



PUBLIC OPINION
STRATEGIES

Turning Questions into Answers

**NATIONAL SURVEY OF SMALL AND
MID-SIZED BUSINESSES
EXECUTIVE SUMMARY**

Economic Outlook

- 1. *While the national economy is growing, America's small and mid-sized businesses are facing some challenging times.***

Asked their view on the national economy today compared to five years ago, 36% believe the economy is getting better, 43% believe it is getting worse, and 21% say it is about the same.

- ▶ Women and minority businesses perceive a greater challenge. While just 33% of men believe the economy is getting worse, 53% of women and 48% of minorities believe the economy is getting worse today.
- ▶ Of course, America's smallest companies perceive the economy is getting worse as well: 51% of companies grossing less than \$100,000 last year say the economy is getting worse compared to the largest grossing companies in the survey, 35% of whom believe the economy is getting worse.
- ▶ There is also some regional disparity to the data. Businesses in the South were more likely to believe things are getting better (44% better/31% worse) while businesses across the rest of the country believe things are getting worse.

Compared to the data in 2000, the economic outlook of small businesses today is more pessimistic. Asked if they would forecast economic expansion, a flat economy, or a recession for the year 2007, only 29% projected economic expansion. In 2000, 62% of businesses anticipated economic expansion for the coming year. In the current survey, respondents are much more likely to project a flat economy (57%).

- 2. *While pessimism about the national economy among the small and mid-sized business community definitely exists, respondents are much more confident about their own economic future.***

Eighty-one percent (81%) of those surveyed expressed confidence about the future of their business from a financial perspective. This confidence is exhibited equally from America's smallest companies to the larger companies included in the study.

3. ***Economic uncertainty, the cost of health benefits, and the lack of available capital are the three biggest concerns facing the small and mid-sized business community today.***

Asked to select the three biggest challenges to their business today, respondents select:

Economic uncertainty	42%
Cost of health benefits	39%
Lack of available capital	31%
State and local taxes	27%
Federal taxes	25%
Lack of qualified workers	23%

This is a very different set of concerns compared to NSBA data from 2000 when finding and retaining qualified workers, state and federal regulations, and economic uncertainty topped the list.

Employee Benefits and Labor Issues

4. ***The number of companies offering no benefits at all has increased from 2000.***

In 2000, 24% of companies surveyed offered no employee benefits. In the current survey, 30% of companies surveyed offer no benefits at all.

This includes a significant drop over the last several years in the number of companies offering health benefits:

	<u>% Companies offering health benefits</u>
1995	67%
2000	51%
2007	41%

5. ***Companies have made changes in their health benefit programs in response to high costs..***

While most companies are trying to get by without taking cost-cutting measures to health care benefits, over one-third (37%) have taken some cost-cutting action.

- ▶ It is the larger companies in the survey (20 or more employees) who are taking the more drastic action (possibly because they are more likely to offer health care benefits). In fact, 69% of these companies have taken cost-cutting steps that include: increasing employee contributions (37%), changing insurance companies (27%), instituting wellness programs (26%), and changing to policies with higher deductibles (26%).

Financing

6. *A majority of companies can get the financing they need, but smaller companies struggle more in this regard.*

- ▶ Sixty-seven percent of companies say they are able to secure adequate financing. This represents a drop from the 76% who said they could get adequate financing for their business from the 2000 NSBA survey.
- ▶ Among companies with four or fewer employees, 61% say that they are able to get adequate financing, but 39% are not. Among companies with 5-19 employees, 26% are not able to get adequate financing, and among companies with 20-99 employees, 20% are not able to get the financing they need.

7. *Credit cards are a primary source of financing for America's smallest businesses.*

We ask respondents what type of financing they have used in the last twelve months to finance their capital needs. Topping the list is credit cards (44%), followed closely by earnings of the business (43%), and then dropping off to bank loans (29%), and private loans (22%), and other sources.

- ▶ For America's smallest businesses, credit cards are at the top of their list, followed by earnings of their business and private loans. Larger companies are much more reliant on bank loans and the earnings of their business.

Seventy-one percent (71%) of those who use credit cards as a source of financing are carrying a balance month-to-month. More companies today (71%) are carrying a balance than they were in 2000 (64%).

Businesses also perceive that the terms of their credit cards are getting worse. Among those using credit cards, 53% say that the terms of their business credit cards has gotten worse over the last five years. For those in the smallest business category, 57% say their terms have gotten worse.

8. *Businesses would make changes if capital was more readily available.*

When capital is not available, business is stymied. Forty percent (40%) of those surveyed say they have not been able to grow their business or expand operations without access to capital. Other companies have been unable to increase sales (15%), have had to reduce the number of employees (11%), or reduce employee benefits (8%).

If capital were available, over three-quarters (77%) of those surveyed would take advantage and make changes, including: investing in advertising (40%), hiring additional employees (33%), investing in new plant or equipment (27%), and increasing benefits to employees (21%) among other things.

Technology

9. *The web presence of small businesses has significantly increased.*

Ten years ago, just 31% of companies in an NSBA survey had their own website. That figure has nearly doubled in the last ten years, and now 60% of companies surveyed have a website.

Today, over one-third of companies (37%) are engaged in e-commerce, including 52% of businesses in the retail industry, and 50% of those in manufacturing.

Public Policy

10. *Businesses express strong support for health care reform, but reject a government mandate for businesses to provide it for their employees.*

Seventy-one percent (71%) of businesses support the following health care reform positioning:

Require that every individual in this country secure a basic health care package. To assist with this, insurance companies would be required to offer coverage to people with pre-existing conditions, and individuals and families would be provided with federal financial assistance to pay for health care premiums, based on income.

But businesses entirely reject a mandate on businesses to provide coverage. An equal number oppose the following proposal (71%), including 50% who strongly oppose it:

A requirement that all employers must provide health insurance benefits to all employees.

Presented an alternative that does not rely so heavily on business, those surveyed would prefer a “federally funded, government administered health care system financed through higher taxes.” Overall 60% favor this proposal, although the intensity of support is more tepid (29% strongly favor).

11. *Asked what issues they would like to see the presidential campaigns address, the tax burden and health care costs top the list.*

Overall, 31% of those surveyed want the presidential campaigns to address the issue of the tax burden on American businesses. This is a particularly critical issue to Republican business respondents, but also tops the list for Independents.

Thirty percent (30%) of respondents say health care costs is the most important priority. This was the biggest concern for Democrat respondents, and in a close second position among Independents.

Methodology

On behalf of the National Small Business Association, Public Opinion Strategies conducted a national Internet survey among 500 small and mid-sized businesses. The survey was conducted March 27-April 1, 2007. To ensure that the survey results represented a proper distribution by company size for the small and mid-sized business market, the results were weighted by 2004 U.S. Census Bureau of the Census data. The margin of error for this survey is $\pm 4.38\%$.