



Kabbage Survey Reveals the Most Successful Small Business Owners Reach Profitability in the First Four Years of Business

Marketing is the most underinvested area among small businesses owners, but the most important for growth

Atlanta – June 20, 2018 – [Kabbage, Inc.](#), a global financial services, technology and data platform serving small businesses, released survey data that uncovers insights from 500 established small businesses and the key moments that triggered their growth. The results offer entrepreneurs applicable lessons from experienced business owners with proven companies, including business strategies, investments, financing needs, operating costs and even their regrets.

In collaboration with leading small business research firm Bredin, Kabbage polled 500 small business owners in nearly every industry across America and in various life stages of business. The sample represents businesses more than 20 years old (24 percent), 10 to 19 (29 percent), 5 to 9 (29 percent), and 1 to 4 (15 percent). More than half earned nearly \$1 million to more than \$5 million in revenue in 2017. The study provides actionable advice for growing companies, finding:

The First Four Years Are Critical for Success

According to the survey, 84 percent of established business owners said they reached profitability within the first four years of business, with a significant portion (68 percent) attaining profitability in the first year. Only 8 percent reached profitability after their fifth year in business, giving strong indication that the first four years are truly make-or-break years for any new company.

SMBs Regret Not Investing in Marketing Sooner

Business owners rank finding new customers as their number one challenge overtime, significantly outweighing cash flow and competition concerns. Consequently, they rank deploying new marketing strategies to acquire future customers as their top focus to ensure business growth. However, marketing is the smallest annual expenditures (as low as 5 percent per year), as it's consistently and heavily outweighed by payroll, rent, equipment purchases and technology investments.

The data shows responders *wish* they invested at least two- to nearly five-times more dollars in marketing each year. At each stage of business, marketing spend represented:

- 7 percent of all costs in their first year; they wish they spent 28 percent
- 13 percent between years 1 and 4; they wish they spent 25 percent
- 7 percent between years 5 and 9; they wish they spent 16 percent
- 5 percent between years 10 and 19; they wish they spent 23 percent
- 11 percent after 20 years; they wish they spent 23 percent

The Cost of Doing Business

Responders stated they needed to access as much as \$10 million of working capital during certain phases of their business to support growth, with the majority in need of less than \$500,000. However, there is a disconnect between the amount of capital a business anticipates using in the future versus the amount established businesses actually borrow:

- First year: 38 percent accessed capital versus 27 percent don't think they'll need it
- Years 1 to 4: 29 percent versus 57 percent
- Years 5 to 9: 26 percent versus 50 percent
- Years 10 to 19: 17 percent versus 74 percent
- Years 20-plus: 14 percent versus 84 percent

“Nearly 20 percent of responders said they know exactly what they need to do to grow their business, they just need more capital to do it,” said Kabbage Chief Revenue Officer Victoria Treyger. “Even though most businesses reach profitability in their first four years, our research shows businesses still encounter unique opportunities or challenges that require extra capital, such as bridging cash-flow gaps, making strategic purchases, increasing marketing spend or opening new locations.”

About Kabbage

Kabbage Inc., headquartered in Atlanta, has pioneered a financial services data and technology platform to provide automated funding to small businesses in minutes. Kabbage leverages data generated through business activity such as accounting data, online sales, shipping and dozens of other sources to understand performance and deliver fast, flexible funding in real time. Kabbage is funded and backed by leading investors, including SoftBank Group Corp., BlueRun Ventures, Mohr Davidow Ventures, Thomvest Ventures, SoftBank Capital, Reverence Capital Partners, the UPS Strategic Enterprise Fund, ING, Santander InnoVentures, Scotiabank and TCW/Craton. All Kabbage U.S.-based loans are issued by Celtic Bank, a Utah-Chartered Industrial Bank, Member FDIC. For more information, please visit www.kabbage.com.

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