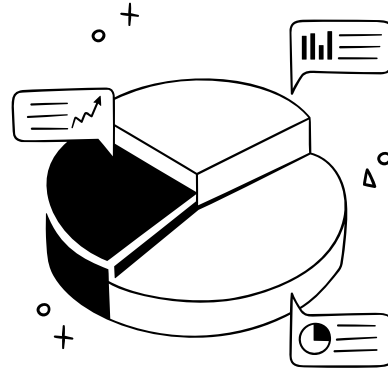




QUARTERLY STATE OF SMALL BUSINESS REPORT | MARCH 2022

Grappling with Inflation Pressures





About the Survey

The intent of this survey is to research and analyze small business sentiment and perspective on the current trend in growing inflation. Veem surveyed 829 small business owners to gather the following data. We asked small business owners questions that ranged from a number of topics, including experience with inflation pressure, inflation offsetting strategies, and future outlook on the current inflation cycle. The survey was conducted during the week of March 1 through March 11.



Veem Perspective

At this moment, whenever I turn on the evening news or read the news on my phone, there is always something about a new report on skyrocketing prices or above average inflation. Consumers so often track the health of the economy by the price of everyday needs like bread, milk and gas. It's wise, as these are good indicators of how inflation costs trickle down into the pockets of consumers.

For small business owners, however, inflation can make a big difference on many sides of their business. Inflation can creep in to the cost of sourcing goods and materials, the cost of labor, the benefits businesses can provide workers, and what businesses can offer their customers, among others. Businesses also experience inflation differently depending on their industry: as consumers cut extraneous spending, some businesses that cater to nonessential goods may feel the impact a bit greater than others. Others may not be affected at all.

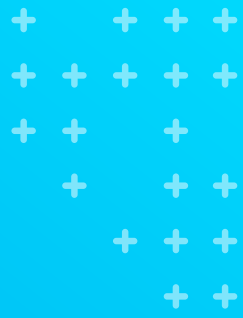
Our first Veem "State of Small Business" report in 2022 focuses on how this current cycle of inflation is affecting small business owners in the U.S. from many different angles. Some questions we asked small business owners were formulated with the past two pandemic years in mind and many other obstacles already faced.

Small business owners do seem to be worried about the level of inflation, particularly if it continues long-term. Most we surveyed predict inflation will continue to be a problem beyond 2022. However, many are still hopeful and even optimistic that inflation will not be the reason they have to discontinue business operations altogether. It is our hope, too, that small businesses can connect with the resources they need to overcome yet another obstacle in their journey to success.

Marwan Forzley

Marwan Forzley
CEO OF VEEM





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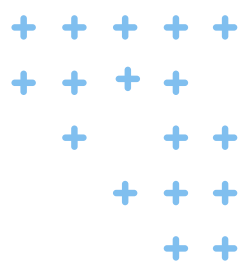
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Outlook On Inflation

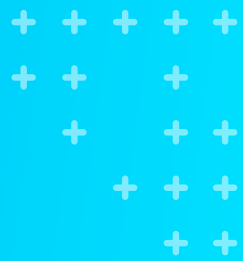
This section of the report looks at small business owners' perspectives on how their business has been affected by inflation in the past and present, as well as their future outlook for Q1 2022 and beyond.

Because of their size and sometimes their industry, most small business owners do feel the effects of above average inflation. The current rise in inflation has drawn concern among small business owners, and for different reasons. Some fear that inflation will have long-term effects on their business and may even threaten their business's operations altogether. Others may have to seek financial solutions, such as loans or debt refinancing, to maintain cash flow during this time. Still others may have to relay some of the costs of inflation onto consumers with rising prices.

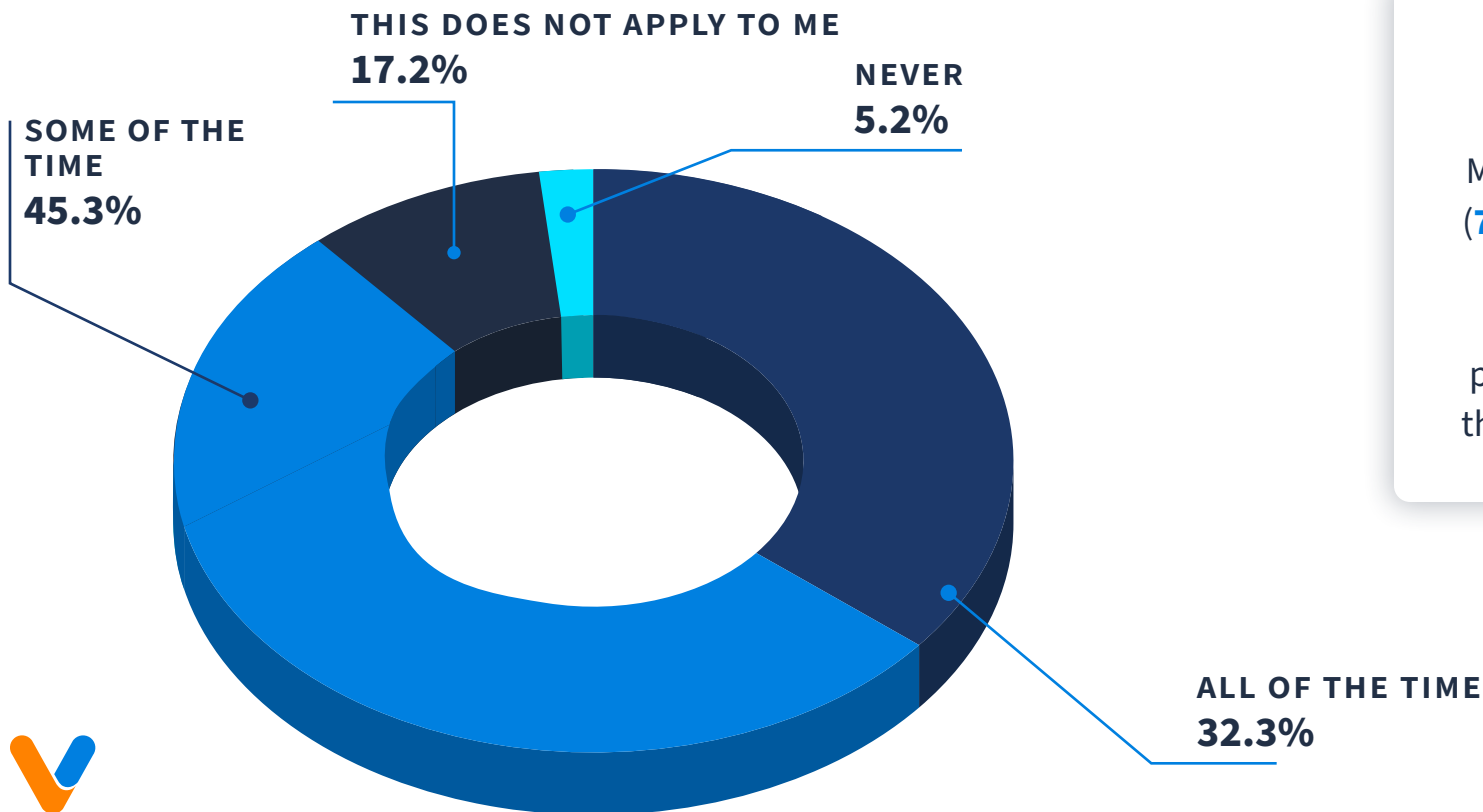
The supply chain continues to be a major pain point for small business owners. Interestingly, many small business owners cited supply chain issues and rising costs of supplies as the area where inflation has most affected their business. For more about small businesses and supply chains, read our [Q4 2021 State of Small Business Report](#) which focused specifically on supply chain issues.



Have you experienced inflation pressure in your business?



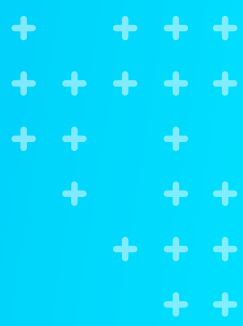
Inflation pressure is cyclical. Small businesses may have encountered this before or they may now be experiencing inflation for the first time. We asked small businesses about their experience with inflation pressure and found that most small businesses have experienced inflation pressure at some point. 32.3% reported inflation was a pressure “all of the time” while a greater portion (45.3%) of small businesses had this experience “some of the time”. Only a small portion of small businesses - about 5% - “never” experienced inflation.



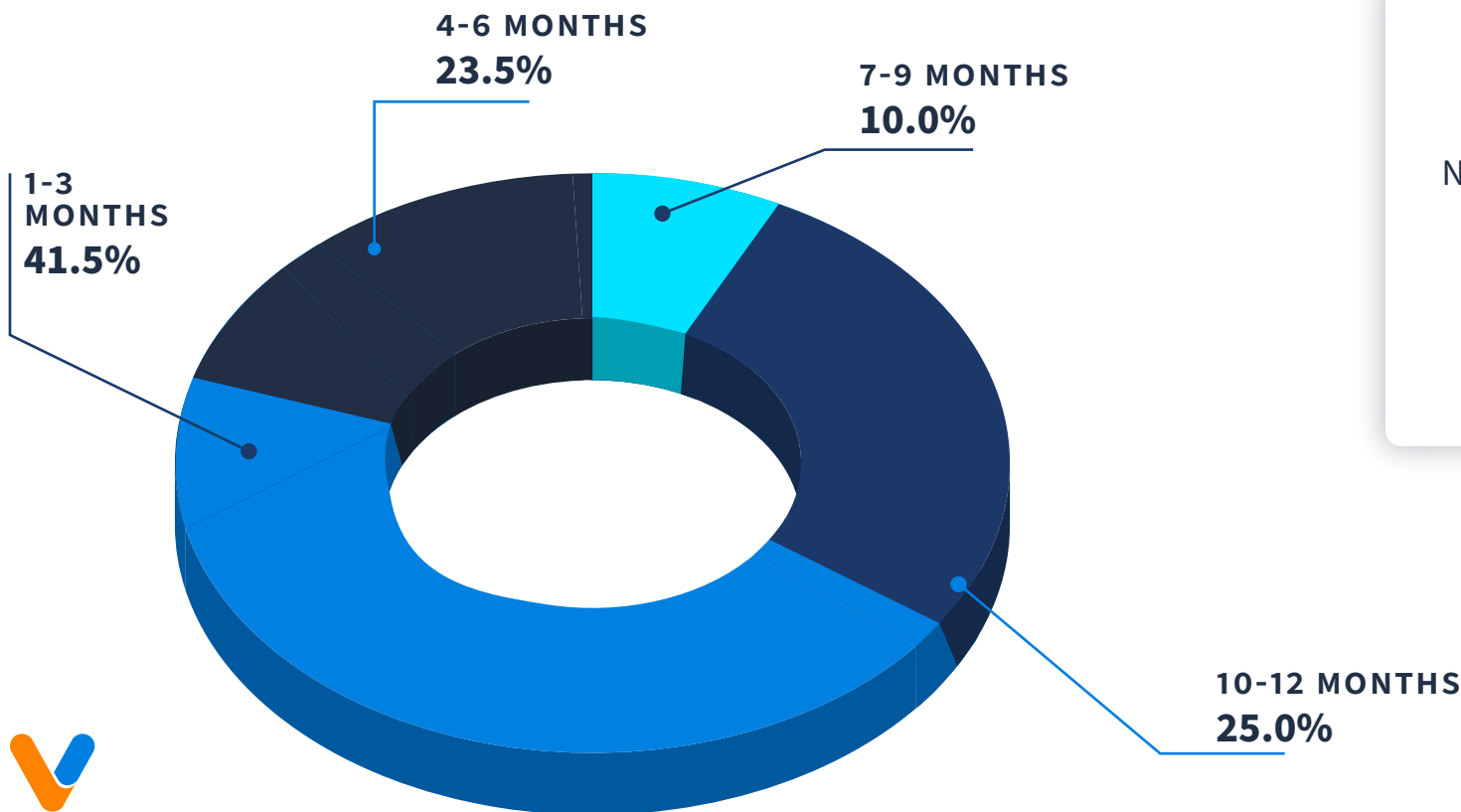
More than three-quarters (77.6%) of small business owners reported experiencing inflation pressure at least some of the time in their business.



If yes, how long have you experienced inflation pressure in your business?



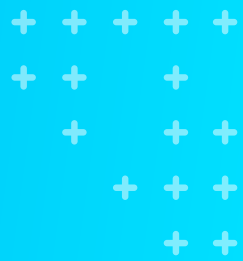
Many different factors could contribute to why a business experiences inflation pressures. This also affects the length of time businesses must fight against pressures. Fortunately, for the majority of the small businesses we surveyed, inflation pressure lasted a short time, less than six months. 41.5% of small businesses experienced inflation pressure over 1 to 3 months' time. Still, nearly a quarter (25.0%) reported that inflation pressure lasted 10 to 12 months.



Nearly one quarter (**25.0%**) of small businesses surveyed experienced inflation pressures for 10-12 months.



How have the supply chain issues impacted your business?



Pandemic-induced snags in the global supply chain have affected all areas of business for the past several years. This year, businesses and consumers alike have begun to feel new pressures as these supply chain ripple effects continue and increase inflation. We asked small businesses about their experience with supply chain issues, and the response was mixed. Businesses have had a wide range of experiences with supply chain issues.

IT HAS GREATLY IMPACTED MY BUSINESS

23.9%



IT HAS SOMEWHAT IMPACTED BUSINESS

30.9%



IT HAS NOT IMPACTED MY BUSINESS AT ALL

17.5%



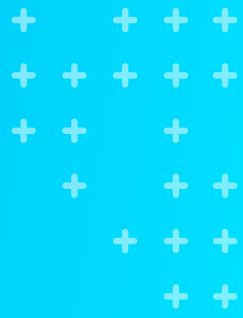
THIS DOES NOT APPLY TO ME

27.7%

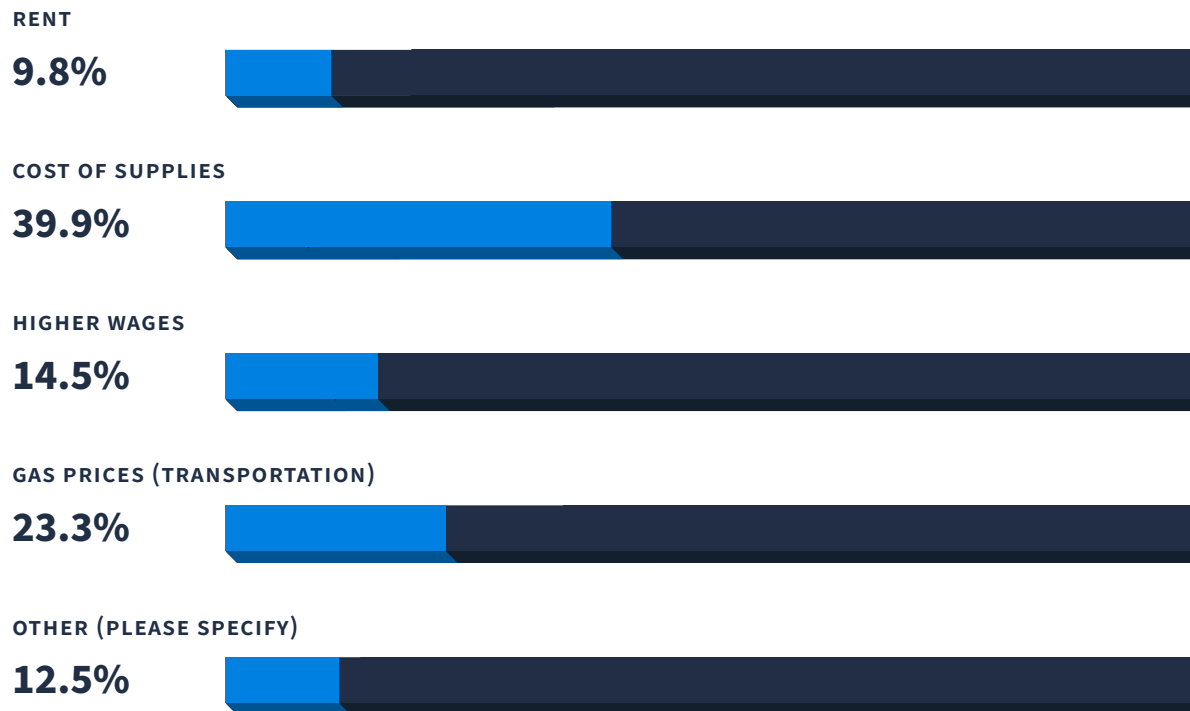


30.9% of small businesses say that supply chain issues have “somewhat” impacted their business.

Where has inflation had the biggest impact on your business?

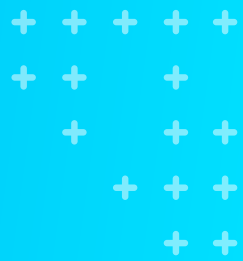


Small businesses are impacted differently by inflation than larger enterprises or consumers. We asked small businesses about what areas of their business have been impacted the most by inflation. The majority - 39.9% - of small businesses said the cost of supplies is the area where inflation is most prevalent.



39.9% of small businesses surveyed said inflated cost of supplies has had the biggest impact on their business.

How has inflation impacted your employee benefits?



Inflation can impact how small businesses run their internal operations, so we asked small businesses how inflation has impacted their employee benefits programs. The majority of respondents - 58.5% - said that inflation has not impacted their employees' benefits.

IT HAS GREATLY IMPACTED MY EMPLOYEE BENEFITS

12.1%



IT HAS SOMEWHAT IMPACTED MY EMPLOYEE BENEFITS

22.8%



IT HAS NOT IMPACTED MY EMPLOYEE BENEFITS

58.5%



OTHER (PLEASE SPECIFY)

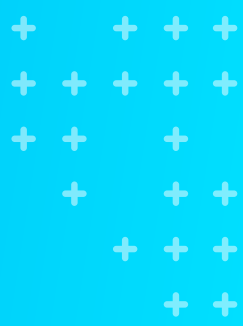
6.6%



58.5% of small businesses said inflation has not impacted employee benefits.



What have you done to keep your cost low amid high inflation?



For small businesses, the price of above average inflation can be hard to offset. We asked small businesses about their tactics for keeping costs low amid high inflation. About one-third (33.2%) of small business owners said they cut back on purchases, while others reduce services or employee hours to cut costs.

CUT BACK ON BUSINESS PURCHASES



CUT SERVICES AND/OR REDUCING INVENTORY



CUT BACK ON EMPLOYEE HOURS



THIS DOES NOT APPLY TO ME

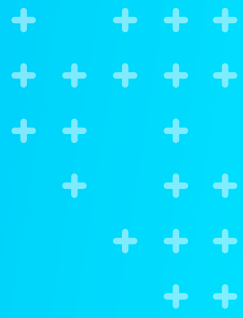


OTHER



33.2% of small business owners choose to cut back on purchases as a way to keep costs low during times of above average inflation.

What have you done to retain your customers amid high inflation?



Consumers might cut back on nonessential purchases when inflation is high, and this can also impact small businesses, particularly those in retail, dining or entertainment industries. Among the small business owners we surveyed, nearly half (46.2%) reported that customer retention is not an issue they've experienced. Offering sales and discounts to customers was a common tactic (27.1%) for those who have had to make changes to retain customers.

OFFER DISCOUNTS/SALES



EXTEND BUSINESS HOURS



SHIFT MORE CUSTOMER EXPERIENCES ONLINE



DOWNSIZE RETAIL SPACE



THIS DOES NOT APPLY TO ME

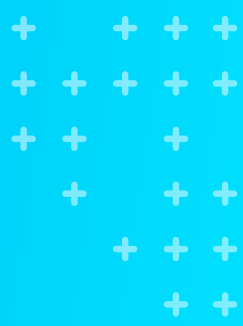


OTHER (PLEASE SPECIFY)

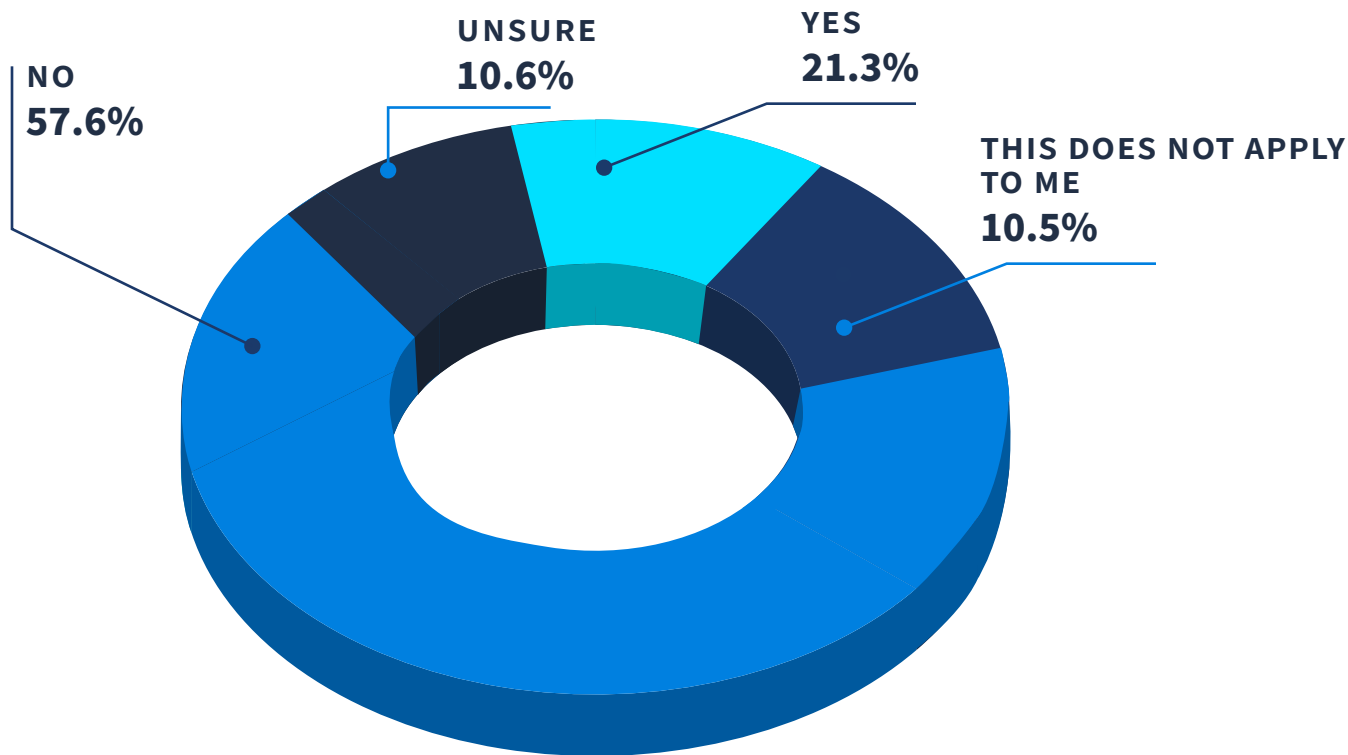


27.1% of small business owners have offered discounts or sales to help retain customers amid high inflation.

Have you considered taking out a loan to help with cash flow as inflation continues?



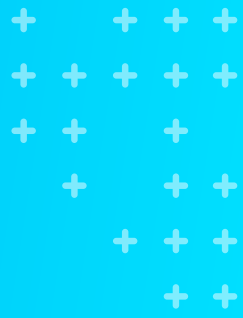
Small business owners are resilient. While many looked to loan solutions during the height of the pandemic, some may need extra financial support as above average inflation continues. About one in five small business owners we surveyed reported they have considered taking out a loan during the current period of inflation.



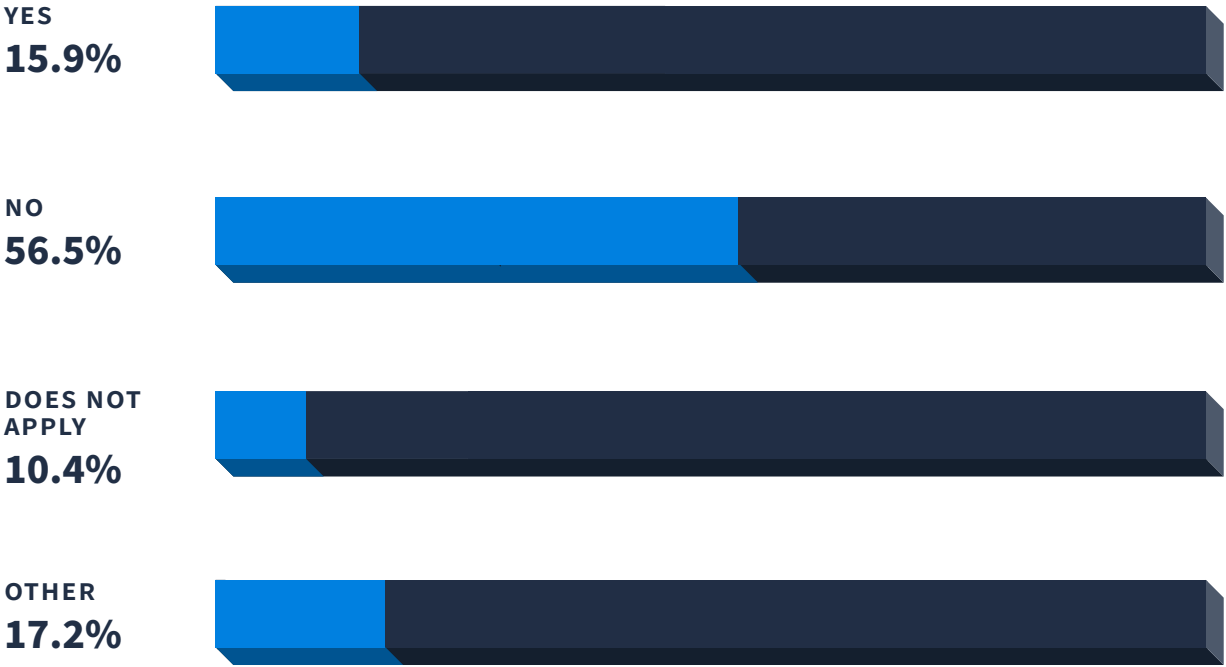
21.3% of small business owners have considered taking out a loan to help with cash flow as inflation continues.



Are you considering refinancing your debt as interest rates are expecting to rise?



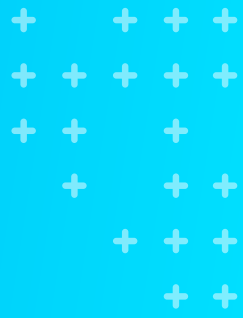
Loans are not the only financial solution small business owners have considered during these times. As interest rates rise, debt refinancing may be a strong option for some small business owners right now: Approximately 16% of small business owners reported considering this option. 10% were unsure about debt refinancing, while the majority (56.5%) are not considering refinancing.



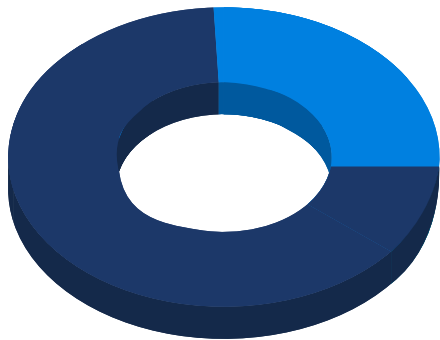
15.9% of small business owners have considered refinancing their debt ahead of an expected rise in interest rates.



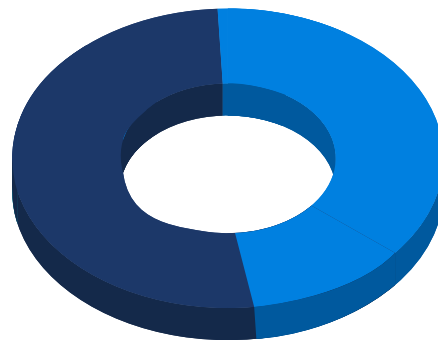
Are you concerned your business will survive during inflation?



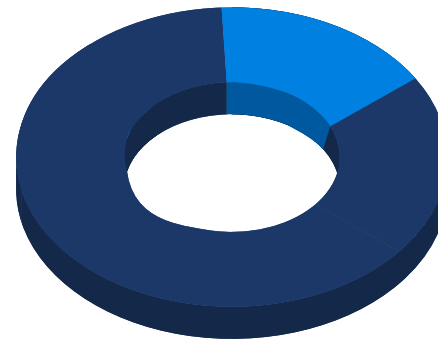
Small business owners have been through some difficult times over the past several years, but above average inflation is one new concern among many. For some, it is serious: one quarter of small business owners are concerned about whether their business will survive amid inflation. Another 19% of small business owners are unsure.



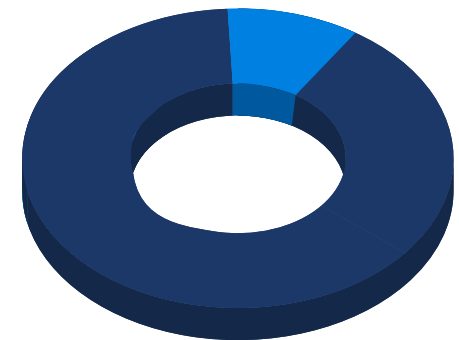
YES
25.7%



NO
44.5%



UNSURE
19.1%



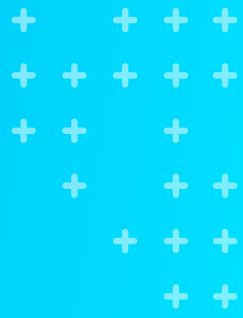
THIS DOES NOT APPLY TO ME
10.7%



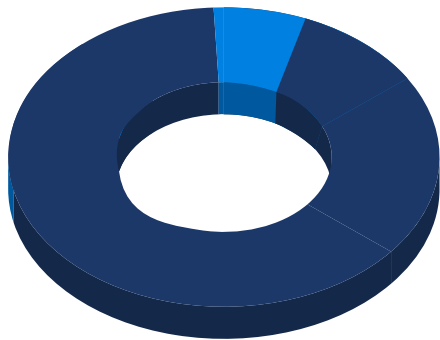
25.7% of small business owners are concerned their business will survive during inflation.



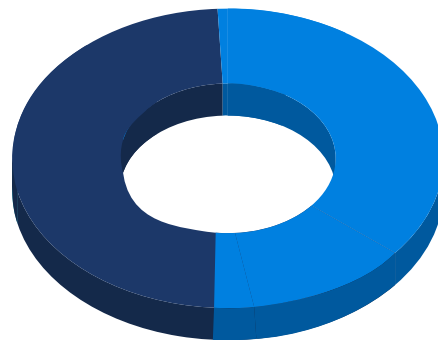
Do you think the inflation will be resolved by the end of this year?



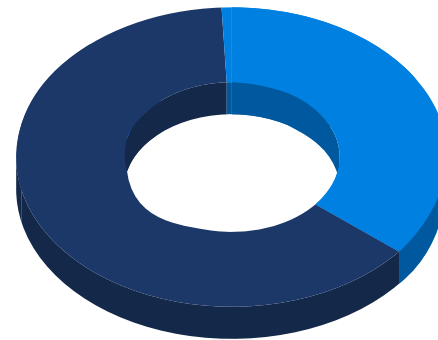
Just as supply chain issues and pandemic-era concerns have continued into 2022, small business owners expect inflation to continue to be a long-term issue. More than half (51.5%) of respondents think that inflation will not be resolved by the end of 2022. Another 30% of respondents were unsure. It will be important for consumers, financial services firms, and government agencies to continue to support small business owners during inflation, amid such pessimism and uncertainty.



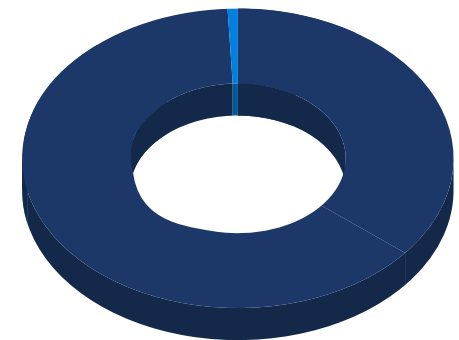
YES
11.6%



NO
51.5%



UNSURE
30.8%

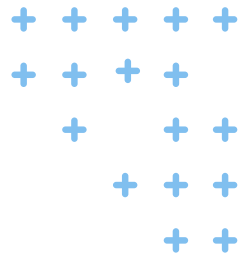


THIS DOES NOT APPLY TO ME
6.1%



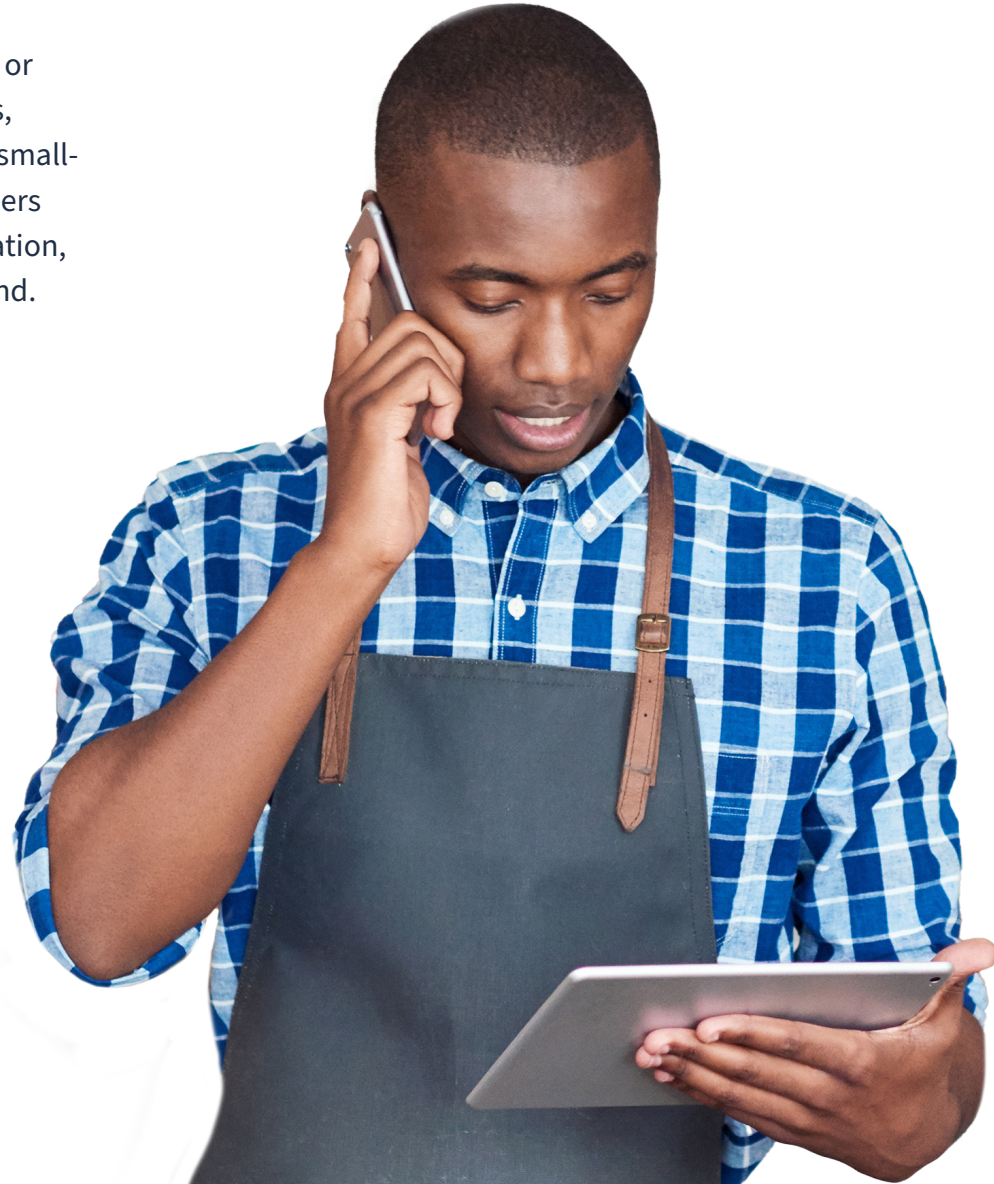
51.5% of small business owners do not think inflation will be resolved by the end of this year.



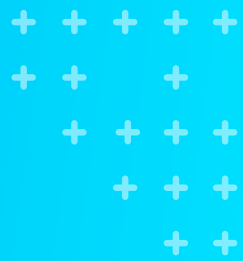


About The Small Businesses

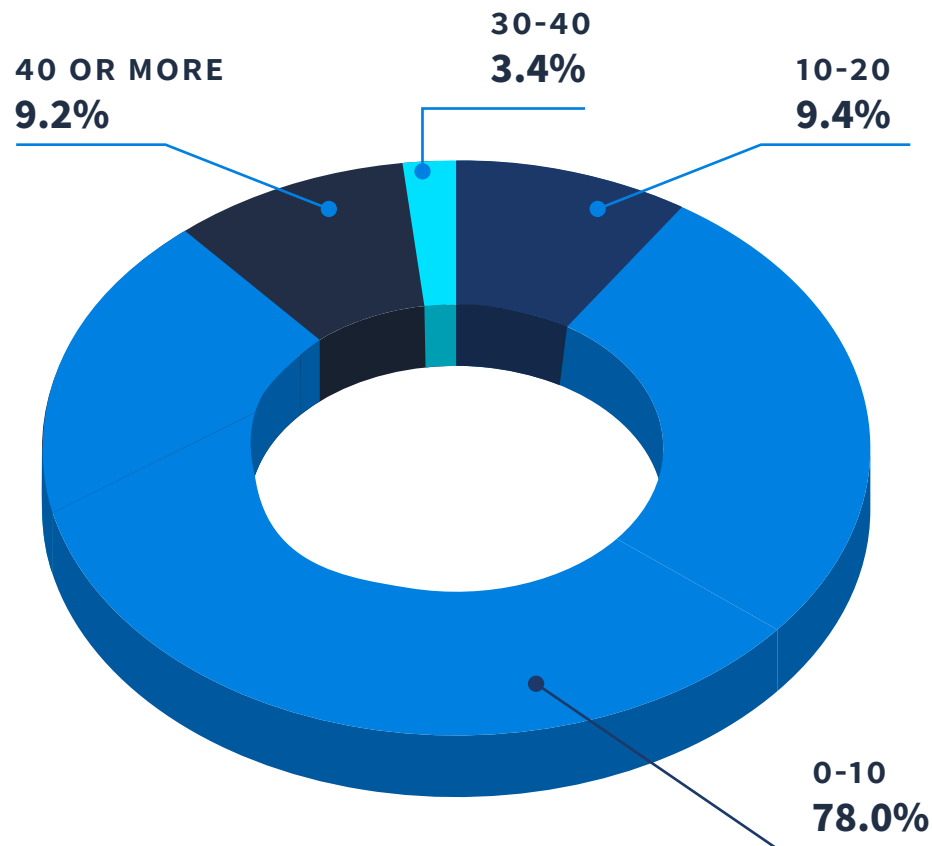
This section of the report provides some additional context on this quarter’s survey respondents. It’s important to note that a vast majority of survey respondents have 10 or fewer employees - many are individual business owners, freelancers, solopreneurs, family owned businesses, or small-but-mighty teams. This survey represents business owners in a wide range of industries, including retail, transportation, hospitality, financial services, entertainment, and beyond.



How many employees do you have?



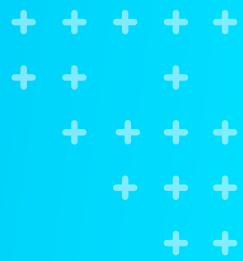
Veem surveyed 829 small business owners for its survey on inflation. The vast majority (78%) of survey respondents were business owners, freelancers, and solopreneurs with 0-10 additional employees.



78% of small business owners surveyed have 0-10 employees.



How much revenue did your company generate in 2021?



Most of the small business owners we surveyed generated \$1 million or less in revenue last year: 70% generated less than \$500,000 while 11.9% generated between \$500,000 and \$1 million. In periods of above average inflation, small business owners with tight margins can see a big change to their bottom line.

LESS THAN \$500,000

70.3%



\$500,000 - \$1 MILLION

11.9%



\$1 MILLION - \$5 MILLION

10.6%



\$5 MILLION - \$10 MILLION

2.7%



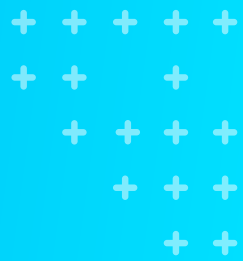
\$10 MILLION OR MORE

4.5%

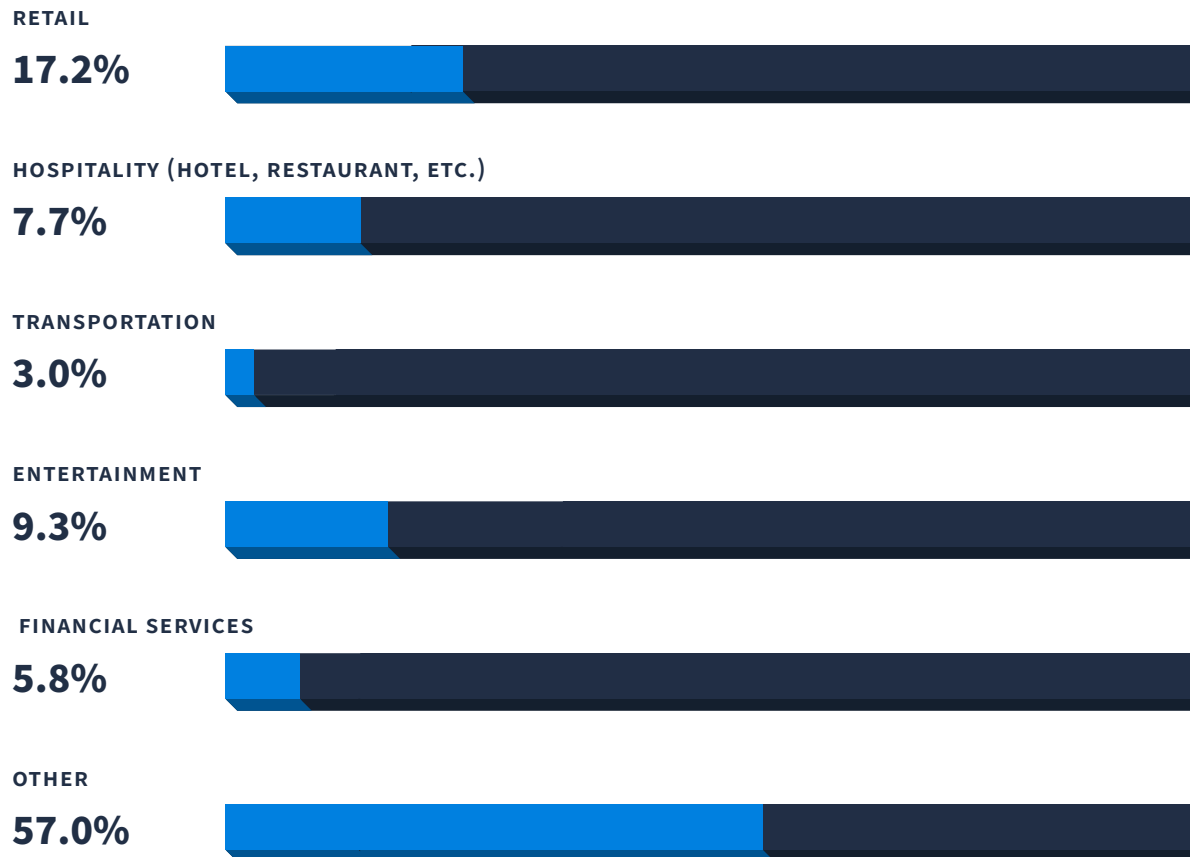


70.3% of small business owners we surveyed generated \$500,000 or less in revenue in 2021.

What industry do you work in?



Small business owners' relationship to above average inflation can look vastly different depending on their industry. Almost one in five small business owners we surveyed (17.2%) owned a retail industry business. Hospitality industry (7.7%) and entertainment (9.3%) represented other common industries for small business owners who were surveyed.



17.2% of small business owners we surveyed operate retail industry businesses.

About Veem

Veem helps businesses save time and optimize cash flow by simplifying the way they send and receive payments domestically and internationally. Trusted by more than 500,000 businesses in over 100 countries, Veem un-complicates the end-to-end AP/AR process with seamless integrations to leading accounting software, real-time tracking on payments and cost-effective, flexible payment options. Now businesses have the power to pay how they prefer and eliminate friction with customers to get paid faster. Veem is headquartered in San Francisco, California—for more information visit veem.com

