

Eric Bittiger

Professor Stubbs

ENG 102

2 May 2021

Covid-19 vs. Small Businesses

The coronavirus pandemic of 2019 (COVID-19) has had adverse impacts on the global economy. The disease forced many businesses to close and interrupted even the most basic services such as the distribution of food and other essential merchandise. The virus's immediate impacts were felt directly by vendors and producers who suffered greatly from challenges such as cash flows, labor force, consumer demands, health and safety, and supply chain maintenance. Small businesses have been the most affected ventures considering most of them did not anticipate the pandemic's detrimental effects.

During the Covid-19 pandemic business owners have been faced with unprecedented difficulties to maintain and preserve their livelihood. Throughout history small businesses have been the backbone of the American economy. Because of the pandemic small businesses have been forced to change the way they operate. This is one of the most important issues in our country because this affects millions of jobs, and the financial future of countless American citizens. To examine this topic, my research will be centered around my driving question; how has the Covid-19 pandemic changed the way small businesses operate in America and how will they overcome the challenges it presents? Small businesses surmount these challenging problems with innovative ideas and creative financial strategies.

Effects of Covid-19 on Small Businesses

Besides its impact on public health, COVID-19 has had devastating effects on small businesses. According to Bartik et al., the pandemic caused severe devastation to small businesses just weeks after its onset and declaration of the global pandemic before the government interventions through the coronavirus aid, relief economic security (CARES) Act. The author goes further to report that over 43% of businesses had been shut down temporarily due to the pandemic. There was a significant decline in demand, a problem that has been attributed to health concerns. On average, businesses reported having cut their active labor force by 39% since January. The decline was particularly significant in the Mid-Atlantic region, where over 54% of businesses were closed down and close to 47% of the employees had to be let go. The impacts also varied across industries, with the hospitality, arts, and entertainment industries suffering the most significant blow with employment declines exceeding 50%. In contrast, other sectors of the economy, such as finance, professional services, and real estate, suffered less disruption as they could adapt and move to remote production.

Additionally, it is feared that the pandemic is likely to result in insolvency. Small businesses with limited awareness about the CAREs Act were the most affected as most of them did not benefit from the initial relief programs, thereby affecting them adversely. On the contrary, big businesses and companies that were well versed with the government relief program benefited significantly and retained their workforce in the economically challenging time. The relief programs' awareness and eligibility benefited bigger businesses than the smaller ventures forcing the majority of small businesses to shut down.

The other effect of the virus on businesses has been financial liquidity. Within the first month of the virus, small businesses reported a decline in demand for the products and services

they deal in, forcing them to seek additional financing to keep their doors open. These impacts in turn affected those businesses that were already operating under constrained budgets. The government guidelines and safety restrictions pushed most small businesses to adopt alternative models that demanded additional investment restructuring. One of the most common structural change among most is the migration to the eCommerce business models that have become essential in the changing business topography as it is not only effective in improving the internal efficiency of business but also the productivity of the business (Cirillo and Molero Zayas 313). Nevertheless, many businesses may struggle with implementing the digital initiative mainly due to the prevailing financial concerns caused by the calamity and the educational requirements needed to implement such technologies.

Overcoming the Challenges

During the early stages of the pandemic, both large and small businesses responded to the pandemic's challenges by seeking safety nets for the business while implementing government directives that are aimed at protecting the employees and the customers from the deadly virus. Furthermore, many businesses have come up with various resilient strategies that will cushion the companies from the pandemic's adverse impacts and ensure that the businesses recover from the pandemic's unfortunate effects.

First, since most small businesses and SMEs (Small Medium Enterprises) are in the informal sector, effective policies must be adopted to ensure that they remain competitive in the turbulent economic times as a result of the pandemic. One such approach that many governments around the world have adopted includes coming up with stimulus funds that can help cushion the business from the challenges caused by the pandemic. During the initial stages of the pandemic, the International Monetary Funds and governments worldwide resorted to offering stimulus

funds to businesses and companies that were struggling to retain the workforce. Notably, in the United States, the government issued stimulus funds in the form of \$300 unemployment benefits to ensure that businesses retained their employees even in the face of economically troubled times. The other reliefs that the small business can benefit from include tax exemptions that can easily operate.

Moreover, while many businesses were struggling to keep their doors open, businesses, particularly those that had adopted the e-commerce and online model, seemed to excel even in the challenging and uncertain economic times. This calls for a shift from the traditional brick and mortar business to online and digital models (Liguori and Pittz 3). Moving to the virtual environment shall allow the small business to move products and form a social media presence to allow the business to reach the customers and engage with them actively through messaging. Such practices can enhance sales and improve the relationship between the customers and the business. Such platforms can also serve online shopping avenues, allowing businesses and customers to interact and have the products delivered to the customers' doorstep. Such models are also known to improve the business's internal efficiencies, especially management and administration activities.

Additionally, businesses can maintain relationships with the customer, communicate effectively with the existing customers and build a good rapport. This can be achieved through leveraging the power of websites, social media platforms and developing tailored messages to check in on the customers and maintain their relationships (Liguori and Pittz 4). Furthermore, the pandemic presented an important opportunity for creativity and innovation. In this respect, businesses can come up with creative ways of reaching their customers. For instance, clients and their advocates can engage virtually or through telephone consulting within the legal business.

Similarly, artists can display their work on social media platforms or have virtual concerts on the monetized platforms like YouTube to generate income. Besides, the pandemic offers an important opportunity to allow the business to innovate and differentiate their products and services from those of their competition.

Lastly, by leveraging the internet, a business can focus on learning the changes in consumer behavior due to the pandemic. This would often involve conducting data analytics on various social media platforms to determine the consumption trends and the items that most consumers search on online platforms to make an informed decision on how best the business can meet these needs. Businesses can also conduct online surveys to get feedback from the customers. By analyzing the feedback, they can develop effective marketing strategies that are likely to benefit the business. Through strengthening the marketing strategies, the business is expected to reach more consumers and move more products. In a recent survey of 2,400 small business owners by Guidant Financial and the Small Business Trends Alliance, 78% of current owners expect their business to survive through the COVID-19 pandemic while only 4% expect their business to fail. There is a generally positive outlook on the future among small business owners, despite the ongoing pandemic. 49% of owners when asked said they were either somewhat or very confident about their financial future. This shows that the innovative ideas put in place to combat the economic downfall from COVID-19 are working to generate revenue and new business opportunities.

Small Business Interview

In addition, for this research paper, I also interviewed a few small businesses and they shared with me their stories of dealing with the Covid-19 pandemic and how their businesses survived. These places have faced tough challenges since the start of Covid, but these owners

have used their persistence and creativity to adjust their business models. This has enabled them to continue to run their businesses with determination and optimism in spite of the obstacles they encountered.

The first business I met with is a large indoor sports facility. This is a place mainly for private and group team sports instruction. However, they also use their facility for team rentals, birthday parties, and special events. The owners explained how when the pandemic first happened, they were forced to close their doors because of the numerous restrictions placed on the business such as social distancing and number of participants allowed at one time. We also had to cut back on some of our services to be able to properly meet sanitary requirements. So, taking that all into account, we really faced an uncertain future for our business.

Despite the obstacles, we knew that we had to take a fresh look at our business and figure out how to make money and still satisfy our customer needs. We have managed to adjust and expand our business model to help generate revenue that offsets some of the losses in our traditional business. The changes we've incorporated has helped our business not only stay afloat, but we are doing well. We are now offering private and group lessons virtually through Zoom which our clients love. In addition, we provide outdoor lessons and are also offering small group recreational sports fun programs right in our clients' backyards. Finally, many camps that we originally had scheduled indoors before the pandemic hit have now been rescheduled and relocated to outdoor venues. Overall, we are trying to benefit from the great reputation our coaches and staff by making them available in any setting that our clients feel most comfortable because we know the value and impact sports has on children's physical and emotional development. As a sports facility business, we take pride in knowing that the kids in our

programs are being taught valuable life skills and principles that can be applied later on in their lives.

I also interviewed the owner of a small, local restaurant in NJ to see how they were affected and what they have done to maintain their business. When Covid hit the area, they were forced to re-look at their business with a different mindset. The owners were of course concerned about safety issues of staying open but also about the impact closing would have on the staff and their families. Unfortunately, money matters and in the food industry without customers, bartenders, servers and other staff have no tips or wages. There are also costs such as rent, food, suppliers all of which also have to be paid.

In the early stages of the pandemic, the owners developed a short and long-term business plan not knowing what the future would hold. They decided to close for a short period based on government and CDC recommendations. This enabled them to figure out next steps as they had enough revenue in the business to sustain a short shutdown. They kept communication open with their staff and customers. They cut back on expenses not deemed necessary and really tried to streamline the menu. After a little time, they changed their business model and marketing strategy to takeout and delivery and also opened an outdoor area so they could provide an income for employees. However, changing to a new business model had its own challenges but they persevered as loyal and new customers were very supportive as everyone was struggling in some way. This was a sense of relief and some hope both moneywise and mentally that the revised plan was working. Additionally, the owners applied for and were able to get financial assistance and a small business loan from the government to add to their cash reserves and to use for rent, payroll and benefits. Running a restaurant and maintaining day-to-day operations is hard without a pandemic situation but you need creativity and optimism to keep a business profitable.

As the economy continues to open up and with restrictions easing up, the owners feel confident that the changes they implemented will continue to sustain their business. They have rehired staff that initially were laid off with indoor dining expanding to 50%. They continue to offer takeout and delivery services for their customers. One of the biggest takeaways from the experience is the need to be flexible. With so many twists and turns my team and I have been rolling with them and adjusting our plans and strategy when it's needed. Also, you have to always remind yourself to be 100% invested in your business because nothing is certain.

In summation, the impacts of COVID-19 on small business have been far-reaching. In 2020 many small businesses had to be shut down due to the pandemic's negative effects that reduced most products and service demands. Reports indicate that the food and hospitality sector was the worst affected by the pandemic. It is important to note that not all small businesses were affected. The pandemic's impact depended on the industry's distribution, with the minority business owners as the most affected individuals. This included women, African Americans, and immigrants. While the government made efforts to bail out these businesses, most small ventures with limited knowledge of such government initiatives did not benefit, forcing them to either lay off the employees or develop additional strategies to remain afloat. Considering the turbulence that the pandemic has caused in the global economy, businesses must strive to develop effective strategies that can mitigate the impacts of COVID-19. Some of the most effective strategies include lobbying for policies that can help ensure the businesses remain competitive. Additionally, shifting the business model to e-commerce and leveraging social media and the internet has proven to be an effective way to keep the doors of businesses open.

Work Cited

- Bartik, Alexander W., et al. "The Impact of COVID-19 on Small Business Outcomes and Expectations." *Proceedings of the National Academy of Sciences*, vol. 117, no. 30, July 2020, pp. 17656-66. *DOI.org (Crossref)*, doi:10.1073/pnas.2006991117.
- Cirillo, Valeria, and Jose Molero Zayas. "Digitalizing Industry? Labor, Technology and Work Organization: An Introduction to the Forum." *Journal of Industrial and Business Economics*, vol. 46, no. 3, Sept. 2019, pp. 313-21. *DOI.org (Crossref)*, doi:10.1007/s40812-019-00126-w.
- Due, Andre, et al. "COVID-19's effect on jobs at small businesses in the United States." *McKinsey & Company (blog)*, May 5 (2020): 2020.
- Fairlie, Robert. "The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months after Widespread Social-Distancing Restrictions." *Journal of Economics & Management Strategy*, vol. 29, no. 4, 2020, pp. 727-40. *Wiley Online Library*.
- Humphries, John Eric, Christopher Neilson and Gabriel Ulyssea. "The Evolving Impacts of COVID-19 on Small Businesses since the CARES Act." 2020
- Juergensen, Jill, et al. "European SMEs amidst the COVID-19 Crisis: Assessing Impact and Policy Responses." *Journal of Industrial and Business Economics*, vol. 47, no. 3, Sept. 2020, pp. 499-510. *DOI.org (Crossref)*, doi:10.1007/s40812-020-00169-4.
- Liguori, Eric, and Thomas Pittz. "Strategies for Small Business: Surviving and Thriving in the Era of COVID-19." *Journal of the International Council for Small Business*, vol. 1, July 2020, pp. 1-5. *ResearchGate*, doi:10.1080/26437015.2020.1779538.