

COVID-19 flash survey

Business impact today & outlook beyond

June 25th, 2020

In partnership with



KEARNEY



Kearney's and AmCham COVID-19 flash survey provides a preliminary impact assessment of the crisis among businesses in Croatia

Survey objectives

The objective of this flash survey is to gain a preliminary understanding of the business impact of the COVID-19 crisis, based on developments to date

Since the situation is developing fast, we expect findings to evolve and may consider a future survey to update the findings

The survey was run in June 2020 among Croatian companies

AmCham Kearney collaboration

This COVID-19 flash survey is developed by Kearney in partnership with American Chamber of Commerce in Croatia

About Kearney

KEARNEY

Kearney is a global management consulting firm with over 3,600 people working in 40 countries

Kearney assists more than three-quarters of the Fortune Global 500, as well as with influential governmental and non-profit organizations, focusing on strategic and operational CEO-agenda issues

About AmCham Croatia



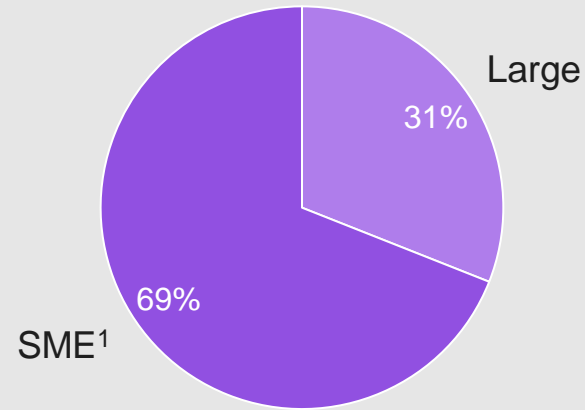
AmCham Croatia is a place of thought leadership, integrity, access and visibility. Tap into our wide pool of talent to get the answers to the key questions of the future.

AmCham Croatia is one of the most active international business communities in Croatia, which brings together over 250 American, Croatian and other international companies employing more than 85,000 people.

The survey provides a broad representation of the opinions of the international business community in Croatia

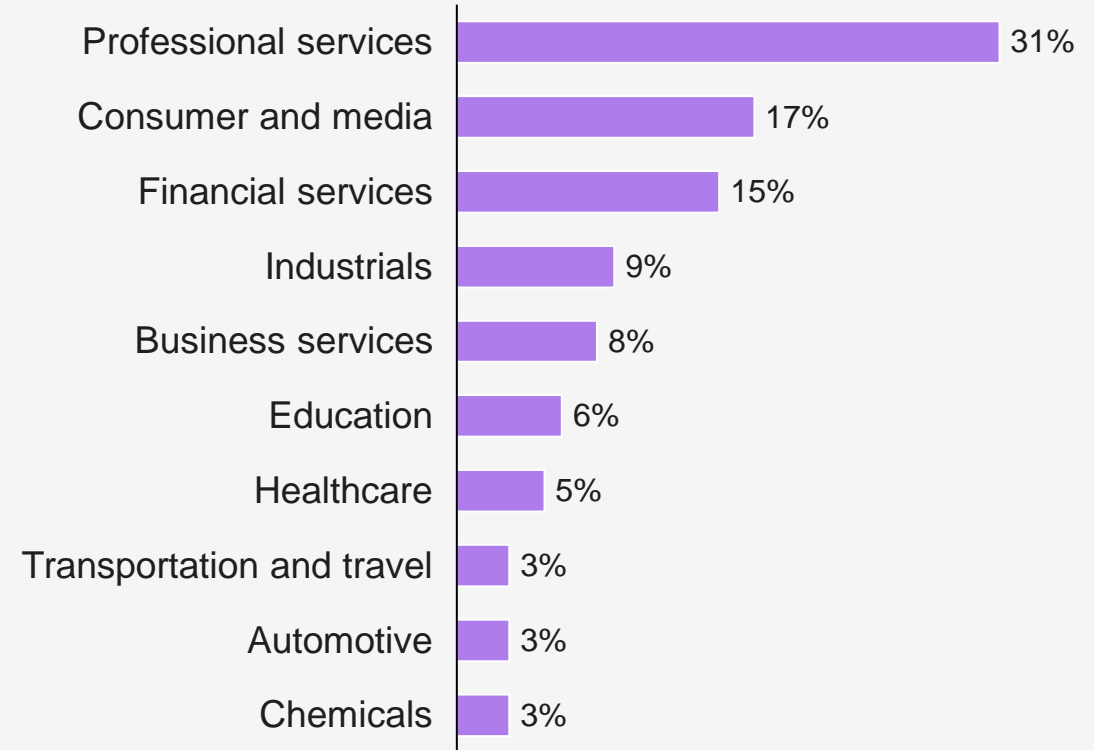
Participating firms

Over 100 responses were collected, with a strong representation of SME companies



1. SME: up to 250 FTE, Large: over 250 FTE
Source: AmCham Kearney COVID-19 flash survey June 2020, 2020

Distribution of participating firms % of total



1

Effective emergency plans

59% of firms had existing general emergency plans

Large firms were best prepared

Only 8% of firms report significant work-from-home challenges

2

Severe situation, with some bright spots

Companies expect negative revenue (-13% on average) and investment impact and consequently decreasing the workforce, although less than their CEE peers

Some companies are increasing investments despite negative revenues to mitigate long term challenges and be future ready

3

Long-term business impact foreseen

Most firms are already identifying longer term transformation actions to mitigate crisis impact

Croatian companies are planning to move operations closer to home - 55% of respondents are considering changes in their supply chain

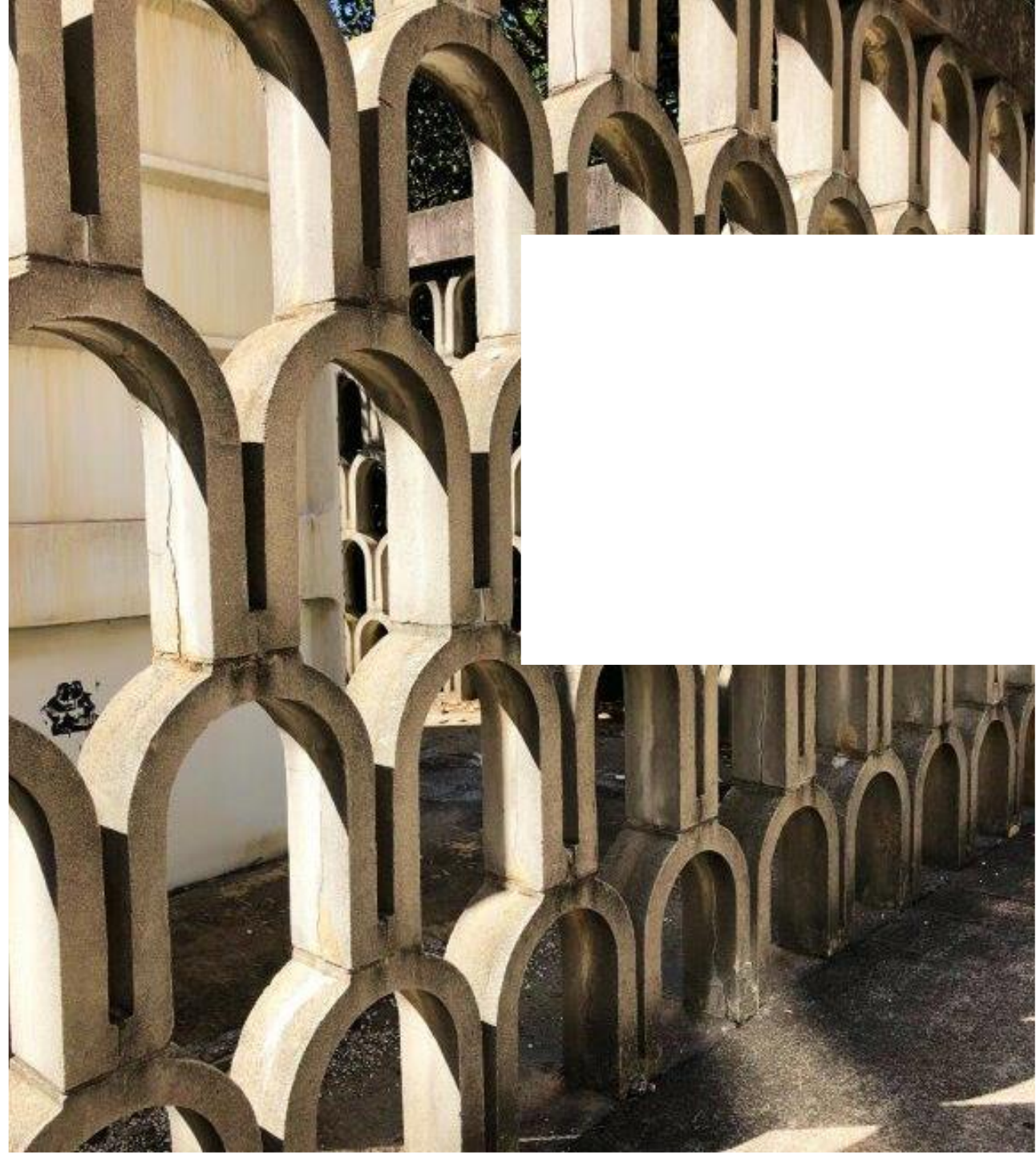
Companies plan to engage more digitally with their customers

Industry consolidation does not seem to be a serious option for the Croatian companies

Most of the firms who use the government's aids are satisfied with the way they have been implemented

- 1. Context**
- 2. Business impact today**
- 3. Preliminary outlook beyond**

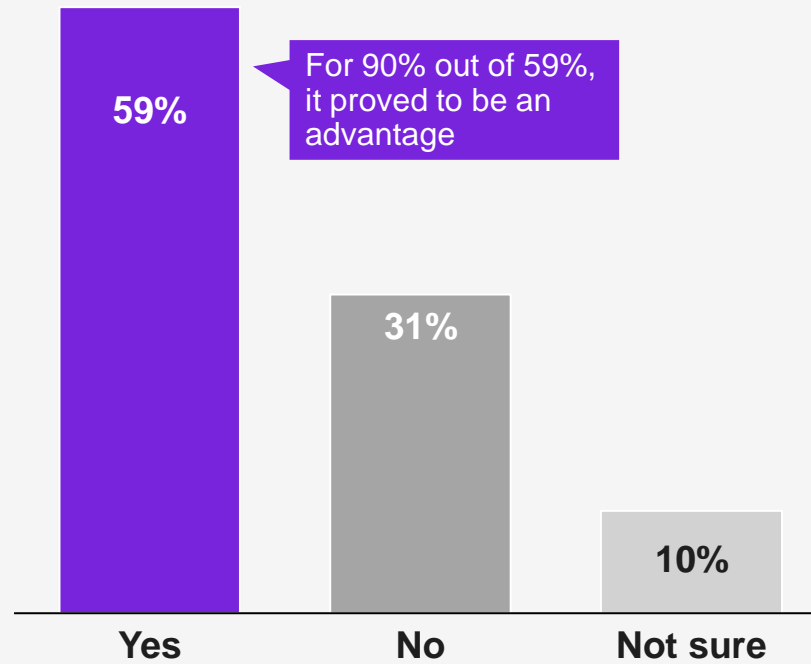
Context



59% of responding firms were equipped with general emergency plans

Prior to the emergence of COVID-19, did your company have in place a formal emergency plan to ensure that essential business functions would not be interrupted in case of an outbreak?

% of respondents



CEE study comparison

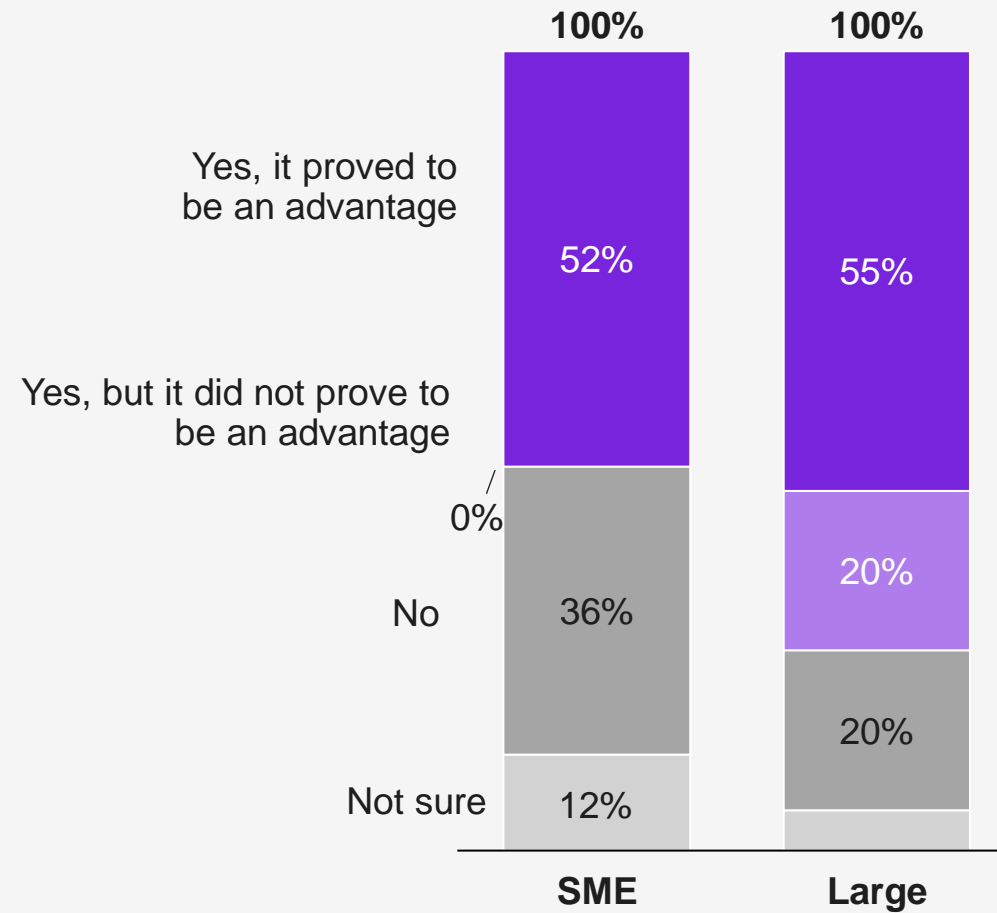
– 56% to 61%



Large firms were best prepared

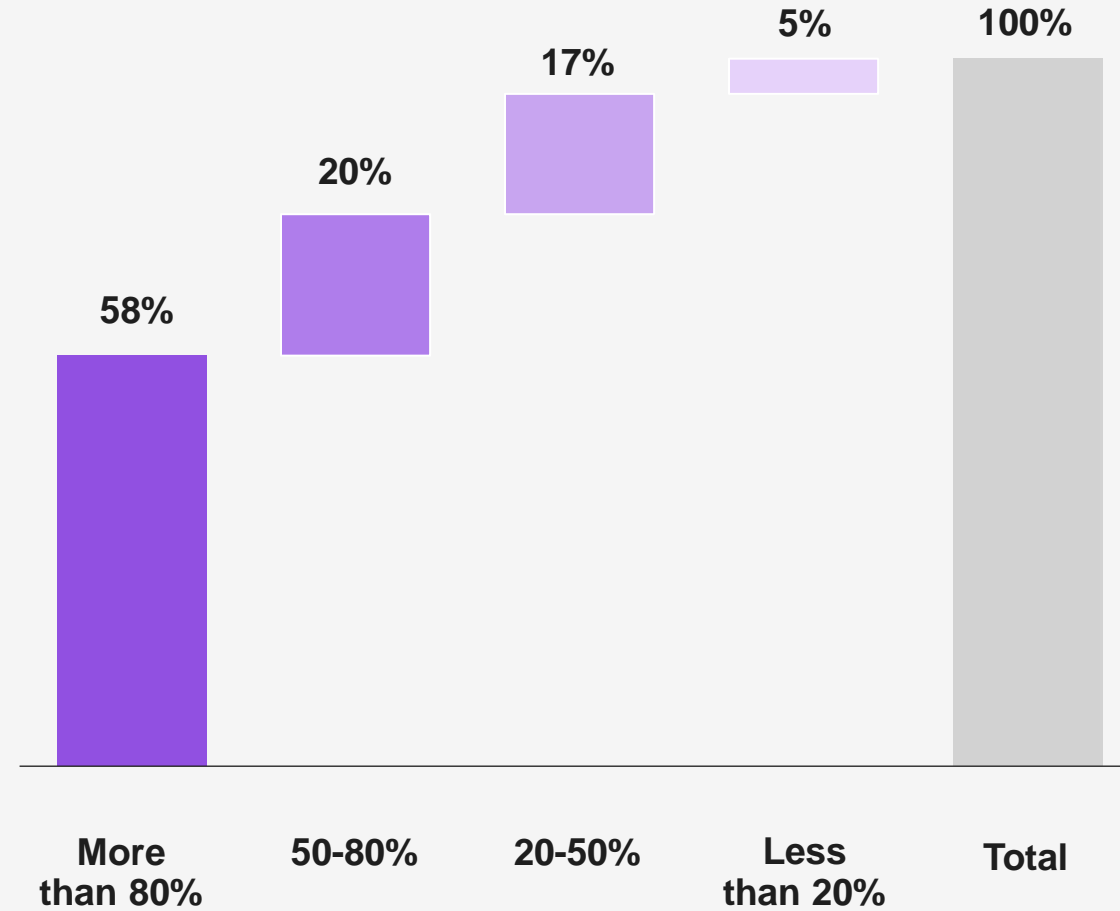
Prior to the emergence of COVID-19, did your company have in place a formal emergency plan to ensure that essential business functions would not be interrupted in case of an outbreak?

% of respondents



Work-from-home (WFH) is the current norm

What is the share of employees working from home, excluding any technical unemployment? (for support activities, back-office, call centers, etc.)
% of respondents



CEE study comparison

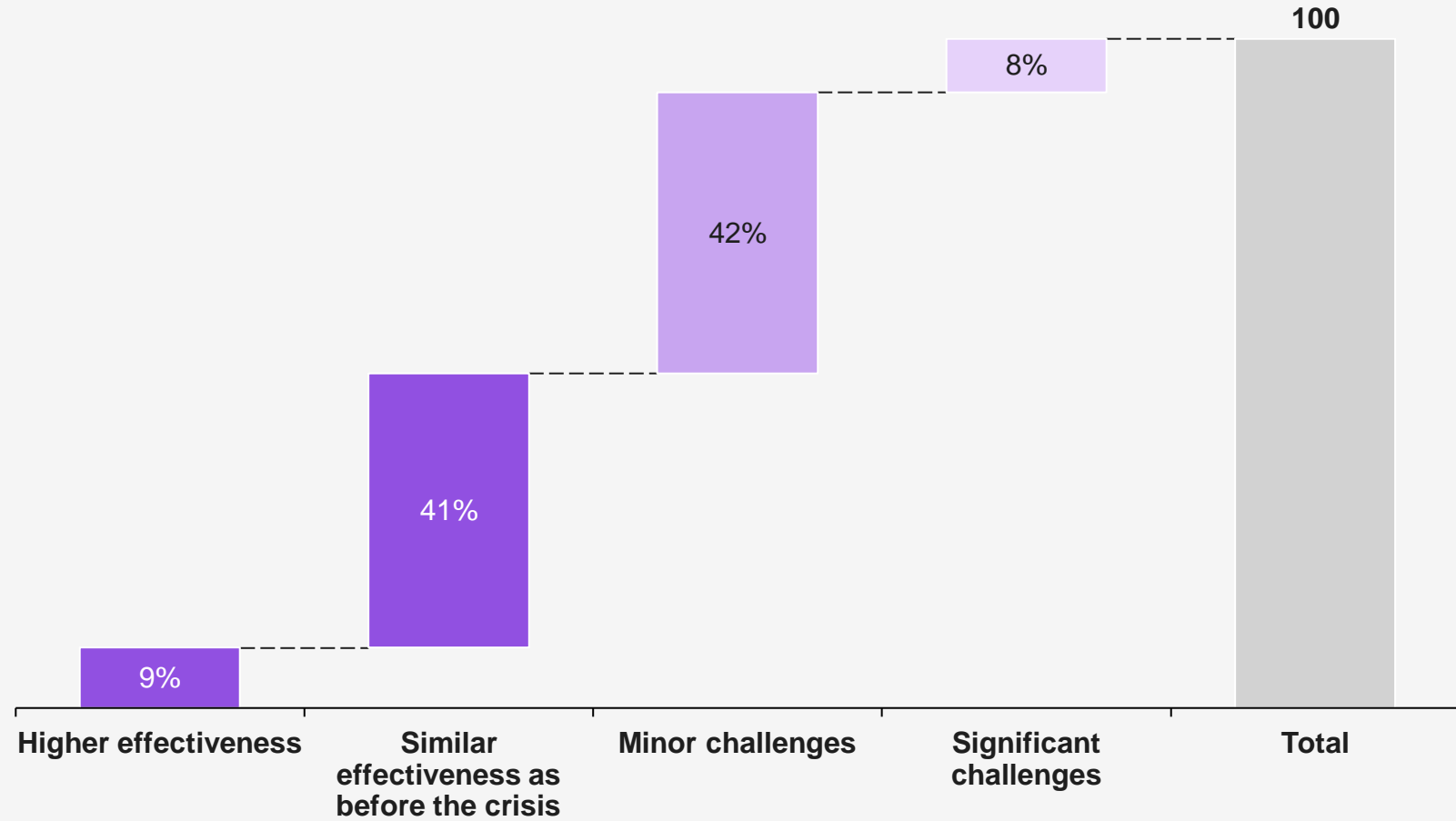
Companies with more than 80% of employees WFH

– 44% to 60%



Only 8% of firms report significant WFH challenges

What is your experience with work-from-home (WFH) in your company (for non-field work)?
% of respondents



CEE study comparison

Firms report significant WFH challenges

– 5% to 7%

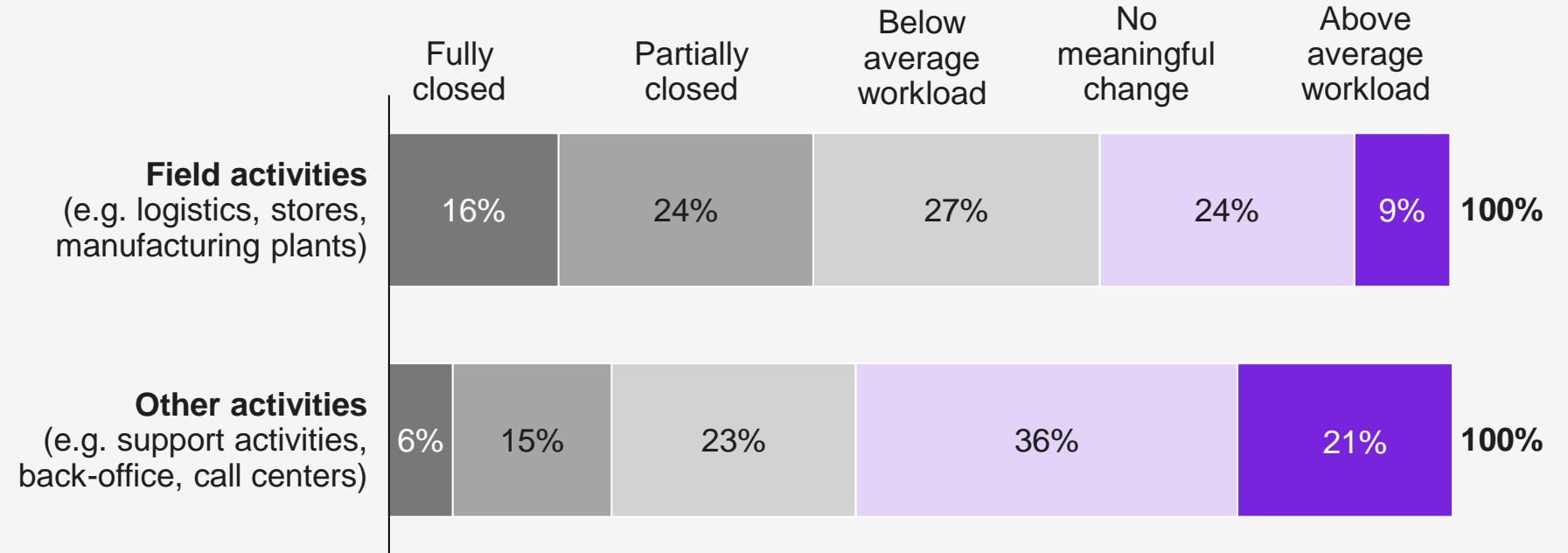
Business impact today



Business activity is significantly impacted

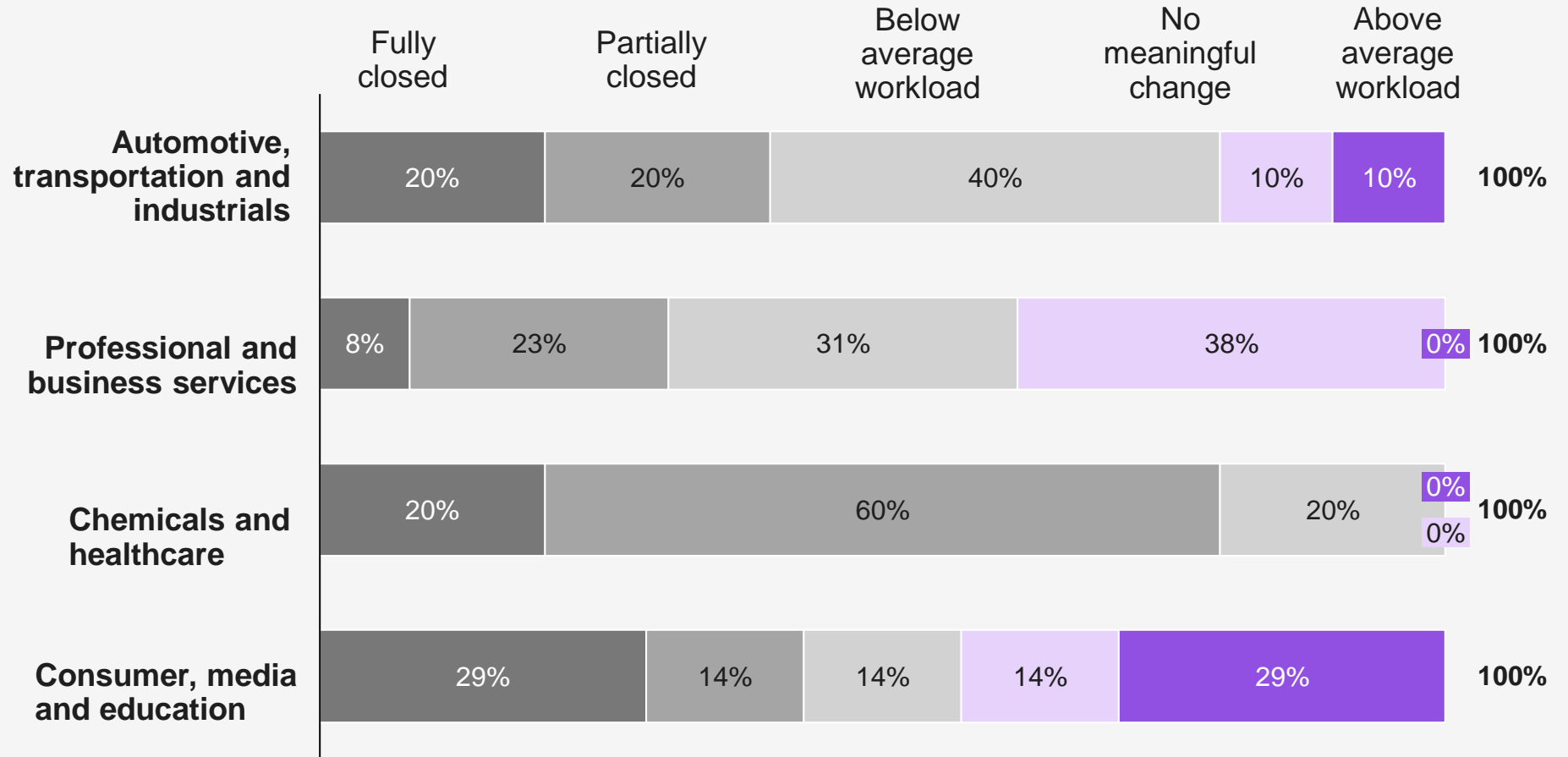
- Major differences among firms
- More than a quarter of respondents report a below-average workload of their field operations
 - At the same time, up to 21% have above average workload

To what extent are your Croatian field and other activities impacted? % of respondents



All industries are impacted, mostly negatively

To what extent are your Croatian field activities (e.g. logistics, stores, manufacturing plants) impacted?
% of respondents



Consumer, media and education claim higher than average workloads.

Automotive, Transportation and Industrials sectors together with Chemicals and Healthcare

Croatian companies are more optimistic in recovery as CEE peers

CEE study comparison

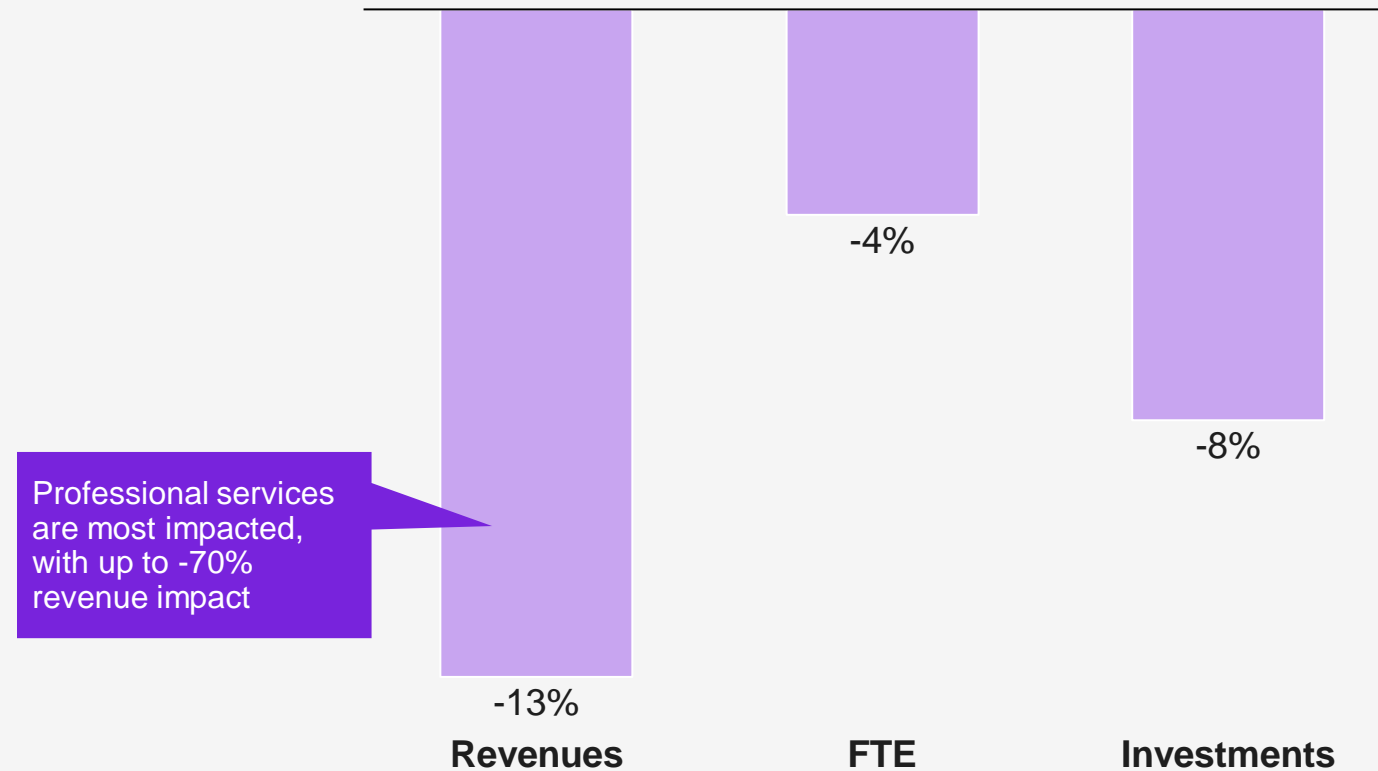
Revenues
– -9% to -15%

FTE
– -3% to -6%

Investments
– -9% to -13%

How do you see the revenue generated and number of FTE employees in your activities evolving this year as a result of the crisis? How do you foresee your company's plans to invest in Croatia this year to change as result of the crisis?
Average of answers

Expected
2020 impact



Up to 47% of respondents expect cash issues within six months

Do you foresee potential cash issues for your Croatian business operations? cumulative % of respondents

CEE study comparison

Within 3 months
– 17% to 29%

Within 6 months
– 15% to 27%

Within 12 months
– 17% to 24%



16%



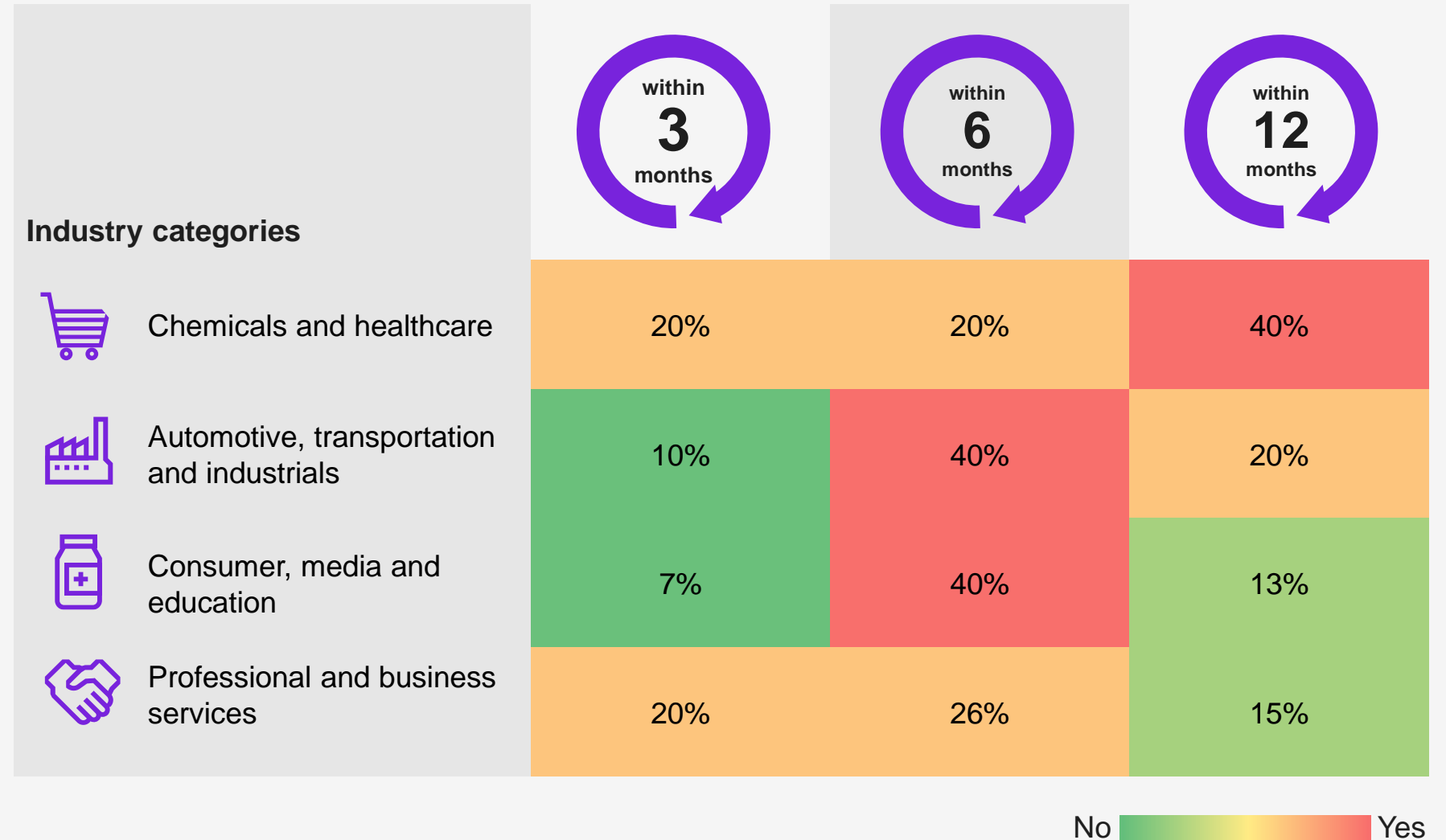
31%



17%

Most industries foresee liquidity risk in the short term

Do you foresee potential cash issues for your Croatian business operations? % of respondents



Preliminary outlook beyond the crisis



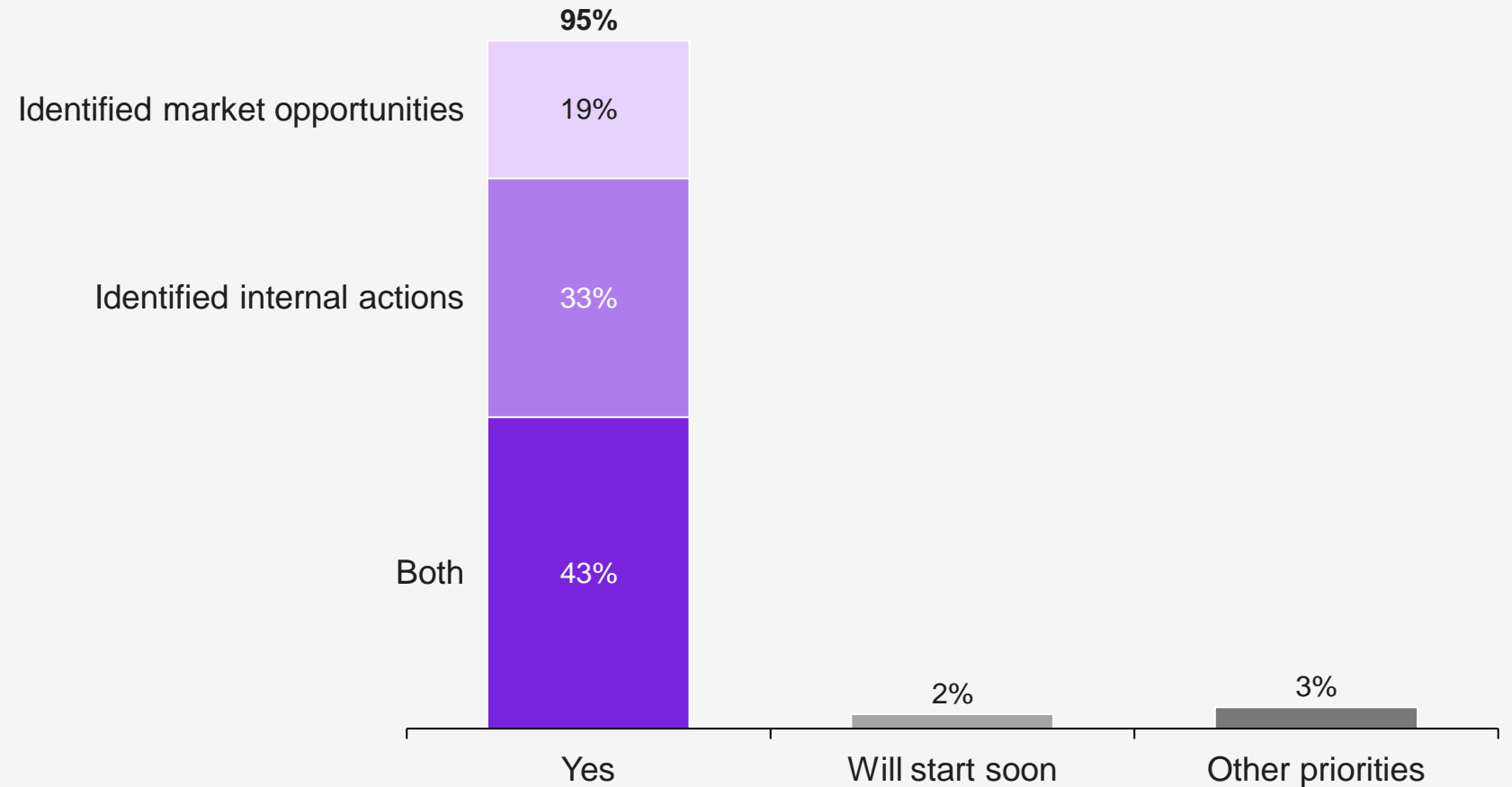
Most firms are already identifying longer term actions

CEE study comparison

Companies that have identified both market opportunities and internal actions

– 49% to 65%

Beyond crisis management, are you already thinking about longer-term actions?
% of respondents, multiple responses possible



Source: AmCham Kearney COVID-19 flash survey June 2020

The current situation is accelerating the adoption of digital ways of working, although a bit slower than at their CEE peers

CEE study comparison

Agree more digital ways of working internally

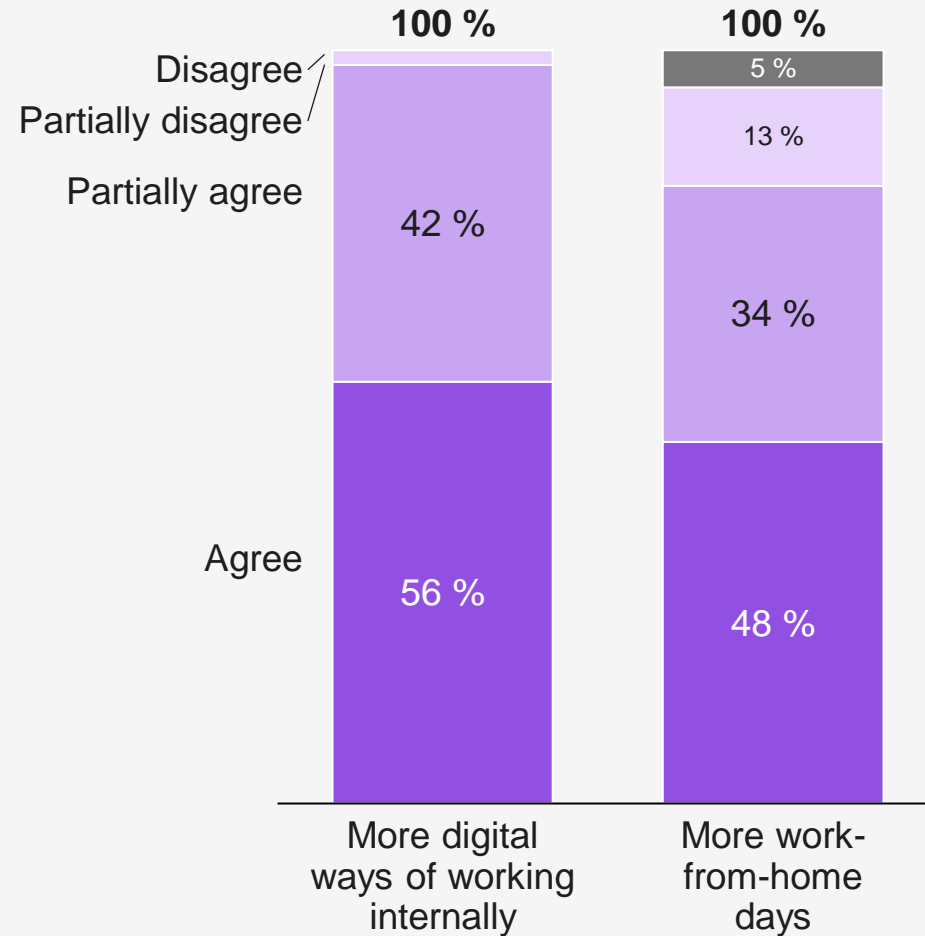
– 63% to 70%

Agree more WFH days

– 53% to 67%

What long-term impact do you think the crisis will have on your company?

% of respondents



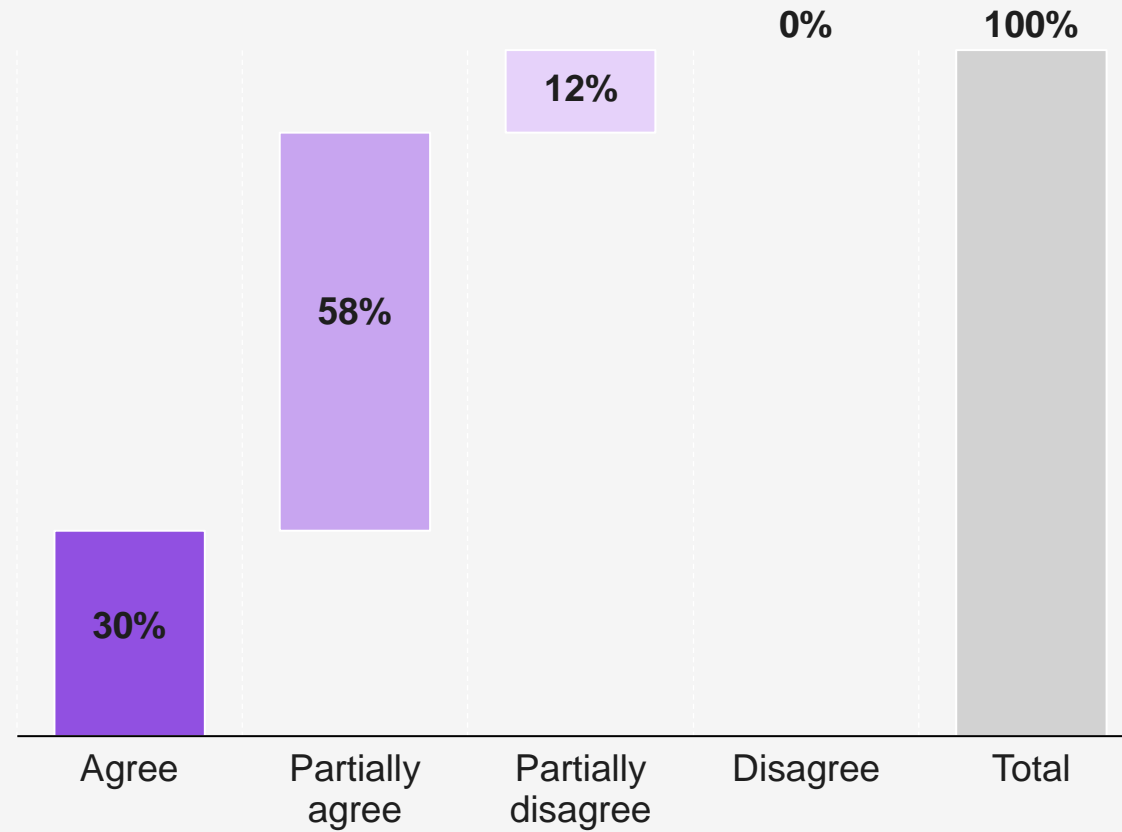
Source: AmCham Kearney COVID-19 flash survey June 2020



Additional focus on robotics and automation is expected

What long-term impact do you think the crisis will have on your company?
% of respondents

Increased robotics and automation



CEE study comparison

Agree

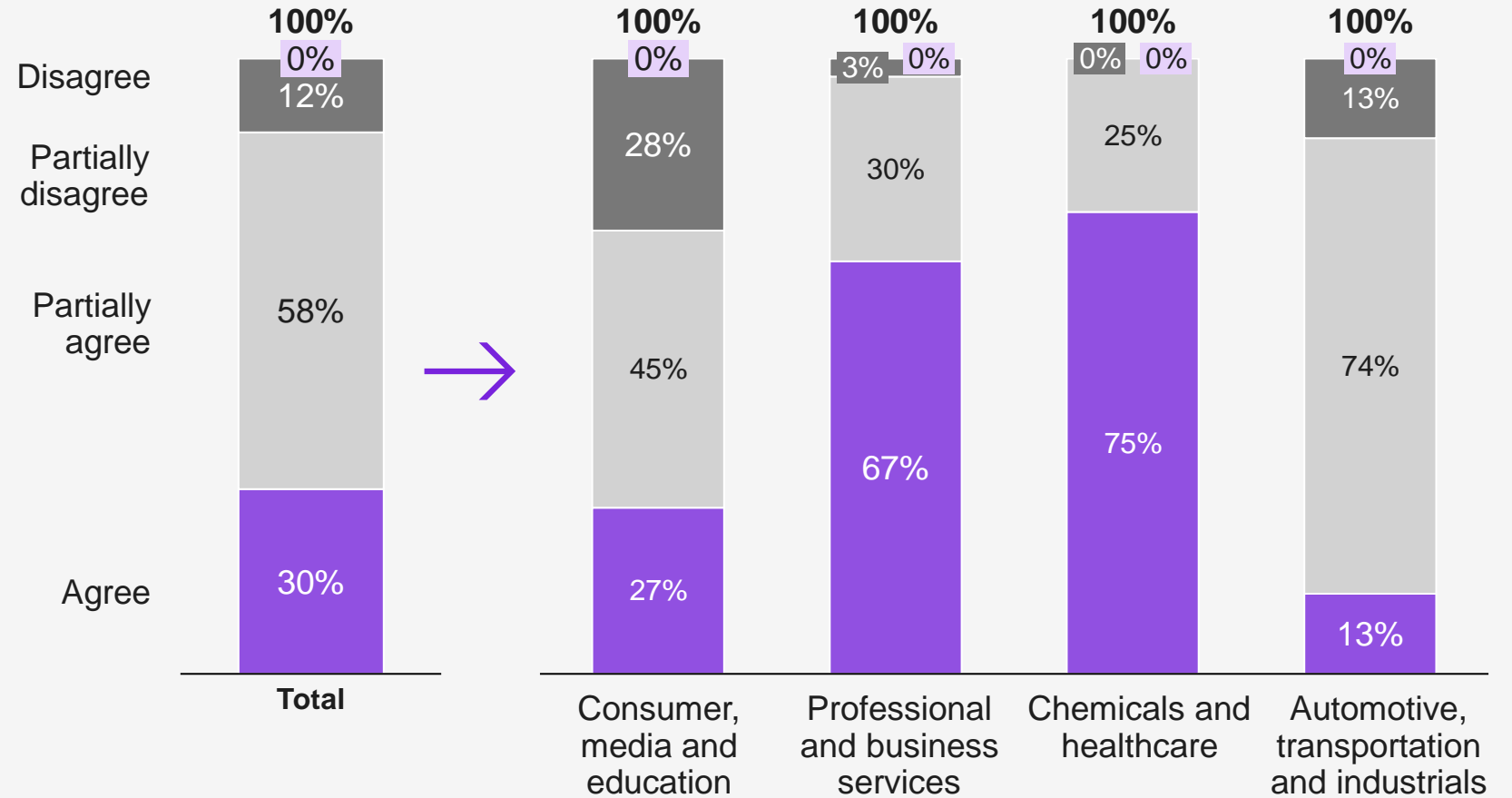
– 34% to 45%



Additional robotics and automation focus is strongest in services and chemical & healthcare

What long-term impact do you think the crisis will have on your company?
% of respondents

Increased robotics and automation



Up to 55% of respondents are considering changes in their purchasing footprint

CEE study comparison

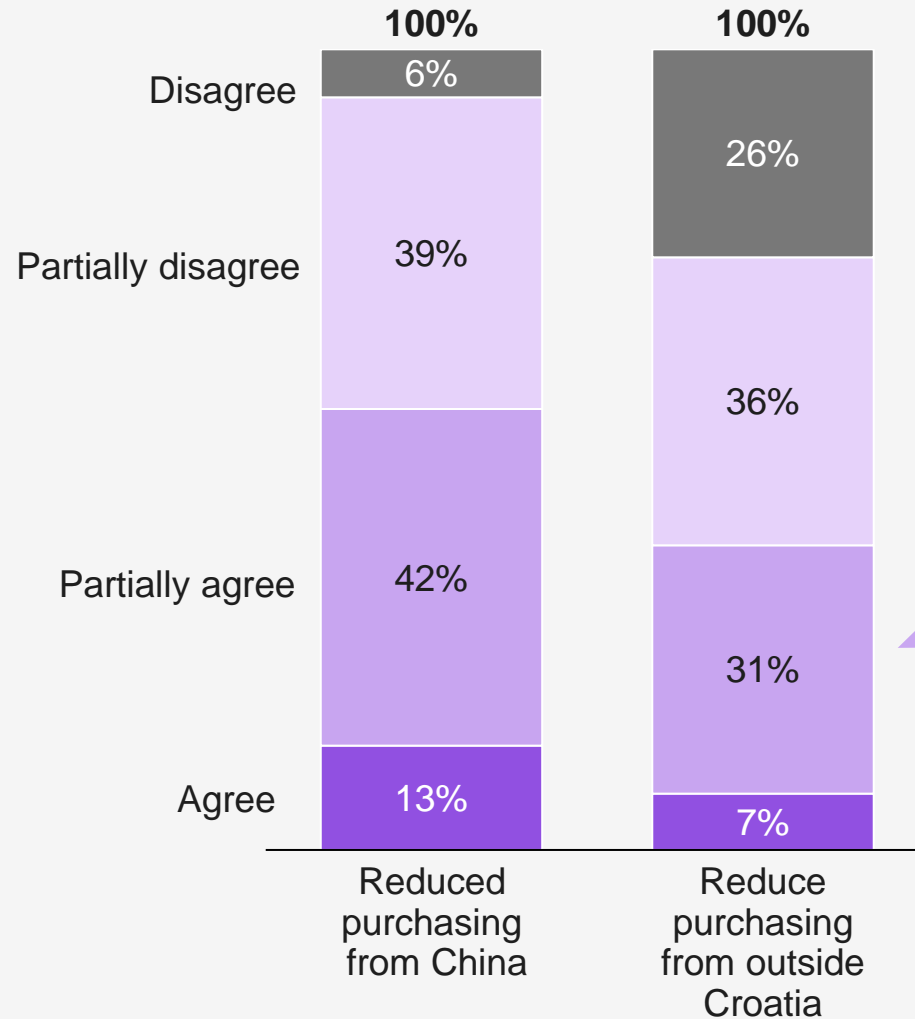
Agree to reduce purchasing from China

– From 8% to 25%

Agree to reduce purchasing outside the country

– 8%

What long-term impact do you think the crisis will have on your company?
% of respondents



A significant number of companies in Chemicals and Industrials tends to agree

Croatian companies are planning to move operations closer to home

CEE study comparison

Agree to reduce manufacturing outside Europe

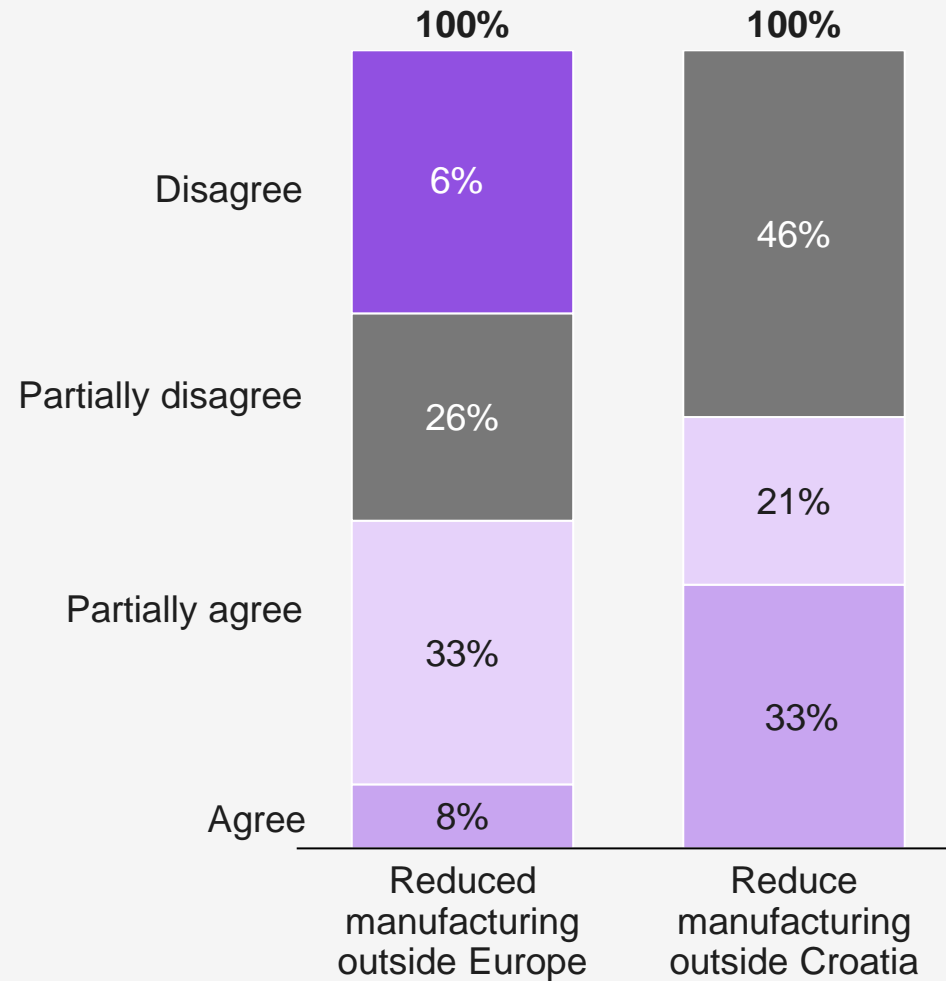
– 0% to 31%

Agree to reduce manufacturing outside the country

– 7% to 13%

What long-term impact do you think the crisis will have on your company?

% of respondents



Firms anticipate to engage more digitally with customers

CEE study comparison

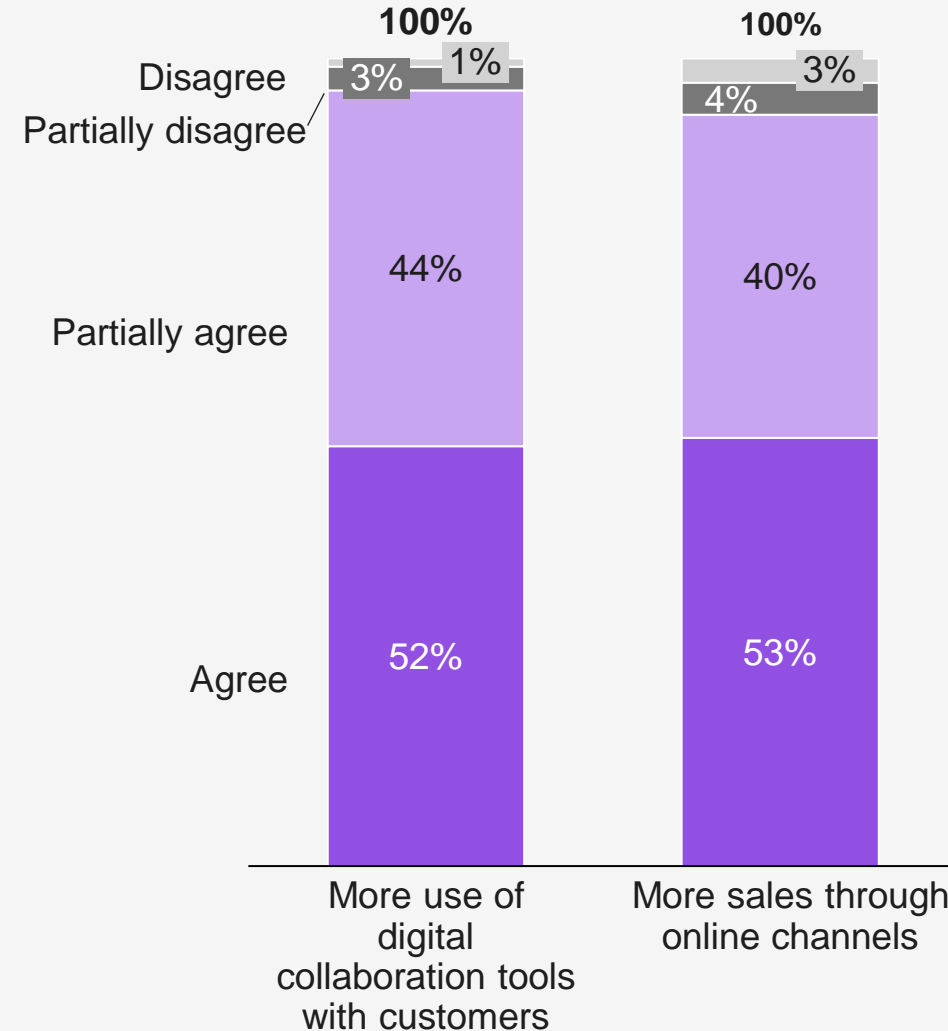
Agree to use more digital ways to interact with customers

– 61% to 68%

Agree to engage more sales via online channels

– 33% to 61%

What long-term impact do you think the crisis will have on your company?
% of respondents



Source: AmCham Kearney COVID-19 flash survey June 2020

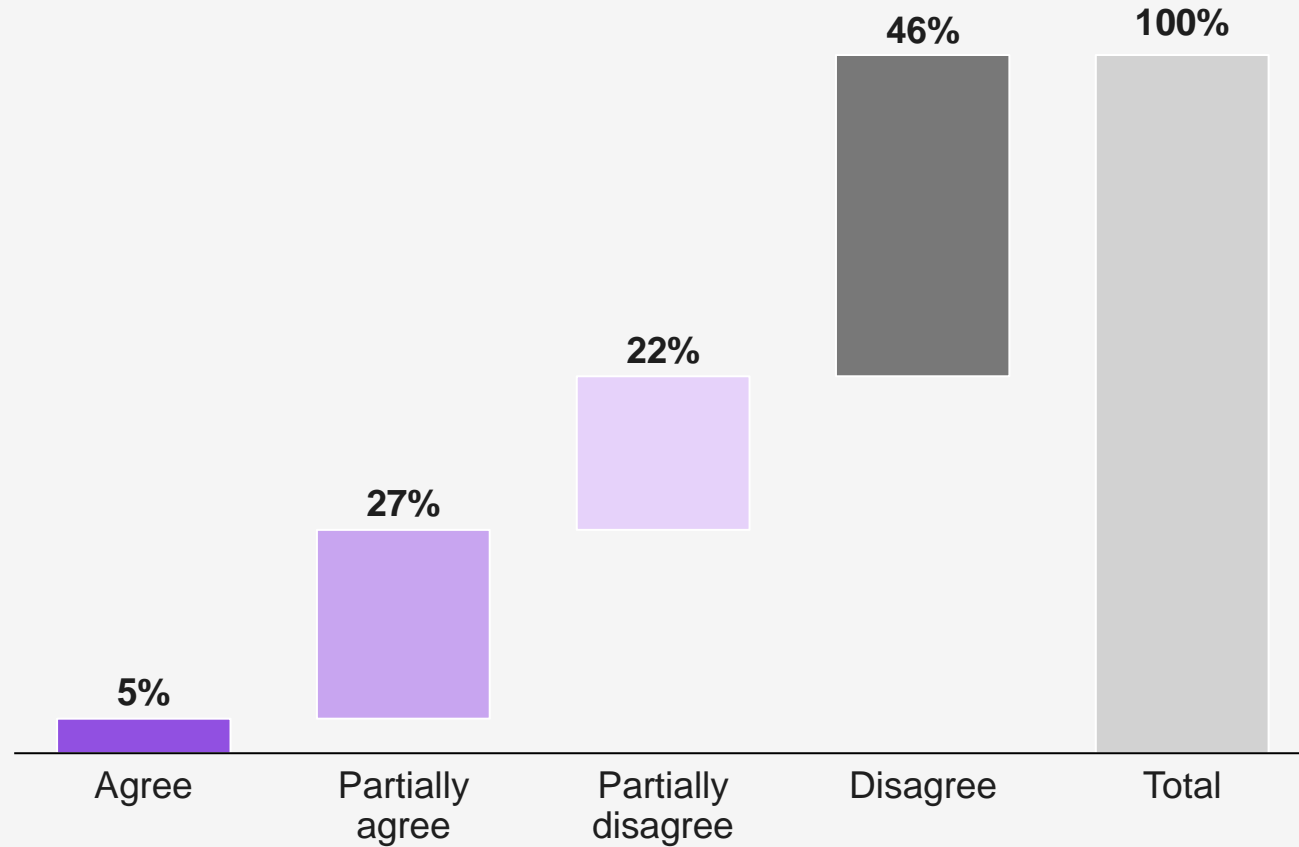


Industry consolidation does not seem to be a serious option for the Croatian companies

CEE study comparison
Agree or partially agree
– 40% to 54%

What long-term impact do you think the crisis will have on your company?
% of respondents

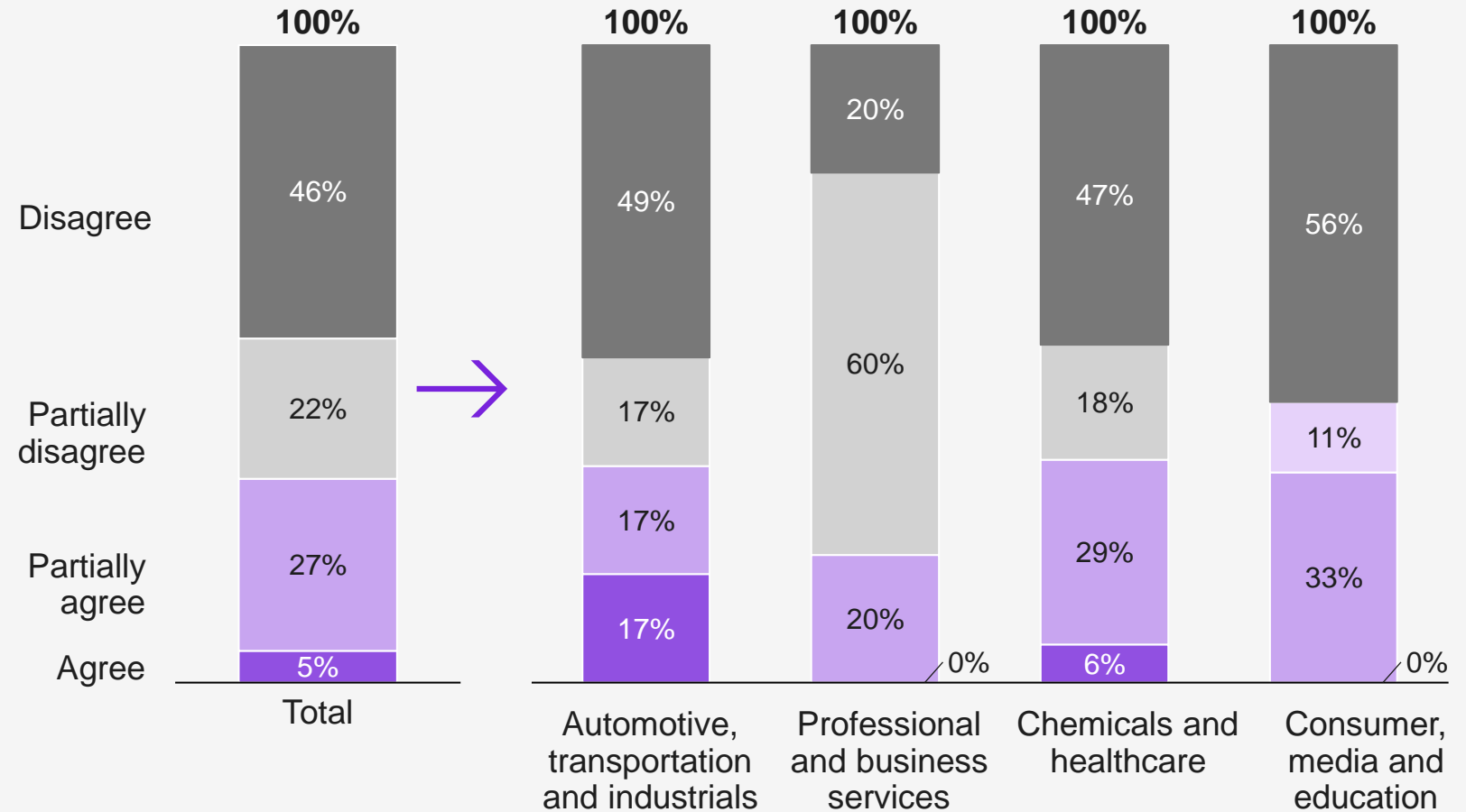
Acquire or be acquired by another company



However, some respondents from Automotive and Chemicals would consider market consolidation in the near future

What long-term impact do you think the crisis will have on your company?
% of respondents

Acquire or be acquired by another company

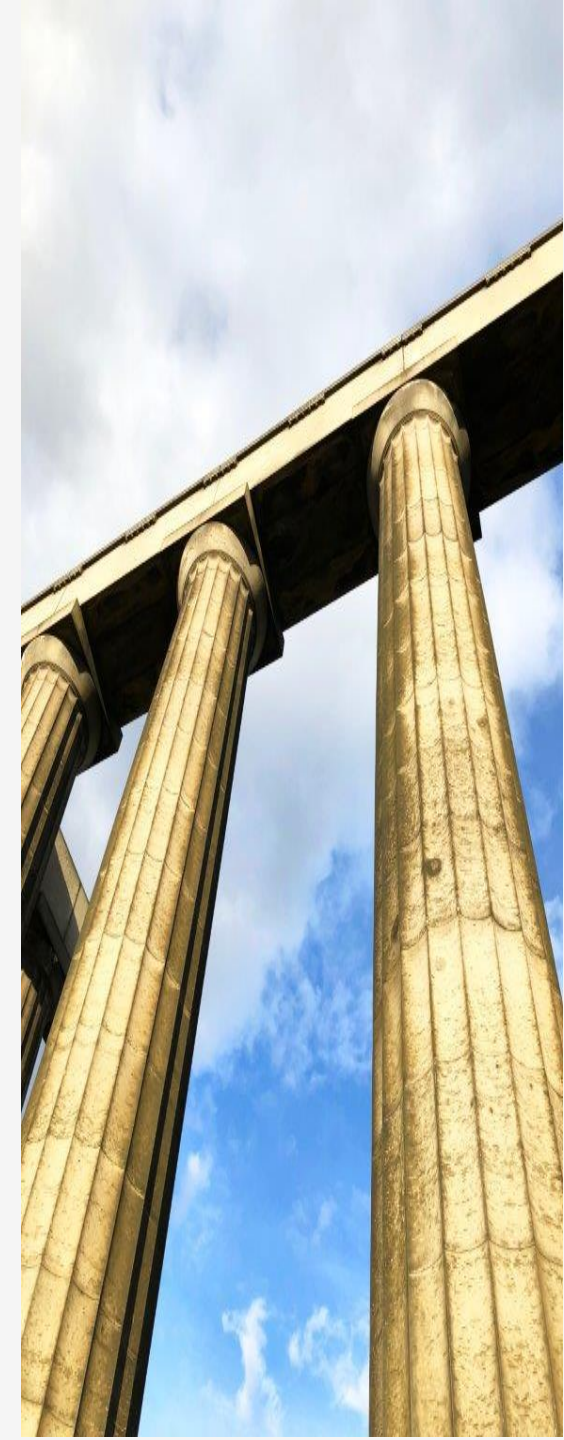
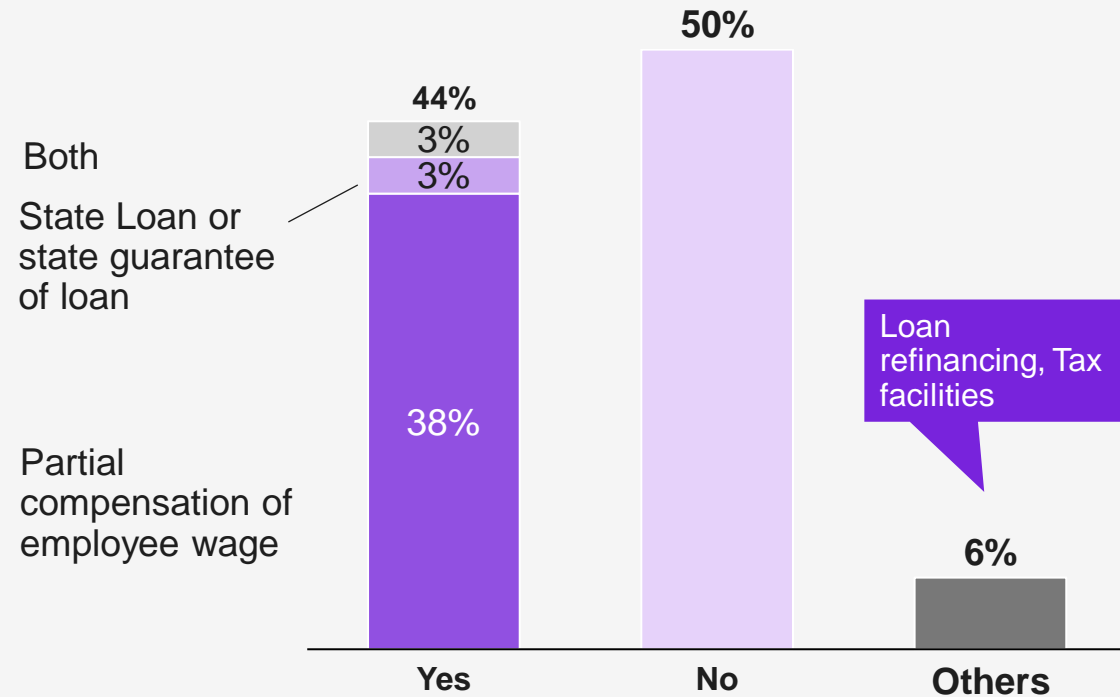


Up to 50% of the respondents turned to help solutions

CEE study comparison

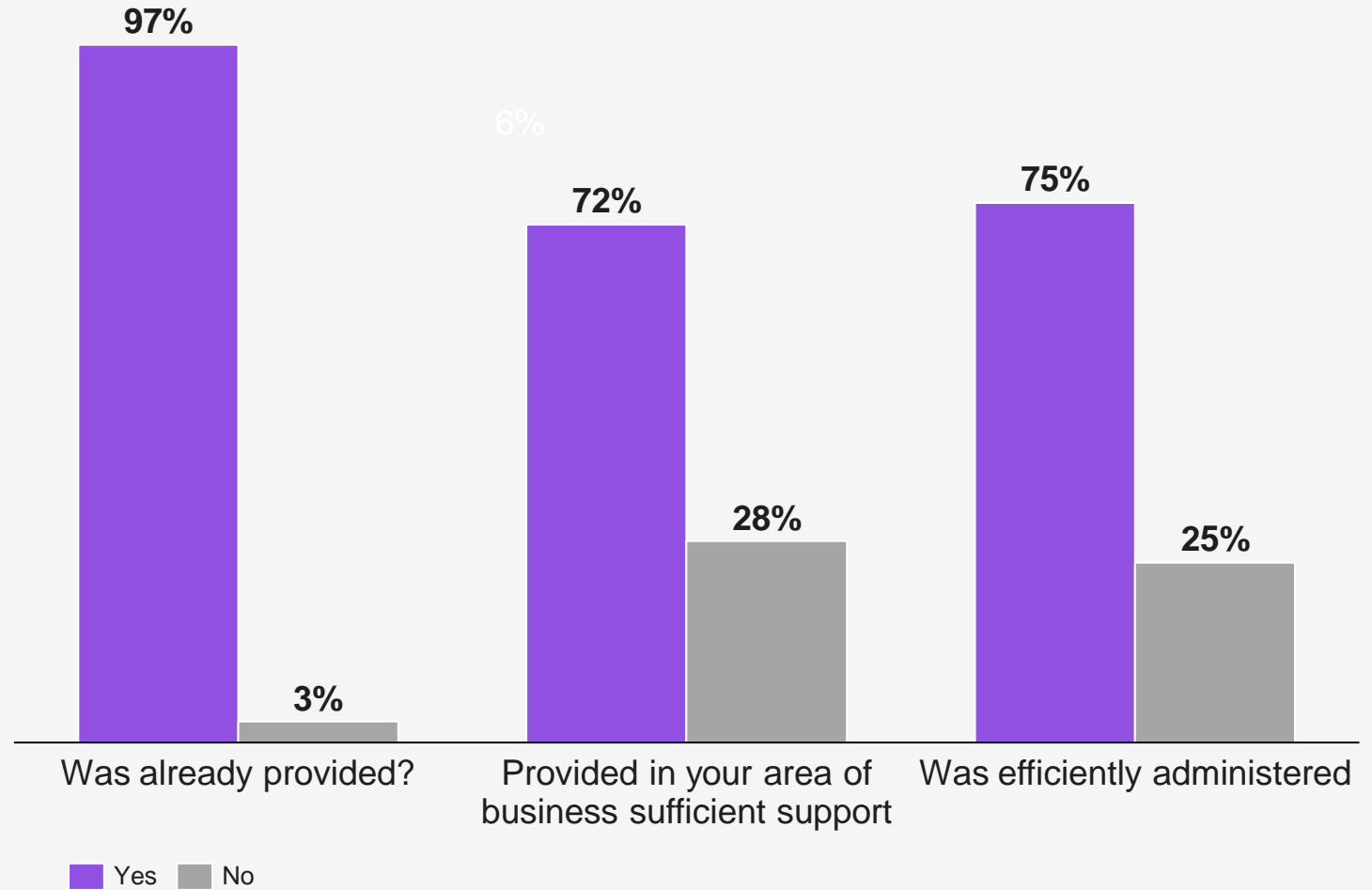
Partial compensation of employee wage – 22%

Did your company apply for any of government's economic support measures? % of respondents



Most of the firms who use the government's aids are satisfied with the way they have been implemented

How the government's measures impacted the economy? % of respondents



Thank you



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