SBE Council Survey: Emerging Technology, Innovation and Small Business
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Background & Objectives
The SBE Council commissioned the study to gain insights from small business owners about emerging technologies, innovations, and policy-related issues.

Survey Sample
- Online Survey Methodology
- Sample size - 461 total completes
  - TechnoMetrica used its network of panel partners for the sample.
- Credibility interval - +/-4.7 percentage points
- The sample is composed of 97 Tech companies, 97 manufacturers, and 267 other firms. The results are weighted to align with known industry distribution in the U.S.

Methodology
- Survey Conducted
  - May 25 – May 30, 2023
- Average Length of Interview
  - 11 minutes
- Qualification Criteria
  - Small business owners
Findings - Overview

Immersive Technologies And Metaverse

- Business owners show varying levels of familiarity with immersive technologies (VR, AR) and the emergence of the metaverse, also called Web 3.0. While a notable 25% of small businesses are very familiar with immersive technologies/metaverse, a significant portion, 46%, are only somewhat familiar.
- The adoption of immersive technologies/metaverse is prevalent among small businesses, with 42% currently using them in their operations. However, the majority of 49% do not currently employ immersive technologies.
- Customer engagement is the primary area where small businesses believe they will benefit from immersive technologies/metaverse: 57% of small businesses note this area of use. Additionally, 48% believe immersive technologies will benefit employee training, while 47% say it will benefit marketing and sales support.
- Small businesses are actively considering other areas for immersive technology/metaverse use, recognizing the potential benefits. This includes brand building, identified by 43% of small businesses; exploring new innovative practices or models at 40%; and identifying new customers and revenue streams at 38%.
- The adoption of metaverse/Web 3.0 technology is viewed as exciting by a significant 55% of small businesses, with many recognizing its growth opportunities. However, 23% have concerns about being left behind, although they remain confident in their adaptability.
Findings Overview

Immersive Technologies And Metaverse (continued)

- A small percentage of small businesses, namely 7%, fear the changing marketplace and believe they may require assistance to keep up. An additional 5% harbor concerns that embracing Web 3.0 technology could potentially drive their firms out of business. Meanwhile, 10% of small businesses remain uncertain about the impact of these technologies on their operations.

Cloud Computing

- The survey shows that over nine in ten small businesses utilize cloud computing services, with cloud backup and email/web hosting being the most popular applications.
- When it comes to data security, nine in ten businesses express confidence in the security and protection provided by their cloud service providers. Among them, 44% are very confident; another 48% are somewhat confident, while only 7% lack confidence.
- Regarding the availability of cloud service providers, eight in ten businesses state that they have a sufficient number of providers to choose from.
Findings Overview

Cloud Computing (continued)

- Satisfaction levels with cloud computing services are high, as most businesses (51%) report being very satisfied with the quality of services received from their providers. An additional 46% are somewhat satisfied.

- Furthermore, businesses are highly pleased with the value for money they receive from their cloud computing service providers. Four in ten businesses (41%) are very satisfied, and 52% are somewhat satisfied with the value they receive. Dissatisfaction regarding value for money is limited to 6% of businesses.

R&D Tax Credit

- The R&D Tax Credit is a widely utilized tax incentive. Overall, 29% of small businesses have used the R&D tax credit, while 54% have not utilized it, and 17% are unsure. The usage rate increases significantly among tech companies, reaching 45%. Manufacturing companies' utilization of the R&D tax credit closely aligns with the overall rate at 28%.

- A majority of businesses that have used the R&D tax credit are aware that it was not extended last year. Specifically, 72% of users are knowledgeable about this, while 28% are unaware. This awareness level remains high across various sectors at 64% for technology companies, 78% for manufacturing companies, and 73% for other firms.
Findings Overview

R&D Tax Credit (continued)

- Not renewing the R&D tax credit would result in a significant tax burden for small businesses. The median additional "tax hit" for small enterprises was found to be 32%. The median dollar estimate is $59K.

- The negative impact of ending R&D tax credits extends beyond the financial strain on businesses. It would result in delayed profit sharing with employees, decreased investment in future innovation, scaled-back hiring plans, and reduced employee benefits.

- 35% of R&D tax credit users anticipate needing to borrow money to pay unexpected tax bills, 34% expect profit-sharing delays, 30% anticipate decreased investment in innovation, 29% plan to scale back hiring, and 27% expect reduced employee benefits.

- Small businesses that currently utilize the R&D tax credit overwhelmingly support bipartisan legislation to restore and make it permanent. Approximately 86% of small enterprises support a bill that aims to make immediate expensing of R&D costs a permanent provision, with additional enhancements for small businesses. Only 6% oppose this legislation, while 8% remain unsure.
Detailed Findings
Most Businesses Are Familiar With Immersive Technologies And The Metaverse

- Twenty-five percent of owners reported they were very familiar with immersive technologies.
- Nearly one-half, or 46%, are somewhat familiar.
- But, three in ten, 28%, are not familiar, with 18% stating they are not very familiar. Another 10% were not at all familiar.

Q01. How familiar are you with immersive technologies (VR, AR) and the emergence of the metaverse – also referred to as web 3.0 – and the opportunities they present for small businesses and entrepreneurs? Base: 461 small business owners, +/- 4.7 PTS
Over Four In Ten Small Businesses Use Immersive Technologies And The Metaverse

- Four in ten, 42%, use immersive technologies/metaverse in their business.
- Nearly one-half, or 49%, don’t use it.
- 8% are unsure.

Q2. Does your business utilize immersive technologies – like virtual reality (VR) or augmented reality (AR) – for business purposes such as employee training, marketing products or services, meetings, or customer engagement and support? +/- 4.7 PTS
Customer Engagement, Employee Training, and Marketing are Key Areas Where Small Businesses See Big Benefits from the Use of Immersive Technologies and the Metaverse

- More than half, 57%, say that immersive tech/the metaverse will benefit customer engagement.
- Nearly half, or 48% say it will benefit employee training, and a similar 47% say it will benefit marketing, sales support and growth.
- Building the brand in creative and new ways (43%), new innovative practices (40%), and identifying new customers and revenue streams (38%) are other areas for immersive technology use.

Q03. From what you know about immersive technologies, the metaverse, and the next phase of the internet – Web 3.0 – in what ways do you believe they will benefit your business or industry the most? (Please select all that apply). +/- 4.7 PTS
Most Small Businesses Are “Excited” About Immersive Technologies/Metaverse And Welcome New Opportunities For Growth And Efficiency

- 55% see the adoption of Web 3.0 technology as *exciting* and offering growth opportunities for their business.

- 23% feel *threatened* by the changes brought by Web 3.0 and worry about being left behind but are confident in their ability to adapt.

- 7% *fear* the changes and believe they may need assistance to keep up with the changing marketplace.

- 5% are concerned that adopting Web 3.0 technology may *drive their firms out* of business.

- 10% are unsure.

Q4. Which of the following statements best captures your feelings about the emerging metaverse and the growth in the use of immersive technologies (AR, VR)? +/-4.7 PTS
Over Nine In Ten Businesses Use Cloud Computing Services; Primary Usage Is For Cloud Backup And Email/Web Hosting

- While 93% use the net, 68% use cloud computing to store and backup data.
- Email, web, and app hosting is the next most useful application at 42%.
- Another 29% use the cloud for payroll processing.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
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<tr>
<td>Use (Net)</td>
<td>93%</td>
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<tr>
<td>Cloud storage or backup</td>
<td>68%</td>
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<tr>
<td>Email hosting, web hosting, applications hosting</td>
<td>42%</td>
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<tr>
<td>Payroll processing</td>
<td>29%</td>
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<td>Communication and Collaboration</td>
<td>29%</td>
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<tr>
<td>Video conferencing and webinar services</td>
<td>30%</td>
</tr>
<tr>
<td>Invoicing, sales and expense tracking, and reporting</td>
<td>33%</td>
</tr>
<tr>
<td>Accounting</td>
<td>29%</td>
</tr>
<tr>
<td>E-commerce support</td>
<td>18%</td>
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<tr>
<td>Customer engagement</td>
<td>27%</td>
</tr>
<tr>
<td>Marketing automation</td>
<td>25%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>1%</td>
</tr>
<tr>
<td>None</td>
<td>4%</td>
</tr>
<tr>
<td>Not sure</td>
<td>2%</td>
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Q06. Which of the following activities does your company use cloud computing services for? (Please select all that apply). +/-4.7 PTS
Nine In Ten Are Confident That Their Data Stored In The Cloud Is Secure And Protected By Their Cloud Service Providers

- Four in ten, 44%, are very confident, and another 48% are somewhat confident of the security offered by the cloud service providers.
- Only a handful, 7%, are not confident.
- Interestingly, no one expressed complete mistrust in the safety of their data.

Q07. Generally speaking, how confident do you feel that data stored in the cloud is secure and protected by your cloud services provider? Base: 432 cloud computing users, +/- 4.8 PTS

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Eight In Ten Small Businesses State They Have Enough Cloud Service Providers To Choose From

A majority, 81%, say that they have enough cloud service providers to choose from.

Six percent disagree with the popular sentiment and another 12% are unsure.

Q8. Does your business have enough cloud service providers to choose from? Base: 432 Cloud computing users, +/- 4.8 PTS
Almost All Small Businesses Are Pleased With The Quality Of Cloud Computing Services They Receive

- More than half, 51%, are very satisfied with the quality of cloud computing services they get from their providers.

- Another 46% are somewhat satisfied.

- Only 3% are dissatisfied.

Q9. Overall, how satisfied are you with the quality of cloud computing services provided by your cloud computing provider? Base: 432 cloud computing users, +/- 4.8 PTS
93% Are Also Pleased With The Value For Money They Receive From Their Cloud Computing Service Providers

- Four in ten, 41%, are very satisfied with the value for money they receive from their cloud service providers. Another 52% are somewhat satisfied.
- Only a handful (6%) are dissatisfied in terms of value for money.

Q10. In terms of value for money, how satisfied are you with the cloud computing services provided by your cloud computing provider? Base: 432 cloud computing users, +/- 4.8 PTS
R&D Tax Credit Is Used By One In Four Small Businesses, With Over Half Of All Small Technology Companies Taking Advantage Of It.

- Overall, 29% of small businesses have used the R&D tax credit.
- 54% have not used it, and another 17% are unsure.
- The usage is highest among tech companies at 45%.
- The use of the R&D tax credit by manufacturing companies at 28% is very similar to the overall 29%.

Q13: Many small businesses use the Research and Development (R&D) tax credit that allows for immediate expensing of research and development costs in the year these costs are incurred. Has your small business used this tax credit? +/-4.7 PTS
Most Small Businesses Using The R&D Tax Credit Know That It Was Not Extended Last Year

- 72% of the small businesses using the R&D tax credit know that the credit was not extended last year.
- 28% are unaware.
- The awareness level was high across-the-board: 64% for technology companies, 78% for manufacturing companies, and 73% for other firms.

Q14: Did you know the R&D tax credit was not extended last year? Hence, this incentive is not available for 2023 or beyond, which means businesses are now required to amortize R&D over five years unless Congress extends immediate R&D expensing or makes it permanent? Base: Used R&D tax credit =150. +/-8.2 PTS

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The Median Additional “Tax Hit” Is 32% If The R&D Tax Credit Is Not Renewed

- Almost one-fifth of the small businesses who have used the tax credit, 18%, anticipate paying more than 50% extra in taxes.
- Four in ten, 40%, will pay 26%-50% more.
- A similar share, 37%, will pay 25% or less extra.

Q15. If the R&D tax credit is not extended or made permanent for 2023, what is your business’s approximate “tax hit”? How much will your tax bill go up? Base: 150 businesses that used R&D tax credit +/- 8.2 PTS
The Median Additional Tax Hit Small Businesses Face Is $59K

- One-fourth of R&D tax credit users, 25%, expect $100K+ additional tax hit.
- Another fourth, 27%, expect $50K-$100K. A similar share, 26% anticipates $25K to $50K in additional taxes.
- One in six, 17%, face under $25K additional tax hit.

Q16. Approximately how much does this percentage equate to in actual dollars? Base: 150 businesses that used R&D tax credit +/- 8.2%
Negative Impact Of Ending R&D Tax Credits: Financial Strain, Hiring Cuts, and Dampened Innovation

- The impact of not extending R&D tax credits for small businesses is far reaching.
- Financial strain: Small businesses may need to borrow money to pay unexpected tax bills (35%).
- Employee impact: Profit sharing with employees is likely to be delayed (34%).
- Reduced innovation: Investment in future innovation decreases (30%).
- Hiring and benefits cuts: Hiring plans are scaled back (29%), and employee benefits are reduced (27%).
Businesses That Use The R&D Tax Credit Show Overwhelming Support For The Bipartisan Bill To Restore And Make It Permanent

- Nearly nine in ten, 86%, support legislation to make the immediate expensing of R&D costs permanent and to enhance it further for small businesses.
- Only a handful (6%) oppose the legislation.
- Another 8% are unsure.

Q18. A bipartisan bill has been introduced in the U.S. House and U.S. Senate to restore and make permanent the immediate expensing of R&D costs and to enhance the credit for small businesses. Do you support or oppose such a legislative initiative? Base: Used R&D tax credits=150, +/- 8.2 PTS
Firmographics
Location of the Small Businesses

- Just over one-third, 34%, of the small businesses were run from a home office.
- Three in ten, 30%, had commercial office space.
- 9% were a factory or plant.
- 7% had retail outlets or shared office space.
- 6% owned a professional practice.
- 3% was based out of wholesale space.

F5. Which of the following best describes your business location?
The median number of employees on payroll of the small businesses surveyed is 11.25.

Over one-third, 36%, of the firms had five or fewer employees.

17% had two employees, and another 19% had 3-5 employees.

About a fourth, 24%, had 6-15 persons on the payroll.

Eight percent had 16-20 employees.

Nearly one-third, 31%, had more than 21 employees.
Small Business Revenue 2022

- The median earnings of surveyed small businesses in 2022 stood at $235K.
- 21% made between $100K-$500K, and a similar share, 22%, made between $50K-$100K.
- 17% generated revenue between $500K and $1 million.
- One-fifth, 20%, posted revenues over $1 million last year.
- But, another one-fifth of the small businesses, 20%, earned less than $50K.

F2. What was your company’s approximate revenue for 2022?
The chart shows the weighted results. The survey had 97 tech businesses, 97 manufacturers, and 267 other firms.

The largest segment of small businesses, 14%, fell under Professional, Scientific, and Technical Services.

Twelve percent of respondents owned businesses in the Personal Services area.

Retail Trade made up 10%.

Healthcare and Construction had 9% each.

F3. Which of the following best describes the primary business of your company?
Age Of Respondent

- The median age of the small business entrepreneur in the survey was 37.6 years.
- Nearly a third, 30%, were in their 30s and 21% were in their 40s.
- Less than an eighth (12%) were between 50 and 59 years old. Another 11% were 60 or older.
- 25% belonged to the under-30 age bracket.

**D2. What is your age?**
By gender, the survey respondents split between 55% male and 45% female.
Race/Ethnicity

- A majority, 59%, of small business owners were White or Caucasian.
- 21% were African American or of Black ethnicity.
- 12% identified as Hispanic/Latino.
- 5% belonged to Asian or Pacific Islander community.
- Only 2% came from Native American or Alaskan backgrounds.
- 2% did not divulge their race/ethnicity.
Party Affiliation

- 33% identified as Republicans.
- 29% were Democrats.
- 32% were independents or belonged to third parties.
- 6% did not disclose their party affiliation.

D9. In politics, do you consider yourself to be a Democrat, a Republican, an Independent, or something else?
A plurality, 42%, identified as Moderate.

Roughly a fourth (27%) said they were Conservative; one in 10 or 10% identified as very Conservative and another 17% as Conservative.

One fourth, 25%, considered themselves Liberal. 18%, identified as Liberal, and 7% as very Liberal.
A significant majority, 73%, went by the title of ‘owner’ or ‘partner.’

6% identified themselves as Managing Directors.
The median age of the small businesses was found to be 4.9 years.

- 31% of the small businesses have operated for ten years or more.
- 20% were in operation for 4-5 years and 16% for 6-9 years.
- One-third (32%) were started in the past three years.

F1. How many years has your company been in business?
Nearly four in ten, 37%, of the small businesses surveyed operated in the South.

Over a fifth, 21%, were based in the West, and another 22% in the Midwest.

One-fifth operated in the Northeast (17%).