The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of Treasury

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration

April 2, 2020

Dear Secretary Mnuchin and Administrator Carranza,

On behalf of the marketing research and data analytics industry, I urge you to issue a clarification that small businesses with equity investors, especially those with minority investments, will have access to the Small Business Administration (SBA) loans recently authorized by the Keeping Workers Paid and Employed Act provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. While equity partner restrictions are certainly appropriate for traditional small business funding, the COVID-19 disaster funding proposed would seem to be designed to support businesses of all types affected by the pandemic, regardless of how those companies' financials are structured. Venture capital and private equity companies are not operating management companies or banks for their investment portfolios, and small businesses with investment partners would be at undue disadvantage to have less access to disaster funds due to their capital structure.

Hundreds of jobs in our industry hang in the balance today, depending on how you implement the CARES Act rules. We require rapid clarity to provide confidence to all the vital small businesses in the insights industry that resources will be made available to them in order to mitigate the layoffs and closures beginning to sweep across our business ecosystem.

My name is Melanie Courtright, and I am the CEO of the Insights Association, the leading nonprofit association representing the marketing research and data analytics industry. Our members – both marketing research and data analytics companies and the research and analytics departments inside of non-research companies and organizations – are the world's leading producers of intelligence, analytics and insights defining the needs, attitudes and behaviors of consumers, organizations, employees, students and citizens. With that essential understanding, leaders can make intelligent decisions and deploy strategies and tactics to build trust, inspire innovation, realize the full potential of individuals and teams, and successfully create and promote products, services and ideas.

As we talk to our members, many report that clients (representing both large and small businesses, for-profit and non-profit, who are feeling the impact of the economic shutdown) have already stopped commissioning new projects or have cancelled programs already purchased (for some of which our member firms have already outlaid substantial money for startup costs).

Further, most in-person insights business locations have been forced to shut their doors and cease operations, particularly many qualitative focus group facilities and telephone call centers. While a lot of marketing research and data analytics operations can be transitioned to function remotely, nowhere near all of them can.

Based on the first wave of the Insights Association's research into our members during this crisis:

- About a third of data collection agencies report more than twenty percent of their work has been cancelled and 40% report more than twenty percent of their work being postponed;
- Forty-seven percent of agencies that do mostly qualitative work reported more than twenty percent of their work cancelled, and 54% reported more than twenty percent of their work being postponed;
- Nearly half of corporate research departments report that more than twenty percent of work is being postponed. In this climate, many timelines are still in flux;
- Corporate research departments are shifting in-person work to online. Sixty-seven percent report more than eighty percent of in-person work has been transitioned online, dramatically affecting in-person research companies;

- Seventy-six percent of full-service and data collection agencies are facing a future with light pipelines.

The CARES Act provisions referenced will provide loans of up to $10 million dollars to small businesses (up to 500 employees), and some other businesses with higher employment thresholds based upon North American Industry Classification (NAICS) codes. We had urged the Administration and Congress to provide such support,[1] particularly the focus on forgivable loans or loans with payment deferred for extended periods. The benefits of these programs are designed to encourage job retention during this severe economic crisis caused by the COVID-19 pandemic and response and prevent the further downward economic spiral that will be caused by further widespread layoffs.

Unfortunately, how the U.S. Treasury Department and Small Business Administration (SBA) will apply “affiliation rules” in upcoming guidance to implement the loan program is the big question for whether startups and other small businesses with equity investors will be able to access the loan program and potentially save their employees and businesses. If the program operates under the current SBA rules on affiliation, eligibility will be in significant uncertainty, the application process will be delayed, many small businesses in the marketing research and data analytics industry will be rendered ineligible, and many more will simply forego the process. Each of these hurdles will cause more layoffs and more business failures.

The SBA’s affiliation rules include a rebuttable presumption that many companies with minority investors are deemed to be controlled by those investors (which is often particularly untrue for venture capital-backed companies who receive minority investments). If the applicant cannot effectively rebut that presumption, the company must include in their count of employees all of the other jobs at other completely unrelated businesses in which their own investors are also invested. If the SBA’s affiliation rules are misapplied in this crisis, rendering many small businesses ineligible in this

[11] Letter from the Insights Association. “The U.S. Marketing Research and Data Analytics Industry and COVID-19.” March 24, 2020. https://www.insightsassociation.org/sites/default/files/misc_files/insights_association_letter_to_the_administration_and_congress_3-24-20.pdf

fashion, they will be forced to lay off more staff or potentially fold altogether, and will prove the overall loan program a failure.

This is not just an issue for a handful of Silicon Valley startups or Wall Street. The insights industry and our workforce are spread across the United States, primarily in small businesses. Nearly $3 billion a year in the U.S. insights industry comes from venture capital investments, and another $5 billion or so a year from private equity funding.[2]

Our American industry is the most successful insights market in the world, representing almost half of all global marketing research and data analytics. We generate more research revenue than any other country in our field, but the pandemic-spawned economic crisis severely threatens that standing. How you respond will help determine the standing of our industry in the coming days and months (and, hopefully, years).

Data must still be collected. Insights must still be generated. In times of business turmoil, our industry encourages everyone to measure consumer behavior and sentiment. As the U.S. economy rebounds from this pandemic, understanding how consumer values have changed will be crucial to defining and serving the “new normal” that will emerge.

The data in this case are painfully clear: if you do not issue immediate clarification, this Congressionally-designed job retention program in the CARES Act will fail and many Insights Association member companies -- and much of our workforce -- will not survive this economic crisis.

Thank you for your consideration.

Sincerely,

Melanie Courtright

Chief Executive Officer

Insights Association

[2] "The 2019 Cambiar Capital Funding Index Report." January, 2020.