

Impact of COVID-19 on Micro Fashion Enterprises in West Virginia

Ishtehar Sharif Swazan, Debanjan Das PhD, West Virginia University, USA

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Microenterprises are recognized as a poverty mitigation resource or an effective tool to supplement income and that is why they are different from medium and large enterprises (Romero, & Zeuli, 2012). Microenterprise is mainly a subset of the small business sector, with five or fewer employees including the owner (Association for Enterprise Opportunity, 2019). Microenterprises constitute 88% of approximately 28 million United States (U.S.) businesses and play an increasingly important role in economic development throughout the United States (Church & Oakley, 2018).

In the past two decades, microenterprises have accounted for the largest share of employment gains and a significant portion of businesses in the U.S. (Church & Oakley, 2018). The development of microenterprises is recognized by many practitioners/researchers as a promising economic development strategy, especially in rural communities. Research shows that several federal, state, and local organizations have been established by the U.S. government to support the success and stability of microenterprises across the country (Romero, & Zeuli, 2012; Humphries, Neilson, & Ulysea, 2020). Being a rural Appalachian region, West Virginia's economy has been weaker over the past decade or so compared to the whole nation. The state's comparative labor market performance has been even weaker compared to its neighboring states (Ohio, Pennsylvania, and Maryland). But after the recession in mid-2016, the state has developed a strong pace of economic growth that has reduced the performance gap with the nation and neighboring states (Lego, Deskins, Bowen & Atkinson, 2018). Among all the businesses in West Virginia, 98.9% are small and microenterprises which contributes 49.1% of the state's total employment (United States Census Bureau, 2020). The retail trade sector contributes 37% of employment in 2017 among all the small and microenterprises across the state (United States Census Bureau, 2020).

According to Porter's (1990) theory of competitive advantage, the chance factor plays a significant role in determining the competitiveness of a firm or an industry. Chance factors may include opportunities and /or challenges that affect the movement of the firm, and they are mostly not controlled by the power of the firm or the sector. Events such as wars, political decisions by foreign governments, large increase in demand, shifts in world financial markets and exchange rates, discontinuity of technology and input demand can be described as chance events. The Covid-19 pandemic has caused massive damage among all the micro businesses in the USA within several weeks after its spread in the country and is considered as a chance factor for this study. Many microenterprises had to shut down their business operations as per the orders from government. The government also passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to support the microenterprises in USA. But the impact of this pandemic varied across industries and it was difficult to identify which businesses need the support most.

Bartik, et al., (2020) from their study on the impact of Covid-19 on US small businesses found that businesses such as retail, arts and entertainment, personal services, food services, and hospitality all have reportedly declined their employment by half. Fairlie (2020) from his study on small businesses found that the number of active small businesses has significantly dropped during the first three months of this pandemic and the drop in active business owners was the largest on record. Humphries, Neilson, & Ulyssea (2020) in their study found that most of the small businesses they surveyed were severely impacted by the COVID-19 pandemic before the CARES Act was passed. Although these findings are useful, there is no research available on the impact of this pandemic on fashion microenterprises in West Virginia. Therefore, this study aims to explore the impact Covid-19 had on the fashion microenterprises in West Virginia. Qualitative semi-structured interviews were employed for this study. Interview questions were derived from related literature. Interviews were conducted with 16 owners and managers of micro fashion businesses across West Virginia. The transcripts were analyzed deductively through coding and memos related to the Diamond Model.

The study results revealed several impacts of this pandemic on microenterprises : a) store closure “for most of the summer we actually ran shorter hours and we also had the store closed for couple of weeks” (16 out of 16); b) decline in employment “I had five employees, but at this moment because it’s been so slow I ran the business by myself” (9 out of 16); c) losing competitiveness against the large retail stores “I’m sure that I’m not like TJ Maxx you know what I mean. I’m different and I don’t have a thousand of one item to sell I have one item and if customers are not coming then it is hard for me to sell my products” (8 out of 16); d) change in consumer buying pattern through “customers just stopped coming when it started. Now they are coming but they are also scared about the pandemic. They don’t like to be with other customers at the same time” (10 out of 16); e) forced to use online sales channels “we did go out of our comfort zone to create a website, which I didn’t want to do because it’s a lot to manage” (7 out of 16).

Impacts of this pandemic on microenterprises mainly resulted from: a) inadequate financial support from the government “the government policies on that time didn’t affect my business that much” (5 out of 16); b) inability to provide online services described as “we didn’t have that manpower or financial ability to start online business” (6 out of 16); c) unpredictable nature of the pandemic “after the store closure I was upset, didn’t know what going to happen. I really thought it’s going to for couple of weeks but turns out totally different” (4 out of 16); d) inability to plan ahead described as “I didn’t know what I should do at that time. I couldn’t make any plans for my business” (5 out of 16).

The study results also revealed that this pandemic has some positive affects among the microenterprises in West Virginia: a) this pandemic encouraged the microenterprise owners to identify their key strengths as described “this pandemic brings out the best from us. We did a lot of stuffs that we would never think we were able to” (5 out of 16); b) this pandemic also impacted the relationship with the vendors positively described as “I even have more communication with

my supplier on that time. We worked together during that time supporting each other” (4 out of 16); c) local communities also supporting micro businesses during that time as described “people now realize the importance of small and micro businesses towards the community, and they are now coming and buying things from our store” (6 out of 16).

The study findings have major implications and contributions. This research provides new evidence on how the fashion microenterprises in West Virginia have been impacted by COVID-19. Permanent/temporary closure of the stores and decline in employment were found to be the major impact of this pandemic on the regional development of West Virginia. Fashion microenterprise owners’ expectations about the future were found to be negative and deteriorated. The findings of this study might inform the federal and state decision-makers to make productive and worthwhile decisions to support the small and micro fashion businesses in West Virginia.

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