



Commercialisation and the Pandemic

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Commercial reality



- The supply side
 - Lockdown has suppressed supply side in many sectors
 - Restarting may be impossible/unviable for many businesses
 - (Maybe decisive) shift away from office based working
- The demand side
 - Some sectors experiencing suppressed demand – buildings based commerce
 - Others doing well – e-commerce
 - Pent up demand or lost demand?
- The likely consequences
 - Lack of supply but recovering demand
 - Inflation but also unemployment – we called it stagflation in the 70s
 - Significant market gaps in some key sectors
 - A shift into defensive sectors



Sectoral crisis

- Hospitality
 - Supply side restraints
 - Debt financed
- Leisure
 - Business cases depend on assumptions about throughput
- Culture
 - Already very tight margins
- Commercial property

Council financial picture



- Renewed revenue pressure
 - Lost income
 - Covid 19 related costs
- Short run
 - Continued loss of income
 - But rapid increase in demand for support services
- Medium run
 - Pressure to fill market gaps
 - Deepening recession
 - Inflation?
 - Capital and liquidity?
- Long run???

Commercial property Short term



- Reduced income
- Tenants seeking rent holidays etc
- And some going out of business

Commercial property medium term



- Medium term
 - Unpaid rent
 - Void property
 - Density factor segments the market

Commercial property long term



- Long term
 - Shift to e-commerce accelerating
 - Long term debt problem
 - Reduced attractiveness as a haven for cash



Commercial imperative

- Don't get caught out on commercial property investments
 - Some opportunities – distribution centres, cloud kitchens
 - But some taking a nose dive - retail
 - Capital preservation v market differentiation
- Relieving revenue pressures
- Filling gaps in commercial markets
- Supporting local businesses – equity models of investment
- Rethinking existing business models



Business is business

- Get into the head of the customer
 - Tailor the offer to their needs not your own
- Avoid the King Canute approach
 - Adapt to make the most of new environment
 - Stop waiting for it to go back to 'normal'
- Flexibility in uncertainty
 - If one thing doesn't work do something else
- Agility to move quickly
 - Customer need can change overnight
- Taking a big picture view
 - Civic Restaurants 1947

And business cases are still business cases



- A balanced robust approach
- Renewed emphasis on the strategic case
- A need for clarity on the financial case
- Deep understanding of the customer ... and the market
- Taking a medium term perspective



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