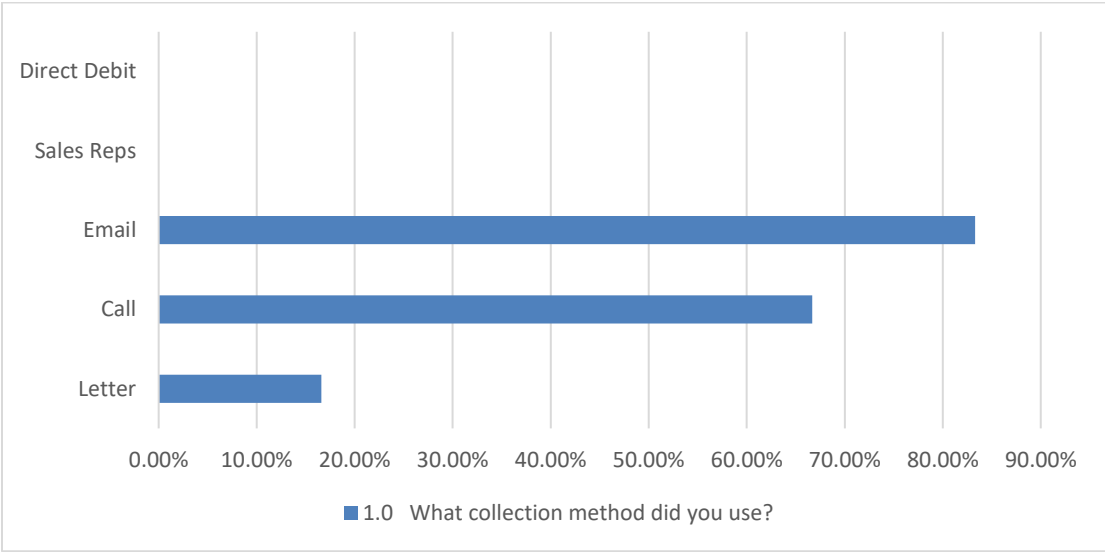


Fig 4.2 Methods deployed to collect money from customers during the Covid-19 crisis

None of the respondents offered any kind of payment incentives to encourage their customers to pay their dues.

4.4 Government Financial Assistance

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

The majority of respondents who did not apply are not considering to tap these government financial assistance as they claim that they do not qualify to such incentives. Their business NACE Code does not fall under any of the schemes.

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 in their working capital.

4.5 Actions taken by Suppliers

To-date, the majority 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, some of the respondents intend to tighten their collection practices in the future should their customers continue to refuse paying their dues.

5.0 Recommendations

Given the current economic crisis and from the survey conducted among the MACM Members in the Printing & Advertising Industry in Malta, the following are the recommendations and conclusions:

5.1 Suppliers should be conversant with the law of prescription and a Constitution of Debt or acknowledgement of debt should be signed by the customers whenever possible. Legal representatives must sign these documents.

5.2 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 Trade Suppliers 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 and in the customers' markets is commendable.
 - 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