

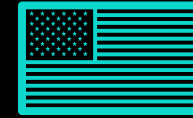
SMB CONFIDENCE INDEX REPORT

WAVE 2 - APRIL 2021

OBJECTIVES

- What are Small and Medium Businesses (SMB) views on financial conditions? What are their sentiments in the coming year?
- What drives minority SMBs' confidence? What do they need to thrive?
- What challenges are SMBs facing and what support do they need?
- Why did some SMBs close? What would they need to reopen?

MARKETS



US

SPECS

SAMPLE

Current Business Owners:

- 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

Closed Business Owners:

- N = 100 Small and Medium Business Owners that had to close in the past year
- Owned a business, or had a side business that they had to close
- Business size: 1-500 employees

WEIGHTING

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

WAVES

This study will be conducted on a quarterly basis to track SMB Confidence over time. The first wave was fielded in November 2020. The second wave was fielded in April 2021.

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. Confidence among SMBs has increased since the last wave (128 Index in November 2020 to 157 Index in April 2021). Minority-owned businesses specifically have seen a greater increase in confidence than their non-minority counterparts.
2. SMBs are feeling more optimistic about economic conditions in April 2021 compared to November 2020. Fewer feel the economy will get worse and make it too hard to run their businesses. Majority of SMBs are also optimistic that the vaccine will improve business conditions.
3. While there was an increase in online selling during the pandemic, SMBs (including currently closed SMBs) indicated that assistance with digitization would be helpful for reopening and recovering.
4. More than half of minority-owned SMBs say their customers prefer to access their businesses online and that they can reach more customers online. While in-person commerce will likely pick up after economy resumes to normal, online selling will still be a substantial part of SMB's portfolio. All SMBs have seen a significant increase in online selling compared to prior to the pandemic.
5. SMBs that sell only online and omnichannel are more confident compared to those that sell only in-person. SMBs that sell only in-person are as confident in wave 2 as SMBs that sell online only were in wave 1.
6. Although the majority of SMBs would find financial assistance helpful, fewer SMBs applied for the PPP in 2021. The primary reason for not applying is the belief their business would not qualify/receive funds.



SMB CONFIDENCE INDEX

I. CONFIDENCE INDEX



SMB CONFIDENCE INDEX

SMBs feel more confident about their internal and external business success and company growth in April 2021 than they did in November 2020.

Question	Theme	Net Score Nov 2020	Net Score Apr 2021
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%	54%
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%	65%
How likely are you to invest more resources (e.g., money, time) to grow your business in the next 12 months?	Growth	34%	62%
Do you think overall economic conditions impacting your business will improve or decline in the next 12 months?	External business success	13%	52%
Do you think overall economic conditions impacting your business will improve or decline in the next 3 years?	External business success (longer term)	42%	54%
	Average of all 5 metrics	28%	57%
	Index	128	157

Base sizes: W1/W2 Total SMBs=500

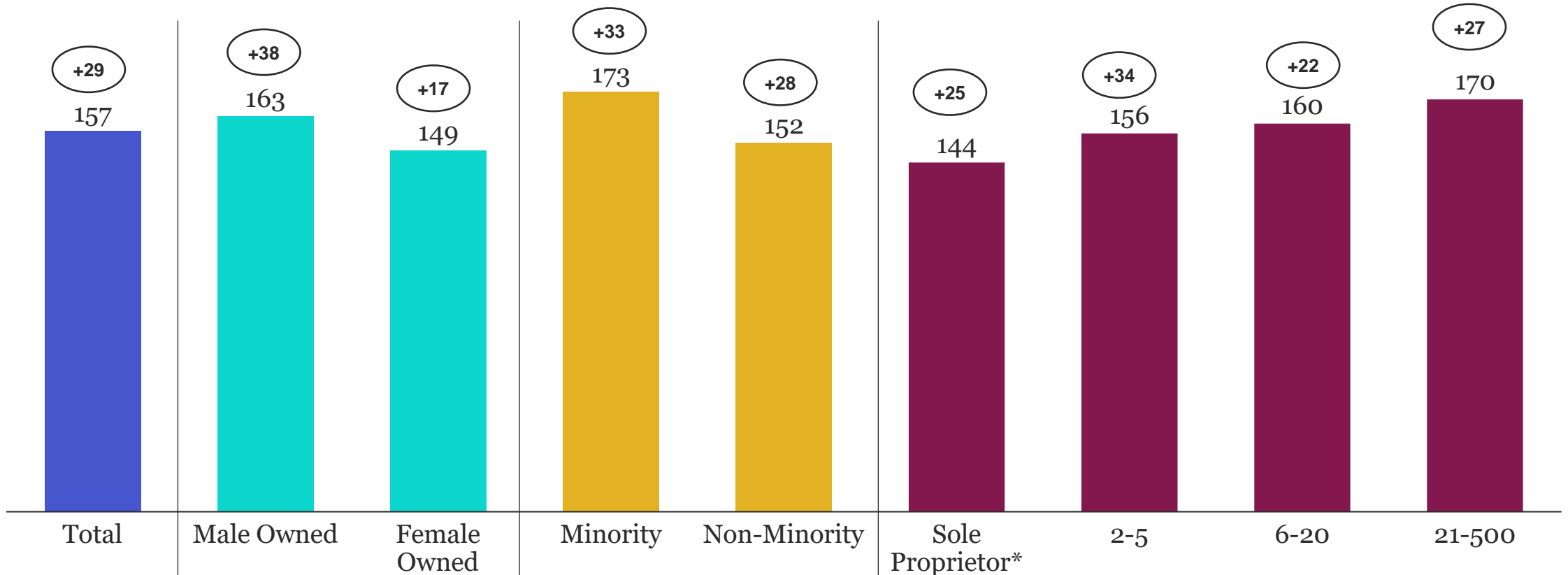
Net Score = positive values – negative values

Source: SMB Confidence Survey (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

SMB CONFIDENCE INDEX

Overall, confidence among SMBs has increased. Minority-owned businesses and male-owned businesses have seen a greater increase in confidence than their non-minority and female counterparts, respectively.

SMB Confidence Index by Gender, Ethnicity, Business Size



Base Sizes: Total SMBs=500; Male-owned=275; Female-owned=225; Minority-owned=81; Non-minority owned=419; Sole proprietor=55*; 2-5 employees=230; 6-20 employees=150; 21-500 employees=65*

*Caution, low sample size. Interpret directionally.

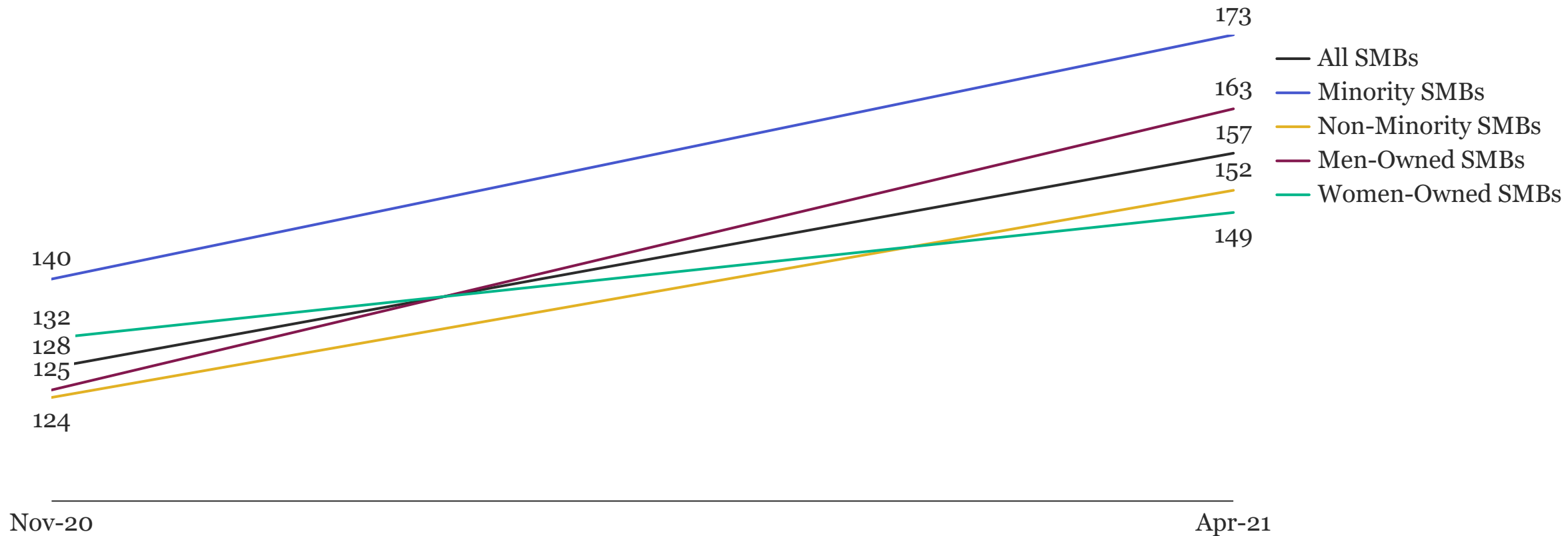
Source: SMB Confidence Survey (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

Bar indicates Wave 2 Index. The values within the circle above represent the change from Wave 1.

SMB CONFIDENCE INDEX

All SMB groups have seen an increase in confidence since November 2020.

SMB Confidence Index by Gender and Ethnicity



Base Sizes: W1: Total SMBs=500; Male-owned=281; Female-owned=219; Minority-owned=109; Non-minority owned=391

Wave 2: Total SMBs=500; Male-owned=275; Female-owned=225; Minority-owned=81; Non-minority owned=419

Source: SMB Confidence Survey (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)



SMB CONFIDENCE INDEX

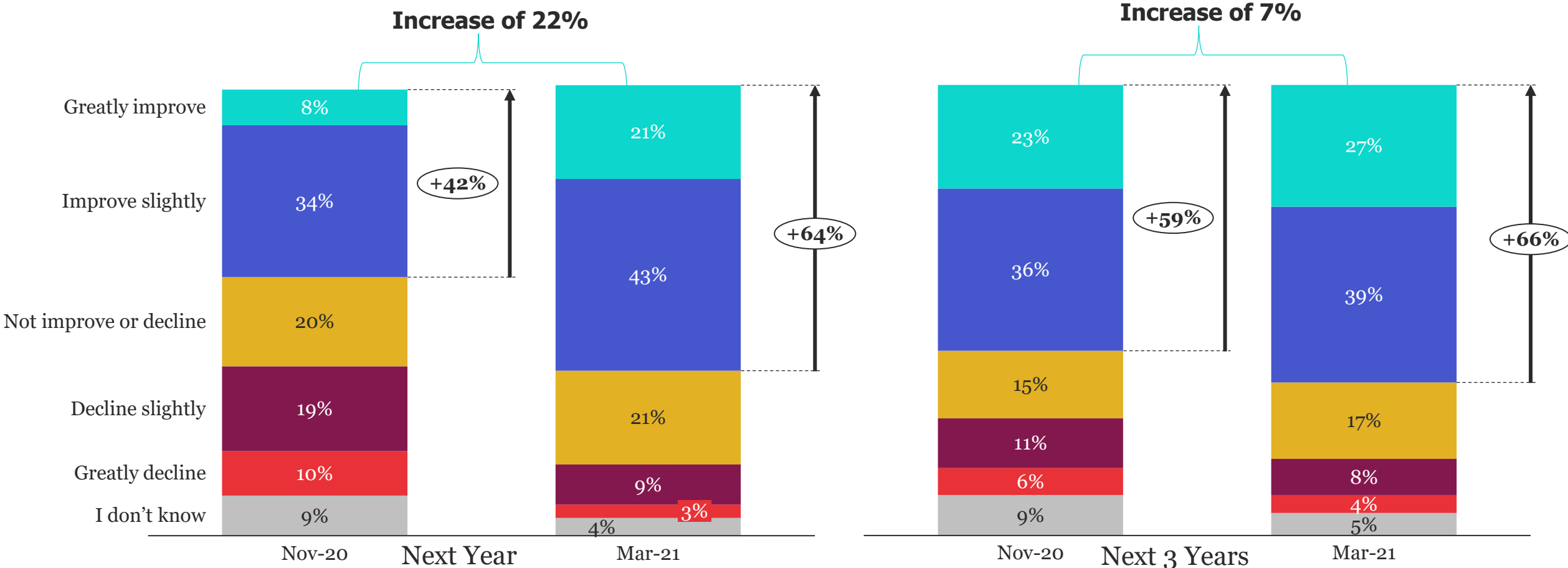
PERCEPTIONS OF THE FUTURE



PERCEPTIONS OF THE FUTURE

SMB owners are substantially more optimistic about economic conditions impacting their businesses in April 2021 than in November 2020.

Economic Conditions Impacting the Business



Base sizes: Total SMB Owners n=500

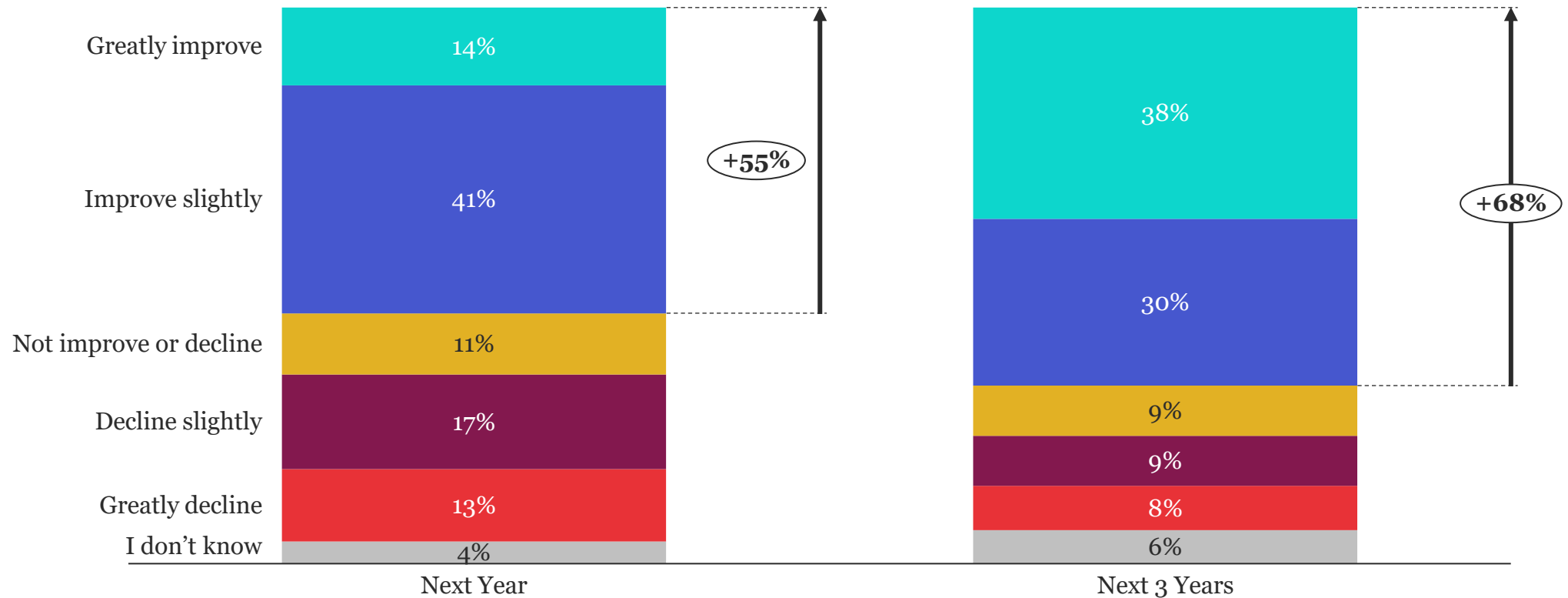
Do you think overall economic conditions impacting your business will improve or decline in the next 12 months?; Do you think overall economic conditions impacting your business will improve or decline in the next 3 years?

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

CLOSURES AND REOPENING STRATEGIES

Currently closed SMBs show signs of optimism, with more than half believing business conditions will improve in the coming year.

Economic Conditions Impacting the Business



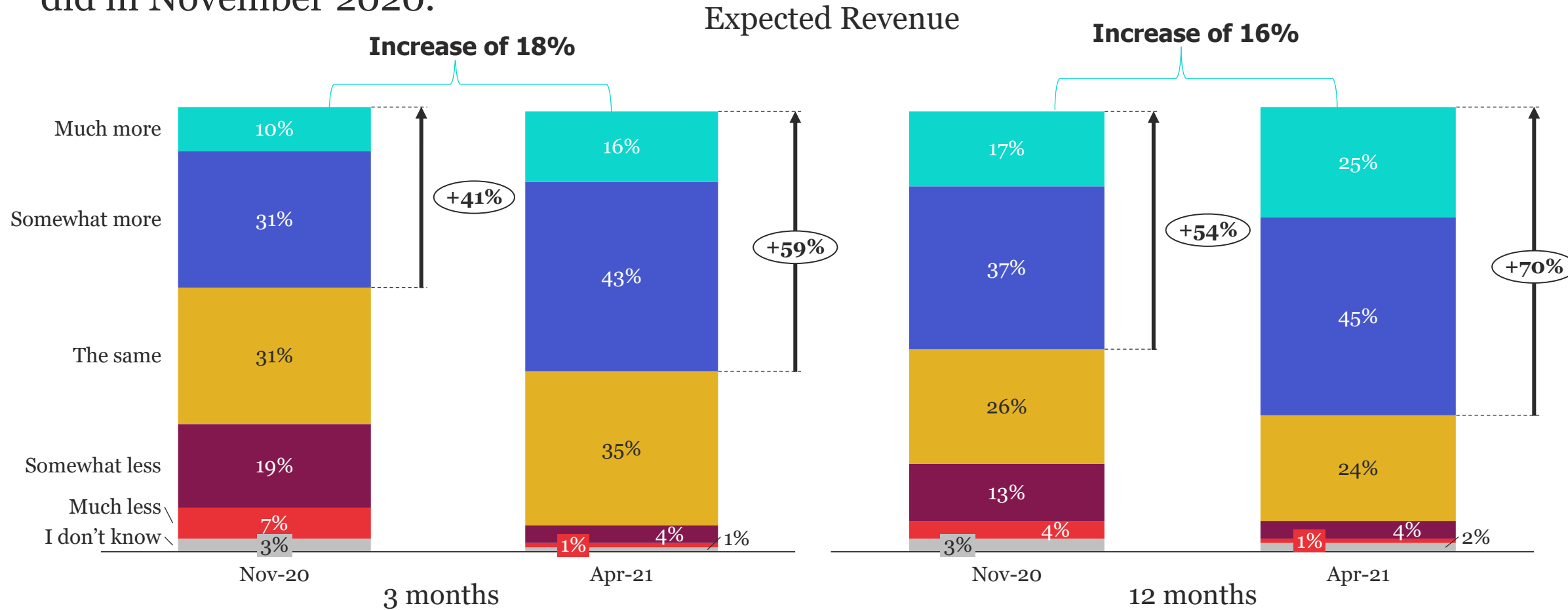
Base size: Total Closed SMBs n=100

Do you think overall economic conditions impacting small businesses will improve or decline in the next 12 months? / Do you think overall economic conditions impacting small businesses will improve or decline in the next 3 years?

Source: SMB Closed Business Confidence Survey (April 2021)

PERCEPTIONS OF THE FUTURE

SMBs predict making more money in the near and long term in April 2021 than they did in November 2020.



Base sizes: Total SMB Owners n=500

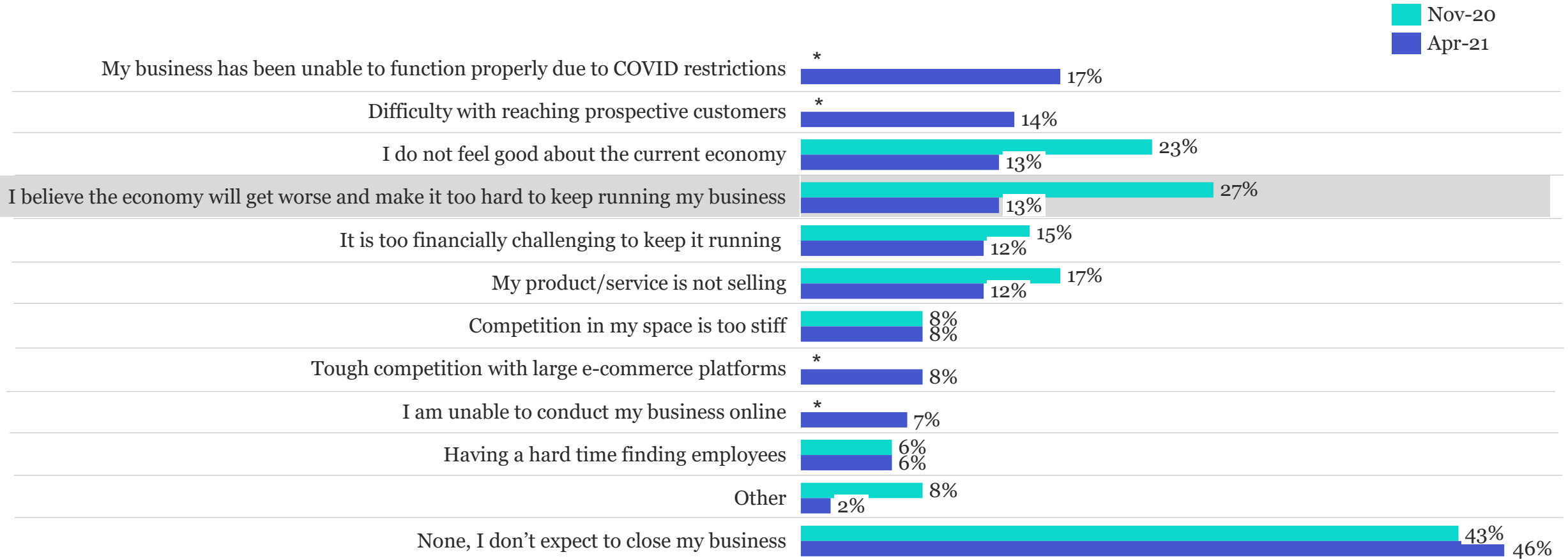
In the next 3 months, do you expect your business to make more or less money than it did in the past 3 months?; In the next 12 months, do you expect your business to make more or less money than it did in the past 12 months?

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

BUSINESS CHALLENGES AND ACTIONS

Business closure remains a risk for SMBs, but they generally feel better about the economy in April 2021 compared to November 2020.

Reasons for Possible Business Closure in Next Year – All SMBs



*Answer option not shown in Wave 1

Base sizes: W1/W2 Total SMBs=500

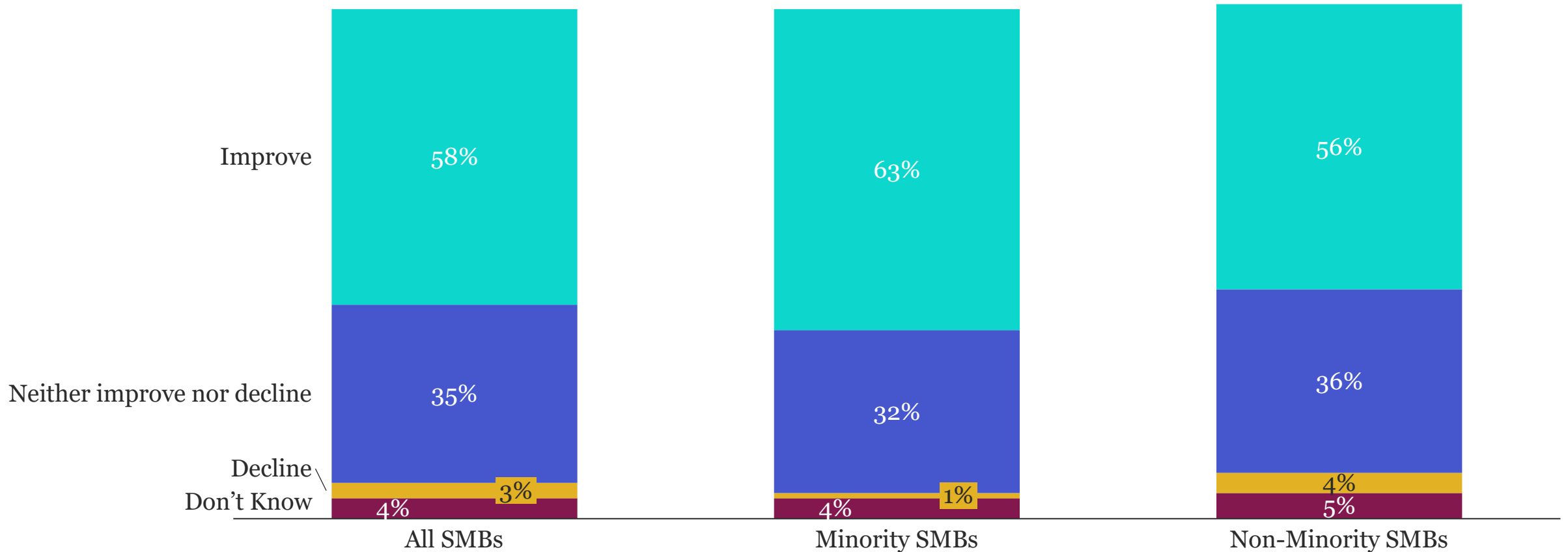
Which, if any, of the following reasons might cause your business to close within the next year?

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

PERCEPTIONS OF THE FUTURE

Growing optimism around the COVID vaccine contributes to SMBs' optimism about future success.

Predicted Impact of COVID Vaccine on Business Success



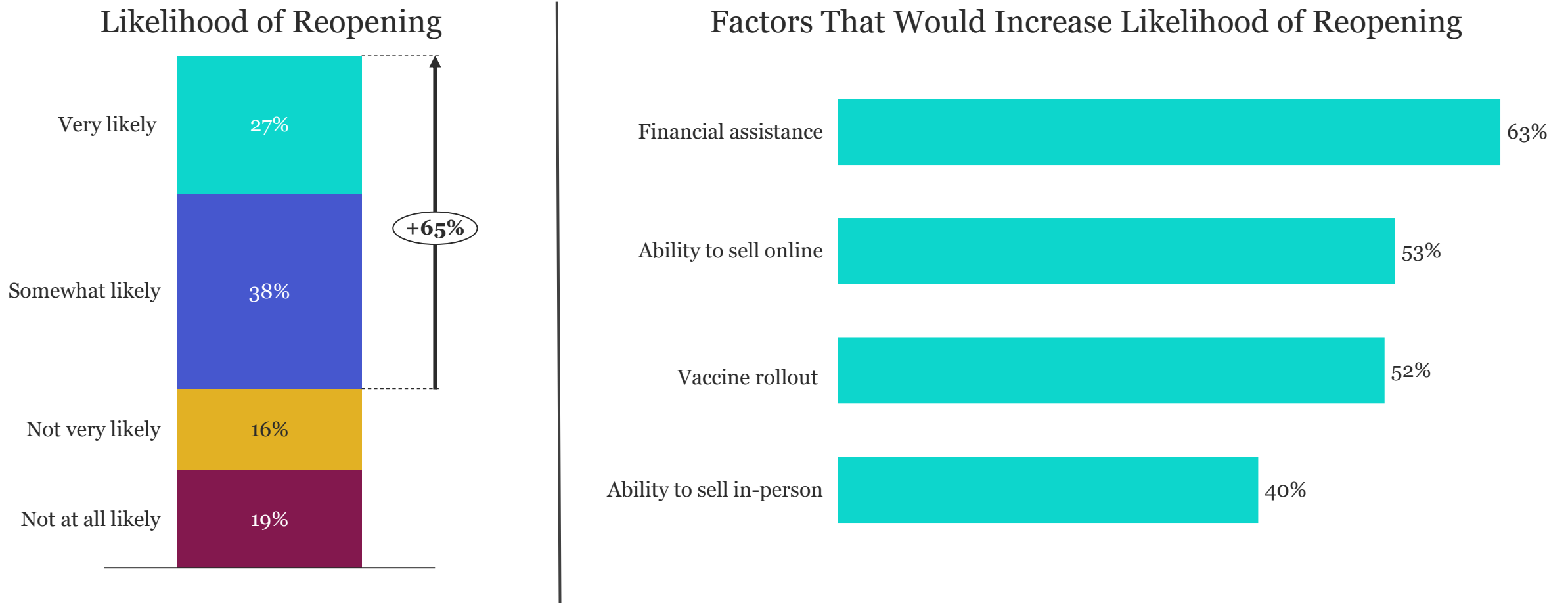
Base sizes: Total SMBs n=500; Minority Owned n=81; Non-Minority Owned n=419

With news of the COVID-19 vaccine rollout, how much do you think this will impact the success of your business?

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

CLOSURES AND REOPENING STRATEGIES

Two-thirds of currently closed SMBs say it is likely they will reopen in the next six months, ideally with financial assistance.



Base size: Total Closed SMBs n=100

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SMB CONFIDENCE INDEX

II. SHIFT TO DIGITAL



SMB CONFIDENCE INDEX

SMBs that sell only online and omnichannel are more confident compared to those that sell only in-person.

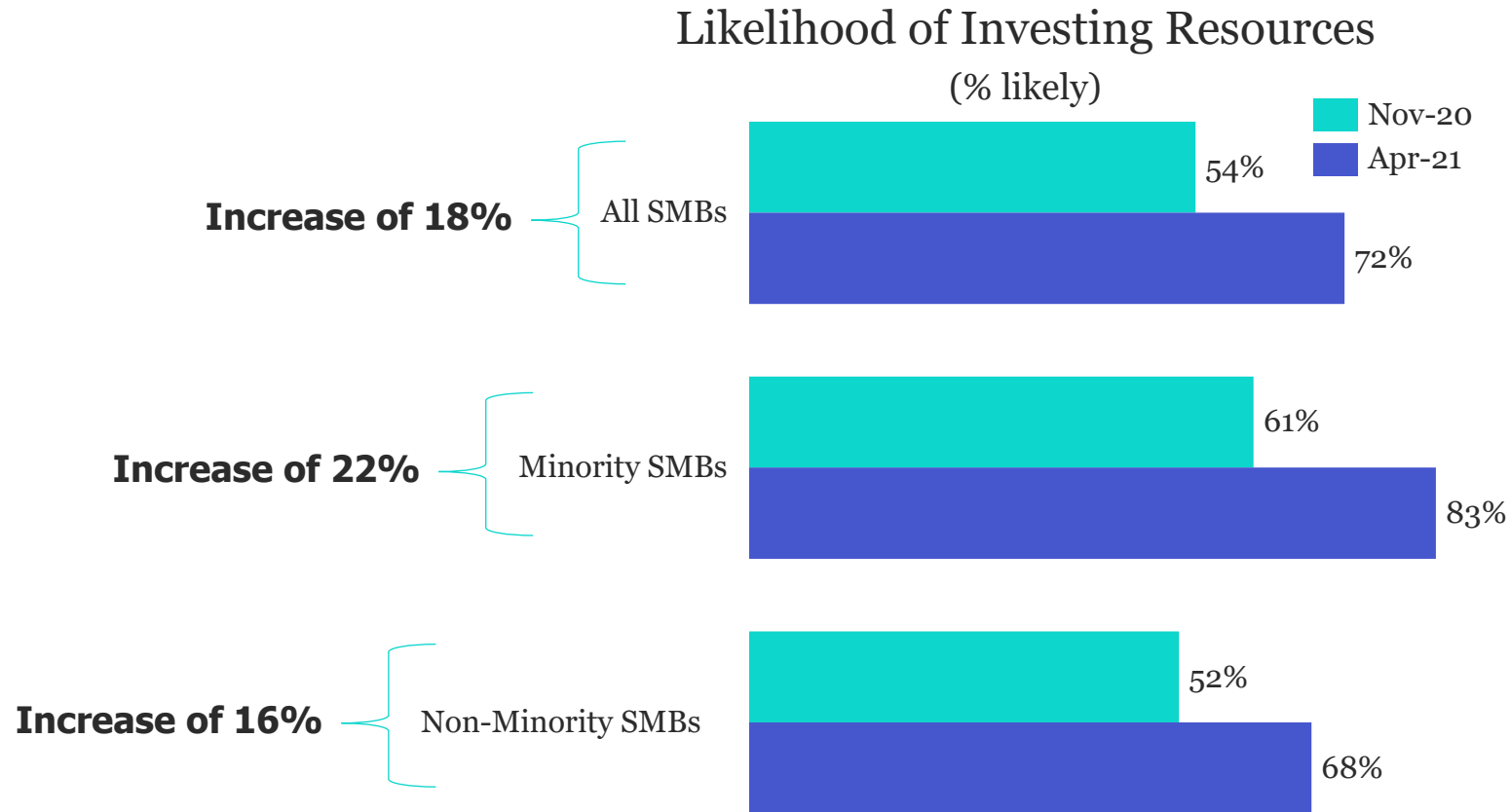
SMBs that sell only in-person are as confident in wave 2 as SMBs that sell online only or omnichannel were in wave 1.

SMB Confidence Index by Selling Mechanism

	Sell Only Online	Sell Only In-Person	Sell Online and In-Person
Wave 1 (November 2020)	144	115	147
Wave 2 (April 2021)	162	146	175
Change from Wave 1 to 2	+18	+31	+28

PERCEPTIONS OF THE FUTURE

SMBs, particularly those owned by minorities, are more likely to say they will invest in their businesses in April 2021 than November 2020.



Base sizes: Total SMBs W1=500, W2=500; Minority-Owned W1=109, W2=81; Non-Minority Owned W1=391, W2=419;

W2 Planning to Invest: SMBs=352, Minority-Owned=68, Non-Minority-Owned=284

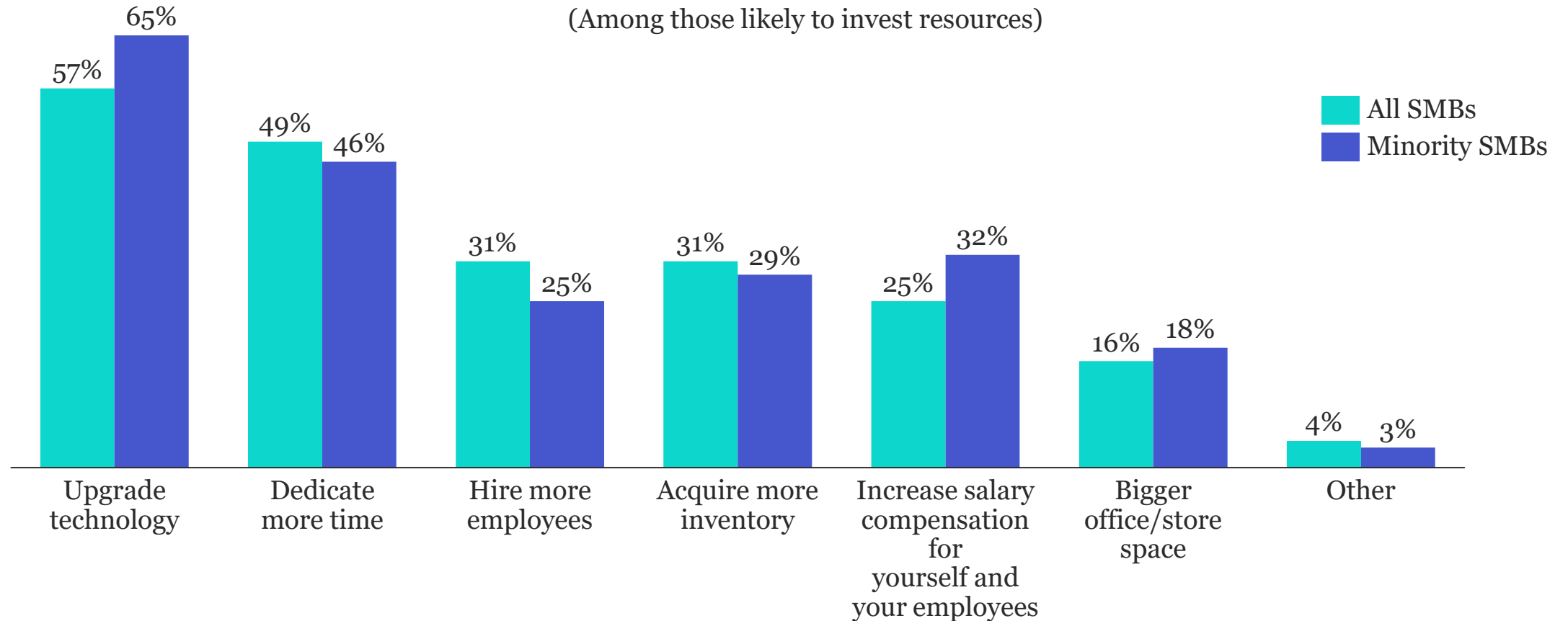
How likely are you to invest more resources (e.g., money, time) to grow your business in the next 12 months? What investments would you make to grow your business in the next 12 months? Please select all that apply.

Source: SMB Confidence Survey (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

PERCEPTIONS OF THE FUTURE

For SMBs that are planning to invest resources, specifically those owned by minorities, are most interested in upgrading technology, coinciding with the overall shift toward digitization.

Investments Businesses Plan to Make in Next 12 Months
(Among those likely to invest resources)



Base sizes: Total SMBs W1=500, W2=500; Minority-Owned W1=109, W2=81; Non-Minority Owned W1=391, W2=419;

W2 Planning to Invest: SMBs=352, Minority-Owned=68, Non-Minority-Owned=284

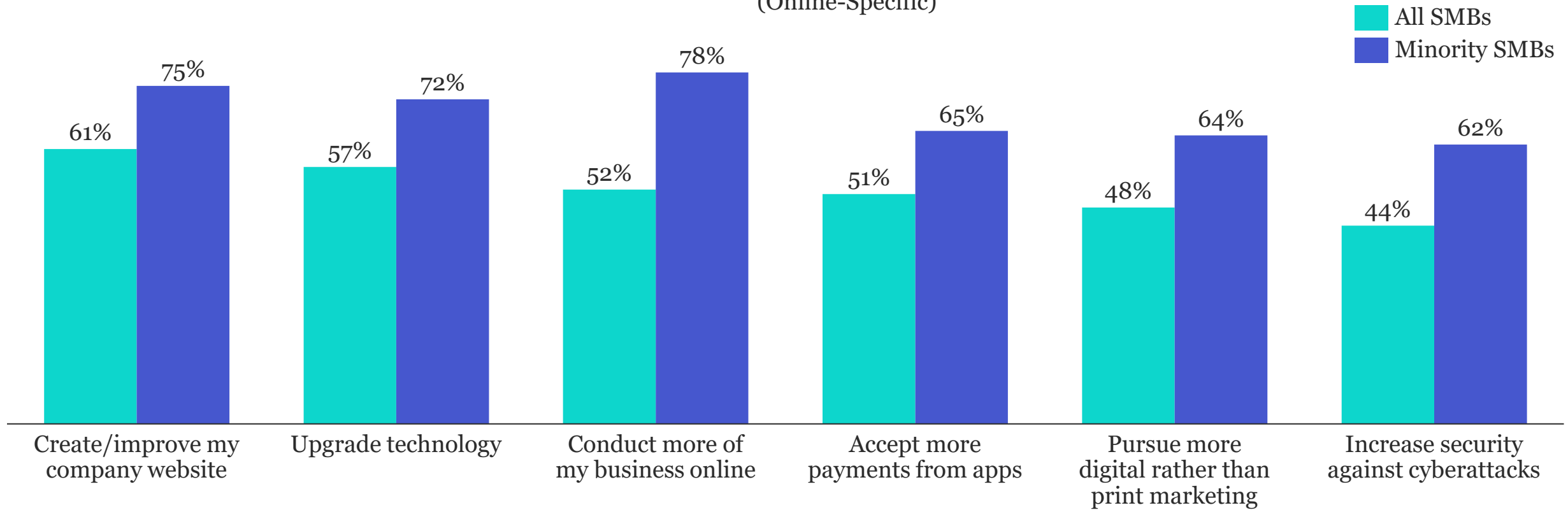
How likely are you to invest more resources (e.g., money, time) to grow your business in the next 12 months? What investments would you make to grow your business in the next 12 months? Please select all that apply.

Source: SMB Confidence Survey (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

PERCEPTIONS OF THE FUTURE

SMBs are making changes to their business to strengthen their online business , with Minority-owned SMBs leading the charge.

Changes Businesses are Likely to Make in the Next Year
(Online-Specific)



Base sizes: Total SMBs W1=500, W2=500; Minority-Owned W1=109, W2=81; Non-Minority Owned W1=391, W2=419;

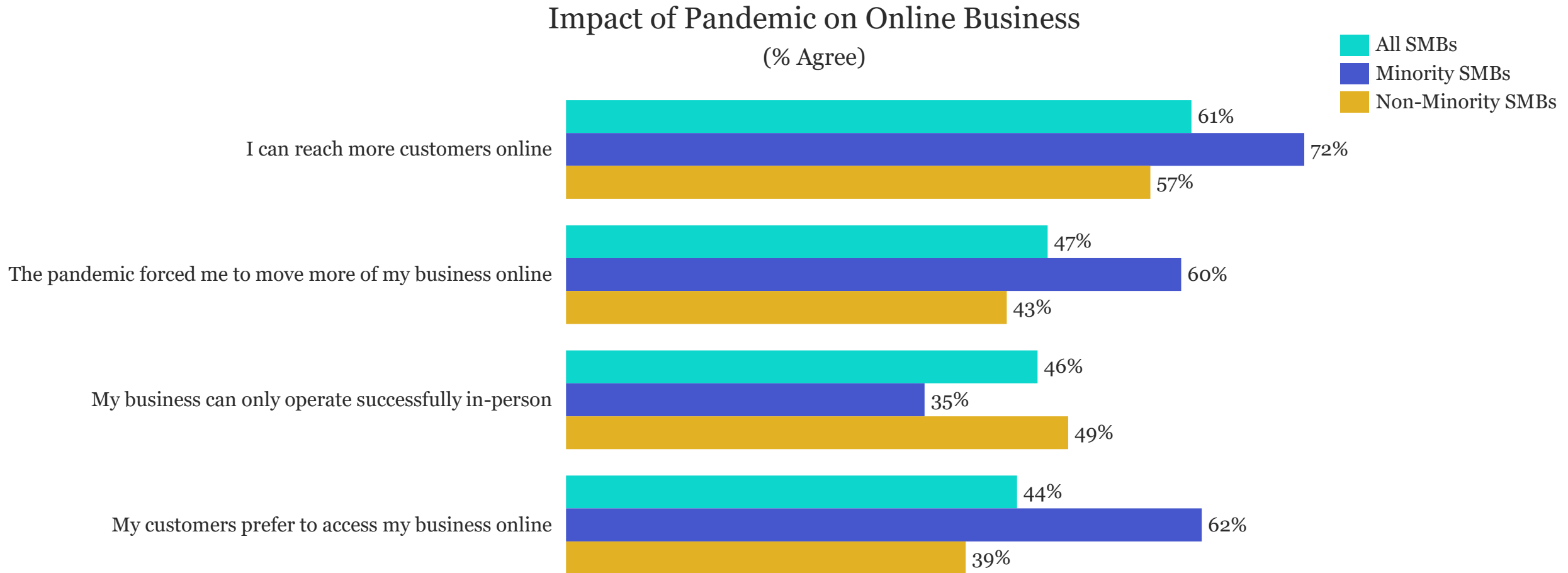
W2 Planning to Invest: SMBs=352, Minority-Owned=68, Non-Minority-Owned=284

How likely are you to make the following changes to the way you conduct your business in the coming year? (Very/somewhat likely)

Source: SMB Confidence Survey (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

BUSINESS CHALLENGES AND ACTIONS

Minority-owned SMBs are more likely than all SMBs to report the pandemic required they move their business online, where they were able to reach more customers.



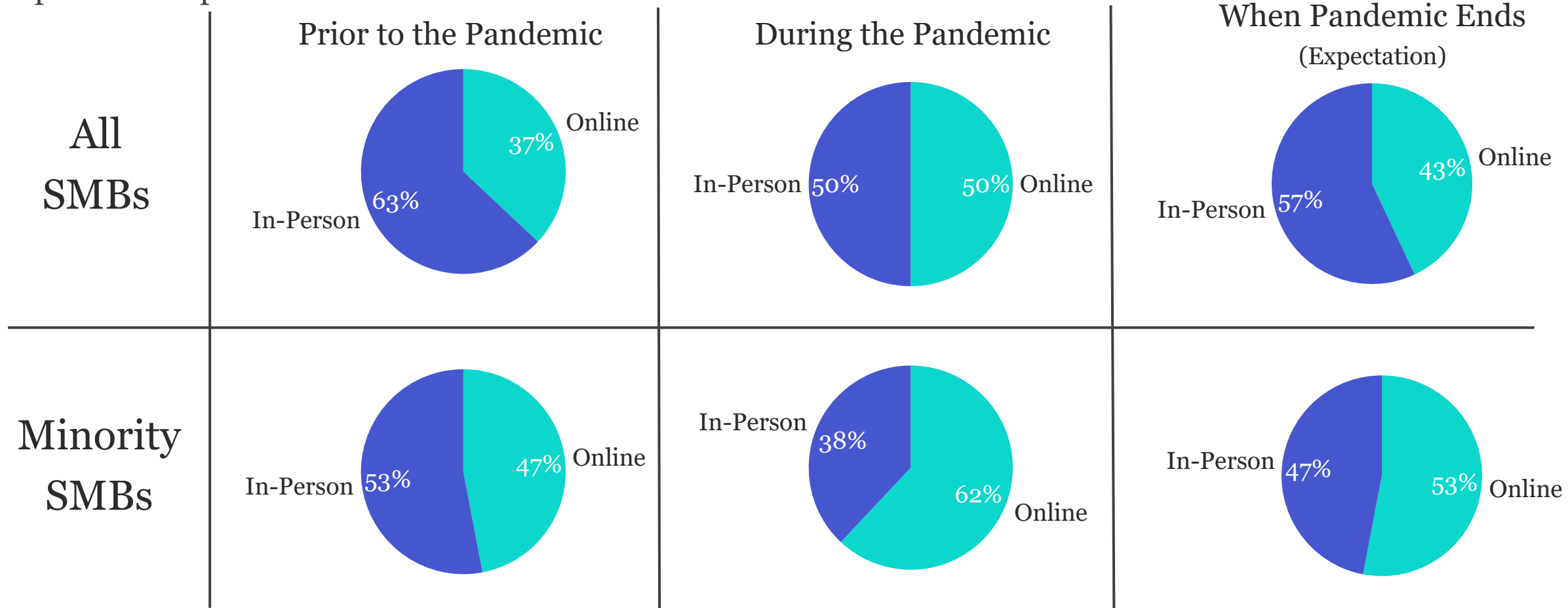
Base sizes: Total SMBs n=500; Minority Owned n=81; Non-Minority Owned n=419

Reflecting on the past 12 months, how much do you agree or disagree with the following statements?

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

BUSINESS CHALLENGES AND ACTIONS

While in-person commerce will pick up after economy resumes normalcy, online selling will still be a substantial part of SMB's portfolio. All SMBs have seen a significant increase in online selling compared to prior to the pandemic.



Base sizes: Total SMBs n=500; Minority-Owned n=81

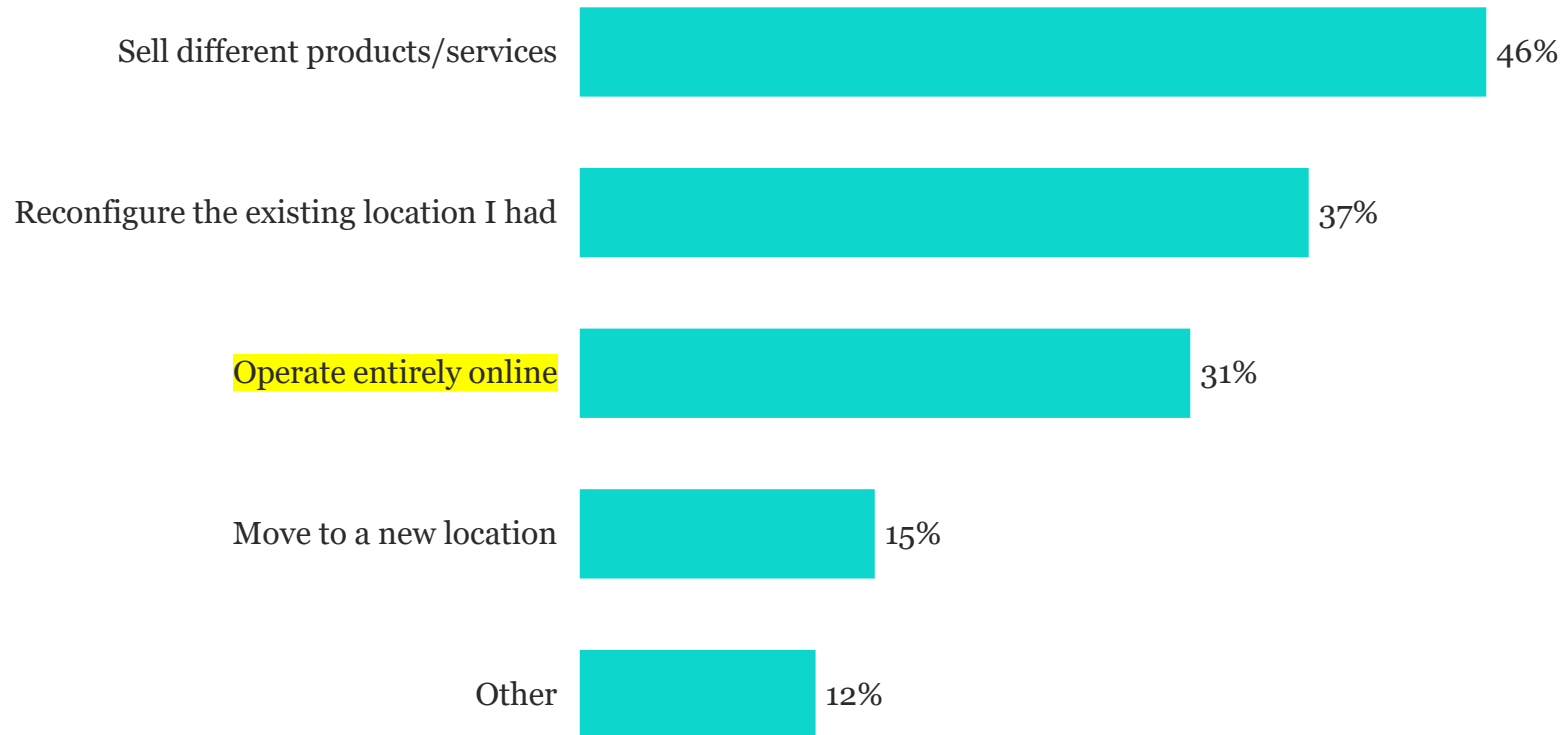
What percent of your business' sales were online vs in-person prior to the pandemic? / And, since the pandemic, what percent of your business' sales have been online vs in-person? / Looking ahead to when the pandemic is over, what percent of your business do you expect to be online vs in-person?

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

CLOSURES AND REOPENING STRATEGIES

Over 30% of currently closed SMBs that plan to reopen would switch to operating entirely online.

Changes Made if Businesses Reopened



Base sizes: Closed SMBs Intending to Reopen n=65 *Caution low sample size, interpret results directionally

Assuming you reopened your business, what changes would you make? Please select all that apply.

Source: SMB Closed Business Confidence Survey (April 2021)



SMB CONFIDENCE INDEX

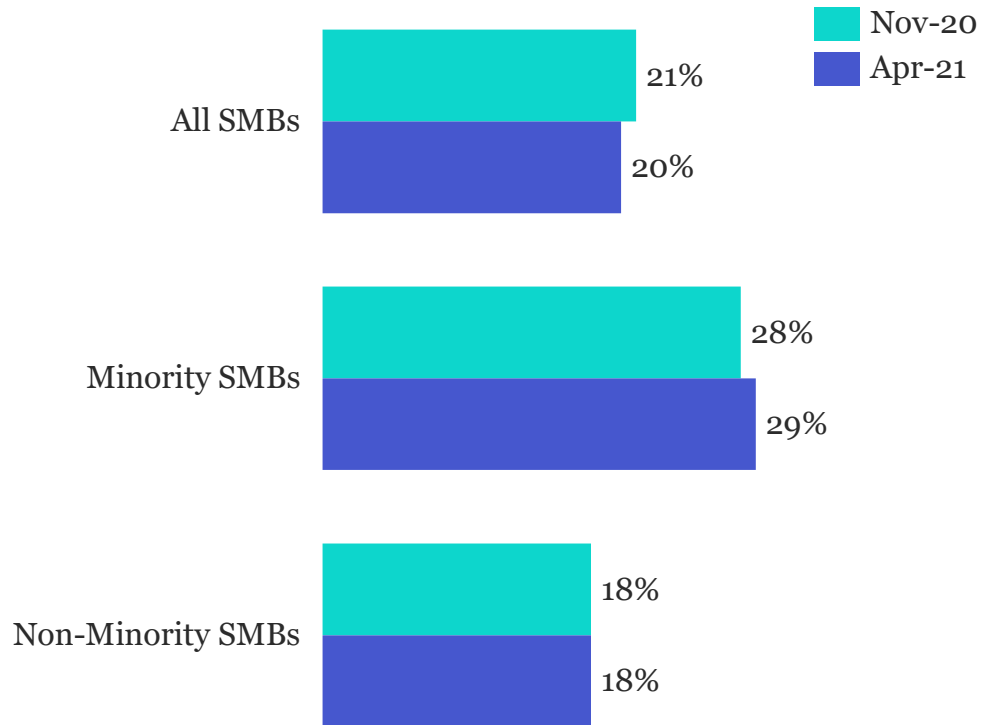
III. WHAT SMBS NEED



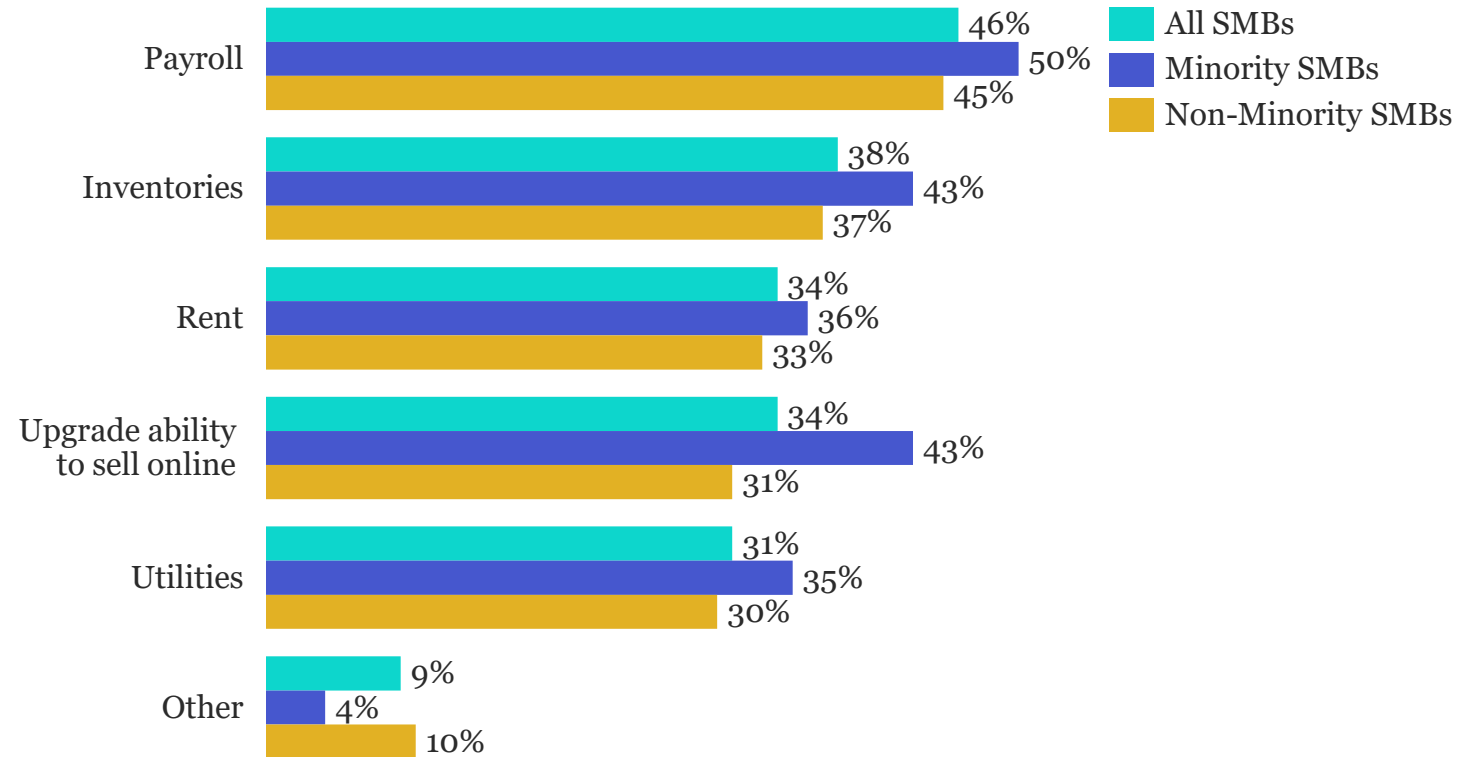
PAYCHECK PROTECTION PROGRAM

Minority SMBs are more likely than all SMBs to predict needing government aid to keep their businesses running, particularly to cover payroll.

% Predicting to Need Government Aid



How SMBs Would Spend Aid



Base sizes: W1: Total=500, Minority=109, Non-Minority=391. W2: Total=500, Minority=81, Non-Minority=491.

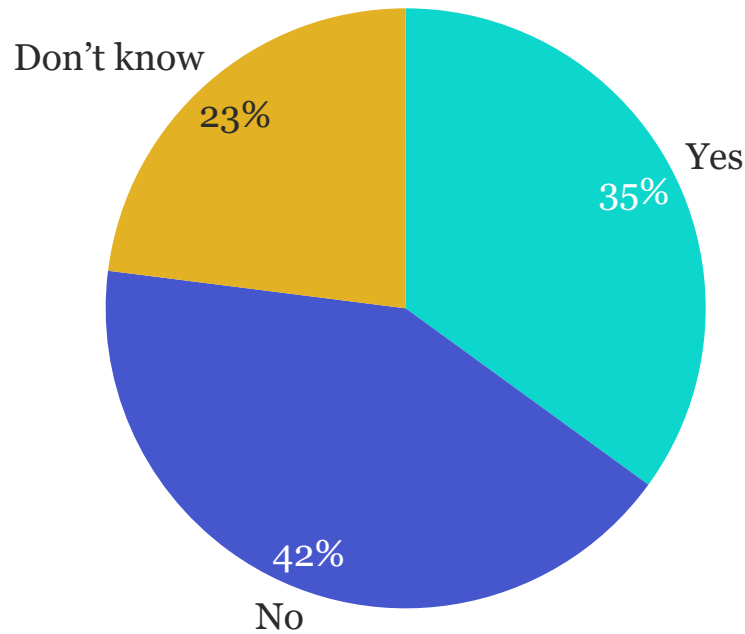
Do you predict needing government aid to keep your business running anytime in the next year?; Assuming your business receives aid in the next year, how would you spend the money? Select all that apply.

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

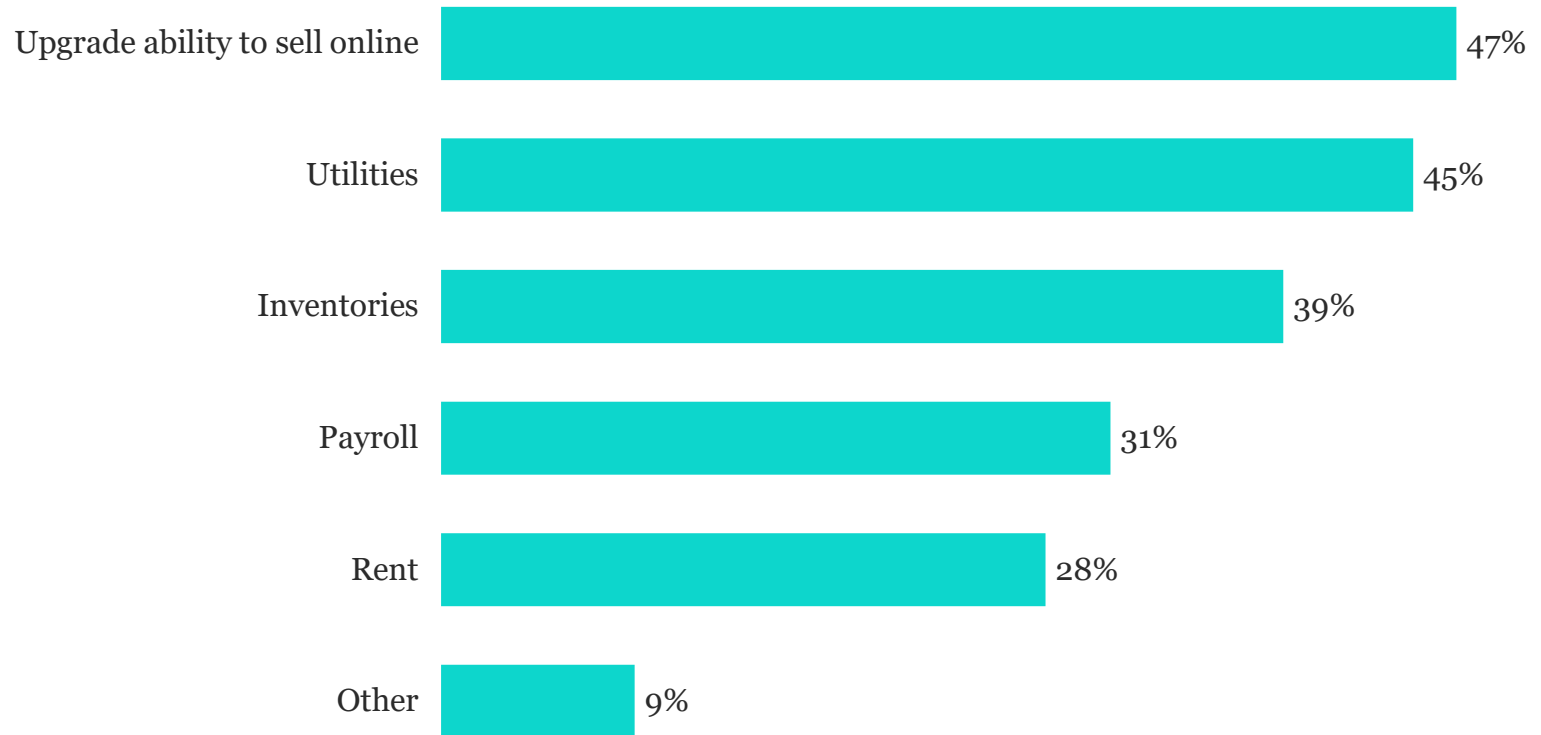
PAYCHECK PROTECTION PROGRAM AND GOVERNMENT AID

Over one-third of currently closed SMBs anticipate needing government aid to reopen their businesses, and nearly half would use some of that aid to upgrade their online selling capabilities.

Closed SMBs Anticipating Needing Government Aid



How Closed SMBs Would Spend Government Aid



Base size: Total Closed SMBs n=100

Do you predict needing government aid to reopen your business? / If you were to receive government aid to reopen your business, what would you spend that aid on? Please select all that apply.

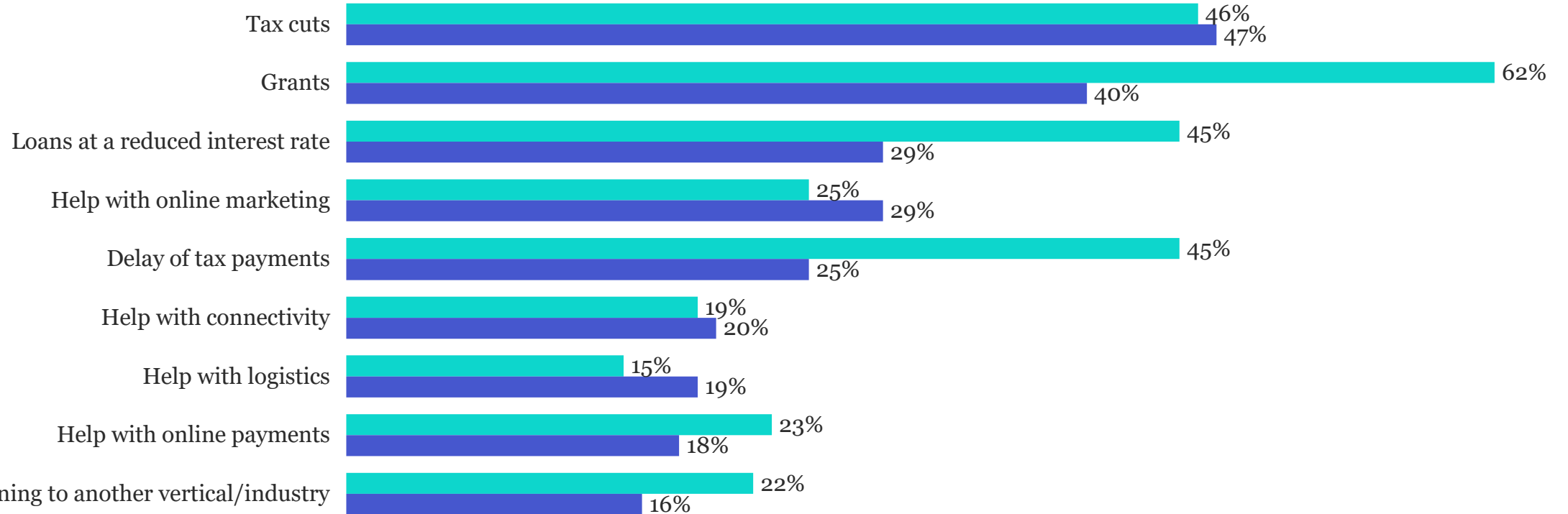
Source: SMB Closed Business Confidence Survey (April 2021)

PAYCHECK PROTECTION PROGRAM AND GOVERNMENT AID

Tax relief and grants would be helpful to SMBs at this time. There is less need for grants and tax payment delays in April 2021 compared to November 2020.

Types of Assistance That Would Be VERY Helpful in the Next Year
(% **very** helpful)

Nov-20
Apr-21



Base size: Total SMBs n=500

How helpful would each kind of assistance be to you in the next year?

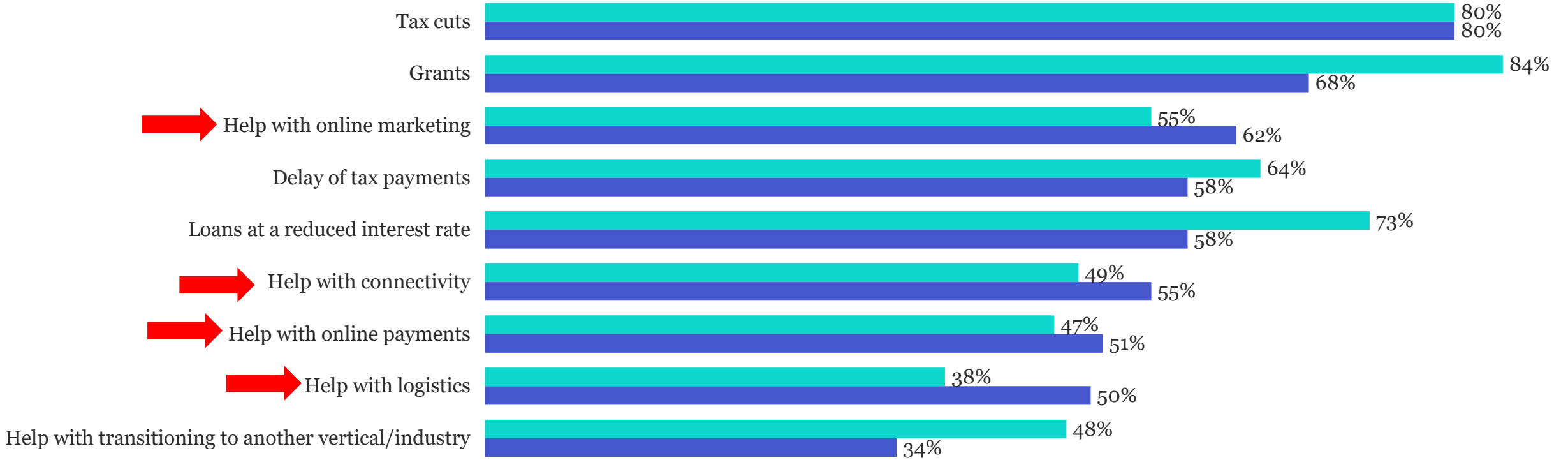
Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

SMBs are more interested in assistance that would further their online capabilities in April compared to November.

Types of Assistance That Would Be Helpful in the Next Year

(% very/somewhat helpful)

Nov-20
Apr-21



Base size: Total SMBs n=500

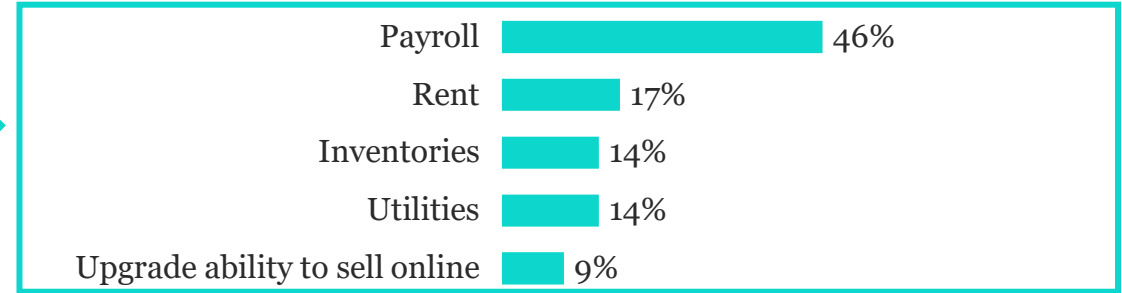
How helpful would each kind of assistance be to you in the next year?

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

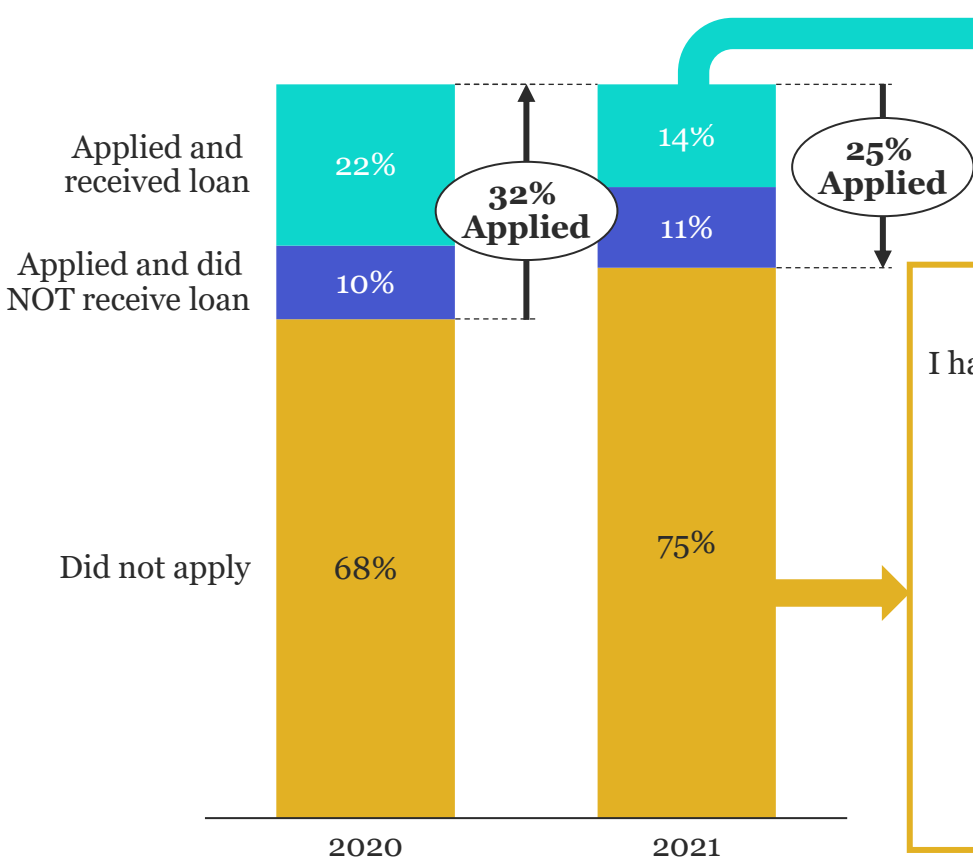
PAYCHECK PROTECTION PROGRAM AND GOVERNMENT AID

Fewer SMBs applied for the PPP in 2021. 3 in 4 of those that did not apply didn't think their business would qualify/receive funds.

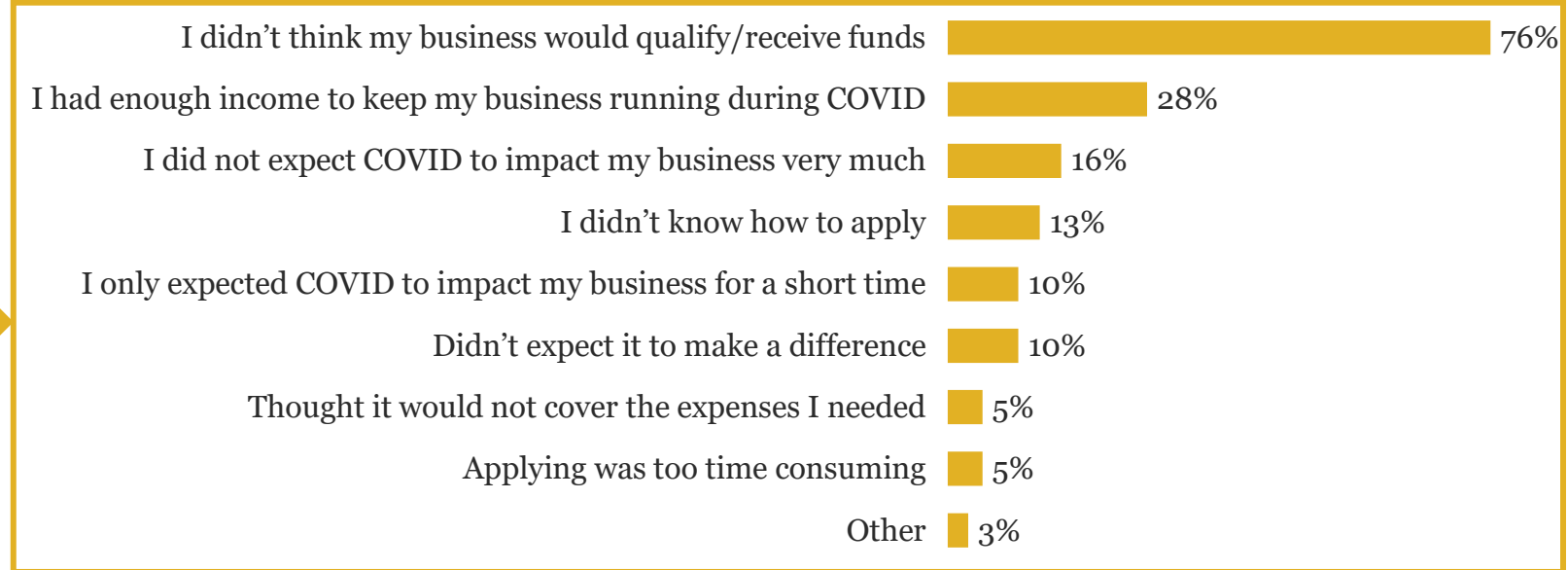
How Businesses Spent PPP in 2021



PPP Applications and Receipt



Reasons for Not Applying in 2021



Base sizes: Total SMBs n=500; SMBs that did apply n=183; SMBs that did not apply n = 317

Did your business apply for the Paycheck Protection Program (PPP) in 2020 and/or 2021? / How did your business spend the Paycheck Protection Program (PPP) funds it received in 2021? Please provide a percentage for each item. / Why didn't you apply for the Paycheck Protection Program (PPP)? Please select all that apply.

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

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SMB CONFIDENCE INDEX

APPENDIX



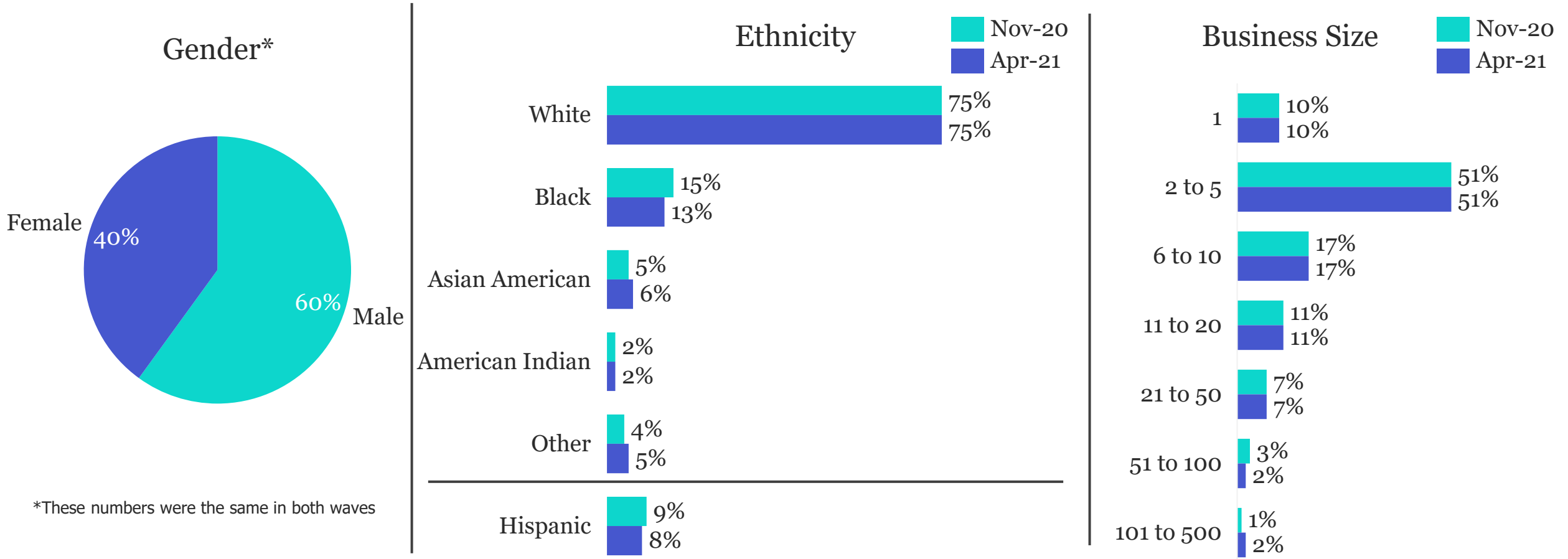
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SMB CONFIDENCE INDEX

CURRENT BUSINESS



SMB PROFILING

The Small & Medium Sized Business (SMB) sample is representative of the current SMB owner in the United States. The majority of SMBs have 1-5 employees.



*These numbers were the same in both waves

Base size: Total SMBs=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 (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

Data weighted to approximate US Census distribution of Small and Medium Business owners.



SMB CONFIDENCE INDEX

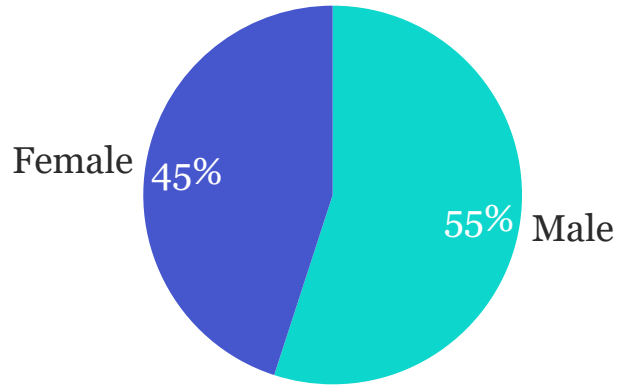
CLOSED BUSINESSES



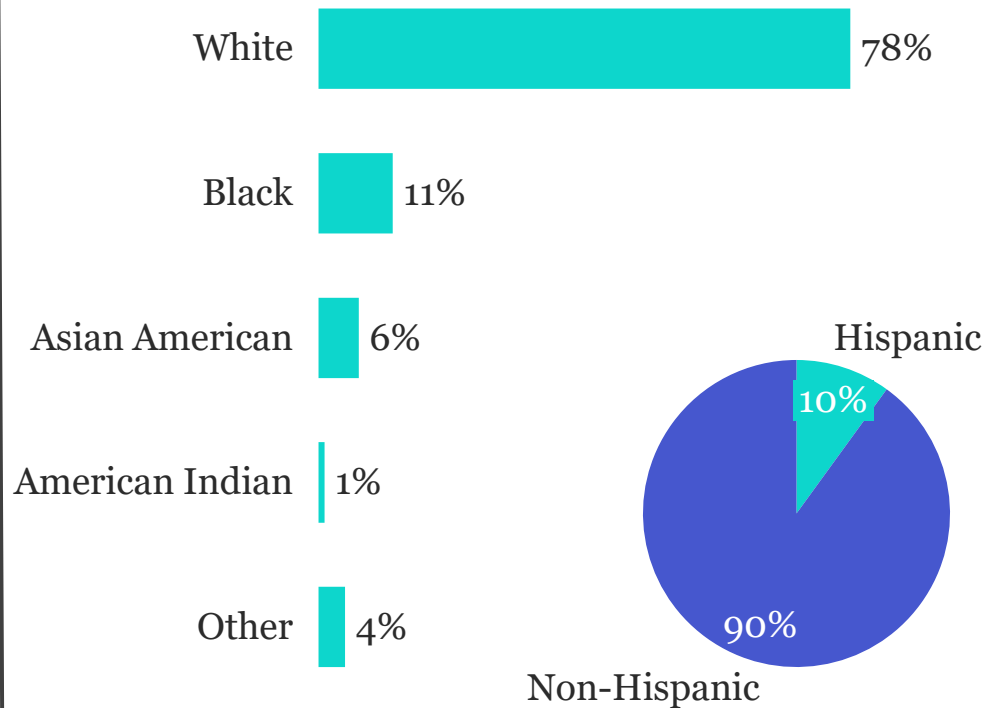
CLOSED SMB PROFILE

Nearly half of now closed SMBs are smaller, with employee sizes ranging from 1-5.

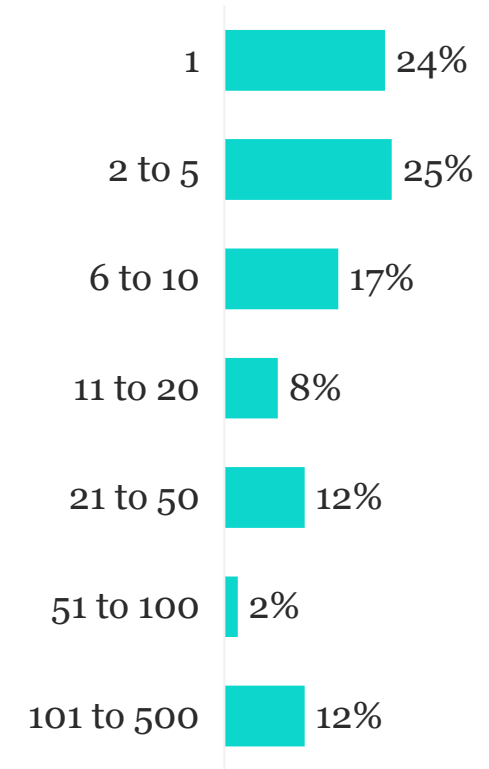
Gender



Ethnicity



Business Size



Base size: Total Closed SMBs n=100

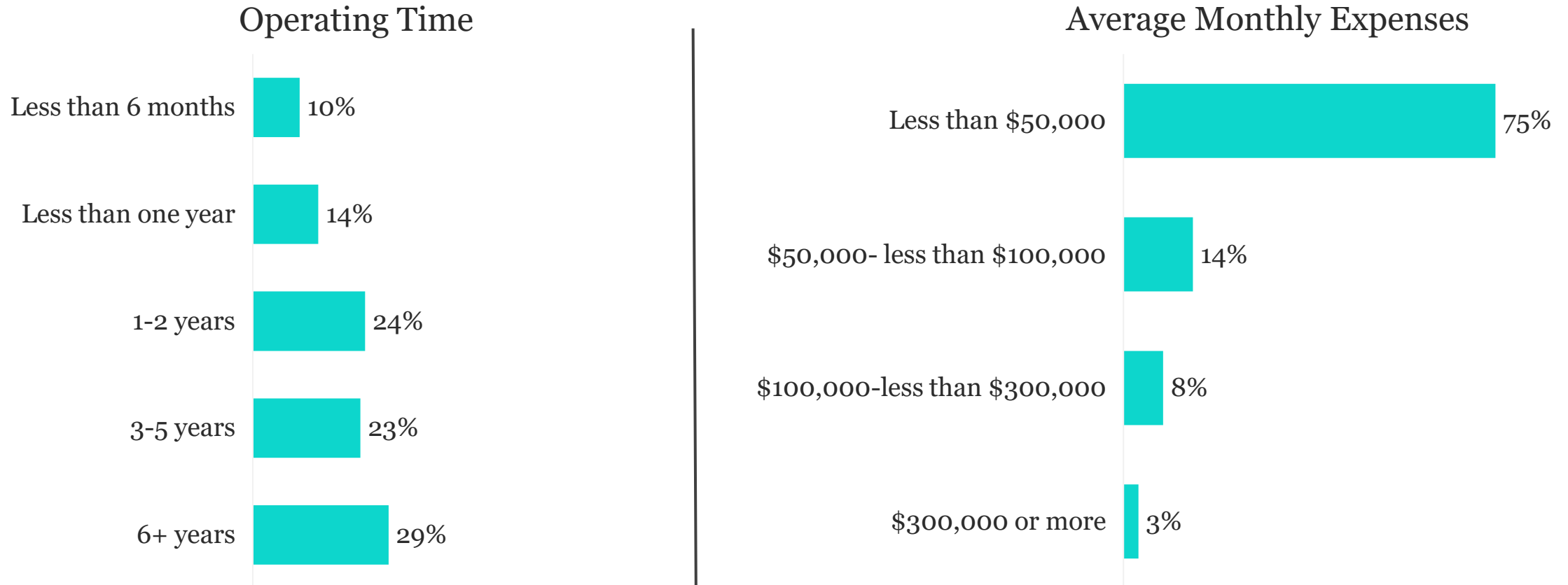
What is your gender?; Which term below best describes your race or background?; Are you, yourself, of Hispanic origin or descent, such as Mexican, Puerto Rican, Cuban, or some other Spanish background?; How many total full-time employees, including the owner, are currently employed by your business?

Source: SMB Closed Business Confidence Survey (April 2021)

Weighting: Data is unweighted due to this audience being exploratory.

CLOSED SMB PROFILE

Majority of closed SMBs had monthly expenses less than \$50,000.



Base size: Total Closed SMBs n=100

How long had your business been operating prior to closure? / To the best of your knowledge, what were the average monthly expenses for your business when it was in operation?

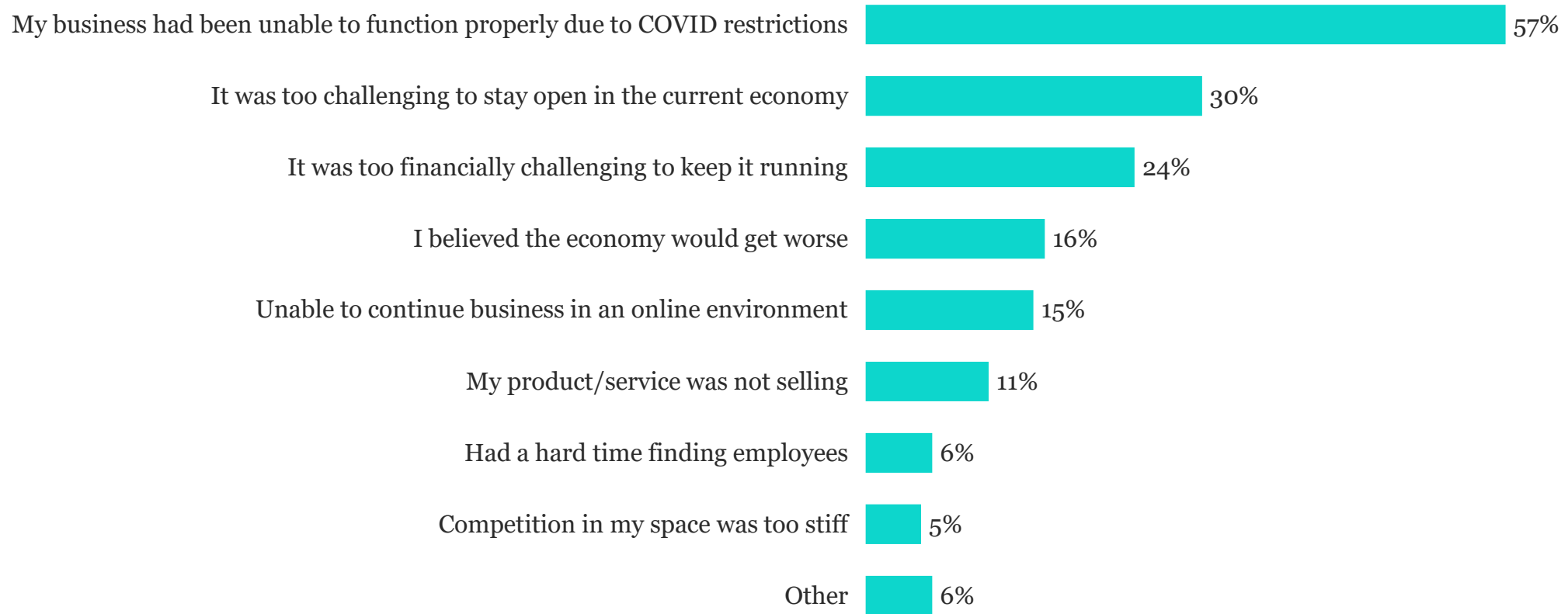
Source: SMB Closed Business Confidence Survey (April 2021)

Weighting: Data is unweighted due to this audience being exploratory.

CLOSURES AND REOPENING STRATEGIES

Majority of SMBs that closed in the last year did so because their businesses were unable to function properly amid COVID restrictions.

Reasons to Close Businesses in the Last Year



Base size: Total Closed SMBs n=100

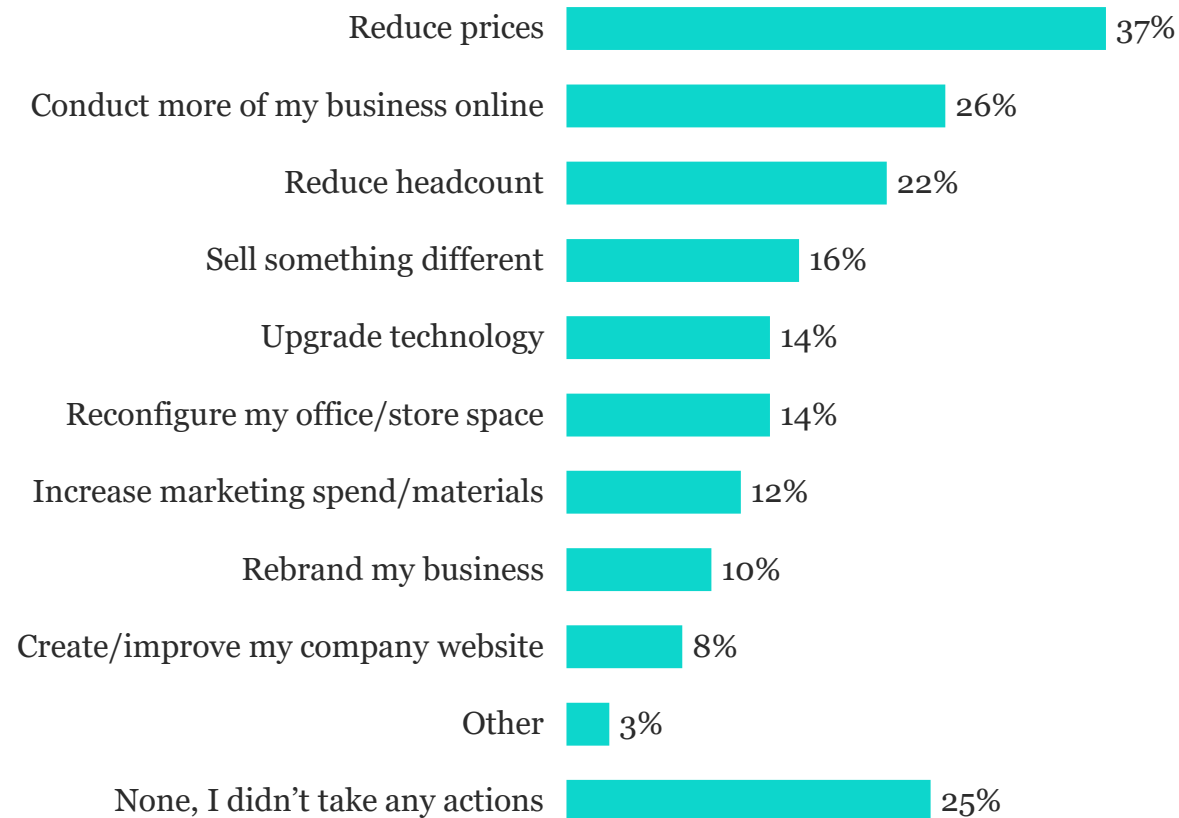
Which, if any, of the following reasons caused your business to close in the past year? Please select all that apply.

Source: SMB Closed Business Confidence Survey (April 2021)

CLOSURES AND REOPENING STRATEGIES

Majority of now closed SMBs took action to try to keep their business open, most commonly by reducing prices.

Actions Taken to Try to Keep Business Running



Base size: Total Closed SMBs n=100

What actions did you take to try to keep your business running? Select all that apply.

Source: SMB Closed Business Confidence Survey (April 2021)



SMB CONFIDENCE INDEX

BUSINESS CHALLENGES AND ACTIONS – SPOTLIGHT ON MINORITY SMBS

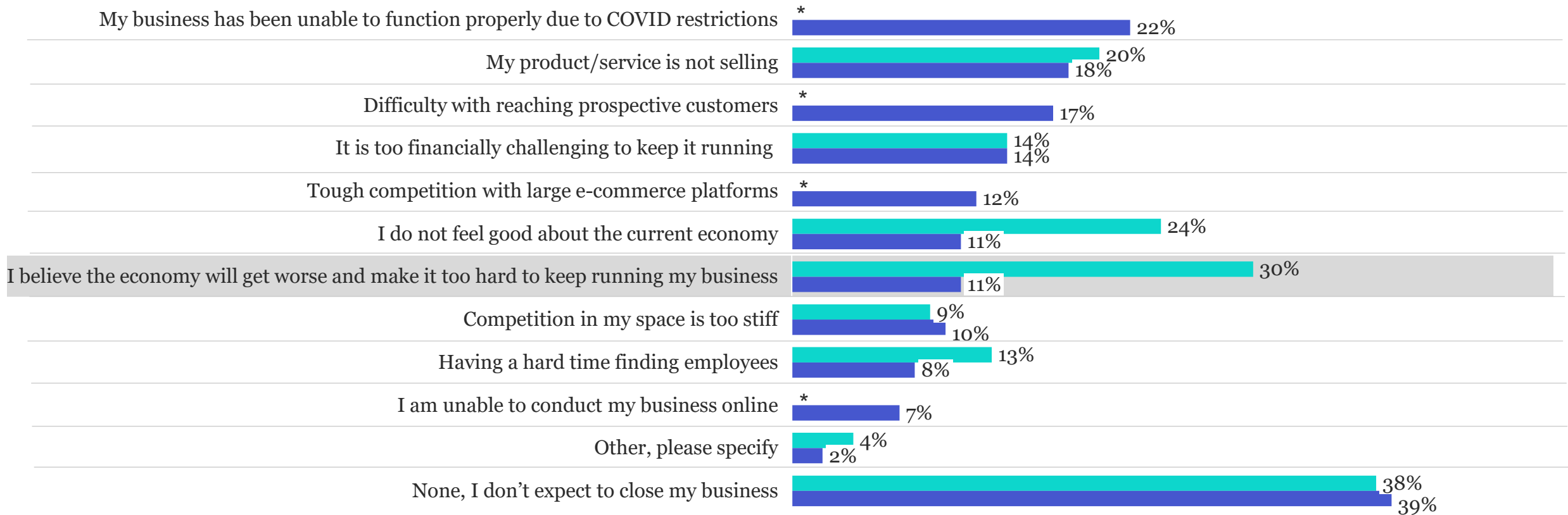


BUSINESS CHALLENGES AND ACTIONS

The optimism around the economy is reflected in the Minority SMBs' sentiments, with fewer likely to believe the economy will make it too hard to run their businesses.

Reasons for Possible Business Closure in Next Year – Minority SMBs

Nov-20
Apr-21



*Answer option not shown in Wave 1

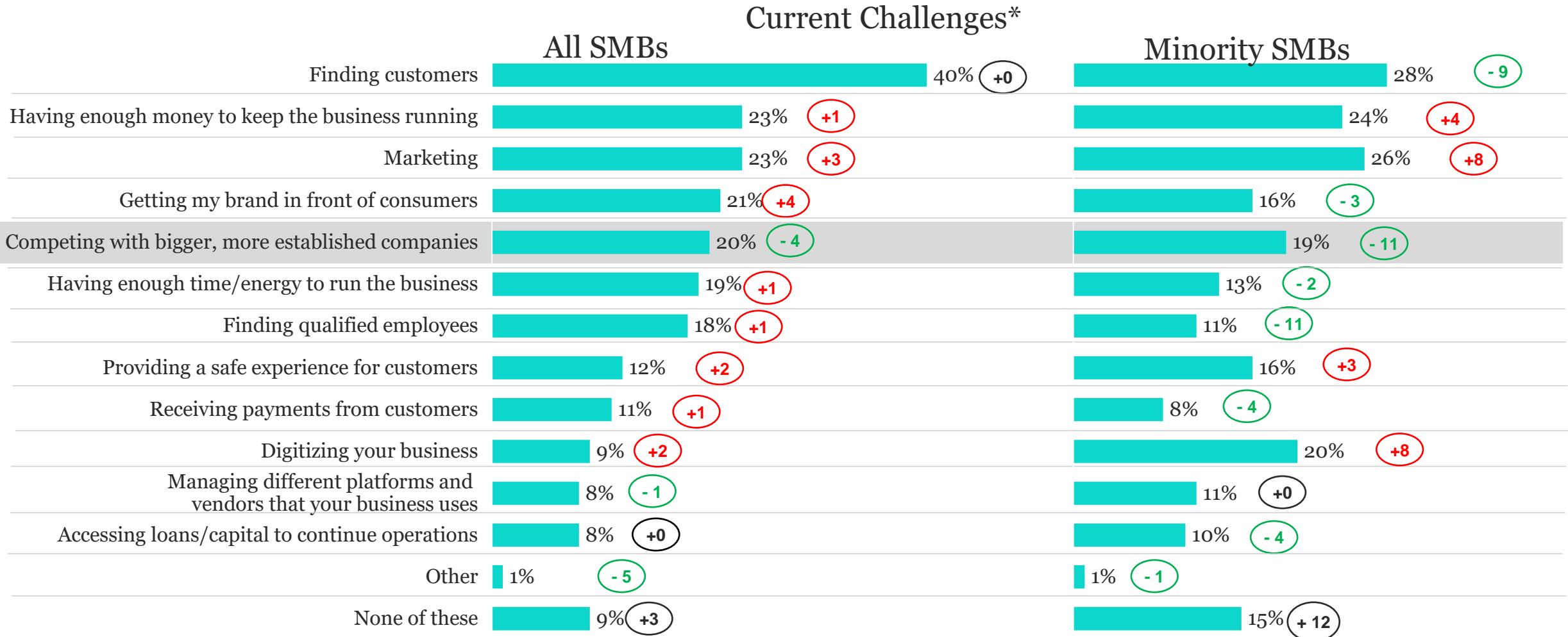
Base Sizes: Minority-Owned W1=109, W2=81

Which, if any, of the following reasons might cause your business to close within the next year? Please select all that apply.

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

BUSINESS CHALLENGES AND ACTIONS

Finding customers remains a top challenge for SMBs while marketing has increased in difficulty, namely among minority-owned SMBs.



Base Sizes: Total SMBs=500; Minority-owned=81

What are the top challenges your business currently faces? Pick up to three challenges.

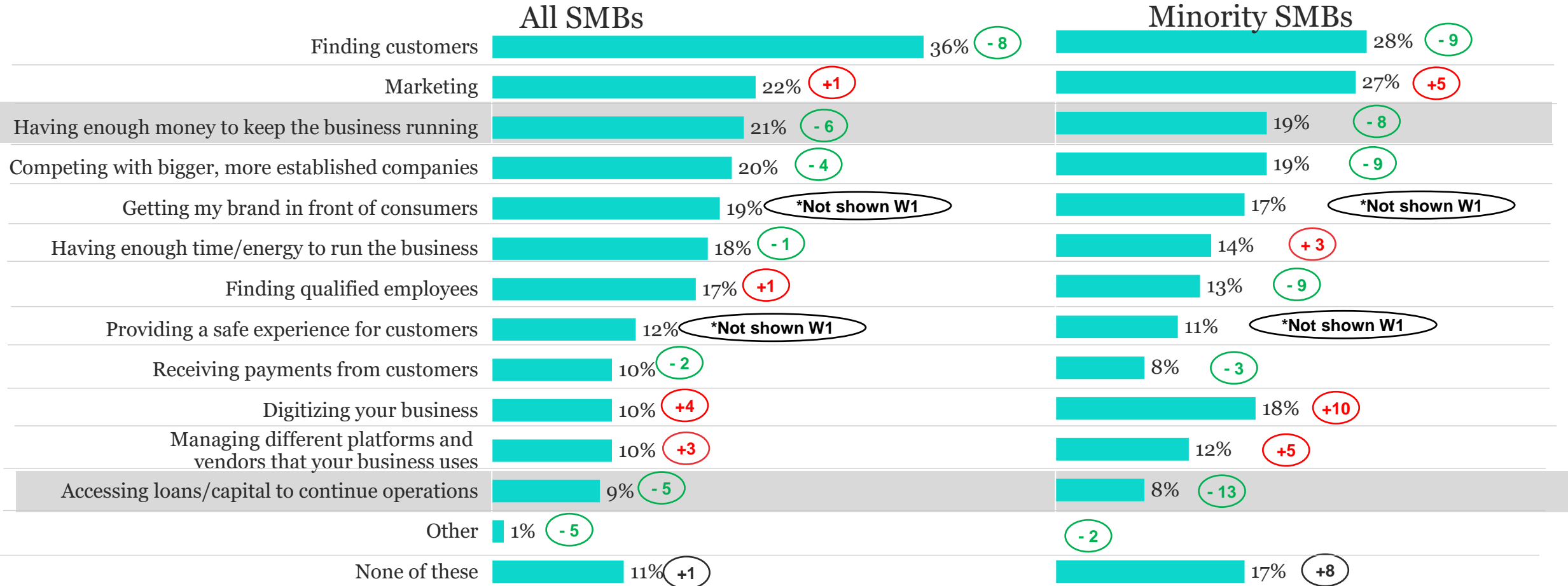
Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

*Green indicates the answer option has become less challenging since wave 1, while red indicates it has gotten more challenging.

BUSINESS CHALLENGES AND ACTIONS

Finding customers will remain a top challenge in the coming year, but financing expected to be less of a strain.

Challenges in the Next Year*



Base sizes: Total SMBs n=500 / Minority-owned SMBs n=81

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

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

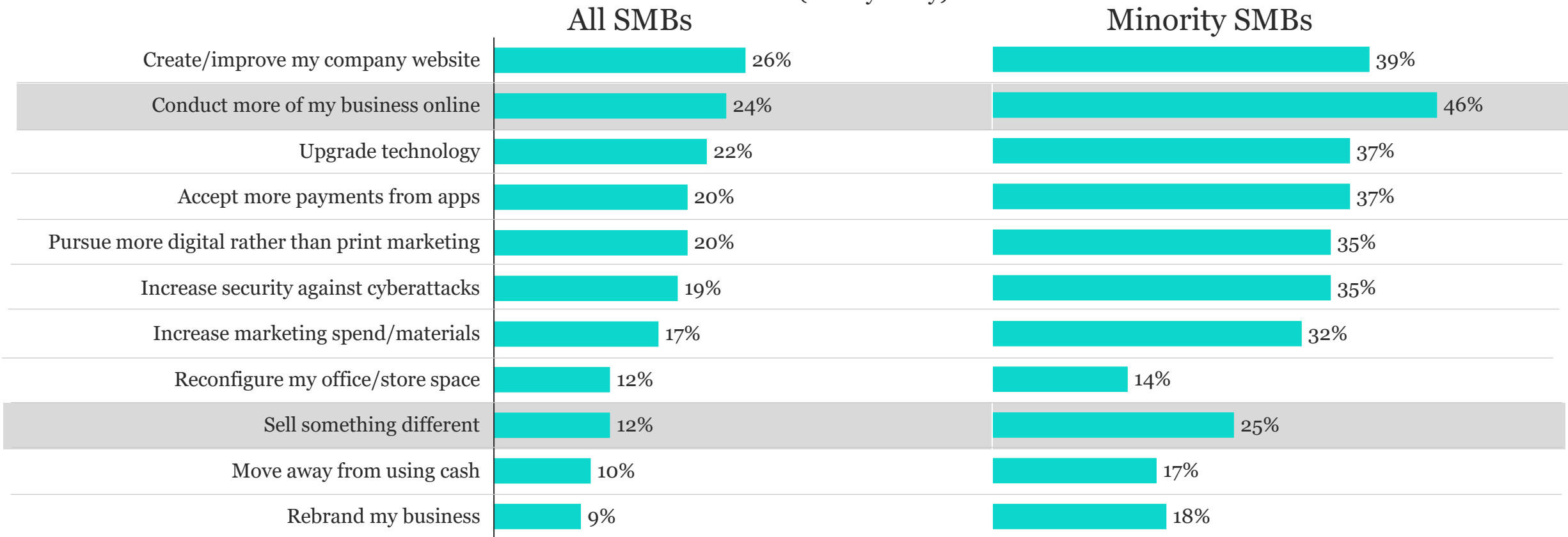
*Green indicates the answer option is predicted to be less challenging since wave 1, while red indicates it is predicted to be more challenging.

BUSINESS CHALLENGES AND ACTIONS

Minority-owned SMBS are more likely than All SMBs to pivot, specifically shifting their businesses online and selling different goods/services.

Likelihood of Making the Following Changes to the Business in the Next Year

(% very likely)



Base sizes: Total SMBs n=500; Minority Owned n=81

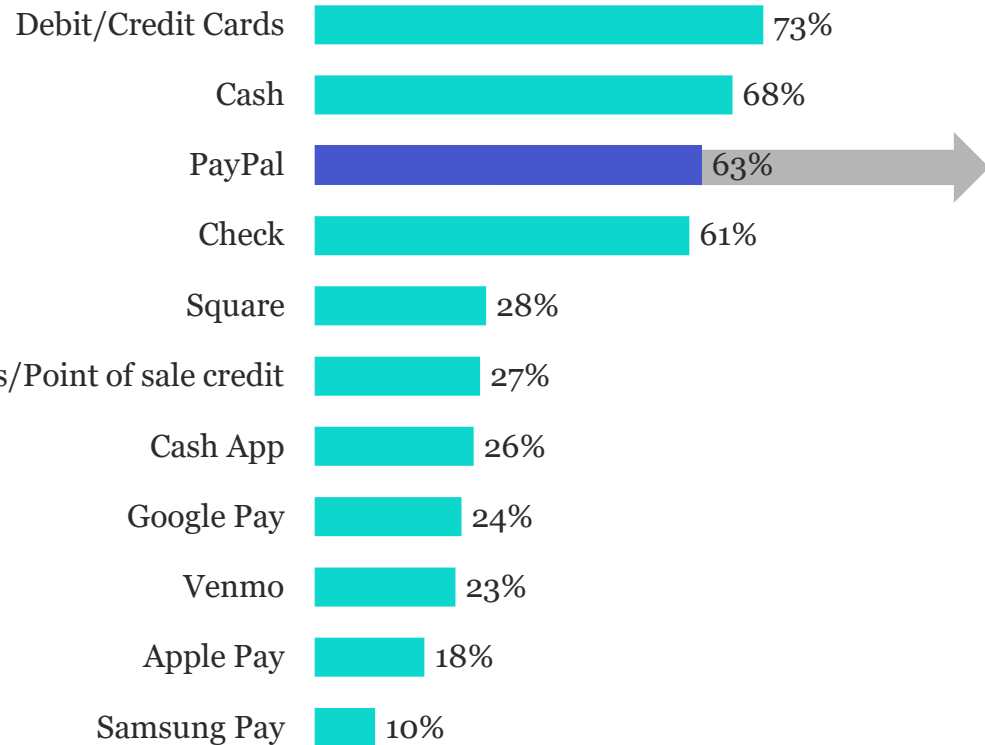
How likely are you to make the following changes to the way you conduct your business in the coming year?

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

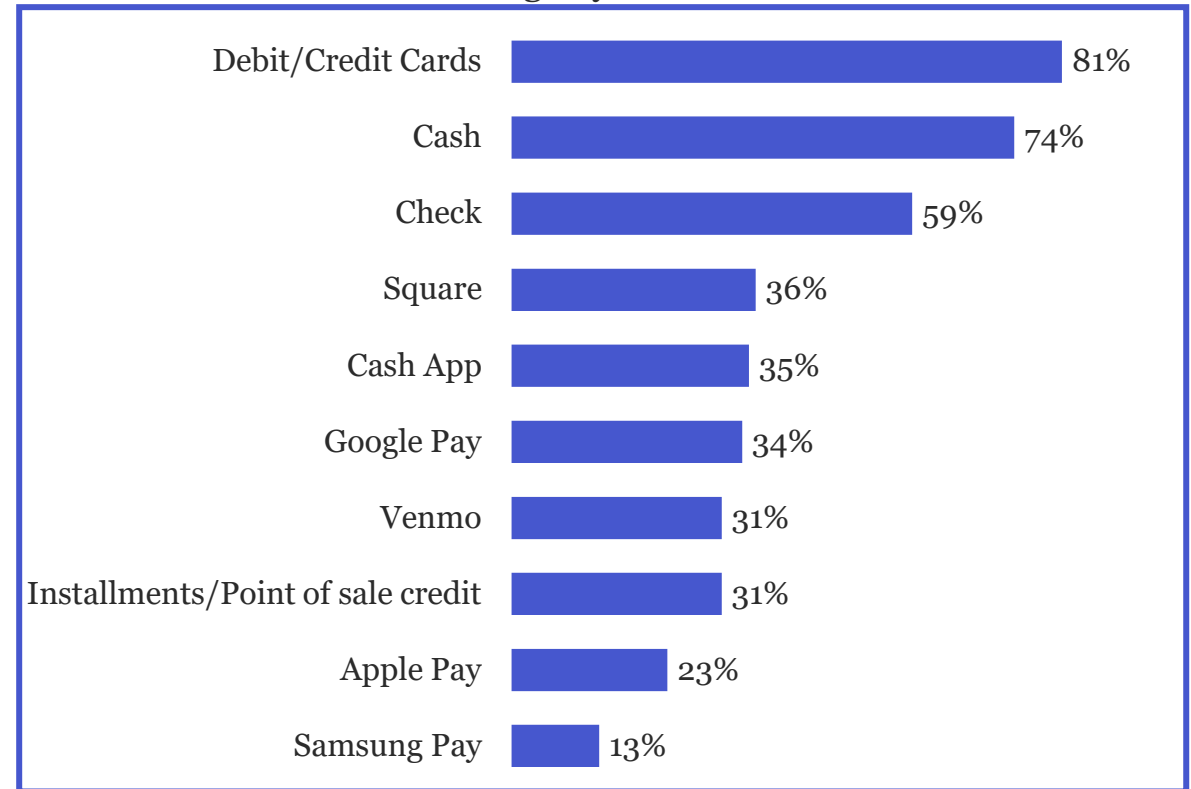
APPENDIX – CURRENT SMBS

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

Payment Methods Accepted (Business)



Payment Methods Accepted
Among PayPal Users



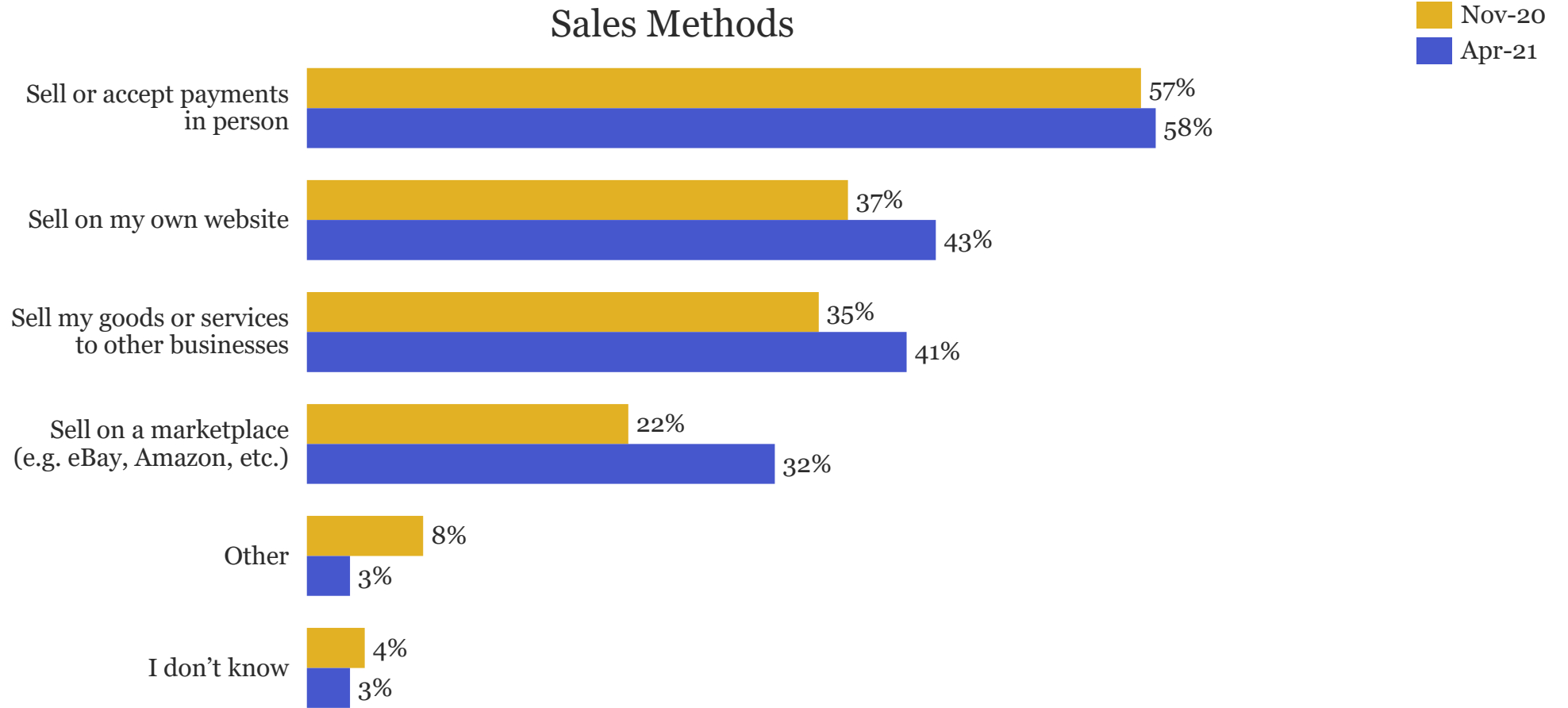
Base size: Total SMB Owners n=500; PayPal Users n=311

How do you use each of the following payment services? In this case, 'using' means you make or accept payments. Please select all that apply.

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

APPENDIX – CURRENT SMBS

SMBs are more likely to sell on a marketplace or their own website in the near future in April 2021 than they were in November 2020.



Base sizes: W1/W2: Total SMB Owners n=500

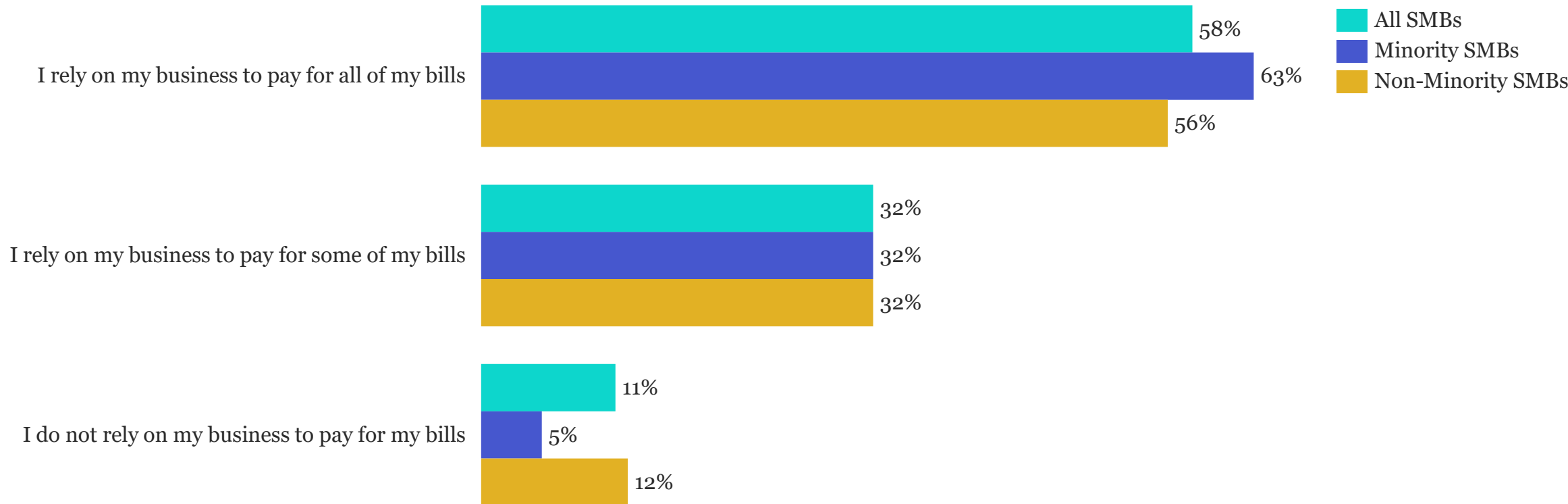
How will you sell merchandise or services in the next three months?

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

APPENDIX – CURRENT SMBS

The majority of SMBs rely on their business to pay for all of their bills.

Impact of SMB Success on Whether Personal Bills are Paid



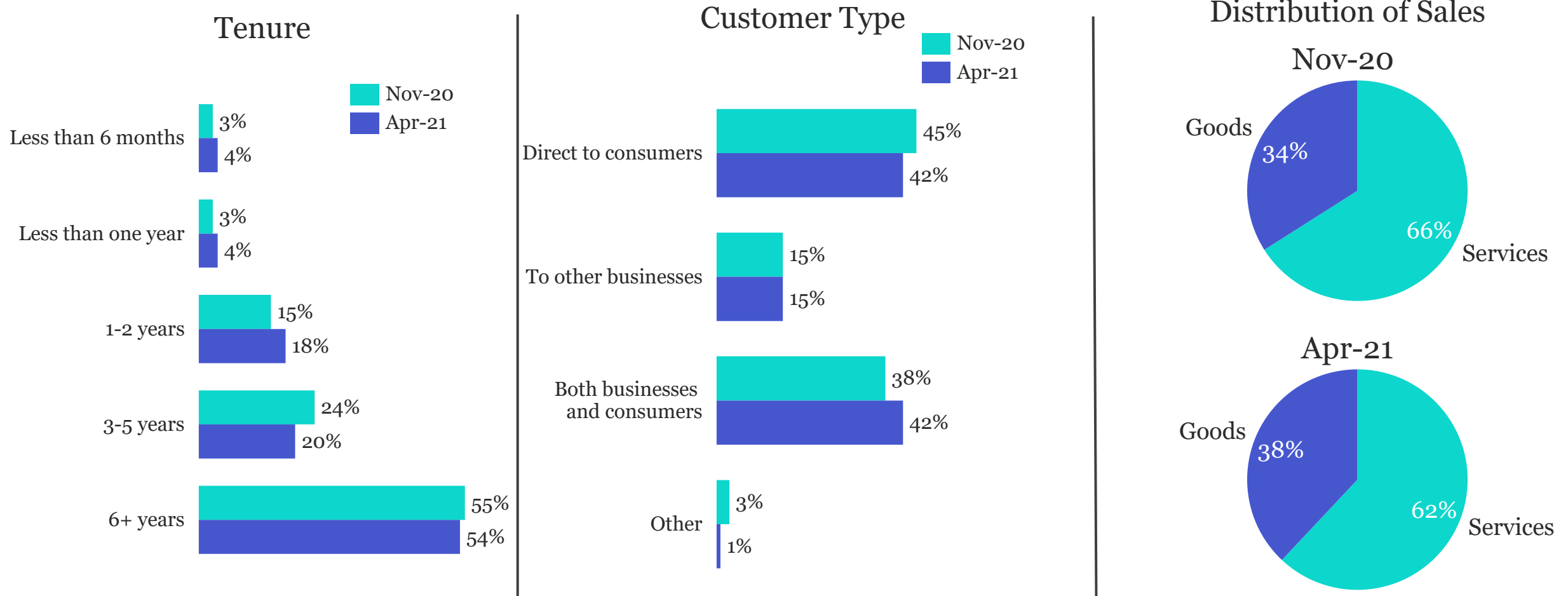
Base sizes: Total SMB Owners n=500; Minority Owned n=81; Non-Minority Owned n=419

How does the success of your business impact whether your personal bills get paid?

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

APPENDIX – CURRENT SMB PROFILING

More than half of SMBs in this survey have been in operation for over 6 years, and more sell services than goods.



Base sizes: W1/W2 Total SMB Owners n=500

How long has your business been operating?; Who does your business primarily sell to? Please select one. / What percent of your business sells goods and services? Please provide your best estimate.

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

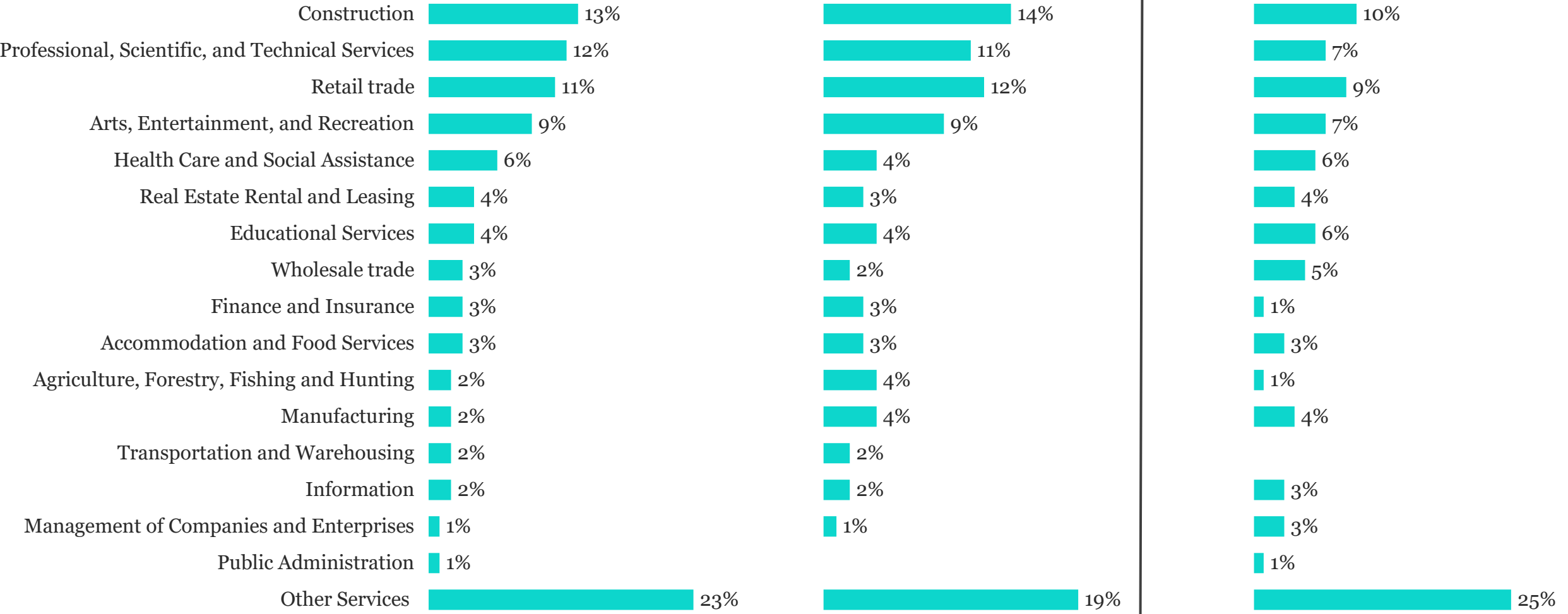
SMB PROFILING – CURRENT AND CLOSED SMBS

Industry Breakdown

Current SMBs Wave 1

Current SMBs Wave 2

Closed SMBs



Base sizes: Total SMB Owners n=500; Total Closed SMBs n=100

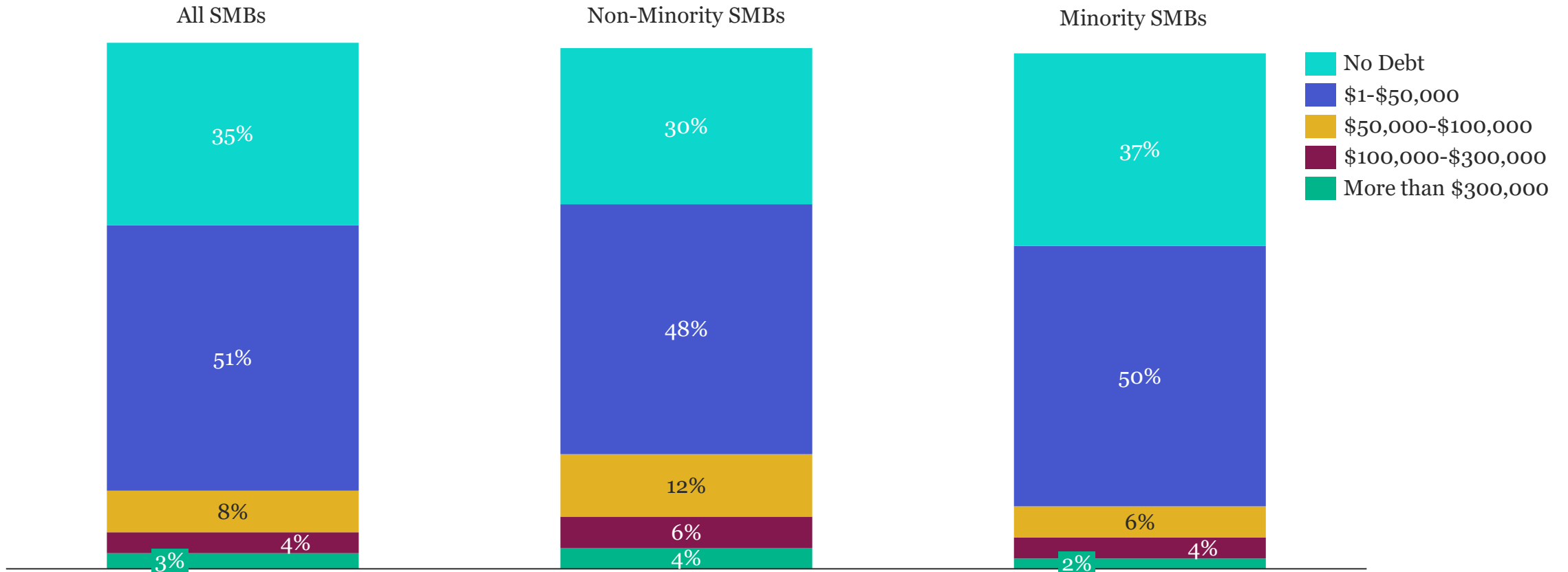
Which of the following best describes the industry your business operates in?

Source: SMB Confidence Survey (November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021) / SMB Closed Business Confidence Survey (April 2021)

APPENDIX – CURRENT SMBS

Majority of SMBs operate with some amount of debt of varying amounts.

Amount of Debt SMBs Currently Have (April 2021)



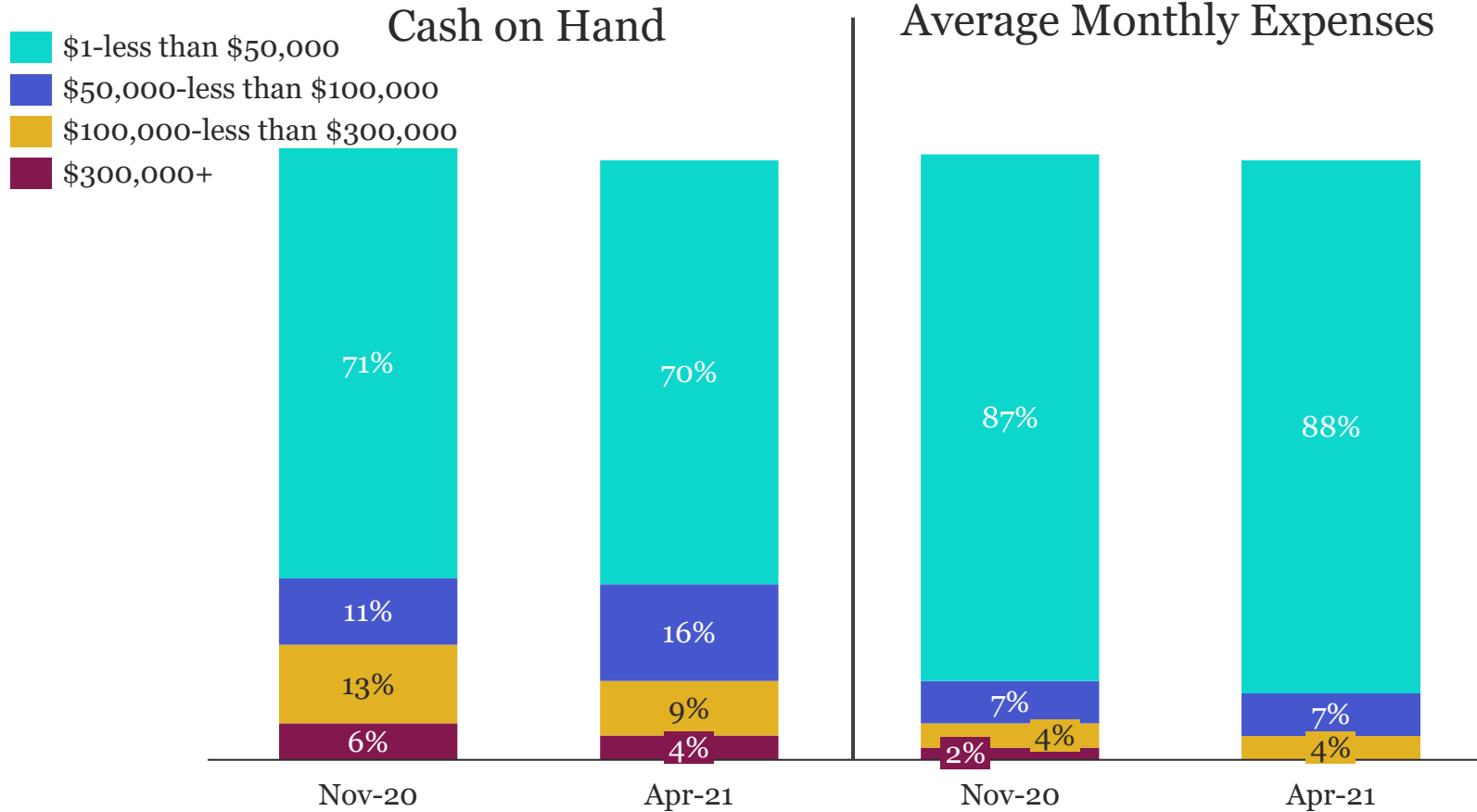
Base sizes: Total SMBs=500; Minority-owned=81; Non-minority-owned=419

How much debt does your small business currently have?

Source: SMB Current Business Confidence Survey (Wave 2 - April 2021)

APPENDIX – CURRENT SMBS

Operating time is relatively consistent for each demographic in April 2021, with each demographic having the cash on hand to operate for about three to four months.



	Avg. Operating Months Nov-20	Avg. Operating Months Mar-21
Total	4.3	3.7
Women Owned	3.6	3.8
Men Owned	4.8	3.5
Minority Owned	4.0	3.4
Non-Minority Owned	4.4	3.8

Base sizes: W1: Total SMBs=500; Minority-owned=109; Non-minority owned=391; Male-owned=281; Female-owned=219

W2: Total SMBs=500; Minority Owned=81; Non-Minority Owned=419, Men Owned=275; Women Owned=225

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 (Wave 1 - November 2020) / SMB Current Business Confidence Survey (Wave 2 - April 2021)

