

The COVID Economy:

**How the Pandemic
Unleashed a New Wave of
Small Business Entrepreneurs**



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Pulling Back the Curtain

COVID-19: A Surprise Driver of Small Business Growth

The coronavirus pandemic has spurred economic upheaval at unprecedented rates. Unemployment [rates are at a record high](#).

Over **51 Million**

Americans have filed for unemployment benefits since the start of the outbreak.¹

The U.S. economy has contracted

32.9%

within three months.²

Here at Azlo, a banking platform for freelancers, entrepreneurs, and small business owners, we saw a noticeable uptick in new account openings from the middle of March this year. We set out to find the reasons why.

81%

of Azlo entrepreneurs started a new business.

In July 2020, we surveyed over 1,000 new Azlo small business bank account holders and found that, from April through June of this year, four out of five have started a new business in the midst of COVID-19.

22%

of new businesses were started in response to being laid-off.

Surprisingly, for the majority, it wasn't because they were let go from their jobs. Our findings revealed that just over one in five respondents started their business in response to being laid-off. Of these founders, **an overwhelming majority (96%)** stated they always wanted to start a business, and COVID-19 provided the needed motivation.

In this report, we look at COVID-born small businesses: the impact of the pandemic, the profile of a small business launched during the last few months, and emerging trends among small businesses. We hope you find the information and insights illuminating — and perhaps even spark optimism — in this strange, new world of the COVID economy.

The Unexpected Impact of COVID-19

The COVID-19 lockdown that was mandated across the U.S. in March in some ways actually helped propel the creation of small businesses.

40%

of respondents said the pandemic gave them the prompt they needed.

This research finds that the pandemic provided the impetus they needed to kickstart their venture.

The pandemic offered the time and head-space they needed to focus on starting a business. For the new business founders that started their business because of COVID-19, 50% shared that they have had time to get their new enterprise going because other activities were put on hold due to the pandemic.

COVID-19 provided business opportunities for entrepreneurs.

37%

stated that the coronavirus outbreak created a market opportunity for them.



COVID really motivated me to do something that I was thinking about pre-COVID. It was almost as if COVID was the sign telling me, "You need to do this because everything's going digital."

Jonnita Dockens – *Confidante Consulting*



Anatomy of a COVID-Born Small Business

COVID is accelerating the digital transformation of businesses. That may not come as a shock:

As many as

25,000

brick-and-mortar retail stores are predicted to shutter this year.³

They're self-funded entrepreneurs. While access to capital remains a top concern for small to medium enterprises (SMES), we've found that new business founders didn't lean on outside capital to start their companies.

67%

of founders, nearly two-thirds, drew from personal savings or investments to self-fund.

40%

tapped into money from revenue generated.

17%

used personal credit cards.

A tiny minority, a mere 1%, obtained a bank loan.

They were employed pre-COVID. Before deciding to start their own small businesses, a whopping 3 out of 4 of founders (75%) were employed before the pandemic.

The reasons founders listed for launching a business during the outbreak reveal that COVID-19 might've helped provide a push toward desires and goals that existed before the pandemic:

63% They wanted to work for themselves.

58% They had the desire to pursue something they were passionate about.

46% Many felt they had a solid business idea.

32% They yearned to make more money than they felt they could on the traditional employment path.

30% Some started a side business as a means to supplement their current day jobs.

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It was just a passion project, but it happened to help people play tabletop games remotely, so the demand was huge.

Jonathan Rowny – *Spelltable*

What's Next for These Businesses?

According to our research, the uptick in new small businesses doesn't appear to be a singular, isolated occurrence, but rather the start of an ongoing trend. The emerging crop of COVID-born entrepreneurs is here to stay.

In some ways, it's reminiscent of the boom of small business growth innovation sparked by the Great Recession, when, in 2009, over half a million new businesses were launched nationwide.⁴ **Here's a look at what the future may hold:**

They're adept at seeking opportunities during the COVID economy.

Whether founders do hire employees or plan to in the near future, or if they prefer to remain armies of one, founders discovered opportunities because of COVID-19. Our research reveals that **37% of entrepreneurs felt that the pandemic created a market opportunity.**

They intend to hire employees.

That being said, **39% of founders either have employees, or plan to hire in the near future.** This is further proof that small businesses continue to be the backbone of our economy.

They're here to stay.

The vast majority (**96%**) **intended to keep their businesses going, even if the economy improves.** Among the founders, 7% were bitten by the entrepreneurial bug and desire to start other businesses on top of their COVID-born one. For over half (**54%**) **of founders, it'll provide their main source of revenue**, while a third (**35%**) **will run it as a side business.**



I was a teacher for 10 years, and I knew over the years that I had this budding entrepreneurial spirit. Being an entrepreneur, you hear that things go wrong all the time. But it's nowhere near as stressful as when you're dealing with kids.

Andrea Woods – Thee Doggy Treats

Summary

Our research reveals that COVID-19 provided the impetus and resources for a new class of first-time entrepreneurs. It granted the time, and offered the push, many needed to bring their small businesses to life.

What can be expected post-pandemic?

While it's hard to predict with certainty, our research shows that these new small businesses have intentions to stay. As the U.S. has 31.7 million small businesses making-up nearly half (47.1% or 60.1 million people) of the nation's private workforce⁵, these founders are laying the foundation to grow and contribute to the nation's economy.

As they continue their entrepreneurial journeys, they'll be in need of support, resources, and information, for building and scaling their new businesses in these novel times. At Azlo, we're committed to providing founders a [free online business bank account](#) along with the tools and guidance they need to build their businesses.

Methodology

In July 2020, Azlo and Dimensional Research conducted an online survey of new Azlo customers in all 50 states and the District of Columbia.

About Azlo

Azlo is for founders and freelancers who need digital banking and integrated business services to get started, survive the early days, and navigate unexpected bumps along their entrepreneurial journey.

Unlike big banks, Azlo is purpose-built for small businesses. Our free banking options, business guidance and integrated financial tools, including invoicing, enable you to thrive by focusing on what you do best.

About Dimensional Research

Since 2008, Dimensional Research has provided practical market research to tech companies to reduce risks, boost customer satisfaction, or grow a business. Headquartered in San Francisco, Dimensional's core methodology includes focus groups, in-depth interviews, and online surveys.



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