

Pivoting to Survive and Thrive

The Umpqua Bank 2020 Business Resiliency Survey

A nationwide study gauging the impact of the COVID-19 pandemic on the confidence and future of U.S.-based small and midsize businesses.



UMPQUA BANK

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A Message From Our Bank President

Grit. Determination. Resilience. Ingenuity.

These are the characteristics on full display as businesses of all sizes, across all industries and geographic locations, adapt to the economic forces recently thrust upon them.

As a commercial bank, Umpqua has had the privilege of witnessing these characteristics firsthand over the past several months. We were there with our business owner customers for the initial shock of the pandemic-induced shutdown. We walked with them through the first days of struggle and, in some cases, survival. We worked around the clock to help them get through the Paycheck Protection Program and now continue to help them move forward.

Navigating uncertainty and doing it well is the hallmark of every successful enterprise. And just as they've done over the years, businesses across the country are clearly doing what it takes to survive now and thrive into the future.

While 2020 has been even more trying than most years, the resiliency of U.S. businesses evidenced in our research inspires confidence that we'll get through this challenging time and continue building stronger communities and a more prosperous country.



A handwritten signature in black ink, appearing to read 'Tory Nixon'. The signature is fluid and cursive, with a prominent horizontal stroke at the beginning.

Tory Nixon, President

Setting the Stage

The pandemic-induced economic shutdown struck suddenly and continues to leave deep financial loss and uncertainty in its wake.

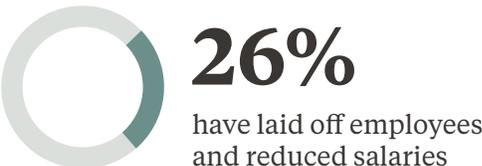
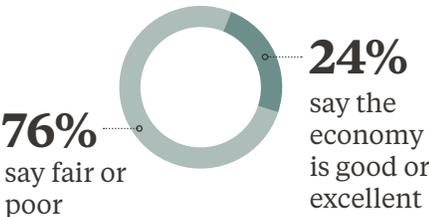
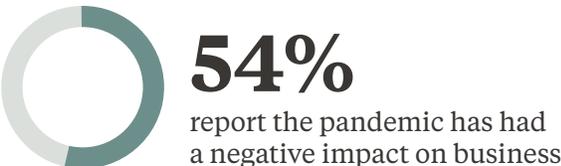
At the center of impact are the many thousands of small and midsize businesses, whose resilience in the face of uncertainty and disruption has been the cornerstone of our collective prosperity for generations.

The ability of small and midsize businesses to once again rise to the occasion will continue to be tested in the months ahead. And our economy's road to recovery will depend in large part on how these businesses adapt to the continued fallout from a once-in-a-lifetime global event.

The Umpqua Bank Business Resiliency Survey polled more than 1,200 business leaders across the country to understand how they have been impacted by the pandemic and what they're doing in response.

Hurting and Fighting Back

While businesses are demonstrating resilience and ingenuity, the pandemic’s economic impact is significant and will continue to challenge the confidence and future of many businesses and those they employ.



“The stakes in the current economy are high, and the pandemic is clearly forcing companies to carefully consider key aspects of their business and go-forward strategy.”

Richard Cabrera
Executive Vice President and Head of Commercial and Corporate Banking, Umpqua Bank

Smith Tea: Becoming an E-Commerce Business Overnight

Portland-based Steven Smith Teamaker turns adversity into success.

When COVID-19 hit, Smith Tea knew it was time to act ...

Portland-based Steven Smith Teamaker had built a successful business delivering high-quality tea and beverage products to restaurants, hotels and retailers across the country.

More than 90% of that business dried up almost immediately when the pandemic hit, leaving the company without its primary distribution channels to sell and deliver its products.

Pivoting business strategy

With COVID-19 spreading, consumers were forced to stay at home with heightened concerns about the health and safety of their families. With most of its product available in restaurants and hotels, Smith had to reconfigure its business model to provide product where consumers could access it.

While people were not dining out, going to offices and visiting grocery stores as much, they continued shopping online more than ever. For Smith Tea, the key to getting through the tough economy depended on it not just crafting world-class products but developing a direct-to-consumer e-commerce engine that delivered products to customer homes.

Rapidly evolving into a direct-to-consumer business required a 180-degree pivot in strategy and a more sophisticated online presence and e-commerce platform to make it happen. Reducing costs in certain areas to invest in greater digital capabilities was critical.

Adopting a new sales and marketing model

Sales efforts moved from in-person conversations with distributors to digital media targeting customers online and nurturing them to point

of sale and payment in an entirely digital environment.

This required not only optimizing their online storefront, digital content and performance marketing efforts, but it also meant shifting dormant resources to production and distribution where new demand was highest. At the transaction level, the company needed to work with its bank to implement an automated, seamless payment system to support its new strategy.

Delivering new products and changing the pricing model

Selling directly to customers also opened up opportunities to explore new and different products to accommodate consumer tastes and demands, as well to compete in a much more option-driven environment. In the spring, Smith launched a new iced tea collection that quickly became its most successful product launch in history.



“The pandemic has forced us to innovate — and to innovate quickly.”

Darren Marshall, CEO

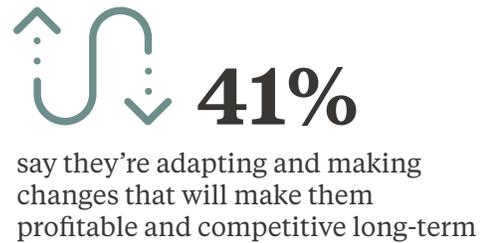
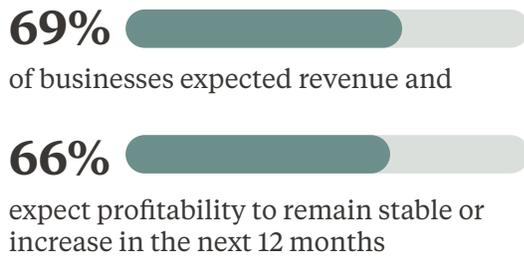
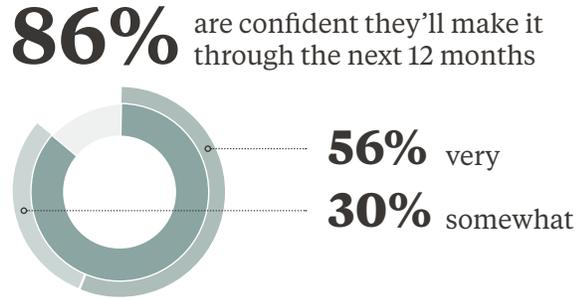
In fall of 2020, Smith Tea launched a new organic wellness collection intended to serve the health needs of a pandemic during flu season.

While the pandemic forced Smith Tea to completely rethink its go-forward strategy and pivot quickly to survive, the results have been remarkable — 20% growth month-over-month, 30,000 new customers and a stronger market position than before the pandemic. In fact, 90% of new customers are outside the Pacific Northwest.

Smith Tea is just one example of how businesses across the country are rising to the moment and showing resiliency in the face of unprecedented disruption.

Showing Measured Optimism

The entrepreneurial optimism that has long defined America's small and midsize business owners can still be seen in their relative confidence in the future and ability to meet challenges head-on.



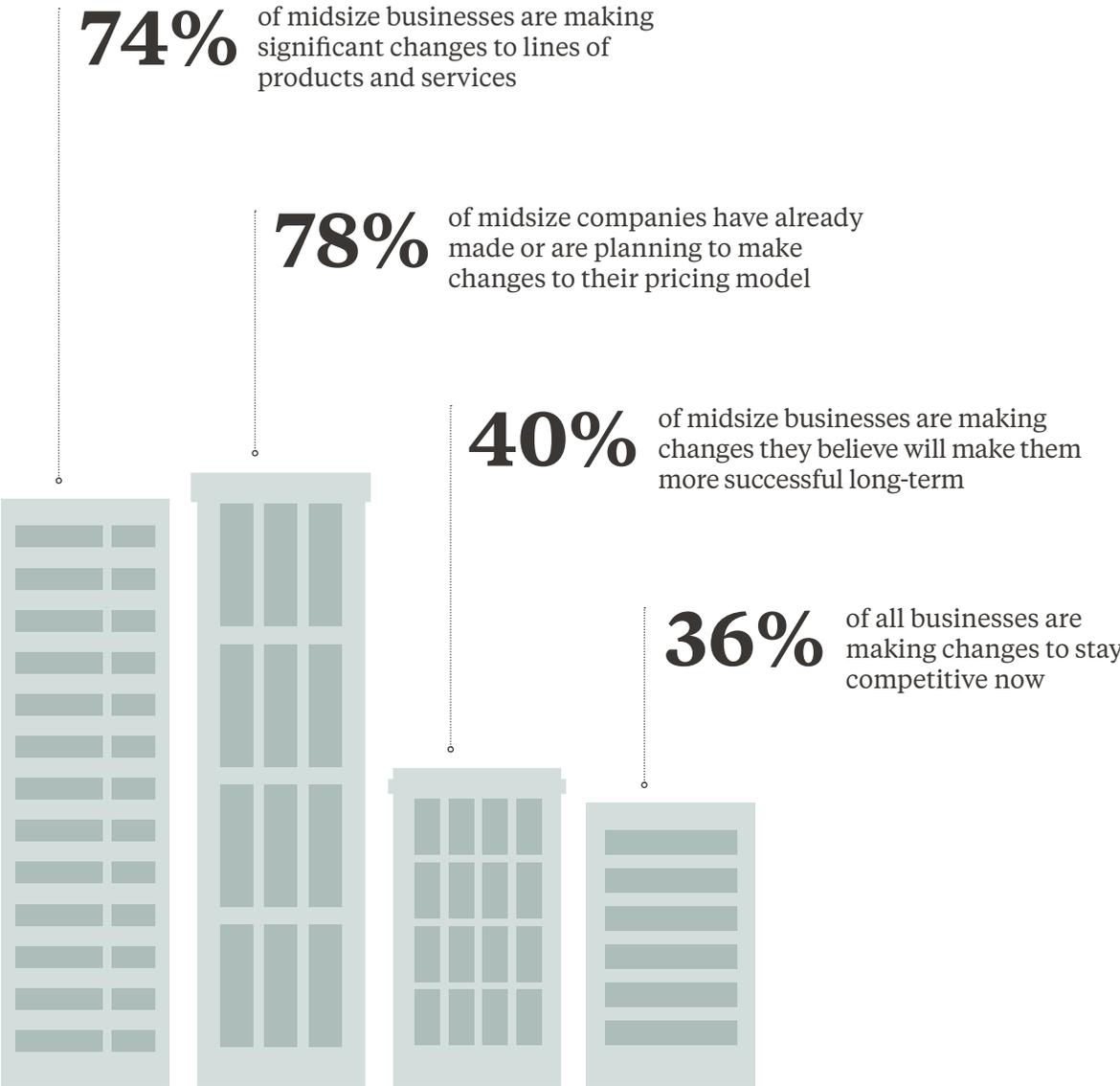
“Despite the pandemic’s tremendous economic toll, I see a dynamism in the market that gives me confidence in the future and our recovery. Business owners by and large are figuring out ways to move forward, become stronger and turn a very difficult situation into an opportunity.”

Annette Campista

Senior Vice President and Business Banking Regional Manager, Umpqua Bank

Pivoting to Survive and Thrive

Some businesses are making strategic pivots to survive and stay competitive. Others are doing so because they see opportunity in the market and can gain a competitive advantage long term.



Being Resilient and Rising to the Moment

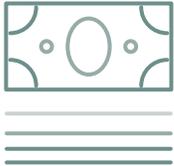
While significant economic disruption and uncertainty remain, small and midsize businesses are proving resilient.

Many have already made strategic pivots that in some cases have made them more competitive.

Many more are preparing to pull all the levers at their disposal to emerge healthier, more efficient and better able to serve their customers in the long run.

Freeing Up Cash Flow, Reducing Expenses

To take advantage of opportunities that lie ahead, many businesses are shoring up critical processes and functions that can boost cash flow.



58%

of all businesses are prioritizing growing cash reserves



49%

of all businesses have reduced spending on marketing and promotions



55%

of all businesses have delayed major purchases

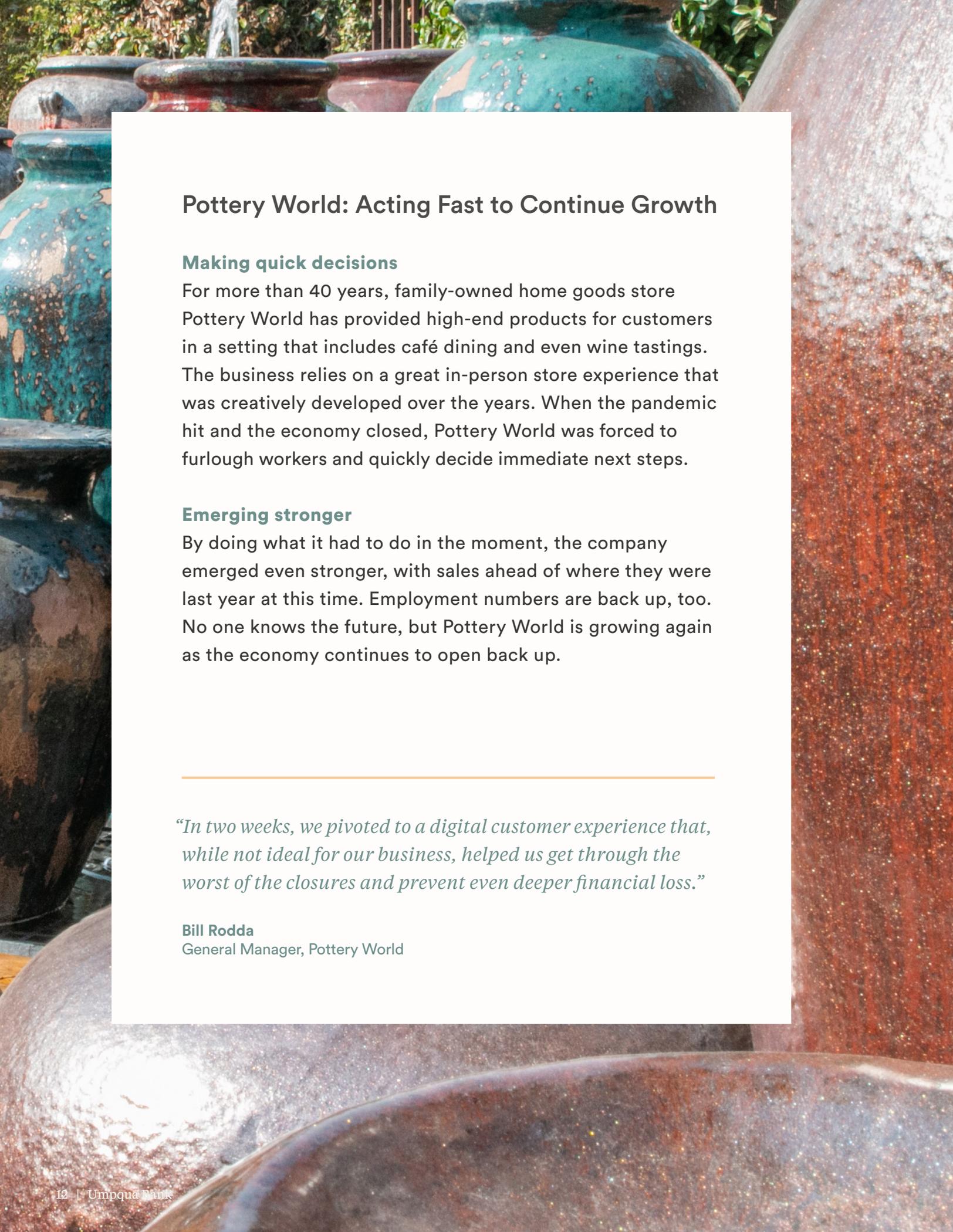


47%

of all businesses have delayed new hires

“We had to take quick and decisive action to cut costs and create the financial space needed to weather the worst part of the storm. Those were difficult decisions but vital to keep moving forward.”

Andrew Tobin
President, Thermal Modification Technologies



Pottery World: Acting Fast to Continue Growth

Making quick decisions

For more than 40 years, family-owned home goods store Pottery World has provided high-end products for customers in a setting that includes café dining and even wine tastings. The business relies on a great in-person store experience that was creatively developed over the years. When the pandemic hit and the economy closed, Pottery World was forced to furlough workers and quickly decide immediate next steps.

Emerging stronger

By doing what it had to do in the moment, the company emerged even stronger, with sales ahead of where they were last year at this time. Employment numbers are back up, too. No one knows the future, but Pottery World is growing again as the economy continues to open back up.

“In two weeks, we pivoted to a digital customer experience that, while not ideal for our business, helped us get through the worst of the closures and prevent even deeper financial loss.”

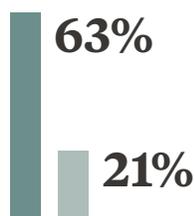
Bill Rodda
General Manager, Pottery World

Requiring a Different Kind of Work

It's clear that the transformation of the workplace and workforce is accelerating as a result of an increased focus on efficiency. And the focus on tech, automation and digitization means many businesses need different skill sets to succeed. Retraining their current workforce to gain these new skills takes time and resources, which are in short supply for many businesses.

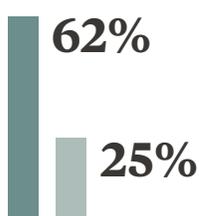
● Midsize businesses ● Small businesses

Skill sets



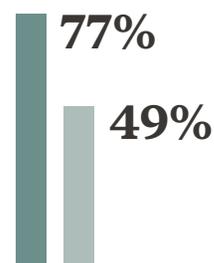
say they are looking to replace current skill sets with new ones needed to restructure the businesses

Work from home



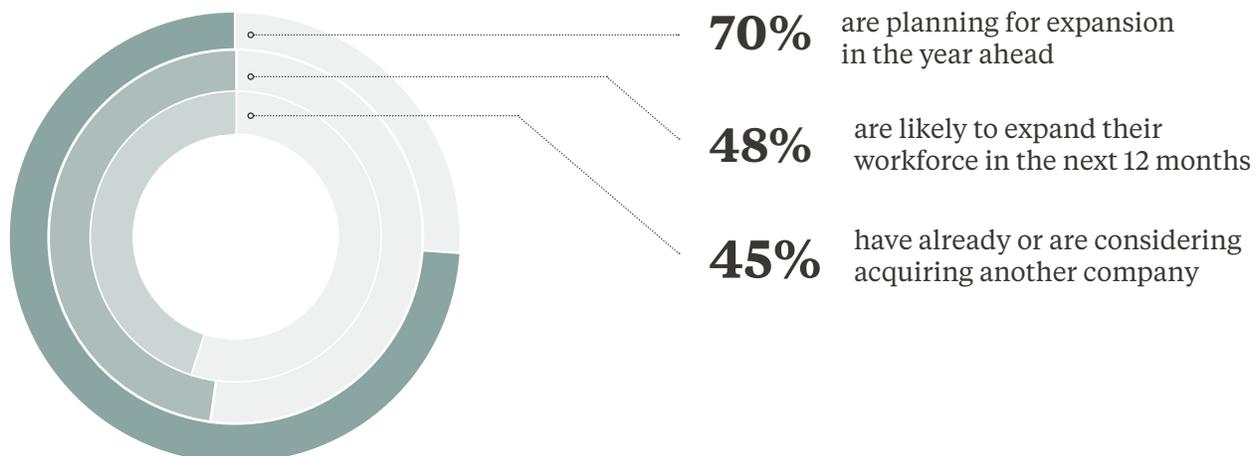
report they will allow more employees to work from home in the future

Contract employees



are moving away from a traditional staffing model to one utilizing more contract workers

Midsize businesses in particular are moving full speed ahead



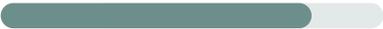
Adopting Critical Tech-Driven Efficiencies

Many midsize businesses appear laser-focused on becoming more efficient to preserve and protect working capital. Business-as-usual costs such as payroll, benefits, hiring and marketing/promotions are all being slowed and/or reduced. Meanwhile, businesses are making investments that reflect more systemic changes to the way they operate. The three moves below are now essential for businesses to remain competitive.

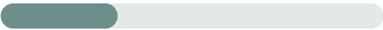


Automating manual work and processes

The more automated a company is, the more quickly it can pivot strategy, scale its business and gain a competitive advantage.



81% of midsize and



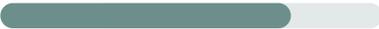
30% of small businesses

have already or are likely to automate manual tasks as a result of the pandemic.



Digitizing the customer experience

The pandemic is forcing a shift to virtual store-fronts and entire e-commerce sales models, changing who many businesses sell to and how they get their products to market.



76% of midsize and



46% of small businesses

are focused on digitizing the customer experience.



Investing in information technology

Information technology is the #1 investment area midsize businesses identified as key to lasting success.



46% of midsize businesses

have already invested more to enhance technological capabilities while making other cuts.

Finding Strategic Financial Solutions

In the face of continued uncertainty, business leaders are showing resilience and leveraging financial solutions that are helping them survive the pandemic economic upheaval and thrive in the long run.



Working capital assessment

More than ever, managing cash flow and doing more with less is critical, and businesses are looking to cut costs and become more efficient. A working capital assessment is a consultative deep dive with a bank into business operations to identify inefficiencies, waste and opportunities to maximize and protect working capital.

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Automated accounts payable

Automating accounts payable processes is one of the simplest and most important ways to automate tedious, manual tasks and free up employee time for more productive work. By completely automating their cash cycle — from invoicing and receipts to paying bills and receiving payments — businesses can improve productivity, cash flow and profit margins and see almost immediate savings.

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Fraud prevention

Workplace disruption, including the move to a more remote workplace, can leave businesses increasingly vulnerable to financial fraud. There are basic steps companies can take to protect their business during this critical time. Solutions including automated clearing house and Positive Pay are good to start with to help prevent check fraud.

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Want to feel more confident about the future of your business?

Every day, we help business owners like you navigate the COVID-19 economy. Whether it's by lending an ear, sharing our expertise or helping identify opportunities and financial solutions for the road ahead, we're here for you.

Let's build forward together.



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