



**ECONOMIC UNCERTAINTY SHAPING THE NEW, MORE PRAGMATIC ENTREPRENEUR,  
ACCORDING TO THE AMERICAN EXPRESS OPEN SMALL BUSINESS MONITOR**

***More than One-in-four Entrepreneurs say Social Media has helped their Business  
Survive in a Challenging Economy***

**NEW YORK, October 4, 2011** – Even though the National Bureau of Economic Research declared the Great Recession over in 2009, many small business owners are still not convinced. Based on how their own businesses are performing, more than one-third of small business owners (38%) believe we are still in recession, according to the American Express OPEN® Small Business Monitor, a semi-annual survey of business owners, now in its tenth year. That figure is down slightly from a year ago (44%), but pessimism persists and their outlook for the next six months is mixed.

The economic sluggishness may be shifting the psyche of entrepreneurs: 27 percent say they do not plan to grow in the next six months (up from 21% in the spring) and just 77 percent describe themselves as glass-half-full optimists (down from 85% a year ago). At the same time, there are signs small businesses are in a better position to move into growth mode when things improve: they are less concerned about cash flow (55% have concerns, down from 66% in the spring) and are more likely to make capital investments (48%, up from 44% in the spring).

“The recession has made small business owners more calculating and measured in how they run their firms,” said Susan Sobott, president, American Express OPEN. “When cash is tight, they pull back on spending or look for creative ways to access capital; when plans for growth are unrealistic, they put them on hold until the time is more prudent.”

**Investing In People Pays Off**

Small business owners are being judicious with hiring new staff. Thirty-one percent say they will hire over the next six months, down slightly from the spring (35%), but at levels still higher than the four surveys spanning spring 2009 to fall 2010. Concurrently, they are taking care of current staff. Nearly half (49%) offer healthcare coverage to employees, up significantly from just six months ago (36%), and an increasing number are offering flex time (42%, up from 35% in fall 2010 and 30% in fall 2009). Offering benefits and flex time may be yielding other payoffs: 16 percent of business owners report that the morale of their employees has improved over the last six months, up from 9 percent in fall 2009.

### **Social Media Aptitude Spells Success**

Social media usage is on the rise among savvy entrepreneurs. Of the businesses that identified themselves as “riding high” – those that have grown despite the effect of the economy – 58 percent say they will use social media to attract new customers. Among the entrepreneurs using social media, Facebook is the most popular way to reach new customers (33%). Nearly four-in-ten business owners (37%) say their company’s social media presence is an extension of what they do everyday when they connect with customers.

More than one-in-four business owners (28%) say social media has helped their business survive in a challenging economy. A larger number (53%) say social media is a “time-suck” or burden, although “riding high” business owners were less likely to see it as a waste of time (46%). Nearly three-quarters (74%) of all entrepreneurs say it is better to forgo a social media presence altogether than do it poorly; 82 percent of “smooth sailing,” those businesses not adversely affected by the economy, or “riding high” businesses agree.

When asked to gauge their social media aptitude, nearly half of all entrepreneurs (49%) describe themselves as a “newbie”, nearly one-in-four (24%) consider themselves a “maven”, and 18 percent said they had zero grasp of the medium.

In 2011, more than one-in-four (26%) entrepreneurs will spend marketing money on search or social media advertising; on average, they will spend \$1,600. “Riding high” business owners will invest a greater share of their marketing budgets and spend an average of \$2,500.

### **Cash Flow under Control**

When 66 percent of small business owners reported some type of cash flow concern in the spring, it was an all-time high. Concerns are now abating: only 5 percent are worried about meeting payroll (compared to 9% in spring 2009), 10 percent are concerned about having enough cash to win new business (down from 14% in the spring), and 43 percent say they have no cash flow concerns at all (up substantially from 33% in the spring).

More often than ever before, small business owners are addressing cash flow issues by using personal or private funds (34%, compared to an all-time low of 2% in the spring of 2004). Just six months ago, they were more likely to address cash flow concerns by putting off purchases: 28 percent said they would put off purchases and 27 percent said they would tap personal or private funds. Other methods to deal with cash flow concerns include using credit or charge cards (9%), obtaining and using a line of credit (8%), leasing rather than purchasing office equipment (6%) or getting a short-term loan (2%).

### **Capital Investments Back on Track**

Capital investment plans hit an all-time low (38%) in the fall of 2010, six months before the all-time high in cash flow concerns and one year before concerns began to recede.

“Not all investments are created equal,” said Sobott. “The key is to identify which investments are revenue generators and which are simply adding cost to the bottom line.”

The survey results released today show 48 percent of small business owners plan to make some type of capital investment in the next six months, up from 44 percent in the spring. Technology purchases are the most likely (34%), with office equipment (20%), manufacturing/production equipment (13%), real estate (9%) and office furnishings (7%) following behind.

Additional survey results including findings by geography and gender are available by contacting American Express OPEN.

### **Survey Methodology**

American Express OPEN Small Business Monitor, released each spring and fall, is based on a nationally representative sample of 814 small business owners/managers of companies with fewer than 100 employees. The anonymous survey was conducted via telephone by Echo Research from August 12- September 8, 2011. The poll has a margin of error of +/- 3.4%.

As part of the Fall 2011 American Express OPEN Small Business Monitor, a nationally representative sample of just under 400 employees of small businesses were surveyed. Respondents worked full or part time in a company with fewer than 100 employees. The anonymous survey was conducted via telephone by Echo Research from August 15-27, 2011. The employee sample has a margin of error of +/- 5.1%.

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