

SMALL BUSINESS: LESSONS OF THE RECESSION

Women-Owned Businesses Adapt and Emerge Stronger

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Introduction

The recession was hard on women-owned businesses. About one-half—or 49 percent—of those that withstood the entire episode still have lower real volume sales today than they did in 2007, the year before the economic downswing began.¹ One-third of women small business owners even considered bankruptcy more likely than survival at their businesses' lowest ebb during the recession. Yet, most women small business owners exhibited notable resilience and adaptability throughout the economic downturn. They adjusted to the new, volatile circumstances, making changes to their businesses, many of which they have now institutionalized. The result today is a new cohort of women-owned businesses, battle-tested and more competitive than the generation that preceded them.

The Basic Strategy to Fight the Recession

Women small business owners more often reacted to the recession by focusing on controlling costs rather than increasing sales; 45 percent concentrated on cost control, while 31 percent concentrated on increased sales. Twenty (20) percent employed a mixed cost control/increased sales strategy. Those women owning small firms (employing fewer than 10 people) more often focused on the increased cost control focus, as did those who have lower real volume sales today than they did before the recession began in 2007. Owners of larger firms with over ten employees were somewhat more likely than owners of their smaller counter-parts to opt for an increased sales focus, but the plurality still concentrated on controlling costs.

45% concentrated on cost control, while **31%** concentrated on increased sales. **20%** employed a mixed cost control/increased sales strategy.

In retrospect, most women business owners (59 percent) think their choice of focus to get their business through the recession was the correct one. However, nearly two in five are not so sure. Eighteen (18) percent now believe they should have concentrated on controlling costs instead of the choice they made; 13 percent would have switched to increasing sales; and 7 percent think the proper course would have been a mixed strategy.

Changes to the Business

Responding to pressures from the recession, women business owners made numerous changes to control costs and increase sales. Most of those changes appear to have become a permanent presence in these businesses' operation.

Twenty-three (23) percent of owners sought formal help to make those changes, while the remainder handled their changes internally. Technology consultants were the most frequently hired type of consultant during the recession. Thirteen (13) percent of women business owners hired a consultant to help them with technology issues while 9 percent hired help for advertising/promotion.

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¹ Twenty-five (25) percent report higher real volume sales today than in 2007; 20 percent indicate no change; and 5 percent say that their sales never did drop during the period.

Increasing Sales

Women business owners took several steps to boost sales during the recession by targeting new markets and customers, employing enhanced selling efforts, changing promotional emphasis, introducing social media for business purposes and reducing selling prices.

a. New Markets and Customers

The recession pushed many women business owners to reassess the markets and customers they were servicing. However, as the recession took hold, a majority (54 percent) of women business owners decided not to change the customers to whom they were marketing and instead made adjustments elsewhere. Conversely, 43 percent opted to seek new customers and markets. Women business owners who focused on controlling costs were more likely to concentrate their efforts on the same customers and markets (62 percent) compared to those adopting a different strategy (45 percent). Twenty-three (23) percent decided to market to potentially new customers and markets, and another 20 percent chose to alter the mix, marketing to some potentially new customers and avoiding some established ones.

b. Greater Sales Efforts

During the recession, 75 percent of women business owners sought to increase sales by simply increasing selling efforts. However, other women business owners sought to increase sales through indirect methods. The most common indirect method employed by women owners was improved and/or increased customer service (62 percent).

A second indirect approach was to become more involved in civic, social and/or school activities in order to gain more business exposure. Women business owners were frequently involved in community affairs prior to the recession, and the recession magnified their involvement. Thirty-nine (39) percent of women business owners increased their involvement in community affairs.

The women-owned businesses that employed these approaches are not necessarily more likely to have higher real volume sales today than prior to the recession. But women business owners are collectively very positive about their enhanced sales efforts. Fifty-seven (57) percent claim to have retained the sales changes made, and 25 percent indicate that they are intensifying the changes. Those owners who claim to be intensifying their efforts are those who have had most trouble getting sales back to pre-recession levels. And finally, just 17 percent of women business owners are cutting them back.

c. Promotion

Small business owners face a dilemma when entering a recession. Falling sales reduce cash flow and earnings. But greater promotional efforts, typically requiring additional expenditures, may slow sales losses and potentially reverse them. So, does the owner try to save money, which is already in particularly short supply? Or, does the owner increase expenditures on promotion in the hope that the investment will yield positive returns? The severity of the recession made the decision even more challenging and set the stakes even higher for women small business owners.

The survey examined five different means women business owners might use to promote their businesses: Internet advertising, including social media; direct mail; print, such as newspapers or newsletters; broadcast; and sales booths at trade shows and local fairs. As the national recession began, 84 percent of surviving women-owned businesses used one or more of these five promotional means. The most

INDIRECT APPROACHES TO INCREASING SALES:

- 1) Improved and/or increased customer service
- 2) Become more involved in civic, social and/or school activities

commonly used was Internet advertising, including social media.² The least common was broadcast. The complete list appears in Table 1.

Women-owned businesses typically reduced their promotional budgets, if they had one, as they entered the recession. For example, 42 percent using direct mail decreased spending on it; 47 percent decreased spending on print, such as newspapers; 45 percent decreased spending on broadcast; and 41 percent did so on booths (referred to as presence).

Table 1
Change in Promotional Spending by Promotional Medium

Budget Action	Promotional Medium				
	Internet*	Direct Mail	Print	Broadcast	Presence†
Increased	35%	10%	11%	9%	13%
Decreased	12	22	27	19	21
No Change	23	20	20	14	17
Didn't Use	28	48	42	57	49
D/K	1	1	1	1	1
Total	100%	100%	100%	100%	100%
N	392	392	392	392	392

* including social media
† booths, tables, etc.

The percentage of women business owners increasing outlays on promotional activity to fight the effects of the recession was modest. For example, just 19 percent using direct mail increased their expenditures on it. Given that just over half even use direct mail, the total among all women business owners was 10 percent. The percentage of women business owners increasing outlays for print and broadcast were similar with outlays on booths a bit higher. Again, the exception was Internet and social media.

Two-thirds of women business owners made some change, either increasing or decreasing their promotional spending as the recession took hold. Half adjusted their budget on three or more promotional mediums. But as the recession ebbs, the changes made to spending on promotions during the recession appears stable. Of those women business owners spending anything on promotion, 43 percent claim they are spending the same amount that they spent during the highest point in the recession. Nineteen (19) percent say they are spending more, and 38 percent say they are spending less.

d. Social Media

Social media came of age during the recession. LinkedIn was formed in 2003, Facebook in 2004, and Twitter in 2006. While these social networks are rarely the primary solutions to marketing for some businesses, they can have a large impact, particularly for businesses reliant on a highly defined group of customers. Moreover, women business owners have often shown a strong interest in using these social networks to promote their businesses.

² The use of social media is considered for present purposes Internet advertising. As will be shown, one of every two women business owners uses social media for business purposes.

Half of women business owners now use at least one of the three social media sites examined here (LinkedIn, Facebook and Twitter), and 11 percent use all of them. Forty-four (44) percent use Facebook for business purposes; 22 percent use LinkedIn; and 15 percent use Twitter. The percentage using social media has grown progressively from 2007 through 2010, with a break in the trend in 2011. While 2012 currently appears to be lagging behind the prevailing trend, the data covers only part of the year. Table 2 below illustrates.

Table 2
Year Started to Use Selected Social Media for Business Purposes

	Type of Social Media			
	Facebook	LinkedIn	Twitter	Any Form
Prior to 2007	3%	2%	--%	4%
2007	4	2	--	5
2008	4	4	1	6
2009	10	3	2	11
2010	11	5	5	12
2011	11	4	5	10
2012 (3 months)	1	2	1	2
D/K	--	1	--	--
Total	44%	22%	15%	50%
N	181	90	64	204

Women business owners began to adopt the new social media tools in greater numbers as the recession worsened, and they continue to do so today. Twenty-four (24) percent claim social media is a very important part of their sales and marketing efforts, and another 32 percent say that is important. Conversely, 35 percent think of it as not too important and 10 percent assert that social media is not at all important. In sum, these numbers amount to about 28 percent of all women business owners who believe social media is important to their sales and marketing efforts. Owners whose sales have been more positive over the period are slightly more likely to view social media as an important tool.

Cutting Costs

The most frequent general strategy used by women business owners to combat the recession was cutting costs. The principal cost reduction examined below involves how businesses dealt with employees.

a. Employment

The most visible means to reduce costs is to decrease payroll. Although freezing or reducing wages and benefits lowers payroll, the more dramatic action is reducing the number of employees.

DURING RECESSION:

36% of women business owners report reducing the overall number of employees working in their business.

Between the low point of the recession and the present, more women-owned businesses are increasing employment than decreasing it. Forty-five (45) percent of women business owners report increases. That is offset by declines in employees among 9 percent of women-owned businesses. Another 45 percent plu-

rality reports no change in employment levels between the lowest point of the recession and the present. Our initial findings, therefore, suggest that women-owned businesses have turned the corner.³

Thirty-six (36) percent of women business owners report reducing the overall number of employees working in their business as the recession commenced. Reduction occurred somewhat more frequently in larger (42 percent) than in small firms (35 percent), but the reductions were widespread. Jobs cuts were associated with firms experiencing the most severe sales declines. For example, 44 percent of women-owned businesses whose real volume sales have still not recovered to match pre-recession levels reduced employment; 26 percent of those who have higher real volume sales today than prior to the recession or who experienced only sales growth over the period (about 5 percent of firms) did so as well.

Women business owners who have not yet recovered all pre-recession real volume sales were about twice as likely to have made these payroll reductions as those women who have recovered them or who never lost sales. However, owners of larger, small firms chose to cut hours and transfer people from full-to part-time work about 10 percentage points more often than owners of small firms.

Operational Changes

Some business changes that an owner could make in order to adjust to the recession do not inherently increase sales or reduce costs. Two potential actions with those characteristics—operating hours and hours worked by the owner—are discussed below, and all impacted a substantial number of women business owners during the recession.

a. Operating Hours

Operating hours could represent an attempt to increase sales as well as to reduce costs but the data argues that it was fundamentally ignored as a response to the recession. Fifty-nine (59) percent of women business owners did not change business operating hours as the national recession took hold; they maintained the business hours previously scheduled. Another 13 percent did not keep regular operating hours, not uncommon in businesses without a store front, making any change a simple function of owner and employee work effort exclusively. But 28 percent did change operating hours, almost evenly divided between owners who increased them (15 percent) and owners who decreased them (13 percent).

b. Owner Time

During the recession, women business owners were more likely to put in more time and effort at their business than less. Forty-nine (49) percent of women business owners reported that they worked more time at their business during the most difficult quarter of the recession than they did prior to it. Just 13 percent worked less time, and 38 percent said they worked about the same number of hours.

The longer hours were associated with struggling firms and owner concern over the firm's survival. Sixty-four (64) percent of those women business owners who believed that their venture had more than

AFTER LOWEST POINT OF RECESSION:

45% of women business owners report increases in employment compared to **9%** that report declines.

OPERATING HOURS:

- 1) Did not change operating hours (**59%**)
- 2) Did not keep regular operating hours (**13%**)
- 3) Changed operating hours (**28%**)

³ Despite the turnabout since the worst quarter of the recession (for the individual firm, not the necessarily the recession), more women-owned businesses surviving the recession still have fewer employees today than they did before it began.

a 6 in 10 chance of bankruptcy during the depths of the recession worked more hours. The work effort was even more intense among those thinking bankruptcy was a virtual certainty.

Women business owners as a group are working even harder today than they did during the worst quarter for their business during the recession. Forty-one (41) percent claim to be putting in even more hours; 45 percent the same amount; and 14 percent fewer. Moreover, those long hours are not associated with sales success.

Women business owners as a group are working even harder today than they did during the worst quarter for their business during the recession. **41%** claim to be putting in even more hours; **45%** the same amount; and **14%** fewer.

Conclusion

Women owned businesses that emerged from the recession typically emerged as different businesses. Half of women-owned businesses were smaller in terms of sales, and at least one in three had a smaller work force. Most also operated differently. Women business owners adjusted to the harsh conditions of the recession and made essential operational and strategy changes, often simply to survive. Irrespective of the process, women business owners changed their firms to meet the harshest economic conditions in the past 70 years. Positively, though, their changes have been largely beneficial and have become institutionalized post-recession, producing more competitive businesses than had previously existed. The future now bodes well for women-owned businesses when the long-awaited recovery eventually takes hold.

About the Survey

Small Business: Lessons of the Recession study was a telephone and online survey conducted by Survey Sampling International between March 28 and April 11, 2012. The survey polled a total of 760 small business owners, 559 women and 201 men. You can learn more about the study at www.nfib.com/wobstudy.