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Nashville Business Survey Shows Pandemic's Impact

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A May survey of nearly 200 Nashville businesses reveals a tinge of optimism in a marketplace largely stifled by pandemic-related closures.

While 65% of the businesses surveyed reported negative impact in March and April and nearly 60% furloughed or laid off staff as a result, a substantially smaller 12% said they expected May and June to be worse.

Overall, 53% of the survey's participants said they thought their business could survive 2020 with "prolonged shelter in place" measures. Nearly 92% of respondents said their businesses could last through the end of May with the measures in place (those measures started to lift in phases in Nashville beginning May 11).

The Entrepreneurs' Organization of Nashville released the [survey of 197 of its members](#) and participants of its pre-membership group on May 14. The chapter's 250 member businesses employ more than 11,000 people, accounting for more than \$2 billion in revenue, according to the organization.

The survey's author and analyst, Shore Capital Partners executive partner Michael Burcham, said the businesses' relative optimism about 2020's third and fourth quarters surprised him. But Burcham cautioned that the optimism should be taken with a grain of salt; the survey was conducted between April 24 and April 29, and much has changed since then.

"There was optimism about how quickly they might recover in the third and fourth quarter, and what their head counts would look like, but I think the shelter in place and partial opening has gone longer than people expected," he said. "I think that if I were to survey again — and this is purely conjecture on my part — the outlook for the rest of the year would not be quite as rosy as it was when I did the survey in April."

Who was surveyed, and how did they fare?

Burcham's survey defines "small business" as a company that brings in less than \$10 million in annual revenue, according to Burcham. About 89% of the businesses surveyed fit this definition, with more than 31% bringing in between \$1 million and \$2.5 million in an average year. About 82% employ 50 people or fewer.

Survey participants included businesses in a diverse collection of industries, with its most represented sectors including business services, health care, real estate and retail. The pandemic and the tornadoes that struck Middle Tennessee in early March had differing impacts on each sector and annual revenue bracket.

Businesses that make less than \$1 million had the most "volatile" survivability outlooks past summer 2020, according to the survey, but it was businesses with revenues between \$2.5 million and \$5 million that took the hardest hit. Nearly 38% of businesses in this category lost more than half of their revenue for March and April, and 18% expect revenues for 2020 to be off by 50% or more.

EO Nashville President Marty Reed said larger companies appeared to be more resilient, likely because smaller businesses simply "don't have the systems, processes and infrastructure in place" to deal with events as major as a pandemic.

Respondents with revenues between \$7.5 million and \$10 million appear to have endured best — 43% of those surveyed said they expected 2020 revenues to be flat or up compared with 2019.

The most "at risk" businesses identified in the survey results include those in hospitality, entertainment, music, events, restaurants and bars, gyms and spas, senior care services and investment advisers.

A scant 17% of respondents with average revenues over \$1 million expect their revenues for 2020 to outpace those of 2019. These businesses are likely to be in a group of industries Burcham identified as the most "resilient" to the pandemic:

- Technology
- E-commerce and digital media
- Business services
- Lawn services
- Warehousing
- Logistics
- Distribution
- Security services
- Waste disposal
- Urgent and emergency health care
- Manufacturing

Of all survey participants, 31% expect all of their employees to return to work sites in their pre-pandemic status. About 68% plan to increase work-from-home practices instead.

What takeaways does the survey offer?

Sources of emergency funding like the federal Paycheck Protection Program have helped keep businesses afloat during the shutdown, Reed said, but businesses' strategies have proved equally important.

Most survey participants applied for PPP funding. Ten businesses had not applied for the PPP at the time of the survey, though Burcham said they may have applied for and received the second round of the program's funding after the survey was completed.

Burcham said business owners expressed an overall worry that they may not be able to bring back all of their pre-COVID full-time staff by the program's June 30 deadline.

"It's really propped up a lot of businesses ... and in another angle it's just kind of strung out the timing a little bit for the hard decisions," he said. "But as entrepreneurs, we have to make hard decisions all the time, so this is just another area that we have to bridge that gap."