Finance and Economics Discussion Series
Divisions of Research & Statistics and Monetary Affairs
Federal Reserve Board, Washington, D.C.

Business to Business Credit to Small Firms

Traci Mach

2014-55

Business to Business Credit to Small Firms

Traci Mach*
Board of Governors of the Federal Reserve System

July 2014

Abstract

Following the financial crisis, total outstanding loans to businesses by commercial banks dropped off substantially. Large loans outstanding began to rebound by the third quarter of 2010 and essentially returned to their previous growth trajectory while small loans outstanding continued to decline. Anecdotal evidence suggests that firms used trade credit to smooth over cash flow problems. The current paper looks at recent trends in trade credit use by small businesses based on a recent poll done by the Credit Research Foundation. The results highlight the importance of business to business credit for small businesses. They show an increase in demand over the past year as well as a slowdown in payment that may signal a decline in the ability to pay.

*The views expressed herein are those of the author. They do not necessarily reflect the opinions of the Federal Reserve Board or its staff.

Introduction

Business-to-business (B2B) trade credit results from transactions in which sellers invoice customers for products or services, collecting payment after that product or service has been delivered or provided. B2B trade credit becomes a potential source of interest-free short term financing for the trade debtor, and creates an implied cost for the trade creditor.

Trade credit terms vary based on a number of factors, including industry type, the nature of the product or service, and a variety of competitive and business relational conditions. In the retail grocery industry, it is not unusual to see credit terms set at less than ten days due to the perishable nature of some of the products involved in the B2B transactions. On the other hand, terms extending up to as much as six to nine months are not uncommon for suppliers of sporting goods such as golf equipment, where many of the customers are smaller retail outlets requiring significant inventory investment at the beginning of each season. The degree of competition will also influence how credit terms are set within an industry, primarily based on the impact of competition on the relationships between providers and customers. In cases where providers deal with a small number of major customers, those customers will have greater influence over terms than in cases where providers have many, smaller customers. Even if a provider has few customers, however, if its product is unique and in high demand, it may be in a better position to set terms and require customers to adhere to them.

The interest-free nature of trade credit leads to its central role in financing small businesses. According to data from the 2003 Survey of Small Business Finances (SSBF), 60 percent of all small businesses report using trade credit accounts.[1] This is much higher than any other type of credit reported by small businesses: Just over a third of businesses reported having a line of credit; one in five businesses had a vehicle loan; and fewer than one in ten firms reported having an equipment loan. Among businesses that reported using any trade credit, the median firm reported that 80 percent of all purchases made by the firm in the previous year were made using trade credit. While dated, these statistics provide evidence of the importance of trade credit for small businesses. Indeed, when constructing the Experian/Moody's Analytics Small Business Credit Index, business-to-business (B2B) credit transactions comprise three-quarters of the data used to compile the index.[2]

Business to Business (B2B) Trade Credit, Recession, and the Credit Market Collapse

Following the financial crisis, total outstanding loans to businesses by commercial banks dropped off substantially. Large loans outstanding began to rebound by the third quarter of 2010 and essentially returned to their previous growth trajectory while small loans outstanding

[1] For more information on the SSBF data, see Mach and Wolken (2006).
[2] See the Q1 2014 Experian/Moody's Small Business Credit index report.

continued to decline (Figure 1).[3] The National Summary of Domestic Trade Receivables (NSDTR) provides some evidence that businesses may have turned to other businesses to pick up their cash flow short falls.

The NSDTR is conducted quarterly by the Credit Research Foundation (CRF). The survey collects information from firms on the performance of their domestic accounts receivables. Results indicate that changes in B2B credit behavior actually preceded the collapse of the credit markets in 2008. This would be consistent with reports of tightening of standards on commercial and industrial loans (C&I), reported by senior loan officers in the Federal Reserve Board's Senior Loan Officer's Opinion Survey (SLOOS), which began in the first quarter of 2007 for smaller firms and in the third quarter for medium and large firms (Figure 2). The NSDTR data also show a larger response to the collapse itself.

Figure 3 plots the average days sales outstanding in receivables (DSO) and the share of accounts receivable that are current. DSO is a measure of the average number of days that a company takes to collect revenue after a sale has been made. A low DSO number means that it takes a company fewer days to collect its accounts receivable. A high DSO number shows that a company is selling its product to customers on credit and taking longer to collect money. Figure 3 indicates that DSO began to increase in 2007, rising by almost two days between the first quarter and the third quarter of 2007, corresponding to the beginning of the recession that preceded the credit market collapse. As is typical in B2B markets, credit managers tightened up on both credit extension and collections and brought the DSO back down by the fourth quarter of 2007. Average DSO then shot back up in the third quarter of 2008, corresponding to the collapse of the credit markets. In this case, DSO remained at the higher level for a full year, reaching a high of 42.4 days in the third quarter of 2009. From there, credit managers once again tightened up and brought the DSO down to early 2007 levels by the end of 2009. After bumping up by nearly one day in the first quarter of 2010, average DSO followed a downward trend through mid-2012.

The increase in DSO apparently did not result from a change in the terms offered by B2B credit providers. As can also be seen in Figure 3, the percentage of accounts that remained current within the stated terms varies inversely with the DSO, as would be in the case where terms remained constant and payment behavior slowed down. Had the increasing DSO resulted from loosening of credit terms, the percent current would have remained relatively flat over that same time period.

Survey of B2B Credit Providers to Small Firms

---

[3] Bank Call Reports do not provide information on the size of the business obtaining the loan. Small loans are those with original principal amounts of less than $1 million; these loans are often taken as a proxy for lending to small businesses. These data are available on a quarterly basis since 2010, and annually prior to that.

Recently the Credit Research Foundation (CRF) conducted a poll of its constituents regarding the activities of their small business customers.[4] The current paper summarizes the findings of this poll. The poll was conducted between May 26 and June 16, 2014 with 214 firms submitting useable responses to most of the questions.[5]

Profile of the respondents

Table 1 provides a profile of the firms that responded to the survey. The respondents represent firms located throughout the country and internationally. Roughly 30 percent of respondents report having offices in the North Atlantic, South Atlantic, and South Central states. A slightly higher fraction (34 percent) have offices in the West and 42 percent have offices in the North Central states. In addition, 20 percent have offices located outside the US. The businesses have customers located across the country as well, with about two-thirds of the firms having customers in each of the regions throughout the country and internationally.

The majority of respondents are relatively well-established. Less than 1 percent of firms are less than 5 years old. Another 3 percent are between 6 and 10 years old; 4 percent are between 11 and 15 years old; 7 percent are between 16 and 25 years old; and the vast majority of firms (85 percent) are more than 25 years old. They do business across a variety of industries. The largest sectors include consumer goods (21 percent), building materials (16 percent), and food and related products (11 percent). They represent a wide spectrum of size, ranging from the 8 percent with less than \$25 million in sales to the 8 percent with sales in excess of \$10 billion.

Small business transactions

The majority of the poll asked respondents about their interactions with supplying B2B credit to small firms. For the poll, respondents were asked to consider a small firm to be one that had fewer than 500 employees or less than \$5 million in sales. Table 2 presents the responses to these questions.

Small businesses represent a sizeable share of sales to many of the respondents. Ten percent of firms indicated that small businesses represented less than 5 percent of their sales while 18 percent indicated that more than 75 percent of their sales were to small businesses. The transactions to them tend to be quite small. Almost a quarter of firms report that the average small business transaction is less than \$2,500. Another 21 percent indicate that their average transaction is between \$2,500 and \$5,000. Only 15 percent of firms report an average small business transaction of more than \$25,000.

---

[4] The Credit Research Foundation is a nonprofit, research and educational organization whose mission is to advance the understanding, practice and development of technique and trends in business credit for the benefit of businesses worldwide by communicating the value of credit and receivables management.

[5] Email was sent to approximately 7,000 firms that provide business to business credit. Of these, 220 firms responded to at least one of the questions, but firms that did not provide age, industry, and sales numbers were excluded from the analysis.

Firms that offer term financing such as loans, leases, and notes were asked if the volume of such transactions had increased, remained constant, or decreased over the past year. More than three-quarters of respondents reported that they do not offer term financing. Among the remaining 25 percent of firms, 15 percent saw no change in the level of transactions, 6 percent saw an increase, and 3 percent a decrease.

Respondents were also asked about the overall level of small business transactions over the past year. Forty percent of respondents saw no change in transactions, while 43 percent saw an increase, and the remaining saw a decrease. On net, it would appear that small business demand for the goods and services sold by these companies is on the increase. However, there is also some indication that their ability to pay for these goods and services has somewhat deteriorated over the past year. When asked if small businesses were paying slower today than they were a year ago, 58 percent of firms responded that they had witnessed no change in payment pattern and 10 percent said that they had witnessed better payment. The remaining share reported witnessing slower payment, with 9 percent seeing payments that were in excess of 6 days slower.

When asked if their firm was intentionally directing sales to credit card or cash sales and away from open account or term sales, 15 percent of firms responded affirmatively.[6] This is consistent with the findings in Table 3 where firms broke down their sales to small businesses according to the payment type. Firms reported that small business purchases were overwhelmingly (82.6 percent) conducted with trade credit, or an open account. There was no real reported change in the share between 2013 and 2014. The next most frequently sited payment method was by credit card, with 7.9 percent of 2013 small business transactions and 8.5 percent of 2014 transactions going on credit cards. The remainder of sales transactions were conducted with cash (about 4.5 percent each year), as term sales (which fell from 3.4 percent in 2013 to 3.0 percent in 2014), or as secured transactions (about 1.5 percent each year).

About 17 percent of firms indicated that small firms' inability to pay in a timely fashion caused their firm significant financial hardship.[7] And about a third of firms reported that they felt they had a competitive advantage to being paid better than other suppliers due to the critical nature of their products.[8]

By geographic location of customers

Different parts of the country have been slower about recovering from the most recent recession. Table 4 breaks down the small business customer experiences according to where respondents

---

[6] The question asked, "Is the firm intentionally directing increasing volumes of sales to small business customers into credit card or cash sales and away from open account sales or term sales?"

[7] The exact question asked respondents, "If payments have generally slowed down over the course of the economic problems since 2008, have these changes had a significant financial hardship on your company?"

[8] The question asked, "Generally, do you believe you get paid more frequently or timely than other suppliers due to the critical nature of your company's brand and or products? In other words, are your products a competitive advantage to being paid better than other suppliers?"

have customers. By share of sales to small businesses, there is not a large difference in the distribution of where the firm has customers. The one exception is firms that do business internationally. About 22 percent of firms that do business internationally report that more than 50 percent of their sales are to small businesses compared to the 30 to 32 percent of firms with customers elsewhere. At the other end of the spectrum, 26 percent of firms that do business internationally report that 11 to 20 percent of their sales are to small businesses compared to the 17 to 18 percent of firms with customers elsewhere.

We also do not see large differences in the distribution of how small firms pay for their transactions. As with the overall distribution, open account sales represent the majority of all transactions, followed at a distant second by credit card sales, then cash, terms sales, and finally secured transactions. Larger fractions of firms with customers in the North and South Atlantic regions as well as internationally report actively encouraging firms to pay with cash or credit cards.

Average transaction size to small business looks quite similar by location of customers. The exception is again firms that have customers internationally. On average, their transactions are a bit larger than their domestic counterparts, with almost 35 percent of these firms reporting average sales of greater than $10,000 compared to 29 to 30 percent of other firms.

The volume of small business transactions does exhibit some differences across customer location. More firms with customers in the North Central, South Central, and West saw an increase in small business transactions over the past year than firms with customers in other areas. Similarly, more firms with customers in the North Atlantic and internationally experienced a decline in small business volume than firms with customers elsewhere.

In terms of repayment behavior, more firms with customers in the North and South Central and West see better payment from their customers than firms with customers elsewhere. Only 30 percent of firms with customers internationally experienced a slowdown in payment behavior; at the other end of the spectrum, 34 percent of firms with customers in the North and South Atlantic reported slower repayment. It is interesting to note that only 5 percent of firms with international customers reported that firms were paying 6 or more days more slowly than a year ago. This is much smaller than the share of firms with customers in other areas of the US.

Nearly 36 percent of firms that have international customers reported that their products gave them a competitive advantage to being paid better than other suppliers. Smaller fractions of firms with customers throughout various areas in the US reported such an advantage. Fewer firms with international customers also reported experiencing financial hardship due to payment slowdowns.

In sum, while there are small differences in the small business customer experience across firms with customers in different regions of the US, the largest differences appear to be among firms with customers internationally. Such firms reported fewer slowdowns in payment behavior of their small business customers, in particular in very late payments, a perceived competitive advantage over their competitors in getting paid, as well as less significant financial hardship due to such slowdowns. These differences may be driven by the fact that small businesses represent a smaller fraction of total sales to firms with international customers and, to some extent, by the more diversified customer base.

By industry of respondent firms

Table 5 presents a breakdown of the small business customer experience by what the responding firm sells or makes. The differences in the experience with small businesses are very different by industry. For some industries, small businesses represent a relatively large fraction of their sales. For example, roughly two-thirds of responding firms that sell agricultural products or building materials indicate that better than 50 percent of their sales are to small businesses. At the other end of the spectrum, less than one-fifth of firms that sell basic materials, food and related products, and non-pharmaceutical chemical products report that more than 50 percent of their sales are to small businesses.

Interesting differences can also be seen in how small business sales are conducted across industries. Less than 70 percent of sales for firms in agriculture and technology are conducted as open account sales. On the other hand, better than 90 percent of small business transactions from food and related products and pharmaceutical firms are conducted as open account sales. Credit card sales are most prevalent among technology firms, where more than a quarter of small business sales are on credit cards. Only 1 to 2 percent of sales for business services, food and related products, and chemical firms are on credit cards. Term sales to small businesses are most popular among agricultural firms, where one in five small business transactions is a term sale, and least popular among building materials, food and related products, industrial, chemical, and technology firms, where less than 1 percent of transactions are term sales. Cash sales are most heavily used by chemical firms, and least frequently used by pharmaceutical and telecommunications firms. Secured transactions are most common among firms in business services industries and used in less than one percent of small business transactions for firms in basic materials, consumer goods, food and related products, pharmaceutical, and industrial sectors. Nearly 30 percent of firms in industrial reported they were actively trying to steer new small business sales towards cash or credit cards.

Average small business transactions tend to be largest among chemical firms where nearly two-thirds of firms report an average transaction size in excess of $10,000. For firms in building materials, pharmaceutical, and industrial, on the other hand, roughly 80 percent of firms report an average transaction of less than $10,000.

There is a large degree in variation in repayment behavior of small firms across industries. While only 10 percent of business service firms report that small businesses are paying more slowly today than they did a year ago, 80 percent of pharmaceutical firms do. Of particular note is the fact that significant shares of firms in several industries are reporting that firms are paying in excess of 6 days more slowly than a year ago. For example, nearly a quarter of technology firms report that payments are 6 or more days slower than a year ago. Forty-one percent of building materials firms and thirty percent of chemical firms reported that the late payments have caused significant financial hardship for them. At the other end, only 5 percent of consumer good firms and none of the telecommunications firms report so.

By sales of respondent firms

Table 6 presents a breakdown of the small business customer experience by the size of sales of the responding firm. The breakdown reveals that small business sales are a sizeable part of sales for businesses of all sizes. The share of firms that report that small businesses represent more than 75 percent of their sales generally declines with the size of the business with some outliers at the tails.

By payment method, between 78 and 88 percent of transactions are on open account. The shares that are on open account are lowest among firms with sales between $100 and $250 million in sales, and highest among firms with sales in excess of $10 billion. Credit cards account for between 3 percent of small business sales among firms with more than $10 billion in sales and 12 percent for firms with $50 to $100 million in sales. Term sales represent nearly none of small business sales for firms with revenues of less than $50 million and nearly 10 percent of sales for firms with revenues from $500 million to $1 billion. Between 1 percent of small business sales for firms with revenues between $500 and $750 million and 10 percent of sales for firms between $26 and $50 million are conducted by cash. More than a quarter of firms with revenues between $50 and $500 million have actively sought to divert new small business sales into cash or credit card sales.

Generally, smaller firms have lower average transactions and larger firms have larger average transactions. Half of the smallest firms report that their average small business transaction was less than $2,500 and none of them report an average greater than $25,000. Conversely, nearly 30 percent of the largest firms, those with revenues of more than $10 billion, report that their average small business transaction is in excess of $25,000.

All but the smallest firms witnessed a net increase in small business transactions in the past year. For the smallest businesses, 25 percent witnessed an increase but 31 percent saw a decrease. For all larger firms, a much larger fraction witnessed an increase in small business transaction volume.

The slowdown in payment pattern that was evident in the overall data is still evident when the data are broken down by size of the business. Firms of all sizes reported a higher incidence of payment slowdowns than of better payment. The largest fraction of payments that were 6 or more days later than the previous year is in the smallest firms, with fully one-quarter of these firms reporting such deterioration. Despite this slowdown, a significant fraction—38 percent—

of these smallest businesses reported that they believed they were paid better than their competitors. However, nearly half of them reported that the slowdown in payments caused their firm a significant financial hardship.

By share of sales to small businesses

Table 7 presents a breakdown of the small business customer experience by the share of the respondent firm's sales to small businesses.

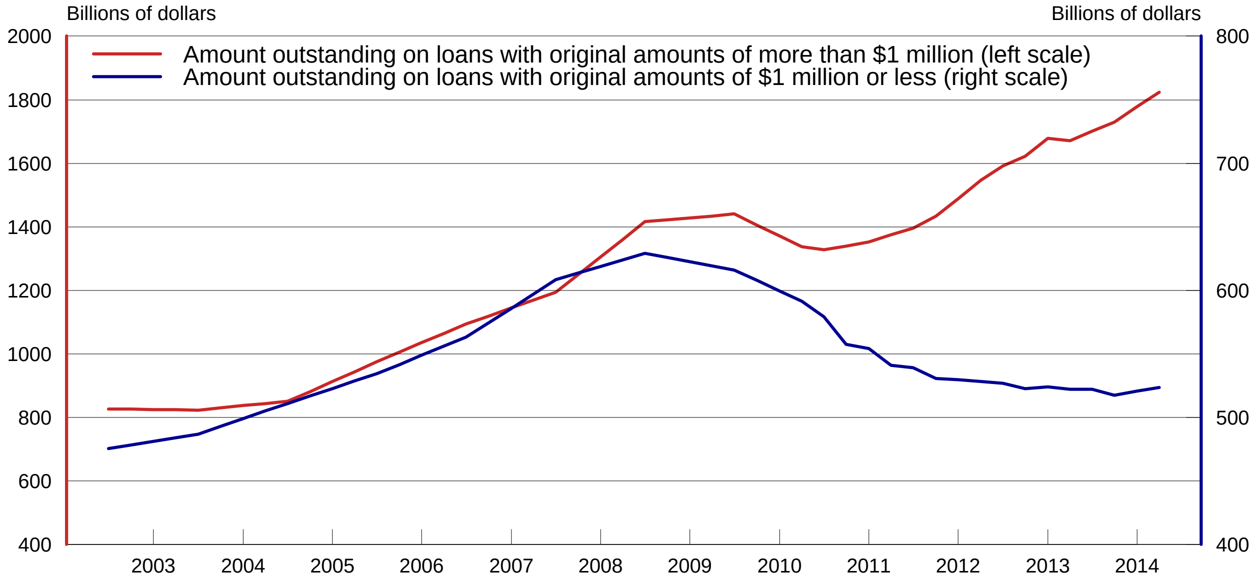
By payment method, between 78 and 89 percent of transactions are conductied on open account. The shares that are open account are lowest among firms for whom small business transactions account for 51 to 75 percent of their sales and highest for firms for whom small businesses represent 21 to 35 percent of sales. Credit cards account for between 3 percent of small business sales among firms for whom small businesses represent less than 5 percent of sales and 13 percent for firms for whom small businesses represent between 6 and 10 percent of sales. Term sales represent nearly none of small business sales for firms for whom small businesses represent between 6 and 10 percent of sales and nearly 7 percent of sales for firms for whom small businesses represent less than 5 percent of sales and firms for whom small businesses represent between 51 and 75 percent of sales. Between 3 percent of small business sales for firms for whom small businesses represent between 6 and 10 percent of sales and 8 percent of sales for firms for whom small businesses represent between less than 5 percent are conducted by cash. The fraction of firms that have actively sought to divert new small business sales into cash or credit card sales follows roughly a u-shaped pattern, with the firms with the smallest and largest fraction of their sales accounted for by small businesses reporting the lowest fraction.

Payment patterns vary across firms. Generally, the larger the fraction of sales the business reports is attributable to small business, the larger the net share of firms reporting a slowdown in payment pattern from a year ago. A net 35 percent of firms for whom small business sales represent greater than 75 percent of their sales report that small businesses are paying slower today than a year ago, a healthy fraction of which is much slower. Not surprisingly, the firms that report the highest fraction of small business sales are also the firms most likely to report suffering financial hardship from the slowdown in payments.

Summary

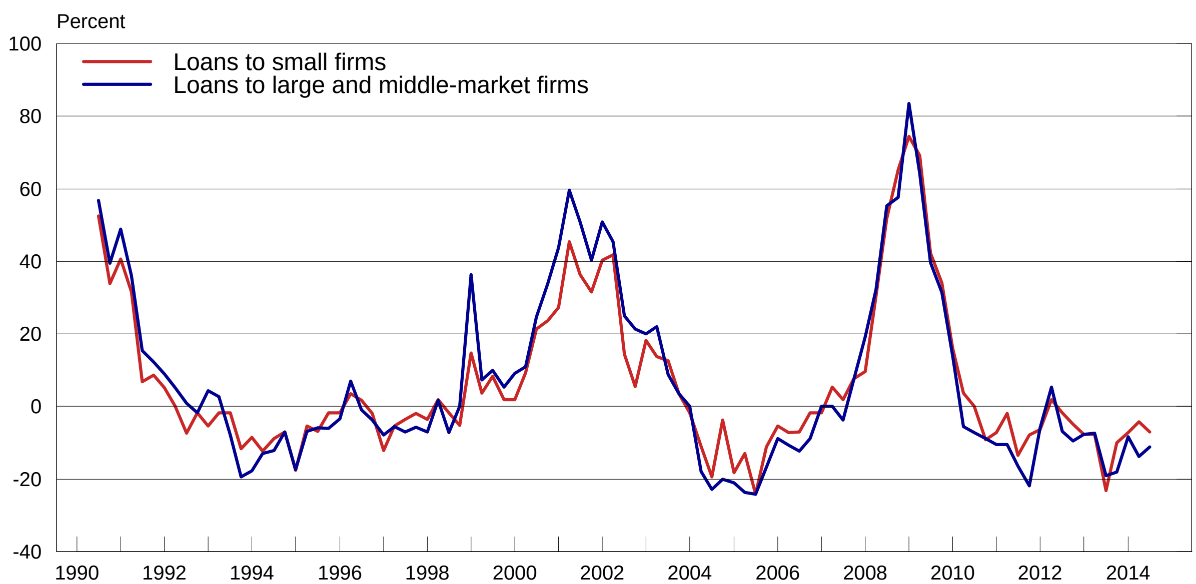
The current article summarizes the results from a recent poll fielded by the Credit Research Foundation. The findings of the poll highlight the importance of business to business credit to small businesses. They show that small business demand appears to have improved over the past year, but their ability to pay for the products they are demanding seems to have suffered a setback.

Figure 1: Amount Outstanding on Loans to Businesses



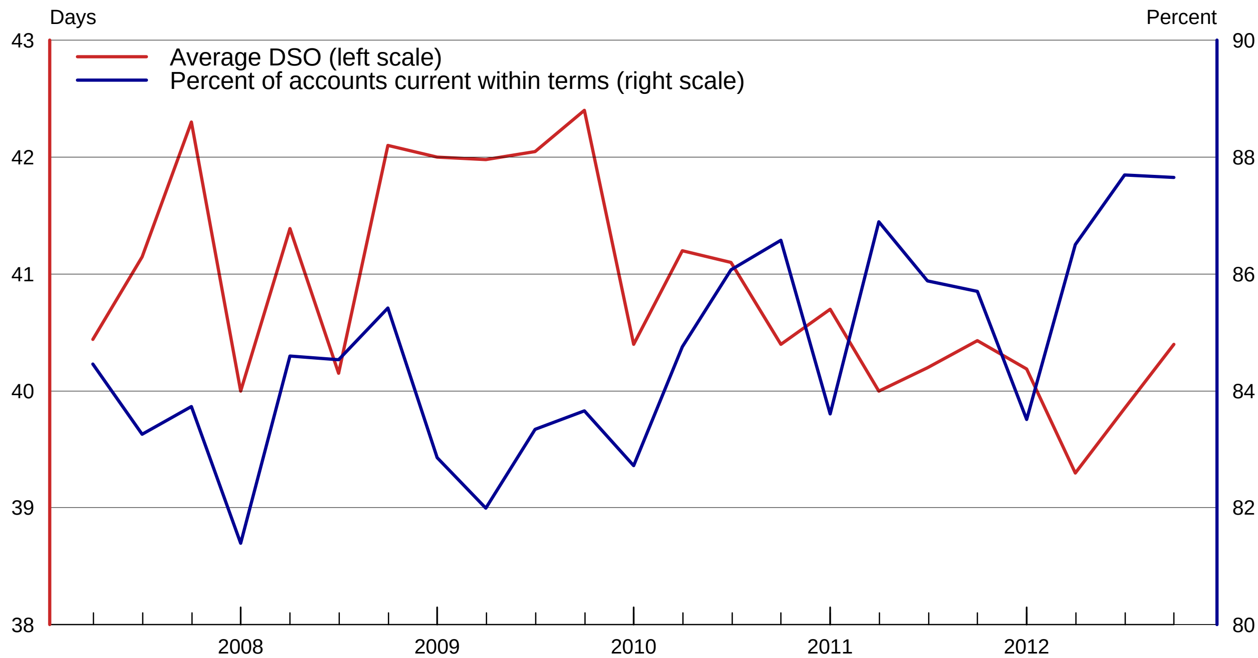
Note: Beginning March 2010, the data reporting frequency changed from annual to quarterly.
Source: These data are constructed from special tabulations of the June 30, 2002, to March 31, 2014, Call Reports (Consolidated Reports of Condition and Income for U.S. Banks).

Figure 2: Net Percentage of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



Source: Senior Loan Officers' Opinion Survey, Federal Reserve Board
Note: Data are quarterly.

Figure 3: Average B2B Days Sales Outstanding and Percent of Accounts Receivable Current



Source: National Summary of Domestic Trade Receivables
Note: Data are quarterly.

Table 1: Characteristics of responding firms

Characteristic		Number	Percent
Have offices			
	North Atlantic	64	29.9
	South Atlantic	61	28.5
	North Central	90	42.1
	South Central	60	28.0
	West	73	34.1
	International	41	19.2
Have customers			
	North Atlantic	139	65.0
	South Atlantic	141	65.9
	North Central	141	65.9
	South Central	142	66.4
	West	139	65.0
	International	135	63.1
Age of firm			
	1-5 years old	2	0.9
	6-10 years old	6	2.8
	11-15 years old	8	3.7
	16-25 years old	15	7.0
	Older than 25 ye	183	85.5
Industry			
	Agriculture	11	5.1
	Basic Materials	21	9.8
	Building Materials	35	16.4
	Business Services	10	4.7
	Consumer Goods	44	20.6
	Equipment & Machinery	15	7.0
	Food & Related Products	24	11.2
	Health Care-Pharmaceutical	5	2.3
	Industrial	21	9.8
	Chemical	11	5.1
	Technology	13	6.1
	Telecommunications	4	1.9
Sales			
	Less than $25M	16	7.5
	$26-$50M	15	7.0
	$50-$100M	21	9.8
	$100-$250M	28	13.1
	$250-$500M	26	12.1
	$500-$750M	13	6.1
	$750-$999M	16	7.5
	$1-$5B	45	21.0
	$5-$10B	17	7.9
	More than $10B	17	7.9

Table 2: Small business customer experience

	Number	Percent
Share of sales to small firms		
0-5%	21	10.0
6-10%	22	10.5
11-20%	40	19.0
21-35%	28	13.3
36-50%	28	13.3
51-75%	33	15.7
>75%	38	18.1
Average transaction to small business		
$0-$2,500	51	24.2
$2,501-$5,000	45	21.3
$5,001-$10,000	47	22.3
$10,001-$25,000	36	17.1
>$25,000	32	15.2
The volume of credit transactions has....[1]		
Increased	11	6.2
Decreased	6	3.4
Remained steady	27	15.1
Do not offer financing	135	75.4
The volume of small business transactions has....		
Increased	92	43.4
Decreased	35	16.5
Remained steady	84	39.6
Automated process	1	0.5
Are small businesses paying slower today than a year ago?		
No change in payment pattern	123	58.0
Paying better	22	10.4
1 - 2 days slower	22	10.4
3 - 5 days slower	26	12.3
6+ days slower	19	9.0
Get paid better than competitors?[2]		
Yes	74	34.7
Changed policy for new sales activity[3]		
Yes	31	14.6
If payments slowed down did it cause significant financial hardship on the firm?[4]		
Yes	33	16.9

Notes: For the survey, firms were told to consider a small business as one with fewer than 500 employees or less than $5,000,000 in sales revenue. 1. Credit transactions include loans, leases, and notes. 2. The question asked, “Generally, do you believe you get paid more frequently or timely than other suppliers due to the critical nature of your company’s brand and or products? In other words, are your products a competitive advantage to being paid better than other suppliers?” 3. The question asked, “Is the firm intentionally directing increasing volumes of sales to small business customers into credit card or cash sales and away from open account sales or term sales?” 4. “If payments have generally slowed down over the course of the economic problems since 2008, have these changes had a significant financial hardship on your company?”

Table 3: Distribution of sales to small businesses

Distribution of sales to small businesses [1]	**2013**	**2014**
Open account	82.6	82.7
Credit card	7.9	8.5
Term sales	3.4	3.0
Cash	4.6	4.4
Secured transactions	1.5	1.4

[1] The distribution of how small business purchases are financed is based on 175 observations that sum to 100 percent in both years.

Table 4: Small business customer experiences by location of customers

	North Atlantic	South Atlantic	North Central	South Central	West	International
Share of total sales that are to small businesses						
0-5%	11.7	10.9	11.5	10.7	11.0	11.3
6-10%	12.4	12.3	12.2	12.1	12.4	12.8
11-20%	16.8	17.4	17.3	17.9	17.5	26.3
21-35%	13.1	13.0	13.0	12.9	12.4	15.0
36-50%	13.9	14.5	16.6	15.7	14.6	12.8
51-75%	15.3	14.5	14.4	14.3	16.8	10.5
> 75%	16.8	17.4	15.1	16.4	15.3	11.3
Distribution of sales to small businesses 2013[1]						
Open account	82.5	82.0	83.6	82.4	81.6	82.4
Credit card	8.4	8.7	8.4	8.8	9.3	9.0
Term sales	3.3	3.2	2.4	2.5	2.8	2.5
Cash	4.7	5.0	4.7	5.3	5.1	4.5
Secured transactions	1.1	1.1	0.9	1.0	1.2	1.6
Average transaction to small businesses						
$0-$2,500	23.2	23.6	21.4	22.7	23.4	17.3
$2,501-$5,000	21.0	21.4	23.6	22.0	22.6	23.3
$5,001-$10,000	26.8	25.7	25.0	25.5	24.1	24.8
$10,001-$25,000	15.9	16.4	17.9	17.0	16.8	19.6
> $25,000	13.0	12.9	12.1	12.8	13.1	15.0
The volume of small business transactions has…						
Increased	41.6	43.9	45.3	46.4	46.0	42.5
Decreased	15.3	13.7	13.7	12.9	12.4	15.7
Remained steady	42.3	41.7	40.3	40.0	40.9	41.8
Automated process	0.7	0.7	0.7	0.7	0.7	0.0
Are small businesses paying slower today than a year ago?						
No change	56.9	57.6	56.8	57.1	57.7	60.5
Paying better	8.8	8.6	11.5	10.0	10.2	9.0
1 - 2 days slower	10.2	11.5	10.8	10.7	12.4	13.4
3 - 5 days slower	14.6	13.0	11.5	12.9	12.4	11.9
6+ days slower	9.5	9.4	9.4	9.3	7.3	5.2
Get paid better than competitors?[2]						
Yes	32.6	31.4	32.9	31.9	33.3	35.8
Changed policy for new sales activity?[2]						
Yes	13.1	14.3	10.7	9.9	10.9	13.4
If payments slowed down did it cause significant financial hardship on the firm?[2]						
Yes	15.1	16.5	16.5	14.1	12.6	10.7

Notes: 1. See note at end of Table 3 for information on these calcuations. 2. See notes at end of tTable 2 for the exact wording of these questions.

Table 5A: Small business customer experiences by industry of respondent: Agriculture – Equipment & Machinery

	Ag	Basic Materials	Building Materials	Business Services	Consumer Goods	Equip & Machinery
Share of total sales that are to small businesses						
0-5%	9.1	19.1	0.0	20.0	14.0	0.0
6-10%	18.2	4.8	2.9	20.0	18.6	6.7
11-20%	9.1	19.1	5.9	0.0	18.6	33.3
21-35%	0.0	4.8	11.8	10.0	16.3	6.7
36-50%	0.0	33.3	11.8	20.0	9.3	20.0
51-75%	27.3	19.1	26.5	20.0	4.7	13.3
> 75%	36.4	0.0	41.2	10.0	18.6	20.0
Distribution of sales to small businesses 2013 [1]						
Open account	69.8	82.3	86.0	74.1	81.8	81.9
Credit card	3.6	7.7	6.9	1.3	9.9	7.9
Term sales	20.7	2.9	0.4	11.4	5.0	3.6
Cash	4.5	6.9	5.5	7.1	2.5	3.3
Secured transactions	1.4	0.1	1.2	6.0	0.9	3.3
Average transaction to small businesses						
$0-$2,500	18.2	28.6	31.4	30.0	25.6	7.7
$2,501-$5,000	27.3	9.5	20.0	20.0	25.6	30.8
$5,001-$10,000	0.0	14.3	28.6	20.0	18.6	38.5
$10,001-$25,000	27.3	9.5	14.3	20.0	18.6	7.7
> $25,000	27.3	38.1	5.7	10.0	11.6	15.4
The volume of small business transactions has…						
Increased	36.4	38.1	57.1	70.0	30.2	53.3
Decreased	9.1	14.3	22.9	0.0	27.9	6.7
Remained steady	54.6	47.6	17.1	30.0	41.9	40.0
Automated process	0.0	0.0	2.9	0.0	0.0	0.0
Are small businesses paying slower today than a year ago?						
No change	63.6	61.9	45.7	80.0	65.1	64.3
Paying better	18.2	14.3	20.0	10.0	9.3	0.0
1 - 2 days slower	9.1	4.8	8.6	10.0	7.0	14.3
3 - 5 days slower	0.0	4.8	17.1	0.0	4.7	14.3
6+ days slower	9.1	14.3	8.6	0.0	14.0	7.1
Get paid better than competitors? [2]						
Yes	36.4	28.6	22.9	30.0	37.2	40.0
Changed policy for new sales activity? [2]						
Yes	18.2	4.8	8.6	20.0	16.3	20.0
If payments slowed down did it cause significant financial hardship on the firm? [2]						
Yes	20.0	21.1	40.6	10.0	5.4	14.3

Table 5B: Small business customer experiences by industry of respondent: Food & Related Products - Telecommunications

	Food & Related Products	Health Care-Pharma	Industrial	Chemical	Tech	Telecomm
Share of total sales that are to small businesses						
0-5%	12.5	0.0	0.0	9.1	23.1	25.0
6-10%	8.3	0.0	9.5	9.1	15.4	0.0
11-20%	33.3	33.3	19.1	36.4	23.1	0.0
21-35%	12.5	33.3	28.6	27.3	0.0	25.0
36-50%	16.7	0.0	9.5	0.0	15.4	0.0
51-75%	12.5	33.3	23.8	0.0	7.7	25.0
> 75%	4.2	0.0	9.5	18.2	15.4	25.0
Distribution of sales to small businesses 2013[1]						
Open account	91.6	90.3	87.6	85.1	66.9	75.0
Credit card	1.2	5.3	8.6	2.3	26.5	20.0
Term sales	0.1	3.3	0.2	0.0	0.2	0.0
Cash	6.7	1.0	3.6	8.0	2.9	1.0
Secured transactions	0.4	0.0	0.0	4.6	3.5	4.0
Average transaction to small businesses						
$0-$2,500	25.0	0.0	33.3	0.0	15.4	50.0
$2,501-$5,000	12.5	40.0	28.6	9.1	30.8	0.0
$5,001-$10,000	20.8	40.0	19.1	27.3	30.8	25.0
$10,001-$25,000	25.0	0.0	14.3	36.4	7.7	25.0
> $25,000	16.7	20.0	4.8	27.3	15.4	0.0
The volume of small business transactions has…						
Increased	26.1	60.0	47.6	45.5	38.5	75.0
Decreased	21.7	0.0	19.1	9.1	0.0	0.0
Remained steady	52.2	40.0	33.3	45.5	61.5	25.0
Automated process	0.0	0.0	0.0	0.0	0.0	0.0
Are small businesses paying slower today than a year ago?						
No change	62.5	0.0	52.4	63.6	53.9	50.0
Paying better	4.2	20.0	4.8	0.0	0.0	50.0
1 - 2 days slower	16.7	20.0	14.3	18.2	15.4	0.0
3 - 5 days slower	16.7	60.0	19.1	18.2	7.7	0.0
6+ days slower	0.0	0.0	9.5	0.0	23.1	0.0
Get paid better than competitors?[2]						
Yes	29.2	40.0	38.1	54.6	46.2	50.0
Changed policy for new sales activity?[2]						
Yes	12.5	0.0	28.6	10.0	7.7	50.0
If payments slowed down did it cause significant financial hardship on the firm?[2]						
Yes	9.1	20.0	10.0	30.0	8.3	0.0

Notes: 1. See note at end of Table 3 for information on these calcuations. 2. See notes at end of tTable 2 for the exact wording of these questions.

Table 6A: Small business customer experiences by sales of respondent: Less than $25 Million to $500 Million

	< $25M	$26-$50M	$50-$100M	$100-$250M	$250-$500M
Share of total sales that are to small businesses					
0-5%	6.7	6.7	5.0	0.0	11.5
6-10%	6.7	6.7	15.0	3.7	0.0
11-20%	13.3	13.3	20.0	14.8	15.4
21-35%	13.3	6.7	10.0	11.1	23.1
36-50%	6.7	6.7	15.0	18.5	15.4
51-75%	26.7	13.3	10.0	29.6	15.4
> 75%	26.7	46.7	25.0	22.2	19.2
Distribution of sales to small businesses 2013[1]					
Open account	87.7	85.8	81.4	77.6	87.0
Credit card	9.8	4.5	11.6	10.2	6.9
Term sales	0.3	0.0	4.6	6.9	1.4
Cash	2.2	9.5	2.1	4.7	3.1
Secured transactions	0.0	0.3	0.4	0.5	1.6
Average transaction to small businesses					
$0-$2,500	50.0	40.0	35.0	39.3	20.0
$2,501-$5,000	25.0	26.7	20.0	21.4	20.0
$5,001-$10,000	18.8	20.0	10.0	17.9	36.0
$10,001-$25,000	6.3	0.0	20.0	7.1	12.0
> $25,000	0.0	13.3	15.0	14.3	12.0
The volume of small business transactions has…					
Increased	25.0	66.7	45.0	42.9	60.0
Decreased	31.3	13.3	20.0	32.1	8.0
Remained steady	43.8	20.0	35.0	25.0	28.0
Automated process	0.0	0.0	0.0	0.0	4.0
Are small businesses paying slower today than a year ago?					
No change	62.5	66.7	40.0	51.9	50.0
Paying better	0.0	6.7	15.0	14.8	19.2
1 - 2 days slower	6.3	0.0	20.0	7.4	15.4
3 - 5 days slower	6.3	26.7	15.0	11.1	7.7
6+ days slower	25.0	0.0	10.0	14.8	7.7
Get paid better than competitors?[2]					
Yes	37.5	13.3	40.0	32.1	34.6
Changed policy for new sales activity?[2]					
Yes	6.3	6.7	26.3	25.0	30.8
If payments slowed down did it cause significant financial hardship on the firm?[2]					
Yes	43.8	33.3	26.3	15.4	13.0

Table 6B: Small business customer experiences by sales of respondent: More than $500 Million

	\$500-\$750M	\$750-\$999M	\$1-\$5B	\$5-\$10B	More than \$10B
Share of total sales that are to small businesses					
0-5%	15.4	0.0	15.6	12.5	23.5
6-10%	0.0	12.5	15.6	12.5	29.4
11-20%	23.1	31.3	20.0	25.0	17.7
21-35%	0.0	18.8	13.3	31.3	0.0
36-50%	15.4	18.8	11.1	18.8	5.9
51-75%	30.8	12.5	13.3	0.0	5.9
> 75%	15.4	6.3	11.1	0.0	17.7
Distribution of sales to small businesses 2013[1]					
Open account	78.7	81.9	78.5	83.8	89.2
Credit card	6.2	5.0	9.5	5.3	2.8
Term sales	9.0	8.4	3.1	0.2	1.7
Cash	1.3	3.0	7.5	6.0	4.5
Secured transactions	4.8	1.7	1.4	4.8	1.8
Average transaction to small businesses					
\$0-\$2,500	15.4	31.3	6.8	0.0	23.5
\$2,501-\$5,000	7.7	6.3	27.3	23.5	23.5
\$5,001-\$10,000	23.1	12.5	27.3	41.2	5.9
\$10,001-\$25,000	30.8	25.0	22.7	29.4	17.7
> \$25,000	23.1	25.0	15.9	5.9	29.4
The volume of small business transactions has…					
Increased	46.2	50.0	35.6	35.3	35.3
Decreased	23.1	0.0	15.6	11.8	5.9
Remained steady	30.8	50.0	48.9	52.9	58.8
Automated process	0.0	0.0	0.0	0.0	0.0
Are small businesses paying slower today than a year ago?					
No change	46.2	75.0	60.0	58.8	76.5
Paying better	23.1	6.3	6.7	0.0	11.8
1 - 2 days slower	7.7	12.5	6.7	23.5	5.9
3 - 5 days slower	15.4	6.3	15.6	11.8	5.9
6+ days slower	7.7	0.0	11.1	5.9	0.0
Get paid better than competitors?[2]					
Yes	38.5	31.3	37.8	35.3	41.2
Changed policy for new sales activity?[2]					
Yes	7.7	12.5	6.7	11.8	5.9
If payments slowed down did it cause significant financial hardship on the firm?[2]					
Yes	16.7	13.3	7.3	7.1	11.8

Notes: 1. See note at end of Table 3 for information on these calcuations. 2. See notes at end of tTable 2 for the exact wording of these questions.

Table 7: Small business customer experiences by share of respondent sales to small businesses

	0-5%	6-10%	11-20%	21-35%	36-50%	51-75%	> 75%
Distribution of sales to small businesses 2013[1]							
Open account	82.5	83.8	80.6	89.3	83.5	78.4	81.4
Credit card	2.7	12.8	6.7	5.4	11.4	7.7	7.9
Term sales	6.8	0.0	6.1	0.2	0.5	6.8	3.4
Cash	8.0	3.2	4.5	4.1	3.5	4.6	5.5
Secured transactions	0.0	0.3	2.2	1.0	1.2	2.5	1.8
Average transaction to small businesses							
$0-$2,500	23.8	27.3	23.1	17.9	28.6	31.3	18.4
$2,501-$5,000	4.8	31.8	30.8	21.4	17.9	21.9	15.8
$5,001-$10,000	28.6	9.1	20.5	32.1	21.4	18.8	23.7
$10,001-$25,000	14.3	27.3	18.0	10.7	17.9	9.4	23.7
> $25,000	28.6	4.6	7.7	17.9	14.3	18.8	18.4
The volume of small business transactions has…							
Increased	35.0	27.3	32.5	50.0	50.0	48.5	52.6
Decreased	5.0	9.1	20.0	17.9	17.9	21.2	18.4
Remained steady	60.0	63.6	47.5	28.6	32.1	30.3	29.0
Automated process	0.0	0.0	0.0	3.6	0.0	0.0	0.0
Are small businesses paying slower today than a year ago?							
No change	90.5	77.3	67.5	60.7	53.6	39.4	37.8
Paying better	4.8	9.1	2.5	10.7	10.7	18.2	13.5
1 - 2 days slower	0.0	4.6	17.5	0.0	17.9	9.1	16.2
3 - 5 days slower	4.8	9.1	7.5	21.4	3.6	15.2	18.9
6+ days slower	0.0	0.0	5.0	7.1	14.3	18.2	13.5
Get paid better than competitors?[2]							
Yes	38.1	31.8	30.0	32.1	39.3	33.3	39.5
Changed policy for new sales activity?[2]							
Yes	4.8	9.1	17.5	25.0	17.9	18.2	8.1
If payments slowed down did it cause significant financial hardship on the firm?[2]							
Yes	10.5	10.5	5.4	12.5	14.8	29.0	28.6

Notes: 1. See note at end of Table 3 for information on these calcuations. 2. See notes at end of tTable 2 for the exact wording of these questions.