

Thomas Regional and  
the U.S. Small Business Administration present  
**the Small Business Growth Series**

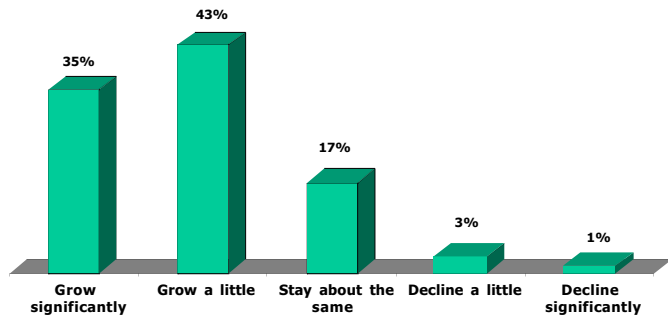
# Small Businesses Tackle Severe Growing Pains

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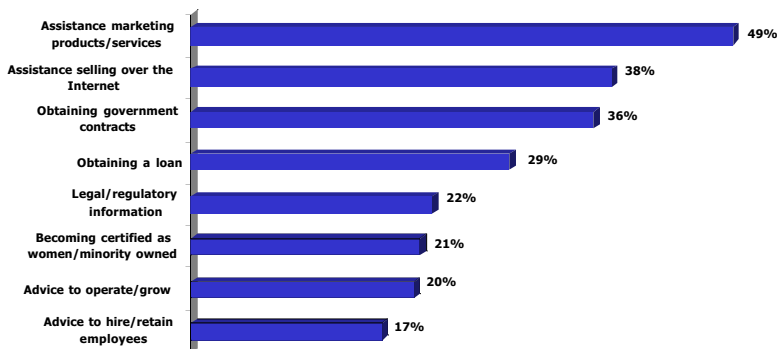
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Other Survey Highlights

While nearly 80% of industrial small businesses expressed optimism about growing over the next year, they also conveyed serious concern about effectively managing their growth. In one of the most extensive surveys of its kind, Thomas Regional polled nearly 2,500 owners of industrial small businesses and discovered their most critical concerns. Cited by 63% of respondents, healthcare coverage emerged as the biggest challenge. In addition, assistance with marketing and financial services/planning topped participants' list of needs for sustaining growth.



Of the owners of industrial small businesses surveyed nationwide—including distributors, manufacturers, service companies and their suppliers—nearly half (49%) indicate they need help with marketing products/services, 38% say they want help selling their products/services over the Internet, 36% seek assistance in securing government contracts, and 29% need help in acquiring a loan.

Services That Could Help Grow Your Business Now



Although these industrial small businesses are grappling with considerable growing pains, they are acting upon growth opportunities, the Internet-based survey found. Over half of respondents (53%) plan to expand their staff, 51% intend to buy additional equipment, and 26% plan to move to a bigger facility or open another site. Business owners have directed so much attention to

growth opportunities and managing growth that one out of five has not even begun to consider succession or retirement planning.

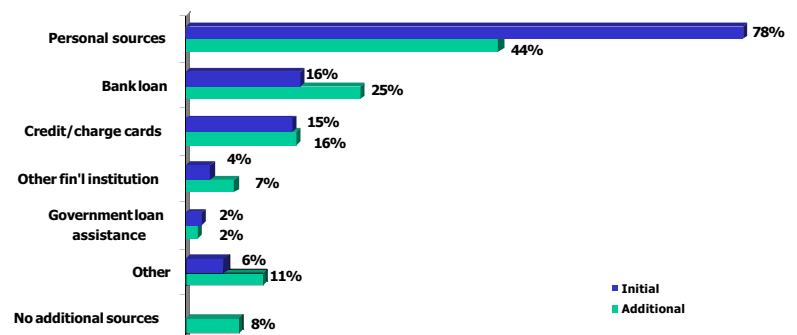
The challenges uncovered by this survey and other concerns will be the focus of a free seminar by Thomas Regional, the U.S. Small Business Administration (SBA) and MasterCard International. Entitled "The Small Business Growth Series," the first annual seminar will be held on Sept. 25, 2003 at the SBA's District Office at 26 Federal Plaza, New York City. All industrial small businesses in the tri-state area are welcome.

## Financial Planning

The survey revealed that business owners tend to employ different means to start and to grow a business. Half of the businesses polled indicate they started within the last 11 years, and 78% relied on personal sources to secure the needed capital to launch or buy their businesses. Only 16% used a bank loan for initial capital.

In contrast, for additional capital needed during the first five years of operation, 44% are tapping into personal sources while 25% are relying on bank loans. To grow their businesses, nearly one-third (29%) state they need assistance in obtaining a loan, a reflection of the finding that 44% consider access to capital challenging. More than one-third (36%) want help in securing government contracts. Aside from financial assistance, most of these business owners sought advice in starting up: while 62% sought guidance from a range of governmental agencies (including state and local organizations) when launching their own businesses, 38% turned to friends and family. When it comes to expanding their businesses, more than half expect to seek the advice of family and colleagues (53%), while 37% say they will turn to the Small Business Administration, SCORE, or another service of the SBA.

Sources for Initial and Additional Capital (+5 years)



“Many entrepreneurs contact the SBA only when they are starting their own businesses, overlooking the things we can do for them even after they’ve got their companies off the ground,” says SBA Administrator Hector V. Barreto. “The SBA has a wealth of services that help small businesses manage their growth and obtain new loans and government contracts as well as provide sound counsel on such issues as healthcare coverage. The SBA can assist small business owners with issues throughout the entire business cycle, from starting their businesses to succession and retirement planning.”

## Managing Growth

To sustain growth, business owners must handle rising expenses while keeping quality consistent. Foremost on their list of serious growth challenges is healthcare coverage, the survey revealed. Next are such issues as access to capital, bolstering profit margins, expanding into new markets, and finding and retaining good employees, each of which was cited by 44% of respondents.

CHALLENGE	Total US
Healthcare coverage	63%
Access to capital	44%
Finding & keeping quality employees	44%
Improving profit margins	44%
Expanding into new markets	44%
Keeping costs down	37%
Government regs/procedures	36%
Availability of credit	36%
Turnaround on collections	33%
Productivity & efficiency	32%
Technology and the Internet	25%

"MasterCard and its member financial institutions work hard at staying close to the needs and concerns of small business," says Doreen Amano, vice president, global product development, MasterCard International. "Our alliance with the SBA and Thomas Regional provides small businesses access to the various new tools and exclusive programs we offer to build and run stronger businesses, and the sessions in September will offer business owners practical insights on managing 'growing pains.' MasterCard has launched <http://www.mastercard-business.com/mcbiz/smallbusiness/index.jsp> Working for Small Business, which responds to the needs and aspirations of small business owners with a variety of product offerings, including card programs, value-added services, productivity tools and savings/discounts.

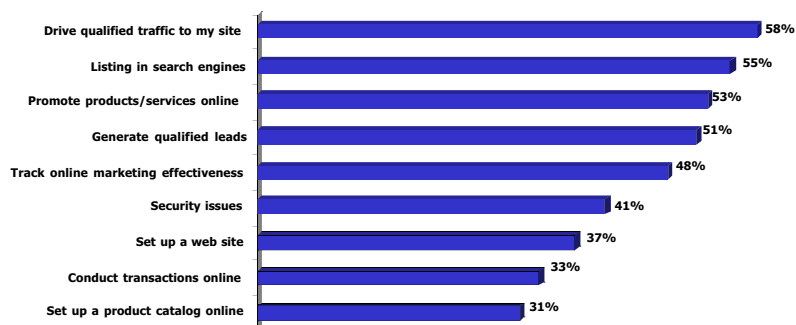
## Leveraging the Internet

Although the vast majority of industrial small businesses are upbeat about the next 12 months, nearly half (44%) acknowledge that penetrating new markets is a serious challenge. However, almost an equal percentage (45%) consider expanding into new geographic markets as a key strategy in growing their businesses. And when it comes to business strategy, the Internet is playing an increasingly larger role.

Industrial small businesses are now recognizing that the Internet brings strategic benefits, allowing them to generate sales opportunities and to enter new markets. This is underscored by the fact that while nearly half (49%) say they have yet to set up a Web site, 42% of those businesses plan to do so this year, which would raise the net proportion of businesses with Web sites to 72% by next year. Additionally, 36% of respondents name selling online as a growth strategy. Other key strategies include introducing new products or services (47%), stepping up advertising and marketing (48%), and increasing sales or other staff (22%).

“The Internet allows industrial small businesses to expand and sell into new markets well beyond their geographical borders,” says Eileen Markowitz, president of Thomas Regional Directory Company. “Small businesses are also recognizing that a well-designed Web site is important to success since buyers expect to find products swiftly and easily. In addition to helping buyers and sellers quickly find one another, Thomas Regional is now addressing the Web development issue, making it easy and affordable for an industrial small business to obtain a competitive edge via the Internet.”

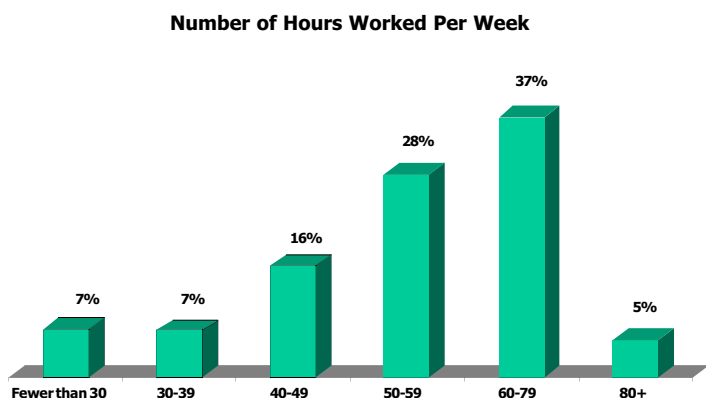
Information Respondents Would Like About Using the Internet Effectively



## Succession Planning and Retirement

Of the nearly 2,500 small business owners who filled out the survey, 78% started their businesses. While 20% admit they haven't considered succession planning, 32% say their children or other family members will manage the business when they retire, and 31% indicate their intentions to sell their businesses. Only 16% say they will shutter the business and sell off any assets when they retire.

Most business owners work long hours and have no plans to retire before the age of 65. The survey found that 40% plan to retire between ages 65 and 74, and 17% won't think about retirement until they're at least 75 years old. Fourteen percent state they won't retire at all. The owners generally put in more hours than the standard 40, working an average of 52.5 hours a week. In fact, 37% devote 60-79 hours a week to their businesses, and 5% work even longer than that.



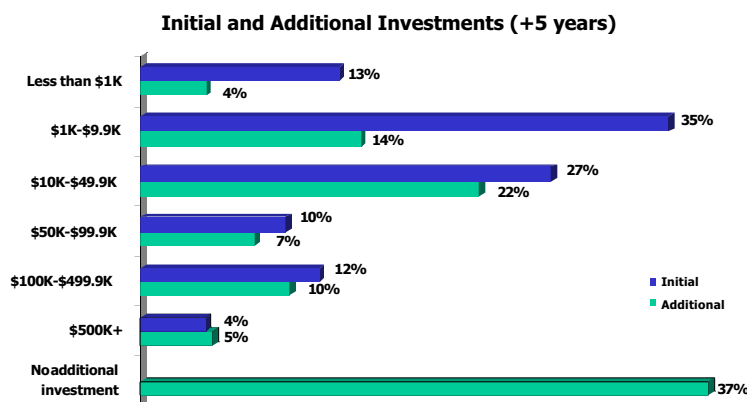
When their long-delayed retirement finally does come around, most owners (62%) plan to do some traveling with their free time. Also high on their to-do list upon retirement are spending more time with family (50%) and pursuing hobbies (47%). As for their "fantasy retirement" activities, 26% say they would visit exotic locales, 19% would drive around the country in a Winnebago and 21% would like to do "nothing in particular."

## Other Survey Highlights

- 86% of respondents are male; 14% female.
- Most industrial small business owners say they had no difficulty securing financing to start or augment their businesses (35% indicated they had no difficulty at all while only 25% found it extremely or somewhat difficult to obtain financing).

- Healthcare coverage challenges most companies, but businesses with 6-10 employees seem to be especially concerned with this issue. Half of such companies indicate that it's a major challenge, compared to only 43% of those with fewer employees and 45% of those with over 10.

- Business owners and partners generally plan to retire at an older age than other managers, with an average planned retirement age of 68 compared to 65.8 among managers.



Note: Survey results are based upon responses from 2,453 small business owners in the industrial marketplace, with a median company size of three employees. Broadcast e-mails were sent to 87,251 users of Thomas Regional Directory information products during the spring of 2003.

## About Thomas Regional

Leveraging its 100-year-old heritage, Thomas Regional® solely focuses on connecting industrial buyers and sellers in local markets across the country. Through both its traditional and multi-media marketing services and information, Thomas Regional provides comprehensive coverage of industrial suppliers, arming buyers with resources they need to locate and purchase industrial products and services quickly and easily from start to finish. More than 2.4 million industrial purchasing decision-makers throughout the United States depend on Thomas Regional's buying information available at [www.thomasregional.com](http://www.thomasregional.com), in print and on CD-ROM