



New Hampshire Bankers Association NH Business Community Sentiment Survey 2012

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Survey Center

The UNH Survey Center is an independent, non-partisan academic survey research organization and a division of the UNH College of Liberal Arts.

The Survey Center conducts telephone, mail, e-mail, Internet, and intercept surveys, as well as focus groups and other qualitative research for university researchers, government agencies, public non-profit organizations, private businesses, and media clients.

Our senior staff have over 40 years experience in designing and conducting custom research on a broad range of political, social, health care, and other public policy issues.

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Executive Summary

The University of New Hampshire Survey Center conducted a survey for the New Hampshire Bankers Association. The specific areas of interest are the current business conditions in New Hampshire, challenges facing New Hampshire businesses and access to credit. A survey of 401 New Hampshire businesses with revenues between \$500,000 and \$5 million was conducted by mail, Internet, and telephone between February 13 and April 3, 2012.

Business Expectations

- Overall, businesses responding are expecting a flat to expanding economy over the next 12 months in New Hampshire.
- New Hampshire businesses experienced mixed growth in the last 12 months, but anticipate an increase in gross sales and revenues over the next 12 months.
- Half of New Hampshire businesses were able to retain their staffing levels over the last 12 months, and anticipate a modest increase in the number of employees over the next 12 months.

Challenges

- Many businesses consider economic uncertainty and declines in customer spending the most important challenges facing businesses in New Hampshire.
- Access to capital is **not** considered an important challenge to businesses in New Hampshire.

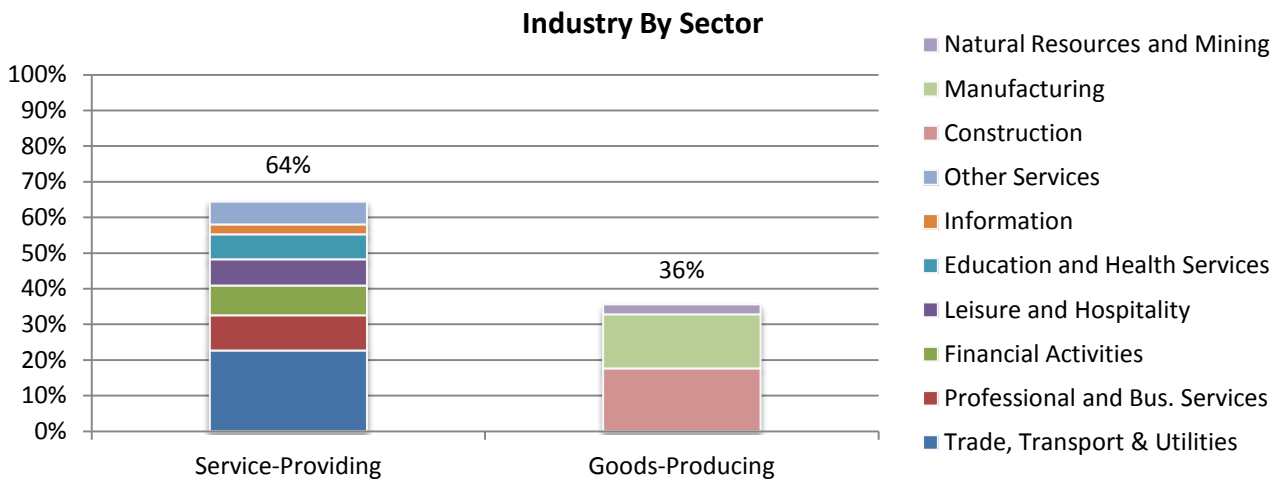
Financing

- Almost half of New Hampshire businesses sought credit in the last year, and of those who sought credit, the majority received the full amount they requested.

BUSINESS PROFILE

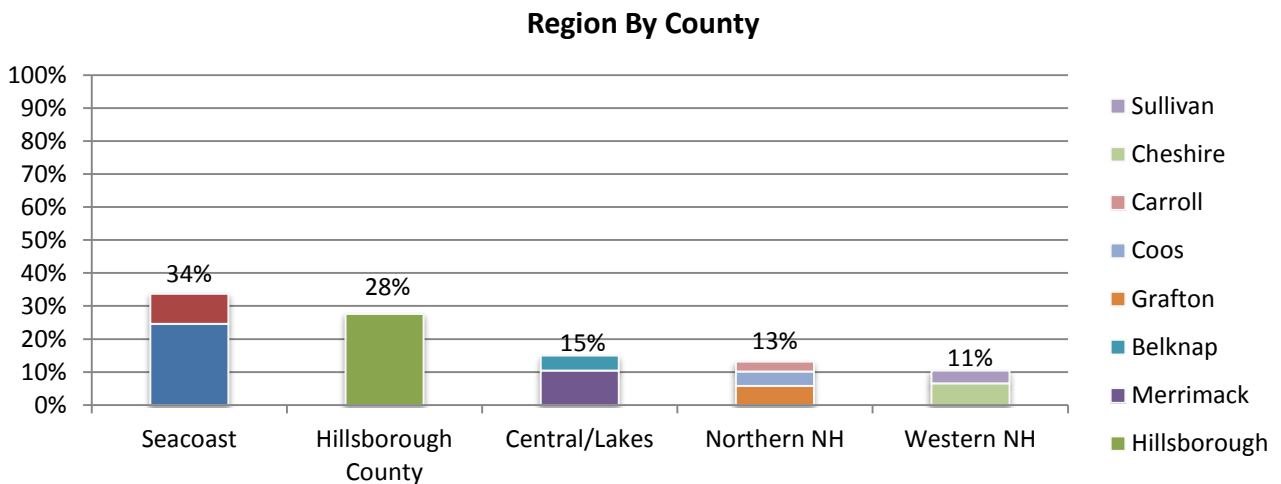
The businesses surveyed were classified according to the North American Industry Classification System (NAICS), as described by the Bureau of Labor Statistics¹. Nearly two-thirds of respondents report owning a service-providing business (Figure 1). The most strongly represented sectors are Trade, Transportation & Utilities; Construction; and Manufacturing.

Figure 1



The majority of respondents represent businesses based in the Seacoast region and Hillsborough County (Figure 2).

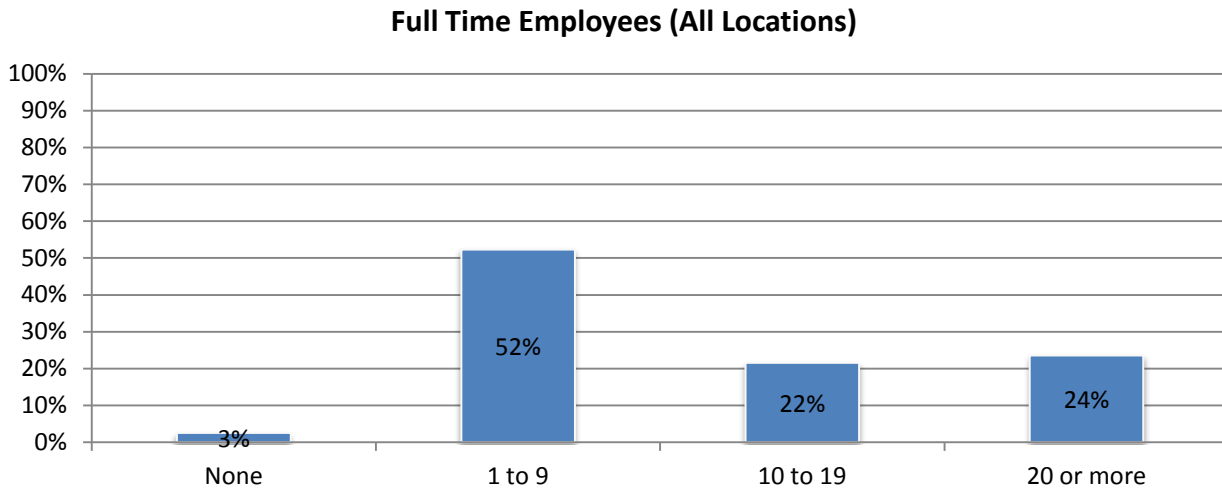
Figure 2



¹ For further details, please see http://www.bls.gov/iag/tgs/iag_index_naics.htm.

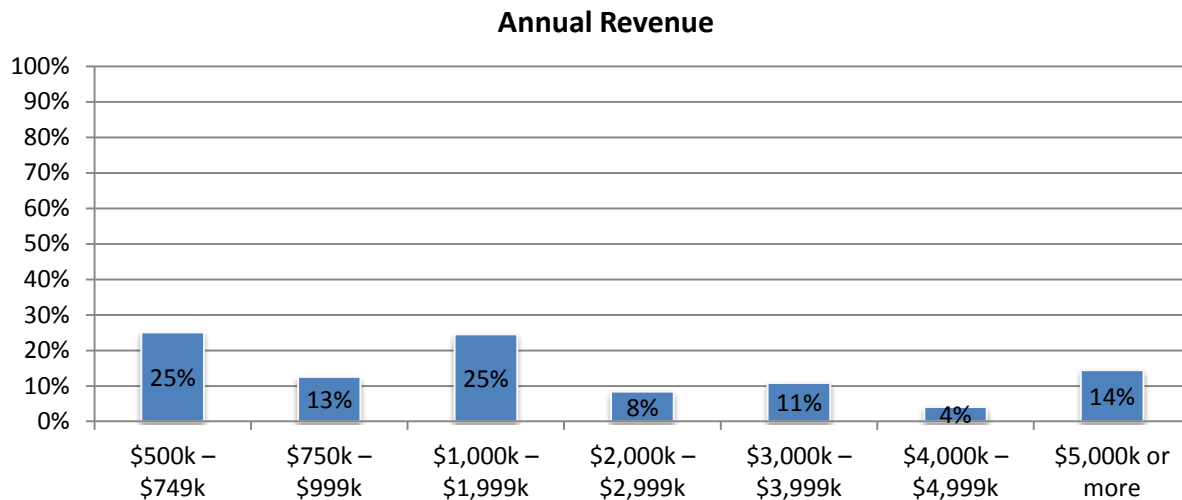
Most of the businesses in this survey are quite small with more than half reporting that they have less than ten full-time equivalent (FTE) positions at all locations for their company². Due to the seasonal nature of the business a small percentage reported no employees as of January 1, 2012 (Figure 3).

Figure 3



One quarter of businesses responding have annual revenues below \$750,000, another quarter report annual revenues between \$1 and \$2 million, and 14% report annual revenues over \$5 million (Figure 4).

Figure 4



² The maximum value from primary NH location, all NH locations, and all locations were used in determining the size of the company.

The businesses responding to the survey are well established, with a majority having been in operation for over two decades (Figure 5). Very few consider themselves start-ups (Figure 6).

Figure 5

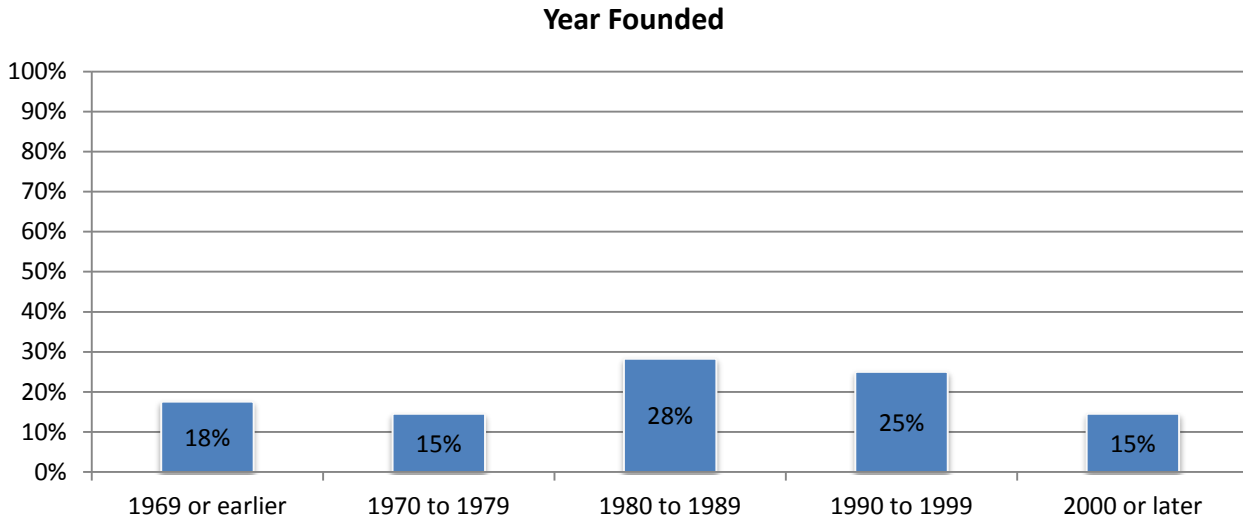
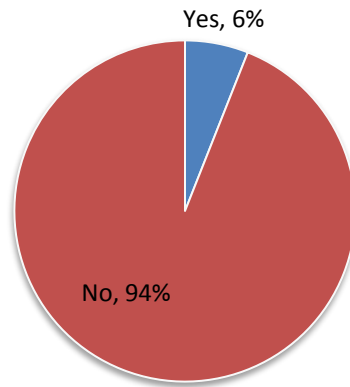


Figure 6

Do you consider your business a recent “Start-Up”?



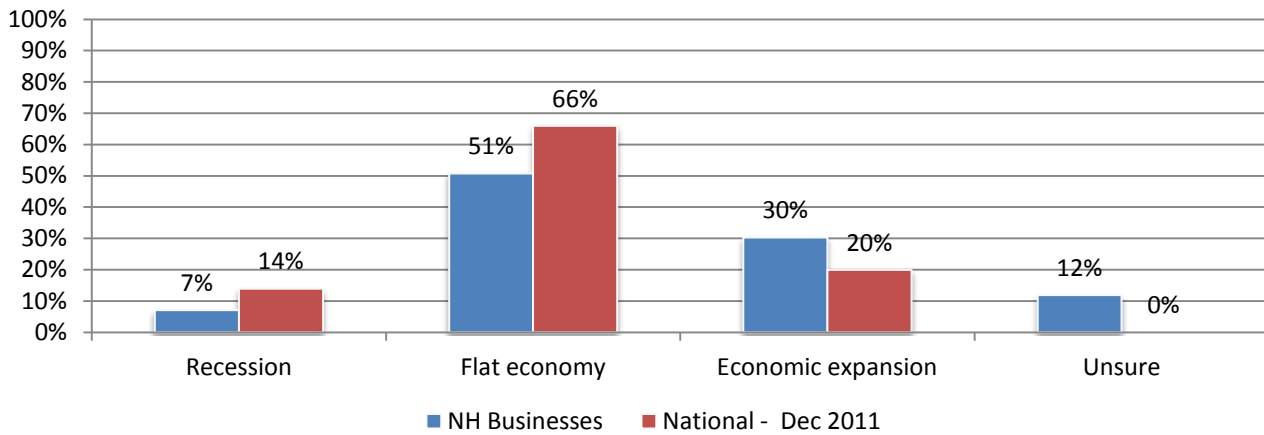
GENERAL NEW HAMPSHIRE ECONOMY

Half of the businesses responding to the survey anticipate a flat economy over the next 12 months in New Hampshire. New Hampshire businesses are more optimistic about the future than businesses surveyed in the National Small Business Association survey³.

- Those businesses in the leisure and hospitality sector (62%) are more likely to anticipate a flat economy in New Hampshire over the next 12 months.
- Businesses in the financial activities (44%) or professional and business (46%) sectors and businesses with annual revenues over \$2 million (42%) are most likely to anticipate economic expansion in New Hampshire over the next 12 months.

Figure 7

Thinking about business conditions in NH... in the next 12 months, do you anticipate ...



³ 2011 Year-End Economic Report from the National Small Business Association. Accessed at: http://www.nsba.biz/docs/2011_year-end_economic_report.pdf.

Gross Sales or Revenue

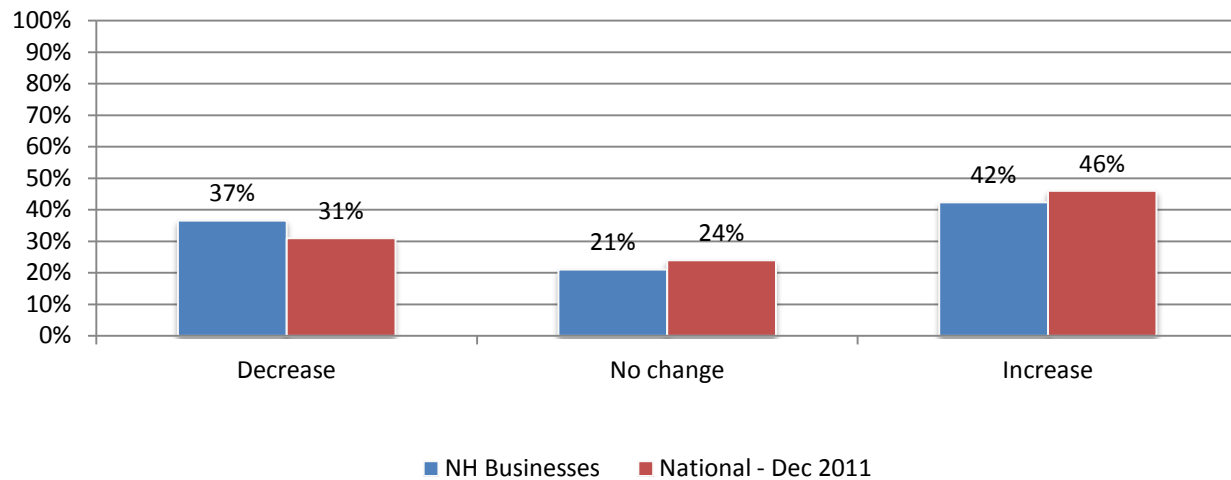
Just over 4 out of 10 New Hampshire businesses report an increase in gross sales or revenues and net profits over the past 12 months, and just fewer than 4 out of 10 businesses report a decrease (Figure 8).

New Hampshire businesses experienced similar growth over the past 12 months compared with national small businesses.

- Businesses with more than 20 FTEs (59%), annual revenues over \$4 million (67%), recent start-ups (63%), and those businesses in the manufacturing (52%) and leisure and hospitality (52%) sectors are most likely to report their business has experienced an increase in the last 12 months.
- Businesses in northern New Hampshire (50%), those earning less than \$750,000 (50%), and businesses founded between 1970 and 1979 (49%) are most likely to report experiencing a decrease.

Figure 8

Has your company experienced an increase, a decrease or no change in gross sales/revenues and net profits over the last 12 months?



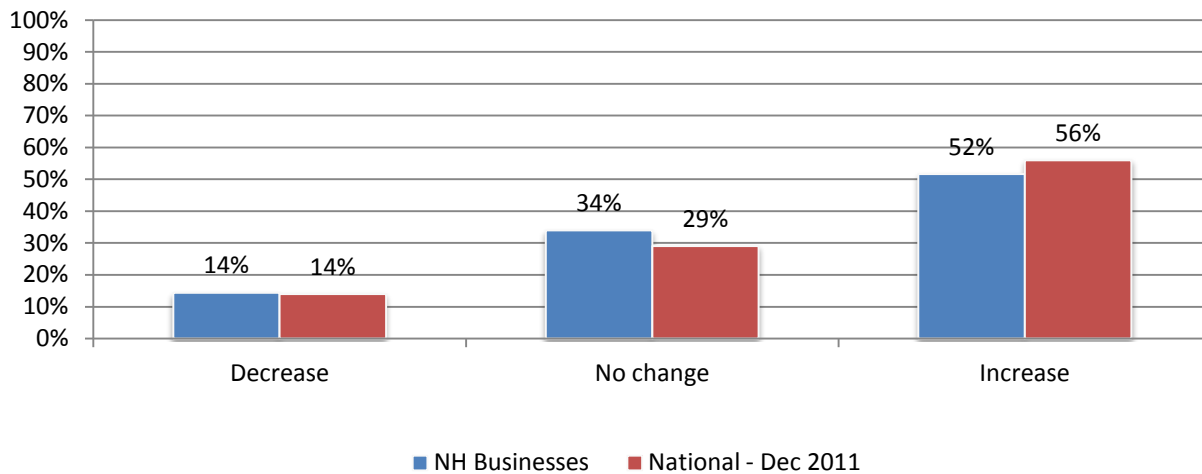
New Hampshire businesses anticipate doing better financially in the coming year, just over half of businesses responding expect their business to increase gross sales or revenues over the next 12 months and another third expect their sales or revenues to see no change (Figure 9).

New Hampshire businesses anticipate similar growth over the next 12 months compared with national small businesses.

- Businesses with revenues over \$3 million (68%), those that were founded in 2000 or later (68%), recent start-ups (75%), and those who plan to change lenders (66%) are most likely to expect gross sales and revenues to increase.
- Businesses with revenues less than \$750,000 (24%) are most likely to expect their gross sales and revenues to decrease.
- Businesses in the education and health services (50%) sector and those located in western New Hampshire (46%) are most likely to expect no change in gross sales and revenues.

Figure 9

Do you expect for your company to increase, decrease or have no change in gross sales/revenues over the next 12 months?



NUMBER OF EMPLOYEES

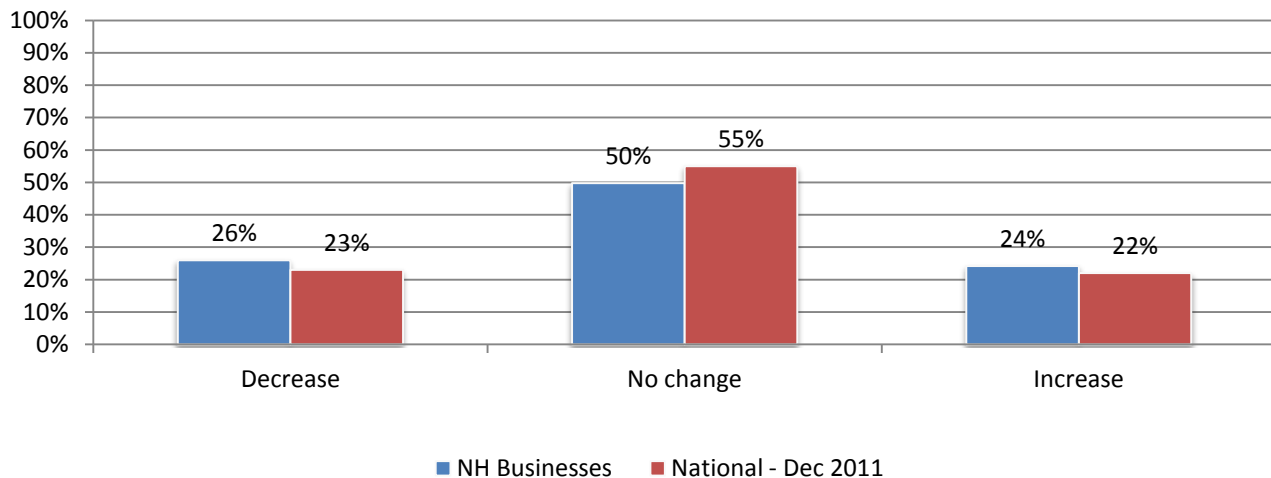
Half of all businesses responding report experiencing no change to the number of employees over the last 12 months. A quarter each report a decrease, or an increase in the number of employees.

New Hampshire businesses experienced similar employment growth over the last 12 months compared with national small businesses.

- Businesses in the financial activities (64%) or other service (64%) sectors and those with revenues less than \$750,000 (65%) are most likely to report they experienced no change.
- Businesses in construction (41%) and those in the central/lakes region of New Hampshire (36%) are most likely to report a decrease in the number of employees over the last 12 months.
- Businesses in the professional and business (35%) sector, businesses with over 20 employees (47%), businesses with revenues over \$3 million (37%), businesses founded in 2000 or later (35%), recent start-ups (50%), and those who sought credit last year (35%) are most likely to report an increase.

Figure 10

Has your company experienced an increase, a decrease or no change in the number of employees over the last 12 months?

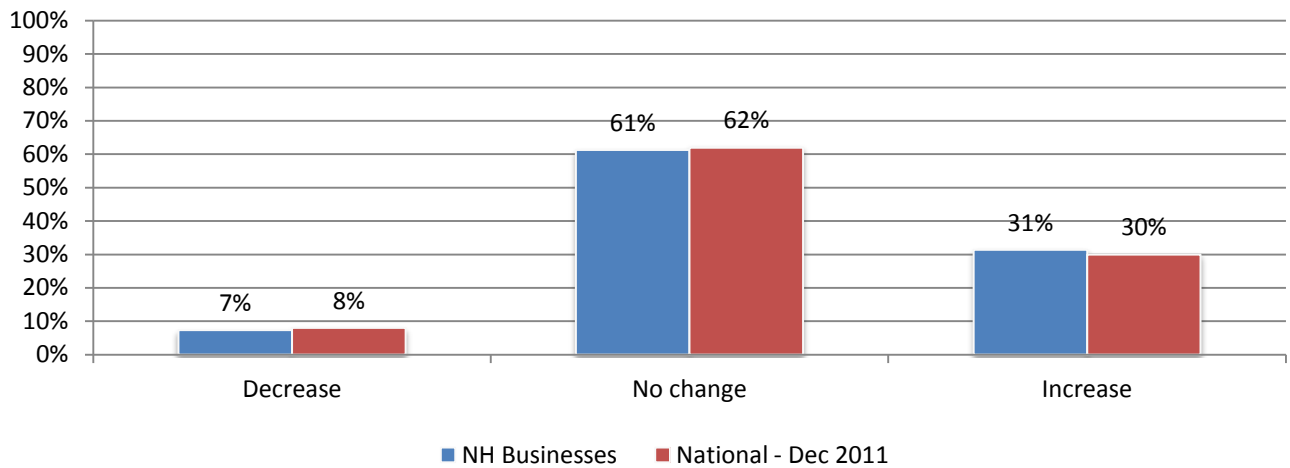


Businesses also anticipate modest employment growth in the coming year. Nearly two-thirds of businesses expect to see no change in the number of employees over the next 12 months and a third expect to see an increase while less than 1 in 10 expect to reduce employees.

- Businesses in the construction sector (41%), those with revenues of \$5 million or more (43%), those founded in 2000 or later (42%), recent start-ups (58%), and those who plan to change their lender (47%) are most likely to expect an increase in the number of employees in the next 12 months.
- Businesses located in northern New Hampshire (71%) and those with revenues less than \$750,000 (78%) are most likely to expect to see no change in the number of employees over the next 12 months.

Figure 11

Do you expect for your company to increase, decrease or have no change in the number of employees over the next 12 months?



CHALLENGES

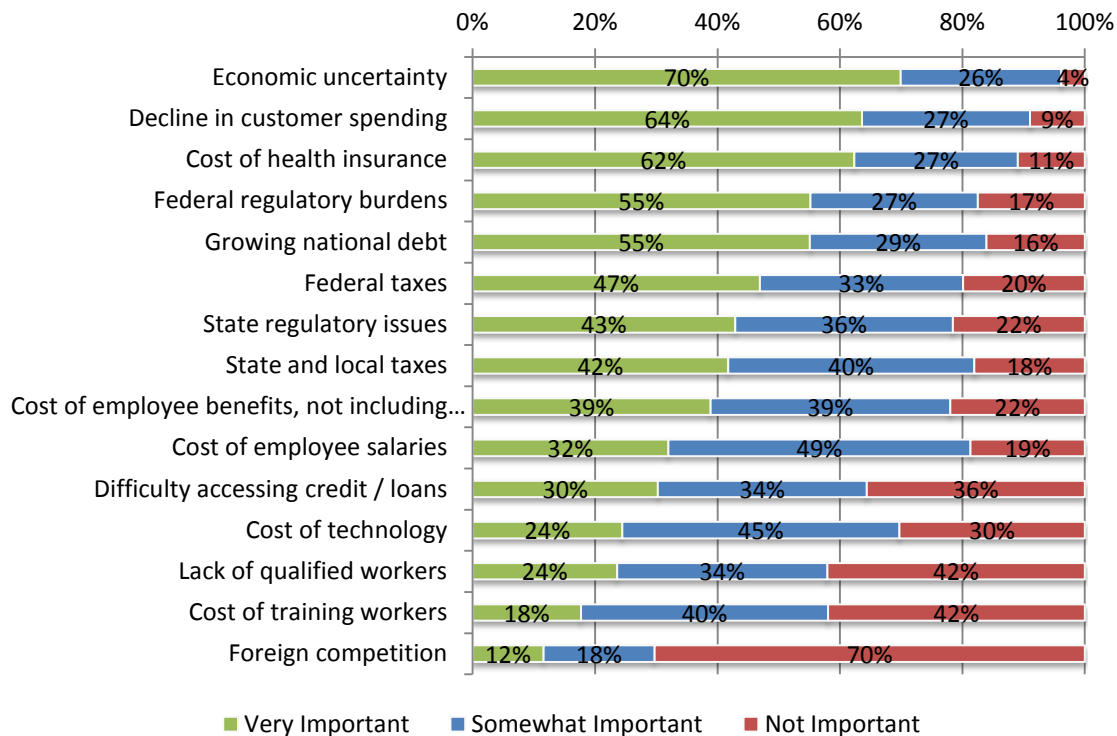
A majority of businesses rate economic uncertainty, decline in customer spending, the cost of health insurance, a growing national debt and federal regulatory burdens as very important challenges to the future growth and survival of their company.

Less than a third of businesses rate the cost of employee salaries, difficulty accessing credit or loans, cost of technology, lack of qualified workers, and foreign competition as very important challenges to the future growth and survival of their company.

- Businesses in the leisure and hospitality (83%) or trade, transport and utilities (75%) sectors and those in the central/lakes region of New Hampshire (74%) are most likely to report a decline in customer spending as a very important challenge.
- Businesses in financial activities (75%), those with revenues more than \$5 million (68%), and those with businesses founded in 1969 or earlier (69%) are most likely to report federal regulatory burdens as a very important challenge.
- Recent start-ups (61%) are most likely to report federal taxes as a very important challenge.
- Companies founded in 2000 or later (45%) and recent start-ups (48%) are most likely to report difficulty accessing credit as a very important challenge.

Figure 12

Please rate how important each of the following challenges are to the future growth and survival of your company.

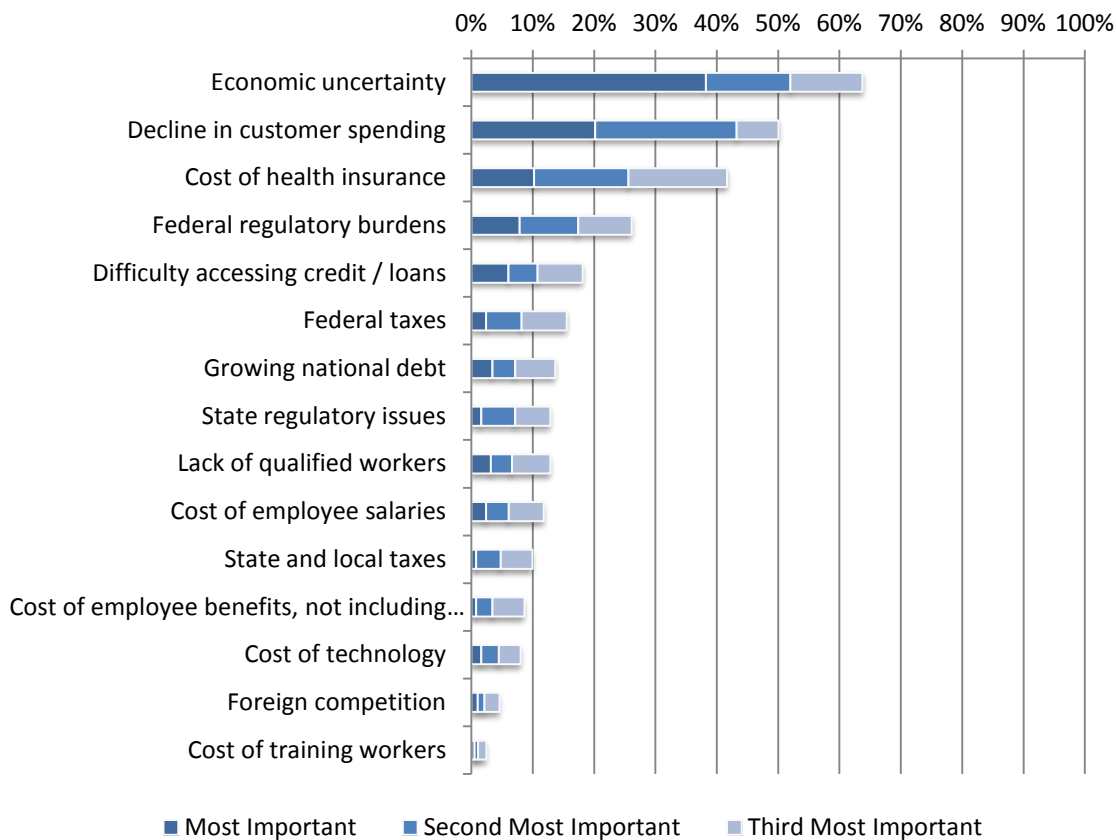


When asked to rank which of the listed challenges was most significant, second most significant and third most significant, a majority rated economic uncertainty as one of the top three most significant challenges to the survival of their business, followed by the decline in customer spending, and the cost of health insurance.

- Businesses in the leisure and hospitality sector (79%), those in northern (73%) or western (74%) New Hampshire are the most likely to cite economic uncertainty as one of their three most significant challenges.
- Businesses in leisure and hospitality (75%) and those in the central/lakes region of New Hampshire (60%) are most likely to report a decline in customer spending as one of their three most significant challenges.
- Businesses in the education and health (59%) or manufacturing (54%) sectors are most likely to report the cost of health insurance as one of their three most significant challenges.
- Businesses in financial activities (45%) or education and health (44%) are most likely to report federal regulatory burdens as one of their three most significant challenges.
- Businesses founded in 2000 or later (33%) and recent start-ups (57%) are most likely to cite difficulty accessing credit as one of their three most significant challenges.

Figure 13

What are the three most significant challenges to the future growth and survival of your business?



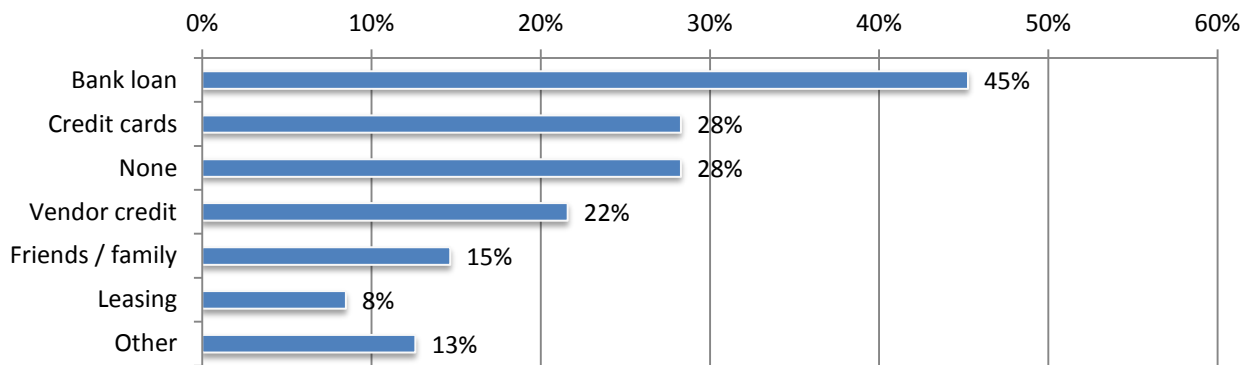
FINANCING

Over two-fifths of businesses responding reported using bank loans within the past 12 months to meet their financing needs, about a third used credit cards, and one-fifth used vendor credit. Nearly a third report using no financing in the past 12 months. Other sources of financing used were friends and family, leasing, or some other type of financing.

- Businesses in leisure and hospitality (64%) and large businesses (i.e., businesses with large revenues (61%+) and over 10 employees (55%+)) are most likely to report using a bank loan in the last year.

Figure 14

What type of financing has your company used within the past 12 months to meet your financing needs?

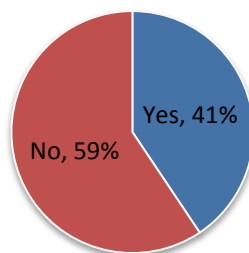


Only two-fifths of businesses reported trying to get a loan or line of credit from a bank or other financial institution in the past 12 months.

- Businesses in leisure and hospitality (62%) and large businesses (i.e., businesses with large revenues (51%+) and businesses with 20 or more employees (54%)) were more likely than small businesses to seek a loan or a line of credit from a bank or other financial institution.

Figure 15

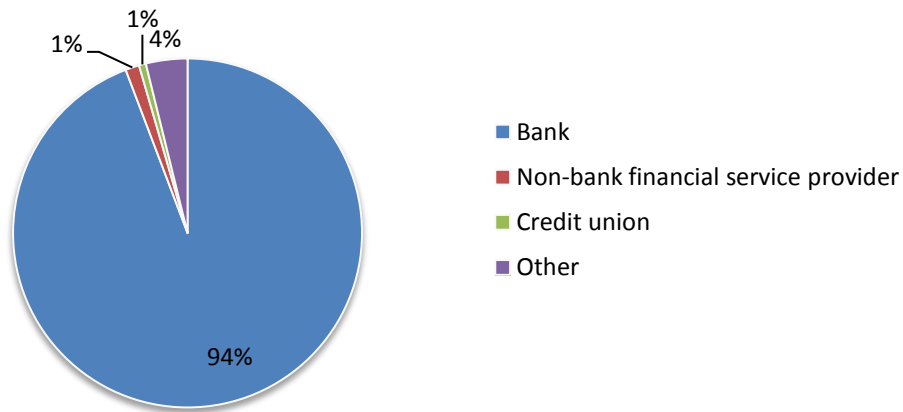
In the last year, have you tried to get a loan or line of credit for your company from a bank or other financial institution?



Of those that tried to get a loan or line of credit (N=160), nearly all contacted a bank for a loan or line of credit.

Figure 16

What type of financial institution did you contact for a loan or line of credit?

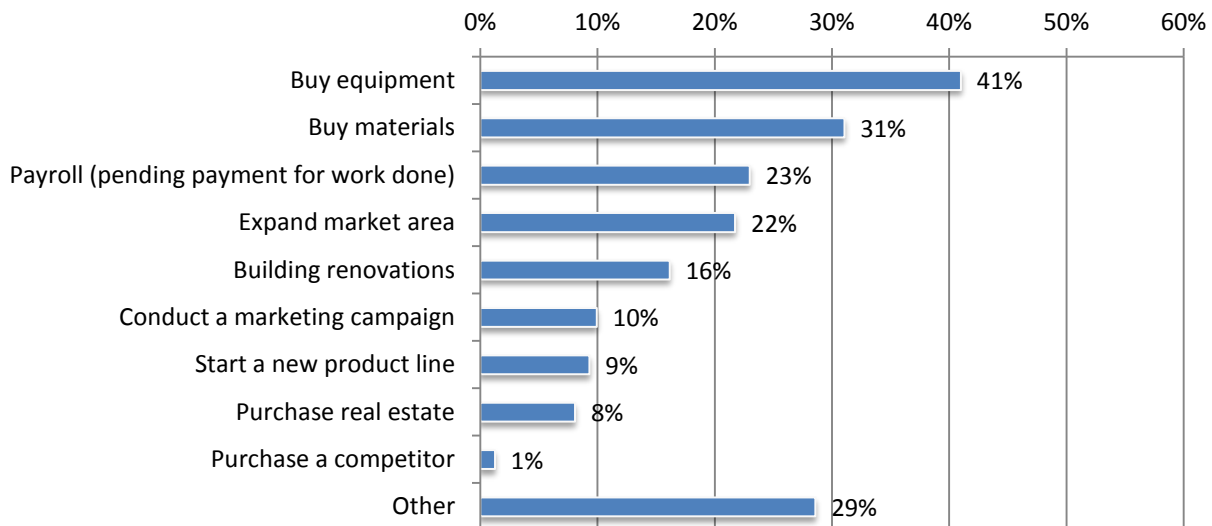


At least a third of responding businesses reported needing a loan or line of credit for purchasing equipment or buying materials. The remaining needs were cited less frequently by businesses.

- Construction (43%), manufacturing (46%), and trade, transport and utility (43%) businesses were most likely to require credit in order to buy materials or equipment.

Figure 17

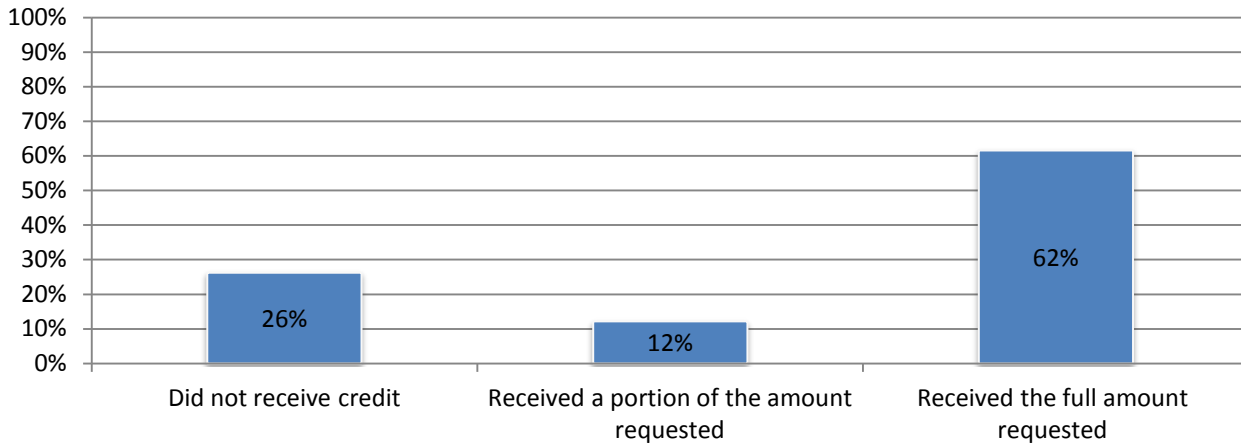
Which of the following describe your company's need for a loan or line of credit?



A majority of businesses that applied for a loan or line of credit received the full amount requested, 12% received a portion of the amount received, and a quarter did not receive credit.

Figure 18

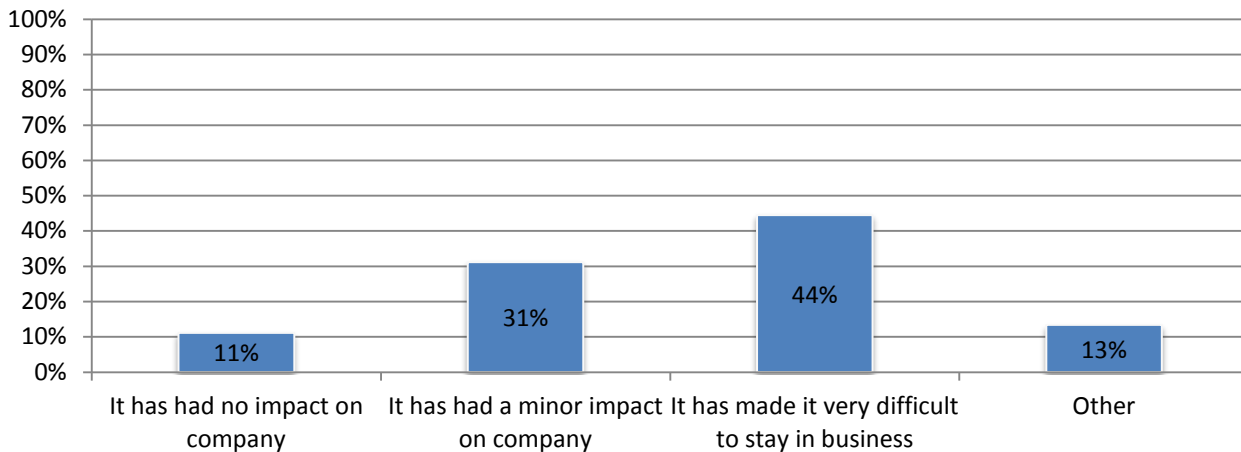
What was the result of the loan or line of credit request?



Of those businesses that applied for a loan or line of credit and did not receive credit (N=45), nearly half (N=20) state that it has made it very difficult to stay in business, a third state it has had a minor impact on the company, and 11% state it has had no impact on the company.

Figure 19

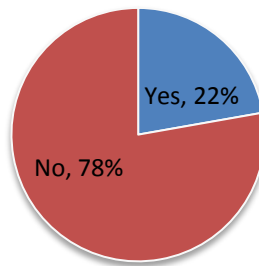
Which of the following best describes the impact of your company not getting this loan or line of credit?



Of those businesses that were denied a loan or a line of credit (N=45), only 22% (N=10) were able to secure a loan or a line of credit from a different bank or financial institution.

Figure 20

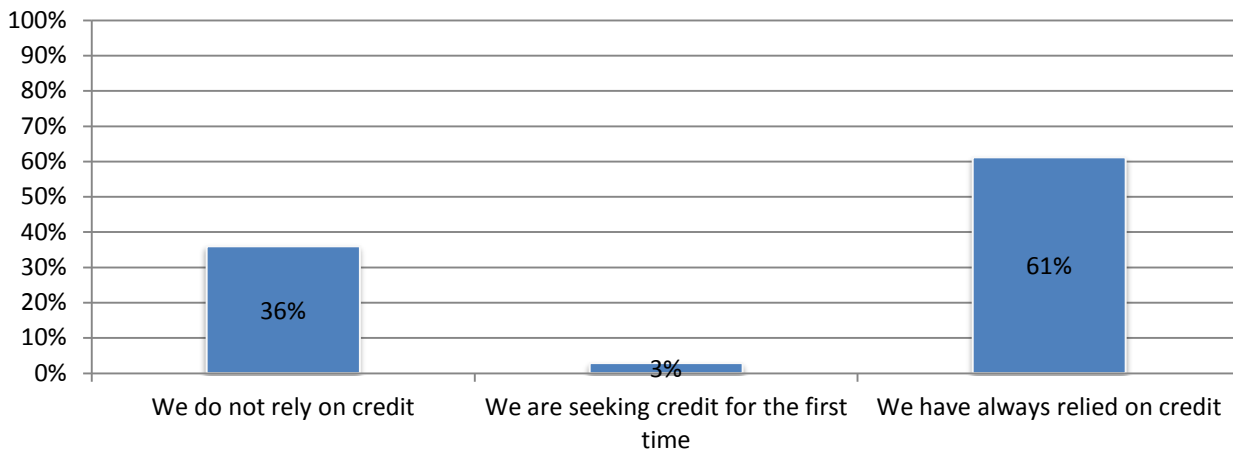
Were you able to secure a loan or line of credit from a different bank or financial institution?



All respondents were asked how much they relied on credit. Over a third reported they have never relied on credit, two thirds report they have always relied on credit, and only a small percentage report they are relying on credit for the first time.

Figure 21

How much does your company rely on credit, including credit cards, bank loans, or vendor credit

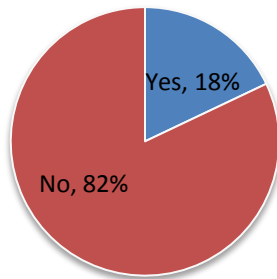


A majority of businesses report not experiencing difficulties in accessing credit in the past 12 months.

- Businesses who consider themselves recent start-ups (46%) and those founded in 2000 or later (33%) are most likely to report difficulty accessing credit.

Figure 22

In the past 12 months, has your business experienced difficulty in accessing credit?

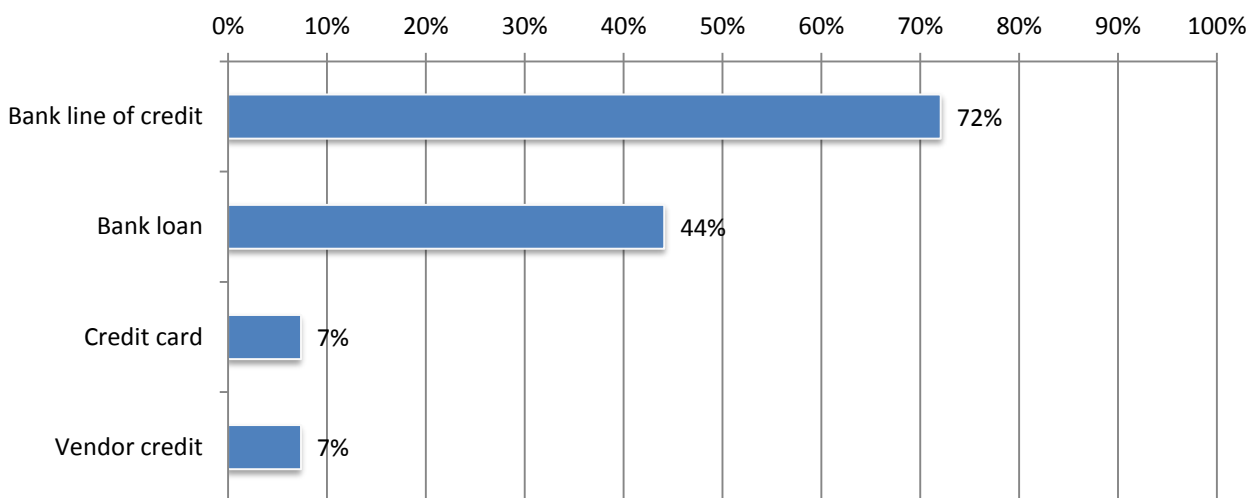


Of those businesses (N=68) that reported difficulty accessing credit in the past 12 months, nearly three-fourths (N=49) were trying to access a line of credit, a bit less than half (N=30) were trying to obtain a bank loan, and less than 15% (N=10) were trying to access credit cards, vendor credit, or some combination of the two.

- Of the 5 businesses that reported difficulty in accessing a credit card, all 5 reported annual revenues of less than \$1 million, but none considers itself to be a recent “start-up”.

Figure 23

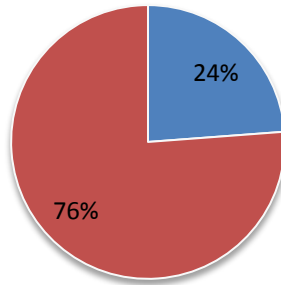
What type of credit was your business trying to access?



Of those that experienced difficulty (N=63), three quarters (N=48) were working with a lender or vendor with which they had an existing relationship.

Figure 24

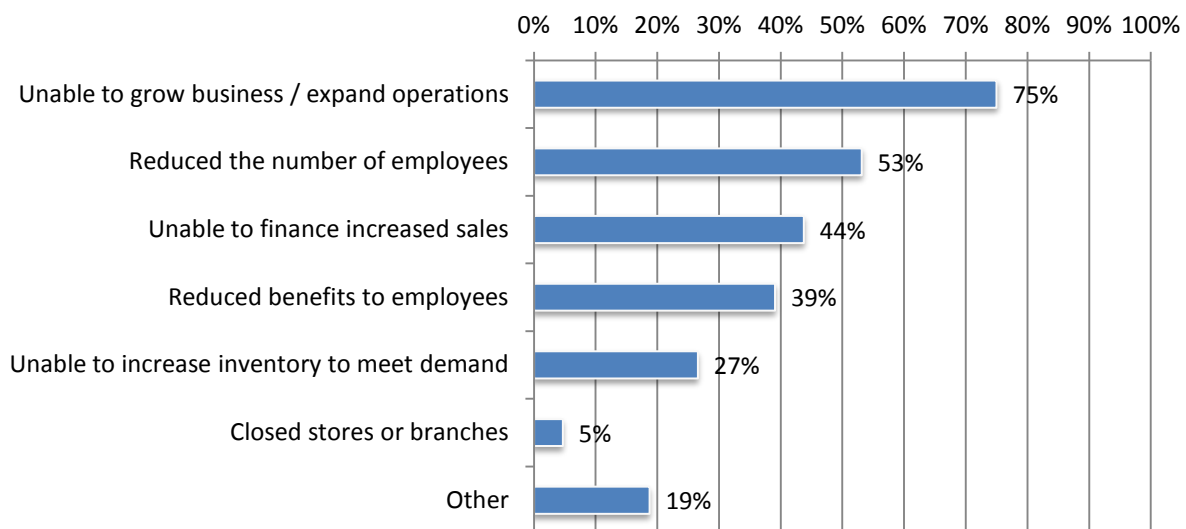
Was your business trying to access credit through a new lender (or vendor) or one your business has had a relationship with?



Of those that reported difficulty in accessing credit (N=64), three-fourths (N=48) report being unable to grow their business or expand operations as a result, and more than half report having to reduce the number of employees.

Figure 25

If accessing credit is a problem for your business, what is the effect on your operations?



All businesses were asked if they have any plans of changing their lender in the next 12 months, and a large majority stated they have no plans to change lenders.

- Recent start-ups (36%) and those who report difficulty accessing credit (34%) are most likely to say that they plan to change lenders in the next 12 months.

Figure 26

Does your business have any plans to change its lender in the next 12 months?

