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## Press Release

### Discover Polls Reveal True Character of the American Entrepreneur

Past Year of Survey Data Uncovers Steadfast Spirit of Small Business Ownership

RIVERWOODS, Ill.--(BUSINESS WIRE)--Oct. 22, 2007--Are you tough enough to be one of the 22 million Americans who run a small business?

- Can you or your employees afford to go without health care coverage?
- Will you work six or seven days a week and give up your holidays?
- Will you consistently work more than 8 hours a day?
- Can you do what it takes to keep a customer happy?
- Are your business and your mind wired for a new digital age?

These are some of the characteristic features of many American entrepreneurs identified by the Discover(R) Small Business Watch(SM) in a year's worth of polling the nation's small business owners who have five or fewer employees. The 22 million Americans in this segment contribute more than a \$1 trillion in receipts each year to the U.S. economy, according to the U.S. Census Bureau, but until now, little is really known about them.

"By looking at this vital, under-surveyed segment of the American economy every month for more than 12 months, Discover unveiled the true character of American small business owners: They are fiercely independent, take enormous pride in their work and have the ability to overcome the ever-changing pressures of the larger economy," said Sastry Rachakonda, director of Discover's small business card, who commissions the monthly surveys.

Discover's independent data revealed the following key characteristics common to many small business owners:

- Independence is their prime motivation.
- Improving customer service keeps them up at night.
- Wider economic forces can make or break them.

- If they're not using the Internet, they're falling behind fast.

### Independence Comes with Sacrifices

Sixty-one percent of small business owners said they would not give up the freedom that comes along with owning their own business to work for someone else, even if it meant making more money than they do now.

Nearly half of all owners (46 percent) started their businesses because they wanted to be independent or have more flexibility with their time. Only 19 percent of small business owners say they started their business to make more money.

And not every small business owner dreams of his or her company becoming a major company. In fact, 69 percent of small business owners say they don't want to grow larger. Most also have no plans to leave or sell their business - 38 percent said they had no plans to retire and another 18 percent said that they would transfer ownership to a family member if they ever do retire.

"Small business owners value their freedom and are making the active decision to remain small," Rachakonda said. "Being a small business owner is less about making more money, and is more an expression of independence."

### Keeping Customers Happy Means Long Hours

Today's customer is the source of tomorrow's new customer, according to Rachakonda. "In segment after segment, we found that the way small business owners got more business was through word of mouth," he said. "It meant that the only way they stayed in business is by providing exceptional service to their customers. That translates into long hours and being available for calls at all hours of the day."

Two out of three (67 percent) consumers polled by the Watch thought that small business owners provided better service than larger businesses.

It is interesting to note that while only 13 percent of consumers thought that they would do their holiday shopping in a small retail or specialty shop last year, that number jumped to 29 percent when they were asked to consider where they would buy "one very special gift."

So while many people assume that being your own boss means setting your own hours and working when you want, Discover found that small business owners work longer and harder than many Americans. Twenty-eight percent are working at least six days a week and 52 percent took off only seven days or fewer last year, compared with 36 percent of the general population.

"We found that small business owners work not only more hours per day, but also more days of the week and more weeks per year" Rachakonda said.

Only 36 percent of this group described a day off as "not working at all." Everyone else described having some connection with their businesses on their days off. That compares to 58 percent of the rest of working Americans, who consider a day off to be completely work free.

And when small business owners do take time off, most still find ways to stay connected to work. Forty percent of small business owners said they carry a wireless device to keep in touch with customers and clients when off work.

Fortunately the majority of them (55 percent) say they have understanding spouses who approve of them checking e-mail when not at work.

### External Forces Add Pressure

Over the past year, the Watch asked small business owners to weigh in on several topics, including the affordability of health care, the minimum wage, energy prices and the movement of the stock market. The Watch found that small business owners deal with these common challenges quite differently than medium- and large-sized companies.

One of the most serious pressures on small business owners is health care.

"The financial burden of rising health insurance costs puts an extreme amount of stress on this segment of the economy," Rachakonda said.

Three out of four small business owners do not offer health benefits and, instead rely on family members' coverage or separately purchased plans, according to the surveys.

Sixty-four percent said that health care costs have an impact on their ability to grow their company. In addition, more than one in three small business owners who offer health care benefits have considered discontinuing coverage for themselves or their employees due to high costs.

Business owners also reported the impact of taxes on their business: 77 percent of owners found the tax preparation process very or somewhat time consuming and 74 percent found the complexity of tax code distracting for their businesses.

When it comes to energy prices, 52 percent felt that the government was not doing enough to help small businesses be more energy efficient.

The Watch also found that small business owners feel barely affected by efforts to change the minimum wage or fluctuations in the stock market.

For example, 70 percent of small business owners said that an increase in the minimum wage to \$7.25 would have no impact on their employee costs. Similarly, 68 percent said that changes in the stock market do not have a noticeable impact on their business.

"This data helps lend weight to the belief that what's happening on Wall Street doesn't always reflect economic conditions or activity on Main Street," Rachakonda said. "Cash flow is really the lifeblood of a small business. Through these polls we have a clearer picture of what affects that essential flow."

### Use the Internet or Lose Opportunities

In segment after segment, the Internet is forcing small business owners to rethink how they do business. In the past year, Watch surveys reported that:

- 55 percent of people booked vacations online and only 13 percent used a travel agent.
- Nearly half of consumers believe that free online research provides as much information as a financial advisor.
- 11 percent of consumers reported that they will be doing their holiday shopping online.

"Small business owners who have figured out how to add value through the Internet are finding new opportunities for profit and growth," Rachakonda said. "Those who aren't taking advantage of the technology ultimately will be left behind."

For more information and to see survey results from the past year, please visit <http://www.discovercard.com/business/templates/bcwatch.shtml>

The views and opinions expressed by small business owners and consumers who participate in the Small Business Watch survey are their own and do

not necessarily reflect those of Discover Financial Services or its affiliates.

#### About the Small Business Watch

The Discover Small Business Watch is a monthly index measuring the relative economic confidence of U.S. small business owners who employ less than five employees, a segment that consists of 22 million businesses producing more than a trillion dollars in annual receipts. The Watch is based on a national random survey of 1,000 small business owners. It is commissioned by the Discover Business Card, which strives to offer the best business credit card for American small businesses, and is conducted by Rasmussen Reports, LLC ([www.rasmussenreports.com](http://www.rasmussenreports.com)), an independent survey research firm. The numeric index is calculated by assigning values to responses to a set of six consistent questions. The base value of the Watch was established at 100.0 based on surveys conducted in August of 2006. In addition to generating the index, the Small Business Watch surveys small business viewpoints on key business drivers, and also surveys 4,000 consumers to gauge purchasing behavior and attitudes towards small businesses. For past results and small business survey data, visit [www.discoverbiz.com/watch](http://www.discoverbiz.com/watch). For information on Discover Business Card, visit [www.discoverbiz.com](http://www.discoverbiz.com).

#### About Discover Financial Services

Discover Financial Services (NYSE:DFS) operates the Discover Card with more than 50 million cardmembers, the Discover Network with millions of merchant and cash access locations, and the Goldfish credit card business in the United Kingdom. Discover Financial Services also operates the PULSE ATM/debit network, which serves more than 4,400 financial institutions and includes nearly 260,000 ATMs, as well as POS terminals, nationwide. For more information, visit [www.discoverfinancial.com](http://www.discoverfinancial.com).

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