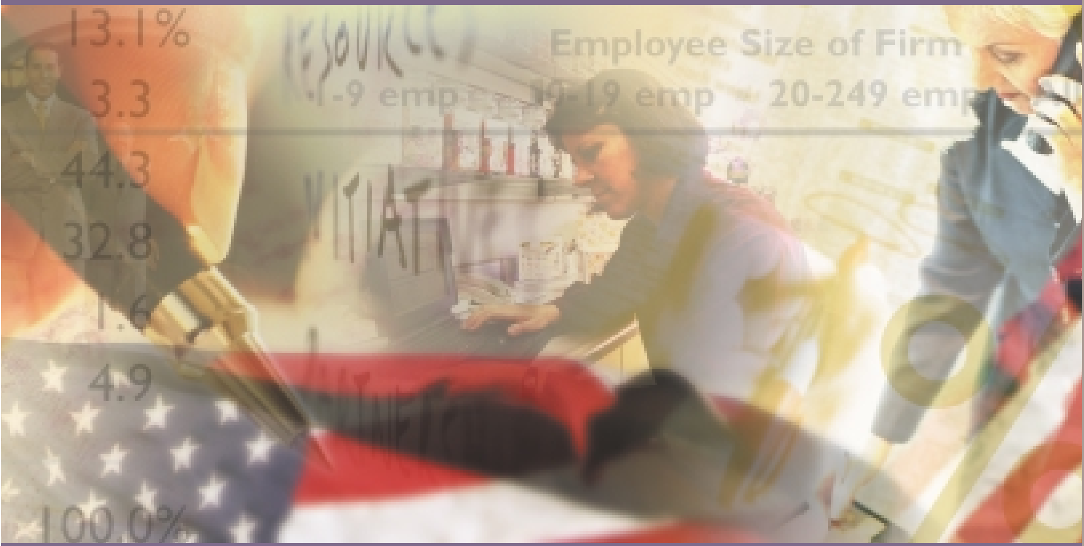

National Small Business Poll

Volume 1, Issue 7
2001

NFIB National Small Business Poll

Getting Paid

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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)** 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 Research 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.

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Poll

Getting Paid

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National Small Business Poll

Getting Paid

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Executive Summary

- Forty-five (45) percent of small-business owners feel that their most significant problem getting paid is slow or late payment (45 percent). The next largest group (16 percent) say theirs is bounced or bad checks. Comparatively few note failure to be paid in full (6 percent) or bankruptcies (4 percent). Many appear not to have notable problems getting paid.

- Thirty-seven (37) percent of small-business owners say that they receive payment exclusively at the time of sale, delivery, or job completion. Thirty-four (34) percent never get paid at that time.

- Twenty-seven (27) percent operate exclusively by invoices that are due upon receipt and another 46 percent sometimes invoice in that manner. However, only about half ever engage in other credit-type arrangements such as special terms or installment credit. Twenty-three (23) percent receive payment from third-party payers, though only 8 percent do so frequently.

- The most common (53 percent) terms for customers receiving credit (including invoicing) is “net 30 days.” The second most common is “due upon receipt” (17 percent). Only six percent use installment arrangements and virtually none employ revolving charges.

- Invoiced customers on average pay in 29 days. However, 11 percent of them average 46 days or more. Invoiced third-party payers on average pay in 34 days.

- Sixty-three (63) percent of small-business owners charge neither a late fee nor interest on overdue balances. Moreover, 28 percent never turn over delinquent receivables to a collection agency. Of those who do, the largest share sends them to an agency when their collection capabilities have been exhausted. The second largest group turns them over after 90 days.

- About half of all small-business owners accept credit cards for payment. The primary reasons that small-business owners accept them are: their customers expect to be able to pay that way (95 percent), cards enlarge the market by allowing customers to pay from a distance more easily (79 percent), and cards improve cash flow (69 percent). The most common reason for not accepting credit cards is that such transactions are not common to the industry.

- Virtually all small-business owners accept checks (95 percent). However, just seven percent use a check verification service.

- Thirty-six (36) have incurred at least one loss in the last five years due to a bankruptcy. Of those who have incurred bankruptcy related losses, 58 percent report they have been impacted by just one or two of them over the last five years. More are impacted by business bankruptcies than personal bankruptcies.

- Small-business owners are most likely to maintain the firm’s financial records themselves (49 percent). Less frequently, these records are maintained by someone outside the firm, e.g., an accountant (20 percent), an employee (19 percent) or a family member (11 percent). Billing and collections typically are included in this responsibility.

Getting Paid

The means of payment for purchases scarcely seems like a topic generating interest for the small-business owners, customers, or policymakers. While payment is part of every business transaction, it would seem to offer few unanswered questions and no outstanding issues. But the means of payment employed for the goods and services sold is an important consideration to small-business owners for at least four reasons: first, the means of payment can attract customers or drive them away. If an alternative form of payment can attract customers and increase sales, the owner must consider introducing it. However, attractive payment options for the buyer are not always attractive payment options for the seller. Second, every payment form including cash has associated direct costs, but there are greater direct costs to a business with some forms of payment than with others. For example, credit cards require that a fee be paid to the credit card company; credit extensions, even in the form of invoicing, involve the time loss of money and added administrative costs for billing and collections. Third, cash flow can be affected. The longer money is retained by customers in lieu of payment the more difficult it becomes for small businessmen and women to pay their bills. When cash becomes short due to delinquent receivables, a business may be forced to borrow (at a cost) or forego discounts for early payment (at a cost). Finally, the form of payment allowed can result in direct losses as in the case of bad checks or bankruptcies. While a bankruptcy may result in partial payment, these losses for the most part are just money "out the window." No business can afford them without compensating benefits. Getting paid, therefore, has immediate practical consequences for small-business owners. It also has public policy implications. The most obvious revolves around bankruptcy. But bad and bounced checks have been the subject of legislation as has the extension of consumer credit and late payment. Thus, this issue of the ***National Small Business Poll*** is devoted to the subject of a critical daily activity in the small business routine, getting paid.

Problems Getting Paid

Slow or late payment is the most significant problem small-business owners encounter getting their money for the goods provided or services rendered. Nearly half (45 percent) identify it as such (Q#7). Another 16 percent label bounced or bad checks as theirs. Failure to get bills paid in full, e.g., disallowed charges (6 percent), bankruptcies (4 percent), and the cost of using credit cards (3 percent) are noted less frequently. Twenty-seven (27) percent either report that their primary problem is "other" or they did not offer a response. A small number of businesses, perhaps 2-3 percent appear to be strictly cash, i.e., immediate payment, no credit, no credit cards, no checks for all customers under all circumstances. True cash businesses obviously experience no payment problems. That leaves one-quarter who either do not have any payment problem or have one other than those listed.

The means of acceptable payment are often highly industry specific. What is common practice in one industry might not be tolerable in another. For example, members of the construction, manufacturing, and wholesale industries are substantially more concerned over late payment than are those in other industries. Retailers are substantially more concerned about bounced and bad checks than are other business owners. Such differences help explain the comparatively high percentage who say their most significant problem getting paid is "other."

The Means and Timing of Payment

The means (including the timing) of payment allowed obviously influences the types of problems encountered. Many small-business owners receive payment at the time of the sale. Twenty-six (26) percent report that they are paid exclusively at the time of the sale (Q#2A). Twenty-four (24) percent say that they are usually paid in that manner. About half, therefore, customarily receive their money immediately.

A corollary payment time occurs in industries such as construction where the "sale" is effectively made before the work begins. But aside for advances to purchase materials or progress payments, these owners are paid when their task is completed or the goods are delivered. Twenty-nine (29) percent say that they receive payment exclusively at that time and another 27 percent say that they usually do (Q#2E).

Immediate payment at the time of sale, job completion or delivery of goods are not mutually exclusive categories. In fact, 37 percent say that they are paid exclusively at one of these points in time. Since they are paid in immediate exchange for goods and/or services, over one in three small-businesses by definition cannot have a late or slow pay problem. Another 35 percent have a low likelihood of having a serious slow payment problem because their transactions usually have payment upon exchange. Only 11 percent never conduct business where payment is immediate.

A large group of small-business owners effectively provides trade credit to customers, though we call it "invoicing" or "billing." These owners send (or leave) the customer a bill thereby financing the customer until payment is received. Twenty-seven (27) percent operate exclusively by invoicing (due upon receipt) and another 25 percent usually get paid via that system (Q#2C).

More recognizable credit arrangements or terms are extended exclusively by 8 percent of small-business owners and usually by another 12 percent (Q#2D). These credit-type arrangements range from formal installment plans to more informal "half this month and half next." Just less than half (49 percent) say that they never get paid through credit type arrangements or special terms extended. Virtually the same number say that they extend credit even if not often.

An associated type of invoice payment comes through third parties. At times businesses such as auto body shops or health care providers will bill third-party payers such as insurance companies or government for work done on behalf of others, such as policy-holders or Medicaid recipients. Just 8 percent commonly involve third-parties (Q#2C). However, three of four small-businesses never bill a third-party payer and most others do only infrequently. As will be shown, distinguishing between invoices sent customers in general and third-party payer has consequences for small-business owners.

The data presented here and subsequently exhibited data suggest that many small businessmen and women do not think of invoicing as extending credit or making a credit-type arrangement. Rather, they often think of such a payment procedure as getting paid upon completion of a job or delivery of goods, particularly when payment is due upon receipt. This outlook unfortunately fails to capture the true cost of billing and the risks inherent in it.

Extending Credit

Just over half (53 percent) of all small-business owners extending credit typically employ terms of "net 30 days," i.e., the bill is due in 30 days (Q#3a). The second most common set of terms is "due upon receipt," i.e., the customer's payment should be made upon receipt of the bill. Seventeen (17) percent expect payment on that condition. The remainder (30 percent) use a variety of other terms. However, the data are clear that few employ credit arrangements that one typically associates with credit card companies or large retailers. For example, only six percent indicate that they use an installment payment system and virtually no one volunteered that they used a revolving-type charge plan. Several reasons explain the infrequency of these more complicated credit arrangements including inadequate cash, administrative costs and hassles, and compliance with legal requirements.

Invoiced customers pay on average in 29 days (Q#3d). That average indicates many invoiced customers do not pay on time. Further, 25 percent of small-business owners report payment averages over 31 days. Eleven (11) percent say that payment averages 46 days or more. With only a small number demanding payment in more than 30 days, a minimum of one in four average overdue payment. The figure is probably higher. As a result, approximately 6-7 percent of all small employers (11 percent of those invoicing) have a very serious slow or late payment problem. It is difficult to understand how these firms survive under the circumstances unless invoices constitute only a tiny percentage of payments or cash flow is exceptionally strong.

Third-party payers are even slower to pay than the general customer base. They average 34 days (Q#3e). However, the percentage averaging more than 46 days is actually somewhat smaller than among all customers (9 percent versus 11 percent). That means small-business owners dealing extensively with third-party payers must have a particularly strong cash position in order to do business with these customers.

The "sophisticated" business response to compensate for the financial problems created by late payment is charging interest on balances due, a late fee, or both. But the typical small business response is to charge neither. Sixty-three (63) percent say that they do not charge either a late fee or interest when a customer pays late (Q#3b). They effectively carry the customer without charge. There are exceptions. Seventeen (17) percent charge interest and another 11 percent charge a late fee. Only 8 percent charge both. The obvious question, of course, is why don't they charge. The probable answer is fear of alienating customers. It may also be that some customers have market power at least vis-a-vis a small business and refuse to pay late charges or interest.

There are times when bills cannot be collected. So, many small-business owners feel compelled to turn over aged receivables to a collection agency. Comparatively few (29 percent) have a fixed schedule for doing so (Q#3c). The largest share turn them over after 90 days (13 percent) with a somewhat smaller group (11 percent) doing so after 120 days. Just 5 percent turn them over after 60 days. However, a plurality (34 percent) normally do not send overdue bills to a collection agency until they have exhausted all of their internal collection capabilities. While the data do not reveal how long that might be, the response sequence implies that the average time typically extends beyond 120 days. Finally, 28 percent say that they never turn over aged receivables to a collection agency. One possible reason for such a decision is that the owner is almost always able to work something out with customers who have overdue bills. Another less palatable reason is that the return after agency fees is not worth the resulting hassle and ill-will.

When small-business owners extend credit or terms, they typically extend it to customers in general. Fifty-two (52) percent report that they extend credit/terms to both individual and business customers. However, 28 percent do so only for their business customers and 15 percent do so only for individuals. The reason for distinguishing between the two is likely the frequency a customer does business with the firm. Repeat customers, particularly when sales to them are large, will typically have undergone some type of credit check. But, all factors equal, it does not appear that small businessmen and women prefer to extend credit more frequently to one group than another.

Accepting Credit Cards

About half of all small businessmen and women now accept credit cards for payment (Q#4). Ninety-three (93) percent accept them on their business premises and 32 accept them over the Internet (Q#4a). However, the latter figure seems high given the number of small firms with Web sites and the Internet capacity to make secured financial transactions.

Small-business owners accept credit cards for several reasons, some related to payment and cash issues, but more related to marketing objectives. The most frequently cited reason for accepting credit card payments is that customers expect to be able to pay that way. Ninety-five (95) percent feel that customers expect to be able to pay by credit card and so owners accommodate them (#Q4bA). The second most common (79 percent) reason is that credit cards enlarge the firm's market by making payment from a distance easier (#Q4bC). This is particularly true when the order comes from an area using a different currency, e.g., Canada. The third most frequently cited reason (69 percent) for allowing payment by credit card is that it improves cash flow (#Q4bB). The seller can claim his money immediately when paid by bank card, a far more desirable outcome than waiting for a check to clear. There is at least one important caveat to this general rule that will be noted later.

Other reasons are given for accepting credit cards, but they are cited less often. Thirty-nine (39) percent say an important consideration is reducing the amount of cash on the premises (Q#4bD). Credit cards reduce the problem in two ways. First, there is need for less change, reducing the owner's bank costs as well as reducing security problems. Second, there is less need to house and deposit large amounts of cash that are taken in as payment. Protecting those sums can create notable security problems and costs. Twenty-three (23) percent say that credit cards, despite the associated fees, are less costly than other forms of payment (Q#4bE). For example, returned checks have costs; holds on checks constitute costs; even cash has costs such as the need to protect it. A non-trivial portion of those who take credit cards, therefore, feel they actually save money by doing so.

The other half of the small business population does not accept credit cards for payment. The most frequently cited reason for not doing so is that credit cards are not usually taken in that type of business. Thirty-seven (37) percent offer this "non-custom" reason (Q#4d). This response is particularly notable in the agricultural services, financial services and wholesale industries. The second most frequently cited reason is that the associated fee is an unnecessary expense (14 percent). These reasons were followed in frequency by no interest/need to take them (13 percent) and too much hassle (11 percent). Seven percent note that their customer base doesn't use them. Thus, owners who do not accept credit cards simply feel that cards do nothing to improve sales. The issue to this group of small-business owners seems entirely about marketing and not the slightest about cash management.

Given the importance of habit and custom in the acceptance (or non-acceptance) of credit cards, it should not be surprising that their acceptance is highly industry specific. For example, large proportions of retailers and wholesalers accept them while they are rarely accepted in construction, agriculture, and the financial services. The large service industry is in the middle with non-professional services such as lodging and repair shops taking them often and professional services such as health care providers and lawyers taking them much less frequently.

Some small-businessmen and women mistakenly believe that if they accept credit cards and properly verify them prior to a sale, payment is automatic. Unfortunately, accepting a card even with verification is no guarantee that the seller will receive payment (in the longer term). A series of reasons, some for which the seller is not reasonably responsible, can prevent payment from being made. The important question is how often do small-business owners have card approval from the credit card company and subsequently have the company refuse payment. The answer seems to be not often. Three of four (77 percent) say that they did not experience such an occurrence in the last year. Eleven (11) percent say that they did one time and 5 percent say twice. But 3 percent indicate that it happened six times or more. While infrequent across the population, the circumstances surrounding the experiences of the 3 percent would be of interest.

Checks

Checks appear to be the most common form of payment, even more so than cash. All but 5 percent of small-business owners report that they accept checks for payment (Q#5). Further, they customarily accept both business and personal checks (79 percent). Just 12 percent say that they accept business checks exclusively and three percent say that they accept personal checks exclusively.

Given that so many accept checks and bad or bounced checks is the second most often cited problem with getting paid, it would seem likely that most small businessmen and women would subscribe to a check verification service of some type. However, that does not happen. Only 7 percent of those accepting checks subscribe (Q#5a). Subscription is even low among retailers, those most likely to complain about bounced or bad checks. Likely reasons for not using the service include repeat customers, service cost, and the effectiveness of the service. Still, bad and bounced checks are highly annoying and costly despite the substantial fees usually charged customers for returned checks.

Bankruptcies

One characteristic of America's entrepreneurial society is that Americans are relatively likely to give people a second chance. Americans tolerate business failure more than people in most parts of the world. Nowhere is that more evident than in our bankruptcy laws. Bankruptcy laws in the United States are more forgiving of bankrupts than similar laws elsewhere. However, there are two sides to bankruptcy, even for business owners who are presumed to benefit more from liberal bankruptcy laws than perhaps any other group.

Thirty-six (36) percent report that they failed to receive payment at least once due to a personal or business bankruptcy during the last five years (Q#6). Of that group, somewhat more than three in four (78 percent) were hit by five or fewer instances (Q#6b). That means about three percent of the entire small-business population failed to receive payment in five or more bankruptcy cases over the last five years, or one or less than one case per year. The size of the average loss per incident is the critical element, however. As a result, it is not clear how badly small business was hurt in its creditor role by these bankruptcies. The frequency of occurrence would suggest that the damage was not great, but one large, outstanding bill lost in this way could prove very damaging.

Personal bankruptcies are significantly more frequent than business bankruptcies. The later, however, typically involve larger losses. The largest share of small businesses impacted are hit by business bankruptcies. Forty (40) percent say that they lost money from only business bankruptcies in the last five years (#6a). Another 33 percent say they were hit by both types of bankruptcies meaning that almost three-quarters experienced the impact of a business failure. In contrast, 26 percent lost money exclusively due to a personal bankruptcy and three in five lost money to a personal bankruptcy generally. This distribution is likely tied to the customer base, but it probably also reflects the larger average size of the losses generated by business failures.

Administration

The owner is the person primarily responsible for maintaining the firm's financial records in almost half of small businesses (49 percent)(Q#1). Someone outside the firm like an accountant or bookkeeper is the person second most likely (20 percent) to maintain them, almost identical to the number who have an employee perform the task (19 percent). Another member of the family including a spouse does it in about one of ten (11 percent) instances.

There is a clear relationship between the person who maintains the financial records and firm size. As ventures become larger, their owners are increasingly less likely to maintain the records themselves and increasingly more likely to have an employee do it. At least one point is somewhat surprising in this regard. Despite the fact that finance is one of the least favorite tasks of small-business owners, 35 percent of the owners of businesses with 20 employees or more continue to maintain the financial records. The time of owners of businesses this large seemingly would be put to better use on other tasks. Perhaps privacy concerns, information needs or the lack of a better alternative influences their decisions to hang on to the financial records-keeping function.

Maintaining financial records can include a number of specific tasks one of which is billing (invoicing) and, where necessary, following up to ensure a bill is paid. Seventy-two (72) percent of the time the same person who maintains the financial records is also the person who usually bills and collects (Q#1a). If the owner maintains the records, he or she also bills and collects in 89 percent of the cases. The only time the functions are not joined occurs when the financial records are maintained by someone outside the firm. In over 80 percent of those cases, the billing and collections function reverts back to the business. When customers are delinquent, therefore, the owner frequently is the one who must divert time from more productive purposes to collecting overdue bills.

Another task that is usually part of the function of maintaining the financial records is primary responsibility for the most common interactions with the firm's financial institution(s) such as making deposits or getting change. Seventy (70) percent say that the person who has primary responsibility for the former also has responsibility for the latter (Q#1b). These data reenforce the idea that the billing and collection function is integrated with the other basic financial functions in most small firms.

Final Comments

Customer slow and/or late payment creates serious problems for many small businesses. To reduce the problem, small businessmen and women must recognize the source of their problem and respond accordingly. The average time between invoicing and payment argues that some response, like more frequent, immediate payment, would be a helpful first step for many owners. But immediate payment isn't always practical for either the seller or the buyer. It is not coincidence that certain forms of payment became traditional in certain industries. They developed because they proved to be the most satisfactory for the parties involved. Change in the relative satisfaction of the parties, such as business owners becoming increasingly concerned over their receivables problem, may lead to an alteration of commonly accepted practice. But, the side wanting change is the one who needs to press the issue. That means small-business owners need to be the one pressing change to more immediate forms of payment.

The natural concern is that changing customary terms of payment may adversely affect sales. Customers, effectively, would be less likely to buy if the payment conditions were less favorable. Sales losses are a legitimate concern given that the terms of payment are as much a part of the sales transaction as other aspects of it, e.g., delivery, warranty. The task of the small-business owner is to determine just how sensitive customers really are to the terms of payment, and if they prove to be, whether the loss of their business is worth acceleration of the revenue stream. Just how aggressively one needs to pursue this step depends on the severity of the problem's impact.

The challenge is similar in pursuit of delinquent bills. There may be some trade-off with sales, particularly if the situation is not handled well. But here the small-business owners have the moral and legal "high ground" in contrast to establishing the terms of payment which essentially is an agreement of participating parties.

The immediate challenge is that the slow payment problem generally grows worse in a poor economy. Sales are fewer and harder to come by. Meanwhile customers often extend their payments due to more difficult financial conditions at the same time creditors are more attentive to their own receivables. The resulting squeezes and trade-offs small-business owners experience are no different than those experienced in a normal, growing economy. They are simply more severe and occur when their own financial conditions are likely to be declining (at least relatively).

Credit cards are accepted widely within the small-business population. Broader acceptance outside the industries where they are traditionally found is another possible response to the slow pay problem. Certainly the relatively recent appearance of credit cards in places like doctors' offices show that they can be effectively employed in places outside the travel and retail industries. However, credit cards also are not always the answer either. The fee may not be worth the losses from slow payment and neither may the inconvenience and hassle.

A second major concern of small-business owners with payment is bounced and/or bad checks. Checks are predominantly a problem for retailers. Small retailers rarely invoice or extend credit. As a result, difficulties arising from slow pay are minimal. Since most retailers accept personal checks (with the proper identification), checks are the place in a retailer's payment structure where problems could conceivably arise and do. Check verification services apparently are not very helpful or they would be used more than they are. Credit cards, and preferably debit cards, are alternatives where not currently used. But the decision to allow checks for payment must balance the possible loss of sales against the losses from bad and bounced checks.

The direct losses small businesses incur from bankruptcies do not appear to be great, though additional data would be helpful. Losses due to bankruptcies occur relatively infrequently, though a huge loss just once could have a significant impact. While many small-business owners appear sympathetic to the creditor view of bankruptcy legislation, their outlook appears as related to publicized abuses and other matters of principle as it is to personal experience.

Finally, the issue of partial payment was scarcely noted, but is of particular interest to a core group of small-business owners. The issue largely involves disallowed expenses or charges or after the fact price changes. These situations tend to occur when a small firm is being paid by a third party or has a contract with a large customer needing to cut costs.

Getting Paid

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

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

1. Who is the person primarily responsible for maintaining your business's financial records? Is it:

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. You	51.7%	37.2%	35.1%	48.5%
2. A family member	11.2	10.3	8.1	10.8
3. An employee	15.6	29.5	35.1	18.9
4. Someone outside the firm, like a bookkeeper or accountant in private practice	20.1	21.8	20.3	20.3
5. (DK/Refuse)	1.5	1.3	1.4	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

1a. Is that person also primarily responsible for billing and collections?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	73.1%	70.0%	61.3%	71.6%
2. No	23.4	26.3	36.0	24.9
3. (Not applicable; never bill)	3.3	2.5	2.7	3.2
4. (DK/Refuse)	0.2	1.3	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

1b. Is that person primarily responsible for most common interactions with your financial institution, such as making deposits or getting change?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	71.0%	67.9%	63.5%	69.9%
2. No	27.7	30.9	35.1	28.8
3. (DK/Refuse)	1.3	1.2	1.4	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

2. How do customers pay you? Do they exclusively, usually, sometimes or never pay you:

A. At the time of sale?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Exclusively	26.0%	21.3%	26.0%	25.5%
2. Usually	25.0	17.5	19.2	23.7
3. Sometimes	20.4	28.8	26.0	21.8
4. Never	23.7	28.8	28.8	24.7
5. (DK/Refuse)	4.9	3.7	—	4.3
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

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

B. By invoices or statements to customers that are due upon receipt?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Exclusively	26.9%	26.6%	32.4%	27.4%
2. Usually	25.7	25.3	21.6	25.3
3. Sometimes	19.5	25.3	23.0	20.5
4. Never	26.5	20.3	21.6	25.4
5. (DK/Refuse)	1.3	2.5	1.4	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

C. Through third-party payment, such as an insurance company?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Exclusively	2.2%	1.2%	2.7%	2.1%
2. Usually	5.2	9.9	4.0	5.6
3. Sometimes	14.9	17.3	14.7	15.1
4. Never	75.1	67.9	77.3	74.6
5. (DK/Refuse)	2.7	3.7	1.3	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

D. Through credit type arrangements or special terms that you extend?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Exclusively	7.5%	6.3%	12.2%	7.8%
2. Usually	10.5	17.7	18.9	12.1
3. Sometimes	28.4	39.2	25.7	29.3
4. Never	51.6	34.2	43.2	48.9
5. DK/Refuse)	2.0	2.5	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

E. At the time of job completion or upon delivery

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Exclusively	29.1%	20.3%	32.0%	28.5%
2. Usually	27.9	22.8	18.7	26.5
3. Sometimes	18.6	30.4	22.7	20.2
4. Never	19.7	21.5	21.3	20.1
5. (DK/Refuse)	4.7	5.1	5.3	4.8
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

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

3. When you extend credit or terms, do you extend it to your business customers, individual customers, or both? (If "yes" in Q#2D.)

1. Business customers	28.9%	22.0%	31.0%	28.2%
2. Individual customers	15.2	16.0	9.5	14.6
3. Both	50.5	58.0	50.0	51.5
4. (DK/Refuse)	5.5	4.0	9.6	5.7
Total	100.0%	100.0%	100.0%	100.0%
N	162	122	112	396

3a. What are your customary terms?

1. Net 10 or less	3.9%	4.0%	4.8%	4.1%
2. Net 15	4.7	6.0	7.1	5.2
3. Net 30	51.8	60.0	50.0	52.7
4. Net 90	2.2	—	2.4	1.9
5. Upon receipt	17.8	14.0	14.3	16.8
6. Installment	6.9	4.0	2.4	6.0
7. Depends on customer	1.8	2.0	4.8	2.2
8. Other	6.5	8.0	11.9	7.4
9. (DK/Refuse)	4.3	2.0	2.4	3.8
Total	100.0%	100.0%	100.0%	100.0%
N	162	122	112	396

3b. Do you charge a late fee, interest, or both a late fee and interest for late payment?

1. Yes, a late fee	12.9%	6.1%	7.3%	11.4%
2. Yes, interest charges	15.8	22.4	19.5	17.1
3. Yes, both	5.8	12.2	14.6	7.6
4. No	65.5	57.1	56.2	63.3
5. (DK/Refuse)	—	2.2	2.4	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	162	122	121	396

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

3c. How long before you normally try to collect an overdue bill before you turn it over to a collection agency? Is it:

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. 60 days	4.7%	5.9%	7.1%	5.1%
2. 90 days	12.9	11.8	14.3	12.9
3. 120 days	9.0	13.7	16.7	10.5
4. When exhausted collection capabilities	33.8	37.3	28.6	33.7
5. Never turn it over to a collection agency	30.9	21.6	19.0	28.3
6. (Other)	7.2	3.9	7.2	6.7
7. (DK/Refuse)	1.4	5.9	7.1	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	162	122	121	396

3d. Once you have invoiced a customer, on average, how many days is it before you get paid?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. 15 days or less	31.2%	24.0%	26.8%	29.7%
2. 15-30 days	37.3	38.0	26.8	36.2
3. 31-45 days	11.5	20.0	24.4	14.1
4. 46 days or more	10.8	8.0	14.7	10.8
5. (DK/Refuse)	9.3	10.0	7.3	9.2
Total	100.0%	100.0%	100.0%	100.0%
Ave.	28.0	30.2	32.4	28.8
N	162	122	121	396

3e. Once you have invoiced a third-party payer, on average, how many days is it before you get paid? (If "yes" in Q#2c.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. 15 days or less	21.1%	27.3%		22.4%
2. 15-30 days	44.4	22.7		38.8
3. 31-45 days	6.8	18.2		18.2
4. 46 days or more	16.5	18.2		8.8
5. (DK/Refuse)	11.3	13.6		11.8
Total	100.0%	100.0%	100.0%	100.0%
Ave.	32.5	34.5		33.5
N	79	60	42	181

4. Does your business customarily accept credit card payments? (If "exclusively," "usually," or "sometimes" in any of Q#2A-E.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	45.9%	53.2%	59.2%	48.0%
2. No	54.1	46.8	40.8	52.0
3. (DK/Refuse)	–	–	–	–
Total	100.0%	100.0%	100.0%	100.0%
N	337	192	193	722

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

4a. Do you accept credit cards on your premises, on-line, or both?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Premises	67.6%	65.0%	61.9%	66.6%
2. On-line	7.6	2.5	4.8	6.7
3. Both	23.3	32.5	33.3	25.6
4. (DK/Refuse)	1.5	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

4b. Why do you accept credit card payments? Is it because:

A. Customers expect to be able to pay that way?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	95.4%	90.0%	92.9%	94.5%
2. No	3.8	10.0	7.1	4.9
3. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

B. Credit card payments improve cash flow?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	69.8%	67.5%	65.1%	69.0%
2. No	28.6	30.0	30.2	29.0
3. (DK/Refuse)	1.5	2.5	4.7	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

C. Credit cards enlarge your market by making payment from a distance easier?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	80.9%	70.7%	70.7%	78.5%
2. No	18.3	26.8	29.3	20.6
3. (DK/Refuse)	0.8	2.4	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

D. Credit cards reduce the need to keep large amounts of cash on the premises?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1 Yes	38.9%	36.6%	38.1%	38.6%
2. No	59.5	63.4	61.9	60.3
3. (DK/Refuse)	1.5	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

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

E. Credit cards end up costing less than other forms of payment?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1 Yes	22.1%	25.0%	28.6%	23.3%
2. No	75.6	72.5	69.0	74.4
3. (DK/Refuse)	2.3	2.5	2.4	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

4c. How often in the last year, have you experienced a credit card payment approval and later had the credit card company refuse payment?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. None	77.4%	76.3%	71.8%	76.6%
2. Once	10.7	13.2	12.8	11.2
3. Twice	5.7	2.6	5.1	5.3
4. 3-5 times	2.3	—	2.6	2.1
5. 6 times or more	2.7	5.2	2.6	3.0
6. (DK/Refuse)	1.1	2.6	5.1	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	152	101	114	367

4d. What is the primary reason that you do not take credit cards?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. The fee is an unnecessary expense	14.9%	13.5%	7.4%	14.2%
2. My invoices are typically larger than credit card limits	0.6	2.7	11.1	1.6
3. Not usually done in this type of business	36.2	40.5	44.4	37.3
4. My customers don't use them	6.1	8.1	11.1	6.7
5. Too much hassle	12.0	8.1	3.7	11.0
6. Business is too small	5.2	2.7	—	4.6
7. No interest/need	12.6	13.5	14.8	12.9
8. (Other)	8.8	8.1	7.4	8.6
9. (DK/Refuse)	3.5	2.7	—	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	185	91	79	355

5. Do you accept personal checks, business checks, or personal and business checks for payment?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes, personal checks	3.2%	2.5%	2.7%	3.1%
2. Yes, business checks	10.7	14.8	20.3	12.1
3. Yes, both	81.1	76.5	68.9	79.4
4. No	5.0	4.9	8.1	5.3
5. (DK/Refuse)	—	1.2	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

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

5a. Do you use a check verification service? (If "yes" in Q#5.)

1. Yes	6.0%	10.5%	13.0%	7.1%
2. No	93.8	86.8	85.5	92.3
3. (DK/Refuse)	0.2	2.6	1.4	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	338	188	186	712

6. Over the last five years, have you failed to receive payment due to a personal or a business bankruptcy?

1. Yes	33.6%	47.5%	45.3%	36.2%
2. No	66.1	50.0	50.7	62.9
3. (DK/Refuse)	0.3	2.5	4.0	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

6a. Was it a personal bankruptcy, business bankruptcy, or both? (If "yes" in Q#6.)

1. Personal	27.4%	28.9%	15.2%	26.1%
2. Business	37.8	44.7	45.5	39.7
3. Both	33.3	26.3	39.4	33.1
4. (DK/Refuse)	1.5	—	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	113	91	87	293

6b. How many different bankruptcies were involved?

1. One	36.5%	32.4%	30.3%	35.2%
2. Two	24.5	18.9	15.2	22.6
3. Three	15.5	10.8	12.1	14.4
4. 4-5	7.0	8.1	9.1	7.4
4. 6 or more	8.5	18.9	18.0	11.1
5. (DK/Refuse)	8.0	10.8	15.2	9.3
Total	100.0%	100.0%	100.0%	100.0%
N	113	91	89	293

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

7. What is the most significant problem you face getting paid? Is it:

1. Slow or late payment	43.8%	55.6%	43.2%	45.0%
2. Cost of using credit cards	2.8	1.2	5.4	2.9
3. Bounced or bad checks	15.7	14.8	14.9	15.5
4. Failure to get bills paid in full	6.2	4.9	5.4	6.0
5. Bankruptcies	3.7	6.2	4.1	4.0
6. (Other)	16.9	7.4	14.9	15.7
7. (DK/Refuse)	10.9	9.8	12.2	10.9
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

Demographics

D1. Is your primary business activity:

	Employee Size of Firm 1-9 emp	10-19 emp	20-249 emp	All Firms
1. Construction	6.9%	13.6%	11.0%	8.0%
2. Manufacturing	6.7	9.9	16.4	8.0
3. Wholesale	6.2	3.7	6.8	6.0
4. Retail	24.0	18.5	24.7	23.4
5. Transportation	3.7	2.5	4.1	3.6
6. Communication	3.4	3.7	—	3.1
7. Financial Services	5.7	6.2	5.5	5.7
8. Services	36.3	35.8	27.4	35.4
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(30.3)	(32.1)	(28.5)	(30.3)
B. Professional, e.g., health, legal, education, engineering	(40.4)	(35.7)	(28.5)	(39.0)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(15.6)	(14.3)	(19.0)	(15.7)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(13.8)	(17.9)	(19.0)	(14.6)
E. (Refuse)	(—)	(—)	(4.8)	(0.4)
9. Agriculture, forestry, fishing	3.4	1.2	1.4	2.9
10. (Other)	1.1	2.5	1.4	1.3
11. (DK/Refuse)	2.7	2.5	1.4	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

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

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Increased by 30 percent or more?	16.9%	12.9%	13.9%	15.1%
2. Increased by 20 to 29 percent?	12.7	14.4	14.9	13.7
3. Increased by 10 to 19 percent?	18.9	25.9	30.8	23.9
4. Changed less than 10 percent one way or the other?	25.1	24.4	25.9	25.1
5. Decreased by 10 percent or more?	18.6	13.4	8.5	14.5
6. (DK/Refuse)	7.9	9.0	6.0	7.6
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

	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?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	22.2%	6.3%	2.7%	18.6%
2. No	74.8	91.3	94.6	78.5
3. (DK/Refuse)	3.0	2.5	2.7	2.9
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

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

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. < 6 years	26.9%	19.8%	24.3%	25.9%
2. 6-10 years	19.4	22.2	16.2	19.4
3. 11-20 years	23.7	23.5	27.0	24.0
4. 21-30 years	17.9	17.3	17.6	17.8
5. 31 years+	8.7	12.3	10.8	9.3
6. (DK/Refuse)	3.3	4.9	4.1	3.6
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

D5. What is your highest level of formal education?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Did not complete high school	2.3%	2.5%	—%	2.1%
2. High school diploma/GED	17.2	24.7	13.5	17.6
3. Some college or an associates degree	23.2	21.0	27.0	23.3
4. Vocational or technical school degree	3.3	2.5	2.7	3.2
5. College Diploma	30.9	30.9	41.9	32.0
6. Advanced or professional degree	19.4	14.8	12.2	18.2
7. (DK/Refuse)	3.7	3.7	2.7	3.6
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

D6. Please tell me your age.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. <25	1.8%	2.4%	1.3%	1.9%
2. 25-34	12.8	16.3	12.0	13.1
3. 35-44	22.0	26.3	30.7	23.3
4. 45-54	31.2	23.8	32.0	30.5
5. 55-64	20.7	18.8	16.0	20.0
6. 65+	7.2	6.2	5.3	6.9
7. (DK/Refuse)	4.3	6.2	2.7	4.4
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

	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 (zips 010-219)	16.7%	20.0%	21.6%	17.5%
2. South (zips 220-427)	22.5	18.8	21.6	22.0
3. Mid-West (zips 430-567, 600-658)	20.5	26.3	25.7	21.6
4. Central (zips 570-599, 660-898)	25.2	18.8	18.9	23.9
5. West (zips 900-999)	15.2	16.2	12.2	15.0
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757
D8. What were your gross sales in the most recent calendar or fiscal year?				
1. <$100,000	17.7%	2.4%	1.3%	14.4%
2. $100,000 - $249,999	16.2	3.8	2.6	13.5
3. $250,000 - $499,999	13.0	8.8	5.3	11.8
4. $500,000 - $999,999	11.9	16.3	11.8	12.3
5. $1 million - $4.9 million	10.4	28.8	27.6	14.0
6. $5 million - $9.9 million	0.3	2.4	7.9	1.3
7. $10 million or more	0.7	2.4	17.1	2.5
8. (DK/Refuse)	29.8	35.1	26.3	30.1
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757
D9. Sex				
Male	73.3%	75.0%	76.0%	73.8%
Female	26.7	25.0	24.0	26.2
Total	100.0%	100.0%	100.0%	100.0%
N	355	201	201	757

Table Notes

1. All percentages appearing are based on **weighted** data.
2. All "Ns" 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 November 1 and November 30, 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 distribution 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 an important 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

	Expected from Random Sample*		Obtained from Stratified Random Sample			
Employee Size of Firm	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	355	47
10-19	82	11	200	27	201	27
20-249	75	10	200	27	201	27
All Firms	750	100	750	101	757	101

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

The Sponsors

The **NFIB Research Foundation** is a small-business-oriented research and information 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's primary purpose is 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 publishes ad hoc reports on issues of concern to small-business owners. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM). The Foundation's functions were recently transferred from the NFIB Education Foundation.

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