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

I am pleased to present the 2022 Small Business Owner Report, the 10th anniversary edition of our survey exploring the perspectives, aspirations and concerns of small business owners around the country.

The past few months and years have brought a steady stream of new challenges for business owners, but they’ve remained resilient. Sixty-four percent of business owners anticipate revenue increases in 2022, and nearly two in five entrepreneurs plan to expand their businesses. As we look ahead to the next few months, we see that consumer spending will continue to play a key role in driving recovery from pandemic losses for small businesses.

While business confidence is on the rise, entrepreneurs are wary of the short- and long-term impact of multiple economic forces. Confidence in the national and local economy dropped year-over-year, and rising inflation and supply chain disruptions continue to generate headwinds for business owners and drive operational changes. Amidst losses in sales and inventory delays, many business owners have found it necessary to raise their prices.

Meanwhile, business owners are continuing to prioritize attracting new talent and retaining existing employees. Nearly one in five have increased employee wages in response to inflation, and hiring plans have rebounded to their highest level since fall 2018.

Looking longer term, entrepreneurs anticipate that emerging technologies, such as cybersecurity, 5G and automation, will become increasingly important to business success. Many business owners are also adopting digital tools at a higher rate to aid in their business operations, including online banking and cashless payments. In the decade ahead, 44% of business owners plan to prioritize digital sales over brick-and-mortar.

As they reflect on the past 10 years of business ownership, entrepreneurs acknowledge a challenging but rewarding decade. Nearly three-quarters of business owners agree that business ownership has become more difficult, but 46% say they’ve been able to spend more time with their family, and 37% have set aside more personal wellness time. Community and family support continue to play a key role in keeping small business owners passionate and excited for the future.

I am consistently inspired by the resilience and 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 2022 Small Business Owner Report survey online between March 22 and May 1, 2022 using a pre-recruited online sample of small business owners. Ipsos contacted a national sample of 1,037 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 suggest caution when making direct statistical comparisons of the results from pre-2016 and post-2016.
Business & Economic Outlook

Small business owners have a positive outlook for their own business, as revenue expectations continue to rise from previous lows during the pandemic.

Over the next 12 months...

I expect my revenue to increase

- **48%**
- **34%**
- **60%**
- **58%**
- **60%**
- **64%**
- **60%**
- **60%**
- **57%**
- **60%**
- **55%**
- **48%**

My revenue stayed the same in 2021

- **29%**

My revenue decreased in 2021

- **23%**

Though business owners show confidence regarding revenue and growth, economic confidence has dipped compared to last year.

My local economy will improve

- **56%**
- **52%**
- **51%**
- **51%**
- **51%**
- **51%**
- **51%**
- **50%**
- **48%**
- **50%**
- **48%**
- **48%**

The national economy will improve

- **50%**
- **46%**
- **48%**
- **49%**
- **47%**
- **47%**
- **47%**
- **47%**
- **46%**
- **46%**
- **46%**
- **46%**

In the year ahead, 70% of business owners plan to obtain funding for their business. Of those, the top funding choices are:

- **Business Credit Cards**: 51%
- **Personal Savings**: 47%
- **Personal Credit Cards**: 34%
- **Traditional Bank Loans**: 23%
- **Family/Friends**: 12%
- **Cryptocurrency**: 11%
Economic Concerns

Business owners’ concerns are high around key economic factors such as inflation, commodities prices and supply chain, fueling anxiety around their overall outlook. Notably, concerns over health care costs have dipped to their lowest level since surveying began.

<table>
<thead>
<tr>
<th>Economic Factor</th>
<th>Concerns</th>
<th>Percentage Point Change Since 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>80%</td>
<td>N/A</td>
</tr>
<tr>
<td>Commodities prices</td>
<td>75%</td>
<td>+16 PP</td>
</tr>
<tr>
<td>U.S. political environment</td>
<td>68%</td>
<td>-3 PP</td>
</tr>
<tr>
<td>Supply chain</td>
<td>64%</td>
<td>N/A</td>
</tr>
<tr>
<td>International affairs</td>
<td>61%</td>
<td>+17 PP</td>
</tr>
<tr>
<td>Strength of the U.S. dollar</td>
<td>60%</td>
<td>+8 PP</td>
</tr>
<tr>
<td>Health care costs</td>
<td>57%</td>
<td>-7 PP</td>
</tr>
<tr>
<td>Interest rates</td>
<td>57%</td>
<td>+11 PP</td>
</tr>
<tr>
<td>U.S. and/or global stock market</td>
<td>53%</td>
<td>+7 PP</td>
</tr>
<tr>
<td>Consumer spending</td>
<td>51%</td>
<td>+5 PP</td>
</tr>
<tr>
<td>Corporate tax rates</td>
<td>49%</td>
<td>-3 PP</td>
</tr>
<tr>
<td>Climate change</td>
<td>41%</td>
<td>+1 PP</td>
</tr>
<tr>
<td>Labor shortages/hiring challenges</td>
<td>40%</td>
<td>N/A</td>
</tr>
<tr>
<td>Coronavirus pandemic</td>
<td>36%</td>
<td>-19 PP</td>
</tr>
<tr>
<td>$15 federal minimum wage</td>
<td>35%</td>
<td>-11 PP</td>
</tr>
<tr>
<td>Credit availability</td>
<td>32%</td>
<td>+4 PP</td>
</tr>
<tr>
<td>Social/racial inequality</td>
<td>29%</td>
<td>-6 PP</td>
</tr>
</tbody>
</table>
Inflation, Supply Chain & Pandemic Impacts

As business owners evaluate the current standing of their business, inflation and supply chain impacts are driving operational changes. Most say both factors have caused them to raise prices to sustain their business, in addition to navigating sales and customer losses, among other challenges.

Say inflation is currently impacting their business. As a result, those business owners are:

- Raising prices: 68%
- Reevaluating cash flow and spending: 34%
- Losing sales: 31%
- Reducing business costs: 22%
- Increasing employee wages: 21%

Say supply chain issues are currently impacting their business. As a result, those business owners are:

- Raising prices: 58%
- Having difficulties sourcing products/supplies: 49%
- Delaying delivery of goods and services: 43%
- Losing customers: 23%
- Decreasing their physical inventory: 21%

Most business owners say their business was negatively impacted by the pandemic, with most noting negative impacts to sales and products and inventory.

Say their business was negatively impacted by the pandemic. Of those, the biggest impacts were on:

- Sales: 63%
- Products and inventory: 43%
- Business owner wellbeing: 37%
- Staffing: 26%
Impact of Labor Shortages

Labor shortages are causing a number of business owners to work longer hours and reduce the products and services they offer. While also struggling with filling job openings, most business owners are taking steps to retain employees and attract new talent.

41% of business owners say labor shortages are currently impacting their business. Of those, they are:

- Working more hours: 57%
- Having difficulty filling job openings: 35%
- Reducing the products/services they offer: 29%
- Raising wages to attract talent: 29%
- Losing customers due to staffing issues: 21%

Of the business owners facing labor shortages, 83% are taking additional steps to retain employees and attract new talent.

Business owners are looking to fill open positions, as just over one-quarter plan to hire over the next 12 months – a five percentage point increase year-over-year.
Business Recovery

Despite the tempered economic outlook, business owners remain confident in their recovery efforts.

62% Say their business has fully or partially recovered from the pandemic

Of the business owners who said their business was impacted by the pandemic:

48% Pointed to increased consumer spending as a factor that will help or has helped their business recover

57% Of business owners say they’ve taken steps to address future risks to their business based on the pandemic.

To address future risks, these business owners have:

37% Focused more on digital sales
36% Adopted new technology
31% Diversified revenue streams

Business owners are split when evaluating how their business has weathered the pandemic.

44% My business is better off
56% My business is worse off
New & Emerging Technologies

As business owners look ahead to the next decade, they anticipate emerging technologies such as cybersecurity, 5G and automation will become increasingly important for small businesses.

Emerging technologies that will be most important to small businesses over the next decade:

<table>
<thead>
<tr>
<th>Technology</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cybersecurity</td>
<td>57%</td>
</tr>
<tr>
<td>5G</td>
<td>50%</td>
</tr>
<tr>
<td>Automation</td>
<td>39%</td>
</tr>
<tr>
<td>Artificial intelligence</td>
<td>34%</td>
</tr>
<tr>
<td>Cryptocurrency</td>
<td>26%</td>
</tr>
<tr>
<td>Virtual/augmented reality</td>
<td>25%</td>
</tr>
<tr>
<td>The metaverse</td>
<td>20%</td>
</tr>
<tr>
<td>Non-fungible tokens (NFTs)</td>
<td>16%</td>
</tr>
</tbody>
</table>

Many business owners are adopting digital tools at a higher rate to aid in their business operations, and a growing number plan to prioritize digital sales in the decade ahead.

70% of business owners adopted new digital tools/strategies for their business over the past 12 months. Of those, they are:

- Doing more business banking online or via mobile apps: 52%
- Accepting more forms of cashless payments: 43%
- Bolstering their social media presence: 34%
- Setting up an online sales presence: 28%

While just 17% of business owners currently prioritize digital sales, an additional 27% say they plan to prioritize digital sales in the decade ahead.
Commitment to Community & Entrepreneurship

Despite ongoing operational challenges, community and family support are keeping business owners passionate and excited for the future. Among those who are in business with close family, nearly all say they enjoy running their business together.

Of business owners own or operate their business with their partner/spouse

46%

Of those, 96% say that they enjoy it.

Though business owners have different reasons for starting a business, they are resilient and committed to entrepreneurship, as some business owners note they have been told to quit, close or sell their business.

I have been told to quit, close or sell my business

16%

I would not give up ownership of my small business for $5 million

22%
A 10-Year Lookback
Business owners have had a challenging but rewarding past decade. Most agree that business ownership has become more difficult over the last 10 years, largely due to a more competitive business landscape.

72% of business owners say business ownership has become harder over the past decade, due to:

- 54% A more competitive business landscape
- 37% Challenges reaching new customers
- 31% A more competitive labor market
- 23% E-commerce corporations impacting sales

When looking at how marketing priorities and news consumption habits have changed over the past decade, more business owners have leaned into social media to supplement their business.

**Most effective marketing tools**

<table>
<thead>
<tr>
<th>Tool</th>
<th>2022</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word-of-mouth</td>
<td>74%</td>
<td>87%</td>
</tr>
<tr>
<td>Social media</td>
<td>53%</td>
<td>32%</td>
</tr>
<tr>
<td>Direct mail</td>
<td>18%</td>
<td>37%</td>
</tr>
</tbody>
</table>

**Typical sources for news impacting their business**

<table>
<thead>
<tr>
<th>Source</th>
<th>2022</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media/online media outlets</td>
<td>61%</td>
<td>17%</td>
</tr>
<tr>
<td>Print</td>
<td>34%</td>
<td>56%</td>
</tr>
</tbody>
</table>