

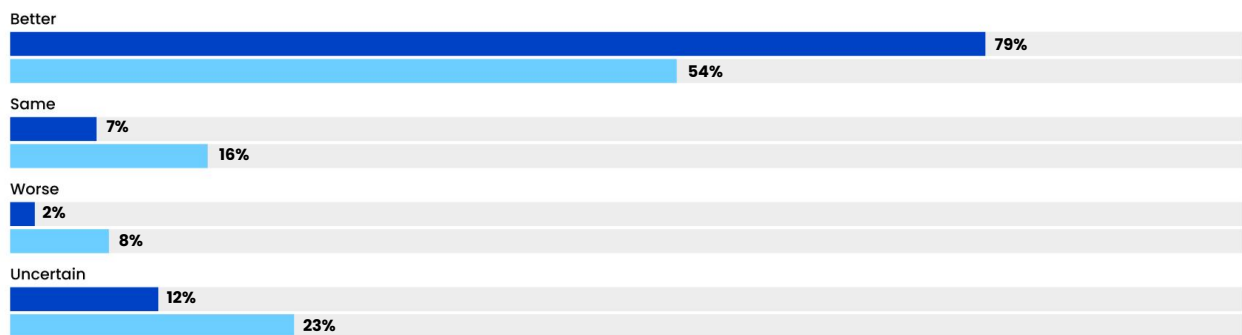
# Small Business Pulse Check

In December 2021, Hello Alice conducted an outlook survey to measure sentiments of the small business community heading into 2022. This July 2022 follow-up survey measures changing attitudes among owners as inflation, supply chain troubles, and other economic headwinds have evolved.

Most notably, small business owners are increasingly pessimistic. While a majority (52%) remain hopeful that their business will grow in 2022, overall sentiment has declined significantly since the initial survey, in which nearly 80% of owners expected growth. In fact, **nearly five times as many owners expect their business to perform worse this year compared to our first survey.**

## I expect my business to perform in the future...

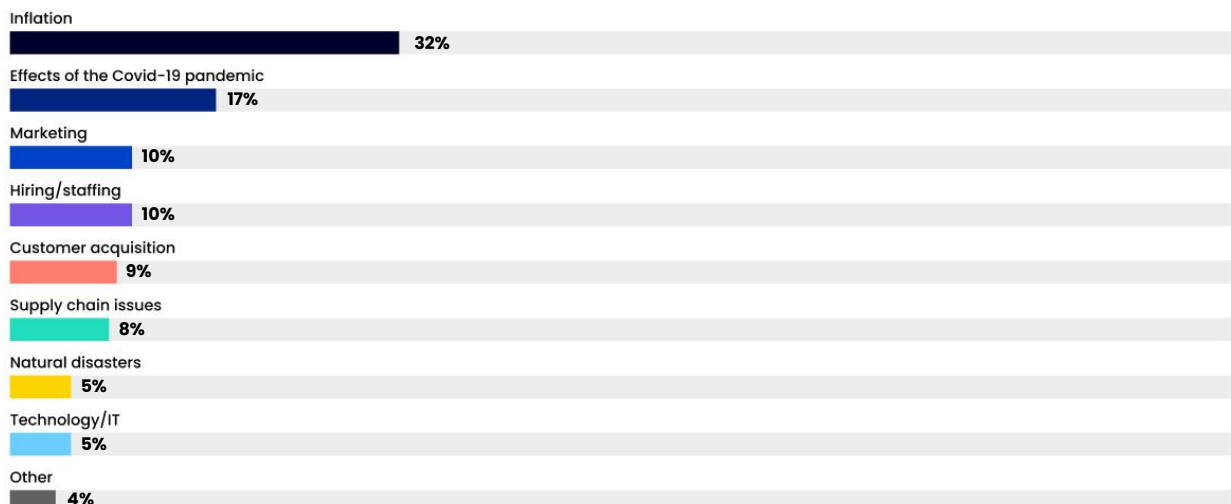
■ 1H 2022   ■ 2H 2022



**Inflation ranked as the top challenge of small business owners by a landslide.** Entering 2022, inflation was essentially tied with COVID-related challenges. Six months later, 33% of respondents ranked inflation as the number one challenge they expect to face in the remainder of 2022 – **nearly double the second-highest ranked challenge**, which still remains the effects of the COVID-19 pandemic. In total, 71% of owners surveyed believe the effects of inflation have worsened since the start of 2022.

Inflation has impacted small business owners in numerous ways. The most common effect is increased cost of goods, affecting more than 80% of owners. Additionally, rising gas prices have impacted business travel, minimized extra cash that clients and/or customers have to spend, and increased the cost suppliers are demanding for the same goods. **Nearly a quarter (23%) of owners specifically mentioned gas and travel as other significant impacts of inflation.** Overall, owners believe customers have decreased their spending in response to the rising cost of necessities such as fuel and groceries.

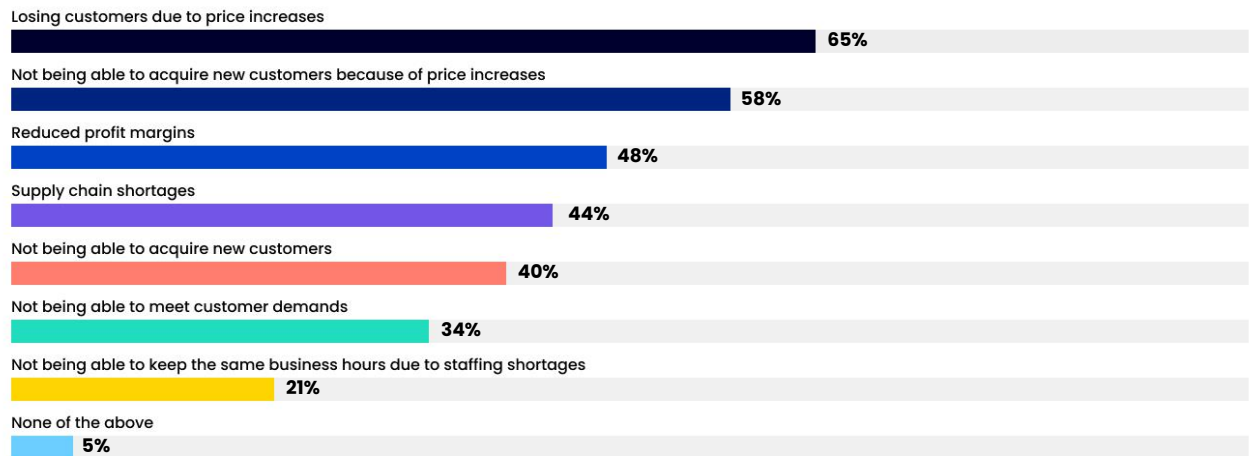
## Expected Number 1 Challenge Heading into 2H 2022



In response to inflation, small business owners share two primary concerns: retaining and acquiring customers. Two-thirds of owners (66%) are concerned about losing customers due to decreased consumer spending and 58% are worried they will not be able to acquire new customers. **Concern for both challenges has increased by more than 10% since the start of the year.**

Additionally, owners report that inflation impacts vary by industry. The Retail, Food and Beverage, and Manufacturing industries all highly over-index on concern for supply chain shortages. Similarly, Personal Services and Food and Beverage businesses are significantly more likely to report not being able to keep the same business hours due to staffing shortages; the same two industries are also the most likely to be planning to hire for the remainder of the year. Compared to other industries, Food and Beverage businesses reported the most difficulty finding qualified candidates.

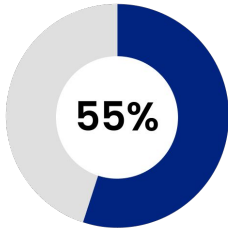
### Biggest Inflation Concerns



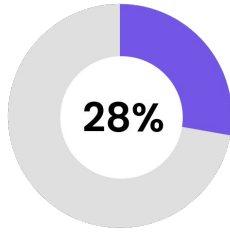
Ranking third after retaining and acquiring customers, 48% of small business owners surveyed are worried that inflation will result in **reduced profit margins**. Interestingly, **this concern has decreased 25% since the start of 2022**. This decline is likely explained by various measures owners have taken to combat inflation, including: delaying or canceling planned purchases (41%); reducing supplies and material availability (39%); owners working more hours themselves (73%); and delaying or canceling hiring plans (33%).

Inflation is shifting overall business strategy, too. Nearly 40% of surveyed owners said inflation caused them to pivot or diversify their business to focus on a new product or service offering. In fact, when asked what the **single most effective strategy for combating inflation impacts**, 28% of owners responded **“adjusting product/service offerings.”** Another 25% believe increasing prices has helped maintain profit margins and keep their businesses afloat.

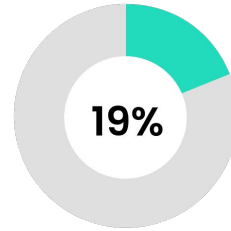




Planned to Hire Entering 2022



Plan to Hire in Remainder of 2022



Have Actively Been Hiring

Labor also remains a persistent and major concern. As previously mentioned, 33% of owners have delayed or canceled hiring plans when attempting to manage inflation. This datapoint closely aligns with previous data. **Heading into 2022, 55% of owners planned to hire, yet our most recent survey found only 19% have been actively hiring in 2022 and only 28% definitely plan to hire in the remainder of the year.** Those still looking to hire face an uphill battle. In total, **74% of surveyed owners said they are struggling to find qualified candidates – a 21% increase from the beginning of the year.**

