

THE LIFE AND DEATH OF THE SMALL BUSINESS: THE COVID-19 PANDEMIC
AS TOLD BY THE RETAIL WORLD

by

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ABSTRACT

This paper aims to further identify and understand the effects that the COVID-19 Pandemic had on small businesses throughout the United States, through research aimed to identify different tactics businesses used to stay afloat during the pandemic and further analyze the strategic use of social media and internet commerce usage that aided some small businesses and allowed them to continue to grow and thrive while more traditional brick and mortar small businesses suffered the full extent of the pandemic. Additionally, through the analysis of strategies used by large big-box retailers when dealing with an obstacle regarding the COVID-19 pandemic and how those strategies regarding customer distribution and access to products, directly relate to the performance of small businesses in competition with those retailers. Through this study, it has become clear that the ability to adapt and be flexible with consumers changing wants and needs is what became crucial for the success of a small business.

I. The Death of the Small Business

In March of 2020, the COVID-19 pandemic surged in the United States, and became a global health crisis. The virus infected millions of people and led to millions of deaths worldwide. However, the victims of COVID-19 were not only human. During the COVID-19 pandemic thousands of small retail businesses suffered great losses in revenue and patronage. For some small businesses COVID-19 was the final blow leading to the death of that business. Conversely, some smaller retail businesses were able to thrive off of the pandemic as they had to open up to a new form of reaching customers and distributing as opposed to an in-person experience. The ability to adapt and react to the situation that was present in the moment is what lead some businesses to be able to continue to stay open.

BACKGROUND OF SMALL BUSINESSES IN RETAIL:

Small businesses are a major part of the economic and retail structure. A small business can best be defined as “a privately-owned corporation, partnership, or sole proprietorship that has fewer employees and less annual revenue than a corporation or regular sized business” (ASQ, 2021). Prior to the start of the COVID-19 pandemic, small businesses as a whole were already struggling. The number of small businesses that were estimated to be profitable in a traditional storefront began to shrink. Although a small number of consumers actively try to make most of their purchases from small businesses ultimately the majority of consumers gravitate towards purchasing from larger big box retailers. Big box retailers are typically defined as “a retail store that occupies an enormous amount of physical space and offers a variety of products to its customer... because (sales) volume is high, the profit margin for each product can be lowered, which

results in very competitively priced goods” (Hayes, 2021). A few examples of big box retailers would be stores like Walmart, Target, and Home Depot. Due to a number of varied factors, like advertising, larger budgets, and overall brand recognition, big box retailers often have the advantage of getting initial consumer draw. Because of this, small business have to work twice as hard to maintain their business and their customer base. Small businesses do not always have the same types of resources that larger more established retailers might have access too, adding another level of difficulty to an increasing list of challenges for small retailers.

CHALLENGES FACED BY SMALL BUSINESSES:

Small businesses face a number of challenges simply because of the consumer environment. Consumers are looking for a place to buy what they need and get it within a reasonable amount of time. The issue small businesses have with this can be broken down into multiple parts. To begin, small businesses are often very specific as far as what they sell. They tend to be tailored toward a certain specific demographic typically providing niche type of good or service. Although these goods or services can be acquired elsewhere the way small businesses specialize in them is what makes them favorable for consumers to purchase from them. An additional problem that many smaller retail stores struggled with at the beginning of the pandemic was the ability to continue to conduct business even when stores were closing. A lot of small businesses, if they are not already run through an online platform, struggled with making that transition. Older small family businesses struggled with this the most. Lack of exposure and access to technology proved difficult for many businesses. In a study of 5,800 small businesses during the COVID-19 pandemic “43% of businesses had temporarily closed, and nearly

all of these closures were due to COVID-19” (Bartik et al., 2020). It is evident that throughout those closures small businesses have suffered the brunt of being readily able to provide for their customers. A major factor that contributed to these closures had to do with the amount of resources that any given small business had available to them both a financial sense as well as having access to manpower. This becomes difficult when businesses are trying to continue their level of commerce in a way that is beneficial. In a study of trends around small business during 2020 it was found that “11% of small businesses reduced their budgets while another 11% even temporarily closed their business” due to financial struggles (Guidant, 2021). Although small businesses are able to apply and receive government financial aid through various programs, the reality was grim in the sense that not all small businesses actually received these relief packages and loans. The main government relief programs that were enacted to help small businesses were known as the C.A.R.E.S Act and the Economic Injury Disaster Loan Emergency Advance. These programs allowed small businesses to apply for a receive aid. Small businesses that received the aid were able to maintain their level of commerce and retain employees throughout the pandemic. However, not all small businesses are able to benefit from these programs. Some small businesses do not qualify, due to a number of different reasons like having too many employees, being too profitable or not being able to demonstrate hardship on a loan application. Additionally, some small businesses who would benefit from the loan would struggle to pay it back, which creates a feedback loop of struggling throughout small business owners.

BIG BOX RETAILERS VERSUS SMALL BUSINESSES:

Small businesses face a growing challenge when attempting to compete with the

big box retailers and all of the services and products they provide. When the COVID-19 pandemic began big box, retailers were able to quickly mobilize and reassess their distribution methods to best accommodate an interaction-less experience for the customers. With expedited shipping and delivery as well as services such as curbside ordering already established prior to the start of the pandemic, large retailers had an overall advantage in being able to operate as close to a business as usual model. The challenge for small businesses became that they did not have the means to provide the continued level of service at the same rate as the larger retailers. Since January of 2020 the overall number of small businesses in the United States “has dropped by 29%” (Taylor, 2021). This is due to consumers shopping at larger stores like Amazon and Walmart, and those alike, to make their purchases. This practice became evident as both Amazon and Walmart’s stock market shares increased dramatically in the months following the beginning of the pandemic. (Taylor, 2021). With the continued growth of the big box retail stores, small businesses decline in parallel. Due to the nature of small businesses and their finances it was reported that that only “three-quarters of (survey) respondents only had enough cash on hand to last 2 mo. or less” (Bartik et al., 2020). Because of the limited finances in most small businesses, as compared to large retail stores, small businesses do not have the built-up capital to stay afloat with dwindling customer purchases.

TRANSITIONING TO RETAILING ONLINE:

Throughout the COVID-19 pandemic there was a surge in online retailing and online purchasing. In 2019 e-commerce’s share of global retail trade resided around 14% of purchases, however this share grew and was estimated to be “about 17% in 2020”

(UNCTAD, 2021). Due to consumer hesitancy to go into public brick and mortar stores, as well as some mandated store shut-downs, retailers had to find a way to distribute their goods. While some small businesses already had established online retailing means, others were forced to attempt to make that transition during the pandemic. Those who were able to adapt quickly found that their business could remain stable for the most part, and some even experienced growth in the amount of orders they were receiving. However, small businesses that are older businesses struggled to make the transition into the online space of retailing. This transition was seen largely in generational groups with older run businesses being more at risk to suffer throughout the decline during the pandemic. Currently small businesses are made up of many different generations. Baby Boomers operate around 41% of small businesses while Generation X operates the majority of small businesses, at around 46%. The remaining percentages are made up of individuals who would be considered to be Millennials or Gen Z (Guidant, 2021). The divisions amongst different generations in the operation of small businesses is increasingly indicative of the trend of small business owners to be a part of younger generations.

FINAL THOUGHTS:

Overall, throughout the lifecycle of the small business it is clear to see that external environmental factors are a large contributor to the overall success of the business. What becomes the make or break moment is the businesses ability to adapt to those environmental factors and figure out how to continue to do what is best for their business. With the everchanging environment in which the retail world resides, being able to maneuver different obstacles throughout a business's lifetime is what is going to

contribute to the overall longevity and success of the business. In the current retail space there is a generally optimistic feeling about the success of small businesses going forward. When surveyed “49% of small business owners answers they were either somewhat or very confident” in the success of their business moving forward. (Guidant, 2021). Additionally, a rising trend in opportunistic entrepreneurs has emerged throughout the pandemic. Many small businesses owners are taking their businesses and adapting them to be more in line with business models that were more successful throughout the pandemic. As for those small businesses that saw themselves phase out due to the COVID-19 pandemic ought to serve as learning examples for future businesses. With 58% of small business owners starting their own small businesses from scratch it is important now more than ever to be adaptable in the way businesses are ran. Small businesses are such an important part of our retail society and in order for that society to remain diverse it is important that small businesses remain prevelant.

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