



VERIZON BUSINESS' 4TH ANNUAL STATE OF SMALL BUSINESS SURVEY

Year Four Results

AUGUST 2023

Background



METHODOLOGY

This survey was conducted by Morning Consult on behalf of Verizon Business between August 10 – August 23, 2023 among a national sample of 681 small to midsize business owners and decision makers. The interviews were conducted online. Results from the full survey have a margin of error of +/- 4 percentage points.



TARGET AUDIENCE

- Works at a business with 1 (sole proprietor) to 500 employees
- Has decision-making power
- Works in one of the following industries (~100N per industry): Construction & Contracting, Entertainment & Recreation, Food & Beverage, Hospitality & Accommodation, Retail, Restaurant & Bar



TRENDING

Data has been trended against previous years where applicable.

- Year 3 field dates: August 12 – August 19, 2022
- Year 2 field dates: August 5 – August 16, 2021
- Year 1* field dates: August 26 – September 4, 2020

**The year 1 survey targeted a broader set of eight industries; year one data throughout the report has been filtered to exclude the industries that were not included in years 2, 3, and 4.*

Key Points

- 1. Business owners and decision makers remain concerned about the US economy overall but have grown less concerned about conditions for businesses of all sizes compared to early-pandemic years.** About 4 in 5 decision makers say they are very or somewhat concerned about the US economy generally, consistent with 2022. Concern about businesses of all sizes continues trending down compared to prior years, though concern for small businesses (81%) continues to outpace concern for mid-size (60%) and large (39%) businesses. Fewer express concern about their personal job security (41%).
- 2. Inflation and a potential recession remain leading concerns among business decision makers. Many are already experiencing increased costs of doing business and are responding by reducing spend or increasing prices to offset the impact.** 4 in 5 respondents say they have experienced increased costs over the past year, a figure that continues to grow YoY. Further, 81% say they are worried about the effects rising inflation will have on their business. In response, nearly 3 in 5 small business owners and decision makers have raised or have plans to raise prices of goods and services to offset the impacts of inflation (59%) and a similar share have reduced or plan to reduce spending on non-essential items and activities (57%).
- 3. While enhancements to internet bandwidth, internet speeds, and wireless signal remain common tech upgrades that respondents say their business has made in the last year, few report using AI. Many are unaware of the benefits and applications of AI that could support their business and worry about it presenting greater risks of cyber attacks.** Just over 1 in 10 decision makers say their business currently uses AI solutions (14%), while 2 in 5 are unaware of how AI could support their business (40%). Nearly half of respondents express concern about integrating AI solutions into their business (45%), and approximately 2 in 5 worry about AI opening their business to more cybersecurity risks (43%). However, decision makers also acknowledge the potential efficiency gains it can bring to their business.
- 4. Supply chain disruptions and remaining adequately staffed are leading concerns as decision makers look ahead to the 2023 holiday season, and nearly half of business leaders expect to work extended hours.** Consistent with last year, more than 1 in 3 decision makers are concerned about staying adequately staffed, supply chain issues, properly pricing goods and services, and economic hardships impacting their sales. Concern about supply chain issues (36%) shows a downtick from 44% in 2022. Nearly half (46%) of business leaders expect to work extended hours over the holidays. Most respondents say their business is investing more in advertising ahead of the holidays (52%). A plurality of respondents anticipate more online traffic than in-store traffic this year (35%), while 1 in 4 say the opposite (25%). Another 25% expect an even mix.

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HOLIDAY SEASON

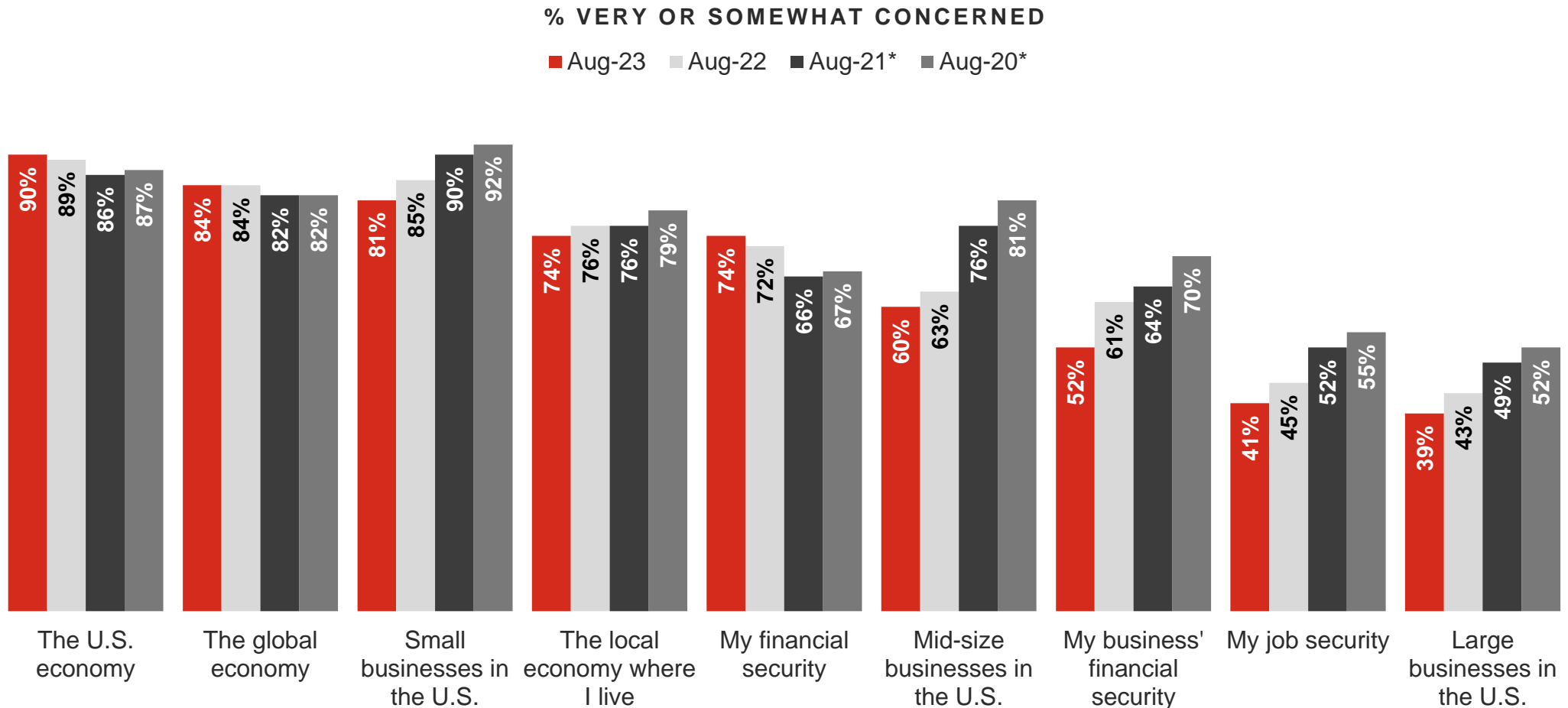
MENTORSHIP

 MORNING CONSULT[®] + verizon[✓]

OUTLOOK & BUSINESS IMPACTS

Overall, concern about both the US and global economies is stable vs. 2022, with at least 4 in 5 decision makers indicating they are very or somewhat concerned about each. Concern about businesses of all sizes continues trending down compared to prior years, though concern for small businesses (81%) continues to outpace concern for mid-size (60%) and large (39%) businesses.

In general, how concerned are you about each of the following?

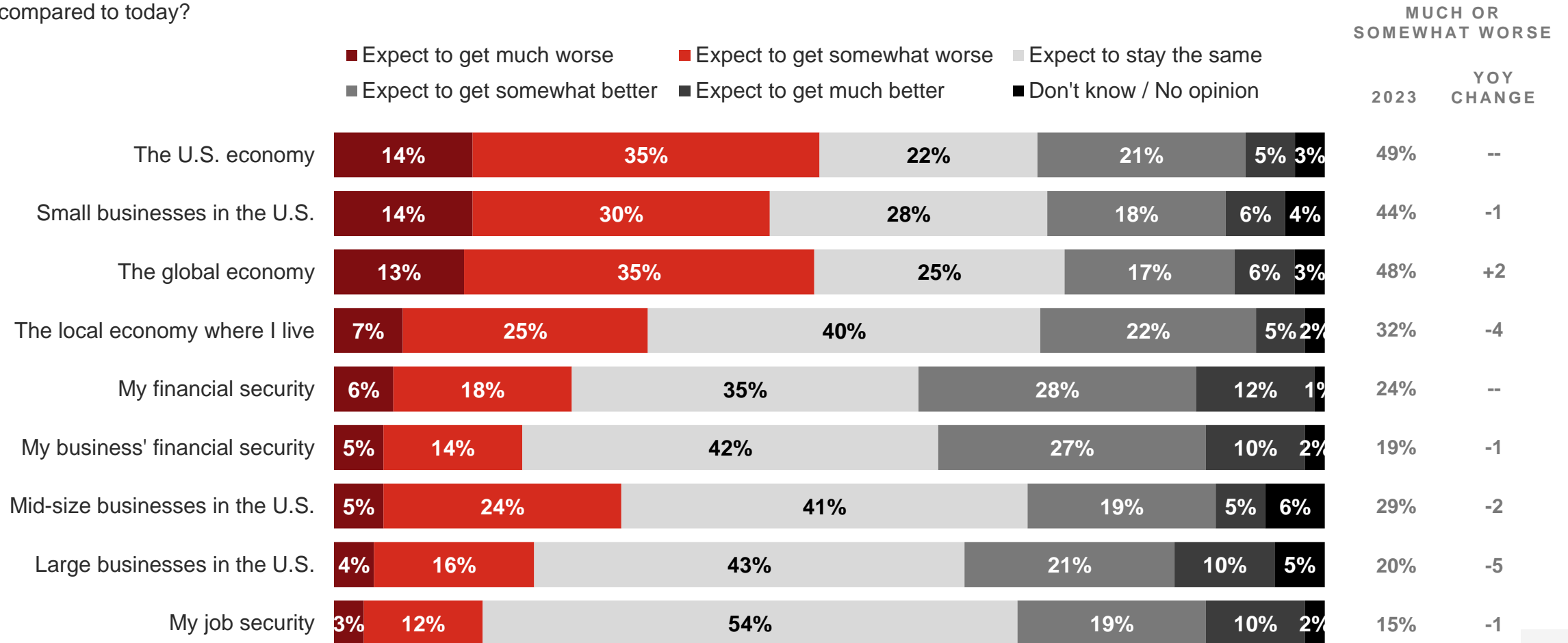


*Prior to August 2022, this question was asked as: "In general, how concerned are you about the impact of the coronavirus (COVID-19) pandemic on the following?"

OUTLOOK & BUSINESS IMPACTS

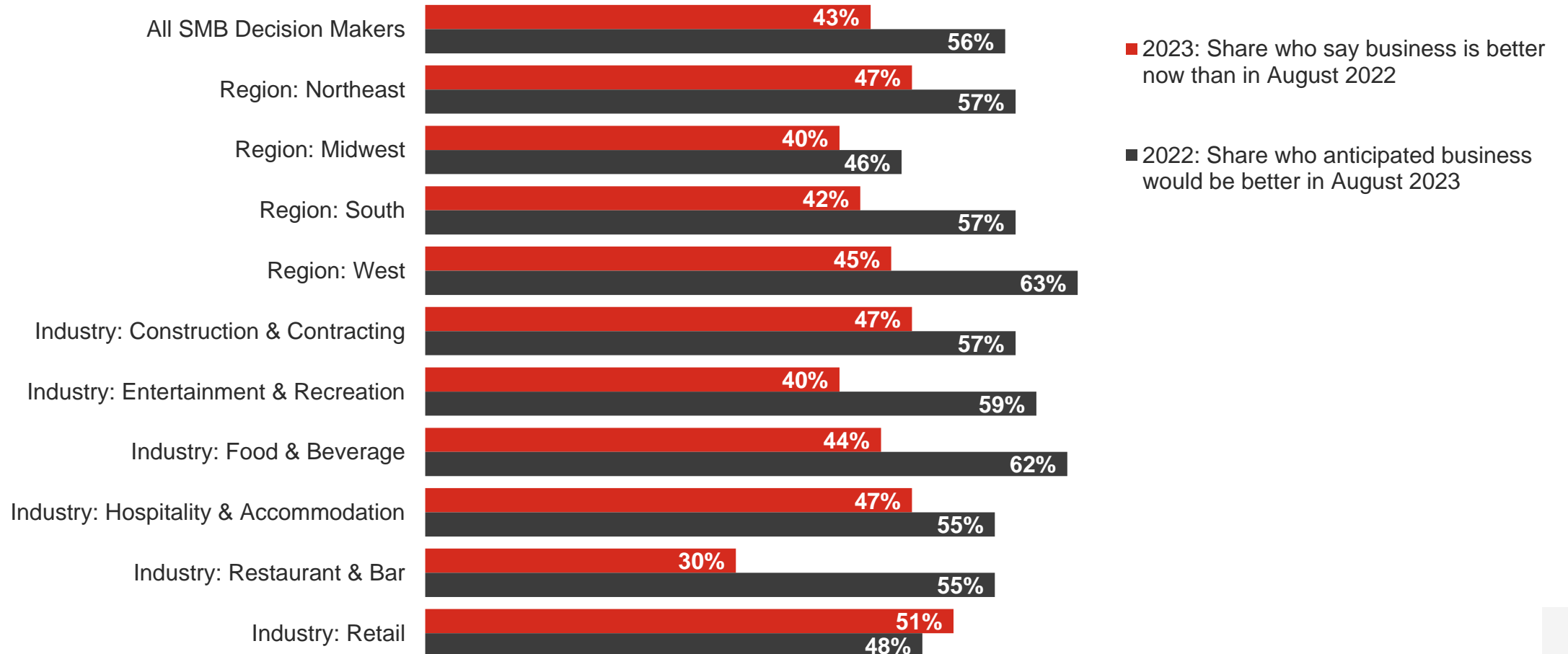
Nearly half of decision makers believe the US (49%) and global (48%) economies will get worse in the coming months, outpacing the share who believe they will improve (26% and 23%, respectively) – consistent with 2022. Slightly fewer, 44%, expect conditions for small businesses in the US to get worse, though fewer than 1 in 5 expect their personal job security to get worse (15%).

And, over the next few months, do you expect conditions for each of the following to **get better** or **get worse**, or to **stay about the same** compared to today?



Across regions and industries, with the exception of retail, the share of respondents who say their business is doing better now compared to a year ago is lower than the share of respondents who said in 2022 that they *expected* to do better in 2023.

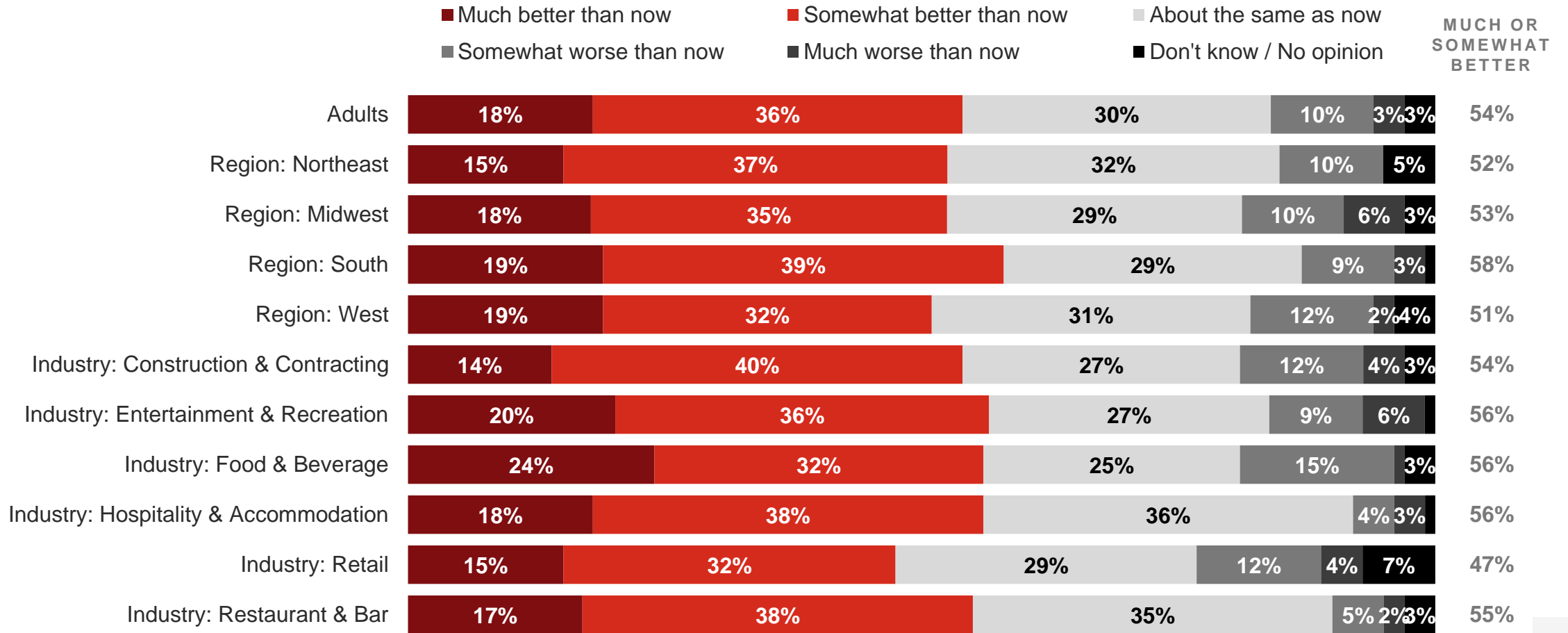
And, thinking about the overall state of your business **now** compared **to a year ago (e.g., August 2022)**, would you say your business **now** is... / *Year 3 Data: One year from now (e.g., August 2023)*, do you anticipate that the overall state of your business will be...



OUTLOOK & BUSINESS IMPACTS

Despite 2023 and previous years falling short of expectations, most respondents remain optimistic and expect their business to be doing better next year compared to now.

Finally, **one year from now (e.g., August 2024)**, do you anticipate that the overall state of your business will be...

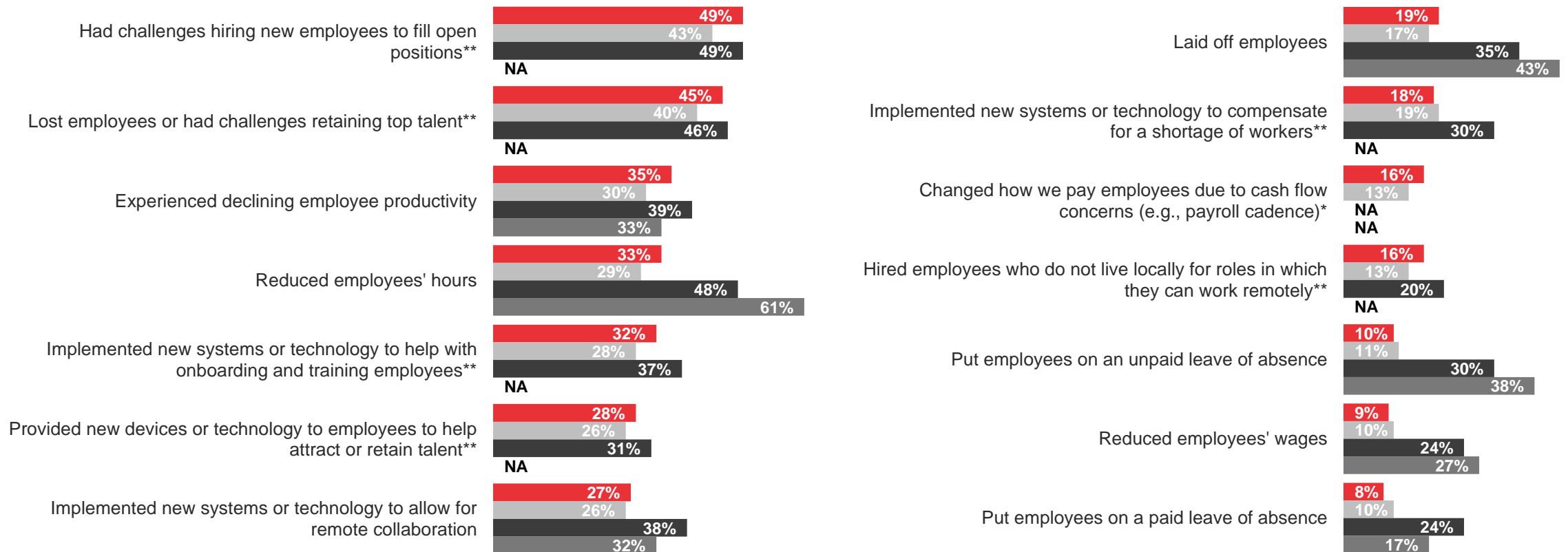


OUTLOOK & BUSINESS IMPACTS

Nearly half of respondents continue to report challenges related to hiring for open positions and retaining top talent. In recent years, far fewer say they've reduced employees' hours and laid off employees compared to 2020 and 2021.

PERSONNEL: Over the **last year** (e.g., since August 2022), has your business...

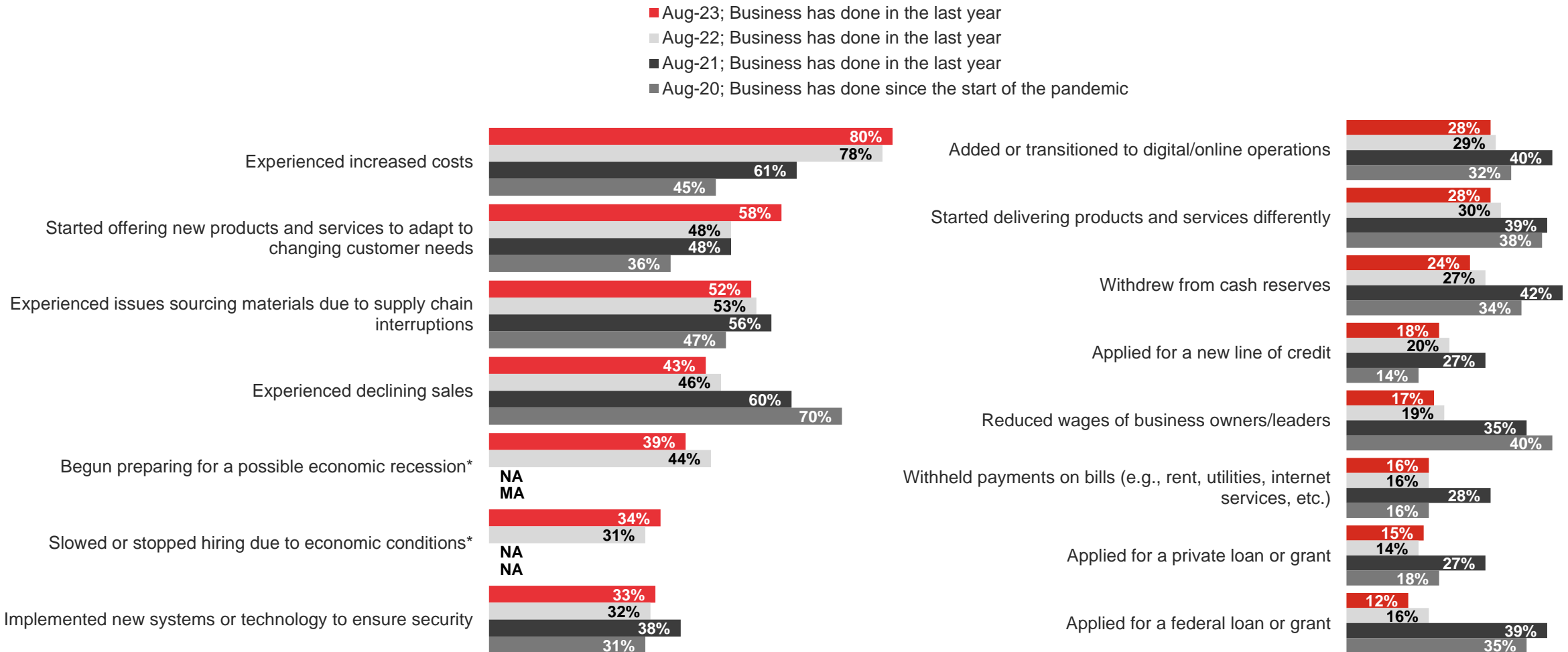
- Aug-23; Business has done in the last year
- Aug-22; Business has done in the last year
- Aug-21; Business has done in the last year
- Aug-20; Business has done since the start of the pandemic



OUTLOOK & BUSINESS IMPACTS

4 in 5 decision makers say their business has experienced increased costs in the last year, a figure that continues to grow year-over-year. The majority say they've started offering new products and services to adapt to changing needs, while fewer report experiencing declining sales compared to the past.

OPERATIONS: Over the **last year** (e.g., since August 2022), has your business...

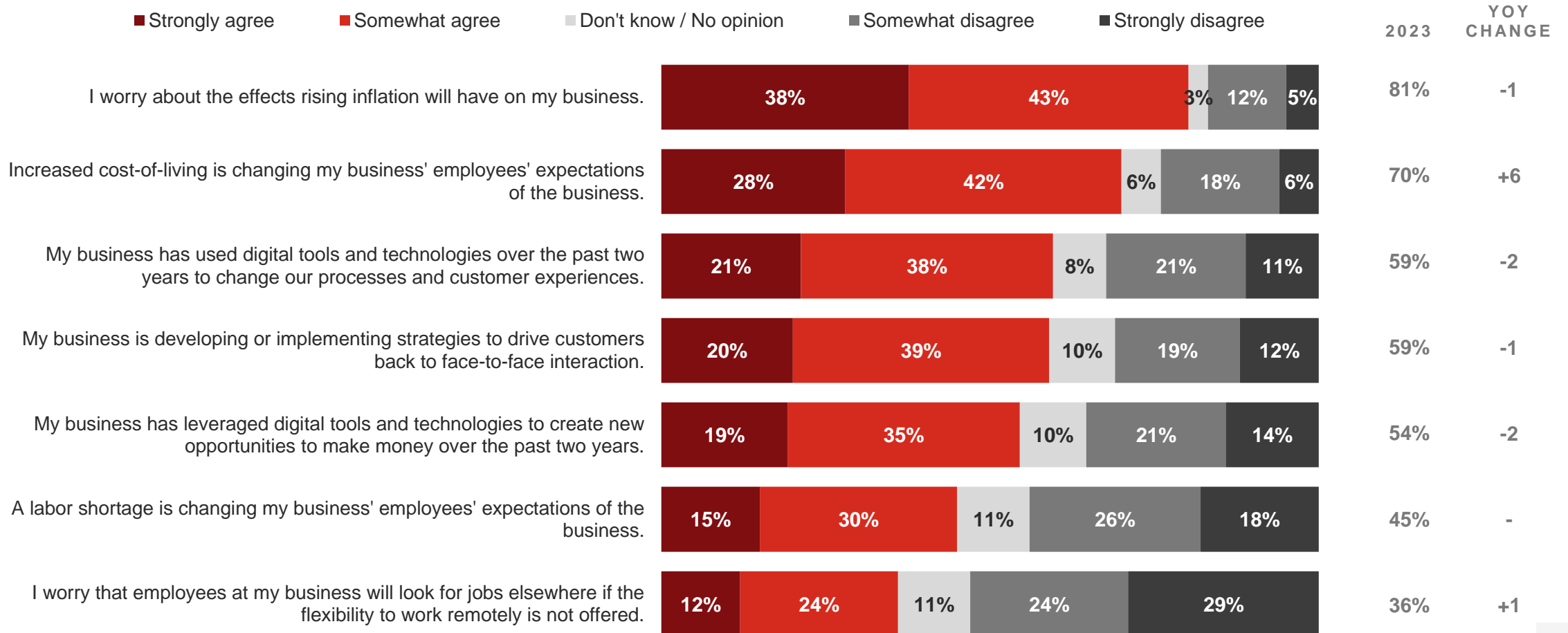


OUTLOOK & BUSINESS IMPACTS

The majority of respondents (81%) are worried about the effects inflation will have on their business, consistent with 2022. This year, more decision makers are concerned about how increases in cost-of-living have changed their employees' expectations (+6 pp vs. 2022).

To what extent do you agree or disagree with the following statements?

TOTAL AGREE

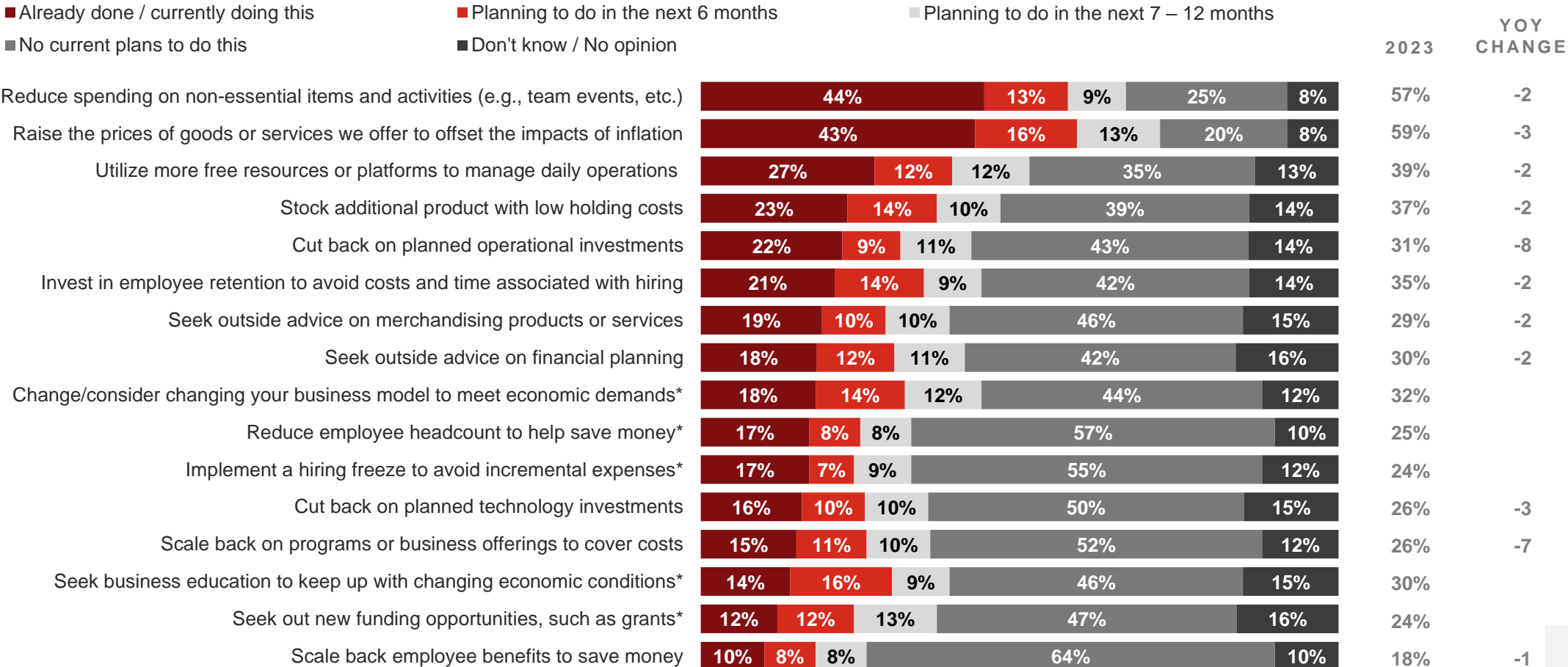


OUTLOOK & BUSINESS IMPACTS

A majority of decision makers say they either already have or are planning to reduce spending on non-essential items and raise prices in preparation for a possible economic downturn. Compared to 2022, fewer respondents say they will be cutting back on operational investments and scaling back on programs or business offerings.

Has your business done, or does it have plans to do, any of the following due to **the potential for an economic downturn in the near future (i.e., a recession)?**

ALREADY DONE, CURRENTLY DOING, OR PLANNING IN THE NEXT 6 MONTHS



OUTLOOK & BUSINESS IMPACTS

While respondents continue to be most worried about inflation (70%) and a possible recession (66%), concern about both of these issues has subdued slightly vs. 2022. Decision makers also express less concern about their ability to create new relationships with customers and maintain existing relationships compared to last year.

Thinking about how your business plans to move forward over the next few months, how concerned are you about the following, if at all?

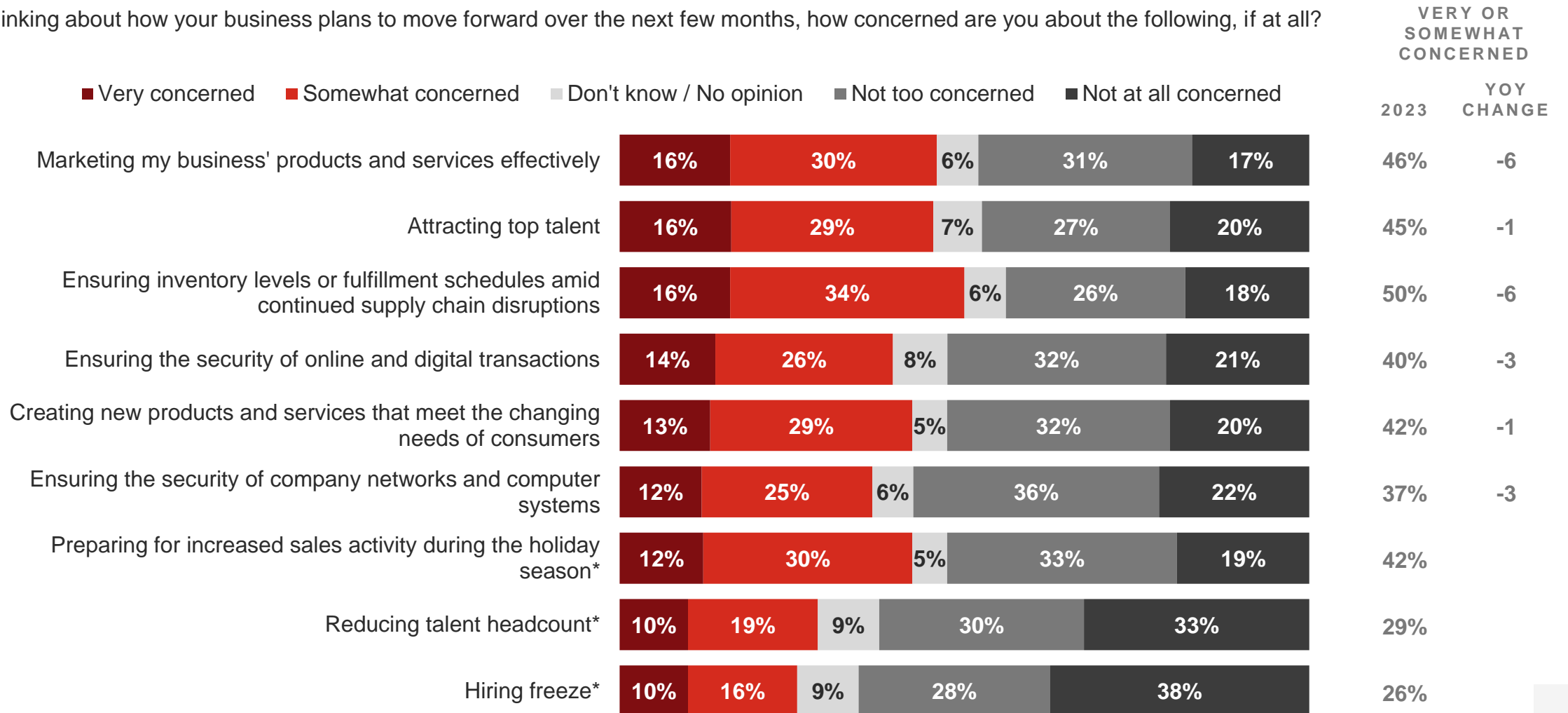


Showing attributes with highest % Very Concerned; continued on following slide

OUTLOOK & BUSINESS IMPACTS

About 2 in 5 respondents express concern about preparing for increased sales activity during the holiday season. Most respondents are *not* concerned about having to reduce their workforce (29%) or implement a hiring freeze (26%) in the next few months.

Thinking about how your business plans to move forward over the next few months, how concerned are you about the following, if at all?



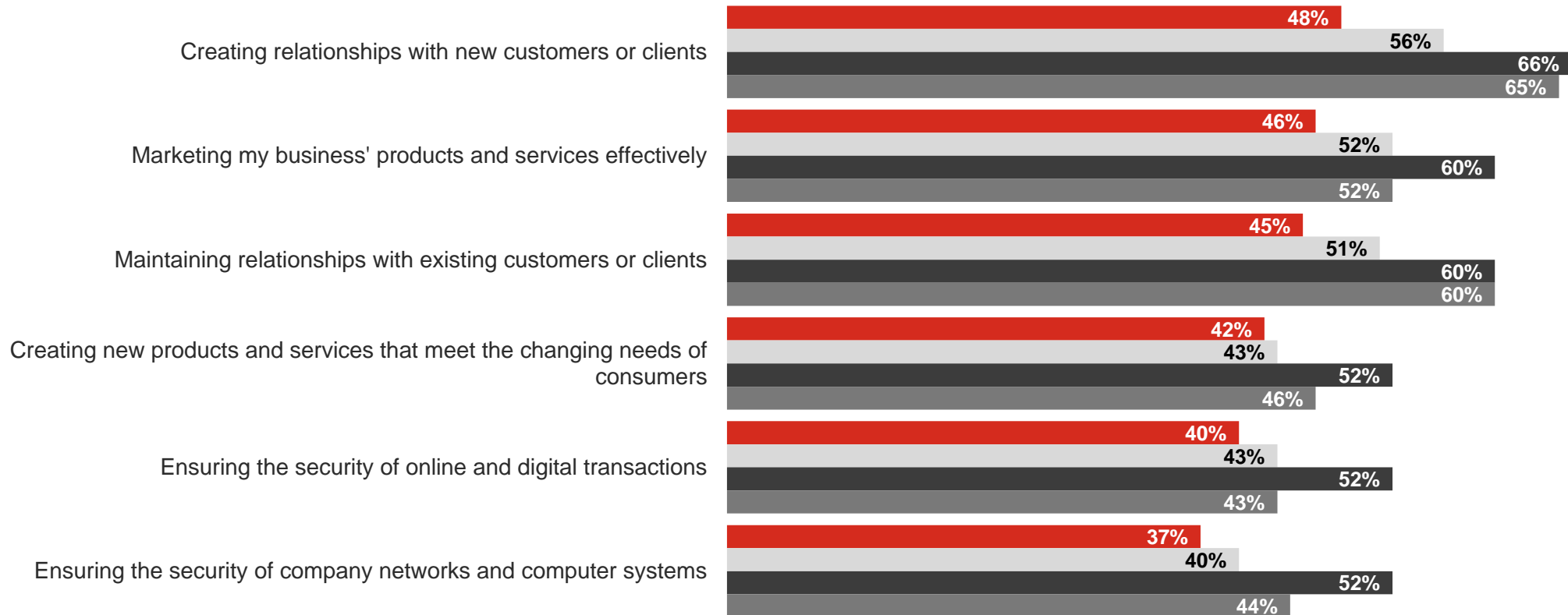
OUTLOOK & BUSINESS IMPACTS

Concerns about non-economic business issues continue to tick down year-over-year. Despite this, nearly half of respondents remain concerned about creating relationships with new customers, marketing products and services, and maintaining existing relationships with customers.

Thinking about how your business plans to move forward over the next few months, how concerned are you about the following, if at all?

% VERY OR SOMEWHAT CONCERNED

■ Aug-23 ■ Aug-22 ■ Aug-21 ■ Aug-20

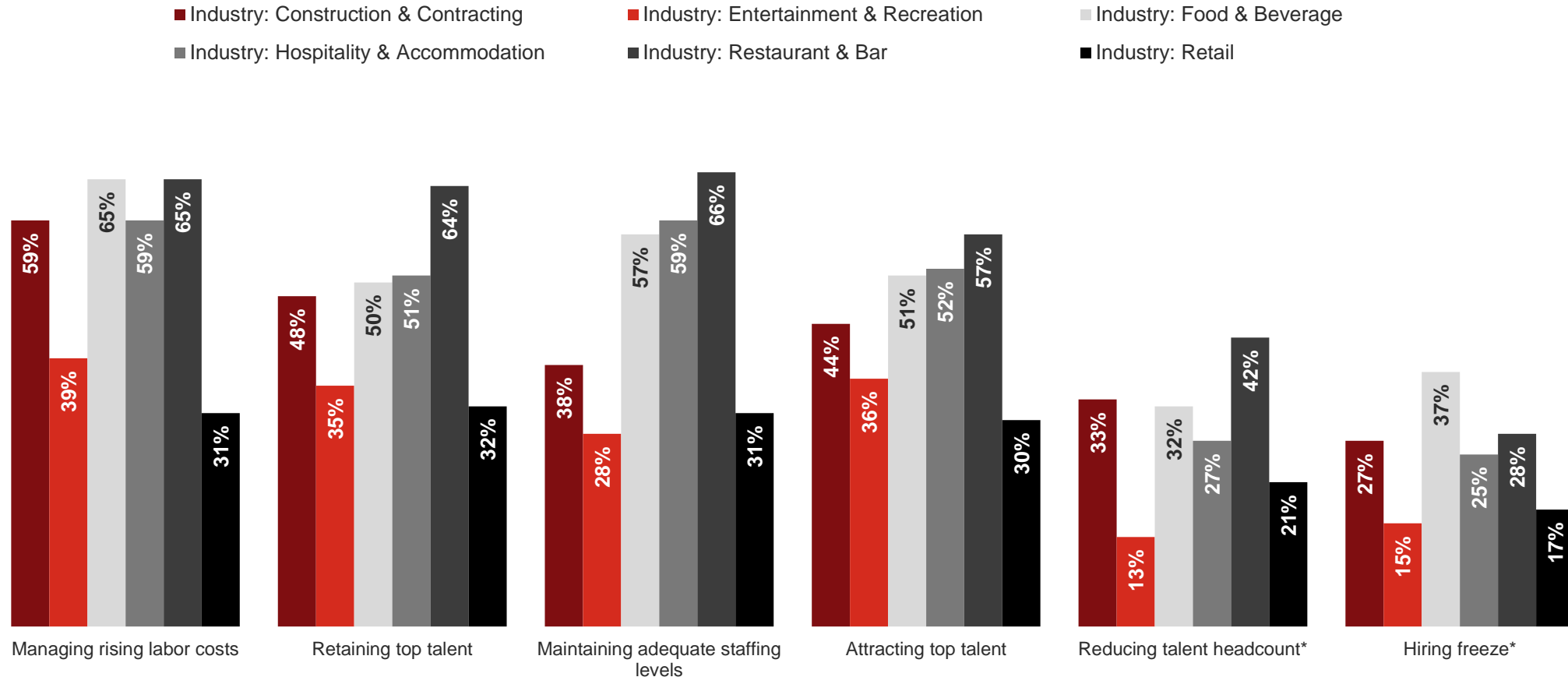


OUTLOOK & BUSINESS IMPACTS

Decision makers in the restaurant & bar industry express stronger levels of concern about staffing and retention in the coming months relative to those in other industries.

Thinking about how your business plans to move forward over the next few months, how concerned are you about the following, if at all?

TALENT: % VERY OR SOMEWHAT CONCERNED



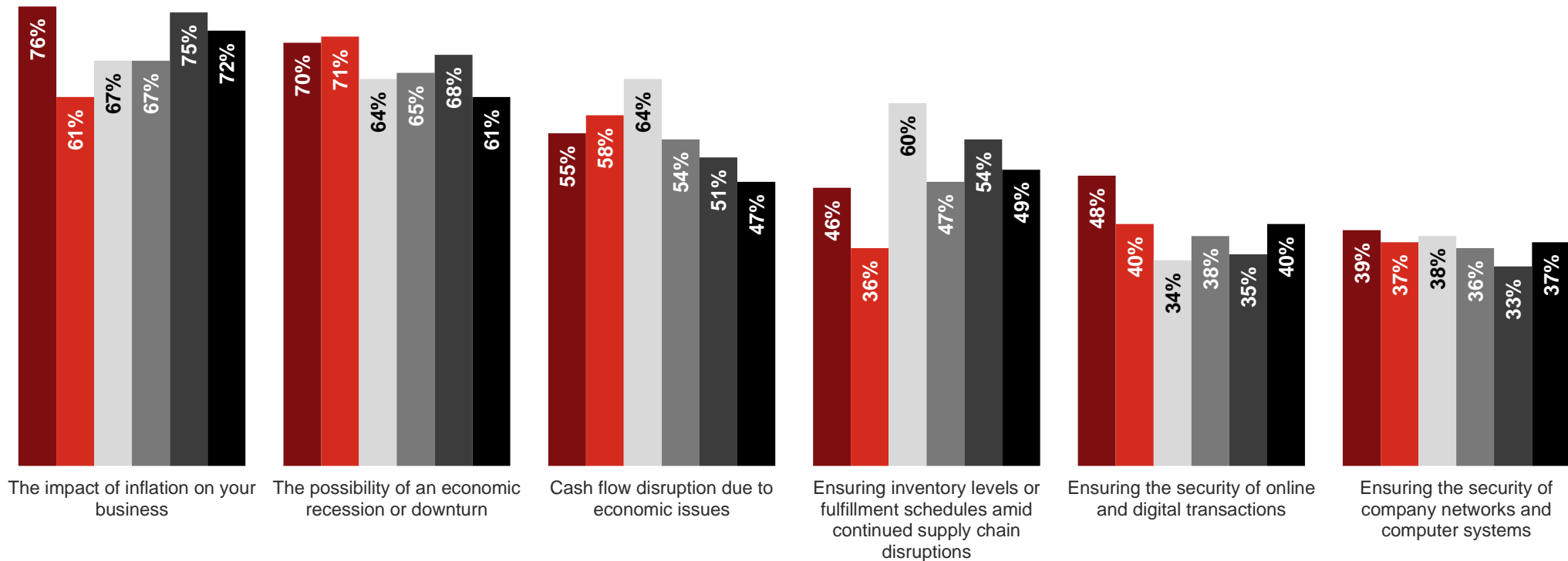
OUTLOOK & BUSINESS IMPACTS

Respondents in the food & beverage and restaurant & bar industries are more likely to be concerned about maintaining inventory levels amid supply chain disruptions compared to respondents in other industries; construction & contracting decision makers are most worried about inflation.

Thinking about how your business plans to move forward over the next few months, how concerned are you about the following, if at all?

OPERATIONS: % VERY OR SOMEWHAT CONCERNED

- Industry: Construction & Contracting
- Industry: Entertainment & Recreation
- Industry: Food & Beverage
- Industry: Hospitality & Accommodation
- Industry: Restaurant & Bar
- Industry: Retail



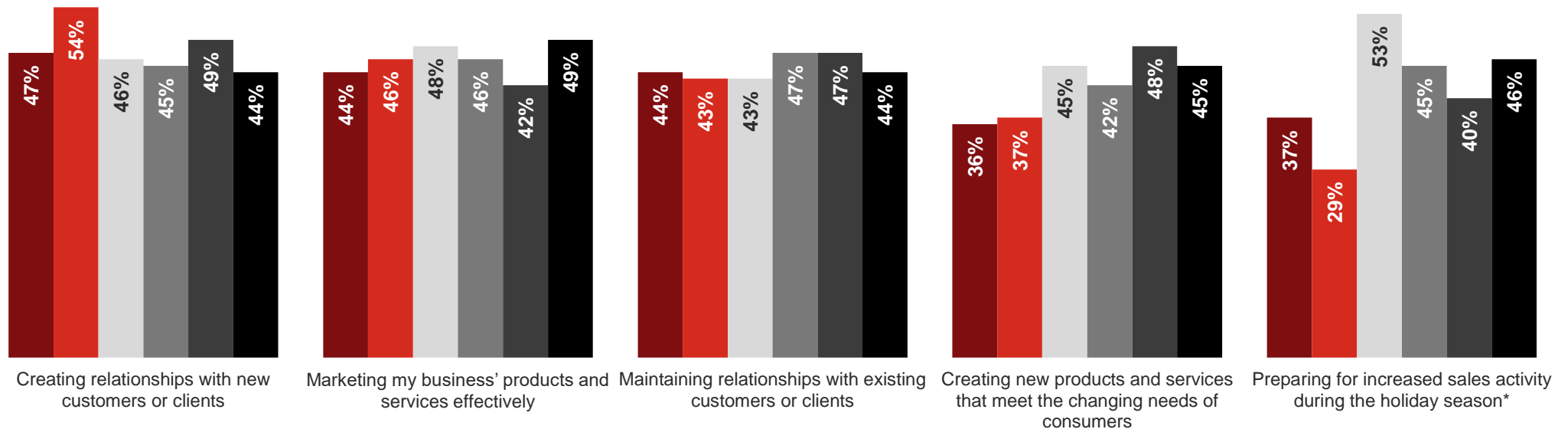
OUTLOOK & BUSINESS IMPACTS

Levels of concern across sales and marketing-related areas vary less across industries, though decision makers in the food & beverage industry are most likely to be concerned about the increased sales activity during the upcoming holiday season.

Thinking about how your business plans to move forward over the next few months, how concerned are you about the following, if at all?

SALES & MARKETING: % VERY OR SOMEWHAT CONCERNED

- Industry: Construction & Contracting
- Industry: Entertainment & Recreation
- Industry: Food & Beverage
- Industry: Hospitality & Accommodation
- Industry: Restaurant & Bar
- Industry: Retail



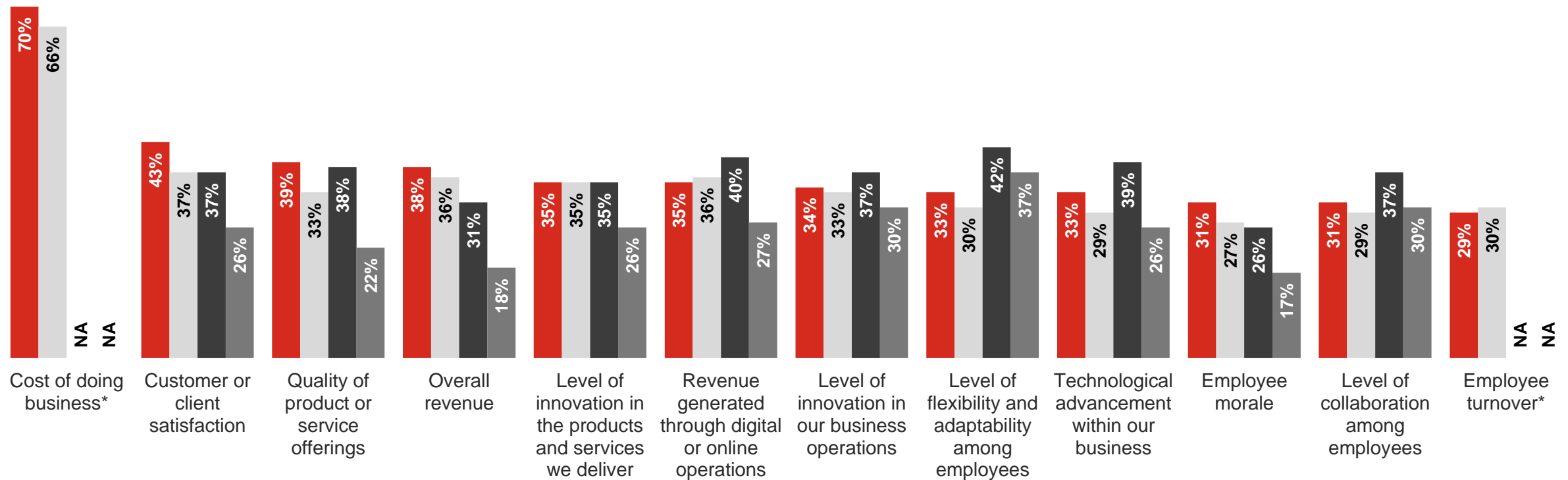
OUTLOOK & BUSINESS IMPACTS

The majority of decision makers (70%) say that the cost of doing business has been higher for them in the past year, up slightly compared to 2022. Meanwhile, respondents this year are slightly more likely than last year to report higher customer satisfaction and overall revenue.

Compared to a year ago (i.e., August 2022), would you say the following are higher, lower, or about the same for your business now?

% MUCH OR SOMEWHAT HIGHER

■ Aug-23 ■ Aug-22 ■ Aug-21* ■ Aug-20*

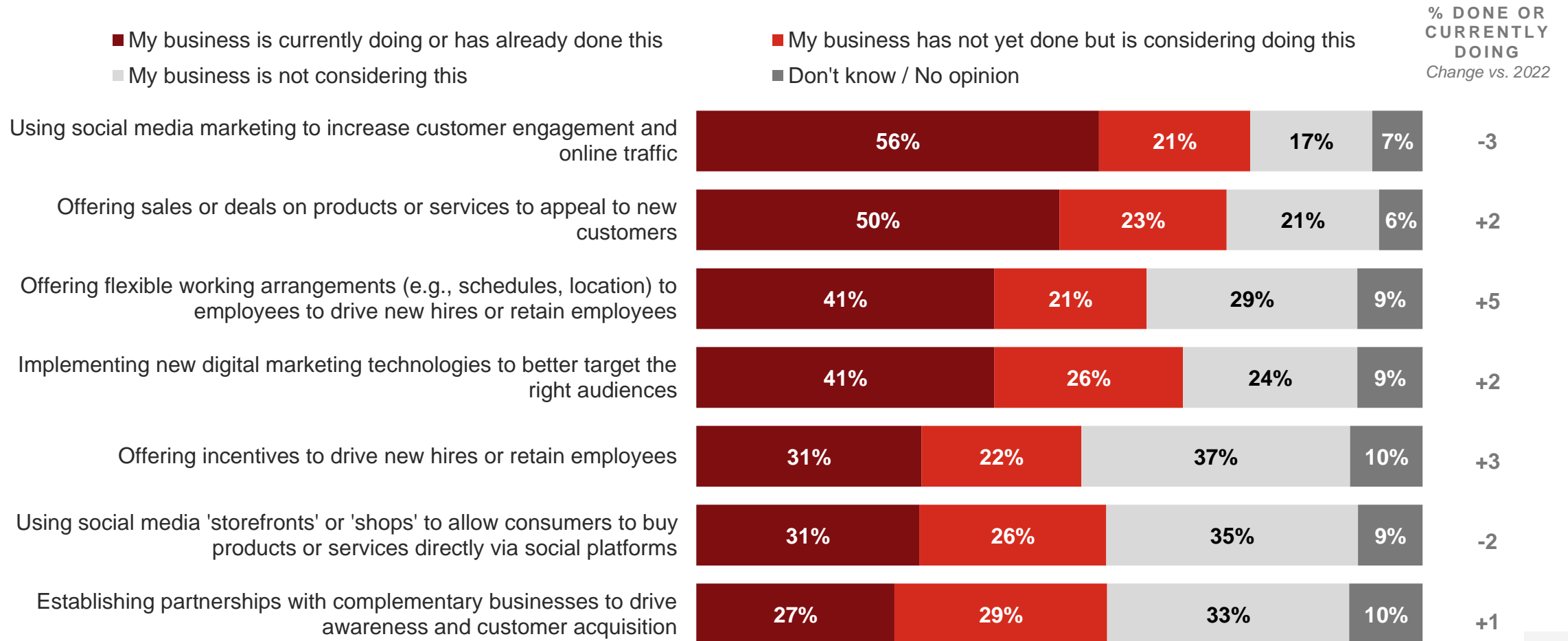


*Prior to August 2022, this question was asked as: "Compared to before the coronavirus (COVID-19) pandemic began, would you say the following are higher, lower, or about the same for your business now?"

OUTLOOK & BUSINESS IMPACTS

Social media marketing (56%) and offering deals to appeal to new customers (50%) are the leading tactics that decision makers have implemented over the past year, consistent with 2022. About 2 in 5 say their business has offered flexible working arrangements in the past year to support hiring and employee engagement, and another 21% say they are considering doing so.

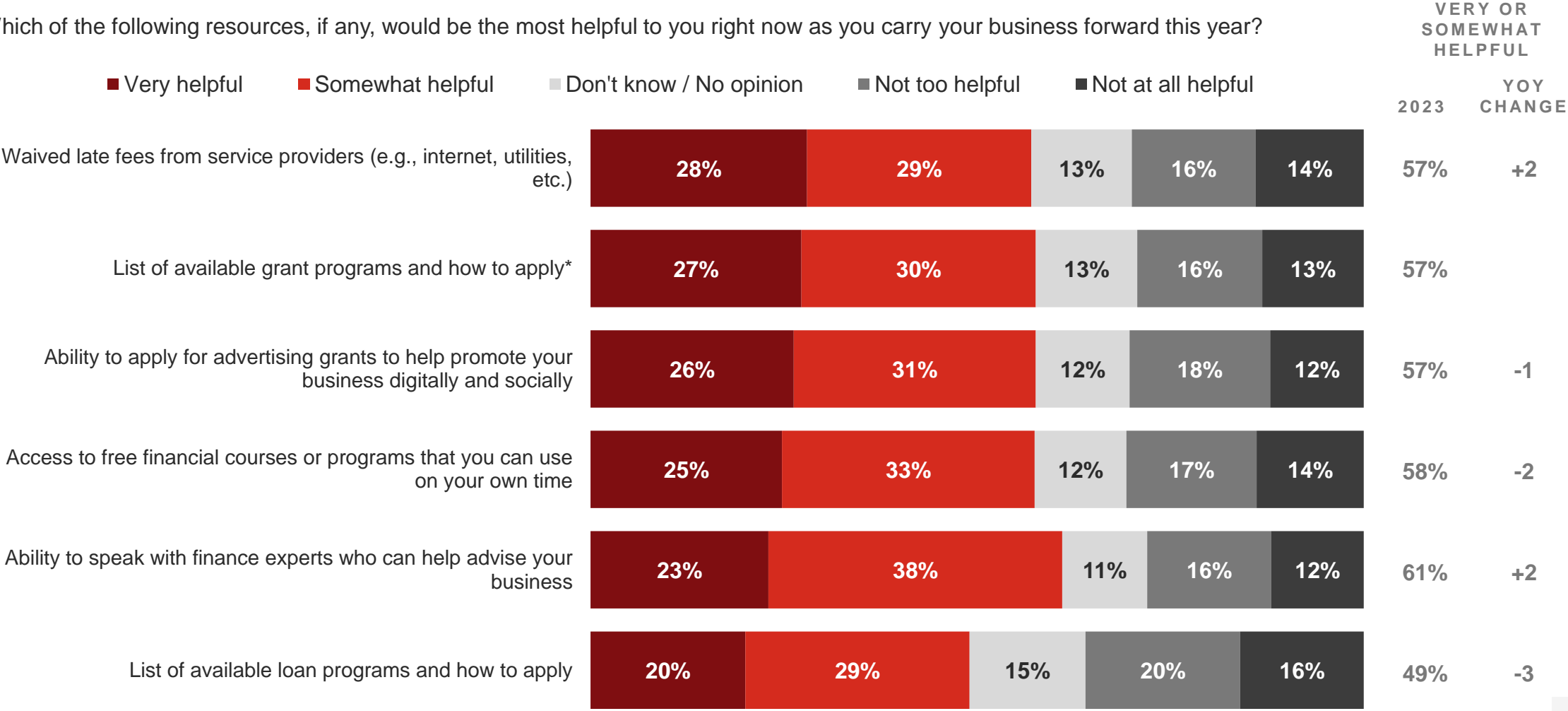
In the **last year**, has your business done or considered doing the following?



OUTLOOK & BUSINESS IMPACTS

Over half of decision makers say that a variety of financial resources would be helpful to their business in the coming year, including waived late fees from service providers, information about grant programs, free financial courses, and the ability to speak with finance experts for business advice.

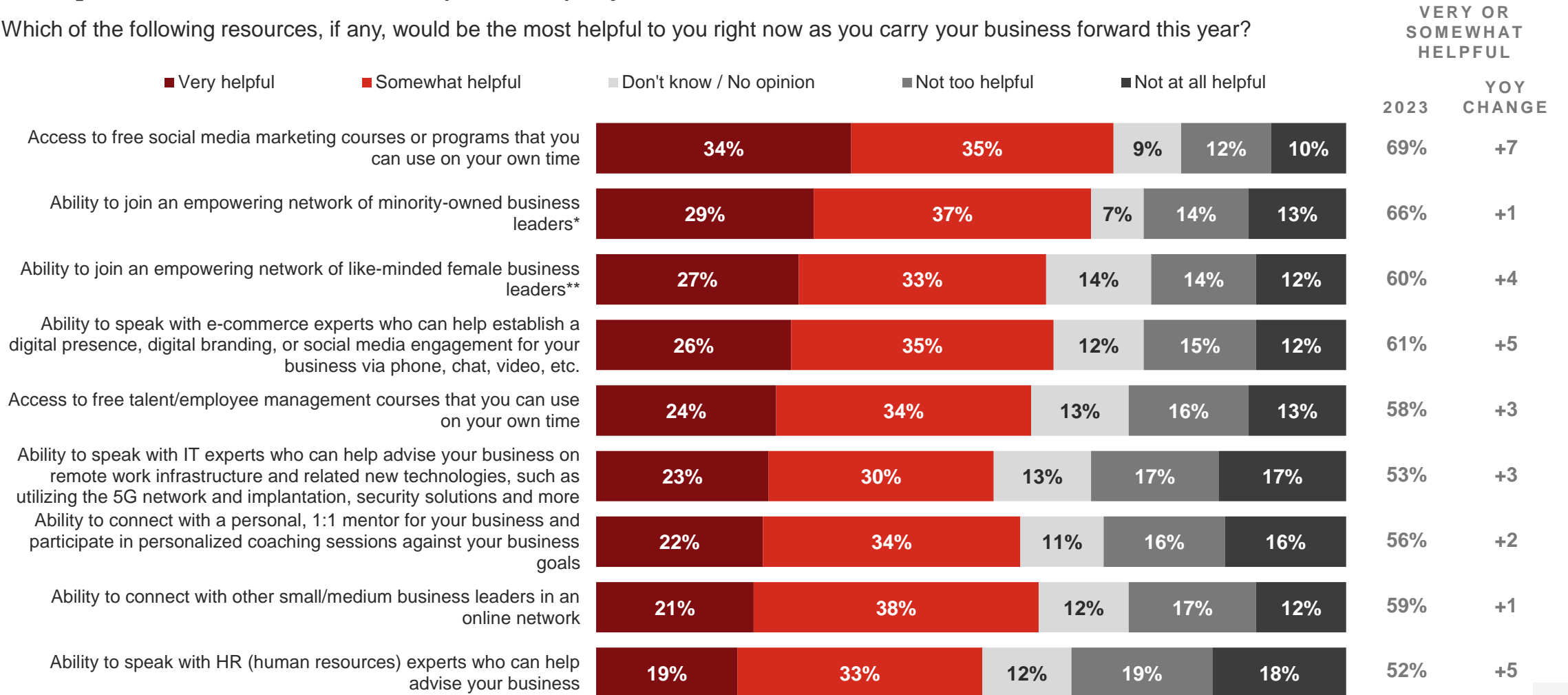
Which of the following resources, if any, would be the most helpful to you right now as you carry your business forward this year?



OUTLOOK & BUSINESS IMPACTS

When it comes to networking and mentorship related resources, free social media marketing courses are viewed as the most helpful for respondents' businesses, followed by the ability to join a network of like-minded business leaders.

Which of the following resources, if any, would be the most helpful to you right now as you carry your business forward this year?



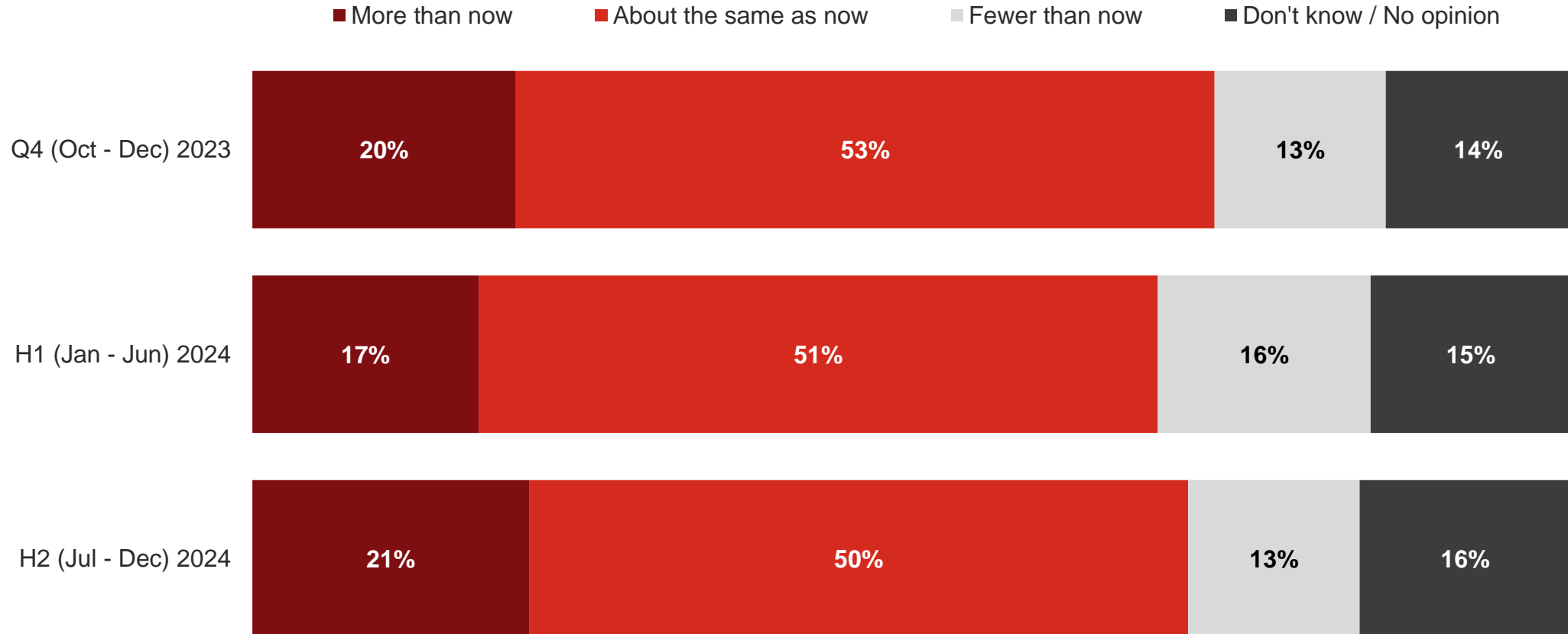
* Base: Non-white respondents

** Base: Female respondents

OUTLOOK & BUSINESS IMPACTS

About half of decision makers believe that hiring at their business will remain about the same in the coming months as it is now, though more believe that hiring is likely to pick up (20%) than to diminish (13%).

During each of the time periods below, do you anticipate your business will be hiring for more open positions, fewer open positions, or about the same amount that you are now?



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HOLIDAY SEASON

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TECHNOLOGY, CYBERSECURITY, AND AI

Upgrades to enhance internet bandwidth, internet speeds, and wireless signal remain the most common upgrades that respondents say their business has made in the last year.

In the past year (i.e., since August 2022), has your business added or upgraded the following services or technologies?

| % Added or upgraded in the past year | Aug-23 | Aug-22 | Aug-21* | Aug-20* |
|--|---------------|---------------|----------------|----------------|
| Internet connection with strong bandwidth that allows for high-capacity activities | 53% | 51% | 52% | 27% |
| High-speed internet plan | 51% | 51% | 54% | 27% |
| Routers or extenders to enhance wireless signal | 47% | 44% | 47% | 25% |
| Devices for employees to enhance connectivity | 42% | 37% | 45% | 28% |
| Network security services | 42% | 44% | 47% | 25% |
| Online business search assistance services | 42% | 43% | 48% | 24% |
| Communications and networking hardware | 41% | 41% | 49% | 27% |
| Secure cloud backup services | 41% | 43% | 46% | 26% |
| IT or technical support services | 40% | 38% | 46% | 24% |
| Video and web conferencing tools | 40% | 41% | 53% | 33% |
| Security tools and protection plans for phones or devices | 38% | 39% | 48% | 23% |
| Website hosting or development services | 38% | 37% | 45% | 21% |
| Services to integrate mobile and desktop phone lines | 34% | 34% | 44% | 23% |
| TV or streaming entertainment services for business, bars, and restaurants | 32% | 31% | 38% | 16% |
| Cybersecurity training for employees* | 31% | 29% | NA | NA |
| Application development services* | 30% | 30% | NA | NA |

*Prior to August 2022, this question was asked as: "Since the start of the coronavirus (COVID-19) pandemic, has your business added or upgraded the following services or technologies?"

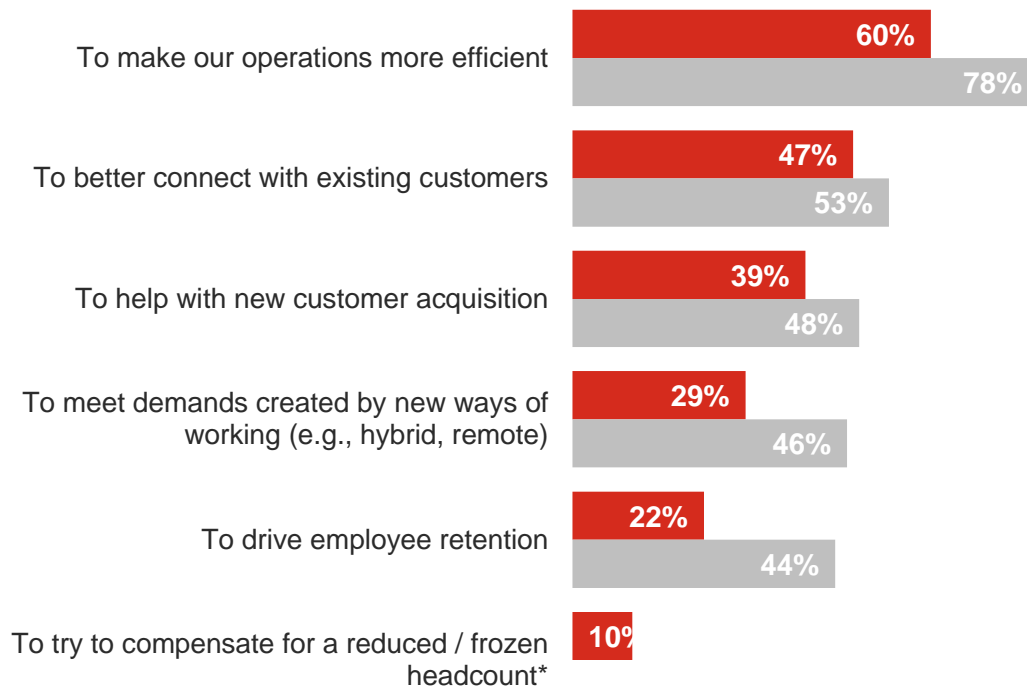
TECHNOLOGY, CYBERSECURITY, AND AI

Decision makers say that technology additions and upgrades have primarily been motivated by efficiency gains and to better connect with customers, both new and existing.

You indicated that your business has **added** to its tech stack in the past year. Was the decision to add to your business's tech stack motivated by any of the following? Select all that apply. / You indicated that your business has **upgraded** part(s) of its tech stack in the past year. Was the decision to upgrade part(s) of your business's tech stack motivated by any of the following? Select all that apply.

ADDITIONS

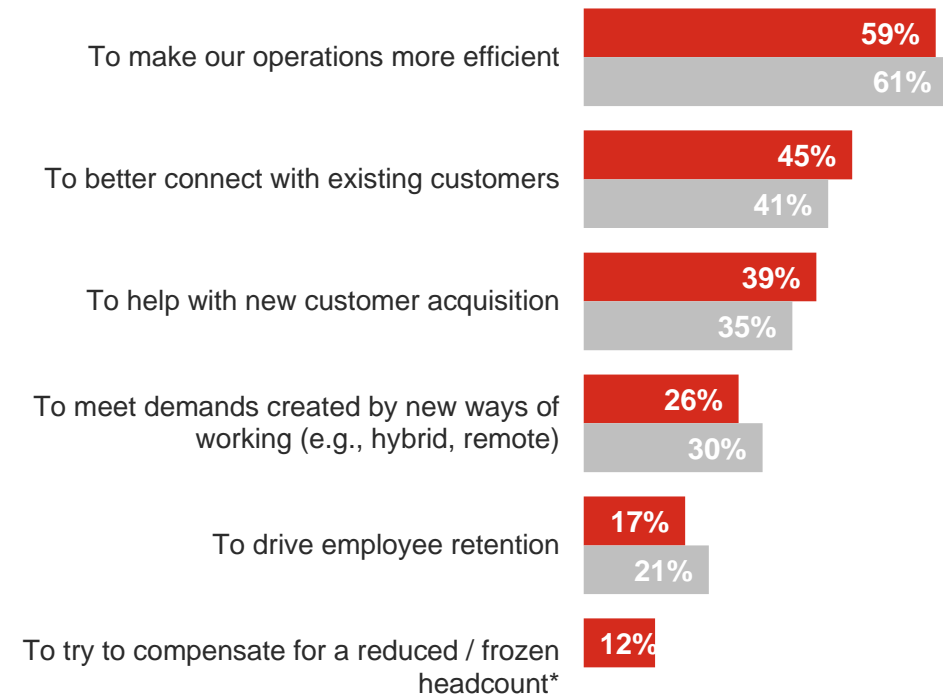
■ Aug-23 ■ Aug-22



Base: Respondents whose business added new technologies in past year

UPGRADES

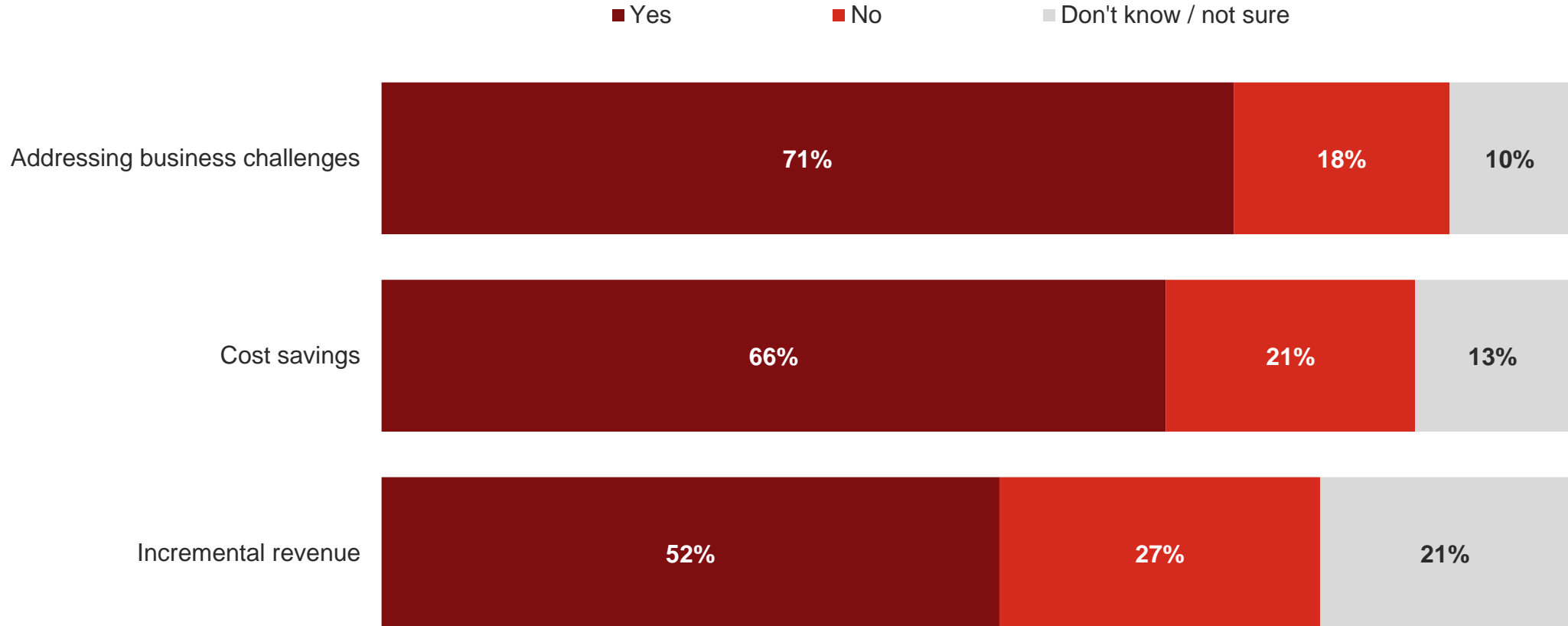
■ Aug-23 ■ Aug-22



Base: Respondents whose business upgraded technologies in past year

Most decision makers whose businesses have made upgrades to their tech stacks say these upgrades have helped address challenges and led to positive business outcomes, such as cost savings and incremental revenue.

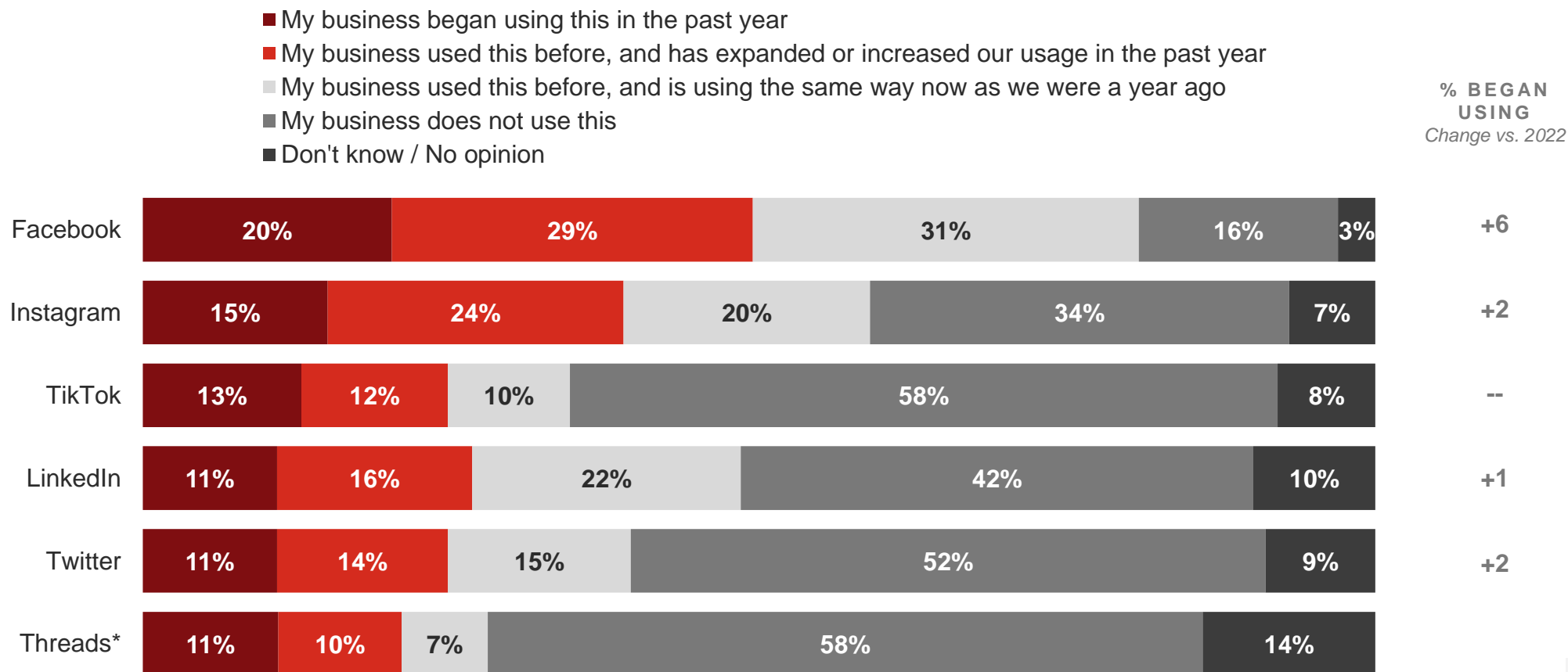
You indicated that your business has **upgraded** part(s) of its tech stack in the past year. Would you say that this upgrade(s) has led to...?



TECHNOLOGY, CYBERSECURITY, AND AI

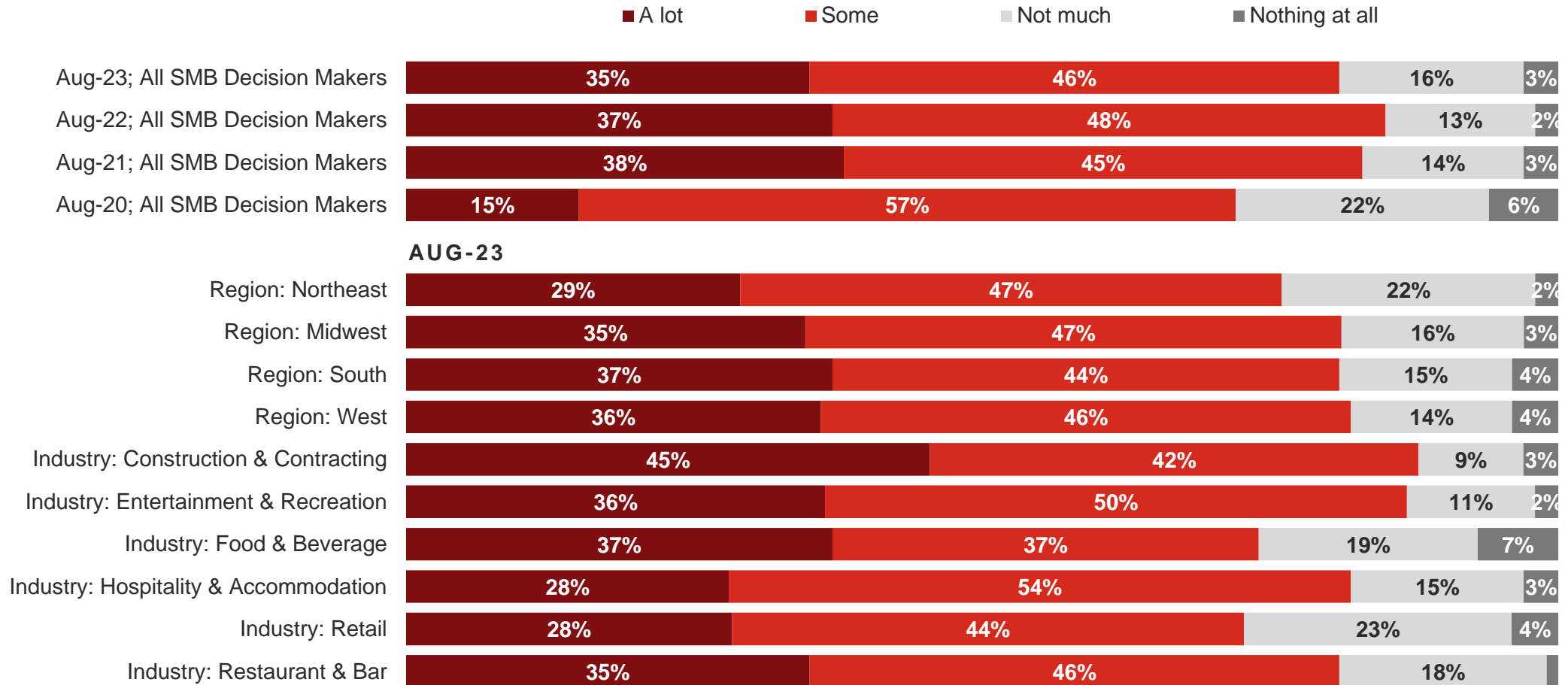
Facebook is the leading platform that decision makers use to promote products and connect with customers, with nearly 50% of respondents saying their business either began using or increased usage in the past year. Instagram follows, with TikTok, LinkedIn and Twitter on a third tier.

Similarly, thinking about how your business promotes its products and services and connects with customers, which statement below best describes your business' use of the following platforms?



Recent buzz surrounding 5G shows a slight drop-off compared to 2022 but unsurprisingly remains notably stronger than in 2020. Respondents in the construction & contracting industry report hearing the most about 5G relative to those in other industries.

How much have you seen, read, or heard about 5G?

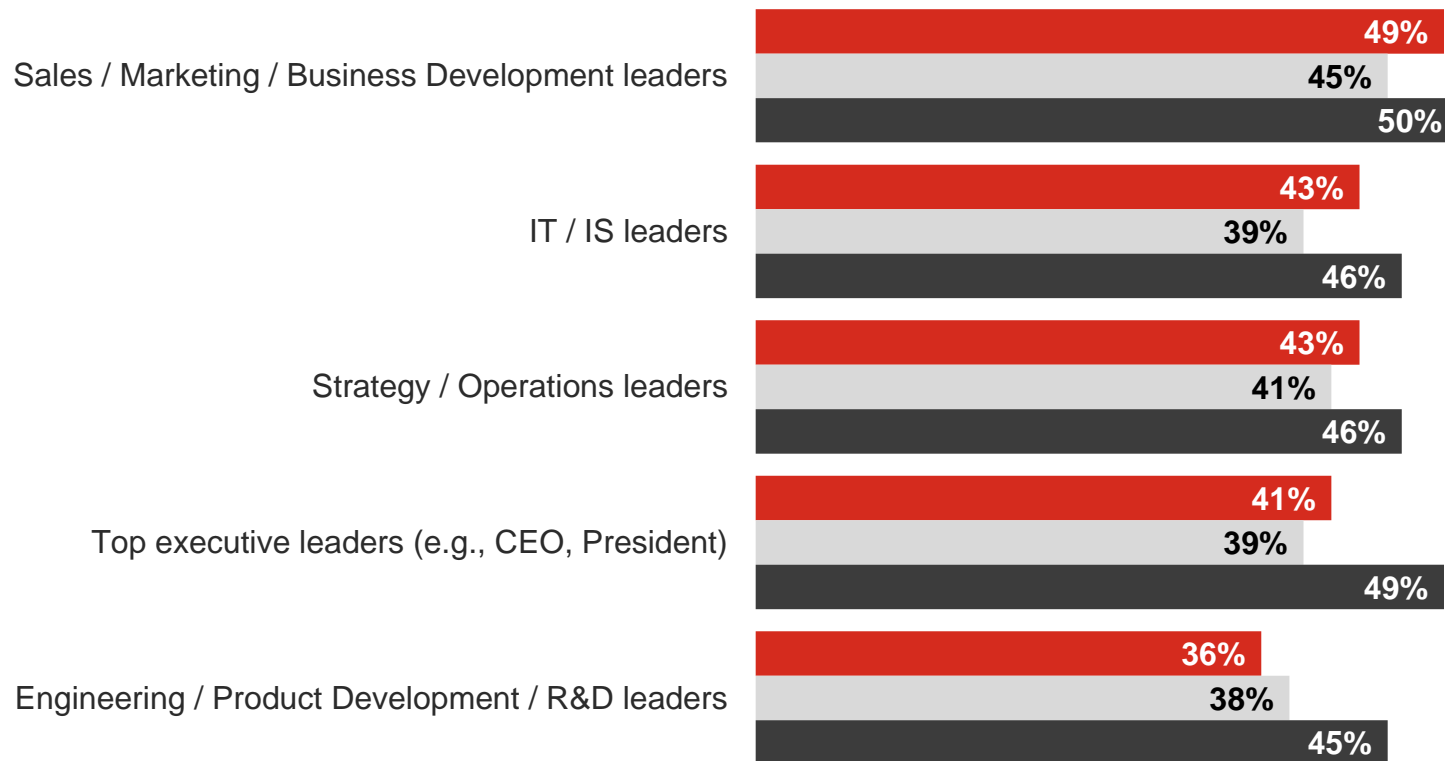


5G planning and adoption remains an important priority for senior leaders across business functions.

In general, how much of a priority is 5G planning and adoption for the following stakeholders at your company?

% TOP OR IMPORTANT PRIORITY

■ Aug-23 ■ Aug-22 ■ Aug-21

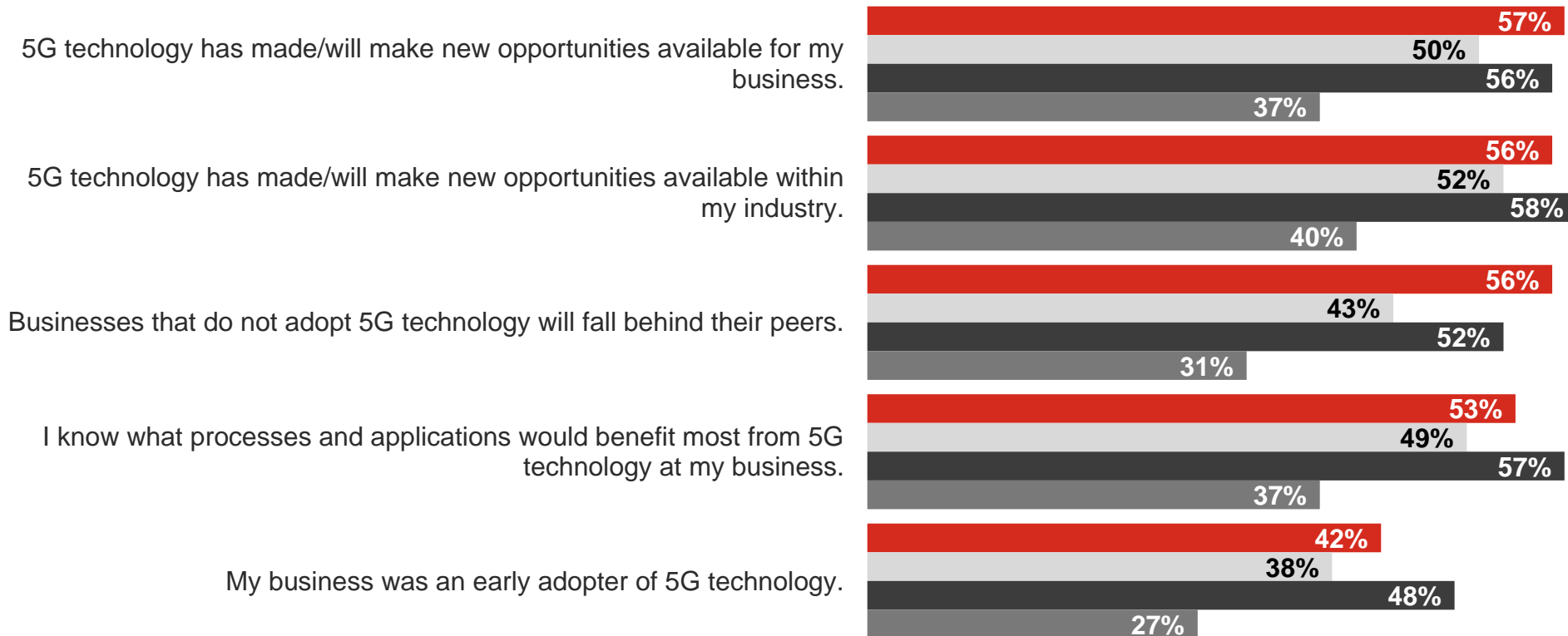


A majority of decision makers continue to acknowledge the benefits and opportunities that 5G has made available for their business, and positive perceptions have remained notably higher since the launch of 5G in 2020.

To what extent do you agree or disagree with the following statements?

% STRONGLY OR SOMEWHAT AGREE

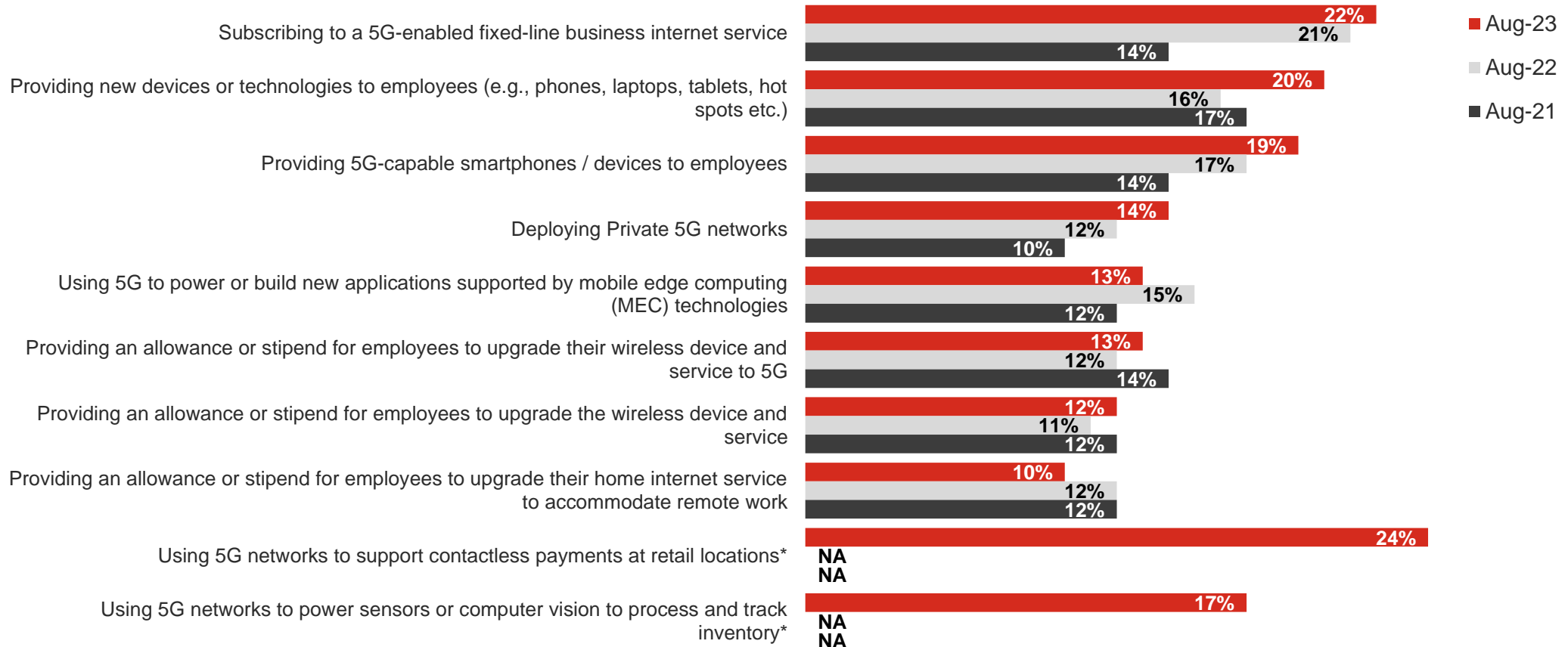
■ Aug-23 ■ Aug-22 ■ Aug-21 ■ Aug-20



Decision makers are increasingly likely to report that their business has subscribed or is currently in the process of subscribing to a 5G-enabled fixed-line business internet service and to provide 5G-capable devices to employees. Nearly 1 in 4 respondents in the retail, restaurant, and food & beverage industries say their business uses 5G networks to support contactless payments.

Which of the following best describes your business' plans when it comes to the following?

% ALREADY DONE / CURRENTLY DOING THIS



* Added in 2023; only asked of respondents in Retail, Restaurant & Bar, and Food & Beverage industries

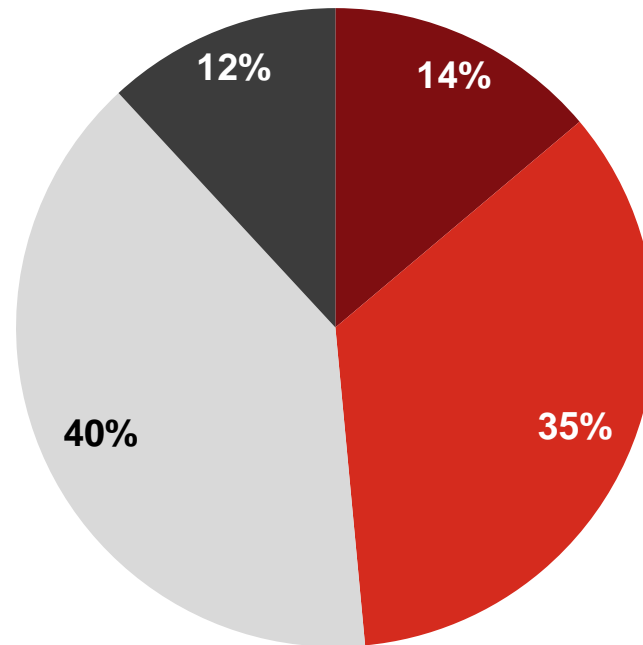
TECHNOLOGY, CYBERSECURITY, AND AI

Just over 1 in 10 decision makers say their business currently uses AI solutions, while 2 in 5 are unaware of how AI could support their business. Respondents in the entertainment & recreation industry are more likely to say their business currently uses AI relative to those in other industries.

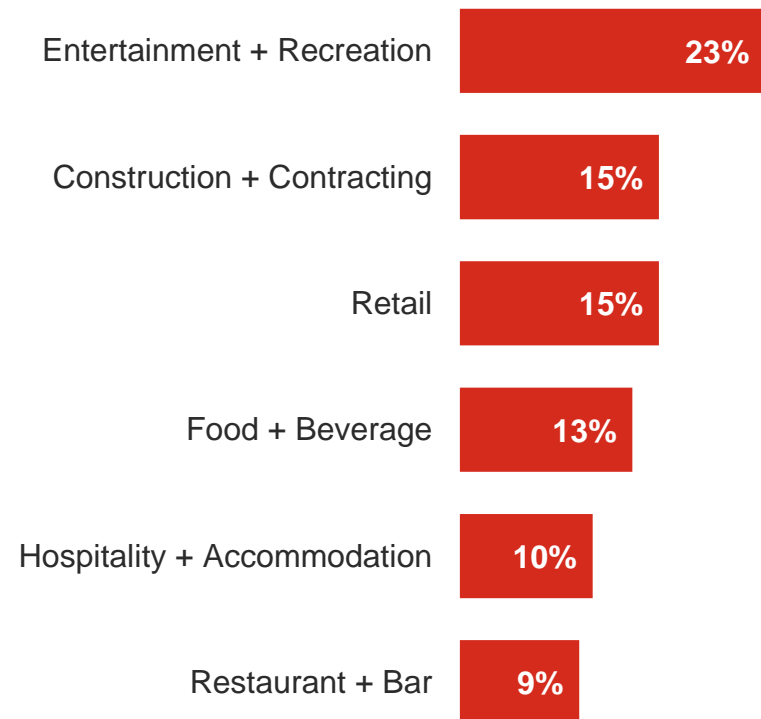
Which of the following statements most accurately describes your business' current engagement with Artificial Intelligence (AI) solutions?

USAGE OF AI

- My business currently uses AI solutions
- My business does not currently use AI solutions, but is aware of how they could support the business
- My business does not currently use AI solutions and is not aware of how they could support the business
- Don't know / No opinion

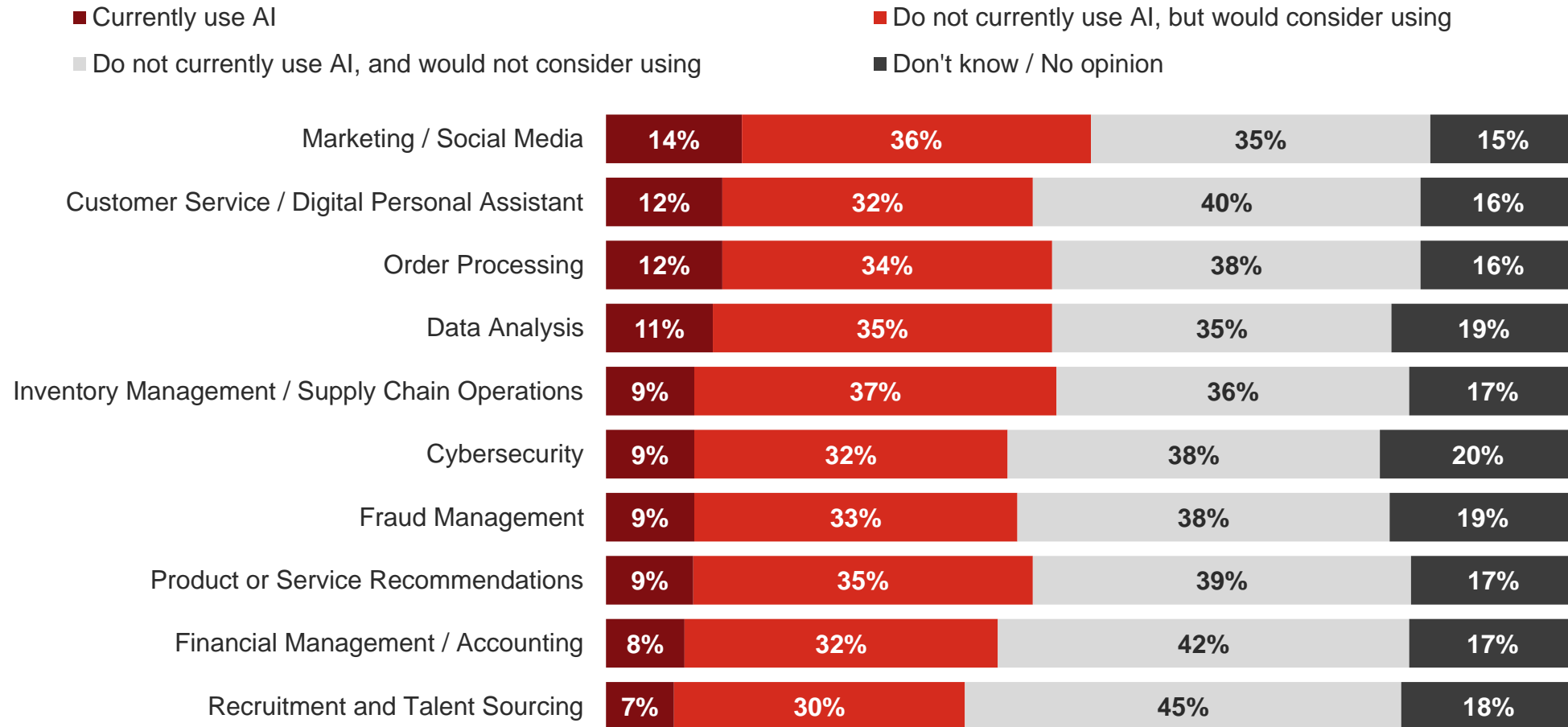


% CURRENTLY USE AI BY INDUSTRY



While AI adoption is currently low across business functions, respondents are most likely to say they'd consider using AI for marketing/social media, inventory management, data analysis, and order processing.

For what specific business functions do you currently use and/or would you consider using Artificial Intelligence (AI) solutions?



TECHNOLOGY, CYBERSECURITY, AND AI

Nearly half of respondents express concern about integrating AI solutions into their business, and approximately 2 in 5 worry about the cybersecurity risks it presents. However, decision makers also acknowledge its potential efficiency gains. Notable shares express no opinion across areas tested, indicating there is room to form opinions on AI.

To what extent do you agree or disagree with the following statements?

■ Strongly agree
 ■ Somewhat agree
 ■ Don't know / No opinion
 ■ Somewhat disagree
 ■ Strongly disagree



TECHNOLOGY, CYBERSECURITY, AND AI

While most decision makers are confident in their business' protection against cyber attacks and feel their business is investing enough in cybersecurity practices, just over 1 in 3 say their business offers training on the topic to employees, and just half say their business has the necessary in-house expertise to protect from risks.

To what extent do you agree or disagree with the following statements?

TOTAL AGREE

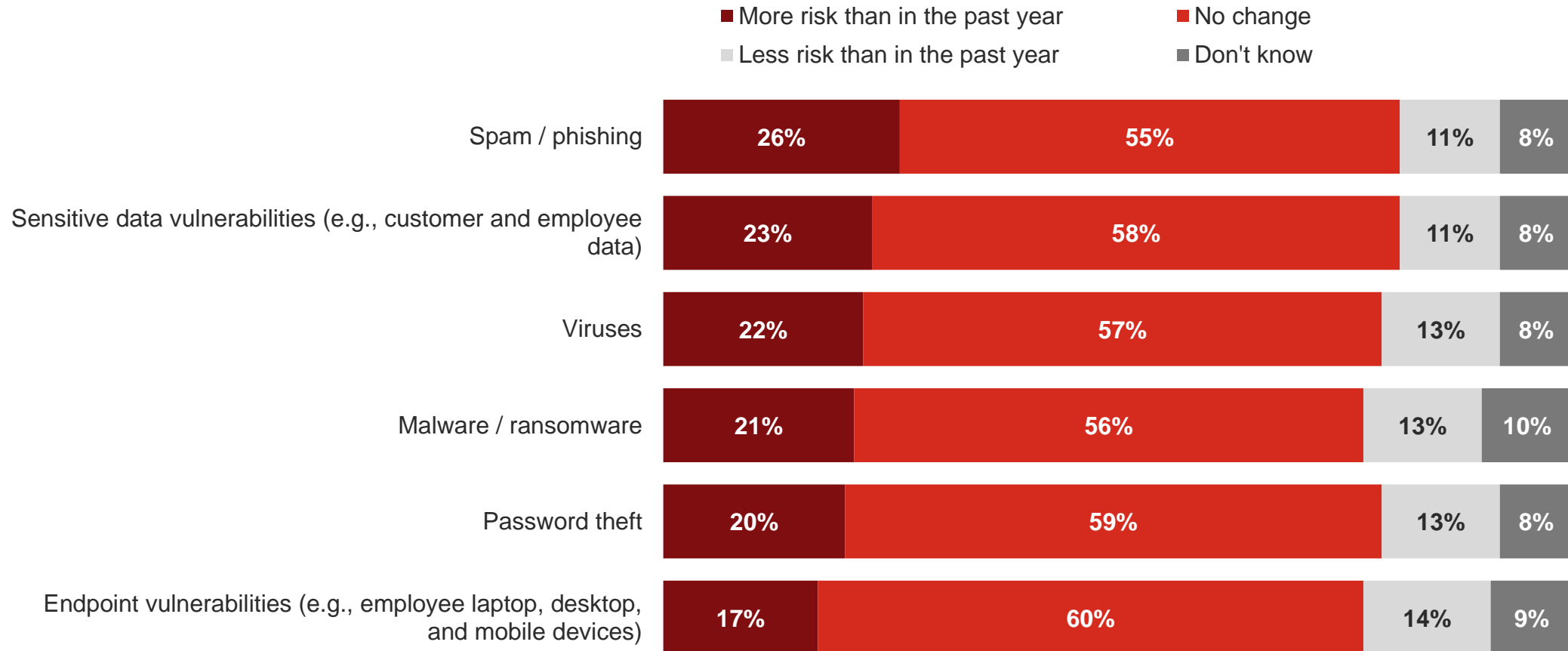
Strongly agree Somewhat agree Don't know / No opinion Somewhat disagree Strongly disagree

2023 YOY CHANGE



While most respondents believe common cyber attacks present the same amount of risk to their business as in the past, about 1 in 4 believe that spam/phishing and sensitive data vulnerabilities present more risk now.

In the past year (i.e., since August 2022), would you say that the following have presented more or less risk to your business than in the past, or that there has been no change?

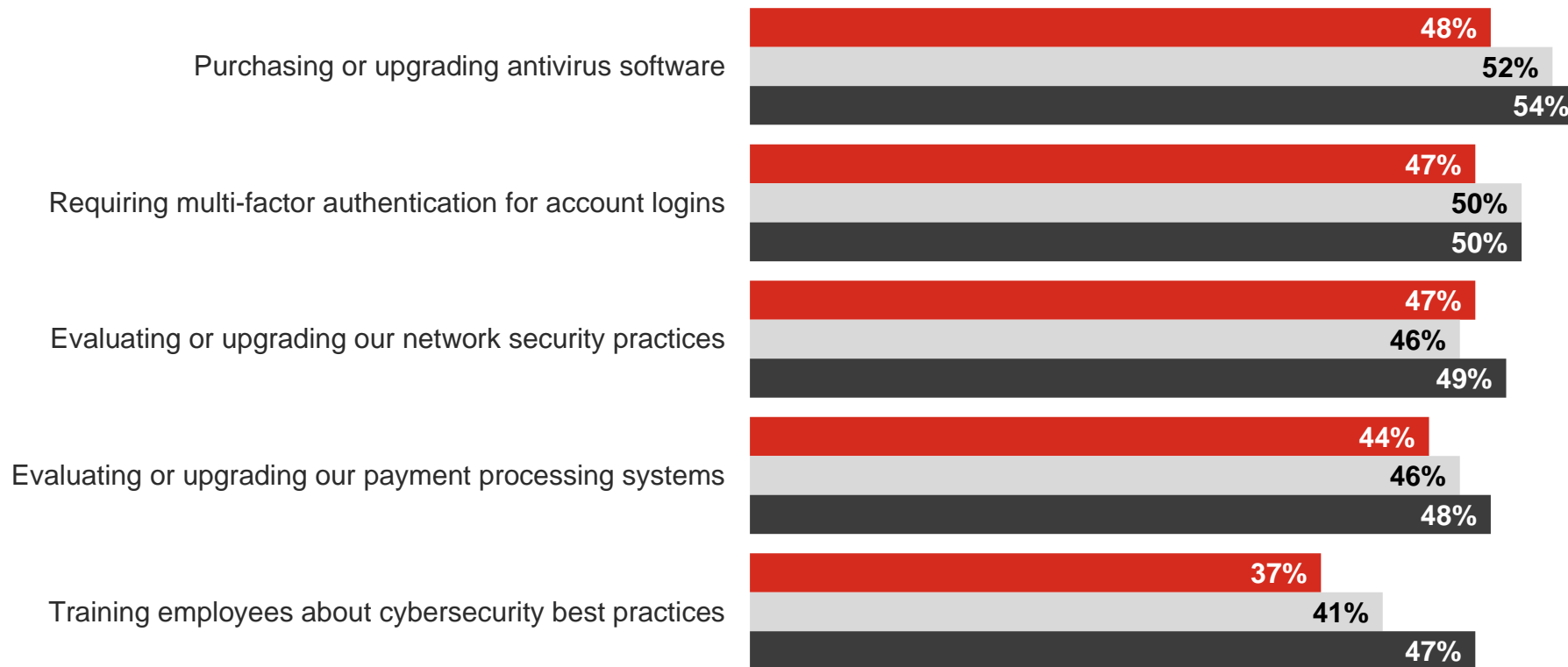


Antivirus software, multi-factor authentication, and network security upgrades remain commonly-implemented methods to protect against cyber attacks. However, fewer decision makers say their business is training their employees about cyber best practices compared to previous years.

And, which of the following best describes your business' plans when it comes to the following?

ALREADY DONE, CURRENTLY DOING, OR PLANNING TO DO IN NEXT 6 MONTHS

■ Aug-23 ■ Aug-22 ■ Aug-21



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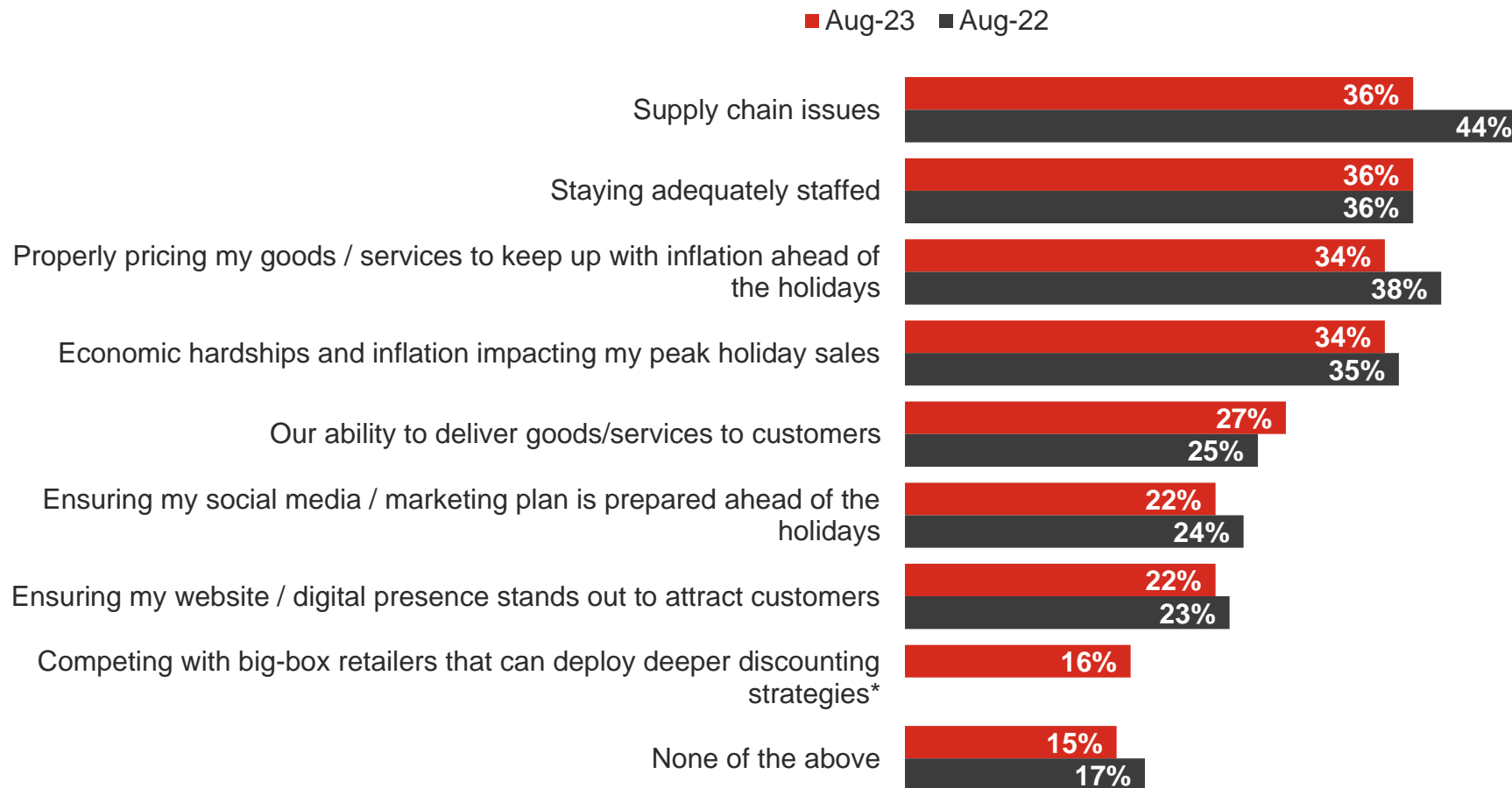
MENTORSHIP

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HOLIDAY SEASON

Looking ahead to the holiday season, more than 1 in 3 decision makers remain concerned about staying adequately staffed, supply chain issues, properly pricing goods and services, and economic hardships impacting sales. Concern about supply chain issues shows a notable downtick from 44% in 2022.

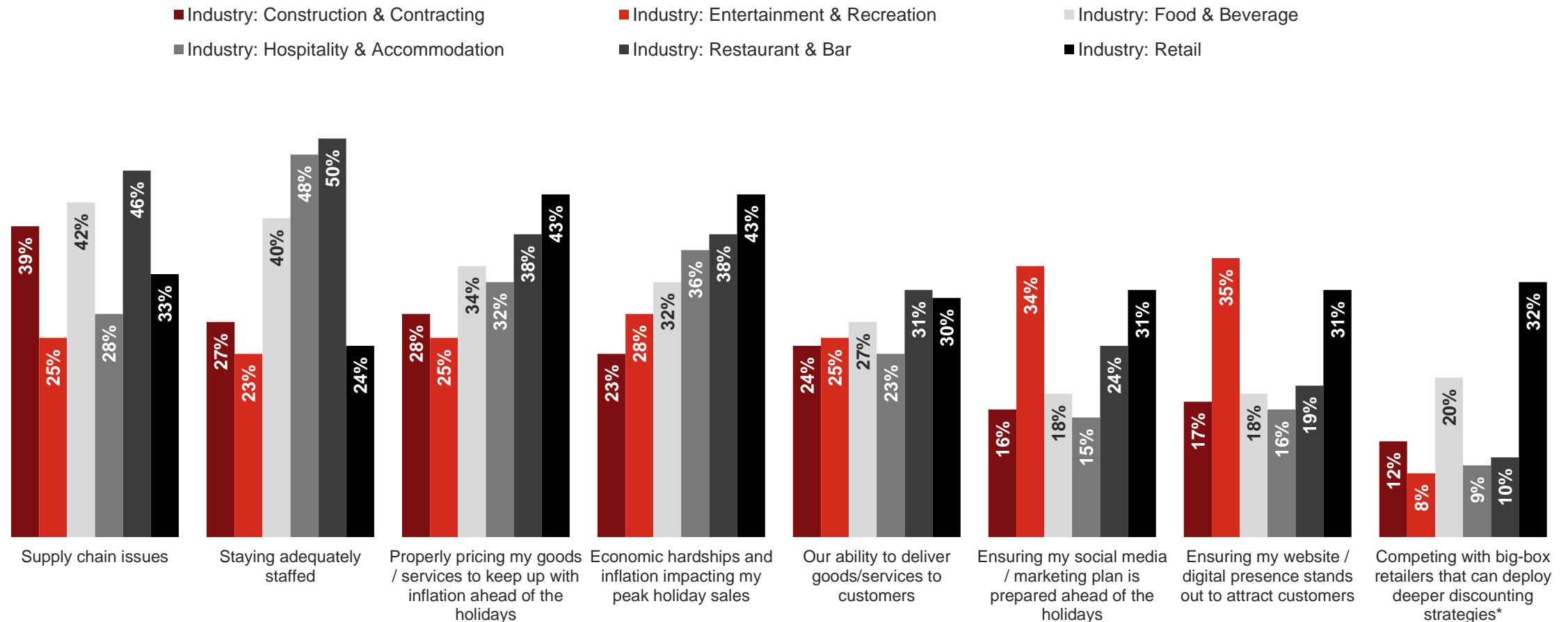
Thinking about the upcoming holiday season, do you have any of the following concerns as you begin to prepare your business? Select all that apply.



HOLIDAY SEASON

Supply chain issues emerge as the top holiday season concern for those in the construction & contracting and food & beverage industries, while respondents in the restaurant and hospitality industries are most likely to select adequate staffing. Decision makers in the retail industry cite economic hardships impacting sales and properly pricing goods as top concerns.

Thinking about the upcoming holiday season, do you have any of the following concerns as you begin to prepare your business? Select all that apply.



HOLIDAY SEASON

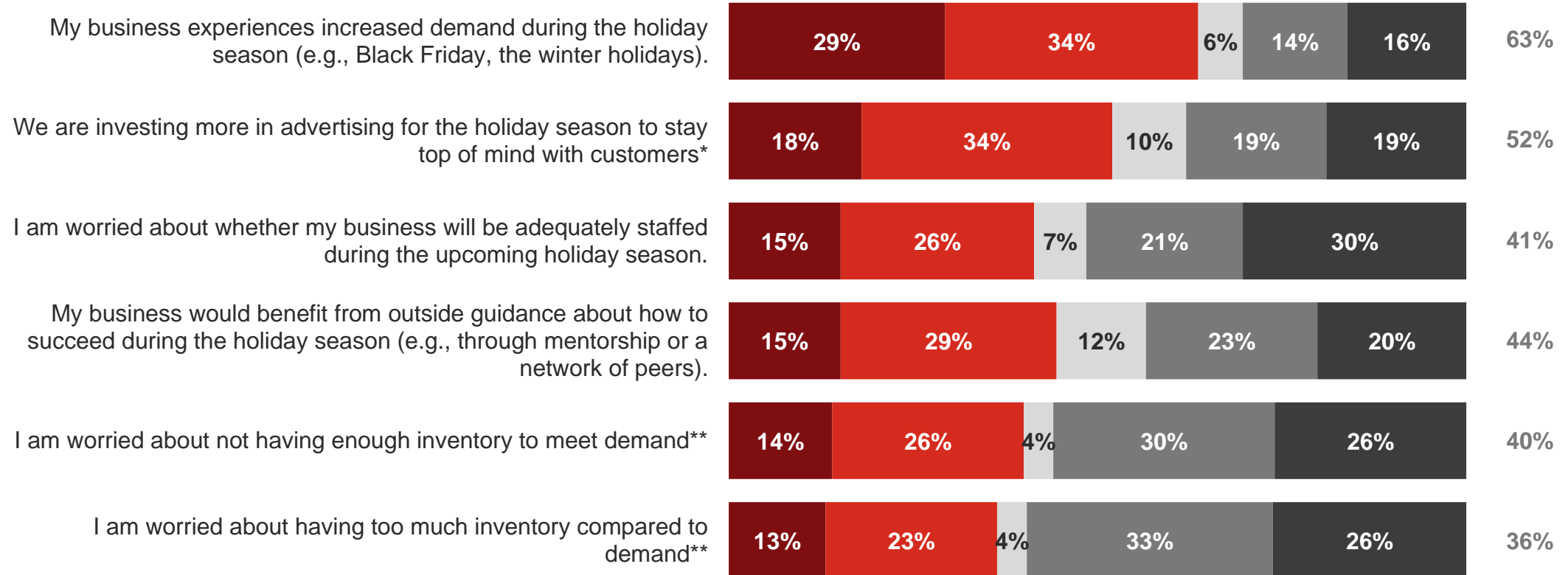
Nearly 2 in 3 respondents say they typically see an increase in demand during the holiday season, an uptick vs. 2022. Over half say their business is investing in more advertising ahead of the holidays. 2 in 5 retail decision makers say they are worried about not having enough inventory to meet demand, while 36% say they are worried about having too much.

To what extent do you agree or disagree with the following statements?

TOTAL AGREE

■ Strongly agree
 ■ Somewhat agree
 ■ Don't know / No opinion
 ■ Somewhat disagree
 ■ Strongly disagree

2023 YOY CHANGE



* Added in 2023

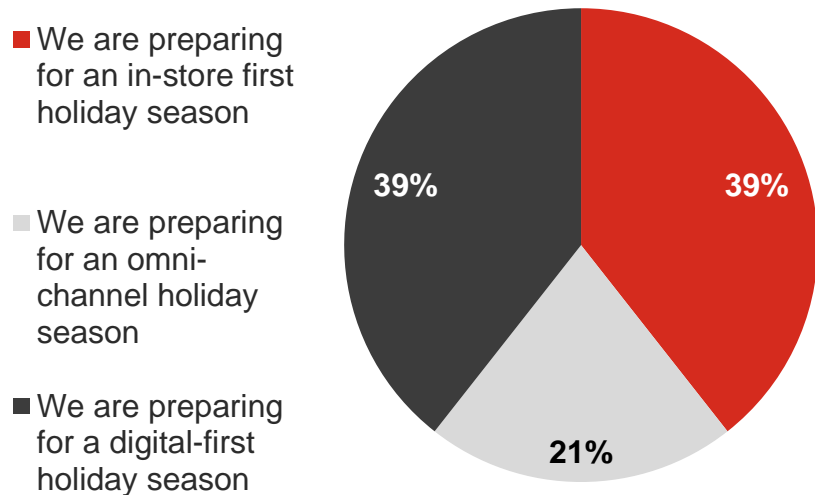
** Added in 2023 and asked of retail industry only

HOLIDAY SEASON

Retail industry decision makers are split between preparing for an in-store-first vs. a digital-first 2023 holiday season, about and 1 in 5 say they are preparing for omni-channel sales. When it comes to online vs. in-store traffic, 2023 expectations are largely in line with 2022 experiences – 35% say they had more online traffic than in-store traffic last year, and 35% expect this again in 2023.

Thinking about the upcoming 2023 holiday season (i.e. Black Friday, the winter holidays), which statement below best describes how your business is preparing from a sales perspective? Select one. / Which of the following statements best describes your traffic from last year's (i.e. 2022) holiday season? Select one. / Now, which of the following statements best describes what you expect traffic to be for the upcoming (i.e. 2023) holiday season? Select one.

2023 HOLIDAY SEASON SALES PREPARATION



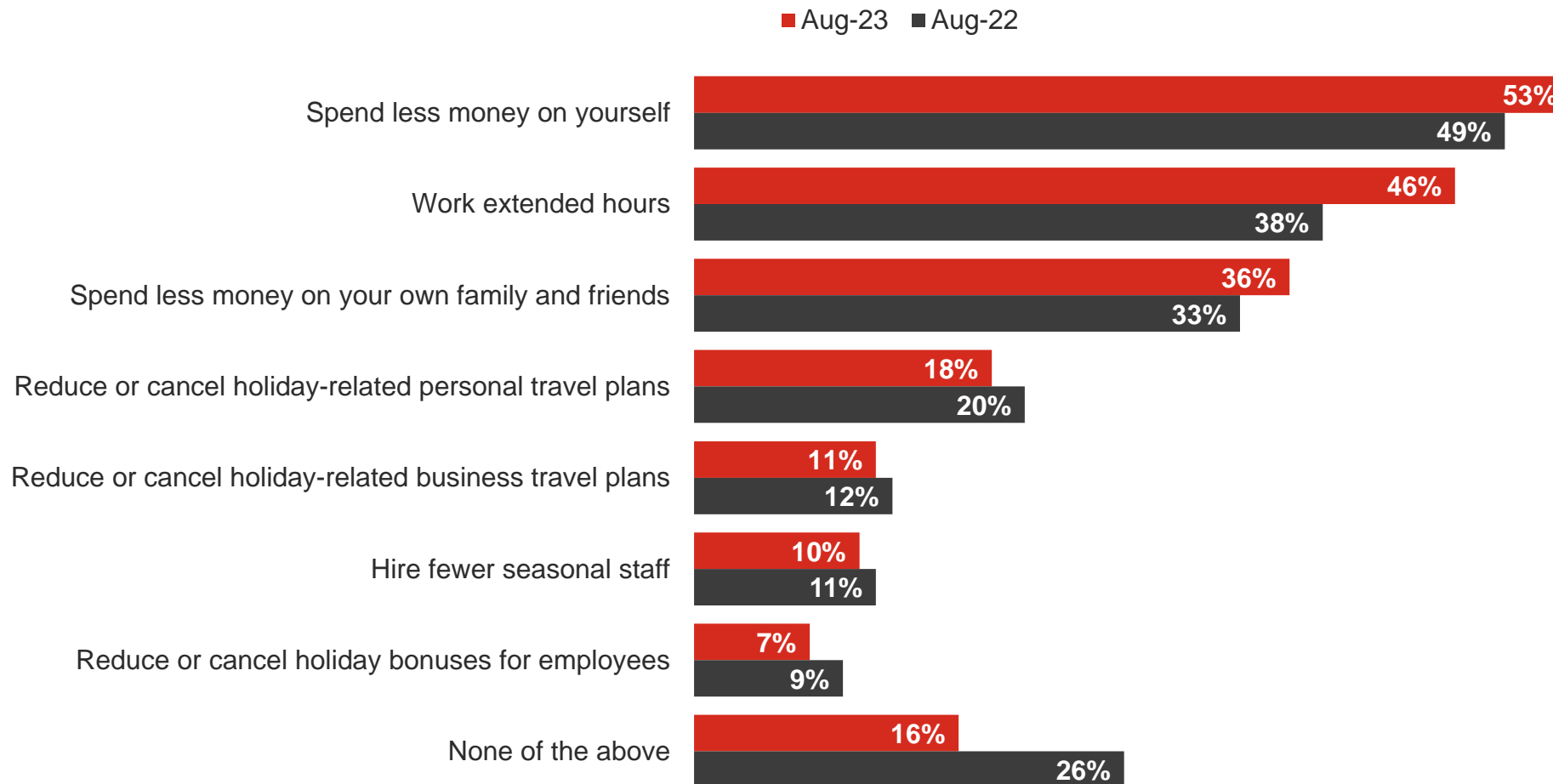
HOLIDAY TRAFFIC: 2022 ACTUAL VS. 2023 EXPECTED



HOLIDAY SEASON

Consistent with last year, about half of respondents say they plan to spend less money on themselves this coming holiday season, and more than 1 in 3 say they will spend less on family and friends. Compared to last year, more workers say they expect to work extended hours in 2023 (+8 pts).

Are you **personally** expecting to do any of the following this holiday season due to current economic conditions? Select all that apply.



CONTENTS

OUTLOOK & BUSINESS IMPACTS
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HOLIDAY SEASON

MENTORSHIP

MENTORSHIP

Business decision makers are most likely to report having received free mentorship or advice in sales, branding/marketing, and technology, and most likely to report having paid for finance/accounting advice.

Has your business received outside advice or mentorship in any of the following areas? Select all that apply.

RECEIVED FREE OUTSIDE
ADVICE / MENTORSHIP

■ Aug-23 ■ Aug-22



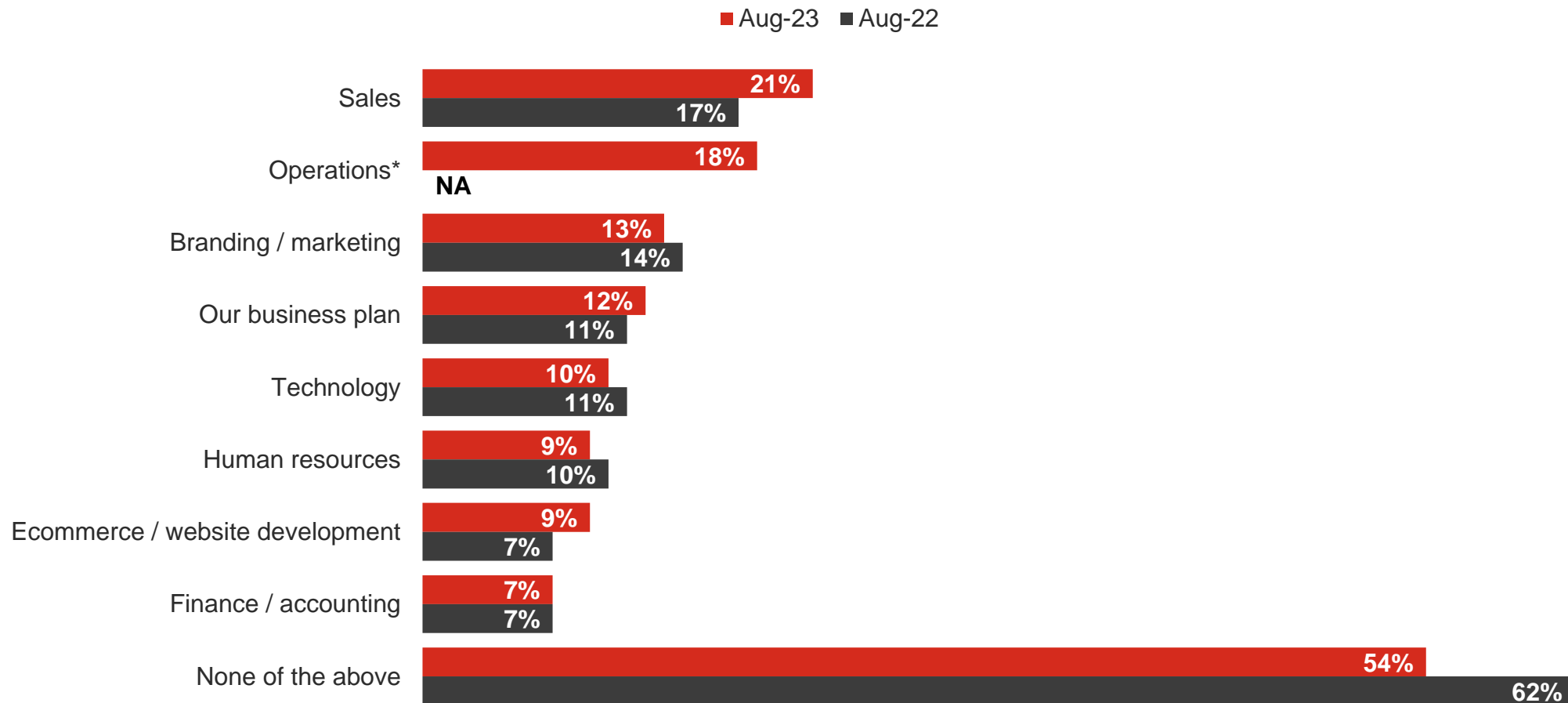
PAID FOR OUTSIDE
ADVICE / MENTORSHIP



MENTORSHIP

Nearly half of respondents (46%) say that their business has *provided* advice or mentorship to other businesses, an uptick from 38% in 2022. Sales and operations are the most common areas that respondents say their business has provided advice about.

Has **your business** provided advice or mentorship to other small or medium businesses in any of the following areas? Select all that apply, if any.



MENTORSHIP

Among decision makers whose businesses have received mentorship, a broad majority (76%) believe that mentorship is important for building community among small and medium business leaders, and that the mentorship their business has received has inspired them to pay it forward.

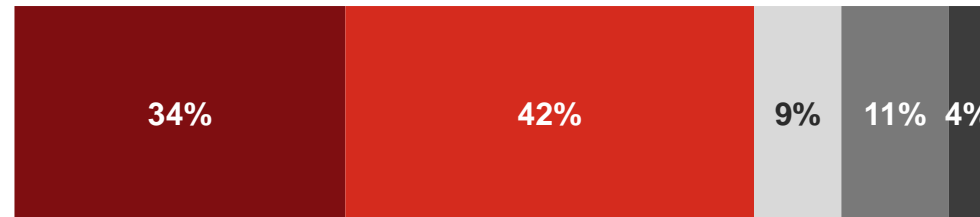
To what extent do you agree or disagree with the following statements?

TOTAL AGREE

■ Strongly agree
 ■ Somewhat agree
 ■ Don't know / No opinion
 ■ Somewhat disagree
 ■ Strongly disagree

2023 YOY CHANGE

Mentorship is important for building community among small and medium business leaders.



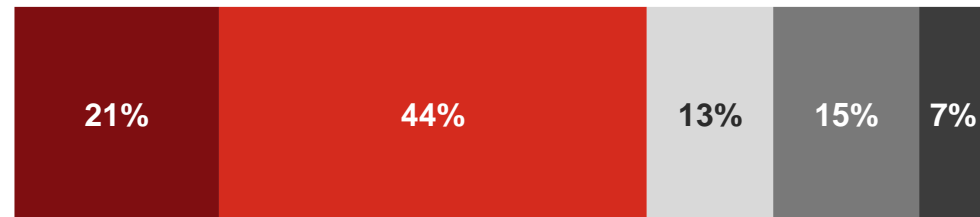
76% -6

The mentorship my business has received has inspired my business to 'pay it forward' by providing mentorship to other small or medium businesses.



63% -2

The mentorship my business has received has been vital to its success.



65% -2

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