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.
Competition for Talent

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

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:

- **Work experience**: 49%
- **Integrity**: 46%
- **Passion for the work**: 43%
- **Ability to learn new skills**: 38%
- **Creativity**: 23%
- **Versatility**: 23%
- **Tech savviness**: 17%
- **Culture fit**: 15%
- **Education**: 14%
- **Charisma**: 10%
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: 39%
- Their community was hit particularly hard: 32%
- Employee retention: 24%
- No one to turn to for help or guidance: 20%

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

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

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...

- Personal savings: 48%
- Business and/or personal credit cards: 34%
- Paycheck Protection Program loans: 33%
- Personal economic stimulus checks: 23%
- Business lines of credit: 20%
- Other types of federal government loans: 17%
- Friends and family: 15%
- Traditional bank loans: 8%
- Local community fundraisers: 4%
- Crowdfunding: 2%
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...

- 46% Making time to do enjoyable activities
- 40% Prioritizing time with friends and family
- 38% Adopting healthy lifestyle habits
- 37% Unplugging from news and social media
- 27% 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...

<table>
<thead>
<tr>
<th>Feeling</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fulfilling</td>
<td>55%</td>
</tr>
<tr>
<td>Demanding</td>
<td>46%</td>
</tr>
<tr>
<td>Enjoyable</td>
<td>46%</td>
</tr>
<tr>
<td>Interesting</td>
<td>43%</td>
</tr>
<tr>
<td>Stressful</td>
<td>34%</td>
</tr>
<tr>
<td>Inspiring</td>
<td>23%</td>
</tr>
<tr>
<td>Exhausting</td>
<td>22%</td>
</tr>
<tr>
<td>Exhilarating</td>
<td>13%</td>
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</tbody>
</table>

Amid the pandemic, business owners have felt...

<table>
<thead>
<tr>
<th>Feeling</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determined/resilient</td>
<td>52%</td>
</tr>
<tr>
<td>Stressed</td>
<td>48%</td>
</tr>
<tr>
<td>Anxious/worried</td>
<td>43%</td>
</tr>
<tr>
<td>Hopeful/inspired</td>
<td>38%</td>
</tr>
<tr>
<td>Burned out/frustrated</td>
<td>18%</td>
</tr>
<tr>
<td>Courageous</td>
<td>17%</td>
</tr>
<tr>
<td>Depressed</td>
<td>15%</td>
</tr>
<tr>
<td>Confused</td>
<td>13%</td>
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</tbody>
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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. 53%

My local community prioritizes shopping at businesses with a clearly demonstrated commitment to social justice. 36%

I believe a commitment to social justice...

- Boosts employee morale, satisfaction & retention 31%
- Attracts customers 29%
- Gives a competitive advantage 25%
- Attracts talent 24%
- Positively impacts my bottom line 24%

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

- Openly communicating a commitment to equality 34%
- Seeking more minority- and women-owned vendors 28%
- Giving back to local community groups in support of social causes 28%
- Hiring diverse talent 27%
- Incorporating social justice issues into their business's core values 21%
- Implementing trainings for employees 18%
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...

- Enhancing sanitation practices: 54%
- A more digital/online sales strategy: 32%
- Accepting more forms of cashless payment: 27%
- Shortening hours of operation: 22%
- Permanently changing their primary revenue stream: 19%

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

- Doing more business banking online or in mobile apps: 36%
- Finding new ways to interact with customers virtually: 47%
- Finding new ways to interact with employees virtually: 36%
- Accepting more forms of cashless payments: 30%
- Creating/improving social media presence: 26%