

Fall 2018 Small Business Owner Report

Letter from Sharon Miller



We are pleased to present the fall 2018 Bank of America Small Business Owner Report, a semiannual study that explores the perspectives, aspirations and concerns of small business owners around the country.

This fall's report finds business owners poised to end 2018 on a high note. Four in five entrepreneurs anticipate year-over-year revenue growth, and many plan to expand their businesses. Strengthening these growth plans is a groundswell of economic optimism as business owners are increasingly confident in the continued positive performance of both the national economy and their local economies.

At the same time, concern over many economic issues has abated. While health care costs continue to top the list of small business worries, concern about this issue has dropped to its lowest level in six years. Similarly, anxiety over corporate taxes has reached a new low, decreasing significantly from this time last year.

Small business hiring plans are also on the rise, having peaked to their highest level in three years. This surge, however, brings a new challenge to the forefront: finding qualified talent in one of the most competitive job markets in half a century.

Pointing to the tightening labor market, more than half of business owners who sought to hire in the past year say they had difficulty finding qualified candidates, which has hampered business growth. As a result, many entrepreneurs are modifying hiring strategies and highlighting the benefits of a small business work culture to increase their chances of landing top talent.

Finally, reflecting on their careers, the vast majority of business owners say they would advise others to pursue entrepreneurship as a career path despite the stress of business ownership. This positive energy can be seen in entrepreneurs' holiday plans, as a majority intend to make charitable contributions and offer holiday perks to their employees.

Whether you've been in business for decades or are just starting out, Bank of America is committed to helping provide you with a competitive advantage to sustain and grow your small business.

Sharon Miller, Managing Director, Head of Small Business, Bank of America

Methodology

GfK Social and Strategic Research conducted the Bank of America Small Business Owner Report Survey for Fall of 2018 online between August 30 and September 13, 2018 using a pre-recruited online sample of small business owners. GfK contacted a national sample of 1,067 small business owners in the United States with annual revenue between \$100,000 and \$4,999,999 and employing between two and 99 employees. In addition, a total of approximately 300 small business owners were also surveyed in each of ten target markets: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, San Francisco and Washington, D.C. The final results were weighted to national benchmark standards for size, revenue and region.

Prior to 2016, previous waves of the Small Business Owner Report Survey were conducted by telephone and while best efforts were made to replicate processes, differences in sample, weighting and method suggests caution when making direct statistical comparisons of the results from pre-2016 and post-2016.

Contents

2

Economic confidence remains high as concerns fade

3

Revenue, growth and expansion plans on the rise

4

Competition for talent intensifies

5

Adapting hiring strategies to a tight labor market

6

Searching for talent and attracting candidates

7

Millennial optimism and hiring challenges

8

Career path reflections

9

Holiday and local market spotlights

10

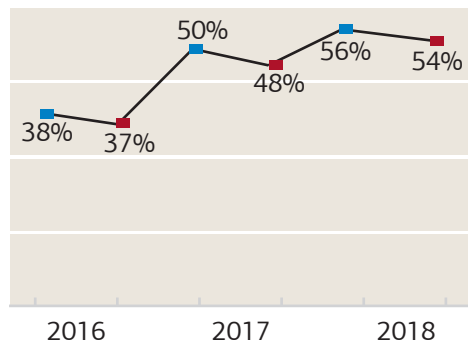
Client profile

Economic confidence remains high as concerns fade

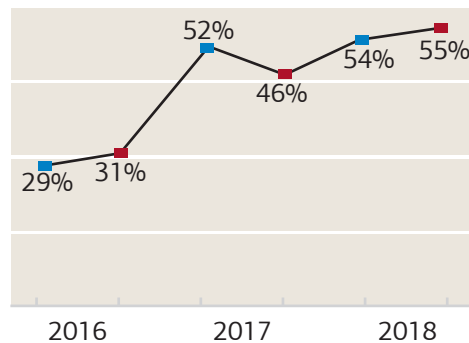
Small business owners' confidence in the economy remains strong, holding in line with the three-year high established in spring 2018.

Bullish economic outlook

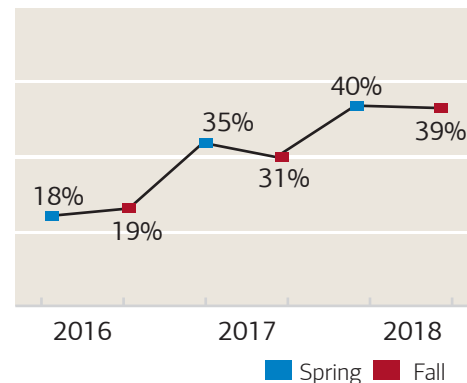
My **local** economy will improve over the next 12 months



The **national** economy will improve over the next 12 months

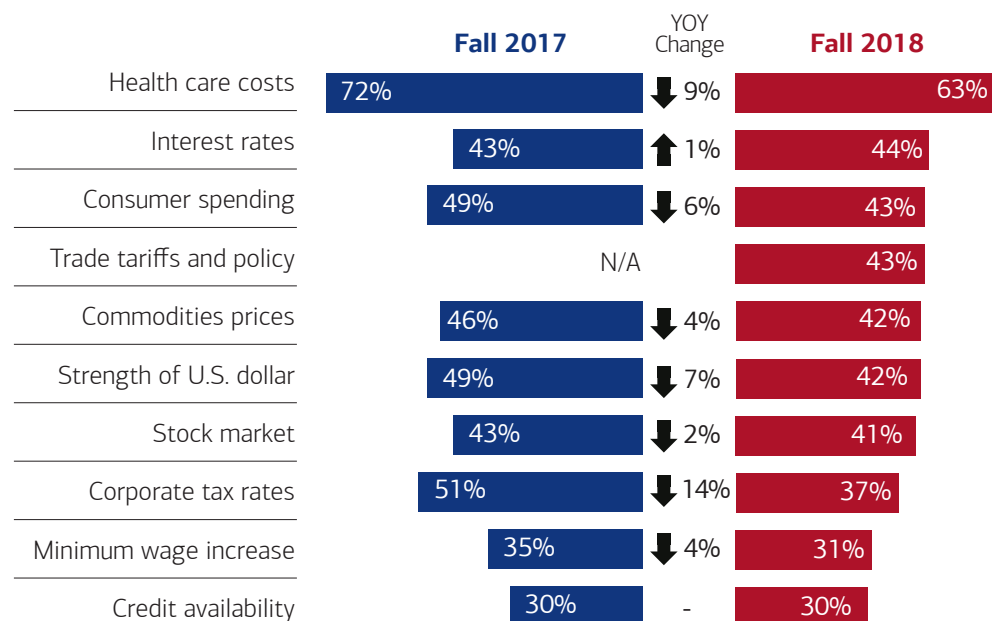


The **global** economy will improve over the next 12 months



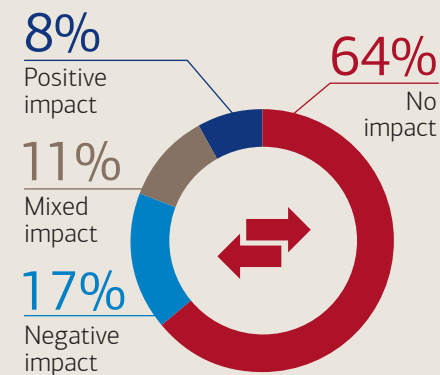
In correlation with the positive economic outlook is a drop in concern over most economic factors shaping the business environment. While health care costs remain the top-ranking issue, it has dropped to the lowest level in the six-year tracking history of the survey. Nearly a year after enactment of U.S. tax reform, concern over corporate taxes has also hit a new low.

Declining economic concerns



Trade spotlight

Thirty-six percent of business owners say the latest tariffs and U.S. trade policy have impacted their business.



Revenue, growth and expansion plans on the rise

Most entrepreneurs are poised to end 2018 on a positive note, with four in five anticipating year-over-year revenue growth.

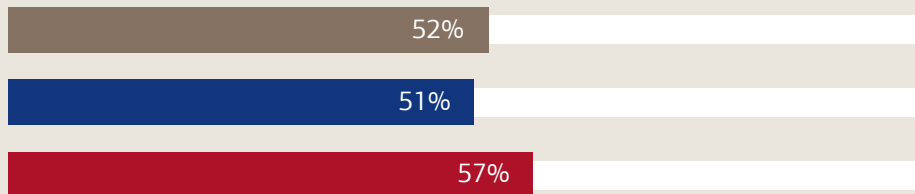


Rising revenues paired with the positive economic outlook are setting the stage for a year of robust expansion. Intent to seek loan financing is also up, nearly doubling from one year ago.

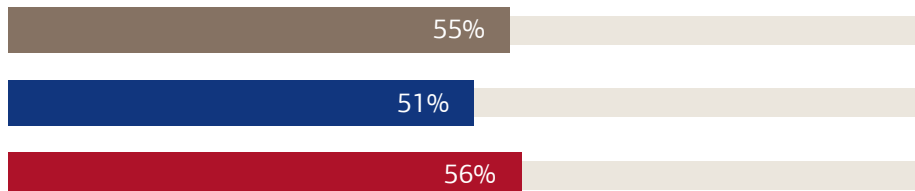
■ Fall 2016 ■ Fall 2017 ■ Fall 2018



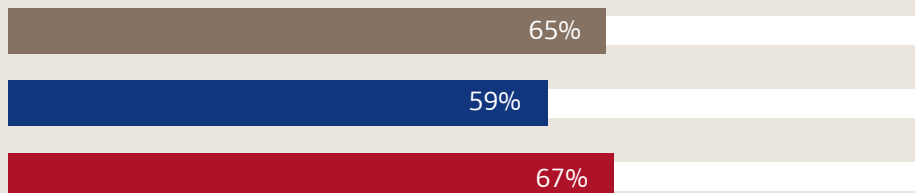
Expect revenue to increase over the next 12 months



Plan to grow business over the next five years



Plan to expand in the year ahead



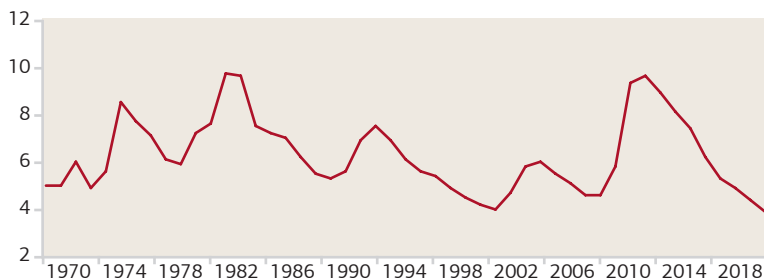
Intend to apply for a loan in the year ahead



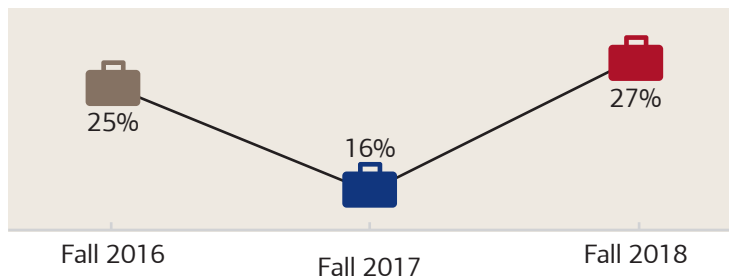
Competition for talent intensifies

While business owners are pleased with the direction of the economy and planning for growth, they are confronted with a new challenge. More entrepreneurs are looking to hire in the year ahead against the backdrop of one of the tightest job markets in half a century.

Unemployment rate trends*



Plan to hire over the next 12 months



A look back at turnover and hiring trends over the last year shows signs of challenge. Of business owners who sought to hire in 2018..

58% report difficulty finding qualified candidates to fill vacant roles

50% believe the tightening labor market had a direct impact on their ability to hire

25% believe it took more time to fill positions this year than in 2017

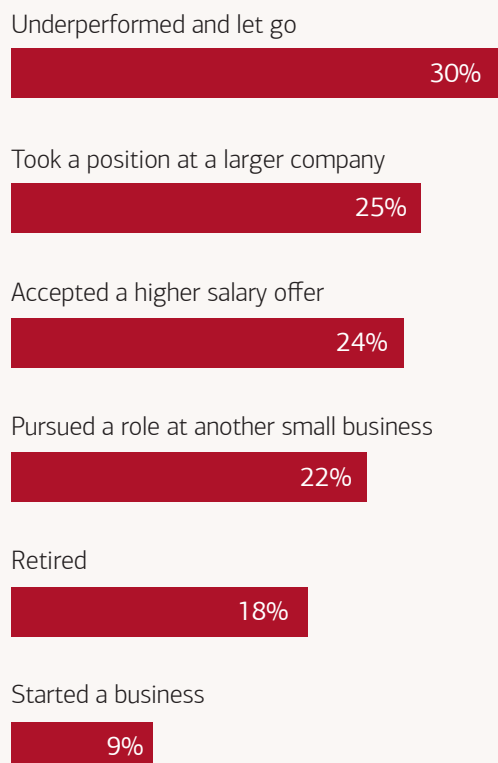
Over the last year...

24% of business owners had at least one employee departure

11% of business owners lost at least 10% of their workforce

EXIT

Reasons for employee departures

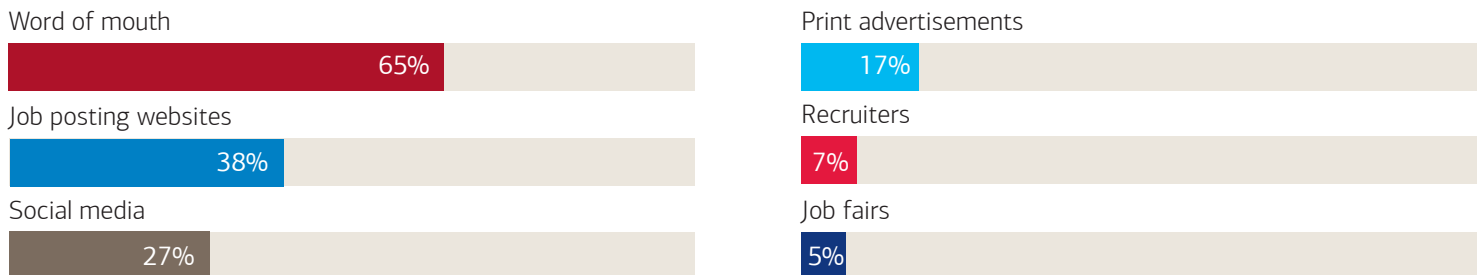


*September unemployment rate from 1968 to 2018
Source: U.S. Department of Labor, Bureau of Labor Statistics

Adapting hiring strategies to a tight labor market

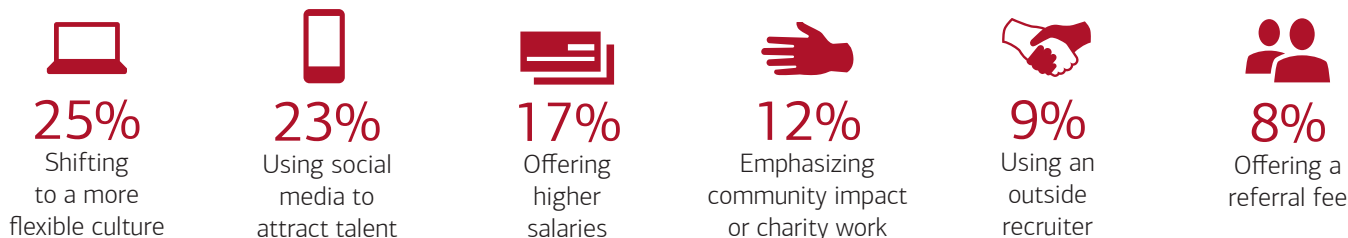
As the competition for talent heats up, business owners share their strategies for hiring and how they're adjusting to recruit in a tight labor market.

Top tactics I use to find, recruit and hire qualified candidates include...



Eighty-two percent of business owners say less than half of their job applicants are qualified.

To attract higher quality candidates in a tight job market I am...



The inability to fill vacant positions has significant ramifications, as many business owners say they or their employees absorb the extra work.

When hiring strategies haven't worked, I've adjusted by...



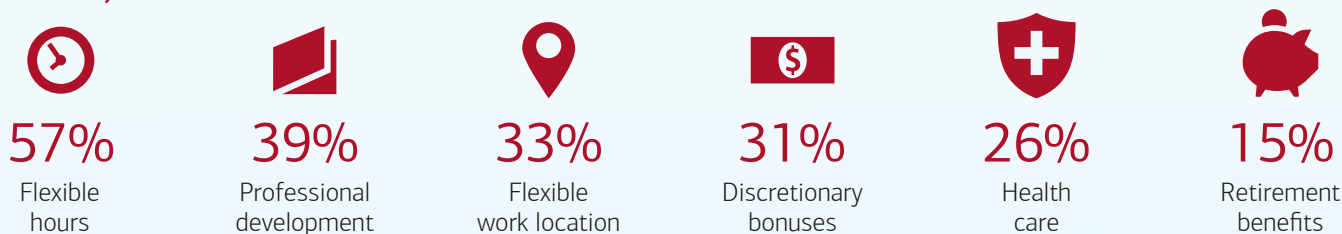
Searching for talent and attracting candidates

As business owners search for talent, they are twice as likely to value integrity over education.

The top characteristics I look for in job candidates include...

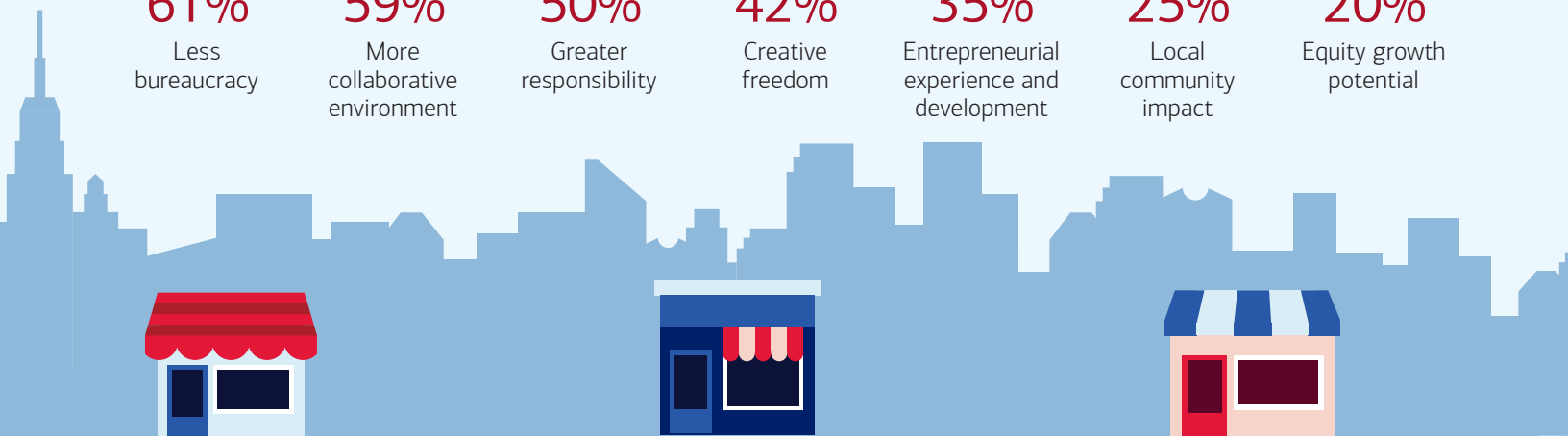


Eighty-two percent of entrepreneurs offer at least one perk or benefit to attract job candidates, such as...



As the competition for talent heats up, business owners are not willing to cede ground to larger firms that are presumably better resourced to compete on salary and benefits.

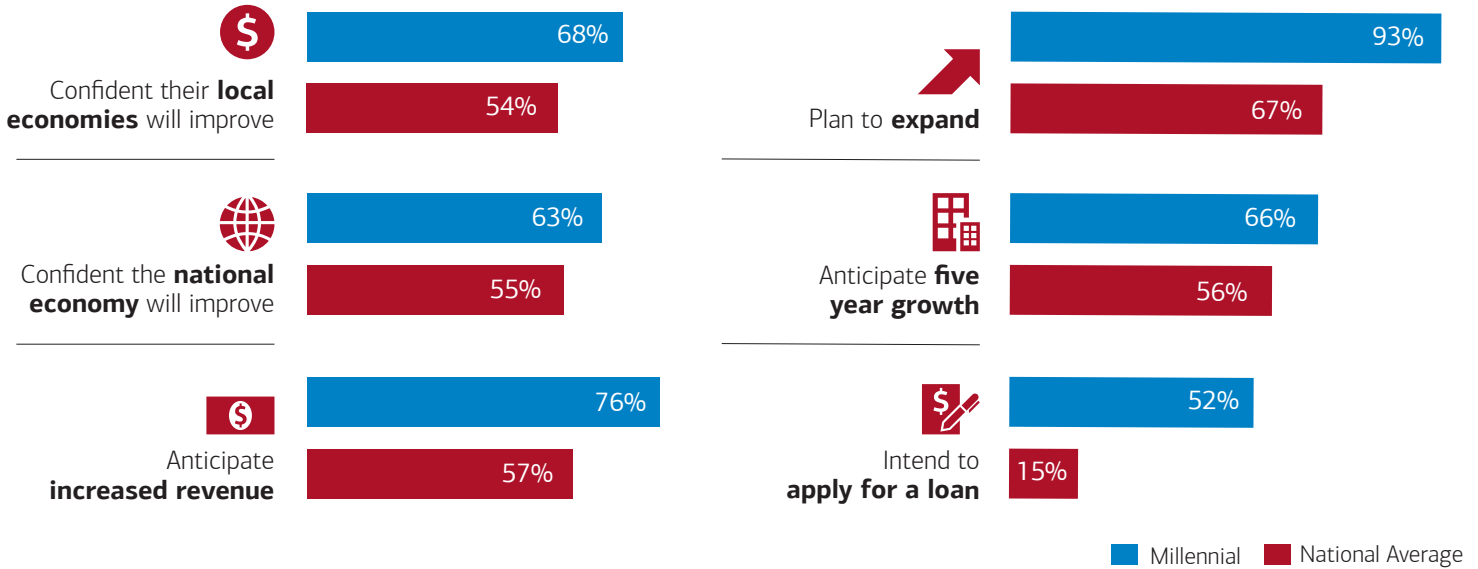
Many believe working at a small business offers compelling advantages, such as...



Millennial optimism and hiring challenges

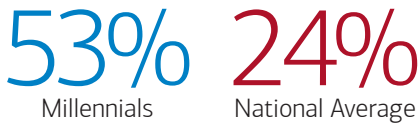
Millennial economic and business outlook

While millennial entrepreneurs are more confident about their 2019 business outlook than the national average, they also appear to face greater challenges with both employee retention and hiring.

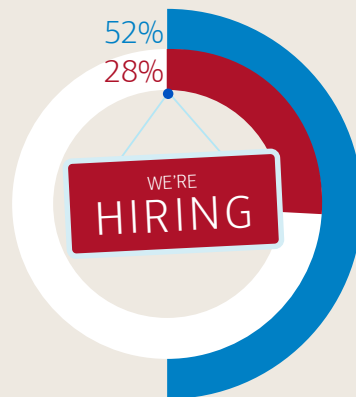


Millennials on hiring and retaining talent

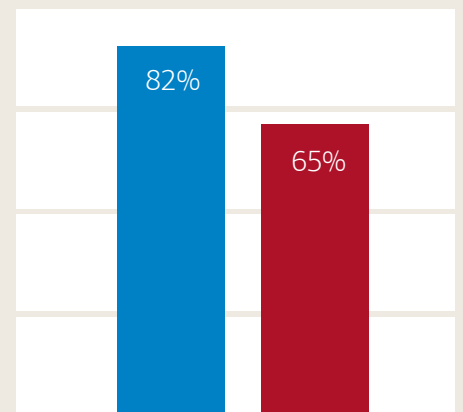
I've had at least one employee leave over the last year



Due to low unemployment, I haven't been able to fill most or all open positions...



...and as a result, it has limited my business growth.



Plan to hire in the next 12 months



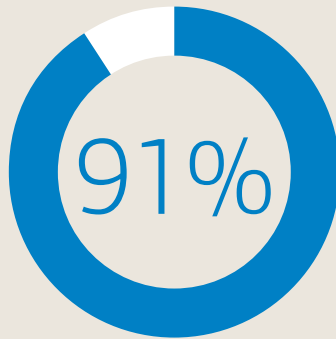
■ Millennial ■ National Average

Career path reflections

Despite the unique challenges of managing a small business, entrepreneurs love what they do and are highly likely to recommend that others follow in their footsteps.



I would recommend entrepreneurship as a career path.



I believe the stress of being an entrepreneur is worth it.



I believe the following factors have been most important in shaping my business' success...



97%
Hard work



96%
Perseverance



85%
Education and training



78%
Strong business plan



76%
Personal network



68%
Access to capital



67%
Mentors



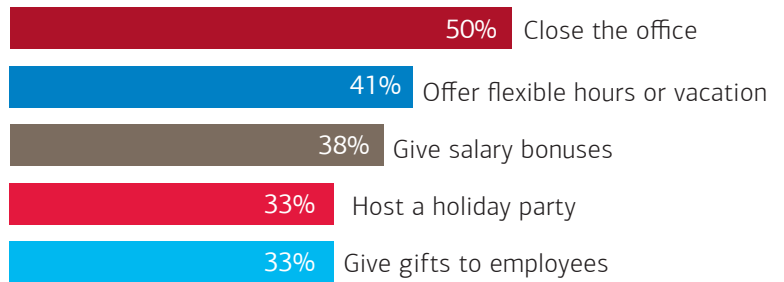
56%
Luck

Holiday and local market spotlights

Business owners are feeling the holiday spirit as the majority plan to offer holiday perks to employees and make charitable contributions.



This holiday season, I plan to...



I plan to give back this holiday season by...



Snapshot of business owners around the country



Client profile

Michael Jalileyan, Caviar & Caviar USA

When it comes to caviar, most people think of special occasions or the holidays, but for Michael Jalileyan caviar is just another day at the office. Drawing from his family's 30 years of experience in the business, Jalileyan launched Caviar & Caviar USA in Miami – just as the U.S. was beginning to find its post-recession footing in 2010. In spite of the challenging economic environment, Jalileyan and his team quickly rose above the competition by offering the highest quality products, providing top-notch client service, and utilizing eco-friendly and sustainable methods.

Jalileyan has worked tirelessly to push his business into its current position as one of the top domestic suppliers of caviar, offering a wide selection of high-grade varieties under the brand name Sasanian Caviar. Even with an extensive product list, Jalileyan has kept his pricing competitive, especially when compared to most foreign suppliers – making Caviar & Caviar USA a favorite among top chefs and premium grocery stores alike. Jalileyan has even started to supply to high-end establishments, including Four Seasons, The Ritz-Carlton and St. Regis properties.

To succeed with a national sales model, Jalileyan knew he would need to look beyond one-time, “special occasion” caviar buyers and focus on regular, repeat customers. Working with his Bank of America small business banker, he launched a series of aggressive sales initiatives and developed an expansion strategy to fulfill a larger volume of orders during busy seasons and further diversify its offerings.

Naturally, this expansion has created the need for more employees, but finding qualified candidates amid a tightening job market has been challenging. “Before, we would put an ad out for an entry-level salesperson position and receive up to 300 résumés,” said Jalileyan. “Now we put out the same ad, and sometimes we only receive 50 résumés.”

In spite of these challenges, Jalileyan believes in his team and is confident in his product. “The bullish economy combined with our expansion strategy has led to growth all around,” Jalileyan said. Heading into the new year, he hopes to continue to bring Caviar & Caviar USA products to customers looking for great taste, quality and flavor they can count on again and again.

