



MACM Survey – Covid-19

12 May 2020

This survey was conducted with MACM Members, suppliers of foodstuff between 4th May 2020 – 9th May 2020.

1.0 Objectives

- 1.1 To establish the level of impact on the cash flow of the FMCG Suppliers due to Covid-19 crisis.
- 1.2 To understand the paying behaviour and attitude of customers hailing from the FMCG (foodstuff) sector in Malta.
- 1.3 To learn what methods the suppliers in the FMCG 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 FMCG Sector.

2.0 Background

To prevent the spread of the COVID-19 pandemic, EU Member States, including Malta, have taken a wide variety of restrictive measures. Among other limitations, non-essential retail shops were closed, affecting the retail trade volumes. Food stores and supermarkets were considered essential retail shops and were left open to the public.

In a Report published by Eurostat, it was noticed that in March 2020, retail trade of food products (incl. beverages and tobacco) increased substantially compared with the average March growth rates of the last decade.

It was also observed that since non-essential stores were closed, whilst groceries, supermarkets and pharmacies remained open, the retail trade volumes of various distribution channels were effected. Nevertheless, sales in supermarkets were reported to have increased in European countries.

Source: Eurostat Report 7 May 2020

3.0 Survey Methods

The survey was conducted among the MACM Members - suppliers of foodstuff, which includes beverages and tobacco.

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

The Questionnaire used 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 FMCG 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. 70% 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 30% 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

12% of the MACM Members who are being effected verified that the amount due which was not collected compared to the same period of time was between 0% - 20%.

36% of the effected MACM members stated that they failed to collect 20% – 40% of what they used to collect during the same period of time.

28% of the effected MACM Members collected 40% - 60% less than they used to collect pre-Covid-19 crisis.

24% of the MACM Members who were negatively effected substantiated that they collected 60% - 80% less compared to the same period of time.

4.3 Cash Collections and Methods deployed

Only 3% of the MACM Members who participated in the survey revealed that they did not try to collect money from their customer. 97% 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 10% of customers reacted positively when they contacted them to collect amounts due by them, while 55% of customers reacted negatively. Figure 4.1 refers.

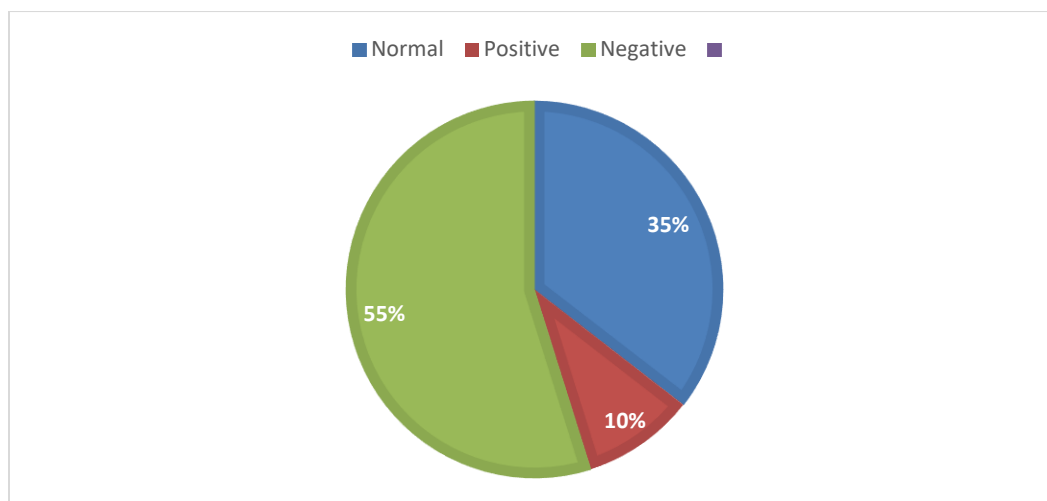


Figure 4.1 Reactions of Customers when contacted to pay since the outbreak of Covid-19

In view that the majority of people are currently working from home, a number of collection methods were deployed by the MACM Members when communicating with their customers, with e-mails superseding the 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.

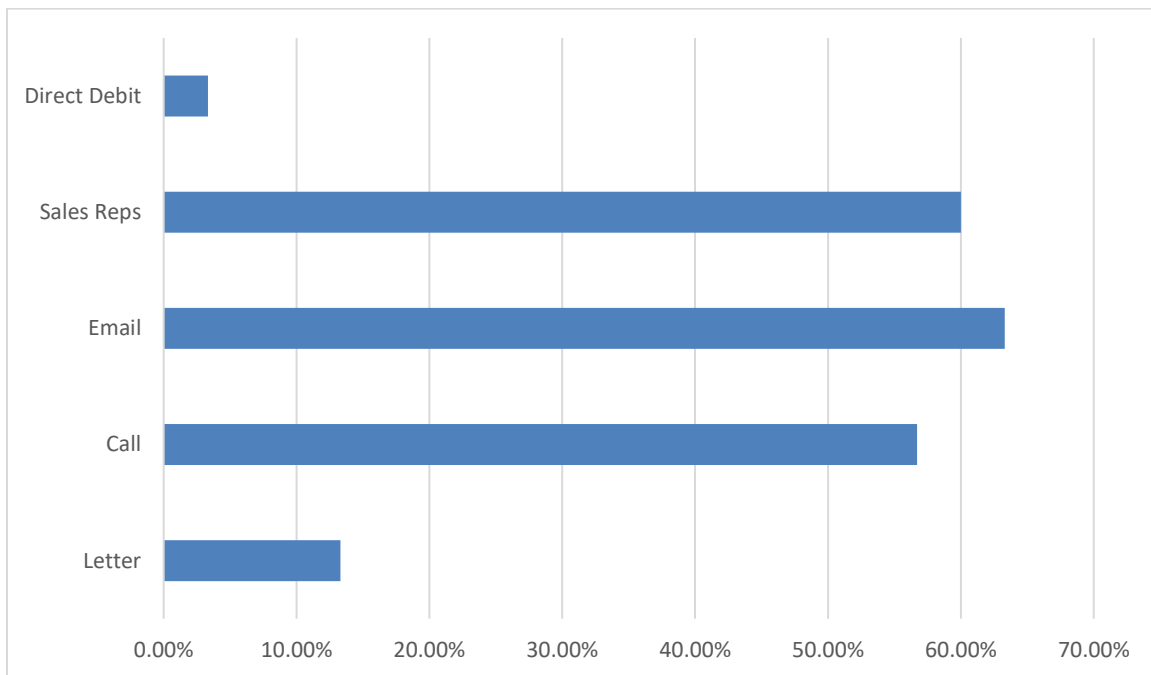


Fig 4.2 Methods deployed to collect money from customers during the Covid-19 crisis

When the respondents were asked whether they have offered any kind of payment incentives to encourage their customers to pay their dues, only 20% used this collection tactic. The following incentives were offered:

- a. Extended credit terms
- b. Discounts on cash sales

When offered, these payment incentives were generally appreciated by customers and MACM Members who offered such incentives said that they were successful in collecting their dues or reached a satisfactory agreement with customers.

4.4 Government Financial Assistance

56% of MACM Members applied for Government Covid-19 financial assistance that would help them in their cash flow and working capital management.

37% of those who did not apply are still considering to tap these government financial assistance with the remaining 63% stating that they will not apply due to various reasons, including:

- a. Their employees are working from home using teleworking
- b. Their business NACE Code does not fall under any of the schemes
- c. Financial incentives may not be clear to which businesses they apply

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, 7% of respondents intend to take legal actions 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 FMCG Sector in Malta, the following are the recommendations and conclusions:

- 5.1 Suppliers should be conversant with the law of prescription and acknowledgement of debt should be signed by the customers whenever possible. Legal representatives must sign the acknowledgement of debt document.
- 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