

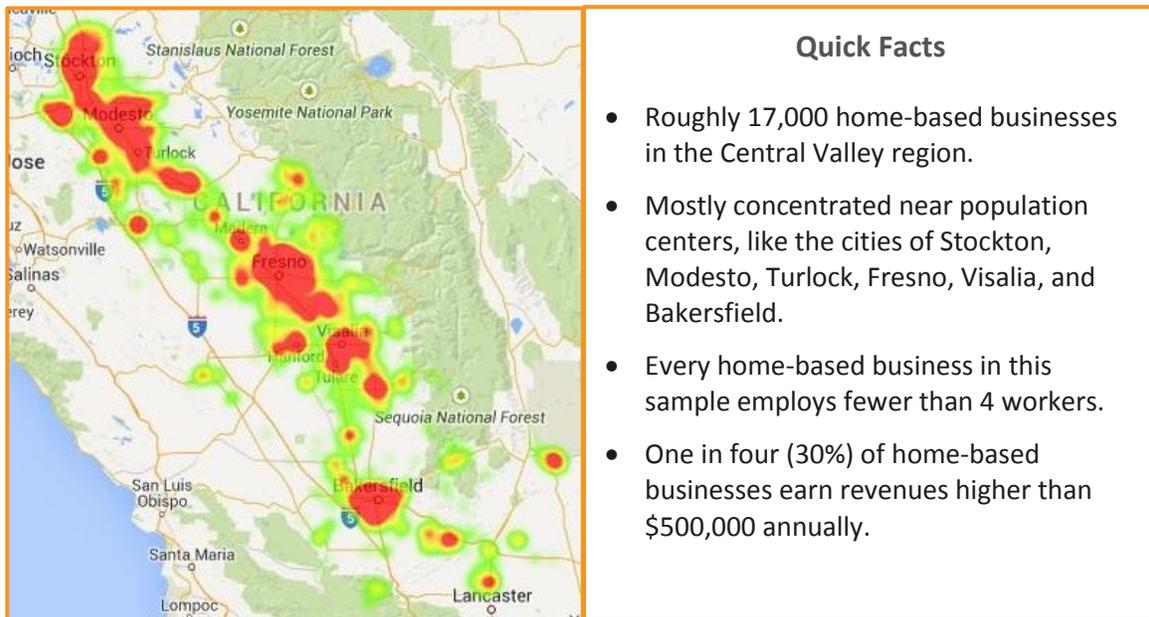
## HOME-BASED BUSINESSES

## CENTRAL VALLEY REGION

### INTRODUCTION

Home-based businesses are often hidden in communities since they have no store front and very few, if any, employees. However, these businesses are a strong part of the local economy. Microbusinesses<sup>1</sup> consistently create more jobs than companies of 5+ employees and reinvest earnings at a high level back into the community in which they are located.<sup>2</sup> While some microbusinesses turn into multimillion dollar enterprises, most stay small providing a niche good or service to the community.

This research brief profiles the home-based business landscape in the Central Valley region with an emphasis on three industries: 1) construction, 2) professional, scientific and technical services, and 3) administrative support and waste management and remediation services. For this report, the Central Valley region includes San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and Kern counties. The data source is ReferenceUSAGov, an online database of 24 million businesses in the United States.



### INDUSTRY DISTRIBUTION

There are approximately 17,000 home-based businesses in the Central Valley, about 12 percent of all businesses and 19 percent of microbusinesses in the region. The largest concentration is in the construction sector (23%), followed by professional, scientific, and technical services (12%), administrative, waste management and remediation services (10%).

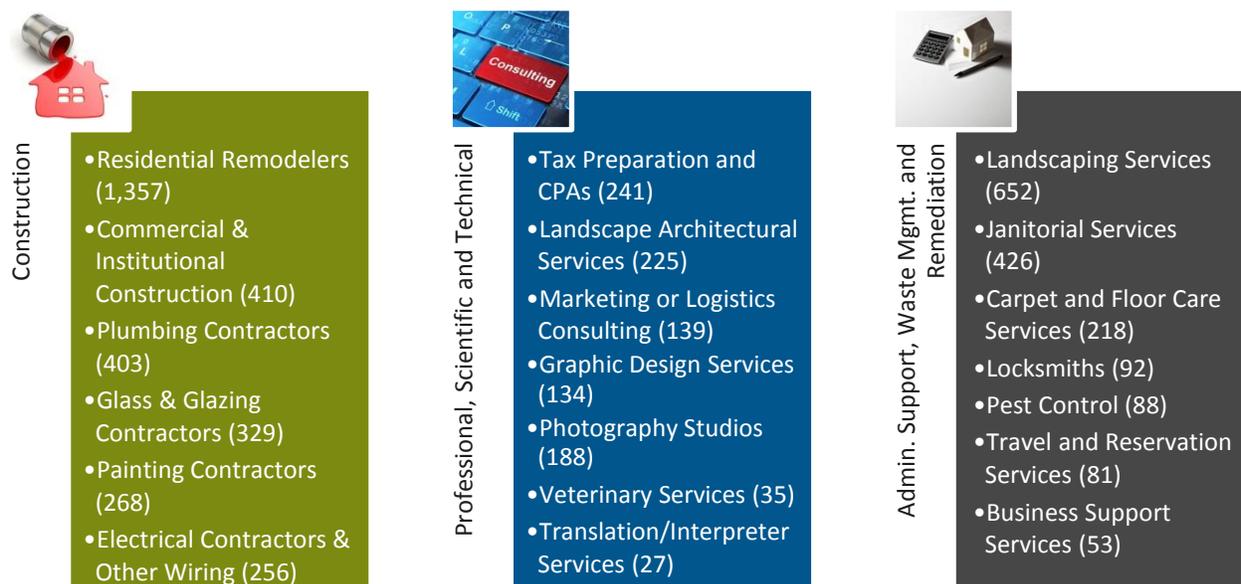
<sup>1</sup> Microbusinesses are defined as having fewer than five employees, including the owner.

<sup>2</sup> Bigger Than You Think: The Economic Impact of Microbusinesses in the United States. Association for Enterprise Opportunity.

## Home-based Businesses by Major Industry Group



The following graphic displays some of the variety of firms in the Central Valley's top three home-based industry sectors.\* Within the construction sector, residential remodeling, electrical contractors and painting contractors are the most prevalent business categories. Professional, scientific and technical services is dominated by photography studios, translation/interpreter services, marketing and logistics consulting firms, offices of attorneys, and accounting services (tax preparation and certified public accountants). In the administrative, waste management and remediation services sector, the largest concentration is landscaping services, janitorial businesses, and carpet cleaning.



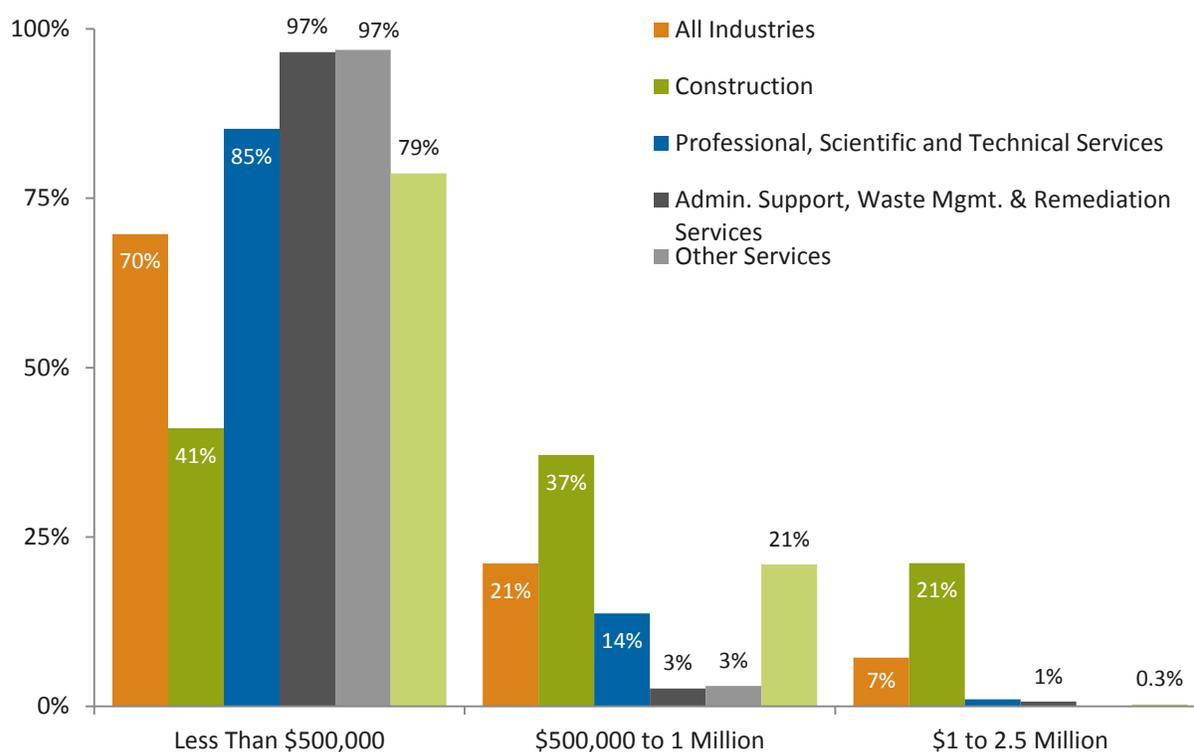
\*Total number of home-based businesses in the industry sub-grouping.

## REVENUE GENERATION

Three out of 10 home-based businesses generate revenue that is more than \$500,000 annually.<sup>3</sup> In the Central Valley region, most of the home-based businesses reported annual revenue of less than \$500,000. In the industry sectors with the largest number of businesses (shown in the chart below) follow a similar pattern of revenue distribution by value. Revenue represents the company's total sales before any deductions for cost of goods sold, rent, taxes, salary, etc.

- **Across all major industries**, wholesale trade reports the largest number of home-based businesses generating annual revenue that exceeds \$2.5 million, followed by construction.
- **In the construction sector**, most home-based businesses (78%) report revenue generation of up to \$1 million annually.
- **In the professional, scientific and technical services sector**, none of the home-based businesses earned revenue above \$2.5 million annually. This is also true for **administrative support, waste management and remediation services** home-based businesses.
- The **other services sector** includes a wide range of businesses, such as car washes, automotive repair, nail salons, funeral services and business associations, among others.

Home-based Businesses by Level of Annual Revenue



<sup>3</sup> Of the 17,019 home-based businesses identified, level of revenue was not available for all. Revenue totals in this section and elsewhere in the report are based on a slightly smaller sample of 15,181 firms.

## ECONOMIC IMPACT OF MICROBUSINESSES

Microbusinesses contribute significantly to the local economy. According to the California Association for Micro Enterprise Opportunity (CAMEO), 95 percent of annual job gains can be contributed to the expansion of existing microbusinesses or the launch of new micro enterprises. Further, microbusinesses tend to invest more in the community in which they are located than corporations that have headquarters located outside the area. Higher levels of local investments indirectly create jobs and strengthen the regional economy.

### Microbusinesses...



## IMPORTANCE TO COMMUNITY COLLEGES

Because entrepreneurialism is not often considered a traditional career track, aspiring and current community college students may not think that starting their own business is a viable option.

Community colleges can better prepare students for this career path by taking the following steps:

- Providing students with information about careers as an entrepreneur;
- Integrating business skills with traditional degree and certificate programs; and,
- Offering mentoring programs for students interested in the entrepreneurial pathway.

These efforts also benefit students pursuing traditional employment options as entrepreneurial skills, such as problem solving and self-direction, are desirable assets to most businesses. Further, a student's career path may start with traditional employment later advancing to self-employment. By supporting multiple career paths, community colleges can play a significant role in building a strong and thriving economy in the Sacramento region.

## MORE ABOUT DOING WHAT MATTERS FOR JOBS AND THE ECONOMY

The Doing What MATTERS for Jobs and the Economy strategy is to invest funding and resources in industry sectors that are key to California's economic growth. Industry-specific programs are coordinated by 'Sector Navigators' who align community college and other workforce development resources with the needs of industry sectors and occupational clusters through a regional focus. The goal is to invest in the skills of California's workforce through highly specialized industry training, technical consulting and business development. The end result is to meet industry's need for skilled workers. For more information visit [doingwhatmatters.cccco.edu](http://doingwhatmatters.cccco.edu).