



# Connected Tennessee Survey of Businesses July 2008



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# Summary of Key Findings



# Key Findings: July 2008

## Key Technology Benchmarks, July 2008:

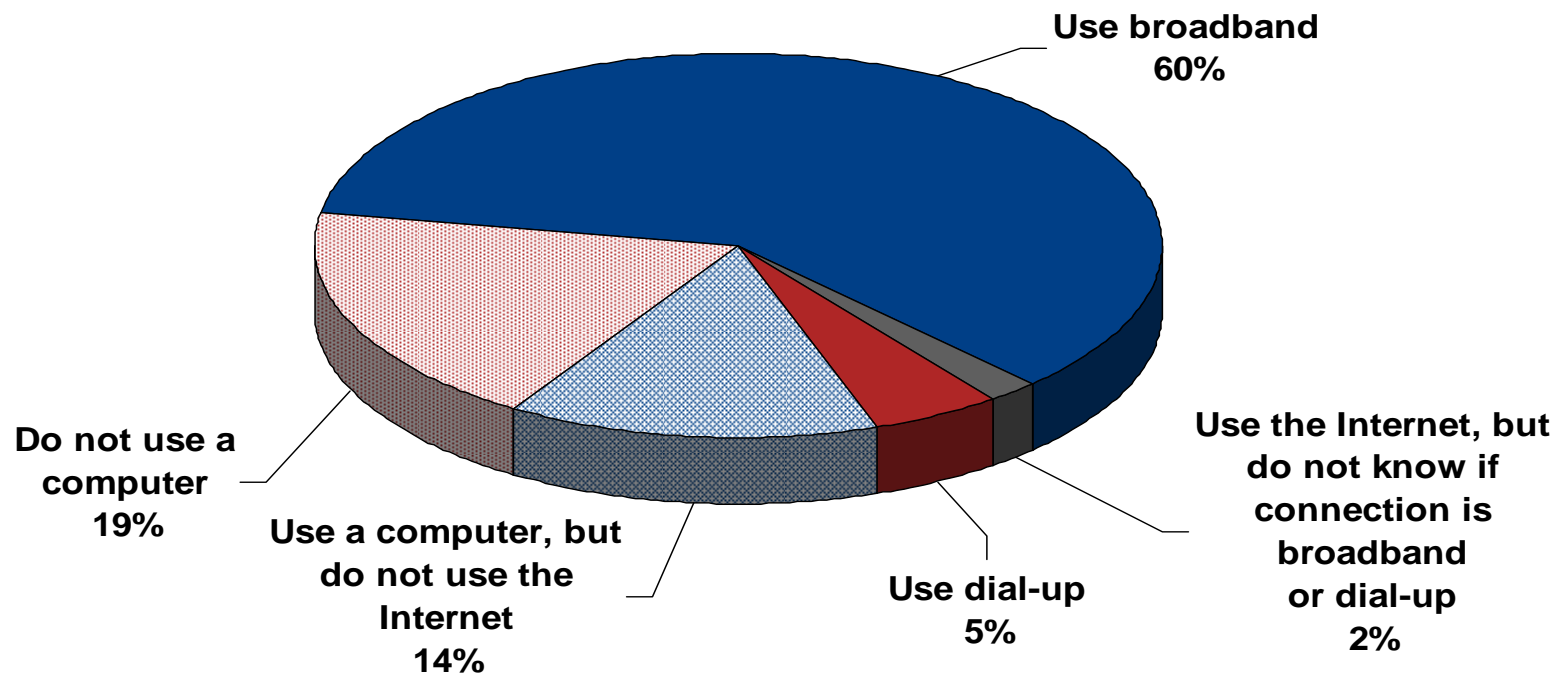
- Businesses that use a computer: 81% (unchanged from July 2007)
- Businesses that use the Internet: 67% (unchanged from July 2007)
- Businesses that use broadband: 60% (up from 55% in July 2007)

## Other Key Trends:

1. While computer use and general Internet use has remained unchanged overall among Tennessee businesses over the past year, broadband use has increased to 60%, which equals a 9% rate of growth. This suggests that businesses using dial-up are switching to broadband.
2. Computer and Internet use increased among Tennessee businesses in the manufacturing, agriculture, mining, construction and utility sectors, while computer and Internet use declined in the healthcare sector.
3. Small and medium sized businesses with 5 to 49 employees realized significant gains in broadband use, with a growth of 16% in the past year.
4. Businesses in Tennessee's urban and rural areas saw the largest jump in broadband use over the past year, with a 12% gain in rural counties and a 16% gain in urban counties.
5. Tennessee businesses with broadband report median annual revenues that are three times more than those of businesses that rely on dial-up service.
6. Statewide, 47% of Tennessee businesses have a website. This is a 12% increase from July 2007. The largest growth in website development was seen among very small businesses (25% increase) and in the agriculture, mining, construction and utility sector (71% increase).

# Technology Adoption Among Tennessee Businesses

Percent of all Tennessee businesses that:





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# Use of Computer Technology Among Tennessee Businesses

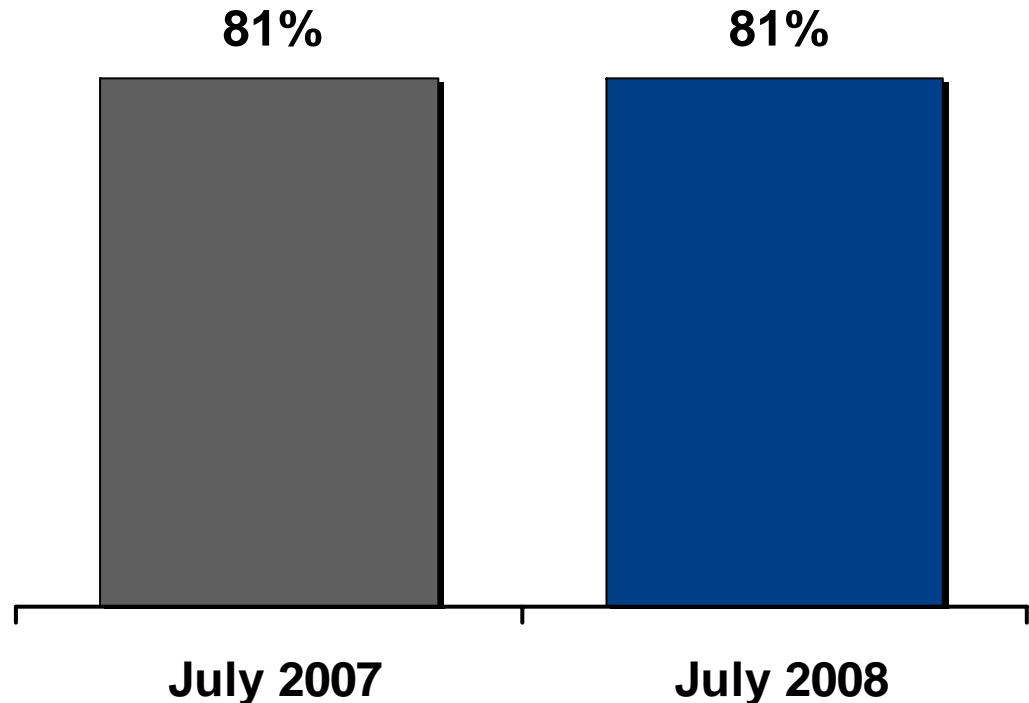


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# Use of Computer Technology

**In July 2008, 81% of Tennessee businesses reported that they use computers for their business functions; this number is unchanged from Connected Tennessee's July 2007 survey.**

**Percent of all Tennessee businesses that use a computer:**



*Q: Does your company use any type of computer technology to handle some or all of its business functions (for example: sales, cash receipts, accounting, inventory control or management reporting)?*

*(n=808 TN businesses)*

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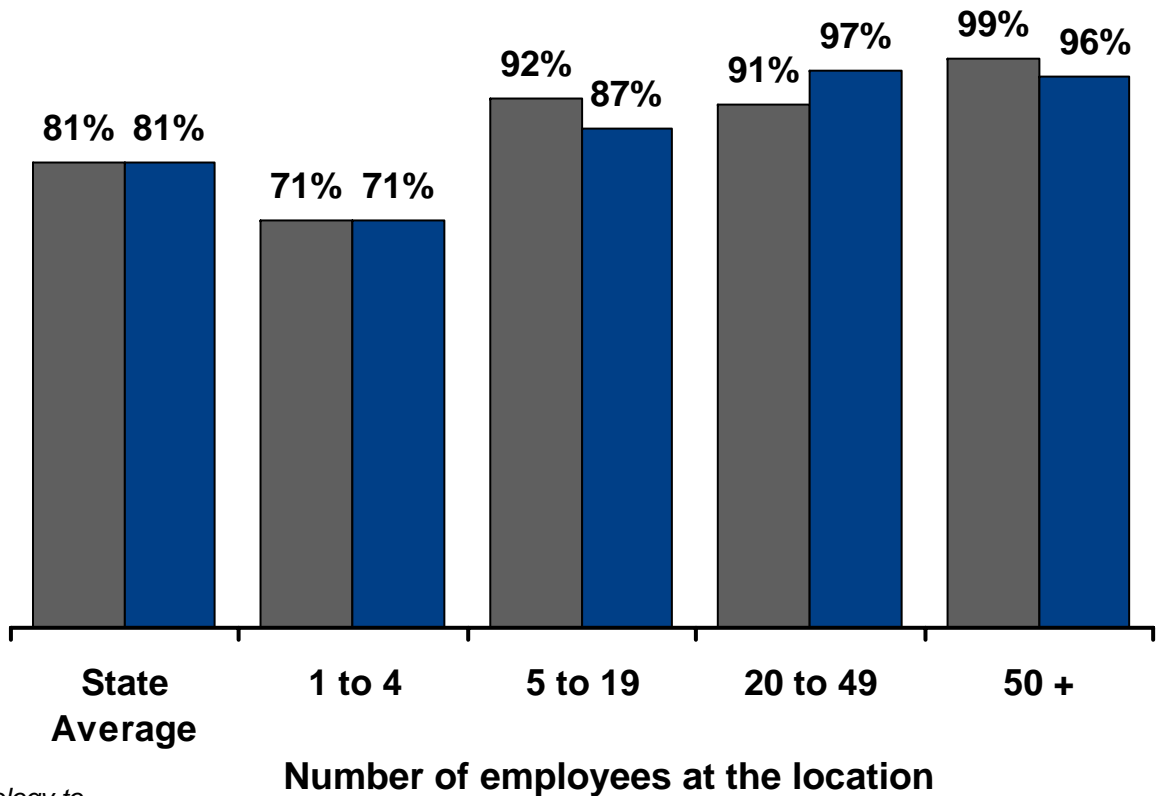
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[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Computer Use by Company Size

■ July 2007      ■ July 2008

The statewide rate of computer usage varies significantly by company size, rising from 71% of the smallest establishments, to more than 90% of medium size companies and 98% of the largest companies in Tennessee.



Q: Does your company use any type of computer technology to handle some or all of its business functions (for example: sales, cash receipts, accounting, inventory control or management reporting)?

(n=808 TN businesses)

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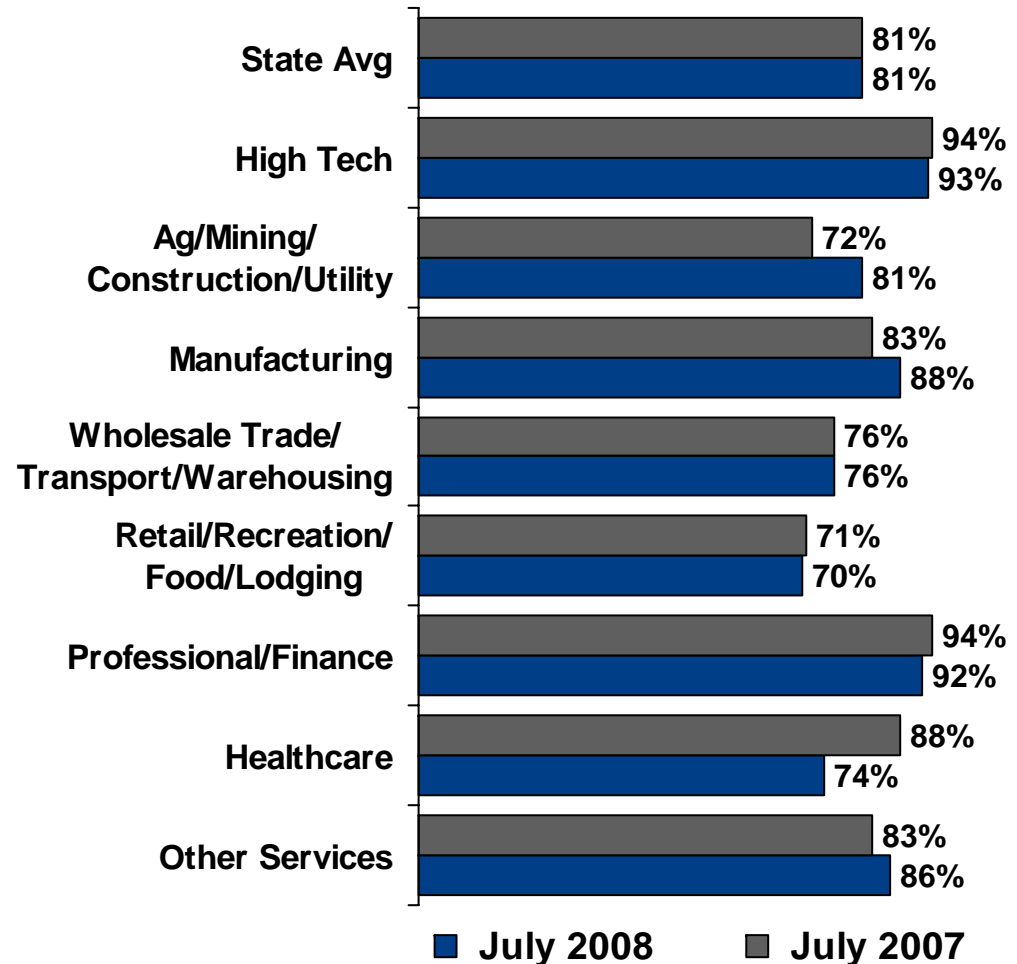
# Computer Use by Industry Sector

**Businesses in the Manufacturing and Agriculture/Mining/Construction/Utility sectors saw the greatest increases in computer usage from July 2007.**

**The Healthcare industry sector experienced the only statistically significant decrease in computer usage between July 2007 and July 2008.**

Q: Does your company use any type of computer technology to handle some or all of its business functions (for example: sales, cash receipts, accounting, inventory control or management reporting)?  
(n=808 TN businesses)

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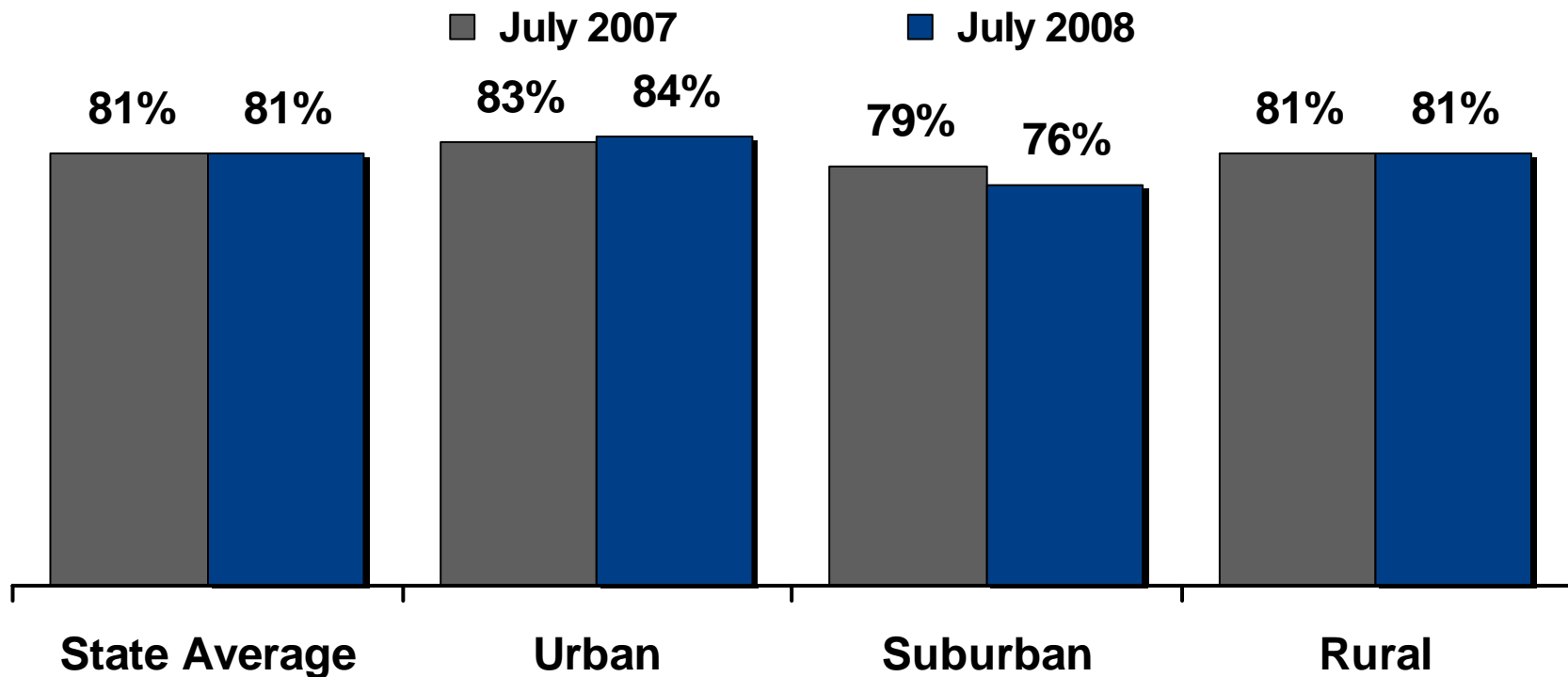


Source: July 2008 Connected Tennessee Survey of Businesses  
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# Trends in Computer Use by Urban-Rural Classification

Percent of Tennessee businesses with a computer:



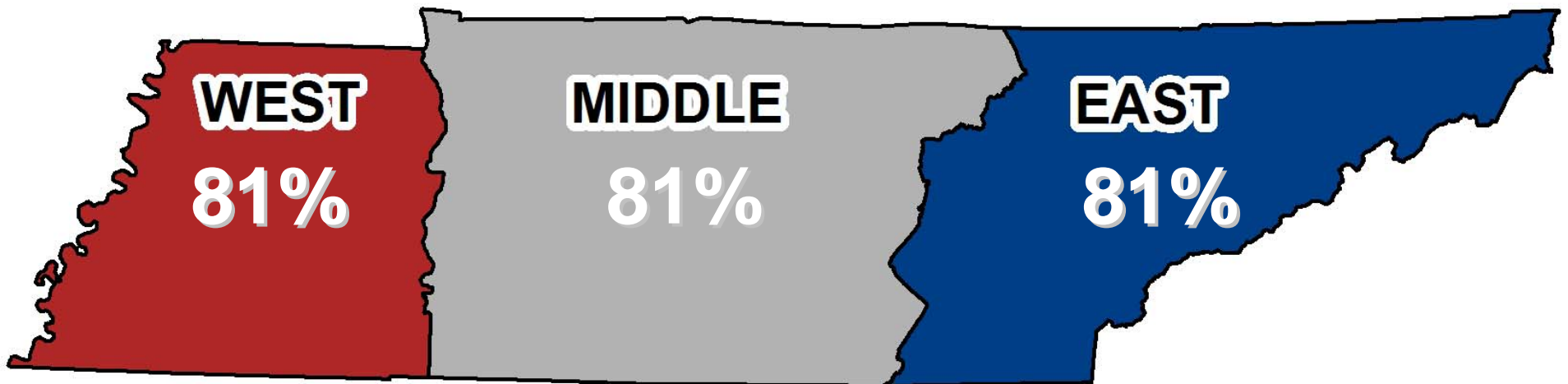
Q: Does your company use any type of computer technology to handle some or all of its business functions (for example: sales, cash receipts, accounting, inventory control or management reporting)?  
(n=808 Tennessee businesses)

Source: July 2008 Connected Tennessee Survey of Businesses



# Computer Use by Tennessee Grand Division

Percent of businesses that use computer technology:



**Statewide Average: 81% of Tennessee businesses use a computer.**

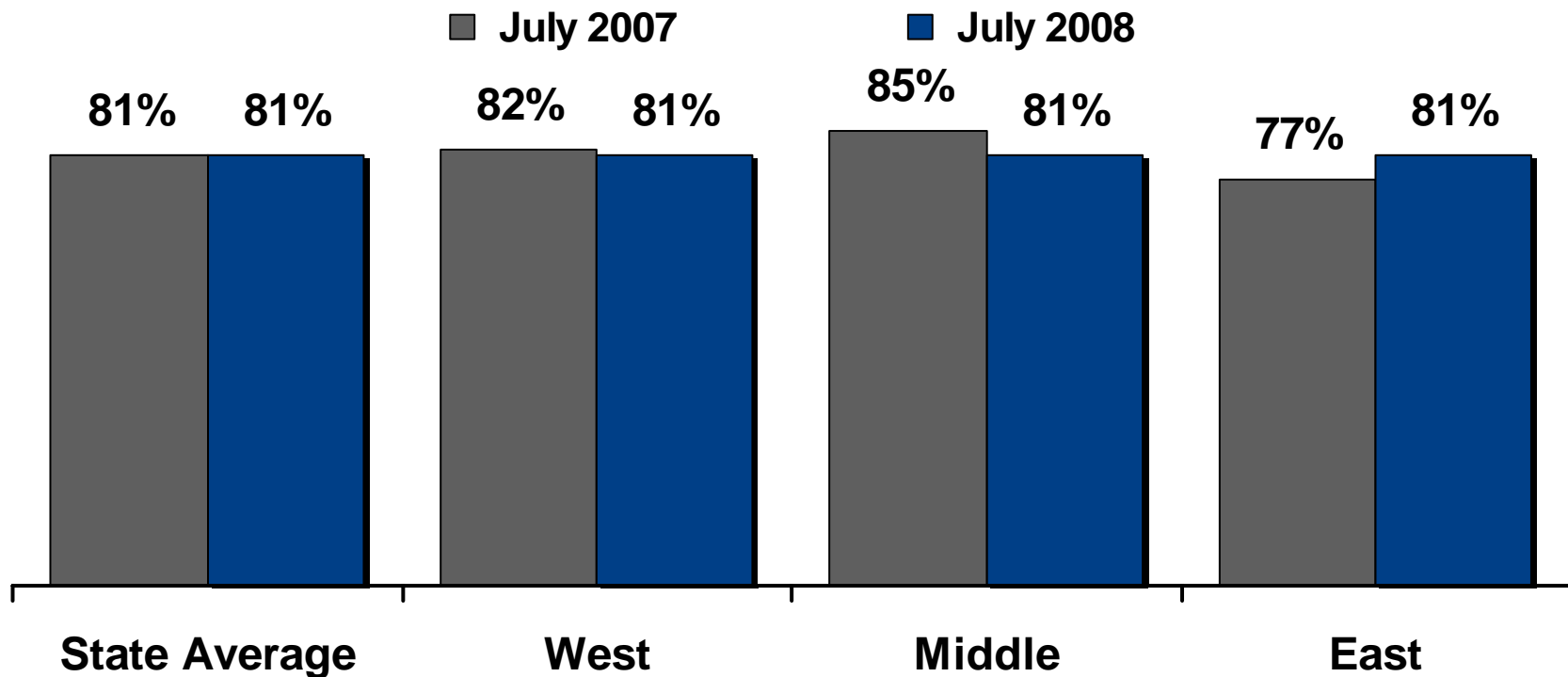
*Q: Does your company use any type computer technology to handle some or all of its business functions (for example: sales, cash receipts, accounting, inventory control or management reporting)?  
(n=808 Tennessee businesses)*

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# Trends in Computer Use by Grand Division

Percent of Tennessee businesses with a computer:



Q: Does your company use any type of computer technology to handle some or all of its business functions (for example: sales, cash receipts, accounting, inventory control or management reporting)?  
(n=808 Tennessee businesses)

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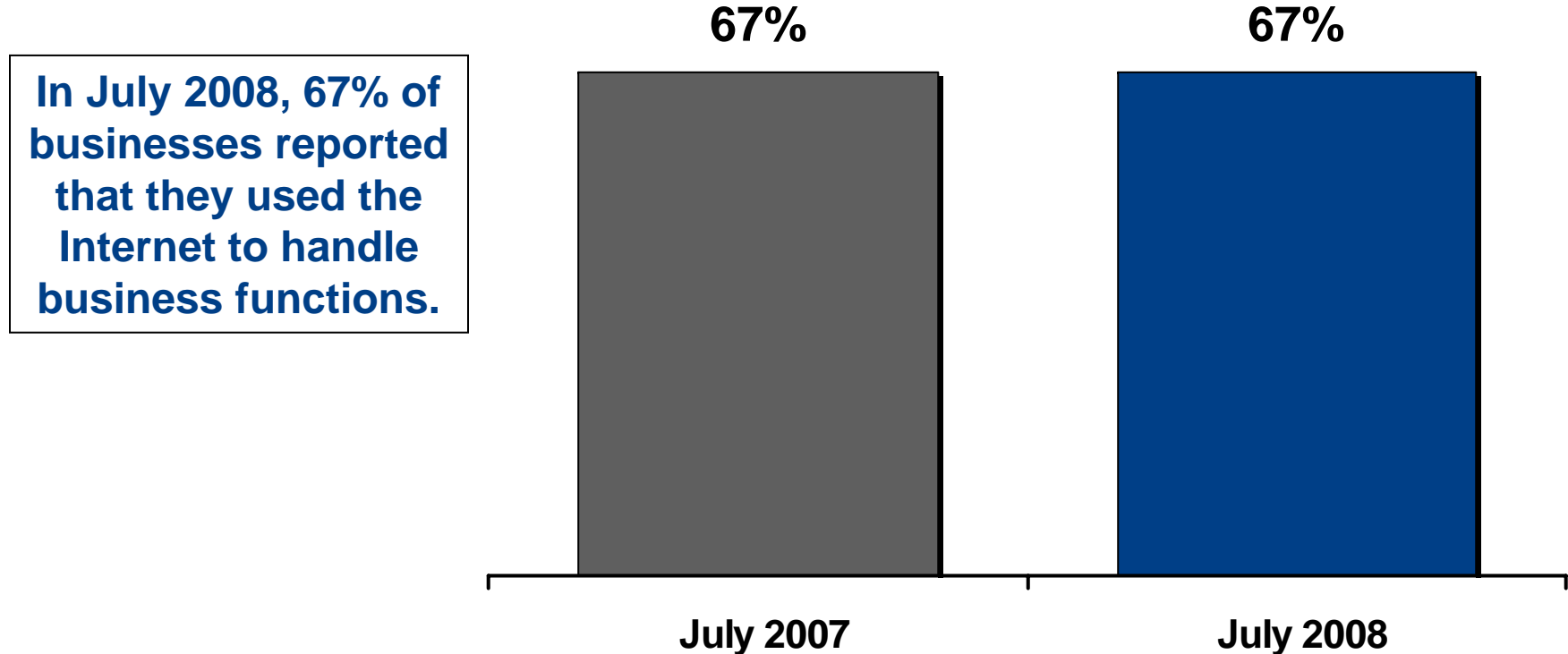


# Internet Adoption Among Tennessee Businesses



## Internet Adoption (Dial-Up or Broadband) Among Tennessee Businesses

Percent of all Tennessee businesses with Internet service:



In July 2008, 67% of businesses reported that they used the Internet to handle business functions.

Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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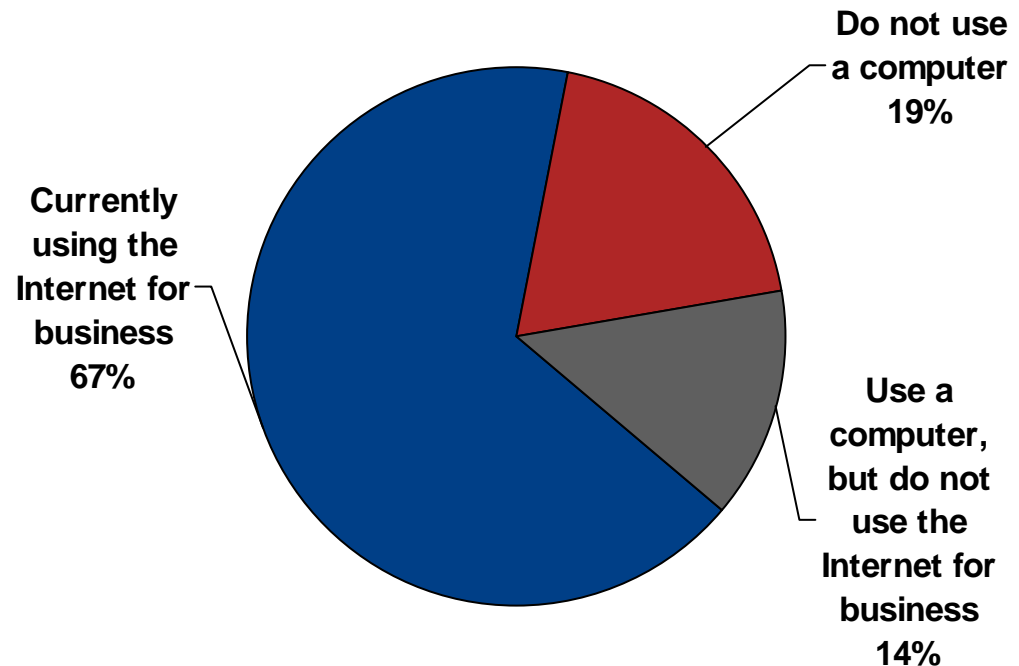
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# Use of the Internet for Business (Either Dial-Up or Broadband)

Among all Tennessee businesses:

**More than two-thirds of all Tennessee businesses say that they use the Internet for their business functions.**



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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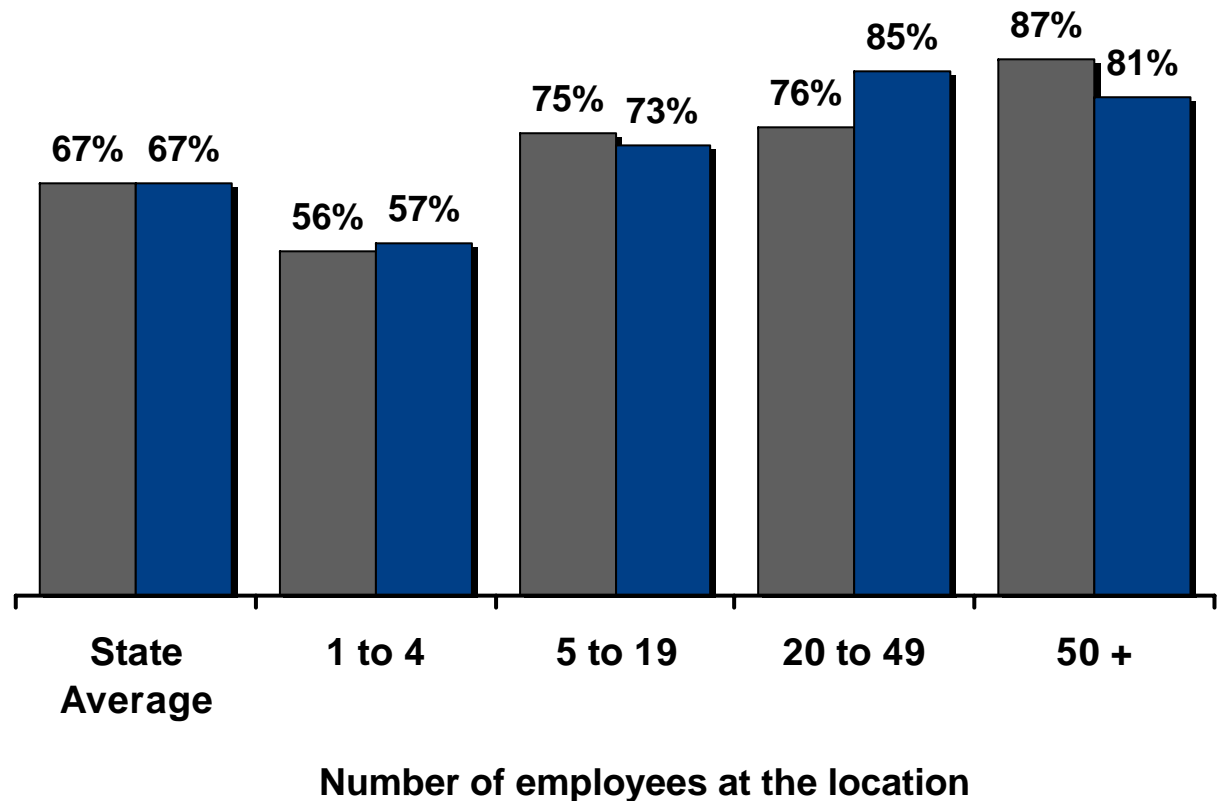
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# Internet Adoption (Dial-Up or Broadband) by Business Size

■ July 2007      ■ July 2008

Internet adoption among medium-sized businesses (20-49 employees) increased significantly in the last year, while it decreased among larger businesses.



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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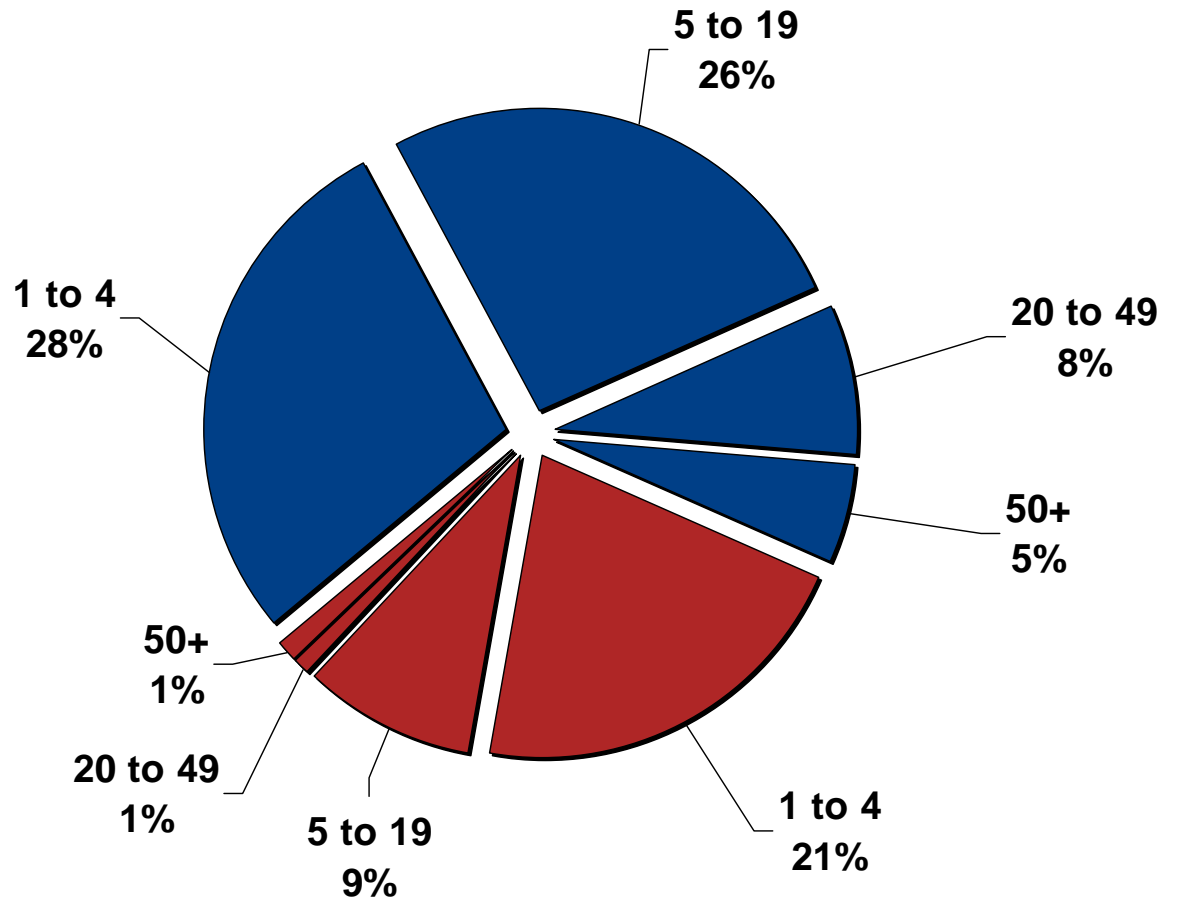
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# Use of the Internet (Dial-Up or Broadband) by Business Size

**Percent of TN businesses that use the Internet by business size (# of employees)**

**Percent of TN businesses that do not use the Internet by business size (# of employees)**



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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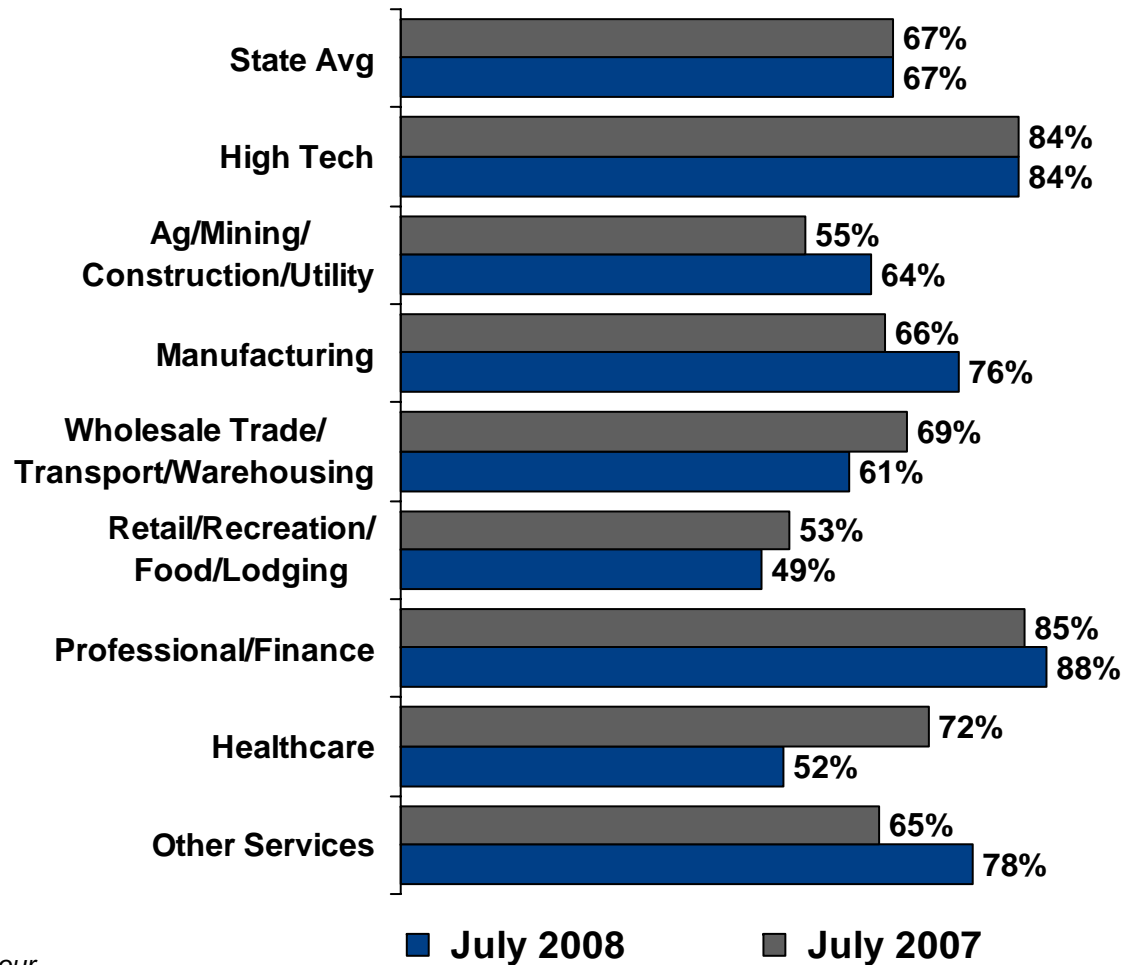
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# Internet Adoption (Dial-Up or Broadband) by Industry Sector

Several Tennessee business sectors, including Ag/Mining/Construction/Utilities, Manufacturing and Other Services showed significant growth in Internet adoption from one year ago, while other sectors declined, such as Wholesale Trade/Transport/Warehousing and Healthcare.



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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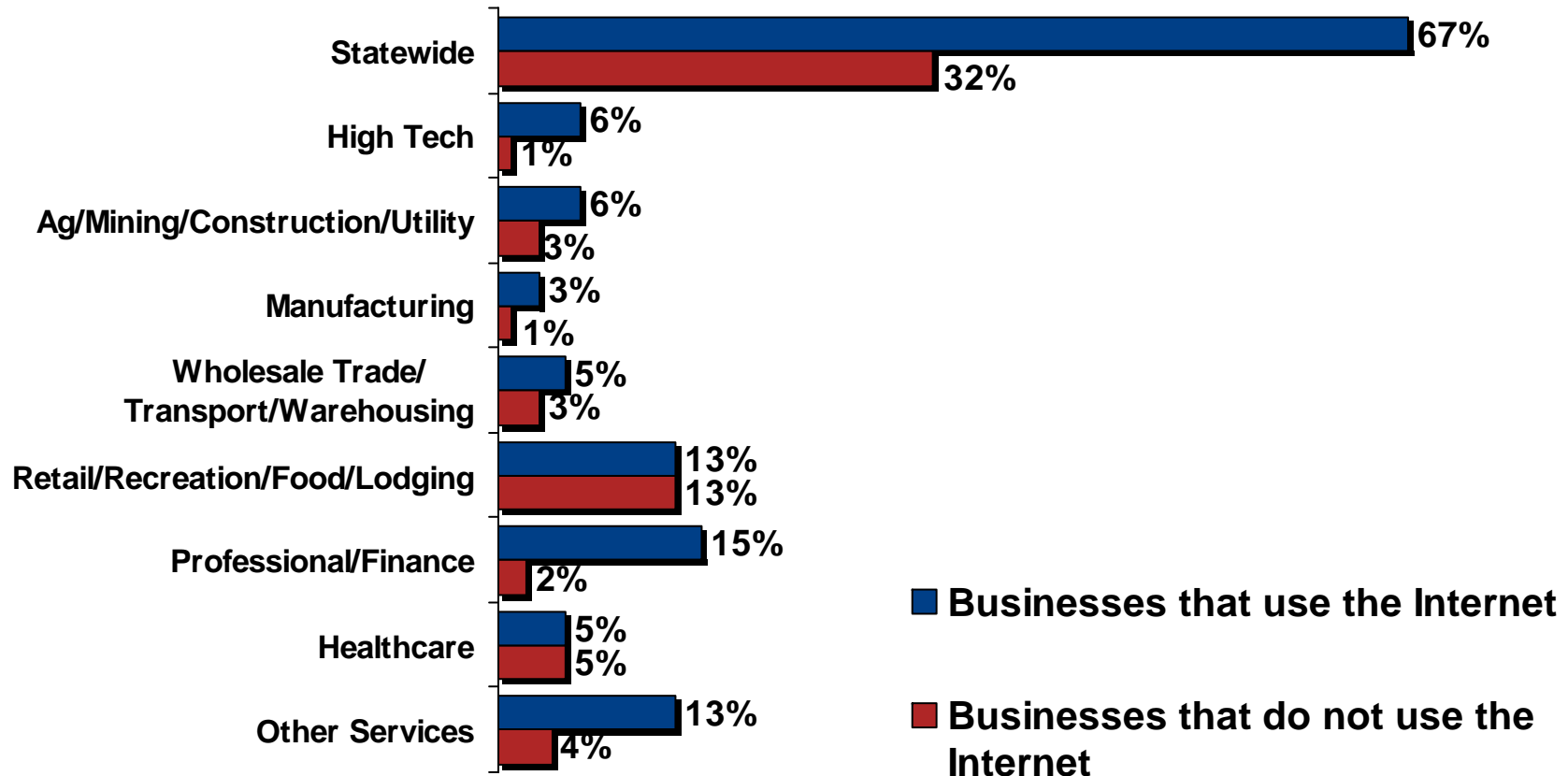
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# Use of Either Dial-Up or Broadband Internet by Industry Sector

Percent of all Tennessee businesses:



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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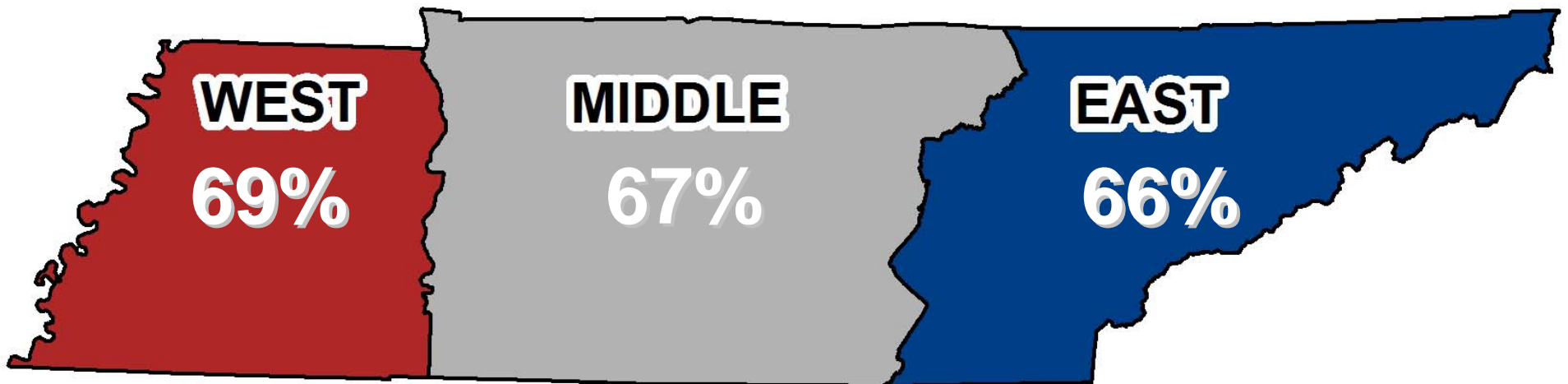
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# Internet Adoption (Dial-Up or Broadband) by Tennessee Grand Division

Percent of businesses that use the Internet for their work:



**Statewide Average: 67% of Tennessee businesses use either dial-up or broadband Internet service for their work**

Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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Source: July 2008 Connected Tennessee Survey of Businesses

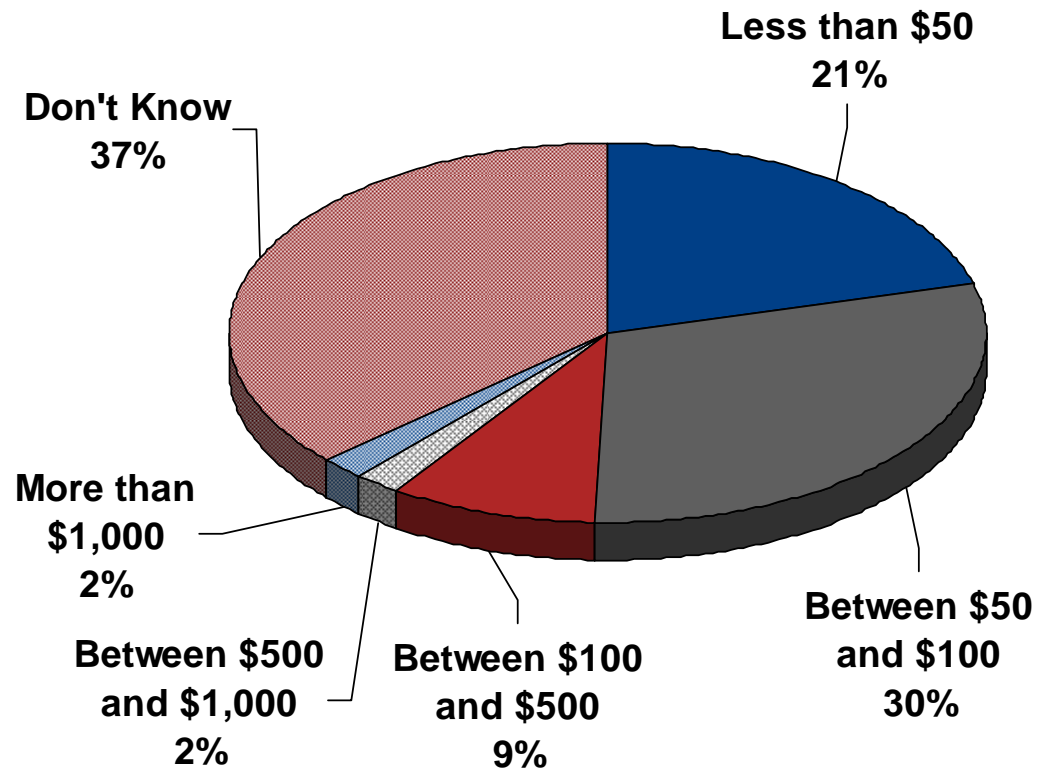
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# Monthly Internet Access Fees

Among Internet-connected businesses in Tennessee:

The median price for Internet service among Tennessee businesses is \$68 per month.



Q: How much per month does your organization pay for its Internet connection?

(n=617 TN businesses that use the Internet)

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Source: July 2008 Connected Tennessee Survey of Businesses

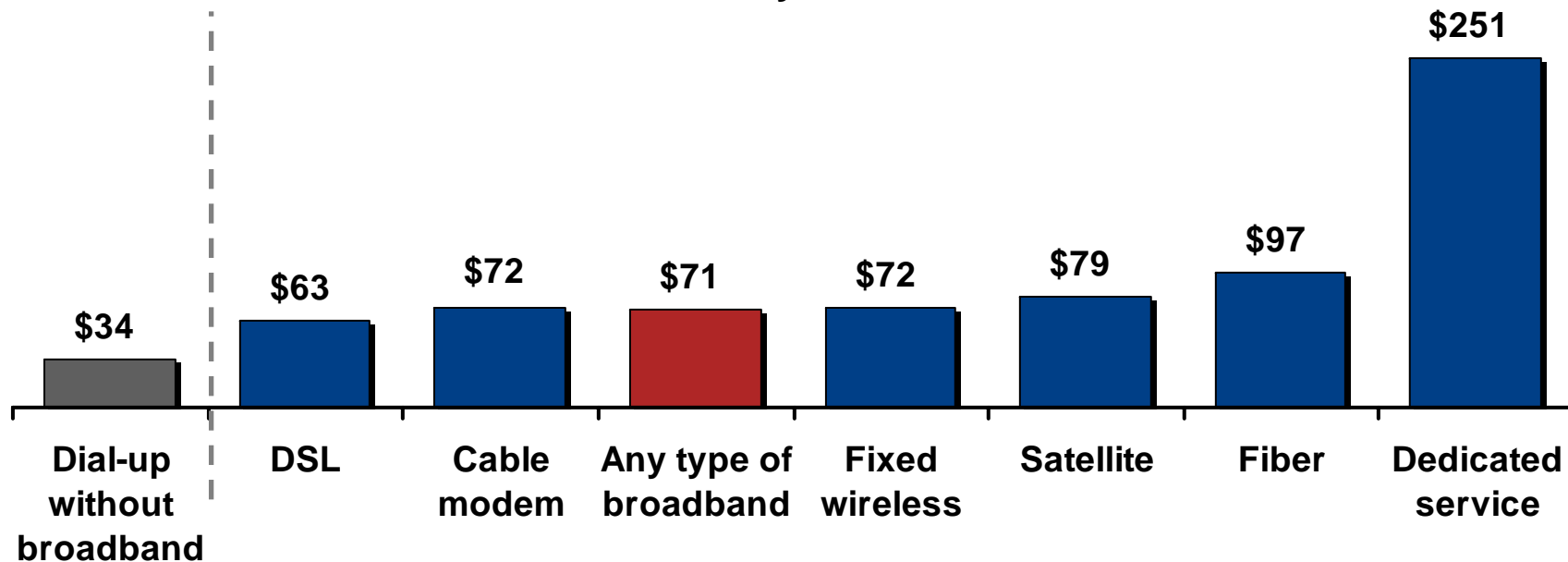
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# Median Monthly Fees by Type of Internet Connection

The median monthly cost for broadband is \$71 per month, with lower costs reported among businesses using DSL and cable broadband service.

Median monthly access fees:



Q: How much per month does your organization pay for its Internet connection?

(n=617 TN businesses that use the Internet)

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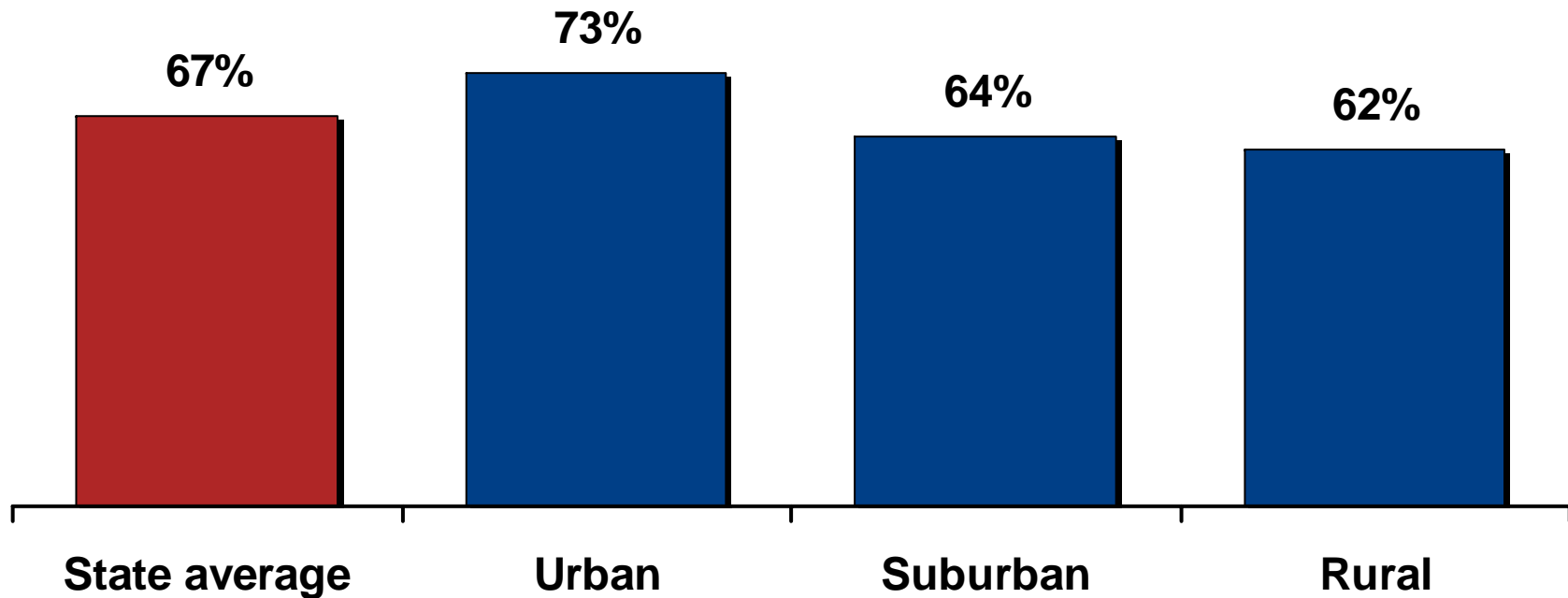
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# Internet Adoption (Either Dial-Up or Broadband) by Urban-Rural Classification

Percent of Tennessee businesses with Internet service:



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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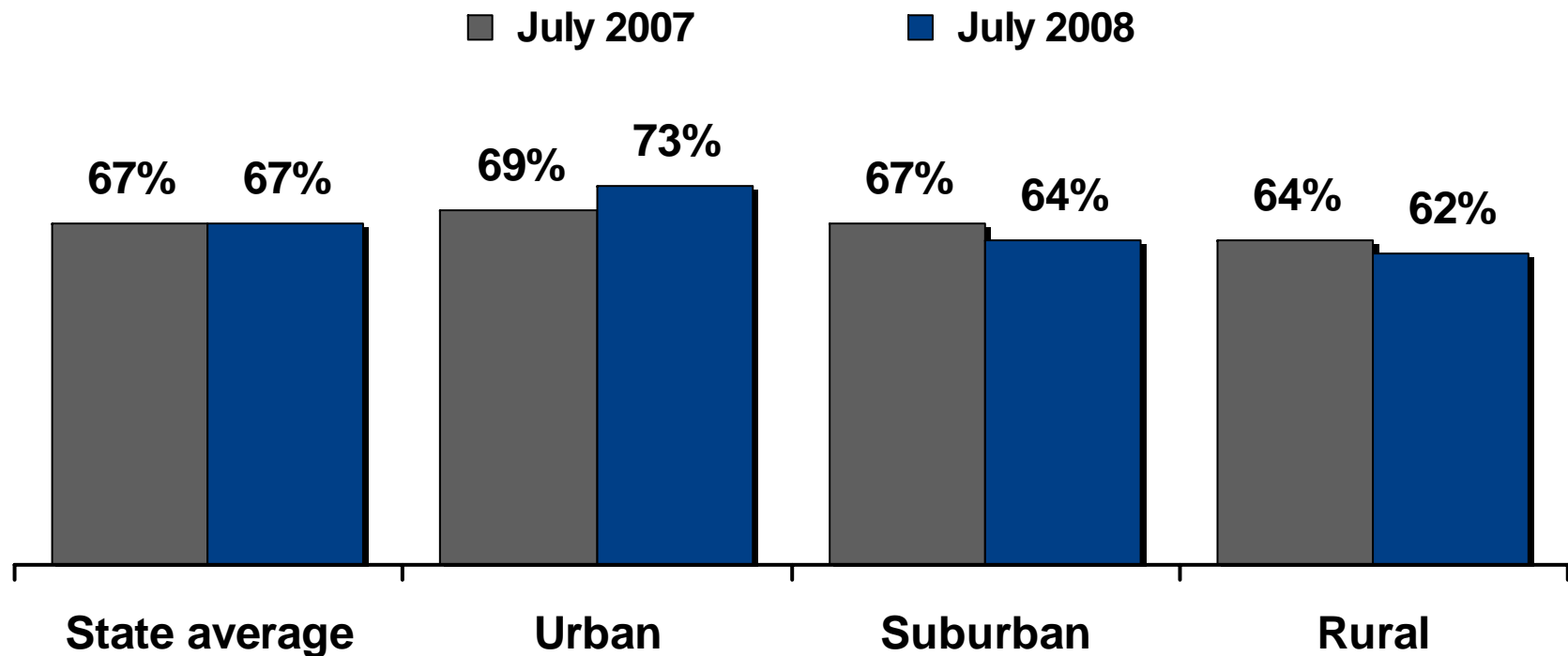
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# Trends in Internet Adoption by Urban-Rural Classification

Percent of Tennessee businesses with either broadband or dial-up Internet service:



Q: Does your company use the Internet to handle any of your business functions?

(n=808 TN businesses)

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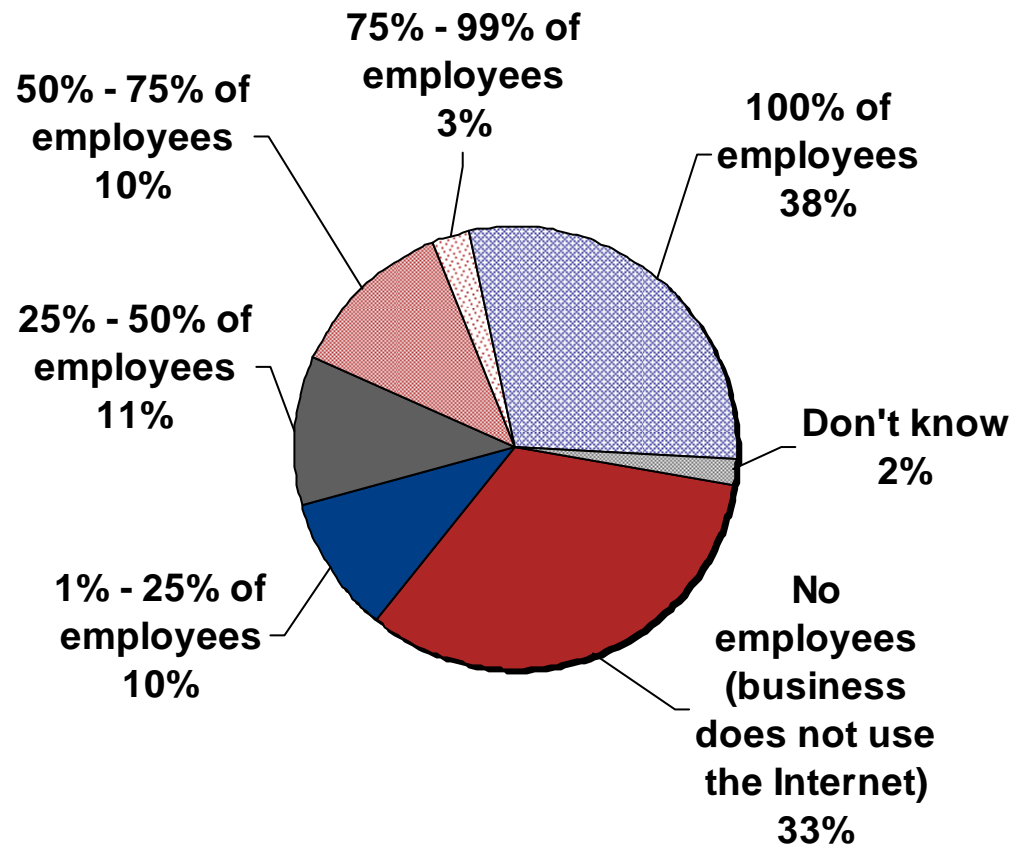


# Percent of Employees Who Use Dial-Up or Broadband Internet for Work Functions

Among all Tennessee businesses:

**At more than one-third of Tennessee businesses, every employee uses the Internet for their work functions.**

**On average, Tennessee businesses have nine employees who use the Internet for their work.**



Q: How many employees at this business location use the Internet for business purposes?

(n=808 TN businesses)

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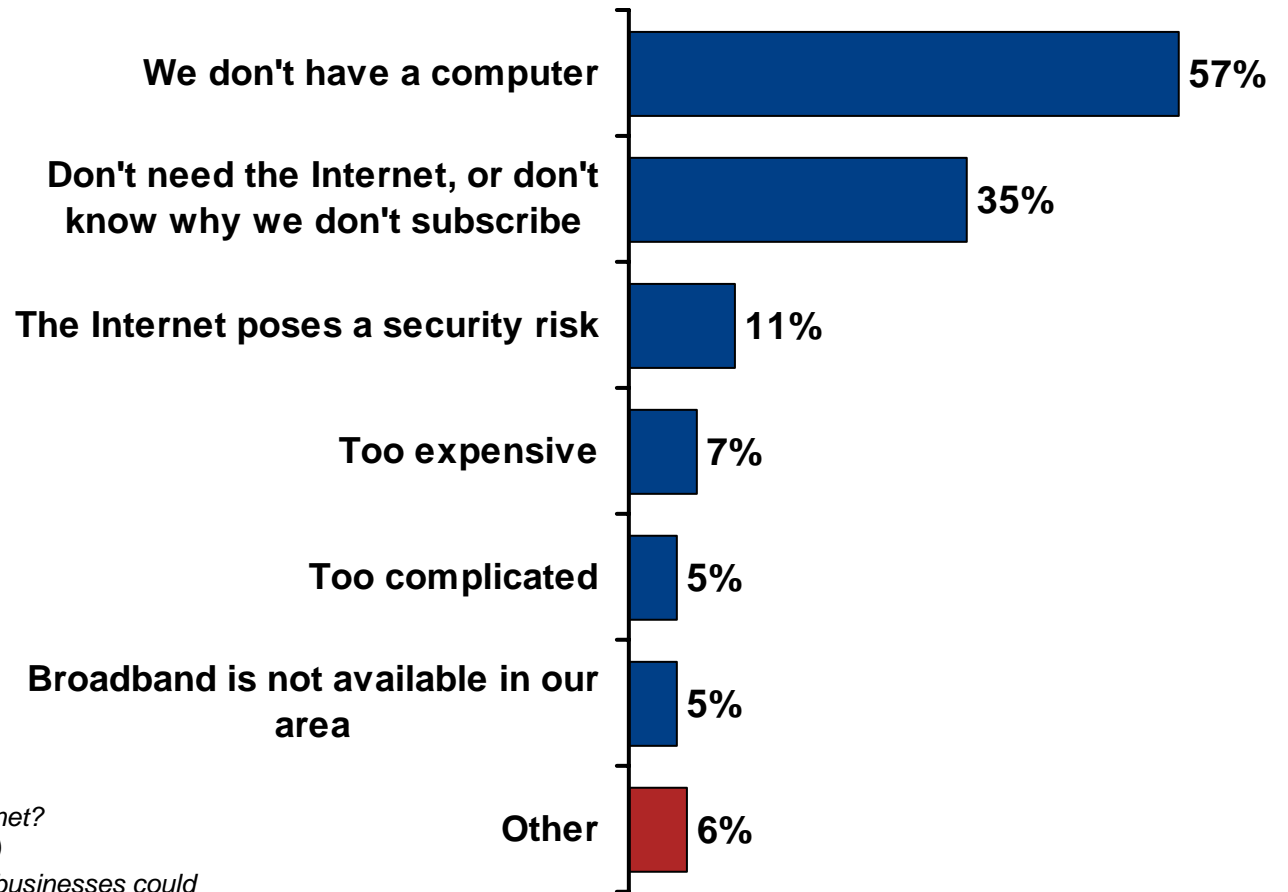
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# Barriers to Internet Adoption

Among Tennessee businesses not using either dial-up or broadband Internet:\*

**The majority of businesses that are not connected to the Internet say it is because they do not use a computer for business purposes.**



Q: Why doesn't your organization use the Internet?  
(n=191 TN businesses with no Internet service)

\*Percentages do not add up to 100% because businesses could give multiple responses. Barriers in this survey were calculated using a different methodology than previous surveys.

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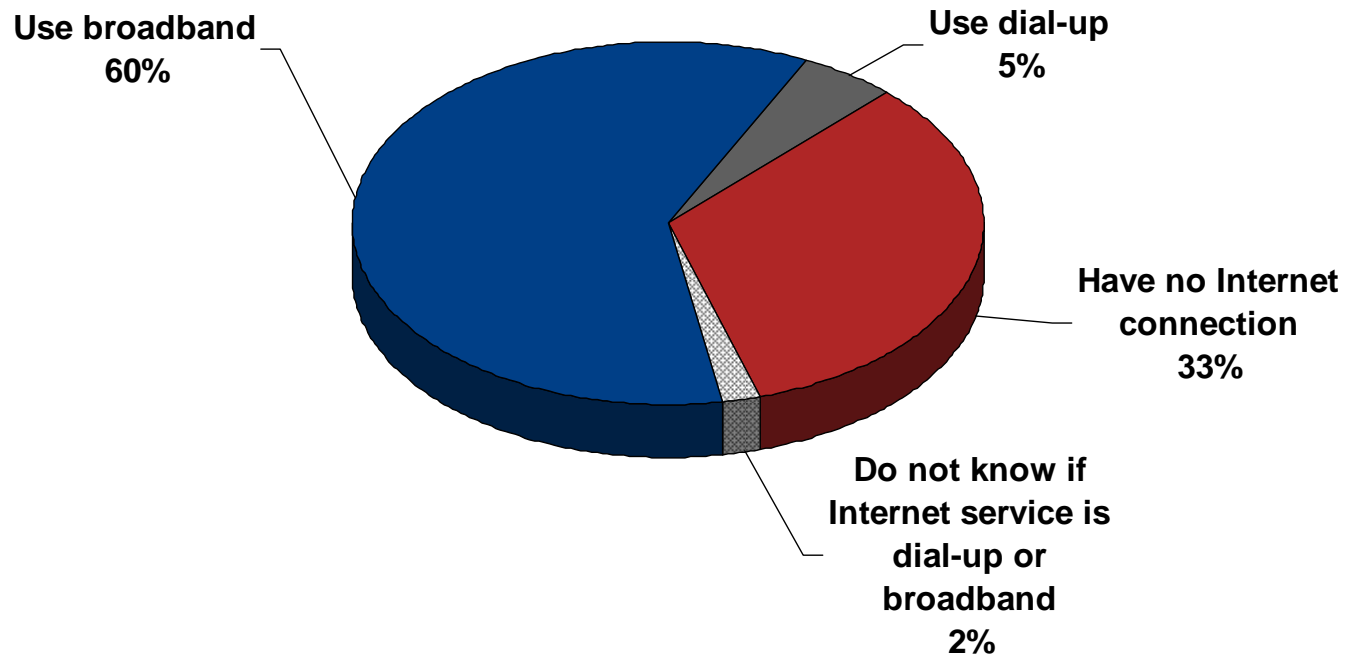


# Broadband Adoption Among Tennessee Businesses



# Broadband Adoption Among Tennessee Businesses

Percent of all Tennessee businesses:



**Sixty percent of all Tennessee businesses report having a broadband connection.**

Q: Which of the following describes the type of Internet access your company has?

(n=808 TN businesses)

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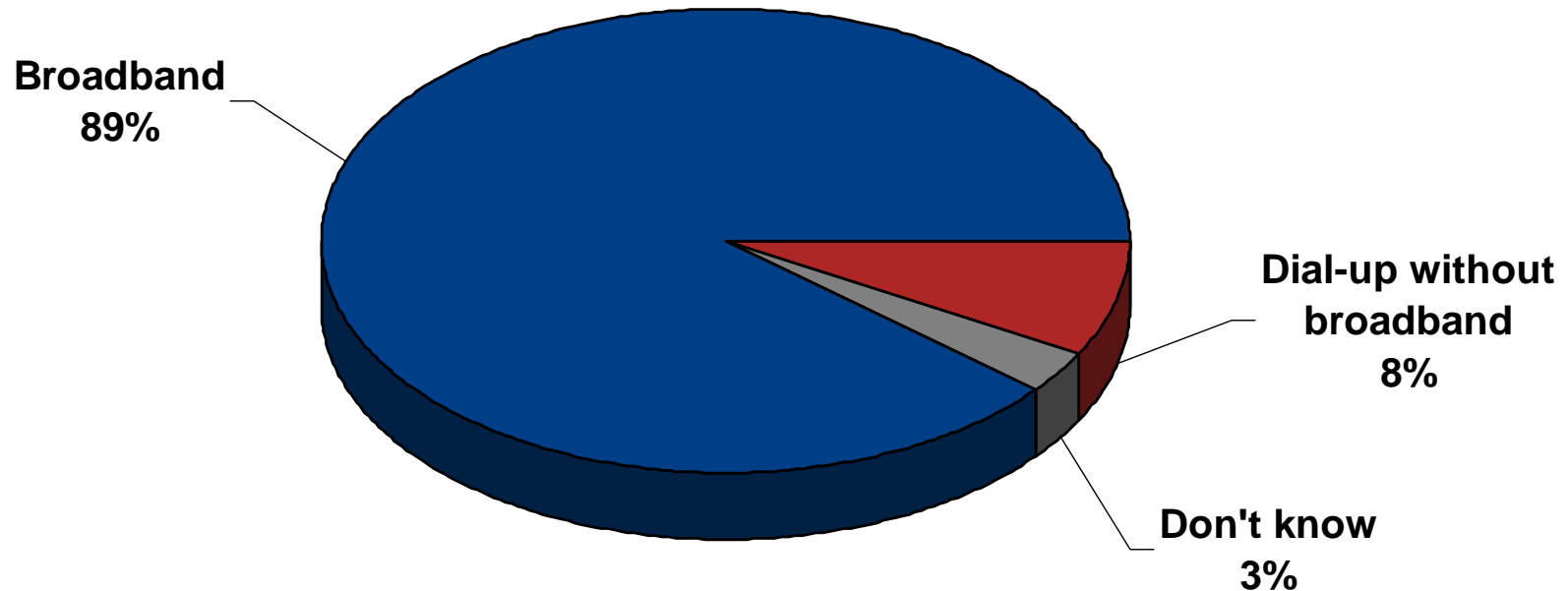
Source: July 2008 Connected Tennessee Survey of Businesses

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# Broadband Adoption Among All Internet-Connected Tennessee Businesses

Percent of Internet-connected businesses that access the Internet via:



**Eighty-nine percent of all businesses that use the Internet do so via broadband.**

*Q: Which of the following describes the type of Internet access your company has?*

*(n=617 TN businesses that use the Internet)*

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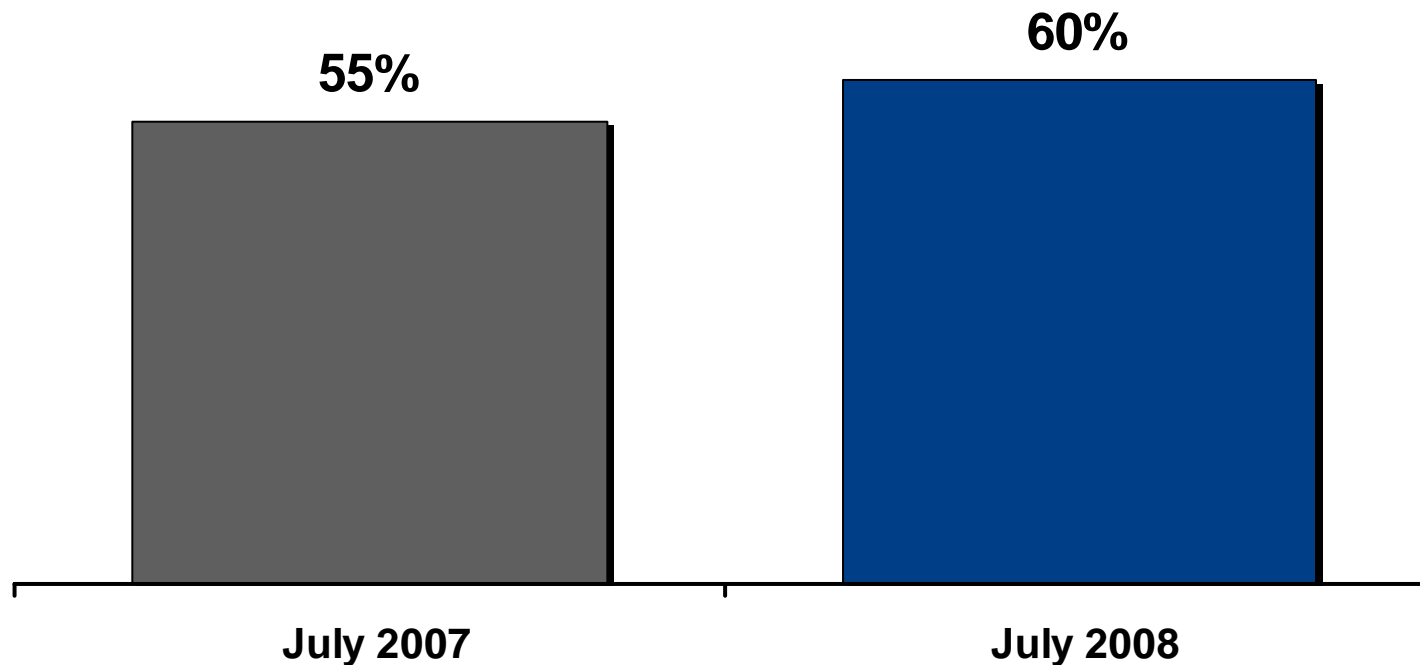


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# Trends in Broadband Adoption

Between July 2007 and July 2008, broadband adoption grew from 55% to 60% among Tennessee businesses. This equals a 9% rate of growth.

**Percent of all Tennessee businesses with broadband service:**



Q: Which of the following describes the type of Internet access your company has?  
(n=808 TN businesses)

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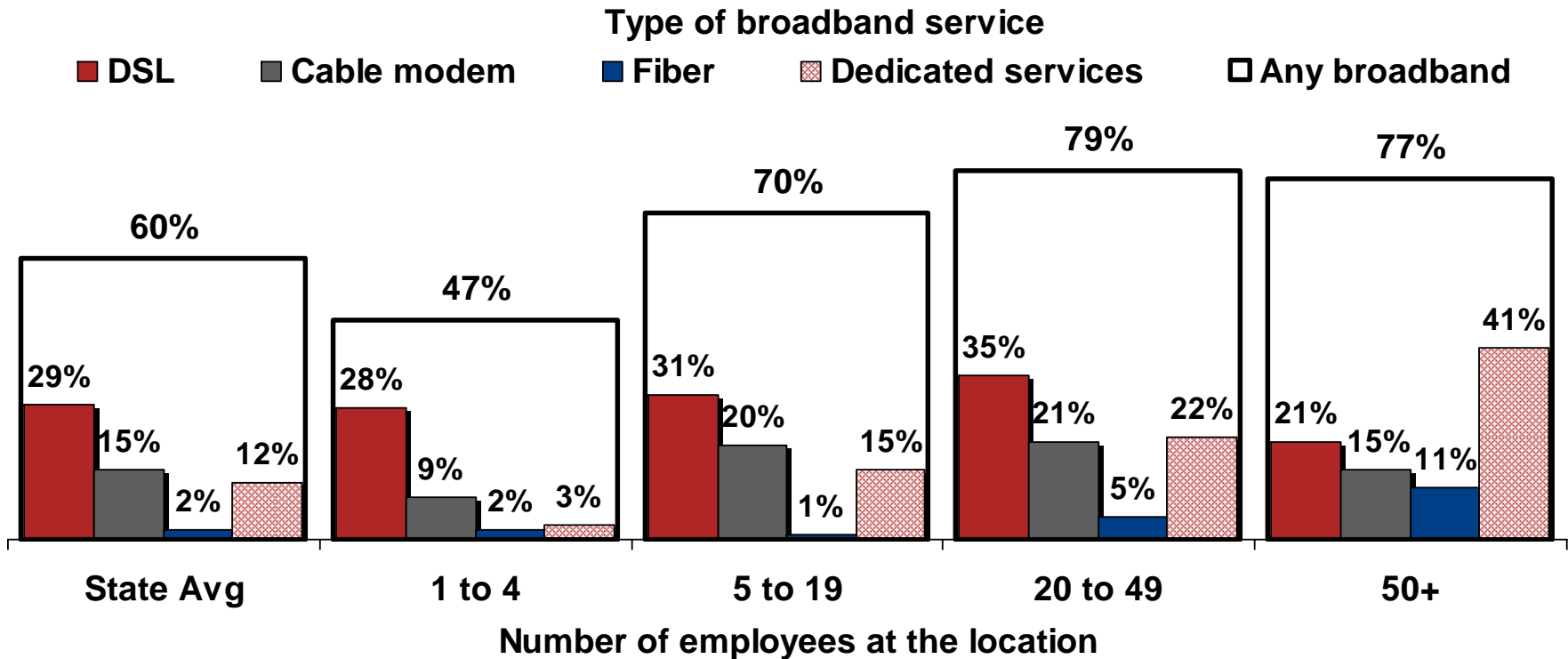
Source: July 2008 Connected Tennessee Survey of Businesses

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# Broadband Adoption by Company Size

Businesses with fewer than 50 employees primarily subscribe to DSL broadband, while dedicated service broadband connections are preferred among the largest of Tennessee businesses.



Q: Which of the following describes the type of Internet access your company has?  
(n=808 TN businesses)

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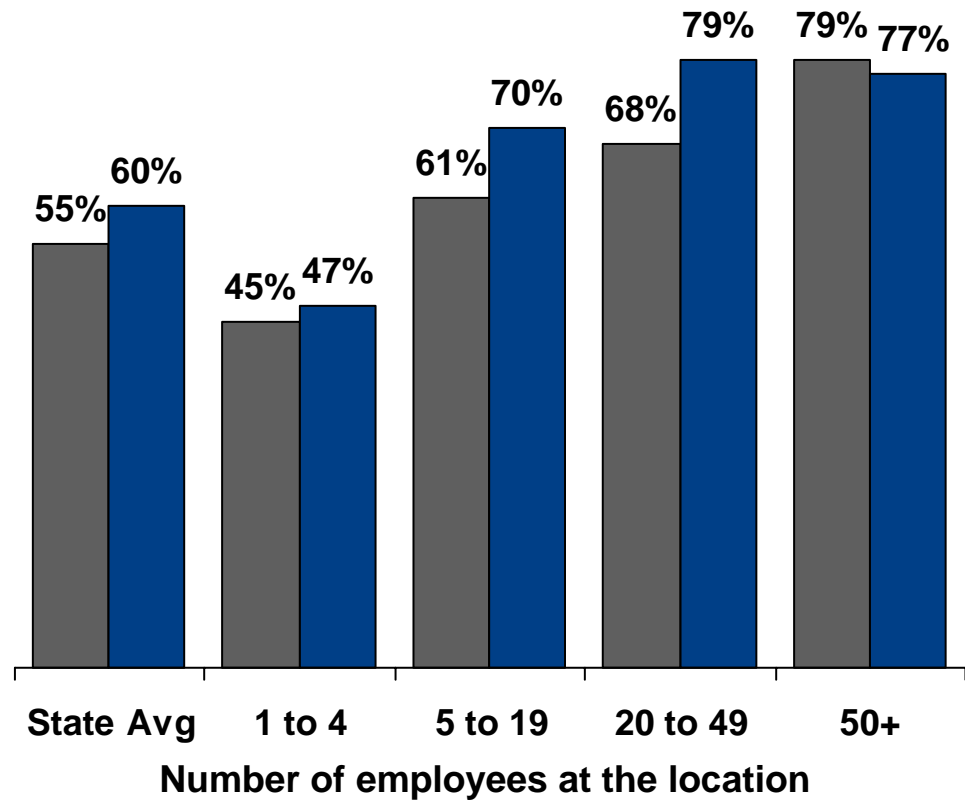


# Broadband Adoption Trends by Company Size

■ July 2007      ■ July 2008

Tennessee businesses with fewer than 50 employees showed growth in broadband adoption between July 2007 and July 2008.

Businesses with 20 to 49 employees saw the largest jump in broadband adoption, going from 68% to 79% (an increase of 16%).



Q: Which of the following describes the type of Internet access your company has?  
(n=808 TN businesses)

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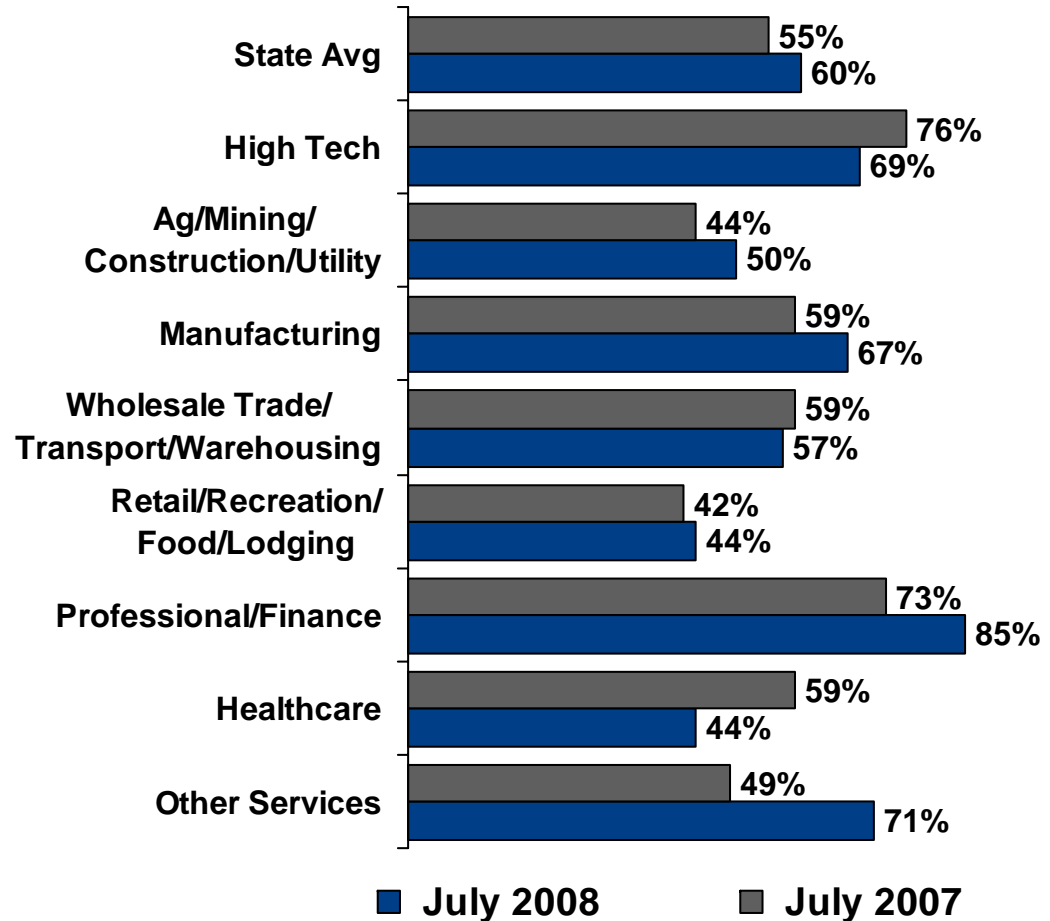
Source: July 2008 Connected Tennessee Survey of Businesses  
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# Broadband Adoption Trends by Industry Sector

The Other Services and Professional/Finance industry sectors saw the most impressive growth in broadband adoption in the last year, increasing by 45% and 16% respectively.

Despite these notable increases, businesses from the High Tech and Healthcare sectors saw considerable decline in the level of broadband adoption during this same time period.



Q: Which of the following describes the type of Internet access your company has?

(n=808 TN businesses)

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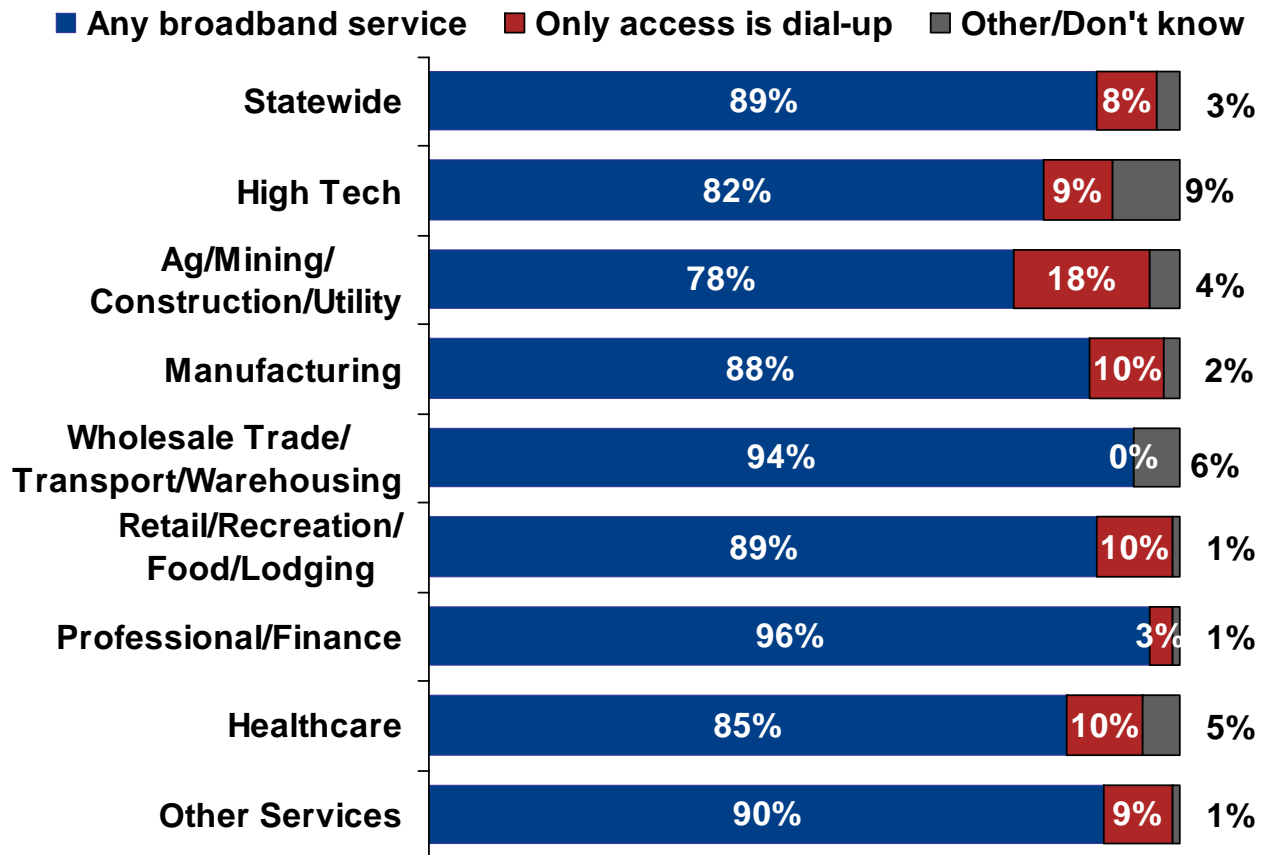
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# Broadband Adoption by Industry Sector

Among Internet-connected businesses, broadband adoption is highest among the Wholesale Trade/Transport/ Warehousing sector and the Professional/Finance sector.

The Ag/Mining/Construction/Utility sector continues to have the lowest broadband adoption rate.



Among Tennessee businesses with Internet service

Q: Which of the following describes the type of Internet access your company has?

(n=617 TN businesses that use the Internet)

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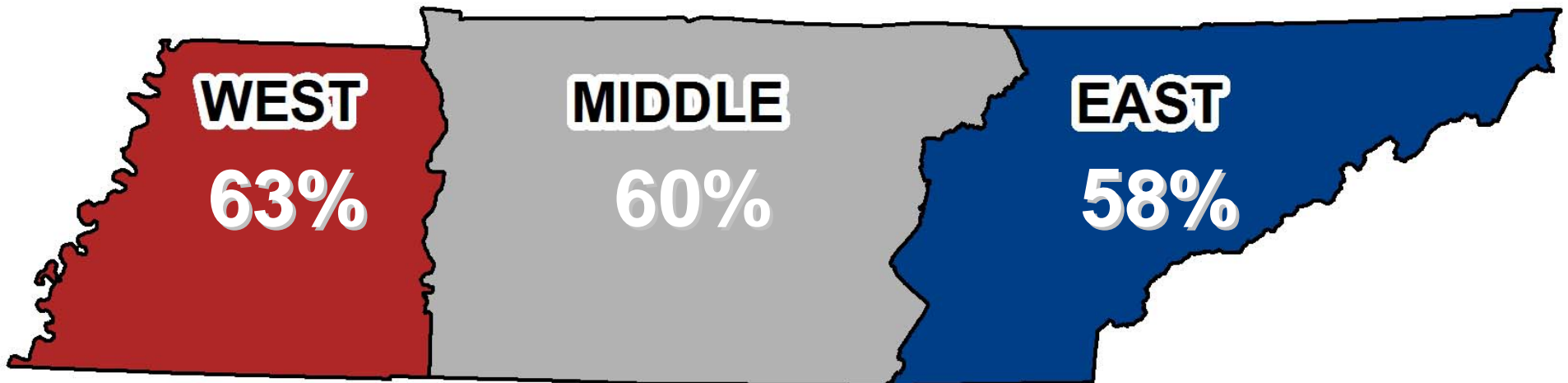
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# Broadband Adoption by Tennessee Grand Division

Percent of businesses that use broadband:



**Statewide Average: 60% of Tennessee businesses have a broadband connection**

*Q: Which of the following describes the type of Internet access your company has?*

*(n=808 TN businesses)*

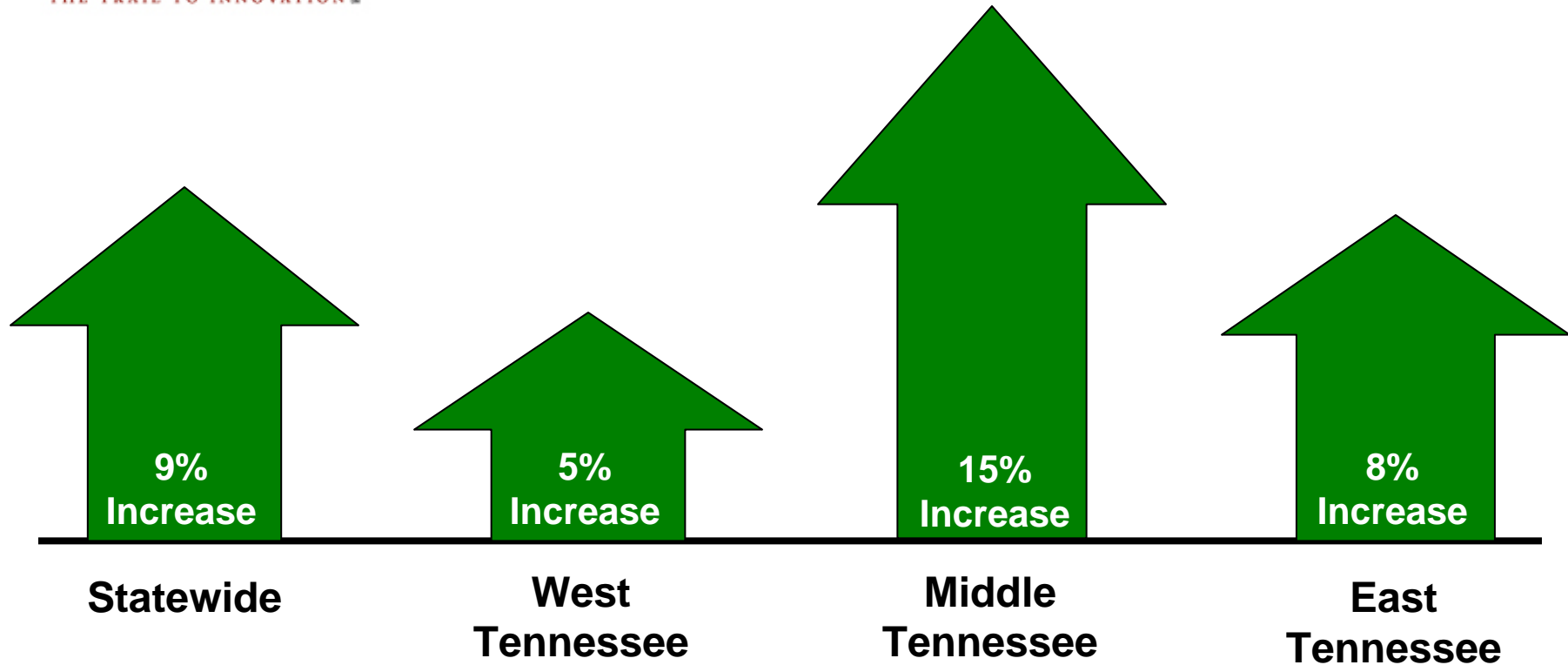
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# Trends in Broadband Adoption by Tennessee Grand Division

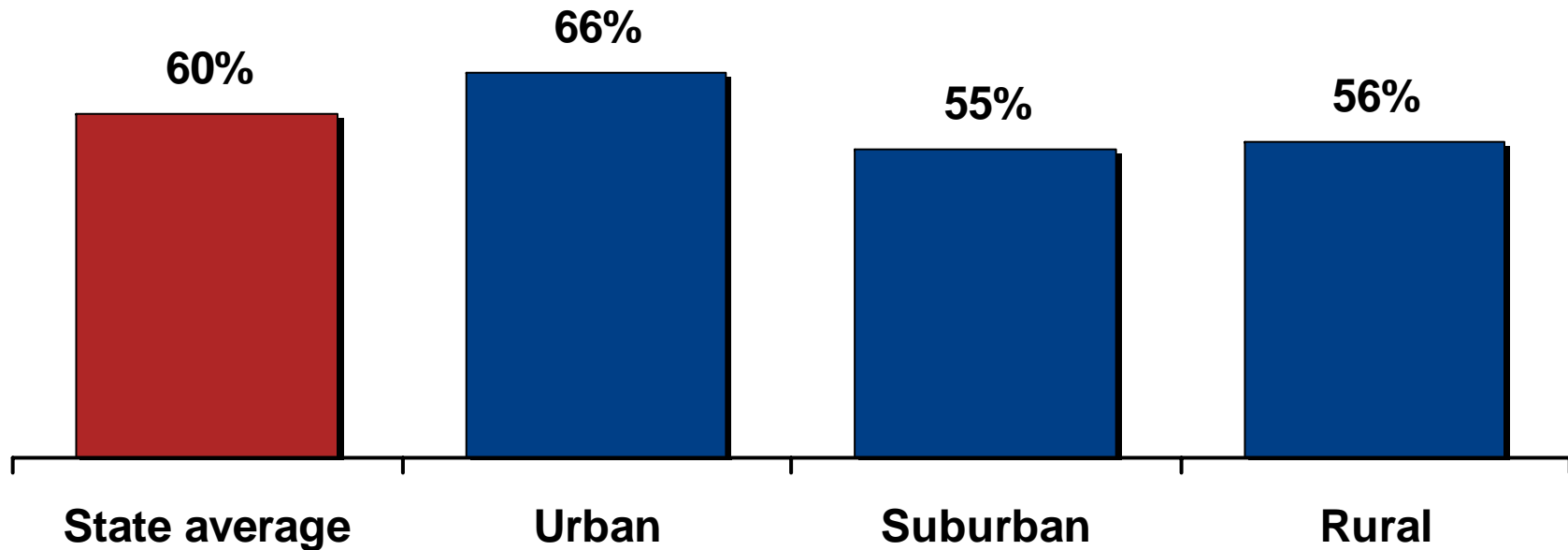


Percent change in broadband adoption from July 2007 to July 2008



# Broadband Adoption by Urban-Rural Classification

Percent of Tennessee businesses with broadband service:



Q: Which of the following describes the type of Internet access your company has?

(n=808 TN businesses)

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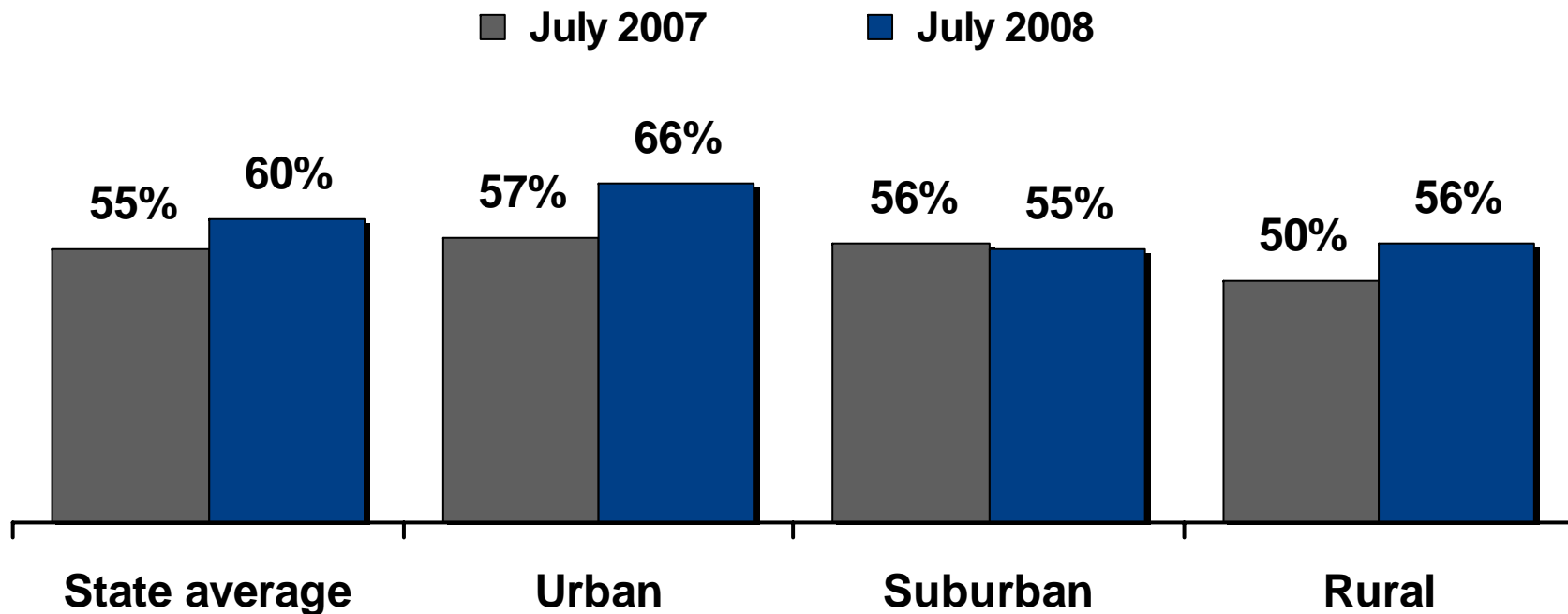
Source: July 2008 Connected Tennessee Survey of Businesses

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# Trends in Broadband Adoption by Urban-Rural Classification

Percent of Tennessee businesses with broadband service:



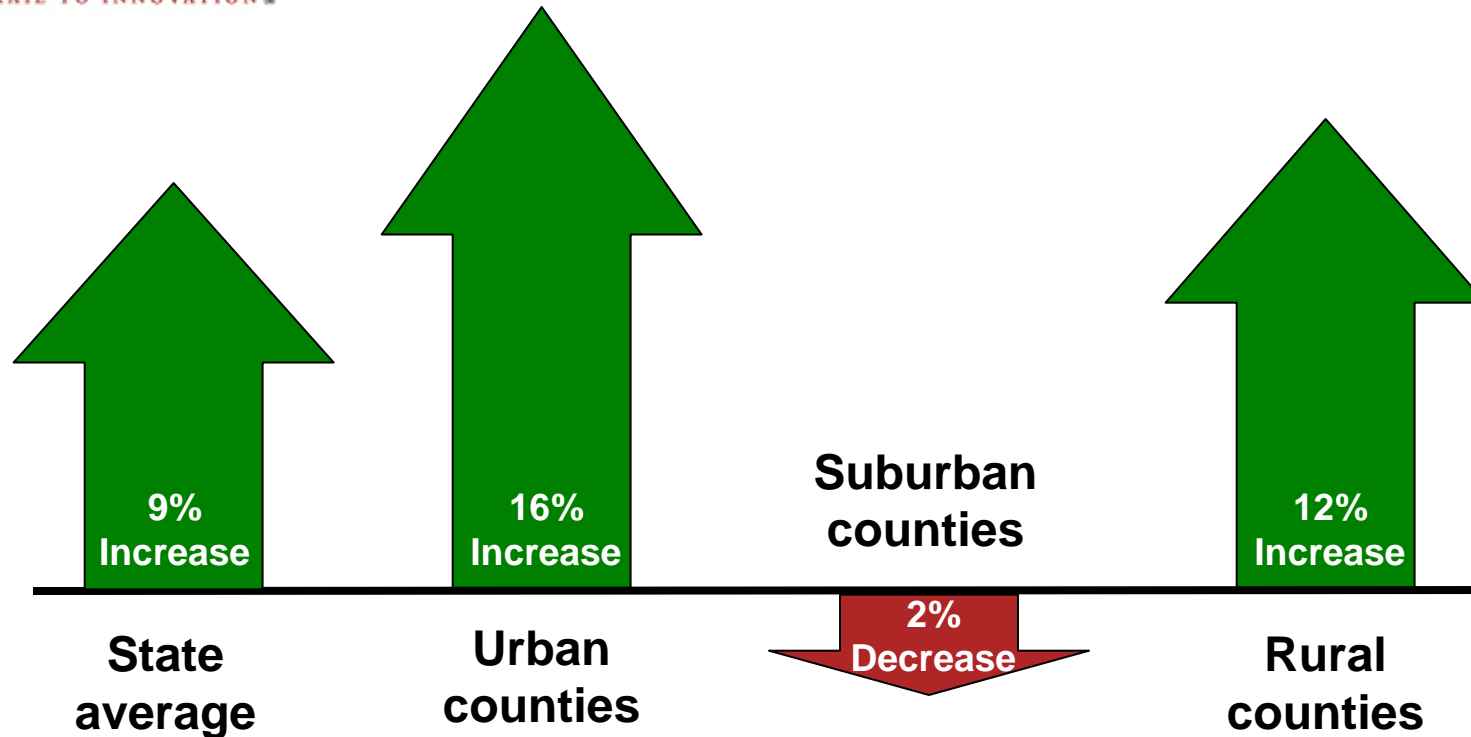
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(n=808 TN businesses)

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# Trends in Broadband Adoption by Urban-Rural Classification



**Percent change in broadband adoption from July 2007 to July 2008**

Q: Which of the following describes the type of Internet access your company has?

(n=808 TN businesses)

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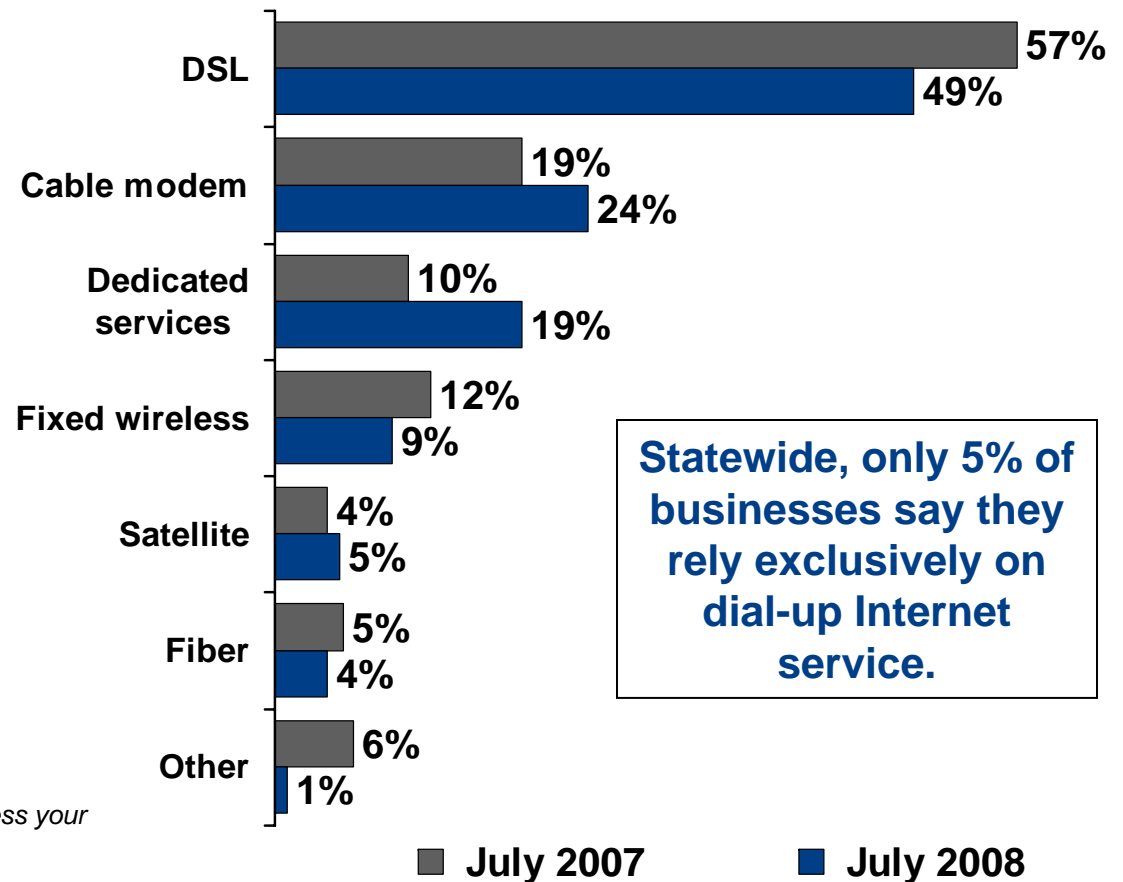
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# Methods of Broadband Access

**DSL lines still serve nearly one-half of the businesses that have broadband service.**

**The percentage of businesses that have broadband service through a cable modem grew 26% between July 2007 and July 2008, while the use of broadband through dedicated services also grew dramatically by 90% in the last year.**

Percent of businesses using broadband\*



**Statewide, only 5% of businesses say they rely exclusively on dial-up Internet service.**

Q: Which of the following describes the type of Internet access your company has?

(n=561 TN businesses using a broadband connection)

\*Percentages do not add up to 100% because businesses could give multiple responses.

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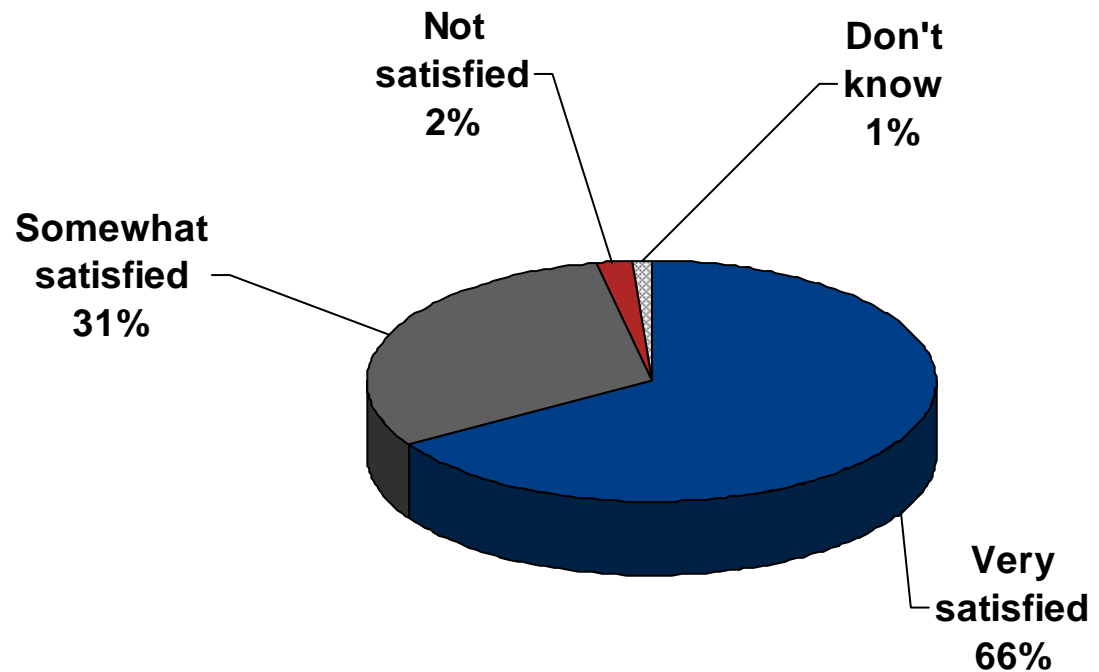
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# Satisfaction with Broadband Service

Two out of three Tennessee businesses with broadband are “Very satisfied” with their current broadband service.

Another 31% of businesses are “Somewhat satisfied,” meaning that 97% of broadband-connected Tennessee businesses have some level of satisfaction from their current broadband service.

Only 2% of Tennessee businesses that have broadband report being dissatisfied with their current broadband service.



Percent of Tennessee businesses with broadband service

Q: How satisfied are you with your broadband service?  
(n=561 TN businesses using a broadband connection)

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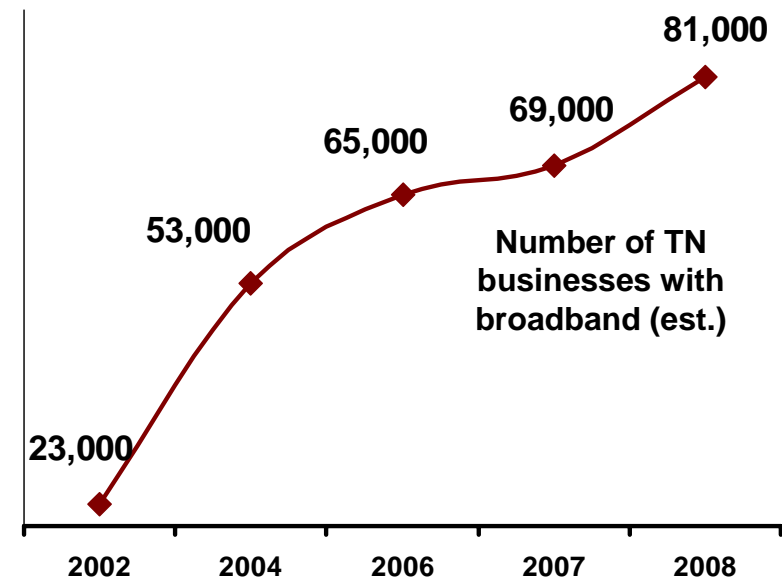
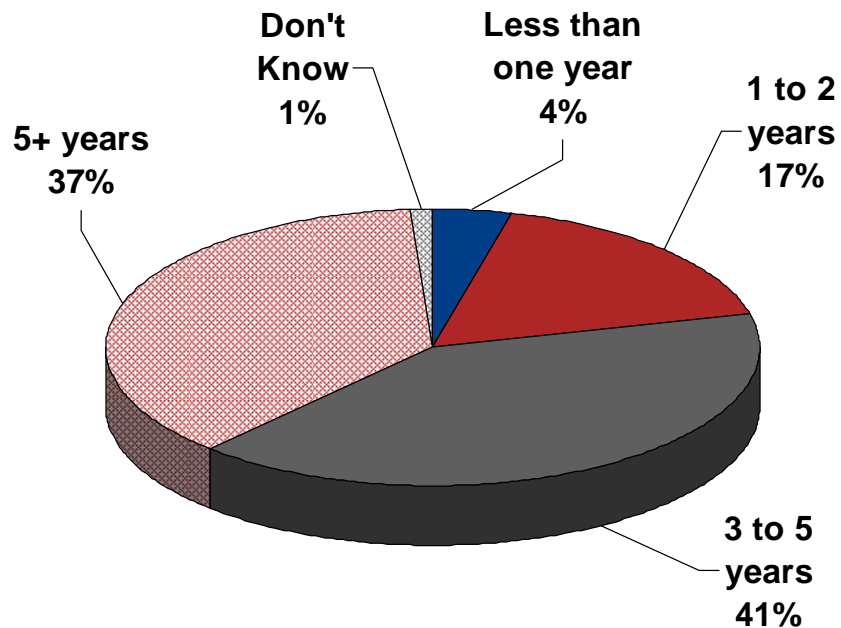


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# Years of Broadband Use

The majority of companies using broadband service today began at least 3 years ago, with the average tenure being 5.2 years.

## Tennessee businesses with broadband:



Q: How many years has your organization been using broadband service?  
(n=561 TN businesses with a broadband connection)

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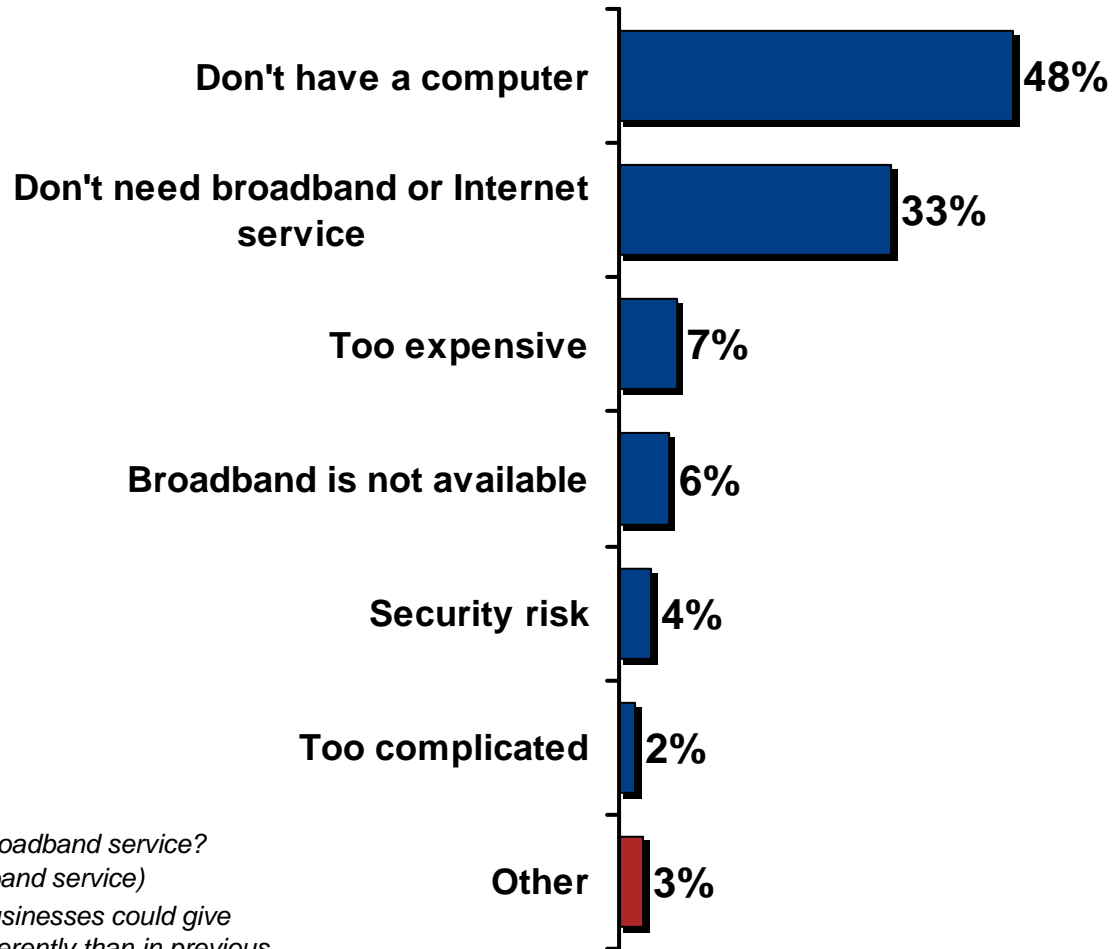


# Barriers to Broadband Adoption

Among Tennessee businesses with no broadband service:\*

Nearly one-half of businesses that do not subscribe to broadband or the Internet do not use a computer for their business functions.

One in three Tennessee businesses with no Internet or broadband service cite a perceived lack of demand as a barrier to adoption.



Q: Why doesn't your organization subscribe to broadband service?  
(n=137 TN businesses with no Internet or broadband service)

\*Percentages do not add up to 100% because businesses could give multiple responses. Barriers were calculated differently than in previous surveys.

Source: July 2008 Connected Tennessee Survey of Businesses  
www.connectedtennessee.org

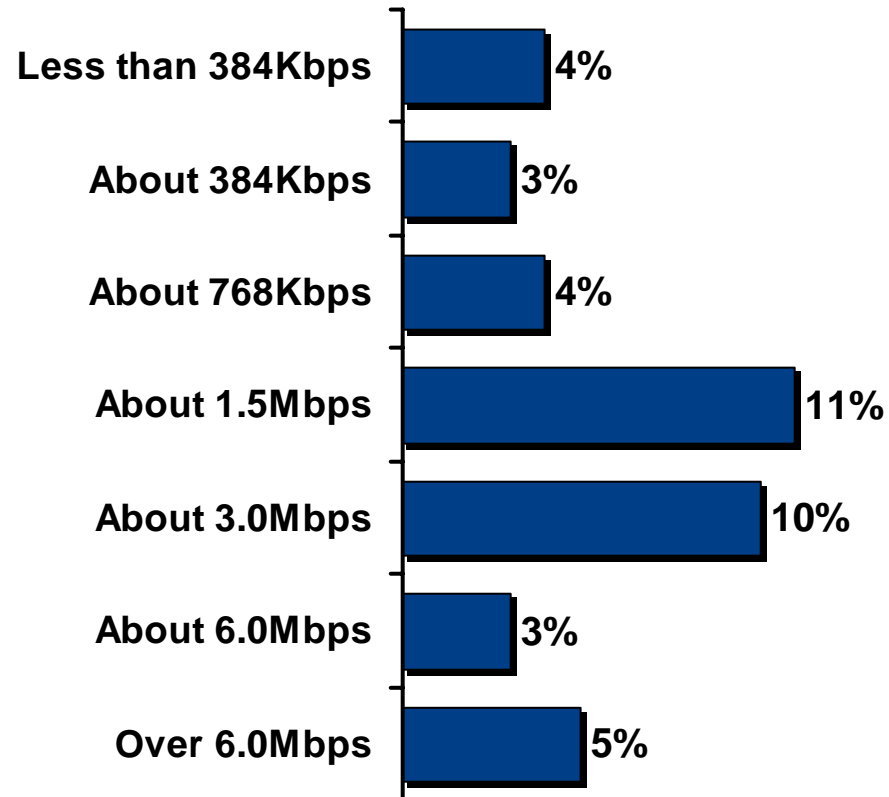


# Current Download Speeds

**Broadband-connected Tennessee businesses report an average download speed of 3.3 Mbps.**

**Statewide, only 40% of broadband-connected Tennessee businesses are aware of their download speed.**

**Current estimated download speeds**  
(among broadband-connected Tennessee businesses that know their current bandwidth):



Q: To the best of your knowledge, what is the approximate bandwidth provided by your Internet service provider?

(n=561 TN businesses with a broadband connection)

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Source: July 2008 Connected Tennessee Survey of Businesses

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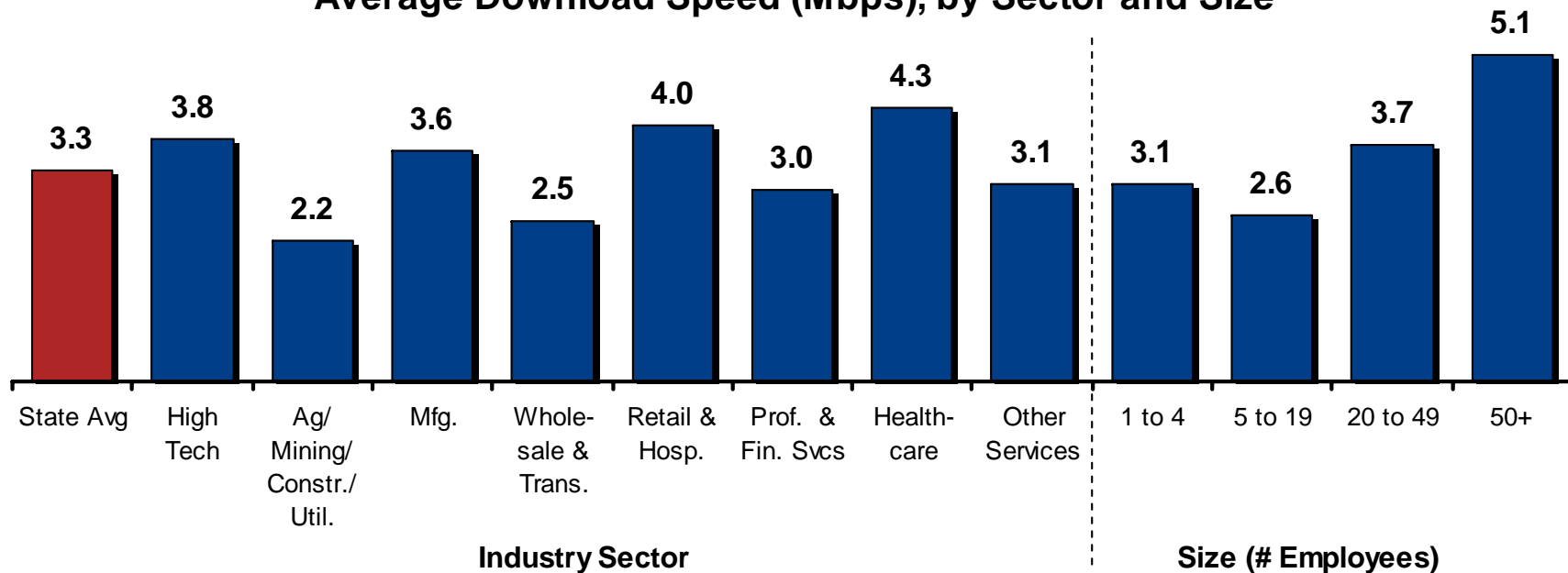


# Average Broadband Download Speeds by Size and Industry Sector

Businesses in the Healthcare industry report the fastest average download speed among broadband-connected Tennessee businesses.

Larger businesses have higher average download speeds than smaller ones.

Average Download Speed (Mbps), by Sector and Size



Q: To the best of your knowledge, what is the approximate bandwidth provided by your Internet service provider?

(n=561 TN businesses with a broadband connection)

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Source: July 2008 Connected Tennessee Survey of Businesses

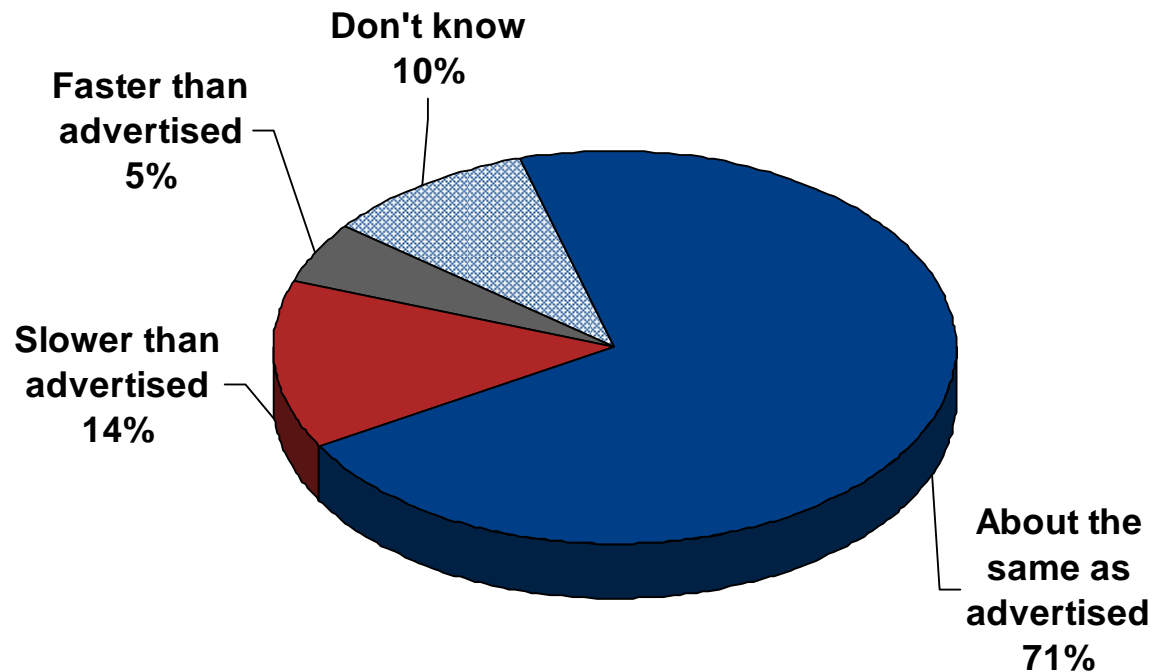
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# Actual Broadband Speeds Compared to Advertised Speeds

How actual broadband speeds compare to advertised speeds (among broadband-connected Tennessee businesses):

**More than seven out of ten broadband-connected businesses say their actual broadband speeds are about as fast as advertised.**



Q: To what extent would you say the actual speeds your business receives compares to the speeds advertised by the Internet provider you use?

(n=561 TN businesses with a broadband connection)

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Source: July 2008 Connected Tennessee Survey of Businesses

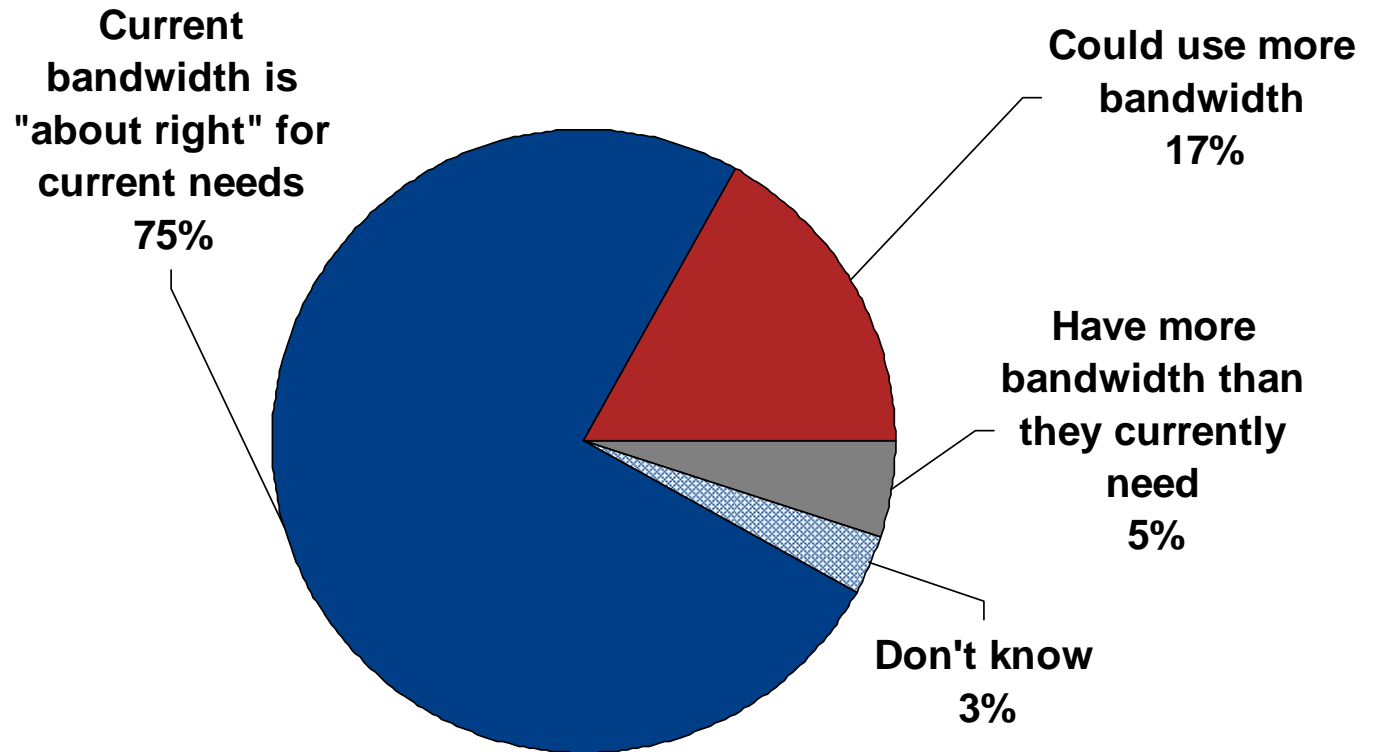
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# Broadband Speeds (Bandwidth) and Current Business Needs

Among all broadband-connected Tennessee businesses:

**Four out of five broadband-connected Tennessee businesses say their current broadband speeds meet or exceed their needs.**

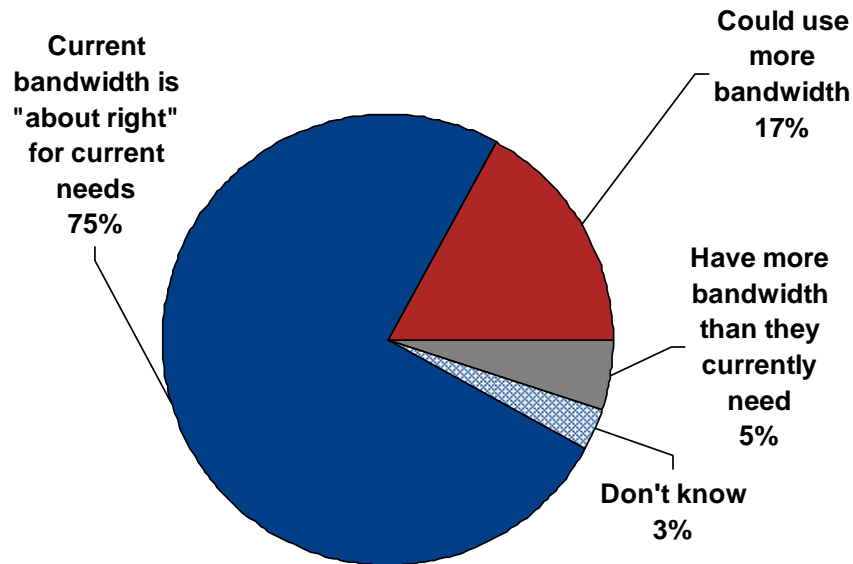


Q: How well does your current bandwidth meet your needs?  
(n=561 TN businesses with a broadband connection)  
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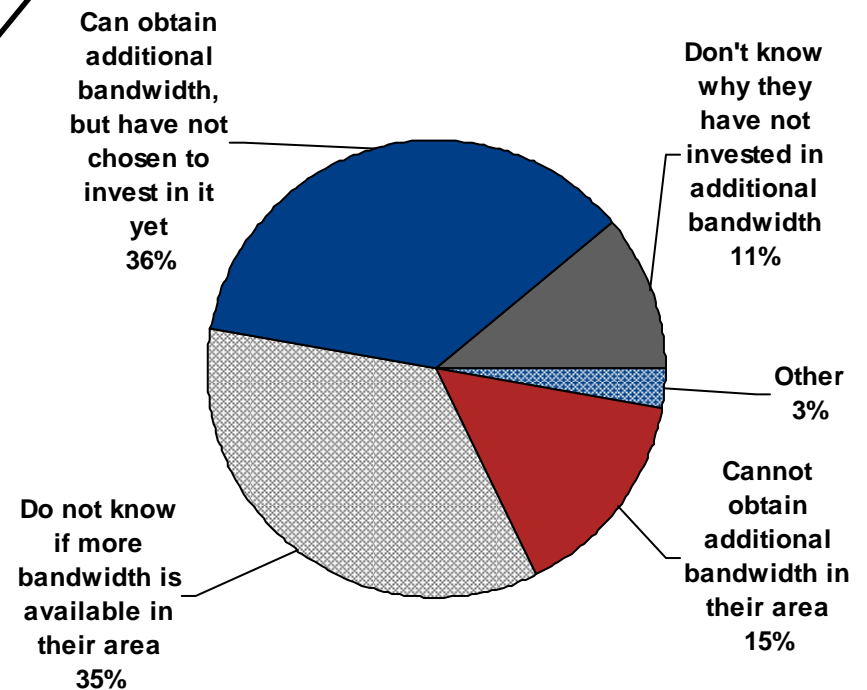
Source: July 2008 Connected Tennessee Survey of Businesses  
www.connectedtennessee.org

# Broadband Speeds (Bandwidth) and Current Business Needs

**Among all broadband-connected Tennessee businesses:**



**Among businesses that say they need more bandwidth:**



Q: How well does your current bandwidth meet your needs? and Which of the following apply to your company's need for additional bandwidth? (n=561 TN businesses with a broadband connection and 94 TN businesses that say they could use more bandwidth)

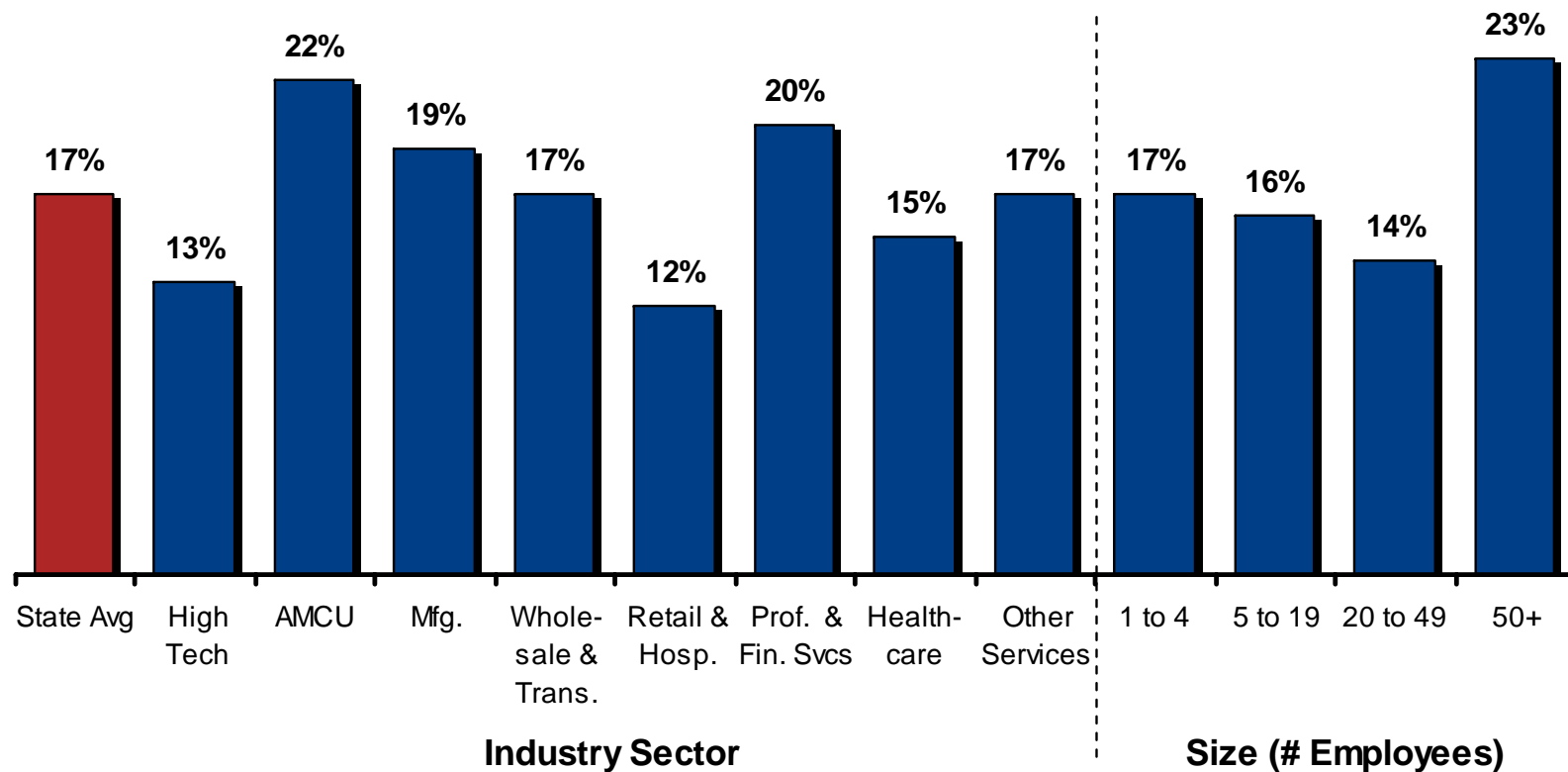
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Source: July 2008 Connected Tennessee Survey of Businesses  
www.connectedtennessee.org



# Businesses That Say They Need More Bandwidth by Size and Industry Sector

Percent of broadband-connected businesses that say they need more bandwidth:



Q: Which of the following apply to your company's need for additional bandwidth?

(n=561 TN businesses with a broadband connection)

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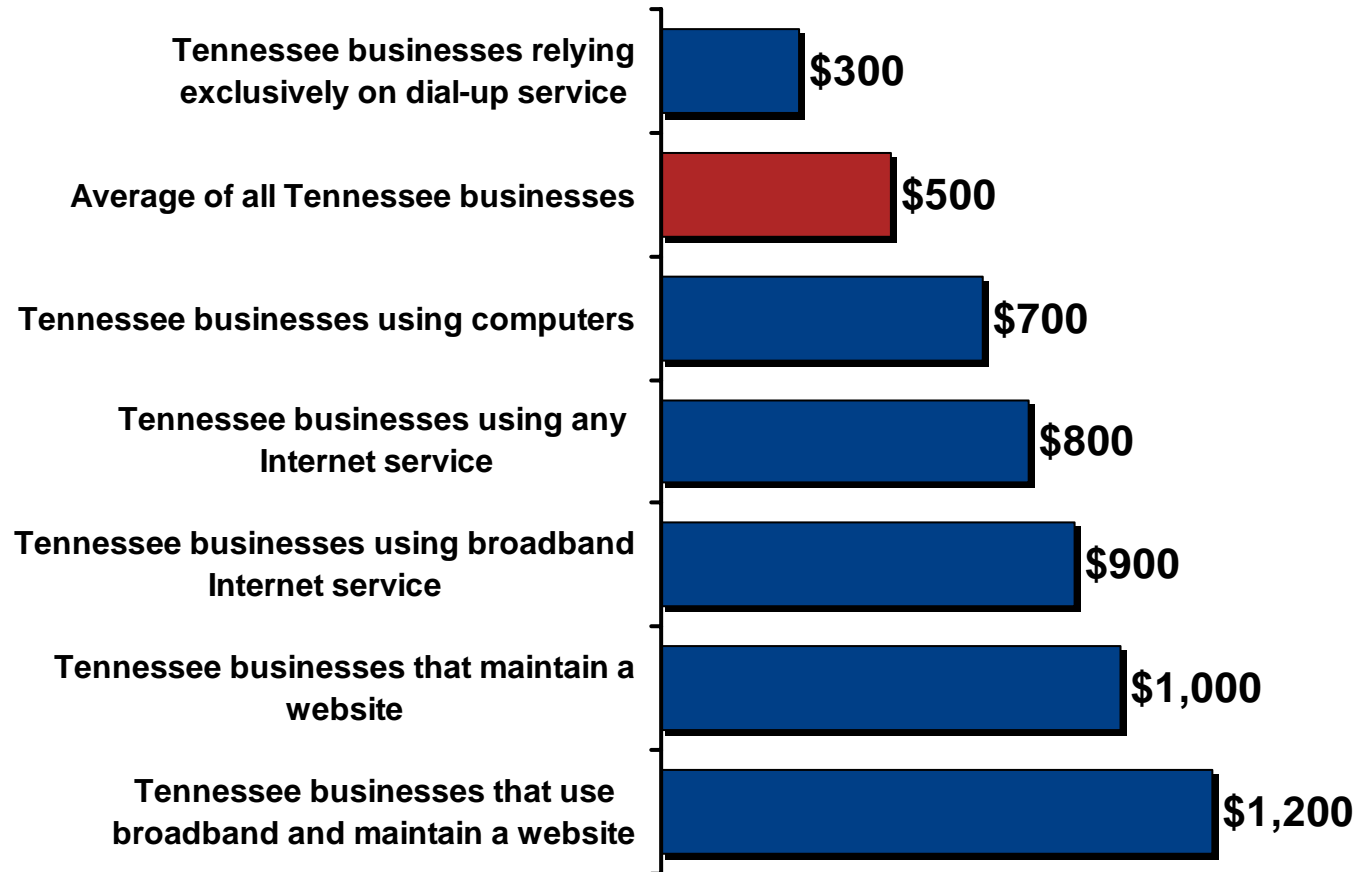


# Technology Adoption and Annual Revenues



# Technology Adoption and Business Revenues

Median Annual Revenues (\$000)



Technology adoption continues to have a positive correlation with median annual revenues across Tennessee.

Tennessee businesses with broadband report median annual revenues that are three times more than those of businesses that rely exclusively on dial-up Internet service.

Q: What is your firm's approximate average annual revenue?  
(n=808 Tennessee businesses)

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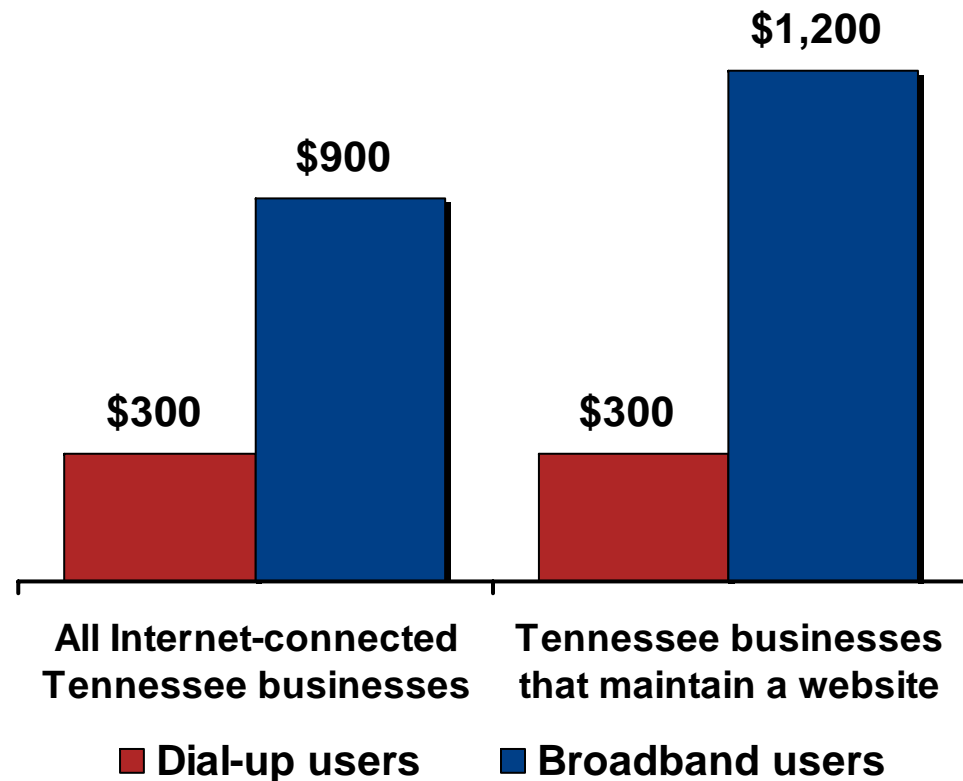


# Technology Adoption and Annual Revenues (Dial-Up Versus Broadband)

**Businesses with broadband Internet connections have median annual revenues that are three times more than those businesses that rely on dial-up service.**

**Among businesses that have websites, businesses with broadband have median annual incomes four times greater than businesses that rely on dial-up.**

Median Annual Revenues (\$000)



Q: What is your firm's approximate average annual revenue?  
(n=617 Tennessee businesses that use the Internet)

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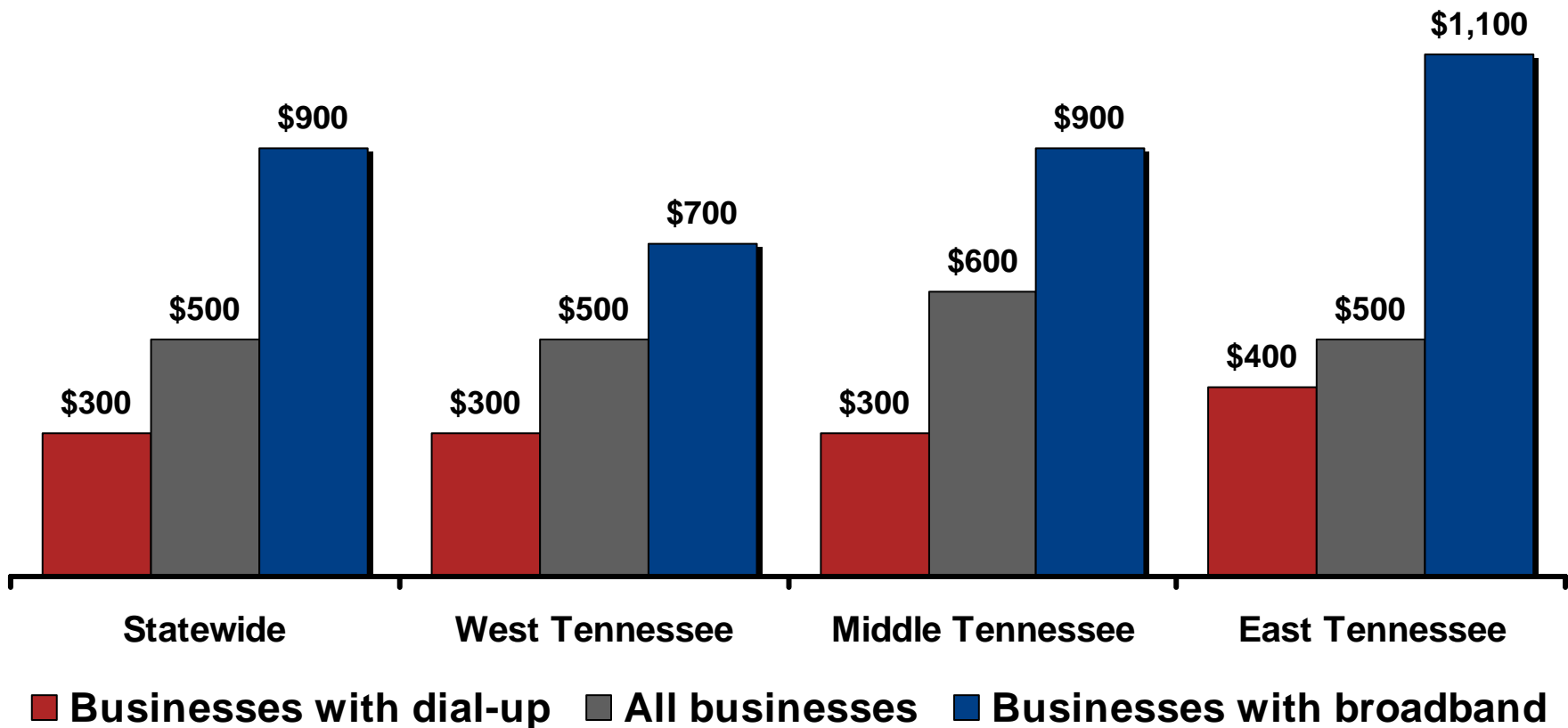
Source: July 2008 Connected Tennessee Survey of Businesses

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# Technology Adoption and Annual Revenues (by Grand Division)

Median Annual Revenues (\$000)



Q: What is your firm's approximate average annual revenue?  
(n=808 Tennessee businesses)

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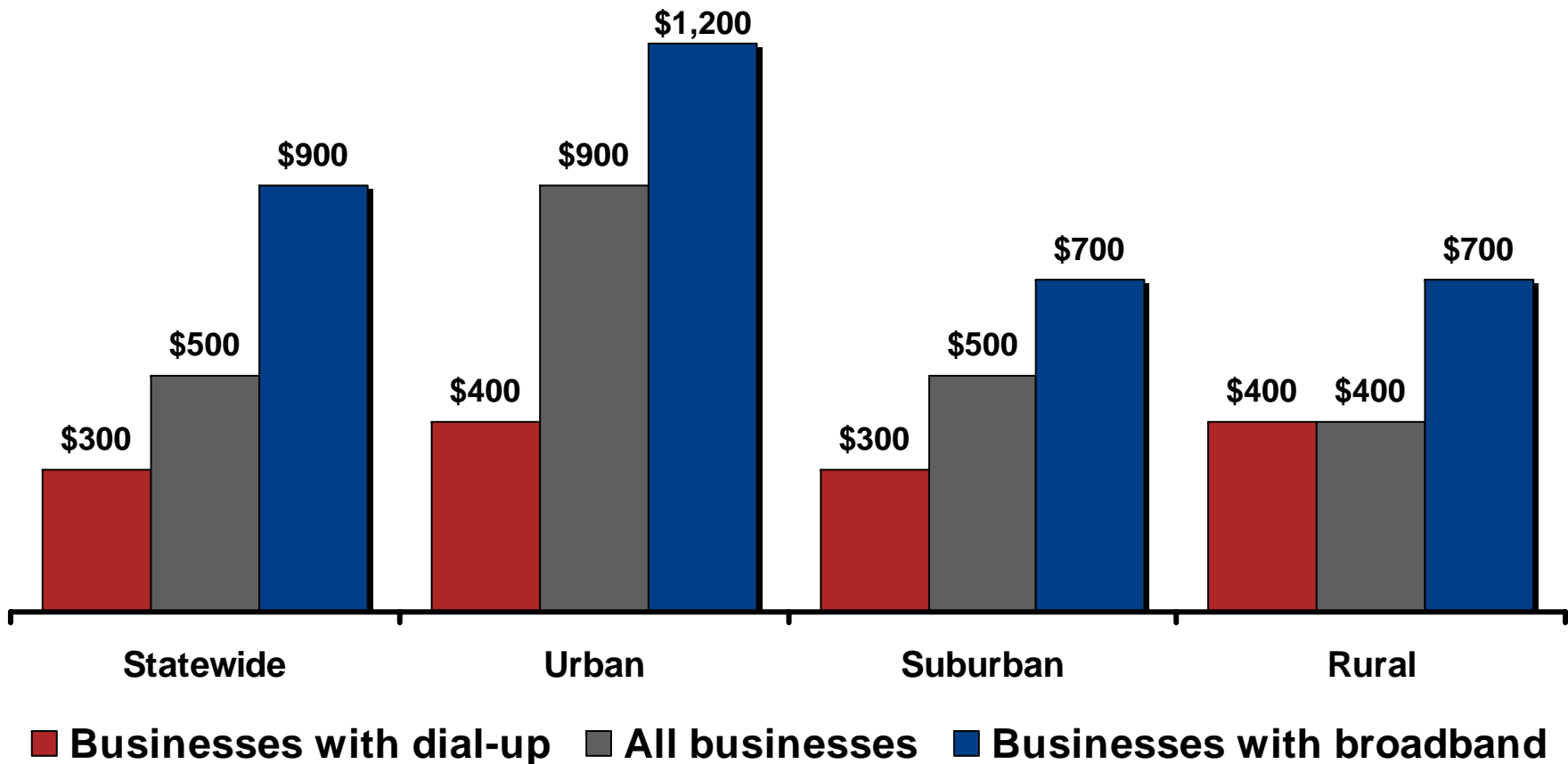
Source: July 2008 Connected Tennessee Survey of Businesses

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# Technology Adoption and Annual Revenues (by Urban-Rural Classification)

Median Annual Revenues (\$000)



Q: What is your firm's approximate average annual revenue?  
(n=808 Tennessee businesses)

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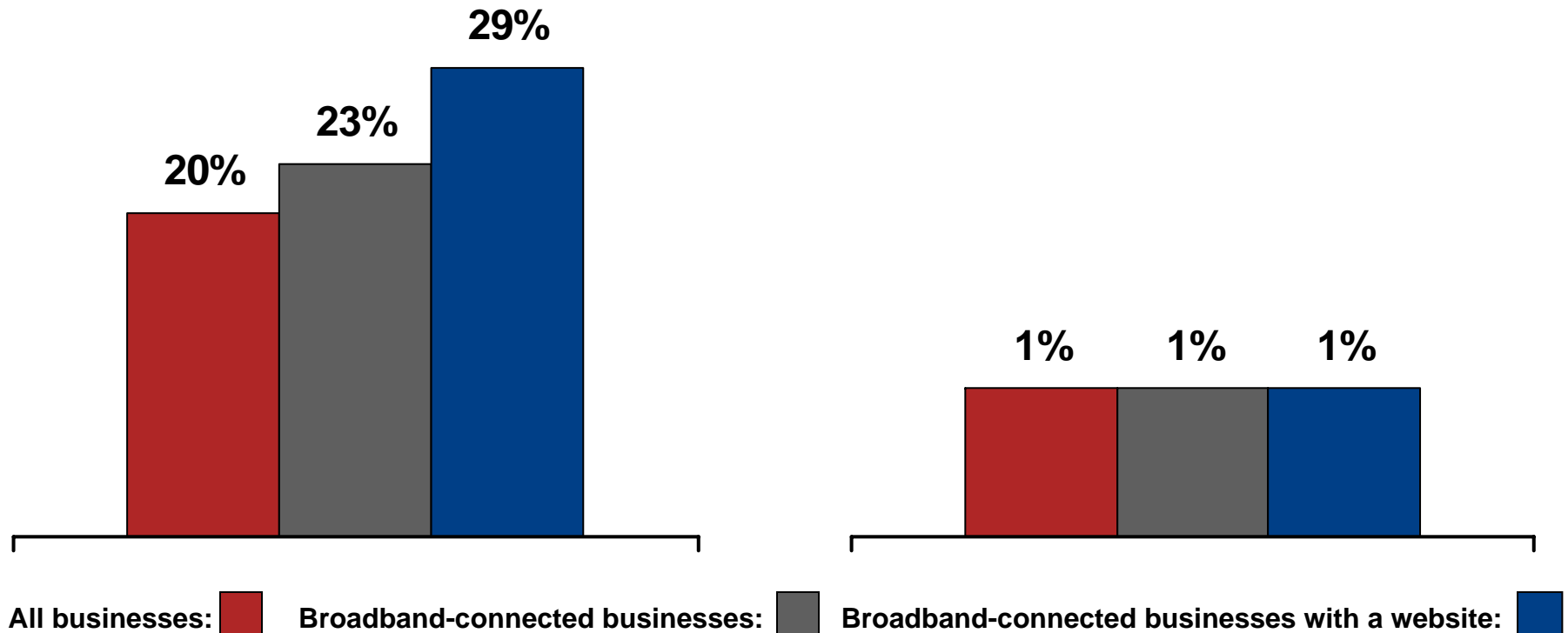
Source: July 2008 Connected Tennessee Survey of Businesses

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# Technology Adoption and Revenue Sources

Average percentage of revenues coming from customers:  
In another state In another country



Q: What percentage of your sales revenues do you estimate to be from customers...  
(n=808 Tennessee businesses)

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Source: July 2008 Connected Tennessee Survey of Businesses

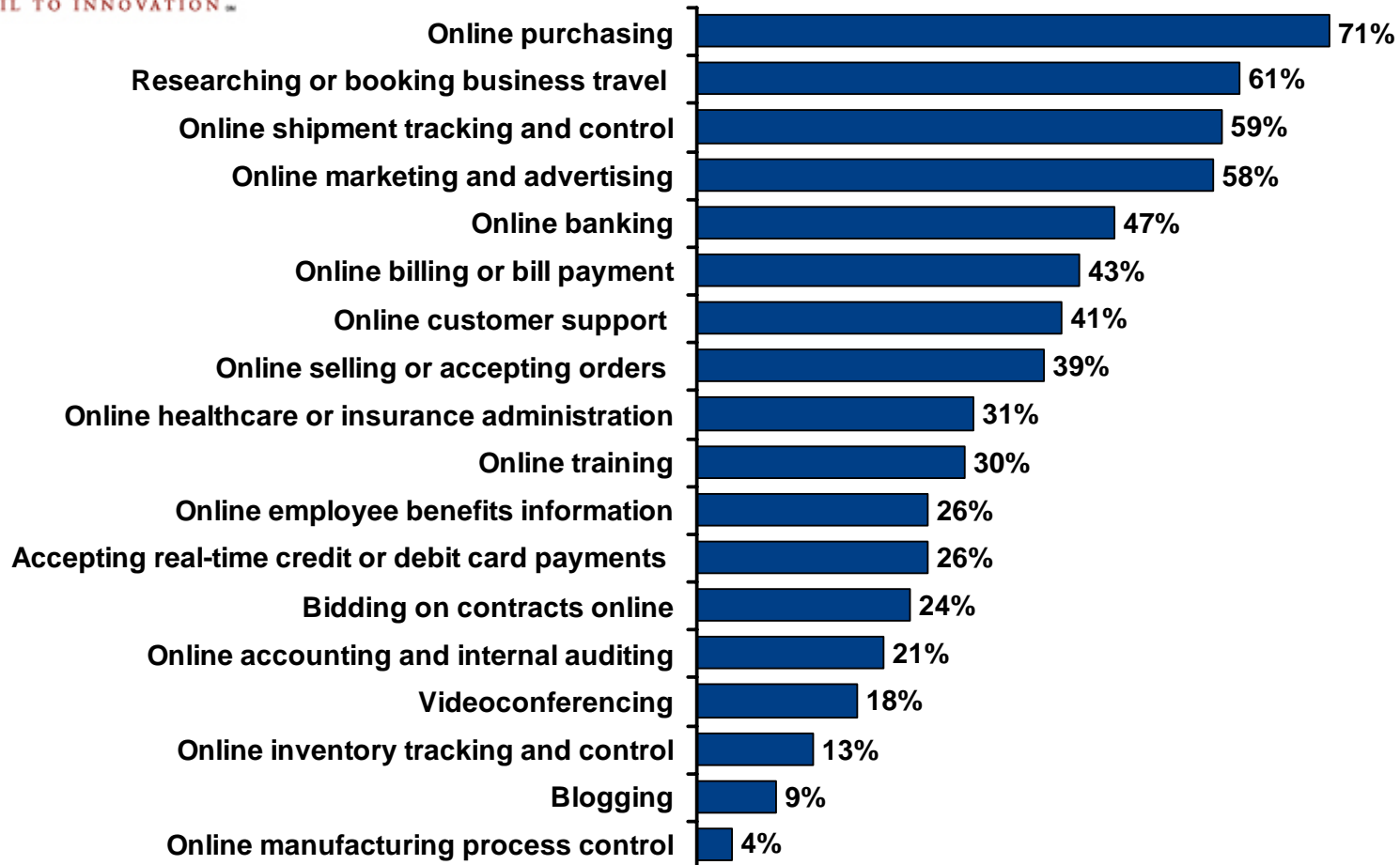
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# Uses for the Internet



# Uses for the Internet (Dial-Up or Broadband)



Q: Which of the following does your business currently use?  
(n=617 TN businesses that use the Internet)

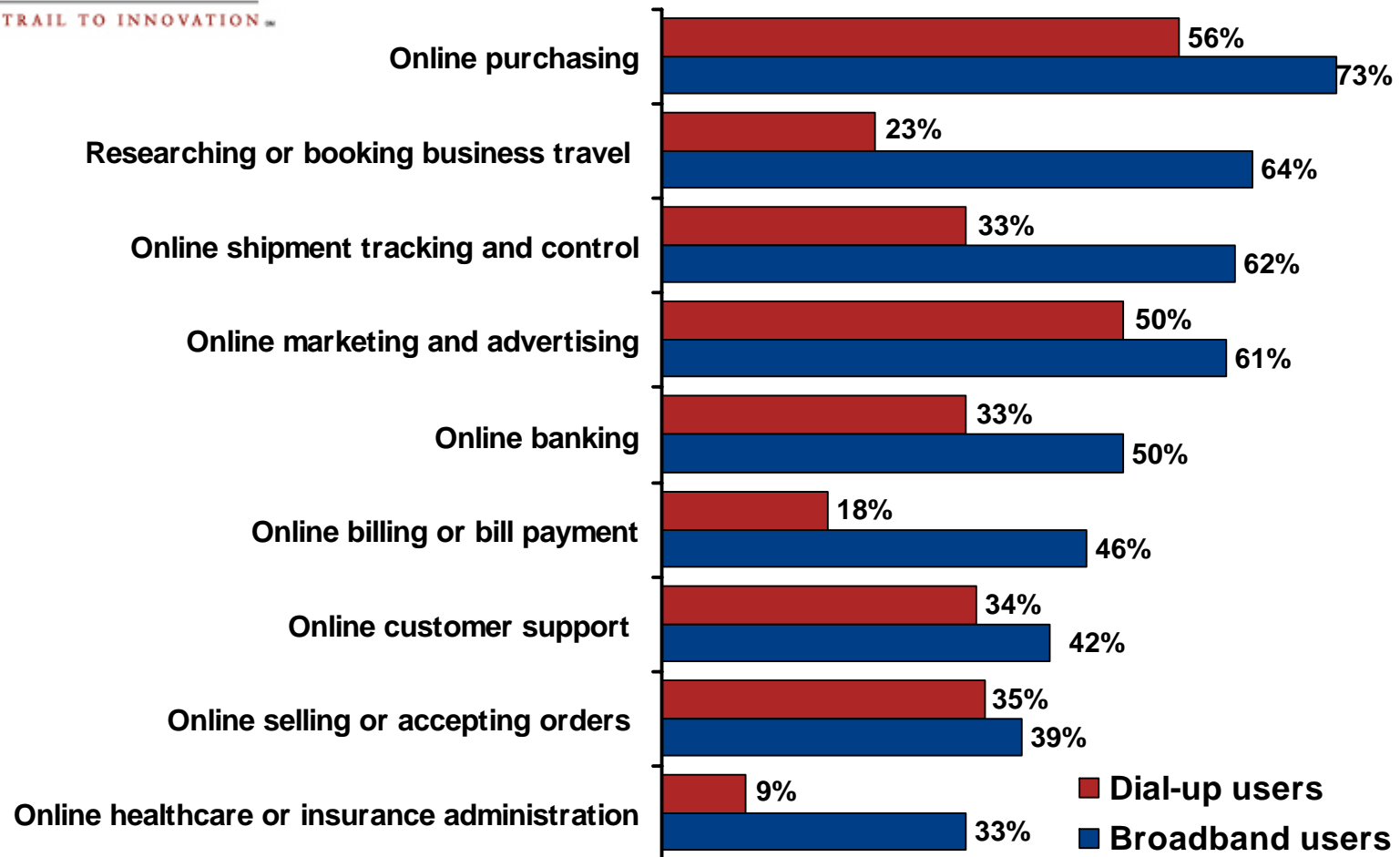
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# Uses for the Internet (Dial-Up Users Compared to Broadband Users)



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)

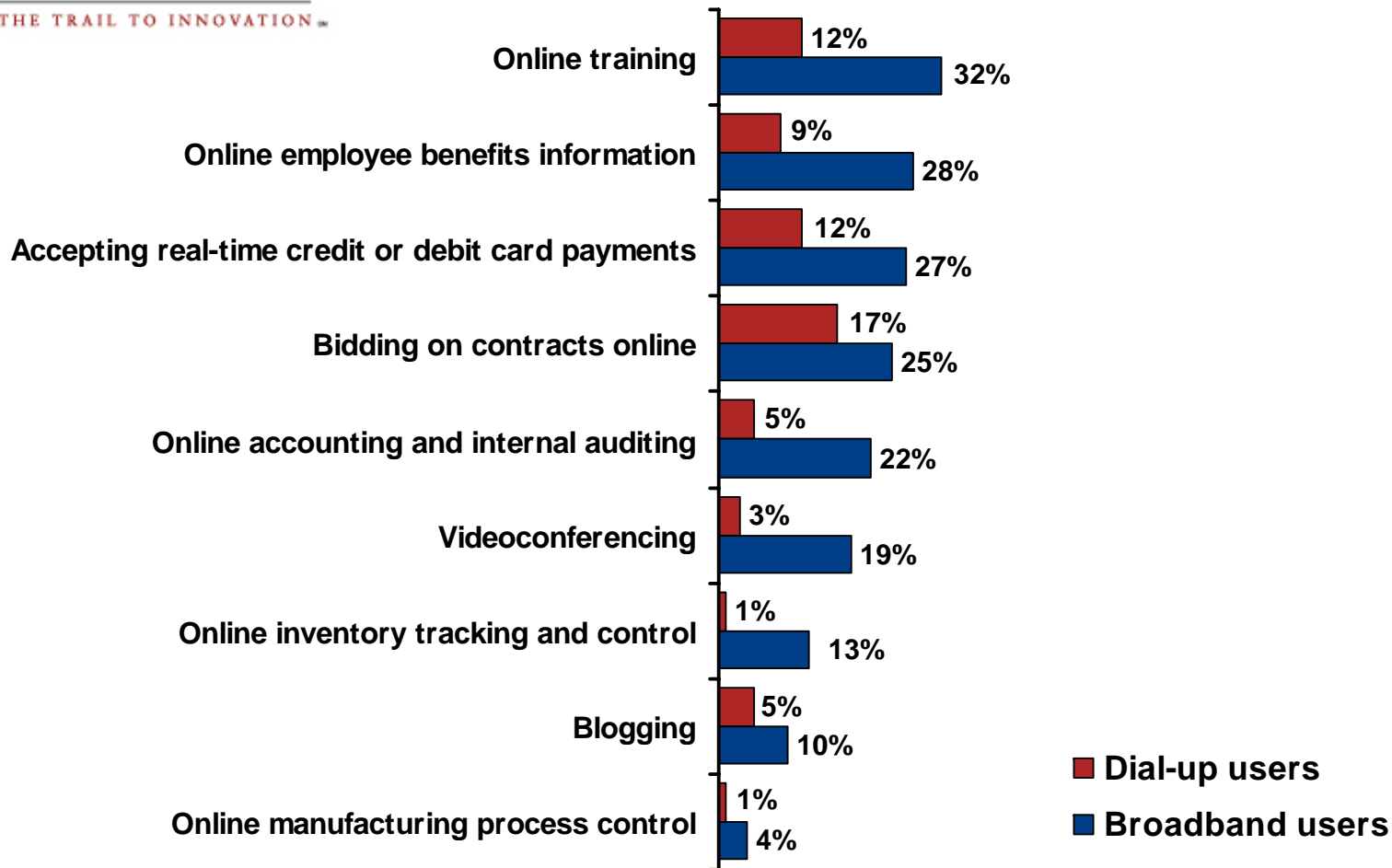
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## Uses for the Internet (Dial-Up Users Compared to Broadband Users, continued)



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)

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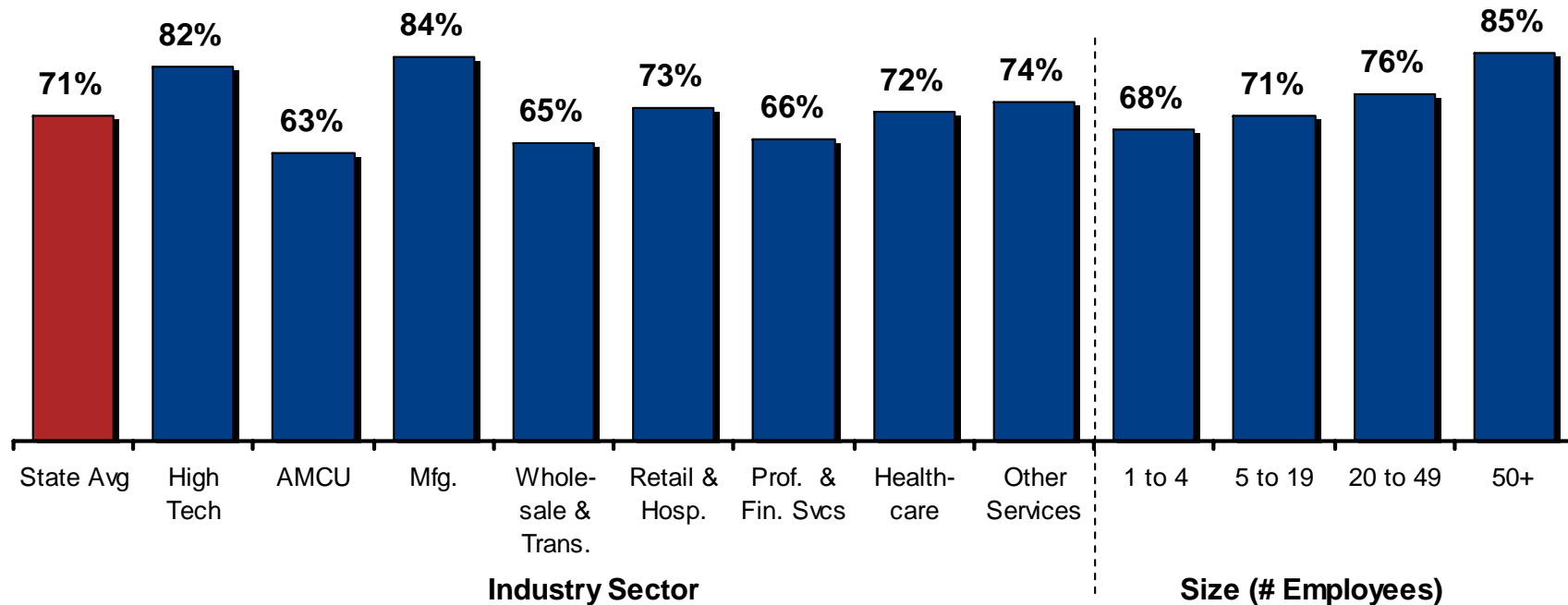
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# Online Purchasing or Ordering

Nearly three out of four Internet-connected businesses make purchases online.

This activity is most likely to be used by businesses in the High Tech and Manufacturing sectors and by the largest establishments.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
(n=617 TN businesses that use the Internet)  
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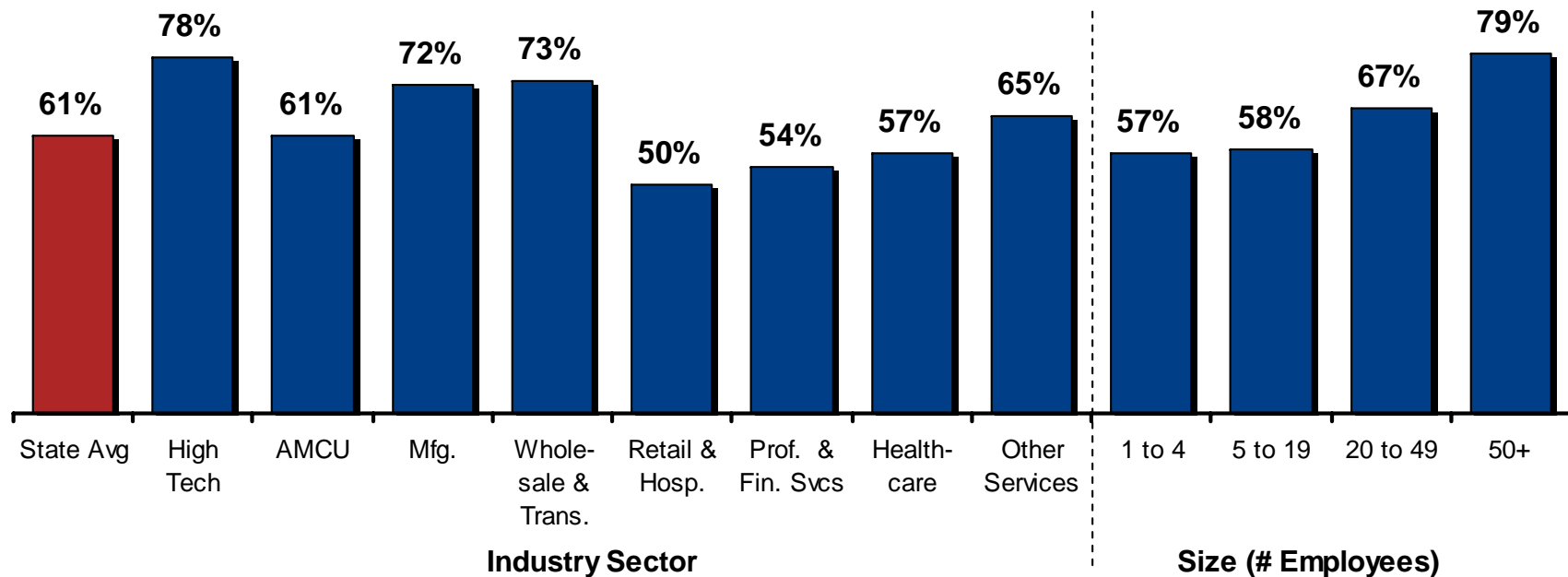
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# Researching or Booking Travel Online

More than three out of five Internet-connected businesses research or book business travel online.

This application is most likely to be used by the High Tech sector and by the largest establishments.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
(n=617 TN businesses that use the Internet)  
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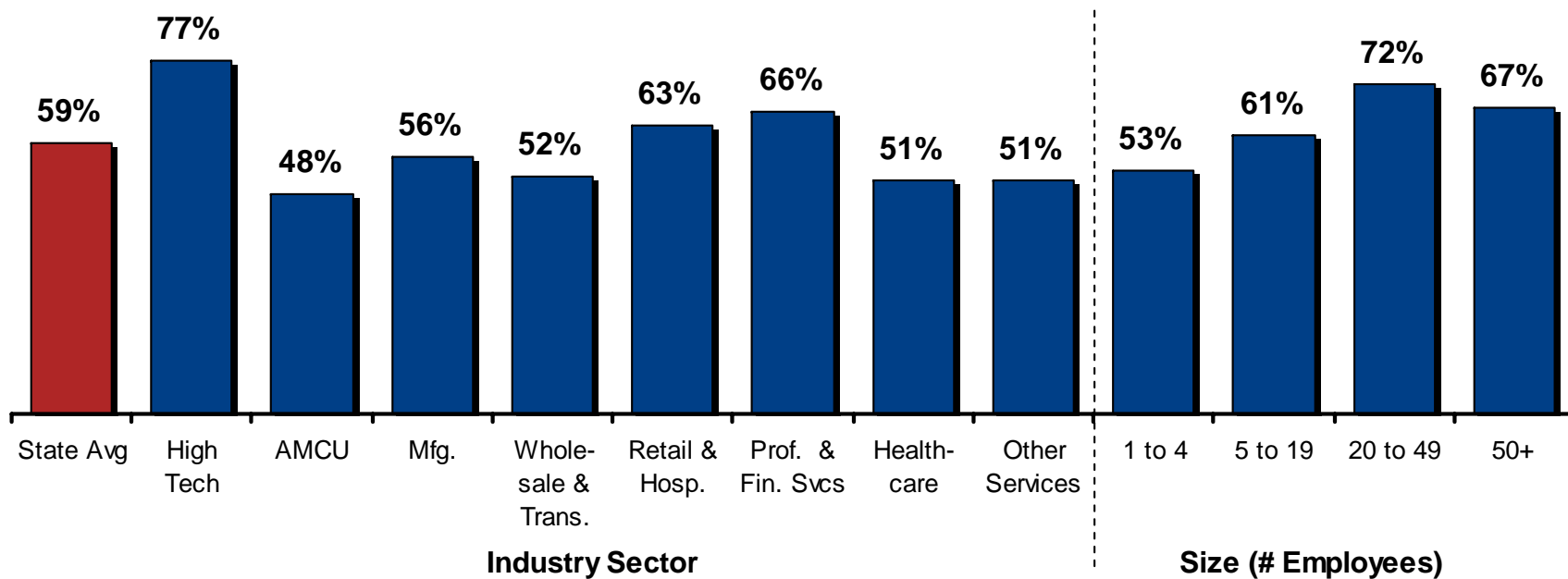
Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Online Marketing and Advertising of Products and Services

**Businesses in the High Tech and Professional/Finance sectors are much more likely to use this application.**

**Current adoption among Internet-connected businesses, by sector and size:**



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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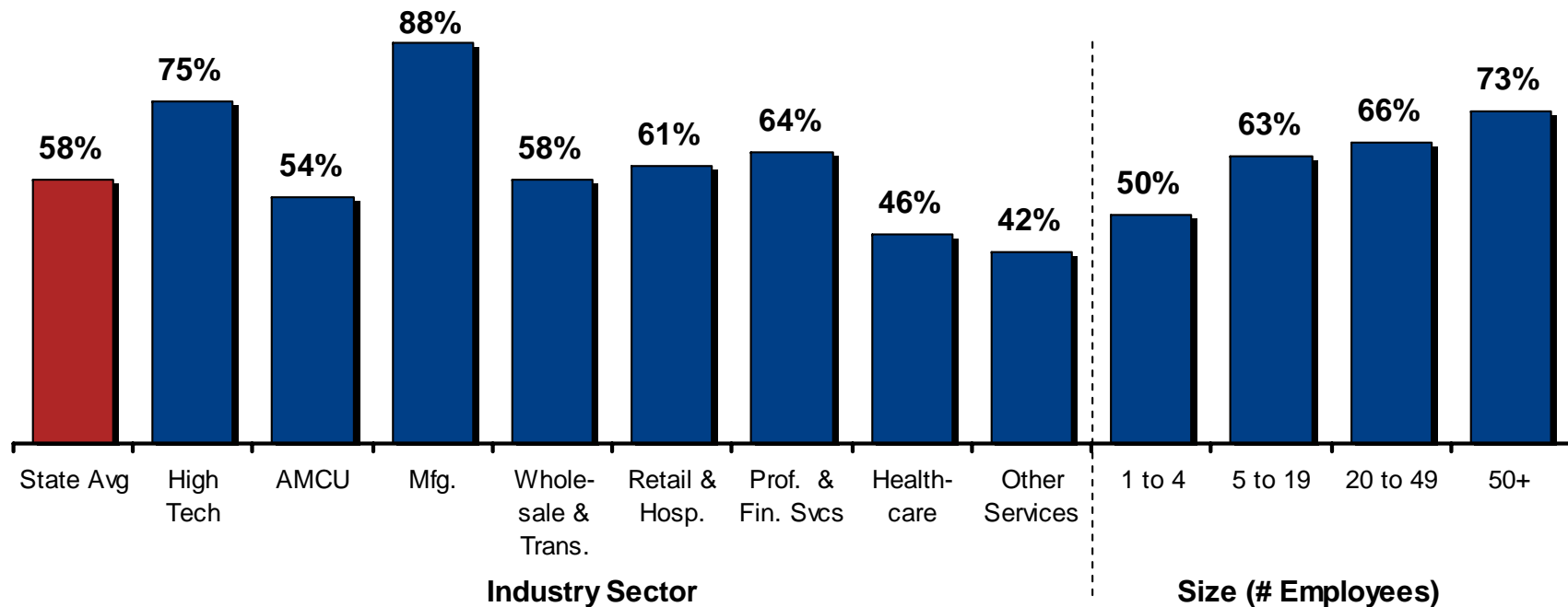
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# Online Shipment Tracking and Control

This application is most prevalent among businesses in the High Tech and Manufacturing sectors.

Larger companies use this application far more often than smaller ones.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
(n=617 TN businesses that use the Internet)  
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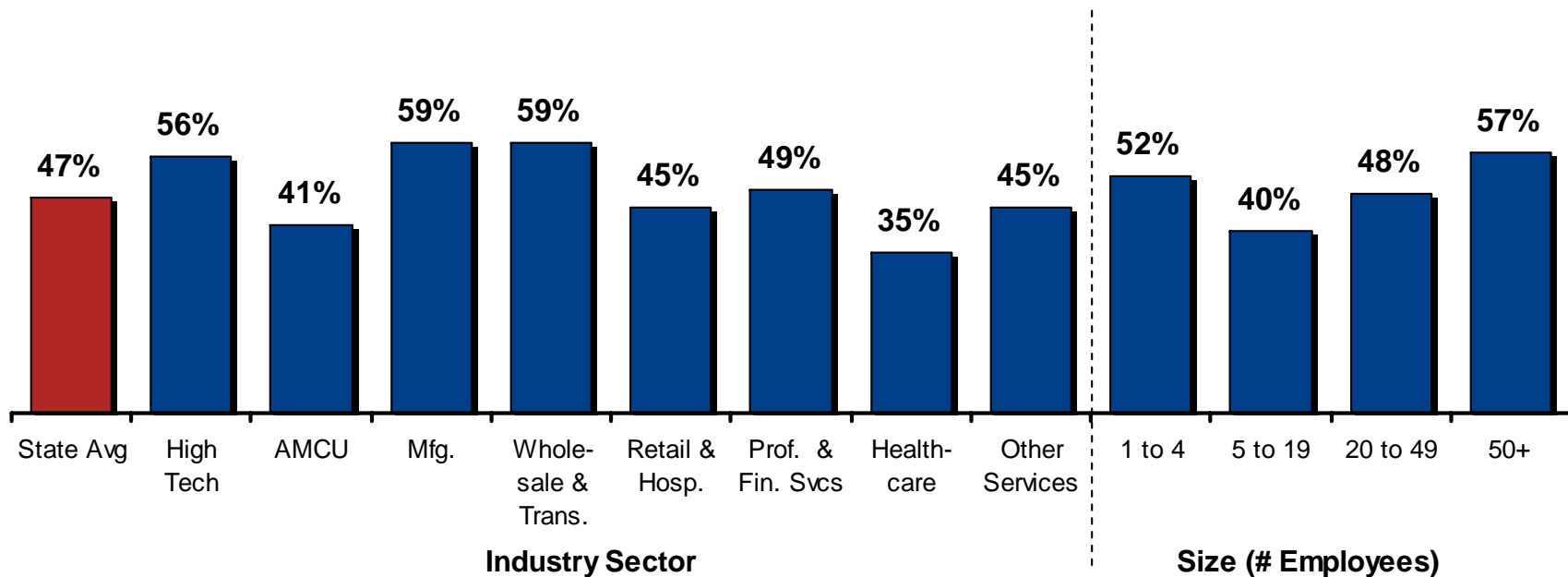


# Online Banking

Nearly one-half of all Internet-connected businesses in Tennessee report banking online.

This application is consistently used by firms across all industry sectors and all establishment sizes.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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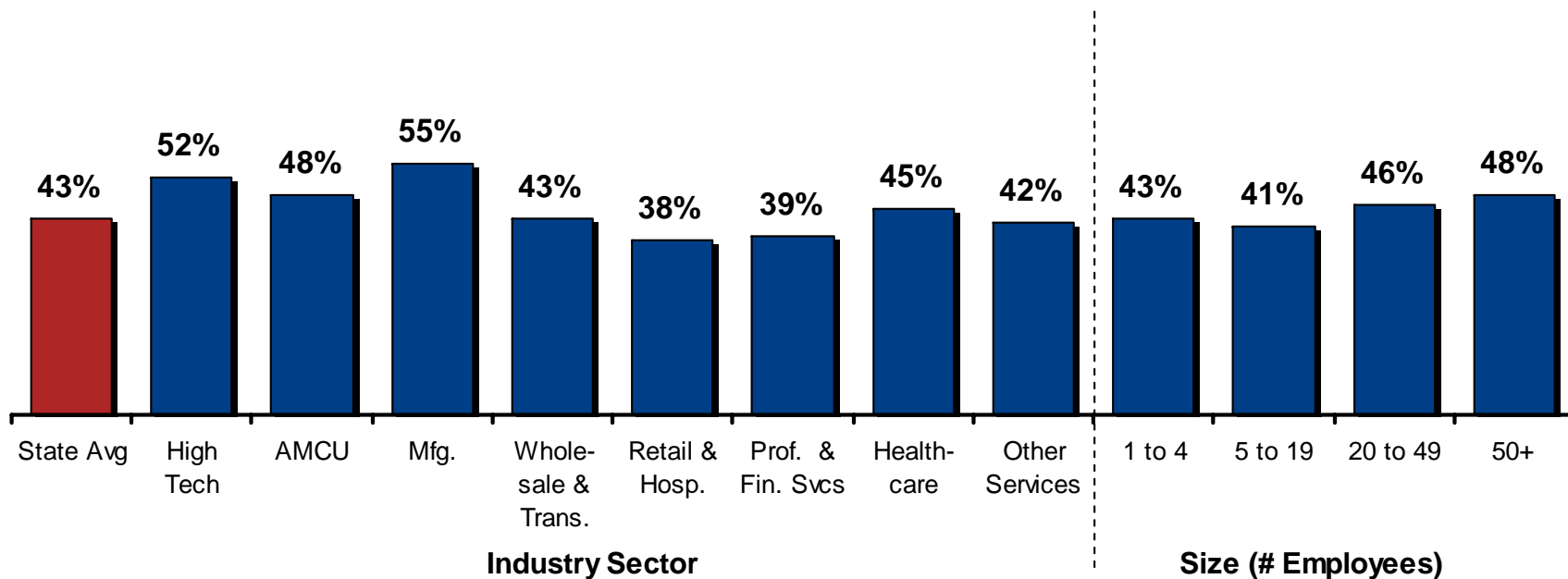
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# Online Billing or Bill Payment

Online billing or bill payment is most common in the High Tech and Manufacturing industry sectors, with more than a majority of those businesses using this application.

This application is also used equally by all company sizes.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?

(n=617 TN businesses that use the Internet)

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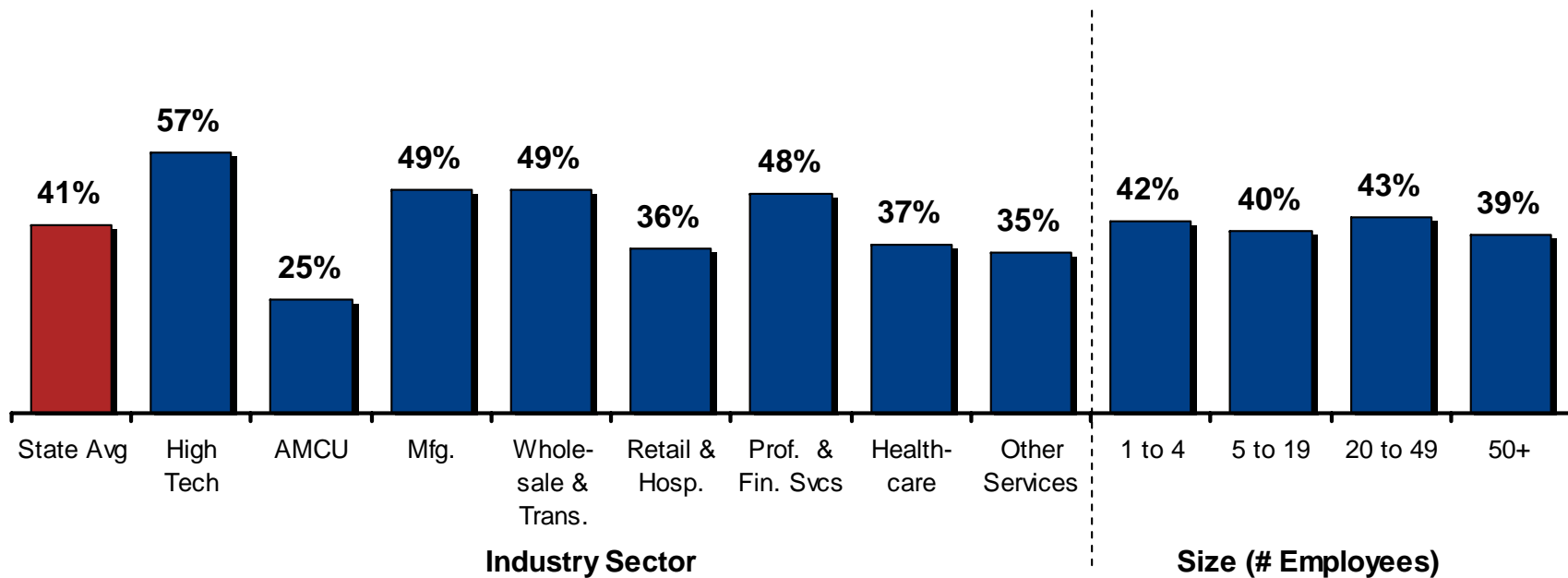
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# Online Customer Support for Products or Services

The High Tech, Wholesale Trade/Transport/Warehousing, Manufacturing and Professional/Finance industry sectors use the Internet to provide customer support more than any other industry sectors.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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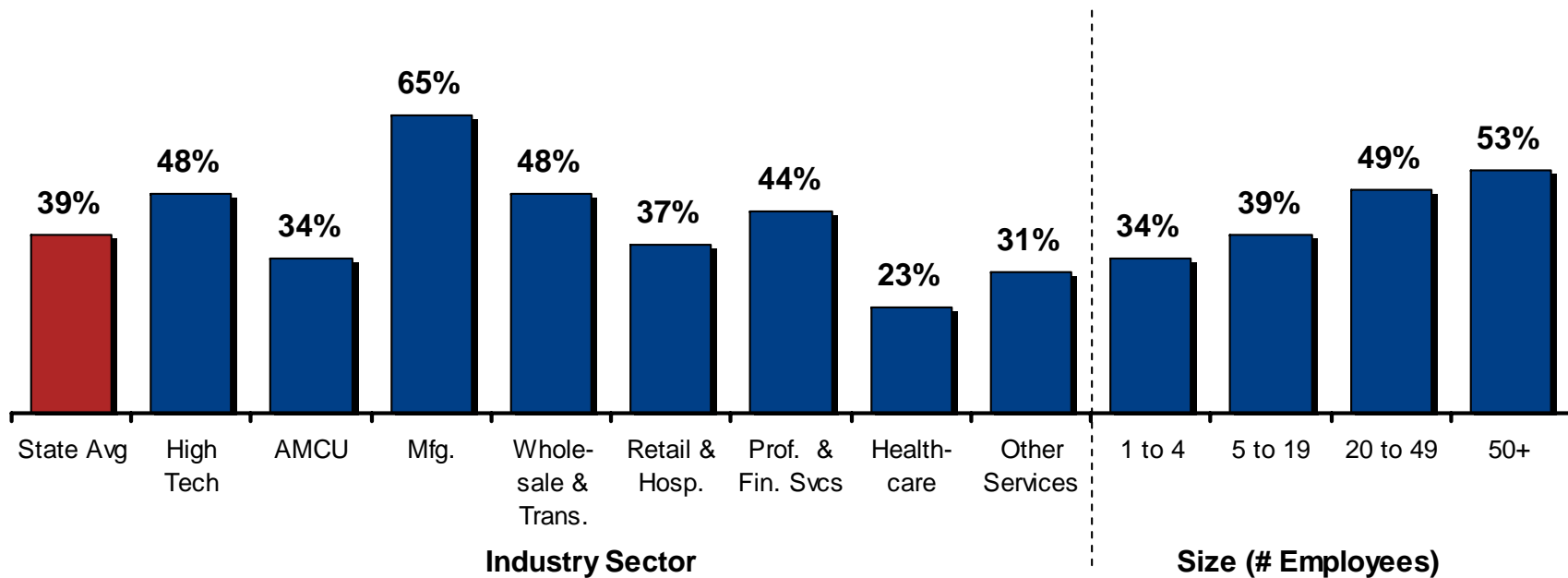


# Online Selling or Accepting Orders for Products or Services Online

Online selling occurs more in the Manufacturing sector than in any other industry sector.

This application is also more prevalent in larger firms.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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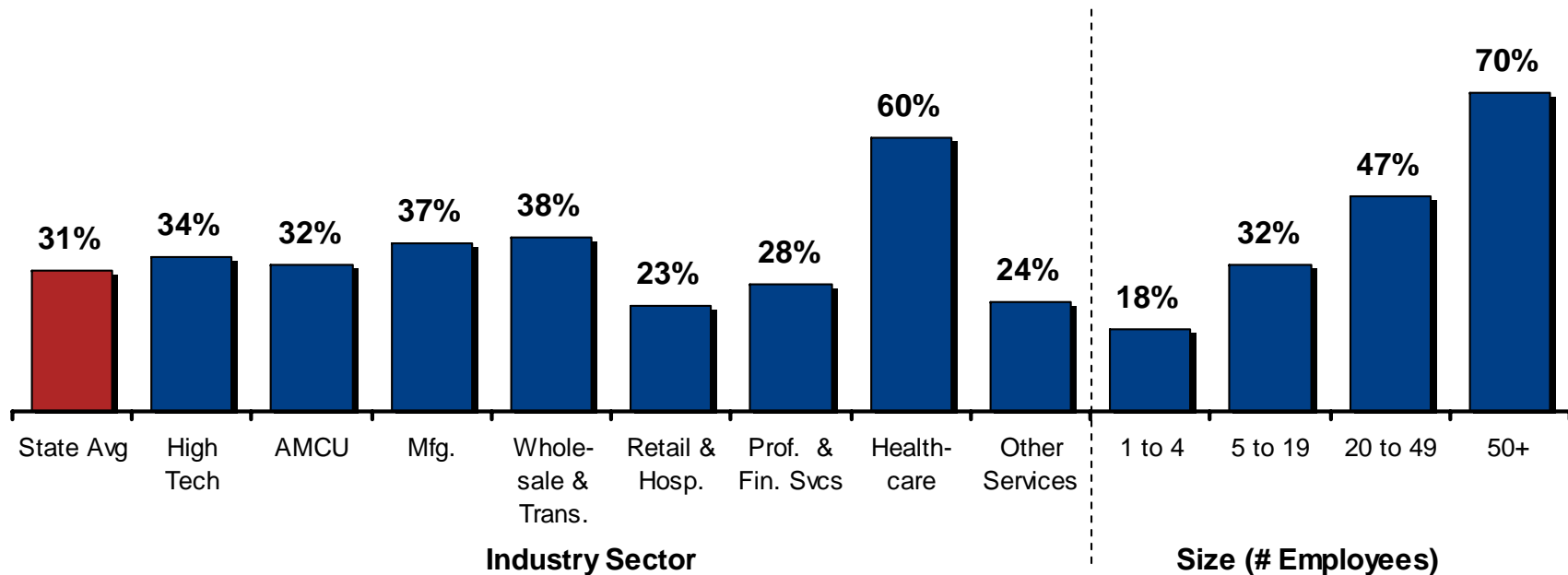
Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Online Administration with Healthcare Insurance Companies, Such as Inquiries About Eligibility and Claims Status

This application is most likely to be used by Healthcare establishments and among larger companies.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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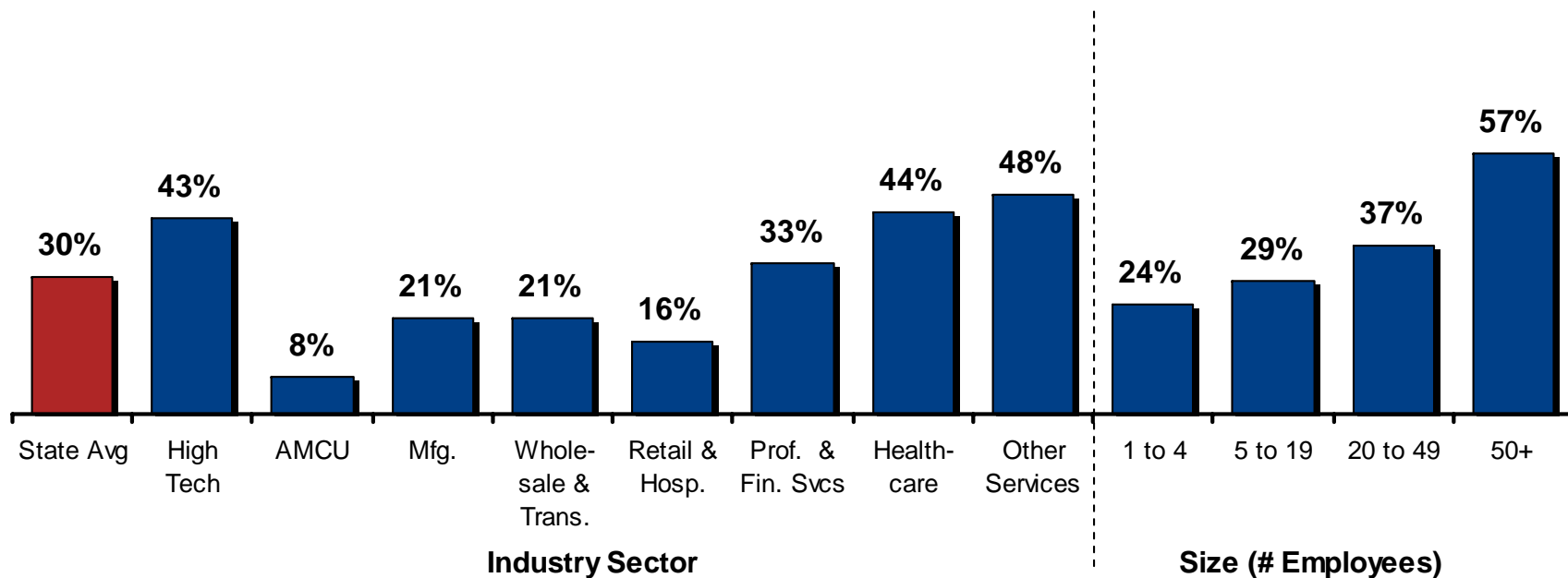
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# Online Training

Online training is directly related to company size, with large companies significantly more likely to use this application.

This application is used modestly by most industry sectors, with less than a majority of each sector currently using online training.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
(n=617 TN businesses that use the Internet)  
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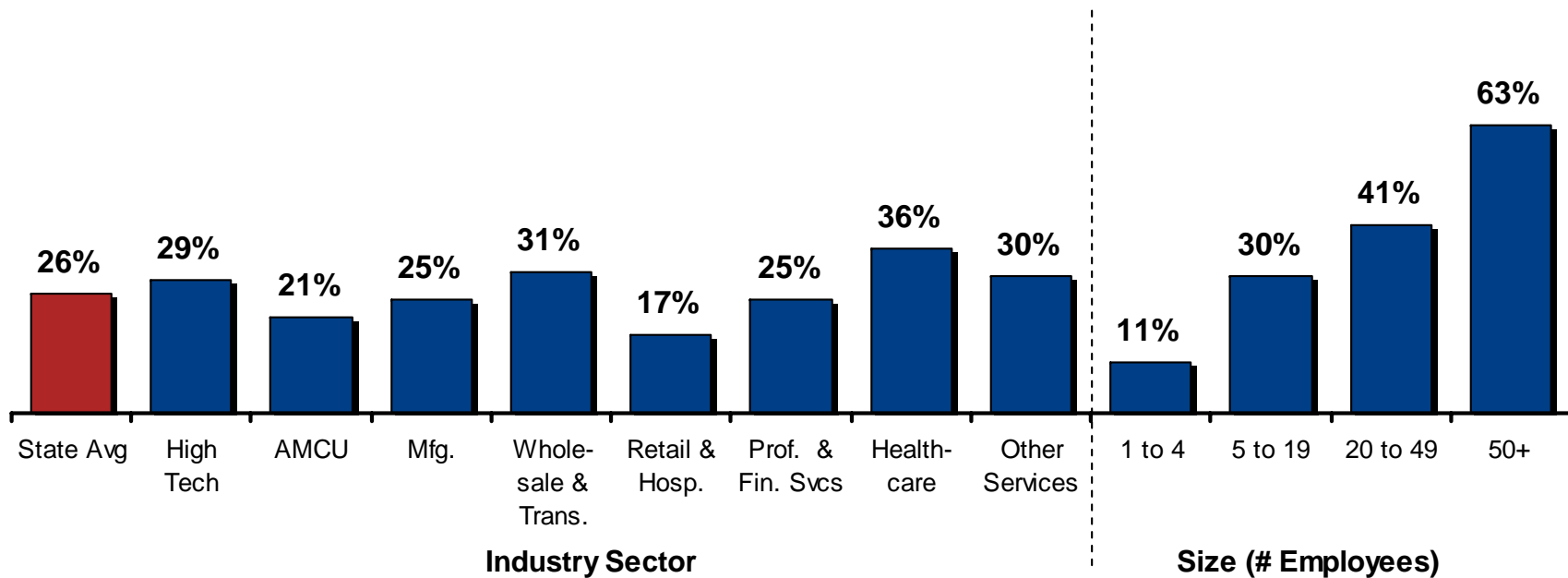


# Online Employee Benefits Information

Slightly more than one-fourth of all Internet-connected businesses provide their employees with benefit information using the Internet.

Use of this application increases directly with company size.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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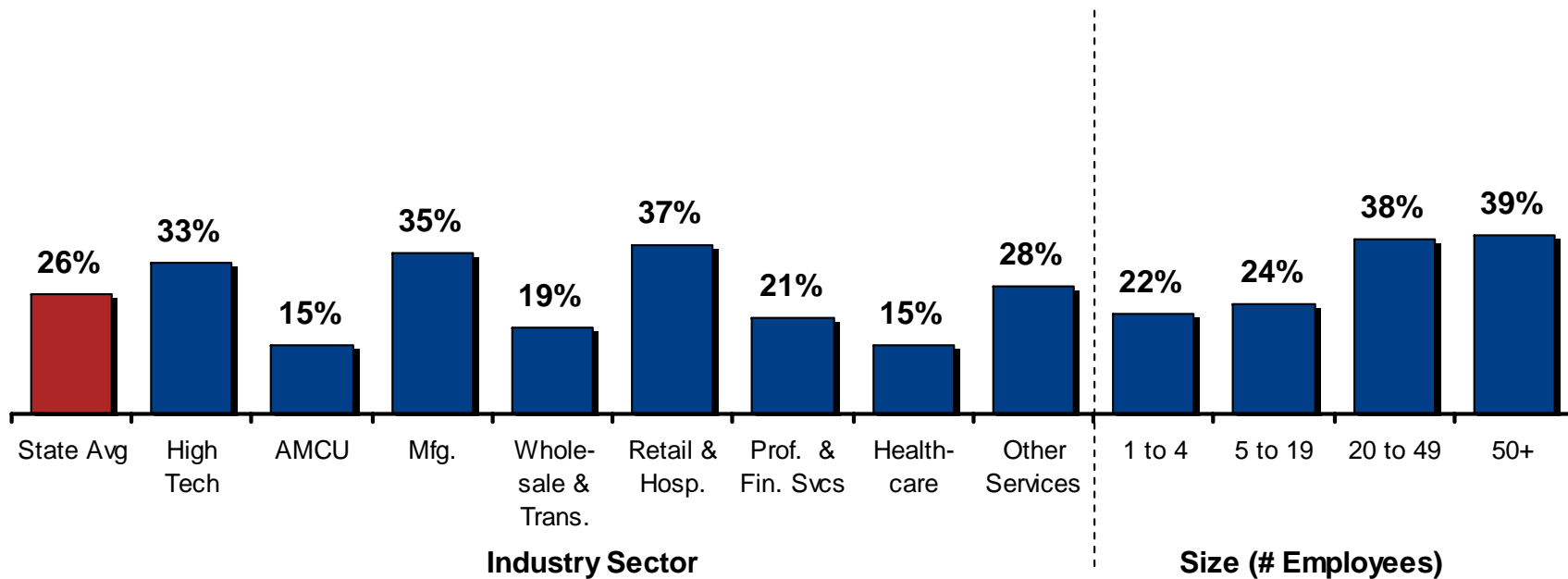
Source: July 2008 Connected Tennessee Survey of Businesses  
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# Accepting Real Time Payments Such As Credit Card and Debit Payments Online

The highest incidence of this activity is in the High Tech, Retail/Recreation/Food/Lodging and Manufacturing industry sectors.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



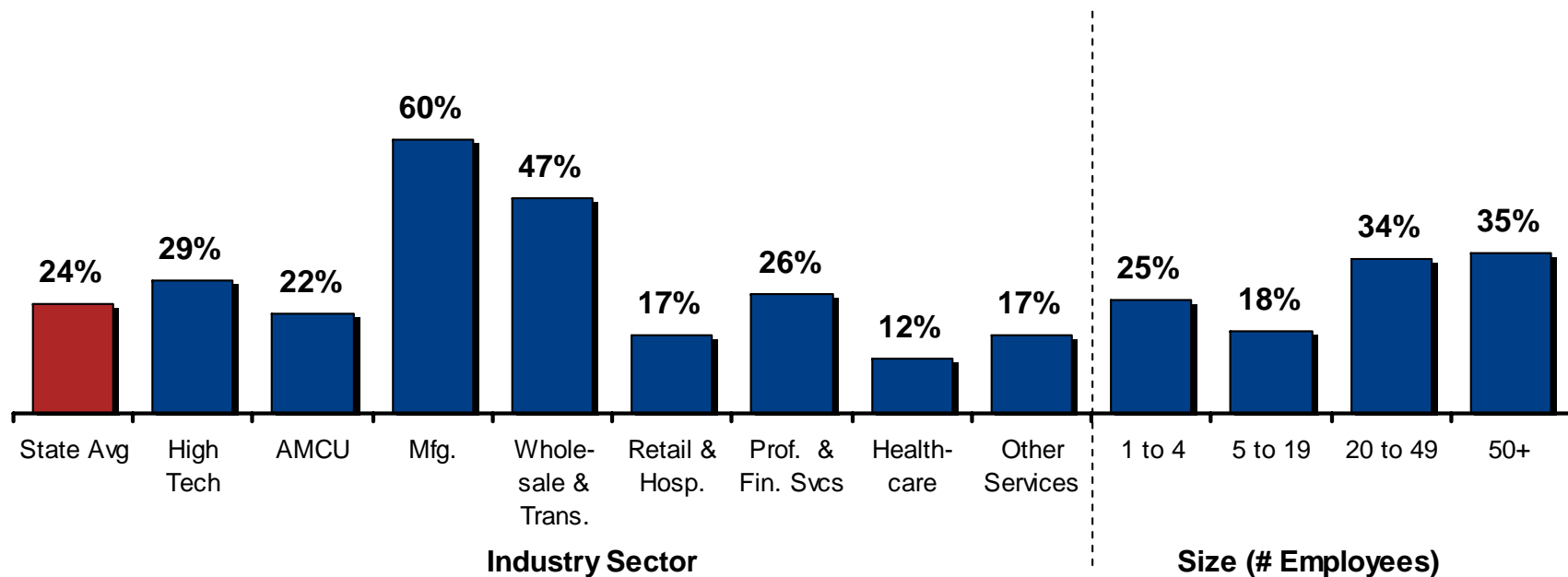
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# Bidding on Contracts Online

Nearly one-quarter of Internet-connected businesses report that they bid on contracts online.

The Wholesale Trade/Transport/Warehousing and Manufacturing sectors lead the way on this application of the Internet.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
(n=617 TN businesses that use the Internet)  
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www.connectedtennessee.org

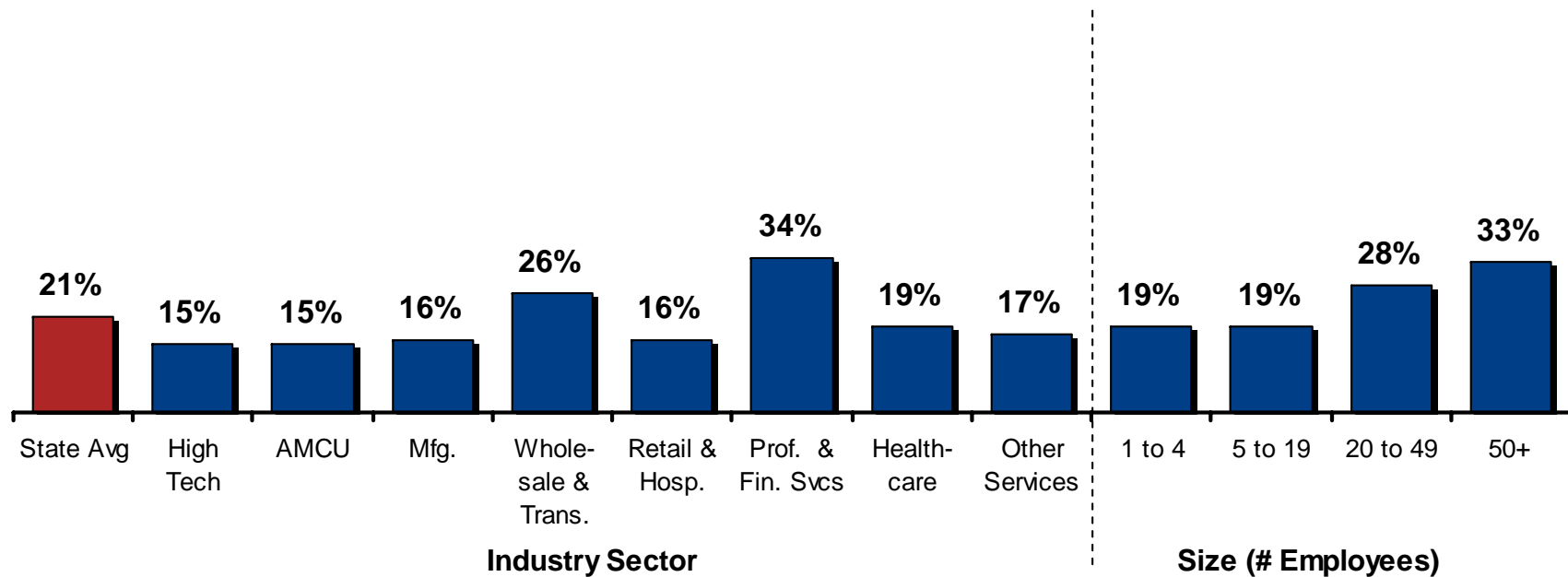


# Online Accounting and Internal Auditing

Currently, 21% of Internet-connected Tennessee businesses report using online accounting and internal auditing.

This application is most prevalent in the Professional/Finance and Wholesale Trade/Transport/Warehousing industry sector.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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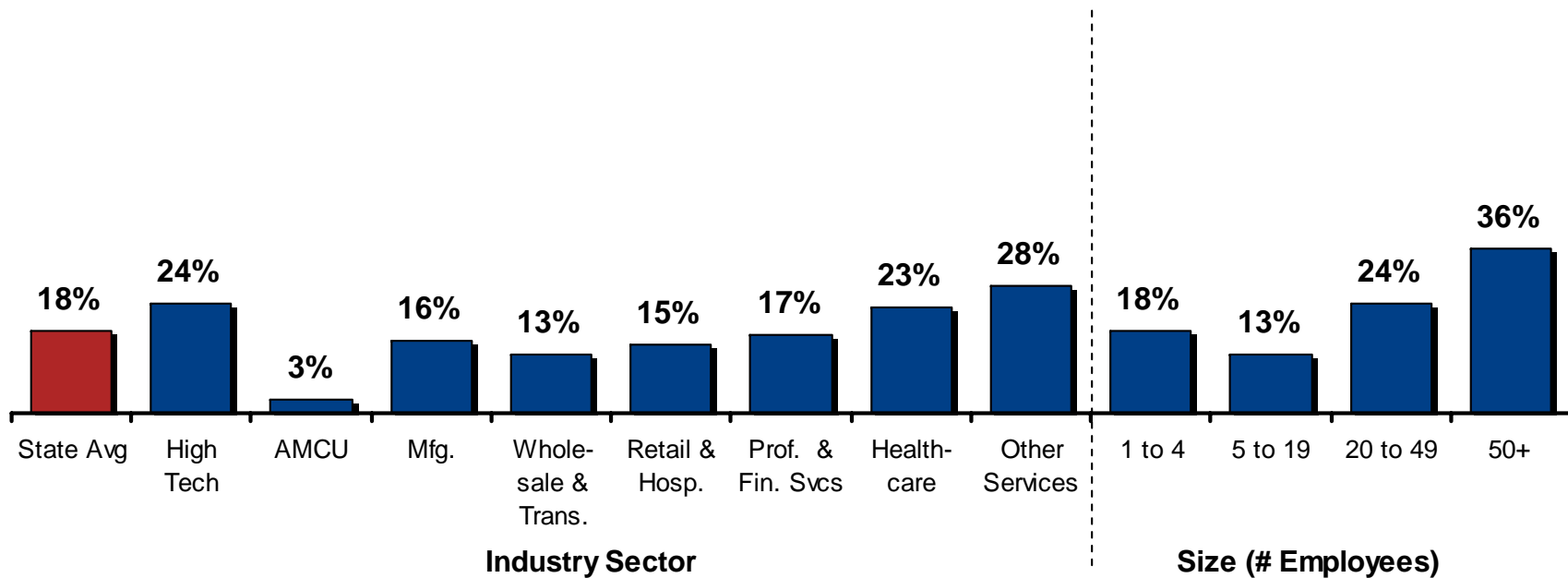
Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Videoconferencing

Videoconferencing is used by 18% of all Tennessee businesses using the Internet; that percentage increases in companies with more than 20 employees.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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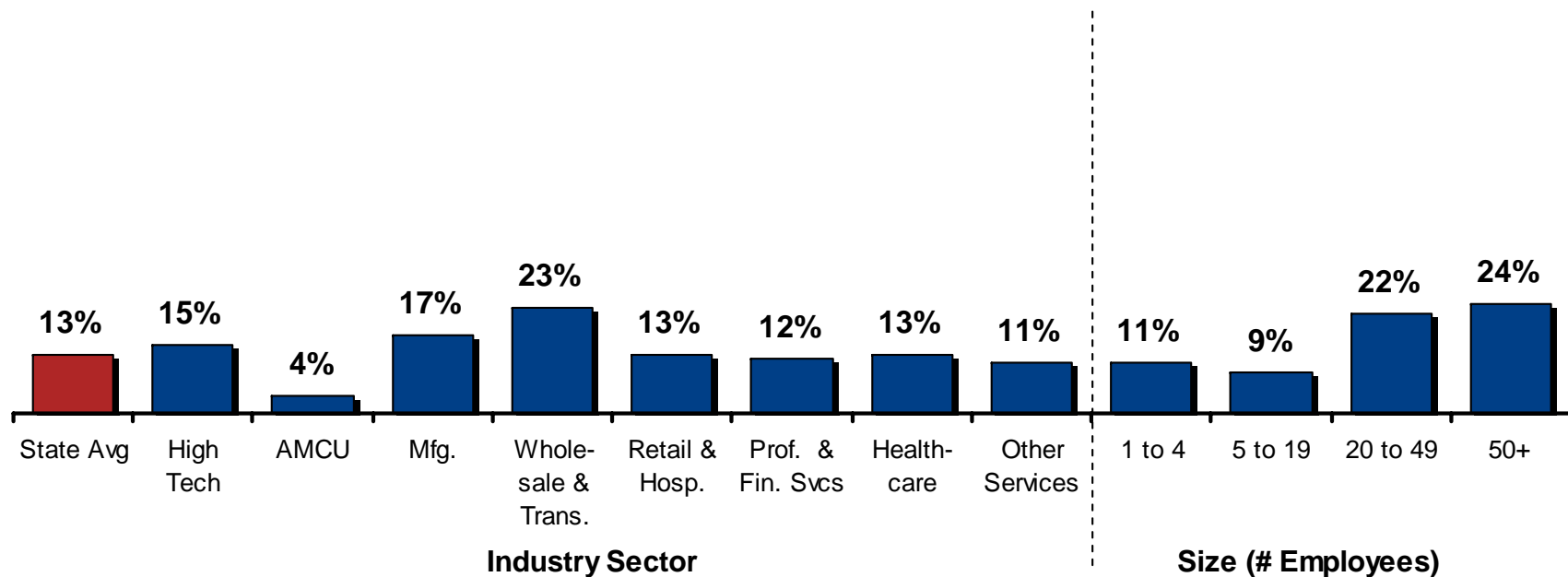


# Online Inventory Tracking and Control

Thirteen percent of Tennessee businesses report tracking and controlling inventory online.

Predictably, this is most likely to be used in the Wholesale Trade/Transport/Warehousing and Retail/Recreation/Food/Lodging sectors.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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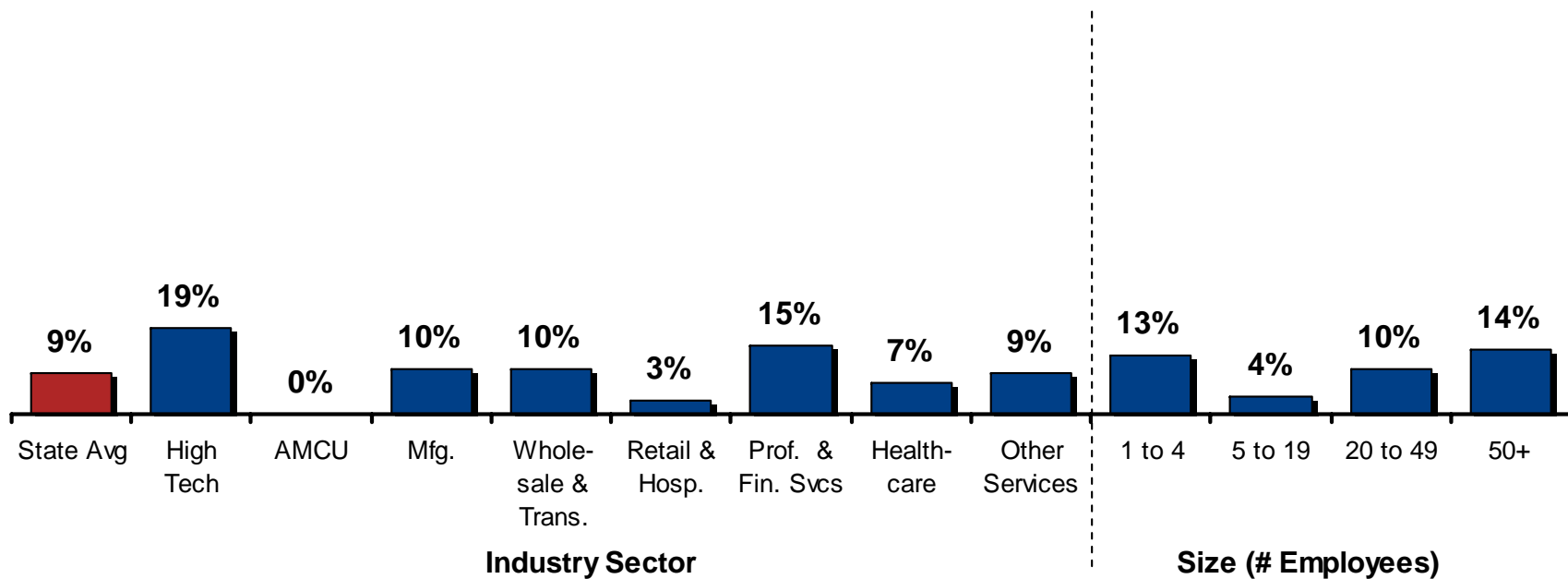
Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Blogging

Companies in the High Tech and Professional/Finance industry sectors are more likely to maintain a blog to stay in contact with current and potential customers.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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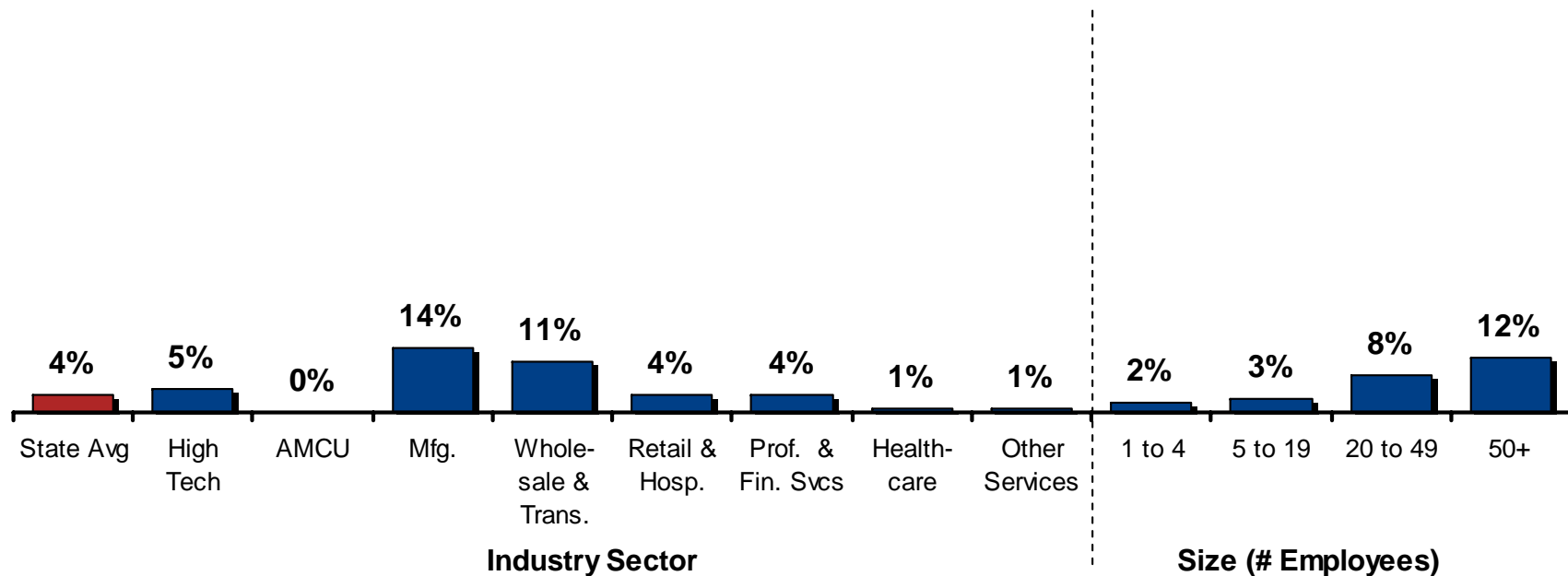


# Online Manufacturing Process Control

Only 4% of all Tennessee businesses with Internet access report using online manufacturing process control.

The practice is more likely to be used in the Wholesale Trade/Transport/Warehousing and the Manufacturing industry sectors, and by larger business establishments.

Current adoption among Internet-connected businesses, by sector and size:



Q: Which of the following does your business currently use?  
 (n=617 TN businesses that use the Internet)  
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# Presence of a Website



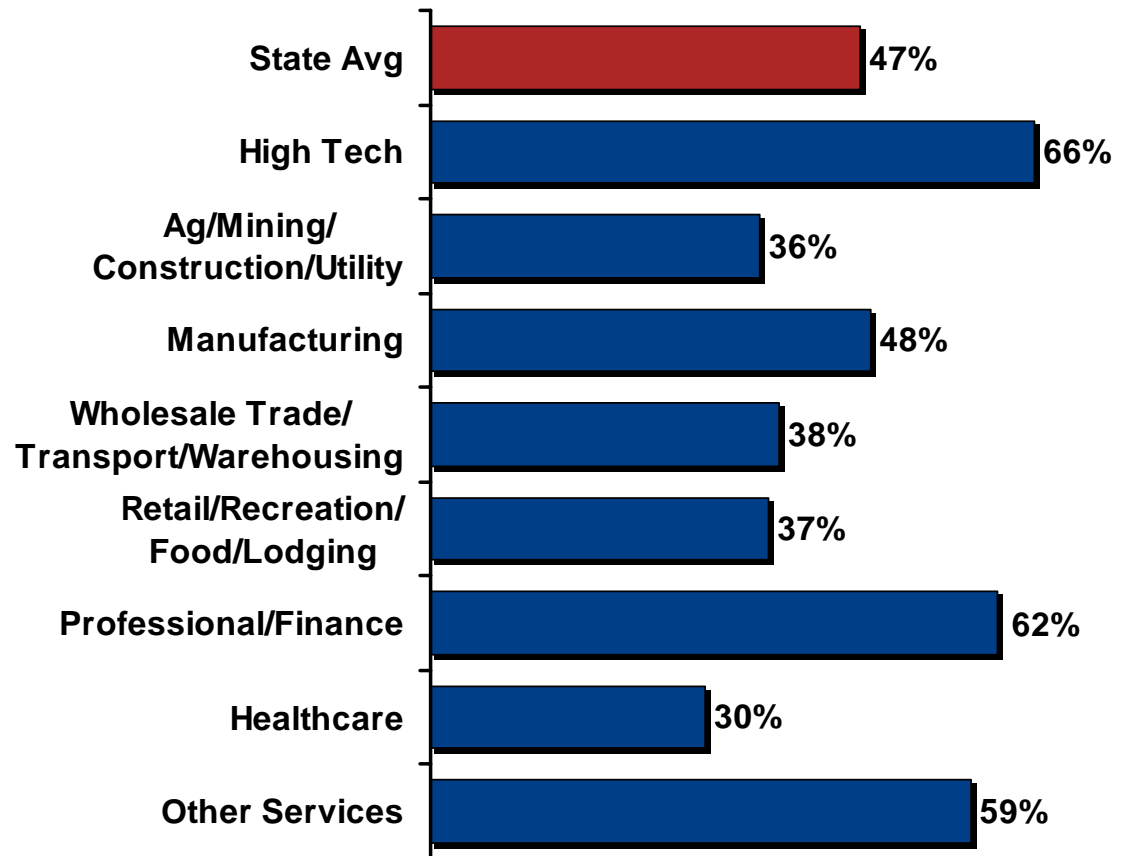
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# Website Presence by Industry Sector

High Tech businesses and businesses in the Professional/Finance sector are significantly more likely than businesses in most other sectors to have a website.

Healthcare and Ag/Mining/Construction/Utility sectors have the lowest percentage of businesses with a website.

Percent of Tennessee businesses that have a website:



Q: Does your company have a website?  
(n=808 TN businesses)

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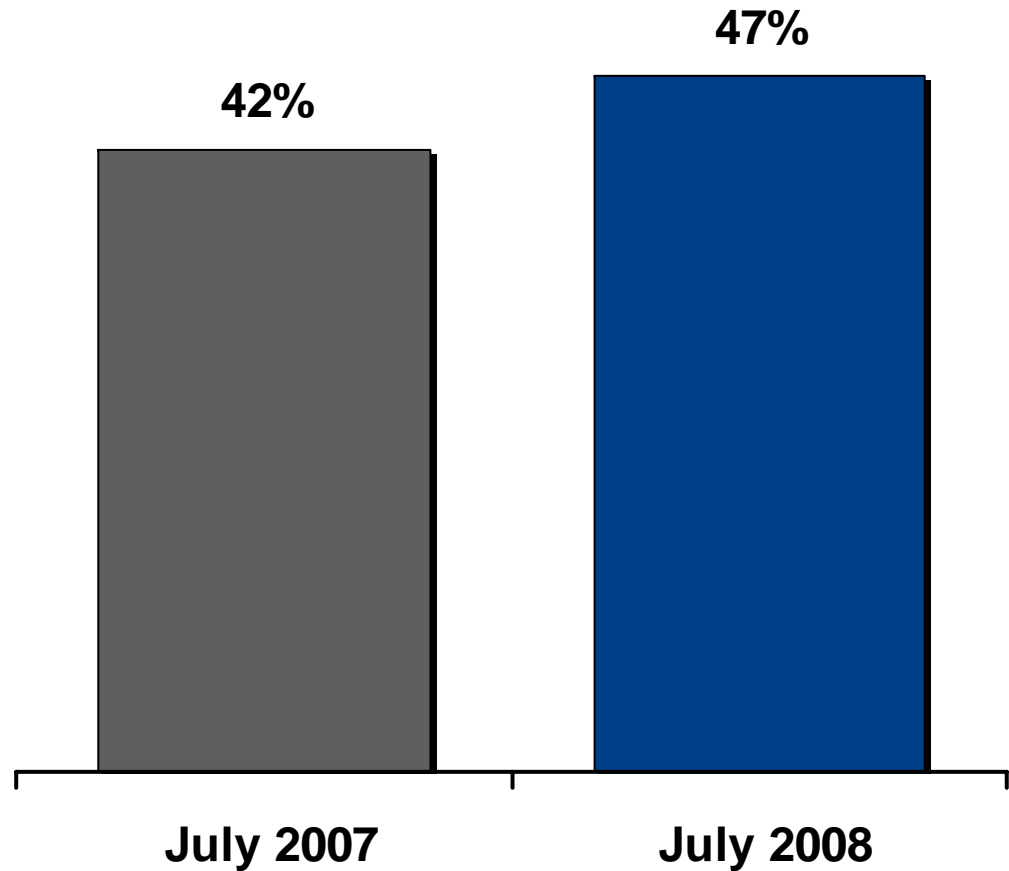
Source: July 2008 Connected Tennessee Survey of Businesses

[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Tennessee Businesses With a Website

Percent of all Tennessee Businesses:



Statewide, 47% of all Tennessee businesses have a website. This is a 12% rate of growth since July 2007.

Q: Does your company have a website?  
(n=808 TN businesses)

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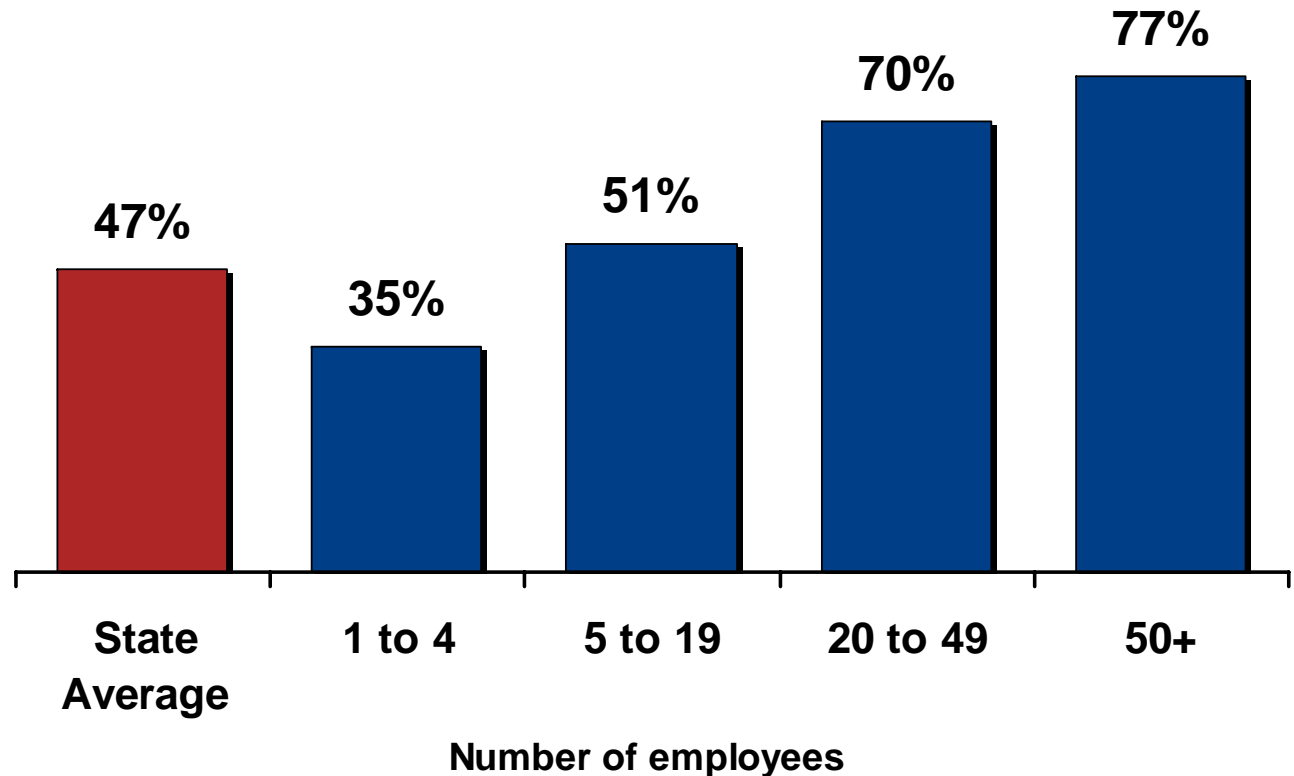


# Website Presence by Company Size

The likelihood of having a website increases significantly as the size of the business increases.

The majority of businesses that employ at least five people have a website.

Percent of Tennessee businesses that have a website:



Q: Does your company have a website?  
(n=808 TN businesses)

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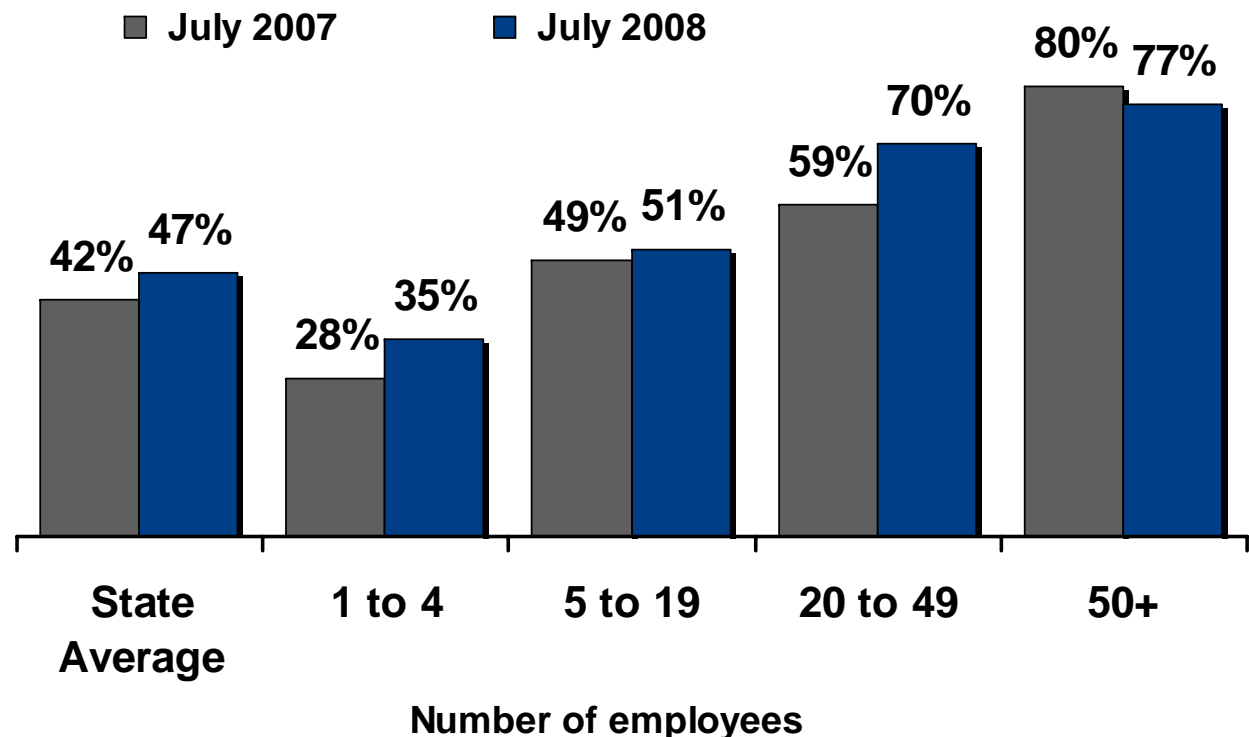
# Website Presence by Company Size

The likelihood of having a website continues to increase as the size of the business increases.

In the last year, however, small businesses saw the largest growth in website presence.

The number of small businesses (those with fewer than five employees) that maintain a website grew by 25% since July 2007.

Percent of Tennessee businesses that have a website:



Q: Does your company have a website?  
(n=808 TN businesses)

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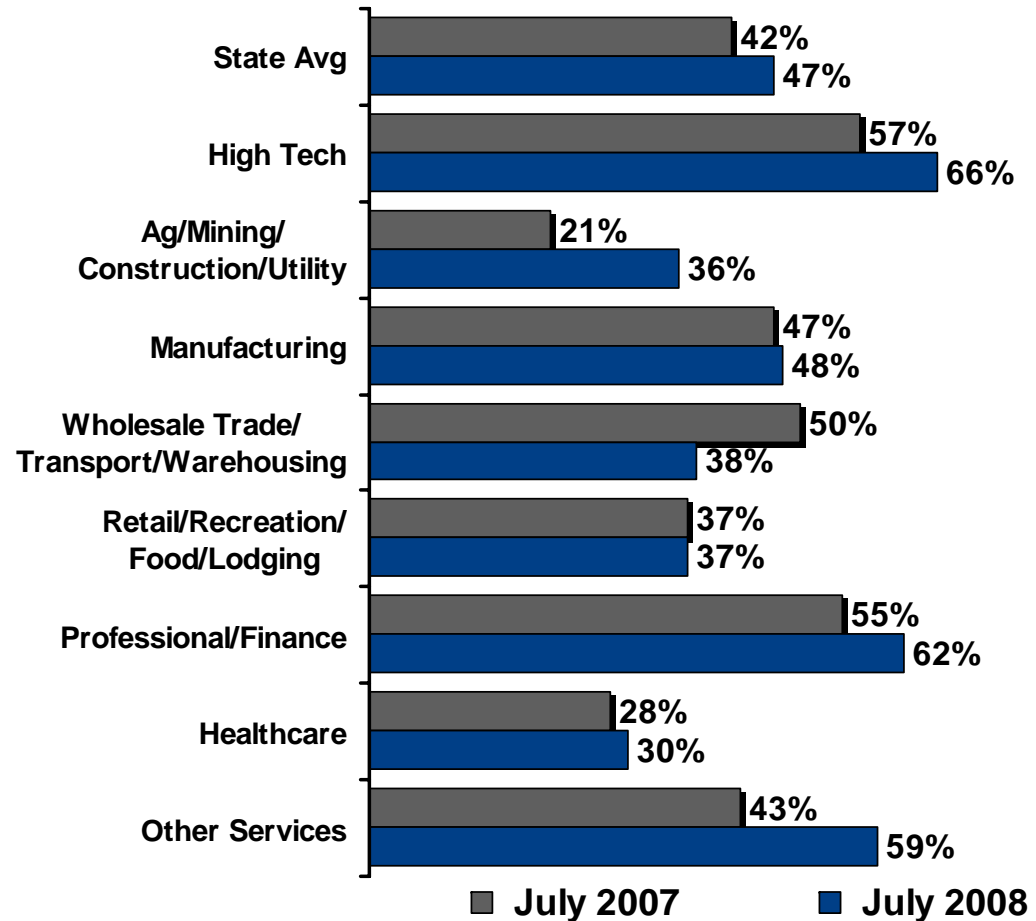
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# Website Presence by Industry Sector

High Tech businesses and businesses in the Professional/Finance sector have the largest percentage of businesses with a website.

The Ag/Mining/Construction/Utility sector experienced the largest growth (71%) since July 2007.

Percent of all Tennessee businesses with a website:



Q: Does your company have a website?  
(n=808 TN businesses)

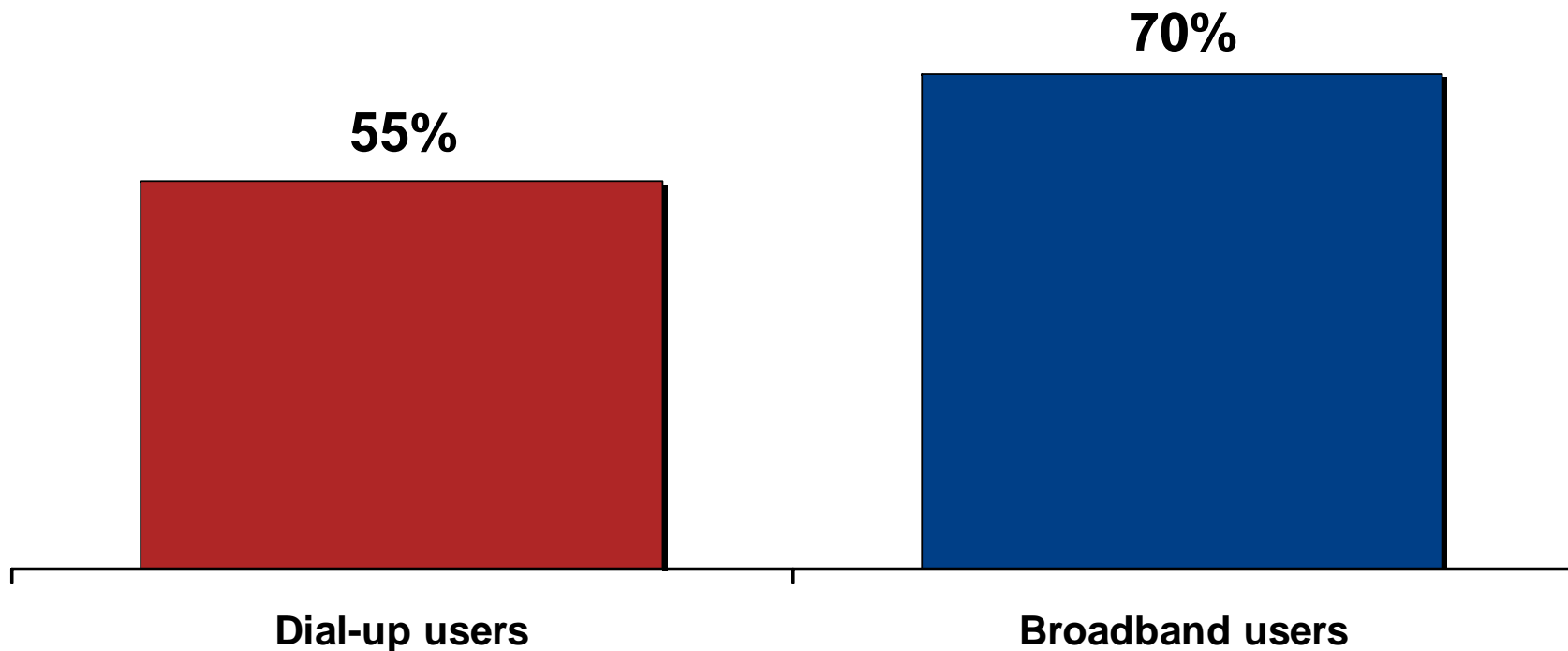
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Source: July 2008 Connected Tennessee Survey of Businesses  
www.connectedtennessee.org



# Website Presence by Type of Internet Access

Percent of businesses that use the Internet and have a website:



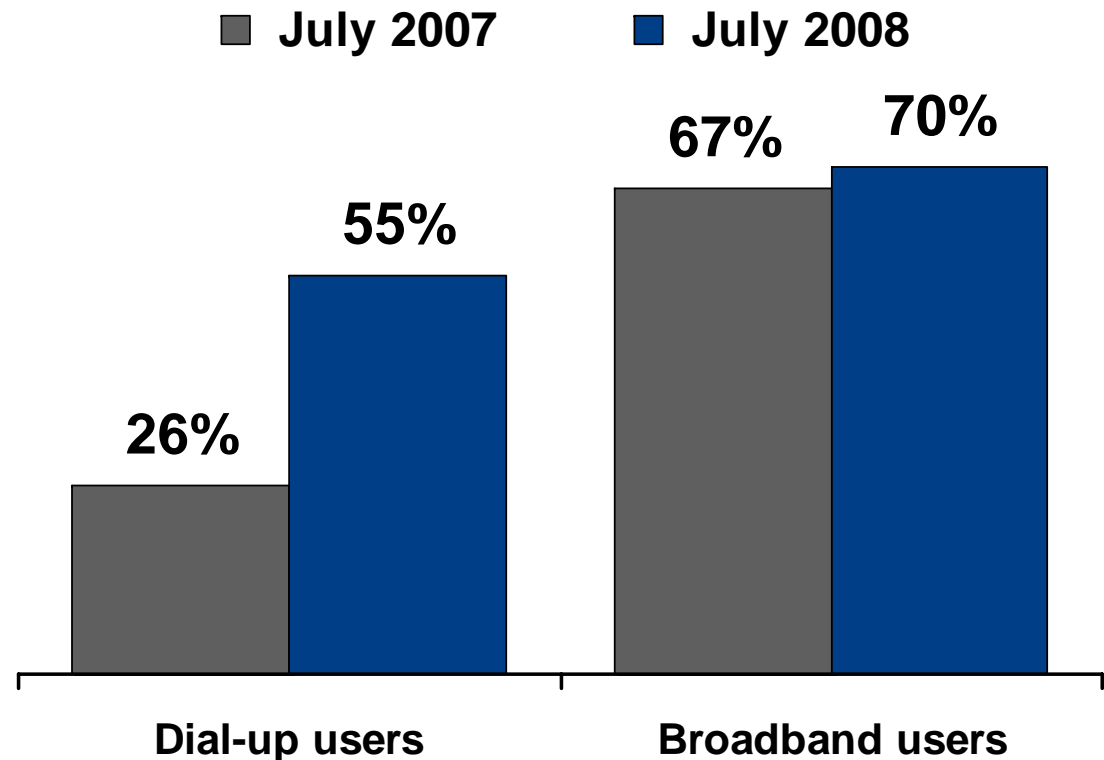
Q: Does your company have a website?  
(n=617 Tennessee businesses that use the Internet)  
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Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Website Presence by Type of Internet Access

Percent of Internet-connected businesses that have a website:



While the percentage of broadband-connected businesses that have websites increased slightly from July 2007, the number of businesses with dial-up that have websites increased by 112%.

Despite the increase among dial-up connected businesses, those that have a broadband connection are still more likely to have a website.

Q: Does your company have a website?  
(n=617 Tennessee businesses that use the Internet)  
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Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)

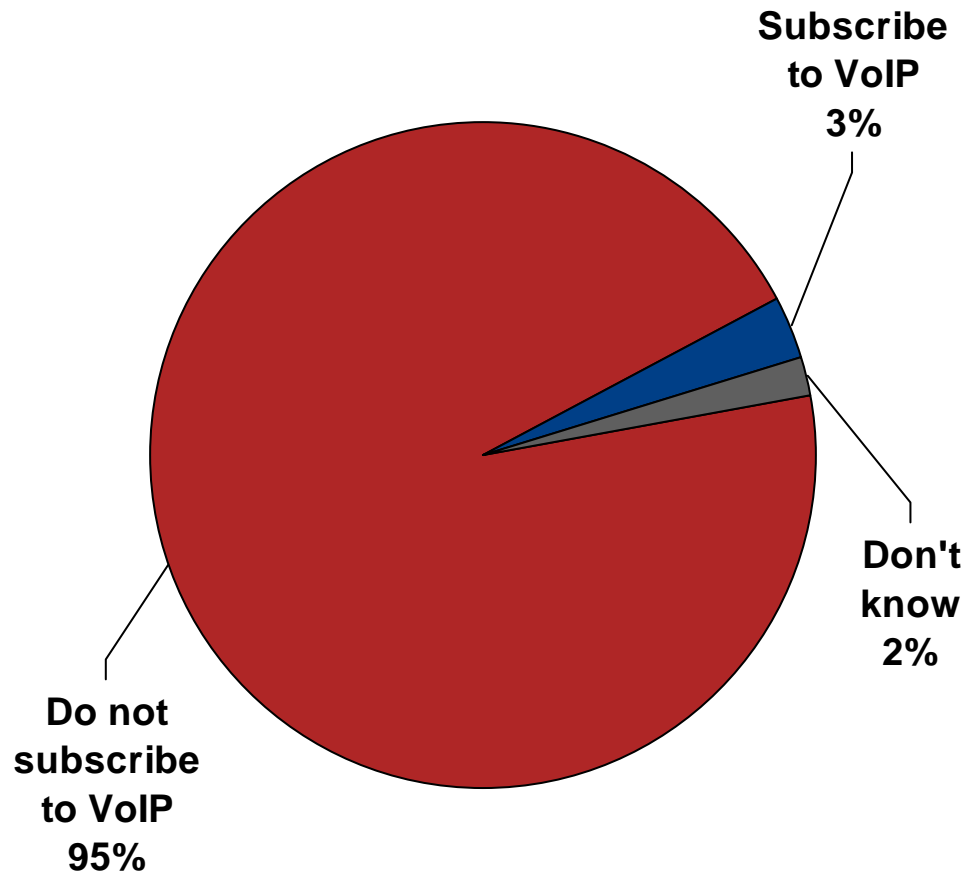


# VoIP Usage



# Businesses that Use Voice over Internet Protocol (VoIP)

Only a small percentage (3%) of Tennessee businesses subscribe to Voice over Internet Protocol (VoIP). This represents 5% of all broadband-connected businesses in Tennessee (a pre-requisite for VoIP service).



Percent of all Tennessee businesses

Q: Do you subscribe to Voice over Internet Protocol, commonly known as VoIP? (n=808 Tennessee businesses)

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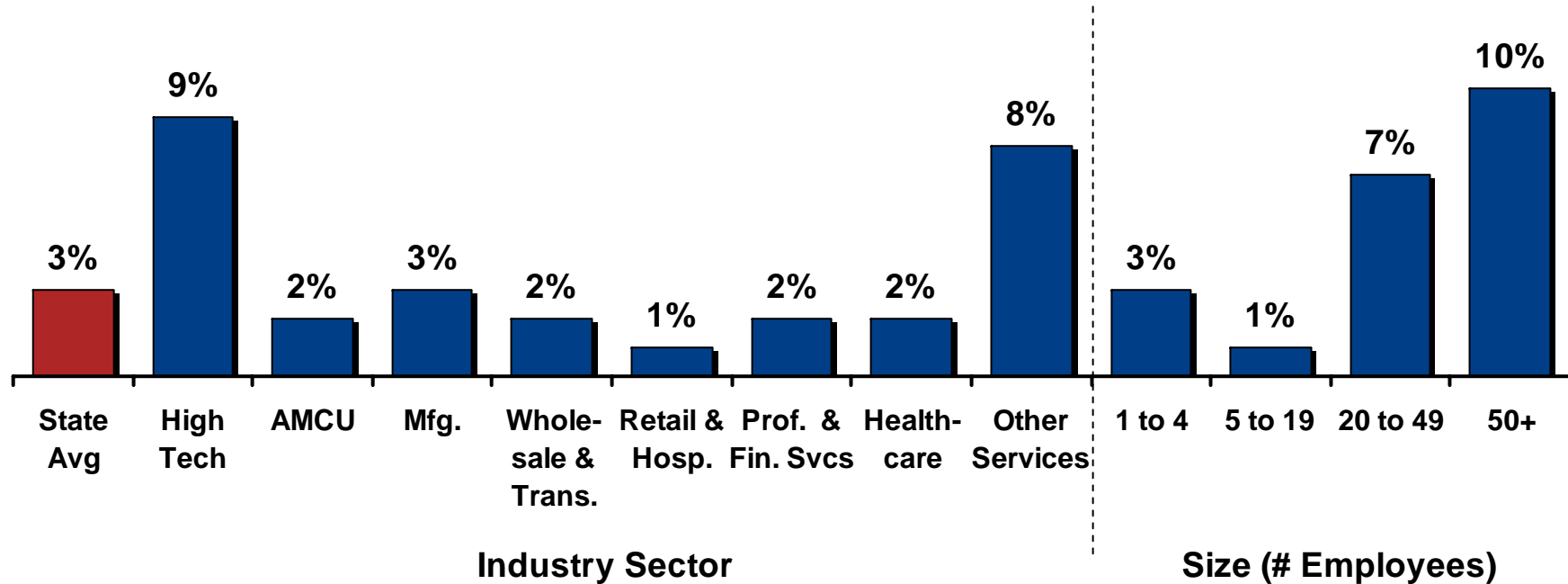
Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Businesses that Subscribe to VoIP by Size and Sector

Nearly 1 in 10 businesses in the High Tech and Other Services business sectors subscribe to VoIP; this is almost ten times greater than the Retail & Hospitality business sector.

Larger businesses are more likely to subscribe to VoIP than smaller businesses.



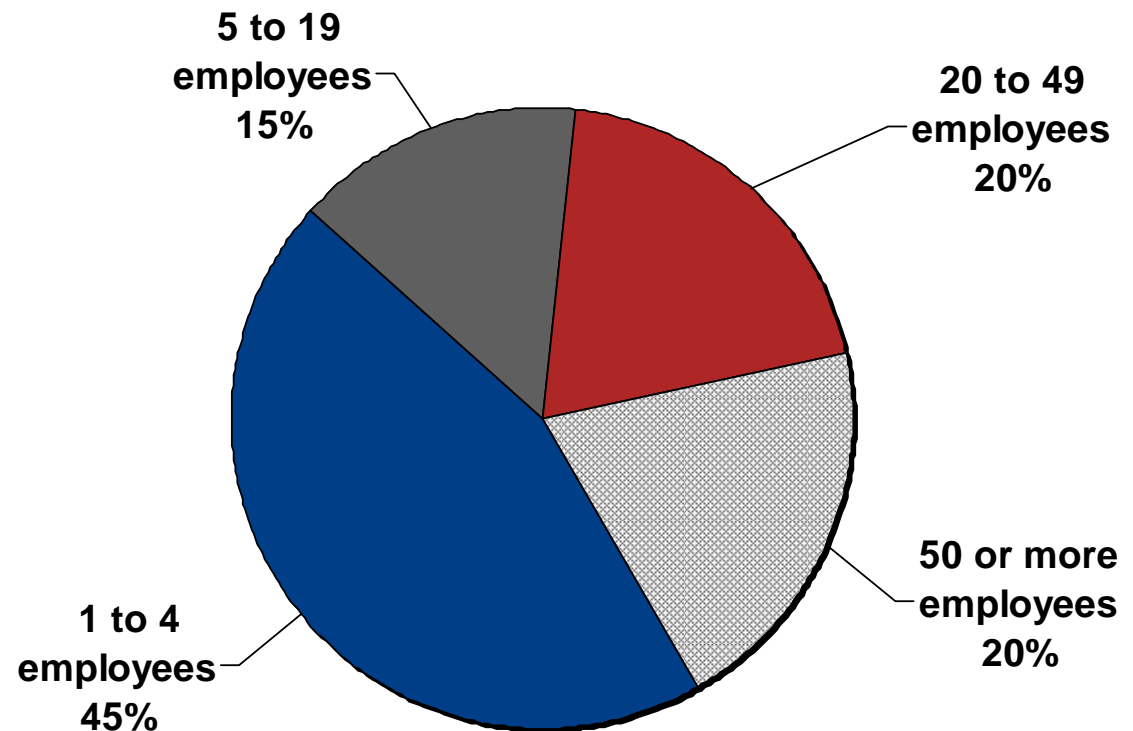
Q: Do you subscribe to Voice over Internet Protocol, commonly known as VoIP?  
 (n=47 Tennessee businesses that subscribe to VoIP)  
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Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)

# VoIP Subscribers by Company Size

Percent of all VoIP subscribers:

**Nearly one-half of Tennessee businesses that subscribe to VoIP are small businesses with fewer than five employees.**



Q: Do you subscribe to Voice over Internet Protocol, commonly known as VoIP?  
(n=47 Tennessee businesses that subscribe to VoIP)

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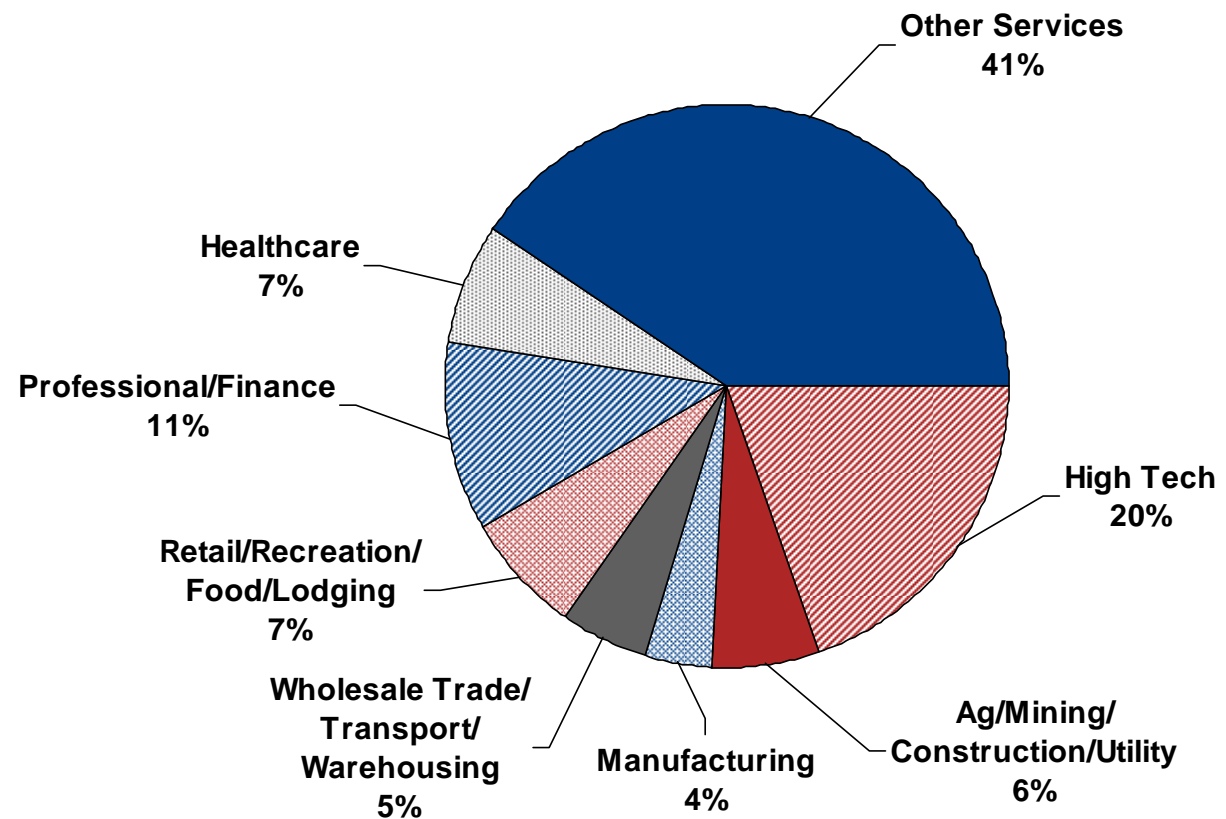


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# VoIP Subscribers by Industry Sector

**Nearly one-half of Tennessee businesses that subscribe to VoIP are in the Other Services business sector, which includes service firms not covered by other sectors (including various businesses such as private schools, salons and cleaning services).**

Percent of all VoIP subscribers:



Q: Do you subscribe to Voice over Internet Protocol, commonly known as VoIP?  
(n=47 Tennessee businesses that subscribe to VoIP)

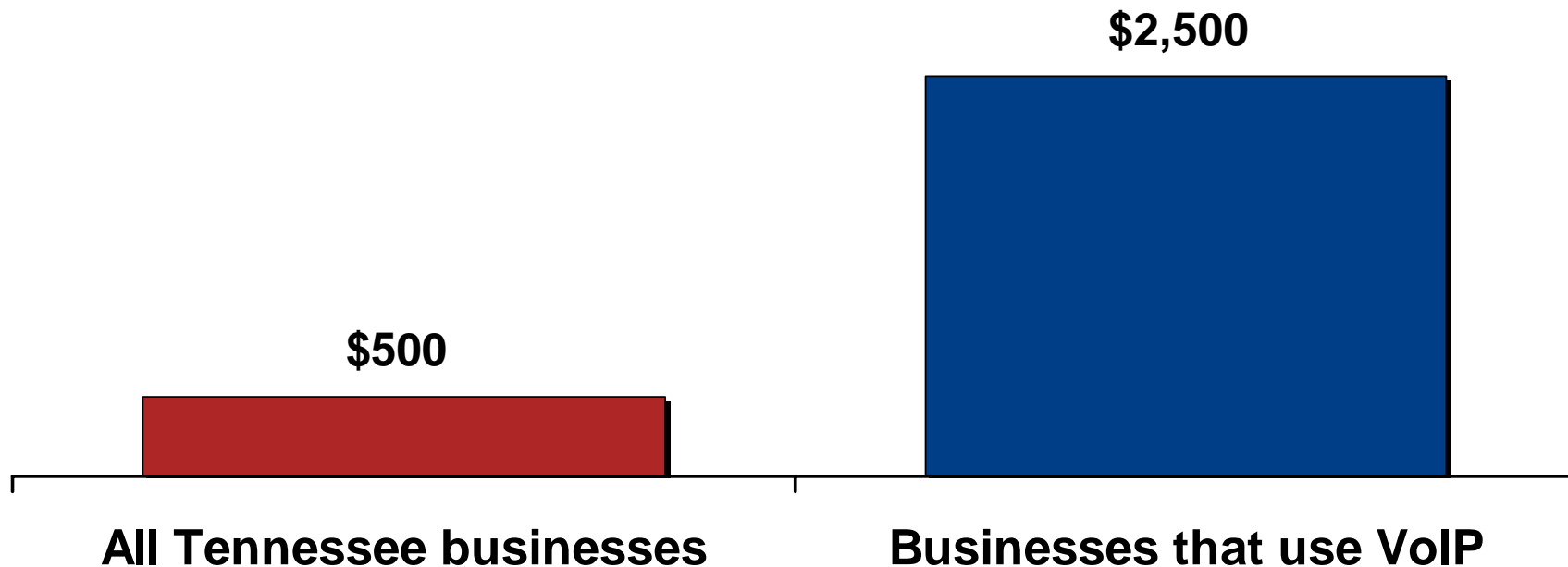
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# Annual Incomes Among VoIP Subscribers

**Businesses that subscribe to VoIP have median annual incomes five times larger than the statewide average.**

Median Annual Income (\$000)



Q: What is your firm's approximate average annual revenue?  
(n=808 Tennessee businesses)

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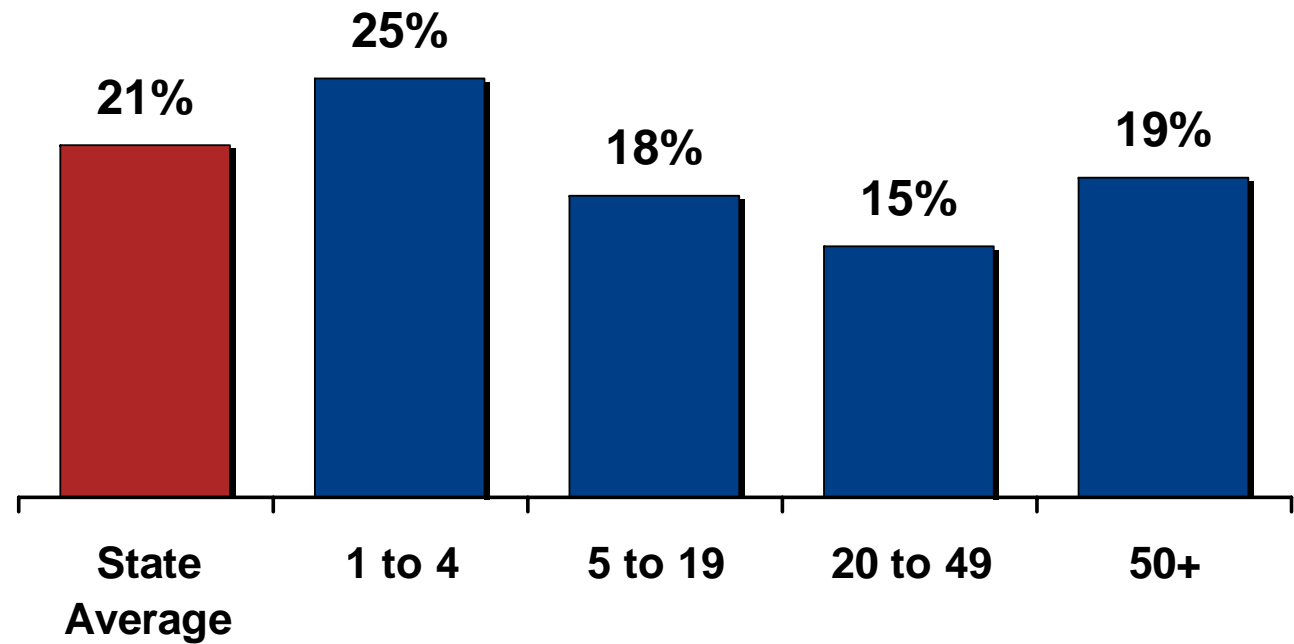
# Teleworking



# Teleworking by Company Size

Percent of Tennessee businesses that allow employees to telework on a regular basis:

One-quarter of businesses with fewer than five employees allow their workers to telework.



Number of all employees working from the location

Q: Do any employees within your organization work from home during normal business hours on a regular basis? (n=808 TN businesses)

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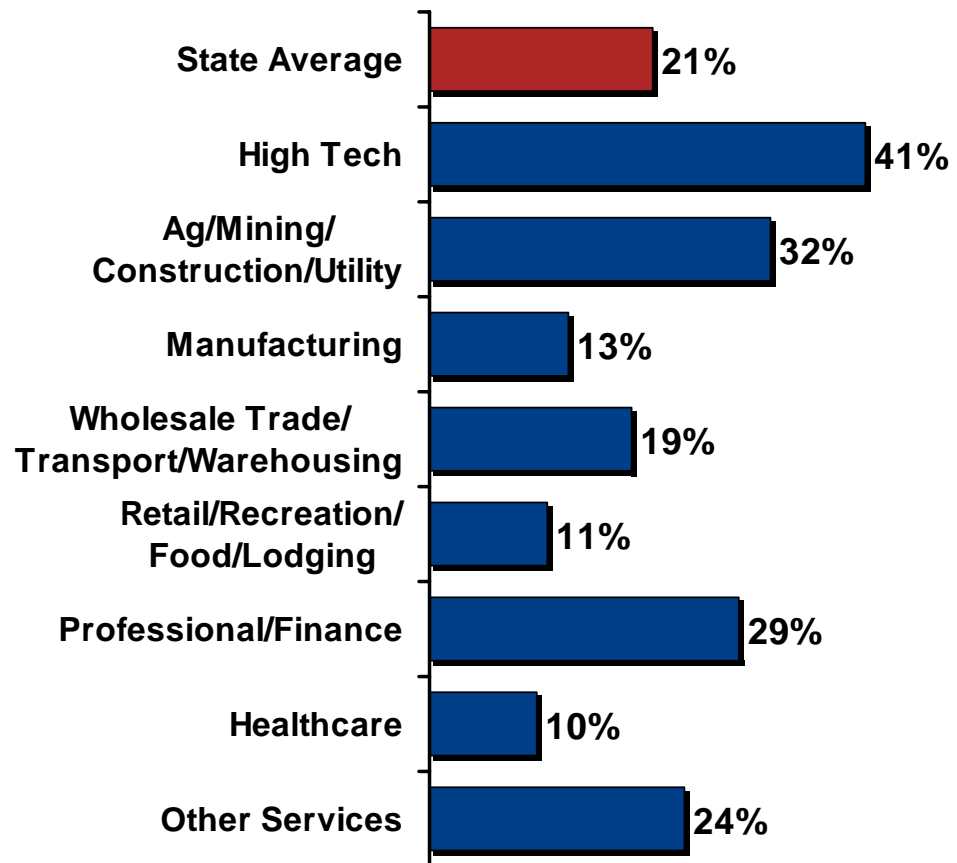
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# Teleworking by Industry Sector

**High Tech businesses, businesses in the Ag/Mining/Construction/Utility sector and businesses in the Professional/Finance sector are more likely than businesses in other sectors to have employees who work from home on a regular basis.**

**Businesses in the Healthcare and Retail/Recreation/Food/Lodging sectors are the least likely to allow regular teleworking.**

**Percent of all Tennessee businesses that allow their employees to telework:**



Q: Do any employees within your organization work from home during normal business hours on a regular basis?  
(n=808 TN businesses)

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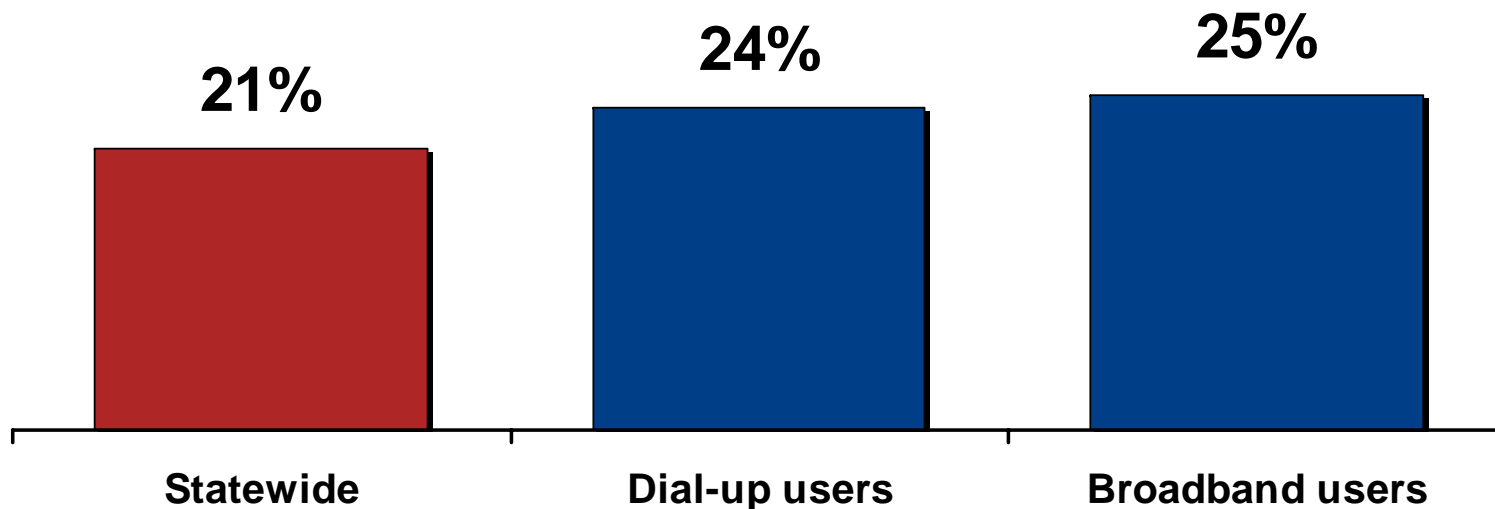
Source: July 2008 Connected Tennessee Survey of Businesses

[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Teleworking by Type of Internet Access

Percent of Tennessee businesses that allow employees to telework on a regular basis:



Q: Do any employees within your organization work from home during normal business hours on a regular basis?  
(n=808 TN businesses)

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Source: July 2008 Connected Tennessee Survey of Businesses

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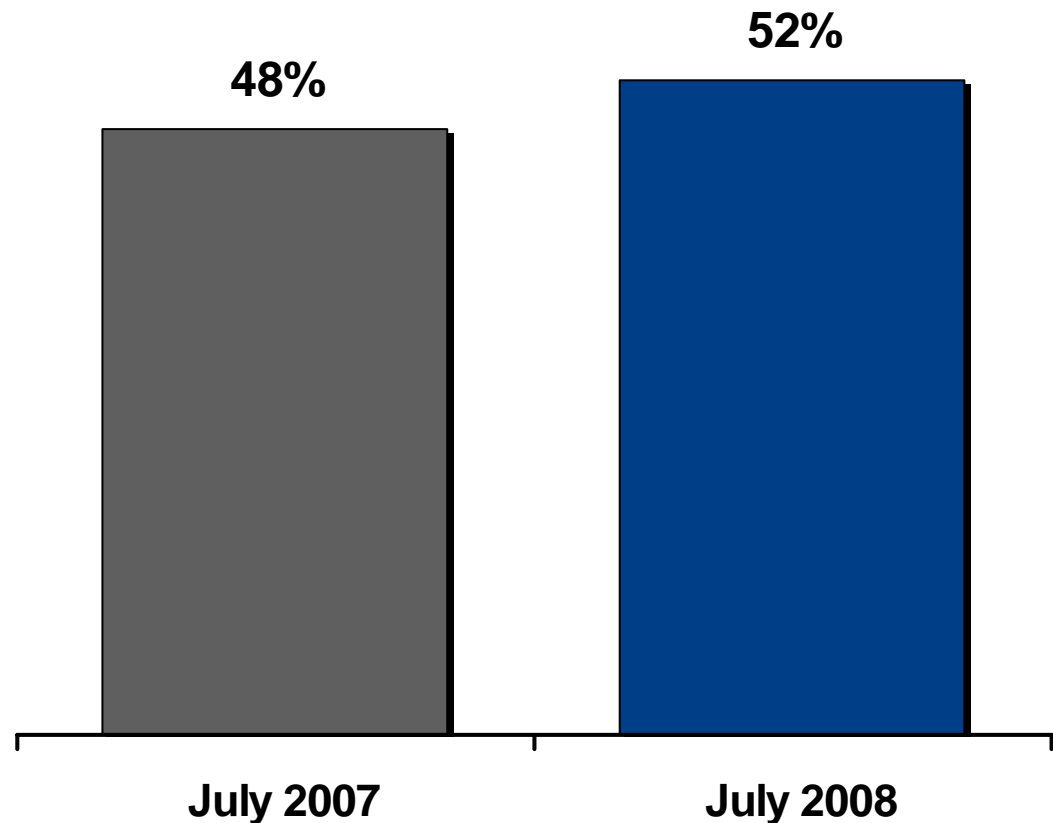
# E-Government Services



# Use of Tennessee State Websites

Percent of all Tennessee Businesses:

Statewide, 52% of all Tennessee businesses access Tennessee state government websites. This is an 8% growth rate since July 2007.



Q: How often, if ever, do employees of your company visit Tennessee state government websites for business purposes? (n=808 Tennessee businesses)

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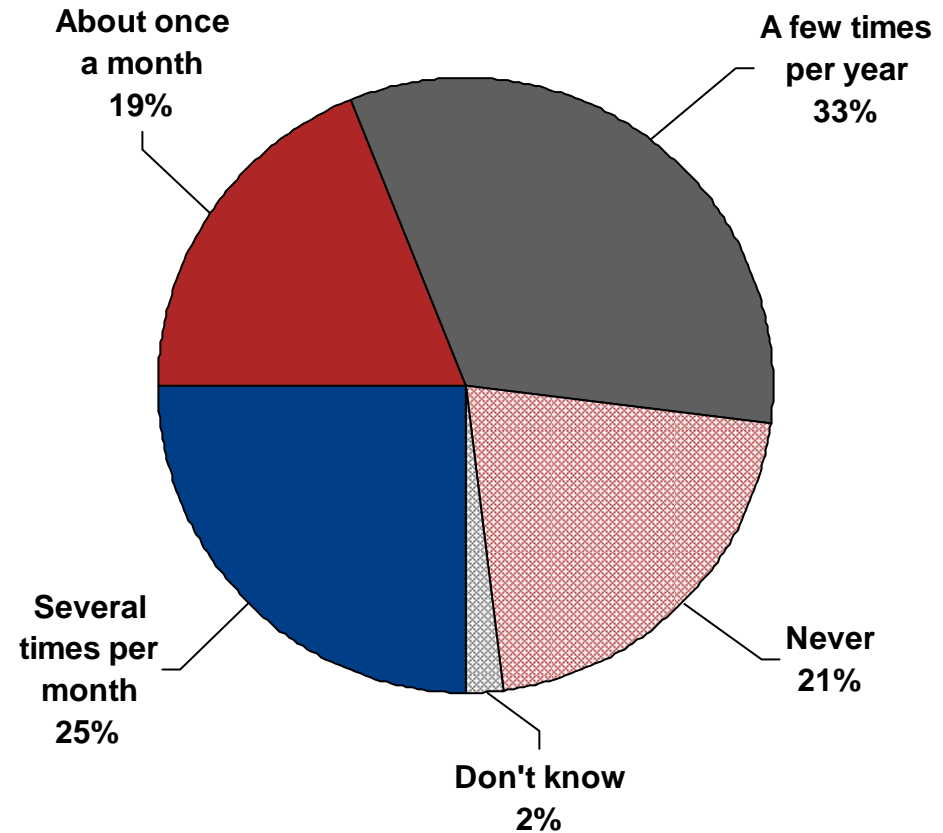


# Business Use of State Government Websites

**Over 75% of Internet-connected businesses report that their employees use Tennessee state government websites for business purposes, including 25% that visit these sites at several times per month.**

**Statewide, 52% of all Tennessee businesses say they visit Tennessee state government websites.**

**Frequency of visiting Tennessee state government websites (among Internet-connected businesses):**



Q: How often, if ever do employees of your company visit Tennessee state government websites for business purposes?

(n=617 TN businesses that use the Internet)

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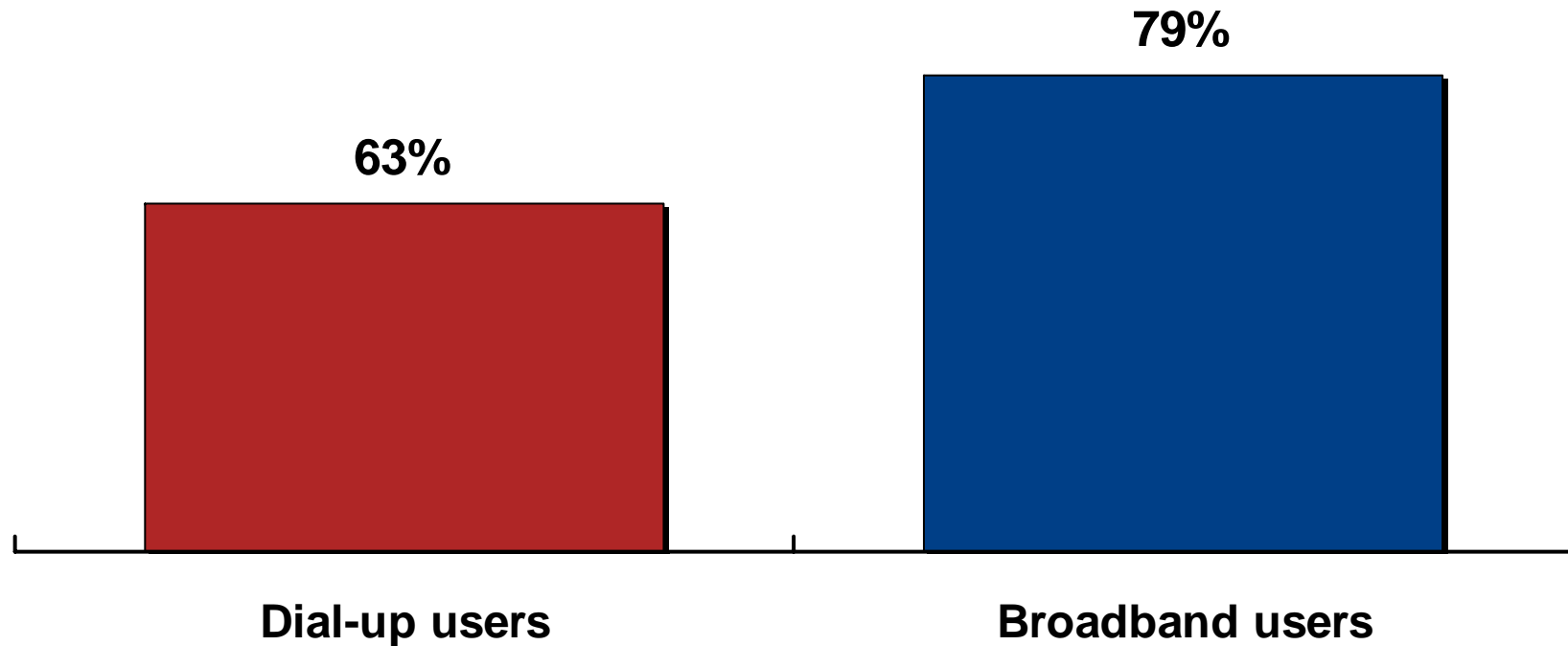
Source: July 2008 Connected Tennessee Survey of Businesses

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## Use of State Government Websites (Dial-Up versus Broadband Subscribers)

Percent of Internet-connected Tennessee businesses that visit state government websites at least once per year:



Q: How often, if ever, do employees of your company visit Tennessee state government websites for business purposes?  
(n=617 Tennessee businesses that use the Internet)

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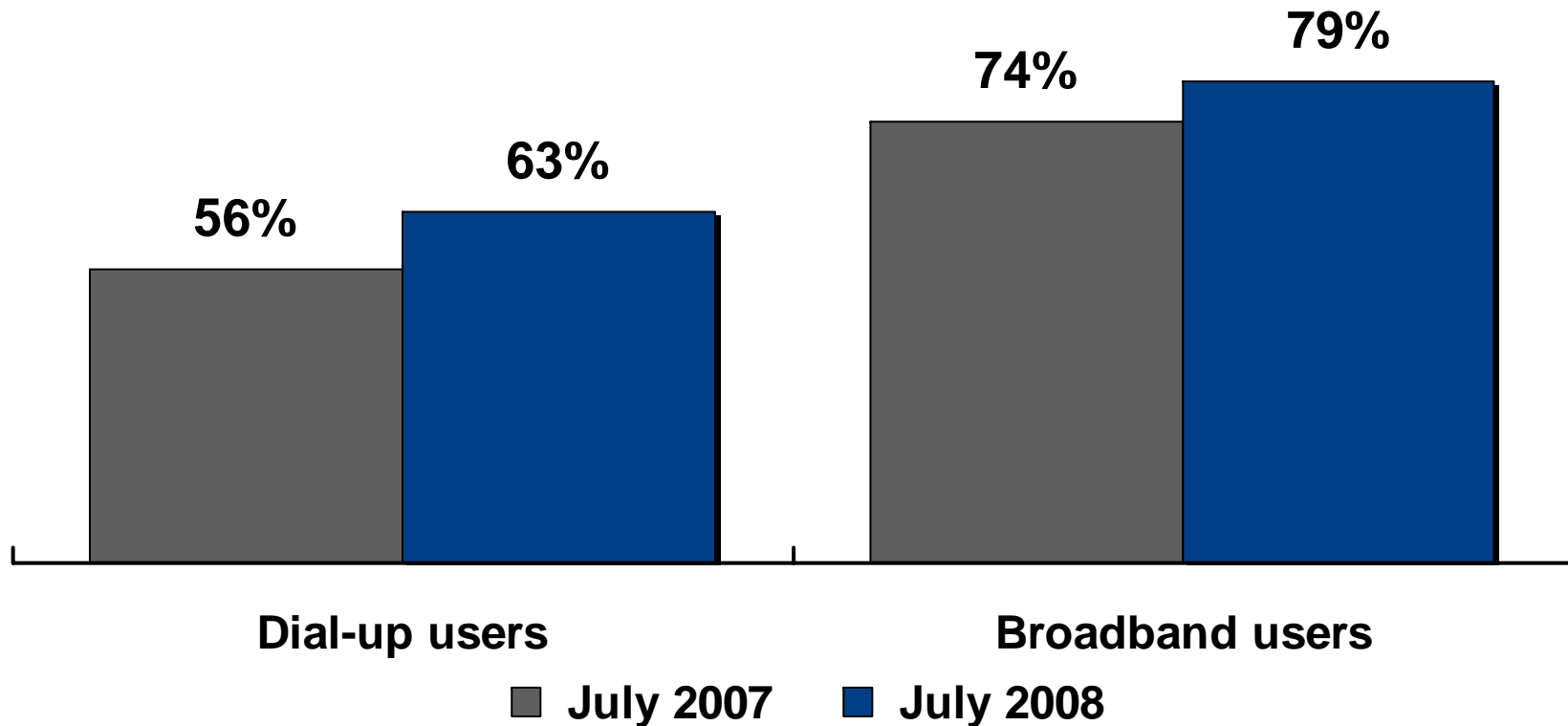
Source: July 2008 Connected Tennessee Survey of Businesses

[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Use of State Government Websites (Dial-Up versus Broadband)

Percent of Internet-connected Tennessee businesses that visit state government websites at least once per year:



Q: How often, if ever, do employees of your company visit Tennessee state government websites for business purposes?  
(n=617 Tennessee businesses that use the Internet)

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Source: July 2008 Connected Tennessee Survey of Businesses

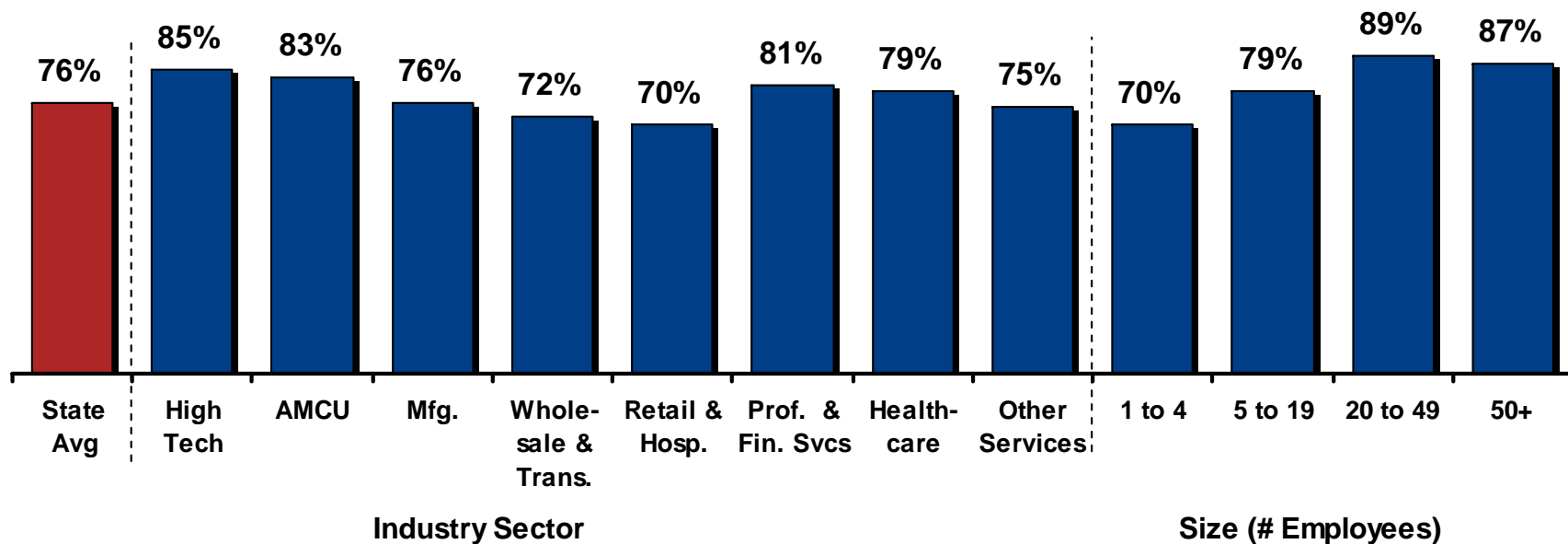
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Use of TN Government Websites by Size and Sector

Businesses in the Retail/Recreation/Food/Lodging sector are far less likely to use state government websites, while firms in the High Tech and Agriculture/Mining/Construction/Utility sectors are the most likely to visit state government websites.

Percent of Internet-connected Tennessee businesses that visit state government websites at least once per year:



Q: How often, if ever, do employees of your company visit Tennessee state government websites for business purposes?  
(n=617 Tennessee businesses that use the Internet)

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Source: July 2008 Connected Tennessee Survey of Businesses

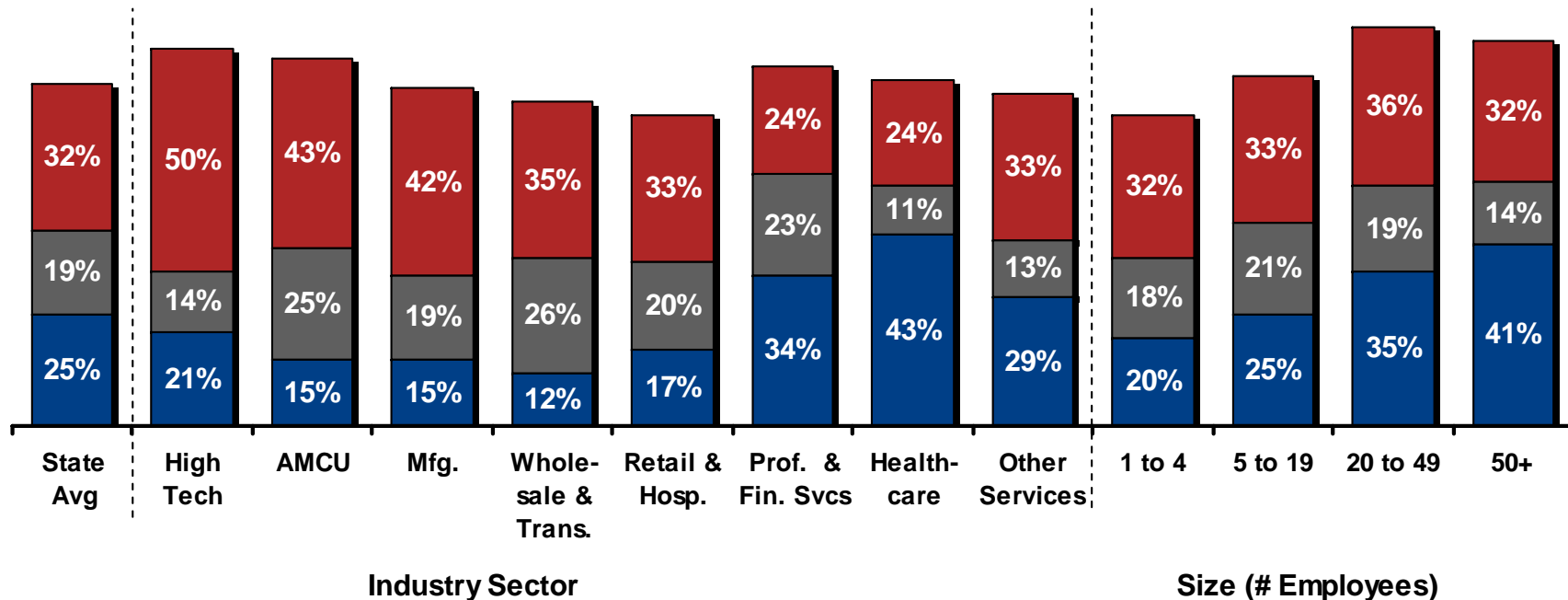
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Use of TN Government Websites by Size and Sector

Downloading documents and searching for state government information are the applications that businesses use most frequently on the state government website.

■ Several times per month    ■ About once a month    ■ A few times per year



Q: How often, if ever, do employees of your company visit Tennessee state government websites for business purposes?  
(n=617 Tennessee businesses that use the Internet)

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Source: July 2008 Connected Tennessee Survey of Businesses

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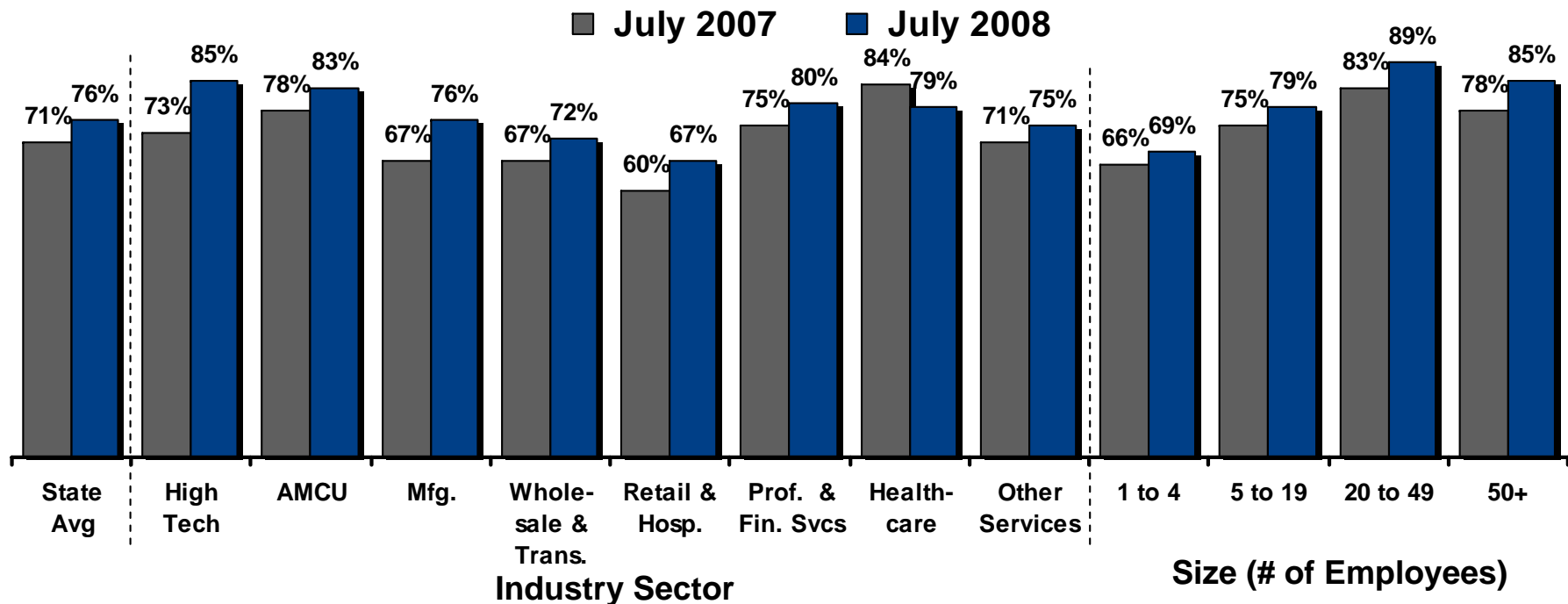


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# Trends in TN Government Website Use

An additional 5% of Tennessee businesses now access state government websites, compared to one year ago.

Internet-connected TN businesses that visit state government websites at least once per year:



Q: How often, if ever, do employees of your company visit Tennessee state government websites for business purposes?  
(n=617 Tennessee businesses that use the Internet)

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Source: July 2008 Connected Tennessee Survey of Businesses

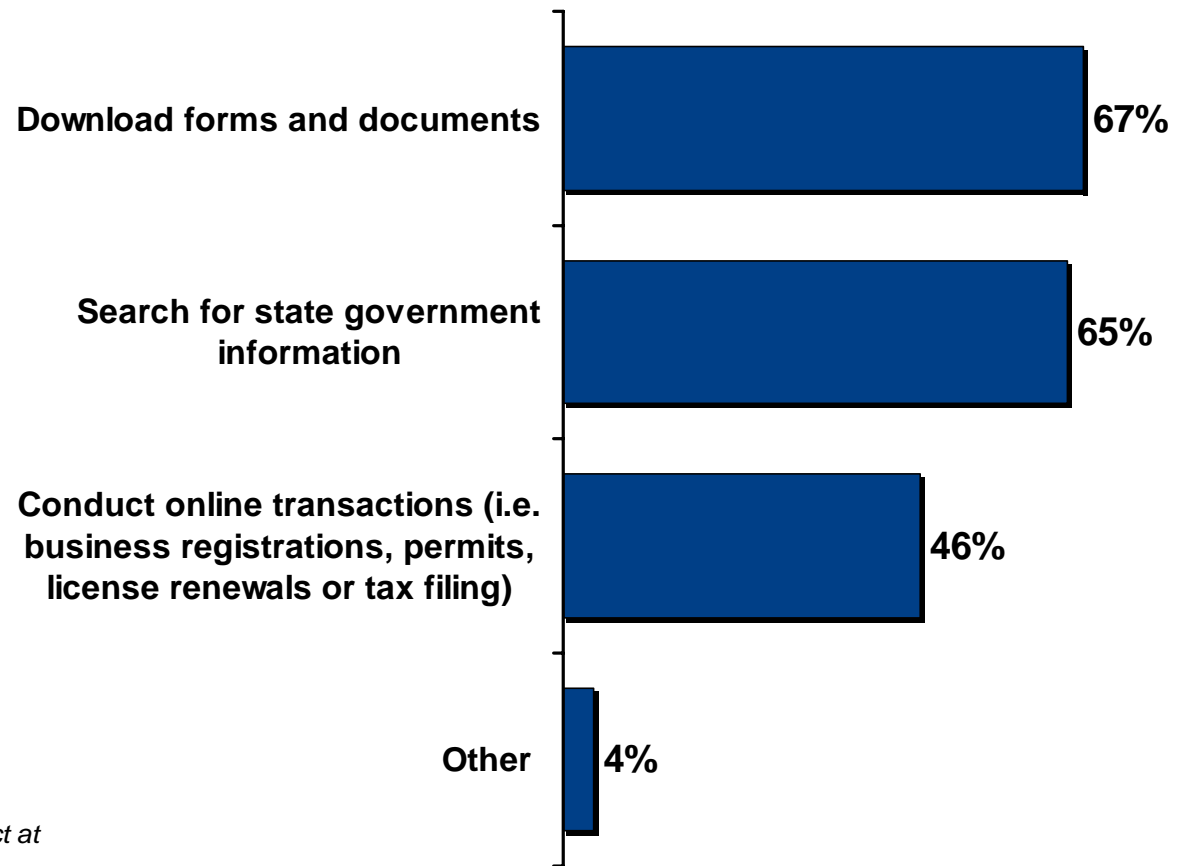
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Activities at TN Government Websites

Applications used by businesses that visit Tennessee state websites:

**Among Tennessee businesses whose employees access Tennessee state government websites, 67% report that their employees download forms and documents. This is the most frequently reported application.**



Q: What type of activities does your business conduct at Tennessee's state agency websites?  
(n=519 TN businesses that use the state government website)  
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# The Internet's Impact on Success and Competitiveness

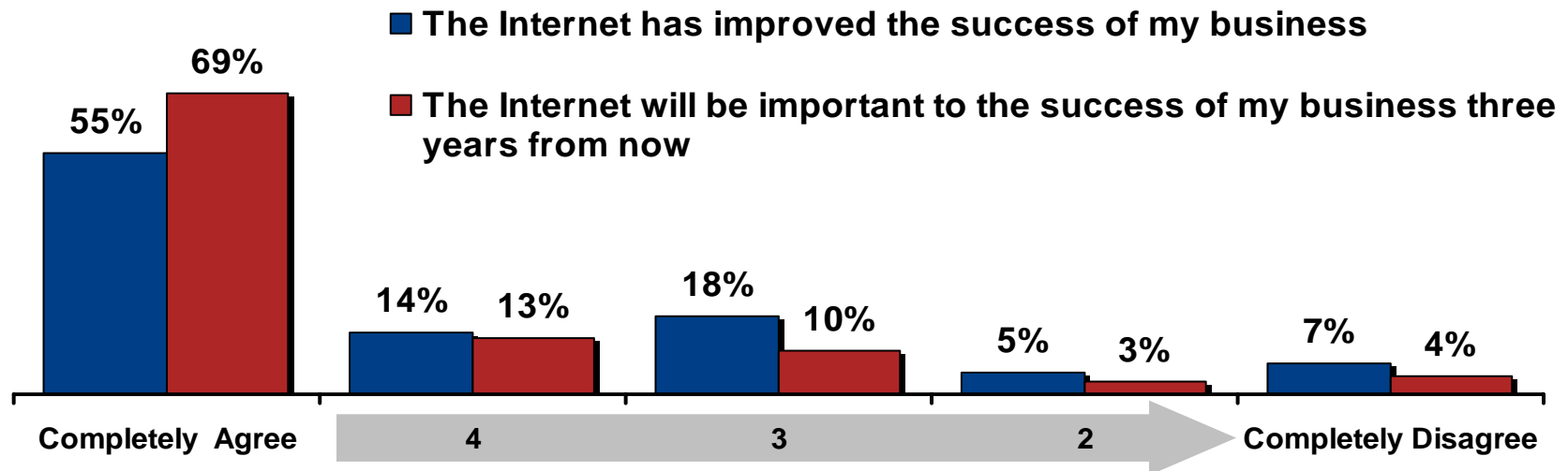


# The Internet's Impact on Success

Fifty-five percent of all Internet-connected Tennessee businesses “Completely Agree” that the Internet has already improved the success of their business.

That number increases by more than 20% when businesses consider how important the Internet will be to their success three years from now.

On a scale from 1 to 5, with 5 being “Completely Agree” and 1 being “Completely Disagree”:



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

Source: July 2008 Connected Tennessee Survey of Businesses

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# The Internet's Impact on Success (Dial-Up Users Compared to Broadband Users)

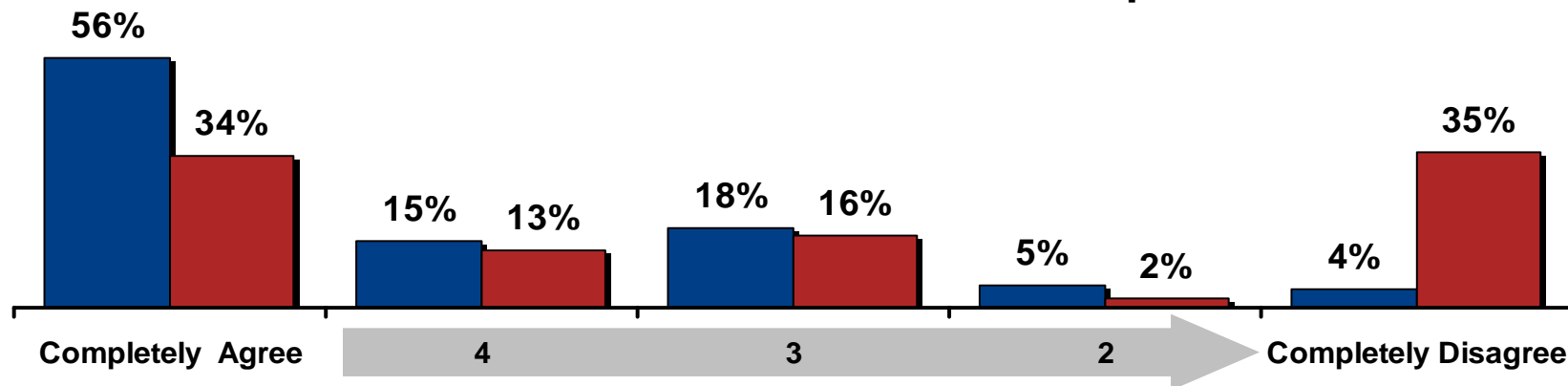
Fifty-six percent of all broadband-connected businesses “Completely Agree” that the Internet has helped them succeed, compared to just 34% of dial-up users who feel the same way.

The fact that a significantly higher percentage of dial-up users “Completely Disagree” with this statement indicates that dial-up users are not experiencing the same rewards as broadband users.

On a scale from 1 to 5, with 5 being “Completely Agree” and 1 being “Completely Disagree”:

“The Internet has improved the success of my business.”

■ Broadband users      ■ Dial-up users



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

Source: July 2008 Connected Tennessee Survey of Businesses

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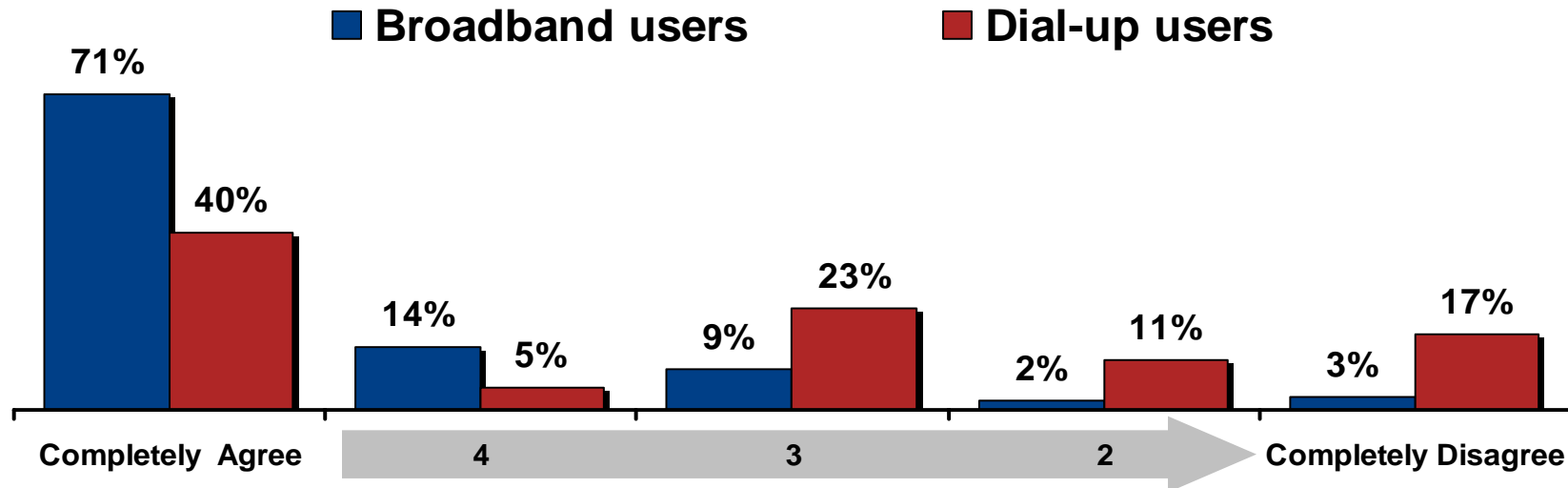


# The Internet's Impact on Success (Dial-Up Users Compared to Broadband Users)

**Broadband users are also considerably more optimistic about the Internet's role in their future success.**

On a scale from 1 to 5, with 5 being "Completely Agree" and 1 being "Completely Disagree," how much do you agree with the following statement:

"The Internet will be important to the success of my business three years from now."



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

Source: July 2008 Connected Tennessee Survey of Businesses

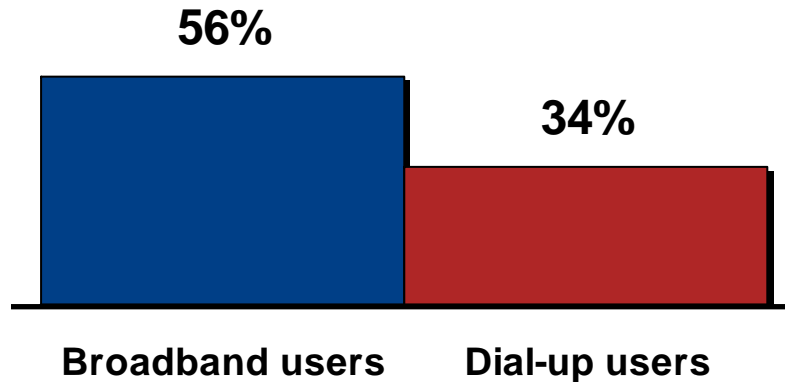
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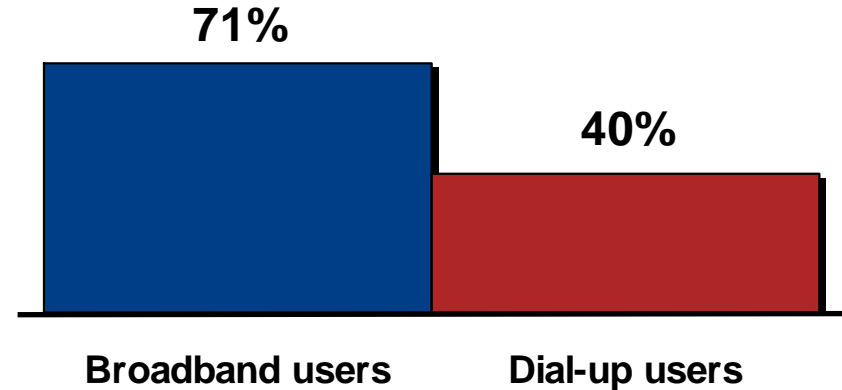
# Perceptions of the Internet's Impact on Success

Percent of businesses that use the Internet and “Completely Agree” with the statement:

“The Internet has improved the success of my business.”



“The Internet will be important to the success of my business three years from now.”



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

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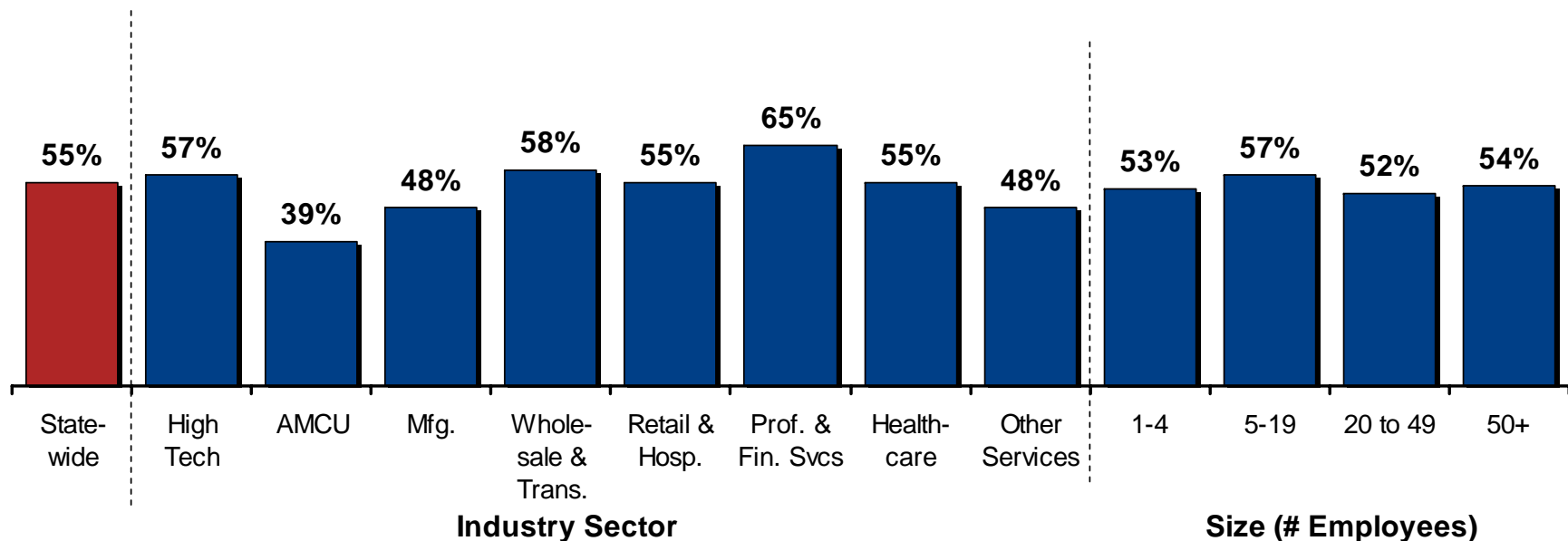


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# The Internet's Impact on Success

The High Tech and Professional/Finance sectors are most likely to appreciate the value of the Internet for business success.

Percent of businesses that use the Internet and "Completely Agree" with the statement:  
"The Internet has improved the success of my business."



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

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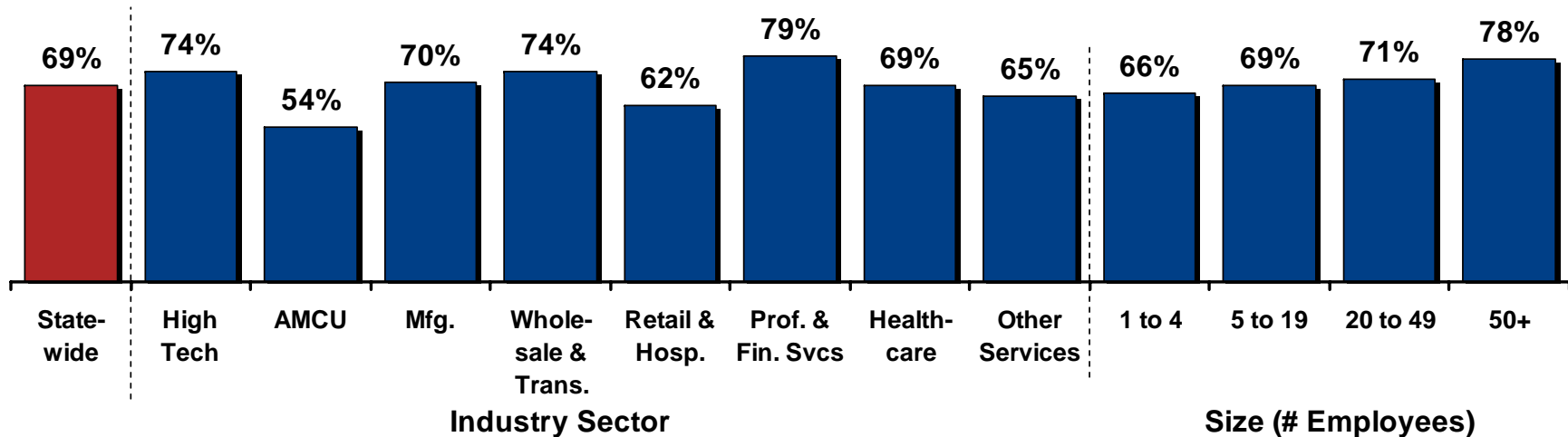
# The Internet's Anticipated Impact on Success

All industry sectors and sizes agree that the Internet will have a greater impact on their business success three years from now. This attitude is most prevalent in the Professional/Finance sector.

Larger companies still are more likely than smaller companies to agree that the Internet will improve business success three years from now.

Percent of businesses that use the Internet and "Completely Agree" with the statement:

"The Internet will be important to the success of my business three years from now."



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
 (n=617 TN businesses that use the Internet)

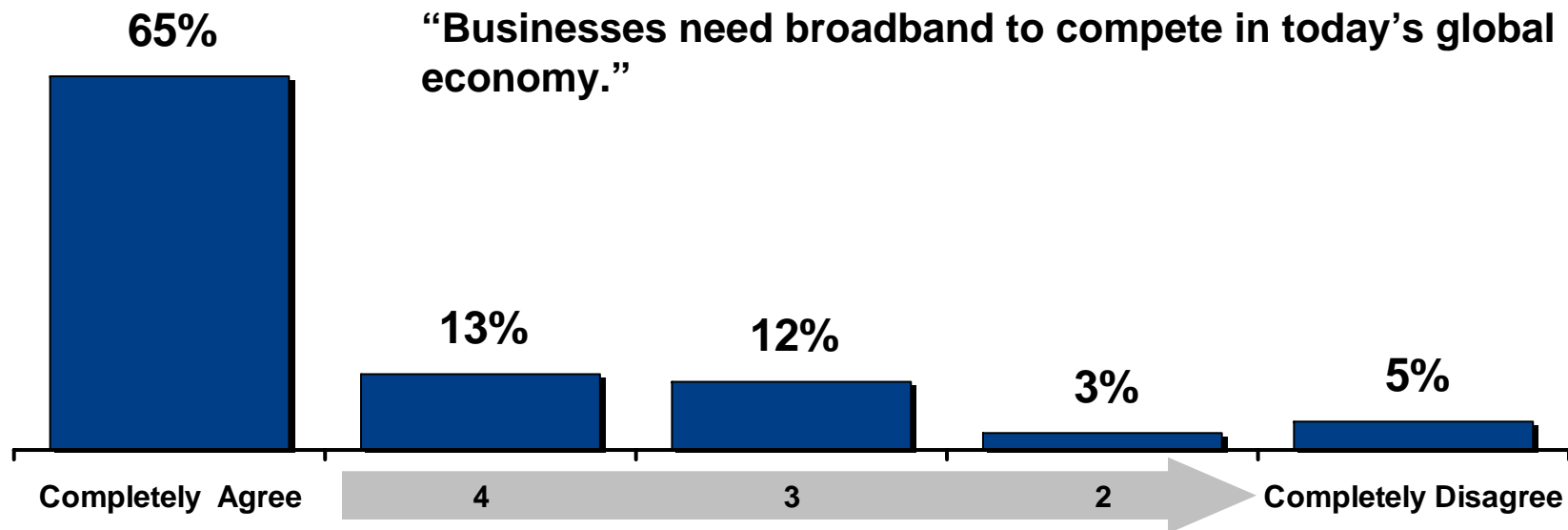
Source: July 2008 Connected Tennessee Survey of Businesses  
[www.connectedtennessee.org](http://www.connectedtennessee.org)



# Broadband's Impact on Competitiveness

**Nearly two-thirds of all Internet-connected businesses completely agree that broadband is necessary to compete in today's global market.**

On a scale from 1 to 5, with 5 being "Completely Agree" and 1 being "Completely Disagree":



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

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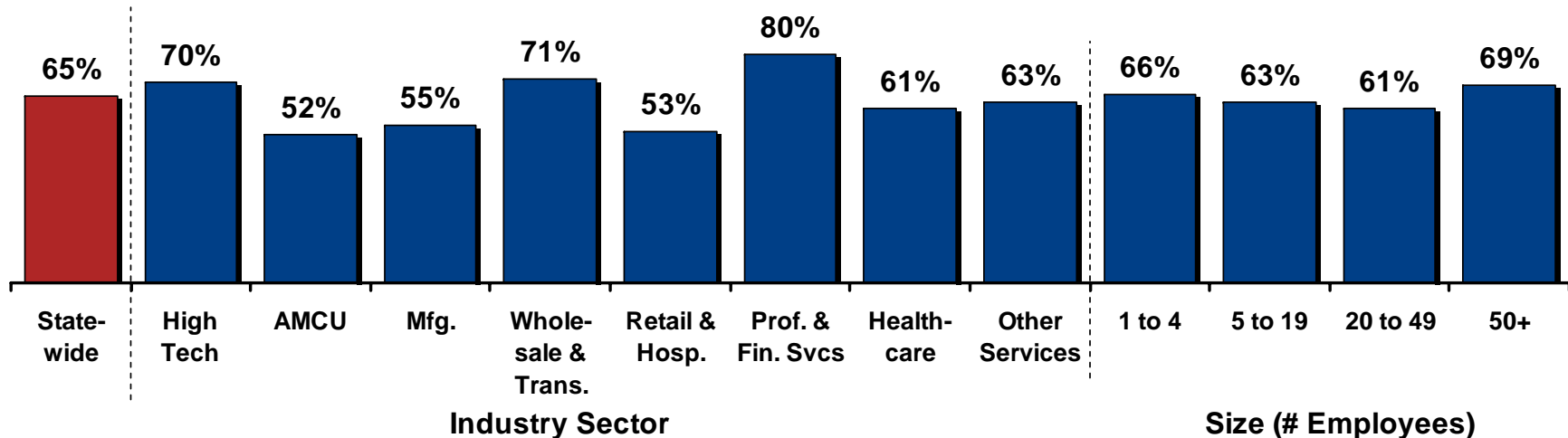
# Broadband's Impact on Competitiveness

Nearly two-thirds of all Internet-connected Tennessee businesses agree that broadband is necessary to compete in today's global economy.

This belief is most prevalent among businesses in the High Tech and Professional/Finance sectors, and least likely to be held by businesses in the Retail/Hospitality sector.

Percent of businesses that use the Internet and "Completely Agree" with the statement:

"Businesses need broadband to compete in today's global economy."



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

Source: July 2008 Connected Tennessee Survey of Businesses

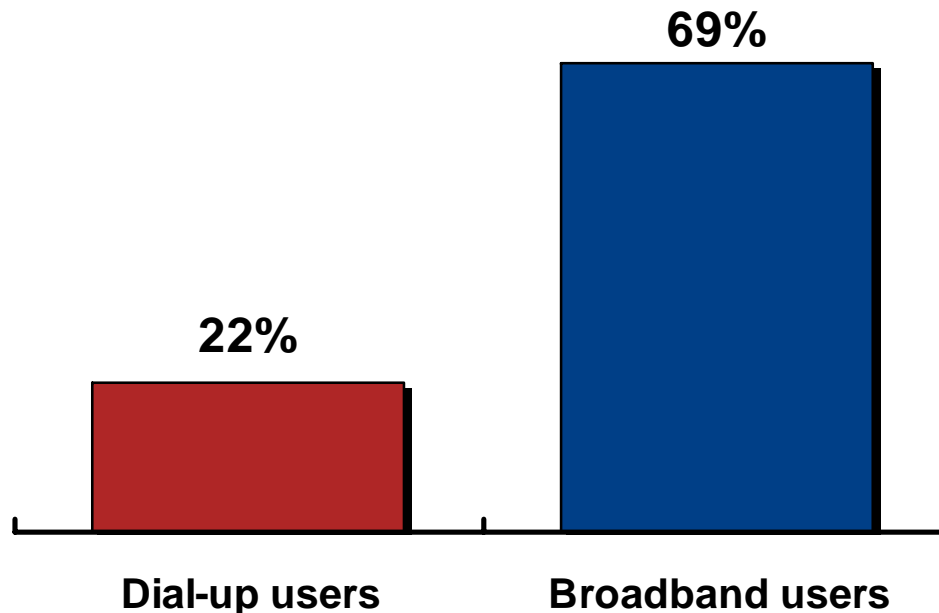
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# Perceptions of Broadband's Impact on Competitiveness

Percent of businesses that use the Internet and “Completely Agree” with the statement:

“Businesses need broadband to compete in today’s global economy.”



Q: On a scale of 1 to 5, with 5 being completely agree and 1 being completely disagree, how much do you agree with the following statement:  
(n=617 TN businesses that use the Internet)

Source: July 2008 Connected Tennessee Survey of Businesses

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# Research Methodology



# Methodology Overview

- **Eight hundred and eight (808) businesses were contacted by telephone between July 23 and July 30, 2008. Data were collected by Wilkerson and Associates in Louisville, KY.**
- **The error interval or sample tolerance for the survey is  $\pm 4.8\%$  at the 95% confidence level. This sample error accounts for sample weighting, using the effective sample size.**
- **A similar survey, using an identical methodology and sample design was conducted by Connected Tennessee in July 2007 with 812 Tennessee businesses. The July 2008 survey is designed to update those July 2007 benchmarks.**
- **Sample quotas were established by company size (4 brackets) and industry sector (8 sectors). Within these 32 cells, Dun & Bradstreet provided a random sample of businesses selected for the survey.**
- **This approach gathers enough interviews within size and industry subsectors to analyze with confidence.**
- **Weighting of the survey data enables the total sample to also be representative of all employer business establishments, according to the U.S. Census Bureau *County Business Patterns* (CBP) data. Weighting and research consultation were provided by Lucidity Research LLC, [www.lucidityresearch.com](http://www.lucidityresearch.com).**



# Tennessee Business Universe

- The federal government classifies and tabulates the number, size and type of businesses in two ways:
  - Business establishments with paid employees
  - Non-employer business establishments
- A business establishment is defined as “a single physical location at which business is conducted or services or industrial operations are performed.”
- Businesses with paid employees are reported in the *County Business Patterns* data from the U.S. Census Bureau based on payroll tax information. This is the most comprehensive and consistent year-to-year measurement of private employer businesses. For this reason, many state agencies rely on these data for economic development and planning purposes.
  - In 2006, there were 135,074 private business establishments in Tennessee employing nearly 2.5 million residents. This is the sample frame for the survey.
- Non-employer establishment counts are derived from business income tax returns filed by non-employer businesses. Generally, these businesses have at least \$1,000 in sales receipts, but most of these are very small and often are not a primary source of income for the owner(s).
  - In 2006, there were 436,134 *non-employer* businesses in the state.



# Urban-Rural Classifications Defined

- **The U.S. Census Bureau uses an urban-rural classification based on Metropolitan Statistical Areas (MSAs), which are designated by the United States Office of Management and Budget to collect, tabulate and publish federal statistics.**
- **Metropolitan statistical areas contain a core urban area with a population of 50,000 or more. Each MSA also includes one or more counties that have a high degree of social and economic interaction with the urban core (further information on definitions for MSAs can be found at: [www.census.gov/population/www/estimates/00-32997.pdf](http://www.census.gov/population/www/estimates/00-32997.pdf)).**
- **When classifying urban, suburban and rural counties, we follow the Census Bureau definition whereby counties are categorized as “urban” if they contain the core city of an MSA. “Suburban” counties include MSA counties that do not contain a core city, and “rural” counties include all remaining counties that are not part of an MSA.**
- **Using these definitions, there are currently 10 urban, 28 suburban and 57 rural counties in Tennessee.**



# Methodology: Weighting

- The July 2007 and July 2008 survey data were both sampled and weighted by quotas defined by the size of establishment and dominant industry sector using the most recent *County Business Patterns* data as targets.
- Respondent estimates of number of employees at the business location called were used in place of employee size data from Dun & Bradstreet. Industry sector quotas were defined based on NAICS groups shown in the tables below, according to Dun & Bradstreet data and confirmed during the interview itself.
- Sampled vs. Actual distribution of businesses is summarized in tables below.

Sector	1-4	5-19	20-49	50+
"High Tech"	3.1%	3.6%	2.8%	2.0%
AMCU	3.3%	3.5%	5.1%	0.9%
Manufacturing	3.2%	3.7%	3.0%	3.0%
Wholesale, T&W	3.0%	2.6%	4.2%	1.7%
Retail, Food, Lodging	3.3%	3.6%	4.6%	1.9%
Prof. & Fin'l Services	3.1%	3.8%	4.2%	1.2%
Healthcare	3.1%	3.0%	3.6%	2.5%
All Other services	3.1%	3.1%	3.8%	3.5%

Sector	1-4	5-19	20-49	50+
"High Tech"	3.6%	1.9%	0.7%	0.7%
AMCU	5.2%	2.9%	0.7%	0.3%
Manufacturing	1.3%	1.3%	0.7%	0.8%
Wholesale, T&W	3.8%	2.8%	0.9%	0.6%
Retail, Food, Lodging	10.8%	11.0%	3.9%	1.8%
Prof. & Fin'l Services	10.9%	5.5%	0.9%	0.4%
Healthcare	4.3%	4.2%	1.0%	0.8%
All Other services	9.2%	5.0%	1.1%	0.9%



# Contact Information

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**[www.connectedtennessee.org](http://www.connectedtennessee.org)**

**(615) 242-9508**