



2023

Collective B1 Economic Report

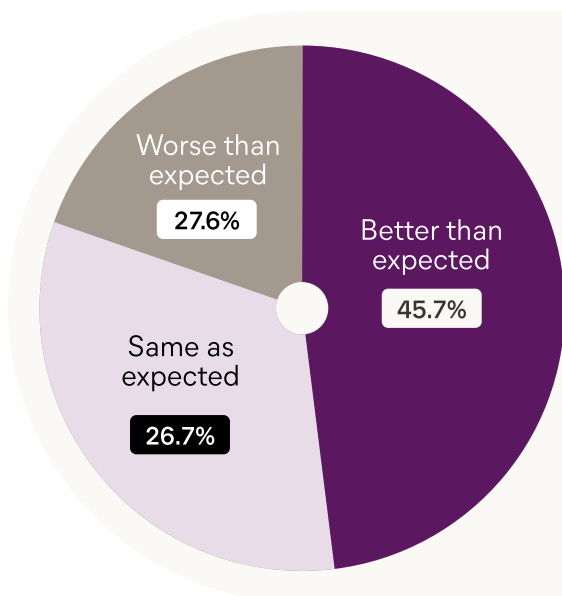


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The Collective B1 Economic Report provides a semiannual view into financial performance and business outlook among solo business owners in the United States. This edition, based on data collected in August 2023, focuses on the performance of Businesses-of-One in the first half of 2023.

Key findings

- Across all Businesses-of-One, revenue rose 9.8% year-over-year.
- Average expenses leapt 23.6% year-over-year.
- In January 2023, 43% of solopreneurs surveyed expected a stronger first half of the year, while only 17% expected business to be worse.
In August 2023, 72% said their businesses did as well or better than they had expected in the first half of the year.
- The biggest declines in revenue were experienced by artists and designers and real estate professionals feeling the pinch from high mortgage rates.
- Revenue shrunk most in Nevada, Hawaii and Utah and grew most in New Jersey and New York.
- 86% of solopreneurs expect the second half of 2023 to be better than or the same as the first half for their businesses.
- 78% of solo business owners expect AI to change the way they operate and 68% think it will positively affect their businesses.



H1 2023 Overall performance

How Businesses-of-One performed in H1 2023 compared to their expectations

Over 72% said their business did as well or better than expected.

Our members were asked to evaluate the performance of their businesses over the last six months compared to their expectations. Only software and web developers expressed disappointment as a group, despite achieving solid growth numbers. By contrast, artists and designers reported better-than-expected results, despite a slight decline in revenue as a group.

“A lot of agents saw a slow down in their business the first half of the year, thankfully I was still able to keep pushing through!”

– Sales, Florida

“More inbound inquiries, more clients willing to pay higher fees.”

– Marketing, California

“The economy is doing pretty meh. My industry (Web3) has taken quite a hit and times are tough for teams like mine.”

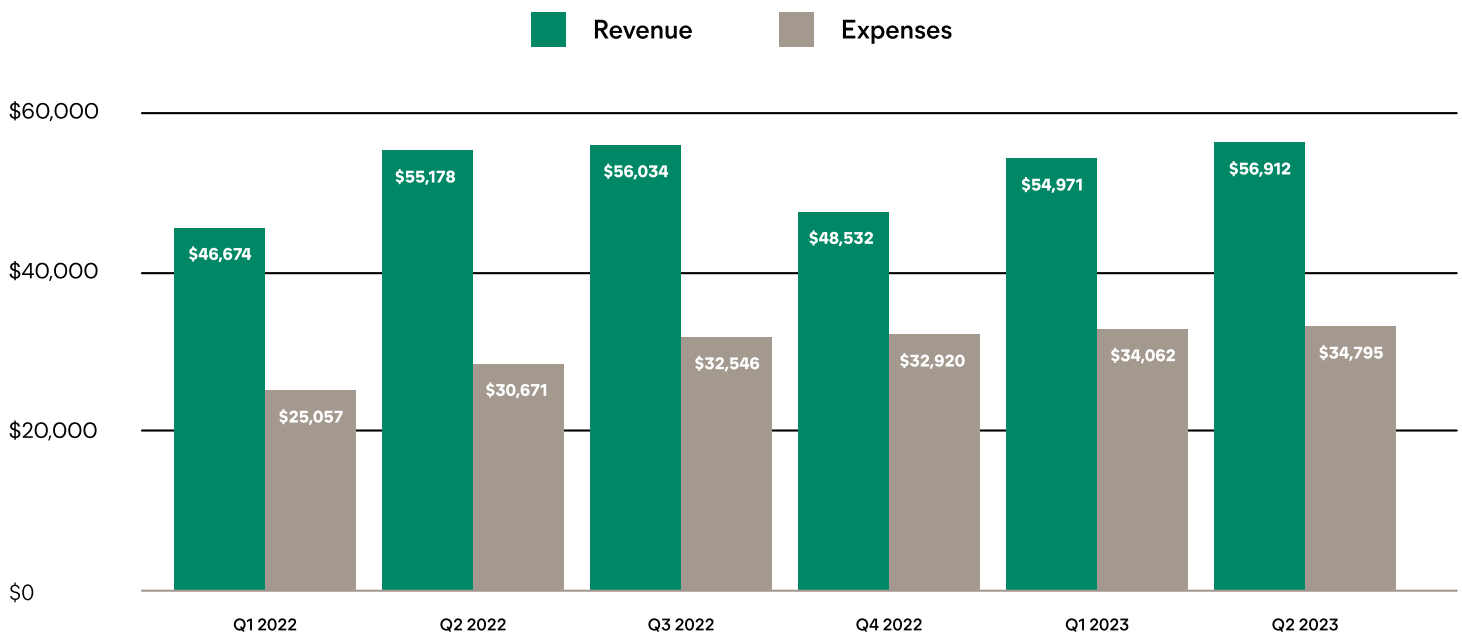
– Software/web developer, Nevada

Overall Revenue

H1 revenue rose 9.8% year-over-year.

Businesses-of-One made a strong recovery in 2023, with a solid rebound in the first quarter and continued growth in the second quarter following a slower end to 2022. Their revenue rose 7% in the first half of the year compared to the second half of 2022. Looking at the bigger picture, revenue grew year-over-year by 9.8%.

Average quarterly revenue and expenses



“I would say better and worse. I added a client, even though it wasn't necessarily needed, which brought on more work hours and stress. However, it did bring in a significant amount of money, which relieved stress in other areas and I was able to invest in some things (like coworking space and training) for my business.”

– Marketing, Florida

Overall Expenses

H1 expenses jumped 23.6% year-over-year.

Rising expenses caused by inflation are becoming a concern for solo businesses and could affect future profitability if revenues decline. Expenses increased by 17.5% in the second half of 2022 compared to the beginning of the year, and another 5.2% in the first half of 2023, resulting in a 23.6% year-over-year increase.

Revenue growth vs Expense growth by quarter



“It seems like my clients are over the layoff-scaries and AI-boom and are back to wanting high-quality content from a real human.”

– Marketing, Washington

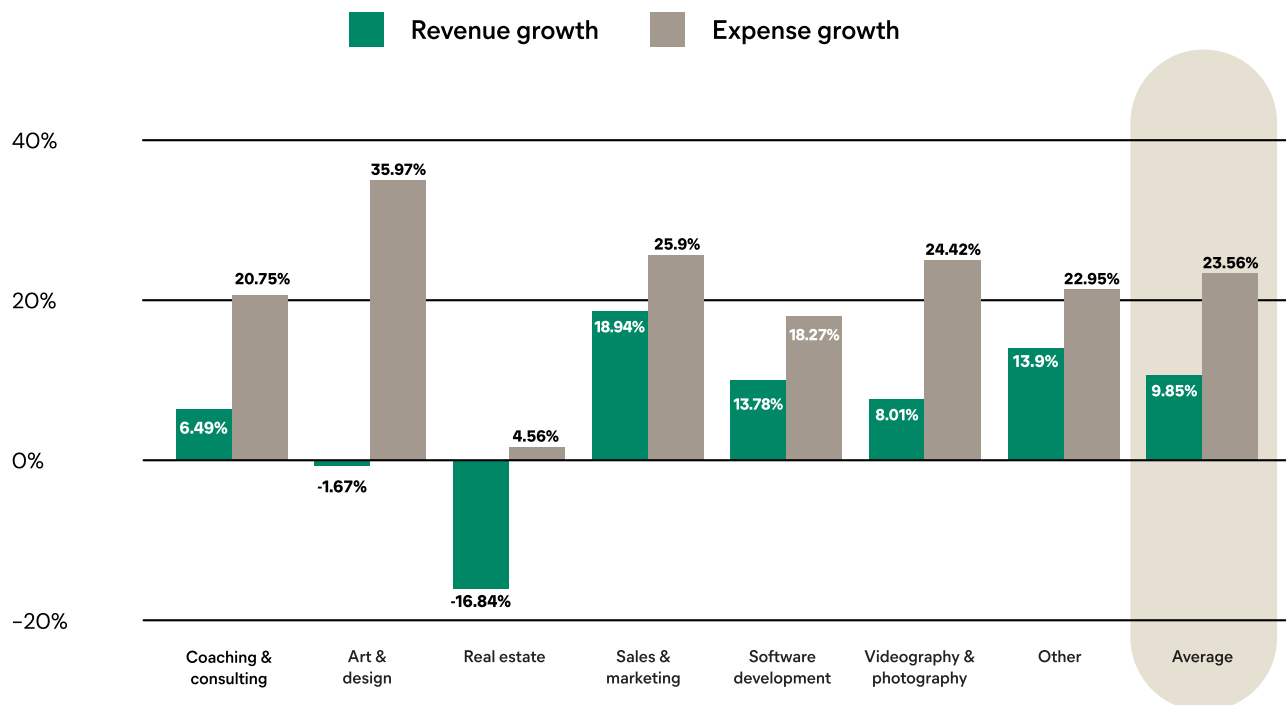
Sector Analysis

Videographers, photographers and software developers emerged as the highest earners over the past 12 months, but their businesses also incurred the most expenses. Businesses-of-One specializing in sales and marketing experienced a 19% increase in revenue, resulting in the healthiest margins. Meanwhile, videographers, photographers and real estate agents allocated the highest percentage of their revenues towards expenses. Artists and designers endured the biggest jump in expenses in the first half of 2023, nearly 36% higher year-over-year.

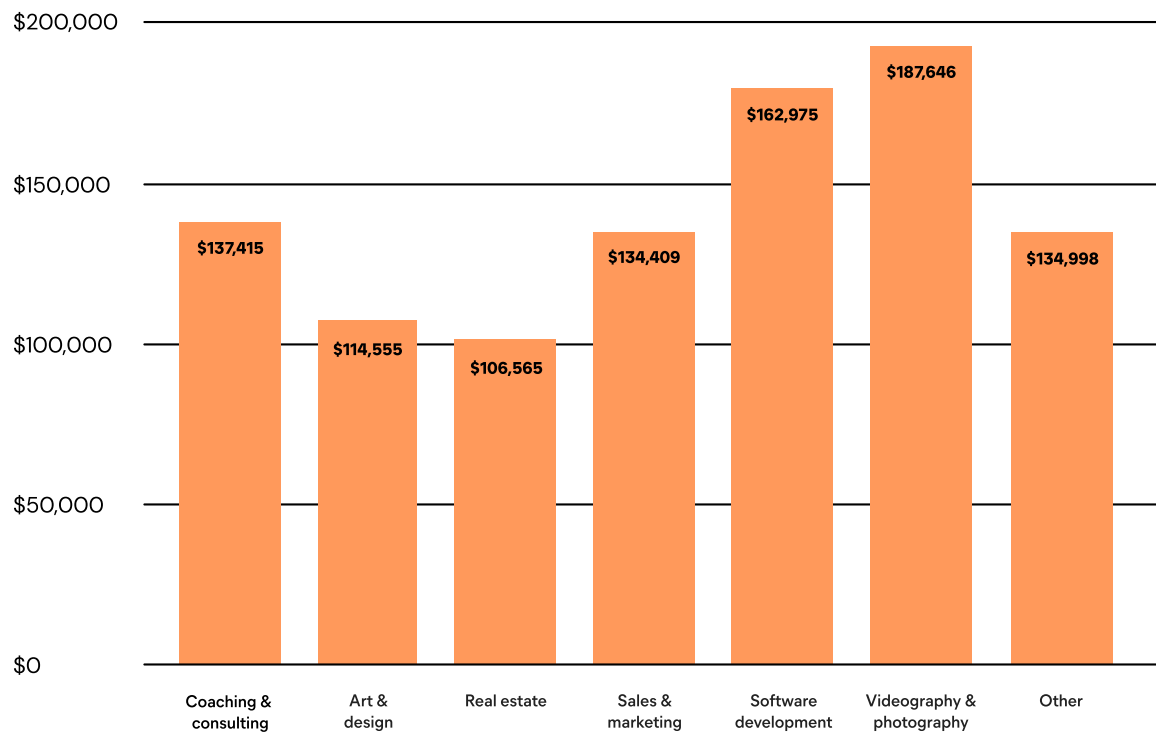
Average profit margin was 38.5%.

Profit margins for Businesses-of-One are facing pressure as expenses rise, despite revenue increases. During the first half of 2023, solo businesses experienced an average profit margin of 39.6%. This marks a slight increase from 39.0% in the second half of 2022 but a significant decrease compared with an average profit margin of 44.8% in the first half of 2022.

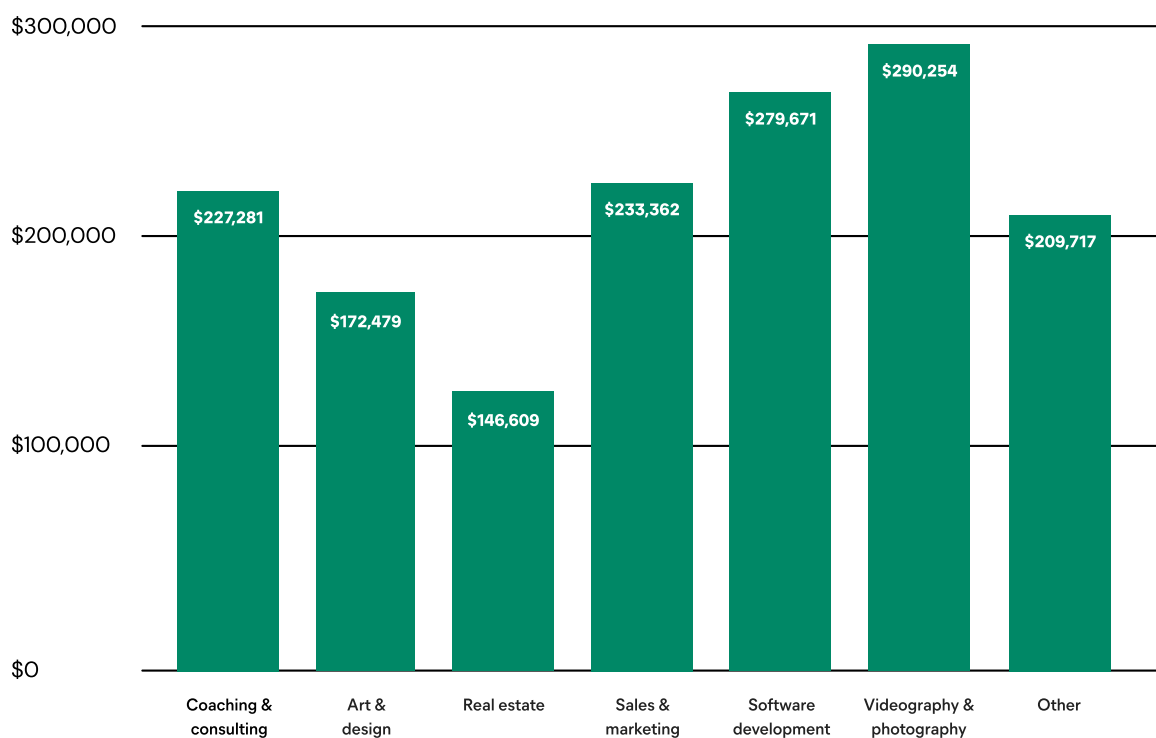
Year-over-year revenue and expense growth



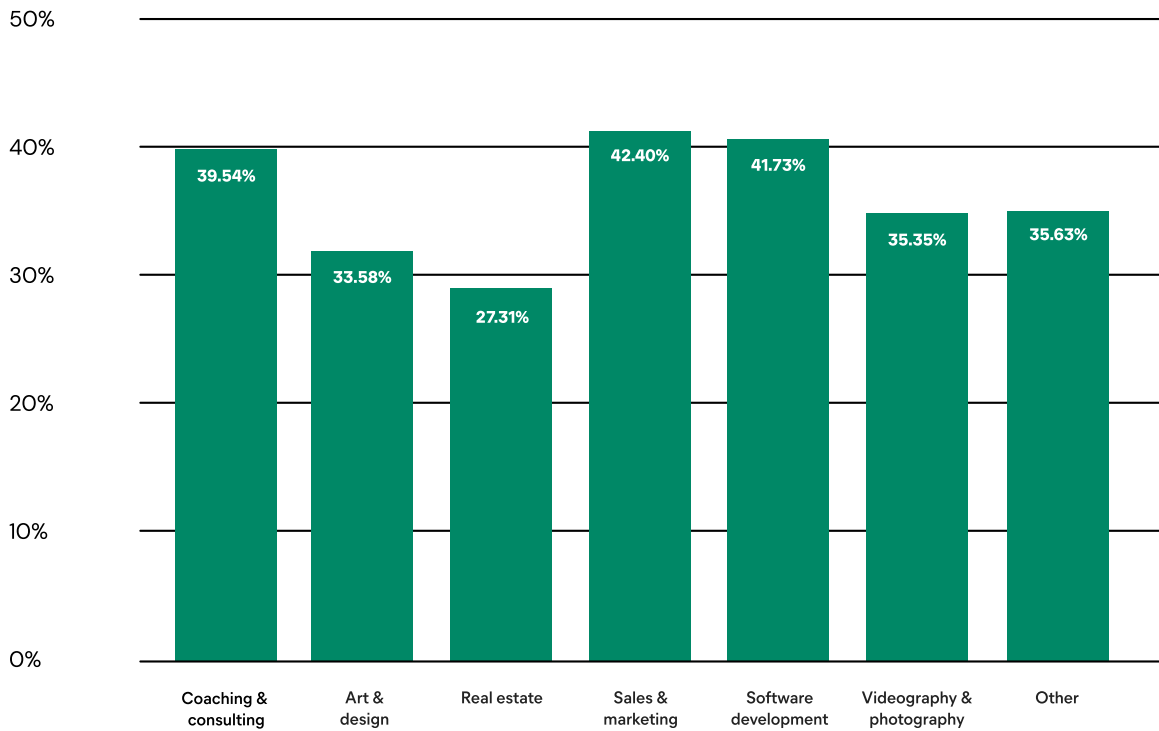
Average annual expenses by sector



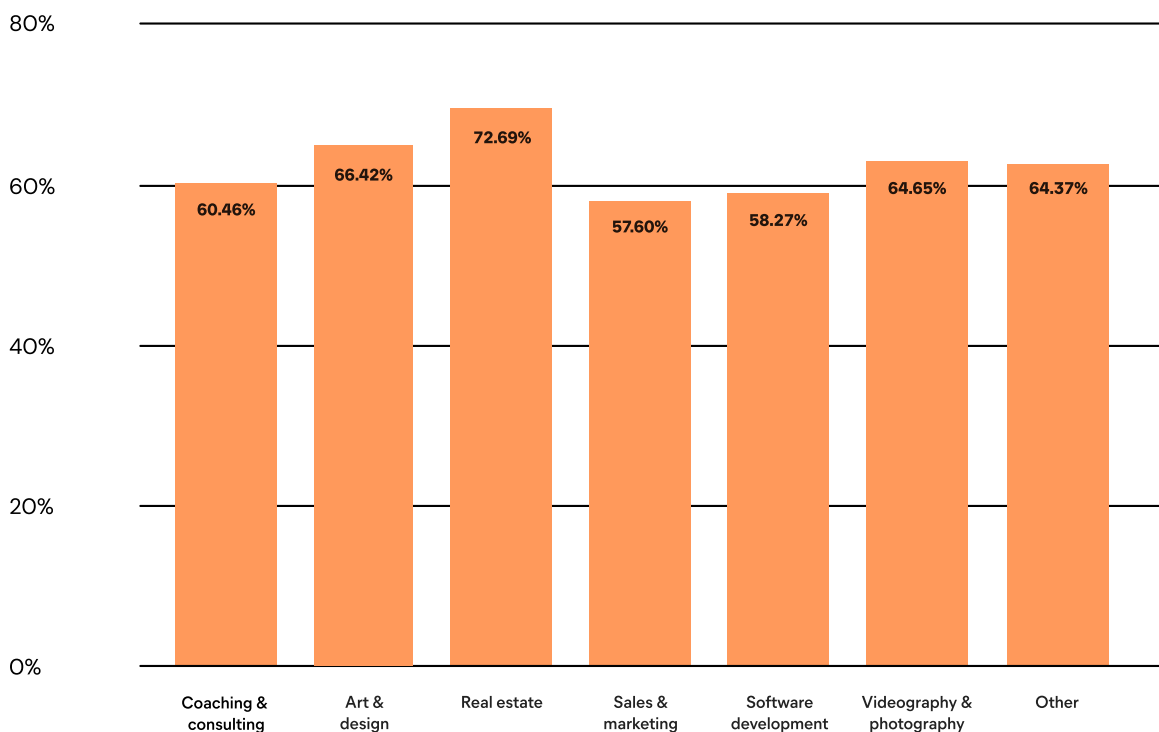
Average annual revenue by sector



2023 H1 profit margin



2023 H1 expenses as % of revenue



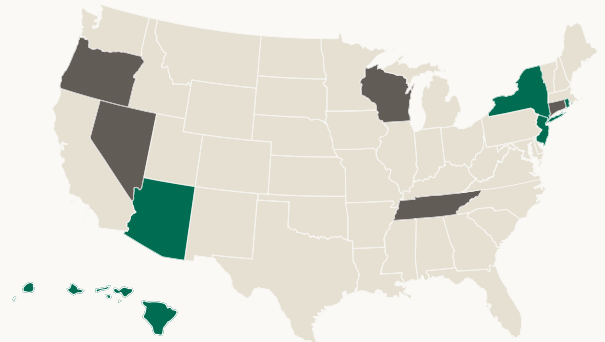
State Insights

Which states' Businesses-of-One have the highest average revenue?

Top 5: New Jersey, Rhode Island, New York, Arizona, Hawaii

Which states' Businesses-of-One have the lowest average revenue?

Bottom 5: Nevada, Connecticut, Wisconsin, Tennessee, Oregon

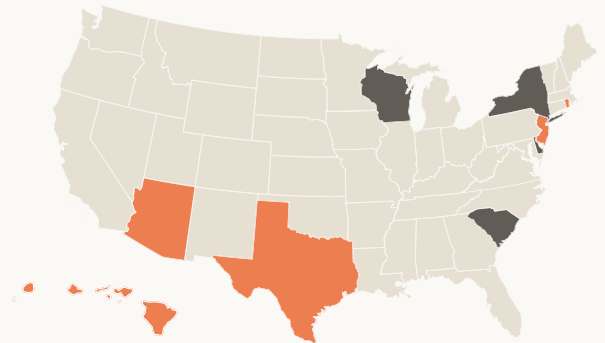


Which states' Businesses-of-One have the highest expenses?

Top 5: New Jersey, Rhode Island, Arizona, Hawaii, Texas

Which states' Businesses-of-One have the lowest expenses?

Bottom 4: Wisconsin, New York, South Carolina, Delaware

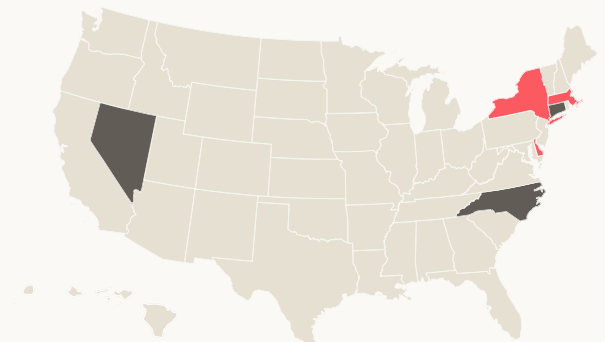


Which states' Businesses-of-One have the highest margins?

Highest margins: New York, Delaware, Massachusetts

Which states' Businesses-of-One have the lowest margins?

Lowest margins: Nevada, Connecticut, North Carolina



“(The) economy seems to be doing better,
people will be taking less vacation.”

– Artist/Designer, Pennsylvania

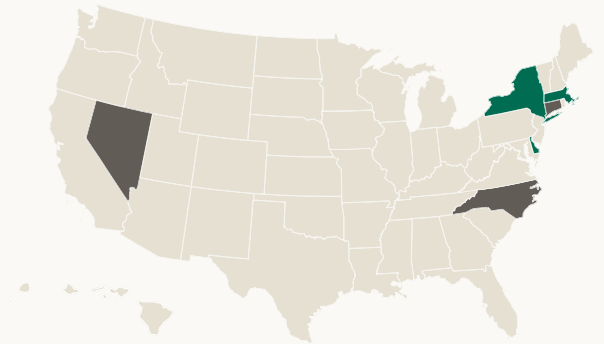
State Insights Continued

Which states' Businesses-of-One have the highest margins?

Highest margins: New York, Delaware, Massachusetts

Which states' Businesses-of-One have the lowest margins?

Lowest margins: Nevada, Connecticut, North Carolina

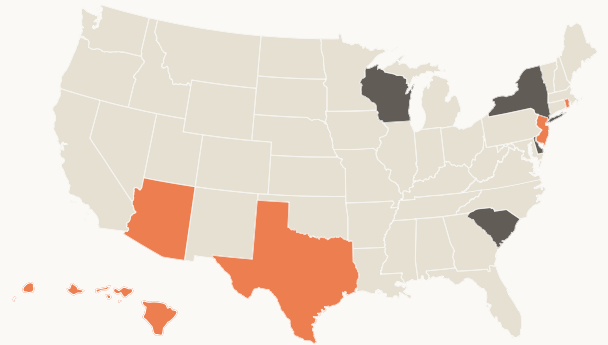


Which states' Businesses-of-One are growing fastest?

Top 5: New Jersey, Rhode Island, Arizona, Hawaii, Texas

Which states' Businesses-of-One are feeling the pinch?

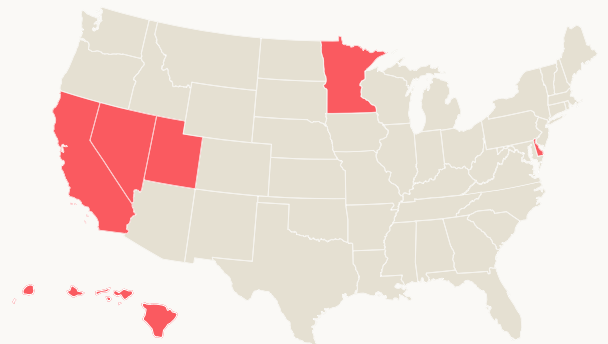
Bottom 4: Wisconsin, New York, South Carolina, Delaware



Lowest year-over-year growth:

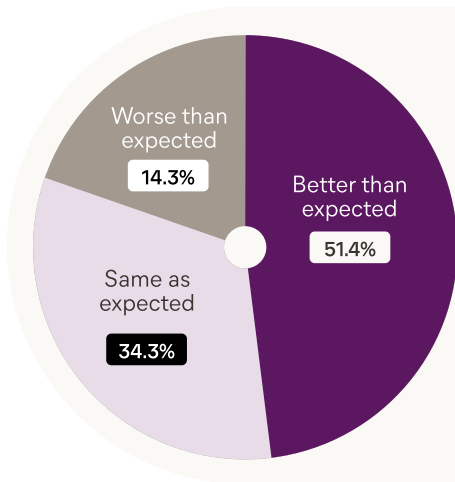
Nevada, Hawaii, Utah, Minnesota, California

Worst first half 2023: Nevada, Delaware



“See a lot of cash issues with current clients.”

– Sales, Florida



Future outlook

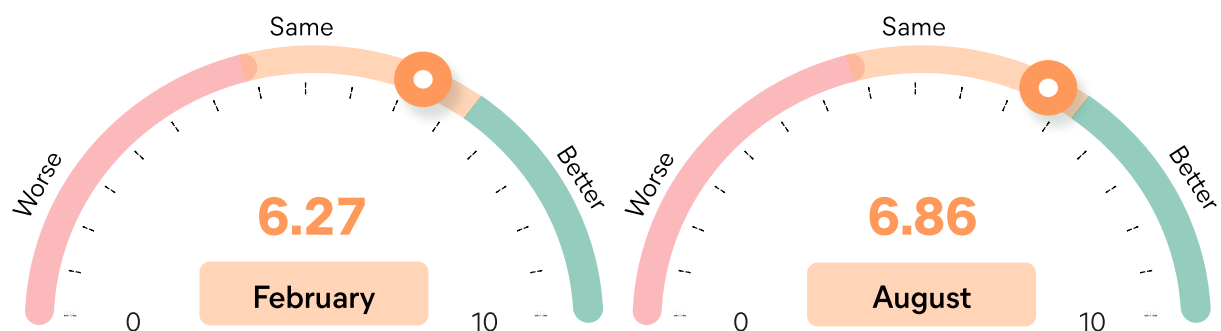
Expectations for the next 6 months

86% of solopreneurs expect that business performance in the second half of 2023 will be better than or the same as the first half.

Business Health and Solopreneur Sentiment

We asked our members to rate the current health of their businesses, on an ascending scale of 0-10. On average, they gave their businesses a rating of 6.92 out of 10. Marketers ranked their businesses highly, which is not surprising considering their strong revenue growth in the first half of 2023. Surprisingly, artists and designers rated their solo businesses as the healthiest, despite a flat year and rising expenses. Videographers and photographers reported the least healthy businesses, citing a strike within the film industry and other economic headwinds.

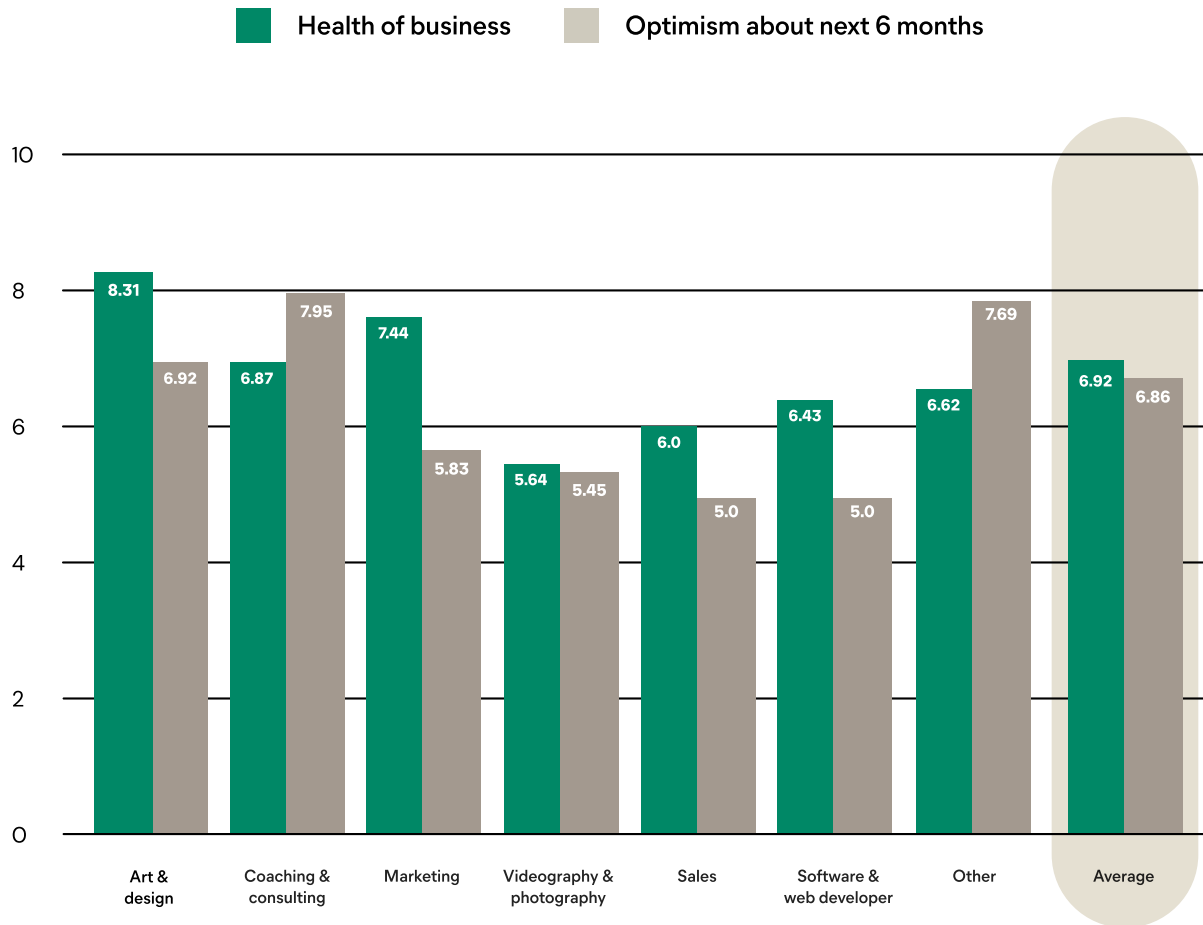
Despite rising costs and margin pressures, solopreneurs are even more optimistic about the second half of 2023 than they were entering the year. Only 14.3% anticipate a downturn, while 51.4% expect their business to improve.



Solopreneur Sentiment

All industries expect to grow in the coming months, with no industry rating their business health as poor. Coaches and consultants showed the highest optimism for the remainder of 2023, while sales and software and web development professionals expressed the least optimism.

Current health of business & optimism about next 6 months (0-10 scale)



“I expect demand to increase”

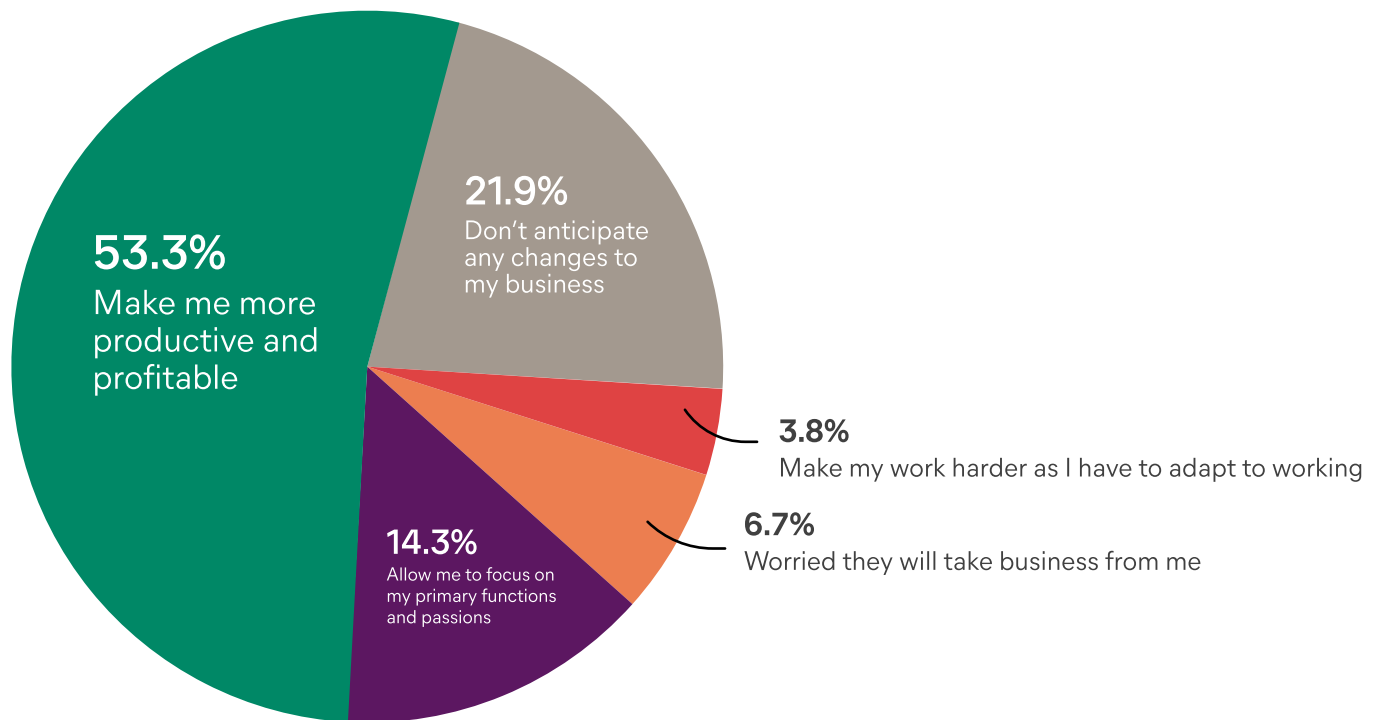
– Coach/Consultant, Texas

**“The worst of the downturn
seems to be over.”**

– Coach/Consultant, Washington

Arrival of AI

The arrival of artificial intelligence to aid with working tasks is one catalyst for expected growth by Businesses-of-One. According to our survey, 78% of respondents recognize that AI will transform their operations. 68% are embracing AI tools like ChatGPT to enhance their work efficiency, and only 10.5% expressed concern about the potential impact of AI.



I made more money with less time. I finally started to figure out how to work smarter instead of harder."

– Marketing, Arizona

"Prolonged economic uncertainty may cause companies to cut back further than they have already done in the past year."

– Coach/Consultant, Minnesota

Summary:

Businesses-of-One are betting again on success

Six months ago, the initial release of the Collective B1 Economic Report revealed that Businesses-of-One were optimistic even as pundits forecasted recession. They proved largely correct. Throughout the first half of the year, layoffs in the tech industry eased, employment remained stable, and solopreneurs experienced business growth. Even as inflation and spiking interest rates add more pressure to the real estate and financial sectors, start-ups and businesses in need of funding, Businesses-of-One in other industries largely expect business conditions to improve.



Hooman Radfar, Collective CEO

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“It’s amazing to see that in the face of real macroeconomic headwinds, Businesses-of-One are even more optimistic than they were at the start of the year. Even more exciting is that they’re being rewarded for their determination. The initial bets they made on themselves are paying off as their average revenue has spiked 9.8% in the last year,” said Collective CEO Hooman Radfar.

“Businesses-of-One will be incredible bellwethers for future adoption of platforms and tools, as their owners have to be the most thoughtful about how they spend their time. That’s why they’re using platforms like Collective to focus more time on their customers and why they’re among the first to embrace new tools like AI to make it even more productive.”



About the Collective B1 Economic Report

The Collective B1 Economic Report delivers insights into how the economy is going for self-employed Americans.

It's a semi-annual look into revenue and cost trends across Businesses-of-One as well as their near-term business expectations and overall sentiment. This report is among the first to capture data and perspectives from the rising proportion of freelancers, and it provides a brand new indicator of economic growth within the solopreneur economy.

The data here arises from Collective's platform and community. Collective's back office platform for Businesses-of-One supports thousands of businesses with bookkeeping, accounting and tax services, representing over \$150M in annual revenues. Its community includes members from dozens of industries and nearly every state.

The information in the H1 2023 Collective B1 Economic Report is based on aggregated operating expense and revenue data derived from a sample of ~700 Businesses-of-One from January 2022 through June 2023, calculated with an estimated 98% accuracy due to some fluctuations with data availability.

In addition, in August 2023, 105 of Collective's members responded to the questions:

- Was the last six months better or worse for your business than expected? (better/same/worse)
- Do you expect the next six months to be better or worse than the last six months for your business? (better/same/worse)
- How would you rate the health of your business from 1 (lowest) to 10 (highest)?



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