

**UPS Canada
Small Business Survey**

September 2010



Agenda

1. Methodology

2. Executive summary

3. Survey results

Methodology

Instrument

An online survey was conducted between August 31st and September 13th, 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 300 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

Small business owners believe that Canada could become a major player in the global market and feel we possess the ability to do so within the next 10 years. Additionally, six out of 10 small business owners within Canada agree that it is profitable to conduct business with companies outside of North America.

Despite this, most say they would not spend any investment capital internationalizing their business, and many aren't aware of any organization that could help them expand into international markets.

Furthermore, if Canada secured a free trade agreement with the European Union (EU), half express no interest in engaging in trade activity at all in this region and half believe Canada should establish trade tariffs to discourage overseas exporters from accessing the Canadian market and competing with Canadian companies.

To sustain current levels of economic growth, most small business owners believe that the Canadian government should reduce the deficit and debt, and reduce or eliminate taxes on consumer goods. To sustain current levels of competitiveness, three-quarters believe businesses should invest in technology to improve productivity.

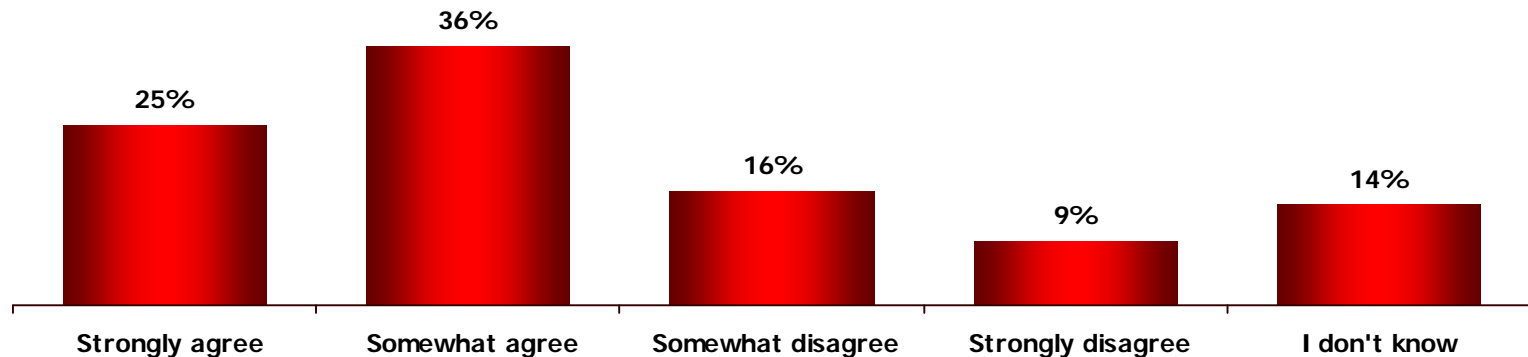
One-quarter think that Canada's small population is a barrier to Canada becoming a major economic power, while one-fifth believe it's government policy.

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Most small business owners agree it is profitable to conduct business outside North America

- ▶ Six out of 10 small business owners agree that it is profitable to conduct business with companies outside of North America (61%), with 25% strongly agreeing with this statement.
- ▶ Demographically
 - ▶ Small business owners in Atlantic Canada (84%) are more likely to agree it is more profitable to conduct business with companies outside North America relative to those in British Columbia (50%), Ontario (64%), and Quebec (52%).
 - ▶ Small business owners with an annual revenue of \$5 million+ are directionally more likely to agree with this statement (74%). The same is true for those in retail/wholesale (72%).

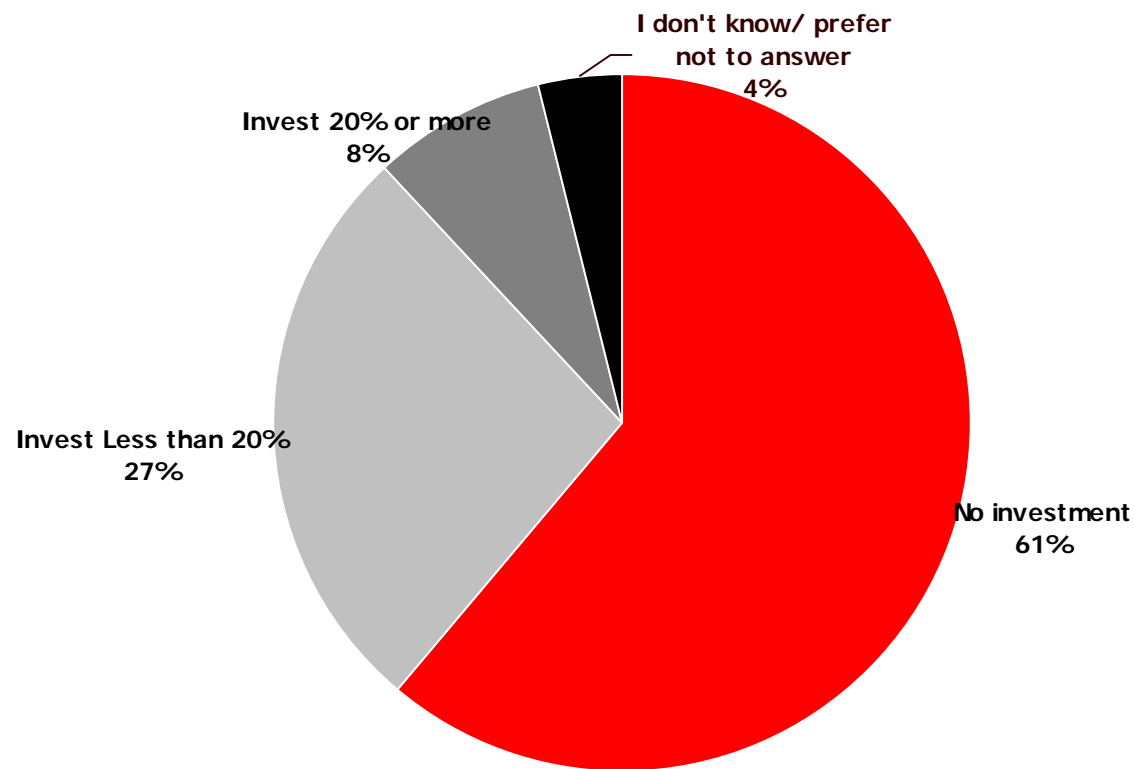


To what extent do you agree with the following statement:

“It is profitable to conduct business with companies outside of North America.” n=300

Most business owners would not invest in internationalizing their business

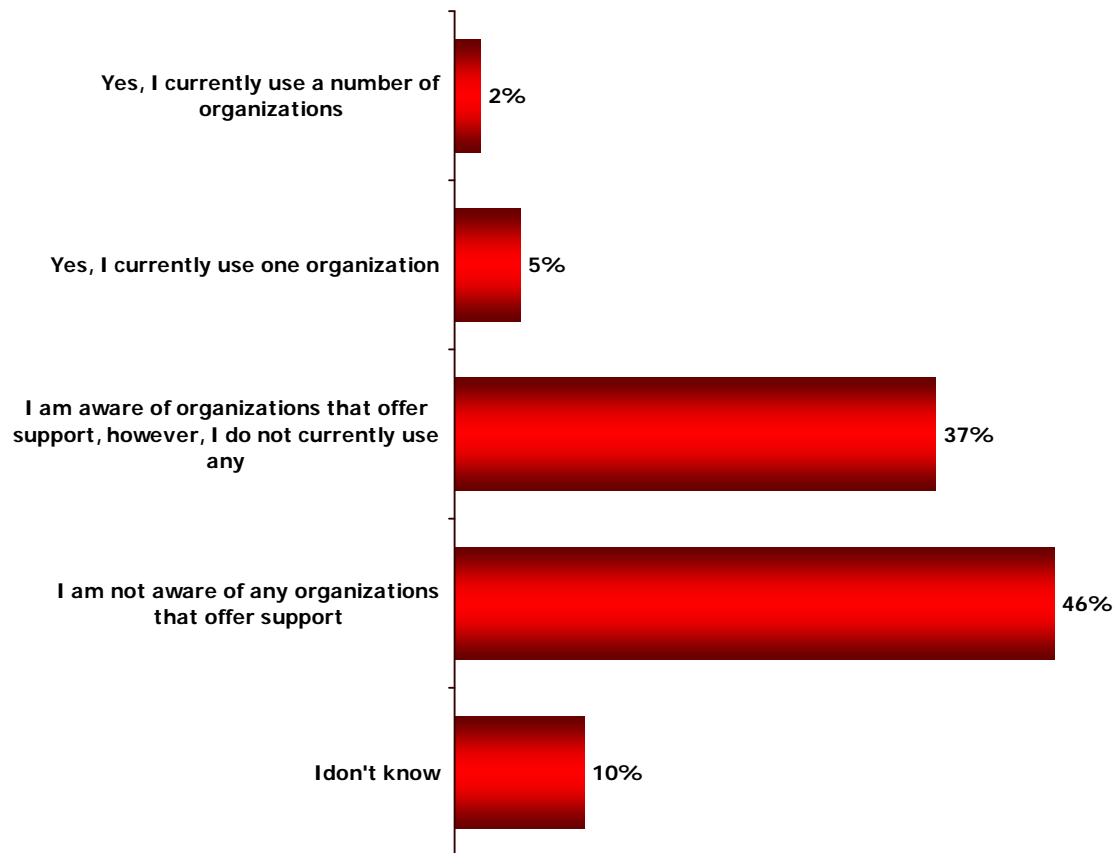
- ▶ Roughly three in 10 small business owners (27%) would invest less than 20% of their business capital on internationalizing their business. The majority of business owners, however, would not invest any capital internationalizing their business (61%).
- ▶ Only one in 10 small business owners would invest 20% or more of their business capital on internationalizing their business.



What percentage of your business investment capital would you spend internationalizing your business?
n=300

Many small business owners are not aware of organizations that can help them expand internationally

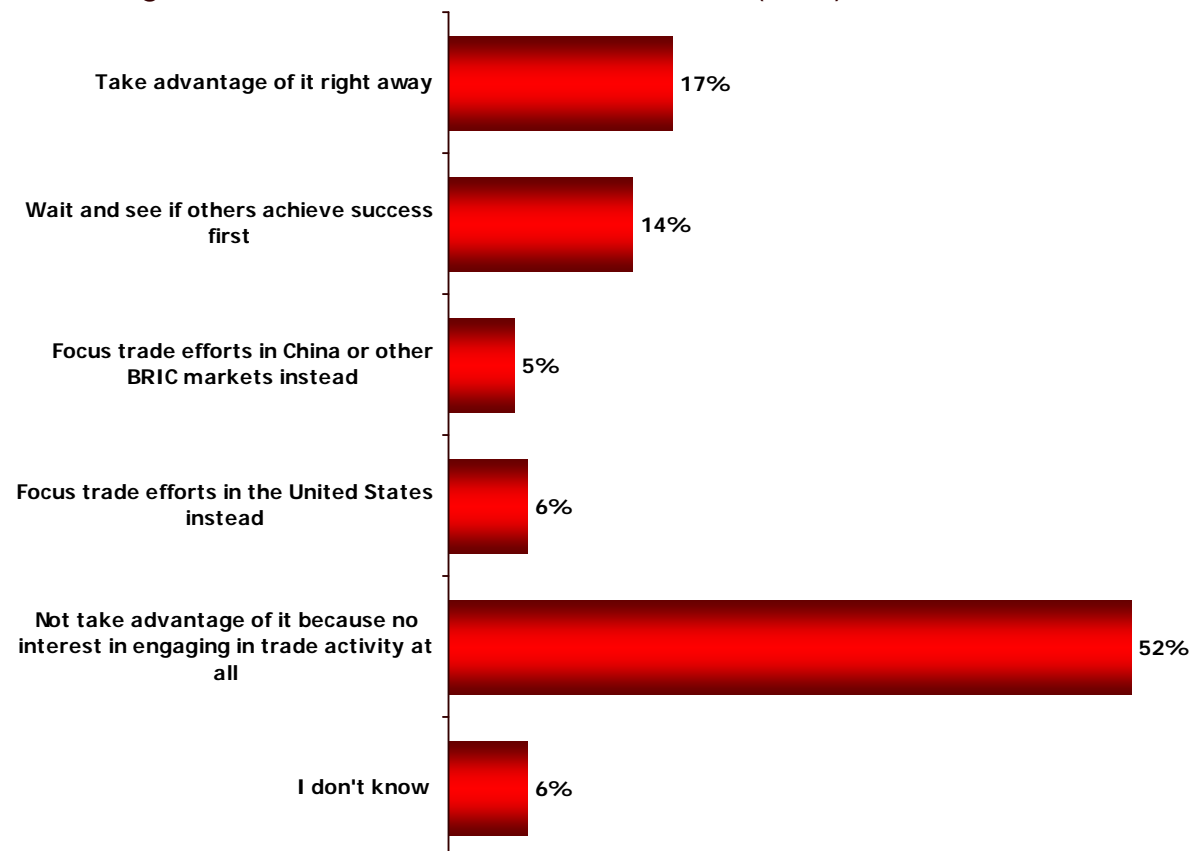
- ▶ Nearly half the small business owners surveyed are not aware of any organizations that could help them expand into international markets (46%).
- ▶ Among those who are aware of such organizations (44%), less than one in 10 (7%) currently employ one or more.



Do you currently leverage any Canadian organizations (private or public) to help you expand to international markets? n=300

Most small business owners are not interested in trading with the EU

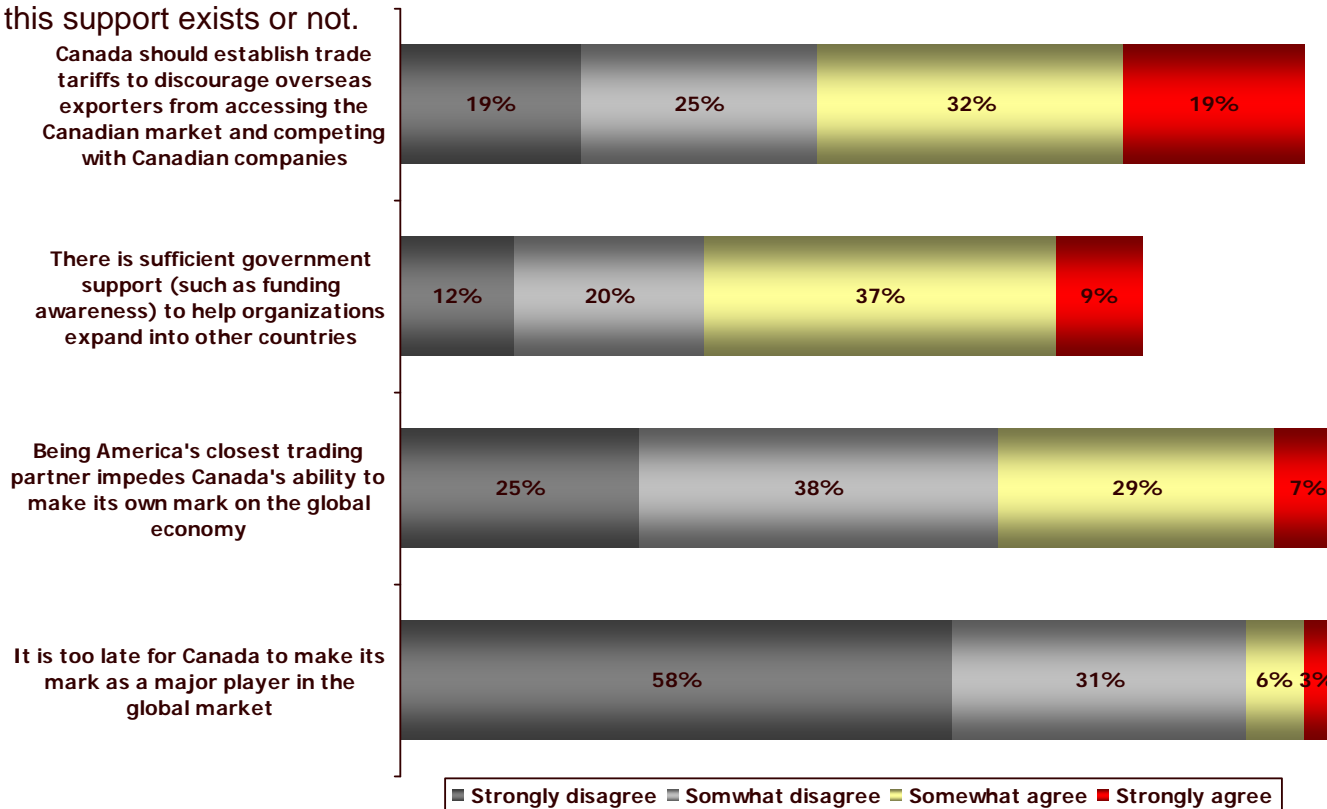
- ▶ One in five small business owners say they would trade with European Union if there was a free trade agreement between Canada and the EU (17%). The majority of small business owners, however, say they will not take advantage of it because they have no interest in engaging in trade activity at all with the EU (52%).
 - ▶ Those in retail/wholesale are directionally more likely to say they would not take advantage of a free trade agreement between Canada and the EU (68%).



If Canada secures a free trade agreement with the European Union, will you: n=300

Canada possesses the ability to be a player in a global economy

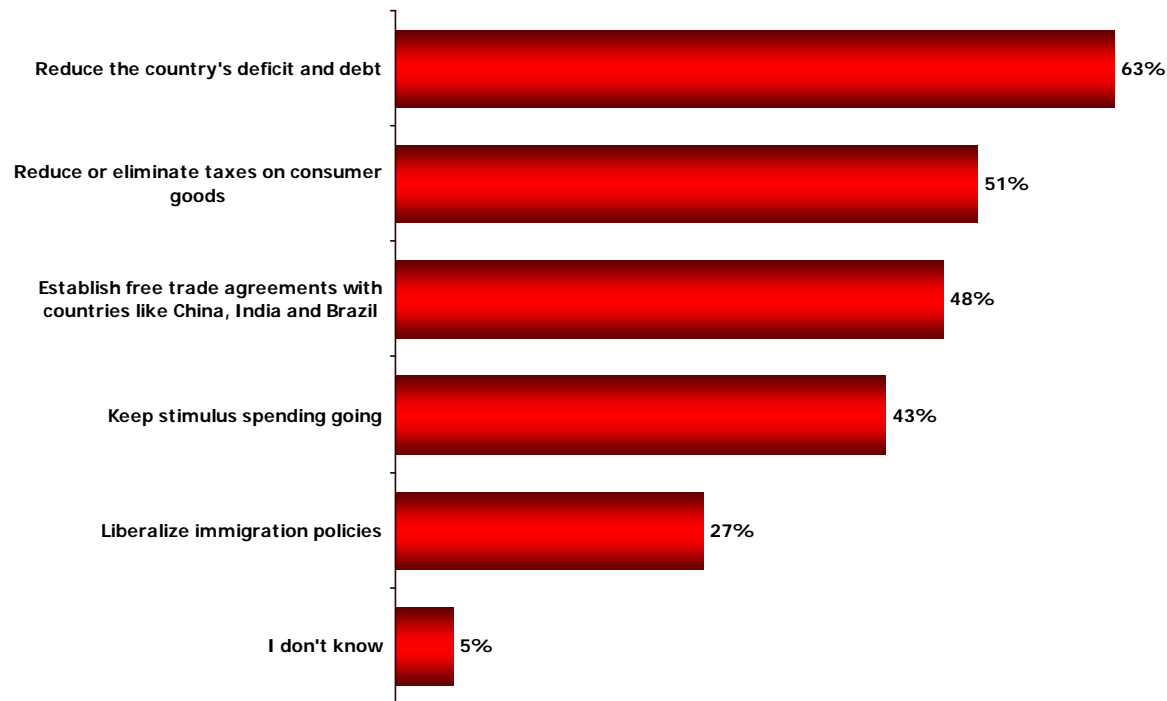
- ▶ Small businesses do feel that Canada could be a player in the global economy. There is disagreement among these businesses that being America's biggest trading partner impedes Canada's ability to make its own mark (63% disagree) and that it is too late for Canada to be a major player in the global market (89% disagree).
- ▶ There is mixed agreement on whether Canada should discourage overseas exporters from coming to Canada. Fifty-one per cent agree that Canada should establish trade tariffs to discourage overseas exporters from accessing the Canadian market and competing with Canadian companies.
- ▶ While 46% feel that there is sufficient government support to help organizations go international, almost one-quarter are unsure whether this support exists or not.



To what extent do you agree with the following statements: n=300

Most agree the Canadian government should reduce the deficit and debt to sustain economic growth

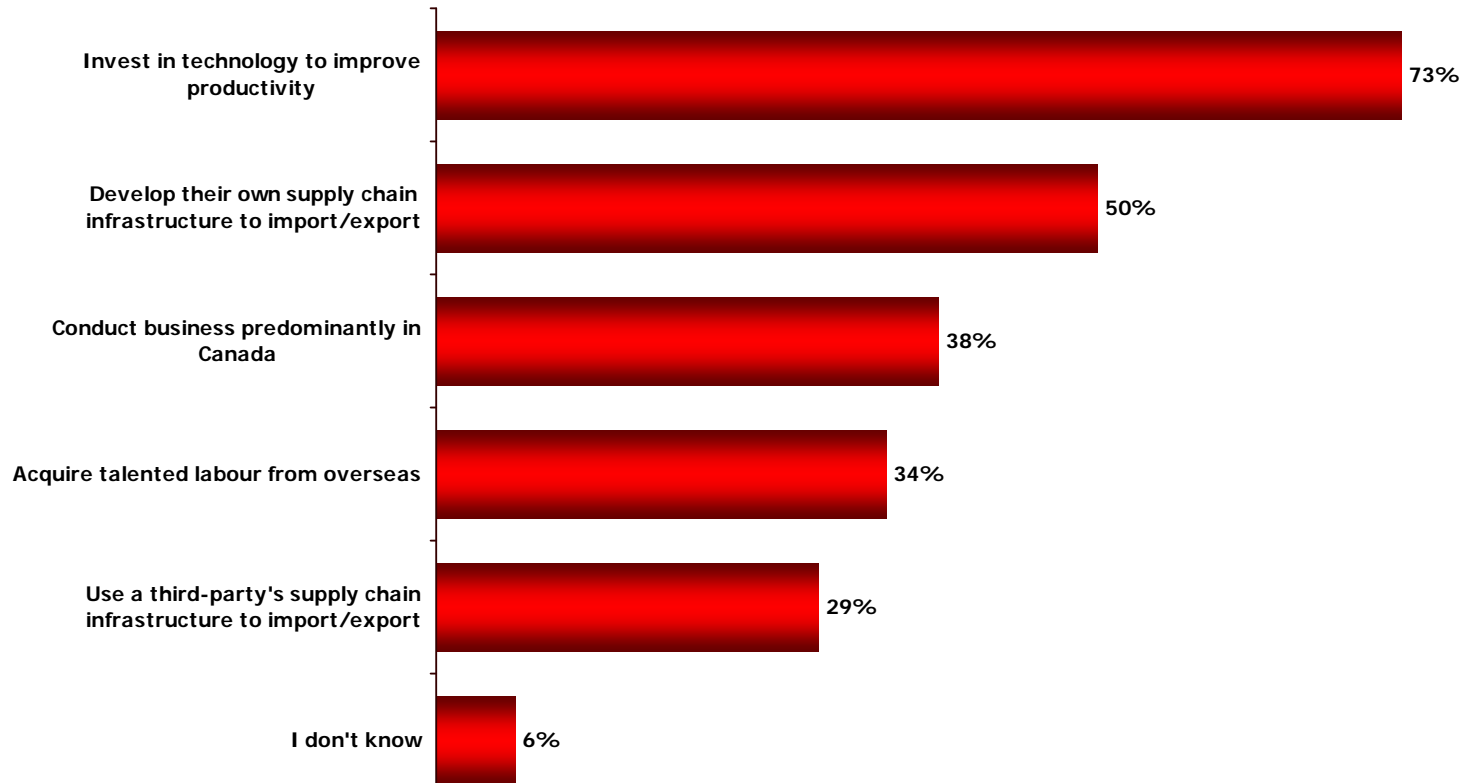
- ▶ Six out of 10 small business owners say that the Canadian government should reduce the country's deficit and debt to sustain Canada's current level of economic growth (63%).
- ▶ Others mentioned that the government should reduce or eliminate taxes on consumer goods; establish free trade agreements with China, India, and Brazil; and keep stimulus spending going.
- ▶ Three in 10 believe that Canada's immigration policies should become more liberal.
 - ▶ Regionally, small business owners in Alberta (67%) are more likely to say Canada should establish free trade agreements with countries like China, India, and Brazil, relative to those in Ontario (46%), British Columbia (40%), and Atlantic Canada (36%).



What steps should the Canadian Government take to sustain the country's current level of economic growth? n=300

Most agree businesses should invest in technology to sustain Canada's current level of competitiveness

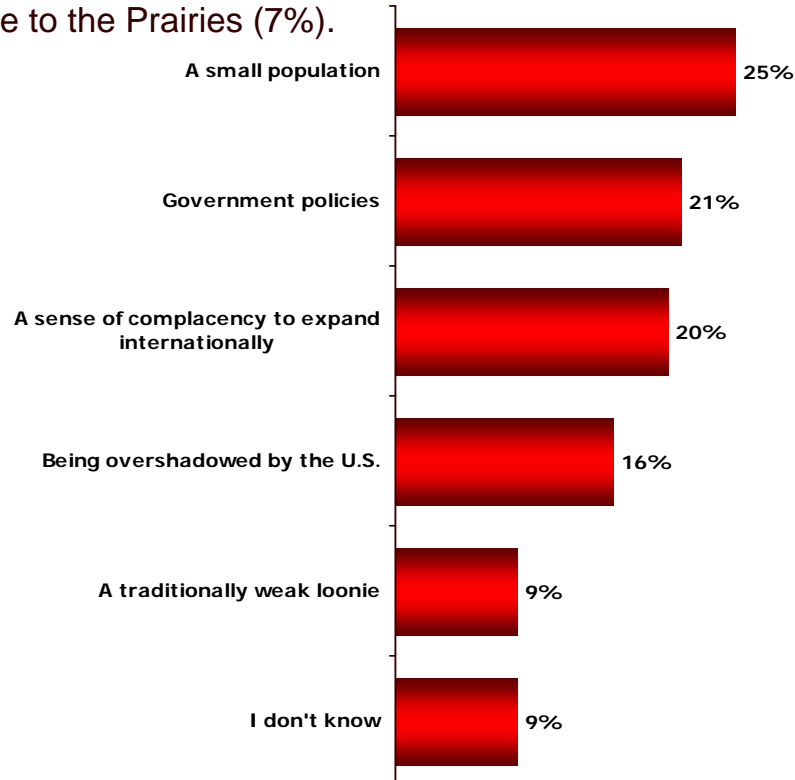
- ▶ To maintain Canada's current level of competitiveness, seven in 10 small business owners believe business should invest in technology to improve productivity (73%), while half say businesses should develop their own supply chain infrastructure to import/export.
 - ▶ Regionally, small business owners in Ontario are more likely to say businesses should develop their own supply chain infrastructure to import/export compared to those in Atlantic Canada (59% vs. 28%). The same is true for those in Alberta (61% vs. 28%).



What steps should businesses take to sustain the country's current level of competitiveness? n=300

Small population and government policies are key barriers to Canada becoming a major global economic power

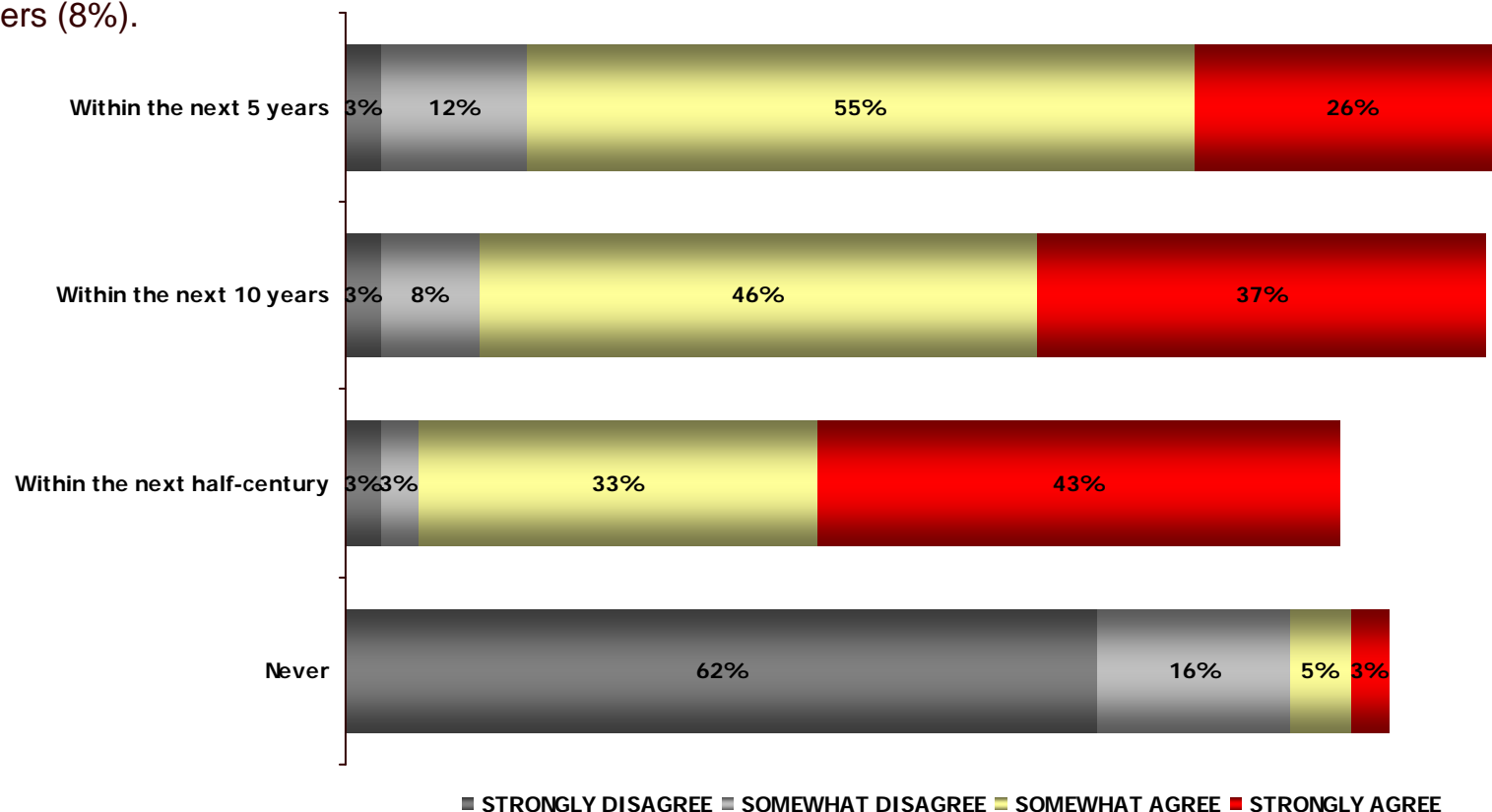
- ▶ Canada's small population and government policies are the most frequently mentioned reasons why Canada has not become a major global power thus far (25% and 21% respectively).
- ▶ Others mentioned a sense of complacency to expand internationally and being overshadowed by the U.S.
 - ▶ Regionally, small business owners in Quebec, British Columbia, and Ontario (27%, 25%, and 24%) are more likely to say government policies hinders our ability to become a major global economic power, relative to the Prairies (7%).



To what do you attribute Canada's inability thus far to become a major global economic power? n=300

Most agree Canadian businesses have the ability to compete with major global economic powers within the next five years

- ▶ Four-fifths of small business owners agree that Canadian businesses have/will have the ability to compete with major global economic powers within the next five years. A slightly higher proportion agrees that Canadian businesses can achieve this within the next 10 years (83%).
- ▶ Only one-tenth believes that Canadian businesses will never be able to compete with major global economic powers (8%).



To what extent do you agree that Canadian businesses have or will have the ability to compete with major global economic powers: n =300