Franchiselnsights.com has reported Business Startup Sentiment Trends data with monthly surveys since January 2020. The Small Business Startup Sentiment Index™ is derived from a monthly survey of individuals who have recently inquired about businesses or franchises for sale on the digital assets of FranchiseVentures. This survey was conducted April 21-28, 2022.

May 3, 2022
Small Business Startup Sentiment Index™ (SSI)

Despite Headlines, Aspiring Business Owners More Optimistic than Three Months Ago

- 40.5% say that the pandemic actually boosted the desire to control their destiny through business ownership, though 51.7% say that it has reduced the amount of capital they have to invest

STARTUP SENTIMENT: OFF LAST MONTH HIGHS

April 2022 saw inflation at a 40-year high, war in Ukraine entering its third month, and the worst drop in S&P 500 performance since 1970. Despite all the uncertainty, 59.3% of aspiring business owners surveyed in April were resolute about starting their businesses within the coming three months. Not surprisingly, 77.1% of these survey respondents see business conditions about the same or getting better in the next three months. Currently, 69.2% of would-be entrepreneurs agree or strongly agree that "now is a good time to start a business", up from 67.7% in March. Franchiselnsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale.

Survey Respondents Agree Now is a Good Time to Start

Source: Franchiselnsights.com Startup Sentiment Index™, Apr 2022

The survey was conducted April 21-28, 2022. This entrepreneurial optimism parallels the ongoing surge in new business applications which began in September 2020 as reported by the US Census Bureau, and continues today. These optimistic views on
conditions for business startup stand in contrast with more moderate consumer sentiment in recent months compared to post-pandemic highs in mid-late 2021, as seen in The Conference Board’s Survey of Consumer Confidence.

OUTLOOK ON BUSINESS CONDITIONS SPLIT

Partly as a reflection of confidence in current conditions, only 28% of respondents believe that in three months, conditions will be “better or much better” than now, compared to the 50-60% readings at the height of the pandemic. A minority see conditions “worse or much worse” in the same time frame, at 22.9%, while in stark contrast, 77.1% see conditions staying the same or getting better.

SENTIMENT ABOUT STARTING “NOW” VS. THREE MONTHS AGO

Despite headlines of war and inflation, respondents are more upbeat now about starting or buying their business than they were three months ago. In April, 67.2% of those responding indicated that they were “more or much more likely to start a business now than three months ago” close to the most recent high of 68.9% in October 2021.

The percentage of survey respondents who were “less or much less likely to start a business than three months ago” came in at only 10.9%, a huge drop from the 12.30% average over the prior 12 months.
How likely are you to start a business now compared to 3 months ago?

Source: FranchiseInsights.com Startup Sentiment Index™ Apr 2022

TIMING: OVER 59% EXPECT STARTUP WITHIN NEXT 3 MONTHS

In April 2022, entrepreneurs expressing intent to start or buy “this month” settled at 225% of responses (more than doubled) indexed to January 2020, closer to the peaks seen a few months earlier. The index of aspiring business owners planning startups in the “next 2-3 months” rose to 88% in April, as compared to the twelve-month high in November seen at 111% of January 2020.

In summary, 59.3% of respondents expressed intent to start or buy their businesses “within the next three months.” Startup intentions in the “next four to six months” shrank to 18.6%, bringing the total with intent to start within 6 months to 78%.

Starts "This Month" at 4-Month High

Source: FranchiseInsights.com Startup Sentiment Index™ Apr 2022

Indexed to January 2020
CONCERNS OVER FUNDING STILL PARAMOUNT

37% See Funding Harder or Much Harder Over the Next 3 Months

While access to funding remains an oft-cited startup issue, prospective business owners have shown decreasing concern about availability of startup financing in recent months, with 37% seeing it getting “harder or much harder” three months from now. Almost 43% see access to funding in three months being “about the same” and 18.5 see it getting “easier or much easier” despite all the news about increasing interest rates.
With other factors mostly flat or declining over the last several months, 68.7% of prospective business buyers cited "funding or access to credit" as the factor having the biggest impact on their decisions to buy or start a business, with the highest seen in April 2021 at 87.6%. Beyond the funding concern, "economic climate" is next highest at 33.9%, in somewhat of a downward to flat trend over the last two years.

Despite a significant drop in March and partial rebound in the stock markets during the week of the survey, only 12.2% of entrepreneurs cited the stock market as having a significant impact on their business startup plans.

ONGOING PANDEMIC DRIVES BUSINESS PREFERENCES

For more than two years, when asked how Covid-19 had affected their interest in starting a business or opening a franchise, respondents to the FranchiseInsights.com Small Business Startup Sentiment Index™ most often cited the desire for "controlling my own destiny through business ownership." A few months into the pandemic, more began indicating a preference for "businesses that would be resistant" to shocks like Covid-19. This sentiment reached a new all-time low in March at 12.1% of respondents, significantly down from December and January during the Omicron surge. The effectiveness of vaccines and decreasing deaths are clearly a factor in the latest poll.

Similarly, in April, the percentage putting their plans on hold at 6.9% held near the record low of 5.1% in February, and the percentage indicating that "this is an issue that will be resolved" before starting their businesses stood at 14.7%.
GEN-X AND GEN-Y ARE LARGEST STARTUP AGE COHORTS

Of the survey respondents, 42.6% are currently employed full-time, down from the recent high of 58.6% seen in October 2021. Current business owners made up 13.9% of respondents in April 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners reached 56.5% of respondents, the lowest recorded since January 2020 when these surveys began.

About 22.6% of respondents were working as freelancers or consultants. About 2.6% of the aspiring entrepreneurs in the April survey were on active military duty..

42.6% of Aspiring Owners Leaving a Full Time Job

Source: FranchiseInsights.com Startup Sentiment Index™ Apr 2022

Small Business Startup Sentiment Index™ ©Franchise Ventures LLC, 2022
Gen-X (50.9%) and Millennials (32.5%) accounted for the highest percentages of survey respondents, and Baby Boomers ticked down to 15.8% in April. This month, Gen-Z dropped to 0.95 down from the 5.8% high seen in March. For the next several years, millennials and Gen-X will drive business startups as they reach peak business startup ages and Boomers age out of the workplace.

See also a complete profile of the generational demographics of aspiring business buyers from a large demographic sample spanning 2018-2021. Further, analysis of gender demographics of business buyers shows women making up an increasing percentage of aspiring business owners, particularly in the post-Boomer age cohorts.

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FranchiseVentures is the leading demand- and lead-generation platform for potential franchisees to thousands of growing franchise systems in the United States and Canada. Its franchise directory brands include Franchise.com, Franchise Solutions, Franchise Gator, Franchise Opportunities, Franchise For Sale, SmallBusinessStartup.com and BusinessBroker.net, and together they provide the largest aggregation of prospective franchise buyers in the U.S.

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