

How German “Mittelstand” copes with COVID-19 challenges

May 2020



- **COVID-19 is, first and foremost, a major humanitarian challenge.** Thousands of health professionals are battling the virus, putting their own lives at risk. Overstretched health systems will need time and help to return to a semblance of normalcy.
- **Solving the humanitarian challenge is, of course, priority #1.** Much remains to be done globally to respond and recover, from counting the humanitarian costs of the virus, to supporting the victims and families, to finding a vaccine.
- **This document is meant to help with a narrower goal: Provide insights to SMEs during the current COVID-19 situation.** In addition to the humanitarian challenge, there are implications for the wide economy, businesses and employment.

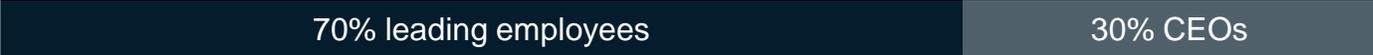
Overview of survey parameters

Period of survey: April 24-28, 2020

522
respondents

29
questions

Respondents

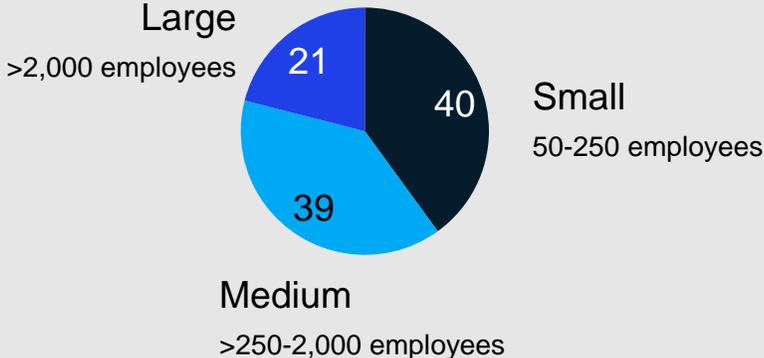


Size of company, percent

By annual turnover



By employees

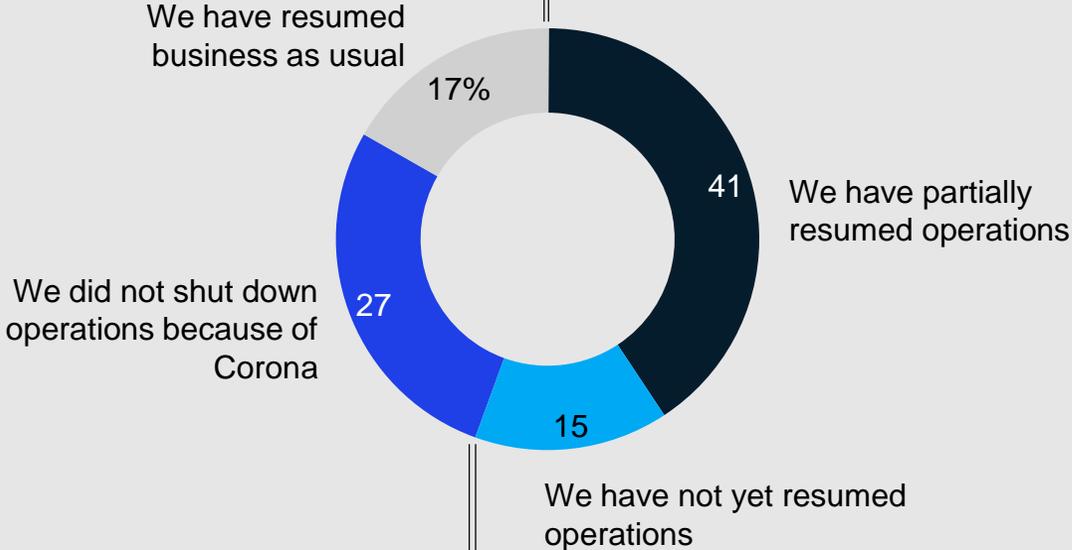


While 27% of German SMEs were not affected by corona, 56% are currently still not back to business as usual

What phase is your business currently in after partial relaxations of the lockdown?

~44% of SMEs fully operational

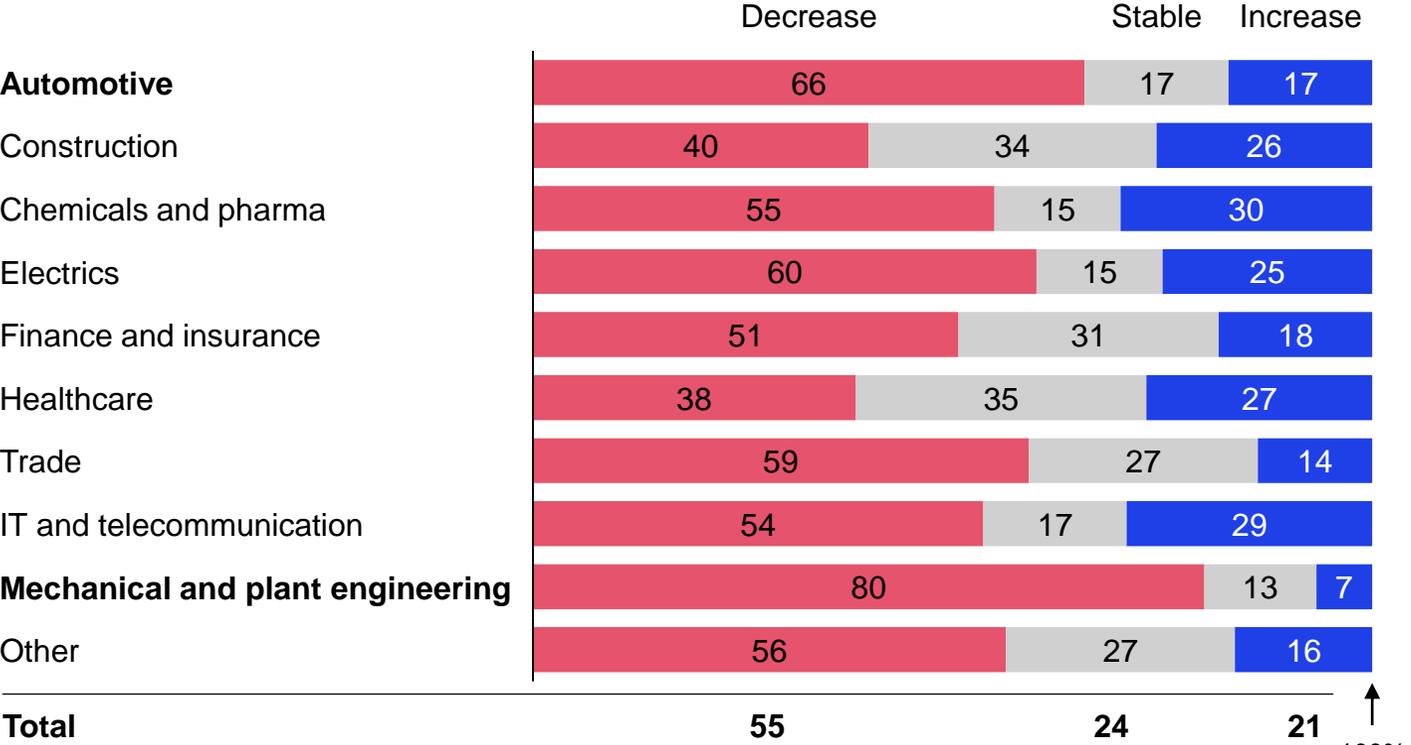
~56% of SMEs still not fully operational



German Mittelstand expects significant turnover losses in the 2nd quarter 2020

Revenue outlook in Q2 2020 among SMEs in Germany

Percent



Note: Due to rounding, percentages may not always appear to add up to 100%.

The response of German SMEs and the global industry is consistent

Sectors hit least are the ones that benefit from new demand or new digital business models

- Construction
- Healthcare

Sectors hit hardest are the ones with significant manufacturing, where production and demand have declined, as well as the ones greatly impacted by global shutdowns

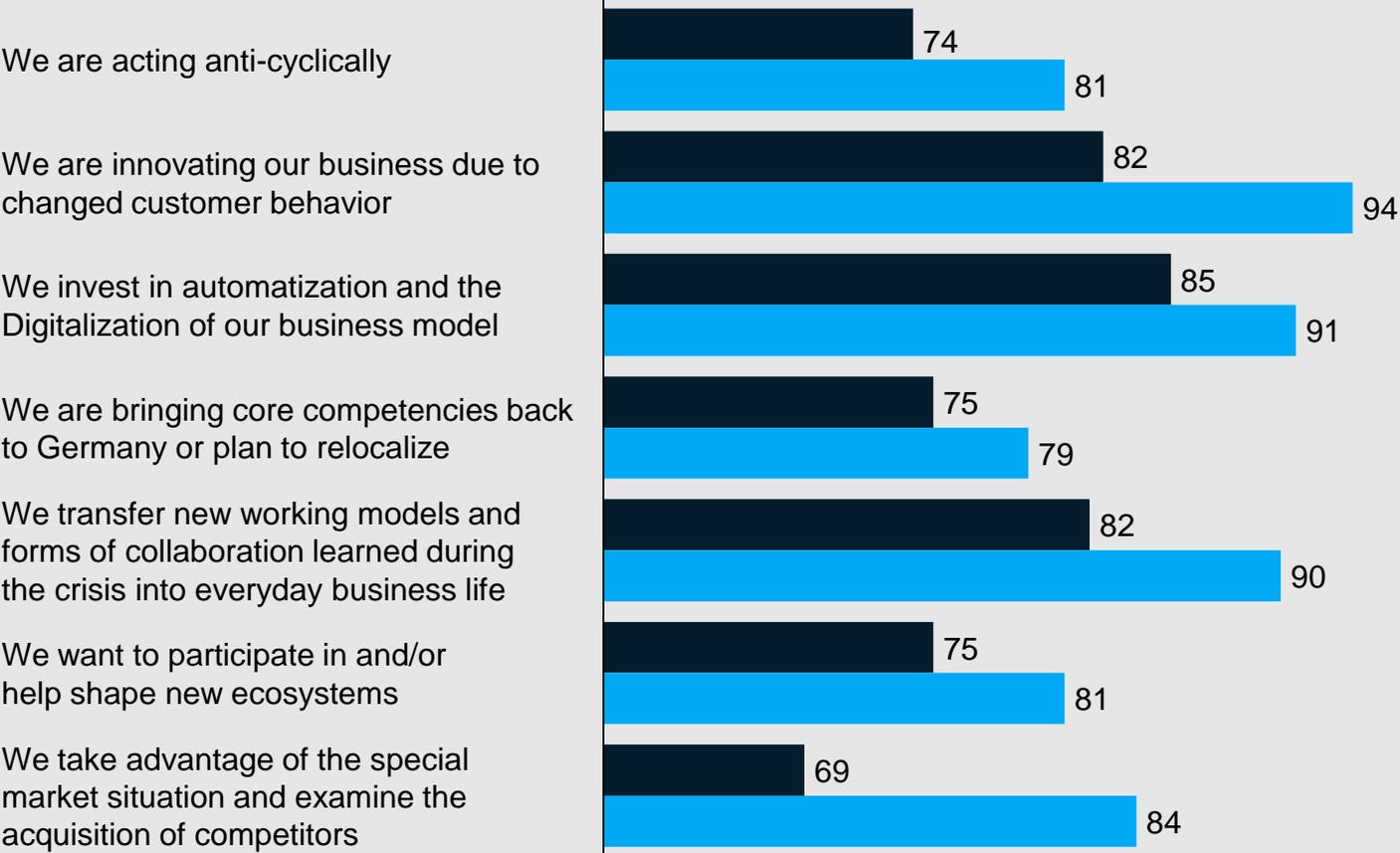
- Mechanical and plant engineering
- Automotive

SMEs believe that all of these 7 crisis levers are essential

To what extent do you agree with the following statements regarding your company?

Percent

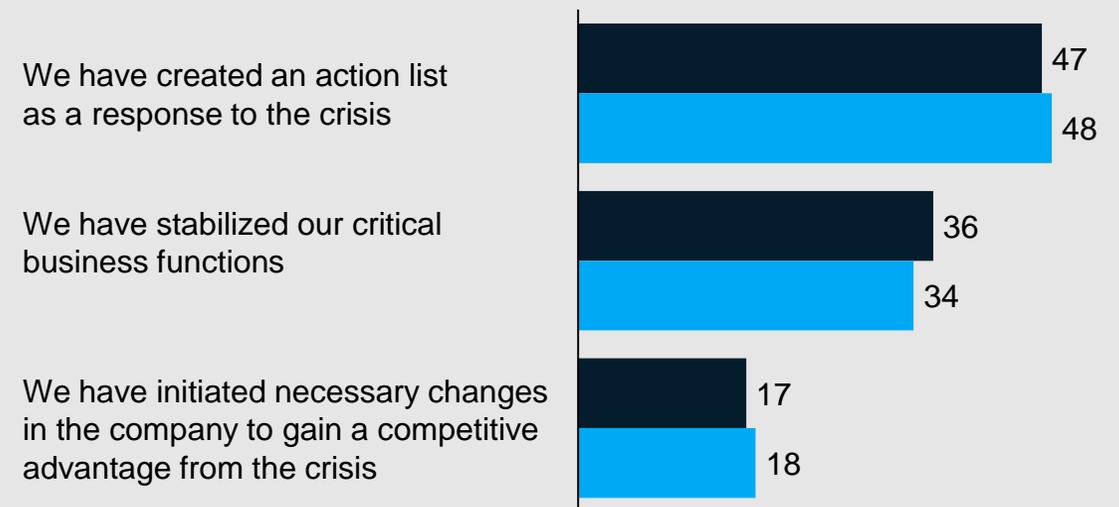
■ SMEs expecting revenue decreases in Q2 2020
■ SMEs expecting revenue increases in Q2 2020



73% of companies say they are reacting anti-cyclically to the crisis, while only 17% actually initiate necessary changes

Which of the following scenarios best describes the state of your SME and your crisis response?

Percent

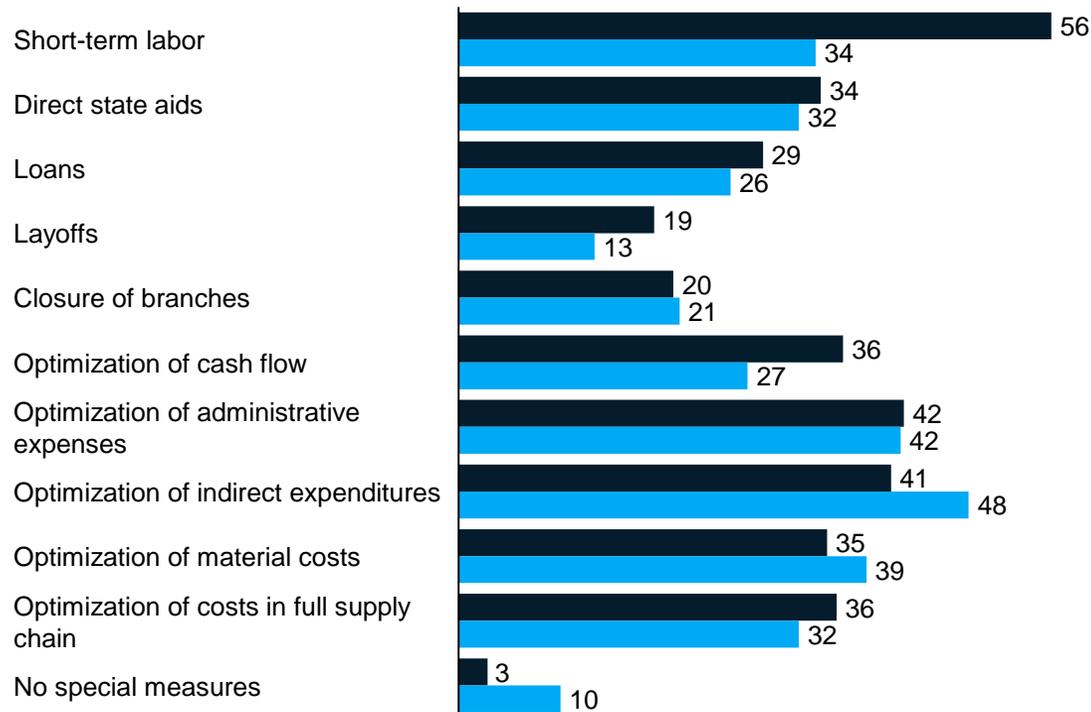


■ SMEs expecting revenue decreases in Q2 2020
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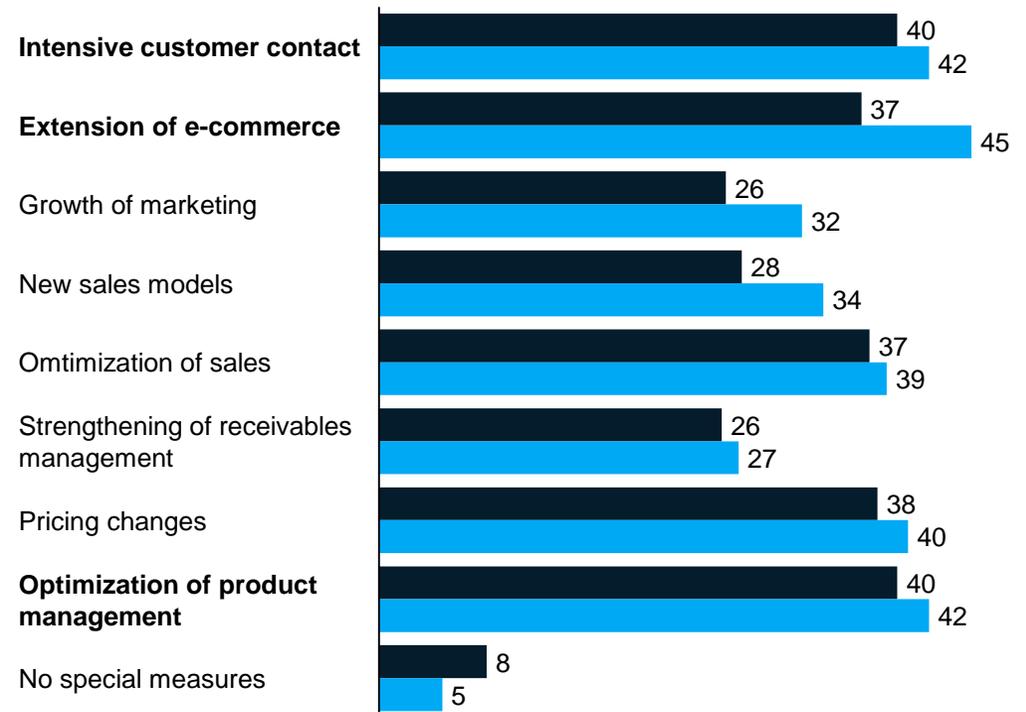
Potential winners focus on future growth opportunities

■ SMEs expecting revenue decreases in Q2 2020
■ SMEs expecting revenue increases in Q2 2020

Actions for business continuity¹



Actions for revenue stabilization or increase²



1. Q: What measures have you taken to ensure the continued existence of the business?
 2. What measures have you taken to stabilize or increase sales?

One of three surveyed SMEs state that digitalization has increased importance

Q: How does the corona crisis affect your planned or ongoing digital projects?

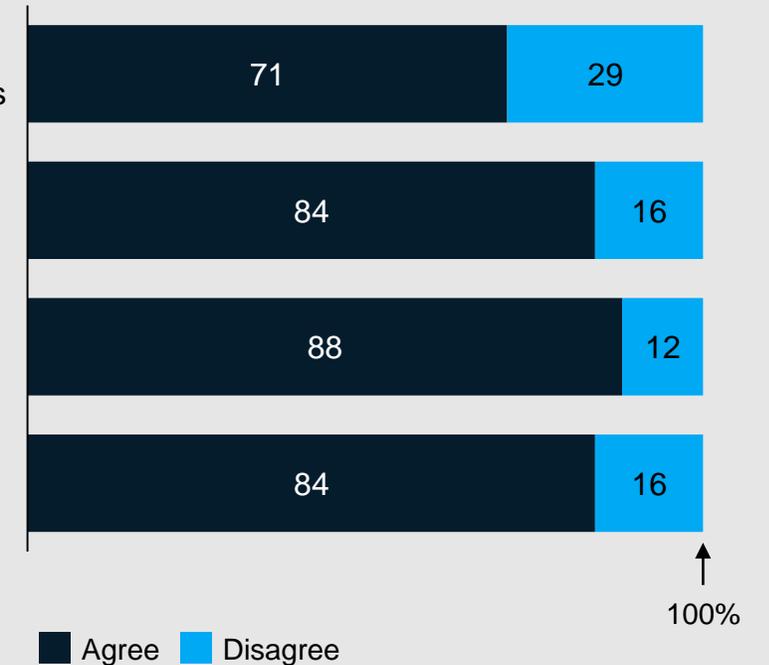
Percent

COVID-19 is increasing pressure towards digitization while also pausing ongoing projects

COVID-19 has shown us that we need to extend our digital business models

Digital processes and solutions will become increasingly important for our business

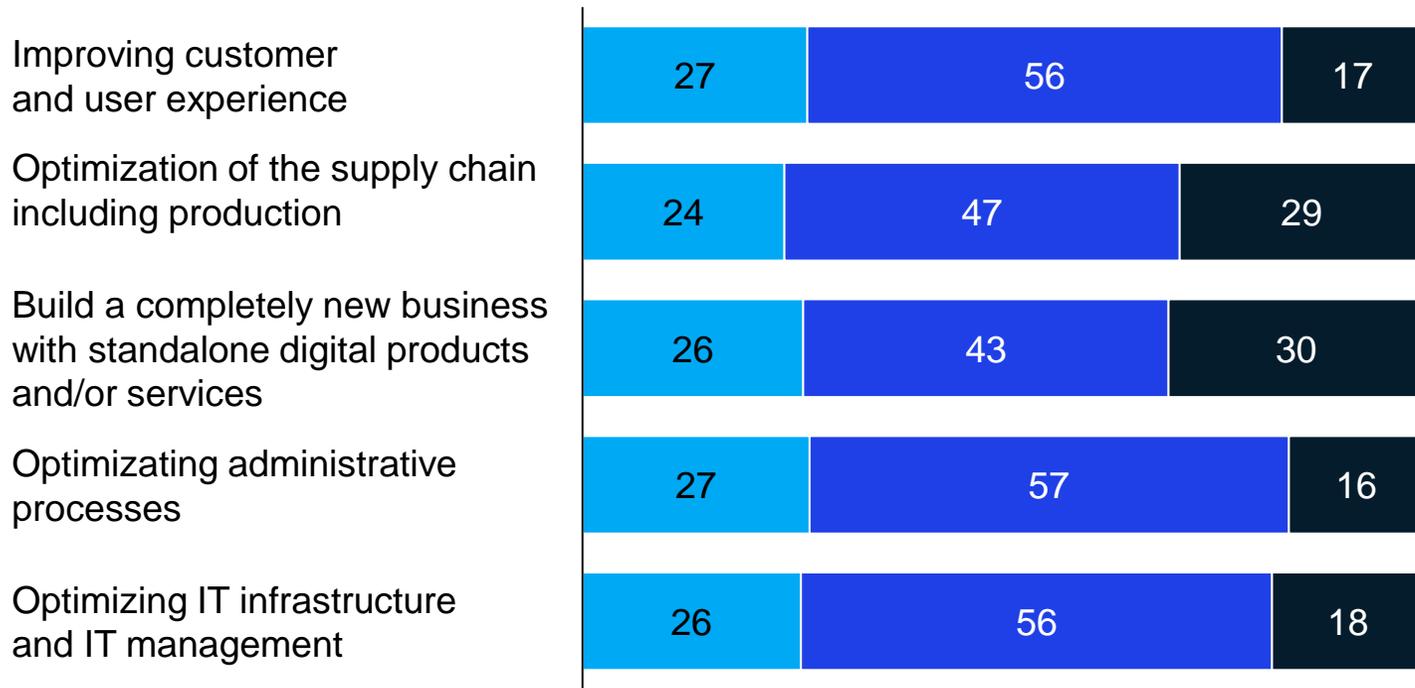
Digitilization of processes and business models is part of our crisis strategy



German SMEs still pursuing their digital projects

Q: Which digital projects are you planning or are already in progress?

Percent



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42%

of all surveyed SMEs use a technology roadmap with advanced industry insights on competitors, suppliers, employees, customers and regulators to realize these projects

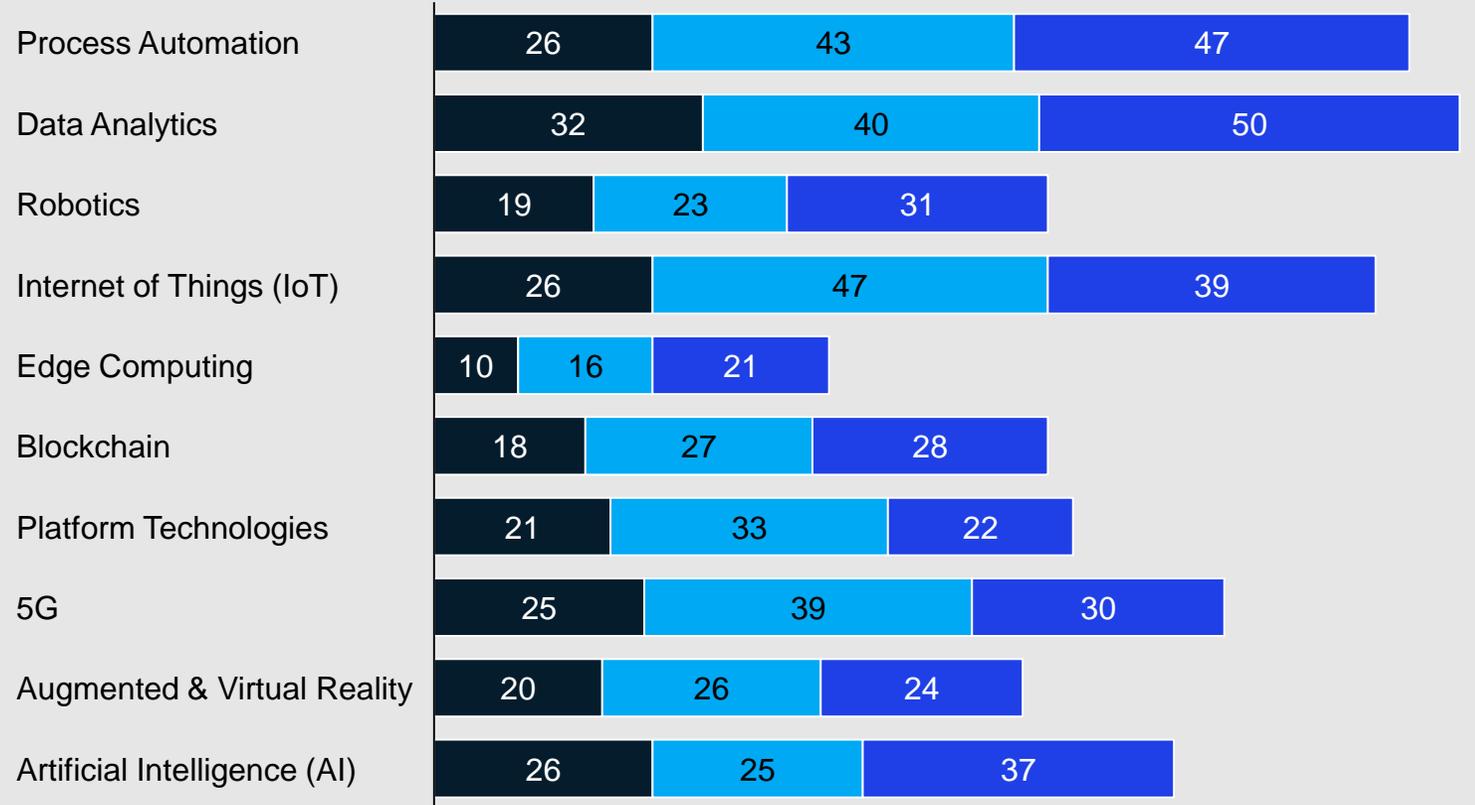
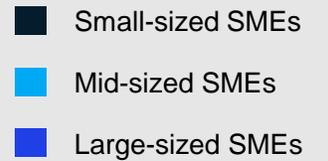
Larger SMEs and those expecting revenue increase for Q2 tend to be leverage these more often.

- **Large SMEs: 54%**
- **SMEs expecting revenue increase (Q2): 61%**

The larger the company the higher the expectations regarding the effectiveness and value creation potential of future technologies

Q: From which technology do you expect efficiency gains and new value creation potential in the future?

Percent



Flexible working models are conquering the German Mittelstand

88%

of SMEs operated with mandatory in-person work before COVID-19

81%

of SMEs expect that the COVID-19 crisis will make working models in their company more flexible in the long run

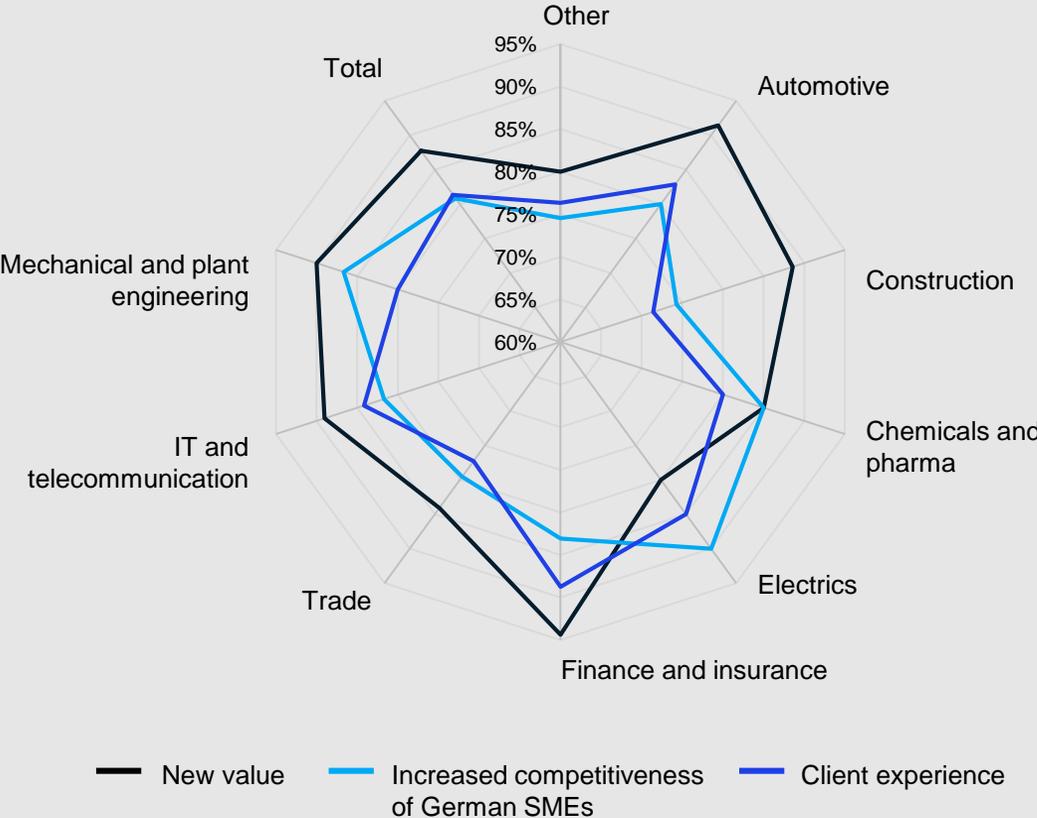


80% of companies believe ecosystems are profitable, and 51% expect a stronger involvement due to COVID-19

Core beliefs of >80% of organizations

- Partnerships help unlock new value potentials
- Ecosystems support the competitiveness of German SMEs internationally
- Ecosystems lead to improvements in customer experience

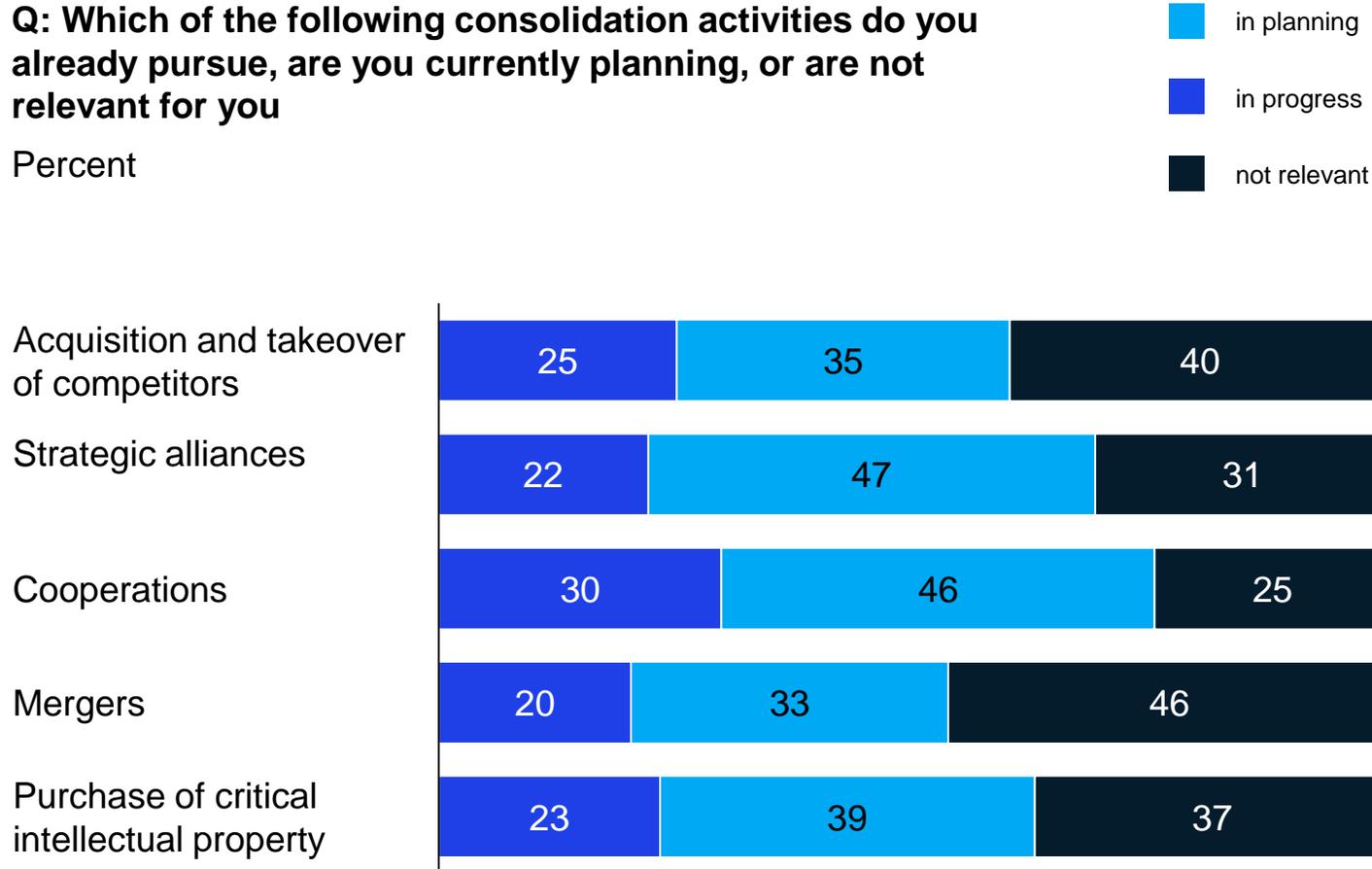
The focus of the ecosystem building varies by industry, but opening new value potentials is the leading cause



M&A Market will gain traction

Q: Which of the following consolidation activities do you already pursue, are you currently planning, or are not relevant for you

Percent



Note: Due to rounding, percentages may not always appear to add up to 100%.

1/2 of those companies with positive revenue prospects for Q2 act on their self supposed consolidation measures accordingly, while only

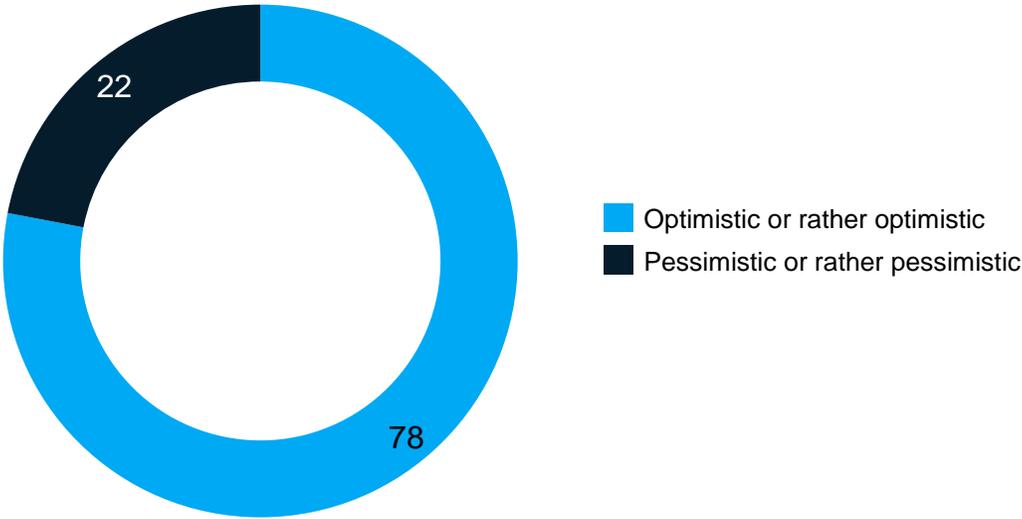
<1/3 of other SMEs plan to do so

Companies with expected revenue decline tend to state that these topics are not of relevance to them

77% of SMEs are optimistic about the future

How optimistic are you about the future?

Percent



Source: Questions 10, 11, 3a

3%

of pessimistic SMEs expect revenue increases for Q2 2020

84%

of pessimistic SMEs expect revenue decreases for Q2 2020

14%

of optimistic SMEs expect revenue increases for Q2 2020

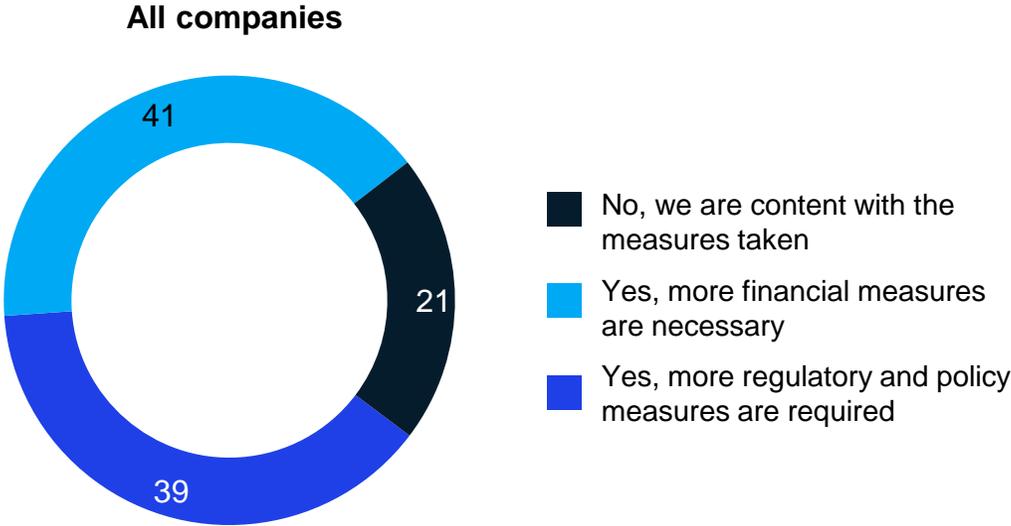
57%

of optimistic SMEs expect revenue decreases for Q2 2020

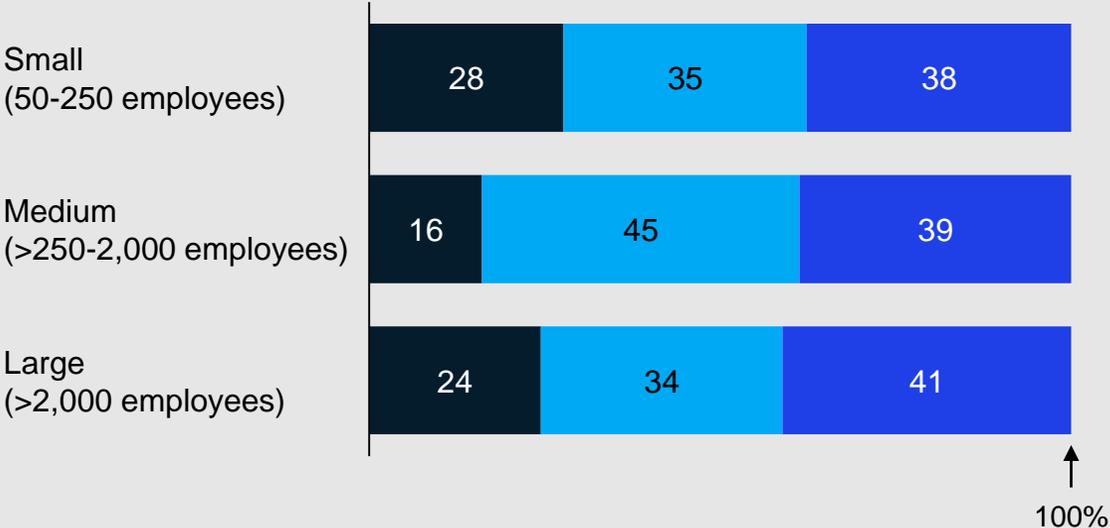
21% of all companies are content with the measures taken by the state

Do you wish for more support from the government?

Percent



Company size



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