

# Small Business Insights

MUFG Union Bank, N.A.  
A member of MUFG, a global financial group

## UNION BANK CALIFORNIA SMALL BUSINESS MID-YEAR MINDSHIFT 2021 SURVEY

### METHODOLOGY

10-question survey among n300 Californian Small Business Owners, with an additional n100 specifically sampled in the Californian Restaurant and Hospitality industry. Data was collected between March 4 – March 19, 2021.

### KEY TAKEAWAY

With the worst behind them, California small business owners are optimistic about the future, but the road to recovery could be a long one.

### DETAILED FINDINGS

After a difficult 2020, California small business owners are holding on to a lot of hope as they enter their next chapter.

Most small business owners in California feel they were hit harder than those in other states.

| How much do you agree with each of the following statements?   | Somewhat/Strongly Agree |                                       |
|--|-------------------------|---------------------------------------|
|  | California SBO          | California Restaurant/Hospitality SBO |
| I feel like small businesses in California were impacted more by COVID-19 than in other states across the US | 58%                     | 66%                                   |

And there's been a lot they've had to overcome – for California small businesses the loss of control and impact on their personal finances was especially difficult. For those in the restaurant / hospitality industry, concern for the health of their employees and layoffs proved to be the most challenging.

| What has been the hardest part of being a small business owner during COVID-19? | % Selecting    |   |
|---|----------------|---|
|   | California SBO | California Restaurant / Hospitality SBO |
| Not having control over the situation   | 59%            | 42%                                     |
| The impact on my personal finances  | 53%            | 44%                                     |
| The concern for the health of my staff and customers                            | 36%            | 54%                                     |
| Having to innovate/adapt to stay afloat   | 31%            | 38%                                     |
| Not feeling supported by my government  | 31%            | 29%                                     |
| Feeling like I don't know what to do/where to turn                              | 25%            | 29%                                     |
| Not being able to secure funding  | 21%            | 27%                                     |
| Having to lay off employees   | 14%            | 38%                                     |

|                                       |     |     |
|---------------------------------------|-----|-----|
| Having to close my business           | 12% | 15% |
| Not feeling supported by my community | 12% | 10% |

But that hasn't broken their spirit – 6 in 10 are currently optimistic, and over half are MORE optimistic than they were in 2020.

| What is your current outlook for your small business? | Somewhat/Extremely |   |
|---|--------------------|---|
|   | California SBO     | California Restaurant / Hospitality SBO |
| Positive  | 61%                | 64%                                     |
| Negative  | 20%                | 16%                                     |

| Compared to 2020, are you feeling... | Somewhat/More  |   |
|--------------------------------------|----------------|---|
|                                      | California SBO | California Restaurant / Hospitality SBO |
| MORE Positive                        | 56%            | 55%                                     |
| MORE Negative                        | 18%            | 13%                                     |

This is particularly true among younger business owners (18-34).

| Age Group | Somewhat/Extremely Positive |   |
|-----------|-----------------------------|---|
|           | California SBO              | California Restaurant / Hospitality SBO |
| 18 – 34   | 76%                         | 71%                                     |
| 35 – 54   | 65%                         | 65%                                     |
| 55+       | 45%                         | 38%                                     |

So what's driving their outlook?

- Those feeling more positive credited the availability of a vaccine, the new presidential administration, and the world reopening with the loosening of restrictions on businesses.
  - Owners with a more positive outlook credited the vaccine, while still being cautiously optimistic that “everything is slowly reopening” and that we’re “almost back to normal.” Respondents also noted Joe Biden’s election as well as new relief bills for their outlook.
- Those who felt more negative bemoaned the response of politicians to COVID-19, loss of business or an anticipated slow economic recovery as reasons for their outlook.
  - Respondents noted at the one-year mark for COVID-19 there is “no end in sight,” that they can’t meet with clients, or that “too many small businesses will remain closed” blaming the Governor for keeping the state closed saying “businesses are suffering because of him.”

Beyond excitement around what's to come, many small business owners have also had some rewarding moments along the way.

| What, if anything, has been a silver lining of being a small business owner during COVID-19? | % Selecting    |   |
|--|----------------|---|
|  | California SBO | California Restaurant / Hospitality SBO |
| Ability to become more efficient in how I do my business                                     | 39%            | 37%                                     |
| The rewarding feeling of overcoming a difficult challenge                                    | 37%            | 23%                                     |
| It solidified my passion for what I do   | 31%            | 36%                                     |
| The challenge of having to innovate and adapt  | 30%            | 33%                                     |
| The ability to leverage new opportunities created due to the pandemic                        | 28%            | 32%                                     |
| The support from my local community  | 18%            | 37%                                     |
| The support/community from other small business owners                                       | 14%            | 32%                                     |
| The support received from the government   | 14%            | 30%                                     |

While there is a lot of excitement and energy around what's to come, many small business owners will have a difficult road to recovery.

Many small businesses had to make significant investments into their business in order to operate safely during COVID-19, particularly those in the restaurant / hospitality industry.

| To your best estimate, about how much would you say your business has spent on changes/adjustments to remain open during COVID-19? | % Selecting     |                              |
|--|-----------------|------------------------------|
|  | California SBO  | Restaurant / Hospitality SBO |
| \$0  | 23%             | 1%                           |
| \$1 to less than \$5k  | 12%             | 1%                           |
| \$5k-\$20k   | 37%             | 23%                          |
| \$21k-\$50k  | 13%             | 33%                          |
| More than \$50k  | 14%             | 42%                          |
| <b>AVERAGE SPENT</b>   | <b>\$27,653</b> | <b>\$73,510</b>              |

| % of SBOs who invested money in each of these changes/adjustments (includes any investment/spend level) | % Selecting (NET across all spend brackets) |                              |
|---|---|------------------------------|
|   | California SBO                              | Restaurant / Hospitality SBO |
| PPE (personal protective equipment)   | 58%   | 85%                          |
| Increased cleaning or sanitization services   | 54%   | 94%                          |
| New or increased marketing / advertising  | 45%   | 74%                          |
| New website / e-commerce platform / app development   | 41%   | 64%                          |
| New products / services / menus / packaging   | 37%   | 77%                          |
| Updated signage, banners, decals, customer/employee directions  | 33%   | 82%                          |
| Delivery services   | 31%   | 87%                          |
| Plexi-glass dividers/ Other methods to separate customers   | 28%   | 74%                          |
| New hires   | 25%   | 52%                          |
| New payment system  | 25%   | 59%                          |
| Outdoor seating   | 16%   | 76%                          |

And more than half saw revenue decreases as a result of COVID-19, though despite high investments in COVID-19 protocols, restaurant / hospitality small business owners report they've had less of a hit in revenue.

| To your best estimate, how has your small business's revenue been impacted as a result of COVID-19? | California SBO | Restaurant / Hospitality SBO |
|---|----------------|------------------------------|
| % who have experienced a decrease in revenue  | 58%            | 62%                          |
| Median revenue loss   | 45%            | 24%                          |

The minimized impact on small business owners in the restaurant / hospitality industry may be due to the fact that they've seen much higher levels of financial support.

| Which of the following sources of funding / support / relief programs has helped your small business during COVID-19? | % Selecting    |                              |
|---|----------------|------------------------------|
|   | California SBO | Restaurant / Hospitality SBO |
| % who received ANY financial support  | 54%            | 89%                          |
| <b>Types of financial support received</b>  |                |                              |
| Government support (NET)  | 36%            | 64%                          |
| Personal finances   | 17%            | 28%                          |
| Family/friends  | 14%            | 24%                          |
| Banks (NET)   | 8%             | 38%                          |
| Community / Non-profits (NET)   | 6%             | 18%                          |
| Private Sector  | 5%             | 12%                          |

In fact, many small business owners outside of the restaurant / hospitality industry feel that both the federal and local government failed them during COVID-19.

| How much do you agree with each of the following statements?   | Somewhat/Strongly Agree |                              |
|--|-------------------------|------------------------------|
|  | California SBO          | Restaurant / Hospitality SBO |
| I feel the <u>federal government</u> has <b>supported</b> my small business during COVID-19          | 31%                     | 53%                          |
| Vs.  |                         |                              |
| I feel like the <u>federal government</u> has <b>failed</b> its small businesses                     | 53%                     | 47%                          |
| I feel the <u>California state government</u> has <b>supported</b> my small business during COVID-19 | 30%                     | 59%                          |
| Vs.  |                         |                              |
| I feel like the <u>California state government</u> has <b>failed</b> its small businesses            | 51%                     | 42%                          |
| I feel my <u>local county government</u> has <b>supported</b> my small business during COVID-19      | 28%                     | 54%                          |
| Vs.  |                         |                              |
| I feel like my <u>local county government</u> has <b>failed</b> its small businesses                 | 42%                     | 43%                          |

|   |     |     |
|---|-----|-----|
| I feel my <b>local city government</b> has <b>supported</b> my small business during COVID-19 | 28% | 49% |
| Vs.   |     |     |
| I feel like my <b>local city government</b> has <b>failed</b> its small businesses            | 41% | 47% |

However, most feel their local community had a more positive impact during COVID-19 compared to the government.

| How much do you agree with each of the following statements?                            | Somewhat/Strongly Agree |                              |
|---|-------------------------|------------------------------|
|   | California SBO          | Restaurant / Hospitality SBO |
| I feel my <b>local community</b> has <b>supported</b> my small business during COVID-19 | 41%                     | 63%                          |
| Vs.   |                         |                              |
| I feel like my <b>local community</b> has <b>failed</b> its small businesses            | 29%                     | 41%                          |

Along the road to recovery are many steps small business owners believe will help them to survive.

A lot of good things are on the horizon for small businesses – and while there’s concern around new COVID-19 strains, most are looking forward to the continued vaccine rollout, additional financial support, and easing of restrictions.

| How do you feel the following will impact your small business’s ability to survive? | Will Somewhat/Significantly Hurt/Help |           |                              |           |
|---|---------------------------------------|-----------|------------------------------|-----------|
|   | California SBO                        |           | Restaurant / Hospitality SBO |           |
|   | Will HELP                             | Will HURT | Will HELP                    | Will HURT |
| The continued rollout and distribution of COVID-19 vaccines                         | 68%                                   | 5%        | 63%                          | 13%       |
| The recent lifting of COVID-19 restrictions in California                           | 55%                                   | 7%        | 64%                          | 13%       |
| The upcoming federal stimulus package   | 54%                                   | 3%        | 70%                          | 5%        |
| The new presidential administration   | 45%                                   | 21%       | 56%                          | 14%       |
| Federal economic relief programs  | 44%                                   | 4%        | 63%                          | 9%        |
| California state economic relief programs   | 42%                                   | 5%        | 60%                          | 11%       |
| Local community economic relief   | 30%                                   | 3%        | 54%                          | 9%        |
| The new COVID-19 strains  | 8%                                    | 55%       | 19%                          | 47%       |

Women-owned small businesses were hit harder and felt particularly unsupported during COVID-19. However, they remain undeterred and are optimistic about the future.

Women small business owners felt particularly powerless during COVID-19.

| What has been the hardest part of being a small business owner during COVID-19? | % Selecting         |                       |
|---|---------------------|-----------------------|
|   | Male California SBO | Female California SBO |
| Not having control over the situation   | 54%                 | 64%                   |

Which is unsurprising given they report higher revenue losses in combination with less support from the government and their own network.

| To your best estimate, how has your small business's revenue been impacted as a result of COVID-19? | Male California SBO | Female California SBO |
|---|---------------------|-----------------------|
| Median revenue loss   | 35%                 | 50%                   |

| How much do you agree with each of the following statements?   | Somewhat/Strongly Agree |                       |
|--|-------------------------|-----------------------|
|  | Male California SBO     | Female California SBO |
| I feel the <b>federal government</b> has <b>supported</b> my small business during COVID-19          | 41%                     | 21%                   |
| I feel the <b>California state government</b> has <b>supported</b> my small business during COVID-19 | 38%                     | 22%                   |
| I feel my <b>local county government</b> has <b>supported</b> my small business during COVID-19      | 38%                     | 18%                   |
| I feel my <b>local city government</b> has <b>supported</b> my small business during COVID-19        | 37%                     | 18%                   |

| Which of the following sources of funding / support / relief programs has helped your small business during COVID-19? | % Selecting         |                       |
|---|---------------------|-----------------------|
|   | Male California SBO | Female California SBO |
| Family/friends  | 18%                 | 9%                    |

This has hindered their ability to invest in their business to operate safely during COVID-19 compared to their male peers.

| To your best estimate, about how much would you say your business has spent on changes/adjustments to remain open during COVID-19? | % Selecting         |                       |
|--|---------------------|-----------------------|
|  | Male California SBO | Female California SBO |
| \$0  | 19%                 | 27%                   |
| \$1 to less than \$5k  | 10%                 | 15%                   |
| \$5k-\$20k   | 35%                 | 40%                   |
| \$21k-\$50k  | 16%                 | 10%                   |
| More than \$50k  | 20%                 | 7%                    |
| <b>AVERAGE SPENT</b>   | <b>\$38,007</b>     | <b>\$16,685</b>       |

However, this hasn't broken their spirit – more than half are feeling better than in 2020 and are hopeful for the future.

| Compared to 2020, are you feeling... | Somewhat/More          |                          |
|--------------------------------------|------------------------|--------------------------|
|                                      | Male<br>California SBO | Female<br>California SBO |
| MORE Positive                        | 58%                    | 55%                      |
| MORE Negative                        | 16%                    | 21%                      |

| What is your current outlook for your small business? | Somewhat/Extremely     |                          |
|---|------------------------|--------------------------|
|   | Male<br>California SBO | Female<br>California SBO |
| Positive  | 63%                    | 58%                      |
| Negative  | 20%                    | 19%                      |

