

Updating the Not-So Small Business Scene

What's Out There?

In taking a fresh look at businesses in the US today, let's start with "population." How many businesses are out there? This simple question does not come with an easy answer. The Small Business Administration (SBA), generally years behind the times in its estimation, depends on information from the IRS. For its count, the IRS uses tax records based on unemployment-insurance taxpayers and including almost all non-farm employers. Taking all of this into consideration, the SBA comes up with the following totals:

Year	Year End Total Businesses
1992	5,741,000
1993	5,851,000
1994	5,992,000
1995	6,057,000
1996	6,220,000

Are these figures dependable? Perhaps not, if we look at the broader picture. According to the National Federation of Independent Businesses, "If everyone who files a tax return with business income is included, more than 21 million businesses exist. For those whose principal occupation is owning or operating a business, the number of small-business owners is 12 million, seven million of whom work for themselves."

So what is the real "head" count? Most likely, it's impossible to know. Those who deal in the buying and selling of businesses have their own ideas. For example, a major list company comes up with a figure of 10,000,000, and this reckoning is based on the most up-to-date information available, with careful category breakdowns. There is quite a discrepancy (approximately 3.8 million) between the SBA/government figures and those of the list company, and this can be explained: the SBA bases its totals on unemployment insurance, and many businesses, having no employees (or perhaps a spouse as the only employee) do not file the unemployment insurance and are thus not tracked.

What's the Size?

If we assume that 10 Million is a reasonable total for businesses in the US today, how does this number break down by size? Here's a rough guide, according to the SBA:

Very Small	19 or fewer employees	85.0%
Small	20 to 99 employees	9.0%
Medium	100 to 499 employees	1.5%
Large	500+ employees	1.0%

(The percentages do not add up to 100 percent because of rounded numbers and the unknown quantity of large businesses.)

Updating the Not-So Small Business Scene cont'd

"Rough" is perhaps the best description for this breakdown, especially when applied to the "Very Small -- 19 or fewer" category, which overlooks the importance of businesses with only one employee. There is a lot "hidden" inside this 85 percent fog, as the more detailed breakdown by the list company shows:

No. of Employees	No. of Businesses	Percentage
1-4	6,306,186	62%
5-9	1,815,186	18%
10-19	949,801	9%

What's the Type?

Now that we have an idea of what's out there, let's take a look at business type. Although there are fifteen major categories of business types, many of these are either not normally sold in the marketplace or are sold by specialists. Eliminating these categories, we are left with approximately 6,413, 102 businesses that are part of the regular buying and selling scene. These types are: manufacturing, wholesale trade, retail trade, business and personal services, and household and miscellaneous services, altogether about 53 percent of the total number of businesses in current operation.

How Many Are For Sale, and - How Many Do-Sell?

Focusing on that 53 percent of businesses normally active in the buy-sell-marketplace, the 1998 Business Reference Guide draws a comparison between how many of those are for sale at any one time and how many of these actually get sold. Again, size is key to such a breakdown:

No. of employees	% for Sale	No. that Sell
1-4	20%	1 out of 6
5-9	20%	1 out of 5
10-19	15%	1 out of 4
20-49	15%	1 out of 4
50-99	10%	1 out of 4
100-249	10%	1 out of 4
250+	10%	1 out of 3

Updating the Not-So Small Business Scene cont'd

The chart above makes it obvious that the smaller business accounts for the largest percentage of businesses for sale. At the same time, these figures seem to indicate that the number of small businesses that sell is small, which is deceptive: many smaller businesses may be available to the marketplace but simply close their doors. Others continue to be operated by their owners, but may always be "on the market." Still others sell their equipment and their leases, and the new owner changes the business -- to another entity completely.

When looking at the actual numbers for sale versus the numbers that do sell, the picture shifts. For example, out of 795,225 businesses for sale in the "1-4 employees" category, 132,537 of those businesses will sell. At the other end, out of 3,206 businesses for sale in the "250+ employees" category, 1,069 businesses actually sell. The smaller the business, the higher the number of actual business sales.

A further question arises about the selling of businesses: How many are sold by business broker intermediaries? If we keep to our categories of businesses normally available in the marketplace, the number would be high. Since business brokers generally handle businesses that don't require a buyer to have specialized training, these are the businesses that appeal to ninety percent of buyers --all of whom are first-time business owners.

What Does It All Mean?

All the figures point to one conclusion: small business is not small-time. Small business is strong in numbers, in selling potential --and in the ability to grow. As reported by the National Federation of Independent Business, "One-half of small business owners start their business with less than \$20,000. One in four of INC. Magazine's 500... fastest growing companies started with less than \$5,000." Small business continues to be a big force in the marketplace today.