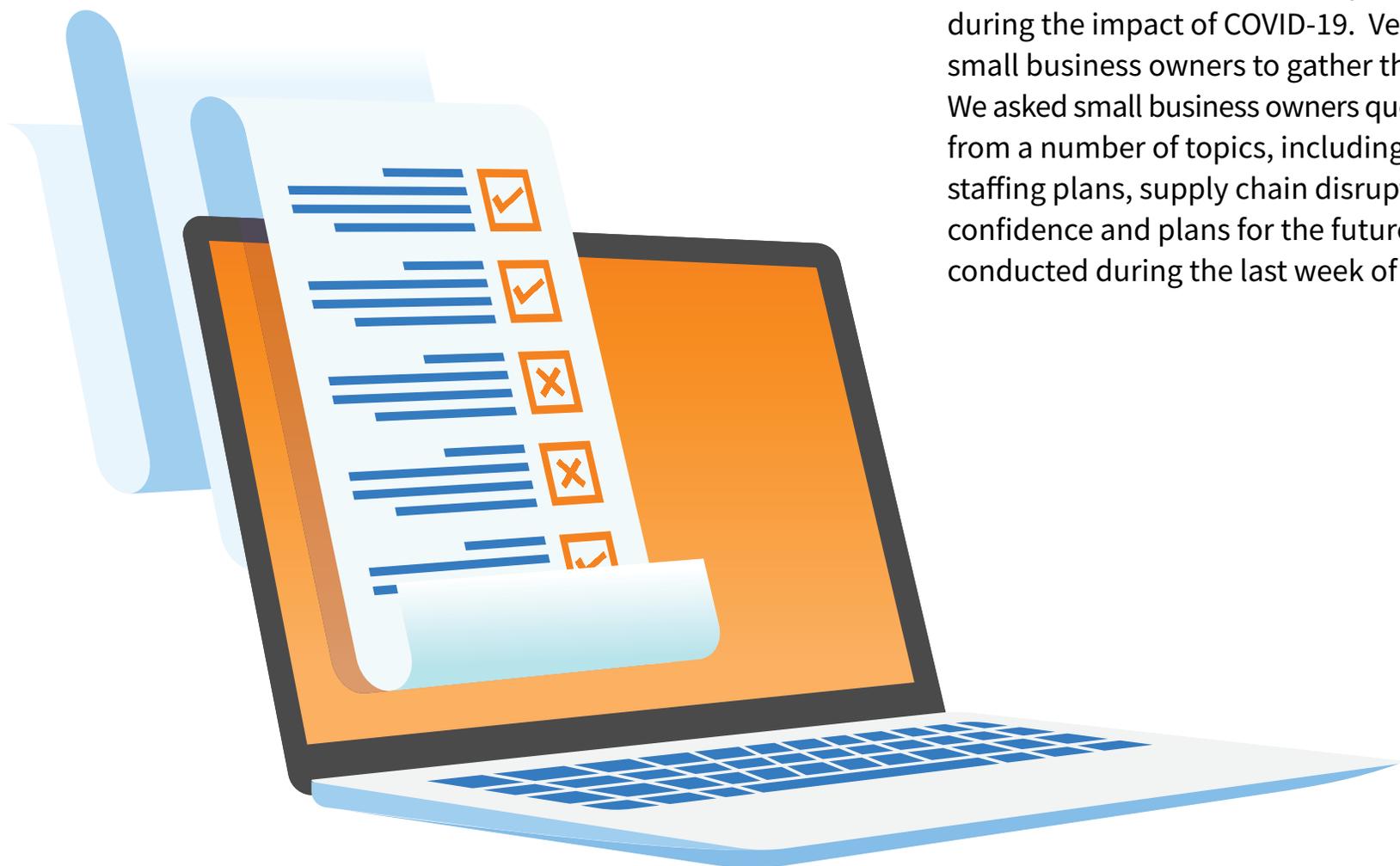




2020 State of Small Business

Challenges and Paths Forward





About the survey

The intent of this survey is to research and analyze small business sentiment and perspective in the US during the impact of COVID-19. Veem surveyed 690 small business owners to gather the following data. We asked small business owners questions that ranged from a number of topics, including business strategy, staffing plans, supply chain disruptions, economic confidence and plans for the future. The survey was conducted during the last week of April 2020.

Veem Perspective

Due to the pandemic, two starkly different categories of small businesses have emerged—one that is struggling because of the new normal that has developed and one that is performing well in spite of it. The small businesses who are performing well are benefitting for any of the following reasons: the business has been deemed “essential,” their industry is experiencing increased demand, or they are finding that their core business functions can be performed virtually.

Small businesses who are struggling due to the current market are experiencing significant anxiety from the impact that stay-at-home orders are having on their business, as well as a lack of clarity of when these stay-at-home orders will be relaxed for them and their customers. A number of respondents from the hospitality and events industries, where in-person interaction and experience is crucial, have expressed the impacts of COVID-19 on their business throughout our sentiment survey.

In the report, you’ll see one theme cut across—the majority of respondents are showing resilience and making quick changes in light of coronavirus-related business impacts. Small businesses are utilizing the resources they have available — such as applying for the Paycheck Protection Program loan — as well as taking measures to offset disruption like pivoting their supply chain, or shifting their business to prepare for the possibility of an economic slowdown.

Moving forward in a world disrupted by COVID-19, it is safe to say small businesses will continue to take a cautious approach in the months ahead. Small business owners have no plans to let their guard down, as the vast majority of respondents anticipate COVID-19 will impact their business in the next 12-16 months.



Marwan Forzley, CEO of Veem

Marwan Forzley





CONTENTS

Challenges

Confidence in the economyPage 6

Business impacts due to COVID-19Page 7-8

Signs of Resilience

Small business plans and preparednessPage 13-14

Taking advantage of resourcesPage 15-16

About VeemPage 17

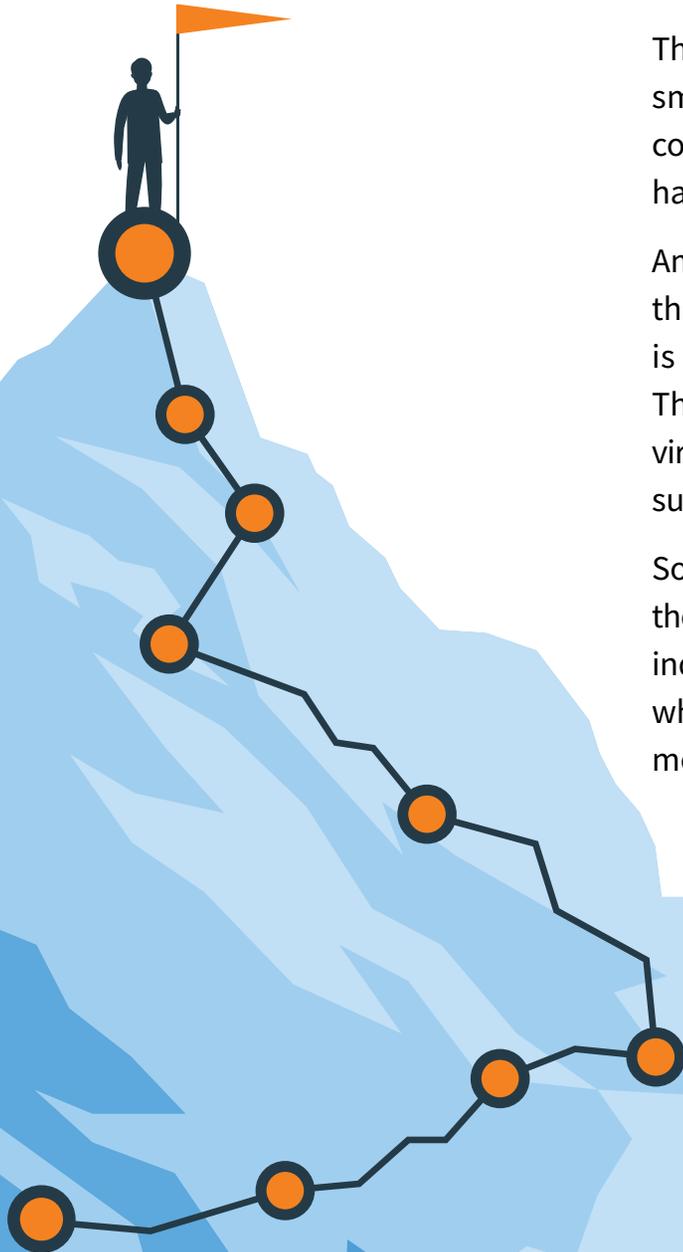


Challenges

This section of the report will focus on the challenges and disruptions that small businesses are facing amidst COVID-19. Topics explored include confidence in the US economy, as well as the impact that the pandemic is having on American small businesses.

Among the challenges, stay-at-home measures have hit small businesses the hardest, especially impacting industries where in-person interaction is integral to the sales process, end-product or customer experience. These businesses are finding it nearly impossible to pivot or adjust to a virtual setting. This is especially true for respondents who operate in industries such as personal care services and salons, travel, hospitality and events.

Some respondents took the opportunity to submit additional context on their experience, including specific problems they are facing in their respective industries. The apparent theme in this additional feedback is that businesses who rely on a physical exchange of goods and services are experiencing the most hardship. These examples are highlighted on the following page.



Anecdotes from small business owners

- Independent contractors reliant on in-person services or personal care salon owners who responded find themselves unable to work with stay-at-home orders in place.
- Others in service industries have reported that ongoing and new business is being impacted due to customers pausing or shutting down projects and services. Another respondent in the services business says there is a “decreased use of freelancers by financial services firms.”
- A respondent who works with large events has reported that all of the upcoming events have been cancelled through at least the end of the year. Others in the event industry report they are concerned about “Event participation as events turn virtual” or “Marketing at trade conferences and events”
- A respondent reports that they are “unable to treat the business problems they’re facing,” while others say there is an “Inability to work and do what I love” or “fear and uncertainty.”



How confident are you in the U.S. economy in 2020 compared to 2019?

Amidst the escalating impact of the COVID-19 pandemic on the business community, small business owners communicated mixed sentiment on their confidence in the U.S. economy.

The majority of respondents — nearly 70% — communicated some degree of uncertainty in the market. While 30% of respondents were more optimistic, suggesting some industries are better positioned to thrive in the current environment

Very confident



Somewhat unsure



Confident



Unsure



Somewhat confident



Very unsure

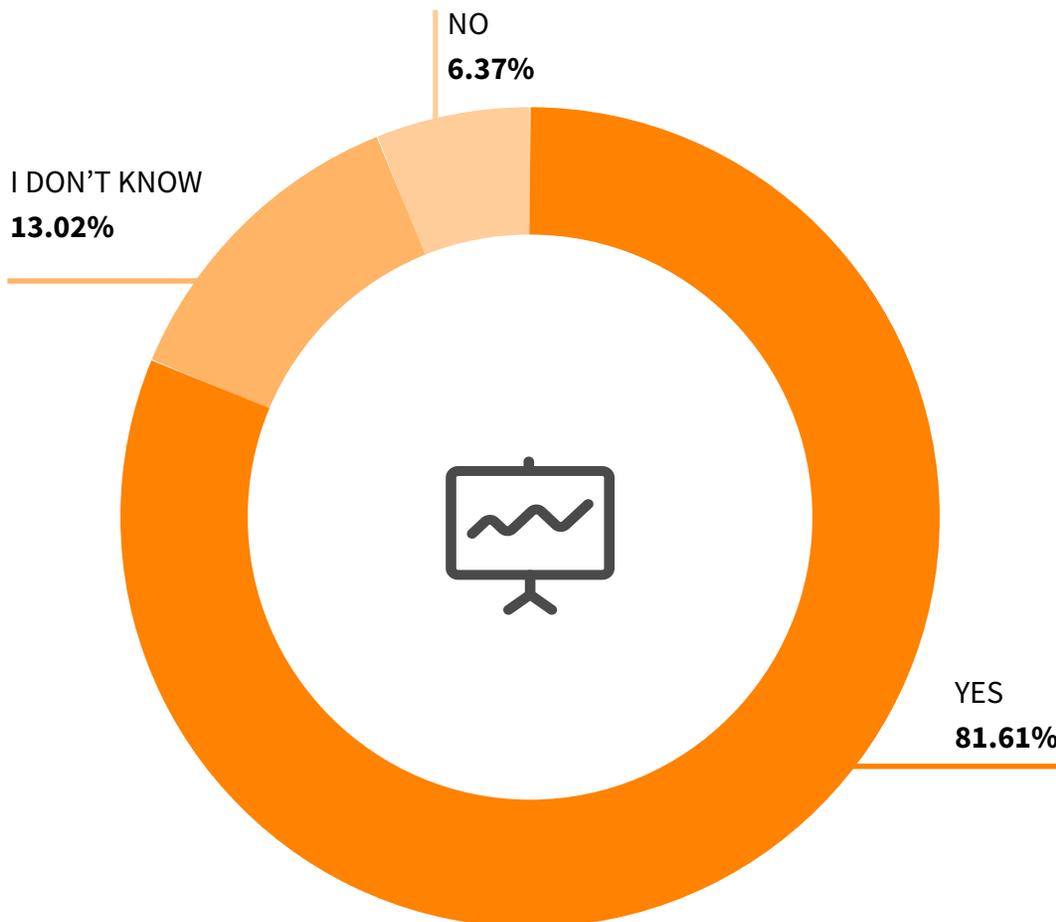


30%

30% of small businesses feel some level of confidence about the US economy 2020

Do you think COVID-19 will impact your business in the next 12-16 months?

55% of small business owners shared that the COVID-19 pandemic has already significantly impacted their revenue for the year and a majority of respondents — 81% — shared that they anticipate long-term impact on their business over the next 12-16 months. In response to the existing and expected impact of the virus, small business owners are finding new solutions, markets and financing options to maintain operations.



81%

81% of small businesses anticipate COVID-19 business impacts for the next 12-16 months.

How has COVID-19 impacted your supply-chain?

As a result of shortages, factory shutdowns, border restrictions and industry-wide furloughs, business owners in the U.S. have experienced unprecedented supply-chain disruptions as a result of COVID-19. Small business owners across the U.S. communicated varying degrees of disruption with 54% communicating that they have already experienced a moderate to high impact to their supply-chain. This points to a potential incoming trend of small business owners adopting more risk mitigation measures, like diversification, to protect the flow of product and services.



54%

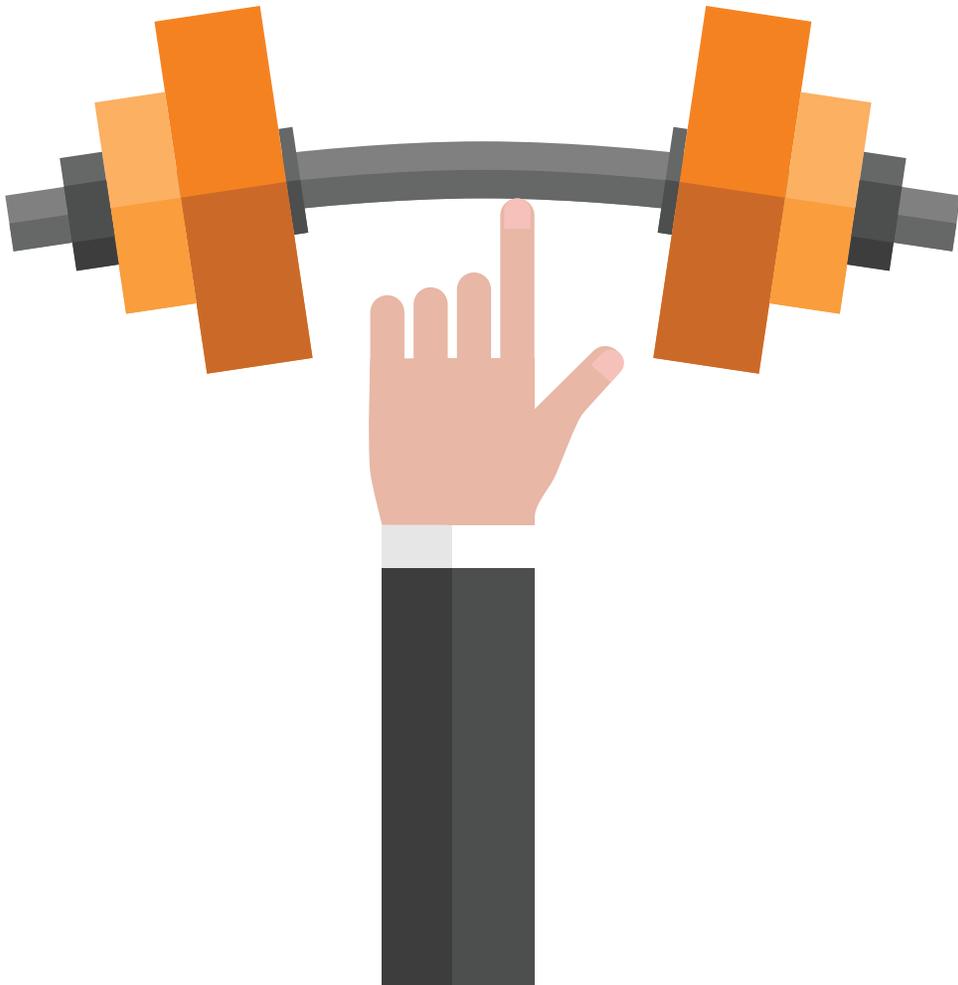
54% experience either high or moderate impacts to their supply chain



Signs of Resilience

The vast majority of businesses have been impacted by COVID-19 in one way or another, and only 30% of respondents are optimistic about the 2020 US economy. This portion of the report is focused on the resilience small businesses are displaying as they fight against business impacts and pivot quickly and decisively to adapt to our new environment. Topics covered in the following pages will include the strategic changes small businesses are making, as it relates to staffing, supply chain operations and business planning.

A number of survey respondents took the opportunity to submit additional background about their answers, such as specific problems they are facing in their respective industries. These examples are highlighted on the following page.



Anecdotes from small business owners

- Some respondents in the real estate sector report they are shifting focus on opportunistic transactors, while others in the insurance industry are advising their clients to purchase travel insurance in anticipation of future travel disruptions in light of continued COVID-19 impacts.
- Those in retail report shifting to e-commerce so that they can provide supplies direct-to-consumer, and evolving their brick and mortar shop into a distribution center.
- One respondent reported “[We are] creatively re-imagining the way we provide service to make much of the difficult-to-obtain materials (and difficult-to-deliver and install items) not as necessary.”
- Respondents with more diversified client sets have reported they are “focusing on areas where there is still opportunity and moving away from sectors that are disrupted.”



How are you offsetting disruptions to your supply chain?

In this section, small businesses were asked to select all options that apply to their company

While procurement disruptions started early in the year for U.S. businesses transacting with the Chinese region, it's expected there will be several more months of impact to global supply chains. To offset disruptions, small business owners are adopting creative solutions to reactively maintain a steady cadence of products and services including investing in new technology to support online operations.

Setting up regional supply chains



Cross-training employees across different roles



Rapidly pivoting supply chain to make much-needed supplies



All of the above



Investing in new technology and/or aligning IT systems



Other

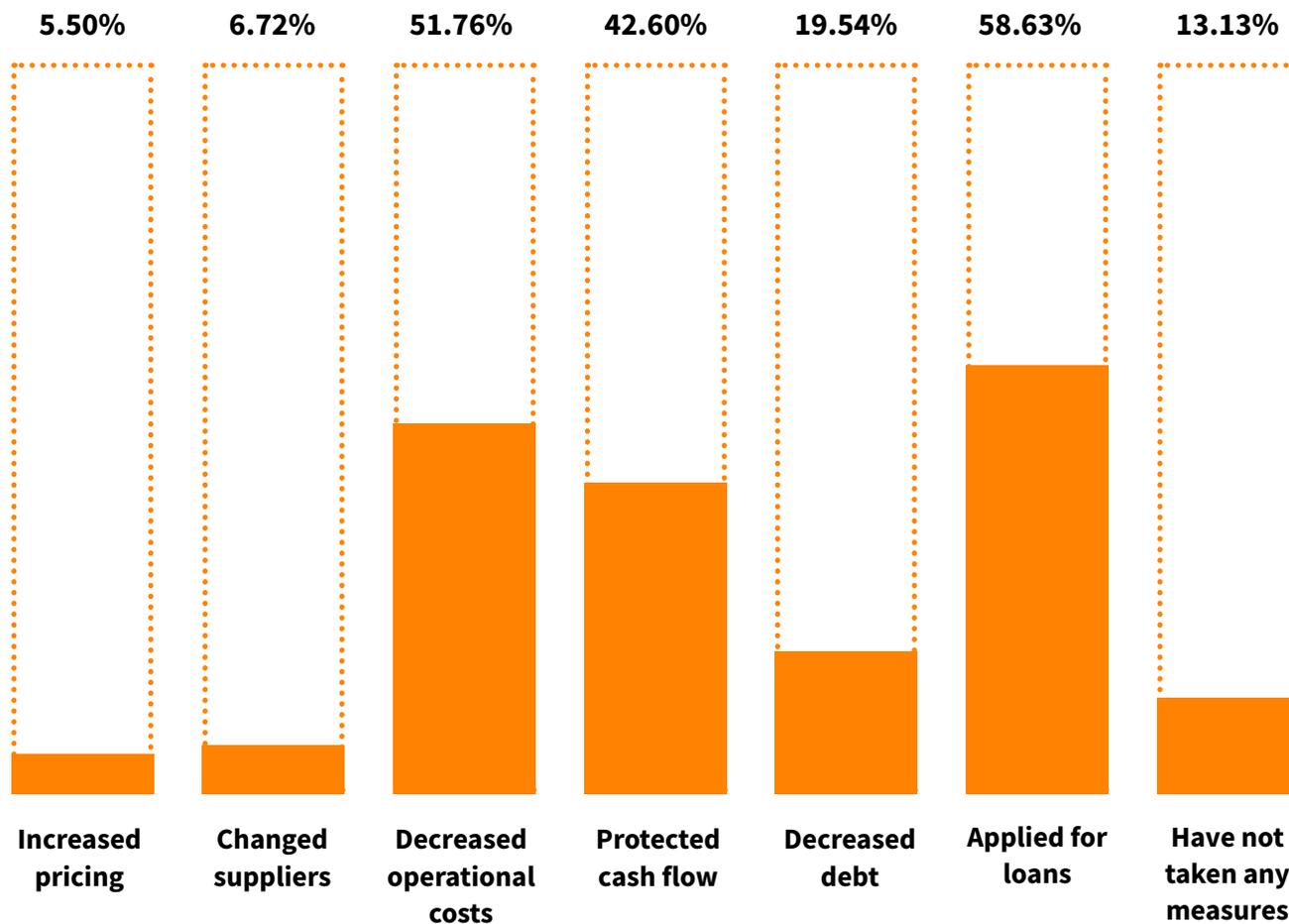


The top two actions that businesses are taking is **“investing in new technology”** and **“rapidly pivoting their supply chain to make much-needed supplies.”**

What measures has your business taken to prepare for the possibility of an economic slowdown?

In this section, small businesses were asked to select all options that apply to their company

Ensuring liquidity is essential for small businesses preparing for an economic slowdown. Small business owners who responded prioritized decreasing operational costs — 52% — and applying for financial support through loans — 59% — to prepare for an economic slowdown. This feedback supports that working capital and financing options for small businesses continues to be a key pain point and area of importance.

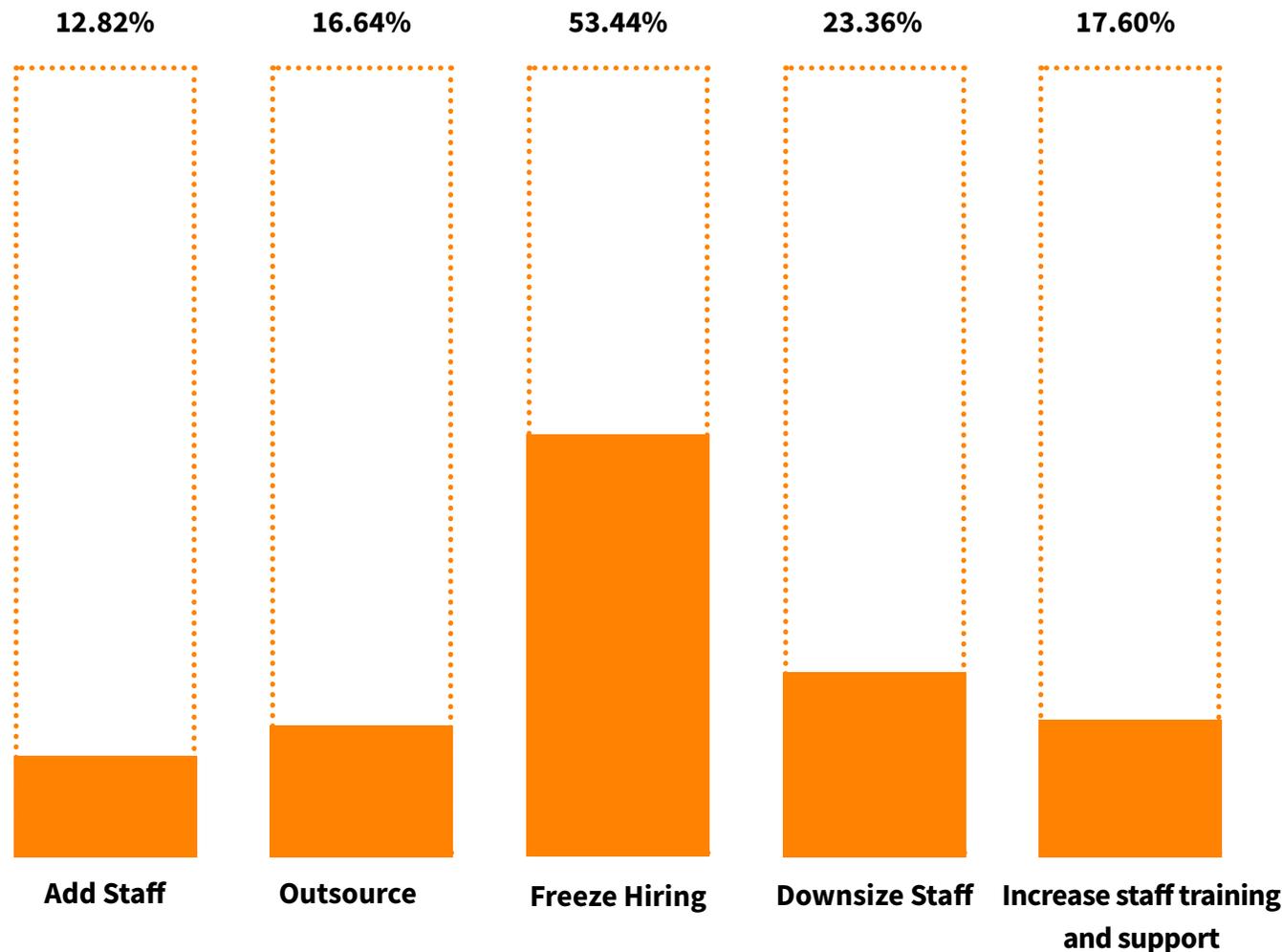


“Applying for loans” and “decreasing operational costs” are the top actions small businesses are taking to prepare.

What are your business staffing plans for 2020?

In this section, small businesses were asked to select all options that apply to their company

The majority of respondents communicated plans to freeze hiring in the interim while a smaller segment — 17% — plans to invest in staff training and support.



54%

54% report they are freezing all hiring in the near term, while 17% plan to increase staff training and support.

Did you apply for the SBA PPP loan?

The SBA PPP loan extends necessary support to small businesses who need financial help to maintain operations. The majority of respondents have already applied or plan to apply to the Small Business Administration's Paycheck Protection Program (PPP).

I'm planning to

11.76%

NO

34.35%



YES

53.89%

65%

65% have either submitted PPP loan application, or plan to do so in the near future.

If you applied for the PPP, what is your top priority for the funds?

In this section, small businesses were asked to select all options that apply to their company

75% of respondents highlighted employee paychecks and employee retention as their foremost priority. Small business owners who apply for the Paycheck Protection Program are eligible for loan forgiveness for the amounts spent on authorized expenses over the eight weeks after receiving the loan. Total payments for payroll over the eight weeks after the loan is disbursed may be forgivable. Mortgage interest, rent and utilities are also forgivable, up to 25% of the PPP loan.



Employee paychecks
75.12%



Bills/expenses, such as rent
57.53%



Investments in technology
7.82%



Staff training and support
7.35%



Marketing
11.61%



All of the above
11.37%

3

The top three priorities for PPP funds include:



Employee paychecks



Bills and expenses such as rent



Investing in new technology



About Veem

Veem is the global payments network built for business. Trusted by more than 195,000 businesses around the world, Veem provides simple, secure, and trackable payments to over 110 countries. Veem's mission is to help businesses build and strengthen their relationships with suppliers and partners all over the world. Through seamless integrations with popular business applications, Veem provides a revolutionary payment experience.

Learn more at www.veem.com.