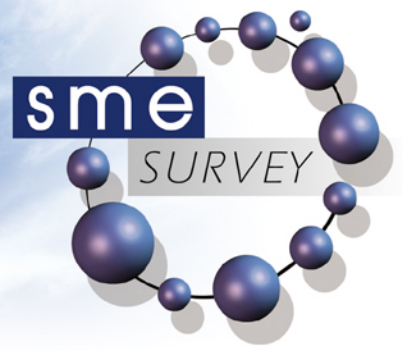


SME Survey 2007



Unlock the power of the Entrepreneur

www.smesurvey.co.za

Introduction

SME Survey is an annual research and marketing project which studies the factors behind the competitiveness of small, medium and micro enterprises in SA. The survey began in 2003.

SME Survey 2007, based on 5,083 telephonic interviews with business and financial decision-makers at small, medium and micro enterprises in South Africa, was conducted from April to July 2007 by SME Survey (Pty) Ltd.

Hypothesis

The questionnaire was developed around the following key areas:

Resource Blueprint: What resources are used by SMEs who rate themselves as highly competitive for the following resource categories: connectivity, IT Support Services, External Business Expertise resources, Marketing and PR resources, HR and training resources, Online Resources and Hardware?

BEE: That Black Economic Empowerment is having an increasingly positive effect on SMEs who say they are competitive.

Enabling environment: That the enabling environment for SMEs and entrepreneurship in South Africa is improving year-by-year, in line with steady economic growth.

Government: That the role of government in fostering the competitiveness of SMEs has not improved significantly over the past five years.

Financial Services: That financial institutions continue to be major contributors to the enabling environment for SMEs.

Methodology

SME Survey 2007 is based on a randomly selected sample of decision-makers at South African small, medium and micro enterprises (SMEs), consisting of companies with from 1 to 200 staff.

The selected sample is contacted by telephone to:

- establish the appropriate decision-maker to be interviewed;
- establish the willingness of the decision-maker to participate in the survey;
- and to filter out those who do not match the research definition.

All questions are range-based (i.e. 1-10, 11-20, etc), scale based (i.e. select one on a scale from 1 to 5), Yes/No questions, or multiple choice questions, a structure that allows for full statistical analysis, and the use of statistical modeling techniques when necessary.

The ideal minimum sample size is 2401 respondents, which would provide a 98% confidence level that the margin of error for the overall sample is no more than 2%. However, since these margins increase for sub-sets of the response base, such as industry sectors and geographic regions, SME Survey uses a larger sample. In 2007, the total interviewed is 5,083 respondents.

Sample frame

The sample frame is not precisely equivalent to the profile of the general population of SMEs. The following factors must be taken into account when comparing the findings with the general population of SMEs:

- The turnover of companies in the sample frame tends to be higher than for that of the population of SMEs as a whole;
- For historical reasons, the database was originally intended to include all SMEs that made use of Information Technology. As a result, the companies in the sample frame tend to be heavier users of Information Technology than companies in the SME population as a whole;
- Only formally registered companies are included; i.e. the informal sector is excluded.

In summary, SME research that is compared to this project must take into

account statistical bias towards more formal companies with higher turnover that tend to make greater use of information technology than the average SME.

Geographic representation

The sampling method is devised to ensure full geographic representation based on contribution of geographic areas to Gross Domestic Product. The proportional breakdown of the sample in SME Survey 2007 is as follows, with approximate number of respondents for each region alongside:

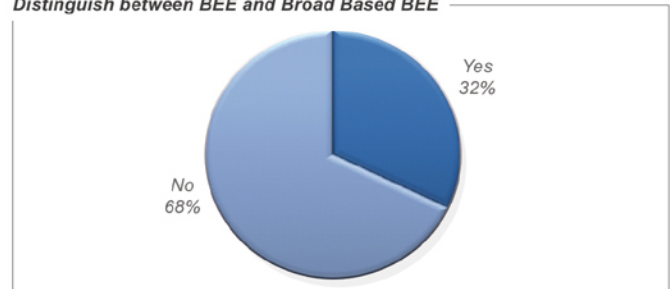
Province	% contribution to Research	Approximate no. of Respondents
Western Cape	12.22	621
Eastern Cape	11.45	582
Northern Cape	0.71	36
Free State	1.65	84
KwaZulu-Natal	22.60	1149
North West	5	254
Gauteng	33.92	1724
Mpumalanga	4.96	252
Limpopo	7.50	381
Research	100.00%	5083

Some Key Findings

BEE

- 68% of the respondents cannot distinguish between broad based BEE and BEE

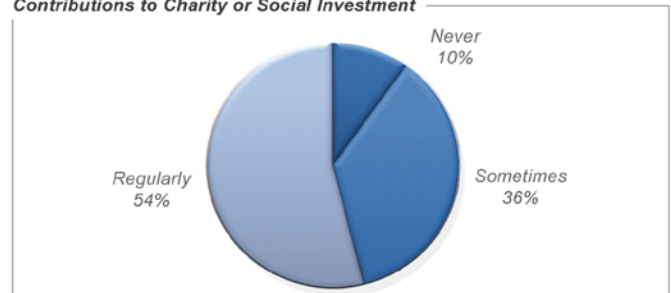
Distinguish between BEE and Broad Based BEE



Contributions to Charity

- 54% stated that they regularly contribute to charity, 36% stated they sometimes contribute and only 10% stated they never contribute indicating that SMEs are quite charitable.

Contributions to Charity or Social Investment



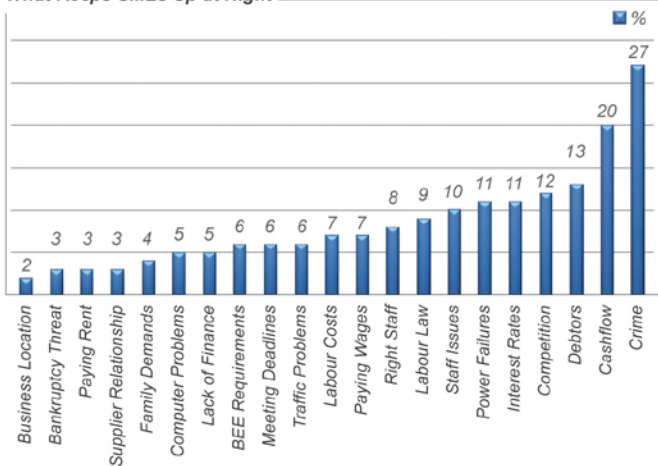
Sponsored by:



What keeps you up at night?

- 1. Crime (27%), 2. Cash flow (20%), 3. Debtors (13%), 4. Competition (12%)
- Surprisingly 5. Interest Rates and 5. Power failures were the same at (11%)

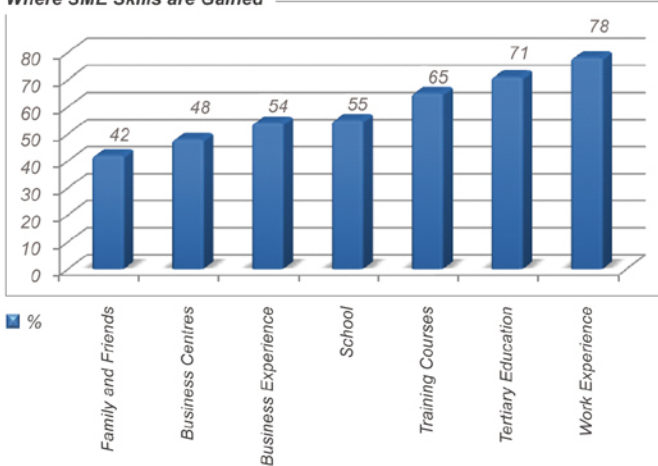
What Keeps SMEs Up at Night



Where SME Skills are Gained

- 78% of SMEs stated that the skills they gained to run and build their businesses came from previous work experience

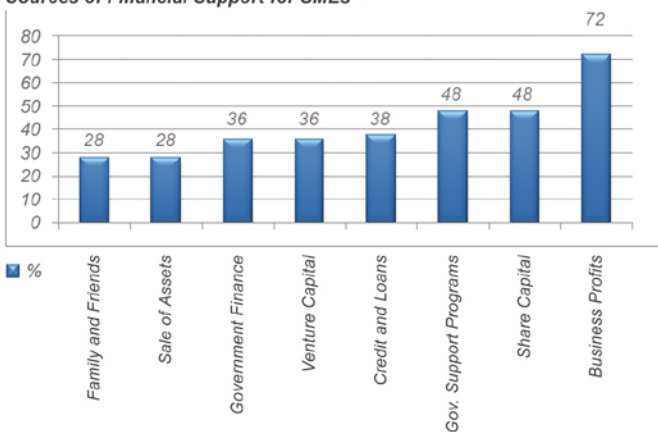
Where SME Skills are Gained



Sources of Finance for SMEs

- 72% use the profits from their business

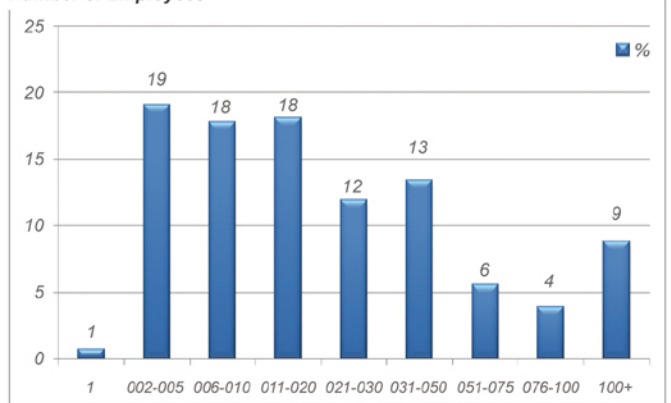
Sources of Financial Support for SMEs



Profile of Respondents

As with the 2006 survey, a strong emphasis was placed on smaller companies, so that micro-enterprises would be represented at a more statistically significant level. This enables more reliable drill-downs into this sector.

Number of Employees



The aim of the survey was to reach key members of management and, in particular, those who had an insight into the financial affairs of the companies. This meant that the target interviewee was a business decision-maker, managing director or financial decision-maker. All respondents met this criterion. The presence of non-decision-makers has been eliminated owing to stricter filtering of respondents.

Purchasing the Report

The complete "SME Survey 2007" report is available in PDF format at a cost of R9,800 excluding VAT. To place an order, contact Rene Whittaker on 011 555-7182 or send an email to info@smesurvey.co.za

An invoice is supplied, and the report is despatched upon receipt of payment and on publication (softcopy and hardcopy).

Contacts

General Information:

Call Centre: 0860 44 42 40
(011) 555 7182
info@smesurvey.co.za

Marketing & Communications Partner:

Debbie Whittaker
(011) 996 6680
Coolcumba Communications

Research Partner:

Arthur Goldstuck
(011) 782 7003
World Wide Worx

Events Partner:

Celeste Whittaker
(011) 467 7171
Fizz Marketing

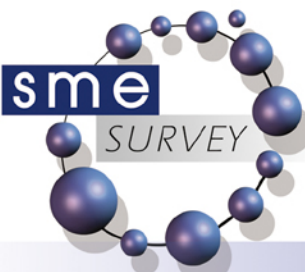
Business Development:

Sisa Jack
(011) 327 1718
Bonngoe Capital

Call Centre and Surveying Partner:

Tom Bramwell-Jones
(011) 555 7186
Netsurit Pty Ltd

Website: www.smesurvey.co.za



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