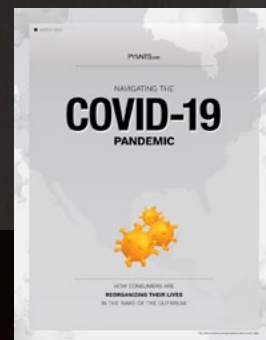
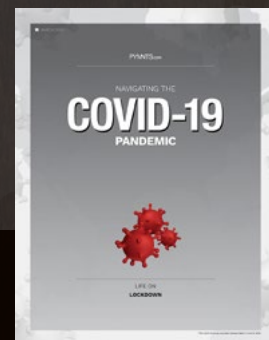


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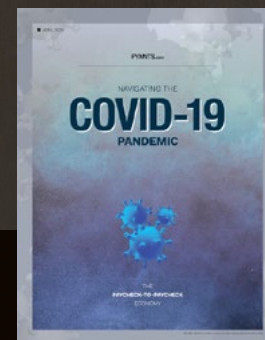
**NAVIGATING THE COVID-19 PANDEMIC I**  
How Consumers Are Reorganizing Their Lives In The Wake Of The Outbreak



**NAVIGATING THE COVID-19 PANDEMIC II**  
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**MAIN STREET ON LOCKDOWN I**  
How SMBs Are Coping With The Economic Fallout Of COVID-19



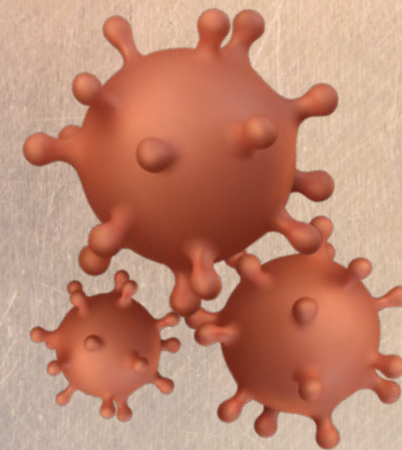
**NAVIGATING THE COVID-19 PANDEMIC III**  
The Paycheck-To-Paycheck Economy

■ APRIL 2020

PYMNTS.com

# MAIN STREET

## ON LOCKDOWN



THE COVID-19  
**CASH CHASM**

\*The Main Street Lockdown survey was taken between April 4 and 5, 2020.

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COVID-19

# INTRODUCTION



The Paycheck Protection Program (PPP) relief effort began accepting applications from small and mid-sized businesses (SMBs), which employ roughly half of the United States workforce, on April 3. Lawmakers and business leaders had high hopes for the bill, believing it would help slow the deterioration of the U.S. economy.

PYMNTS' research shows that the bill is likely to have little effect on SMBs' financial stability, however. The share of SMB owners who on April 6 said they would run out of cash before the pandemic ends was roughly equal to the portion who said the same on March 24, and there are no signs that this will change.

Why do so many SMBs fear for their financial futures despite such economic relief measures?

PYMNTS first gauged their confidence by surveying more than 500 U.S. SMBs on March 24, then followed up with a survey of 502 SMBs on April 6, shortly after PPP loans became available. Main Street On Lockdown: The COVID-19 Cash Chasm edition documents the findings from our latest research.

THIS IS WHAT WE LEARNED.

## OUTLOOK

### THE PPP RELIEF EFFORT DOES NOT APPEAR TO HAVE BOOSTED SMBs' CONFIDENCE LEVELS REGARDING THEIR SURVIVAL.

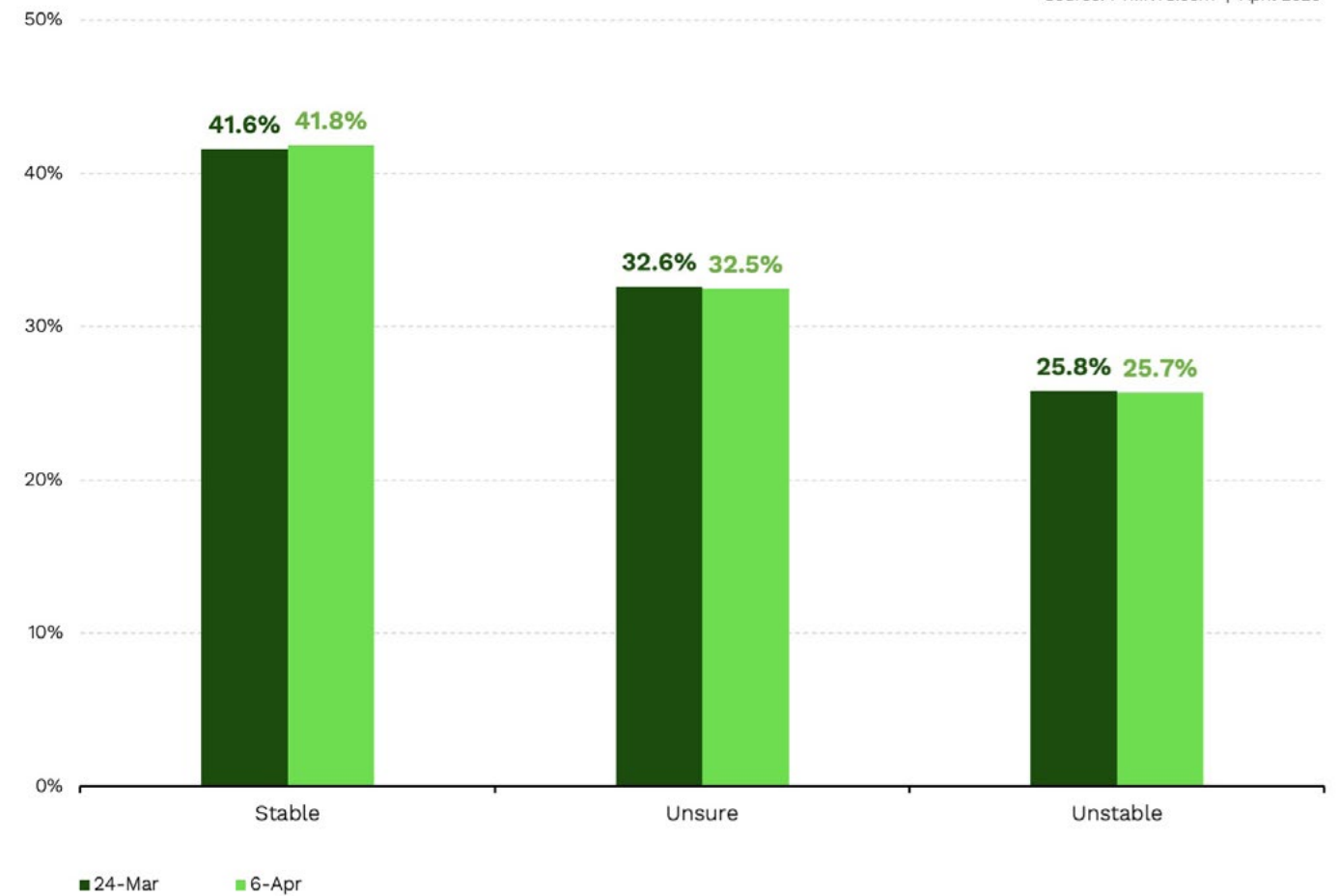
The aid package may be the largest in U.S. history, but it has not made Main Street SMBs feel any more stable than they did before it was passed. The share of SMBs whose owners believe their firms would survive the pandemic remains largely unchanged since March 24, with just an additional 0.2 percent of SMBs feeling confident on April 6. Meanwhile, there was a 0.1 percentage point decrease each for the share of SMB owners who felt unstable and the portion who felt unsure about the pandemic's impact on their survival prospects since the government passed the relief package.



**FIGURE 1: FIRMS' BELIEF IN THEIR ABILITIES TO SURVIVE THE PANDEMIC**

Share that believe they are either likely to, unlikely to or unsure whether they will survive the pandemic

Source: PYMNTS.com | April 2020



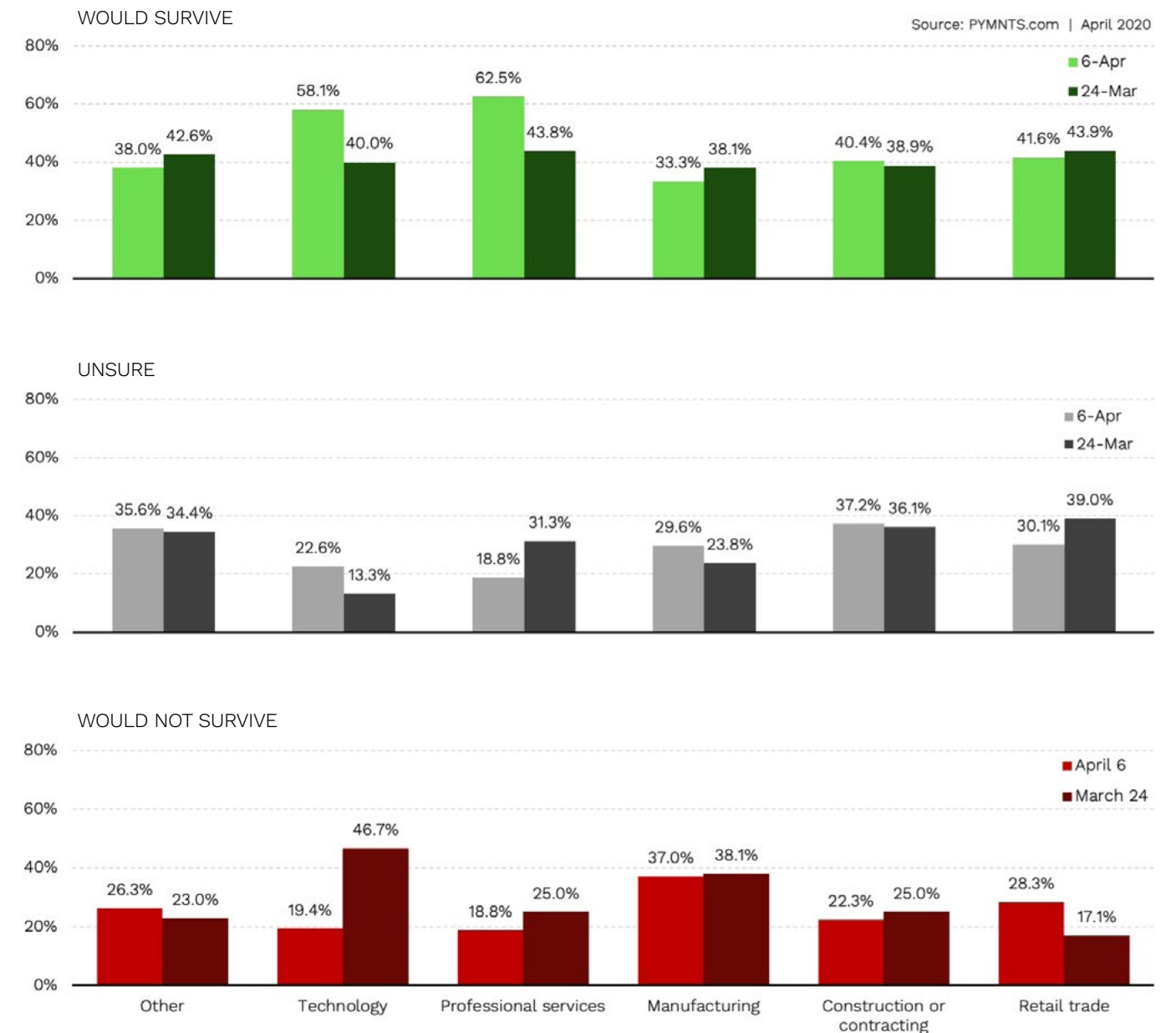
**OUTLOOK**

**TECHNOLOGY AND PROFESSIONAL SERVICES SMBs ARE THE MOST LIKELY TO FEEL STABLE, WHILE RETAIL SMBs ARE THE LEAST LIKELY TO SAY THE SAME.**

SMBs' confidence levels in their abilities to survive the pandemic have changed to various degrees, depending on their industries. Professional services SMB owners were far more confident in their stability levels on April 6 than on March 24, for example. Our research shows that 62.5 percent of professional services SMB owners reported feeling sure they would survive the pandemic on April 6, compared to 43.8 percent who said the same on March 24. Technology SMB owners also seem more confident now than they did on March 24, with the share who believe they will survive the pandemic increasing from 40 percent to 58.1 percent.

Retail SMB owners appear to feel far less confident than they did before, however. Our analysis indicates that 28.3 percent of retail SMB owners said on April 6 that they were sure their businesses would not survive the pandemic, compared to 17.1 percent who said the same on March 24.

**FIGURE 2: FIRMS' BELIEF IN THEIR ABILITIES TO SURVIVE THE PANDEMIC ACROSS INDUSTRIES**  
Share that believe they will or will not survive the pandemic, by industry



## OUTLOOK

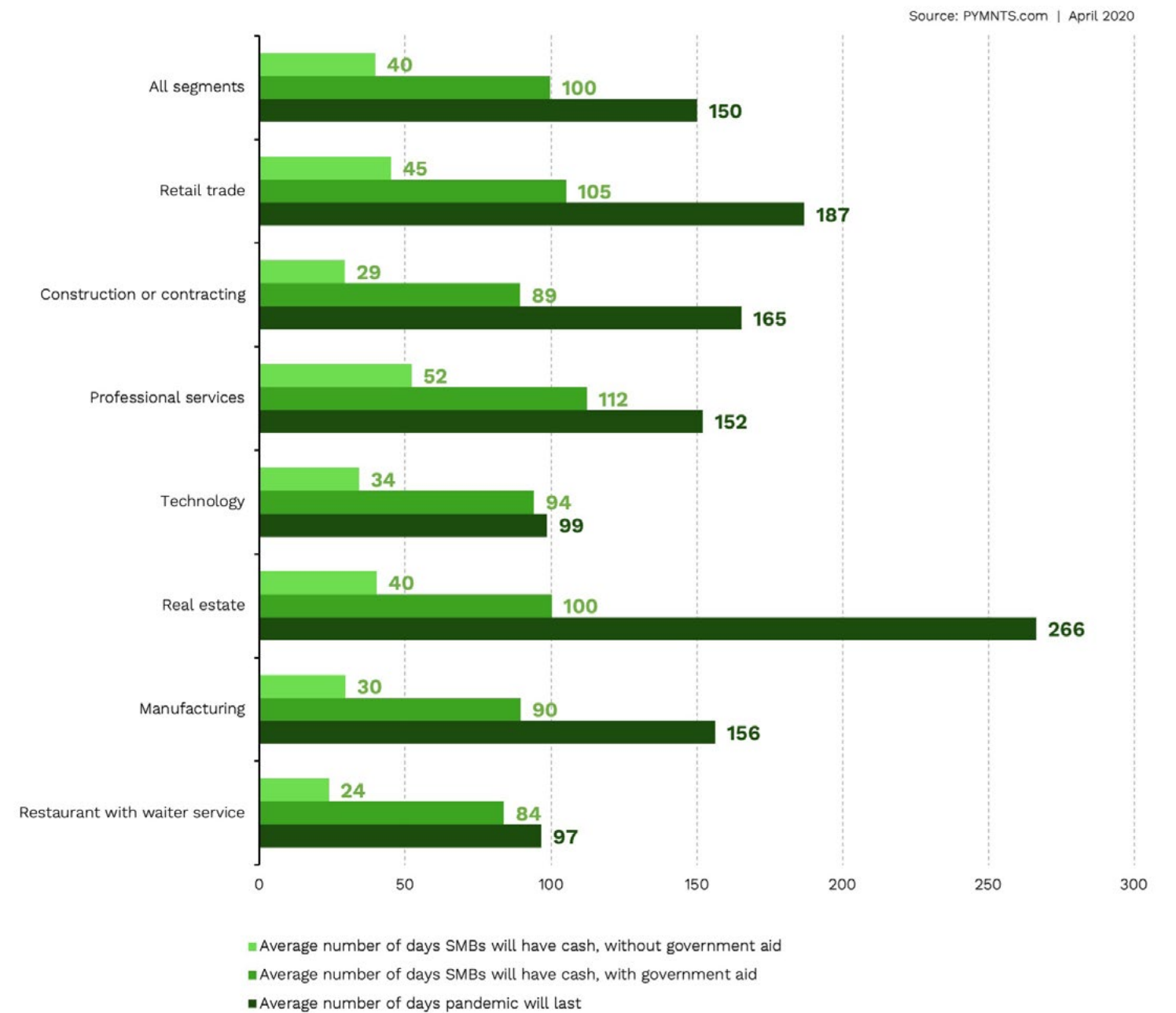
# MOST SMBs REPORT THEY WILL NOT HAVE ENOUGH CASH TO SURVIVE THE PANDEMIC, EVEN WITH GOVERNMENT AID.

SMBs are expecting the pandemic to last longer than the cash they have on hand, regardless of industry. The average SMB reported only having enough cash to stay open for 37 days as of April 6. They noted receiving government aid would give them enough to stay open for 97, but they expected the pandemic to last an average of 150 days – leaving a wide chasm between the number of days they expected to survive and the number they needed to survive to weather the pandemic. We refer to this chasm as the “COVID-19 cash gap.”

There are some industries in which government aid can make a major difference, however. Receiving government aid can almost completely bridge the COVID-19 cash gap for SMBs in the technology and food industries, for example. Technology SMBs expect the pandemic to last 99 days but only have enough cash to stay open for another 35 without government aid. The same SMBs would be able to stay open for 95 days if they were able to receive government assistance, though.



**FIGURE 3: HOW LONG SMBs IN DIFFERENT INDUSTRIES COULD SURVIVE WITH GOVERNMENT AID**  
Average number of days for which SMBs in various industries will have enough cash to survive, by whether they received government aid

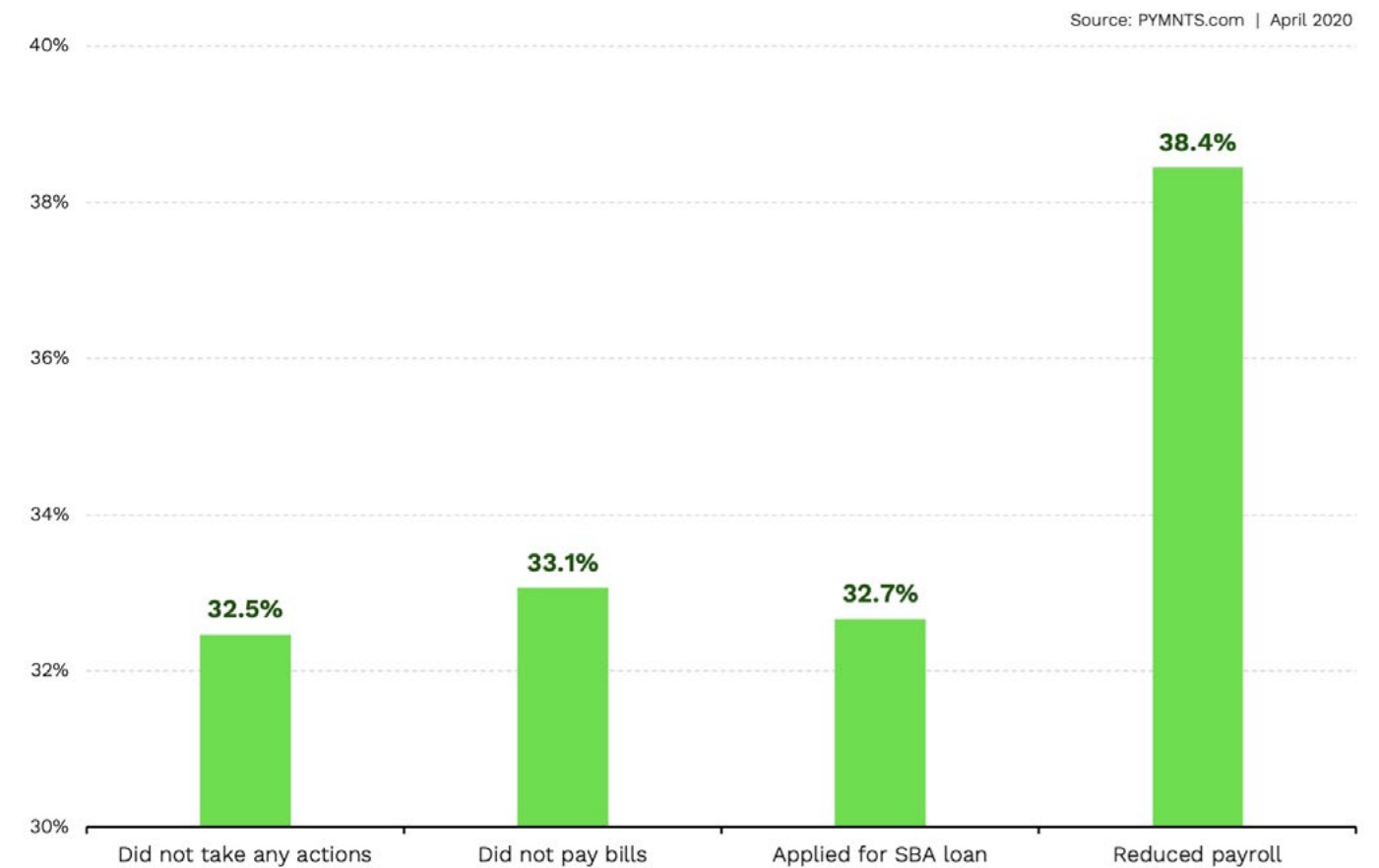


COPING

**REDUCING EMPLOYEE PAYROLL  
REMAINS THE MOST COMMON WAY  
SMBs ARE MITIGATING THE PANDEMIC'S  
IMPACTS ON THEIR BOTTOM LINES.**

Just one-third of SMBs have applied for government aid, according to our latest survey, despite the COVID-19 cash gap being a nearly universal concern. Our research shows that 32.7 percent of SMBs had applied for Small Business Administration (SBA) loans – including, but not limited to, PPP loans – as of April 6, compared to 38.4 percent who reported reducing their employee payrolls to mitigate cash flow shortages stemming from the pandemic. PYMNTS' analysis also reveals that 33.1 percent of SMB owners have avoided paying their bills to deal with cash flow shortages. In other words, SMBs appear to be about as likely to deal with their reduced cash flows by applying for government loans as to simply stop delivering their payables.

**FIGURE 4: MEASURES SMBs ARE TAKING TO NAVIGATE THE PANDEMIC'S FINANCIAL IMPACTS**  
Share that have enacted select actions to mitigate COVID-19's effects



**COPING**

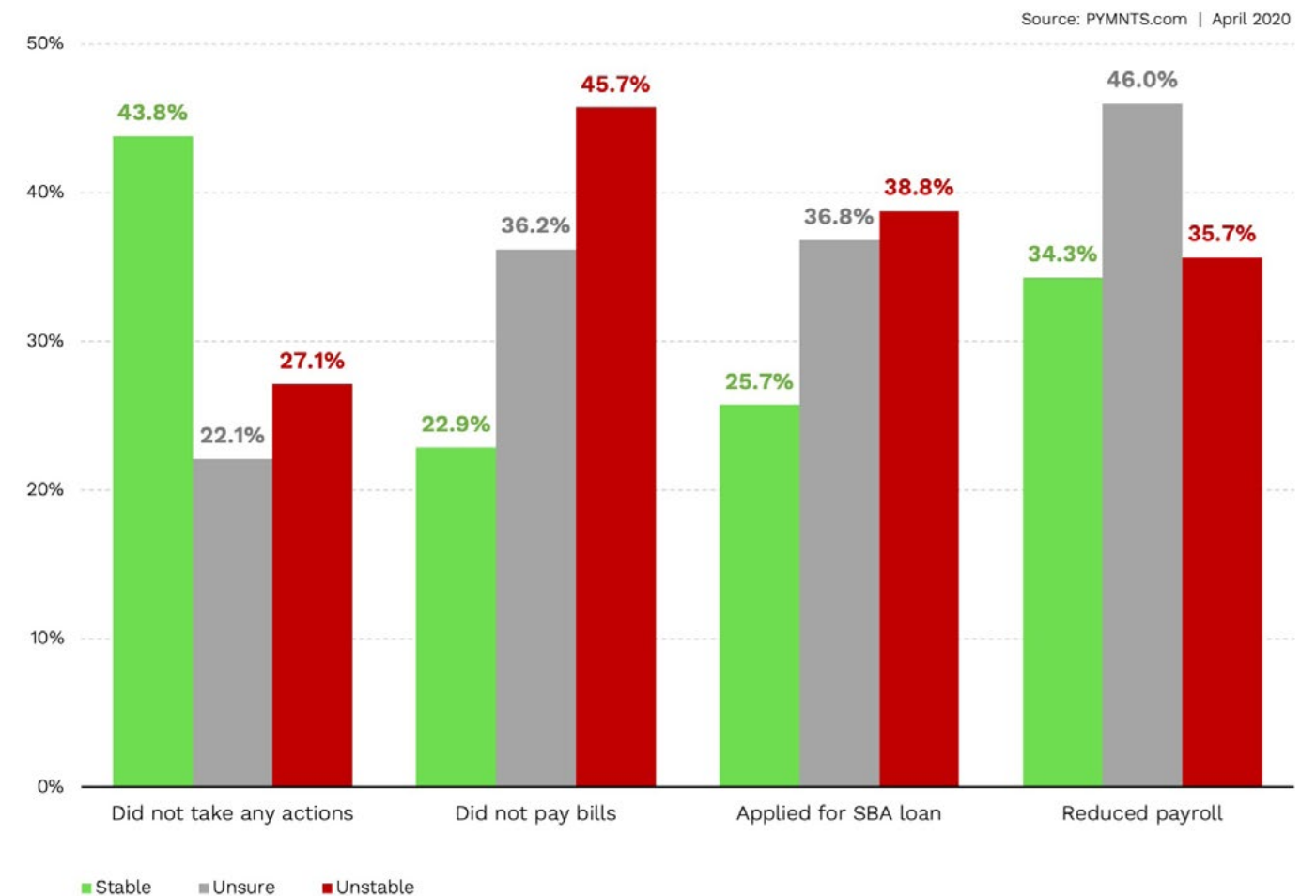
**UNSTABLE BUSINESSES ARE FIGHTING CASH FLOW CRUNCHES BY APPLYING FOR PPP LOANS AND AVOIDING PAYING THEIR BILLS.**

SMB owners appear to be taking different measures to protect their businesses from the pandemic's impacts, depending on how confident they are about their firms' chances of survival. Unstable SMBs are the most likely to have applied for government assistance to mitigate the pandemic's financial fallout, for example, with 38.8 percent of their owners saying they had applied. This compares to only 36.8 percent of unsure SMB owners and 25.7 percent of stable SMB owners who have done the same.

SMB owners who are unsure whether their businesses will survive the pandemic are the most likely to reduce their staff payrolls. Forty-six percent of these owners say they had reduced their employee payrolls, compared to 35.7 percent of SMB owners who believe their firms will not survive and say the same. Stable SMB owners are meanwhile the least likely to have reduced their employee payrolls, with 34.3 percent having done so.

Surprisingly large shares of unstable and unsure SMBs report that they have stopped paying their bills to mitigate the pandemic's impacts. Our research shows that 45.7 percent of unstable SMBs and 36.2 percent of their unsure counterparts have done so since the pandemic began. Even among stable SMBs, 22.9 percent appear to have decided to stop paying their bills.

**FIGURE 5: MEASURES SMBs ARE TAKING TO NAVIGATE THE PANDEMIC'S FINANCIAL IMPACTS**  
Share that have enacted select actions to mitigate the pandemic's impacts, by stability



**COPING**

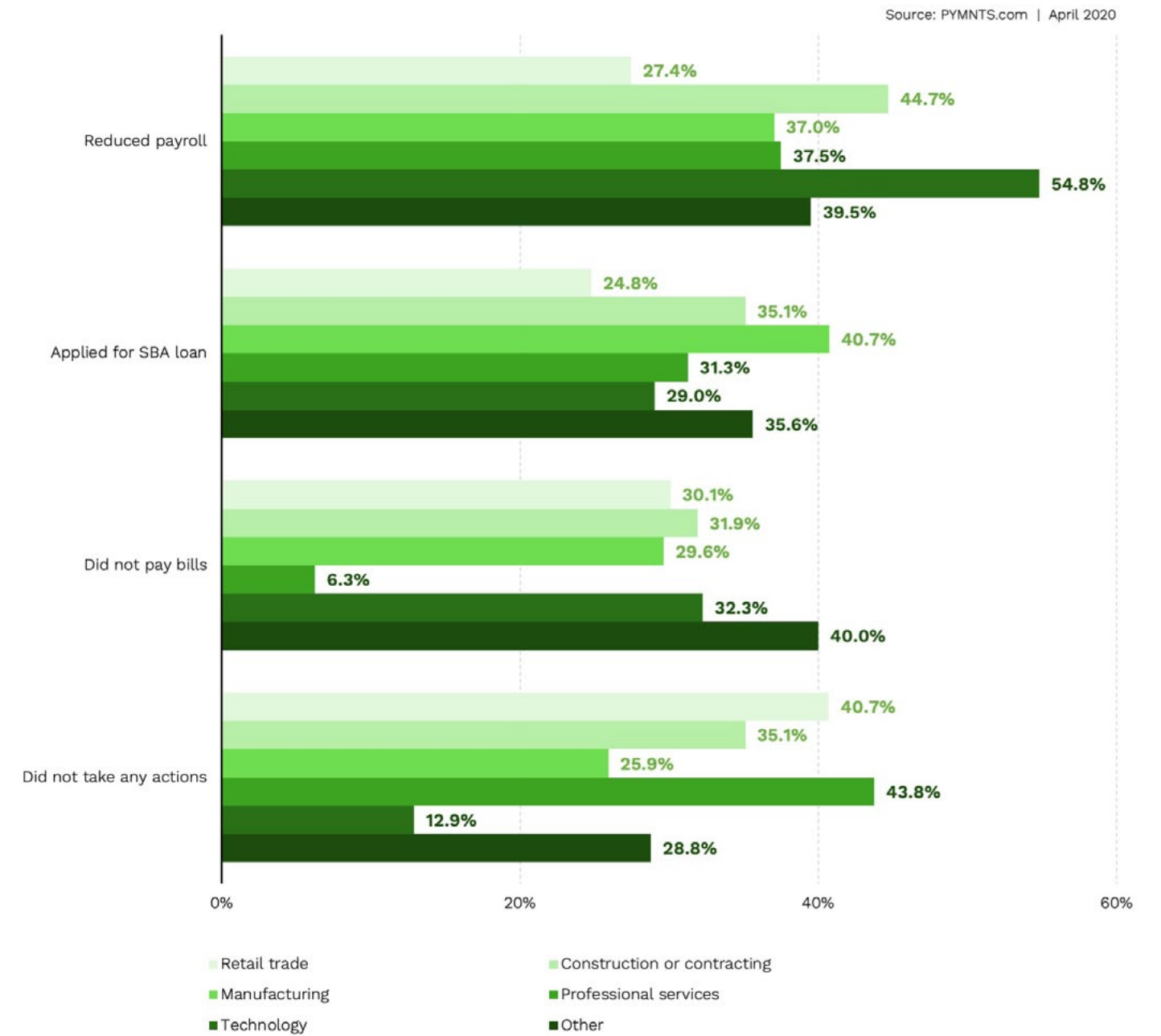
**TECHNOLOGY SMBs ARE THE MOST LIKELY TO REDUCE PAYROLLS, WHILE MANUFACTURING SMBs ARE THE MOST LIKELY TO APPLY FOR PPP LOANS.**

SMB owners in different industries tend to take different measures to address potential cash flow gaps. Technology SMB owners appear to be the most likely to reduce their employee payrolls, with 54.8 percent having done so as of April 6. This compares to 44.7 percent of construction SMBs and 37.5 percent of those in professional services SMBs that report having done the same.

Manufacturing firms are the most likely to have applied for PPP loans, with 40.7 percent having done so by April 6. They were followed by construction and contracting firms, 35.1 percent of which applied. Retail firms came in last, with only 24.8 percent applying for government assistance via the PPP loan program.



**FIGURE 6: MEASURES SMBs ARE TAKING TO NAVIGATE THE PANDEMIC'S FINANCIAL IMPACTS**  
Share that have taken select actions to mitigate the pandemic's impacts, by segment





SOLIDARITY

## SMB OWNERS LARGELY BELIEVE OTHER BUSINESSES ARE STRUGGLING AS MUCH AS THEY ARE.

Most SMB owners believe the pandemic has affected their firms about as much as it has others, but that changes depending on SMBs' financial stability levels. Unstable SMBs are the most likely to believe their firms have been hit about as hard as others, for example. Our research shows that 65.1 percent of unstable SMBs believe other businesses have been hit as hard by the pandemic as they have, compared to 57.1 percent of stable SMBs.

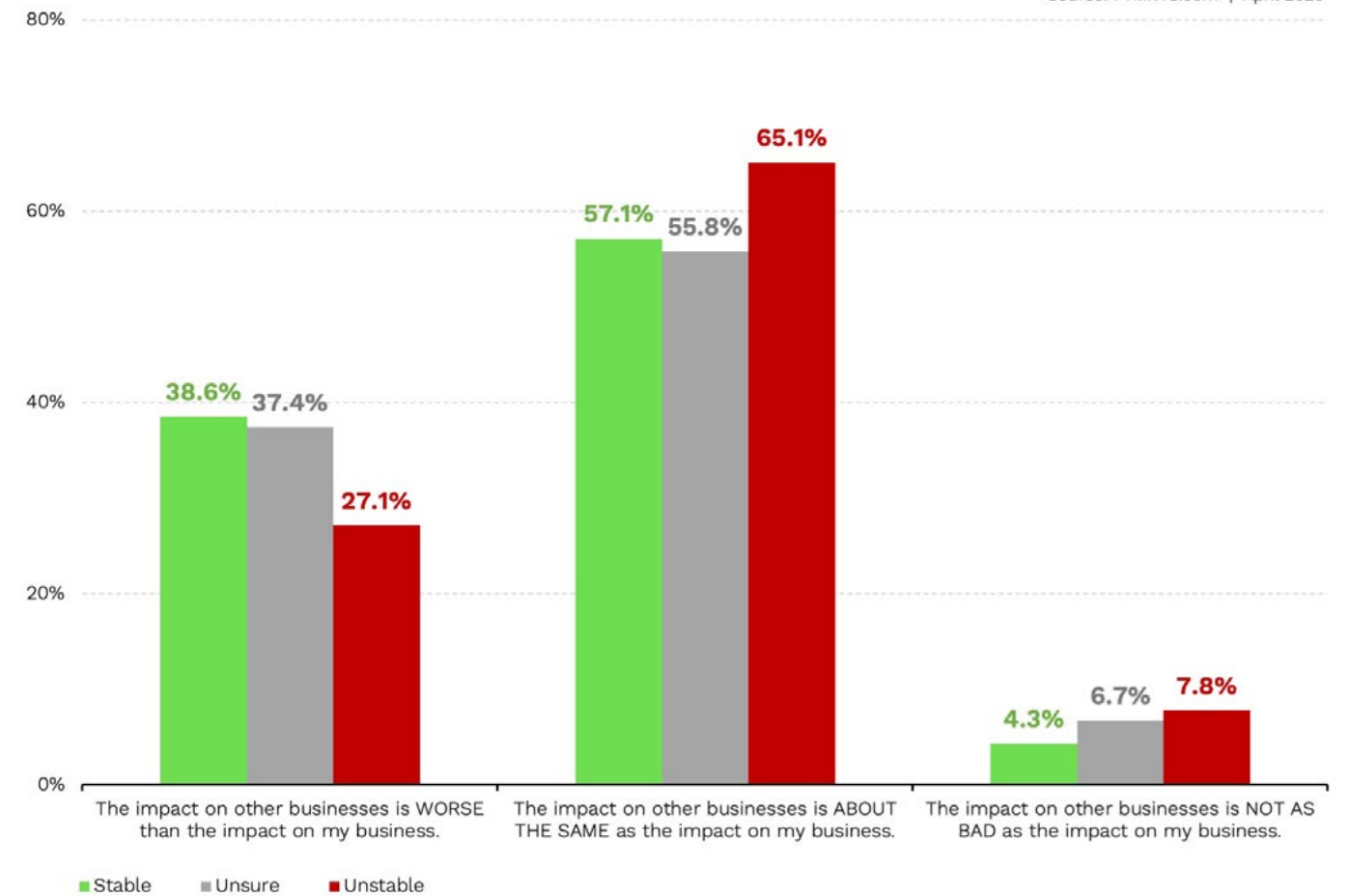
Stable SMB owners are the most likely to believe that other businesses have been hit worse than they have, with 38.6 percent saying so. This compares to only 37.4 percent and 27.1 percent of unsure and unstable SMBs who have said the same, respectively.



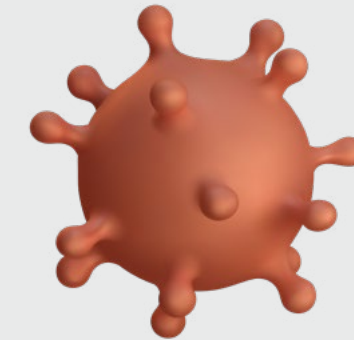
FIGURE 7: HOW SMBs BELIEVE THEIR SITUATIONS COMPARE TO THOSE OF OTHERS

Share of SMB owners who believe other businesses are affected by the pandemic in select ways

Source: PYMNTS.com | April 2020



# METHODOLOGY



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PYMNTS issued a survey to 502 SMBs on April 6 as a follow-up to its March 24 survey, which examined how U.S. SMBs are coping with cash flow shortfalls amid the COVID-19 pandemic. SMBs in our sample hailed from a wide variety of industries, including retail, construction, manufacturing, professional services and technology. Our analysis focused on SMBs in those sectors.

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## CONCLUSION

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The PPP relief effort has not yet shown to be the saving grace that lawmakers and business leaders hoped it would be. This is in part because so many SMB owners have not applied for loans, and even those who have say that the loans are not likely to pull them through the entire the pandemic. Many have therefore decided to take different measures to keep their businesses afloat, whether by cutting payroll or simply not paying their bills. It is still unclear whether these actions will be enough to help them outlast the COVID-19 crisis.



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