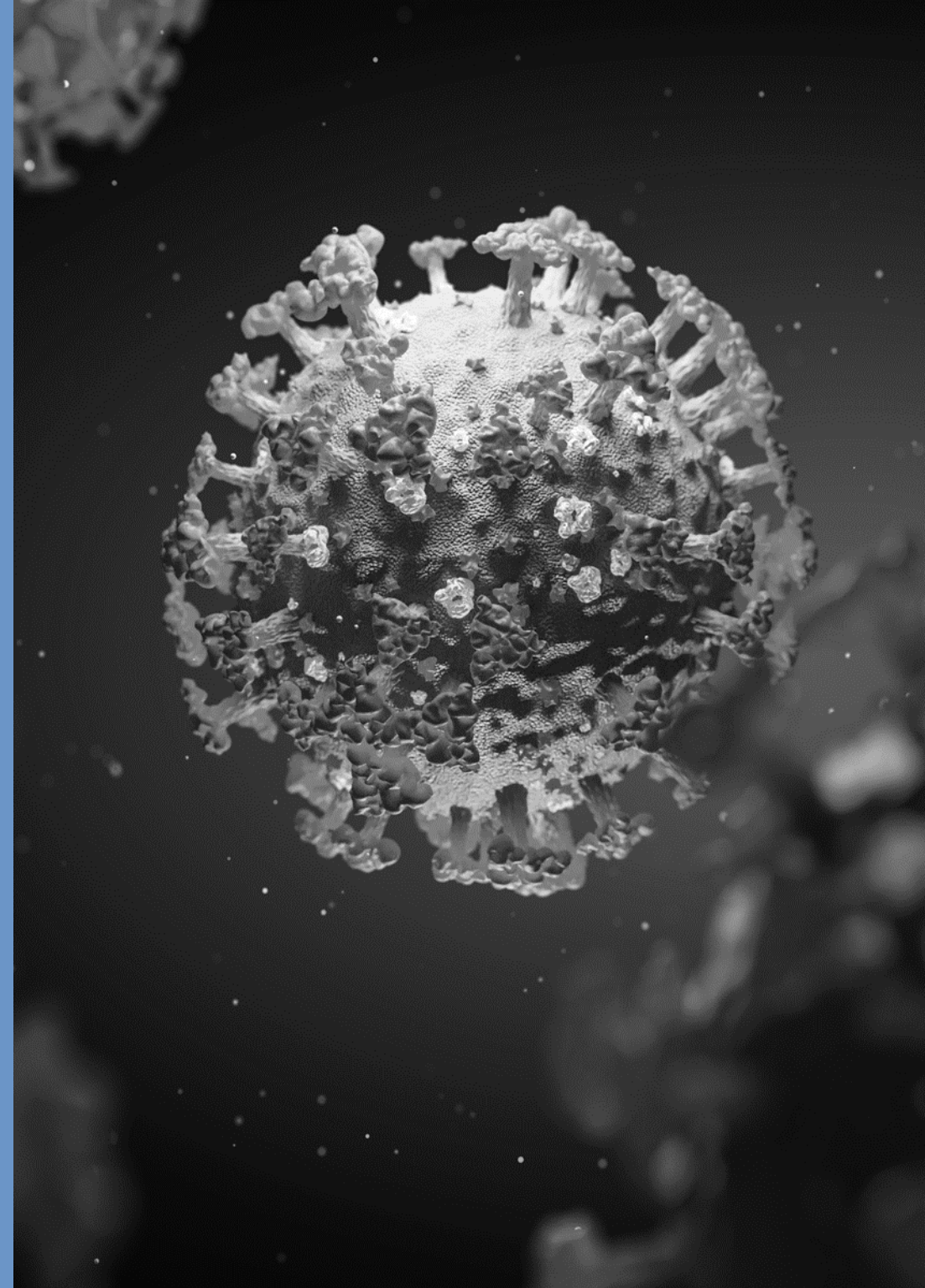




PEOPLE | IDEAS | SOLUTIONS

COVID-19 Business Impact Survey

May 2020





Introduction

At the beginning of 2020, the economy was poised to continue its strong growth trend, unemployment levels were at historic lows, and the business outlook was positive. In just a few short months, those conditions have turned upside down thanks to the global COVID-19 pandemic.

A few weeks ago, we asked private and family-owned businesses in our region for their take on these recent developments and the impact they have experienced in their organizations due to the pandemic. Some of the highlights of their responses are as follows:

- **Nearly all of the respondents – over 93 percent – have been negatively impacted by COVID-19.**
- **Nearly 85 percent have applied for Paycheck Protection Program (PPP) loans, and at the time of the survey, just over half had received their loan proceeds.**
- **While unemployment numbers are skyrocketing nationwide, so far just under half of the respondents have laid off or furloughed workers, and only approximately 25 percent have instituted salary reductions.**
- **The predictions for how long it will take to return to “business as usual” were mixed, but the good news is that 75 percent of respondents have some degree of confidence that their organization has enough working capital to last at least 12 months.**

By and large, the definition of the “new normal” that we keep hearing about seems to be uncertainty. Most of us have not seen a crisis of these proportions in our careers (or indeed, our lifetimes), and the speed at which this pandemic is changing our economy, our businesses, and our lives makes planning for the future an incredibly difficult exercise.

The following pages contain the full results of our recent COVID-19 Business Impact Survey.

Methodology

Kreischer Miller's COVID-19 Business Impact Survey was conducted electronically from Friday, April 24 to Tuesday, April 28, 2020.

The survey was sent to privately-held and family-owned businesses primarily in the Greater Philadelphia region, which includes most of southeastern Pennsylvania, southern New Jersey, and northern Delaware.

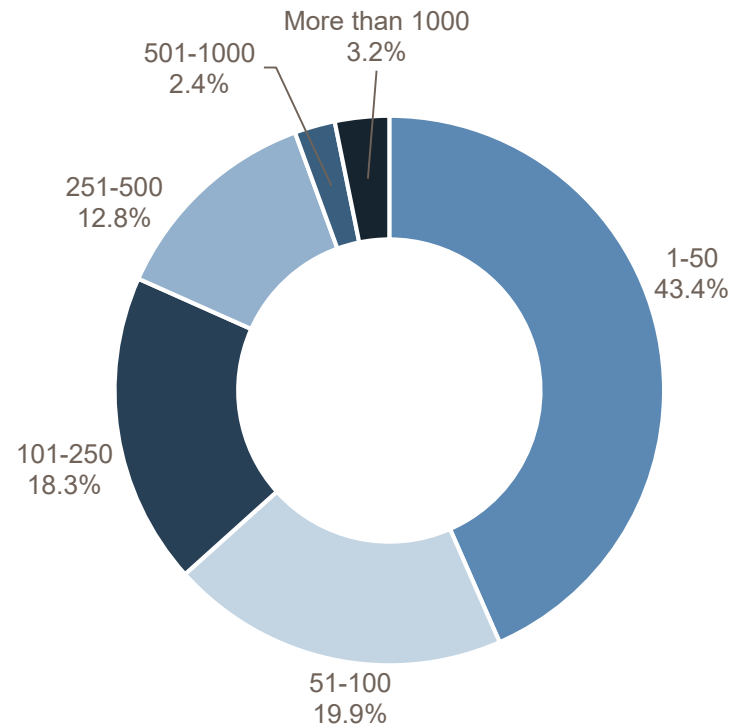
There were **251** total survey respondents.



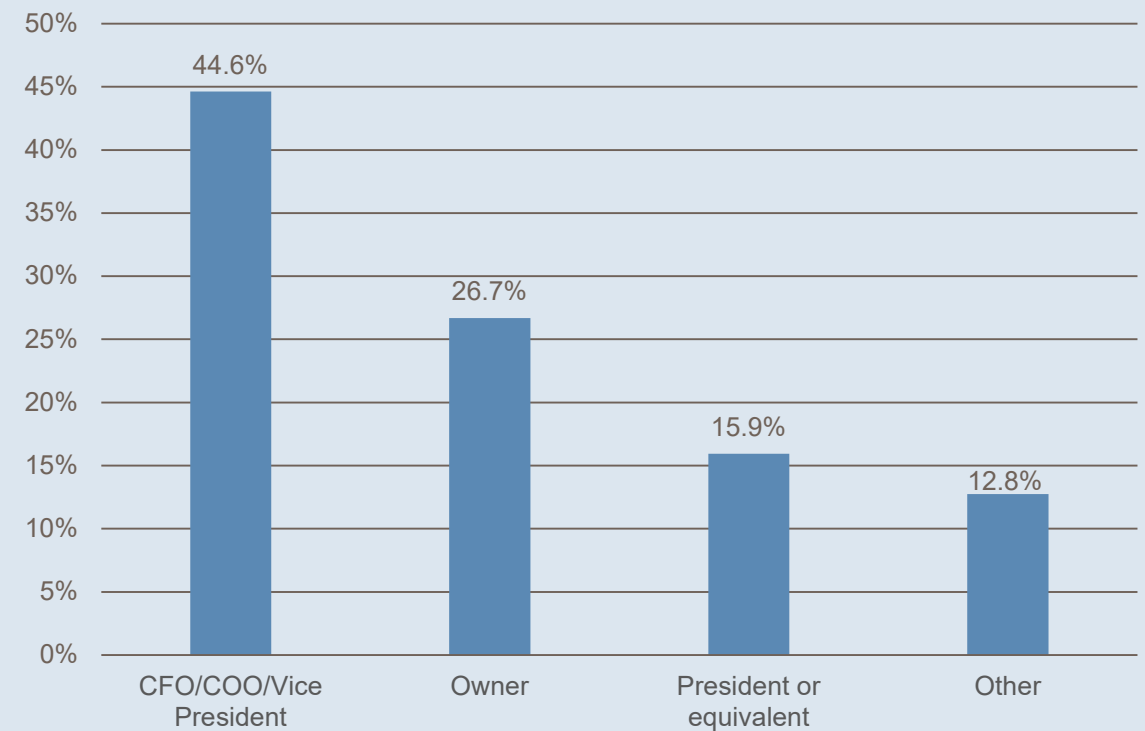
Source: WelcometoPhila.com

Demographics

Survey respondents by employee size:



Survey respondents by role in the organization:



Demographics *Continued*

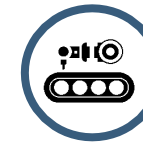
Survey respondents by industry:



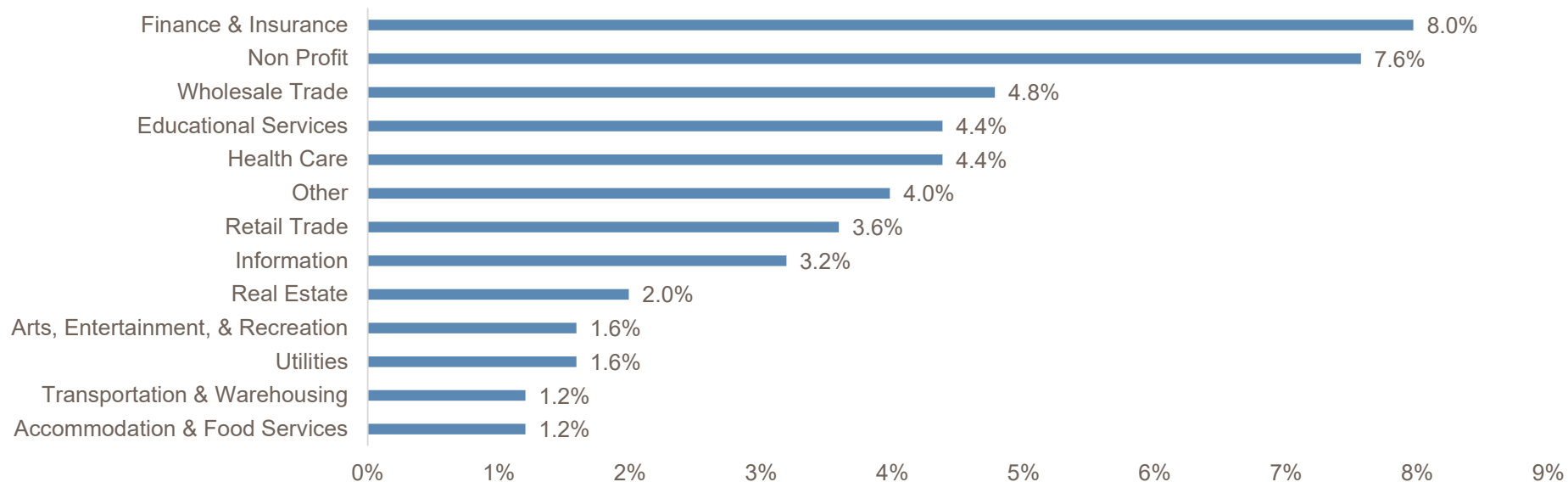
22.3% Manufacturing



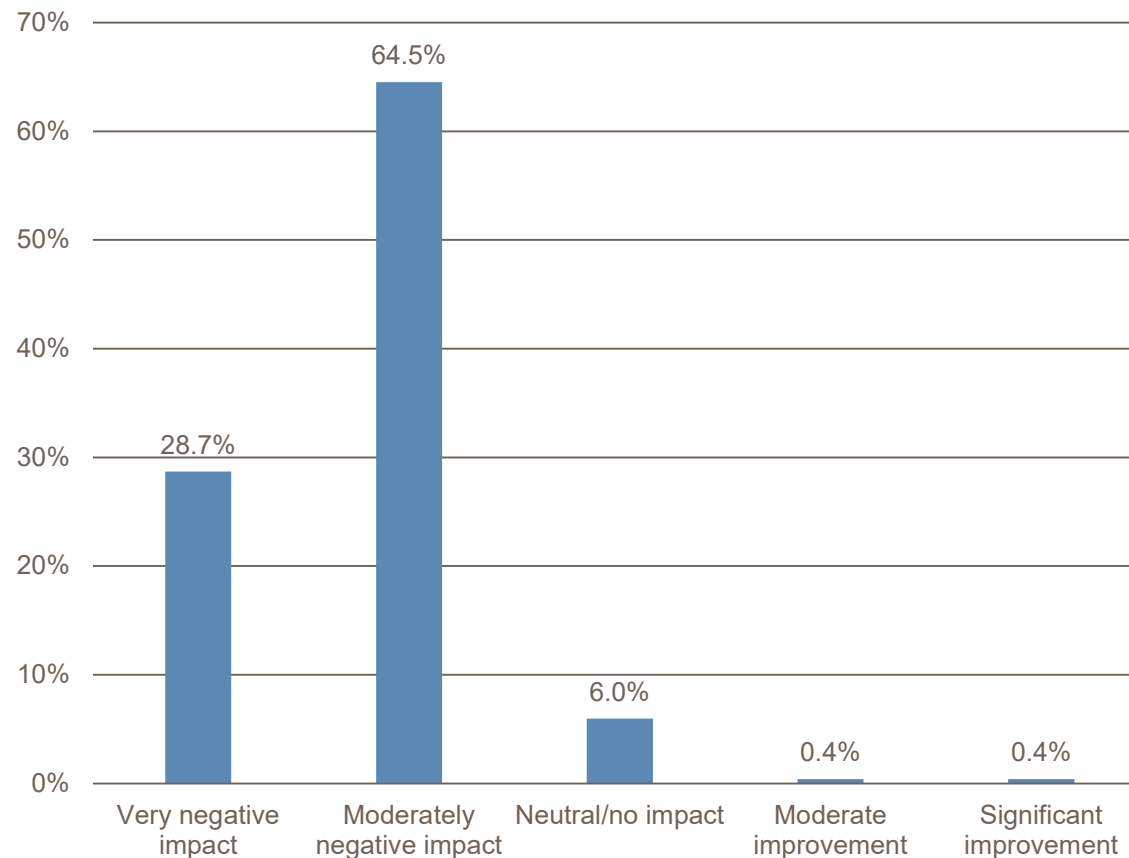
19.9% Professional, Scientific
& Technical Services



10.4% Construction



To what extent has your organization been impacted by COVID-19?



Comments from respondents

“Sales in April were down 45 percent from March.”

“We are all working from home. Only issues are technical difficulties once in awhile.”

“We are deemed essential; so far, our field staff has continued to work, just with more steps to follow.”

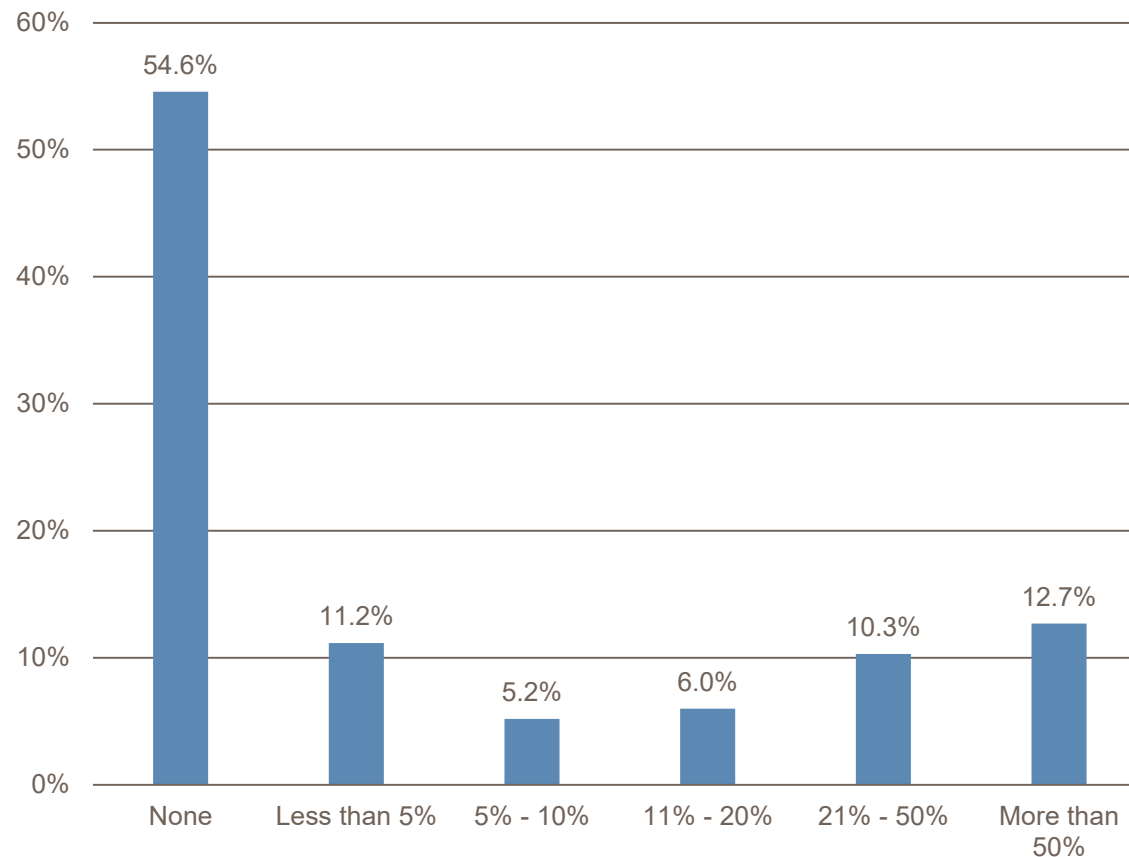
“I think the full impact has not hit us yet.”

“Didn’t really miss a beat from an operating perspective. Revenues impacted 5 to 10 percent.”

“The PA restrictions on construction activities have been more severe than other states and have had a significant impact on construction companies.”

“Financially, little impact yet. Morale, certainly this is an impact to many working from home and dealing with work/life/school issues.”

What percentage of your workforce has your organization had to lay off/furlough?



Comments from respondents

“We were forced to shut down by the Governor on March 13. We eventually had to lay off all staff.”

“We work in a national security capacity.”

“We are continuing to pay the few employees who can’t work remotely.”

“We do see a slowdown on the horizon...possible reduction in workforce.”

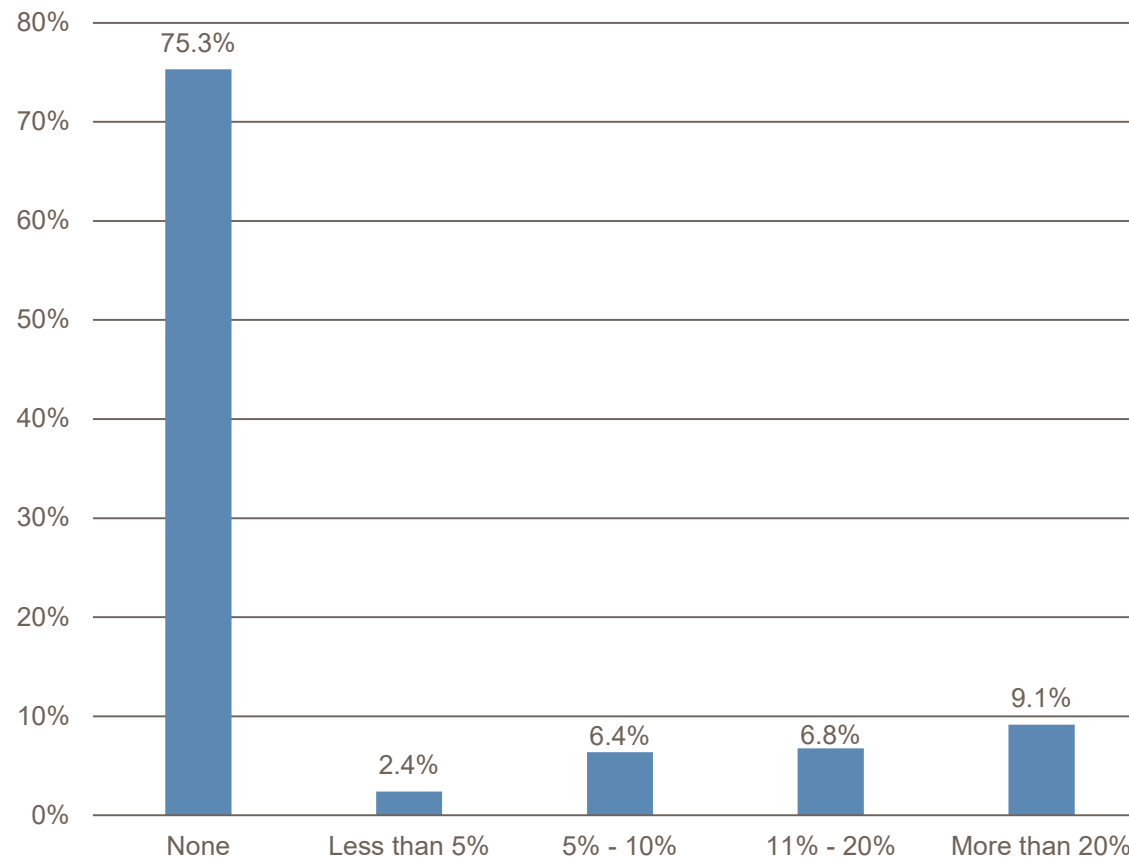
“Warehouse temporaries reduced by about 80 percent.”

“We have kept everyone on the payroll.”

“All of our people are independent contractors but are not able to work. I am a sole proprietor.”

“All office people are working from home. Anyone with ‘at risk’ conditions in our manufacturing facility is staying home and getting paid. Anyone coming to work in our facility is getting an extra 25 percent incentive pay. We are using the PPP funds to pay everyone.”

What is the average percentage of salary reductions you have instituted for your workforce?



Comments from respondents

“The work week for a small portion of the workforce has been reduced by 25 percent.”

“We have given everyone raises.”

“A 25 percent reduction prior to receiving PPP funds.”

“We are paying 75 percent and they are using PTO to supplement.”

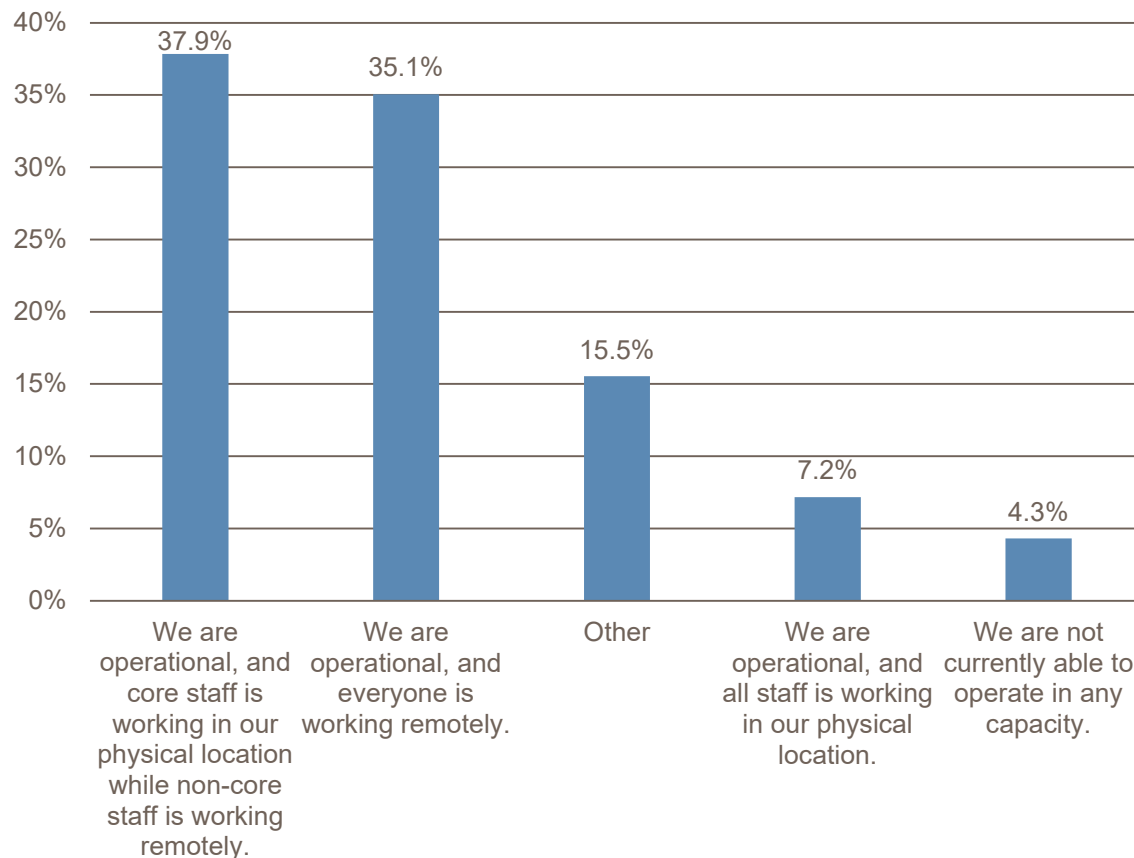
“We have had to reduce overtime. How does this factor into the PPP forgiveness calculation?”

“None so far, however, the future is uncertain.”

“Salaried staff reduced by 20 percent; others are hourly at normal rates.”

“We immediately increased front line staff pay by 15 percent through April to keep people coming to work; also, hazard pay when a work location was identified as positive for the virus.”

How has the pandemic affected your core operations?



Other responses

“We are working with a skeleton crew while the rest of the staff is laid off.”

“Only administrative work for our manufacturing business is being performed (remotely, at that). We have no production at this time.”

“There is no available remote work but 10 out of our 30 employees are choosing to stay home using vacation or without pay.”

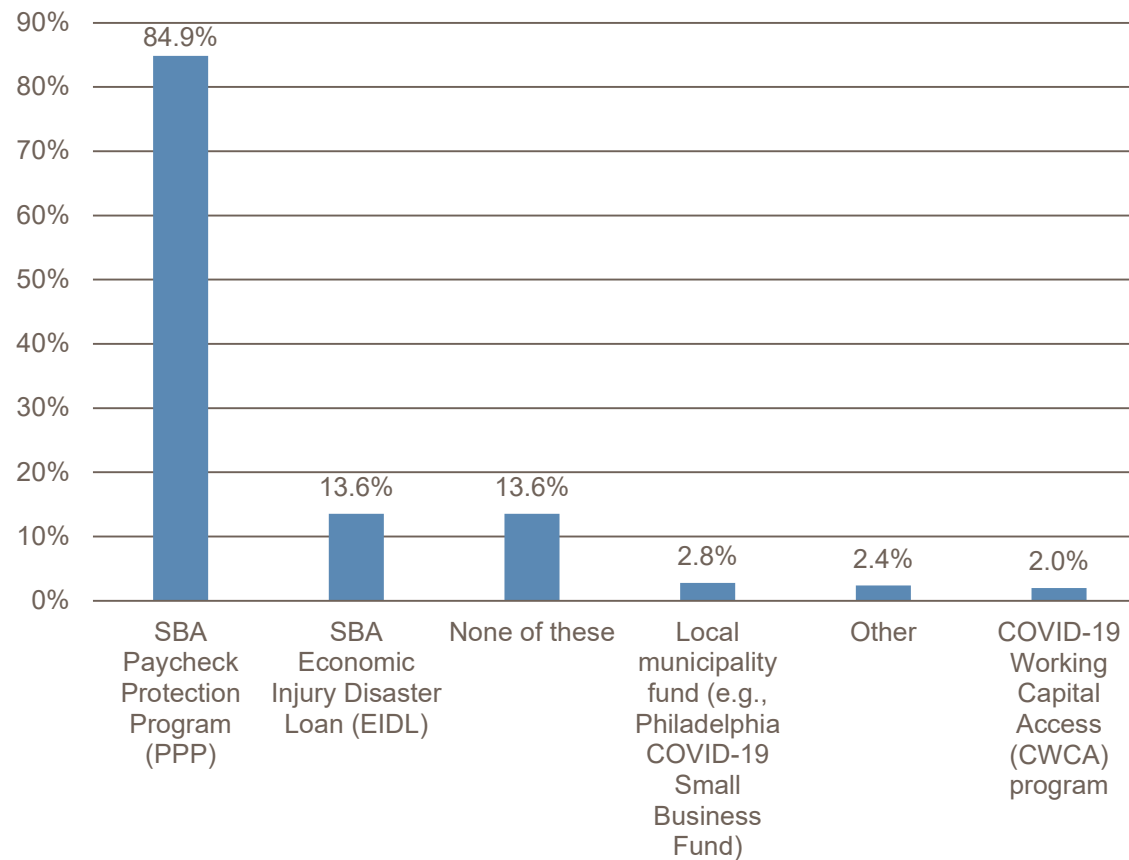
“We are operational and everyone is working. Some are alternating remotely.”

“Operational, and rotating staff between physical location and working remotely.”

“We are allowed to be open as an essential business.”

“We are operational and everyone is working remotely; however, they may not be at full capacity. We have per diem workers who aren’t getting the hours/days they would have received.”

Which of the following government loans have you applied for?



Other responses

“Deferral of employer Social Security taxes.”

“Local grant.”

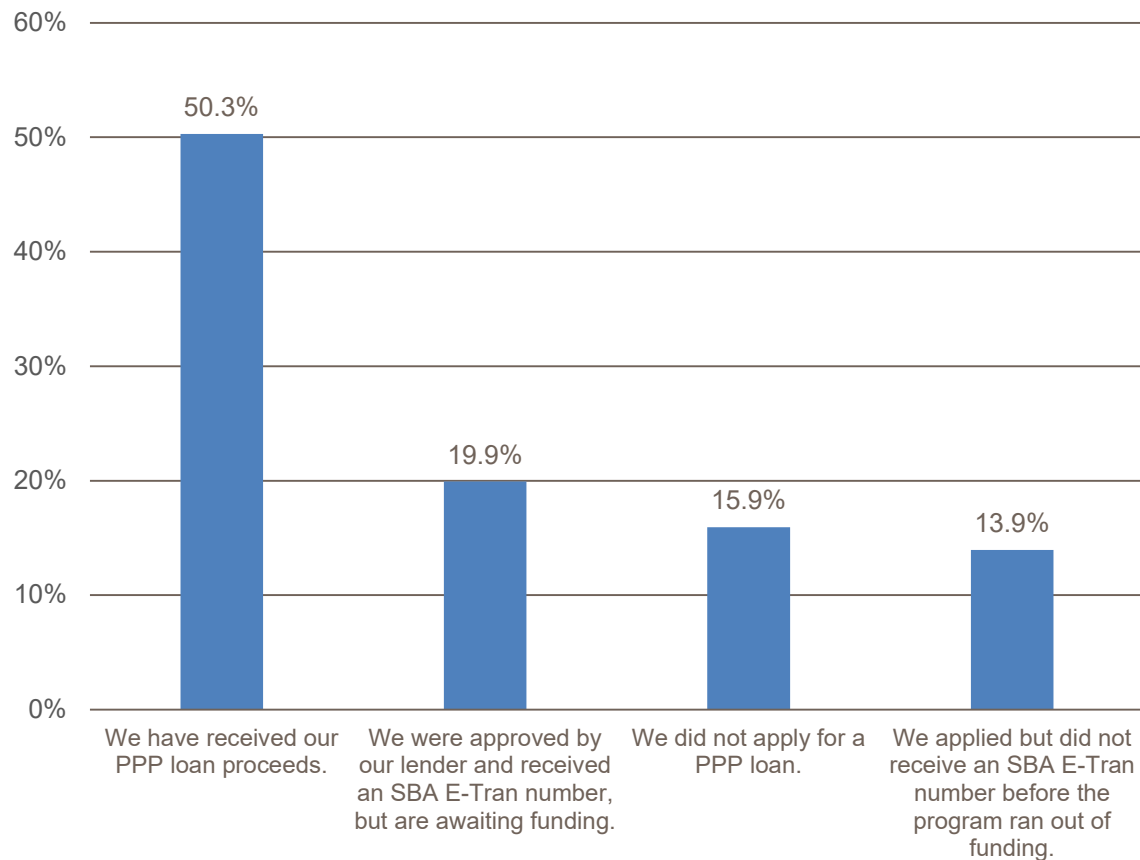
“We are over 500 employees, so we don’t qualify.”

“We are too large; part of a public company.”

“Possibly a Main Street Lending Program loan.”

“As a 501(c)6, some of these do not apply to us.”

If you applied for a Paycheck Protection Program (PPP) loan, what is the current status of your loan?



Comments from respondents

“We most likely will be returning the funds based on NEED for funds to continue business operations.”

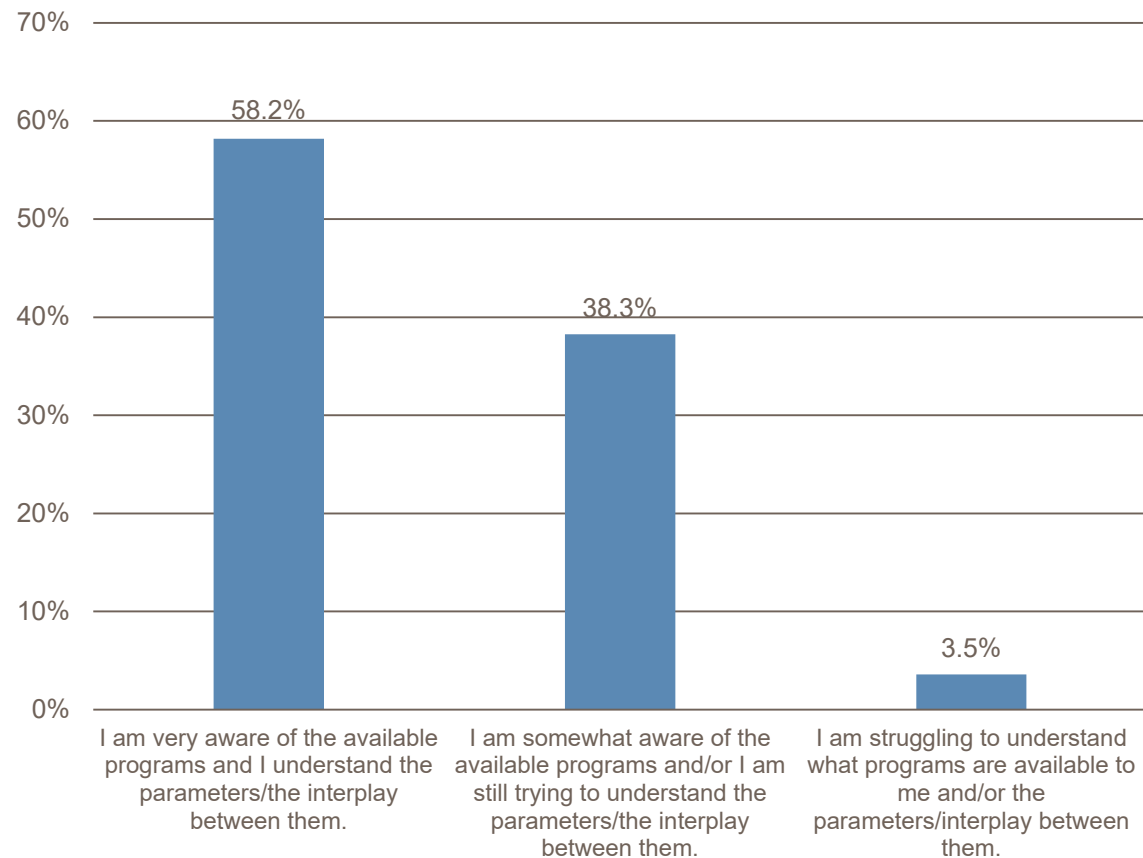
“The process was very frustrating and took too long.”

“We are in the queue for upcoming funds.”

“Approved for the 2nd tranche but no SBA number.”

“Our bank had not yet sent the application to the SBA before funds ran out.”

To what extent do you feel you are aware of and understand the business relief programs available to your organization?



Comments from respondents

“We have just over 500 employees and the programs I have seen are for fewer than 500. Are there any for larger employers?”

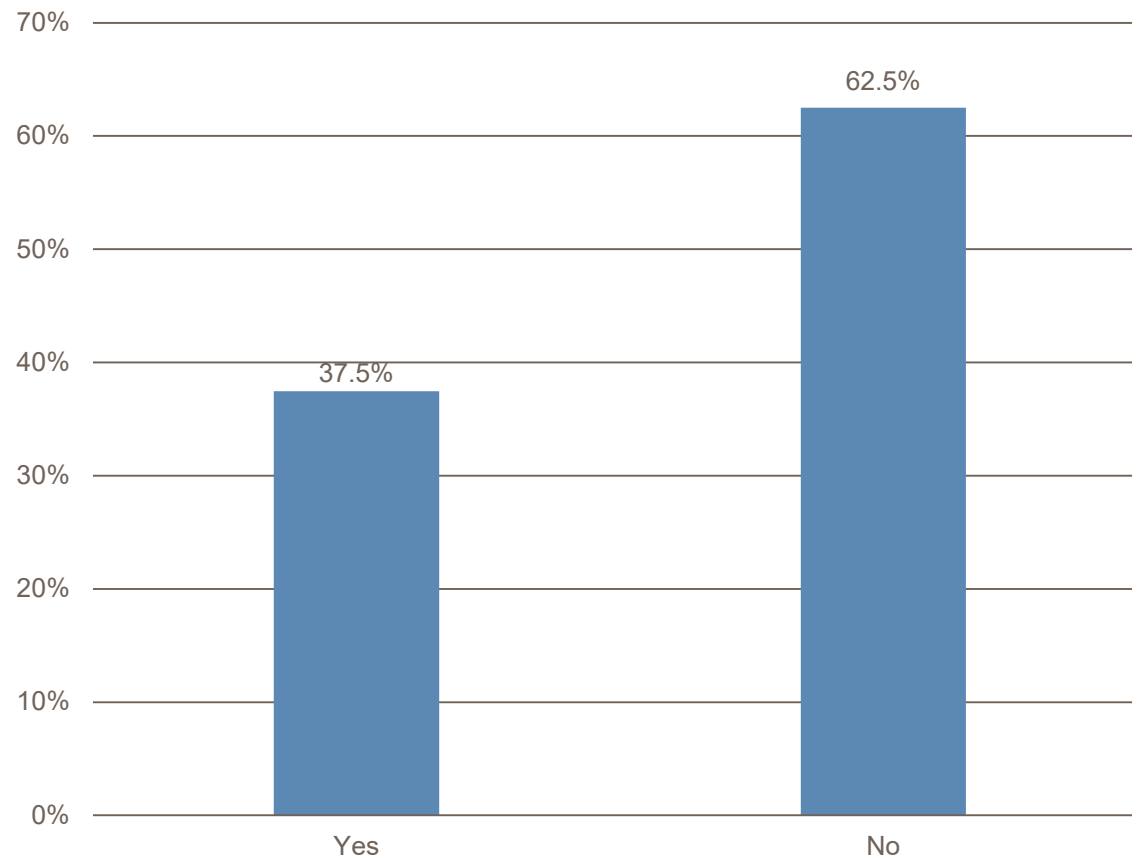
“Parameters have been constantly changing.”

“We are a nonprofit, and are watching opportunities for arts and culture as well as business.”

“Like everyone, we still need clarity from the SBA on the forgiveness calculation under the PPP.”

“I feel like there is a lot of unclear and conflicting information floating around these programs.”

Did your organization already have a disaster plan in place that you have implemented for this COVID-19 crisis?



Comments from respondents

“We had planning, just not a plan for a pandemic.”

“Our disaster plans only got us 2 weeks.”

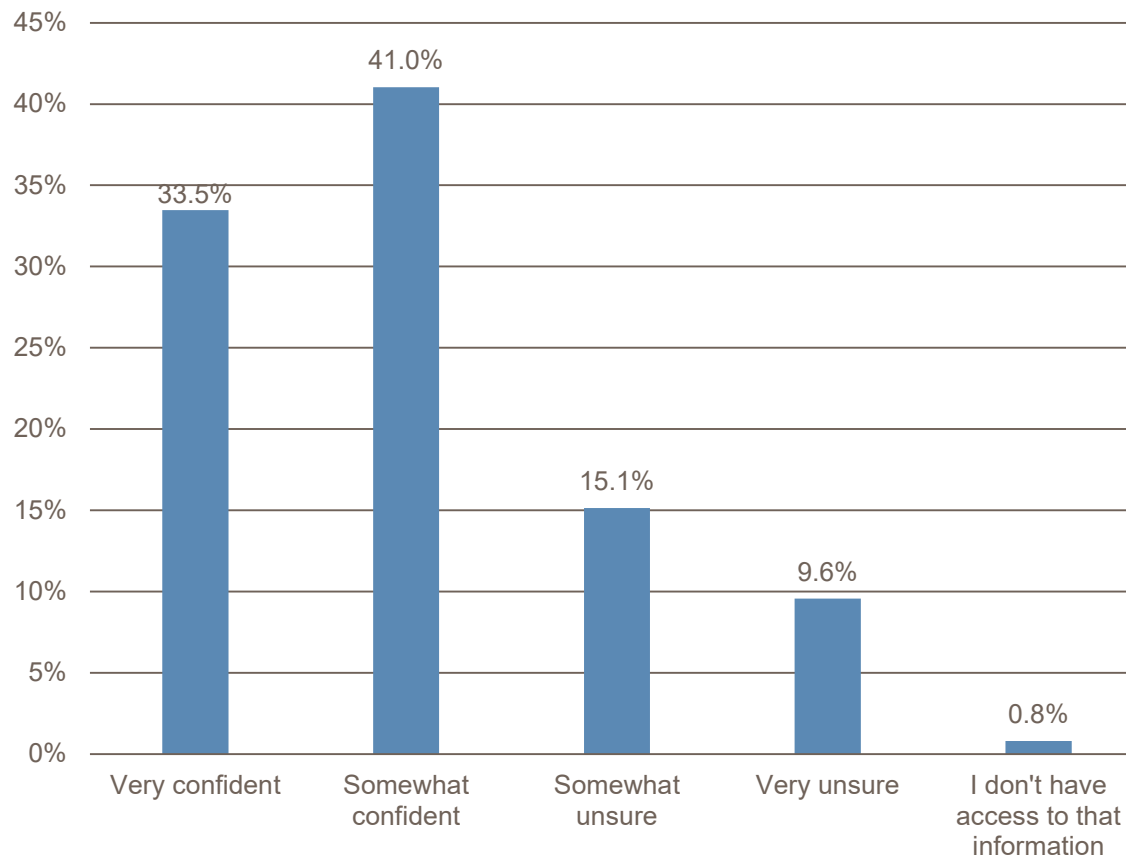
“We have one now!”

“While we had a plan, it was not at the capacity I would have liked. We were in the midst of a 1 year plan to update it when the pandemic came upon us.”

“Not formal, but lessons learned from Sandy had us in the position for quick formulation/action.”

“This was a huge hole in our organization’s efforts to do ‘business as usual.’”

From a financial standpoint, how confident are you that your organization has adequate working capital to finance operations for the next 12 months?



Comments from respondents

“Our cash position is good. Our loan/bank position is good. The question is, how much debt do we want to incur because of this if it lasts more than 6-12 months?”

“We need financial help to survive a complete shutdown for an unknown number of months.”

“Not confident at all.”

“We will have to take an enormous amount of money from our personal accounts.”

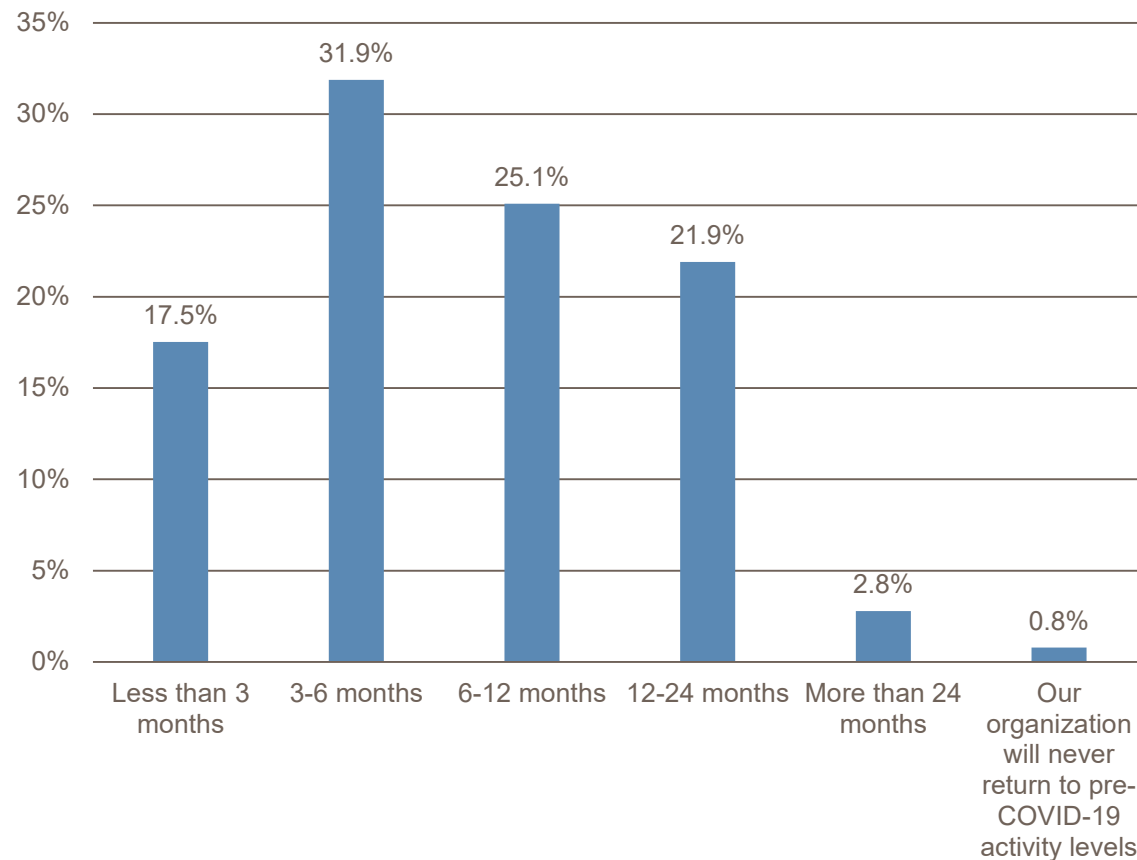
“In our business, supply chains are becoming worse rather than better. I predict things will get worse for us in the Fall if the supply chain does not improve, as we will begin to run through our safety stock of inventory.”

“Unless new orders are received, we will not survive 12 months.”

“We would have to have further layoffs and furloughs. We will not be able to operate a pre-crisis capacity for quite some time.”

“As a non-profit, I am not sure we even want to borrow money to help because we don't make enough to pay it back.”

When do you think we will return to “business as usual” (i.e., pre-COVID-19 activity levels)?



Comments from respondents

“We suspect that we’ll be in this ‘new normal’ for some period of time until a prophylactic/vaccine for this health concern is in place.”

“There is a chance that we will never be the same.”

“I believe we will have improvements and declines over the next year, especially when a second wave of the virus occurs.”

“I actually think 6-8 months due to not being sure of school start dates.”

“Unable to predict. The company may close or thrive.”



What is the most significant thing you've learned about your organization during this time? *Continued*

"Having a relationship with our county and state government business support organizations is important. They can keep us informed about programs to benefit us in times of need."

"Being a very small business, we do not have much priority in receiving needed funds."

"Working remotely for some departments is not effective. Our culture and our teams rely on informal personal interactions."

"The degree to which people are willing to be flexible when they understand the issues and the stakes."

"You can do more with less."

"We can surmount these obstacles when we work together."

"Some rising stars in the organization are showing their ability to create solutions for situations 'not in the playbook.'"

"I was concerned about remote working and customer service levels before we moved out of our offices. In fact, our customer service and productivity levels are as high, if not higher, than when we were in the office."

"Reinvesting in our business year after year is the best financial choice we could make."

Are there any other thoughts you'd like to share about the impact this crisis is having on your organization?

"It has been very hard to switch to working remotely for many people. We feel we are working hard, but also are lacking clarity about how to move forward. The learning curve for 'pivoting' has taken a long time."

"Stress at the top is high. We are trying to make our people feel appreciated."

"Communication is key! We have video meetings on Mondays-Wednesdays-Fridays and focus on sharing something positive with the group. It has been a life saver to all of us. We all have good days and bad days and knowing that having bad days is 'ok' makes it a lot easier to function."

"It takes strong, clear, and empathetic leadership, and a calm, firm guide for the staff to believe the firm is on the right course of action."

"Forecast worst case quickly, reach out to vendors and lenders immediately, preserve cash at all costs, do not worry about PPP forgiveness... it is all about living another day!"

"I am considering retirement because of this."

"It is making us rethink every expense and we are trying to be more creative with how we conduct sales. We are updating our website, our Facebook, and are going to start using Facebook stories to advertise. We are implementing a texting app for our customers to contact us. We think we can start to reach a larger customer base."

"We are having a difficult time trying to assess when the appropriate time will be to physically join our staff together again. This will come over time, but we do not want to jeopardize staff members' health or comfort level."

Are there any other thoughts you'd like to share about the impact this crisis is having on your organization? *Continued*

"The layoffs and pay cuts will have long lasting morale impacts, top talent may leave after this clears, companies with less flexibility financially have had to take actions less centric to associate wellbeing."

"It will make us adapt our services, perhaps dramatically. Our mission is the same, but the way we do it may be different."

"It's been stressful; however, we're realizing that we have excess overhead and we're looking closely at our efficiencies while also moving to innovate faster than we ever have. I'm optimistic that this event will make us stronger, faster, leaner, and more creative and innovative."

"I am very concerned about any rebound in employment. We are anxious that another jobless recovery could hurt our own rebound."

It takes a significant amount of time to check in on all of the remote resources and stay on top of communications."

"It's bringing us closer in some ways. It is also illuminating strengths and weaknesses to a higher degree. It is giving us an opportunity to grow."

"This has been one of the busiest 30 day periods in my career. Starting with being shut down by the Governor's order, to being granted an exemption, to applying for the PPP loan, to finally receiving the funds for the PPP loan and having to figure out the forgiveness calculations."

About Kreischer Miller

Kreischer Miller is a leading independent accounting, tax, and advisory firm that serves the Greater Philadelphia and Lehigh Valley areas. We have built our firm to respond to the unique needs of private companies, helping them smoothly transition through growth phases, business cycles, and ownership changes.

The companies we work with quickly adapt and respond to changing market opportunities and challenges. That's why our focus is on being responsive, decisive, and forward-thinking. We're up to the challenge – always looking at the road ahead, not in the rear-view mirror.

Our people are leaders in accounting and advising, and are passionate about helping companies achieve their goals.

To learn more about these results, or to discuss your company's needs, please contact your Kreischer Miller relationship professional or any member of our team.



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