

# 2021 Small Business Owner Report



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## Letter from Sharon Miller, Head of Small Business



I am pleased to present the 2021 Bank of America Small Business Owner Report, our latest study exploring the perspectives, aspirations and concerns of small business owners around the country.

Despite continued challenges, our latest research found small business owners have started to regain their footing. Economic confidence and business revenue expectations have bounced back significantly from levels seen last fall, with hiring plans on the rise as well. Most also feel that a widely available vaccine in their local community will be helpful in bringing their business back to normal.

While business and economic outlooks are on the rise, entrepreneurs are keeping a close eye on macro factors that may impact their day-to-day operations. As the Biden administration begins to implement its legislative agenda, entrepreneurs are monitoring indicators like commodities prices, interest rates and corporate tax rates closely for potential impacts on their business. Along those lines, the U.S. political environment and health care costs remain top concerns for business owners this year.

Many business owners tapped into their personal networks and professional resources last year to help them navigate the pandemic, such as friends and family, accountants, other small business owners and small business bankers. When seeking capital during the pandemic, more than two-thirds of business owners tapped into various funding sources to stay open and operating – including personal savings, business and/or personal credit cards and Paycheck Protection Program loans.

Not only did the pandemic directly impact many operational aspects of running a small business, it undoubtedly impacted entrepreneurs' personal well-being as well. Two-in-five business owners say the pandemic impacted their mental and/or physical health, and more than four-in-five acknowledge it created additional stress around running their business. That said, many entrepreneurs found healthy and productive ways to cope, including making time to do enjoyable activities and prioritizing time with family and friends.

Looking ahead, many business owners anticipate operational changes they made in response to the pandemic will remain in place permanently, such as enhancing sanitation practices and shifting to more digital and online sales strategies.

I am consistently inspired by business owners throughout our country who have remained resilient and determined – regardless of the challenges presented. As we look at how we can help, we've made a \$1.25 billion, five-year pledge to address economic and racial inequality with a portion dedicated to small business owners in impacted local communities. Whether you've owned and operated a small 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 business.

### Methodology

Ipsos Public Affairs conducted the Bank of America 2021 Small Business Owner Report survey online between March 11 and May 5, 2021 using a pre-recruited online sample of small business owners. Ipsos contacted a national sample of 995 small business owners in the United States with annual revenue between \$100,000 and \$4,999,999 and employing between two and 99 employees. In addition, approximately 250 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 and designated market area segments were weighted to national benchmark standards for size, revenue and region.

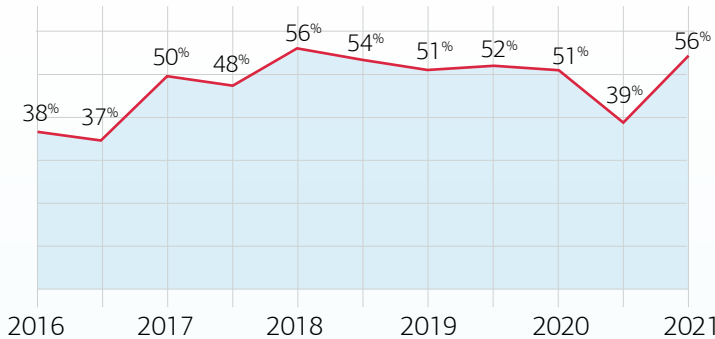
Prior to 2016, previous waves of the Small Business Owner Report survey were conducted by telephone and while best efforts were made to replicate processes, differences in sample, weighting and method suggests caution when making direct statistical comparisons of the results from pre-2016 and post-2016.

## Business & Economic Outlook

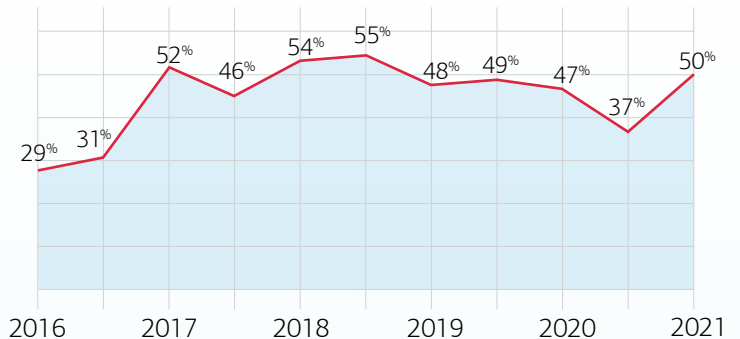
Small business owners have started to regain their footing as economic confidence and business revenue expectations bounced back significantly from levels seen last fall.

Over the next 12 months...

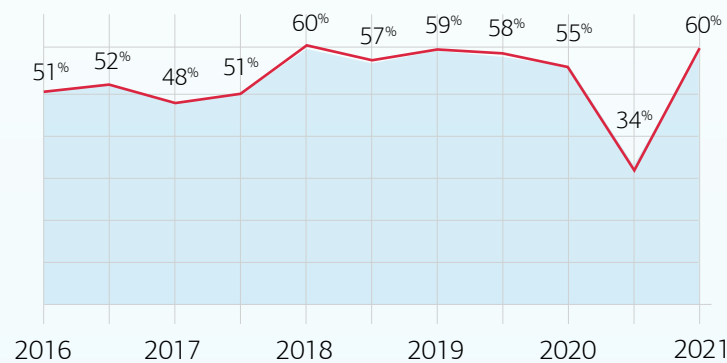
My local economy will improve



The national economy will improve

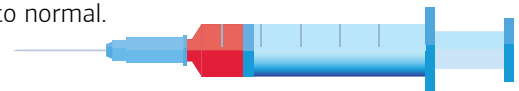


I expect my revenue to increase



**79%** Believe a widely available vaccine and/or herd immunity in their local community will be helpful in bringing their business back to normal.

**15%** Are already back to normal.



Despite navigating unique challenges brought on by the coronavirus, nearly all entrepreneurs rate their business's financial situation as strong or fair.

**39%**  
Strong



**54%**  
Fair

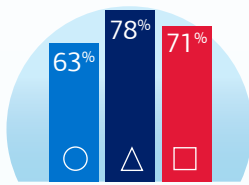
**7%**  
Poor



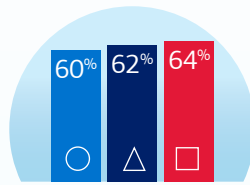
## Economic Concerns

Entrepreneurs are keeping a close eye on macro factors that may impact their day-to-day operations. The broader U.S. political environment and health care costs remain top concerns for business owners. Concern over both the coronavirus and consumer spending declined from the fall, while concern over commodities prices and interest rates increased.

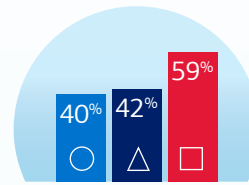
● Spring 2020 ▲ Fall 2020 ■ Spring 2021



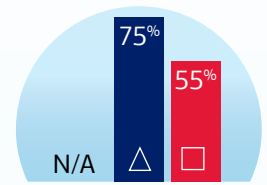
U.S. political environment



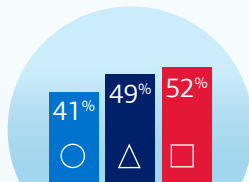
Health care costs



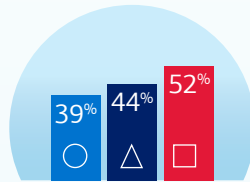
Commodities prices



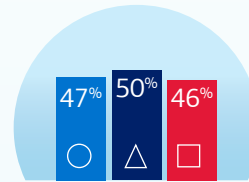
Coronavirus pandemic



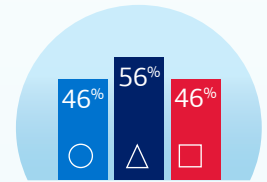
Strength of the U.S. dollar



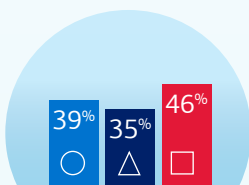
Corporate tax rates



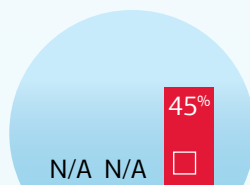
U.S. and/or global stock market



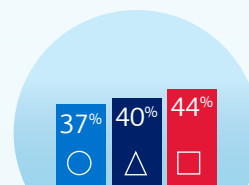
Consumer spending



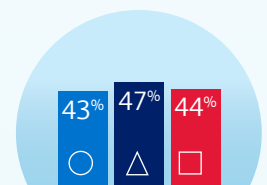
Interest rates



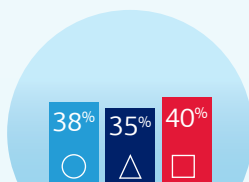
\$15 federal minimum wage



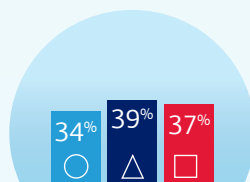
Compliance with government regulation



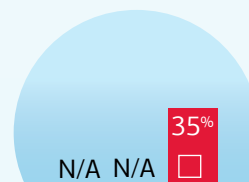
International affairs



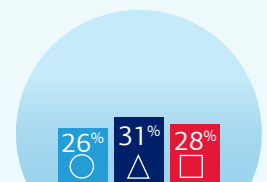
Climate change



Trade tariffs/trade policy



Social/racial inequality

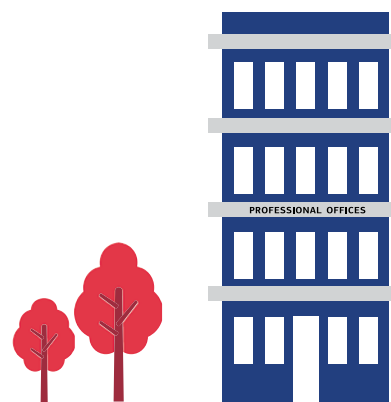
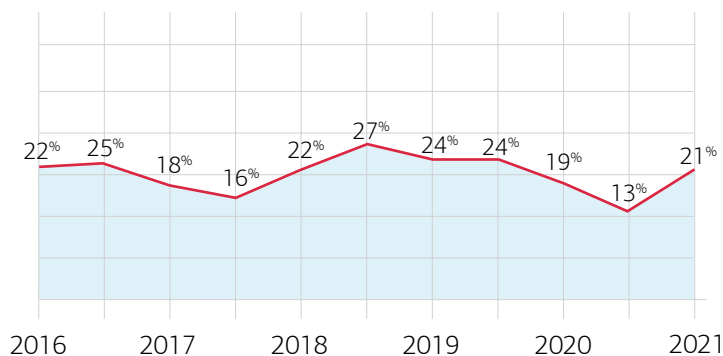


Credit availability

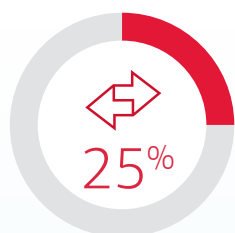
# Competition for Talent

Looking ahead, one-in-five business owners plan to hire this year – up significantly from last fall.

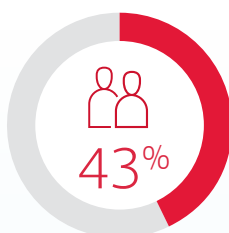
I plan to hire over the next 12 months



More than two-in-five entrepreneurs tried to hire during the pandemic, with many having difficulties finding qualified candidates to fill open positions.



Say the pandemic caused a shift in the types of employee roles and skill sets important to their business' success.



Have tried to hire since the pandemic began.

Of those, 47% reported difficulty finding qualified candidates.

When looking to hire, entrepreneurs place a premium on work experience, integrity, passion and ability to learn new skills.

Top characteristics entrepreneurs seek when hiring:

49%  
Work experience

46%  
Integrity

43%  
Passion for the work

38%  
Ability to learn new skills

23%  
Creativity

23%  
Versatility

17%  
Tech savviness

15%  
Culture fit

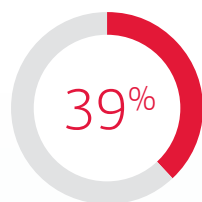
14%  
Education

10%  
Charisma

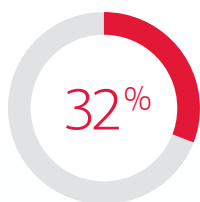
# Coronavirus Challenges & Recovery

The coronavirus brought on significant challenges for business owners. Many took advantage of programs and resources to help navigate the pandemic.

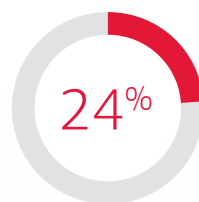
55% of entrepreneurs faced operational challenges amid the pandemic, including...



Lack of resources



Their community was hit particularly hard



Employee retention



No one to turn to for help or guidance

Business owners say the following resources and programs helped them navigate the pandemic...

Friends and family	43%	Mentor	22%
Accountant/CPA	38%	Shop small initiatives	22%
Local community support	32%	State/local government programs	22%
Other small business owners	30%	Attorney	20%
Small business banker	27%	Small business advocacy groups/incubators	17%
Online communities/social media groups	23%	Chambers of Commerce	13%

Amid the pandemic, a majority of entrepreneurs turned to a variety of funding sources to stay afloat. While one-quarter applied for a business loan or line of credit over the past year, only 16% say they will seek financing in 2021.

68% of business owners tapped into various sources of funding to help their business survive during the pandemic, including...



48%

Personal savings



34%

Business and/or personal credit cards



33%

Paycheck Protection Program loans



23%

Personal economic stimulus checks



20%

Business lines of credit



17%

Other types of federal government loans



15%

Friends and family



8%

Traditional bank loans



4%

Local community fundraisers



2%

Crowdfunding

## Impact on Health & Wellness

The coronavirus dealt a heavy blow to business owners – impacting not only their business, but also their personal wellbeing. Two-in-five say the coronavirus impacted their mental and physical health, and more than four-in-five acknowledge the pandemic created additional stress around running their business.

Business owners say the coronavirus has impacted their...

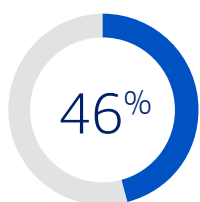


39% Mental health

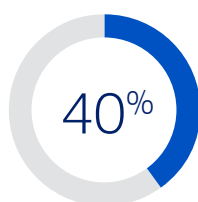


34% Physical health

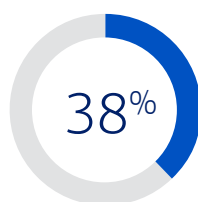
85% say the pandemic has created extra stress around running their business.  
Of those, top coping methods include...



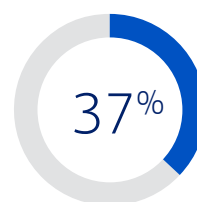
Making time to  
do enjoyable  
activities



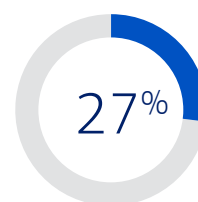
Prioritizing  
time with friends  
and family



Adopting  
healthy lifestyle  
habits



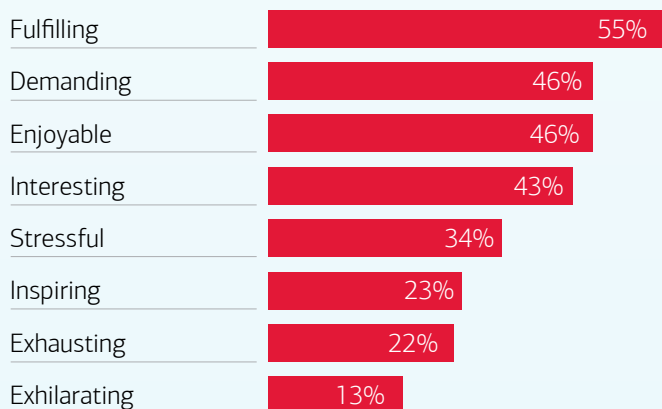
Unplugging  
from news and  
social media



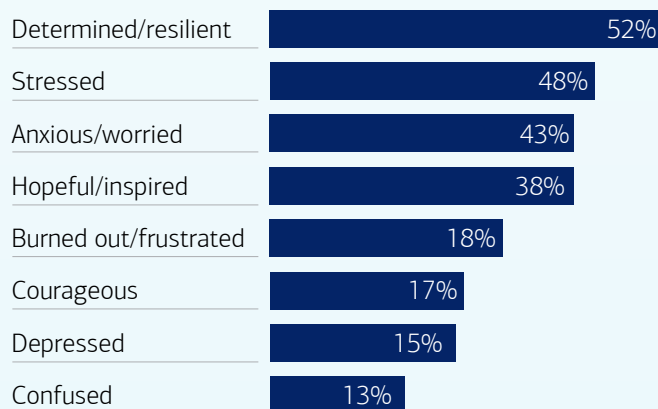
Religion/  
spirituality

Business owners say running their business is fulfilling, enjoyable and interesting, while also acknowledging it is very demanding. When asked about running their business in the context of the pandemic, more than half say they've felt determined/resilient, followed by stressed, anxious and hopeful.

In general, business owners  
feel running their business is...



Amid the pandemic, business  
owners have felt...



## Commitment to Social Justice

As the national conversation around social justice has become more prevalent over the past year, business owners are evaluating how a commitment to social justice impacts running their business.



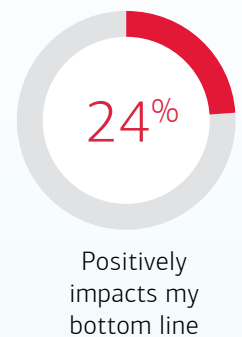
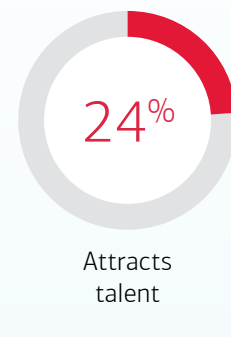
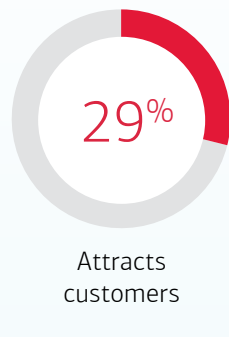
I am committed to advocating for social change through my business.



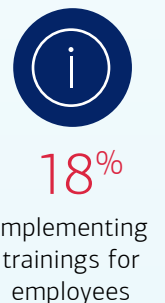
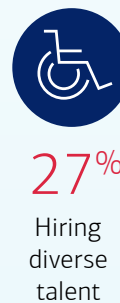
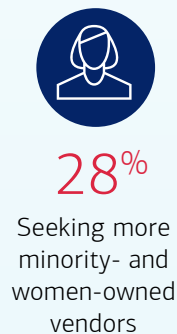
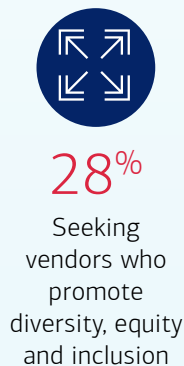
My local community prioritizes shopping at businesses with a clearly demonstrated commitment to social justice.



I believe a commitment to social justice...



31% say recent social justice issues have impacted their approach to conducting and running their business. Changes include...





## Operational Shifts & Transition to Digital

The pandemic has caused business owners to make operational changes and accelerate the transition to digital.

62% of business owners anticipate operational changes implemented during the pandemic will continue into the future, including...



54%

Enhancing sanitation practices



32%

A more digital/online sales strategy



27%

Accepting more forms of cashless payment



22%

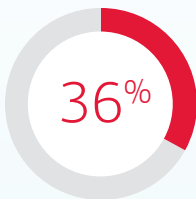
Shortening hours of operation



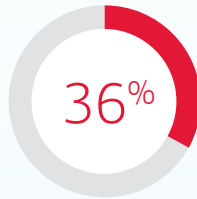
19%

Permanently changing their primary revenue stream

62% have adopted new digital tools/strategies in response to the pandemic, including...



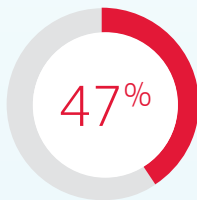
Doing more business banking online or in mobile apps



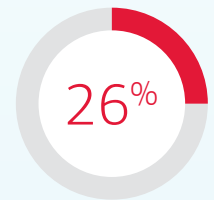
Finding new ways to interact with employees virtually



Accepting more forms of cashless payments



Finding new ways to interact with customers virtually



Creating/improving social media presence

