



# National Small Business Poll

NEIB National

Volume 1, Issue 2  
2001

## Small Business Poll

*The Use and Value of Web Sites*

# 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 Education Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004. The micro-data and supporting documentation are also available for those wishing to conduct further analysis. Academic researchers using these data for public informational purposes, e.g., published articles or public presentations, and NFIB members can obtain them for \$20 per set. The charge for others is \$1,000 per set. It must be emphasized that these data sets do NOT contain information that reveals the identity of any respondent. Custom cross-tabulations will be conducted at cost only for NFIB members on a time available basis. Individuals wishing to obtain a data set(s) should write the *Poll* at the above address identifying the prospective use of the set and the specific set desired.

NFIB National  
Small Business  
Poll



*The Use and Value  
of Web Sites*

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# National Small Business Poll



## *The Use and Value of Web Sites*

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# Executive Summary

- Fifty-seven (57) percent of all small employers use the Internet for business-related activities. The most common business applications of the Internet in small firms are communicating by e-mail with suppliers and customers and gathering business-related information, such as prices, new products, etc.
- Sixty-one (61) percent of small employers on the Internet (35 percent of all small employers) report they have a business Web site. Most were created recently. The average life span of small-business Web sites is just 21 months.
- Small-business Web sites most often generate income indirectly. They stimulate potential customers to buy, but the actual transaction usually occurs in the small employer's place of business or by phone, fax, or e-mail. Just 24 percent with a Web site report sales made directly from their sites.
- The overwhelming majority of sales made directly over the Internet by small businesses are made to consumers and non-business entities.
- Twenty (20) percent of those selling directly over the Internet say that they charge sales tax on everything sold; 33 say they charge it on some sales; 42 percent charge sales tax on none of their Internet sales. The current turmoil regarding the applicability of state sales tax on Internet transactions leaves small-business owners confused over their legal responsibilities.
- The cost of creating and operating a Web site, both in direct outlays and employee hours, appears modest. However, about one in three does not know the cost suggesting that the site is not a cost center or that the cost is negligible.
- The most frequently noted benefit of a Web site is additional customers. However, just eight percent feel the site has increased business profits.
- The most frequently cited reason for not having a Web site (by those on the Internet, but not having one) is that their products or services don't lend themselves to sale on the Internet. The next most frequently mentioned reason is that they simply don't see any benefit in having a site. However, nearly half expect to have one in the next 12 months.
- One-third of those not now using the Internet for business-related activities expect to be on the Internet within the next 12 months.
- Sixteen (16) percent report not using a computer in their businesses. This percentage is virtually unchanged over the last four to five years.
- Though high-speed Internet service is available to relatively few small businesses, almost 60 percent of small employers believe that they have access to it and another 16 percent are not sure. However, those feeling that high-speed Internet provides no competitive advantage outnumbers those who believe it provides a significant competitive advantage by 6 to 1.

# The Use and Value of Web Sites

Small-business owners have difficulty remaining technologically current. The problems are not only cost, but the learning curve involved. Computer and Internet technologies are good examples. However, it is clear that small-business owners for the most part have no choice but to adopt new technologies in some fashion, including computer and Internet technologies. In fact, some argue that the Internet, in particular, offers small business a unique opportunity to overcome the economies of scale that often bar them from competing effectively against larger firms. Others view the Internet's impact differently arguing that brand names enjoy enormous advantages on the Internet and that costs to drive consumers to a firm's Web site are beyond the capacity of smaller firms. Still, the Internet and business Web sites are facts of life. Small-business owners must compete in a market-place where the Internet and business Web sites are ubiquitous and where they are central to the business strategies of many. Hence, this edition of the *National Small Business Poll* focuses on the use and value of small-business Web sites.

## On the Net

A healthy majority of small businesses now use the Internet for business-related activities. Fifty-seven (57) percent of small employers report its use (Q#1). Not surprisingly, the Internet is exploited more commonly in firms employing 20 or more people (70 percent) than it is in smaller firms. Still, 55 percent of those employing fewer than 10 people incorporate the Internet into their business-related activities.

Most use the Internet for multiple purposes. The two most common are communicating by e-mail with suppliers and/or customers (83 percent) (Q#8A) and gathering business-related information, such as prices, new products, etc. (80 percent) (Q#8E). The third most common application is the purchase of goods and/or services (61 percent) (Q#8B). A smaller proportion conduct financial affairs, e.g., online banking (27 percent) (Q#8C) or bid for contracts (21 percent) (Q#8D).

## Web Sites

Sixty-one (61) percent of small employers on the Internet report that they have a business Web site (Q#9). That number translates into 35 percent of all small employing businesses. But Web sites are relatively new to small business. Approximately half of the sites have been active less than two years (Q#14) and the average life of small business Web sites is just 21 months. Only one in five (20 percent) have been operating three years or more.

### *a. Income from Web Sites*

Web sites can produce income for a small business in several ways. However, the most common are indirect, i.e., the Web site serves as a stimulant to transactions made by more conventional means. For example, 58 percent of small employers report the site stimulates sales, but the actual transactions are made in the site owner's place of business (Q#15C). Fifty-one (51) percent report the

site stimulates sales, but the actual transactions are made over the telephone, fax, or e-mail (Q#15B). Thus, small-business owners most often find that site value is grounded in the information it provides, much like an electronic Yellow Pages ad. While the indirect revenue impact of Web sites is more common among retail firms than others, all sectors find that Web site-tied income is more often indirect than direct.

The most frequent way of producing income directly from the Web site is through direct sales, i.e., the capacity to buy right from the site. Twenty-four (24) percent report their site produces income in this manner (Q#15A). (A similar survey question, Q#10, yields a 35 percent positive response, but the contexts of the two suggests the 24 percent the better estimate.) Ads on the site produce income almost as often (21 percent) (Q#15D). The remaining techniques to generate income from the site do so in relatively few cases: eight percent report paid subscriptions to materials on the site (Q15#E), five percent receive commissions for directing business to another site (Q#15F), and six percent obtain Web site income from sources not otherwise listed (Q15#G).

Web sites typically are not yet profitable for small firms. Only 27 percent of small employers with a Web site report an *operating* profit over the last three to six months (Q#16); 16 percent say that they experienced an operating loss; 38 percent call it break-even and 16 percent simply don't know. The high percentage of "uncertains" reveals the difficulty many small-business owners appear to encounter in evaluating the financial impact of their sites. Repeatedly, large percentages of small-business owners with Web sites are unable to provide even general information regarding the costs and benefits of their sites. Their reticence to make even broad estimates, e.g., profit or loss, suggests that measuring the costs and benefits associated with a site are very difficult and that the owner is forced to make judgments about it by impression rather than numbers.

Those with a Web site estimate that 13 percent of their current total sales result directly or indirectly from their Web sites. The average conceals a significant variation across firms. For example, 28 percent say

their site accounts for less than one percent of sales while 12 percent say that they account for more than 25 percent (Q#18). However, 22 percent cannot or will not make an estimate; they appear to have no idea of the impact their Web site has on sales. Asked to project the impact of their Web sites on sales into the future, small-business owners forecast that their Web sites will generate an increasingly large share of their sales. They feel that in 12 months 17 percent of sales will result from their Web sites (Q#19). But 27 percent cannot or will not answer. They also forecast the figure rising to 28 percent in five years (Q#20). But 36 percent cannot or will not answer the five-year projection. Thus, small employers believe Web sites will stimulate or yield an increasingly large share of their sales, even though a substantial proportion become increasingly uneasy the farther the impact is projected into the future.

While larger firms are much more likely to engage in e-commerce with other businesses than with consumers, that is not true for small business. Small businesses do very little e-commerce with other firms. Forty-five (45) percent report that less than one percent of their Internet sales are to other businesses and 26 percent do not know (Q#17). Eight percent say that all of their Internet sales are to other businesses. A firm's industrial sector often dictates its customer base. So, it is likely that customer distributions are simply echoed in small-business Internet sales.

#### *b. Costs of a Site*

The costs of building most Web sites operated by small businesses appear modest. It also appears that about one-third of those with a Web site have no idea how much theirs cost. The lack of information on Web site cost is surprising given the normal sensitivity of small-business owners to costs in general. Thirty-five (35) percent say they spent less than \$1,000 directly on construction of their site including fees for outside consultants or service providers where applicable (Q#22); just eight percent say that they spent \$10,000 or more. But 35 percent did not know (very few refused to answer) and the reason(s) for it is not obvious. Direct costs, such as requested here, are clear, though perhaps Web site expens-

es are typically bundled under an expense category such as advertising, promotion, or computers. It is also possible that the costs are often so small that they are lost in the bigger picture. Nonetheless, the lack of response on direct costs continues a pattern for other questions regarding the cost of Web sites. For example, 33 percent with Web sites say that they and their employees spent a total of fewer than 16 hours (2 days) building their sites (Q#23); just 16 percent spent more than 40 hours, the equivalent of one man-week. Thirty-seven (37) percent did not respond.

Small-business owners also appear to have difficulty quantifying the costs of operating their Web sites. One-third (34 percent) say that they spend less than \$50 a month operating their site and another eight percent say their cost is between \$50 and \$99 per month (Q#24); just 11 percent report these costs as \$500 a month or more. Thirty-two (32) percent did not respond. If one assumes a proportionate distribution of non-respondents, almost half spend less than \$50 a month to operate their sites. This cost figure is plausible given that most sites are used primarily as an advertising medium. Modest operating costs parallel modest time spent by in-house personnel on their sites. Twenty-seven (27) percent spend less than an hour per month (Q#25); over half spent less than one day (eight hours). Thus, once a site has been created, the costs of operation, both in terms of direct outlays and employee time, appear minimal.

### *c. Benefits of a Site*

The most frequently cited benefit from a Web site is “additional customers.” Fifty-two (52) percent feel that their Web site brought them more customers than they had previously (Q#26B). A non-mutually exclusive 14 percent feel that the site brings them “new types of customers” (Q#26C). A new type of customer might be retail customers rather than distributor customers or older customers when the traditional market has been younger customers. One in five (21 percent) indicate that their site has helped them increase sales outside the United States (Q#26F), though small-business export sales have never been particularly significant. However, only 24 percent say that their sites have helped them increase total

sales (Q#26A). New customers curiously appear not to have translated into increased sales for many. One explanation for the apparent contradictory information is that the “additional customers” are so few or buy so little that it makes no noticeable impact on overall sales.

There are potential benefits from a Web site other than increased sales. One potential benefit is reduced costs, perhaps through lower unit marketing and distribution expenses. Twenty-one (21) percent say that their Web sites reduced their costs per unit sold. Thus, even if these firms did not gain a single additional sale from the site, cost savings may have more than justified site costs. Since Web sites are increasingly common and almost universal among large firms, a Web site may be necessary to improve (or even maintain) a small firm’s competitive position. Customers or potential customers may expect a site, for example, and the business owner may feel obligated to have one. However, just eight percent feel a Web site improves their competitive position (Q#26G). (No question was posed about maintaining it.) The most important question is whether or not the site “increased business profits” and few feel that it did. Just eight percent report their site increased profits while 89 percent report that it did not (Q#26E).

The paucity of reported benefits from Web sites, particularly the small number who indicate the site contributing to greater profitability, raises an entire series of important questions not addressed here. One of the first is measurement. How does the small-business owner/manager gauge how many new customers are generated by his site and the contribution of the site to sales? Another involves current investment as a means to position the business for the future. Do small-business owners see their investment as a short-term loss for a long-term gain? A third is the position of the site in the overall strategy of the firm. How does the site complement its other efforts?

### **A Passive Web Site**

Small-business owners are more likely to use their sites to generate sales indirectly than directly. Sites without the capacity to sell directly are effectively passive and simply provide the potential customer infor-

mation that can be used in a traditional sales format. Therefore, passive Web sites do not seem to take full advantage of the site's potential. The immediate question becomes why does such a relatively small proportion choose to sell directly over the Internet?

The overwhelming reason for the lack of a direct selling capacity is that the business's "products and services don't lend themselves to sale on the Internet" (Q#11A). Three of four (77 percent) cite this "inapplicability" reason for their actions. Unfortunately, the number of cases in each industry is small, but it does appear that some industries, e.g., construction, are far less likely to find direct sales conducive to their operations than industries like retail.

Small businessmen and women offer other reasons for the lack of direct selling much less frequently. "Don't see a benefit from one" is cited by 37 percent (Q#11H) and 25 percent note the "amount of time it would take" to create or install the capacity (Q#11E). A smattering of owners list additional reasons: "Haven't gotten around to it yet" (14 percent (Q#11D), "infrastructure is not yet available" (14 percent) (Q#11F), "initial cost is too high" (11 percent) (Q#11A), "too much online competition" (five percent) (Q#11C), and "don't know how to do it" (four percent) (Q#11G).

### **On the Web, But without a Site**

Fifty-seven (57) percent of employing small businesses use the Internet for business-related purposes (Q#1). Of those on the Web, 61 percent (35 percent of all small employers) have a Web site and 39 percent (22 percent of all small employers) do not (Q#9). The most frequently cited reason for not having a Web site by the 39 percent on the Internet without one is that their "products and services don't lend themselves to sale on the Internet." Fifty-six (56) percent, lead by those in construction and services, offer this "inapplicable" explanation (Q#12B). The second most frequent reason (45 percent) given for not having a Web site is that the owner doesn't see any benefit from one. The third most frequent response is perhaps the most interesting. Thirty-eight (38) percent claim that they just "haven't gotten around to it yet" (Q#12D). This response suggests that they

feel a Web site is worth having, but it is not worth having enough to channel any effort in that direction, at least to date.

Respondents provide several other reasons for their decision, but much less frequently. One in four (25 percent) say they do not yet have a Web site due to the amount of time it would take (Q#12E); 17 percent say that they do not know how to do it (Q#12G); 13 percent feel the infrastructure is not yet available (Q#12F); seven percent believe the initial cost is too high (Q#12A); and four percent say there is too much online competition (Q#12C).

About half of those on the Web but without a Web site expect to have a site a year from now. Twenty-five (25) percent will "definitely" have one and 21 percent "probably" will (Q#13). Perhaps many of those who just haven't gotten to it will do so this year.

### **Not on the Internet**

Forty-three (43) percent of all employing businesses are not on the Internet (Q#1). Of that number, 32 percent expect that they will be using the Internet for business-related activities in the next year (Q#3). Seventeen (17) percentage points say they will "definitely" be on the Internet and the remainder "probably" will. But that does not mean they plan to have a Web site. Only about half (45 percent) who plan to go on the Internet within the next year also plan to have a Web site (Q#4). If this group follows through on their intentions (and assuming no net loss or gain from entries and exits), the proportion of small businesses with a Web site could rise to as high as 70 percent. That is not likely, but their expressed intentions indicate that the number of sites will continue to grow.

Approximately one-third of those not currently online plan to be online within the next year. Two-thirds (65 percent) do not. Seventy-six (76) percent of this group say they do not intend to go online because they "don't see any benefit" (Q#5). The remainder are divided among several possible reasons, e.g., cost of service is too high.

### **Not Using a Computer**

Thirty-six (36) percent of those not on the Internet or 16 percent of the total population have a particularly rational explanation

for not being on the net: they don't use a computer in their business-related activities (Q#2). The proportion of small employing businesses without a computer is virtually unchanged from the late 1990s. Beginning in 1998, NFIB posed several questions to small-business owners regarding the extent of their computer use in the context of a potential Y2K problem. Results from those surveys consistently showed 17 percent without computers.

Thirty-one (31) percent not currently using a computer for business-related activities expect to begin using one in their business within the next year (Q#6). Two of three say that they "definitely" will be using one. It is not clear whether those expectations will result in any net gain in the proportion using computers or whether new users will simply offset a number of current computer users either no longer in business or abandoning their machines. Those who say that they "probably" or "definitely" will not be using a computer within the year most often (54 percent) argue that they don't see any benefit in one (Q#7). That may seem far-fetched, but one only need look at a two-chair barber shop to understand. A computer is a very expensive appointment book and adding machine.

## Policy Questions

Small-business owners provided brief, but notable information on two policy-related issues. The first is taxation of Internet sales. Though the issue can be a lawyer's candy store and large businesses with locations throughout the country are affected differently, as a general rule small-business owners do not have to collect and pay sales tax on Internet sales. People have noticed, however, that some small businesses charge sales tax on Internet sales when they apparently are not required to do so. In fact, 20 percent of small-business owners with direct Internet sales report that they charge sales tax (Q#21); 33 percent charge it on some sales and not on others; though 42 percent do not charge tax on any sales. Five percent claim that they do not know or are uncertain whether they charge the tax. While it is possible that each is acting appropriately given state requirements, the most likely scenario suggested by these data is consid-

erable confusion among small-business owners regarding their legal obligations. That likely will continue until a final outcome on the sales tax issue can be reached.

The second policy question involves access to high-speed Internet. The specific policy issues are highly complex and involve some of the largest companies in the country sporting some of the largest political and communications treasuries to support their views. The issues for small business are more basic at this point. While relatively few small businesses across the country have access to high-speed Internet service, 59 percent report that they do and another 16 percent are not sure (Q#27). Those who feel they have access, whether they use it or not, were asked whether access to this technology offers them a significant competitive advantage, a minor competitive advantage, no competitive advantage, or whether they were unsure. Responses suggest no consensus. Nineteen (19) percent believe that access to high-speed Internet offers them a "significant" competitive advantage (Q#28), but 35 percent believe it offers them none. Small-business owners who feel that they do not have access or were uncertain were asked how the lack of access affected them. Their verdict is that the lack of access is "no big deal." Forty-eight (48) percent say that it creates no competitive disadvantage for their firms and another 32 percent are undecided (Q#28). Only five percent believe that the lack of access is a "significant" competitive disadvantage. These data strongly imply that many small-business owners do not distinguish high-speed Internet service from more traditional Internet service. It, therefore, follows that most do not see access to high-speed Internet service as a competitive advantage. That is fine so long as one's competitors have the same view. But large competitors do not hold that view; many international competitors do not, either; nor do many small-business owners.

## Final Remarks

Small-business owners try to keep technologically current. Despite the seemingly stable proportion that want nothing to do with the computer revolution, larger numbers are moving onto the Internet and establishing their own Web sites. Most small employers

are investing in this new technology, particularly as costs decline. The question is what are they getting for their money?

The availability of new technology and even its use does not mean that the technology is employed effectively, let alone to optimal effect, nor that it is an integral part of the business or its strategy. Two points made above lend credence to this observation. The vast majority of Web sites do not contribute to the profitability of small firms and many small-business owners cannot quantify the impact or cost of their site. Neither suggest effective use of the technology. Thus, Web sites in many, if not most small businesses, appear as a dangling appendage without purpose other than the appearance of technological currency. The sooner purpose is added (and integrated), the more competitive small businesses will become.

# The Use and Value of Web Sites

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>1. Are you and/or your employees using the Internet for business-related activities?</b>				
1. Yes	55.0%	60.0%	70.3%	57.0%
2. No	44.8	40.0	29.7	42.8
3. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752
<b>2. Do you use a computer in your business's operation? (If no or no answer in Q#1.)</b>				
1. Yes	60.2%	72.7%	90.9%	63.6%
2. No	39.8	27.3	9.1	36.4
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	169	79	60	308
<b>3. Do you expect that you or your employees will use the Internet for business-related activities within the next year? (If yes in Q#2.)</b>				
1. Definitely yes	15.3%	21.7%	20.0%	16.5%
2. Probably yes	15.3	17.4	15.0	15.5
3. Probably no	20.9	17.4	20.0	20.4
4. Definitely no	44.8	39.1	45.0	44.2
5. (DK/Refuse)	3.7	4.3	—	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	106	59	55	220
<b>4. Do you expect to have a Web site within the next year? (If yes in Q#3.)</b>				
1. Definitely yes				33.3%
2. Probably yes				12.1
3. Probably no				22.7
4. Definitely no				24.2
5. (DK/Refuse)				7.6
Total				100.0%
N				74

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

**5. Why don't you expect to have your business on the Internet within the next year? Is it because you: (If no in Q#3.)**

1. Don't see any benefit	77.8%	75.6%
2. Cost of service is too high	6.5	6.7
3. Don't know how to do it	—	—
4. Haven't really thought about it	5.6	5.2
5. Infrastructure not yet available	2.8	2.2
6. (Other)	6.5	8.2
7. (DK/Refuse)	0.9	2.2
<hr/>		
Total	100.0%	100.0%
N	68	136

**6. Do you expect to begin using a computer in your business within the next year? (If no or no answer in Q#2.)**

1. Definitely yes	20.4%	19.5%
2. Probably yes	13.0	11.9
3. Probably no	22.2	22.0
4. Definitely no	43.5	45.8
5. (DK/Refuse)	0.9	0.8
<hr/>		
Total	100.0%	100.0%
N	63	88

**7. Why don't you expect to have a computer in your business within the next year? Is it because: (If no in Q#6.)**

1. Already have one at home		14.5%
2. Don't see any benefits		54.2
3. Cost is too high		4.8
4. Don't know how to use one		3.6
5. Haven't really thought about it		—
6. (Other)		19.3
7. (DK/Refuse)		3.6
<hr/>		
Total		100.0%
N		62

**8. What activities does your business conduct on the Internet? Do you: (If yes in Q#1.)**

**A. Use e-mail to communicate with customers or suppliers?**

1. Yes	82.7%	83.3%	86.5%	83.2%
2. No	16.4	16.7	13.5	16.1
3. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	183	121	140	444

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>B. Purchase goods and/or services?</b>				
1. Yes	60.5%	62.5%	69.2%	61.2%
2. No	38.6	37.5	30.8	37.5
3. (DK/Refuse)	0.9	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	183	121	140	444
<b>C. Conduct financial affairs, such as online banking?</b>				
1. Yes	25.5%	31.3%	34.6%	27.3%
2. No	73.6	68.8	65.4	72.0
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	183	121	140	444
<b>D. Bid on contracts?</b>				
1. Yes	20.1%	22.9%	25.0%	21.0%
2. No	79.9	77.1	75.0	79.0
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	183	121	140	444
<b>E. Gather business related information, such as prices, new products and so forth?</b>				
1. Yes	77.8%	87.5%	88.5%	80.2%
2. No	22.2	12.5	11.5	19.8
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	183	121	140	444
<b>9. Does your business have a Web site? (If yes in Q#1.)</b>				
1. Yes	58.4%	60.4%	76.9%	60.8%
2. No	41.3	37.5	23.1	38.7
3. (DK/Refuse)	0.3	2.1	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	183	121	140	444

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

**10. Do you sell goods or services directly over the Web site? (If yes to Q#9.)**

1. Yes	35.9%	31.0%	32.5	34.9%
2. No	64.1	65.5	67.5	64.8
3. (DK/Refuse)	—	3.4	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**11. Why doesn't your business sell directly from your Web site? Is it because: (If no in Q#10.)**

**A. The initial cost is too high?**

1. Yes	11.5%	10.5%	7.4%	10.7%
2. No	82.0	89.5	88.9	83.9
3. (DK/Refuse)	6.6	—	3.7	5.4
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199

**B. Your products and services don't lend themselves to sale on the Internet?**

1. Yes	76.4%	75.0%	77.8%	76.5%
2. No	18.7	20.0	18.5	18.8
3. (DK/Refuse)	4.9	5.0	3.7	4.7
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199

**C. Of too much online competition?**

1. Yes	4.1%	10.5%	3.7%	4.7%
2. No	91.1	89.5	92.6	91.1
3. (DK/Refuse)	4.9	—	3.7	4.1
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199

**D. You haven't gotten around to it yet?**

1. Yes	13.8%	21.1%	11.1%	14.2%
2. No	81.3	78.9	85.2	81.7
3. (DK/Refuse)	4.9	—	3.7	4.1
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>E. Of the amount of time it would take?</b>				
1. Yes	14.6%	26.3%	11.1%	25.4%
2. No	78.0	73.3	81.5	78.1
3. (DK/Refuse)	7.3	0.0	7.4	6.5
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199
<b>F. The infrastructure is not yet available?</b>				
1. Yes	14.6%	10.0%	15.4%	14.2%
2. No	80.5	85.0	80.8	81.1
3. (DK/Refuse)	4.9	5.0	3.8	4.7
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199
<b>G. You don't know how to do it?</b>				
1. Yes	3.3%	10.0%	3.3%	3.6%
2. No	92.7	85.0	96.2	92.3
3. (DK/Refuse)	4.1	5.0	3.8	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199
<b>H. You don't see any benefit from one?</b>				
1. Yes	36.6%	36.8%	37.0%	36.7%
2. No	57.7	63.2	59.3	58.6
3. (DK/Refuse)	5.7	—	3.7	4.7
Total	100.0%	100.0%	100.0%	100.0%
N	72	53	74	199
<b>12. Why doesn't your business have a Web site? Is it because: (If no or no answer in Q#9.)</b>				
<b>A. The initial cost is too high?</b>				
1. Yes	5.9%			7.1%
2. No	91.2			89.3
3. (DK/Refuse)	2.9			3.6
Total	100.0%			100.0%
N	77			156

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

**B. Your products and services don't lend themselves to sale on the Internet?**

1. Yes	55.8%		55.6%
2. No	44.2		43.8
3. (DK/Refuse)	—		0.6
<hr/>			
Total	100.0%		100.0%
N	77		156

**C. Of too much online competition?**

1. Yes	3.6%		3.6%
2. No	96.4		95.8
DK/Refuse)	—		0.6
<hr/>			
Total	100.0%		100.0%
N	77		156

**D. You haven't gotten around to it yet?**

1. Yes	36.5%		38.1%
2. No	61.3		59.5
3. (DK/Refuse)	2.2		2.4
<hr/>			
Total	100.0%		100.0%
N	77		156

**E. Of the amount of time it would take?**

1. Yes	25.5%		25.4%
2. No	72.3		72.2
3. (DK/Refuse)	2.2		2.4
<hr/>			
Total	100.0%		100.0%
N	77		156

**F. The infrastructure is not yet available?**

1. Yes	14.0%		13.2%
2. No	83.8		84.4
3. (DK/Refuse)	2.2		2.4
<hr/>			
Total	100.0%		100.0%
N	77		156

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>G. You don't know how to do it?</b>				
1. Yes	18.2%			17.3%
2. No	79.6			80.4
3. (DK/Refuse)	2.2			2.4
Total	100.0%			100.0%
N	77			156
<b>H. You don't see any benefit from one?</b>				
1. Yes	46.0%			45.2%
2. No	51.8			52.4
3. (DK/Refuse)	2.2			2.4
Total	100.0%			100.0%
N	77			156
<b>13. Do you expect to have a Web site a year from now?</b>				
1. Definitely yes	24.6%			25.3%
2. Probably yes	21.0			20.6
3. Probably no	19.6			19.4
4. Definitely no	32.6			31.8
5. (DK/Refuse)	2.2			2.9
Total	100.0%			100.0%
N	77			156
<b>14. How many months has your Web site been operating? (If yes in Q#9.)</b>				
1. <12 months	21.3%	24.1%	19.4%	21.4%
2. 12-23 months	24.4	27.6	33.3	26.0
3. 24-35 months	29.4	27.6	25.0	28.6
4. 36 months or more	20.3	13.8	22.2	19.8
5. (DK/Refuse)	4.6	6.9	—	4.2
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288
<b>15. Does your Web site produce income from your business through:</b>				
<b>A. Sales directly on the site?</b>				
1. Yes	25.4%	20.7%	22.5%	24.4%
2. No	71.5	75.9	77.5	72.9
3. (DK/Refuse)	3.2	3.4	—	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

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

**B. Sales stimulated by the site, but made over the telephone, fax, or e-mail?**

1. Yes	49.5%	55.2%	60.0%	51.7%
2. No	44.8	41.4	37.5	43.3
3. (DK/Refuse)	5.8	3.4	2.5	4.9
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**C. Sales stimulated by the site, but made in your place of business?**

1. Yes	56.8%	55.2%	65.0%	57.9%
2. No	36.5	41.4	35.0	36.8
3. (DK/Refuse)	6.8	3.4	—	5.3
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**D. Ads on your site?**

1. Yes	19.4%	26.7%	25.0%	21.1%
2. No	79.1	66.7	75.0	77.0
3. (DK/Refuse)	1.6	6.7	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**E. Paid subscriptions to the material on your site?**

1. Yes	8.9%	6.7%	7.5%	8.4%
2. No	87.5	90.0	92.5	88.5
3. (DK/Refuse)	3.7	3.3	—	3.0
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**F. Commissions for directing business to another site?**

1. Yes	4.2%	6.9%	5.0%	4.6%
2. No	90.6	89.7	95.0	91.2
3. (DK/Refuse)	5.2	3.4	—	4.2
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>G. Any other way?</b>				
1. Yes	4.2%	10.0%	8.5%	5.8%
2. No	94.3	86.7	90.0	92.7
3. (DK/Refuse)	1.6	3.3	1.5	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**16. Over the last three to six months, have the revenues from your Web site been higher, lower, or about the same as the cost of operating and promoting the site?**

1. Higher	29.5%	27.6%	17.9%	27.5%
2. About the same	38.4	31.0	41.0	38.0
3. Lower	14.7	20.7	17.9	15.9
4. (DK/Refuse)	17.4	20.6	23.0	18.6
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**17. Approximately what percentage of your Internet sales are to other businesses?**

1. <1 percent	44.3%	44.8%	50.0%	45.2%
2. 1 - 25 percent	12.9	13.3	10.5	12.6
3. 26 - 99 percent	9.8	3.3	2.6	8.0
4. 100 percent	7.7	13.3	7.9	8.4
5. (DK/Refuse)	26.0	27.6	25.0	26.1
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**18. Approximately what percent of your CURRENT total sales do you make, directly or indirectly, as a result of your Web site?**

1. <1 percent	28.6%	26.7%	26.8%	28.1%
2. 1 - 5 percent	14.6	20.0	24.	16.7
3. 6 - 10 percent	12.5	10.0	9.8	11.8
4. 11 - 25 percent	8.9	6.7	12.2	9.1
5. 26 percent or more	14.1	6.7	4.9	11.8
6. (DK/Refuse)	21.4	30.0	22.0	22.4
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

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

**19. What do you think that percentage will be twelve months from now?**

1. <1 percent	20.2%	16.1%	17.9%	19.4%
2. 1 - 5 percent	14.5	12.9	20.5	15.2
3. 6 - 10 percent	11.9	9.7	12.8	11.8
4. 11 - 25 percent	7.8	16.1	12.8	8.4
5. 26 percent or more	20.2	13.0	10.3	17.9
6. (DK/Refuse)	25.4	32.2	25.7	26.2
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**20. What do you think that percentage will be five years from now?**

1. <1 percent	10.9%	10.0%	13.2%	11.2%
2. 1 - 5 percent	4.7	3.3	10.5	5.4
3. 6 - 10 percent	7.3	10.0	10.5	8.1
4. 11 - 25 percent	15.1	13.3	10.5	14.2
5. 26 percent or more	26.0	23.3	21.1	25.0
6. (DK/Refuse)	36.0	40.0	34.2	36.2
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**21. Sales tax is not required on most Internet sales transactions. Do you charge sales tax on all direct Internet sales, some sales, or no sales? (If yes to Q# 15A.)**

1. All	20.3%
2. Some	32.8
3. None	42.2
4. (DK/Refuse)	4.7
Total	100.0%
N	61

**22. Please estimate the DIRECT costs of building your Web site, including fees for outside consultants, or service providers?**

1. Nothing	16.1%	9.7%	11.1%	14.6%
2. \$1 - \$999	23.3	22.5	2.8	20.4
3. \$1,000 - \$2,499	9.3	12.9	13.9	10.4
4. \$2,500 - \$9,999	10.4	16.1	11.1	11.1
5. \$10,000 or more	6.7	3.2	19.4	8.1
6. (DK/Refuse)	34.2	35.5	41.7	35.3
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**23. Please estimate the number of hours you and/or your employees put into building your Web site?**

1. <17 hours	34.3%	32.1%	23.7%	32.6%
2. 17-40 hours	13.6	14.3	18.4	14.4
3. 41 or more	15.7	14.3	18.4	15.9
4. (DK/Refuse)	36.4	39.3	39.5	37.1
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**24. What is the average MONTHLY cost of operating your Web site?**

1. <\$50	38.5%	22.6%	18.9%	33.8%
2. \$50 - \$99	6.7	12.9	10.8	8.0
3. \$100 - \$499	14.4	19.4	16.2	15.2
4. \$500 or more	10.8	6.5	16.2	11.0
5. (DK/Refuse)	29.7	38.7	35.1	31.6
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**25. What is the estimated number of employee hours put into operating your Web site per month?**

1. <17 hours	54.9%	54.8%	60.5%	55.7%
2. 17-40 hours	14.5	12.9	13.2	14.1
3. 41 or more	7.8	6.5	5.3	7.3
4. (DK/Refuse)	22.8	35.9	21.0	22.9
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**26. To date what benefits has your business experienced from your Web site? Has it:**

**A. Increased your total sales?**

1. Yes	25.4%	20.7%	22.5%	24.4%
2. No	71.5	75.9	77.5	72.9
3. (DK/Refuse)	3.2	3.4	—	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

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

**B. Brought you additional customers?**

1. Yes	49.5%	55.2%	60.0%	51.7%
2. No	44.8	41.4	37.5	43.3
3. (DK/Refuse)	5.8	3.4	2.5	4.9
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**C. Brought you new types of customers?**

1. Yes	56.8%	55.2%	65.0%	14.2%
2. No	36.5	41.4	35.0	81.1
3. (DK/Refuse)	6.8	3.4	—	4.7
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**D. Reduced your costs per unit sold?**

1. Yes	19.4%	26.7%	25.0%	21.1%
2. No	79.1	66.7	75.0	77.0
3. (DK/Refuse)	1.6	6.7	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**E. Increased business profits?**

1. Yes	8.9%	6.7%	7.5%	8.4%
2. No	87.5	90.0	92.5	88.5
3. (DK/Refuse)	3.7	3.3	—	3.0
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**F. Increased sales outside the United States?**

1. Yes	19.4%	26.7%	25.0%	21.1%
2. No	79.1	66.7	75.0	77.0
3. (DK/Refuse)	1.6	6.7	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>G. Improved your competitive position?</b>				
1. Yes	8.9%	6.7%	7.5%	8.4%
2. No	87.5	90.0	92.5	88.5
3. (DK/Refuse)	3.7	3.3	—	3.0
Total	100.0%	100.0%	100.0%	100.0%
N	106	76	106	288

**27. Does your business have access to high-speed Internet service if you wish to use it, or don't you know?**

1. Yes	57.0%	63.0%	67.1%	58.6%
2. No	24.2	28.4	23.3	24.6
3. Unsure	18.2	7.4	9.6	16.2
4. (Refuse)	0.5	1.2	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**28. Do you believe access to high-speed Internet service gives your business a significant competitive advantage, a minor competitive advantage, no competitive advantage or are you unsure? (If yes in Q#27.)**

1. Significant	19.1%	15.7%	20.4%	18.8%
2. Minor	24.3	21.6	26.5	24.3
3. None	34.0	43.1	34.7	35.1
4. Unsure	22.6	19.6	18.4	21.8
5. (Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	197	127	133	457

**29. Do you believe the LACK of high-speed Internet service creates a significant competitive disadvantage, a minor competitive disadvantage, or no competitive disadvantage for your firm, or are you unsure? (If no or no answer in Q#27.)**

1. Significant	5.1%	3.3%	4.0%	4.8%
2. Minor	12.1	20.0	20.0	13.5
3. None	46.7	53.3	52.0	47.8
4. Unsure	34.2	20.0	24.0	32.1
5. (Refuse)	1.9	3.3	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	155	73	67	295

## Demographics

### D1. Is your primary business activity:

1. Construction	11.5%	11.4%	8.2%	10.8%
2. Manufacturing	4.9	6.3	15.1	6.0
3. Wholesale	2.8	5.1	2.7	3.1
4. Retail	23.8	26.6	21.9	23.9
5. Transportation	2.8	2.5	5.5	3.1
6. Communication	2.8	2.5	0.0	2.5
7. Financial Services	5.4	5.1	2.7	5.1
8. Services	39.7	36.7	37.0	39.1
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(27.1)	(30.0)	(34.6)	(28.1)
B. Professional, e.g., health, legal, education, engineering	(39.8)	(33.3)	(38.5)	(39.0)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(12.3)	(20.0)	(11.5)	(13.0)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(18.3)	(13.3)	(15.4)	(17.5)
E. (Other)	(2.6)	(3.3)	(—)	(2.4)
9. Agriculture, forestry, fishing	2.7	0.0	2.7	2.4
10. (Other)	1.3	1.3	2.7	1.5
11. (DK/Refuse)	2.7	2.5	1.4	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

1. Increased by 30 percent or more	17.4%	24.1%	14.9%	17.8%
2. Increased by 20 to 29 percent	13.5	12.7	10.8	13.2
3. Increased by 10 to 19 percent	21.5	21.5	33.8	22.7
4. Changed less than 10 percent one way or the other	22.0	21.5	24.3	22.2
5. Decreased by 10 percent or more	9.0	7.6	6.8	8.6
6. (DK/Refuse)	16.5	19.8	9.5	15.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	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	20.6%	7.5%	8.1%	18.0%
2. No	74.7	88.8	89.2	77.6
3. (DK/Refuse)	4.7	3.8	2.7	4.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

1. <6 years	33.9%	23.8%	23.3%	31.8%
2. 6-10 years	17.4	21.3	17.8	17.8
3. 11-20 years	27.6	28.8	24.6	27.4
4. 21-30 years	9.7	11.3	17.8	10.7
5. 31 years+	6.2	10.0	12.3	7.2
6. (DK/Refuse)	5.2	4.6	4.3	5.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

1. Did not complete high school	2.0%	—%	1.4%	1.7%
2. High school diploma/GED	21.9	20.0	12.2	20.7
3. Some college or an associates degree	23.0	21.3	21.6	22.7
4. Vocational or technical school degree	5.0	1.3	1.4	4.2
5. College Diploma	27.4	38.8	47.3	30.5
6. Advanced or professional degree	14.9	13.8	12.2	14.5
7. (DK/Refuse)	5.8	5.0	4.1	5.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

1. <25	2.0%	2.5%	2.7%	2.1%
2. 25-34	12.7	13.6	14.7	13.0
3. 35-44	27.3	27.2	26.7	27.2
4. 45-54	29.1	30.9	34.7	29.8
5. 55-64	12.9	14.8	12.0	13.0
6. 65+	9.4	4.9	5.3	8.5
7. (DK/Refuse)	6.7	6.2	4.0	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

**D7. What is the zip code of your business?**

1. East	15.2%	22.8%	14.7%	15.9%
2. South	20.4	17.7	18.7	19.9
3. Mid-West	21.2	22.8	22.7	21.5
4. Central	19.2	20.3	21.3	19.5
5. West	24.0	16.5	22.7	23.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D8. What were your gross sales in the most recent calendar or fiscal year?**

1. <\$100,000	12.5%	2.5%	4.1%	10.7%
2. \$100,000 - \$249,999	19.1	5.1	4.1	16.1
3. \$250,000 - \$499,999	11.0	7.6	4.1	10.0
4. \$500,000 - \$999,999	9.5	12.7	8.1	9.7
5. \$1 million - \$4.9 million	7.7	31.6	29.7	12.4
6. \$5 million - \$9.9 million	1.7	2.5	6.8	2.3
7. \$10 million or more	0.7	2.5	14.9	2.3
8. (DK/Refuse)	37.8	34.6	31.5	36.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D9. Sex**

Male	74.9%	75.0%	74.3%	74.9%
Female	25.1	25.0	25.7	25.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**Table Notes**

1. All percentages appearing are based on **weighted** data.
2. All “N’s” 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 Education Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the Poll were conducted between April 22 and May 18, 2001 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 a notable 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	352	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	752	101

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

## The Sponsors

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The **NFIB Education Foundation** is a small-business-oriented research and education organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation was established in 1980 to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The foundation also produces ad hoc reports on issues of concern to small business owners including regulatory analyses of selected proposed regulations through its Regulatory Impact Model (RIM).

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