



COVID-19

Small Business Insights

INTRODUCTION

It has been an unprecedented time in our nation's history as the spread of COVID-19 has impacted U.S. and global markets with a crippling effect.

From 'Wall Street' to 'Main Street,' the effects of the pandemic on small businesses can be felt across every avenue of the American economy. Domestically, 43 percent of businesses were forced to close temporarily, leaving more than 40 million Americans unemployed, according to research from the [National Academy of Sciences](#) and [US Department of Labor](#), respectively.

Small businesses employ 47 percent of the private sector workforce. In an effort to reduce mass layoffs, save the small business sector, and mitigate the impact of COVID-19 on small businesses, lawmakers on Capitol Hill passed the [Paycheck Protection Program \(PPP\)](#).

Nearly 5 million PPP loans were approved by June 30, 2020, and the average loan amount was

just over \$100,000, according to the Small Business Administration (SBA).

Small businesses that received the PPP loan are eligible for loan forgiveness if at least 60 percent of the allocated funds are used for payroll expenses. The remaining funds can be used on mortgage interest, rent and utilities.

Are small businesses going to survive in the wake of COVID and what do they need from government and financial institutions to survive?

At Core Strategy Partners we were wondering how fellow small business owners are dealing with this new normal. We set out to do what we do best; gather in-depth insights and offer ways to turn those insights into action. We spoke with small business owners across the nation about their experiences. The following pages reveal what we discovered.



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ABOUT THE SMALL BUSINESS OWNERS WE INTERVIEWED

INSIGHT #1

The PPP Provided Critical Relief

Business owners overwhelmingly expressed that the funds were timely and necessary for their survival during the initial part of the pandemic. The PPP funds helped to offset the loss in revenue while enabling them to retain employees and cover rent and/or mortgages.



“It’s definitely helped us in terms of the stress of not knowing whether we’re going to have cash coming in.”

Julie, Small Business Owner

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It's definitely helped us in terms of the stress of not knowing whether we're going to have cash coming in. So, I'd say from a mental health perspective that has helped. It's definitely helped us continue to pay people we've had to furlough. Prior to that, we had about 45 people on staff and then we had to furlough everyone, but 10 right away. Then, we were able to hire some of them back. Some folks didn't want to come back to work, but the PPP has helped us maintain their salaries as they come back to work.

Julie, Small Business Owner

It would have been very difficult for us to survive the pandemic, applying (the PPP loan) to salaries allowed us to maintain all of our employees. In fact, this week we hired an additional employee. Without the PPP we would have probably laid off three people, at least temporarily.

Tom, Small Business Owner

Well, it helped for eight weeks, so I was able to have all my employees back in. But we don't have enough business to keep them. So, once it's over, I'm laying off three of them.

Wendy, Small Business Owner

INSIGHT #2

Survival Hinges on Adapting and Pivoting

The changing business landscape has forced business owners to pivot and adapt their services and operations to survive in a COVID-19 environment.

Renegotiating leases, preparing employees to work remotely and redesigning services for virtual delivery were tough but necessary decisions. Business owners credited their survival to taking decisive steps to mitigate the impact of the ensuing business closures. These steps included:



“We have to continue to evolve (and) continue to offer value.”

Brandi, Small Business Owner

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Whereas before, if we wanted to buy something, we would buy it. Obviously, if it was like a super expensive thing, we would have a debate. But now, even down to that thing that I want that is \$30—I'm not buying it. I don't know where I'm going to get that other \$30. We're not purchasing as much through other vendors and we buy from a lot of small businesses. So, they're getting screwed by that.

Julie, Small Business Owner

I think that we have to continue to evolve. I think we have to continue to offer value. I think that we need to make sure that we're servicing the customers that we have at a very high level.

Brandi, Small Business Owner

There needs to be an immediate moratorium on every single commercial mortgage."

Julie, Small Business Owner

INSIGHT #3

Ongoing Support is Needed

With no clear indication as to when the economy will be fully functional, business owners were clear that their continued survival is dependent on additional support and relief provided by the government. Rent repeatedly came up as a high fixed expense that is causing extreme financial pain.



“There needs to be an immediate moratorium on every single commercial mortgage.”

Julie, Small Business Owner

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There needs to be an immediate moratorium on every single commercial mortgage. Also, the government needs to be giving grants to people. There needs to be just straight up grant money given. There shouldn't be these loans or it's a grant to convert to a loan.

Julie, Small Business Owner

Had we not shifted to an online platform and downsized our space, we would have been forced to close our doors during the pandemic. There's no way we would have been able to sustain that amount of overhead with the few customers who are comfortable coming in, as well as the government mandates of the size constraints of a fitness center.

Shanel, Small Business Owner

INSIGHT #4

Social Capital Was Key
to Gaining Access

Business owners reported receiving an overwhelming amount of information from a variety of sources. To sift through the abundance of information, business owners relied on their personal and business networks along with business associations and industry groups as their preferred trusted sources of information. Such networks include:

- ▶ Friends and colleagues
- ▶ Other business owners
- ▶ Trade associations
- ▶ Chambers of commerce
- ▶ Networking groups
- ▶ Social media
- ▶ Support organizations (such as the SBDCs)

“I have friends who are either attorneys or small business owners who have similar challenges. Relying on that network is critical...”

Bill, Small Business Owner

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INSIGHT #4

I have friends who are either attorneys or small business owners who have similar challenges. Relying on that network is critical to navigating this coronavirus issue or really any other day-to-day challenge that pops up.

Bill, Small Business Owner

I relied heavily on a local association... But because I was tuned in to that association, I knew that the PPP loan was coming down the pipe and I knew the requirements... or what we would have to have ready for the PPP loan, and that knowledge, of course, knowledge is power.

Lasheita, Small Business Owner

I follow people on LinkedIn—people whom I trust— and I see what they read.

Ovidio, Small Business Owner

INSIGHT #5

Community Banks Stepped Up to
Support Mainstreet Businesses

As large national banks were overrun with PPP applications, business owners turned to community banks to secure the loan. Although many did not have a previous banking relationship with a community bank, they all praised the willingness of community banks to work with them and provide personalized support through the loan application process.

Business owners felt that many large banks did not have a customer support infrastructure to respond to the high number of applications that were submitted. In addition, the large banks did not have the staff available to immediately assist small business owners in navigating the process of securing a PPP loan in a personalized manner.



“The small community banks were very agile and very nimble. The big banks cut people off.”

Jeff, Small Business Owner

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The small community banks were very agile and very nimble. The big banks cut people off... Knowing key people at the (community) bank and having someone who was really dedicated because they're in the same community as you and not somewhere far away was hugely valuable in getting through the PPP process.

Jeff, Small Business Owner

My bank was too busy; it wouldn't help me, so I started looking for a community bank... It was nice to have a community banker who I could easily communicate with and get answers.

August, Small Business Owner

I was not thrilled by the support that we were given to pursue a PPP loan. It was just: go online, apply. There was no real direct interaction, if you will. It was very pro forma and very cookie cutter. There was no customization. There was no real relationship building in terms of trying to figure out what is a small business, what I was facing and how they could help, given the longstanding (banking) relationship that we've had. Because (my financial institution is) a large bank, they just did not have the capacity to do that type of customer relations.

Michelle, Small Business Owner

RECOMMENDATIONS

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Where do we go from here?

While it is clear the pandemic is having devastating effects on American small businesses, it is uncertain what the long-term effect will be for them. The U.S. economy cannot fully recover if the small business sector is decimated.

The PPP was a short-term solution. If small businesses are to survive, a long-term strategy and ongoing support system must be created and implemented.

The following recommendations offer ways that government, business support organizations, and financial institutions can continue to support small business through this pandemic.

- 1 Provide Mortgage & Rent Payment Relief
- 2 Offer Specialized Business Assistance and Support
- 3 Ease Restrictions on the Use of Relief Funds
- 4 Reimagine Small Business Banking Relations

RECOMMENDATION #1



Provide Mortgage & Rent Payment Relief

Mortgages and office leases are fixed costs that place a huge strain on businesses. Since the onset of the pandemic and the stay-at-home orders, many businesses have had to reassess their space needs. Extended relief from rent and mortgage payments on commercial loans guaranteed by the U.S. SBA would provide relief and allow business owners to use those funds to shore up operations in other areas and increase their ability to survive.

RECOMMENDATION #2

2

Offer Specialized Business Assistance

Offer specialized business assistance and support geared toward helping businesses adapt services and operations to the virtual environment. While it is clear to small business owners that they must adapt their operations, services and products to the new environment, many are unsure of exactly how to do this. Having access to knowledgeable experts can help small business owners reimagine their business models and build processes and an infrastructure to operate successfully in a virtual setting.

3

Ease Restrictions on the Use of Relief Funds

Ease restrictions on the use of relief funds to allow business owners to use the funds where they need it most. The PPP provided funds to cover payroll even while business volume was significantly decreased. Grants that help small businesses cover or offset expenses to prepare for safe re-openings or shifting services for virtual delivery will ensure businesses can adapt to the changing business environment. For example, grant funds that could be used to purchase personal protection equipment and social distancing supplies or to build an infrastructure that can operate remotely and in a pandemic environment.

4

Reimagine Small Business Banking Relations

The clear differentiator in small business owners securing a PPP loan was the personalized and direct guidance they received from a community bank. For many small business owners, the process of applying for the PPP revealed a deficit in their existing small business banking relationship. Small business owners want and need more out of the banking relationship.

Financial institutions must ask themselves: “Is our customer experience and/or service delivery model optimal in today’s environment?” The current environment offers a great opportunity for financial institutions to reimagine their small business approach; shifting from transactional to relational service models.

FINAL THOUGHTS

Small businesses are the economic engine of the U.S. economy. There are 30 million small businesses employing 47 percent of the private-sector workforce. While we have yet to see the full economic impact of this pandemic on small businesses, we do know that if they are not able to recover, then our economy will not be able to fully recover either.

The PPP was the start of a government response, but more support is needed. No one knows how long this will last. Only a comprehensive, long-term solution will ensure that small businesses are able to survive and thrive during and after the COVID-19 pandemic.

The entrepreneurs leading our nation's small businesses are resilient and hard working. They will do what it takes to ensure their businesses succeed because for them the stakes are high.

“Entrepreneurs make crazy risks when they open their doors, especially when they’re not independently wealthy and they have to debt finance everything. You literally sign your entire life away. We will do everything we can to survive this thing regardless of what the government is doing. We will fight for our survival to the death.”

Julie, Small Business Owner

About the Small Business Owners We Interviewed

93% impacted by COVID-19

76% received PPP loan

86% their business is their primary source of income

46% Community bank approved PPP loan

97% altered business for survival/competitiveness

83% have more than one employee

59% optimistic about recovery

48% 11+ years in business

23% Large national bank approved PPP loan



Tameka Montgomery, CEO

About Core Strategy Partners

Core Strategy Partners, Inc. is a stakeholder insights and strategy firm. We help organizations uncover insights, solve business challenges and design strategies that result in a positive social impact. Our passion is helping our clients transform insights into strategies that have a positive social impact.

To start a conversation about your stakeholder insight needs, email us at: info@corestrategypartners.com or call 301.658.6437.