Business Trends for Start-ups

Hard data about startups comes from the Census Bureau and other government surveys that are years old by the time the information is released. This makes it hard to see what kind of impact the recession and slow economic recovery have had on today's startups.

Fortunately, a new study conducted by LegalZoom and the Ewing Marion Kauffman Foundation offers some fresher data. The Startup Environment Index 2012 surveyed 1,431 business owners who formed their companies in 2012. This is significant because it paints a picture of exactly who these post-recovery entrepreneurs are, the types of businesses they're starting and how they're financing and launching their businesses.

Here are six key findings that capture the current state of the startup:

People aren't jumping impulsively into entrepreneurship. The majority (60 percent) of entrepreneurs surveyed spent more than six months developing their business idea before they officially formed a business. In fact, 21 percent spent one to three years planning their idea, and 14 percent spent more than three years gestating it. Just 9 percent spent less than a month working out their idea before legally forming a business.

RELATED: *Does Buying a Franchise Guarantee Success?*

Entrepreneurs know the stakes. While launching a business can happen faster than ever in a technical sense—you can start from home and use virtual contractors—entrepreneurs are still taking their time. Would-be entrepreneurs are well aware that there's a lot of competition; they're also reluctant to let go of secure, paid employment until they're confident their startup idea has been well thought out.

The owners are experienced. While we often think of millennials launching startups, in reality those in their 30s and 40s started businesses at a far higher rate than other age groups. In addition, the majority of startups had six or more years of previous experience in their chosen industries—and 44 percent had started companies in the past.

Financial issues are holding some startups back. Although 40 percent of the respondents reported facing no regulatory or policy barriers at all, 60 percent said they did have challenges in these areas. Specifically, high taxes, tax complexity, the cost of licensing and the risks and costs of dealing with lawsuits were all cited as problems.

Of course, the biggest financial issue holding startups back is the same one that's hindering businesses of all sizes: continued economic uncertainty, cited by 55 percent of entrepreneurs in the survey.

RELATED: *Happy Canes: At 89, This Kickstarter Grandma is Starting a Business*

Startups can be low cost. Not surprisingly, the 10 most popular startups are businesses that can be started for a very low cost, including working from home. The 10 most popular startup industries are:

1. Consulting
2. Services, other
3. Technology, Internet (e-commerce, websites)
4. Real estate
5. Services, business
6. Retail store
7. Construction/Contractor
8. Services, home
9. Entertainment
10. Sales

Financing begins at home. Speaking of the economy, how are startups financing their business launch? The vast majority (80 percent) used personal funds of some type. Ten percent financed the startup using credit cards; 6 percent tapped into their retirement savings, for example, by borrowing against their 401(k) accounts; and 5 percent got loans from family members. Only 6 percent received money from other outside investors, and a mere 4 percent reported using bank or home equity loans to obtain startup capital.

For at least some of the entrepreneurs, personal financing seems to be more out of necessity than desire. Among businesses that had more than five employees, food and beverage service, healthcare and manufacturing were among the top 10 businesses started—which can be costly to launch. And of the 60 percent of respondents who said their businesses were facing challenges, 45 percent said a key challenge was not having access to the credit they need. Clearly, too many nascent businesses are hampered from the get-go by lack of outside capital.

Read more articles on starting a business.