

## Bank of America Small Business Owner Report

The Bank of America *Small Business Owner Report* is a semi-annual study exploring the concerns, aspirations and perspectives of small business owners across the country. The study examines a broad spectrum of topics including the state of the economy, growth expectations, business management and lifestyle issues.

Braun Research conducted the survey by phone between March 17 and April 9, 2012 on behalf of Bank of America. In addition to a nationally representative sample of 1,000 small business owners with annual revenue between \$100,000 and \$4,999,999, the research also includes an oversampling of 300 small business owners in each of 9 local markets, including: Los Angeles, Dallas, Washington, D.C., Metro New York, Boston, Chicago, San Francisco, Atlanta and Miami.

Below please find national and local highlights from the Bank of America Small Business Owner Report.

### Key Findings

#### Revenue Expectations and Job Growth

Small business owners across the country are confident in the future of their own business. Six in 10 national respondents anticipate an increase in revenue over the next 12 months, while nearly one third of small business owners have plans to increase their workforce.

Locally, small business owners plan to:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Hire more employees	31%	33%	19%	32%	25%	29%	25%	28%	24%	29%
Keep the same number of employees	56%	51%	61%	47%	61%	51%	45%	53%	58%	47%
Expect revenue to increase	61%	57%	56%	61%	54%	54%	50%	57%	57%	55%
Market their business to acquire more customers	47%	41%	38%	49%	40%	47%	40%	39%	42%	48%

## Economic Concerns

Despite their optimistic view, the report identified several economic concerns among small business owners. The effectiveness of U.S. government leaders is their most pressing concern nationally.

Additional economic concerns include:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
The effectiveness of U.S. government leaders	75%	71%	65%	74%	65%	70%	69%	68%	56%	67%
Commodities prices (e.g., oil and gas)	73%	72%	62%	65%	60%	73%	64%	68%	62%	66%
Recovery of consumer spending	71%	70%	67%	70%	60%	72%	67%	72%	64%	70%
Health care costs	70%	70%	65%	76%	66%	65%	67%	61%	66%	61%
Credit availability	54%	57%	52%	55%	39%	62%	55%	60%	64%	51%
Global stock market unrest	51%	52%	45%	50%	40%	56%	47%	53%	48%	57%
Trade deficit	47%	50%	39%	44%	45%	56%	51%	53%	49%	41%

## Confidence in Local Economy

Small business owners have more confidence in their local economy than the national economy. When asked about the next 12 months, 42 percent of national respondents expect their own local economic conditions to improve compared to 35 percent who expect the national economy will improve.

Locally, small business owners believe:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
The national economy will improve over the next 12 mos	35%	27%	39%	32%	34%	36%	37%	41%	42%	34%
My local economy will improve over the next 12 mos	42%	31%	46%	37%	45%	39%	35%	50%	52%	48%
My local economy is important to the success of my business	69%	64%	70%	69%	63%	65%	59%	66%	65%	64%

## Stresses and Sacrifices

Small business owners find running their business to be one of the most stressful aspects of their life and are often making multiple personal sacrifices for their business.

The report indicates that managing their business creates twice as much stress as maintaining a healthy relationship with a spouse or partner, nearly three times as much stress as raising children and more than four times as much as managing their own personal finances.

When asked which of the following small business owners find most stressful, they answered:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Maintaining a healthy relationship with a spouse or partner	15%	10%	12%	13%	8%	12%	11%	11%	10%	9%
Raising children	13%	13%	12%	8%	11%	14%	13%	14%	11%	12%
Managing the ongoing success of my small business	38%	39%	42%	42%	41%	39%	40%	44%	39%	42%
Keeping physically fit	20%	19%	20%	19%	20%	24%	21%	19%	21%	21%
Managing my own personal finances	9%	12%	9%	13%	14%	9%	10%	11%	14%	8%

Small business owners tend to put themselves last on their list of priorities, regularly foregoing free time, exercise and other important personal priorities in order to manage their business:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Maintaining a healthy relationship with a spouse or partner	18%	18%	17%	22%	15%	26%	15%	19%	16%	18%
Raising children	15%	9%	13%	12%	10%	19%	10%	16%	13%	15%
Time for yourself	57%	59%	45%	50%	49%	52%	46%	53%	53%	48%
Keeping physically fit	37%	34%	39%	41%	34%	40%	33%	34%	39%	37%
Managing my own personal finances	15%	15%	19%	23%	16%	17%	16%	19%	16%	20%

## Finding and Retaining Talent

While only a portion of small business owners saw an increase in employee turnover in the past year, they expressed concerns related to talent retention, and many struggle to offer the benefits and perks that employees typically expect from an employer.

When asked to describe employee turnover over the past 12 months compared to the year before, close to one in five saw turnover increase. Nearly seven in 10 say it has stayed the same:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Increase	18%	16%	17%	15%	17%	20%	14%	23%	18%	14%
Decrease	13%	6%	12%	8%	9%	16%	13%	16%	18%	16%
Stay the same	68%	77%	70%	74%	72%	63%	69%	59%	62%	66%

Small business owners are concerned they won't be able to find the skilled workers their business needs, and some are worried about competing for talent against larger corporations. When asked to define the number one challenge they face when looking to retain top talent, small business owners answered:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Finding employees with the skills required for your business	22%	22%	19%	25%	32%	19%	25%	20%	27%	14%
Finding employees with a good work ethic	19%	22%	22%	22%	22%	14%	16%	18%	12%	13%
Providing competitive salaries	19%	15%	20%	19%	14%	24%	24%	16%	21%	25%
Providing competitive health care and retirement benefits	18%	10%	17%	11%	11%	14%	10%	21%	19%	16%
Providing the extra perks of larger companies, such as a bonus, flexible hours, child care	12%	14%	10%	7%	13%	19%	8%	13%	9%	16%

When asked about the financial benefit packages that small business owners offer their employees, a surprising 44 percent say they do not offer their employees any kind of financial benefits package. Locally, small business owners:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Offer a 401(k) plan	31%	27%	23%	23%	17%	33%	21%	31%	19%	28%
Offer Health Savings Accounts	16%	16%	14%	13%	9%	16%	10%	10%	15%	23%
Offer a pension	11%	9%	13%	10%	9%	15%	12%	22%	13%	13%
Offer a SEP or SIMPLE IRA	11%	12%	14%	10%	16%	15%	12%	15%	20%	17%
Offer Flexible Spending Accounts	8%	8%	6%	7%	5%	13%	4%	11%	7%	18%
Do not offer a benefits package	44%	47%	37%	50%	50%	39%	49%	35%	39%	32%

### **A Need for Financial Expertise**

The vast majority of small business owners need some level of financial advice or guidance to help them run their business, and many are looking for a deeper relationship with their bank to help them navigate financial matters.

Only slightly more than a quarter of small business owners describe themselves as being very financially savvy when it comes to running their business. The rest say they need occasional or ongoing expert help. Small business owners rely on a wide range of resources for financial guidance:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Accountant/bookkeeper	74%	73%	67%	64%	70%	74%	63%	74%	53%	58%
Financial Advisor	68%	67%	64%	69%	61%	70%	58%	68%	57%	68%
Other small business owners	65%	67%	53%	56%	55%	69%	55%	57%	54%	62%
Family/friends	58%	55%	47%	41%	57%	56%	44%	51%	56%	48%
Banker	49%	53%	46%	46%	45%	43%	35%	53%	42%	41%

## Credit and Cash Management

The majority of respondents believe they have access to the capital they need to run their business efficiently:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
I have access to enough capital to run my business	71%	65%	69%	57%	73%	60%	59%	67%	62%	73%

However, survey findings suggest a good number of small business owners may not be leveraging readily available tools and resources to help make cash management easier. For example, even though 45 percent of small business owners cited not being paid on time as their biggest impediment to cash flow, less than one third (31%) sought guidance from their bank on best practices for expediting collections.

When asked what the biggest challenge is with managing cash flow for your small business, top responses include:

	National	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	Metro New York	San Francisco	Washington, D.C.
Not getting paid on time by clients and customers	45%	46%	42%	46%	47%	37%	40%	38%	40%	39%
Low profits/lack of business	26%	30%	25%	21%	21%	27%	27%	34%	29%	25%
Not getting invoices out in a timely fashion	9%	5%	11%	11%	10%	13%	9%	12%	9%	12%

## Methodology

- Braun Research conducted the Bank of America Small Business Owner Report survey by phone between March 17 and April 9, 2012 on behalf of Bank of America
- The nationally representative sample consisted of 1,000 small business owners in the United States with annual revenue between \$100,000 and \$4,999,999 and employing between 2 and 99 employees
- In addition, 300 small business owners were also surveyed in nine target markets including Los Angeles, Dallas, Washington, D.C., Metro New York, Boston, Chicago, San Francisco, Atlanta and Miami
- The margin of error for the national sample is +/- 3.1 percent, and +/- 5.7 percent for the oversampled markets, with both reported at a 95 percent confidence level