



**Outlook of Small Business Owners by Generation
Spring 2010 American Express OPEN Small Business Monitor**

**Generation Y has the most positive outlook on the economy;
Generation X are most likely to be challenged in finding efficient/innovative ways to
market their business; and Baby Boomers are most likely to have cash flow issues**

The American Express OPEN Small Business Monitor, released each spring and fall since 2002, is based on a nationally representative sample of small business owners/managers of companies with fewer than 100 employees.

Outlook	Small Businesses Overall	Generation Y	Generation X	Baby Boomers
Have a positive view of the economy	51%	72%	58%	51%
Believe the Economy is in Recovery	24%	55%	27%	19%
Believe the worst of US economic woes are not over	69%	44%	68%	72%
Economy has caused them to make business changes	64%	55%	61%	66%
Having Fun is a Priority in their Business	68%	73%	75%	66%

Tactics for Managing in a Recession	Small Businesses Overall	Generation Y	Generation X	Baby Boomers
Hiring freeze	48%	20%	50%	53%
Salary freeze	43%	23%	40%	47%

Allow employees to maintain a flexible schedule	33%	41%	32%	33%
Reduce employee hours	40%	27%	42%	42%
Tap personal assets	41%	36%	38%	42%
Stop taking a salary	33%	31%	36%	34%
Ask family member to work for no pay	29%	33%	30%	29%
Renegotiate leases/contracts	26%	36%	33%	27%
Lay off employees	22%	16%	21%	26%
Work a second job	20%	28%	27%	20%
Cut benefits	20%	17%	20%	20%

Cash Flow	Small Businesses Overall	Generation Y	Generation X	Baby Boomers
Have cash flow concerns	60%	52%	60%	64%
Are concerned about having enough cash to pay bills over next six months	59%	47%	56%	63%
Say customers have taken more time to pay over the last 60 days	32%	31%	30%	35%

Investment Plans And Access to Capital	Small Businesses Overall	Generation Y	Generation X	Baby Boomers
Plan to make	48%	66%	59%	47%

capital investments				
Feel confident they can access capital to grow	60%	72%	58%	60%
Say economy is preventing them from making investments	60%	62%	65%	59%

Hiring	Small Businesses Overall	Generation Y	Generation X	Baby Boomers
Plan to hire	28%	46%	39%	25%
Plan on using non full time staff	21%	31%	20%	20%
Will use non full time staff to save on benefits costs	62%	58%	63%	58%

Key Small Business Generational Highlights

Generation Y (19-29 years old)

Business Outlook

Generation Y is the most optimistic group of business owners across generations and compared to entrepreneurs overall, which can be seen throughout their business decisions. This spring nearly three quarters of Generation Y entrepreneurs (72%) have a positive outlook on their business prospects and the economy. A similar number (69%), when describing the impact of the economy on their businesses, say they are “staying afloat,” and their business is managing to survive despite being negatively affected by the economy. More than half of Generation Y believe the economy is recovering (55%) however, more than four in ten (44%) believe the worst of US economic woes are not over. Nearly all (91%) describe themselves as optimists, seeing the glass as “half full”. To stay positive in a tough economy, more than three quarters (79%) spend time with family and friends or stay healthy and exercise (78%).

Generation Y is more likely to plan to hire (46%) than small business owners overall. When they do hire new employees, they are more likely to look to hire in the area of marketing/sales (53%) and to plan on using more non full-time staff (31%). They are also likely to believe they will encounter problems retaining valuable employees when the job

market improves (27%). This group is more likely to have capital investment plans (66%) and feel confident they can access the capital necessary to grow their business (72%) than the other generations. They are among the least likely to have experienced cash flow issues (52%).

Managing in the Current Economy

Fifty five percent of Generation Y entrepreneurs say the current economy has caused them to make changes in their business. More than four in ten entrepreneurs were surprised by the effect cutting expenses had on their business (47%). Cuts ranged from purchasing less, using less and keeping less on-hand inventory, keeping a closer eye on expenses, cutting back on advertising marketing and promotions, offering more competitive pricing and reducing product lines/services. According to one Generation Y entrepreneur, “I had to cut my product line. We used to carry twelve different designs and now we just carry five.”

Nearly four in ten Generation Y business owners were surprised by the effect reducing staff related expenses had on their business (39%) such as laying off employees, reducing employee hours, reducing employee salaries, taking on more work themselves, using staff more efficiently and cutting employee benefits. According to one Generation Y entrepreneur, “It’s increasing employee productivity—we have employees do more work in a shorter amount of time.” In contrast another says, “I do almost everything.”

More than one in ten Generation Y entrepreneurs (13%) were surprised that reevaluating matters in the area of financing such as collecting payments or partial payments upfront, extending or using lines of credit, giving up costly real estate or tapping into personal savings made a difference. In some cases it was as simple as “fiscal and financial prudence.”

Fewer (5%) were surprised how improvements in the business including using more aggressive sales and promotional tactics, paying more attention to customer service or making better use of technology made an effect. One Generation Y business owner said, “We are offering better customer service, giving customers more –spending more time with them and offering discounts.”

More than half of Generation Y business owners (52%) say creative marketing has helped them insulate their business from the broader downturn. However, more than four in ten (44%) say they are challenged finding innovative and creative ways to market their business. Nearly all (98%) say word of mouth is more important than ever in marketing their business. For those that use social networking sites, the main reason they use it is to save money on marketing (27%). On average Generation Y will spend \$3,292 on search engine marketing in 2010.

Nearly half say the current economy creates new opportunities for their business (49%). Of these, six in ten (60%) say the economy creates less direct competition. They are among the generations most open to bartering for products or services (60%). To battle the recession Generation Y will allow employees to maintain a flexible schedule (41%).

Generation X (30-45 years old)

Business Outlook

Just over half (58%) of Generation X have a positive outlook on business prospects over the next six months. They are among the most likely to make having fun a priority in their business (75%). To stay positive in a tough economy more than seven in ten spend time with family and friends (79%) and carve out time for themselves (73%). Half of Generation X (54%), when describing the impact of the economy on their businesses, say they are “staying afloat,” and their business is managing to survive despite being negatively affected by the economy. Forty four percent actually say they expect sales to be higher than the same period last year. But more than half of Generation X believe we are still in recession (51%) and more than six in ten (68%) believe the worst of US economic woes are not over.

Nearly six in ten, have cash flow issues (60%), a similar number plan to make capital investments over the next six months (59%). More than one third (39%), have hiring plans. The Generation X entrepreneurs are more likely than the Baby Boomer generation to take employees into consideration when making business decisions (89%).

Managing in the Current Economy

Sixty one percent of Generation X entrepreneurs say the current economy has caused them to make changes in their business. Entrepreneurs were most surprised by the effect cutting staff had on their business (50%) such as laying off employees, reducing employee hours, reducing employee salaries, taking on more work themselves, using staff more efficiently and cutting employee benefits. According to one Generation X entrepreneur “We are limiting our purchases and cutting back on inventory to meet our customers’ demands.”

Four in ten business owners were surprised by the effect cutting expenses had on their business (40%). Cuts ranged from purchasing less, using less and keeping less on-hand inventory, keeping a closer eye on expenses, cutting back on advertising marketing and promotions, offering more competitive pricing and reducing product lines/services. One Generation X entrepreneur said, “I cut my own wages. Due to the economy sales have been down and to keep my business afloat I have to sacrifice.”

Less than one in ten entrepreneurs (6%) were surprised that reevaluating matters in the area of financing such as collecting payments or partial payments upfront, extending or using lines of credit, giving up costly real estate or tapping into personal savings made a difference. In some cases it was as simple as “Paying closer attention to accounts receivable.”

One in ten (10%) were surprised how improvements in the business including using more aggressive sales and promotional tactics, paying more attention to customer service or making better use of technology made an effect. One Generation X business owner put

out more advertising and used promotional tactics: “We were down 25% from last year so offered coupons and discount tickets to recapture lost sales.”

Nearly half of Generation X (49%) say creative marketing has helped them insulate their business from the broader downturn. However, they are most likely across generations to say they are challenged finding innovative and creative ways to market their business (58%). Nearly all (95%) say word of mouth is more important than ever in marketing their business. For those that use social networking sites, the main reason they use it is to save money on marketing (17%). On average Generation X will spend \$2,394 on search engine marketing in 2010.

More than three in ten say the current economy creates new opportunities for their business (32%). Of these, nearly half (49%) say the economy creates less direct competition. To battle the recession Generation X will institute a hiring freeze (50%).

Baby Boomers (46-63 years old)

Business Outlook

Typically older entrepreneurs are more positive because they have lived through previous downturns and survived, however Baby Boomers are a less optimistic segment than Generation Y business owners; just 51% have a positive outlook on business prospects over the next six months. A greater number (60%), when describing the impact of the economy on their businesses, say they are “staying afloat,” and their business is managing to survive despite being negatively affected by the economy. More than four in ten Baby Boomers believe we are still in recession (46%) and more than seven in ten (72%) believe the worst of US economic woes are not over. Six in ten Baby Boomers are experiencing cash flow issues (64%) and are less likely than Generation Y to have hiring plans (25%) or capital investment plans (47%). Thirty five percent say they expect sales to be lower than the same period last year.

Managing in the Current Economy

Sixty six percent of Baby Boomers say the current economy has caused them to make changes in their business. Baby Boomers were more surprised by the effect cutting expenses had on their business (51%) than Generation X. Cuts ranged from purchasing less, using less and keeping less on-hand inventory, keeping a closer eye on expenses, cutting back on advertising marketing and promotions, offering more competitive pricing and reducing product lines/services. According to one Baby Boomer “Cutting back in general and managing a tighter ship had the most surprising effect. It was necessary to get personally involved with all aspects of spending.”

Nearly four in ten business owners were surprised by the effect reducing staff related expenses had on their business (39%) such as laying off employees, reducing employee hours, reducing employee salaries, taking on more work themselves, using staff more efficiently and cutting employee benefits. According to a Baby Boomer restaurant owner, “Employees need to do at least two different jobs. We have a server that works near the

register that acts as host, server and cashier. We are a family owned business and we have family members come in and help out when necessary.”

Nearly one in ten (7%) were surprised how improvements in the business including using more aggressive sales and promotional tactics, paying more attention to customer service or making better use of technology made an effect. One Baby Boomer said, “Increased use of the internet and technology.”

Fewer (4%) were surprised that reevaluating matters in the area of financing such as collecting payments or partial payments upfront, extending or using lines of credit, giving up costly real estate or tapping into personal savings made a difference. In some cases it was as simple as “Getting a really tight grip on the cash flow issue.”

More than one in four Baby Boomers (27%) say creative marketing has helped them insulate their business from the broader downturn. However, nearly half of (47%) say they are challenged finding innovative and creative ways to market their business. Nearly all (92%) say word of mouth is more important than ever in marketing their business. For those that use social networking sites, the main reason they use it is to save money on marketing (11%). On average Baby Boomers will spend \$2,738 on search engine marketing in 2010.

One in four Baby Boomers say the current economy creates new opportunities for their business (24%). Of these, more than half (56%) say the economy creates less direct competition. To battle the recession Baby Boomers will institute a hiring freeze (53%).

Survey Methodology

American Express OPEN Small Business Monitor, released each spring and fall, is based on a nationally representative sample of 734 small business owners/managers of companies with fewer than 100 employees. The anonymous survey was conducted via telephone by Echo Research from February 9- February 22, 2010. The poll has a margin of error of +/- 3.6%.

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