



SMALL BUSINESS SUCCESS AND OPTIMISM REV UP, FOCUS ON GROWTH STALLS

2015 SMALL BUSINESS SUCCESS STUDY

Now in its fifth year, The Hartford's annual Small Business Success Study is part of the company's ongoing effort to better understand small business owners and support their success, while demonstrating its commitment to helping them achieve their goals.



Business Insurance

Employee Benefits

Auto

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KEY THEMES

- **Success and optimism up, desire to grow down:** Over the past few years, fewer small business owners are focused on growing their businesses, yet more of them are feeling successful about how their businesses are operating and say they are optimistic about the economy strengthening this year.
- **Risk-averse mindset continues, despite decline in macroeconomic concerns:** The majority of small business owners remain risk averse. Although small business owners continue to be conservative with their risk taking, there has been a decline in owners identifying macroeconomic factors as risks to their business.
- **Highly successful owners seek feedback/guidance, are optimistic and take more risks:** Highly successful small business owners tend to be hungrier for feedback/guidance from outside resources compared to those who don't feel as successful. They are also more likely to take risks, and more are optimistic.

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“It is encouraging to see better overall sentiment among small business owners, however, the decline in owners focused on growth is something all of us need to pay attention to. There is no better place to be an entrepreneur than in the U.S., so it is imperative that we work to create an environment that better fosters small business formation, success and growth.

At The Hartford, we are actively engaged in helping small businesses grow and succeed. Through our community partnership efforts, we provide education, resources and microloans to small businesses, as well as an employee-led program to patronize and support local businesses, which we call Hart Mobs.”

- Christopher J. Swift, Chairman and Chief Executive Officer of The Hartford

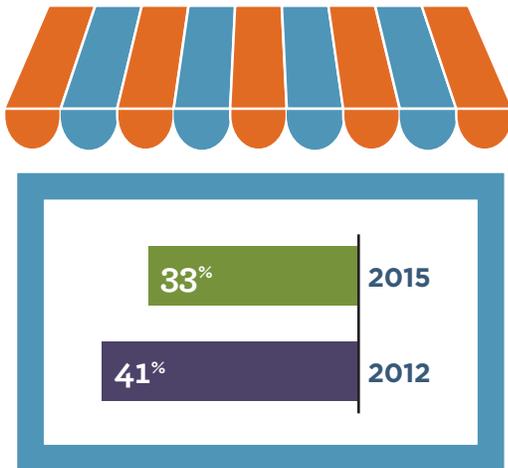




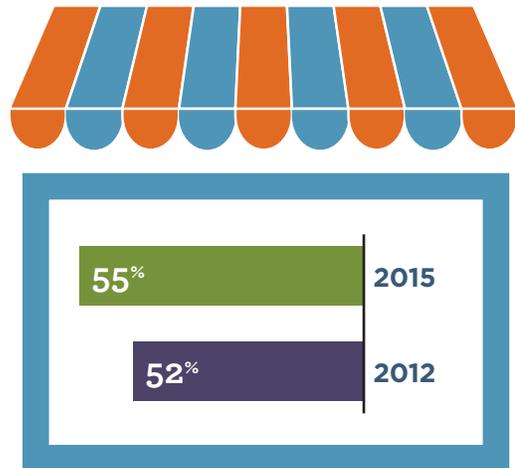
DESIRE TO GROW IS DOWN

Fewer small business owners are focused on growing their business. Even more than in previous years, they would rather maintain their business at its current size than grow the business significantly in terms of sales, revenue and/or employees.

Owners who say their primary goal is to **GROW**



Owners who say their primary goal is to **MAINTAIN**



FEELING SUCCESSFUL

Although fewer small business owners are focused on growing their businesses, more of them are feeling successful about how their business is operating right now.



HOW SMALL BUSINESS OWNERS DEFINE SUCCESS

Owners most often rate “to do something I feel passionate about or enjoy” as extremely/very important (76 percent) to their definition of success, followed closely by “to make enough money to have a comfortable lifestyle” (73 percent). These were also the top two attributes cited in the 2014 and 2013 studies.



DEFINITIONS OF SUCCESS:	2015	2014	2013	2012	2011
Do something I feel passionate about and enjoy	76%	79%	73%	81%	82%
Make enough money to have a comfortable lifestyle	73%	83%	77%	85%	79%
Increase profitability of the business	70%	73%	68%	81%	77%
Have free time to do whatever I wish	70%	70%	65%	61%	61%
Pay employees enough money for them to have a comfortable lifestyle	57%	58%	56%	70%	72%
Make a lot of money	45%	52%	42%	59%	46%
Sell my business for a substantial profit	28%	28%	26%	25%	35%
Expand the business to new markets or locations	31%	34%	26%	36%	30%
Pass ownership to a family member	27%	28%	23%	25%	29%

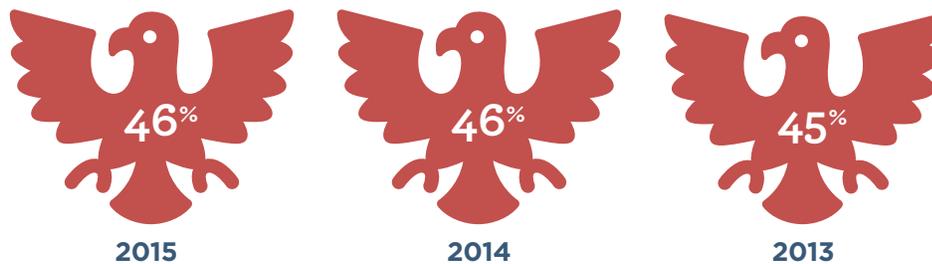
MORE OWNERS ARE OPTIMISTIC

About half of small business owners are optimistic when it comes to the national economy strengthening this year - more so than in 2012. Looking specifically at the next six months, they are just slightly less optimistic.

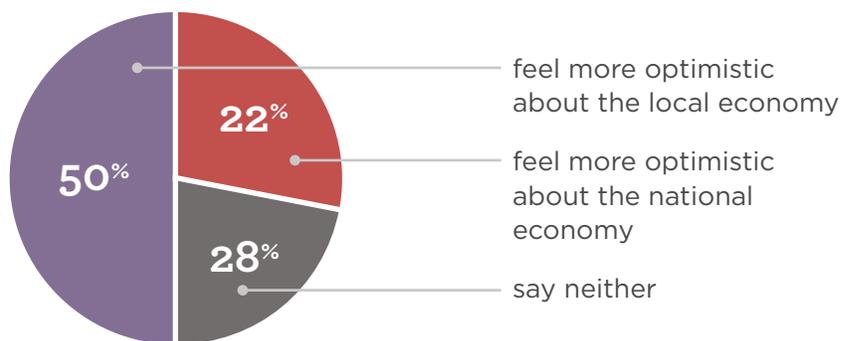
OPTIMISTIC THAT THE NATIONAL ECONOMY WILL STRENGTHEN THIS YEAR:



Looking ahead to the next six months, nearly half (46 percent) are optimistic that the national economy will strengthen - this figure has remained steady since fall 2013.¹

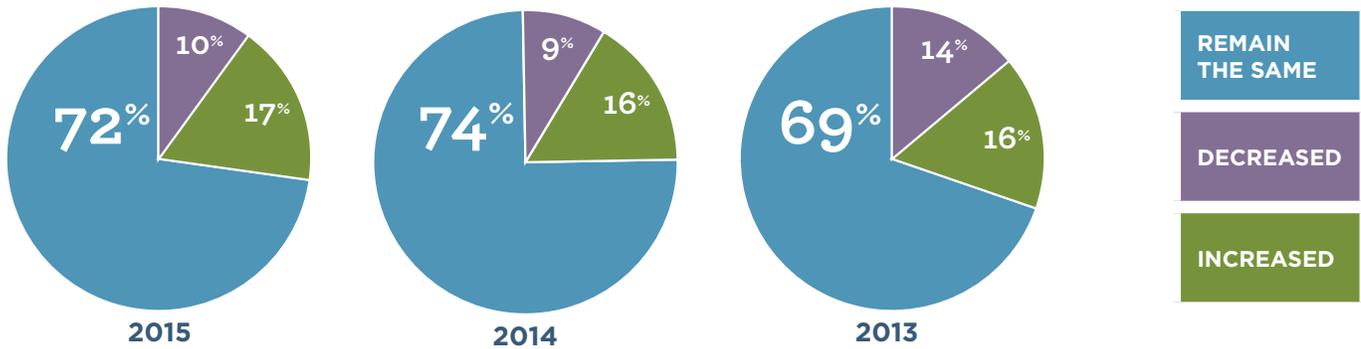


When asked about optimism in the local economy or national economy, business owners are significantly more likely to feel optimistic about the local economy in the next six months.

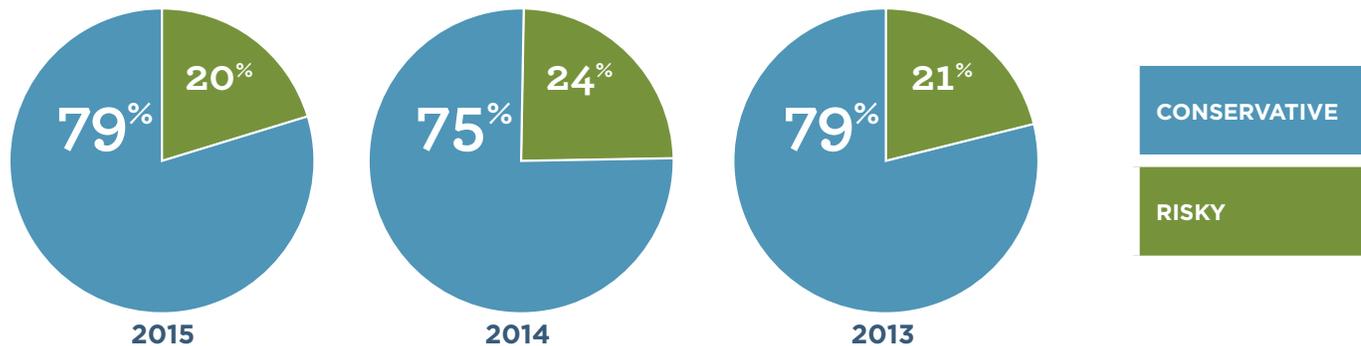


OWNERS REMAIN RISK AVERSE

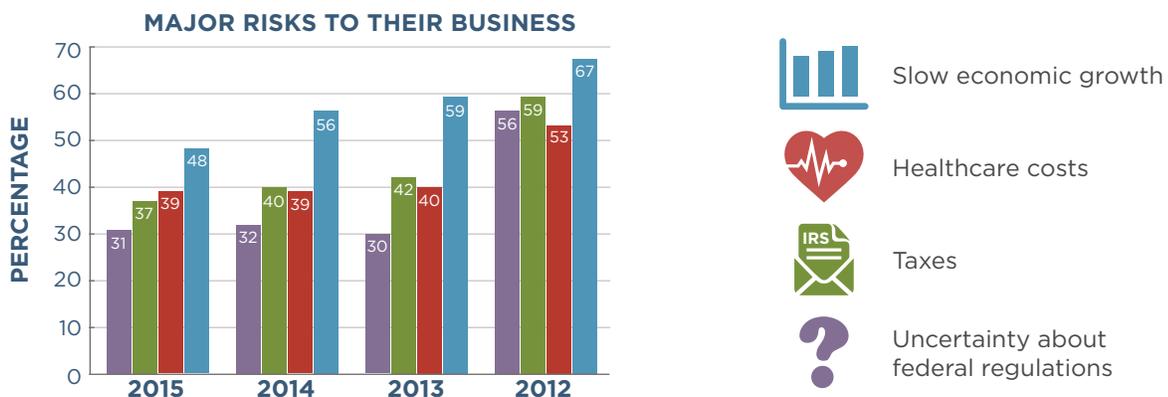
The majority of small business owners continue to say the number of risks they take remained the same over the past six months.



Nearly eight in 10 small business owners rate the current overall level of risks they are taking with their business as conservative.



Although they continue to be conservative with their risk taking, there has been a steady decline in owners identifying macroeconomic factors as major risks to their business.



CHARACTERISTICS OF A HIGHLY SUCCESSFUL SMALL BUSINESS OWNER

Based on an analysis of data over the past few years, The Hartford’s study found that highly successful small business owners tend to be hungrier for feedback/guidance from outside resources, more are optimistic and take more risks compared to those who don’t feel as successful.

Using the 2015 study as an example, highly successful small business owners are more likely to do the following compared to those who feel slightly or not at all successful:



Rate their overall level of risk as “risky:”

27%
extremely/
very successful

14%
slightly/not at all
successful



Cite better guidance from professional sources as a major contributor to success:

25%
extremely/very
successful

8%
slightly/not at all
successful



Say having a better pool of qualified talent is a major contributor to success:

38%
extremely/very
successful

18%
slightly/not at all
successful



Tap funding sources from banks in the last 12 months:

33%
extremely/very
successful

15%
slightly/not at all
successful



Use social media to respond to customer feedback:

37%
extremely/very
successful

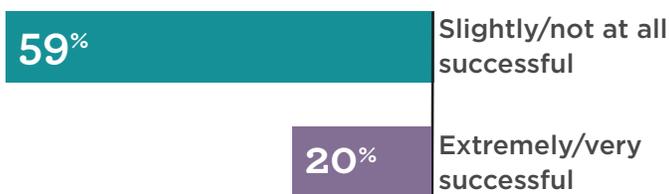
19%
slightly/not at all
successful

HIRING HOLD CONTINUES

Small business owners remain reluctant to add staff, with nearly two-thirds of owners saying that they have not hired at all over the last 12 months.	2015	2014	2013
Have not hired anyone in the past 12 months:	64%	67%	64%
Have hired, but not as much as they would have liked:	16%	13%	18%
Made all the hires they wanted to:	18%	16%	18%
The reasons for putting off additional staffing varied over the years.			
Cannot afford to hire:	28%	34%	44%
Business not growing:	34%	36%	42%
Taking on additional responsibilities themselves:	26%	31%	26%
Concerned about the healthcare costs as a result of hiring:	15%	21%	22%
There is a lack of qualified talent:	17%	14%	15%

NOT GROWING

Among businesses that have not hired as much as they would like, less successful business owners are more likely to say the reason is that their business isn't growing, compared to those who feel more successful:



ASSUMING MORE RESPONSIBILITIES

Less successful owners are also taking on additional responsibilities themselves, compared to those who feel highly successful:



Although many have not hired in the past 12 months, when asked about their plans for 2016, 49 percent of owners are likely/planning to hire additional staff.

ACCESS TO CAPITAL

An increasing number of small business owners report that it is not difficult, or only slightly difficult to secure a loan, compared to previous years.



Small business owners are interested in using a wide range of sources for funding their businesses. The largest number prefers:



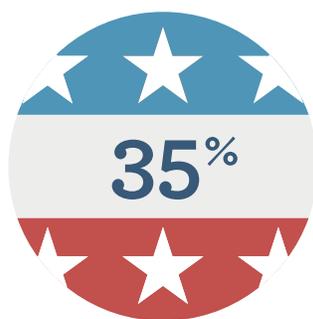
VOTING HABITS

When it comes to voting habits of small business owners, the study found that about half of respondents voted in the last presidential election in November 2012 because it is something they have always done, regardless of the issues or the candidates.

WHY THEY VOTED IN THE 2012 PRESIDENTIAL ELECTION:



Always vote regardless of issues and candidates

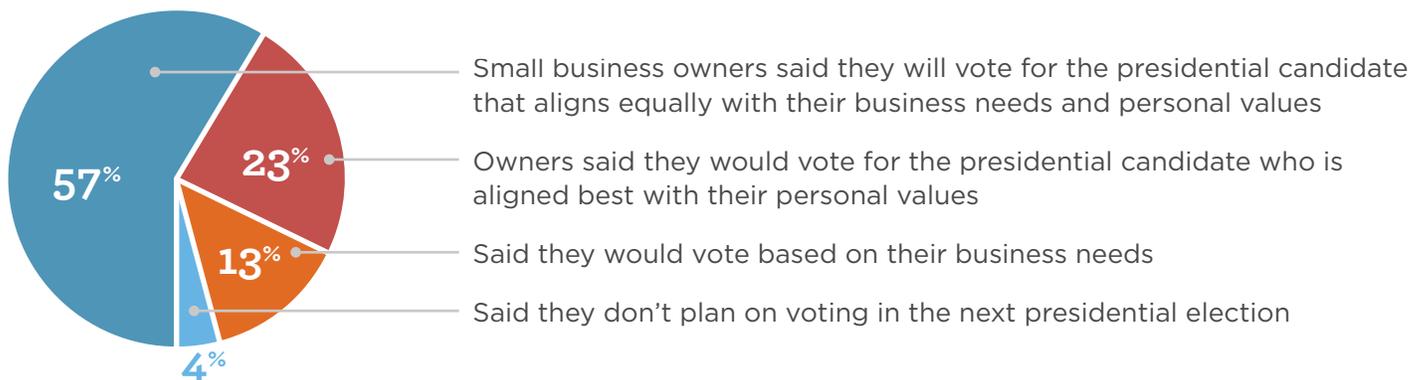


Believed strongly in one of the candidates



Certain policies were growth friendly to their business

LOOKING AHEAD TO THE 2016 PRESIDENTIAL ELECTION:



The majority of business owners say the position of candidates on pro-small business policies will have a minor impact (**42 percent**) or no impact (**17 percent**) on their vote, while **38 percent** say it will have a major impact.

TOP ISSUES IN THE NEWS



Of all the issues being reported by the media, small business owners are most concerned that healthcare reform and tax reform will impact the cost of running their business.

The top current issues in the news that small business owners are most concerned will impact the cost of running their business include:



37% Healthcare reform/Affordable Care Act



29% Tax reform



20% Minimum wage increase



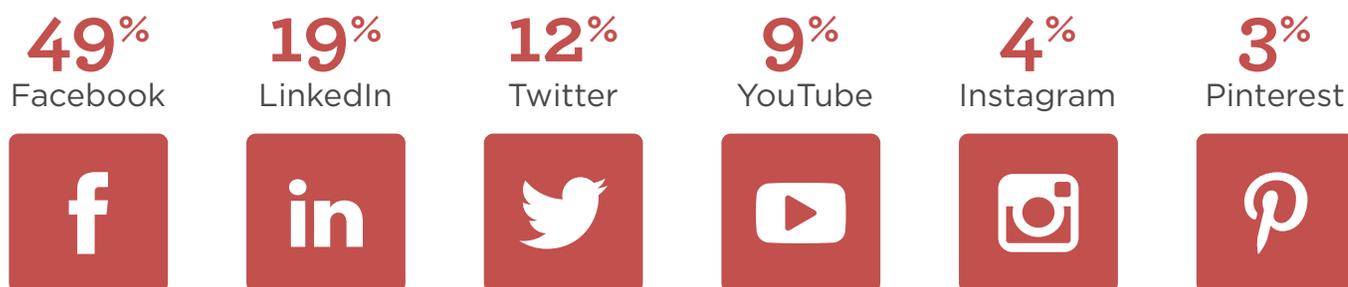
15% Impact of data breaches and cyber fraud

SOCIAL MEDIA USE

Social media is not a priority for many small business owners, with **43 percent** saying they do not use social media for their business.

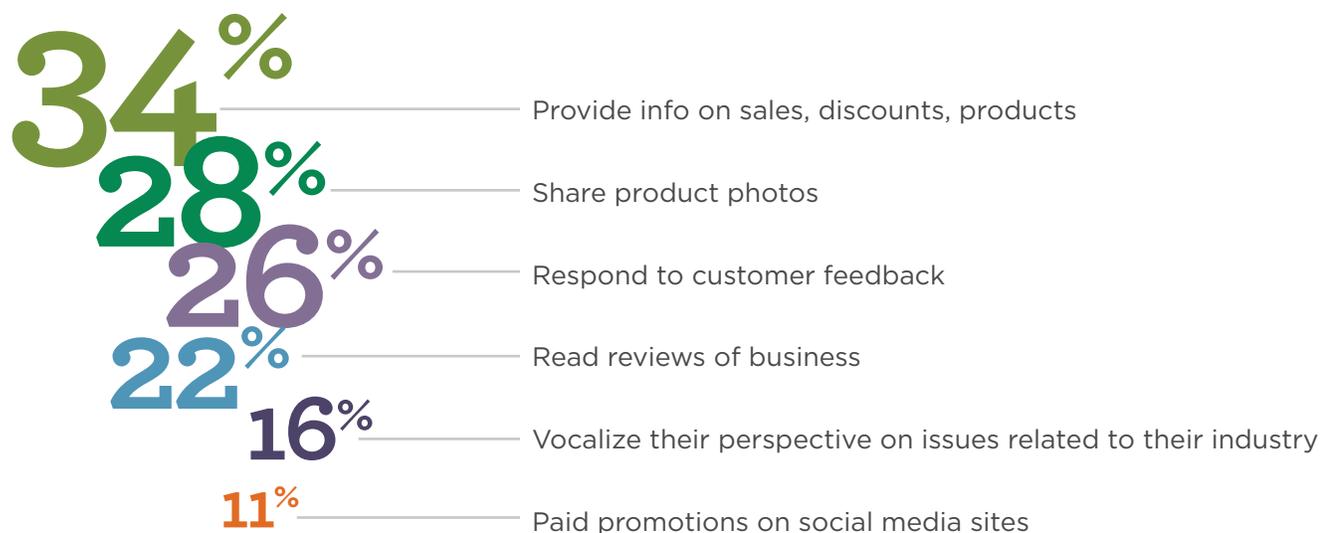
More than one-third (**37 percent**) of small business owners don't view social media as important to growing their customer base. However, about one-quarter (**26 percent**) of business owners are very likely/plan to engage in social/digital media in 2016.

Of the social platforms small business owners consider as most important to growing their customer base, Facebook is overwhelmingly viewed as the most important platform:



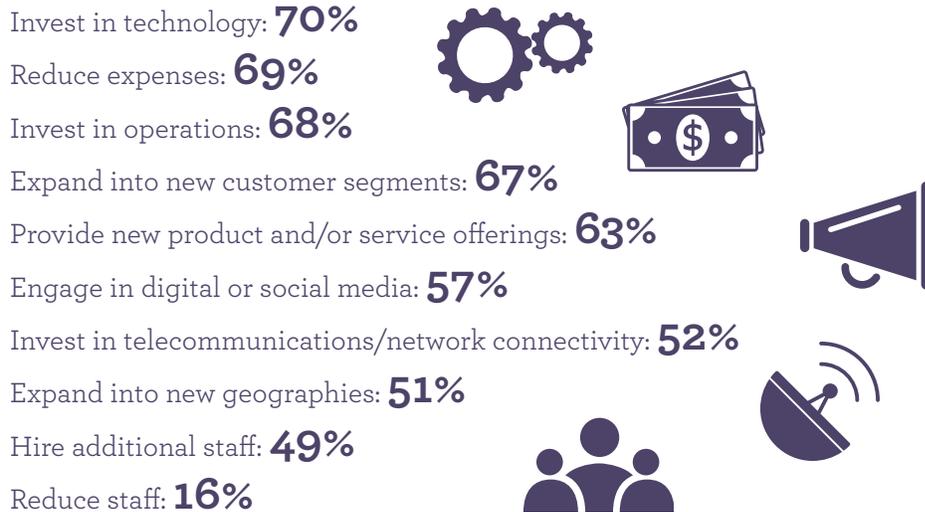
Facebook and LinkedIn were also rated most important in the fall 2014 wave.

Owners are most likely to use social media to:



LOOKING AHEAD TO 2016

Small business owners indicated they are likely/planning to take the following actions in 2016:

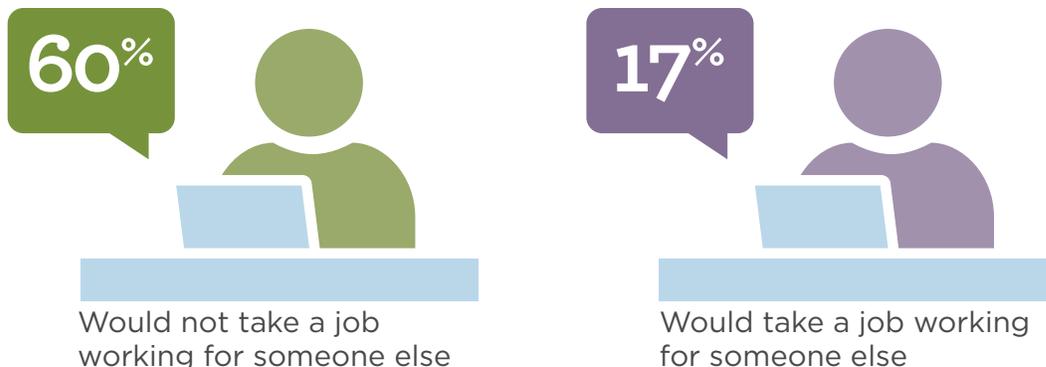


Owners who feel that their business is operating highly successfully are more likely than those who don't to do the following in 2016:

- Provide new product and/or service offerings **(43% vs. 15%)**
- Invest in technology **(37% vs. 16%)**
- Engage in digital/social media **(35% vs. 27%)**
- Expand into new customer segments **(35% vs. 17%)**
- Invest in operations **(35% vs. 10%)**

THE GRASS ISN'T GREENER

Business owners enjoy running their business. Three in five (60 percent) say they would not take a job working for someone else even if they knew they could be just as successful (an increase from 51 percent in the fall 2014 wave).



“MY WAY”

When asked which theme song would be their small business anthem, “My Way” by Frank Sinatra, representing someone who is determined and hardworking, came out on top.



CONCLUSION

The findings of The Hartford’s 2015 Small Business Success Study provide an inside look at the opportunities and challenges facing leaders of today’s small businesses. Feelings of success are on the rise among small business owners and more owners are feeling optimistic about the national economy strengthening this year. Despite these increases, most small businesses are still focused on maintaining their business at its current size rather than business growth. And most remain conservative and risk averse in their outlook on hiring and investment.

TAKING ACTION

Given the current sentiment of small business owners, there is an opportunity for creating an environment that better supports small business to encourage growth among current and future owners. To help achieve this growth:

- Small business owners can proactively seek the right resources, mentors and training to help take their business to the next level.
- We encourage federal and state agencies to find more ways to support small business development by providing incentives that encourage hiring, investing, expansion, and other job-creating actions.
- Larger businesses like The Hartford need to continue to find ways to learn about and understand the challenges small business owners face and implement programs that help address those challenges and help spark entrepreneurship.

To learn more about the 2015 Small Business Success Study and other topics to help small businesses succeed, visit:

THEHARTFORD.COM/SUCCESSSTUDY

THEHARTFORD.COM/PLAYBOOK

SBA.THEHARTFORD.COM

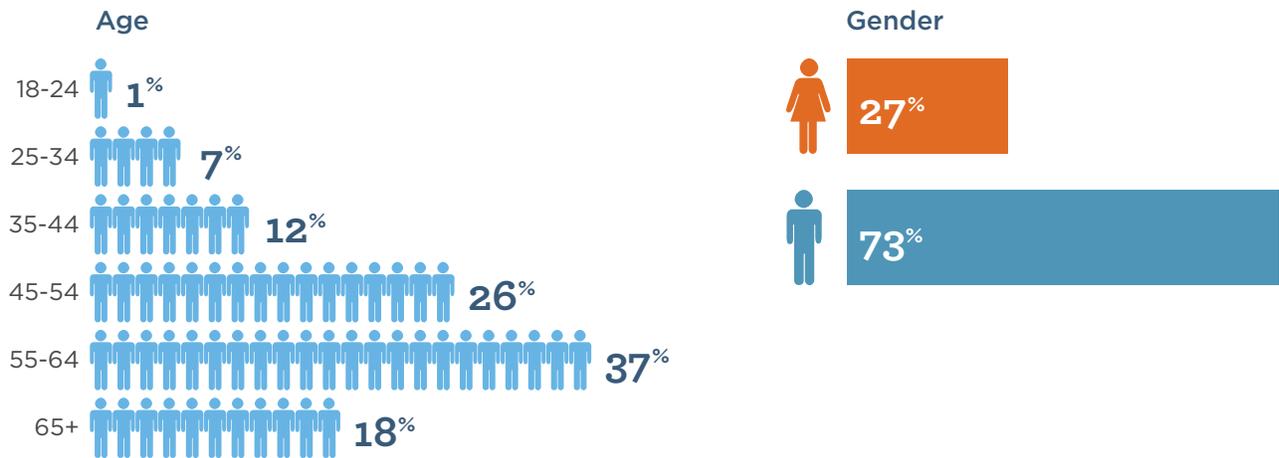


METHODOLOGY

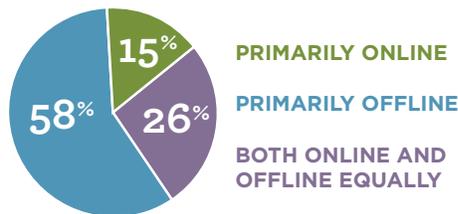
Braun Research conducted a telephone survey among small business owners across the United States on behalf of The Hartford. A total of 2,003 interviews were completed with small business owners of for-profit businesses with fewer than 100 full-time employees who have been in business for at least one year. The study included a nationally representative sample of businesses in the United States. One owner, co-owner, principal owner or sole owner per business was interviewed. The interviews were conducted between July 7-16, 2015. The margin of error is ± 2.1 percentage points at the 95 percent confidence level.

RESPONDENT PROFILE

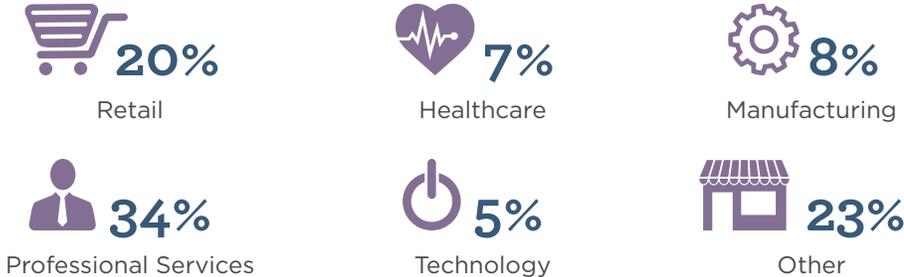
The following charts are derived from the representative sample of 2,003 respondents.



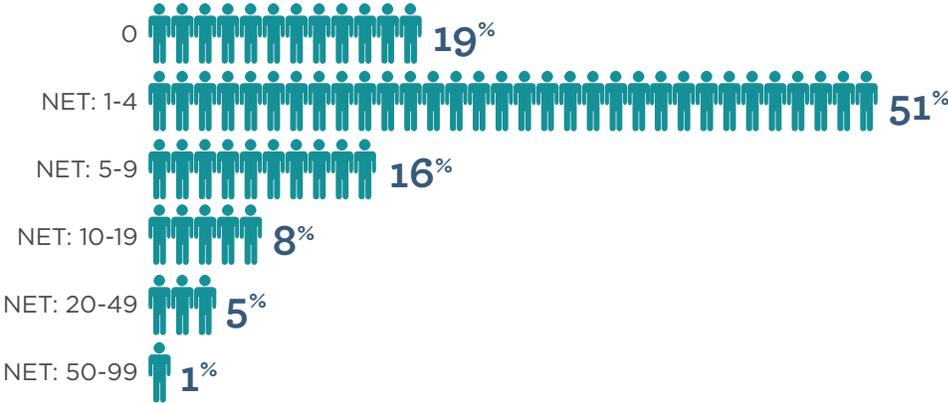
Does your business operate primarily online, offline or both equally?



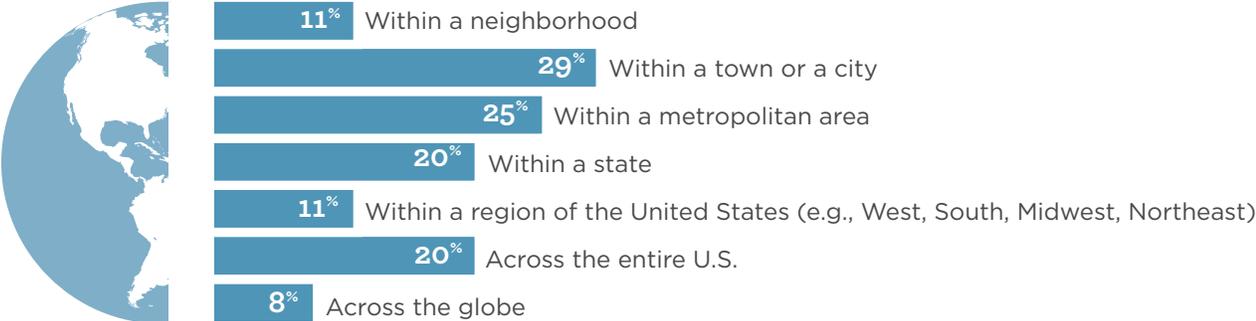
Industry mix



Number of full-time employees



Within which geographic areas does your business sell the majority of its products and services?



ABOUT THE HARTFORD

With more than 200 years of expertise, The Hartford (NYSE:HIG) is a leader in property and casualty insurance, group benefits and mutual funds. The company is widely recognized for its service excellence, sustainability practices, trust and integrity. More information on the company and its financial performance is available at THEHARTFORD.COM.

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¹ This question was not asked in the 2012 study.

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