

# Small Businesses Find Opportunity in the Midst of Pandemic

US Small Business 2020

# Methodology

Survey was conducted by Censuswide on behalf of Dun & Bradstreet between December 10, 2020, and December 17, 2020. Survey respondents included 758 managers/senior managers in companies with two to 250 employees, in the manufacturing, retail, professional services, construction, and financial services sectors in the United States.

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## FOREWORD



By Joseph Pascarella,  
General Manager, Global Small Business, Dun & Bradstreet

Last year, our world felt like it was turned upside down. Many questions went unanswered, and curveballs were thrown at us throughout the better part of 2020. The stay-at-home orders, the forced closures, and the unfathomable number of people personally affected by the pandemic were all things we could not have predicted. In addition to the pandemic, we faced social unrest, a presidential election, trade wars, and other disruptions that all compounded for one of the most volatile years in recent history – an unprecedented experience for this generation, and uncharted territory for businesses around the globe.

As a small-business owner during the 2008 recession, I quickly identified the gaps in my business and learned how to be agile in order to survive those hard times. From moving to digital portals and collection methods to assessing my cash flow to finally establishing my business credit, I was forced to make changes that were ultimately beneficial to my business – changes I would not have made if I hadn't found myself in that difficult situation.

Now, with 2020 in the rearview mirror, many small-business owners are faced with similar challenges in keeping their businesses afloat. How they adapt to this “new normal” will be key to their success.

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“We are at a pivotal moment in history. How will small businesses – the lifeblood of the United States economy – demonstrate resilience?”

We are at a pivotal moment in history. How will small businesses – the lifeblood of the United States economy – demonstrate resilience? What lessons have the owners learned, and how will those insights impact the way they do business going forward? These are just some of the questions we wanted to answer when we commissioned a survey focused on how small businesses have been impacted by the COVID-19 pandemic, what challenges they've faced, and how many have adapted to survive.

What we discovered is that small-business owners and entrepreneurs are overwhelmingly optimistic about the future and are taking a holistic approach to planning and reinforcing their infrastructure. They are eager to adopt new data and technology, find new customers, and mitigate risk for their businesses.

In this report, we'll further explore the effects of COVID-19 on small businesses, the struggles owners faced in the past year, and the business priorities they have identified going into 2021. We'll also examine how data from Dun & Bradstreet highlights the impact the Payment Protection Plan may have had on commercial activity in the small business ecosystem.

The pandemic was, and still is, a tragic experience. It is clear, however, that this moment also has spurred innovation that will long serve small businesses' opportunities for growth.

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A woman with short brown hair, wearing a white face mask and a blue denim apron over a light blue button-down shirt, stands with her arms crossed in a bakery. In the background, there are shelves with various baked goods, including breads and pastries, and a potted plant.

CHAPTER 1

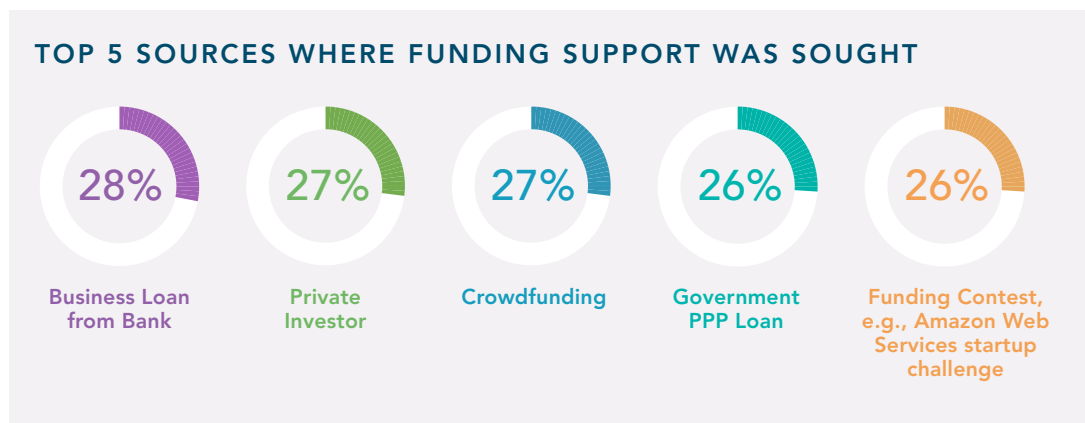
# Impact of COVID-19: What Happened to Small Businesses in 2020?

# Impact of COVID-19: How the Pandemic Hit Finances, Halted Future Plans, and Hatched New Challenges and Opportunities

Small businesses are a driving force for economic activity in the United States, providing goods and offering services that generate billions of dollars in sales annually and accounting for 44% of the US economy<sup>1</sup>. Expenditures on goods and services have increased since 2005, consistently remaining 30%-50% higher than durable goods, except during the financial crisis of 2007-2009<sup>2</sup>. Unfortunately, that pronounced and profitable gap shrank again in 2020, as countless small businesses were hit hard by the global impact of COVID-19. With the declaration of a pandemic, the growth trend reversed as businesses across the United States were forced to close their doors in the hopes that stay-at-home mandates would slow the spread of the virus. By assessing the financial impact of the pandemic and how it affected the trajectory of business growth, we can identify the main challenges that undoubtedly influenced other aspects of small businesses in 2020.

## Many Small Businesses Sought Financial Support in Order to Survive

More than half of small-business owners surveyed stated they were more likely to seek financial support now, due to COVID-19, than in the past; well over half also reported that COVID-19 had made them more aware of access to the available financial options. Further, 59% responded that they had applied for funding or financial support within the past 12 months.



The US government moved quickly to craft loans and programs designed to help small businesses survive and to keep employees on payroll. The Small Business Administration (SBA) governed those programs and developed resources in response to the unprecedented volatility experienced in the last year. The Payment Protection Plan (PPP) was designed to [protect payroll and business](#). Dun & Bradstreet data shows evidence to suggest that companies that received this funding were able to remain relatively stable because their credit distress did not increase. Loan delinquency rate for the businesses surveyed without PPP was 3 times higher than for PPP population (2% vs. 0.7%). Even though less than one-third of small-business owners surveyed took advantage of PPP funding, 61% responded that government loans have been a vital lifeline for their small businesses.



Although, 58% responded that the government loans and support packages have not been enough to keep the business afloat, Dun & Bradstreet data suggests that around the time PPP funding was made available, there was a 27% decrease in the applications for credit cards within the small business owner sector in 2020 vs. 2019, indicating that for some the loans and support were enough to avoid taking on more credit card debt.

In addition, while overall inquiries into business credit information went down 20% in the commercial ecosystem reflecting a slowdown in traditional economic activity related to credit, Dun & Bradstreet data reflects that small business activity went up 14% since last March- coincident with the availability of PPP funding. This suggests that there could be a link between commercial activity in the ecosystem and the availability of PPP funding to small business entities.

### Applying for Funding Was Not the Same as Receiving Funding

Obtaining funding was not always easy in 2020. In fact, according to 88% of our respondents, they were rejected at least once for funding requests in the previous 12 months; the average number of rejections was two. Most respondents were rejected due to showing insufficient evidence of strong cash flow, being in a high-risk market, or having incomplete paperwork.



98% reported pursuing loans in addition to PPP funding for a mean loan amount of \$26,042

#### TOP 5 REASONS FOR REJECTION

28%

Insufficient evidence of strong cash flow

28%

In a high-risk market

28%

Incomplete paperwork

26%

Poor personal credit rating

26%

Not enough cash flow

Upon being rejected, nearly half of the respondents accessed personal savings to pay bills, while others fell back on high-interest credit cards or turned to family and friends for help.

#### TOP 5 RESOURCES AFTER BEING REJECTED

45%

Personal savings

42%

High-interest credit cards

41%

Family or friends

40%

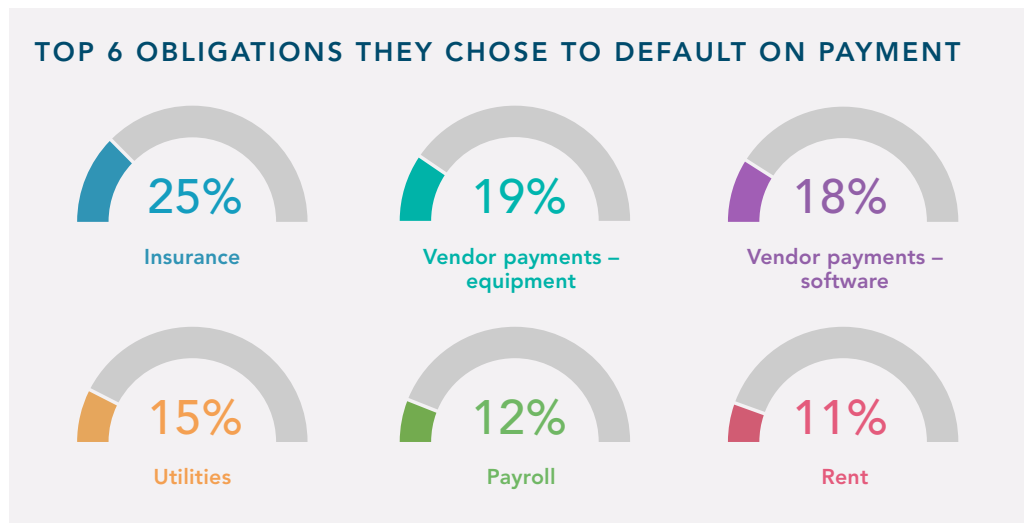
High-interest loan

38%

Crowdfunding

## Late Payments: Decisions Got Tougher, and Obligations Went Unmet

Small-business owners were also confronted in 2020 with making decisions related to paying bills late. Nearly half of our respondents defaulted on at least one payment as a result of issues related to COVID-19. Those who did default thanks to COVID-19 stated the following six obligations they chose most often to default on:



## The Pandemic Has Altered Business Growth Trajectory

We are all counting on 2021 to be a year in which we move from disruption to transition as we strive to find the “new normal” across nearly every category of our lives. Millions are working from home, which translates into fewer storefronts, fewer business services, and less commercial space needed. The change in work habits also trickles down to less energy consumption, such as gasoline and electricity. Given all these factors, and the truly unknown factor of their lasting impact, there are still some difficulties and hesitations to plan for.

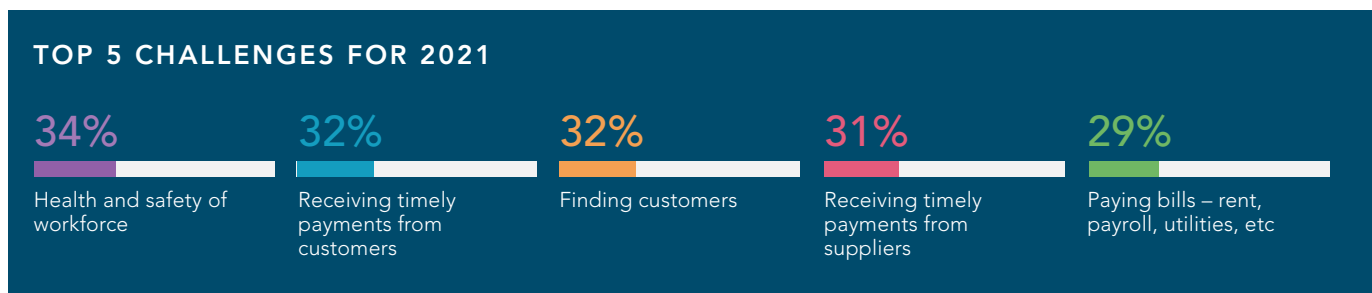
More than half of our respondents, as a direct result of COVID-19, canceled, postponed, or suspended plans to expand their business. Likewise, more than half found redundancies, which may imply they have hit the pause button on expanding until they are able to uncover further efficiencies.



**Canceled, suspended, postponed and redundancies - all are 60%**

## The Pandemic Has Presented New Challenges To Contend With

Rest assured that small-business owners are not going into 2021 wearing rose-colored glasses. There are still hurdles to overcome and new considerations born from the pandemic that may have never crossed their mind before. Conditions to contend with, looking well into the unforeseeable future, include the health and safety of their workforce, which tops the list – and naturally, beyond “normal” illnesses, there is a new level of concern here – along with receiving timely payments from customers and suppliers, finding new customers, and even paying their own bills.



Even after the early panic buying subsided and the realization set in that essentials would largely remain available, a level of uncertainty has persisted across personal and business spending. For consumers, normalization is now setting in. However, some businesses must still regulate the number of people inside a store at any given time. And countless restaurants and service businesses are still trying to develop a government-approved plan for occupancy, if they can even open their doors at all. One challenge that appears to have sprung from these extenuating circumstances is that, according to our respondents, 59% are experiencing a decrease in customer purchases or commitments.

The inability to project the number of days with the “lights on” or “maximum occupancy” measures, the reduction in traffic to storefronts offering both goods and services (due to people working remotely), and the uncertainty of how long and how critical the lifespan of this virus will be — among other factors— could be contributing to respondents saying the pandemic has made it difficult to plan for the future. All these factors seem to explain also why just over a quarter of respondents are less confident in being able to recruit the right talent for their needs.

## Unpredictable Opportunities Include Delighting Customers

Whether it’s livestream sales and broadcasts, curbside pickup and contactless deliveries, or even converting operations to make hand sanitizers and masks, businesses across the nation have innovated in order to survive and adapt during this global crisis. Indeed, many small businesses found opportunity in the midst of the pandemic, with 59% saying it has helped them identify new business opportunities, 60% indicating it has helped them recognize new services for their customers, and 59% claiming it has helped them introduce new product offerings.



## Lessons Learned From the Pandemic: Be Resilient, Mitigate Risk, and Adapt

While embracing change has unlikely been a concern for entrepreneurs or most small-business owners, who typically are somewhat agile by nature, the pandemic taught many people that there is still room for improvement. 2020 required respondents to adapt amid calls for added flexibility, and there are some shortcuts – like skipping the insurance policy – that just may not pay off over the long run. Furthermore, financial success cannot strictly be focused on an increase in sales; the future is unpredictable and depending on reliable data could be a key safeguard.

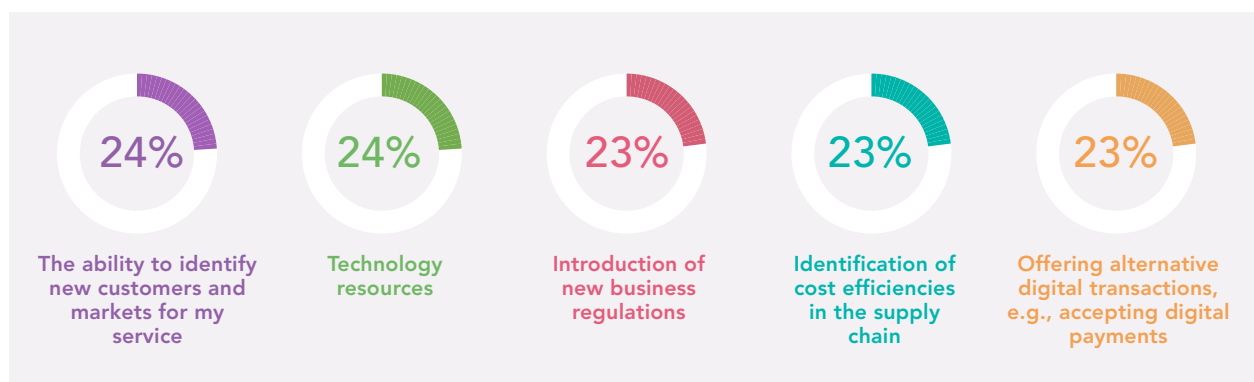
Among the lessons learned by our respondents is a new appreciation for some of the beneficial tools and support available for financial success, including access to an overview of funding sources available, access to economic analyses and country risk insights on potential new markets, the ability to obtain qualified lists of sales targets/prospects, the ability to monitor business credit scores and ratings, and the ability to potentially impact their business credit scores and ratings.

Companies, including small businesses in today's market, need to be more data-savvy than ever. Achieving success across a range of business objectives – from streamlining operations to avoiding high-risk partnerships in business, to extending credit, to achieving revenue growth by reaching new clients and opportunities – may be accomplished through access to reliable data about customers, suppliers, and other business partners. Finding a trusted partner can offer a much-needed level of confidence when projecting future success.

## How Small Businesses Plan To Use Data To Achieve Efficiencies and Other Improvements

When it comes to data, small-business owners are looking mostly for economic analysis and country risk insight to help them understand potential new markets, and for a qualified list of sales targets or prospects. Among respondents, the desire for government support for small businesses continues to be a priority for growth, as government policy seems to offer the most opportunity for their business.

Finally, indications are that small businesses are hungry for tools that will help them financially, with 32% of respondents seeking access to an overview of funding sources available, 28% seeking the ability to monitor their business credit scores and ratings, and 28% wanting the ability to potentially impact their business credit scores and ratings. Small-business owners should strongly consider leaning into monitoring their business credit files so they are aware of what potential suppliers, lenders, and business partners may see when the business's credit file is accessed. Likewise, it might be a good idea for small-business owners to research credit profiles for the businesses, suppliers, and customers they are considering doing business with, before engaging in a contract.

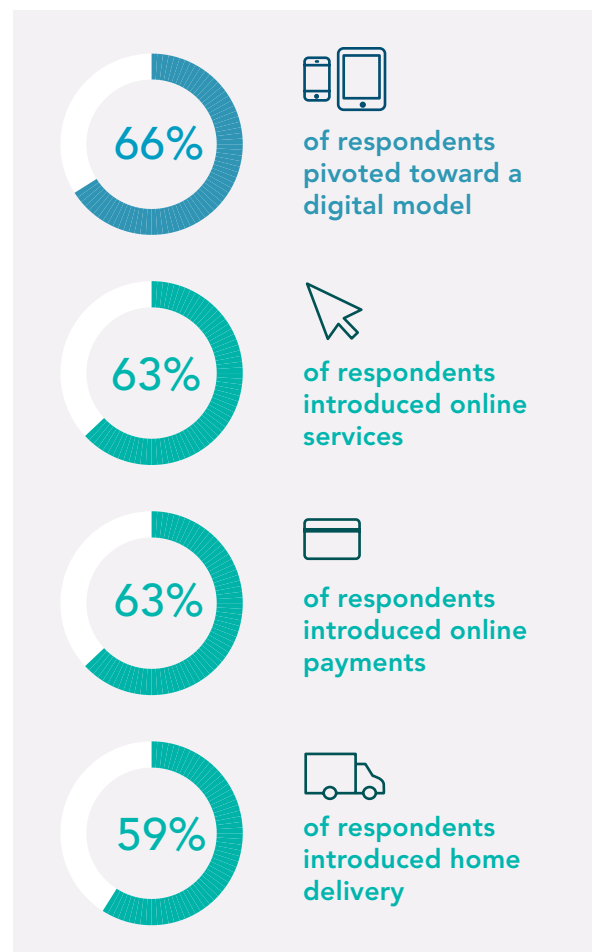




## Small-Business Growth and Opportunities Going Into 2021

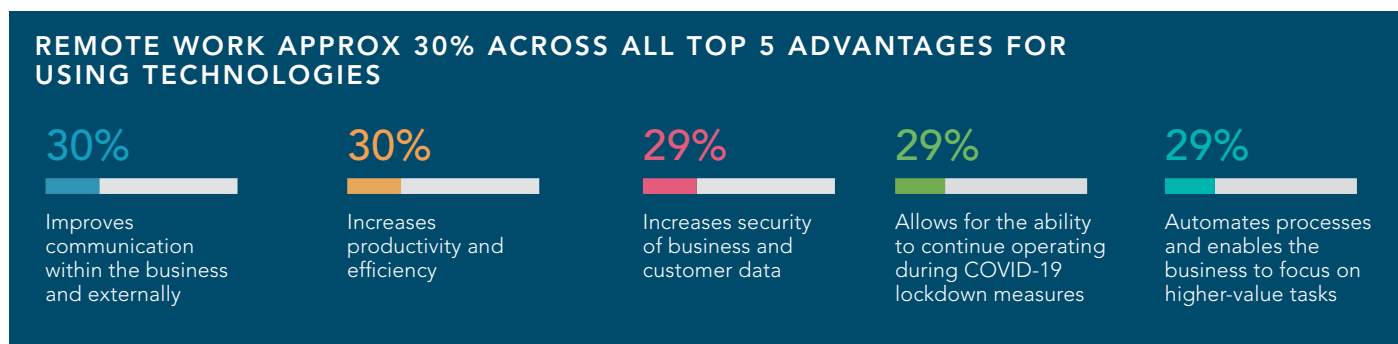
A large number of our respondents stated that they had pivoted from their original business plan in 2020 and moved toward a more digital model, while many companies took a hybrid approach either to keep the doors open or to provide an added level of service to their customers. The pandemic may very well have forced businesses to seek alternatives that included an increase in their online presence – a move that, in the “normal” course of business, they may not have considered. We can see that well over half of the businesses introduced online services, online payments, or home delivery as a result of COVID-19.

Adopting these new modes of service and operations may have been a result of necessity, but taking advantage of advancements in technology can only help to meet the changing needs of today’s consumer. With so many people working from home or simply complying with stay-at-home orders, there is ample opportunity for small businesses to provide services that can be obtained from the comfort of home. It’s unclear what else may transpire or evolve, yet what does seem to be clear is that online, e-commerce, and home delivery options are welcome innovations resulting from the pandemic that will continue to be opportunities realized into 2021.

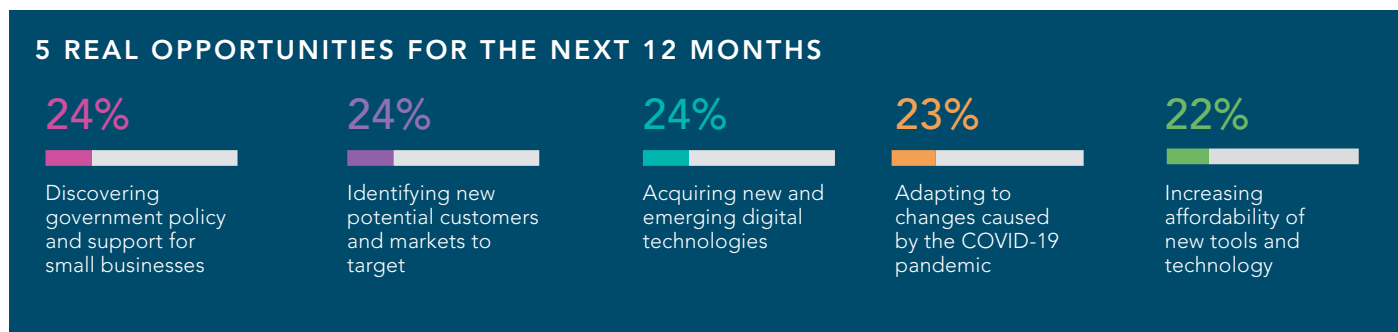


## Remote Work Inspires Tools That Increase Efficiency, Improve Communication, and Instigate Automation

As remote work became the norm for many businesses across the nation, some began to look to technologies to gain workflow efficiencies and protect their data. Our respondents see the top five advantages of using technology and tools – improving communication, increasing productivity and efficiency, ensuring business and customer data security, ensuring continued operations during COVID-19 lockdowns, and automating processes while enabling the business to focus on higher-value tasks – almost equally weighted.



Not surprisingly, small-business owners – generally known for being willing to take risks and driven to succeed – have been able to identify areas of opportunity going into 2021, despite the unexpected turmoil of the pandemic. The responses are split somewhat evenly between improved technological tools providing insights into resources, business advancement opportunities, and new customer data.



From these findings, we can see not only that small-business owners are keen to discover how technology is evolving, but also that technology providers are rapidly broadening their product lines and platforms to address the needs of small businesses. At the onset of the pandemic, tech companies<sup>3</sup> focused their attention on the needs of government entities – and rightly so, as the government sought the ability to track the spread, develop treatments, and deploy personal protective equipment to regions that were desperate for help. More recently, tech companies are turning their attention to small-business needs, creating return-to-work solutions, providing online advertising credits and free new business listing data, and so forth. This much-needed attention could spur additional confidence for small-business owners who are anxious but eager to return to better days.

CHAPTER 2

# Key Business Priorities Going Into 2021



# Key Business Priorities for 2021 Appear to Be Derived from Lessons Learned in 2020

As we head into 2021 – with the pandemic persisting, shutdowns continuing, and the political climate changing – small-business owners are focused on business priorities that appear to be chiefly centered on the health of their business infrastructure. Leading the market by adopting novel tools and technology, identifying new customers, and mitigating risk are a few of the items at the top of their list. Evidently, many of our respondents are looking holistically at their operations and external factors as they move forward.

COVID-19 has prompted owners to become even more serious about implementing measures to safeguard and prepare, not only for growth but also for unexpected challenges. Their five key priorities are as follows:



These responses seem to indicate growing awareness among small-business owners that growth is achieved not only through additional sales, but also by focusing attention on the quality and efficiency of the tools, people, and resources required to run the business. In addition, mitigating risk and learning from the impact of a recent crisis are equally important and should not be overlooked.



CHAPTER 3

# Tips for Small Businesses Looking To Mitigate Risk

# Tips from Dun & Bradstreet for Small Business Owners

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TIP #1

## Know Before You Sign – Why Checking a Potential Partner’s Business Credit File Is Important

There are many risks associated with operating a small business, some of which were covered earlier in this report. Understanding more about a potential business partner’s business credit and equipping yourself with tools that provide guidance on setting credit limits for new customers based on their company’s payment history are just two types of insights that could help mitigate risk for your business. Dun & Bradstreet proprietary tools such as **Business Information Report™** and **Credit Evaluator Plus™** are designed to give small-business owners the information they need to help make more informed decisions before they extend credit or agree to do business with a new partner, vendor, or supplier.

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TIP #2

## Seek to Maintain Good Business Credit Before You Request Funding

Many of our study respondents stated that they were turned down for funding due to a poor personal credit rating or the inability to demonstrate a strong cash flow, among other reasons. Key to helping your business’s ability to survive a crisis – or to grow when opportunity presents itself – is establishing a business credit file and keeping it up to date.. This all starts with **getting a D-U-N-S® Number** and establishing your business credit file with Dun & Bradstreet. Dun & Bradstreet and the D-U-N-S Number are recognized and respected worldwide. In fact, 90% of Fortune 500 companies use our data.

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TIP #3

## Find New Customers Using Reliable Data

Amid all this change, according to our respondents, is the need to find new customers. List services often focus on catering to large businesses – or their lists are too outdated to be useful. Dun & Bradstreet offers **list services tailored for small businesses**, and D&B Hoovers™ Essentials offers dynamic search and list-building capabilities with real-time trigger alerts and comprehensive company profiles to help you with better targeting. All this means that you can gain access to more intelligent insights for your conversations and relationship building.

CHAPTER 4

# Summary





## Summary

Our collective COVID-19 concerns are real, yet by and large small business owners in the United States are still confident in the potential for future success. Until the pandemic hit, small businesses were reaping the benefits of steadily increasing spend on goods and services.

Once the pandemic hit, small businesses reported that they were faced with brand new challenges and reacted accordingly. For many, they shared that their efforts to find the funding they needed to keep afloat were not as successful as they had hoped, and some reported that they were forced to find alternative resources or make tough decisions around which payments to make and which to default on. Despite reported financial challenges, they seem to have found new ways of doing businesses and addressing their customer needs, as well as explored ways to help their workforce work remotely and leverage technology to achieve new efficiencies.

Going into 2021, many small businesses report using lessons learned from 2020 to continue to weather the unpredictable nature of the pandemic and plan for growth once it is over. They report being aware that they will need to find new customers or expand their market, but they are also cognizant that mitigating risk is extremely important. Even though they report being optimistic, they appear to have an awareness of additional risks that they may not have had prior to COVID-19.

For businesses who do want to mitigate risk and look for new growth opportunities, their options include, but are not limited to:

- Accessing data on the reliability of the potential business partners to help ensure that their supply chain is stable and/or that their customers have a history of making on-time payments
- Creating a business credit file or accessing their existing file to have awareness of what other companies may see when they try to access credit information on the company
- Find reliable lead sources that can serve small business needs

The small business confidence in the US economy overall seems to be strong enough to override this once-in-a-generation catastrophe and business owners who can weather the storm should find themselves more equipped to deal with unexpected challenges in the future.

## Resources

1. Doré, J. (2019, January 30). Small Businesses Generate 44 Percent Of U.S. Economic Activity Release No. 19-1 ADV. U.S. Small Business Administration Office of Advocacy. Retrieved from <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/#:~:text=19%2D1%20ADV&text=WASHINGTON%2C%20D.C.%20%E2%80%93%20Small%20businesses%20are,percent%20of%20U.S.%20economic%20activity>.
2. Weinstock, L. (2020, October 2). Introduction to the U.S. Economy: Consumer Spending. Congressional Research Service. Retrieved from <https://fas.org/sgp/crs/misc/IF11657.pdf>
3. Magsamen, B., Shutko, G. (2020, December 22). For A True Economic Recovery, Small Businesses Will Need Support. World Economic Forum. Retrieved from <https://www.weforum.org/agenda/2020/12/small-businesses-will-need-more-support-for-covid-recovery/>

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