FranchiseInsights.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 December 27-31, 2021.

January 5 2022

Small Business Startup Sentiment Index™ (SSI)

Percentage of Business Startups Planned for First Quarter is Highest on Record

- Now 88.2% of Aspiring Owners See Business Conditions the Same or Getting Better for Startup
- Great Resignation Continues: 48.3% are Leaving a Full-Time Job

STARTUP SENTIMENT: A GOOD TIME TO TAKE THE LEAP

In December 2021, the percentage of aspiring owners who anticipate starting their businesses within the next three months reached 62.1%, the highest percentage ever recorded. Further, 88.2% of these aspiring owners see business conditions about the same or getting better in the next three months. Almost 73% of would-be entrepreneurs agree or strongly agree that "now is a good time to start a business," which is the highest since September's high at 73.4%. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale.

Is NOW is a good time to start a business?

The survey was conducted December 27-31 between the Christmas and New Year holidays. Entrepreneur optimism parallels the ongoing surge in new business applications which began in September by the US Census Bureau. These optimistic
views on conditions for business startup are consistent with two successive months of improving sentiment seen in The Conference Board’s Survey of Consumer Confidence.

OUTLOOK ON BUSINESS CONDITIONS: CONSISTENTLY UPBEAT

As a reflection of confidence in current conditions, a lower percentage of respondents believe that in three months, conditions will be “better or much better” than now, compared to the height of the pandemic, at 39.8% in December compared to the 50% plus readings earlier this year. A stalwart minority see conditions “worse or much worse” in the same time frame, at 11.8%. Over 88.2% see conditions staying the same or getting better.

SENTIMENT ABOUT STARTING “NOW” VS. THREE MONTHS AGO

Positive sentiment means slightly fewer respondents are more upbeat now about starting or buying their business than they were three months ago. In December, 59.9% of those responding indicated that they were “more or much more likely to start a business now than three months ago” compared with 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 13.4%, just above the 12.0% average over the prior 12 months.
STARTUP TIMING: ENTREPRENEURS LOOK TO EARLY 2022

In December, entrepreneurs expressing intent to start or buy “this month” rebounded to 242% of responses indexed to January 2020. Conversely, aspiring business owners planning startups in the “next 2-3 months” eased to 86%, from the twelve-month high in November seen at 111% of January 2020. The data doesn’t reveal “why”, but a slower pace as the holidays approached with a rebound in the first quarter was seen also in 2020.

In summary, 62.1% of respondents expressed intent to start or buy their businesses “within the next three months.” Startup intentions in the “next four to six months” dropped to 16.5%, bringing the total with intent to start within 6 months to 77.7%.

Starts "This Month" at 4-Month High

Source: FranchiseInsights.com Startup Sentiment Index™ Dec 2021

Indexed to January 2020
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 only 26.7% seeing it getting “harder or much harder” three months from now. Over half at 51.9% see access to funding in three months being “about the same” and 20.9% see it getting “easier or much easier.”
With other factors mostly flat or declining over the last several months, a record 88.9% 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, the highest since 87.6% seen in April 2021. Beyond the funding concern, “economic climate” is next highest at 41.7%, and ending the downward trend seen for several months.

With increasing financial market volatility in December, 14.6% of entrepreneurs cited the stock market as having a significant impact on their business startup plans.

ONGOING PANDEMIC DRIVES BUSINESS PREFERENCES

For 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.” In December 2021, for the first time ever, more indicated a preference for “businesses that would be resistant” to shocks like Covid-19 at 40.2% of respondents. We don’t know why, but one could theorize that the rapid spread of the Omicron variant, rising case counts and disrupted holiday travel are changing the perception that the pandemic will have a clear end any time soon.

Supporting that theory, in December 7.0% reported putting their plans on hold, and the percentage indicating that “this is an issue that will be resolved” before starting their businesses dropped to 10.5%, the lowest since August 2021.
GEN-X AND MILLENNIALS IN COUNTER-TREND RALLY

Of the survey respondents, 48.3% are currently employed full-time, down from the recent high of 58.6% high seen in October. Current business owners made up 21.3% of respondents in December, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners reached 69.7% of respondents.

About 16.9% of respondents were working for themselves as freelancers or consultants. Just over 1% in the December survey were on active duty in the military.

48.3% of Aspiring Owners Leaving a Full Time Job

Gen-X (43.7%) and Millenials (31.6%) accounted for the highest percentages of survey respondents, and Baby Boomers dropped back to 20.5% in December. Gen-Z reached 3.7%, the highest since August 2020. Longer term, 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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