

*Business &
Agriculture*

Alberta Business Beat

Volume 7, October 2014

www.atb.com/businessbeat

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Background and Methodology

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Background

- ATB Financial commissioned NRG Research Group to conduct a survey of 300 randomly selected small- to medium-sized businesses in Alberta each quarter, beginning in Q1 2013.
- The purpose of the study is to gain an understanding of the challenges faced by small- to medium-sized businesses in Alberta, and to track confidence in the business climate in Alberta.

Research Objectives

- Measure business owners and managers' perceptions of what the business climate will be like six months from now;
- Understand who SMEs turn to outside of their organization for advice and support. How often and through which channels do they network? Do they perceive financial advice from their bank or banker to be useful?;
- What are Alberta SMEs' perceptions of the federal government's recent changes to the temporary foreign worker program ; and,
- Profile the firmographics as well as respondent demographics for small- to medium-sized businesses in Alberta.

Methodology

Qualifying Businesses

<500 employees,
<\$20 million annual
revenues,

must be financial
decision makers or
influencers

- Excluded agriculture, government, financial institutions, media, market research, PR, advertising and communications sectors

Alberta SMEs



Field dates:

August 11 - 22, 2014

- Telephone
 - Approximately 3,000 businesses contacts made and 300 completed the survey
 - Margin of error is +/- 5.8%

Key Insights

- **1** The ATB Business Index declined slightly from last quarter, possibly due to labour shortage concerns in the wake of recent changes to the Temporary Foreign Workers (TFW) program
- **2** Alberta SMEs seek advice from a variety of sources. At the top of their list: accountants/bookkeepers and other business owners/business mentors.
- **3** Although 33% of SMEs believe that the TFW program takes jobs away from Albertans, 72% agree the program is necessary to combat labour shortages in Alberta

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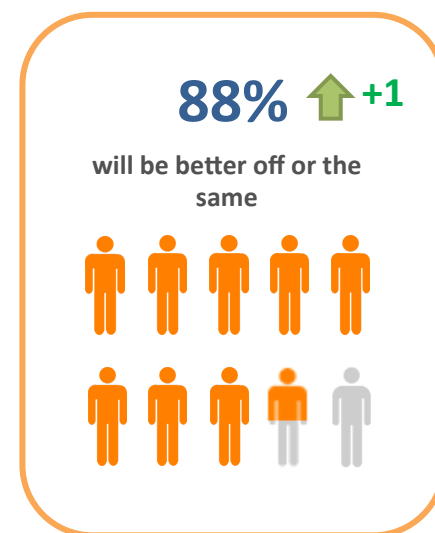
The ATB Business Beat Index

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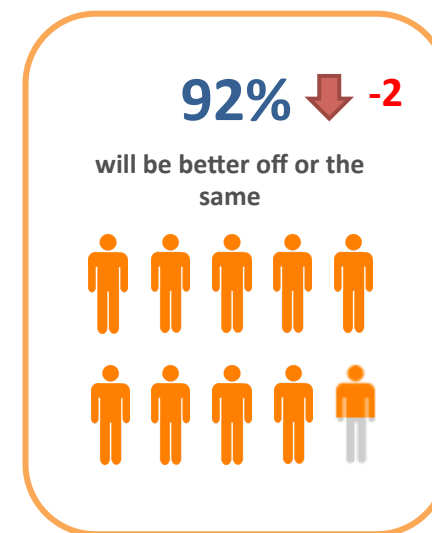
A very optimistic future

"How do you think... will be six months from now?"

Alberta Economy



Your Company



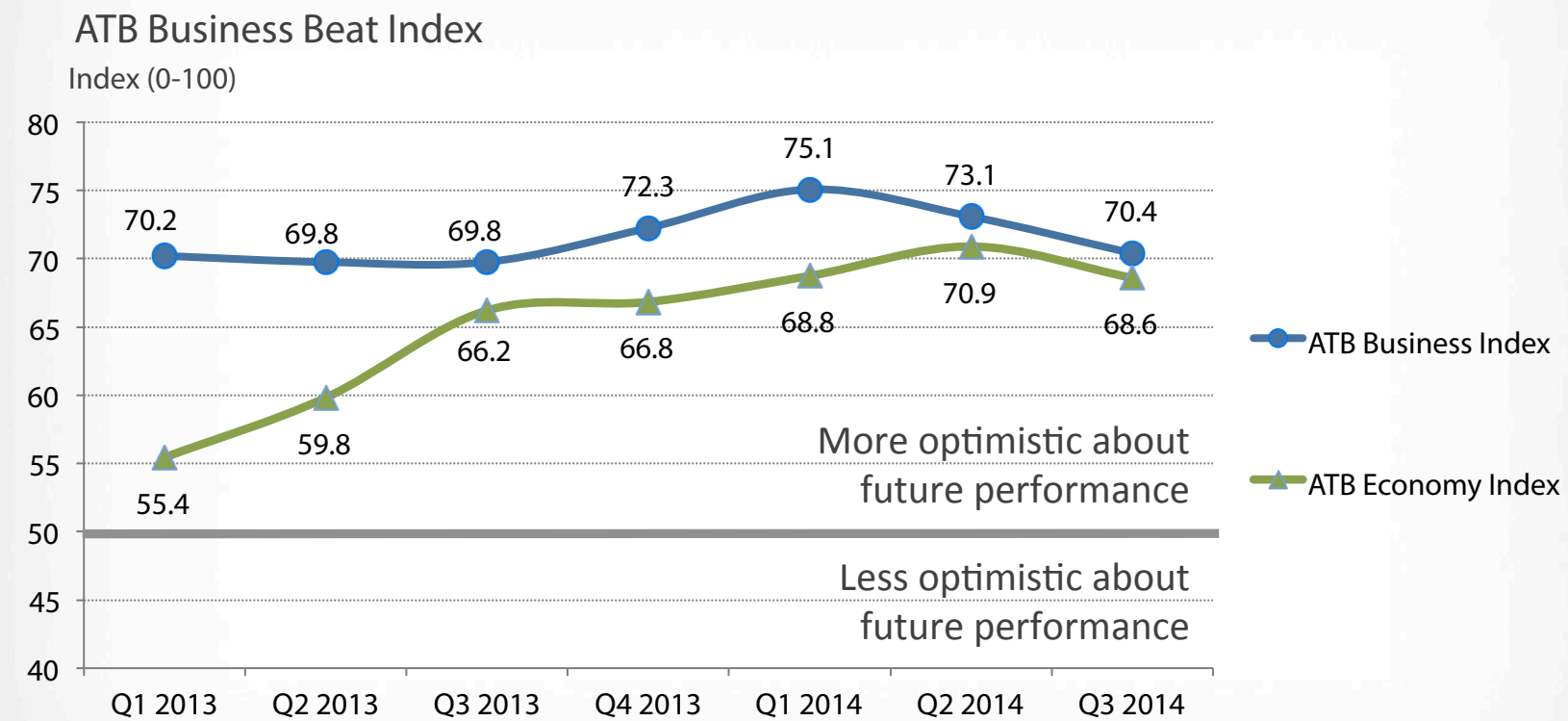
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↑ ↓ (±) Change from last quarter

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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

The ATB Business Beat Index



Data time periods: Q1 2013= Jan 2013, Q2 2013 = May 2013, Q3 2013 = Aug/Sept 2013, Q4 2013 = Dec 2013, Q1 2014= Mar 2014., Q2 2014 = June 2014, Q3 2014 = August, 2014

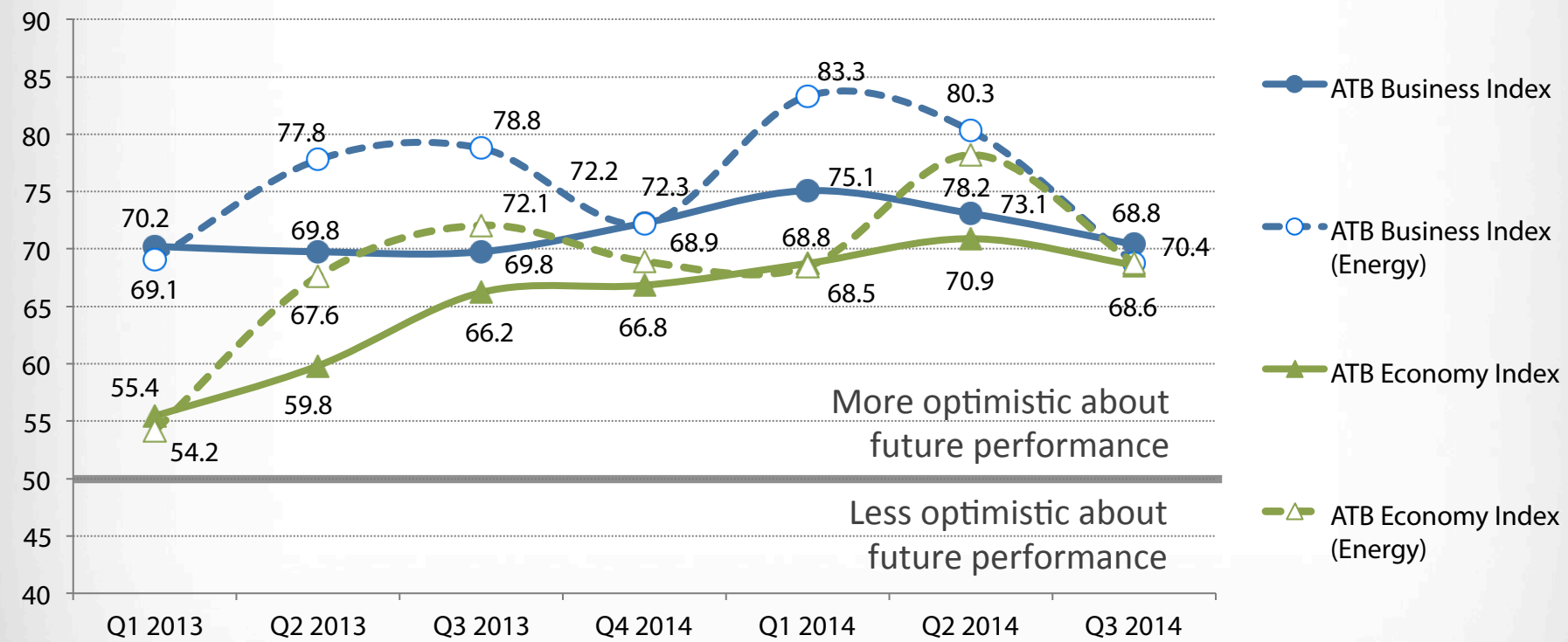
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Source: ATB Financial, Survey on Alberta SMEs 2013-14.

The ATB Business Beat Index - Energy

ATB Business Beat Index
Index (0-100)



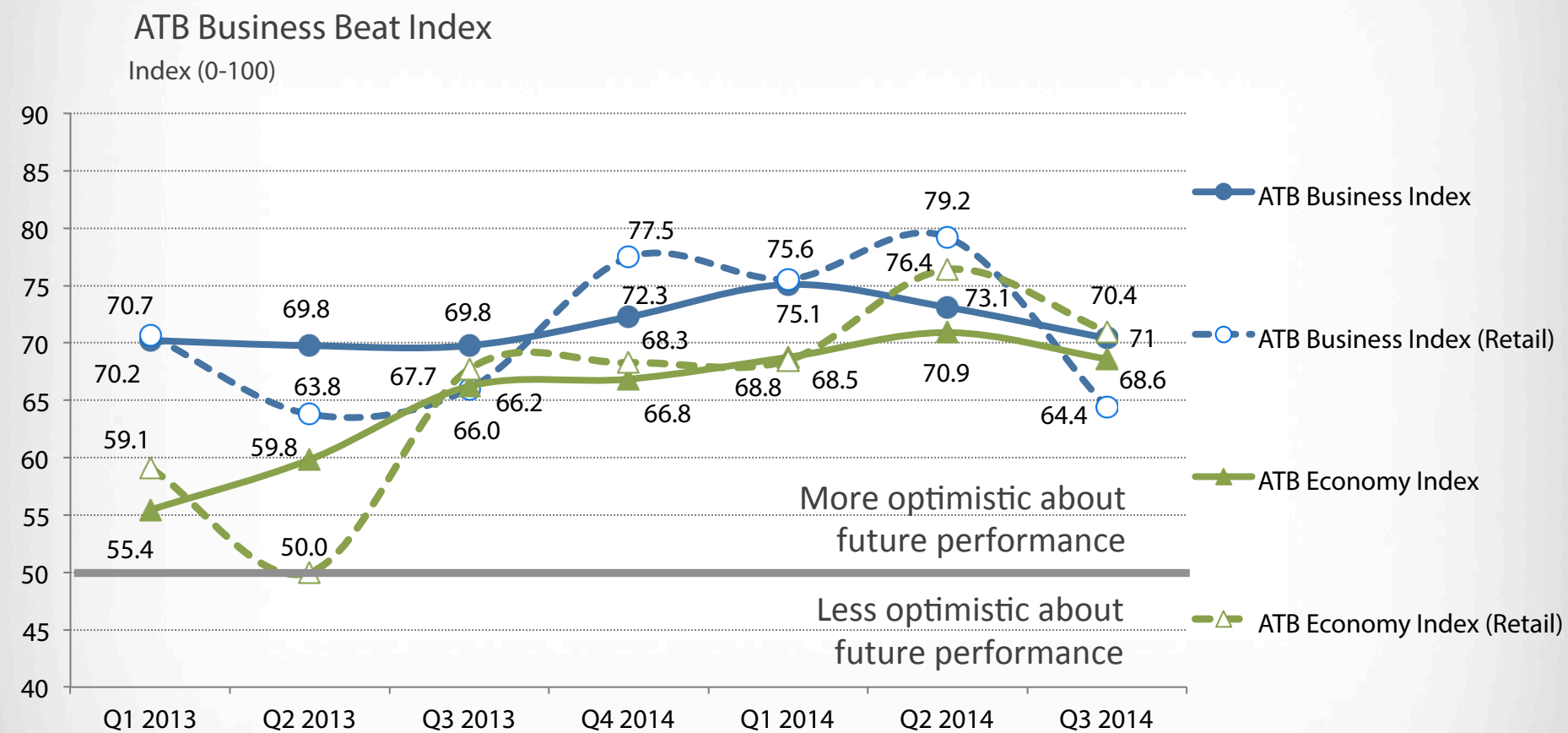
Data time periods: Q1 2013= Jan 2013, Q2 2013 = May 2013, Q3 2013 = Aug/Sept 2013, Q4 2013 = Dec 2013,
Q1 2014= Mar 2014., Q2 2014 = June 2014, Q3 2014 = August, 2014

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Source: ATB Financial, Survey on Alberta SMEs 2013-14.

The ATB Business Beat Index – Retail



Data time periods: Q1 2013= Jan 2013, Q2 2013 = May 2013, Q3 2013 = Aug/Sept 2013, Q4 2013 = Dec 2013, Q1 2014= Mar 2014., Q2 2014 = June 2014, Q3 2014 = August, 2014

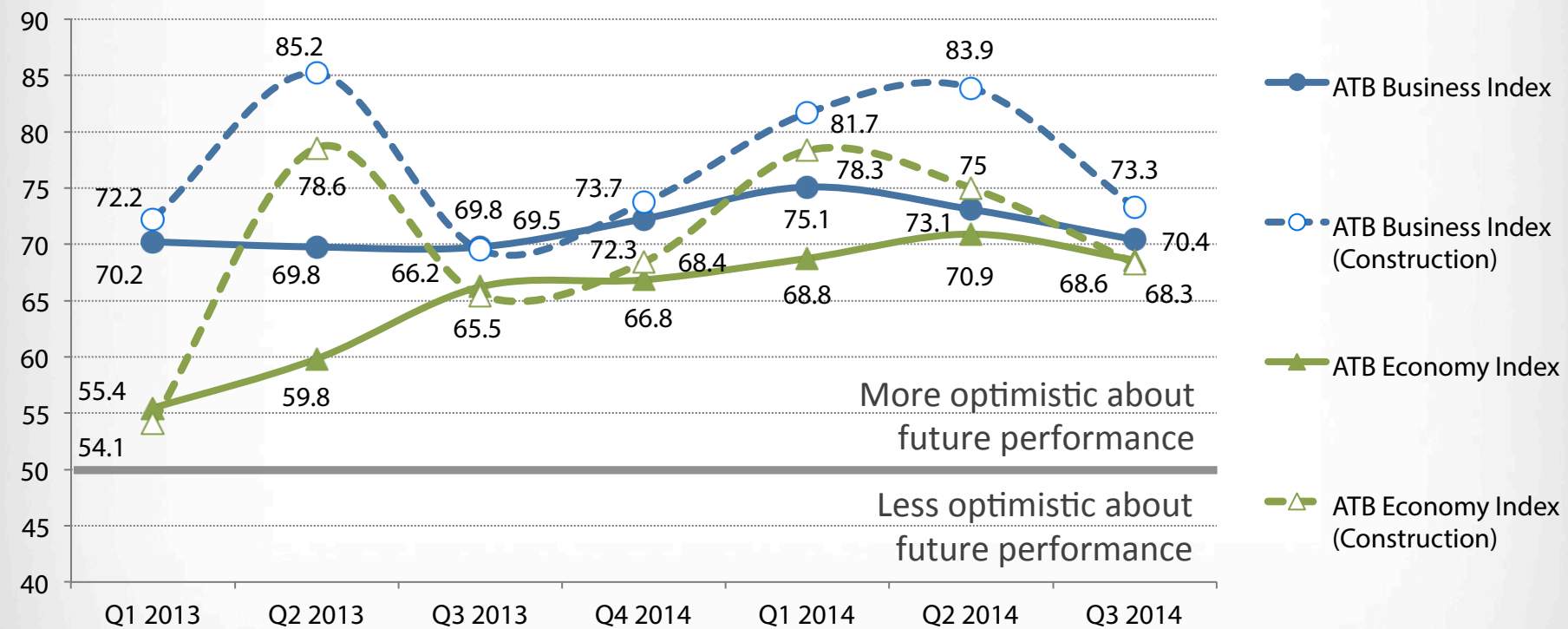
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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs 2013-14.

The ATB Business Beat Index - Construction

ATB Business Beat Index
Index (0-100)



Data time periods: Q1 2013= Jan 2013, Q2 2013 = May 2013, Q3 2013 = Aug/Sept 2013, Q4 2013 = Dec 2013,
Q1 2014= Mar 2014, Q2 2014 = June 2014, Q3 2014 = August, 2014

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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs 2013-14.

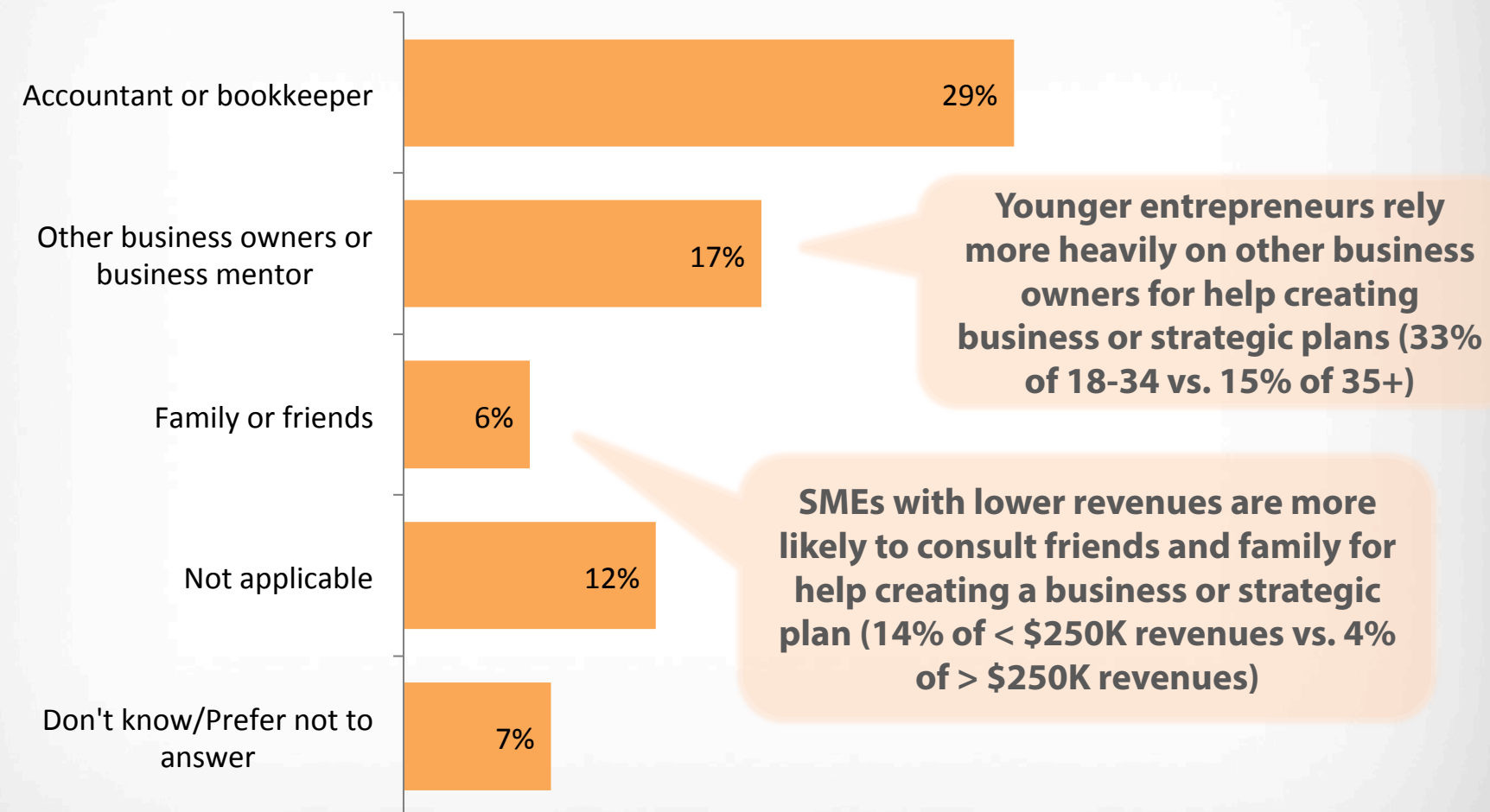
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Advice and Support

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Strategic Plan

"Who is the first person or group you would go to outside of your business for advice on **creating a business or strategic plan?**"



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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 5% or more are shown.

Hiring employees

“Who is the first person or group you would go to outside of your business for advice on **hiring employees?**”



31% of SMEs from the Energy industry rely on online sources for advice on hiring employees (vs. 7% of Retail and 16% of Construction)

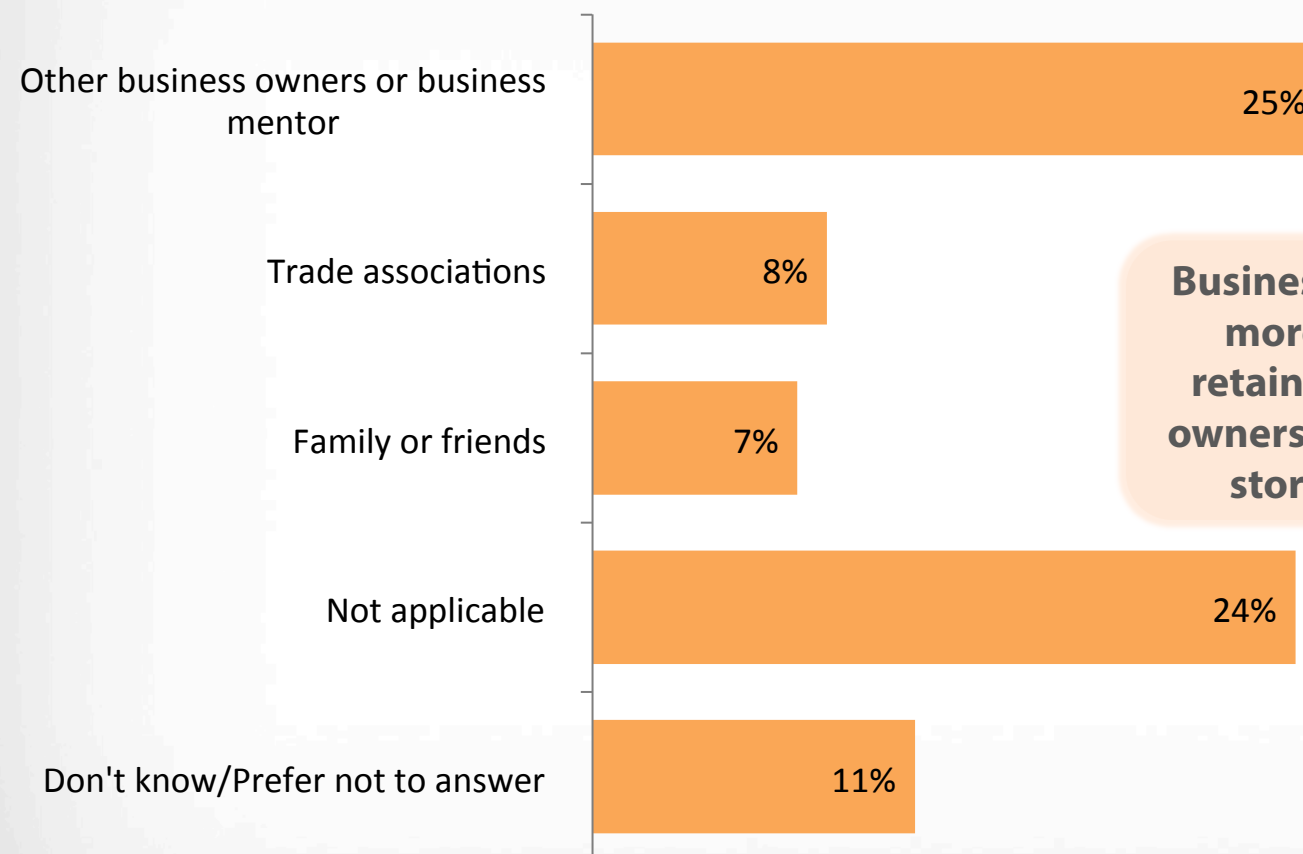
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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 5% or more are shown.

Retaining employees

“Who is the first person or group you would go to outside of your business for advice on **retaining employees**?”



Businesses with storefronts rely more heavily on advice on retaining from other business owners than businesses without storefronts (29% vs. 20%)

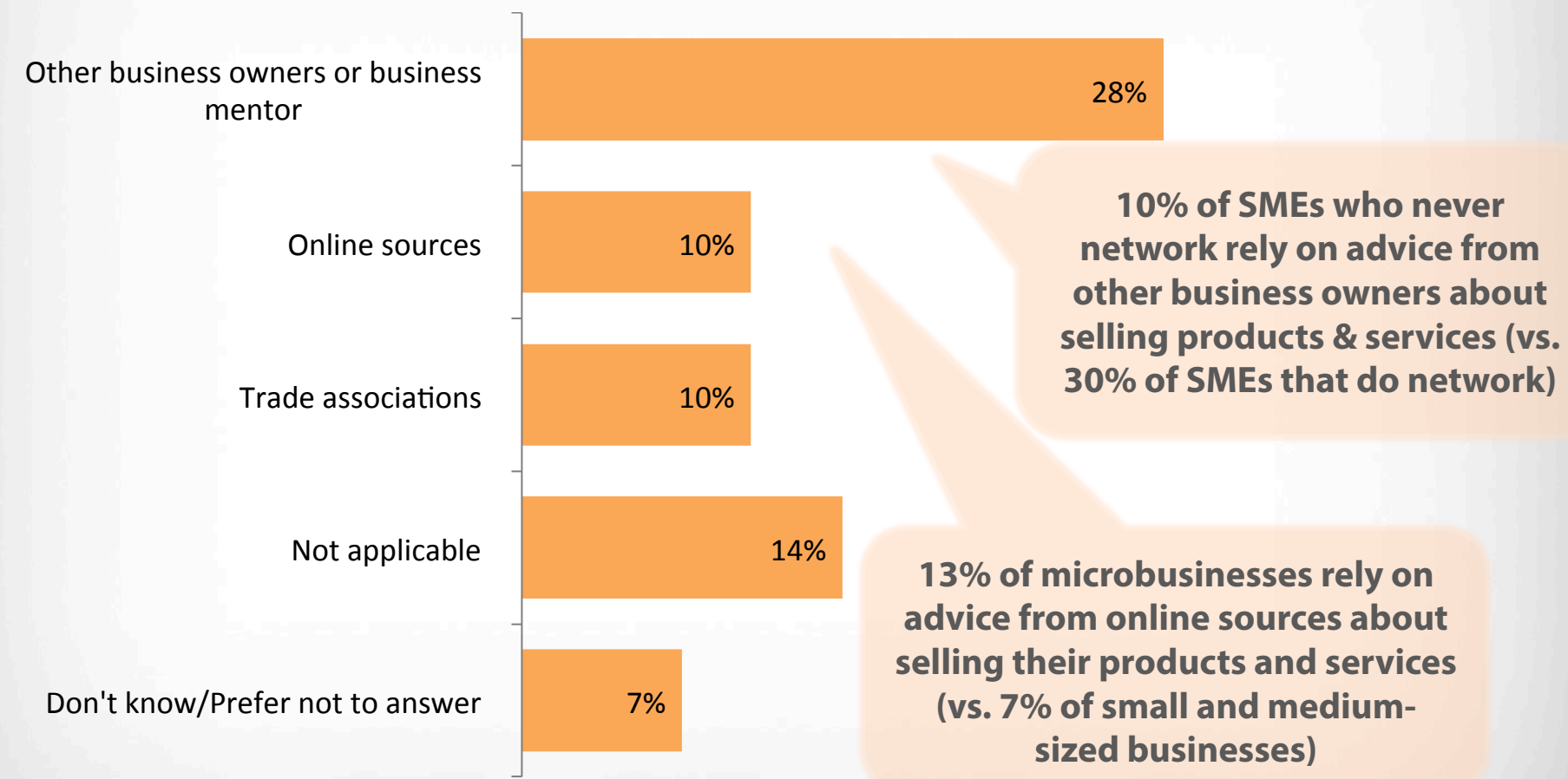
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 5% or more are shown.

Selling products or services

“Who is the first person or group you would go to outside of your business for advice on **selling your products or services?**”



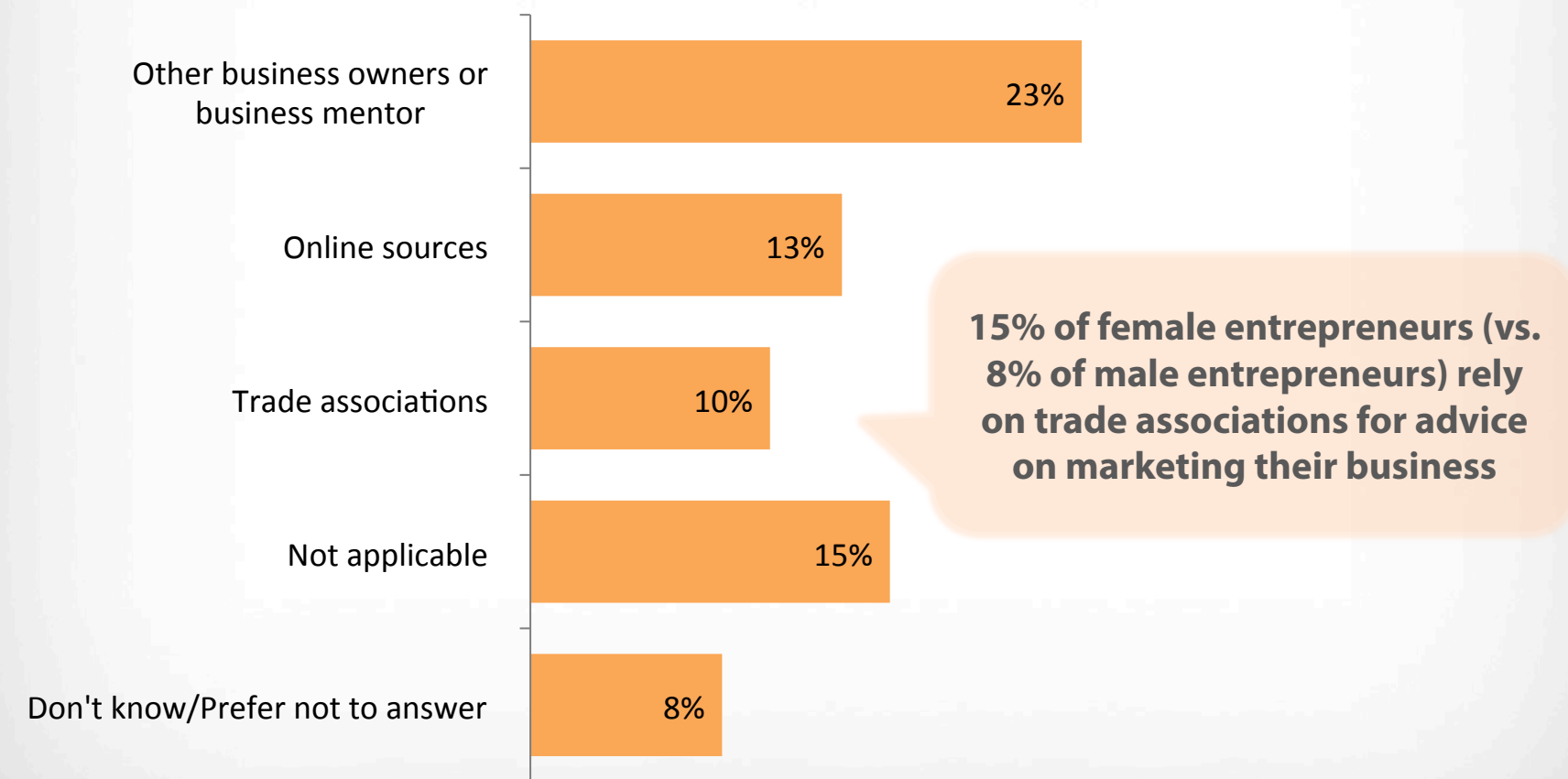
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 10% or more are shown.

Marketing your business

“Who is the first person or group you would go to outside of your business for advice on **marketing your business?**”



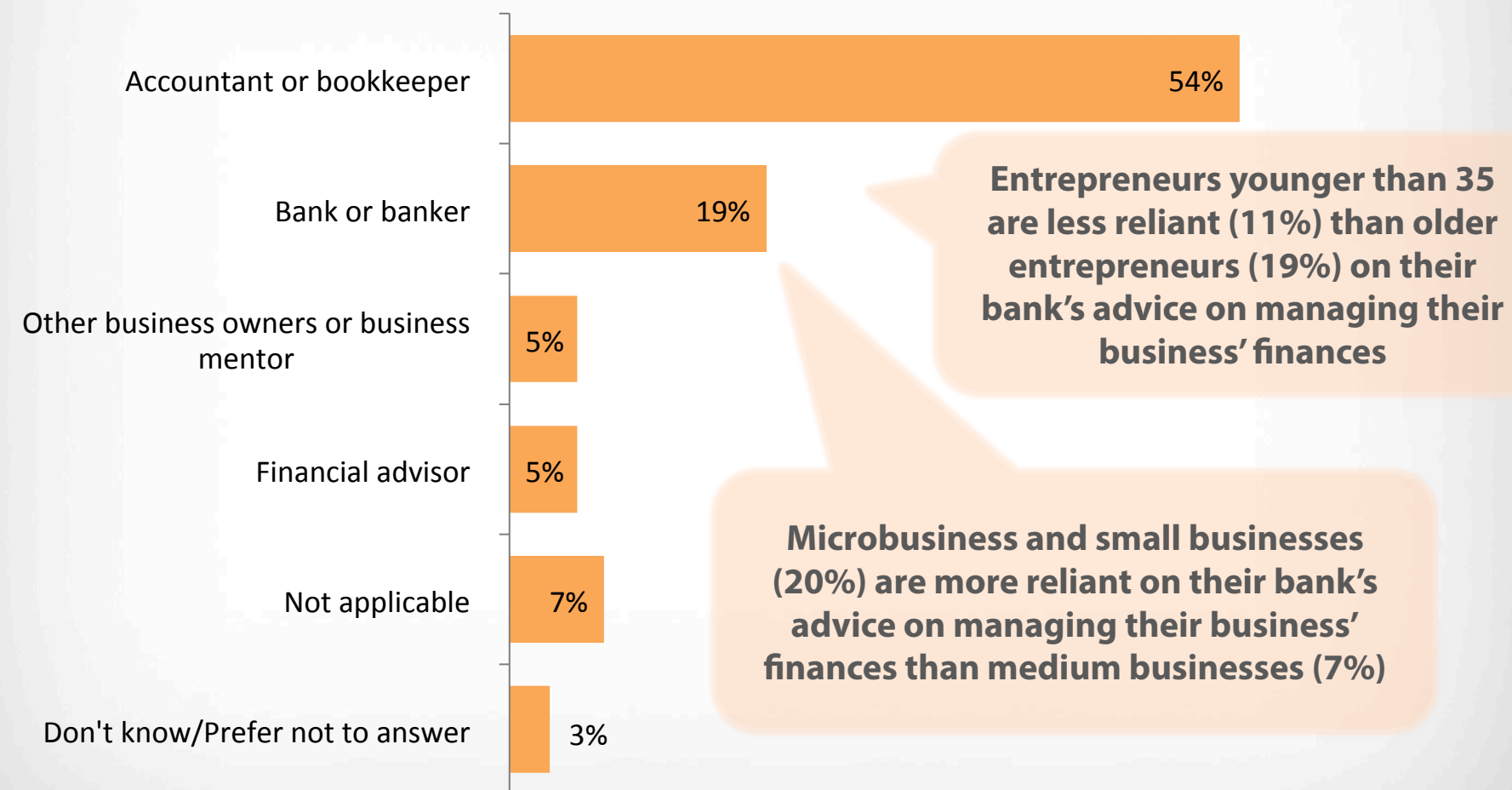
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 10% or more are shown.

Managing finances

“Who is the first person or group you would go to outside of your business for advice on **managing your business’ finances?**”



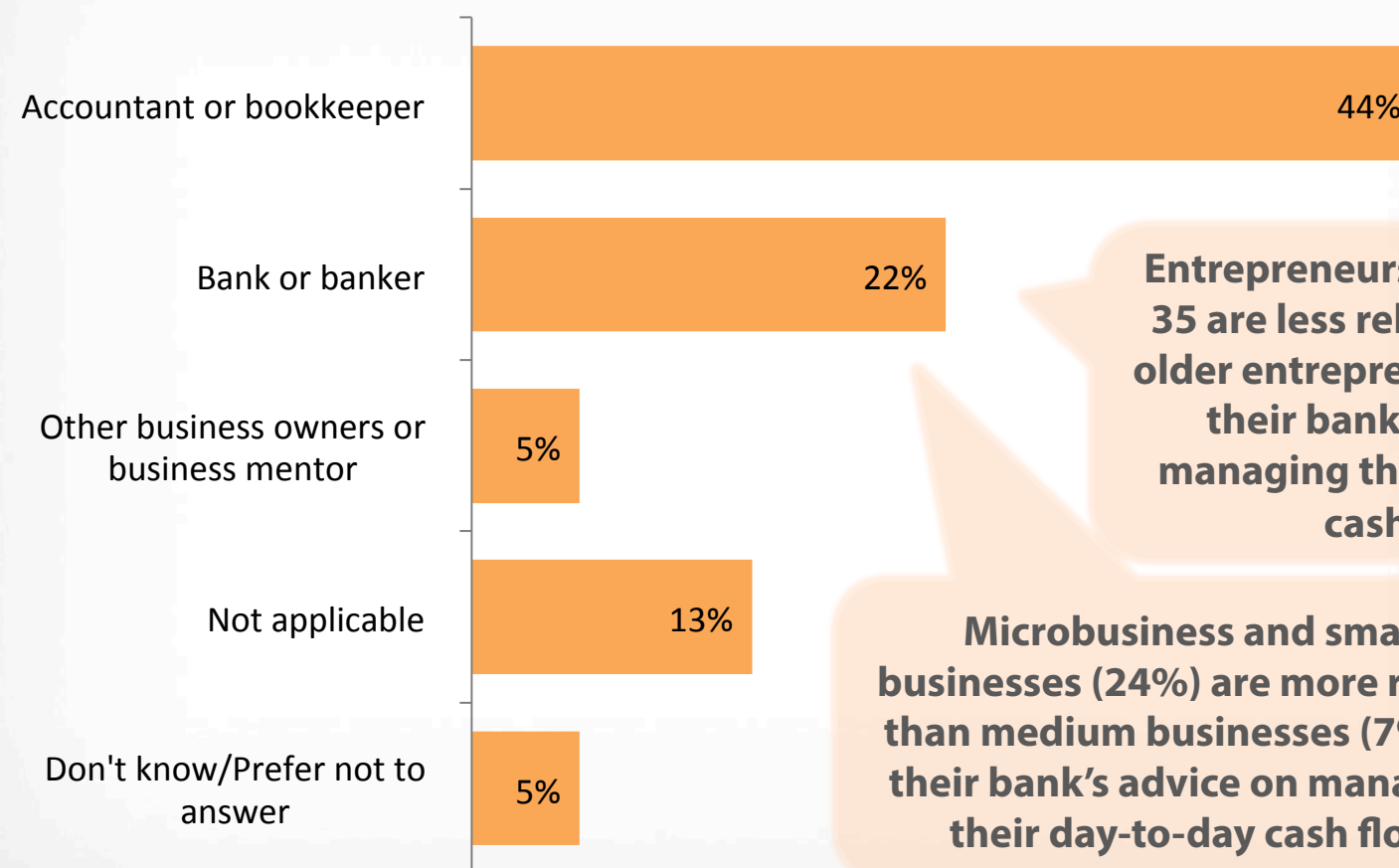
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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 5% or more are shown.

Managing cash flow

“Who is the first person or group you would go to outside of your business for advice on **managing your day-to-day cash flow?**”



Entrepreneurs younger than 35 are less reliant (7%) than older entrepreneurs (24%) on their bank's advice on managing their day-to-day cash flow

Microbusiness and small businesses (24%) are more reliant than medium businesses (7%) on their bank's advice on managing their day-to-day cash flow

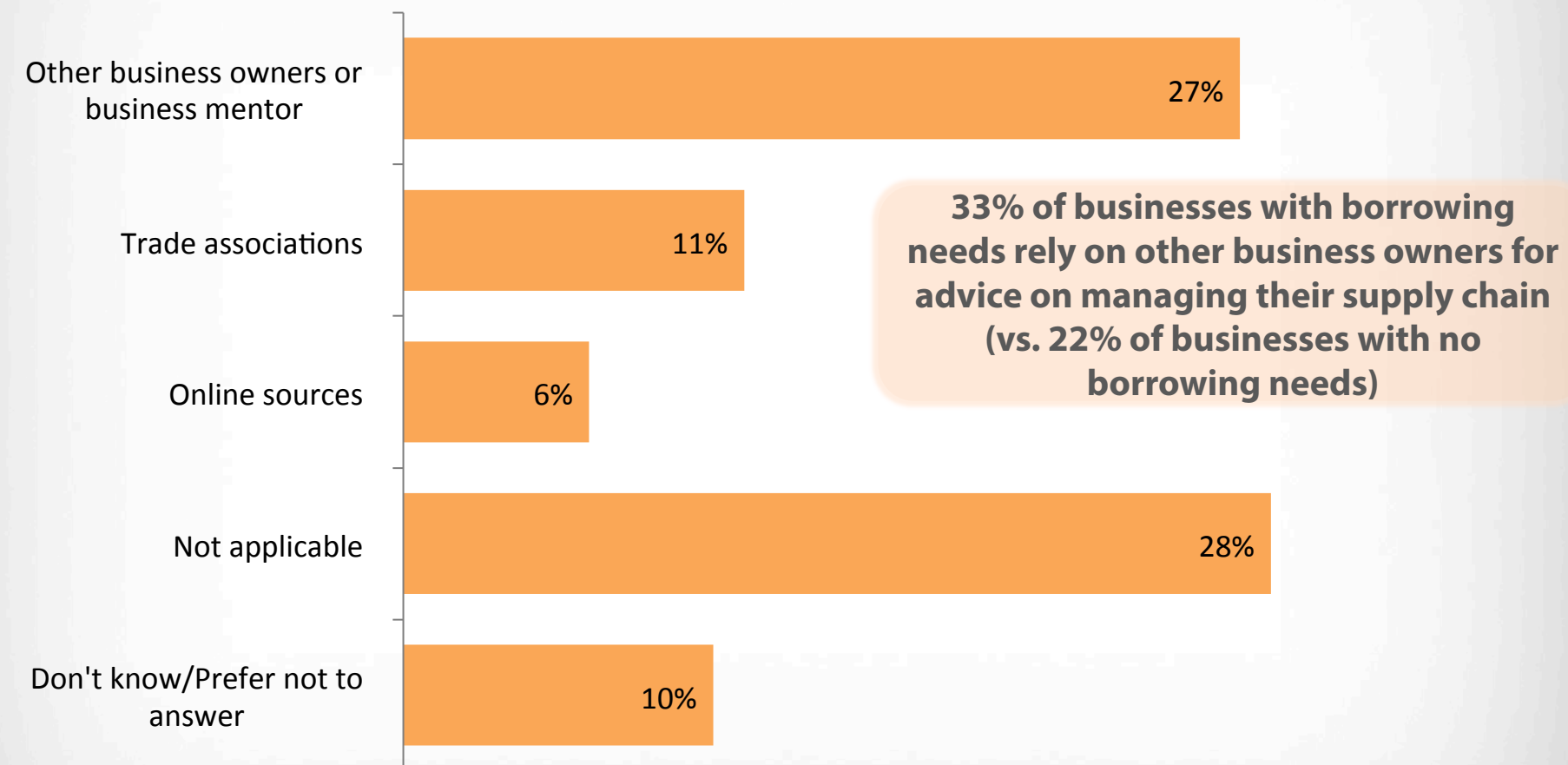
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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 5% or more are shown.

Supply Chain

"Who is the first person or group you would go to outside of your business for advice on **managing your supply chain?**"



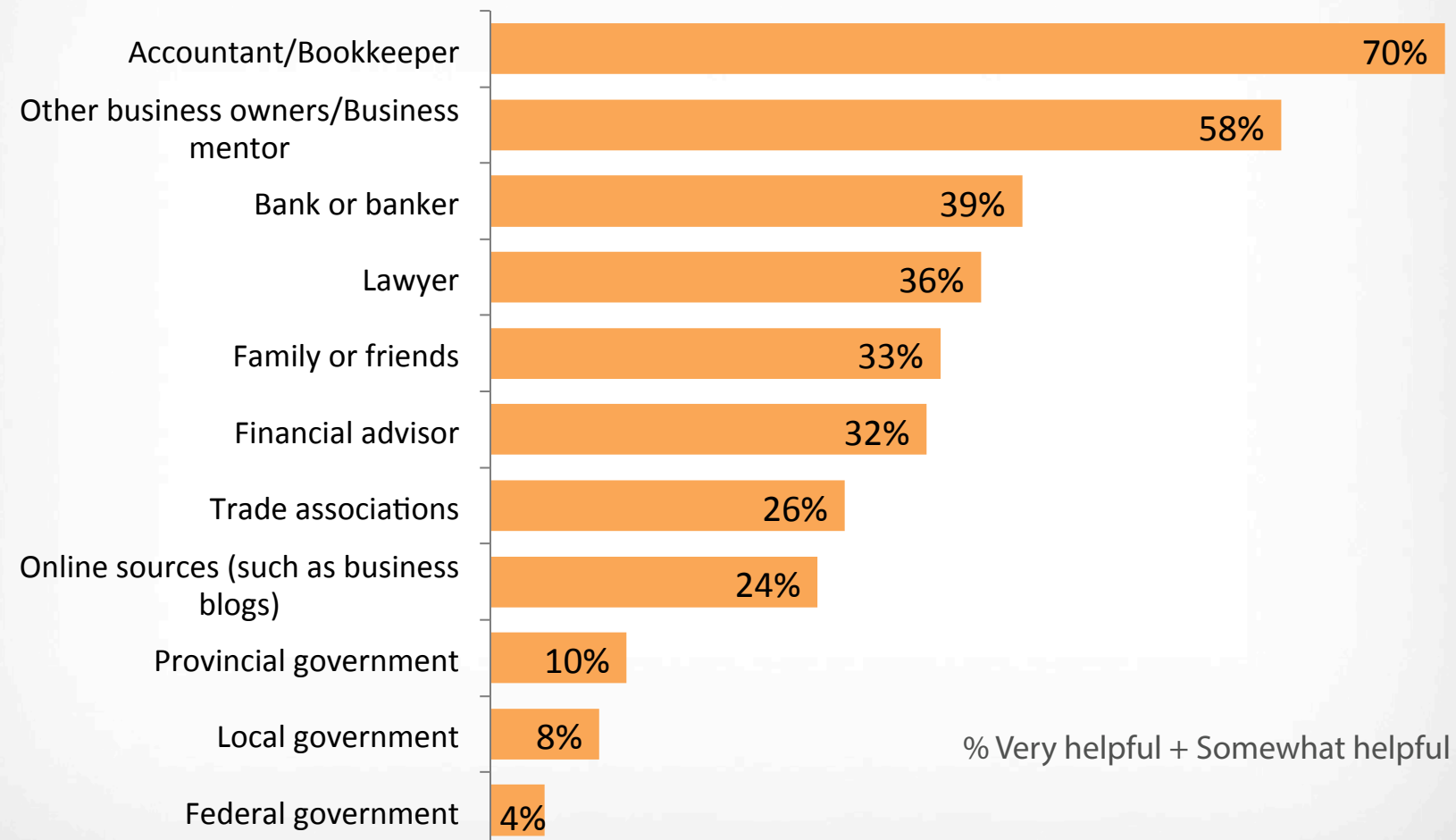
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 6% or more are shown.

Helpful advice

“How helpful do you find the following sources to be when it comes to advice for your business”



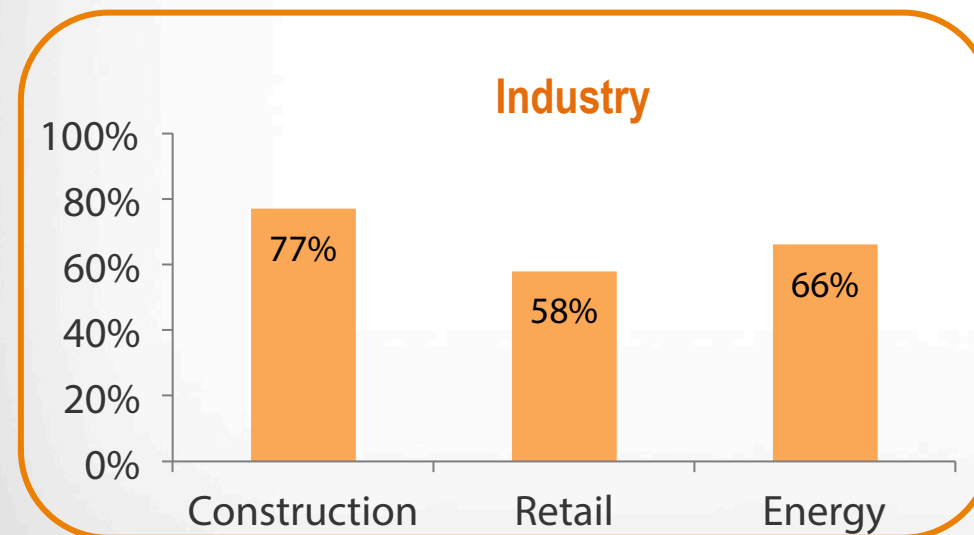
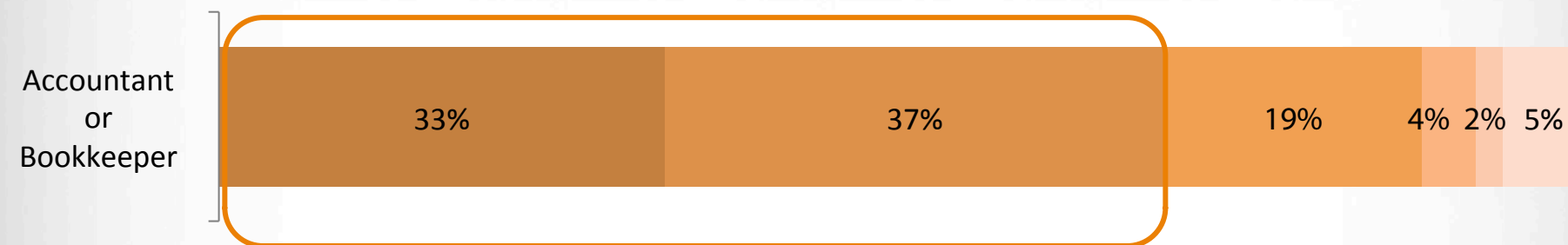
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Accountant or Bookkeeper (70%)

■ Very Helpful ■ Somewhat Helpful ■ Neutral ■ Somewhat Unhelpful ■ Very Unhelpful ■ Not Applicable



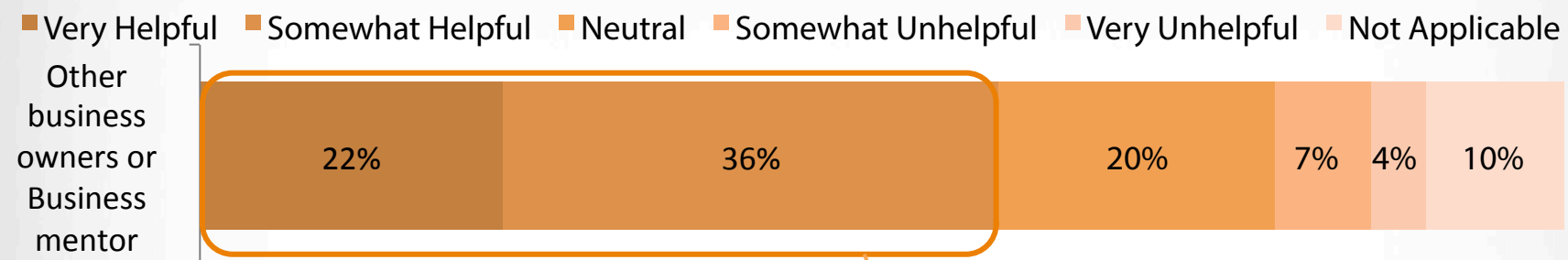
Only 56% of SMEs who do not network find their Accountant or Bookkeeper to be a useful source of advice

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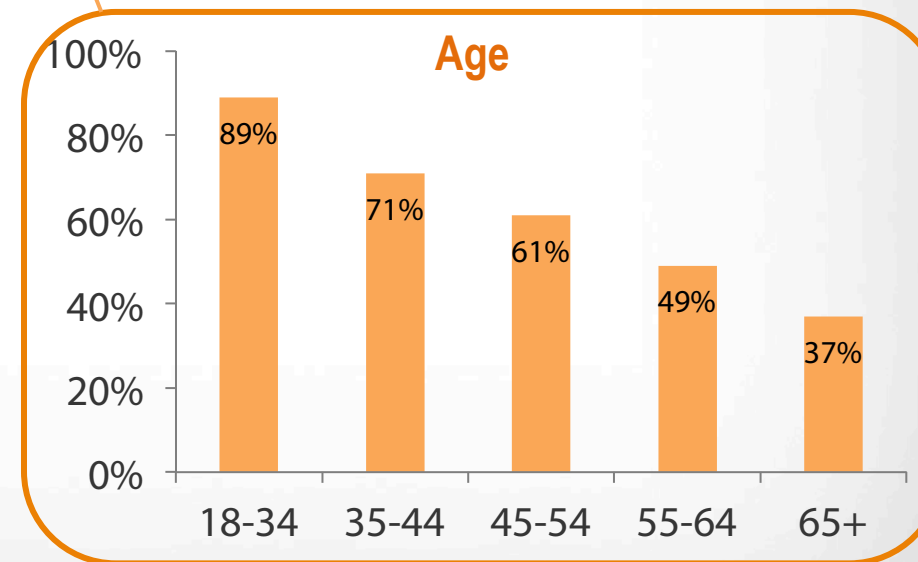
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Other biz owners/mentors (58%)



83% of SMEs in business for less than 6 years find other business owners to be a helpful source of advice (vs. 63% of SMEs in business longer than 6 years)



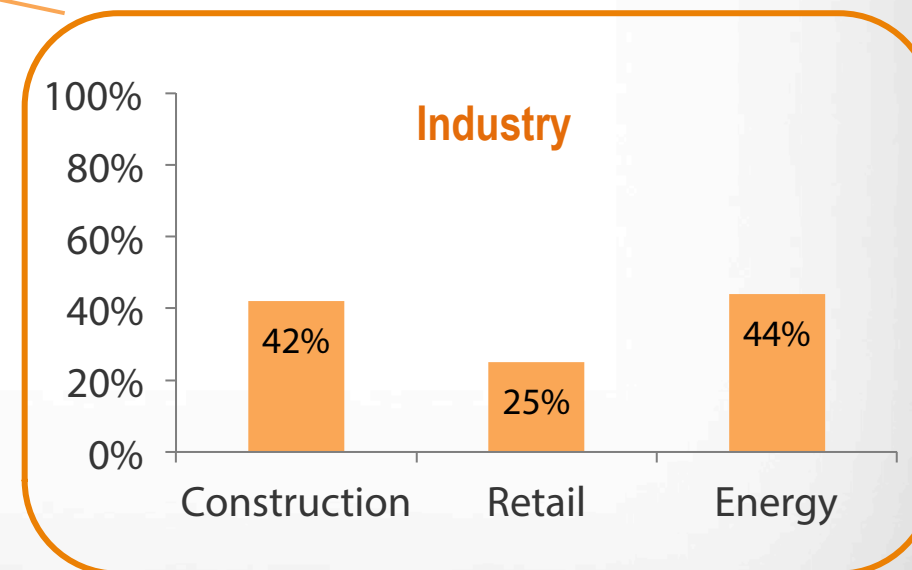
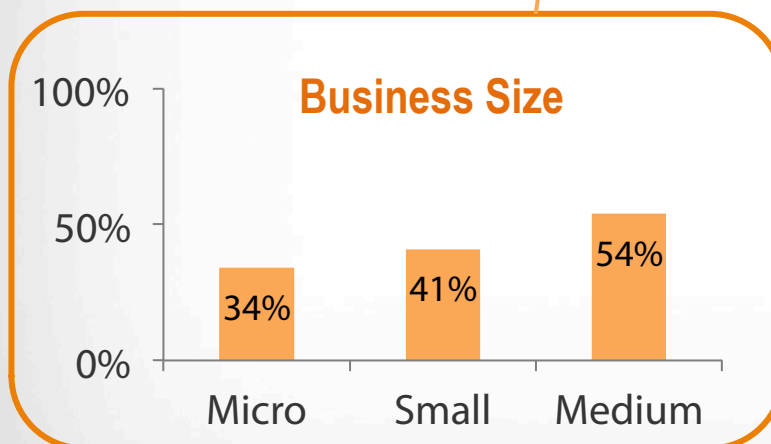
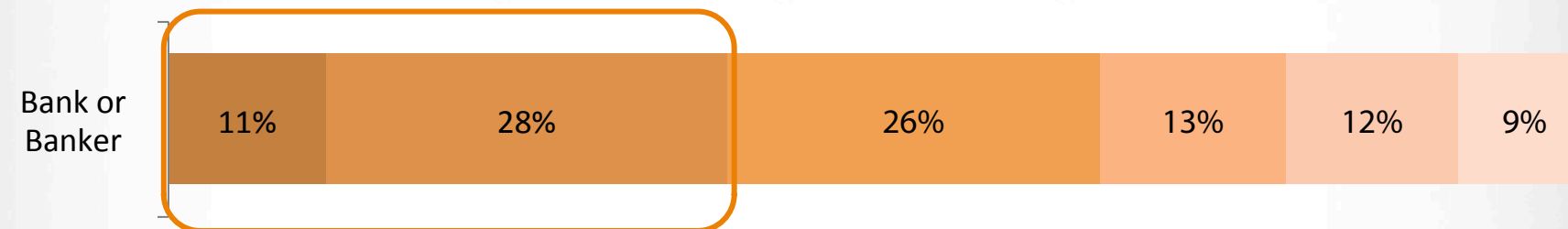
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Bank or Banker (39%)

Very Helpful
Somewhat Helpful
Neutral
Somewhat Unhelpful
Very Unhelpful
Not Applicable



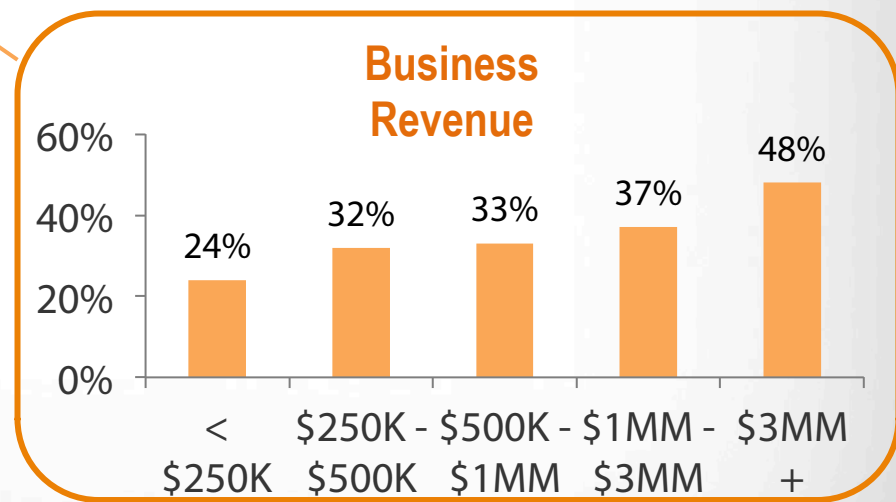
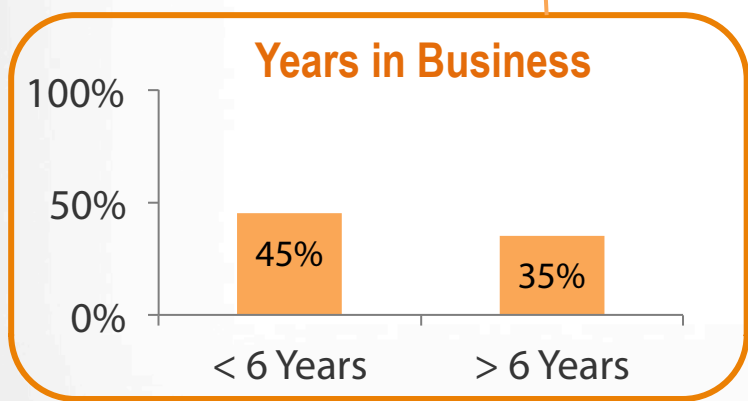
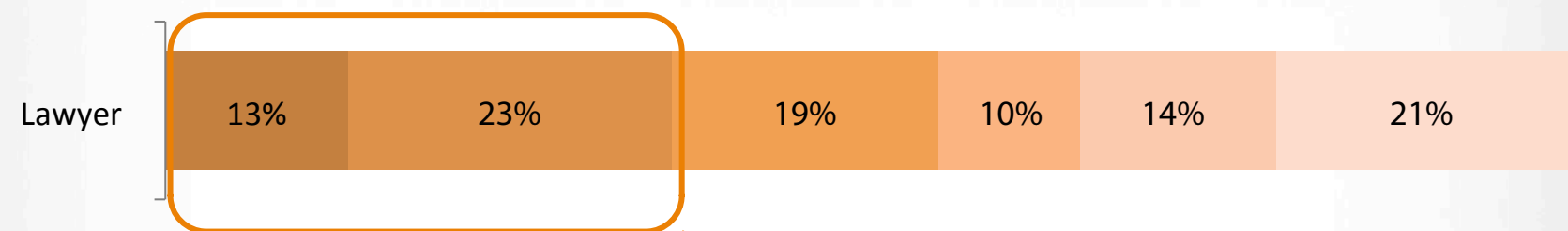
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Lawyer (36%)

■ Very Helpful ■ Somewhat Helpful ■ Neutral ■ Somewhat Unhelpful ■ Very Unhelpful ■ Not Applicable



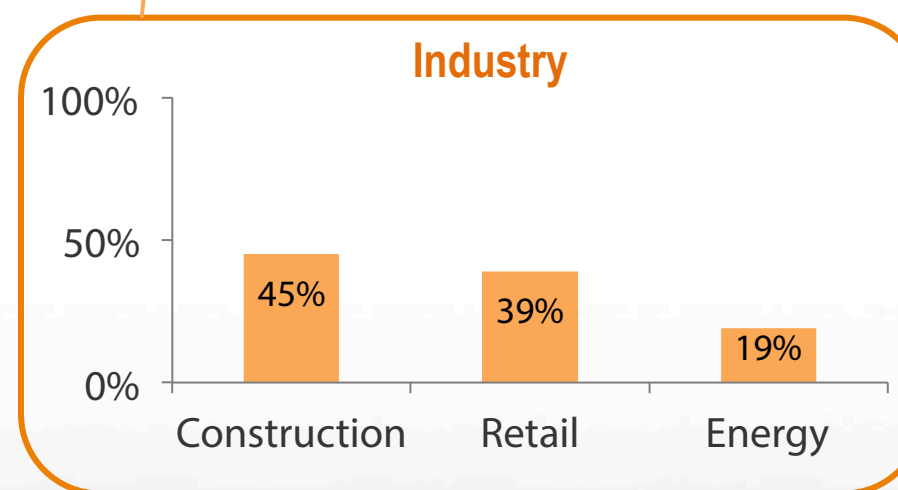
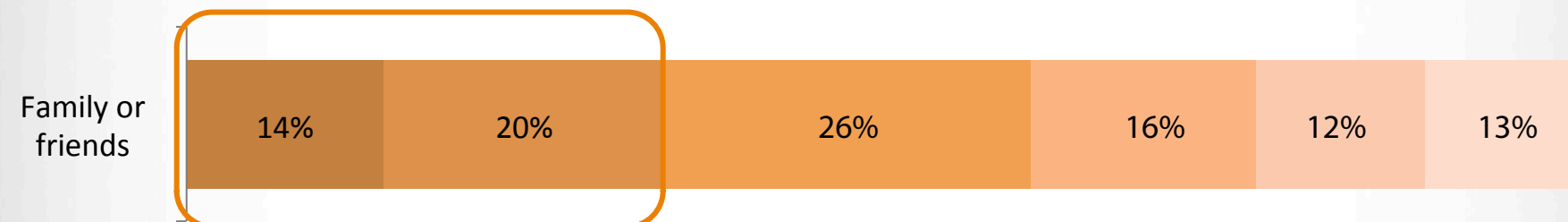
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Family or friends (34%)

■ Very Helpful ■ Somewhat Helpful ■ Neutral ■ Somewhat Unhelpful ■ Very Unhelpful ■ Not Applicable

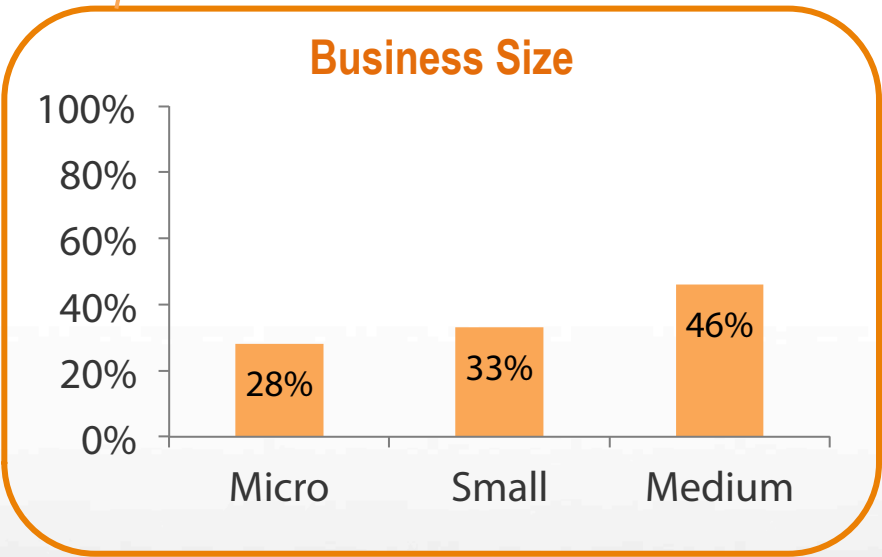
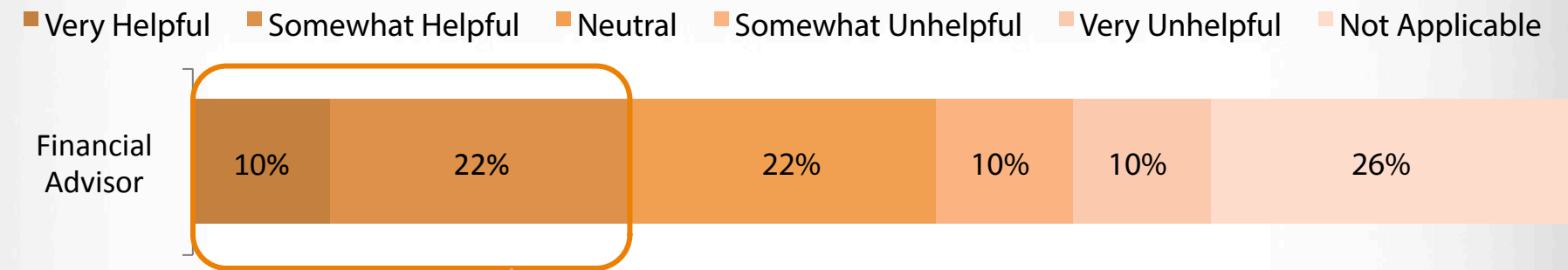


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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Financial Advisor (32%)



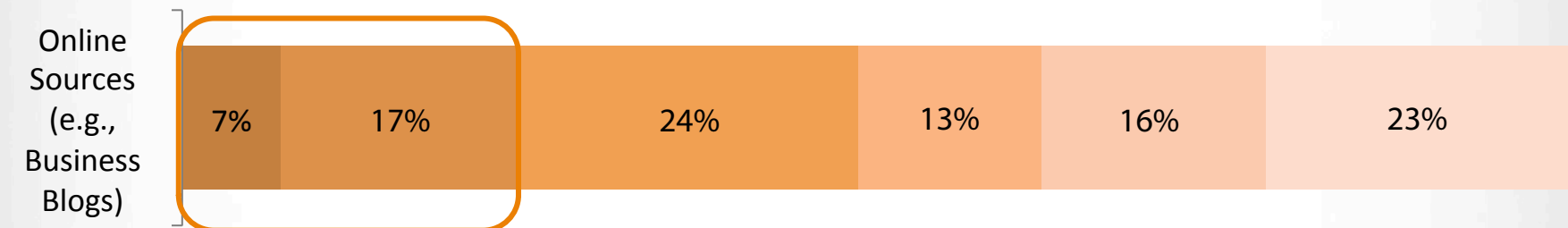
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Online sources (24%)

■ Very Helpful ■ Somewhat Helpful ■ Neutral ■ Somewhat Unhelpful ■ Very Unhelpful ■ Not Applicable



32% of female SMEs (vs. 19% of male SMEs) find online sources of advice to be useful

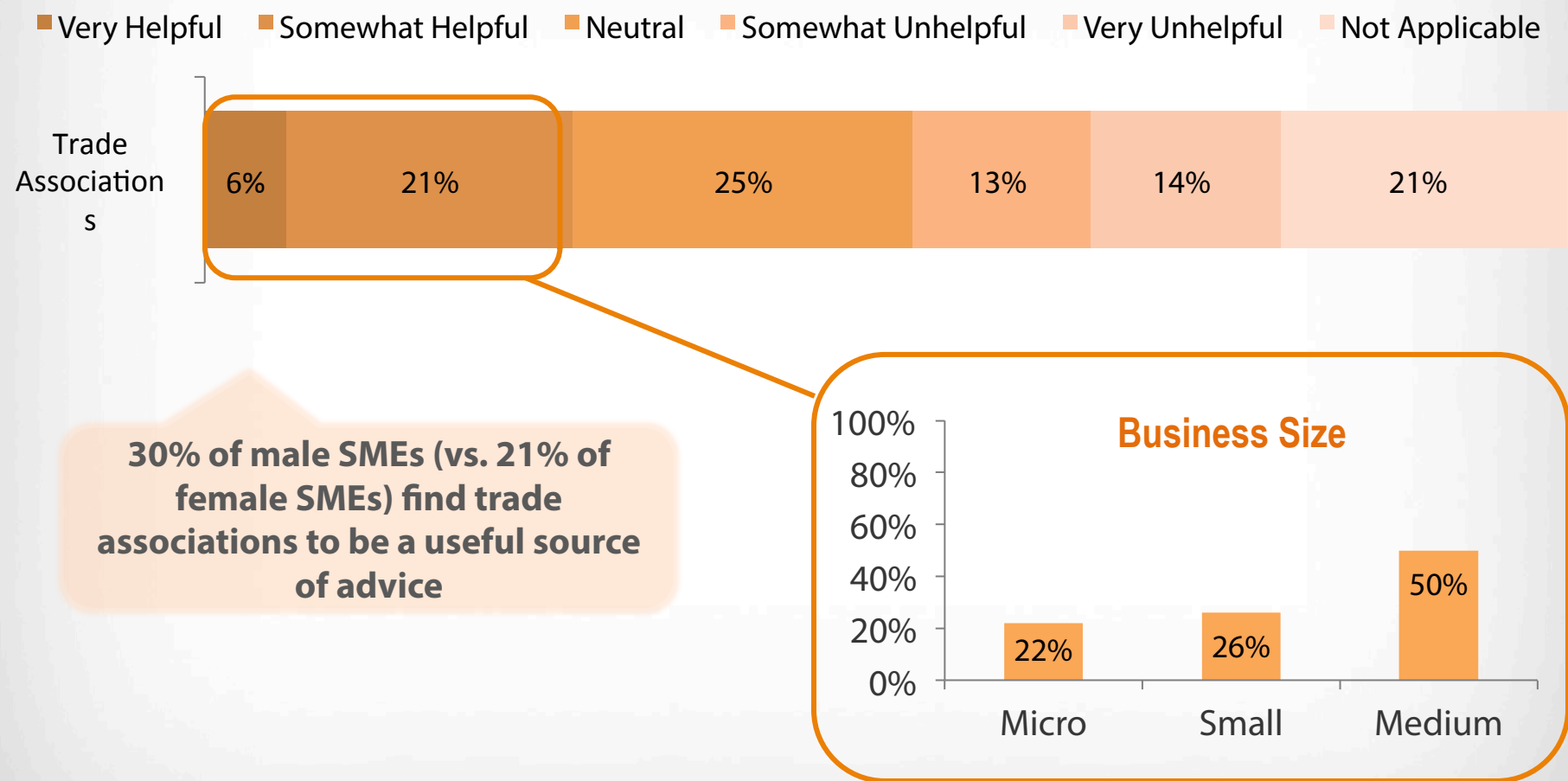
28% of SMEs with a storefront (vs. 19% without) find online sources of advice to be useful

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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Trade Associations (27%)

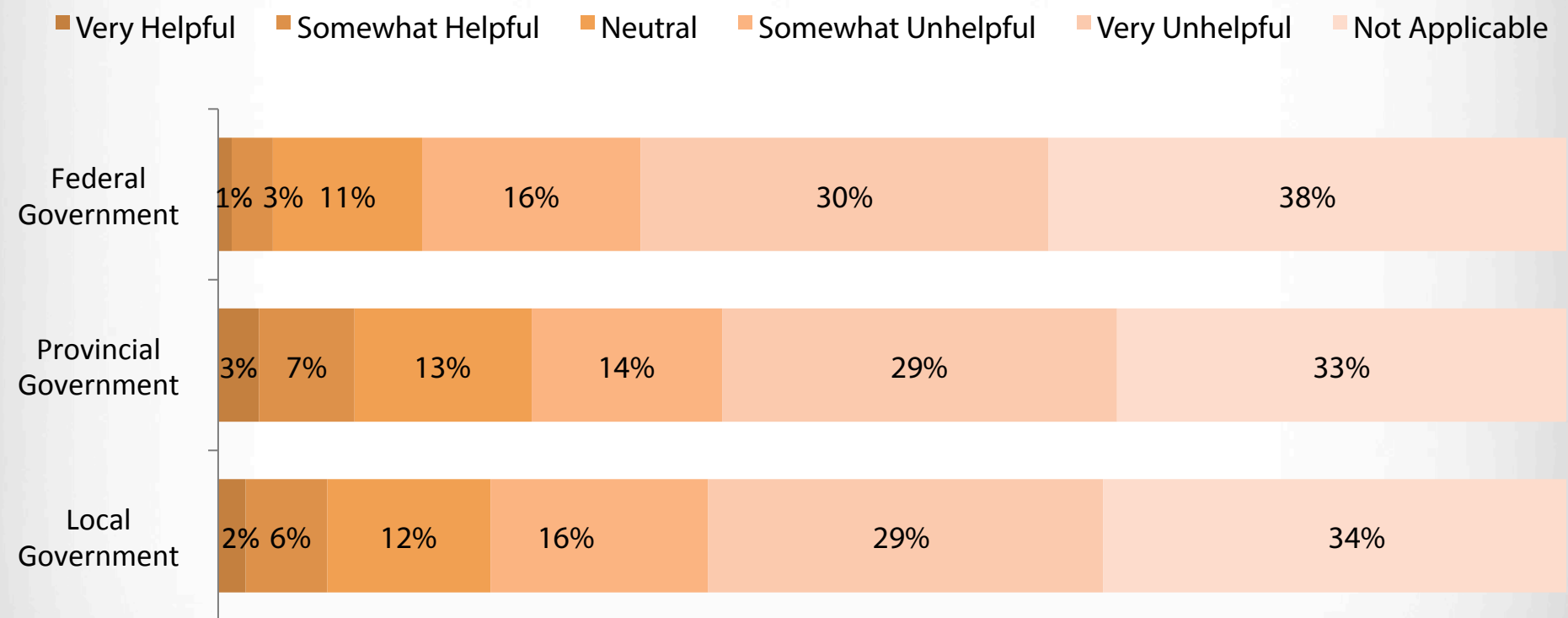


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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Government



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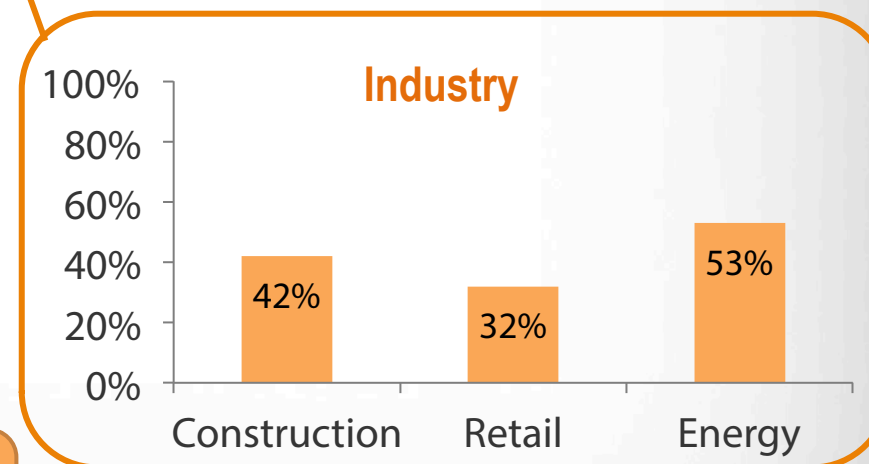
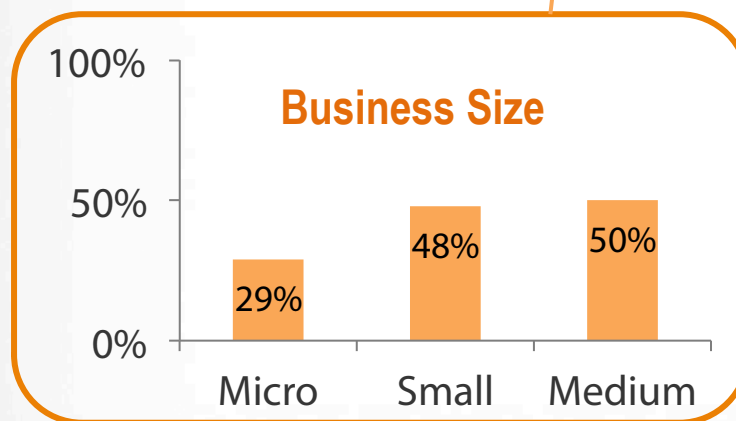
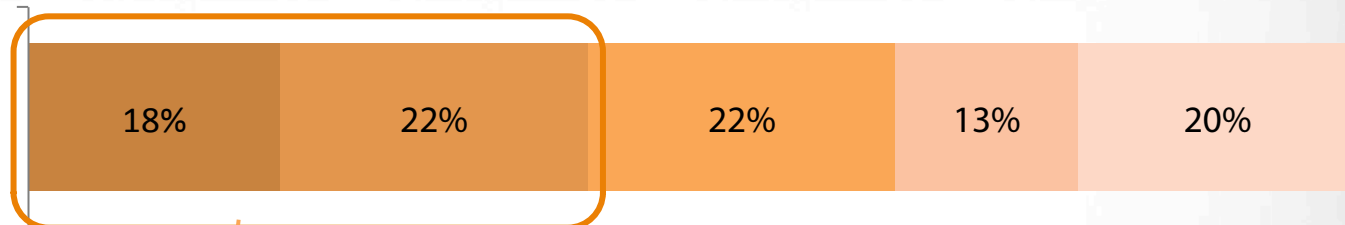
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, 300 respondents.

Importance of advice from bank (40%)

■ Extremely Important ■ Somewhat Important ■ Neither ■ Somewhat Unimportant ■ Extremely Unimportant

How important is the advice your bank gives you about your business' finances?



54% of SMEs with borrowing needs (vs. 30% of SMEs with no borrowing needs) find their bank's advice to be helpful

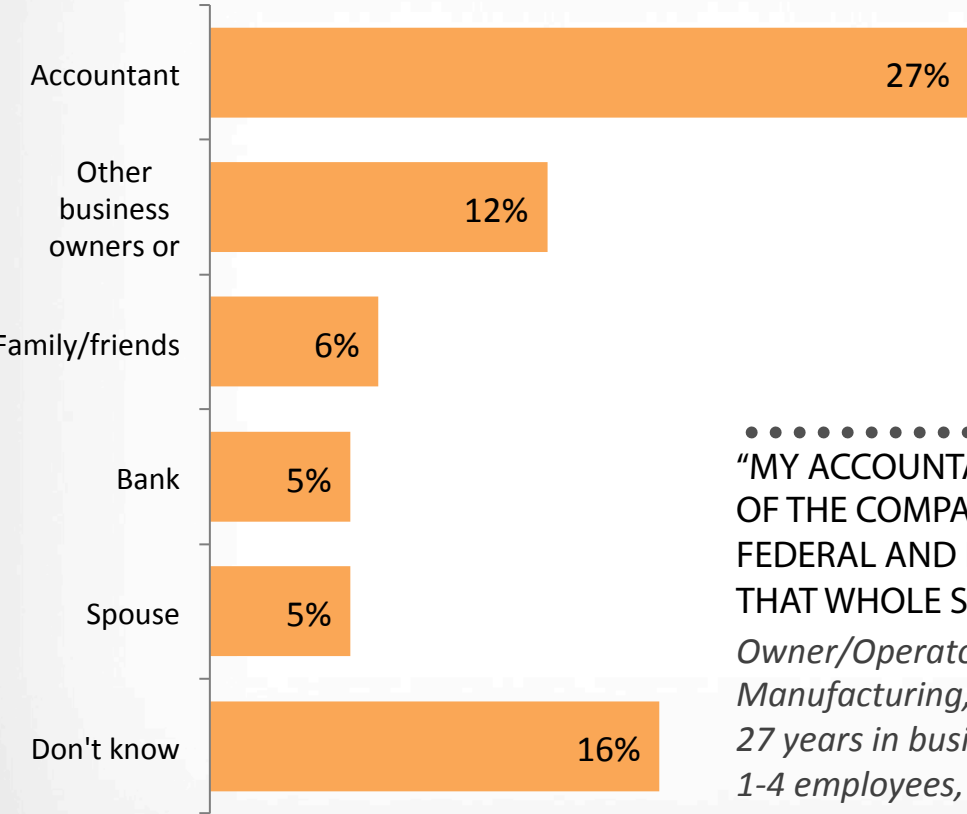
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Must have advice

“Who or what is one source of business advice that you **can’t live without?**”



“MY ACCOUNTANT BECAUSE I NEED INFORMATION THAT IS CREDIBLE WHEN IT COMES TO TAX MATTERS AND SOMEONE I CAN DEPEND ON WHO KNOWS THE TAX CODE WELL. THAT IS THE MAIN REASON YOU HAVE AN ACCOUNTANT.”

*Owner/Operator,
Environmental Consulting,
20 years in business,
1-4 employees,
Less than \$250,000 in revenues.*

.....
“MY ACCOUNTANT. THEY SORT OF STEER THE DIRECTION OF THE COMPANY, AND HELP ME FIGURE OUT THE FEDERAL AND PROVINCIAL GOVERNMENT AND HOW THAT WHOLE STRUCTURE WORKS.”

*Owner/Operator,
Manufacturing,
27 years in business,
1-4 employees,
\$250,000 to less than \$500,000 in revenues.*

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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

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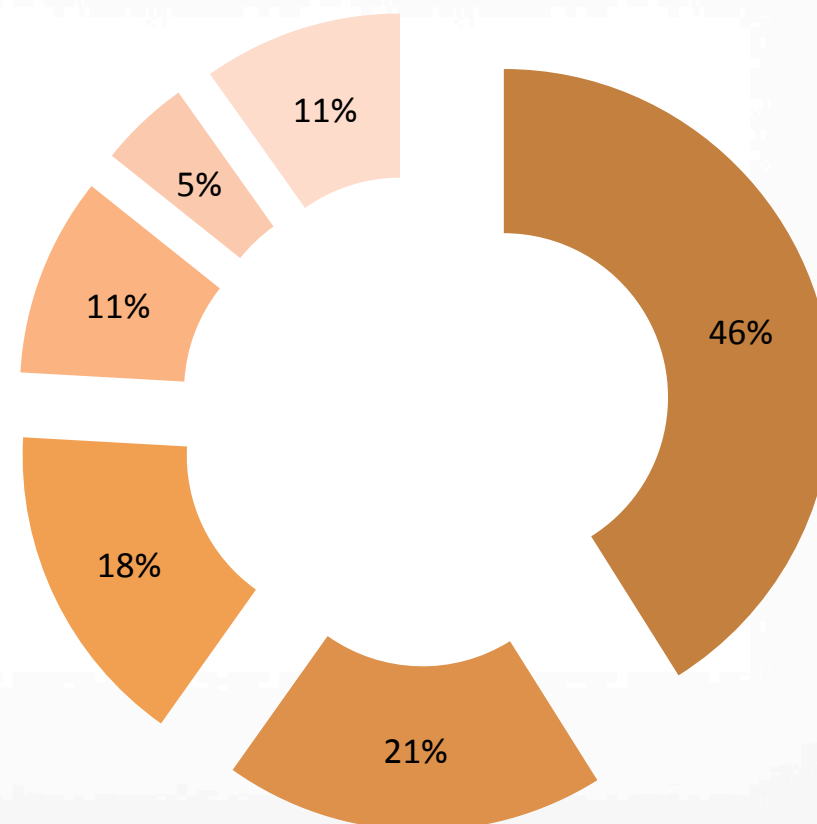
Networking

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Majority network online

"What methods do you use to connect and network?"

- Online communities (such as LinkedIn)
- Networking events specifically for your industry
- Formal business associations
- Word of mouth
- Telephone
- Not applicable; I don't network



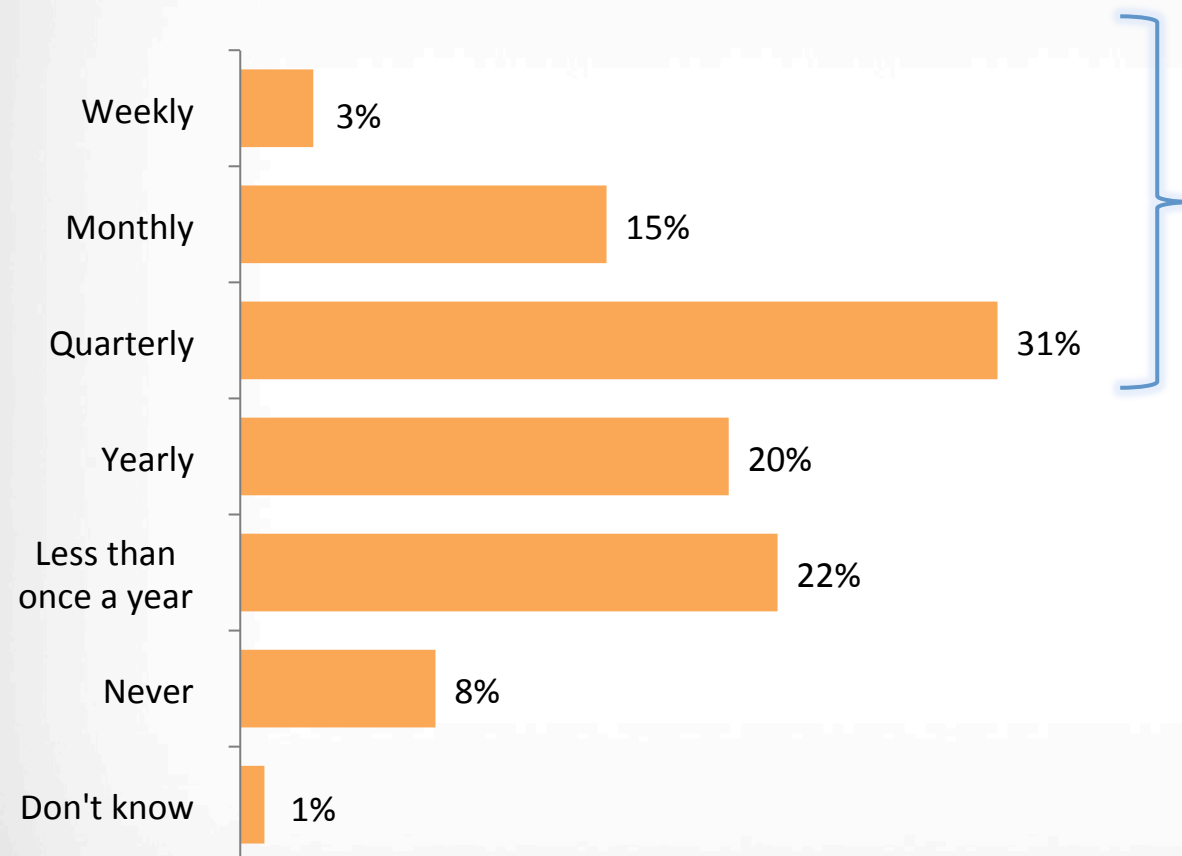
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Frequency of networking

"On average, how often do you attend formal business networking events?"



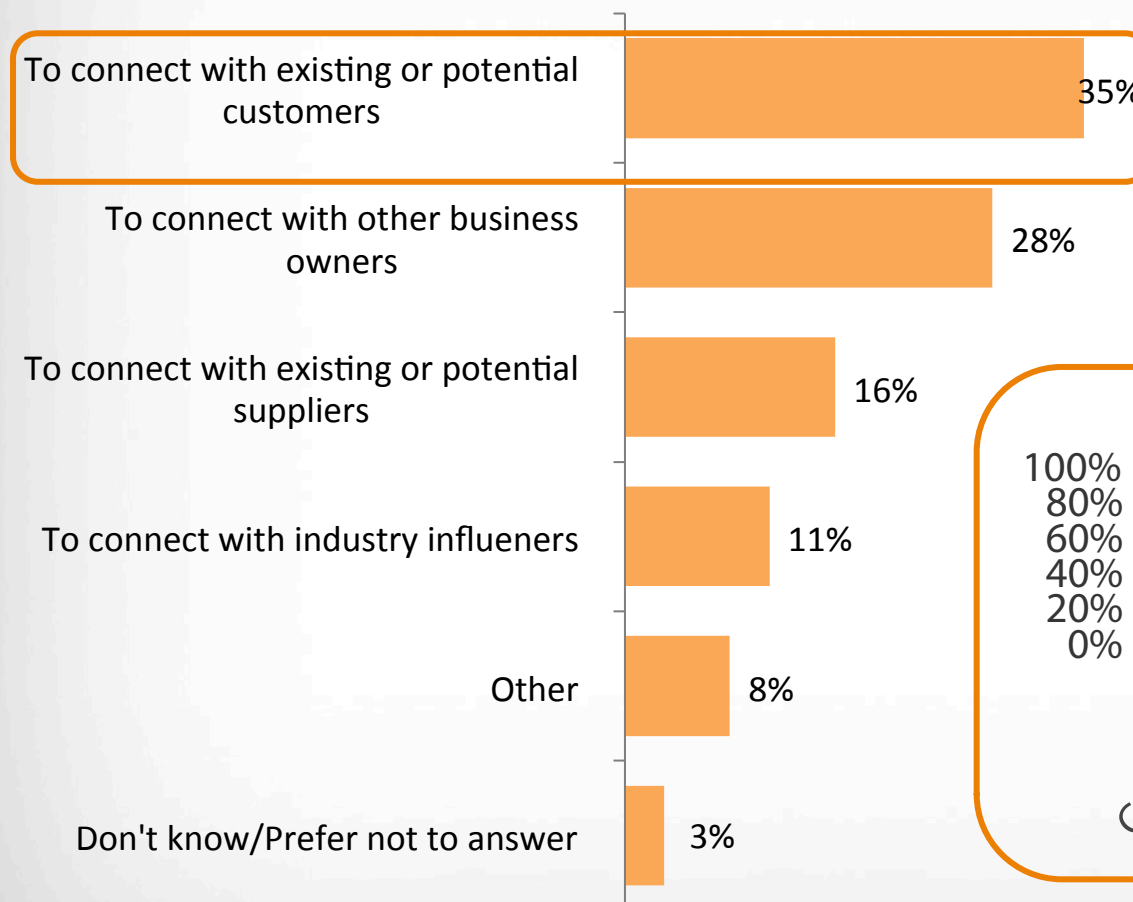
49% of SMEs attend formal business networking events at least quarterly

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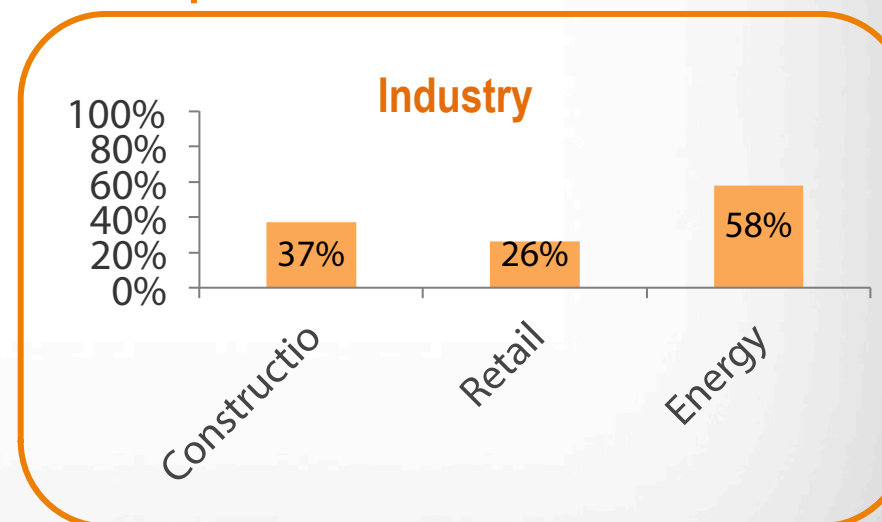
Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 257 SMEs who network.

Why network?



“What is the most important reason you network?”

43% of SMEs without a storefront (vs. 28% with a storefront) network to connect with new or potential customers



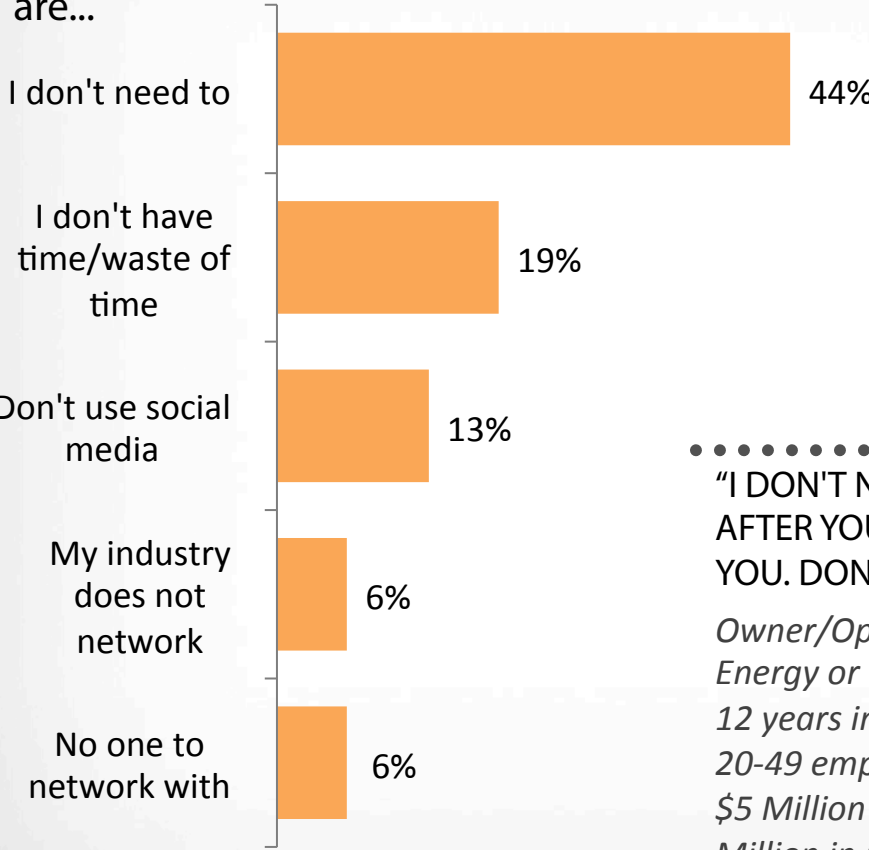
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 257 SMEs who network.

Main reasons SMEs don't network

Of the 8% who never network, the main reasons are...



"WELL, THE THING IS WE DO - IT IS NOT THAT WE DON'T ADVERTISE. WE JUST DON'T HAVE TIME TO SCHMOOZE. WE ARE VERY BUSY. I DO MY OWN ADVERTIZING BECAUSE THAT IS WHAT I USED TO DO."

*Owner/Operator,
Professional Scientific, and Technical Services,
23 years in business,
5-19 employees,
\$1 Million to less than \$3 Million in revenues.*

.....
"I DON'T NETWORK. THE RULE OF THUMB I USE IS LOOK AFTER YOUR OWN BUSINESS AND IT WILL LOOK AFTER YOU. DON'T WORRY ABOUT ANYBODY ELSE."

*Owner/Operator,
Energy or Oil and Gas,
12 years in business,
20-49 employees,
\$5 Million to less than \$10 Million in revenues.*

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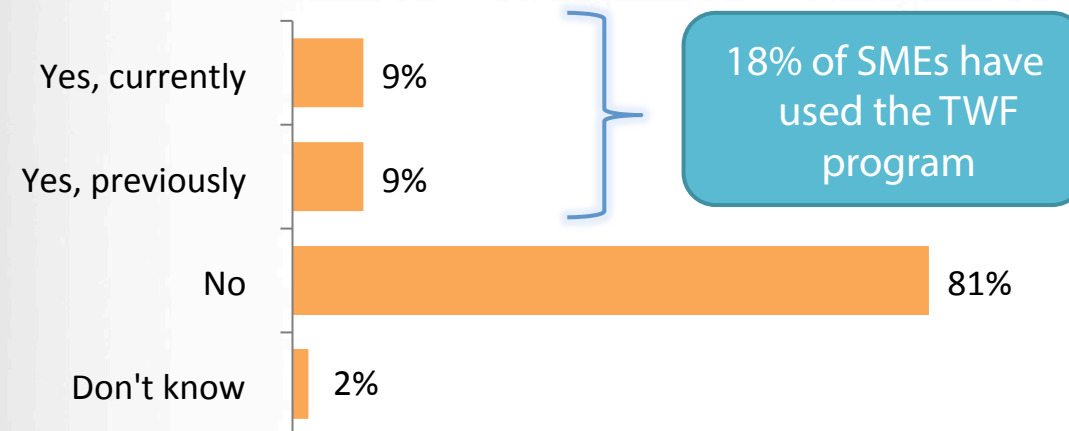
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Temporary Foreign Worker Program

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Use of the program

SMEs who used the TFW program

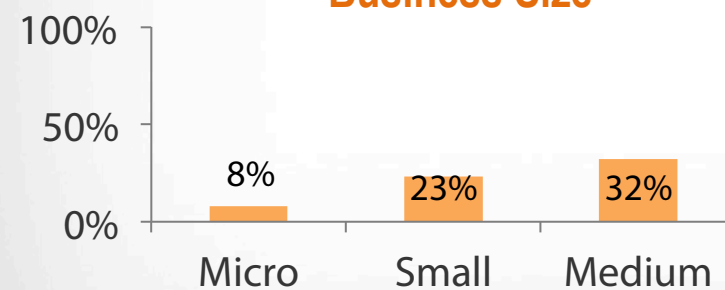


"Has your business ever used the Temporary Foreign Worker program to meet its labour needs?"

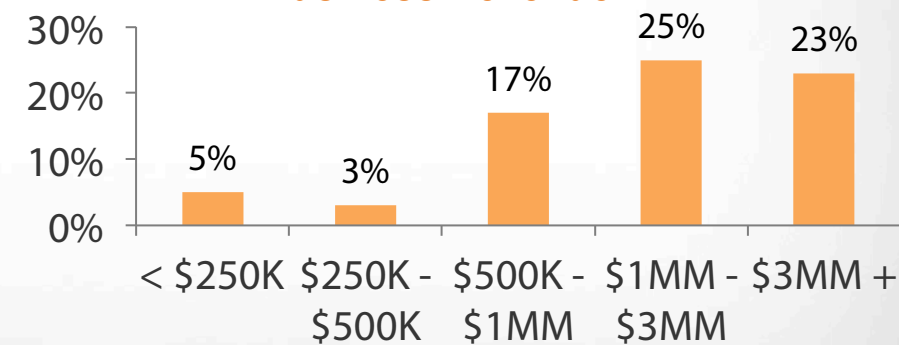
.....
 "IT IS THE FIRST ITEM THAT WOULD MAKE ME CHANGE MY VOTE. OUR BUSINESS IS DONE WITHOUT FOREIGN WORKERS."

*Owner/Operator,
 Recruitment,
 25 years in business,
 5-19 employees,
 \$1 Million - \$3 Million in revenues.*

Business Size



Business Revenue



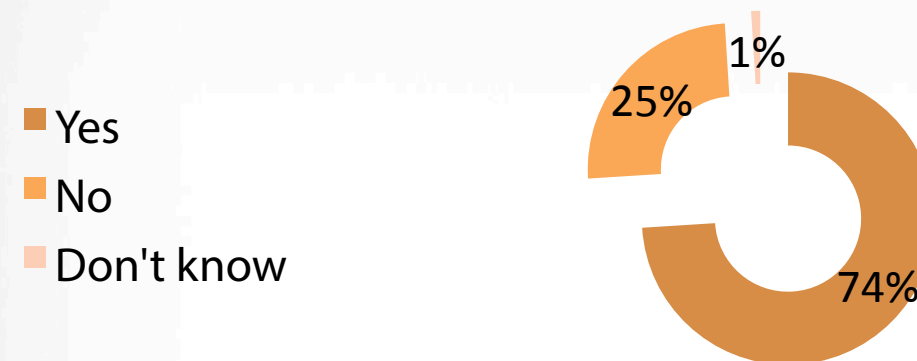
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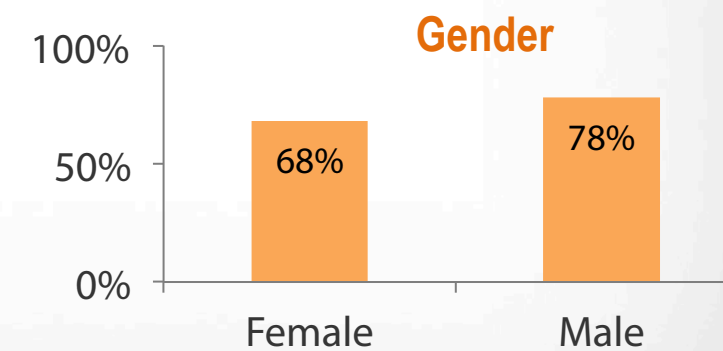
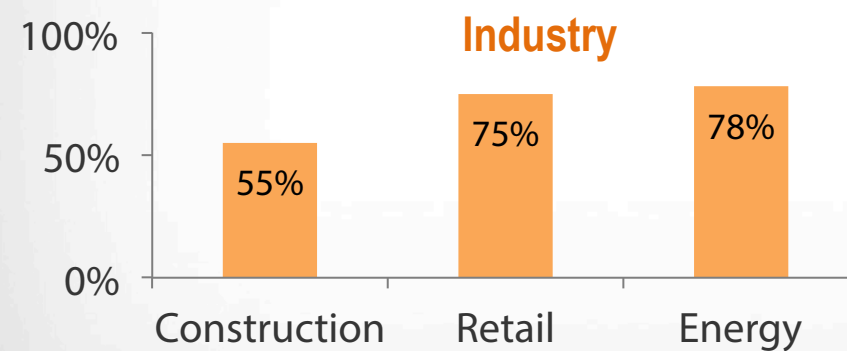
Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Awareness of the program

"Are you aware of the federal government's recent changes to the TFW program?"



of SMEs who are aware of the changes to the TFW program

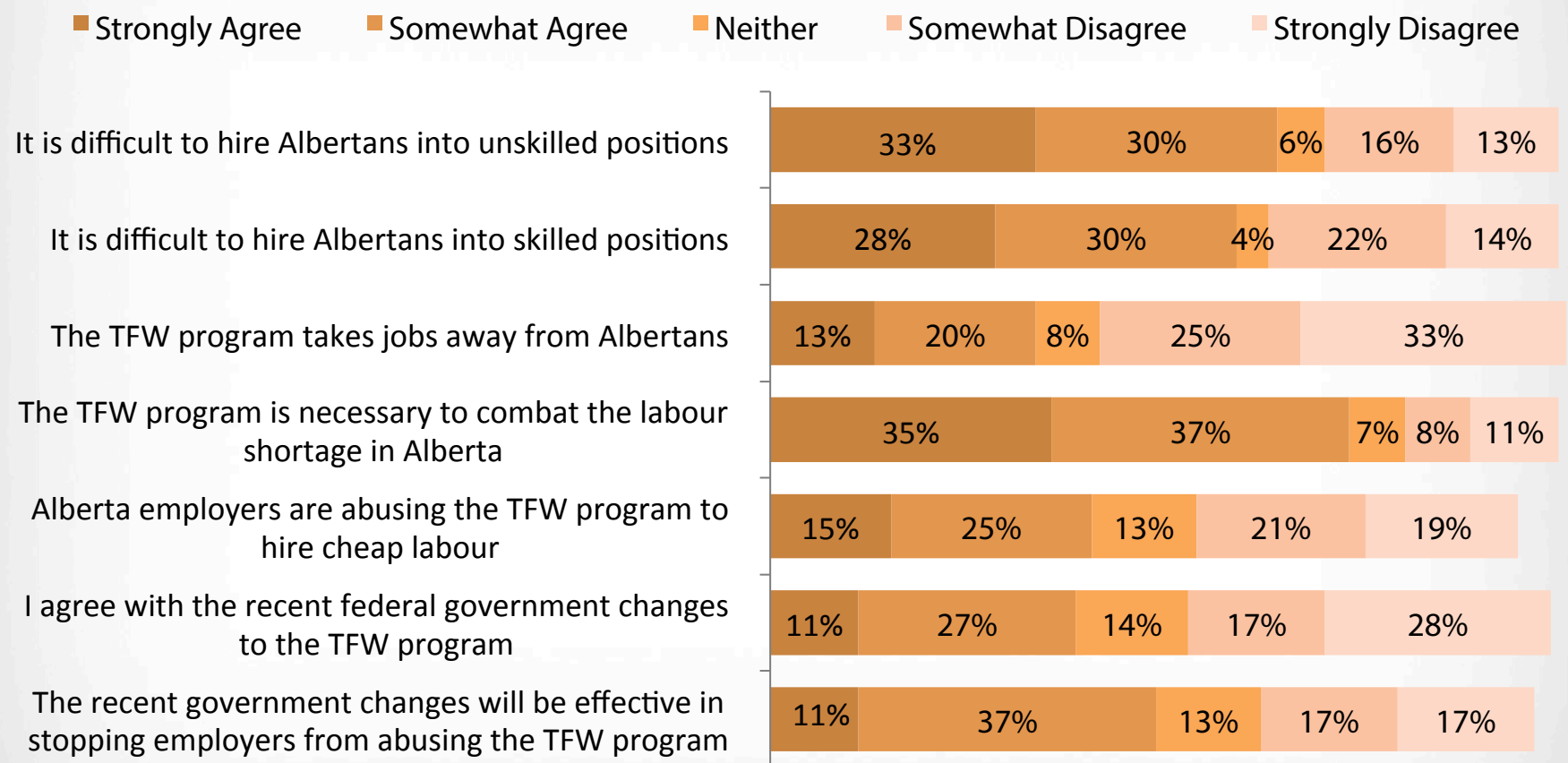


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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Perceptions of the TFW program

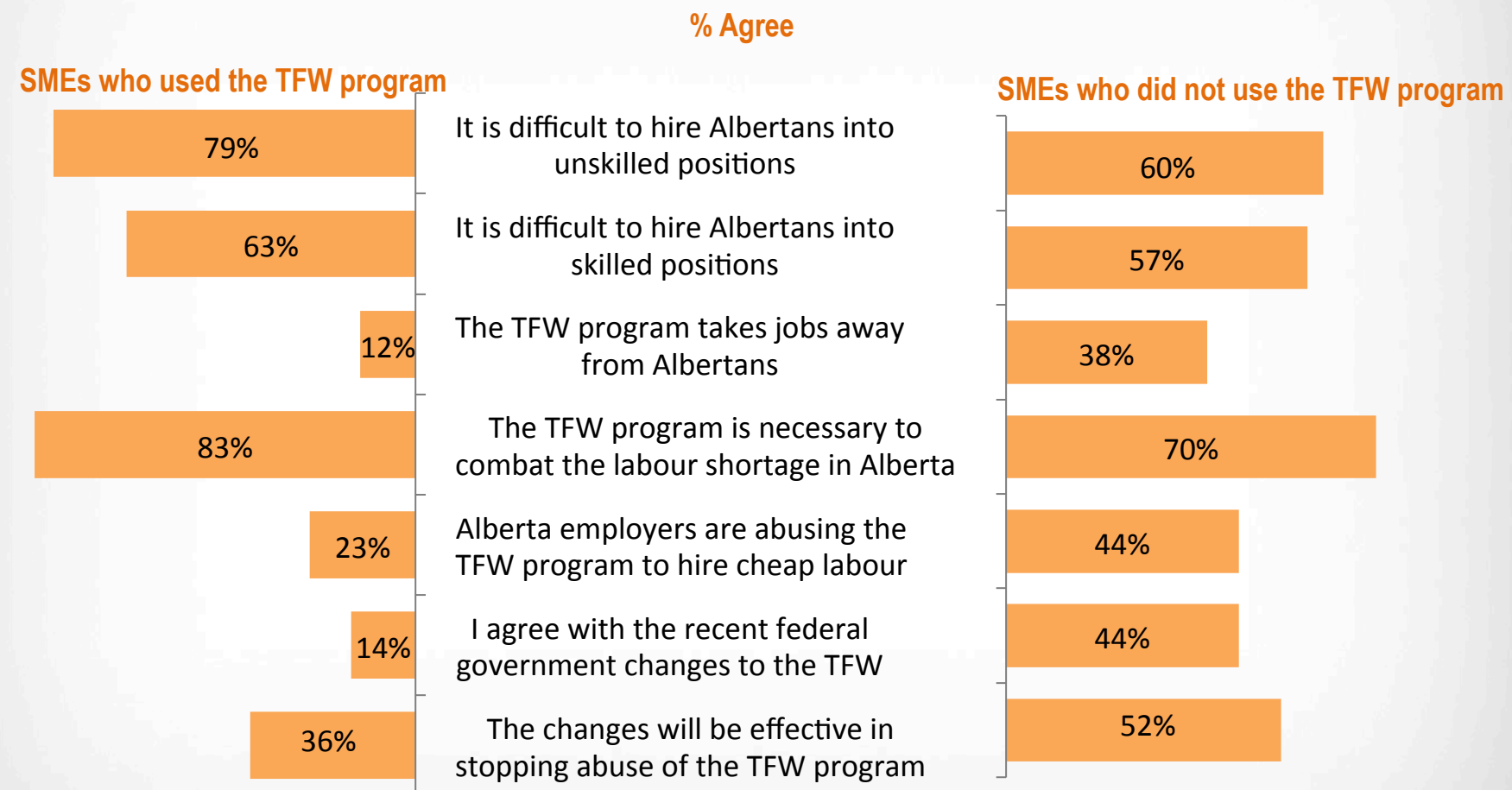


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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Perceptions continued...



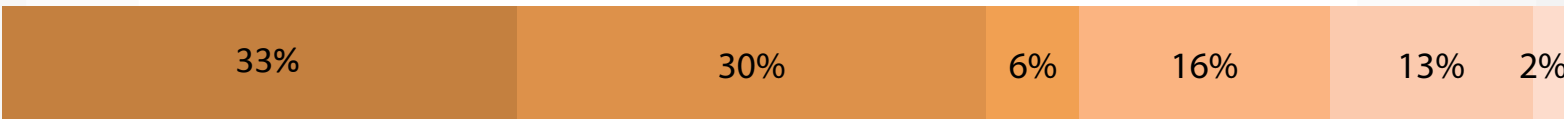
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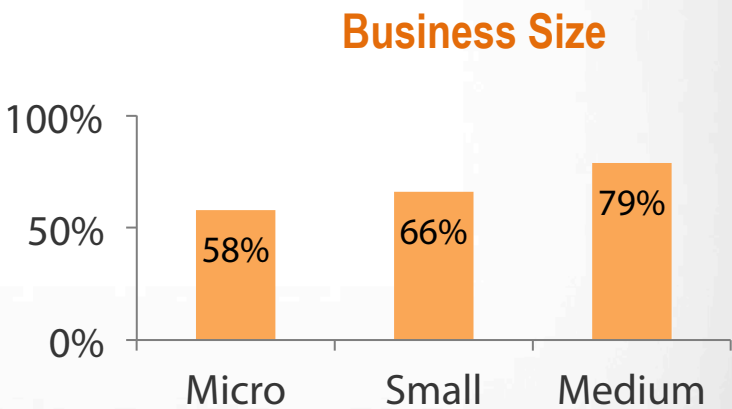
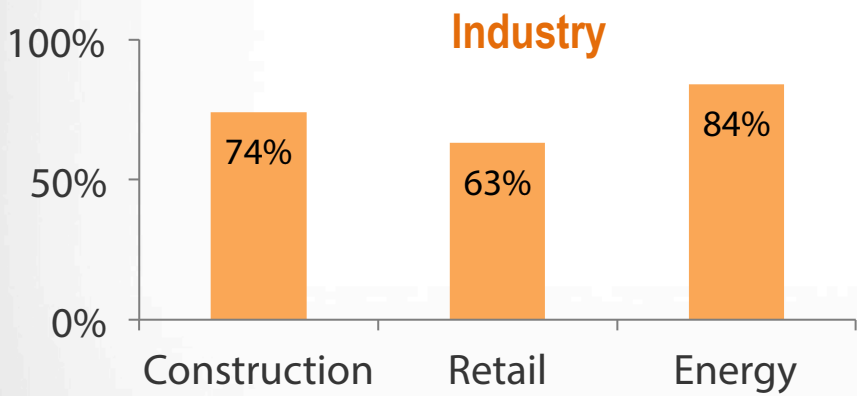
Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Difficulty hiring unskilled labour

Strongly Agree Somewhat Agree Neither Somewhat Disagree Strongly Disagree Don't know



of SMEs who agree



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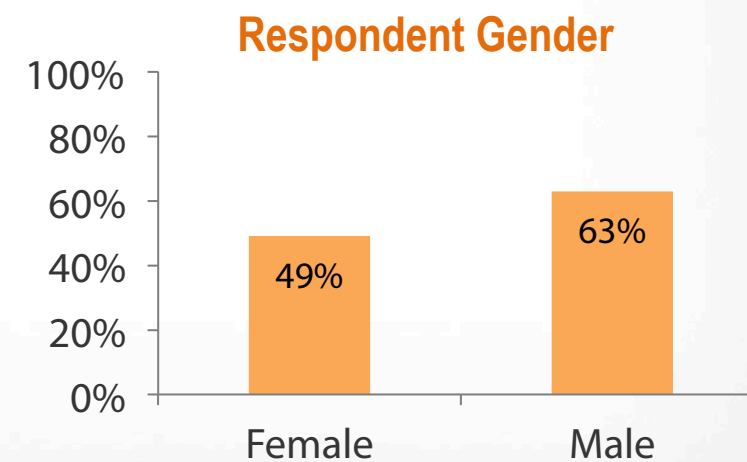
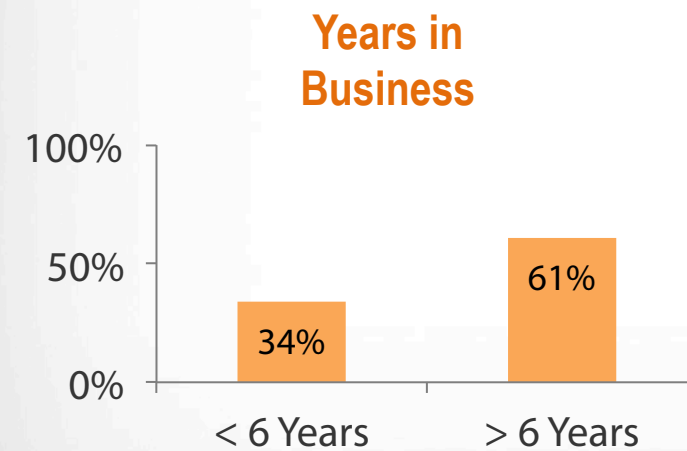
Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Difficulty hiring skilled labour

■ Strongly Agree ■ Somewhat Agree ■ Neither ■ Somewhat Disagree ■ Strongly Disagree ■ Don't know



of SMEs who agree



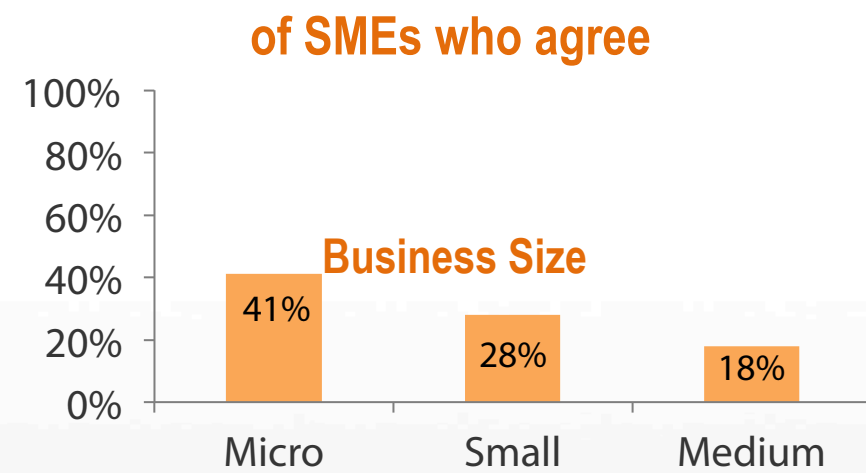
Business & Agriculture

ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Does the TFW take jobs away from Albertans?

Strongly Agree Somewhat Agree Neither Somewhat Disagree Strongly Disagree Don't know



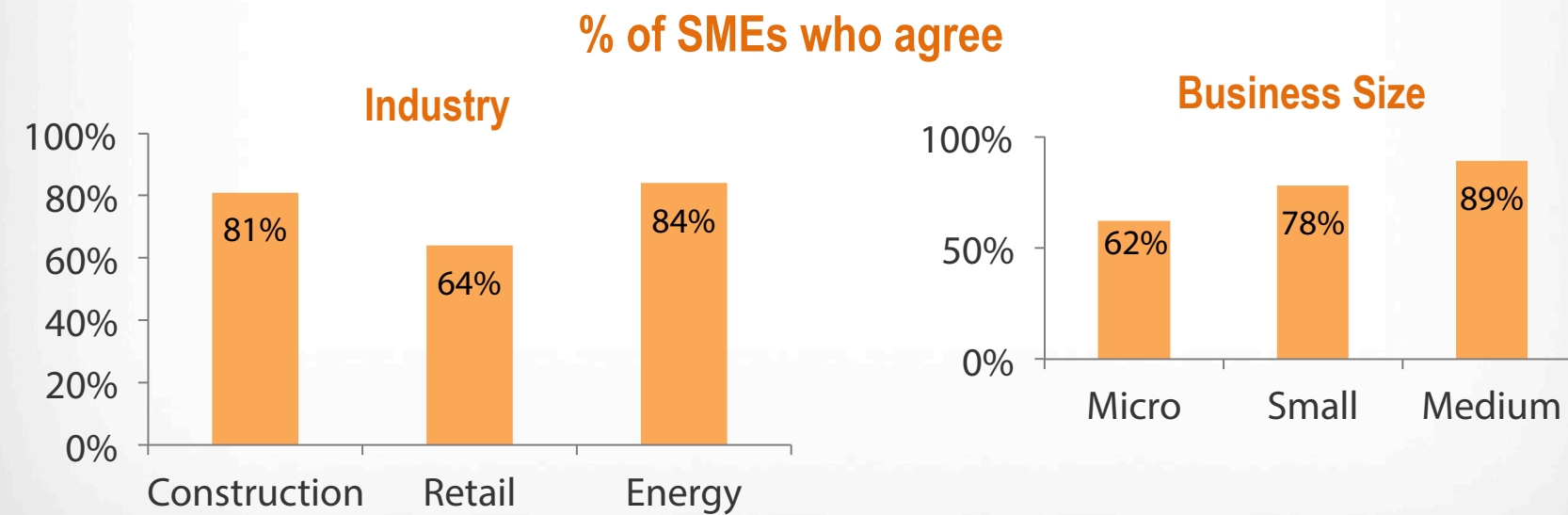
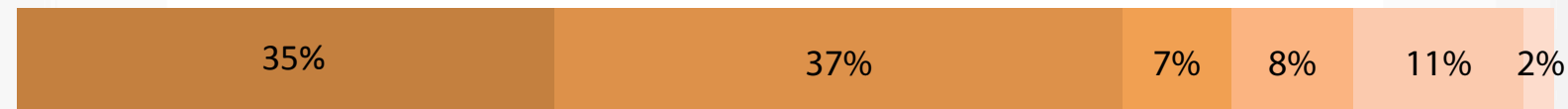
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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Is it necessary to combat labour shortage?

Strongly Agree Somewhat Agree Neither Somewhat Disagree Strongly Disagree Don't know



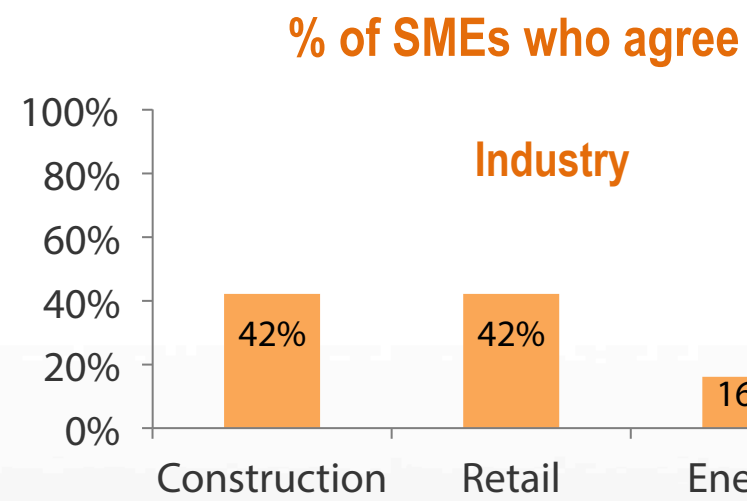
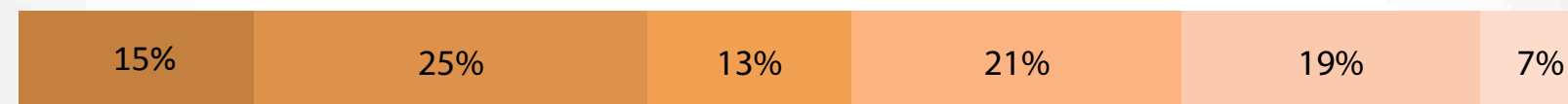
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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Are employers abusing the program?

Strongly Agree Somewhat Agree Neither Somewhat Disagree Strongly Disagree Don't know

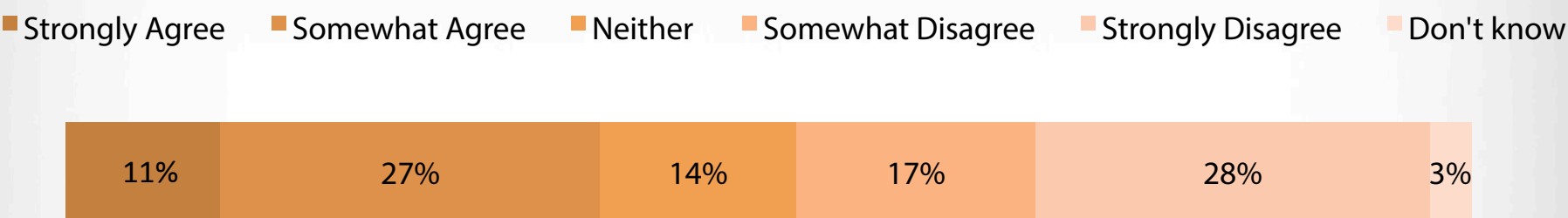


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ATB Financial™

Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Do you agree with the changes?



.....
"IT WILL JUST MAKE IT MORE DIFFICULT FOR
QUALITY SKILLED LABOUR TO DO THE WORK
THAT NOBODY ELSE IN THIS COUNTRY
WANTS TO DO. IT WILL BE HARDER FOR
EMPLOYERS TO HIRE THEM. ONE BAD APPLE
DOESN'T SPOIL THE WHOLE BUNCH."
*Owner/Operator,
Automotive,
33 years in business,
5-19 employees,
\$500,000 to less than \$1 Million in revenues.*

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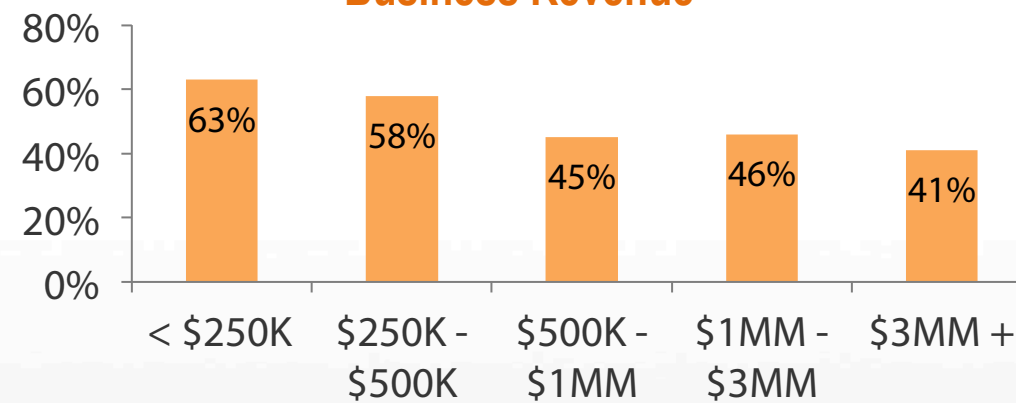


The changes will be effective in stopping abuse

Strongly Agree Somewhat Agree Neither Somewhat Disagree Strongly Disagree Don't know



% of SMEs who agree Business Revenue

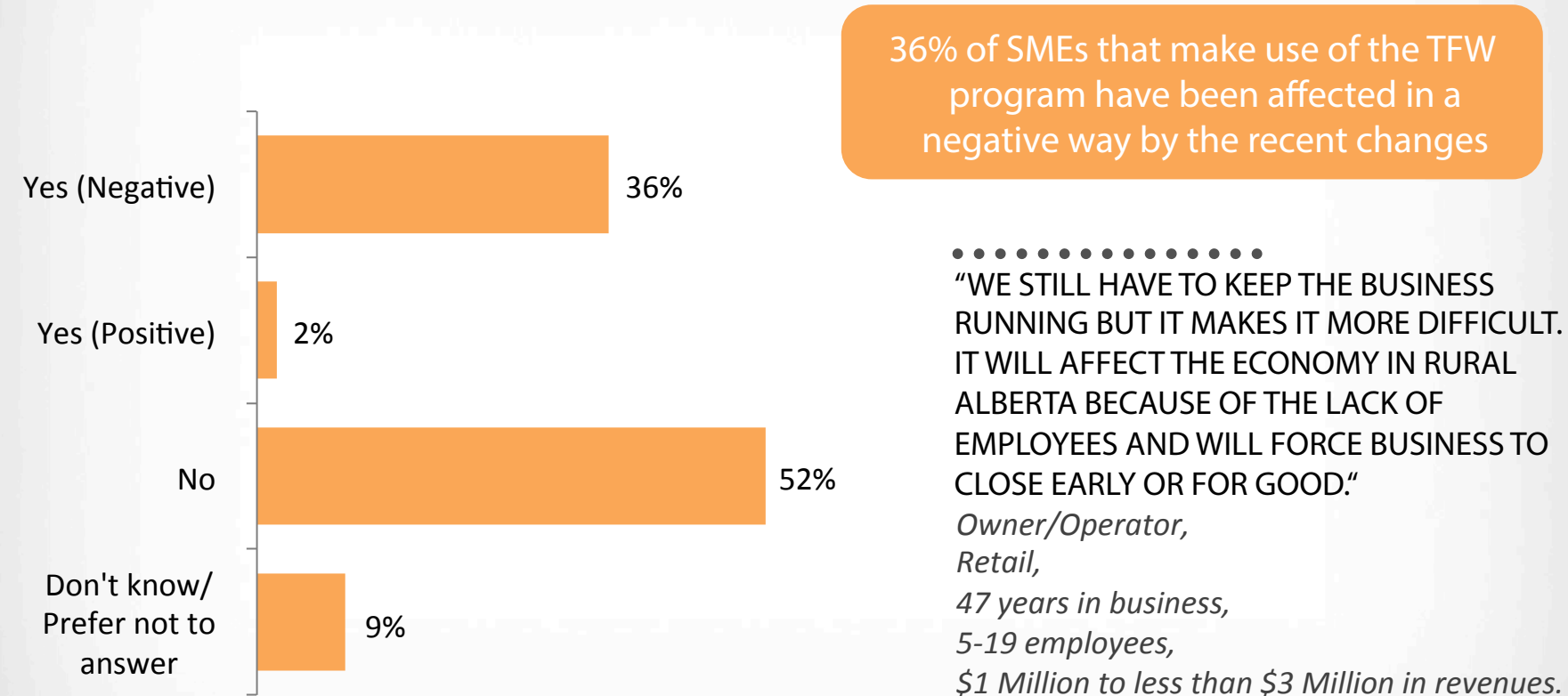


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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 223 SMEs who are aware of the changes to the TFW program.

Has your business been impacted?



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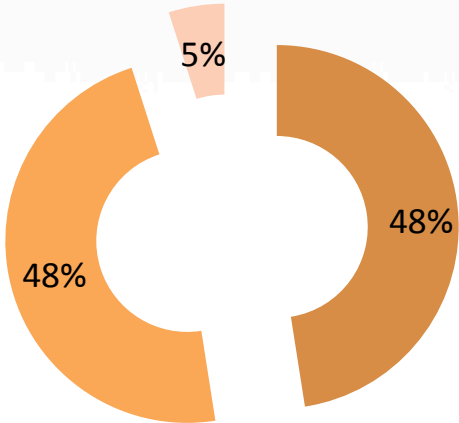


Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 42 SMEs who have used the TFW program.

Financial impact

"Would your business incur financial losses if the TFW program were to cease today?"

- Yes
- No
- Don't know



.....
"IF I DO NOT CONTINUE TO GET FOREIGN WORKERS IN THE RURAL AREA OF ALBERTA, I WILL PROBABLY NOT EXIST ANYMORE. I WOULD GO OUT OF BUSINESS DUE TO THE LABOUR SHORTAGE."

*Owner/Operator,
Wholesale,
50 years in business,
5-19 employees,
\$1 Million to less than \$3 Million in revenues.*

.....
"FOR OUR INDUSTRY, IT WON'T MAKE ANY DIFFERENCE. OTHER ONES, YES, BUT OURS."

*Controller,
Construction,
21 years in business,
5-19 employees,
\$1 Million to less than \$3 Million in revenues.*

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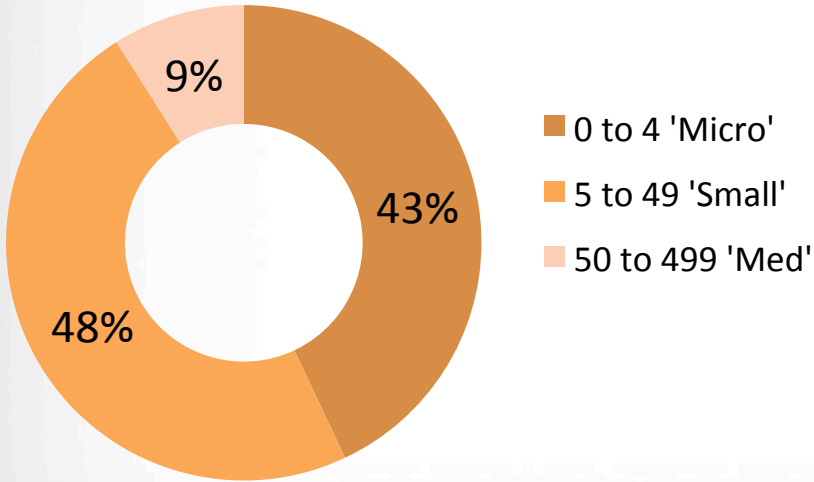


*Business &
Agriculture*

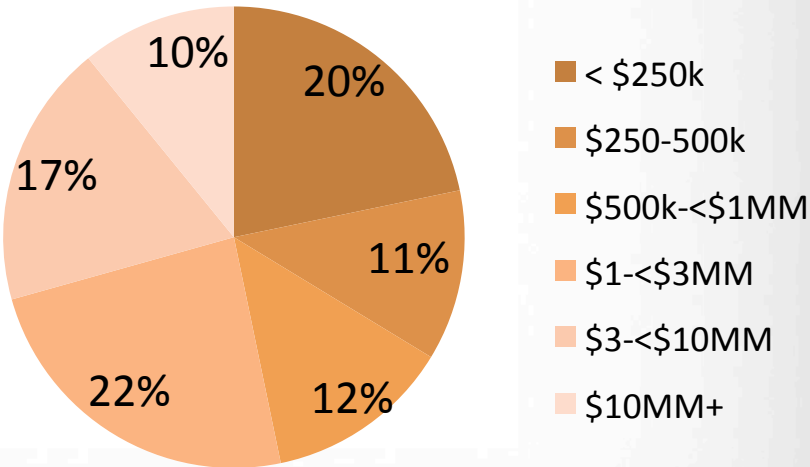
APPENDIX: Firmographics & Respondent Demographics

Half of Alberta SMEs earn revenues in excess of \$1,000,000

Number of Employees



Annual Revenues 2013



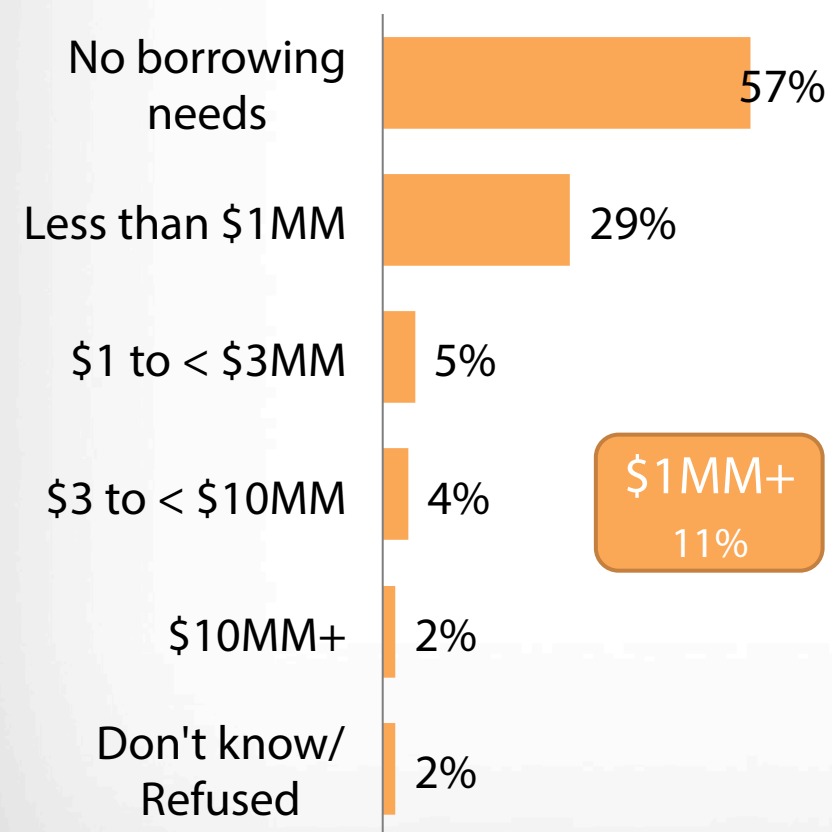
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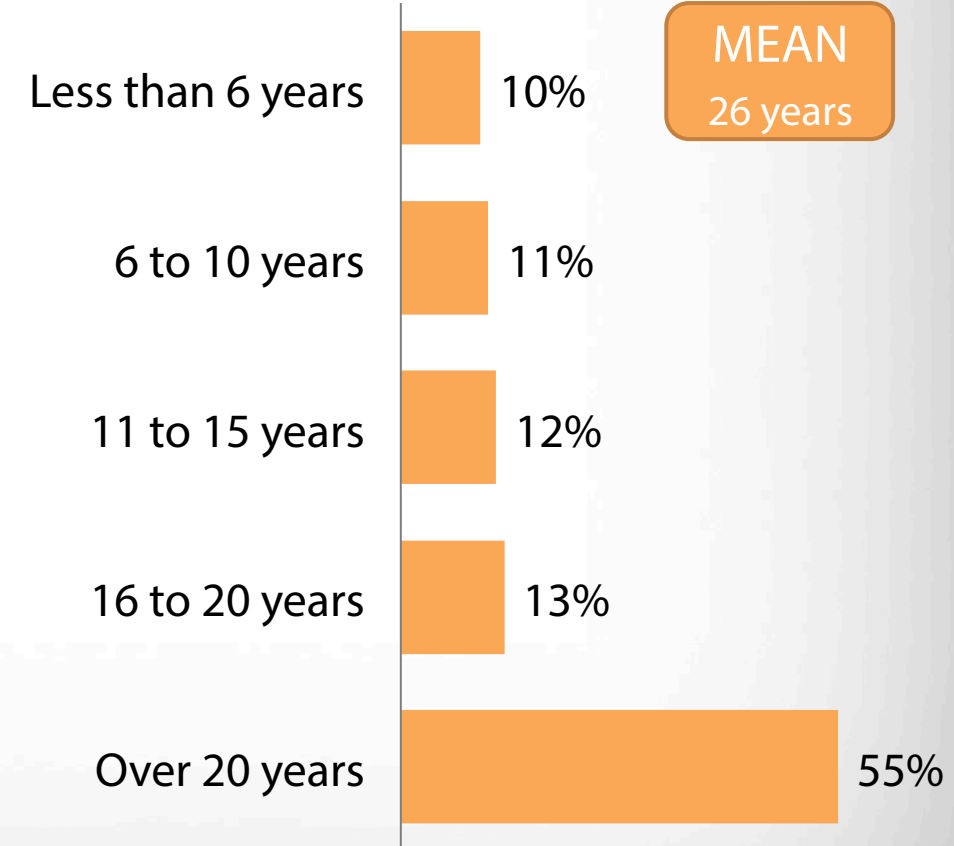
Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Business Firmographics

Borrowing Needs



of Years in Operation



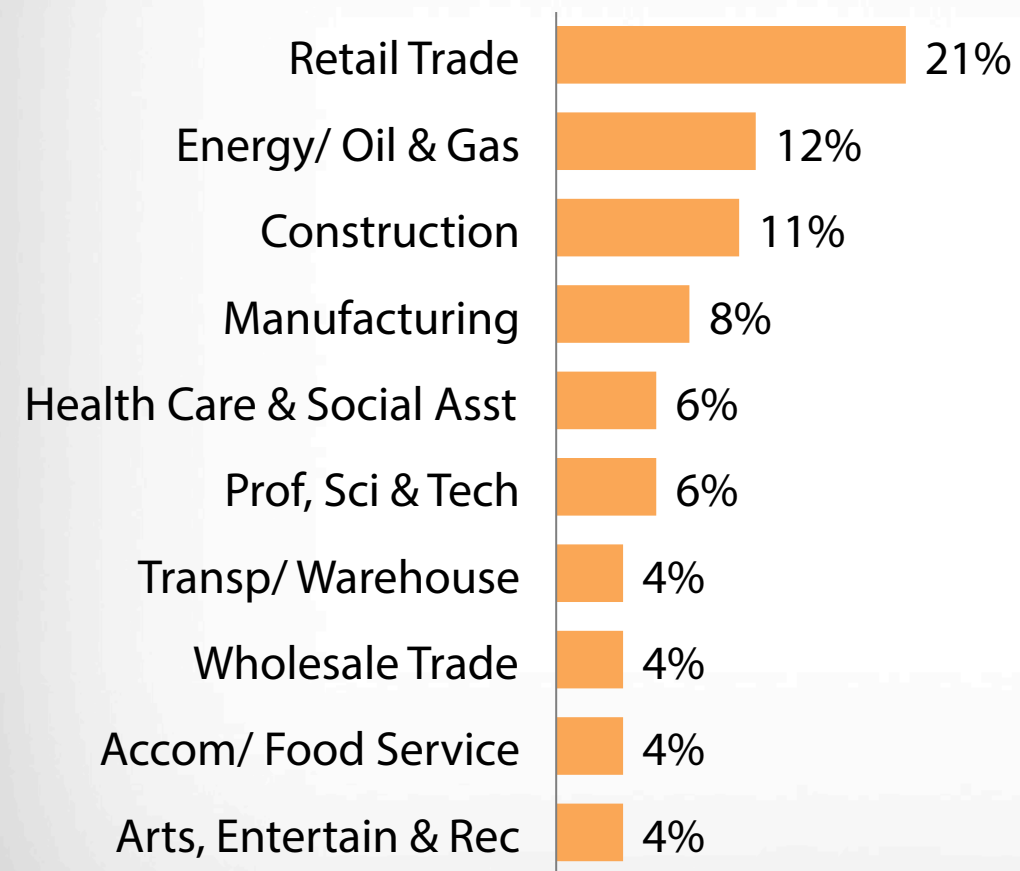
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Business Firmographics

Industry



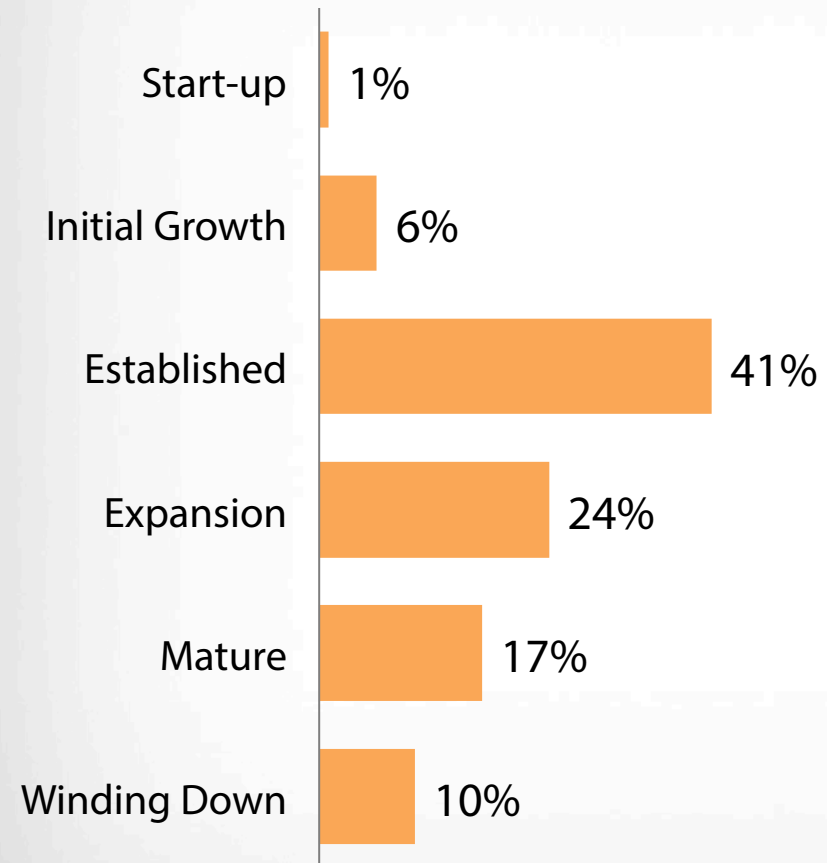
8% of interviewed SMEs are franchises

Franchise Industry (n = 23)	
Retail	9
Automotive	7
Energy/ Oil & Gas Services	2
Business Services	1
Education	1
Health	1
Food Services	1
Travel, Leisure, & Accommodation	1
Other	1

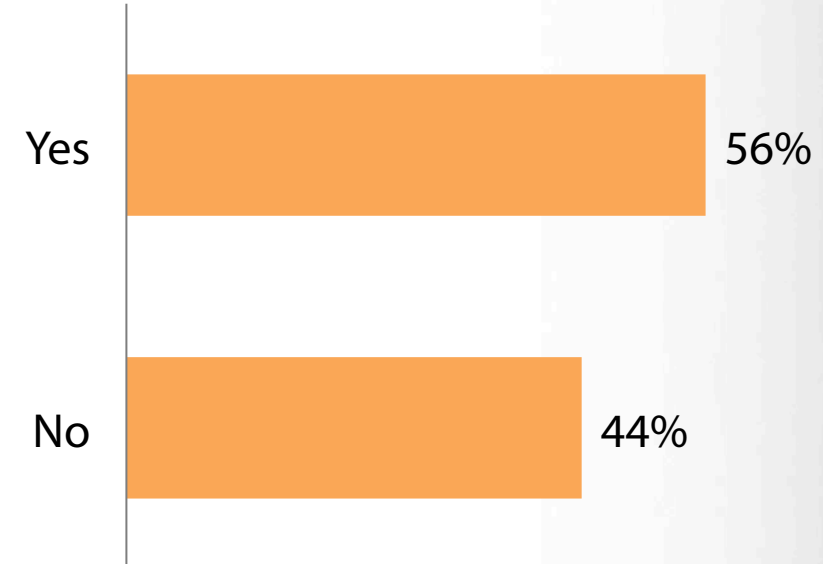
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Business Firmographics

Business Life Stage Phase



Does your business have a store front?

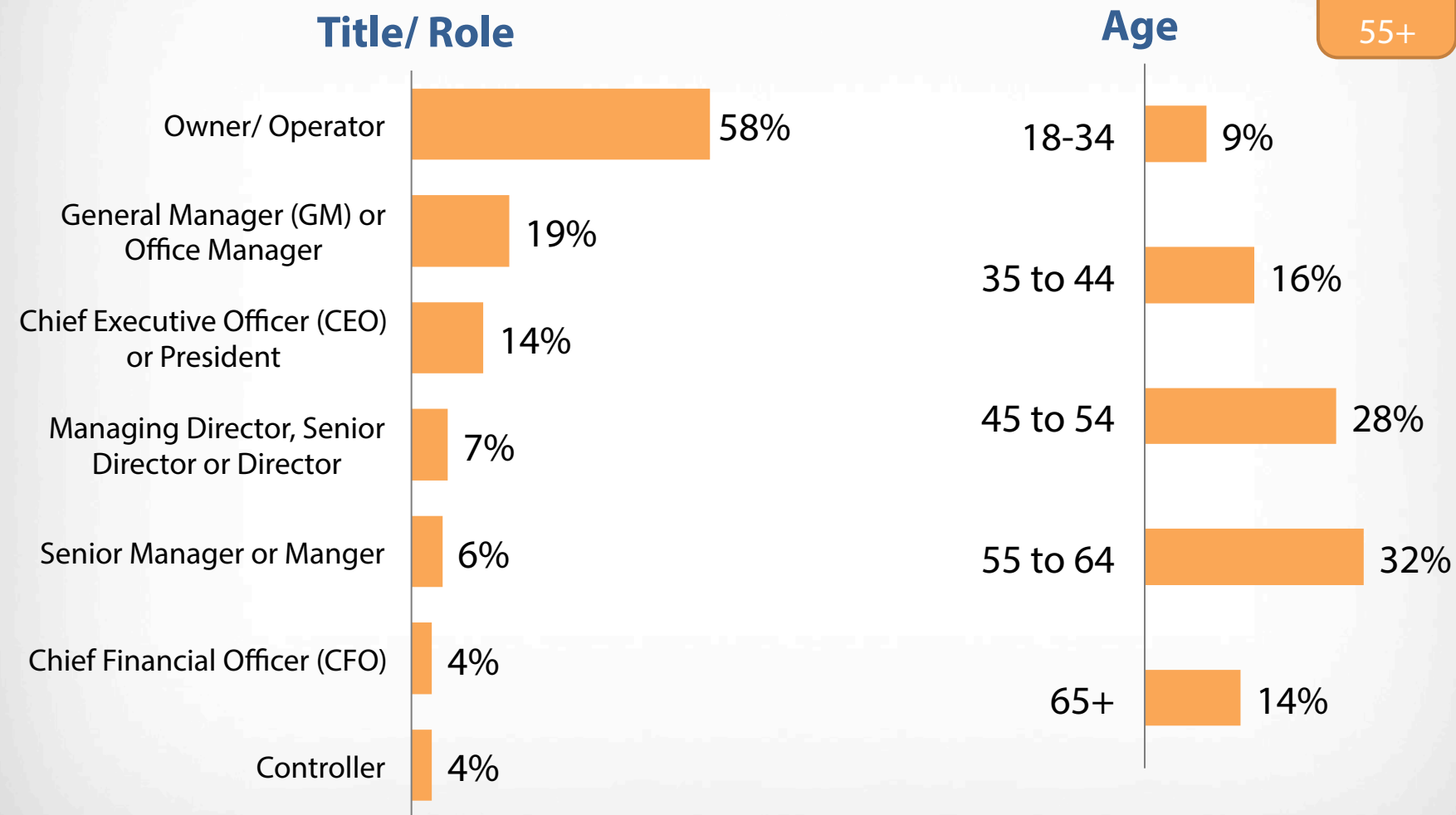


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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.

Respondent Demographics



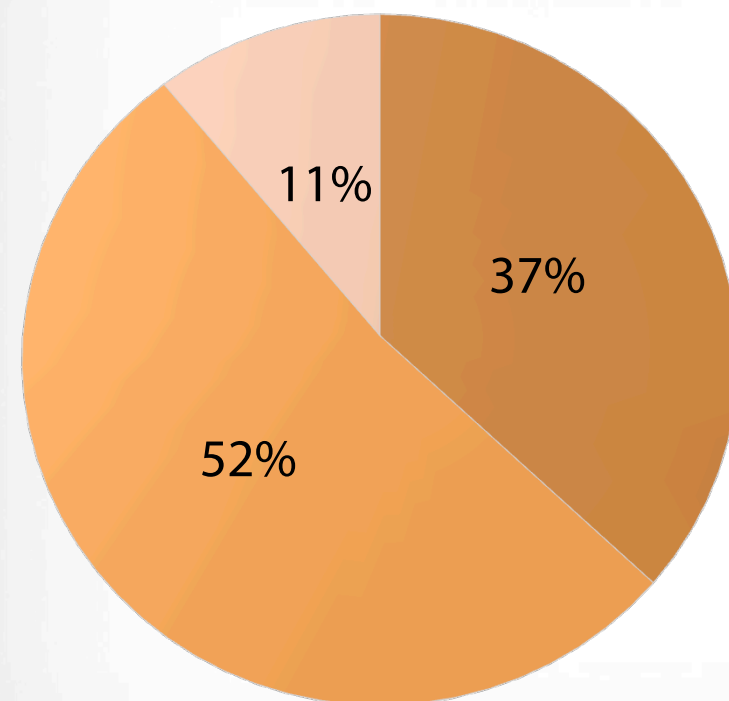
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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300, responses mentioned by 4% or more are shown.

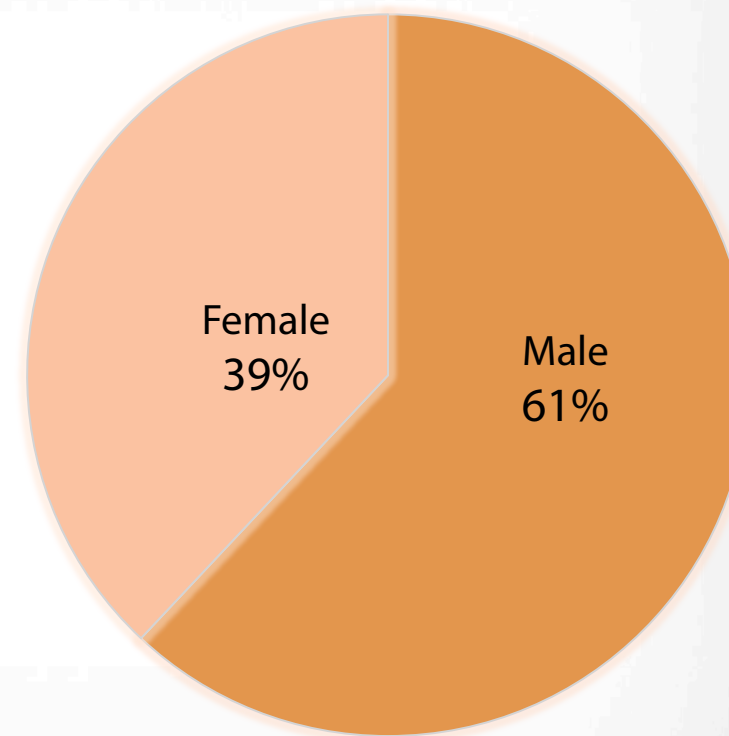
Respondent Demographics

Role in Financial Decisions



- Sole decision-maker
- Shares responsibility
- Influences decisions

Gender



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Source: ATB Financial, Survey on Alberta SMEs, August 2014, n = 300.



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