

**UPS Canada
Small Business Survey**

June 2010



Agenda

1. Methodology

2. Executive summary
3. Survey results: Stalking the loonie
4. Survey results: Trade continentalism
5. Survey results: Trade diversification

Methodology

Instrument

An online survey was conducted between June 1 and June 10, 2010.

Respondent Qualification

This survey was conducted with small business owners with at least 10 employees in Canada. Quotas were put in place to ensure that businesses came from a variety of industries including hospitality/tourism, construction/engineering, manufacturing, wholesale/retail, business/professional services, IT/communications, etc.

Reliability

Using a national random sample of 303 respondents, this method simulates a probability sample, which would yield a maximum margin of error of $\pm 5.7\%$, 19 times out of 20.

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Executive Summary

Stalking the loonie

Nearly all small business owners do business within Canada, two-fifths conduct business in the United States or internationally.

Three-quarters of small business owners think the loonie will remain on par with the U.S dollar over the next six months. Despite the recent rise of the loonie, few say this will have a positive effect on their international business. Instead, most business owners feel this rise will have a negative effect or no real impact at all. That said, most are still optimistic about their business's future and the Canadian economy.

Executive Summary

Trade continentalism

Two-thirds of small business owners believe that the U.S. economy is on a temporary decline, with half feeling it may take five years to recover.

Despite the downturn in the U.S. economy, seven out of 10 small business owners think trade with the U.S. would be easy because of its close proximity and similar business culture between both countries.

While two-fifths believe the degree of economic, cultural and geographic integration between both countries guarantees common economic destinies, one in five think Canada has the ability to carve out its own economic destiny.

Executive Summary

Trade diversification

Using pre-existing business/government contracts/partnerships and web-based technologies are seen as the best ways to get involved in global trade.

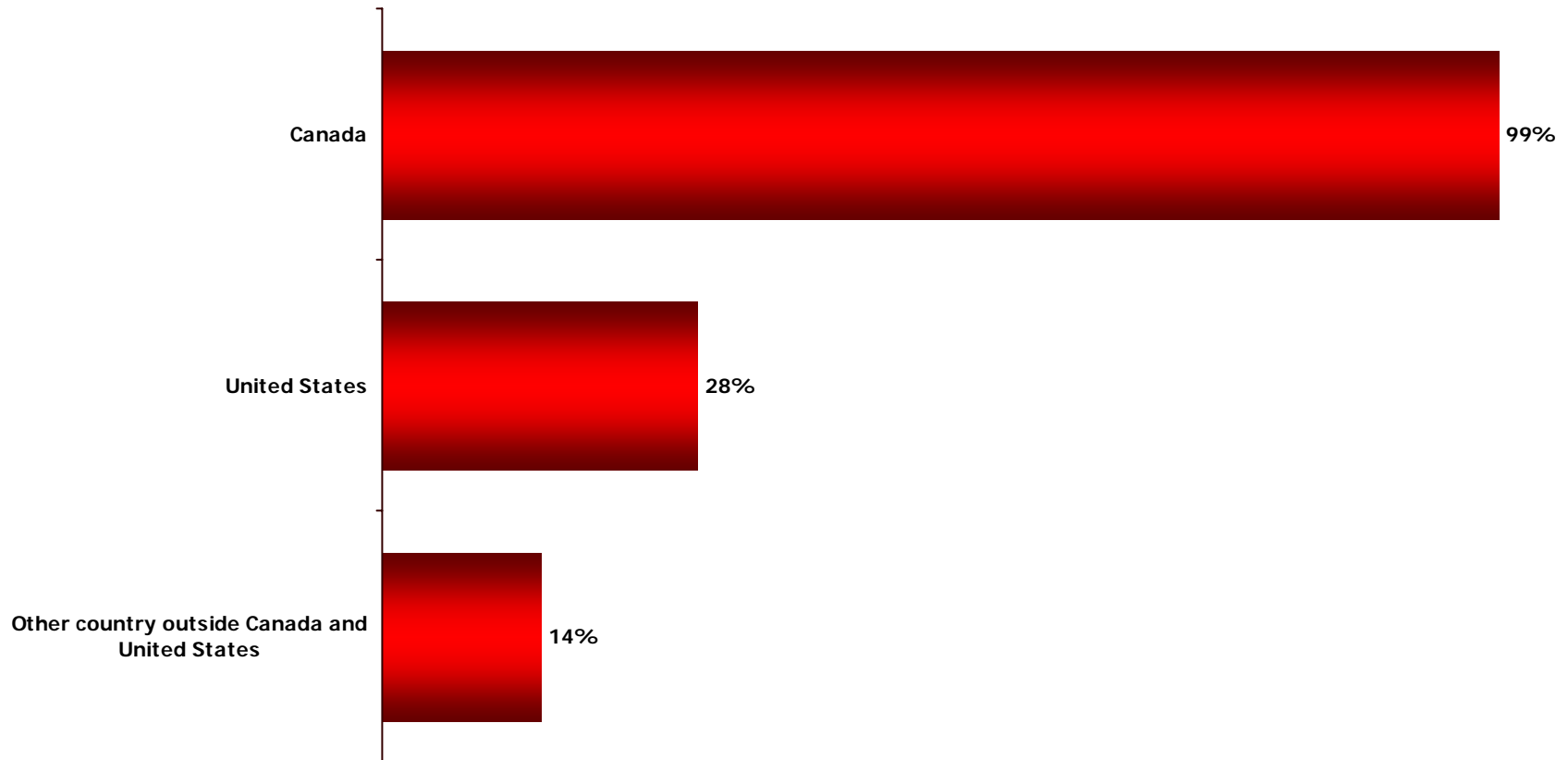
Since most small business owners think trading with the U.S. is easy, most say they would choose the U.S. to most closely tie Canada's economy to if they were Prime Minister.

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Two-in-five small business owners conduct business outside Canada

- ▶ Four out of 10 small business owners conduct business outside of Canada, with three in 10 mentioning that they do business in the United States.
 - ▶ Small business owners with annual revenue of \$3 million+ and in manufacturing/construction are the most likely to conduct business in the U.S. (33%, 40% respectively).

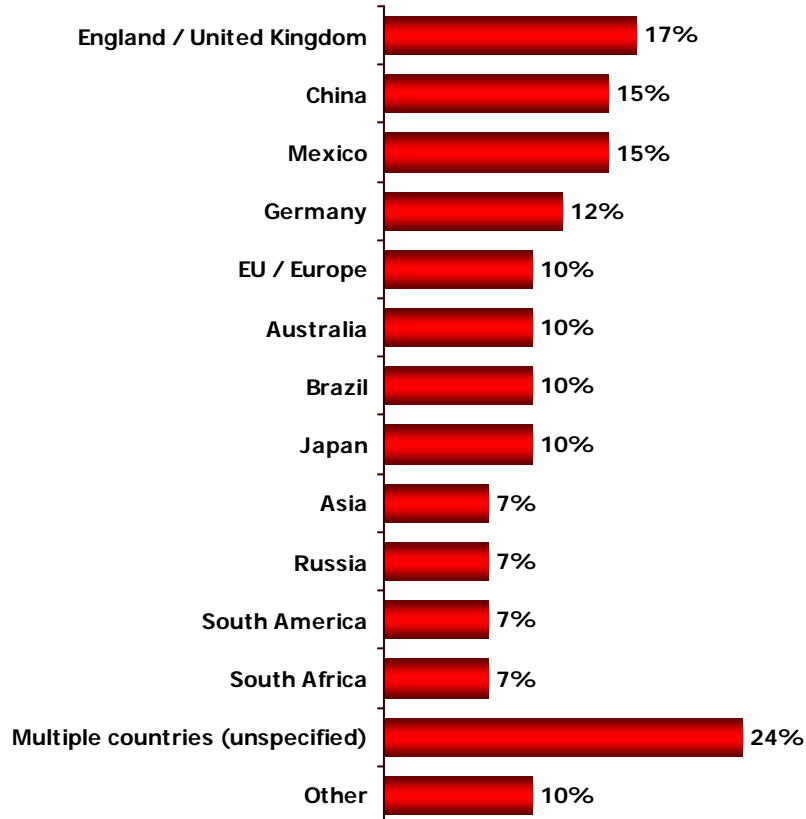


Q. In which countries do you conduct business? n=303

Canadian companies who do business outside Canada and the U.S. work with a variety of countries

- ▶ Of the he businesses who work outside of Canada and the U.S., the largest response from the sample was “multiple countries – unspecified.”
- ▶ Of specific countries, U.K. is mentioned most often (17%) followed by China (15%) and Mexico (15%).

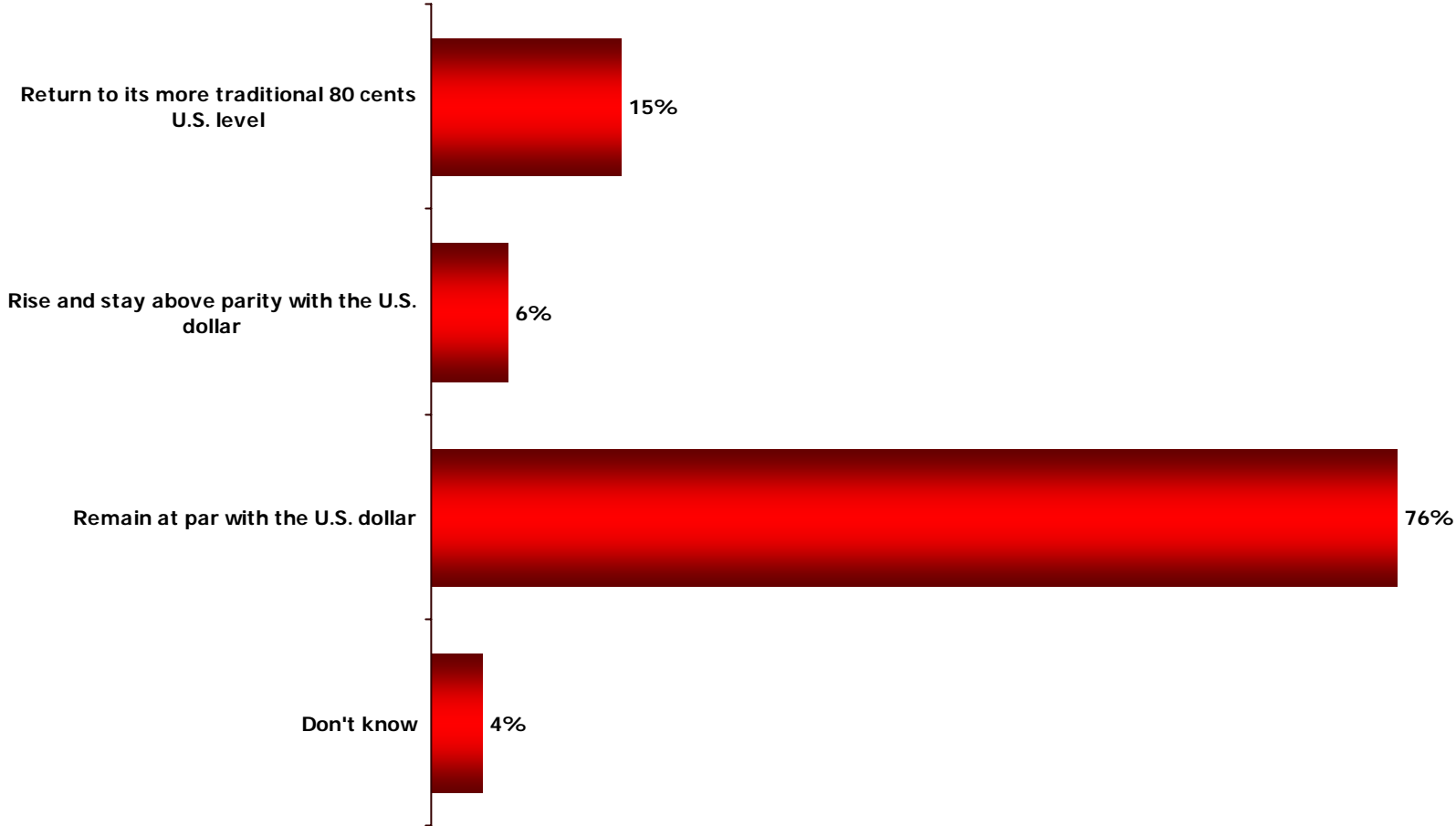
Countries Outside North America Small Business Invest In



Q. With what countries, outside of Canada and the United States, do you do business?
n=41 small base size

Most predict the loonie will remain at par with the U.S. dollar over the next six months

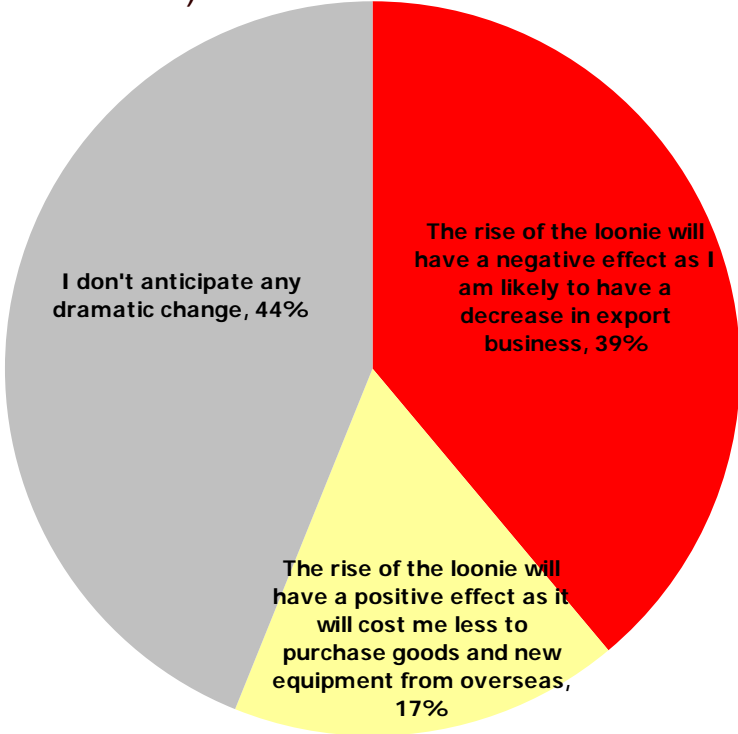
- ▶ Three-quarters of small business owners predict that over the next six months the loonie will remain at par with the U.S. dollar (76%).
- ▶ Very few think the loonie will rise and stay about parity with the U.S. dollar (6%).



Q. Do you believe that over the next six months the loonie will: n=303

Most business owners will not benefit from the rise of the loonie

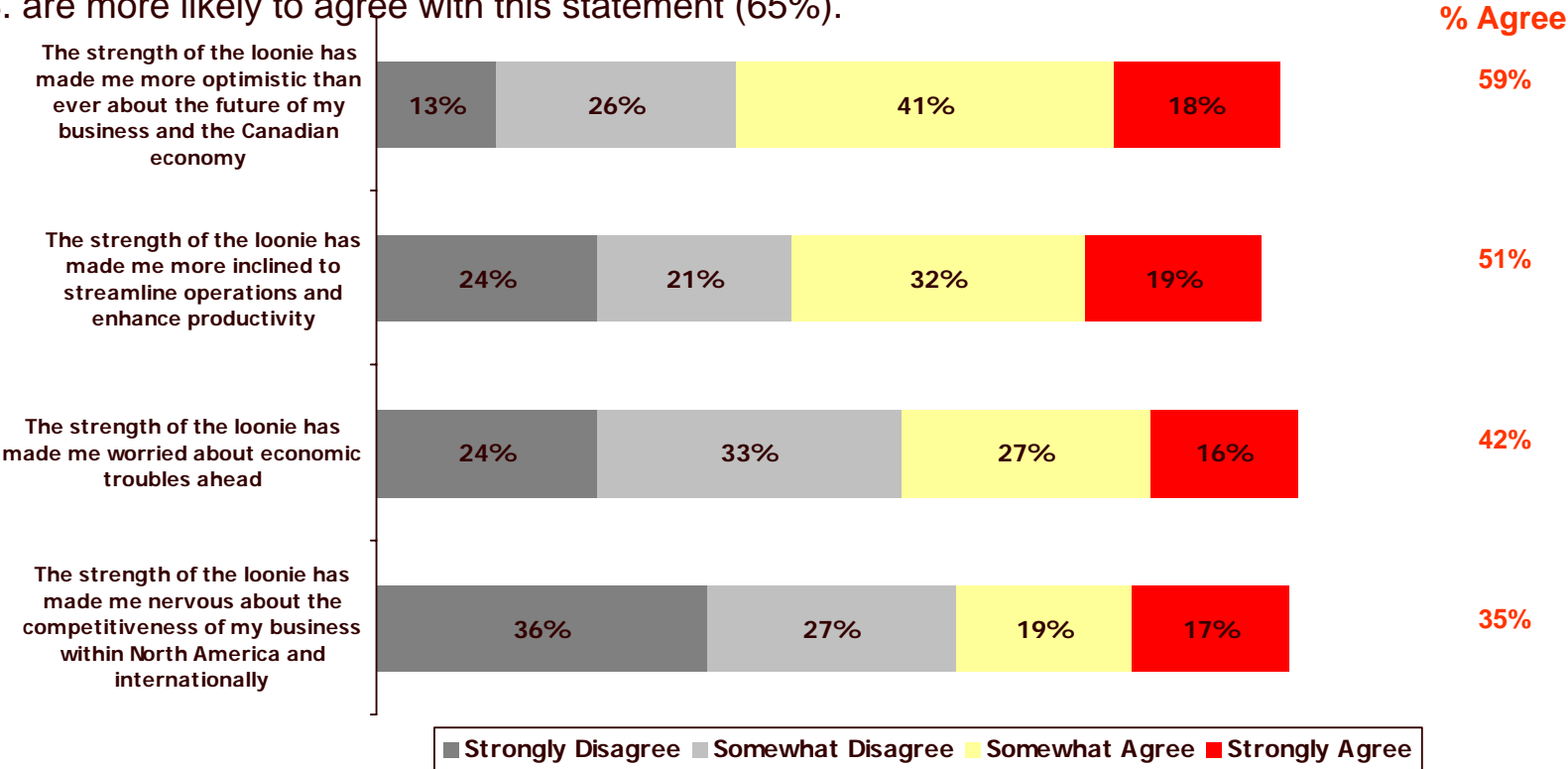
- ▶ One-fifth of businesses feel the rise of the loonie will have a positive effect as it will cost less to purchase goods and new equipment from overseas.
- ▶ The majority of business owners, however, will not benefit from the recent rise of the loonie, with two-fifths saying the rise will have a negative effect, while a similar proportion do not think it will make a difference.
 - ▶ Those with an annual revenue of \$3 million+ are more likely to say the strength of the loonie will have a negative effect on their international business compared to those with an annual revenue of less than \$3 million (50% vs. 10%).



Q. Which of the following statements most accurately represents how the recent rise of the loonie will impact your international business? n=303

The strength of the Canadian dollar has most business owners optimistic about their future

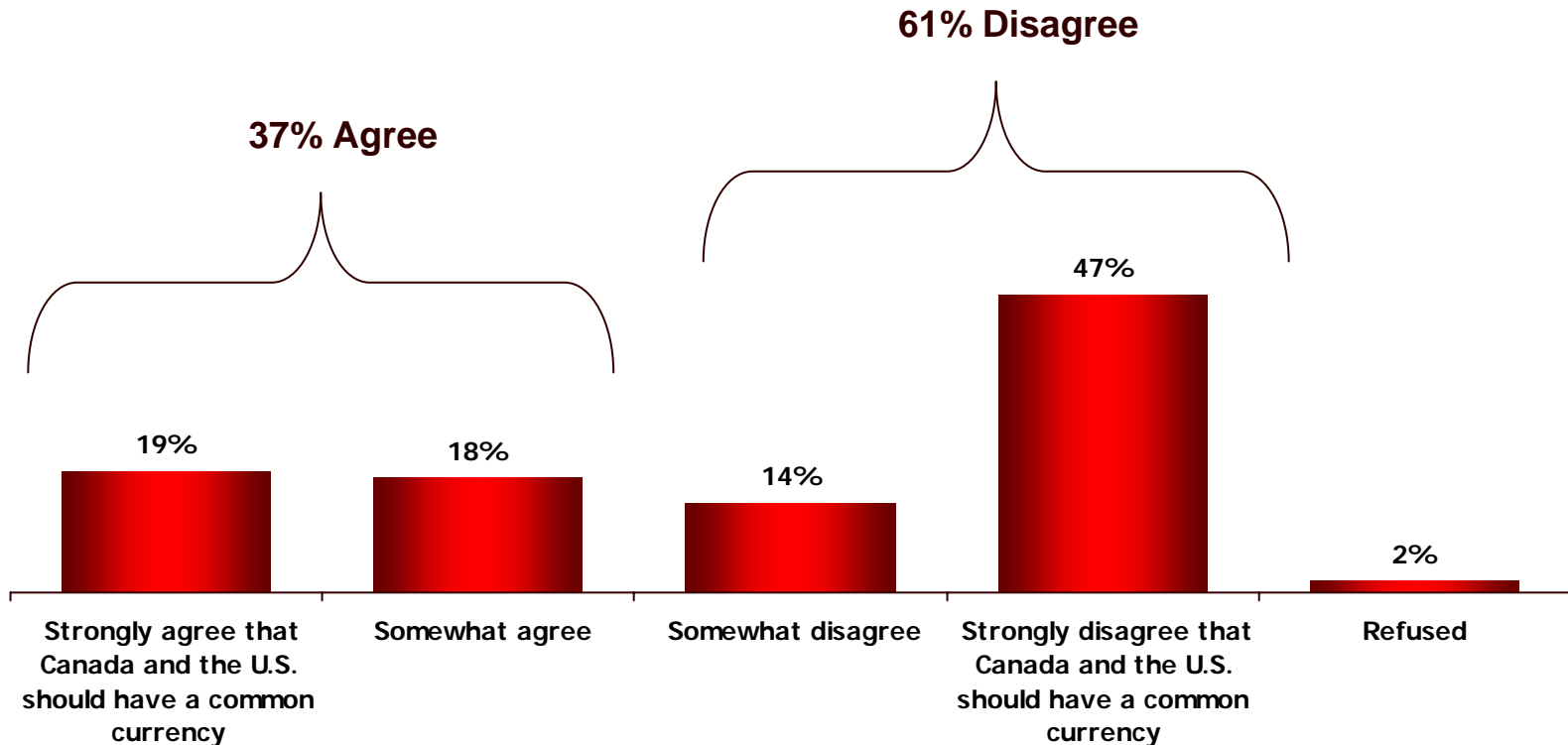
- ▶ While few believe the strength of the loonie will have a positive effect on their business, it does make them feel optimistic about the future of the economy in general.
- ▶ Six in 10 small business owners agree the strength of the loonie has made them more optimistic about the future of their business and the Canadian economy (59%). A slightly smaller percentage say they are more inclined to streamline operations and enhance productivity (51%). That said, those who conduct business in the U.S. are more likely to agree with this statement (65%).



Q. Thinking about the recent strength of the Canadian dollar, to what extent do you agree or disagree with each of the following statements? n=303

Most disagree that Canada and the U.S. should have a common currency

- ▶ Despite the majority of small business owners believing the Canadian dollar will remain on par with the U.S. dollar, six in 10 disagree that Canada and the U.S. should have a common currency (61%), with nearly half in strong disagreement. Those who conduct business in the U.S. are also more likely to disagree with this statement compared to those who conduct business in Canada only (71% vs. 61%).
- ▶ Conversely, two-fifths agree Canada and the U.S. should have a common currency like the euro model (37%), with one in five strongly agreeing with this.



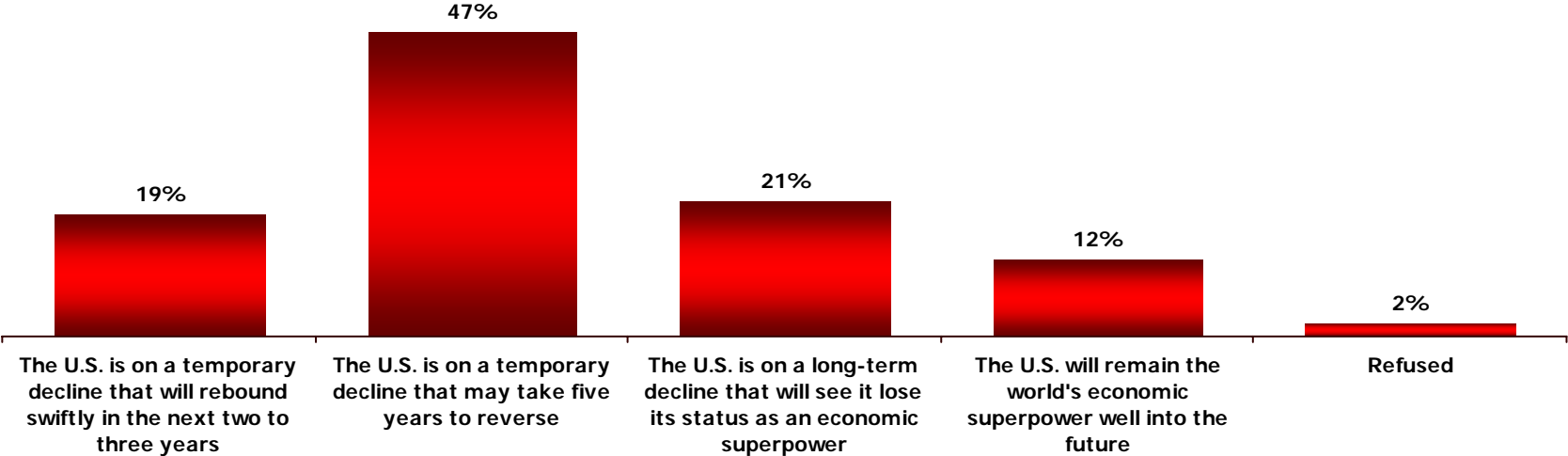
Q. To what extent do you agree or disagree that Canada and the U.S. should have a common currency like the euro model? n=303

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Most think the U.S. economy is on a decline, with half feeling it may take five years to recover

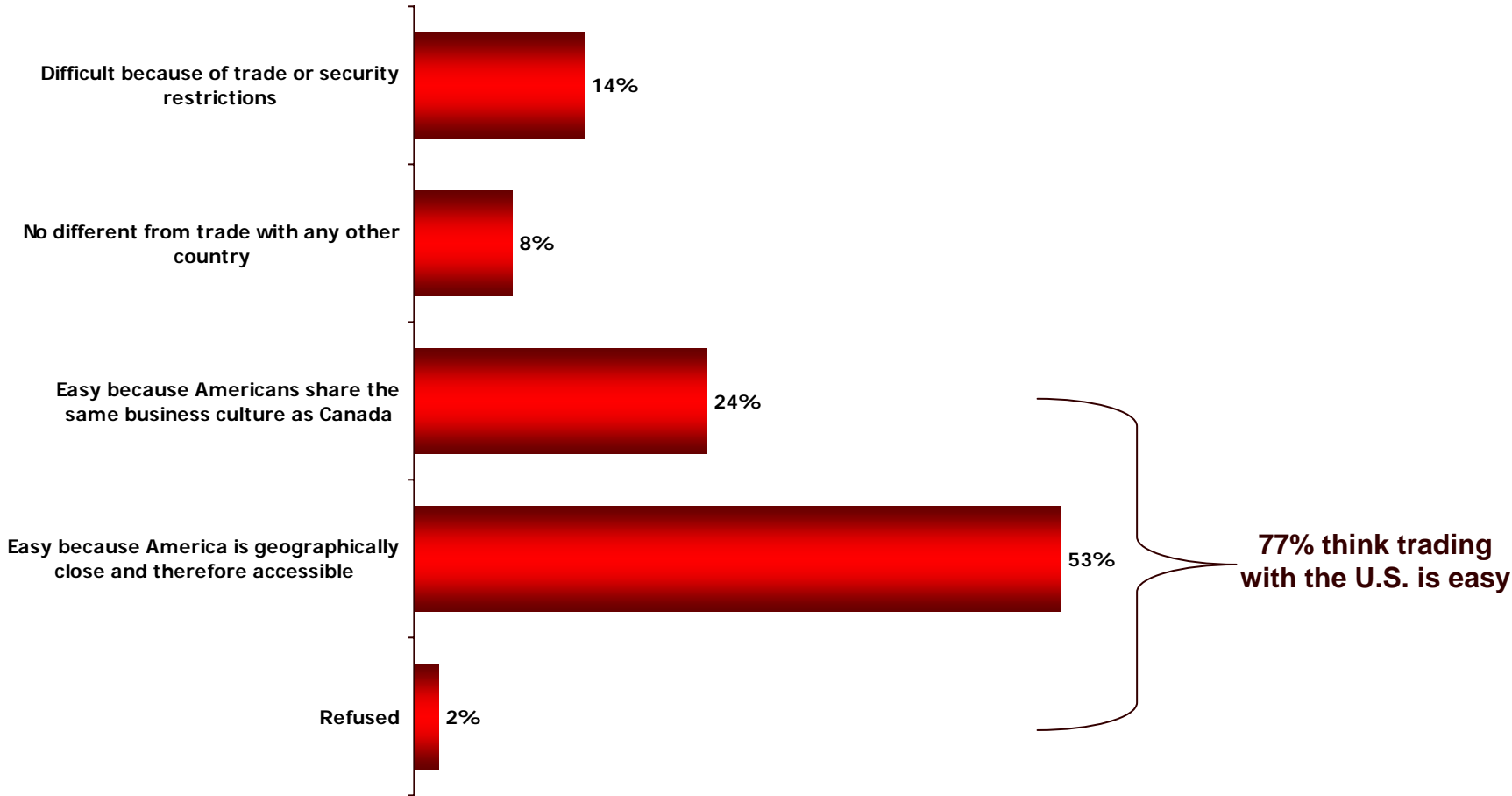
- ▶ Two-thirds of small business owners agree that the U.S. economy is on a temporary decline. Of these, one-fifth feel that they will swiftly rebound in the next two to three years (19%), while almost one-half believe it may take five years to reverse.
 - ▶ Small business owners with 50 + employees are more likely to think the U.S. economy will swiftly rebound compared to companies that employ less than 50 employees (28% vs. 13%).



Q. Of the following statements, please choose the one that best describes your views about the United States' future economic position: n=303

Most small business owners say trade with the U.S. is easy

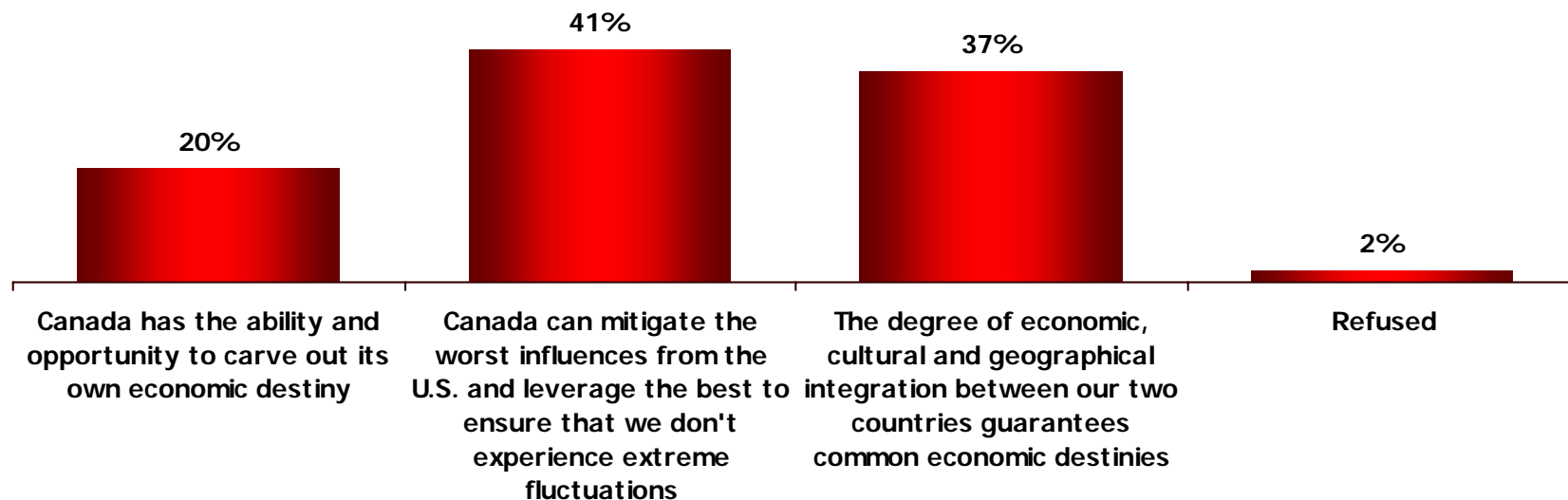
▶ The majority of small business owners agree that trading with the U.S. is easy because of its close proximity (53%) and common business culture (24%).



Q. Do you believe trade with the United States is or would be: n=303

Only one in five think Canada has an opportunity to carve out its own economic destiny

- ▶ Most businesses believe that Canada's economy is at least somewhat tied to that of the U.S., with only one in five feeling that Canada has the ability and opportunity to carve out its own economic destiny.
- ▶ While most small business owners agree that the Canada and the U.S. are quite integrated, a slightly larger percentage of business owners believe we can leverage the best and mitigate the worst to ensure that we don't experience extreme fluctuations in our economy (41%), compared to 37% who believe that the degree of integration between our two countries guarantees common economic destinies.



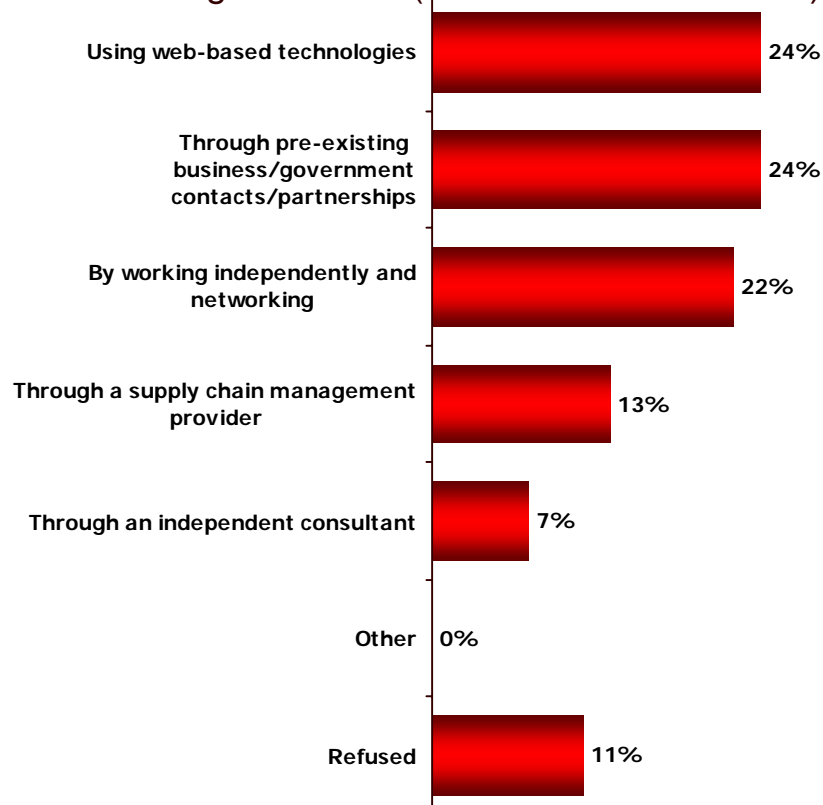
Q. Please choose one of the following statements to best describe your views about Canada's strong economic ties to the U.S.: n=303

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Web-based technology and pre-existing business/government contracts are key to getting involved in global trade

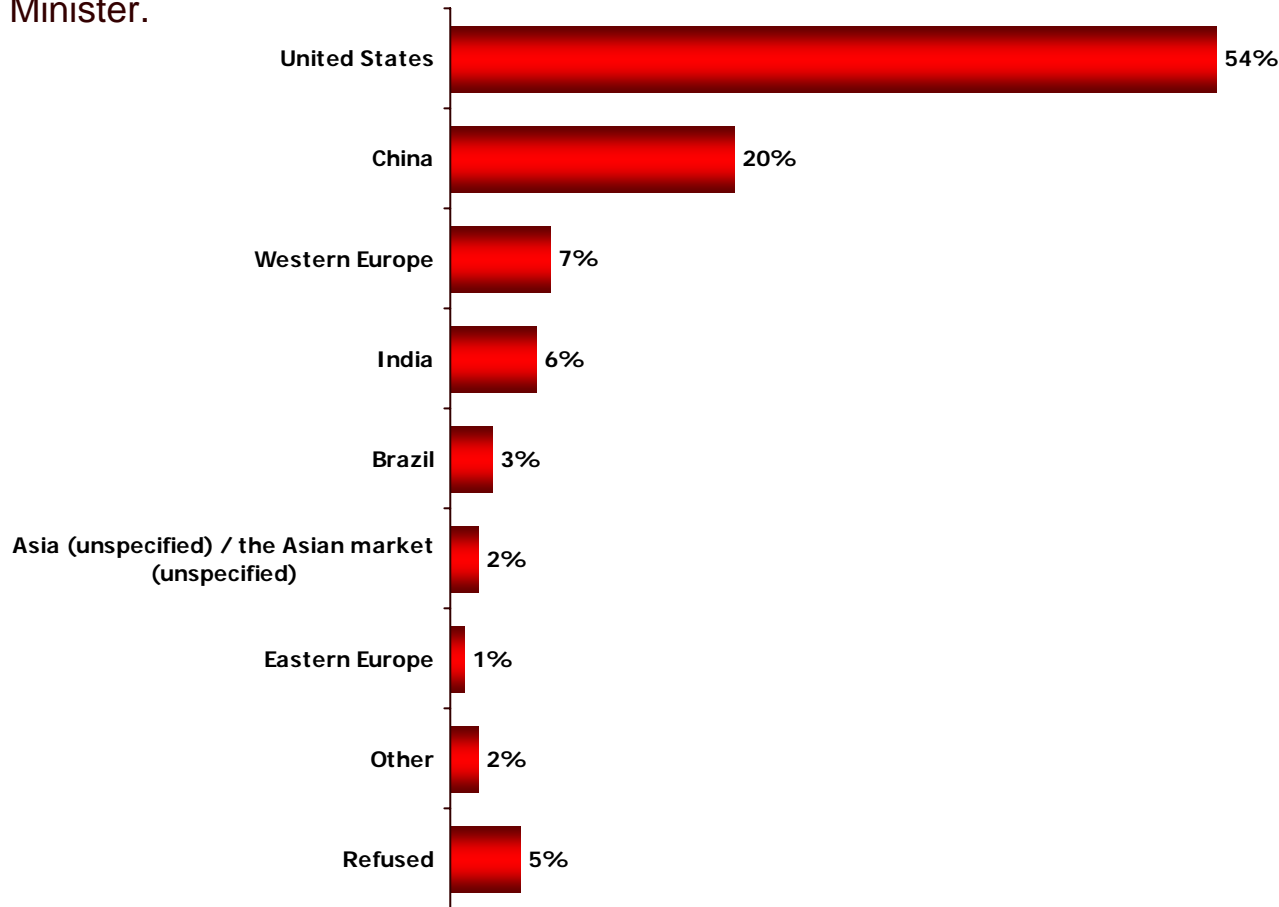
- ▶ One-quarter of small business owners believe using web-based technologies and pre-existing business/government contracts/partnerships are the best ways to get involved in global trade (24% both). A slightly smaller proportion think working independently and networking is the best way (22%).
- ▶ Business owners with an annual revenue \$3 million+ are more likely to say the best way to get involved in global trade is by working independently and networking (27% vs. 14% less than 3 million).
- ▶ Conversely, those with an annual revenue of less than \$3 million say using pre-existing contacts is the best way to get involved in global trade (31% vs. 20% 3 million+)



Q. In your opinion, what is the best way to get involved in global trade? n=303

Most would closely tie Canada's economy to the U.S.

- ▶ Over half of small business owners would closely tie Canada's economy to the United States if they were the Prime Minister (54%). A significantly smaller proportion of businesses owners say they would closely tie Canada's economy to China (20%).
- ▶ Aside from the U.S. or China, less than 10% would tie Canada's economy to any other country if they were Prime Minister.



Q. If you were the Prime Minister, what country/region would you choose to most closely tie Canada's economy? n=303