

The effects of the Covid-19 pandemic on rural businesses: experiences and resilience

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We collaborate, research and co-design ideas and solutions to foster rural enterprise and unlock the potential in the UK's rural economies.

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Executive summary

This report presents findings of a survey of **over 4,000 businesses** across three English regions – the North East, the West Midlands and the South West. It is intended to **provide an assessment of the performance of rural businesses during the Covid-19 pandemic.**

The survey, conducted between June and August 2021, covered both farm and non-farm rural businesses as well as a comparison sample of urban businesses. This report concentrates on the findings for non-farm rural businesses.

The Covid-19 pandemic revealed both winners and losers amongst rural businesses and the most common response from rural businesses was that the pandemic had both positive and negative effects for them. Social distancing regulations were as big an obstacle for rural firms as urban ones. While infection rates of Covid-19 were higher in urban areas, the effect of Covid-19 and related control measures on rural business operations was substantial. In the previous 12 months, 42% of rural firms experienced decreased turnover and 37% reported mainly negative effects.

In the face of the pandemic, generally rural firms were less affected than urban firms. They are consistently less likely to have reported a decrease in turnover and more likely to have maintained or increased their turnover compared to urban firms. The proportion of firms that generated a profit is also higher in rural areas than in urban areas. Nevertheless, almost half of rural firms surveyed reported economic uncertainty due to Covid-19 as a major obstacle to success, with substantial numbers citing reductions in sales/income and productivity. Disruption to supplies was reported by two-thirds of enterprises reporting negative impacts.

The Covid-19 pandemic prompted enormous market innovation amongst rural businesses. For instance, over a third diversified their business and of these more than a half developed new sales channels and two-thirds diversified their customer base. While the likelihood of different innovations varies between urban and rural businesses, overall, there are similar and substantial levels of change. There is no clear evidence that rural businesses lag behind urban ones in market innovation.

Use of government support during the pandemic was widespread and well received by businesses. Reflecting significant Covid-19 impacts on rural businesses, three-quarters of them used at least one form of government support during the pandemic (e.g., furlough, local authority grant). While uptake varied across and within regions, overall similar shares of rural and urban businesses took up support, and there is no clear evidence that rural firms had poorer access to these Covid-related business supports. Government support was particularly helpful for addressing short-term cashflow, employee retention, and survival issues. However, Covid business support measures generally have not aided longer-term restructuring. Less than 5% of rural firms said the Covid support measures were helpful for creating new products or services or pivoting to a new business plan.

Rural businesses are less likely to prepare written business plans and have formal risk management strategies than their urban counterparts. Studying the impacts of the pandemic on business performance indicates a diversity of coping mechanisms with, generally, informal, family-based strategies more common amongst rural businesses. The latter is likely linked to the greater prevalence of family-owned and home-based businesses in rural areas. Many rural business owners relied on family resources (labour and capital), to help cope with the impacts of the pandemic. Rather than a single set of 'best practices' which aid business resilience, a range of options was used successfully, with their appropriateness and use varying across firms, sectors and localities.

During the pandemic, few rural businesses engaged with business advisors. Less than 10% of rural businesses actually engaged with a business advisor or mentor and only a quarter said that support from a business advisor or

mentor would have been useful with dealing with the Covid-19 crisis. Other forms of support (such as: access to business leaders with similar experience, or online information about how other businesses had overcome similar problems) were regarded as more useful. This evidence suggests that how business advice is promoted and delivered to rural businesses (as well as urban ones), particularly following the experience of lock-down and its impacts upon ways of working, might merit a re-think.

Important differences between rural and urban businesses are evident between regions and sectors, highlighting the need for devolved, more fine-grained and rurally-sensitive local economic analysis and development. Diversity between and within regions and sectors is particularly noticeable in respect of businesses' performance, risk planning and management, underlying objectives, types of support, and access to advice.

Further reports in our '**State of Rural Enterprise**' series will explore these sectoral and regional differences in rural business performance in greater depth, as well as separately assessing farm business performance during Covid and comparing this to the wider rural business data.

1. Introduction



In this report, the National Innovation Centre for Rural Enterprise (NICRE) aims to fill a **crucial gap in the evidence base** by reporting the findings of a large, in-depth, comparative regional survey of rural businesses.

As the first in a series of State of Rural Enterprise Reports based upon the survey's findings, we focus on the impacts of Covid-19 on rural enterprises, and how they coped with the pandemic.

Enterprises located in rural areas of the UK account for around one in four of all UK businesses. This report is based on a new survey of over 4,000 businesses across three English regions – the North East, the South West and the West Midlands. The survey provides a current profile of the types and sizes of rural businesses in these areas, and covers their recent operations, their obstacles and infrastructure needs, their connections with external advisors and other businesses, and their experiences of the Covid-19 pandemic.

We report the findings from what is first and foremost a rural business survey. Where sample size allows, we aim to bring out the diversity of rural areas using aggregated rural categories from within England's official urban-rural classification (ONS, 2013). In particular, we distinguish between three types of rural locations: town and urban fringe, villages, and dispersed (hamlets and isolated dwellings). We also include data from a reference sample of urban businesses in each region which, whilst accepting this is a simplification of complex urban geography, allows us to provide an initial comparison between rural and urban enterprise at different points in the report. For some variables we tease out a range of contrasts between the circumstances of rural and urban firms. For others, urban and rural percentages are found to be similar, though it cannot be assumed that underlying causes and implications are also the same.

The report provides a first assessment of the data and the impacts of Covid-19 on non-farming businesses, but with potential and plans for follow up work around further themes, econometric modelling, a farm/non-farm comparison, and sub-regional analysis.

The population of interest in the NICRE Rural Enterprise Survey is private sector for-profit and not-for-profit businesses employing at least one person. The survey covered 4,055 businesses in total, made up of 2,666 rural non-farm businesses, 860 urban non-farm businesses and 529 farms. We surveyed 1,284 businesses in the

North East, 1,383 in the West Midlands and 1,388 in the South West. Table 1 provides an overview of the sample. The survey was conducted using Computer Assisted Telephone Interviewing (CATI), which has proven to be the best means of reaching the appropriate personnel within a business. Interviews were conducted between June and August 2021. As the sample was weighted by firm size, responses are weighted to give regionally representative results for the rural and urban business populations. The weighting process and description of the sample characteristics are set out in Appendix A.

Table 1 Numbers of interviews for rural vs urban, by region

| | All regions | North East | South West | West Midlands |
|-----------|-------------|------------|------------|---------------|
| Total | 4055 | 1284 | 1388 | 1383 |
| Rural | 2666 | 875 | 900 | 891 |
| - Town | 1032 | 462 | 193 | 236 |
| - Village | 696 | 193 | 257 | 246 |
| - Hamlets | 937 | 220 | 246 | 409 |
| Urban | 860 | 280 | 288 | 292 |
| Farms | 529 | 129 | 200 | 200 |

Note: The NICRE Rural Enterprise Survey included both farms and non-farms. However, within the scope of this report, we excluded farms from the analysis.

2. Firm performance during the Covid-19 pandemic

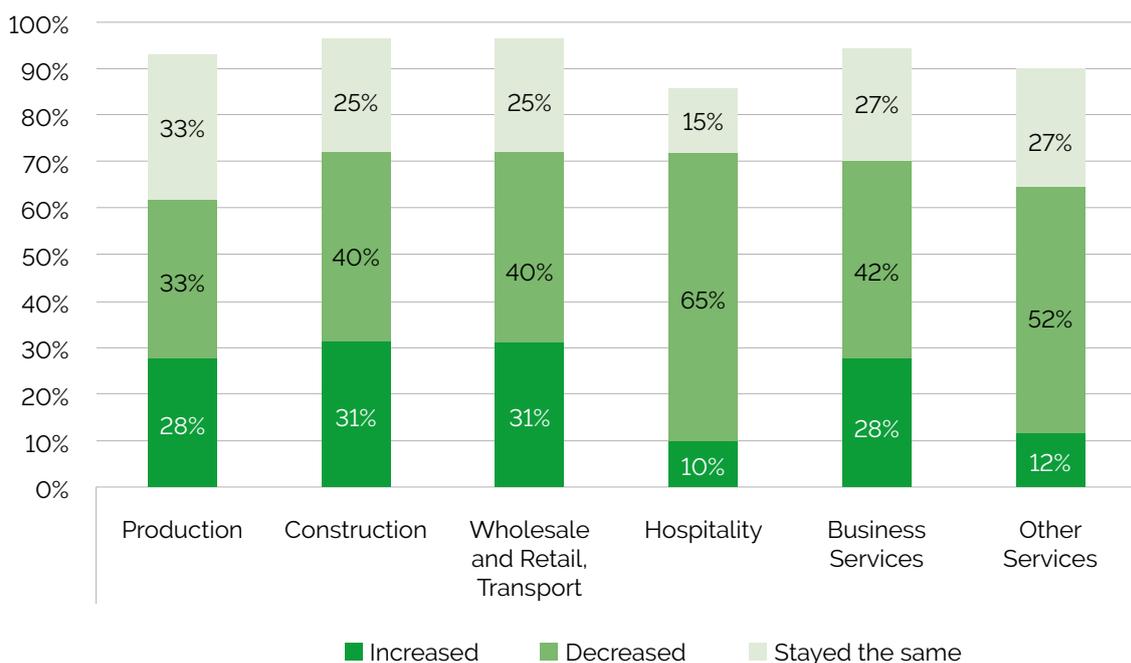
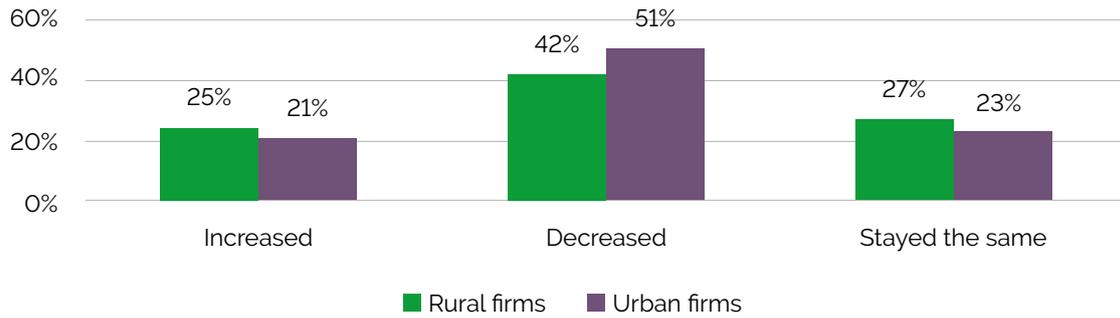


Figure 1 shows the **change in turnover** reported by urban and rural firms in the year prior to the survey, **a period strongly impacted by the Covid-19 pandemic**.

It indicates that whilst the majority of urban businesses reported falls in turnover, a majority of rural firms either maintained or increased their turnover. An analysis by sector reveals that hospitality was severely affected by the pandemic - only 10% of rural firms in this sector reported an increase in turnover while nearly two-thirds reported a decrease in turnover. Other service sector firms also fared badly if not as badly as hospitality.

West Midlands rural firms and North East urban firms were more likely to have increased turnover compared to their urban and rural counterparts. Comparing rural firms between regions, the data shows that 47% of North East rural businesses reported turnover shrinkage, compared to 43% of rural firms in the South West and 40% in West Midlands. Moreover, 21% of North East rural businesses reported turnover growth, lower than for rural firms in the South West (25%) and West Midlands (24%).

Figure 1: Change in turnover in the previous 12 months, rural vs urban, by region, and for rural enterprises only by sector



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

Figure 2 shows the change in employment reported by enterprises during the first year of the pandemic. Overall, the employment situation was slightly better for rural compared with urban enterprises. Specifically, 29% of rural enterprises reported employment growth, compared with 25% of urban firms. However, equal proportions of rural and urban businesses registered a

decrease in employment. Again regarding sector, hospitality fared badly and this is consistent with other evidence (ONS, 2021a). There is some evidence of regional variations in employment change across the rural economy - North East rural businesses, were less likely to report a decrease in employment (18%), compared to 27% and 26% in the other two regions.

Figure 2: Employment change in the previous 12 months, rural vs urban, by region, and then for rural enterprises only by sector

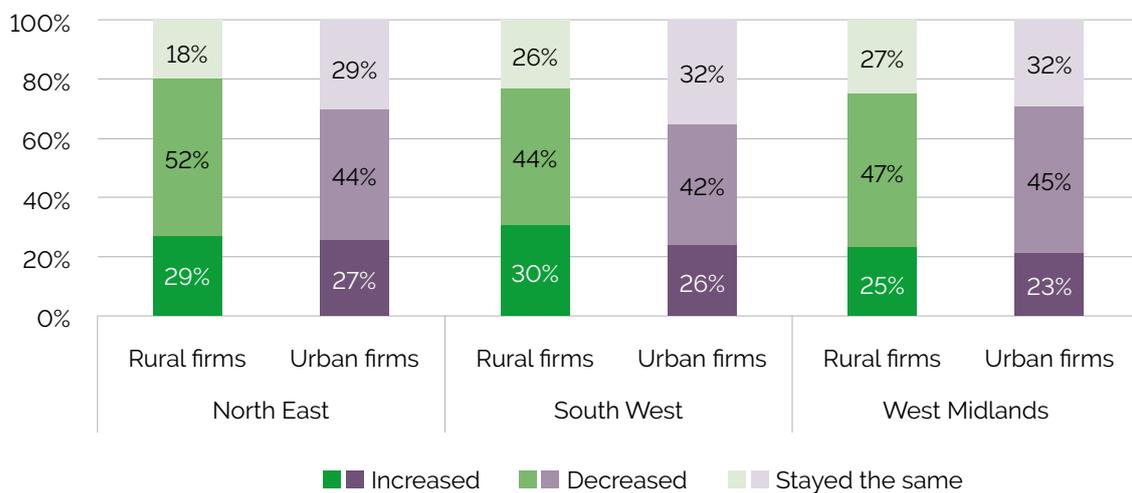
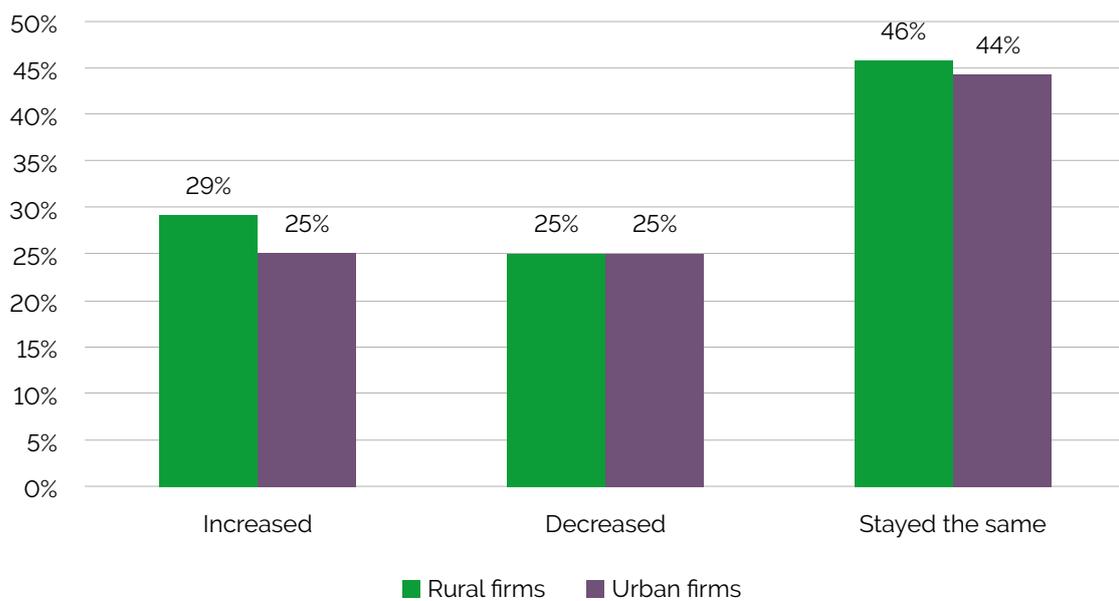
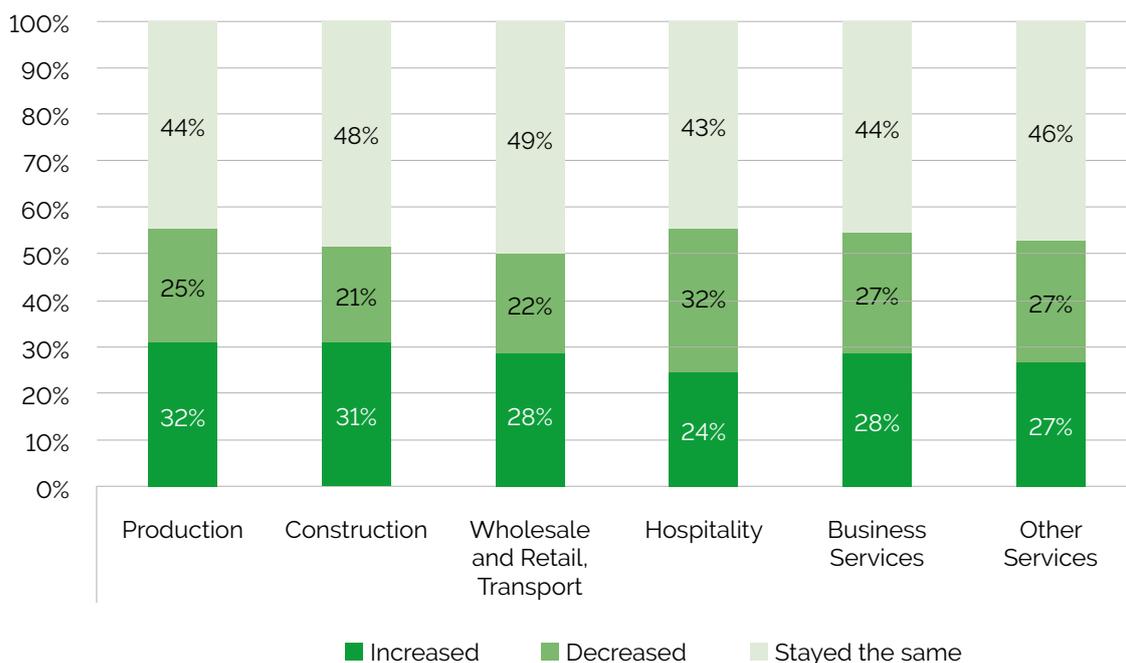


Figure 2 continued

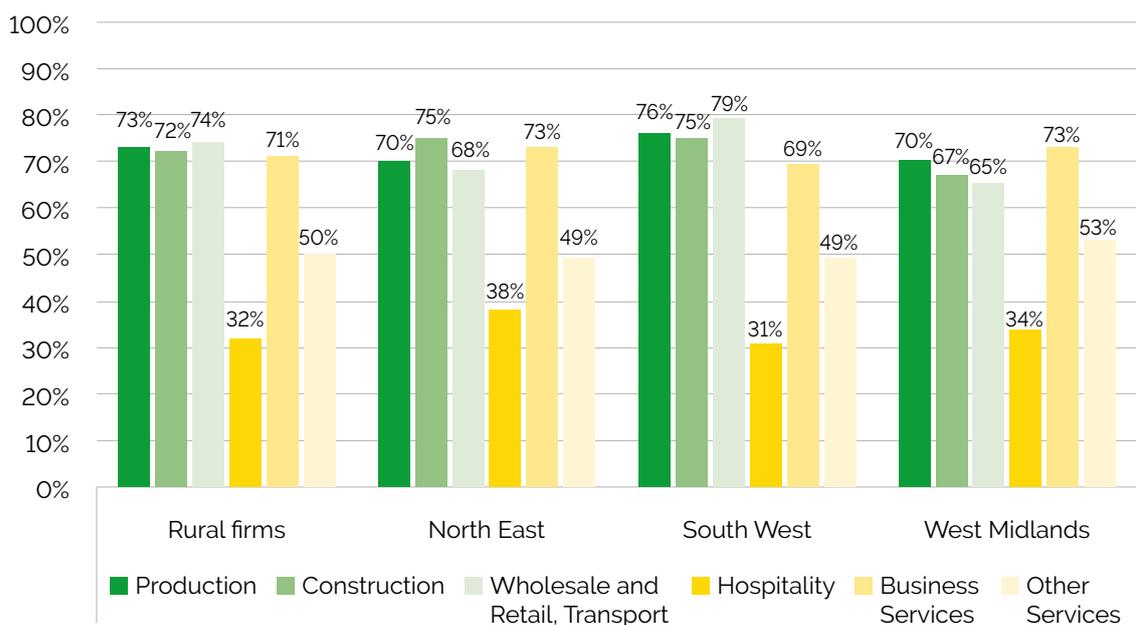
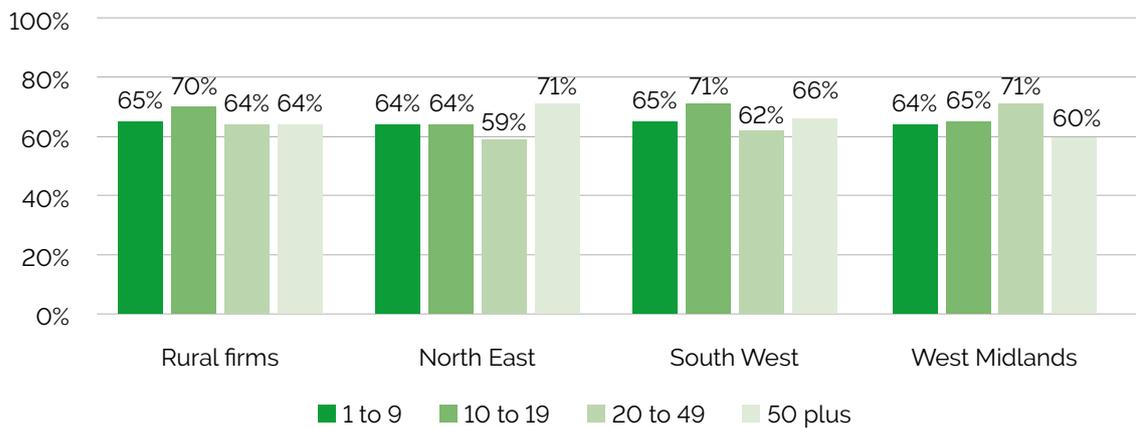
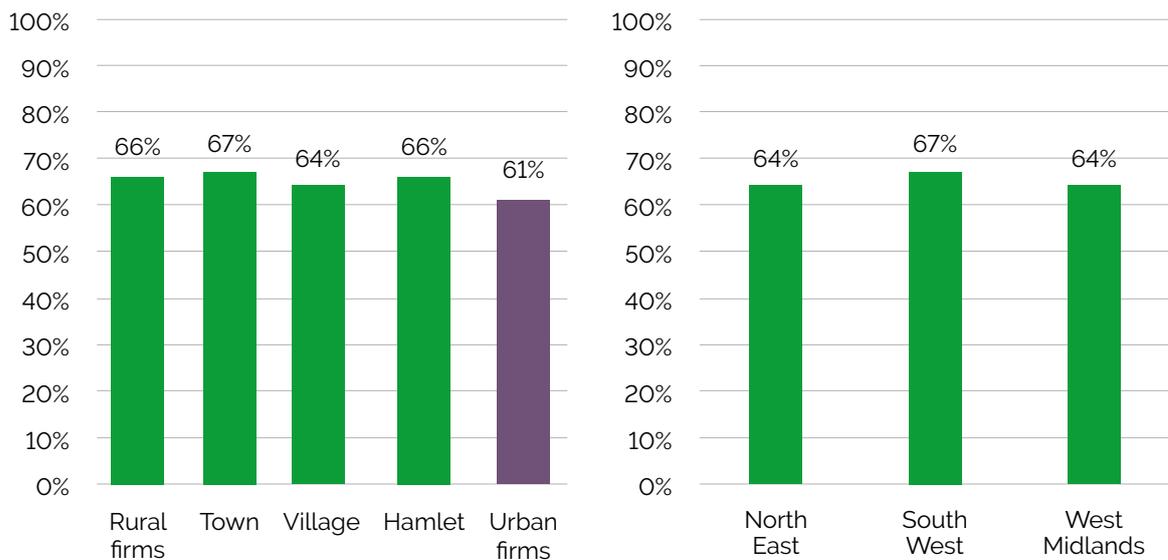


Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

Overall, as shown in Figure 3, rural firms were consistently more likely than urban firms to have generated a profit or surplus over the same period. This is consistent with analysis pre-pandemic, based on the UK's Longitudinal Small Business Survey (Phillipson et al., 2019). While there was little variation by size of firm, we observe some considerable differences between sectors reflecting the impact of the Covid-19 pandemic, with rural hospitality and other services firms much less likely to have generated a profit than rural firms in other sectors. The diversity of effects across sectors, with the hospitality sector hit hard particularly by the pandemic, is also reflected in HMRC data (ONS, 2021a). Comparing rural firms between regions,

more production and wholesale, retail and transport businesses reported a profit/surplus in the South West. Fewer construction and wholesale, retail and transport rural businesses reported a profit/surplus in the West Midlands. North East rural hospitality firms fared better than those in the other two regions.

Figure 3: Proportion of businesses that generated a profit or surplus in the last financial year, rural vs urban (top left) and then for rural enterprises only by region (top right), size and by sector



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

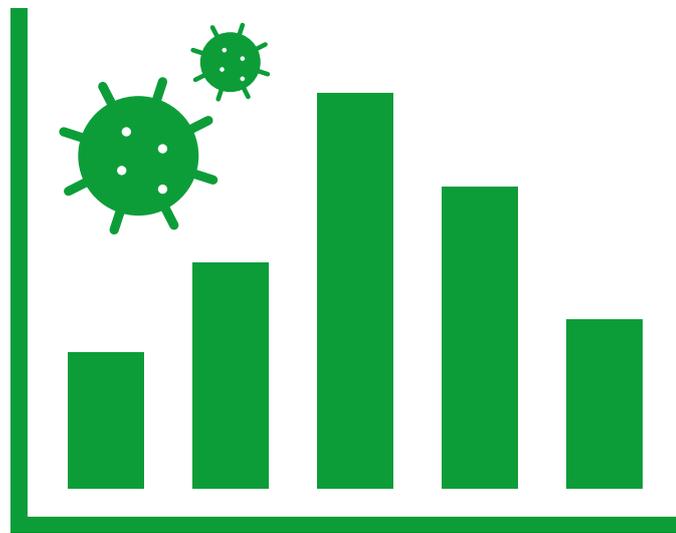
Perhaps surprisingly, between a third and two-fifths of firms, both rural and urban, reported that their cash reserves were **about the same** at the time of the survey as the previous year, but overall urban firms were slightly more likely to say that they were **in a worse position** than rural firms (34% of urban firms had worse or substantially worse levels of reserves, compared to 30% of rural firms) (see Figure 4).

Figure 4: Business cash reserves compared to previous 12-month period, rural vs urban and by region



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

3. Covid-19 related obstacles and business performance

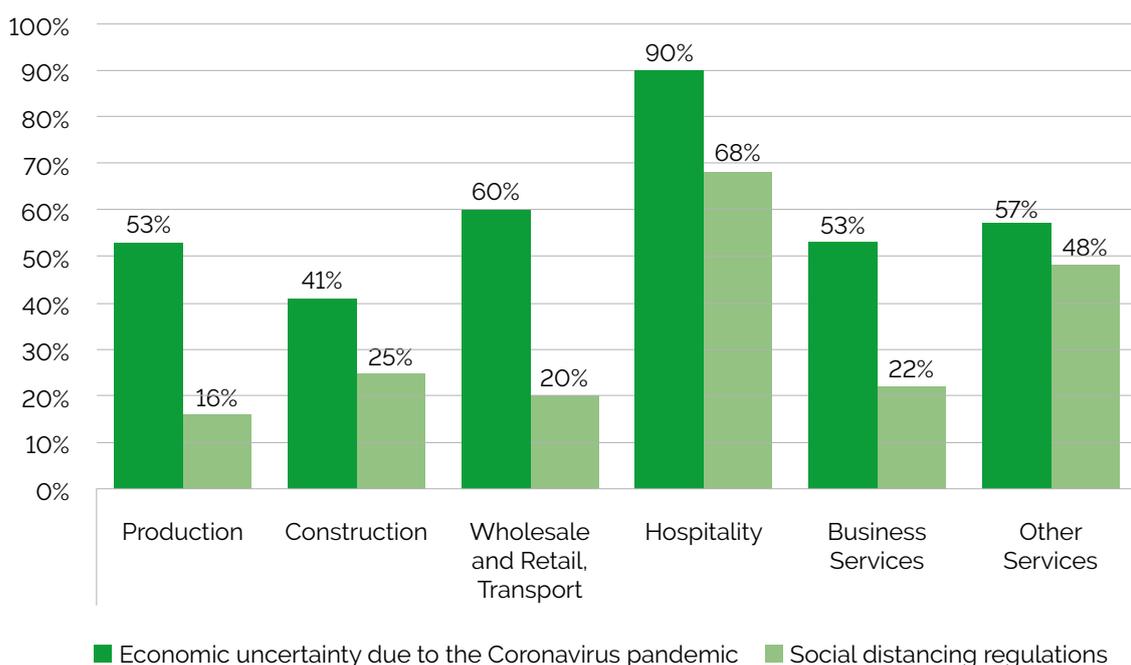
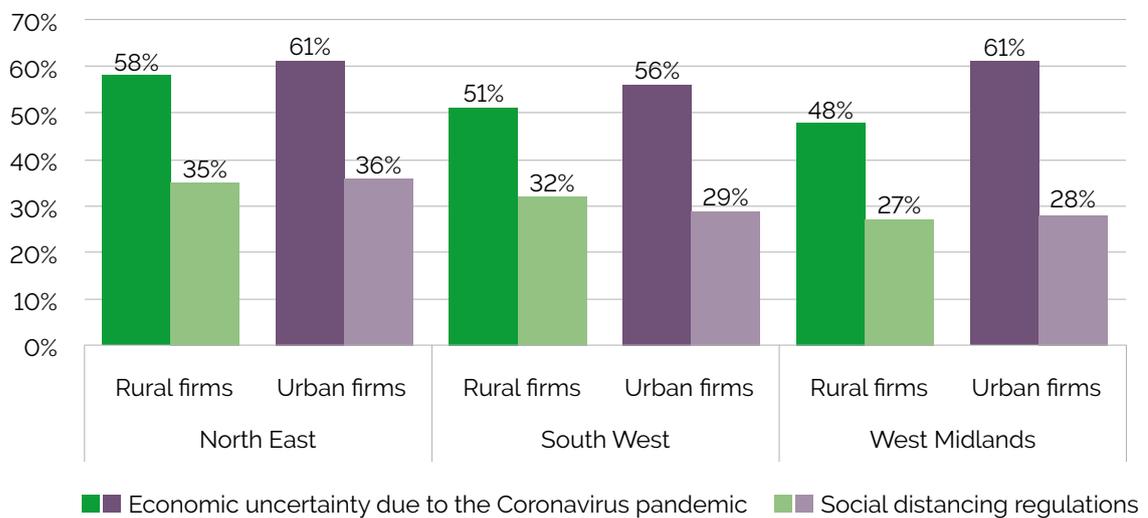
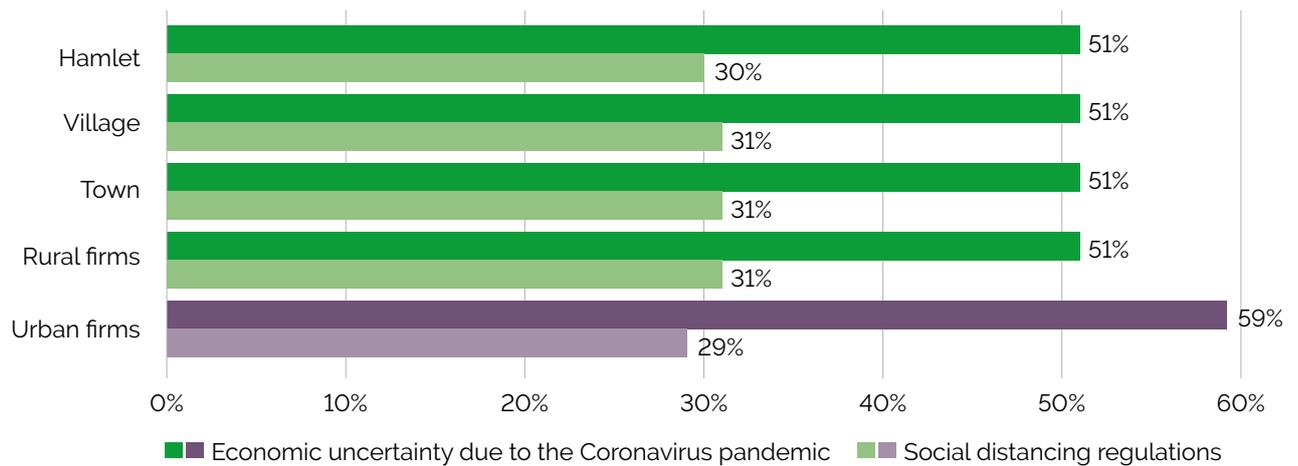


While infection rates of Covid-19 were higher in urban areas (ONS, 2021b), the **impacts on rural business operations were substantial** (see Figure 5).

The most acutely felt obstacle facing businesses at the time of the survey was economic uncertainty due to the Covid-19 crisis, which was identified by more than half (52%) of rural firms (compared to 59% of urban firms). Social distancing regulations presented as big an obstacle for rural firms as urban ones. There is no significant variation between types of rural area (e.g., town and country fringe, villages, hamlets and isolated dwellings).

Regarding business obstacles, the hospitality sector was again the most adversely affected sector by the pandemic. Within this sector 68% and 90% regarded social distancing regulations and economic uncertainties arising from the Covid-19 pandemic as major business obstacles. Rural firms in the West Midlands were 10 percentage points less likely than those in the North East to be worried about the economic effects of Covid-19.

Figure 5: Perceived major obstacles to the success of the business at the time of the survey, rural vs urban, by region, and then for rural enterprises only by sector



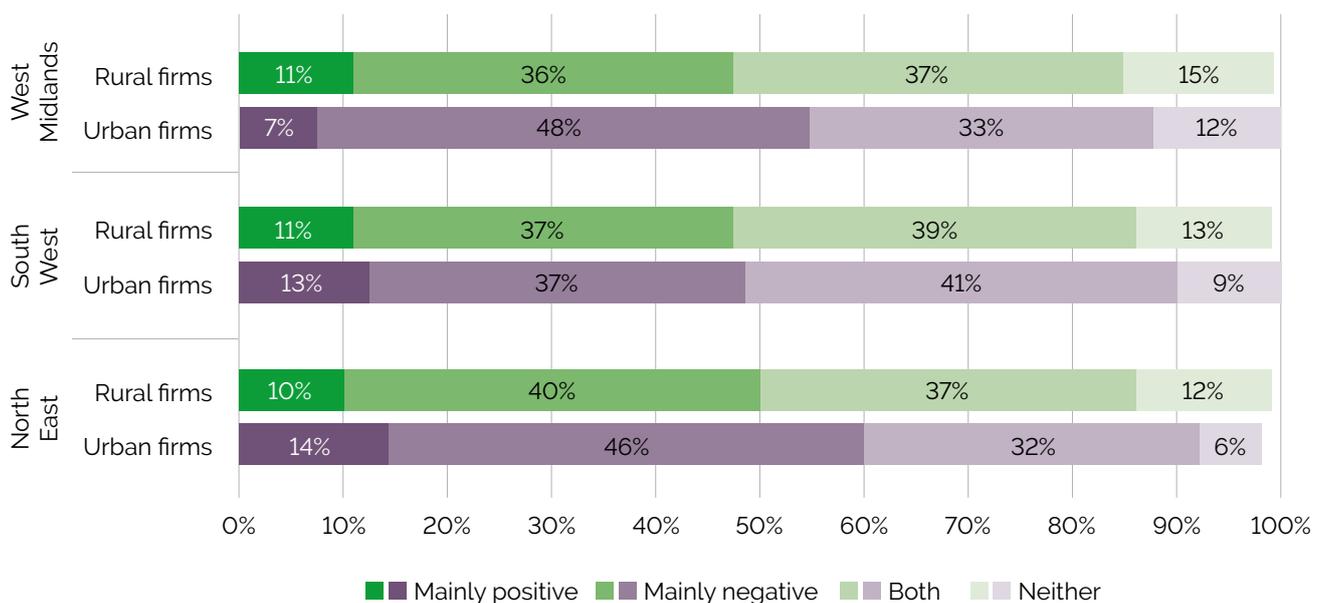
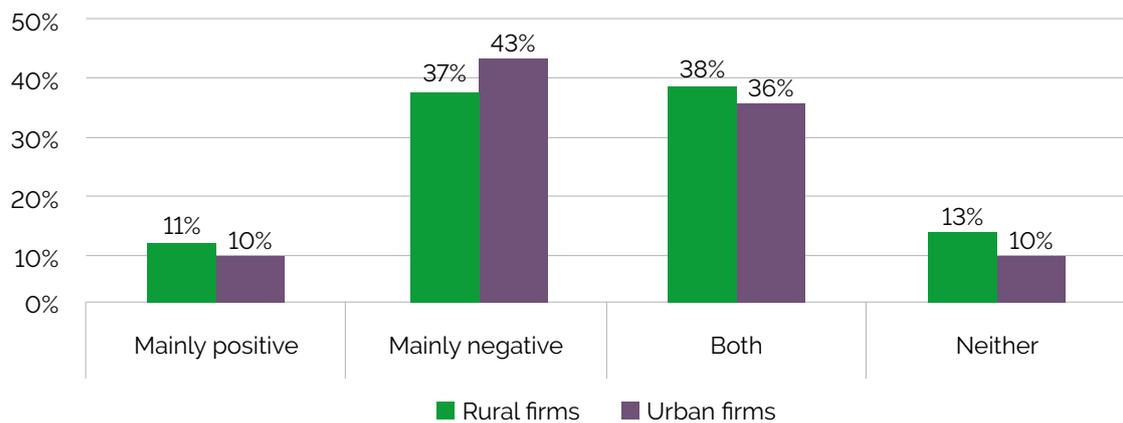
Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

While a minority (11% of rural and 10% of urban firms) reported mainly positive effects, 37% of rural firms and 43% of urban firms said that they had mainly experienced negative effects (Figure 6). This suggests that rural businesses overall were slightly less affected by the pandemic, a finding supported by data elsewhere in this report which show that rural businesses were better able to maintain or grow their turnover, cash reserves, and report a profit/surplus.

In Figure 6, it is noticeable that 38% of rural and 36% of urban firms said that they had experienced both positive and negative effects of the crisis.

Experiencing both positive and negative effects was the most common response from rural businesses. The pandemic and related controls and business support measures therefore created both winners and losers amongst rural (and urban) businesses. Discussion of the 'average effect' of Covid-19 on businesses may therefore be misleading. Moreover, there are also regional differences. North East rural firms were slightly more likely than rural firms in the other two regions to report mainly negative effects, and West Midlands rural firms were marginally more likely to report no effects at all.

Figure 6: Reported effects of the Covid-19 crisis, rural vs urban, and then by region



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

Firms that reported negative effects of the Covid-19 crisis were asked about what types of effects they experienced. Figure 7 shows that the top three negative effects reported by firms were reduced sales or income, reduced productivity and disruption to supplies. Similar proportions of rural and urban firms reported these. Disruption to supplies is often not easy for individual businesses to rectify, especially for isolated and very small rural firms, as most firms now seek to restore supplies. Thus, wider government and industry efforts are needed to help restore such supply links in the recovery phase, with additional attention to those who may now be viewed by suppliers as the lowest priority or hardest to restore.

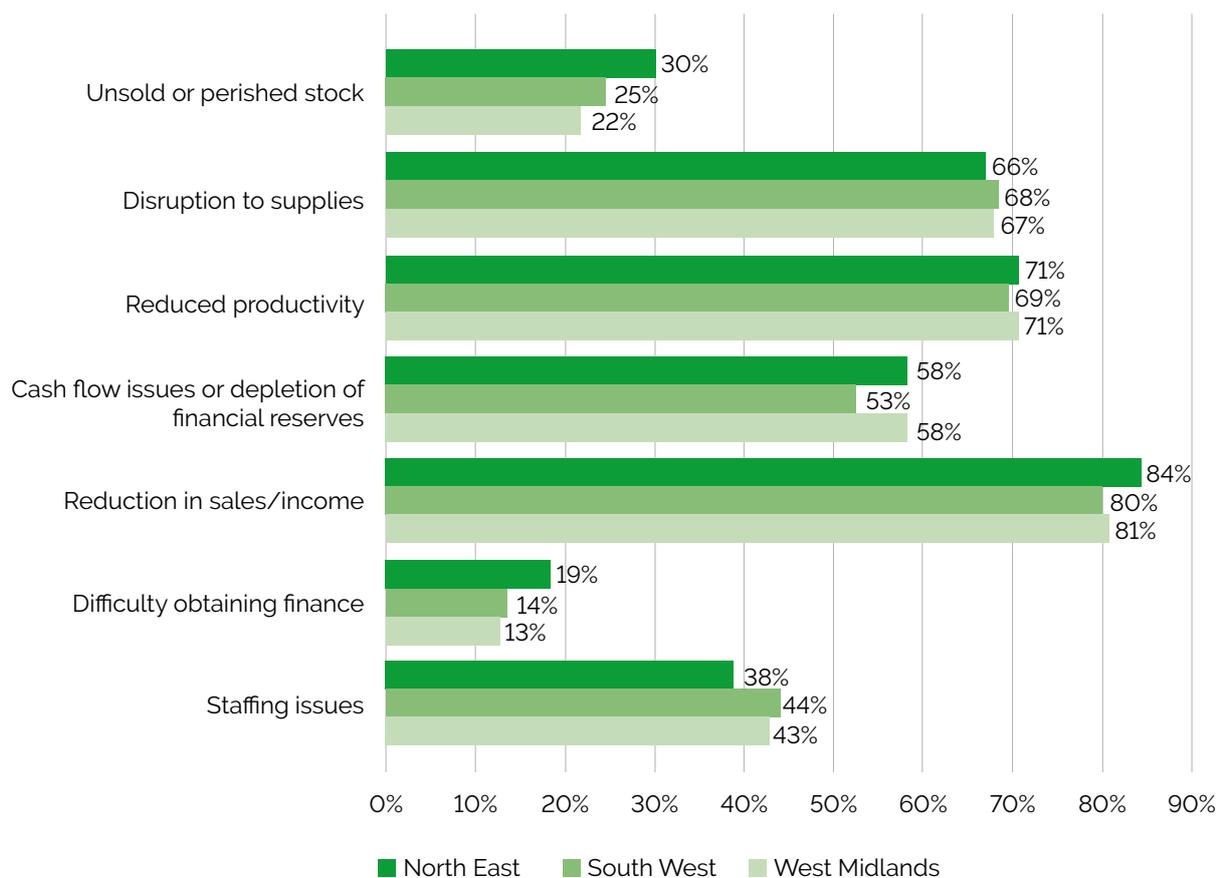
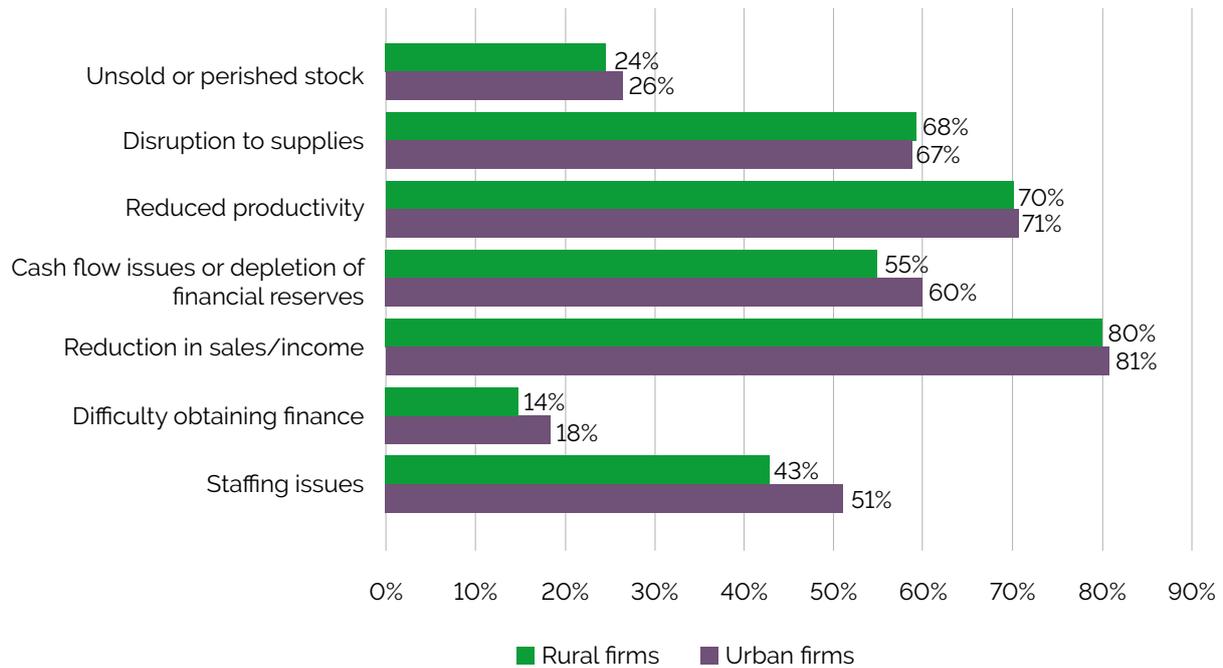
Reduced sales or income was reported by around 80% of all firms, followed by reduced productivity by around 70% and disruption to supplies by around 67%. Rural firms were less likely than their urban counterparts to report difficulties accessing finance, or to highlight cashflow and staffing issues. North East rural firms were more likely to point to difficulties in obtaining finance, than rural firms in the other regions, while rural firms in the South West were more likely to have experienced staffing issues.

For those reporting staffing problems, the most commonly reported staffing issues related to the need to reduce staff, either permanently or through furlough, which was reported by 77% of urban and 71% of rural firms (Figure 8). This was followed by problems of staff needing to self-isolate, which again was reported by a greater proportion of urban firms – 63% compared to 58% of rural firms. However, on average, similar shares of rural and urban firms (about 55%) faced problems of staff being unavailable or reluctant to work.

Some regional variations in rural firm experiences of staffing issues are evident, with West Midlands rural firms more likely to report furlough and self-isolation issues and North East rural firms more likely than those in the other regions to say that staff were unavailable or reluctant to work. Also, more rural firms than urban firms in the North East and South West faced the challenge of staff being unavailable or reluctant to work.

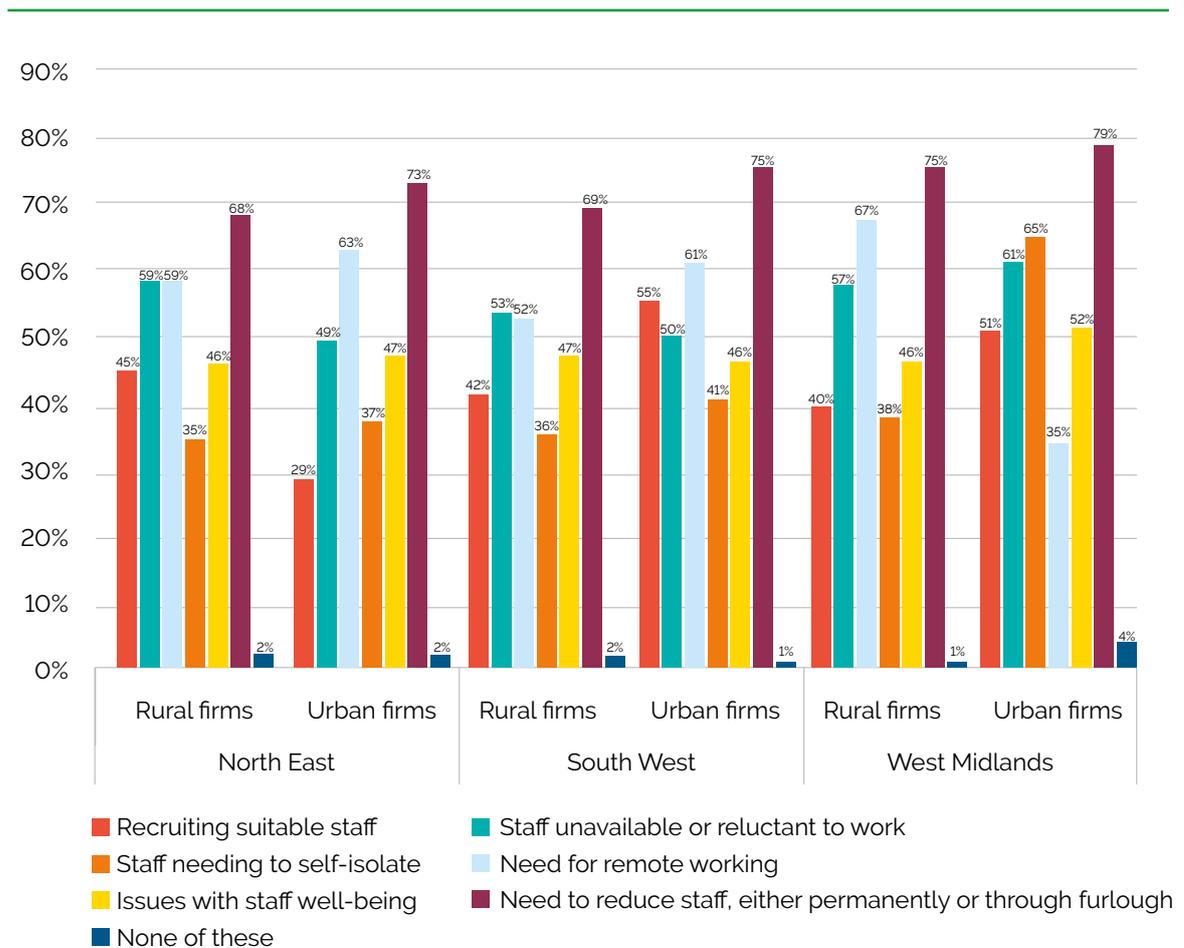
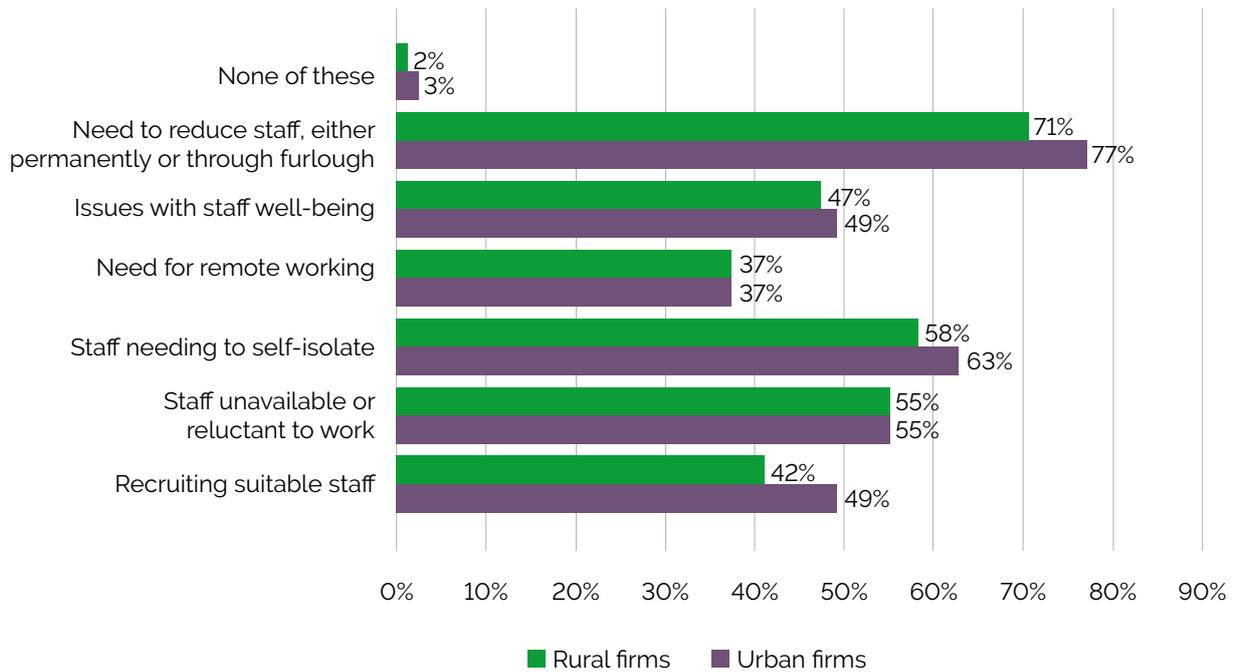
Figure 9 shows the proportions of specific positive effects of the pandemic in those firms reporting positive effects. We can see a very similar picture among rural and urban firms **reporting positive effects of the pandemic of the actual effects they perceived**. Around half of these firms reported increased sales, 42% said their cashflow had improved and 40% reported improved business connections. There was very little regional variation or rural-urban differences.

Figure 7: Reported negative effects of the Covid-19 crisis, rural vs urban, and then for rural enterprises only by region



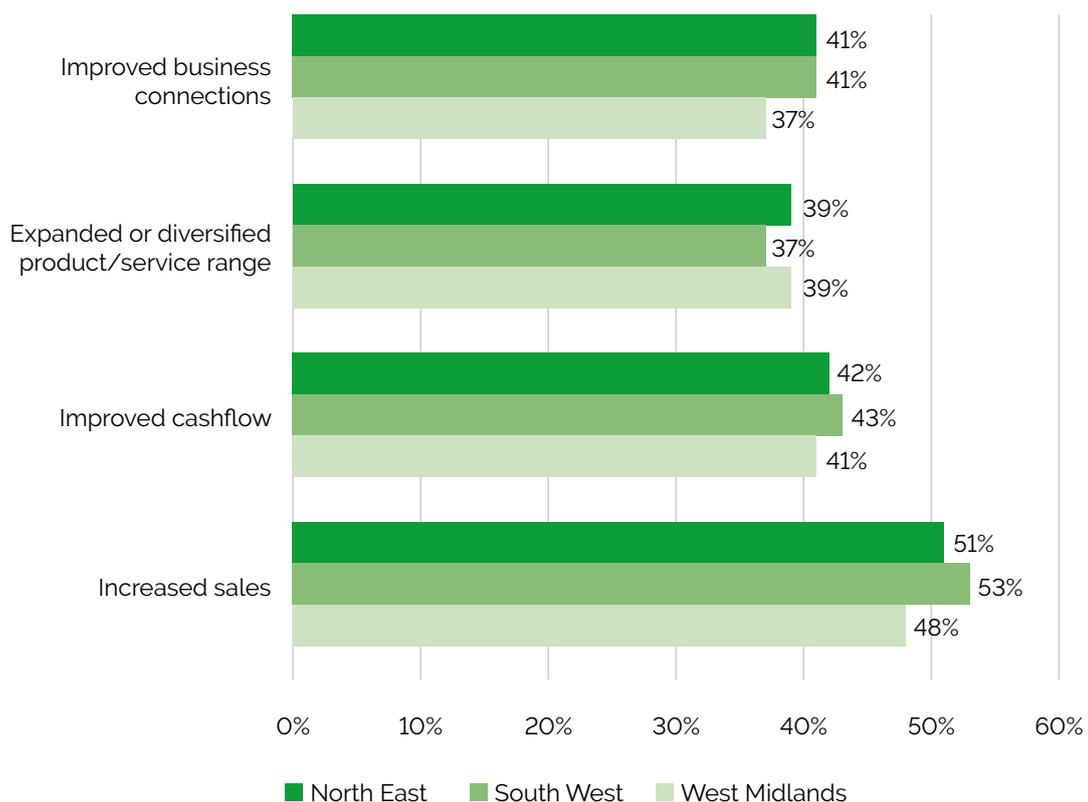
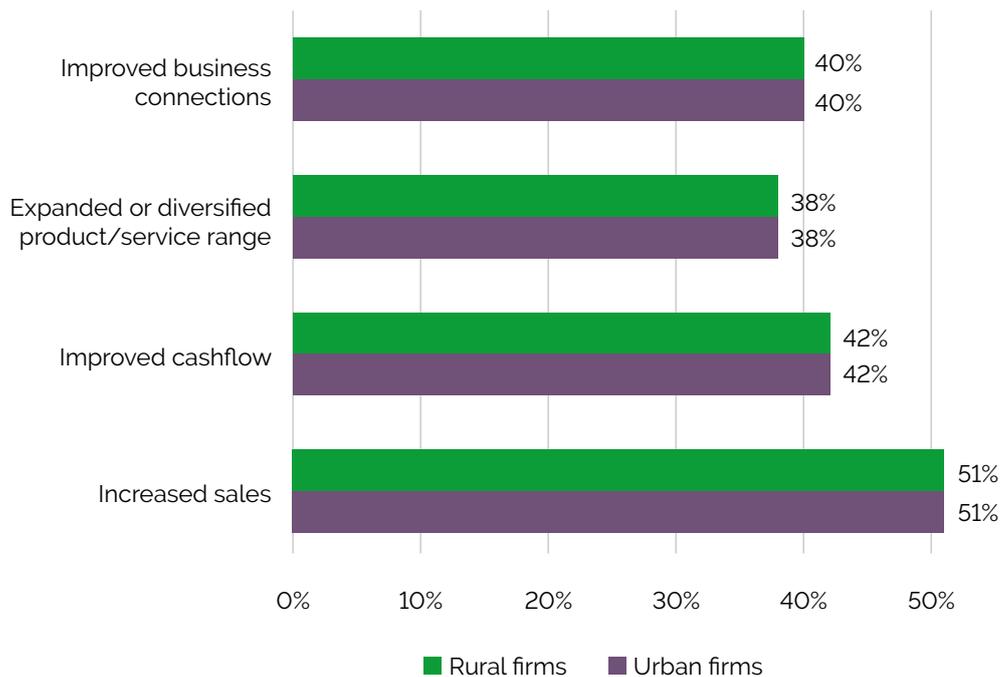
Note: Responses here are to a filtered question for those who reported negative effects of the Covid-19 crisis – including those who answered “Mainly negative” and “Both” for the previous question on “Reported effects of the Covid-19 crisis”
 Sample: Unweighted total 2,793 firms; 2,088 rural firms, 705 urban firms; 689 NE rural firms, 708 SW rural firms, 691 WM rural firms

Figure 8: Reported staffing issues during the Covid-19 crisis, rural vs urban, and by region



Note: Responses here are to a filtered question, for those who chose "Staffing issues" as one of "Negative effects of the Covid-19 crisis" Sample: Unweighted total 1,391 firms; 970 rural firms, 421 urban firms; 421 NE firms (279 rural & 142 urban firms), 491 SW firms (355 & 136 urban rural firms), 479 WM firms (336 & 143 urban rural firms)

Figure 9: Reported positive effects of the Covid-19 crisis, rural vs urban, and then for rural enterprises only by region



Note: Responses based on a filtered question, for those who reported positive effects of the Covid-19 crisis – include those answered "Mainly positive" and "Both" for the question on "Reported effects of the Covid-19 crisis" Sample: Unweighted total 1,790 firms; 1,345 rural firms, 445 urban firms; 429 NE rural firms, 462 SW rural firms, 454 WM rural firms

4. Uptake of government support



Figure 10 shows the **take up of Covid-19 related government support schemes** for businesses. Three-quarters of rural and urban firms used at least one form of government support during the pandemic (e.g., furlough, local authority grant).

Use of government support by SMEs during the pandemic was therefore widespread and this pattern is consistent with data from Small and Medium Enterprises Finance Monitor surveys (BVA BDRC, 2021).

Larger rural firms were slightly more likely to have taken up support, and although uptake was high in all sectors, rural hospitality firms were the most likely sectoral group to have accessed government financial support. Compared to rural firms in other regions, in the West Midlands more rural firms in construction and fewer in wholesale, retail and transport accessed government support. Rural firms based in towns were slightly (around 3%) more likely to have taken government support than those in more remote locations and those in urban locations.

The furlough scheme was the most commonly used government support programme, being taken up by 63% of rural and 67% of urban firms (Figure 11). This was followed by local authority grants, accessed by 37% of rural and 36% of urban firms, and Small Bounce Back Loans, taken by 34% of rural and urban businesses.

There is some regional variation when considering the uptake of the different types of government schemes. Rural firms in the North East were less likely to report having used the furlough scheme than those in the other two regions (54% compared to 64% in the West Midlands and the South West). They were more likely than other rural firms to access the self-employed income support scheme which is likely to reflect the differences in business profile

Businesses may be eligible for more than one type of support. For an overview of the Covid-19 related business support measures, see UK Government. (2021). Financial support for businesses during coronavirus (COVID-19). <https://www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19#support-for-businesses-affected-by-coronavirus-restrictions>

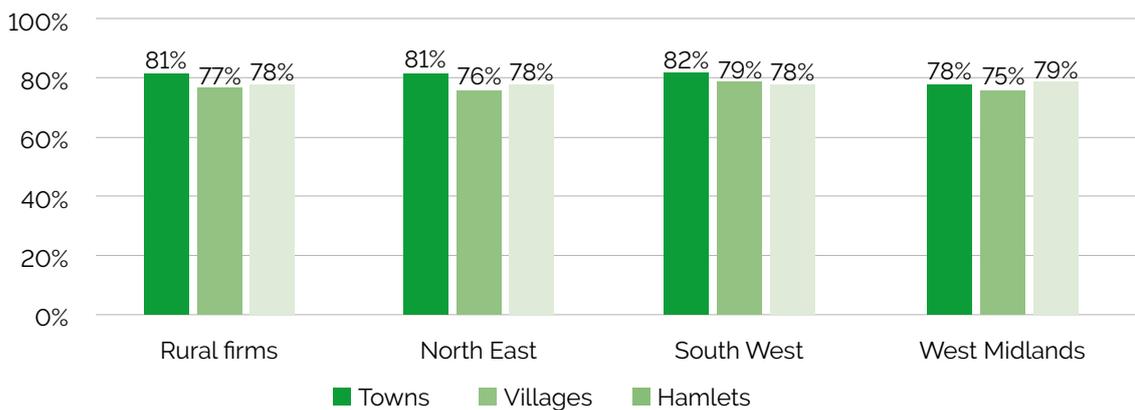
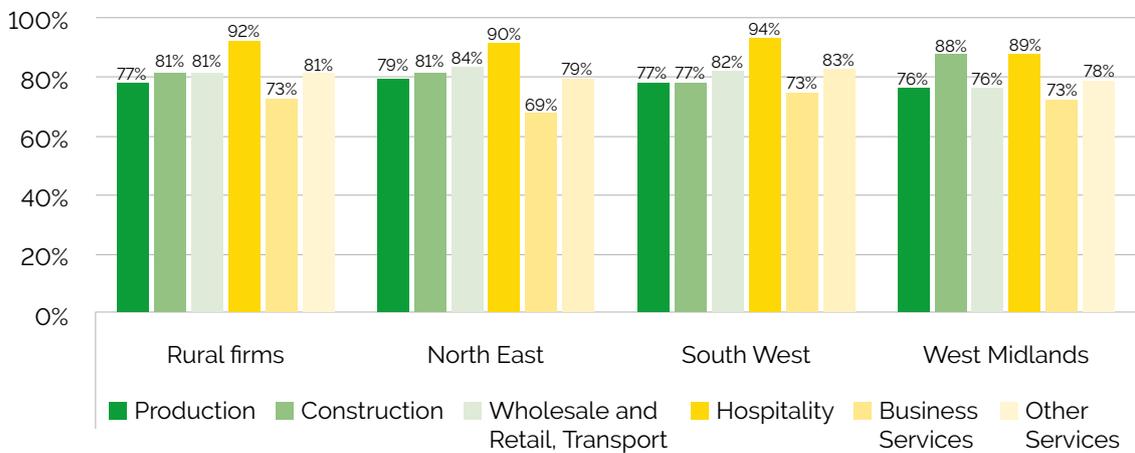
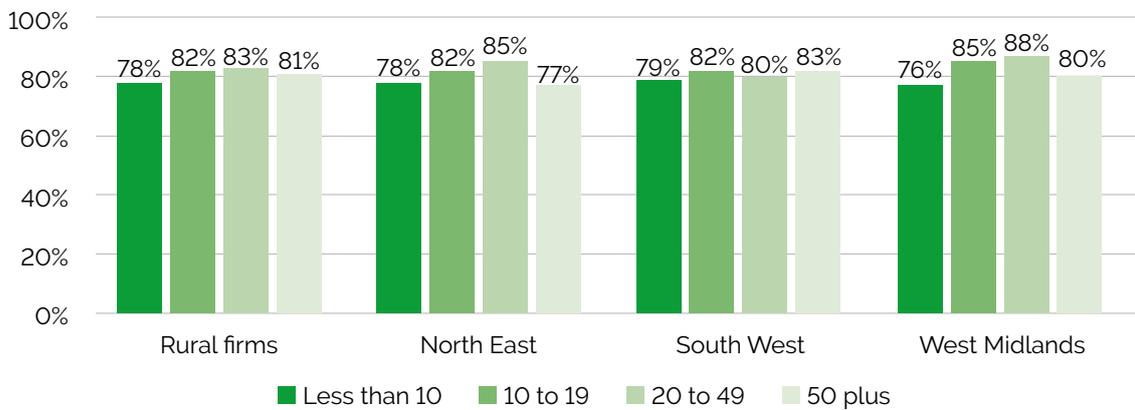
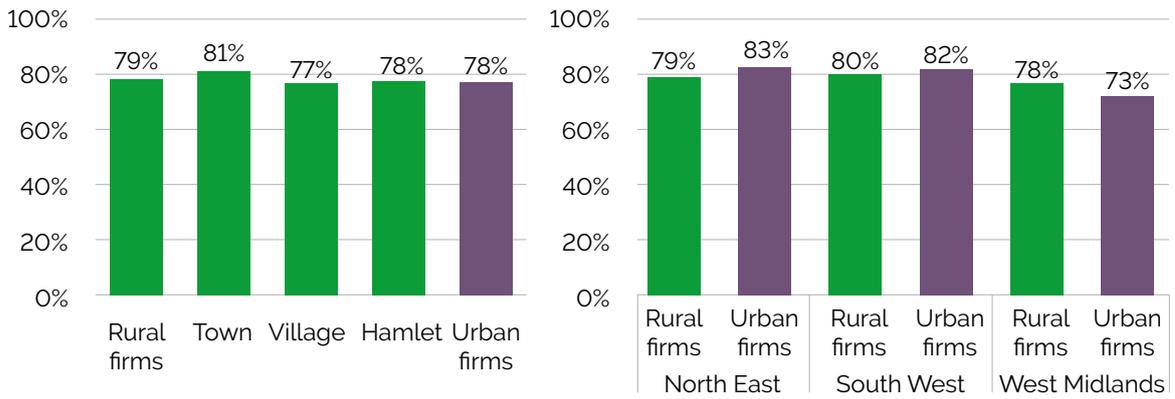
(Appendix 1). Rural firms in the West Midlands were less likely than other rural firms to access local authority/council grants.

The Coronavirus Business Interruption Loan Scheme was accessed by slightly more rural than urban firms in the North East and West Midlands. North East rural firms were also more likely than their urban counterparts to access local authority grants and Small Bounce Back Loans. South West rural firms were more likely than their urban counterparts to access local authority grants and to defer VAT payments, while the reverse is seen in the West Midlands for local authority grants.

In Figure 12, we present the reported benefits of the government financial support schemes. Government support during the pandemic was well received by businesses. The main benefits for both rural and urban firms were cashflow support and help to retain employees. 43% of rural firms compared to 38% of urban firms said that the schemes had helped with cashflow, and 46% of urban firms compared to 39% of rural firms said that the schemes helped to retain employees. 29% of urban and 32% of rural firms said that the schemes helped to keep their businesses open. The impacts of the schemes in helping with cash flow, financial security, levels of hope and keeping businesses open, were more pronounced in rural areas.

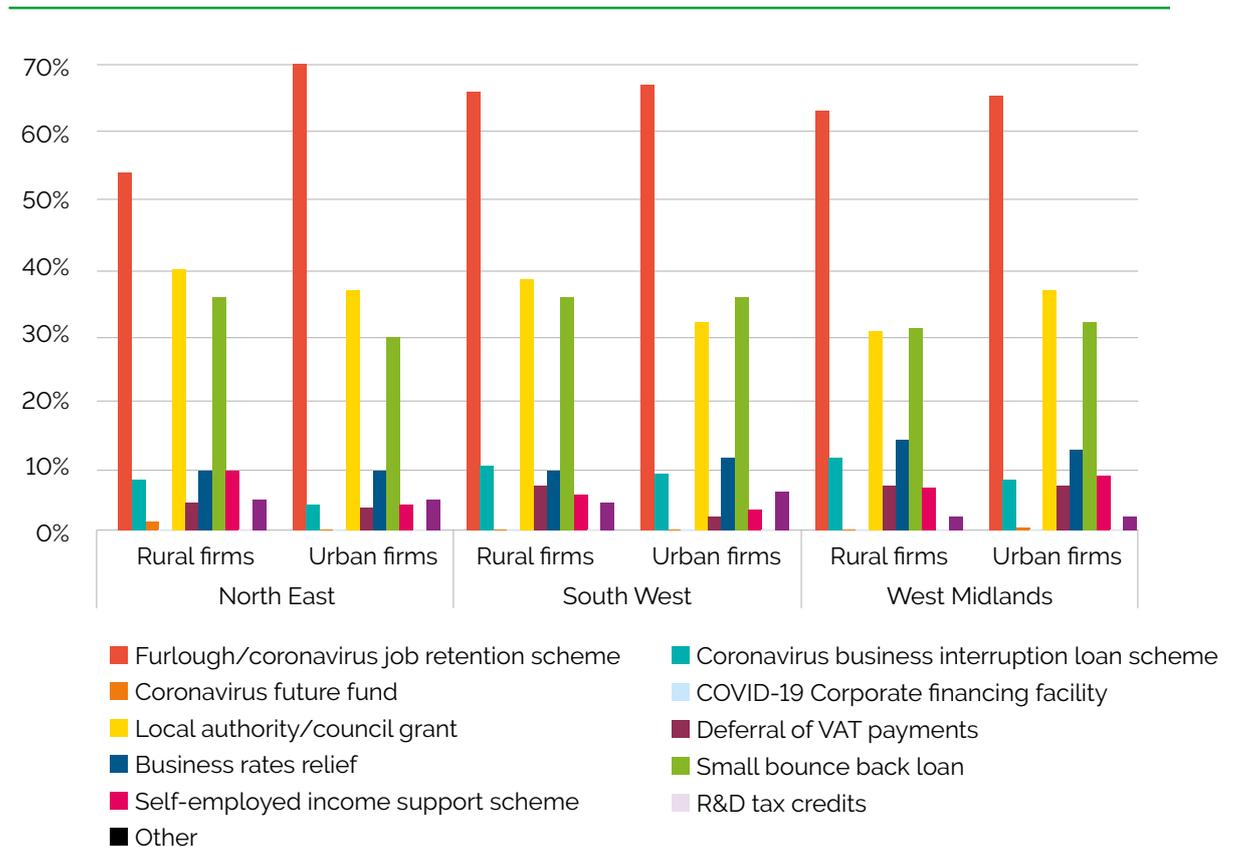
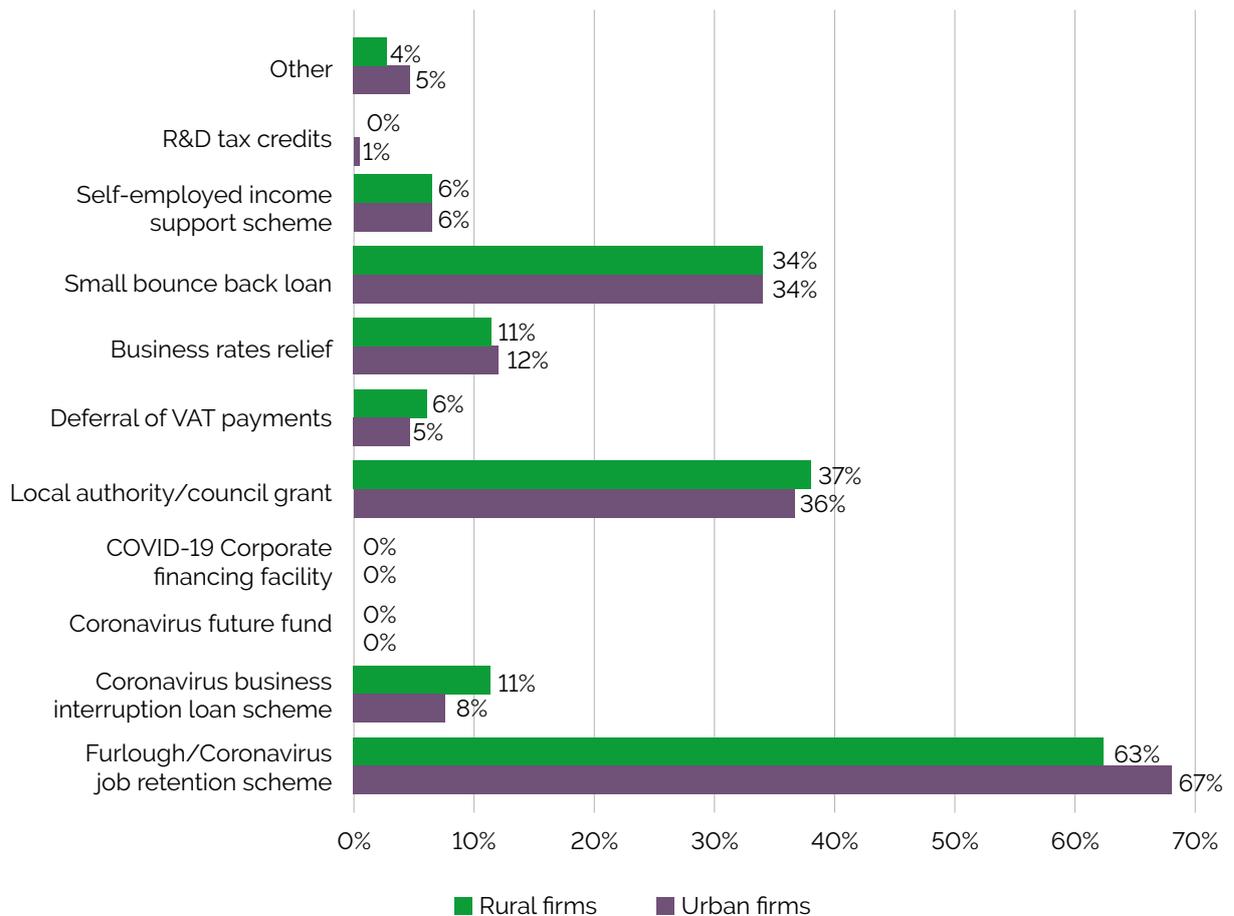
However, the Covid business support measures generally have not aided more long-term focused restructuring. While not the principal aim of Covid support measures, less than 5% reported that the **Covid support measures were helpful for creating new products or services** or pivoting to a new business plan.

Figure 10: Proportion of firms that used government Covid-19 related business support schemes, rural vs urban and by region, and then for rural enterprises only by size, sector and type of rural location



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 rural & 288 urban firms), 1,183 WM firms (891 rural & 292 urban firms)

Figure 11: Uptake of different government schemes, rural vs urban, and then for rural and urban enterprises by region



Note: this is based on a filtered question for those who used at least one type of government support. Sample: Unweighted total 2,830 firms; 2,140 rural firms, 690 urban firms; 933 NE firms (697 rural & 236 urban firms), 965 SW firms (728 rural & 237 urban firms), 932 WM firms (715 rural & 217 urban firms)

Figure 12: How the government scheme helped, rural vs urban, then for rural enterprises only by region, and for urban enterprises only by region

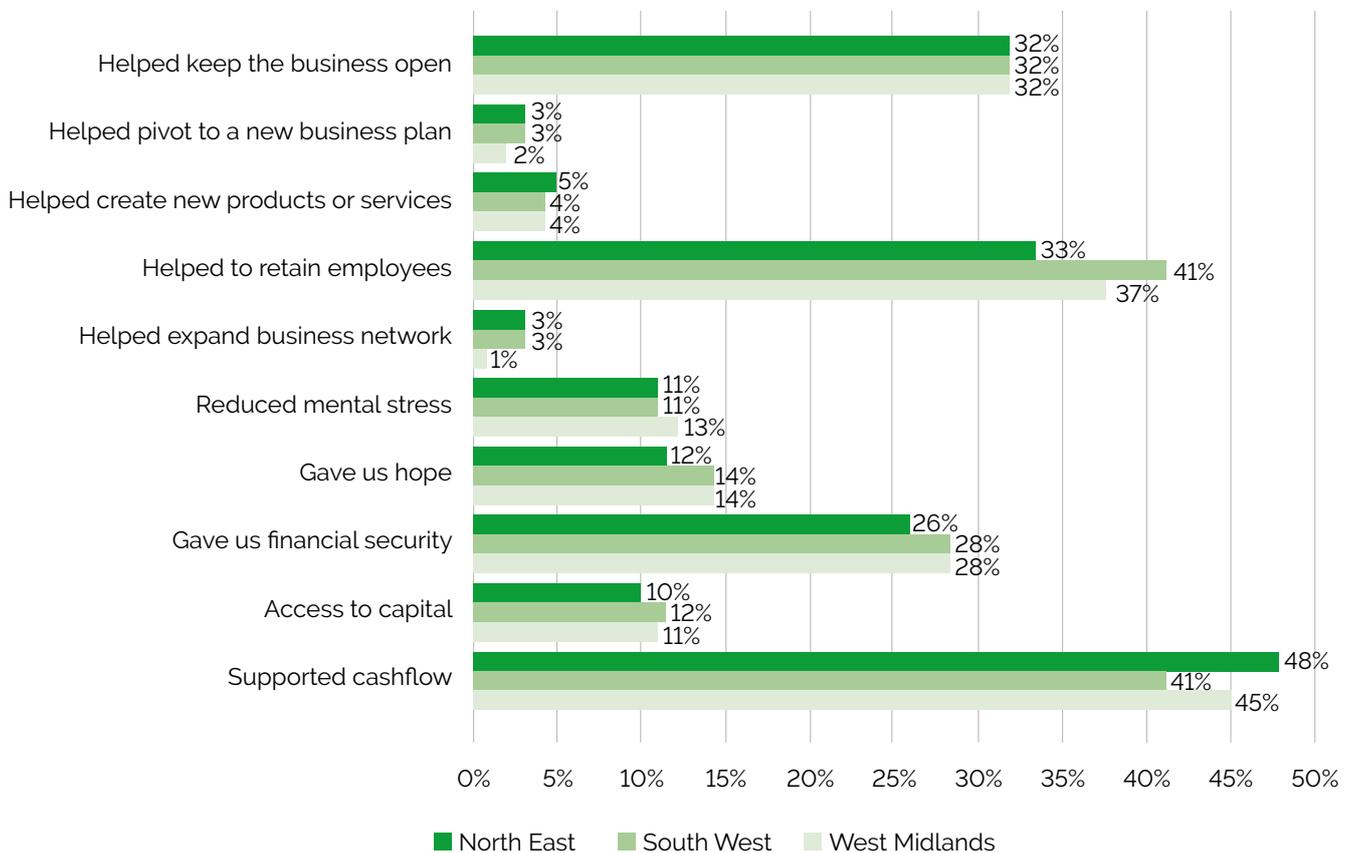
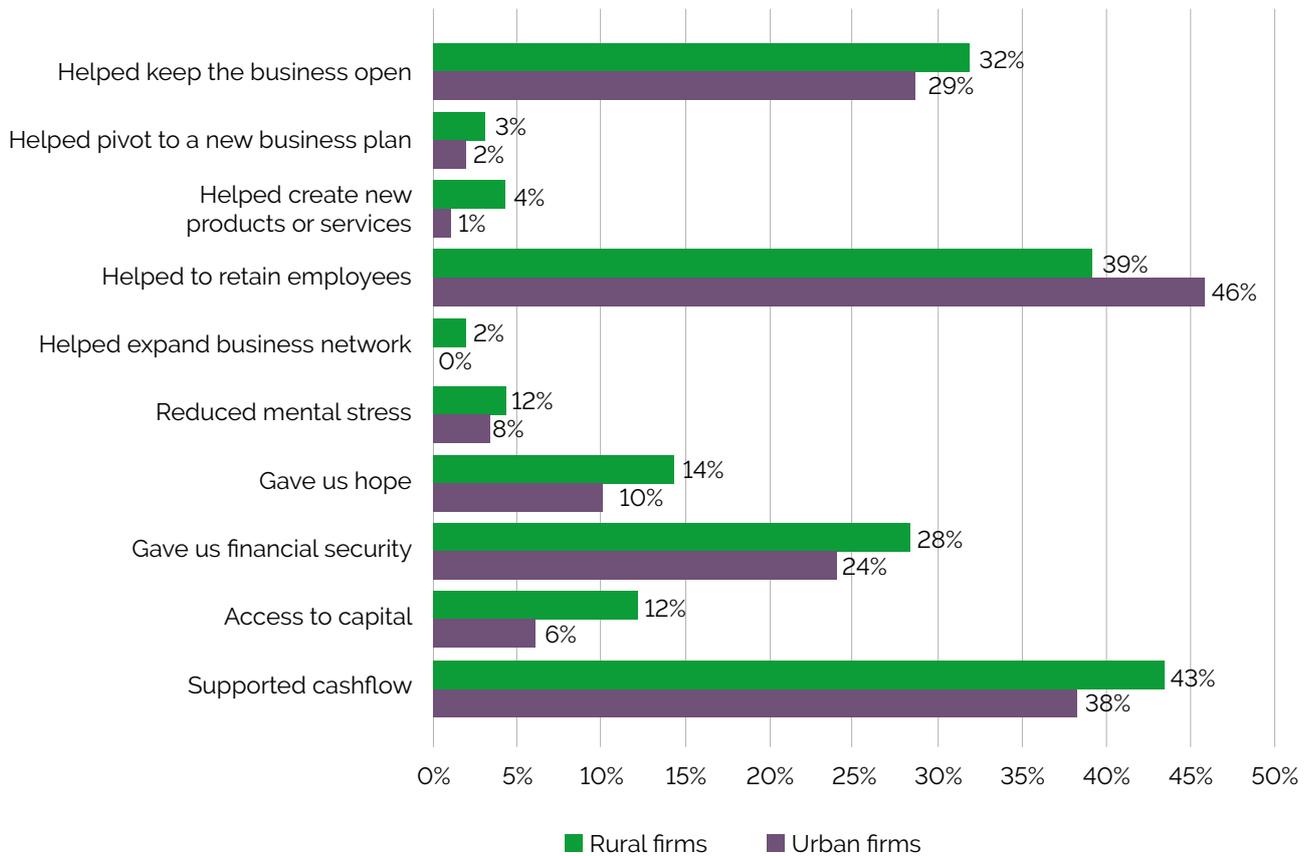
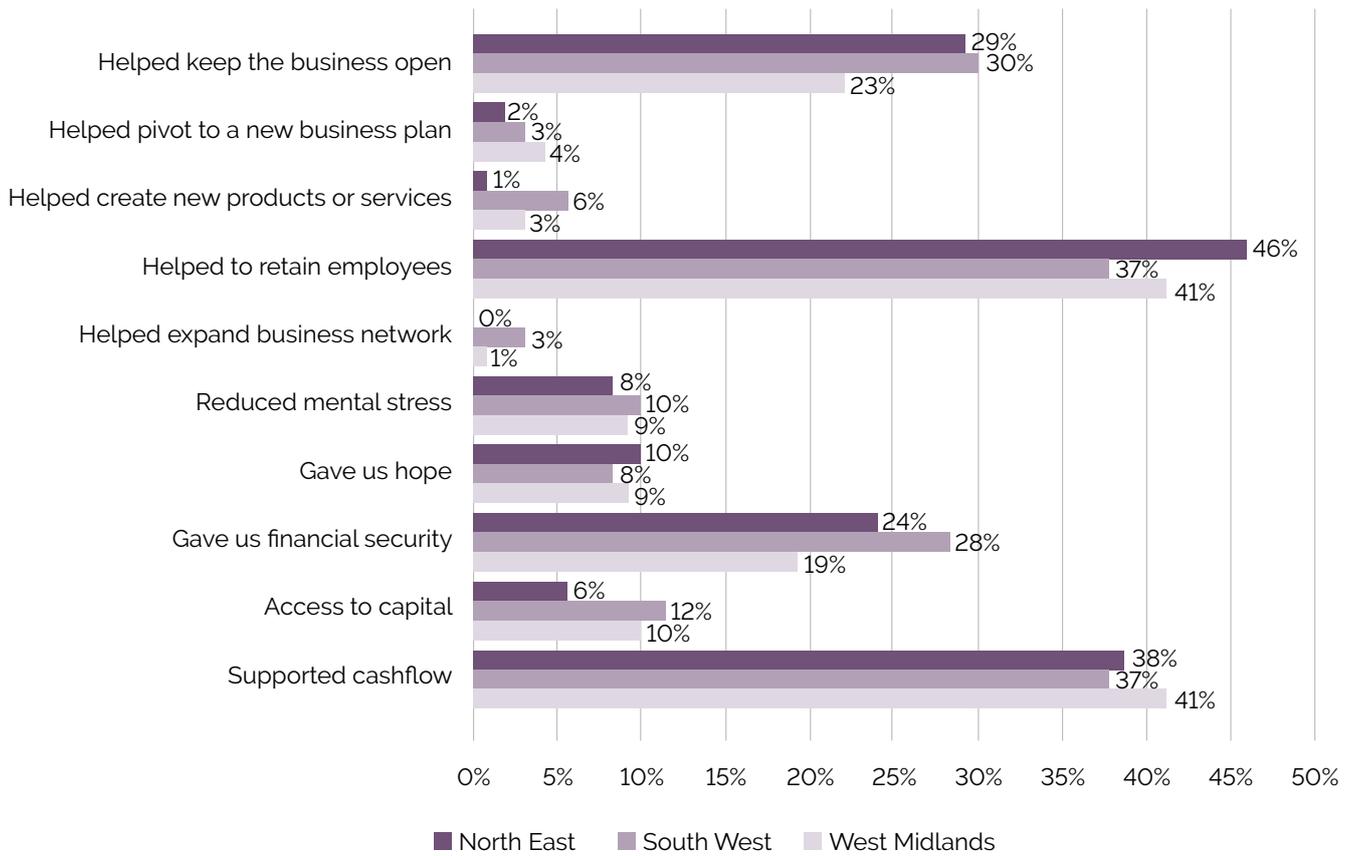


Figure 12 continued



Note: analysis based on a filtered question for those who used at least one type of Government support.
 Sample: Unweighted total 2,830 firms; 2,140 rural firms, 690 urban firms; 933 NE firms (697 rural & 236 urban firms), 965 SW firms (728 rural & 237 urban firms), 932 WM firms (715 rural & 217 urban firms)

5. External advice and other support



This section discusses the ways in which respondent firms used **external sources of advice and support** during the Covid-19 crisis. In total, 31% of rural and 30% of urban firms said that they had accessed some kind of external advice during the pandemic.

Larger rural firms and those in the 'other services' sector were more likely to have done so (Figure 13). Village-based rural firms were the most likely to have consulted external sources of advice.

We observed some small variations by region – 32% of South West rural firms accessed external support compared to 28% of North East rural firms and 27% of South West urban firms. Larger rural firms in the South West were particularly likely to have accessed external support. There was comparatively lower engagement with external advisors among rural firms in the North East business services and other services sectors, within the South West hospitality sector, and in the West Midlands production sector.

Figure 14 shows the sources of advice and support for those who mentioned that they took external support. There are some key differences in the pattern of advice sought by rural and urban firms. Of those seeking advice or support, 38% of urban firms compared to 34% of rural firms had consulted an accountant (albeit with noticeable regional variations), while 19% of rural firms had consulted a business network compared to 16% for urban firms. These differences were amplified in some regions, where there was significant variation. For example, in the South West, 23% of rural firms had consulted a business network, compared to only 8% of urban firms, yet rural firms were 10 percentage points less likely than their urban counterparts to have consulted an accountant. In the West Midlands rural

firms were less likely than urban firms to have used a business network, trade association or Chamber of Commerce, but more likely to have turned to a bank. In the North East fewer rural firms accessed a bank, legal adviser or business networks, though local authorities are more significant, along with informal sources of support from friends and family.

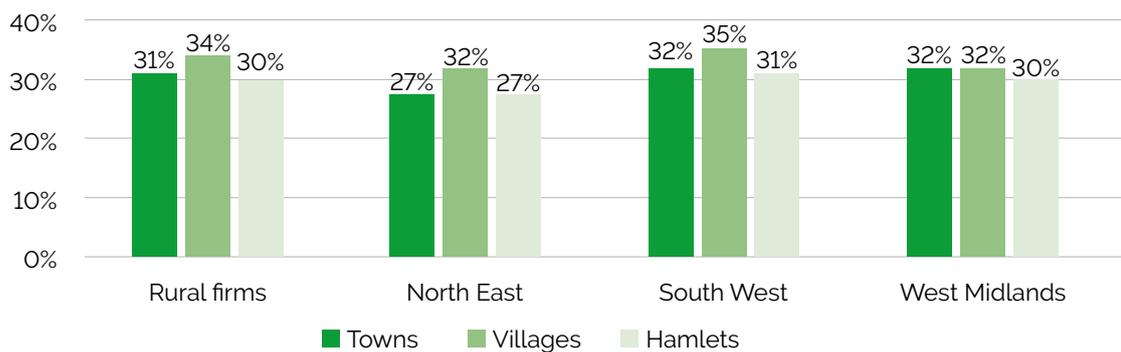
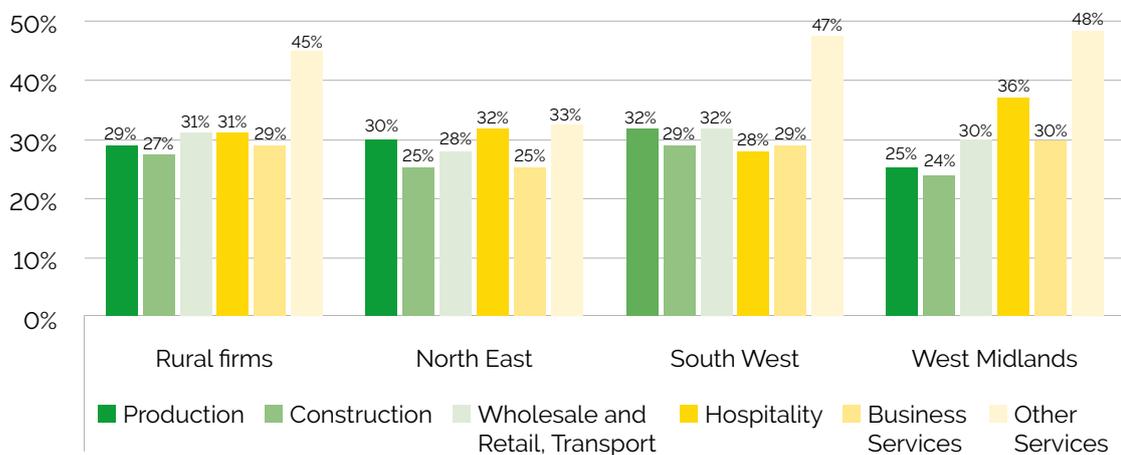
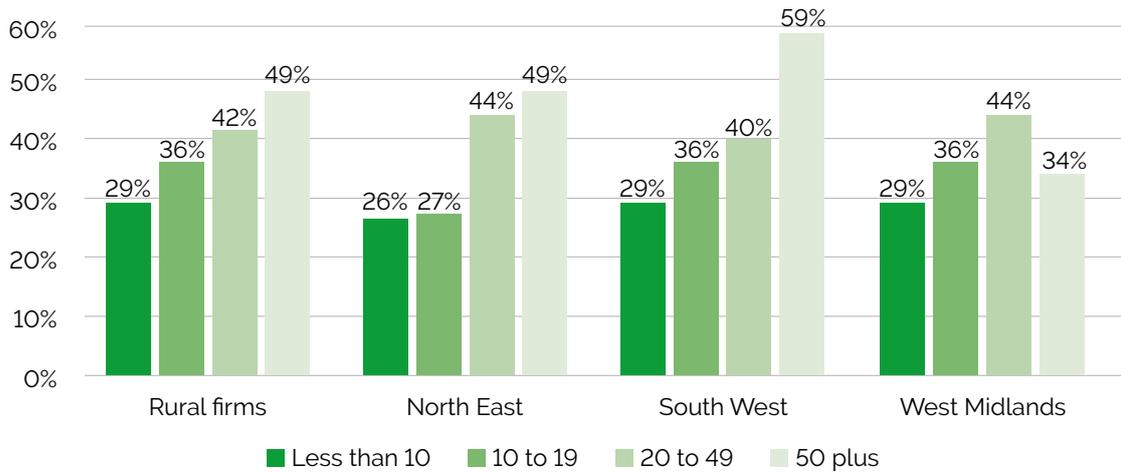
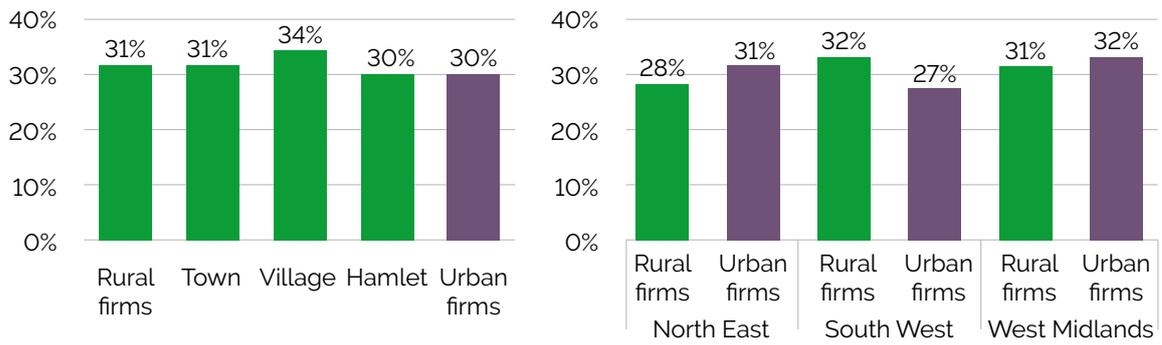
As shown in Table 2, among those firms which took external advice and support, the reported effects of the advice they sought also varied between rural and urban firms. 14% of rural firms said that the advice gave them hope, and 18% said that it helped to keep the business open. For urban firms, the proportions were 9% and 16% respectively. Again, we observed differences by region. For example, 19% of rural firms in the West Midlands said that the advice had

supported their cashflow compared to only 9% of rural South West firms. Among "Other" effects of the advice, firms often mentioned the advice had helped them to understand Covid-19 related regulations, social distancing, and furlough.

Finally, regarding external support, we asked respondent firms what kinds of advice would have been helpful to them during the pandemic (Figure 15). Overall, a greater proportion of urban firms responded positively to all the potential sources of advice we presented. For both rural and urban firms, online information was the top choice, identified by 44% of rural and 48% of urban firms. This was followed by access to other business leaders (36% of rural and 40% of urban firms) and an app with links to resources chosen by 33% of rural and 39% of urban firms.

Amongst rural businesses, there appears to be a **general reluctance to engage with business advisors**. Only just over a quarter said that support from a business advisor or mentor **would have been useful** with dealing with the Covid-19 crisis. Other potential forms of support were regarded as **more useful**. Only 10% of rural businesses actually engaged with a business advisor or mentor during the pandemic.

Figure 13: Proportion of enterprises accessing external support or advice during the pandemic, rural vs urban and by region, then for rural enterprises only by size, sector and type of rural location



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

Figure 14: Sources of external support or advice taken during the pandemic, rural vs urban, and then for rural enterprises only by region, and for urban enterprises only by region

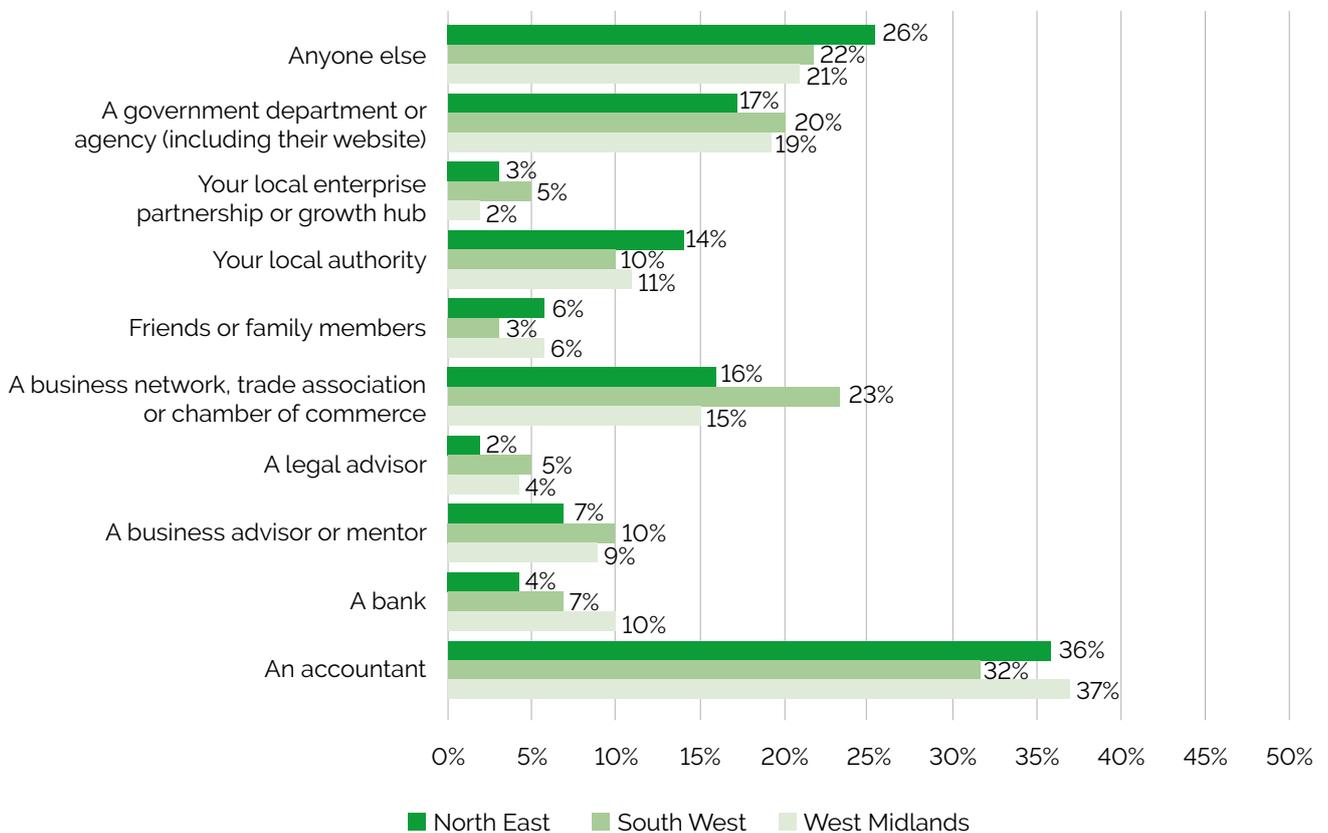
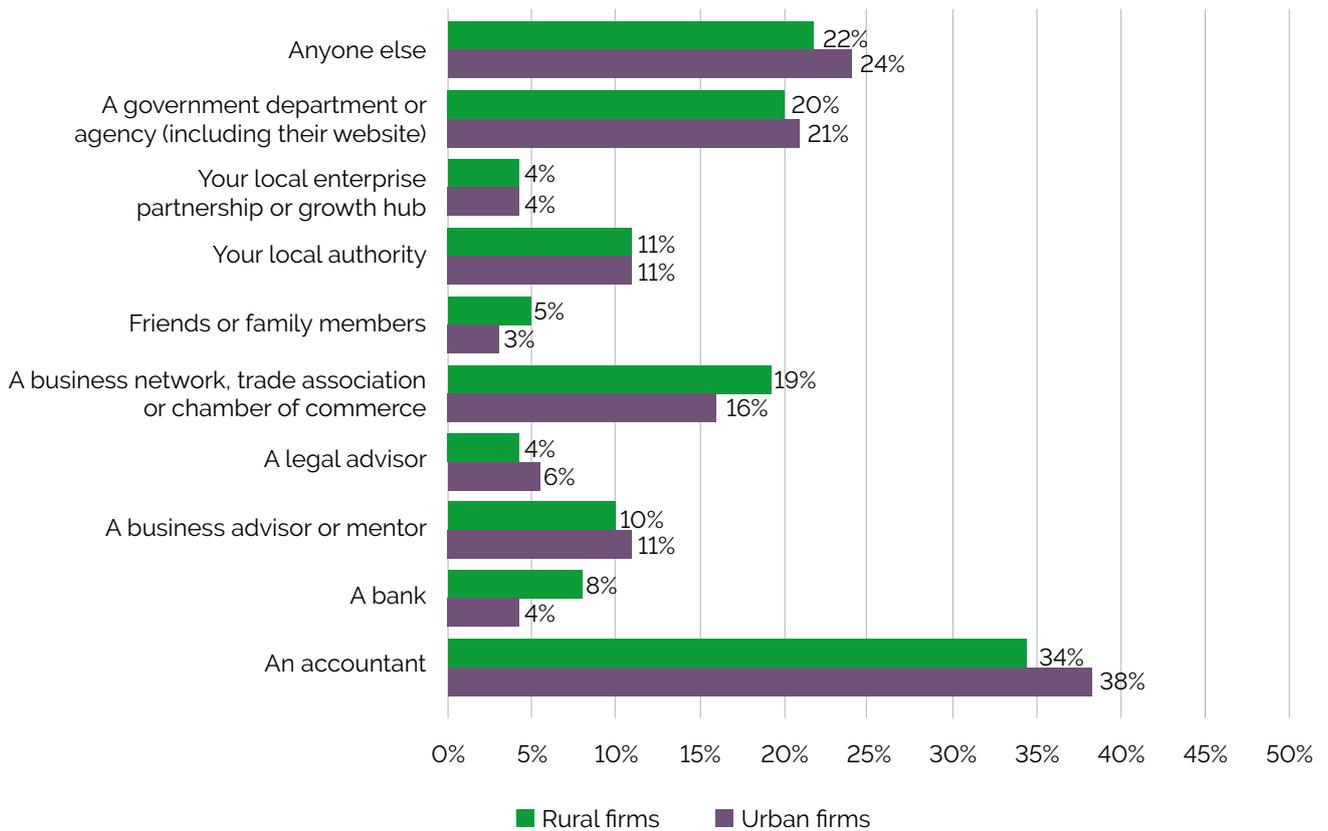
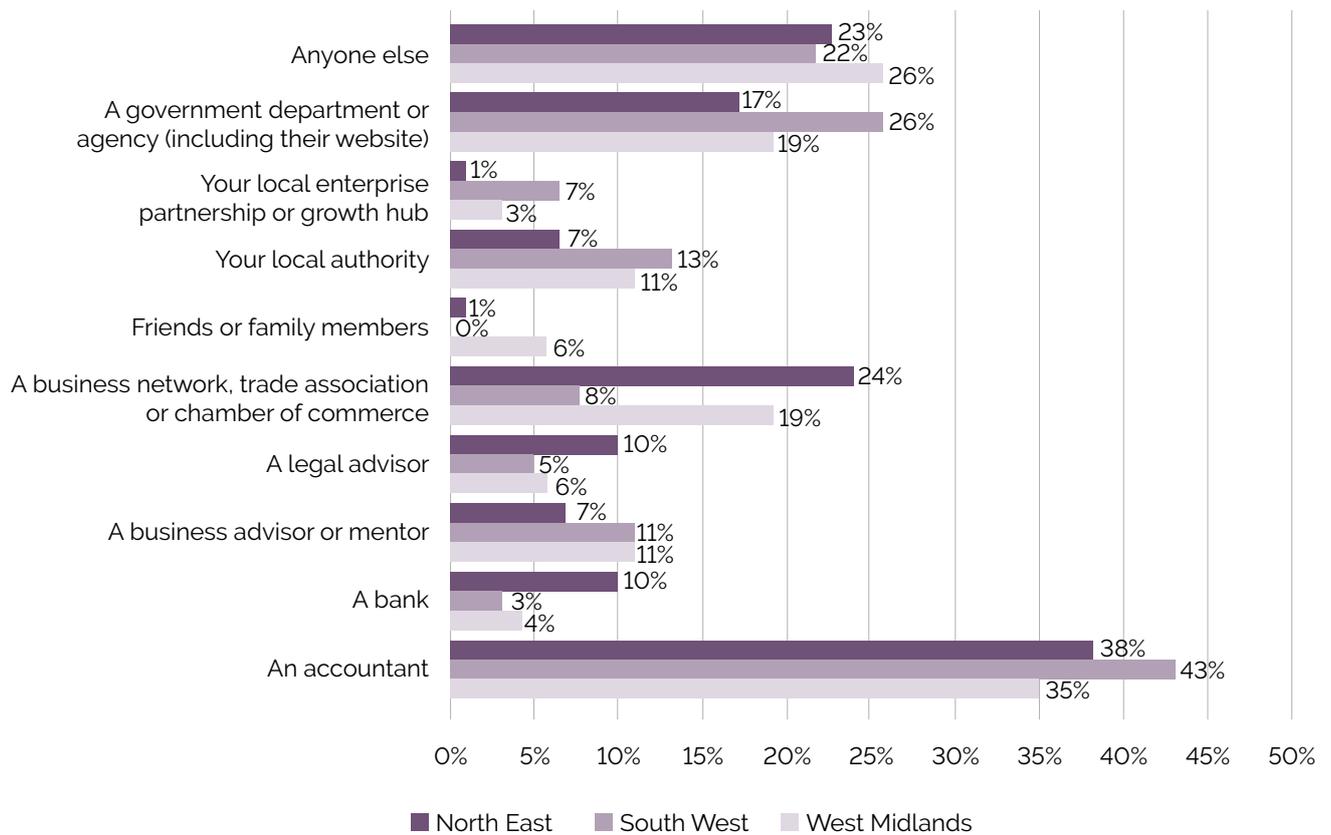


Figure 14 continued



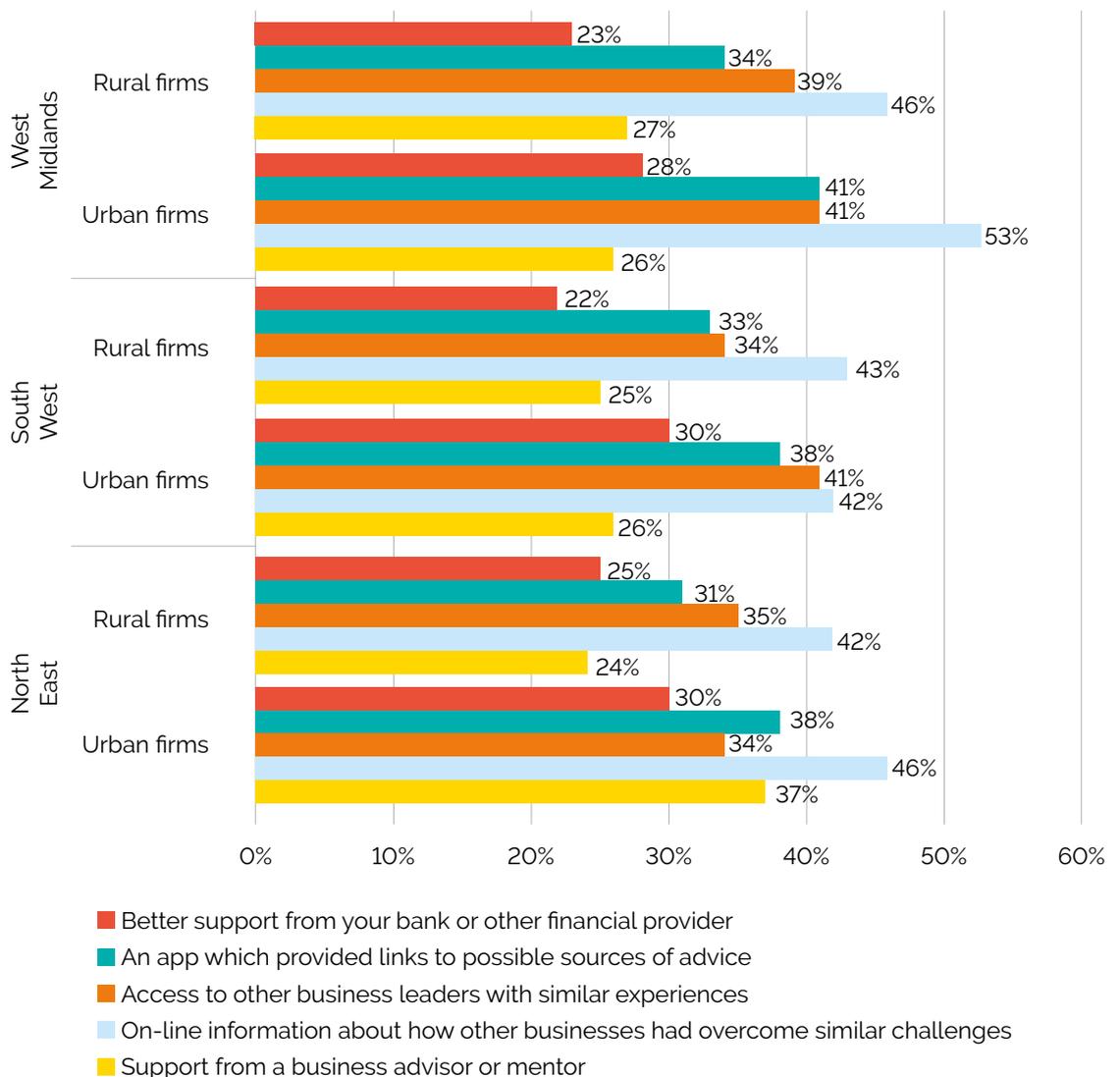
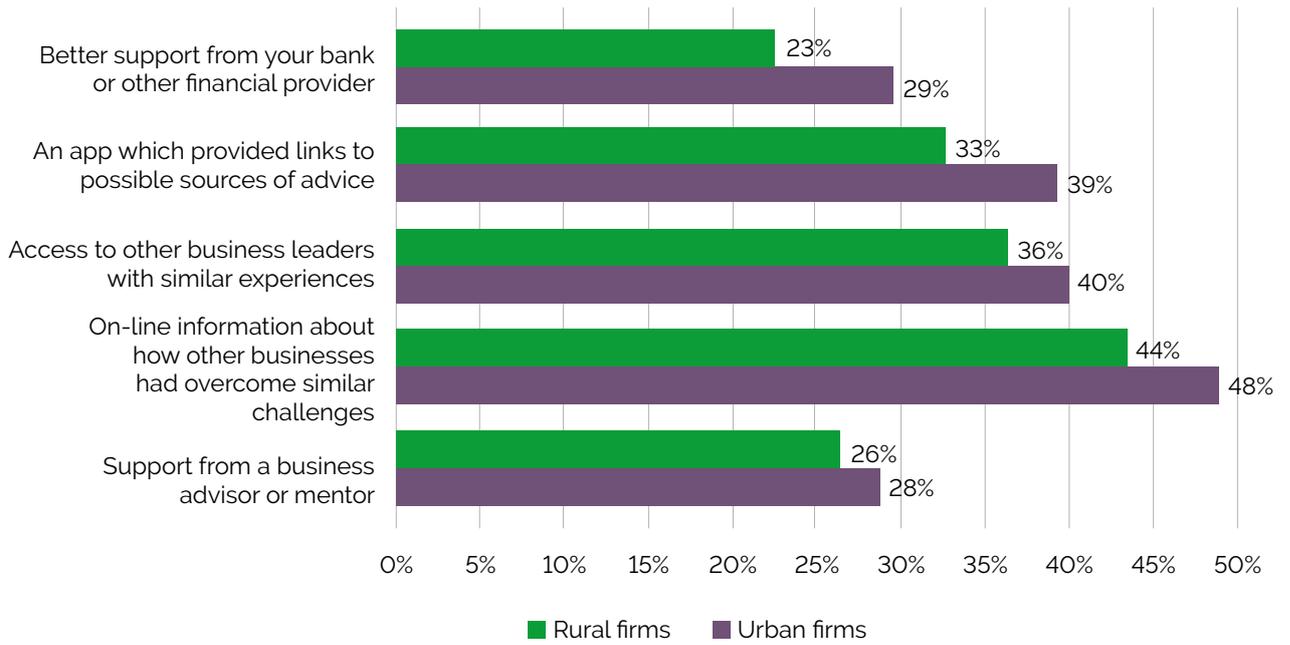
Note: This is based on a filtered question for those who took external support or advice Sample: Unweighted total 1,214 firms; 908 rural firms, 306 urban firms; 376 NE firms (261 rural & 115 urban firms), 419 WM firms (331 rural & 88 urban firms), 419 SW firms (316 rural & 103 urban firms)

Table 2: How external advice helped businesses, rural vs urban, by region

| | All regions | North East | South West | West Midlands |
|---|-------------|------------|------------|---------------|
| Rural firms | | | | |
| 1 - Supported cashflow | 12.7% | 12.5% | 9.4% | 19.2% |
| 2 - Access to capital | 4.8% | 3.6% | 4.7% | 5.3% |
| 3 - Gave us financial security | 11.1% | 9.6% | 11.5% | 10.8% |
| 4 - Gave us hope | 13.5% | 12.2% | 13.8% | 13.2% |
| 5 - Reduced mental stress | 12.9% | 14.4% | 14.8% | 8.9% |
| 6 - Helped expand business network | 5.9% | 5.5% | 7.5% | 2.8% |
| 7 - Helped to retain employees | 11.5% | 12.2% | 9.2% | 15.9% |
| 8 - Helped to create new products or services | 4.0% | 4.7% | 5.3% | 1.4% |
| 9 - Helped pivot to a new business plan | 7.1% | 7.9% | 8.2% | 4.5% |
| 10 - Helped keep the business open | 17.8% | 17.4% | 17.8% | 18.1% |
| 11 - Other | 53.2% | 48.1% | 55.9% | 49.4% |
| 12 - Don't know | 6.4% | 4.5% | 7.6% | 4.7% |
| Urban firms | | | | |
| 1 - Supported cashflow | 10.4% | 10.0% | 6.0% | 13.4% |
| 2 - Access to capital | 3.0% | 0.4% | 6.1% | 1.8% |
| 3 - Gave us financial security | 8.1% | 11.0% | 15.4% | 2.2% |
| 4 - Gave us hope | 8.9% | 8.3% | 14.5% | 5.3% |
| 5 - Reduced mental stress | 9.4% | 11.0% | 13.6% | 6.1% |
| 6 - Helped expand business network | 3.4% | 3.8% | 2.4% | 4.0% |
| 7 - Helped to retain employees | 9.8% | 8.6% | 15.6% | 6.3% |
| 8 - Helped to create new products or services | 1.2% | 1.9% | 2.5% | --- |
| 9 - Helped pivot to a new business plan | 4.1% | 4.9% | 8.0% | 1.1% |
| 10 - Helped keep the business open | 15.9% | 9.5% | 19.2% | 15.8% |
| 11 - Other | 59.4% | 54.0% | 57.8% | 62.3% |
| 12 - Don't know | 5.5% | 4.4% | 0.2% | 9.4% |

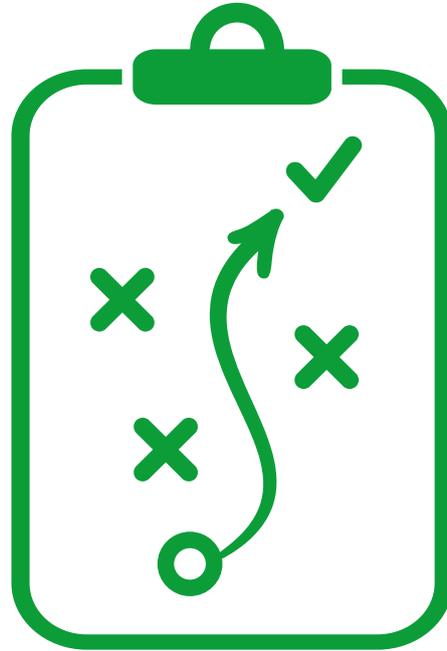
Note: This is based on a filtered question for those who took external support or advice. Sample: Unweighted total 1,215 firms; 909 rural firms, 306 urban firms; 377 NE firms (262 rural & 115 urban firms), 419 WM firms (331 rural & 88 urban firms), 419 SW firms (316 rural & 103 urban firms)

Figure 15: Sources of advice that would have been useful during the pandemic, rural vs urban, and then by region



Note: This is based on a filtered question for those who reported they did not use external advice or support. Sample: Unweighted total 2,172 firms; 1,670 rural firms, 502 urban firms; 732 NE firms (583 rural & 149 urban firms), 719 SW firms (541 & 178 urban rural firms), 721 WM firms (546 & 175 urban rural firms)

6. Planning, resilience and adaptation



More than half of the rural firms in our sample said that they did not have a formal written business plan (Figure 16).

More rural than urban firms are without a business plan (50% urban firms, 56% of rural firms). Compared to other rural firms, those in the North East are the least likely to have a regularly reviewed plan in place.

The likelihood of having a business plan increased with the size of the business – only 35% of rural firms with less than 10 employees reported having one but this more than doubled to 74% for firms with more than 50 employees. In terms of sector, other services, hospitality and production rural firms were most likely to have a business plan and rural construction firms were the least likely to report having one.

There are also sectoral variations in levels of business planning between regions (not shown in the figure). In the North East, for example, particular weaknesses in business planning are found in rural construction. Business planning is also weaker in the South West among rural production firms.

We observed a slightly lower tendency for rural firms in village and hamlet locations to have a business plan compared to those in town locations – around 57% of those in more remote locations had no plan, compared with 53% in towns.

Figure 16: Proportion of firms with a formal written plan, rural vs urban, and then for rural enterprises only by size, sector, and region

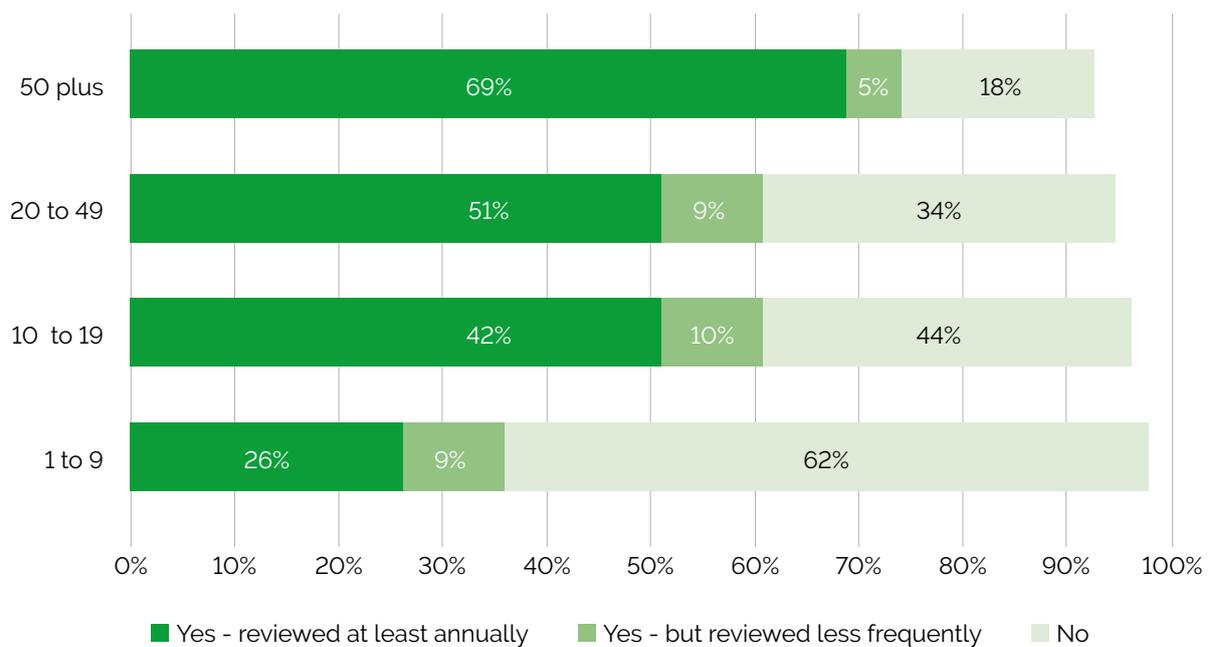
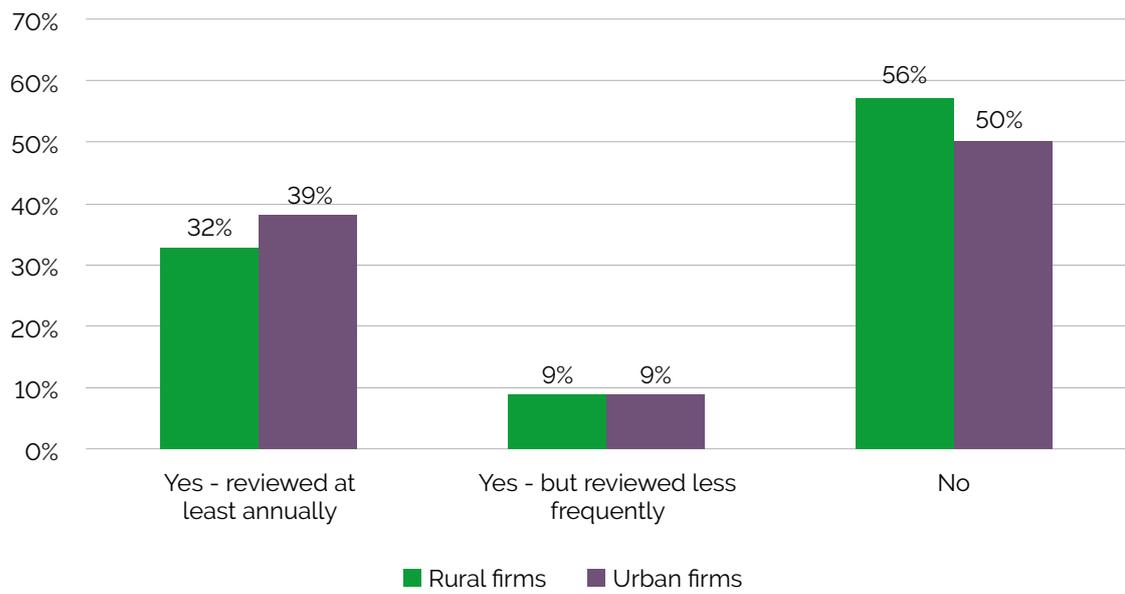
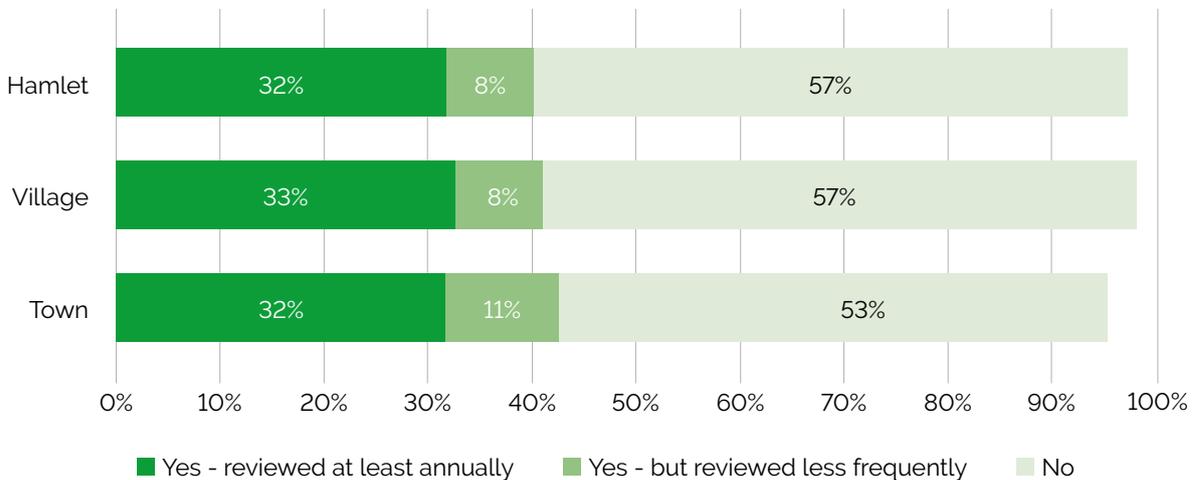
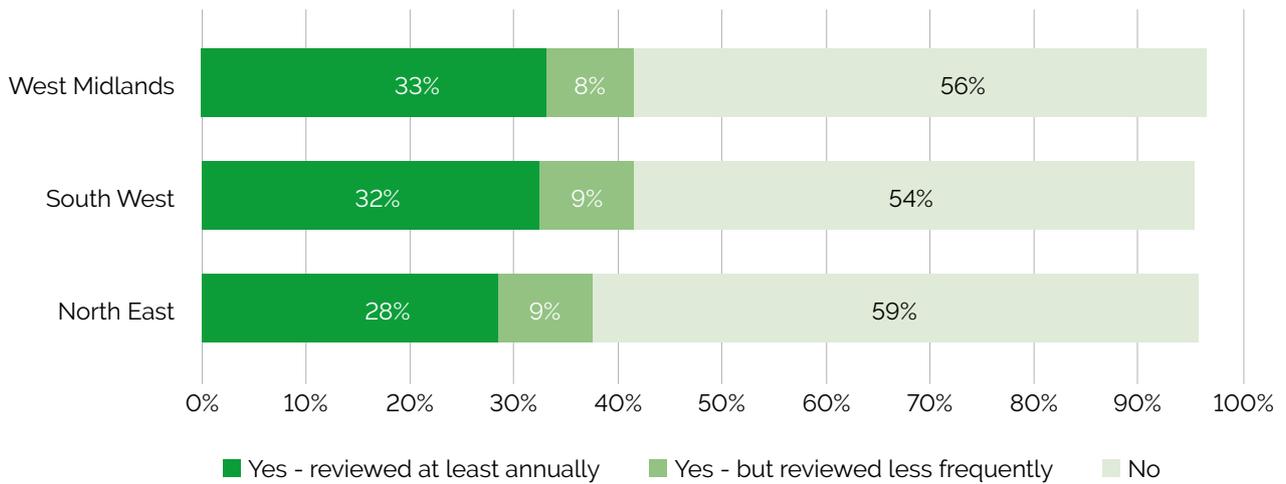
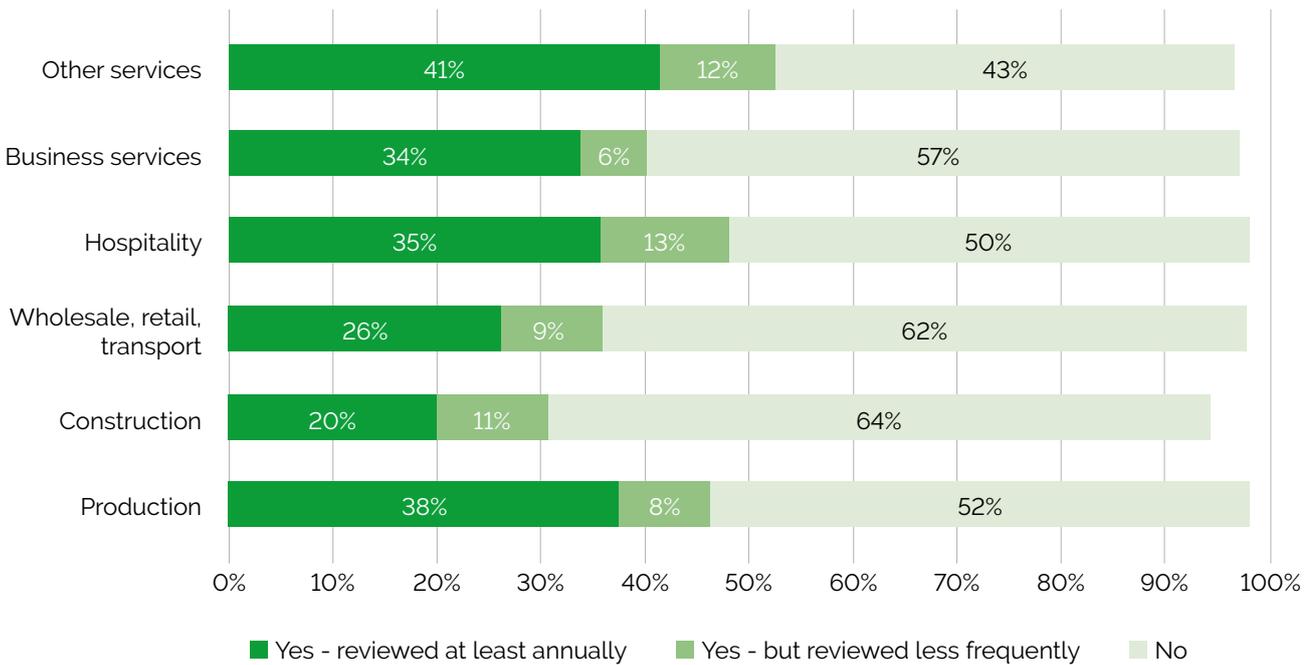


Figure 16 continued:



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

Figure 17 shows the proportion of rural and urban firms by region that reported having implemented a range of risk management strategies in the preceding 12-month period. The most commonly adopted strategy was to address the firm's financial position or reduce costs, which was reported by more than 60% of rural firms. This was closely followed by changes to staffing or production which was reported by 57% of rural firms. Around a third of firms said that they had diversified their business in some way and just over a quarter reported having increased their marketing or advertising. Around 15% of firms had not implemented any of the strategies we asked about (not shown in figure).

Urban firms were found to place slightly more importance than rural firms on increasing their marketing and advertising, and on taking out insurance. There were a number of regional variations. Among rural firms, businesses were more likely in the South West and less likely in the North East to have taken steps to reduce costs or address their financial position, or to have changed the way that they organised staffing or production. Rural firms in the North East and South West were more likely than their urban counterparts to utilise family resources to support the business, though less likely to have taken steps to reduce costs or address their financial position, while the reverse is seen in the West Midlands.

Figure 17: Risk management strategies implemented over the previous year, rural vs urban, then for rural enterprises only by region, and for urban enterprises only by region

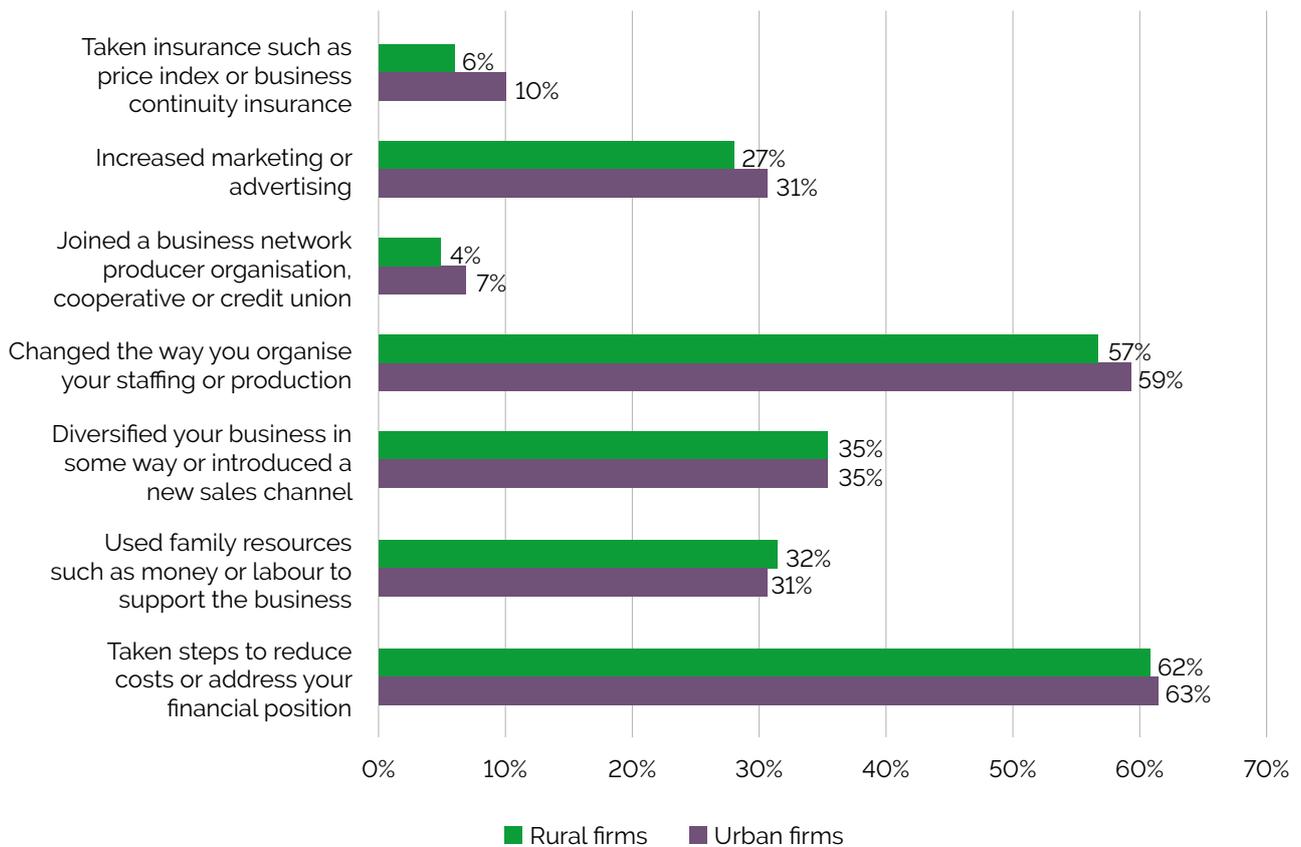
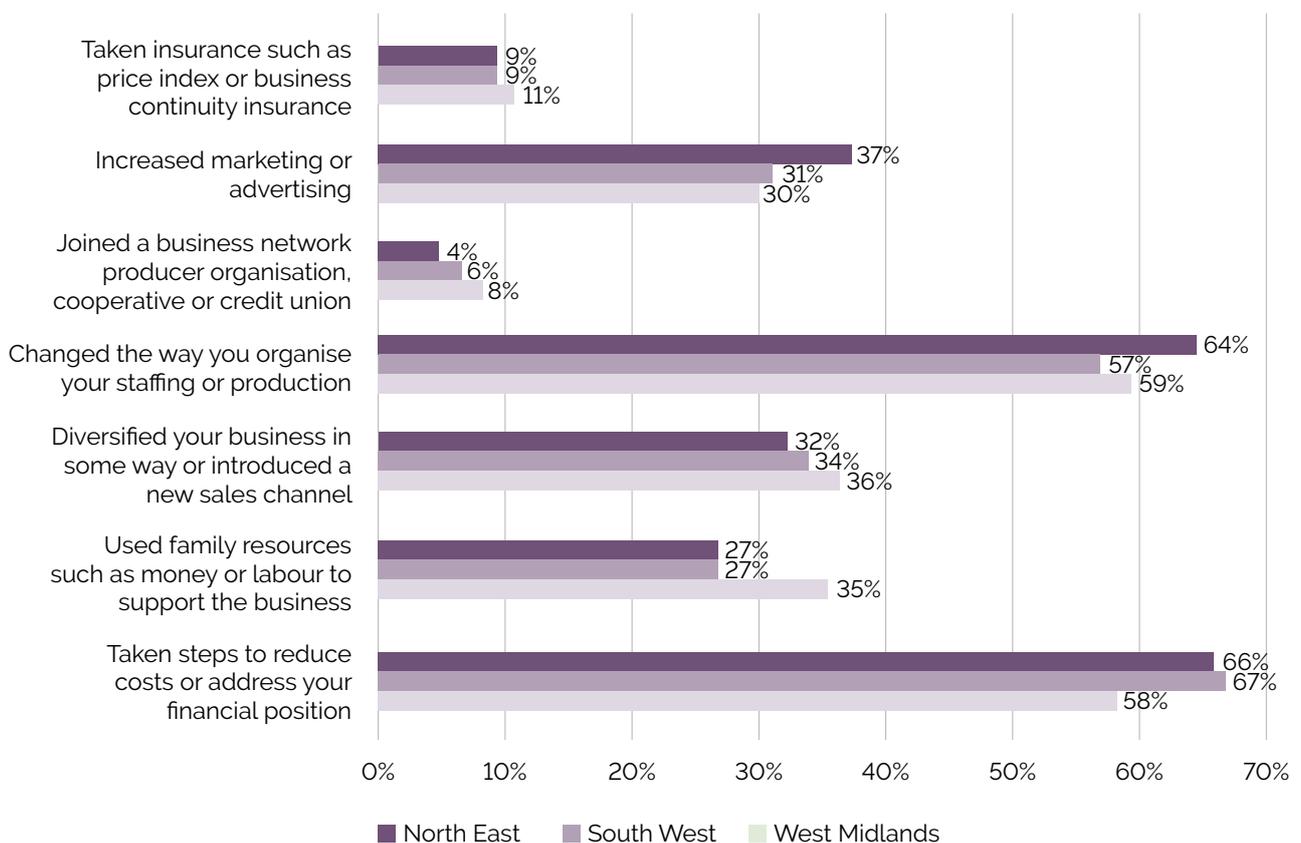
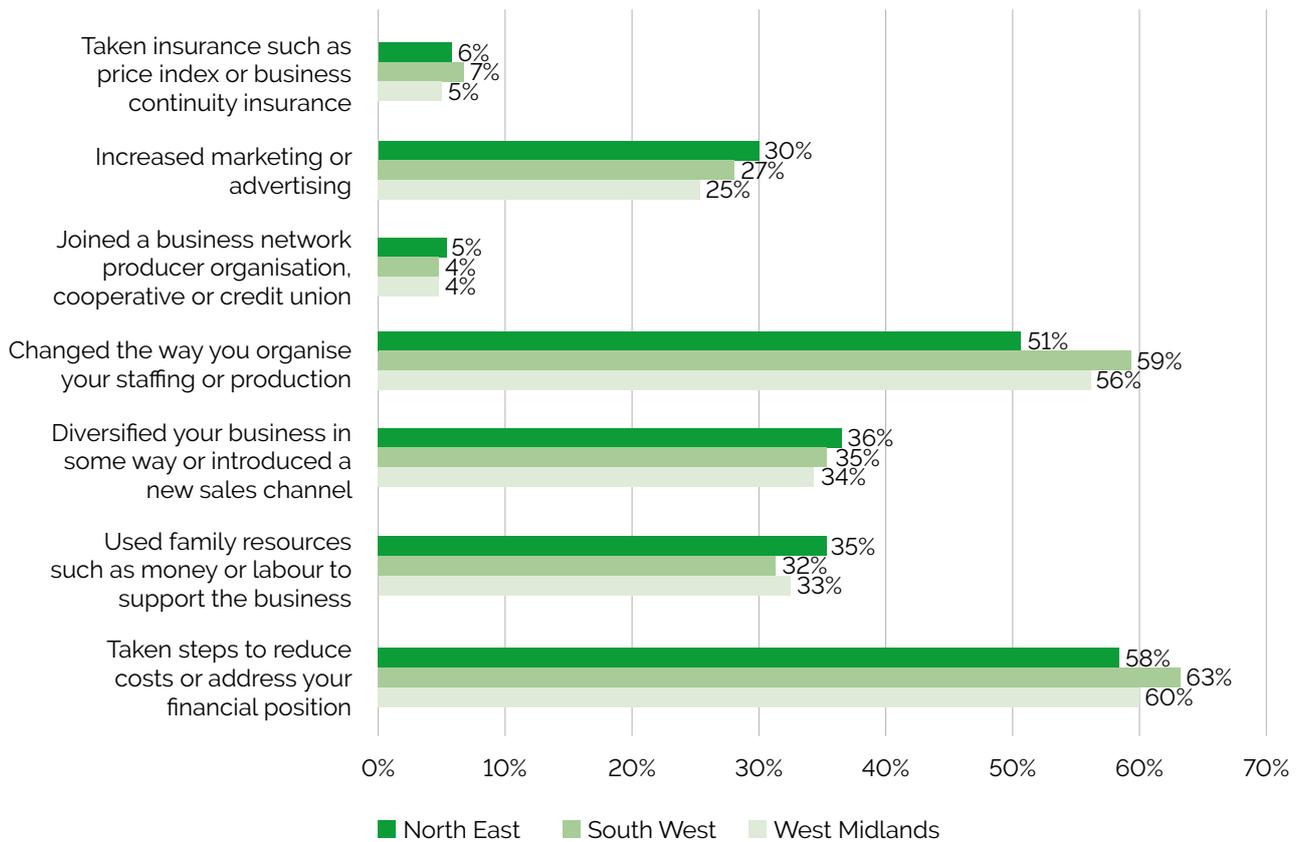


Figure 17 continued



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms)

Around 62% of respondents told us that they had taken steps to improve their financial position or to reduce costs. Figure 18 shows the proportion of these firms that reported adopting each of a range of strategies with this in mind. Rural firms overall were significantly less likely to say that they were making staff redundant or not replacing them (32% of rural vs 41% of urban firms). This echoes an important rural difference during the 2008-10 recession when rural firms were less likely to release staff than urban firms (Dolphin, 2009). The latter may reflect the greater proportion of family businesses in rural areas and also a perception of staff as being part of their family, to whom they were loyal and knew would have difficulty finding new jobs in the local area, and who would be difficult to replace when good times returned (Dolphin, 2009; Phillipson et al., 2019; SQW, 2010).

Rural firms during the pandemic were more likely than urban firms to be reducing fuel or energy usage (57% vs 54%). Rural firms in the North East were the least likely to report reducing staff numbers, while rural firms in the South West were much more likely to report cancelling or postponing investment than their counterparts in the West Midlands and North East. West Midlands rural firms were the most likely to report reducing fuel or energy usage to cut costs.

Figure 18: Proportion of firms taking steps to improve financial position or save costs, rural vs urban, and then for rural enterprises only by region

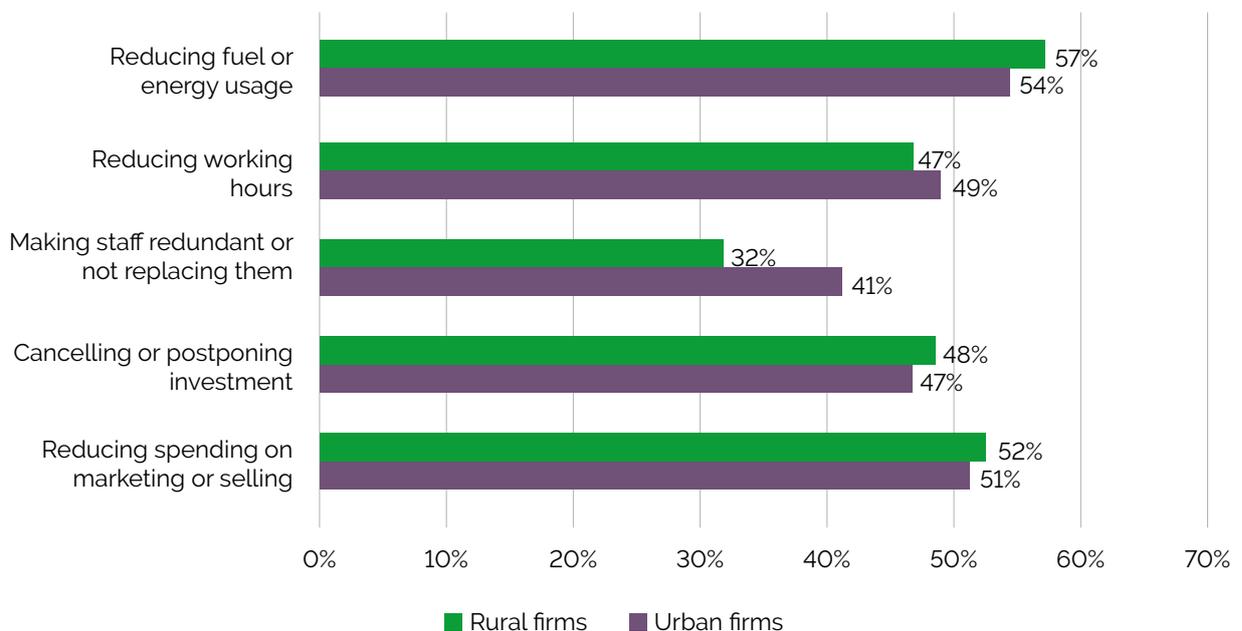
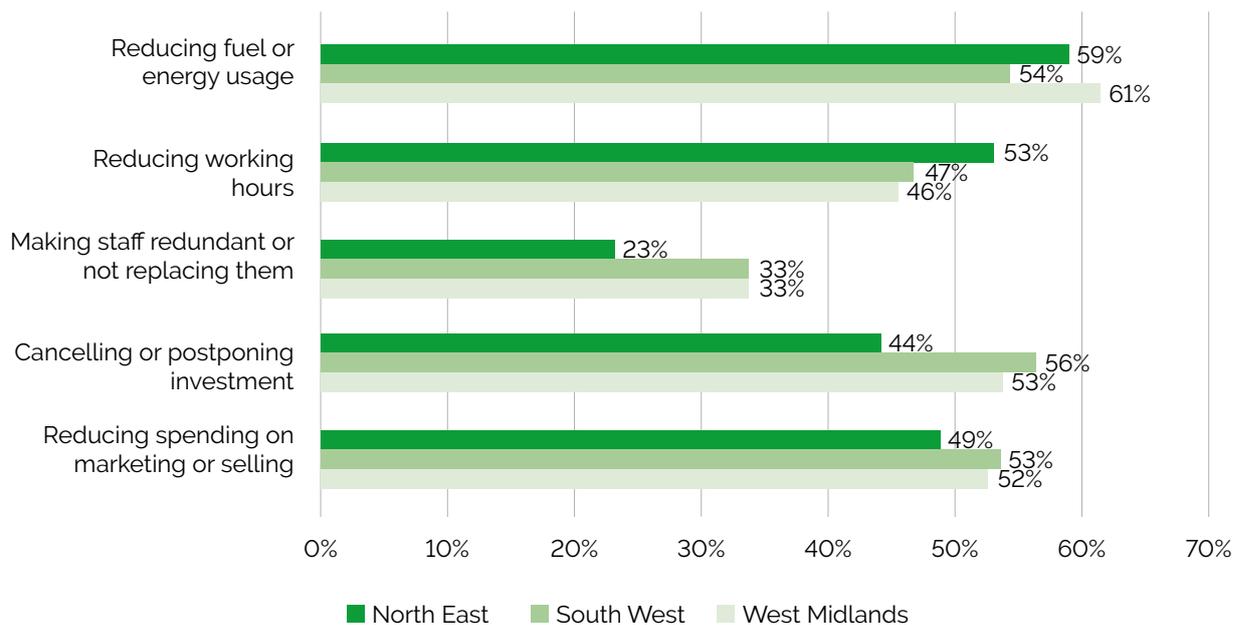


Figure 18 continued

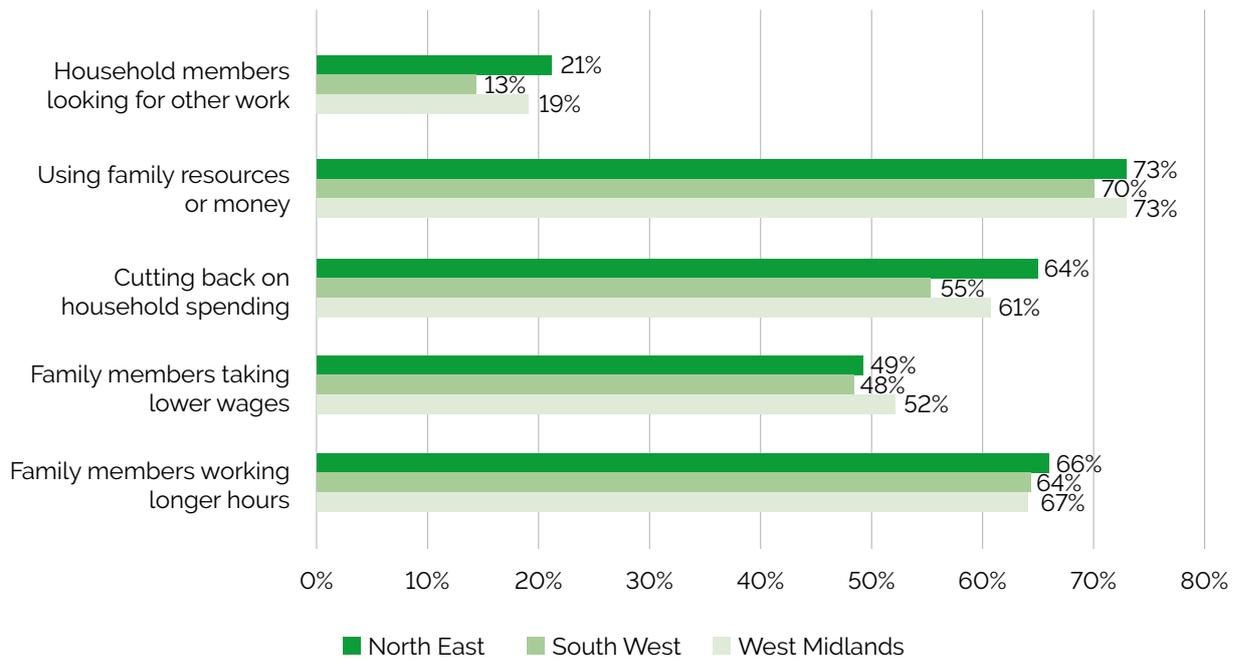
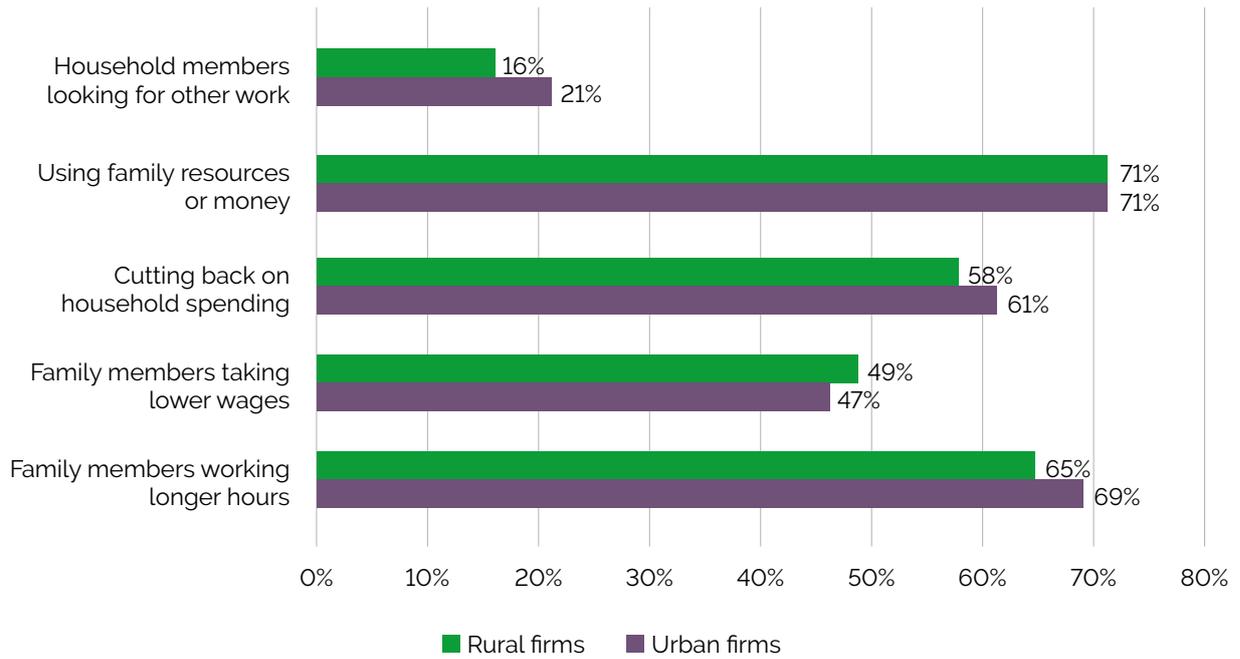


Note: This is based on a filtered question for those reported "taken steps to improve financial position or save costs" as one of the implemented risk management strategies. Sample: Unweighted total 2,232 firms; 1,676 rural firms, 556 urban firms; 522 NE rural firms, 582 SW rural firms, 572 WM rural firms

Around 32% of rural respondent firms reported that they had used family resources in the previous 12 months to support their business. Figure 19 shows the proportion of these firms that adopted each of a range of strategies related to family resources. Most common was the use of family resources or money, which was adopted by 71% of rural and urban firms. This was closely followed by family members

working longer hours, which was adopted by 65% of rural and 69% of urban firms. Cutting back on household spending was reported by 61% of urban and 58% of rural firms. South West rural firms were less likely than rural firms in the other two regions to report using family resources or money, or cutting back on household spending to support the business.

Figure 19: Family-based strategies to support the business, rural vs urban, and then for rural enterprises only by region

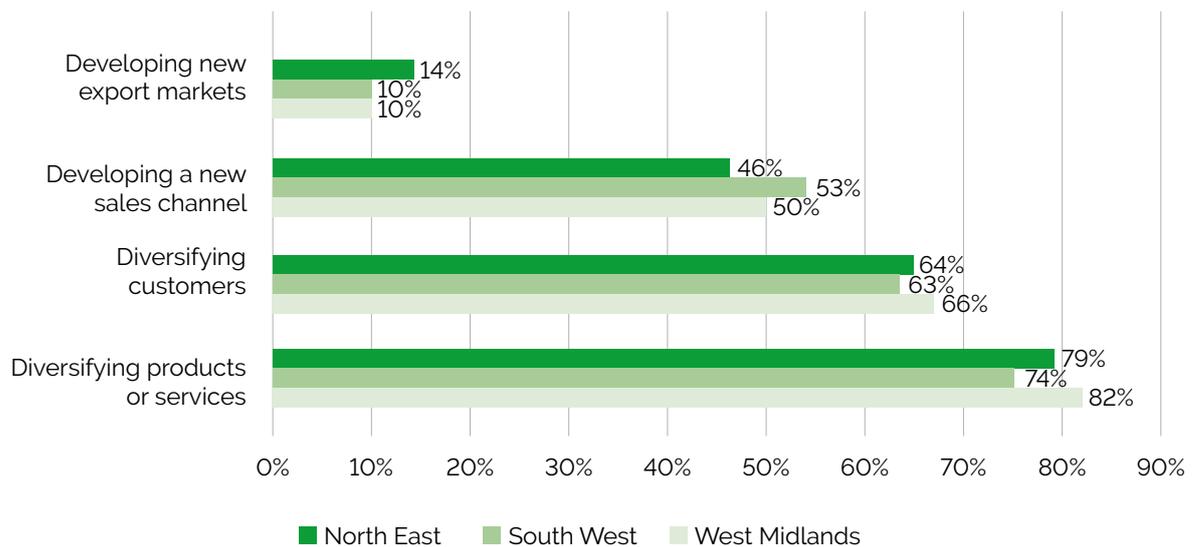
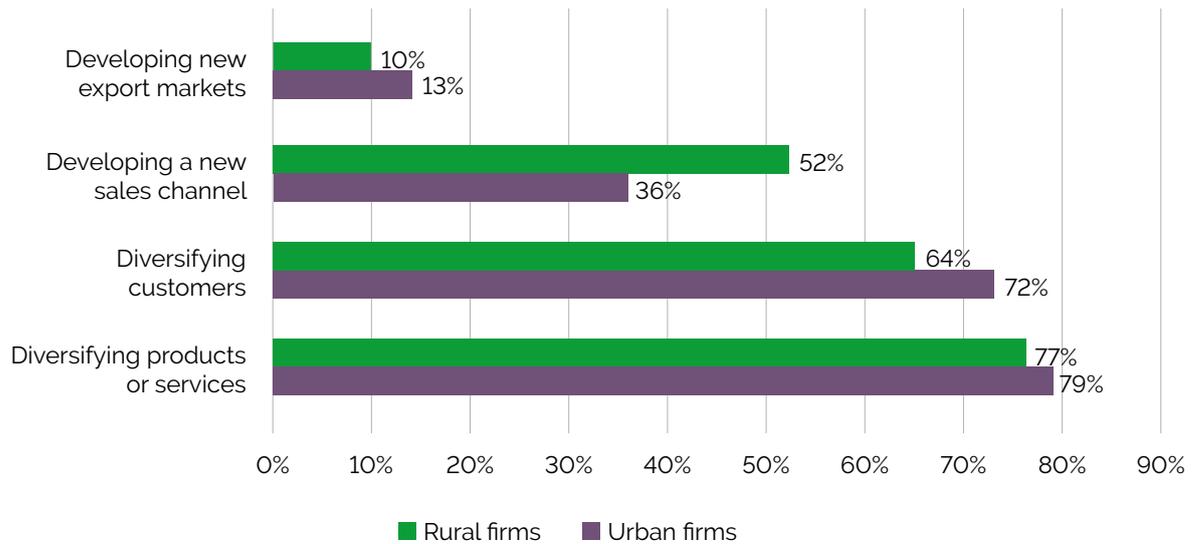


Note: This is based on a filtered question for those reported "using family resources to support the business" as one of the implemented risk management strategies. Sample: Unweighted total 1,073 firms; 859 rural firms, 214 urban firms; 290 NE rural firms, 282 SW rural firms, 287 WM rural firms.

Finally, around 35% of firms sampled reported that they had taken steps to diversify their businesses over the past year, and the strategies that they adopted are shown in Figure 20. Here we saw a clear difference between rural and urban firms. Overall, 52% of rural firms said that they had developed new sales channels, compared with 36% of urban firms. 72% of urban

firms reported having diversified their customers compared to 64% of rural firms. Rural West Midlands firms were more likely than rural firms in the other regions to have diversified their products or services, while rural North East firms were more likely to have developed new export markets.

Figure 20: Diversification strategies, rural vs urban, and then for rural enterprises only by region



Note: Analysis based on a filtered question for those who reported 'diversifying the business' as one of the implemented risk management strategies. Sample: Unweighted total 1,301 firms; 996 rural firms, 305 urban firms; 325 NE rural firms, 334 SW rural firms, 337 WM rural firms.

The Covid-19 pandemic therefore prompted enormous market innovation amongst rural businesses. Among those reporting they diversified their business over half developed new sales channels, two-thirds diversified their

customer base and three-quarters diversified products and services. While the likelihood of different forms of market innovation varies between urban and rural businesses, overall, there are similar and substantial levels of change.

There is no clear-cut evidence that rural businesses lag behind urban ones in terms of market innovation, in contrast to prior evidence for more formal innovation linked to intellectual property protection (Roper, 2020).

7. Looking ahead and ambitions



Previous NICRE research highlights the importance of **firms' ambitions or objectives** in shaping their **investment priorities** and **future growth** (Ozusaglam & Roper, 2021).

As part of the survey, we asked firms about the importance they attached to a range of business objectives. In each case firms were asked about how important these objectives were for their firm using a 1 to 5 scale where 1 is unimportant and 5 is very important. We summarise this information in Figure 21 reporting the percentage of firms saying each objective was either 'important' or 'very important'. The most important common objectives for rural and urban firms are to maintain the viability of their business and have a good work-life balance.

Many rural businesses have substantial ambitions with just under a quarter wishing to build a national and/international business. Rural economies thus harbour considerable ambition. However, with the exception of the North East (where overall there

are lower levels of ambition and more businesses are aiming to keep their operations the same), slightly more urban than rural firms aspire to this goal.

Rural businesses are often dismissed as lifestyle oriented or more focused on work-life balance than urban ones. However, the data fails to support these caricatures – while 85% of rural businesses seek a good work-life balance, 89% of urban ones also seek this.

There are further notable differences between regions. For example, more rural than urban firms in the North East and the South West are focussed on environmental or social objectives, while this objective is notably more popular among urban firms in the West Midlands (Figure 21).

Figure 21: Proportion of firms rating business objectives as important or very important, rural vs urban, then for rural enterprises only by region, and for urban enterprise only by region

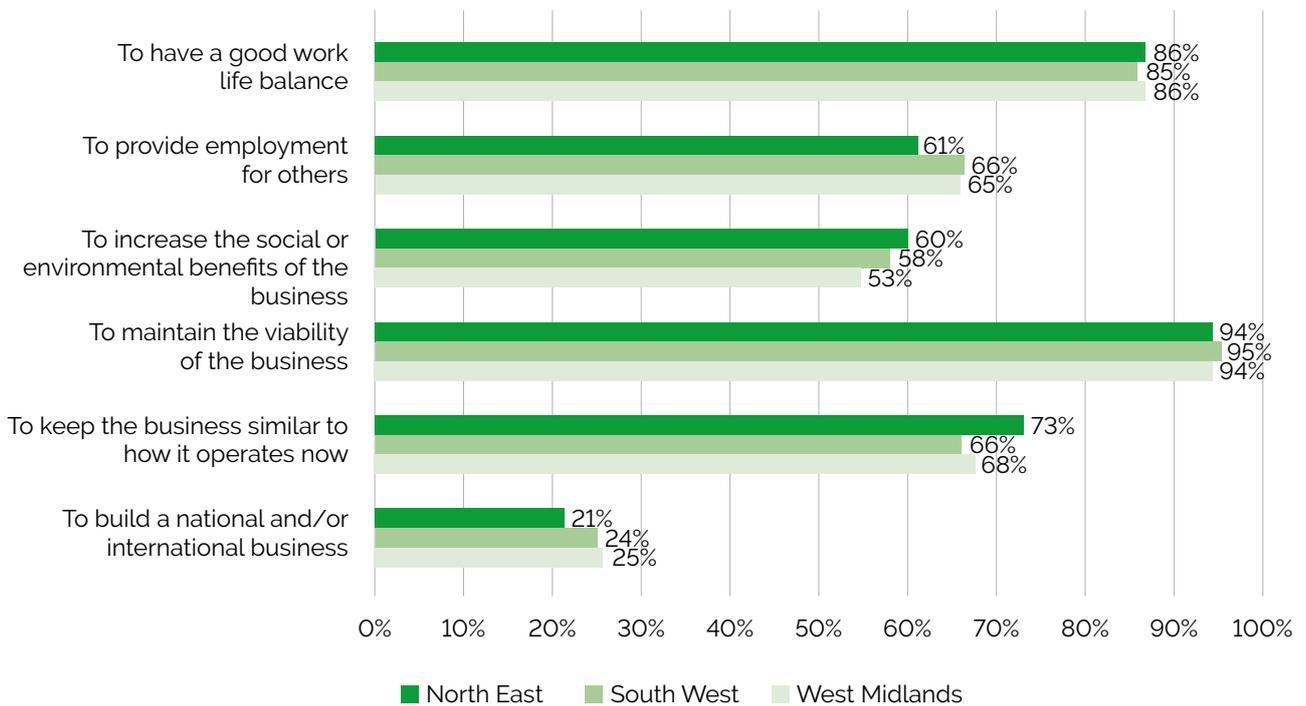
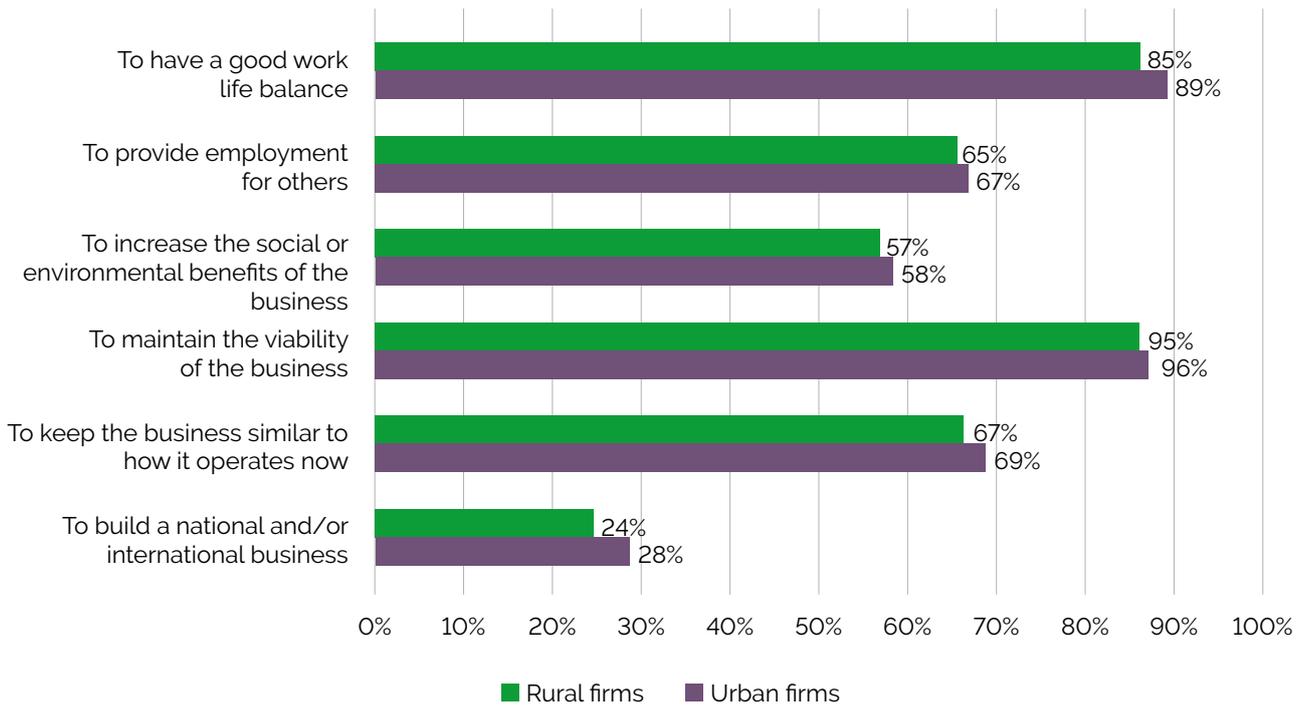
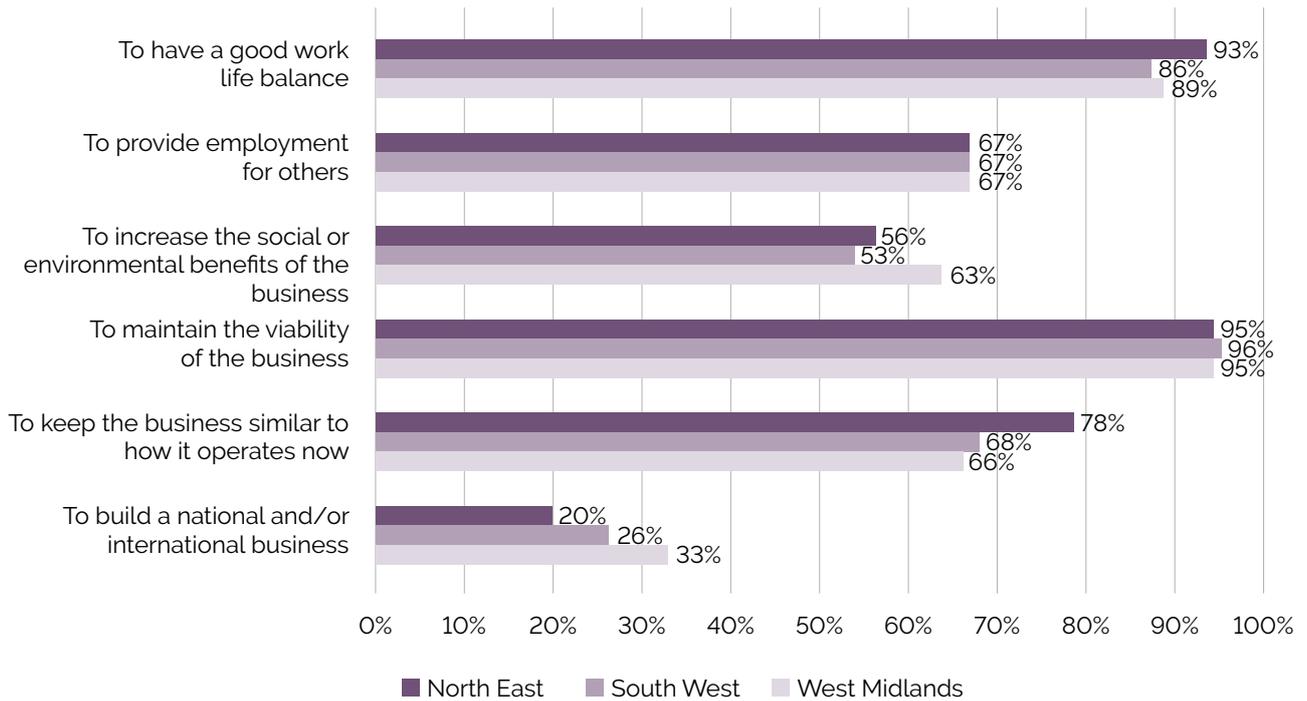


Figure 21 continued

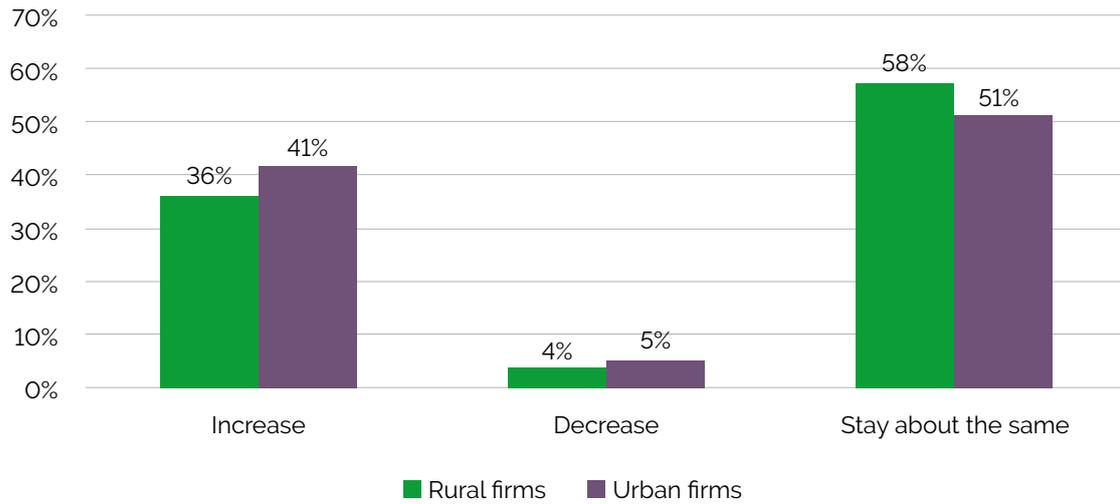


Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms).

Looking to the future, Figure 22 reports how respondent firms anticipate their employee numbers changing in the next year. Overall, 36% of rural firms said that they expected employee numbers to increase, compared to 41% of urban

firms. However, we saw significant variation by region, with 38% of rural South West firms anticipating a rise compared to 29% of rural firms in the North East.

Figure 22: Anticipated increase/decrease in number of employees in the next year, rural vs urban, by region



Sample: Unweighted total 3,526 firms; 2,666 rural firms, 860 urban firms; 1,155 NE firms (875 rural & 280 urban firms), 1,188 SW firms (900 & 288 urban rural firms), 1,183 WM firms (891 & 292 urban rural firms).

8. Conclusions



This report **details an assessment of NICRE survey data** relating to the performance of rural businesses, **with a focus on experiences** of the Covid-19 pandemic and sources of resilience. We found that although **the pandemic caused substantial disruption** to both rural and urban enterprises, generally, **rural businesses were less adversely affected than their urban counterparts.**

It is common to find that the pandemic had both positive and negative effects on rural businesses, and it prompted enormous market innovation. Over a third diversified their business and of these over half developed new sales channels and two thirds diversified their customer base. There is no clear evidence that rural businesses engaged in less market innovation than urban-based ones.

Disruption to supplies was reported by two-thirds of enterprises reporting negative impacts. Whilst the latter issue has subsequently attracted mainstream media and political attention, it is important that government and business support agencies ensure that rural firms, especially those in smaller settlements and remote areas, are helped to restore supply links, and not neglected nor marginalised as 'hard to reach'.

In coping with the pandemic, businesses implemented a diverse set of measures. The appropriateness of specific measures varied across firms, sectors and localities. There was no one best practice or route to resilience. This emphasises the importance of government and public sector bodies working closely with a variety of rural, economic, business, and local

support organisations to devise and deliver diverse routes to bolster business resilience.

The majority of surveyed rural businesses benefited from the government's Covid-19 business support measures such as furlough. This assistance aided short-term business survival, cashflow and retaining employees but appears not to have helped more long-term reorientation or development (e.g. pivot in business model; developing a new product or service). There is no clear evidence that rural businesses had poorer access to government's Covid-19 related business support measures than urban businesses.

This initial analysis draws on summary statistics only. In the future, econometric analysis is planned to look for causal relationships and thus better assess the effects of rural location on business performance, across sectors and regions. Further analysis will also explore farm business performance during the pandemic and consider other aspects of the survey which are not discussed here, such as the nature of obstacles faced, infrastructure and service provision.

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Appendix A: Weighting procedure and profiling respondent firms

Weighting procedure

We derive the weights for non-farm businesses based on the enterprise population from the Business Structure Database (ONS, 2021a). Within each region, firms are weighted by size-band (four size-bands), sectors (six sectors), and urban-rural types (two types). As this report considers the non-farm rural economy, farms were excluded from the weighting process. Weights were derived for both the non-farm rural economy and the non-farm urban comparison group.

Across the three regions surveyed samples were structured by firm size band, sector and between urban and rural areas. This structured sample requires sampling weights to be developed to allow representative results to be obtained for urban and rural areas within each region. Table A1 below provides the achieved sample divided by region and urban/rural. Table A2 provides the business population in terms of the count of business units in each cell derived from the Business Structure Database (BSD) 2020 (ONS 2021c). The BSD is the annual abstract from the Inter-departmental Business Register and is itself based on VAT and PAYE data. This was accessed through the UK Secure Data Service.

Table A3 provides the sampling weights derived as the ratio of the business population relative to the number of respondents. Note that in a small number of cases where the numbers of respondents in a particular industry/size band cell is small, cells have been amalgamated to avoid extreme weighting numbers.

Table A1: Respondent numbers – rural firms

| Respondents | | Rural firms | | | |
|---------------------------------|---------------------|-----------------|-----------------|----------------|--------------|
| North East | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 62 | 9 | 7 | 7 | 85 |
| Construction | 55 | 11 | 8 | 3 | 77 |
| Wholesale and retail, transport | 163 | 22 | 19 | 3 | 207 |
| Hospitality | 68 | 23 | 10 | 2 | 103 |
| Business Services | 154 | 31 | 15 | 10 | 210 |
| Other services | 120 | 32 | 27 | 14 | 193 |
| Total | 622 | 128 | 86 | 39 | 875 |
| South West | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 53 | 43 | 33 | 17 | 146 |
| Construction | 34 | 14 | 11 | 3 | 62 |
| Wholesale and retail, transport | 118 | 48 | 22 | 17 | 205 |
| Hospitality | 50 | 36 | 34 | 4 | 124 |
| Business Services | 100 | 33 | 25 | 17 | 175 |
| Other services | 75 | 48 | 40 | 25 | 188 |
| Total | 430 | 222 | 165 | 83 | 900 |
| West Midlands | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 56 | 49 | 22 | 12 | 139 |
| Construction | 32 | 23 | 10 | 6 | 71 |
| Wholesale and retail, transport | 104 | 42 | 22 | 23 | 191 |
| Hospitality | 56 | 38 | 17 | 6 | 117 |
| Business Services | 113 | 41 | 28 | 13 | 195 |
| Other services | 81 | 42 | 32 | 23 | 178 |
| Total | 442 | 235 | 131 | 83 | 891 |

Table A2: Population numbers – rural firms

| Respondents | | Rural firms | | | |
|---------------------------------|---------------------|-----------------|-----------------|----------------|---------------|
| North East | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 1,198 | 137 | 95 | 81 | 1,511 |
| Construction | 966 | 104 | 43 | 24 | 1,137 |
| Wholesale and retail, transport | 1,258 | 159 | 90 | 35 | 1,542 |
| Hospitality | 782 | 212 | 112 | 27 | 1,133 |
| Business Services | 1,734 | 157 | 75 | 72 | 2,038 |
| Other services | 847 | 184 | 112 | 62 | 1,205 |
| Total | 6,785 | 953 | 527 | 301 | 8,566 |
| South West | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 7,096 | 776 | 486 | 275 | 8,633 |
| Construction | 5,310 | 454 | 182 | 64 | 6,010 |
| Wholesale and retail, transport | 6,400 | 1,043 | 501 | 217 | 8,161 |
| Hospitality | 2,997 | 1,041 | 722 | 149 | 4,909 |
| Business Services | 11,454 | 874 | 401 | 191 | 12,920 |
| Other services | 4,007 | 768 | 610 | 383 | 5,768 |
| Total | 37,264 | 4,956 | 2,902 | 1,279 | 46,401 |
| West Midlands | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 3,825 | 457 | 322 | 254 | 4,858 |
| Construction | 2,768 | 237 | 101 | 44 | 3,150 |
| Wholesale and retail, transport | 3,935 | 513 | 273 | 154 | 4,875 |
| Hospitality | 1,341 | 396 | 243 | 85 | 2,065 |
| Business Services | 6,610 | 556 | 268 | 157 | 7,591 |
| Other services | 2,013 | 388 | 347 | 216 | 2,964 |
| Total | 20,492 | 2,547 | 1,554 | 910 | 25,503 |

Table A3: Sampling weights – rural firms

| Respondents | | Rural firms | | | |
|---------------------------------|---------------------|-----------------|-----------------|----------------|--------------|
| North East | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 19 | 15 | 14 | 12 | 18 |
| Construction | 18 | 9 | 5 | 8 | 15 |
| Wholesale and retail, transport | 8 | 7 | 5 | 12 | 7 |
| Hospitality | 12 | 9 | 11 | 14 | 11 |
| Business Services | 11 | 5 | 5 | 7 | 10 |
| Other services | 7 | 6 | 4 | 4 | 6 |
| Total | 11 | 7 | 6 | 8 | 10 |
| | | | | | |
| South West | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 82 | 82 | 15 | 16 | 59 |
| Construction | 120 | 120 | 17 | 21 | 97 |
| Wholesale and retail, transport | 54 | 54 | 23 | 13 | 40 |
| Hospitality | 60 | 29 | 21 | 37 | 40 |
| Business Services | 93 | 93 | 16 | 11 | 74 |
| Other services | 53 | 16 | 15 | 15 | 31 |
| Total | 87 | 22 | 18 | 15 | 52 |
| | | | | | |
| West Midlands | Less than 10 | 10 to 19 | 20 to 49 | 50 plus | Total |
| Production | 68 | 9 | 15 | 21 | 35 |
| Construction | 87 | 10 | 10 | 7 | 44 |
| Wholesale and retail, transport | 38 | 12 | 12 | 7 | 26 |
| Hospitality | 24 | 10 | 14 | 14 | 18 |
| Business Services | 58 | 14 | 10 | 12 | 39 |
| Other services | 25 | 9 | 11 | 9 | 17 |
| Total | 46 | 11 | 12 | 11 | 29 |

Sample profile

Figures A1 and A2 show the profile of respondents by size, sector, and business age. Responses are weighted to provide a representative view of private sector businesses in urban and rural areas within each region.

Overall, the majority of the surveyed firms in both rural and urban areas are micro (less than 10 employees) and small businesses (10-49 employees) (Figure A1). Compared to urban firms, relatively fewer rural firms are micro businesses (71.2% vs 73.6%) but more are likely to be small businesses, although there is significant variation across regions. Around 80% of surveyed rural firms in the North East and West Midlands are micro businesses, and 17% are small businesses, while 65% of rural firms in the South West are micro and a third are small ones.

Firms in rural areas are more likely to be in the production (including manufacturing) and construction sectors than those in urban areas, but less likely to be in business or other services (Figure A2). These differences are largely consistent across the three regions (Figure A2).

Around half of respondent firms had been operating for more than 20 years, with a higher share of rural firms in this older age category, with the proportion of younger businesses similar across regions but slightly lower in rural areas than in urban areas (Figure A3).

Figure A1: Profile of respondent firms by size, rural vs urban and by region

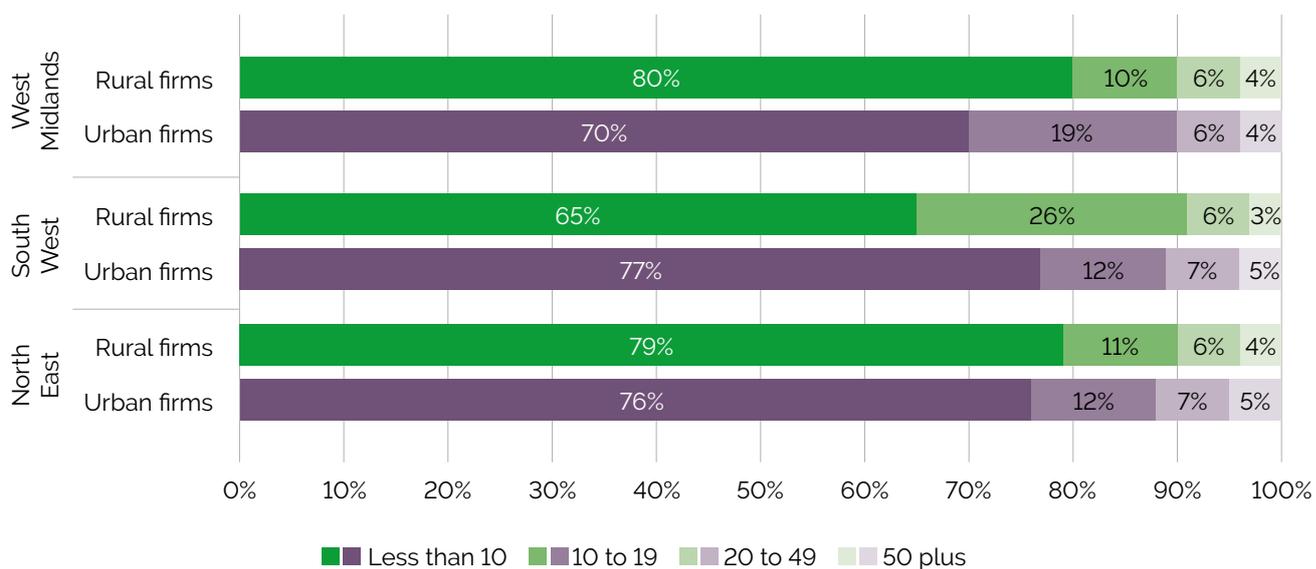
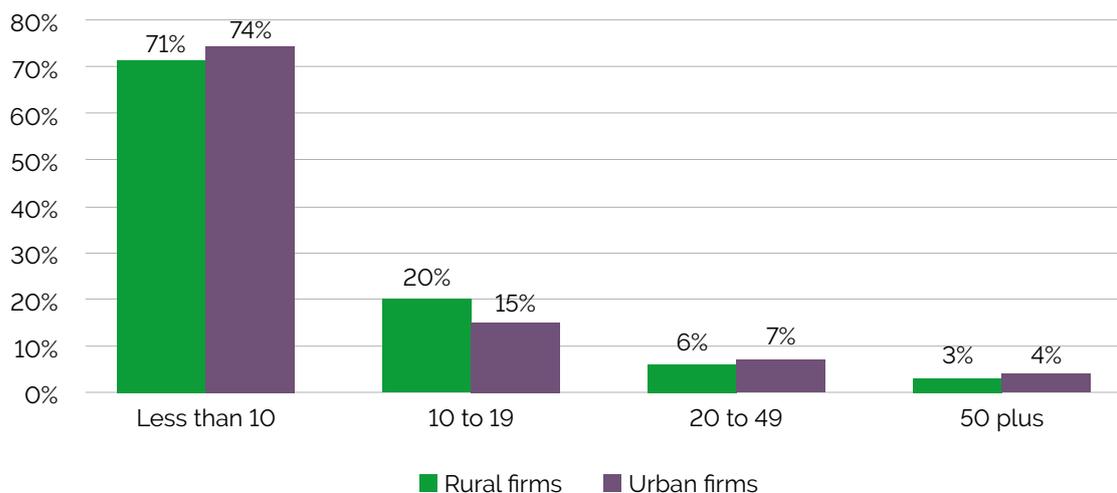


Figure A2: Profile of respondent firms by sector, rural vs urban by region

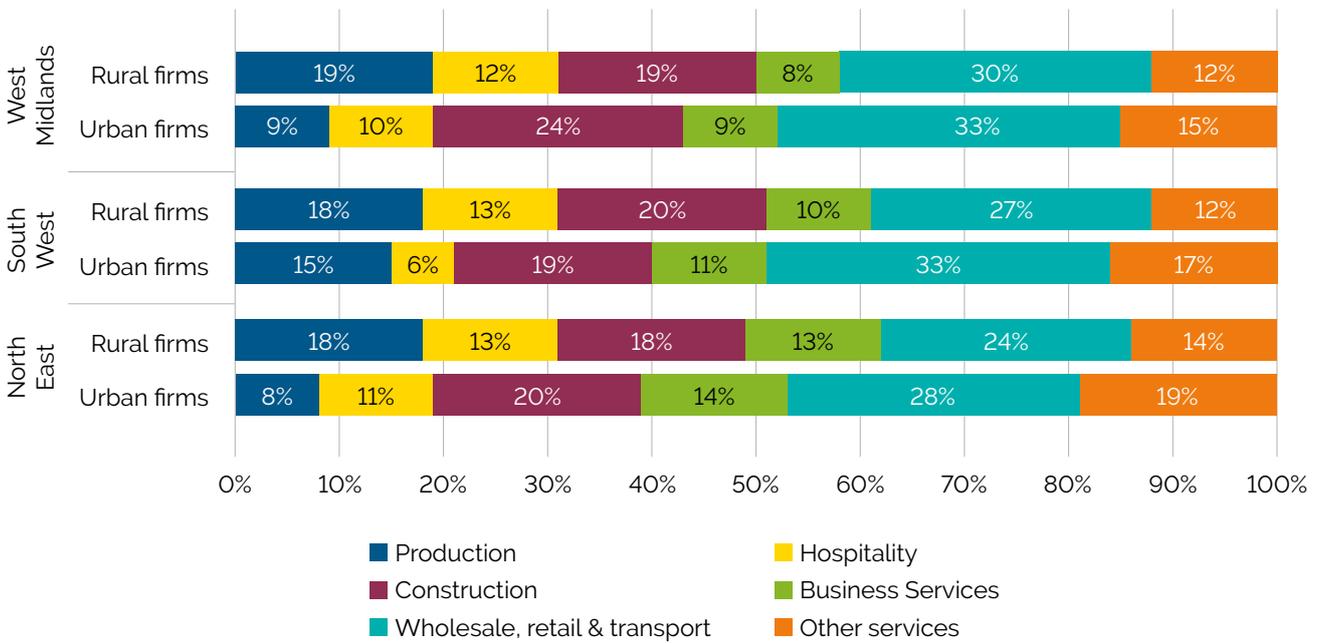
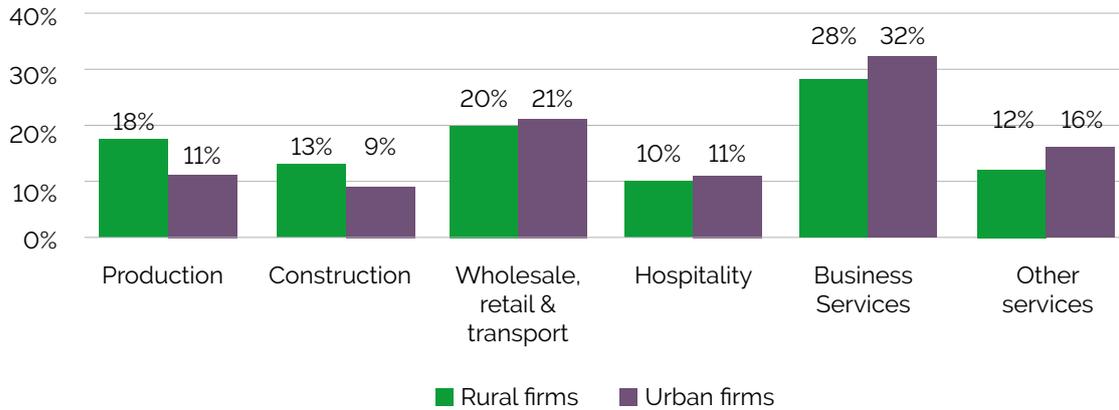
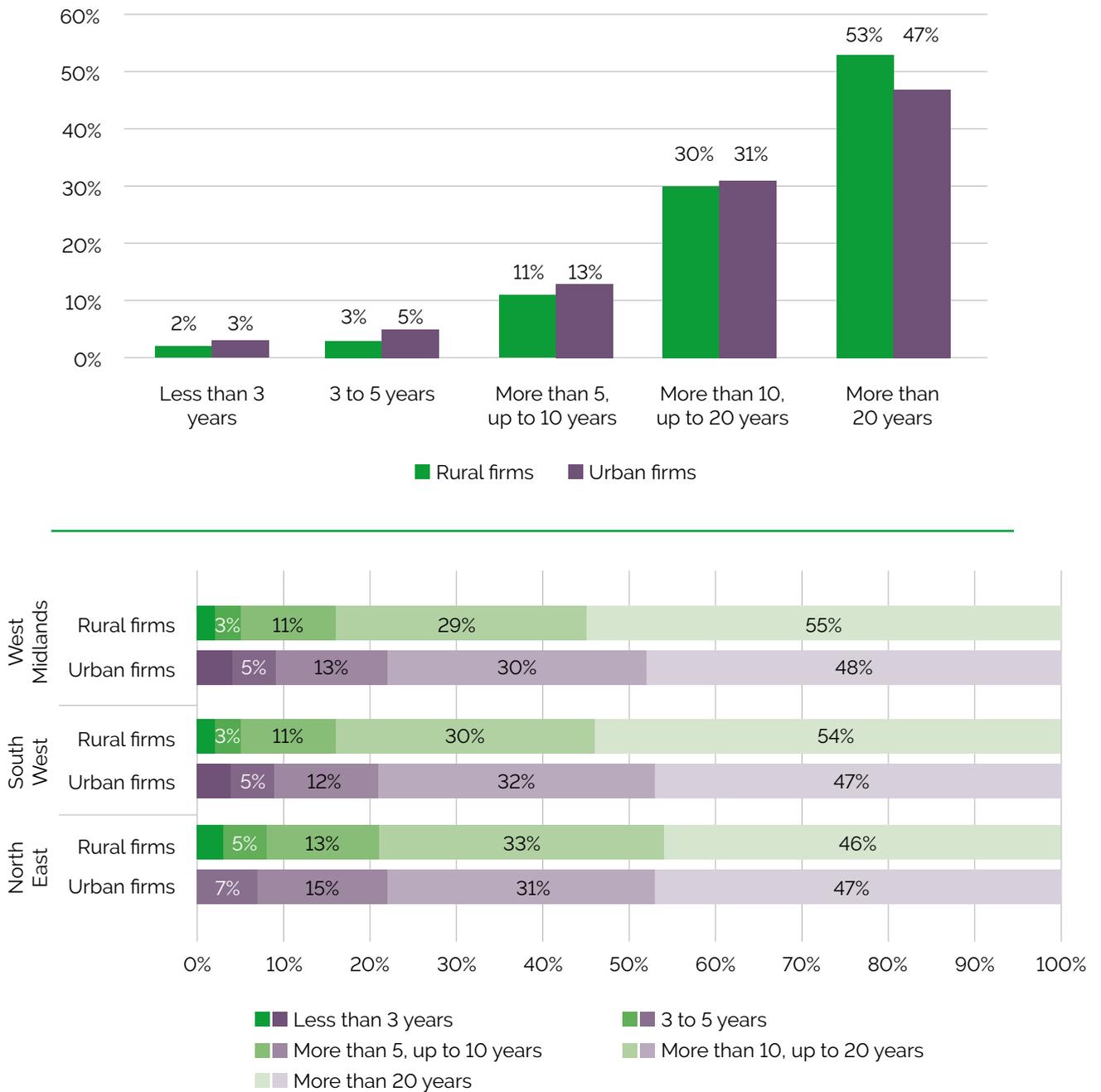


Figure A3: Profile of respondent firms by age, rural vs urban, and then by region



Figures A4 and A5 present the type of firm and legal status of respondent businesses respectively. The data indicate that the majority are independent for-profit businesses. The number of sole proprietorships is notably higher in rural areas. This is also the case for independent for-profit firms (with the exception of the South West) (Figure A4), partnerships and limited liability partnerships (Figure A5). Sole proprietorships are especially prominent in the North East in both rural and urban areas (Figure A5). There is a higher share of private limited companies (Figure A5) in urban areas in all regions. Similarly, a higher share of branches and subsidiaries (Figure A4) is seen in urban areas (with exception of the South West, where there is a rural emphasis on this business model).

Figure A4: Profile of respondents by firm type, rural vs urban and then by region

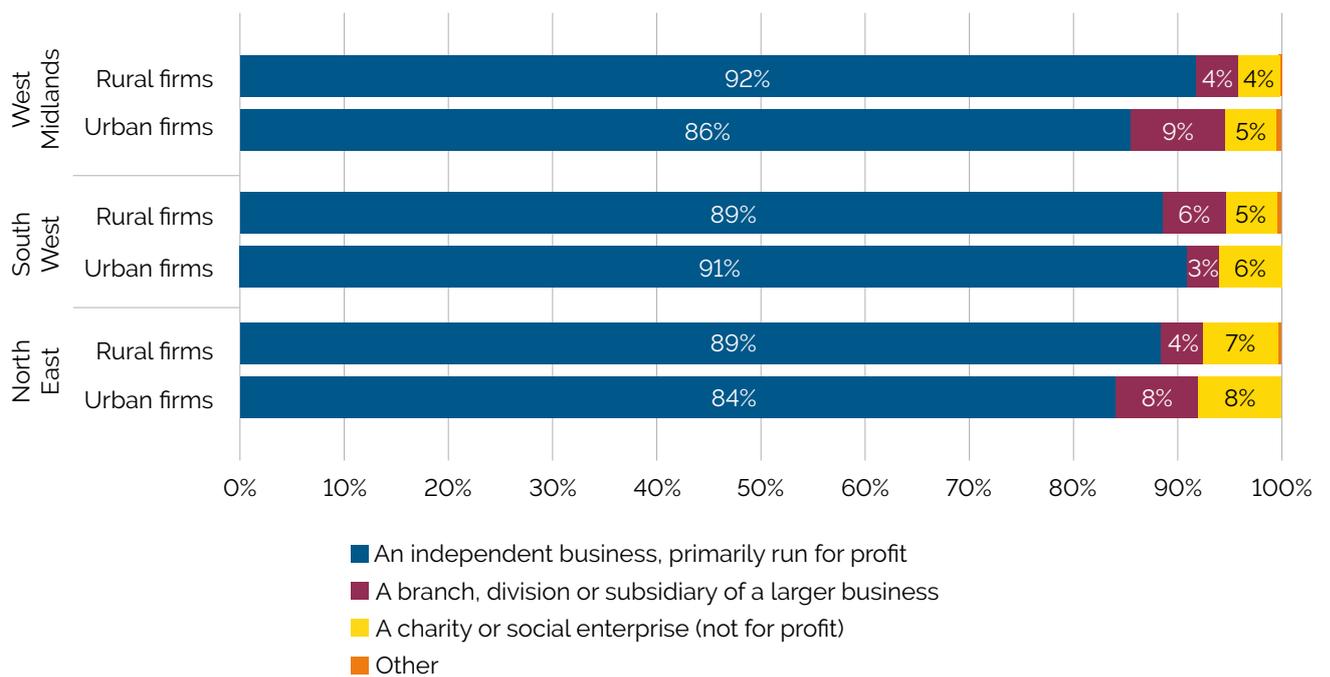
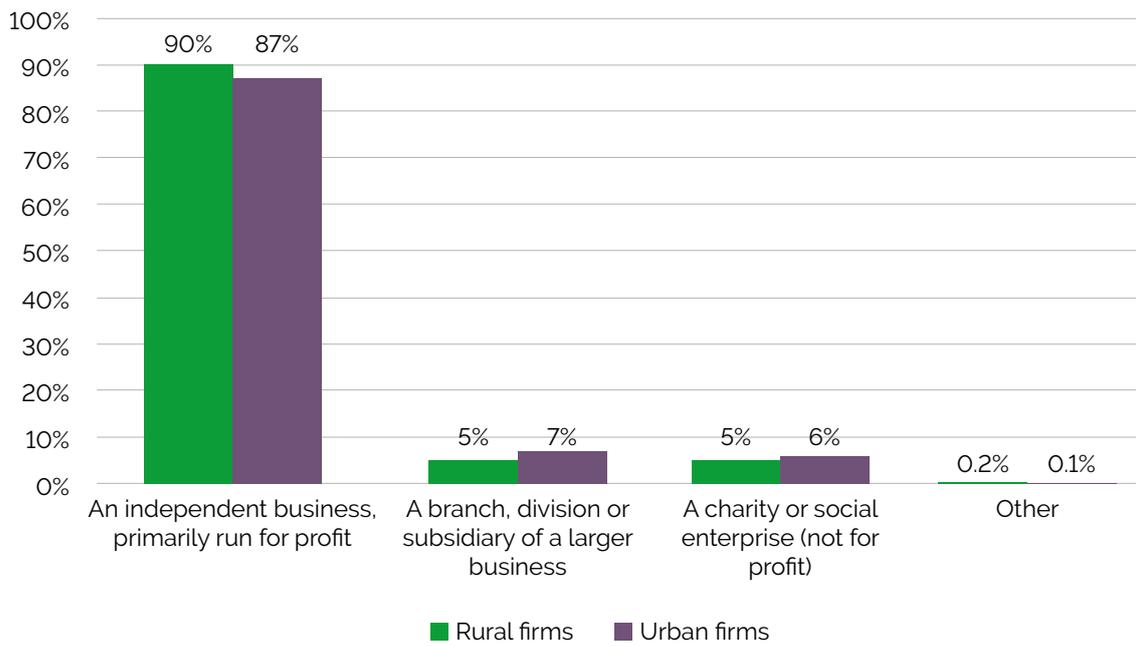


Figure A5: Legal status of respondent firms, rural vs urban and by region

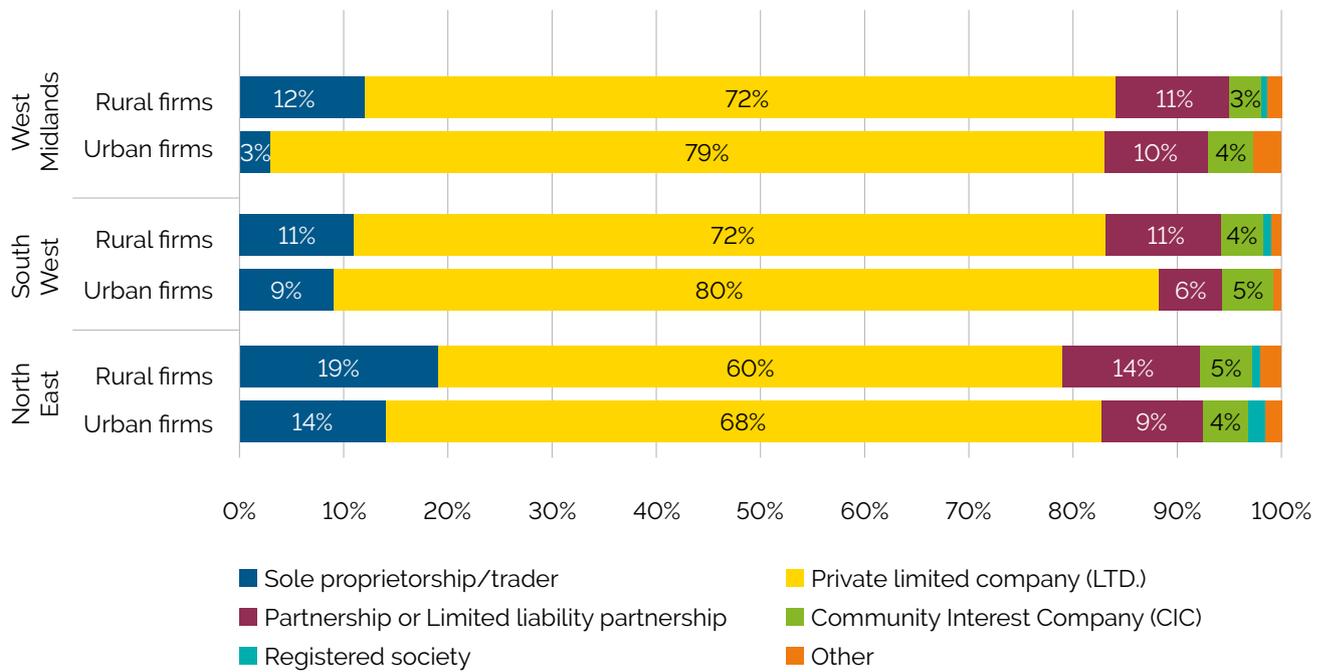
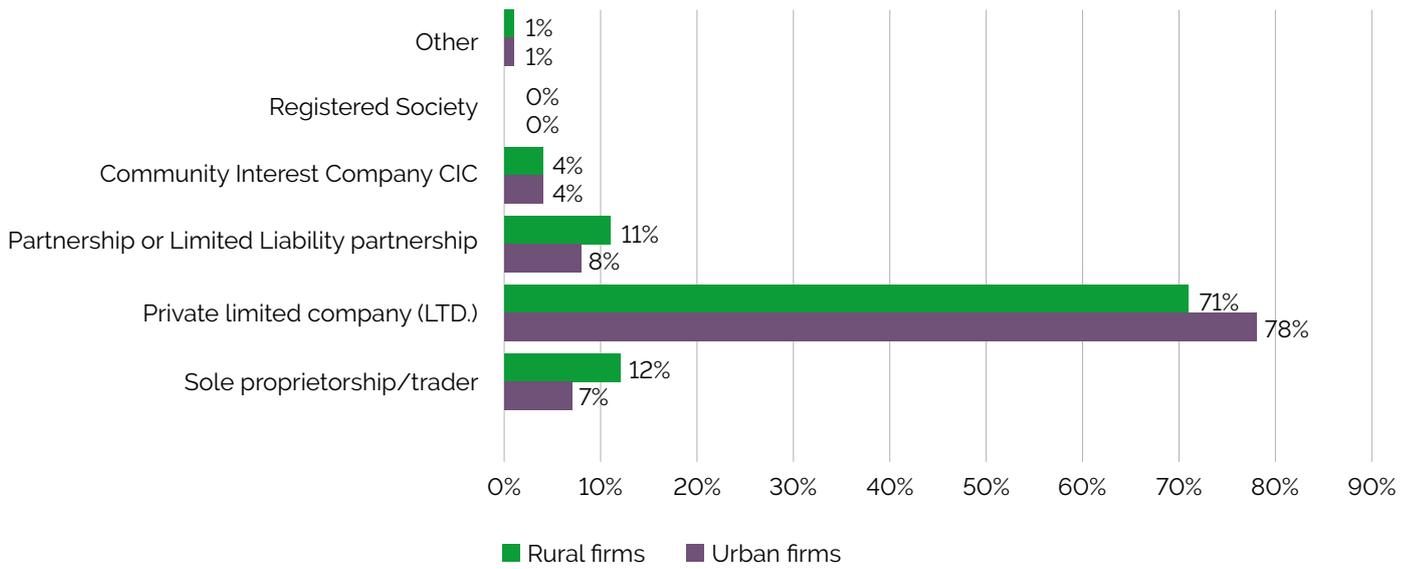


Figure A6: Family-owned business, rural vs urban and by region

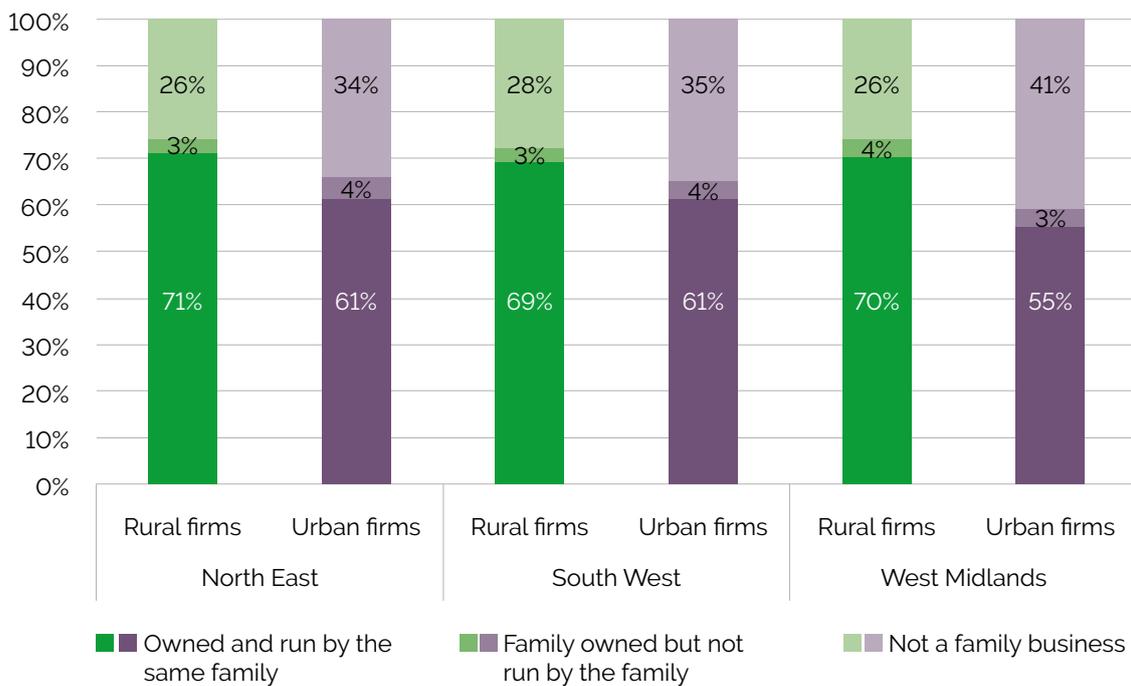
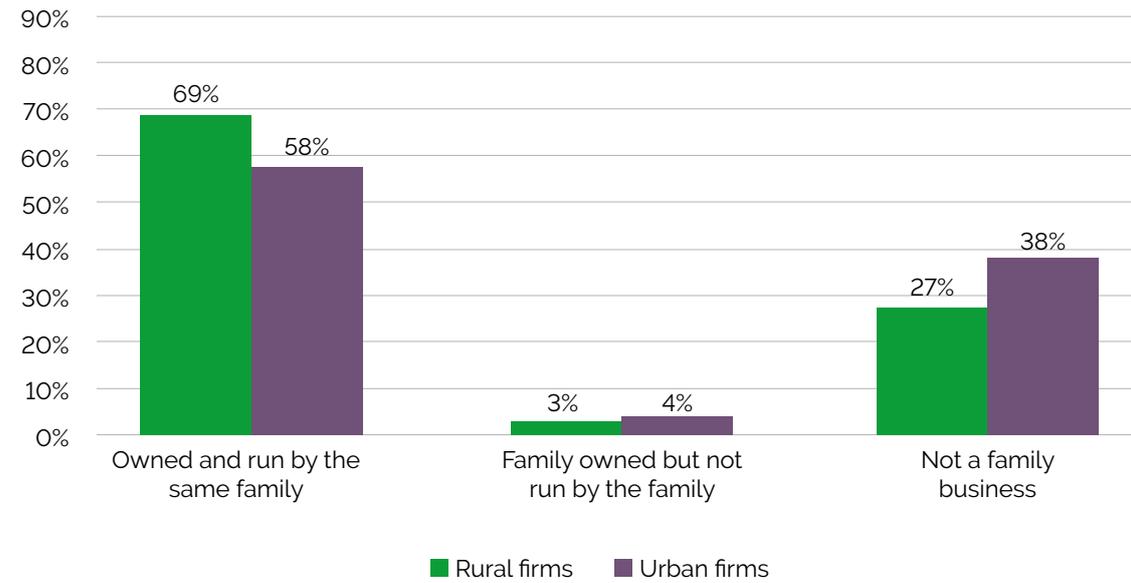
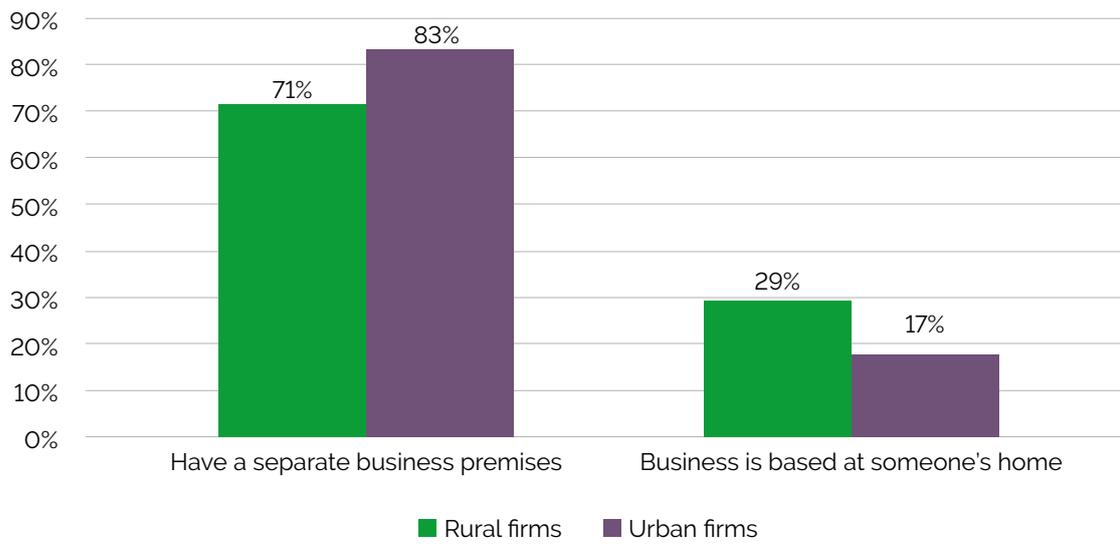


Figure A6 shows that the proportion of businesses that are family owned is notably higher in rural, compared to, urban areas. This holds in all regions. Figure A7, indicates that in all regions (and especially so in the North East), rural firms are notably more likely to be home-based than urban firms.

Figure A7: Home-based business, rural vs urban and by region



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