



2023 Small Business Outlook Survey

Tracking the Needs and Challenges of New Majority Entrepreneurs

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A Message From Mastercard

At Mastercard, we believe small businesses are the backbone of our communities and the foundation of our economy. Our support for them is simple. We have been there in good times and challenging times. We remain committed to helping them and their local communities prosper. Most of all, we recognize the power of possibility when those with an entrepreneurial spirit have equal opportunity and access to the resources necessary to succeed.

After years of uncertainty, the small business sector is experiencing strong growth, with increases in small business filings becoming the new normal. However, small businesses, especially those owned by women and minorities, continue to face challenges and disparities in growing and maintaining their businesses. Mastercard will continue delivering needs-based solutions that address small business owners' pain points and provide support through funding, mentorship, products, partnerships, and resources to help them thrive.

As a champion for small business owners, Mastercard has an obligation to ensure that the digital economy works for everyone. In this vein, we pledged and remain committed to bringing [50 million small businesses](#) into the digital economy, specifically helping 25 million women entrepreneurs grow their businesses, while a [\\$500M investment](#) in Black communities and small business owners across the U.S. aims to help close the racial wealth and opportunity gap by 2025.

In line with Mastercard's mission to build a more inclusive digital economy, helping maximize capital access for all small business owners is critical. Together with Hello Alice, we are proud to have launched the [Hello Alice Small Business Mastercard](#) in 2022, which is offered as a traditional credit card as well as one with additional provisions to help with credit-building. The unique credit card provides small business owners industry-leading accessibility to tools and services, including expert business advice, business insights, cashback, and a rewards program featuring the ability to earn points by completing business-advancing activities.

As small businesses continue to move and strengthen their operations online to meet consumer demand, we are proud to offer [Mastercard Digital Doors](#).[®] This program provides access to e-commerce capabilities, educational resources, and digital tools that empower small businesses to enhance their operations. A key feature is the [Small Business Digital](#)

[Readiness Diagnostic](#), a free online tool to help entrepreneurs understand their strengths and weaknesses and provide customized recommendations on the next steps to becoming more digital.

We are excited about the future of small businesses, and we look forward to equipping more business owners with the resources, education, and support they deserve to succeed. Supporting our local small business heroes and driving positive change in our communities is truly *Priceless*.

Proudly,

GINGER SIEGEL,

North America Small Business Lead, Mastercard

Executive Summary

Hello Alice conducted a survey of 2,635 small business owners to understand their overall sentiment and challenges heading into 2023. The results show that while owners faced intense challenges during 2022, they have emerged with effective strategies and renewed confidence that their small businesses will grow in the year ahead.

The survey uncovered four key findings:

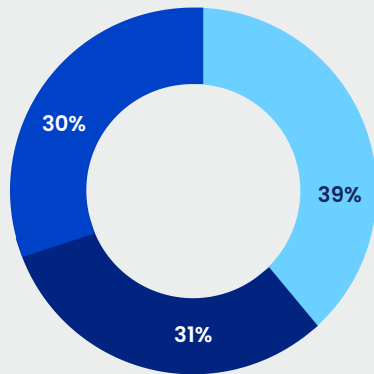
- 1. Inflation remains a top-of-mind concern:** 69% of small business owners said that the effects of inflation on their businesses worsened throughout 2022, forcing them to increase prices and adjust product offerings. Nearly 70% of owners applied for funding to manage inflation-related challenges in 2022, and another 70% plan to do so in 2023.
- 2. Owners are optimistic they have the tools to grow:** Having successfully weathered the challenges of 2022, small businesses are well-positioned for success. Almost three-quarters (73%) of surveyed owners predict their businesses will grow in 2023.
- 3. Marketing will be a key determinant of success:** Top concerns include losing customers due to price increases (57%) and not being able to acquire new customers (54%). Owners must optimize their marketing efforts to avoid these outcomes.
- 4. Current outlook hinges on a potential recession:** Twice as many owners plan to hire in 2023 than were actively hiring in 2022. However, 65% of owners are worried about a potential recession, which they fear will reduce sales, limit cash flow, and make it harder to access credit.

Published in partnership with Mastercard, this research elaborates on each of these findings to outline trends to track throughout 2023. Additionally, results informed a resource list to address owner needs expressed in the survey.

Survey: Recapping 2022, Looking Forward To 2023

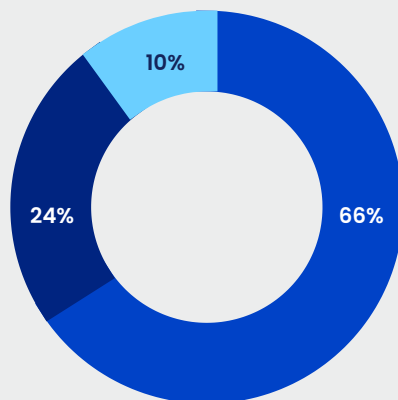
2022: A Story of Inflation

Inflation dictated small business outcomes for the previous year. **Two-thirds of owners said that their expenses increased in 2022, whereas only 30% had an increase in annual revenue.** This gap accelerated over time, with 69% of owners reporting that the effects of inflation on their businesses worsened throughout the year.



In 2022, my business revenue...

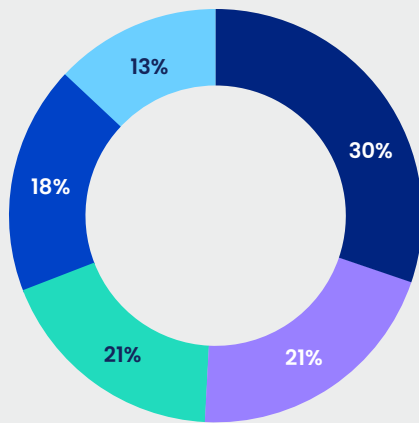
- Increased
- Did Not Change
- Decreased



In 2022, my business expenses...

- Increased
- Did Not Change
- Decreased

Small businesses pursued many strategies to combat the inflated cost of goods and services. Surveyed owners ranked price increases (31%) and adjustments to product offerings (21%) as the two most effective strategies for combating inflation. Access to capital plays a key role in funding these strategies. Nearly 70% of owners applied for funding in 2022, and another 70% plan to do so in 2023.



What has been the most effective method to combat inflation at your business?

- Increases in Pricing
- Product Offering Adjustments
- Business Pivot
- Cost Reductions
- Reduced Staffing or Hiring



69.3% of small business owners plan to apply for funding in 2023

Success in 2022 Produces Optimism for 2023

Small business owners have managed to counteract inflation – so far. **Despite clear economic headwinds, 64% of surveyed owners said their business performed better or about the same as 2021.** Similarly, 57% of owners said that their business performed as expected or better in 2022.

In 2022, my business performed...



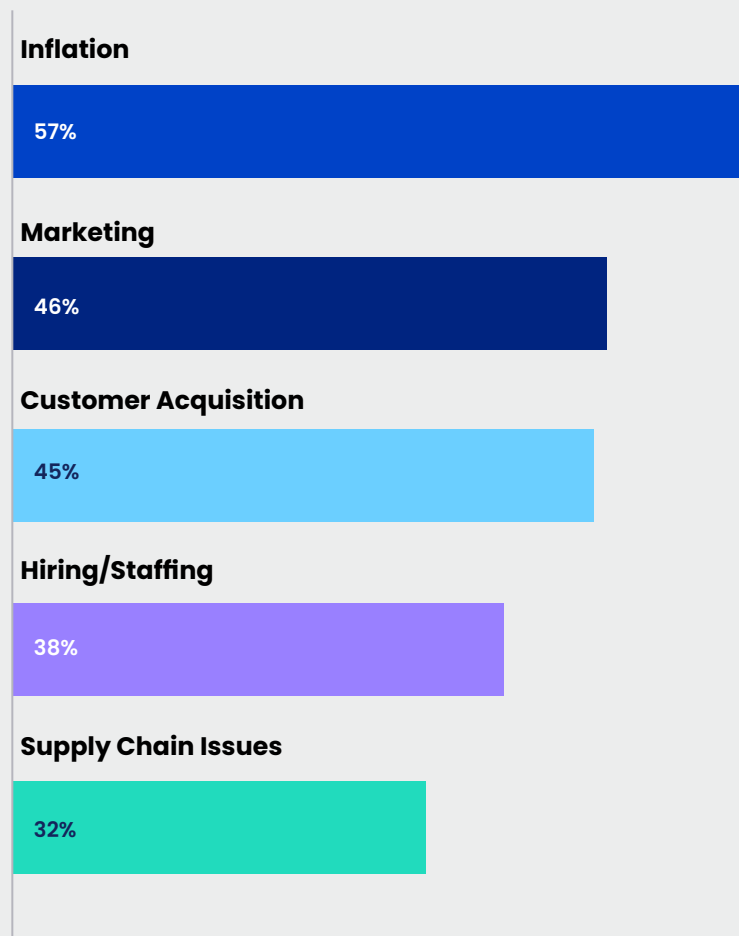
This track record leaves most small businesses feeling well-prepared to face the challenges of 2023, and owners are resoundingly optimistic. **Nearly three-quarters (73%) of surveyed owners predict their businesses will grow in 2023.**

Small Businesses Focus on Marketing for 2023

Inflation remains a top focus for 2023. A quarter of surveyed owners ranked inflation as their number one concern for the coming year, and 57% rank it among their top three.

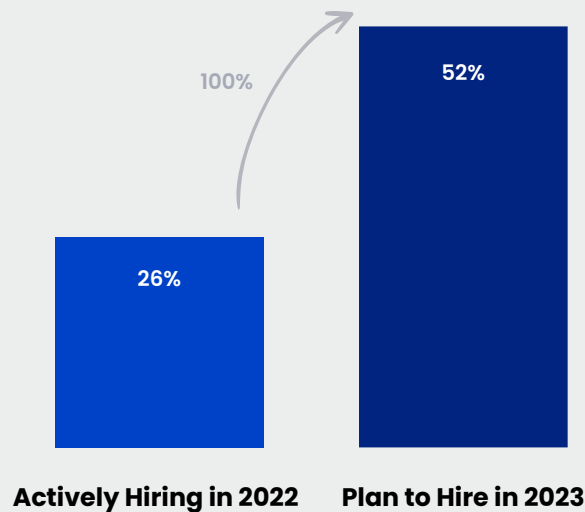
Most owners also ranked **marketing** and **customer acquisition** among their top three concerns. This pair of challenges corresponds with the most common inflation-related issues cited by owners, including losing customers due to price increases (57%) and being able to acquire new customers (54%). Effective marketing will be crucial to engaging new and existing audiences if small businesses continue to raise prices to counteract inflation.

Portion of Small Business Owners Who Rank These Challenges Among Their Top 3 for 2023

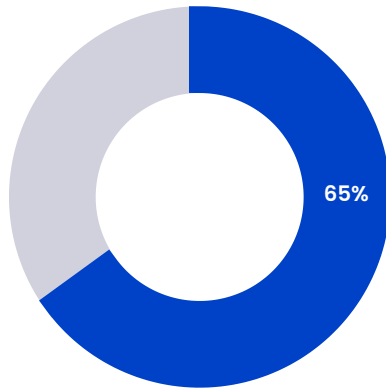


Optimistic Plans Hinge on Potential Recession

In line with their overall optimism, twice as many owners are looking to hire in 2023 (52%) than were actively hiring in 2022 (26%). This explains why Hiring/Staffing ranks among owners' top five challenges predicted for this year. This trend also varies by industry. Both **food and beverage** and **personal services** businesses were most likely to predict they will staff up in 2023, whereas **retail** businesses were the least likely to say they plan to hire in 2023.



However, 34% of surveyed owners said they were unsure if they would be hiring in 2023. This uncertainty corresponds with widespread recession fears. **Nearly 65% of surveyed owners said they are worried about a potential recession in 2023.** Specifically, owners cited **reduced sales and profit** and the **reduction of cash flow** as their chief recession worries. Additionally, more than one-fifth (21%) of owners are concerned that a recession could make it harder to access credit, a scenario which could put their businesses in further jeopardy.



Are worried about the impact of a potential recession on their business in 2023

What Worries You More About a Potential Recession?

Reduction in Cash Flow

34%

Reduced Sales And Profit

32%

Difficulty Accessing Credit

21%

Decline in Product Quality Due to Cost-Cutting

8%

Reduction in Staff Due to Cost-Cutting

5%

2023 Resources

Despite historic inflation and a potential recession, small business owners told us they are ready to persevere and grow their businesses in 2023. Hello Alice and its partners are ready to meet these high expectations with the resources owners need to achieve their goals.

Share the following resources with small business owners in your network. Each resource targets the emerging and ongoing challenges recorded by this survey.

- **Small Business Funding Center**

Access to capital ensures owners are able to fund growth, pursue opportunities, and respond to unforeseen challenges. Hello Alice's [Small Business Funding Center](#) connects owners with the full continuum of capital – including loans, financing, and credit cards – they need to run their businesses.

- **Hello Alice Programs**

Learn best practices and crowdsource wisdom from a community of more than a million small business owners. Hello Alice offers live events, [workshops](#), [accelerators](#), and [digital learning experiences](#) to help entrepreneurs level up and succeed.

- **Mastercard Digital Doors®**

Get the most out of digital tools and protect your business from online threats. [Mastercard Digital Doors®](#) provides best-in-class tools and resources to help business owners enhance their digital operations from setting up shop online, digital marketing, cyber security, digital payments, and finance management to be their digital best.

- **Business Solutions Center**

From services that optimize marketing campaigns to online platforms to hire freelance support, Hello Alice's [Business Solutions Center](#) curates dozens of offers that save owners time and money. Our team recommends the best tools, software, and services to simplify decisions and help small businesses scale.

About Hello Alice

Founded by Carolyn Rodz and Elizabeth Gore, [Hello Alice](#) is a free platform serving more than one million small business owners across the United States. Committed to equitable access to capital for women, people of color, members of the LGBTQ+ community, veterans, and entrepreneurs with disabilities, Hello Alice offers funding, education, tools, and curated opportunities. Working with enterprise business services, ecosystem partners, affiliates, and government agencies, Hello Alice provides its growing community with everything they need to grow their businesses.



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