

State of Small Business: Healthcare, Hiring & Funding

Top Level Survey Results including All Small Biz Responses &
SMBs with 1-10 employees vs. 11-100 employees

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***Surveys were taken over a 6 week period starting September 22, finishing on October 29. They were entered in anonymously by VerticalResponse customers, and also completed at the Small Business Development Center "Online Marketing Boot Camps" across California. In total there were 831 respondents.*

This summary splits the results out by overall respondents first, and then compares at the differences between small businesses with 1-10 employees, versus those with 11-100 employees. The following comparison by business size does not include individual reporting on those 37 businesses who reported their size as 100-500 employees, as these comprise of only 4.4% of respondents.

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Key Findings

Healthcare Questions:

- 40.9% of businesses with 11-100 employees wouldn't cancel their employer-provided coverage if there was a public offering.
- 16% of businesses with 1-10 employees would cancel their employer-provided coverage if there was a public offering, as would 15.5% of businesses with 11-100 employees.
- 71.8% of businesses with 1-10 employees do not offer healthcare to employees—versus the 69.4% of businesses with 11-100 employees who do offer healthcare to employees.

Hiring: For the most part small businesses realize they need to hire to continue growth in the near future, however most of the businesses seem to have halted hiring in the past year.

- In the 11-100 employee businesses, there are approximately 2.5 times more respondents—or 33.3 percent—that are still hiring versus the 13.2% of companies in the 1-10 employee size.
- Smaller businesses report they will take longer to recover from the current economic downturn. In the next three months, only 11 percent of businesses with 1-10 employees are planning on new hires—versus 27.1% of businesses in the 11-100 staff range who are planning to expand.
- Over half (52.5%) of all respondents said the number of employees in their company had stayed the same over the past year.
- 60.7% of businesses with 1-10 employees reported the size of their business had stayed the same over the past year—versus only 26.7% of businesses of 11-100 employees who reported the same.
- More than double the larger business size reported an increase in their employee number—or 34.3 percent—versus just 16.9% of businesses with 1-10 staff reporting an increase.
- Businesses with 1-10 employees reported fewer decreases in their employee size over the past year, with only 20.4% decreasing size - versus 36.3% of businesses with 11-100 employees reporting a decrease.

Funding for small businesses: Funding of all types continues to be a challenge for small businesses in the recent past. In the future many will try to apply for funding.

- Close to one fifth of respondents applied for funding in the past year, and were unsuccessful.
- 62.6% of all small business respondents did not try for funding in the past year.
- When considering funding for 2010, less than a third of businesses with 1-10 staff are sure they will apply, versus 35.3% of businesses with 11-100 staff who plan to apply for funding.

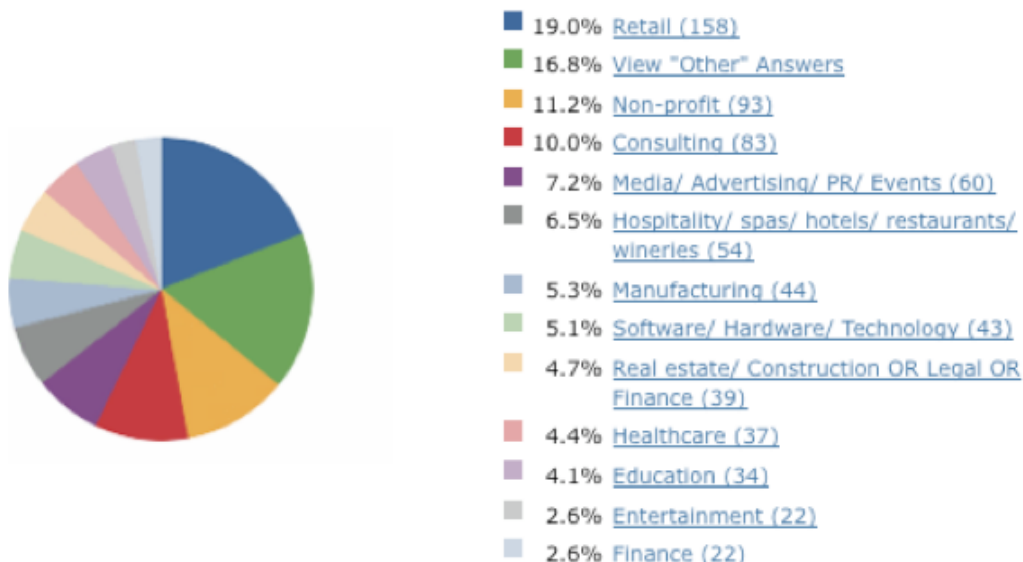
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QUESTION: Which field best describes your company's industry?



The largest respondent group in this survey were *retail customers, who made up 19% of respondents- or 158 of the 831 respondents*. This is no surprise given that retailers make up over 10% of VerticalResponse's customer base.

The second largest group was "Other" which made up 16.8% of respondents. Respondents in this category represent the cross section of the small business community, with individuals from industries as diverse as fruit stands and janitorial services.

Respondents from the "Other" category were trailed closely by:

- Non-profit (11.2%)
- Consulting (10%)
- Media/ Advertising/ PR/ Events (7.2%)
- Hospitality/ spas/ hotels/ restaurants/ wineries (6.5%)

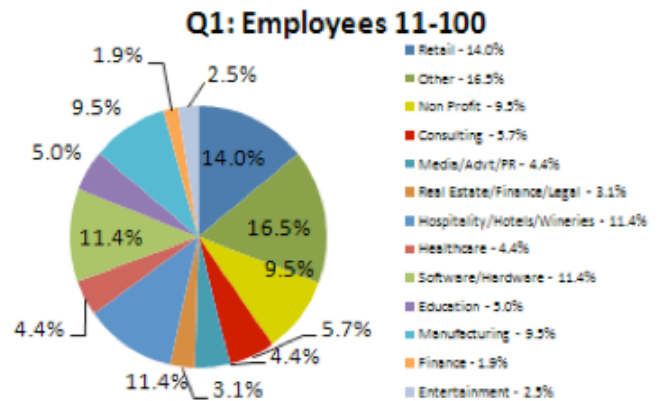
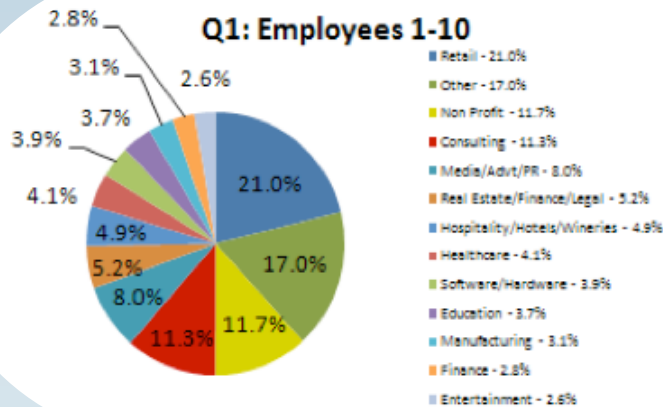
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QUESTION: Which field best describes your company's industry? (continued)



Business Size Comparisons

When split out by employee size, we see that the largest respondent group in the 1-10 employee range are retailers, with 21%. This is versus the 14% of retailers in the 11-100 employee range-- which is the second most common response for larger businesses, after the "other" category.

Small businesses of both sizes reported similar percentages for "other" categories, at approximately 17% of each. Notable answers for each were as follows:

Business Size: 1-10 Employees

- Manufacturing & Retail
- Photography
- Virtual Assistant
- Travel
- Private Aviation
- Alternative Health Care
- Home based Job
- Agriculture
- Equestrian
- Art
- Recruiting
- Urban forestry, golf course assessment
- Printing
- Architectural Photography
- Home decor
- Holistic/ Health/ Energy

Business Size: 11-100 Employees

- Distributor
- Business Development
- Restoration
- Tourism
- Insurance Brokerage
- Transportation
- Architecture
- Professional Services
- Veterinary
- Import/export
- Wholesale Distribution
- Graphic design
- Games
- Pet care
- HR/Employee Benefits
- Accounting

The third-highest ranked business type for those in the 1-10 range are non-profits, with 11.7% of respondents—which is comparable to the 9.5% of non-profits reported in the 11-100 size.

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QUESTION: Which field best describes your company's industry? (continued)

There are some areas where smaller businesses—under 11 employees—are thriving compared to those businesses with 11-100 employees. This primarily includes consulting industries where employees charge by the hour. *Areas where smaller businesses in the 1-10 range had significantly more respondents than those with 11-100 employees included:*

- *Consulting: with 11.3% of businesses with 1-10 employees—versus almost half that, or 5.7% of businesses in the 11-100 range.*
- *Media, advertising, PR or events: with 8% of small businesses in the 1-10 range—versus just 4.4% of businesses with 11-100 employees.*

As could be expected, there are several industries where small businesses in the 11-100 make up a higher percentage than the smaller businesses, including:

- *Hospitality, spas, hotels, restaurants and wineries: with 11.4% of businesses in the 11-100 range, or over double the 4.9% of respondents in the 1-10 business size.*
- *Software, hardware and technology: which made up 11.4% of businesses with 11-100 employees—versus just 3.9% of small businesses under 11 staff.*
- *Manufacturing: with 9.5% of businesses in the 11-100 employee range in this industry—or three times more respondents than the 3.1% of small businesses of under 11 staff who are in manufacturing.*

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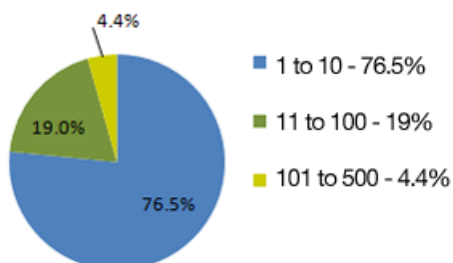
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QUESTION: How many employees does your company have?

Q2: Number of Employees

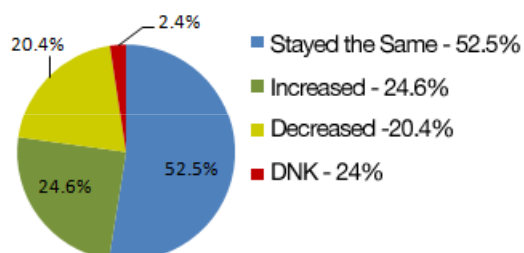


This survey truly represents the small business community, with *over three-quarters of respondents indicating that their company has between 1 and 10 employees*—this group was 76.5% or 632 respondents. This category includes a number of sole proprietor businesses, indicating that entrepreneurs continue to flourish despite the economic climate.

- A distant second were companies with 11 to 100 employees, who made up 19% or 157 of the total respondents.
- Just 4.4 percent or 37 respondents work for companies with 101 to 500 employees.

QUESTION: How has the number of employees in your business changed over the past year?

Q3: Change in Number of Employees



Over half (52.5%) of the 831 respondents said the number of employees in their company had stayed the same over the past year, trailed by:

- Almost a quarter of respondents said that the number of employees had decreased (24.6%)
- The 20.4% who stated the number of employees had increased

It's really interesting to note that just *over three quarters of respondents said their small business employee size had increased or stayed the same in the past year*. This is contrary to what might be anticipated, with only 1 in 4 businesses reporting they had reduced the number of employees this year.

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QUESTION: How has the number of employees in your business changed over the past year? (continued)

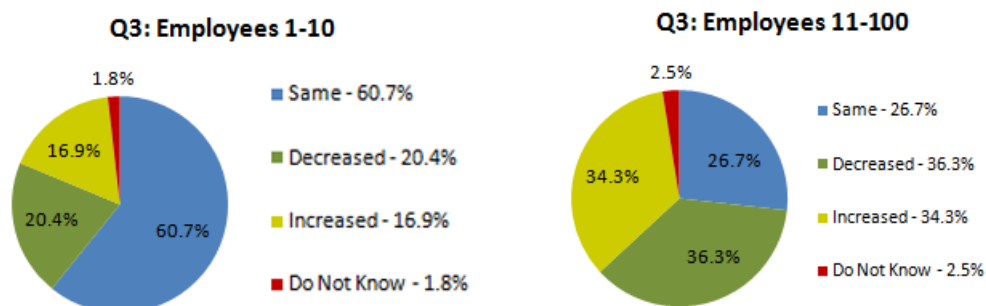
Business Size Comparisons

When broken out into responses from smaller businesses of 1-10 employees versus 11-100 employees, this question highlights a key difference. The *top response for businesses of 1-10 employees was the 60.7% who reported the size of their business had stayed the same over the past year. Only 26.7% of businesses with 11-100 employees who reported their business size had stayed the same.*

Similarly, businesses with 1-10 employees reported fewer decreases in their employee sizes over the past year, with only 20.4% decreasing size—versus 36.3% of businesses with 11-100 employees reporting a decrease.

However, when reporting on increases in employee size over the past year, businesses with 11-100 fared significantly better. *Twice as many businesses in the 11-100 employee size range reported an increase in their employee numbers—or 34.3 percent—versus just 16.9% of businesses with less than 11 staff reporting an increase.*

These results highlight that during the past year, smaller businesses are more stable in terms of employee numbers overall, whereas larger businesses were more likely to have increased or decreased their employee numbers over the past year.



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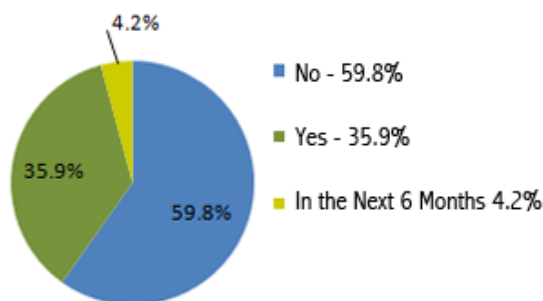
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QUESTION: Do you offer healthcare to your employees?

Q4: Offer Healthcare?

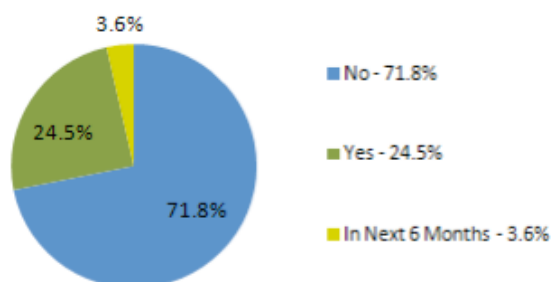


Only 35.9% of respondents currently offer healthcare to employees. A whopping 59.8% of small businesses reported that they don't currently offer healthcare, but 4.2% are planning to in the next six months.

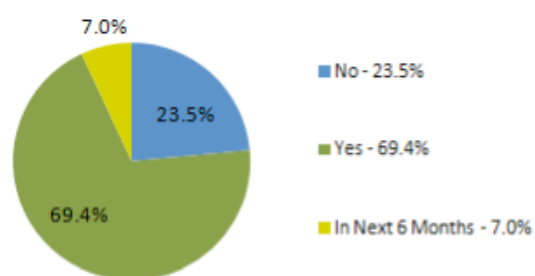
Business Size Comparisons

The results to this question are not too surprising, but they do confirm a huge disparity in small businesses with less than 11 employees when compared with those that have 11-100 employees. It's almost the inverse results for this question on whether small businesses offer healthcare to their employees—with 71.8% of businesses with 1-10 employees stating "no"—and 69.4% of businesses with 11-100 employees stating "yes" to this question.

Q4: Employees 1-10



Q4: Employees 11-100



Again the inverse results can be seen with this question, with 24.5% of 1-10 employees stating they do provide healthcare—compared with 23.5% of 11-100 employee businesses stating they do not offer it.

In line with the previous results, smaller businesses do not plan to offer healthcare to their employees at as high of a rate that larger businesses do. Just 3.6% of businesses under 11 plan to offer healthcare in the next six months while 7% of businesses with 11-100 plan to.

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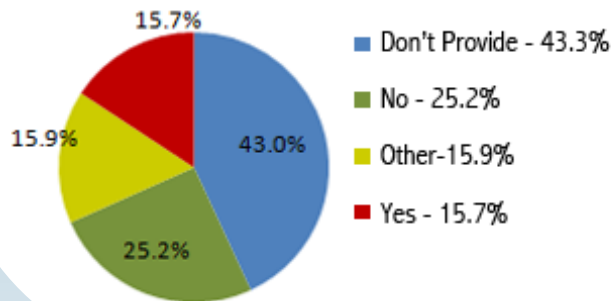
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QUESTION: If there was a public offering of healthcare would you cancel your employer provided coverage?

Q5: Public Healthcare Option



Over a quarter of respondents would not cancel their employer-provided coverage if there was a public offering of healthcare. However, 15.7% would cancel it.

In this category it's important to note that 15.9% of respondents chose to input free-form responses, and most commented that if the cost was right, they would switch to the public offering of healthcare. That brings the total of those small business who would cancel their employer-provided coverage to over 30 percent of respondents. Notable short-form answers in the "other" section included:

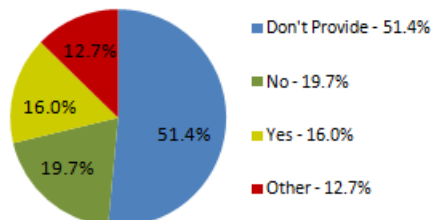
- ☐ I'm self-employed and provide my own coverage but I am 100% in favor of the public offering!!!
- ☐ It would depend on the details and cost of the offering.
- ☐ My husband and I are self-employed tech consultants. If we had a cheaper public option, we could invest in our infrastructure and pay off our start up costs.

Business Size Comparisons

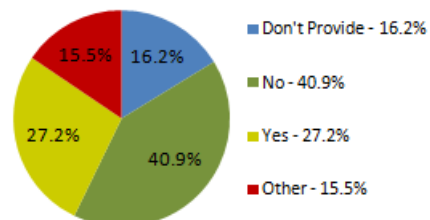
For this question small businesses of both sizes reported a similarly low percentage of companies that would cancel their employer-provided coverage if there was a public offering. This included 16% of businesses with 1-10 employees, and 15.5% of businesses with 11-100, saying they would cancel their employer-provided coverage.

As outlined above, many of the small businesses who chose to insert freeform responses said they would switch to a public offering of healthcare if the offer was right. That said, there's a key opportunity for small businesses to unite and offer their opinions on whether the healthcare reform should be implemented—and if so, what it should include.

Q5: Employees 1-10



Q5: Employees 11-100



Perhaps this is another area for a vendor to assist small businesses, as 19.7% of those with less than 11 employees state they will not cut their healthcare offering if there was a public offering—and a whopping 40.9% of businesses with 11-100 employees are pleased with their current healthcare offerings and wouldn't cancel their employer-provided coverage with a public offering.

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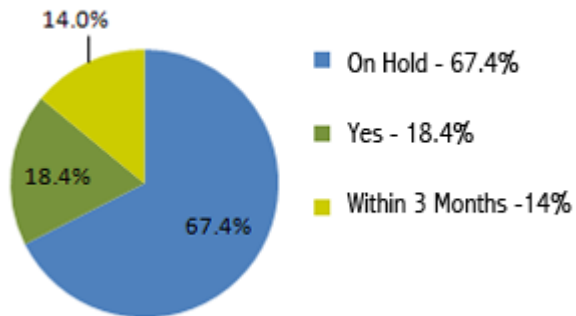
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QUESTION: Are you still hiring?

Q6: Still Hiring?



It's encouraging to note that *nearly a third of respondents are currently hiring or planning to within 3 months*. However, the bulk of respondents (67.3%) report that hiring is on hold. There are really interesting results to this question when broken out by industry.

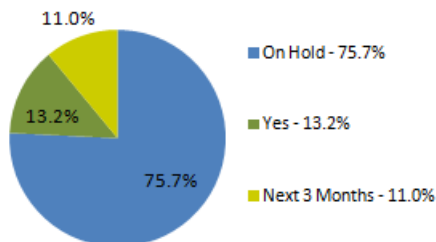
Business Size Comparisons

In the larger small businesses, there are approximately 2.5 times more respondents—or 33.3 percent—that are still hiring versus the 13.2% of companies in the 1-10 employee size. Further highlighting the disparity here is the

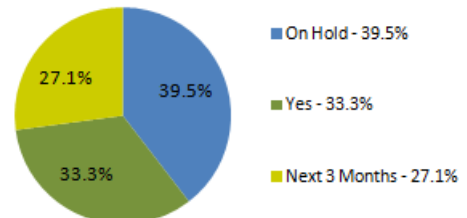
75.7% of businesses in the 1-10 employee range who say their hiring is currently on hold, versus only 39.5% of respondents with 11-100 employees who report the same trend.

Not only have the smaller businesses been hit harder so far, but it seems they will take longer to recover from the current economic downturn. In the next three months, *only 11 percent of businesses with 1-10 employees plan to add to their staff—versus 27.1% of businesses in the 11-100 staff range who are planning the same*.

Q6: Employees 1-10



Q6: Employees 11-100



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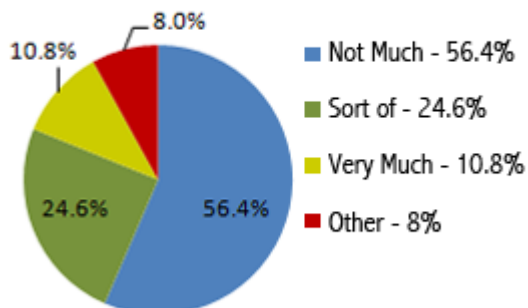
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QUESTION: Do you think current government policies for small businesses support growth for your business?

Q7: Govt Support of Small Business?



Well over half of respondents (56.3%) report that they don't think current government policies for small business support growth for their own business. A further 24.7% reported that government policies "sort of support growth for their business."

A miniscule eight percent of respondents feel that government policy "very much" supports growth for their business. This number is surprisingly low, especially in light of the survey's proximity to the local elections.

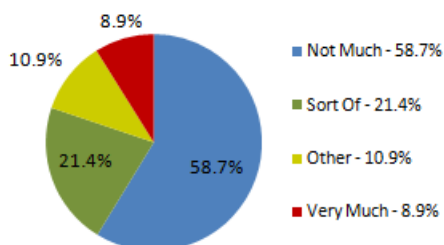
Business Size Comparisons

When asked about whether current government policies for small business support growth for their business, 8.9% of businesses with under 11 staff report they feel it "very much" does.

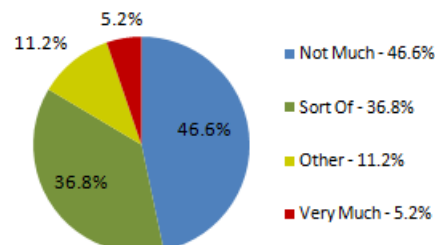
However, when looking at the other side of the coin, smaller businesses are less supportive of government policies—with 58.7% of businesses under 11 staff reporting government policies don't really support their business growth—versus 46.6% of businesses of 11-100 staff who report the same.

Again the smaller businesses report that government policies "sort of" support their business growth—with 21.4% of respondents versus 36.8% of businesses with 11-100 employees who feel this.

Q7: Employees 1-10



Q7: Employees 11-100



In this question it's also important to note that most of the freeform answers from businesses with under 11 staff stated that government policies do not support growth for their business—their responses indicated more extreme views than those reported by the other section of responses. One reason for this trend may be that those who are part of a smaller company have a deeper understanding of the company's needs and how government affects them.

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QUESTION: Do you think current government policies for small businesses support growth for your business? (cont.)

Other answers from 1-10 employee businesses include:

The positive/ neutral:

- I think they will support growth with the new Administration
- Do not affect our industry yet
- Realtors do not have a Health Insurance group at this time. A government policy would give them another option (perhaps less expensive) than what is offered by Insurance Companies at this time
- Yes, when well planned and implemented: incorporating small business owners in the dialog in a substantive way would help

The negative:

- Discourages growth
- Absolutely NOT!
- Government policies are in flux
- The opposite: they make it VERY difficult
- Can't tell. Issues not clear.
- Will ruin small business
- Are you kidding? NO!
- They are a waste of taxpayer money
- Current government is hostile to small biz
- Current policies are Killing growth
- Not at all, the basic attitude is that small businesses are not wanted
- Government should stay out of business!
- Government crushes business

Other answers from 11-100 employee businesses include:

The positive:

- Does not affect our business

The negative:

- Not at all
- No
- It's detrimental to our business, not supportive

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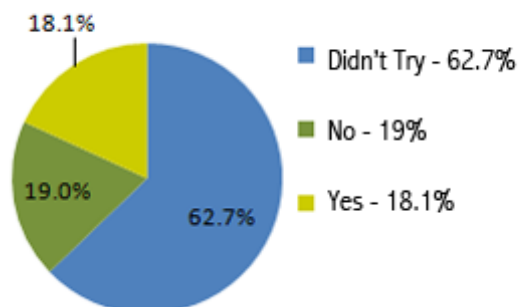
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QUESTION: If you tried to get funding for your business this past year were you successful?

Q9: Funding



Whether because they would not qualify, or did not know about relevant funding programs, 62.6% or 431 small businesses did not try to get funding for their business in 2009.

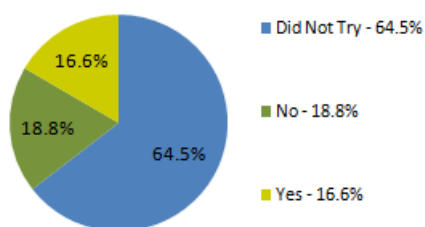
Close to one fifth of respondents applied for funding in 2009, and were unsuccessful. However, almost the same proportion of respondents, 18.3 percent reported that they were successful in gaining funding in the past year.

Business Size Comparisons

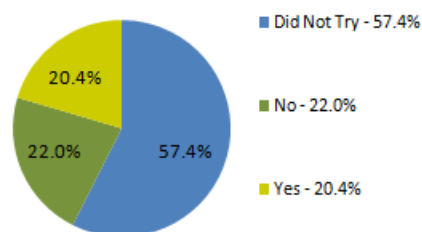
Well over half of small businesses in both size categories did not try to obtain funding for their businesses this year, which included various funding sources such as government, grants, VC-money, etc. Surprisingly, business with less than 11 staff were less likely to try for funding—64.5 percent—versus businesses of 11-100 staff at 57.4%. This result may have changed if the question was split out into funding sources that they applied for, such as VC funding versus government grants.

Businesses in the 11-100 range were more likely to obtain funding, with 22% being successful—versus only 16.6% of businesses of 1-10 employees being successful in gaining funding this year.

Q9: Employees 1-10



Q9: Employees 11-100



Just over one-fifth of small businesses of 11-100 employees were unsuccessful in 2009 when they applied for funding, which may be a key area of opportunity for education on the resources and programs available to them.

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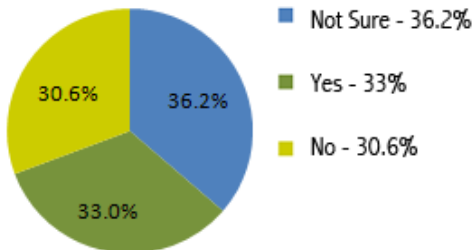
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QUESTION: Will you try to get funding for your business in 2010?

Q10: Funding

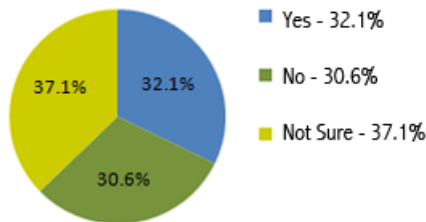


In this category there are still 36.3% respondents who are unsure of whether they will apply for funding in 2010. This is a potential area of education for small business owners, who may not have access to the same level of information on opportunities available to them as larger enterprise. By the same token, the 33% who are looking to apply for funding in 2010 may need assistance in this realm. It's also important to note that 30.6% will not apply for government funding in 2010.

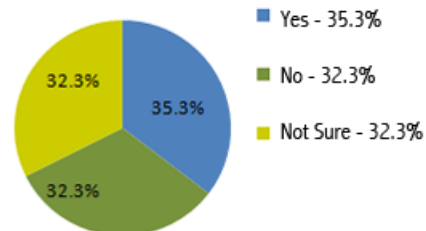
Business Size Comparisons

When considering funding in 2010, small businesses of both employee sizes were roughly evenly split between whether they would apply or whether they were unsure on their plans for 2010. Less than a third of businesses with under 11 staff are sure they will apply for funding in 2010, versus 35.3% of businesses with 11-100 staff who plan to. Again it's important to note that vendors have a key opportunity here to influence the funding sources that small businesses apply for in 2010, such as the co-op programs that are available to pet stores and other small businesses, which can be used to fund marketing spend.

Q10: Attempt Funding in 2010



Q10: Attempt Funding in 2010



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