

Risk & Resilience: Small Business Owners in the Wake of the Pandemic

September 2022

NFM-22374AO



REIMAGINE MAIN STREET



Small businesses and their workers must rebound from the COVID-19 crisis so that communities thrive and the benefits ripple throughout the economy. We are a multi-stakeholder, cross-sector initiative focused on advancing and uplifting innovative solutions via dialogue and data to ensure that MLK Boulevards, Cesar Chavez Ways, Chinatowns and Main Streets are at the center of our recovery.

Reimagine Main Street is a project of the Public Private Strategies Institute.

Survey Partners



Context for this Survey

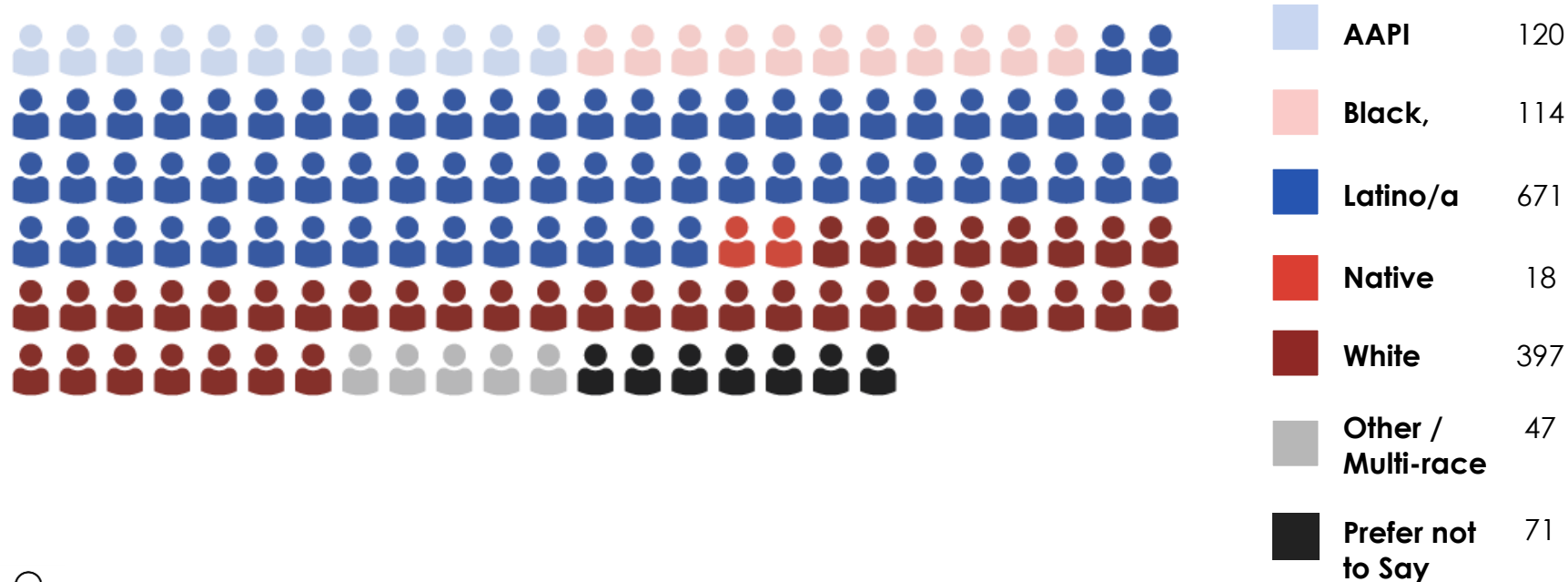
- The last two years have taken a tremendous toll on small businesses and challenges persist for many entrepreneurs. The impact of COVID-19 pandemic highlighted the need for small businesses to be resilient in the face of future shocks.
- Against this backdrop, we sought to better understand the outlook of small employers how they are responding to current challenges, and planning for future risks.
- In collaboration with the United States Hispanic Chamber of Commerce (USHCC) and Nationwide, Reimagine Main Street fielded a national survey of small employers from June 9 - July 6 , 2022.

Executive Summary

- Small employers are optimistic about the future of their businesses in spite of negative effects of COVID-19 on their performance. Most report that business is stable or improving and almost half expect revenue growth in the next six months.
- In spite of this optimism, small employers were hard hit by the pandemic and are still experiencing headwinds including soft demand, increased input costs, the effects of higher interest rates, supply chain disruptions, and a tight labor market.
- To date, most small employers have focused on strengthening their finances to prepare for future shocks. Opportunities exist for additional actions to focus on risk management.

Large and Diverse Sample of Small Employers

$n = 1,438$



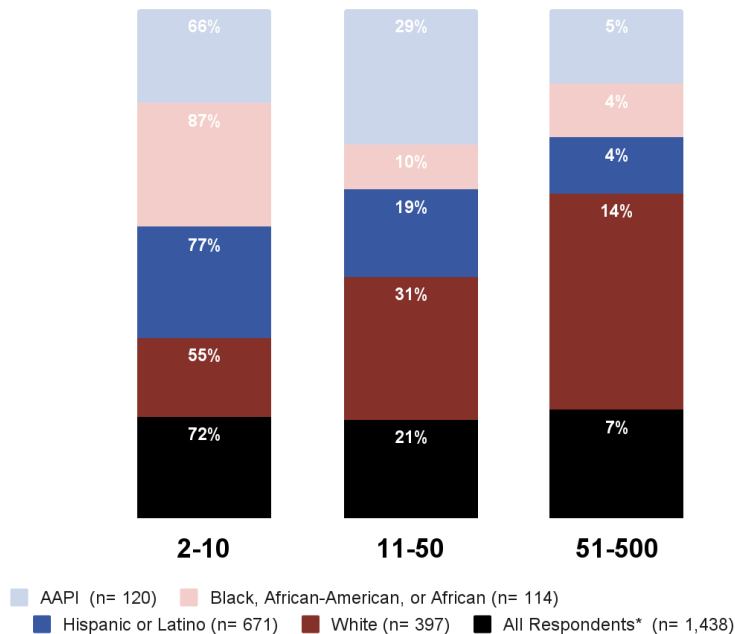
 = 10 Small Business Owners

Sample Overview

Distribution by Number of Employees

% of respondents

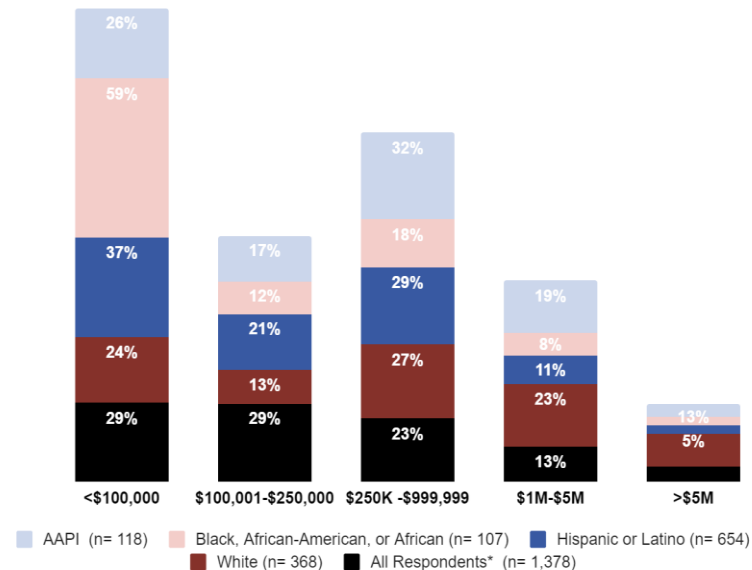
n= 1,438



Distribution by 2021 Revenue

% of respondents

n= 1,378*

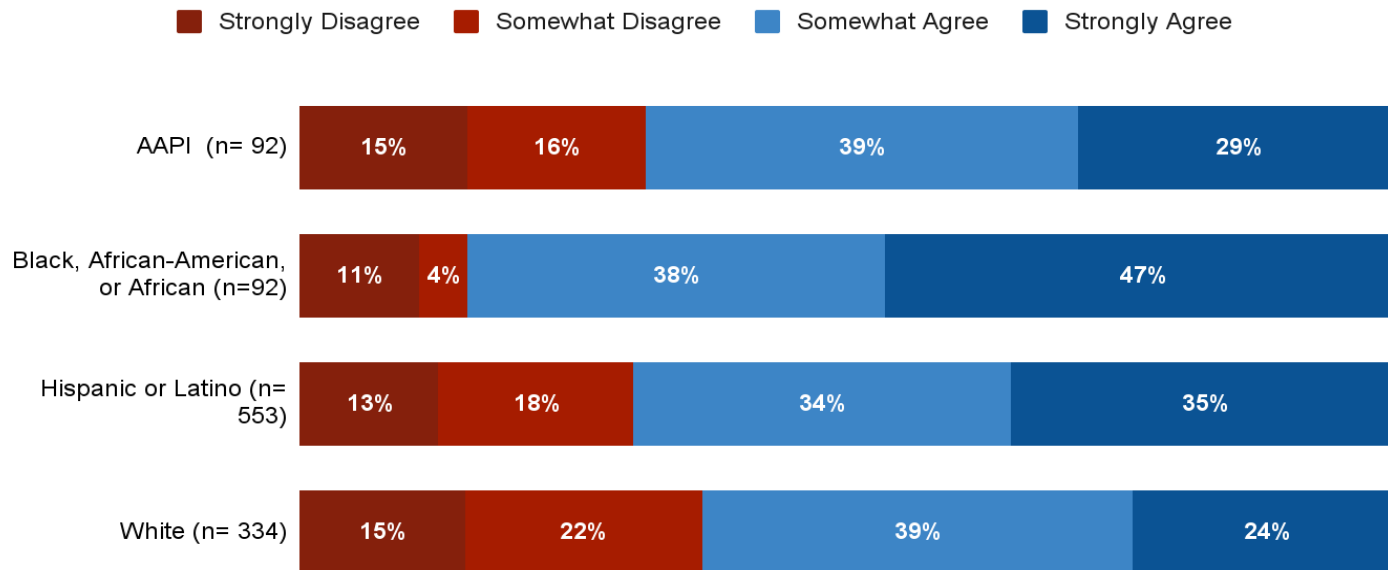


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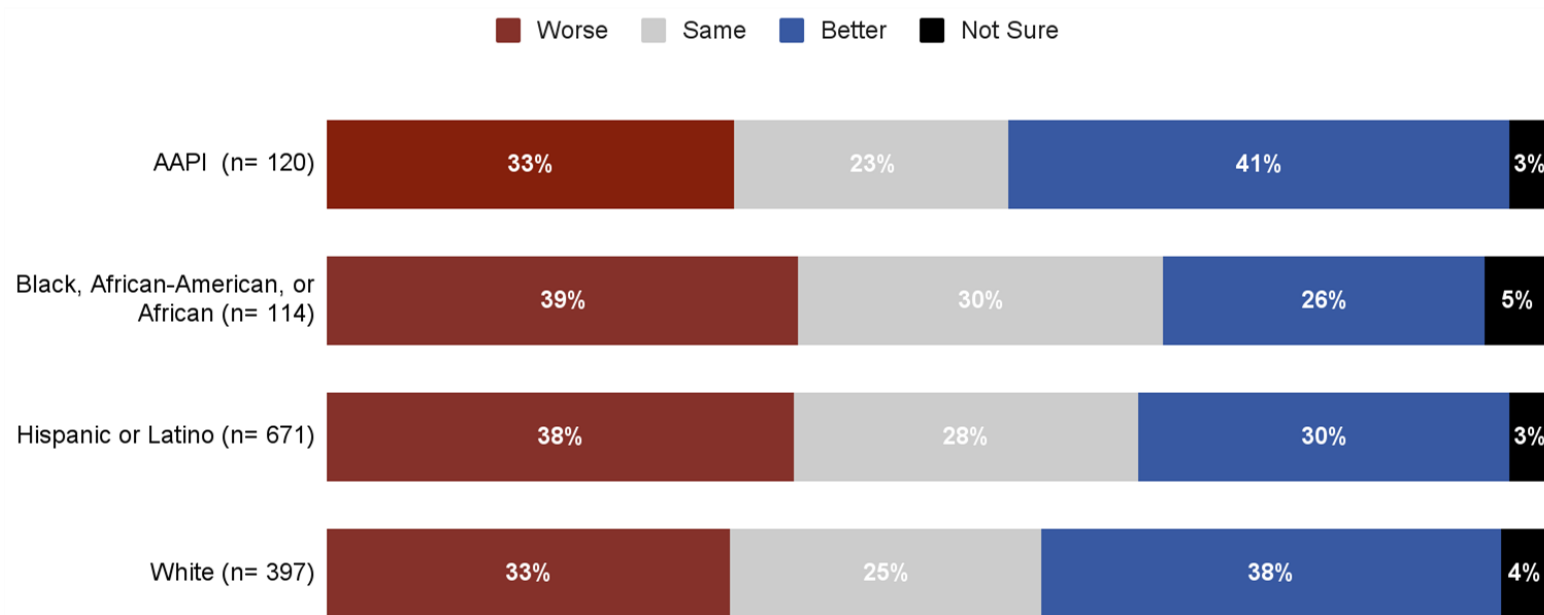
Most Small Employers are Optimistic About the Future of Their Businesses

*Extent of agreement with the statement, "I am optimistic about the future of my business."
% of respondents who expressed an opinion*



More than Half of Small Employers Say Business is the Same or Better Today vs One Year Ago

% of respondents
n=1,438

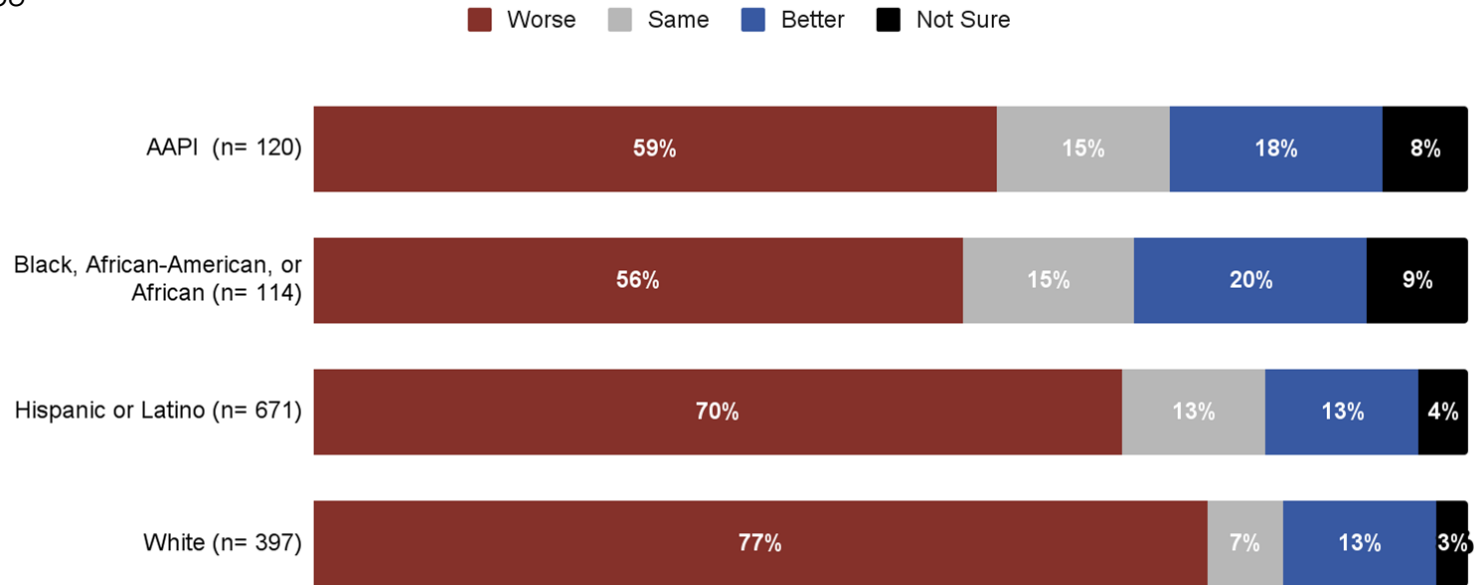


Small Employers are Maintaining Optimism Even Though the Economy is Doing Worse

"How do you think the economy is doing today compared to this time last year?"

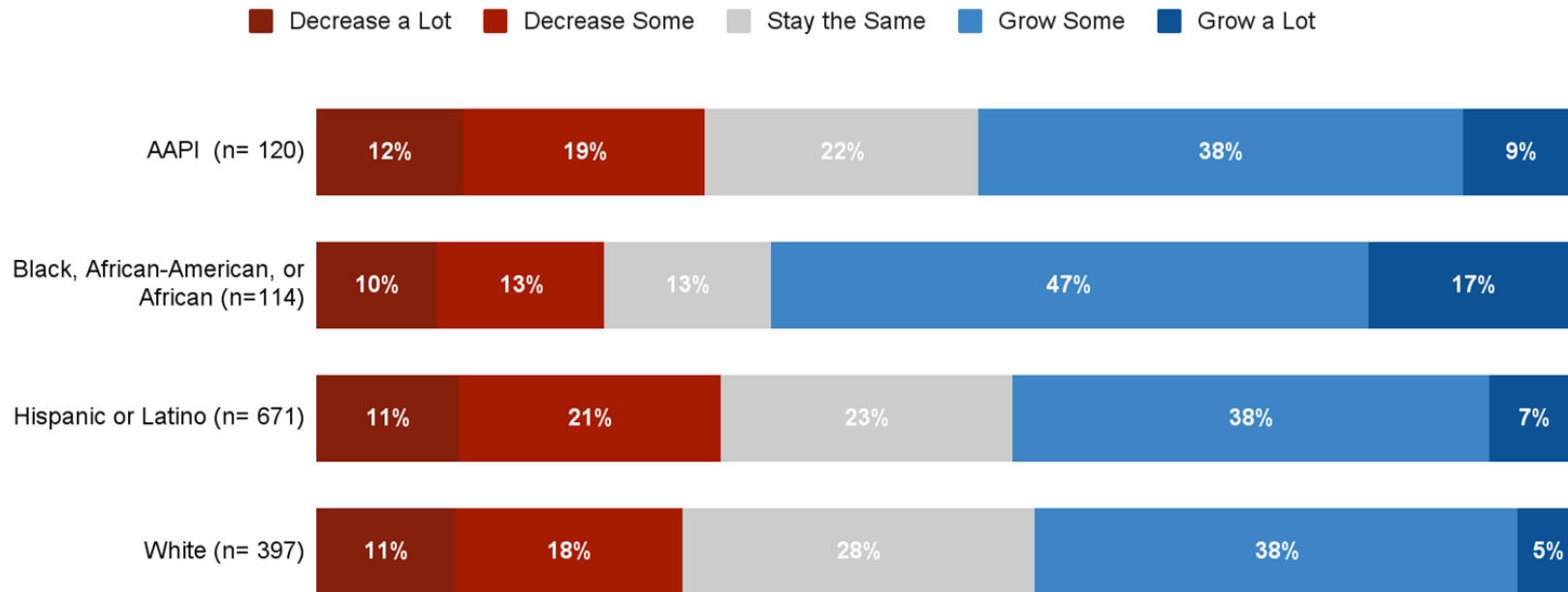
% of respondents

n=1,438



Most Small Employers Expect Some Revenue Growth in Next 6 Months

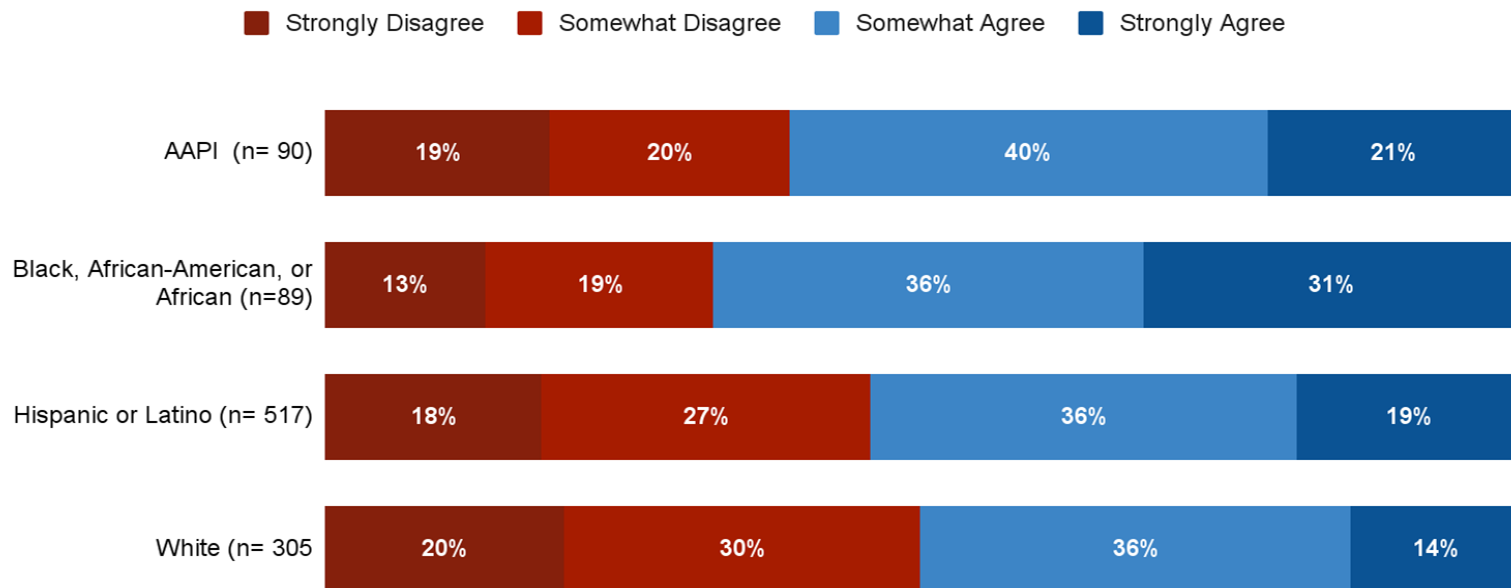
Revenue expectations for next 6 months
% of respondents



Respondents Are Somewhat Confident They Will Achieve Their Annual Revenue Targets

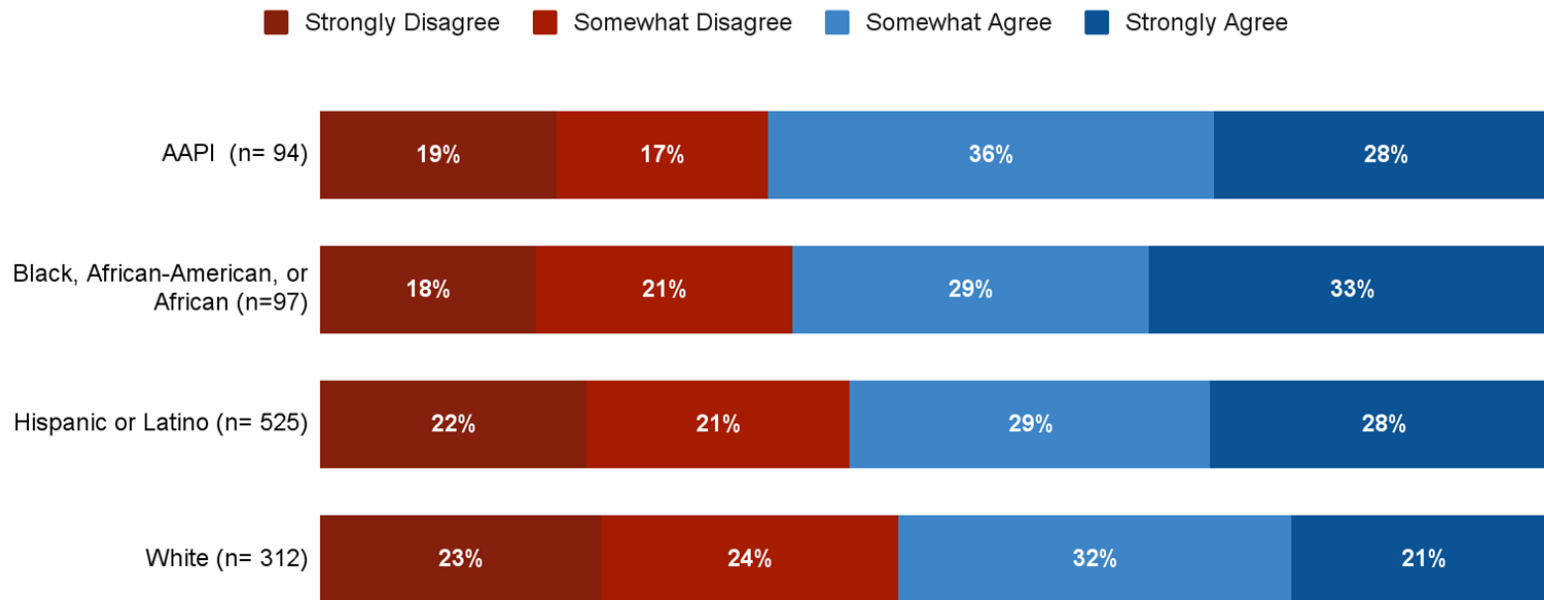
Extent of agreement with the statement, "I am confident that my business will achieve the revenue goals and targets I have set for the year."

% of respondents who expressed an opinion



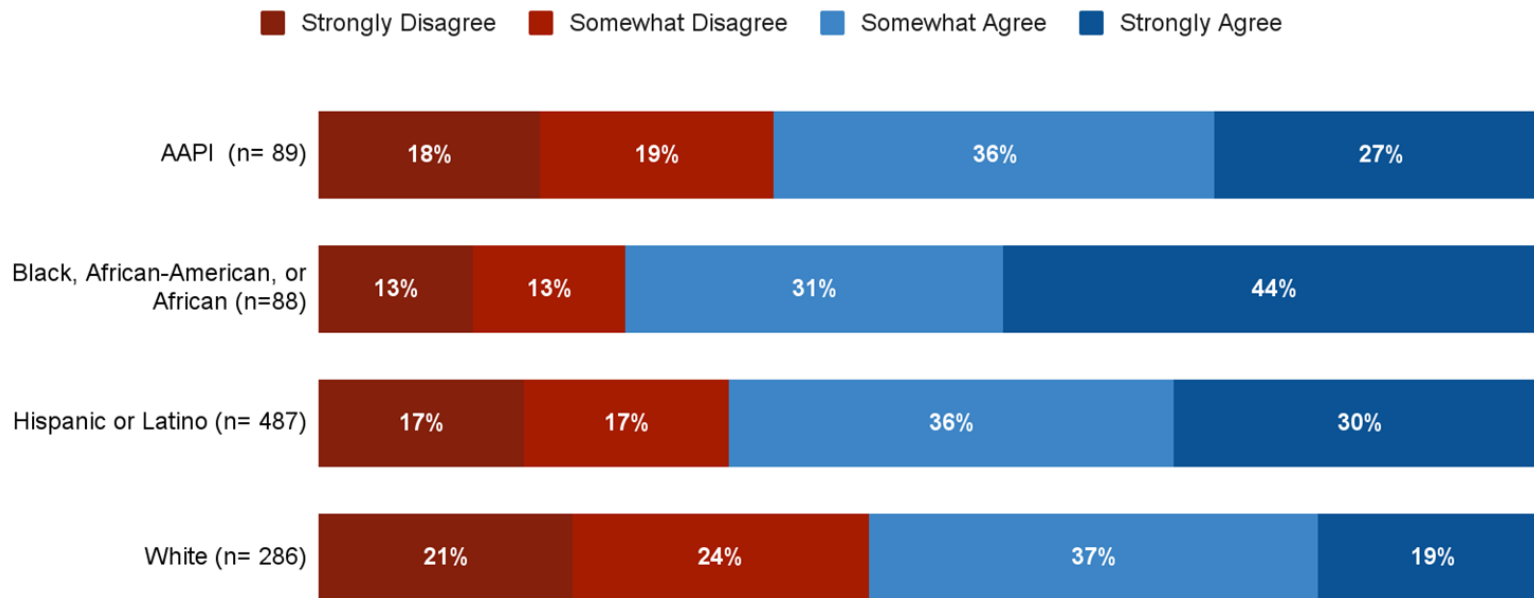
Respondents Are Somewhat Confident that Business Performance This Year Will Be Stronger Than Last

Extent of agreement with the statement, "My business performance will be stronger this year than it was last year."
% of respondents who expressed an opinion



Respondents Also Show Confidence That Business Performance Will Be Strong Going Into Next Year

Extent of agreement with the statement, "My business performance will be strong going into next year (2023)."
% of respondents who expressed an opinion

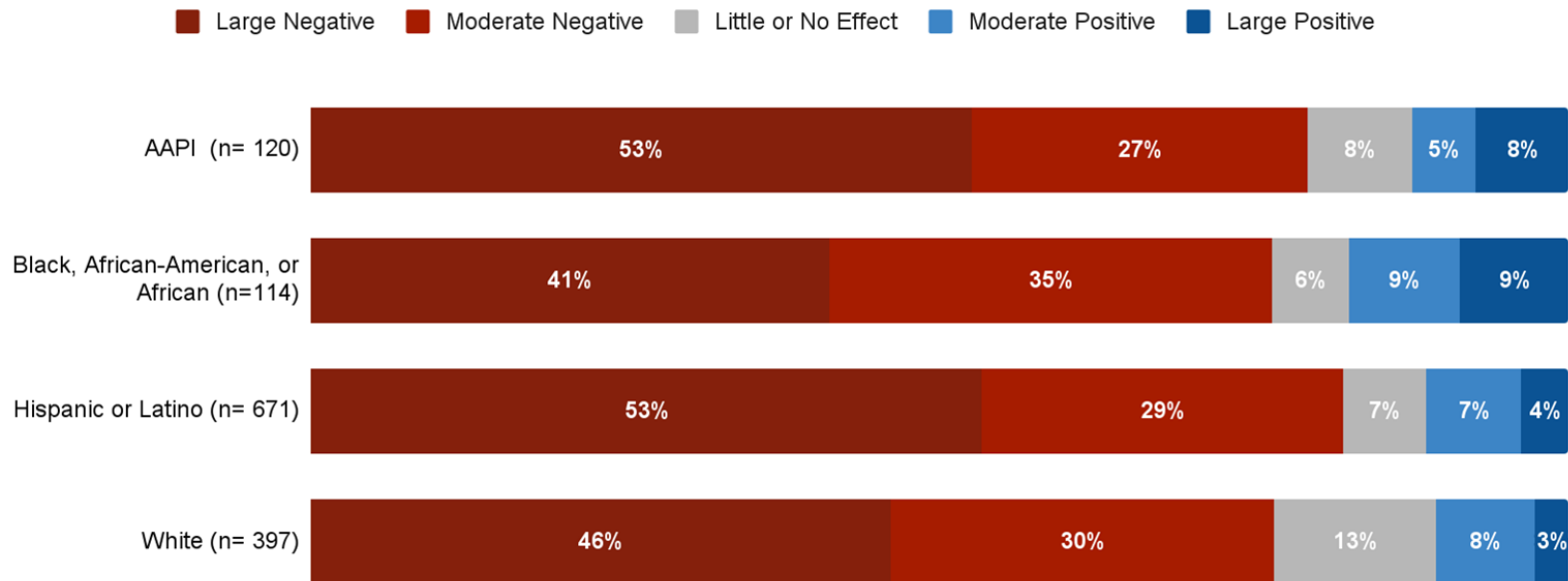


Executive Summary

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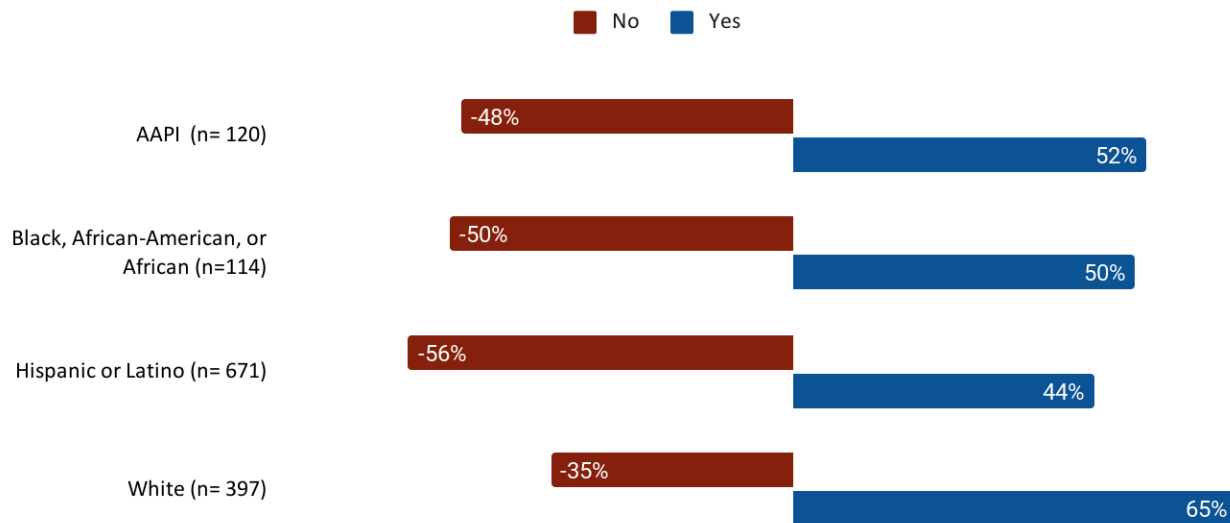
Small Employers Report Having Been Hit Hard by COVID-19

Impact of COVID-19 on business overall
% of respondents



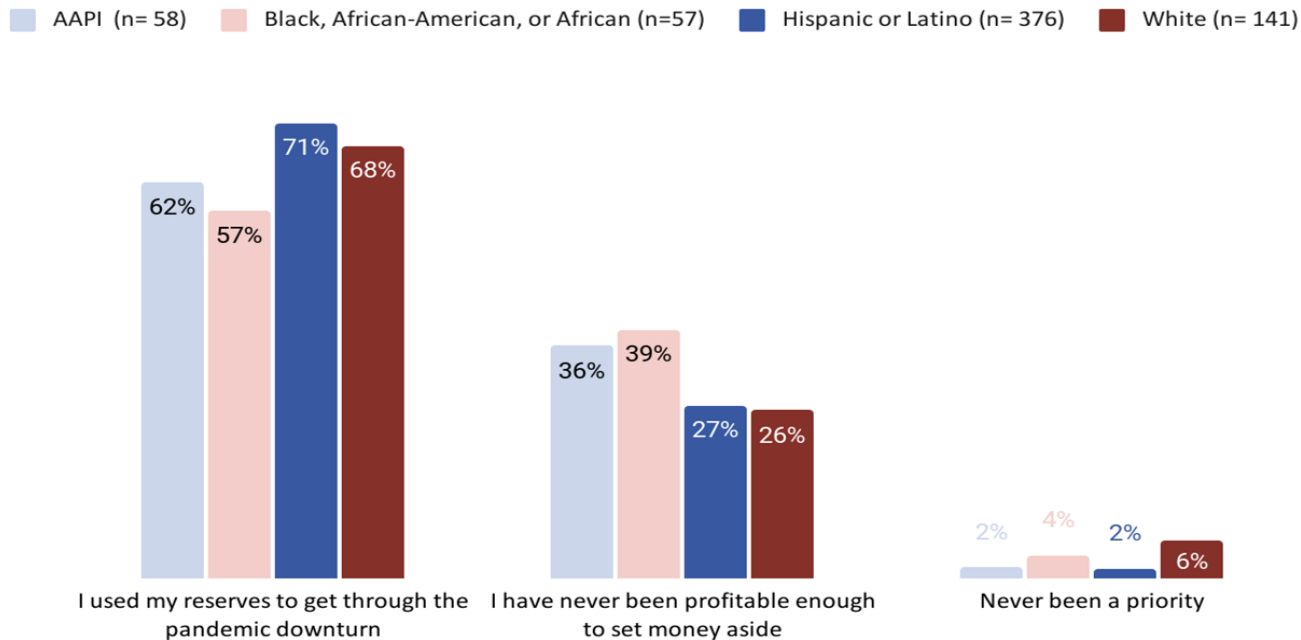
Many Small Employers Lack Cash Reserves

Share of respondents with/without cash reserves



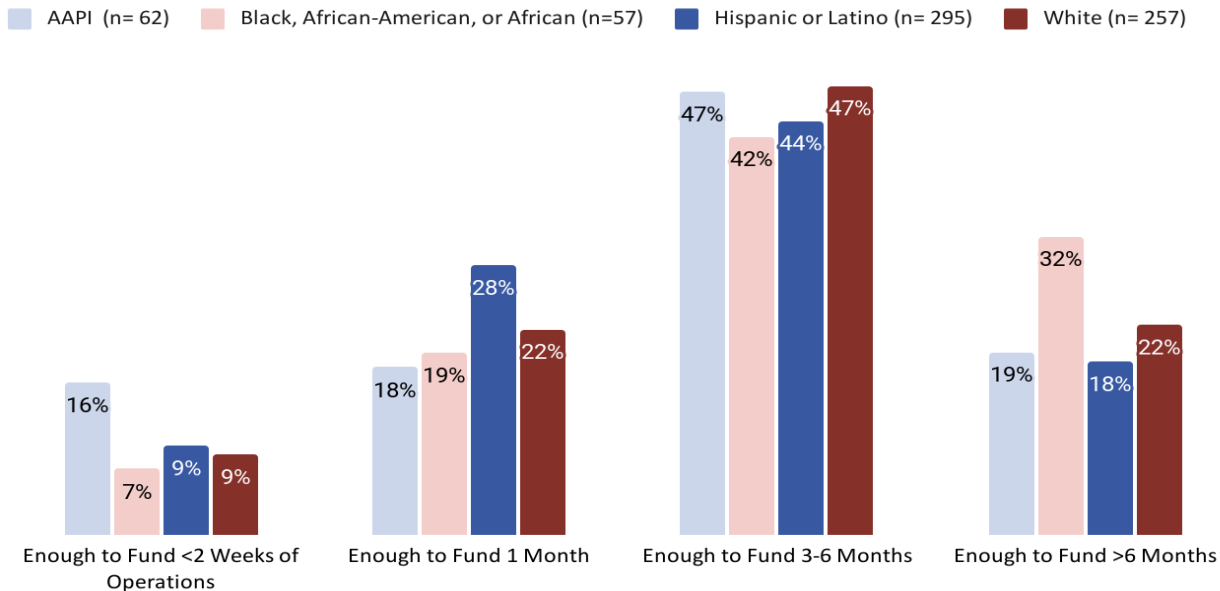
Pandemic Wiped Out Cash Reserves for Many Small Employers

Share of respondents that reported they lack cash reserves for the business



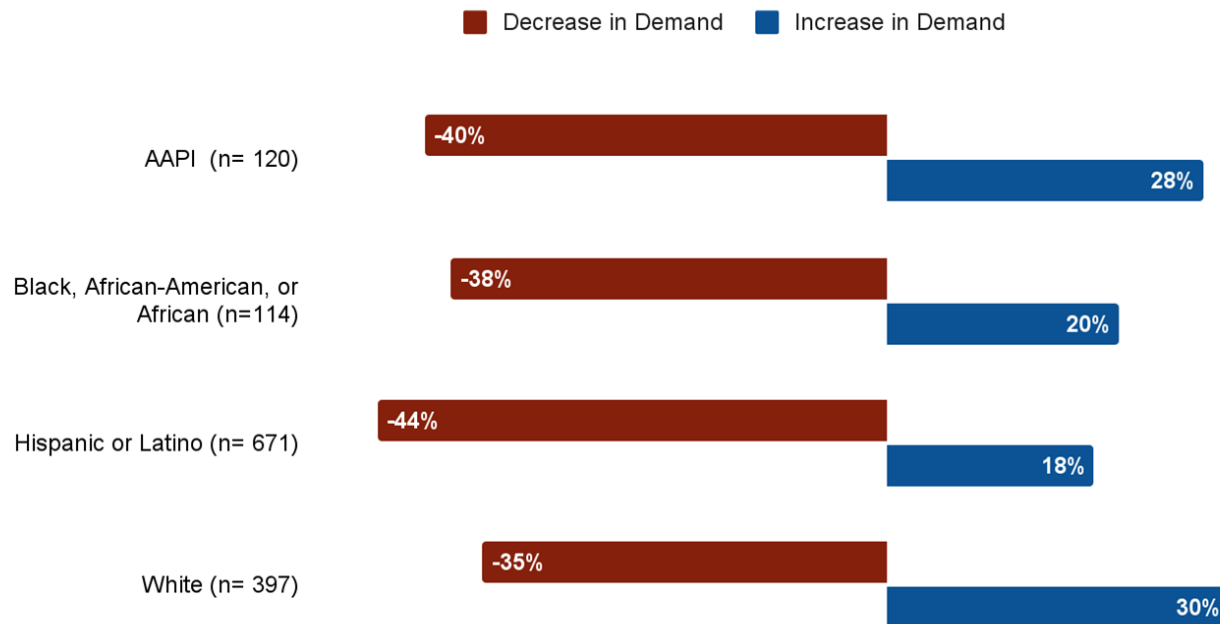
Of Small Employers with Cash Reserves, Most Can Fund at Least 3 Months

Share of respondents that reported having some cash reserves



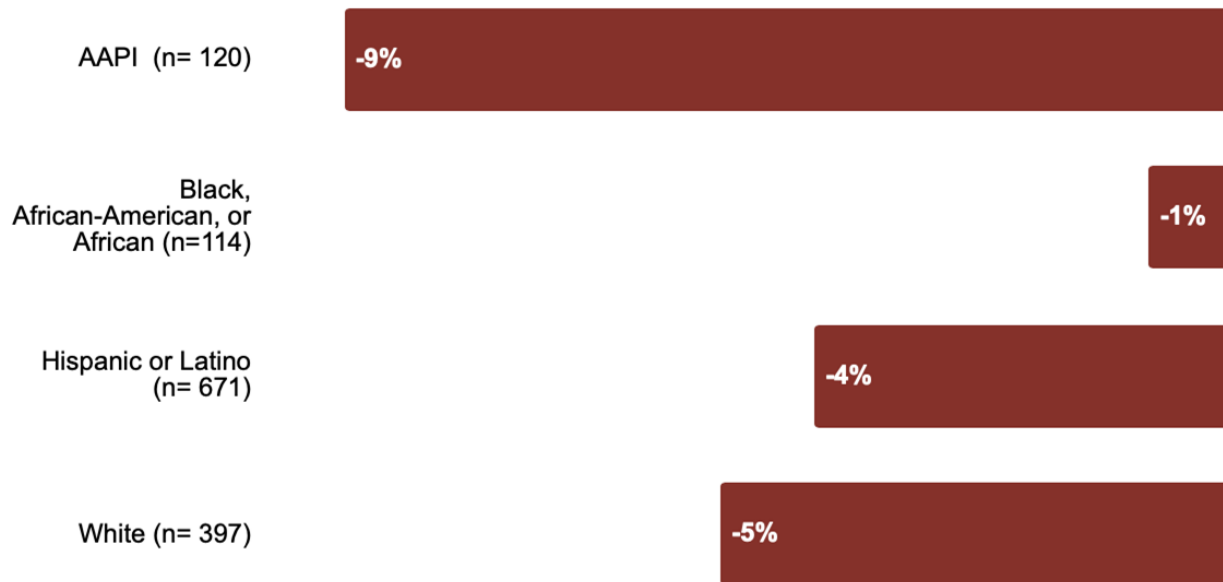
More Small Employers Report Decreased Demand than Demand Growth

% of respondents who experienced decrease / increase in demand



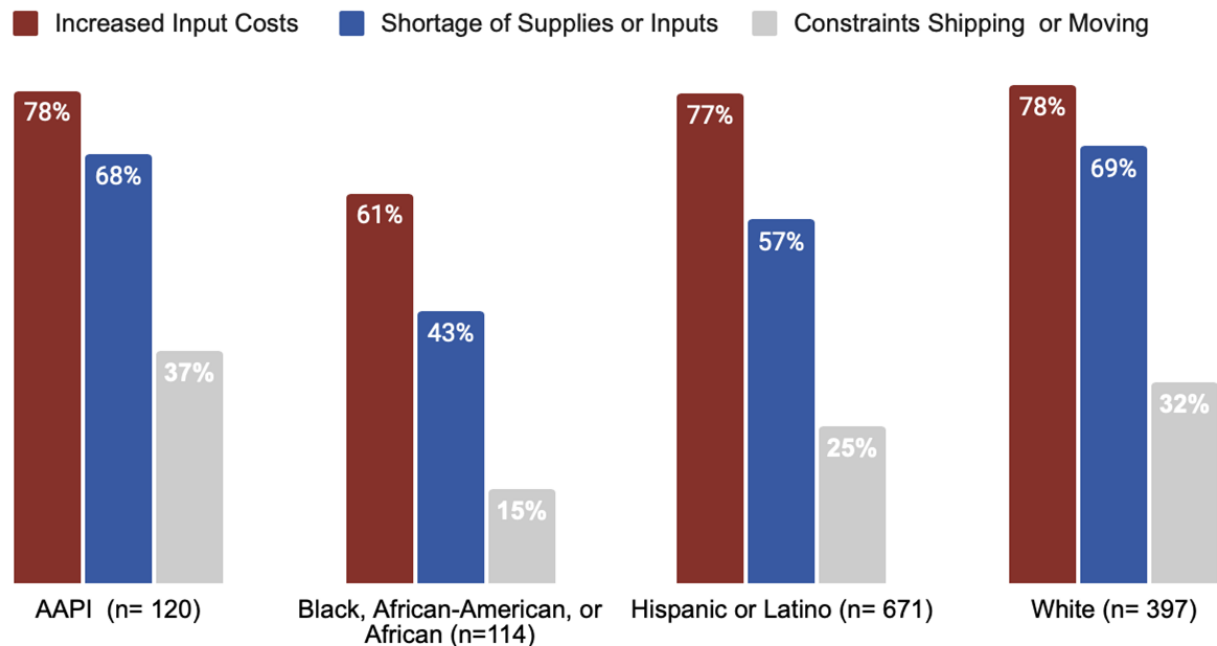
Most Small Employers Closed More Locations than Opened in the Last Year

*Net Change in Open Locations
% of respondents*



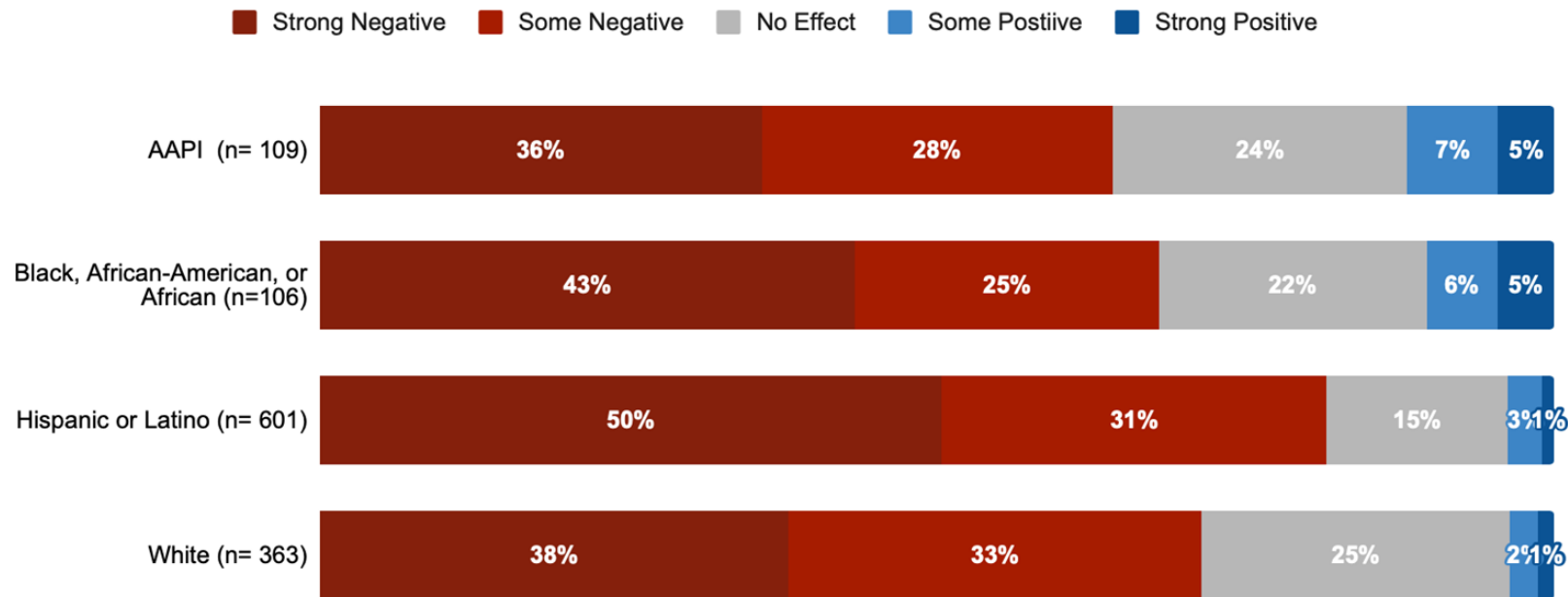
Most Small Employers Hit by Increased Input Costs

% of respondents who experienced



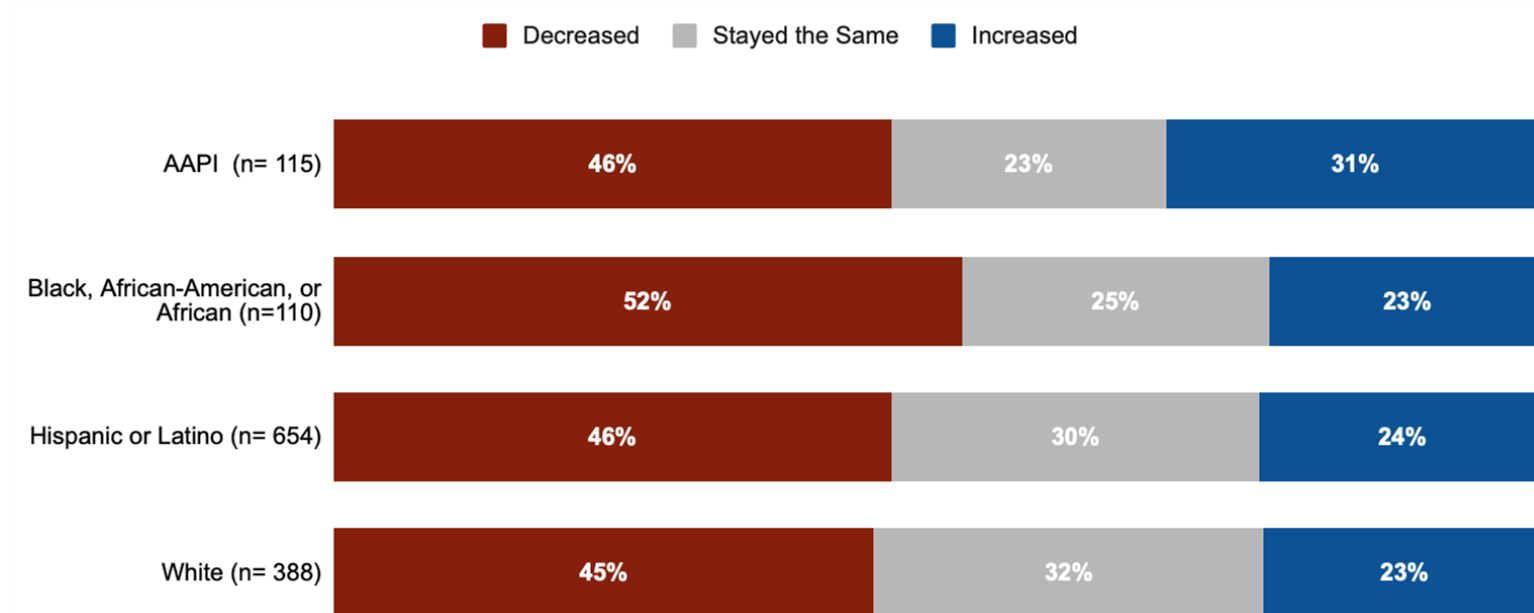
Small Employers Expect Negative Impact from Higher Interest Rates

*Expected impact on small business of increased interest rates**



Small Employers Shed Jobs During Pandemic

Change in employment compared to January 2020 (pre-pandemic)



Small Employers Are Seeking to Grow Their Workforces

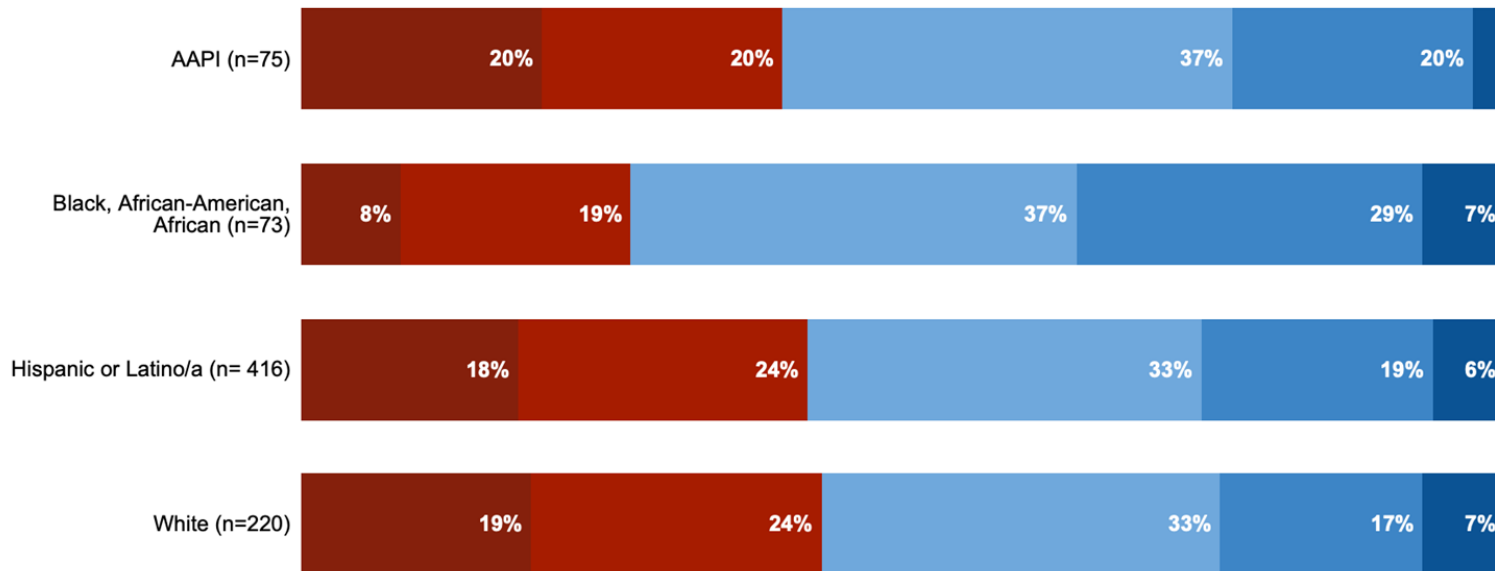
Share of respondents who reported they are actively seeking to grow their workforce



Small Employers Looking to Hire Express Some Confidence They Will Hire This Quarter

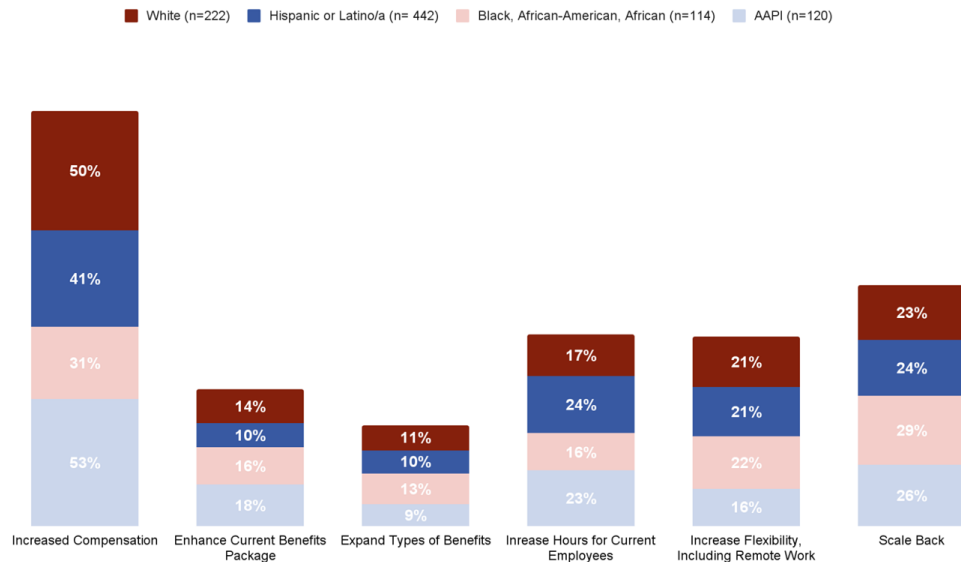
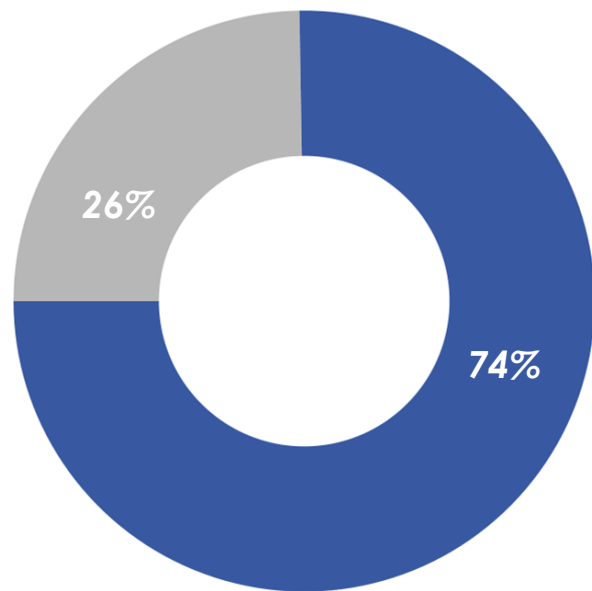
Confidence that business will hiring will happen this quarter

■ Not at all Confident ■ Not So Confident ■ Somewhat Confident ■ Very Confident ■ Extremely Confident



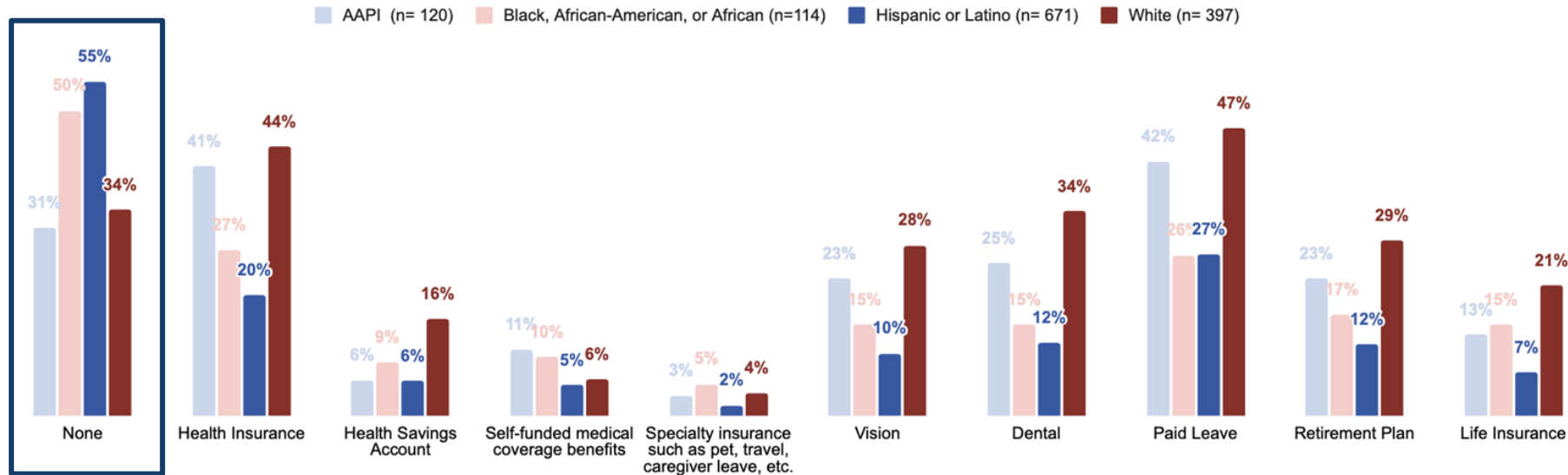
Increasing Compensation is Most Common Response to Hiring Needs

Share of respondents who have made changes in response to labor market challenges



Few Small Employers Offer Robust Benefits and Many Offer No Benefits at All

Benefits Offered
Share of Respondents



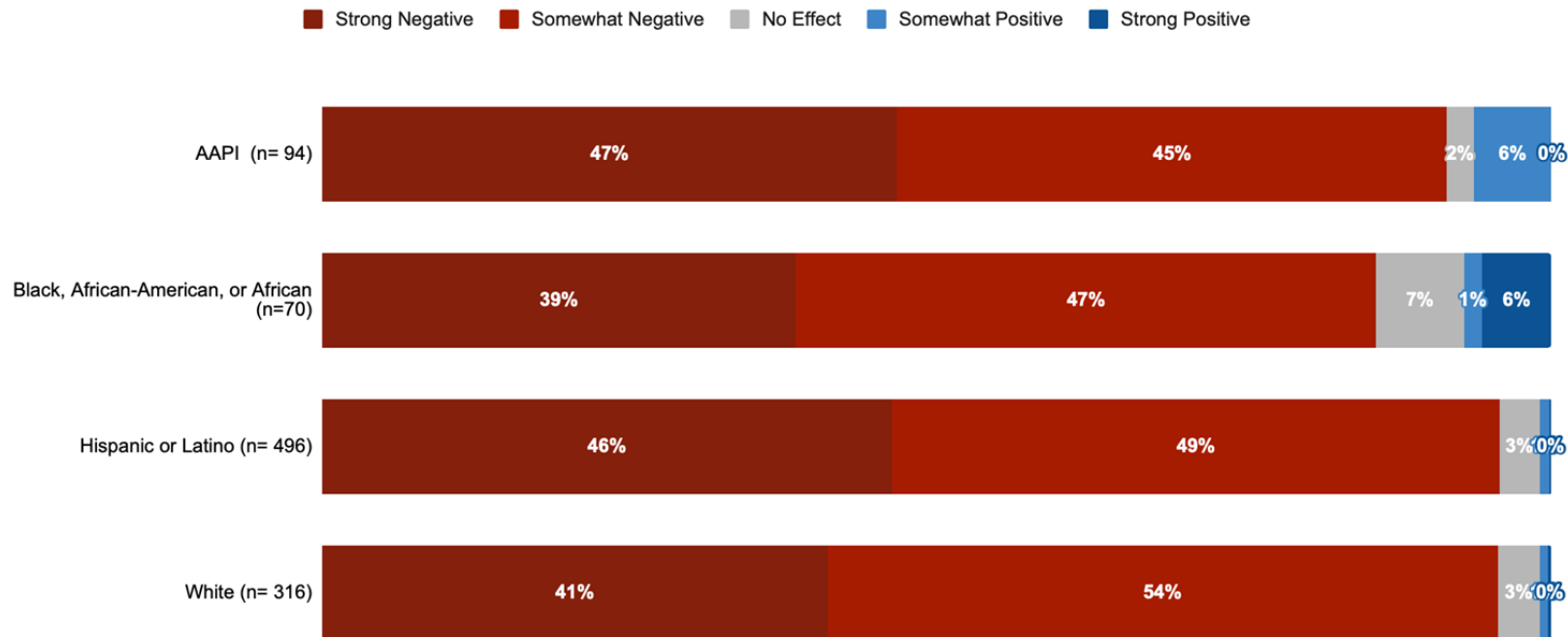
Most Small Employers Reported Supply Chain Delays & Interruptions Last Quarter

Share of respondents who reported they have experienced supply chain delays or disruptions in the last quarter



Supply Chain Disruptions Have Had Strong Negative Effect on all Small Employers

Effect on revenue of supply chain disruptions among respondents who experienced disruptions



Executive Summary

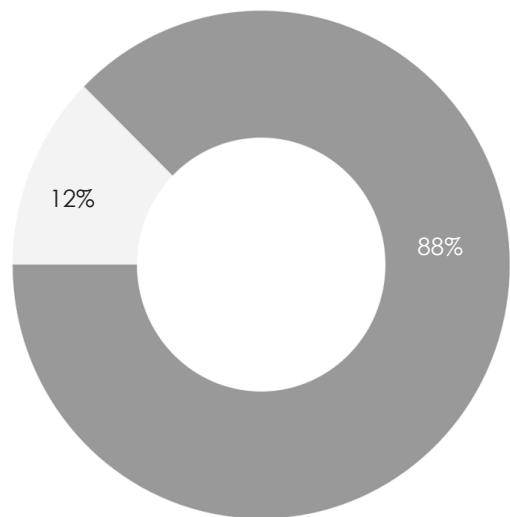
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Small Employers Seek to Prepare for Future Shocks by Strengthening Financial Position

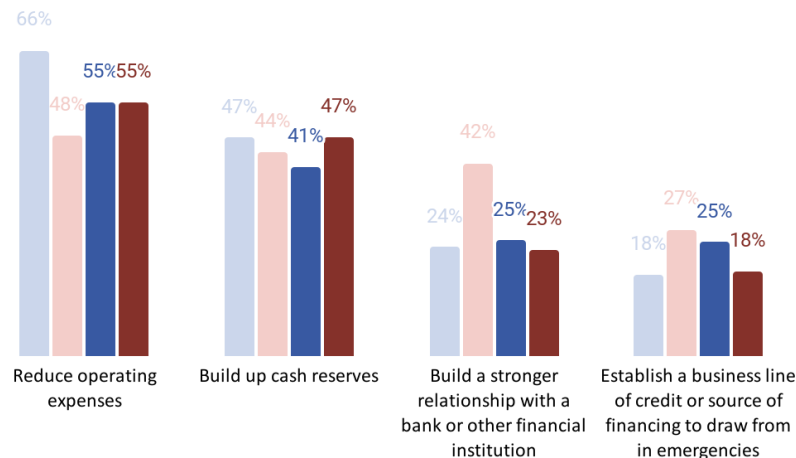
Share of respondents who have taken each action

 Made changes to prepare for future shocks

 No Changes



 AAPI (n= 85)  Black, African-American, or African (n=84)  Hispanic or Latino (n= 496)
 White (n= 256)



Source: Nationwide, United States Hispanic Chamber of Commerce (USHCC), and Reimagine Main Street, "Risk & Resilience" (July 2022)
 Q21: What changes have you made to your business to prepare for future shocks and risks? (Select all that apply)

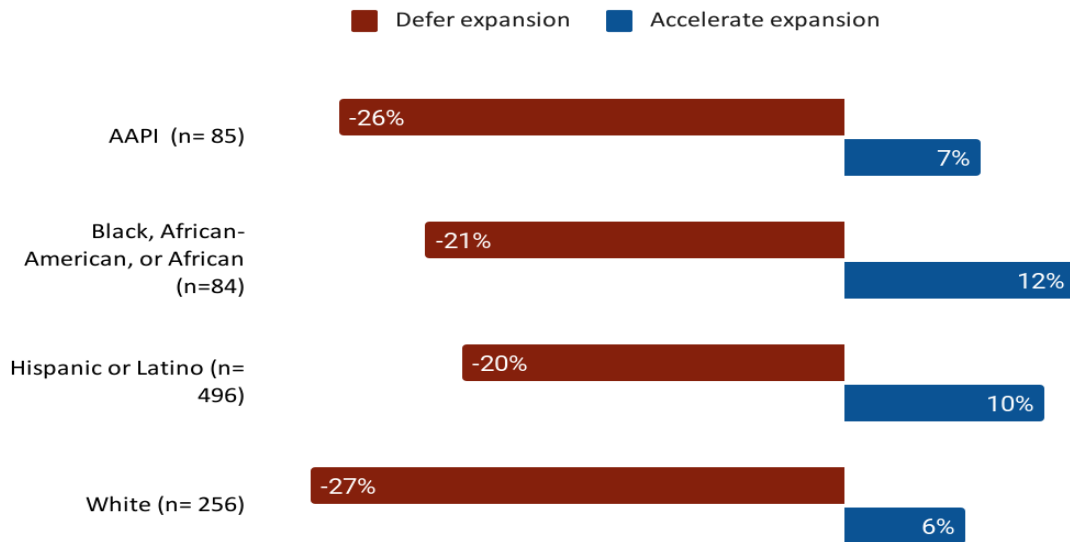
Some Small Employers Diversified Revenue Streams as Part of Preparing for Future Shocks

Share of respondents who have diversified revenue streams to prepare for future shocks and risks



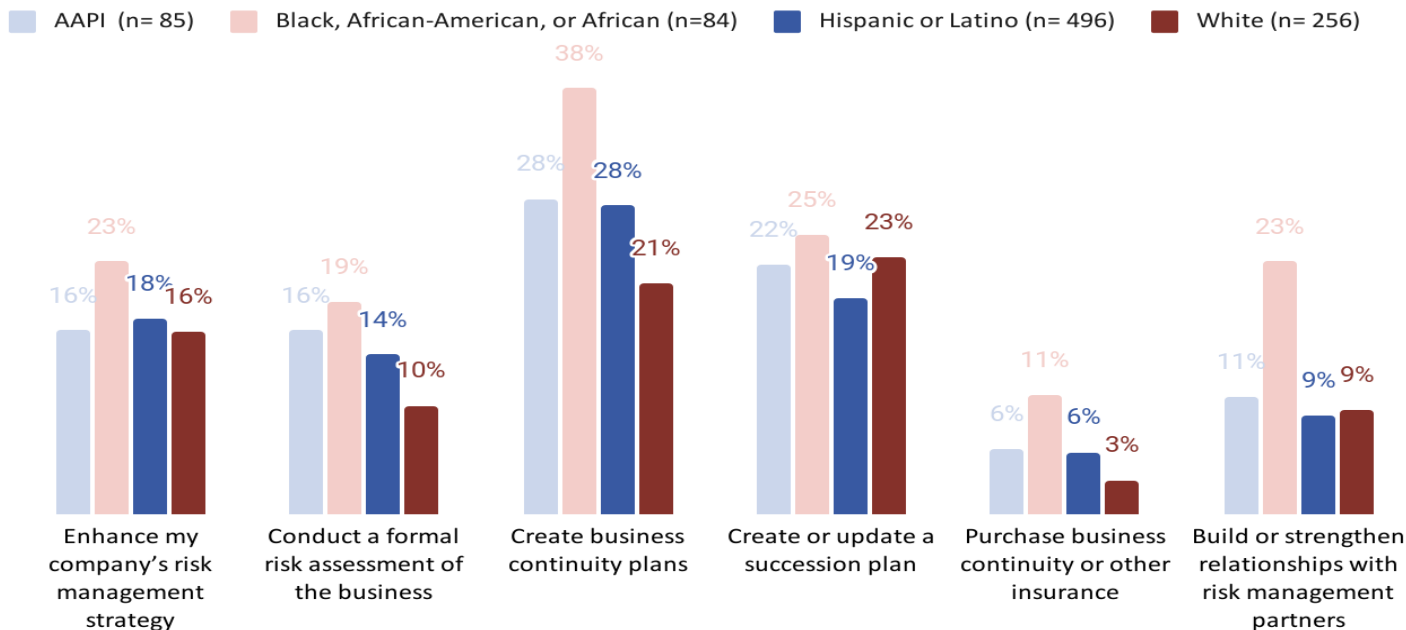
Some Small Employers Deferred Expansion to Prepare for Future Shocks and Risks

Share of respondents who have taken each action



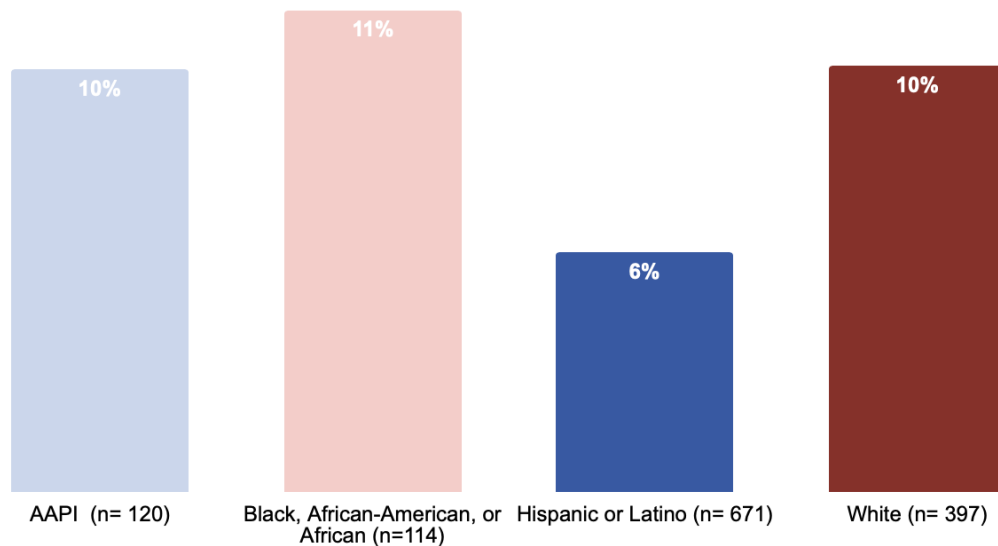
Opportunities for Small Employers to Increase Focus on Risk Management as Part of Preparing for Future Shocks

Share of respondents who have taken each risk management action to prepare for future shocks and risks



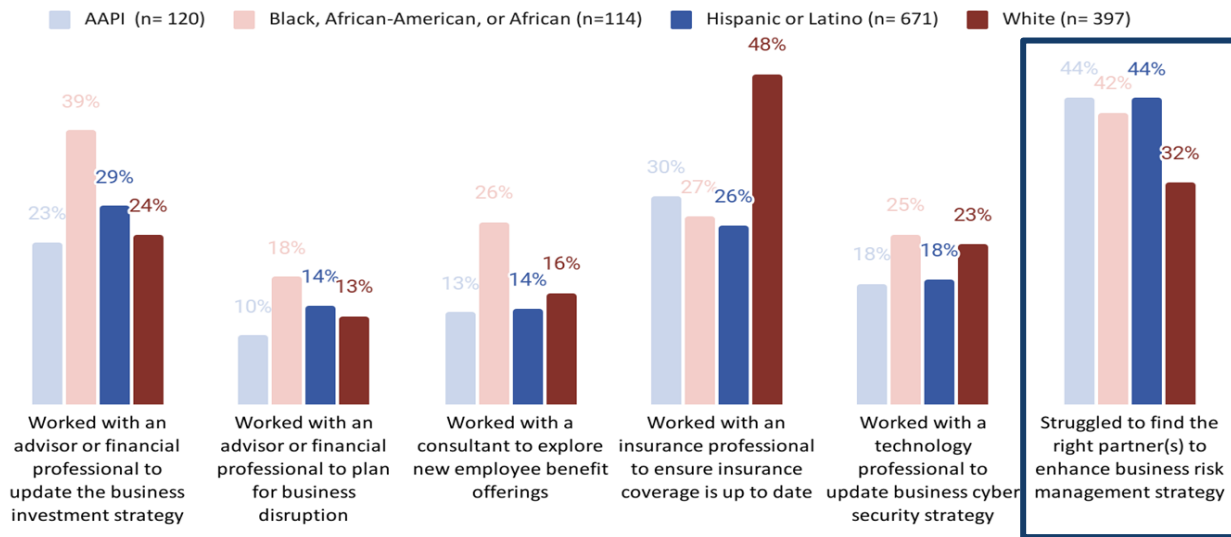
Most Small Employers Are Open to Guidance About Improving Resilience

Likelihood of NOT seeking guidance about making the business more resilient
Share of respondents



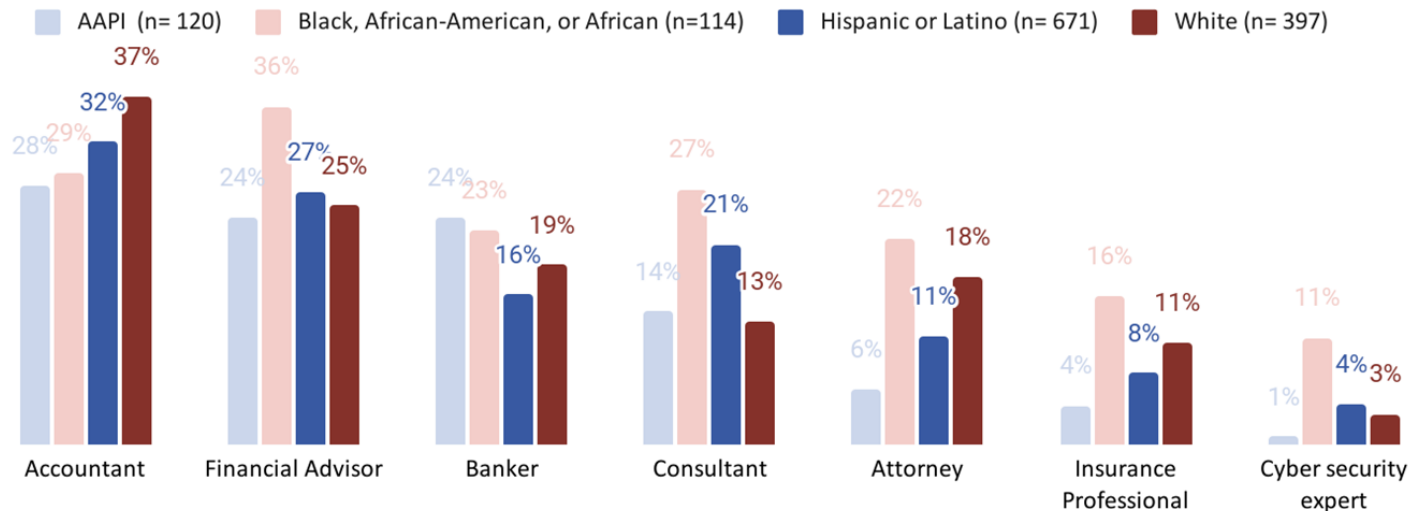
Small Employers Report Struggle to Find Right Partner(s) to Enhance Risk Management Strategy

Sources of Strategic Advice
Share of Respondents



Among Experts, Small Employers Most Likely to Turn to Financial Advisors and Accountants

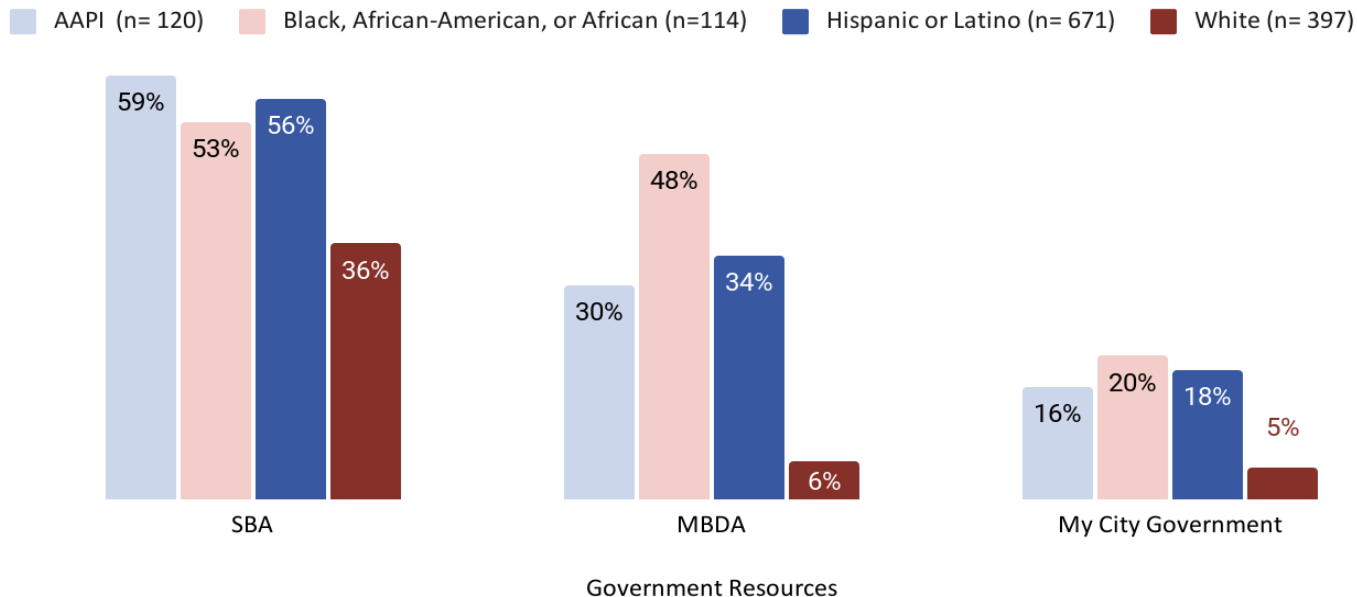
Likelihood of turning to each type of expert for guidance about resilience
Share of respondents



Advice from Professionals

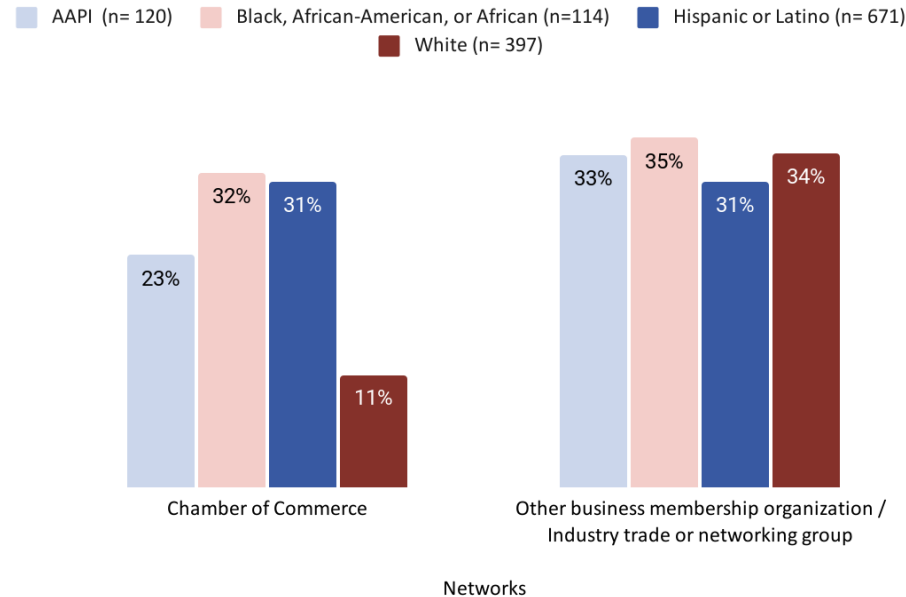
Small Employers Most Likely to Turn to SBA for Guidance on Resilience

Likelihood of seeking guidance from government resources to make the business more resilient
Share of respondents



Opportunity to Grow the Reach of Chambers and Industry Networks

Likelihood of turning to networks for guidance about resilience
Share of respondents



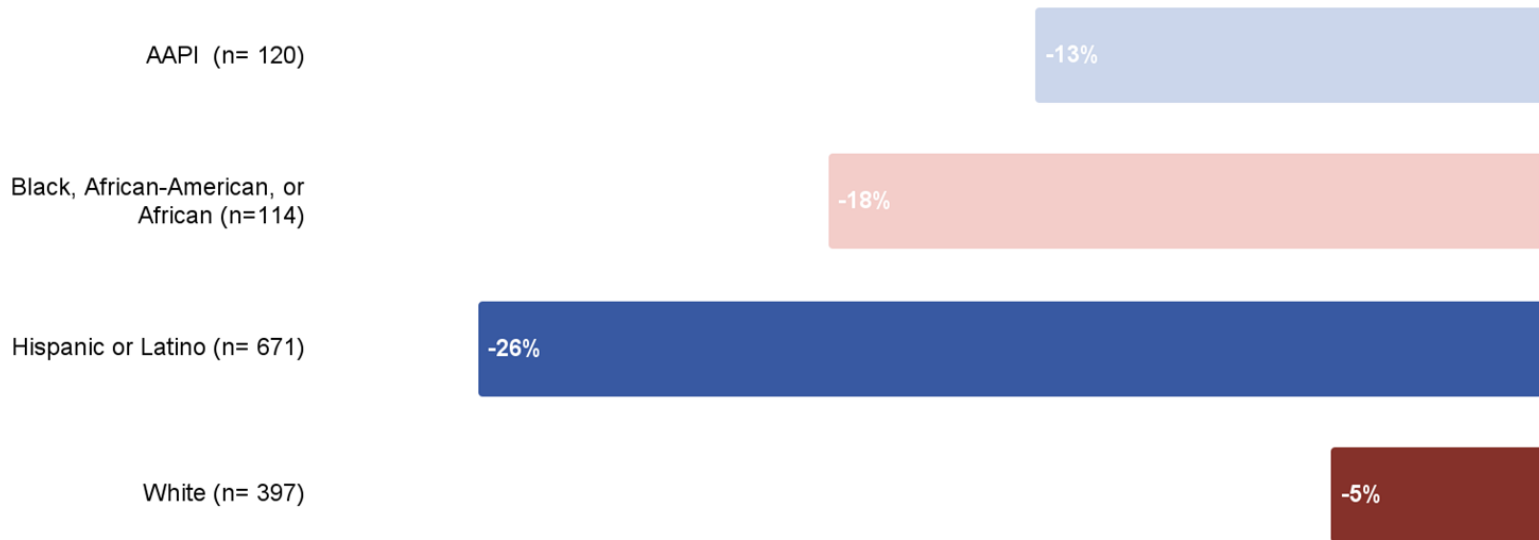
Source: Nationwide, United States Hispanic Chamber of Commerce (USHCC), and Reimagine Main Street, "Risk & Resilience" (July 2022)
Q24: Where would you be likely to turn for guidance about making your business more resilient? (Select all that apply)



Appendix

Hispanic Small Employers Report Largest Net Decline in Demand

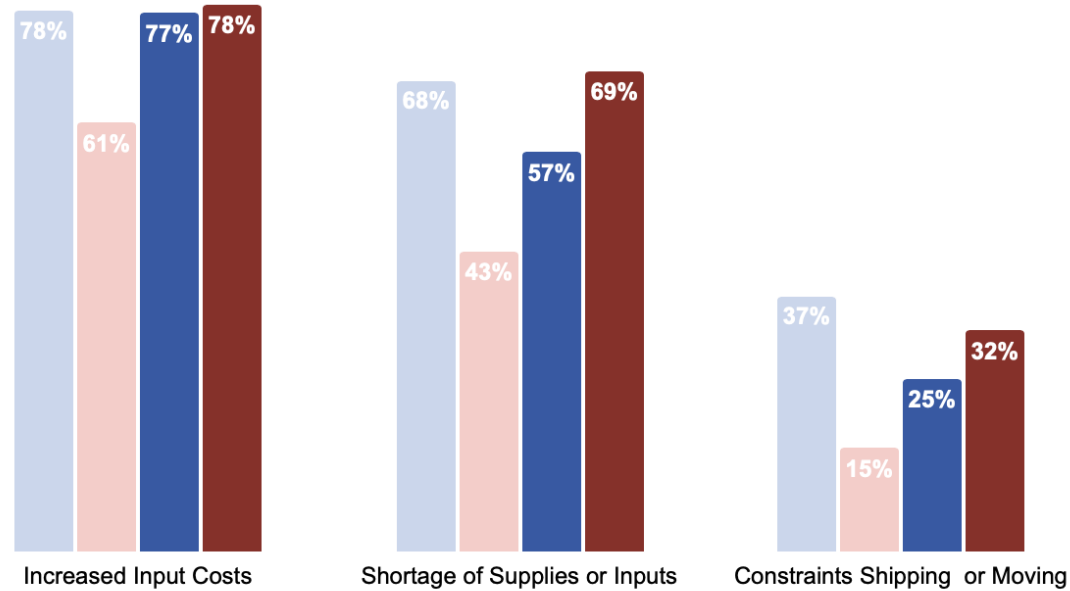
*Net Change in Demand
% of respondents*



Input Costs Increasing for More than 3 in 4 Small Employers

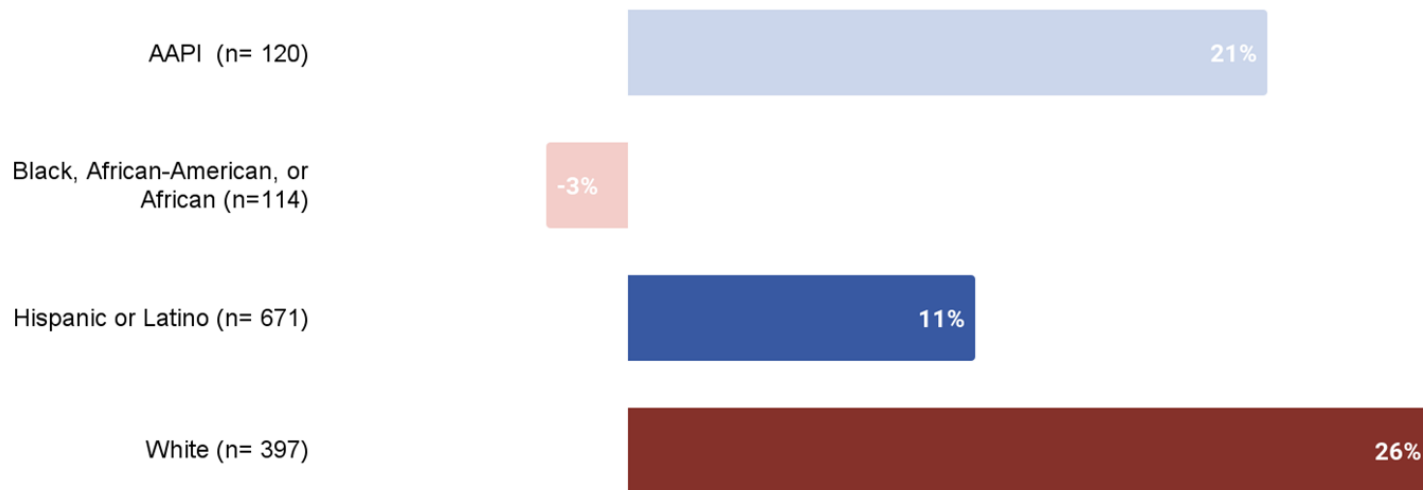
% of respondents who experienced

■ AAPI (n= 120) ■ Black, African-American, or African (n=114) ■ Hispanic or Latino (n= 671) ■ White (n= 397)



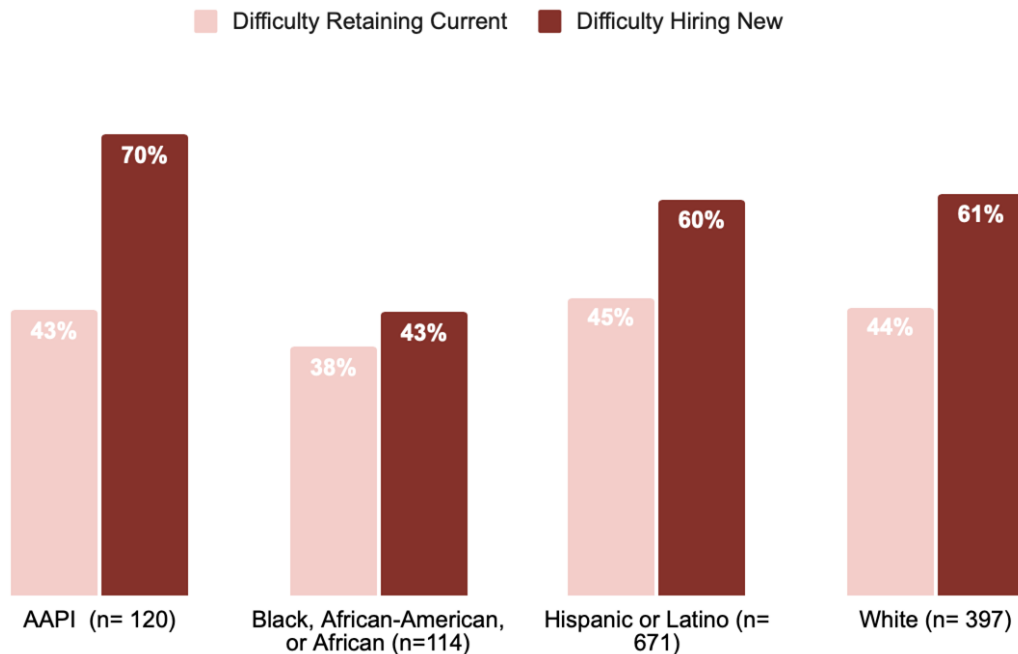
Likelihood to Increase Headcount Over Last Year Varied Among Small Employers

Net Share of respondents who hired/fired



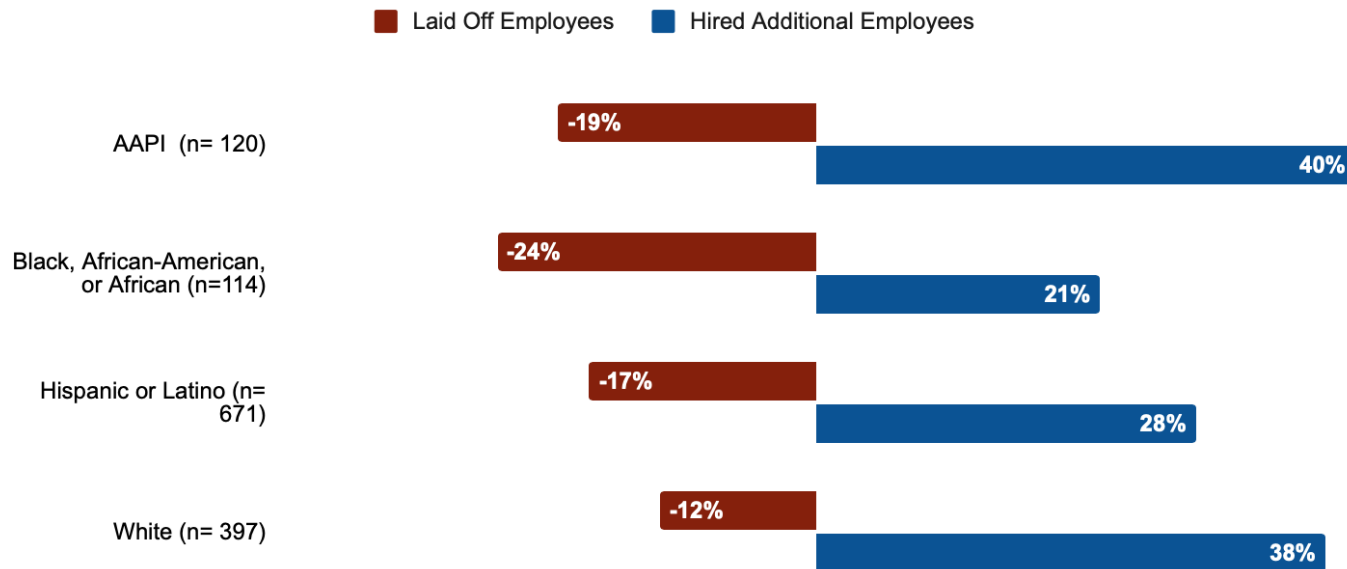
Small Employers Experience Labor Market Challenges

% of respondents who experienced difficulty retaining current employees / hiring new employees



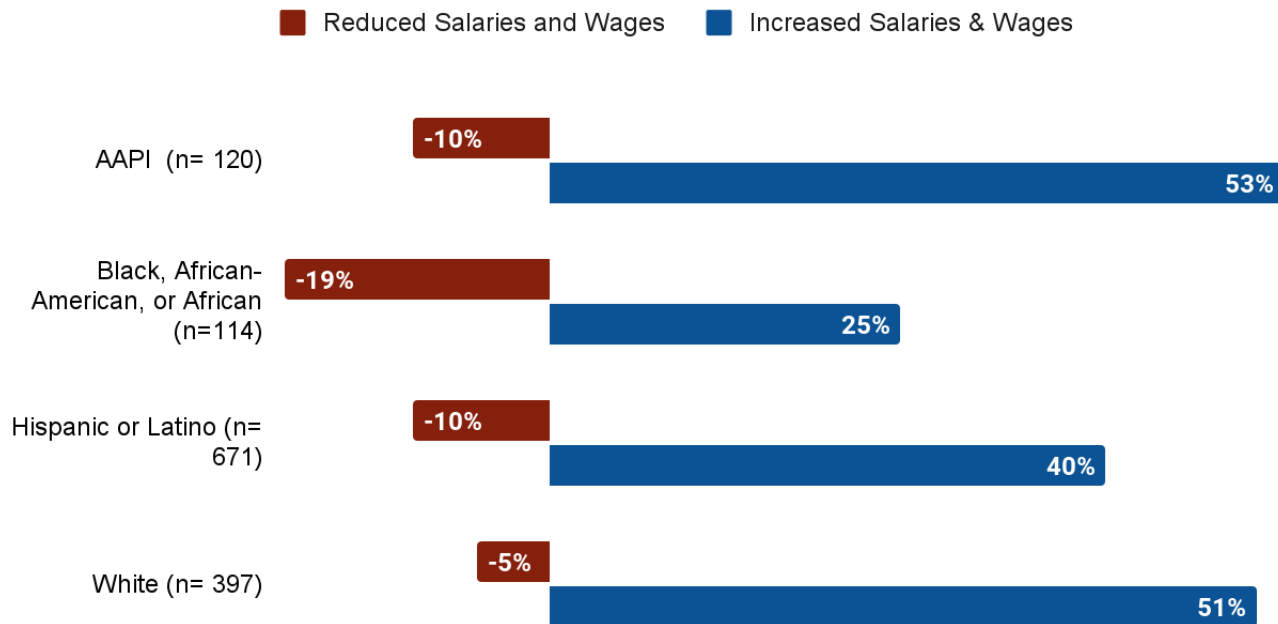
Small Employers Both Fired and Hired New Employees in Last Year

Share of respondents who hired / fired employees in last twelve months



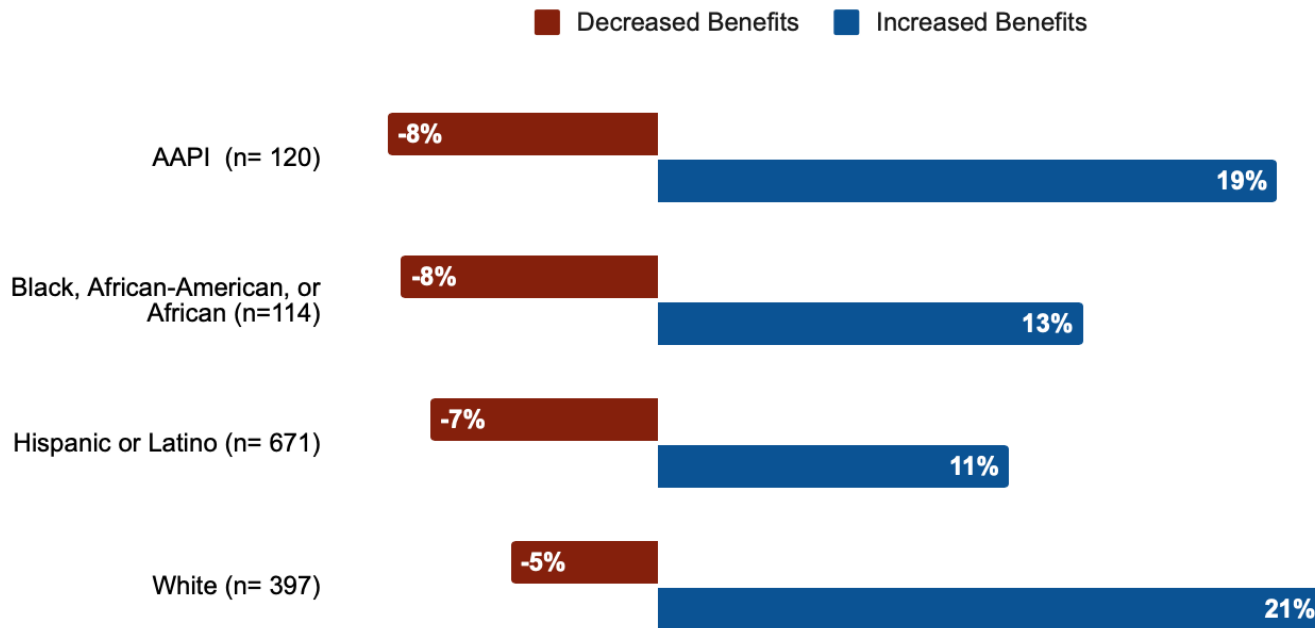
Small Employers More Often Increased Compensation

Share of respondents who increased vs reduced salary & wages



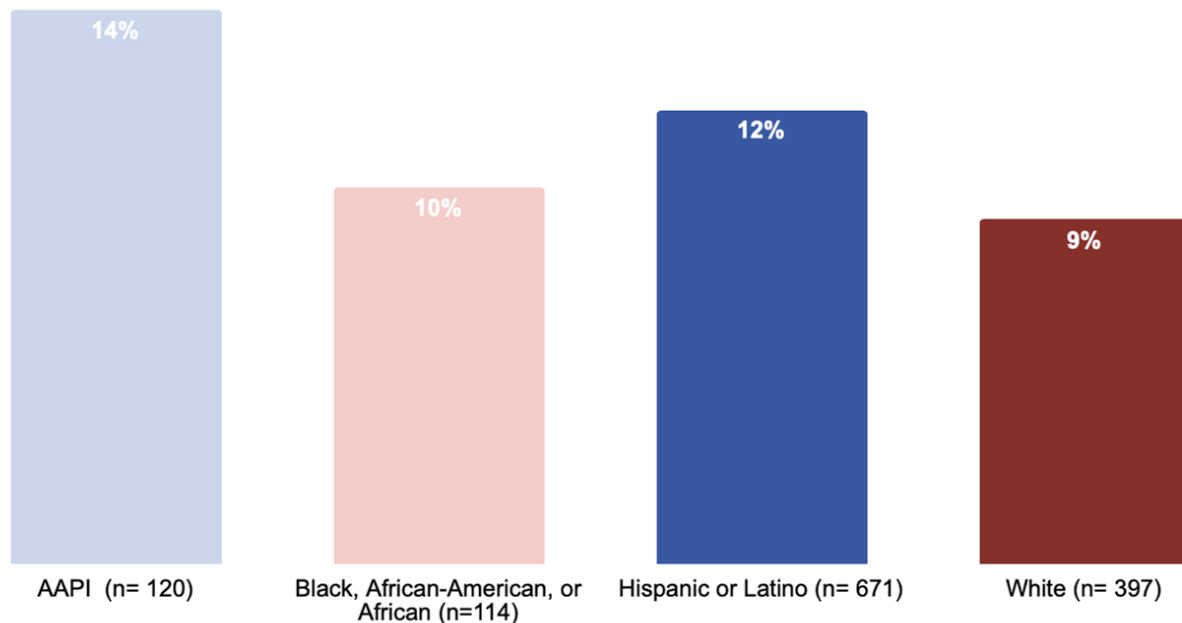
Small Employers Made Changes to Benefits Offerings

Share of respondents who increased vs reduced benefits



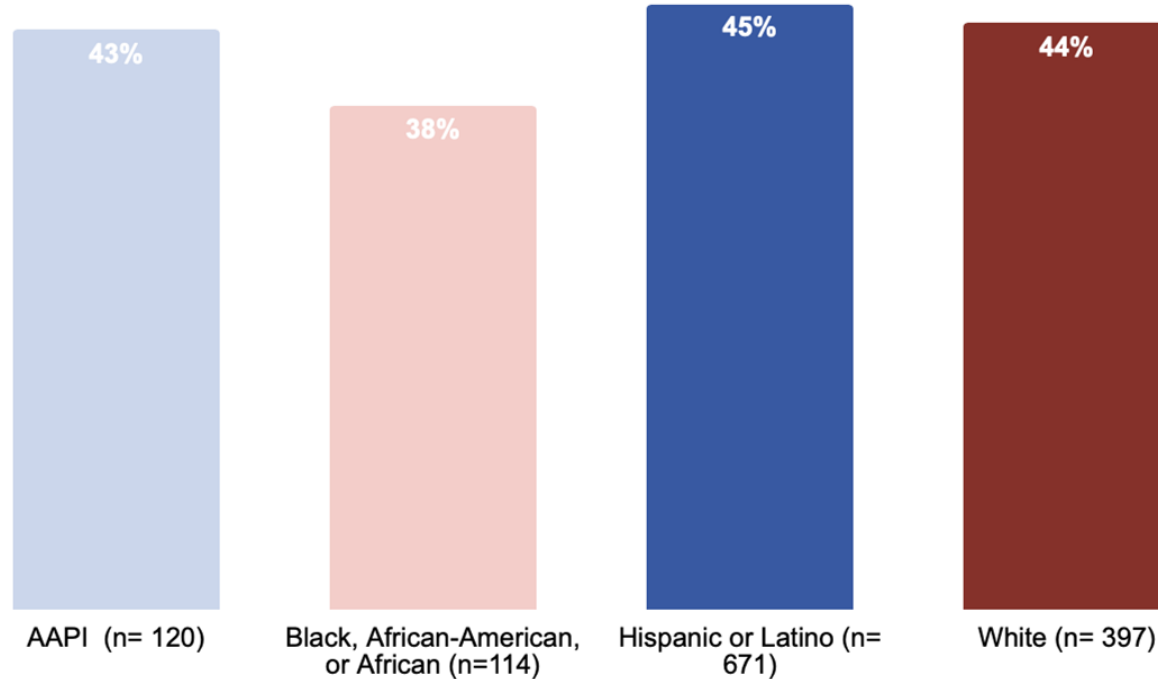
A Few Small Employers Reported Increased Online Sales

% of respondents who increased online sales



Small Employers Experienced Difficulty Retaining Employees

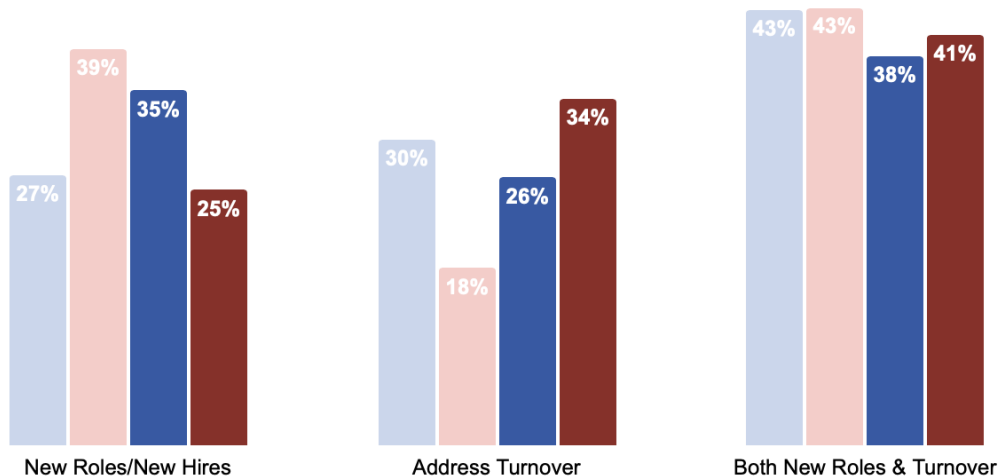
% of respondents who experienced difficulty retaining current employees / hiring new employees



Workforce Needs Reflect a Mix of Turnover and Growth

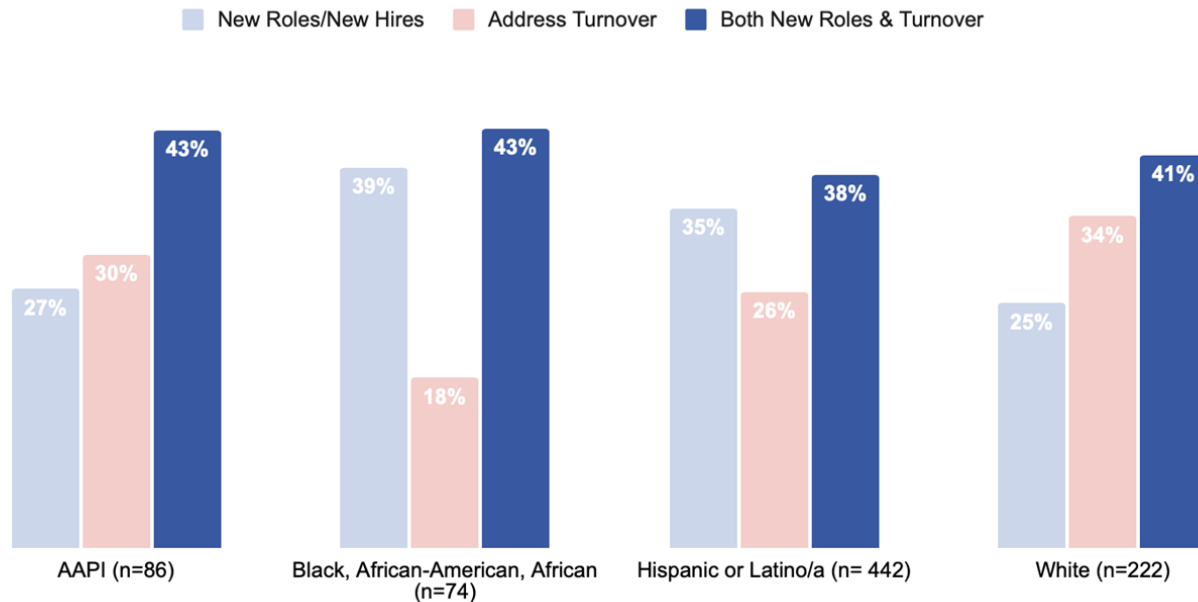
Motivation to grow workforce
% of respondents

■ AAPI (n=86) ■ Black, African-American, African (n=74) ■ Hispanic or Latino/a (n= 442) ■ White (n=222)



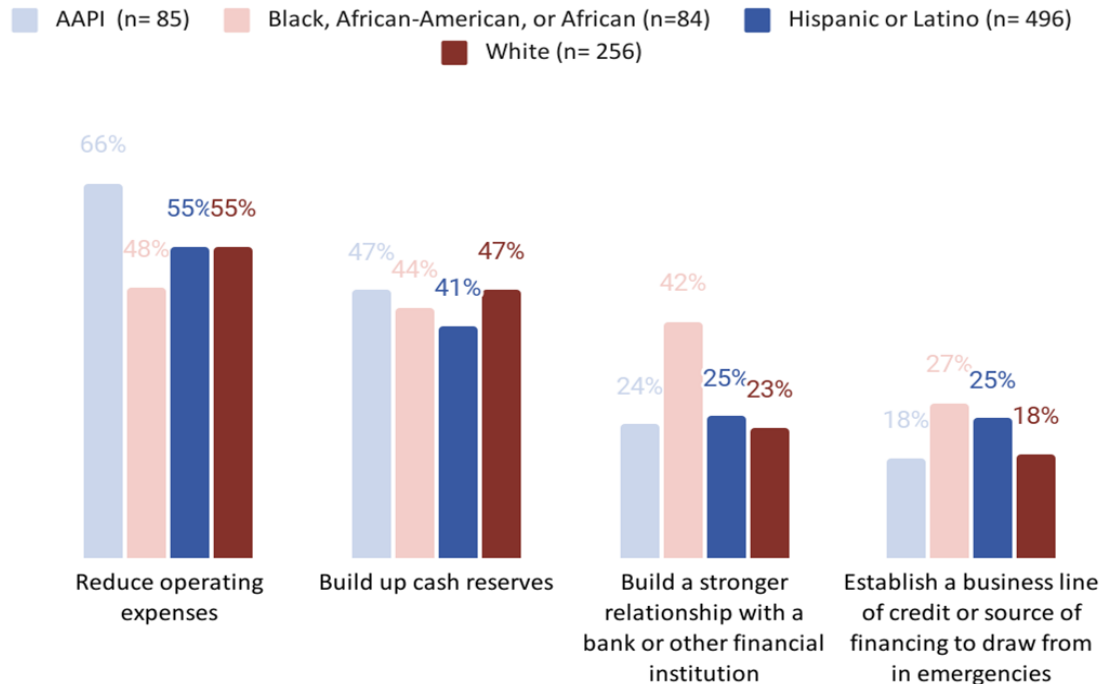
Small Employers Most Likely to Want to Hire New Roles for Growth

*Motivation to grow workforce
% of respondents*



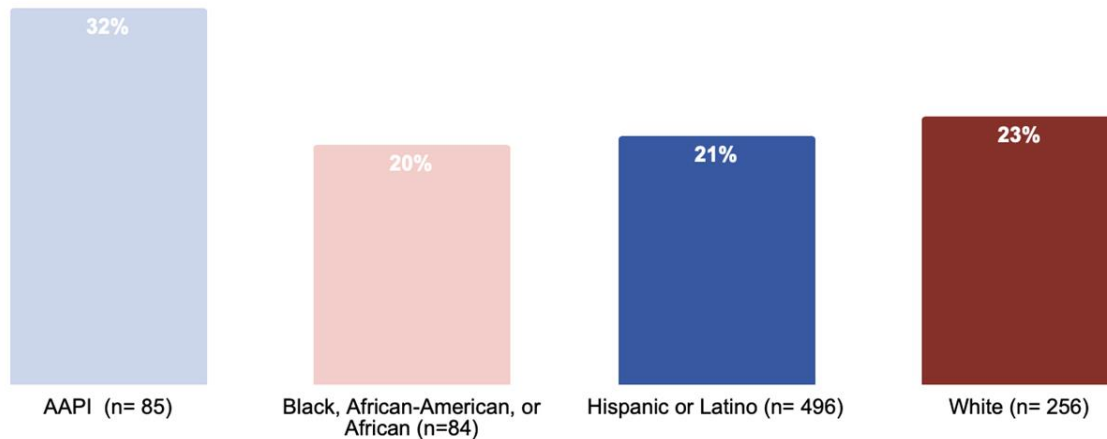
Most Small Businesses Focused on Conserving Cash to Prepare for Future Shocks and Risks

Share of respondents who have taken each action



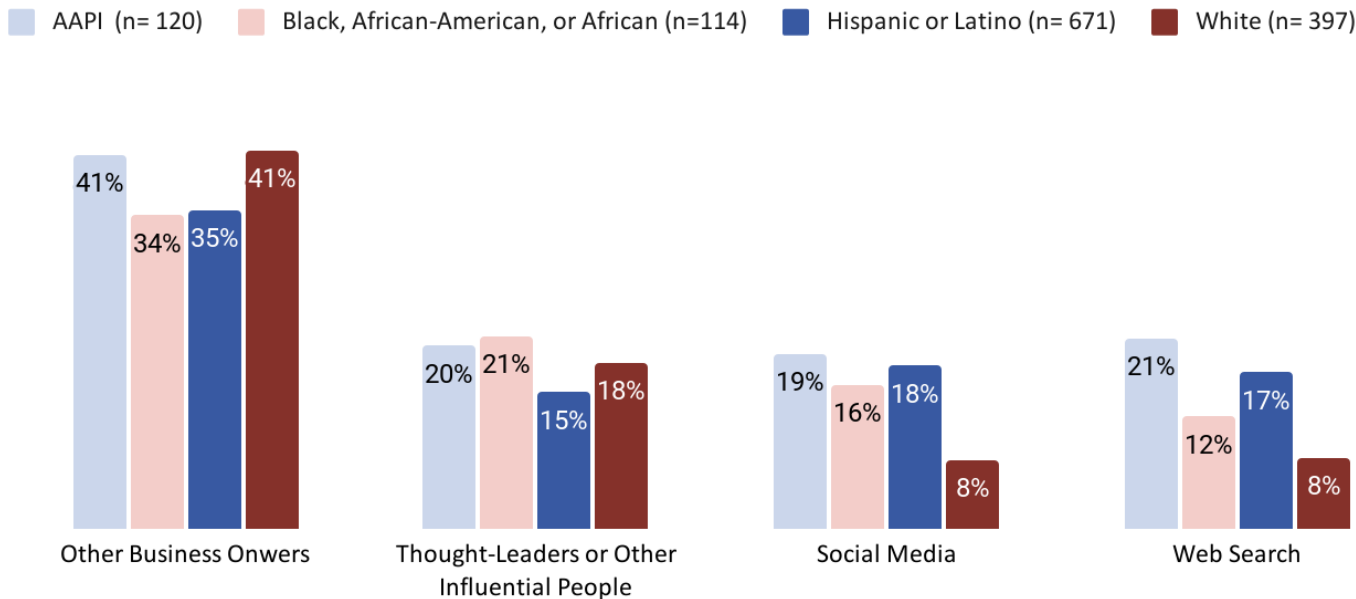
Some Respondents Increased Benefits to Respond to Future Risks

Share of respondents who have expanded employee benefits to prepare for future shock and risks



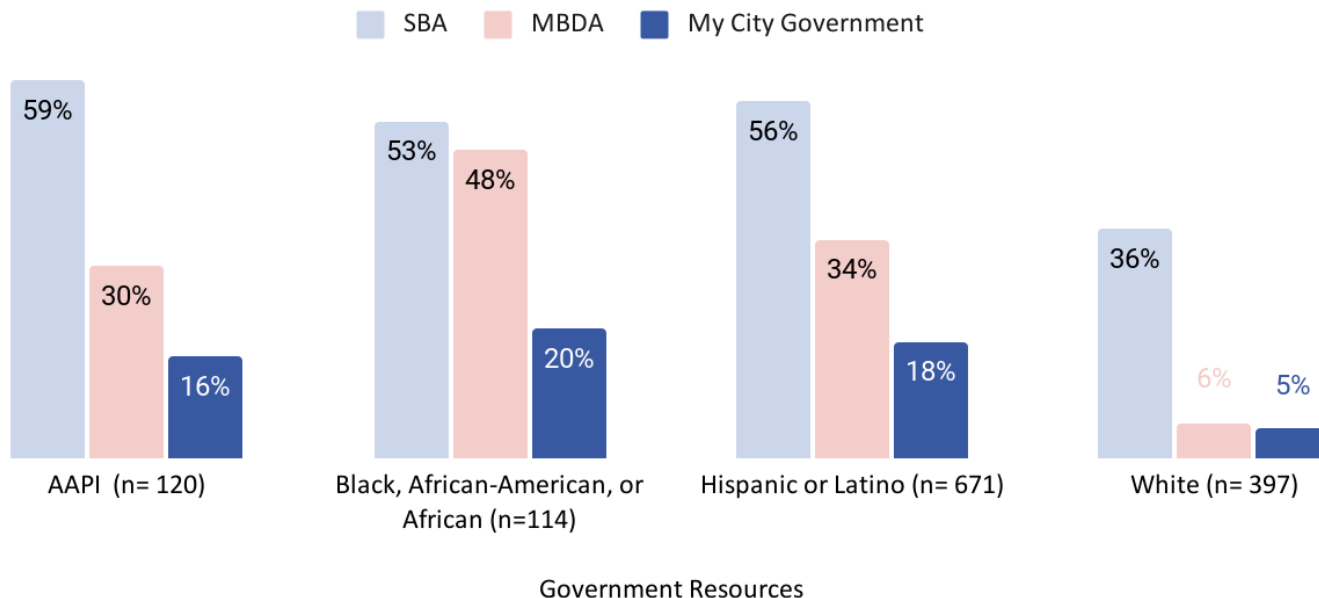
Small Employers Turn to Peers for Guidance Almost Twice as Often as Other Sources

Likelihood of seeking guidance from each source to make the business more resilient
Share of respondents



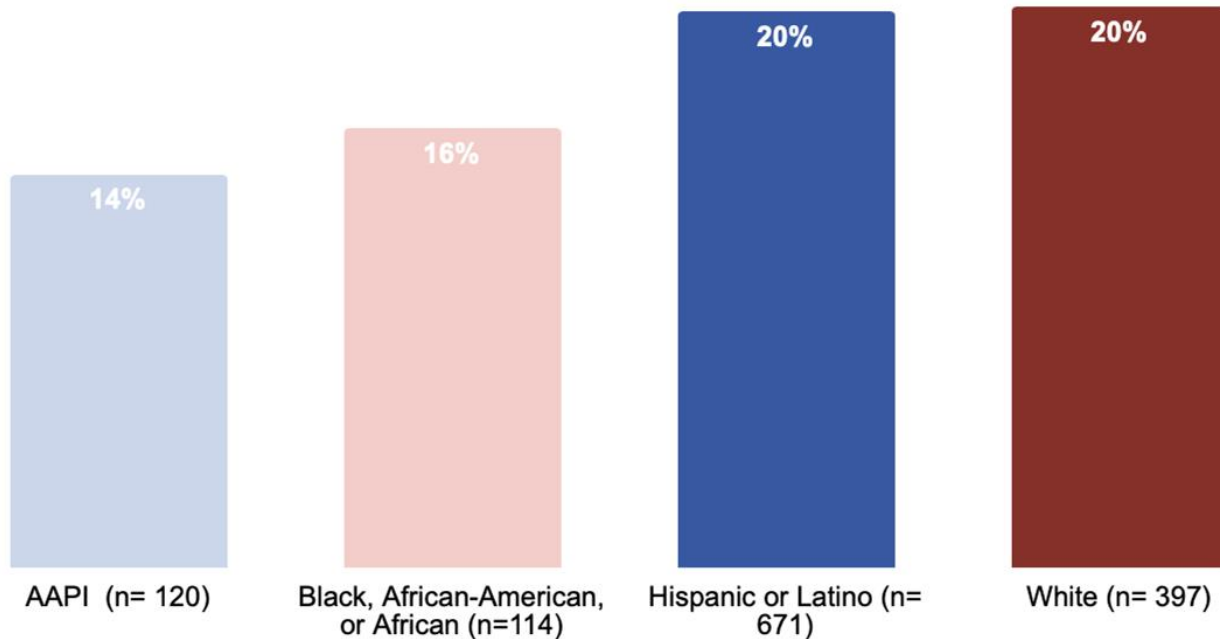
Small Employers Most Likely to Turn to SBA Among Government Resources

Likelihood of seeking guidance from government resources to make the business more resilient
Share of respondents



About One in Five Small Employers Reported Increased Investment in Technology

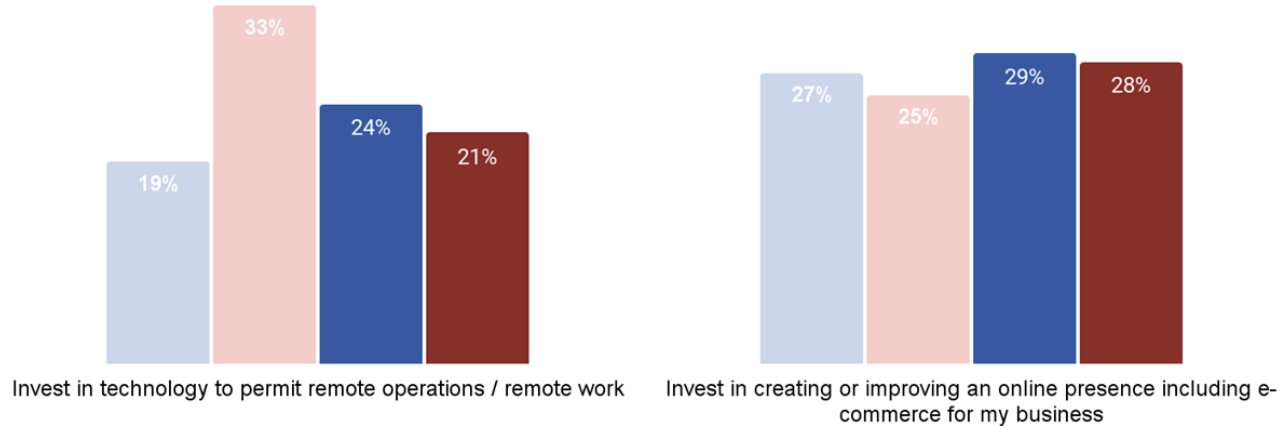
% of respondents who increased technology investment



Respondents Slightly More Likely to Invest in E-Commerce Capabilities vs Remote Work

Share of respondents who have taken each technology investment action to prepare for future shocks and risks

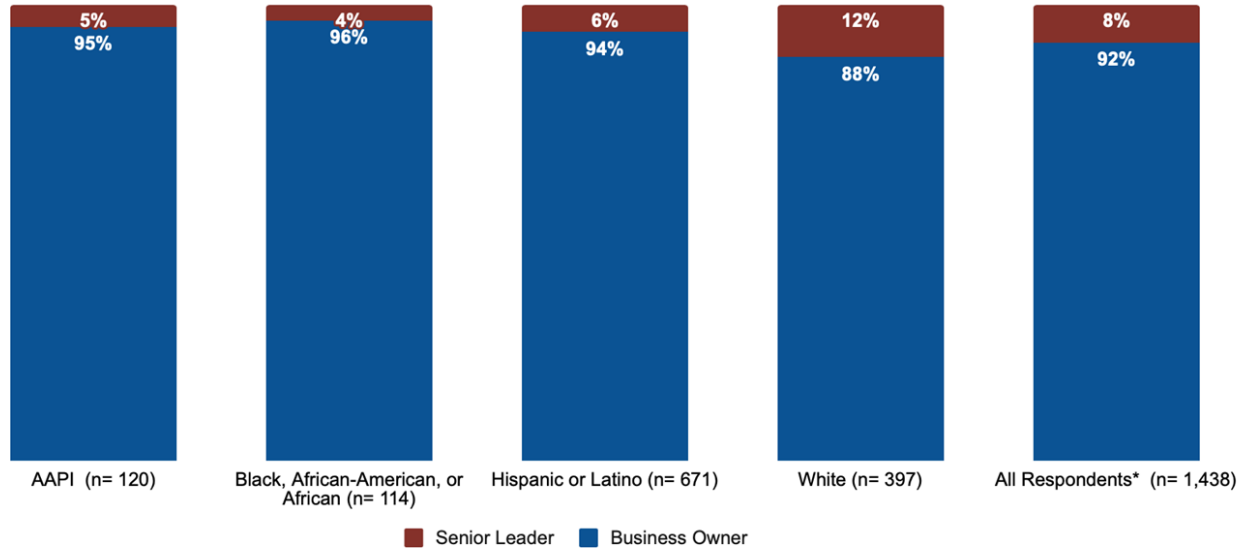
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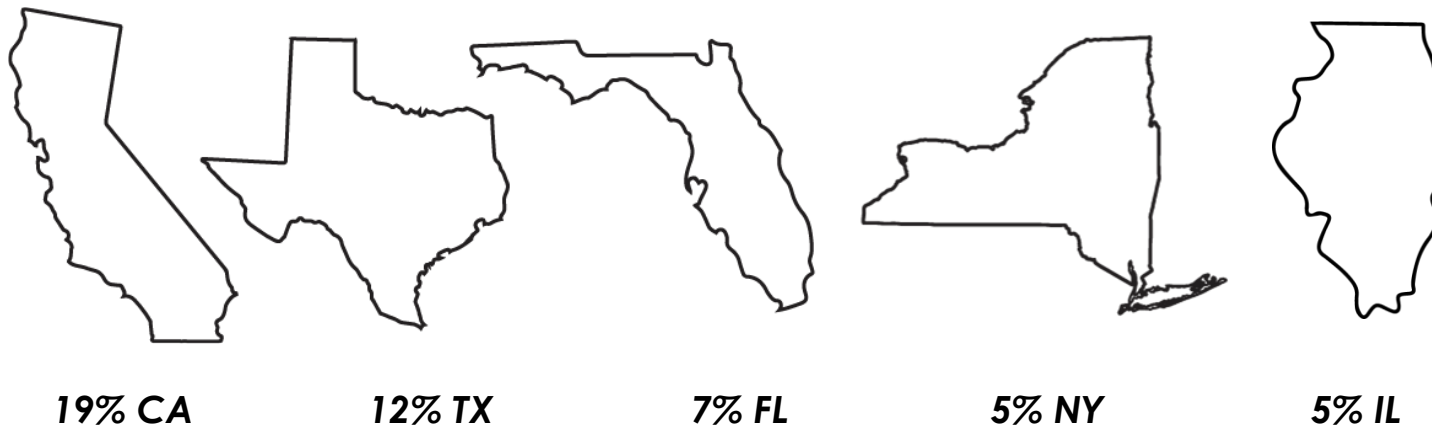
About the Sample

Most Respondents Own the Business

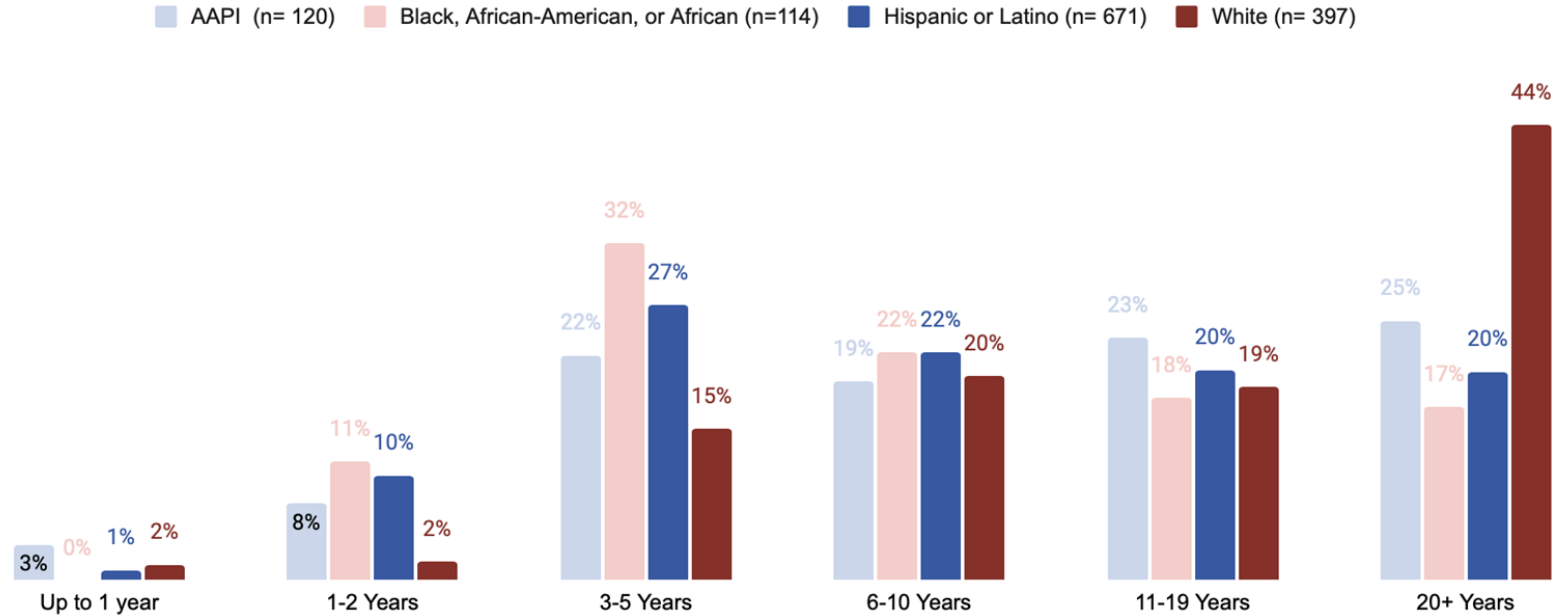


Survey Respondents in 48 States + DC

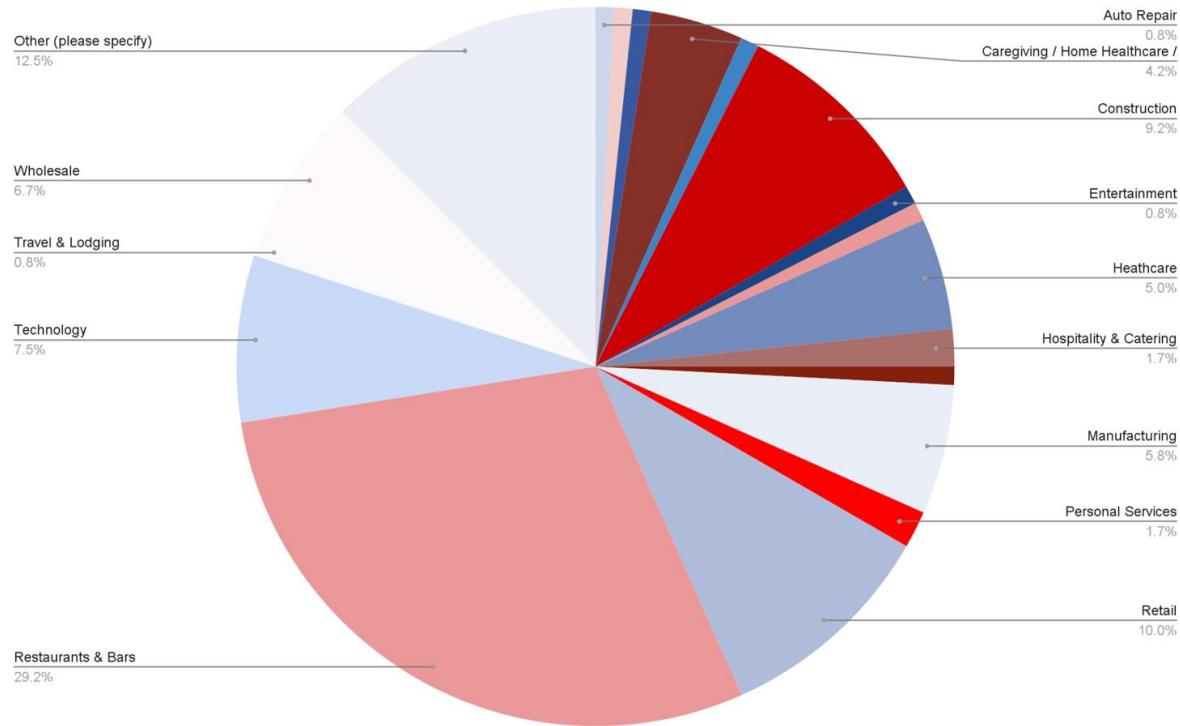
Top 5 States of Respondents



Mix of Newer and Long-Standing Businesses

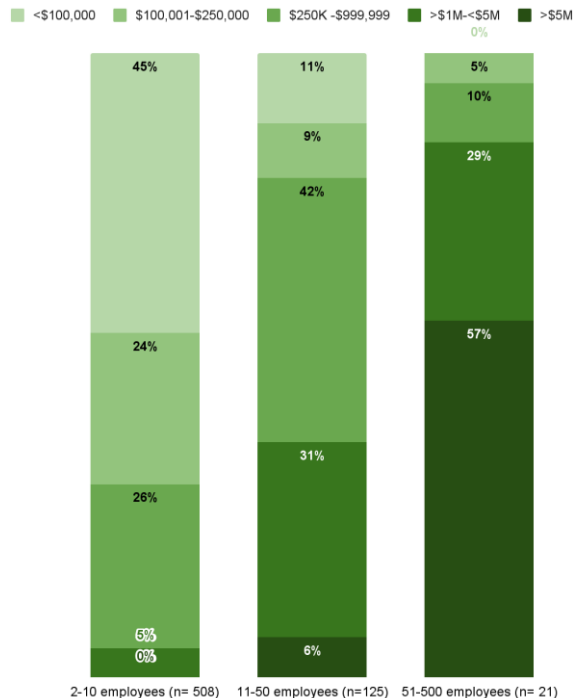


Broad Range of Industries Represented

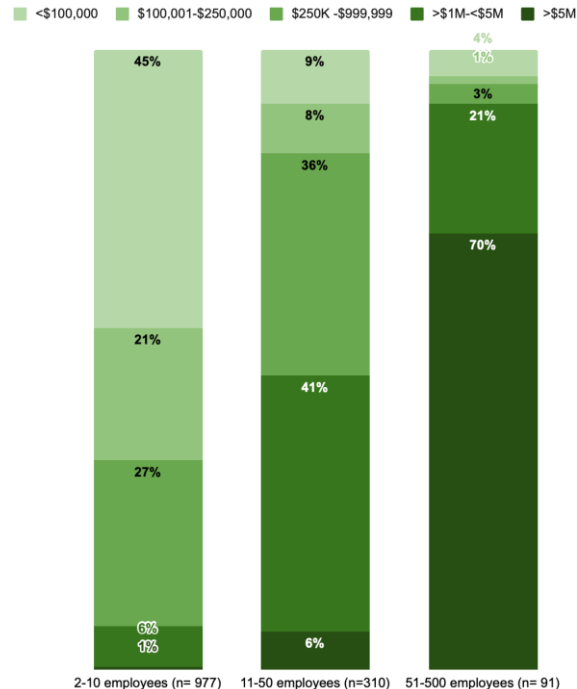


Sample Overview

Distribution by # of Employees & 2021 Revenue
% of Latino/a respondents
n= 654*

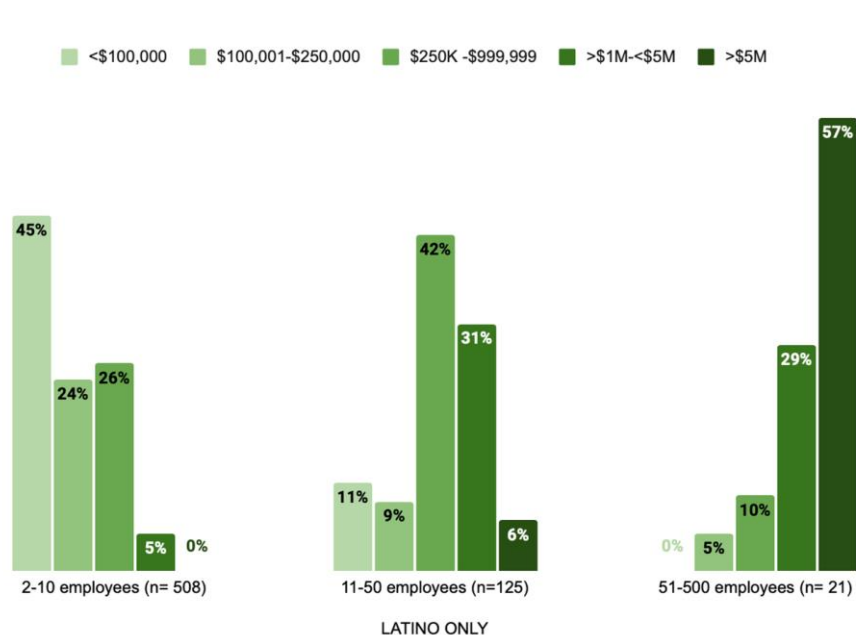


Distribution by # of employees & 2021 Revenue
% of all respondents
n= 1,378**

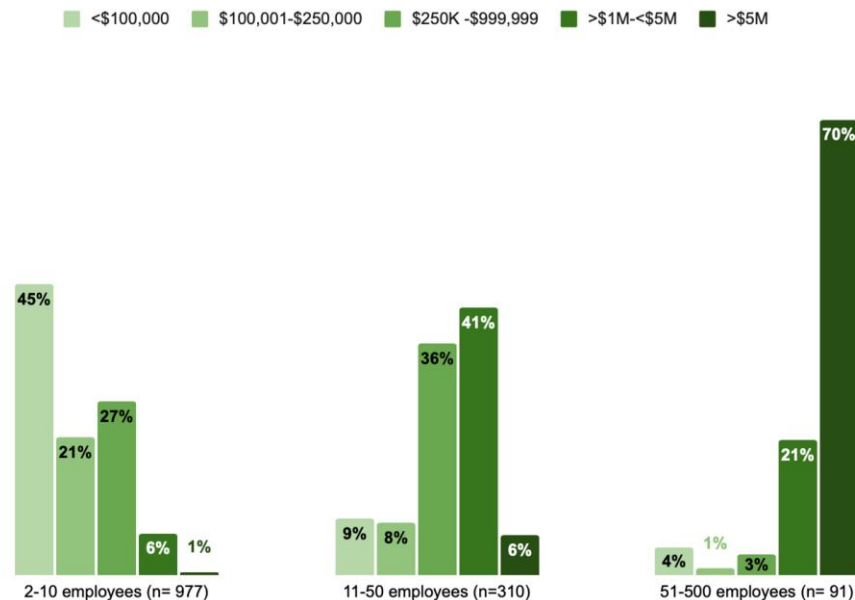


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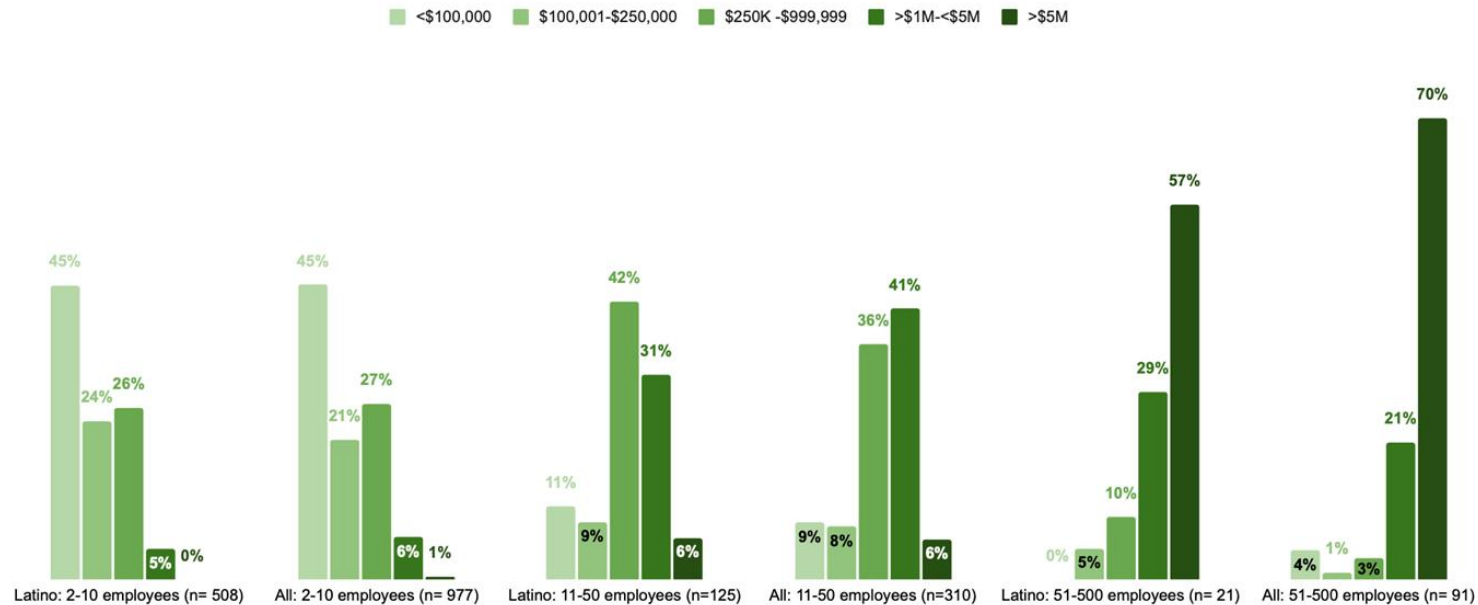


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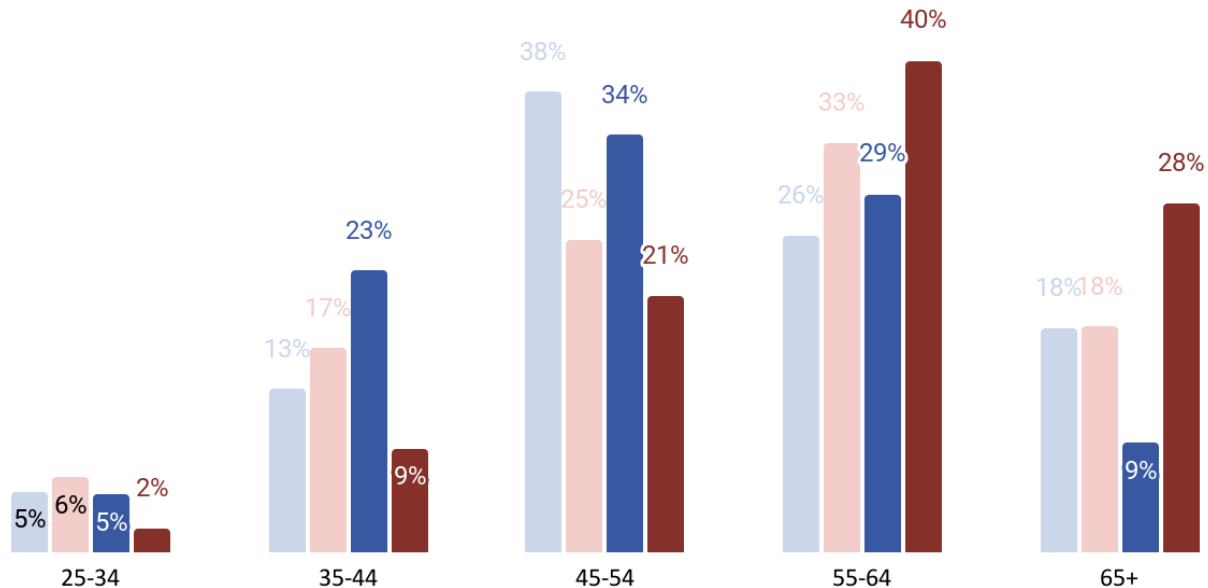
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Distribution by # of Employees & 2021 Revenue
% of Latino/a respondents (n=654*) vs all respondents (n=1,378)



Age of Respondents

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Gender of Respondents

