

Small
Business
APPRECIATION



What Small Businesses Do Better

As with any other sector, small businesses must create, market and sell products and services that meet customer needs. But things are otherwise often very different.

Everyone who works for a small business is a neighbor, the parent of a child's classmate, a friend. That makes these shops and stores perfect for anyone who has grown weary with the detached feel of big-box shopping or online retail. Face-to-face interactions with real people are their calling card, and that personal touch can make all the difference in our busy lives.

Their websites and social media pages also typically extend the same personable attitude that shapes the brick-and-mortar segment of their business. Someone who works at the front desk, main check-out or drive-through window is typically the person managing the online presence for a small business. You can make a web order knowing an engaged member of your community is on the other side of the screen.

This focus on individual customer experiences and tighter circle of responsibility means that small businesses are far more nimble than their larger counterparts. They can easily adapt should



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there be a shift in market conditions. They can also quickly make needed changes in approach or a product line by observing their neighbors' varying preferences in real time – or from one-on-one feedback from community members just like you. A multi-millionaire CEO isn't likely to talk to area residents to glean ideas, where-

as a local business owner is also a regular at barbershops and diners where these conversations thrive.

Because small businesses rarely have large staffs, everyone is typically cross trained to do all of the necessary work. That means the next time you stop by or call, you're likely to find someone who can answer

a broad range of questions – without having to transfer your call or arrange a discussion with a co-worker. These knowledgeable employees also play a huge role in helping hometown companies remain adaptable in the face of change.

Small businesses can take chances that sprawling corporations simply can't. They have

the ability to try out new products without a huge capital outlay, or the risk of nationwide coverage if the idea doesn't take off. They can also base their operations, or open new branches, in places which might not have the population base to support larger companies, giving lifeblood to the smallest of our towns.

Pandemic Changes

Smaller brands are uniquely positioned to benefit from pandemic-inspired consumer trends. In fact, local companies were one of the primary beneficiaries as consumers moved out of quarantine and back to daily life.

Most of us stayed closer to home, patronizing neighborhood places. There was also a growing appreciation for the more personalized online presence typically found with small businesses. Social commerce, particularly on Instagram, skyrocketed – lifting many hometown companies with locally sourced projects.

Consumers who had been traditionally fed a diet of supersized brands started thinking small again, ditching big-box store shelves and websites for personal interaction with a neighborhood seller. Now some 75% of consumers tell Brightpearl that they intend to do more local shopping in the coming year.

Shop-local initiatives that had been seeded for years finally bore fruit, with a majority of consumers patronizing some sort of local business, according to Accenture findings. Experts believe these behavior trends will continue, as we leave sheltering in place



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behind. Consumers came to understand that local shopkeepers and their employees were frontline workers too, and built new bonds with small businesses everywhere.

More than 85% of consumers plan to continue or increase their work-from-home hours, having a direct impact on small business. As they permanently shift to this

model, connections with the nearest mom-and-pop companies will only deepen. At-home work has also led to a boost in local delivery and dining services, as workers seek out easier meal solutions. Small business startups are regularly innovating in this sector at a far faster pace than larger brands.

Profitability for small busi-

ness undoubtedly took a hit, as 71% said the rise of COVID-19 negatively impacted their revenue, according to a new Goldman Sachs survey. Inflation, hiring gaps and supply issues remain as major concerns. But there was actually a huge uptick more recently in small businesses launches: Faced with a global health crisis, entrepreneurial types

began turning their passions into a living.

The latest Small Business Index, compiled each quarter by the U.S. Chamber of Commerce in conjunction with MetLife, just notched the highest optimism reading since the pandemic began. They placed the score at 63, up from 39.5 in 2020's second quarter – a record low.

Start Your Own Small Business

The benefits to starting a small business are many and, in the digital age, getting started has never been more economical.

Still, it's a big leap. If you think you're ready to pilot your own future, here are a few key tips from the U.S. Small Business Administration.

DO YOUR RESEARCH

Whatever you decide to create or sell, keep in mind that it doesn't have to be the first of its kind. In fact, many of the most successful small companies were founded on an innovative improvement on something that already exists. Either way, it's important to research the market before entering. If the field is already crowded with similar products or services, you might need to continue developing your idea.

HAVE A PLAN

Once you've gotten past the research phase and are confident that you have a place in the market, you'll need a roadmap. It's easy to forget the big picture in the early days of starting a small business, because there is simply so much to do. A good business plan could also help you get ahead with recruiting team members and potential investors.



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SECURE FINANCING

Part of your plan will involve designating the exact amount of capital needed to get your small business up and running. Be honest about the costs, because you may need to seek outside funding. Lenders or investors will want a full accounting of outgoing money, along with projected

income, before deciding to back your idea. If you're using your own money and come up short, you could be putting your personal solvency at risk.

FIND A LOCATION

Many of the hottest new startups are beginning life in an entrepreneurial dreamer's living room. But if your plan

includes a brick-and-mortar site, begin looking early. This process could take a while depending on the real-estate market in your area. Look for a highly visible location that isn't too large for your immediate needs. Remember to factor in property taxes and associated municipal fees when deciding on what you can afford.

LICENSING AND PERMITS

In order to operate legally, owners are required to apply for and hold a variety of permits and licenses. The specifics depend on your locale, so check with local officials. You will also need to obtain a tax ID, which works like a Social Security card for your new small business.

Revitalizing Downtown

Businesses with fewer than 500 employees and revenue of less than \$7 million make up an astounding 99.9% of the economy, according to the U.S. Small Business Administration.

These so-called “main street” businesses make up about two-thirds of that total, employing as many as 24 million people, according to SBA figures.

Cities from Indianapolis, Indiana, to Greenville, South Carolina, to Oakland, California, to Chattanooga, Tennessee, have become shining examples of how small businesses can turn once decrepit downtowns into popular destinations for locals and tourists alike. Public and private partnerships complete the puzzle, but without mom-and-pop startups, these visions for the future would never have become a reality.

Revitalization efforts might start with a more concerted effort to showcase natural beauty, as it did with Falls Park in Greenville. Chattanooga stitched together a community of nonprofits, elected officials and local citizens to help construct walking paths, parks and other attractions along the Tennessee River. Indianapolis likewise focused on creating an eight-mile bike and pedestrian



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path. But “building public spaces alone does not create thriving downtowns or city centers,” as the Knight Foundation notes.

Instead, it’s small businesses. They attract customers and then developers, who in turn increase local housing opportunities that improve walkability. With more foot traffic comes still more main street

startups. Restaurants, independent coffee shops, bookstores, boutique hotels, bistros and bars begin popping up, along with art districts and farmer’s markets.

The area is suddenly reborn. Residents in Alton, Illinois, have seen it – as have those in Bristol Borough, Pennsylvania, and Wabash, Indiana, too. All three were featured in a docu-

mentary called “Small Business Revolution” that highlighted success stories from across the country.

A sad process of outmigration, sparked by the departure of these kind of companies, is finally being reversed. The supermarket boom of the 1950s and ‘60s led to mass closures of downtown markets and butcher shops. Strip-

shopping concepts in the following decade led to the departure of pharmacies, shoe stores and clothing outlets. By the ‘80s, downtowns were picked clean as any remaining business shifted to malls and big-box stores.

Residents followed it all out to the suburbs. Now, they’re finally coming back – and we have small business to thank.



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Understand the Challenges

Opening a small business is an exciting prospect, but there are also inherent issues that every owner has to face — from financing to budgeting issues to market changes.

Becoming more aware of what you're facing will help smooth the way for any startup decision. Here are a few things to look out for.

MONEY MANAGEMENT

Most failures can be chalked up to cash-flow issues, either because of poor pre-planning or financial management once the startup is underway. Proper budgeting and bookkeeping are a must if you hope to avoid becoming a statistic: One in five small businesses close with their first year of doing business.

FINANCING ISSUES

It's difficult to arrange the proper financing for small businesses, and that can leave new owners with big issues as work begins. In fact, fewer than 14% of big banks — meaning those with an excess of \$10 million in assets — were even approving a small-business loan in 2021. That's half of the pre-COVID

Don't use a personal account for business expenses, keep track of everything, and pay close attention to your tax obligations.

percentage. Small banks were more likely to help, but were still only at a 19% rate. Before the pandemic, smaller banks were approving more than 50% of these loans. At the same time, about 27% of small businesses did not receive any emergency COVID relief earmarked for them by the federal government.

BUSINESS PLAN

About 25% of small businesses shutter because of poor cash flow or low sales, according to an annual survey of entrepreneurs conducted by the U.S. Census Bureau. That's why a well-constructed business plan is so important, since it helps guard against creating a product or service that's unneeded.

Study the market and make grounded assessments of what might sell; if you're unsure, ask a local expert in the field.

THE BOTTOM LINE

More than 100,000 small businesses permanently closed since March 2020 because of issues relating to the pandemic. Closure rates in the restaurant sector were even higher, as three percent of all stores went out of business. But things are tough even in the best of times: On average, only 55% of small business are still operating after their fifth year. A striking 20% of them fail within a single year. You don't have to be one of them. Focus on money and management, the most cited reasons that small businesses end up failing.

Hot Small Business Startups

Small businesses were hit hard by the pandemic, but as the economy bounces back so does the opportunity to take advantage of new areas of the marketplace.

Here's a look at some of the hottest new small business startup ideas.

REAL ESTATE AGENT

Selling homes can provide both a rewarding new career option, and the chance to be your own boss. You'll need to pass an exam to become a real-estate agent, but in time could work your way up to broker status, where other individual agents report to you.

HOME HEALTH OR DAYCARE

Education requirements vary by state, but working as a home-health or daycare provider offers an opportunity for outreach for people who love to work in service of others. Specific licensing is also typically required to operate this type of business from your home.

DATA ENTRY/TRANSCRIPTION

If you're tech savvy and pay attention to detail, you could start a freelance business in data entry and/or transcrip-



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tion. Just be aware that you'll need superior skills in typing.

DOG COMPANION

Anyone with a natural affinity for dogs might consider this concept, which may include walking or grooming someone's canine buddy. Specialized instruction isn't necessary to become a companion, but the role can serve as a kind of apprenticeship for a possible career in the areas of dog training or even veterinary medi-

cine – both of which do require additional education.

SOCIAL MEDIA SPECIALIST

Early adopters and social influencers are particularly well qualified for new careers as social media specialists. You'll offer consultation and online implementation to other area small businesses. Best of all, a startup like this can fit around any schedule, since it can be done on a full- or part-time

basis. You can even work as an occasional consultant.

HOME STAGING

Are you an amateur interior designer? Why not become a specialist in updating the decor as homes are prepared for sale? These jobs may focus on anything from small spaces, like an entry way or foyer – to entire rooms. You'd typically be contracted before a photographer arrives to take pictures for the real-estate listing, before show-

ings get underway, prior to an open house, or if a home has been available for longer than expected.

FOOD TRUCK OPERATOR

Love to cook but don't want the hassle of creating and maintaining a restaurant space or catering service? Food trucks are an ideal way to indulge in a penchant for all things culinary, primarily because they only operate when and where you want them to.

Numbers to Know

Here's a look at some facts and figures that put the sweeping impact of small businesses on our economy into perspective.

JOB CREATORS

Half of all American employees work for a small business. These companies have created an average of 525,000 new jobs annually since 2000. Today, Zippia reports that an amazing 61.2 million people are employed by some 32.5 million U.S. small businesses.

MINORITY AND FEMALE EMPOWERMENT

Women own 32% of small businesses, according to Guidant Financial and the Small Business Trends Alliance – more than at any other time in U.S. history. There were almost 125,000 Black-owned small businesses in 2021. They also helmed the largest number of companies in the social-assistance and health-care sector of any minority group.

EMPLOYEE COUNT

About 5% of the U.S. workforce is employed at a company with 1-4 employees, according to data from the U.S. Census Bureau. Almost 13% are employed by businesses with 5-10 workers. Nearly 17% work for compa-



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nies with 20-99 employees, and 14% are employed by those with 100-499.

YEARS OF STRUGGLE

Some 80% of small businesses survive for one year, but then the numbers plummet. Research shows that 55% are closed within five years, and 30% after 10 years. If your startup survives 15 years, then you've avoided becoming one of the 25%

who shutter by that point.

PANDEMIC FALLOUT

It got even tougher for owners over the last couple of years. Some 23% of small businesses closed as a direct result of the pandemic, Zippia reports. Meanwhile, the average loan from the Paycheck Protection Program was \$46,000 in 2021.

AGE BREAKDOWN

About 30% of Americans say

they are self-employed, but those numbers vary widely by age. The largest group of American small business owners is between 41-56 years old, at 46 percent. Those who are 57-75 own 41%. Some 13% of your small business are owned by those who are 25-40, and 1% by those who are younger.

BROADER IMPACT

A record for new business applications was set in 2020,

prior to the pandemic. Overall employment at small businesses is now down to about 47% , from more than 52% at the turn of the millennium, but the impact of these jobs is still incredible: All but 0.1 percent of our economy is derived from small business output, meaning those with fewer than 500 workers. Some 45% of all American economic activity is tied to small businesses.