



**Outlook of Texas 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.

<b>Texas Entrepreneurs Have a Mixed Outlook</b>	<b>Small Businesses Overall 2010</b>	<b>Texas Small Business Owners 2010</b>	<b>Southern Small Business Owners 2010</b>
Over Next Six Months, expect the Business to Grow Regardless of the Economy	33%	33%	31%
Plan to Hire Over the Next Six Months	28%	27%	28%
Have Cash Flow issues	60%	52%	63%
Have Capital Investment Plans	48%	60%	42%
Having Fun is a Priority in their Business	68%	72%	66%
Believe the worst of US economic woes are not over	69%	52%	73%
Recession has affected date planned to retire	43%	29%	40%
Economy has caused them to make business changes	64%	55%	64%
Offer Employees Healthcare coverage	43%	52%	48%

<b>Texas Entrepreneurs Have Varied Tactics to Deal with the Recession</b>	<b>Small Businesses Overall 2010</b>	<b>Texas Small Business Owners 2010</b>	<b>Southern Small Business Owners 2010</b>
Hiring freeze	48%	44%	50%
Salary freeze	43%	37%	41%
Allow employees to maintain a flexible schedule	33%	25%	38%
Reduce employee hours	40%	26%	34%
Tap personal assets	41%	38%	41%
Stop taking a salary	33%	25%	33%
Ask family member to work for no pay	29%	15%	27%
Renegotiate leases/contracts	26%	16%	26%
Lay off employees	22%	19%	19%
Work a second job	20%	14%	17%
Cut benefits	20%	9%	25%

**Texas Business Owner Highlights**

**Noteworthy Texas business owner highlights are as follows:**

- More than three quarters of entrepreneurs (76%) say their business is “staying afloat”

- Nearly three quarters (72%) say they feel confident they can access the capital they need to grow their business
- Six in ten (60%) have capital investment plans
- Just over half (52%) report having cash flow issues
- On average Texas business owners will need to postpone their retirement 9 years because of the economy

### Business Outlook

According to the Monitor, most Texas business owners have a positive outlook for their business prospects over the next six months (61%). Over the next six months more than one third (34%) expect sales to be the same as this period last year. Based on their business performance, 44% of business owners would say we are still in recession, 37% say the economy is recovering and 19% say the economy is stagnant. Half (52%) don't think the worst of US economic woes are over and more than three quarters of Texas entrepreneurs (76%) say they are "staying afloat" and their business is managing to survive despite being negatively affected by the economy.

Seventy four percent of Texas entrepreneurs describe themselves as optimists and generally see the glass as "half full". Nearly three quarters (72%) say having fun is a priority in their business. The majority of Texas business owners (85%) say staying healthy and exercising helps them stay positive in a tough economy.

### Managing the Recession

One in four Texas business owners (26%) say the current economy creates opportunities for their business. Of these entrepreneurs, six in ten (60%) say the current economy creates less direct competition.

Fifty five percent of Texas entrepreneurs say the current economy has caused them to make changes in their business. Entrepreneurs were most 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 Victoria business owner, "It was reduction in benefits and cutting out healthcare."

One third of business owners were surprised by the effect cutting expenses had on their business (33%). 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 Austin entrepreneurs' own words "Watching overall spending, tighter control over what we pay for supplies."

One in five (20%) 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 a simple solution: "I have had to pay bills slower than I generally do," according to one Houston business owner.

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 Frisco entrepreneur said, "We put out more advertising. We were down about twenty five percent from last year so we offered more coupons and discount tickets."

The most common tactics business owners use to manage through the recession includes instituting a hiring freeze (44%) or tapping personal assets (38%). Slightly fewer have instituted a salary freeze (37%). One in four have reduced employee hours (26%), have actually stopped taking a salary or allow employees to maintain a flexible schedule (each 25%). Slightly fewer have laid off employees (19%). More than one in ten has renegotiated leases or supply contracts (16%), has a spouse or family member working in the business for no pay (15%), or actually work a second job as a result of the recession (14%). Slightly fewer have cut benefits (9%).

### Investments in the Company

Six in ten Texas business owners (60%) will make capital investments over the next six months. For Texas entrepreneurs technology investments lead the category (43%). Additional investments include office equipment (16%), office furnishings and real estate investments (each 12%) and manufacturing/production equipment (11%).

Nearly half of Texas business owners (47%) say the current economy is preventing them from making investments in their business. The number one investment area that is suffering is marketing and sales (34%); followed by capital investments (27%), real estate (24%), and R&D (21%).

### Accessing Capital

Nearly three quarters of Texas business owners (72%) 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 tapping personal savings (31%), using business credit cards (23%), using a bank loan (13%), using personal credit cards (8%), private equity/venture capital or an angel investor (each 4%), home equity (3%) or borrowing from a friend or family member (1%).

### Addressing Cash Flow Issues

Fifty-two percent of Texas business owners report having cash flow issues. The biggest worry among entrepreneurs is the ability to pay bills on time (18%), followed by accounts receivable (17%), the ability to meet payroll (8%), the ability to accurately track cash flow (5%) and having enough cash to win new business (4%).

Nearly half of business owners (47%) 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 Texas entrepreneurs will put off purchases (45%). Others will use personal or private funds (18%), use a credit card or obtain and use a line of credit (each 13%), get a short-term loan (6%) or lease rather than purchase business equipment (2%) in order to improve cash flow.

### Hiring Plans

One in four Texas business owners (26%) are planning to hire within the next six months. Nearly one third of business owners will hire in the area of sales/marketing first (32%). Nearly one in five business owners (17%) 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, six in ten (61%) will do so to save on benefits costs.

### Healthcare

Fifty two percent of Texas entrepreneurs offer healthcare benefits to employees. A much smaller number of these business owners (27%) say rising healthcare costs are jeopardizing the survival of their business.

### Marketing

One third of Texas business owners (33%) say creative marketing has helped them insulate their business from the broader downturn. A similar number (35%) say they are challenged finding innovative and creative ways to market their business. More than eight in ten (84%) 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 (9%). On average Texas business owners will spend \$3,279 on search engine marketing in 2010.

### Retirement

More than half of Texas entrepreneurs (57%) are worried about their ability to save for retirement. Nearly three in ten entrepreneurs say (29%) the recession has affected the date they planned to retire. On average Texas business owners will need to postpone their retirement 9 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 South include Delaware, Maryland, West Virginia, Virginia, South Carolina, North Carolina, Georgia, Florida, District of Columbia, Kentucky, Mississippi, Tennessee, Alabama, Arkansas, Louisiana, Oklahoma and Texas.

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