



Health Tech & Life Sciences SMEs – Survey of the impacts of COVID-19 on the sector.

June 2020

Introduction

The Covid-19 disease outbreak, the subsequent restrictions and the lockdown measures adopted by governments worldwide including the UK, have significantly affected the work of SMEs and start-up companies.

SMEs have fewer than 250 employees and account for over 99% of all businesses in the UK. Millions of people work in SMEs, and they are a key driver of economic growth and employment in the UK. So are enormously important to the economy.

In rapid response to the outbreak of the Covid-19 crisis, MedCity played a pivotal role in listening to and responding to the life sciences sector's needs. We collaborated with One Nucleus and SEHTA to carry out an early baseline survey at the start of the crisis, of SMEs affiliated with our organisations, to understand the impact on their business and the immediate challenges being faced in this unprecedented environment. Those results (read them [here](#)) were shared with key stakeholders in our ecosystem including BEIS, the BIA, OLS and UKRI.

Unsurprisingly, given the timing of the baseline survey, just a week after the first wave of business support packages were announced by the government in mid-March, the vast majority of companies identified financial issues as their most critical issue, specifically requesting more funding, in the form of access to loans, grants, and funding/investment rounds.

Specifically, for Covid-19 response, companies asked for better signposting and access to decision-makers, and more funding for Covid-19 related projects.

Since then there has been the release of several government backed schemes to help with those concerns and MedCity ran some successful free webinars with an expert legal and tax specialist panel and live Q&A, to help companies understand the various schemes such as the job retention scheme and ensuring best use of the financial and tax measures introduced to help during the Covid-19 crisis.

MedCity also launched and is regularly updating a Covid-19 webpage highlighting specialist resources, websites and a database with links to funding sources for SMEs.

SEHTA launched an SME Supplier Catalogue of companies offering relevant solutions for the NHS (more information [here](#).) One Nucleus members can [click here](#) to see Covid-19 updates.

This second survey's aim was to build on the first and gain updates and further insights into the opportunities and constraints faced by SMEs in the health tech and life sciences sector as we move forward to focusing on the recovery and growth of one of the UK's leading sectors.

This survey was open from 21st May until midnight on Thursday 4th June 2020.

Executive summary

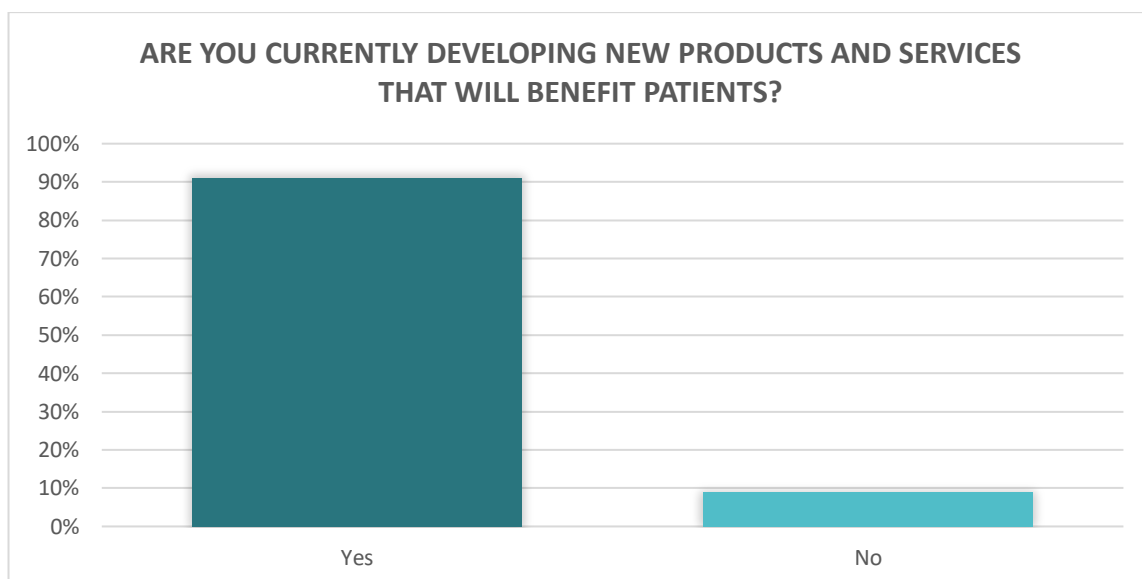
This second survey received responses from 78 SMEs collectively employing 1,091 people in the life sciences sector, with over a third of them employing 10 or more each. The survey's aim was to build on the results of the first (78 responses versus 54 in the initial survey) and gain further insights into the opportunities and constraints faced by SMEs in the health tech and life sciences sector, within the following themes:

- The impact of Covid-19 on the ability to develop new products and services that will benefit patients.
- The impact of Covid-19 on companies hiring and their work force.
- The move to home working during the crisis and its impact on ways of working in future together with the impact on demand for office space.
- The impact of the easing of lockdown restrictions and where constraints remain.
- An update on the funding constraints highlighted in the first survey.
- What overseas markets are they looking to expand into in 2021 and 2022 and what support do they need to do so?
- Shared learnings – what insights have they gained from responding to the crisis that has changed their business strategy and suggestions related to the current crisis to further improve prospects for them and the sector.

The survey's key findings:

1) The impact of Covid-19 on the ability to develop new products and services that will benefit patients:

Over 90% of respondents are currently developing new products and services that will benefit patients, of which half believe the current Covid-19 situation is having a detrimental impact on their ability to develop those products and services and that the impact will last between 6 months and a year.



These delays impact their funding requirements and delivery milestones for their investors, adding weight to the calls for more funding for the sector.

Some key issues highlighted by individual companies were:

“This has certainly caused a delay by at least a year due to limitations we will have accessing labs.”

“We will need to raise considerable additional finance to accelerate the growth of our company or we will miss opportunities. Slowing down of clinical studies makes it more difficult to generate data needed to support this. Government could do more to support mid-sized Biotech.”

2) The move to home working during the crisis and its impact on ways of working in future together with the impact on demand for office space:

Mirroring what is happening in other sectors, over three quarters of respondents are actively considering increasing the proportion of home versus office working once lockdown restrictions are removed completely. With a third of those planning on reducing the size of their current office space over the next 12 months.

Some issues highlighted by individual companies were:

“We will remain primarily office-based, but there will be more working from home. We will also aim to hold more meetings online rather than travelling long distances.”

“That home working can be very effective and positive on staff wellbeing and productivity. That we don't need to travel as much as we did to customers, prospects and to conferences.”

“Working from home is more effective than previously thought.”

3) The impact of the easing of lockdown restrictions and where constraints remain:

Following the government's announcement of its strategy to ease lockdown restrictions the majority of companies believe their business will be back to operating as usual within 6 to 12 months.

Following the government guidance, companies highlighted the three key areas that remain their biggest challenges to returning to business as usual as:

1. Ability to maintain social distancing requirements between co-workers and/or customers

2. Access to conferences/trade shows
3. Outbound international business travel

This was very closely followed by:

4. Staff inability to return to office working (e.g. schools not open/access to child care)

One company's comments highlighted these issues for growth across the sector:

“Lack of Trade fairs is a huge immediate impact. Limited international travel will compromise business development. Use of Virtual contact with customers will increase, however with everyone doing this it will become more difficult to get attention.”

4) An update on the funding constraints highlighted in the first survey:

Since our last survey various comprehensive business support packages were announced by the Government and are being used by companies to support themselves over this crisis – though 44% of companies have not accessed any support or been ineligible to do so.

The most used forms of support were the Bounce Back Loan scheme and staff furloughing with a further 5% of companies stating they will be applying for a support scheme.

Based on their existing resources and with no further funding, nearly 40% of respondents stated their business is only sustainable for the next 3 to 6 months - so funding still remains a sector concern.

When asked whether the Future Fund will help investment into their company only a third said it would, with the majority of those saying it would not coming from the digital health sector – a sector whose prospects have brightened over this crisis due to rapid NHS uptake of digital services.

Some issues highlighted by individual companies were:

“Most of the government programmes don't apply to pre-revenue startups and with private funding constricting it makes it doubly difficult for companies at early stages.”

“Investors are still mainly focused on their current portfolio companies, which makes closing Seed rounds for pre-revenue healthtech/medtech startups a lot harder. This is hence affecting our business and funding strategy going forward.”

“Additional loans/grants/support for businesses pre revenue or early stage revenue. Consider both health AND social care - predominantly conversations or support is given to clinical health and not social care”

Actions:

As a result of the survey the following actions will be taken:

1. MedCity will share the results with relevant partners and government departments including the GLA to be fed into the broader impact assessment and to assist in shaping information and resources both from national government and the GLA.
2. MedCity will support the GLA advancing policy positions to help stabilise the life sciences base in London and the greater south east.
3. MedCity will share the results with BEIS and OLS as requested, to supplement their own intelligence in supporting sector growth nationally.
4. MedCity will share the survey's export market insights with the Department for International Trade.
5. MedCity, SEHTA and One Nucleus will share the results via their respective communications channels.
6. MedCity is regularly updating a Covid-19 webpage highlighting specialist resources, websites and a database with links to funding sources for SMEs.

Below we reveal some of our other survey findings:

1) Survey Respondents by Company Size and Sector¹:

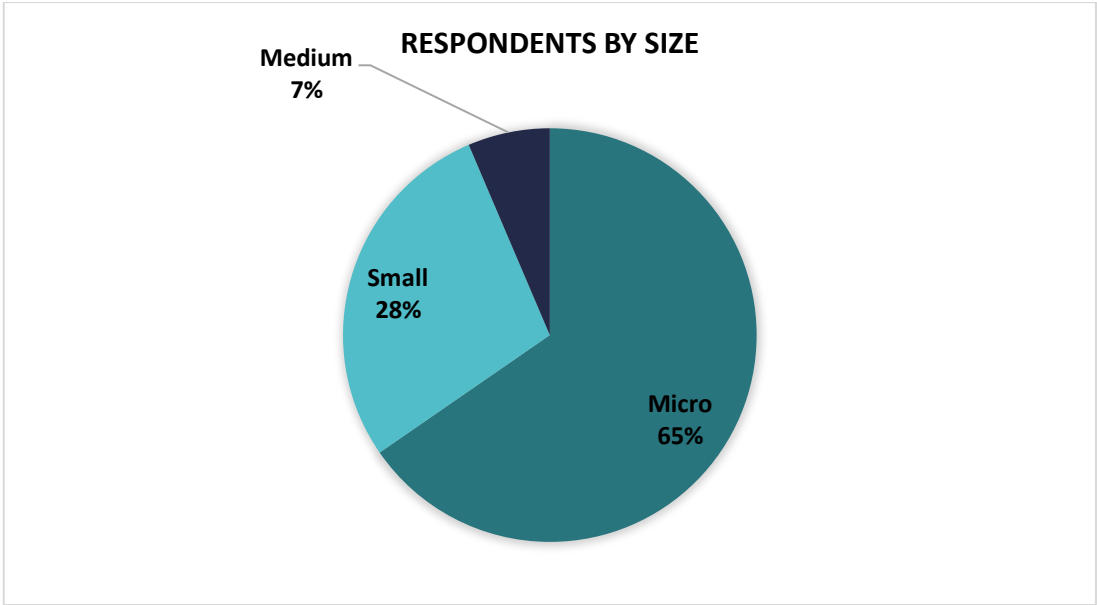


Figure 1: Size breakdown of responding companies, according to No. of employees.

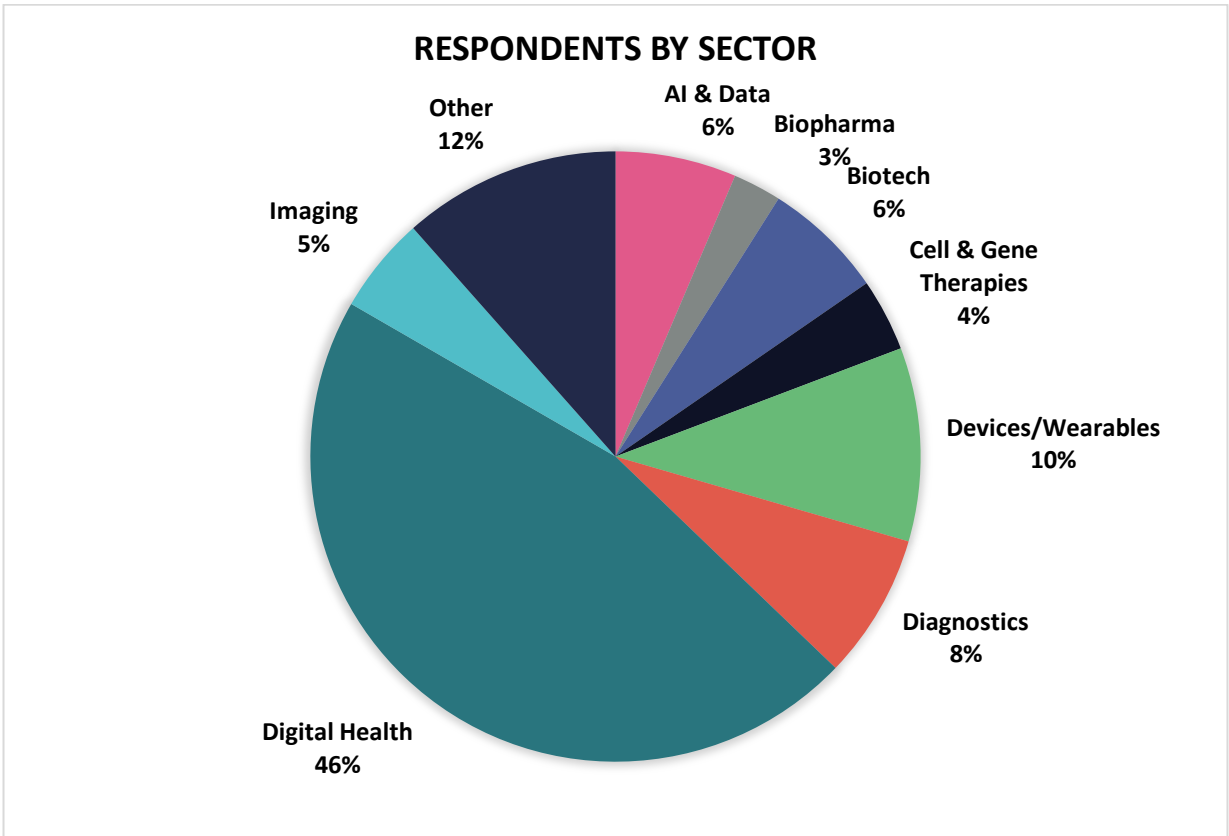


Figure 2: Sector breakdown of responding companies.

¹ Micro: 0-9 employees; Small: 10-49 employees; Medium: 50-250 employees

2) Survey Respondents by Location:

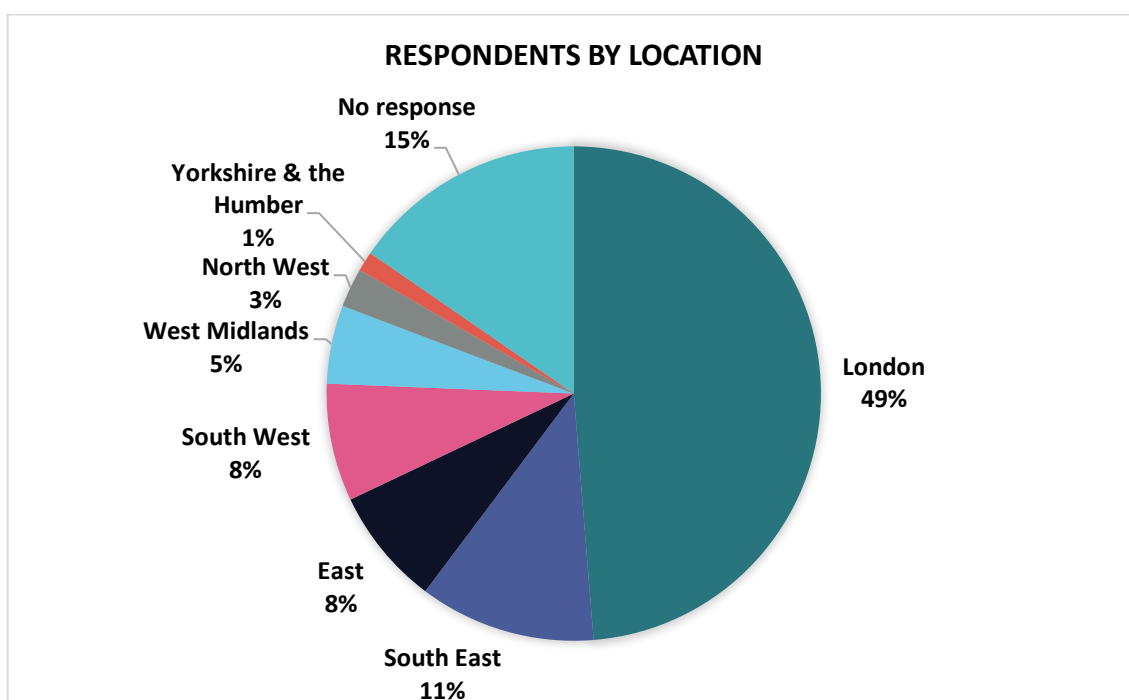


Figure 3: Location breakdown of responding companies.

Half of respondents were based in London rising to 70% when including the Greater South East. Of the 38 based in London, 1 in 4 are actively considering moving from London, or reducing their presence there with some of the following reasons quoted:

- "More opportunities outside, cheaper out goings and better quality of life."*
- *"Possibly abroad."*
 - *"Remote working shows we don't need to be based here."*
 - *"We are setting up a US presence in Philadelphia."*
 - *"Access to funding in healthcare technology in other regions that would require a local presence."*
 - *"Cost of office space. We already have a second office in Leeds and are looking to do more there."*
 - *"Cost."*
 - *"Cheaper gym/office space."*

3) The impact of Covid-19 on companies hiring and their work force:

The impact of the crisis on hiring has been that 10% of the companies had already reduced their workforce by the time of the survey, with a further third introducing a hiring freeze or hiring less than their original plan for this year.

It's not all bad news as just over 10% are hiring more than they forecast for this year - of which three quarters of those companies are in the digital health sector, reflecting the rapid uptake of digital by the NHS over the crisis.

Just over a fifth of companies have accessed the government's furlough scheme with other companies reducing contracted work hours and a fifth taking salary cuts.

4) What overseas markets are they looking to expand into in 2021 and 2022 and what support do they need to do so?

Turning to the future growth of the sector and the ambition for these companies in international markets. The most popular countries that the companies are planning to expand into in 2021 and 2022 are:

2021 – The most popular markets were the USA, Europe (Germany the most popular European country) and Australia. India was twice as popular as China though both were low down the list.

2022 – The most popular markets were Europe (Germany and Spain), USA, Australia and Canada with China and India lower down the rankings.

To support them in their overseas ambitions, survey respondents want:

- Increased information, advice and support to understand the opportunity.
- Increased financial support to attend international trade missions.
- Increased attendance of UK sector bodies at overseas conferences.

Over half of those support needs were expressed by Micro SMEs reflecting their ambitions to build long term businesses, with some expressing specific needs such as *“facilitating introductions to international MedTech hubs and funding support for international collaboration.”*

Some issues highlighted by individual companies were:

- *“Business can and should be done remotely where possible- especially true for international market expansion for start-ups where cost is a big factor.”*
- *“There needs to be a brand revamp of Britain open for business particularly with the EU.”*
- *“International expansion requires a profitable UK business, which is a challenge due to the NHS not adopting innovation fast enough.”*
- *“Regulatory and legal aspects of Brexit worked out asap.”*

5) Shared learnings – what insights have they gained from responding to the crisis that has changed their business strategy and suggestions related to the current crisis to further improve prospects for them and the sector:

Companies have evolved through the crisis such as *“our product/service is being refined to better support remote monitoring, review and care planning.”* Though several companies commented on the difficulties of engaging with the NHS:

- *“Greater streamlining in the commissioning and procurement processes. Too many organisations procuring similar contracts across public health and the NHS duplicating effort.”*
- *“The procurement process is very complicated. It will increase adoption if it is simplified for smaller companies.”*
- *“We have seen a big uptick in demand, but still decision-making at trusts is slow. A centralised information governance approval process, and access to dedicated small digital project funding for NHS trusts would help.”*
- *“Clear requirements and rules of engagement re Information Governance and Data Security when working with NHS Trusts. Significant variability in understanding and requirements between Trusts.”*
- *“Centralised information governance approvals that apply to all trusts. Funding stream that trusts can access to support rapid deployment. CIOs to become more comfortable working with SMEs.”*
- *“It would be helpful to know the challenges that each NHS organisation is keen to address so that we can target our efforts accordingly.”*

There was also a belief by several companies that the crisis had had a positive impact on the NHS:

- *“NHS stakeholder willingness to engage remotely is a benefit and will change how we promote, sell and implement.”*
- *“There appears to be a significant change in attitudes towards digital transformation, that we expect to persist beyond the scope of Covid-19.”*
- *“Barriers to adoption of digital health appear to be coming down. Introduction of SPARK Dynamic Procurement System may make it easier for buyers to procure.”*
- *“The acceptance of digital technology's role in health will accelerate the adoption of our products.”*
- *“Accelerated adoption of digital tools in healthcare/NHS.”*
- *“Reinforced focus on developing devices to keep people out of hospital, patient self-administration and remote clinical input.”*



For further details please contact:

MedCity - Office@medcityhq.com

One Nucleus - info@onenucleus.com

SEHTA - Info@sehta.co.uk