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

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.

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.

SPECs

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

Gender:
- Female: 40%
- Male: 60%

Ethnicity:
- White: 75%
- Black: 15%
- Asian American: 5%
- Other: 4%
- Hispanic: 9%
- Non-Hispanic: 91%

Business Size:
- 1: 10%
- 2 to 5: 51%
- 6 to 10: 17%
- 11 to 20: 11%
- 21 to 50: 7%
- 51 to 100: 3%
- 101 to 500: 1%

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)
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.

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

Total SMB Owners n=500
- Net Score = positive values – negative values
Source: SMB Confidence Survey (November 2020)
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

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Male Owned</th>
<th>Female Owned</th>
<th>Minority</th>
<th>Non-Minority</th>
<th>Sole Proprietor</th>
<th>2-5</th>
<th>6-20</th>
<th>21-500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority owned</td>
<td>128</td>
<td>125</td>
<td>132</td>
<td>140</td>
<td>124</td>
<td>119</td>
<td>122</td>
<td>138</td>
<td>143</td>
</tr>
<tr>
<td>Non-Minority</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total SMB Owners n=500

Source: SMB Confidence Survey (November 2020)
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**

- **Greatly improve**
  - Next Year: 8%
  - Next 3 Years: 23%
  - Increase: +42%

- **Improve slightly**
  - Next Year: 34%
  - Next 3 Years: 36%

- **Not improve or decline**
  - Next Year: 20%
  - Next 3 Years: 15%

- **Decline slightly**
  - Next Year: 19%
  - Next 3 Years: 11%

- **Greatly decline**
  - Next Year: 10%
  - Next 3 Years: 6%

- **I don’t know**
  - Next Year: 9%
  - Next 3 Years: 9%

*Source: SMB Confidence Survey (November 2020)*
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

- **2020 Revenue Higher**: 13% (Total), 21% (Minority Owned), 10% (Non-Minority Owned)
- **2020 Revenue Same**: 64% (Total), 50% (Minority Owned), 69% (Non-Minority Owned)
- **2020 Revenue Lower**: 21% (Total), 26% (Minority Owned), 19% (Non-Minority Owned)
- **Don't Know**: 2% (Total), 3% (Minority Owned), 1% (Non-Minority Owned)

Total SMB Owners n=500

- How much total revenue did your business generate in 2019?; How much total revenue do you anticipate your business to generate for all of 2020?

Source: SMB Confidence Survey (November 2020)
Majority of SMBs spend $10,000 or less per month. With the available cash on hand, they can maintain operations for about 4 months.

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

**Expected Revenue**

- **3 months**
  - Much more: 10%
  - Somewhat more: 31%
  - The same: 31%
  - Somewhat less: 19%
  - Much less: 3%
  - I don’t know: 7%

- **12 months**
  - Much more: 17%
  - Somewhat more: 37%
  - The same: 26%
  - Somewhat less: 13%
  - Much less: 4%
  - I don’t know: 3%

*Total SMB Owners n=500
- In the next 3 months, do you expect your business to make more or less money than it did in the past 3 months?; In the next 12 months, do you expect your business to make more or less money than it did in the past 12 months?
Source: SMB Confidence Survey (November 2020)
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.

**Likelihood Invest Resources**
- Likely: 54%
- Neither likely nor unlikely: 22%
- Unlikely: 20%
- Don’t know: 4%

**Likelihood Increase Pay**
- For yourself:
  - Likely: 34%
  - Neither likely nor unlikely: 23%
  - Unlikely: 37%
  - Not applicable: 6%
- For your employees:
  - Likely: 38%
  - Neither likely nor unlikely: 23%
  - Unlikely: 27%
  - Not applicable: 12%

**Headcount Growth**
- Increase: 26%
- No change: 58%
- Decrease: 7%
- Don’t know: 9%

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)
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

<table>
<thead>
<tr>
<th>Reason</th>
<th>Minority</th>
<th>Non-minority</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having a hard time finding employees</td>
<td>6%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>I believe the economy will get worse and make it too hard to keep running my business</td>
<td>27%</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>I do not feel good about the current economy</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>My product/service is not selling</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>It is too financially challenging to keep it running</td>
<td>15%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Competition in my space is too stiff</td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Having a hard time finding employees</td>
<td>6%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>None, I don’t expect to close my business</td>
<td>43%</td>
<td>38%</td>
<td>43%</td>
</tr>
</tbody>
</table>

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

Current and Future Challenges

- Finding customers: 40% (Current) vs. 44% (Future)
- Having enough money to keep the business running: 24% (Current) vs. 27% (Future)
- Competing with bigger, more established companies: 24% (Current) vs. 21% (Future)
- Marketing: 18% (Current) vs. 20% (Future)
- Finding qualified employees: 17% (Current) vs. 16% (Future)
- Getting my brand in front of consumers*: 14% (Current) vs. 12% (Future)
- Providing a safe experience for customers*: 12% (Current) vs. 12% (Future)
- Receiving payments from customers: 9% (Current) vs. 7% (Future)
- Managing different platforms and vendors that your business uses: 8% (Current) vs. 7% (Future)
- Accessing loans/capital to continue operations: 7% (Current) vs. 6% (Future)
- Digitizing your business: 6% (Current) vs. 6% (Future)
- Other: 6% (Current) vs. 6% (Future)
- None of these: 4% (Current) vs. 10% (Future)

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

Source: SMB Confidence Survey (November 2020)
Competition with established companies, finding qualified employees, and access to loans/capital are bigger challenges for Minority owned businesses.

### Current Challenges, by Minority Ownership

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Minority</th>
<th>Non-minority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding customers</td>
<td>37%</td>
<td>41%</td>
</tr>
<tr>
<td>Competing with bigger, more established companies</td>
<td>30%</td>
<td>22%</td>
</tr>
<tr>
<td>Finding qualified employees</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>Getting my brand in front of consumers</td>
<td>26%</td>
<td>19%</td>
</tr>
<tr>
<td>Marketing</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Having enough time/energy to run the business</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Accessing loans/capital to continue operations</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Providing a safe experience for customers</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Receiving payments from customers</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Digitizing your business</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Managing different platforms and vendors that your business uses</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>None of these</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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)
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

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Minority Owned</th>
<th>Non-Minority Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy</td>
<td>20%</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>Neither easy nor difficult</td>
<td>19%</td>
<td>34%</td>
<td>14%</td>
</tr>
<tr>
<td>Difficult</td>
<td>54%</td>
<td>36%</td>
<td>60%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8%</td>
<td>5%</td>
<td>9%</td>
</tr>
</tbody>
</table>

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

Source: SMB Confidence Survey (November 2020)
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.

**PPP Applications**
- Yes, and I had a problem applying: 9%
- Yes, and I did not have a problem applying: 19%
- No, I did not apply: 71%

**Application Issues***
- The qualification criteria were unclear: 37%
- The application process was unclear: 36%
- The process was too time consuming: 29%
- Funding ran out: 27%
- My business did not qualify: 26%
- I did not know who to contact about questions: 22%
- I did not have a pre-existing relationship with a participating financial institution: 10%

**Lender**
- Traditional bank: 38%
- PayPal: 15%
- Credit Union: 12%
- Intuit QuickBooks: 7%
- BlueVine: 5%
- Square: 4%
- Ready Capital: 3%
- Credibly: 2%
- Funding Circle: 1%
- Other: 13%

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

**Paycheck Protection Program**

**PPP Loan Amount**
- Much more: 5%
- Somewhat more: 13%
- About the same that I expected: 50%
- Somewhat less: 11%
- Much less: 16%
- I don’t know: 5%

**PPP Loan Usage**
- Payroll: 45%
- Rent: 13%
- Utilities: 10%
- Upgrade ability to sell online: 8%
- Inventories: 8%
- Other: 15%

**PPP Loan Amount**

<table>
<thead>
<tr>
<th></th>
<th>Minority Owned</th>
<th>Non-Minority Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much more</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>Somewhat more</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>About the same that I expected</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Somewhat less</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Much less</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>5%</td>
<td>9%</td>
</tr>
</tbody>
</table>

**PPP Loan Usage**

<table>
<thead>
<tr>
<th></th>
<th>Minority Owned</th>
<th>Non-Minority Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>36%</td>
<td>49%</td>
</tr>
<tr>
<td>Rent</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Utilities</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Upgrade ability to sell online</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Inventories</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>15%</td>
<td>14%</td>
</tr>
</tbody>
</table>

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)
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**
- Yes: 21%
- No: 51%
- Don’t know: 28%

**Types of Assistance (% very helpful)**
- Grants: 62%
- Tax cut: 46%
- Loans at reduced interest rate: 45%
- Delay of tax payments: 45%
- Help with online marketing: 25%
- Help with online payments: 23%
- Help with transitioning to another vertical/industry: 22%
- Help with connectivity: 19%
- Help with logistics: 15%
- Other: 17%

**Confidence in Gov’t Support**
- Extremely confident: 8%
- Somewhat confident: 28%
- Not very confident: 35%
- Not at all confident: 21%
- I don’t know: 8%

Source: SMB Confidence Survey (November 2020)
APPENDIX
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 Among PayPal Users**

- Cash: 66%
- PayPal: 60%
- Debit/Credit Cards: 58%
- Check: 57%
- Cash App: 25%
- Square: 21%
- Venmo: 20%
- Google Pay: 18%
- Apple Pay: 12%
- Installments/Point of sale credit: 11%
- Samsung Pay: 8%
- Other: 6%

**Payment Methods Accepted**

- Cash: 66%
- Debit/Credit Cards: 63%
- Check: 49%
- Cash App: 35%
- Venmo: 29%
- Square: 25%
- Google Pay: 25%
- Apple Pay: 15%
- Samsung Pay: 12%
- Installments/Point of sale credit: 9%
- Other: 5%

**Sales Methods**

- Sell or accept payments in person: 57%
- Sell on my own website: 37%
- Sell my goods or services to other businesses: 35%
- Sell on a marketplace (e.g. eBay, Amazon, etc.): 22%
- Other: 8%
- I don’t know: 4%

Source: SMB Confidence Survey (November 2020)
This SMB sample is more likely to be service based and make sales in-person.

### Industry

- Construction: 13%
- Professional, Scientific, and Technical Services: 12%
- Retail trade: 11%
- Arts, Entertainment, and Recreation: 9%
- Health Care and Social Assistance: 6%
- Real Estate Rental and Leasing: 4%
- Educational Services: 4%
- Wholesale trade: 3%
- Finance and Insurance: 3%
- Accommodation and Food Services: 3%
- Agriculture, Forestry, Fishing and Hunting: 2%
- Manufacturing: 2%
- Transportation and Warehousing: 2%
- Information: 2%
- Management of Companies and Enterprises: 1%
- Public Administration: 1%
- Other Services: 23%

### Distribution of Sales

- **Online**: 36% Domestic, 64% International
- **In-Person**: 66% Goods, 34% Services
- **International**: 8% Domestic, 92% Domestic
This SMB sample is generally not affected by seasonality.

### Tenure

- Less than a month: 0%
- Less than 3 months: 2%
- Less than 6 months: 1%
- Less than one year: 3%
- 1-2 years: 15%
- 3-5 years: 24%
- 6+ years: 55%

### Customer Type

- Direct to consumers: 45%
- To other businesses: 15%
- Both businesses and consumers: 38%
- Other: 3%

### Seasonality

- Extremely seasonal: 5%
- Somewhat seasonal: 32%
- Not at all seasonal: 63%

---

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**

- Yes, and I need other income to pay my bills: 25%
- Yes, but I could live on the income from my small business alone: 19%
- No, but I can live on the income from my small business alone: 36%
- No, but I need other income to pay my bills: 19%

**Working Location**

- My work is primarily from home anyways, so this is not a big change: 38%
- I typically do not work at home, but am able to do so productively: 19%
- I typically do not work at home, and am not able to do productively: 13%
- I cannot work from home but have been able to keep running my business effectively: 18%
- I cannot work from home and have not been able to keep running my business effectively: 9%
- Other: 3%

Total SMB Owners n=500

Do you have other income besides from your small business?; Which of the following best describes your working situation since the COVID-19 pandemic began? Source: SMB Confidence Survey (November 2020)