



Outlook of New York Small Business Owners
American Express OPEN Small Business Monitor
Spring 2010 Semi-Annual Monitor

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.

New York Entrepreneurs Have a Mixed Outlook	Small Businesses Overall 2010	New York Small Business Owners 2010	Northeast Small Business Owners 2010
Over Next Six Months, expect the Business to Grow Regardless of the Economy	33%	24%	31%
Believe the Economy Creates Opportunities for their Business	26%	39%	19%
Believe the worst of US economic woes are not over	69%	69%	64%
Plan to Hire Over the Next Six Months	28%	36%	33%
Plan on Using more Non Full-time Staff	21%	37%	22%
Have Cash Flow issues	60%	60%	65%
Have Capital Investment Plans	48%	49%	58%
Rising Healthcare Costs are Jeopardizing Business Survival	38%	54%	40%
Recession has affected date planned to retire	43%	51%	52%

New York Entrepreneurs Have Varied Tactics to Deal with the Recession	Small Businesses Overall 2010	New York Small Business Owners 2010	Northeast Small Business Owners 2010
Hiring freeze	48%	40%	46%
Salary freeze	43%	37%	42%
Allow employees to maintain a flexible schedule	33%	36%	26%
Reduce employee hours	40%	34%	40%
Tap personal assets	41%	48%	45%
Stop taking a salary	33%	25%	36%
Ask family member to work for no pay	29%	28%	28%
Renegotiate leases/contracts	26%	26%	28%
Lay off employees	22%	27%	33%
Work a second job	20%	21%	29%
Cut benefits	20%	10%	15%

New York Business Owner Highlights

Noteworthy New York business owner highlights are as follows:

- Nearly two thirds of business owners (64%) say they feel confident they can access the capital they need to grow their business
- More than half of business owners (54%) say rising healthcare costs are jeopardizing the survival of their business
- More than half (53%) have a positive outlook for their business prospects over the next six months
- More than three in ten entrepreneurs (36%) are planning to hire within the next six months
- Nearly one in five entrepreneurs (19%) describe their business situation as “smooth sailing”
- On average New York business owners will need to postpone their retirement 10 years because of the economy

Business Outlook

According to the Monitor, more than half of New York business owners are more likely to have a positive outlook for their business prospects over the next six months (53%), compared with a similar number among their counterparts in the Northeast (52%). Over the next six months four in ten (40%) expect sales to be the same as this period last year. Based on their business performance, 42% of business owners would say we are still in recession, 33% say the economy is stagnant and only 25% say the economy is recovering. Nearly seven in ten (69%) don't think the worst of US economic woes are over and nearly one in five entrepreneurs (19%) describe their business situation as “smooth sailing” saying the economy has not adversely affected their business.

Eighty seven percent of New York entrepreneurs describe themselves as optimists and generally see the glass as “half full”. Nearly three quarters (71%) say having fun is a priority in their business. More than eight in ten business owners (82%) say staying healthy and exercising helps them stay positive in a tough economy.

Managing the Recession

About four in ten New York business owners (39%) say the current economy creates opportunities for their business. Of these entrepreneurs, more than one third (36%) say the current economy creates less direct competition.

Sixty one percent of New York entrepreneurs say the current economy has caused them to make changes in their business. New York entrepreneurs were most surprised by the effect cutting expenses had on their business (52%). 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. In one Rochester entrepreneurs' own words “I had to lower prices. In doing so I had to look at how we were creating our product to find a way to make it less expensive.”

Nearly four in ten business owners were surprised by the effect reducing staff related expenses had on their business (36%) 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 Fayetteville business owner, “I spend more time working myself.”

More than one in ten entrepreneurs (13%) 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 Oakfield entrepreneur said, “We put in a new state of the art computer system.”

Fewer (2%) 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 necessary to reduce overhead. “We moved offices to reduce rent,” said one New York City business owner.”

The most common tactics business owners use to manage through the recession include tapping personal assets (48%) or instituting a hiring freeze (40%). Slightly fewer have instituted a salary freeze (37%). A similar number allow employees to maintain a flexible schedule (36%) or have reduced employee hours (34%). One in four have a spouse or family member working in the business for no pay (28%), laid off employees (27%), renegotiated leases or supply contracts (26%) or have actually stopped taking a salary (25%). Slightly fewer actually work a second job as a result of the recession (21%). One in ten (10%) have cut benefits.

Investments in the Company

Nearly half of New York business owners (49%) will make capital investments over the next six months. For New York entrepreneurs technology investments lead the category (35%). Additional investments include office equipment (22%), manufacturing/production equipment (15%) and office furnishings and real estate investments (each 6%).

Seven in ten business owners (70%) say the current economy is preventing them from making investments in their business. The number one investment area that is suffering is capital investments (44%); followed by marketing and sales (34%), real estate (14%), and R&D (9%).

Accessing Capital

Nearly two thirds of New York business owners (64%) say they feel confident they can access the capital they need to grow their business. To secure the funds they need, business owners are using various ways including securing a bank loan (28%), using business credit cards (27%), tapping personal savings (21%), using personal credit cards (20%), home equity (13%), private equity/venture capital (11%), borrowing from a friend or family member (3%) or an angel investor (1%).

Addressing Cash Flow Issues

Sixty percent of New York business owners report having cash flow issues. The biggest worry among entrepreneurs is the ability to pay bills on time (23%), followed by accounts receivable (15%), having enough cash to win new business (14%), the ability to accurately track cash flow (6%) and the ability to meet payroll (3%).

Half of business owners (53%) are concerned about having enough cash available to pay bills in the next six months.

As a tactic to improve cash flow, four in ten New York entrepreneurs are most likely to put off purchases (34%). One in five will use a credit card (20%). Others will use personal or private funds (17%), obtain and use a line of credit (12%) or get a short-term loan (1%) in order to improve cash flow.

Hiring Plans

More than three in ten New York business owners (36%) are planning to hire within the next six months. More than one third of business owners will hire in the area of sales/marketing first (36%). A similar number of business owners (37%) say they plan on using more non full-time staff instead

of hiring full-time employees over the next six months. Of those planning to use non full-time staff, more than half (54%) will do so to save on benefits costs.

Healthcare

Forty seven percent of New York entrepreneurs offer healthcare benefits to employees. More than half of these business owners (54%) say rising healthcare costs are jeopardizing the survival of their business.

Marketing

Less than half of New York business owners (42%) say creative marketing has helped them insulate their business from the broader downturn. However, more than half (54%) say they are challenged finding innovative and creative ways to market their business. Nearly all (91%) say word of mouth is more important than ever in marketing their business. For those business owners that use social networking sites, the main reason they use it is to save money on marketing (17%). On average New York business owners will spend \$2,965 on search engine marketing in 2010.

Retirement

More than three quarters of New York entrepreneurs (76%) are worried about their ability to save for retirement. Thirty four percent of these business owners say they “are very worried”. Half of entrepreneurs say (51%) the recession has affected the date they planned to retire. On average New York business owners will need to postpone their retirement 10 years because of the economy.

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%.

States within the Northeast include Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania and New Jersey.

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