The impact of the COVID-19 global pandemic on consumer and merchant behavior and the shift to a digital-first world. Pandenomics is a proprietary research and analytic framework and series of insights that measure the shift away from the physical world to a digital-first experience. This framework makes it possible to accurately profile the characteristics of these digital shifters as consumers place an increasing priority on preserving their health and safety as a result of COVID-19, and that of their family and loved ones, on the decisions they make about doing business in the physical world.
The COVID-19 pandemic was first declared on March 11, 2020, and it has already lasted longer than the businesses lining Main Street USA originally anticipated. The average Main Street small to mid-sized business (SMB) expected it to last 177 days back in March. We are now 225 days into the pandemic, and small business owners are being forced to reassess their expectations and adapt to the reality of the current global healthcare and economic crisis.

This means that Main Street SMBs have had to make radical changes to their operations just to stay afloat. The stay-at-home and shelter-in-place orders imposed on them at the beginning of the pandemic dealt a harsh blow to their revenue streams, and the precipitous drop in consumer demand for in-store shopping experiences weakened their financial stability even further. This left many business owners eagerly awaiting the time when their local economies would reopen and hoping that lifting restrictions might bring their customers back and save them from financial ruin.

It is now September. Each and every American state has begun reopening to some degree, and we are able to assess just how much of an impact the reopening of local economies has had on these businesses’ balance sheets. Has reopening helped Main Street SMBs regain their financial footing, or were business owners’ hopes of economic recovery merely wishful thinking?
PYMNTS issued the first of our Main Street SMB surveys from across the United States on March 24 to learn how the economic fallout from the COVID-19 pandemic was impacting their businesses. We have released similar surveys on a regular basis ever since, surveying more than 3,500 Main Street SMB owners to date and publishing the results of our detailed findings in our Main Street On Lockdown brief series.

Our latest study draws from data collected on 456 Main Street SMB respondents from across the U.S. on Aug. 6 through Aug. 10, analyzing just how much their finances have changed since March, the extent to which crisis mitigation legislation such as the Paycheck Protection Program (PPP) has or has not helped them regain their financial standing and how they are planning to prepare their businesses for the likely possibility that they will be forced to endure another lockdown and prolonged disruption to their revenue streams.

This is what we learned.

MAIN STREET SMBs FEEL MORE FINANCIALLY CONFIDENT THAN THEY HAVE IN MONTHS, BUT LOW FUNDS AND OVERCONFIDENCE COULD ALSO POTENTIALLY DERAIL THEIR CHANCES OF SURVIVAL.
More than half of all Main Street businesses now say they will survive the pandemic, a rise from the 42 percent that said so in March.

Main Street SMBs are generally more confident now than they were in March. Fifty-four percent of all SMBs now say they feel confident that they will be able to stay open through the end of the pandemic, yet just 42 percent felt the same in March.

Many SMBs are more confident now because they feel their financial stability has improved during the past few months: 24 percent of all SMBs say their financial situation has improved since two weeks into the pandemic when it was declared in March. We found that 65 percent of SMBs say their finances have gone largely unchanged and 12 percent say their financial situations have deteriorated since then.

It is crucial to note that many of the Main Street SMBs reporting improved finances since March were already financially stable to begin with, however. Our survey shows that 69 percent of the SMBs saying they are not at risk now were already sure they would be able to stay open when the pandemic began. Only 29 percent of SMBs that reported being sure back in March that they would not be able to stay open through the end of the pandemic now feel they are not at risk of closing.

Main Street SMBs that were unstable in March are more likely to say that their financial situation has remained largely unchanged since then. We found that 58 percent of Main Street SMBs that were sure they would not survive the pandemic in March now say their finances have not changed and their businesses are still at risk of closing. Another 12 percent say their financial situation has improved, but they remain at risk of closing. This suggests that although the overall outlook of many Main Street SMBs appears to be improving, many that were struggling to stay afloat before are still struggling.

**FIGURE 1:**
**HOW MAIN STREET SMBs' FINANCIAL STABILITY HAS CHANGED SINCE MARCH**
Share that say they are either stable or unstable and whether their finances have changed in select ways

**FIGURE 2:**
**HOW MAIN STREET SMBs' FINANCIAL STABILITY HAS CHANGED SINCE MARCH**
Share that say they are either stable or unstable and whether their finances have changed in select ways, by likelihood of survival stated in March
The Main Street businesses most bullish about their long-term recovery are those with pent-up demand and no satisfactory digital alternative: restaurants and construction.

Not all industries are recovering quickly. Restaurants and construction firms are the most confident that they will be able to stay open, while professional service and retail trade firms are the least confident about staying in business. Sixty-one percent of all restaurants and 61 percent of all construction firms are confident they are not at risk of closing before the pandemic ends. Just 44 percent of all professional service firms say the same. Retail trade firms and manufacturing are also on less steady ground than restaurants and construction firms, with 53 percent saying they are sure they will be able to remain open through the end of the pandemic.

**TABLE 1:**

**HOW MAIN STREET SMBs’ FINANCIAL STABILITY HAS CHANGED SINCE MARCH**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Construction or contracting</th>
<th>Technology</th>
<th>Retail trade</th>
<th>Manufacturing</th>
<th>Professional services</th>
<th>Restaurant</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOT AT RISK</td>
<td>47.1%</td>
<td>40.0%</td>
<td>32.3%</td>
<td>38.3%</td>
<td>27.8%</td>
<td>33.3%</td>
</tr>
<tr>
<td>• Unchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Improved</td>
<td>14.1%</td>
<td>15.0%</td>
<td>21.0%</td>
<td>14.9%</td>
<td>16.7%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>

| AT RISK                     | 23.6%                      | 21.3%      | 24.2%        | 25.5%         | 36.1%                 | 33.3%      |
| • Unchange                  |                            |            |              |               |                       |            |
| • Improved                  | 3.5%                       | 12.5%      | 8.1%         | 10.6%         | 11.1%                 | 5.6%       |
| • Worsened                  | 11.8%                      | 11.3%      | 14.9%        | 10.6%         | 8.3%                  | 0.0%       |

Source: PYMNTS.com
Main Street business optimism is up because consumer demand is starting to return. Daily sales give Main Street businesses more confidence in their overall financial stability — even though many are still operating at reduced capacity.

The pandemic dealt a harsh blow to the businesses on Main Street USA when it was first declared, but that impact is beginning to wane. Only 9.9 percent of SMBs now say they are closed because of the pandemic, compared to 33.9 percent that had to close solely as a result of the pandemic in March. Far fewer SMBs now report being limited by capacity restrictions than just a few weeks ago. Twenty-five percent of Main Street SMBs now say they are operating with capacity restrictions, whereas 38.6 percent reported the same in March.

This experience contrasts sharply with those of SMBs that are still dealing with reduced consumer demand and operating with capacity restrictions, however. Main Street SMBs that are at risk of closing before the pandemic ends are the most likely to say their firms have been impacted by an increase in consumer demand and by capacity restrictions. They are also more likely to have already closed at some point. Thirty-eight percent of Main Street SMBs that are at risk of closing say they have been impacted by a significant decrease in consumer demand, and 29 percent say they have been impacted by capacity restrictions at some point since the pandemic began. Thirteen percent say they have had to close at some point since the pandemic was first declared. Among Main Street SMBs that are not at risk of closing, 25 percent say they have been impacted by significant decreases in consumer demand, 22 percent have been impacted by capacity restrictions and 8 percent have had to close their businesses.
FIGURE 4: HOW THE COVID-19 PANDEMIC’S IMPACT ON SMBs HAS CHANGED OVER TIME

Share of SMBs that say they have experienced significant decreases in consumer demand since the pandemic began, by risk of closure.

- Significant decrease in consumer demand
  - Not at risk: 25.0%
  - At risk: 38.5%

- Partial remote workforce
  - Not at risk: 28.8%
  - At risk: 28.8%

- Capacity restrictions
  - Closed business: 21.8%
  - Partially open: 28.8%

- Shift to online via website or phone
  - Not at risk: 29.4%
  - At risk: 24.0%

- Full remote workforce
  - Not at risk: 16.9%
  - At risk: 24.0%

- Shift to drive-thru, drop off or curbside pickup services
  - Not at risk: 32.0%
  - At risk: 24.0%

- Migrated online via website or phone
  - Not at risk: 20.7%
  - At risk: 20.7%

- Shift to online via third-party aggregator or marketplace
  - Not at risk: 27.0%
  - At risk: 16.3%

- No impact
  - Not at risk: 4.8%
  - At risk: 4.8%

- Doing better after the pandemic
  - Not at risk: 4.8%
  - At risk: 4.8%

Source: PYMNTS.com
Main Street businesses still face a cash flow crunch. Seventy-two percent do not have more than 30 days’ worth of cash on hand and need daily sales to keep their cash flow engine running.

Many Main Street SMBs appear more confident in their financial stability now than they were before, but this confidence may not reflect their financial reality. Seventy-two percent of all firms still do not have enough funding to stay open for a month if their cash flow is interrupted, for example, and 39.3 percent of firms have only enough funding to stay open for one week or less if their cash flow is interrupted.

This cash flow shortage is widespread, even among firms that do not feel as though they are at risk of closing before the pandemic is over. We discovered that 67.5 percent of these firms said they do not have enough funds to stay open for longer than a month if their cash flow is interrupted, and 79.1 percent of Main Street SMBs that feel as though they are at risk of closure believe they would not be able to stay open for a month if their revenue streams are interrupted.

The fact that so many firms have so little in emergency funds means that many would likely be unable to survive if they had to shut down again, yet shutdowns might be required if COVID-19 infection rates rise enough. This scenario is becoming more likely as the U.S. case count continues to climb, increasing from 4.4 million confirmed cases in July to 6 million confirmed cases in August.¹

Firms in different industries tend to have different amounts of funds available in case of emergency. Restaurants tend to have the most in emergency funds, for example: 14 percent say they have enough stored away to stay open for more than three months. Not a single professional service or manufacturing firm in our study reported having access to so much in emergency funds.

On the other end of the spectrum are technology firms and retail trade firms, which are the two least likely groups to have access to enough funding to stay open for even a week. Our research shows that 46 percent of technology firms and 42 percent of retail trade firms would not be able to keep their doors open for a week if they experienced a disruption in their revenue streams.

FIGURE 5:
HOW LONG FIRMS CAN REMAIN OPEN WITH THE FUNDS THEY HAVE
Share of firms that have enough funds available to remain open for select amounts of time

FIGURE 6:
HOW LONG FIRMS CAN REMAIN OPEN WITH THE FUNDS THEY HAVE
Share of firms that have enough funds to stay open only for another month or less, by risk of closure

FIGURE 7:
HOW LONG FIRMS CAN REMAIN OPEN WITH THE FUNDS THEY HAVE
Share of firms that have enough funds available to remain open for select amounts of time, by industry

RETAIL TRADE FIRMS ARE AMONG THE MOST VULNERABLE TO A CASH FLOW DISRUPTION, BEING THE SECOND-MOST LIKELY TO HAVE ONLY ENOUGH FUNDS TO STAY OPEN FOR A WEEK OR LESS IN CASE OF EMERGENCY.
Most Main Street businesses think recovery will happen faster than most consumers do. That perception could potentially derail those businesses if they do not have access to capital and daily sales.

Main Street SMBs tend to be optimistic about how long they expect the pandemic to last, but both Main Street SMBs and consumers tend to believe that the pandemic will last longer than they previously thought it would. The average Main Street SMB owner now believes that the pandemic will last 248 more days, months longer than the 177 days they expected it to last in March. The average consumer, on the other hand, expects the pandemic to last 371 more days, more than twice the 145 additional days they expected it to last in March. The pandemic has already lasted far longer than consumers initially expected, and their expectations for how long it will last are continually changing. The longer it lasts, the longer both SMBs and consumers believe it will take before the pandemic’s impact on their businesses and lives will subside.

Main Street SMBs that feel they are at risk of closing before the pandemic ends are the most pessimistic of all. At-risk Main Street SMBs believe it will take an average of 276 days before they recover from the pandemic’s impact. SMBs that are not at risk believe it will take an average of 204 days. This means that at-risk SMBs expect the pandemic to last more than two months longer than SMBs that are not at risk, on average.
Main Street’s Six-Month Checkpoint

PART III: MAKING ENDS MEET

The pandemic’s impact on consumer demand is Main Street SMBs’ biggest risk.

Many Main Street businesses operating with sparse emergency funding are also having revenues decrease directly as a result of the pandemic. Eighty-eight percent of all Main Street SMBs said back in March that the pandemic had a significant impact on their revenues. The share of Main Street SMBs saying the pandemic has significantly impacted their revenues has been going down over time but is still at 75 percent. This underscores just how deep-rooted the Main Street SMB cash flow crisis truly is.

The pandemic’s impact on firms’ bottom lines depends considerably on their industries, however. Restaurants are the most likely to say the pandemic has significantly decreased their revenues, with 94 percent saying so. Technology firms are the least likely to say their revenues have been significantly impacted by the virus, in contrast, with 69 percent of all Main Street technology businesses claiming their firms are suffering reduced revenues as a result of the pandemic. This does not bode well for Main Street at large. The fact that so many businesses are still suffering from reduced consumer demand despite many local economies having reopened to varying degrees strongly suggests that their financial troubles are likely to continue until the pandemic itself has subsided.

This finding is also supported by the fact that Main Street SMBs that have been hit hardest by the pandemic are the most likely to say that their financial stability has worsened since March. Our research found that 86 percent of Main Street SMBs whose financial situation has worsened since the first two weeks of the pandemic say that the health crisis has significantly decreased their revenues. Sixty-two percent of Main Street SMBs that are not at risk and whose financial situations have not changed since the pandemic began say that the pandemic has significantly decreased their revenues.
Main Street businesses are actively managing expenses to improve their cash flow, which includes aligning their workforce with reduced capacity requirements.

Main Street businesses facing cash flow shortages and decreased revenues have few available options for mitigating the pandemic's impact on their finances. Many Main Street SMBs are curbing their costs using other means, particularly by reducing their payroll — whether that means reducing the size of their staff or paying their employees less for the same amount of work. The share of Main Street SMBs that have reduced their payroll has increased since May, in fact, with 42 percent now saying they have taken that action. Thirty-two percent reported doing so in May. It therefore appears that Main Street SMBs are passing on their financial hardships to their employees in many instances.

One aspect of Main Street SMBs’ finances appears to have improved since March: their ability to pay their bills. The share of Main Street SMBs that have not paid their suppliers, rent or other monthly bills has decreased since May. Eight percent of Main Street SMBs say they were not able to pay their suppliers in August, for example, compared to 10 percent that did not pay their suppliers in May.

Main Street SMBs have also gotten better about paying their rent and other monthly bills. Only 8 percent of Main Street SMBs did not pay rent in August, whereas 13 percent did not pay rent in May. Only 6 percent of Main Street SMBs report not paying their other monthly bills now, yet 12 percent of Main Street SMBs did not pay their monthly bills back in May.

FIGURE 13:
HOW FIRMS HAVE ATTEMPTED TO MITIGATE THE PANDEMIC’S FINANCIAL IMPACT
How firms have attempted to mitigate the pandemic’s financial impact, by date

- Reduced payroll
- Applied for PPP
- Did not pay supplier
- Did not pay rent
- Did not pay monthly bills
- Other

Source: PYMNTS.com
PART III: MAKING ENDS MEET

PPP loans have done little to stabilize the Main Street businesses that were most at risk in March.

PPP loans were originally intended to assist businesses that were at risk of closing as a result of the pandemic, but even those businesses appear to have reaped little benefit from the program. Our research shows that 51 percent of all Main Street SMBs that are at risk of closing have had to reduce payroll to mitigate the pandemic’s impact on their finances, even though 44 percent have applied for PPP loans. Main Street SMBs that are financially stable enough to feel they are not at risk of closing before the pandemic ends are less likely to have applied for PPP loans and also to have had to reduce payroll. Thirty-five percent of these Main Street SMBs that are not at risk of closing have applied for PPP loans, and 34 percent have had to reduce payroll to stay afloat.

At-risk Main Street SMBs are also more likely to have stopped paying their suppliers, their rent or their monthly bills in an effort to stay afloat. Twelve percent of them are not paying their suppliers, 13 percent are not paying rent and 10 percent are not paying their monthly bills. We found that 5 percent of Main Street SMBs that are not at risk of closure are not paying their suppliers, 3 percent are not paying rent and 2 percent have stopped paying other monthly bills. This not only underscores the dire financial situation many Main Street SMBs are facing in the midst of the pandemic but also suggests that their cash flow troubles are being passed on to their suppliers, their landlords and their other business partners. This serves as a sobering reminder that even Main Street SMBs that are not currently at risk of closure are still vulnerable to sudden changes in their cash flow in this highly uncertain economic environment.
Restaurants have generally taken more palliative measures to mitigate the pandemic's impact on their finances than firms in other industries.

There are certain industries in which these cash flow shortages are particularly pervasive, foremost the restaurant industry. Restaurants are the most likely of all Main Street SMBs to have reduced their payrolls to stay afloat, as 67 percent of all restaurants have reduced their payrolls to help save cash. Construction and contracting firms are the least likely to have done so, by contrast. Just 35 percent of construction and contracting firms have had to reduce their payrolls to cut costs and mitigate their cash flow shortages.

It follows that restaurants would also be the most likely to have applied for PPP loans and other SBA loans, and that professional service firms would be among the least likely to have done so. Our survey reveals that 56 percent of all restaurants have applied for PPP loans and 39 percent have applied for standard SBA loans. This compares to the 31 percent of professional service firms that have applied for PPP loans and the 6 percent that have applied for standard SBA loans. That so many restaurants on Main Street USA have applied for PPP loans and SBA loans yet still struggle with cash flow shortages to the point of having to skip monthly bills demonstrates yet again how little impact such loans have had on their financial stability.
Main Street SMB owners are enjoying an emotional high thanks to the recent reopening of their local economies and modest increases in consumer demand for their products. Increased sales have offered them a temporary reprieve from what had been a grim economic outlook, and there are genuine signs that some businesses are beginning to recover from the pandemic’s financial impact, such as in their increased ability to pay their suppliers, their rent and other monthly bills.

The trouble is that there are also many signs of an impending financial crisis looming just below the surface. Many Main Street SMBs are still taking palliative measures to reduce their costs in the face of widespread cash flow crunches, and the majority of Main Street SMBs do not have the funds they would need to survive another disruption in their revenue streams, placing them in a highly unstable position. Another shutdown could bring them to the brink of closure. This scenario is looking increasingly likely as the number of COVID-19 infection rates continue to increase and some local economies are forced to revert or slow their reopening plans. It is therefore clear that the question of whether these Main Street SMBs will be able to survive the pandemic hinges on how long it will take for the pandemic to subside.

PYMNTS issued a survey to 465 SMBs with brick-and-mortar presences in commercial areas (Main Street) on August 6 as a follow-up to its March 24, April 6, April 20 and May 8 surveys, which examined how small U.S. firms were coping with the financial impact of the COVID-19 pandemic. SMBs in our sample hailed from 21 industries, with our analysis focusing on their implementation of new digital commerce capabilities and their likelihood of maintaining and expanding them after local economies reopen.
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