



## **Scientific Opinion Poll: Small businesses seek a level playing field and chance to compete fairly**

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## Executive Summary

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There is a growing unlevel playing field between small and large companies, as underregulated technology platforms, corporate consolidations and pernicious business practices dramatically restrict markets and stifle competition. These challenges have been exacerbated during the pandemic as small businesses pivot their businesses to stay afloat, and thousands of people launch new entrepreneurial endeavors. A new opinion poll of 500 small business owners nationwide reveals that our nation's entrepreneurs are being harmed by myriad anti-competitive practices, and they strongly support policies to create a more equitable environment in which to do business.

Small business owners report experiencing a variety of difficulties in trying to compete fairly and are looking for solutions to these issues. A majority (56%) of small business owners say that one or more large companies dominate the market in their industry, and the same percentage agree with a statement that "Large companies have an unfair advantage in my industry or line of work." Nearly half (44%) agree that there has been an increase in monopolistic practices in recent years.

Respondents agree that small businesses are some of the most exciting innovators right now, but they believe larger companies have the resources to take small businesses' creative ideas, mass produce them, and drown them out with their market power (83% agree). Small businesses also believe that larger companies have greater access to capital and employee benefits like healthcare, putting them at an automatic advantage (82% agree). Importantly, small businesses agree (82%) that our economy is changing and it's time to update our laws for the modern age.

The survey looked at a wide range of practices that create an unequal playing field, such as technology platform practices and contracting. Self-preferencing (where a platform features its products or services over those of another, smaller business) and predatory pricing (such as when a large company sells its products at a loss, undercutting small businesses) each have affected more than one-third of respondents. Additionally, about a quarter of small businesses have been negatively impacted by other anti-competitive tactics utilized by technology platforms, such as loyalty discounts, copycatting, forced advertising, and toll booths. (See glossary for full definition of these terms).

Issues related to contracts are also widespread. Specific challenges include different pricing based on the size of business, delay of payment, and loyalty discounts, each affecting at least 3 in 10 small business owners. Nearly a third of small business owners report that contracts with larger companies are difficult to understand, and the same number have attempted to enter into agreements but were unable to negotiate the terms. About a quarter have felt coerced into signing a contract or agreement.

It's no surprise then that policies that level the playing field and address these issues have very strong support among small businesses. Small business owners are most interested in tax incentives that encourage more small business and entrepreneurship development (84% support) and better enforcement of existing anti-trust laws (80% support). Prohibitions on predatory practices (76% support) and loosening or standardizing licensing requirements (76% support) are also popular solutions. It's important to note that small businesses are still struggling to recover from the effects of the pandemic.

Nearly 4 in 10 small businesses (38%) say their revenue has declined since this time last year, and only half think their business is going to survive indefinitely without additional funding or market changes. In order to compete and grow their businesses, small business owners need solutions that will address monopolistic and unfair practices and promote a more level playing field.

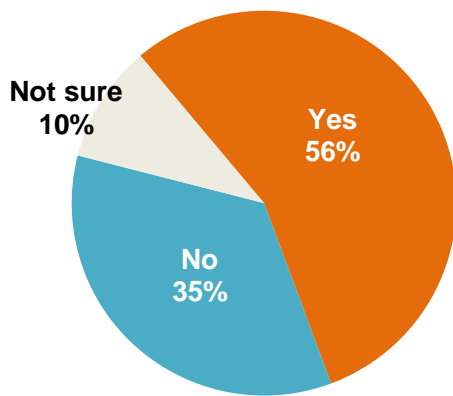
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## Small businesses seek a more level playing field

Despite small businesses and entrepreneurs forming the foundation of our economy, government policies and programs have historically favored big business over Main Street. This unequal playing field was further exacerbated during the height of the pandemic, as the smallest and most vulnerable businesses were shut out of the initial rounds of federal funding while larger, well-heeled businesses were at the front of the line for funding.

The survey reveals that small businesses are acutely aware of these disparities, particularly in their own industries. Small businesses have seen an increase in competition in their line of work in recent years, and they feel this economic shift is harming their ability to compete. As a number of small businesses struggle to recover from the pandemic, they need measures that would promote a more equitable playing field.

### Small businesses at a competitive disadvantage



**56% agree**

that in their industry or line of work, there are one or more large businesses that dominate the market.

**56% agree:** Large companies have an unfair advantage in my industry or line of work

**44% agree:** In recent years, there has been an overall increase in monopolistic practices in my industry or line of work

### Small businesses are still struggling to recover from the pandemic, underscoring the need for fair competition

**38%**

say their revenue has declined since this time last year

**30%**

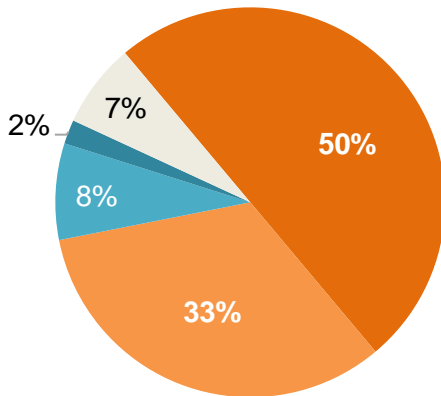
say their revenue has stayed the same since this time last year

**29%**

don't think their business will survive more than a year

## Small businesses want a more equitable playing field with their larger competitors

■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Not sure



### 83% agree

that small businesses are some of the most exciting innovators right now, but larger companies have the resources to take these businesses' creative ideas, mass produce them, and drown small businesses out with their market power.

**82% agree:** Larger companies have greater access to capital and employee benefits like healthcare, putting them at an automatic advantage and making it very difficult for small businesses to compete

**82% agree:** Our economy is changing and it's time to update our current laws for the modern age to protect consumers and small businesses

**80% agree:** Large companies get a competitive advantage by having resources to negotiate contracts and agreements that allow them to take advantage of small businesses

**80% agree:** Large companies have too much control over markets, and local, state, and federal government need to step in to help create a more equitable playing field

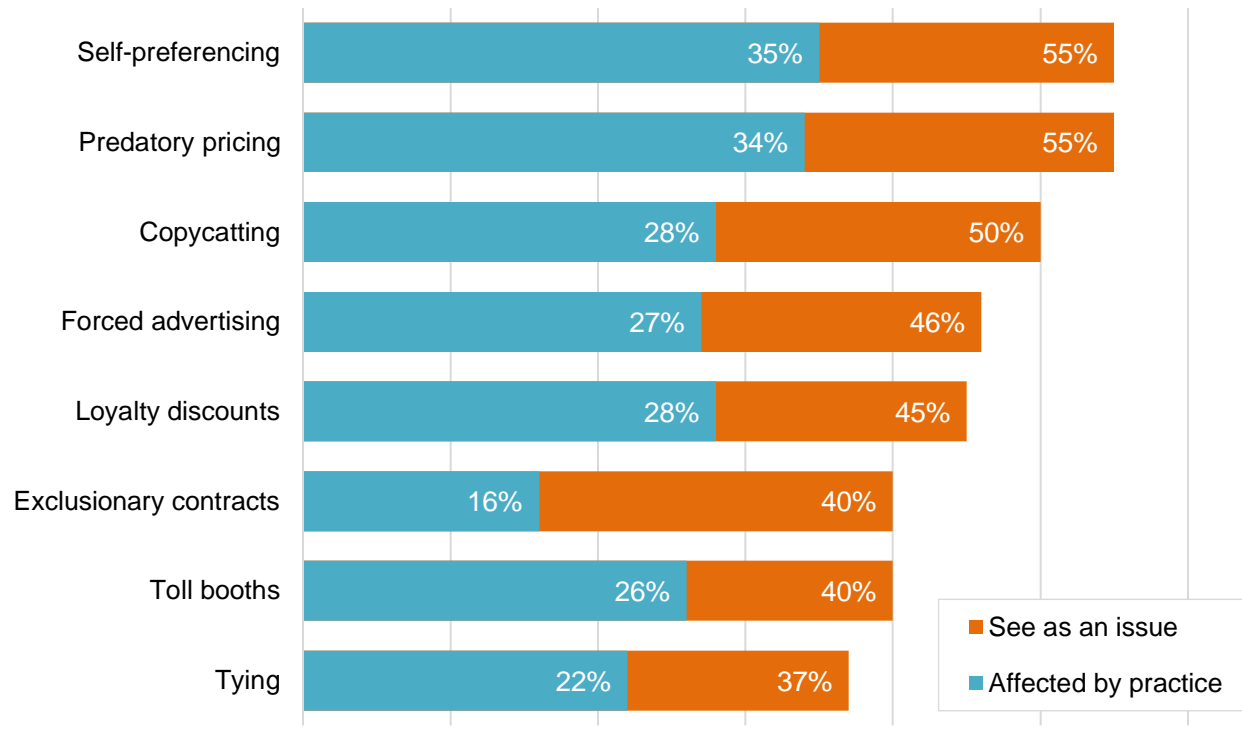
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### Small businesses hamstrung by larger corporations, tech platforms

Small business owners feel intently the impact of corporate consolidation, as well as tech platforms' growing grip over their sales channels. Technology platforms are experiencing rapid growth and growing influence, particularly as consumers and businesses moved online during the pandemic.

More small businesses are using these online channels to reach their customers, but they are being hampered in their efforts to sustain their businesses. Indeed, a quarter to a third of respondents report that they have been directly impacted by a number of anti-competitive practices.

## Small business owners identify predatory and anti-competitive big business practices



### Glossary of terms

**Self-preferencing:** where larger companies' products or services appear first on a platform or search engine

**Predatory pricing:** where larger companies undercharge for a product or service, forcing other businesses to drive their prices down, potentially running them out of business

**Copycatting:** where larger companies copy the product or service of a smaller business

**Forced advertising:** where companies have to pay high fees to platforms or marketplaces to have their product or service featured more prominently or to access customers or fans they've already developed

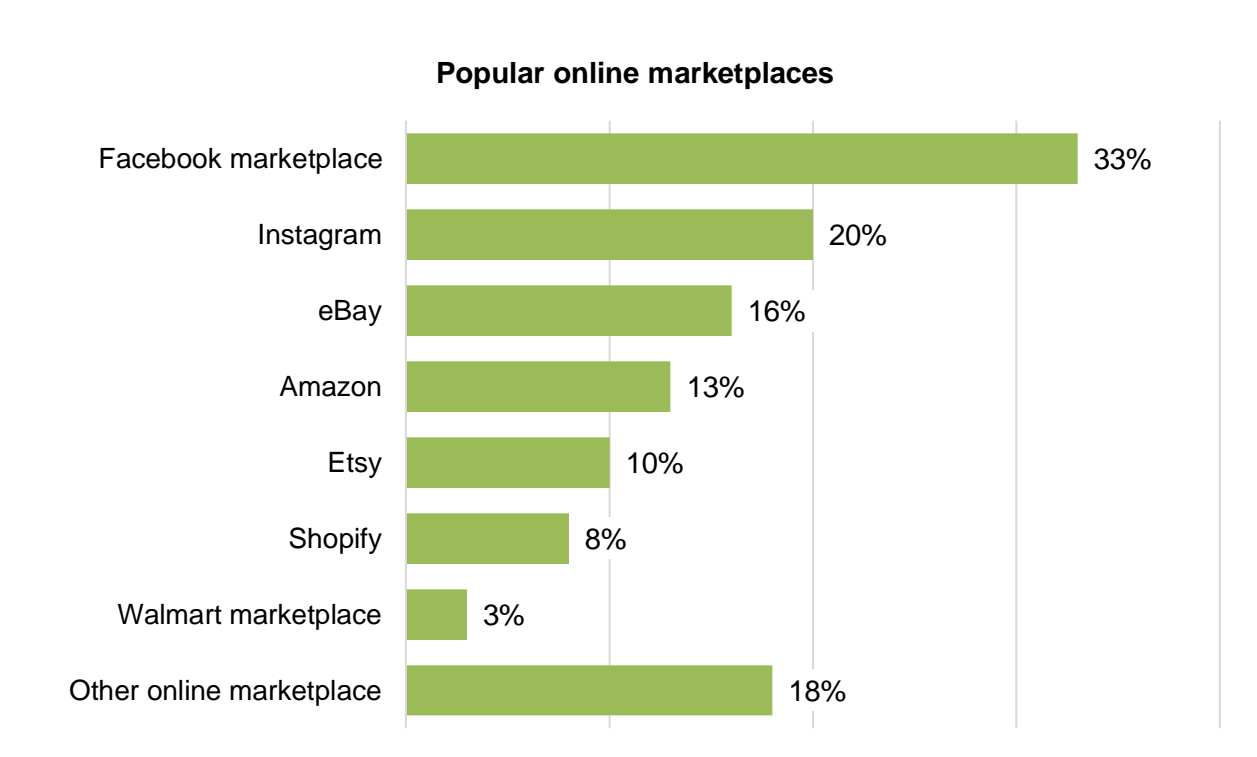
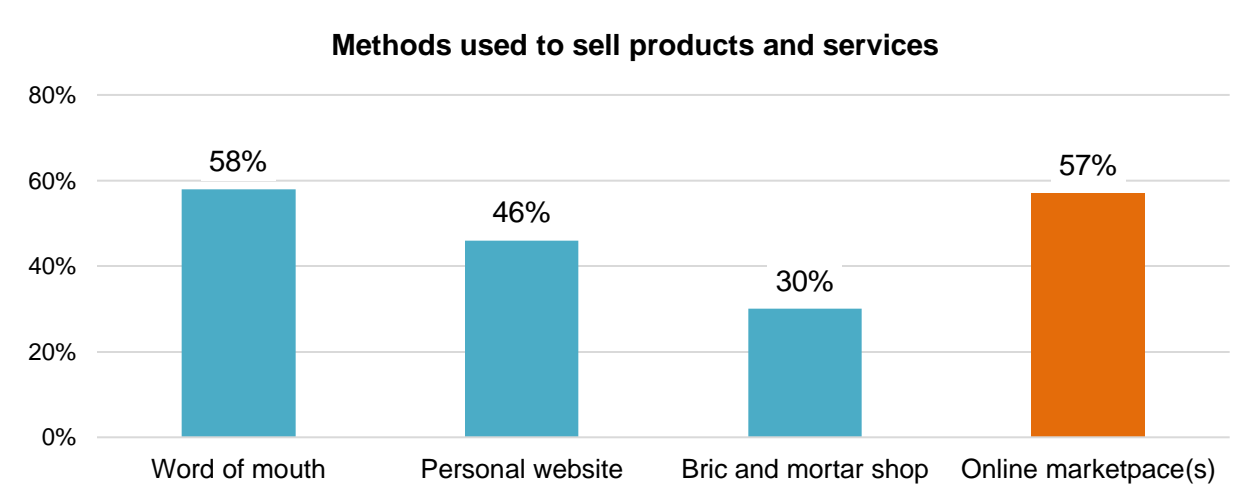
**Loyalty discounts:** where large companies or platforms bundle products and services, potentially leading to anti-competitive practices

**Exclusionary contracts:** where platforms or main industry players forbid a business from selling goods or services on a competing platform or with competing players

**Toll booths:** where platforms, marketplaces or other middlemen extract a percentage of each sale made by a business

**Tying:** where a business is forced to purchase some product or service in order to access another product or service

## Small businesses increasingly rely on online platforms for their businesses



**13%** of small business owners say they are restricted by online platforms from selling on other platforms

3

## Small businesses struggle with unfair contracts and agreements

Small businesses, especially microbusinesses, typically don't have the resources to access legal advice assistance, putting them at a disadvantage when conducting business with larger companies. The survey reveals that small businesses are facing a number of challenges when signing agreements and contracts with larger companies to conduct business. One of the most common problems is payment delays, including "pay when paid" policies that enable bigger companies to delay their payments to their small business contractors. Small business owners also report that they've been unable to negotiate unfavorable contract terms, and 1 in 4 felt coerced into signing a contract that they did not fully understand.

### Small businesses impacted by unfair agreements and terms with large companies



## Small businesses struggle to access fair contracts

**31%**

say that contracts or agreements with larger companies were difficult to understand

**32%**

have attempted to enter into an agreement with a larger company but were unable to negotiate the terms

**25%**

felt coerced into signing a contract with a larger company that they did not fully understand

4

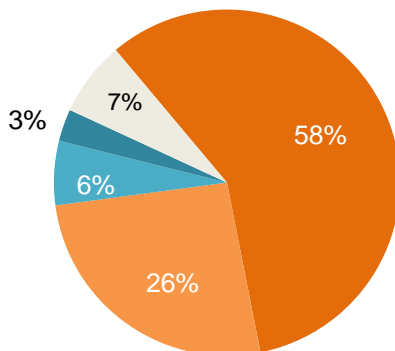
## Small business owners identify policy solutions

Small businesses want policymakers to address anti-competitive practices that are hindering their businesses, and they feel strongly that Main Street should have a more level playing field. The survey reveals that small businesses are strongly supportive of a number of solutions at the local, state and federal level that would increase their competitiveness.

Policy efforts to help level the playing field are underway. The American Choice and Innovation Online Act for example, which has been introduced in the U.S. Senate, would ban online platforms from self-preferencing. Another piece of legislation, the Competition and Antitrust Law Enforcement Reform Act, would empower the Department of Justice and Federal Trade Commission to better enforce antitrust law and crack down on exclusionary practices like predatory pricing and exclusionary contracts.

### Small businesses strongly favor a number of policies to make it easier for them to compete

■ Strongly support ■ Somewhat support ■ Somewhat oppose ■ Strongly oppose ■ Not sure



**84% support**

tax incentives at the local, state, and federal level that encourage more small businesses and entrepreneurship development

**80% support:** Better enforcement of existing anti-trust laws and other provisions protecting small businesses against anti-competitive practices

**76% support:** Specific prohibitions on various predatory practices and practices that make it harder for smaller businesses to compete

**76% support:** Loosening or standardizing licensing requirements to spur more entrepreneurial development



## Methodology

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This poll reflects a national survey of 500 small business owners with up to 100 employees. The poll was an online survey conducted by Lake Research Partners between December 9-19, 2021. The margin of error is +/-4.4%.

Download the full topline from our website:

<https://smallbusinessmajority.org/our-research/small-businesses-seek-level-playing-field-and-chance-compete-fairly>