How Will the Pandemic Influence the Future of Small Business?

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Welcome & Introductions

MarySheila McDonald, Dean of the School of Business

Dr. Andrew Lafond, Accounting Department

Steve Melick, La Salle Center for Entrepreneurship
In Zoom chat you’ll find a link to a survey. We welcome your input and we will be discussing your impressions of the economic fallout of the pandemic alongside long-term projections.

No personal information is collected or reported.
### Economic Timeline of the Pandemic

<table>
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<th>Month</th>
<th>Events</th>
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| January  | WHO announces Pneumonia cases of unknown origin  
CDC issues Health Advisory  
CDC issues health screenings on all inbound flights into US  
Washington State Dept of Health announces first confirmed case of COVID-19 in US |
| February | Stock market reports largest single-week decline since 2008 financial crisis  
Federal Reserve issues statement warning of developing situation  
Washington state declares state of emergency, sees first confirmed death from COVID-19 |
| March    | Steep decline in S&P 500 triggers a market-wide circuit breaker, all trading paused  
WHO declares COVID-19 a global pandemic  
Federal government and Federal Reserve issue rules to increase credit for businesses & homeowners  
California first to issue full lock-down orders and travel restrictions, other states follow  
Unemployment first-time claims rise to over 3.2 million in single week  
Federal CARES Act issued to support small businesses |
Economic Timeline of the Pandemic

April
- Another jump in unemployment claims increasing by 6.6 million per week
- Payroll Protection Program (PPP) implemented under CARES Act
- Mortgage servicing companies start working with consumers to avoid default on loans
- Federal government approved $2.3T in loans to stimulate economy
- US sees total cases hit 1MM
- Meat and poultry industry forced to stay open to preserve food supply
- Federal Reserve increases Main Street Lending Program for small businesses

May
- Unemployment rate 14.7%
- Small business financing dries up, nonprofits and community grant programs continue
- States begin to reopen
- 100,000 confirmed deaths from COVID-19
- Auto sales rebound

June
- 2.2 million jobs returned, unemployment dropped to 13.3% (19.7% anticipated)
- Record auto sales
- Texas, Florida, California reverse reopening due to rise in cases
PA Response to Pandemic

Certain businesses determined to be “essential”
- Food production, food retail
- Delivery services
- Printing
- Auto repair
- “General merchandise” stores (but not department stores)
- Plastics manufacturing (but not metal)
- Beer, wine, spirits manufacturers (but not liquor stores)

A lot of confusion and anger over business designations

An **underground economy** became more commonplace mid-spring: bars, restaurants, shopping, sports/entertainment, personal services
Small Business Response

As businesses prepared to reopen, owners knew they needed to innovate to survive.

Small businesses are accustomed to out-innovating their larger competitors and don’t need a lot of time to implement changes.

New products hit the market to help business owners adapt to the barriers of operating during a pandemic while keeping employees and customers safe.
Changes Have Become the “New Normal”
Stories from the Front Line – Tale of Extremes and Constant Change

Struggling to compete against national and international competitors

PA Limited Distillery License
- Own/operate tasting rooms
- Distribute direct-to-consumer
- Can operate in ways others cannot

HUGE competitive advantage, Revenues skyrocket
Stories from the Front Line – Tale of Extremes and Constant Change

Net Effect:
- Very bumpy ride through 2020
- GOOD:
  - Grew brand in a crowded market
  - Increased revenues
  - Learned a lot through innovating the business model
  - New/renewed consumer appreciation for BUYING LOCAL
- BAD:
  - Businesses haven’t fully reopened and bar/restaurant sales are down significantly
- OPPORTUNITIES (to INNOVATE):
  - Consumer behavior is accelerating toward healthier lifestyles and new low-cal, low-carb seltzer products will be hitting the market 2021 Q2
Looking Ahead

So what does the *New Normal* look like?

Are there any fundamental changes to everyday industries?
Impact on Minority-owned Businesses

American Minority-Owned Small Businesses: Fast Facts

1.1 M minority-owned businesses in US
Employ 8.7+ M workers
Generate more than $1 trillion in economic output

Women own nearly 300,000 of these businesses and employ 2.4 M

Of all small businesses in the U.S., minority-owned ones are the most at risk due to 2 critical factors and were in financially-precarious positions pre-pandemic
Impact on Minority-owned Businesses

Structural Challenges and Factors Linked to Vulnerability

1. The industries/sectors in which their enterprises are focused on *Personal Services: food, accommodations, personal, laundry and retail* which require proximity to customers and were shut down

2. Furthermore, many of these types of businesses *start out with less capital* and distressed firms are 3 times more likely to close after a 2-month revenue shock
Conclusion

Most businesses will recover but many will need to adjust for a new normal.

Main challenge is the overall economy and consumers’ reluctance to return to the market, and changes to purchasing behavior.

Owners are seeking release from national/state/local restrictions to reopen and manage their own risks.

And consumers have a role deciding what risks they want to take.

Small businesses will need to pivot and innovate to stay alive. 

*This might actually be an opportunity to GROW!*
Participant Survey Results

What do your eyes tell you?

What does the future hold?

How has your consumer behavior changed?