



Analysing Assumptions: Evaluating the Impact of COVID-19 on Atlanta Microbusinesses

Team Leader: George Souza

Team Members: Zach Feldman, Aryan Gourisaria, and Jack Xu

Emory Impact Investing Group

Emory University

Table of Contents

	Page
Abstract.....	3
Introduction.....	4
Methodology.....	5
Data Analysis.....	7
Data Collected.....	10
Graphical Analysis.....	12
Macroeconomic Analysis.....	14
EIIG Interconnection.....	18
Conclusion.....	20
References.....	21

Abstract

The COVID-19 pandemic outbreak has led to an unprecedented disruption in the commercial sector across all industries, primarily impacting the microbusiness sector. In this paper, as we try to evaluate the impact of COVID-19 on microbusinesses of Atlanta, several themes emerged. First, how are the microbusinesses in Atlanta doing financially in terms of profits and revenue and does this vary according to the industry. Second, has mass layoff been a defining characteristic of the microbusinesses in Atlanta. Third, what do Atlanta microbusinesses think about their state in the long term. We conducted an in-person survey by visiting twenty-five microbusinesses and noting their response to a questionnaire containing questions relevant to the research. It did not come as a surprise when we discovered that most businesses have not been making a profit and that they preferred their pre-pandemic condition both in terms of profits and sales. What was interesting to note was that almost none of the businesses we surveyed had laid off workers and they also considered COVID-19 as a temporary hindrance to their business, not impacting their long-run plans. There were few limitations to this study with the pandemic standing as a serious impediment to our method of data collection. Our initial plan to contact and survey around 200 microbusinesses according to various industries listed in the NAICS was not possible since most businesses were hesitant and uninterested to share information due to lack of credibility on our side. This significantly decreased the survey's sample size.

Introduction

Our goal with this research project is to enlighten the public about the current state of the microbusiness sector in Atlanta during the current COVID-19 pandemic. As COVID-19 has ravaged the entire world, inflicting devastating loss of life and mass hospitalizations, it has also managed to deeply impact certain sectors of the world economy. While certain large businesses with a large online presence have seemed to flourish during this time of uncertainty, small businesses and microbusinesses appear to be faltering. We took on the challenge of proving that this phenomenon is indeed occurring. We also theorize that certain industries in the microbusiness sector might be performing completely contradictory to the entire sector. The main questions we will attempt to answer with our research are (1) Are microbusinesses taking a major hit financially and in general sales? and (2) Which specific microbusinesses industries seem to be prospering?

Methodology

Our team met at least once a week from the project's start to finish to discuss our plan to contact businesses and assess our results. First we compiled a list of all the businesses in Georgia that employed 0-9 employees. (naics@census.gov) We then stratified all the businesses into their proper NAICS industry classification and then tallied up how many workers each industry employed in Georgia. We selected the top twelve industries that employed workers in Georgia to then use in our research gathering process. Each one of our team members was assigned three NAICS industries and were tasked with finding twenty Atlanta microbusinesses for each category. Between the entire research team of four members we found a total of 240 microbusinesses which fit into the twelve NAICS categories. Once we identified all 240, we contacted them by phone and asked each for their email address to which we would send a survey of six questions: "How many workers do you employ?"; "Have your business made a profit since COVID-19?"; "Has your business laid workers off since COVID-19 (if so, how many)?"; "Has your business lost customers since COVID-19?"; "How is the current financial situation of your business?"; and "Do you see your businesses as a long-term opportunity?". Unfortunately, our response rate was rather low - of all of those 240 businesses we contacted, very few agreed to provide us with their email and of these, just five completed the survey. We realized that we needed more responses, and in this age of mass robocalls and the lack of individuals answering their phone during COVID-19, going door-to-door may yield better results. Thus, George and Zach (both living in Atlanta) visited dozens of additional businesses in the Emory Village and Toco Hills shopping districts and not only did we get a far higher yield of responses, but the quality of responses was also improved because the business representatives

often gave additional notes on their current situation. From the dozens of microbusinesses we visited, twenty agreed to respond to our survey questions. We added these twenty businesses to the other five, which answered our surveys via email, in an Excel matrix and proceeded to analyze the trends.

Data Analysis

After contacting twenty-five businesses in total, twenty of which we contacted in person, we were able to analyze some interesting and telling trends about how a wide array of industries have been affected by COVID-19. These trends are graphically represented in the Graphical Analysis section on page twelve. Likely the most staggering of the findings are (1) that a plurality (36%) of the businesses surveyed reported they have not been making profit since the pandemic's outbreak and (2) a majority (64%) reported their financial situation have been worse than before the pandemic. A few more businesses reported they are barely making profit to pay rent, and it seems that only businesses with special circumstances are making profit.

First let's focus on these few "special circumstances" businesses that, in some cases, are not only making profit but actually faring better than before the pandemic. One example of this we observed was Pike Nurseries, a Home Depot-esque store that focuses on outdoor supplies and gardening beautification. It has been producing a far greater profit than before the pandemic due to a spike in the gardening projects completed by suburban families. These suburbanites are a major fraction of Pike's customer base. While a retail giant like Home Depot could control the market and use such favorable conditions to its advantage, Pike is a microbusiness (just over ten employees) and is still enjoying this boost in sales. Another business faring better than before the pandemic is the UPS store in Toco Hills. The store manager informed us that shipping has been a reliable industry since individuals have interacted face-to-face less, so private mailing services such as Amazon, UPS and FedEx have had strong demand. This UPS location has seen a decline in Emory customers because of the reduction of on-campus students (its traditional customer

base), but it has actually seen a net gain in customers from other demographics due to the high demand for shipping services.

Five of the twenty-five businesses reported that COVID-19 has affected them to some degree, but their business is faring about the same as before the pandemic in terms of their overall financial situation. An Emory Village handcrafting establishment, All Fired Up, reported that its profits were down from before the pandemic yet they had not lost customers to their knowledge and their financial situation is the same as it has always been. Considering this establishment is situated in an area mainly trafficked by Emory students, it is impressive that it has been able to stay more than afloat during the pandemic. We also surveyed Emory Village's small Chase Bank branch of four workers. This branch amazingly happened to open more accounts in the past two quarters than it was on schedule to before the pandemic, an impressive feat. However, banking is an industry that may not stand to gain from COVID-19, but financial services is such an essential part of the modern economy that it would be surprising to see it falter unless the nation enters a truly bad recession.

A strong majority of the businesses reported that their financial situation is worse than before the pandemic, yet we suspected as much. In general, the results were more promising than one might predict. We were surprised to hear that just four of the twenty-five businesses had actually laid off employees. Most of these establishments were mid-level service retail, such as Comer Family Dentistry and Lush Nail Bar, both of Toco Hills. Additionally, just one business we surveyed was worried that their establishment was at risk of closing/bankruptcy. This was Jung's Custom Tailoring of Toco Hills, and given less people are leaving their homes for events and jobs, it makes sense that a business that relies on alterations to clothing and cleaning services is at risk of shutting its doors. Nevertheless, given the variety of businesses we surveyed, from

bars to pet supermarkets, it is encouraging and impressive that just one microbusiness reported it does not view its business as a long-term opportunity.

Data Collected

Business Contacted	Number of workers
1. CVS Emory Village	15
2. Panera Bread Emory Village	30
3. All Fired Up	3
4. SuperCuts Emory Village	7
5. Dominos Emory Village	15
6. Jimmy John's Emory Village	9
7. Chase Emory Village	4
8. Jon Van Salon	2
9. Tall Tales BookStore	2-12 depending on the week
10. Pike Nurseries	15
11. UPS Toco Hills	10
12. Jung's Custom Tailoring	2
13. Comer Family Dentistry	4
14. Lush Nail Bar Toco Hills	12
15. Bishops Haircuts	5
16. Maggie's Neighborhood Bar & Grill	8
17. Club Pilates Toco Hills	2 full-time, 8 gig workers
18. GameStop Toco Hills	6 to 8
19. Pet Supermarket Toco Hills	4
20. Urban City Rentals	Less than 8
21. Apex Limousine	Less than 8

- | | |
|--------------------|-------------------------------------|
| 22. Johari Africa | 10 |
| 23. Simply Doyenne | The manager and project freelancers |
| 24. Brown Toy Box | 2 full-time, 2 part-time |
| 25. Carla's Boutik | Just the manager (1) |

Graphical Analysis



Chart 1.1

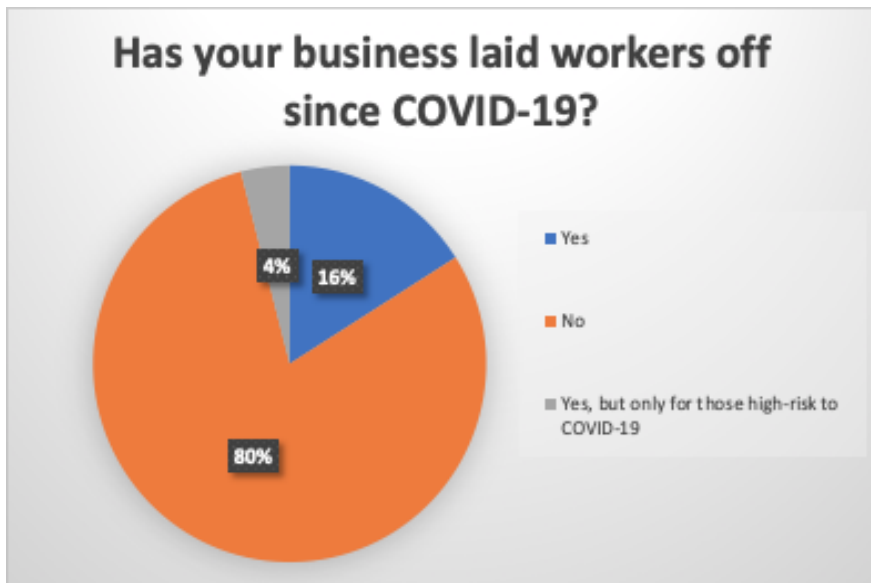


Chart 1.2



Chart 1.3



Chart 1.4



Chart 1.5

Macroeconomic Analysis

In the article “Impact of COVID-19 on small business outcomes and expectations”, published on 10th July 2020, Alexander W. Bartik, Marianne Bertrand, and others take a look at the distressing economic impact of the global pandemic on small business in the United States. Their survey included a sample of 4,873 small businesses out of which almost 80% were firms which employed less than nine employees. The research was concerning several pressing themes which involved mass laying off of employees and shutdowns as well as the reaction to the CARES Act. This study found out that the retail sector had taken the biggest hit with almost 43% of the businesses temporarily closed for operations and employment had decreased by as much as 40%.

Regarding the policies undertaken by the government, thirteen percent of the sample size responded with great skepticism about the CARES Act due to the complicated application process, doubtful of the government’s future actions in regard to forgiving loans, eligibility rules, and many others. Restaurants and other personal service industries like tourism have been most exposed to the financial distress brought upon by the pandemic; leading the respondents to believe that they might need to completely shut down if the pandemic lasts for another 4 months. As noted above, ‘Panera Bread Emory Village’ intends to operate only for another year which bears proof of the fact that restaurants have been severely affected. Finally, by extrapolating the total amount of loan the seventy-two percent of the respondents believed they would take out, the quantity demanded exceeds the initial volume of funds reserved for the CARES Act, and this would further lead to a monetary crisis.

Another article called “Southeastern Small Businesses in the Face of COVID-19”, by Janelle Williams and Mary Hirt, gives an insight into the devastating effects of the pandemic on the small businesses concentrated in the southeast region of the United States. The paper begins by stating the importance of small businesses in the southeast since they account for almost “44 percent of the U.S economic activity” (Janelle Williams). The table provided in the study also shows that around eighteen percent of the businesses in Georgia have less than twenty employees, which supports the claim of the importance of microbusinesses in the U.S. The study held surveys over phone and recorded 25,000 responses from the southeast businesses. It was noted in the survey that the respondents were not satisfied with the Paycheck Protection Program since other large businesses had better relations with the banks which brought about a huge disparity between them, causing the smaller and minority businesses to close. Hence, these businesses did not merely want to return to the pre-COVID-19 era but a more equitable and better economic conditions than those that prevailed earlier. Respondents even believed the need for long-term financial security, for the recovery of small businesses, through public funding and partnerships instead of one-time and short-term funds. Graphs in this survey showed that one in four small businesses in Georgia belonged to the hardest-hit industry (retail and transportation topping the list).

A research called “Small Businesses Financial Outcomes during the Onset of COVID-19” by Diana Farrell, Chris Wheat, and Chi Mac, published June 2020, surveyed 1.3 Million small businesses all over the U.S. and examined their financial statements, particularly their cash balances, revenues, and expenditures (which together show the health of a firm). The study noted the decline in cash balances or liquidity of the firms, which is of utmost importance during a time of financial downturn. It was noted that the greatest decline in cash balances was

recorded in Atlanta, with a notable decline by twenty-one percent. This decline also suggests that many firms might imminently face bankruptcy and might have to shut down permanently.

EIIG Interconnection

Ultimately, through this research, we have been able to demonstrate the degree to which microbusinesses in Atlanta have been hit by the COVID-19 pandemic. Our results are consistent with our expectations and hypothesis for this research. Specifically, they both show that COVID-19 has indeed negatively impacted microbusinesses in Atlanta *and* there exists some businesses that have gone against this trend and flourished. As reported by our results, the majority of the microbusiness we interviewed have lost customers since the pandemic began and many suffered from financial loss. These businesses that suffered come from various industries, including restaurants, game shops, bars, etc. This shows that the impact of the pandemic on microbusinesses is a widespread phenomenon and not just focused on one or two selected industries. In addition, our results demonstrate that some microbusinesses have been able to flourish during the pandemic. As previously discussed, a few microbusinesses which we sampled have taken advantage of the lockdown situation that resulted from the pandemic. Specifically, the need for people to stay at home as much as possible have given a great opportunity to businesses that focus on improving people's quality of life at home. As a result, microbusinesses such as mail service branches and home improvement/gardening stores have not only been able to survive during the pandemic but have managed to perform even better than before. This has provided us with insight on how individuals' needs have shifted due to the pandemic.

What does our research say about EIIG and its mission, then? At EIIG, students strive to close the microbusiness gap through providing microloans as well as early-stage financing to local entrepreneurs in Atlanta. As social-impact investors, it is always crucial for EIIG to gain up-to-date knowledge of the economic environment for microbusiness in order to best contribute

to the community. In this unprecedented time, many aspects of society have been significantly influenced due to the COVID-19 pandemic, including the economy and the many developing microbusinesses that are trying to survive within it. As a result, our research aims to provide timely insight as well as spread awareness on the impact of COVID-19 on microbusinesses in different industries. Through our work, we wish to demonstrate the scale of COVID-19's negative impact on different microbusinesses so that we may highlight those that are hit and may most need assistance from organizations such as EIIG. We believe our effort will help voice the current needs of microbusinesses in Atlanta and improve EIIG's future endeavours to serve its surrounding community.

Conclusion

In the midst of the COVID-19 pandemic, the microbusiness sector has struggled with trying to survive in a declining economy. With the goal of evaluating the impact of COVID-19 on microbusinesses in Atlanta, our research group has focused on surveying microbusinesses from different industries and studying their economic health as a result of the pandemic. Overall, our results have demonstrated the following two points: First, the majority of microbusinesses in Atlanta have suffered from financial loss due to the pandemic. And second, specific microbusinesses that fulfill individuals' needs during this time of quarantine have been able to succeed in the current economic environment. With this knowledge, we hope to better facilitate the process of public interest groups, such as EIIG, in their goal to help local microbusinesses recover and flourish in the future.

References

- Bartik, Alexander W., et al. "The Impact of COVID-19 on Small Business Outcomes and Expectations." *PNAS*, National Academy of Sciences, 28 July 2020, www.pnas.org/content/117/30/17656.
- "Southeastern Small Businesses in the Face of COVID-19." *Federal Reserve Bank of Atlanta*, www.frbatlanta.org/community-development/publications/partners-update/2020/covid-19-publications/200610-southeastern-small-businesses-in-the-face-of-covid-19.
- *Small Business Financial Outcomes during the Onset of COVID-19*, www.jpmorganchase.com/institute/research/small-business/small-business-financial-outcomes-during-the-onset-of-covid-19.
- ESMD. "North American Industry Classification System (NAICS) U.S. Census Bureau". *Census.Gov*, 2021, <https://www.census.gov/eos/www/naics/>.