

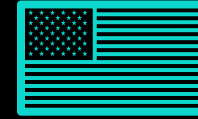
SMB CONFIDENCE INDEX REPORT

DECEMBER 2020

OBJECTIVES

- What are Small and Medium Businesses (SMB) views on financial conditions? What are their sentiments in the coming year?
- What challenges are SMBs facing and what support do they need?

MARKETS



US

SPECS

SAMPLE

- N = 500 Small and Medium Business (SMB) Owners in the United States
- Self employed, own a business, or have a side business in addition to primary employment
- Business decision maker
- Business size: 1-500 employees
- Annual revenue: less than \$7.5 million

WEIGHTING

The sample was weighted according to the US Census distribution of Small and Medium Business Owners. Weighting variables include: gender, ethnicity, and business size.

WAVES

This study will be conducted on a quarterly basis to track SMB Confidence over time. The first wave was fielded in November 2020.

CONFIDENCE INDEX

A Confidence Index was developed to capture SMB owner's views regarding current and future financial conditions of their business as well as economic conditions in the country as a whole. Morning Consult transforms the responses from five questions to produce the Index. For a given question, the net score equals the percentage of weighted positive values minus the percentage of weighted negative values plus 100. The Index is a simple average of all five net scores.

KEY FINDINGS

1. As of December 2020, COVID-19 cases continue to climb across the country, state governments reinstate stay at home orders, and the federal government remains at gridlock on an aid package.
2. In this initial wave of the SMB Confidence Index, the Index sits at 128 among all SMB owners, with Minority owners and owners of larger businesses expressing greater confidence. Future waves of this project will unveil how this will change amidst evolving economic conditions.
3. The higher confidence among Minority owners is driven by a greater confidence in the short term – expecting higher revenue in the next 3 months compared to the preceding 3 months.
4. While Minority businesses have higher confidence, they do experience unique challenges. In particular, competition with established companies, finding qualified employees, and access to loans/capital.
5. Nearly one-third of SMB owners applied for a Paycheck Protection Program loan. Among those who received the loan, the funds were primarily spent on payroll.
6. Roughly one-quarter of SMB owners anticipate needing government assistance over the next year, with grants being the most helpful. While the need exists, there is a general lack of confidence in the government being able to deliver that support.



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SMB CONFIDENCE INDEX

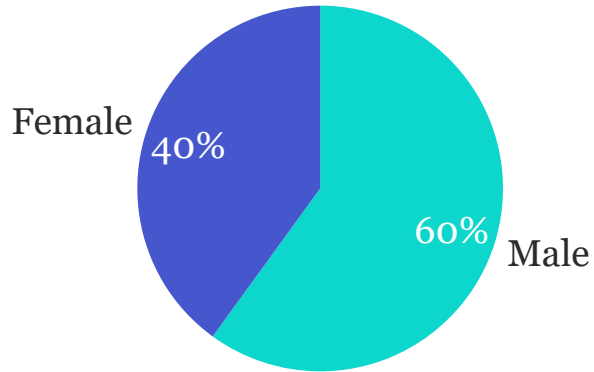
PROFILING



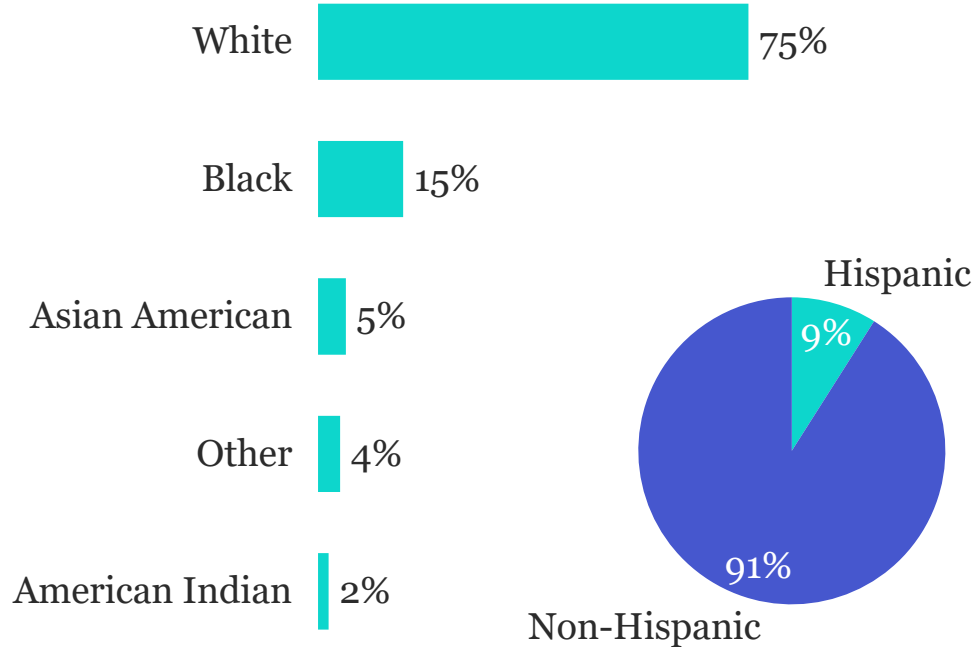
SMB PROFILING

The Small & Medium Sized Business (SMB) sample is representative of the current SMB owner in the United States.

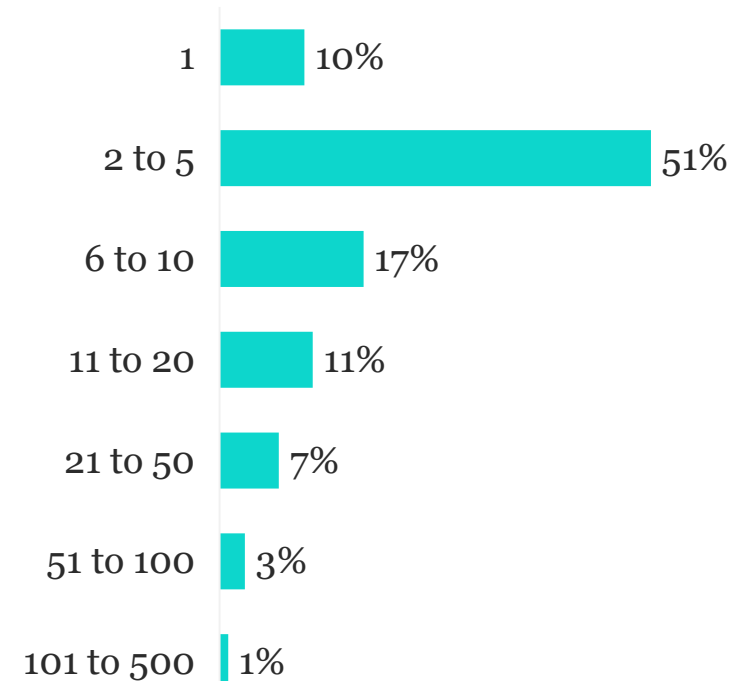
Gender



Ethnicity



Business Size



Total SMB Owners n=500

What is your gender?; Which term below best describes your race or background?; Are you, yourself, of Hispanic origin or descent, such as Mexican, Puerto Rican, Cuban, or some other Spanish background?; How many total full-time employees, including the owner, are currently employed by your business?

Source: SMB Confidence Survey (November 2020)

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SMB CONFIDENCE INDEX

CONFIDENCE INDEX



SMB CONFIDENCE INDEX

The SMB Confidence Index incorporates the following metrics, designed to measure near and mid-term expectations for the business, as well as larger economic conditions.

Question	Theme	Net Score
In the next 3 months, do you expect your business to make more or less money than it did in the past 3 months?	Internal business success (current/short term)	15%
In the next 12 months, do you expect your business to make more or less money than it did in the past 12 months?	Internal business success (longer term)	37%
How likely are you to invest more resources (e.g., money, time) to grow your business in the next 12 months?	Growth	34%
Do you think overall economic conditions impacting your business will improve or decline in the next 12 months?	External business success	13%
Do you think overall economic conditions impacting your business will improve or decline in the next 3 years?	External business success (longer term)	42%
Average of all 5 metrics		28%
Index		128

Total SMB Owners n=500

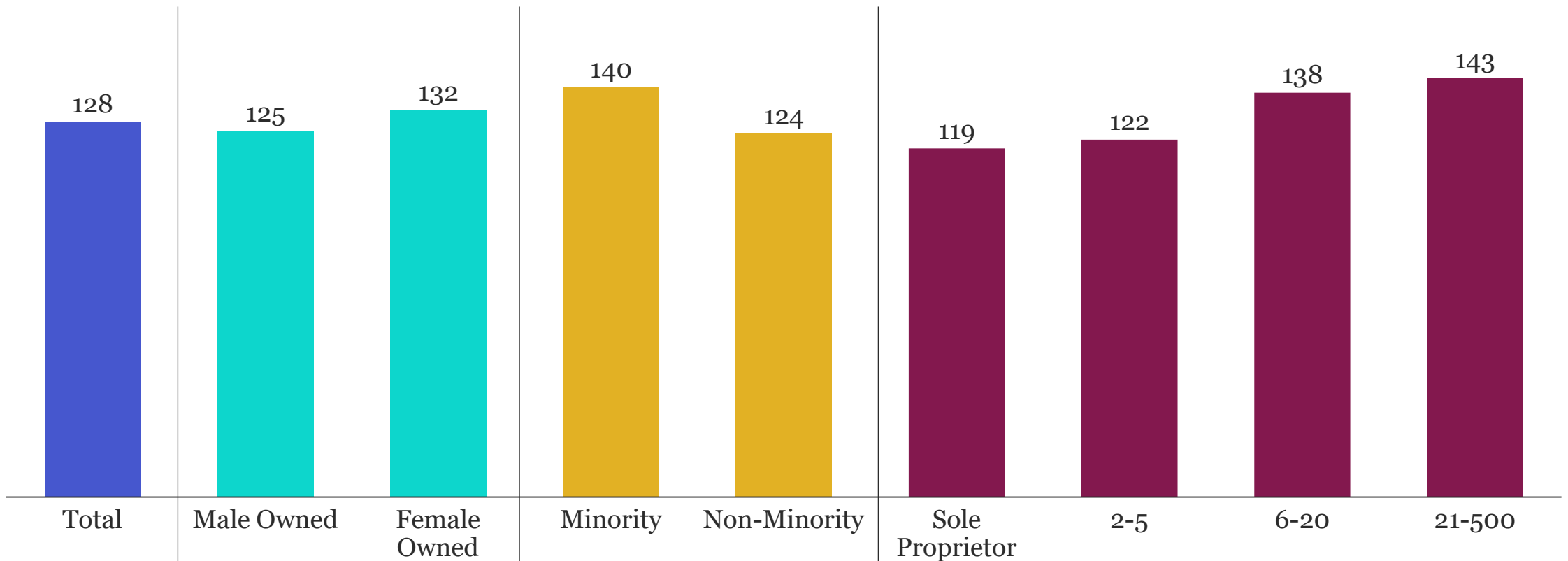
Net Score = positive values – negative values

Source: SMB Confidence Survey (November 2020)

SMB CONFIDENCE INDEX

Minority owned and larger businesses have greater confidence in the current financial and economic conditions facing their business.

SMB Confidence Index by Gender, Ethnicity, Business Size



Total SMB Owners n=500

Source: SMB Confidence Survey (November 2020)

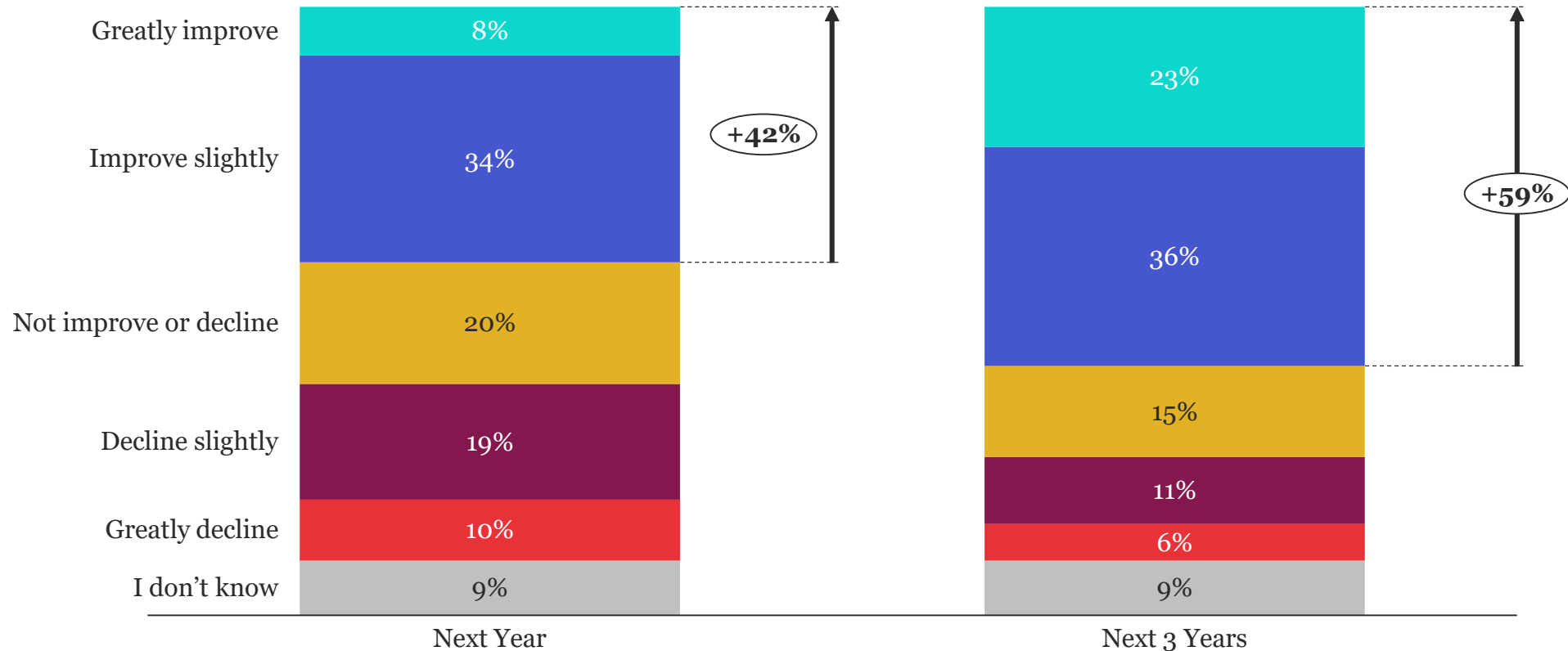
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SMB CONFIDENCE INDEX

FINANCIAL HEALTH



Amidst the COVID-19 pandemic, SMB Owners are cautious about economic conditions in the coming year. Long term potential is much more optimistic.

Economic Conditions Impacting the Business



Total SMB Owners n=500

Do you think overall economic conditions impacting your business will improve or decline in the next 12 months?; Do you think overall economic conditions impacting your business will improve or decline in the next 3 years?

Source: SMB Confidence Survey (November 2020)

FINANCIAL HEALTH

Compared to 2019, most SMBs expect to generate similar income in 2020. Minority owned businesses are more likely to see a change in revenue.

2019 vs 2020 Revenue Comparison, by Minority Ownership

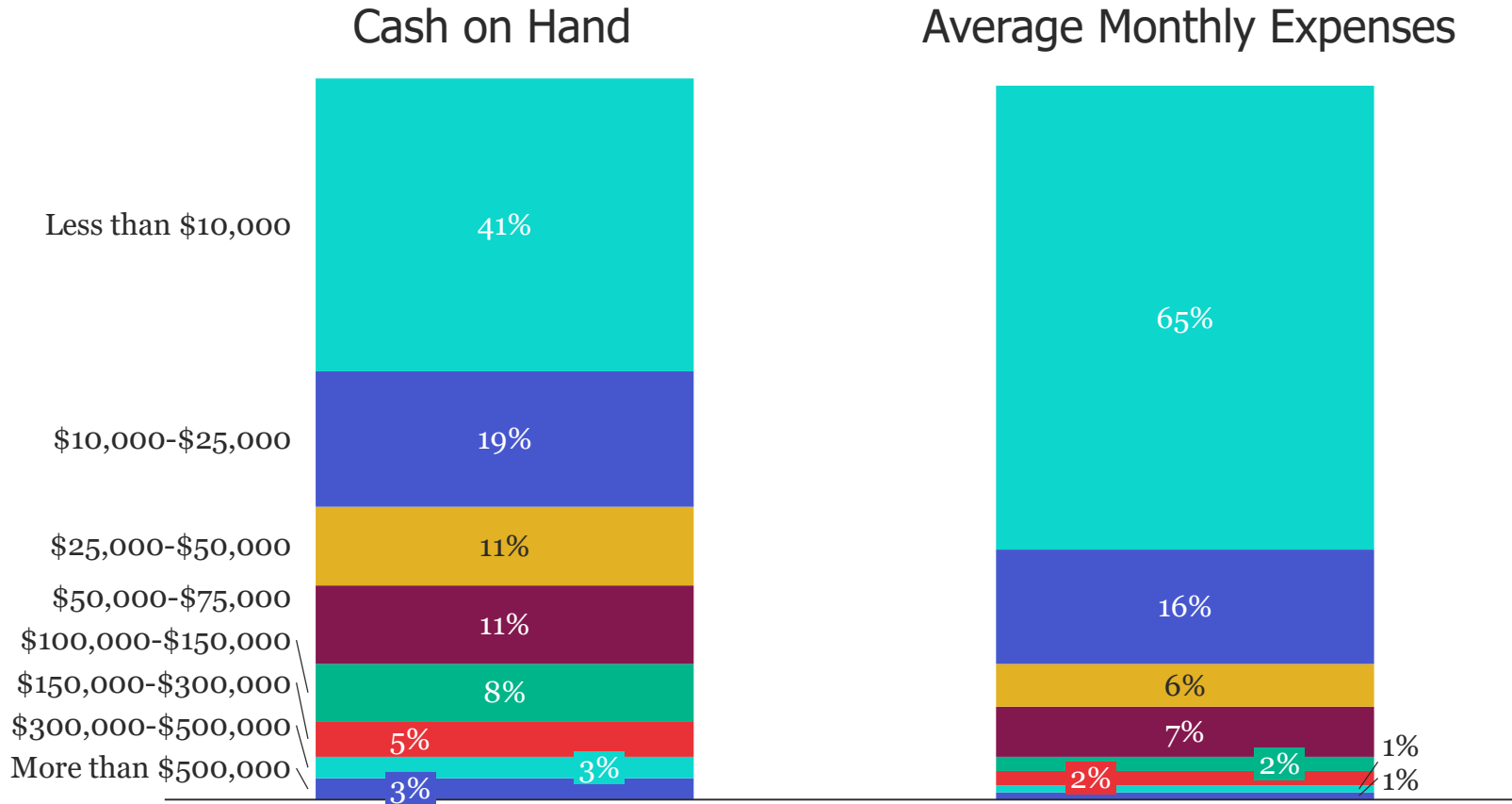


SMBs who expect higher revenue in 2020 are younger businesses

Total SMB Owners n=500

FINANCIAL HEALTH

Majority of SMBs spend \$10,000 or less per month. With the available cash on hand, they can maintain operations for about 4 months.



	Avg. Operating Months
Total	4.3
Women Owned	3.6
Men Owned	4.8
Minority Owned	4.0
Non-Minority Owned	4.4

Total SMB Owners n=500

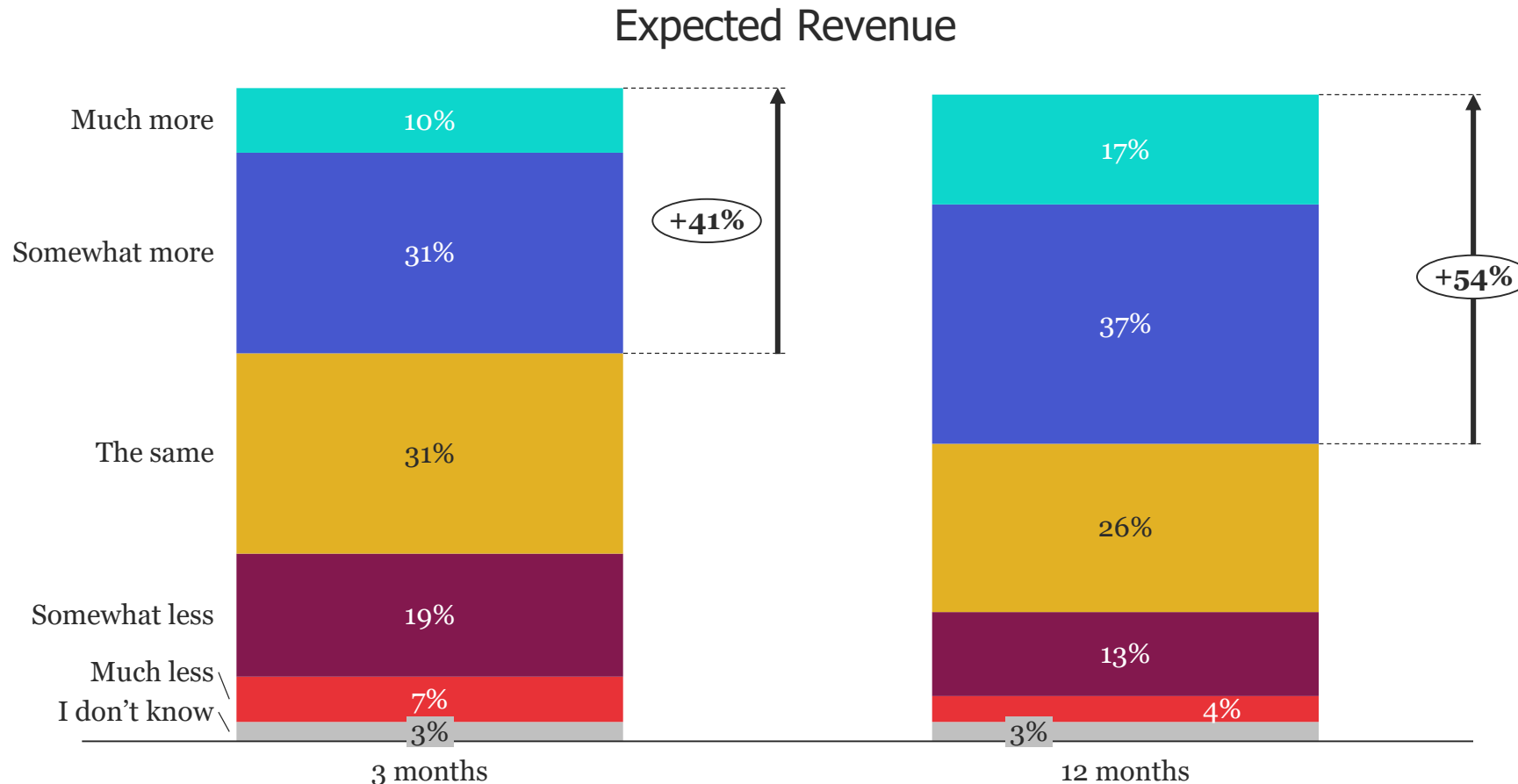
To the best of your knowledge, how much cash does your business have on hand?; To the best of your knowledge, what are the average monthly expenses for your business?

Avg Operating Months = Cash on hand / average monthly expenses

Source: SMB Confidence Survey (November 2020)

FINANCIAL HEALTH

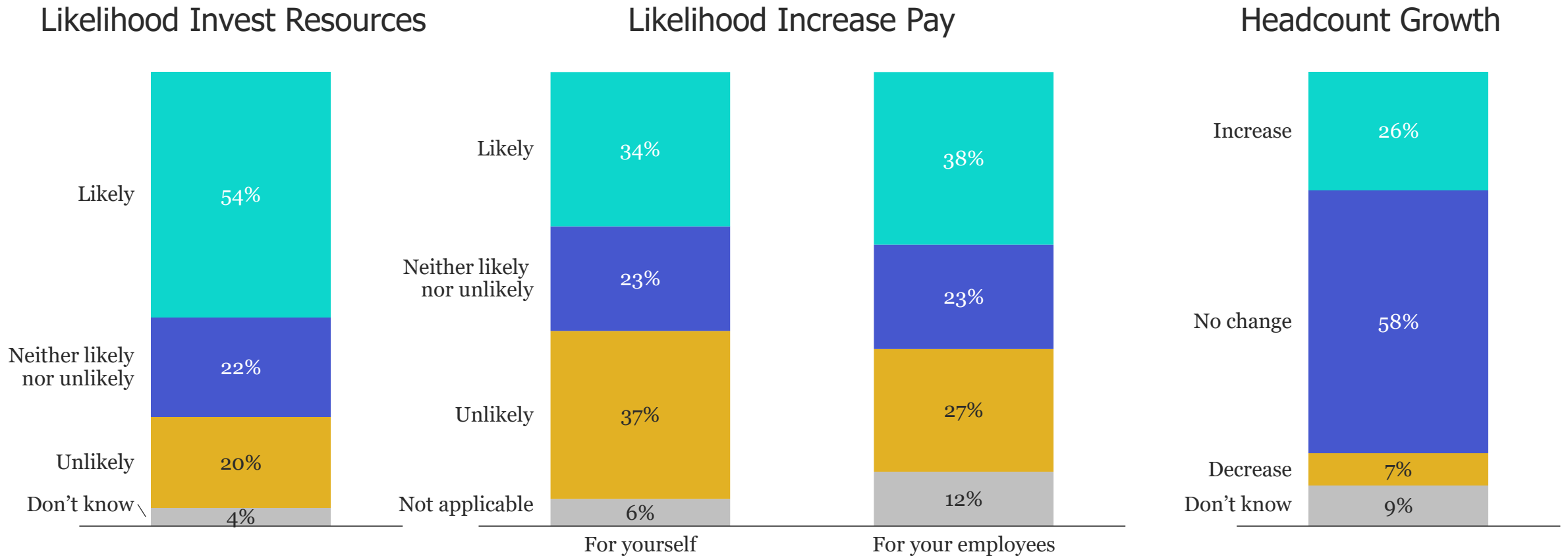
SMB Owners expect to generate more income over the longer term (next year) rather than the short term (next 3 months).



Total SMB Owners n=500

FINANCIAL HEALTH

About half of SMBs are likely to invest resources (e.g., money, time) into their business over the next year. Headcount is expected to remain the same.



Total SMB Owners n=500

How likely are you to increase salary compensation for yourself and your employees over the next year?; Which of the following best describes the goals of your business regarding headcount in the next 12 months?; How likely are you to invest more resources (e.g., money, time) to grow your business in the next 12 months?

Source: SMB Confidence Survey (November 2020)

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SMB CONFIDENCE INDEX

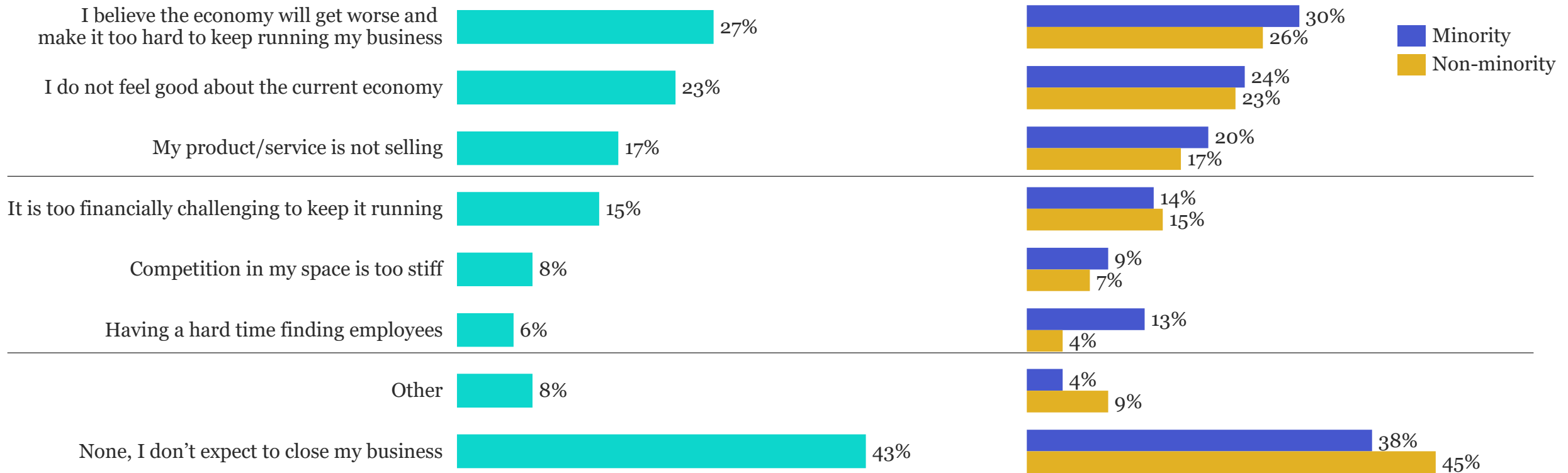
BUSINESS CHALLENGES



BUSINESS CHALLENGES

While many SMBs do not expect to close their business in the coming year, the current economy is cause for concern, with 1-in-4 expecting it to worsen.

Potential Impacts on the Business



Total SMB Owners n=500; Minority Owned n=109; Non-Minority Owned n=391

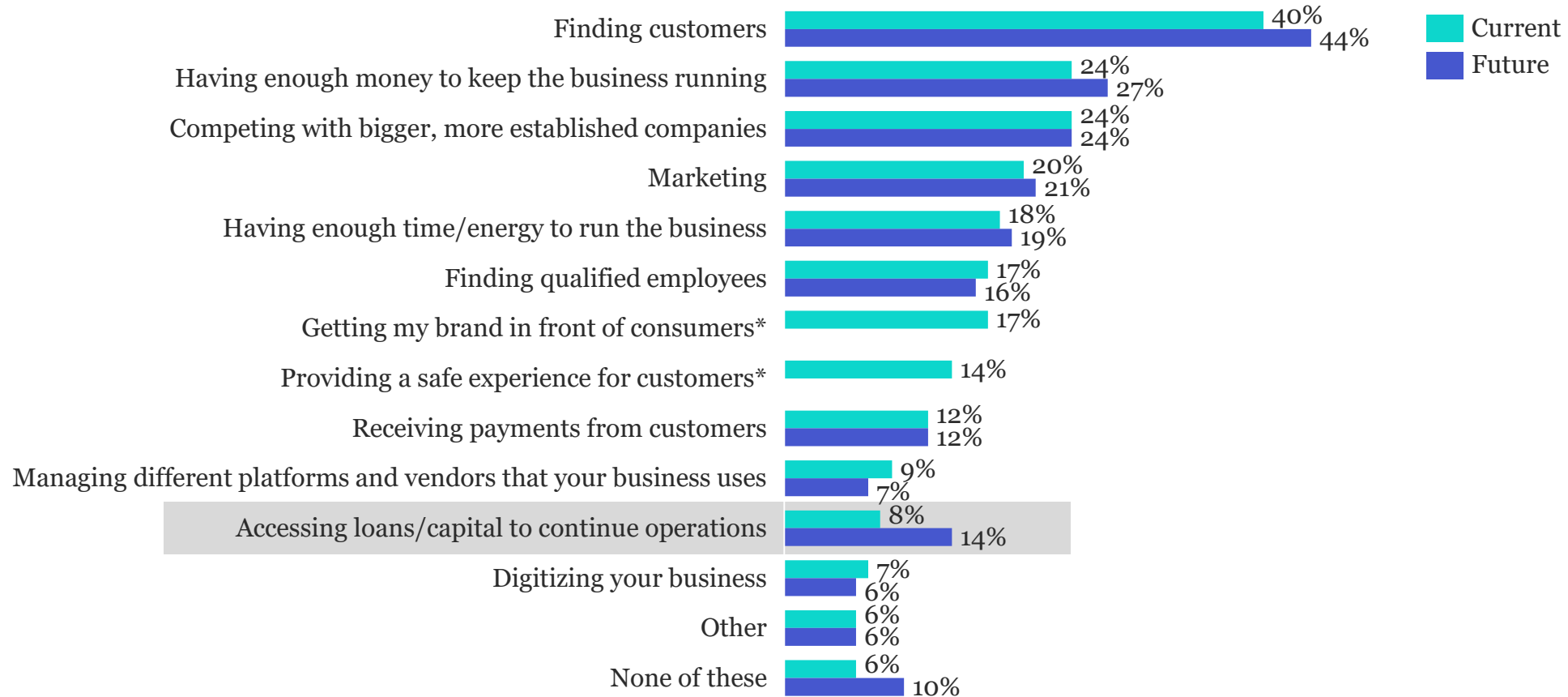
Which, if any, of the following reasons might cause your business to close within the next year?

Source: SMB Confidence Survey (November 2020)

BUSINESS CHALLENGES

Finding customers is the top challenge faced by businesses and is expected to remain so over the next year.

Current and Future Challenges



Total SMB Owners n=500. *These challenges were not asked in the Future question.

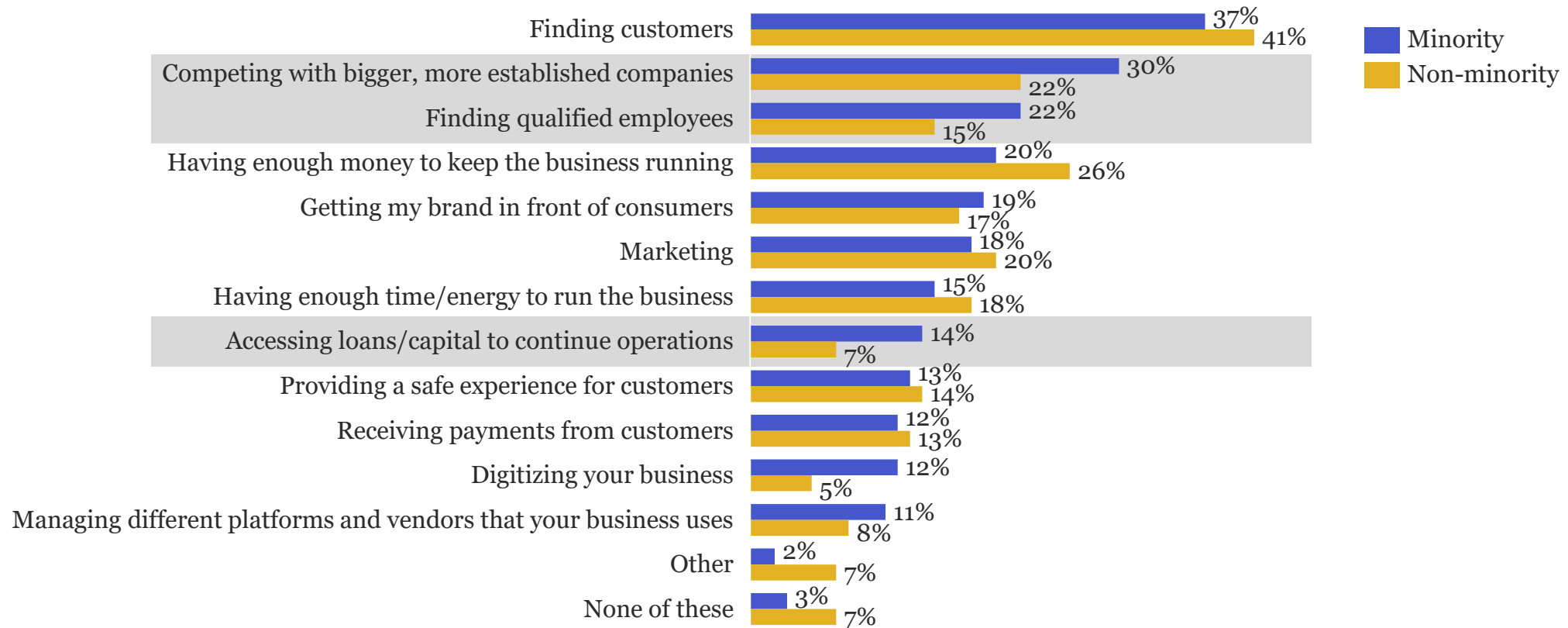
What are the top challenges your business currently faces?; What do you expect to be the top challenges your business will face in the next year?

Source: SMB Confidence Survey (November 2020)

BUSINESS CHALLENGES

Competition with established companies, finding qualified employees, and access to loans/capital are bigger challenges for Minority owned businesses.

Current Challenges, by Minority Ownership



Total SMB Owners n=500; Minority Owned n=109; Non-Minority Owned n=391

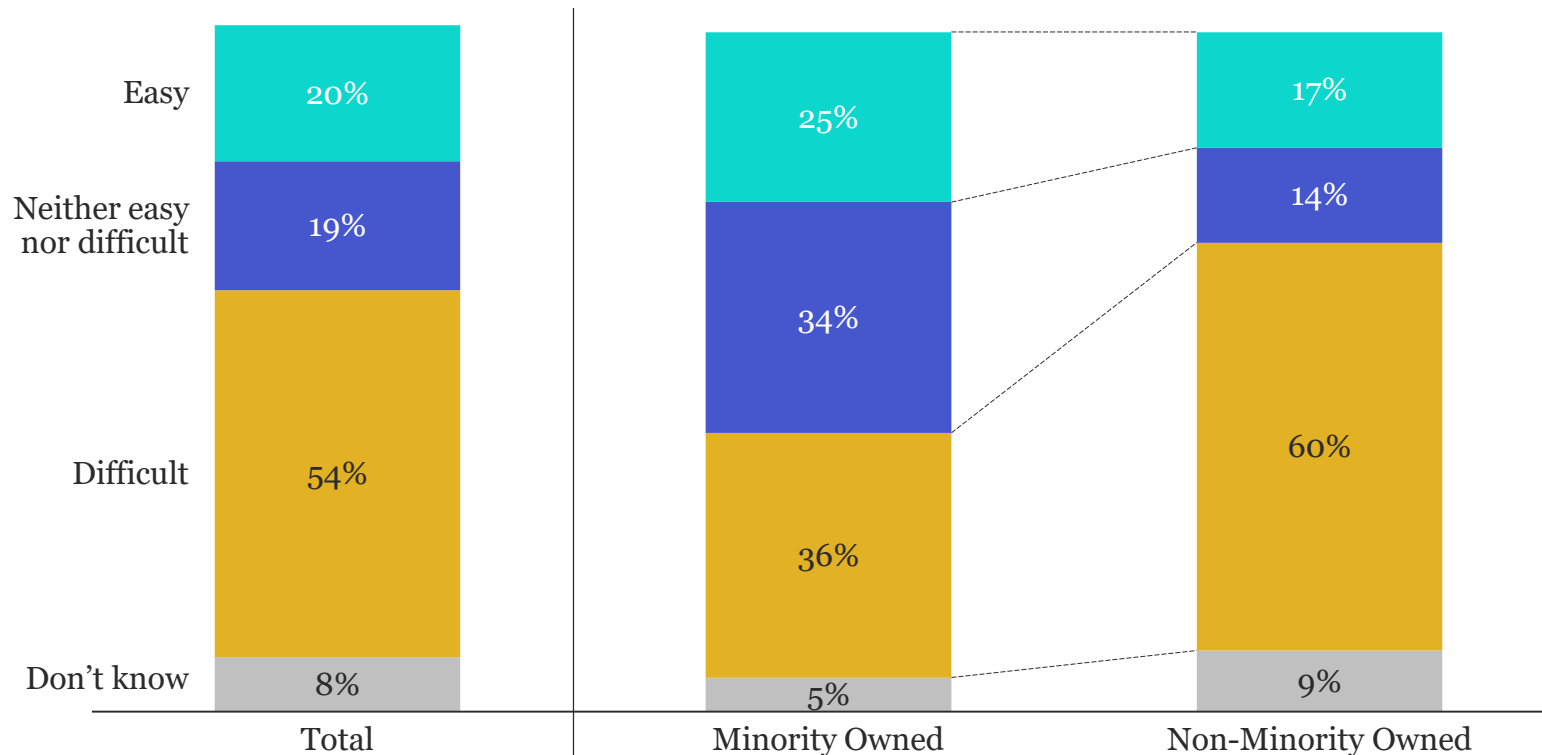
What are the top challenges your business currently faces?

Source: SMB Confidence Survey (November 2020)

BUSINESS CHALLENGES

Overall, SMBs are rooted in their business, considering it difficult to pivot to another industry. Minority owned businesses are substantially more adaptable than Non-Minority Owned businesses.

Ability to Pivot Business, by Minority Ownership



Total SMB Owners n=500; Minority Owned n=109; Non-Minority Owned n=391

If needed, how easy would it be for you to pivot your business to another industry within the next 12 months?

Source: SMB Confidence Survey (November 2020)

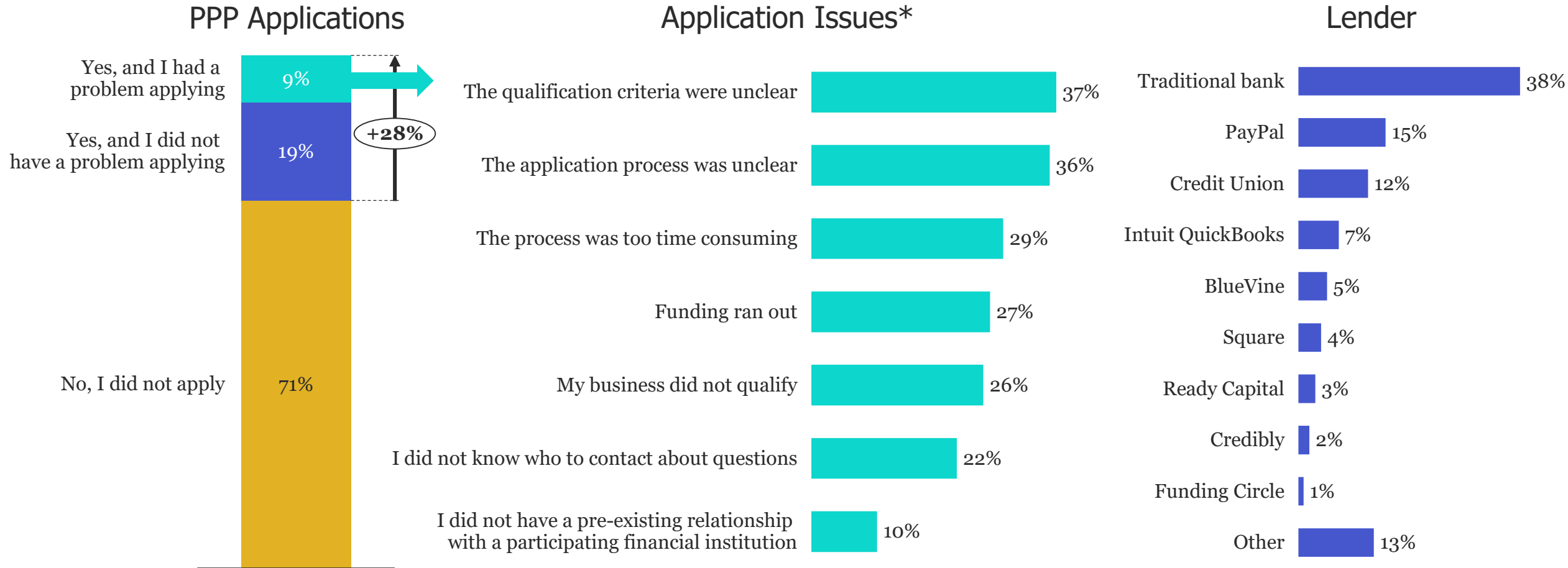
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SMB CONFIDENCE INDEX

PAYCHECK PROTECTION PROGRAM



PAYCHECK PROTECTION PROGRAM

Less than one-third of SMBs applied for a PPP loan. For those receiving loans, traditional banks are the most common lender.



Total SMB Owners n=500; Had a problem applying for PPP n=47*; Applied to PPP n=143 *Caution low sample size, interpret results directionally.

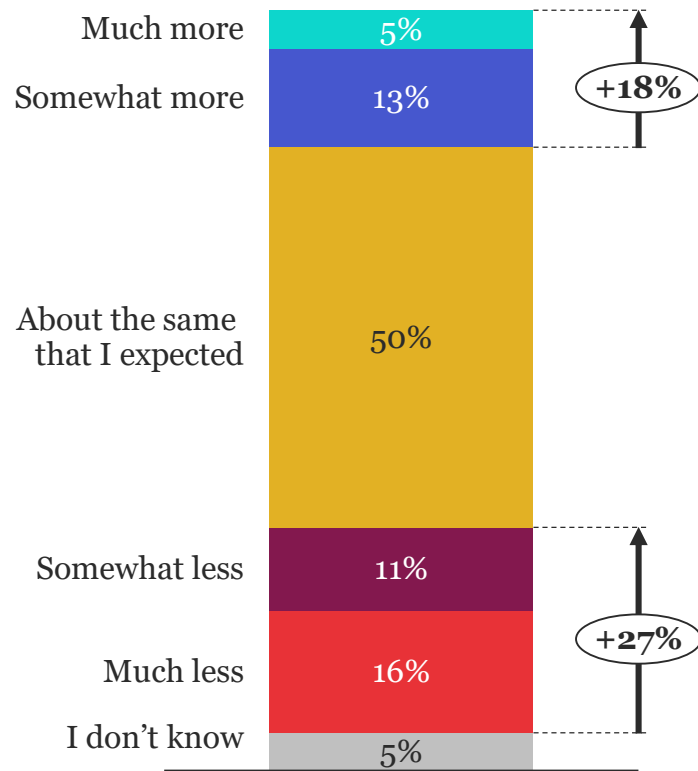
Did your business apply for the Paycheck Protection Program (PPP)?; What problems did you have applying for the Paycheck Protection Program (PPP)?; Which lender did you apply to for the Paycheck Protection Program (PPP)?

Source: SMB Confidence Survey (November 2020)

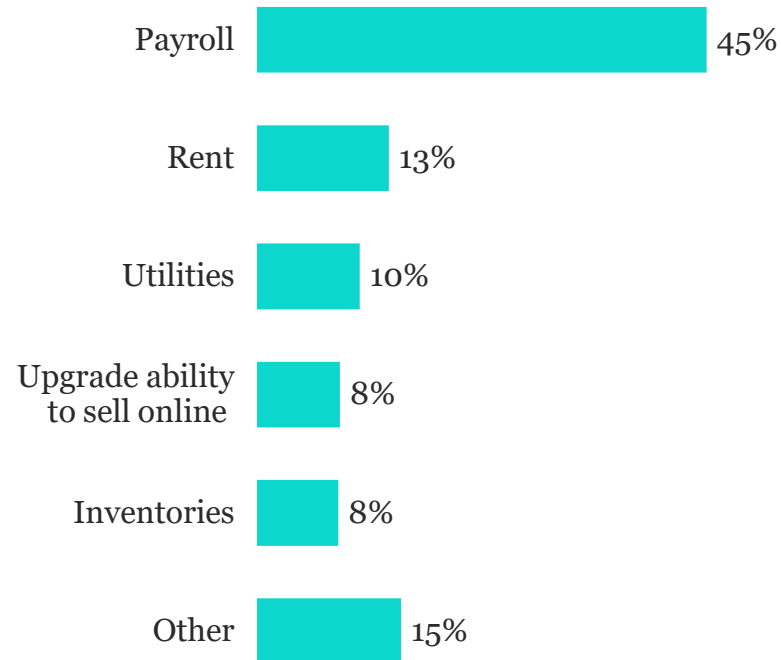
PAYCHECK PROTECTION PROGRAM

PPP loans were primarily spent on payroll. Among Minority owned businesses, more funds were allocated to utilities and upgrading ability to sell online.

PPP Loan Amount



PPP Loan Usage



	Minority Owned	Non-Minority Owned
Payroll	36%	49%
Rent	12%	14%
Utilities	14%	9%
Upgrade ability to sell online	13%	7%
Inventories	9%	8%
Other	15%	14%

Applied to PPP n=143

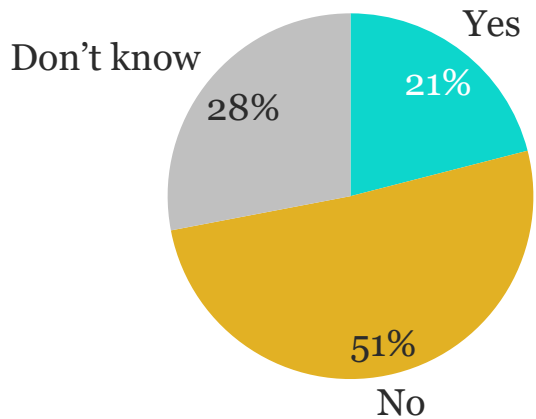
Did your business receive more or less from the Paycheck Protection Program (PPP) than you expected?; How did your business spend the Paycheck Protection Program (PPP) funds?

Source: SMB Confidence Survey (November 2020)

PAYCHECK PROTECTION PROGRAM

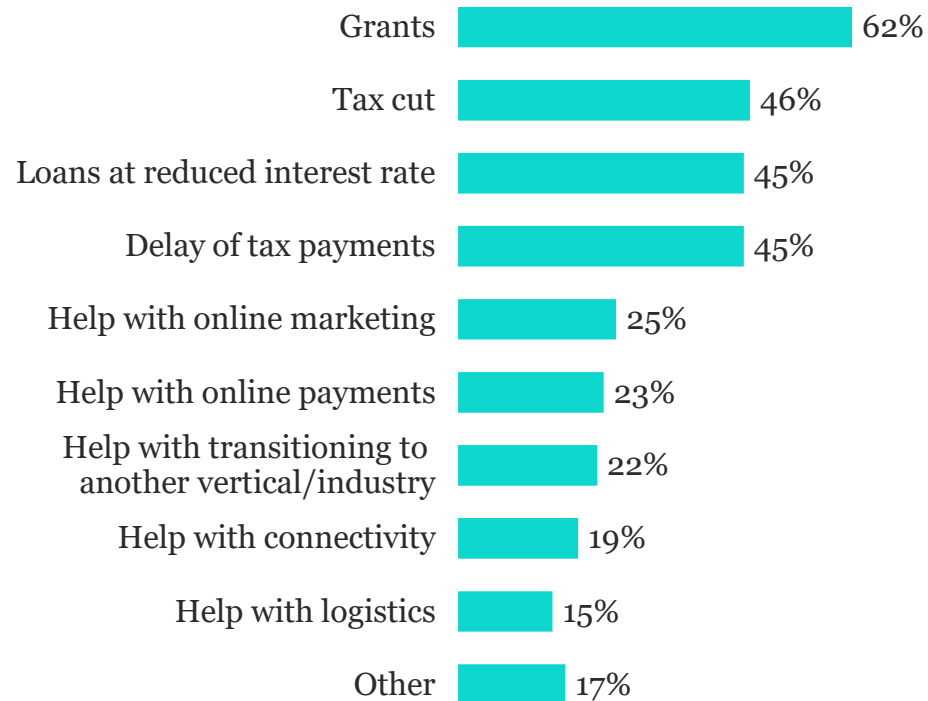
Support in the form of Grants would be most helpful to SMBs. At this time, there is a general lack of confidence in the government being able to support SMBs.

Anticipate Needing Aid

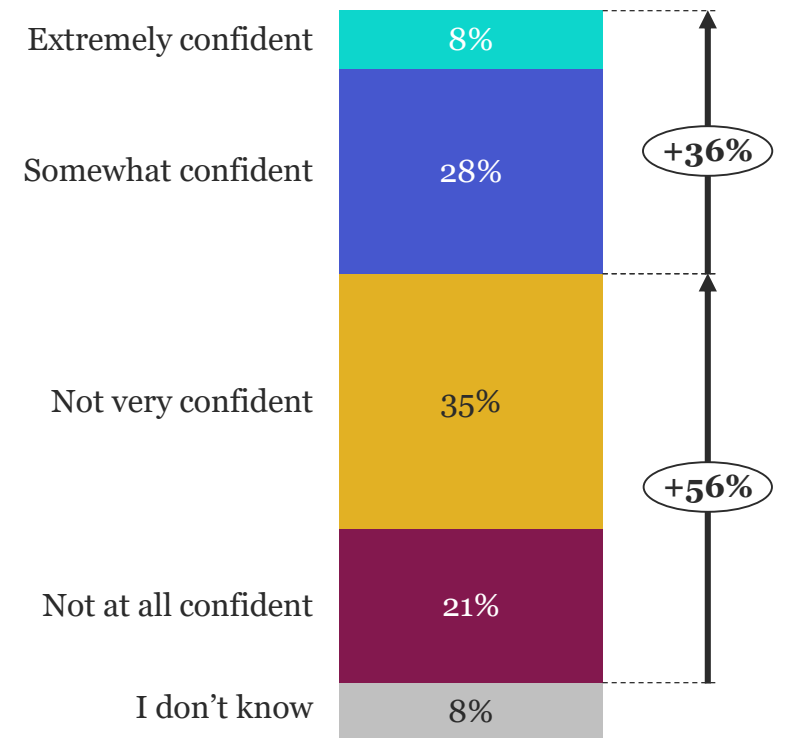


Types of Assistance

(% very helpful)



Confidence in Gov't Support



Total SMB Owners n=500; Anticipate needing aid n=104

Do you predict needing government aid to keep your business running anytime in the next year?; How helpful would each kind of government assistance be to you in the next year?; How much confidence do you have in the government being able to support small businesses in the next year?

Source: SMB Confidence Survey (November 2020)

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SMB CONFIDENCE INDEX

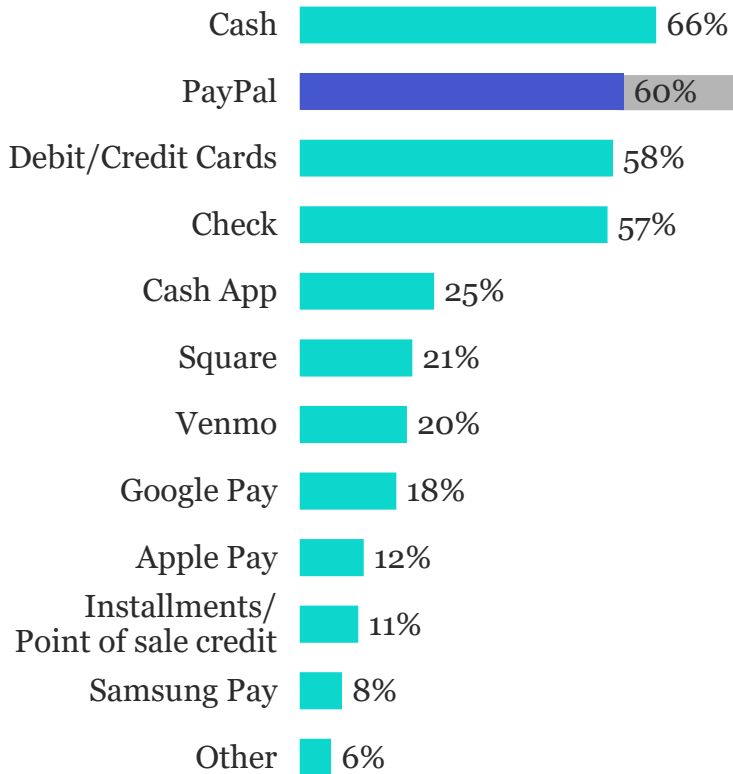
APPENDIX



PAYMENT METHODS

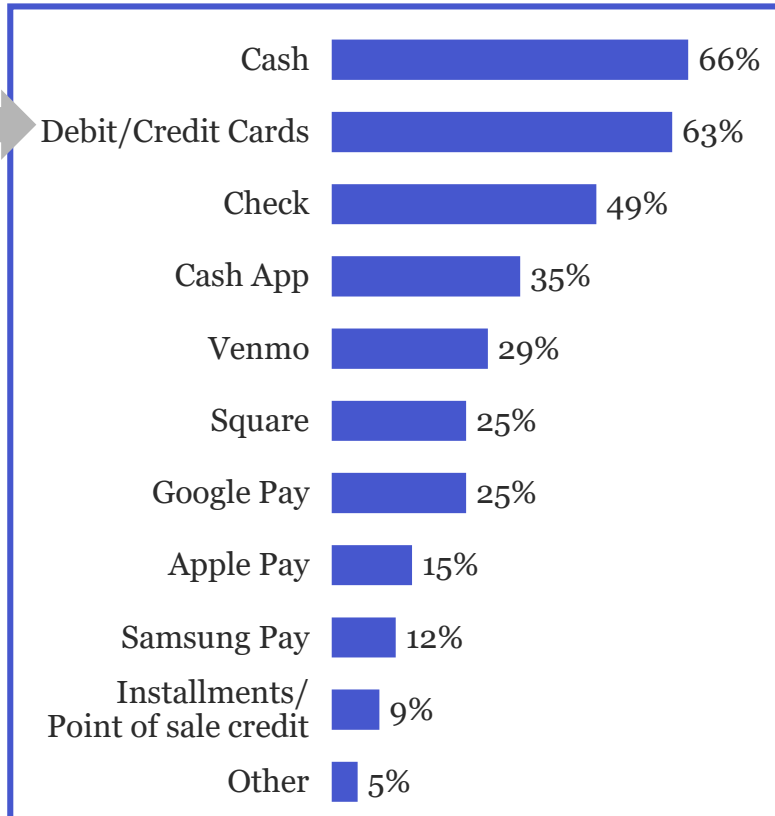
PayPal is a commonly accepted payment method, along with cash, debit/credit cards, and check. SMBs who use PayPal also accept cash and debit/credit payments.

Payment Methods Accepted

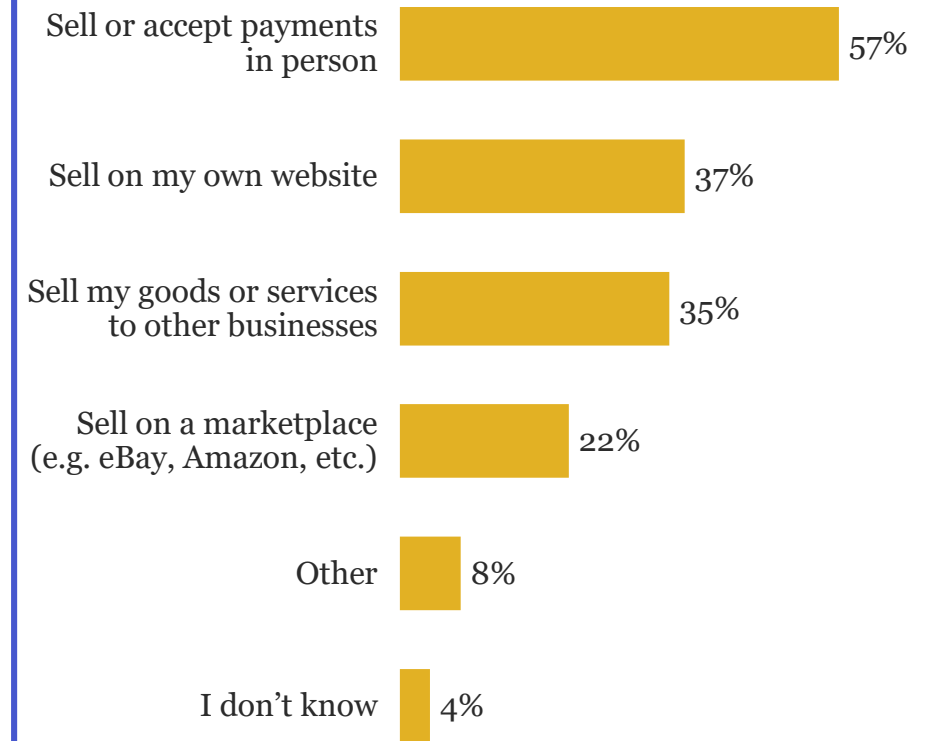


Payment Methods Accepted

Among PayPal Users



Sales Methods



Total SMB Owners n=500; PayPal Users n=300

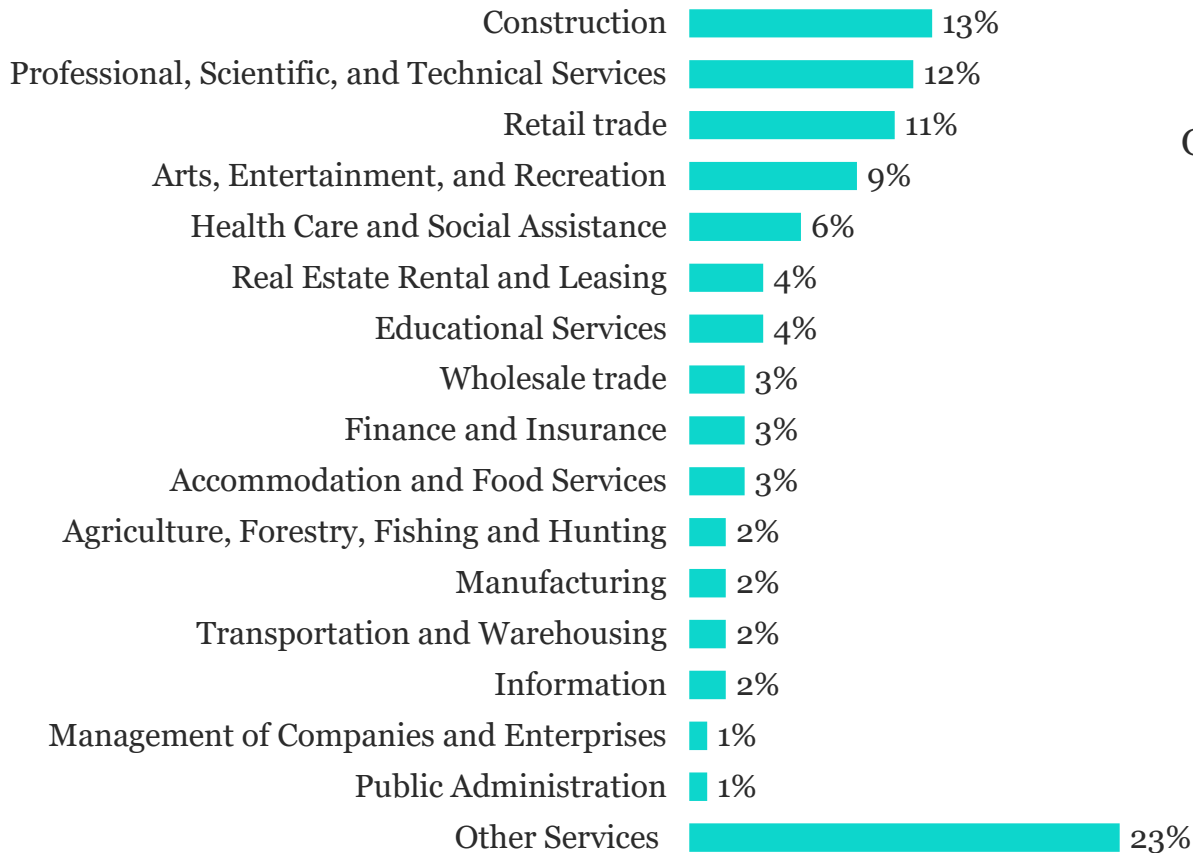
Which of the following do you use to accept consumer payments for your business?; How will you sell merchandise or services in the next three months?

Source: SMB Confidence Survey (November 2020)

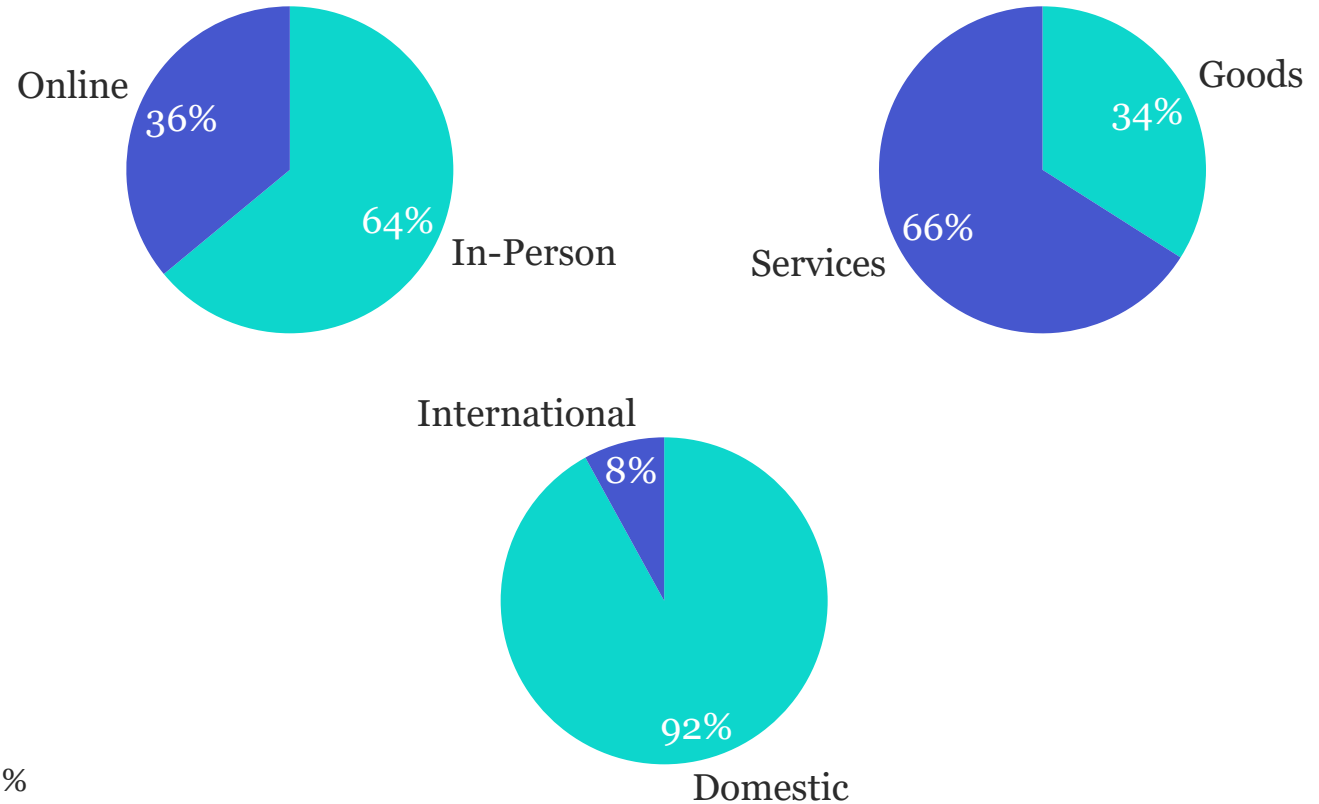
SMB PROFILING

This SMB sample is more likely to be service based and make sales in-person.

Industry



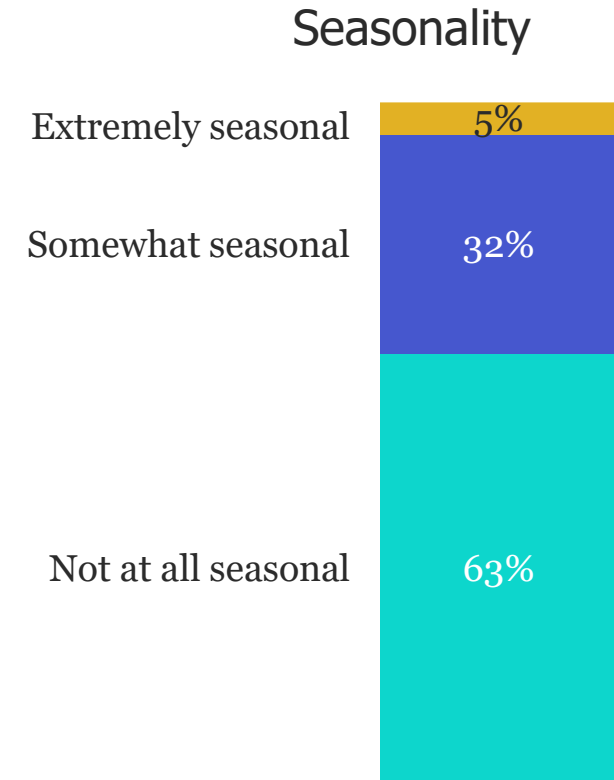
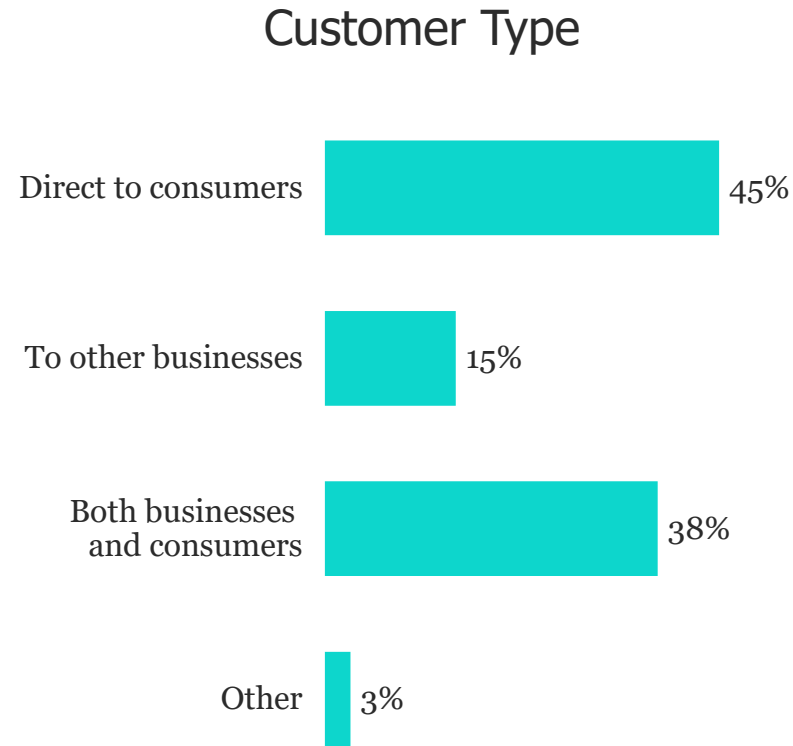
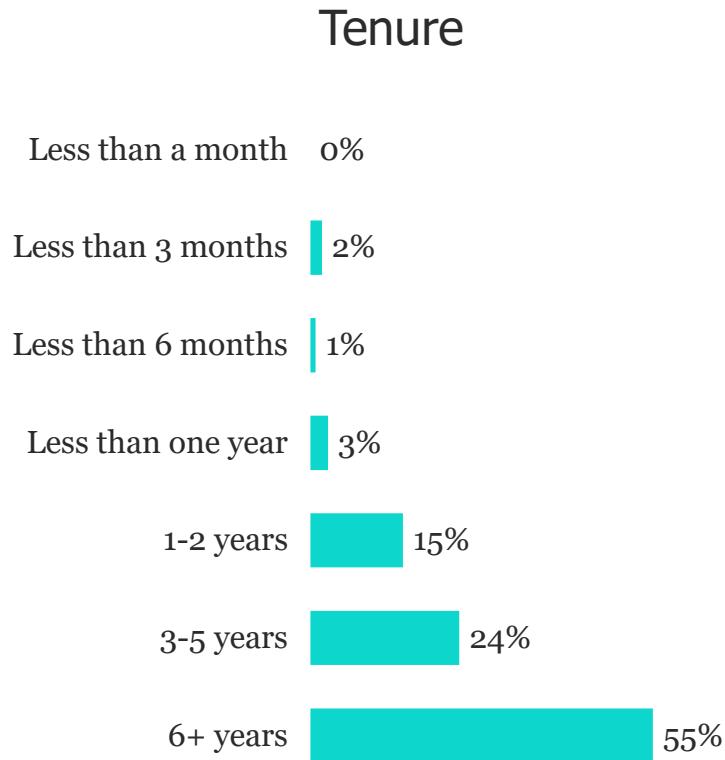
Distribution of Sales



Total SMB Owners n=500

SMB PROFILING

This SMB sample is generally not affected by seasonality.



Total SMB Owners n=500

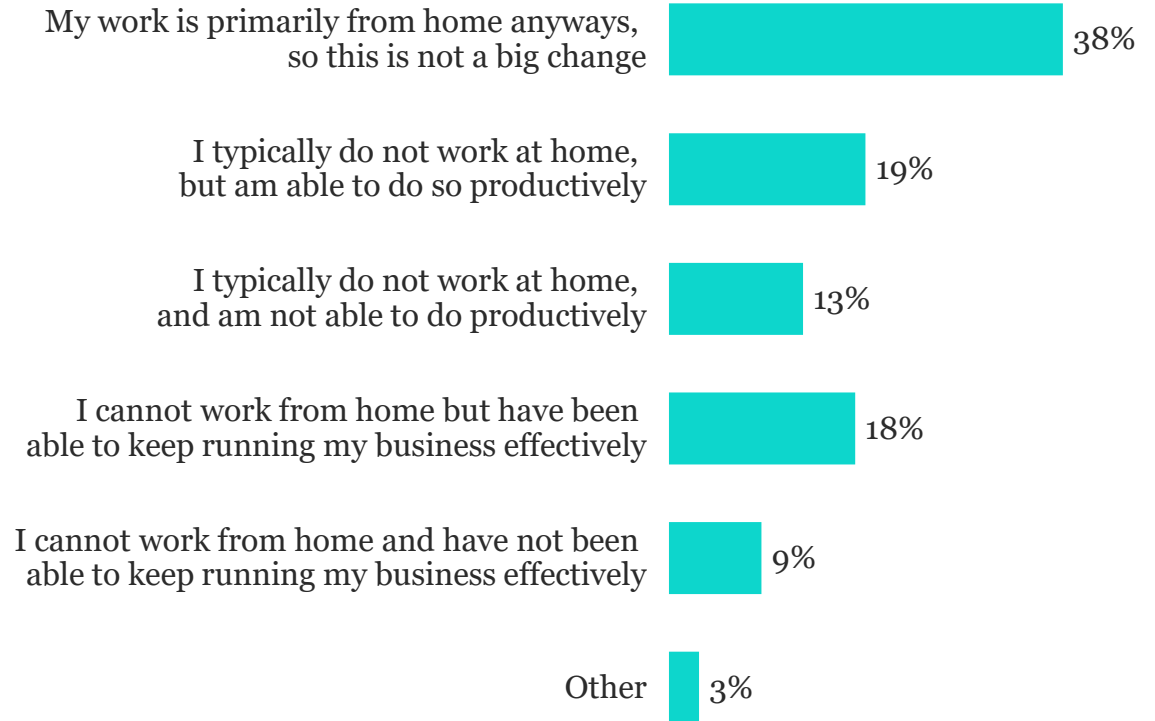
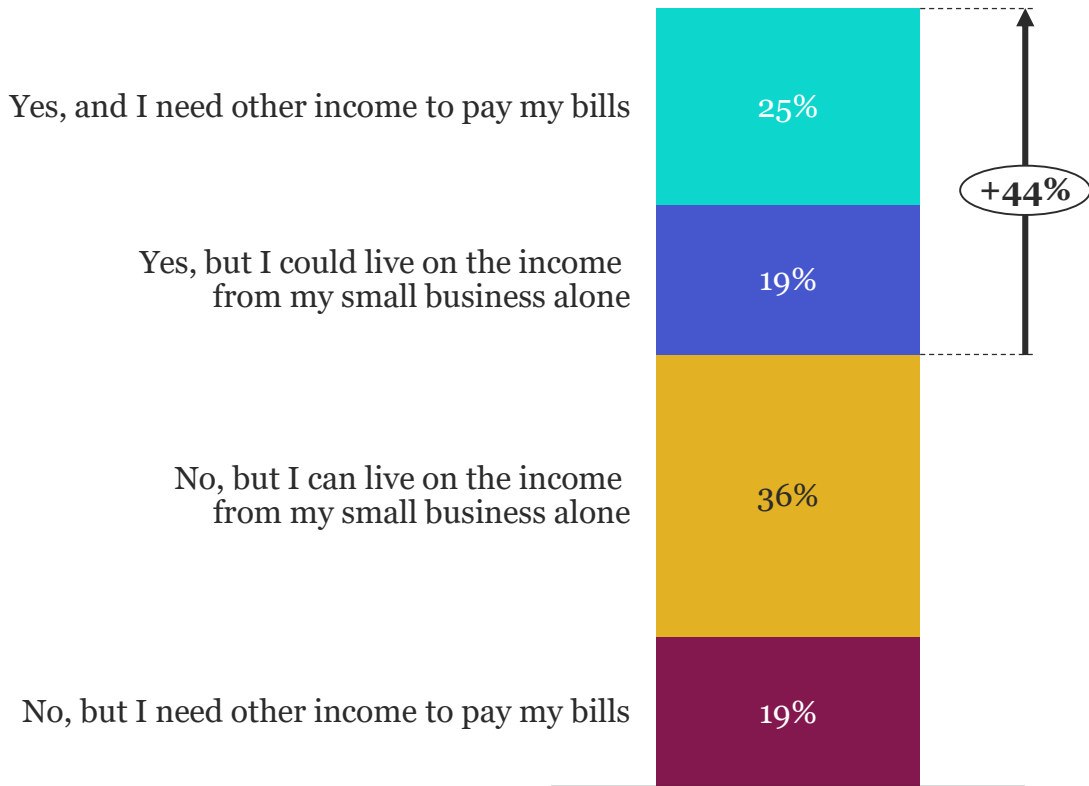
How long has your business been operating?; How seasonal is your business?; Who does your business primarily sell to?

Source: SMB Confidence Survey (November 2020)

Nearly half of SMBs have additional income outside of their business.

Additional Income Needs

Working Location



Total SMB Owners n=500

