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 March 23-30, 2023.

Norfolk, Virginia – Released April 5, 2023

Small Business Startup Sentiment Index™ (SSI)

Aspiring Franchisees Leave the Pandemic Behind

- 55.6% of survey respondents more likely to launch than three months ago
- Now only 11% specifically prefer pandemic-resilient businesses

STARTUP SENTIMENT CONSISTENT FOR THREE MONTHS

In March 2023, 53.7% of entrepreneurs surveyed say they are “more likely to launch their startups than three months ago.” Further, 55.6% of survey respondents either agree or strongly agree that “now is a good time to start a business”, down slightly from the prior month, but significantly down from the record high of 76.9% in June 2021. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale. While 25.9% see business conditions deteriorating in three months, 74.1% still see conditions for business startups “the same or better in three months.” In March 2023, 50.0% of entrepreneurs planned their startups within the next three months, down from August’s recent high of 69.2%.

55.6% of Respondents Agree Now Still a Good Time for Startup

Source: FranchiseInsights.com Startup Sentiment Index™, Mar 2023

The survey was conducted March 23-30, 2023. The continuing trend in entrepreneurial optimism 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 weaker consumer sentiment over
the last year as seen in The Conference Board’s Survey of Consumer Confidence and
The University of Michigan Consumer Sentiment Surveys as seen on the St. Louis
Federal Reserve’s FRED website, though both measures have been generally
improving since June 2022.

FUTURE CONDITIONS MOSTLY “MORE OF THE SAME”

Despite the downward trend in optimism about future business conditions, in March
2023, 74.1% still see conditions no worse – staying the same or getting better in
three months– with 57.4% seeing them “about the same.”

Only 16.7% of respondents believe that in three months, conditions will be “better or
much better” than now, down from the 50-60% readings at the height of the pandemic,
and a record low for this measure. On the other hand, now 25.9% see conditions
“worse or much worse” in the same time frame.

3-Month Outlook Softening, but 74.1% See Conditions the Same or Better

RESPONDENT SENTIMENT BETTER THAN 3 MONTHS AGO

Despite continuing headlines of war, inflation, higher interest rates, bank failures and a
potential recession, most respondents are more upbeat now about starting or buying
their business than they were three months ago. In March 2023, 53.7% of those
responding indicated that they were “more or much more likely to start a business
now than three months ago.” With 35.2% “about the same,” that means that 88.9%
are as or more likely to launch their startups than they were 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 11.1%, down from the 11.8% average
over the prior 12 months.
In March 2023, entrepreneurs expressing intent to start or buy “this month” rose slightly to 194% of responses (almost doubled) as indexed to January 2020 prior to the pandemic. The index of aspiring business owners planning startups in the “next 2-3 months” dipped to 72.2%, down from the January 2020 reference point. Now 22.2% of respondents expect to delay startup for more than 12 months.

In March, exactly half of respondents expressed intent to start or buy their businesses within the next three months, up from January’s record low of 41.6% and the previous record low reading of 44.2% during the height of the Omicron wave in October 2021. Startup intentions in the “next four to six months“ are at 16.7%, bringing the total with intent to start within 6 months to 66.7% or two thirds of respondents.
While access to funding remains a primary startup issue, prospective business owners are showing ongoing concerns about availability of startup financing in recent months, with 33.3% seeing it getting “harder or much harder” three months from now. Now 59.3% see access to funding in three months being “about the same” and 7.4% see it getting “easier or much easier” despite all the news about increasing interest rates and a potential economic slowdown.
Despite other factors returning slowly to the foreground over the last several months, still 63% 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, down significantly from the high seen in April 2021 at 87.6%. Beyond the funding concern, “economic climate” is next highest, at 33.3%.

Despite the overall decline in stock market indexes over the preceding fourteen months, only 14.8% of entrepreneurs cited the stock market as having a significant impact on their business startup plans. A guess is that more of their business startup assets are in home equity and ready sources of cash than equities.

**PANDEMIC WORRIES FADE**

For more than two years, when asked how the pandemic had affected their interest in starting a business or opening a franchise, respondents to the FranchiselInsights.com Small Business Startup Sentiment Index™ most often cited the desire for “controlling my own destiny through business ownership.” That sentiment stands now at 27.8%, even though the pandemic has receded from the news headlines.

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 stood at a record low 11.1% in March, beating the previous low of 12.1% in April 2022 and significantly down from the spikes in December 2021 and January 2022 during the Omicron variant surges. The effectiveness of vaccines and the fading headlines about deaths are clearly factors in recent monthly polls.

The percentage putting their plans on hold in March at 7.4% was up slightly from September’s 3.9% record low. Conversely, those indicating that “this is an issue that will be resolved before starting” their businesses grew to a new high at 33.3%..
FULL-TIME WORKERS AND GEN-X DOMINATE

Of the survey respondents, 57.4% are currently employed full-time, down only slightly from the high of 58.6% seen a year ago in October 2021. Current business owners made up 13.0% of respondents in March 2023, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stood at 70.4%, just below the high of 78.6% seen in October 2021.

About 20.4% of respondents were working as freelancers or consultants, and this month less than 1% of the aspiring entrepreneurs in the survey were on active military duty.

57.4% of Aspiring Owners Leaving a Full Time Job; 13% are Biz Owners

Gen-X dominated with 50.9% of respondents, while Baby Boomers surged to second place (29.1%), as Millennials took the number two position at 20.0% of respondents.
This month, Gen-Z was less than 1% of respondents, down from the 10% peak seen in February 2022, and below the 3.29% share of all respondents seen in 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 Leads Age Cohorts Among Business Owner Aspirants

Source: Franchiselnsights.com Startup Sentiment Index™ Mar 2023

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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