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D&B 21st Annual Small Business Survey Summary Report

Decide with Confidence

BACKGROUND & OBJECTIVES

This is the twenty-first consecutive year D&B has conducted a small business survey. The study is designed to give a broad overview of the issues and problems facing small businesses today as well as a brief look at expectations for the coming year.

The 2002 survey continued to reflect the modifications made to the 2001 study, with a focus on small business outlook, use of the Internet, financing issues a small business faces and a glimpse into small business work life. The modifications made in 2001 to questions included re-ordering the sequence, modifying the wording, and the addition of some new questions. Changes of this sort can make comparisons to surveys prior to 2001 invalid, however many comparisons are made between 2001 and 2002 results. Where possible, we have maintained the historical tracking from periods prior to 2001. Where we felt that current results could not be compared to historical results, we have provided a qualitative assessment of the results.

METHODOLOGY & SAMPLE

Five hundred and forty-three (543), twenty-minute telephone interviews were conducted with owners, senior executives and key decision-makers of small businesses. For the purposes of this study, Small Businesses were defined as those businesses with 25 or fewer employees.

The sample was randomly selected from D&B's database, with women-owned and Minority-owned Businesses identified using D&B indicators. Interviewing was conducted by TMR, Inc, a telephone research facility located in Parsippany, NJ. Calls were made in March and April of 2002.

Respondents were asked to answer questions based on the past twelve months of business (April 2001 to April 2002). Unless otherwise noted, questions concerning the "future" asked respondents to project over the next twelve months (April 2002 to April 2003).

DATA ANALYSIS

To ensure projectability, all total data was weighted during the analysis phase to reflect universe proportions. Sub-group comparisons were left unweighted. For the total (weighted) sample of 543 interviews, the statistical reliability is +/- 4.2% at the 95% confidence level. This means the results are 95% accurate within an error range of +/- 4.2 points.

The data was analyzed in total and across the various sample sub-groups. In all cases, the total response is discussed, however, only significant differences among the various sub-groups (e.g. Minority-owned vs. non-minority owned, etc.) are discussed. Therefore, if no mention is made of one sub-group, it likely did not differ from its counterpart.

SUBGROUPS:

In this report the following subgroups were analyzed and compared:

Years of Business Experience

- ≪≪ 1-10
- ≪≪ 11-20
- ≪≪ 21+

Expected years until retirement

- 1-5
- 6-10
- 11+

Industry category

- Business Services
- Manufacturing
- Wholesalers
- Retailers
- Construction
- Real Estate
- Transportation
- Services

Monthly Sales Volume

- Less than \$10,000
- \$10,000 to \$49,000
- \$50,000 or more

Internet Use by Business

- Have access to Internet
- Don't have access to Internet

Computer Use by Business

- Have computer
- Don't have computer

Ownership - Minority

- Minority owned (50% or more owned by one or more minorities)
- Non-minority owned

Ownership - Women

- Woman owned (50% or more owned by one or more women)
- Non-woman owned

Total number of employees

- 1-5
- 6-25

Business location

- Home-based
- Non – home-based (Office or Store)

Types of customers

- Customers include Business accounts (At least 10 of their customers are Business or Commercial Accounts & 1/3 of their revenue comes from those accounts)
- Customers are chiefly Consumers

Descriptor that best fits the business

- Leader* – leading the competition or gaining quickly on the leaders
- Innovator* – constantly seeking and investing in new opportunities
- Survivor* – facing strong competitive challenges
- Steady* – content with current products, sales & profits

Executive Summary

This is the twenty-first consecutive year D&B has conducted a small business survey. The study is designed to give a broad overview of the issues and problems facing small businesses today as well as a brief look at expectations for the coming year.

For the 2002 survey, five hundred and forty-three (543), twenty-minute telephone interviews were conducted with owners, senior executives and key decision-makers of small businesses (1-25 employees). Calls were made in March/April, 2002.

The sample was randomly selected from D&B's database. The main sample subgroups include Industrial sectors, Businesses stratified by size, women-owned, minority-owned, home-based businesses and those companies that serve business or commercial accounts.

Headlines

Small Business Outlook Improves Dramatically Over 2001!

Economic troubles and the September 11th tragedy have not dampened the outlook for US Small Businesses. Compared to 2001 survey results, the outlook for both the economy in general and their business specifically were notably more positive in 2002.

Overall, companies being led by younger executives are more optimistic about the future of the company. Perhaps they see future growth opportunities for their companies in conjunction with a steadying of the economy as a great upside potential. This group seems to have pulled back last year: working on internal issues like cash flow and cost controls. And is now poised to jump on the growth bandwagon. As one person said...

"Our level of business will probably be up 30% over last year".

The Economy: Three-quarters (75%) of small businesses are optimistic about the economy for the balance of 2002. This was notably more positive than responses to the same question in 2001 where just 64% indicated they were optimistic. Those 2002 survey respondents who classified themselves as Leaders were notably more positive in their outlook than the other categories (Innovators, Steady & Survivors). Of the Industry Classifications, Manufacturers, Construction & Real Estate were notably positive, while Wholesale, Retail and Transportation were less so. Those companies that had business computers & Internet access were also more positive than their counterparts.

Their Company: When asked about the outlook for their company through the balance of 2002, 87% were optimistic. These results are also more positive than last year, where 81% were optimistic. Those respondents who were from the slightly larger businesses with 6-25 employees (vs. 1-5 employees) were more positive. Those businesses that dealt chiefly with other businesses (vs. consumers) were more positive, as were those businesses that categorized themselves as Leaders, Innovators or Steady (vs. Survivors). Again, among the industries, Construction and Real Estate were most positive, while Wholesale, Retail & Transportation were less positive.

2002 Opportunities: Asked about biggest opportunities in 2002, responses varied widely but most frequently mentioned were Increasing Sales, Growth and Getting More Customers. Less than 3% mentioned the Internet or E-commerce as an opportunity area. One respondent captured the essence of the opportunities...

"Capturing market share. Getting business that wasn't there before and taking business from my competition."

...Without a doubt, the small business segment is poised for the economic turnaround.

2002 Challenges: Lack of Qualified Employees was the most frequently mentioned problem area in the 2002 survey. Other mentions were the Economy and Cash Flow. Interestingly, only 4% mentioned September 11th as a problem to be overcome in 2002.

Computer & Internet Penetration Both Increase

Eighty-five percent of Small Businesses have at least one computer on site used for business purposes – this compares to 80% recorded in 2001. Industrial sectors of Real Estate, Transportation and Business Services were

more likely to claim a business computer than Manufacturers, Wholesalers, Retail or Construction. Larger businesses (6-25 employees), those companies that sold to other businesses (vs. to Consumers), and those that characterized their business as a Leader or Innovator (vs. Survivor or Steady) were more likely to acknowledge ownership of a business computer.

Eighty-four percent of all small businesses with computers have Internet access – or 71% of all small businesses. This also represents an increase for 2001.

	2001	2002
Have a computer for business	80%	85%
Have internet access	84%	84%
Total percent with internet access	67%	71%

The percent of businesses with web sites held steady.

	2001	2002
Total percent with internet access	67%	71%
Percent that have a web site	53%	51%
Total percent with web site	36%	36%

Small Businesses characterize themselves as Leaders, Survivors...

Again, as in 2001, small business owners & managers were asked to characterize their business into one of four categories. In 2002 about 30% felt they were **Survivors** – *facing strong competitive challenges*. Another 30% said they were **Steady** – *content with current products, sales & profits*. Seventeen and 16% respectively accepted the characterizations of **Leader** – *leading the competition or gaining quickly on leaders* and **Innovator** – *constantly seeking and investing in new opportunities*.

Comparing 2002 results to those from 2001, there was an increase in the number of respondents who acknowledged "Steady". These respondents seem to represent older, established organizations and have a "been there..done that attitude" focusing on how to become more competitive. For example, one interviewee described his business this way...

"Small business with superior customer service".

...there was also a slight decrease in the percentage acknowledging the other three characterizations

Throughout the survey, these characterizations rang true – showing the *Innovators* and *Leaders* as generally more receptive to technology, more willing to invest, and take chances. Responses from the *Survivors* and *Steady* groups were generally more conservative in their outlook.

Profiles of the 4 characterizations include:

Survivor: Those having more than 10 years of business experience, without Internet access, and more likely to be in the Transportation industry.

Steady: More likely to be smaller (1-5 employees), to sell to other businesses, without computers or Internet access and to be in the Construction Industry.

Leader: More likely to be larger (6-25 employees), to be non-home-based, to be non-minority, to have less than 10 years of business experience, to claim more than \$50,000 in monthly sales, to have a business computer and internet access and to be in the Business Services, Manufacturing, Retail or Real Estate industries.

Innovators: More likely to be larger (6-25 employees), to have more than 10 years to go until retirement, and to have Internet access.

Other Key Findings

Comparisons of 2001 to 2002

When asked to compare 2001 to 2002 for several categories, respondents gave the following predictions:

☞ Two-thirds of businesses interviewed expect to retain the same number of employees, only a quarter expect to increase the number of employees which is similar to last year's results.

- ↯↯ Two thirds (66%) of respondents felt their company's revenues would increase in 2002, and 58% felt profits would increase.
- ↯↯ Over 60% expect to increase the number of customers – a slight decline from last year's predictions.
- ↯↯ More than half expect to pay suppliers more in 2002 than they did in 2001, and 39% expect the prices they charge for products and services would increase. Both of these are slightly lower than last year perhaps indicating the economic slowdown has turned the corner.
- ↯↯ Over half, expect employees' wages to remain the same in 2002. This is a 13-point increase over last year's prediction.
- ↯↯ Forty percent predicted that interest rates would be higher in 2002 – this was a notable increase over last year's prediction on this category where only 17% felt interest rates would increase.

Change in Emphasis in 2001

Two-thirds of businesses interviewed said they would increase their emphasis on improving sales in 2002. Forty-four percent indicated they would also increase emphasis on controlling costs in 2002 – 9 point decline from 2001 predictions. Just 15% indicated they would increase emphasis on obtaining financing and only 24% said they would increase emphasis on lowering uncollected debt in 2002. Summarizing, small business' key emphasis in 2002 will be on increasing sales. Many have already successfully worked on controlling costs, financing and collecting debt, which may account for this de-emphasis.

Computers and the Internet

As highlighted earlier, computers and the Internet now play essential roles in the daily operations of small businesses and reliance on them is expecting to increase in the coming year. Internet access is still predominantly through telephone modems, but high-speed access particularly DSL made further inroads in the past 12 months. Access methods that would be important for multi-office companies (LAN's, T1, & ISDN lines) are used by few small businesses.

As in the past, e-mail is the major application for the Internet among this segment, growing from 66% (2000) to 79% (2002). Business research is the second major application for the Internet. There were notable increases over 2001 results with internet applications for Business Purchases (44 to 55%), Personal Purchases (31 to 36%), Personal Research (47 to 55%) and Finding New Customers & Markets (28 to 34%).

Small Business Work Week

Asked how many hours a week they worked on issues directly related to their business, most respondents indicated between 30 and 50 hours. Those who claimed they worked less than 30 hours a week were more likely to be smaller businesses (1-5 employees), Home-based, characterized as Survivors or Steady, to have more than 20 years of business experience, to have sales volumes of less than \$10,000 and to be in the Business Services or Real Estate industries.

Those that worked more than 60 hours were more likely to be larger businesses (6-25 employees), to have more than 10 years to go until retirement, to claim revenues of more than \$10,000, and to characterize themselves as Leaders or Innovators.

Employee Benefits

Although the percentage of companies providing health benefits to their employees has remain stable, it is interesting that those companies offering these benefits 72% cover almost all of their employees. This is despite of the fact that three-quarters reported increased costs, and these costs increased up to 26%. This is a very important issue to small business as can be noted from the intense media and legislative attention it receives. It is interesting to note that over a third of these companies absorbed the increased health costs. One of the reasons may have been best articulated this way: "It's hard to keep good people without benefits".

FULL REPORT

KEY FINDINGS

The following results are presented in an order generally reflecting the sequence of the 2002 questionnaire. Within each set of results, the order of information will usually be: overall results, any significant differences between or among subgroups, and finally, if valid, comparisons to previous years' results.

Note that, due to rounding error, the percentages shown in the tables may not total to exactly 100%

SMALL BUSINESS OUTLOOK

Small Business Outlook – The Economy

Q. Overall, are you optimistic or pessimistic about the outlook of the economy over the balance of 2001?

Almost three-quarters of respondents (75%) indicated they were optimistic about the economy over the balance of 2002. Fourteen percent said they were pessimistic, another 10% said they were neutral and the balance didn't know.

	2001	2002
Optimistic	64%	75%
Pessimistic	20%	14%
Neutral	13%	10%
Don't Know / No Answer	3%	2%

Respondents from the Larger Businesses (6-25 employees) as well as the industry classifications of Manufacturing, Real Estate and Construction were the most optimistic. Respondents from the Wholesale, Retail and Transportation sectors were generally more pessimistic.

It was also interesting that Home-based Businesses were more pessimistic than their counterparts in offices and stores. Perhaps not too surprising was the fact that those respondents who agreed with the business descriptor of *Survivor* were more pessimistic, while those who agreed with the descriptor of *Leader* were more optimistic.

Comparing 2002 to 2001, despite the economy and the effects of 9/11, respondents in 2002 were notably more optimistic than 2001.

Small Business Outlook – Their Company

Q. Overall, are you optimistic or pessimistic about the outlook of your company over the remainder of 2001?

Respondents were more optimistic about their companies than the economy! Eighty-seven percent said they were optimistic about their company over the remainder of 2002, and only 8% were pessimistic. Another 4% were Neutral and the balance said they didn't know.

	2001	2002
Optimistic	81%	87%
Pessimistic	9%	8%
Neutral	9%	4%
Don't Know / No Answer	2%	1%

The relative optimism or pessimism of the various sub-groups varied widely. Most optimistic were: those from Larger Businesses (6-25 employees), those who forecasted more than 11 years until retirement; those in the Real Estate, Construction, Business Services and Manufacturing sectors; those who have Internet Access and Business Computers, and those who characterize their business as a *Leader* or *Innovator*.

Most pessimistic about their business were those with between 1-5 years until retirement (23%); those who characterized their business as a *Survivor*.

Respondents were more optimistic about the outlook of their companies in 2002 than in 2001.

Small Business outlook – Biggest opportunity

Q. *What do you think will be the biggest opportunity your company will face in 2001?*

Respondent's answers to this open-ended question varied widely, and some mentioned more than one category. The top responses were:

	2001	2002
Getting More Customers	13%	9%
Growth	12%	12%
Increasing Sales	11%	21%

The most frequently mentioned opportunity area mentioned by 2002 respondents was "Increasing Sales." This is a notable increase over 2001, where just 11% mentioned that aspect. It was also interesting that a full 13% saw no additional opportunities in 2002 and only 3% identified the Internet / E-commerce / Technology as an opportunity area. One respondent revealed his strategy...

"To expand, at our competitors' expense. We are going to take business from our competitors by offering better products."

Among the sectors it was notable that Woman Owned Businesses predicted a significant opportunity in increasing sales.

Small Business Outlook – Biggest Problem

Q. *What will be your company's biggest problem in 2001?*

Respondents' answers to this open-ended question varied widely, and some mentioned more than one category. The top three responses were:

	2001	2002
Lack of Employees	12%	10%
Poor Economy	9%	9%
Cash Flow	8%	7%

It was notable that only 4% mentioned Overcoming September 11th as an issue. It was also surprising that only 4% mentioned Health Insurance or Health Issues as a significant problem given the intense media and legislative coverage of the topic.

A significant number of respondents among the Larger Business Group (6-25 employees) and those in Business Services and Retail Trade reported that lack of employees and the poor economy would be their biggest issue this coming year. Cash Flow for the Business Services, Wholesale and Retail segments is a perennial problem, and as we might expect among the less experienced business owners (1-10 years of experience), among non-home-based and those that sell to other businesses.

COMPARISON OF 2001 TO 2002

Comparison of 2001 to 2002 – Prices Suppliers Are Charging

Q. For the next set of questions, please compare last year, 2001, to this year, 2002. Compared to 2001, will the prices your suppliers are charging you in 2002 increase, decrease or stay the same?

Slightly more than half (54%) of respondents believe that the prices their suppliers are charging them will increase in 2002. This number, along with those who believe price will stay the same (37%) both changed from last year indicating a more positive outlook among small businesses - even the 4% who forecasted a decrease in prices are a positive indication.

	2001	2002
Increase	67%	54%
Decrease	2%	4%
Stay the Same	27%	37%
Don't Know / No Answer	4%	5%

Among the sub-groups there were several interesting responses. Respondents who were more likely to predict an increase in prices from suppliers included: those in the Retail, Construction, Transportation & Business Services industries; This supports the view among small business that their business and the economy are both moving in a positive direction over the next year.

Fewer 2002 respondents predicted an increase in prices from suppliers than they did in 2001. There were more who indicated that prices would generally stay the same.

Comparison of 2001 to 2002 – Prices You Charge for Products & Services

Q. Compared to 2001, will the prices or fees you charge for your products or services in 2002, increase, decrease or stay the same?

Despite the belief that some suppliers would be charging more (see previous section) most of these small business respondents felt that their prices would stay the same. Thirty-nine percent believed their prices would increase, while just 6% forecasted a decrease and 3% said they didn't know.

	2001	2002
Increase	44%	39%
Decrease	2%	6%
Stay the Same	51%	52%
Don't Know / No Answer	3%	3%

Subgroups that were likely to predict an increase in prices or fees included: Those with 11 or more years of Business Experience vs. those with 10 years or less; Those with \$10,000 or more in Monthly Sales Volume; Larger Businesses (6-25 employees) vs. the Smaller (1-5 employees) those that were Office or Store-based vs. those that were Home-based Businesses and those that tended to sell to other businesses (Vs. to consumers).

Companies who identified themselves as Leaders were more likely to predict prices to remain constant and interestingly, Innovators were more likely to predict a decrease in prices.

Fewer respondents from 2002 predicted a price increase than did those from the 2001 survey. Interestingly, there were a few more who predicted a price decrease in 2002.

Comparison of 2001 to 2002 – Wages You Pay Your Employees

Q. Compared to 2001 will the wages you pay your employees increase, decrease or stay the same?

Almost half (49%) of respondents believed that wages will increase in 2002, and another 46% predicted they would stay the same – only .4% forecasted a decrease in wages with 4% saying they don't know.

	2001	2002
Increase	47%	49%
Decrease	2%	<1%
Stay the Same	39%	46%
Don't Know / No Answer	12%	4%

Those subgroups more likely to forecast an increase in wages included: Those with larger Sales Volumes (more than \$50,000 a month), with 6-25 employees and those who characterize their business as a *Leader* or *Innovator*.

The percentage of respondents who predicted "Increases" and "Decreases" was similar in 2001 to 2002.

Comparison of 2001 to 2002 – Interest Rates Paid to Borrow Money

Q. Compared to 2001 will the interest rates you pay to borrow money in 2002 increase, decrease or stay the same?

(Please recall that these interviews were conducted in March & April of 2002) Forty percent of respondents felt that interest rates would increase in 2002. Only 12% felt they would decrease, and 33% felt they would stay the same. A notable 14% said they didn't know. The significant change in those who thought the rates would increase might be somewhat attributed to the difference the way the Fed was reacting last year in dropping interest rates and the steady, consistent policy they have approached rates with this year.

	2001	2002
Increase	17%	40%
Decrease	37%	12%
Stay the Same	25%	33%
Don't Know / No Answer	20%	14%

During the spring of 2002, respondents from the following subgroups were more likely to predict a decrease in interest rates: Those in the Business Services, Manufacturing and Retail sectors, and those in the non-minority sector. In contrast, those subgroups more likely to forecast an increase in interest rates were: those in Real Estate and Transportation Services, those who had Internet Access / Business Computers and those that were from Larger Businesses (6-25 employees.)

There was a notable change from 2001 to 2002 in the percent of respondents who believed that interest rates would increase – a jump of 23 points.

Comparison of 2001 to 2002 – Number of Employees in Your Company

Q. Compared to 2001, will the number of employees your company has in 2002 increase, decrease or stay the same?

Two-thirds of respondents predicted that the number of employees in their business would stay the same in 2002. An additional 27% said the number of employees would increase, while just 6% predicted a decrease. All of these numbers were similar to those from the 2001 survey, which may indicate some stabilization in the economy.

	2001	2002
Increase	26%	27%
Decrease	5%	6%
Stay the Same	66%	66%
Don't Know / No Answer	3%	2%

Those more likely to predict an increase in the number of employees in their business tended to be those with less than 10 years experience, those with sales over \$50,000 a month, and those with Larger Businesses (6-25 employees). This also included those who sold primarily to other businesses (Vs. to consumers), and those who characterized their business as a *Leader* or an *Innovator*.

2001 and 2002 results were similar.

Comparison of 2001 to 2002 – Number of Customers Your Company Has

Q. Compared to 2001, will the number of customers your company has in 2002 increase, decrease or stay the same?

Slightly over 60% believe that the number of customers their company has will increase in 2002. Only 7% predict a decrease, and 28% say the number will stay the same.

	2001	2002
Increase	65%	61%
Decrease	5%	7%
Stay the Same	27%	28%
Don't Know / No Answer	3%	4%

Again, the subgroups with a “younger perspective” were more optimistic and more likely to predict an increase in the number of customers in 2002. This included those who had 10 or fewer years of Business Experience; those who forecasted 11 or more years until retirement; those with Internet Access and with Business Computers; and those who characterized their business as a *Leader* or an *Innovator*.

Innovators were most notable among this group with an amazing 82% predicting an increase in the number of customers in 2002. Also falling in this optimistic category were Larger Businesses with six to twenty-five employees, Non-Home-Based Businesses and those in the Business Services, Manufacturing and Retail sectors.

Few groups were distinctly pessimistic, but those businesses that could be perhaps characterized as more mature tended to predict a decrease: those with less than 10 years until retirement, and those who characterized their business as a *Survivor* or *Steady*.

2002 predictions for an increase in the number of customers were off slightly from 2001 – a decline of 4 points.

Comparison of 2001 to 2002 – Company's Revenues

Q. Compared to 2001 will your company's revenues in 2002 increase, decrease or stay the same?

A healthy two-thirds believe that their company's revenues will increase in 2002. While 11% predict a decrease, and 20% say revenues will stay the same.

	2001	2002
Increase	69%	66%
Decrease	6%	11%
Stay the Same	22%	20%
Don't Know / No Answer	3%	3%

And again, the subgroups with a “younger perspective” were more optimistic and more likely to predict an increase in revenues for 2002. This included those who forecasted 11 or more years until retirement; those with Internet Access; those with Business Computers; and those who characterized their business as a *Leader* or an *Innovator*. Also falling in this optimistic category were those with larger Sales Volumes (\$50,000 or more) and those who tended to serve other Businesses (vs. Consumers).

Companies describing themselves as *Survivors* with less than five years until retirement and having no Internet access or Business Computer were the most pessimistic.

2002 predictions for an increase in company revenues were off slightly – 3 points – from 2001 predictions.

Comparison of 2001 to 2002 – Company's Profits

Q. What about your company's profits in 2002? Will they increase, decrease or stay the same?

The majority (58%) of these small business respondents believe that their profits will increase in 2002. This is the same as reported last year. Only 14% predict a decrease in profits, and another quarter say profits will stay about the same as in 2001.

	2001	2002
Increase	58%	58%
Decrease	9%	14%
Stay the Same	29%	25%
Don't Know / No Answer	4%	4%

Responders who reported less than ten years until retirement those in the Retail sector, and with no Internet access or office computer were the most pessimistic. They also included the self-described as Survivors and Steady companies.

Those who forecasted more than 5 years until retirement, those in the Manufacturing sector and those that tended to service other Businesses (Vs. Consumers) were the most positive in their view of increased profits in 2002. These also characterized their business as a *Leader* or an *Innovator*. *Innovators* were most notable among this group with a notable 75% predicting an increase in profits in 2001.

2001 and 2002 "increase" predictions were similar, but there were a greater percentage in 2002 who predicted a decrease.

Recap - Comparison of 2001 to 2002

	Suppliers Charge	You Charge	Wages	Interest	# Of Employees	# Of Customers	Revenues	Profits
Increase	54%	39%	49%	40%	27%	61%	66%	58%
Decrease	4%	6%	<1%	12%	6%	7%	11%	14%
Same	37%	52%	46%	33%	66%	28%	20%	25%
DK/NA	5%	3%	4%	14%	2%	4%	3%	4%

Looking at all the 2001 to 2002 indicators, we see a generally optimistic picture. Compared to last year, companies are predicting that the coming year will be more stable with cost for supplies and prices for their products and services moderating. There seems to be little economic fallout from the September 11 incident - these respondents are enthusiastic about both the economy and their company's future.

CHANGE IN EMPHASIS

Change in Emphasis on Improving Sales

Q. Compared to 2001, will your company's emphasis on improving sales in 2002, increase, decrease or stay the same?

Two-thirds (66%) of respondents indicated that they will place increased emphasis on sales in 2002, while only 4% forecasted a decrease. Twenty-six percent said the emphasis will stay the same, and 4% said they don't know how emphasis will change.

	2001	2002
Increase	67%	66%
Decrease	3%	4%
Stay the Same	28%	26%
Don't Know / No Answer	2%	4%

Among the subgroups, the businesses with less "seniority" (those with less than 10 years of experience or more than 11 years until retirement) were more likely to indicate they would put an emphasis on sales, as were those in Business Services, Manufacturing, Retail, Wholesale and Transportation industry sectors. As might be expected – those businesses with Internet Access and Business Computers, Larger Businesses (6-25 employees), Non-Home-Based Businesses, and those with higher revenues as well as those businesses that characterized themselves as *Leaders* or *Innovators* – were more likely to put increased emphasis on sales in 2002.

Indicating that their emphasis on sales would not change were generally the converse of that - respondents from the "mature" group with more than 20 years of Business Experience, and more than 11 year until retirement as well as those from the Construction sector. Also predicting a steady state were those respondents without Business Computers, and those who characterized their business as a *Survivor*.

2002 responses were similar to those received in 2001.

Change in Emphasis on Controlling Costs

Q. Compared to 2001, will your company's emphasis on Controlling Costs in 2002, increase, decrease or stay the same?

Less than half of all respondents indicated that they would have increased emphasis on controlling costs in 2002, while only 6% forecast a decrease. Forty-seven percent said the emphasis will stay the same, and 3% said they don't know how emphasis will change.

	2001	2002
Increase	53%	44%
Decrease	4%	6%
Stay the Same	40%	47%
Don't Know / No Answer	3%	3%

Larger Businesses (6-25 employees), those with over \$50,000 in monthly sales, those in the Wholesale sector, those with Business Computers and those classifying themselves as *Innovators* were most likely to say they would emphasize cost controls in 2002. Compared to 2001 responses, 2002 respondents seemed less concerned with controlling costs.

Change in Emphasis on Obtaining Financing

Q. Compared to 2001, will your company's emphasis on obtaining financing in 2002, increase, decrease or stay the same?

Only 15% of respondents indicate that they will place increased emphasis on obtaining financing in 2002, while 9% forecast a decrease. Two-thirds say the emphasis will stay the same, and 9% say they don't know how emphasis will change

	2001	2002
Increase	16%	15%
Decrease	10%	9%
Stay the Same	59%	67%
Don't Know / No Answer	16%	9%

Those most likely to increase emphasis on financing included Larger Businesses (6-25 employees), those from non-home-based businesses, those with less than 10 years of experience and more than 11 years until retirement, those with business computers and those who characterized their business as a Leader. Predictions for an increase or decrease in emphasis were relatively consistent between 2001 and 2002 respondents.

Change in Emphasis on Lowering Uncollected Debt

Q. And finally, compared to 2001, will your company's emphasis on lowering uncollected debt from your customers in 2002, increase, decrease or stay the same?

Only a quarter (25%) of respondents indicated that they will place increased emphasis on lowering uncollected debt in 2002. Only 9% forecasted a decrease, and a little over half of the respondents said emphasis would stay the same. Thirteen percent said they don't know how emphasis will change.

	2001	2002
Increase	21%	25%
Decrease	7%	9%
Stay the Same	50%	53%
Don't Know / No Answer	21%	13%

Among the subgroups, the businesses that were more likely to say they would put an emphasis on lowering uncollected debt were those in the Retail sector; with Sales Volume \$50,000 or more; non-home-based businesses; those with Internet Access; who have Business Computers; and Larger Businesses (6-25 employees).

2002 respondents seemed slightly more concerned with uncollected debt than those in 2001 – an increase of 4 points.

Recap – Change in Emphasis

	Sales	Control Costs	Financing	Uncollected Debt
Increase emphasis	66%	44%	15%	25%
Decrease emphasis	4%	6%	9%	9%
Same emphasis	26%	47%	67%	53%
DK/NA	4%	3%	9%	13%

Small business' key emphasis in 2002 will be Sales, followed by Controlling costs. Uncollected debt and securing financing were less of a concern.

USE OF THE INTERNET

Percent of Employees with Access to Internet

Q. Now I have some questions about your company's access to and use of the Internet. Approximately what percentage of your employees currently have access to the Internet for business purposes?

This question was asked of respondents who had previously acknowledged that their business had Internet Access (N=411). More than half (52%) of these Internet-connected Businesses reported at **ALL** of their employees had access to the Internet.

	2001	2002
10% or less	21%	20%
11-49%	14%	14%
50-99%	12%	14%
100%	53%	52%

Among these Internet connected businesses, the following were more likely to report access by all employees: Business Services, Real Estate; Smaller Businesses (1-5 employees); Home-based Businesses.

2002 results were very similar to those from 2001 with less than 2 percentage point difference in any direction.

Benefit with more access to Internet

Q. Do you feel your company would benefit if more employees had access to the Internet in 2002?

Of those Businesses that were Internet-connected, but where less than 100% of employees accessed the Internet (N=227), the question shown above was asked. Only 10% of those felt that there would be a benefit if more employees in their company had access to the Internet, while 84% said there would be no benefit. Warning: Small Base Size

	2001	2002
Yes, a benefit	17%	11%
No benefit	77%	84%
Don't Know / No Answer	6%	5%

Q. (IF NO BENEFIT) Why do you say that?

Regardless of their response, respondents were who had less than 100% Internet Access (N=227) were asked why, and the most common answers were:

- ☞ "No need for it"
- ☞ "Employees that need it, have it"
- ☞ "Would not help business"
- ☞ "Do not want employees to have it"
- ☞ "Employees are in the field"

Benefit with new access to Internet

Q. Do you feel your company would benefit if your employees had access to the Internet in 2002?

Of those businesses who indicated that their business was not Internet-connected (N=68), the question shown above was asked. Of those, only 20% of those felt that there would be a benefit if employees in their company had access to the Internet, while 76% said there would be no benefit. Warning: Small Base Size

	2001	2002
Yes, a benefit	21%	20%
No benefit	70%	76%
Don't Know / No Answer	9%	5%

Q. (IF NO BENEFIT) Why do you say that?

When those that indicated there would be no benefit to Internet Access (N=55) were asked why, the most common answers were:

- ☞☞ "No need for it"
- ☞☞ "Would not help business"
- ☞☞ "Do not want employees to have it."

Internet Access Methods

Q. What is the main method of Internet access for your business? Are your employees mainly connected by...

This question was asked of respondents who had previously acknowledged that their business had Internet Access (N=411). Just over half of these use Telephone modems, which is down from 57% in 2001. And the use of DSL lines increased to 19% from 12% in 2001. Other access methods remained relatively stable with only a percentage point or two movement from one year to the next.

	2001	2002
Telephone modems	57%	51%
DSL Lines	12%	19%
Cable modems	10%	11%
LAN's	8%	8%
T1 circuits	4%	4%
ISDN lines	2%	2%
Don't know / not sure	7%	4%

Telephone modem usage was characterized by the Manufacturer and Wholesaler subgroups, those with lower sales volumes (less than \$50,000), Smaller businesses (1-5 employees) and those who characterize themselves as Steady or Survivors.

DSL usage, on the other hand, was more prevalent among the subgroups that might be considered more tech-savvy including Business Services and Transportation sectors, those with higher revenues (>\$50,000) and those that characterize their business as *Innovators*.

Internet Applications

Q. How is the Internet used at your company?

This question was asked of respondents who had previously acknowledged that their business had Internet Access (N=411). Multiple responses were allowed.

	2000 Total	2001 Total	2002 Total
E-mail	66%	74%	79%
Business Purchases	37%	44%	55%
Personal Purchases	30%	31%	36%
Business Research	54%	69%	67%
Personal Research	50%	47%	55%
Find new Customers & Markets	23%	28%	34%
Sell Goods & Services	NA	27%	30%
Phone Calls (Internet voice)	7%	5%	4%
Video Conferencing	1%	4%	5%

The most prevalent application was E-mail, followed closely by Business Research, Personal Purchases and Personal Research, and most of those represented growth over applications mentioned in 2001.

Following are comparisons of some of the more interesting applications by subgroups.

E-mail Applications were more prevalent among businesses in Business Services, Manufacturing, Retail, and the Real Estate sectors and among those who characterize themselves as *Innovators*.

Business Research was more prevalent among the businesses that characterize themselves as *Leaders* or *Innovators* including companies in the following sectors: Business Services, Wholesale, and Retail Trade

Business Purchases was a more common with companies in the Business Services and Retail sectors.

Personal Research was focused among Home Based Businesses, in the Retail and Business Service sectors.

Using the Internet to find New Customers & Markets was most common among the Business Services, Manufacturing, Retail, Real Estate and Transportation sectors; among Minority businesses; and among businesses that characterize themselves as *Leaders* or *Innovators*.

Internet Usage Forecast

Q. Compared to 2001, do you believe your company's use of the Internet, in 2002 will Increase, Decrease or stay the same?

This question was asked of respondents who had previously acknowledged that their business had Internet Access (N=411).

	2001	2002
Increase	61%	57%
Decrease	<1%	1%
Stay the Same	38%	42%
Don't Know	1%	<1%

Almost 60% of 2002 respondents indicated that their use of the Internet would increase in 2002. This was down slightly from 2001 predictions – we may assume that Internet usage and penetration is beginning to saturate the markets.

Those subgroups more likely to indicate that their use of the Internet would increase in 2002 were those with 11 or more years to go until retirement; the Business Services and Retail sectors and those describing their companies as a *Leader*.

Web Site Investment Justification

Q. Please indicate your level of agreement with the following statement: "The money we spend to have a web site is easily justified by increased sales or customer service." Do you strongly agree, agree, disagree or strongly disagree?

This question was asked of respondents who had previously acknowledged that their business had a web site (N=223). Warning: Small Base Size

	2001	2002
Strongly Agree	19%	26%
Agree	52%	46%
Disagree	23%	23%
Strongly Disagree	6%	6%

Not all groups are enchanted with their web site. About a quarter (26%) Strongly agreed, and another 46% agreed, but almost 30% disagreed with the statement. 2002 results were somewhat more positive than in 2001, however with more respondents in the Strongly Agree category.

Web Site Investment

Q. Compared to 2001, is your company planning to spend more, less or about the same on the design and hosting of your company's web site in 2002?

This question was asked of respondents who had previously acknowledged that their business had a web site (N=223). Warning: Small Base Size

	2001	2002
More	27%	24%
Less	10%	4%
About the Same	63%	72%

About a quarter (24%) of 2002 respondents indicated they will increase their investment in their web site. Only 4% say they will decrease expenditures, and 72% say they will maintain about the same level of spending. Sectors that were more likely to invest in their web site included those that characterized themselves as Leaders.

Orders from Web Site

Q. *Approximately how many orders each month are the direct result of your company's web site?*

This question was asked of respondents who had previously acknowledged that their business had a web site (N=223). Warning: Small Base Size

	2001	2002
Zero	40%	40%
1-9	24%	18%
10-25	15%	19%
More than 25	10%	8%
DK/NA/Refused	11%	15%

A notable 40% of respondents said they had "Zero" orders per month from their web site. Most had less than 25 with only 8% acknowledging more than 25 orders per month from the site. Comparing results to 2001, there are few substantial changes.

Percentage of Annual Sales from Internet

Q. *In 2001, approximately what percentage of your company's annual sales came from business or orders transacted over the Internet?*

This question was asked of respondents who had previously acknowledged that their business had a web site (N=223). Warning: Small Base Size

	2001	2002
Zero Percent	42%	41%
1-10%	33%	29%
11-50%	12%	18%
51-90%	2%	3%
91 - 100%	3%	<1%
DK/NA/Refused	8%	9%

Seventy percent of respondents realize 10% or less of their annual sales from Internet business or orders. Less than 4% of respondents with Internet access realize more than 50% of their revenues from the Internet. Those subgroups that tended to realize at least some revenues from the Internet include: the Manufacturing and Retail sectors. 2002 results were similar to those from 2001 respondents.

OUTSOURCING

Outsourcing: Account Receivables

Q. Now I'd like to read you a list of services or functions commonly performed by businesses. Please tell me how your company currently handles each of the following...is the function performed by you and/or your employees, by external specialists, or do you use resources found on the Internet? How do you handle Account Receivables? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	88%	50%
External Specialist	6%	17%
Internet Resources	0%	3%
(Not Applicable)	8%	32%

Half of these small business respondents indicated that they perform their account receivable function internally. Companies in the Manufacturing, Wholesale and Construction Sectors tended to use internal services. Those businesses that used internal services were also characterized by those who tended to trade with other businesses as opposed to Consumers.

Seventeen percent use an external specialist. Those companies with Sales Volumes of greater than \$10,000 a month, those who were in the Business Services, Retail Trade, Real Estate and Transportation Sectors are more likely to use external specialists.

Comparing 2001 to 2002 results, there appears to be a notable decline in the number of businesses who do Account Receivable functions internally.

Outsourcing: Collections

Q. How do you handle Collections? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	79%	73%
External Specialist	9%	13%
Internet Resources	0%	1%
(Not Applicable)	14%	16%

Almost three-quarters of respondents indicated that they perform their collections function internally. Only 13% use an external specialist.

Those companies more likely to use employees for their Collections are in the Wholesale sector; Businesses that serve Business or Commercial Accounts; and those businesses that characterize themselves as a *Survivors*.

About 13% of the respondents reportedly use an External Specialist. Larger businesses with 6-25 employees, and those in the Business Services or Retail sectors were somewhat more likely to use external specialists.

Results from 2001 and 2002 are directionally similar, with some indications of growth in the use of External Specialists.

Outsourcing: Bookkeeping & Accounting

Q. How do you handle bookkeeping and Accounting? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	80%	70%
External Specialist	25%	34%
Internet Resources	0%	1%
(Not Applicable)	1%	2%

Seventy percent of respondents do their Bookkeeping and Accounting internally. About a third of respondents use External Specialists. Companies who use their own employees tend to be larger (\$50,000 or more in sales) and in the Transportation or Construction sectors.

Compared to 2001, there was an increase of 9% reporting the use of outside services with a corresponding drop of 10% using internal specialists.

Outsourcing: Payroll

Q. How do you handle Payroll? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	77%	74%
External Specialist	18%	25%
Internet Resources	0%	1%
(Not Applicable)	6%	2%

Almost three-quarters (74%) of respondents do their payroll internally and one-quarter use external specialists.

Those companies more likely to use employees to prepare their Payroll include those who are smaller and who have a consumer customer base and to be in business for more than 20 years.

Respondents who use external specialists tend to be Larger Businesses (6-25 employees), as well as companies that deal with Business or Commercial accounts, and non-home-base Businesses.

Results from 2001 and 2002 are relatively similar, with some indications of growth in the use of External Specialists.

Outsourcing: Customer Service

Q. How do you handle Customer Service? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	93%	94%
External Specialist	2%	3%
Internet Resources	<1%	2%
(Not Applicable)	5%	4%

Over 90% of respondents do their own customer service and only 3% acknowledge using external specialists. Just 11 respondents in the 543 total use Internet resources for their Customer Service. There was virtually no change between 2001 and 2002 results.

Outsourcing: Finding New Customers

Q. How do you handle finding new customers? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	83%	71%
External Specialist	11%	17%
Internet Resources	6%	6%
(Not Applicable)	8%	13%

Over 70% of respondents rely on internal resources to find new customers, however 17% acknowledge using external specialists, and 6% use the Internet. Comparing results to 2001, it appears as though more External Specialists are being used. This is also one application where the Internet is being successfully used – our experience at D&B reflects this as well – businesses frequently seek out free or paid-for Internet sources to identify new customers

Businesses who use External Specialists tend to be in the Retail sector, those with higher revenues (>\$50,000), non-home-based and characterize themselves as Leaders.

Comparing results from 2001 and 2002 we see indications of a shift from internal to external specialists for this function.

Outsourcing: Legal Issues

Q. How do you handle legal issues? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	20%	22%
External Specialist	67%	68%
Internet Resources	<1%	<1%
(Not Applicable)	14%	11%

Only 22% of respondents said they rely on internal resources to address legal issues – the vast majority (68%) relies on external specialists and the Internet is used by only a few. There was little change from 2001 to 2002 on this issue.

Outsourcing: Employee Recruiting and Hiring

Q. How do you handle employee recruiting and hiring? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	78%	80%
External Specialist	5%	8%
Internet Resources	1%	1%
(Not Applicable)	18%	14%

Most respondents do their recruiting and hiring internally. Just 8% acknowledge using external specialists and only 1% use the Internet.

Those respondents who are more likely to use external specialists include businesses with Sales Volumes of \$50,000 or more, who have more than 6 years until retirement, and those who describe themselves as an Innovator or Survivor. 2001 results were similar to 2002.

Outsourcing: Employee Training

Q. How do you handle employee training? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	77%	84%
External Specialist	11%	8%
Internet Resources	<1%	1%
(Not Applicable)	14%	10%

More than 80% of the respondents do their employee training internally. Just 8% acknowledge using external specialists and only 1% use the Internet.

Companies more likely to use external specialists for employee training include those with Sales Volumes of \$10,000 or more, with Internet Access, with Business Computers, those that are Store or Office-based Businesses; and those that characterize their business as a Leader.

Compared to 2001, there was an increase of 7% of respondents using internal sources for training and a decrease of 3% in using external sources.

Outsourcing: Public Relations

Q. How do you handle public relations? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	84%	79%
External Specialist	7%	8%
Internet Resources	1%	2%
(Not Applicable)	10%	15%

Almost 80% of Small Businesses handle their Public Relations issues internally. Only 8% rely on External specialists and 2% on the Internet for this sort of service.

Companies more likely to use External Specialists for Public Relations issues include; those in the Business Services and Retail sectors, those who are non-minority, and those that characterize their business as a Survivor.

Compared to 2001, there was some slight shifting, but use of External Specialists and the Internet were similar to 2002.

Outsourcing: Database Management

Q. How do you handle management of company information or database management? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	82%	82%
External Specialist	6%	8%
Internet Resources	<1%	2%
(Not Applicable)	12%	10%

More than 80% of respondents (82%) rely on internal resources to manage company information or handle database management issues. Just 8% acknowledge using External Specialists and less than 2% use the Internet.

Those more likely to use External Specialists for database management functions include companies Business Services and Retail sectors; responders who had more than 11 years until retirement, and those that characterize their business as an *Innovator*. 2002 results were very similar to those from 2001.

Outsourcing: Web Site Design

Q. How do you handle web site design? (Multiple responses allowed)

This question was asked of all respondents who acknowledged having a web site (N=226). Note: Totals may exceed 100% - Multiple responses were allowed. Warning: Small Base

	2001	2002
Done Internally	30%	45%
External Specialist	32%	50%
Internet Resources	1%	2%
(Not Applicable)	40%	8%

Forty-five percent of respondents indicate they use internal resources to do web site design, while half rely on external specialists, and 2% use the Internet itself for that service.

Comparing 2001 to 2002 it appears that more companies are developing the Web Site design capabilities in-house, although a strong market also exists for External Specialists – more and more companies are entering the market place, as observed by the decline in “not applicable” ratings.

Outsourcing: Web Site Hosting

Q. How do you handle web site hosting? (Multiple responses allowed)

This question was asked of all respondents who have a web site (N=226). Note: Totals may exceed 100% - Multiple responses were allowed. Warning: Small Base

	2001	2002
Done Internally	21%	30%
External Specialist	34%	58%
Internet Resources	2%	3%
(Not Applicable)	43%	10%

About a third (30%) of respondents host their own web sites. Almost 60% rely on External Specialists, and 3% use Internet resources for this function.

Companies using internal sources to host their web sites include those with Sales Volumes of \$10,000 or more, having over six years until retirement and with responder who have more than twenty-one years business experience. They also tend to be companies with commercial accounts and those Smaller Businesses with an employee size of 1-5.

Companies that are more likely to use external specialists to host their web site are those with 11 or more years of Business Experience and that have Sales Volumes \$10,000 or less.

Comparing 2001 to 2002 it again appears as though more businesses are getting into the web marketplace – as observed by fewer “not Applicables” – the use of both Internal and External Specialists is growing.

Outsourcing: Advertising and Marketing

Q. How do you handle advertising and marketing? (Multiple responses allowed)

This question was asked of all respondents (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	73%	63%
External Specialist	17%	23%
Internet Resources	3%	5%
(Not Applicable)	12%	18%

Almost two-thirds (63%) do their advertising and marketing internally. Only 23% use external specialists, and just 5% use services found on the Internet.

Those companies more likely to use external specialists for advertising and marketing functions include those in the Larger Businesses (6-25 employees) non-home-based, have Internet Accessed those that characterize their business as an Innovator.

Comparing 2001 to 2002, there appears to be a decrease in use of Internal specialists and a slight increase in use of External Specialists.

Outsourcing: Financial Advisors & Managers

Q. How do you handle financial advisement & management? (multiple responses accepted)

This question was asked of all respondents who have a web site (N=543). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	54%	52%
External Specialist	37%	43%
Internet Resources	<1%	3%
(Not Applicable)	11%	9%

More than half (52%) of respondents do their own financial management, but 43% rely on external specialists for the function. Less than 3% rely on Internet resources.

Companies that are more likely to use external specialists as financial advisors or managers are those Larger Businesses (6-25 employees), with less than 10 years of business experience, those that serve Business or Commercial accounts, and those companies that characterize their business as a *Leader*. 2001 results were similar to 2002.

Outsourcing: Computer Technical Support

Q. How do you handle computer technical support? (Multiple responses allowed)

This question was asked of all respondents who have a business computer (N=479). Note: Totals may exceed 100% - Multiple responses were allowed.

	2001	2002
Done Internally	35%	43%
External Specialist	55%	52%
Internet Resources	2%	3%
(Not Applicable)	12%	8%

Over 40% of respondents do their computer technical support internally. More than half (52%) rely on external specialists, and 3% use Internet resources.

Companies that are more likely to use external specialists for computer technical support include those in the Wholesale sector, companies who are non-minority, companies owned by women as well as businesses that serve Business or Commercial Accounts. Businesses who have sales of more than \$50,000 are also somewhat more likely to outsource technical support.

RECAP - Outsourcing

	Account Receivables	Collections	Book-keeping	Payroll	Customer Svc.	Find New Customers
Employees	50%	73%	70%	74%	94%	71%
External Specialists	17%	13%	34%	25%	3%	17%
Internet Resources	3%	1%	1%	1%	2%	6%
Not Applicable	33%	17%	2%	2%	4%	13%

	Legal	Recruit & Hire	Training	P R	Database	Adv & Mktg	Fnc'l Mang'ment
Employees	22%	80%	84%	79%	82%	63%	52%
External	68%	8%	8%	8%	8%	23%	43%
Internet	<1%	1%	1%	2%	2%	5%	3%
NA	11%	14%	10%	15%	11%	18%	9%

	Web design*	Web Hosting*	Technical support*
Employees	45%	30%	43%
External	50%	58%	52%
Internet	2%	3%	3%
NA	8%	10%	8%

* Note that these questions were asked of a subset of the respondent population, and should not be considered directly comparable.

INVESTMENTS

Investments: Computer Equipment

Q. In 2002, do you plan to make a significant investment in any of the following areas? How about computer equipment?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	28%	29%
No Significant Investment	69%	68%
Don't Know	3%	3%

Almost 30% of these small business respondents indicated they would be making a significant investment in computer equipment in 2002. Sixty-eight percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in computer equipment in 2002 included less mature businesses – those that had 10 years or less of Business Experience and those with 6 or more years before retirement. Also included with Internet Access and not surprisingly, those that currently have Business Computers, and those that characterize themselves as a *Leader*.

2002 results were very similar to those from 2001.

Investments: Telecommunications

Q. How about telecommunications?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	8%	14%
No Significant Investment	90%	85%
Don't Know	2%	1%

About 14% of these small business respondents indicated they would be making a significant investment in telecommunications in 2002. Eighty-five percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in telecommunications in 2002 were those with 11 or more years before retirement, and Business Services and Retail, Construction and Real Estate sectors, those with Internet Access and those that characterize themselves as Minority business. Compared to 2001, there was a slight increase in predictions for Telecommunications investment in 2002.

Investments: Advertising & Marketing

Q. How about advertising & marketing?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	36%	38%
No Significant Investment	61%	61%
Don't Know	3%	2%

Almost 40% of these small business respondents indicated they would be making a significant investment in Advertising & Marketing in 2002. Sixty-one percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in Marketing and Advertising in 2002 included those that had 20 years or less of Business Experience and those with 11 or more years before retirement, those in the Business Services or Real Estate sectors, those with Internet Access, those that currently have Business Computers,

Larger Businesses (6-25 employees) and those that characterize themselves as *Leaders*, *Innovators* or *Survivors*. 2002 results were similar to those from 2001

Investments: Product Improvements

Q How about product improvements?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	30%	32%
No Significant Investment	66%	64%
Don't Know	4%	3%

Almost a third of these small business respondents indicated they would be making a significant investment in product improvements in 2002. Sixty-four percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in product improvements in 2002 included Businesses in the Manufacturing sectors and those that characterize themselves as minority and non-home-based businesses. 2002 results were very similar to those from 2001.

Investments: Designing New Products

Q. How about designing new products?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	18%	20%
No Significant Investment	78%	78%
Don't Know	5%	2%

A fifth of these small business respondents indicated they would be making a significant investment in New Product Design in 2001. Seventy-eight percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in new product design in 2002 included those Businesses in the Manufacturing sectors. Companies that characterize themselves as *Leaders* or *Innovators* or *respondents* with 11 or more years before retirement somewhat tended to fall into this category. 2002 results were similar to those from 2001.

Investments: Employee Recruitment & Training

Q. How about employee recruitment and training?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	26%	22%
No Significant Investment	71%	75%
Don't Know	3%	3%

Less than a quarter (22%) of these small business respondents indicated they would be making a significant investment in employee recruitment and training in 2002. Seventy-five percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in employee recruitment and training in 2002 included less mature businesses – those that had 20 years or less of Business Experience and those with 11 or more years before retirement. They also included businesses in the Business Services sector, Larger Businesses (6-25

employees), based in an office or store, and those that characterize themselves as *Leaders*. 2002 predictions for investment were down slightly from 2001.

Investments: Equipment other than Computers

Q. How about equipment other than computers?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	34%	29%
No Significant Investment	62%	70%
Don't Know	4%	1%

Less than a third (29%) of these small business respondents indicated they would be making a significant investment in (non-computer) equipment in 2002. Seventy percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in equipment in 2002 included those with 11 or more years before retirement, companies in the Business Services, Manufacturing, Construction sectors; and Larger Businesses (6-25 employees). 2002 respondents were less positive about significant investments in non-computer equipment than those from 2001.

Investments: Facilities

Q. How about Facilities?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	21%	20%
No Significant Investment	76%	78%
Don't Know	3%	2%

Less than a quarter (20%) of these small business respondents indicated they would be making a significant investment in facilities in 2002. Seventy-eight percent said they would not, and the balance did not know.

Those subgroups more likely to make a significant investment in facilities in 2002 included businesses in the Business Services sectors, Larger Businesses (6-25 employees) and those that characterize themselves as *Leaders* or *Innovators*. 2002 results were similar to those from 2001.

Investments: Web Sites or Internet Marketing

Q. How about Developing a Web Site or other Internet Marketing?

This question was asked of all respondents (N=543).

	2001	2002
Significant Investment	24%	24%
No Significant Investment	74%	73%
Don't Know	3%	3%

Nearly one-quarter (24%) of these small business respondents indicated they would be making a significant investment in developing a Website/other Internet marketing in 2002. Just under three-quarters (73%) said they would not, and the balance did not know.

Not surprisingly, those subgroups more likely to make a significant investment in Internet Marketing and Web Sites in 2001 included less mature businesses - those that had 10 years or less of Business Experience and those with Computers and Internet Access. Also planning on this technological investment were companies in the Business Services sector, and those that characterize their company as a *Leader*. 2002 results were virtually identical to those from 2001.

RECAP – Investments

	Computer Equipment	Telecommunications	Advertising & Marketing	Product Improvements
Significant Investment	29%	14%	38%	32%
No Significant Investment	68%	85%	61%	64%
Don't Know	3%	<1%	2%	3%

	Designing New Products	Employees	Non-computer Equipment	Facilities
Significant Investment	20%	22%	29%	20%
No Significant Investment	78%	75%	70%	78%
Don't Know	2%	3%	<1%	3%

	Developing Web Site/Internet Marketing
Significant Investment	24%
No Significant Investment	73%
Don't Know	3%

In 2002, more respondents planned to make a significant investment in Advertising / Marketing, Product Improvements, Computer Equipment, Telecommunications, and Designing New Products than in 2001.

FINANCING SOURCES

Financing Sources: Trade credit

Q. Compared to 2001, will your company's use of the following financing sources, increase, decrease or remain the same in 2002? How about Trade credit, that is, credit from your suppliers?

This question was asked of all respondents (N=5043).

	2001	2002
Increase	15%	13%
Decrease	5%	3%
Same	36%	46%
NA/Don't Use	44%	38%

Forty-six percent of the small business respondents felt that their companies' use of trade credit as a financing source would remain the same, while 13% felt that it would increase, and an additional 3% felt that it would decrease. A notable, 38% stated that they didn't use this type of financing or the question was not applicable to their business.

Those subgroups who were more likely to increase use of trade credit were Retail sector, Minority-owned Businesses, those having more than \$50,000 in sales volume and those businesses that characterize themselves as *Innovators*.

Those somewhat likely to decrease use of trade credit were those with less than 6 years until retirement and who characterized themselves as a *Survivor*. Results for 2002 were similar to those from 2001.

Financing Sources: Personal credit cards

Q. How about Personal credit cards?

This question was asked of all respondents (N=543).

	2001	2002
Increase	5%	4%
Decrease	13%	10%
Same	43%	46%
NA/Don't Use	40%	39%

Less than 5% of the small business respondents stated that their company will increase the use of personal credit cards as a financing source. Ten percent felt that their use of personal credit cards would decrease and 46% said that use would remain the same. Almost 40% said that they didn't use personal credit cards for business or that the question did not apply to their business.

Use of personal credit cards was more likely to increase among those with 6 or more years until retirement, and those in the Retail sector. Those more likely to decrease use of personal credit cards were those who had consumers as customers, with less than twenty years of business experience, and those who characterize their businesses as *Survivors*. Results for 2002 were similar to those from 2001.

Financing Sources: Company Credit Cards

Q. How about Company credit cards?

This question was asked of all respondents (N=543).

	2001	2002
Increase	11%	9%
Decrease	7%	5%
Same	38%	47%
NA/Don't Use	44%	39%

Less than 10% of the small business respondents stated that their company would increase use of company credit cards as a financing source in 2002. Five percent felt that their use of company credit cards would decrease and 47% said that use would remain the same.

Use of company credit cards was more likely to increase among less mature businesses - those with 10 or less years of Business Experience. It was also likely to increase among those in the Business Services sector and who characterize themselves as an *Innovator*.

Those more likely to decrease the use of personal credit cards were those in Retail Trade sector, and those who are not owned by women. Results for 2002 were similar to those from 2001.

Financing Sources: Commercial bank loans

Q. How about Commercial bank loans taken against property or capital assets?

This question was asked of all respondents (N=543).

	2001	2002
Increase	9%	10%
Decrease	9%	8%
Same	25%	30%
NA/Don't Use	57%	52%

Ten percent of these small business respondents stated that their company would increase use of commercial bank loans as a financing source from 2001 to 2002. A similar percentage of respondents (8%) indicated that they would decrease use of commercial bank loans while about a third (30%) said that this type of financing source would remain the same. The remaining 52% said that this type of financing source is not applicable or not used by their business.

Subgroups most likely to increase use of commercial bank loans were in the Real Estate Sector, those having more than eleven until Retirement and those with Business Computers. Most likely to decrease use of such loans were those with 10 years or less of until Retirement. Results for 2002 were similar to those from 2001.

Financing Sources: Personal bank loans

Q. How about Personal bank loans?

This question was asked of all respondents (N=543).

	2001	2002
Increase	10%	8%
Decrease	10%	10%
Same	24%	32%
NA/Don't Use	56%	50%

A small number of small business respondents (8%) plan to increase their use of personal bank loans in 2002 while about 10% reportedly intend to decrease their use. Nearly one-third (32%) indicated that they would use the same amount of personal bank loans in 2002, while half (50%) said that this type of loan was not applicable to them.

More likely to increase their personal bank loans were those with who reported that they were within 5 years of retirement and those with more than 11 years before retirement and those in Business Services, Retail and the Real Estate sectors.

More likely to decrease their personal bank loans were some companies in the Retail sector - similar to those who reportedly planned to increase the use of personal loans. Results for 2002 were similar to those from 2001.

Financing Sources: Personal Loans from Family or Friends

Q. How about Personal loans from family or friends?

This question was asked of all respondents (N=543).

	2001	2002
Increase	3%	1%
Decrease	6%	6%
Same	14%	17%
NA/Don't Use	78%	76%

Just 1% of small business respondents felt that they will increase the personal loans they use as a financing source, while 6% said that they would decrease these types of loans, with 17% saying that they would remain the same. The majority of respondents (76%) do not currently use personal loans from family or friends. Results for 2002 were similar to those from 2001.

Financing Sources: Investing Money from Savings

Q. How about investing money from your savings?

This question was asked of all respondents (N=543).

	2001	2002
Increase	3%	15%
Decrease	6%	5%
Same	14%	33%
NA/Don't Use	78%	47%

Fifteen percent of small business respondents indicated that they planned to increase the practice of investing money in their companies from their own savings in 2002. Five percent replied that they would decrease this type of investing while over one-third said that their company would use the same amount of savings investments as in 2001. It was notable almost half said that this question was not applicable or that they did not do this type of investing in their companies.

Those who were more likely to increase investing money from their own savings were respondents with less than five years of business experience; those who characterize their companies as *Leaders*. Business in the Retail sector and those who had sales volume of over \$50,000, purchase business information and extend credit terms were somewhat more likely to increase their use of their own savings.

2002 respondents appear much more likely to tap their savings for financing than those from 2001.

Financing Sources: Loans taken against company's accounts receivables

Q. How about Loans taken against your company's accounts receivables?

This question was asked of all respondents (N=543).

	2001	2002
Increase	2%	4%
Decrease	6%	7%
Same	16%	18%
NA/Don't Use	76%	71%

Most small business respondents (71%) indicated that they don't use loans taken against their company's account receivables, only 4% said that they planned to increase this type of financing in 2002, and 7% cited that they would

decrease this type of financing. The remaining 19% of small business respondents planned to keep the same amount of loans taken against the company's accounts receivables. Results for 2002 were similar to those from 2001.

RECAP – Financing Sources

	Trade Credit	Personal Credit Cards	Company Credit Cards	Commercial Bank Loans
Increase	13%	4%	9%	10%
Decrease	3%	10%	5%	8%
Same	46%	46%	47%	30%
NA/Don't Use	38%	39%	39%	52%

	Personal Bank Loans	Personal Loans	Investing Money from Savings	Loans against Account Receivables
Increase	8%	1%	15%	4%
Decrease	10%	6%	5%	7%
Same	32%	17%	33%	18%
NA/Don't Use	50%	76%	47%	71%

FINANCING - GENERAL

Availability of Financing

Q. Compared to 2001, do you feel financing in 2002 will be more available, less available, or have the same availability?

This question was asked of all respondents (N=543).

	2001	2002
More Available	25%	22%
Less Available	10%	10%
Same Availability	51%	61%
Don't Know/Not Sure	15%	6%

Twenty-two percent of small business respondents indicated that they thought financing will be more available in 2002, while 10% felt that it will be less available. Just over 60% felt that it will have the same availability, and 6% did not know or were not sure.

Companies who thought it might be less available were those with less than ten years Business Experience, not women-owned and business or commercial accounts as well as companies in the Business Services, Retail Trade, and Transportation sectors. 2002 results were similar to those from 2001.

Expense of Financing

Q. And compared to last year, how "expensive" do you believe it will be for your business to borrow money in 2002? Would you say more expensive, less expensive, or about the same?

This question was asked of all respondents (N=543).

	2001	2002
More Expensive	21%	32%
Less Expensive	29%	13%
About the Same	33%	48%
Don't Know/Not Sure	17%	7%

Almost a third of small business respondents indicated that they thought borrowing money in 2002 will be more expensive, while 13% felt that it will be less expensive. Almost half (48%) felt that it will be about the same, and 7% did not know or were not sure. Respondents from the 2002 survey were more pessimistic about financing expenses than those in 2001.

Those more likely to indicate that borrowing money in 2002 will be more expensive were those in the Real Estate and Transportation sectors, and those with Internet access. Those who characterize their companies as *Innovators* or *Survivors* are likely to fall in this category.

Small business respondents who felt that borrowing money in 2001 will be less expensive included those in the Wholesale and Retail Trade sectors; those respondents who had six – ten years until retirement, or were non-minority businesses.

Amount Borrowed

Q. Will the amount your company borrows in 2002. Increase, Decrease, or Stay about the same as last year?

This question was asked of all respondents (N=543).

	2001	2002
Increase	11%	15%
Decrease	16%	16%
Stay about the same as last year	38%	44%
Don't borrow money	35%	25%

Fifteen percent of small business respondents indicated that they planned to increase the amount of money they would borrow in 2002. Sixteen percent planned to decrease the amount they borrow and 44% planned to stay about the same as last year. The remainder of respondents indicated they don't borrow money. There was a slight increase in predictions that the amount of money they borrow would increase from 2001 respondents to 2002.

Those more likely to increase the amount of money they will borrow in 2002 were those with the least Business Experience (less than 10 years); those in the Business Services, Retail Estate, sectors, those whose companies serve Business and Commercial accounts and those who classify their companies as an *Innovator or Leader*.

Subgroups more likely to indicate that they will decrease the amount of money they will borrow in 2002 included some of those in the Retail sector; those fairly large (6-25 Employees), and those who characterize their companies as a *Survivor*.

Percentage of Customers who Pay with Credit/Debit Cards

Q. Currently, what percentage of your customers pay by credit cards or debit cards?

This question was asked of all respondents (N=543).

	2001	2002
Zero Percent	59%	44%
1-10%	14%	25%
11-50%	19%	20%
51-100%	9%	9%
Refused	1%	2%

Over 40% of respondents indicated that their customers do not pay by credit or debit cards. A quarter said 10% or less of their customers pay with convenience cards, and 20% stated that between 11% and 50% of their customers pay this way. An additional 9% indicated that more than half of their customers pay with credit or debit cards.

The profile of businesses that were not typically paid by credit or debit cards included, not surprisingly, businesses that were Smaller, Home-based, and who classify themselves as *Steady*. They are from the Business Services, Manufacturing, Wholesale, Construction, Real Estate, or Transportation sectors, but may have over 11 years business experience. Respondents who have customers that pay with credit or debit cards are more likely to be in the Retail sector.

Comparing 2001 to 2002 results, we see an apparent increase in the use of credit cards by these small businesses' customers.

WORK WEEK

Hours Worked

Q. On average, approximately how many hours a week do you work on issues directly related to the function of this business? Would you sav...?

This question was asked of all respondents (N=543).

	2001	2002
<30 hours per week	14%	11%
30 to 40 hours	20%	24%
Subtotal Less than 40 hours/week	34%	35%
41 to 50 hours	23%	27%
51 to 60 hours	22%	20%
More than 60 hours	21%	17%
Subtotal More than 40 hours/week	65%	64%
Don't know/Not sure	<1%	1%

As might be expected, nearly two-thirds (64%) of small business respondents work more than 40 hours per week, with 17% working more than 60 hours per week. Thirty-five percent work 40 hours a week or less.

Not surprisingly, respondents who worked less than 30 hours per week were more likely to be from Home-based businesses with Smaller Sales Volumes (less than \$10K), and characterized themselves as a *Survivor*.

Results from 2002 were similar to 2001.

Activities

Q. Which one of the following activities takes most of your time?

This question was asked of all respondents (N=543).

	2001	2002
Operations	47%	27%
General Management	24%	36%
Sales	14%	18%
Accounting & Bookkeeping	10%	16%
Human Resources	1%	<1%
Credit & Finance	1%	1%
Don't know/Not sure	3%	3%

A little more than a third (36%) of a respondent's time is take up by General management issues with Operations responsible for slightly more than a quarter (27%). Sales was cited by 18%, followed by accounting & bookkeeping (16%), and credit & finance (1%) and human resources (<1%).

Respondents who indicated that General Management took up the bulk of their time were more likely to be from Larger Businesses (6-25 employees), with sales volume of \$50,000 or more; who categorize their companies as a *Leader* or an *Innovator*.

Respondents who cited Operations as taking up most of their work-week time were more likely to be from Business Services or Retail sector companies with Sales volume of less than \$50,000.

There appeared to be a shift in the amount of time spent on Operations and General Management between 2001 and 2002. Other results were relatively similar.

EMPLOYEE BENEFITS

Provision of Healthcare Benefits

Q. Does your company provide health care benefits for any of your employees?

This question was asked of all respondents (N=543).

	2000	2001	2002
Yes	53%	34%	52%
No	47%	66%	48%

Over half of small business respondent companies provide health care benefits for their employees

Those companies more likely to provide health care benefits to employees included Larger Businesses (6-25 employees), with larger Sales Volumes (\$50K or more), Internet Access, Business Computers, Store or Office-based, who serve Business and Commercial accounts in the Business Services, Manufacturing sectors, and who characterize their companies as a *Leader or Innovator*.

Comparing the past three years, it seems as though last year was an anomaly with the decreases in the percentage of companies not providing health benefits. In 2002, it has recovered to nearly the levels of 2000.

Provide Healthcare Benefits to Full-Time Employees

Q. What percentage of your full-time employees are provided with healthcare benefits?

This question was asked of respondents whose companies provided healthcare benefits to any employees and had one or more full-time employees (N=320).

	2001	2002
Zero	<1%	1%
Less than 20%	5%	6%
21-40%	8%	2%
41-60%	10%	9%
61-90%	10%	12%
91-100%	65%	72%

Those companies that do provide health care benefits tend to provide them to most of their employees. Almost three quarters reported they granted healthcare benefits to more than 90% of their employees.

Compared to last year, there was an increase of 7% each to both the 61-90% and the 91-100% levels indicating increased support for employees with health care services.

Provide Healthcare Benefits to Part-Time Employees

Q. What percentage of your part-time employees are provided with healthcare benefits?

This question was asked of respondents whose companies provided healthcare benefits to any employees and who had part-time employees (N=155). Warning: Small Base Size

	2001	2002
Zero	77%	78%
1 - 50%	6%	5%
91-100%	14%	17%
Refused	3%	<1%

Those small businesses that do provide health care benefits tend not to provide them to their part-time workers – just a little over 20% do offer such benefits.

Companies offering between 90 and 100% coverage tend to be companies with other businesses as customers, who may have less than 5 employees, but have over twenty-one years business experience. They tend to be in the Business Services and Transportation sectors. There is very little change from 2001.

Change in Premiums

Q. Compared to 2001, by what percentage have your premiums for health care increased or decreased?

This question was asked of respondents whose companies provided healthcare benefits to any employees (N=280).

	2001	2002
Increase (net)	72%	77%
Decrease (net)	2%	4%
Didn't Increase or Decrease	25%	19%

	2001 Increase	2002 Increase (N=215)
1-10%	39%	26%
11-20%	36%	25%
21-30%	19%	13%
31-100%	7%	13%

Slightly more than three-quarters (77%) of small businesses that provide health care benefits to employees indicated that their premiums had increased since 2001. Only 4% stated that their premiums have decreased and the remaining 19% indicated that premiums had neither increased nor decreased.

Of those that who felt that there had been an increase, over a quarter felt it was 10% or less, more than another quarter felt it was between 10 and 20%, and the balance felt it was more than 20%.

Steps Taken to Deal with Increasing Cost of Healthcare

Q. What steps, if any, has your company taken to deal with the increasing cost of health care insurance?

This question was asked of respondents who cited a 1% or more increase in healthcare benefit costs (N=266). Totals may exceed 100% - Multiple responses were allowed. Warning: Small Base Size

	2001	2002
Company assumed the extra cost	30%	35%
Shopped for a new carrier	29%	34%
Employees pay larger share	10%	9%
Reduction in benefits for employees w coverage	7%	6%
Cover fewer employees	3%	<1%
Don't know/Not sure	20%	19%

Thirty-five percent of small business respondents indicated that their companies' assumed the extra costs of increasing healthcare benefits. A similar number (34%) said that they 'shopped for a new carrier,' while 9% stated that they have 'employees pay a larger share,' and <1% 'cover fewer employees'.

Respondents appeared more likely to consider shopping for a new carrier to allay increasing health care costs in 2002 than in 2001.

Provide Retirement Benefits

Q. Does your company provide retirement benefits for any of your employees?

This question was asked of all respondents (N=543).

	2001	2002
Yes	17%	24%
No	83%	76%
Don't know/Not sure	<1%	<1%

About three quarters (76%) of small business respondent companies did not provide retirement benefits for their employees.

Not surprising, those companies more likely to provide retirement benefits included Larger companies (6-25 employees), with Sales Volumes of \$50K or more, in the Business Services, Manufacturing, or Construction, those who have business or commercial customers, and who classify their companies as *Leader or Innovator*. These companies also tend to have more business experience (11-20 years), and have Internet access and business computers.

Those companies more likely not to offer retirement benefits included: Women-owned Businesses, Smaller Businesses (1-5 employees) Home-based Businesses, Businesses that are Consumer oriented, Businesses with Smaller Sales Volumes (less than \$50K), those in Wholesale, Retail, Real Estate sectors and those who characterize themselves as a *Survivor or Steady*.

Provide Retirement Benefits to Full-Time Employees

Q. What percentage of your full-time employees are provided with retirement benefits?

This question was asked of respondents whose companies provided retirement benefits to any employees (N=171)
Warning: Small Base Size

	2001	2002
Zero	8%	1%
Less than 20%	7%	6%
21-40%	3%	2%
41-60%	5%	7%
61-90%	13%	11%
91-100%	64%	73%

Over 90% of small businesses that provide their employees with retirement benefits appear to offer them to most (>20%) of their employees. Nearly two-thirds (64%) offered such benefits to between 91%-100% of their employees, 11% offered retirement benefits to between 61%-90% of their employees.

Types of Retirement Benefits Offered

Q. What type of retirement benefits do you offer?

This question was asked of respondents whose companies provided retirement benefits to any employees (N=171).
Totals may exceed 100% - Multiple responses were allowed. Warning: Small Base Size

	2001	2002
IRA or Keogh	35%	29%
401(k) Plan	32%	41%
Qualified Pension Plan	17%	23%
SEP	9%	4%
Personal Investment Portfolio	6%	8%
Health Insurance for Retired Employees	3%	3%
Profit Sharing	-	2%
Don't Know	6%	2%

The most popular retirement benefits offered by Small Business were the IRA, Keogh and the 401(k) plans. Just over a quarter (29%) offered IRA or Keogh programs, and four in ten (41%) offered a 401(k) Plan. Twenty-three percent offered a Qualified Pension Plan, 8% offer Personal Investment Portfolio, 3% offered Health Insurance for Retired Employees, and 2% offered Profit Sharing.

Provide Child Care Assistance

Q. Does your company provide child care assistance to your employees such as on-site or subsidized child care?

This question was asked of all respondents (N=543).

	2001	2002
Yes	3%	3%
No	97%	97%
Don't know/Not sure	<1%	<1%

Virtually none of the small businesses in the 2002 survey acknowledged providing child care assistance to employees. These results for 2002 are consistent with findings from the 2001 survey.

Re-Cap - Benefits

	Health Care Benefits	Retirement Benefits	Childcare Assistance
Yes	52%	24%	3%
No	48%	76%	97%

RESPONDENT CLASSIFICATION INFORMATION

Owner, President, Key Decision-Maker

Q. Are you the owner, president, or a key decision-maker of this business?

This question was asked of all respondents (N=543).

	2002
Owner	53%
Key Decision-Maker	37%
President	10%

Company Size

Q. How many total employees are there in your company?

This question was asked of all respondents (N=543).

	2002
1 to 2 employees	24%
3 to 5	46%
6 to 9	11%
10 to 20	14%
21 to 25	5%

Nearly three-quarters (70%) of respondents work for very small companies with 5 or less employees. The remainder (30%) work in companies with 6 to 25 employees.

Not surprising, those small businesses with the least employees (1-2) were more likely to be companies with Monthly Sales Volumes of less than \$10,000, to be Home-based Businesses, and be Consumer-oriented. They also were more likely to have owners with less Business Experience (10 years or less), to be in the Business Services, or Real Estate sector, and to consider their companies to be *Steady*.

Those respondents in the Larger companies (21-25 employees) were more likely to have Sales Volumes of \$50,000 or more, with Internet access, and to consider their company as a *Leader*.

Number of Full-Time Employees

Q. How many are full-time employees?

This question was asked of all respondents (N=543).

	2002
Zero employees	4%
1	16%
2	22%
3 to 5	36%
6 to 10	14%
11 or more	10%

Most (96%) small businesses are populated with full-time employees. Sixteen percent have only one full-time employee, 22% have two full-time employees, 36% have three to five, 14% have six to ten, and 10% have eleven or more full-time employees.

Part-Time Employees

Q. How many are part-time employees?

This question was asked of all respondents (N=543).

	2002
Zero Part-time employees	54%
1	16%
2	15%
3 to 5	12%
6 to 10	3%
11 or more	1%

Over half (54%) of small business respondent companies have no part-time employees. Sixteen percent have one part-time employee, and the remaining third (24%) have 2 or more part-time employees.

Women-Owned Business

Q. For coding purposes, would you say this business is woman-owned? Minority-owned?

This question was asked of all respondents (N=543).

	2002
Woman-owned (50% or more owned by one or more women)	27%
Minority-owned (50% or more owned by one or more minorities)	12%
Both	7%
Neither	54%

Over one-quarter (28%) of small business were described as Woman-owned, 12% as Minority-owned and 7% as both. Over 50% work for neither a Woman-owned, nor a Minority-owned firm.

Those subgroups more likely to be from Woman-owned Businesses were: in the Wholesale or Real Estate sector and to characterize their company as a *Survivor* or *Steady*.

Those more likely to be from Minority-owned Businesses included: Small companies (1-5 employees); Those with less than five years until retirement and with business or commercial customers.

Business Location

Q. Is this business based out of a home, or office/store?

This question was asked of all respondents (N=543).

	2002
Home-based	13%
Office/Store based	87%

Almost 90% of small business respondent businesses are based out of an Office or Store. The remaining (13%) are classified as Home-based.

Home-based Businesses were more likely to be Women-owned, Smaller (1-5 employees) with Sales Volumes less than \$10K, from the Business Services, Construction, Real Estate sector, and to classify their company as a *Survivor*, or *Steady*.

On the other hand, Store or Office-based Businesses were more likely to include Larger companies (6-25 employees), with Sales Volumes of \$10,000 or more, in the Business Services, Manufacturing, Wholesale, Retail, or Real Estate sector, and who characterize their company as a *Leader*.

Types of Customers

Q. What percent of your sales are to customers that are Consumers? Business or Commercial accounts?

This question was asked of all respondents (N=543).

	Consumers	Business
Zero	27%	30%
1% - 30%	11%	22%
31% - 60%	12%	13%
61% - 90%	16%	9%
91% - 100%	40%	27%

Active Customers

Q. Approximately how many active customers does your company have that are businesses?

This question was asked of respondents who had commercial accounts (N=380).

	Total
Zero	1%
1 - 10	22%
11-19	8%
20-49	22%
50-99	10%
100+	30%
Refused	7%

Computers

Q. Does your company have at least one computer on site used for business purposes?

This question was asked of all respondents (N=543).

	2001	2002
Yes – at least one computer	80%	85%
No	20%	15%

The majority (85%) of small business respondent companies have at least one computer on site used for business.

As might be expected, the subgroups more likely to have a computer were those in Larger Companies (6-25 employees), whose owners have 10 or less years of Business Experience, with Sales Volume or \$50K or more, who serve Business and Commercial accounts, from the Business Services or Real Estate sectors, and those who consider their company to be a *Leader* or an *Innovator*.

It appears that computer use among small business users is increasing when comparing last year to 2002.

Internet Access

Q. And do you, or at least one of your employees have access to the Internet at this place of business?

This question was asked of those respondents whose companies have at least one computer on site used for business purposes (N=479).

	2001	2002
Yes – Internet Access	84%	84%
No	16%	16%

Of those small business respondent companies that have one or more computers on site, 84% have at least one employee with access to the Internet.

Those respondent companies more likely to have access to the Internet included: Home-based Businesses, Companies who serve Business and Commercial accounts, from the Business Services sector, and those who classify their company as a *Leader* or *Innovator*.

Web Site or URL Address

Q. And does your business have a web site or URL address?

This question was asked of those respondents whose have at least one employee with access to the Internet at their place of business (N=411).

	2001	2002
Yes, Has a Site	53%	51%
No	47%	50%

Of those small business respondent companies that have Internet Access, 51% have a web site or URL.

Similar to the subgroups for those businesses with Business Computers and Internet Access, small business respondents whose business has a web site or URL address were more likely to include Larger Companies (6-25 employees), with business or commercial accounts, with company Sales Volume of \$50K or more, from the Business Services, Manufacturing sectors, and who characterize their companies as a *Leader* or an *Innovator*.

Company Description

Q. I'd like to read a list of 4 short company descriptions. When I'm done, please tell me which description best fits your company...?

This question was asked of all respondents (N=543).

	2001	2002
As a Survivor – facing strong competitive challenges	33%	31%
As Steady – content with current products, sales and profits	26%	31%
As an Innovator – constantly seeking & investing in new opportunities	18%	16%
As a Leader – leading the competition or gaining quickly on the leaders	18%	17%
None	4%	2%
Don't know/Not sure	1%	3%

About a third of small business respondents characterized their companies as *Survivor*, or *Steady*, 16% as *Innovator*, and 17% as *Leader*.

Subgroups more likely to classify themselves as **Survivors** included those with no Internet Access, with more than eleven years of business experience.

Those more likely to characterize themselves as **Steady** included those whose employees are six – ten years from retirement; with Business or commercial accounts no Internet access or and computer and in the Construction sector.

NOTE: While respondents who classified themselves as *Survivors* or *Steady* generally went hand-in-hand throughout the study, the only similarity between the subgroups was that both groups were more likely to have no Internet Access.

Those more likely to classify themselves as **Innovators** included those 11 or more years from retirement, having Internet Access, who have 6-25 employees.

Those more likely to categorize themselves as **Leaders** included Larger Companies (6-25 employees), with larger Sales Volumes (\$50K or more), in Office or Store-based Businesses, with Computers and Internet Access; and in the Business Services, Manufacturing, Retail, Real Estate sectors, and non minority companies with less than ten years business experience.

NOTE: Parallels could be made among those who classify themselves as *Innovators* and *Leaders*. Both groups were more likely to have Computers and Internet Access, and to be from the Business Services, Manufacturing, or Services sectors.

Business Ownership Experience

Q. Including other businesses you may have owned, how many total years of business ownership experience do you have?

This question was asked of those respondents who were owners (N=291).

	2002
1 to 5 years of experience	10%
6 to 10	12%
11 to 19	18%
20 or more	59%
Don't know	<1%
Refused	<1%

Not surprisingly, small business owners who have limited business ownership experience are more likely to be Small Companies with 1-5 employees.

Those with the most years of business ownership experience are more likely to be close to retirement (less than 10 years), with one to five employees, having no computer and could be home-based.

Business Ownership Experience

Q. Including other businesses you may have owned, how many total years of business ownership experience do you have?

This question was asked of those respondents who were owners (N=291).

	2002
1 to 5 years of experience	11%
6 to 10	13%
11 to 19	20%
20 or more	55%
Don't know	1%
Refused	<1%

Fifty-five percent of responders said they had more than 20 years experience. Including those with six to ten years to retirement, having no computer, being home based and in the Real Estate sector. This type of business also characterized themselves as a *Survivor or Steady*.

Q. Which one of the following industries best describes your company?

This question was asked of all respondents (N=543).

	2002
Business Services	35%
Retail	31%
Construction	5%
Manufacturing	8%
Services	<1%
Wholesale	9%
Real Estate	5%
Transportation	4%
Fine Arts	<1%
Agriculture	<1%
Medical/HealthCare	1%