

Motivations, Mindsets & Experiences of #MillennialSBOs



In celebration of Small Business Month, [American Express Canada](#) partnered with [Startup Canada](#), the rallying network and thought leader uniting Canada's entrepreneur, small business and innovation community, to undertake a study on the motivations, mindsets and experiences of millennial entrepreneurs. In particular, this study offers insights on millennial entrepreneurs in comparison to previous generations.

October 18, 2016

Startup Canada

Table of Contents

[Introduction](#)

[Mindsets & Motivation](#)

[Finance](#)

[Technology and Marketing](#)

[Final Reflections on Millennial Small Business Owners](#)

[Respondent Profile](#)

[Methodology](#)

[Key Findings](#)

Introduction

Millennials are individuals born between 1981 and 2000. They have grown up in a time of rapid change and unprecedented connectivity through and to technology, giving them a set of priorities and expectations different from previous generations.

These digital natives are encumbered with debt and have less money to spend; are reluctant to enter the housing market and increasingly choose to live at home with their parents; are putting off marriage and children; are more concerned with access, not ownership - giving rise to the 'sharing economy'; and, are making wellness a daily pursuit by exercising more, eating better, smoking less and using apps to track their progress (Goldman Sachs). These are just some of the trends shaping the millennial economy.

There are 2.3 million entrepreneurs in Canada and 1.1 million small businesses that account for 78 per cent of private sector job creation, 30 per cent of exports, and 27 per cent of GDP (ISED, 2012). Of those, 4.6 per cent are considered high-growth businesses, which disproportionately account for net job creation in Canada (ISED, 2012).

While we already know that small business is big business in Canada, it's about to become much bigger. Millennials embrace entrepreneurship at twice the rate of the Canadian average, suggesting that start-up rates will continue to grow (Angus Reid, 2013). Given that there are more than 7 million Canadian millennials, if even a modest percentage of those businesses take flight, millennial entrepreneurs are going to have an immense impact.

To uncover the motivations, mindsets and experiences of millennial small business owners (SBOs) compared with previous generations, American Express Canada partnered with Startup Canada, the rallying network and thought leader uniting Canada's entrepreneur, small business and innovation community, to undertake a study on millennial entrepreneurship in Canada. In particular, this study offers insights on millennial entrepreneurs in comparison to previous generations.

Mindsets & Motivation

Eighty-eight per cent of SBOs agree passion trumps personal financial gain, and are willing to take risks to get their passion projects off the ground. Despite nearly half (46 per cent) having yet to turn a profit, the vast majority (85 per cent) are willing to take financial risks to grow their business.

On Motivation

“My co-founder and I were both motivated to start this business because we are passionate about education and the outdoors,” said **Erin Nicolardi**. Nicolardi is the Co-Founder of Rivers to Ridges, which offers nature-based outdoor programs to families and youth across the Yukon. “There was a lack of exploratory programming available and we wanted to take our passion and fill that gap.” Erin and her co-founder both have supplementary jobs to finance the business. “We are looking to move past (supplementary employment) to do our business full-time.”

Like Nicolardi, 24 per cent of respondents started their business to turn their passion into a career. Twenty per cent wanted to create something of their own; 20 per cent were motivated by their solution to a market need; 16 per cent wanted greater freedom and flexibility; and, less than 7 per cent of respondents were motivated by financial independence in starting their company. While nearly one in three (30 per cent) millennial SBOs surveyed said they started their business to turn their passion into a career, relatively few (17 per cent) started their business to gain financial independence.

Heather Abbey, a Saskatoon-based millennial SBO and the **Founder and President of ShopIndig.ca**, was motivated to start her company by her solution to a market need. “I saw dozens of my friends and family members having trouble showcasing their beautiful makes and wears, so I took my savings, entered a few startup competitions and created a website to empower Indigenous artisans with a platform to sell their work and in turn, earn a living doing what they love.”

Entrepreneurs like **Frederic Voyer**, the **Co-Founder and CEO of SWAAP.com**, are motivated to run their companies by the greater freedom and flexibility that comes with entrepreneurship. “Ever since I was young, I had a need for freedom and loved inventors and those who created value in the world,” said Voyer. “I am an entrepreneur because I am free to pursue business as a creative outlet.”

On Values

In terms of values, thirty-five per cent of millennial SBOs want to enjoy what they do every day.

Twenty seven per cent of millennial SBOs most value purpose as they want to impact social good; 14 per cent most value growth; 10 per cent most value profitability and 9 per cent place greatest value on autonomy. This study found no significant variance between millennial entrepreneurs and previous generations.

Jonathan Grootvent, the owner and CEO of Vertagrow.ca, a Barrie-based startup empowering individuals and communities to grow food year-round, is passionate about creating social impact. “I value being able to help others to live healthier lives through urban farming, and in doing so, lessening the strain on our health care system.” Similarly, **Sara Rehman, the Co-Founder and Chief Research Officer of Agore Medical Technologies inc.**, a Toronto-based company which supports elderly patient engagement in homes through an app and hardware device, most values the opportunity to improve the safety and well-being of her clients.

Shana Pasapa, the Founder and Head Instructor at Power Our Women, who grew up on Saskatchewan’s White Bear First Nation, most values the opportunity to empower and help build the confidence and safety of women and girls through her self-defense program.

On Mindset

A sizable majority of SBOs are willing to take financial risks to grow their business. However, respondents are divided on whether they need money in the bank before starting their business. Sixty-three per cent of millennial SBOs feel they need money in the bank before investing in business growth, while only 54 per cent of generation X and 46 per cent of baby boomers feel this way. This variance may be attributed to millennials owning fewer assets than previous generations.

Nevertheless, millennials are more likely to ‘feel married to their businesses’ likely because of the high level of connection between their purpose, passion and their motivation to start a company. Nearly three quarters (74 per cent) of millennial SBOs feel this way, compared to 65 per cent of previous generations that claim the same.

On Success and Ambition

While SBOs may be motivated by passion and purpose, they are more likely to measure their success vis à vis profit. Twenty-nine per cent of respondents define their success by sales and profit, while 28 per cent measure their success by being recognized as a leader in their community or industry.

Twenty seven per cent of respondents define success as growth, and 12 percent define their success by the social good they produce through their company.

Alyssia Richard, the Co-Founder and CEO of Ratehub.ca, a Toronto-based mortgage comparison website is motivated by her desire to educate consumers and bring transparency to the industry. Richard measures her success through profit, saying: “I want to build a profitable and sustainable business that helps Canadians.”

Despite 46 per cent of SBOs having yet to generate a profit, Canadian SBOs are confident and optimistic about the future success of their businesses. Seventy-three per cent of respondents consider their business to be a success. SBOs have their sights set on growth, with nearly all (93 per cent) planning to grow their business within the next year. In addition, 9 in 10 (90 per cent) respondents believe their offering is superior to their competition and 76 per cent aim to disrupt their industries. Nevertheless, while previous generations are placing greater value on sales and profit (31 per cent), millennial SBOs are more likely to place greater value on being recognized as an industry leader (34 per cent) and achieving business growth (28 per cent).

Finance

Passion and purpose alone can't fund a business, so it is of little surprise that nearly half (47 per cent) of all surveyed entrepreneurs concede that cash flow concerns keep them up at night. While 75 per cent of small business owners manage their own finances, more than half (55 per cent) report difficulties with managing cash flow. In addition, more than one in five SBOs (21 per cent) indicated cash-flow management as the most challenging aspect of managing their business finances. Other top challenges include accounting and bookkeeping (21 per cent), taxes (16 per cent), and budgeting and forecasting (13 per cent).

Of the millennials who are not employed outside of their business, 45 per cent of them do not pay themselves a wage. Respondents who do pay themselves a wage were 10 per cent more likely than those who do not pay themselves to strongly agree that cash flow concerns kept them up at night.

“Cash flow is a real concern for almost any business,” says **Paul Roman, Vice President & General Manager, Global Commercial Payments, American Express Canada**. “We work with businesses of any size to maximize cash flow and provide purchasing power when businesses need it most.”

Despite concerns, millennial SBOs are putting in the extra work and getting creative to fund their dream projects by holding a second job (42 per cent) and paying themselves below market wage (48 per cent of those who pay themselves a wage). To finance their startup, millennial SBOs are leveraging personal savings (52 per cent), borrowing from family and friends (8 per cent), accessing angel investment (7 per cent), using crowd funding platforms (4 per cent), accessing traditional bank loan financing (4 per cent), or venture capital financing (3 per cent). As compared with previous generations, millennials are more likely to leverage venture capital (7 per cent compared to 5 per cent) and are twice as likely to leverage crowdfunding (4 per cent compared to 2 per cent), whereas others are twice as likely to leverage traditional bank loans (4 per cent compared to 8 per cent). In terms of sources of cash flow, 45 per cent of SBOs have used credit cards and 33 per cent have leveraged lines of credit.

“My main source of funding for my company has been my day job,” said Ottawa-based **Joelle Tremblay, Founder of Failure Is An Option**. “As the company continues to grow, I am aiming to bring on financial partners and grow our revenue channels, with client-acquisition being our primary foundation for growth.” Another Ottawa-based SBO, **Jean-Philippe Michel, the Founder of SparkPath**, concurs. “I have used the lean business model to build my company. Financing comes through client acquisition and at this stage I make up for any shortfalls through my personal savings and side contracts.”

Egi Troka, CEO of Toronto-based Empress Co., a high-end fashion company that makes designer suits for women, financed her business through the Ontario Summer Company Program, which provides startup seed funding to students through the summer. She has also applied to the Joe Fresh Fashion

Incubator in collaboration with the Ryerson University School of Fashion, which provides mentorship, facilities and funding. Troka hopes to gain traction with her company before approaching investors.

In terms of personal assets (e.g. mortgage, home, etc.), 50 per cent of respondents have 10-15 per cent of their personal assets tied to their business; 11 per cent have 15-35 per cent tied to their business and 8 per cent have more than 50 per cent of their personal assets tied to their business. This study found no significant variance between millennials and previous generations.

When looking at credit card rewards for their businesses, 57 per cent of SBOs earn rewards on their business spending using a credit card. Millennial SBOs most often redeem rewards for personal merchandise and travel (37 per cent), to offset business costs (14 per cent) or to incentivize employees (4 per cent). Fifty-five per cent of millennials believe that credit card rewards make them more motivated to use their cards for business purchases.

Although cash flow concerns keep millennial SBOs up at night, their resolve to do what it takes to bring their business to life - from supplementary jobs and leveraging alternative financing mechanisms to harnessing opportunities and programming available in the entrepreneurship ecosystem and focusing on client-acquisition to scale - is nothing short of inspiring.

Technology and Marketing

Increasing access to resources like the cloud, online social networks, digital data and the move to mobile technologies have increased the accessibility of entrepreneurship and eliminated borders between international markets. Today's technology enables entrepreneurs to start global businesses from day one. Buying and selling on Amazon, Etsy or Shopify, sourcing through Alibaba, operating a business with QuickBooks, Google, Salesforce and Square, and raising funding through Indiegogo and KickStarter are just some examples of how access to technology has transformed how entrepreneurs do business.

On Technology

Eighty per cent of SBOs say their business cannot function without technology. Respondents across industries and generations cited customer relationships (27 per cent), accounting (10 per cent),

scheduling (9 per cent) and acquisition marketing (9 per cent) as the most predominant uses of technologies within their companies. In fact, the majority of respondents cited that their entire business is based upon technology and they use it for everything from hosting, performance monitoring and improvement, remote working, prototyping and testing, managing large projects, storing, filing and knowledge sharing, shipping, sales, data analysis, and automation.

“Technology is a big part of our business,” said **SwiftPad’s Amir Motahari**. “Our workflow provides the flexibility of working from home and working remotely with effective task management through tools like Slack, Asana and Hubspot CRM.” Similarly, **Forrest Vetter-Wilson from CleverClothing.ca** says it all starts with technology. “We use many technologies from pipeline to production,” said Vetter-Wilson. “It starts with a good CRM system to manage clients and computer applications for estimates. Next up it is Adobe for design and artwork and QuickBooks to send invoices and input sales data. Without these technological advancements, we’d need to hire many employees for each role to be fulfilled.”

Beyond leveraging tech tools to streamline operations, entrepreneurs like **Idas Levato from Gugoiza.com**, are leveraging global platforms to gain access to previously unaffordable technologies. “We’re currently on the Microsoft BizSpark program, which has essentially covered our hosting costs, all of our tools, and development has been covered. Sponsorship has taken the burden off us,” said Levato.

On Marketing

Technology also has an increasingly important role to play in how entrepreneurs market their businesses, products and services. The main form of marketing for 43 per cent of respondents is social media (51 per cent of Millennial SBOs and 38 per cent from previous generations), 33 per cent focus on in-person and word-of-mouth marketing, and less than 5 per cent are engaged in traditional marketing on print, radio, television or tradeshow.

Brent Riberdy, the owner of Hidden Trail Experience, a Windsor-based business providing escape room experiences, relies on SnapChat, Facebook, Instagram, Twitter, LinkedIn, Yelp and TripAdvisor for marketing to, reaching and engaging new and existing clients. Similarly, Edmonton-based **Brenda Herchmer, Founder of Campus for Communities**, which coaches existing and future community leaders, manages her social media through Hootsuite. Herchmer has active channels on Facebook,

LinkedIn, Pinterest, Google+ and Instagram, citing the importance of leveraging social media to engage youth as the primary reason.

Beyond social media, entrepreneurs like **SWAAP.com's Frederic Voyer** also leverage the entrepreneurship community for in-person marketing opportunities. "We spread the word about our business by being involved with the community. We actively engage with eSAX, Startup Ottawa, Lead2Win, NRC, and entrepreneur-based organizations and trade shows to get the word about our business. We have also established a partnership with Staples and set up booths at their locations so that we can connect with their customers in person," said Voyer. **Heather Abbey, Founder of ShopIndig.ca** leverages startup competitions, pitch contests and shares her story through mainstream media partners to garner word-of-mouth support. "We have a lot of local support," said Abbey. "We are grateful for the promotional support we receive from SquareOne, Startup Canada, Futurpreneur and the local economic development centre."

Increasingly more SBOs are taking advantage of the local entrepreneurship community to not only find mentors and support, but also to promote their company. Halifax-based **Colin White, Co-Founder and CTO of Zora Computing**, which makes web apps for property management companies, has leveraged the Volta incubator to network with local startups and has participated in accelerators including FounderFuel out of Montreal and The Mill in Las Vegas to gain investor and customer attention. Similarly, **Dave Parsell, Co-Founder and CEO of LocalIntel** gains exposure through papers, blogs, networking events and speaking engagements.

Developments in technology continue to drastically change the way entrepreneurs of all ages do business. From streamlining day-to-day operations to increasing the connectivity between a company and potential customers, technology continues to make small business owners more productive, efficient and smart in how they spend their time, who they talk to and how they talk to them.

Final Reflections on Millennial Small Business Owners

"It certainly has never been more socially acceptable or accessible to be an entrepreneur as it is today," said **Alyssia Richard, Co-Founder of Ratehub.ca**. "We do not need the large infrastructure that entrepreneurs needed in the past. Through online coding workshops, new technology and an increasingly supportive startup community, welcoming and encouraging of new entrepreneurs, the conditions are opportune for millennial entrepreneurs."

“Having grown up with technology is a huge advantage that we have as millennial entrepreneurs,” said **SWAAAP.ca Co-Founder and CEO Frederic Voyer**. “With the rapid pace of change, our generation is used to adapting and readapting.” **Ashleigh Mattern, owner of Video Productions**, a web design and content creation company based in Saskatoon agrees: “Millennials are more likely to pivot, more willing to change direction and are really changing the overall working environment.”

There is a double edge to the millennial free spirit, however. “Because we are so digitally connected, millennials need to learn how to build face-to-face relationships, not just digital ones, which on their own can be isolating and hollow,” said **Frederic Voyer**.

Respondent Profile

Forty-two per cent of respondents are generation X (born between 1965 and 1980); 37 per cent are millennials (born between 1981 and 2000); and, 18 per cent are baby boomers (born between 1946 and 1964). Fifty-three per cent of respondents live in Ontario and 15 per cent live in British Columbia and the Territories. Fourteen per cent of respondents live in the Prairies, 8 per cent live in Atlantic Canada and 7 per cent live in Quebec.

Seventy-three per cent of respondents completed a post-secondary bachelor degree or higher; 7 per cent completed up to high school; and, the remaining respondents completed apprenticeships or alternative forms of education. With regard to education, this study found no significant variance between millennials and previous generations.

Respondents represent a wide spectrum of industries from health care and services to skilled trades and clean tech. Twenty-six per cent of respondents have owned their business for less than 1 year; 48 per cent of respondents for 1-5 years; and, 26 per cent for more than 6 years. Millennial-owned businesses have been in operation for a shorter time than those owned by previous generations. Thirty-seven per cent of millennial entrepreneurs surveyed have been in business for less than one year (compared to 19 per cent from previous generations); 55 per cent have been in business for 1-5 years (compared to 43 per cent from previous generations), and 7 per cent have been in business for more than 6 years (compared to 25 per cent from previous generations). The variance can be attributed, in part, to the age of the entrepreneur, rather than tendencies of the generational cohort.

Fifty-one per cent of respondents have owned one business, while 48 per cent are serial entrepreneurs and have started more than one or many businesses. The study found no significant variance between millennials and previous generations in their propensity to be serial entrepreneurs.

Forty-seven per cent of respondents are turning a profit in their enterprises and 46 per cent have yet to be profitable. Seventy-four per cent of those who achieved profit did so within their first 3 years, with no significant variance between millennial and previous generations.

Methodology

The study was conducted between August 16 and September 8, 2016 through an online survey that engaged 511 entrepreneurs of all ages from across Canada. Based on the findings of the survey and a subsequent correlative analysis undertaken in partnership with Ryerson University-based startup Steadfast Beta, researchers interviewed a random sample of 30 respondents to dive deeper into the findings. The margin of error for a representative sample of this size (n=511) is ± 4.2 per cent within a 95 per cent confidence interval. This report summarizes the results of the research.

Key Findings

SBOs choose passion over profit

- 88% of SBOs agree passion trumps personal financial gain, and they're willing to take risks to get their passion project off the ground. Despite nearly half (46%) having yet to turn a profit, the vast majority (85%) are willing to take financial risks to grow their business.

Millennial SBOs 'feel married' to their businesses

- 74% of millennial SBOs feel married to their businesses.
- Nearly 1 in 3 (30%) cite the reason they started their business was to turn their passion into a career, compared to 17 per cent who were looking to gain financial independence.

Cash flow concerns keep SBOs up at night

- 47% of millennial SBOs are worrying about cash flow at night.
- The top 3 financial concerns of millennial SBOs are cash flow, bookkeeping and taxes.
- 75% of SBOs manage their own finances and 55% report difficulties with cashflow.

SBOs are willing to take risks

- 85% of millennial entrepreneurs are willing to take financial risks to grow their business.

Millennial SBOs are curbing financial risk with second income

- 42% of millennial entrepreneurs stay afloat thanks to a second job.
- 48% report paying themselves below market wage (of those who actually pay themselves a wage).
- 52 per cent of millennials used personal savings to start their company.

Majority of SBOs plan to scale

- 94% of millennial SBOs want to grow their business in the next year.
- 93% of SBOs intend to scale in the next year.
- 9 in 10 (90%) SBOs believe their offering is superior to their competition.
- 76% of SBOs aim to disrupt their industries.

Majority of SBOs reward themselves

55% of millennial SBOs are motivated by rewards to use credit cards for business purchases