

FOREWORD

In an increasingly technology-reliant global marketplace where cybersecurity issues and vulnerabilities can bring commerce to a screeching halt, understanding how small businesses utilize technology is of critical importance not only to policymakers, but to thought leaders in the IT industry. To help provide clarity on how small-business owners utilize technology—as well as a host of related data points, including intellectual property, data collection and storage, and so on—NSBA recently surveyed more than 800 small-business owners and is pleased to provide the results of that survey in this document, the NSBA 2013 Small Business Technology Survey.

Celebrating more than 75 years as the nation's first small-business advocacy organization, part of NSBA's mission is to address the needs and represent the concerns of the small-business community. A staunchly nonpartisan organization, NSBA conducts a series of surveys throughout the year, including our semiannual Economic Reports. The 2013 Small Business Technology Survey provides both a snapshot of small business in today's ever-changing technology landscape, as well as provides trending data from our past technology survey which was conducted in 2010.

Among the key findings when it comes to utilization of technology, the NSBA survey found that, as expected, newer technology platforms such as cloud computing, smart phones, tablets and high-speed internet options all increased over the past three years. Today, the majority of small-business owners, 74 percent, utilize a smart phone—up from 57 percent in 2010. There also was a marked increase in usage of laptops, from 67 percent in 2010 to 84 percent today.

There was a drop in the number of small-business owners who pay an outside firm to handle their IT, which is likely driven by two factors: the economic challenges small businesses have faced in the last several years; and improved IT platforms and the growing reliance on—and therefore need to understand—these technology tools and platforms. These significant changes in utilization are at the root of why there was such a notable increase in the number of small-business owners who report they allow employees to telecommute—up from 44 percent three years ago to 60 percent today.

The majority of small firms do have a Website for their business, and nearly one in five has a mobile website. The majority of small firms (66 percent) report they maintain their website internally, while 30 percent—down from 41 percent three years ago—pay an outside company. When it comes to selling online, there was a notable drop in small businesses that accept credit or debit cards as payment and an increase in third-party vendors, likely due in part to increasing worries about cybersecurity as well as costs and lack of transparency when it comes to swipe fees.

Social media continues to play a growing role in many small businesses' online strategy. Today, just 27 percent say they don't use any social media at all, whereas three years ago, 53 percent said they didn't use social media.

When it comes to IT challenges facing small-business owners, the cost of needed upgrades, security issues and the time it takes to fix problems were rated the top three. Furthermore, 94 percent of small-business owners say they are very or somewhat concerned about cybersecurity while nearly half of small businesses report having been the victim of a cyber-attack. These attacks result in significant losses of time and service interruptions, and typically cost these firms thousands of dollars. Among those whose banking accounts were hacked, the average losses were \$6,927.50.

Underscoring the importance of security and strong intellectual property protections, this survey found that one in four small firms report owning a patent, the majority of which they personally developed rather than purchased. Unfortunately, among those impacted by the new patent reform law, the America Invents Act, the overwhelming majority say it has had a negative impact on their business.

It is our hope that this survey will help drive and inform policy decisions to make technology work for small-business owners, not against them. Conducted on-line Aug. 14 – 23, 2013 among 845 small-business owners, we hope you find this survey informative and useful.

Sincerely,



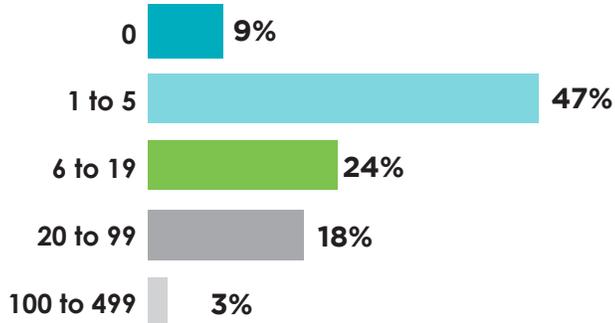
David Ickert
NSBA Chair
Air Tractor, Inc.



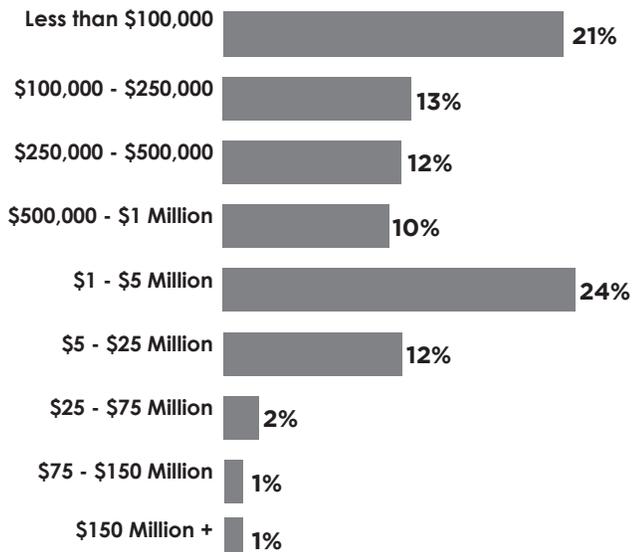
Todd McCracken
NSBA President and CEO

DEMOGRAPHICS

How many total full-time personnel are currently employed by your business?



What were your gross sales or revenues for your most recent fiscal year?

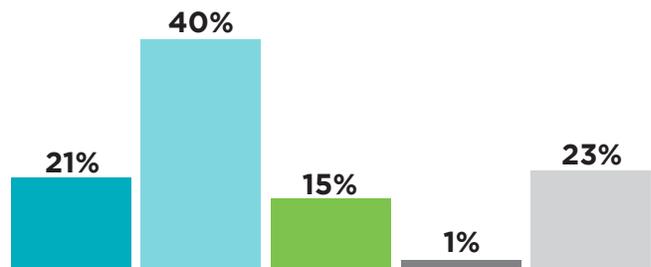


In what region is your business located?

| | |
|--------------|-----|
| New England | 6% |
| Mid-Atlantic | 24% |
| Great Lakes | 12% |
| Farm Belt | 5% |
| South | 28% |
| Mountain | 10% |
| Pacific | 15% |

Which of the following best describes the structure of your business?

■ C-CORP
 ■ S-CORP
 ■ SOLE PROPRIETORSHIP
■ PARTNERSHIP
 ■ LLC



Which of the following best describes the industry or sector in which your business operates? (Based on NAICS codes)

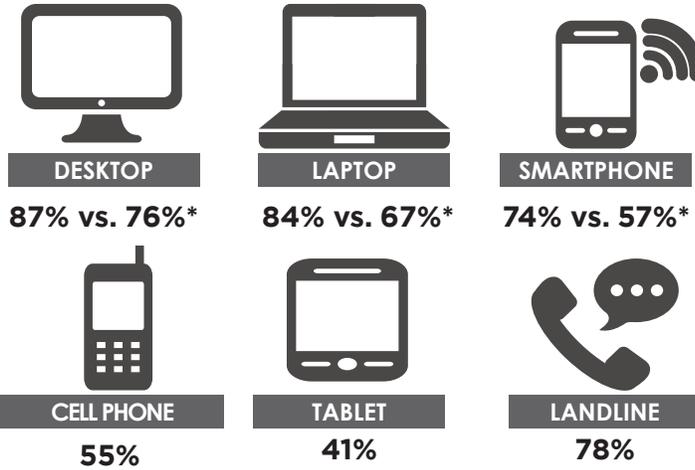
| | |
|---|-----|
| Manufacturing | 16% |
| Scientific and Technical Services | 15% |
| Professional | 13% |
| Other Services (except Public Administration) | 11% |
| Construction | 9% |
| Information (IT) | 8% |
| Wholesale Trade | 6% |
| Retail Trade | 6% |
| Health Care and Social Assistance | 3% |
| Real Estate, Rental and Leasing | 3% |
| Agriculture, Forestry, Fishing and Hunting | 2% |
| Educational Services | 2% |
| Management of Companies and Enterprises | 1% |
| Administrative and Support | 1% |
| Arts, Entertainment, and Recreation | 1% |
| Transportation and Warehousing | 1% |
| Waste Management and Remediation Services | 1% |
| Utilities | 1% |
| Finance | 1% |
| Accommodation and Food Services | 1% |

SMALL BUSINESS UTILIZATION OF TECHNOLOGY

This survey found an expected increase in utilization of technology and, specifically, newer technology platforms such as cloud computing, smart phones, tablets and high-speed internet options. These newer platforms, coupled with the fact that the survey sample represented a slightly smaller average business size with a higher concentration in IT industries explains the high rate of small business owners who are primarily responsible for their tech support. The survey also saw a drop in the number of small-business owners who pay an outside firm to handle their IT, which is likely also driven by the economic challenges small businesses have faced in the last several years.

Which of the following items do you utilize for your business?
(check all that apply)

*2010 RESPONSES PROVIDED WHERE AVAILABLE



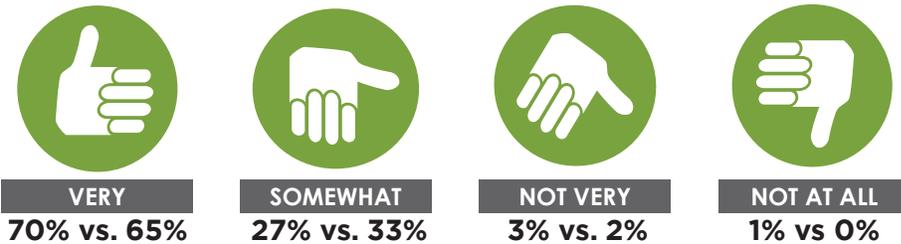
“The majority of small firms now allow employees to telecommute—up 16 percentage points from just 3 years ago.”

Over the past 12 months, has your business become more or less dependent on the use of technology?

| | |
|----------------|-----|
| More | 50% |
| About the same | 49% |
| Less | 0% |
| Not sure | 0% |
| N/A | 1% |

How important is technology, and keeping up with new technology, to the success of your company?

*2013 VS. 2010 RESPONSES



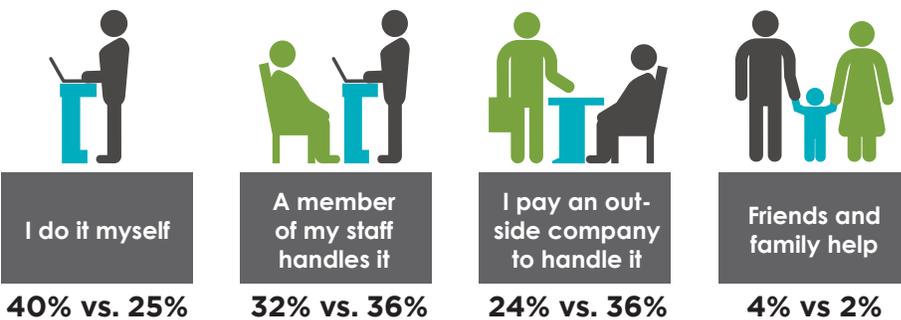
Do you allow employees to telecommute?



| | 2013 | 2010 |
|-----|------|------|
| Yes | 60% | 44% |
| No | 40% | 56% |

Who is primarily responsible for your tech support?

*2013 VS. 2010 RESPONSES



“Today, the majority of small-business owners, 74 percent utilize a smart phone—up from 57 percent in 2010. There also was a marked increase in usage of laptops, from 67 percent in 2010 to 84 percent today.”

SMALL BUSINESS UTILIZATION OF TECHNOLOGY

What kind of Internet service does your business have? (check all that apply)



| | |
|-----------|-----|
| Dial-up | 2% |
| DSL | 31% |
| Broadband | 28% |
| Cable | 40% |
| Fiber | 18% |
| Satellite | 5% |
| AirCard | 8% |
| Other | 3% |

Among those still using dial-up service, why don't you utilize broadband or another high-speed Internet service?



| | |
|---------------|-----|
| Too expensive | 38% |
| Not needed | 13% |
| Not available | 50% |

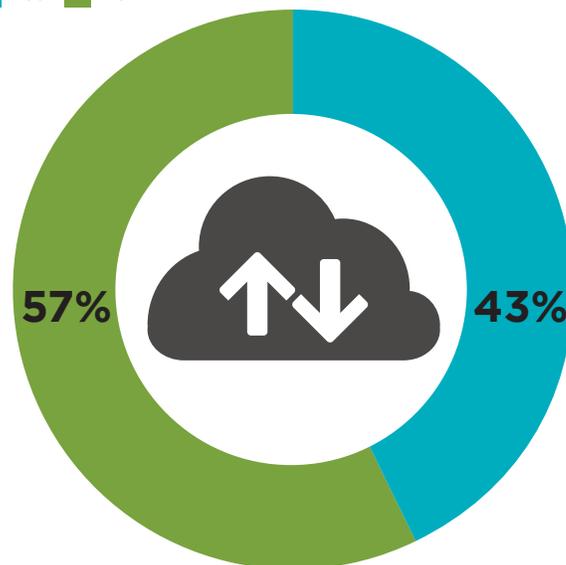
Which of the following business activities do you conduct online? (Check all that apply)



| | 2013 | 2010 |
|---|------|------|
| Purchase supplies | 85% | 84% |
| Manage banking accounts | 83% | 73% |
| Pay bills or utilize electronic bill pay | 72% | 62% |
| Manage payroll | 44% | 41% |
| Conducting phone calls or teleconferences (e.g.: skype or VOIP) | 59% | 28% |
| Conducting meetings (e.g.: webex) | 45% | 18% |

Does your business utilize cloud computing technologies?

■ Yes ■ No



“Not surprising, there was a huge jump in small firms utilizing cloud computing. In 2010, it was just five percent—today, 43 percent are on the cloud.”

ONLINE PRESENCE FOR SMALL BUSINESS

Maintaining an online presence continues to be an important component for small firms. The majority of small firms have a Website for their business, and nearly one in five has a mobile website. Among those that do not have a website, one-third say they are in the process of developing one.

When it comes to selling their products online, the majority say they do not sell on-line. This is primarily attributable to respondents saying they do not have products or services to sell online, or that their products/services are highly specialized and/or of a high-dollar value, making online sales not feasible.

Social media is a growing piece of small businesses online strategy. LinkedIn and Facebook continue to lead the field in terms of social media outlets used for business purposes. There was a notable drop in those small firms who said they don't use any social media whatsoever, from 53 percent in 2010 to just 27 percent today.

Do you have an online presence for your business? (Check all that apply)

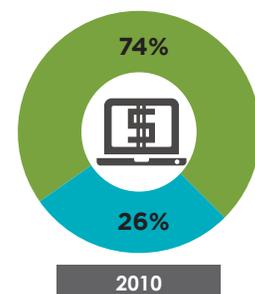
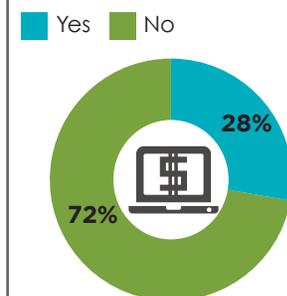


| | Yes | No | In Development |
|---------------------|-----|-----|----------------|
| Traditional website | 82% | 11% | 6% |
| Mobile website | 18% | 49% | 8% |
| App | 5% | 60% | 6% |

Among those businesses that DON'T have a business website, what is the primary reason?

| | |
|--------------------------------------|-----|
| Not necessary for my business | 27% |
| Too difficult to create/maintain | 19% |
| Too costly | 12% |
| Other | 10% |
| All possible domain names were taken | 2% |

Do you sell your products or services on-line?



How do you sell your products or services online? (check all that apply)

| | |
|-----------------------|-----|
| Through my website | 85% |
| E-bay | 11% |
| Online distributor | 10% |
| Amazon | 7% |
| Trade-specific portal | 7% |
| Craigslist | 7% |
| Etsy | 2% |

Who is primarily responsible for maintaining your website?

*2013 VS. 2010 RESPONSES



I do it myself

27% vs. 9%



A member of my staff handles it

39% vs. 48%



I pay an outside company to handle it

30% vs. 41%



Friends and family help

4% vs 1%

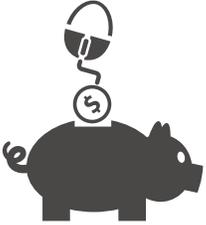
What is the primary reason you don't you sell your goods and or services online?

| | |
|--|-----|
| I don't have products or services I can sell-on line | 68% |
| Too expensive | 4% |
| Don't know how | 4% |
| I don't have a Website | 3% |
| I use a distributor to sell my products online | 2% |
| High-speed internet is unavailable | 1% |
| Other | 20% |

“The majority of small firms, 66 percent, maintain their website internally, while 30 percent—down from 41 percent three years ago - pay an outside company.”

ONLINE PRESENCE FOR SMALL BUSINESS

How do you accept payments online? (Check all that apply)

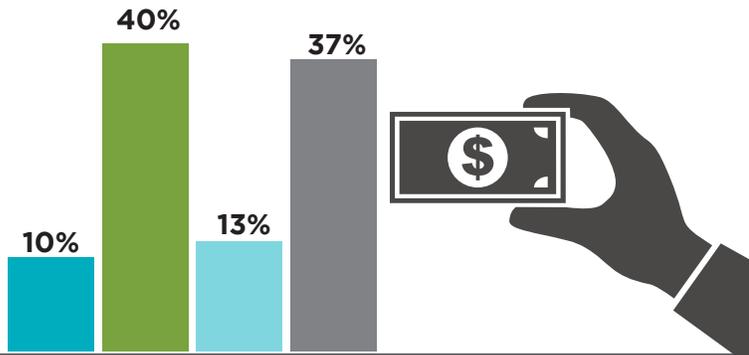


| | 2013 | 2010 |
|------------------------------------|------|------|
| Credit or debit cards | 69% | 91% |
| Pay-pal | 47% | 22% |
| Through an E-bay or Amazon account | 9% | 2% |
| Other* | 20% | n/a |

*The majority of "other" responses were checks, banking transfers, money orders and purchase orders and/or invoices

Do you charge your customers sales tax for the state in which you reside or in which they reside?

■ State in which they reside ■ Both
■ State in which I reside ■ Neither



“There was a notable drop in small businesses that accept credit or debit cards as payment and an increase in third-party vendors, likely due in part to increasing worries about cybersecurity as well as costs and lack of transparency when it comes to swipe fees.”

Which of the following social media platforms do you utilize? (Check all that apply)

| | 2013 | 2010 |
|----------------------------------|------|------|
| LinkedIn | 57% | 37% |
| Facebook | 50% | 33% |
| None – I do not use social media | 27% | 53% |
| Twitter | 26% | 12% |
| Google+ | 24% | n/a |
| YouTube | 19% | n/a |
| Blogs | 10% | n/a |
| Pinterest | 6% | n/a |
| Wikis | 3% | n/a |
| Foursquare | 2% | n/a |
| Instagram | 2% | n/a |



What do you use social media for? (Check all that apply)

| | |
|-------------------------------|-----|
| Business networking | 85% |
| Keeping in touch with friends | 48% |
| Political advocacy | 14% |
| Other | 9% |

“Business networking remains the number reason why small-business owners utilize social media.”

TECHNOLOGY CHALLENGES FACING SMALL BUSINESS

Underscoring the growing availability of technology tools and their affordability, nearly every major broad technology challenge decreased between 2010 and 2013. Those that didn't decrease—the time it takes to fix problems—reflect the fact that more and more firm owners handle IT themselves.

When it comes to challenges with their Websites, time was again a key factor with the majority, 64 percent citing the time it takes to make updates as their biggest challenge. Cost maintenance was less of a factor, however one-fourth still said it was the biggest issue they face concerning their website.

“ Nearly half of all small businesses have been a victim of cyber-attacks. ”

What are the biggest challenges you face with your company's use of technology? (Check all that apply)

| | 2013 | 2010 |
|--|------|------|
| Cost of needed upgrades to technology | 44% | 51% |
| Security issues | 42% | 52% |
| Time it takes to fix problems | 41% | 37% |
| Cost of maintaining technology | 36% | 49% |
| Breaks in service | 30% | 31% |
| Lack of expertise | 26% | 26% |
| Response time from external technology support company | 18% | 13% |
| Location of my business (I am in a very rural area) | 9% | n/a |
| Other | 7% | |

What are the biggest challenges you face with your website? (Check all that apply)

| | |
|--|-----|
| Time it takes to make updates | 64% |
| Cost of maintaining the site | 26% |
| Finding a reliable website professional | 21% |
| Keeping up with and protecting name/brand from growing list of domains (e.g.: .net, .app, .biz, .us, etc...) | 20% |
| Security issues | 15% |
| Response time from external Web maintenance company | 9% |
| Other | 14% |

CYBERSECURITY



How important a concern is cybersecurity for your business?



VERY
59%



SOMEWHAT
35%



NOT AT ALL
6%

How would you rate your level of understanding in cybersecurity issues and handling the online security of your business?

| | |
|----------------------------|-----|
| High understanding | 21% |
| Moderate understand | 52% |
| Low understanding | 25% |
| I do not understand at all | 2% |

Who is primarily responsible for handling your online security?



I do it myself

39%



A member of my staff handles it

33%



I pay an outside company to handle it

21%



Nobody

6%

Other

2%

The overwhelming majority of small-businesses are concerned with the security of their IT and online properties, and, while the majority said they have a high to moderate understanding of cybersecurity issues, one in four said they have little to no understanding of the issue whatsoever. Underscoring the challenges facing small businesses, the majority say they handle cybersecurity issues internally while more than one in three small-business owners are the person primarily responsible for cybersecurity.

Perhaps the most important statistic gleaned from this section is the fact that nearly half of small businesses report having been the victim of a cyber-attack. These attacks result in significant losses of time and service interruptions, and typically cost these firms thousands of dollars.

Given this high level of concern, coupled with the time and financial drain cyber-attacks pose for small firms, it is no wonder the majority would support legislation strengthening the penalties for those convicted of online theft.

How concerned are you that your business could be vulnerable to a cyber-attack?



VERY
30%



SOMEWHAT
60%



NOT AT ALL
11%

With regard to the security of your business, how important do you think it is to ensure that your information and computer systems are adequately protected?



VERY
78%



SOMEWHAT
20%

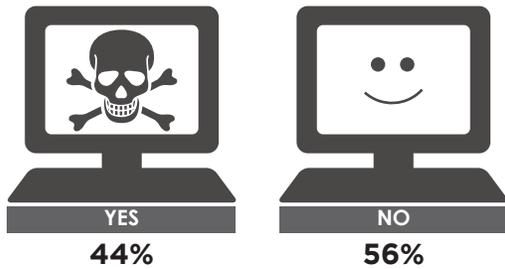


NOT AT ALL
2%

“94 percent of small firms say they are very or somewhat concerned about cybersecurity, and 1 in 4 small firms have little to no understanding of cybersecurity issues whatsoever.”

CYBERSECURITY

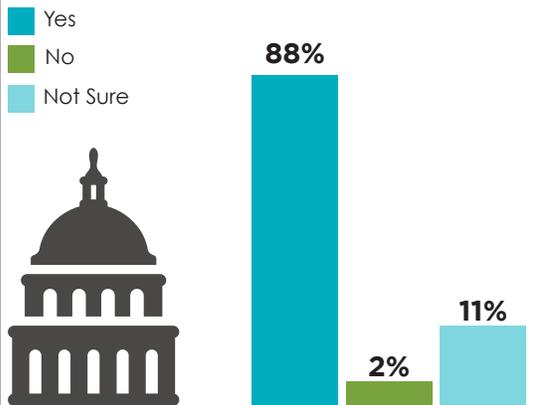
Has your business ever been the victim of a cyber-attack (i.e. computer virus, malware/spyware, banking trojan, etc.)?



How did this cyber-attack impact your business? (check all that apply)

| | |
|---|-----|
| I incurred a service interruption | 59% |
| Information was falsely sent from my domains or email addresses | 35% |
| My website was down | 19% |
| Other | 19% |
| Sensitive information and data was stolen | 5% |
| The attack enabled hackers to access my business banking account(s) | 3% |

Would you support legislation that strengthens the criminal penalties for those who are convicted of online stealing (i.e. customer information, intellectual property, banking information, etc...)?



“Exacerbating the cybersecurity issue for small firms is the fact that business checking accounts are NOT protected when it comes to online hacking, unlike consumer accounts. The majority of small firms, 75 percent aren’t even aware of this.”

“The average cost associated with the cyber-attack, among those targeted, was \$8,699.48. Among those whose banking accounts were hacked, the average losses were \$6,927.50.”

Among those who were the victim of a cyber-attack, how long did it take you to resolve the issue?



| | |
|---------------------|-----|
| Less than 1 day | 38% |
| Between 1 – 3 days | 40% |
| Between 3 – 7 days | 11% |
| More than a week | 7% |
| More than two weeks | 5% |

DATA STORAGE AND CUSTOMER NOTIFICATION

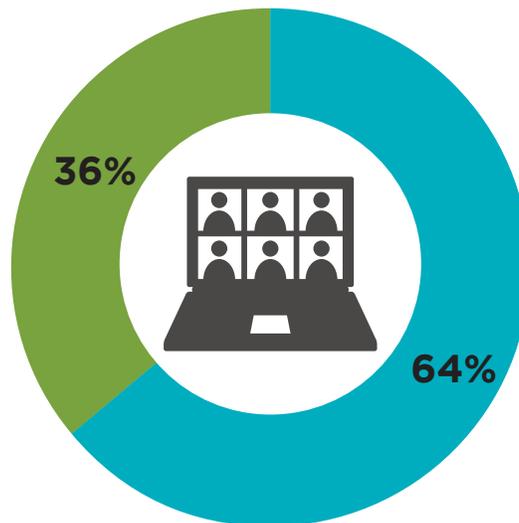
The majority of small firms do collect customer information for their own, internal purposes and contact those customers from time to time on company-related items. Additionally, the majority do obtain prior consent to collect this information. It is worth noting, with the increasing complexity of data-mining and the legal issues that accompany such operations, just one percent of small firms share or sell their customer's information with outside parties.

Please indicate which of the following actions you take with your customers' information. (check all that apply)

| | |
|---|-----|
| I collect it | 40% |
| I maintain a customer database | 61% |
| I contact my customers from time to time (via phone, email or mail) | 60% |
| I share some or all of my customer database with outside companies or individuals | 1% |
| I sell some or all of my customer database with outside companies or individuals | 0% |
| I do not collect any customer information | 24% |

Do you currently obtain prior approval from customers before collecting, storing, using, or disclosing their personal data and information?

■ Yes ■ No



“Less than 1 percent of small businesses share or sell their customer's information with outside parties.”

INNOVATION AND INTELLECTUAL PROPERTY

Innovation and intellectual property is a growing issue for small business. In fact, small, innovative firms produce 16 times more patents per employee than large patenting firms, according to the U.S. Small Business Administration Office of Advocacy.

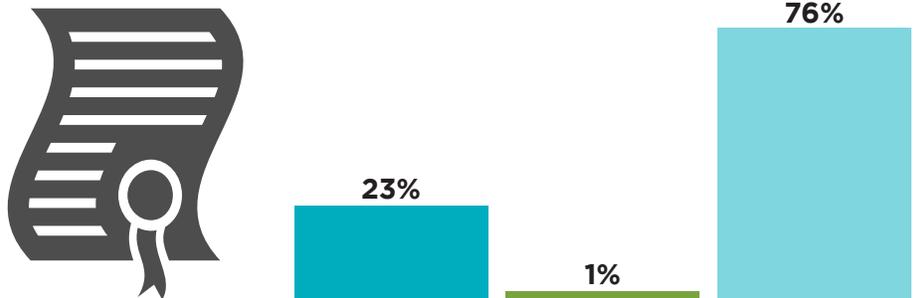
This survey found that one in four small firms report owning a patent, and the majority of those developed the technology themselves rather than purchasing the patent. Unfortunately, among those impacted by the new patent reform law, the America Invents Act, the overwhelming majority say it has had a negative impact on their business.

Ownership of these patents is an important piece of any patenting firm's strategy. Four in 10 small firms report selling or licensing a patented technology and one in 10 report having been threatened with a lawsuit or sued for patent infringement.

“Among those who were the subject of a patent dispute, just 13 percent said they took the case to court and won and 27 percent were forced to settle due to the costs of moving forward.”

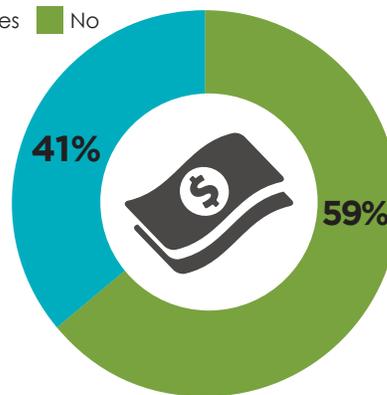
If you hold any patents, did you purchase them or develop them?

■ Develop ■ Purchase ■ I don't hold any patents



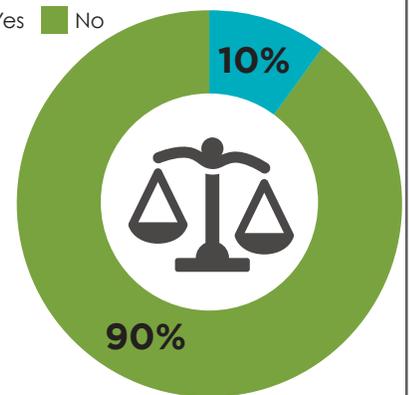
Have you ever sold or licensed patented technology that you developed?

■ Yes ■ No



Have you ever been threatened with a lawsuit or sued for patent infringement?

■ Yes ■ No



Among those threatened with a patent lawsuit, who were you threatened or sued by regarding patent infringement? (Check all that apply)



| | |
|-------------------------|-----|
| Individual inventor | 53% |
| Large corporation | 40% |
| Patent assertion entity | 20% |
| Other | 7% |

*The majority of "other" responses were: case was dropped prior to moving forward in court.

“While the threat of suit has faced 10 percent of small firms, the overwhelming majority report no such issue.”

METHODOLOGY

The 2013 Small Business Technology Survey was conducted on-line August 14 - 23, 2013 among 845 small-business owners—both members and nonmembers of NSBA—representing every industry in every state in the nation. While the survey was sent to a larger sample set than a similar survey conducted by NSBA in 2010, the demographics were largely in-line with the previous sample sets. It is worth mentioning that the respondents to this survey represented a slightly smaller average size business and a slightly heavier concentration of businesses in the sciences/technical services and IT industries, however, the trending data provided is largely unaffected by these minor shifts, resulting in valid trending data.

