COVID Impacts on North Shore Businesses Study

Phase 1, Mar 2020-Aug 2021

Summary Report September 2021

Small businesses across the Commonwealth have been severely impacted by COVID-19. The North Shore Region has been particularly impacted because small businesses dominate the entire region. In fact, when it comes to the North Shore businesses, at least 84% rely on fewer than 20 employees and 37% have 4 or less employees. This COVID-19 Business Impact Survey will provide information to policymakers, businesses, and others who are making decisions that also impact our region. As such, business owners and non-profit CEOs were targeted to assist in providing us this understanding. The input for this survey was achieved through social media and other online outreach that linked to the survey and direct communications via one-on-one conference calls, focus groups and emails.

The North Shore Alliance for Economic Development (Alliance) brings regional leaders from 30 communities together to explore and act on economic development issues that will help grow the region, including those thatadvance the Commonwealth as a whole. We are grateful to those who contributed to this important survey by taking the survey, providing additional input via focus groups and other communications. This survey would not have been possible without the partnership and support from the following regional leaders who co-sponsored this survey: Enterprise Center at Salem State University, Cape Ann Chamber of Commerce, Greater Lynn Chamber of Commerce, North Shore Chamber, Peabody Area Chamber of Commerce, Salem Chamber of Commerce, Destination Salem, Essex Heritage, North Shore Convention and Visitors Bureau, The Salem Partnership, and Salem Main Streets.

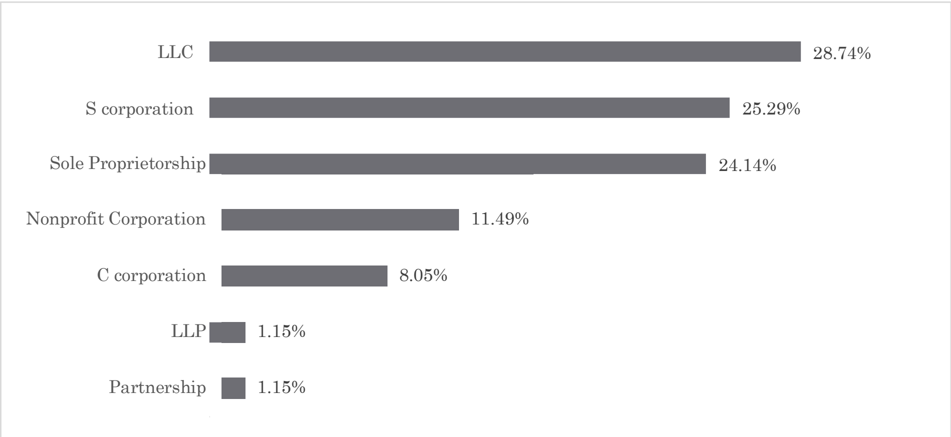
After analyzing the survey data and considering focus groups and individual input, four central themes consistently arose as areas of concern. These included: 1) workforce, 2) raw materials and supply chain, 3) transportation and infrastructure, and 4) marketing and grants. There is an overwhelming concern for the lack of employees available to work, the need for training /job skills for those who are hired, and continued PPP to afford to pay them. Access to raw materials and a consistent, reliable supply of products have also become obstacles. Respondents indicate that transportation issues and infrastructure limitations are barriers that need to be overcome immediately, with a focus on the transportation corridor on the North Shore, access to broadband and better cell reception throughout the region. The fourth area of need surrounds access and information regarding grants, programs and marketing for various industry sectors. The following report will delve deeper into these concerns through a summary of survey and interview questions and responses.

Q1. In what ZIP code is your primary business (place of work) located?

Respondents were businesses located across 22 different Massachusetts communities. The majority were from Salem (42.5%), with significant representation from Beverly (13%), Peabody (9%), and Marblehead (7%). Other communities include: Bedford, Danvers, Framingham, Gloucester, Hannover, Haverhill, Lynn, Middleton, Newburyport, North Reading, Revere, Rockport, Rowley, South Hamilton, Swampscott, Waltham, Wenham, and Wilmington.

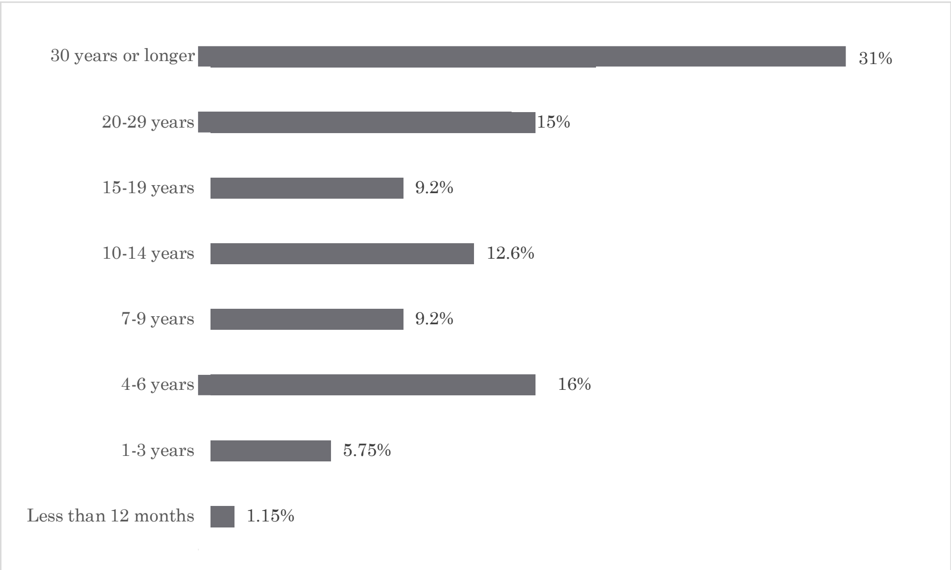
Q2. How do you define your business?

Most of the respondents indicated they were an LLC (28%), S corporation (26%) or a Sole Proprietorship (23%)and there were also a fair number of nonprofit organizations participants (12%).



Q3: How long has current business been in operation?

Almost one-third of the respondents had been in business longer than 30 years (31%), but there were also many businesses that were just starting up when COVID began , with 6% of the businesses less than two years old at the time, and several start-ups within the last year.



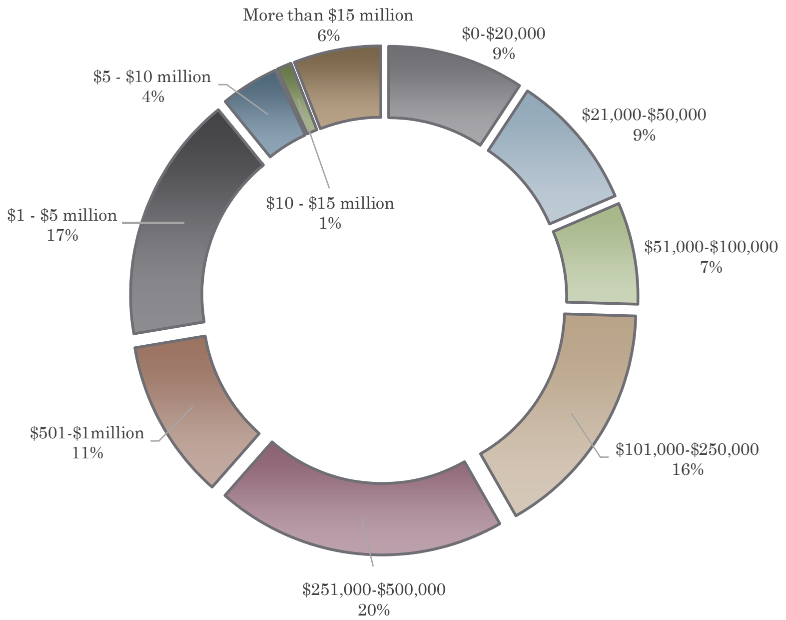
Q4: Under which category is your primary industry?

The following industries were represented in the survey:

- Accommodation Services
- Accounting, Tax Preparation, Bookkeeping & Payroll Services
- Advertising, Public Relations & Related Services
- Architectural and Engineering Services
- Arts, Museums, & Entertainment
- Design Services
- Educational Services
- Finance and Insurance
- Health Care and Social Assistance
- Legal Services
- Management of Companies & Enterprises
- Manufacturing
- Non-profit
- Consulting Services
- Other Professional, Scientific, and Technical Services not listed
- Real Estate, Rental & Leasing
- Religious Organizations
- Restaurant and Food Services
- Retail Trade
- Wholesale Trade

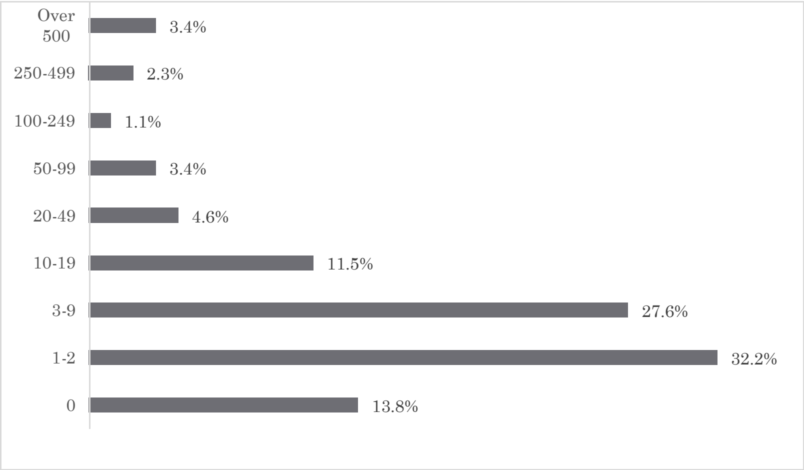
Q5: What is your annual revenue?

Each of the categories of annual revenue were represented amongst the respondents in the survey, and when cross-tabulated with needs and issues (see question 18) they were currently facing it was interesting to note that similar concerns were seen across the financial strata.



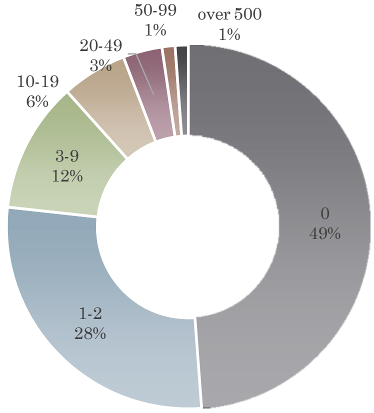
Q6: How many employees did you have in March 2020?

More than half of the businesses and organizations employed less than 10 people, with the highest number of respondents employing 1-2 people, 11% employing more than 50 people and several employing more than 500.



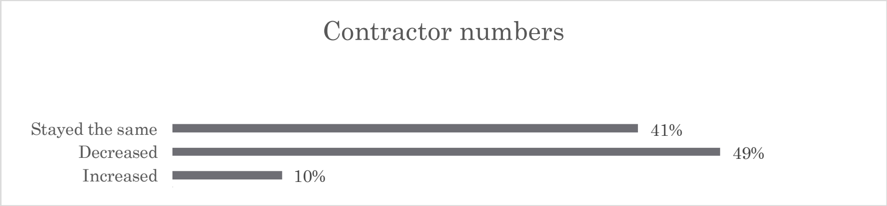
Q7: How many independent contractors did you have in March 2020?

Almost half of all respondents did not employ an independent contractor, but for those that did, 28% employed 1 or 2 contractors, 12% employed 3-9, 10% between 10 and 99, and 1% employed over 500 (1%).



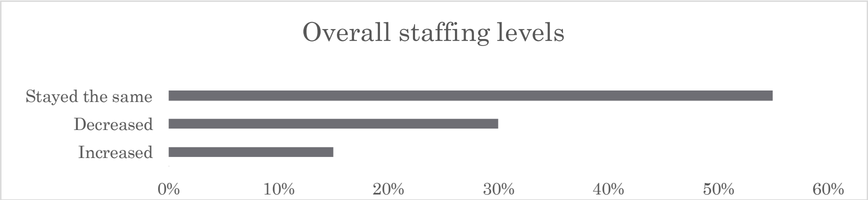
Q8: Between March 2020 and May 2021, have your independent contractor numbers stayed the same, increased or decreased?

Of those who utilized independent contractors, almost half decreased their numbers (49%) while many also increased (10%).



Q9: Between March 2020 and May 2021, have your employee/ staffing levels stayed the same, increased, or decreased?

Surprisingly, we found that over half of the businesses and organizations indicated that staffing levels have stayed the same, one-third saw a decrease and almost 15% increased their employee numbers.



Q10: Since March 2020 what changes have you made that impacted your employees?

Given the overall staffing levels had remained unchanged for many, it stood to reason that many businesses also responded that they did not make any changes that impacted employees (35%). For those who did, the following changes occurred:

None (35%)

Temporarily laid-off employees (22%)

Reduced some positions to part time (21%)

Jobs were eliminated (18%)

Permanently laid-off employees (9%)

Closed business (8%)

Hired contractor/consultants (6%)

Other responses:

- PPP loans enabled us to keep all of our employees
- Added employees
- Limited operating hours
- Work Share
- Tried to hire staff but unable to find qualified applicants
- Staff left due to fear of working with the public
- Gave up office space
- Pay adjustment for employees

Q11: As of today, what other aspects of your business's operations are currently impacted by COVID-19? In order of most often reported:

Restricted spending due to uncertainty (56%)

Decrease in sales (54%)

Adjusted our hours of operation (44%)

Experienced decreases in donations (if you are a non-profit) (39%)

Supply chain interrupted (33%)

Moved to a hybrid model - in person & remote work (30%)

Depleted Savings/Reserves (29%)

Experienced significant increases in consumer demand for certain items (24%)

Orders cancelled (21%)

Employees did not return back to work (18%)

Drew on our line of credit (16%)

Moved to a completely remote operation (11%)

Downsized our existing space (6%)

Completely closed our physical place of business (4%)

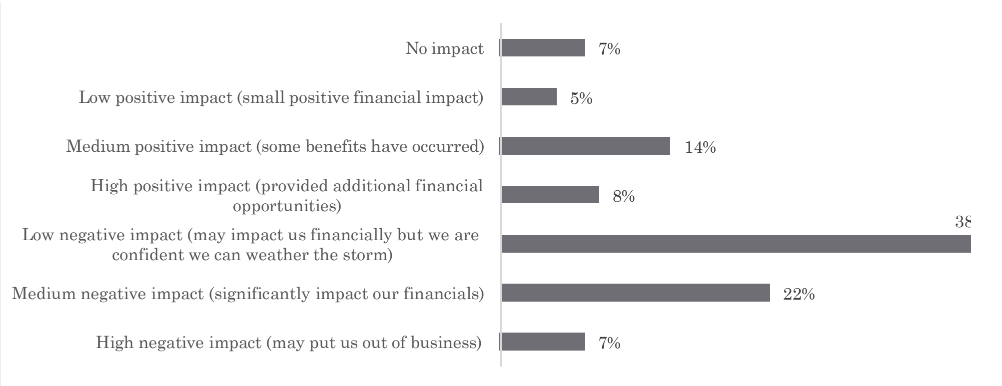
Increased our existing space (1%)

Other responses:

- Needed to purchase PPE to operate safely.
- Kept all employees on, struggled with lower sales and constant expenses.
- I did get PUA first time in my life. Lived on saving before the PUA became available.
- No visiting artists in any schools or libraries.
- Shifted main production to produce goods needed at the time.

Q12: Looking ahead over the next six months, what level of impact do you expect COVID to have on the overall operations of your business?

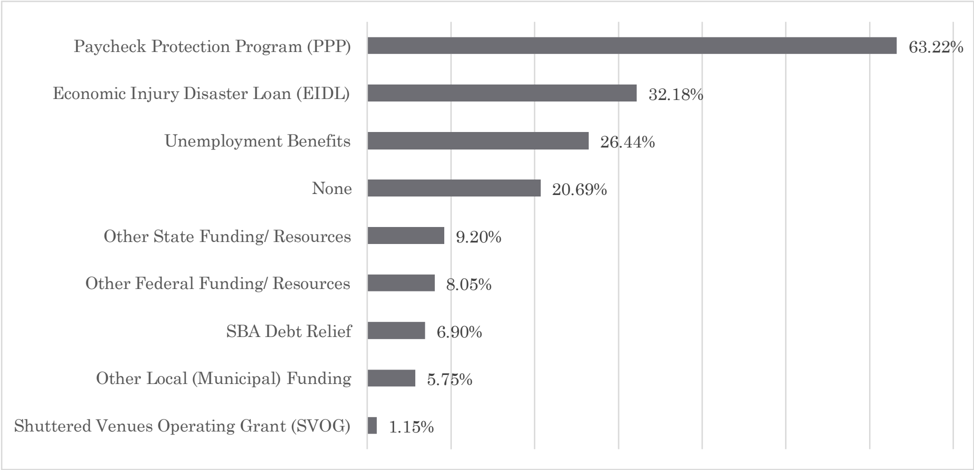
Most businesses are currently forecasting a low negative impact (38%) for the next 6 months whereby there will continue to be financial impacts, but they are not insurmountable. However, it is important to note that almost 30% expect to see at least a significant negative impact on financial and may go out of business (7%).



Q13: What programs/grants or other relief options have you received?

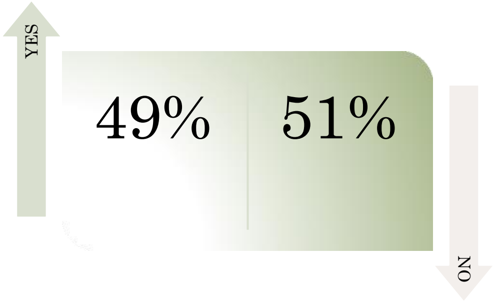
By far the largest form of relief has been the PPP with almost three-quarters of businesses and organizations taking advantage of the Paycheck Protection Program. While many did not receive assistance or relief from the government programs offered, several indicated it was because they either were not aware of the programs, did not have the expertise or time to apply, or did not think they would qualify. Other options that assisted the respondents were:

- Private funding
- Employee Retention Credit on withholding
- MGCC
- Employee Retention Tax Credit (ERTC)
- Technical Assistance Grants
- Targeted Advance from SBA
- Grants from the City of Salem, MA



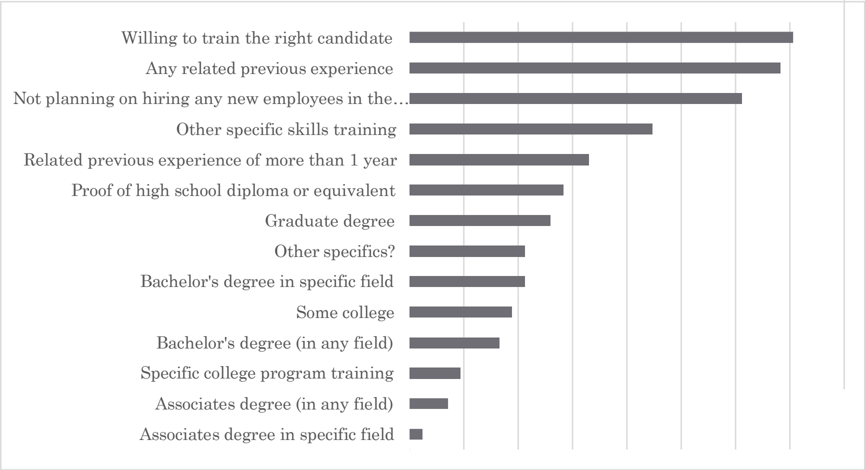
Q14: Are you currently seeking to hire employees?

Just under half (49%) are seeking to hire employees currently.



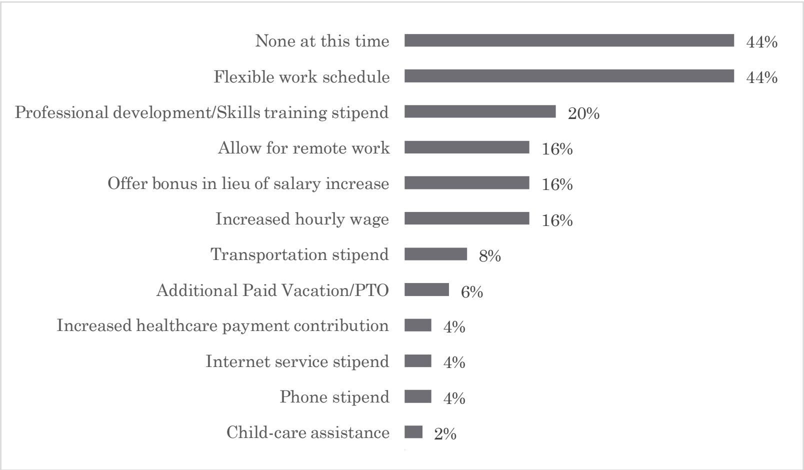
Q15: What types of skills, education and/or training do potential employees need to be hired by you?

Most respondents indicated they are willing to train the right candidate, any previous related experience is preferred, and a high school diploma or equivalent is important.



Q16: What incentives would you be willing to offer employees?

Many of the respondents are unwilling to offer incentives at this time (44%). An equal amount suggest that they would offer a flexible work schedule (44%). Many also are willing to allow for remote work (16%), increased hourly wages (16%) and bonuses (16%).



Q17: If you are working remotely (i.e., not at your primary business location), pleaseprovide the zip code where you would most otherwise work.

Very few respondents indicated that they work remotely in the same location as their primary business (4%) with remote locations spread much further geographically to areas in NH, RI, and across MA.

Q18: Think about the future of your business/company for the next 6 months. What will you need to sustain your business and/or see future growth?

Most of the responses centered around the need for customers, sales, donations and employees. Supply chain issues are prevalent amongst certain industries that produce or manufacture goods, while those in the hospitality, tourism and retail industries voice concerns around lack of marketing.

Comments are grouped into categories below beginning with the highest number of responses to the fewest:

- Increase in Customers, Sales and/or Donations. Many comments included need for increased revenues, programs and marketing to keep customers coming in. Much of the concern stems from a need for increased cash flow and revenue.
- More employees/contractors to keep up with the demand. The inability to find appropriate workers is echoed repeatedly throughout the responses.
- City/region wide marketing collaborations. Marketing is mentioned in over ¼ of the responses.
- Consumer confidence and local leadership support. This extends to people feeling comfortable and safe, and the need for events and other tourism activities and businesses to be able to open up more hours.
- Loan forgiveness and approved grants to be received. Assistance with new grants and understanding what help is available.
- Renegotiate rent and downsize space. Equal numbers of responses indicate a need for more/different space.
- Better supply chain.
- More hospitable business climate in certain communities. Many would like to see business planning assistance to better deal with current climate.
- Assistance to deal with growth. Several businesses are seeing exponential growth and need assistance in managing it and obtaining employees and supplies to support growth. Other growth concerns involve the need to invest in new equipment and processes and need assistance to do so.
- Childcare.

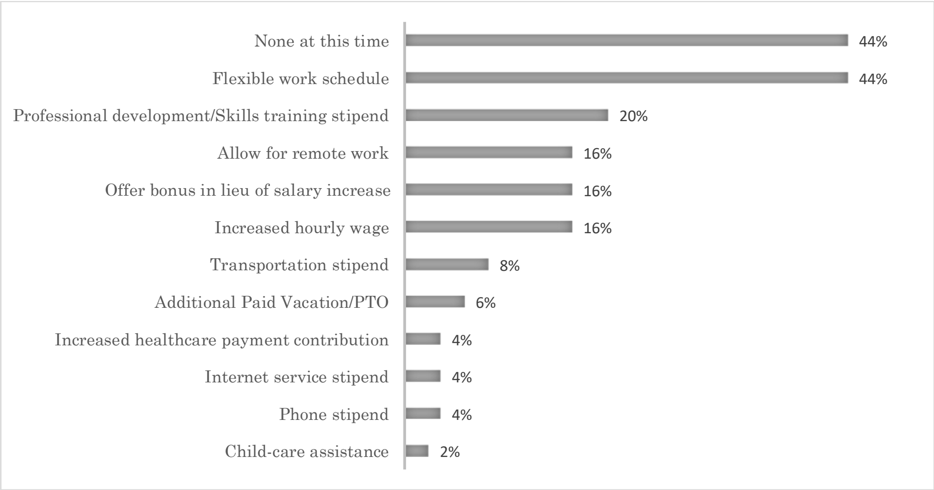
Q19: Please think about the policies and programs that have been initiated since COVID-19 began. What changes have been helpful, or would you like to see kept inplace?

- By far the largest response surrounded the use of remote meetings and flexible work hours/space/location as being helpful and will be kept in place. Zoom, Teams, WebEx are all considered great tools and many respondents responded that they would continue to work on ways of allowing employees to work remotely.

- The availability and use of PPP, Small Business Technical Assistance Grants, PUA, Mass GCC grants, EIDL, Restaurant Relief Act and other similar grant programs were echoed over and over. These types of assistance programs and grants are particularly important for small businesses and independent contractors to continue for the foreseeable future. Some respondents indicated a need for help in the application process. Focus group weighed in and added that perhaps information and workshops to educate and assist would be helpful.
- Mask mandate and cleaning protocols helped many respondents.
- Unemployment insurance and payouts had advocates on both sides with some appreciating its availability and others indicating it was a deterrent to hire workers.
- CARES Act funds, insurance reimbursement for virtual medical visits, waiving state-to-state licensing restrictions to enable us to hire more readily, technology investments.
- Extended outdoor dining, lower UberEATS fees, allowing beer/ wine takeout, smaller tour groups were all seen as helpful and continue to be needed.

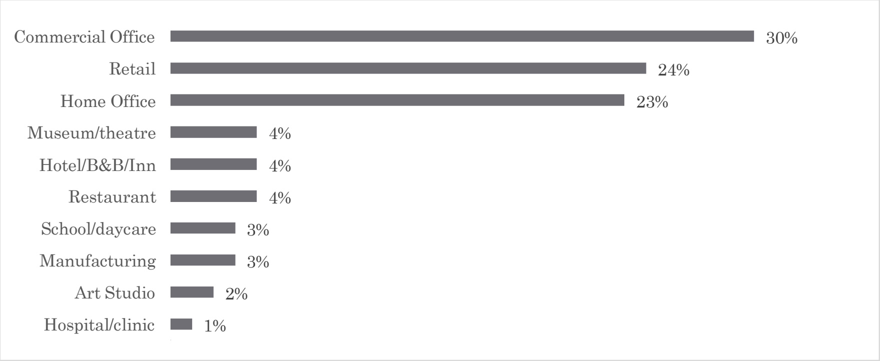
Q20: What type of assistance/resources do you need right now?

Most of the respondents indicated they did not require additional resources or assistance beyond a flexible work schedule, but that help with training and/or professional development would be beneficial. Secondary concerns surround allowing for remote work, offering employees bonuses, and increasing hourly wages.



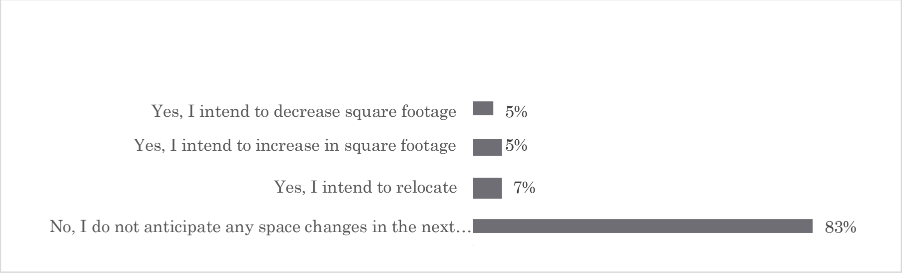
Q23: What type of business space do you have?

Most of the respondents utilize a commercial office for their business space (30%). The second highest type of business space among respondents is retail, following closely with 23% working from a home office.



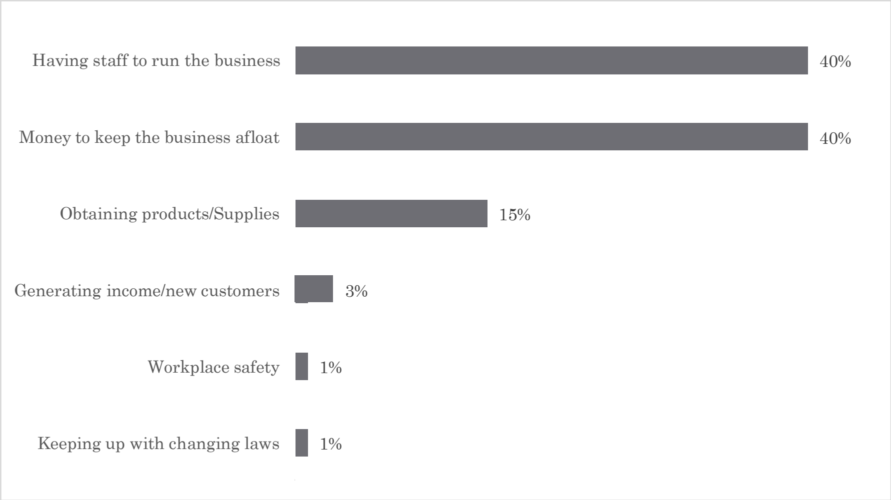
Q21: Do you anticipate the need to change your current business space

The vast majority of respondents do NOT anticipate needing to change their business space over the next year (83%).



Q22: Please choose ONE of the following that you see as your BIGGEST challenge in the next 6 months

When respondents were asked to identify their biggest challenge, equally we see employment and working capital as the main concerns moving forward. Having staff to run the business and having enough money to keep the business afloat were chosen by 80% of the respondents (40% for each). Surveys also indicated that supply chain issues were of significant note, with 15% having difficulty obtaining products and supplies.



Focus Group and Interview Summary

In addition to the survey, many people volunteered their time to join in focus groups, email correspondences, telephone calls and Zoom interviews to add further insights into the issues raised in the survey. These participants represented a cross section of small business owners, sole proprietors, non-profit organizations, as well as large businesses from both the private and public sectors.

Discussions centered around four primary questions:

- What are your current business plans/expectations for the next 3-5 years and how do these plans differ from your pre-pandemic plans?
- What support(s) do you need in place to be successful with these plans?
- What are the main challenges you are facing currently?
- What type of help do you need to remain successful?

Overall, companies and organizations continue to plan for growth. Most cite that their plans are not significantly different due to COVID, but rather due to a change they are seeing overall in the economy. Certainly, some facets and impacts of COVID have made it incredibly difficult to continue business "as is" or rather "as it was", but the challenges seem to be systemic at this point with most respondents indicating they do not see a complete return to what used to be.

CENTRAL THEMES:

1. Workforce
   a. Lack of employees
   b. Training/job skills
   c. PPP to afford employees
2. Raw Material and Supply Chain
   a. Access
   b. Supply
3. Transportation/Infrastructure
   a. Restricts supply access (i.e. poor transportation is creating external diseconomies through unreliable and inefficiencies in the supply chain)
   b. Access to broadband and better cell reception is critical
4. Marketing and Grants
   a. Information and access

FUTURE CONCERNS

All respondents echoed the same themes, with a focus turning to:

- ❖ Sustaining a viable workforce
  - ➢ Inability to hire employees
  - ➢ Need to continue to offer PPP to offset payroll and allow revenue to catch up with employee-related expenses
  - ➢ Better balance of remote employees and trying to get people back in face-to-face settings
- ❖ Gaining access to raw materials and ensuring consistent supply chain
- ❖ Need for Information

- Understanding what programs are available for assistance and keeping up with the changes in legislation.
- Wellness programs, recreational opportunities and general social gathering options are not well understood but are needed.
- Regional networking opportunities and business marketing efforts. Many would like to see more efforts at promoting business beyond small areas (such as downtowns), increasing consumer confidence, and creating opportunities for like businesses, or those who share a similar supply chain to work together beyond the local or direct geographies.

- Overcoming transportation and infrastructure deficits.

OBSTACLES TO ACHIEVING SUCCESS:

- Need help with PPP and other program/grant information, Covid information and policies (including masking and safety and vaccination policies), furloughs/unemployment and workshare.
- Catch22 situation.
  - "Can't get revenue to cover payroll. Price war, so profits are down in many industries. If we can't pay people, they leave, then can't service our customers, so can't generate revenue".
- Dependable childcare.
  - Schools and daycare have become unreliable according to many parents. Costs have increased and day-to-day planning is difficult due to uncertainty of whether or not they will be open the following day or will their children be sent home.
- Bank financing.
  - More capital needed to achieve longer term goals and planning but perceived as difficult to obtain.

SHORT TERM NEEDS:

- PPP or other loan/grant programs to be able to keep employees they have.
- Regional Networking Opportunities beyond business to business.
  - Location mismatch – some communities have employees but no jobs, others need them but can't find anyone.
- Cost control on good and services.
  - "Pandemic inflation" is a term that was widely used to explain that businesses and consumers alike are paying more for goods and services.
- Transportation corridor improvements needed.
  - Commuting problems

- Access to public transportation unavailable between some locations where employees are to get to where employment is.

- Government to hold taxes where they are and do not make any further regulatory changes for another few years until all pandemic issues have been resolved.

A final 'warning' was offered several times that "COVID is not over for those of us who make our living on activities that some consumers still consider dangerous, and it won't be for a long time."

We would like to thank the following people for their assistance and invaluable insights:

Laura Swanson
Noreen Hazelton
Mary Sarris
Beth Debski
Lisa Breslin
Bernadette Butterfield
Ana Campos
Bill Cole
Grace Concepcion
Albert Creighton
Carisa Cunningham
Kathy DeLomba
Tim Doggett
Tom Dusenberry
Ginny Eramo
Laura Fleming
John Flinn
Marcia Griesdorf
Judy Hall
Doug Hardy
Michael Harrington
Barb Johnson
Richard Jones
Claire Kallelis
Susan Kanoff
Julie Karaganis
Karen Kenney
Rose Manganello
Kara McLaughlin
Jessica Moody
Sarah Narcus
Joey Nicotera
Laurie Oesterle
Lisa Pais
Bob Ryan
Jill Santopietro Panall
Diane Smith
Wendy Snow-Lang
Michael Sperling
Kara McLaughlin
Elise Nash
Gayle Nowak
Amy Shapir
Jillian Perry
Ann Sousa
Kristina Stevick

Surveys, focus groups, and interviews were conducted by Professor Lorri Krebs from the Center for Economic Development & Sustainability at Salem State University.

Formatted: Indent: Left: 0"