

Alice Bredin Sheds Light on How Small Businesses are Staying Afloat



Gene Marks

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Alice Bredin

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Full transcript

Gene Marks:

Hey everybody, and welcome back to the Paychex Business Series podcast. I'm your host, Gene Marks. I am a certified public accountant and regular business columnist for a bunch of publications, including *Forbes* and *Entrepreneur*. But more importantly, I'm a small business owner of a financial technology management services company. I've teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services to bring you real-life advice from real-life business owners and industry experts.

In this podcast, we're going to talk about the complexity of running a small business and how small business owners are handling the challenges they face, particularly about the Paycheck Protection Program. I am really excited to have Alice Bredin here joining me.

Alice, thank you for joining me. First of all, you're the founder of Bredin, which is a market research company that tracks small and midsize business markets for its corporate clients. Paychex has asked Bredin to look into what SMBs are thinking about, the PPP, and other COVID-19 related topics. So again, Alice, thanks for joining me.

Alice Bredin:

My pleasure. Good morning.

Gene Marks:

Let's jump into it. So, Alice, you've done some research into small businesses, not only with the Paycheck Protection Program, but some other matters affecting them. But we're going to talk about PPP now. Can you tell us a little bit about the research that you did?

Alice Bredin:

Absolutely. What we've been doing over the past three weeks or so is connecting with a representative sample of business principals, such as [inaudible 00:01:34] leaders, at companies across the U.S., specifically those companies that have between 200 and 500 employees. So, these are small and midsize companies, otherwise known as SMBs, and we've spoken to them weekly to find out what they're worried about, what they're doing, what they've done, and what they think about the future.

Gene Marks:

Very cool. I've been doing a lot of work with the Paycheck Protection Program. It's been frustrating for most people, but at the same time I've talked to a lot of business owners that have been successful in getting loans and others that have had some frustrations getting loans and have actually been unsuccessful.

Your data kind of plays out to what I'm seeing in the real world, and I'm going to ask you to talk about it. Basically, the companies that were experiencing faster growth, that had more employees, that had younger leaders and a higher annual revenue: it seemed like those were the companies that were getting Paycheck Protection Program loans. Correct?

Alice Bredin:

You've got it. We found specifically, if you look at the whole market, one in three SMBs overall applied—so that's just sort of who threw their hat in the ring. And then a third of them, when we spoke to them a little bit over a week ago the last time, at least for now, a third of them have their cash in hand. But as you were saying, and it sounds like you've been on the ground and really seeing this too, it's the fast-growing, younger, bigger companies, generally speaking, who have gotten the funds.

Gene Marks:

Why do you think that is?

Alice Bredin:

It's a whole bunch of factors. We asked specifically that question in the research, so let's talk about the numbers, and then I think maybe we can kick around some thoughts about what else is there and causing it.

The top five reasons SMBs told us for not applying for the PPP specifically: no need for financing; couldn't find an SBA-approved bank; chose to go with another program, another relief-type program; couldn't access the payroll information they needed; or couldn't find other expense records, because you had to pull together paperwork, as you well know, to be able to apply.

Gene Marks:

When I look at those numbers, they frustrate me a little bit. I mean, specifically, as you had mentioned, 7 percent of the respondents said they couldn't find an SBA-approved bank that would accept their application, right? You said that 3 percent couldn't access payroll information; 2 percent couldn't find their expense records; and 1 percent couldn't find their tax returns. Let me do ... one, two, three, six ... that's 13 percent of business owners basically didn't apply for the PPP for—I guess I've got to be blunt—for kind of ridiculous reasons. What are your thoughts on that?

Alice Bredin:

Well, let's talk a little bit about the daily reality of running a company, particularly at this time. If you have relationships in which you can send an email, or log in and get the information you need within moments to put your hands on some of the paperwork you just discussed, then in a situation like applying for the PPP, you're off to the races.

Now, let's say you don't. You're trying to keep in touch with your employees, you're thinking about finding customers, you're doing your very best keeping all of this material organized and accessible, but you're wearing a lot of hats.

So, I look at these numbers and I just see some of the realities of what it's like to be an SMB. But I think it's a shame, because when you've got a system, it's super-easy and it has given SMBs an advantage in this situation, and I think you could say the same for day-in, day-out.

Gene Marks:

Seventy-one percent of the people that you surveyed did not apply for the PPP loans, because they said they didn't need the financing. Why do you think that is?

Alice Bredin:

I think that number has a lot rolled up into it. It's a little bit of what we've been talking about. Maybe they didn't need that money in the moment because they thought that things would be turning around more quickly than they eventually started to. Some legitimately may not need the funds.

What I can say in terms of that is, as I mentioned, we've been speaking to business owners once a week for the past handful of weeks, and with each passing seven days, we saw the amount of time the business owners take to return to economic normal to be extending.

So, to put it another way [inaudible 00:06:16], with every passing week, business owners started to realize it was going to be a much longer time than they had anticipated for economic normal to arrive. At this point, most business owners say they're expecting normal to occur in about seven months, but I think that number might keep going up.

Gene Marks:

As we're speaking right now, it's the middle of May. There's about 100 billion dollars left in the PPP program, and there are reports, many reports, that a lot of small businesses, that the demand for these loans is slowing down. Why do you think that is, and what does the data tell you?

Alice Bredin:

We're seeing business owners really shifting to day-to-day work on opening back up, and based on the data, opening back up in a different way, a permanently different way. So, when we asked SMBs about their priorities right now, top of the list: maintaining customer relationships. A third are focused on that. Managing business as usual: that's everything from keeping in touch with existing customers, making sure you've got the systems to support the work that you do, and all of that. Reducing expenses: close to 20 percent are doing that, although they're spending in certain categories. I'm going to talk about that in a minute, if you like. And then, revising sales and marketing approach is 8 percent. So, that's the pivot that you're hearing about. More digital, new ways to serve existing customers, maybe looking for new audiences, and things like that. We see a real focus on that, as well as a permanent shift from what we're being told how businesses plan to operate.

Gene Marks:

Have any of your respondents been specific about the loans, to the extent that a lot of people ... the eight-week forgiveness period has become problematic for some businesses. You know, once you get the funding, the clock starts ticking for eight weeks and a lot of businesses, they haven't even started up yet. So, they've got nothing to spend the money on, and because of that they're sort of wary of accepting these loans, or even applying for them. Have you heard much of that in your research?

Alice Bredin:

Well, I've certainly heard about it outside of this data. We didn't ask specifically about that, because that's such a moving target that expectations and reality may not sync up to give you good data that's representative and that you can hold to for any period of time.

What we do know is that there are other funding sources that business owners are seeking, too. So, 30 percent have applied totally outside of the PPP now for grant disaster relief or some other kind of support. About a quarter have applied for a LOC, line of credit. A little more than 40 percent are using a line of credit that they have right now, and 37 percent are turning to their credit cards.

So, I think there is definitely ... business owners are looking around for all kinds of funding sources. For some of them, the PPP is the answer, and for others it's going to be to things like that.

Gene Marks:

Yeah. It interests me that people, so many, I mean 37 percent, one in three, are getting financing from their credit cards. Obviously, it's a very popular form of financing for businesses, but it is so expensive to do, particularly when you've got basically low-interest and forgivable loans available from the government. Why do you think that is?

Alice Bredin:

Credit cards have always been a go-to. They're easy, they're there, companies have them so there's no heavy lift in terms of using the money. I think that it's also something you can pay back as possible on the time frame that works for you and all of the other things that go with a credit card. But as you say, of course, there's a price for all that.

Gene Marks:

There is. There is. Alice Bredin. Alice is the founder of Bredin, a market research company that tracks the small and midsize business market for its corporate clients. Paychex has asked Bredin to look into what SMBs are thinking about the Paycheck Protection Program and other COVID-19 related topics.

For more information about what we discussed today and other coronavirus questions and topics, please visit the Paychex COVID-19 help center. The address is paychex.com/coronavirus-resources.

Thank you, Alice, for joining me. We're going to do another one of these real soon, about resiliency and optimism and all of that good stuff. So hopefully everyone will listen to that, too. This has been a great conversation. Thank you, everyone, for listening and we'll see you next time.