



2021 State of Small Business

Q1 EDITION



About the Survey

The intent of this survey is to research and analyze small business sentiment and perspective in the US on a quarterly basis. Veem surveyed 961 small business owners to gather the following data. We asked small business owners questions that ranged from a number of topics, such as attitudes towards various banking and payments services and overall outlook on the economy in 2021. The survey was conducted during the month of April 2021.



Veem Perspective

With COVID-19 vaccine doses becoming readily available to the population and our daily lives slowly returning back to semi-normal, we wanted to check in with small business owners to understand their outlook on economic recovery in 2021 and where they think they stand.

We also wanted to do a deep dive into what small business owners think about specific areas of their payment and banking experience, to better understand their unique and valid pain points - both in general and as a result of pandemic changes.

In this report, you'll see some clear challenges shared by many small business owners, especially when it comes to banking fees, as these companies tried to find ways to cut costs during the COVID-19 crunch and make every dollar count. Many small business owners still look to traditional paying and payment methods like checking and wire transfers as key tools for their day-to-day needs while leaning on local branches and community banks for in-person services. Banking services should not overlook small business clients when it comes to incentives, solutions, and customer service offerings, especially during a time when it's deeply important to support these business owners.

That being said, small business owners are not completely closed off to future-forward payment methods and platforms like cryptocurrency and neobanks. We asked some bold questions about these new areas of banking, and got some interesting feedback. Many expressed uncertainty about these as solutions for small business owners, indicating room for more education and an opportunity for these novel industries to grow with new customers.

It will be exciting to see where these new roads take us, and we're rooting for the resilient small businesses to make it through all the challenges they've faced for a more positive 2021.



Marwan Forzley, CEO of Veem

Marwan Forzley



CONTENTS

Outlook on the EconomyPage 4-8

Outlook on PaymentsPage 9-16

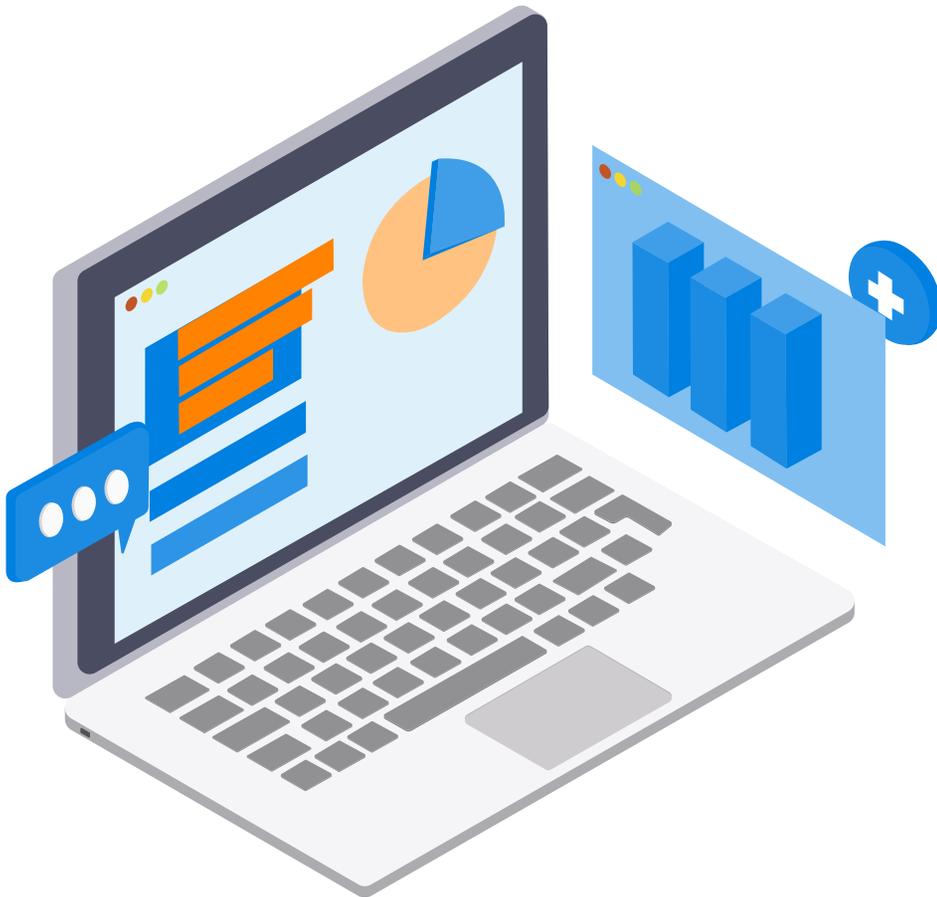
About VeemPage 17



Outlook on the Economy

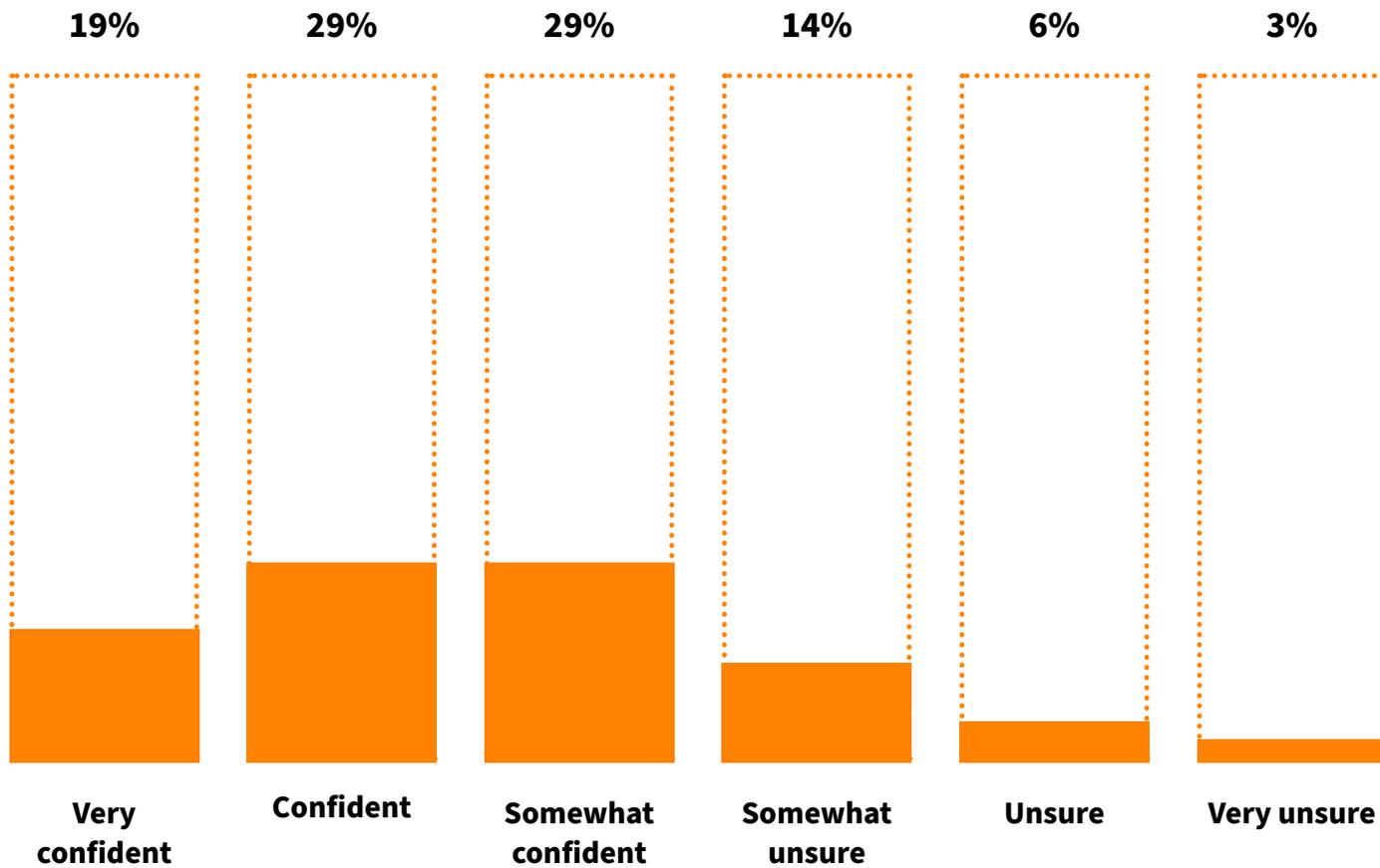
This section of the report will provide a snapshot of small businesses sentiment about the state of the economy in 2021. We asked small business owners about their confidence in the economy this year vs. in 2020, top challenges faced in the past year as a small business owner, and their expectations on payments and paying back loans in the year ahead.

Interestingly, small business owners' attitudes towards the strength of the economy seemed to echo their confidence in their ability to pay back loans in the next 12-18 months. While we cannot imply any direct causation between a positive outlook on the economy and one's ability to repay loans, it is worth noting that survey participants' responses were mirrored closely in these areas.



How confident are you in the U.S. economy heading into 2021 compared to 2020?

Almost half (49.9%) of small business owners said that they were either “very confident” or “confident” in the economic recovery of the U.S. in 2021, as compared to 2020. As vaccination rates increase, so too does small business owners’ outlook on the economy. Still, 43% of small business owners are still not fully confident in the economy, reporting “somewhat” confidence or uncertainty.



Small business owners are nearly split in their confidence in the economy - 50% report stronger confidence, while 42% have some doubts.

What was the biggest challenge your business faced throughout the COVID-19 pandemic?

After one of the most challenging years in recent history, there were many lessons learned for small business owners. The majority of our survey respondents — nearly 55% — report that the biggest challenges they faced were financial ones. Smaller proportions of respondents reported other top challenges fairly equally.



Financial challenges
54.5%



Technology and going digital
12.9%



Talent and people
14.1%



Supply and logistics
18.4%

54.5%

54.5% of small business owners reported that financial challenges were the biggest challenge they faced during the pandemic.

What are some of the ways your business payment needs changed during the pandemic?

Speed and affordability in business payments were key differentiators that arose during the pandemic. 43% stated that low- or no-fee payment methods were important, while 36% of small business owners said they needed to find faster ways to pay and get paid as a result of the pandemic. Taking payments digitally was another top change, with 31% of respondents sharing this as an important need during the pandemic.

I needed to find more affordable methods



I needed to make more local payments



I needed to find faster ways to pay and get paid



I needed to expand my use of digital payments



I needed to make more global payments



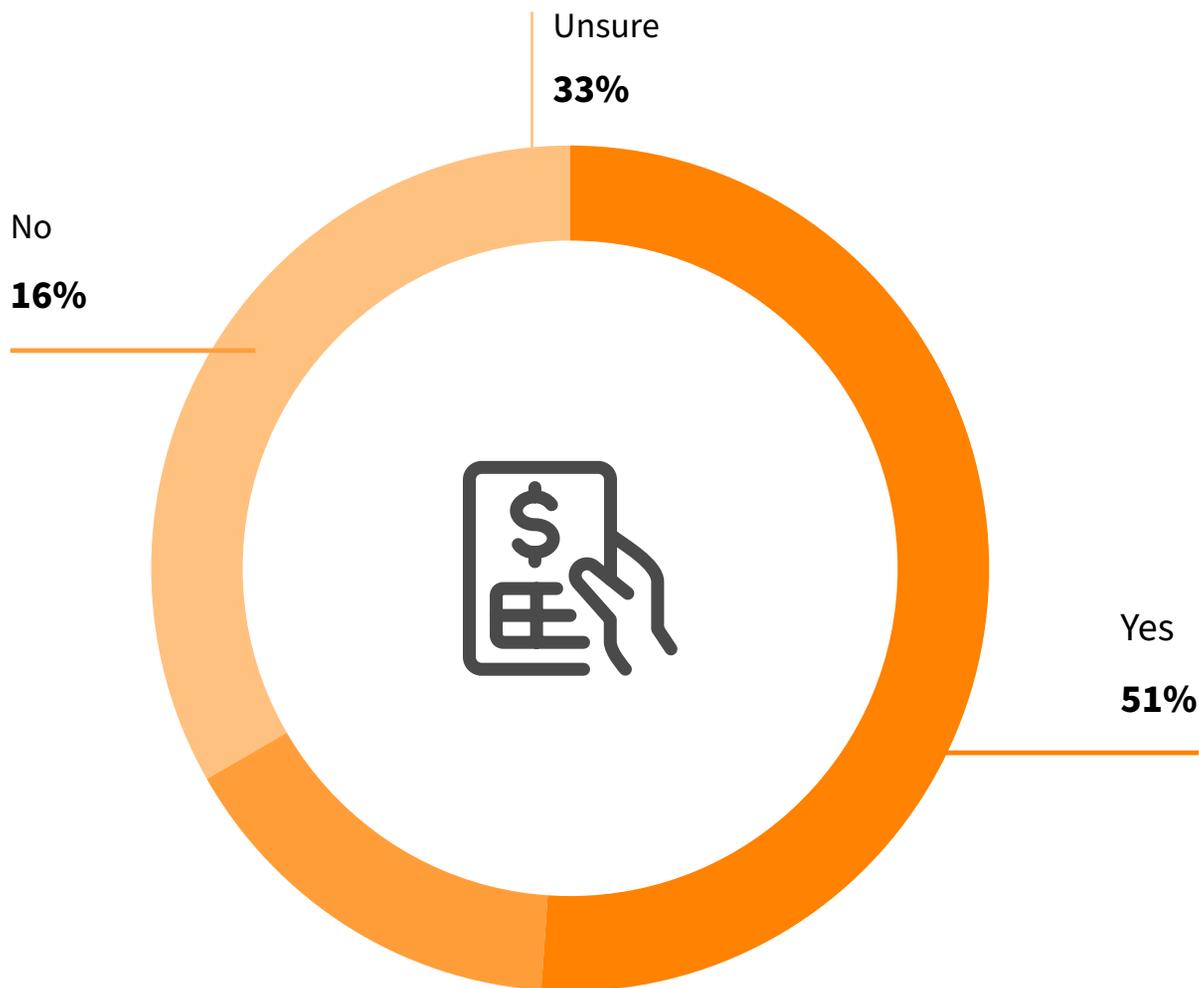
Not applicable



Location was less important to small business owners than speed and affordability - only 15% and 11% of respondents expressed the need for more global payments and local payments, respectively.

If you took out small business loans during the past 12 months, do you expect to be able to repay them?

About one third of respondents expressed they were unsure about their ability to repay their small business loans taken out during the past 12 months, echoing the lingering uncertainty in the economy. However, a promising 51% of respondents did expect to be able to repay pandemic SMB loans.



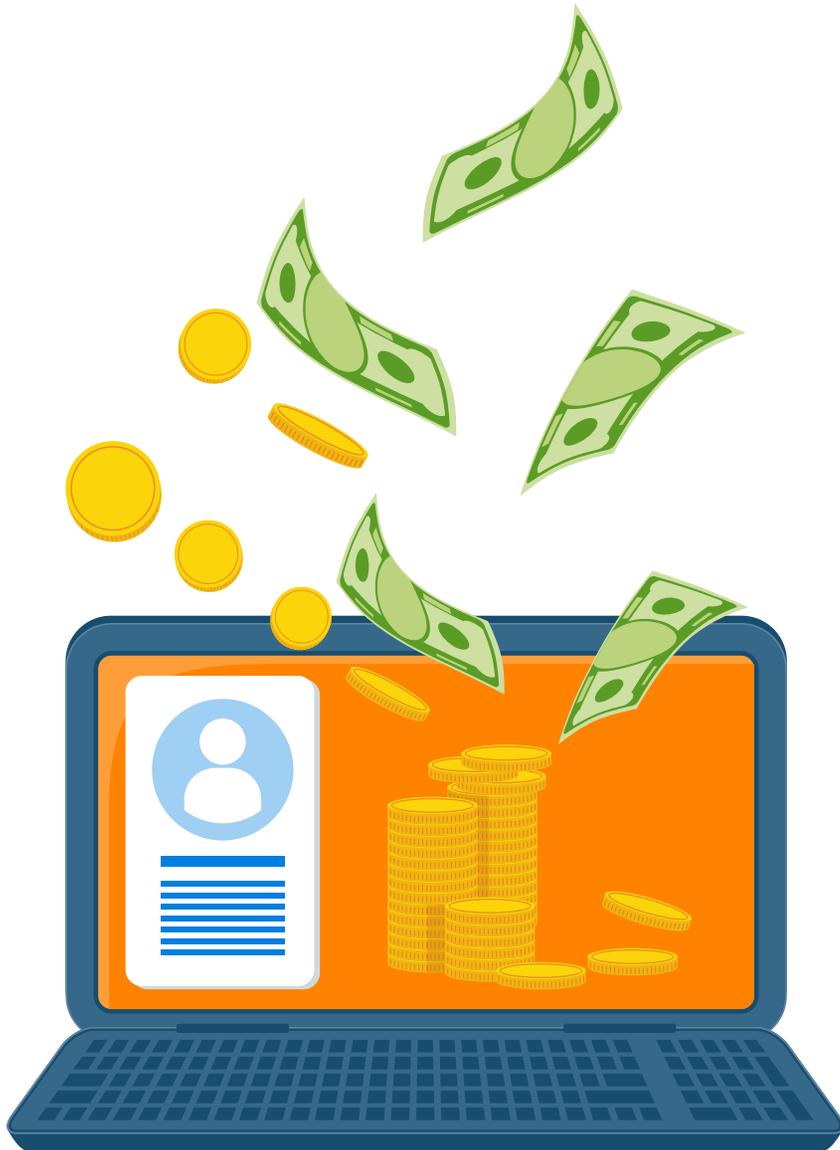
Our respondents' sentiment repaying SMB loans echoed their outlook on economic recovery. 51% expect to repay their loans while 33% are unsure.

Outlook on Payments

This section of the report goes into detail about small business owners' attitudes towards specific areas of their banking and payments experience. Throughout the survey, small business owners highlighted fees as one of the biggest pain points they experience while making payments, while low- or no-fee accounts are a major draw for customers.

Our survey also explored attitudes on payment methods old and new, such as wire transfers, checking and cryptocurrency. Small business owners seemed to prefer more traditional ways to pay bills and receive payments, but some are keeping an open mind to new options like cryptocurrency and neobanks.

Eight percent of our survey respondents also took the opportunity to submit additional background about the most common pain points they experience while banking. These examples are highlighted below.



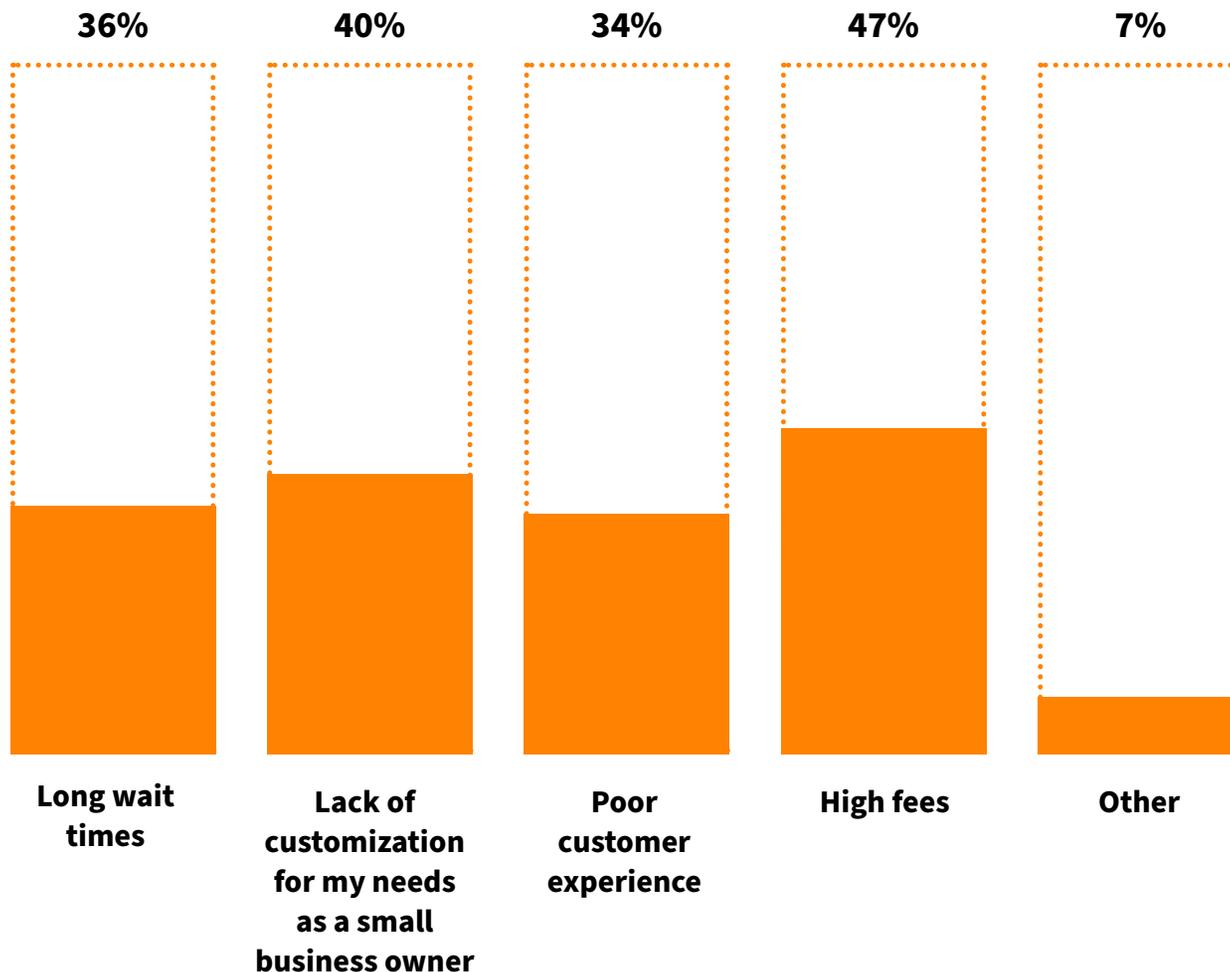
Anecdotes from Small Business Owners

- Several respondents expressed their preference for working with small, local banks who have branches locally, versus bigger national banks. However, they typically noted that the tradeoff with going local was lack of international payment options.
- Having a physical bank location to visit is important to many small business owners, who noted their biggest pain point with their bank was lack of nearby storefronts.
- Customer service is also important to small business owners - many respondents noted various customer service-related issues, from unresponsive agents and inconvenient operation hours to bad onsite experiences.
- Many respondents noted their issues with banks stemmed from financial incentives and considerations that were not tailored to the small business experience. Circumstances like difficulty securing loans and credit lines as a small business, unfavorable interest rates for small businesses, and poor integration with other business software commonly used by SMBs (such as Quickbooks) were commonly mentioned.



When thinking about your banking experience, what are the most common pain points you experience?

Small business owners listed a wide variety of common pain points in their banking experience - chief among these was high fees, as the most popular pain point identified by 47% of respondents. This response is in line with the challenges small business owners faced with banks as the pandemic changed their business needs, where payment fees were a top issue. Respondents also reported that their inability to customize their banking experience to their needs as a small business owner was a top pain point.



High fees (47%) and lack of customization for SMB needs (40%) were the top two responses.

What is the most important consideration when opening a business checking account?

When it comes to different types of fees, the majority of small business owners (62%) identified “no or low maintenance fees” as the most important consideration when opening a business checking account. Overdraft and annual fees were not as important to respondents as maintenance fees. In sharing responses with additional context, some respondents expressed that banks should not charge any additional fees to set up or maintain a business account setups, showing an overall dislike in the way banks structure their fees to businesses.



No or low maintenance fees
62%



No overdraft fees
16%



No annual fees
18%



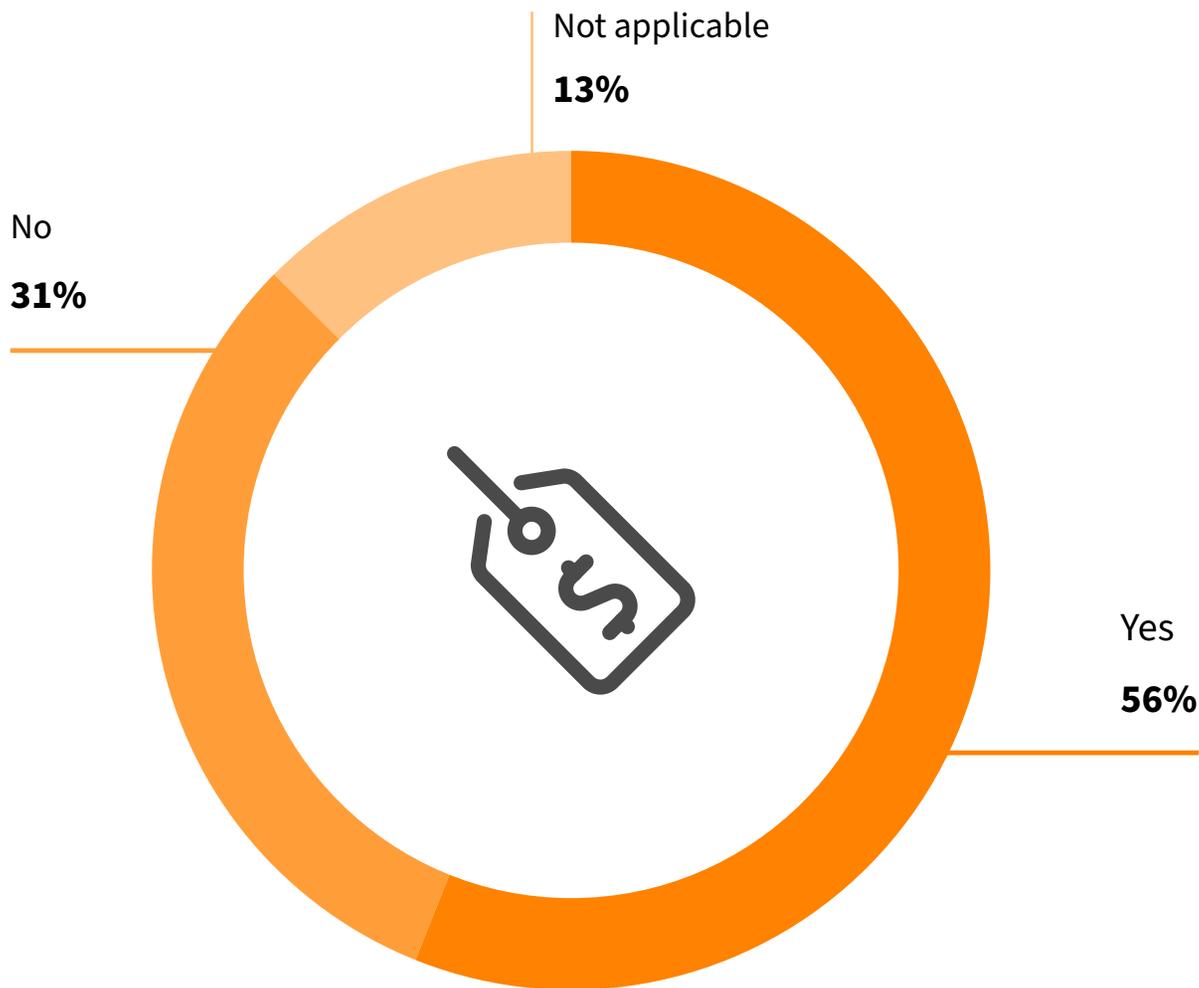
Other
4%

62%

62% of small business owners identified no or low maintenance fees as the most important consideration when opening a business checking account.

Do you feel your banking fees are too high?

Throughout this survey, our respondents expressed banking fees as a top issue they encounter. When asked directly if they felt their banking fees are too high, 56% of respondents answered “yes” while 31% answered “no”.



56% of small business owners feel their banking fees are too high.

How often do you use bank wires for payables?

How often do you receive payments on bank wires?

Small business owners' use of bank wires for making payments and receiving payments is fairly similar - nearly half report they "sometimes" use bank wires, both for payables and receiving payments. For many, having this option to make and receive payments is still a useful resource, even if not always utilized.

How often do you use bank wires for payables?

Very often



Sometimes



Never



How often do you receive payments on bank wires?

Very often



Sometimes



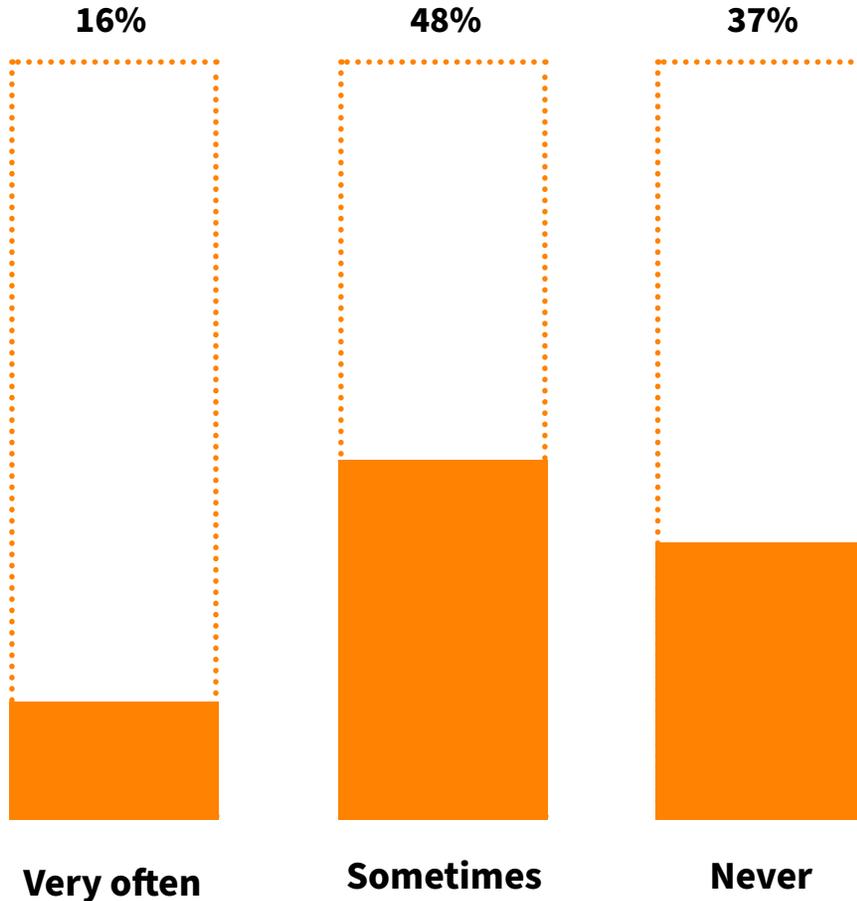
Never



Bank wires are still a resource some small business owners leverage - 47% use wires "sometimes".

How often do you use checks as a business payment method?

Unlike bank wires, checks as a business payment method may be going obsolete. While nearly half (48%) of surveyed small business owners “sometimes” use checks, a more substantial group representing 36% of surveyed small business owners said they “never” use checks to make payments.

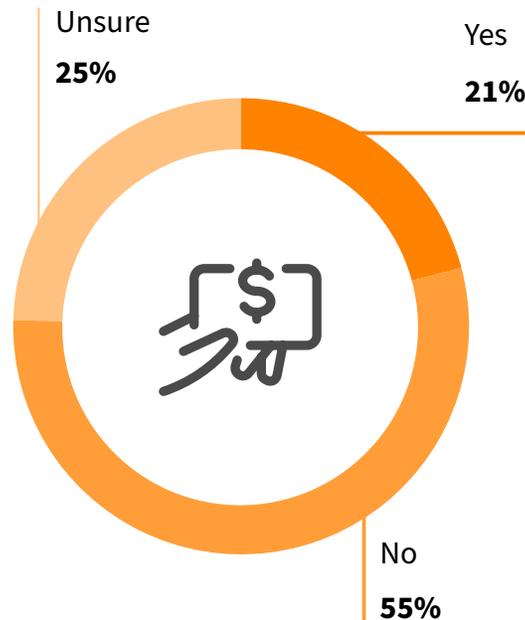


37% of small business owners “never” use checks to make payments.

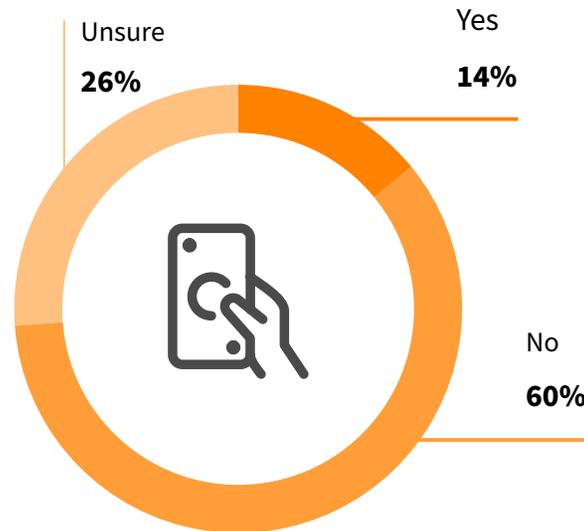
Do you plan to accept Bitcoin as a payment method over the next 12-18 months? Do you plan to pay for business expenses using Bitcoin in the next 12-18 months?

There is room for growth in cryptocurrency as a banking option for small businesses. When asked about their attitudes toward accepting Bitcoin payments and using Bitcoin to pay for business expenses, many small business owners did not plan to use or accept Bitcoin, or were unsure about it.

Do you plan to accept Bitcoin as a payment method?



Do you plan to pay for business expenses using Bitcoin?



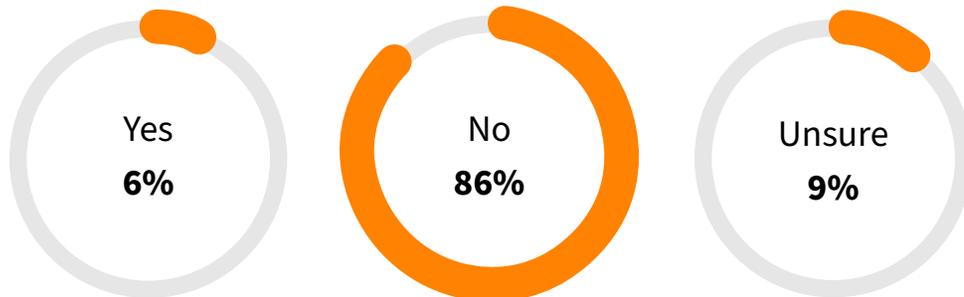
Over half of small business owners do not plan to accept Bitcoin as a payment method, and do not plan to pay for expenses using Bitcoin.

Have you ever used a neobank?

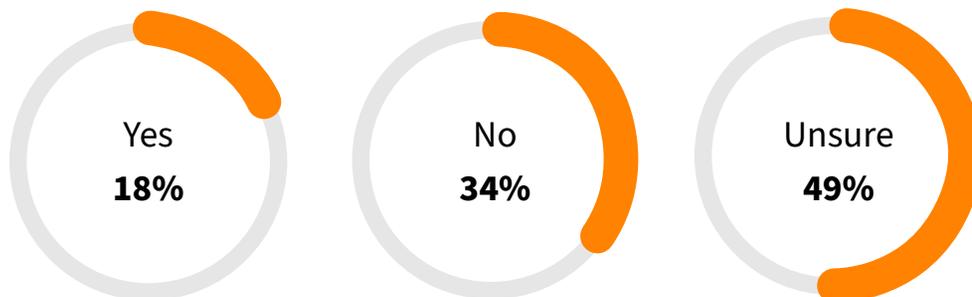
Are you interested in using a neobank?

Many small business owners have never used a neobank - but they're keeping an open mind to the concept and might need more education about how they could benefit from this type of payment partner. The vast majority (86%) of survey respondents said they have not used a neobank before. However, 18% of survey respondents reported an interest in using a neobank, and nearly half (49%) said they were unsure about their interest.

Have you ever used a neobank?



Are you interested in using a neobank?



49%

With 49% of small business owners “unsure” about their interest in using a neobank, there exists an opportunity for neobanks to better educate this audience and potentially gain new customers.



About Veem

Veem simplifies the way businesses send and receive funds globally and within the US and Canada. Trusted by more than 260,000 businesses in over 110 countries, Veem offers a suite of back office financial services that streamline the payments process with partners and suppliers. Veem's secure payments, combined with seamless integrations with popular business applications, enable businesses to save time and money, while mitigating risk generally associated with international funds transfers. Veem is licensed and regulated in each country and state it serves.

Learn more at www.veem.com.