
NEW PRESIDENT RAISES EXPECTATIONS FOR STRUGGLING SMALL BUSINESS OWNERS

A NATIONAL SURVEY BY LANGER RESEARCH ASSOCIATES & SSRS

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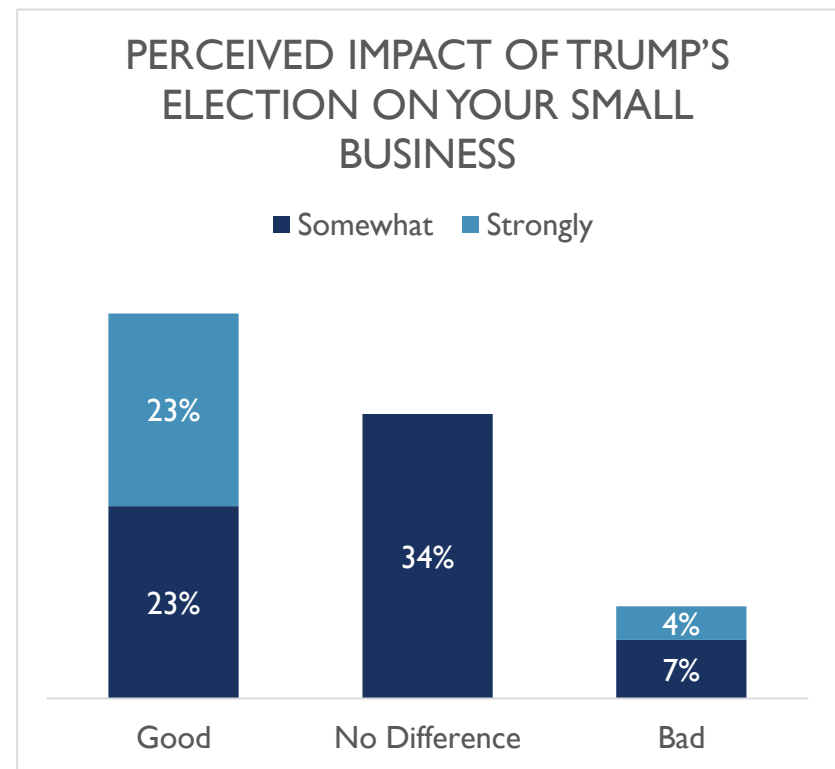
PERCEIVED IMPACT OF TRUMP'S ELECTION ON YOUR SMALL BUSINESS

Many small business owners have high expectations for the newly minted Trump presidency, with those struggling in the current business environment most hopeful for a turnaround.

A national survey by SSRS and Langer Research Associates finds that nearly half of all small business owners (or managerial decision-makers) think Trump's election will be good for their businesses; a quarter feel that way strongly, a quarter somewhat. Positive sentiment peaks at more than 8 in 10 of those who supported Trump in the election – nearly half of those surveyed.

Just 10 percent think the new president will be bad for their business in general, with 34 percent saying his election will make no difference. In a similar result, not specific to Trump, half expect favorable conditions for their business in the year ahead, vs. only 6 percent who see headwinds.

These and other results are from a new, nationally representative survey of 503 owners of businesses with fewer than 100 employees. The research was conducted via the [SSRS Small Business Omnibus](#), a quarterly survey of small business owners, with analysis and reporting by [Langer Research Associates](#).



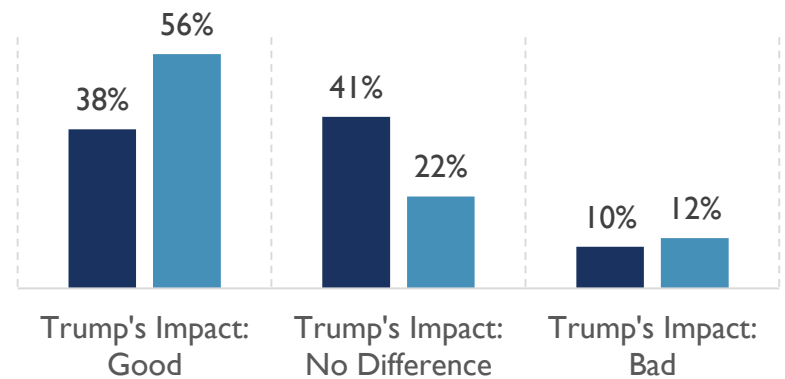
BUSINESS OWNERS' ASSESSMENTS OF CURRENT CONDITIONS

In addition to expectations about the general business climate and Trump's impact on it, the survey measured business owners' assessments of current conditions and specific expectations about their own businesses in 2017, including volume, profitability, customer base and hiring. Several of these questions have been aggregated into the Small Business Survey Index, planned as an ongoing assessment of small business owners' views. This report summarizes the results from the Q4 2016 survey, conducted Nov. 9-29, 2016.

Optimism about the new administration rises among those who see current business conditions negatively and who have struggled in the past year. Among those who think current conditions are poor or middling, 56 percent think Trump's presidency will be good for their business, compared with 38 percent of those who have a more positive take on the current climate. (A plurality of the latter think it'll make no difference.) Expectations for a turnaround under Trump are particularly high among those who reported losing money last year.

PERCEIVED IMPACT OF TRUMP'S ELECTION BY PERCEPTIONS OF CURRENT BUSINESS CONDITIONS

■ See Good Current Conditions
■ See Middling/Bad Current Conditions



EXPECTED CHANGES IN YEAR AHEAD

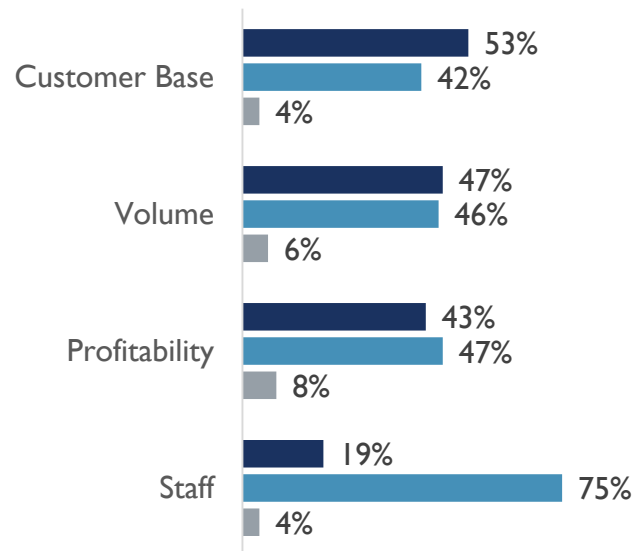
One key factor in higher expectations for Trump is a belief that the tax climate will turn more favorable in the coming year. Among those who see a favorable tax climate in the next year, 61 percent expect Trump's presidency to be good for their business, vs. only 38 percent among those who anticipate an unfavorable or neutral tax climate. And 70 percent of those who think the tax climate will be favorable in 2017 say the same about expected economic conditions overall, compared with 42 percent of those who think the tax climate will be unfavorable or somewhere in between.

While it's struggling small business owners and those with favorable expectations about the tax climate who are more hopeful about the incoming administration, other results indicate positive current conditions in general, informing expectations about the coming year. Six in 10 small business owners rated economic conditions at the close of the Obama administration as good (43 percent) or very good (18 percent) for their businesses. A similar number reported making a profit in the last year, and only 13 percent said they lost money. (The rest broke even.)

Among those who rated conditions in Q4 2016 as good, 59 percent anticipate favorable conditions in 2017, vs. 41 percent who rated last-quarter conditions as bad or middling. Likewise, 62 percent of small business owners made a profit in the past year have positive expectations for business conditions, vs. 37 percent of those who broke even or lost money.

EXPECTED CHANGES IN YEAR AHEAD

■ Expand ■ No Change ■ Contract



EXPECTED CHANGES IN YEAR AHEAD

Similarly, few business owners expect contraction in the coming year. Only 4 to 8 percent see declines in their business volume, profitability or customer base. Instead, business owners split nearly evenly between expanding and remaining the same in terms of volume and profitability, while 53 percent see their customer base expanding, compared with 42 percent staying the same.

Expected hiring is substantially higher than expected staff reductions. Nineteen percent think their business will add staff in the upcoming year, compared with 4 percent who see staffing cuts. Among the 27 percent of firms that report employing freelance workers, nearly a third expect to increase their use of freelancers in the coming year.

While three-quarters of small business owners do not expect the size of their staffs to change, expected hiring increases with firm revenue. Just 10 percent of firms with revenue of \$200,000 or less (44 percent of all small businesses) expect hiring to increase next year, versus 30 percent of firms with revenue of \$2 million or more a year (8 percent of the sample).

Most small business owners express neutral to positive views about the policy environment in the year ahead. About a third see the regulatory climate, tax climate and interest rates as being very or somewhat favorable in 2017; somewhat more in each case see these as mixed, but fewer expect them to be negatives – 11, 20 and 10 percent, respectively.

As noted, views of the tax climate in particular are related strongly to overall expectations for the coming year. That's also true about expectations for business volume, profitability and customer base: Half or more of those with favorable views of the tax climate expect higher volume, profitability and customer bases in the coming year.

SMALL BUSINESS SURVEY INDEX

Several of these individual measures were aggregated into the Small Business Survey Index. The survey items were chosen through factor analysis, a statistical method used to identify how variables relate to common concepts. Indexing multiple survey items in this manner is a highly effective and robust method for summarizing attitudes and tracking change over time.

The SBSI is an average of three subindices, each of which also is of interest on its own. In this inaugural edition, the SBSI is **61.1** on its 0-100 scale for Q4 2016.

- The first subindex – **Current Conditions** – includes two items that capture how small business owners view the current business environment. The first asks respondents to describe “current conditions for your business” using a five-point scale, ranging from “very good” to “very bad.” The second captures the degree to which the respondents’ businesses were profitable (“highly” or “somewhat”), broke even, or lost money (“some” or “a lot”) in the past year. Reflecting generally positive responses to these two questions, the Current Conditions subindex is the highest of the three at **65.9**.
- The **Expectations** subindex is based on three assessments for the coming year: business volume, profitability and customer base. The subindex score is **63.0**.
- The final subindex – **Hiring** – is comprised of a single five-point question on staffing plans in the coming year, ranging from reducing staff “a lot” to expanding staff “a lot.” Reflecting the fact that most small business owners expect to maintain current staffing levels, this subindex is **54.5**.

Q4 2016 SBSI

61.1

Current Conditions

65.9

Expectations

63.0

Hiring

54.5

GROUPS & THE SBSI

The overall SBSI varies most significantly by company revenue, with sentiment highest in higher-revenue small businesses and lowest at the bottom end of revenue. For firms with revenues exceeding \$2 million annually, the SBSI reaches 69.9, 12.7 points higher than among businesses with revenues less than \$200,000 per year. The effect appears across subindices.

There's a similar relationship between the SBSI and a firm's number of employees. Statistical modeling confirms that firm size in terms of revenues and employees independently predict higher SBSI scores.

Among other factors, the expectations and hiring subindices are significantly higher among owners of younger companies than older ones – 67.6 and 57.0, respectively, for firms that have been in business for 10 or fewer years, vs. 58.9 and 51.8, respectively, for those that have operated for more than 35 years.

Small businesses based in the South score higher on the SBSI than those in the Northeast, driven by higher expectations for the coming year; no other strong regional differences emerge. And while the SBSI does not differ significantly between supporters of Hillary Clinton and Donald Trump in the overall index or the expectations and hiring subindices, Clinton supporters are 10.4 points higher on the current conditions subindex, 72.1 vs. 61.7.

SMALL BUSINESS SURVEY INDEX & SUBINDICES

BY GROUPS, Q4 2016

	Full Index	Current Subindex	Expectations Subindex	Hiring Subindex
All	61.1	65.9	63.0	54.5
Employees				
1 to 3	58.3	61.3	61.0	53.2
4 to 14	63.0 ^a	69.6 ^a	64.2	54.9
15 to 39	65.7 ^a	69.2 ^a	67.7	59.3 ^a
40+	64.4 ^a	70.1 ^a	67.1	57.6
Sector				
Raw/manuf.	60.6	65.7	61.0	54.8
Sales/service	61.2	66.0	63.6	54.4
Home-based	60.4	64.7	62.9	53.1
Not Home-based	61.3	66.3	63.1	55.0
One location	60.7	66.8	62.2	53.2
More than one location	63.5	62.1	67.5*	61.0*
1-10 years	63.3	66.9	67.6 ^{c,d}	57.0
11-20 years	61.1	68.1	62.6	52.6
21-35 years	60.2	62.6	61.7	55.8 ^d
36+ years	59.1	65.3	58.9	51.8

	Full Index	Current Subindex	Expectations Subindex	Hiring Subindex
Ecommerce				
No	60.4	65.4	62.0	53.5
Yes	62.0	66.3	64.7	56.1
Annual revenue				
< \$200k	57.2	60.6	59.5	52.0
\$200-\$750k	62.8 ^a	67.3	66.1	55.0
\$750k-\$2 mil.	61.7 ^a	65.3	61.7	56.9
\$2 mil.+	69.9 ^{a,b,c}	78.7 ^{a,b,c}	71.4 ^{a,c}	59.7 ^a
Northeast	58.1	61.2	58.8	54.0
North Central	61.1	65.5	63.0	54.5
South	62.3 ^a	67.6	65.7 ^a	54.3
West	61.8	67.5	62.6	55.1
Owner characteristics				
Men	60.8	66.1	62.1	54.5
Women	61.4	65.7	64.1	54.4
Supported Clinton	63.3	72.1 ^a	63.6	54.1
Supported Trump	60.4	61.7	63.5	55.5

Group differences of $p < 0.05$ are indicated by * (two categories) or superscripts (more than two categories). Superscript letters indicate the category for which a statistically significant difference exists, with superscript letters corresponding to the category orders.

METHODOLOGY

This survey was conducted via telephone interviews Nov. 9-29, 2016, among a random national sample of 503 owners of businesses with fewer than 100 employees as part of the quarterly SSRS Small Business Omnibus Study. The sample was stratified and weighted based on the number of employees, type of business and region. Results have a margin of sampling error of 6.0 points for the full sample including the design effect due to weighting. The survey was produced by Langer Research Associates of New York, N.Y., with sampling and data collection by SSRS of Media, PA. See methodological details [here](#).

	Unweighted N	Weighted Sample %
All	503	100%
Employees		
1 to 3	111	45
4 to 14	154	47
15 to 39	120	6
40+	118	2
Sector		
Raw/manuf.	163	22
Sales/service	340	78
Home-based	81	26
Not Home-based	422	74
One location	369	85
> one location	127	15
1-10 years	113	29
11-20 years	121	25
21-35 years	126	23
36+ years	132	23

	Unweighted N	Weighted Sample %
E-commerce		
No	309	62
Yes	186	38
Revenue		
< \$200k	104	44
\$200-\$750k	87	30
\$750k-\$2 mil.	105	18
\$2 mil.+	108	8
Men	283	54
Women	220	46
Northeast	91	20
Midwest	125	21
South	179	36
West	108	23

FULL RESULTS

1. Overall, would you describe current conditions for your business as good, middling or bad? [IF GOOD OR BAD] Is that very good/bad or somewhat/good bad?

11/29/16	Better			Middling	Worse			No Opinion
	Net	Very Good	Good		Net	Bad	Very Bad	
	61	18	43	32	6	3	4	2

2. Thinking about the year ahead – do you expect [ITEM] to be favorable for your business, unfavorable for your business, or in between? [IF FAVORABLE OR UNFAVORABLE] Do you expect [SAME ITEM] to be very favorable/unfavorable, or somewhat favorable/unfavorable? How about [NEXT ITEM]?

11/29/16 Summary Table	Favorable				Worse			
	Net	Very	Smwt	Between	Net	Smwt	Very	No Opinion
a. Overall Economic Conditions	52	18	34	37	6	4	2	5
b. The Regulatory Climate	32	10	22	40	11	7	4	17
c. The Tax Climate	31	9	22	37	20	12	8	13
d. Interest Rates	33	10	23	38	10	8	2	19

FULL RESULTS

3. In the year ahead do you expect your [ITEM] to expand, contract or remain about the same? How about [NEXT ITEM]?
 [IF EXPAND/CONTRACT] Do you think it will expand/contract a great deal, or somewhat?

11/29/16 Summary Table	Expand			Same	Contract			No Opinion
	Net	Great Deal	Smwt		Net	Smwt	Great Deal	
a. Business Volume	47	10	36	46	6	4	2	2
b. Profitability	43	11	33	47	8	5	2	2
c. Customer Base	53	12	41	42	4	3	1	2

4. In the year ahead, do you expect to (expand your staff), reduce (your staff), or keep your staff the same size as it is now?
 [IF EXPAND/REDUCE] Do you expect to expand/reduce your staff a lot, or somewhat?

11/29/16	Expand			Same	Contract			No Opinion
	Net	A Lot	Smwt		Net	Smwt	A Lot	
	19	3	17	75	4	3	1	1

5. Do you make use of freelance workers, or not?

11/29/16	Yes	No	No Opinion
	27	72	1

6. [IF YES] In the year ahead, do you expect to (increase) your use of freelance workers, (decrease) your use of freelance workers or keep your use of freelance workers the same as it is now? Do you expect to increase/decrease your use of freelance workers a great deal or somewhat?

11/29/16	Increase			Same	Decrease			No Opinion
	Net	Great Deal	Smwt		Net	Smwt	Great Deal	
	32	5	27	60	6	6	0	2

FULL RESULTS

7. Over the past year would you say your business has been highly profitable, somewhat profitable, break-even, lost some money or lost a lot of money?

11/29/16	Profitable				Lost Money			
	Net	Highly	Smwt	Break-even	Net	Some	A Lot	No Opinion
	62	10	52	23	13	9	4	3

8. Do you think the election of Donald Trump as president will be good for your business, bad for your business, or makes no difference? [IF GOOD OR BAD] Do you feel that way strongly, or somewhat?

11/29/16	Good				Bad			
	Net	Strongly	Smwt	No Diff.	Net	Smwt	Strongly	No Opinion
	46	23	23	34	10	7	4	10

9. Regardless of any possible impact on your business, who did you personally support for president – (Hillary Clinton), (Donald Trump), (Gary Johnson), (Jill Stein) or someone else?

11/29/16	Hillary Clinton	Donald Trump	Gary Johnson	Jill Stein	Other	None (vol.)	No Vote (vol.)	No Opinion
		32	48	3	*	8	5	3

CONTACT US

WITH ANY QUESTIONS

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