

Building Business-Friendly Communities National Study of Small Business Owners — Part 2 Small Sized Retail and Service Firms

By Diane Vigna, Extension Specialist, Textiles and Apparel
Nancy Miller, Associate Professor Merchandising

What was the study's purpose?

Recent research conducted at the University of Nebraska-Lincoln, in collaboration with Iowa State University, investigated small businesses operating in large and small communities in all continental states of the U.S. This fact sheet is the second in a series explaining some of the small retail and service firm owners' goals, planning, strategies, problems, perceptions of success and attitudes and opinions about conducting business in their local marketplace.

Who were these Small Retailers and Service Firms?

From a national stratified random sample, participants consisted of 98 small retailers, 133 personal service firms (sales to individuals and families) and 44 commercial service firms (sales to other businesses). These businesses were located in communities of less than 50,000 people, non-adjacent to standard metropolitan areas and from four main Census regions of the United States. These firms had fewer than 20 employees and annual sales of \$1 million or less.

The majority of respondents were Caucasian male business owners, married, in good to excellent health, with an average age of 49 years.

- 43% female, 57% male
- Average 49 years old
- 96.7% Caucasian
- 83% married
- 60.4% have no children under age 18 living at home
- 93.5% in very good to excellent health
- 48.4% personal services, 36.5% retailing, 16% commercial services.
- 73% started their own business
- 63% have prior business knowledge
- 62% operate family business
- 95% are business owners



Most participants started their own family business. The average participant reported gross sales of \$181,514, had two to three employees and owned the business for 12 years.

What social and economic issues exist in the small community?

Businesses do not conduct their affairs in isolation but are assisted, mentored, and inspired by the social structure in which they are embedded. Businesses who were satisfied with the social and economic support of their communities were more likely to evaluate their businesses successful than those who operated in less supportive communities.

The majority of business owners felt at home in their communities. They usually could find someone in the community to talk to and they felt that people in the community were friendly and trustworthy.

The average business owner was willing to expend resources to help the community. They were somewhat satisfied with the support they got from their community, and felt that their business had something to gain by remaining in the communities.

Social and economic issues were important in planning business strategy. The two highest rated strategies involved offering quality products or services, and maintaining a good business image.

How successful were the businesses?

Most of the participants were satisfied with their line of work and considered themselves successful with plans to expand their business within the next five years.

What factors influenced success?

Cooperating with other local businesses impacts business owners' perceptions of retail and service performance. Business owners' feelings that the community cares about the fate of their business greatly influenced their perception of success.

What business problems were found?

The majority of business owners did not identify many problems. No single problem was ranked above "neutral" on the questionnaire. Those problems with the highest scores were

- Controlling operating expenses

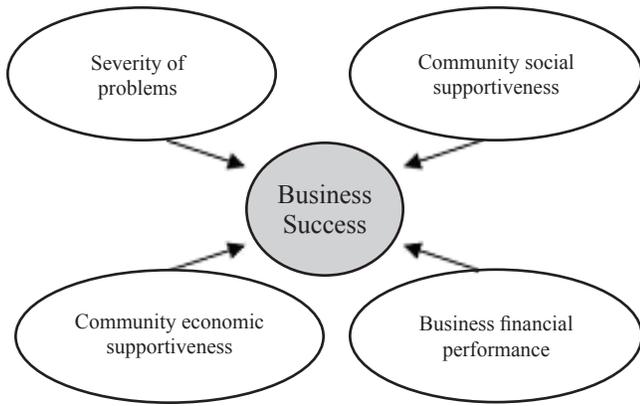


Figure 2. Factors influencing perceived business success

- Finding or retaining qualified personnel
- Compliance with governmental regulations
- Competition from other businesses
- Labor costs

What strategies were important?

What are the implications?

This research shows that there are many positive aspects of conducting business in rural communities. Community economic and social environments matter to the success of small local retail and service businesses. Communities should develop plans to be socially and economically supportive to small business.

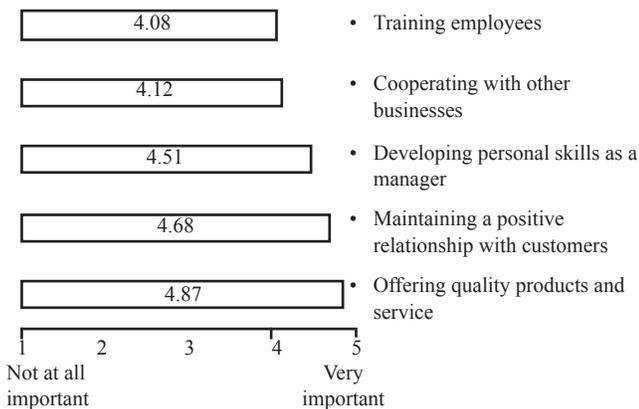


Figure 3.

Suggestions to build retail and service businesses in small communities

- Maintain a good business image by participating in community events.
- Encourage small businesses to cooperate with each other – enhance involvement in chamber of commerce
- Plan local marketing events that include most small businesses
- Establish a campaign to celebrate local businesses, encouraging local shopping
- Provide the social and economic infrastructure to allow the small business to grow
- Develop funding for small business growth
- Continually develop professional skills
- Invest in employee training
- Seek federal funding
- Develop web page or Internet multi-channeling
- Partner with other near but non-competing businesses
- Contact various offices or centers within the University of Nebraska
 - Rural Initiative
 - Center for Applied Rural Innovation

Other small community marketplace information

- Identifying Attitudes PM 1765
<http://www.extension.iastate.edu/Publications/PM1765.pdf>
- Rural Retailers' Perceptions PM 1766
<http://www.extension.iastate.edu/Publications/PM1766.pdf>
- Rural Consumers' Perceptions PM 1767
<http://www.extension.iastate.edu/Publications/PM1767.pdf>
- Attracting Customers to Towns PM 1768
<http://www.extension.iastate.edu/Publications/PM1768.pdf>
- Community Values and Marketing Strategies PM 1769
<http://www.extension.iastate.edu/Publications/PM1769.pdf>
- Building Business Friendly Communities Part 1: General Description of the Study,
<http://www.ianrpubs.unl.edu/misc/G1565.pdf>
- Building Business Friendly Communities Part 3: Successful Small Entrepreneurs in Small Communities
<http://www.ianrpubs.unl.edu/misc/G1567.pdf>

This publication discusses A National Study of Small Business Owners: Part 2, Small Sized Retail and Service Firms, conducted in 2001 by Nancy Miller, University of Nebraska, Terry Besser, and Ken Stone, Iowa State University. Technical assistance provided by Yizhen Weng, UNL graduate assistant.

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