

Business Growth: 2008 MicroTest Outcomes

The MicroTest fact sheet series profiles key data points from client outcomes surveys conducted by MicroTest members in 2008. This fact sheet is the third to explore data gathered in 2008 about client experiences in 2007. This issue examines growth in business revenues.

In 2007, 1,087 or 78 percent of all clients in the sample had businesses. These businesses had median and mean revenues of \$39,625 and \$124,112, respectively.¹

How do these revenues compare to those of other small businesses?

The Census Bureau reports that non-employer firms in 2007 had mean revenues of \$45,688.²

Within the MicroTest Outcomes data set, slightly more than half of all businesses were non-employer businesses, and the mean revenues for these businesses were \$40,076 (the median was \$18,000). The data suggest that the businesses of clients assisted by the microenterprise development programs in this study were relatively similar in size to other firms of this type across the

2008 MicroTest Outcomes Survey

Methodological Summary:

- Through its members, MicroTest annually conducts a survey of the business, household and individual outcomes of microenterprise clients.
- The survey includes information about the client when entering the microenterprise development organization (MDO) and the client's status approximately one year after receiving services.
- Only clients, those who received significant services from the MDO (training, loan, grant, etc.), are eligible to participate in the MicroTest Outcomes Survey.
- Only clients who received services in 2006 were eligible to be surveyed about their outcomes in 2007. The survey was conducted in 2008.
- Surveys were conducted in person, by telephone, by mail, and on-line.
- While this fact sheet presents longitudinal information on changes achieved by clients and businesses, there are no claims of causality or reporting of the net benefits of the microenterprise development organizations, because there is no comparison group data. There is evidence, however, that clients found value in program participation, and that the information and skills they received were used to run their businesses. As a result, it is likely that at least some of the changes observed are attributable to the services they received.

Diagnostics:

- 51% survey response rate
- 1,392 completed interviews
- 25 participating MDOs

Major Indicators:

- Business start and survivability rates
- Business growth
- Job creation from business
- Contribution to household income
- Health insurance status

¹ Data on revenues were missing for about 16 percent of the businesses.

² U.S. Census Bureau: Nonemployer Statistics. Available online at: <http://www.census.gov/epcd/nonemployer/2007/us/US000.HTM>

country, even though many of the owners were disadvantaged by income, gender, race or ethnicity. (At intake 59 percent were women, and 58 percent were people of color, or from a racial or ethnic minority.)

In the rest of the report we will explore the MicroTest outcomes data in greater detail, considering various categories of businesses. The first section of this fact sheet discusses business revenues for new businesses, that is, those businesses that opened after the client first entered the program.

Table 1: 2007 Mean and Median Revenues by Business Status

	Mean Revenue at Intake	Mean Revenue in 2007	Median Revenue at Intake	Median Revenue in 2007	N =
New businesses	N/A	\$75,000	N/A	\$22,000	303
Business at both intake and survey	\$119,000	\$178,000	\$44,000	\$60,000	342
Business at intake but not at survey	\$48,000	N/A	\$15,000	N/A	34

All figures rounded to the nearest \$1,000

Section two explores business growth for clients who enrolled in a microenterprise development organization (MDO) with a business and were still running their businesses in 2007. Section three focuses on clients who had businesses at enrollment, but either sold or closed them by 2007. Table 1 provides an overview of the revenues for these three categories at intake and survey.

Strong business start rate with the majority reporting revenues.

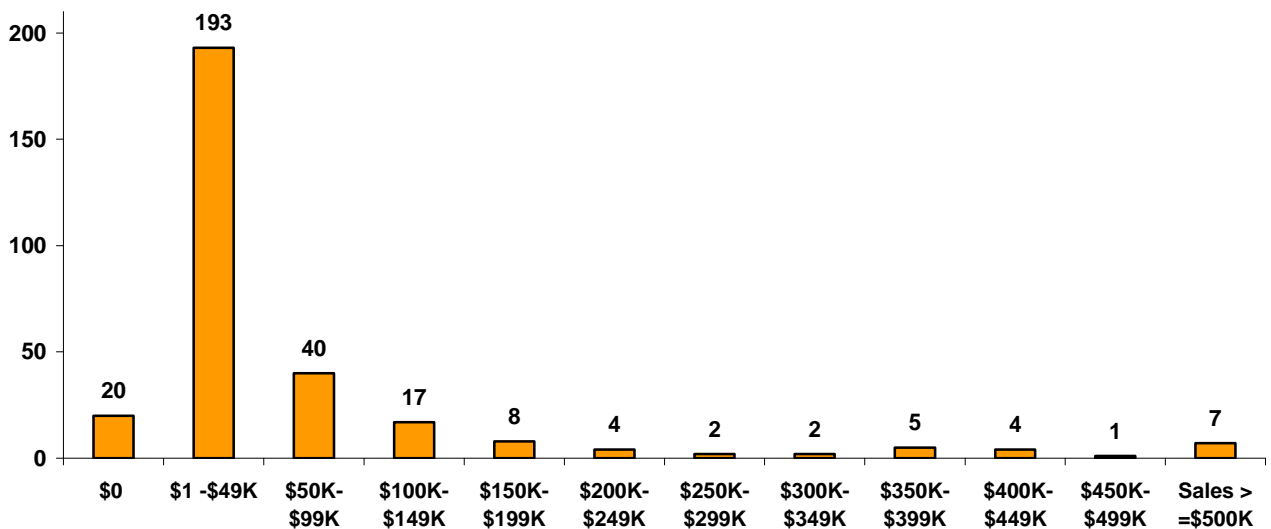
570 clients entered an MDO without a business. By 2007, 362 of these clients (64 percent) had opened a business, and reported revenues ranging from \$0 to \$3 million during 2007. The median and mean revenues were \$22,000 and \$75,221, respectively.

The majority of the new businesses (193 or 53 percent) reported less than \$50,000 in revenues in 2007.³ And while a small percentage of businesses did not generate any revenues during 2007 (20 or 6 percent), a few reported revenues in excess of \$500,000 (7 or 2 percent). These high-revenue businesses included a child care center, carpentry business, barn kit manufacturer, two restaurants, custom automotive accessories and a senior home service business. The median time these clients had been with the program was 1.42 years. The range was from 1.42 to 3.92 years⁴, which explains how some of these businesses were able to report such strong revenues. See Figure 1.

³ Data on revenues are available for 303 of the 362 new businesses.

⁴ Exact business start dates are not known for two of the high-revenue businesses.

Figure 1: Distribution of 2007 Revenues of Businesses Started After Intake



New businesses were divided between full-time and part-time operations, with the full-time businesses reporting substantially higher revenues.

Businesses started after intake were almost evenly divided between full-time and part-time businesses. One hundred eighty-five or 51 percent of the businesses were full-time and 174 or 48 percent were part-time.⁵ Part-time businesses predictably generated lower revenues than full-time businesses. The median for part-time businesses was \$6,500 and the mean was \$28,908. On the other hand, the median for full-time businesses was \$40,000 and the mean was \$120,399.

Revenues vary highly based on industry.

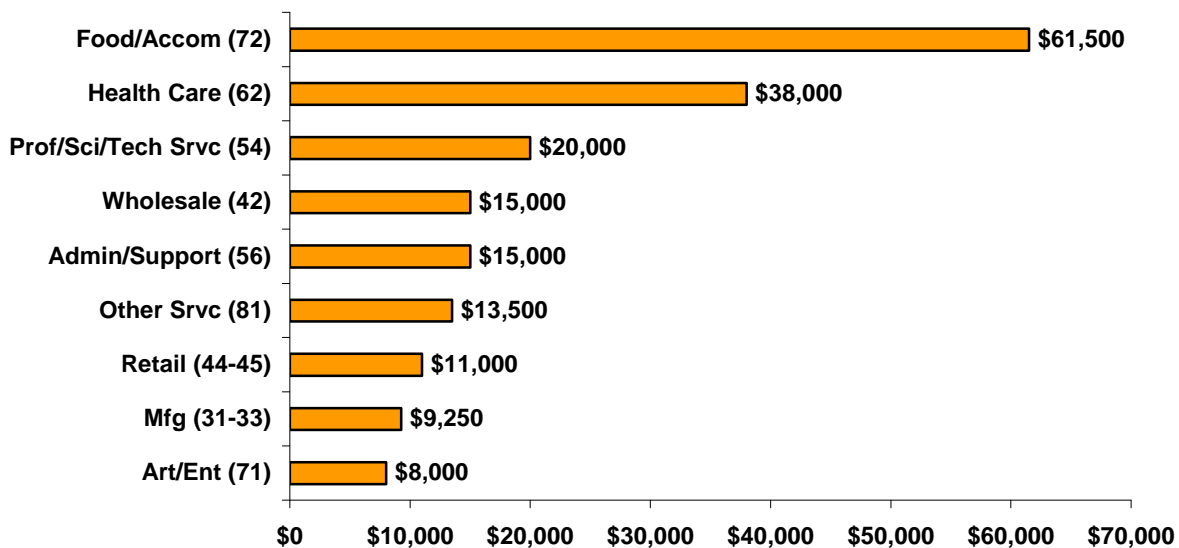
Business revenues, or total sales, were highly variable depending on the business sector.⁶

Figure 2 shows the median revenues of businesses in industries that represented at least 5 percent of the sample. Among those businesses, the highest median revenues reported were in Accommodation and Food Services (\$61,500) and Health Care and Social Assistance (\$38,000). For the full breakdown of revenues by NAICS codes, see Table 1 in the Appendix.

⁵ Hours at business were not known for 3 clients, or 1 percent of the new businesses.

⁶ Businesses were classified by researchers using the North American Industry Classification System (NAICS).

Figure 2: Median 2007 Revenues of Business Started after Intake by NAICS Codes



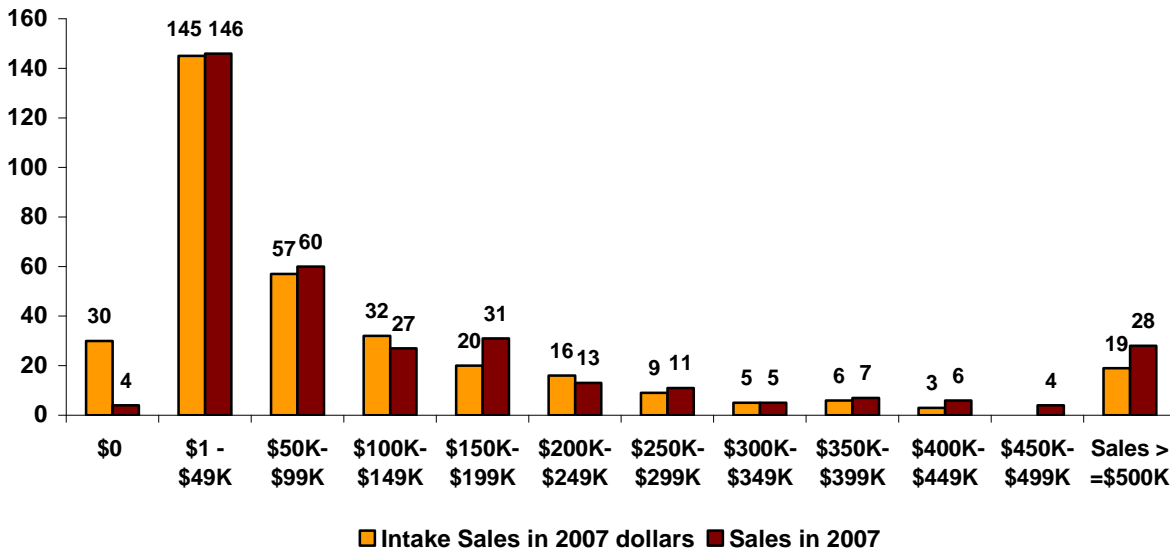
Existing businesses have a high survival rate and demonstrate solid revenue growth.

Seven hundred thirty clients with existing businesses enrolled in microenterprise programs. Of these, 656 or 90% were still in business in 2007. Revenues for 2007 were reported by 557 businesses. For these 557, median revenues were \$54,000 and mean revenues were \$153,642.

For those 342 surviving businesses on which revenue data are available for both intake and survey, median revenues increased by 37 percent (from \$43,711 to \$60,000) and mean revenues increased by 49 percent (from \$119,417 to \$178,139). The median time between intake and the end of the survey period, December 31, 2007, was 2 years (mean of 2.8 years).

Although the overall distribution of revenues from enrollment to 2007 did not dramatically shift, there were some noticeable changes at the ends of the distribution. The number of businesses with revenues of \$0 decreased and the number of businesses with revenues over \$500,000 increased. Figure 3 displays this shift by showing how many businesses reported revenues in various categories at intake and for 2007.

Figure 3: Distribution of 2007 Revenues of Surviving Businesses



Majority of existing businesses are full-time and report strong revenues. The majority also report revenue growth.

Fifty-nine percent of the 656 surviving businesses were full-time in 2007 and 25 percent were part-time.⁷ The median revenues for the 387 full-time businesses were \$80,000 and the mean revenues were \$191,078. The median age of these full-time businesses was almost 5 years (mean of 7.4 years)

The majority of surviving businesses with longitudinal revenue data also reported an increase in revenues: 206 (61 percent)⁸ of the surviving businesses saw revenue increases, and 134 (39 percent) saw decreases in their revenues.

Clients looking to substantially grow their businesses report largest growth in median revenues.

The data suggest that client goals, and likely the status of the business upon seeking services, affect business results. When clients were surveyed in 2008, they were asked to reflect back on their highest priority for assistance when they first went to the microenterprise program. Figure 4 looks at the changes in median revenues reported in categories based on the client’s stated assistance priority. Clients who were, in fact, seeking to grow their businesses substantially had median revenues that increased considerably from \$69,000 at enrollment to \$110,000 in 2007.

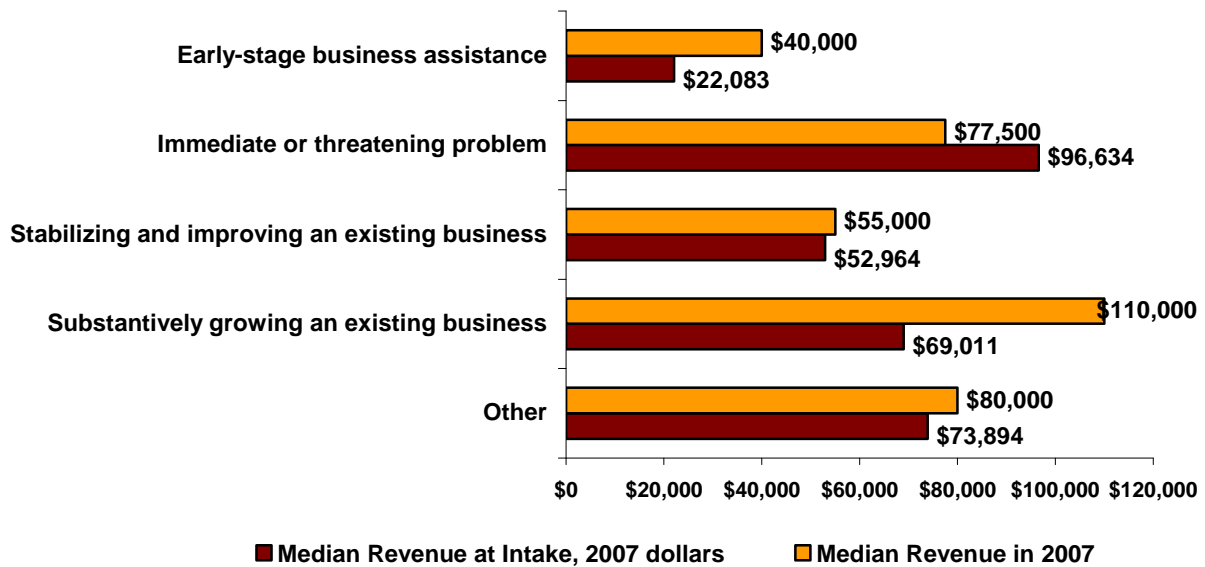
Also, median revenues almost doubled from \$22,000 to \$40,000 for clients who entered seeking early-stage business assistance for their existing businesses. Almost half of this group (48 percent) indicated their business had been operating for less than a year at intake, emphasizing their focus on the essentials of establishing a nascent business.

⁷ Hours at business were not known for 103 businesses (16 percent) that survived from intake until 2007.

⁸ Change data on revenues was not available for 314 clients or 49 percent of the surviving businesses. The percentages of businesses reporting an increase and decrease in their revenue are based just on the 342 clients for whom revenue change data was reported.

Not surprisingly, median revenues for clients seeking to stabilize and improve their businesses increased only slightly from \$53,000 to \$55,000. And, those looking for assistance with immediate or threatening business problems reported decreases in their revenues, with the median decreasing from \$97,000 to \$78,000. For some of these owners, survival in and of itself may be an achievement. In other instances, a turnaround might require a longer period of time than tracked through this survey.

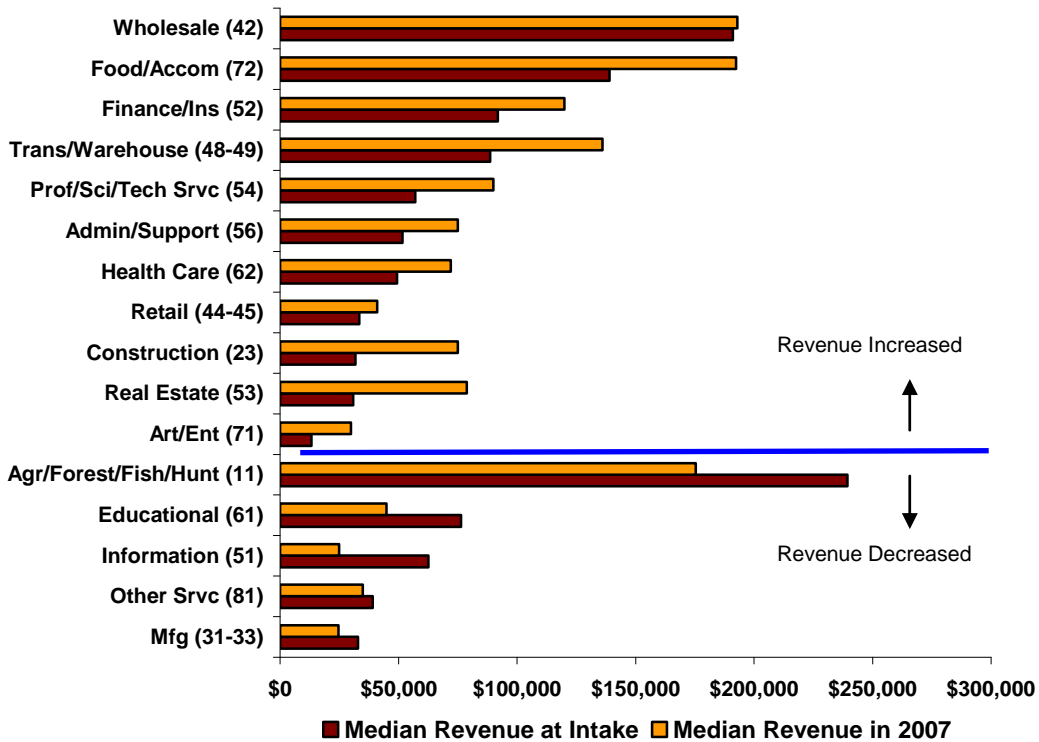
Figure 4: Median Revenues of Surviving Businesses by Assistance Priority at Intake



Revenue Changes Varied by Sector.

In aggregate, the mean and median revenues of surviving businesses increased, but, just as with the new businesses, industry level analysis reveals that this increase was not uniformly distributed. As can be seen in Figure 5, median revenues increased for wholesale, accommodation and food, finance and insurance, transportation and warehousing, and many other industries (for more details see Table 2 in the Appendix). At the same time, median revenues decreased for sectors like agriculture and forestry, educational services, information services, and manufacturing.

Figure 5: Median 2007 Revenues of Surviving Businesses by NAICS Codes



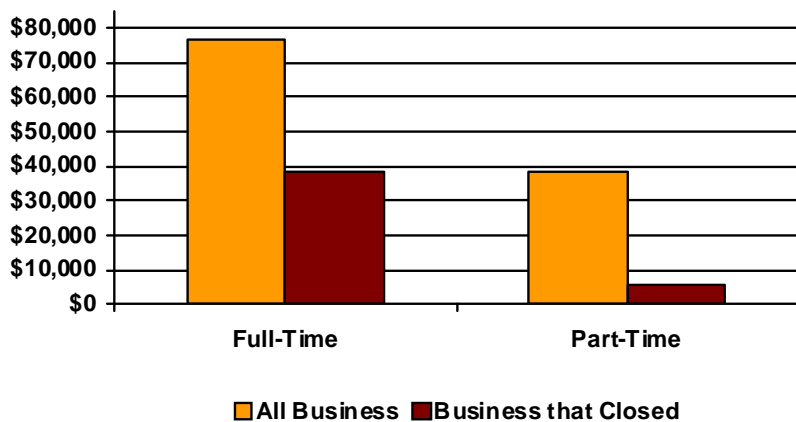
Businesses Open at Intake, Closed by 2007.

Of the 730 clients with a business at enrollment in a microenterprise program, 74 (10 percent) no longer had an open business by the end of 2007. At intake these businesses reported revenues that ranged from \$0 to \$558,000 with mean and median revenues of \$47,566 and \$14,908, respectively.⁹

Both part-time and full-time businesses that closed had lower revenues at intake.

Owners of both part- and full-time businesses reported closing their businesses by the end of 2007.¹⁰ These businesses may have been struggling when their owners sought microenterprise services. At the very least, their revenues were lower

Figure 6: Median Revenues at Intake



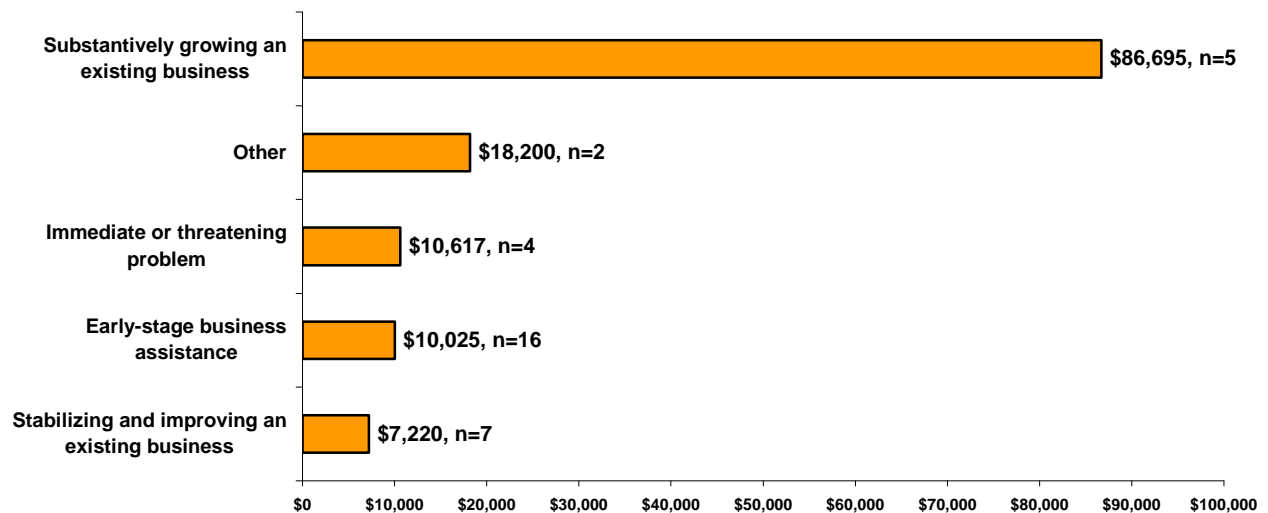
⁹ 34 of the 74 closed businesses reported revenues at Intake.

¹⁰ Of the 74 business that closed by 2007, 23 were being operated part-time and 19 were operated full-time at intake. Hours of business operation were not known at intake for 32 clients.

than those of surviving businesses. While the median revenues for part-time surviving businesses were \$15,926 at intake, those of the closed businesses were only \$5,641 at that time. And the median revenues for surviving full-time businesses were \$67,130 at intake, while those that closed were only \$38,221 then. The lower revenues may have been a signal of market or other challenges that compromised the ability of these owners to continue, even with assistance.

But it is important to note that even some larger businesses whose owners were focused on growth were no longer operating. Clients who were no longer operating their business in 2007 were asked to categorize their reasons for closing their business. Out of the 12 who provided an answer, three noted personal issues (such as bankruptcy or illness), four cited insufficient sales, or difficulty with the business, and three cited external factors such as problems with business partners or tax situations.

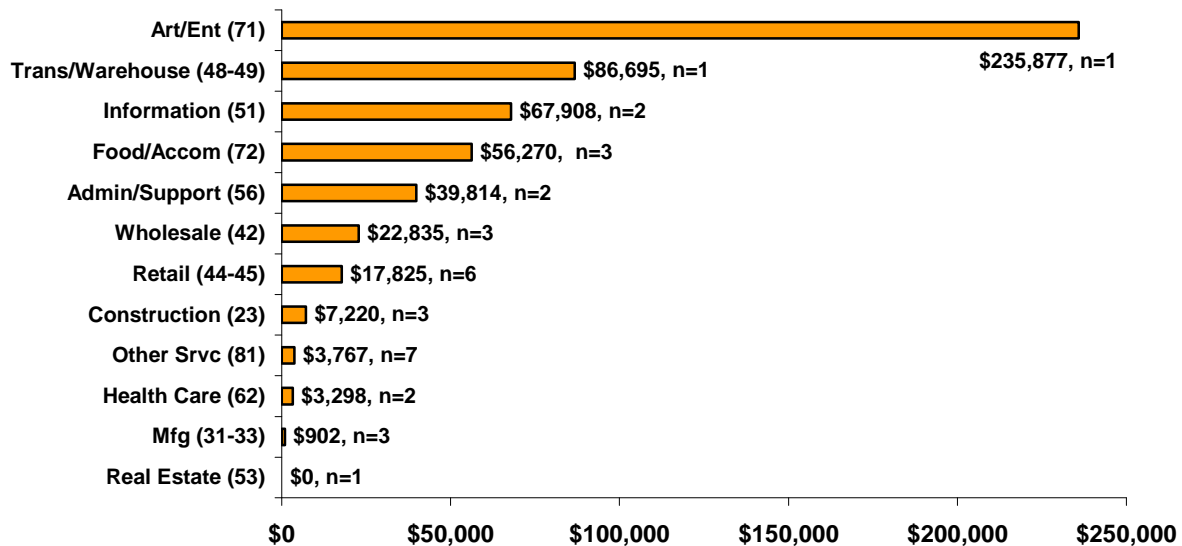
Figure 7: Median Intake Revenues of Closed Businesses by Highest Assistance Priorities at the Time of Program Enrollment



The retail, and “other services” sectors experience most business closings, other closed businesses spread over diverse sectors.

Figure 8 reports the breakdown of median intake revenues of closed businesses by NAICS codes (for more details see Table 3 in the Appendix). Retail is generally considered challenging, and it is not surprising to see business closures in this category. “Other services” includes several personal service businesses such as a beauty salon, wedding services, dry/cleaning and alterations and massage therapy. It also includes two car repair and maintenance businesses and computer repair and consultation. The personal services provided by many of these businesses are considered discretionary purchases for most consumers. Consumer spending cutbacks could have made sustaining these businesses difficult.

Figure 8: Median Intake Revenues of Closed Businesses by NAICS Codes



Appendix

Table 1: Revenues of New Businesses in 2007 by NAICS codes

NAICS Code	Median	Mean	Min	Max	N
Mining (21)	\$400,000	\$400,000	\$400,000	\$400,000	1
Trans/Warehouse (48-49)	\$97,500	\$117,194	\$40,000	\$226,000	6
Finance/Ins (52)	\$68,500	\$135,250	\$36,000	\$368,000	4
Construction (23)	\$64,000	\$140,817	\$300	\$600,000	12
Food/Accom (72)	\$61,500	\$165,783	\$0	\$1,020,000	24
Real Estate (53)	\$42,000	\$44,023	\$0	\$120,000	11
Health Care (62)	\$38,000	\$141,047	\$0	\$1,250,000	29
Educational (61)	\$25,000	\$27,437	\$0	\$60,000	13
Prof/Sci/Tech Srvc (54)	\$20,000	\$46,488	\$0	\$365,000	45
Wholesale (42)	\$15,000	\$39,526	\$0	\$350,000	15
Admin/Support (56)	\$15,000	\$35,025	\$800	\$175,000	22
Other Srvc (81)	\$13,500	\$28,985	\$0	\$150,000	34
Retail (44-45)	\$11,000	\$62,712	\$0	\$600,000	32
Mfg (31-33)	\$9,250	\$125,265	\$0	\$3,000,000	30
Art/Ent (71)	\$8,000	\$16,531	\$1,000	\$67,879	17
Public Admin (92)	\$5,000	\$5,000	\$5,000	\$5,000	1
Information (51)	\$2,000	\$10,893	\$0	\$45,000	5
Agr/Forest/Fish/Hunt (11)	\$1,628	\$1,628	\$1,628	\$1,628	1
All Businesses	\$22,000	\$75,000	\$0	\$3,000,000	303

Table 2: Revenues of Surviving businesses by NAICS code, in 2007 dollars

NAICS Code	Median Revenue at Intake	Median Revenue in 2007	Mean Revenue at Intake	Mean Revenue in 2007	N
Agr/Forest/Fish/Hunt (11)	\$239,466	\$175,444	\$315,243	\$176,222	4
Wholesale (42)	\$191,106	\$193,000	\$240,405	\$399,100	17
Food/Accom (72)	\$139,049	\$192,377	\$201,695	\$265,907	27
Finance/Ins (52)	\$91,903	\$120,000	\$115,265	\$245,342	8
Trans/Warehouse (48-49)	\$88,615	\$136,000	\$145,557	\$217,858	10
Educational (61)	\$76,442	\$45,000	\$68,167	\$51,143	7
Information (51)	\$62,672	\$25,000	\$77,740	\$75,033	6
Prof/Sci/Tech Srvc (54)	\$57,137	\$90,000	\$169,730	\$189,038	25
Admin/Support (56)	\$51,626	\$75,000	\$115,401	\$190,210	35
Health Care (62)	\$49,392	\$72,000	\$75,026	\$144,242	33
Other Srvc (81)	\$39,188	\$35,000	\$79,701	\$83,681	39
Retail (44-45)	\$33,470	\$41,000	\$88,174	\$107,723	46
Mfg (31-33)	\$32,928	\$24,688	\$69,788	\$116,131	33
Construction (23)	\$31,851	\$75,000	\$159,496	\$468,960	21
Real Estate (53)	\$30,858	\$78,750	\$236,018	\$283,959	8
Art/Ent (71)	\$13,171	\$30,000	\$24,624	\$29,771	19
All Businesses	\$119,417	\$178,139	\$43,711	\$60,000	342*

*NAICS Codes were not known for 4 of the 342 clients.

Table 3: Intake Revenues of Closed Businesses by NAICS Codes, in 2007 dollars

NAICS Code	Median	Mean	Min	Max	N
Art/Ent (71)	\$235,877	\$235,877	\$235,877	\$235,877	1
Trans/Warehouse (48-49)	\$86,695	\$86,695	\$86,695	\$86,695	1
Information (51)	\$67,908	\$67,908	\$424	\$135,391	2
Food/Accom (72)	\$56,270	\$38,398	\$0	\$58,924	3
Admin/Support (56)	\$39,814	\$39,814	\$0	\$79,628	2
Wholesale (42)	\$22,835	\$21,625	\$5,641	\$36,400	3
Retail (44-45)	\$17,825	\$107,730	\$0	\$558,059	6
Construction (23)	\$7,220	\$20,955	\$4,683	\$50,962	3
Other Srvc (81)	\$3,767	\$22,846	\$0	\$117,080	7
Health Care (62)	\$3,298	\$3,298	\$1,288	\$5,309	2
Mfg (31-33)	\$902	\$7,798	\$0	\$22,492	3
Real Estate (53)	\$0	\$0	\$0	\$0	1
All Businesses	\$14,908	\$47,566	\$0	\$558,059	34

Table 4: Intake Revenues of Closed Businesses by Assistance Priority at the time of Enrollment, in 2007 dollars

Assistance Priority	Median	Mean	Min	Max	N
Early-stage business assistance	\$10,025	\$26,498	\$0	\$117,080	16
Immediate or threatening problem	\$10,617	\$145,750	\$3,707	\$558,059	4
Stabilizing and improving an existing business	\$7,220	\$12,808	\$0	\$38,221	7
Substantively growing an existing business	\$86,695	\$96,845	\$3,767	\$235,877	5
Other	\$18,200	\$18,200	\$0	\$36,400	2
All Businesses	\$14,908	\$47,566	\$0	\$558,059	34

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The MicroTest Outcomes Fact Sheet Series reports findings from client outcomes data collected by a group of MicroTest member programs. The data include information on the changes clients have experienced related to their business, household income, wage employment, health insurance, and savings. The series provides a focused look at few major findings from this extensive annual data collection effort.

For additional information about MicroTest and data collected on the microenterprise field see: <http://fieldus.org/MicroTest/pubs.html>

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