

masterplans.com<sup>mp</sup>

# State of Startups

4TH ANNUAL REPORT

2021





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Founded in 2002, Masterplans is the industry leader in developing business plans with the latest market research, sound financial models, and strategic direction. Our expert team of researchers and financial modelers have created more than 18,000 business plans for entrepreneurs in every industry, from mom-and-pop cafes to major medical SaaS companies.

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# Executive Summary

**Any way you look at it, 2020 was a tough year.**

With the COVID-19 global pandemic hanging over most of the year, 2020 also ushered in social unrest in the response to the deaths of George Floyd and Breonna Taylor at the hands of police followed by a contentious and divisive presidential election that culminated in the storming of the U.S. Capitol on January 6, 2021.

The startup environment is tied to the social and political climate, and this point was made emphatically during 2020. In March, non-essential businesses, many of them startups and small businesses, were forced to shut down by state and local ordinance, leading to mass unemployment and business closures. When restrictions eased over the summer, most businesses were allowed to reopen, but often with strict modifications to curtail the pandemic's spread.

But through all of this adversity, the entrepreneurial spirit of the U.S. rose to the occasion. Restaurants quickly adapted to outdoor dining and contactless ordering. Retailers shifted their brick-and-mortar stores online. Offices adjusted to a decentralized remote work model. Revenues suffered for most, but the SBA's Paycheck Protection Program (PPP), creative marketing solutions, and the quick pivot to ecommerce saved thousands of jobs.

In this fourth annual report, we analyzed all projects from 2020 to paint a comprehensive picture of the State of Startups in the United States today. Our total projects were down 13.6% in 2020 when compared to 2019. Overall, the U.S. Gross Domestic Product (GDP) was down 3.5% in 2020 according to the Bureau of Economic Analysis.<sup>1</sup>

<sup>1</sup> "Gross Domestic Product, Fourth Quarter and Year 2020." *Bureau of Economic Analysis Official Blog*. January 2021. Source: [tinyurl.com/ywmitskb](https://tinyurl.com/ywmitskb)



This report examines the business plan development contracts we encountered last year across industries, funding type, and demographics.

## Industries

The most common industries in 2020 were retail & consumer goods (9.3% of plans), services (9.3%), and restaurants (8.3%). Services was a new entry in the top three, after finishing 6th in 2019; it replaced cannabis, which fell to 8th. Joining services (68.1% increase) and cannabis (48.6% decrease), other notable changes from 2019 include automotive (up 60%), software-as-a-service (up 60%), hospitality (down 64.7%), wellness (down 47.6%), and healthcare (down 35.4%).

## Funding Type

Most clients who choose Masterplans seek capital injection to start or grow their business. In 2020, 86.2% of our projects were used to obtain outside funding. 58.4% of 2020 projects sought debt funding, typically in the form of institutional lending from banks, while 23.8% sought equity funding, often from angel investors and venture capital firms. The remaining 4% of clients look-

ing for funding were comprised of not-for-profits seeking donations and grants.

## Demographics

Like the economy as a whole, the startup environment has historically been dominated by white males. Although that is beginning to change, there is still a long way to go. In 2020, clients with at least one woman founder represented 27% of our total projects, the same percentage as 2019. Of our 2020 clients, 40% identified as race other than white, up from 22% in 2019. As a veteran-owned business, 12% of our 2020 clients served in the armed forces, up from 11% in 2019.

## Geography

Once again, our clients came from all over the U.S., representing 45 states and the District of Columbia. Forty-five percent of our projects came from the four most populated states: California (16% of all plans), Florida (10%), New York (10%), and Texas (9%). When numbers are adjusted for population, the most entrepreneurial states in our sample were New York, Florida, Georgia, Maryland, and California, in that order.





# Industries

Unsurprisingly, the COVID-19 pandemic had demonstrated effects on the types of businesses entrepreneurs started.

TABLE 1: 2019 VERSUS 2020 MOST POPULAR INDUSTRIES FOR MASTERPLANS BUSINESS PLAN DEVELOPMENT CONTRACTS

By percentage of all contracts

2019		2020	
<b>CANNABIS</b>	8.0%	<b>RETAIL &amp; CONSUMER GOODS</b>	9.3%
<b>RETAIL &amp; CONSUMER GOODS</b>	7.8%	<b>SERVICES</b>	9.3%
<b>RESTAURANTS</b>	7.4%	<b>RESTAURANTS</b>	8.3%
<b>HEALTHCARE</b>	6.7%	<b>MANUFACTURING</b>	5.3%
<b>MANUFACTURING</b>	5.8%	<b>HEALTHCARE</b>	5.0%
<b>SERVICES</b>	4.8%	<b>SPORTS/FITNESS</b>	5.0%
<b>INFORMATION TECHNOLOGY</b>	4.5%	<b>CAFES</b>	4.8%
<b>WELLNESS</b>	4.5%	<b>CANNABIS</b>	4.8%
<b>SPORTS/FITNESS</b>	4.3%	<b>SHIPPING &amp; TRANSPORTATION</b>	4.3%
<b>HOSPITALITY</b>	3.7%	<b>AUTOMOTIVE</b>	4.0%

**TABLE 2: YEAR-OVER-YEAR CHANGES FOR 2020 TOP 10 INDUSTRIES**

By percentage of all contracts

<b>RETAIL &amp; CONSUMER GOODS</b>	+2.7%
<b>SERVICES</b>	+68.1%
<b>RESTAURANTS</b>	-2.9%
<b>MANUFACTURING</b>	-22.2%
<b>HEALTHCARE</b>	-35.4%
<b>SPORTS/FITNESS</b>	0%
<b>CAFES</b>	+35.7%
<b>CANNABIS</b>	-48.6%
<b>INFORMATION TECHNOLOGY</b>	-1.9%
<b>SHIPPING &amp; TRANSPORTATION</b>	4%

In 2020, our clients represented 45 different industries, which was roughly comparable to the 48 industries represented in 2019. Representation was weighted towards the top industries, with the top 17 industries representing 80% of our clients.

**Top 5 Industry Profiles**

While our clients represent a wide variety of industries, several industries stood out. This section takes a closer look at 10 industries: the top five overall, and the five that experienced the largest change from 2019.

**RETAIL & CONSUMER GOODS**

Due to temporary store closures on nonessential businesses, retail trade was down 10.2% in 2020 versus 2019, reaching \$4.9 trillion in total revenue.<sup>2</sup> Retailers that operated in solely brick-and-mortar operations without online stores were most dramatically affected by the COVID-19 lockdowns, and with high unemployment rates across the country, consumer spending in 2020 was down dramatically, hurting retail trade.

The pandemic created changes in consumer spending habits, many of which are forecast to continue. For example, the ecommerce & online auction revenue increased 14.1% in 2021 and is expected to grow at an annual rate of 7.0% per year in the next five years.<sup>3</sup> Grocery stores and supermarkets moved towards home delivery and contactless pickup. Sadly, the pandemic

resulted in a 3% reduction of the number of businesses operating in the retail space.

However, the forecast for retail is considered strong once the virus is contained and shoppers can safely return to brick-and-mortar stores. The sector is projected to grow at an annualized rate of 2.7% to reach \$5.6 trillion in 2025. The number of retail locations is expected to increase 1.3% per year.<sup>4</sup>

**TABLE 3: YEAR-OVER-YEAR CHANGES FOR OTHER NOTABLE INDUSTRIES**

By percentage of all contracts

<b>HOSPITALITY</b>	-64.7%
<b>REAL ESTATE</b>	-38.5%
<b>WELLNESS</b>	-47.6%
<b>AUTOMOTIVE</b>	+60%
<b>CONSTRUCTION</b>	+44.4%
<b>SAAS</b>	+60.0%

<sup>2</sup> Fernandez, Cecilia. "Retail Trade in the US" *IBISWorld*. November 2020. Source: [tinyurl.com/ywktne2o](https://www.ibisworld.com/industry-profiles/retail-trade-in-the-us/)

<sup>3</sup> Spitzer, Dan. "E-Commerce & Online Auctions in the US." *IBISWorld*. December 2020. Source: [tinyurl.com/3pq1ieq6](https://www.ibisworld.com/industry-profiles/e-commerce-and-online-auctions-in-the-us/)

<sup>4</sup> Fernandez, Cecilia. "Retail Trade in the US" *IBISWorld*. November 2020. Source: [tinyurl.com/ywktne2o](https://www.ibisworld.com/industry-profiles/retail-trade-in-the-us/)

The retail & consumer goods category encompass a wide range of subsectors. Among the most popular are motor vehicle and motor vehicle parts (22.6%), groceries (14.2%), and general merchandise (13.4%).<sup>5</sup>

## SERVICES

Services represent a wide sector of the overall American economy, and any company that provides an intangible good can be categorized within it. According to the U.S. Bureau of Labor Statistics, about 70% of private jobs (100 million of 142 million workers) are in service-providing industries.<sup>6</sup> Our clients included in this broad category included consulting & professional services, laundry services, cleaning and sanitization services, and landscaping services.

## RESTAURANTS

Similar to retail, restaurants faced immense challenges brought by the COVID-19 pandemic in 2020. Due to mandated restrictions, many restaurants shifted to outdoor dining and take-out to keep afloat, usually resulting in a decline in income and staff compared to 2019 levels. Overall, restaurant revenue dropped 16.9% in 2020,<sup>7</sup>

and it's estimated that over 100,000 restaurants were forced to shut down – nearly 1 in 6 total establishments.<sup>8</sup>

As a result, 2021's restaurant industry forecast calls for a surge in new businesses, with revenue jumping by 33% in the next year.<sup>9</sup> Longer-term, the industry is expected to grow 3.8% per year through 2025, which is on par with the growth rate the industry experienced from 2014-2019.

The restaurant industry, however, will be permanently changed by the pandemic. Food delivery mobile apps, especially in metropolitan areas, will continue to thrive; companies like GrubHub, Postmates, and Uber Eats have contributed to a threefold rise in food delivery. Technology will change the dining room experience as well, including how patrons book reservations and order food. Fast-casual and chain restaurants are expected to experience the most rapid growth within the industry.<sup>10</sup>

## MANUFACTURING

Manufacturing includes companies that transform raw materials into new products.

The largest segments of the manufacturing industry include petroleum & chemicals manufacturing (27.4%), transportation and machinery manufacturing (23.8%), and food & beverage manufacturing (18.8%).

Historically, manufacturing in the U.S. has trended downward as a significant portion moved offshore to developing countries. From 2015-2019, industry revenue declined 3.4% per year, and 2020 saw a 17.3% decrease of industry revenue to \$5.1 trillion.<sup>11</sup>

Post-pandemic, however, the industry is expected to rebound. With the change in presidential administrations, economists predict the U.S. to have friendlier trade policies, which is likely to increase American exports. It is also expected

<sup>5</sup> Ibid.

<sup>6</sup> "Employees on Nonfarm Payrolls by Industry Sector and Selected Industry Detail." *Bureau of Labor Statistics*. January 2021. Source: [tinyurl.com/19sepulz](https://tinyurl.com/19sepulz)

<sup>7</sup> Li, Thi "Single Location Full-Service Restaurants in the US." *IBISWorld*. August 2020. Source: [tinyurl.com/1t5613o](https://tinyurl.com/1t5613o)

<sup>8</sup> "Restaurant Industry in Free Fall; 10,000 Close in Three Months." *National Restaurant Association*. December 2020. Source: [tinyurl.com/rv38b1fb](https://tinyurl.com/rv38b1fb)

<sup>9</sup> Li, Thi "Single Location Full-Service Restaurants in the US." *IBISWorld*. August 2020. Source: [tinyurl.com/1t5613o](https://tinyurl.com/1t5613o)

<sup>10</sup> Ibid.

<sup>11</sup> Savaskan, Devin. "Manufacturing in the US." *IBISWorld*. August 2020. Source: [tinyurl.com/1kca7sk5](https://tinyurl.com/1kca7sk5)



that federal stimulus spending will promote spending in American manufacturing.

Technological advances will continue to transform American manufacturing, including automation, machine learning, and robotics. Since the Great Recession of 2009, U.S. manufacturing outputs have increased more than 20%, and while that means fewer workers overall, specialization has meant an increase in wages.<sup>12</sup>

Our projects in 2020 in this industry included printing shops, distilleries, industrial hemp products, and building materials.

## HEALTHCARE

It might seem that during a global pandemic, healthcare would experience robust growth. And for particular segments, such as hospitals, ambulatory services, and specific pharmaceuticals and devices, that is definitely true; however, overall revenue in the industry stagnated in 2020.<sup>13</sup> Elective procedures and preventative care appointments were postponed during the pandemic, and with massive unemployment, as many as 12 million Americans lost their health insurance.<sup>14</sup>

The industry has been reshaped by technology, with telehealth services increasing 10% over 2019. As patients become more comfortable with digital delivery, this trend is expected to continue, and the telehealth segment is expected to grow 8.3% per year through 2025.<sup>15</sup>

Industry-wide, healthcare is expected to grow at an annual rate of 1.1% through 2025, largely driven by the aging U.S. population. Consequently, nursing & residential care facilities are expected to be a key growth segment in the healthcare industry.<sup>16</sup>

Our 2020 healthcare projects included assisted living facilities, in-home health services, and several dental and medical clinics.

## Trending 5 Industry Profiles

Several industries outside the top 5 demonstrated significant change in 2019, some growing and some shrinking.

## HOSPITALITY

Perhaps no industry was impacted by COVID-19 more than hospitality. Hotels saw a 45.7% reduc-

tion in revenue as occupancy rates hit all-time lows.<sup>17</sup> Concert & events promotion is down 39.9%, and it's estimated that more than 90% of independent venues will close if not for federal relief.<sup>18</sup> Tourism industry revenue plummeted 38.7%, and companies that cater to international travelers fared worst, with inbound trips from non-U.S. residents down 78.9% in 2020.

Unlike many industries, the recovery of the hospitality industry will be more gradual. Spending in this industry is largely discretionary, and thus its rebound will arrive subsequent to other industries' recoveries. Moreover, it is expected to take longer for the pandemic to be fully resolved worldwide, meaning international travel will lag.

<sup>12</sup> "Reshoring: A Boost In American Manufacturing." *Machine Design*. August 2017. Source: [tinyurl.com/5bv595sb](https://tinyurl.com/5bv595sb)

<sup>13</sup> Spitzer, Dan. "Healthcare and Social Assistance in the US." *IBISWorld*. November 2020. Source: [tinyurl.com/bzaf233f](https://tinyurl.com/bzaf233f)

<sup>14</sup> Bivens, Josh and Zipperer, Ben. "Health insurance and the COVID-19 Shock." *Economic Policy Institute*. August 2020. Source: [tinyurl.com/4fs2o6bd](https://tinyurl.com/4fs2o6bd)

<sup>15</sup> Curran, Jack. "Telehealth Services." *IBISWorld*. August 2020. Source: [tinyurl.com/45pck9bm](https://tinyurl.com/45pck9bm)

<sup>16</sup> Spitzer, Dan. "Healthcare and Social Assistance in the US." *IBISWorld*. November 2020. Source: [tinyurl.com/bzaf233f](https://tinyurl.com/bzaf233f)

<sup>17</sup> Ristoff, Jared. "Hotels & Motels in the US." *IBISWorld*. August 2020. Source: [tinyurl.com/52vtfj0n](https://tinyurl.com/52vtfj0n)

<sup>18</sup> Kennedy, Kevin. "Concert & Event Promotion in the US." *IBISWorld*. September 2020. Source: [tinyurl.com/liewbswl](https://tinyurl.com/liewbswl)

Masterplans clients in the hospitality industry decreased 59% in 2020.

## CANNABIS

2020 was a mix bag for cannabis startups, but overall trends point in a positive direction. The years preceding the global pandemic saw rapid growth as states incrementally entered the regulated adult-use market; from 2014-2020, the industry was growing at 28.6% per year. However, 2020 was not a banner year for cannabis startups as only one new state, Michigan, entered into the legalized cannabis market. Thus, after several strong years of being the leading industry for projects, our cannabis projects fell 41% in 2020.

During the fall 2020 election, however, four new states passed adult-use cannabis measures—Arizona, Montana, New Jersey, and South Dakota—bringing the national total to 15 states that allow recreational use, while a total of 36 allow for medicinal use.<sup>19</sup> Attitudes towards cannabis continue to evolve: in 2000, 31% believed cannabis should be legalized; a recent Pew Research survey showed that percentage to now be 67%.<sup>20</sup>

That swing in public opinion, combined with a Democratic legislature and executive branch, has some experts predicting cannabis could be a \$130 billion industry by 2024.<sup>21</sup>

## SAAS

Software-as-a-Service (SaaS) is a software licensing model where software is licensed on a subscription basis and centrally hosted, as opposed to software with physical distribution and localized hosting. As internet programming has become standardized—HTML and JavaScript—and with the widespread adoption of HTTPS security protocols, SaaS has become the prevalent method of software deployment. Since 2008, the global SaaS market has grown from \$5.56 billion to \$157 billion.<sup>22</sup>

Our SaaS projects increased 60% from 2019 to 2020. Coinciding with industry trends, most of these clients were developing enterprise software targeted towards niche industries such as manufacturing and construction. Overall, 76% of the software publishing marketplace revenue comes from businesses and government organizations, with the remaining 24% coming from

households, and, aided by the mass adoption of smart phones, this industry will continue to grow at an annualized rate of 2.4% through 2025.<sup>23</sup>

## WELLNESS

Americans are more concerned with their well-being than ever before and many startups are seeking to cater to this with new, innovative, and natural wellness products and services. But lockdowns and social distancing affected wellness businesses like health spas, which saw an 8% revenue decrease in 2020.<sup>24</sup> Upon the containment of the pandemic, the spa industry is expected to return to its pre-pandemic growth of around 2.7% per year.<sup>25</sup>

Masterplans saw a 39% decline in wellness industry projects in 2020.

19 "State Medical Marijuana Laws." *National Conference of State Legislators*. January 2021. Source: [tinyurl.com/rtfqx6j](https://tinyurl.com/rtfqx6j)

20 Daniller, Andrew. "Two-thirds of Americans Support Marijuana Legalization." November 2019. Source: [tinyurl.com/3md29f48](https://tinyurl.com/3md29f48)

21 McVey, Eli. "Chart: US Cannabis Industry's Economic Impact Could Hit \$130 billion by 2024." *Marijuana Business Daily*. January 2020. Source: [tinyurl.com/ysolf9e4](https://tinyurl.com/ysolf9e4)

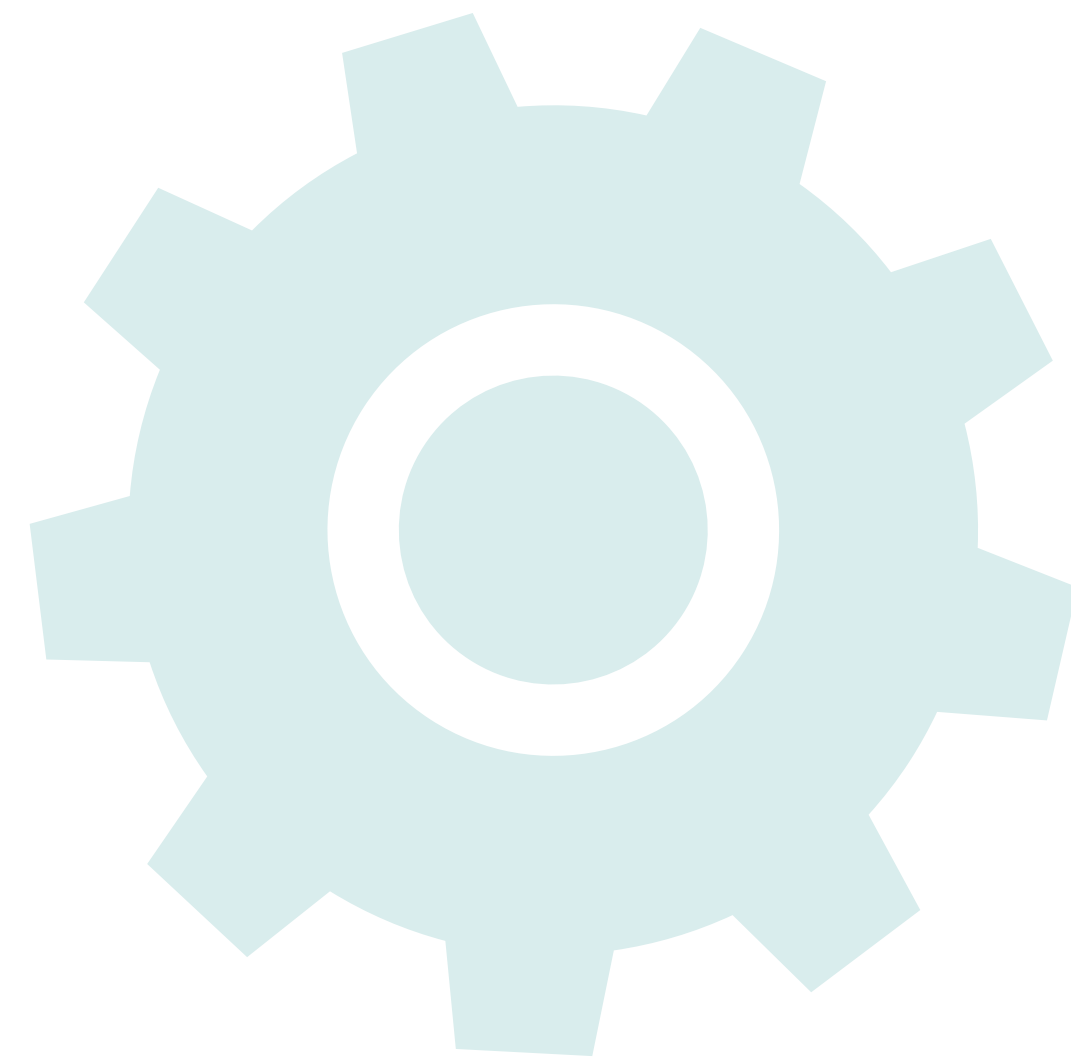
22 "Total Size of the Public Cloud Software as a Service (SaaS) Market From 2008 to 2020." *Statista*. January 2021. Source: [tinyurl.com/d0d50jy6](https://tinyurl.com/d0d50jy6)

23 Cook, Dan. "Software Publishing in the US." *IBISWorld*. October 2020. Source: [tinyurl.com/5tt2xcy8](https://tinyurl.com/5tt2xcy8)

24 O'Connor, Claire. "Health & Wellness Spas." *IBISWorld*. June 2020. Source: [tinyurl.com/4yplfq6j](https://tinyurl.com/4yplfq6j)

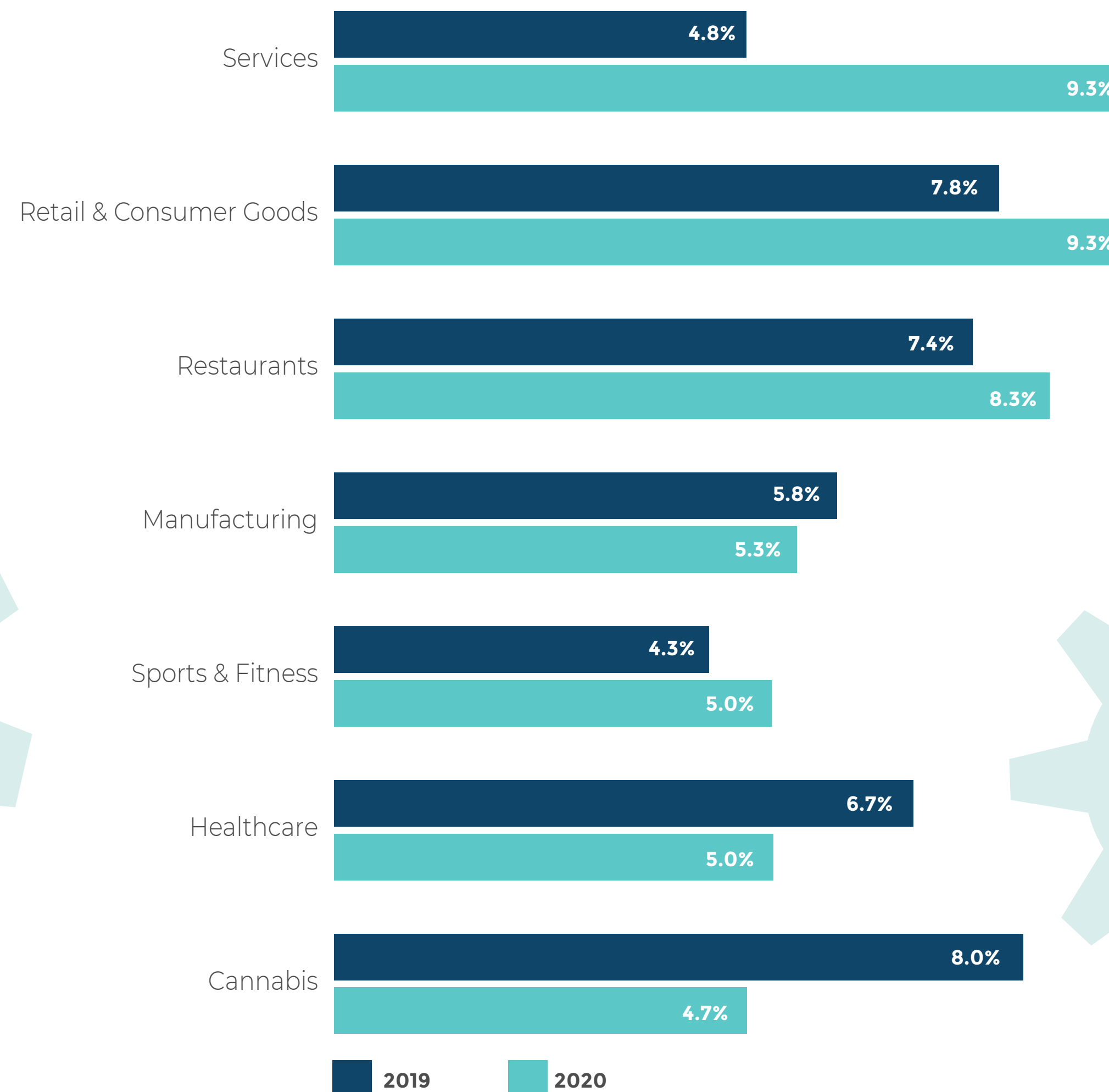
## CHILDCARE

Our fastest growing industry in 2020 was child-care, up over 275% from 2019. This dramatic increase is somewhat surprising since the day care industry revenue was down 8.1% in 2020 due to closures. However, the industry is projected to benefit strongly from government funding in the next few years, with an additional 600,000 new childcare facilities expected to open between now and 2025.<sup>26</sup>



**TABLE 4: TOP INDUSTRIES, 2019-2020**

By percentage of all contracts



<sup>25</sup> Ibid.

<sup>26</sup> Hiner, Jacqueline. "Day Care in the US." *IBISWorld*. October 2020. Source: [tinyurl.com/2g9h9dy4](https://www.ibisworld.com/research/day-care-in-the-us/)



# Funding Type

**Most businesses require capital injection during growth phases. In fact, of Masterplans projects in 2020, 86.2% were used to attain outside funding.**

Projects that were not seeking funding included strategic plans (4.8%), cannabis licensing (4.8%), requests for proposal (3.5%), and Mergers & Acquisitions (0.8%).

For businesses that require outside funding, choosing the best source of that funding requires evaluating numerous factors, including which industry you're operating in, how much control you want to maintain, the importance of a low interest rate, whether you can afford a down payment and have access to collateral, and whether your company would benefit from strategic partners with ownership.

Of the 86.2% of projects seeking funding, 58.4% sought bank or institutional lending while 23.8%

were looking for angel or venture capital. The remaining 4.0% were not-for-profit organizations seeking grants or private donations.

## Debt Funding

Over half of startups are financed by loans and other debt.<sup>27</sup> The most popular source of debt funding for U.S. startups is via Small Business Administration (SBA) backed-lending, most commonly through its 7(a) and 504 programs. The 7(a) program is the SBA's flagship program, and standard 7(a) loans can be approved up to \$5 million and can be used for many business expansion purposes, including working capital.<sup>28</sup>

<sup>27</sup> "Frequently Asked Questions: Small Business Finance." *SBA Office of Advocacy*. February 2014. Source: [tinyurl.com/1txno6ar](https://tinyurl.com/1txno6ar)

<sup>28</sup> Prakash, Priyanka. "The SBA 7(a) Loan Program: The Ultimate Guide." *Fundera*. December 2020. Source: [tinyurl.com/y5e6mcj4](https://tinyurl.com/y5e6mcj4)

The 504 program is designed specifically for financing of fixed assets including real estate, and standard loans can be approved for up to \$5 million.<sup>29</sup>

In FY2020,<sup>30</sup> the SBA 7(a) program provided 42,000 loans totaling \$22.55 billion.<sup>31</sup> This represents a slight decrease from FY2019, when the agency backed nearly 52,000 loans for over \$23 billion.<sup>32</sup> The average loan amount in FY2020 was \$533,075, up 19% over the prior year.<sup>33</sup>

During FY2020, the SBA backed 7,119 504/CDC loans amounting to \$5.8 billion, up more than 20% over 2019 lending, which totaled 5,845 loans for \$4.7 billion.<sup>34</sup> The average loan amount remained fairly constant, at \$814,721 in FY2020 versus \$804,106 in FY2019.<sup>35</sup>

## Equity Funding

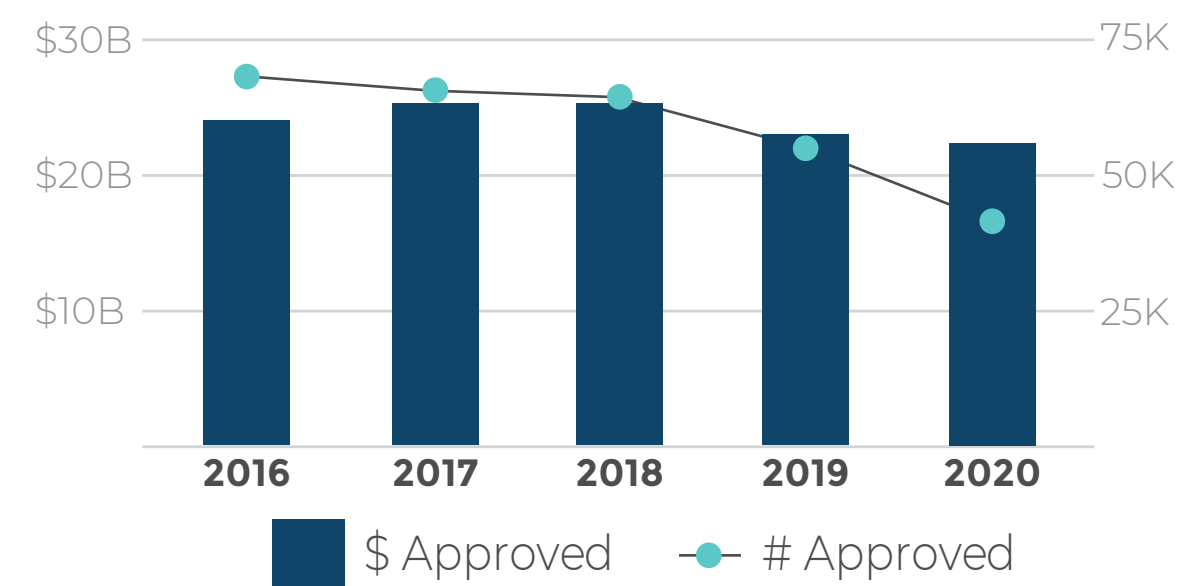
Equity funding is the process of raising capital in exchange for ownership share, or equity, in the company. There are many sources for equity funding, including friends & family, angel (or private) investors, and venture capital firms, to name a few.

2020 was a record-breaking year for Venture Capital (VC) investment, the predominant form of equity investment. VC firms provided \$156.2 billion in funding to U.S. businesses, with a total of 12,254 deals.<sup>36</sup>

Moreover, the earliest stages of investing—the most vulnerable stage of equity funding since companies often are yet to have a fully defined product and are sometimes even pre-revenue—was virtually unchanged in 2020 over the prior year. In 2020, there were an estimated 5,227 angel and seed deals totaling \$10.1 billion as compared to 5,244 deals totaling \$10.0 billion in 2019.<sup>37</sup>

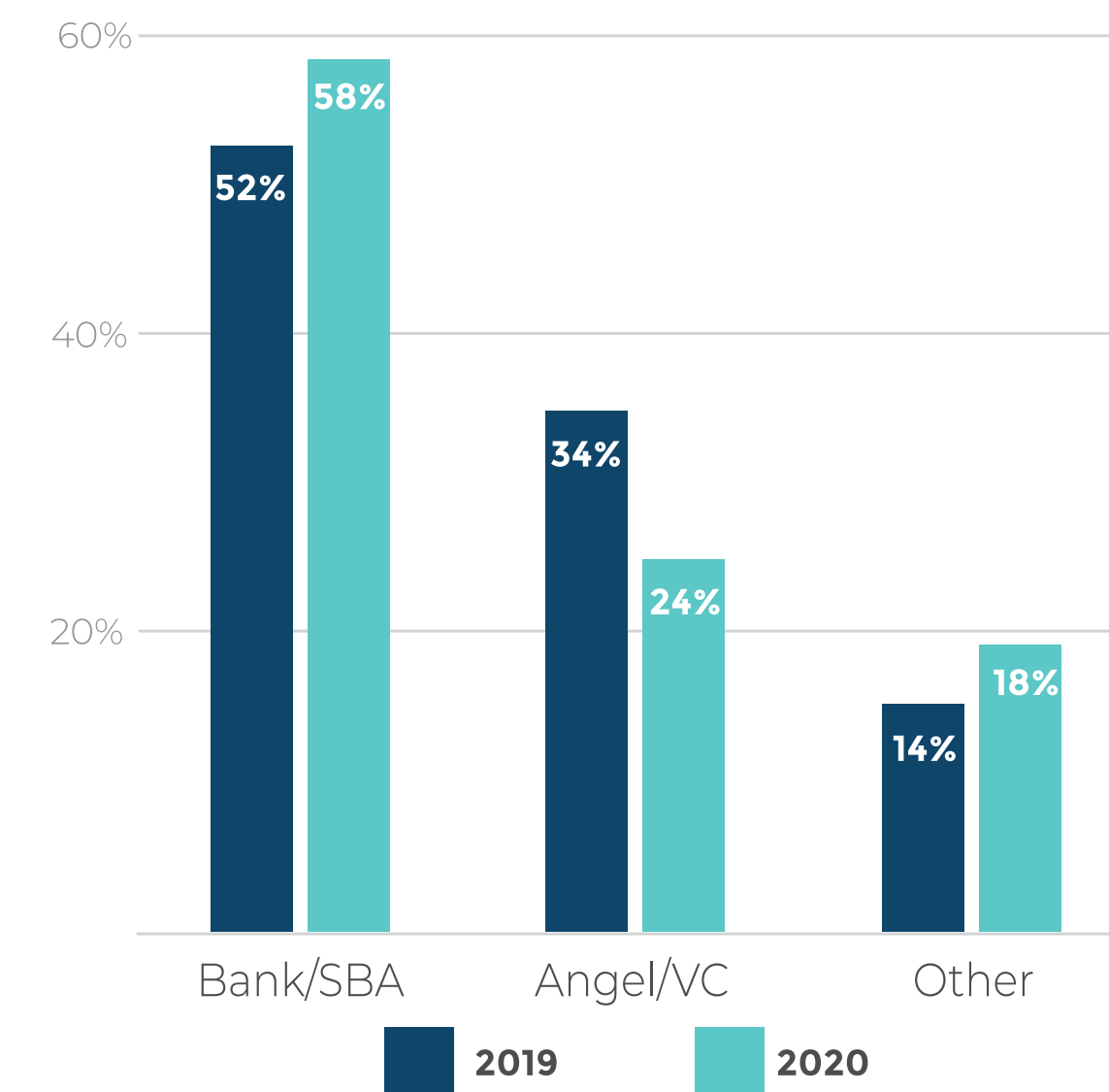
**TABLE 4: SBA 7(A) LOANS, 2016-2020**

By amount and quantity approved



**TABLE 5: MASTERPLANS CONTRACTS BY FUNDING TYPE, 2019-2020**

By percentage of all contracts



29 Kriss, Randa. "SBA 504 Loans: The Ultimate Guide." *Fundera*. Source: [tinyurl.com/2jqyvqqa](https://tinyurl.com/2jqyvqqa)

30 The Small Business Administration operates on the same October thru September fiscal years as the rest of the federal government.

31 "Small Business Administration 7(a) Loan Guaranty Program." *Congressional Research Service*. January 2021. Source: [tinyurl.com/4me7auju](https://tinyurl.com/4me7auju)

32 Ibid.

33 Ibid.

34 "Small Business Administration 504/CDC Loan Guaranty Program." *Congressional Research Service*. Source: [tinyurl.com/pfhxfgrz](https://tinyurl.com/pfhxfgrz)

35 Ibid.

36 "Venture Monitor." *Pitchbook and National Venture Capital Association*. January 2021. Source: [tinyurl.com/mcse2x29](https://tinyurl.com/mcse2x29)

37 Ibid.

# Demographics

**2020 saw nationwide protests backed by the Black Lives Matter movement and the first woman elected to the role of Vice President. These societal trends had a demonstrated impact on the startup environment.**

## Gender

Nationally, the SBA reported that 12% of its 7(a) and 10% of its 504 lending went to businesses owned by women (50% or more). Both numbers are down from 2019, when women-owned companies represented 14% of the 7(a) lending and 9% of the 504 loans. The percentage of SBA lending through the 7(a) program going to male-owned businesses has increased each of the last three years.

Venture capital funding for women-founded businesses reached record numbers in 2020. Companies with at least one female founder received a total of \$22.1 billion in VC funding, up slightly from last year's record of \$21.8 billion.

However, this represents only 14% of the overall VC funding. The Columbia Business School and London Business School reported that women-led businesses are 63% less likely to obtain venture capital funding versus businesses led by men.<sup>38</sup>

Despite receiving less funding, female-run startups outperform male-run startups by 63% in terms of creating value for investors, according to First Round Capital,<sup>39</sup> and the SBA concurs.<sup>40</sup>

<sup>38</sup> "Why Aren't Startups Founded by Women Getting More Funding?" *Columbia Business School*. April 2019. Source: [tinyurl.com/vitm1cfc](https://tinyurl.com/vitm1cfc)

<sup>39</sup> DuBow, Wendy and Pruitt, Allison-Scott. "The Comprehensive Case for Investing More VC Money in Women-Led Startups." *Harvard Business Review*. September 2017. Source: [tinyurl.com/2bhjg8tx](https://tinyurl.com/2bhjg8tx)

<sup>40</sup> "Venture Capital, Social Capital And The Funding Of Women-Led Businesses." *SBA Office of Advocacy*. April 2013. Source: [tinyurl.com/zo7xqzld](https://tinyurl.com/zo7xqzld)



Meanwhile, the Kauffman Foundation found that women-led teams generate a 35% higher return on investment than all-male teams.<sup>41</sup>

And, if history is any indication, women founders are better equipped to deal with the economic crisis. Women Business Enterprises (WBEs) and Minority Women Business Enterprises (MWBEs) suffered greatly after the 2007 housing market crash like all businesses did, but the difference was they also came back stronger. According to an article from the Brookings Institute, “MWBEs added 1.8 million jobs from 2007 to 2012, while firms owned by white males lost 800,000 jobs.”<sup>42</sup>

In 2020, women-owned business represented 27% of Masterplans projects, the same percentage as 2019. Of clients seeking debt funding, 29% were women-owned, while just 7% of clients who sought equity funding were owned by women. The most common industries for women-owned businesses were services (13%), retail & consumer goods (8%), restaurants (8%), healthcare (7%), and cafes (7%).

## Ethnic Diversity

Early estimates of the yet-to-be-released 2020 census indicate that 40% of the U.S.’s 328 million people identify with a race or ethnic group other than white. In fact, the data shows that between 2010 and 2020, the nation’s white population has declined for the first time in the nation’s history.<sup>43</sup>

According to research by the Kauffman foundation, the nation’s diversity is reflected within the startup environment, where 42% of new entrepreneurs identify as non-white.<sup>44</sup> However, minority-owned businesses face barriers when it comes to funding.

The SBA reports that in FY2020, 27.6% of 7(a) loan funding was to minority-owned businesses,<sup>45</sup> and just 22.7% of 504 lending.<sup>46</sup> According to Stanford University’s 2018 State of Latino Entrepreneurship report, 18.4% of white-owned businesses get bank loans, 15.3% of Asian-owned businesses, 14.2% of Black-owned businesses, and 12% of Latinx-owned businesses.<sup>47</sup>

Ethnic minority representation is even worse for VC-backed companies. Of all founders, 71.6% identify as white, which is down from 77.1% in 2017.<sup>48</sup> Just 1.7% of founders are Black-founded, and 1.3% are Latinx.<sup>49</sup>

Of our 2020 clients, 40% identified as minority-owned businesses, up from 22% in 2019. Of clients who sought bank lending, 40% were minority-owned, while minority-owned companies comprised 34% of clients seeking equity funding. The top industries for minority-owned businesses were retail & consumer goods (15%), restaurants (10%), services (9%), healthcare (7%), and shipping & transportation (6%).

41 “The Value of Investing in Female Founders.” *Forbes*. March 2019. Source: [tinyurl.com/njt94tkf](https://tinyurl.com/njt94tkf)

42 Liu, Sifan and Parilla, Joseph. “Businesses Owned by Women and Minorities Have Grown. Will COVID-19 Undo That?” *Brookings Institute*. April 2020. Source: [tinyurl.com/4t9gs3m3](https://tinyurl.com/4t9gs3m3)

43 “National Population by Characteristics: 2010-2019.” *United States Census Bureau*. July 2019. Source: [tinyurl.com/v216m78l](https://tinyurl.com/v216m78l)

44 “Who is the Entrepreneur? Race and Ethnicity, Age, and Immigration Trends among New Entrepreneurs in the United States, 1996–2019” *Ewing Marion Kauffman Foundation*. July 2020. Source: [tinyurl.com/2wgd62t3](https://tinyurl.com/2wgd62t3)

45 “Small Business Administration 7(a) Loan Guaranty Program.” *Congressional Research Service*. January 2021. Source: [tinyurl.com/4me7auju](https://tinyurl.com/4me7auju)

46 Small Business Administration 504/CDC Loan Guaranty Program.” *Congressional Research Service*. Source: [tinyurl.com/pfhxgrz](https://tinyurl.com/pfhxgrz)

47 van Romburgh, Marlize. “Despite big barriers, Latino entrepreneurs are outpacing all others in U.S.” *Silicone Valley Business Journal*. February 2018. Source: [tinyurl.com/vmn0qxjb](https://tinyurl.com/vmn0qxjb)

48 “Diversity in U.S. Startups: 2020 Edition” *RateMyInvestor*. Source: [tinyurl.com/1kelal7q](https://tinyurl.com/1kelal7q)

49 Ibid.

50 “Annual Business Survey.” *United States Census Bureau*. June 2020. Source: [tinyurl.com/gkct2jd3](https://tinyurl.com/gkct2jd3)

## Veterans

According to the U.S. Census Bureau, 351,000 U.S. businesses are veteran-owned,<sup>51</sup> which is about 9% of total businesses.<sup>51</sup> While those businesses represent a wide variety of sectors, the SBA reports that the top industries are as follows:<sup>52</sup>

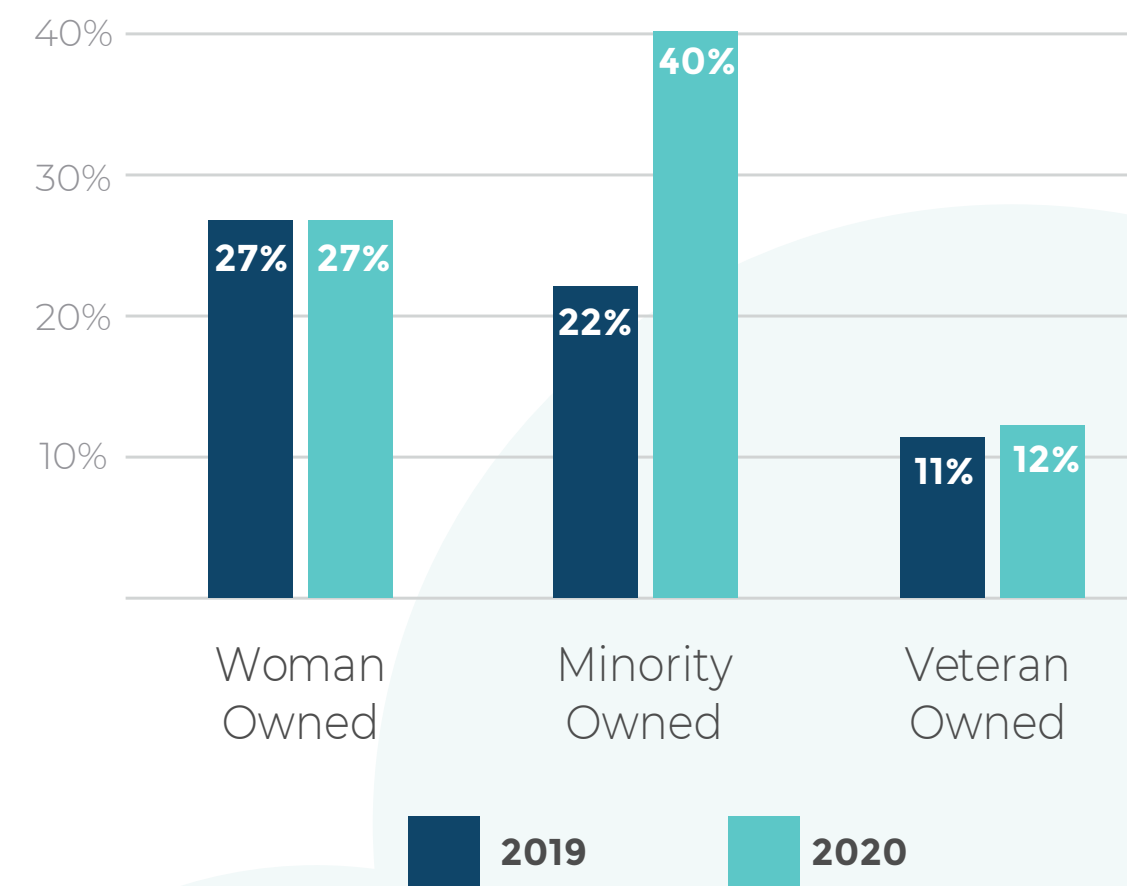
- Professional, scientific and technical services (17% of veteran-owned businesses)
- Construction (16%)
- Other services (10%)
- Real estate (9%)
- Retail (8%)

The SBA reports that, in FY2020, veteran-owned businesses totaled \$835 million in lending for the 7(a) and 504 programs combined, or 3.5% of the total funding.

Little data is available about venture capital and angel investment to veteran-owned startups. “Veteran founders are building startups across the United States but don’t have streamlined access to Silicon Valley resources and investors,”

**TABLE 6: MASTERPLANS 2020  
FOUNDER DEMOGRAPHICS**

By percentage of all contracts



former U.S. Army Captain Ian Faison told the Silicon Valley Business Journal. Thankfully, Faison and others have launched Vetcon, a Silicon Valley conference to connect veteran entrepreneurs with funding, held for the first time in 2017.<sup>53</sup>

In 2020, 12% of our clients were veterans, up from 11% in 2019. Just 4% of the veteran-owned business sought equity funding, while 80% sought debt funding. The most common industries

for veteran-owned businesses were shipping & transportation (12%), restaurants (10.2%), and services (8%).

<sup>51</sup> “Facts on Veterans and Entrepreneurship.” *U.S. Small Business Association*. Source: [tinyurl.com/1x7tyx08](https://tinyurl.com/1x7tyx08)

<sup>52</sup> Ibid.

<sup>53</sup> Schubarth, Cromwell. “Military veterans, startup investors set to gather for Vetcon.” *Silicon Valley Business Journal*. March 2017. Source: [tinyurl.com/2gdn5rmv](https://tinyurl.com/2gdn5rmv)



# Geography

**In 2020, Masterplans clients represented 45 states, the District of Columbia, and two Canadian provinces.**

The only states not represented in 2020 were New Mexico, Rhode Island, South Dakota, Vermont, and Wyoming.

It shouldn't come as a surprise that the most popular states for startups are also the most populous; the top four states represented in Masterplans projects were the four largest states: California, Florida, New York, and Texas. Combined, these four states totaled just over 45% of our 2020 projects.

However, when adjusted by population, a more interesting list of entrepreneurial states emerges. The top 10 states in plans per million people were New York, Florida, Georgia, Maryland, California, Colorado, Oregon, Connecticut, South Carolina, and Virginia.

**TABLE 7: 2019 RATE OF NEW ENTREPRENEURS BY STATE (TOP 10)**

By percentage of population

<b>FLORIDA</b>	0.47%
<b>ALASKA</b>	0.44%
<b>CALIFORNIA</b>	0.42%
<b>GEORGIA</b>	0.41%
<b>TEXAS</b>	0.41%
<b>NEW MEXICO</b>	0.40%
<b>OKLAHOMA</b>	0.39%
<b>WYOMING</b>	0.39%
<b>IDAHO</b>	0.38%
<b>NORTH DAKOTA</b>	0.38%

Source: Ewing Marion Kauffman Foundation Indicators of Entrepreneurship



The Ewing Marion Kauffman Foundation publishes annual reports that look at national and state entrepreneurship. The most recent report, from June 2020, looks at national and state trends for 2019.

**TABLE 8: 2019 KAUFFMAN EARLY-STAGE ENTREPRENEURSHIP (KESE) INDEX, BY STATE (TOP 10)**

By composite score

<b>CALIFORNIA</b>	5.04
<b>FLORIDA</b>	4.98
<b>ALASKA</b>	4.11
<b>WYOMING</b>	4.02
<b>IDAHO</b>	3.37
<b>TEXAS</b>	3.26
<b>NORTH DAKOTA</b>	3.12
<b>OKLAHOMA</b>	2.89
<b>GEORGIA</b>	2.62
<b>VIRGINIA</b>	2.49

Source: Ewing Marion Kauffman Foundation Indicators of Entrepreneurship

Nationally, the rate of new entrepreneurs was 0.31%, which means 3.1 out of every 1,000 Americans started a new business in 2019.<sup>54</sup>

The rate of new entrepreneurs is one of the factors the Kauffman Foundation uses to create the Kauffman Early-Stage Entrepreneurship (KESE) Index, which measures trends in early-stage entrepreneurship.

The key indicators the KESE measures are:

1. Rate of new entrepreneurs per capita
2. Startups created due to opportunity (as opposed to necessity)
3. Jobs created by startups
4. One-year survival rate for startups

Nationally, the KESE for 2019 was 1.2, which was the same score as 2018.<sup>55</sup> According to the KESE, the top five states for early-stage entrepreneurship in 2019 were:<sup>56</sup>

When the COVID-19 pandemic struck in 2020, each state was faced with challenges to support small businesses. Public health had to be weighed against economic constraints, forcing shutdowns of non-essential businesses at vary-

ing points of the year. According to a survey from Thumbtack, each state provided varying levels of response to the crisis. While state governments averaged a “C” grade for their support of small business, the federal government was given a grade of “F,” making the state and local response all that more important.<sup>57</sup>

According to Thumbtack, the top 10 states in responding to the COVID-19 were:<sup>58</sup>

1. Vermont (A+)
2. Rhode Island (A)
3. Connecticut (A)
4. Massachusetts (A)
5. Maryland (A-)
6. New Hampshire (A-)
7. New York (B+)
8. Kentucky (B)
9. New Mexico (B)
10. Delaware (B)

54 “Percent of Population That Starts a New Business.” Ewing Marion Kauffman Foundation Indicators of Entrepreneurship. January 2020. Source: [tinyurl.com/549yhhe3](https://tinyurl.com/549yhhe3)

55 Fairlie, Robert and Desai, Sameeksha. “2019 Early-Stage Entrepreneurship in The United States: National and State Report.” Ewing Marion Kauffman Foundation Indicators of Entrepreneurship. June 2020. Source: [tinyurl.com/1t8qok8s](https://tinyurl.com/1t8qok8s)

56 Ibid.

57 “2020 Small Business Friendliness Survey.” Thumbtack. August 2020. Source: [tinyurl.com/33p42a7x](https://tinyurl.com/33p42a7x)

58 Ibid.

Below are profiles of 10 of the top states for Masterplans projects in 2020:

## New York



Anchored by New York City, perhaps no state has been shaped more by entrepreneurs than New York. From sea trade and sugar refineries in the 1800s, to apparel in the early 1900s, to the financial sector today, New York has been home to our nation's greatest innovators.<sup>59</sup>

Several factors keep New York at the forefront of today's startups. First, it features the largest hub of venture capital firms, having recently surpassed San Francisco.<sup>60</sup> Second, it is home to a large number of industry-leading professionals. Forty-four percent of New Yorkers are college educated, and it is located near several major cities such as Boston and Washington, D.C., further growing its talent pool.<sup>61</sup> While its overall

tax rate is high, the state has initiated programs to help reduce the burden on small businesses, such as the "Startup New York" program, by which certain businesses can operate tax-free for their first 10 years.<sup>62</sup>

Amongst our New York clients, the most popular industries were restaurants, sports & fitness, healthcare, and manufacturing.

## Florida



Florida comes in second on the KESE Index top states, down one spot from a year ago. It boasts one of the nation's lowest corporate income tax rates, at just 5.5%.<sup>63</sup> Its public university system ranks first in the country according to *U.S. News & World Report*,<sup>64</sup> meaning a large pool of young and eager professionals from which to hire. Florida is one of the nation's top tourist destinations, with 131.4 million visitors in 2019, who con-

tributed \$91.3 billion to the state's economy.<sup>65</sup>

According to WalletHub, Florida has three of the top five cities in which to start a new business: Orlando (1st), Miami (3rd), and Tampa (5th).<sup>66</sup>

Florida was our second-ranked state in 2020, both by number of projects and by projects by population. Popular industries for Florida-based companies in 2020 were restaurants, retail & consumer goods, and services.

<sup>59</sup> Glasser, Edward L. "Start-Up City: Entrepreneurs are the Heroes of New York's Past and the Key to its future." *City Journal*. September 2010. Source: [tinyurl.com/2meq9gez](https://www.tinyurl.com/2meq9gez)

<sup>60</sup> "Why Moving to New York City is the Best Decision for an Entrepreneur." *Founder's Guide*. March 2019. Source: [tinyurl.com/3mu8pkjw](https://www.tinyurl.com/3mu8pkjw)

<sup>61</sup> "5 Reasons to Open a Business in New York." *Fora Financial*. March 2018. Source: [tinyurl.com/528te7xt](https://www.tinyurl.com/528te7xt)

<sup>62</sup> "Advantages of Incorporating a Business in New York." *IncParadise*. Source: [tinyurl.com/18s27lp9](https://www.tinyurl.com/18s27lp9)

<sup>63</sup> "Best States to Start a Business (2020 Study)." *Seek Business Capital*. November 2019. Source: [tinyurl.com/3wxdd7mw](https://www.tinyurl.com/3wxdd7mw)

<sup>64</sup> U.S. News and World Reports Ranks Florida's Higher Education System No. 1 in the Country." *Tallahassee Democrat*. May 2019. Source: [tinyurl.com/5emtel6p](https://www.tinyurl.com/5emtel6p)

<sup>65</sup> "About Us." *Visit Florida*. Source: [tinyurl.com/yl6kugdd](https://www.tinyurl.com/yl6kugdd)

<sup>66</sup> "Best Large Cities to Start a Business." *WalletHub*. May 2019. Source: [tinyurl.com/5heksqpg](https://www.tinyurl.com/5heksqpg)

## Georgia



*Site Selection* magazine ranked Georgia the top state for business in 2020, the seventh year in a row the state has topped its list.<sup>67</sup> Amongst reasons for its top ranking were its available workforce, state and local pro-business programs, and infrastructure, namely the connectivity of the Hartsfield-Jackson International Airport in Atlanta, one of the nation's largest.<sup>68</sup> Another state that boasts a low corporate tax rate—at 5.75%—Georgia is home to 18 Fortune 500 companies, and 9 in 10 Fortune 500 companies have some operations in the state.<sup>69</sup> Atlanta is one of the fastest growing urban areas in the country, increasing by 26% in the last 20 years.<sup>70</sup> The city has emerged as the “Silicon Valley of the South,” adding 32,000 tech jobs from 2013 and 2020.<sup>71</sup>

Of our Georgian clients, the most popular industries were services and retail & consumer goods.

## Maryland



Maryland ranking in our top 10 states by population appears to be an outlier. According to WalletHub, Maryland ranks as the 40<sup>th</sup> best state to start a business,<sup>72</sup> listing high labor costs—the highest of any state—and expensive office space as key factors that work against starting a business there. However, there are some bright spots. It borders the nation's capital, which enables a steady supply of government contracts. Washington, D.C., is one of the most educated cities in the U.S., with over 57% of its population having a bachelor's degree or higher.<sup>73</sup> Maryland is home to Baltimore, considered a great place for startups, ranking number five in *Forbes'* list of the top 10 Rising Cities for Startups.<sup>74</sup>

The most popular industries for our clients from Maryland were restaurants and healthcare.

## California



If California were a sovereign nation, it would be the world's fifth largest economy, even topping the United Kingdom.<sup>75</sup> There are estimated to be over 920,000 businesses operating in California in 2020, and that number is forecast to hit nearly 990,000 by 2027.<sup>76</sup> With the nation's largest population, it is the diversity of the state's economy that makes it the nation's top business

<sup>67</sup> Arend, Mark. “VII Straight.” *Site Selection Magazine*. November 2019. Source: [tinyurl.com/6fvhjms6](https://tinyurl.com/6fvhjms6)

<sup>68</sup> Ibid.

<sup>69</sup> “Pro-Business Environment.” *Georgia Department of Economic Development*. Source: [tinyurl.com/536wq8zw](https://tinyurl.com/536wq8zw)

<sup>70</sup> Jenkins, Ryan. “8 Reasons This City Is a Business Powerhouse.” *Inc.* June 2016. Source: [tinyurl.com/wy3ufqwn](https://tinyurl.com/wy3ufqwn)

<sup>71</sup> “A Deep Dive Into Atlanta's Tech Scene Now, And In The Future.” *90.1 WABE*. August 2019. Source: [tinyurl.com/1612ce69](https://tinyurl.com/1612ce69)

<sup>72</sup> McCann, Adam. “Best & Worst States to Start a Business.” *WalletHub*. July 2019. Source: [tinyurl.com/s6g2a83z](https://tinyurl.com/s6g2a83z)

<sup>73</sup> Florida, Richard. “Where Do College Grads Live? The Top and Bottom U.S. Cities.” *Bloomberg CityLab*. August 2019. Source: [tinyurl.com/heq2abth](https://tinyurl.com/heq2abth)

<sup>74</sup> Badenhausen, Kurt. “Top 10 Rising Cities for Startups.” *Forbes*. October 2018. Source: [tinyurl.com/hllnuo68](https://tinyurl.com/hllnuo68)

<sup>75</sup> Corcoran, Kieran. “California's Economy is Now the 5th-biggest in the World, and has Overtaken the United Kingdom.” *Business Insider*. May 2018. Source: [tinyurl.com/32dw4o85](https://tinyurl.com/32dw4o85)

<sup>76</sup> “Number of Businesses in California.” *IBISWorld*. January 2021. Source: [tinyurl.com/1xwed8g1](https://tinyurl.com/1xwed8g1)

environment, according to *U.S. News & World Report*.<sup>77</sup> Led by tech innovators in Silicon Valley, California is the largest state for venture capital per \$1,000 of GDP.<sup>78</sup> But it's not just Silicon Valley where startups thrive; L.A. is also one of the largest U.S. cities in terms of VC firms.

However, it remains to be seen how the pandemic will affect the state in the future. With the median housing cost over \$600,000, which is more than double the national level, trends towards remote work led to the largest net migration population loss in the state's history.<sup>79</sup> An issue to watch in 2021 is the impact of Assembly Bill 5 (AB5), also called the "gig economy law," which went into effect on January 1, 2021. The law, which was targeted at companies like Uber, makes it more difficult for workers to be classified as independent contractors, and could impact small businesses' ability to hire freelancers.

Sixteen percent of our 2020 projects came from the Golden State, and leading industries included cannabis, retail & consumer goods, and manufacturing.

## Colorado



Named the number one-ranked state economy by *U.S. News & World Report*,<sup>80</sup> Colorado is not just a playground for outdoor enthusiasts. Once driven by the mining industry, Colorado is now a hub of innovation, with burgeoning tech, aerospace, and renewable energy industries.<sup>81</sup> Along with Washington, it was amongst the first states to legalize cannabis for recreational use, and in 2020, total industry sales surpassed \$2 billion statewide, the highest ever.<sup>82</sup> A top reason entrepreneurs choose Colorado is due to the ancillary benefit that is the state's outdoor lifestyle, as it leads to good work/life balance and helps startups recruit talent from all over the country.<sup>83</sup>

Our projects from Colorado included software, financial services, and construction.

## Oregon



The home state of Masterplans, Oregon is a somewhat surprising entry into the top 10 states, with a new entrepreneur rate below the national average and a negative KESE Index score.<sup>84</sup> However, it is one of five states with no sales tax, a particular benefit to retail trade.<sup>85</sup> It is a fast-growing state, led by its largest city, Portland, which has a workforce that is growing at

<sup>77</sup> "Business Environment Rankings." *U.S. News & World Report*. Source: [tinyurl.com/1fj4vy6l](https://tinyurl.com/1fj4vy6l)

<sup>78</sup> Ibid.

<sup>79</sup> Schoolov, Katie. "Why Some Tech companies and Billionaires are Leaving California." *CNBC*. January 2021. Source: [tinyurl.com/1w7let2l](https://tinyurl.com/1w7let2l)

<sup>80</sup> "Economy Rankings." *U.S. News & World Report*. Source: [tinyurl.com/q4s6kpcs](https://tinyurl.com/q4s6kpcs)

<sup>81</sup> Garrison, Robert. "7 Fast-growing Industries That are Defining Colorado's Economy." *TheDenverChannel.com*. August 2017. Source: [tinyurl.com/5heujenf](https://tinyurl.com/5heujenf)

<sup>82</sup> "Marijuana Sales Reports." *Colorado Department of Revenue*. January 2021. Source: [tinyurl.com/o27fvjaj](https://tinyurl.com/o27fvjaj)

<sup>83</sup> Lope, Julianna. "How to Start a Business in Colorado." *Business News Daily*. March 2020. Source: [tinyurl.com/1gwwd8t6](https://tinyurl.com/1gwwd8t6)

<sup>84</sup> "Oregon New Employer Business." *Ewing Marion Kauffman Foundation Indicators of Entrepreneurship*. January 2020. Source: [tinyurl.com/4wlc3mq](https://tinyurl.com/4wlc3mq)

<sup>85</sup> Walczak, Jared and Cammenga, Janelle. "2021 State Business Tax Climate Index." *Tax Foundation*. October 2020. Source: [tinyurl.com/3laztbhp](https://tinyurl.com/3laztbhp)

six times the national average.<sup>86</sup> Portland was named the 10<sup>th</sup> best city to start a business by *Inc.*, buoyed by a lower cost of doing business than other regional cities like Seattle and San Francisco.<sup>87</sup> Home to Nike, the state has a vibrant apparel industry, and the state is also known for its craft brewing and coffee industries.<sup>88</sup>

Oregon-based Masterplans projects in 2020 included software, healthcare, and tourism.

### Connecticut



With a high cost of doing business and a declining population, it's not surprising to find Connecticut low on the *Forbes'* list for the best states for business.<sup>89</sup> However, it has the nation's second highest per capita income,<sup>90</sup> which means higher disposable income to spend. Like Maryland and its proximity to Washington, D.C., Connecticut also benefits

from being adjacent to large economic hubs, specifically New York City and Boston.<sup>91</sup> Connecticut is renowned for its financial services industry, particularly insurance, and has sizable manufacturing and healthcare industries.<sup>92</sup>

Masterplans projects from Connecticut include construction, services, and sports & fitness.

### South Carolina

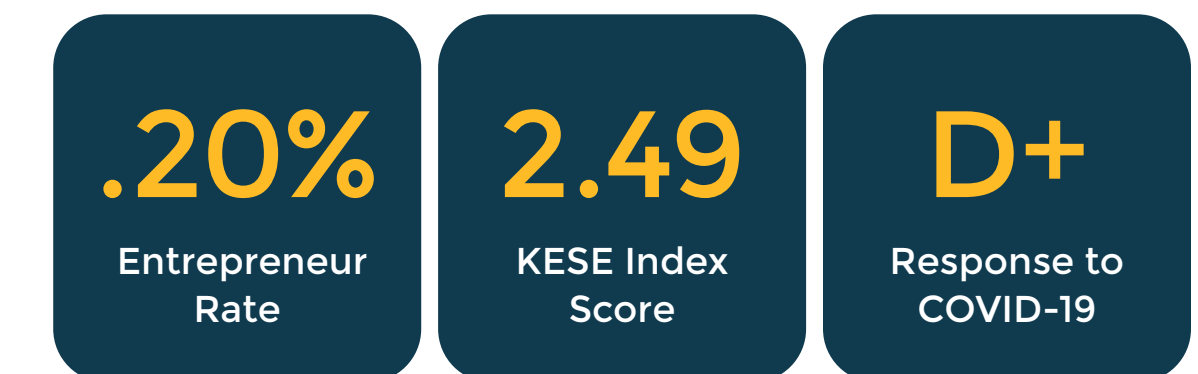


South Carolina comes in 16<sup>th</sup> on *Forbes'* list of Best States for Business, and has been bolstered by high population growth, where it ranks 5<sup>th</sup> over the past five years.<sup>93</sup> *Area Development* ranks South Carolina as the third best state for doing business due to both low costs and generous incentives for job creation and economic impact.<sup>94</sup> According to LendingTree, South Carolina 2010 saw a 114% increase in the number of business applications over 2019.<sup>95</sup> The state's top

industries include aerospace, agribusiness, automotive, and manufacturing.<sup>96</sup>

In 2020, our projects headquartered in South Carolina included automotive, real estate, and shipping & transportation.

### Virginia



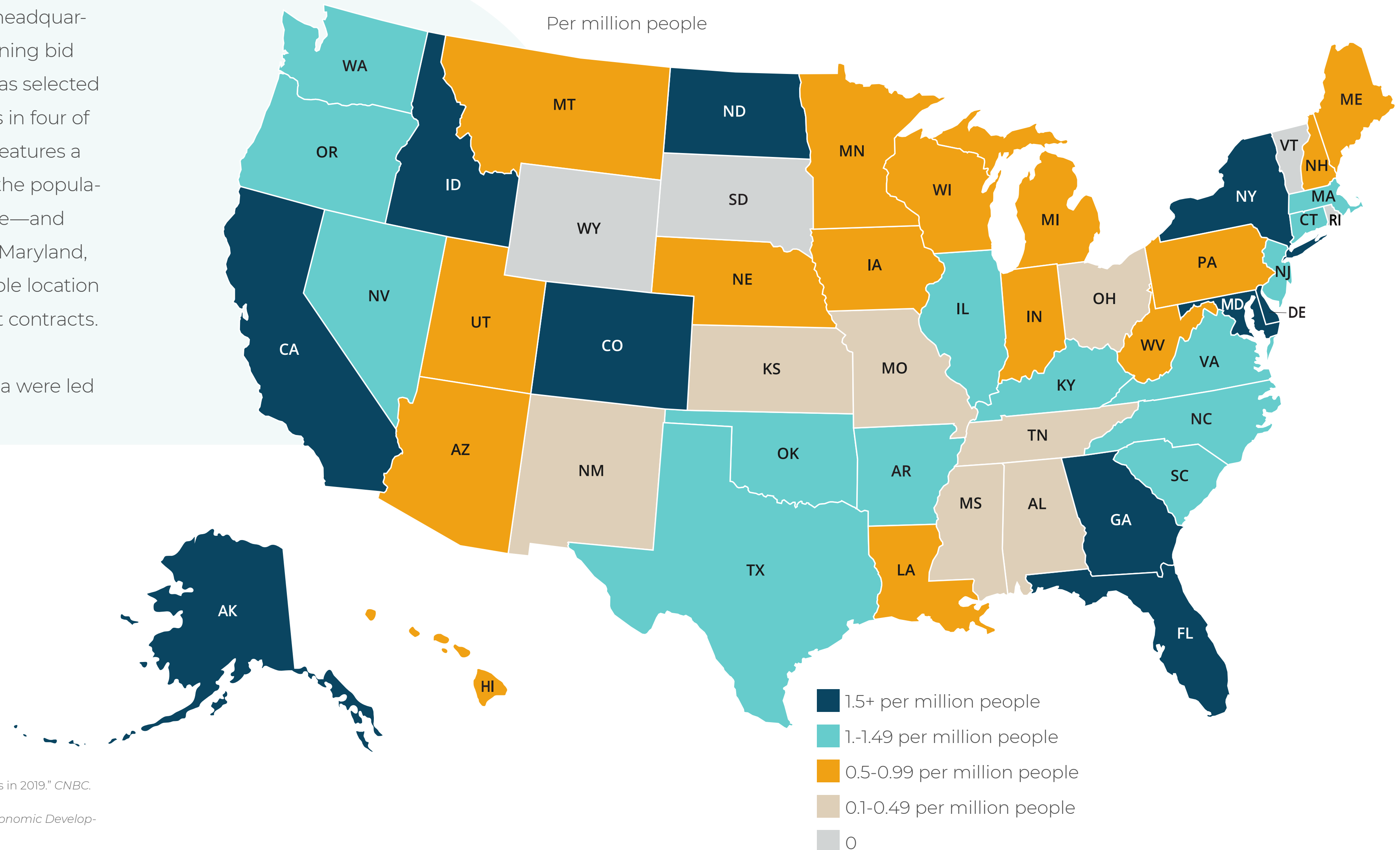
86 "Doing Business: Talent." *Greater Portland*. Source: [tinyurl.com/5ertcyy8](https://tinyurl.com/5ertcyy8)  
 87 "The 50 Best U.S. Cities for Starting a Business in 2020." *Inc.* December 2019. Source: [tinyurl.com/tn66ldrz](https://tinyurl.com/tn66ldrz)  
 88 Wallace, Hanna. "Portland, Oregon, is the Next Big Startup Scene. These Are the Names and Places to Know." *Inc.* April 2018. Source: [tinyurl.com/avyyoeww](https://tinyurl.com/avyyoeww)  
 89 "Best States for Business 2019: Connecticut." *Forbes*. December 2019. Source: [tinyurl.com/uihppbve](https://tinyurl.com/uihppbve)  
 90 "Per Capita Income by State 2021." *World Population Review*. Source: [tinyurl.com/1xk7rpw8](https://tinyurl.com/1xk7rpw8)  
 91 Uzialko, Adam. "The State of Small Business: Connecticut." *Business News Daily*. May 2016. Source: [tinyurl.com/ykbzsd3](https://tinyurl.com/ykbzsd3)  
 92 "Growing Industries: Innovators in Everything From Advanced Manufacturing to Insurance to Bioscience." *Ct.gov*. Source: [tinyurl.com/m3608tih](https://tinyurl.com/m3608tih)  
 93 Best States for Business 2019: South Carolina." *Forbes*. December 2019. Source: [tinyurl.com/9cspontg](https://tinyurl.com/9cspontg)  
 94 Kaelble, Steve. "2020 Top States for Doing Business Showcase Their Pro-Business Environments." *Area Development*. Quarter 3 2020. Source: [tinyurl.com/2vx6v6gd](https://tinyurl.com/2vx6v6gd)  
 95 "Business Applications Spike Again — and by 200%+ in Louisiana, Mississippi." *LendingTree*. Source: [tinyurl.com/1lfzt8ep](https://tinyurl.com/1lfzt8ep)  
 96 "Industries." *South Carolina Department of Commerce*. Source: [tinyurl.com/1wflayni](https://tinyurl.com/1wflayni)

Remember back in 2018 when just about every city was vying for Amazon's second headquarters? It's no coincidence that the winning bid was from Arlington, Virginia. CNBC has selected Virginia as the best state for business in four of the past 15 years, including 2019.<sup>97</sup> It features a highly educated workforce—38% of the population has a bachelor's or higher degree—and stable corporate tax structure.<sup>98</sup> Like Maryland, it is D.C.-adjacent, making it a desirable location for companies that seek government contracts.

Masterplans projects based in Virginia were led by retail & consumer goods.

**TABLE 6: MASTERPLANS 2020 CONTRACTS BY STATE**

Per million people



<sup>97</sup> Cohn, Scott. "These are America's Top States for Business in 2019." *CNBC*. July 2019. Source: [tinyurl.com/11q1dmn6](https://tinyurl.com/11q1dmn6)

<sup>98</sup> "Virginia is America's Top State for Business." *Virginia Economic Development Partnership*. Source: [tinyurl.com/3nzfhg8](https://tinyurl.com/3nzfhg8)



# Conclusion

**There are signs of hope as we move into 2021, although much of that is tied to the successful containment of the COVID-19 pandemic via vaccine distribution.**

It remains to be seen how quickly the U.S. can rebound, though a coordinated federal response and a renewed trust in scientists and public health experts should pave the way. It will be interesting to discover how many of those who found themselves out of work in 2020 will join the ranks of entrepreneurs rather than waiting for a new job offer. Similarly, trends in bank lending and angel and VC investment will reveal how quickly growth returns.

As the startup economy rebounds, we take with us reminders of the lessons entrepreneurs taught us all in 2020.

## Know Your Customer

Understand your customer on a deep level, and speak to their needs, character traits, pain points, and goals. Listen carefully to customer feedback and make changes to your product or service when trends emerge. Create an inviting feedback loop and ask the hard questions.

## Prioritize your employees

Your employees make your business run, so treat them like they matter. 2020 showed how vital our “essential workers” are, and it has also shown how many companies out there are not respecting them by prioritizing their health and well-being and by compensating them fairly. Employees who know that they are valued by their employers, value their employers in turn.



## Take Advantage of Opportunities

Every crisis brings about opportunities. It takes an innovator like you and your team to see those opportunities. Whether it was manufacturing PPEs or creating cocktails to-go, American businesses found ways to adapt during the pandemic.

## Spread the Word

Now more than ever, your business needs a solid content marketing strategy to reach out to customers where they are. Your marketing efforts should set you apart from your competitors while speaking to the cultural moment and the audience's wants and needs.

## Save for a Rainy Day

Lack of working capital is the leading killer of startups and small businesses. If 2020 taught us anything, it's that you never know when an economic downturn or bad season might occur.

## Be Humble

A good entrepreneur understands that it's not about what they want, it's about what your customer wants and creating jobs and security for your team. We are all in this together.

While there is no denying that 2020 was an unprecedented and impossibly challenging year, the spirit of entrepreneurs has already endured, and U.S. startups should come roaring back in the years that follow.





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