



# Small Business Index Report

December 2024



# In This Report

03

Introduction

04

Thryv SMB Index Score

05

The Economy: Things are Not Always What They Seem

06

A Look at 2024

08

Better Things to Come in 2025

10

Investing in Their Future

# Introduction

As we embarked on our third annual Small Business Index, we did so with high inflation and a contentious Presidential race wreaking havoc on profit margins and our collective psyche. What we learned from our survey is that small business owners are ready to turn the page on 2024. Most point to a challenging economy, with over a third finding it more difficult to run their business now than the year prior.

Despite the many obstacles faced in 2024, small businesses are finding ways to succeed and are looking to build on that in 2025. The majority will do so without adding staff. Technology stands to play a big role in how they will scale despite level headcounts: 29 percent of small businesses say they are likely to invest in equipment and infrastructure. More than a third plan to increase their technology budget. AI will also be a factor: 31 percent are currently using AI, but 43 percent expect to use AI in 2025, a 38 percent year-over-year increase.

This report reflects survey responses from 507 small businesses decision-makers and is also informed by the knowledge we have gained through our tens of thousands of customers, providing comprehensive view of market indicators as small businesses get ready to embrace the year ahead. We'll take a deeper look at how SMBs fared this year and what they are doing to ensure success in 2025.



# Thryv SMB Index Score

To gain a sense of the current U.S. outlook on small businesses we created the Thryv SMB Index Score. This score will serve as the benchmark for our future Index reports.

We asked respondents to provide their assessment of eight measures impacting future business performance. Using a 5-point scale (for example “will increase a lot” to “will decrease a lot”) they reported on the economic outlook, industry outlook, profitability outlook, employee outlook, marketing and communications (marcom) outlook, and the outlook on investments in technology and infrastructure.

We then grouped the ratings into positive sentiments (increase somewhat and increase a lot) and negative sentiments (decrease somewhat and decrease a lot). We determined the net rating score by subtracting the total negative sentiment from the total positive sentiment ranging from -100 to 100, with zero being the point of neutrality.

The Thryv SMB Index Score was 21 in 2023. The outlook for 2024 has improved slightly, rising to 26, which means small businesses generally have a more positive outlook on the state of their business.

## Outlook on Key Business Performance Measures

### Chart Definitions

**Index Score:** Overall SMB sentiment

**Economy:** Sentiment toward overall economy

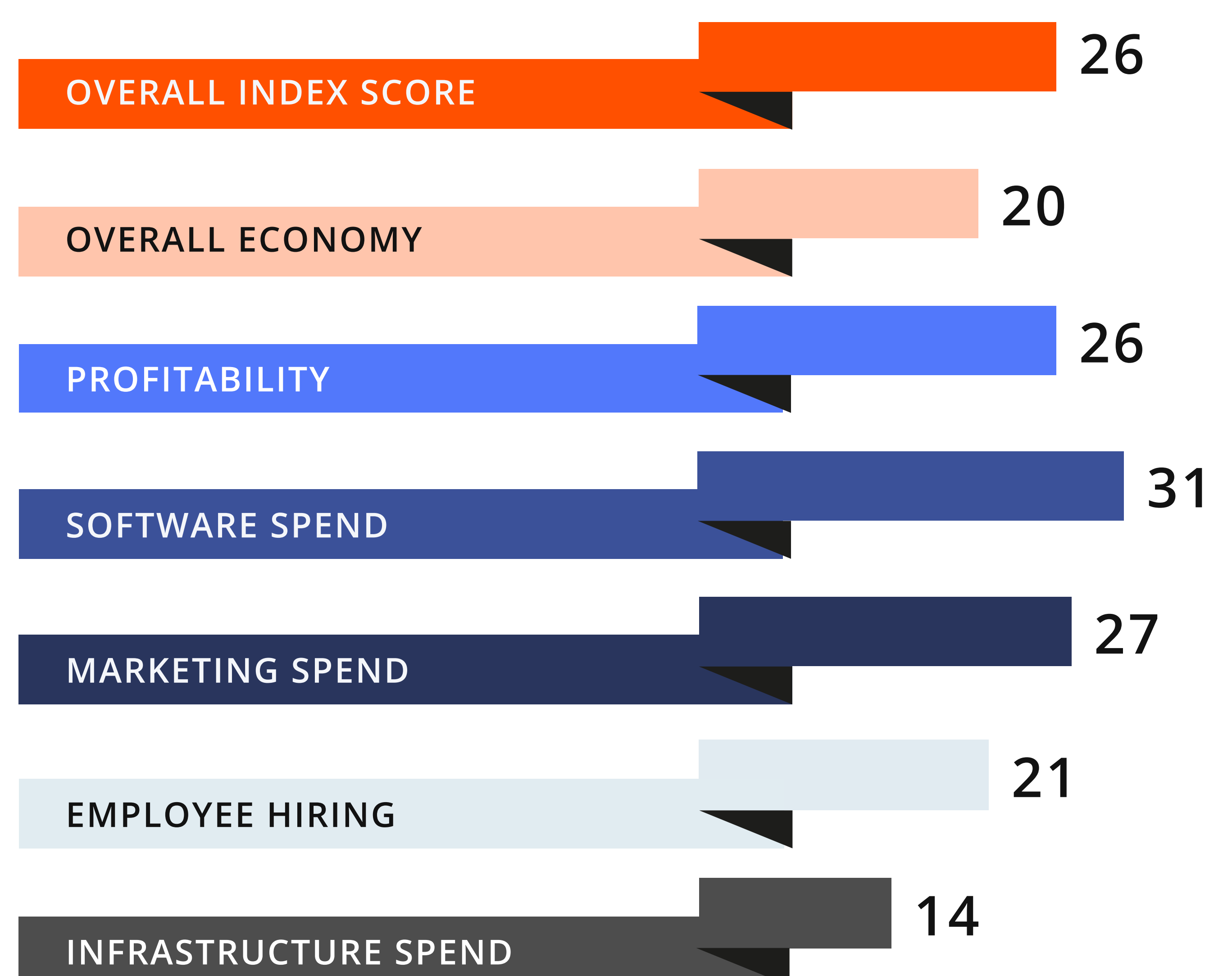
**Profitability:** Sentiment toward yielding profit

**Software Spend:** Sentiment toward investing in software

**Marketing Spend:** Sentiment toward marketing spends

**Employee Hiring:** Sentiment toward employee hiring

**Infrastructure Spend:** Sentiment toward investing in infrastructure or equipment



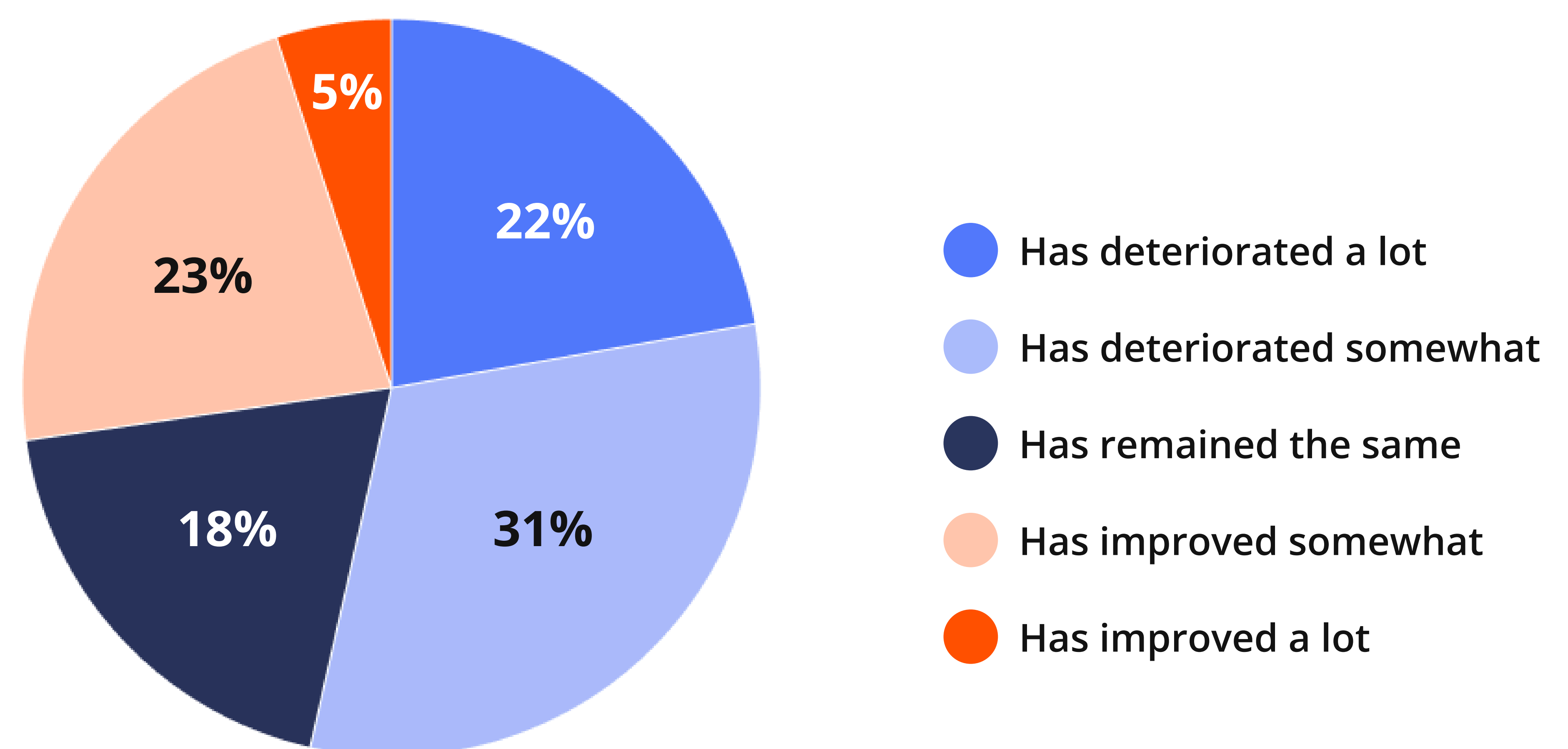
# The Economy: Things are Not Always What They Seem

The survey found that the economy is subject to the ying yang of perception vs. reality. The U.S. Commerce Department reported the real gross domestic product (GDP) grew at a solid annual rate of 2.8% in July, August and September, largely driven by consumer spending. In fact, consumer spending increased 3.7%, the most since early 2023, due to rising incomes.

Yet the Index found that 54% of SMBs feel the economy deteriorated in 2024.

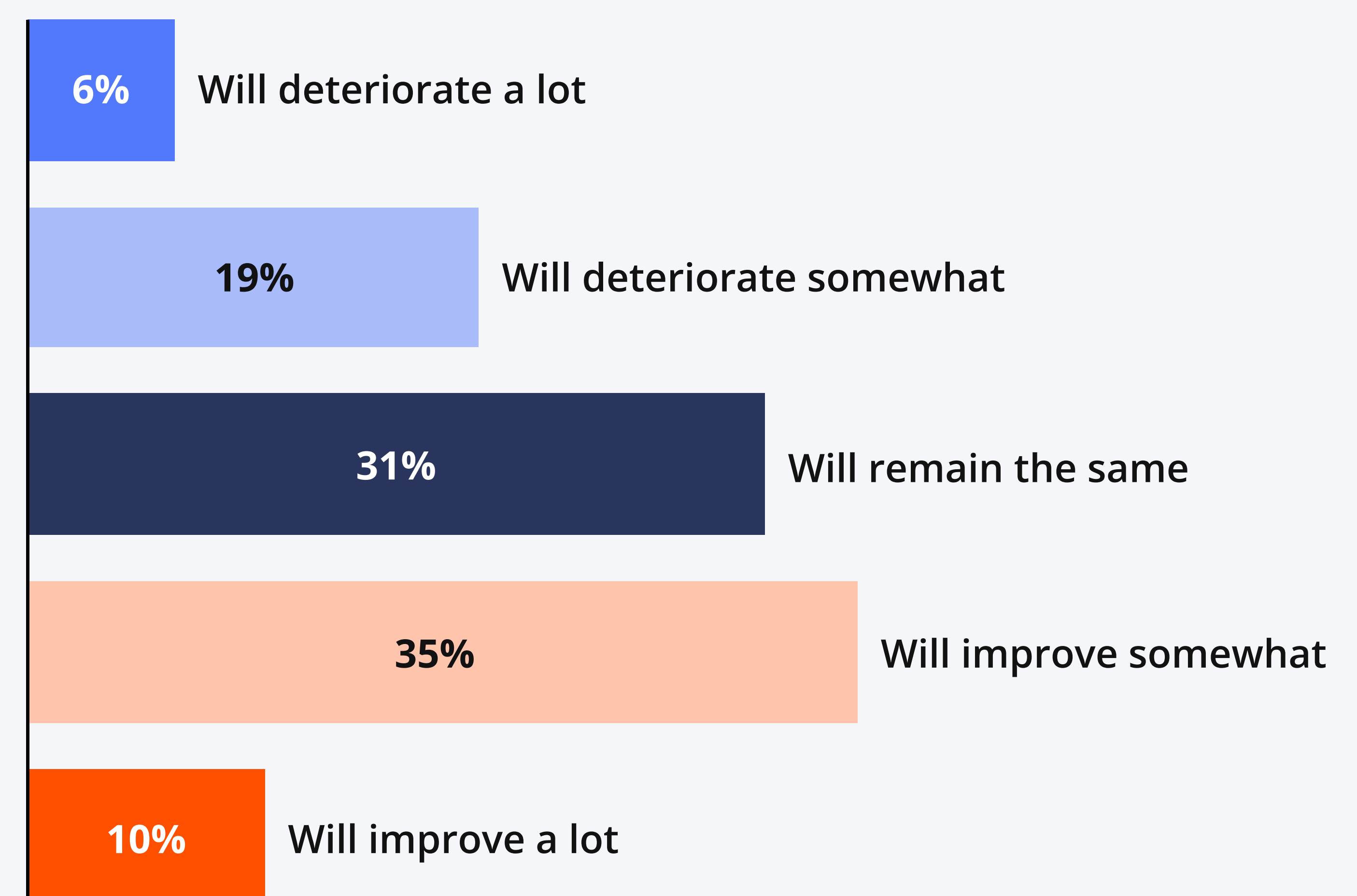
## U.S. Economy Past Year

**54%**  
of SMBs feel  
the economy  
deteriorated  
in 2024



According to the survey, their economic outlook brighter. 45% of businesses expect the economy to improve through Q1 of 2025. Only a quarter expect it to worsen.

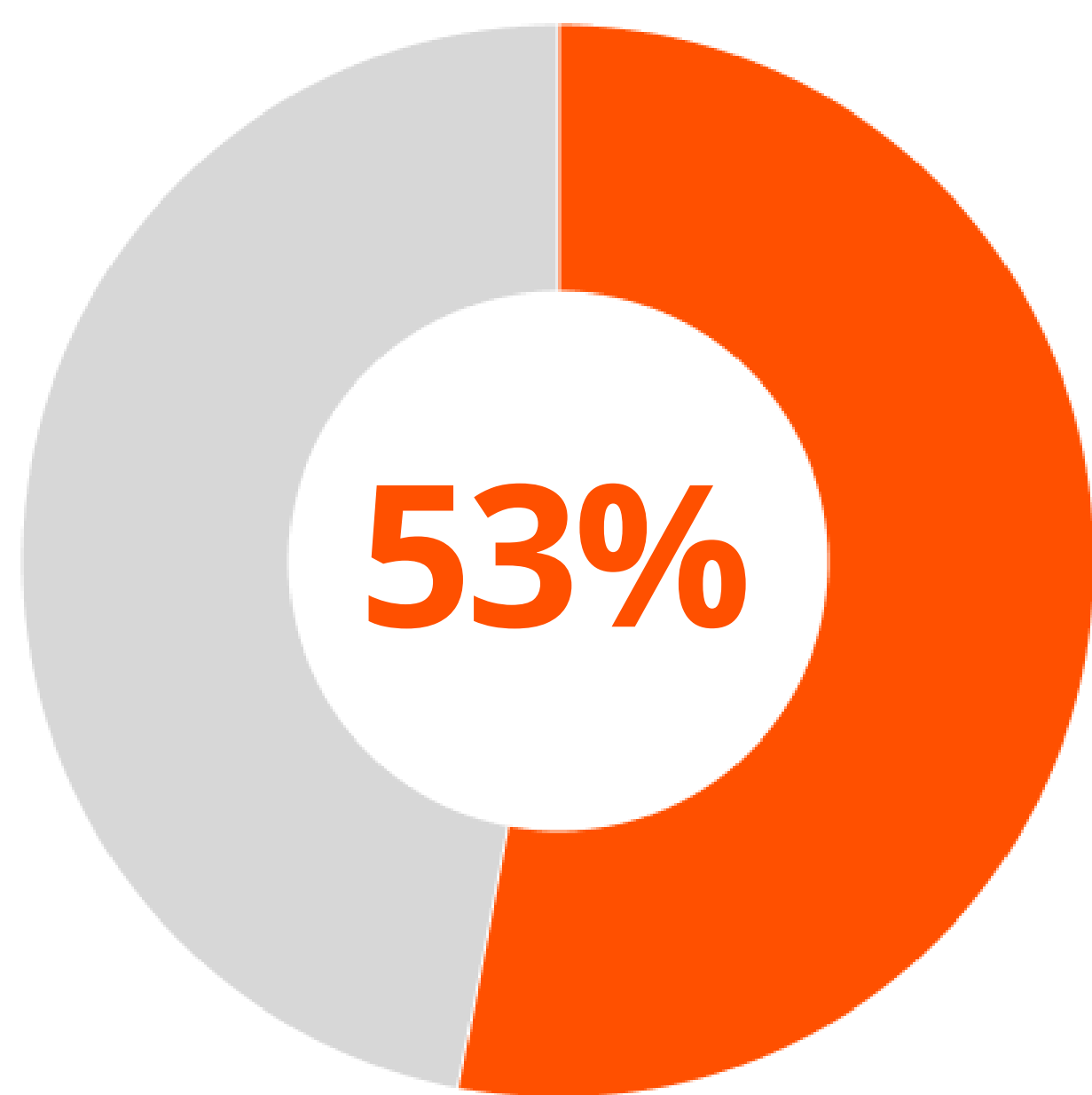
**What are your  
expectations about the  
state of the economy  
over the next 6 months?**



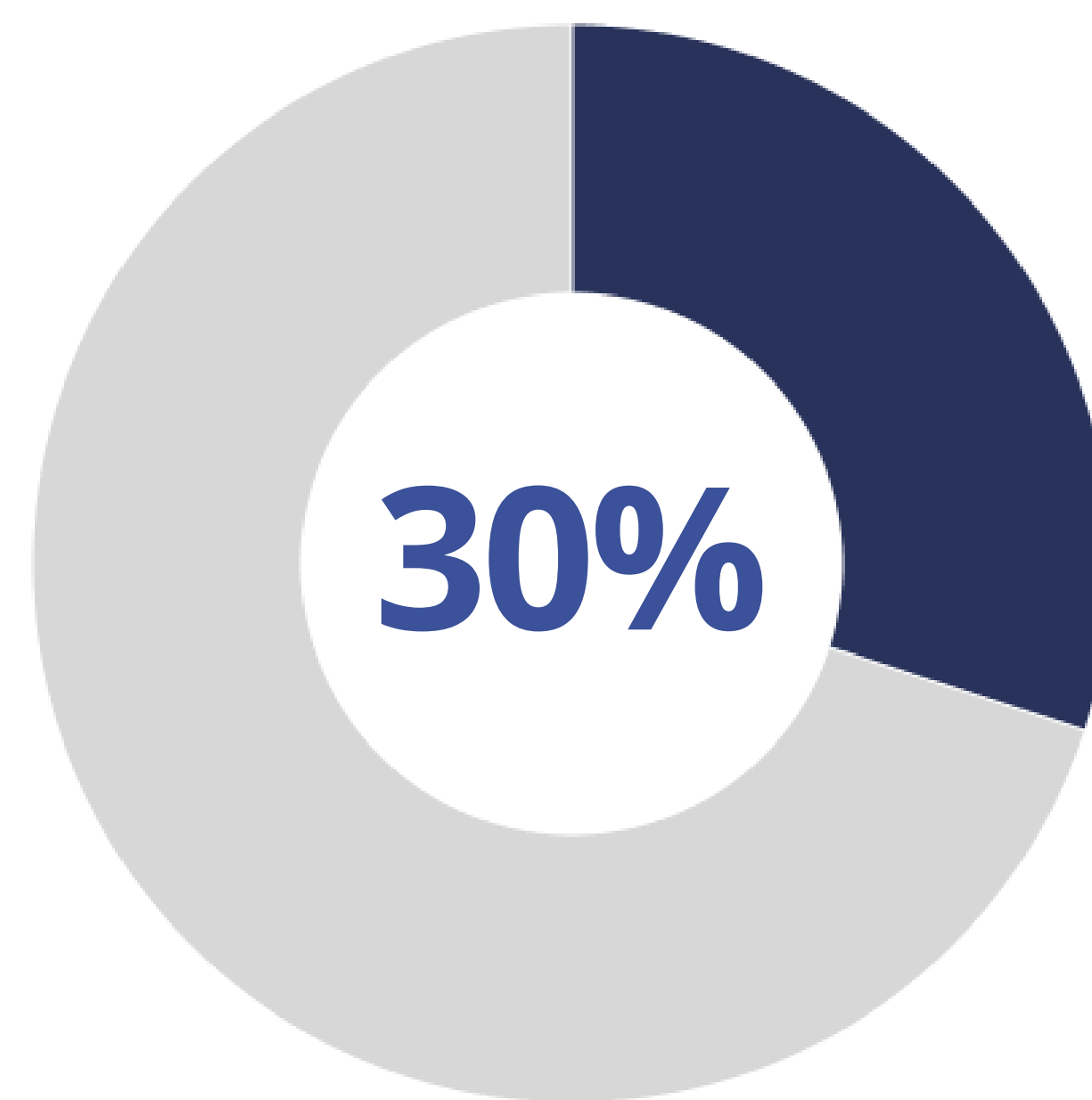
# A Look at 2024

## Issues of Concern

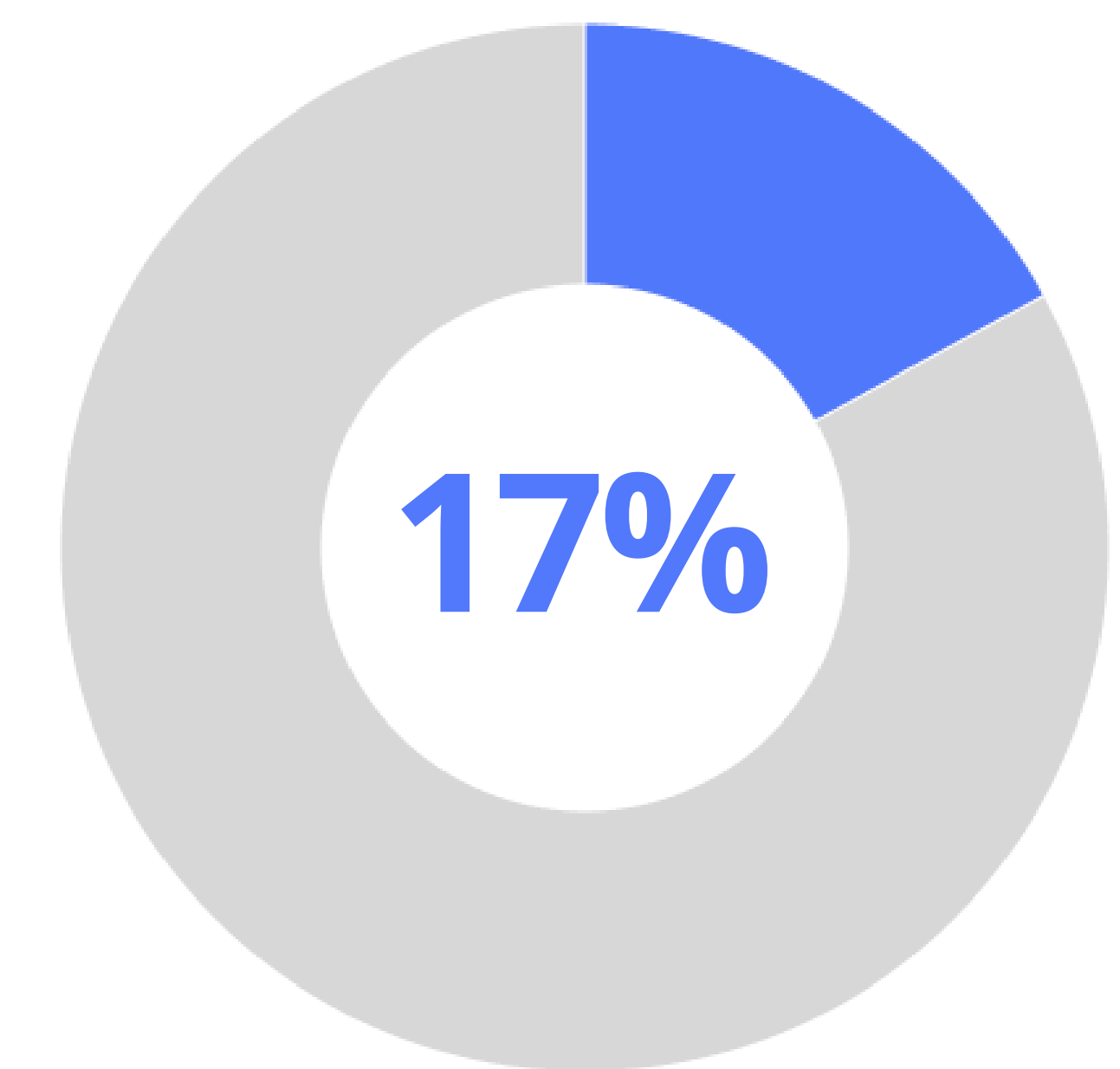
The presidential election loomed large in the minds of small business owners, with 53% choosing it as the societal issue they worried would negatively impact their business. Almost a third fear efforts to lower inflation won't come fast enough to help their business.



**The U.S. presidential election** and how it will impact the economy and government regulations.



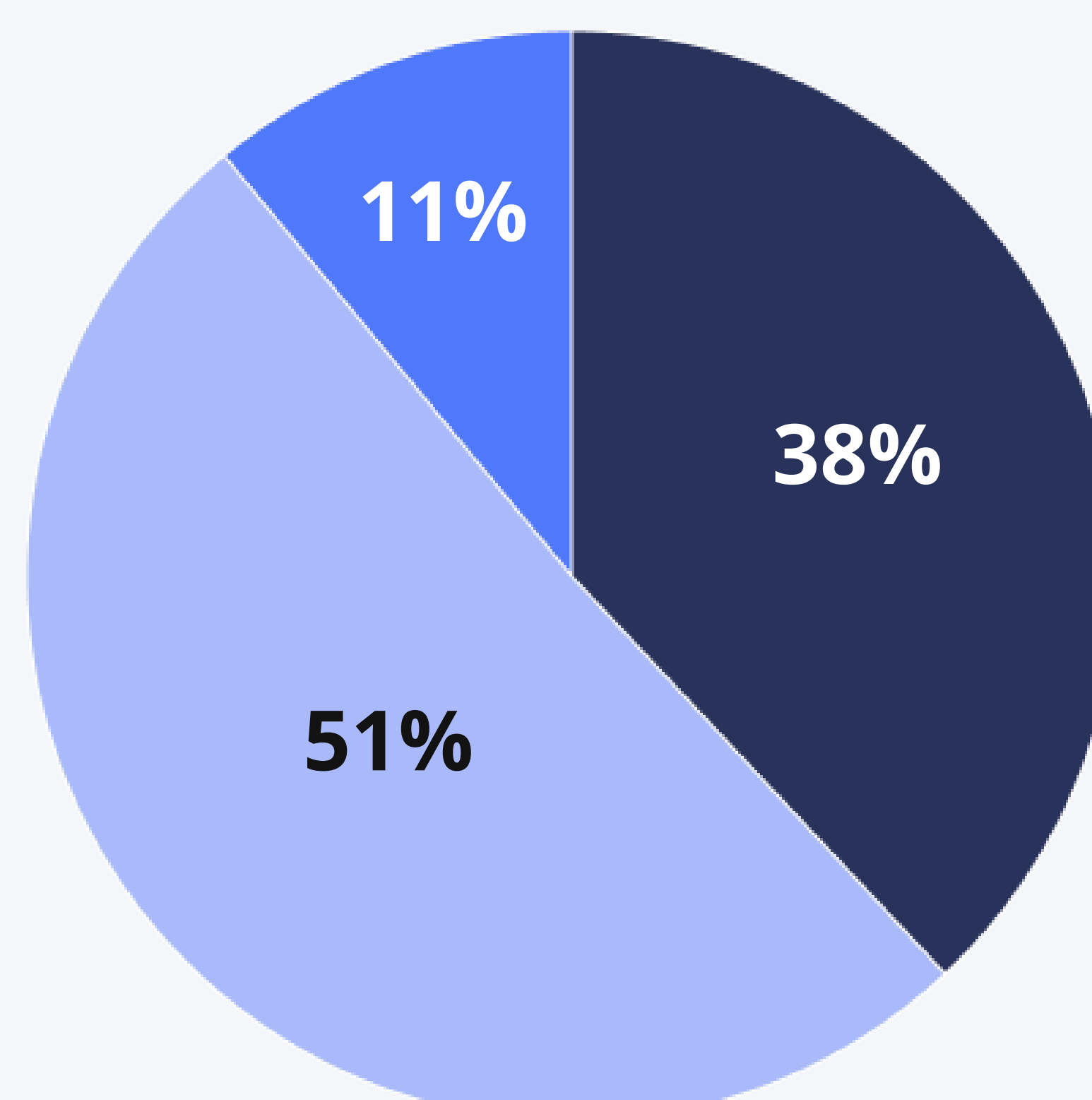
**Efforts to control high inflation** won't come fast enough to help my business this year.



**Whether or not Congress will pass the Main Street Tax Certainty Act** which will make the 20% Small Business Tax Deduction permanent.

## Degree of Difficulty

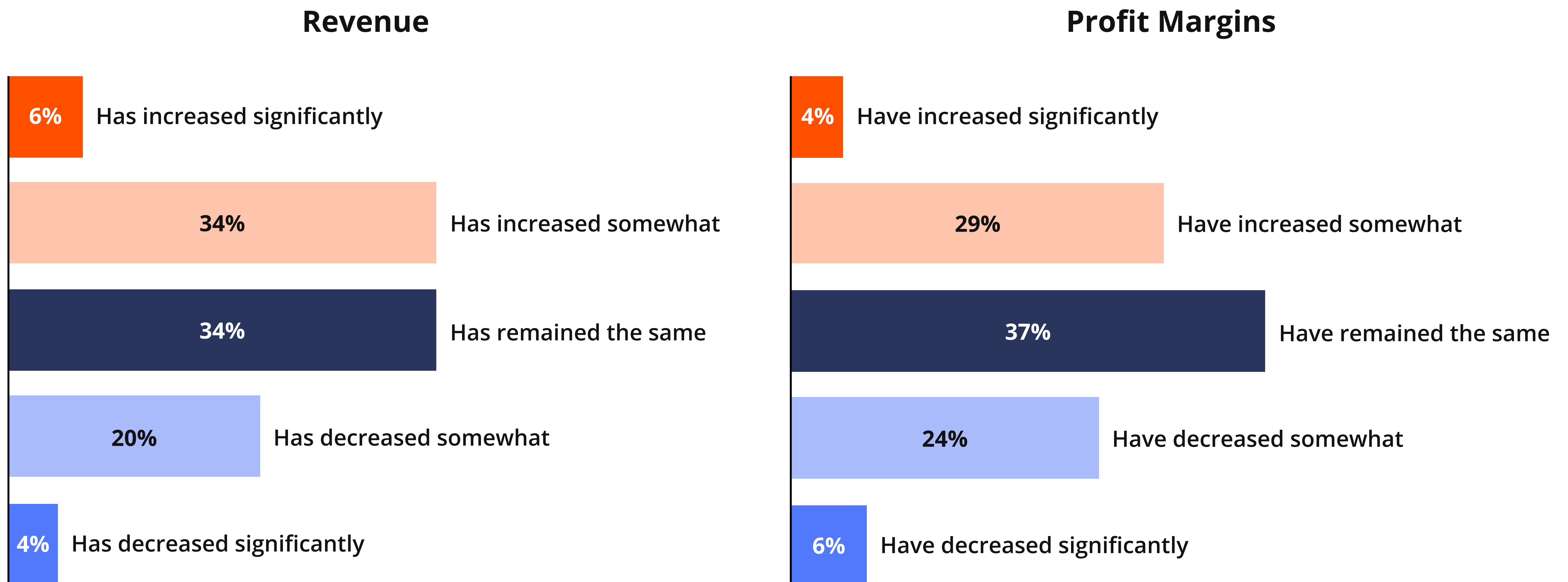
Over a third of small business owners say it is more difficult to run their business today than a year ago. Anecdotally, the most common reason given is inflation and the cost of doing business.



- Easier today than a year ago
- About the same
- More difficulty today than a year ago

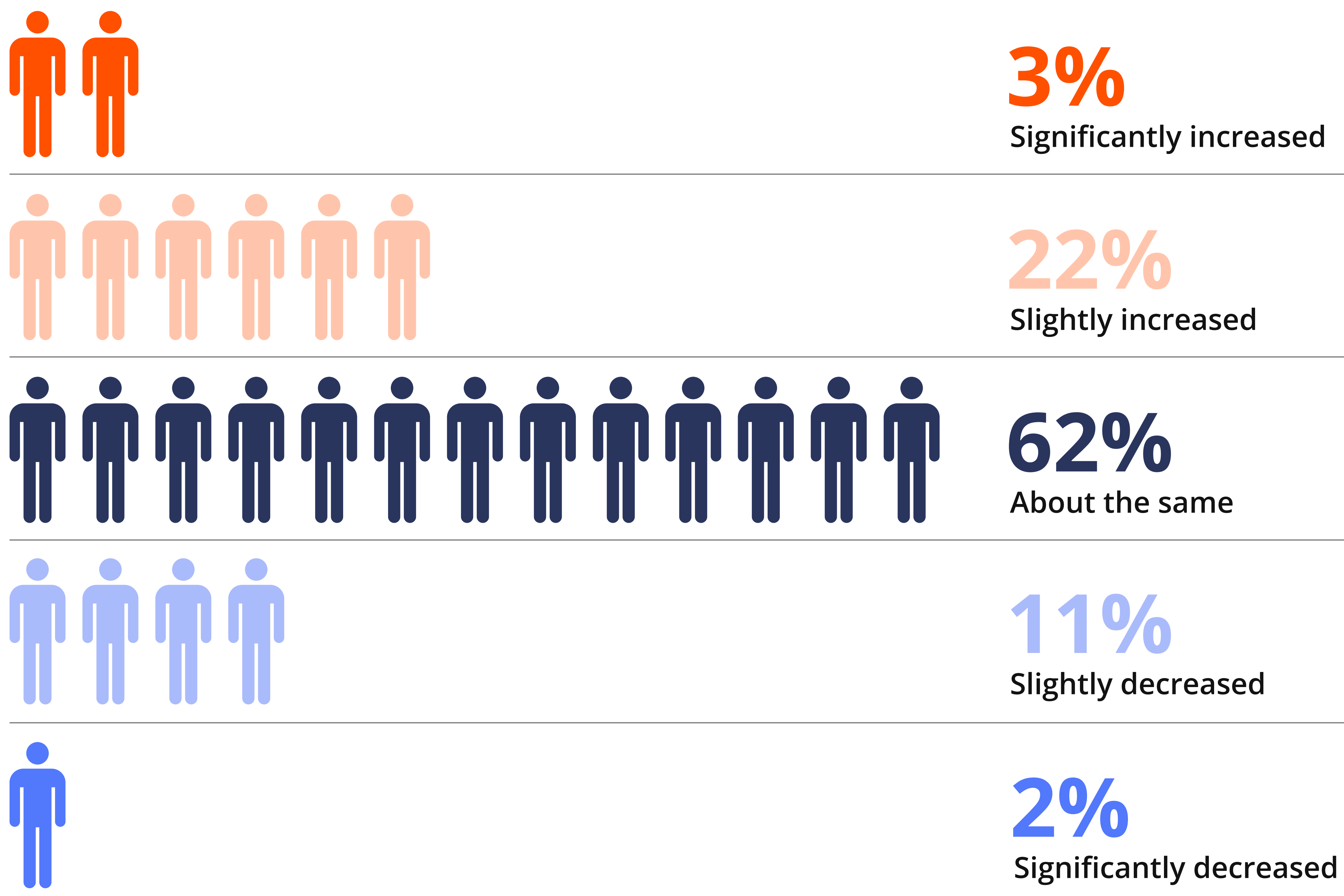
## Lackluster Revenue and Profit Margins

40% of businesses are seeing revenues increase over the prior year. However, they are fairly evenly divided when it comes to realizing a profit, likely a reflection of high inflation.



## Stable Headcounts

Small businesses tend to run lean, and the Index found that the majority kept their headcount flat.

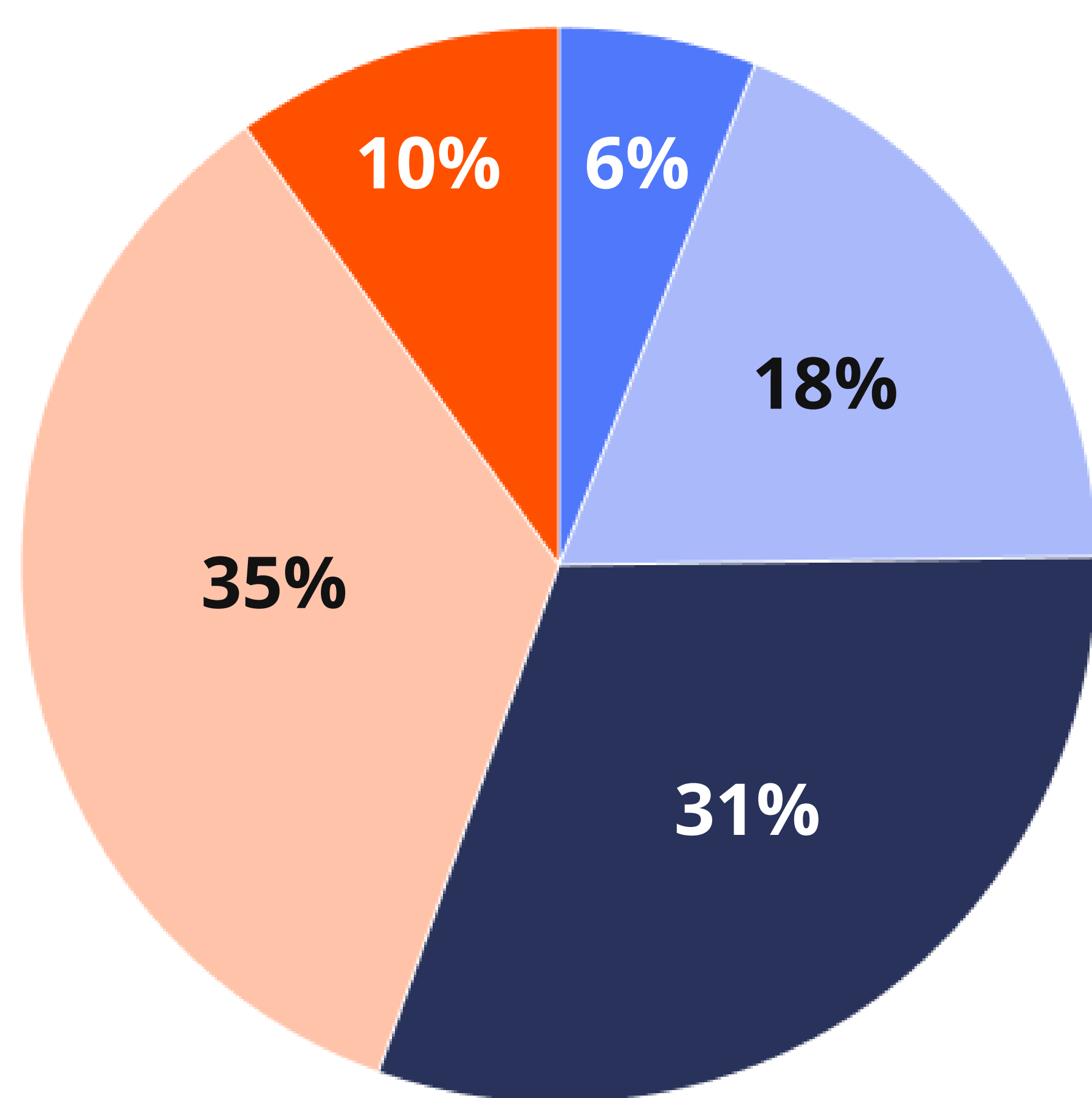


# Better Things to Come in 2025

## Economic Outlook

The SMB economic outlook is on the upswing entering 2025: 45% expect the U.S. economy to improve into Q1 of 2025. Only a quarter expect it to worsen.

U.S. Economy Expectations  
Next 6 Months

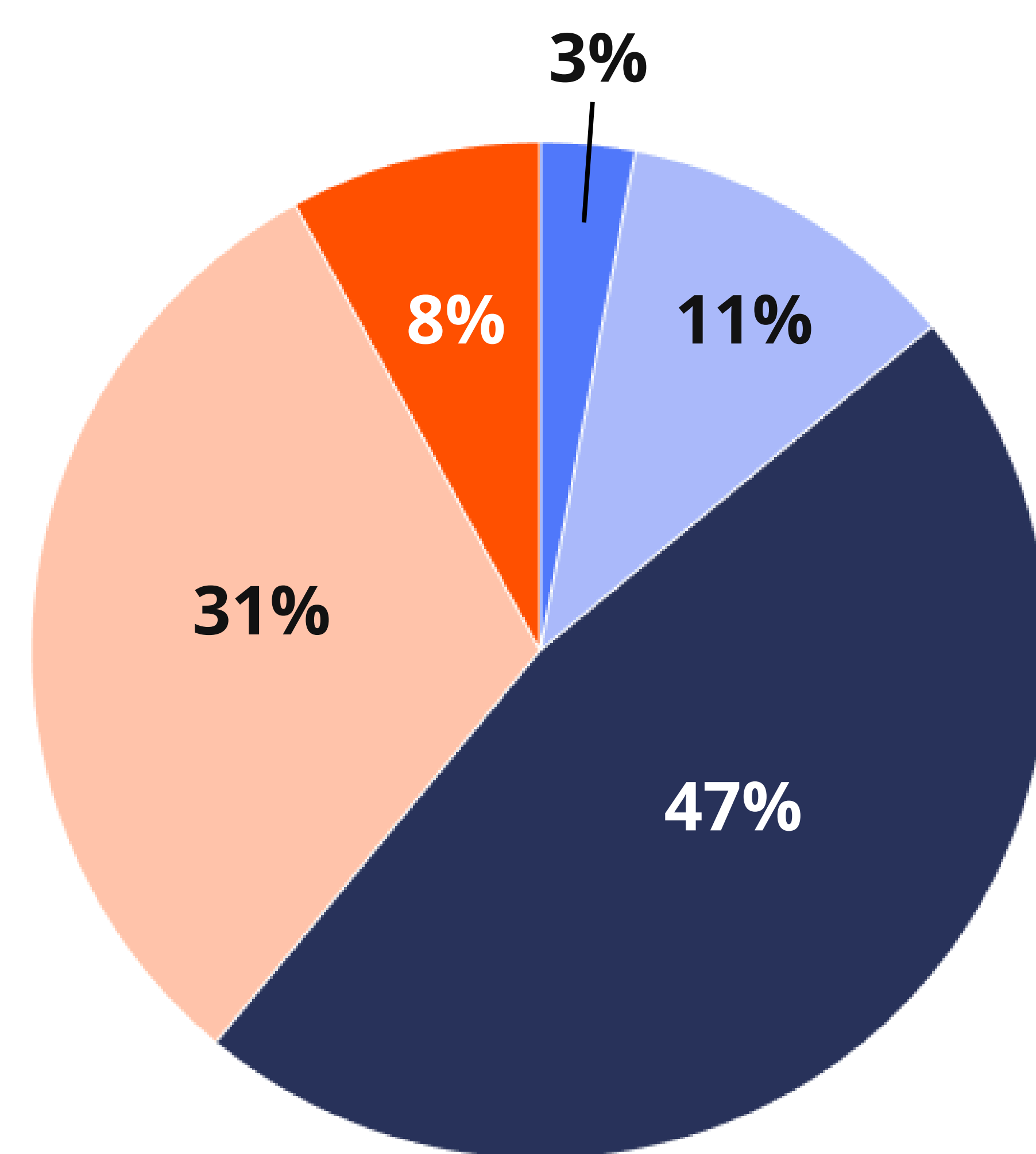


- Will deteriorate a lot
- Will deteriorate somewhat
- Will remain the same
- Will improve somewhat
- Will improve a lot

## Revenue and Profit Margins

The more things change... The majority of business owners expect their profit margins to stay the same but on a positive note, far more expect their profits to increase (39%) than decrease (14%).

Profit Margins Expectations  
Next 6 Months



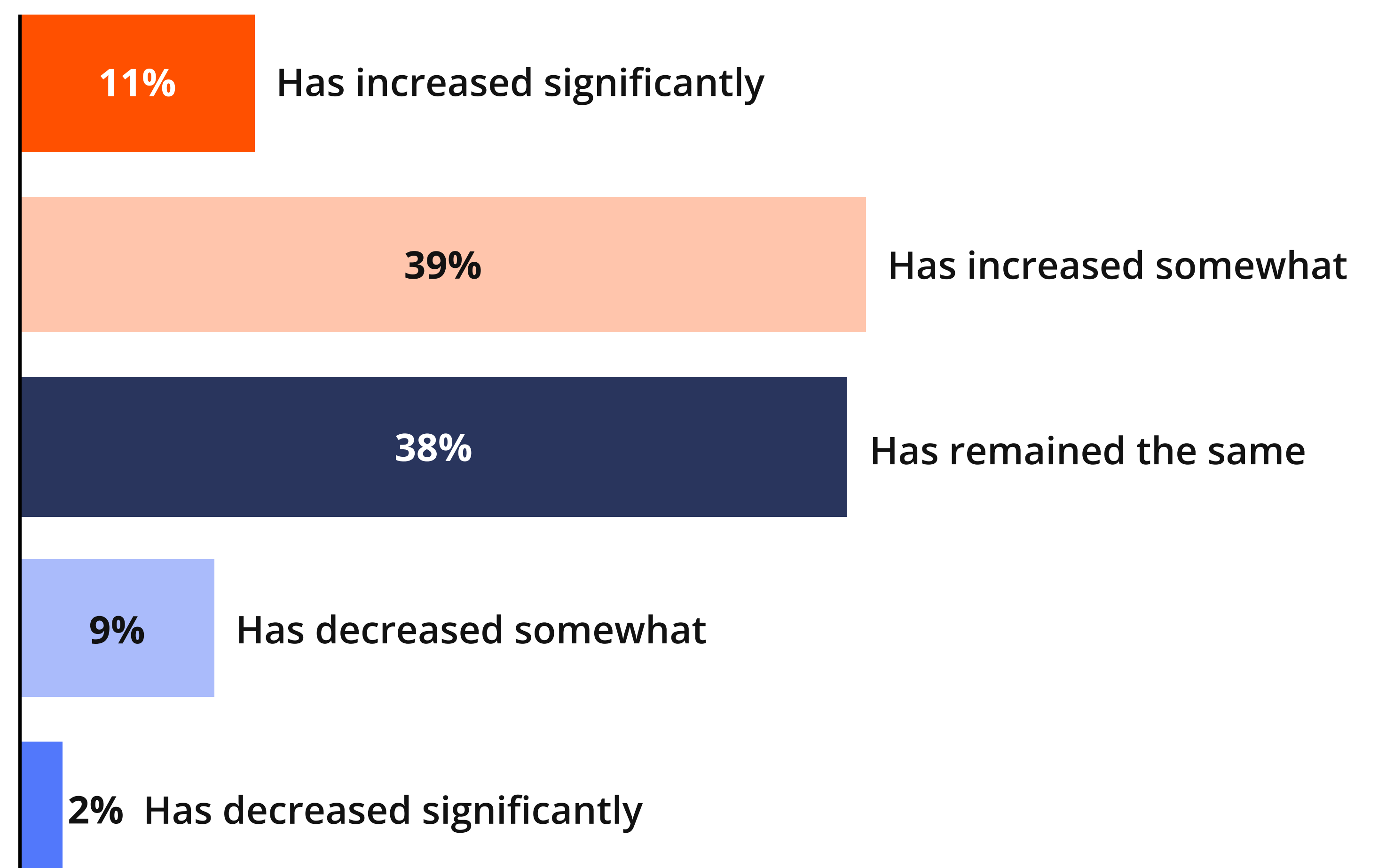
- Will decrease significantly
- Will decrease somewhat
- Will remain the same
- Will increase somewhat
- Will increase significantly

**45%** expect the U.S. economy to improve into Q1 of 2025



## Revenue Expectations Next 6 Months

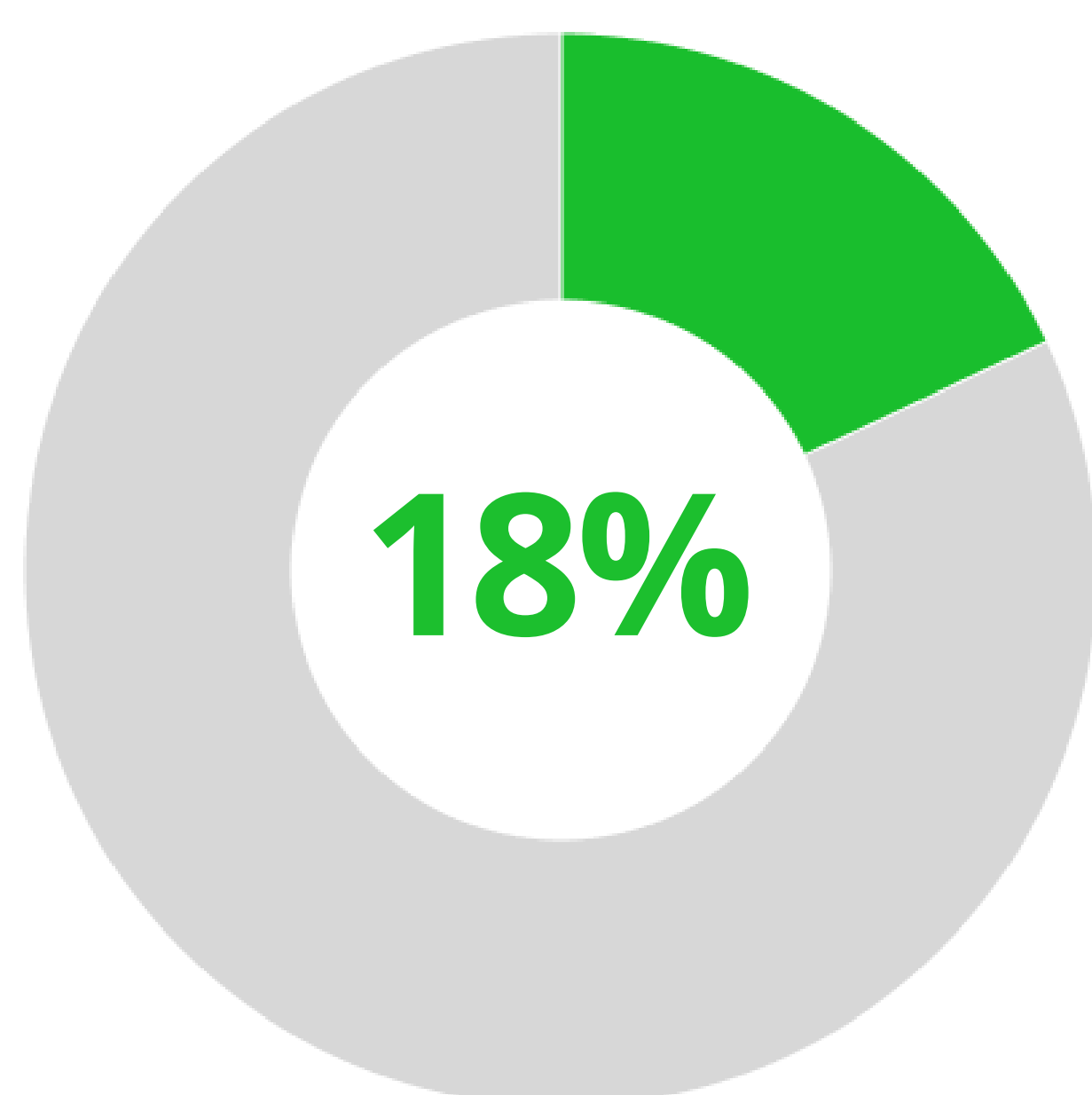
Revenue predictions are more hopeful. **50% expect their revenues to increase** and only 11% expect to see a revenue decline.



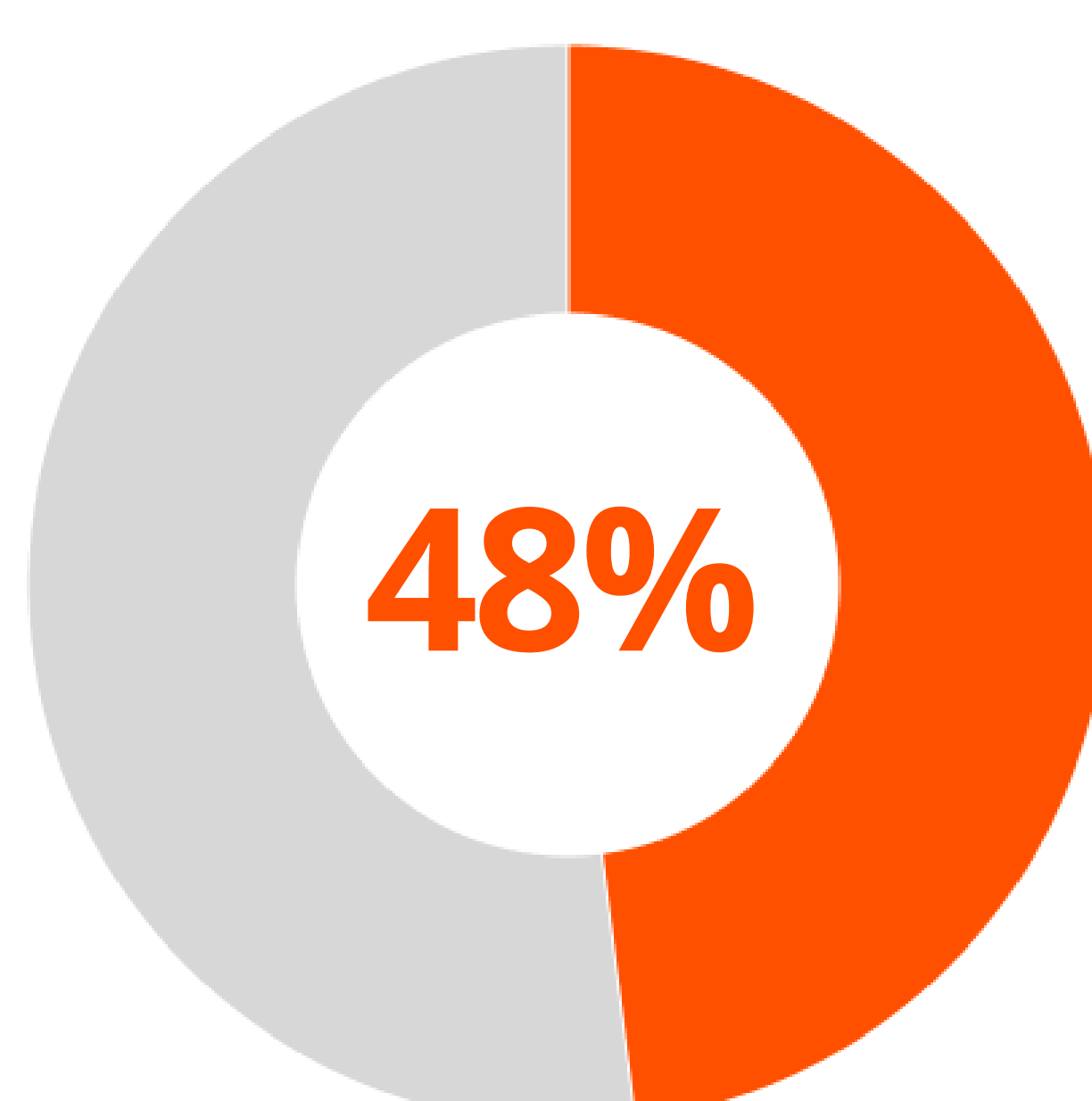
Only **11%** expect to see a revenue decline

## Competitive Environment

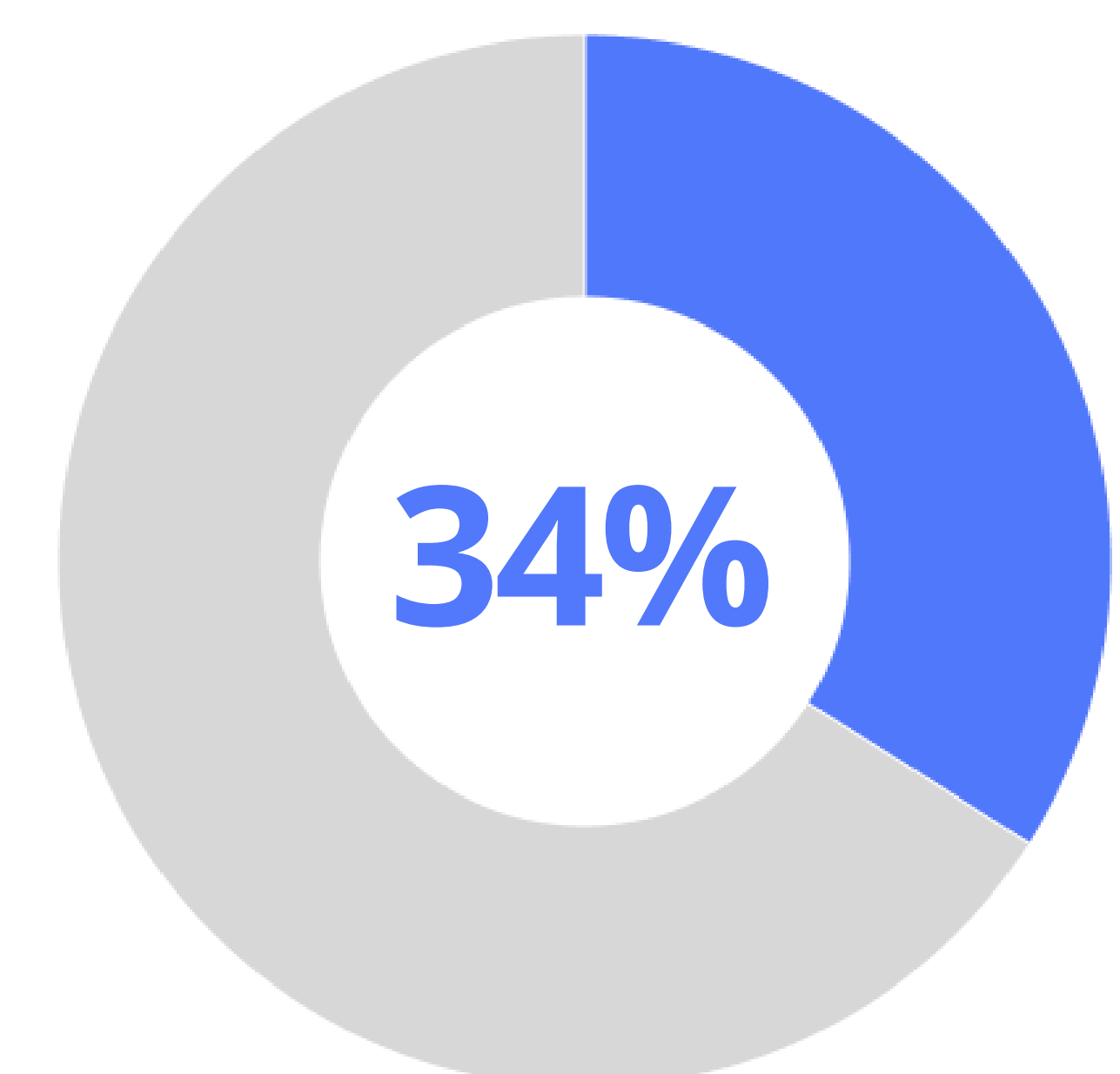
Even better, the vast majority say they are holding their own against their competitors.



We are **under constant attack** from competitors



We **hold our own** against our competitors



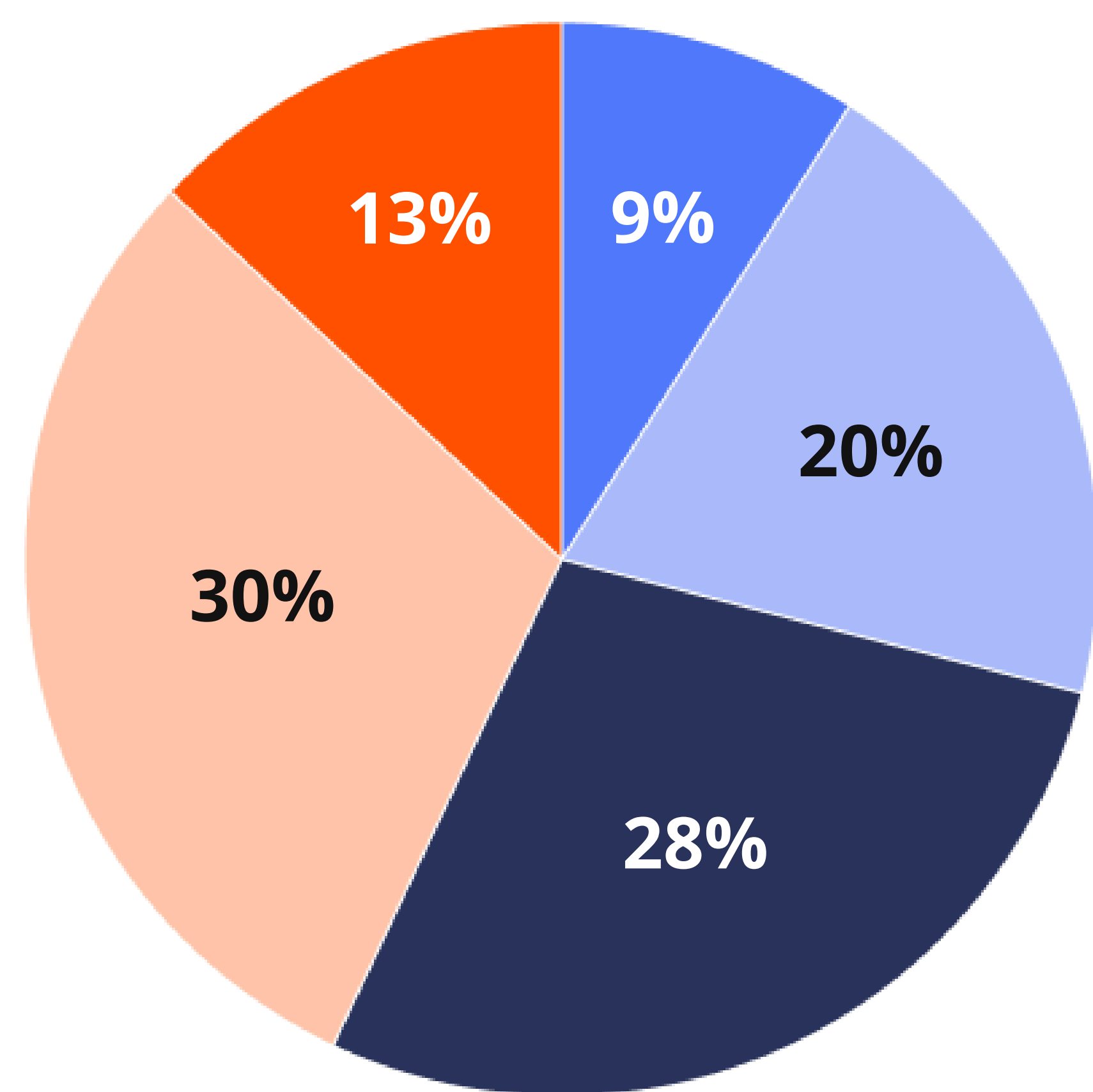
We **dominate** our competitors

# Investing in Their Future

## Monetary Investment

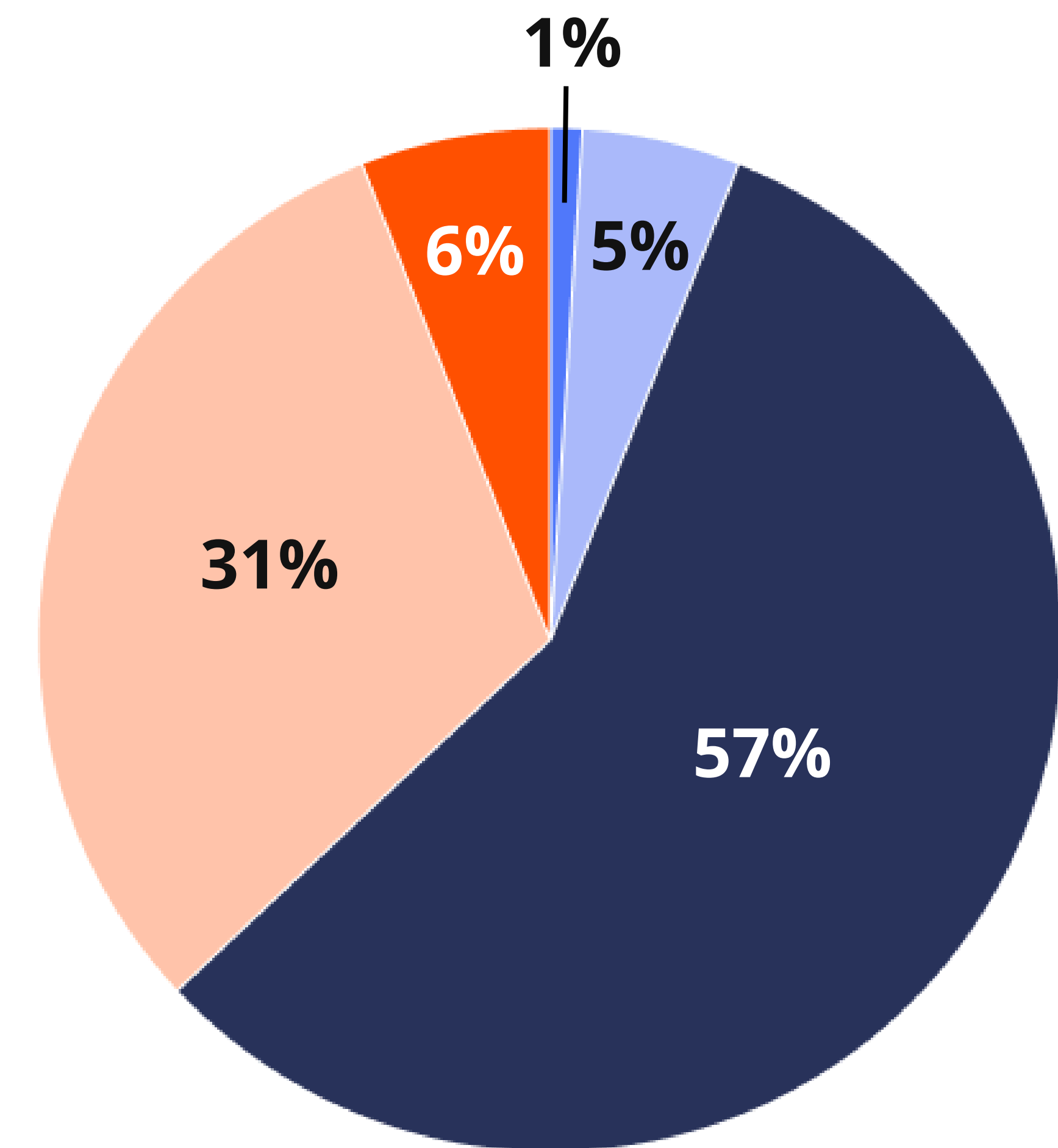
Despite tight profit margins, 43% will be investing in their business in 2025. Almost a third expect to grow their software budget.

Invest in Equipment or Infrastructure Next 6 Months



- Very unlikely
- Somewhat unlikely
- Neither likely or unlikely
- Somewhat likely
- Very likely

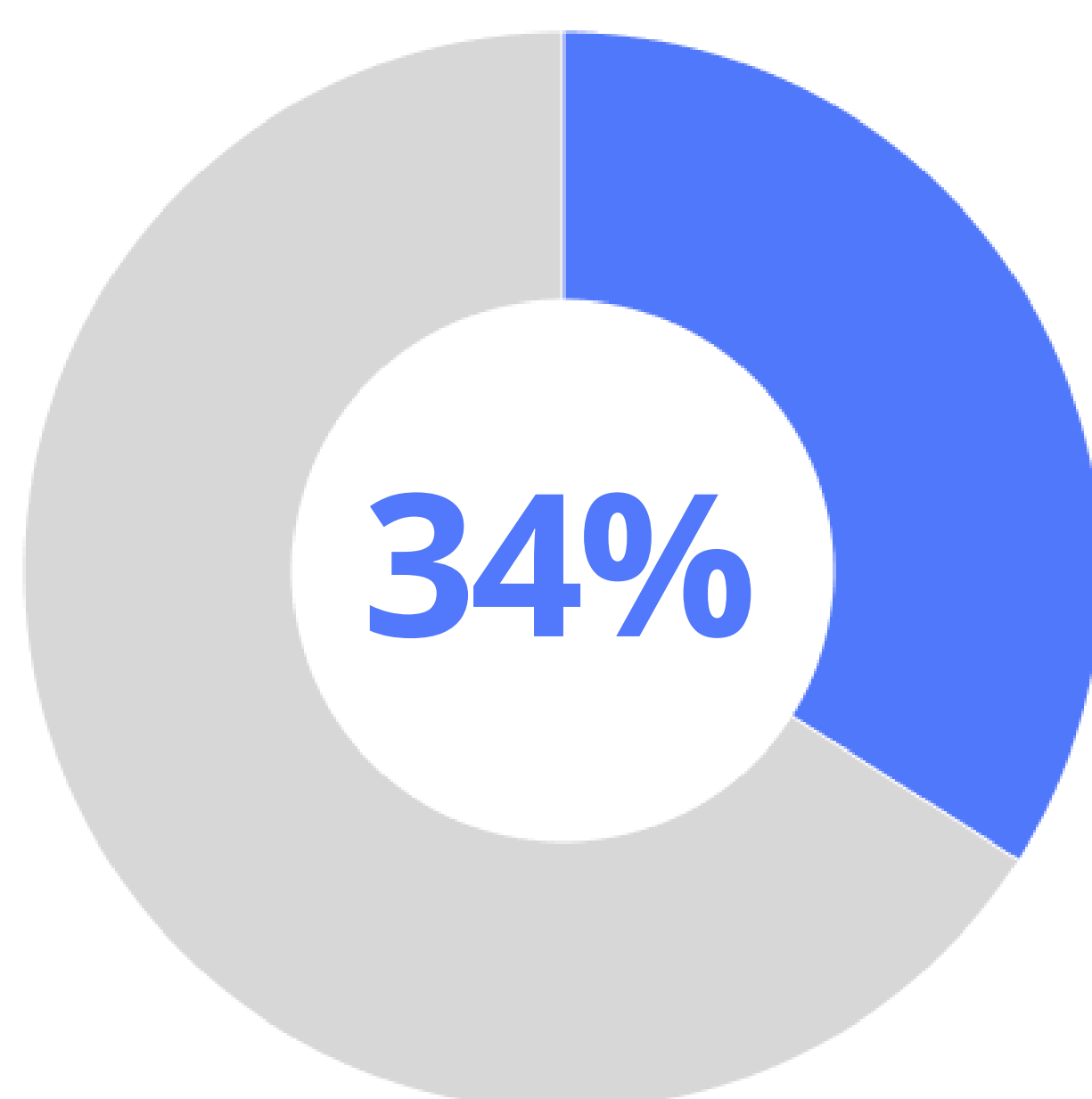
Software Budget Next 6 Months



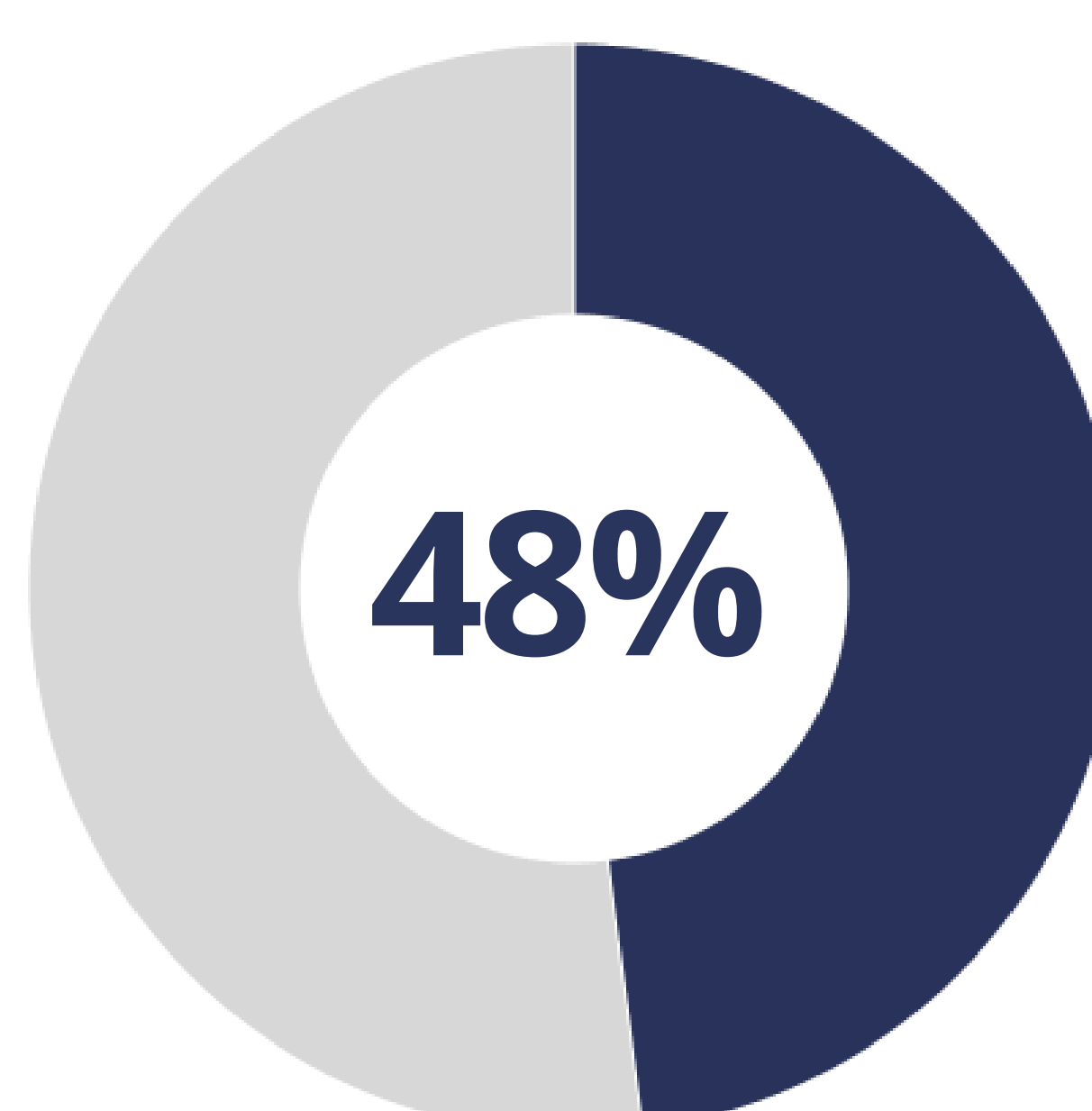
- Will decline a lot
- Will decline somewhat
- Will remain the same
- Will grow somewhat
- Will grow a lot

## Time Investment

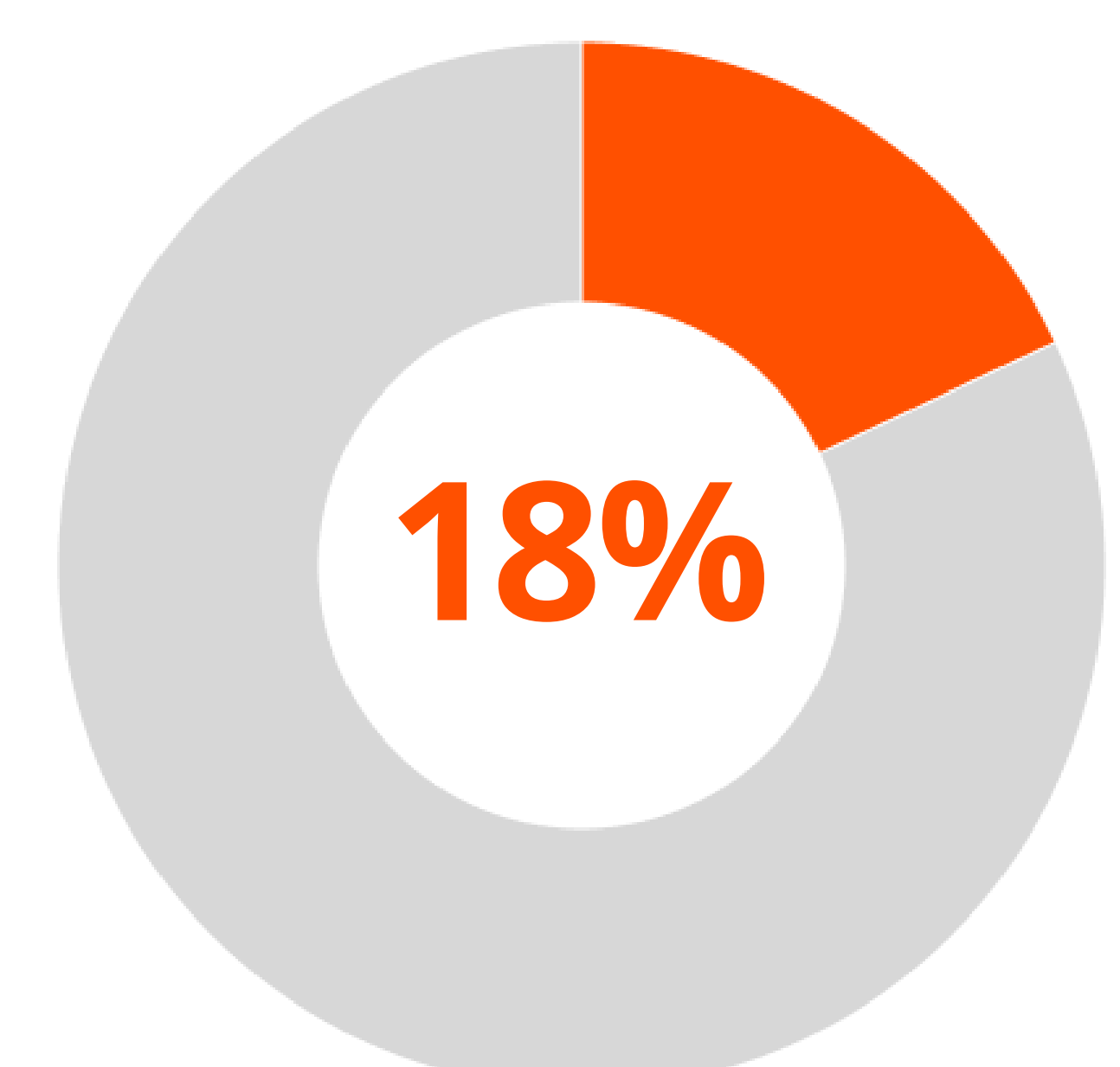
48% say they want to spend more time with family and friends. Almost 20% say they regularly miss get-togethers with family and friends.



I must **regularly miss get-togethers** with family and friends



I don't miss get-togethers, but I **want more time with family and friends**

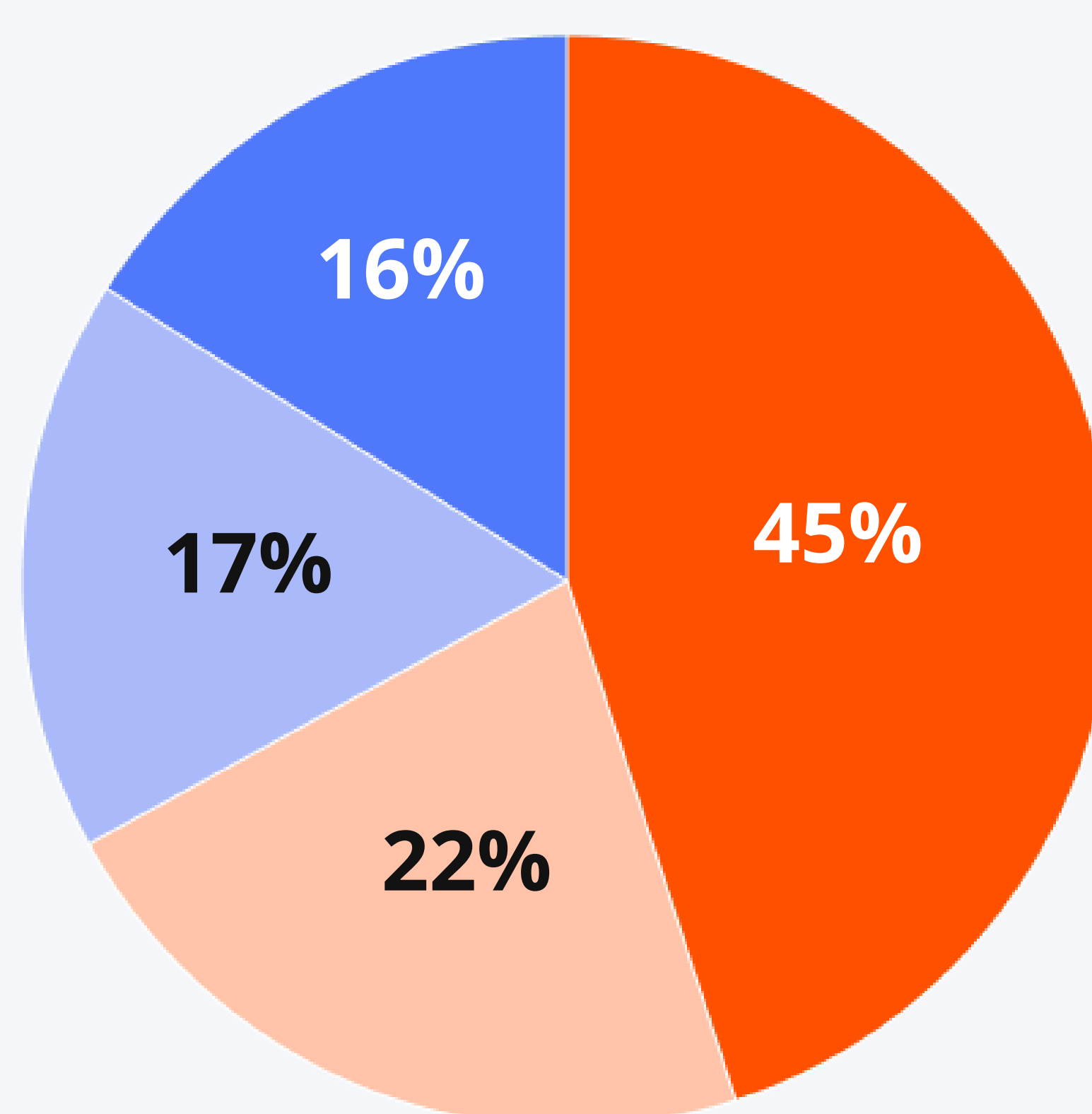


**I can devote as much time as I like** to friends and family



## And If They Had to Do It All Over Again, Would They?

We wanted to know if small business owners would do it all over again if they knew then what they know now. Almost half would still start their own business, though money talks, as do benefits.



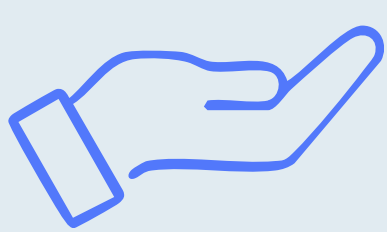
- Start your business
- Take a job if you earned 25% more than you have with your business and paid benefits
- Take a job if you earned 25% more than you have with your business
- Take a job if you earned the same as you have with your business

Clearly running a business is hard work, full of uncertainty and complications. Which **begs the question, why?** We asked small business owners which of these responses best describes why they started their business.



**48%**

**It was always my dream to be self-employed**



**24%**

**I saw a need that I was able to fill**



**13%**

**It's a family business**



**9%**

**I took over or bought it from the previous owner**



**6%**

**I was laid off and could not find another job**



## So What's in It for Them?

Most people start their careers with the hope of **finding joy in what they do**. What brings small business owners joy? Being their own boss was the clear winner, but a close second was making a living doing what they love. Which correlates with why they started their business in the first place: 48% said they always wanted to be their own boss.



## Interested in learning more about Thryv?

Book a **free demo** today on [Thryv.com](https://www.thryv.com)



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