



Startups Find Opportunities – Your Institution Could Too

business customers pandemic

Summary: The pandemic has harmed many businesses and shuttered many for good. Yet, eager startups are finding opportunities as well. We cover the elements of the economic environment that are fueling these startups (and potential new customers) and highlight areas that have done especially well.

While we don't advise doing it at home, coconut water has apparently been used "as a short-term intravenous hydration fluid" according to the National Library of Medicine. Many businesses are definitely in need of similar life-saving provisions these days, but the current environment has created amazing opportunities for startups as well.

When it comes to COVID-19, community financial institutions should not forget that there is another side of the proverbial coin. There is no question that the global pandemic has taken a negative toll on businesses across the board, leaving many people unemployed or under-employed and struggling to make ends meet.

Ironically, the same confluence of factors that has been so harmful to so many individuals and businesses have actually created the perfect environment for many entrepreneurs. We first covered this trend in October with our article, "[Helping Budding Entrepreneurs During a Pandemic](#)." But, it is worth a continuing look.

Conducive economic environment. Interest rates remain low, which makes it an attractive time for starting a new business for motivated entrepreneurs. Though interest rates have already been low for a few years, in some instances they have managed to drop even further since the onset of the pandemic. While that in and of itself can help eager business people, high unemployment rates and a remote work environment make it easier than ever to find experienced employees who have the particular skills and expertise that they need for their ventures. Further, with a remote work environment still the norm in many areas (which may continue permanently), startups can hire candidates from literally anywhere in the country without the need to take on the cost of office space or facilities.

E-commerce grows. According to eMarketer, US e-commerce revenue was expected to hit over \$709B in 2020, which would make up 14.5% of total retail sales in the US, an increase from 11% in 2019. The increased adoption of online shopping has opened up opportunities for many entrepreneurs and small businesses. Using a small amount of startup capital and having a fraction of the brick-and-mortar expenses, a small online business can be created. Even some businesses that were initially struggling have found ways to stay relevant, with the low barrier to entry in e-commerce.

Multiple business opportunities. The adage "necessity is the mother of invention" has stuck around because it is true. As social distancing has driven everything from grocery shopping to medical appointments, classes, and even socializing online, it has highlighted many opportunities for new businesses.

Take, for instance, exercising. Though social distancing has meant the death knell for countless gyms across the country, it has fueled the overnight explosion of at-home exercise alternatives. These range from live Zoom classes to personalized fitness apps and compact exercise equipment.

Many analysts do not believe this trend will completely reverse even if things ultimately return to normal. For instance, sales of health and fitness equipment have increased more than 2x in the period March through October 2020, according to The NPD Group. Manufacturers like Peloton, which sells equipment supplemented by online streaming classes, have seen demand explode, with Peloton class activity alone up 332% on a YoY basis.

Keep your eyes peeled for energetic startups in your community. There are likely a few of them. You may also want to advise your current business customers on some of the latest areas of opportunities to give them ideas for growth. Then, remind new and current customers alike of all the ways you can support them, from funding to cash flow analysis and tax resources. When your business customers do well, your institution does well.

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