



FREDERICK

ECONOMIC DEVELOPMENT
MARYLAND

COVID-19 Business Impact Survey: After 1 Month

Survey Background: At the onset of the COVID-19 pandemic, the City of Frederick Department of Economic Development (DED) surveyed local business operators. Results from the initial survey (conducted March 19 – 22, 2020) revealed that almost immediately, the majority of respondents were seeing revenue drops of 50%, and some as much as 90%. Additionally, over 70% of employers were already at the point of furloughing or laying-off workers. In response to this survey, DED launched a Small Business Resiliency Micro-Grant Program, activated by re-deployed departmental funds and donations through the Community Foundation of Frederick County. The purpose of the \$2,500 micro-grants is to assist small businesses with less than 15 employees manage the financial pressures of rent, mortgage, and utility costs during the COVID crisis. DED has already awarded 36 micro-grants to businesses in every sector City and expect to award another 8 – 10 within the next week. DED has also put out financial assistance information to our businesses to assist them as they apply for state and federal loans & grants. Our local banks have been pivotal in helping businesses operators apply for and receive assistance.

However, the need continues to exceed current resources. To gauge the impact so far, DED initiated a second survey on April 17, 2020 – approximately one month into the City’s State of Emergency. As of 8AM on April 27, 2020, DED had received 128 responses – representing 110 unique City-based businesses.

Results:

Regarding their operational status:

City businesses reported they were operating in the following capacity:

- 6% - Fully open
- 51% - Open in limited capacity (including those now operating remotely)
- 42% - Closed temporarily
- 1% - Closed permanently

Reasons cited as influencing their operational status included: State Mandate (73%), Concern for Employee Health (41%), Not Enough Demand (29%), and Other (9% -- including mentions of supply chain difficulties, increased childcare responsibilities, concern for customer health, and increased operational costs).



Although only 1% of the businesses view their closed status as ‘permanent,’ with little or no revenue and limited grants/loans, many businesses will struggle to survive the reopening process.

Relating to staffing:

Changes to Full-time Employees:

26% of the survey respondents have no full-time employees, 54% have less than 10 full-time employees, 15% between 10 & 50 full-time employees and 5% have more than 50 full-time employees.

- 43% of the respondents with full-time staff had not laid off full-time employees yet
- Conversely, another 43% of the respondents had laid off more than 75% of their full-time employees
- Companies with 10-50 full-time employees reported the highest percentage of lay-offs within their full-time staff (71% of these businesses had laid-off at least 75% of their full-time workforce)

Changes to Part-time Employees:

- 72% of the responding companies with part-time employees had to let go of all or part of their part-time workforce

Long-term Staffing Implications:

Amongst all businesses with employees (full or part time):

- 31% of responding businesses anticipate long-term staffing reductions due to the COVID 19 Pandemic
- 29% anticipate the potential for long-term reductions
- 40% do not currently anticipate long-term staffing reductions due to COVID-19

Financial Assistance:

- 85% of the responding companies reported having applied for some sort of financial assistance.
- 47% of those that have applied to relief programs have received some COVID-19 financial assistance. The remaining 53% that have applied have received no assistance to date.

The below chart outlines the financial programs that survey respondents have applied to and the success/status of their application:

Program	# that Applied	# that have Received Relief	Successful Conversion Rate to Date	Applications Still Pending
City Small Business Resiliency Micro-Grant Program	28	10	36%	21%
Payroll Protection Program	67	24	36%	52%
Unemployment	31	7	23%	48%



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Program	# that Applied	# that have Received Relief	Successful Conversion Rate to Date	Applications Still Pending
State of Maryland Commerce Relief (Grant & Loan)	56	5	9%	80%
SBA Economic Injury Disaster Loan Program	57	5	9%	72%

The sheer demand has clearly outpaced the financial and logistical capabilities of the assistance programs across the board. Applications currently in a ‘pending’ status may receive assistance in the future – assuming program finances are sufficient to meet the need.

Anticipated Challenges to Re-Opening:

Businesses also anticipate significant new challenges during the re-opening process. The most commonly mentioned concerns are:

- Low Demand – due to a variety of factors including:
 - willingness of people to interact in close setting again
 - economy pressures & changes in discretionary spending
 - drops in travel/tourism
 - permanent changes in customer lifestyles & preferences
- Safety of staff and customers
- Customers seeking refunds
- Cost & lack of access to probable PPE/sanitation requirements
- Low Productivity due to other-focus of employees (fear, financial well-being, health, etc.)
- Having to dig out of debt coupled with decreased revenues
- Not having cash reserves for new inventory purchase and operating expenses
- Finding suppliers
- Retaining workforce
- Predicting unclear demand (in staffing and inventory decisions)
- Regaining customers who have cancelled memberships and services
- Communicating effectively to customers
- Understanding new government regulations
- Fatigue



Points of Frustration:

When asked to provide general additional comments on the COVID-19 crisis, several themes of frustration emerged in the businesses' responses, including:

- by sole proprietors who felt excluded from relief efforts
- at the ineffectiveness of financial programs (lack of funding, slow process, lack of inclusion)
- at the state mandates which required closure
- at unclear communication in relief and regulatory efforts

Continued Innovation:

Despite the current challenges & frustrations, businesses still overwhelmingly responded that they are continuing to implement new strategies and solutions to adapt in ways that they can. These new strategies being implemented include:

- Cutting operating expenses
- Renegotiating lease terms
- Adding e-commerce
- Improving web & social media presence
- Upgrading broadband internet service
- Increasing home-delivery & curbside services
- Installing contact limiting devices – i.e. Plexiglas separators & carry-out windows
- Supporting employees through mental health initiatives -- i.e. virtual happy hours
- Pivoting products to today's market – i.e. creating new at-home experiences for customers