



Entrepreneurs Practice What They Preach by Sourcing and Shopping Small, According to American Express OPEN Small Business Monitor

Small Business Owners Balancing Short-Term Realism with Long-Term Optimism

NEW YORK, APRIL 25 — When it comes to supporting their local communities, small business owners practice what they preach. According to the American Express OPEN® Small Business Monitor, 70 percent of entrepreneurs say they purchase and source goods and services from other small businesses.

Additionally, almost all (96%) small businesses are committed to supporting their local communities through a variety of activities. Some of these activities include donating to local causes (70%) and participating in community projects (49%). Additionally, 83 percent “shop small” (shop at independently-owned businesses in their neighborhoods) for non-business related purchases.

“We should all draw inspiration from small businesses that remain steadfast optimists and loyal contributors to local communities and causes despite an economic environment that remains uncertain,” said Susan Sobott president, American Express OPEN. “Adversity is nothing new to the vast majority of entrepreneurs, and our research shows that while they have concerns about the near future, they have learned a great deal from recent trials and are better positioned to grow in the long term.”

Long-Term Optimism vs. Short-Term Realism

Small business owners are balancing their optimistic long-term views with realistic short-term decisions. While more than half (54%) of small business owners remain optimistic about their business prospects, the uncertain economy remains the top challenge to growth. As a result, there is a sense of trepidation in short-term plans and perspectives. Only half (50%) of small business owners plan to increase capital investments over the next six months, on par with six months ago.

The economic malaise is also having an impact on operations. For the first time in two years, cash flow concerns are on the rise (59%, up from 53% last fall).

Entrepreneurs Get Satisfaction

In spite of the current economic prospects, entrepreneurs are still strong in spirit. A large majority of business owners (92%) say they are happy with their lives. Of these, more than three quarters (76%) say their happiness is due somewhat or entirely to being an entrepreneur. An increasing number say they would recommend the entrepreneurship path to a friend or family member (66%, versus 55% in fall of 2009), a significant attitudinal shift from just three and a half years ago.

Hiring Remains Steady; Top Business Mantra is “You are Only as Good as Your People”

While many business owners’ hiring plans are tempered by the realities of the economy, 31 percent plan to hire in the next six months, on par with last fall (29%) and last spring (35%), however, 35 percent say they do not need to hire in order to grow their businesses, up from last fall (24%) and last spring (26%).

As a likely result of stagnant hiring, small businesses are looking for greater productivity from current employees. There is also evidence that they recognize great work and its connection to business growth. Nearly three-in-ten (29%) say their business mantra is “you are only as good as your people”. Those who adopt this mantra are more likely to reward their employees and benefit from a more productive workforce:

- Nearly three quarters of business owners whose mantra is “you are only as good as your people,” (72%) say the productivity of their workforce has improved over the last year, versus 60% of the total survey population;
- More than four in ten (42%) who follow this mantra plan to reward employees for a job well done and give raises (on average of 8.2%) this year, versus 28% of the total survey population (average of 7.5%).

Small Businesses Tweet and Post to Foster Growth

After years of growth in the use of social media by small businesses, just 46 percent said they use a social media platform for their business, on par with this past fall (49%). Seventy percent say they use social media to attract new customers (up from 57% in the fall) and 44 percent use it to create a dialogue with customers (up from 31% in the fall).

Survey Methodology

American Express OPEN Small Business Monitor, released each spring and fall, is based on a nationally representative sample of 933 small business owners/managers of companies with fewer than 100 employees. The anonymous survey was conducted via telephone by Echo Research February 22-March 12, 2013. The poll has a margin of error of +/- 3.2%.

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