Letter from Sharon Miller

We are pleased to share the fall 2017 Bank of America Small Business Owner Report, a semi-annual study that uncovers the perspectives, aspirations and concerns of small business owners around the country.

This fall, confidence in the economy jumped, with small business owners feeling more confident that the local, national and global economy will improve compared to one year ago. In addition, 71 percent anticipate their 2017 year-end revenue to exceed that of 2016.

The report also revealed that the rise in economic optimism hasn’t affected long-term growth or hiring plans in equal measure, which have remained flat and declined, respectively. Only half of small business owners anticipate business growth over the next five years, down slightly from fall 2016. Hiring plans have dropped more significantly – with only 16 percent reporting plans to hire in the next 12 months, compared to 25 percent of entrepreneurs in fall 2016.

This year’s Report revealed some interesting differences in perspectives among male and female small business owners, as well as among urban and rural entrepreneurs. Urban small business owners are more likely to have an aggressive plan for growth than their rural counterparts, while rural entrepreneurs were more likely to express confidence in the national economy.

Among male and female small business owners, plans to hire over the next year are the same. However, male entrepreneurs are more likely to be confident about their local, national and global economies, while women entrepreneurs were more likely to anticipate revenue increases over the next year.

Millennial small business owners are the most optimistic generation about the economy and business growth compared to their Gen-X and baby boomer counterparts. Millennials are almost twice as likely to anticipate revenue growth over the next year as baby boomers, and they are four times as likely to hire in 2018. Millennial small business owners are also the most likely to cite social media as important to the success of their business.

Whether you’ve been in business for 30 years 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 Public Communications & Social Science conducted the Bank of America Small Business Owner Report survey for fall of 2017 online between August 8 and September 28, 2017 using a pre-recruited online sample of small business owners. GfK contacted a national sample of 1,013 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, New York, Miami, San Francisco and Washington, D.C. Approximately 150 interviews each were also completed among respondents in the tech and medical/health care field. 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.

Generational respondent breakdowns

- Millennials: Ages 18-36
- Gen-Xers: Ages 37-52
- Baby boomers: Ages 53-71
- Seniors: Ages 72+
Economic confidence surges

Economic confidence has improved significantly over 2016.

- **My local** economy will improve over the next 12 months:
  - Fall 2016: 37%
  - Spring 2017: 50%
  - Fall 2017: 48%

- **The national** economy will improve over the next 12 months:
  - Fall 2016: 31%
  - Spring 2017: 52%
  - Fall 2017: 46%

- **The global** economy will improve over the next 12 months:
  - Fall 2016: 19%
  - Spring 2017: 35%
  - Fall 2017: 31%

The majority of small business owners are also optimistic that their 2017 year-end revenue will surpass 2016 business revenue.

- Confident that year-end revenue for 2017 will exceed 2016 business revenue:
  - Confident: 71%
  - Not confident: 29%
Long-term growth, economic concerns remain flat

Despite their strong optimism, small business owners’ revenue expectations and long-term growth plans remain unchanged from one year earlier.

<table>
<thead>
<tr>
<th>Expect revenue to increase in the next 12 months</th>
<th>Plan to grow business in the next five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall 2017 51%</td>
<td>Fall 2017 51%</td>
</tr>
<tr>
<td>Spring 2017 48%</td>
<td>Spring 2017 56%</td>
</tr>
<tr>
<td>Fall 2016 52%</td>
<td>Fall 2016 55%</td>
</tr>
</tbody>
</table>

While health care costs remain top of mind for entrepreneurs, concern levels over a number of economic factors are down slightly.

### Economic concerns impacting their business

<table>
<thead>
<tr>
<th>Economic Concerns</th>
<th>Fall 2016</th>
<th>Fall 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care costs</td>
<td>75%</td>
<td>72%</td>
</tr>
<tr>
<td>Corporate tax rates</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>Strength of the U.S. dollar</td>
<td>52%</td>
<td>49%</td>
</tr>
<tr>
<td>Consumer spending</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>Commodities prices</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td>U.S. and/or global stock market</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>46%</td>
<td>43%</td>
</tr>
<tr>
<td>Credit availability</td>
<td>35%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Tax Spotlight**

78% of entrepreneurs believe high taxes are impactful when it comes to a small business’ decision to downsize.
Hiring plans down as talent needs and strategies shift

Plans to hire in the year ahead have cooled. The majority who are planning to hire are looking for full-time help.

More than half of entrepreneurs have implemented strategies to attract and retain quality employees, such as offering flexible hours, employee perks or employee reward programs. The majority of small business owners also offer employees wage increases and promotions.

Things business owners have done over the past two years to attract and retain quality employees

- Offered flexible hours/work location: 34%
- Offered employee perks: 17%
- Created employee reward programs: 15%
- Offered competitive benefits package: 13%
- Offered paid or unlimited vacation: 12%

Frequency of wage increases or raises to employees

- Based only on employee performance: 34%
- Every year: 22%
- Based only on business growth: 21%
- Don't offer wage increases: 11%
- Every two years: 9%
- Every three or more years: 3%
Outlooks vary between rural and urban entrepreneurs

Small business owners in urban locations have the most dynamic business outlooks and plans for growth compared to their rural counterparts. Entrepreneurs based in rural areas are more upbeat about the national economy improving in the next year.

Expect revenue to increase in the next 12 months

- Urban: 52%
- Rural: 47%

Plan to hire more employees in the next 12 months

- Urban: 20%
- Rural: 15%

Plan to grow business over the next five years

- Urban: 57%
- Rural: 50%

Expect the national economy to improve over the next 12 months

- Urban: 45%
- Rural: 51%

Concerns surrounding several economic factors also greatly differ for small business owners based on geographical location.

Economic concerns impacting their business

<table>
<thead>
<tr>
<th>Economic Factor</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care costs</td>
<td>70%</td>
<td>72%</td>
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<tr>
<td>Strength of the U.S. dollar</td>
<td>48%</td>
<td>60%</td>
</tr>
<tr>
<td>Consumer spending</td>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>Commodities prices</td>
<td>45%</td>
<td>53%</td>
</tr>
<tr>
<td>Corporate tax rates</td>
<td>49%</td>
<td>52%</td>
</tr>
<tr>
<td>Compliance with government regulation</td>
<td>39%</td>
<td>43%</td>
</tr>
<tr>
<td>U.S. and/or global stock market</td>
<td>52%</td>
<td>33%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>Credit availability</td>
<td>36%</td>
<td>25%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Millennials most optimistic generation

When looking across generations, millennial small business owners have a significantly more optimistic outlook compared to Gen-Xers, baby boomers and senior entrepreneurs.

**Expect revenue to increase in the next 12 months**

- **Millennials**: 81%
- **Gen-Xers**: 60%
- **Baby boomers**: 45%
- **Seniors**: 40%

**Plan to grow business over the next five years**

- **Millennials**: 76%
- **Gen-Xers**: 65%
- **Baby boomers**: 44%
- **Seniors**: 41%

**Plan to hire more employees over the next 12 months**

- **Millennials**: 43%
- **Gen-Xers**: 25%
- **Baby boomers**: 11%
- **Seniors**: 9%

**Expect local economy to improve over the next 12 months**

- **Millennials**: 63%
- **Gen-Xers**: 47%
- **Baby boomers**: 47%
- **Seniors**: 64%

**Millennial entrepreneurs more likely to say social media impacts their business’ bottom line**

- **Millennials**: 49%
- **Gen-Xers**: 37%
- **Baby boomers**: 26%
- **Seniors**: 11%
Differences in outlook among male and female owners

Male small business owners report greater confidence in the economy improving in the year ahead compared to their female counterparts.

<table>
<thead>
<tr>
<th>My local economy will improve over the next 12 months</th>
<th>The national economy will improve over the next 12 months</th>
<th>The global economy will improve over the next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% Male, 46% Female</td>
<td>51% Male, 40% Female</td>
<td>35% Male, 27% Female</td>
</tr>
</tbody>
</table>

More women small business owners expect increased revenues within the next 12 months.

<table>
<thead>
<tr>
<th>Revenue will increase over the next 12 months</th>
<th>Plan to hire over the next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>48% Male, 55% Female</td>
<td>16% Male, 16% Female</td>
</tr>
</tbody>
</table>

Both men and women small business owners are aligned on their hiring plans for the year ahead.
Entrepreneurs are split on the importance of social media.

How important is social media feedback and online ratings to the success of your business?
- 51% Not important
- 49% Important

In the past year, how has social media generally impacted your business’ bottom line?
- 67% No impact
- 30% Positively impacted
- 4% Negatively impacted

While small business owners rely most on personal networks and connections, they also use digital tools to manage their business.

Who helps you when it comes to running your business?
- 73% Friends and family
- 57% Business mentor or other small business owners
- 26% Virtual communities
- 24% Small business banker
- 58% Accountant/CPA
- 31% Local trade or non-profit groups
- 25% Attorney/counsel
- 6% Local government

Which digital tools assist you in the day-to-day operations of your business?
- Digital banking 46%
- Financial accounting apps 34%
- Social media 32%
- Online articles and blogs 26%
- Business management apps 25%
- Online forums 15%
- Expense tracker apps 12%
Holiday outlook and local market spotlight

The majority of small business owners plan to offer employee perks this holiday season.

Which of the following holiday perks do you plan to offer employees this year?

- Close the office during the holidays: 43%
- Salary bonuses: 35%
- Give out gifts: 33%
- Hold a holiday party: 32%
- Offer flexible hours or vacation time around the holidays: 29%
- I do not intend to offer any holiday-related perks: 24%

Which of the following charitable efforts do you participate in during the holiday season?

- Financial contribution for a charity or non-profit organization: 44%
- Organize a charitable giving program for employees (e.g., food drive, clothing drive): 10%
- Organize for my team/employees to volunteer at a local charity or non-profit organization: 8%
- Offer my employees time-off to volunteer: 13%
- Organize a fundraiser: 7%
- Do not participate in charitable events during the holiday season: 41%

From among 10 major cities, small business owners are most likely to...

- **San Francisco**: Offer perks to attract and retain quality employees
- **Los Angeles**: Give their employees annual wage increases
- **Dallas/Fort Worth**: Believe their revenue will increase in 2018
- **Boston**: Make a financial contribution to charities during the holidays
- **Chicago**: Plan to use loan funding to invest in employee development
- **New York**: Say access to capital helps them achieve business goals
- **Greater Washington**: Say they receive the most help from business mentors
- **Miami**: Believe social media positively impacts their bottom line
- **Houston**: Plan to hire in 2018
- **Atlanta**: Most likely to use personal credit cards as an alternative source of financing
Brandon Greba, West Georgia Cornhole

Four years ago, Brandon Greba spent most Thursday nights building cornhole boards in his garage, filling orders whenever he could find some time away from his nine-to-five gig as an industrial supply sales manager.

Cornhole—a popular backyard and tailgate game where players compete for points by tossing bean bags at rectangular wooden boards—had been a hobby of Greba’s for years. He started building boards while in college, and now, six years out of school and newly married, his boards were more popular than ever. He needed to make a choice.

“I was struggling with the orders,” Greba said. “I was traveling for work, getting home on a Thursday, and trying to get these orders built and shipped out. I was battling internally with my long-term goals, whether I wanted to stick with this company or branch out and do my own thing. I come from a long line of entrepreneurs—my dad owned his own business for 30 years, and my grandparents the same thing.”

In July 2013, with the support of his family, Greba quit his job, hired a couple part-time employees and took the plunge.

Two babies, 17 employees and thousands of orders and happy tailgaters later, Greba and West Georgia Cornhole, LLC are thriving. Before long, the sawdust was left in the garage, and the garage was left in the dust. Greba moved West Georgia Cornhole into a 5,000-square-foot facility (which he aims to purchase in the coming months) in Winston, Georgia, and he now ships boards to Australia, Japan, Alaska and everywhere in between. Along the way, he’s improved the quality and diversity of his products, taking Photoshop and Illustrator courses to elevate his custom designs.

Working with Bank of America, Greba financed top-of-the-line equipment purchases, including an $80,000 Flatbed Printer and CNC Router, and has expanded his range of products to feature LED lights and Bluetooth speaker boards, and a wide variety of tailgate games. If a rush order comes in the door, West Georgia Cornhole is now capable of designing, building and shipping in six hours. He’s also made a name for himself; Greba’s competitive advantage landed him a custom rush order for NBA MVP and Golden State Warrior Stephen Curry.

West Georgia Cornhole’s business scope has skyrocketed, but Greba remains down to earth. He credits his wife, who helped him complete orders in the early days and still assists him weekly with bills and accounting. Even amongst the chaos of a booming business and growing family, Greba remains focused on the folks that helped him build an empire of boards and bean bags—his employees.

“We’ve got a good core group of employees, a lot of them have been with me for three or four years,” Greba said. “I’ve got to give it up to them for sticking with me and seeing my vision.”

Four or five job applicants drop by West Georgia Cornhole each week, and Greba aims to expand his business and double his headcount with hardworking, passionate employees over the next year. Day-to-day, he’s still working to find the ideal work-life balance—a challenge with two young kids—but life is good, orders are up and West Georgia Cornhole is out of the garage and on the map.