

PREPARED BY  harris poll

BANK OF THE WEST SMALL BUSINESS GROWTH SURVEY

 **BANK OF THE WEST**
 **BNP PARIBAS GROUP**

SEPTEMBER 2015

TABLE OF CONTENTS

| | |
|-------------------------------------|----|
| • Background and Objectives | 3 |
| • Methodology | 4 |
| • Executive Summary | 5 |
| • Detailed Findings | 7 |
| – Growth Index | 8 |
| – Profitability, Revenue, and Sales | 13 |
| – Growth and Investment | 22 |
| – Technology | 31 |
| • Subgroup Findings | 38 |
| – California | 39 |
| – Years in Business | 45 |
| – Age of Business Owner | 51 |
| • Demographics | 57 |

BACKGROUND AND OBJECTIVES

- The Bank of the West Small Business Growth Survey was designed to understand growth and expansion of small businesses. In an effort to measure expansion, the Bank of the West Small Business Growth Index was created to measure small business growth in the US year-to-year. The Survey also included questions regarding the importance of technology and investment in this area.
- Specifically, the research aimed to understanding the following regarding small businesses:
 - Past and future growth
 - Barriers to growth
 - Areas of investment and downsizing
 - Sources of funding
 - The importance of technology
 - Investments in technology

METHODOLOGY

- This Survey was conducted online within the United States by Harris Poll on behalf of Bank of the West between April 10-27, 2015 among 499 US residents. Respondents owned businesses with two or more non-owner full-time employees, less than \$10 million in annual revenue, and have been in operation for at least five years. Additionally, these respondents have had an ownership role for at least five years. The Survey also included interviews with 114 small business owners from Northern California and 104 from Southern California.
 - Northern California was defined as the following counties: Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Inyo, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo, and Yuba
 - Southern California was defined as the following counties: Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura
- The data have been weighted to reflect the composition of US businesses with annual revenue of less than \$10 million.
- Respondents for this Survey were selected from among those who have agreed to participate in Harris Poll surveys. Because the sample is based on those who agreed to participate in the panel, no estimates of theoretical sampling error can be calculated.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

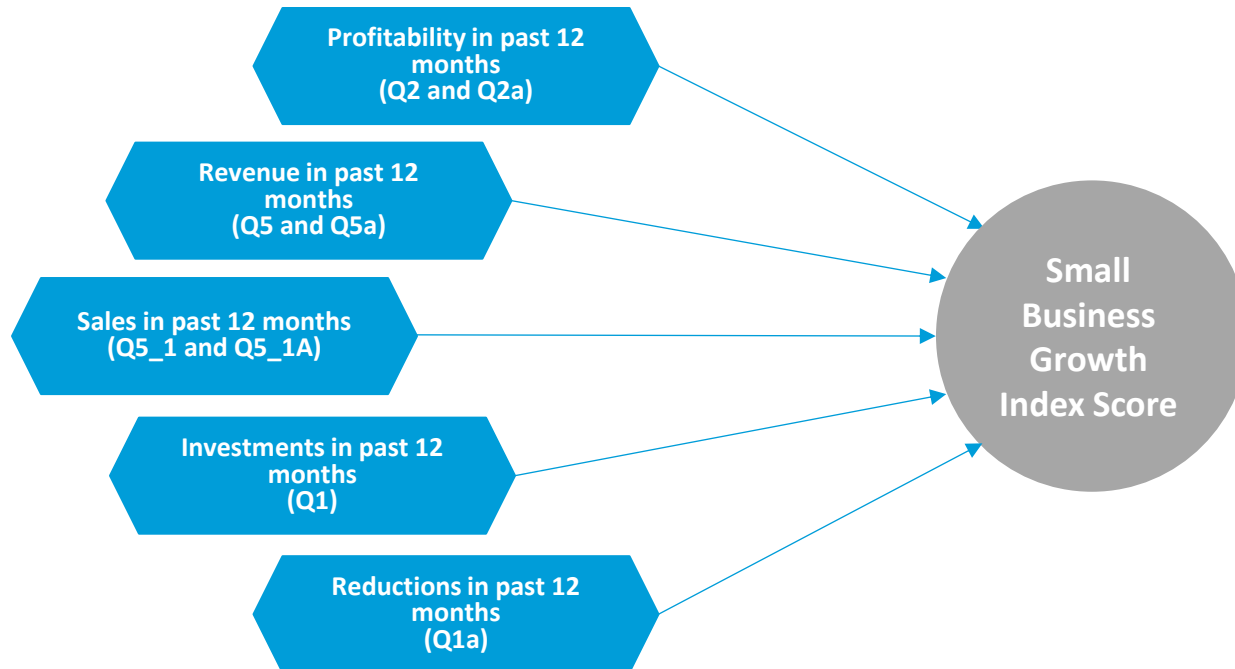
- **Overall, small businesses are showing signs of stability, leaning towards growth.**
 - Approximately two in five small businesses report a growth in revenue, profitability, and sales.
 - The Small Business Growth Index revealed relative stability over the past 12 months with a slight tilt towards growth.
- **Business operations are a likely target for investment.**
 - Specifically, new product offerings and investment in marketing and staff are the most commonly reported targets for investments in the next 12 months.
- **Most small businesses see an increasing importance in investing in technology.**
 - Nearly two in five agree that the importance of technology will increase over the next three years.
 - Businesses reporting growth are more likely to say they think the importance of technology will grow in the next three years.
- **The pace of technology is the top barrier to growth for integrating technology.**
 - Though the economy is most likely to be seen as the biggest barrier to growth overall, a quarter of small businesses cite “the pace of technology makes it difficult to know which investments are worth making” as the top barrier regarding integrating technology into their business.

DETAILED FINDINGS

BANK OF THE WEST SMALL BUSINESS GROWTH INDEX

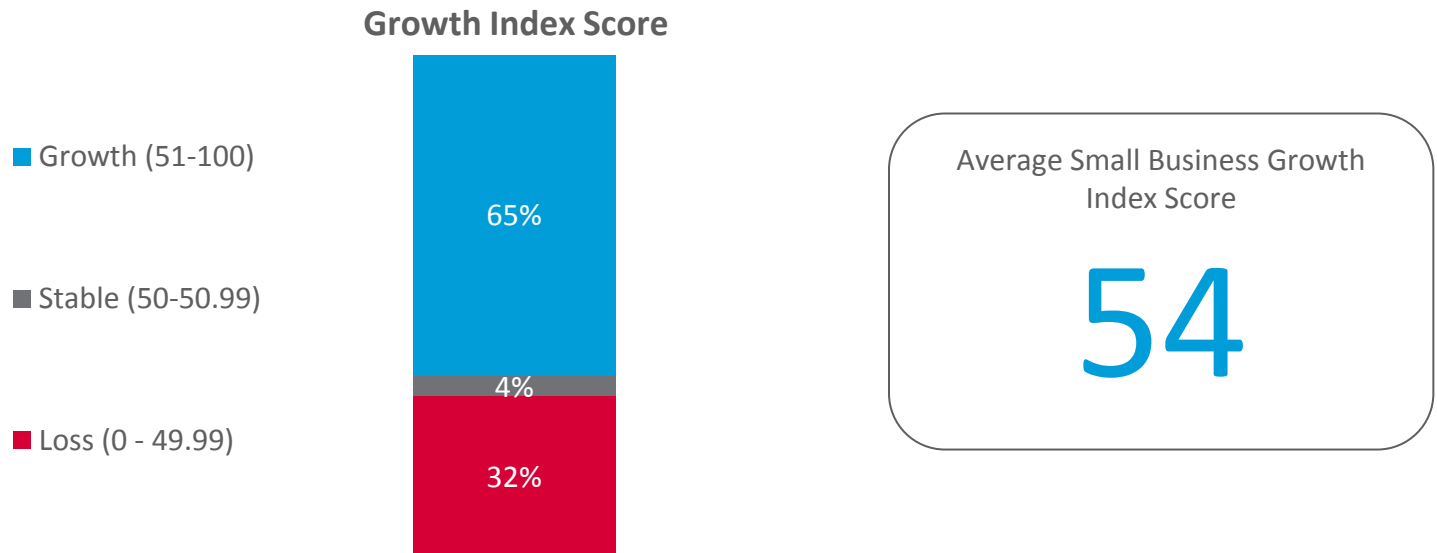
SMALL BUSINESS GROWTH INDEX

- The Small Business Growth Index was created to measure indicators of small business expansion.
- The Growth Index scores were created using five key areas of growth over the last 12 months.
- Small business owners were given a score for each metric based on their response. The scores were then rescaled to a value of 0-100 and averaged across the eight individual metrics to create an overall score of 0-100.
- Using this calculation, **50 represents stability with a score under 50 signaling loss and above 50 indicating growth.**



GROWTH INDEX SHOWS STABILITY WITH A POSITIVE LEAN

Two in three small businesses are on a path of growth. The overall index score reflects relative stability over the past 12 months with a slight tilt towards growth.



WHAT CAN BE LEARNED FROM GROWING BUSINESSES?

- **Growing businesses are more likely to understand the importance of technology.**
 - Half of growing small businesses (51%) say investing in technology is extremely or very important to their business' success over the next 12 months compared to a quarter (26%) of businesses that are declining.
- **They are more likely to be investing in technology.**
 - Growing businesses indicate their technology budget has increased (52% vs. 15%, significantly or somewhat increased).
- **Investing in technology for growing businesses is consumer-focused.**
 - They are more likely to say they are investing in technology to attract customers (54% vs. 41%), to help provide a better experience for customers (50% vs. 37%), and to be viewed as 'cutting edge' or 'forward-thinking' by their customers (29% vs. 18%).
- **Growing small businesses are less likely to see the economy as a barrier to growth.**
 - Small businesses that are declining are more likely to cite the economy as a barrier to growth (87% vs. 79%) and to agree that it's too risky to invest in growth right now (55% vs. 35%).

DEMOGRAPHIC DIFFERENCES

Overall, businesses in this report experiencing growth are run by younger business owners who are more likely to be Hispanic or Asian. Growing businesses are also “younger” with a lower average number of years in business compared to declining businesses.

| AGE | National | Growth | Loss |
|--------------|----------|--------|------|
| n | 499 | 321 | 158 |
| 18-24 | 1% | 2% | * |
| 25-34 | 15% | 21% | 5% |
| 35-49 | 30% | 33% | 22% |
| 50-64 | 38% | 31% | 51% |
| 65+ and over | 16% | 13% | 23% |
| MEAN | 50 | 47.1 | 55.6 |
| MEDIAN | 52 | 46 | 56 |

| ETHNICITY | National | Growth | Loss |
|-----------------------------------|----------|--------|------|
| n | 499 | 321 | 158 |
| White | 76% | 71% | 87% |
| Hispanic | 12% | 14% | 6% |
| Black/African American | 5% | 6% | 4% |
| Asian or Pacific Islander | 3% | 5% | 1% |
| Native American or Alaskan Native | * | * | 2% |
| Mixed Race | * | * | * |
| Some other race | 2% | 3% | 2% |
| Decline to answer | 1% | 1% | * |

| ANNUAL COMPANY REVENUE | National | Growth | Loss |
|---------------------------------|----------|--------|------|
| n | 499 | 321 | 158 |
| Less than \$200,000 | 79% | 81% | 77% |
| \$200,000 to \$499,999 | 13% | 10% | 18% |
| \$500,000 to \$999,999 | 5% | 5% | 3% |
| \$1 million to \$2.49 million | 2% | 2% | 2% |
| \$2.5 million to \$4.99 million | 1% | 1% | * |
| \$5 million to \$9.99 million | * | 1% | * |

| YEARS IN BUSINESS | National | Growth | Loss |
|-------------------|----------|--------|------|
| n | 499 | 321 | 158 |
| 0 - 10 | 47% | 60% | 23% |
| 11 - 20 | 26% | 20% | 35% |
| 21 - 30 | 14% | 11% | 21% |
| 31 - 40 | 9% | 7% | 11% |
| 41 - 50 | 3% | * | 8% |
| More than 50 | 2% | 2% | 3% |
| MEAN | 17 | 14.1 | 22.1 |
| MEDIAN | 12 | 9 | 20 |

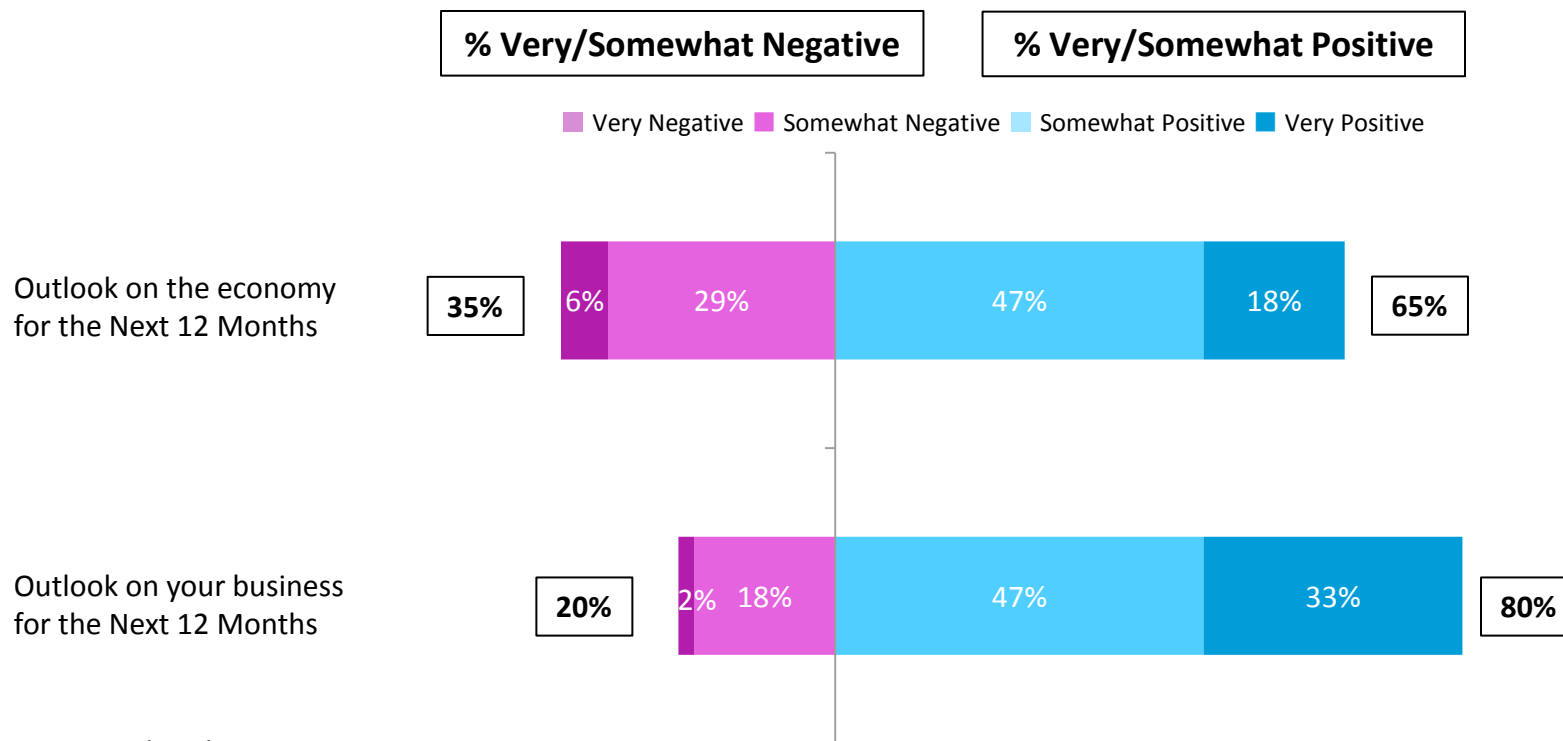
| INDUSTRY* | National | Growth | Loss |
|--------------------|----------|--------|------|
| n | 499 | 321 | 158 |
| Construction-Homes | 8% | 5% | 14% |
| Manufacturing | 6% | 8% | 3% |

*Note: Only industries with significant differences shown.

PROFITABILITY, REVENUE, AND SALES

OVERALL SMALL BUSINESSES HAVE A POSITIVE OUTLOOK

While two in three have a positive outlook on the economy, four in five feel positive about their outlook on their business over the next twelve months.



BASE: ALL NATIONAL RESPONDENTS (n=499)

Q13. How would you describe your outlook on *the economy* over the next 12 months?

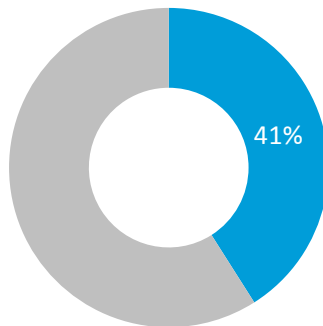
Q14. How would you describe your outlook on *your business* over the next 12 months?

PROFITABILITY, REVENUE, AND SALES

Around two in five small businesses say their profitability has increased in the last 12 months. The same is true for revenue and sales.

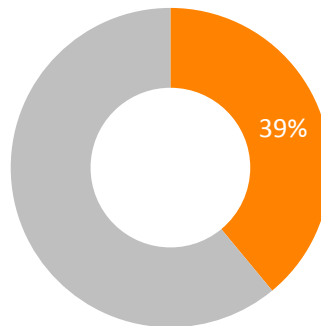
% Experiencing Increase Over the Past 12 Months

Profitability



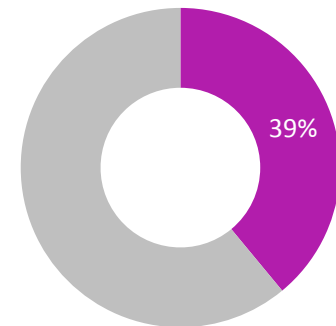
Mean: 25.9
Median: 15

Revenue



Mean: 24.4
Median: 13

Sales



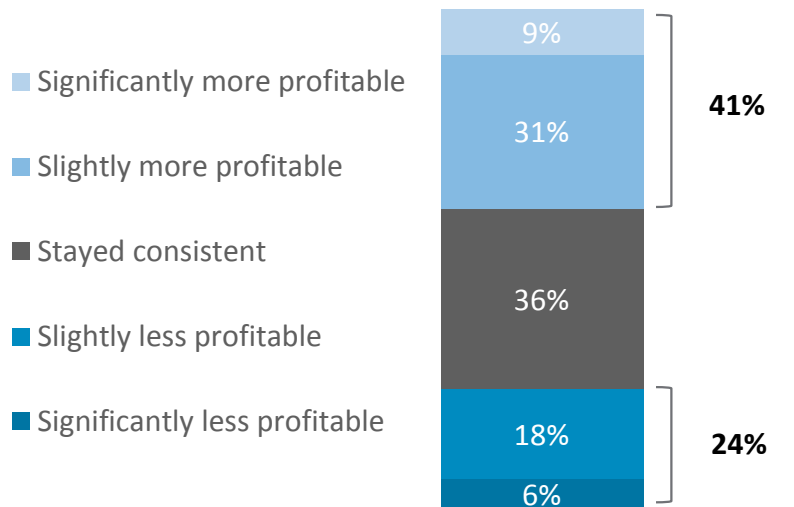
Mean: 25.7
Median: 15

BASE: ALL NATIONAL RESPONDENTS (n=499), (Profitability increased n=201), (Profitability decreased n=120)
Q2/Q5/Q5_1 How has your company's profitability/revenue/sales changed compared to this time last year?

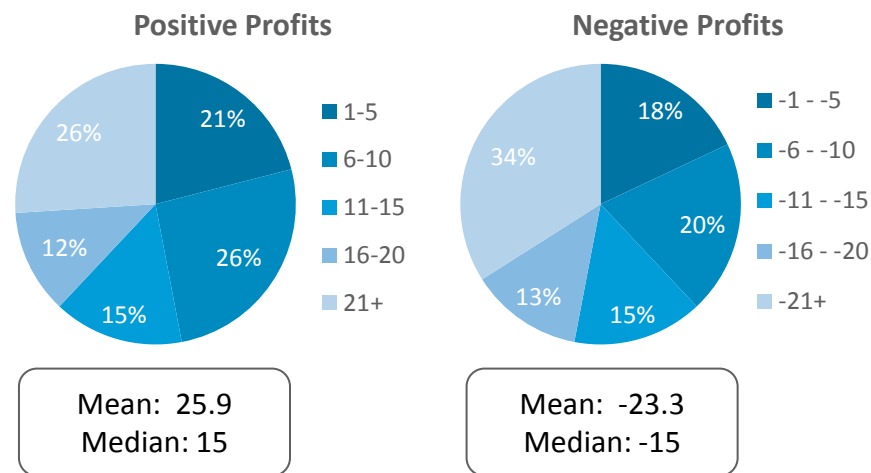
TWO IN FIVE ARE MORE PROFITABLE THAN LAST YEAR

Around two in five small businesses say their profitability has increased while nearly a third say it has stayed consistent. On average, those who have increased profitability have done so by 25.9%.

Change in Profitability Over the Past 12 Months



Change in Profitability in % Over the Past 12 Months



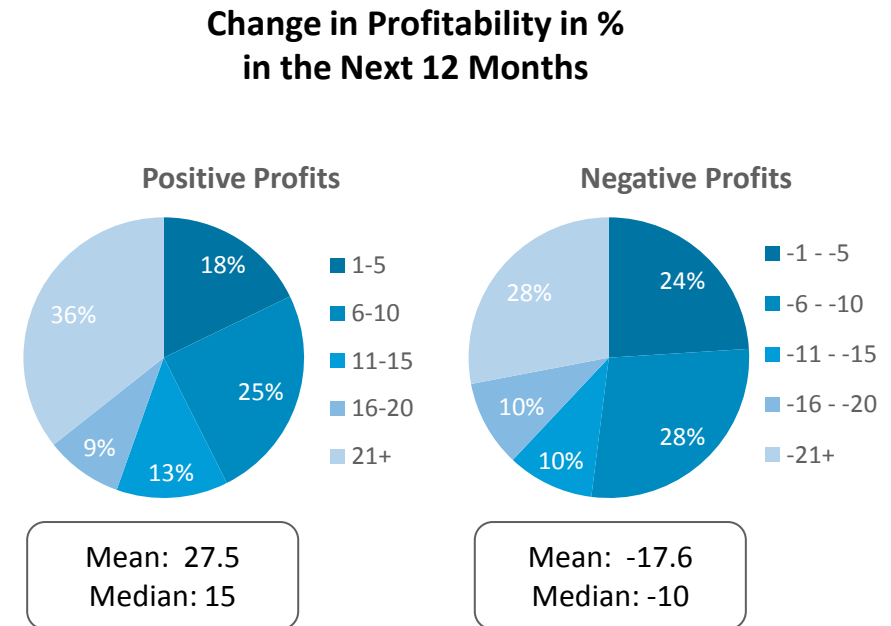
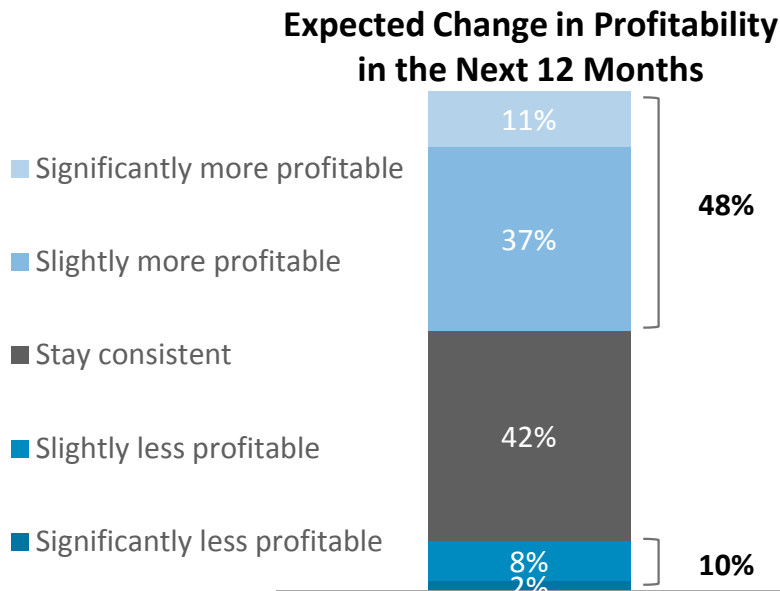
BASE: ALL NATIONAL RESPONDENTS (n=499), (Profitability increased n=201), (Profitability decreased n=120)

Q2. How has your company's profitability changed compared to this time last year?

Q2A. You mentioned your company's profitability [INSERT 'decreased' if Q2/1-2; INSERT 'increased' if Q2/4-5]. Please enter the percentage [INSERT 'decrease' if Q2/1-2; INSERT 'increase' if Q2/4-5] in the box below.

HALF ENVISION PROFITABILITY INCREASING

Over the next 12 months, 48% expect profitability to increase and two in five expect it to stay consistent. On average, small businesses that expect their profitability to increase think it will increase by 27.5%.



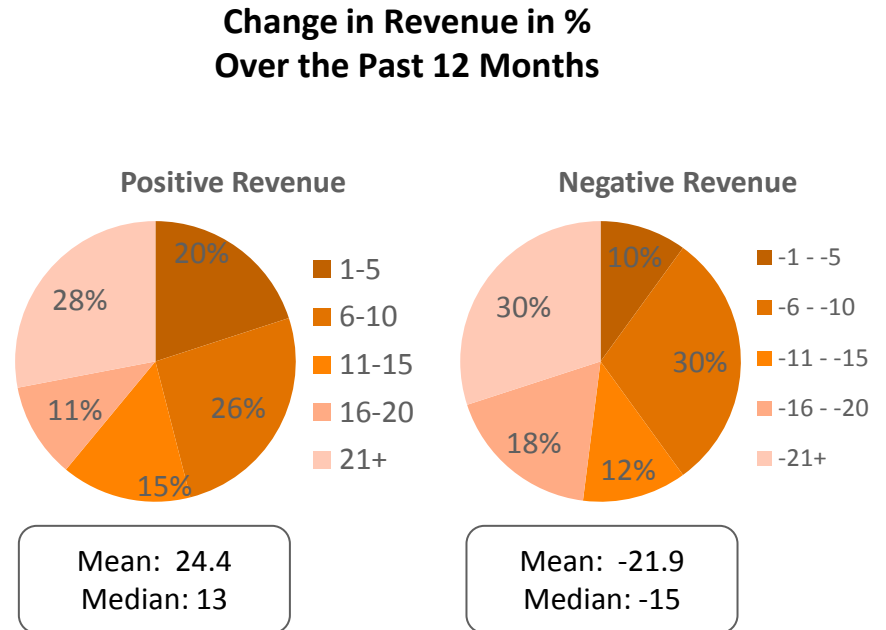
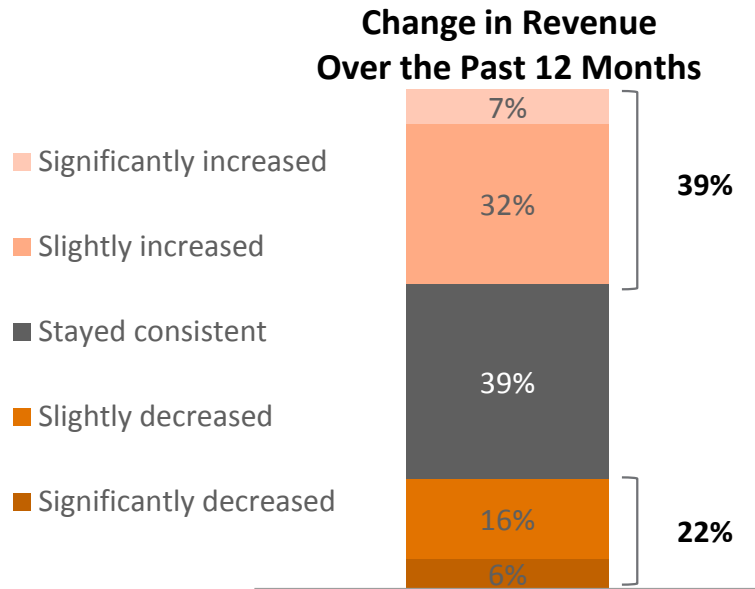
BASE: ALL NATIONAL RESPONDENTS (n=499), (Profitability increased n=236), (Profitability decreased n=53)

Q2B. In the next 12 months do you expect profitability to?

Q2C. You mentioned that you expect your company's profitability to [INSERT 'decrease' if Q2B/1-2; INSERT 'increase' if Q2B/4-5]. If you had to say now, please enter the percentage you think profitability might [INSERT 'decrease' if Q2B/1-2; INSERT 'increase' if Q2B/4-5] in the box below.

REVENUE GREW FOR TWO IN FIVE

Like profitability, two in five small businesses indicated their revenue grew in the last 12 months. Around a quarter saw a decrease.



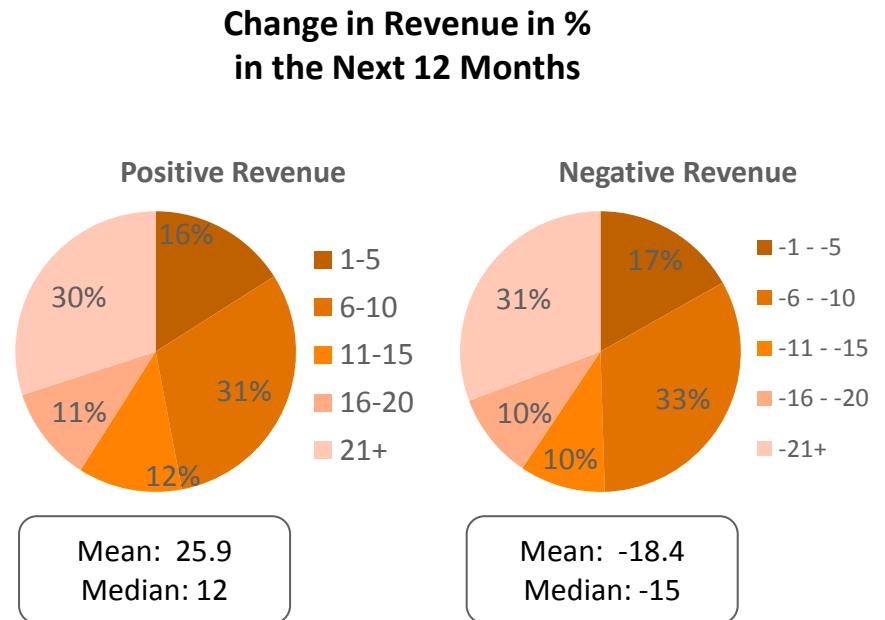
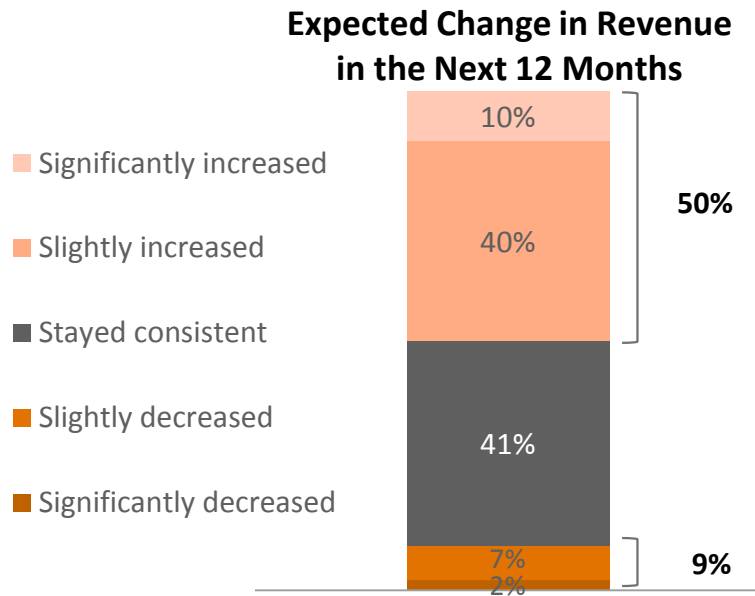
BASE: ALL NATIONAL RESPONDENTS (n=499), (Revenue increased n=199), (Revenue decreased n=110)

Q5. How has your company's revenue changed compared to this time last year?

Q5A. You mentioned your company's revenue [INSERT 'decreased' if Q5/1-2; INSERT 'increased' if Q5/4-5]. Please enter the percentage [INSERT 'decrease' if Q5/1-2; INSERT 'increase' if Q5/4-5] in the box below.

ONE IN TWO PLAN ON GROWTH IN REVENUE

Half of small businesses anticipate revenue will grow over the next 12 months. Of those who expect it to grow, the average increase is predicted to be over 25%.



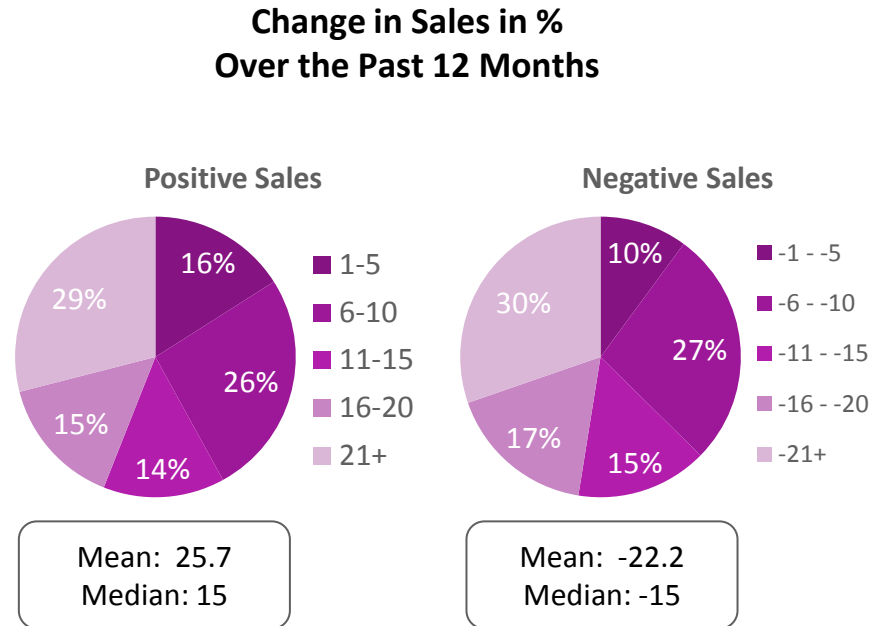
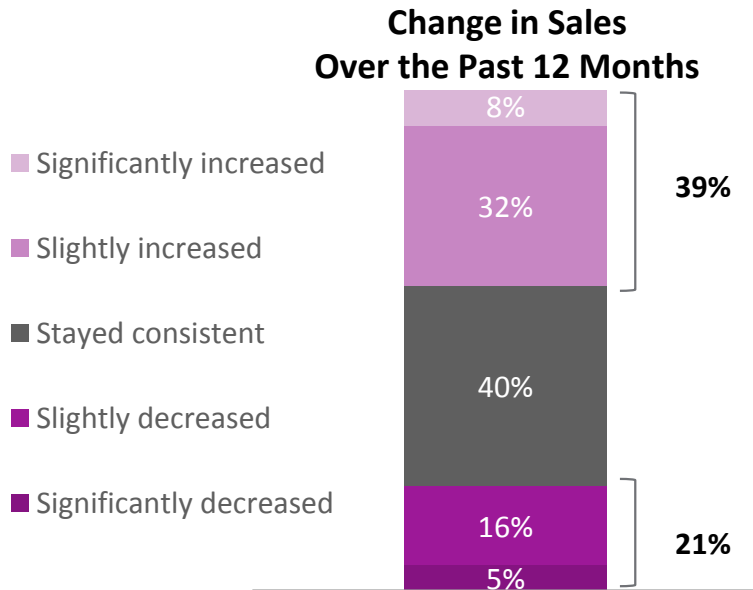
BASE: ALL NATIONAL RESPONDENTS (n=499), (Revenue increased n=248), (Revenue decreased n=49)

Q5B. In the next 12 months do you expect revenues to:

Q5C. You mentioned that you expect your company's revenues to [INSERT 'decrease' if Q5B/1-2; INSERT 'increase' if Q5B/4-5]. If you had to say now, please enter the percentage you think revenues might [INSERT 'decrease' if Q5B/1-2; INSERT 'increase' if Q5B/4-5] in the box below.

SALES IN LINE WITH PROFITABILITY AND REVENUE

As it was seen for profitability and revenue, around two and five small businesses say their sales increased in the last 12 months. The average growth was 25.7%.



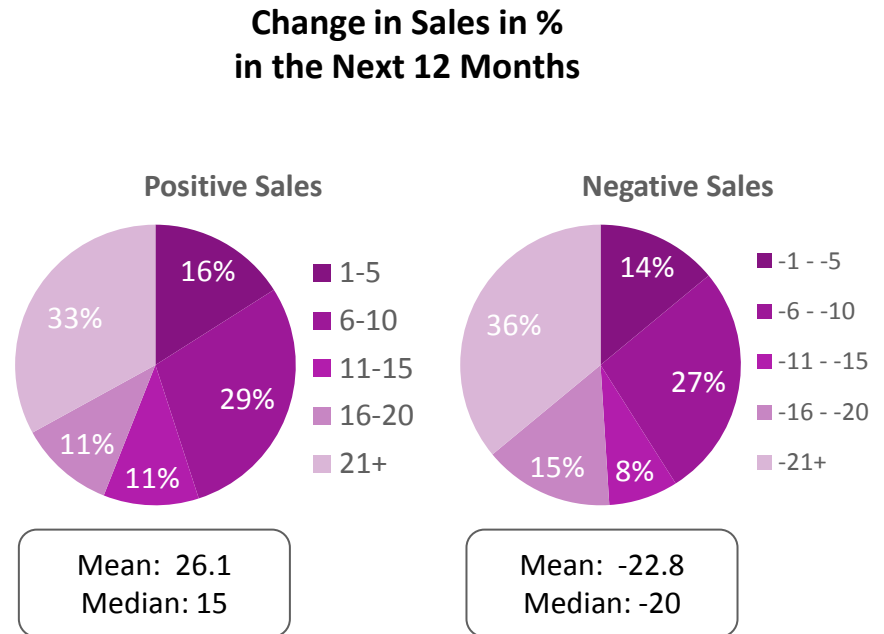
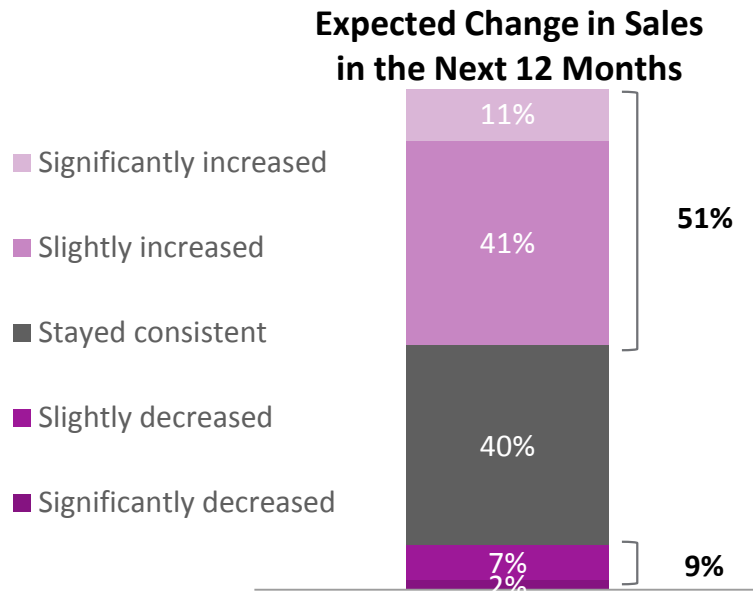
BASE: ALL NATIONAL RESPONDENTS (n=499), (Sales increased n=201), (Sales decreased n=103)

Q5_1. How has your company's sales changed compared to this time last year?

Q5_1A. You mentioned your company's sales [INSERT 'decreased' if Q5_1/1-2; INSERT 'increased' if Q5_1/4-5]. Please enter the percentage [INSERT 'decrease' if Q5_1/1-2; INSERT 'increase' if Q5_1/4-5] in the box below.

HALF ANTICIPATE SALES TO INCREASE

Half of small businesses expect their company's sales to increase over the next 12 months. On average, sales are expected to increase by 26.1%.



BASE: ALL NATIONAL RESPONDENTS (n=499), (Sales increased n=255), (Sales decreased n=43)

Q5_1B. In the next 12 months do you expect sales to:

Q5_1C. You mentioned that you expect your company's sales to [INSERT 'decrease' if Q5_1B/1-2; INSERT 'increase' if Q5_1B/4-5]. If you had to say now, please enter the percentage you think sales might [INSERT 'decrease' if Q5_1B/1-2; INSERT 'increase' if Q5_1B/4-5] in the box below.

GROWTH AND INVESTMENT

INCREASING PROFITS IS THE TOP PRIORITY

A quarter of small businesses say increasing profits is the top priority. Around one in five also point to growing revenue or expanding revenue and profit in equal measure.

Top Priority for the Next 12 Months



BASE: ALL NATIONAL RESPONDENTS (n=499)

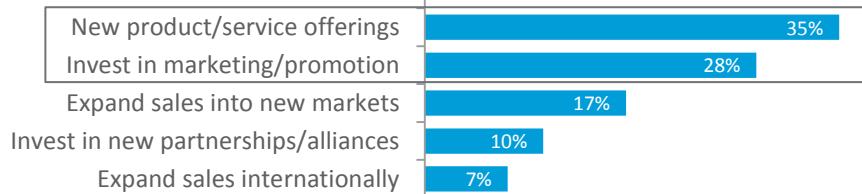
Q10. Which of the following is your top priority for the next 12 months? Please only select one choice.

BUSINESS OPS ARE TARGETS FOR INVESTMENT

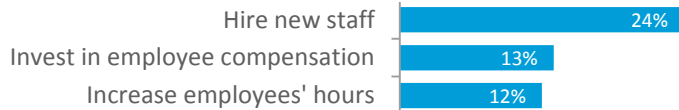
New product offerings have been the most common place for investments and small businesses indicate that will continue in the next 12 months. Marketing and staff are also common areas of investment.

AREAS OF INVESTMENTS OVER THE PAST 12 MONTHS

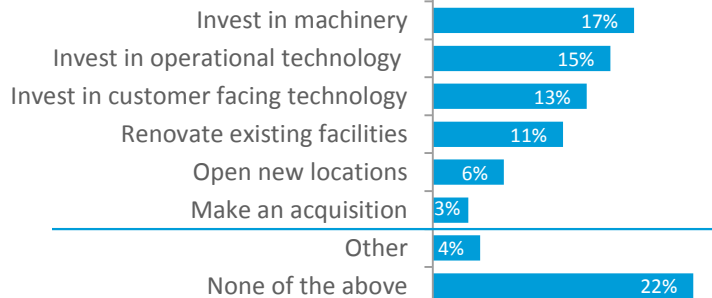
Business Operations



Labor Investments

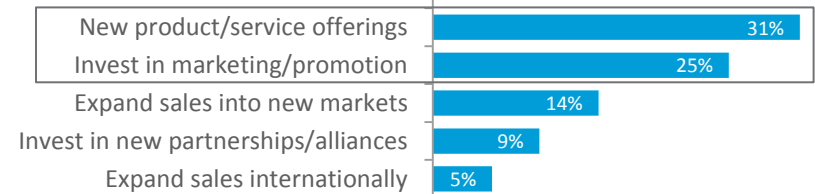


Capital Investments

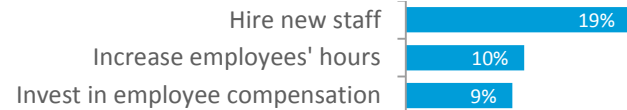


AREAS OF INVESTMENTS IN THE NEXT 12 MONTHS

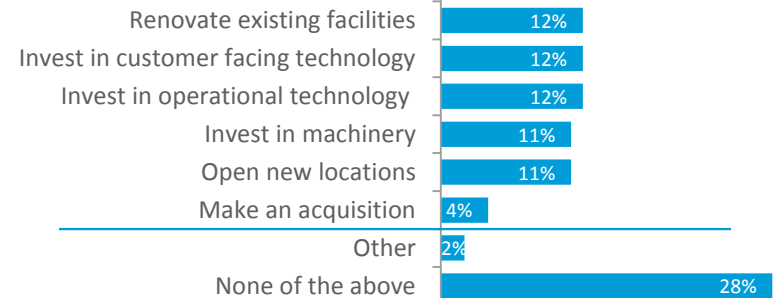
Business Operations



Labor Investments



Capital Investments



BASE: ALL NATIONAL RESPONDENTS (n=499)

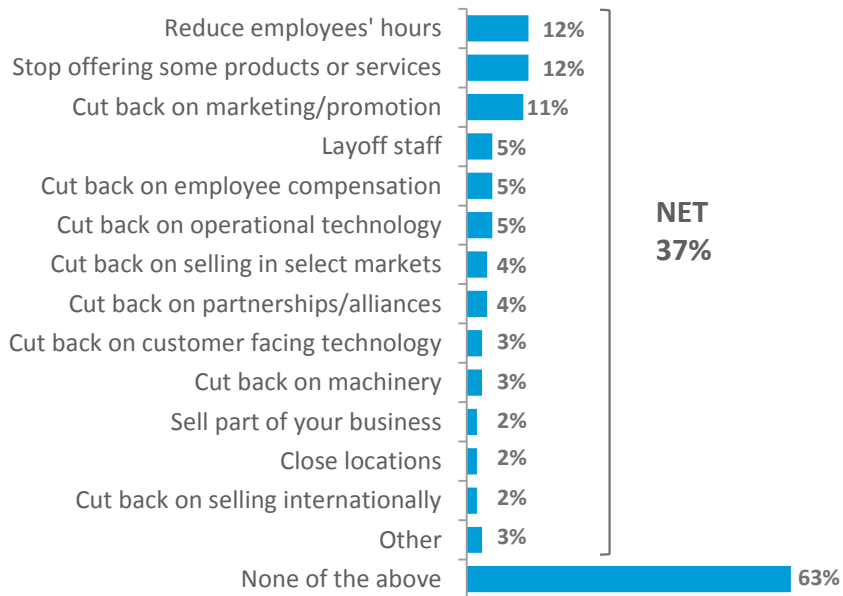
Q1. In the *past* 12 months did you make any investments in your business through the following? Please select all that apply.

Q4. In the *next* 12 months are you looking to make any investments in your business through the following? Please select all that apply.

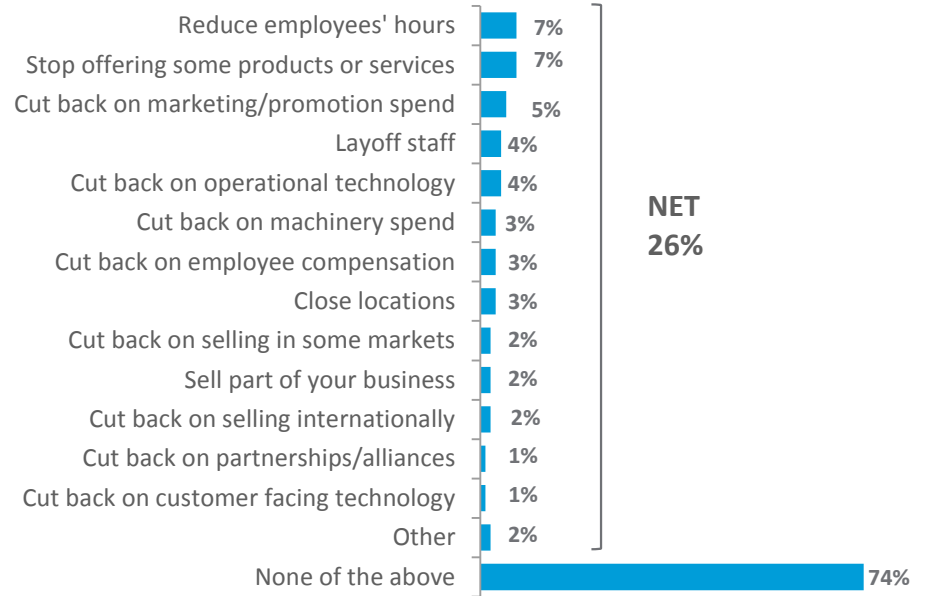
HOURS AND PRODUCTS/SERVICES ARE TO BE CUT

Though only around a third have made cutbacks in the past 12 months, reducing employees' hours and stopping product offerings are the most common areas of cutbacks. Cuts to operation technology are more likely to be made than customer facing technology.

AREAS TO DOWNSIZE/REFOCUS IN THE PAST 12 MONTHS



AREAS TO DOWNSIZE/REFOCUS IN THE NEXT 12 MONTHS



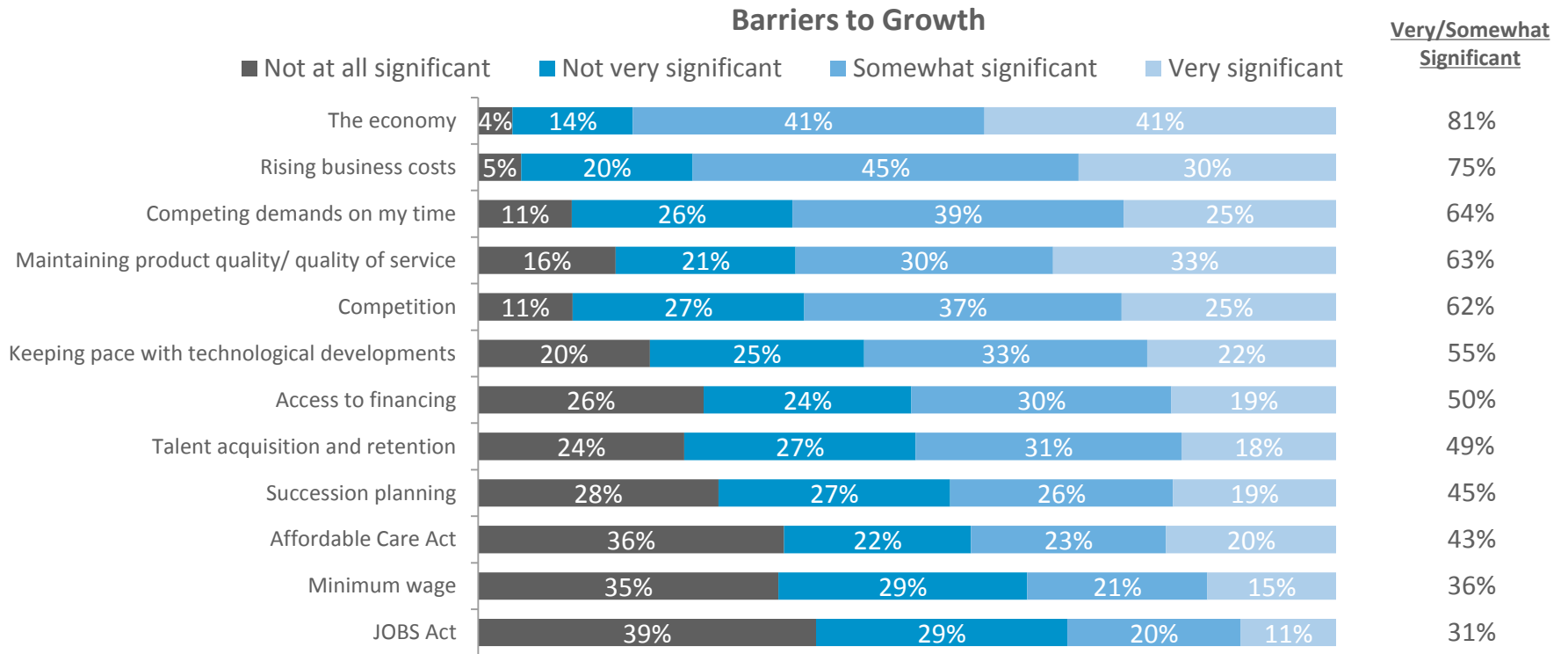
BASE: ALL NATIONAL RESPONDENTS (n=499)

Q1A. In the *past* 12 months did you downsize/refocus your business through the following? Please select all that apply.

Q4A. In the *next* 12 months are you looking to downsize/refocus your business through the following? Please select all that apply.

THE ECONOMY IS A SIGNIFICANT GROWTH BARRIER

A majority of small businesses say that the economy is a significant barrier to growth along with rising business costs.

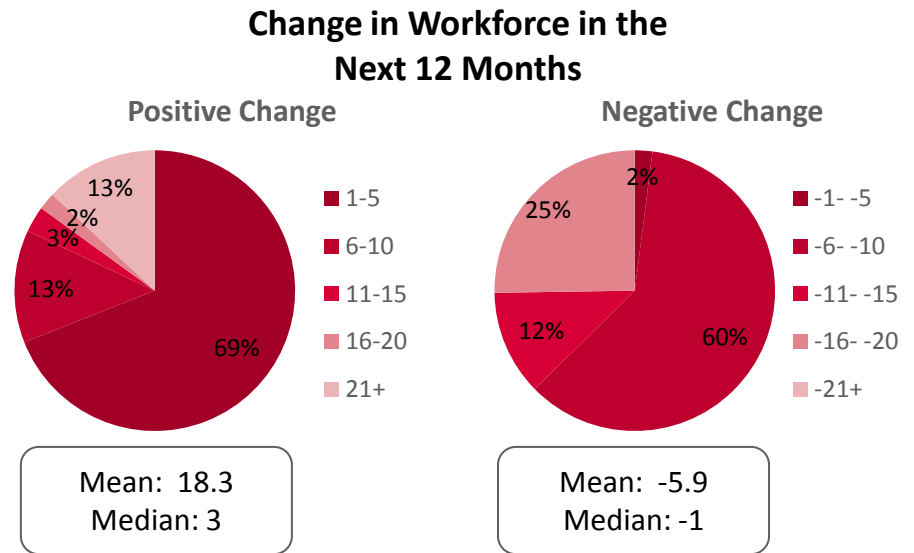
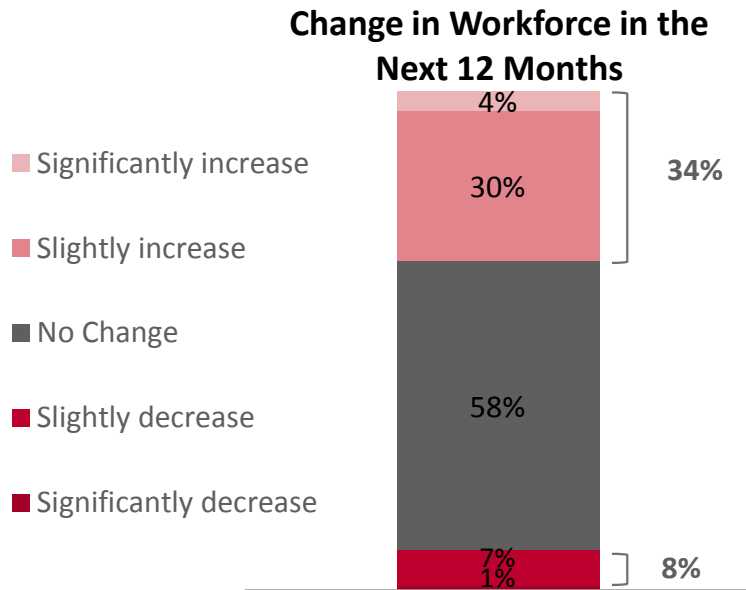


BASE: ALL QUALIFIED RESPONDENTS (n=499)

Q11. Using the scale below, please rate how significant of a barrier to growth each of the items for your company.

A THIRD OF SMALL BUSINESSES PLAN ON HIRING

While the majority of small businesses anticipate no change in their workforce over the next 12 months, a third are planning to hire additional employees.



Overall businesses plan on adding an average of **5 employees** to their workforce over the next 12 months.

BASE: ALL NATIONAL RESPONDENTS (n=499)

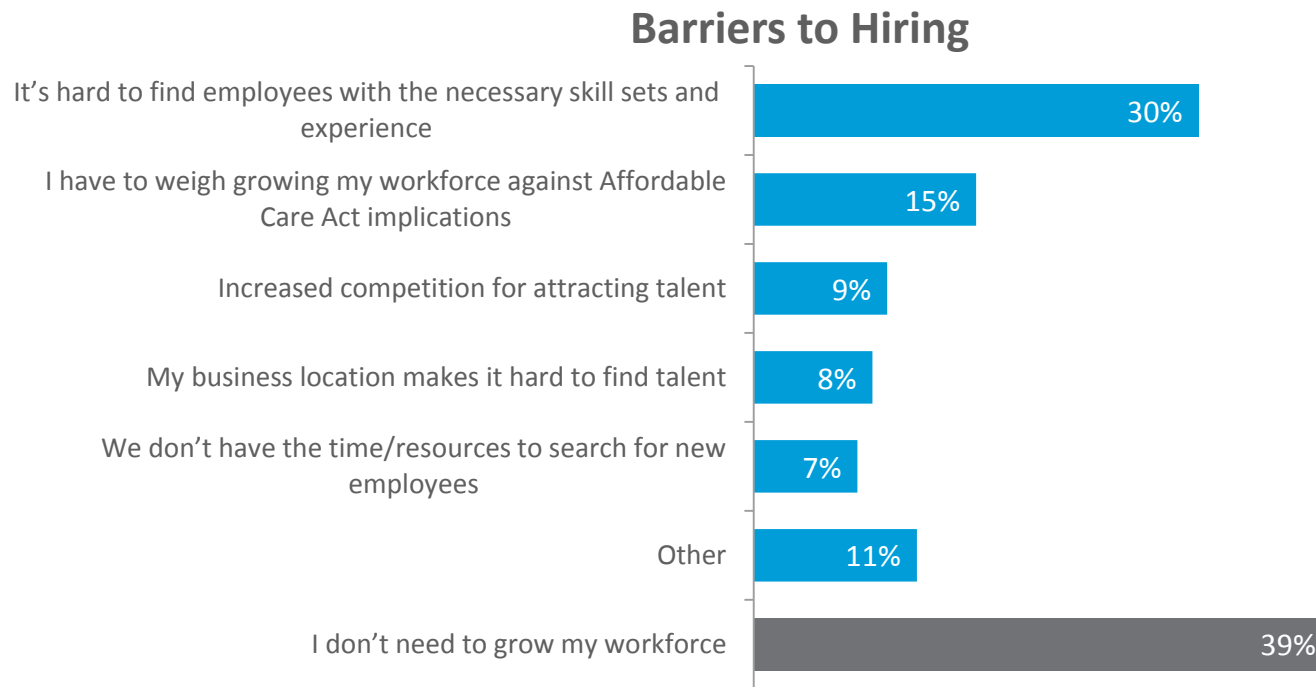
Q7. During the course of the next 12 months, how do you anticipate your workforce will change?

BASE: WORKFORCE CHANGE – ALL NATIONAL RESPONDENTS (n=213)

Q7A. You mentioned that you anticipate your workforce will [INSERT 'decrease' if Q7/1-2; INSERT 'increase' if Q7/4-5]. Please enter the number of workers that your workforce will [INSERT 'decrease' if Q7/1-2; INSERT 'increase' if Q7/4-5] by in the box below.

LOCATING QUALITY IS BIGGEST BARRIER TO HIRING

Nearly a third of small businesses say difficulty finding employees with the necessary skill sets and experience prevents them from hiring additional employees. Nearly two in five say they do not need to grow their workforce.



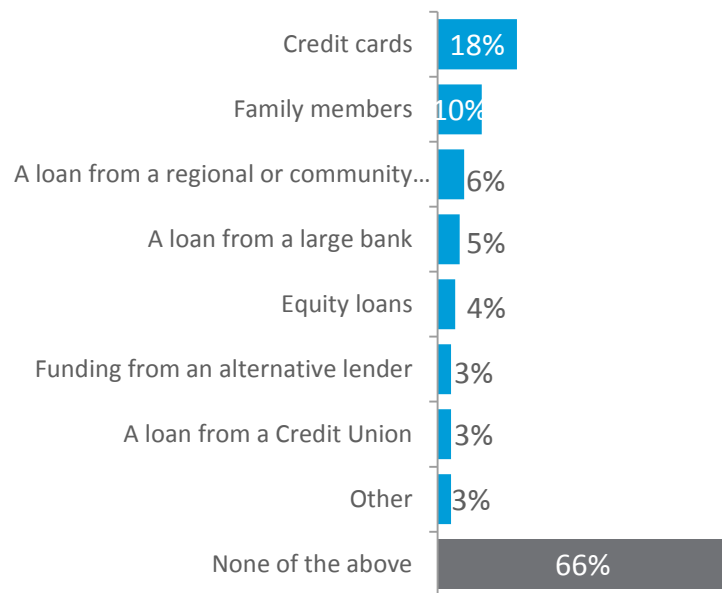
BASE: ALL NATIONAL RESPONDENTS (n=499)

Q7B. What barriers prevent you from hiring additional employees or slow your hiring process?

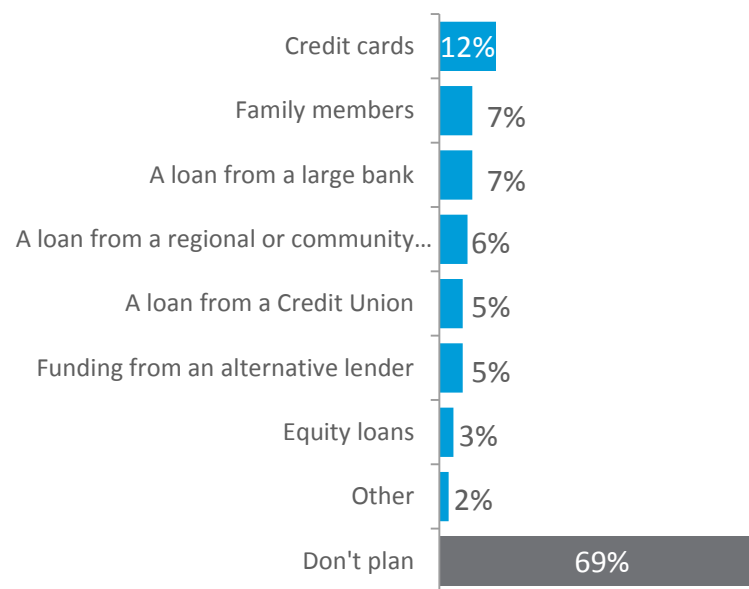
CREDIT CARDS ARE TOP SOURCE OF FUNDING

Though the majority of small businesses did not receive outside funding in the past 12 months, of those who did, credit cards are the most commonly mentioned source.

Sources of Financing in the Past 12 Months



Sources of Financing for the Next 12 Months



BASE: ALL NATIONAL RESPONDENTS (n=499)

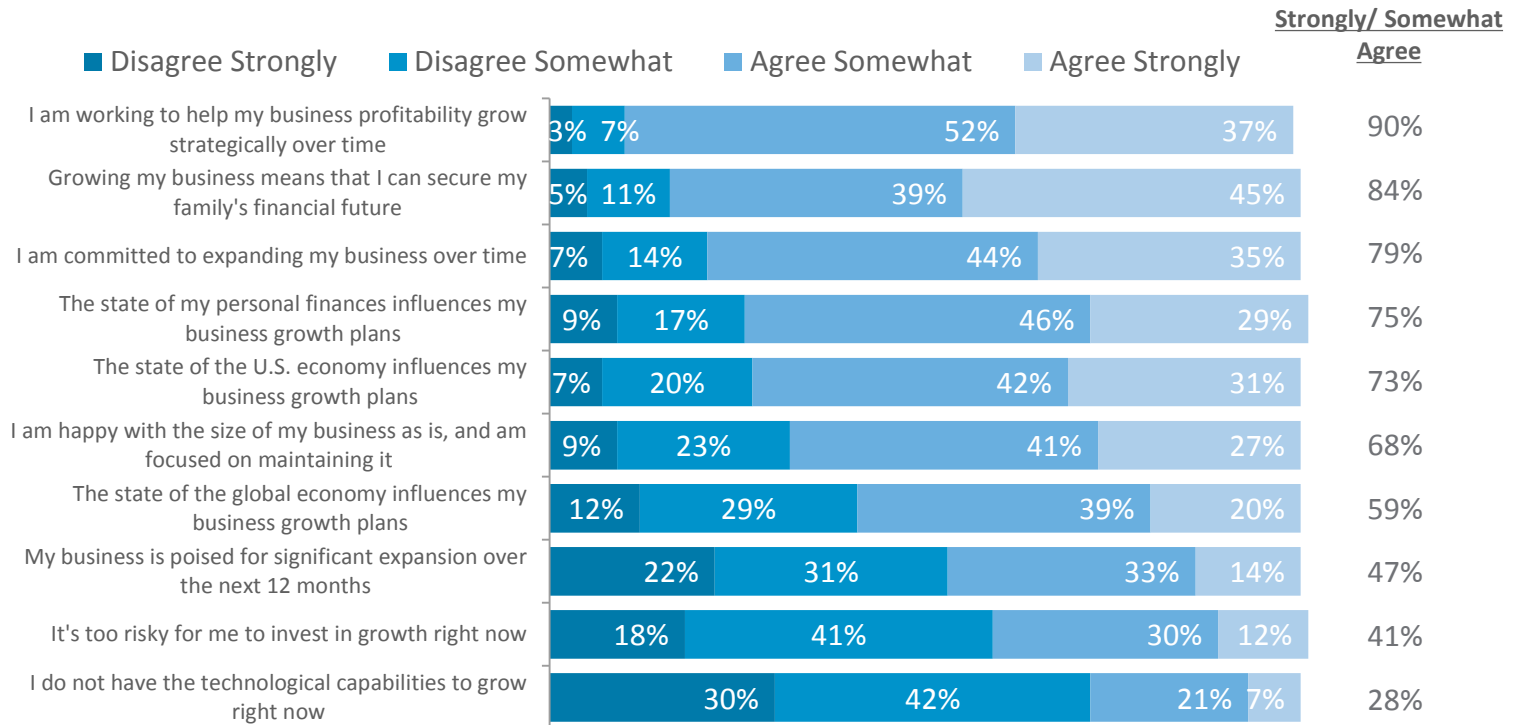
Q3. Have you received outside funding in the *past* 12 months from the following sources? Please select all that apply.

Q6. In the *next* 12 months, are you planning on acquiring financing from any of the following sources?

STRATEGIC GROWTH IS KEY BUT MANY FOCUS ON CONSISTENCY

The vast majority of small businesses are working to help their business profitability grow strategically over time – for nearly two-thirds this means focusing on maintaining the current size of their business.

Two in three (67%) who are growing strategically by focusing on profitability are currently happy with their business size.



BASE: ALL NATIONAL RESPONDENTS (n=499)

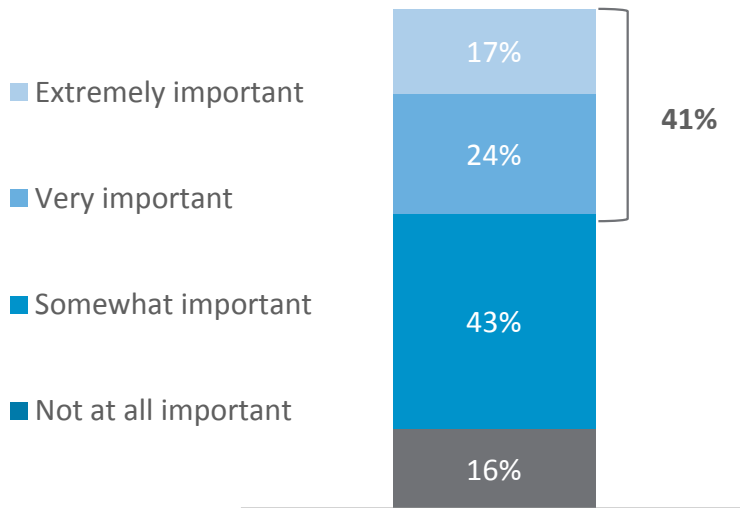
Q8. To what degree do you agree with the following statements?

TECHNOLOGY

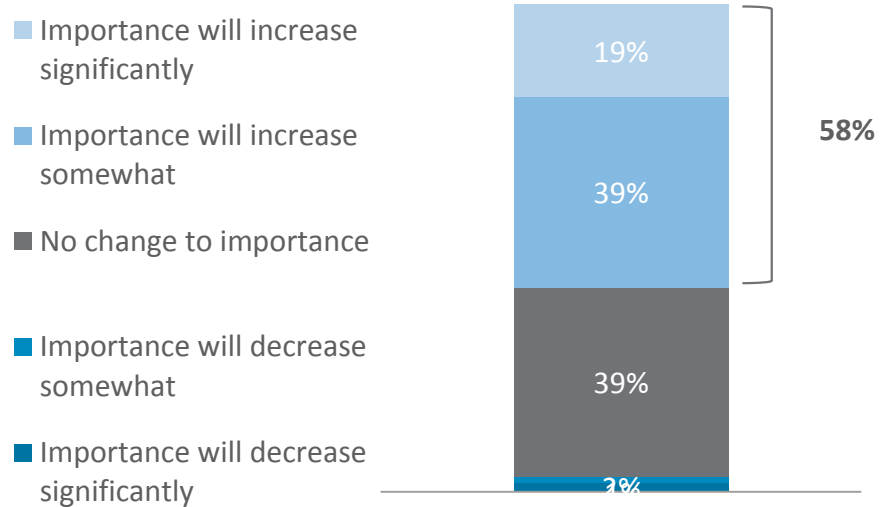
MOST SEE TECHNOLOGY AS INCREASINGLY IMPORTANT

Small businesses understand the importance of technology to their success. Nearly three in five feel that the importance of investing in technology will increase in the next three years.

Importance of Technology to Business's Success in Next 12 months



Importance of Investing in Technology in the Next Three Years



BASE: ALL NATIONAL RESPONDENTS (n=499)

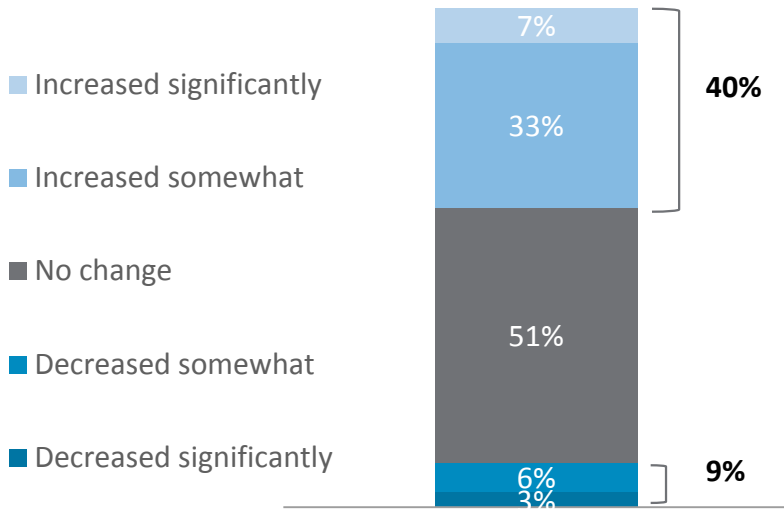
Q15. How important is investing in technology to your business's success over the next 12 months?

Q15A. How do you anticipate the importance of investing in technology to change over the next three years?

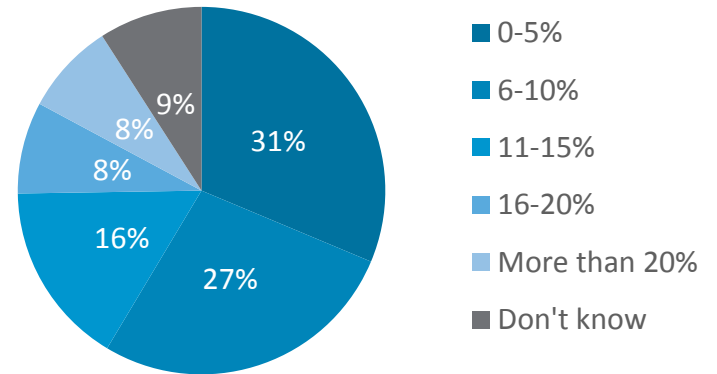
TECHNOLOGY BUDGETS HAVE INCREASED TWO IN FIVE

While half of small businesses say their technology budgets have remained the same in the past 12 months, two in five say their budget has increased.

Change in Technology Budget Over the Past 12 Months



Investment in Technology in % in the Next 12 Months



Mean: 14.2
Median: 10

BASE: ALL NATIONAL RESPONDENTS (n=499)

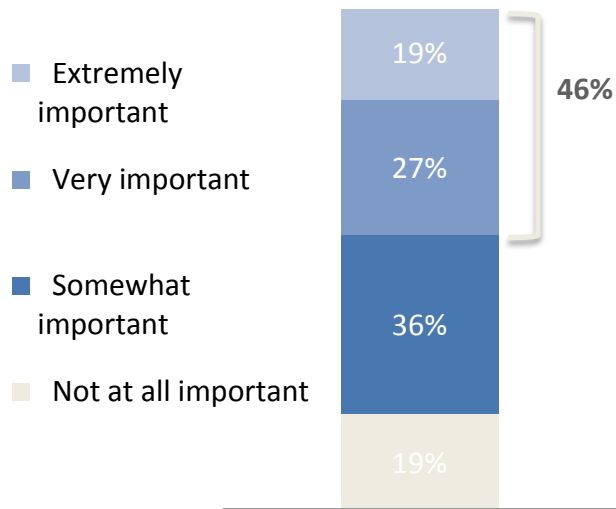
Q16. Over the past 12 months, how has your technology budget changed?

Q17. Over the next 12 months, what percentage of your investment dollars do you expect to earmark for technology?

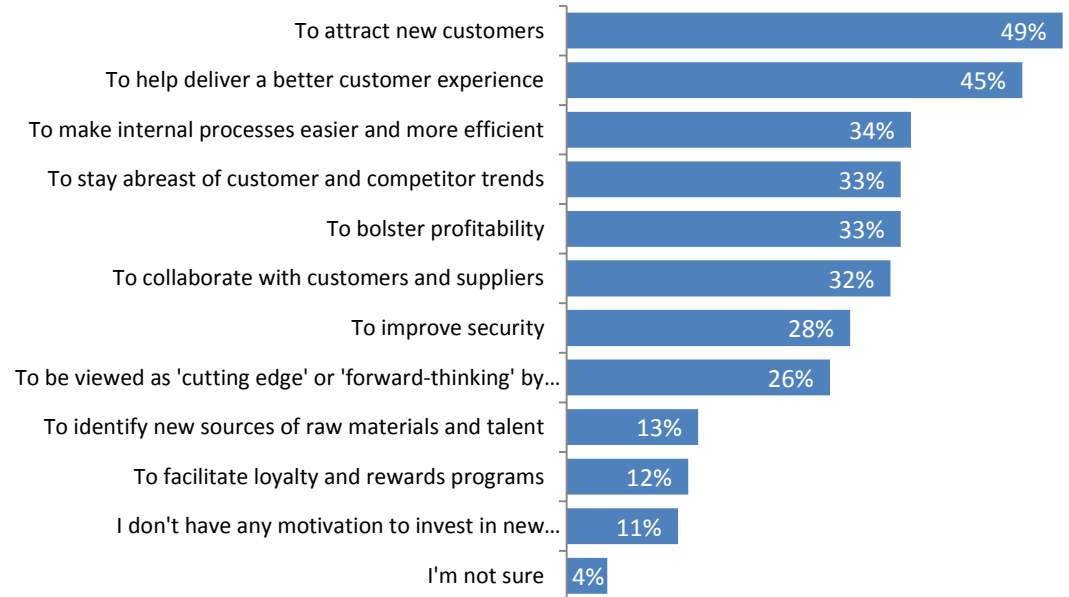
TECHNOLOGY IS SEEN AS IMPORTANT TO SUCCESS

Four in five small businesses see mobile technology as important to future success – one in five view it as extremely important. They are most likely to be investing in new technology to attract new customers and to help deliver a better client experience.

Importance of Mobile Technology to Future Success



Reasons for Investing



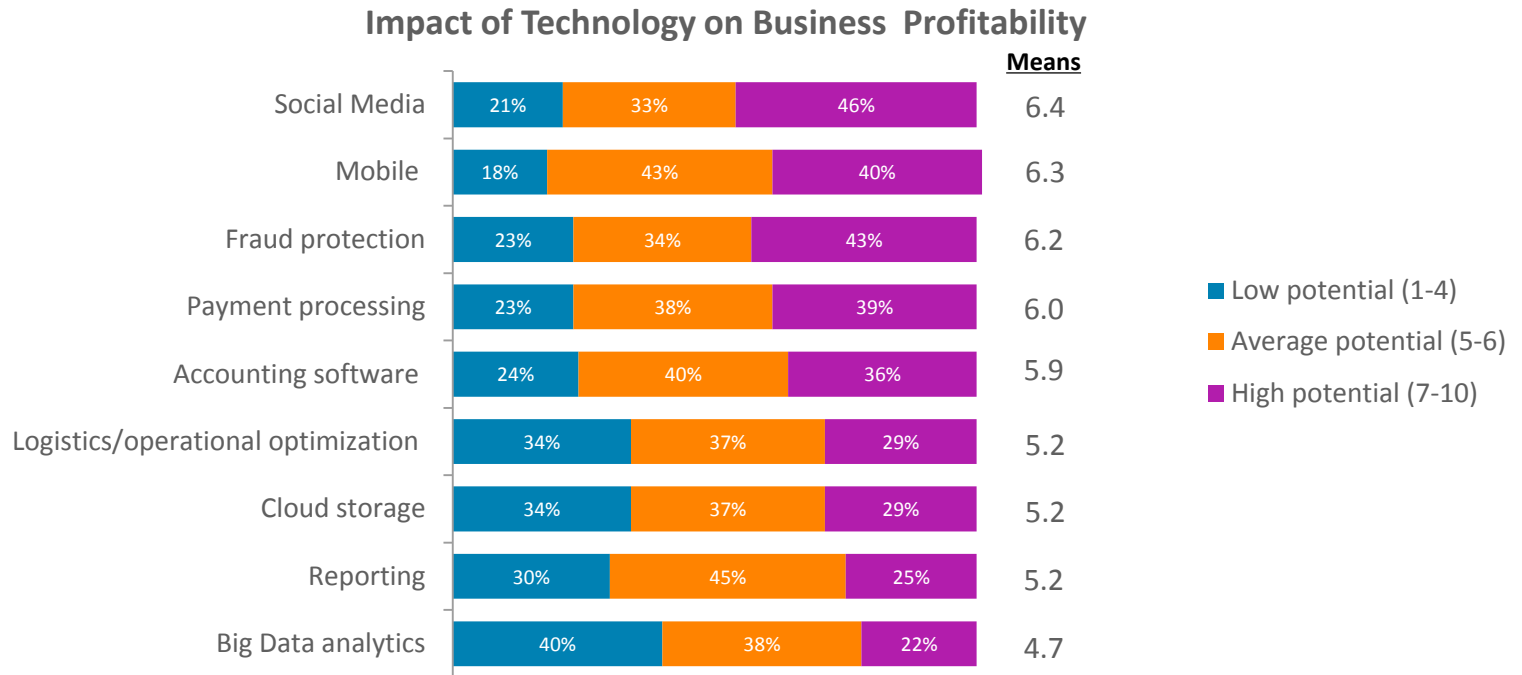
BASE: ALL NATIONAL RESPONDENTS (n=499)

Q19. How important is mobile technology, such as applications that run on mobile phones, smart phones and tablets, to the future success of your business?

Q20. Which of the following are reasons you are investing in new technology for your company? Please select all that apply.

SOCIAL MEDIA IS MOST LIKELY TO HAVE AN IMPACT

Nearly half of small businesses see social media as having a high potential impact on business profitability. Around two in five say mobile, fraud protection, and payment processing have a high potential for impact.



BASE: ALL NATIONAL RESPONDENTS (n=499)

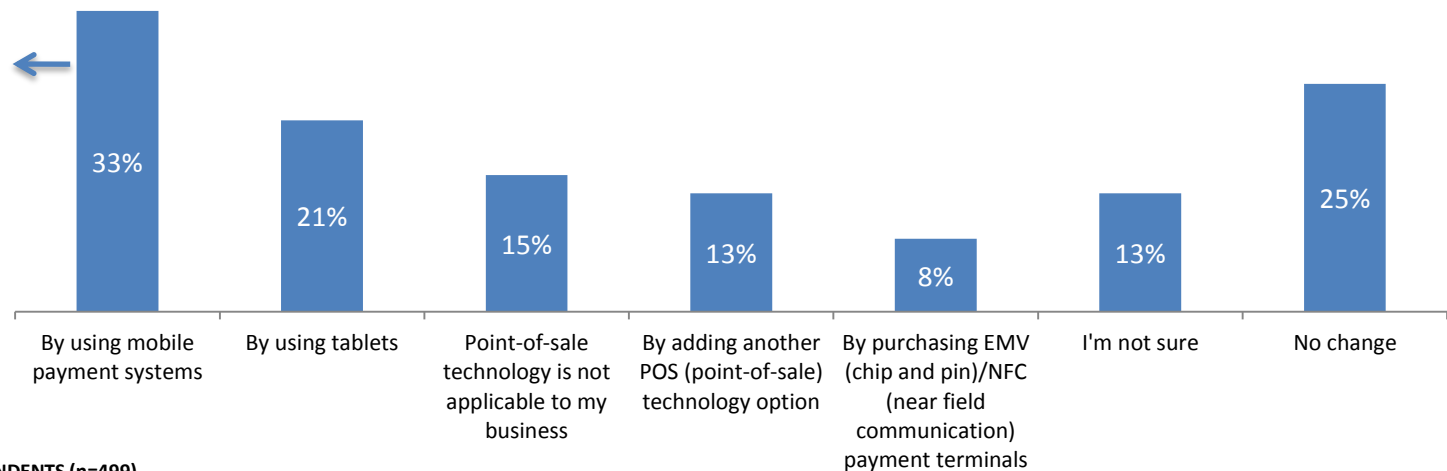
Q18. Please rate each of the following areas of technology innovation on its likely impact on your business's profitability using a scale of 1 to 10 where 1 means no potential positive impact and 10 means high potential.

A THIRD WILL BE ADDING MOBILE PAYMENT SYSTEMS

Over the next 12 months, a third will be changing their point-of-sale (POS) technology by adding mobile payment systems. One in five say they will be using tablets.

On average, those planning to add mobile payment systems plan to spend 14.2% of their operating budget invested in the purchase, installation, and ongoing use of mobile technologies

Change in POS Technology in the Next 12 Months



BASE: ALL NATIONAL RESPONDENTS (n=499)

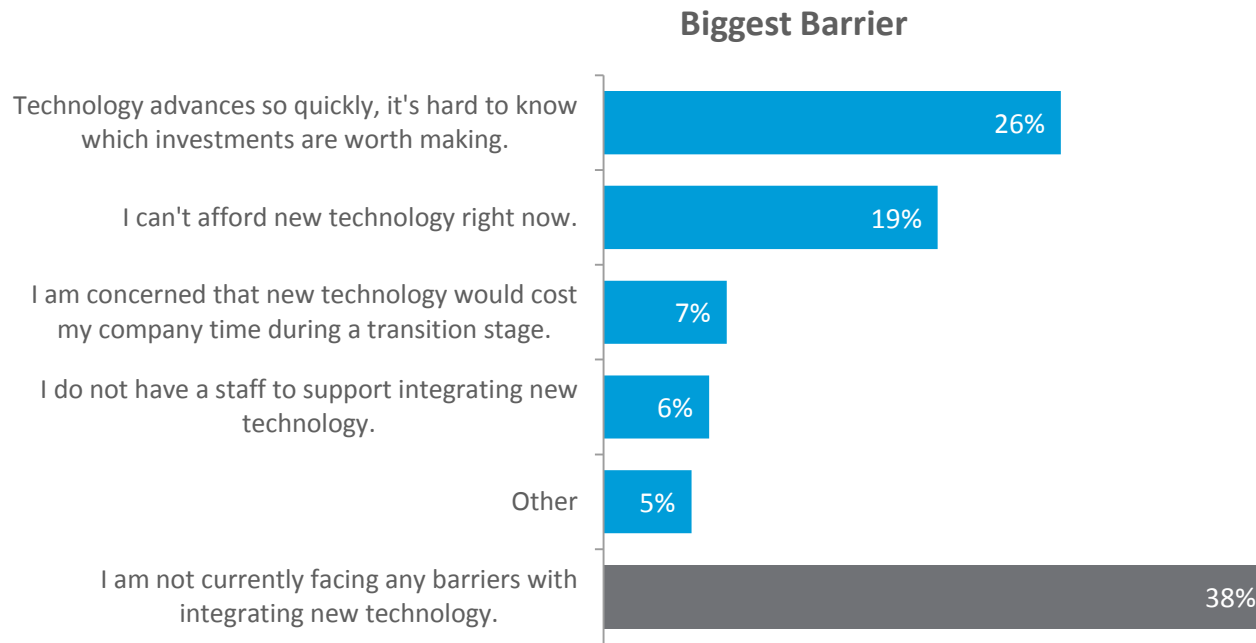
Q21. How do you plan to change your point-of-sale technology (POS) in the next 12 months? Please select all that apply.

BASE: INVESTING IN MOBILE PAYMENT SYSTEMS (n=220)

Q745 What percentage of your annual operating expenses have you invested in the purchase, installation and ongoing use of mobile technologies?

THE PACE OF TECHNOLOGY IS MOST COMMON BARRIER

A quarter of small businesses say that the pace of technology makes it difficult to know which investments are worth making. One in five point to affordability as the biggest barrier regarding integrating new technology into their business.



BASE: ALL NATIONAL RESPONDENTS (n=499)

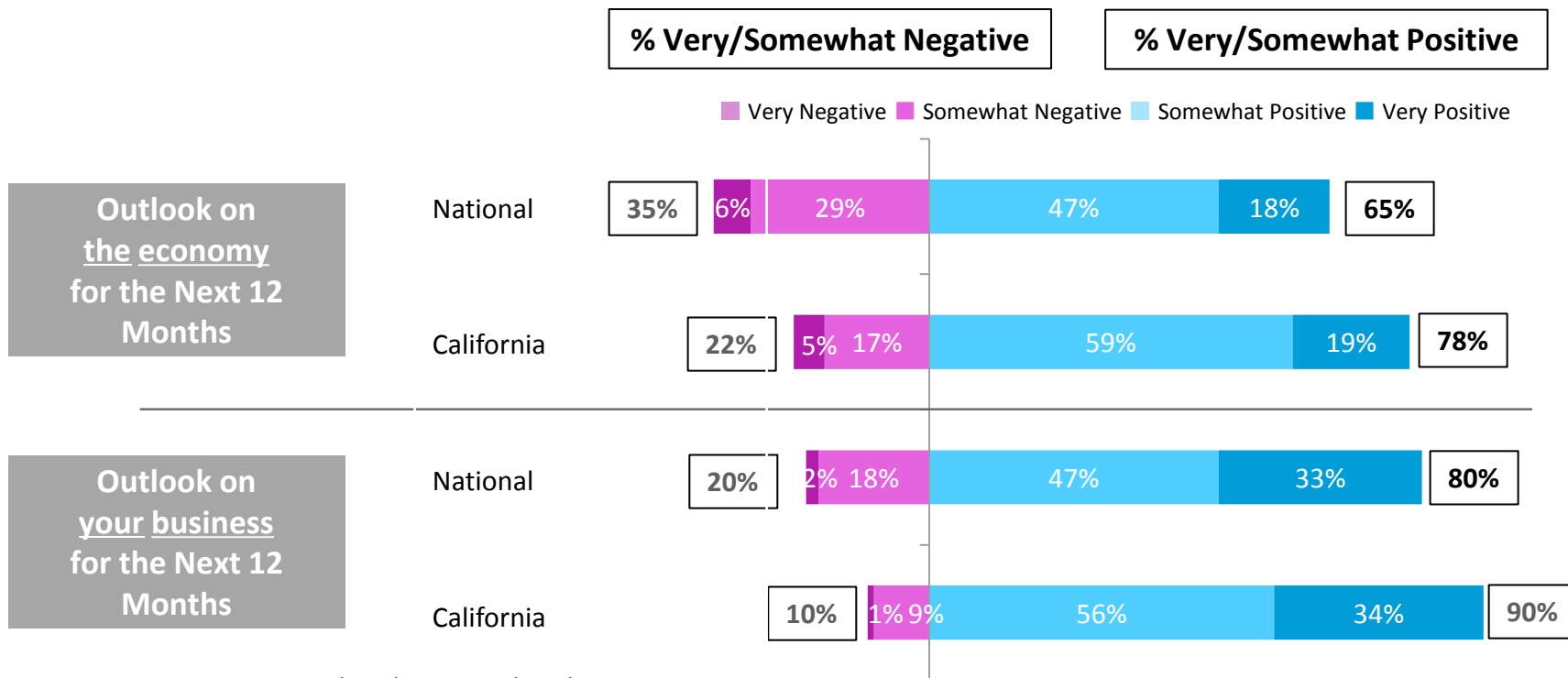
Q23. What is the biggest barrier regarding integrating new technology into your business? Please select only one response.

SUBGROUP FINDINGS

CALIFORNIA

BUSINESSES IN CALIFORNIA HAVE A BRIGHTER OUTLOOK

Small businesses owners in California are more likely than those across the nation to say they have a positive outlook about their business as well as the economy.



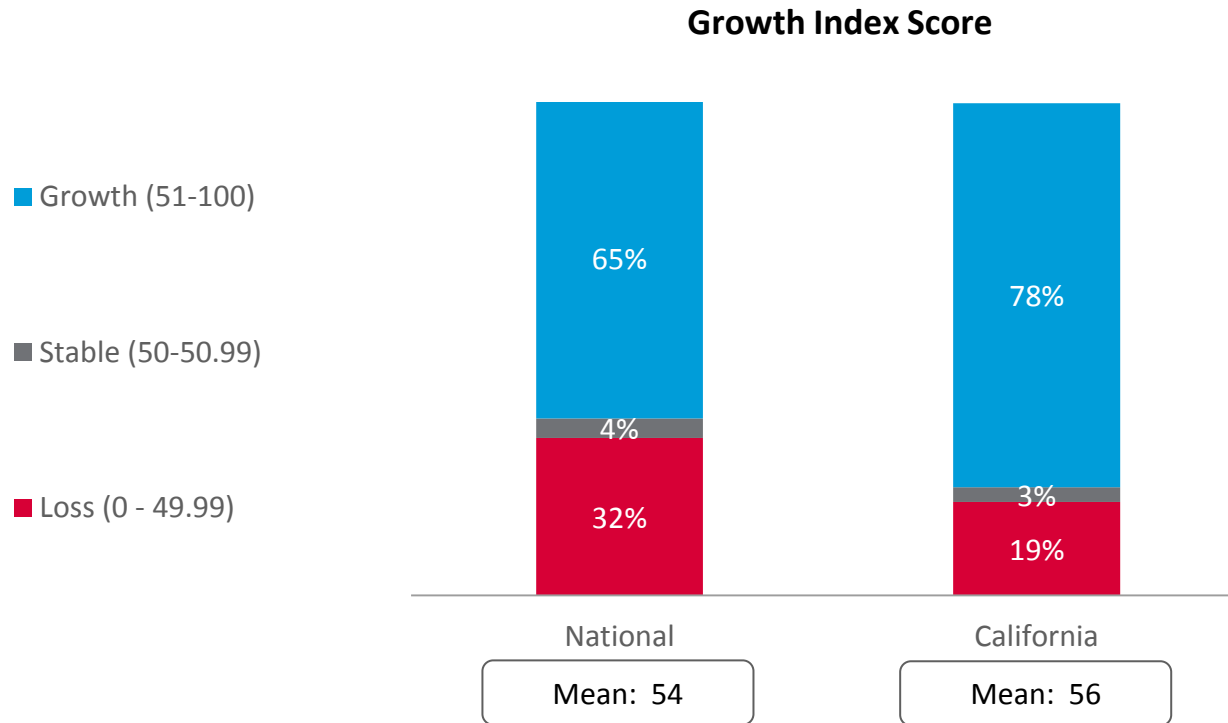
BASE: ALL NATIONAL RESPONDENTS (n=499); CALIFORNIA (n=218)

Q13. How would you describe your outlook on the economy over the next 12 months?

Q14. How would you describe your outlook on your business over the next 12 months?

MAJORITY OF CALIFORNIAN BUSINESSES ARE GROWING

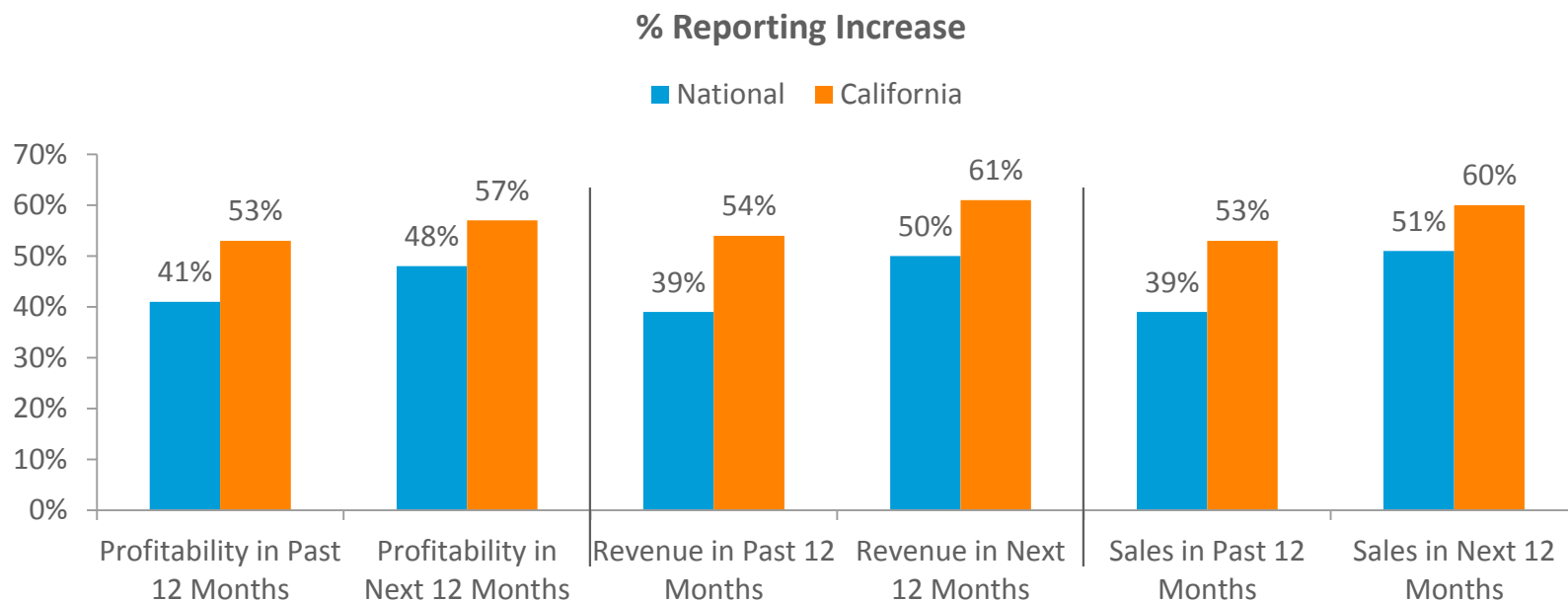
Four out of five businesses in California are growing compared to a two-thirds of businesses nationally.



BASE: ALL NATIONAL RESPONDENTS (n=499); CALIFORNIA (n=218)

BUSINESSES IN CALIFORNIA PREDICT GROWTH

The majority of businesses in California predict growth in profitability, revenue, and sales in the next 12 months. The proportion predicting an increase is higher than what is seen in the US overall.



BASE: ALL NATIONAL RESPONDENTS (n=499); CALIFORNIA (n=218)

Q2/Q5/Q5_1 How has your company's profitability/revenue/sales changed compared to this time last year?

Q2B/Q5B/Q5B_1 In the next 12 months do you expect profitability/revenue/sales to?

NORTHERN CALIFORNIA SUMMARY

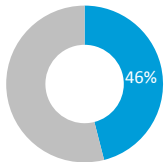
Overall, small businesses in Northern California are similar to that of the nation overall reflecting stability and leaning towards growth.

- Two in five report profitability, revenue, and sales have increased in the past year.
- Top priorities are the same as small businesses nationwide with a focus on maintaining revenue and increasing profitability.
- Two in five see investing in technology as important to growth and nearly the same percentage report increasing their technology budgets.

% Experiencing Increase Over the Past 12 Months

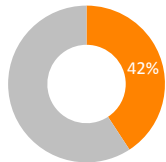
Average
Growth Index
Score

55



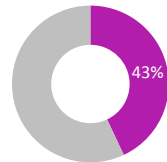
Profitability

Mean:
17.5



Revenue

Mean:
28



Sales

Mean:
20.1

Top Priorities

- Maintain business's revenue
- Increase profitability
- Expand revenue and profitability in equal measure

Top Areas of Investment

- Hire new staff
- Create new product/service offerings

Areas of Reduction

24%

Have made reductions, most commonly reducing employees' hours and stop offering some products or services

Funding

35%

Plan on acquiring funding in the next 12 months from family members, loan from regional or community bank, and loan from a credit union

Importance of Technology

38%

Say investing in technology is extremely/very important to their business success in the next 12 months

Technology Budgets

39%

Have increased their technology budgets

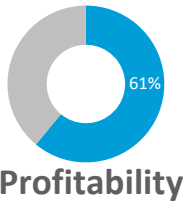
SOUTHERN CALIFORNIA SUMMARY

Small businesses in Southern California show signs of growth and understand the importance of technology.

- Overall, small businesses in Southern California scored higher on the growth index score and are more likely to report growth in profitability, revenue, and sales in the past 12 months
- Three in five small businesses in Southern California say that investing in technology is extremely/very important to their business success
- Over half say they have increased their technology budgets

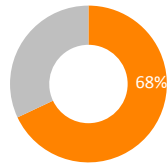
% Experiencing Increase Over the Past 12 Months

Average Growth Index Score
58



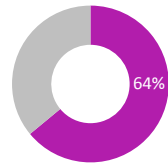
Profitability

Mean:
26.8



Revenue

Mean:
25.1



Sales

Mean:
30.7

Top Priorities

- Increase profitability
- Grow my business' revenue (footprint, channels, products)
- Expand revenue and profitability in equal measure

Top Areas of Investment

- Hire new staff
- Create new product/service offerings

Areas of Reduction

35%

Have made reductions, most commonly reducing employees' hours, stop offering some products or services and reduce marketing/promotion cost

Funding

32%

Plan on acquiring funding in the next 12 months from credit cards and a loan from a large bank

Importance of Technology

61%

Say investing in technology is extremely/very important to their business success in the next 12 months

Technology Budgets

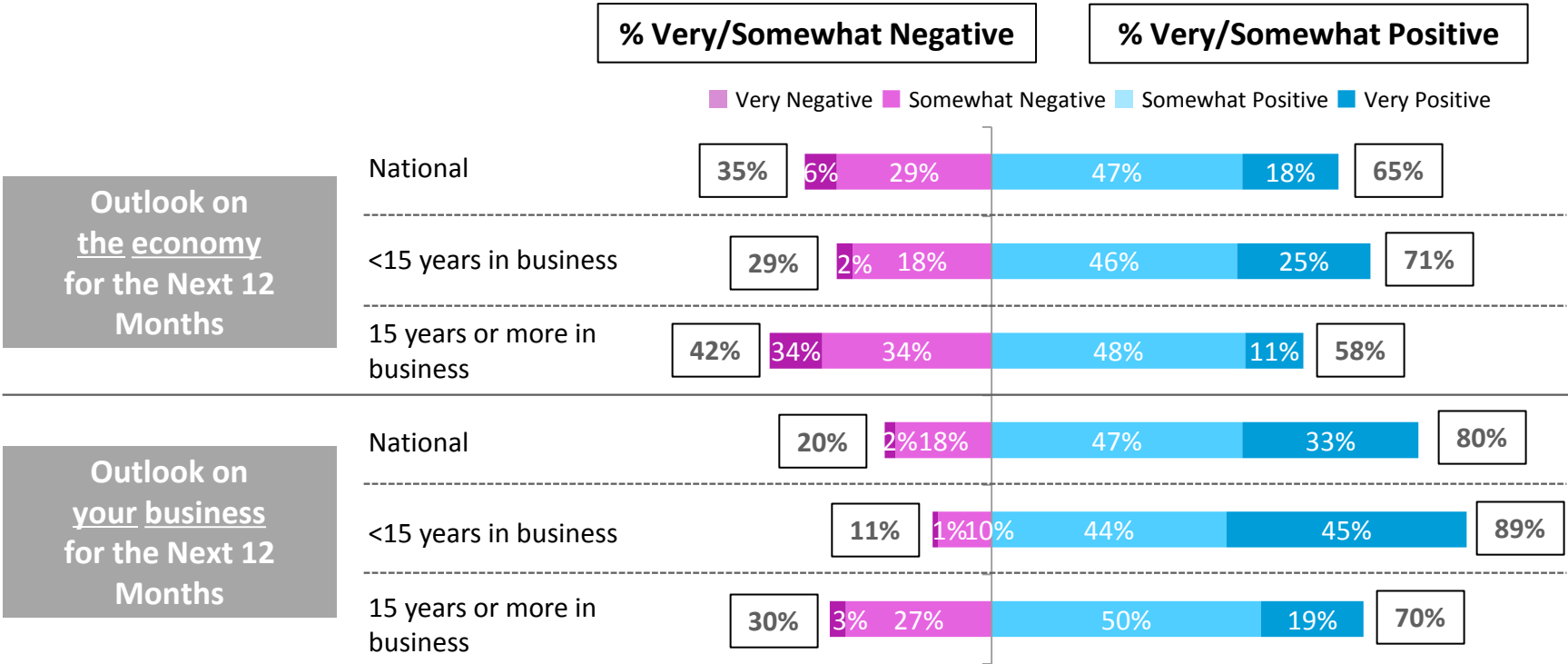
54%

Have increased their technology budgets

YEARS IN BUSINESS

NEWER BUSINESSES ARE MORE POSITIVE ABOUT THE FUTURE

Businesses started less than 15 years ago are more likely than businesses that have been operating for 15 years or more to have a positive outlook about the economy and their business.



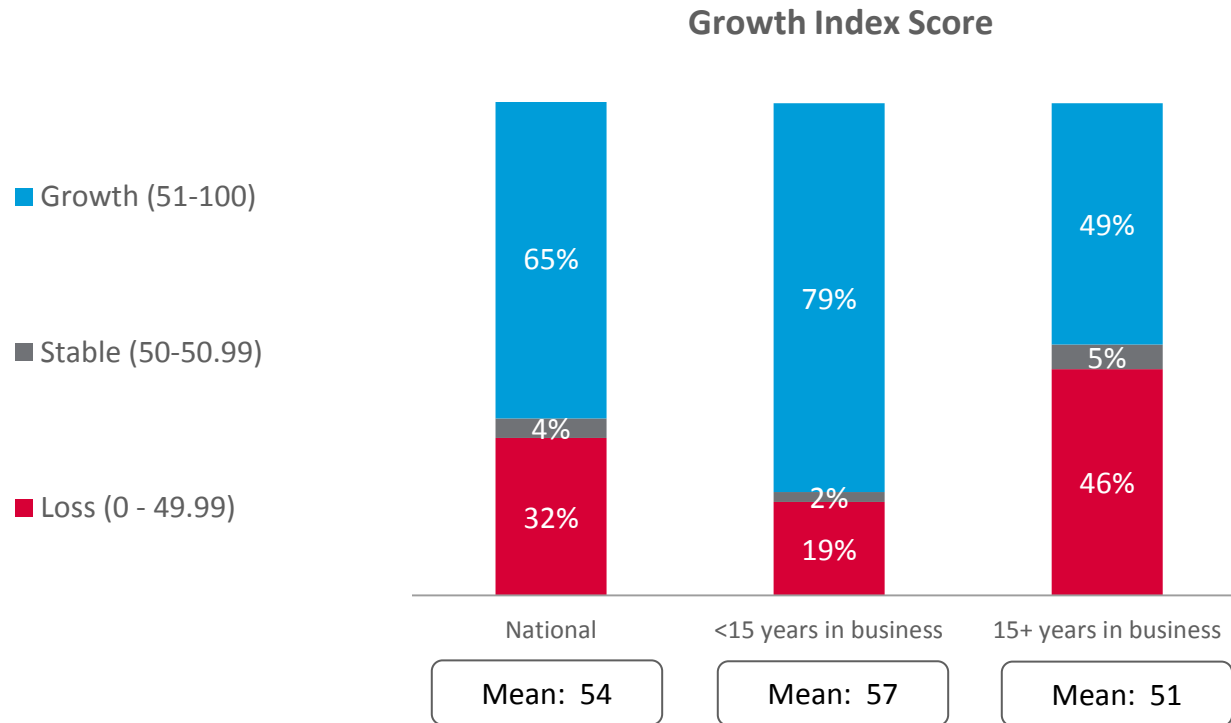
BASE: ALL NATIONAL RESPONDENTS (n=499); <15 years in business (n=249); 15+ years in business (n=250)

Q13. How would you describe your outlook on the economy over the next 12 months?

Q14. How would you describe your outlook on your business over the next 12 months?

MAJORITY OF NEWER BUSINESSES ARE GROWING

Four out of five businesses that started less than 15 years ago are growing compared to slightly under half of businesses that have been operating for 15 years or more.



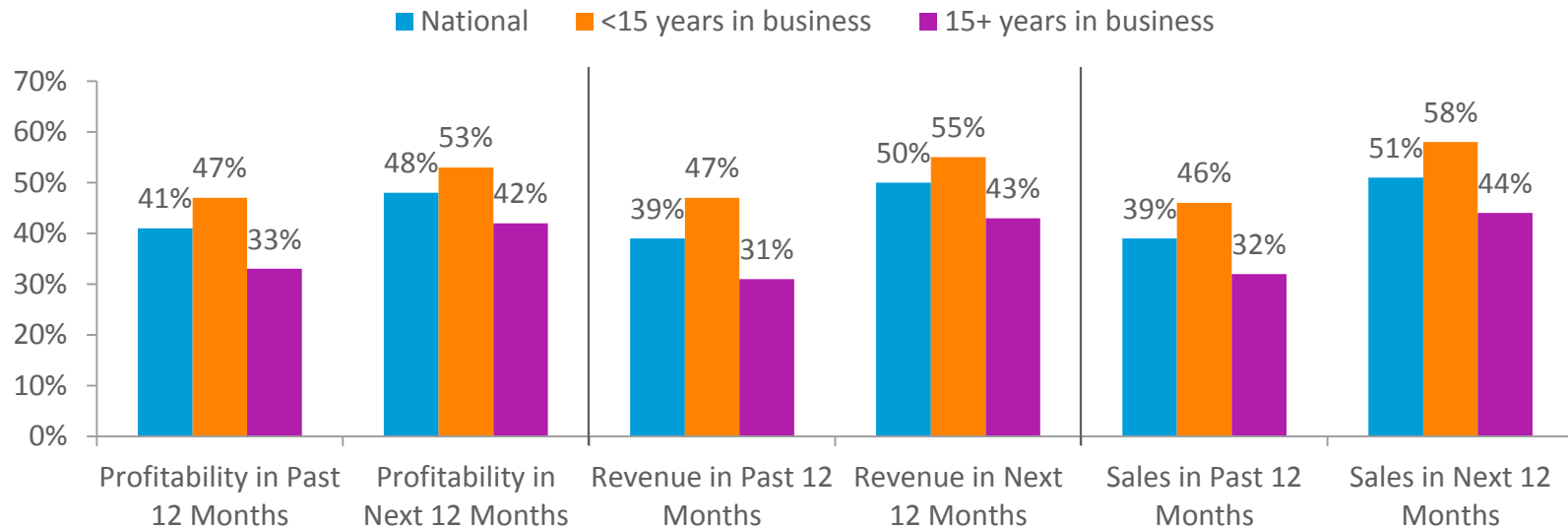
BASE: ALL NATIONAL RESPONDENTS (n=499); <15 years in business (n=249); 15+ years in business (n=250)

NEWER BUSINESSES PREDICT GROWTH

Half or more newer businesses are poised for growth in the next 12 months compared to around two in five businesses that have been in operation for 15 years or more.

Newer businesses are more likely than more established businesses to say their business is poised for significant expansion over the next 12 months (60% vs. 33%).

% Reporting Increase



BASE: ALL NATIONAL RESPONDENTS (n=499); <15 years in business (n=249); 15+ years in business (n=250)

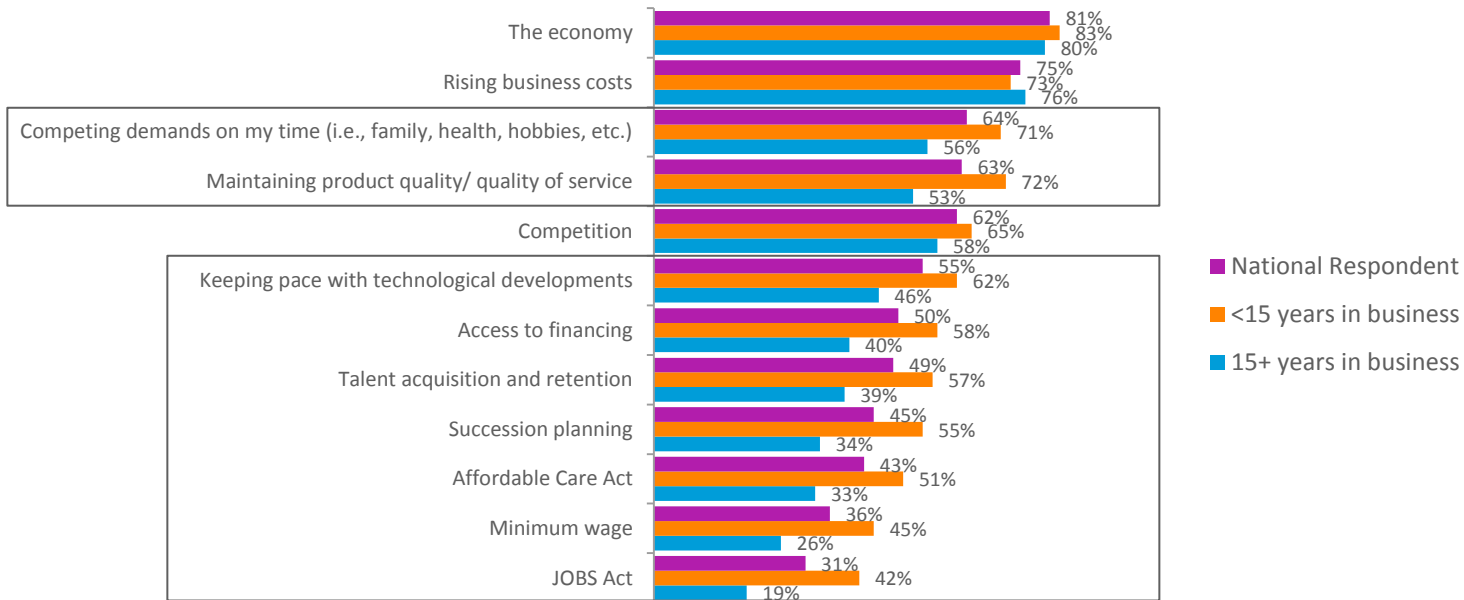
Q2/Q5/Q5_1 How has your company's profitability/revenue/sales changed compared to this time last year?

Q2B/Q5B/Q5B_1 In the next 12 months do you expect profitability/revenue/sales to?

NEWER BUSINESSES ENCOUNTER BARRIERS

Owners of businesses that have been operating for less than 15 years are more likely to encounter barriers such as maintaining product quality, keeping pace with technology development, and access to financing.

Barriers to Growth



Newer businesses are more likely to cite access to financing as a barrier to growth and are planning on acquiring funding in the next 12 months (35% vs. 27%).

BASE: ALL NATIONAL RESPONDENTS (n=499); <15 years in business (n=249); 15+ years in business (n=250)

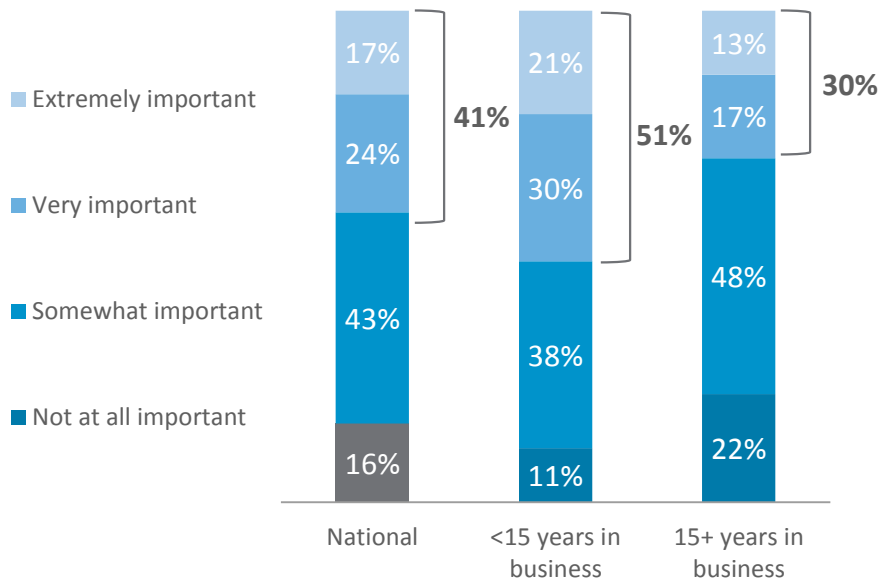
Q11. Using the scale below, please rate how significant of a barrier to growth each of the items for your company.

Q6. In the next 12 months, are you planning on acquiring financing from any of the following sources?

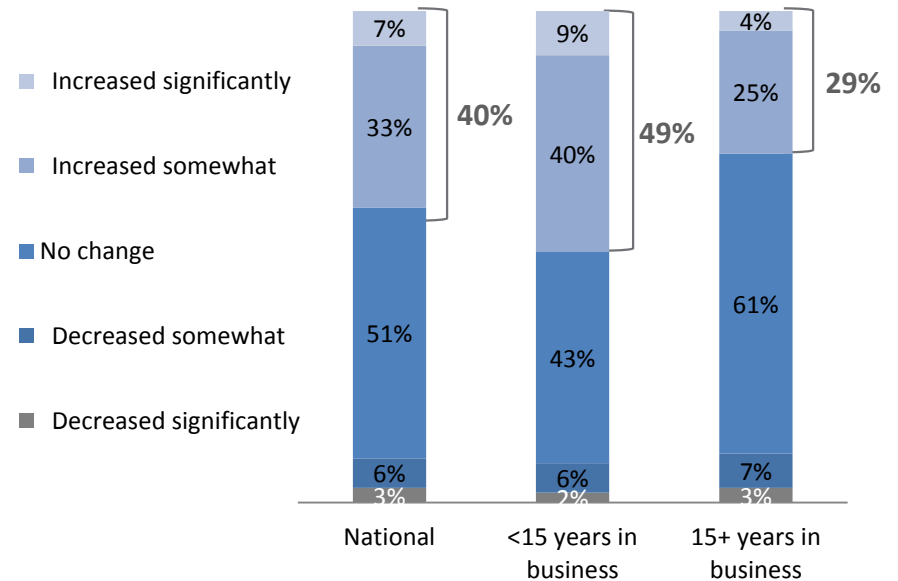
NEWER BUSINESSES MORE FOCUSED ON TECHNOLOGY

Newer businesses are more likely than older businesses to see the importance of technology and to say they have increased their technology budget over the past 12 months.

Importance of Technology to Business's Success in Next 12 months



Change in Technology Budget Over the Past 12 Months



BASE: ALL NATIONAL RESPONDENTS (n=499); <15 years in business (n=249); 15+ years in business (n=250)

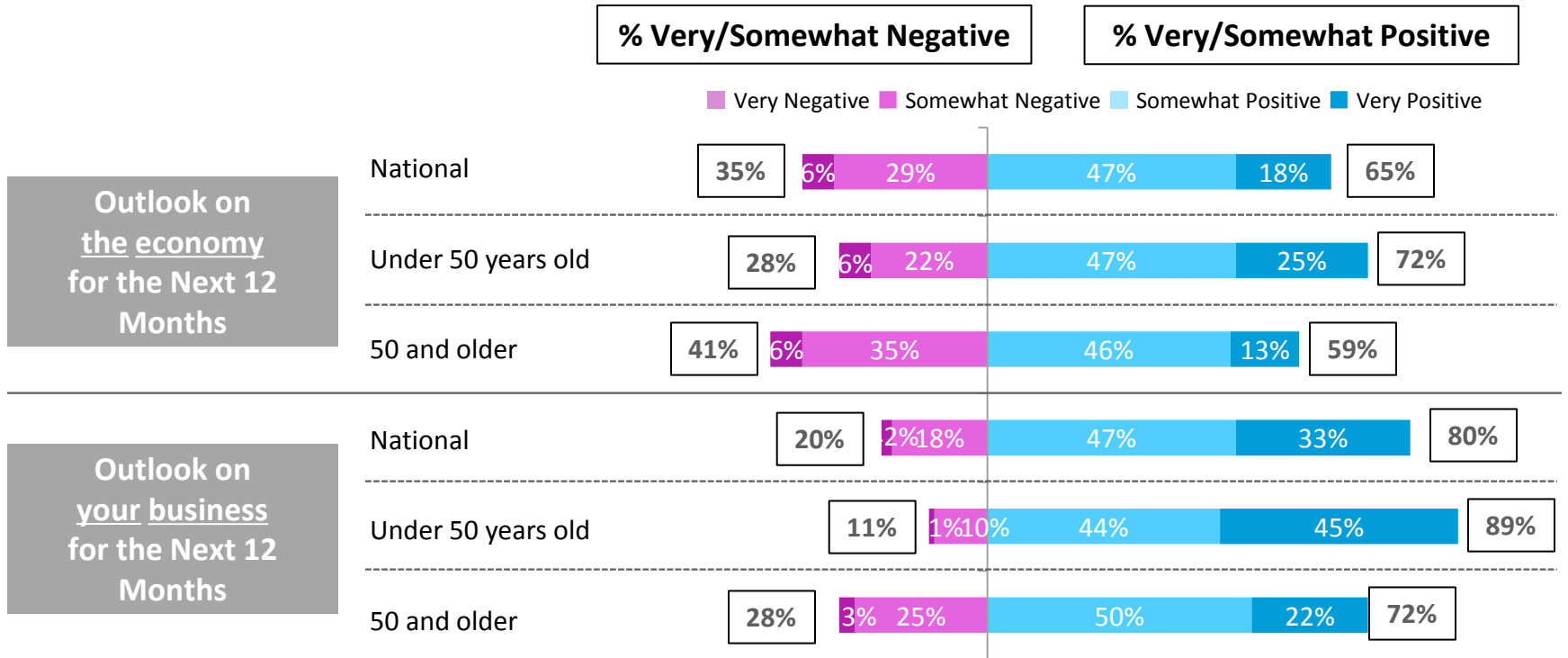
Q15. How important is investing in technology to your business's success over the next 12 months?

Q16. Over the past 12 months, how has your technology budget changed?

AGE OF BUSINESS OWNER

YOUNGER OWNERS ARE MORE POSITIVE ABOUT THE FUTURE

Business owners under 50 are more likely than those 50 and older to have a positive outlook about the economy and their business.



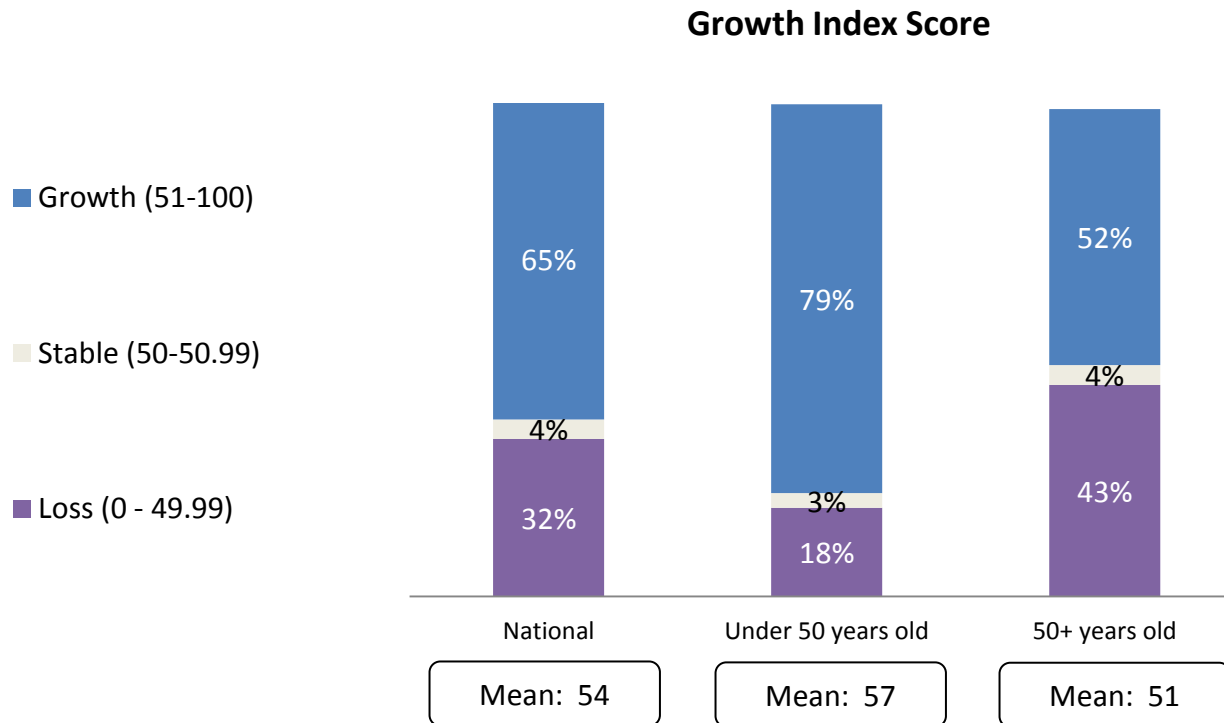
BASE: ALL NATIONAL RESPONDENTS (n=499); <50 years old (n=215); 50+ (n=284)

Q13. How would you describe your outlook on *the economy* over the next 12 months?

Q14. How would you describe your outlook on *your business* over the next 12 months?

YOUNG BUSINESS OWNERS REPORT GROWTH

Four out of five businesses owners younger than 50 report growth in the past 12 months compared to slightly more than half of businesses owners who are 50+ years of age.

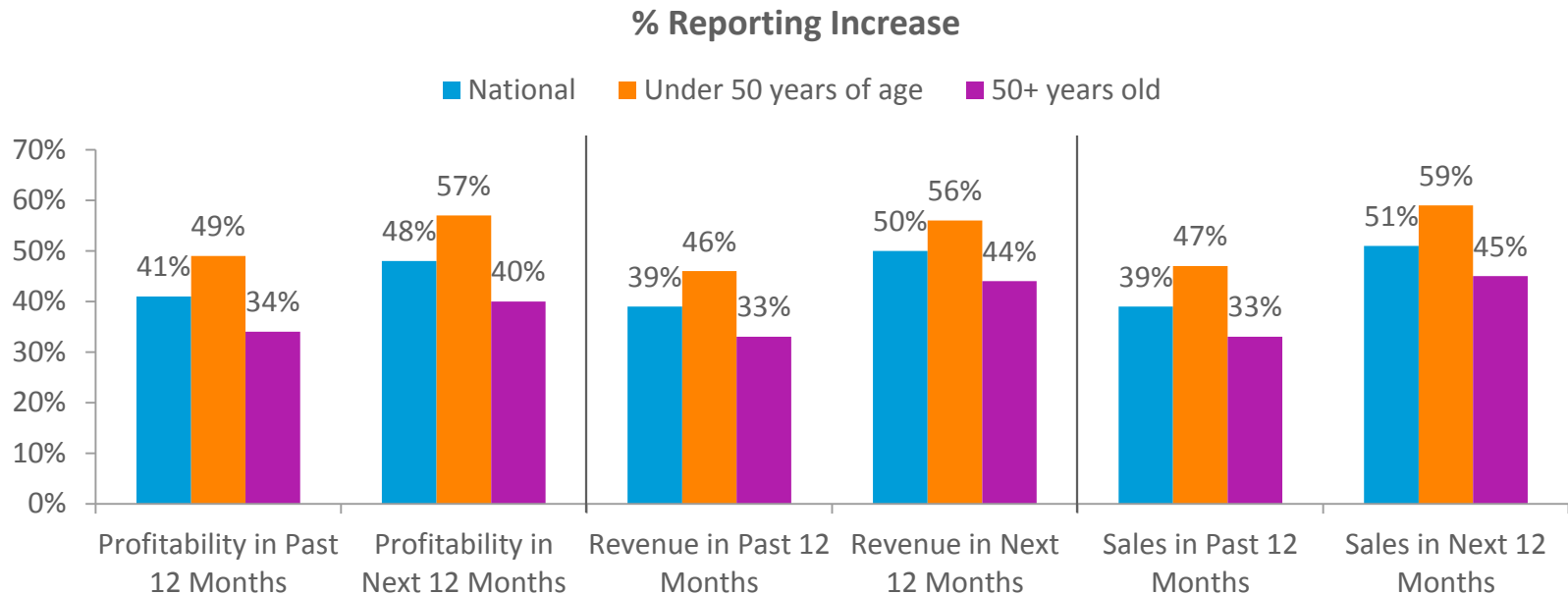


BASE: ALL NATIONAL RESPONDENTS (n=499); <50 years old (n=215); 50+ (n=284)

YOUNGER OWNERS PREDICT GROWTH

Around half of owners under 50 years of age have seen growth in the past 12 months and more than half expect to see growth in the next 12 months.

Younger owners are more likely than older business owners to say their business is poised for significant expansion over the next 12 months (64% vs. 33%).



BASE: ALL NATIONAL RESPONDENTS (n=499); <50 years old (n=215); 50+ (n=284)

Q2/Q5/Q5_1 How has your company's profitability/revenue/sales changed compared to this time last year?

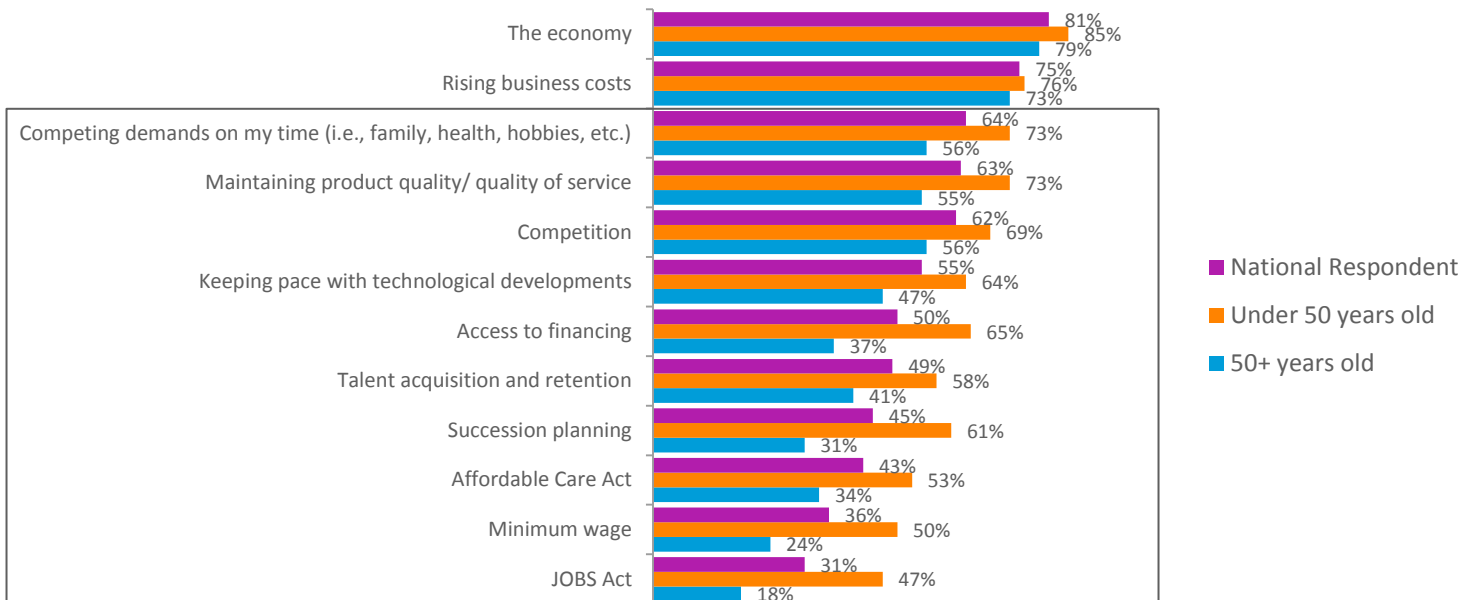
Q2B/Q5B/Q5B_1 In the next 12 months do you expect profitability/revenue/sales to?

YOUNGER OWNERS ENCOUNTER GROWTH BARRIERS

YOUNGER OWNERS ENCOUNTER GROWTH BARRIERS

Younger owners are more likely than older owners to encounter barriers to growth especially where access to financing is concerned.

Barriers to Growth



Younger owners are more likely to cite access to financing as a barrier to growth and are planning on acquiring funding in the next 12 months (38% vs. 25%).

BASE: ALL NATIONAL RESPONDENTS (n=499); <50 years old (n=215); 50+ (n=284)

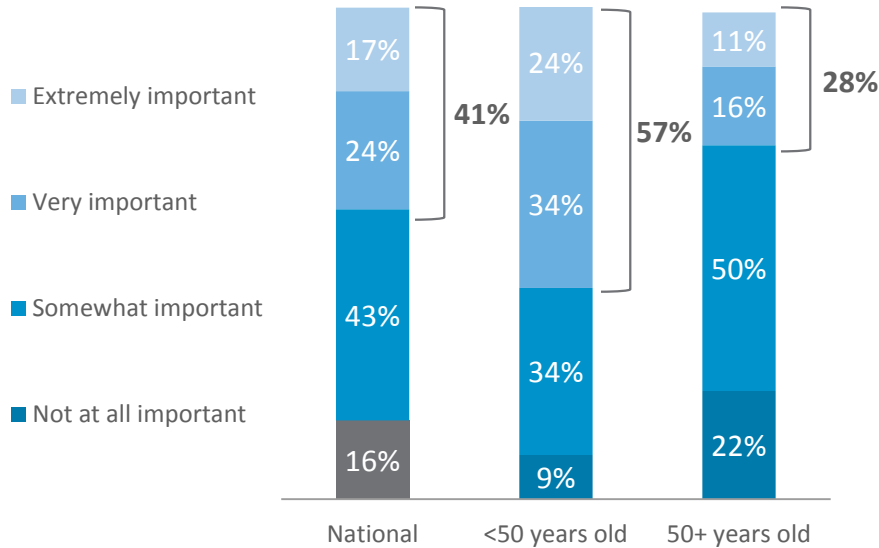
Q11. Using the scale below, please rate how significant of a barrier to growth each of the items for your company.

Q6. In the next 12 months, are you planning on acquiring financing from any of the following sources?

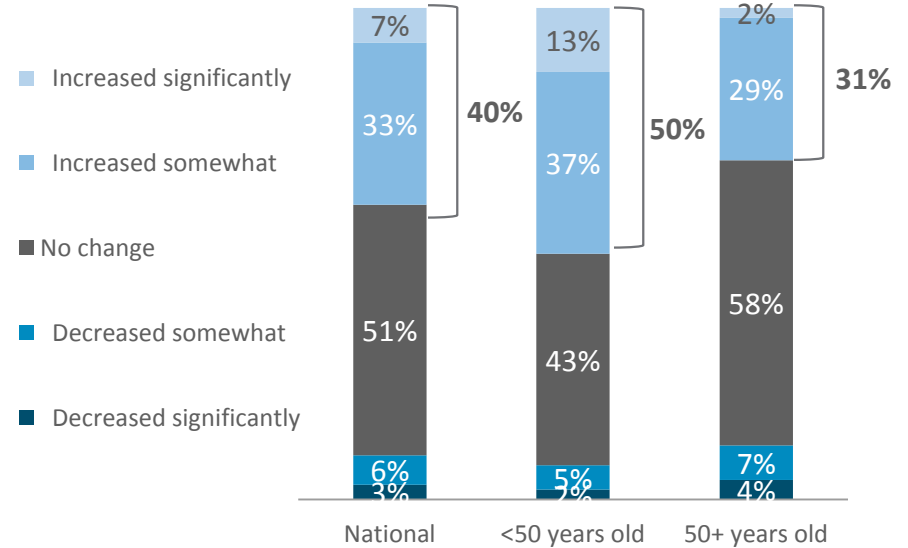
YOUNGER OWNERS FOCUSED ON TECHNOLOGY

Owners younger than 50 years of age are more likely than older owners to see technology as important. Half say they have increased their technology budget over the past 12 months.

Importance of Technology to Business's Success in Next 12 months



Change in Technology Budget Over the Past 12 Months



BASE: ALL NATIONAL RESPONDENTS (n=499); <50 years old (n=215); 50+ (n=284)

Q15. How important is investing in technology to your business's success over the next 12 months?

Q16. Over the past 12 months, how has your technology budget changed?

DEMOGRAPHICS

DEMOGRAPHICS

| AGE | National | California | Northern California | Southern California |
|--------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| 18-24 | 1% | 4% | 4% | 4% |
| 25-34 | 15% | 17% | 5% | 31% |
| 35-49 | 30% | 40% | 43% | 35% |
| 50-64 | 38% | 31% | 36% | 24% |
| 65+ and over | 16% | 9% | 12% | 6% |
| MEAN | 50 | 46.3 | 49.1 | 43.1 |
| MEDIAN | 52 | 45 | 48 | 43 |

| ETHNICITY | National | California | Northern California | Southern California |
|-----------------------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| White | 76% | 60% | 63% | 58% |
| Hispanic | 12% | 25% | 22% | 30% |
| Black/African American | 5% | 2% | 0% | 4% |
| Asian or Pacific Islander | 3% | 10% | 12% | 7% |
| Native American or Alaskan Native | 0% | 1% | 1% | 1% |
| Mixed Race | 0% | 1% | 2% | 0% |
| Some other race | 2% | 1% | 2% | 0% |
| Decline to answer | 1% | 0% | 0% | 0% |

| URBANICITY | National | California | Northern California | Southern California |
|-----------------------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| In an urban or city area | 26% | 36% | 28% | 47% |
| In a suburban area next to a city | 47% | 49% | 52% | 47% |
| In a small town or rural area | 27% | 14% | 20% | 7% |

| EDUCATION | National | California | Northern California | Southern California |
|--|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| HIGH SCHOOL OR LESS (NET) | 14% | 8% | 7% | 9% |
| Completed some high school | 2% | 2% | 2% | 2% |
| Completed high school | 12% | 6% | 5% | 8% |
| ATTENDED COLLEGE OR COLLEGE DEGREE (NET) | 62% | 65% | 61% | 71% |
| Some college, but no degree | 26% | 18% | 19% | 17% |
| Associate Degree | 11% | 8% | 5% | 12% |
| College (such as B.A., B.S.) | 25% | 40% | 37% | 42% |
| ATTENDED GRADUATE SCHOOL OR GRADUATE DEGREE (NET) | 19% | 23% | 28% | 18% |
| Some graduate school, but no degree | 4% | 6% | 8% | 4% |
| Graduate degree (such as MBA, MS, M.D., Ph.D.) | 15% | 17% | 20% | 14% |
| Job-specific training program(s) after high school | 5% | 3% | 5% | 2% |

DEMOGRAPHICS

| EMPLOYMENT STATUS | National | California | Northern California | Southern California |
|--------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| Employed full time | 31% | 51% | 46% | 58% |
| Employed part time | 4% | 3% | 4% | 2% |
| Self-employed | 65% | 46% | 51% | 40% |

| ANNUAL COMPANY REVENUE | National | California | Northern California | Southern California |
|---------------------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| Less than \$200,000 | 79% | 25% | 24% | 27% |
| \$200,000 to \$499,999 | 13% | 16% | 18% | 15% |
| \$500,000 to \$999,999 | 5% | 19% | 20% | 18% |
| \$1 million to \$2.49 million | 2% | 23% | 27% | 18% |
| \$2.5 million to \$4.99 million | 1% | 10% | 8% | 13% |
| \$5 million to \$9.99 million | 0% | 6% | 4% | 9% |

| NUMBER OF NON –OWNER EMPLOYEES | National | California | Northern California | Southern California |
|--------------------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| 2 - 3 | 47% | 28% | 36% | 19% |
| 4 - 5 | 22% | 17% | 15% | 19% |
| 6 - 7 | 5% | 5% | 9% | 2% |
| 8 - 9 | 5% | 5% | 7% | 2% |
| 10 or more | 20% | 46% | 34% | 59% |
| MEAN | 21.1 | 58 | 47.4 | 70.4 |
| MEDIAN | 4 | 8 | 5 | 12 |

| HOUSEHOLD INCOME | National | California | Northern California | Southern California |
|------------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| Less than \$15,000 | 3% | 1% | 1% | 2% |
| \$15,000 to \$24,999 | 7% | 2% | 1% | 4% |
| \$25,000 to \$34,999 | 8% | 5% | 6% | 4% |
| \$35,000 to \$49,999 | 15% | 8% | 8% | 8% |
| \$50,000 to \$74,999 | 22% | 13% | 9% | 18% |
| \$75,000 to \$99,999 | 15% | 21% | 18% | 24% |
| \$100,000 to \$124,999 | 9% | 15% | 13% | 17% |
| \$125,000 to \$149,999 | 8% | 8% | 9% | 7% |
| \$150,000 to \$199,999 | 7% | 10% | 14% | 6% |
| \$200,000 to \$249,999 | 2% | 6% | 11% | 0% |
| \$250,000 or more | 1% | 9% | 11% | 7% |
| Decline to answer | 3% | 1% | 1% | 2% |

DEMOGRAPHICS

| YEARS IN BUSINESS | National | California | Northern California | Southern California |
|-------------------------|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| 0 - 10 | 47% | 42% | 32% | 53% |
| 11 - 20 | 26% | 27% | 33% | 20% |
| 21 - 30 | 14% | 20% | 21% | 20% |
| 31 - 40 | 9% | 7% | 10% | 3% |
| 41 - 50 | 3% | 2% | 2% | 2% |
| More than 50 | 2% | 2% | 2% | 2% |
| MEAN | 17 | 17.2 | 19.1 | 14.8 |
| MEDIAN | 12 | 15 | 16 | 10 |
| YEARS IN OWNERSHIP ROLE | National | California | Northern California | Southern California |
| n | 499 | 218 | 114 | 104 |
| 0 - 10 | 48% | 48% | 40% | 57% |
| 11 - 20 | 28% | 30% | 35% | 25% |
| 21 - 30 | 14% | 15% | 15% | 15% |
| 31 - 40 | 7% | 5% | 8% | 2% |
| 41 - 50 | 2% | 1% | 1% | 1% |
| More than 50 | 0% | 0% | 1% | 0% |
| MEAN | 15.1 | 14.3 | 15.7 | 12.7 |
| MEDIAN | 12 | 12 | 14 | 10 |

| INDUSTRY | National | California | Northern California | Southern California |
|---|----------|------------|---------------------|---------------------|
| n | 499 | 218 | 114 | 104 |
| Professional Services | 12% | 12% | 11% | 14% |
| Construction-Homes | 8% | 10% | 12% | 8% |
| Consumer Services | 8% | 9% | 8% | 10% |
| Business Services | 7% | 11% | 13% | 8% |
| Retail-Home & Fashion | 7% | 4% | 1% | 9% |
| Manufacturing | 6% | 5% | 3% | 8% |
| Education/Learning | 5% | 2% | 1% | 3% |
| Agriculture/Farming | 4% | 3% | 6% | 0% |
| Hospitality Services & Event Planning | 4% | 1% | 2% | 0% |
| Construction-Other | 3% | 2% | 2% | 3% |
| Home Maintenance Services | 3% | 2% | 2% | 1% |
| Retail-Everyday Items & Services | 3% | 4% | 5% | 3% |
| Medical-Oriented | 2% | 2% | 0% | 5% |
| Recreation | 2% | 1% | 2% | 0% |
| Transportation | 2% | 2% | 2% | 2% |
| Real-Estate Related | 2% | 5% | 7% | 3% |
| Wholesalers | 2% | 2% | 1% | 3% |
| Food and Kindred Products | 1% | 2% | 1% | 3% |
| Media & Communications | 1% | 3% | 2% | 4% |
| Retail-Automotive Related | 1% | 2% | 2% | 2% |
| Textiles & Apparels | 1% | 1% | 1% | 1% |
| Investment Managers, Brokerages, and Insurers | 1% | 2% | 4% | 1% |
| Other | 16% | 8% | 10% | 5% |

Note: Only industries with $\geq 1\%$ for National are shown.