



National Small Business Poll

NEIB National

Volume 3, Issue 8
2003

Small Business Poll

Competition

NFIB National Small Business Poll

The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small-business employers. Eight reports are produced annually with the initial volume published in 2001. The *Poll* is designed to address small-business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

Current individual reports are publicly accessible on the NFIB Web site (www.nfib.com/research) without charge. Published (printed) reports can be obtained at \$15 per copy or by subscription (\$100 annually) by writing the *National Small Business Poll*, NFIB Research Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004. The micro-data and supporting documentation are also available for those wishing to conduct further analysis. Academic researchers using these data for public informational purposes, e.g., published articles or public presentations, and NFIB members can obtain them for \$20 per set. The charge for others is \$1,000 per set. It must be emphasized that these data sets do NOT contain information that reveals the identity of any respondent. Custom cross-tabulations will be conducted at cost only for NFIB members on a time available basis. Individuals wishing to obtain a data set(s) should write the *Poll* at the above address identifying the prospective use of the set and the specific set desired.

NFIB National
Small Business
Poll



Competition

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National Small Business Poll



Competition

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Executive Summary

- Small-business owners believe that they operate in highly competitive climates and that these climates are becoming increasingly competitive. Fifty-three (53) percent describe their current competitive climate as highly competitive. Twenty-eight (28) percent believe that it is competitive. Sixty-one (61) percent assess the current climate as much more or more competitive than it was just three years ago.
- Small businesses typically compete against a mix of large and small firms (57%). Twenty-eight (28) percent of small employers say that they compete principally against other small organizations and 13 percent say they compete principally against large ones.
- The location of most competition for small businesses is local. Forty-nine (49) percent of owners say that their principal competition is located within 10 miles of their business. Another 26 percent report it is located within 100 miles. Only 4 percent indicate that their greatest source of competition originates outside the United States.
- Large chains or box stores and foreign businesses can constitute competitive threats to smaller firms. Twelve (12) percent of small-business owners indicate that a box store or a large chain store is a significant competitor, though another 13 percent say that they are a marginal competitor. Meanwhile, 8 percent report that businesses outside the United States are significant competitors and 9 percent more say that they are marginal competitors. When given the opportunity, few small-business owners complain that either competes illegally or unethically.
- Governments and non-profit organizations such as universities, hospitals, and trade associations, also engage in commercial activities and potentially deprive small-business owners of customers and sales. Two percent report that government is a substantial competitor while 4 percent claim it is a marginal competitor. Two percent also report a significant competitive impact from non-profit organizations and another 6 percent claim a marginal impact.
- One in five (21%) small-business owners believes that a major competitor is competing illegally or unethically against him. The most frequent offending behavior is competitors not following the rules. For example, 8 percent of the 21 percent or about 2 percent of the population allege that a major competitor is violating copyright laws. A less frequent problem appears to involve unseemly, but amorphous behavior such as bad-mouthing another's firm. Virtually no one alleges such traditional anti-competitive practices as monopoly, price fixing, etc.
- Two ways of competing dominate small-business owner strategies. The first is highest possible quality and the second is better service. Over 80 percent insist that each is a major portion of the way that they attempt to compete.
- Less common ways of competing than quality and service are in order: minimal overhead, maximum use of technology, targeting missed or poorly served customers, more choices and selection, unique marketing, lower prices, expansion or growth, a superior location, new or previously unavailable goods and services, alliances or cooperation with another firm or firms, and franchising.

Competition

Free and open competition among providers of goods and/or services in order to satisfy the wishes of consumers is the basis of the American economic system. To survive, let alone prosper, in this environment a provider must offer more appealing goods and/or services than other providers, not in every instance but in enough instances to generate adequate profit for the owner. Small-businessmen and women understand this imperative when they establish their firms, or they learn it very quickly thereafter. Because the system is open, many people and institutions try to enter. Small-business owners, therefore, find themselves in an environment that not only includes many similar entities, but government-sized private enterprises, governments, public-private structures, and organizations of all types and sizes in between. In this milieu, the individual business owner must find a place. To do so, the owner must focus resources and explicitly or implicitly develop a strategy to give his enterprise a competitive advantage over others. The competitive climate, competitors, and most importantly customers help shape a successful strategy. Government helps also by setting the basic competitive rules. Due to the critical importance of competition in every small firm's survival and growth, this issue of the *National Small Business Poll* addresses competition, including the competitive climate, the competitors, and the competitive strategies that small-business owners pursue.

The Competitive Climate

Small-business owners believe that they operate in highly competitive climates and that their climates are becoming increasingly competitive. Fifty-three (53) percent describe their competitive climate as highly competitive (Q#1). The larger the business, the more likely its owner is to characterize the climate in that manner. In fact, 70 percent of those with firms employing 20 or more people call their competitive climates highly competitive.

Twenty-eight (28) percent believe their climate is competitive, the second highest level on the five point competitive continuum. Another 14 percent report they

are in somewhat competitive climates, but few indicate that they face modest or minimal competition. Just 6 percent place themselves in one of the two least competitive categories.

Over the last three years, or since entry if they have been in business less than three years, competition has become more intense. Sixty-one (61) percent assess the current climate as much more or more competitive (Q#2). One in three (33%) notice no change in the last three years. Just 4 percent believe that competition is declining.

The economic downturn that occurred in the early 2000s likely contributed to the

increase in competition. The downturn effectively means that the same number of competitors, at least during the outset of problems, chased fewer sales opportunities. The result was greater competition. Still, the large proportion who believe that competition is increasing reflect the nation's increased productivity. More being produced with less puts competitive pressures on all competitors, particularly the least efficient.

The Competition

Small-business owners typically compete either against a small group of other firms (43%) or a large number (49%) of them (Q#3). In only 6 percent of cases do owners characterize their principal competition as a single firm. Owners of larger, small businesses more often report competing with a small number of firms while owners of smaller, small firms more often report competing with lots of firms. The difference appears to be an industry phenomenon, though it could also represent a more sophisticated market analysis by the former.

The principal competition tends not to be concentrated in a particular size of firm. Small businesses typically compete against other small firms and large ones as well. Sixty-one (61) percent of those who report more than a single principal competitor indicate that their principal competition is a mixture of large and small organizations (Q#5). Meanwhile, 28 percent say that they compete primarily with small organizations and 11 percent with large ones. An insufficient number of cases does not allow a similar assessment for those competing primarily against a single entity (Q#5a).

Small employers on balance report that the number of competitors is increasing. While 47 percent, a plurality, say that the number of their principal competitors has not changed in the last three years, 26 percentage points more believe the number has increased than believe it has decreased (Q#4). The count of employing businesses appears to have been reasonably stable over the last few years, though the number of free lancers and part-time operations seems to have grown. (Current data are not available). Stable numbers suggest that operating firms have broadened their offerings and have moved into new markets. That development is consistent with the economic

slowdown, greater productivity, and the perception of more competitors.

The greatest source of competition for half of all small businesses is local. Forty-nine (49) percent of owners say that their primary competition is located within 10 miles of their business (Q#6). Another 26 percent report it located within 100 miles. Only 4 percent indicate that their greatest source of competition comes from outside the United States. Industry patterns are typically important in this regard. Most retail, service and construction business owners find their principal competition local. Those involving larger scale economies are more likely to find it farther from home.

Competition Issues

Though comparatively few believe that their greatest competition comes from outside the country, many business owners and political leaders now express concern over foreign competition. Eight percent, twice the number who report that competitors outside the United States are their primary competition say that businesses outside the United States are significant competitors (Q#11). Another 9 percent indicate that foreign firms are marginal competitors. Small-business owners find themselves in an increasingly economically interlocked world and the impact of non-American competitors is a further example. However, as will be seen later, virtually no one complained about foreign competition being illegal or unethical.

Much has been made of the Wal-Mart phenomenon and the resulting loss of local small businesses. The data leave little doubt of an impact. Twelve (12) percent of small-business owners report that a box store or a large chain store is a significant competitor (Q#7). Another 13 percent say that it is a marginal competitor. Thus, about one in four feels the effects of competition with these large organizations, and one in eight feels its effect substantially.

State budget problems have recently propelled to the fore discussion of taxing Internet and out-of-state mail order (catalogue) sales. One of the arguments in favor is that failure to tax these sales discriminates against firms that sell in traditional ways and whose retail sales are taxed. Nine percent of small-business owners report that

an Internet Web site or a mail order house is a significant competitor and another 16 percent say one is a marginal competitor (Q#8). That amounts to one in four enterprises. The figures are remarkably high given that just one percent of retail sales are made over the Internet. However, much publicity has been generated about the issue and there is no doubt the trend is sharply higher. Catalogue sales are about twice as large. However, the businesses that make them often now pay sales taxes on their catalogue sales because they have locations in many states. The data do not allow differentiating the impacts of Internet and catalogue sales.

Government or public agencies can, and sometimes do, compete against tax-paying small businesses. An example is the old Federal atomic energy labs that are trying to commercialize government-generated technology. Less esoteric are prison industries that have done things like building and selling desks. Two percent of small employers believe that these types of activities represent significant competition for them (Q#9). Four percent more say that government is marginal competition. The total, 6 percent, is a relatively small number. However, it is important to note that these numbers do not reflect opportunity costs that are almost impossible for those outside government to identify.

Non-profit organizations, such as universities, hospitals, and trade associations, attempt to augment their income from various fund-raising activities by engaging in commercial enterprise. While these non-profits may have a tax-paying arm, the tax-paying arm benefits from such things as membership lists accumulated and paid for by the non-profit. The result has been concern that these organizations enjoy competitive advantages. However, just 2 percent report a significant competitive impact from these organizations (Q#10). Another 6 percent claim a marginal impact.

Illegal or Unethical Competition

One in five (21%) small-business owners believe that a major competitor is competing illegally or unethically against them (Q#12). Owners of larger, small firms are modestly more inclined to believe that such competition is occurring than owners of smaller, small firms.

The important question is what is being done illegally or unethically. The survey asked small-businessmen and women to describe the offending behavior. The most frequent general answer is that competitors aren't doing what "I am required to do" (and presumably do). For example, 8 percent of the 21 percent or about 2 percent of the total population allege that a major competitor is violating copyright laws (Q#12a). Another 6 percent or 1 percent of the total say that a major competitor is not licensed. Two owners mention competitors hiring illegal aliens. In effect, they complain that competitors are skirting the law.

A second, less frequent group involves acts that constitute inappropriate behavior. Many of these require judgment or first-hand knowledge to determine their propriety or lack thereof. For example, 5 percent of the 21 percent who say a major competitor competes illegally or unethically (1 percent of the total population) complain that the competitor is bad-mouthing them. Half again as many charge that a competitor is advertising falsely or misrepresenting his/her products or services. One charges that a competitor went to the state legislature and got a law changed to allow the competitor to compete against him/her. Another offending competitor did not have a business address because he worked out of the house.

The charges that are conspicuously absent are those involving illegal or unethical behavior created by scale economies or market power and foreign competition. Six percent, or just over 1 percent of the population, did report that competitors were undercutting their prices and/or selling for less than cost. One owner mentions price fixing and another monopolizing the market. Virtually no one mentions unfair foreign competition. Thus, while small employers often find themselves competing vigorously against large and non-American firms, they appear to accept it as a legal part of the competitive process and deal with it.

Competing

Small-business owners respond to their competitors and competitive challenges by employing a series of tactics or strategies (explicitly or implicitly). The idea is to marshal the firm's limited resources and focus

them into competitive thrusts that will achieve a competitive advantage. The survey asked owners to evaluate 13 potential ways of competing on a scale of 1 - 9 with the former meaning that it is not part of the strategy and the latter meaning that it is the strategy (Q#11).

Two ways of competing dominate small-business owner strategies. No other strategy is remotely as important to small business as a group. The first is highest possible quality and the second is better service. Eighty-seven (87) percent assign one of the top three scores on the nine-point scale to the highest possible quality (Q#11I). Its average score is 7.99.

The second of the two dominate ways of competing is better service. Eighty-three (83) percent provide it one of the three highest scores (Q#11E). Its average score is 7.72, just marginally behind highest possible quality.

The highest possible quality and better service strategies appear to complement one another. Combined they also offer a focus that allows small firms to compete against large ones, particularly in service. Economies of scale (and scope) favorably impact these strategy thrusts much less than strategies like lower prices. They may even be negatively related. Quality and service can also allow the owner to visibly focus on the customer, translating the owner's passion for the business into customer satisfaction.

Minimal overhead is the third highest ranked strategy. Fifty-one (51) percent assign one of the three highest scores to that way of competing (Q#11F). The strategy's average score is 6.07. Use of this strategy varies notably by firm size. Those employing fewer than 10 people are 17 percentage points more likely to provide it a high rank than are those employing 20 or more. The cause of the difference could be a resource gap as much as a conscious effort. Still minimal overhead should not be confused with cheap or shabby. The owners of the smallest may find it opportune to minimize overhead, for example, by operating their business out of the home.

There is concern that small-business owners struggle to compete because they do not take full advantage of the latest technologies. That may be true, but it is not because they fail to recognize the importance

of technology. Forty-nine (49) percent assign the maximum use of technology one of their three highest scores (Q#11D). The strategy averages 5.94 which makes it one of the more important competitive thrusts adopted by small employers. Thus, if there is a failure by small-business owners to have the latest technology, it is not because they do not think it important.

The small-business owner population clusters the following three strategies: targeting missed and poorly served customers (niche marketing) averages 5.43 on the 1 - 9 scale (Q#11H). More choices and selection averages 5.36 (Q#11B) and unique marketing averages 5.25 (Q#11L). The three fall in the middle of the strategies evaluated as they appear used by some and ignored by others.

Another cluster of strategies fall just below. Lower prices, often a graveyard for small businesses, heads the group. The strategy averages 4.92 (Q#11A) with approximately one-third placing lower prices in the most important third of their strategy, one-third in the middle and one-third on the lower end. Lower prices is a difficult strategy for small firms, particularly when competing against large firms that possess scale economy advantages.

Expansion or growth as a strategy is one of the least frequently used. While 19 percent say that they expect to grow significantly in the coming three years and 14 percent more say that they expect to grow quite a bit (Q#12), most do not seem to think of growth as a means of competing; instead they seem to consider it a result of competing. Thirty (30) percent rate the strategy among the highest three scores and its average is 4.84 (Q#11M). Owners of larger small businesses are considerably more inclined to give the strategy a high ranking, at least in comparison to others. A superior location is the third strategy in this group of similarly ranked strategies. Small-business owners give it an average of 4.82 (Q#11K).

Most businesses are imitative. They pattern themselves after other operating businesses even when they try to do something better than their established competitors. Therefore, it is no surprise that the new or previously unavailable goods or services strategy stimulates so little interest. It averages only 4.70 on the 1 - 9 scale (Q#11J).

Owners recognize that little is new in most markets. To rely on newness therefore requires highly original, and unusual, activity. Few, on a percentage basis, are directly involved in product innovation.

Alliances or cooperation with another firm or firms does not often fit into the competitive strategy of small businesses. Its average is 4.55 and 42 percent rate the strategy as in the lower one-third of the 1 - 9 scale (Q#11G). The lack of familiarity may explain why alliances are not used more often. Small-business owners constantly focus on competition. So, the idea of cooperating is alien – other than as a neighborhood or community promotional activity – and involves relinquishing bits of prized decision-making independence.

Franchising is the least frequently used strategy, though it is arguably a subset of alliances. Eleven (11) percent evaluate the franchise strategy in the highest one-third of scores while 71 percent evaluate it in the lowest one-third (Q#11C). Many are under the impression that businesses either are franchised or they are not. That is not true. There are shades, such as the independent auto repair shop that also has a U-Haul franchise. Still, while the franchising competitive strategy describes some firms well, it is irrelevant to most small businesses.

Final Comments

Small business obviously does not just operate in remote corners of the American economy. It goes head-to-head with large organizations, small organizations, and all sizes in between in a highly competitive environment. It also competes against non-profit organizations and government, though the number of owners who say either of the two is a significant competitor is not large. Despite its many disadvantages, the greatest of which is economies of scale, small business still wins a substantial number of customers.

Small-business owners experience and seem to accept the idea of vigorous competition even when they do not like it or find it to their advantage. Complaints about illegal or unethical competitors appear, though rarely on competition or competitive behavior per se. Rather, they focus on competitors cutting corners. The lack of specific complaints in the survey, though doubtfully

concern, about large chains and non-American competitors is surprising and not totally consistent with anecdotal information.

Smaller enterprises win customers by providing the highest possible quality and better service. At least, their owners focus on trying to do those things. While most small-businessmen and women give far more attention to quality and service in their business strategy than other elements, all do not compete in the identical way. A large number incorporate a policy of low overhead. An encouragingly large number maximize the use of technology. The list goes on. But whatever the owners' individual ways of competing, small businesses as a group are vigorous competitors and do much to ensure that other sectors of the economy are competing as well.

Competition

(Please review notes at the table's end.)

Employee Size of Firm
1-9 emp 10-19 emp 20-249 emp All Firms

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. How would you describe the competitive climate in which your business operates? Is it:?				
1. Highly competitive	48.8%	56.0%	70.1%	52.7%
2. Competitive	29.1	26.2	20.8	27.9
3. Somewhat competitive	15.1	7.8	38.2	14.4
4. Not too competitive	3.5	1.2	—	2.9
5. Not competitive	3.5	1.2	1.3	3.1
6. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
2. Over the last three years, has the competitive climate grown? (If not in business three years, "Since you have been in business...?")				
1. Much more competitive	23.4%	22.6%	25.6%	23.5%
2. More competitive	36.2	41.7	47.4	37.9
3. No real change	34.9	29.8	24.4	33.3
4. Less competitive	3.5	4.8	2.6	3.6
5. Much less competitive	0.3	—	—	0.3
6. (DK/Refuse)	1.6	1.2	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
3. How would you describe your PRINCIPAL competition? Is it:?				
1. One major competitor	6.6%	4.7%	6.5%	6.3%
2. A small number of competitors	40.8	48.8	51.9	42.8
3. Lots of competitors	50.6	44.2	41.6	49.0
4. (DK/Refuse)	2.1	2.4	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
4. Over the last three years, has the number of principal competitors:?				
1. Increased	38.1%	42.4%	41.0%	38.9%
2. Decreased	13.1	12.9	14.1	13.2
3. Stayed about the same	47.8	44.7	44.9	47.1
4. (DK/Refused)	1.0	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
5. Does your primary competition consist primarily of? (If a small number or lots of competitors in Q#3.)				
1. Large organizations	9.8%	15.0%	11.1%	10.5%
2. Small organizations	29.2	26.3	18.1	27.8
3. A mix of large and small organizations	60.5	58.8	70.8	61.4
4. (DK/Refused)	0.4	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	331	190	187	708
5a. Is your primary competitor a large organization or a small organization? (If one competitor in Q#3).				
1. Large organization	—%	—%	—%	—%
2. Small organization	—	—	—	—
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	23	10	13	46
6. Is your primary competition located:?				
1. Within 10 miles of your business	51.0%	41.7%	44.7%	49.4%
2. Within 100 miles of it	24.2	33.3	27.6	25.5
3. Within 500 miles of it	4.2	6.0	6.6	4.6
4. Across the country	15.2	15.5	15.8	15.3
5. Outside the United States	3.8	2.4	3.9	3.7
6. (DK/Refuse)	1.6	1.2	1.3	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
7. Is a box store or a large chain store:?				
1. A significant competitor	10.8%	14.3%	15.4%	11.6%
2. A marginal competitor	14.0	10.7	11.5	13.4
3. Not a competitor	73.5	75.0	71.8	73.5
4. (DK/Refuse)	1.7	—	1.3	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

Employee Size of Firm

	1-9 emp	10-19 emp	20-249 emp	All Firms
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8. Is an Internet Web site or a mail order house:?

1. A significant competitor	9.5%	9.5%	6.4%	9.2%
2. A marginal competitor	17.0	13.1	15.4	16.4
3. Not a competitor	72.4	76.2	78.2	73.4
4. (DK/Refuse)	1.2	1.2	—	1.0
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

9. Is the government or a government agency:?

1. A significant competitor	1.9%	2.4%	3.8%	2.2%
2. A marginal competitor	4.3	3.6	5.1	4.3
3. Not a competitor	93.3	94.0	91.1	93.1
4. (DK/Refuse)	0.5	—	—	0.4
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

10. Is a non-profit organization such as a university, hospital, or the YMCA:?

1. A significant competitor	1.6%	2.4%	2.6%	1.8%
2. A marginal competitor	6.4	4.8	7.8	6.4
3. Not a competitor	92.0	92.9	89.6	91.9
4. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

11. Are businesses outside the United States:?

1. A significant competitor	7.7%	7.1%	10.3%	7.9%
2. A marginal competitor	8.8	10.6	9.0	9.0
3. Not a competitor	83.2	81.2	80.8	82.7
4. (DK/Refuse)	0.3	1.2	—	0.4
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

12. Do you believe an important competitor is competing illegally or unethically against you?

1. Yes	20.4%	21.2%	24.7%	20.9%
2. No	77.9	76.5	74.0	77.4
3. (DK/Refuse)	1.8	2.4	1.3	1.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

12a. What is the competitor doing illegally or unethically? (If “Yes” in Q#12.)

1. False advertising/ misrepresenting products/services	7.2%	—%	—%	7.7%
2. Bad-mouthing my business	5.6	—	—	5.1
3. Not licensed	5.6	—	—	5.8
4. Undercutting prices/ selling for less than cost	5.6	—	—	6.4
5. Violating copyright	8.8	—	—	7.1
6. Tax fraud	7.2	—	—	5.8
7. Don't follow laws/ regulations (general)	12.0	—	—	11.5
8. Don't follow laws/ regulations (specific)	8.0	—	—	8.3
9. Other	35.2	—	—	37.8
10. (DK/Refuse)	4.8	—	—	4.5
Total	100.0%	100.0%	100.0%	100.0%
N	73	39	49	161

13. Business owners try to compete using different tactics or strategies. On a scale of 1 to 9 with 1 meaning it plays no part in your competitive strategy and 9 meaning it is your entire competitive strategy, how are you trying to compete? Are you trying to use:?

A. Lower prices

1. 9-7 (Significant portion)	36.2%	22.9%	32.9%	34.4%
2. 6-4	29.1	34.9	39.5	30.7
3. 3-1 (Non-significant portion)	32.5	42.2	27.6	33.0
4. (DK/Refuse)	2.3	—	—	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	4.95	4.42	5.15	4.92

B. More choices and selection

1. 9-7 (Significant portion)	38.8%	41.7%	42.3%	39.4%
2. 6-4	28.7	29.8	37.2	29.6
3. 3-1 (Non-significant portion)	29.0	25.0	19.2	27.6
4. (DK/Refuse)	3.5	3.6	1.3	3.3
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	5.28	5.52	5.83	5.36

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

C. Franchised goods or services

1. 9-7 (Significant portion)	11.4%	10.8%	11.8%	11.4%
2. 6-4	12.0	14.5	15.8	12.6
3. 3-1 (Non-significant portion)	71.5	69.9	72.4	71.4
4. (DK/Refuse)	5.1	4.8	—	4.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	2.53	2.66	2.70	2.57

D. Maximum use of technology

1. 9-7 (Significant portion)	47.6%	52.9%	51.3%	48.5%
2. 6-4	29.9	25.9	34.6	29.9
3. 3-1 (Non-significant portion)	21.1	21.2	14.1	20.4
4. (DK/Refuse)	1.4	—	—	1.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	5.89	6.10	6.20	5.94

E. Better service

1. 9-7 (Significant portion)	82.4%	89.2%	85.9%	83.4%
2. 6-4	7.5	7.2	9.0	7.6
3. 3-1 (Non-significant portion)	9.1	3.6	5.1	8.2
4. (DK/Refuse)	1.0	—	—	0.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	7.67	8.02	7.81	7.72

F. Minimal overhead

1. 9-7 (Significant portion)	53.6%	44.0%	36.8%	51.0%
2. 6-4	28.3	36.9	42.1	30.5
3. 3-1 (Non-significant portion)	16.7	19.0	21.1	17.4
4. (DK/Refuse)	1.4	—	—	1.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	6.18	5.78	5.57	6.07

G. Alliances or cooperation with another firm or firms

1. 9-7 (Significant portion)	33.0%	28.2%	31.2%	32.3%
2. 6-4	24.1	24.7	26.0	24.4
3. 3-1 (Non-significant portion)	41.6	44.7	42.9	42.1
4. (DK/Refuse)	1.3	2.4	—	1.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	4.57	4.42	4.52	4.55

H. Targeting missed or poorly served customers

1. 9-7 (Significant portion)	39.1%	38.1%	46.2%	39.7%
2. 6-4	32.1	32.1	32.1	32.1
3. 3-1 (Non-significant portion)	25.5	27.4	20.5	25.2
4. (DK/Refuse)	3.4	2.4	1.3	3.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	5.38	5.47	5.80	5.43

I. Highest possible quality

1. 9-7 (Significant portion)	85.9%	88.2%	87.3%	86.3%
2. 6-4	8.3	7.1	7.6	8.1
3. 3-1 (Non-significant portion)	4.8	3.5	5.1	4.7
4. (DK/Refuse)	1.0	1.2	—	0.9
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	7.97	8.10	7.95	7.99

J. New or previously unavailable goods or services

1. 9-7 (Significant portion)	30.1%	30.6%	32.1%	30.4%
2. 6-4	30.3	27.1	30.8	30.0
3. 3-1 (Non-significant portion)	33.8	38.8	34.6	34.4
4. (DK/Refuse)	5.8	3.5	2.6	5.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	4.72	4.56	4.76	4.70

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

K. A superior location

1. 9-7 (Significant portion)	36.2%	33.7%	33.3%	35.7%
2. 6-4	22.1	30.1	23.1	23.1
3. 3-1 (Non-significant portion)	38.3	36.1	41.0	38.3
4. (DK/Refuse)	3.4	—	2.6	2.9
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	4.84	4.84	4.69	4.82

L. Unique marketing

1. 9-7 (Significant portion)	37.5%	37.6%	39.7%	37.7%
2. 6-4	30.6	31.8	34.6	31.1
3. 3-1 (Non-significant portion)	29.3	29.4	25.6	29.0
4. (DK/Refuse)	2.6	1.2	—	2.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	5.24	5.20	5.41	5.25

M. Expansion or growth

1. 9-7 (Significant portion)	27.6%	33.3%	41.6%	29.6%
2. 6-4	35.9	40.5	35.1	36.3
3. 3-1 (Non-significant portion)	34.6	26.2	23.4	32.6
4. (DK/Refuse)	1.9	—	—	1.5
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754
Ave.	4.71	5.22	5.48	4.84

12. Over the next three years, do you expect this business to:?

1. Grow significantly	18.0%	22.4%	20.5%	18.7%
2. Grow quite a bit	14.1	14.1	12.8	14.0
3. Grow some	41.7	43.5	50.0	42.7
4. Stay about the same	20.2	17.6	11.5	19.1
5. Get smaller	5.5	2.4	5.1	5.1
6. (DK/Refuse)	0.5	—	—	0.4
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

Demographics

D1. Which best describes your position in the business?

1. Owner/manager	84.3%	75.3%	76.6%	82.6%
2. Owner but NOT manager	5.4	9.4	7.8	6.1
3. Manager but NOT owner	10.3	15.3	15.6	11.3
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D2. Is your primary business activity: (NAICs code)

1. Agriculture, forestry, fishing	4.2%	2.4%	1.3%	3.7%
2. Construction	9.1	11.8	7.8	9.3
3. Manufacturing, mining	7.2	9.4	14.3	8.2
4. Wholesale trade	4.5	8.2	7.8	5.2
5. Retail trade	18.6	17.6	16.9	18.3
6. Transportation and warehousing	1.8	3.5	2.6	2.0
7. Information	1.9	3.5	2.6	2.2
8. Finance and insurance	4.5	1.2	5.2	4.2
9. Real estate and rental leasing	5.0	2.4	1.3	4.3
10. Professional/scientific/ technical services	17.4	16.5	6.5	16.3
11. Adm. support/waste management services	1.6	1.2	2.6	1.7
12. Educational services	1.0	1.2	—	0.9
13. Health care and social assistance	3.5	4.7	5.2	3.8
14. Arts, entertainment, or recreation	2.2	2.4	2.6	2.3
15. Accommodations or food service	4.0	7.1	14.3	5.3
16. Other service, incl. repair, personal care	12.6	5.9	6.5	11.3
17. (Other)	0.5	1.2	1.3	0.6
18. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D3. Over the last two years, have your real volume sales?:

1. Increased by 30 percent or more	13.1%	16.5%	12.7%	13.5%
2. Increased by 20 to 29 percent	13.6	14.1	10.1	13.3
3. Increased by 10 to 19 percent	26.3	25.9	31.6	26.8
4. Changed less than 10 percent one way or the other	24.4	24.7	25.3	24.5
5. Decreased by 10 percent or more	18.6	15.3	17.7	18.1
6. (DK/Refuse)	4.0	3.6	2.6	3.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	27.0%	11.9%	2.6%	23.0%
2. No	71.7	88.1	97.4	76.0
3. (DK/Refuse)	1.3	—	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D5. How long have you owned or operated this business?

1. < 6 years	22.3%	22.6%	16.5%	21.7%
2. 6-10 years	26.8	15.5	17.7	24.7
3. 11-20 years	27.5	22.6	27.8	27.0
4. 21-30 years	13.4	23.8	15.2	14.7
5. 31 years+	9.4	14.3	21.5	11.1
6. (DK/Refuse)	0.6	1.2	1.3	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D6. What is your highest level of formal education?

1. Did not complete high school	1.8%	2.4%	1.3%	1.8%
2. High school diploma/GED	16.3	20.2	16.7	16.8
3. Some college or an associates degree	25.3	17.9	14.1	23.4
4. Vocational or technical school degree	4.3	3.6	2.6	4.1
5. College diploma	32.7	41.7	47.4	35.1
6. Advanced or professional degree	18.3	14.3	17.9	17.8
7. (DK/Refuse)	1.3	—	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D7. Please tell me your age.

1. <25	0.8%	1.2%	—%	0.8%
2. 25-34	6.3	7.1	7.7	6.5
3. 35-44	21.3	19.0	16.7	20.6
4. 45-54	37.5	31.0	39.7	37.0
5. 55-64	20.5	29.8	21.8	21.6
6. 65+	11.4	10.7	11.5	11.3
7. (DK/Refuse)	2.2	1.2	2.6	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D8. What is the zip code of your business?

1. East (zips 010-219)	9.6%	11.8%	12.8%	10.2%
2. South (zips 220-427)	17.0	18.8	17.9	17.3
3. Mid-West (zips 430-567, 600-658)	24.5	25.9	17.9	24.0
4. Central (zips 570-599, 660-898)	25.2	28.2	33.3	26.3
5. West (zips 900-999)	21.8	14.1	16.7	20.5
6. (DK/Refuse)	1.9	1.2	1.3	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D9. Population Density (derived from the zip code)

1. Highly Urban	13.1%	9.5%	15.4%	13.0%
2. Urban	17.3	19.0	19.2	17.7
3. Fringe Urban	18.3	22.6	20.5	19.0
4. Small Cities/Towns	21.6	22.6	17.9	21.4
5. Rural	24.7	20.2	21.8	23.9
6. No Data	5.0	6.0	5.1	5.1
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

D10. Sex

Male	78.7%	82.4%	88.5%	80.1%
Female	21.3	17.6	11.5	19.9
Total	100.0%	100.0%	100.0%	100.0%
N	354	200	200	754

Table Notes

1. All percentages appearing are based on **weighted** data.
2. All “Ns” appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ()s around an answer indicate a volunteered response.

WARNING – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between November 20 - December 16, 2003 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate

for the highly skewed distribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small-business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

Table A1

Sample Composition Under Varying Scenarios

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	354	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	754	101

*Sample universe developed from special runs supplied to the NFIB Research Foundation by the Bureau of the Census (1997 data).

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The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The Foundation also publishes ad hoc reports on issues of concern to small-business owners. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM). The Foundation's functions were recently transferred from the NFIB Education Foundation.



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