



Bethpage Federal Credit Union
Long Island Small Business Survey

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INTRODUCTION

Bethpage Federal Credit Union, New York State's largest credit union, sponsored the second annual Long Island Small Business Survey of over 600 Long Island small businesses to assess their attitudes to the health of their business, optimism about the future, plans for future expansion, business conditions in the nation and on Long Island as a whole, and confidence in local business leadership.

Both small business executives and owners participated in the survey, which also included a dedicated set of questions posed to business owners exclusively, on the unique challenges and rewards of owning a small business.

In this report, we refer to the survey respondents collectively as business executives, a term that covers a mix of business owners, the company president, CEO, VP, director, manager, and administrator, with the exception of the dedicated "owners" set of questions. The sample includes 603 small businesses with annual revenues up to \$10 million. The survey was conducted in the last quarter of 2012.

EXECUTIVE SUMMARY & NOTEWORTHY YEAR-TO-YEAR COMPARISONS

Long Island small business executives were more positive about business conditions in 2012 than they were in 2011. More business executives in 2012 were optimistic about the national economy for the coming year, a 14% increase over last year. Similarly, more business executives in 2012 were optimistic about the local economy for the coming year, a 13% increase over last year. Two-thirds of Long Island small businesses rate their current financial health as good, very good, or excellent, an improvement over 2011, however access to credit remains a problem. Roughly a quarter of small businesses (24%) expect to expand their workforce in 2013 -- an increase from a year ago when only 16% expected to increase their staff. 31% of small businesses increased their prices in 2012 – a good indicator of positive business conditions. The number of owners who said it is somewhat or very likely that they will move their business off Long Island in the next five years decreased 8% from a year ago. The spirit of entrepreneurship is alive and well on Long Island: most small business owners are very positive about owning a small business and would encourage a family member to own one. Small business owners believe that the benefits of business ownership continue to be strong. Business executives placed personal attributes such as effective multi-tasking, adaptability and flexibility as the most important qualities in an employee while excellent computer skills and knowledge of social media were reported as less important.

I. Owners

- Small business owners were very positive about the benefits of business ownership despite the current difficult financial climate. Overall, more than two-thirds of all owners would encourage their children or young family members to start a small business and almost all (91%) are satisfied with the decision to own one which is an increase from 2011 (87%).
- Personal autonomy is the major benefit of owning a small business according to owners. A majority (65%) said that being one's own boss was the best personal benefit of being an owner which is an increase from a year ago (58%). By far, the major personal and professional downsides are the stress and financial pressure associated with business ownership. A near majority of owners said that owning a business has had a positive (47%) or no effect on their marriage (28%). This was a decline from the 2011 survey when 58% claimed it had a positive effect and 21% said it had no impact on their marriage and family life.
- Compared to a year ago, there was a decrease in the number of owners who said it is somewhat or very likely that they will move their business off Long Island in the next five years (from 22% in 2011 to 14% in 2012). There also has been a decline over the last year in the number of owners who say they will downsize in the next five years (from

25% in 2011 to 18% in 2012) or said their business was likely to close in the same time period (from 21% in 2011 to 17% in 2012).

II. Economic & Business Conditions

- There has been an increase in the last year in the number of business executives who rate the national and Long Island economy as good, although the majority continues to rate them as bad. In 2011, less than 10% of business executives rated the national economy as very or fairly good whereas 27% rated it positively in 2012. In 2011, only 19% of business executives gave an overall positive rating for the local economy while 32% rated the local economy as very or fairly good in 2012.
- A majority of small business executives are optimistic about national (51%) and Long Island business conditions (50%) in the next 12 months, a clear increase over the 2011 survey when only 37% of executives were optimistic about local and national business conditions.
- A majority of small business executives (55%) said they have confidence in local business leaders to improve business conditions on Long Island, up from 49% percent who said so last year. There was least confidence in government officials in Washington to improve the business conditions (27%), followed by greater confidence in local government officials (41%) to improve Long Island business conditions, which is a slight increase from last year (21% and 33% respectively).
- Access to credit remains a challenge for many small Long Island businesses. Similar to last year, 25% of small businesses have difficulty gaining sufficient financing.
- 20% of small business executives said they were not able to borrow sufficient funds to meet their credit needs in 2012. This is almost unchanged from a year ago (18%).
- Roughly 17% of small business executives say they had missed out on a business opportunity in 2012 because they could not secure financing which was a decline from last year (22%).
- In 2012, 55% of small businesses had needed to borrow money and 45% found it somewhat or very difficult. This is a slight improvement over 2011 when 45% of small business had borrowed funds and 55% had found it difficult.
- 64% of small business executives rate the current financial status of their business positively; a clear improvement over 2011 when 52% rated company finances as at least good. Overall, roughly 21% of all small businesses had expanded in 2012 and expect to expand in 2013, which is an increase from last year (18%).

- Over three-quarters (77%) of business executives expected their sales to be the same or increase in 2012, which is an increase from last year's survey when 69% said so. There is greater optimism in looking ahead to 2013 with 87% of businesses expecting sales to stay the same or increase which is up from last year's findings (79%).
- There are signs that small businesses plan to grow in 2013. Roughly a quarter of businesses (24%) are planning on adding staff in 2013, an improvement over last year when 16% expected to increase the number of their employees. Only 5% are considering staff reductions in 2013.
- Business executives placed personal attributes such as effective multi-tasking (60%), and adaptability and flexibility (56%), as the most important qualities in an employee, followed by good research skills (29%), and excellent computer skills (28%). Surprisingly, social media skills were rated as the least important personal attribute with only (10%) deeming it as the most important quality.
- Just under half (45%) of business executives said their most valuable employee had a Bachelor's degree or higher; followed by a high school or an associate's degree (38%).
- There are signs that Long Island small businesses have and will continue to invest in their companies by making capital improvements. More than a third of businesses (38%) had made capital expenditures in 2012 to improve or purchase equipment, buildings, or land, an increase over 2011 when 32% had done so.

III. Gender Differences

- Male and female business owners differ somewhat in their perceived benefits of owning a business. Female business owners obtain greater personal satisfaction (42%) than do men (31%), but are also more likely than men to say that financial stress is one of the worst professional aspects of ownership.
- Female owners were more likely than male owners to say that owning a business has had a positive effect on their marriage and family life (53% vs. 45%) and a greater number of women (59%) work with other family members in their business than men owners (44%), which is an increase from a year ago.
- Compared to a year ago, more business owners said they hired outside professionals to better help with their business success in 2012. Women (44%) had been more likely than men (37%) to hire outside companies to handle some of their business functions; however both say they hire accounting and financial companies more than any other.

- Women comprise 28% of small business owners. Male and female business owners are similarly satisfied with the decision to own a business and equally encouraging of a family member starting their own business. Male and female owners also shared similar views on many aspects of running a business, including future expansion, and plans to scale back or close the business.

IV. Other Highlights

- In the last 5 years, over half (57%) of small businesses had changed the way they communicate with clients and customers. 35% of all businesses use new social media such as Twitter, Facebook or blogs to communicate with clients and customers. Of businesses that use social media, most (70%) find it has helped to increase their sales volume; an increase from last year (59%).
- 30% of businesses are planning to change business strategy in 2013; changes include an expansion of services and financial changes. More businesses are planning to focus on advertising and marketing compared to a year ago (18% in 2011 vs. 25% in 2012).

BETHPAGE SMALL BUSINESS SURVEY REPORT

I. OWNERS

One of the unique features of the Long Island Small Business Survey is a set of questions devoted to business owners who completed the survey.

A. Working Conditions

Business owners made up 62% of all executives in businesses with revenues under \$500,000 who participated in the survey and 39% of executives in businesses with revenues between \$500,000 and \$10 million. When asked about time spent on their business, 31% of owners worked 40 hours or less per week, 38% of owners worked between 41-60 hours a week, and 29% of owners worked more than 60 hours per week. Overall, the amount of time owners put into their business has increased slightly since last year; 29% spend over 60 hours a week working in 2012 compared to 20% who did so in 2011. Owners also take few vacation days with 43% taking a week or less of vacation each year, and this has not changed in the past year.

Roughly, how many hours a week do you spend working on your business?

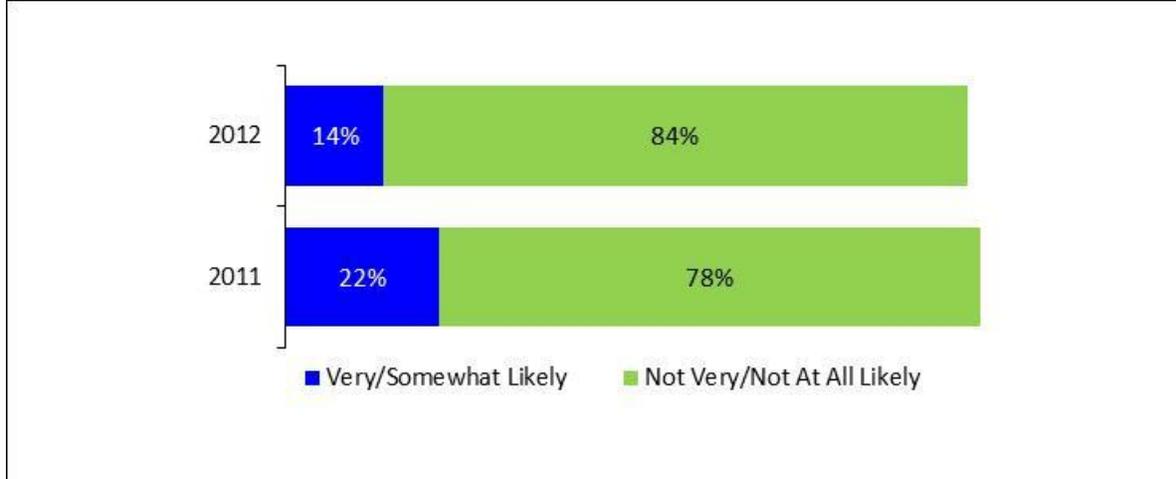
Hours Worked Per Week	2011	2012
1 to 30 hours	23%	16%
31 to 40 hours	13%	15%
41 to 50 hours	19%	17%
51 to 60 hours	20%	21%
More than 60 hours	20%	29%
Don't Know/Refused	5%	2%

In 2012 a new set of questions was asked of owners about changes in their business in recent years. Just under a half (48%) of all owners said they work more hours than they did five years ago. When broken down further, 49% said they spent more time on on-line networking, seeking new business (41%), and personal networking (33%).

B. Future Business Location: Long Island Vs. Off Long Island

As the economy improves slowly, somewhat fewer business owners said it is somewhat or very likely that they will move their business off Long Island in the next five years; 22% thought they were likely to move in 2011 compared to only 14% in 2012. When asked why, personal reasons were the most common answer (34%) followed by taxes and government (25%). In contrast, high local costs dominated owners' major reason for saying they were likely to move off Long Island in 2011.

How likely is it that you will move your business off Long Island in the next five years?



C. Family Involvement

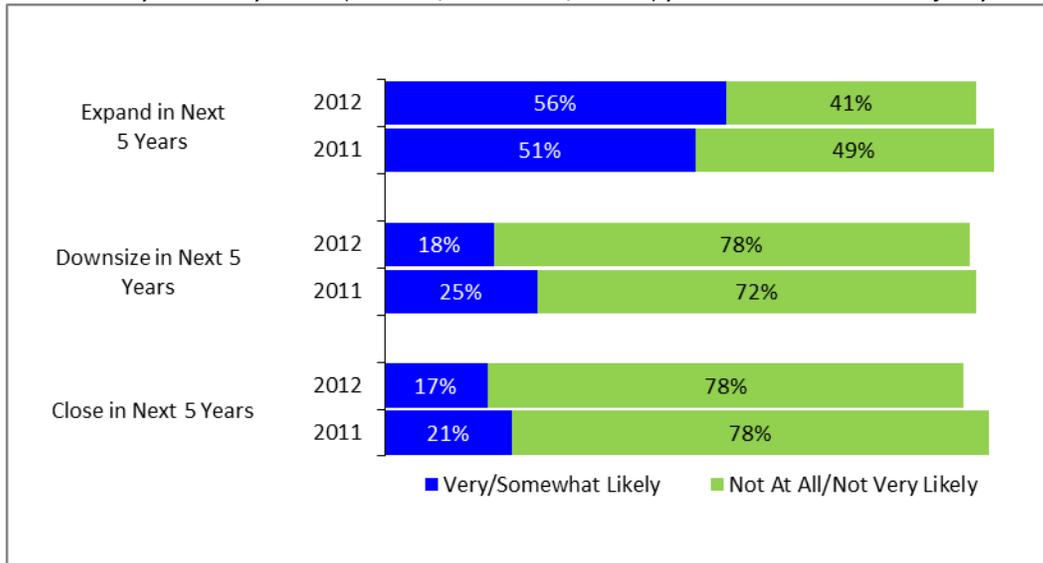
Similar to the 2011 survey, approximately 69% of owners would encourage their children or young family members to start a small business, and over a quarter would discourage them. Most owners (91%) are satisfied with the decision to own a business and 51% are *very* satisfied. There was a significant increase in business owners having other family members work in their business from 2011 to 2012 (34% and 48% respectively).

In order to join their business, owners would encourage their children to get a Bachelor's degree (25%), a business degree (23%), or a Master's or Doctoral degree (22%).

D. Expansion Vs. Downsizing

A majority of business owners planned to expand their business in the next five years, and this had increased somewhat over the last year (from 51% in 2011 to 56% in 2012). Almost a quarter (24%) said it was *very* likely that they would expand, up from 19% in 2011. The number of owners who planned to downsize also dropped in the last year from 25% in 2011 to 18% in 2012. Personal reasons (48%) and the economy (30%) are the most frequent reasons given for downsizing. There was also a slight decline this year in the number of owners who said they were somewhat or very likely to close their business in the next five years (from 21% in 2011 to 17% in 2012). Most owners cited personal reasons (56%) for closing a business, a change from 2011 when over two-thirds said they were likely to close the business for financial reasons (the economy or high costs).

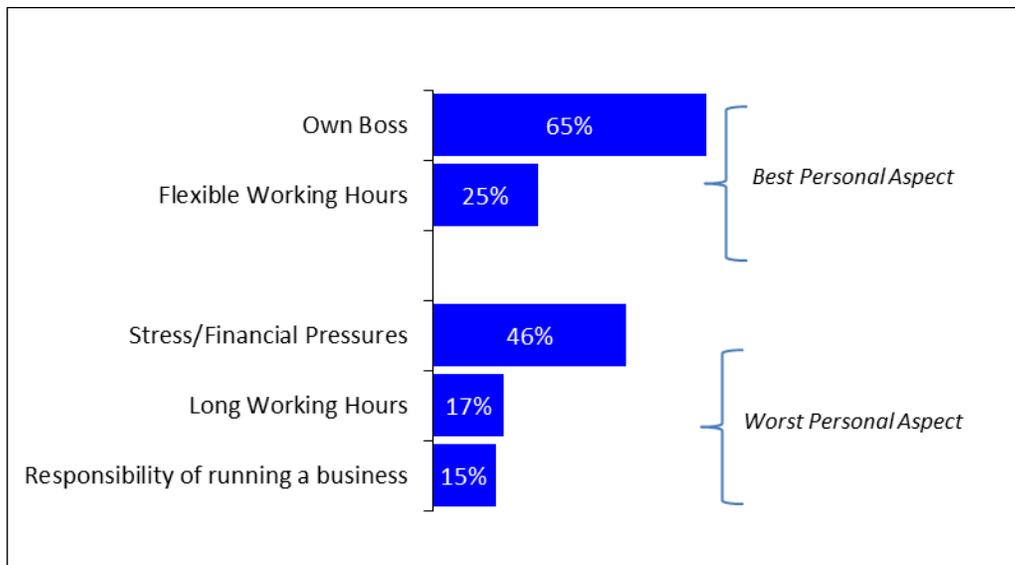
How likely is it that you will (EXPAND/DOWNSIZE/CLOSE) your business in the next five years?



E. Personal Aspects of Business Ownership

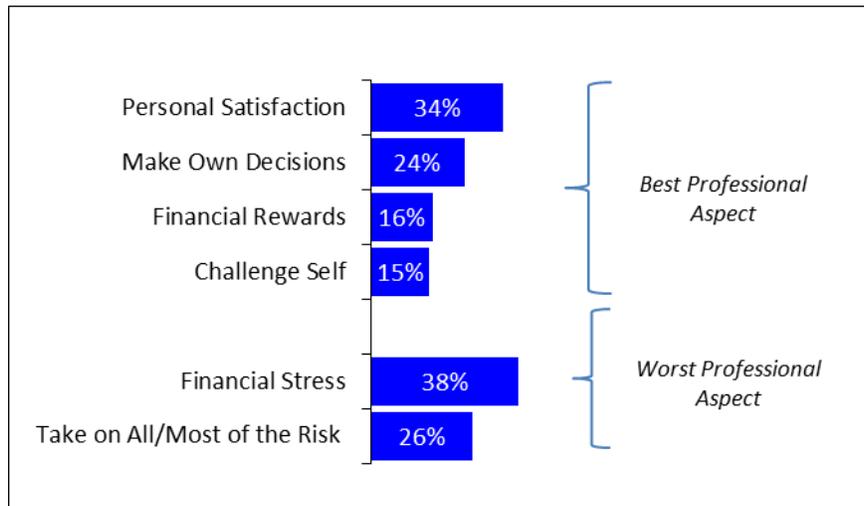
Business owners said being one’s own boss (65%) and having flexible working hours (25%) are the best personal aspects of business ownership. The worst things are the stress caused by financial pressures (46%), working long hours (17%), and the responsibility of running a business (15%).

Think of the PERSONAL aspects of owning your business, what is the BEST/WORST thing about owning your own business?



Owners feel the best professional aspects of business ownership are personal satisfaction (34%), being able to make one’s own decisions (24%), challenging oneself (15%), and reaping financial rewards (16%). Financial stress (38%) and having to take on all or most of the risk associated with a business (26%) are cited as the worst professional aspects of owning a business.

Think of the PROFESSIONAL aspects of owning your business, what is the BEST/WORST thing about owning your own business?



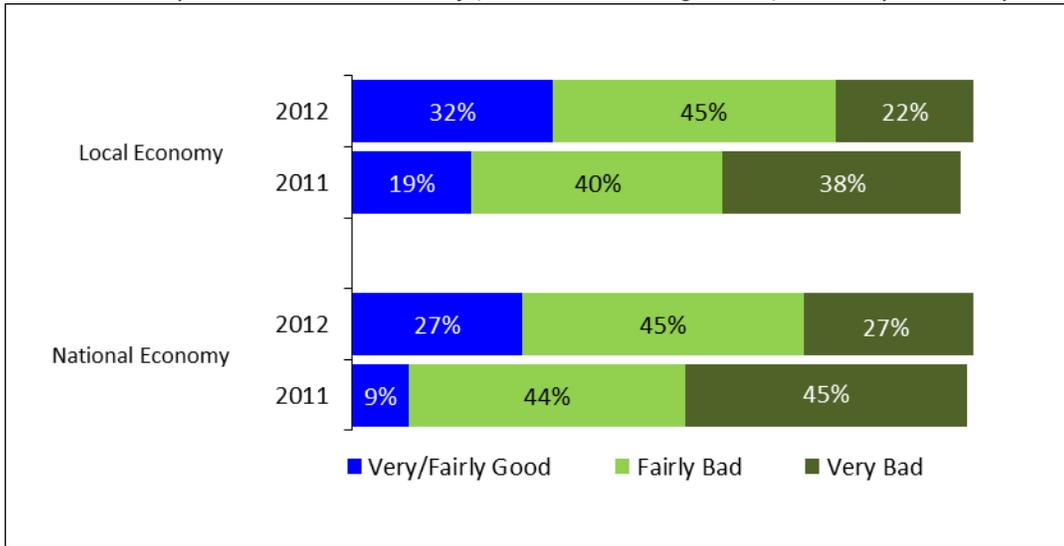
Most owners say that owning a business has had a positive (47%) or no effect (28%) on their marriage or family life. These numbers are slightly different from last year when more than half of owners (58%) reported that owning a business had a positive effect on their marriage and 21% claimed it had no effect on their marriage. More owners believe owning a business has a negative effect on their family life and marriage (21%) compared to a year ago (17%).

II. ECONOMIC & BUSINESS CONDITIONS

A. Local Vs. National Economy

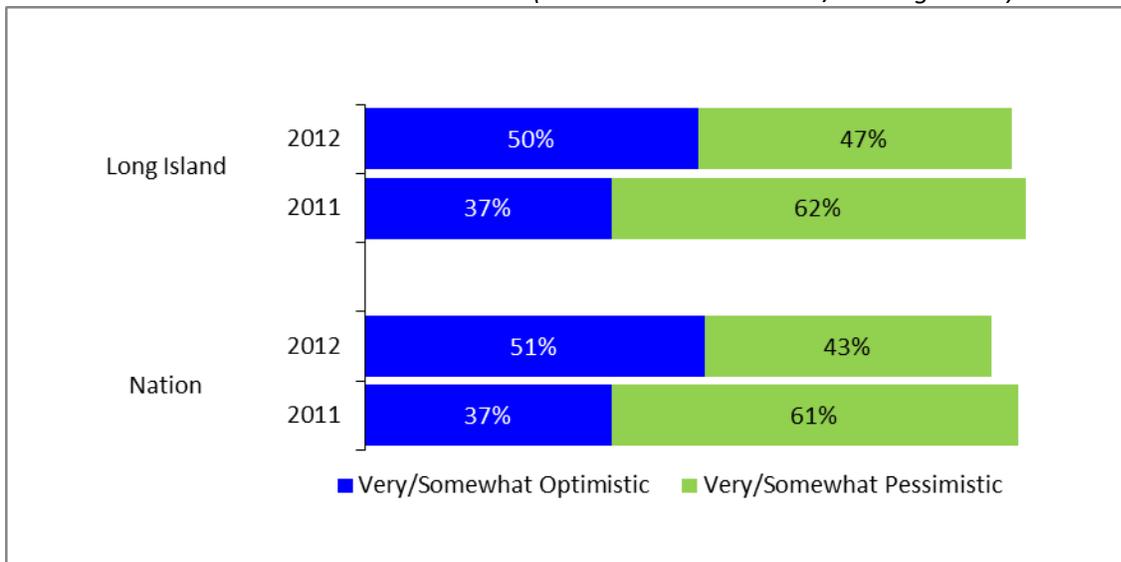
More business executives think the national and local economic climate is improving from a year ago. In 2011, fewer than 10% of executives rated the national economy as very or fairly good whereas 27% rated it positively in 2012. Only 19% rated the Long Island economy as very or fairly good in 2011; this has increased to 32% in 2012. This leaves 72% who rate the national economy as very or fairly bad and 67% who rate the Long Island economy similarly.

How would you rate the condition of (the national/Long Island) economy these days?



Small business executives are more optimistic about the outlook of the economy in the next 12 months than a year ago. The majority of small business executives are very or somewhat optimistic (51%) about national business conditions in the next twelve months compared to 37% a year ago. A slightly greater number of executives are optimistic than pessimistic about the Long Island economy (50% vs. 47%). This is a marked shift from 2011 when pessimism held sway over optimism on both the local and national economy.

Thinking about the next 12 months, how optimistic or pessimistic are you about business conditions (in the nation as a whole/on Long Island)?



A quarter of small business executives (25%) think the next 6 months would be a good time for small businesses on Long Island to expand substantially, a slight increase over 2011 when 17% of executives felt that way.

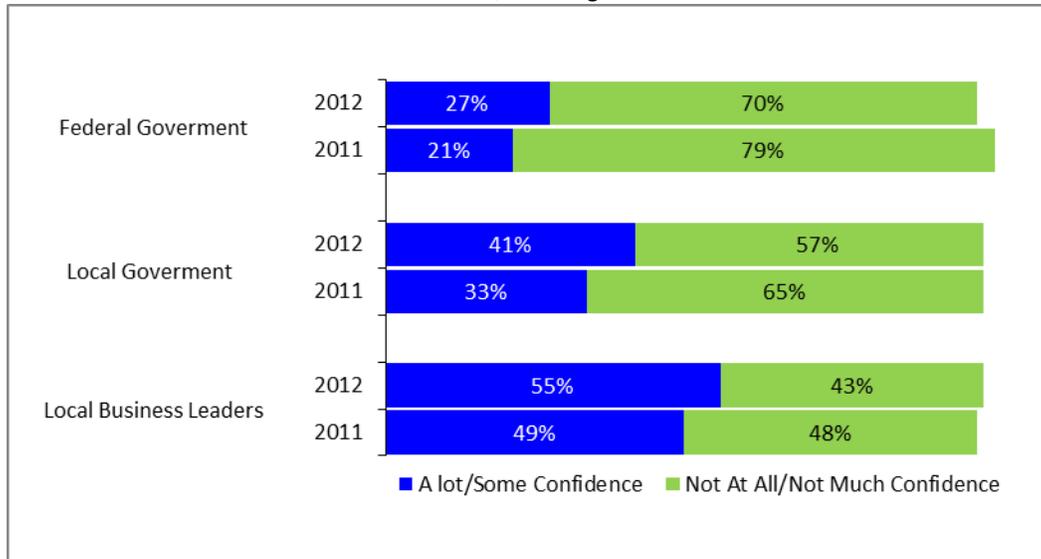
B. Small Business Credit

Many small businesses on Long Island continue to cite access to credit as a challenge. Just over a half (53%) of small businesses have a line of credit and 25% have difficulty gaining sufficient financing. 20% of small businesses surveyed said they were not able to borrow sufficient funds to meet their credit needs in 2012. This is almost unchanged from 2011 where 18% cited the same problem. The failure to secure financing caused 17% of businesses to miss out on a business opportunity in 2012, which was a decline from last year (22%). There is a slight increase in borrowing money among small businesses from last year. More than half of small businesses (55%) had borrowed money in 2012 and just under half (45%) found it somewhat or very difficult. This is a slight improvement over 2011 when 45% of small businesses had borrowed funds and 55% had found it difficult.

C. Local Vs. National Leadership

When asked about the next 12 months, business executives expressed more confidence in local business leaders than political leaders in improving business conditions. A majority of small business executives (55%) said they have confidence in local business leaders to improve business conditions on Long Island, up from 49% percent who said so last year. There was least confidence in government officials in Washington to improve the national economy (27%), followed by greater confidence in local government officials (41%) to improve the Long Island economy which is a slight increase from last year (21% and 33% respectively).

How much confidence do you have that (government officials in Washington/local government/local business leaders) will make progress in the next 12 months in improving business conditions in the nation as a whole/on Long Island?



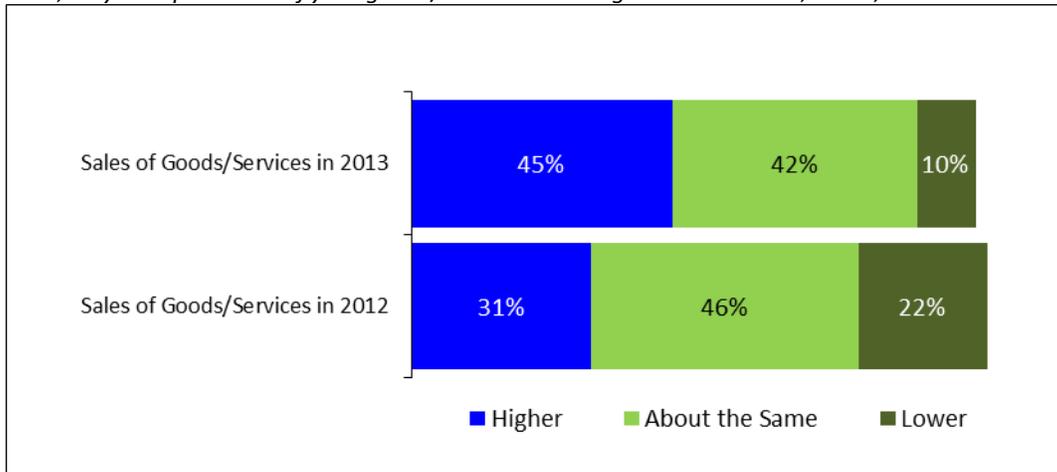
D. Financial Health of Their Business

Small businesses are starting to experience tangible improvement in their financial situation. More executives (64%) rated their financial status as excellent, very good, or good compared to a year ago (52%), and roughly a third (34%), rated it as not very good, fair or poor which was a decline from 2011 (46%). Compared to a year ago, more business executives are positive about the future; 32% believe their business will be in better financial shape in 6 months compared to 20% who said so in 2011, and 56% believe it will be in roughly the same shape, while 65% mentioned the same last year, and relatively few (8%) think it will be in worse shape.

When asked about business expansion in the coming year, a majority of executives (59%) do not expect their business to expand but there is a sizable minority (38%) who do, representing an increase in expansion plans over 2011 when only 29% believed they would expand. Less than a third (26%) of all businesses had expanded in 2012. Overall, roughly 21% of all small businesses had expanded in 2012 *and* expected to expand in 2013, which is up from a year ago (18%).

77% of business executives estimated that their sales would be the same or higher in 2012 versus 2011. Less than a quarter (22%) expected their sales to decline this year. There is considerable optimism about sales in 2013; 45% of business executives expect them to be higher in 2013 than in 2012, versus last year when only 29% expected sales to be higher.

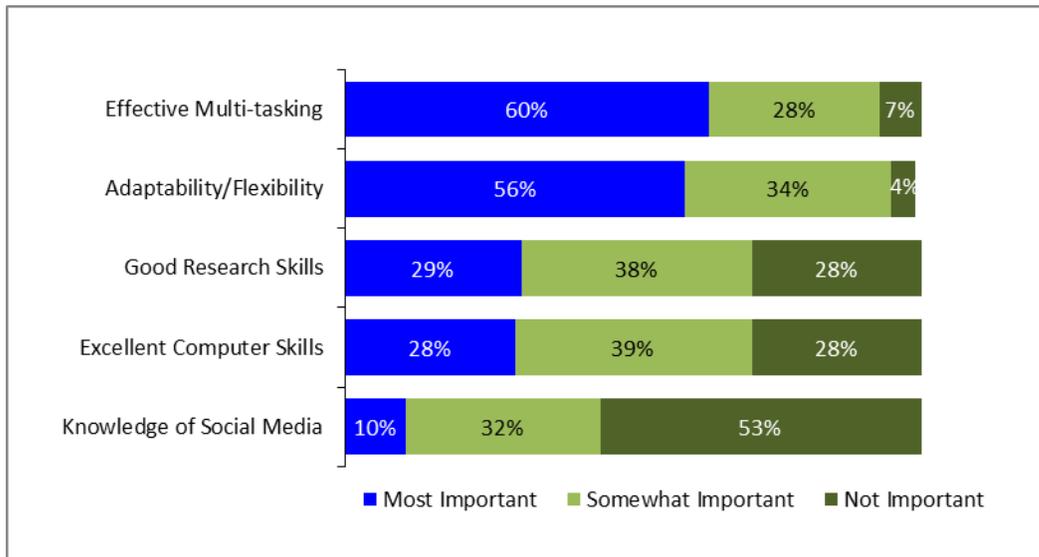
*Do you expect sales of your goods/ services this year (2012) to be higher than in 2011, lower, or about the same?
In 2013, do you expect sales of your goods/services to be higher than in 2012, lower, or about the same?*



As the economic outlook improves, there are signs of improved job growth in small businesses. When asked about hiring plans for 2013, 24% expect to increase, 5% plan to decrease, while a majority (69%) expect to maintain their current number of employees in 2013. When asked about 2012 staffing, 14% of executives said their workforce increased and 13% said they decreased their workforce. Among businesses planning to add staff, a majority (84%) plan to hire between 1 and 5 employees on average. Among small businesses expecting to reduce staff in 2013, 57% mentioned declining sales and revenues as the main reason.

In the 2012 survey, business owners were asked a new set of questions on what they most value in an employee. Results show that business executives place greatest importance on a prospective employee's personal attributes such as effective multi-tasking (60% rated it as the most important quality), and adaptability and flexibility (56%), followed by good research skills (29%), and excellent computer skills (28%). Knowledge of social media was rated as less important: a majority (53%) rated it as unimportant and only 10% said it was one of the most important qualities they valued in an employee. Business executives value employees with differing educational qualifications; more than a third (38%) said their most valuable employee had a high school diploma or an associate's degree, and just under half (45%) said their most valuable employee had a Bachelor's or higher degree.

Qualities Employers Value in Their Employees



Long Island businesses continue to invest in their companies by making capital improvements. In 2012 more than a third of businesses (38%) made capital outlays to improve or purchase equipment, buildings, or land; this is a slight increase from last year when 32% had done so.

E. Business with Credit Unions

Similar to last year, 8% of small businesses have used a credit union as a source of finance for their business, and another 17% had considered doing so. However, 43% said they would likely borrow money from a credit union if congress were to raise the amount that credit unions can lend to small businesses.

III. GENDER DIFFERENCES AMONG OWNERS

Some interesting differences between male and female business owners were uncovered in the survey. Approximately 28% of all owners are women and less than a third (29%) own businesses with revenues less than \$500,000 while 19% of women own businesses with revenues between \$500,000 and \$10 million.

A. Personal and Professional Aspects of Business Ownership

Male and female business owners differ somewhat in their perceived benefits of owning a business. Female business owners obtain greater personal satisfaction (42%) than do men (31%). On the downside, more women (48%) than men (34%) mentioned financial stress as the

worst professional aspect of owning a business. A greater number of women than men owners have another family member working in their business (59% vs. 44%).

Now I would like you to think of the PROFESSIONAL aspects of owning your business, what is the BEST/WORST thing about owning your own business? By Gender

Best Thing	Male Owners	Female Owners
Personal Satisfaction	31%	42%
Make your own business decisions	28%	15%
Worst Thing	Male Owners	Female Owners
Financial Stress	34%	48%

A near majority of all owners say that owning a business has had a positive (47%) or no effect on their marriage or family life (28%). However these results mask a difference between female and male owners. Women owners are overall more positive (53%) than men (45%) about the effects of ownership on their marriage and family life. This gender difference is most pronounced among owners of businesses with higher revenues of between \$500,000 and \$10 million. In this group, women are far more positive (67%) than men (48%) about the effects of ownership on their marriage and family life. Owning a business with revenues under \$500,000 also has a beneficial effect for both women and men owners although it is slightly greater for women (53% of women are positive compared to 44% of men).

Overall, would you say that owning a business has had a positive, negative, or no effect on your marriage or family life?

	Male Owners	Female Owners
Businesses under \$500,000		
Positive effect	44%	53%
Negative effect	21%	18%
Businesses Between \$500,000 and \$10 million		
Positive effect	48%	67%
Negative effect	28%	17%

Women were somewhat more likely than men (44% vs. 37%) to have hired outside companies to handle specific business functions, a significant increase from a year ago when 23% of women and 20% of men said the same. Both genders said they mostly hired outside professionals in the accounting and financial fields. Although when asked for what reason, women owners were more likely than men to cite for help with the growth of their business, to save money, or to gain help with their taxes.

Male and female owners share similar levels of satisfaction with the decision to own a business and are equally likely to encourage a family member to start a business. Both genders also share similar views on key aspects of running a business, such as whether to expand or dissolve the business, and in their overall levels of optimism about the future of their business. However, more male owners (67%) rated the current financial status of their business as excellent, very good, or good than female owners (49%). These responses have increased since 2011 (57% and 24% respectively).

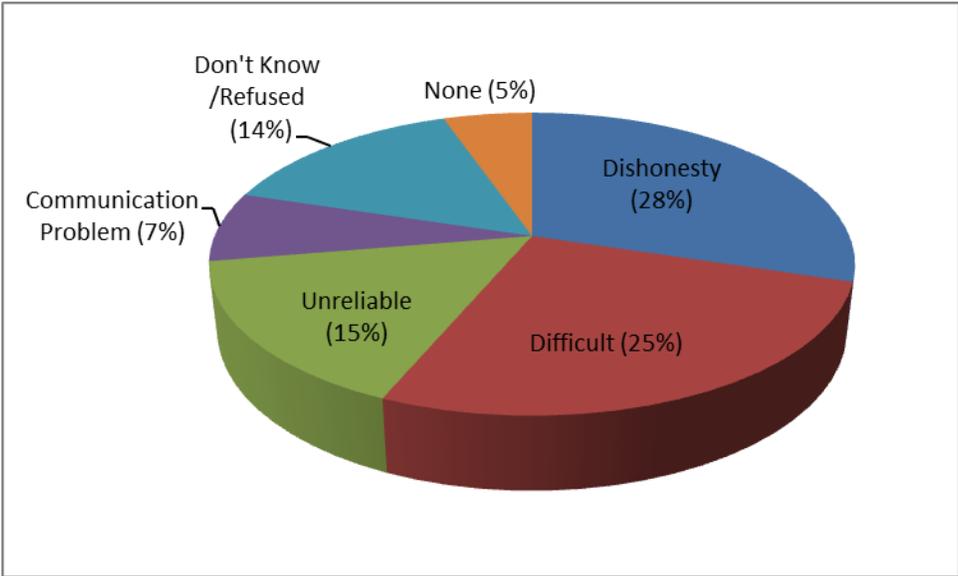
IV. OTHER HIGHLIGHTS

A. Client and Customer Communication

A majority (57%) of small businesses had changed the way they communicate with clients and customers in the last 5 years. Social media such as Twitter, Facebook or blogs is now used by more than third (35%) of small businesses, up from 32% a year ago. A majority (70%) of social media users feel their use of this tool has helped them to increase their sales volume, an increase from last year (59%).

In the 2012 survey, a new question was asked of business owners about the most irritating thing their clients do in the line of business and 28% of business executives said that bounced checks and dishonesty were the single most irritating things about their customers or clients, followed by a variety of difficult and demanding behaviors (25%) that included arguing over prices and making unrealistic demands.

In your line of business, what is the SINGLE MOST irritating thing that clients or customers do?



B. New Ideas

When asked where they turn to for direction on how to grow their business, and provide leadership to employees and clients, small business executives consult a variety of sources including news sources or magazines (26%), networking groups or associations (22%), other business leaders or associations (12%), or other sources (17%). Among all business executives, 15% say they do not turn to anyone else for new ideas. In 2013, 30% of executives are planning to change business strategy such as service expansion (26%) and financial changes (26%). More businesses are planning to focus on advertising and marketing (25%) compared to a year ago (18%).

APPENDIX

Methodology

The Stony Brook University Center for Survey Research conducted this survey by telephone between October 3 and November 30, 2012. A targeted sample from the Dun & Bradstreet Business Database (D&B Business Database) was used to obtain phone numbers of small businesses on Long Island with sales volumes of \$10 million or less.

The sample includes 205 small businesses with annual revenues just under \$500,000 and 398 medium-sized small businesses with revenues between \$500,000 and \$10 million. As businesses with revenues between \$500,000 and \$10 million make up only a small component of the Long Island business community, this segment was oversampled to allow for a more accurate measurement of this group than an ordinary sample alone. Findings from both the small and medium-sized businesses were then combined and weighted to accurately depict the Long Island “small” business community as a whole.

In addition, in total, 6175 numbers were attempted [2585 smaller businesses (less than \$500,000), and 3590 larger businesses (\$500,000 to \$10 million)]. 315 numbers were not eligible since they were no longer in business or numbers were not business numbers and 1126 numbers were identified as non-working numbers. This left us with 4734 available numbers. Selected small businesses were screened for a person of the appropriate title (e.g. owner, CEO, president, etc.). Up to 9 contact attempts at various times of the day and week were made at each small business phone number. In order to assure a representative sample, all contacts at small businesses that were not initially willing to participate in the survey were contacted again, and an attempt was made to persuade them to participate. Interviews were completed with 603 eligible small business respondents (205 smaller businesses and 398 larger businesses).

Weights were created for this sample in order for the distribution of businesses in the sample to represent the actual composition of small businesses on Long Island. Population estimates of number of employees, sales volume, and type of industry were obtained from Marketing Systems Group. Within each sub-sample of smaller and larger businesses, observations were weighted on the basis of these three factors. Weighting was done using an iterative process that has been developed to estimate joint weights for any number of demographic variables for which population percentages are known only individually, not jointly. Additionally, all observations in the full sample were weighted by sub-sample type (i.e. smaller and larger businesses) in order to correct for the oversampling.

Business owners who responded to the survey were asked an additional set of questions. Owners made up 54% of all business executives who participated in the survey, 72% of which were male 28% of which were female.

Sample Distribution

<u>Type of Industry</u>	<u>% of Respondents</u>
<i>Retail</i>	19%
Retail	13%
Wholesale	6%
<i>Services/Finance</i>	61%
Services	54%
Finance	6%
Communications	.7%
<i>Transportation/Construction/Manufacturing</i>	21%
Construction	8%
Manufacturing	6%
Transportation	3%
Agriculture	4%
<u>Number of Employees</u>	
0-1	29%
2	34%
3-5	22%
More than 5	16%
<i>Mean</i>	5
<u>Sales Volume</u>	
Less than \$100,000	31%
\$100,000 to less than \$200,000	35%
\$200,000 to less than \$500,000	19%
\$500k to less than \$1 Million	8%
\$1 Million or more	8%
<i>Median</i>	\$140,000
<u>Years of Operation</u>	
Before 1950	6%
1951-1975	14%
1976-1990	32%
1991-2000	24%
2001-Present	24%
<u>Owners</u>	
Total Owners in the sample	54%
Males Owners	72%
Females Owners	28%