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Experian Touting Blended Small-Business Scores

■ BY ISABELLE LINDENMAYER

Blending a small-business owner's personal and business credit scores gives a more accurate view of the company's creditworthiness than the business score alone, a report released Monday said.

The report, based on a study conducted in August by Experian Inc., found that even though business scores are more dynamic than personal ones, increases in one score are associated with increases in the other. The same is true with decreases in the scores, the Costa Mesa, Calif., credit bureau said.

"Small-business owners tend to use their personal as well as their business finances to fund the business," said Denise Hopkins, Experian's senior director of business marketing solutions. "Blending the two scores is a more predictive view of the business and can lower the level of risk."

Experian is selling the report for \$250 and is offering blended small-business owner scores to its customers.

The study, which compared a random sample of 1 million small-business owners' records to 250 million consumer records, also found that small-business owners are wealthier than the general population and tend to come from more "traditional households."

Small-business owners were also 69% more likely than other people to live in affluent suburbs, and their average income was \$71,690, 21% higher than the average U.S. income, according to Experian.

The entrepreneurs are 42% more likely to be married than the general population, 20% more likely to be in a household with

a male head, and 25% more likely to have children, the study found.

"Small-business owners are much more stable than the image most of us have," Ms. Hopkins said.

According to the Small Business Administration, there are about 23 million small businesses — which the SBA defined as companies with less than 500 employees — and about 99.7% of all U.S. business are small.

Experian conducted the study because "among our B-to-B clients, we saw many companies trying to target the small-business marketplace," Ms. Hopkins said. "We wanted to determine if there were unique characteristics to small-business owners to be used by our clients to better market to the small business."

The study found that small-business owners are 53% more likely than the general population to reside in the Pacific time zone, and that Asians are 51% more likely than other people to be business owners.

Small-business owners are 50% more likely to purchase items through mail order and 54% more likely to be receptive to e-mail than the general population, the report said.

The study also analyzed owners of businesses in different industries. According to the study, small-business owners in the

services industry are 73% more likely than those in other industries to be receptive to e-mail, while those in finance, insurance, and real estate are 69% more likely to be receptive to e-mail.

In addition, small-business owners are more likely to make charitable donations

than people who do not own a business, Experian said. Among the industries surveyed, small-business owners in the mining industry were the most likely to make religious and political contributions, the study found.

"There just hasn't been anything like this done before, to create a thorough profile of the small-business owner," Ms. Hopkins said.

Another Experian study, released last week, found that the average U.S. consumer's debt has

risen 12% in the past year, to \$11,224.

Roughly 25% of U.S. consumers have debt above the national average, and those consumers had an average credit score of 695, Experian said. Surprisingly, the average credit score for consumers with debt below the national average was 671.

"It's important for consumers to remember that having debt is not always a bad thing as long as they manage it well," Ed Ojdana, the president of Experian Consumer Direct, said in a press release. ■

Old-Fashioned

Experian says small-business owners are:

42% More likely to be married

20% More likely to be in a household with a male head

25% More likely to have children

11% More likely to own homes