FranchisInsights.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 June 23-30, 2022.

July 12, 2022

Small Business Startup Sentiment Index™ (SSI)

Startup Sentiment Remains High, But Concerns Rise about Future Business Conditions

- 74.4% of aspiring business owners expect to start within the next 6 months
- More respondents see conditions worse (31.8%) for startups than better (29.5%) in the coming three months

STARTUP SENTIMENT: OFF JANUARY 2022 HIGH

Aspiring business owners have been optimistic through the course of the pandemic and recent economic concerns, but they perceive less favorable business conditions for startup three months out. Over 74% of aspiring business owners surveyed in June were resolute about starting their businesses within the coming six months. Currently, 65.2% of would-be entrepreneurs agree or strongly agree that "now is a good time to start a business", down from 73.5% in February. But while 68.2% of these survey respondents see business conditions about the same or getting better in the next three months, 31.8% – the highest on record – see conditions getting worse.

FranchisInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale.

Survey Respondents Agree Now Still a Good Time for Startup

Source: FranchisInsights.com Startup Sentiment Index™, June 2022

Survey respondents agree now still a good time for startup.
The survey was conducted June 23-30, 2022. The entrepreneurial optimism seen parallels the ongoing surge in new business applications since September 2020 as reported by the US Census Bureau. These relatively optimistic views on conditions for business startup stand in contrast with declining consumer sentiment in recent months (compared to post-pandemic highs in mid-2021) as seen in The Conference Board’s Survey of Consumer Confidence and The University of Michigan Consumer Sentiment Surveys reported on the St. Louis Federal Reserve’s FRED site.

OUTLOOK ON FUTURE BUSINESS CONDITIONS LESS SANGUINE

Partly as a reflection of relative confidence in current conditions, only 29.5% 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 record 31.8%, though, see conditions “worse or much worse” in the same time frame. Of course that means that 68.2% see conditions staying the same or getting better.

SENTIMENT IMPROVED FROM THREE MONTHS AGO

Despite headlines of war, inflation, and possible recession, respondents are more upbeat now about starting or buying their business than they were three months ago. In June, 69.2% of those responding indicated that they were “more or much more likely to start a business now than three months ago.”

The percentage of survey respondents who were “less or much less likely to start a business than three months ago” came in at only 12.3%, consistent with the 11.8% average over the prior 12 months.
TIMING: OVER 74% EXPECT STARTUP WITHIN NEXT 6 MONTHS

In June 2022, entrepreneurs expressing intent to start or buy “this month” settled at 184% of responses (almost doubled) as indexed to January 2020. The index of aspiring business owners planning startups in the “next 2-3 months” rose to 98% in June, as compared to the twelve-month high in November seen at 111% of January 2020.

In June, 56.4% of respondents expressed intent to start or buy their businesses “within the next three months.” Startup intentions in the “next four to six months” were at 18%, bringing the total with intent to start within 6 months to 74.4%.

Startup Schedules Shift to 2-3 Months Out in June

Source: FranchiseInsights.com Startup Sentiment Index™ June 2022
CONCERNS OVER FUNDING STILL PARAMOUNT

42.3% See Funding Harder or Much Harder Over the Next 3 Months

While access to funding remains a primary startup issue, prospective business owners have shown decreasing concern about availability of startup financing in recent months, with 42.3% seeing it getting “harder or much harder” three months from now. About 41.5% see access to funding in three months being “about the same” and only 17.7% see it getting “easier or much easier” with all the news about increasing interest rates and a potential economic slowdown...
With other factors mostly flat or declining over the last several months, more than three quarters (75.6%) 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, but still down significantly from the high seen in April 2021 at 87.6%. Beyond the funding concern, “economic climate” is next highest at 38.9%, in somewhat of a downward to flat trend over the last two years, though up from the 24.7% reading last July.

Despite the multi-month decline in stock market averages through the survey period in June, only 13.7% 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 FranchisInsights.com Small Business Startup Sentiment Index™ most often cited the desire for “controlling my own destiny through business ownership.” That sentiment now stands at 34.4%, as concerns about the pandemic recede.

A few months into the pandemic, more respondents began indicating a preference for “businesses that would be resistant” to shocks like Covid-19. This sentiment rebounded to 18.3% in June after reaching an all-time low in April 12.1% of respondents, significantly down from the spikes in December and January during the Omicron surge. The effectiveness of vaccines and the decrease in deaths are clearly factors in recent polls.
The percentage putting their plans on hold in June at 9.2% increased slightly over the lows of recent months. Those indicating that “this is an issue that will be resolved before starting” their businesses grew to 20.6%.

GEN-X AND GEN-Y REMAIN THE LARGEST STARTUP AGE COHORTS

Of the survey respondents, 48% are currently employed full-time, down from the recent high of 58.6% seen in October 2021. Current business owners made up 17.3% of respondents in June 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stands at 65.4%.

About 17.3% of respondents were working as freelancers or consultants, and 2.4% of the aspiring entrepreneurs in the survey were on active military duty.
Gen-X (41.9%) and Millennials (32.4%) accounted for the highest percentages of survey respondents, and Baby Boomers jumped to 22.8%, the highest percentage in eighteen months. This month, Gen-Z comprised 2.9%, versus the 10% peak seen in February 2022. 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.

Gen-X and Gen-Y Lead Age Cohorts Among Respondents

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.

Interested in more insights from our proprietary data set? Subscribe to our email newsletter, or follow us on LinkedIn.