

# Small Business Now Report: Is A Recession A Good Time To Start A Business?

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A recession is coming — at least, that’s what we’ve all been hearing in the news for the last six months. The US economy remains strong, but [high inflation](#), [dropping oil prices](#), and [financial uncertainty](#) all point to a potential downturn in the near future.

It’s ok to feel a bit uneasy about this. Nobody can predict the future, but recessions impact everyone — from businesses that need to cut back on staffing and other expenses, to consumers who face sky-high prices everywhere they look. It’s also easy to become concerned about making ends meet during a recession, especially if your job security is impacted by cutbacks.

With all that said, you might be wondering, is a recession a good time to start a business? Well, we were curious about that too, so we asked more than 2,400 employed Americans if a recession would make them more or less likely to launch a business, and what their biggest barriers are to becoming an entrepreneur..

In our latest trends report, *Small Business Now: A 2023 Recession Forecast*, we unpack whether a recession would cause a slowdown in new business starts, or if Americans see it as a chance to build their dream jobs.

Here’s what we learned:

## If a recession hits, Americans are ready to turn it into an opportunity.

There have been plenty of rough patches in the US economy over the past few decades, and almost every time a downturn happened, an immediate spike in new business applications followed. For example, when COVID crippled the world’s economy in early 2020, the US Census Bureau recorded a [137 percent increase](#) in new business applications between April and July.

Coincidence? Think again.



## Ready For Action

In the event of a recession, about 1 in 3 (30%) said they would start a small biz or side hustle to make more money *while* maintaining their current job.

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Source: Constant Contact's Small Business Now Report, 2023

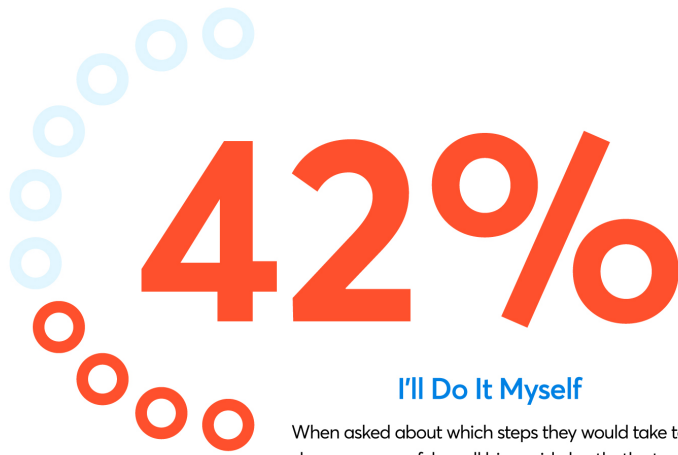
History has a tendency to repeat itself, and that's exactly what we're seeing when it comes to the appetite for small businesses in 2023. Our research shows Americans aren't going to let a recession stand in the way of their dreams to start their own businesses — they're going to use it as an opportunity.

- When asked how they would respond if a recession impacted their jobs this year, one in three (30 percent) American workers said they would actively seek to supplement their income by starting a side hustle *while maintaining their current job*.
- Almost half (45 percent) of employed Americans would pursue becoming a small business owner, or recommend that path to someone else.

Now, you might be thinking, “sure, it's not as financially scary to start a business if you're still holding down a full-time job somewhere else.” That might be true for some, but our findings show that would-be entrepreneurs aren't waiting on a bigger nest egg to get started. In fact, of the employed Americans we polled, 45 percent said they would feel comfortable starting a business or side hustle with \$10K or less in savings — and 22 percent felt that \$2K would be enough.

It's clear that the next generation of business owners is not planning to sit idly by and let a recession dictate their futures. Instead, it may be just the excuse they need to start building something of their own.

**Future business owners are “do-ers” with the confidence and drive to succeed.**



### I'll Do It Myself

When asked about which steps they would take to have a successful small biz or side hustle, the top answer (42%) was looking for free lessons, videos, tutorials, online resources, etc. on how to run a business.



Source: Constant Contact's Small Business Now Report, 2023

We know there's a new crop of entrepreneurs ready to jump into small business ownership. But, what's motivating them to strike out on their own? The answer will always vary from person to person, but according to our research, it's their "do-it-yourself" mindset that is spurring them into action:

- The No. 1 reason employed Americans would consider starting a business or side hustle is because they think they can monetize a current hobby or skill to earn extra money.

That makes sense when you're preparing for a potential recession because it's important to ensure you are financially stable enough to weather any unexpected challenges. Americans already expressed an interest in supplementing their income with a new business or side hustle, so it's logical that they would try to do that by "going pro" in something they already enjoy doing in their spare time.

More flexibility and better balance are also powerful motivators for new entrepreneurs. But, our research revealed an interesting twist on that — flexibility is now more of a prerequisite than an end goal. Americans aren't necessarily trying to work less, they just crave more flexibility in their nine-to-five so they can devote time to their passion projects. What's more, they don't feel like a long and costly formal education is necessary because they can save time by self-educating instead.

- When asked about which steps they would take to be successful in starting their own business or side hustle, the top answer (42 percent) was looking for free lessons, video tutorials, and other resources.
- Only 16 percent of those polled said they would go back to school to learn how to run a business.

Creativity, resiliency and a strong drive are classic hallmarks of a small business owner. It's encouraging to see that the next wave of business leaders also possesses these traits and that they are willing to do whatever it takes to be successful.

# Raising capital is tough, but acquiring customers is another major challenge.

Novice entrepreneurs have a lot of confidence about starting a career in small business ownership, and they are prepared to put in the work to be successful. But, confidence doesn't pay the bills. They're not blind to the challenges they will face as they progress along their journey.

The **top needs** people have when starting a small business:

- 01 Marketing/advertising
- 02 Getting a loan/capital
- 03 Writing a business plan
- 04 Networking
- 05 Finding a location
- 06 Hiring/staffing

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Source: Constant Contact's Small Business Now Report, 2023

The biggest hurdles they expect to face? Financial backing is the area preventing them from getting started, but marketing themselves to customers is the largest area where more support would be needed after launch.

- Startup costs (27 percent) and financial risk (21 percent) were the two biggest barriers that employed Americans said would prevent them from starting a business in 2023.
- Once the business is up and running, marketing/advertising and building a website/ecommerce store is the top area where people expect to need extra support.
- Eight percent of employed Americans felt so unsure about how to market/advertise their business that it would prevent them from trying to start one at all.

With a recession looming, it's logical that finances are a top concern for future business owners. But, once the business is launched, it needs to continue attracting new customers to stay afloat. Marketing is how those customers find you, and the Americans we polled view it as a key area where additional support is needed. They even ranked it above other common challenges like writing a business plan, networking, and hiring employees.

The good news is that marketing doesn't have to be a headache, nor should it be something that prevents someone from launching a business. There are terrific resources available that can teach anyone how to [be a marketer](#), and cutting-edge tools like AI, automation, and SMS marketing make it easy to attract new customers and keep them engaged.

# What does all this mean?

If a recession does come this year, we should expect a new era of small businesses to come with it. Americans are excited about starting new businesses, and there's reason to believe a recession would simply give them the excuse they need to put their D.I.Y. skills to the test and dive headfirst into a career as an entrepreneur.

## There are benefits to starting a business during a downturn

Starting a business during a recession might seem counterintuitive, but it can actually come with a handful of benefits that aren't available to businesses that launch during more stable economic times.

We know from our research that startup costs are a factor for aspiring business owners, and a recession can provide a bit of welcome relief there. More people are looking for work during a downturn, which means you will likely find it easier to recruit and hire strong employees. It may also allow you an opportunity to open a physical store, or office, at a more affordable price.

While starting a business during a recession may come with its challenges, it can also be a rewarding and potentially lucrative endeavor for those willing to take the risk.

## How entrepreneurs can take advantage of a recession.



The first thing to do to prepare for a recession as a new business owner is to pay attention to how consumers are changing their spending habits to adjust to the new market conditions. As consumers adapt, there will likely be gaps in the market that your business can fill. Be flexible and willing to pivot your offerings to better meet their needs.

Another way to be successful is to learn how to do more with less. Whether it's keeping your staff

small or prioritizing your spending to focus on your biggest revenue-driving areas, finding efficiencies in your business will help you keep going through a rocky economy.

Fortunately, technology can help with these things, and there is no shortage of tools out there that can help you be successful. Since marketing is a big concern for new business leaders, try [email and SMS marketing](#), which are easy ways to reach customers, inform them about what's happening, and keep them coming back for more. Cutting-edge technologies like [automation](#) and artificial intelligence are also extremely easy to use, and they can help you save time and develop personalized content for customers.

If you can be creative and seek out the proper tools and resources to be successful during a recession, you'll be well on your way to growth once the economy bounces back.

As a customer-focused digital marketing and CRM platform, Constant Contact delivers all the tools and guidance needed to attract the right people, engage customers to build relationships and grow a business. [Learn more](#) about how we've helped millions of small businesses succeed, and what we can do to help you market yourself online and achieve your business goals.

## Study Methodology

Constant Contact's Small Business Now Report explores how Americans feel about starting new businesses during a potential economic downturn. The survey includes a total sample size of 2,496 adults, of whom 1,207 were employed on either a full-time or part-time basis. Fieldwork was undertaken between the 25th - 27th of January, 2023 and the figures have been weighted and are representative of all US adults (aged 18+).

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