

2020 Small Business Owner Report

Letter from Sharon Miller, Head of Small Business



I am pleased to present the 2020 Bank of America Small Business Owner Report, the latest in our series of studies exploring the perspectives, aspirations and concerns of small business owners around the country.

2020 has been a challenging year, with small businesses in particular facing unique obstacles brought on by the health crisis. Despite these obstacles, our research has found that business owners remain resilient and flexible as they navigate in an evolving business landscape. Most small businesses remained open in some capacity throughout the shutdowns, either operating as essential businesses or by adjusting operations. Nearly one-quarter of entrepreneurs took steps to retool their products or services, and/or to leverage their business' resources to support relief efforts in their local communities.

Top concerns on the minds of business owners this fall include the impact of coronavirus, the political environment, health care costs and consumer spending. Business owners also have a more guarded business and economic outlook heading into 2021. Optimism toward the national and local economy declined to levels last seen in 2016, while hiring and revenue projections are at record lows since 2012 and 2013, respectively.

Access to capital remains a central issue for entrepreneurs navigating the current landscape. One-third of business owners we surveyed applied for a Paycheck Protection Program loan in an effort to keep staff on payroll and to maintain operating expenses. As 2021 approaches, seven-in-ten business owners plan to keep their staffing levels stable next year.

When thinking about the factors that may help them recover from the impact of the pandemic, business owners cite increased consumer confidence and spending, improved public health confidence, debt forgiveness and government relief programs. Once we're on the other side of the coronavirus, entrepreneurs anticipate a much stronger environment, with small business returning as the "backbone of the U.S. economy" and consumers having a greater appreciation for small businesses.

I continue to be inspired by business owners throughout the country who have remained resilient in the face of tremendous challenges and who are demonstrating a commitment to innovation while serving the needs of their local communities. Whether you've been in business for decades or are just starting out, Bank of America is committed to helping provide you with the resources necessary to manage, sustain and grow your small business.

Methodology

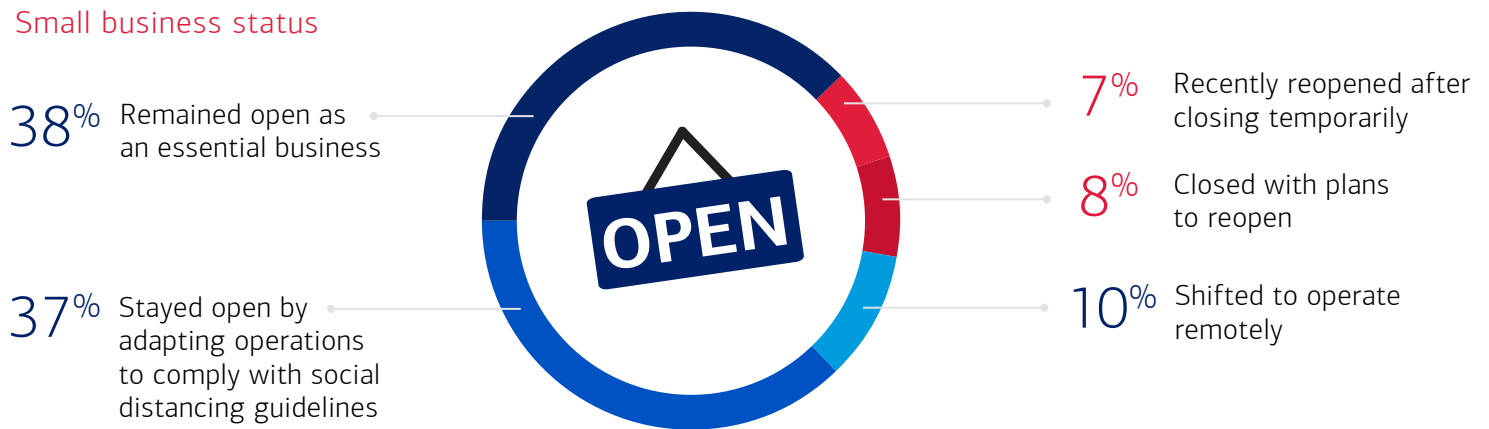
Ipsos Public Affairs conducted the Bank of America 2020 Small Business Owner Report survey online between July 29 and September 3, 2020 using a pre-recruited online sample of small business owners. Ipsos contacted a national sample of 1,048 small business owners in the United States with annual revenue between \$100,000 and \$4,999,999 and employing between two and 99 employees, as well as 342 interviews of Hispanic small business owners, 307 interviews of Black small business owners and 114 interviews of Asian American small business owners. In addition, approximately 300 small business owners were surveyed in each of ten target markets: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, San Francisco and Washington, D.C. The final results for the national, designated market area and demographic segments were weighted to national benchmark standards for size, revenue and region, while the final results for the Hispanic segment were weighted for size, revenue, region, and whether the respondents were primarily English-speaking or Spanish-speaking.

Prior to 2016, previous waves of the Small Business Owner Report survey were conducted by telephone and while best efforts were made to replicate processes, differences in sample, weighting and method suggests caution when making direct statistical comparisons of the results from pre-2016 and post-2016.

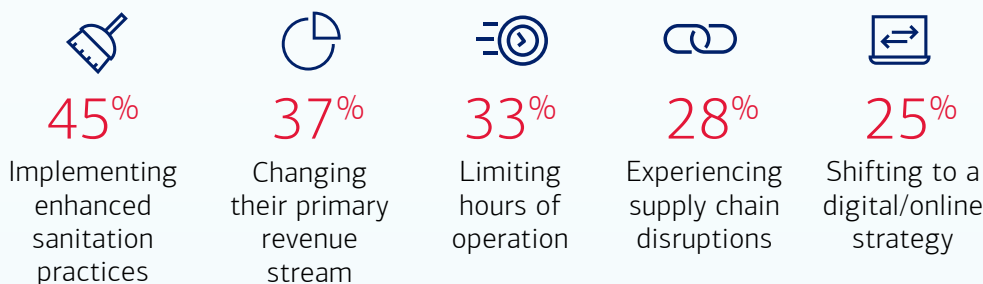
The Impact of Coronavirus

Throughout the years, small business owners have shown time and again they are resilient and adaptable. The same rings true as they navigate challenges brought on by coronavirus. More than four-in-five small businesses remained open in some capacity amid the pandemic, either as an essential business or by adjusting operations.

Small business status



Of those entrepreneurs whose businesses are open, 78% said their day-to-day operations have been impacted, including...



73% of entrepreneurs believe consumers will be less likely to visit brick-and-mortar stores—even as local businesses reopen their physical locations.



Entrepreneurs have also found new and innovative ways to supplement their businesses.

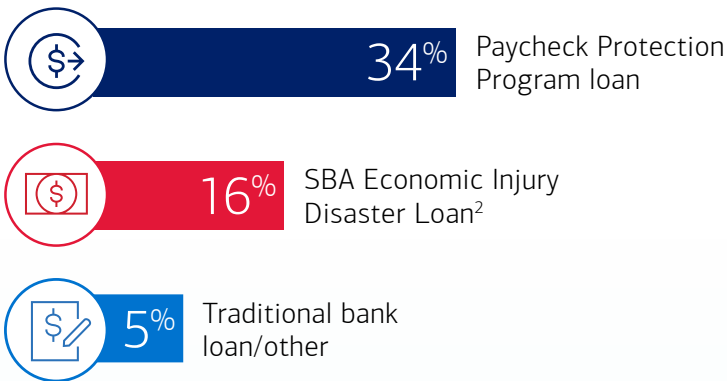
24% of business owners retooled their operations to address the impact of the coronavirus. Of those...



Lending Spotlight

Forty-two percent of entrepreneurs applied for one or more loans to address the impact of coronavirus. With maintaining payroll and operating expenses top of mind for entrepreneurs, one-third took part in the Paycheck Protection Program¹ to keep employees on staff and supplement operating costs.

Entrepreneurs applied for one or more of the following:



Top uses for financing:



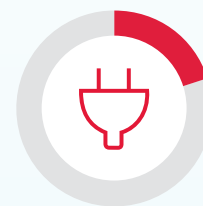
75%
Payroll/staffing needs



62%
Operating expenses



20%
Marketing and promoting their business



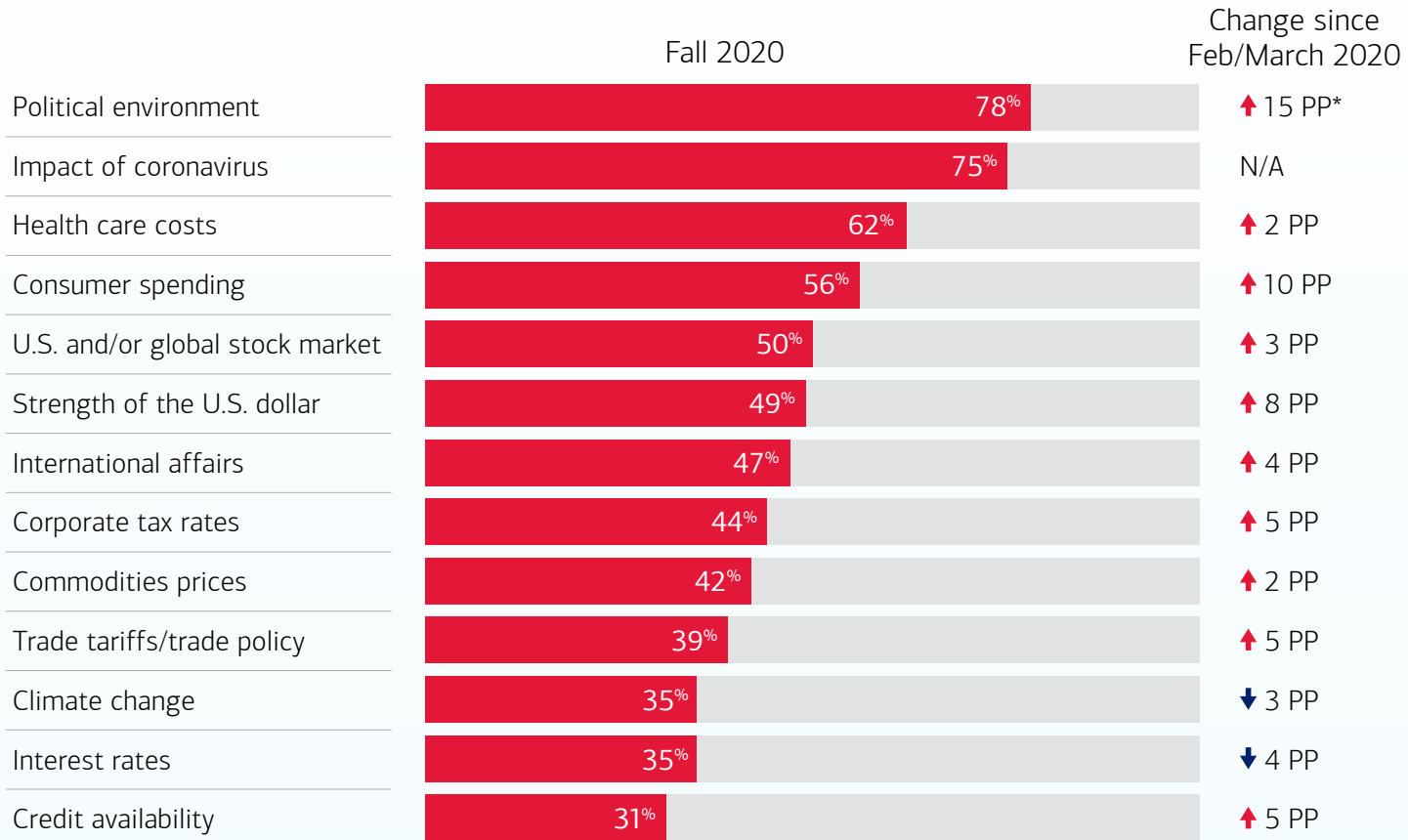
20%
Investing in new equipment or technology

1. The Paycheck Protection Program launched in April 2020 to provide funding directly to businesses impacted by the pandemic as part of the CARES Act. To date, Bank of America has provided over 345,000 loans totaling over \$26 billion to impacted businesses across the country.

2. The Small Business Administration issues Economic Injury Disaster Loans to provide economic relief to small businesses and non-profit organizations that are currently experiencing a temporary loss of revenue.

Economic Concerns

Amid the backdrop of a pandemic and in an election year, pragmatic concerns top the list of issues entrepreneurs have on their minds. Most concerns have risen since earlier this year.

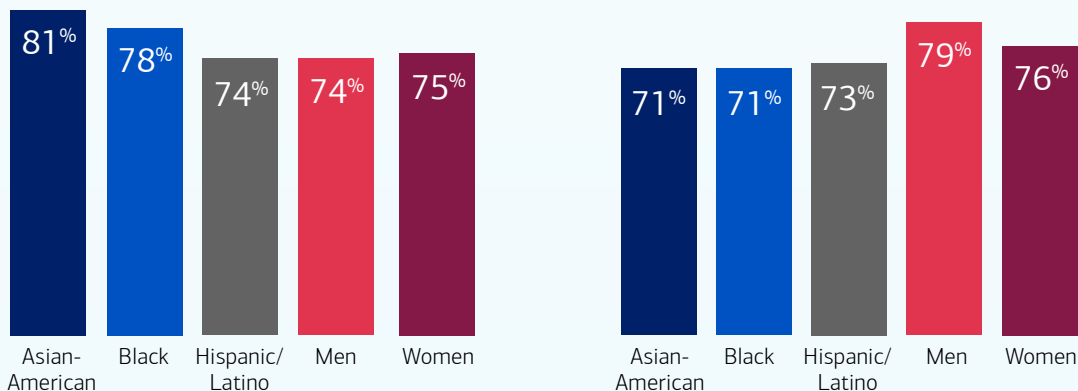


* PP = Percentage Points

This fall, the survey also explored economic concerns among various communities of business owners. The impact of coronavirus and the political environment emerged as the top two concerns across various business owner demographics.

Impact of coronavirus

Political environment

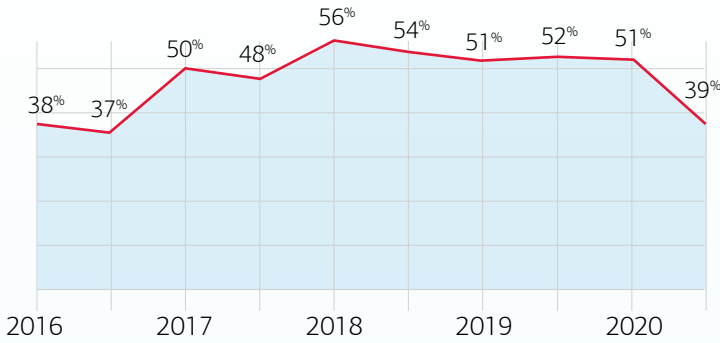


Economic Outlook

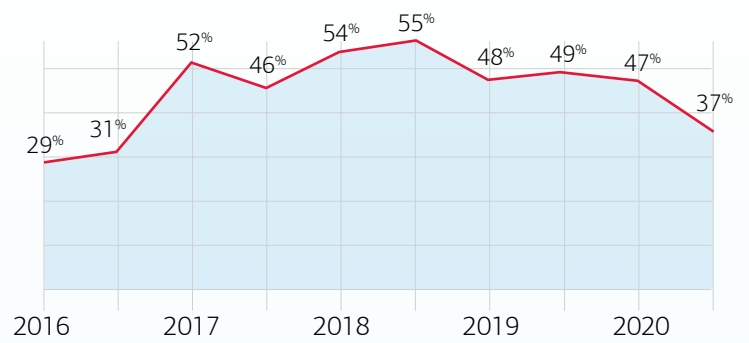
Business owners are significantly less confident in the economy over the next 12 months, with optimism declining to levels not seen since 2016.

Over the next 12 months...

My local economy will improve

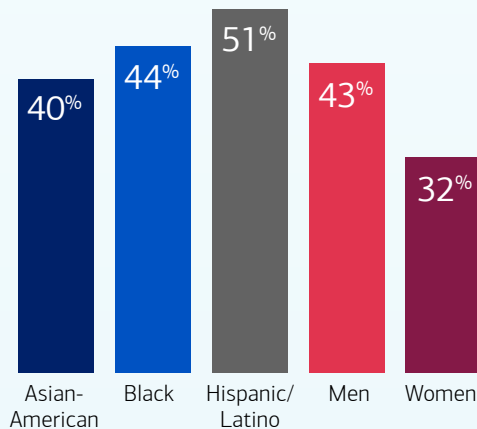


The national economy will improve

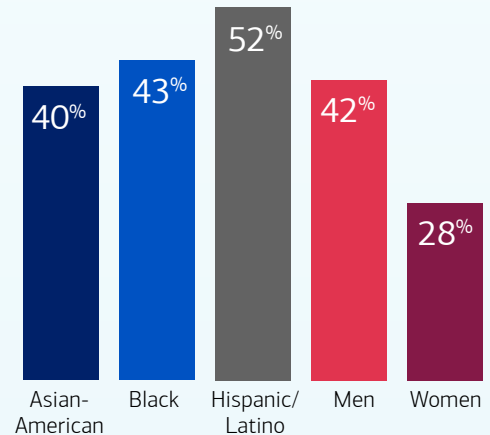


Looking to the year ahead, economic optimism varies across different business owner demographics.

My local economy will improve in 2021



The national economy will improve in 2021

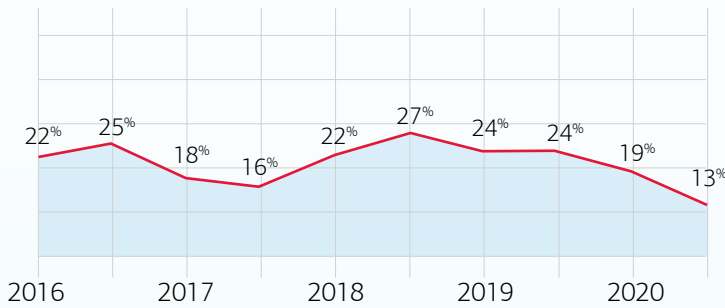


Business Projections

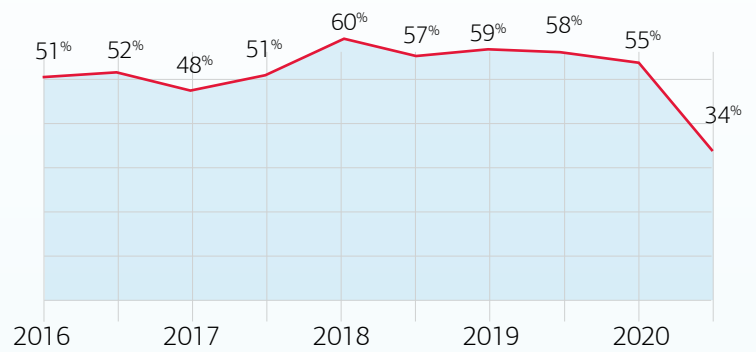
Hiring plans and revenue expectations this fall are at record lows since 2012 and 2013, respectively. Seven-in-ten plan to keep staffing levels stable in 2021. There is an even split between business owners who expect revenue to increase (34%), stay the same (34%) or decrease (32%) over the next 12 months. Looking longer term, more than half of entrepreneurs believe the effects of coronavirus will impact their bottom line for two years or less.

Over the next 12 months...

I plan to hire



I expect my revenue to increase



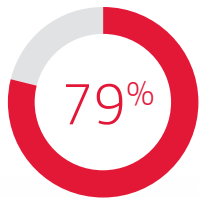
Business owners anticipate the effects of the coronavirus will impact their bottom line for...



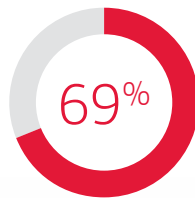
The Path Forward

Entrepreneurs anticipate a strong post-pandemic environment that will support small businesses. When thinking about the road to recovery, business owners say increased consumer spending and restored confidence in public health will be most beneficial in helping them come out on the other side of coronavirus.

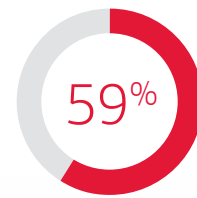
Once the U.S. recovers from the pandemic, entrepreneurs say...



Small businesses will return to be the backbone of the U.S. economy

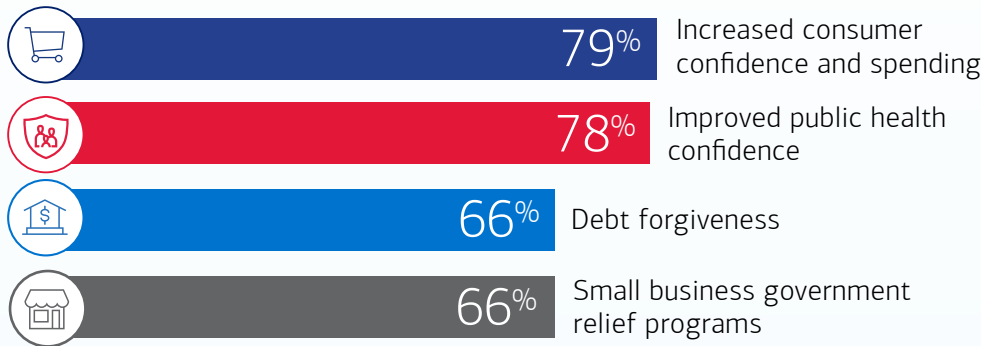


Consumers will have a greater appreciation for small businesses



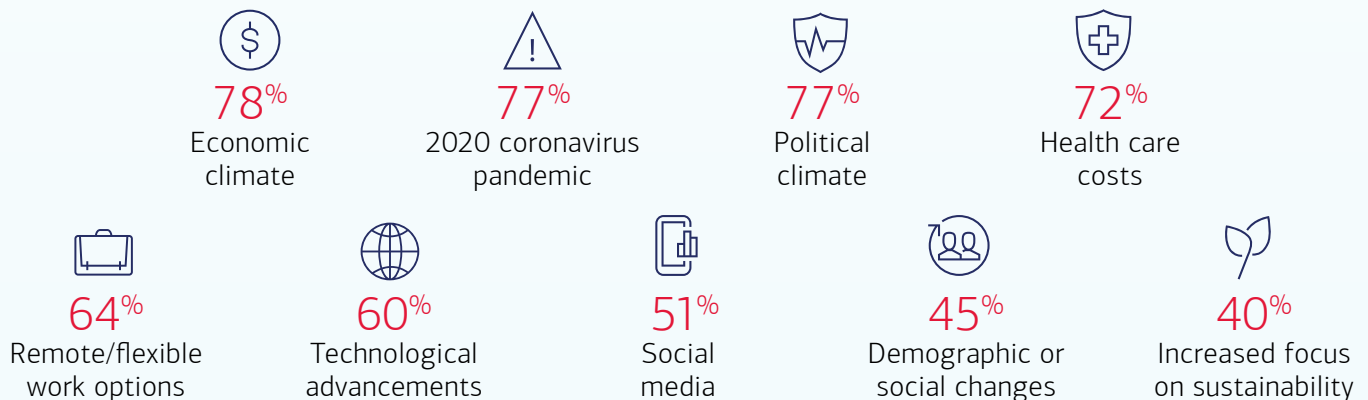
Small businesses will be better prepared to handle potential reemergence of the coronavirus

Top factors beneficial to recover from the pandemic:



Looking to the decade ahead, entrepreneurs say the economic climate, coronavirus pandemic and political climate are top factors among several bigger-picture issues that will shape the overall small business landscape.

Factors shaping the small business environment over the next 10 years:



Client Profile

Debra Oberg, Oberg & Lindquist

For Debra Oberg, her family-owned, New Jersey-based home appliance business has been a special part of her life since she was a little girl. Today, as president of the business and carrying on her family's legacy, she's worked tirelessly to support her team, customers and community through the last nine months.

Oberg & Lindquist has thrived as a third-generation family business, and Oberg knows how rare it is for a small business to sustain its success for this long. Prior to the pandemic, she was focused on preserving Oberg & Lindquist's legacy for generations to come. Oberg prioritized making investments in the business – such as enlarging the showroom, increasing inventory, expanding delivery capabilities and strengthening her workforce.

These efforts delivered a return on investment and gave Oberg the confidence that her business was on solid footing. However, when the coronavirus hit, she learned overnight that the way Oberg & Lindquist had done business for more than 70 years would need to fundamentally change.



In just a few weeks, Oberg & Lindquist pivoted from an in-person, showroom-based shopping experience to an online and by-phone retailer, requiring Oberg and her team to adapt to a drastically different operating model. All customer inquiries and sales conversations were now conducted via phone, online and video chats, while in-person deliveries had to keep moving with added safety protocols.

"I was selling appliances by the time I was 13," Oberg said. "My father taught me it starts with relationships. Anyone can make a sale, but not everyone can make a customer." A business built on 70 years of exceptional customer service, Oberg knew the secret to staying afloat would be finding creative ways to recreate the exceptional customer service they were known for – bringing the showroom to clients virtually.

"It was incredibly stressful, but it was critical for us to stay connected with our customers," she explained. "We were available from 7 a.m. to 11 p.m. every day to talk to customers, answer questions and help them get what they needed. Buying an appliance is a very personal experience, and we needed to ensure that the relationship remained core to our business."

Logistics weren't the only challenge – Oberg needed financial help. "Every day, I woke up wondering what lay ahead for us," she noted. "How would I pay utilities and healthcare, keep paying the salaries of my employees and be able to buy the inventory I needed for my customers? I didn't know what each day would bring."

When she heard about the federal government's Paycheck Protection Program (PPP), Oberg's first call was to her bank. "I've only had one bank my whole life," Oberg emphasized. "My grandfather always told me, 'You trust and stay with your bank.'" She credits Karla Yasmin Aguilar, a Bank of America Small Business Banker, with helping her secure a PPP loan to keep employees on payroll and maintain operating expenses.

Oberg also got creative, pivoting operations to keep up with consumer demands. Amid shutdown mandates, Americans were spending more time at home than ever before, triggering off-the-charts appliance usage with many more breaking and needing immediate replacement. To create a new revenue stream and cater to this demand, Oberg updated her business model to also offer free in-home estimates.

Oberg credits her company's success to not only a heightened demand for appliances, but also customers' trust in her family-owned business. "People want to get back to knowing who they are dealing with. Because of the health crisis, customers want to trust who is coming into their homes."

Oberg & Lindquist's doors are open again and serving customers at the company's physical location by appointment with safe social distancing. Reflecting on her experience of running a business through a public health crisis, Oberg advises her fellow entrepreneurs to, "trust what got us here and take it day by day. Running a small business is about sweat, tears and more sweat."

Looking ahead, Oberg hopes to build state-of-the-art showrooms to give her customers an immersive experience, especially as she anticipates the remodeling and luxury appliance markets to grow post-pandemic.

Oberg shares her number one piece of advice to fellow small business owners: "Reputation, reputation, reputation – hold on to it tightly, close to your heart, and protect it every minute when you are serving your community. It's everything. Never compromise your standards."