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economy, as vaccine distribution has been expedited and more businesses have reopened. But now, several polltakers say their worries have shifted from COVID to inflation, and for ...

May. 13, 2021



[The Alignable Inflation Poll](#), conducted among 7,735 small business owners from 4/24/21 to 5/5/21, shows that more than two out of three small business owners (67%) are concerned that inflation will hurt their ability to recover. And 38% of small business owners say they're "highly concerned" about inflation.

A few weeks ago, many reported renewed optimism about the small business

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Costs Have “Greatly Increased”

Here are a few quotes from the survey, illustrating what's already starting to happen to a variety of small businesses.

“My clients’ businesses are already affected by inflation. Now, they can’t afford to pay for my legal services.”

“All shipping costs, both within America and internationally, have greatly increased. Since much of our business is Internet-based and we offer free shipping, those new costs are very expensive for us.”

“All of my suppliers have had to raise their prices. It’s a hard time to be a small business owner.”

Beyond those inflationary issues, the majority of small business owners (52%) reported that they're hesitant to pass along these increased costs to their customers.

Supply Headaches

Here's more data from the poll, that vividly paints the increasingly frustrating situation burdening small business owners:

- **80% say the cost of supplies is up compared to pre-COVID levels.** And 22% say those costs have increased by 25% or more
- **59% say they're having difficulty acquiring inventory/supplies**
- But considering all of those increased costs, **only 48% say they're charging higher prices to cover their skyrocketing expenses.** (And 26% of these small business owners have only hiked prices from 1-10%).

In fact, for the first time in the past year, the **No. 1 concern listed among small**

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starting to cause problems. But I believe that the ones who will suffer the most will be those hesitant to raise prices as costs go up.”

Hiring: The Best Of Times & The Worst Of Times

Adding hiring to the equation brings both great news and not-so-great news.

Here's the good news.

According to our May 2021 Road To Recovery Report, small businesses have achieved a new, COVID-Era hiring high: **88% of those employed prior to COVID are now back on the payroll.** This is the first time since late last year that the employee percentage went above 82%, which certainly shows hope and progress.

And yes, there's a hiring spree, especially among restaurants and retailers who need to staff up for what many expect will be a terrific summer.

However, here comes the bad news, at least for small business employers: **50% of them say they're having trouble filling all of their job vacancies.**

And 54% of those SMBs say government handouts are keeping potential employees at home. Some 30% say the \$300 weekly supplemental unemployment benefit is the biggest problem & 24% say the stimulus checks are preventing people from applying.

Either way, what many saw as beneficial federal assistance, small business owners now view differently. Look at more of the results here:



Meanwhile, 51% say the employees they *can* find require higher salaries or hourly

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These businesspeople include general contractors, and others who specialize in renovation and remodeling. Ironically, many of these business owners experienced a boom during COVID, but now they're having trouble moving ahead into this transition out of the COVID Era.

One polltaker in construction illustrated his situation:

"Costs and shortages are already appearing in the construction industry. When shortages appear you can expect further cost increases. Inflation is on it's way, which can lead to unemployment, too."

And several media outlets have reported on the skyrocketing price of lumber, which is now up more than 280%, according to this [Fortune](#) article. Given the price of lumber, we'll be hearing a lot more from frustrated small business owners in the construction industry over the next few months.

Meanwhile, the majority of manufacturers taking the poll reported challenges with increased trucking expenses and difficulty in accessing some of the raw materials they need to create products. This, of course, results in scarcity and will force them to boost prices, which will affect anyone who needs their products from retailers to restaurants, and home builders to real estate agents.

The following chart covers a range of industries where small business owners feel most worried that inflation will curtail their recovery.

 **Alignable: 67% of SMBs Fear Inflation Will Hurt Their Recovery**

As you can see, the automotive industry — which includes owners of gas stations, repair shops, and car dealerships — is well-represented. Many of these small business owners struggled during COVID since fewer people spent time in their cars.

But now, as people are driving much more often and leaving their homes, these

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As for retailers, many of whom are just starting to dig out of the COVID avalanche themselves, 73% of them are worried about inflation, too.

A florist taking the [Alignable poll](#) described her current situation: *"The cost of flowers took a huge jump. That's because growers did not grow the usual amount of roses, given COVID. And thus, we have a rose shortage."*

Who's Most Impacted By Supply Shortages?

Looking more deeply at the problems, as we note above, 59% of everyone polled said they're having trouble getting supplies and the inventory they need.

Mirroring our chart on inflation fears, **81% of manufacturers said they're struggling to get the supplies they need, as did 79% of the small businesses in the construction industry.**

Beyond those industries, **74% of small businesses in the energy and utilities sector said they were suffering from supply chain shortages, echoing the concerns of 73% of restaurants and 73% of retailers.**

Supply Costs Skyrocket For Many Industries

Finally, it's important to see which industries are most affected by increases in the cost of the supplies or inventory they're actually able to obtain.

For this question, the national average was very high, with 80% of all small businesses reporting increases in supply or inventory costs. Of those SMBs, 22% said costs have spiked over 25%.

This is especially significant for 58% of all small businesses that have had a difficult time reaching even half of their pre-COVID revenue levels.

Many don't want to raise prices too high to scare off the B2C or B2B customers they

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- **98% of manufacturers** (37% said supply costs are over 25% more)
- **96% of restaurants** (23% of their costs are above 25% more)
- **93% of construction company owners** (43% say costs are over 25% more)
- **87% of retailers** (20% of costs are over 25% more)
- **87% of small business owners in the energy & utilities sector** (20% say costs are over 25% more)
- **86% of owners in transportation/logistics, including truckers** (33% say costs are over 25% higher)
- **84% of farmers or others in agriculture/horticulture** (20% say costs are over 25% higher)
- **81% of beauty salon or barber shop owners** (18% say costs are over 25% higher)

Given the in-depth results of this poll, it's not hard to imagine why some people we surveyed called these inflationary trends the next COVID.

While the economy is showing signs of rebounding and hope remains strong for a recovery, the increases in supply chain problems and costs could make rebounding a long and winding road for many small businesses in the industries with the greatest challenges.

To review other Alignable polls conducted since March 2020, please go to the [Alignable Research Center](#).

Small Business

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