

PYMNTS.com

# PANDENOMICS

■ MAY 2021

## AFTER VACCINES

WHAT MASS VACCINATIONS MEAN  
FOR MAIN STREET MERCHANTS



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## PANDENOMICS

This study series measures the impact of the COVID-19 pandemic on consumer and merchant behavior and explores the accelerated shift to a digital-first world. Pandenomics is a proprietary research and analytic framework and series of insights that measures the shift away from a primarily physical world toward a digital-first counterpart. This framework makes it possible to accurately profile the characteristics of these digital shifters as consumers prioritize preserving their personal and familial health and safety as they make decisions about doing business in the world.

# INTRODUCTION

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**T**he last year has been a roller coaster for the small to mid-sized businesses (SMBs) on Main Street in the United States as the pandemic suddenly hit the brakes on a robust economy, forcing merchants to dramatically shift how they provide services and sell products. COVID-19 vaccines have been approved for everyone ages 12 and up, 40 percent of the U.S. population is fully vaccinated and 50 percent has had at least one dose, and Main Street SMBs are eager to return to business as usual as a result.<sup>1</sup>

PYMNTS research reveals that one out of four Main Street SMB owners have seen their communities' economic environments return to pre-pandemic levels, and they believe their communities will be back to normal by early October. Consumers perceive this timeline to be longer, and many have thus been shopping online more often since the pandemic's onset, benefiting Main Street SMBs that have embraced digital innovation and online channels. PYMNTS [research](#) found that 40 percent of consumers now say they are "digital shifters," and 74 percent of this group plan to maintain their changed online and digital shopping behaviors going forward.

Businesses have been forced to change their ways during the pandemic, and many Main Street SMB owners have successfully adapted and modernized their business models, putting them in better positions to take advantage of emerging consumer trends. An overwhelming majority — 88 percent — implemented innovation strategies, such as expanding their online and third-party marketplace presences, employing contactless payments technologies and broadening their social media usage, and have thus been better able to weather the economic downturn.

Main Street SMBs are optimistic, and half plan to invest to grow their businesses, with 61 percent in the technology sector and 56 percent in manufacturing reporting they are very likely to invest in the next six months. Attitudes about the speed of recovery and the efficacy of vaccinations and their potential positive impacts on local economic outlooks vary widely between respondents in more urban and rural areas, however.

PYMNTS collected responses from 530 Main Street SMBs in the technology, construction and contracting, retail trade, manufacturing and professional services sectors regarding the future of their businesses as Centers for Disease Control and Prevention (CDC) restrictions ease. This latest issue of the Pandenomics series examines how these SMBs conduct their businesses and view market conditions over the next 18 months as vaccination rates climb.

### This is what we learned.

<sup>1</sup> Author unknown. Centers for Disease Control and Prevention. COVID-19 Vaccinations in the United States. 2021. <https://covid.cdc.gov/covid-data-tracker/#vaccinations>. Accessed May 2021.

PART I: FOR URBAN AND RURAL MAIN STREET SMBs,  
DIFFERENT GLASSES ARE HALF FULL

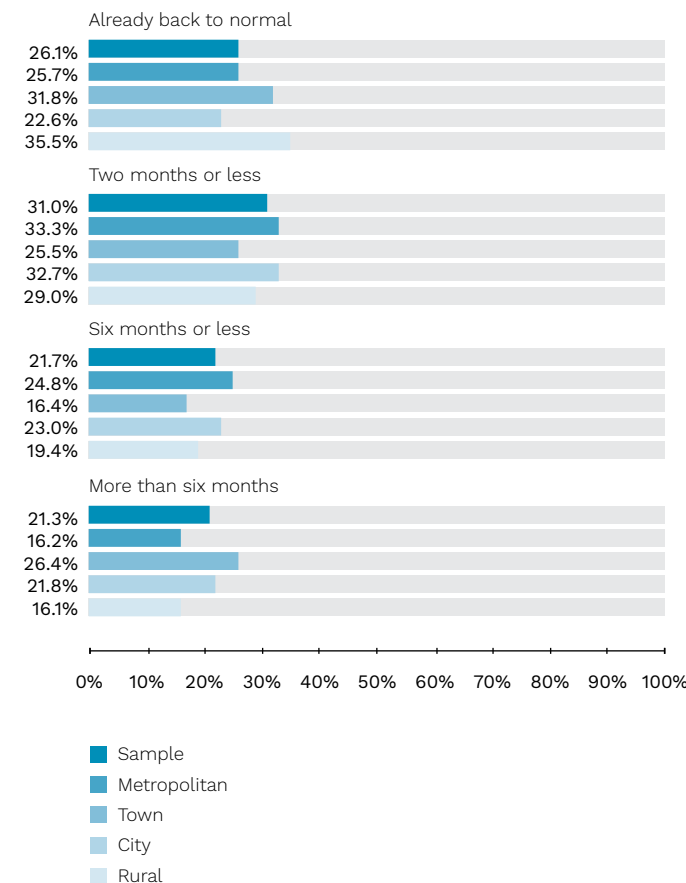
**Rural SMBs are more likely than their urban counterparts to say business has already recovered, but urban SMB owners are twice as likely to expect vaccinations to be successful — a key requisite for local economic recovery.**

This is a powerful indicator that urban SMBs have enough faith in vaccination efforts to pump more resources into their operations as 60 percent of all Main Street SMBs that believe vaccinations will be successful are very likely to invest in their businesses in the near future.

Main Street SMBs are optimistic that economic activity will rebound soon, citing October as the realistic timeline for the resumption of normal activity. One in four report that their communities' economic environments are already back to pre-pandemic levels, however, with 35 percent of rural Main Street SMBs saying activity has already recovered — only 26 percent of their counterparts in metropolitan areas say the same. Seventy-eight percent of this latter group expect vaccination efforts to successfully control COVID-19's spread compared to just 41 percent of rural Main Street SMBs. Vaccinating community members is the main requirement for economic recovery in Main Street SMBs' communities, cited by 18 percent of all respondents. This is followed by the availability of a COVID-19 treatment (15 percent) and a decrease in the number of people contracting COVID-19 (11 percent). Only 9 percent of Main Street SMBs believe that eased government restrictions alone is enough to foster economic recovery.

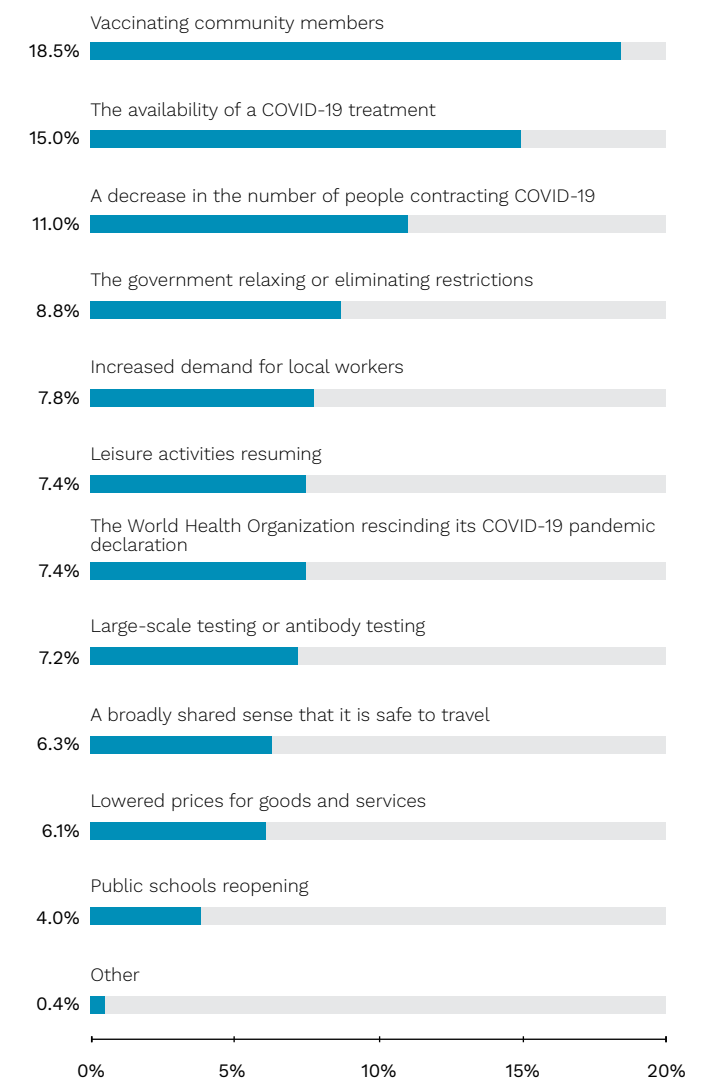
Main Street SMB owners from rural areas are also less likely to get vaccinated in the next three months. Only 13 percent of this group say they will get vaccinated in the next three months compared to 56 percent of Main Street SMB owners in metropolitan areas. Fifty-nine percent of rural respondents in our sample are already vaccinated. These findings imply that the vaccination rate among rural Main Street SMB respondents is plateauing.

**FIGURE 1:**  
**TIME TO EXPECTED RESTORATION OF ECONOMIC ENVIRONMENT**  
Time to expected economic restoration, by location



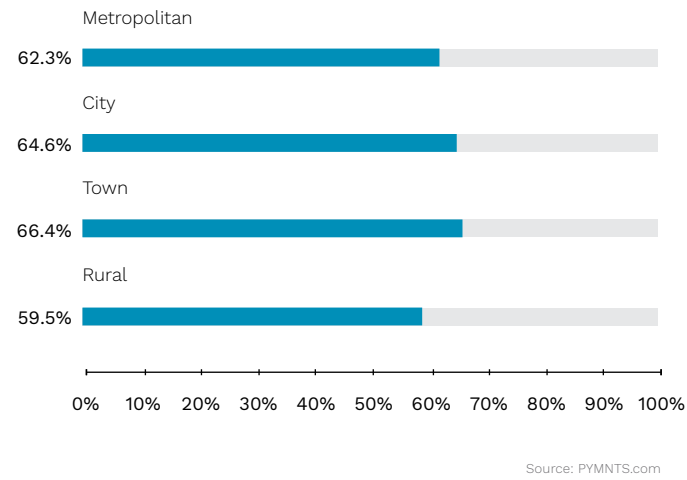
Source: PYMNTS.com

**FIGURE 2:**  
**TOP REQUISITE FOR ECONOMIC RECOVERY OF THE LOCAL COMMUNITY**  
Main Street SMB owners' perceptions of the top requisite for economic recovery of the local community

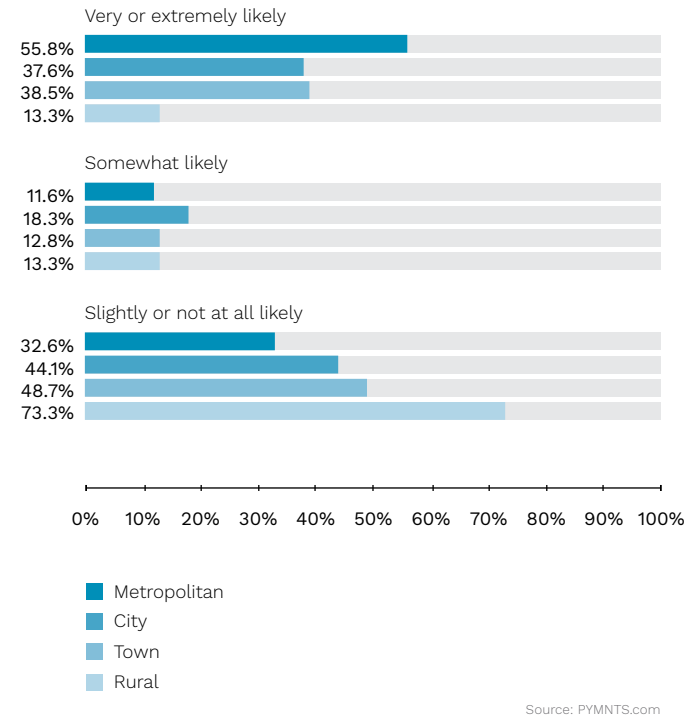


Source: PYMNTS.com

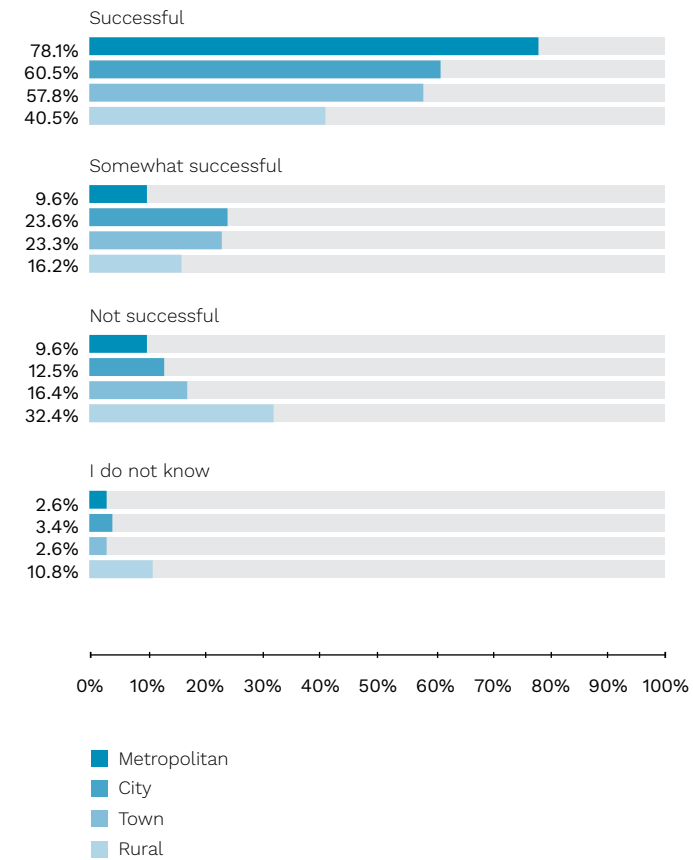
**FIGURE 3:**  
**SHARE OF VACCINATED MAIN STREET SMB OWNERS**  
Share of respondents who are vaccinated, by geography



**FIGURE 4:**  
**SHARE OF MAIN STREET SMB OWNERS WHO WILL GET VACCINATED**  
Respondents' likelihood to get vaccinated in the next three months, by geography



**FIGURE 5:**  
**VACCINE'S EXPECTED SUCCESS IN CONTROLLING THE SPREAD OF THE COVID-19 VIRUS**  
Main Street SMB owners' expectations for the vaccine's success in controlling the spread of the COVID-19 virus and its variants, by geography



**59%**  
**OF RURAL**  
**MAIN**  
**STREET SMB**  
**OWNERS ARE**  
**ALREADY**  
**VACCINATED.**

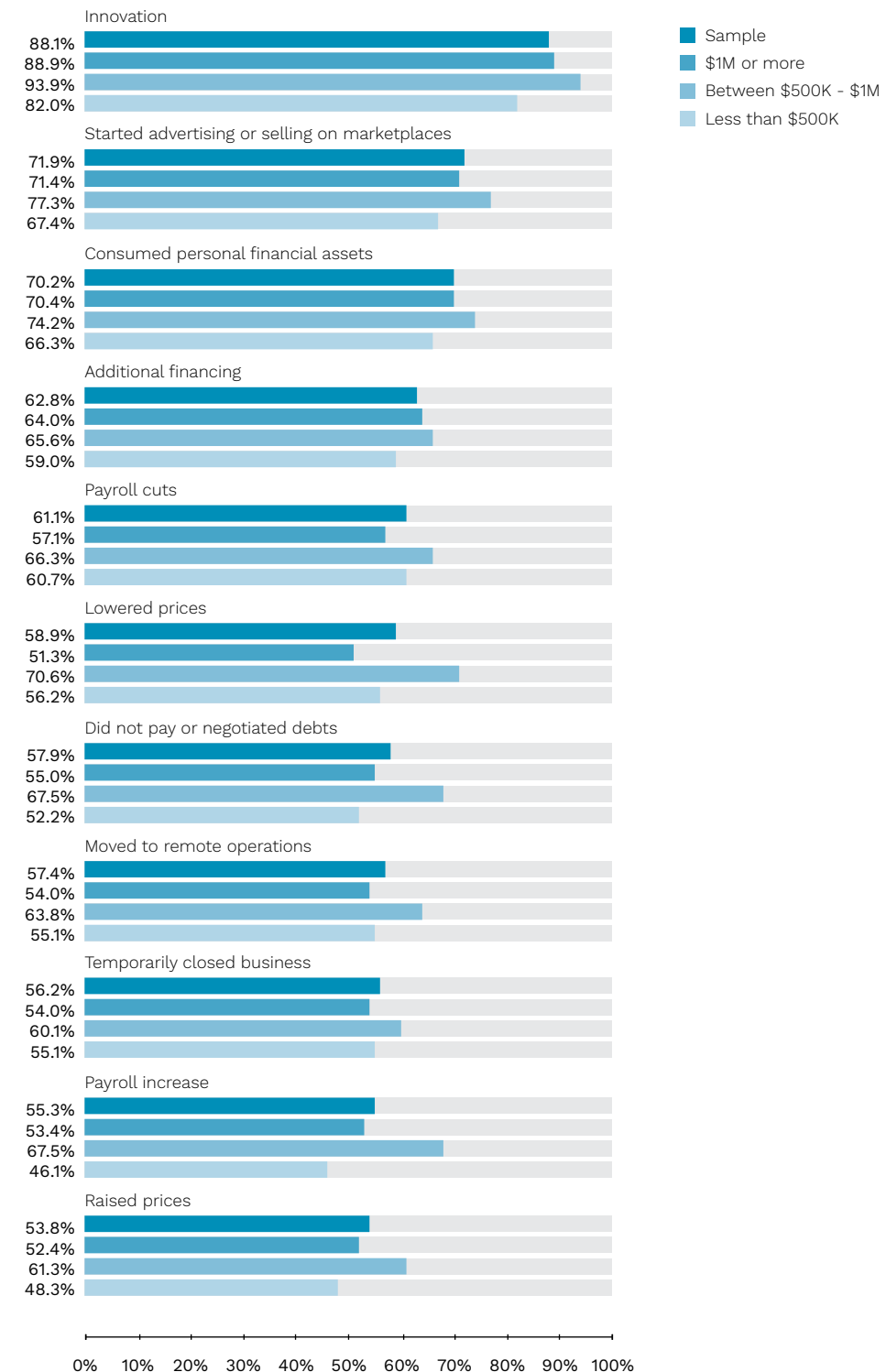
PART II: MAIN STREET MAKEOVER: SMBs RESHAPE THEIR BUSINESSES

**Main Street SMBs are making moves to be nimbler, with nine out of 10 prioritizing innovation strategies to adapt to new market realities.**

Ninety-four percent of manufacturing Main Street SMBs are making efforts to innovate their businesses.

The adoption of innovation strategies has become commonplace, with an overwhelming 88 percent of Main Street SMB owners saying they implemented some type of innovation, such as touchless technology and digitization, during the pandemic. Main Street SMBs in the technology sector lead on these investments, with 96 percent reporting that they implemented innovation strategies during the pandemic. Manufacturing, professional services, construction and retail trade followed at 94 percent, 92 percent, 85 percent and 65 percent, respectively. Seventy percent of Main Street SMB owners overall have invested in equipment that supports touchless experiences, 56 percent have expanded their product offerings and 47 percent have invested in digital transaction support. Larger Main Street SMBs are more likely to have implemented innovation strategies, with 94 percent of these SMBs with annual revenues of \$500,000 to \$1 million having implemented innovation strategies compared to 82 percent for those with revenues of less than \$500,000.

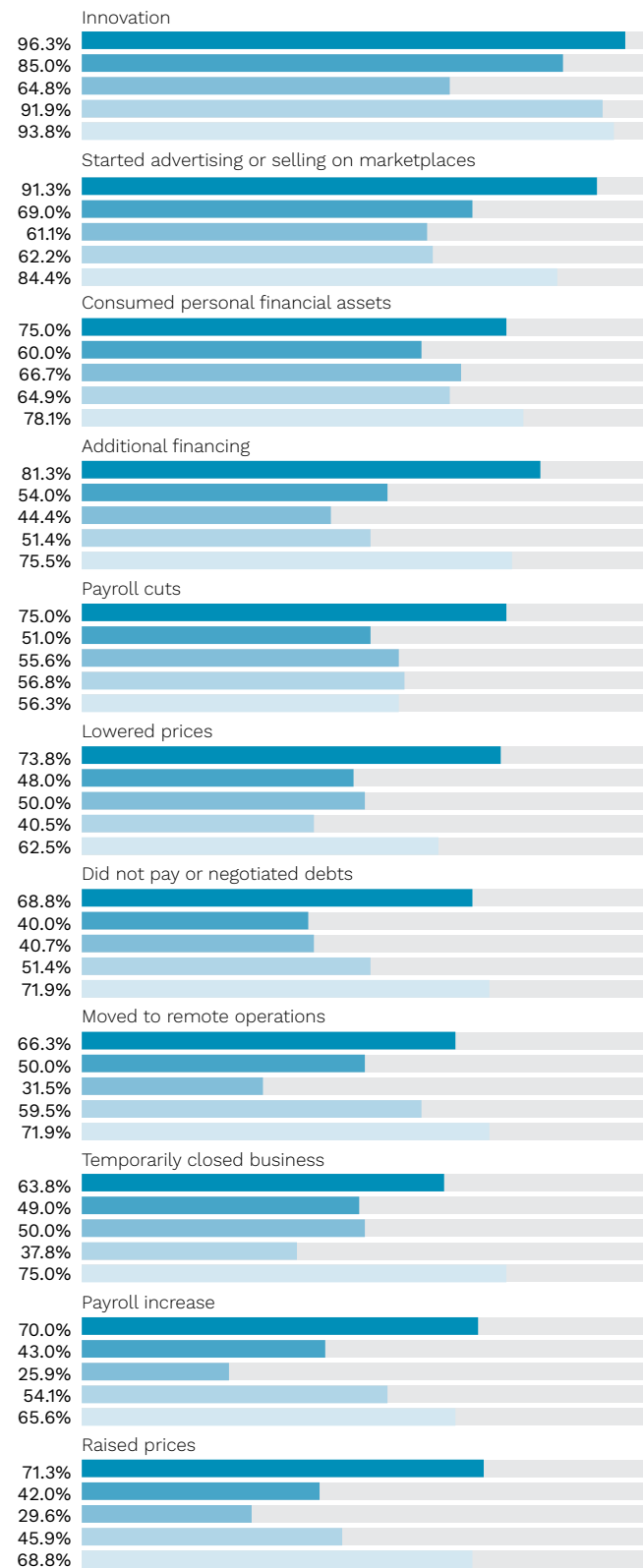
**FIGURE 6:**  
**STRATEGIES AMONG MAIN STREET SMBs**  
Figure 6a: Strategies implemented, by firm size



Source: PYMNTS.com

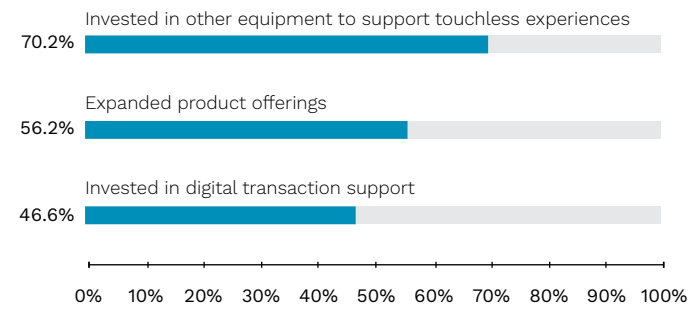
**FIGURE 6:**  
**STRATEGIES AMONG MAIN STREET SMBs**

Figure 6b: Strategies implemented, by segment



Source: PYMNTS.com

Figure 6c: Innovation strategies implemented



Source: PYMNTS.com

PART II: MAIN STREET MAKEOVER: SMBs RESHAPE THEIR BUSINESSES

**One-quarter of Main Street SMBs are seeing sales increases through their own websites or social media channels, far outpacing sales growth from other channels.**

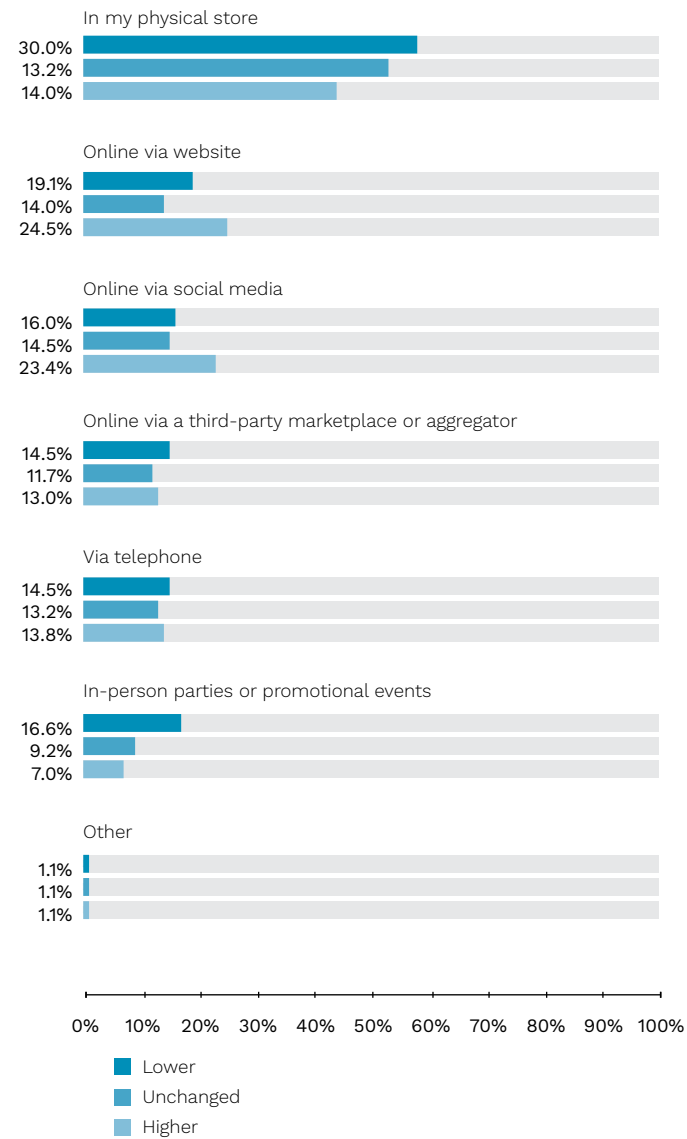
Main Street SMBs looked to other channels to market and sell their services and products as CDC restrictions reduced in-store transactions. Thirty percent of Main Street SMBs that reported a change in sales noted lower sales in their physical storefronts now relative to March 2020, and only 10 percent of all Main Street SMBs currently rely solely on their brick-and-mortar locations.

More than 80 percent of Main Street SMBs now use the web to conduct at least part of their business, though most combine their online presences with physical interactions, such as in-store visits or promotional events. Just 18 percent have an online-only presence. SMBs' social media pages and websites account for the highest increases in sales relative to March 2020 at 23 percent and 25 percent higher, respectively.

Smaller Main Street SMBs — those with annual revenues of less than \$500,000 — are least likely to cite their websites as a source of increased sales. Only 33 percent of this group boosted sales from their websites compared to 48 percent among Main Street SMBs with revenues between \$500,000 and \$1 million.

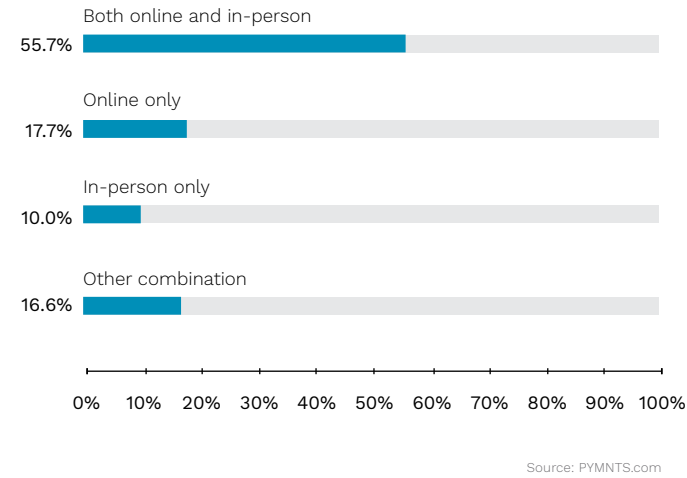
**FIGURE 7:**  
**MAIN STREET SMBs' SALES CHANNELS**

Figure 7a: Sales channels currently used to distribute products or services to customers



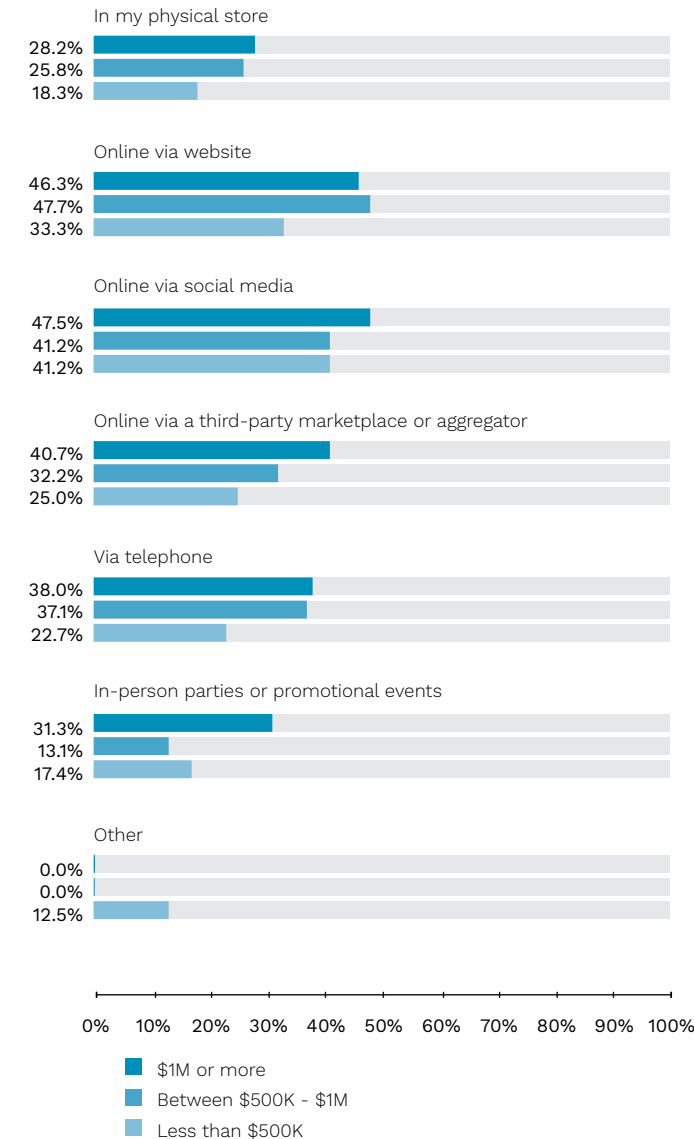
Source: PYMNTS.com

Figure 7b: Change in sales through select channels relative to March 2020



Source: PYMNTS.com

Figure 7c: Share citing increased sales in select channels, by firm size



Source: PYMNTS.com

**MORE THAN  
80%  
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III: MAIN STREET SMBs MAKE INVESTMENTS IN THEIR FUTURES

**Main Street SMBs are bullish on the future, and 48 percent say they will make investments in their businesses going forward, with technology firms leading the way.**

Half of all Main Street SMBs are planning to make investments in a variety of areas, such as in new employees, additional equipment and advertising. Interest in these investments is particularly high among Main Street SMBs in the technology sector, with 61 percent of these firms saying they are “very” or “extremely” likely to invest in their businesses in the next six months. Main Street SMBs in the manufacturing (56 percent), professional services (54 percent) and construction and contracting (54 percent) segments follow, and retail trade lags behind at 37 percent. Only 25 percent of Main Street SMBs are unlikely to invest in their businesses in 2021.

Main Street SMBs optimistic about the vaccination rollout are most likely to make investments, with 62 percent of those that believe vaccination will be “very” or “extremely” successful planning to do so. This share is just 24 percent among Main Street SMBs that are pessimistic about the vaccine’s effectiveness.

**FIGURE 8:**  
**LIKELIHOOD OF MAIN STREET SMBs MAKING INVESTMENTS IN THE NEXT SIX MONTHS**  
Figure 8a: Likelihood of Main Street SMBs making investments in the next six months, by segment

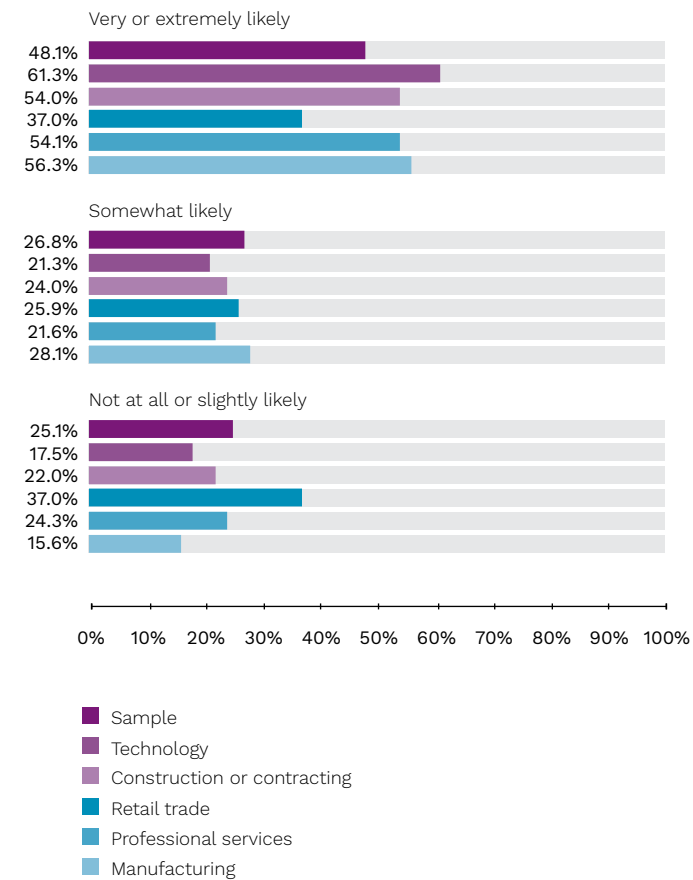
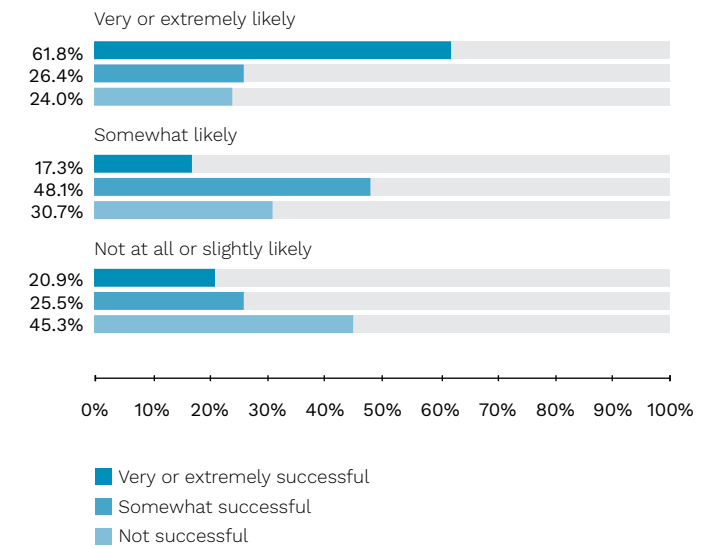


Figure 8b: Likelihood of Main Street SMBs making investments in the next six months, by expected vaccination success



Source: PYMNTS.com



III: MAIN STREET SMBs MAKE INVESTMENTS IN THEIR FUTURES

**Two-thirds of Main Street SMBs that saw decreased revenues in 2020 believe things will change for the better.**

Twenty-five percent of Main Street SMBs that expanded in 2020 believe they will continue to do so this year.

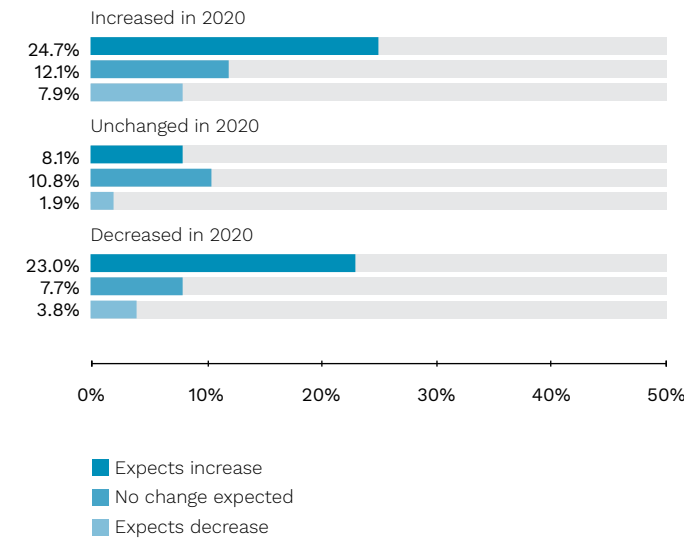
Main Street SMBs expect to see revenue growth in 2021, with the professional services and retail segments being the most bullish. Forty-five percent of Main Street SMBs overall expect revenues to increase in 2021, and this share is 62 percent among professional services firms, 61 percent among retail companies and 56 percent among technology businesses. The manufacturing segment is at the other end of the spectrum, with 16 percent of these firms expecting a decrease in revenue. Twenty percent of the Main Street SMBs in the technology sector anticipate a decrease.

Those optimistic about the vaccination rollout are most likely to expect revenue growth, with 60 percent of Main Street SMBs that believe that vaccination will be “very” or “extremely” successful stating they will grow this year compared to 48 percent among those that are pessimistic about the vaccine’s effectiveness.

FIGURE 9:

**MAIN STREET SMBs’ EXPECTED REVENUES**

Figure 9a: Share of Main Street SMBs, by 2020 revenue change and 2021 expectations



Source: PYMNTS.com

Figure 9c: Expected revenues in 2021, by expected vaccination success

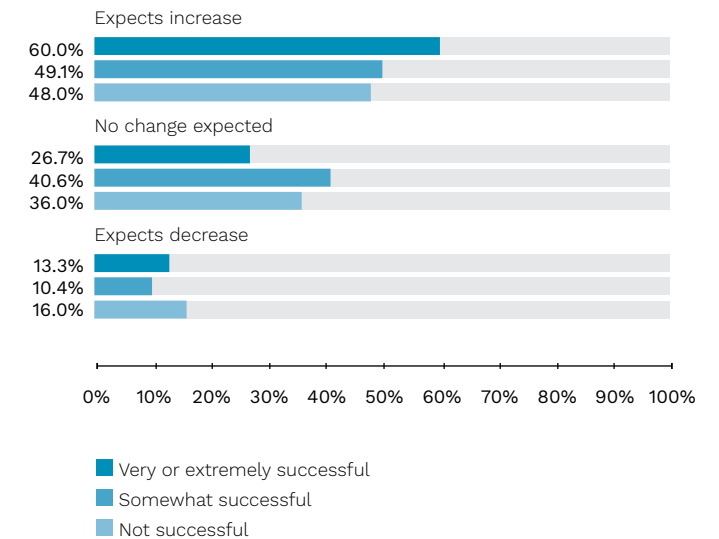
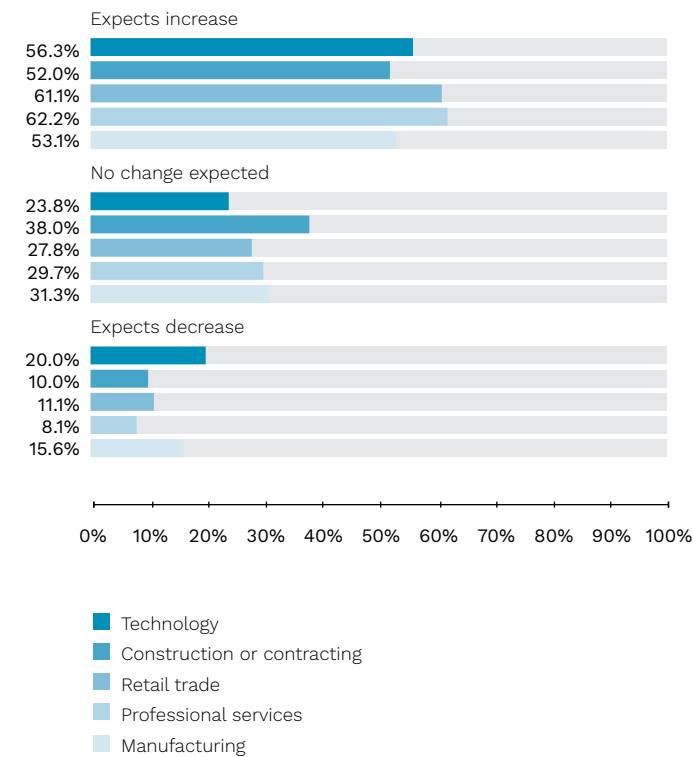


Figure 9b: Expected revenues in 2021, by segments



# CONCLUSION

**V**accination rollouts and lower infection rates are spreading hope that the COVID-19 pandemic may finally be under control, making it the perfect time for Main Street SMBs to assess how innovation can strengthen their businesses. The most successful Main Street SMBs adopted more digital models and implemented innovative tools, giving their customers a choice of multiple channels and better experiences to meet their pandemic-induced needs and expectations. Main Street SMBs believe that the pandemic is waning, and they are thus anticipating increased in-store and online sales, prompting them to begin investing in their businesses to further boost revenues. Main Street SMBs will need to make smart choices to meet consumers' expectations as in-store shopping picks up, while also retaining loyalty among the large number of consumers who made digital shopping shifts that they will likely maintain well into the future.

## METHODOLOGY

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PYMNTS issued a survey to 530 Main Street SMBs between Apr. 22 and May 4 for this installment in our Pandenomics survey series, which examines how small U.S. firms are coping with the financial challenges related to the ongoing public health crisis. Main Street SMBs in our sample hailed from 21 industries, and our analysis focused on how they are planning to stay in business in the event of a second shutdown period, how the availability of vaccines impacts their future outlooks and how they believe their operations will change in the post-pandemic future. We have surveyed 3,232 Main Street SMBs to date.

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