



# Virtual Focus Group with Small Businesses on the Impacts of COVID-19: Summary of Findings

**Prepared by:** ILLUME Advising, LLC

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*The headlines on the impact of the novel coronavirus on small- and medium-sized businesses are already too familiar: empty shops, employee layoffs, lack of access to SBA loans that were supposed to serve as a lifeline. To better understand how utilities and program administrators can support the small business community in light of COVID-19, ILLUME hosted a virtual focus group in late April with five Tucson-area business owners and entrepreneurs representing the healthcare, food and hospitality, real estate, and metal processing industries.*

*At ILLUME, we have always held that the two constants in energy are change and the people who use it. As the country rallies around main street, we present this memo of findings to add context to this moment of rapid change. As we prepare to re-emerge on the other side of this crisis, let us do so with renewed optimism that the future of clean energy and the economy can be one and the same.*

# business profiles

## Rachel Chánes

Practice Administrator, Pima Dermatology



Rachel Chánes serves as the Practice Administrator at Pima Dermatology, a premier, multi-provider, full-service dermatology practice in Southern Arizona. In her role, Rachel works closely with ownership and its Governing Body to monitor changes in the healthcare industry, legislation, technology, and critical factors that contribute to the constant evolution of the healthcare industry. Rachel leads the practice's strategic and annual budget planning processes, oversees Human Resources, provides financial management, and leads Pima Dermatology's accreditation and compliance programs.

Pima Dermatology is a leading provider of medical and surgical dermatology in Southern Arizona. The practice is led by founder and co-owner, Dr. Gerald Goldberg, recipient of the prestigious Leon Goldman Memorial Award for his monumental advancements in Laser Medicine. Pima Dermatology employs more than 30 medical professionals and was recognized by Tucson Lifestyle in its Top Doctors of 2017 Issue and was honored in 2014 as a finalist for the Blue Cross Blue Shield of Arizona Best Places to Work award as part of the Tucson Metro Chamber's Copper Cactus Awards.

## Vanessa Gallego

Chief Operating Officer, Recyco



Vanessa Gallego is the Chief Operating Officer for Recyco Inc., Tucson's industry-leading recycling center and first drive-through service. A graduate of the University of Arizona, Vanessa took over the family business while remaining involved in various community organizing efforts, including as Chair of the Tucson Commission on Climate, Energy, and Sustainability. Vanessa also serves as a Board Member for BICAS, a Tucson nonprofit that promotes affordable bicycle transportation through advocacy and bicycle salvage. Vanessa is also a member of FUGA (Families United Gaining Accessibility), a diverse group of Southside and Westside community stakeholders working towards mobility justice.

With two industrial locations, Recyco is an Arizona business that strives to promote a cleaner environment by reducing the amount of materials introduced into landfills and roadside ditches. Recyco partners with local, national, and global businesses to responsibly reuse and recycle ferrous and non-ferrous metals. Recyco also provides volunteer hours for schools and community outreach on the importance of recycling and city-wide clean-up efforts. Recyco provides several recycling centers for community recycling programs and is an active member of Tucson Clean & Beautiful.

## Todd Hanley

Proprietor, Maynards/Hotel Congress



Todd Hanley is the Proprietor of two of Tucson's most renowned downtown destinations: The historic Hotel Congress and Maynards Market & Kitchen. Todd moved to Tucson in 2003 where he and his wife Rebecca operate Hotel Congress, which is owned by Rebecca's parents, Richard and Shana Oseran. Todd is on the Board of Trustees of the Women's Foundation of Southern Arizona and is a well-respected member of the Tucson community.



Hotel Congress was built in 1919 and is considered the quintessential cultural landmark in downtown Tucson, best known as the site of the capture of the infamous bank robber, John Dillinger, in 1934. Hotel Congress is home to Club Congress (a concert venue), The Cup Café, The Copper Hall banquet area, and Tucson's independent radio station (KXCI's) satellite studio. Located across the street from Hotel Congress, Maynards Market & Kitchen sits at the site of Tucson's historic train depot and includes fine-dining and fast-dining concepts in addition to a venue for private parties, weddings, corporate events, meetings, and rehearsal dinners.

## Terri Kessler

Associate Broker, Long Realty



Terri Kessler is an Associate Broker with Long Realty, bringing over 25 years of business experience helping families navigate the real estate market in the search of their dream home in the American Southwest. A graduate of Cal State University, Long Beach, Terri lives in Tucson and is a community champion where she serves on the Ambassador Council of the Museum of Contemporary Art Tucson (MOCA), and actively supports organizations like the Tucson Girls Chorus and Tucson Botanical Gardens.



Based in Tucson and founded in 1926, Long Realty Company is the leading real estate brokerage company operating in Southern Arizona, offering an unparalleled level of award-winning residential and commercial real estate services through a network of more than 1,400 licensed real estate associates in more than 43 offices, including 24 independently-owned and operated affiliate realty and property management companies throughout Arizona.

## Renee Kreager

Owner, Renee's Organic Oven



Renee Kreager is the founder and owner of Renee's Organic Oven, a beloved Tucson pizzeria serving up locally-sourced and organic food on Tucson's east side. Her passion for food has been featured in renowned travel publications like Arizona Highways, while her passion for community inspires Renee to volunteer her time, food, and talents to support events like the El Rio Vecinos Block Party, which raises funds for children's pediatric medicine. Renee is a former Board Member of the YWCA of Southern Arizona, an organization that seeks to level the playing field for women and girls and has been leading the fight for social and economic justice in Southern Arizona for over 100 years.

Renee's Organic Oven features in-house-crafted cocktails, wines, and craft beers from local brewers in addition to her famous pizza. Renee's taste for purity in every ingredient, and her appreciation for a great dining experience, have earned Renee's Organic Oven great support from locals as well as travelers.

This memo is divided into two sections:  
(1) The state of small business and (2) ways that utilities and program administrators can align themselves with small businesses.

### Key Takeaways:

- **What is on the minds of small businesses?**
  - Supporting the local economy is front and center
  - Businesses owners feel they made the 'right', but difficult choice to close their doors
  - Businesses are leaning on their core values to make decisions
  - Businesses might come out of this crisis with entirely new models/services
- **How can utilities and program administrators (PAs) support?**
  - Customers see utilities and PAs as having a broader role than just energy delivery
  - Utilities and PAs are perceived as doing the 'right thing' at every step of this crisis
  - Customers imagine utilities and PAs can serve as an information hub during times of crisis
  - Utilities and PAs play an important economic development role
  - Customers believe utilities and PAs can play an even greater role as climate advocates

# The State of Small Business

## Making Decisions Based on Values

The first thing that was clear from the onset of our focus group was that participants are making business decisions from a place of values (in addition to public health). When thinking about whether to keep the business open, one panelist indicated that their company's leadership team approached the question by asking, "Should we do this? What's the right decision for this moment?" They didn't start by asking "can we do this?"

This desire to support the welfare of customers and employees was present throughout the conversation as panelists leaned on their values to make decisions. After communicating to their team the likelihood that her business would have to close, one business-owner said, "Our changes will be based on values," and later summarized that you can't have a business without customers, and you don't have a business without employees.

Another common outlook that drove these entrepreneurs was their strong sense of localism where 'good' businesses deserve patronage. "The flow of money benefits people who work with integrity," said Renee Kreager, Owner of Renne's Organic Oven. Deciding what bills get paid or what expenses are shifted to another month, another participant said that their business would pay local companies first, before paying larger, national providers. Small businesses are feeling the brunt of the economic shock and large institutions should not receive preferential treatment at the expense of small businesses. Todd Hanley of Hotel Congress said, "Everybody has to sacrifice; from credit cards to banking." In another expression of local values, another participant warned that the Tucson business community should, "expect more from chains if we are going to allow them in our city."

## Resiliency is a Long Game

Our panelists noted a need to recession-proof their businesses and prepare for the sheer magnitude of service disruptions. One reported a 97% revenue loss and had to lay off more than 175 employees. Another panelist in the healthcare industry put their losses into perspective sharing that they typically see 600 patients per week, appointments are scheduled up to six months ahead of time, and now they are completely closed. Telemedicine could not right size this loss in business because of the nature of their services.

Businesses are aware of the importance of closing down in the near term in order to return to a sense of normalcy somewhere down the road. "We're not good to anyone if we can't open up when the time comes," said one focus group panelist. Another panelist noted the interconnectedness of all industries, expressing the need to adhere to every precaution and every step along the way, "otherwise we all can't get there." Another panelist noted that rushing to open the economy would do more harm to all in the long run.

Lastly, putting food on the table also means putting families directly in danger, an observation that has not received too much attention in the media. “[Running a] family business means that your kids are there with you,” said one panelist.

## Innovation and Reinvention

One salient theme was staying nimble through the crisis, as all of the businesses adapted and sought ways to reinvent themselves. One panelist shared her sense of astonishment as to how quickly their business model was able to pivot and adapt. On the subject of reinvention, Todd Hanley, Proprietor of Maynards Market, explained that the business was exploring insurance options to keep salaried employees onboard as delivery drivers for its bricks-and-mortar grocery store (now turned online store). Hanley underscored the need to rethink food delivery models, like GrubHub, that can charge up to a 30% fee.

Adapting and ensuring their employees would still be there on the other side of this crisis was a key concern to these businesses. One panelist bluntly said, “We are not going to recoup losses...we furloughed 15 people (and) hope to bring them back through lines of credit increases and SBA PPP.” Expanding and contracting will be a fact of life for these businesses in the next 12 to 18 months.

# Ways that Utilities and Program Administrators can Align Themselves with Small Business

Panelists unanimously agreed that utilities and PAs are doing the ‘right thing’ at every step of this crisis. When asked about the type of support small businesses can receive from their utility, the panel was mostly open-handed, suggesting that support go toward their customers and employees rather than directly to them. With almost no talk about energy rates, the panel pivoted to discussing their utility as an altruistic actor. Panelists saw the role of utilities and PAs as one of (1) corporate citizens and climate advocates, (2) economic development engines, and (3) information hubs.

## Utilities and PAs as Corporate Citizens, Climate Advocates

Panelists noted that utilities and PAs are doing exactly the type of work that they expect of them at this time. “Utility payment moratoriums were one of the most important things utilities could do for people who work for me,” said Renee Kreager, noting the benefit for employees who were still coming to work or would eventually find themselves out of a job. Kreager elaborated that this was, “something I appreciate on a personal level...it was the best thing that I thought they could do, and they did...I hope they are doing more than I even know.” Vanessa Gallego of Recyco asked that utilities, “work with local government [to make programs and services] more accessible... know your customers and interpret for second languages.”

Panelists wanted to know how utilities are taking on their corporate responsibilities, “What is TEP doing? Tucson Water? I want to hear more about what they are doing from a corporate standpoint to partner with communities.” With air quality and climate in the forefront, another panelist said that utilities should advocate to government, “so that we can come out of this with a stronger long-term approach to community... how this impacts the earth.” These comments underscore that customers trust their utility to provide safe and reliable services, but also that they trust their utility to do the right thing.

## Utilities and PAs as Economic Development Engines

Terri Kessler of Long Realty said utility programs and services occupy an important role in retrofitting homes, providing rebates for energy efficiency, and demonstrating the long-term cost of home ownership, “utilities are great at rebating...homebuyers want to know what utilities cost...Efficiency is key.” Kessler also noted that utilities have a role in supporting the real estate market through economic development by offering reduced utility rates to attract larger industries. Finally, as utilities think through the length of payment moratoriums, one thing to consider is the impact of such relief on apartment and building owners who “are a bit anxious about having to absorb people’s rent,” said Kessler.

## Utilities and PAs as Information Hubs

Panelists expressed that customers trust information from utilities and would be willing to receive information even though it is not central to the utilities’ core function, “How can I decontaminate a mask?” asked Rachel Chanes of Pima Dermatology. There may be an opportunity to help distribute health information to customers via partnerships with county health departments.

Businesses noted that, like everyone else, they are evolving and learning on the fly as they are constantly flooded by emails on how to ‘COVID-proof’ their businesses. One panelist, who runs a metal processing facility, said she had never seen this type of biohazard before, “We had to educate ourselves, we couldn’t catch up with the information.” Because of their ubiquity and role as a trusted entity, customer utilities may have an important role to play in providing public information during future pandemics and other natural disasters.