



Scientific Opinion Poll: Small businesses seek a level playing field and chance to compete fairly

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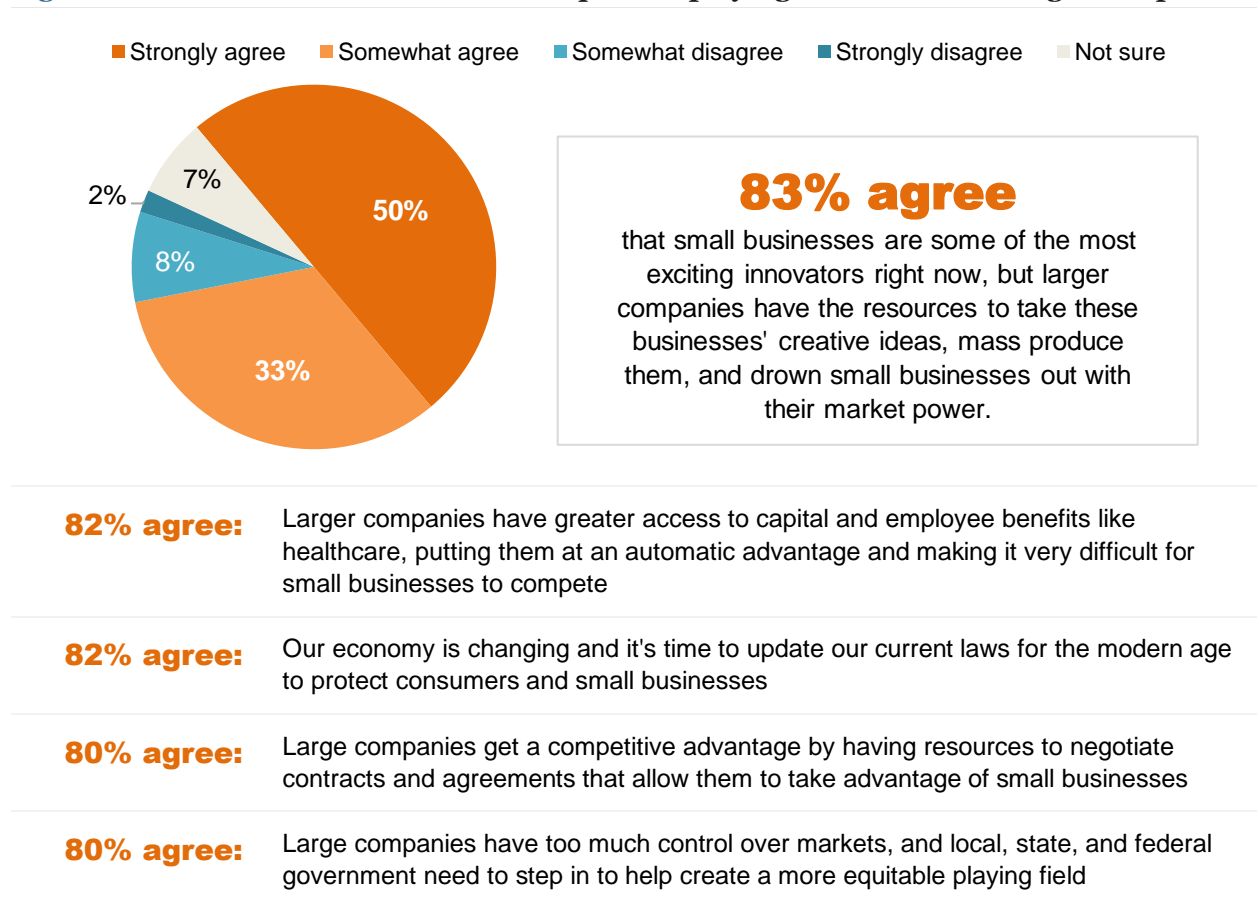
Executive Summary

There is a growing unlevel playing field between small and large companies, as underregulated technology platforms, corporate consolidations and pernicious business practices dramatically restrict markets and stifle competition. These challenges have been exacerbated during the pandemic as small businesses pivot their businesses to stay afloat, and thousands of people launch new entrepreneurial endeavors. A new opinion poll of 500 small business owners nationwide reveals that our nation's entrepreneurs are being harmed by myriad anti-competitive practices, and they strongly support policies to create a more equitable environment in which to do business.

Small business owners report experiencing a variety of difficulties in trying to compete fairly and are looking for solutions to these issues. A majority (56%) of small business owners say that one or more large companies dominate the market in their industry, and the same percentage agree with a statement that "Large companies have an unfair advantage in my industry or line of work." Nearly half (44%) agree that there has been an increase in monopolistic practices in recent years.

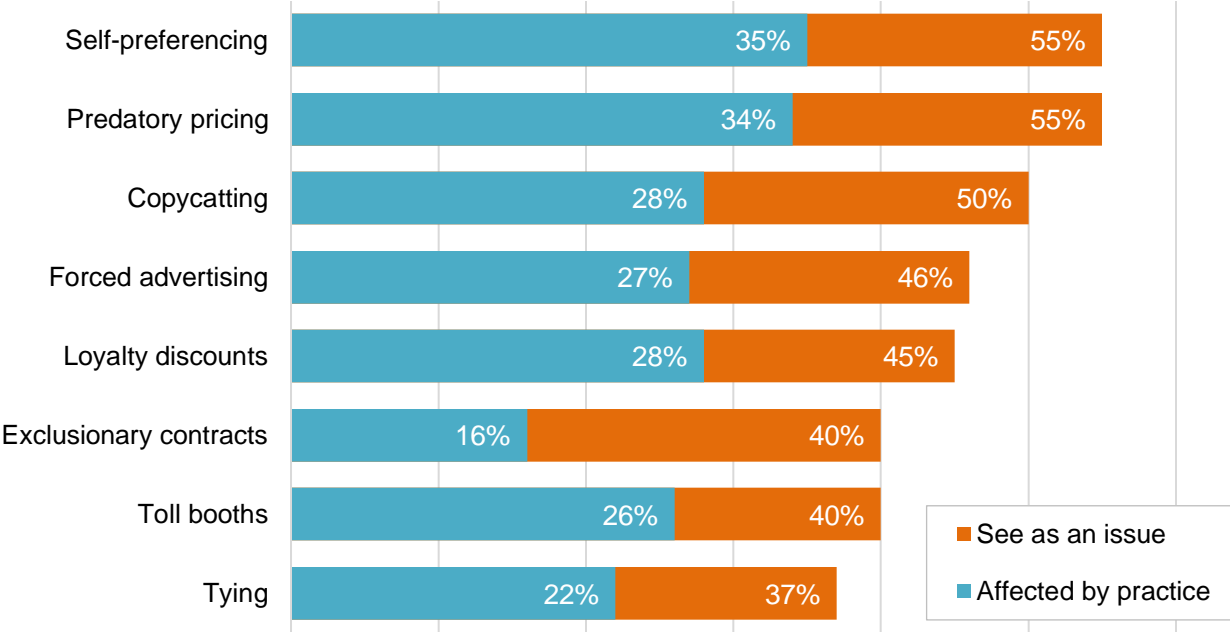
Respondents agree that small businesses are some of the most exciting innovators right now, but they believe larger companies have the resources to take small businesses' creative ideas, mass produce them, and drown them out with their market power (83% agree). Small businesses also believe that larger companies have greater access to capital and employee benefits like healthcare, putting them at an automatic advantage (82% agree). Importantly, small businesses agree (82%) that our economy is changing and it's time to update our laws for the modern age. What's more, 8 in 10 believe that large companies have too much control over markets, and the government should step in to help create a more equitable playing field.

Figure 1: Small businesses want a more equitable playing field with their larger competitors



The survey looked at a wide range of practices that create an unequal playing field, such as technology platform practices and contracting. Self-preferencing (where a platform features its products or services over those of another, smaller business) and predatory pricing (such as when a large company sells its products at a loss, undercutting small businesses) each have affected more than one-third of respondents. Additionally, about a quarter of small businesses have been negatively impacted by other anti-competitive tactics utilized by technology platforms, such as loyalty discounts, copycatting, forced advertising, and toll booths. (See glossary for full definition of these terms).

Figure 2: Small business owners identify predatory and anti-competitive big business practices



Glossary of terms

Self-preferencing: where larger companies' products or services appear first on a platform or search engine

Predatory pricing: where larger companies undercharge for a product or service, forcing other businesses to drive their prices down, potentially running them out of business

Copycatting: where larger companies copy the product or service of a smaller business

Forced advertising: where companies have to pay high fees to platforms or marketplaces to have their product or service featured more prominently or to access customers or fans they've already developed

Loyalty discounts: where large companies or platforms bundle products and services, potentially leading to anti-competitive practices

Exclusionary contracts: where platforms or main industry players forbid a business from selling goods or services on a competing platform or with competing players

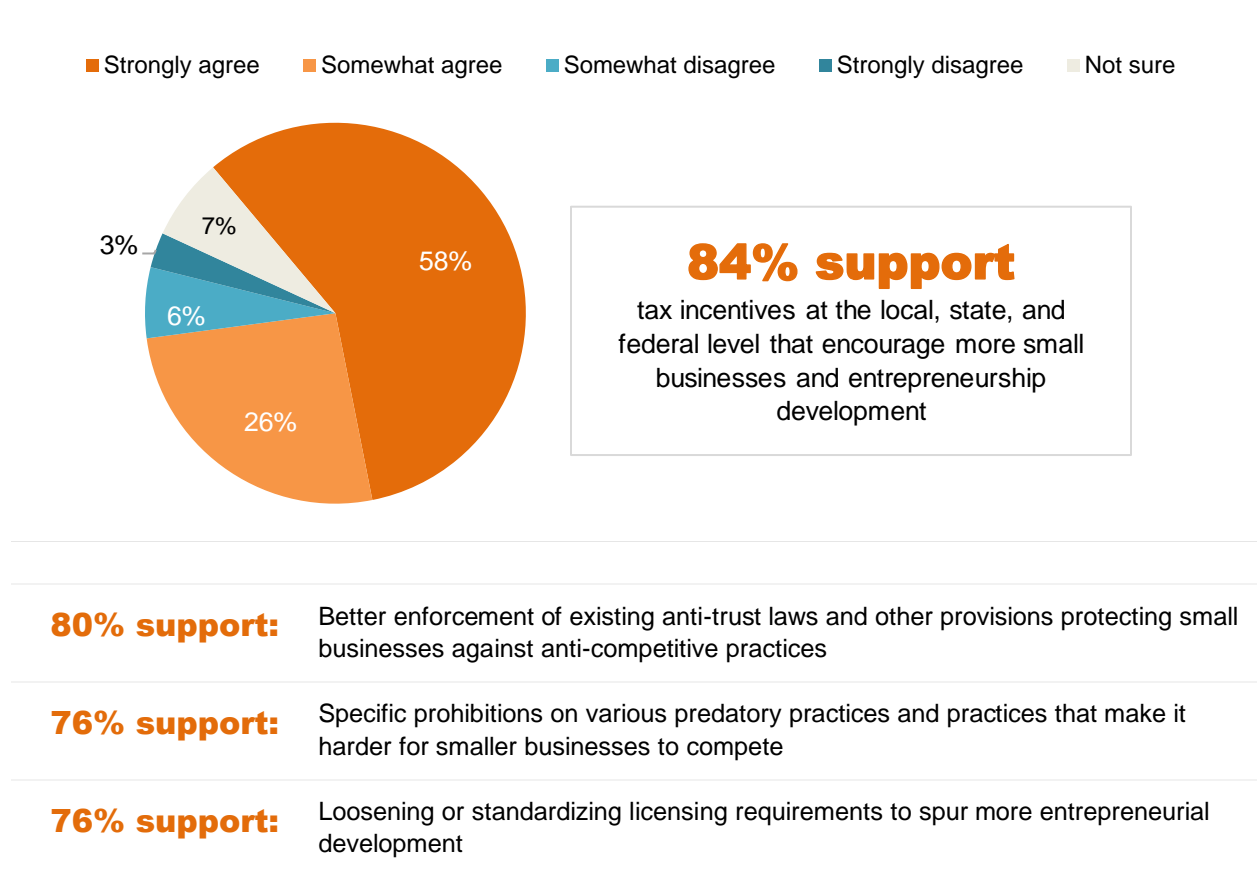
Toll booths: where platforms, marketplaces or other middlemen extract a percentage of each sale made by a business

Tying: where a business is forced to purchase some product or service in order to access another product or service

Issues related to contracts are also widespread. Specific challenges include different pricing based on the size of business, delay of payment, and loyalty discounts, each affecting at least 3 in 10 small business owners. Nearly a third (31%) of small business owners report that contracts with larger companies are difficult to understand, and the same number have attempted to enter into agreements but were unable to negotiate the terms. One in four small business owners have felt coerced into signing a contract or agreement.

It's no surprise then that policies that level the playing field and address these issues have very strong support among small businesses. Small business owners are most interested in tax incentives that encourage more small business and entrepreneurship development (84% support) and better enforcement of existing anti-trust laws (80% support). Prohibitions on predatory practices (76% support) and loosening or standardizing licensing requirements (76% support) are also popular solutions.

Figure 3: Small businesses strongly favor a number of policies to make it easier for them to compete



It's important to note that small businesses are still struggling to recover from the effects of the pandemic. Nearly 4 in 10 small businesses (38%) say their revenue has declined since this time last year, and only half think their business is going to survive indefinitely without additional funding or market changes. In order to compete and grow their businesses, small business owners need solutions that will address monopolistic and unfair practices and promote a more level playing field.

Key findings

Small businesses seek a more level playing field

- **Small businesses at a competitive disadvantage:** It's clear that unfair competition is top of mind for the nation's entrepreneurs. A majority (56%) of small business owners say that one or more large companies dominate the market in their industry, and the same percentage agree with a statement that "Large companies have an unfair advantage in my industry or line of work." Nearly half (44%) agree that there has been an increase in monopolistic practices.
- **Small businesses want a more equitable playing field with their larger competitors:** Respondents agree that small businesses are some of the most exciting innovators right now, but they believe larger companies have the resources to take these businesses' creative ideas, mass produce them, and drown small businesses out with their market power (83% agree). Small businesses also believe that larger companies have greater access to capital and employee benefits like healthcare, putting them at an automatic advantage (82% agree).
- **Small businesses are still struggling to recover from the pandemic, underscoring the need for a more level playing field:** Nearly 4 in 10 small businesses (38%) say their revenue has declined since this time last year, while 30% say it's stayed the same. Only half of business think their business is going to survive indefinitely without additional funding or market changes, and nearly three in ten (29%) don't think their business will survive more than a year.

Small businesses are impacted by anti-competitive practices

- **Small businesses increasingly rely on online platforms for their businesses:** While many businesses rely on traditional marketing tactics, such as word of mouth (58%), a personal website (46%), brick-and-mortar shops (30%), and online marketplaces are also popular. Facebook's marketplace leads the way (30%), while other online marketplaces like Instagram (20%), eBay (16%), Amazon (13%), Etsy (10%), and Shopify (8%) are also popular. In general, among those who use online platforms, most small business owners say they are not restricted by online platforms from selling on other platforms; however, **13% say they are restricted.**
- **Common big business practices are hurting smaller firms:** Among the biggest issues that hurt small businesses are predatory pricing, which has negatively affected 34% of small businesses and which 55% believe is an issue; self-preferencing (35%/55%); and copycatting (28%/50%). Also harmful to more than a quarter of small businesses are loyalty discounts (28%), along with forced advertising (27%), and toll booths (26%).

Small businesses struggle with unfair contracts and agreements

- **Small businesses impacted by unfair agreements and terms with large companies:** The biggest issue for small business owners related to contracts and agreements is that there is differential pricing based on the size of the business, something that 41% of small businesses have been negatively affected by. Roughly 3 in 10 (29%) have been impacted by loyalty discounts that force small businesses to buy things they don't need. One in four have experienced businesses violating contract terms without consequences. One in three have been affected by delay in payment including "pay when paid" policies.
- **Small businesses struggle to access fair contracts:** 31% say that contracts or agreements with larger companies were difficult to understand. One-third (32%) have attempted to enter into an agreement with a larger company but were unable to negotiate the terms, and 25% felt coerced into signing a contract with a larger company that they did not fully understand.

Small business owners identify policy solutions

- **Small businesses strongly favor a number of policies to make it easier for them to compete, including the following:**
 - 84% support tax incentives at the local, state, and federal level that encourage more small businesses and entrepreneurship development.
 - 80% want better enforcement of existing anti-trust laws and other provisions protecting small businesses against anti-competitive practices.
 - 76% support specific prohibitions on various predatory practices and practices that make it harder for smaller businesses to compete.
 - 76% support loosening or standardizing licensing requirements to spur more entrepreneurial development.

Methodology

This poll reflects a national survey of 500 small business owners with up to 100 employees. The poll was an online survey conducted by Lake Research Partners between December 9-19, 2021. The margin of error is +/-4.4%.

Download the full toplines from our website:

<https://smallbusinessmajority.org/our-research/small-businesses-seek-level-playing-field-and-chance-compete-fairly>