

APRIL 3-16, 2020



# America's Economic Engine: The State of Small and Medium- Size Business During COVID-19

## CASH FLOW AND CONFIDENCE

## A Message From Burton M. Goldfield *President and CEO, TriNet*

TriNet is proud to provide comprehensive human resources solutions to more than 18,000<sup>1</sup> small and medium size business (SMB) customers across the US. And as we come together to navigate this challenging global event, our thoughts go out to those impacted by COVID-19.

Human resources is about people and, at TriNet, nothing matters more to us than our team and the SMBs we are honored to serve. We all have a role to play in battling this pandemic and we are committed to doing our part to help flatten the curve. Over the past few months and during this challenging time, we have been providing ongoing and timely information, resources and offerings to SMBs, and to our own customers to help them navigate the rapidly changing and complicated COVID-19 business landscape. And, as we wanted to better understand the broad COVID-19 sentiment, beyond our own SMB customers, we partnered with The Harris Poll to conduct a series of industry-wide pulse surveys.

The results of the first three surveys are summarized in this report which is focused on cash flow and liquidity of the SMB community. Despite the current economic environment and the difficult decisions being made, SMB optimism was surprisingly resilient. In fact, nearly 80% of polled companies have made strategic investments to keep their businesses operational through the pandemic, and 76% of those who have made investments are confident these investments will pay off after COVID-19. There are more results to share as you will see. We hope you find this insightful as this report is the first in a series TriNet and The Harris Poll will be doing together. That said, we look forward to sharing more in the coming weeks.

SMBs represent the backbone of this nation and are critical to the US economy. They generate nearly half of US GDP while employing the majority of our workforce. They are the true innovators and entrepreneurs in our country and the TriNet team and I could not be prouder to support them as we all come together during this unprecedented time.

Please stay safe and healthy.

Regards—



Burton M. Goldfield  
President & CEO  
TriNet



<sup>1</sup>As of December 31, 2019.

While small- and medium-sized businesses (SMBs) are feeling the economic impacts from the COVID-19 pandemic, they are working hard to adapt to the current situation. They're making strategic operational choices, including cutting costs, in order to invest in the long-term success of their business.

Awareness of the CARES act is high – yet confidence is slipping as SMBs do their best to navigate the ins and outs of the Paycheck Protection Program (PPP).

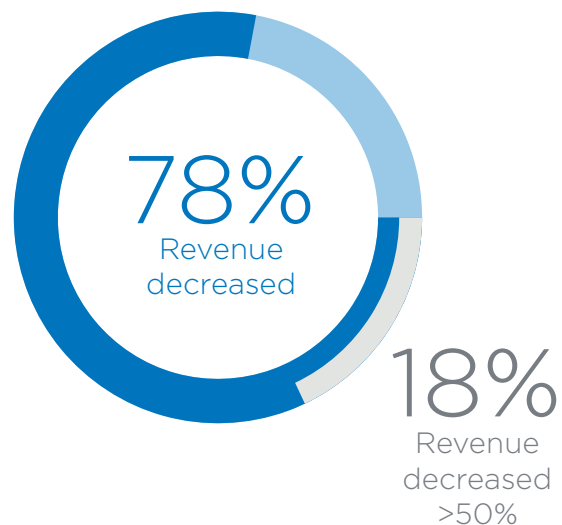
While SMBs are showing their resourcefulness and their commitment to customers and employees, most don't have the cash reserves to survive longer than 6 months without help. Confidence in the government has been declining through the first weeks of April as uncertainty abounds.

## Controlling Costs and Strategic Investments

As of April 12, revenue has been down consistently for 8 out of 10 small businesses since the start of the pandemic.

Although losing this revenue has meant making some tough sacrifices, SMB leaders are approaching this like the entrepreneurs they are. They're making intentional operational choices, including reducing payroll and other obligations, as well as adjusting sales targets. They're also strategically investing in their infrastructure, customers, and workforce, in order to enable the long-term success of their business.

Revenue for **Small and Medium-size Businesses** has decreased since **pandemic-related changes** began.



**Two thirds (66%) of those who cut costs** in some way are confident these decisions will help them weather the pandemic.



**67%**

of small business leaders have had to cut down on payroll costs, including:

- Reducing employee hours (46%)
- Taking a reduced salary for themselves (40%)
- Laying off employees (26%)
- Furloughing employees (13%)



**66%**

have cut costs in other ways not related to payroll, including:

- Reducing marketing/advertising spend (34%)
- 32% have worked with creditors to reduce immediate obligations, such as asking for a lease/rent/mortgage deferral (14%), renegotiating terms/contracts (16%), or asking for discounts from vendors/suppliers (16%)
- Canceling under-used or unused services (29%)
- Reducing the amount of inventory being held/carried (19%)



**26%**

have changed sales targets.

With these cost savings, **78% of SMBs have made strategic investments** to help them keep their business going in the pandemic. This includes investments in infrastructure, in employees (including offering pay and benefits to employees not currently working), and investments in customers and the community.

76% of those who have made investments are **confident that these investments will pay off** after the pandemic is over.

## Of those **who are making investments**, they are...



### INVESTING IN INFRASTRUCTURE

**46%**

increased infrastructure to be more virtual, online, or contact-less.



### INVESTING IN EMPLOYEES

**37%**

are continuing to offer health insurance benefits to laid off or furloughed employees.

**37%**

are offering pay to employees who are not currently working.



### INVESTING IN CUSTOMERS AND COMMUNITY

**37%**

are donating to or sponsoring local causes for COVID-19 relief (15% are donating to national relief).

**36%**

are offering assistance to customers (such as free services, discounts, delayed/forgiven payments, waiving fees, etc.).

**14%**

increased marketing or advertising spend.

## Cash Flow and Confidence

Despite this entrepreneurial spirit, many small businesses don't have the cash flow to make it very long without outside help.

SMB optimism has been volatile, moving up and down with the twists and turns of government legislation, implementation, and the economic realities of the pandemic.

When the CARES Act was signed into law, SMB leaders were confident in their businesses' ability to survive for another several months. But the initial rollout of the Paycheck Protection Program (PPP) was rocky, and there was significant confusion surrounding access, eligibility, and the availability of funds. In the midst of the confusion, confidence dropped, then rebounded as SMBs began to apply for the loans. Confidence then dropped again as news spread of the PPP running out of funds.

How much **cash for operating expenses** do small businesses have on hand? How long **can it last?**<sup>1</sup>



<sup>1</sup>As of April 3-6



**MARCH 27:**

CARES Act is signed into law

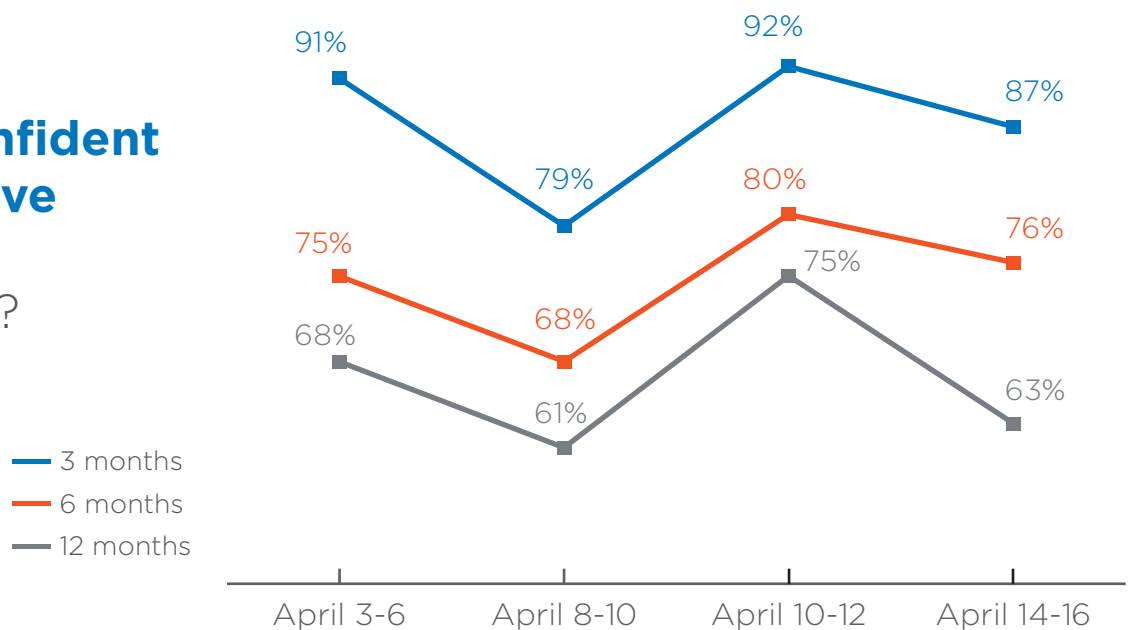
**APRIL 3:**

Portions of CARES Act take effect; businesses can apply for Paycheck Protection Loans

**APRIL 21:**

additional \$484 billion in funding approved by the Senate to replenish funds available to small businesses

How long are businesses **confident they will survive** under current circumstances?



## The CARES Act

provides unprecedented financial support for businesses and allows small and medium sized businesses to receive federal loans – in some cases forgivable – to cover payroll and other expenses. It also expands unemployment benefits for workers impacted by the outbreak, while extending unemployment eligibility to many who are otherwise not regularly entitled to receive such benefits.

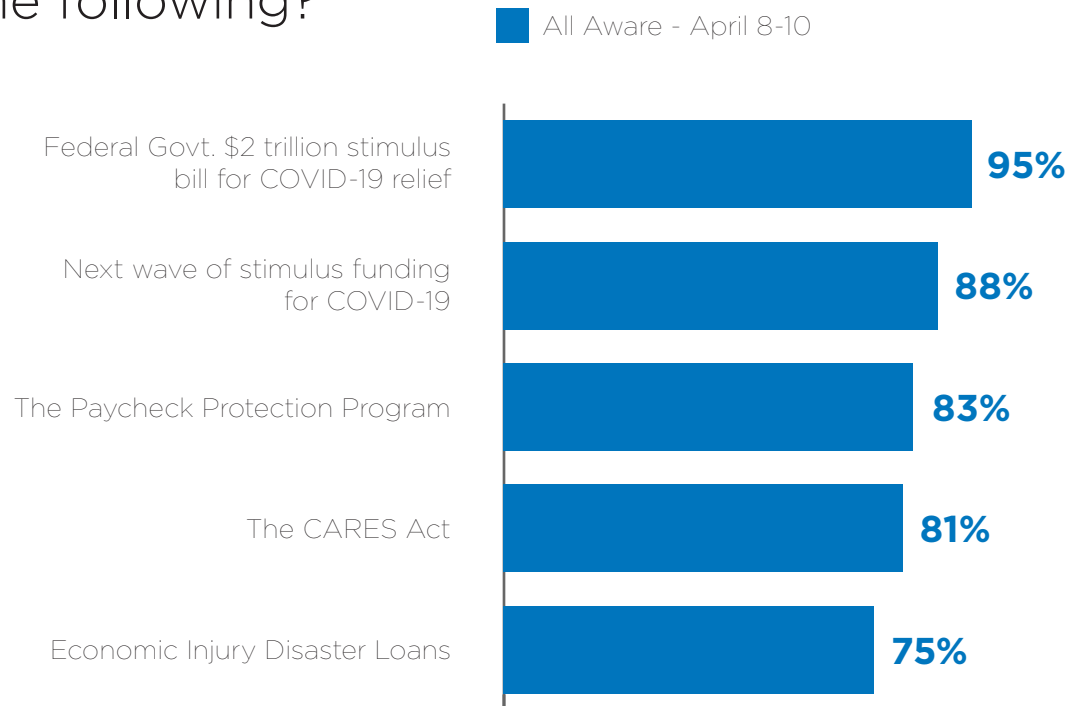
## Paycheck Protection Program

The most significant provision of the CARES Act for small employers establishes new “paycheck protection” loans administered by the Small Business Administration (SBA) to help employers continue to cover payroll costs and other expenses during the COVID-19 crisis. The covered period for loans is February 15, 2020 through June 30, 2020.

While 95% of SMB leaders are aware of \$2 trillion federal stimulus bill for COVID-19 relief (officially known as the CARES act), the details aren't clear, and many aren't sure if they will be eligible for benefits.

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## How **familiar are you** with each of the following?



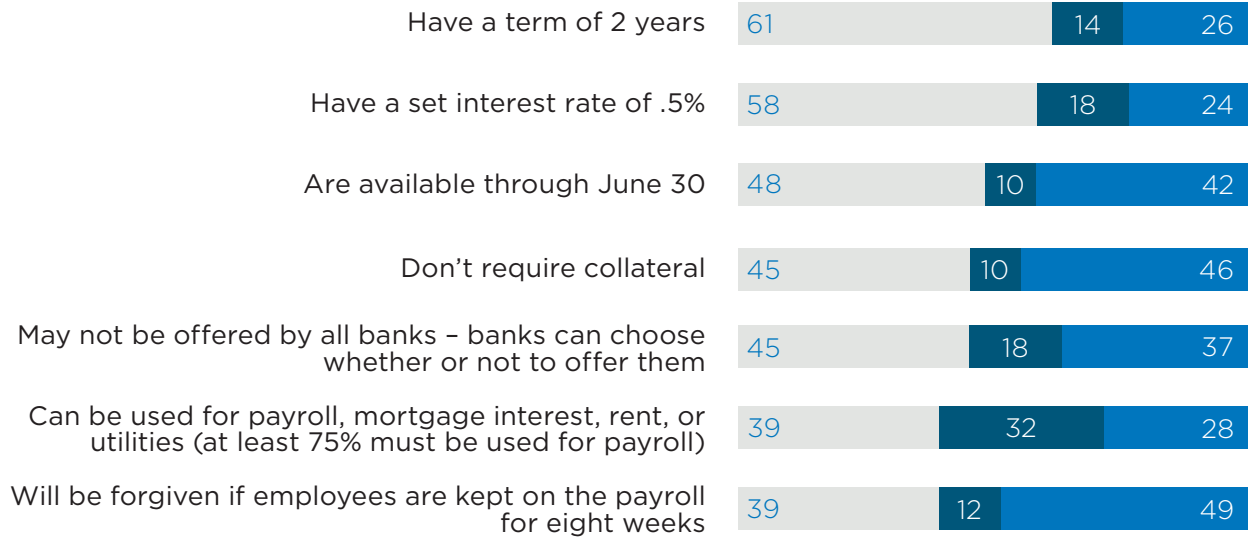
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About half of small business leaders say aspects of the Paycheck Protection Program are confusing (including qualifications, the application process, and parameters for spending the money), with tax implications as the most confusing aspect for taking the money (55% see it as confusing). When asked about the veracity of specific details about the PPP loans, one half to three quarters of SMB leaders either got the specifics wrong, or had no idea.



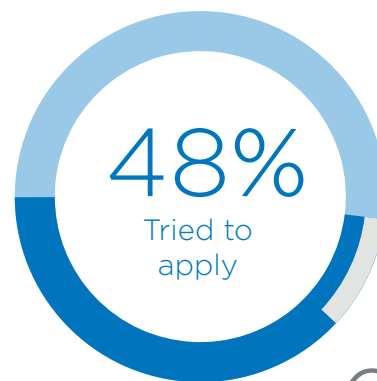
## Did you know that **Paycheck Protection Loans...**?

% Had no idea  
 % Answered incorrectly  
 % Answered correctly



## Access to the **Federal Stimulus Loan**

Access is also a challenge: 6 in 10 small business leaders (59%) feel that the loans from the federal government stimulus package are difficult to access. As of April 12, almost half of small businesses had tried to apply for PPP loans. 21% of SMBs who tried to apply were unsuccessful or unsure if it worked.

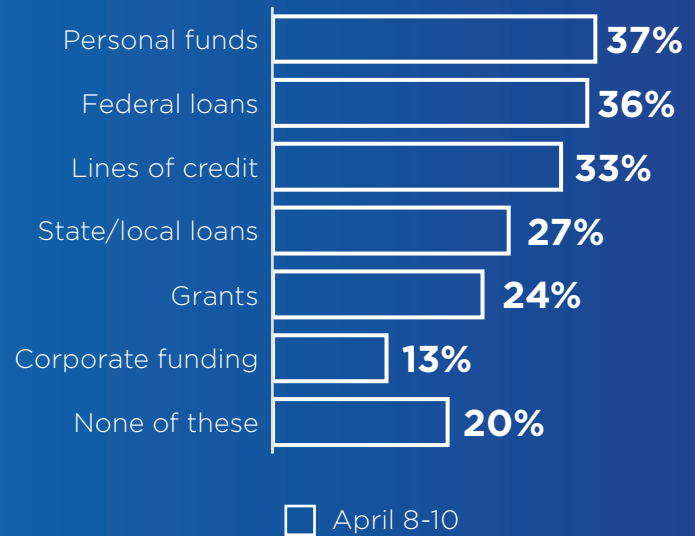


**21%**  
 of those who  
 tried to apply  
 were not  
 successful/not  
 sure

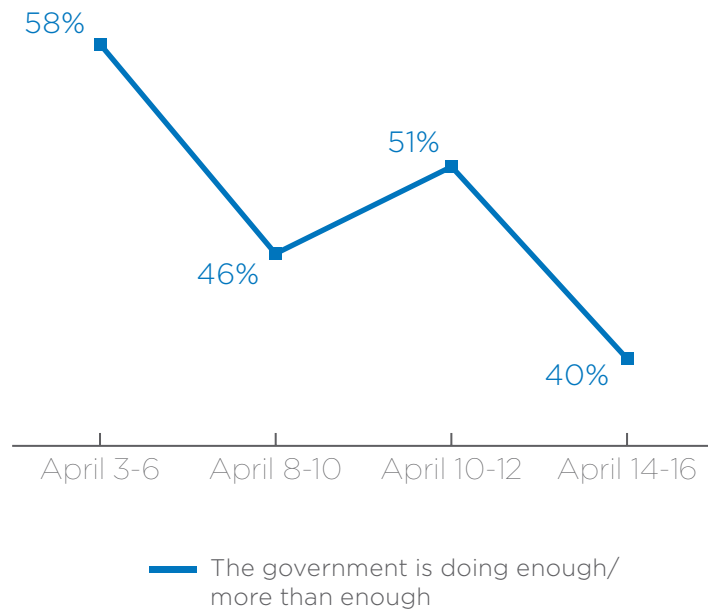
With questions surrounding access and availability, **55% of SMB leaders are not confident** that the loans from the CARES act will help their businesses survive this difficult time.

As many SMB leaders are planning to rely on their own personal funds (37%) to weather the pandemic as those that think they can rely on federal loans for funding (36%). Other funds are expected to come from lines of credit, state/local loans, grants, and corporate funding.

Which, if any, of the **following funding options** is your business considering to **weather the COVID-19 pandemic?**



To what extent **do you agree** that the government is doing enough to **support businesses like yours** during this difficult time?



Not surprisingly, initially high perceptions of government support have been impacted by both the actual experiences of SMBs and their perceptions of events as they have unfolded.

While 58% of SMBs felt the government was doing enough to support businesses like theirs in early April, that confidence dropped to 40% by mid-April. In spite of waning confidence in the government, SMBs are still optimistic in the country's long-term economic recovery: 81% are confident that the US economy will recover in next 2 years.

Note: As of Tuesday, April 21, the Senate passed an additional \$484 billion coronavirus relief package partially intended to replenish the loans available to small businesses.

## Methodology

TriNet is partnering with The Harris Poll to conduct an ongoing series of surveys with business leaders in companies of 5 to 249 employees. Business leaders are qualified as either owners/partners or C-level executives. Quotas are set by company size and industry for each wave.

The data collected in this paper covers four separate surveys conducted from April 3 to 16, 2020. Actual distribution by company size and industry for each of these waves is as follows:

	April 3-6, 2020	April 8-10, 2020	April 10-12, 2020	April 14-16, 2020
<b>Total SMB leaders surveyed</b>	<b>150</b>	<b>195</b>	<b>199</b>	<b>186</b>
5-19 employees	49	66	67	67
20-99 employees	76	98	99	88
100-249 employees	25	31	33	31
Main Street industries (such as automotive, construction, hospitality, manufacturing, real estate, retail, skilled trade, etc.)	50	55	53	49
Non-Main Street industries (including Technology, Financial Services, Professional Services, Life Sciences, and Non-Profit industries)	100	140	146	137

This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated.

## About TriNet

TriNet (NYSE: TNET) provides small and medium size businesses (SMBs) with full-service HR solutions tailored by industry. To free SMBs from HR complexities, TriNet offers access to human capital expertise, benefits, risk mitigation and compliance, payroll and real-time technology. From Main Street to Wall Street, TriNet empowers SMBs to focus on what matters most—growing their business.

Go to **TriNet.com** to get started or speak with a TriNet representative at **888.874.6388**.

## About The Harris Poll

The Harris Poll is one of the longest-running surveys in the U.S., tracking public opinion, motivations and social sentiment since 1963. It is now part of Harris Insights & Analytics, a global consulting and market research firm that strives to reveal the authentic values of modern society to inspire leaders to create a better tomorrow. We work with clients in three primary areas; building twenty-first-century corporate reputation, crafting brand strategy and performance tracking, and earning organic media through public relations research. Our mission is to provide insights and advisory to help leaders make the best decisions possible.