BANK OF AMERICA

2023 Small Business Owner Report





Letter from Sharon Miller, President, Small Business, Head of Specialty Banking and Lending

I am pleased to present the 2023 Small Business Owner Report, our latest survey that explores the perspectives, aspirations, concerns and future outlook of small business owners across the country.

Even with continued external pressures, small business owners are bullish about their business prospects in the coming year. Two-thirds of business owners anticipate increased revenue over the next 12 months, and nearly half of business owners plan to expand their business this year – up 11 percentage points since last spring.

While business confidence is increasing, confidence in the national economy remains low, with just 34% of business owners expecting the national economy to improve over the next 12 months. Concerns about economic factors, including commodities prices and interest rates, are top of mind for business owners.

Inflation and supply chain disruptions continue to impact business owners, and many have raised their prices to counter the effects. Nearly three-in-four small business owners also see a potential economic recession as a top concern this year. In spite of concerns, over three-quarters of entrepreneurs believe their business is equipped to survive a recession and many plan to reevaluate their business plans to adapt to the current economic environment.

In a tight labor market, small business owners are staying competitive by investing in their staff. Over the past 12 months, more than half of small business owners implemented additional benefits to retain talent, as 75% of these business owners reported that their efforts meaningfully impacted employee morale and retention.

As we look ahead to the rest of 2023, small business owners plan to implement more digital capabilities, such as artificial intelligence, that will continue to be critical for business efficiency and success. Entrepreneurs are also cognizant of their business' environmental impact. Three-in-four small business owners say they are committed to running a sustainable business and are motivated to implement sustainable business practices to address their business' environmental impact and save money over time.

Despite the challenges presented throughout the past year, I am inspired by the persistent determination of business owners throughout the country. Whether you've been in business for decades or are just starting out, Bank of America is committed to helping provide you with the resources necessary to manage, sustain and grow your business.

Methodology

Ipsos Public Affairs conducted the Bank of America 2023 Small Business Owner Report survey online between March 16 and April 10, 2023 using a pre-recruited online sample of small business owners. Ipsos contacted a national sample of 1,145 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, approximately 250 small business owners were 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 for the national and designated market area segments 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.

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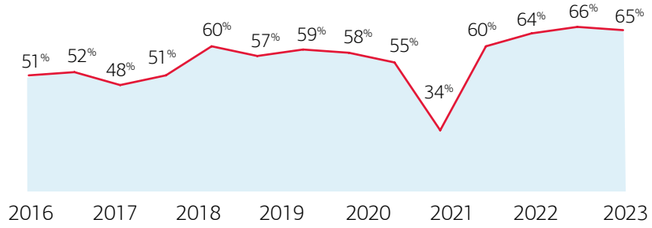


Business & Economic Outlook

Small business owners have a positive business outlook and most believe their revenue will increase over the next 12 months.

Over the next 12 months...

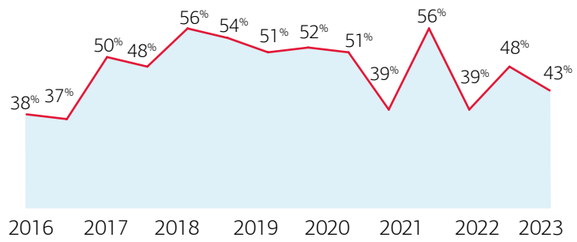
I expect my revenue to increase



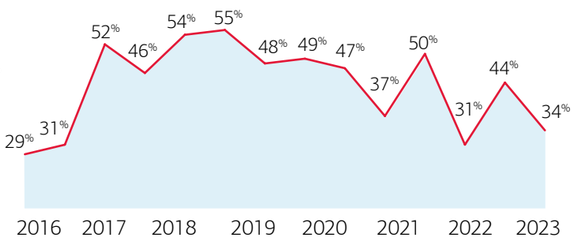
56% of small business owners said their revenue was higher in 2022 than in 2021

Although economic confidence remains low, it has slightly increased since last spring.

My local economy will improve

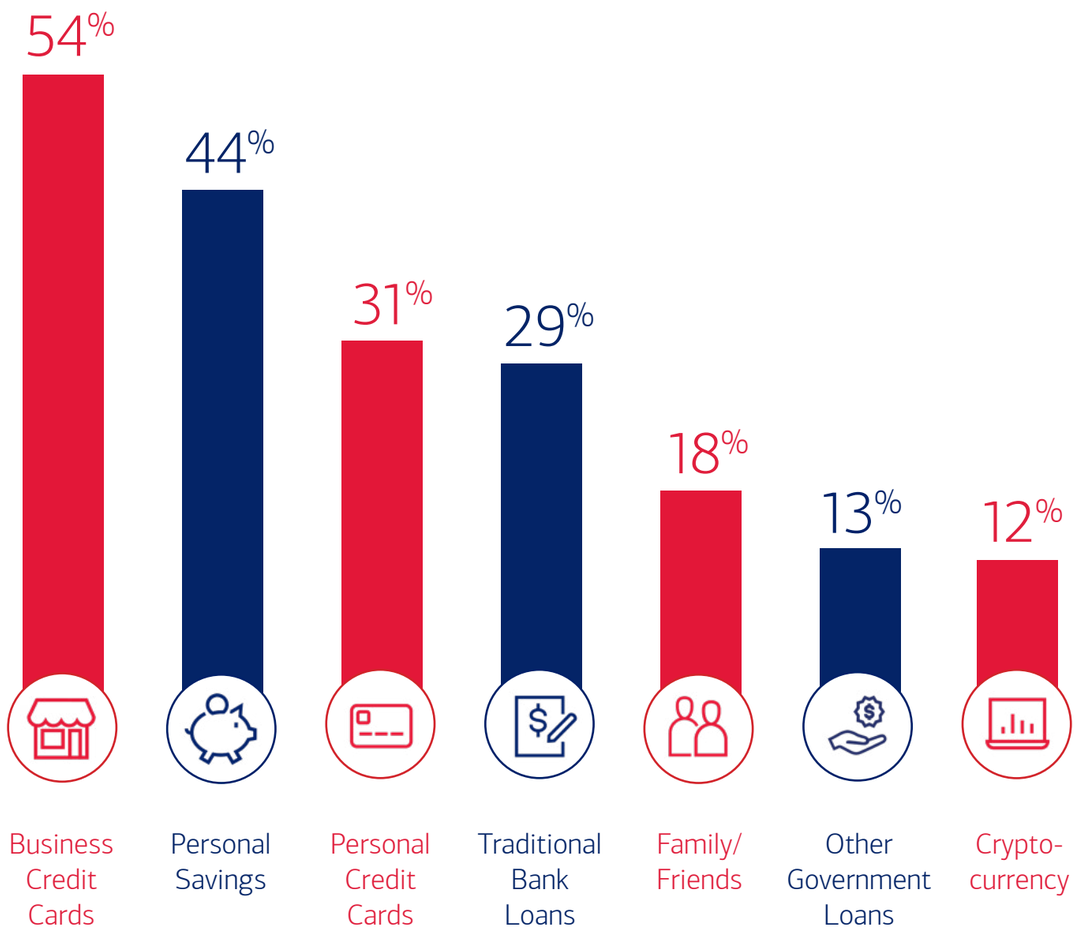


The national economy will improve

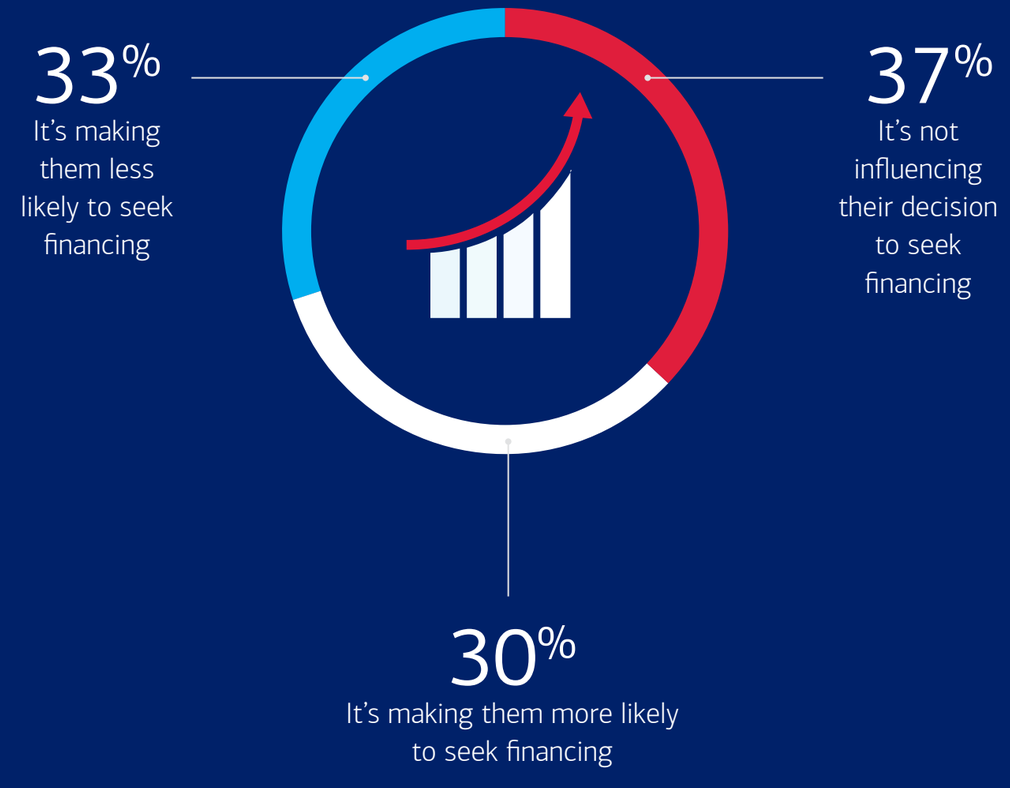


In the year ahead, 82% of business owners plan to obtain funding for their business, up 12 percentage points from last spring.

Of those looking to fund their business, they plan to use:



Small business owners are split when evaluating how rising interest rates impact their decision to seek financing for their business:

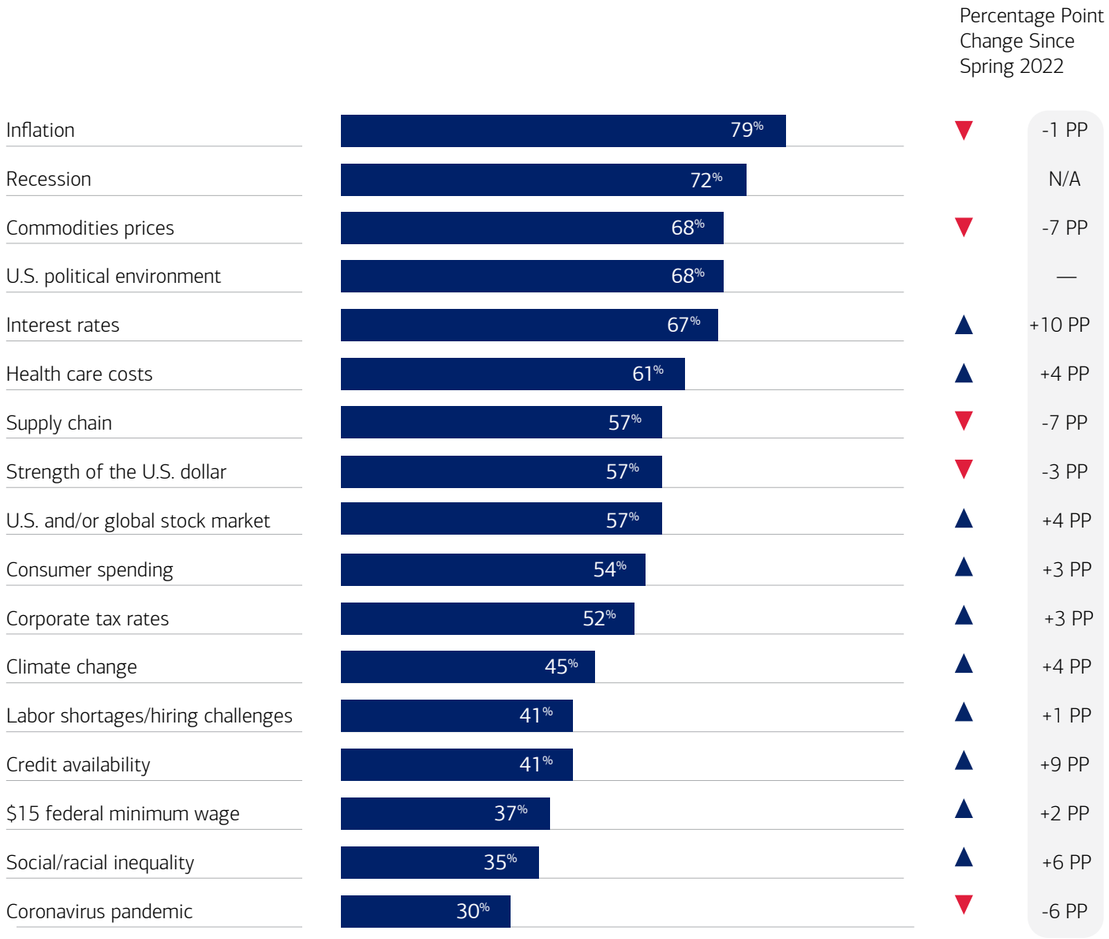




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Economic Concerns

Business owners' concerns remain high around inflation, commodities prices and supply chain issues. Concern over rising interest rates also grew over the past year, as two-thirds of business owners are concerned about the current level of interest rates.





Inflation and Supply Chain Impacts

Inflation and supply chain issues continue to drive operational changes and price increases. Nearly nine-in-ten entrepreneurs say their business is currently impacted by inflation, while supply chain disruptions have decreased slightly year-over-year.

88% say inflation is currently impacting their business.

Due to the impacts of inflation, business owners are:

- Raising prices: 60%
- Reevaluating cash flow and spending: 42%
- Reducing business costs: 31%
- Losing sales: 26%
- Increasing employee wages: 23%

73% say supply chain issues are currently impacting their business.

Due to the impacts of supply chain issues, business owners are:

- Raising prices: 49%
- Having difficulties sourcing products and supplies: 34%
- Delaying delivery of goods and services: 34%
- Losing customers: 19%
- Reducing their products/ services offered: 19%

79% of business owners say they've raised their prices over the past 12 months and on average, business owners have raised prices by **9.9%.**



Future Plans & Concerns

Over three-in-four entrepreneurs say their business is equipped to survive an economic recession, while most acknowledge a recession as a concern this year. Still, nearly half of business owners are planning to expand.

76% of small business owners say their business is equipped to survive a recession.

72% of entrepreneurs expressed concern of a recession.



- 15% Once a month
- 46% Once a quarter
- 25% Once a year

Still, 48% of entrepreneurs plan to expand their business in the year ahead, up 11 percentage points since last spring.



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Employee Retention & Labor

Over half of business owners say labor shortages are affecting their business, forcing them to work longer hours and raise wages. Entrepreneurs are investing in staff to help grow and scale operations long-term.

52% of business owners say they are continuing to feel the impacts of labor shortages.

Of those business owners, they are:

Working more hours

49%

Having difficulty filling job openings

33%

Raising wages to attract talent

31%

Modifying their business' hours

26%

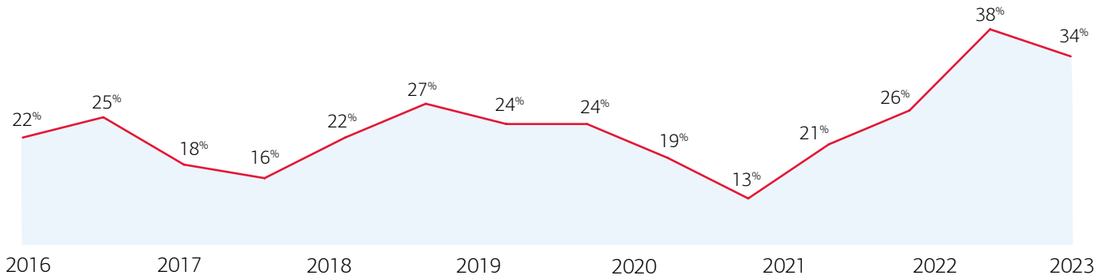
Reducing their products/ services offered

24%

Losing customers due to staffing issues

21%

Despite labor impacts, 34% of business owners plan to hire more employees this year, up 8 percentage points from last year.



To attract new talent:



- Increased base pay for new employees — 54%
- Modified policies to allow remote/hybrid work — 30%
- Introduced new employee training or resource groups — 27%
- Provided additional healthcare benefits — 27%

To retain employees:



- 34% Modified policies to allow remote/hybrid work
- 34% Offered cost-of-living bonuses
- 33% Increased paid time off
- 25% Introduced new employee training or resource groups



Of the business owners who added new benefits to retain employees, 75% say that the additions have meaningfully impacted employee morale and retention.

Over one-third of business owners plan to raise wages, and will have to increase prices, find more affordable suppliers and cut their own pay to do so.



To raise wages, they will need to:

- Increase prices — 58%
- Find more affordable suppliers — 38%
- Cut their own pay — 22%
- Reduce staff — 12%



60%

of small business owners say they currently pay all employees above minimum wage, regardless of experience.



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Sustainability

Despite challenges and upfront costs, business owners are committed to sustainability and plan to implement sustainable practices over the next 12 months. Three-quarters of small business owners have already implemented sustainable business practices.

75%

of business owners say they've already implemented sustainable practices into their business. Of those, the most common practices are:

- **64%** Minimizing paper use
- **59%** Establishing more environmentally friendly habits in their business
- **37%** Working with sustainable suppliers and vendors
- **12%** Purchasing an electric vehicle for their business

76% of small business owners say they are committed to sustainable business practices

Business owners are motivated to implement sustainable business practices because:

They care about their business' environmental impact

65%

They save money by implementing sustainable practices

45%

Implementing sustainable practices helps them reach their target consumers

31%

Utilizing sustainable practices helps them recruit and train employees

23%

82%
of business owners who implemented sustainable business practices acknowledge challenges, including:

49%
Increased costs

29%
Limited supplier options

26%
Variable quality of sustainable products/services

22%
Lack of education on what is considered sustainable

Over the next 12 months:

78%
of business owners say they plan to implement sustainable business practices. Of those, they plan to:

64% Minimize paper use

56% Establish more environmentally friendly habits in their work environment

45% Work with sustainable suppliers and vendors

15% Purchase an electric vehicle for their business



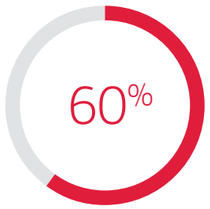
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Digitization & Technology

Most business owners have digitally optimized their business over the past year, with adoption up significantly from last year.

80% of business owners have digitally optimized their business over the past 12 months, up from 70% last spring.

Of those business owners, they have:



Accepted more forms of cashless payments



Conducted business banking online or in mobile apps



Created and/or bolstered the business' social media presence



Implemented more digital-first marketing strategies



Implemented an online sales process



Used a cloud-based platform

90% of small business owners say digital tools help make their business' operations more efficient by:

Saving time
65%

Staying organized
60%

Managing cash flow
53%

Reaching new customers
44%

Increasing customer satisfaction
38%

Streamlining marketing tactics
25%

Implementing sustainable tactics
23%

Digital marketing tools vary in importance for small business owners, as nearly half utilize a digital-first strategy.



48%
Prioritize digital-first marketing to promote their small business

26%
Prioritize marketing channels other than digital to promote their small business

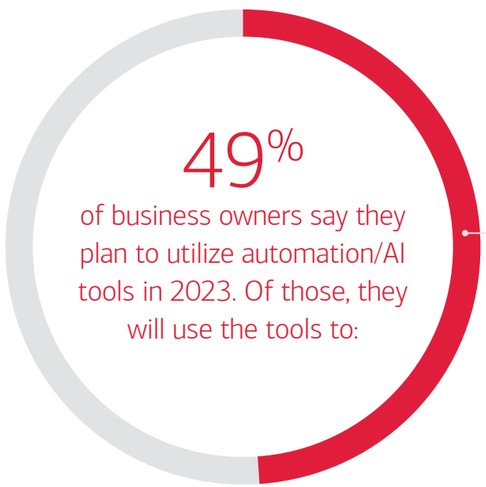
26%
Do not advertise their small business on digital marketing channels

Looking ahead, over half of business owners anticipate that all payments their business accepts in the future will be digital. Additionally, they are embracing artificial intelligence (AI) and automation for their business in 2023. Despite benefits of new technology, cybersecurity threats are still on their radar.

55% of small business owners anticipate all payments that their business accepts will eventually become digital:



Nearly half of entrepreneurs plan to use AI, as these tools grow in popularity:



- 48% Streamline payroll and bookkeeping
- 41% Differentiate from competitors
- 38% Assist with hiring efforts
- 27% Replace traditional employee roles



- 67% Investing in digital security systems
- 34% Storing less of their information online
- 25% Doing less payroll, banking, payments, etc., online

Marketing Approval Portal Notification - Item 5637533