



# National Small Business Poll

NEIB National

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2002

## Small Business Poll

*Postal Rates*

# NFIB National Small Business Poll

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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](http://www.nfib.com)) 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.

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Small Business  
Poll



*Postal Rates*

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## *Postal Rates*

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# Executive Summary

- The average small business currently spends about \$338 per month with the Postal Service for postage or somewhat over \$4,000 per year. The amount varies substantially by firm size with those having fewer than 10 employees spending about \$239 per month and those employing 20 people or more just over \$1,000 per month.
- Despite proposed double digit percentage increases in postal rates, between 45 and 60 percent of small businesses will continue to patronize the United States Postal Service (USPS) with the same mail volumes depending on the presence of competitors. Where competitors are present, small-business owners overwhelmingly prefer to shift service providers rather than to cut volume.
- The average small business spends \$200 per month on first-class mail. Forty (40) percent spend less than \$50 per month while 4 percent spend more than \$1,000. Almost 60 percent will take no action if first-class postal rates rise 6¢ or 10¢. However, 20 percent of owners will cut volume, many quite substantially, and another 16 percent will shift from first-class letters to a cheaper form of mail.
- Only 4 percent use Periodicals class mail and 8 percent “junk” mail. Small sample sizes do not allow assessment of owner response to projected rate increases in these rate classes.
- Just over half of the nation’s small businesses use Priority/Express Mail through the Postal Service. If rates rise 10-15 percent, over 40 percent of owners expect to leave the Postal Service and change service providers. That assumes no change in competitor prices. Less than 10 percent would reduce volume.
- About 40 percent of small-business owners send parcels through the USPS monthly. Response to a 10-15 percent rate increase parallels response to similar increases in Priority/Express Mail. Over 40 percent would shift to a competing service, but relatively few would reduce volume.
- As many as 70 percent of small businesses increasingly substituted fax and e-mail for mail service during the last 12 months.
- Sixty-one (61) percent say that elimination of Saturday mail delivery would have no impact on their businesses; 24 percent say that there would be a small negative impact; but, 14 percent believe such a step would create a large negative impact. The primary reason for negative impacts is the loss of a day on check deposits.
- Thirty-two (32) percent feel that closing the Post Office nearest them would have no impact on their business and another 43 percent see only a modest negative impact. However, 25 percent fear a serious negative impact. Those located closest to the Post Office express greatest concern.
- A two-tier rate system for first-class mail would likely cost more small-business owners money than would save them money. While 78 percent believe a two-tier rate system would cause little or no administrative hassle, 23 percent say it would create “major” problems for them.

# Postal Rates

The United States Postal Service (USPS) remains a very strange “business,” at least in its economics. In the face of stagnant volume, new technologies that co-opt the need for much of its service, and large and growing fixed costs, the Postal Service’s response has been to propose postal rate increases that dwarf any cost-of-living measure. The first request for higher rates has already been presented to the Postal Rate Commission and the Commission has recommended a new rate schedule. The second request appears on the way. Small-business owners use all major classes of mail for business purposes and are a major USPS customer. As a result, they will be impacted by the proposed rate increases and their reactions will in turn impact the Postal Service. The questions are how much will they be impacted? And, how will they react? This issue of the *National Small Business Poll* focuses on those two questions.

## Mail Classes and Rate Increases

There are five primary classes of mail service in the United States. First-class mail consists essentially of letters and post cards. Periodicals class, the old second-class, consists of periodicals and educational printed material. Typical of the class are weekly newspapers, magazines, newsletters and books. Saturation/standard class, also known as third-class or “junk” mail, is self-explanatory. Priority and/or Express Mail is overnight or two-day delivery. Parcel Post or package service is as the name implies. Small business uses all five mail classes and the Postal Service intends to raise rates on all of them.

The average small business employing people other than the owner(s) currently spends about \$338 per month with the Postal Service for all five classes of mail or somewhat over \$4,000 per year (Q#11). The amount varies substantially by firm size with those having fewer than 10 employees spending about \$239 per month and those employing 20 people or more just over \$1,000 per month. Even within size classifications the amounts vary considerably. For

example, 23 percent in the latter size class spend more than \$1,000 per month while 17 percent spend less than \$100. As a result, postal costs are not among the largest costs for most small businesses but they are an important cost for some and currently represent one of the most cost-effective ways for small-business owners to reach customers. Consistent rate increases could change that, however.

### *a. First-Class Mail*

The average small business spends a little over \$200 per month in first-class postage (Q#6). Assuming an average of 30¢ per piece (including discounts), the typical small firm mails about 600 pieces first-class monthly. Not surprisingly the amount varies substantially by firm size with those having fewer than 10 employees spending just over \$140 per month and those with 20 or more spending over \$675. The distribution of expenditure, even within size classes, is wide. About 2 percent say that they spend nothing on first-class mail while almost 4 percent estimate their expenditures at more than \$1,000 per month.

First-class mail rates will rise shortly. The new rate will be 37¢ for a letter, up from 34¢, and 23¢ for a post card, up from 21¢. The survey was conducted prior to establishment of these new rates. As a result, small-business owners reacted to a 40¢ letter and 24¢ post card. Faced with the larger proposed cost increase and a monopoly on delivery, 59 percent of small-business owners say that they will pay the rate increase and maintain their current volume of first-class mail (Q#6a). This group of owners therefore can expect their first-class postage costs to rise by 17-18 percent. Those with the smallest monthly postal bills are the most likely to ignore rate increases and maintain volume. But once a firm spends \$50 or more a month on first-class postage, nearly half feel that they must adjust their use of first-class mail or take other compensating actions.

Thirty-six (36) percent of small businessmen and women intend to adjust in a specific way; 5 percent do not know how they will respond. One in five or 20 percent say that they will simply reduce the volume of first-class mail. The amount that they expect to cut is non-trivial. The median anticipated volume reduction is over 25 percent (Q#6a1). The average is even higher as 20 percent say that they will cut volume by at least half.

Another 16 percent intend to shift to cheaper forms of mail. Some will move from first-class to third-class; others will go from letters to post cards. Thus while these owners may not reduce overall volume, they will offset the rate increases by using different and lower priced classes of mail. These shifts should be substantial. Of the 16 percent who plan to shift, almost three-quarters (73 percent) expect to shift a majority of their first-class mail to cheaper modes (Q#6a2). While the shift presumably will diminish effectiveness of the communication for small-business people, it should not matter to the Postal Service as long as each mail class pays for itself. But if first-class effectively subsidizes others, then the shift acts as a volume cut for financial purposes.

One significant rate increase apparently is not enough. The Postal Service will request a second first-class rate increase even as the current increase is digesting. Small-business owners were therefore asked how they would

react to rate increases of 10¢ a letter to 44¢ and 5¢ a post card to 26¢. These figures represented the first and second increases rolled into one. (Half of the sample was queried on the first increase and the other half was queried on the first and second increase combined.) Owners reacted to the larger increase in a revealing manner. Fifty-nine (59) percent say that they will maintain volume and effectively pay the increase (Q#6b). That percentage is identical to the percentage who say that they will maintain volume with the smaller rate hike. Since a likely rate increase of almost 30 percent still finds three of five small-business owners not reactive, their demand for first-class mail service appears reasonable inelastic.

The number who plan to reduce volume rises to 23 percent, three percentage points higher than under the smaller rate increase. Further, the size of the projected volume cuts rise. Sixty-one (61) percent expect to reduce volume by more than 25 percent and 29 percent expect reductions to be more than 50 percent (Q#6b1). The former is 11 percentage points higher than with the smaller price increase and the latter is 9 percentage points higher. The percent shifting to cheaper forms of postage (10 percent) declines somewhat due to the greater number reducing volume altogether and the greater number who aren't sure what they will do. This population appears to have a reasonably elastic demand for first-class mail service. A contrast in the mail content and purpose(s) of the inelastic and elastic groups would be fascinating, though the data do not allow it.

First-class increases will not be quite as large in aggregate as they will be on a per piece basis. Some small-business users reduce their mail costs through actions such as pre-sort that qualify them for a postage discount. Fifteen (15) percent, including 27 percent of those employing more than 20 people, currently take advantage of discounted rates (#6c). Owners spending more on postage are also more likely to say that they qualify for discounts. Still, less than one-quarter of small-business owners spending more than \$200 a month on first-class postage get some type of rate reduction. While discounts therefore soften rate increases, the impact on the total population appears moderate at best.



Assessments of postal rate increases on small business postal volume is complicated by fax and e-mail. Even without rate increases, small-business owners are adopting these new technologies and substituting them for postal service. The question is the extent or degree of substitution. The survey attempted to provide data on the issue by posing the question, “During the past year have you increasingly substituted the use of fax and/or e-mail for postal service?” An errant skip pattern in the questionnaire unfortunately excluded all but 185 respondents, and those are not necessarily random. Yet, the data likely are indicative. Of those who were asked, 70 percent answered that over the last year they had increasingly substituted fax and/or e-mail for postal service. While this substitution may only be a sidebar to questions regarding the impact of postal rate increases, it serves as a reminder that direct postal costs and service are not the only factors influencing use of the mail.

#### *b. Periodicals and Saturation Class Mail*

Comparatively few small businesses use Periodicals or Saturation class mail. Only 4 percent report any expenditure for Periodicals class mail (Q#7). The infrequency of use means that there are too few cases to estimate the average monthly expenditure on this type of mail, let alone small employer reaction to projected increases. The same is essentially true for Saturation class, i.e., “junk” mail. Eight (8) percent say that they make expenditures on “junk” mail (Q#8) at an average of \$620 per month in postage costs (Q#8a).

#### *c. Priority/Express Mail*

Over half of all small businessmen and women say that they use Priority/Express Mail through the Post Office (Q#9). Most spend relatively modest amounts, however. Thirty-one (31) percent of the population and over 60 percent of users pay less than \$50 per month for Priority Mail services. Since several users consume significant amounts of the service, the average is \$255 per month. Larger, small firms average about four times as much as smaller, small firms.

The Postal Service plans to raise Priority rates about 10 percent. (The amount the

Commission finally recommended was 10 percent just as in the survey question.) Almost half (46 percent) say that the increase will have no effect on their use of the service (Q#9a). They will pay the new rate and maintain volume. That is 13 percentage points fewer than the number who will do nothing in response to a first-class rate increase, but then Priority Mail faces competition and first-class mail does not.

Without a Postal Service monopoly, 41 percent intend to change providers in response to a 10 percent increase in Priority Mail. That is a very large shift. Surprisingly, larger users, as measured by Priority Mail expenditures, are no more inclined to switch than are others. Non-price factors must then influence their decisions.

The single most frequently cited reason (58 percent) for continuing to use the Postal Service’s Priority Mail service even with a rate increase is that the USPS offers more convenience (Q#9a1). The second most frequently cited reason (18 percent) is that the Postal Service will remain the cheapest way to go even after the rate hike. Few cite any other specific reason.

Comparatively few small-business owners (7 percent) say that they will reduce their volume of Priority Mail in response to the price increase. Since changing carriers is preferred over reducing volume by almost a 6-1 margin, most who use Priority Mail apparently feel that they use it only as necessary. The number who would pursue the volume reduction option is too small to estimate its size.

The Postal Service plans to increase the cost of Priority Mail even more later this year. The survey conservatively posed a 15 percent increase (10 percent initially and 5 percent later). The primary difference in response between the smaller and larger increases is more frequent volume cuts. The proportion who intend to reduce volume in response almost doubled, from 7 percent to 13 percent (Q#9b). Meanwhile, the groups that would do nothing in response and that would switch carriers each declined 3 percentage points. However, these latter differences are likely a statistical artifact given sample sizes, i.e., there is likely no difference between the two.

The reasons for not switching carriers following a 15 percent price increase are

offered with similar frequency as they are with the 10 percent increase (Q#9b1).

The survey data collected suggest that the planned rate increases will cut deeply into Priority Mail. The primary reason is the intended shift in service providers. But owner response assumes that competing carriers will attempt to increase market share rather than increase profits. Effectively, competitors will hold prices. If that assumption is wrong and competitors choose to raise rates too, it is not clear how small-business owners will react.

#### *d. Parcel Post*

The last major class of postal service projecting rate increases is Parcel Post. About 40 percent of small-business owners have monthly Parcel Post expenditures (Q#10). The average monthly expenditure per firm having expenditures is \$135. However, the pattern of expenditures is very unusual. Larger, small firms tend to spend somewhat less on the Postal Service's package delivery service than smaller, small firms. Normally, the pattern is just the opposite as was seen with data on first-class and Priority Mail. The likely explanation for these data is competition and volume. Those who have large package volumes probably use a competing service leaving those with an occasional package to patronize the Postal Service. The alternative explanation, i.e., smaller, small firms generate more packages than larger, small firms, does not make sense.

The proportion who will pay a 10 percent increase and maintain volume (48 percent) is similar to the proportion who will do so for Priority Mail (Q#10a). The 43 percent who say that they would switch services is also similar as is the 5 percent who would simply cut volume. In addition, the reasons provided for not switching from the USPS given the rate increase (and presumably no increase among competitors) appear in the same proportions for Parcel Post as they did for Priority Mail. "Offers the most convenience" (53 percent) and still "the cheapest way to go" (21 percent) remain the most frequently cited reasons (Q#10a1).

A 15 percent rate increase was also posed. The result is a much greater projected decline in the percentage who will do nothing than with a 10 percent increase. Thirty-seven (37) percent will maintain vol-

ume and pay a 15 percent increase, down 11 percentage points from the smaller increase. At the same time those intending switches rose three percentage points while those planning volume cuts rose six percentage points (Q#10b).

There are two possible reasons for the substantial differences in small-business owner projected behavior in the face of increases in Priority Mail and Parcel Post rates. The first is that there is something quite different in the competitive environment between the two. Rural areas are an example. The Postal Service might be relatively more attractive in Priority Mail due to its extensive, established infrastructure and the implicit time demands of the class. For the same reasons, infrastructure and time frame, private carriers may have a cost advantage dealing with small firms in Parcel Post. The second possibility is that small sample sizes make small percentage differences difficult to interpret. Results are within the margin of error. In either case, substantial small-business patronage leaves the Postal Service.

### **Alternatives to Rate Increases**

The alternative to raising postal rates is becoming more efficient, i.e., to become more productive. The survey presented three general actions that might enhance postal efficiency and asked small-business owners to react to them. The first potential action is to eliminate Saturday mail delivery. Sixty-one (61) percent report that its elimination would have no impact on their businesses (Q#1); 24 percent say that it would have a "small" negative impact, but another 14 percent say the negative impact would be "large."

The most frequent reason for negative impacts is the loss of a day on check deposits (31 percent) (Q#1a). Without Saturday delivery, checks will not be received until Monday. If checks are received on Monday, it may be too late to deposit them and have them recorded on that day. The result is a minor amount of interest lost, but more important is a delay in access to funds. Checks may be held by the financial institution for another day. The loss of a day therefore impacts cash flow.

The second most likely negative impact (18 percent) is that owners receive the infor-

mation contained in the mail one day later. Decisions or other action based on the information received are thereby delayed a day. That may or may not be important depending on the information and the circumstances. The impact most likely to be serious, if it impacts a firm at all, is that the owner can't work on the mail (14 percent). For example, he won't be able to fill orders. That means the business is down for a day when it otherwise might be working. Another 6 percent say that they would lose Monday as a workday which is a variant of the former concern. The implicit assumption in most of these responses is that the mail will arrive fairly late in the day on Monday.

A second potential way to become more productive is to reduce the number of Post Offices in operation. About half of all small businesses operate within a mile of the closest postal facility (Q#4). Over 90 percent operate within five miles. While a reduction in postal facilities would never be quite as mechanical, the survey asked small employers about the impact of eliminating their nearest Post Office. Thirty-two (32) percent report that such a step would have no impact and another 43 percent report it would have only a minor (negative) impact (Q#5). One of four (25 percent) say that it would have a serious negative affect.

Those closer to a Post Office seem more concerned over its hypothetical closing than those farther away. Perhaps the Post Office influenced their location decision in the first place because the most frequently offered reason for the negative impact (68 percent) is that it would take longer to get there (Q#5a). The second most frequently cited reason given for a negative impact is that there is no other convenient place to mail parcels, buy stamps, etc. (14 percent). However, the two are likely corollaries and could be overcome by private, specialty firms such as Mail Boxes, Etc. moving to the vacated area or the sale of stamps in grocery stores or similar outlets. Five percent fear the loss of a postal box, but less than 1 percent worry about local identity. Eleven (11) percent offer other reasons. More detailed inquiry is necessary to determine the precise nature of these negative impacts.

It now costs postal customers as much to send first-class mail to the neighbor next

door as it does to send it to the most distant places in the United States. But, the cost to the Post Office to deliver that mail is substantially different. One way to become more efficient is to have postal rates more closely reflect the "cost of service" on a geographic basis. This can be done by charging lower rates closer to the mailer and higher rates farther away as is now done with packages. To keep the inquiry simple, small-business owners were asked if it would save them money or cost them money if they were charged a lower rate within their zip code and a higher rate outside their zip code on all mail sent; the exact rates were not specified. Twenty-four (24) percent believe that they could save money under such a system while 54 percent think that they would lose money (Q#2). Seventeen (17) percent volunteer that it would not make any difference. Even if small businessmen and women were sympathetic to the general concept, they see it as a cost increase.

A tiered pricing system could become administratively complex with multiple rates and multiple zones. However, even a two-tier system based on one's own zip code adds an extra administrative dimension to postal rates. The survey asked small business owners if a two-tier system with one lower rate in your zip code and a higher rate elsewhere would create administrative hassles. Twenty-nine (29) percent say that it would not and 47 percent say that hassles would be "minor" (Q#5). Twenty-three (23) percent disagree. They feel that even this relatively modest step would create "major" administrative hassles for them. The more first-class mail sent, the more likely the owner is to feel that even a two-tier system would create a major hassle.

## Final Comments

There appear to be two groups of small-business owners when it comes to use of the United States Postal Service. The first find the USPS service inelastic. These small businessmen and women feel they have a specified volume of mail that must be sent regardless of cost (within reason). Accessibility to competitors influences their decisions to use the Post Office. Without direct competition as in first-class, 60 percent feel that they have no choice but to maintain mail volume and pay the projected higher

rates. Add competition such as in Priority Mail or Parcel Post and the proportion who feel bound to pay whatever the Postal Service demands falls 10 to 15 percentage points or about 20-25 percent. Even then, 10-15 percent of small-business owners who will ignore projected price increases and continue to mail at the old level do so because the USPS is the only viable option. Apparently, there are no competitors in the area.

The second group of small-business owners is different. It has a highly elastic demand for the USPS's service, though not necessarily for mail service per se. Where there is competition, i.e., Priority Mail and Parcel Post, about 45 percent would choose to switch given the Postal Service's projected increases. Comparatively few believe that they would cut volume. Where there is no competition, i.e., first-class, one in five would cut volume and usually by a notable amount. The remainder would switch mail classes which effectively cuts volume for the business but does not affect the Postal Service's volume and theoretically its ability to break-even.

The real change in the distribution of small-business communication methods may still lie in the future. It appears that fax and e-mail constitute an increasing proportion of volume even though just half of small businesses currently use e-mail. There is little doubt that the proportion of e-mail users will grow though it is not clear whether the new technology will result in an absolute decline in the number of pieces mailed per firm or a slow-down in the increase. The data here hint the former is more likely.

The United States Postal Service submitted a massive Transformation Plan to Congress in early April. The plan's purpose was to lay out the USPS's version of the steps that must be taken, near-term and long-range, to transform the organization into a commercially and financially viable entity. It is obvious that the Postal Service cannot continue on its present course. Whether or not the ideas in the Transformation Plan will result in the desired outcomes for the Postal Service let alone other impacted groups is a subject for debate. Small business is a group that will demand to be part of the debate, and it will want options other than routine large postal rate increases.

Available options and desired actions are different matters, of course. When presented three separate options for enhancing USPS productivity in the survey, small-business owners blinked. About one-quarter felt that each possible productivity enhancing measure examined has serious negative impacts. Translated into actual proposals, it is questionable that any of the three would generate small-business support even though the overwhelming majority see no impact or a minor negative one. As others, small businessmen and women are not likely to be enamored with anything that is perceived as reducing service unless they see them not in isolation, but in the context of alternatives.

# Postal Rates

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>I. Would elimination of Saturday mail delivery have no impact OR a negative impact on your business? (If “negative” impact.) Would that be a small negative impact or a large one?</b>				
1. No impact	59.1%	70.9%	64.1%	60.9%
2. Small negative impact	25.1	18.6	20.5	24.0
3. Large negative impact	14.9	10.5	14.1	14.4
4. (DK/Refuse)	0.8	—	1.3	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

## 1a. How would you be negatively impacted? (If negatively impacted in Q#1.)

1. Can't work on mail, e.g., fill orders	13.1%	16.7%	14.3%	13.5%
2. Can't deposit checks/lose a day	29.4	41.7	35.7	30.9
3. No carrier pick-up/extra trip to Post Office	1.6	—	3.6	1.6
4. Lose Monday as a work day	6.3	4.2	7.1	6.3
5. Receive business information later	17.5	25.0	17.9	18.1
6. (Delay sending mail)	6.7	4.2	7.1	6.6
7. (Need it/Rely on it)	5.6	—	3.6	4.9
8. (Other)	17.5	8.3	10.7	16.1
9. (DK/Refuse)	2.4	—	—	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

## 2. Suppose you were charged a lower postage rate for ALL mail within your own zip code and a higher rate for ALL mail outside your zip code. Would that save you money or cost you money? (If “save” or “cost” money.) Would that be a lot or a little?

1. Save a lot	6.2%	9.2%	5.1%	6.4%
2. Save a little	18.1	17.2	15.4	17.7
3. Cost a little	22.7	24.1	14.1	22.0
4. Cost a lot	31.1	29.9	42.3	32.0
5. (No difference)	17.3	12.6	15.4	16.6
6. (DK/Refuse)	4.8	6.9	7.7	5.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

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

**3. Would a two-tier postal rate system, one lower rate for mail sent to your zip and a higher rate for zips farther away, create a major administrative hassle for you, a minor administrative hassle or no administrative hassle?**

1. Major hassle	21.3%	25.3%	31.2%	22.7%
2. Minor hassle	46.8	47.1	42.9	46.5
3. No hassle	29.8	26.4	24.7	29.0
4. (DK/Refuse)	2.1	1.1	1.3	1.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>200</b>	<b>201</b>	<b>752</b>

**4. In MILES, how far is the closest Post Office to your business?**

1. <1 mile	31.8%	28.7%	35.1%	31.8%
2. One mile	17.0	20.7	18.2	17.5
3. Two miles	17.8	17.2	18.2	17.8
4. 3-9 miles	30.0	31.0	26.0	29.8
5. 10 miles or more	2.9	1.1	1.3	2.5
6. (DK/Refuse)	0.5	1.1	1.3	0.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>200</b>	<b>201</b>	<b>752</b>

**5. Suppose that the closest Post Office was permanently closed and you were forced to use the second closest Post Office. Would that change have no impact, a modest negative impact, or a serious negative impact on your business?**

1. No impact	31.0%	32.2%	35.1%	31.5%
2. Modest negative impact	43.7	43.7	35.1	42.8
3. Serious negative impact	24.3	24.1	29.9	24.8
4. (DK/Refuse)	1.2	—	—	0.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>200</b>	<b>201</b>	<b>752</b>

**5a. How would that negatively impact your business? (If negative impact in Q#5.) (Open)**

1. Take longer to get there	67.5%	72.4%	65.3%	67.9%
2. Loss of local identity	0.7	—	—	0.6
3. No convenient place to mail parcels, purchase stamps, etc.	14.0	13.8	18.4	14.4
4. Couldn't use Post Office box any longer	4.9	3.4	2.0	4.5
5. (Other)	10.6	10.4	14.3	10.7
6. (DK/Refuse)	2.3	—	—	1.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>237</b>	<b>135</b>	<b>130</b>	<b>502</b>

**6. Please estimate the amount that your business spends MONTHLY on first-class postage.**

1. \$0 - \$9	7.3%	2.3%	1.3%	6.2%
2. \$10 - \$49	37.6	24.4	12.8	33.7
3. \$50 - \$99	17.3	14.0	9.0	16.1
4. \$100 - \$199	19.0	22.1	24.4	19.9
5. \$200 - \$999	15.8	34.9	35.9	19.9
6. \$1000 or more	2.4	2.3	15.4	3.6
7. (DK/Refuse)	0.6	—	1.3	0.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752
Ave.	\$141	\$211	\$678	\$201

**6a. If first-class postage were to rise 6 cents a letter, to 40 cents, and 3 cents a post card to 24 cents, by the end of the year would you:**

1. Maintain your volume of first-class mail	59.1%	65.2%	54.1%	59.3%
2. Reduce your volume of first-class mail	20.5	17.4	21.6	20.2
3. Shift from letters to post cards	2.0	—	5.4	2.1
4. Shift to cheaper forms of mail, such as third-class	13.9	13.0	13.5	13.8
3. (DK/Refuse)	4.5	4.3	5.4	4.5
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	193	106	98	397

**6a1. By what percent would you reduce first-class mail? (If “reduce your volume” in Q#6a.)**

1. < 10 percent	12.8%
2. 10 - 24 percent	29.1
3. 25 - 49 percent	30.2
4. 50 percent or more	19.8
5. (DK/Refuse)	8.1
<hr/>	
Total	100.0%
N	38      18      22      78

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

**6a2. By what percent would you shift? (If “shift ... to post cards” or “shift to cheaper forms” in Q#6a.)**

1. < 10 percent	— %
2. 10 - 24 percent	7.1
3. 25 - 49 percent	18.6
4. 50 percent or more	72.9
5. (DK/Refuse)	1.4

Total	100.0%	100.0%	100.0%	100.0%
N	31	13	18	62

**6b. If first-class postage were to rise 10 cents a letter, to 44 cents, and 5 cents a post card to 26 cents, by the end of the year would you:**

1. Maintain your volume of first-class mail	59.6%	58.5%	58.5%	59.3%
2. Reduce your volume of first-class mail	24.2	19.5	19.5	23.1
3. Shift from letters to post cards	0.4	2.4	2.4	0.8
4. Shift to cheaper forms of mail, such as third-class	7.6	12.2	14.7	8.9
5. (DK/Refuse)	8.3	7.3	4.9	7.8

Total	100.0%	100.0%	100.0%	100.0%
N	158	94	103	355

**6b1. By what percent would you reduce first-class mail? (If “reduce your volume” in Q#6b.)**

1. <10 percent	6.0%
2. 10 - 24 percent	27.7
3. 25 - 49 percent	32.5
4. 50 percent or more	28.9
5. (DK/Refuse)	4.8

Total	100.0%	100.0%	100.0%	100.0%
N	38	20	21	79

**6c. Do you pre-sort mail or take other actions that qualify for a postage discount?**

1. Yes	14.0%	13.8%	27.3%	15.2%
2. No	85.2	85.1	70.1	83.8
3. (DK/Refuse)	0.8	1.1	2.6	1.0

Total	100.0%	100.0%	100.0%	100.0%
N	351	200	139	752



**7. Please estimate the amount you spend MONTHLY on Periodicals Class postage?**

1. None	94.7%	96.4%	95.9%	95.0%
2. An expenditure	4.2	3.6	2.7	4.0
3. (DK/Refuse)	1.1	—	1.4	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

**8. Do you send saturation mailings, sometimes called “junk” mail, to specific zip codes or geographic areas that qualify for standard postal rates? (If “yes.”) How much do you spend a MONTH on average in postage – just postage – for these saturation mailings?**

1. Yes	7.1%	9.2%	16.9%	8.3%
2. No	92.5	90.8	83.1	91.4
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752
Ave (those with expenditures)	—	—	—	\$620

**9. On average, how much do you spend MONTHLY sending Express or Priority Mail through the US Postal Service?**

1. Nothing	47.2%	46.0%	33.8%	45.8%
2. \$1 - \$19	16.6	13.8	13.0	16.0
3. \$20 - \$49	15.4	13.8	11.7	14.8
4. \$50 - \$99	8.7	9.2	10.4	8.9
5. \$100 - \$499	5.5	11.5	22.1	7.8
6. \$500 or more	2.1	3.4	2.6	2.3
7. (DK/Refuse)	4.4	2.3	6.5	4.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752
Ave (those with expenditures)	\$158	\$268	\$62	\$255

**9a. If the price of Priority Mail were to rise 10 percent per item by year’s end, would you most likely:**

1. Reduce the number of items sent Priority Mail	7.0%	7.7%	8.3%	7.2%
2. Switch to a competing delivery service	43.8	42.3	45.8	43.8
3. Pay the increase and maintain volume	47.0	46.2	37.5	46.0
4. (Mix)	—	3.8	8.3	1.3
5. (DK/Refuse)	2.2	—	—	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	100	61	61	222

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

**9a1. Why would you pay the increase rather than switch services? Is it because the Postal Service is: (If “switch” in Q#9a.)**

1. The only viable option	4.8%
2. The cheapest way to go	18.1
3. Provides the best services	5.7
4. Offers the most convenience	59.0
5. (Other)	10.5
6. (DK/Refuse)	1.9

Total	100.0%	100.0%	100.0%	100.0%
N	44	28	23	95

**9b. If the price of Priority Mail were to rise 15 percent per item by year’s end, would you most likely:**

1. Reduce the number of items sent Priority Mail	15.0%		7.4%	13.4%
2. Switch to a competing delivery service	40.8		44.4	40.7
3. Pay the increase and maintain volume	42.2		44.4	43.3
4. (Mix)	1.4		3.7	1.5
5. (DK/Refuse)	0.7		—	1.0

Total	100.0%	100.0%	100.0%	100.0%
N	84	47	71	202

**9b1. Why would you pay the increase rather than switch services? Is it because the Postal Service is: (If “pay the increase” in Q#9b.)**

1. The only viable option	10.8%
2. The cheapest way to go	18.1
3. Provides the best services	6.0
4. Offers the most convenience	57.8
5. (Other)	7.2
6. (DK/Refuse)	—

Total	100.0%	100.0%	100.0%	100.0%
N	37	24	30	91

**10. On average, how much do you spend MONTHLY sending packages Parcel Post through the US Postal Service?**

1. Nothing	59.3%	56.5%	55.1%	58.6%
2. \$1 - \$19	13.8	14.1	7.7	13.2
3. \$20 - \$49	12.4	11.8	7.7	11.8
4. \$50 - \$99	5.2	2.4	10.3	5.4
5. \$100 - \$499	4.3	9.4	11.5	5.5
6. \$500 or more	0.5	2.4	2.6	0.9
7. (DK/Refuse)	4.6	3.5	5.1	4.5
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752
Ave (those with expenditures)	\$139	\$129	\$118	\$135

**10a. If the price of Parcel Post were to rise 10 percent per item by year's end, would you most likely: (If money spent on Parcel Post in Q#10.)**

1. Reduce the number of items sent Parcel Post	5.0%			5.2%
2. Switch to a competing delivery service	41.0			42.5
3. Pay the increase and maintain volume	49.6			47.7
4. (Mix)	—			0.6
5. (DK/Refuse)	4.3			4.0
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	54	39	37	130

**10a1. Why would you pay the increase rather than switch services? Is it because the Postal Service is: (If "pay the increase" in Q#10a.)**

1. The only viable option				6.2%
2. The cheapest way to go				21.0
3. Provides the best services				7.4
4. Offers the most convenience				53.1
5. (Other)				12.3
6. (DK/Refuse)				—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	36	17	12	65

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

**10b If the price of Priority Mail were to rise 15 percent per item by year's end, would you most likely:**

1. Reduce the number of items sent Priority Mail	12.8%			11.8%
2. Switch to a competing delivery service	44.4			46.4
3. Pay the increase and maintain volume	38.5			36.6
4. (Mix)	0.9			0.7
5. (DK/Refuse)	3.4			4.6

Total	100.0%	100.0%	100.0%	100.0%
N	54	39	37	130

**10b1. Why would you pay the increase rather than switch services? Is it because the Postal Service is: (If "pay the increase" in Q#10b.)**

1. The only viable option				9.2%
2. The cheapest way to go				9.3
3. Provides the best services				9.4
4. Offers the most convenience				59.9
5. (Other)				7.6
6. (DK/Refuse)				4.5

Total	100.0%	100.0%	100.0%	100.0%
N	24	16	11	51

**11. Total monthly postal costs. (Adding data from Questions #6, 7, 8a, 9 and 10.)**

1. \$0 - \$49	31.4%	15.9%	7.6%	27.3%
2. \$50 - \$99	18.9	13.6	8.9	17.3
3. \$100 - \$199	16.3	18.2	12.5	16.2
4. \$200 - \$499	16.6	27.3	24.1	18.5
5. \$500 - \$999	4.3	8.0	12.7	5.5
6. \$1,000 or more	3.3	9.1	22.8	5.9
7. (DK/Refuse)	9.2	8.0	11.4	9.3

Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752
Ave (those with expenditures)	\$239	\$483	\$1002	\$338

## Demographics

### D1. Is your primary business activity:

1. Construction?	10.3%	14.9%	6.4%	10.4%
2. Manufacturing?	7.1	13.8	17.9	8.9
3. Wholesale?	7.5	8.0	5.1	7.3
4. Retail?	21.7	23.0	25.6	23.3
5. Transportation?	2.4	2.3	5.1	2.6
6. Communication?	1.0	2.3	2.6	1.3
7. Financial Services?	7.5	3.4	3.8	8.7
8. Services?	34.0	29.9	29.6	33.1
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(19.6)	(23.1)	(20.8)	(20.1)
B. Professional, e.g., health, legal, education, engineering	(35.5)	(38.5)	(37.5)	(36.0)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(18.2)	(11.5)	(12.5)	(17.0)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(18.7)	(15.4)	(12.5)	(17.8)
E. (Other/D/K)	(7.9)	(11.5)	(16.7)	(9.1)
9. Agriculture, forestry, fishing?	8.6	2.3	3.8	7.4
10. (Other)	—	—	—	—
11. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

### D2. Over the last two years, have your real volume sales:

1. Increased by 30 percent or more?	13.6%	14.9%	18.2%	14.2%
2. Increased by 20 to 29 percent?	13.8	14.9	14.3	14.0
3. Increased by 10 to 19 percent?	21.6	24.1	20.8	21.8
4. Changed less than 10 percent one way or the other?	26.8	26.4	26.0	26.7
5. Decreased by 10 percent or more?	16.8	13.8	15.6	16.4
6. (DK/Refuse)	7.5	5.8	5.2	7.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

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

**D3. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?**

1. Yes	29.8%	5.7%	2.6%	24.6%
2. No	69.7	93.1	97.4	74.9
3. (DK/Refuse)	0.5	1.1	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

**D4. How long have you owned or operated this business?**

1. < 6 years	24.2%	21.2%	14.3%	22.9%
2. 6-10 years	22.4	15.3	18.2	21.2
3. 11-20 years	27.6	31.8	26.0	27.9
4. 21-30 years	16.6	15.3	20.8	16.8
5. 31 years+	8.3	15.3	18.2	10.0
6. (DK/Refuse)	1.0	1.2	2.6	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

**D5. What is your highest level of formal education?**

1. Did not complete high school	2.9%	1.1%	3.8%	2.8%
2. High school diploma/GED	22.3	21.8	15.4	21.5
3. Some college or an associates degree	24.5	23.0	17.9	23.7
4. Vocational or technical school degree	2.7	2.3	2.6	2.6
5. College diploma	29.3	33.3	39.7	30.7
6. Advanced or professional degree	17.6	16.1	17.9	17.5
7. (DK/Refuse)	0.8	2.3	2.6	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

**D6. Please tell me your age.**

1. <25	0.5%	— %	1.3%	0.5%
2. 25-34	8.7	6.8	7.7	8.4
3. 35-44	25.5	20.5	17.9	24.2
4. 45-54	31.4	34.1	35.9	32.1
5. 55-64	23.0	28.4	21.8	23.5
6. 65+	7.9	8.0	12.8	8.4
7. (DK/Refuse)	3.0	2.3	2.6	2.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>D7. What is the zip code of your business?</b>				
1. East (zips 010-219)	18.5%	16.1%	15.4%	17.9%
2. South (zips 220-427)	19.1	21.8	24.4	19.9
3. Mid-West (zips 430-567, 600-658)	23.4	23.0	20.5	23.1
4. Central (zips 570-599, 660-898)	19.3	25.3	21.8	20.2
5. West (zips 900-999)	19.7	13.8	17.9	18.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	752

#### D8. Sex

Male	81.0%	86.2%	87.2%	82.1%
Female	19.0	13.8	12.8	17.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	201	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 February 11 - March 13, 2002 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 dis-

tribution 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	351	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	201	27
All Firms	750	100	750	101	752	101

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



# Previous Publications in This Series

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- 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*
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