

10 Small Business Statistics Every Future Entrepreneur Should Know in 2020



Many people dream about starting their own businesses, based on their own ideas and dreams. They try to break free from workplace rules, politics, and all the internal chaos that can limit their growth.

It's no wonder that the same people desire to have full control over their time and goals. [Starting your own business](#) can sound overwhelming and complicated at first, but if you break it into steps, you'll just need to take the first big leap of courage, and follow with smaller steps that lead you along your entrepreneurial journey.

And whether it's an [ecommerce store](#) or a brick-and-mortar business, knowing what's happening in the small business world can help you better manage your risks and opportunities.

Whether you already have your own business, or are planning to start a new one this year, these statistics will help you make sense of what's new and what you should

expect. These statistics will help you understand what influences small business, how they work, and how they impact the economy and many more details.

Here's a look at the top 10 small business statistics and what to expect in 2020.

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1. How Many Small Businesses Are There in the U.S?



How Many Small Businesses Are There in the USA?



There are
**30.7
million**

small businesses
in the USA.

(SBA, 2019)

There are **30.7 million small businesses** in the U.S. which account for 99.9 percent of all U.S. businesses (SBA, 2019).

The Small Business Administration (SBA) defines a small business as a firm which has fewer than 500 employees. This means that many highly valued startups in the U.S fit within this definition of small businesses.

The definition of a small business varies across the world. For comparison, in the European Union any business that has fewer than 50 employees is considered a small business. In Australia, companies with fewer than 15 employees are considered small businesses.

Small business stats show that most businesses in America have fewer than 500 employees. Those businesses with fewer than 100 employees account for 98.2 percent, and those with fewer than 20 employees account for 89 percent of all businesses in the country.

2. How Many Jobs Are Created by Small Businesses?



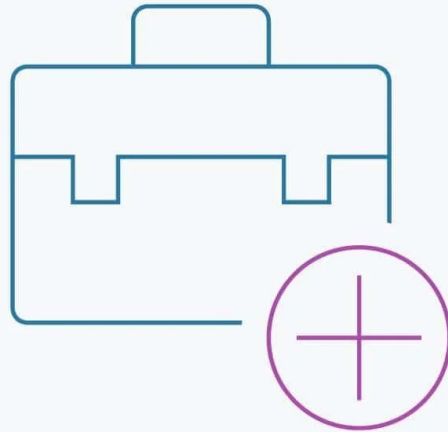
How Many Jobs Are Created by Small Businesses?

Small companies create

1.5 million

jobs annually and account for 64 percent of new jobs created in the United States.

(Fundera, 2019)



With so many small businesses in the U.S., it's no surprise that small businesses generate the majority of jobs in the United States. According to the Small Business Administration, small companies create **1.5 million jobs annually and account for 64 percent** of new jobs created in the U.S. (Fundera, 2019).

Past year statistics show us that small businesses have always been an integral part of the U.S.'s economy and growth. They offer job opportunities, financial growth, and an array of unique products and services. So whether or not they become larger corporations, they contribute to economic growth.

3. Small and Medium-Sized Businesses Are Major Drivers of Global Economic Growth



Small and Medium-Sized Businesses Are Major Drivers of Global Economic Growth



Over
90%

of the business population represents small and medium-sized businesses.

(SalesForce, 2019)

Over 90 percent of the business population represents small- and medium-sized businesses, also known as SMEs (SalesForce, 2019). And as the last statistics showed, small companies are responsible for creating a large number of jobs.

In the past few years, SMEs have continued to generate employment. SMEs are also key players in contributing to innovation. These contributions vary widely across firms, industries, and countries. But better access to global markets and improvements in knowledge networks, as well as digitalization, have played a large role in the advancement of SMEs to participate in the global economy. All in all, SMEs contribute significantly to global economic growth by providing employment, promoting sustainable industrialization, and fostering innovation.

4. What Is the Most Common Reason for Opening Your Own Business?



What Is the Most Common Reason for Opening Your Own Business?

55%

of respondents said that the biggest motivation for opening your own business is being your own boss.

(Guidantfinancial, 2019)



There are many reasons why people might be motivated to open their own business. Among the most common motivations, **55 percent of respondents said** that they were opening their own business because they wanted to be their own boss (Guidantfinancial, 2019).

The next most popular reason for starting your own business includes wanting to pursue your own passion, with 39 percent of respondents choosing this as their primary motivation. Other common reasons include dissatisfaction with corporations, finding an opportunity to start your own business, and a lack of preparation for retirement

Starting your own business means that people have the freedom to not only be their own boss, but also the boss of their time. It gives you the freedom to make decisions and work how and when or where you want. There may be many reasons that people around the world decide to go for this **financial freedom**, but most of the top motivations related to freedom from their current jobs, and more independence in terms of how they work.

5. Small Businesses Hit Hard by the COVID-19 Crisis



Small Businesses Hit Hard by the COVID-19 Crisis



COVID-19 has rendered

31%

of small businesses in
the U.S. currently
non-operational.

(Facebook, 2020)

Uncertainty is one major factor that can really impact small businesses, and this has been particularly evident during the coronavirus pandemic.

According to the latest small business statistics, [nearly one-third](#) (31 percent) of small businesses in the U.S. are currently not operational (Facebook, 2020).

Over 70 percent of US small businesses shut down in March, when the U.S. became [the new epicenter](#) of the virus. More than 60 percent of these small businesses that closed were due to government or health authority orders, as large parts of the country went into lockdown in a bid to curb the spread of the virus.

Some small business owners have taken measures to [adapt to the new reality](#) the coronavirus has created. Many of them have increased their online activities to try and reach out to their client base and keep their business alive by [selling their products and services online](#).

In fact, more than half (51 percent) say that they have increased the interactions they have with their clients over the internet. Additionally, 36 percent of personal businesses who use online tools are now also doing all their sales online.

Looking forward, 28 percent of these small businesses owners say cash flow will be their biggest challenge in the near future, followed by a lack of consumer demand.

6. New Generations Are More Likely to Create a Side Business



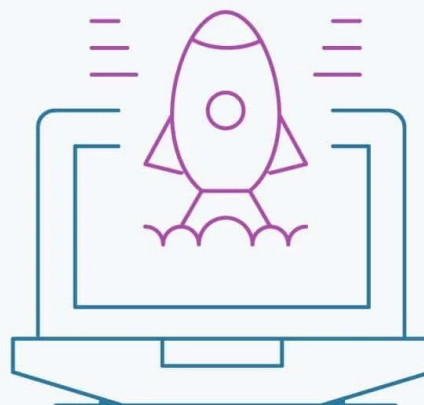
New Generations Are More Likely to Create a Side Business

Millennials and Gen Zers are

188%

more likely to have the aim of creating a side business, compared to baby boomers.

(SalesForce, 2019)

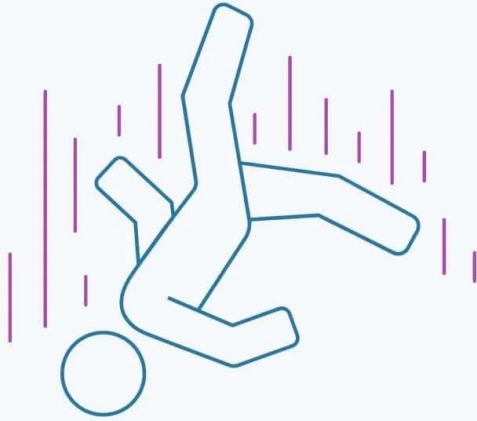


Statistics show us that the new generation of entrepreneurs is more likely to side-hustle. In fact, Millennials and Gen Zers are **188 percent more likely** to have the aim of creating a side business, compared to Baby Boomers or traditionalists (SalesForce, 2019).

In comparison to Baby Boomers, Millennials and Gen Zers are also 48 percent more likely to say that they started a business because they had an idea that they were passionate to bring to the marketplace. And thanks to the ease with which you can start your own business, the process has become much more comfortable for newer generations who are looking to become their own boss. Because of the rise of online marketplaces, and low code or no-code and outsourced development, it's become easier to run a business from the comfort of your own home.

7. What Percentage of Small Businesses Fail?

What Percentage of Small Businesses Fail?



More than

50%

of small enterprises fail in the very first year, and more than 95 percent small startups fail within the first five years.

(Convergehub, 2019)

One of the biggest fears that people who start their own business have is the risk of failure. And it's not an unrealistic fear. As a matter of fact, more than **50 percent of small enterprises fail** in the very first year, and more than 95 percent of small startups fail within the first five years (Convergehub, 2019).

Now this statistic shouldn't discourage you from starting your own business. In fact, it should do the opposite. By knowing why and how the majority of small businesses fail within their first year, you can plan a business strategy to overcome potential risks that might come your way. Of course you won't be able to completely eliminate all risk, but it will help you better understand what you can do in different scenarios that are likely to arise.

8. What Is the Primary Reason That New Businesses Fail?

What Is the Primary Reason That New Businesses Fail?

42%

of small businesses fail because of lack of market demand.

(CB Insights, 2019)



The primary reason that new businesses fail is because of a lack of market demand. In fact, **42 percent of small businesses** fail because of this reason (CB Insights, 2019). So if there's one thing you should be sure about before you start your business is the need for what you're offering to customers.

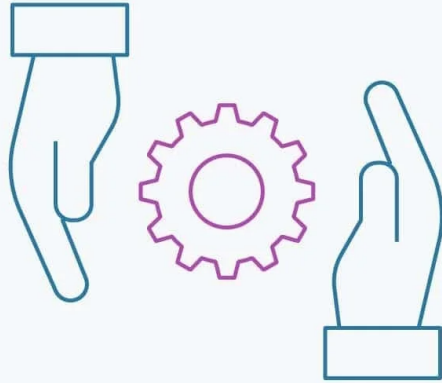
The next most likely reason that new businesses fail is because they run out of cash. Statistics show that 29 percent of new businesses reportedly failed because of lack of finance. Other causes for the failure of startups include not being able to find the right team to work with, to get outcompeted by competitors in the industry, cost-related issues, and an unfriendly product.

To reflect on the reasons why new businesses fail, it's safe to say that it's a combination between customer-centric reasons as well as lack of resources, which are the building blocks of having a successful business.

9. What Is the Biggest Challenge for Small Businesses?



What Is the Biggest Challenge for Small Business?



52%

of the respondents stated that the most important problem for small businesses was labor quality.

(CNBC, 2019)

In the first few years of starting a new business, small companies have to face a number of challenges that can restrict their potential. One of the top challenges that small businesses face is the poor quality of labor. In fact, **52 percent of the respondents** stated that the most important problem for small businesses was labor quality (CNBC, 2019). Small business owners say that it's hard to find qualified individuals to hire. For businesses that have more than 50 employees, percent of owners believe it's harder to find qualified hires.

Other than this, small business owners are also faced by financial challenges. As smaller corporations don't have the advantage of being backed by a lot of funds, they usually struggle to figure out how they can manage their finances.

10. Top Digital Marketing Channel Among Small Business Owners

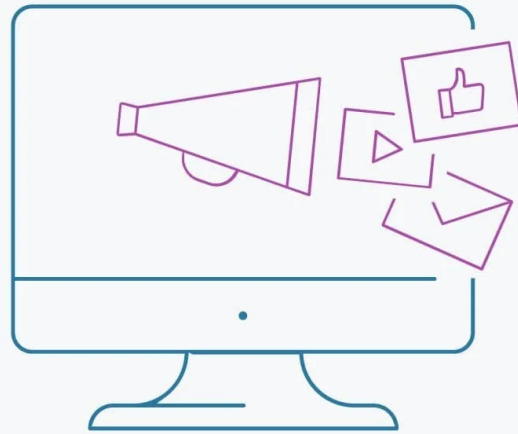


Top Digital Marketing Channel Among Small Business Owners

64%

of surveyed small businesses use social media in their marketing strategy.

(The Manifest, 2019)



Social media is a preferred favorite for small business owners. In fact, [64 percent of surveyed small businesses](#) use social media in their marketing strategy (The Manifest, 2019).

The same study shows us that nearly all small businesses advertise. And in most cases this advertisement is through digital mediums (in comparison to traditional channels). After social media marketing, the next most popular method of advertising is online marketing (49 percent), followed by print marketing (36 percent) and TV (22 percent).

Small businesses rely on digital as a medium of advertisement because they can target their customers in a more effective manner. Digital marketing helps small businesses reach people who are likely to be interested in their products, whereas traditional methods reach a broader audience.

Social media statistics show us that social media marketing can be an effective tool for businesses, as [73 percent of marketers believe](#) that their efforts through social media marketing have been “somewhat effective” or “very effective” for their business.

Conclusion: Small Business Statistics

Without a doubt, 2020 is going to be a significant year for small businesses. With the competition increasing, these statistics will help guide your way into better decision making if you're a small business owner, or are interested in starting your own business. And even though you're likely to face challenges, knowing the current trends will help you tackle difficulties in a more proactive manner.

Summary: Small Business Statistics

1. There are 30.7 million small businesses in the USA.
2. Small companies create 1.5 million jobs annually and account for 64 percent of new jobs created in the United States.
3. Over 90 percent of the business population represents small and medium-sized businesses.
4. 55 percent of respondents said that the biggest motivation for opening your own business is being your own boss.

5. COVID-19 has rendered 31 percent of small businesses in the U.S. currently non-operational.
6. Millennials and Gen Zers are 188 percent more likely to have the aim of creating a side business, compared to baby boomers.
7. More than 50 percent of small enterprises fail in the very first year, and more than 95 percent of small startups fail within the first five years.
8. 42 percent of small businesses fail because of a lack of market demand.
9. 52 percent of the respondents stated that the most important problem for small businesses was labor quality.
10. 64 percent of surveyed small businesses use social media in their marketing strategy.

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Is there anything else you'd like to know about small business statistics and wish was included in this article? Let us know in the comments below!

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Maryam Mohsin: Maryam Mohsin is a Content Writer at Oberlo. She is devoted to ecommerce and dropshipping, and loves to help entrepreneurs with everything they need to know to build their own business.

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