

WHAT ARE THE HARDEST BUSINESSES TO OWN?

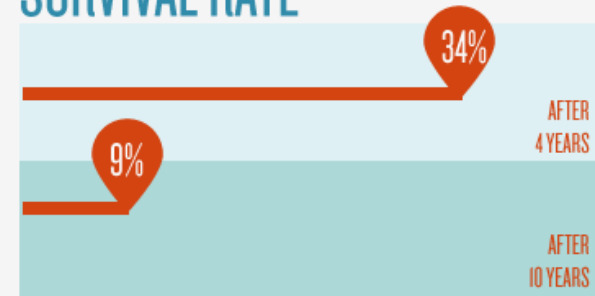


Though small businesses comprise almost 98% of businesses in the U.S., they are also some of the most difficult to maintain. But are some harder to run than others? Below we examine which businesses have it the toughest.



Small businesses with fewer than 20 employees only have a 34% chance of surviving after 4 years and a 9% chance of surviving after 10 years. In short, it's easier to start a small business than it is to maintain it.

SURVIVAL RATE



WHY DO THEY CLOSE?





TOUGH MARGINS

SOME SMALL BUSINESSES HAVE DIFFICULTY GENERATING THE REVENUE NEEDED TO SUSTAIN THEMSELVES.



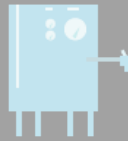
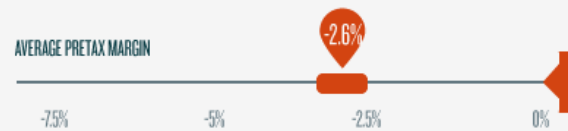
COMMUNITY CARE FACILITIES

This group of small businesses includes residential care facilities, nursing homes, and other health services. If the overhead for these facilities wasn't daunting enough, many of these facilities get paid only through Medicare or Medicaid.



OTHER SUPPORT SERVICES

This group can include small businesses that handle anything from trade shows to wrapping gifts. Because of the low barriers for entry and the reliance on subcontractors, these businesses tend to fold very easily.



BEVERAGE MANUFACTURING

Wineries, breweries, bottlers, distilleries, soft-drink makers, and water purifiers all have to face some hefty competition. Building a recognizable name is crucial in this field and sometimes small businesses don't have enough scale to compete.



REAL ESTATE SERVICES

In this economy, real estate agents, appraisers, and property managers are all feeling the burn. With these services there is a low barrier of entry making for a large pool of competition and low profit margins.



BAKERIES

The overhead for bakeries and tortilla manufacturing facilities is often far greater than expected. Many bakeries are unable to recoup this cost in the first three years. Scale and pricing power also play a role in determining success in this business.



AMUSEMENT SERVICES

Fitness centers, ski resorts, and bowling alleys all qualify as amusement services. Staffing and maintenance often chew up revenue and many of the markets are saturated with options.

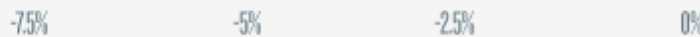




AUTO PARTS MANUFACTURING

Even big businesses in this sector haven't been able to turn a reasonable profit, thanks in part to automakers who have demanded price cuts from parts suppliers, causing a ripple effect of profit loss.

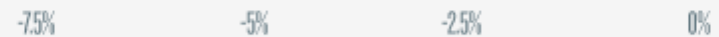
AVERAGE PRETAX MARGIN



SPECIALTY RETAILERS

Sporting goods, musical instruments, or hobby-supply stores have found it hard to compete with large big-box stores such as Wal-Mart.

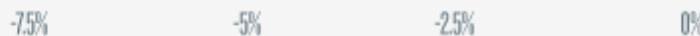
AVERAGE PRETAX MARGIN



LIQUOR RETAILERS

These businesses include the shops that actually sell liquor, beer, or wine. With strict laws regulating how quickly a distributor must be paid by the retailer, cash flow becomes hard to manage.

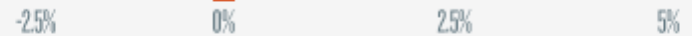
AVERAGE PRETAX MARGIN



TRAVELERS' ACCOMMODATIONS

Although positive, margins in the travelers' accommodations industry run slim. Hoteliers face high fixed costs and many rely on a small window of opportunity (usually the summer) to make most of their yearly profit goals.

AVERAGE PRETAX MARGIN





RATES OF FAILURE

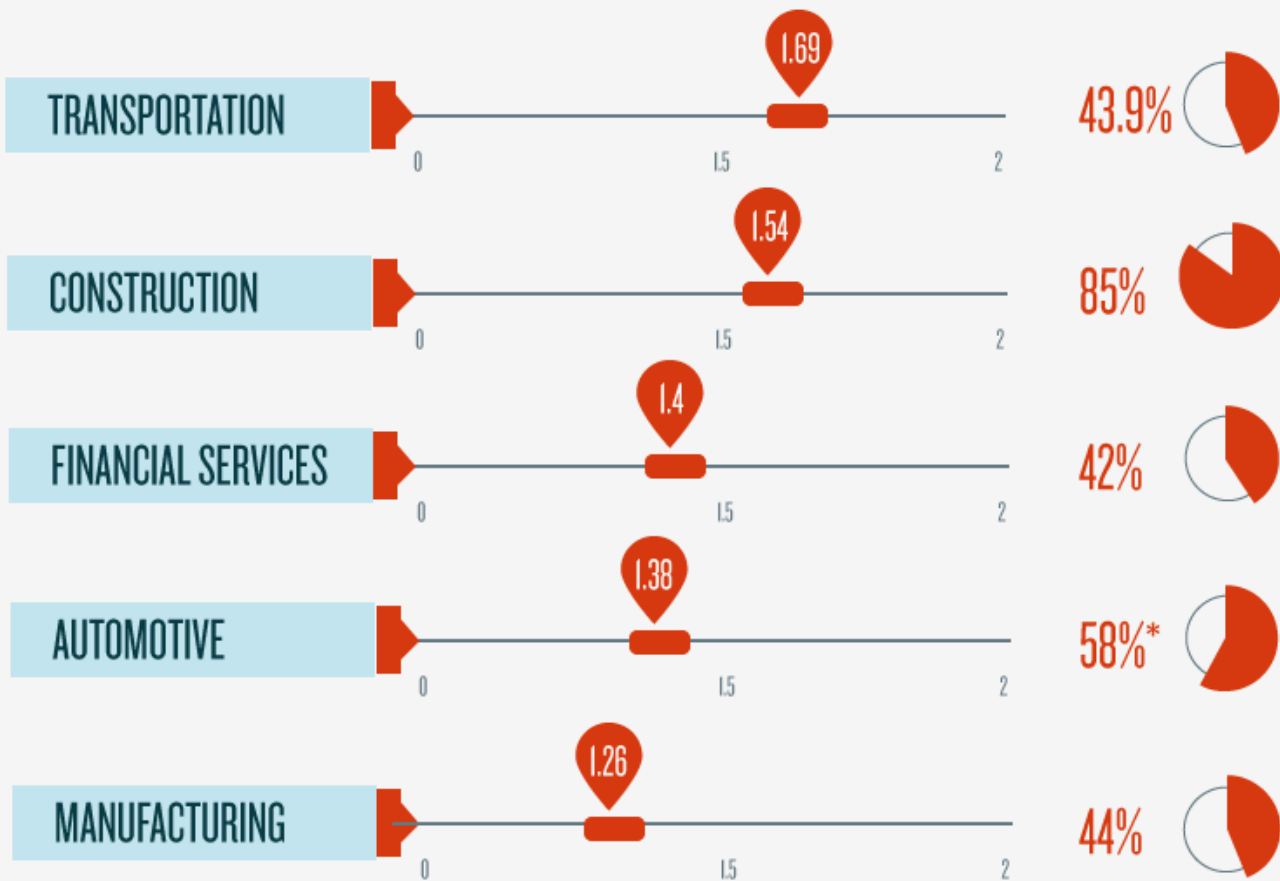
SMALL BUSINESSES IN THESE INDUSTRIES ARE FACING STEEP COMPETITION AND RISING COSTS CAUSING HIGH FAILURE RATES IN Q4 2010.

INDUSTRY

FAILURE INDEX

Index runs from 0 to 2, with 2 being most likely to fail.

PERCENTAGE THAT ARE SMALL BUSINESS



*includes other parts manufacturers and suppliers

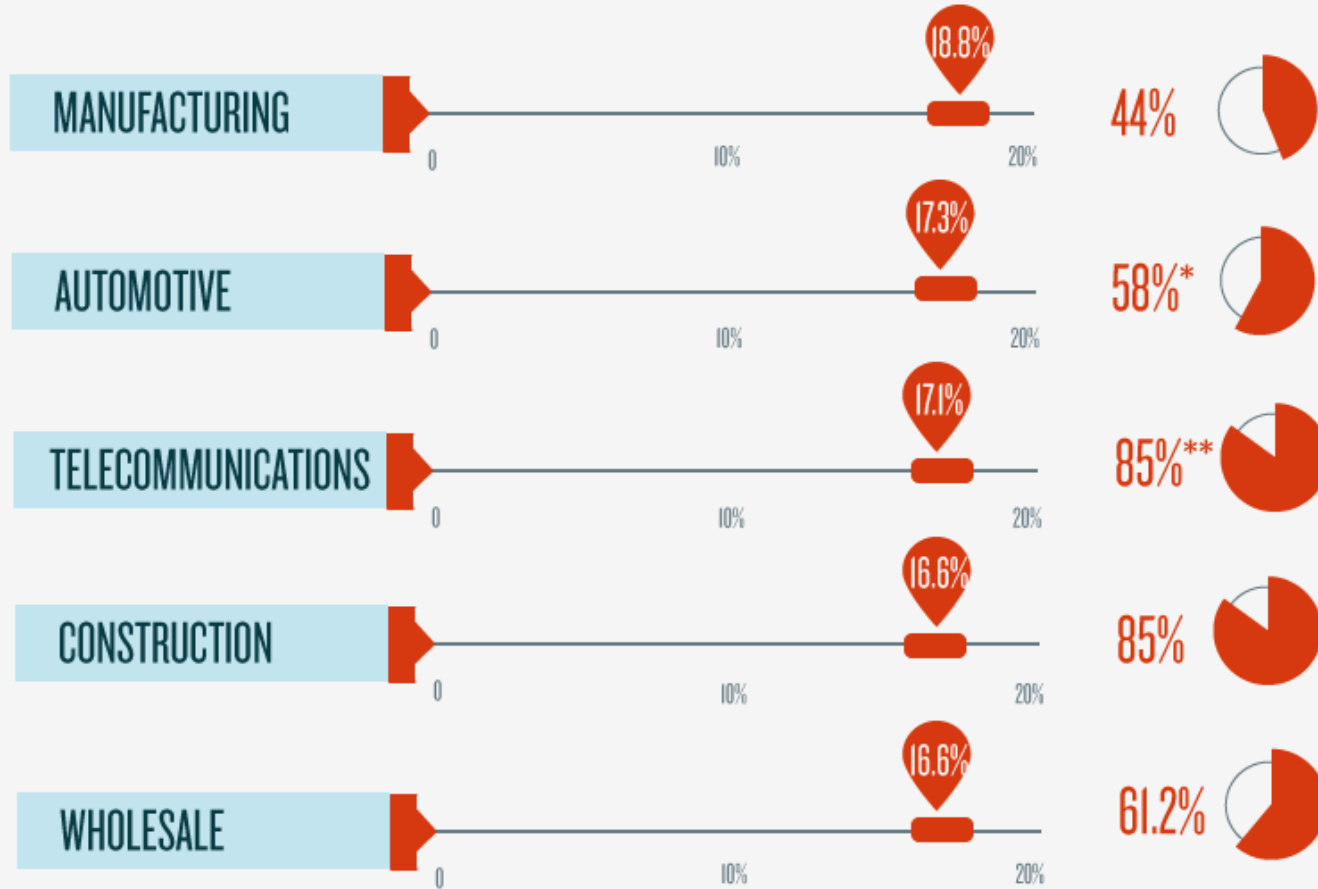
BILLS, BILLS, BILLS

SMALL BUSINESSES IN THESE INDUSTRIES HAVE HAD HIGH DELINQUENCY RATES FROM JAN.-DEC. 2010. MOST OF THESE BUSINESSES ARE MORE THAN 91 DAYS PAST DUE.

INDUSTRY

DELINQUENCY PERCENTAGE
Percent of businesses with payments 91+ days past due

PERCENTAGE THAT ARE SMALL BUSINESS



*includes other parts manufacturers and suppliers
**includes small businesses labelled as 'other services'

SOME FEES MAY APPLY

HIGH OPERATING FEES, TAXES, OR LICENSES MAKE THESE BUSINESSES DOOMED TO FAILURE FROM THE GET GO.



TAXIS & LIMOS

Besides the sky rocketing cost of gasoline and car maintenance, the price of the license or medallion to operate in major cities could be as high as \$400,000.



RESTAURANTS

Restaurants have a survival rate of 20%. This is due to the high overhead costs of starting a new restaurant. Liquor licenses, equipment, furniture, and passing the health code could run into the hundreds of thousands of dollars.



WHERE THE PROFITS ARE

HOWEVER, THERE ARE SOME BUSINESSES THAT ARE FRUITFUL IN THIS ECONOMY DESPITE THE HARDSHIPS OF RUNNING THEM.



ACCOUNTING

Bookkeeping, designing accounting systems, payroll billing, and preparing tax returns all have the benefit of pricing power, low overhead and marketing scale.

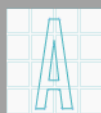
AVERAGE PRETAX MARGIN



DENTAL SERVICES

Dentists have more pricing power relative to other medical providers largely because many patients end up paying out of pocket. While some of the equipment is expensive, staff is relatively cheap.

AVERAGE PRETAX MARGIN



SPECIALIZED DESIGN SERVICES

This includes specialized interior designers, industrial designers, and graphic designers. Given that the field is specialized, these services tend to make use of the latest technology. There is limited overhead, and great pricing power.

AVERAGE PRETAX MARGIN



LEGAL SERVICES

Not just lawyers but even paralegals and legal book keeping all see high pretax margins. Overhead is relatively low aside from possible office leasing. Businesses tend to run on referrals, keeping marketing expenses down and repeat business high.

AVERAGE PRETAX MARGIN

