

Data Collection Methodology

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The

Employee Size of Firm	Interviews Expected	Percent Distribution	Percent Completed Interviews
1-9	593	79	350
10-19	82	11	200
20-249	75	10	200

National Small Business Poll

NFIB National Small Business Poll

Marketing Perspectives

Volume 6, Issue 8
2006

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



Marketing Perspectives

Claes Hultman, Örebro University

and

Gerald E. Hills, University of Illinois-Chicago

Volume 6, Issue 8
2006
ISSN - 1534-8326

William J. Dennis, Jr.
NFIB Research Foundation
Series Editor

NFIB
The Voice of Small Business.[®]

1201 "F" Street, NW
Suite 200
Washington, DC 20004
nfib.com

National Small Business Poll



Marketing Perspectives

Table of Contents

Executive Summary	1
Marketing Perspectives	2
Tables	10
Data Collection Methods	26

Executive Summary

- The primary customer base for 45 percent of small businesses is the general public; the base for another 22 percent is other businesses; and, for still another 2 percent it is government and/or non-profits. However, for 30 percent, the primary customer base is too varied for small employers to identify one.
- Twelve (12) percent of small businesses sell to a small number of business customers creating the potential of becoming a captive supplier.
- Fifty-five (55) percent of small employers think that their businesses do not need much marketing since their products/services pretty much sell themselves. Forty-two (42) percent disagree.
- A large share of the small-business population depends on repeat customers. Twelve (12) percent of small-business owners indicate virtually all customers are repeat customers while another 34 percent say most are repeat. Forty-five (45) percent report their customer base is mixed between repeat and non-repeat customers. Repeat customers are prized because they are easier to attract than developing new ones (according to three in four small employers) and are cheaper to retain than to newly acquire (according to seven in 10 small employers).
- The distinction between marketing and selling is sharp for virtually as many as the distinction is non-existent. Twenty-eight (28) percent think the two concepts are the same thing while 29 percent think they are very different. Forty (40) percent think marketing and selling are somewhat different.
- Forty-eight (48) percent of small businesses have a separate annual marketing budget within the firm's overall budget; 43 percent do not have a separate, annual marketing budget.
- Experience and customer observation are substantially more likely to influence small-business owner marketing decisions than formal, systematic approaches. For example, 83 percent assert that they base most of their marketing decisions on what they learn from day-to-day contact with customers. Seventy-four (74) percent think it is important to rely on gut feel when making marketing decisions. Their use of formal market research is modest.
- Small-business owners advocate a long-term business outlook. Eighty-five (85) percent argue that long-term business growth is a higher priority than immediate profit. Ninety-seven (97) percent say that they try to build long-term relationships with their customers.
- Seventy-eight (78) percent of small employers think that adding innovative products/services is important to business success. Most small employers introduce innovative products/services in response to customer demand, though suppliers also stimulate introduction.
- Small-business owners recognize that customers are critical to their success. They also understand that customers are becoming more difficult to satisfy and an abundance of competitors are ready to leap on their customers should they falter. For example, 87 percent agree that customers require businesses to be very flexible and adapt to special customer requirements. Eighty-three (83) percent think that they face tough competition in their markets.
- More small employers intend their marketing efforts to lead customers (61%) than to respond to them (28%).

Marketing Perspectives

There are almost six million small employers in the United States and millions of other businesses without employees. In addition, hundreds of thousands, if not millions, of businesses located outside the United States and many non-profits located within compete for American customers. The resulting cacophony makes it very difficult for the individual small-business owner to emerge from the din and market his or her firm and its products/services. Still, small-business owners and managers have no choice. They must reach their potential customer base if they are to have any chance of survival, let alone success. Thus, the marketing attributes and strategies employed in successful small firms are of particular interest to many and yield this issue of the *National Small Business Poll*, Marketing Perspectives.

The Customer Base

Small businesses sell their goods and services to a broad variety of customers. In the most general overview, 45 percent sell primarily to the general public; 22 percent sell primarily to other businesses, with just 2 percent selling primarily to government or non-profits (Q#1). That leaves 30 percent whose customer bases are so mixed that they cannot identify one.

One positive aspect of selling to the general public is that the business does not become dependent on a single customer or handful of them. These businesses, therefore, cannot become captive to one or two customers. The same may or may not be true when business customers constitute the primary source of sales revenues. Thirty-nine (39) percent of small employers selling primarily to business customers indicate they sell to many different businesses, but 59 percent indicate they sell to relatively few (Q#1a). That means about 12 percent of small businesses have a potential captive problem.

As will be seen subsequently, small-business owners place great value on repeat business. Repeat business is common. Twelve (12) percent think virtually all their customers are repeat business while 34 percent think their customer base consists mostly of repeat cus-

tomers (Q#2). However, another 45 percent indicate that their customer base is a combination of repeat and non-repeat business. That leaves very few businesses requiring a continuing stream of new customers. Six percent of small employers say that most of their customers are non-repeat business and 2 percent say that virtually all are. Certain types of businesses appear to lend themselves to non-repeat customers. A possible example of a successful business that depends on non-repeat customers could be one located next to an Interstate that serves transients. Or, a custom home builder who is not likely to sell more than one home to one customer in a lifetime.

Marketing

Marketing professionals and marketing professors generally hold the view that marketing and selling are related, but different activities. The former, they argue, is a broader concept including positioning, imagining, branding, etc., that eventually incorporates selling. Small-business owners and managers are not quite so sure. Twenty-eight (28) percent think that marketing and sales are the same business concept (Q#3). Twenty-nine (29) percent think the two concepts are very different. Forty (40) percent occupy the middle ground, that is, marketing and sales are

somewhat different. The survey did not delve into the issue further. But small-business owners clearly have no common view of the two concepts. Whether those differences are merely a semantic issue or one associated with practical results is another question.

Perhaps the more pressing issue is the amount of marketing small businesses require. Do small employers think they need to focus on marketing their goods/services or do their goods/services pretty much sell themselves? Small employers are sharply divided on the matter. Fifty-five (55) percent agree that they do not need to do much marketing in order to sell their offerings (Q#4). Thirty-one (31) percent hold that view strongly, suggesting they devote little time, energy, or resources to the marketing function. In contrast, 42 percent disagree and 24 percent disagree strongly. This latter group believes that marketing is necessary to move their products and/or services. Even if they concur that their products/services sell themselves, they do not necessarily believe that customers will purchase those products/services from them rather than another vendor. Marketing, for one, the other, or both reasons, therefore, becomes a necessary function for their firms.

Small employer attitudes toward growth will be examined subsequently. Briefly, many more intend to grow than think they must market their goods/services to sell them. Their views on growth and the need for marketing appear on a collision course. However, such a conclusion may be premature. Owners verbally eschewing the need for marketing may actually be text book examples of good practice; they may not recognize their good practice as having a distinct marketing component. The issue remains open at this point.

a. Organization

Organization of the marketing function within the business indicates, in part, the amount of attention devoted to it. A substantial degree of organizational structure suggests that marketing is more important to the business than when it is not, other factors equal. The first issue is a marketing plan. Eighty-one (81) percent agree that a marketing plan is a critical business tool; 15 percent disagree (Q#17). That does not mean owners think the plan must be written or that the owner actually employs one. Small employers simply agree that it is critical to have a marketing plan.

More revealing is a marketing budget. Forty-eight (48) percent of small employers have a separate, annual marketing budget within the firm's overall budget; 43 percent do not (Q#6). Those who do, therefore, not only have a marketing plan (written or mental), but have taken the further step of assigning dollars to its parts. The formality of the budget or the specificity of marketing items within it is likely to vary considerably across the population.

The prevailing view is that as small firms grow, the marketing function in them typically develops and becomes more formal. The data presented here and subsequently lean the other way. Owners of larger, small firms appear no more likely to adopt formal marketing practices than smaller, small firms.

b. Decision-making

Experience and customer observation influence small-business owner decision-making on marketing questions significantly more than formal and systematic approaches typically employed by their large competitors. For example, 74 percent agree that it is important to rely on gut feeling when making marketing decisions; 38 percent agree strongly (Q#23). While owners of the smallest, small businesses (employing 1 – 9 people) are more likely to agree than owners of the largest, small businesses, the difference is modest. Believing in one's gut, therefore, does not appear to be a function of resources. Still, 19 percent disagree with this marketing approach, including 8 percent who disagree strongly. They appear to prefer a rigorous, data-driven approach to marketing or at least more data-driven than gut feel.

The corollary is relying on experience to make marketing decisions. Eighty-six (86) percent agree that they rely heavily on experience when making marketing decisions; 62 percent agree strongly (Q#9). The dependence on experience raises a number of substantive issues beyond the scope of the present discussion. But, among the more interesting is the liability of newness contrasted to the box-in effect of the experienced. New business owners, particularly without prior ownership experience, have no internal compass on which to rely for important decisions. Yet, established owners who rely on experience are inclined to repeat the past whether or not circumstances require something new. Over dependence on experience can thereby also become an issue.

The more casual approach to decision-making used by small employers on marketing questions implies modest use of formal market research. That is precisely what happens in the overwhelming majority of small businesses. Eighty-three (83) percent of small-business owners agree that most marketing decisions are based on what they learn from day-to-day contact with customers; 14 percent disagree (Q#18). That daily customer contact accumulates and becomes a large part of the “experience” factor on which they depend so heavily. Altering the inquiry marginally reaffirms the tenor of this informal observation approach to gathering market intelligence. Eighty-two (82) percent of small-business owners agree with the proposition that their marketing decisions are based more on informal customer feedback than on formal market research; just 12 percent disagree (Q#27). When introducing new products and/or services however, a larger number, though still not a majority, depend on more formal approaches. Fifty-seven (57) percent agree that introducing new products and/or services involves little formal market research and analysis while 35 percent disagree (Q#24). The latter group presumably will use more formal market research. How formal and how detailed the market research is not known.

Customers are not the only ones who teach small-business owners about their market. Competitors do as well. Eighty-one (81) percent claim to learn from their competitors (Q#15). Sixteen (16) percent say that they do not. The latter response raises a number of intriguing possibilities. The two extremes, for example, are likely to be: the business is so far ahead of the competition that trying to learn from it threatens the firm’s advantage. Or, the owner is too stubborn or self-centered to learn from others. There are, of course, many shades between.

Still a third group is instrumental in marketing decisions, the personal and professional network. Seventy-two (72) percent agree that most of their marketing decisions are based on exchanging information with those in their personal and professional network; 19 percent disagree (Q#34). Here the small employer moves from personal observation of customer and competitor behavior to secondary information sources.

Marketing, if done well, typically involves a bit of novelty or pizzazz. Eighty-nine (89)

percent of small-businessmen and women agree that creativity stimulates good marketing decisions (Q#31). As reported elsewhere in this series (Advertising and Promotion), most advertising, if not marketing, originates in the firm. Any creative element is, therefore, typically generated within the firm or it does not appear in the firm’s marketing. Few small-businessmen and women have the resources to interview and hire people specifically to fill a creative function. That leaves the owner scampering to find an individual to fill some other position with its appropriate skills who can also double on the creative side. Such an employee is likely very difficult to find and hire.

c. The Time Horizons

One of the inherent advantages privately-held businesses – virtually all of which are small businesses – hold over public companies – virtually all of which are large businesses – is that management in the former has greater control over the time horizon. That control is constrained in many small firms by resource issues. Still, small-business owners, particularly once their enterprises are established, can look to the long-term.

In the abstract, small employers look long-term. Eighty-eight (88) percent strongly agree that they invest in building long-term relationships with their customers (Q#10). Another 9 percent agree, meaning 97 percent think the long-term is the approach they take to building their business. In addition, 94 percent strongly agree and another 5 percent agree that they work hard to establish reputation, trust, and credibility with their customers (Q#29). That means they are implicitly trying to build long-term relationships. Long-term relationships mean a comparatively lengthy time horizon.

Similarly, 85 percent think long-term growth is more important than immediate profit (Q#14). Thirteen (13) percent take the opposite view. In any given year, about 15 percent of the small-business population exits. Some exit through a profitable business sale, but a substantial portion simply cannot earn enough from the business to justify its continuation. Still others earn less by owning the business than if they were to market their labor, but keep it alive anyway. These groups should be interested in an immediate profit rather than long-term growth. The degree of

interest in the long-term, therefore, can be seen as both a commitment and a justification: a commitment to build the business over time in lieu of short-term benefit; a justification for the lack of profitability.

There are inevitable tensions between current demands and long-term objectives. Resource limitations, including an owner's time and attention, require they be shared among two time horizons. This theme emerges from at least two of the propositions evaluated by small employer respondents. For example, despite the reported preoccupation of small employers with the long-term, 62 percent say that they do not think about the long-term marketing objectives as much as they should; 32 percent hold the opposite view (Q#32). Shorter-term demands effectively steal time that should be devoted to the longer-term. A second proposition shows even greater tension. Fifty-six (56) percent agree or strongly agree that it is more important to focus on what the customer buys now, rather than what the customer will buy in the future (Q#5). Present considerations effectively trump future considerations. But 30 percent disagree, and 12 percent neither agree nor disagree. As a result, the tensions in a business's time horizon are often likely to experience some ebb and flow.

d. Repeat Business

The value of customers to a small firm is essentially undisputed. Ninety-five (95) percent agree that their current customer's are the firm's most important asset, including 83 percent who agree strongly (Q#7). Just four percent disagree. So, who are those current customers that are such an asset to the small enterprise?

Small businesses typically depend on repeat business. Capturing repeat business implies building long-term customer relationships. There are many reasons this is a wise marketing approach. One reason is associated with the cost of attracting new customers compared to keeping current customers. Sixty-seven (67) percent of small employers disagree with the proposition that it is more expensive to retain a current customer than acquire a new one; 47 percent disagree strongly (Q#12). These small-business owners adopt the traditional opinion that it is less expensive to retain a current customer than to acquire a new one. But not everyone agrees with what is taken as common wisdom. Twenty-four (24) percent agree that it is more expensive to retain a current customer than acquire a new one. Expression of this view immediately leads to an inquiry about the nature of the owner's business. Is there something unique to the business that could lead an owner to the conclusion that it is cheaper to acquire new customers? For example, a one-time purchase may satisfy one customer for a very long period or even a life-time; there cannot be repeat business by definition, or very little of it; the only thing left to do is to seek new customers. Still, it does not intuitively seem like one in four businesses fit this profile. That suggests a percentage, albeit a small percentage of small-business owners, defy conventional wisdom with no obvious circumstances to justify it.

When ease of retaining a repeat customer substitutes for cost of retaining a repeat customer, the proportion focused on current customers grows. Seventy-six (76) percent disagree with the proposition that it is easier to get a new customer than keep an older one; 50 percent disagree strongly (Q#16). Meanwhile, 27 percent agree with the proposition. A discussion of the latter view would pointlessly repeat or paraphrase the last paragraph. The reasons for the former view are well-known.

e. Growth

Other data in the *National Small Business Poll* series show that small-business owners usually want to grow, but in a controlled and limited fashion. The data here present a similar, but less bounded, growth outlook. Eighty-five (85) percent agree that their primary objective is to grow the business; 63 percent agree strongly (Q#19). Just 11 percent disagree and 4 percent are in the middle.

Two avenues of potential growth are to expand the customer base and to broaden offerings. The overwhelming majority of small-business owners hope to grow doing both. Eighty-four (84) percent agree that they aggressively try to expand their present customer base (Q#20). Though two-thirds think their first priority should be the customers they now have, only a small percentage want to stand pat.

Eighty-three (83) percent of small-businessmen and women agree that they are consistently looking for new business opportunities (Q#26). In other words, they want to take their businesses in new directions, though not

necessarily at the expense of eliminating what they are doing. How far they are willing to take them and the amount of risk they are willing to absorb in the process is a question not directly addressed here.

f. Innovative Goods and Services

Marketing innovation can mean innovations in marketing or marketing innovative new products and services. The survey focuses on the latter. Seventy-eight (78) percent of small employers think that adding innovative products and/or services is important to their success (Q#21). Forty-three (43) percent think that it is very important. In contrast, 15 percent do not think such additions or substitutions are important.

If introducing new products and/or services is important, how do small-business owners know what to introduce and when to introduce them? Do they react to perceived customer demand or do they try to create it? Seventy-six (76) percent of small employers agree that customer demand is usually the reason they introduce new products/services (Q#13). Eleven (11) percent disagree. Thus, the new products and services that appear in small businesses are usually demand driven.

The alternative is to introduce products/services in hopes of creating a demand. This supply-side approach can be riskier for small-business owners, all factors equal, since customer acceptance is more uncertain than response to demand. Suppliers can sometimes help in this regard by relating the experiences of others marketing those products/services and the rationale that went into their development. Suppliers are also more likely to be acquainted with the newest things except for those produced in-house. On the other hand, suppliers have an obvious self-interest in selling their wares. Many small employers disregard this conflicting interest as half rely on suppliers for pertinent information about innovative products and/or services. Eighteen (18) percent strongly agree and 33 percent agree that they usually introduce new products and services based on the recommendations of their suppliers (Q#33).

g. Customers

All businesses today claim to be customer-oriented (driven), so much so that the term

has become almost meaningless. Non-profits and even governments claim that they, too, are trying. The challenge for everyone, of course, is to match words with performance. Small employers also claim that customers are central to their business focus. Eighty-two (82) percent strongly agree that everyone in their firm makes customers a top priority and another 14 percent agree (Q#8). That means virtually everyone (96%) thinks their firm does so.

Part of being customer-oriented is responding to customer demands in a timely, pleasant manner, even as those demands change. Again, virtually all small employers think they do, though perhaps not to the extent they would like. Eighty-nine (89) percent agree, including 61 percent who agree strongly, that they quickly adjust to meet changing customer expectations (Q#11). But unfortunately we have no objective measures by which to determine the reality of these highly favorable reports.

Customers grow more demanding, seemingly on a daily basis. They expect businesses to respond to their particular needs or wishes. Eighty-seven (87) percent agree, including 59 percent strongly, that their customers require them to be very flexible and adapt to their special requirements (Q#25). Adaptation and flexibility take on special importance in smaller enterprises. Since small businesses rarely have a comparative advantage in price, they usually find their comparative advantage in responsiveness and/or uniqueness. Thus, a growing demand for personalized treatment is both a blessing and a bane to small-business owners.

More than one business owner has mentioned on more than one occasion that competition today is vigorous, if not vicious. There are, of course, exceptions – markets that businesses occupy with few and/or not very strong competitors. Some places, a small business may be well-established and “on cruise-control.” Yet, eighty-three (83) percent of small employers agree, including 60 percent agreeing strongly, that they face tough competition in their markets; only 15 percent disagree (Q#22). Curiously, owners of larger, small firms appear to feel the competitive bite more than owners of smaller, small firms. Similar questions have been posed in this series (Competition), but none have yielded such extreme results.

h. Miscellaneous

The decision to fill customer demand or to create customer demand is difficult and has significant implications for the business as noted earlier in the context of introducing new products/services. But, what of the marketing strategy as a whole? Does the business lead the customer or the customer lead the business? Small employers claim that they try to lead customers. Sixty-one (61) percent agree with the proposition that their marketing efforts try to lead customers rather than respond to them (Q#28). This response seems contradictory to earlier assertions that owners focus keenly on customer demands. While it is possible to lead customers and fill a created demand, that is not likely to occur often. Thus, it appears opposing approaches are pulling small-business owners in opposite directions and they have not yet resolved the apparent contradiction.

Small-business owners tend to prefer performing either the operations or marketing (sales) function in their venture. They also tend to work hard. Eighty-one (81) percent of small employers, therefore, agree with the proposition that they work very hard to reach their sales goals (Q#35). Still, 21 percent disagree. It is not clear if the latter means they have not set sales goals or they do not work hard or objectives other than sales are paramount.

In relative terms, small businesses are resource poor or, put another way, resource constrained. That gives small-business owners incentive to leverage resources to the extent possible. Leveraging can be done in a number of ways. One is to use business friends and partners to best advantage. Sixty-nine (69) percent agree with the assertion that they use key friends and partners extensively to help them develop and market their products and services (Q#30).

Finally, relationship marketing has not yet been mentioned because the survey questions addressing the issue also fall under other classifications and have been presented there. However, many small-business owners employ relationships in their marketing efforts and to a considerable extent. The theme weaves through the answers to several questions including the 72 percent who agree that marketing decisions are based on exchanging information within personal and professional networks and the 96 percent who invest in building long-term relationships with customers.

Entrepreneurs and Business Owners

It is often difficult to distinguish entrepreneurs from small-business owners, if for no other reason than individual behavior and attitudes among both populations often incorporate elements of each. Various self-assessment instruments have been constructed to distinguish between the two, and determine who is an entrepreneur and who is a small-business owner. The survey adopted certain questions from one of those (Covin-Slevin) in order to examine the broad small-business population and subsequently associate it with marketing perspectives. What it found is that the much smaller proportion are likely to be what is typically defined as entrepreneurial than those who are typically defined as small-business owners, but that overlap among individual behavior and attitudes is common. For example, about 7 percent evaluated themselves over the six questions as having an entrepreneurial orientation and 37 percent as the direct opposite; the remainder fell between.

The first of the six issues examined is relative reliance on tried and tested compared to new and innovative. Fifty-seven (57) percent of small employers emphasize using tried and tested procedures, equipment, products and services in their business of which 45 percent emphasize them strongly (Q#36A). Twenty-one (21) percent, in contrast, emphasize innovation, technological leadership, and R&D; 17 percentage points do so strongly. Another 17 percent claim equal emphasis on both. Thus, by a 3 – 1 margin, small employers are more likely to assert that their business focuses on traditional and accepted ways of doing things in contrast to those looking for new approaches. It should be noted that neither response is inherently correct nor incorrect; they are simply different approaches.

A second way to examine the question of entrepreneurs and small-business owners is change in the products and services they offer. By this measure, most small businesses experience relatively small change. Seventy-three (73) percent report that the changes over the last three years in the products and services they offer are minor (Q#36B). Fifty-nine (59) percent hold this view strongly. But 22 percent believe that theirs have changed dramatically and 20 percentage points believe it strongly. The difference between the two views is about 3½ - 1. Few hold a neutral position or

did not answer. Thus, dramatic change in the goods and services offered, while not rare in small businesses, is unquestionably confined to a distinct minority.

Small employers tend to favor incremental investment gains from their business over sweeping ventures with high potential yields. Sixty-five (65) percent report that they are inclined toward low-risk activities with certain and normal rates of return (Q#36C). Fifty-one (51) percentage points, the overwhelming majority who take the more cautious approach and the majority of the entire population, hold this view strongly. In contrast, 17 percent, 13 percent strongly, prefer high risk projects with chances of very high returns. The safer, more assured route is, therefore, preferred by almost a 4 – 1 margin. Twelve (12) percent think their business is inclined in neither direction.

Virtually the same proportions occur with the proposition that the business environment influences them to explore opportunities incrementally and cautiously compared to vigorously and aggressively. Sixty-six (66) percent of small employers think that the business environment in their operational area inclines them to explore potential business opportunities gradually, through cautious, incremental behavior with 53 percentage points agreeing to the idea strongly (Q#36D). However, 21 percent think – 17 percentage points strongly – that due to the nature of the business environment in which they operate, it is best to take wide-ranging bold actions to achieve the firm's objectives. Nine percent adopt the middle view. Thus, small employers adopt the more cautious outlook by a margin of more than 3 – 1.

Competition occurs when one firm takes an initiative and other firms respond either by matching the initiative or improving upon it. Not all initiatives are thoughtful, nor are all reactions. But as a whole they force change that more often satisfies customers than not. Small-business owners both react to the competition and force the competition to react to them. However, they are divided on whether they principally react to their competitors or their competitors react to them. Twenty (20) percent of small employers think that they are more likely to respond to initiatives their competitors take; just 12 percent think that strongly (Q#36E). Forty-one (41) percent adopt the opposite view. They think

their business typically initiates action to which their competitors respond; 30 percent think that strongly. However, 39 percent either do not know (15%) or think they do both equally (23%). The lack of a decisive view on the matter across the population and the extent of uncertainty suggest that small employers as a group have not given the issue much thought, at least not in these terms. Further, the competitive process is iterative with constant give and take. So, sometimes one initiates and sometimes one responds, and it is difficult to determine on balance to which side one more often gravitates.

One characteristic of an entrepreneurial firm is its ability to introduce products, services, designs or processes. Thirty-nine (39) percent think their firms are entrepreneurial on this count (Q#36F). These small employers assert that they often are the first to introduce new products or services, administrative techniques, etc. Thirty-two (32) percentage points think that strongly. Still, 51 percent register the opposite opinion. They assess their firms as seldom being the first to introduce new things. Six percent take a middle view and another 5 percent did not answer. Still, the numbers suggest that a substantial share of small employers think that they often are ahead of their competitors in introducing things that are new. Part of that response is undoubtedly contingent on the nature of competition they face.

Final Comments

The words are right; the sentiment seems proper; the priorities appear well-founded. Most small-business owners seem to have a good intellectual (perhaps intuitive) and business foundation on which to build an appropriate marketing strategy and a strong marketing plan. They value customers, seek repeat business to the extent possible, and postpone immediate profitability for long-term growth. About the only thing they do not say that text books would wish is greater emphasis on more systematic means of market evaluation. Excepting the element of random chance, marketing success given this groundwork seems quite likely. But, one must be cautious barring a fuller examination of the data and the tie between perception and reality. Remember, if the deal is too good, it probably is.

The striking contradiction contained in the data is the majority who think that mar-

keting is not necessary for their firms and the overwhelming majority who intend to grow. The two pieces of data mean a substantial percentage expect to grow because their goods/services pretty much sell themselves. Marketing the goods/services is, therefore, either unnecessary or strictly ancillary to their provision. While that may occur in a limited number of cases, these cases will be the exceptions that prove the rule. That leaves the contradiction, a contradiction raising an entire series of questions such as the commitment to growth? Understanding of the marketing function? Etc. And these are not just academic questions, but questions with substantial economic and public policy implications.

The numbers on small business marketing produced for this report are almost entirely perceptual. The focus on what the small-business owner thinks he or she is doing, whether or not he or she is actually doing it. While that may be a liability in presenting a complete overview of small-business marketing efforts, perceptions are an important starting ground. Perception not only reveals the relative significance of items, i.e., priorities, but influences subsequent behaviors. Thus, they become a useful stepping stone and directional locator for additional inquiry.

The significant unanswered question is the reason for the remarkable degree of consensus exhibited on most evaluated items. There are potentially several reasonable answers to the question. The most prominent is simply that a large degree of consensus exists on many marketing questions. Owners understand the basics, at least in generalities; the problem, and the difference in firm performance, is implementing them

Marketing Perspectives

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

	Employee Size of Firm			
	I-9 emp	10-19 emp	20-249 emp	All Firms
I. Does your business sell primarily to:				
1. General public	45.2%	45.9%	41.9%	44.9%
2. Businesses	21.6	18.8	27.0	21.8
3. Government/Non-profits	2.2	2.4	1.4	2.2
4. Mixture	29.5	32.9	29.7	29.9
5. (DK/Refuse)	1.6	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
Ia. To a large number of businesses or just a very few?				
1. Large number	37.0%	—%	45.0%	39.2%
2. Very few	60.0	—	55.0	58.5
3. (DK/Refuse)	1.5	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	71	36	50	157
2. Is your customer base:				
1. Virtually all repeat customers	11.9%	9.2%	15.8%	12.0%
2. Mostly repeat customers	34.6	40.2	30.3	34.8
3. Mix of repeat and non-repeat customers	45.4	44.8	46.1	45.4
4. Mostly non-repeat customers	5.9	3.4	5.3	5.5
5. Virtually all non-repeat customers	1.9	2.3	2.6	2.0
6. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
3. Do you think marketing and sales are:				
1. Same business concept	27.5%	25.6%	29.3%	27.5%
2. Somewhat different business concepts	39.7	37.2	44.0	39.9
3. Very different business concepts	28.5	32.6	26.7	28.7
4. (DK/Refuse)	4.3	4.7	—	4.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
4. Our business doesn't need much marketing. Our products or services sell without having to do much.				
1. Strongly agree	33.1%	26.7%	21.1%	31.3%
2. Agree	22.3	25.6	30.3	23.5
3. Neither agree nor disagree	4.0	3.5	5.3	4.0
4. Disagree	17.1	18.6	19.7	17.5
5. Strongly disagree	23.3	25.6	23.7	23.6
6. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
5. It is more important to focus on what the customer buys now, rather than what the customer will buy in the future.				
1. Strongly agree	27.2%	22.1%	23.7%	26.3%
2. Agree	29.6	31.4	34.2	30.2
3. Neither agree nor disagree	12.2	9.3	7.9	11.5
4. Disagree	19.9	25.6	23.7	20.9
5. Strongly disagree	9.2	8.1	6.6	8.8
6. (DK/Refuse)	1.9	3.5	3.9	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
6. Our business has a separate, annual marketing budget item within the overall budget.				
1. Strongly agree	24.1%	26.7%	27.6%	24.7%
2. Agree	21.6	25.6	28.9	22.7
3. Neither agree nor disagree	6.5	4.7	3.9	6.1
4. Disagree	21.1	18.6	11.8	19.9
5. Strongly disagree	23.1	22.1	5.0	23.2
6. (DK/Refuse)	3.7	2.3	2.6	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
7. Our current customers are the firm's most important asset.				
1. Strongly agree	83.1%	82.4%	81.6%	82.9%
2. Agree	12.2	12.9	13.2	12.4
3. Neither agree nor disagree	0.8	1.2	1.3	0.9
4. Disagree	3.0	2.4	2.6	2.9
5. Strongly disagree	0.6	1.2	1.3	0.8
6. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
8. Everyone in this firm makes customers a top priority.				
1. Strongly agree	83.0%	82.6%	70.7%	81.8%
2. Agree	12.7	12.8	21.3	13.5
3. Neither agree nor disagree	0.6	0.0	1.3	0.6
4. Disagree	2.9	2.3	4.0	2.9
5. Strongly disagree	0.8	1.2	2.7	1.0
6. (DK/Refuse)	—	1.2	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
9. We rely heavily on experience when making marketing decisions.				
1. Strongly agree	61.9%	65.1%	59.2%	62.0%
2. Agree	25.9	24.4	30.3	26.1
3. Neither agree nor disagree	3.5	2.3	3.9	3.4
4. Disagree	5.2	4.7	3.9	5.1
5. Strongly disagree	3.3	3.5	2.6	3.3
6. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
10. We invest in building long-term relationships with our customers.				
1. Strongly agree	87.2%	90.7%	88.2%	87.6%
2. Agree	8.9	8.1	9.2	8.8
3. Neither agree nor disagree	1.7	1.2	2.6	1.8
4. Disagree	1.9	—	—	1.5
5. Strongly disagree	0.3	—	—	0.3
6. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
11. We quickly adjust to meet changing customer expectations.				
1. Strongly agree	62.2%	53.5%	61.8%	61.2%
2. Agree	26.2	36.0	28.9	27.5
3. Neither agree nor disagree	3.0	1.2	2.6	2.8
4. Disagree	5.7	7.0	3.9	5.7
5. Strongly disagree	2.5	1.2	2.6	2.4
6. (DK/Refuse)	0.3	1.2	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
12. It is more expensive to retain a current customer than to acquire a new one.				
1. Strongly agree	15.1%	11.8%	14.5%	14.7%
2. Agree	9.7	7.1	9.2	9.4
3. Neither agree nor disagree	8.4	5.9	7.9	8.1
4. Disagree	18.3	29.4	21.1	19.7
5. Strongly disagree	47.8	44.7	46.1	47.3
6. (DK/Refuse)	0.8	1.2	1.30.9	
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
13. Customer demand is usually the reason we introduce a new product/service.				
1. Strongly agree	47.5%	43.0%	53.9%	47.7%
2. Agree	28.5	34.9	28.9	27.6
3. Neither agree nor disagree	6.2	7.0	6.6	6.3
4. Disagree	11.7	7.0	5.3	10.6
5. Strongly disagree	5.2	7.0	3.9	5.3
6. (DK/Refuse)	2.9	1.2	1.3	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
14. Long-term growth is more important than immediate profits.				
1. Strongly agree	57.3%	58.1%	59.2%	57.6%
2. Agree	27.1	26.7	26.3	27.0
3. Neither agree nor disagree	2.2	3.5	3.9	2.5
4. Disagree	8.3	5.8	5.3	7.7
5. Strongly disagree	4.6	5.8	5.3	4.8
6. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
15. We learn from our competitors.				
1. Strongly agree	44.4%	39.5%	52.0%	44.6%
2. Agree	35.2	40.7	34.7	35.8
3. Neither agree nor disagree	3.2	2.3	1.3	2.9
4. Disagree	8.6	9.3	5.3	8.3
5. Strongly disagree	7.9	8.1	6.7	7.8
6. (DK/Refuse)	0.6	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

		Employee Size of Firm			
		1-9 emp	10-19 emp	20-249 emp	All Firms
16. It is easier to get a new customer than it is to keep older ones.					
1. Strongly agree		7.3%	7.1%	8.1%	7.4%
2. Agree		10.6	9.4	9.5	20.4
3. Neither agree nor disagree		4.9	4.7	2.7	4.7
4. Disagree		26.0	29.4	25.7	26.4
5. Strongly disagree		50.3	49.4	54.1	50.3
6. (DK/Refuse)		0.8	—	—	0.6
Total		100.0%	100.0%	100.0%	100.0%
N		351	201	200	752
17. A marketing plan is a critical business tool.					
1. Strongly agree		52.5%	50.6%	51.3%	52.15
2. Agree		28.1	30.6	30.3	28.5
3. Neither agree nor disagree		4.4	3.5	2.6	4.2
4. Disagree		10.6	10.6	9.2	10.5
5. Strongly disagree		4.4	4.7	6.6	4.7
6. (DK/Refuse)		—	—	—	—
Total		100.0%	100.0%	100.0%	100.0%
N		351	201	200	752
18. Most of our marketing decisions are based on what we learn from day-to-day customer contact.					
1. Strongly agree		50.6%	50.6%	54.7%	50.9%
2. Agree		31.5	35.3	28.0	31.6
3. Neither agree nor disagree		4.1	4.7	4.0	4.2
4. Disagree		8.6	7.1	9.3	8.5
5. Strongly disagree		5.2	2.4	4.0	4.8
6. (DK/Refuse)		—	—	—	—
Total		100.0%	100.0%	100.0%	100.0%
N		351	201	200	752
19. Our primary objective is to grow the business.					
1. Strongly agree		62.2%	63.5%	65.3%	62.7%
2. Agree		21.6	24.7	22.7	22.0
3. Neither agree nor disagree		4.9	2.4	4.0	4.6
4. Disagree		8.3	7.1	5.3	7.8
5. Strongly disagree		3.0	2.4	2.7	2.9
6. (DK/Refuse)		—	—	—	—
Total		100.0%	100.0%	100.0%	100.0%
N		351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
20. We aggressively try to expand our present customer base.				
1. Strongly agree	56.3%	56.5%	64.5%	57.1%
2. Agree	26.3	32.9	27.6	27.1
3. Neither agree nor disagree	4.1	1.2	1.3	3.5
4. Disagree	6.5	8.2	3.9	6.4
5. Strongly disagree	6.5	1.2	2.6	5.6
6. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
21. Adding innovative products or services is important to our success.				
1. Strongly agree	44.7%	36.0%	37.8%	43.1%
2. Agree	33.9	43.0	36.5	35.1
3. Neither agree nor disagree	4.9	7.0	5.4	5.2
4. Disagree	7.6	9.3	12.2	8.2
5. Strongly disagree	7.4	2.3	8.1	7.0
6. (DK/Refuse)	1.4	2.4	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
22. We face tough competitors in our markets.				
1. Strongly agree	58.9%	63.5%	67.1%	60.2%
2. Agree	22.2	28.2	22.4	22.9
3. Neither agree nor disagree	1.9	1.2	2.6	1.9
4. Disagree	7.5	4.7	5.3	7.0
5. Strongly disagree	9.2	2.4	2.6	7.8
6. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
23. It is important to rely on gut feeling when making marketing decisions.				
1. Strongly agree	39.7%	30.6%	28.0%	37.6%
2. Agree	33.8	48.2	44.0	36.3
3. Neither agree nor disagree	6.2	5.9	5.3	6.1
4. Disagree	11.0	10.6	12.0	11.0
5. Strongly disagree	8.3	4.7	10.7	8.1
6. (DK/Refuse)	1.1	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

		Employee Size of Firm			
		1-9 emp	10-19 emp	20-249 emp	All Firms
24.	Introducing new products or services usually involves little formal market research and analysis.				
1. Strongly agree	22.7%	16.5%	20.3%	21.8%	
2. Agree	32.7	35.3	31.1	32.8	
3. Neither agree nor disagree	7.1	4.7	8.1	7.0	
4. Disagree	17.6	23.5	24.3	18.9	
5. Strongly disagree	16.2	17.6	14.9	16.2	
6. (DK/Refuse)	3.6	2.4	1.4	3	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	
25.	Our customers require us to be very flexible and adapt to their special requirements.				
1. Strongly agree	58.7%	60.7%	64.0%	59.4%	
2. Agree	28.3	29.8	24.0	28.0	
3. Neither agree nor disagree	4.0	3.6	2.7	3.8	
4. Disagree	5.4	3.6	6.7	5.3	
5. Strongly disagree	3.2	2.4	2.7	3.0	
6. (DK/Refuse)	0.5	—	—	0.4	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	
26.	We consistently look for new business opportunities.				
1. Strongly agree	53.7%	51.8%	60.5%	54.15	
2. Agree	28.9	33.3	27.6	29.3	
3. Neither agree nor disagree	4.9	3.4	2.6	4.5	
4. Disagree	7.3	8.0	6.6	7.3	
5. Strongly disagree	4.9	3.4	2.6	4.5	
6. (DK/Refuse)	0.3	—	—	0.3	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	
27.	Our marketing decisions are based more on informal customer feedback than on formal market research.				
1. Strongly agree	47.1%	51.8%	48.6%	47.7%	
2. Agree	33.0	36.5	35.1	33.5	
3. Neither agree nor disagree	6.3	2.4	5.4	5.8	
4. Disagree	5.7	3.5	8.1	5.7	
5. Strongly disagree	7.0	4.7	2.7	6.3	
6. (DK/Refuse)	1.0	1.2	—	0.9	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
28. Our marketing efforts try to lead customers rather than respond to them.				
1. Strongly agree	25.4%	27.1%	29.7%	25.9%
2. Agree	34.1	38.8	40.5	35.2
3. Neither agree nor disagree	8.6	4.7	5.4	7.8
4. Disagree	15.1	16.5	13.5	15.1
5. Strongly disagree	14.7	9.4	10.8	13.8
6. (DK/Refuse)	2.2	3.6	—	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
29. We work hard to establish reputation, trust, and credibility with our customers.				
1. Strongly agree	93.2%	95.3%	96.0%	93.7%
2. Agree	5.2	4.7	2.7	4.9
3. Neither agree nor disagree	0.8	—	—	0.6
4. Disagree	—	—	1.3	0.1
5. Strongly disagree	0.6	—	—	0.5
6. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
30. We use our key industry friends and partners extensively to help us develop and market our products and services.				
1. Strongly agree	32.9%	29.4%	30.7%	32.3%
2. Agree	35.3	38.8	45.3	36.6
3. Neither agree nor disagree	7.1	4.7	5.3	6.7
4. Disagree	12.2	14.1	12.0	12.4
5. Strongly disagree	10.9	10.6	6.7	10.5
6. (DK/Refuse)	1.6	2.4	—	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
31. Creativity stimulates good marketing decisions.				
1. Strongly agree	52.3%	50.6%	52.0%	52.1%
2. Agree	36.8	37.9	37.3	36.9
3. Neither agree nor disagree	4.9	3.4	4.0	4.7
4. Disagree	1.6	3.4	2.7	1.9
5. Strongly disagree	4.0	1.1	4.0	3.7
6. (DK/Refuse)	0.5	3.4	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

		Employee Size of Firm			
		1-9 emp	10-19 emp	20-249 emp	All Firms
32. We don't think much about longer-term marketing objectives as much as we should.					
1. Strongly agree	25.6%	21.2%	24.0%	24.9%	
2. Agree	36.7	36.5	40.0	37.0	
3. Neither agree nor disagree	5.6	7.1	4.0	5.6	
4. Disagree	15.1	21.2	18.7	16.1	
5. Strongly disagree	16.2	14.1	13.3	15.7	
6. (DK/Refuse)	0.9	—	—	0.8	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	
33. We usually introduce new products and services based on the recommendations of our suppliers.					
1. Strongly agree	19.0%	9.4%	14.5%	17.6%	
2. Agree	30.4	44.7	36.8	32.6	
3. Neither agree nor disagree	10.1	5.9	7.9	9.5	
4. Disagree	14.6	2.4	19.7	15.9	
5. Strongly disagree	23.3	14.1	19.7	22.0	
6. (DK/Refuse)	2.5	3.6	1.3	2.6	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	
34. Most of our marketing decisions are based on exchanging information with those in our personal and professional network.					
1. Strongly agree	37.2%	34.1%	32.0%	36.4%	
2. Agree	34.5	44.7	42.7	36.4	
3. Neither agree nor disagree	8.1	5.9	6.7	7.7	
4. Disagree	8.7	5.9	13.3	8.9	
5. Strongly disagree	10.5	9.4	5.3	9.9	
6. (DK/Refuse)	1.0	—	—	0.8	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	
35. We have to work very hard to reach our sales goals.					
1. Strongly agree	45.2%	43.0%	52.6%	45.6%	
2. Agree	25.0	33.7	25.0	26.0	
3. Neither agree nor disagree	6.2	3.5	5.3	5.8	
4. Disagree	10.0	11.6	10.5	10.2	
5. Strongly disagree	11.7	7.0	6.6	10.7	
6. (DK/Refuse)	1.9	1.2	—	1.7	
Total	100.0%	100.0%	100.0%	100.0%	
N	351	201	200	752	

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
36. As I read the following, please tell me which of the two statements describes your business more accurately, or if they both describe it equally.				
A. My business places a strong emphasis on:				
1. Tried and tested practices, equipment, and products or services	57.4%	60.7%	53.9%	57.4%
a. Strongly	(43.7)	(53.6)	(43.4)	(44.8)
b. Not so strongly	(13.3)	(7.1)	(10.5)	(12.4)
c. (DK/Refuse)	(0.3)	(—)	(—)	(0.3)
2. Equally; the same	16.0	17.9	19.7	16.6
3. Innovation, technological leadership, and R & D	21.6	16.6	23.7	21.2
a.(DK/Refuse)	(—)	(—)	(—)	(—)
b. Not so strongly	(4.0)	(3.6)	(6.6)	(4.2)
c. Strongly	(17.6)	(13.1)	(17.1)	(17.1)
4. (DK/Refuse)	5.1	4.8	2.6	4.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
B. In the last three years, changes in my products or services have been:				
1. Mostly of a minor nature	73.1%	76.2%	66.2%	72.7%
a. Strongly	(57.8)	(63.1)	(51.4)	(57.7)
b. Not so strongly	(13.6)	(13.1)	(14.9)	(13.7)
c. (DK/Refuse)	(1.7)	(—)	(—)	(1.4)
2. Equally; the same	3.8	4.8	6.8	4.2
3. Usually quite dramatic	21.5	19.0	25.7	21.7
a. (DK/Refuse)	(0.3)	(—)	(—)	(0.3)
b. Not so strongly	(1.6)	(2.4)	(2.7)	(1.8)
c. Strongly	(19.6)	(16.7)	(23.0)	(19.6)
4. (DK/Refuse)	1.6	—	1.4	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	I-9 emp	10-19 emp	20-249 emp	All Firms
C. My business is inclined toward?:				
1. Low risk projects with certain and normal rates of return	72.9%	76.2%	66.2%	72.7%
a. Strongly	(50.6)	(53.6)	(48.7)	(50.8)
b. Not so strongly	(14.8)	(11.9)	(11.8)	(14.2)
c. (DK/Refuse)	(0.3)	(—)	(1.3)	(0.4)
2. Equally; the same	11.7	11.9	17.1	12.3
3. High risk projects with chances of very high returns	21.6	19.0	25.7	21.7
a. (DK/Refuse)	(—)	(—)	(—)	(—)
b. Not so strongly	(3.3)	(7.1)	(5.3)	(3.9)
c. Strongly	(12.5)	(13.1)	(13.2)	(12.7)
4. (DK/Refuse)	6.7	2.4	2.6	5.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D. Due to the nature of the business environment in which you operate, is it best to?:				
1. Explore potential opportunities gradually, through cautious incremental behavior	65.6%	71.8%	66.2%	66.1%
a. Strongly	(52.5)	(58.8)	(52.0)	(53.1)
b. Not so strongly	(13.0)	(12.9)	(10.7)	(12.8)
c. (DK/Refuse)	(0.2)	(—)	(1.3)	(0.3)
2. Equally; the same	9.2	8.2	12.0	9.4
3. Take wide-ranging bold actions to achieve the firm's objectives	21.4	18.8	21.7	21.1
a. (DK/Refuse)	(—)	(—)	(—)	(—)
b. Not so strongly	3.2	7.1	(6.7)	(3.9)
c. Strongly	(18.2)	(11.8)	(14.7)	(17.2)
4. (DK/Refuse)	3.8	1.2	2.7	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

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

E. My business typically:

1. Responds to initiatives my competitors take	21.0%	18.8%	23.7%	21.0%
a. Strongly	(11.9)	(11.8)	(14.5)	(12.1)
b. Not so strongly	(9.0)	(7.1)	(9.2)	(8.9)
c. (DK/Refuse)	(—)	(—)	(—)	(—)
2. Equally; the same	23.8	17.6	5.0	23.3
3. Initiates action to which my competitors respond	39.2	47.1	42.1	40.6
a (DK/Refuse)	(0.3)	(—)	(—)	(0.3)
b. Not so strongly	(10.5)	(9.4)	(14.5)	(10.7)
c. Strongly	(28.7)	(37.6)	(27.6)	(29.6)
4. (DK/Refuse)	15.7	16.5	9.2	15.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

F. My business is _____ the first to introduce new products or services, administrative techniques, etc.

1. Often	39.6%	34.5%	35.5%	38.7%
a. Strongly	(32.8)	(31.0)	(26.3)	(32.0)
b. Not so strongly	(6.8)	(3.6)	(9.2)	(6.7)
c. (DK/Refuse)	(—)	(—)	(—)	(—)
2. Equally; the same	5.1	7.1	9.2	5.7
3. Seldom	50.2	53.6	52.6	50.8
a. (DK/Refuse)	(0.3)	(—)	(—)	(0.3)
b. Not so strongly	(20.0)	(21.4)	(21.1)	(20.2)
c. Strongly	(30.3)	(32.1)	(31.6)	(30.6)
4. (DK/Refuse)	4.8	4.8	2.6	4.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
Demographics				
D1. Which best describes your position in the business?				
1. Owner/manager	86.5%	83.7%	73.7%	85.0%
2. Owner, but NOT manager	5.9	3.5	5.3	5.6
3. Manager, but NOT owner	7.6	12.8	21.1	9.5
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D2. Are you the founder or co-founder of this business?				
1. Yes	78.1%	60.5%	57.3%	74.2%
2. No	21.9	38.4	42.7	26.7
3. (DK/Refuse)	—	1.2	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D3. Is your primary business activity: (NAICs code)				
1. Agriculture, forestry, fishing	5.9%	2.4%	1.3%	5.1%
2. Construction	11.1	9.6	10.5	10.9
3. Manufacturing, mining	7.9	10.8	11.8	9.0
4. Wholesale trade	4.4	6.0	10.5	8.6
5. Retail trade	14.1	12.0	5.3	13.1
6. Transportation and warehousing	3.0	3.6	3.9	3.2
7. Information	2.7	1.2	1.3	2.4
8. Finance and insurance	8.1	3.6	3.9	7.2
9. Real estate and rental/leasing	2.1	3.6	2.6	2.3
10. Professional/scientific/ technical services	16.2	9.6	9.2	14.8
11. Admin. support/ waste management services	7.1	7.2	7.9	7.2
12. Educational services	0.2	1.2	—	0.3
13. Health care and social assistance	3.0	7.2	7.9	3.9
14. Arts, entertainment or recreation	1.1	1.2	2.6	1.3
15. Accommodations or food service	4.1	15.7	18.4	6.7
16. Other service, incl. repair, personal service	8.9	4.8	1.3	7.7
17. Other	—	—	1.3	0.1
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D4. Over the last two years, have your real volume sales:				
1. Increased by 30 percent or more	16.2%	20.0%	21.6%	17.1%
2. Increased by 20 to 29 percent	15.4	18.8	14.9	15.7
3. Increased by 10 to 19 percent	28.8	27.1	31.1	28.9
4. Increased by < 10 percent	18.7	18.8	18.9	18.7
5. Decreased by < 10 percent	7.9	7.1	4.1	7.5
6. Decreased by more than 10 percent	6.7	4.7	4.1	6.2
7. (DK/Refuse)	6.4	3.6	5.4	5.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D5. Is this business operated primarily from the home, including any associate structures such as a garage or a barn?				
1. Yes	27.6%	8.1%	5.3%	23.4%
2. No	71.6	91.9	94.7	76.0
3. (DK/Refuse)	0.8	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D6. How long have you operated this business?				
1. < 6 years	20.9%	16.5%	19.7%	20.3%
2. 6 – 10 years	20.9	14.1	21.1	20.2
3. 11 – 20 years	28.8	32.9	23.7	28.8
4. 21 – 30 years	16.6	22.4	22.4	17.8
5. 31 + years	11.9	14.1	11.8	12.1
6. (DK/Refuse)	0.8	—	1.3	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	I-9 emp	10-19 emp	20-249 emp	All Firms
D7. What is your highest level of formal education?				
1. < H.S.	2.5%	2.3%	1.3%	2.4%
2. H.S. diploma/GED	19.1	13.8	20.0	18.6
3. Some college or associate's degree	23.9	24.1	21.3	23.7
4. Vocational or technical school degree	3.1	2.3	4.0	3.1
5. College diploma	31.7	34.5	36.0	32.4
6. Advanced or professional degree	18.8	23.0	16.0	19.0
7. (DK/Refuse)	0.9	—	1.3	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D8. Please tell me your age				
1. < 25 years	0.3%	1.2%	1.3%	0.5%
2. 25 – 34 years	5.6	5.8	6.7	5.7
3. 35 – 44 years	16.8	17.4	18.7	17.1
4. 45 – 54 years	31.7	33.7	37.3	32.5
5. 55 – 64 years	28.3	29.1	26.7	28.2
6. 65+ years	14.8	10.5	9.3	13.8
7. (Refuse)	2.5	2.3	—	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D9. What is the zip code of your business?				
1. East (zips 010-219)	17.5%	21.2%	18.7%	18.0%
2. South (zips (220-427)	17.4	20.0	21.3	18.0
3. Mid-West (zips 430-567, 600-658)	22.1	25.9	26.3	22.8
4. Central (zips 570-599, 660-898)	26.4	22.4	18.7	25.3
5. West (zips 900-999)	15.0	10.6	16.0	14.6
6. (DK/Refuse)	1.6	—	—	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D10. Urbanization (Derived from zip code.)				
1. Highly Urban	14.0%	8.2%	10.5%	13.0%
2. Urban	17.8	17.6	25.0	18.5
3. Fringe Urban	17.5	24.7	21.1	18.6
4. Small Cities/Towns	19.9	21.2	22.4	20.3
5. Rural	25.0	24.7	13.2	23.8
6. (Not Known)	5.9	3.5	7.9	5.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D11. Compared to your competitors over the last three years, do you think the overall performance of your business in terms of sales and net profits makes it a:?				
1. High performer	15.4%	24.7%	26.7%	17.5%
2. Somewhat high performer	27.1	31.8	24.0	27.3
3. Moderate performer	40.3	35.3	37.3	39.6
4. Somewhat low performer	6.7	2.4	1.3	5.7
5. Low performer	5.9	3.5	6.7	5.7
6. (Haven't been in business three years)	0.8	1.2	—	0.8
7. (DK/Refuse)	3.8	1.2	4.0	3.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
D12. Sex				
1. Male	81.0%	83.5%	81.3%	81.3%
2. Female	19.0	16.5	18.7	18.7
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

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 14, 2006 - December 15, 2006 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 is typically 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 are 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	351	46
10-19	82	11	200	27	201	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	752	100

* Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.

Previous Publications in This Series

Volume 1, Issue 1 *The Changing Search for Employees*
Issue 2 *The Use and Value of Web Sites*
Issue 3 *The Cash Flow Problem*
Issue 4 *Adjusting to Cost Increases*
Issue 5 *Coping with Regulation*
Issue 6 *Success, Satisfaction and Growth*
Issue 7 *Getting Paid*
Issue 8 *Privacy*

Volume 2, Issue 1 *Workplace Safety*
Issue 2 *Liability*
Issue 3 *Postal Rates*
Issue 4 *Administering the Sales Tax*
Issue 5 *Advice and Advisors*
Issue 6 *Families in Business*
Issue 7 *Business Insurance*
Issue 8 *Pre-ownership Experience*

Volume 3, Issue 1 *Contacting Government*
Issue 2 *Compensating Employees*
Issue 3 *Reinvesting in the Business*
Issue 4 *Health Insurance*
Issue 5 *Paperwork and Record-keeping*
Issue 6 *Membership in Business Organizations*
Issue 7 *Road Transportation*
Issue 8 *Competition*

Volume 4, Issue 1 *International Trade*
Issue 2 *Family and Medical Leave*
Issue 3 *Alcohol, Drugs, Violence and Obesity in the Workplace*
Issue 4 *Strategic Alliances*
Issue 5 *Disasters*
Issue 6 *Contributions to Community*
Issue 7 *Business Structure*
Issue 8 *Telecommunications*

Volume 5, Issue 1 *Training Employees*
Issue 2 *The Use of Lawyers*
Issue 3 *Retirement*
Issue 4 *Political Participation*
Issue 5 *The State of Technology*
Issue 6 *Innovation*
Issue 7 *Evaluating Banks*
Issue 8 *Bank Competition*

Volume 6, Issue 1 *Payroll*
Issue 2 *Local Business Climate*
Issue 3 *Energy Consumption*
Issue 4 *Expenses*
Issue 5 *Small Business Administration*
Issue 6 *Tax Complexity and the IRS*
Issue 7 *Promotion and Advertising*

The Sponsor

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. The Foundation's functions were recently transferred from the NFIB Education Foundation.

Data Collection Methodology

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Nielsen Company.

Employee Size of Firm	Interviews Expected	Percent Distribution	Percent Distribution	Completed Interviews
1-9	593	70	350	47
10-19	87	11	700	21

NFIB
The Voice of Small Business.[®]

1201 "F" Street, NW
Suite 200
Washington, DC 20004
nfib.com