

The Economic Impact of Small Business on Bulloch County, GA



**The Bureau of Business Research and
Economic Development**

Introduction

The Bureau of Business Research and Economic Development with the cooperation of the Statesboro Bulloch Chamber of Commerce recently performed a study in order to determine the economic and fiscal impact of small business on the economy of Bulloch County, GA. In developing areas such as Bulloch County, small businesses generally comprise a critical portion of the economy. Determining the exact impact of these types of establishments is important in that it provides insight into the factors which allow the local economy to function. This information also allows us to examine the characteristics of the typical small business in Bulloch County.

The study began in June 1999 with the publication and distribution of the mail-in questionnaire titled "What is the Impact of Your Business?". For the purpose of this study, and by most definitions, small businesses are identified as those with less than five hundred employees and annual revenues totaling less than five million dollars. The survey was sent to a sample of small businesses in Bulloch County derived from the American Business List received from the Small Business Development Center in Statesboro, GA. The collection of data was made possible by the assurance of complete confidentiality of all information supplied by local businesses. The sample was comprised of businesses spanning several sectors of the economy and all areas of Bulloch County. The types of businesses involved in this study included both locally owned and franchised establishments. The format of the survey consisted of ten multiple-part questions designed to collect quantitative information from local small businesses which could be used to estimate several different ways in which small business as an aggregate affects the local economy.

The mail-in questionnaire was then followed by a telephone survey conducted in September 1999 using the same questioning format.

Once the necessary information was collected either via mail or telephone, the data was arranged in a number of different ways in order to both highlight the various areas of interest and interpret their impact. The quantitative information was projected over population totals for Bulloch County in order to give accurate approximations on overall totals for the entire area. Approximate county-wide totals for small business in the categories of total employment, total annual sales, expected capital

expenditures over the next three years, expected increases in employment, large scale projects over the past five years, and percentage of operating costs spent locally were derived among other totals.

The individuals assigned the task of conducting this research were Gene Lohmeyer, an intern with the Bureau of Business Research and Economic Development, and Rosse Marie Barrantes, a Graduate Assistant at Georgia Southern University's College of Business Administration. The study was conducted under the guidance and supervision of Dr. Phyllis Isley, Director of the Bureau of Business Research and Economic Development and Associate Professor of Economics at Georgia Southern University.

Summary of Findings

The general findings of the study were that small business does in fact play a very significant role in the economy of Bulloch County. This is evidenced by the number of people employed by small businesses in Bulloch County as well as the nature of the ownership of the majority these businesses. The total employment provided by small business is approximately 14,000, while over 80 percent of small businesses are locally owned. Investment in capital expenditures is another way in which small business can affect the economy. Small businesses are expected to invest over \$23 million over the next three years in new capital expenditures such as tools, machinery, business equipment, etc. In addition, the total sales for all small businesses in Bulloch County are estimated to exceed \$1.8 billion annually.

Methodology

As previously indicated, the data used in this study were collected via telephone and mail-in surveys administered to local small businesses. The survey was designed in such a manner that it would collect data that could be used to determine a broad range of information regarding the characteristics and expenditures of local small businesses as well as their local impact. The survey pertained to the following areas:

- Number of full-time workers employed by local small business
- Number of part-time employees of local small businesses
- Number of hours worked per week by part-time employees
- The nature of the ownership of local small businesses (locally owned, locally owned franchise)
- Overall annual sales
- The approximate percentage of total costs and expenditures represented by the categories of payroll, utilities, insurance, taxes, supplies and materials, and costs of goods sold
- The approximate percentage of total costs and expenditures spent locally vs. outside of Bulloch County by the categories of payroll, utilities, insurance, taxes, supplies and materials, and costs of goods sold
- Whether or not ,within the last 5 years, businesses have undergone any major projects valued at over \$100,000
- The nature of any major projects undertaken which can be categorized as the acquisition or construction of an office, the acquisition or construction of a factory, the acquisition or construction of a warehouse/storage facility, or any other type of project
- Whether or not small businesses plan to increase their workforce within the next twelve months
- By how much do small businesses plan to increase their workforce
- Whether or not the business anticipates any new capital expenditures such as tools, equipment, or machinery within the next 3 years
- The approximate amount that the business plans to spend on any new capital expenditures over the next 3 years

The following is a reproduction of the survey format used in both the telephone and mail-in procedures:

Dear local small business owner,

Georgia Southern University, with the cooperation of the Chamber of Commerce, is conducting a study to determine the impact of small business on the economy of Bulloch County. This information may be used to in future decisions made by local policy makers. In order to make this study as accurate and successful as possible, we are asking for your cooperation. The following survey asks a number of questions about the basic operations and expenditures of your business. The information you provide is strictly confidential and will not be made available to anyone, nor will it be identified with your establishment. Thank you for your assistance.

- 1) How many full-time workers does your business currently employ? Include yourself, if applicable.
Number of full time employees: _____
- 2) How many part-time employees does your business currently employ?
Number of part-time employees: _____
- 3) On average, how many hours per week do part-time employees work?
Number of hours: _____
- 4) Categorize your business in one of the following ways (check one):
Locally owned _____
Locally owned franchise _____
- 5) Classify your annual sales/revenues into one of the following categories (check one):
Less than \$100,000 _____
\$100,001 to \$250,000 _____
\$250,001 to \$500,000 _____
\$500,000 to \$1,000,000 _____
\$1,000,001 to \$3,000,000 _____
\$3,000,001 to \$5,000,000 _____

6) Approximately what percent of your total costs and expenses does each of the following represent?

<i>Expense</i>	<i>Percentage</i>
Payroll	
Utilities	
Insurance	
Taxes	
Supplies and materials	
Costs of goods sold	

7) Approximately what percent of the following costs and expenditures is local versus outside of Bulloch County?

<i>Expense</i>	<i>Percentage</i>
Payroll	
Utilities	
Insurance	
Taxes	
Supplies and Materials	
Costs of goods sold	

8) In the last 5 years, have you undertaken any major projects that have cost more than \$100,000 (circle "yes" or "no")?

YES

NO

If you answered "yes", please categorize the project in one of the following ways (check all that apply):

Acquisition or construction of an office _____

Acquisition or construction of a factory _____

Acquisition or construction of a warehouse/
storage facility _____

Other _____

9) Do you anticipate an increase in your workforce within the next 12 months? (circle “yes” or “no”)?

YES NO

If you answered “yes”, by how many employees do you plan to increase your workforce? (check one).

- 1 to 5 employees _____
- 6 to 10 employees _____
- 11 to 25 employees _____
- 26 to 30 employees _____
- More than 50 employees _____

10) Do you anticipate any new capital expenditures such as tools, equipment, or machinery within the next 3 years? (circle “yes” or “no”)

YES NO

If you answered “yes”, approximately how much do you plan to spend? (check one)

- \$1,000 or less _____
- \$1,001 to \$5,000 _____
- \$5001 to \$10,000 _____
- \$10,001 to \$25,000 _____
- More than \$25,000 _____

Findings

Upon completion of the survey portion of the study, the sample data gathered were broken down in several ways in order to clearly identify some of the common characteristics of small businesses in Bulloch County in terms of expenditures, ownership, employment, sales, and future plans. Many of the sample totals were projected using weighted averages to arrive at population estimates. These population estimates may serve as appropriate measurements of the overall impact small business has on Bulloch County.

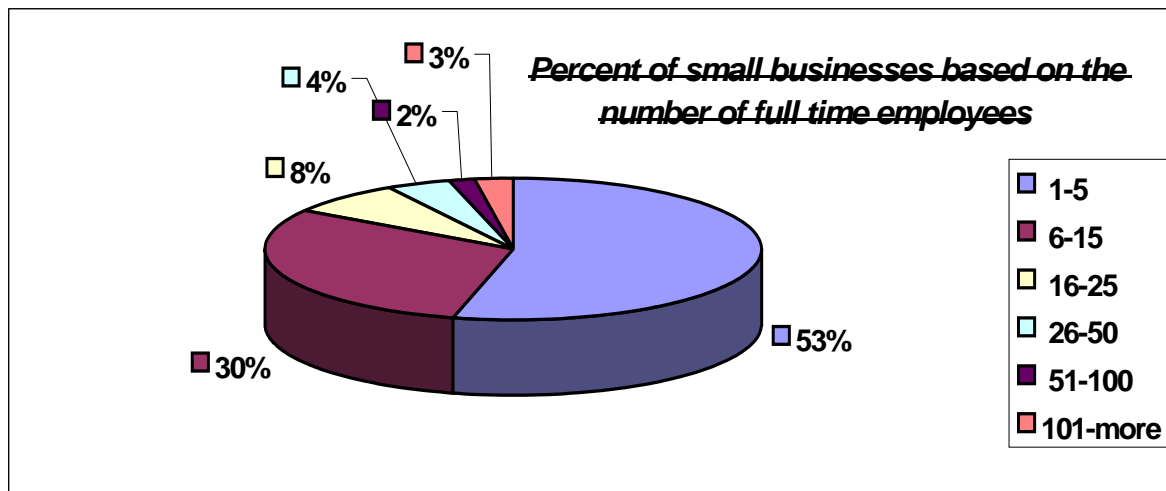
Full-time employment

The vast majority of small businesses in Bulloch County (over 84%, representing over 1,700 businesses) employ less than 15 employees. The greatest concentration of this group (over 53% of the overall population) employs somewhere between one and five workers and totals over 1,100 small businesses. The total number employed by small business (12,522 employees) represents 44.98% of the total employment in Bulloch County (27,838)*.

Median number of full time employees per firm: 6

Number of full-time workers employed by small business: 12,522

Range (number of full-time employees)	Number of Responses	Percentage	Number of SB's within range
1-5	64	53.78%	1122.39
6-15	36	30.25%	631.32
16-25	9	7.56%	157.78
26-50	5	4.20%	87.65
51-100	2	1.68%	35.06
101 or more	3	2.52%	52.59
Total	119	100.00%	2087



*Revised October 1999, Bureau of Labor Statistics

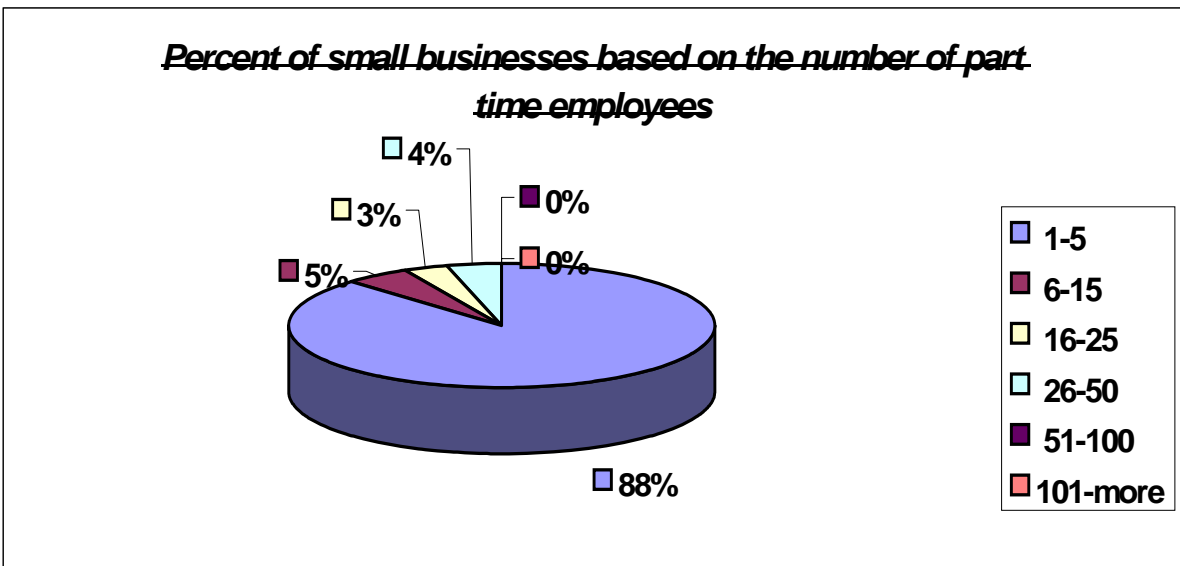
Part-time employment

Part-time employment by small business plays a somewhat limited role in Bulloch County. Over 87% of all small businesses employ five or less part-time employees, totaling 1,823 of 2,087 businesses. There were no responses of small businesses with over 50 part-time employees, and only 7.56% reported having over 15 part-timers.

Median number of part time employees: 1

Number of part-time workers employed by small business: 2087

Range (number of part-time employees)	Number of responses	Percentage	Number of SB's within range
1-5	104	87.39%	1823.83
6-15	6	5.04%	105.18
16-25	4	3.36%	70.12
26-50	5	4.20%	87.65
51-100	0	0%	0
101 or more	0	0%	0
Total	119	100.00%	2087

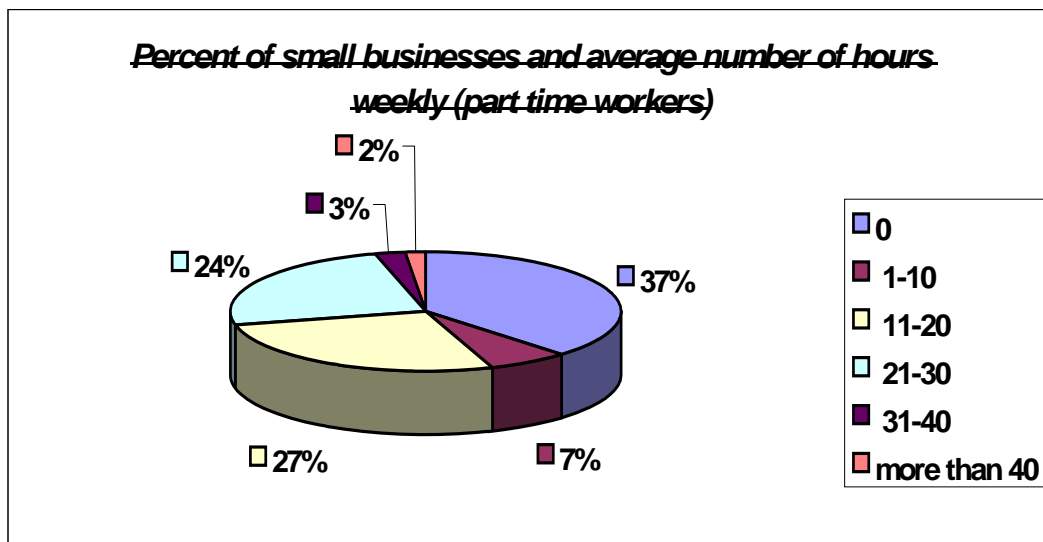


Part-time hours

The average number of hours worked per week by part-time employees of small businesses was 23. The largest grouping (61%) of small businesses surveyed indicated having between 11 and 30 part-time employees, which would be proportional to a county-wide total of approximately 1,070 small businesses.

Average number of hours per week part-time employees work: 23

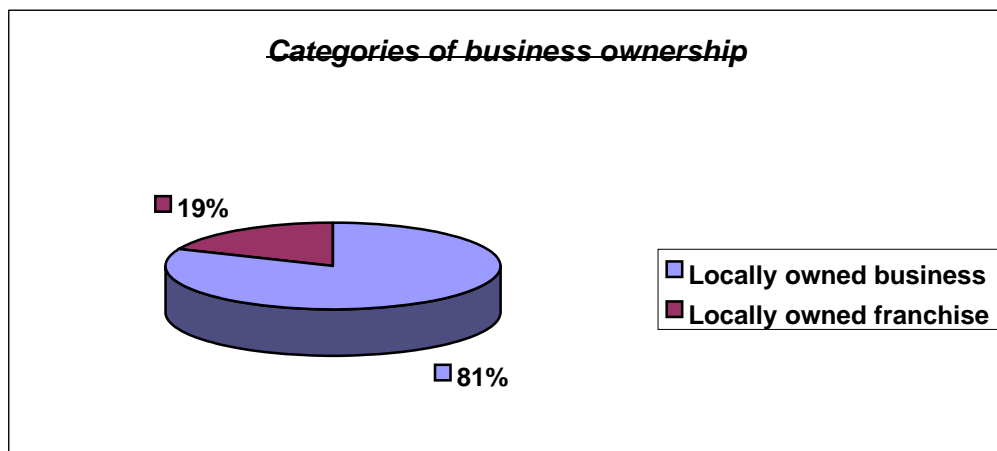
Range (number of hours)	Responses	Percentage	Number of SB's within range
0	45	37.82%	789.30
1-10	8	6.72%	140.27
11-20	32	26.89%	561.19
21-30	29	24.37%	508.60
31-40	3	2.52%	52.59
More than 40	2	1.68%	35.06
Total	119	100.00%	2087



Categories of Business Ownership

According to survey information, over 81% of small businesses are locally owned and operated, representing a total of nearly 1,700 small businesses. The remaining 18.64% described their ownership as being other than local, such as part of a franchising agreement.

Category	Number answered	Percentage	Number in each category
Locally owned	96	81.36%	1697.99
Locally owned franchise	22	18.64%	389.01
Total	118	100.00%	2087



Average Annual Sales/Revenues

Concerning average annual sales/revenues for small businesses, the results were fairly evenly distributed throughout the six possible ranges offered by the survey. The highest concentration of small businesses (approximately 23.85%) registered between \$100,000 and \$250,000 in annual revenues. This group alone accounts for approximately 498 of the population total of 2,087 small businesses. Overall, approximately 44% of small businesses surveyed indicated annual revenues under \$200,000. However, the average annual revenue based on population totals was \$904,222. This can be explained by approximately 25% of all small businesses in Bulloch County having annual revenues of \$1,000,000 or more, with 8.26% earning between \$3,000,000 and \$5,000,000 annually. The approximate annual sales/revenues for small business in Bulloch County is \$1,877,112,889.

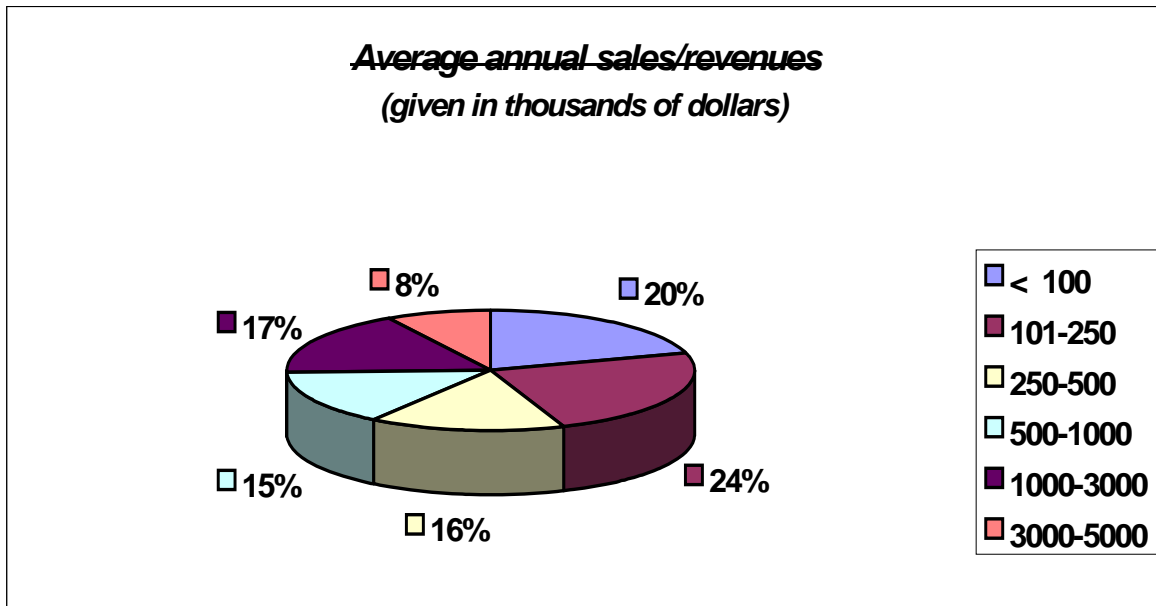
Range (given in thousands of dollars)	Number Answered	Percentage	Number or SB's within Range
less than 100	22	20.18%	421.16
101-250	26	23.85%	497.75
251-500	17	15.60%	325.57
501-1000	16	14.68%	306.37
1001-3000	19	17.43%	363.76
3001-5000	9	8.26%	172.39
Total answers	109	100.00%	2087

*Additional information regarding annual sales/revenues on following page

Total Revenues = \$1,877,112,899 (population)

Average Revenues Per Firm = \$904,222

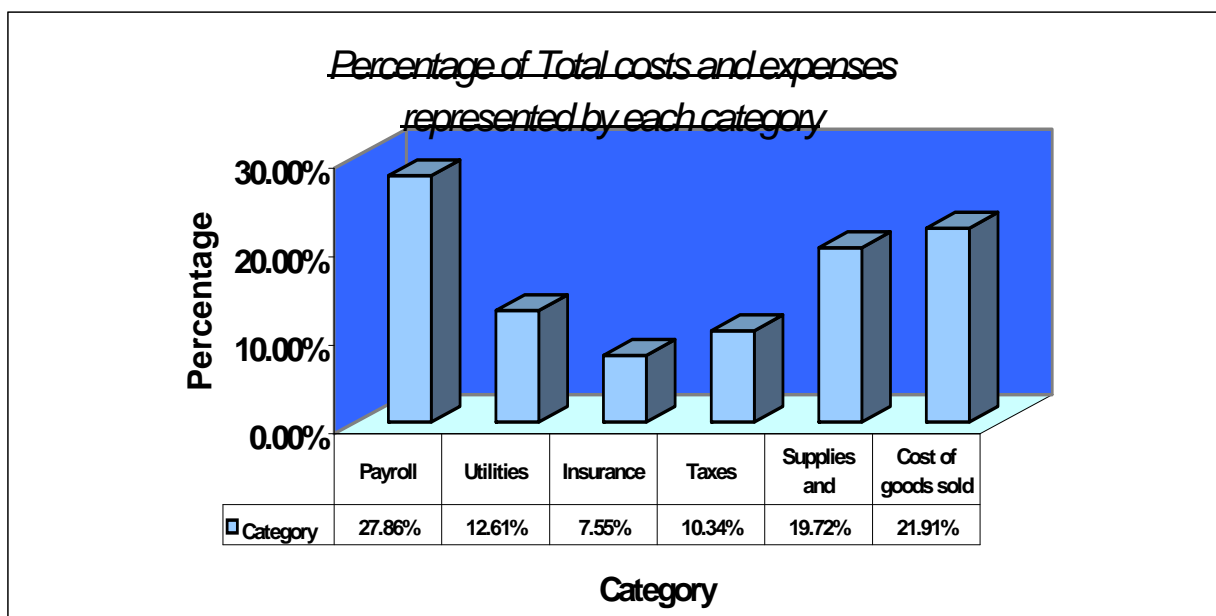
Midrange (given in thousands of dollars)	Number of Responses	Sample Totals	Population Totals
50	22	1100	21061.467
175.5	26	4563	87366.798
375	17	6375	122060.779
750	16	12000	229761.467
2000	19	38000	727577.981
4000	9	36000	689284.403



Percentage of total costs and expenditures (represented by each category)

As previously mentioned, small businesses surveyed were asked to categorize the total costs and expenditures of their organization into six different categories. Of these categories (listed below), payroll accounted for the largest portion of total costs at 23.51%, followed by cost of goods sold which accounted for 17.56%. The smallest expense incurred was insurance, which represented just over 3%. As expected, payroll, utilities, and cost of goods sold collectively accounted for nearly half (46.44%) of all costs and expenditures by small businesses.

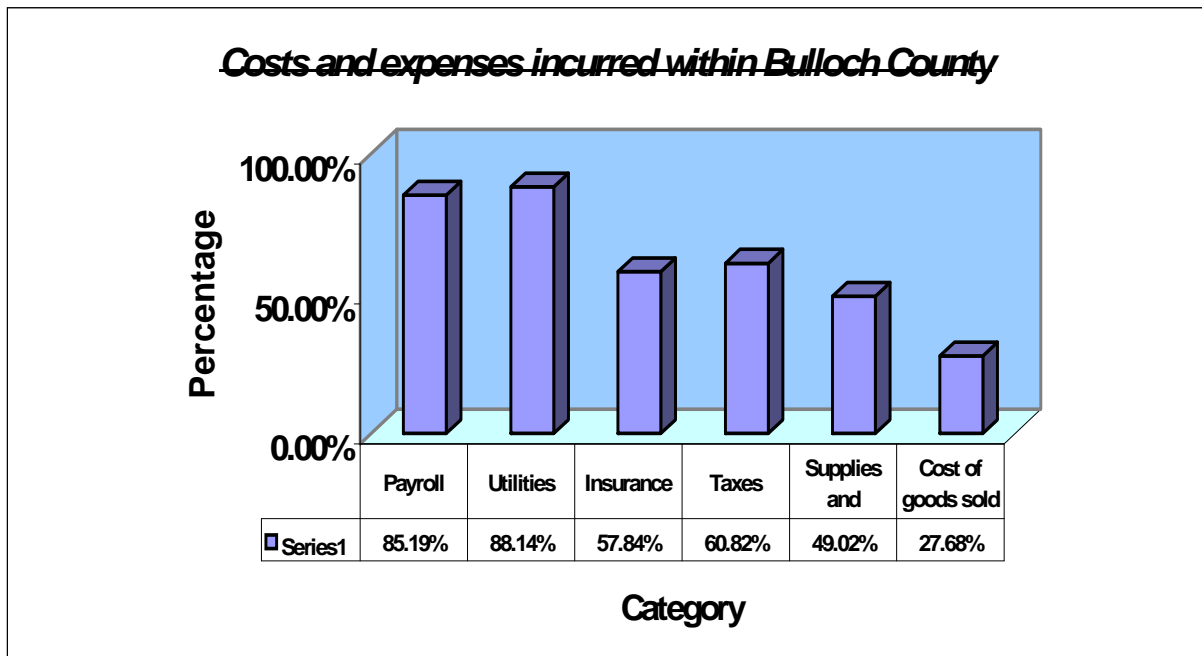
Category	Average Percentage
Payroll	27.86%
Utilities	12.61%
Insurance	7.55%
Taxes	10.34%
Supplies and Materials	19.72%
Cost of goods sold	21.91%



Local vs. Outside of Bulloch County Percentage of total costs and expenditures by category

In addition to identifying their spending habits, small business were also asked to identify the percentage of various costs and expenses incurred inside vs. outside of Bulloch County utilizing the same categories. In the areas of payroll and utilities, the vast majority of resources came from within Bulloch County. The remaining categories exhibited varying percentages ranging from 60.82% (insurance) to 27.68% (cost of goods sold).

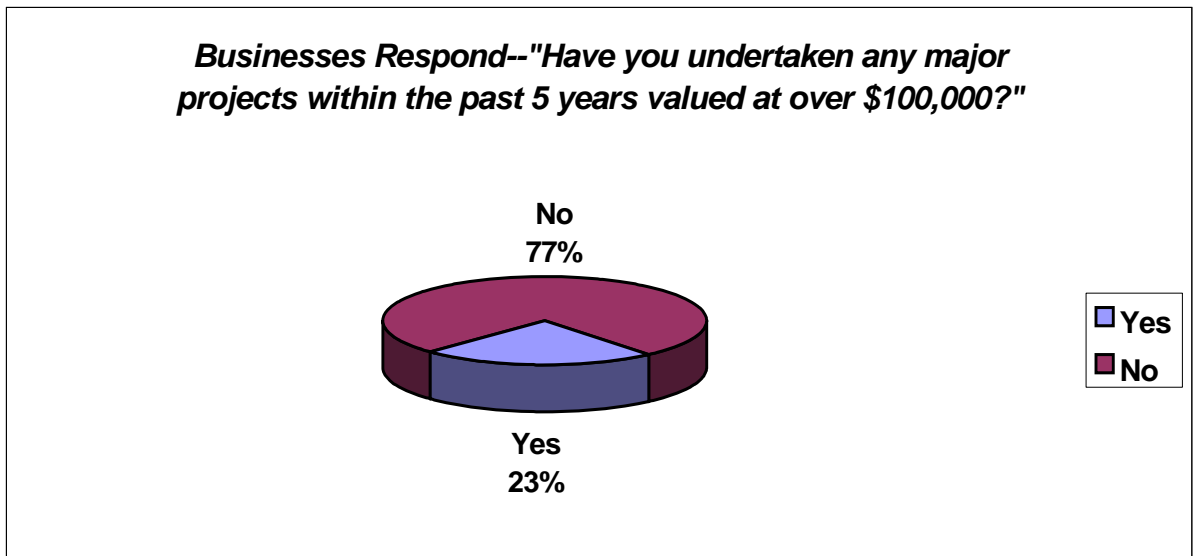
Category	Average percentage spent within Bulloch County
Payroll	85.19%
Utilities	88.14%
Insurance	57.84%
Taxes	60.82%
Supplies and materials	49.02%
Cost of goods sold	27.68%



Recent business related projects

Business related projects are another important way in which small business may affect the local economy. 23.48% of all firms questioned responded that they had taken on business related projects of some fashion valued at over \$100,000 within the past five years. The remaining 76.52% indicated that they had not undertaken such a project. Nearly 60% of respondents could not categorize the nature of their project as the construction or acquisition of an office, factory, or storage facility. Of all small businesses surveyed, only one indicated acquiring or building a factory, while 14.81% indicated acquiring warehouses or storage facilities and 22.22% indicated acquiring offices.

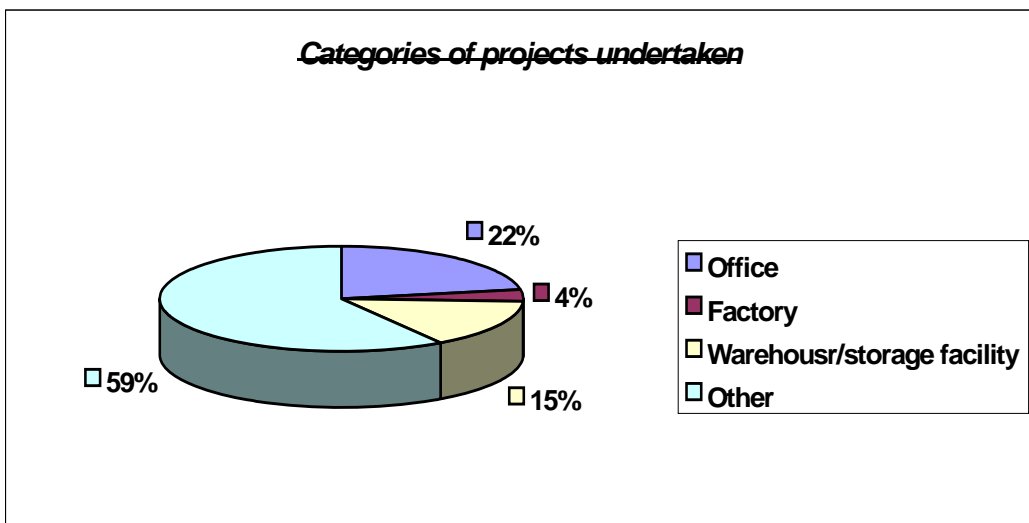
	Number Answered	Percentage
Yes	27	23.48%
No	88	76.52%
Total Answers	115	100.00%



*Additional information regarding business related projects on the following page

Businesses Respond – “Have you undertaken any major projects within the past year valued at over \$100,000?”

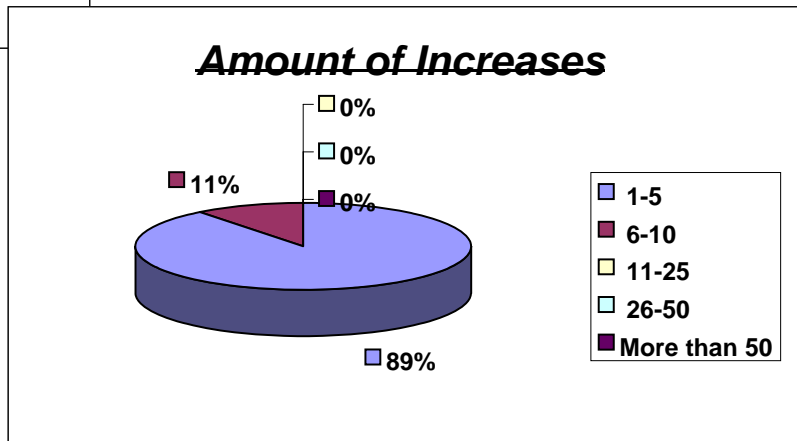
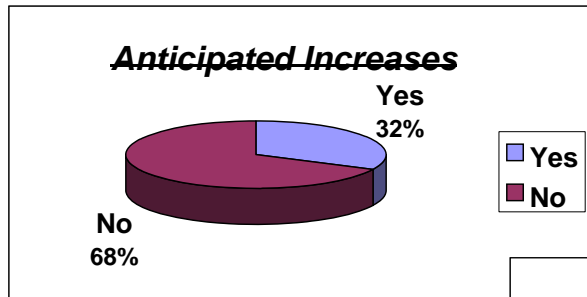
If “yes”	Number	Percentage
Office	6	22.22%
Factory	1	3.70%
Warehouse/storage facility	4	14.81%
Other	16	59.26%
Total	27	100.00%



Predicted increases in the workforce

Businesses were asked whether or not they planned to increase their workforce by any degree over the 12 month period following the survey. Of those questioned, 32.20% said they do plan to hire more workers, while 67.80% said they do not.

	Number Answered	Percentage
Yes	38	32.20%
No	60	67.80%
Total responses	118	100.00%



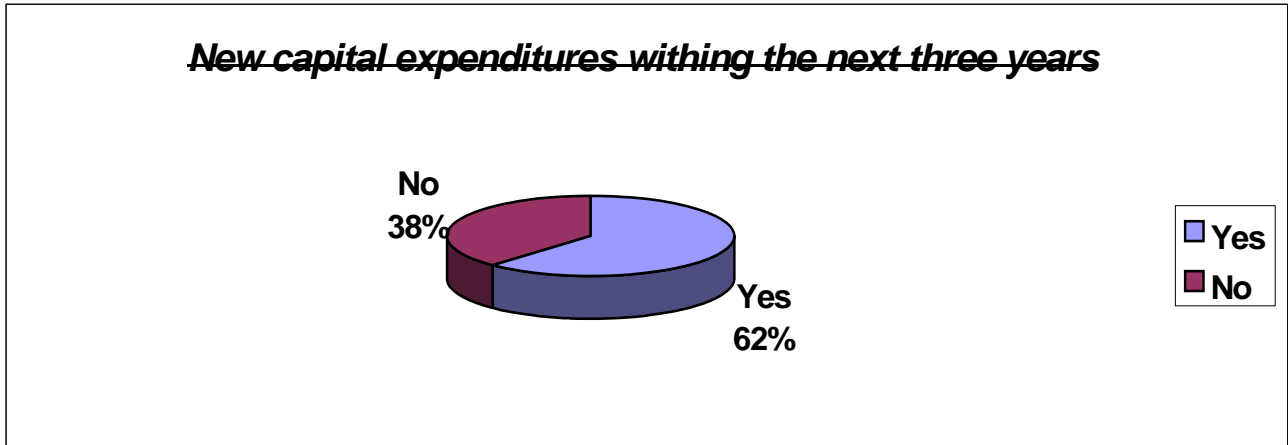
Planned increase range	Responses	Percentage
1-5	68	89.47%
6-10	8	10.53%
11-25	0	0%
26-50	0	0%
More than 50	0	0%
Total	76	100.00%

New Capital Expenditures within the next 3 years

Total expected new capital expenditures over the next 3 years:
\$23,324,669

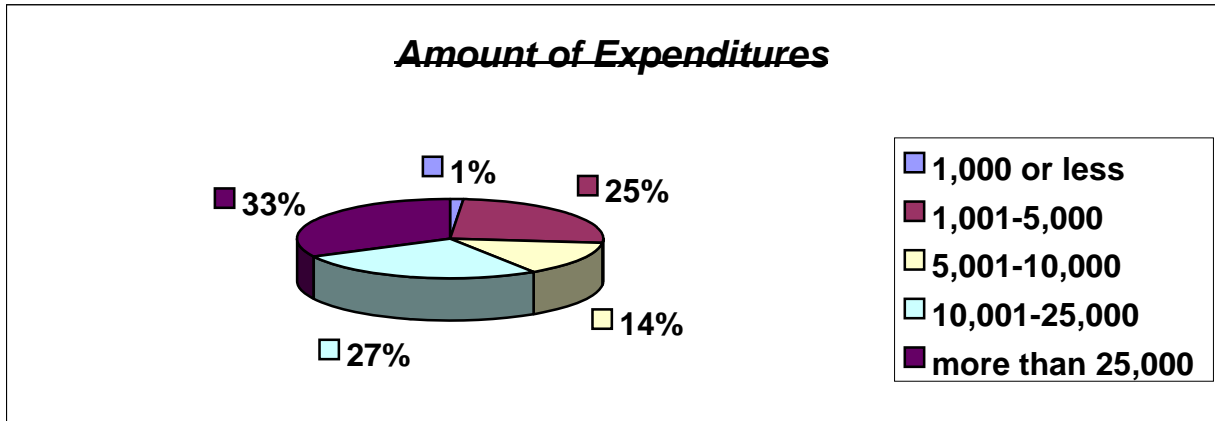
Concerning the area of future business expenditures, businesses were asked to indicate whether or not they anticipate any new capital expenditures within the next 3 years for items such as equipment or machinery. Of those surveyed, 61.86% (indicating a county-wide total of 1,291 businesses) responded that they do anticipate such expenditures, while 38.14% (representing an estimated 796 small businesses county-wide) indicated that they do not. Businesses were then asked to classify the approximate amount they expected to spend into one of 5 categories. Of those who responded, 59.15% (representing approximately 1,235 businesses county-wide) said that they expect capital expenditures exceeding \$10,000 over the next 3 years, with 32.39% (approximately 676 county-wide) expecting over \$25,000 in expenditures. The amounts to a population total of approximately \$23,324,669 in capital expenditures over the next 3 years in Bulloch County by small businesses. This would constitute an average of \$11,176 per establishment.

	Number Answered	Percentage
Yes	73	61.86%
No	45	38.14%
Total	118	100.00%



If yes	Number	Percentage
\$1,000 or less	1	1.41%
\$1,001 to \$5,000	18	25.35%
\$5,001 to \$10,000	10	14.08%
\$10,001 to \$25,000	19	26.76%
More than \$25,000	23	32.39%
Total	71	100.00%

Midrange	Responses	Sample Totals	Population Totals
\$500	1	500	\$8805.08
\$3,000	18	54000	\$950,949.15
\$7,500	10	75000	\$1,320,762.71
\$17,500	19	332500	\$1,518,871.19
\$37,500	23	862500	\$5,855,381.35



Conclusions

As previously stated, given the information gathered in this study, it can be determined that small business does indeed have a tremendous impact on the local economy of Bulloch County, GA. There are a number of factors leading to this conclusion. Beginning with employment, small businesses account for approximately 44.98% of the total employment in Bulloch County, employing over 12,522 workers (a median of 6 full-time workers per small business). In addition, an estimated 32% of all small businesses in Bulloch County indicated an intent to increase their workforce by some number during the 12 month period following the survey (89.47% of these indicated a predicted increase of 1 to 5 employees). Concerning the nature of the ownership of local small businesses, over 81% reporting being locally owned, representing nearly 1,700 establishments. Perhaps the most compelling information dealing with the impact small businesses have on the economy of Bulloch County is their annual revenues. The highest concentration of small businesses, approximately 23.85%, is estimated to average between \$100,000 and \$250,000 in annual revenue. In addition, an estimated 25% of all small businesses in Bulloch County have annual revenues exceeding \$1,000,000, with 8.26% earning between \$3,000,000 and \$5,000,000 annually. This accounts for an average of just over \$900,000 per small business. Countywide, revenues for all small business are approximately \$1,877,112,889 annually. Small businesses in Bulloch County also affect the local economy by incurring a significant portion of their costs and expenditures within the county. Overall, 85.19% of payroll expenditures by small businesses are incurred within the Bulloch County, as well as 88.14% of utilities, 60.82% of taxes, 57.84% of insurance, 49.02% of supplies and materials. Of the small businesses interviewed, 23.48% indicated they had undertaken major projects within the last five years valued at over \$100,000, while 61.86% predicted new capital expenditures such as equipment or machinery within the next three years. Of those businesses expecting new capital expenditures within the next three years, 59.15% expect their expenditures to exceed \$10,000, including 32.39% expecting over \$25,000 in capital expenditures. This amounts to an estimated total of \$23,324,669 in capital expenditures by small businesses in Bulloch County over the next three years, constituting an average of \$11,176 per establishment.