



SMALL BUSINESS FOCUS SWINGS FROM SURVIVAL TO GROWTH SAYS AMERICAN EXPRESS OPEN SURVEY

More than One-Third Plan to Hire;

Business Owners More Likely to Dread “Filing” than “Firing”

NEW YORK, APRIL 14— For the first time since 2006, growth has surpassed survival as the number one priority for entrepreneurs, according to the American Express OPEN® Small Business Monitor, a semi-annual survey of business owners, now in its tenth year. Perhaps further evidence that economic recovery is reaching Main Street, more than one-third (35%) plan to hire, the highest level since the fall 2008 survey.

Six months ago, the OPEN Small Business Monitor indicated small businesses were faring better, due in large part to streamlining operations and cutting costs over the course of the recession. Now, it appears they are capitalizing on growth opportunities, looking to hire and make necessary capital investments in their businesses.

While uncertainty over the economy still presents a challenge to growth, concerns of economic uncertainty are starting to recede (27% vs. 35% in the fall). Many expect to grow (37%) and are willing to take a financial risk to do so (56%), although most (65%) entrepreneurs believe growth will be slow and steady, while a minority (16%) is planning for aggressive growth; eighteen percent say they are still in survival mode.

The one cause for concern is in the area of cash flow: concerns are at an all-time survey high (66%, up from 60% last spring and 53% last fall).

“Over the ten-year history of the Monitor, we have witnessed the true resiliency of small business owners,” said Susan Sobott, president, American Express OPEN. “They streamlined operations, shifted priorities and made tough staffing choices during the recession, but they have come out the other side stronger than ever. They are taking calculated risks, hiring at pre-recession levels, and the mindset has shifted from ‘maintaining’ to ‘growing’.”

Hiring Plans Rebound; Calling All Accountants and Social Media Experts

Thirty-five percent of businesses plan to hire full and/or part-time staff, up seven percentage points from last spring and nine percentage points from last fall. Among those with hiring plans, one-third plan to hire one (35%) or two employees (33%), less than one-in-ten (8%) plan to hire three, and one-in-five (20%) plan to hire four or more over the next six months.

In an open-ended question, when asked which person would most help their business, more than one-in-ten (14%) said they would hire an accountant/bookkeeper, nearly one-in-ten (9%) said a social media expert, and six percent said either a marketing /advertising person or a sales representative.

Social Media Use on the Rise; Employees Are Most Valued

An increasing number of entrepreneurs use social media tools to promote their business to new customers (44%, up from 39% six months ago). Of these, thirty-five percent use Facebook, (up from 27% six months ago), fifteen percent use LinkedIn (up from 9% six months ago), ten percent use Twitter (on par with 8% six months ago), eight percent blog (on par with 5% six months ago), eight percent use YouTube (up from 4% six months ago) and two percent use FourSquare (compared to 1% six months ago).

Do small business owners have closer relationships with their employees than larger enterprises because they often work shoulder-to-shoulder with them? When asked which business mantra they ascribe to, the top choice was “you are only as good as your people” (27%), followed by “the customer is always right” (24%), “never stop marketing” (11%), “it’s all about who you know” (5%), and “it’s about being in the right place at the right time” (3%). Twenty-eight percent do not have a business mantra. At the same time, just thirty-six percent offer healthcare coverage to employees (down from 43% last spring and 45% last fall).

“Taking the Bull by the Horns” Offers Prescription for Success

Many business owners are now looking to expand their enterprises. A small number of them (16%) are approaching business growth aggressively – with a “take-the-bull-by-the-horns” attitude. On average, these businesses have been in business for sixteen years, employ ten people, tend to be office-based (those focused on survival tend to be home-based) with annual revenues of \$898,000, and are most likely to be located in the South (48%); businesses just looking to survive tend to be located in the West (39%).

By taking a closer look into the actions of these “take-the-bull-by-the-horns” business owners, interesting connections can be drawn between management decisions and success:

- **Keep it fresh:** One-in-five plan to introduce new products and services in order to grow (22% vs. 14% of slow and steady business owners and 2% trying to keep the lights on). Nearly all believe that innovating and thinking about new ideas are a part of their core job as a business owner (95% vs. 84% of slow and steady business owners and 69% trying to keep the lights on);
- **Get connected to customers:** Nearly three-quarters have a company website (72% vs. 67% of slow and steady business owners and 48% trying to keep the lights on) and more than half use online social networking to market to customers (58% vs. 33% of slow and steady business owners and 21% trying to keep the lights on);
- **Know who can help:** When asked to think about the person that would most help their business, those taking the bull by the horns said a social media expert (15% vs. vs. 9% of slow and steady business owners and 4% trying to keep the lights on).

Overall, nearly half (49%) of business owners have a positive outlook on business prospects considering the economic climate. Of these, more than three-in-ten business owners (31%) say they expect their business to grow regardless of the economic climate.

Economic factors such as higher gas and energy prices continue to have an impact on their businesses, 80% down from 87% in spring '08. However, as entrepreneurs see it the biggest threat to US economic recovery is deficit/debt (26%) followed by unemployment (22%), government regulation (18%), oil prices (16%) and the housing market (6%).

Cash Flow Concerns at All-time High

Business owners' desire to hire an accountant or bookkeeper may be a reflection of the challenges of managing cash flow. This spring, cash flow concerns have risen to a historic high of 66% from a near pre-recession low of 53% just six months ago.

“With the desire to scale a business comes the willingness to make the tough financial decisions necessary to achieve that goal,” continued Sobott. “Business owners have sacrificed cash flow comfort in order to make the switch from survival to growth mode.”

The greatest cash flow concern for one-in-five business owners (23%) is the ability to pay bills on time, followed by accounts receivable and having enough cash to win new business (each 14%) and the ability to meet payroll and the capacity to accurately track cash flow (both 7%).

Another potential contributor to the cash flow crunch is entrepreneurs' ability to access capital. Nearly three-in-ten business owners (29%) say it has gotten harder to access capital over the last six months.

Capital Investments in the Cards; Technology Rules

Entrepreneurs are reinvesting in their enterprises as a way to expand. Four-in-ten plan to make capital investments (44%, on par with 48% last spring and up from 38% last fall). These business owners are most eager to spend on technology (33%) including computer systems and software, and additional software licenses and new computers.

Technology also plays an important role in online marketing, with the top three techniques being a company website (65%, up from 54% in spring 2009), search engine optimization (36%, up from 22% in spring 2009) and online social networking (35%, up from 13% in spring 2009). Nearly one-in-five of these business owners (19%) have an e-commerce function on their website.

Paperwork is Business Owners' Bane; Retirement Savings are Cause for Concern

While technology may prove overwhelming for a number of business owners (15%), dealing with technology is not the most dreaded task they face. Doing paperwork is dreaded by one-third of business owners (33%), twice as many as those who dread disciplining or firing employees (15%). Other dreaded tasks include collecting payments (10%), generating sales (6%), and dealing with customers (4%).

Another worrisome topic for business owners is retirement savings. More than eight-in-ten (81%) are worried about their ability to save for retirement, up from seventy-four percent last spring, seventy-eight in spring '09 and seventy-one percent in spring '08. Of these, one-third (34%) are very worried about their ability to save for retirement (34%, unchanged from last spring).

The economic downturn has had an effect on the amount of money estimated for retirement. One-in-four entrepreneurs estimate they will need less than \$750,000 (26%), between \$750,000 and one million dollars (26%) or between one and two million dollars (25%) to retire. The average amount estimated by entrepreneurs is \$1,205,000 to retire, slightly less than the \$1,286,000 they estimated in spring 2007.

The American Express OPEN Small Business Monitor looked specifically at key, bellwether states Texas, Florida, New York and California, as well as women entrepreneurs, small business owners by generation, and by industry. Fact sheets on these breakouts, as well as additional

survey results are available upon request. Some of the notable findings from the breakout fact sheets include:

- In these bellwether states, more than half of those in Texas plan to make capital investments; more than eight-in-ten entrepreneurs in New York are experiencing the impact of rising gas and energy prices in their business; more than four-in-ten Florida entrepreneurs use social media to attract new customers and more than half of California business owners are optimistic about the economy and their business prospects up from more than four-in-ten last spring
- Generation Y has the most positive outlook on the economy; Generation X are the most likely to use online marketing techniques for their business and Baby Boomers are most likely to have cash flow issues
- Among industries, retailers are most likely to have cash flow issues; services businesses are the most likely to use social media tools to attract new customers and manufacturers are most likely to have hiring plans

Survey Methodology

American Express OPEN Small Business Monitor, released each spring and fall, is based on a nationally representative sample of 728 small business owners/managers of companies with fewer than 100 employees. The anonymous survey was conducted via telephone by Echo Research from February 22- March 9, 2011. The poll has a margin of error of +/- 3.6%.

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