



# **How Small Businesses & Startups are Bouncing Back from COVID-19 in 2021**

## **WE LOVE FOUNDERS.**

We believe startups can realize their dreams without giving up equity too soon and without an onerous debt burden.

## **WE ARE ADVISORS AND CONNECTORS.**

Part of what we love about investing in startups is helping them grow - not just in terms of funding growth but coaching and advising along the way. We are catalysts for the startup community, helping to connect founders to build their network, their skills, and their businesses.



## **How Small Businesses & Startups are Bouncing Back from COVID-19 in 2021**

The onset of the COVID-19 pandemic and the ensuing lockdown was an exogenous shock to most companies, but it hit young and growing businesses particularly hard. As a leader in the non-dilutive funding space for SaaS startups, Lighter Capital had a front row seat to the turbulence that hit many of our clients, spanning across the U.S, Canada, and Australia. As a revenue-based lender, we grew when our clients grew, and went down when they were down - in other words, we were along for every bump on the road. We've seen many clients who struggled but scraped by, some who made remarkable turnarounds from their lowest trough, and others who capitalized on COVID-induced trends to reach new heights. What do any of them have in common? Read on for our biggest takeaways.

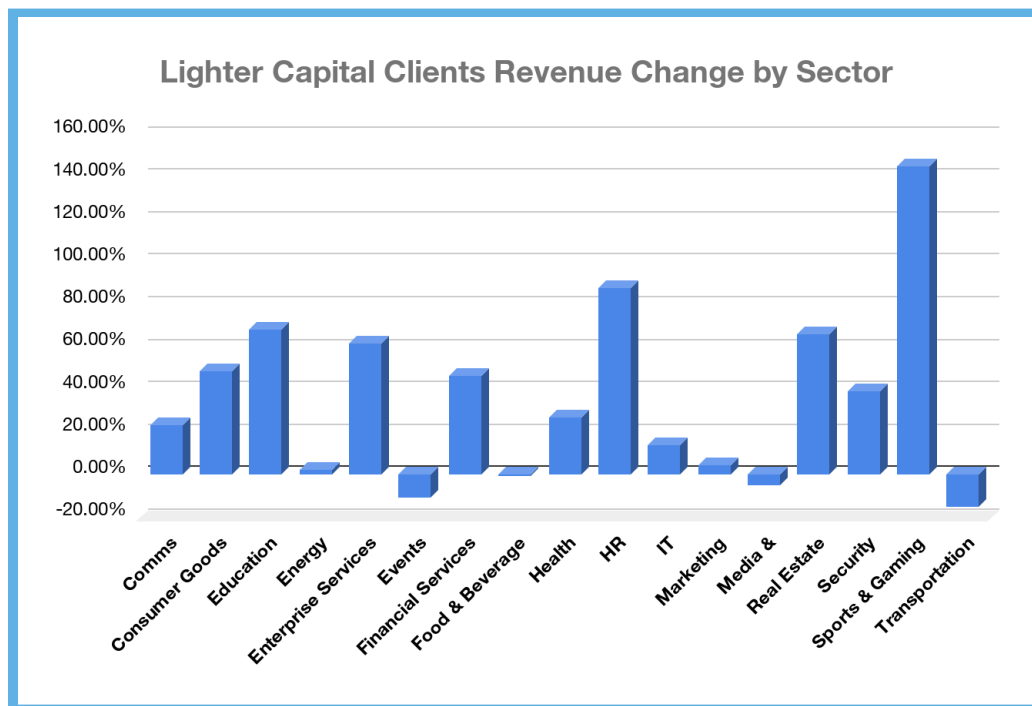
### **Companies that were able to pivot through consolidations or partnerships managed to survive**

As expected, companies that have traditionally depended on physical spaces to meet customer demand found themselves at a loss when the lockdown and social distancing guidelines made their traditional business models impossible to operate. In the events industry, we saw clients such as TicketSocket, a ticketing management system, and Banzai, an events marketing platform, struggle from the sudden impact of the pandemic. While the startups themselves all offered software as a service, they fell when their clients in the concerts, tours, and conferencing spaces could no longer host the large-scale events that their revenues hinged on.

Remarkably, those that were able to pivot and tap into the trend of digital acceleration were able to survive, and in some cases, even grow. Even though TicketSocket saw a 77% decline in revenue when the pandemic hit, its team was able to rebrand the

company and establish partnerships that would better adapt its services to virtual events and spaces. Understanding the needs of its clients, the company partnered with Sched, a digital organization and management software company, to facilitate a more integrated event control experience for adapting previously in-person events for a seamless virtual transition. In a similar vein, although another events-focused company in tour management saw its revenue decline by 49%, it managed to pivot from tour and concert management software to more diversified offerings such as master classes for tour managers, laying down a roadmap for adapting its business model. Both of these clients are well positioned for rapid expansion as COVID-19 restrictions subside.

Notably, Banzai was a major turnaround story due to a strategic consolidation - prior to the pandemic, only 13% of its sales came from virtual events. As soon as the team recognized the threat of the pandemic, it knew it needed to grow its revenue share in the online events space. Banzai quickly acquired another small company, High Attendance, to build out its services. Renaming High Attendance “Banzai Virtual,” Banzai expanded its product line to support marketers in planning and executing both virtual and hybrid events. As a result, the company saw the volume of virtual events it was supporting more than double, which kept it afloat during the pandemic.



## **Companies showed that client support makes for the best survival rate**

In practically any industry, if your clients aren't making money, neither are you unless you're locked into a contract. While adding new features to your software may solve some of their struggles, the best solution is to simply help them drive revenue. This is the strategy that our portfolio companies like Ekos and EverWash utilized throughout the pandemic, despite being in industries that were hit hard. If a client sees a company as a friend, they won't be as inclined to leave just because times are tough. Lighter Capital keeps this idea central to our business with our main product, revenue-based financing. We celebrate when our companies grow quickly and are able to pay us off, but stick around and support our companies that are struggling by making less ourselves.

Ekos, a business management software for breweries, wineries, and cideries, knew they had to show up for their clients more than ever when the pandemic caused the closure of restaurants, bars, and taprooms for months at a time. Their platform helps makers manage inventory, production, sales, and accounting with numerous integrations that include popular accounting and point-of-sale tools. At the start of the pandemic, Ekos recognized that their customers were facing unprecedented challenges. They immediately developed content with ideas for breweries and wineries to bring in additional revenue and offered up their own marketing team to provide free support and consultations. The Ekos team also negotiated customer discounts for ecommerce solutions, created Crisis Mode (five days of free webinars about navigating the pandemic), and launched a partnership with DoorDash in order to give their clients every chance possible to drive revenue. A perfect testimony of Ekos's client-first approach is provided by Ekos CEO, Josh McKinney: "In this uncertain time, empathy and kindness are more important than ever. Every single person, company, and customer is facing negative effects from the coronavirus. We always aim to be an authentic, trusted partner of our customers and now we have a chance to put our values to the test." The effectiveness of this strategy and the manifestation of values was backed up by significant revenue growth over the course of the pandemic.

Though EverWash, a subscription-based car wash app, went into the pandemic with a similar mindset as Ekos, EverWash had the unique challenge of supporting two types of users - car wash providers and general subscribers. Both types of clients had different needs as they had opposing reactions to the pandemic when it came to car washes - one group wanted to sell more while the other had to purchase less. EverWash supported car wash providers by educating them on loan opportunities, providing free marketing materials, and constant check-ins. Both types of EverWash's customers were supported with EverWash's contactless scanning functionality and pausing memberships at closed locations. Thanks to these steps, car washes could rely on continued revenue from members as soon as they were legally allowed to reopen. EverWash also operates on a revenue-based model so the fact that they came out of the pandemic with 13% growth shows how effectively they were able to address their customers' needs.

## **Some companies were naturally accelerated by the pandemic**

Let's be honest, everyone has heard of the pandemic and after more than a year of quarantining and wearing masks, many people are tired of it. So if your business doesn't necessarily involve people being affected by the pandemic, why bother bringing it up again? This appeared to be the strategy of ed-tech companies like Designlab and Dataquest.io, two companies that provide UX and coding courses. Their revenues were primarily driven by effective marketing and the fact that many people had more time on their hands to pick up a new skill, like coding. Additionally, the pandemic had the unfortunate side effect of wide-spread lay-offs, perhaps to the benefit of ed-tech companies like these two who could market the opportunity to learn a new skill in order to qualify for a new role. Ultimately, the success of these two ed-tech companies who each saw revenue growth of more than 150%, reveals the truth that motivates Lighter Capital's mission - software is the future and using it properly is a true driver of success.

## About Lighter Capital:

Lighter Capital has revolutionized startup financing by making it easy for entrepreneurs to quickly access up to \$3 million in growth and working capital with zero dilution and full control over how to use the funds. Lighter has provided financing to 400+ companies, totaling over \$200M, including MapAnything, Jive, Quip, and more.

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