

Thryv 2023

Small Business Index Report

Understanding the current U.S. outlook
December 2023



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Introduction

A record number of small- to medium-sized businesses (SMBs) started during the past few years — with more than 10 million applications submitted in the United States since 2021, according to the [U.S. Chamber of Commerce](#).

But after dealing with issues from the pandemic followed by increased workloads and hiring challenges, what is their overall outlook for the future? Are these businesses ready to succeed in the months and years ahead?

To help answer these questions, we developed the Thryv Small Business Index, surveying hundreds of small businesses (outside of our customer base). The report analysis is also informed by the knowledge we have through our 55,000 customers, to provide a comprehensive view of market indicators as small businesses prepare for 2024.

Among the findings, we discovered owners are optimistic about their small businesses. At the same time, owners are working long hours, nearing burnout stage. Interestingly, most intend to see their business through retirement. However, at present, owners are unable to focus more on serving customers and instead are forced to perform mundane operational tasks with much of their time.

In this report, we'll dig into what's behind their outlooks and take a look at what SMBs are doing in order to succeed in the future.

Thryv SMB Index Score

To gain a sense of the current U.S. outlook on small businesses, we created the Thryv SMB Index Score. This score will serve as the benchmark for our future Index reports.

We asked respondents to provide their assessment of eight measures impacting future business performance. Using a 5-point scale (for example, “will increase a lot” to “will decrease a lot”), they reported on the economic outlook, industry outlook, profitability outlook, outlook on customer appointments/prospects, billings/invoices outlook, employee outlook, marketing and communications (marcom) outlook and the outlook on investments in technology.

We then grouped the ratings into positive sentiments (increase somewhat and increase a lot) and negative sentiments (decrease somewhat and decrease a lot). We determined the net rating score by subtracting the total negative sentiment from the total positive sentiment, creating an overall score ranging from -100 to 100, with zero being the point of neutrality.

The Thryv SMB Index Score overall is at 29, which means small businesses generally have a positive outlook on the state of their business.

Figure 1: Outlook on key business performance measures

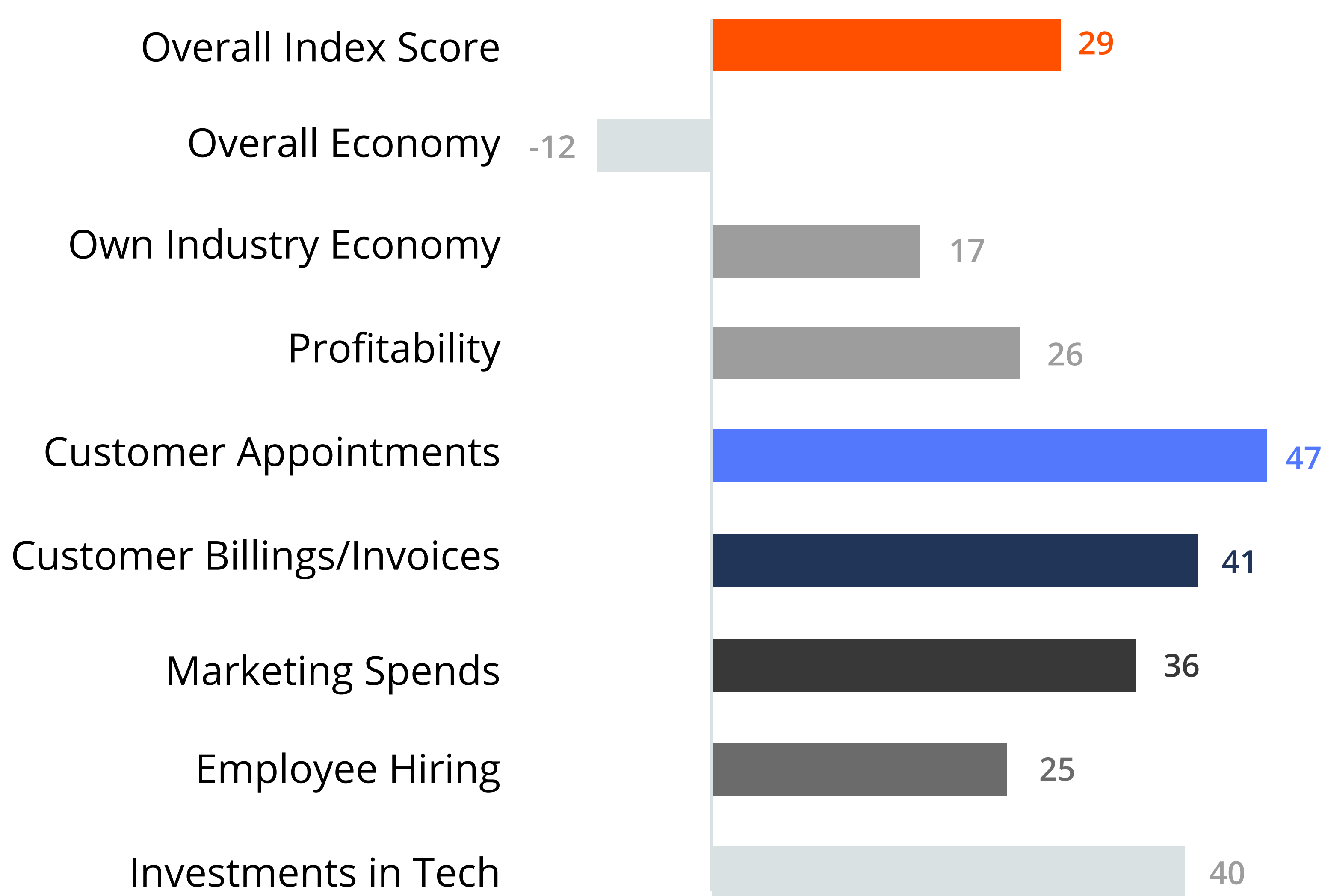


Chart Definitions

- Index Score:** Overall SMB sentiment
- Economy:** Sentiment toward overall economy
- Industry:** Sentiment toward own industry
- Customer Appointments:** Sentiment toward scheduling estimates, customer meetings, etc
- Customer Billings/Invoices:** Sentiment toward revenue-generating work
- Marketing Spends:** Sentiment toward marketing spends
- Employee:** Sentiment toward employee hiring
- Investments in Tech:** Sentiment toward investing in tech advancements

SMBs are Bullish on Their Futures

Our survey found that, over the next six months, more than half of SMB owners (56%) expect their overall revenue to increase. Of those anticipating this trajectory, 42% believe their revenue growth will exceed 20%.

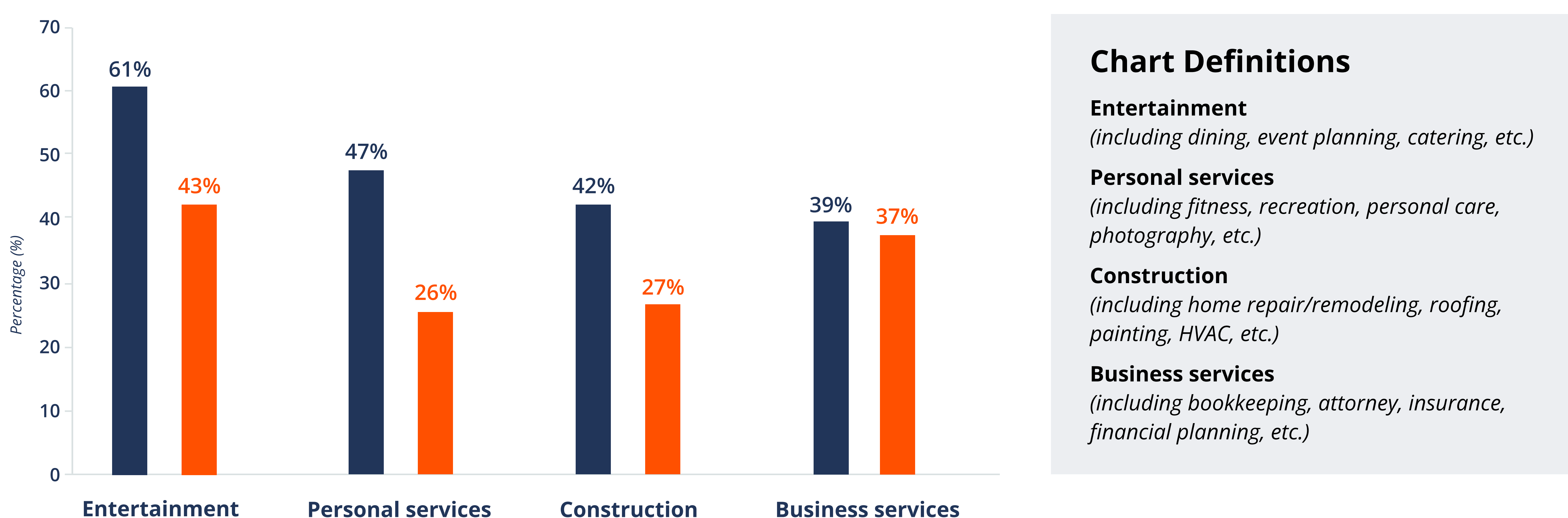
42% of SMBs that expect their revenue to increase in the next six months believe it will grow by more than 20%

Business size and annual income affect SMBs' outlooks, as those with more than 10 employees are more likely to be positive about their industry (50% say it will improve) than those with fewer than 10 employees (34%). Younger owners — ages 21 to 34 — are more bullish on their own industry (52% expecting improvement) compared to their peers over the age of 35 (37%).

Those with \$500,000+ yearly revenue are more likely to have a positive outlook towards their profitability. Moreover, SMBs that invest in technology, more specifically, those spending more than \$200 per month on software, report being more optimistic.

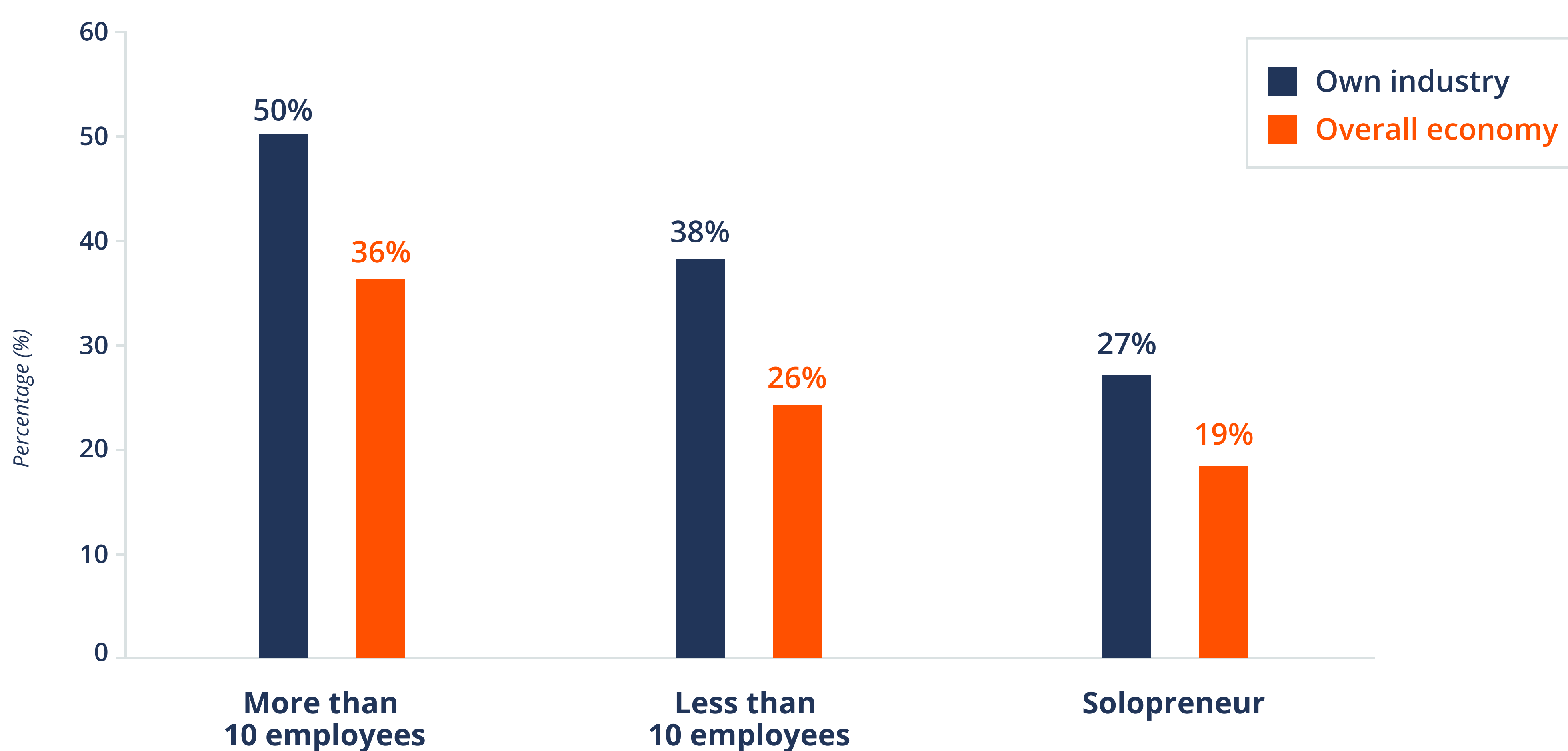
Sector, size, location and longevity all impact how many SMBs expect their industry outlook to improve in the next six months. The entertainment industry sees the highest level of optimism (61%) and business services the least (39%).

Figure 2: Percentage of SMBs by sector that expect their industry outlook to improve (n=50+)



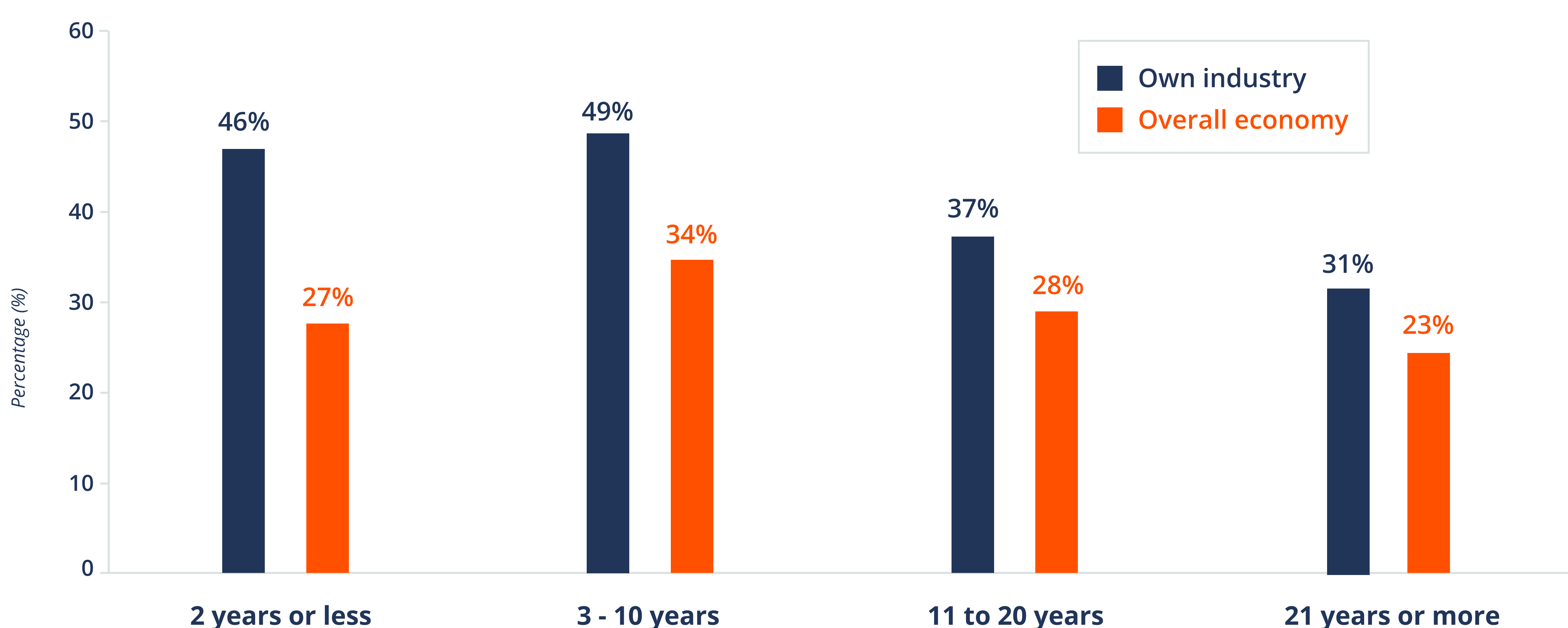
The bigger the business (in terms of employees), the better the outlook for their own industry — half of SMBs with more than 10 employees are optimistic, compared to 27% of solopreneurs.

Figure 3: Percentage of small businesses that expect their industry outlook to improve in the next 6 months vs their overall economy outlook by business size



Additionally, newer businesses are more likely to be optimistic about the next six months. Forty-six percent of businesses that have started since 2021 expect their own industry outlook to improve, compared to only 31% of businesses in operation 21 years or longer.

Figure 4: Percentage of small businesses that expect their industry outlook to improve in the next 6 months vs their overall economy outlook by years in business



Burnout is Looming, But Owners are in it for the Long Haul

Long before the pandemic changed the world of work, researchers concluded that sticking to 40 hours of work weekly helps avoid burnout. More recently, the WHO found that working upwards of 55 hours a week causes health risks.

For the small businesses in our survey, this context means burnout is looming — 86% of owners clock more than 40 hours per week. But, while small businesses are overextended, owners are in it for the long haul.

Figure 5: Percentage of SMB owners who work more than 40 hours per week

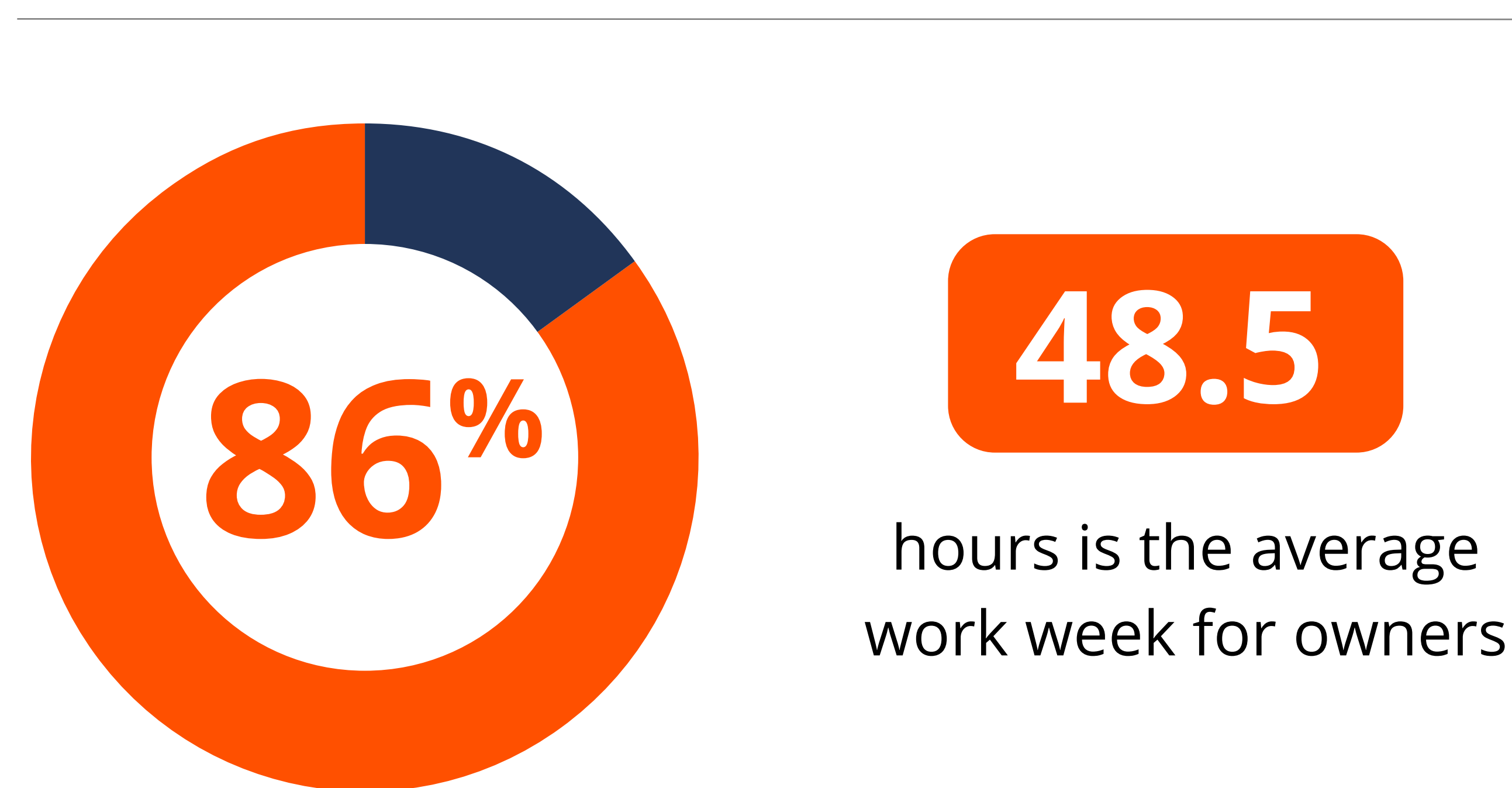
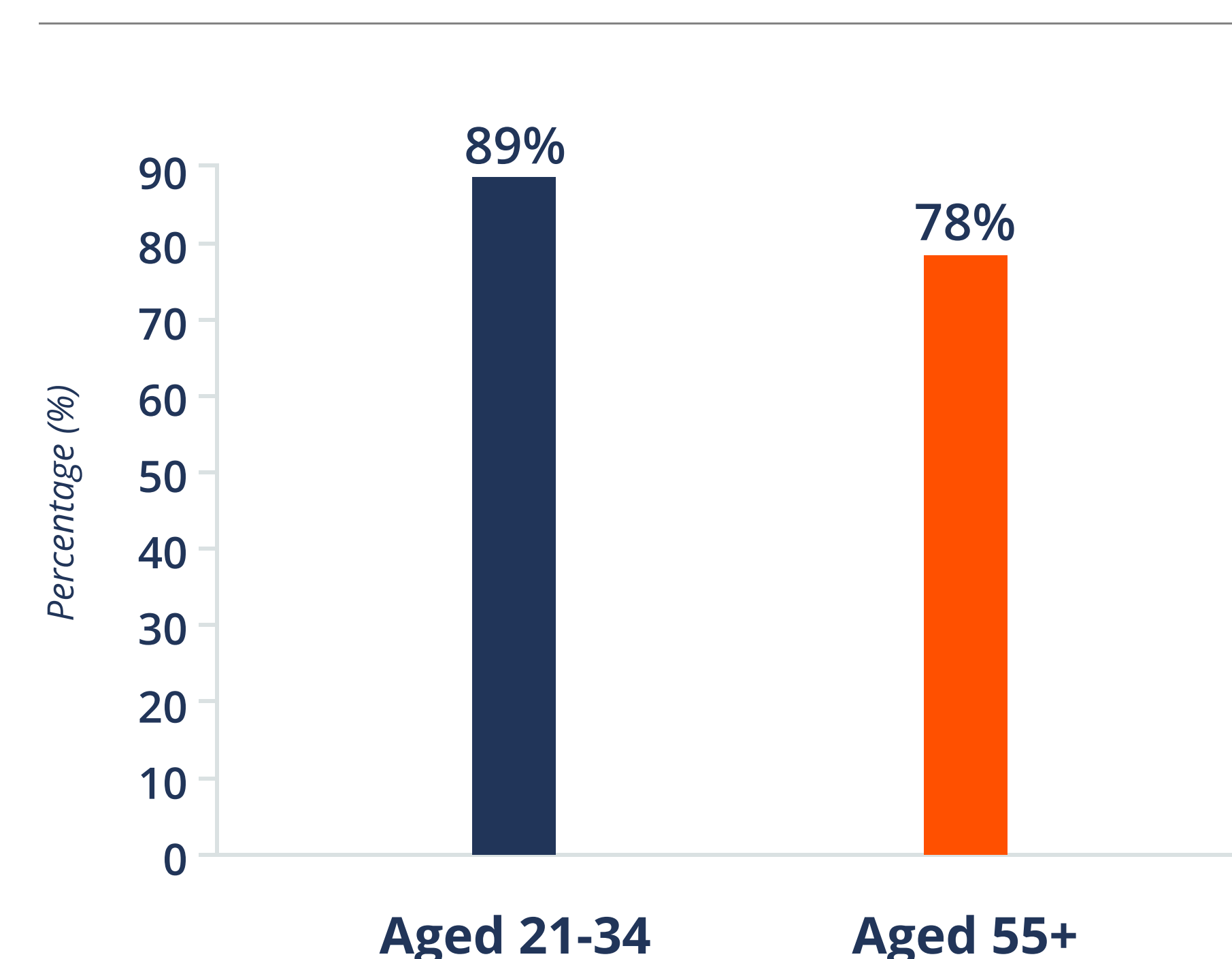


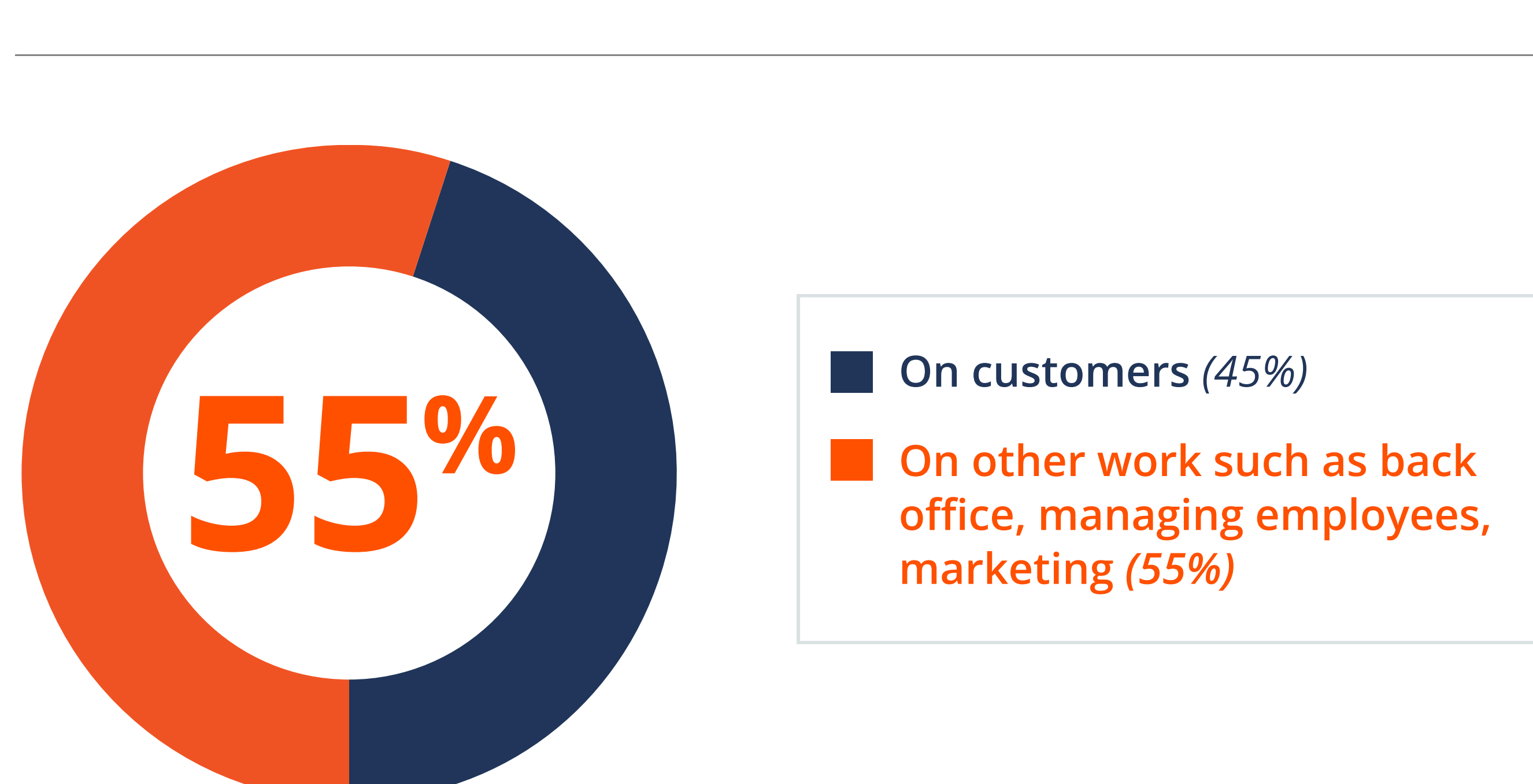
Figure 6: Ages of SMB owners who work more than 40 hours per week



Interestingly, the more employees, the greater the demand on owners — 91% of respondents with more than 10 employees work more than 40 hours per week, compared to 74% of solopreneurs. Age matters too, especially with younger generations. GenZ and Millennials are putting in the hours. Nearly 90% of business owners aged 21-34 are working more than 40 hours per week, as opposed to 78% for owners aged 55+.

68% of small business owners want to continue running their businesses until retirement

Figure 7: Percentage of hours worked per week focused on areas of business



More importantly, 55% of the time that owners work is not focused on customer-related activities. Meaning, they are unable to do the work that matters most to them, which could potentially impact their bottom line.

Yet despite these obstacles, most owners do not show signs of quitting. A majority (68%) wish to continue operating their business until they retire, with 41% stating they have children waiting to take over the business.

Working Smarter, Not Harder

As illustrated by the Index Score (+40 on investments in tech/infrastructure), one of the ways small business owners are trying to work smarter but not harder is through the use of technology. They're recovering lost time by integrating a range of solutions into multiple aspects of their businesses, and they report numerous benefits. More than half of respondents cite a positive impact on their operations.

Moreover, 81% report that the use of technology has improved the experience for their customers. In particular, one-quarter of SMBs say software has both enabled them to provide better service and increased their ability to serve more customers.

Figure 8: Percentage of SMB owners that say technology has improved their customer experience

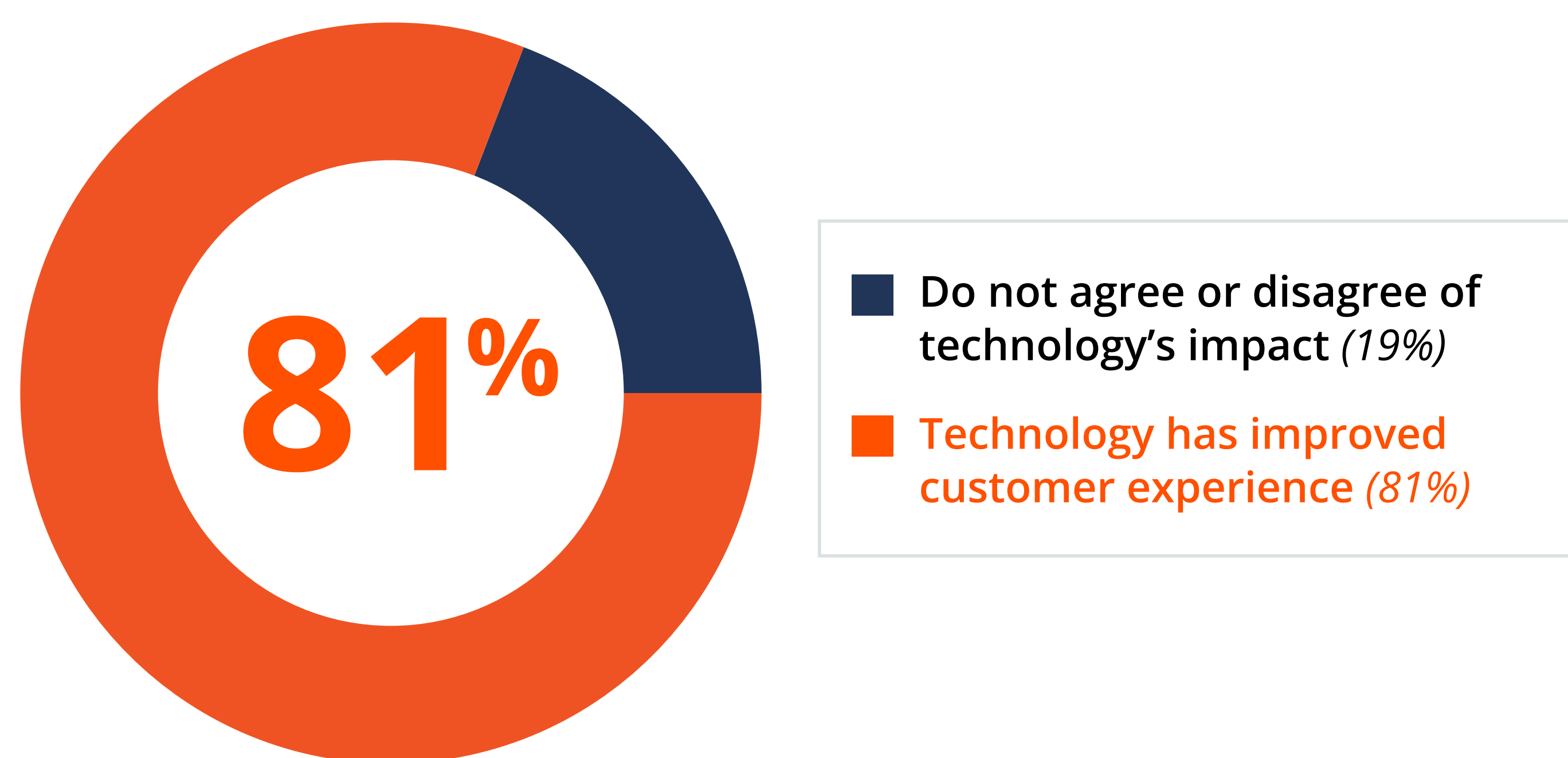
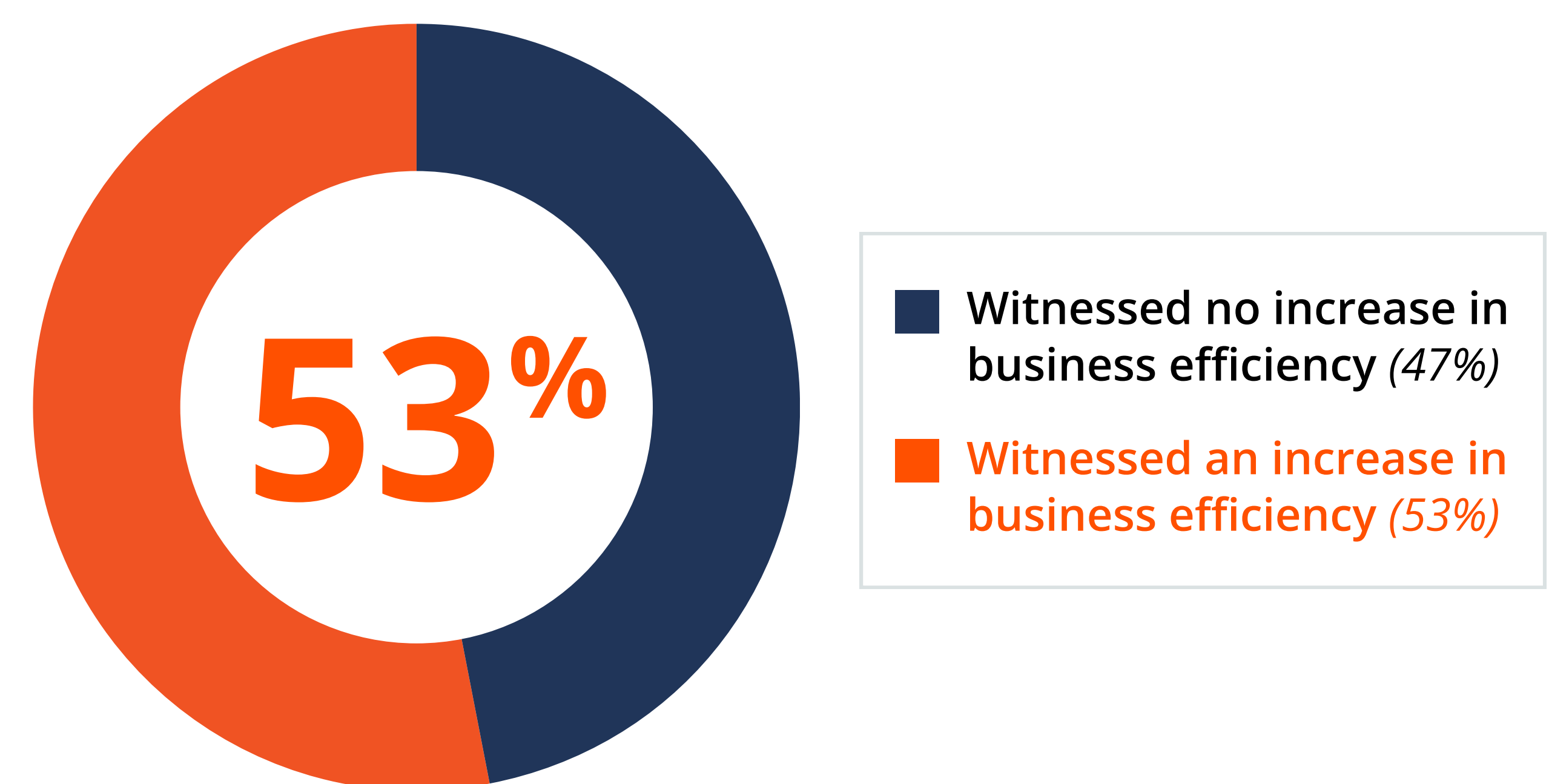
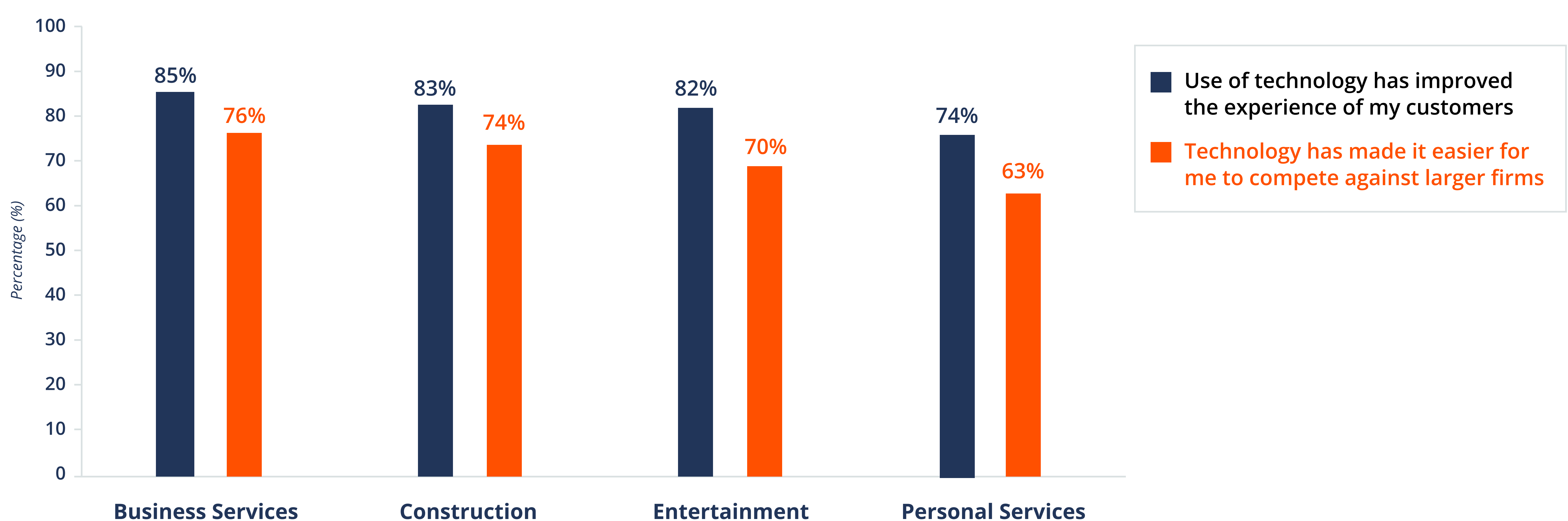


Figure 9: Percentage of SMBs that use software who saw an increase in their efficiency



The specific results vary by sector. More respondents in construction (62%) say they increased efficiency. A majority of those in entertainment (61%) say technology simplified their jobs.

Figure 10: Impact of technology on small businesses by vertical



A portion of respondents also report a positive financial impact through the use of technology, with 25% saying it increased their sales/revenue, and 21% mentioning that it reduced their costs.

Figure 11: Overall percentage of SMBs who gain competitive advantage using tech

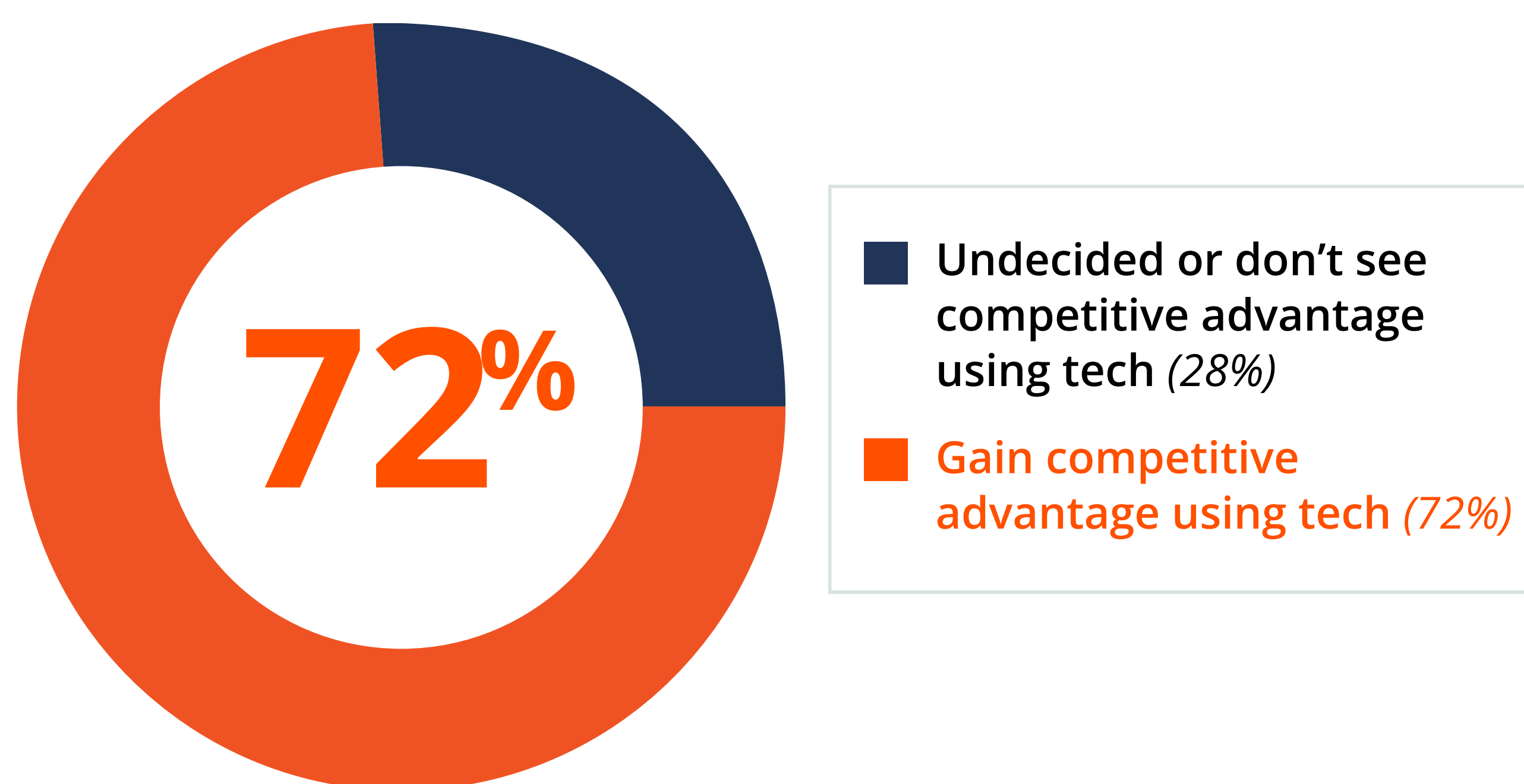
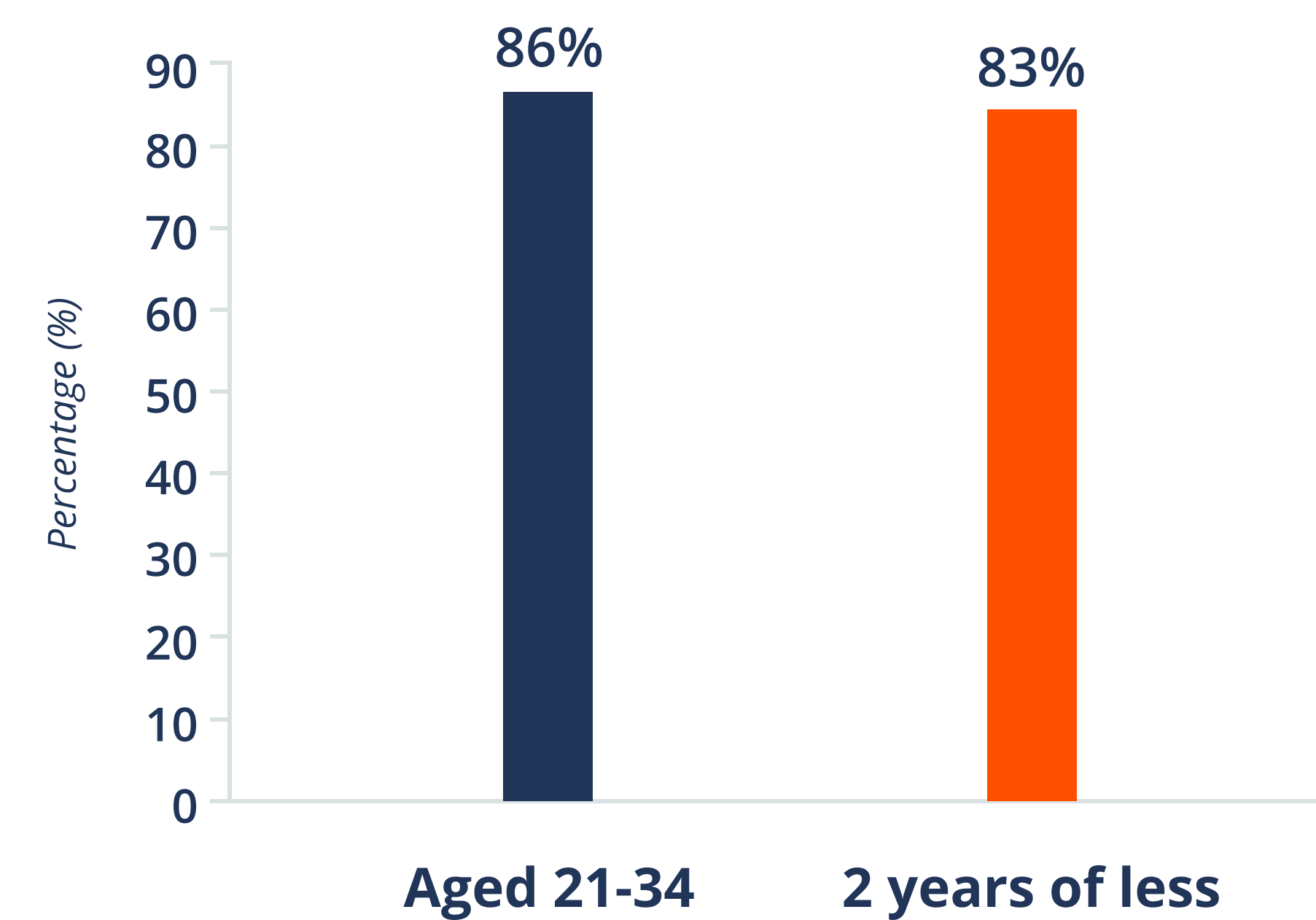


Figure 12: Percentage of younger owners and businesses using tech to gain advantage



Overall, 7 in 10 feel that technology gives them an advantage when competing against big organizations. And, although not necessarily correlated, younger owners (86% ages 21-34) and younger businesses are more likely to say the same (83% 2 years or less).

Where SMBs are investing gives us a glimpse into their struggles and goals. For example, back-office accounting is a pain point, and there's a growing focus on serving and engaging with customers digitally.

Figure 13: Percentage of SMBs that have already purchased types of software

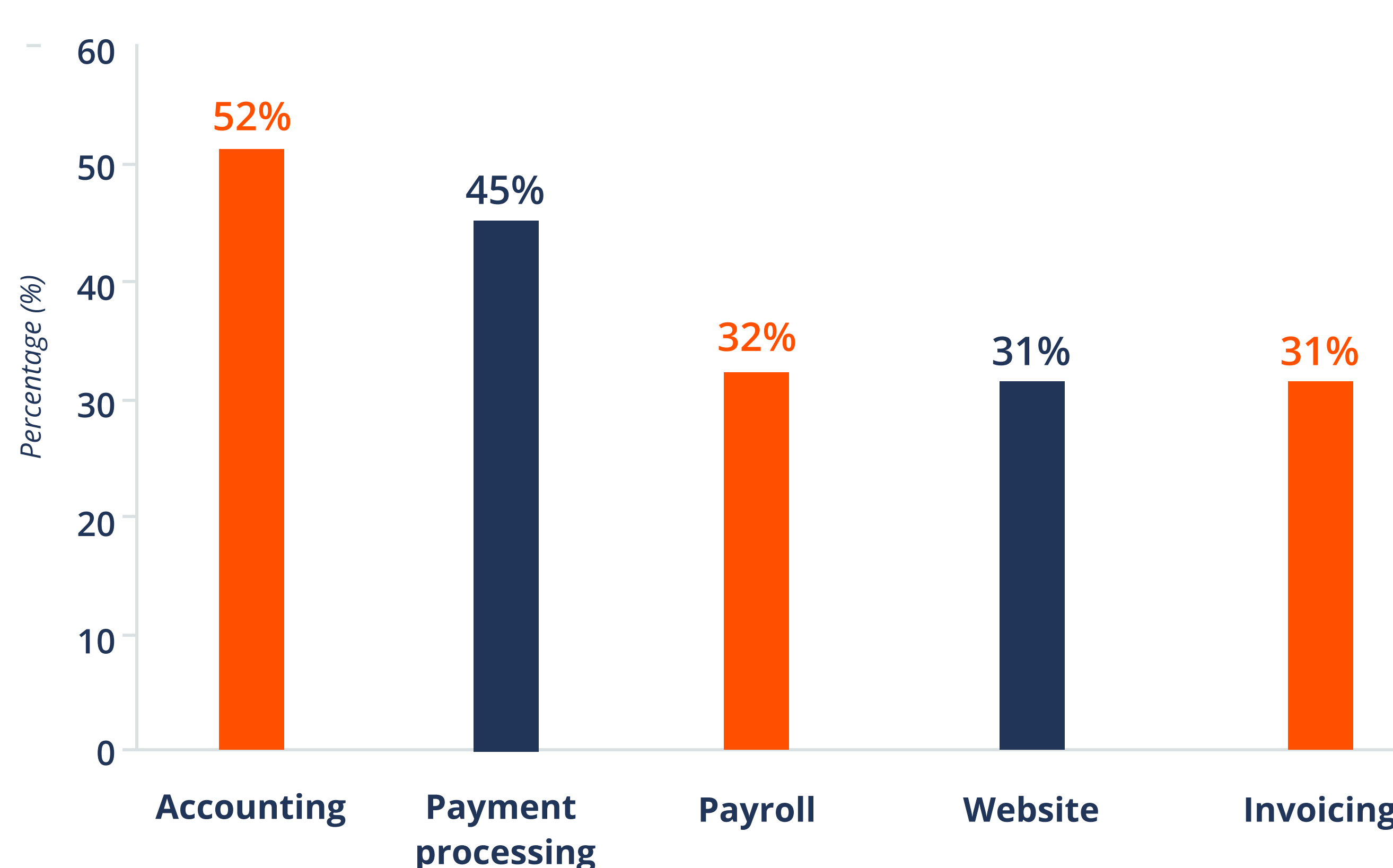
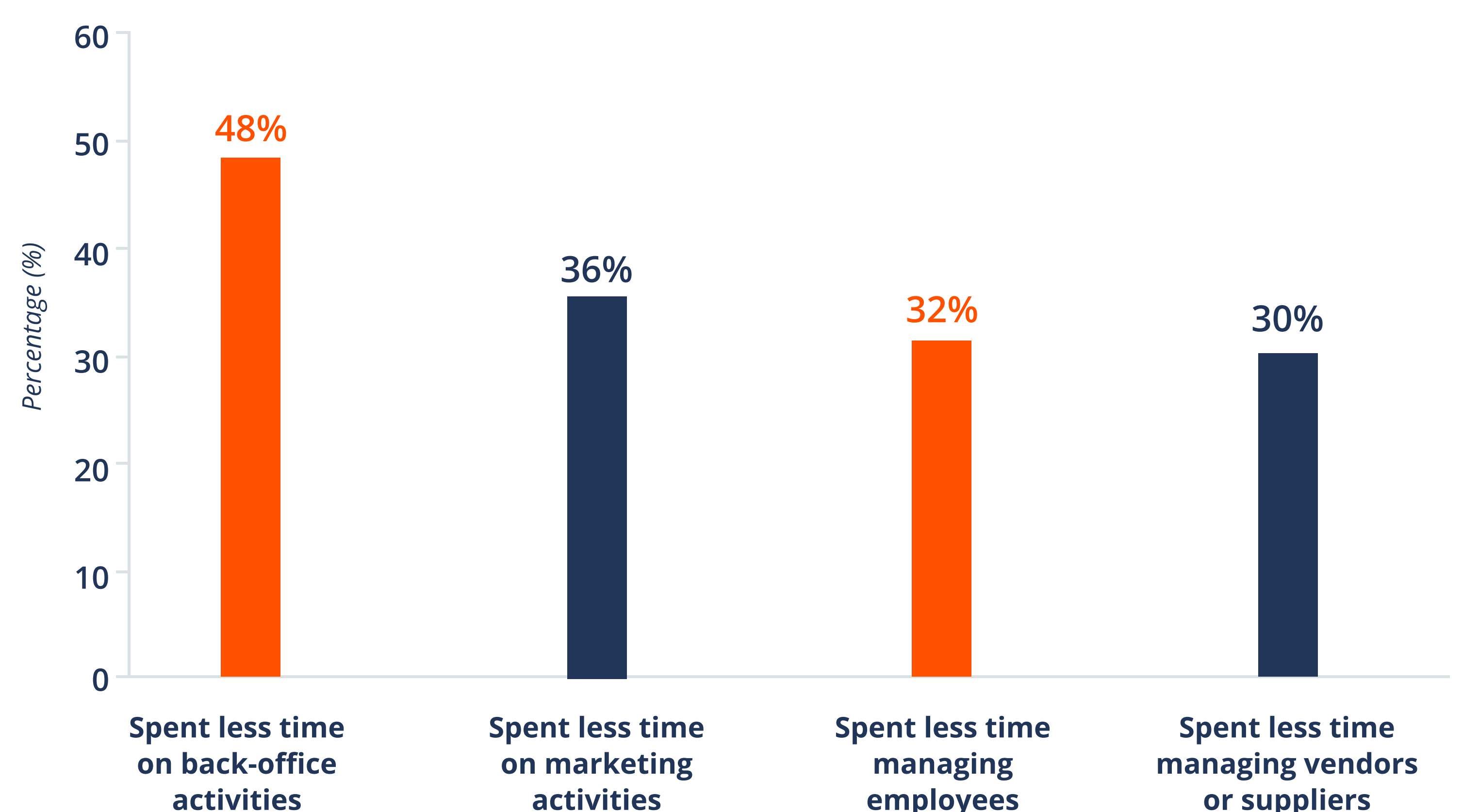


Figure 14: Percentage of SMBs that used software to save time across different activities



These trends are revealed in the types of software SMBs have invested in (in order of popularity): accounting, payment processing, payroll, websites and invoicing.

Priorities are also illustrated by where they're looking to spend less time. Respondents expect their use of software to free them from: back-office activities (48%), marketing activities (36%), managing employees (32%) and managing vendors or suppliers (30%).

Conclusion

Over the past few years, there have been a lot of headlines around the demise of small business. Yes, unfortunately many shuttered during the pandemic. But government stats show an incredible bounce back, and the businesses we work with tell us they're busy. The findings of our Index back these points up.

Owners' commitments today show the amount of time they work. Their faith in tomorrow is demonstrated by their investments in improving how they work — embracing digital technology to get back to their core business of meeting customer needs. After all, times of optimism provide an opportunity to fortify the business for whatever is next.

And while there are still plenty of challenges that come with owning and operating a small business, our data shows that digitally transformed small businesses are more resilient. That's how they're getting beyond just surviving and genuinely succeeding in the modern market, gaining an edge over their larger competitors and paving the way to a brighter future.

Survey Methodology

Thryv engaged Savanta to conduct original research for the Index from an online survey of 518 small business leaders in various industries across the United States.

All respondents met the following criteria:

- Full-time employee and/or a business owner/self-employed over the age of 21.
- A decision maker in their position at a company that has been in business for at least one year.
- Business size is less than 100 employees with approximate annual revenue ranging from \$50,000 to \$50,000,000.

Fieldwork took place between August 1 and August 16 2023. Savanta is a global market research and insights consultancy that helps brands make better decisions. They conduct interviews and surveys with specific target audiences including niche B2B decision makers and work extensively in the technology and financial services industries.

