

Access to Markets:

How Business Owners Acquire Customers



EXECUTIVE SUMMARY
MAY 2006



*A survey conducted by the U.S. Chamber of Commerce's Women and
Minority Outreach Initiative through the Statistics and Research Center.*

Access to Markets Survey

How Business Owners Acquire Customers

The nationwide online *Access to Markets* survey was conducted by the Chamber's Statistics and Research Center in March 2006. Please refer to the *About the Survey* section at the end of this report for additional details.

Key Demographics

- A total of 814 businesses responded to the survey.
- Top 5 business categories include Services, Retail, Construction, Manufacturing, and Finance/Insurance/Real Estate.
- Close to 50% of the survey respondents are women. 31% classified themselves as women-owned, 15% as minority-owned, and 12% as both women- and minority-owned.
- A significant portion of business respondents (68%) own businesses with fewer than 10 employees and about one quarter of the respondents operate a business with 10 to 49 employees.
- 28% of respondents have annual revenues of less than \$100,000, 41% have revenues between \$100,000 to \$999,999, and 31% of businesses have revenues of \$1 million or higher.
- More than 55% of the business respondents have been in business for 10 years, while 27% have less than 5 years experience.

Key Findings

Individual Customers - A Key Source of Revenue

More than a third of the respondents indicate their primary source of revenue comes from individual consumers (37%). Well over 80% of business owners specify that they obtain less than 10% of their annual revenue from the federal, state, or local government markets.

Businesses with **revenue less than \$10 million** primarily acquire individual customers, small and medium-size businesses, and large corporations as their customer base.

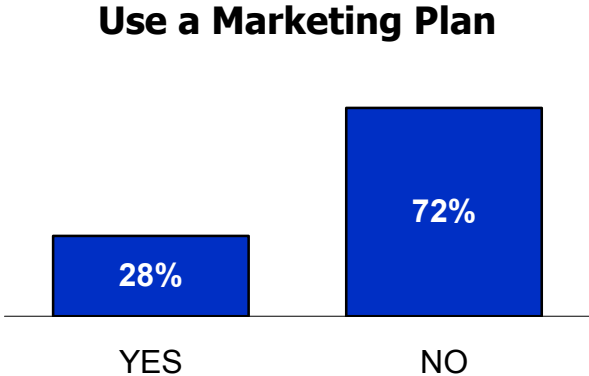
Businesses with **revenue greater than \$10 million** primarily acquire their customer base from a mix of the federal government, individual consumers, large corporations, and small and medium-size businesses.

Marketing Plans Not Used Often

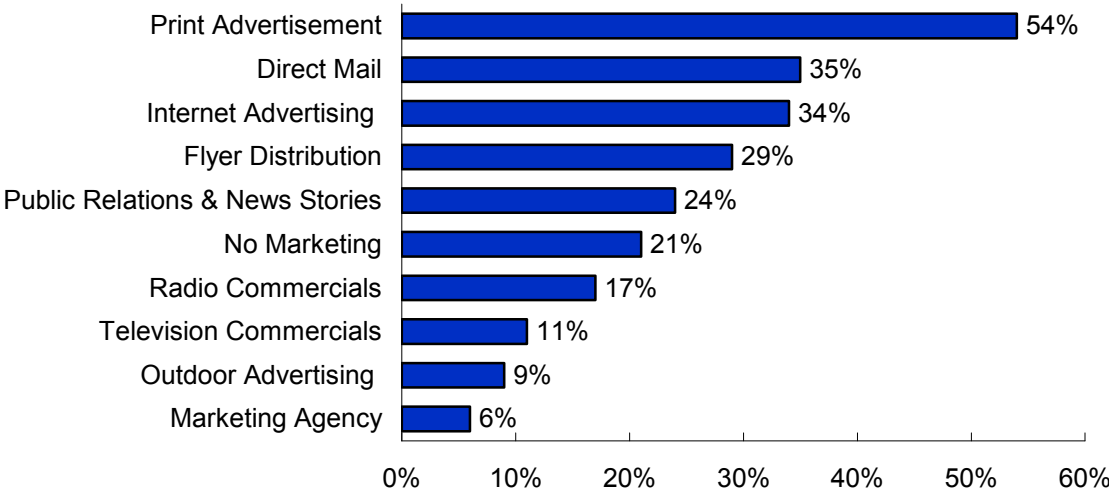
The survey results indicate that 72% of all businesses do not have a written marketing plan. Minorities are less likely to have a marketing plan than Caucasians. There are no significant differences among the various ethnicity groups.

Formal marketing plans are more widely utilized on average (32%) by business respondents with annual revenues less than \$100,000 and \$1 million to \$9.9 million.

Print advertisements, direct mail, Internet advertising, and flyer distribution are the primary marketing techniques implemented in the past year by minority and non-minority segments.



Marketing Techniques Used in the Last Year



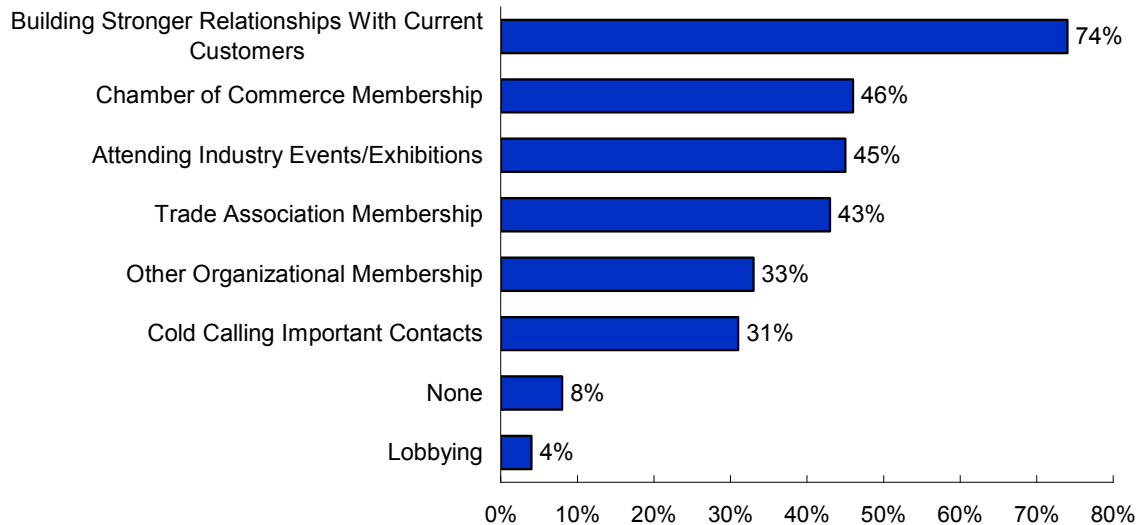
Strong Relationships With Existing Customers Are Critical

Building stronger relationships with current customers ranks as the most widely used means of accessing business. Having a good business reputation and being able to leverage current or past contracts are also critical factors for securing business.

Business owners depend greatly on “networking” platforms with membership organizations like chambers of commerce and trade associations. Attending industry events or exhibitions to cultivate customers ranks third.

Minority respondents value building stronger relationships with current customers, attending industry events, and using chambers of commerce to network, where as non-minorities held trade associations above industry event attendance.

Networking Strategies to Cultivate Customers



Minorities and Women Find Understanding the Contracting Process and Identifying Opportunities Challenging

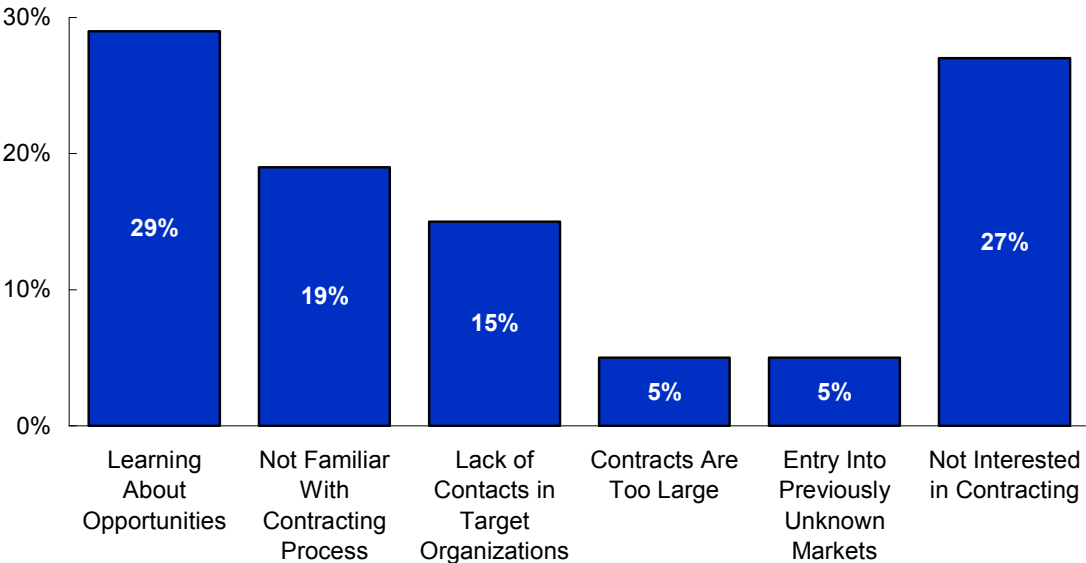
Learning about contracting opportunities and understanding the contracting process is still a big hurdle for small business owners, especially for minorities and women. Minorities were more interested in obtaining contracts than their Caucasian counterparts at 35% to 27%, respectively. Women also indicated a stronger interest in contracting than men – women at 63% versus men at 37%.

Over a quarter (27%) of the business owners surveyed are not interested in corporate or government contracts.

Approximately 16% of the respondents have entered their company into the Central Contractor Registration (CCR) database, which is the federal government’s central database used to support federal contract opportunities.

More than half of the respondents indicate that they don’t expect to engage in contracting with state or federal government markets in the next five years.

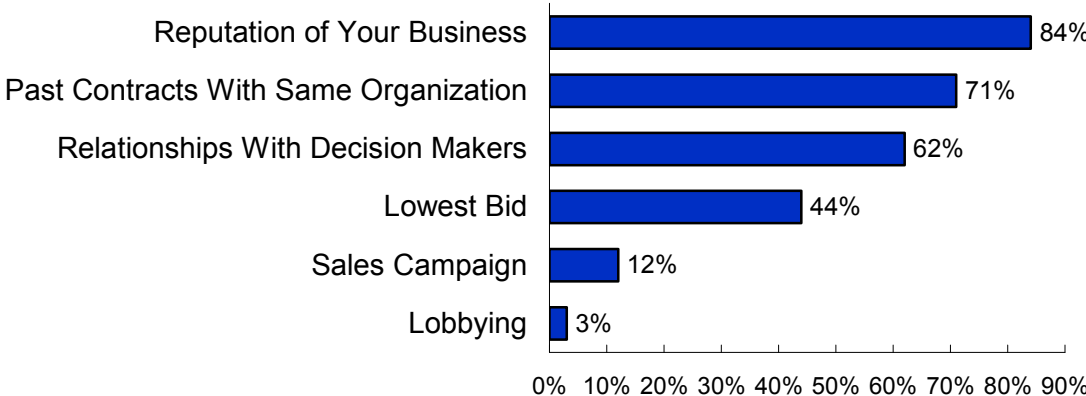
Obstacles to Gaining Access to Contracts



Good Business Reputation Is Essential for Securing Contracts

Having a solid business reputation is considered the most important factor when securing contracts. Women-owned businesses valued their relationships with decision makers higher than their male counterparts in securing contracts.

Important Factors for Securing Contracts



About the Study

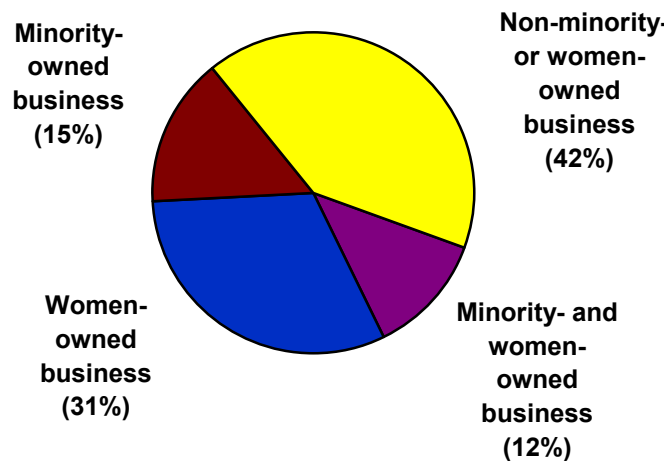
Accessing new markets and acquiring and keeping customers are driving concerns for small business owners. To gain a better understanding of how small businesses are growing, the U.S. Chamber's Women and Minority Outreach office through the Statistics and Research Center conducted the survey *Access to Markets*. This report details the strategies used by small business owners to acquire customers.

Gender, Ethnicity, and Education

This study represents 814 diverse business owners, with a composition similar to the makeup of U.S. small businesses in general. The survey respondents represent predominately small businesses, with 96% having fewer than 100 employees.

Caucasians represent 70% of business owners, minorities represent 30% and include Asians (11%), Hispanics (10%), African Americans (6%), and Native Americans (3%). Both women and men are equally represented in this survey. Of the minority business owners, 42% are women and 58% are men.

Business Ownership Classification



The participants in this survey are well educated. The majority (54%) have a bachelor's, master's, or doctoral degree. A significant percentage of the business owners also have at least some college or a 2-year degree (33%).

Size of Business and Industry

Ninety-six percent of the businesses responding have fewer than 100 employees, including 68% with fewer than 10 employees and 24% with 10 to 49 employees.

REVENUE SIZE	
Less than \$100,000	28%
\$100,000 to \$999,000	41
\$1 million to \$9.9 million	25
\$10 million or more	6

The Services category is the leading industry for both women (49%) and men (31%) in the study sample. Services is also the top industry for minorities (45%), followed by Retail (15%) and Finance/Insurance/Real Estate (12%). Manufacturing businesses are predominantly run by men (13%) versus 5% for women.

TOP 5 INDUSTRIES	
Services	40%
Retail	15
Construction	11
Manufacturing	9
Finance/Insurance/Real Estate	8
Other	17

Sixty percent of the survey respondents are from metropolitan areas and the remaining from non-metropolitan areas.

Responses are geographically represented from around the United States. Areas with a high rate of respondents include the South Atlantic area, including Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia, and the Pacific area, including Alaska, California, Hawaii, Oregon, and Washington.

About the U.S. Chamber of Commerce

Representing your ideas—and interests—in Washington, D.C. for nearly a century.

The U.S. Chamber of Commerce is the world's largest business federation representing more than 3 million businesses of all sizes, sectors, and regions. It includes hundreds of associations, thousands of local chambers, and more than 100 American Chambers of Commerce in 91 countries.

Whether you own a business, represent one, lead a corporate office, or manage an association, the U.S. Chamber provides you with a voice of experience and influence in Washington, D.C., and around the globe. Our core mission is to fight for business and free enterprise before Congress, the White House, regulatory agencies, the courts, the court of public opinion, and governments around the world.

From its headquarters near the White House, the Chamber maintains a professional staff of more than 300 of the nation's top policy experts, lobbyists, lawyers, and communicators. The Washington staff is supported by eight regional offices around the country; offices in New York and Brussels; an on-the-ground presence in China; and a network of grassroots business activists.

Visit www.uschamber.com for more information.

Special appreciation goes to the business community for taking the time to participate in the survey and to the following organizations for their outreach assistance:

Women Impacting Public Policy
National Association of Women Business Owners

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About the U.S. Chamber's Women and Minority Outreach Initiative

Access America is an initiative that promotes the Chamber's pro-business policy agenda, cutting-edge information and resources, and a vast array of educational programs for diverse audiences nationwide. This initiative fosters strategic alliances between small businesses, women- and minority-owned businesses, and other diverse organizations.

Chamber Programs

- **Advocacy**

The *Small Business Council* is the Chamber's principal standing committee and action group representing issues of concern to small businesses, including women and minority business owners. Current efforts include promoting the passage of small business health plan (SBHP) legislation which would allow small businesses to create risk pools to lower health care premiums, and the permanent repeal of the estate and gift tax (death tax).

- **Surveys and Research**

The Chamber continues to advance women and minority businesses through events such as *Growing Your Business: It Takes Money to Make Money*; the development of surveys, including *Access to Capital: What Funding Sources Work for You?* and *Access to Markets*, women and minority small business toolkits; and an educational session geared toward women and minorities at Access 2006: America's Small Business Summit.

- **Workforce and Education**

The U.S. Chamber's Center for Workforce Preparation (CWP) develops workforce and education strategies to help small and midsize businesses, including women and minority-owned, in hiring, training, retaining, and advancing skilled workers in the 21st century. In 2006, CWP will conduct the following initiatives: Workplace Flexibility, 50+ Workforce Challenges, and Workforce Housing Solutions.

- **International Business Expansion**

TradeRoots is the U.S. Chamber's national trade education program dedicated to building grassroots support for trade in the U.S. Congress. TradeRoots reaches out to women and minority groups through leadership programs. Last year, the Chamber conducted a 2005 Hispanic Summit on DR-CAFTA and was involved in the 2nd Annual International Women's Day Luncheon on women in international trade.

- **Partnership**

Through the Federation Partnership program, the Chamber is working to build bigger, better, and stronger grassroots coalitions with local chambers nationwide, including women and minority organizations. When local chambers partner with the U.S. Chamber of Commerce, their small business members can become Chamber members at no additional cost and can take advantage of benefits from our members-only resources, partner programs and services, and alerts on the latest issues concerning their businesses.

◦ Visit www.uschamber.com/access to learn more about the U.S. Chamber's diversity initiative. ◦