

GMERG
GREATER MEMPHIS ECONOMIC RESEARCH GROUP



GREATER MEMPHIS MARKET

SMALL BUSINESS & ENTREPRENEURSHIP

M O V I N G B I G I D E A S



From Ted Townsend President & CEO Greater Memphis Chamber

As we forge ahead into another year of transformation and growth, the Greater Memphis Chamber remains steadfast in its vision to cultivate an economy of boundless innovation, known as the "Digital Delta." Our ambition is unyielding: to position our region as the forefront of innovation, inclusivity, and technological advancement in the United States.

Bold? Absolutely. But for Memphis, bold is only the beginning.

In pursuit of this vision, we continue to champion the "Prosper Memphis 2030" initiative—a roadmap designed not just with ambitious milestones, but with the future of our community at heart. Our objectives are clear: to enrich our region with 50,000 high-quality jobs, ensuring that at least half are accessible to minorities; to welcome and nurture 700 advanced manufacturing companies; and to elevate our educational outcomes, aiming for 20,000 STEM graduates annually.

This year's Small Business & Entrepreneurship Industry Report serves as a beacon, guiding us toward a more prosperous Memphis. Our industry reports are more than just publications; they are blueprints for action, reflection, and collaboration.

The Greater Memphis Economic Research Group (GMERG) continues to be instrumental in this journey. Since its inception in 2021, GMERG has been the Chamber's arm for rigorous economic analysis, offering invaluable insights that drive smarter, data-informed decisions. These insights not only empower our business community but also illuminate the path forward for our entire region. For a deeper dive into GMERG's contributions and to explore our research further, I encourage you to visit the GMERG webpage.

As you peruse the pages of this report, reflect on the strides we've made together and the opportunities that lie ahead. The journey to realizing our collective vision for a greater Memphis is ongoing, and each step we take is a testament to the resilience, innovation, and spirit of our community. Together, let's embrace the bold goals that define us and forge ahead with determination and unity.

Best,

A handwritten signature in black ink, appearing to read 'Ted Townsend'.

Ted Townsend
President & CEO
Greater Memphis Chamber



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Data Considerations and Insights

Small Business & Entrepreneurship

Specific data on small businesses and entrepreneurs can be challenging to obtain.

While this report draws data from highly reputable sources, the information may appear less comprehensive than other GMERG industry reports. This is not due to a lack of importance, but it reflects several unique challenges inherent to this sector.

Small businesses represent 99.9% of all US firms, highlighting their critical role in the economy. However, their sheer volume makes comprehensive data collection a complex and costly endeavor. Furthermore, definitions of "small business" vary across reporting agencies, leading to inconsistencies that complicate standardization, an issue not typically encountered in larger industry reporting.

Another factor is government reporting requirements. For example, only firms with 500+ employees are required to report financial details to the Securities and Exchange Commission (SEC). Most small businesses are not required to submit similar reporting, reducing the availability of standardized data. Without specific incentives, many small firms avoid the burden of filling out additional government forms.

Small business and entrepreneurs often demonstrate flexibility, swiftly adapting to changing market conditions and evolving their business models. This adaptability is a key strength but poses challenges for real-time data collection and consistent tracking.

Lastly, a significant number of small businesses operate informally or within the "gig economy." These businesses may not register with official bodies or adhere to formal reporting requirements, further complicating access to data.

For these reasons, data on small businesses tends to be more fragmented, harder to access, and less comprehensive compared to data on larger organizations.



Defining Small Business

136,782

**Small
Businesses in
Greater
Memphis**

98.9%

**of All Area
Businesses are
Small
Businesses**



A small business is typically defined as an independently owned and operated company that has a limited number of employees and generates a relatively low volume of sales compared to larger businesses. The specific criteria for what constitute a small business can vary by country and industry, but it often includes factors such as employee count, annual revenue, ownership structure. Non-employee businesses and self-employed persons operating a business ("solopreneurs") are also included in this count.

The United States Small Business Administration broadly defines a small business as one with fewer than 500 total employees. A single business may encompass multiple establishments if it operates at multiple locations. A business is classified as small in these profiles if it employs fewer than 500 employees across all establishments. It is important to note that classification by industry is made at the establishment level, so a business encompassing multiple establishments may participate in multiple industries. Thus, a business participating in multiple industries would be included in the total for each industry, so the sum of businesses across industries may exceed the total number of businesses in some sectors.

\$11B
Payroll
2021

229K
Employees
2021

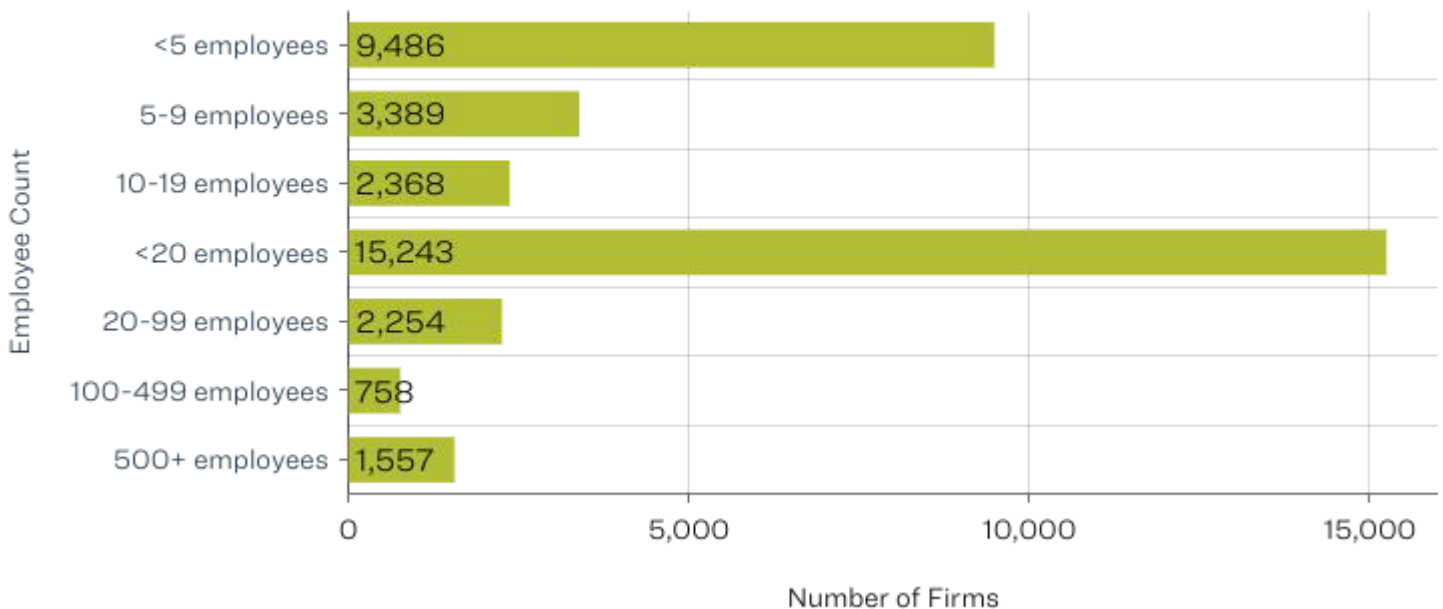
17,339
Employers
2021

The most current small business data available reflects 2021.

In 2021, 41.3% of the Greater Memphis workforce is employed by 17,339 small employers, as defined on the previous page. There are an additional 119,443 small businesses without employees and/or self-employed persons. (A firm with zero employment is a firm with no paid employees in the mid-March pay period but with paid employees at some time during the year.) The largest cohort of small firms are those with fewer than twenty employees: 15,243.

Regional Small Business Composition

2021



Defining Entrepreneurship



“It doesn’t matter how many times you have failed. You only have to be right once.” - Mark Cuban

While the terms “small business” and “entrepreneurship” are often used interchangeably, there are crucial differences which make each a distinctive approach to business. The following differentiators help us recognize the complimentary roles each play in driving regional prosperity and fostering innovation.

	Entrepreneurship	Small Business
Definition	The process of designing, launching, and running a new business venture	A privately owned and operated business that has a small number of employees and limited revenue
Ownership	Can be owned by an individual or a group of individuals	Owned by one or a few individuals
Scale	Ranges from small-scale startups to large-scale enterprises	Operates on a small scale
Risk	Often take higher risks in pursuit of innovative ideas	Risks are typically lower
Innovation	Focused on introducing new products, services, or business models	Focused on providing existing products or services
Growth	Aim for rapid growth and expansion	Aim for steady growth or stability
Flexibility	More flexibility in decision-making and adapting to market changes	Can be flexible but may have more limitations
Investment	Often seek external funding or investments to support their ventures	Rely on personal savings or loans for funding
Focus	Focus on creating and capturing new opportunities	Focus on meeting local market demands



Types of Entrepreneurs

Small Business & Entrepreneurship

Innovative Entrepreneurs create new products, services, or technologies that disrupt existing markets or create entirely new ones. They are often visionaries who see unmet needs and innovate to solve them.

Imitative Entrepreneurs take existing business ideas or models and adapt them, often improving upon them or targeting new market segments. They replicate ideas that have already been successful elsewhere.

Social Entrepreneurs focus on solving social, environmental, or community issues through innovative business solutions. Their primary goal is often social impact rather than profit maximization.

Scalable Start-up Entrepreneurs focus on high-growth ventures that are scalable and typically backed by venture capital. Their goal is to create companies that can rapidly expand, often with global reach.

Small Business Entrepreneurs create and manage small businesses that typically serve local or regional markets. Their businesses often remain small, and they prioritize stability over rapid growth.

Scalable Social Entrepreneurs are a subset of social entrepreneurs who, like scalable start-up entrepreneurs, aim for growth but focus on maximizing social impact rather than just profit. Their ventures often address large-scale global challenges.

Corporate Entrepreneurs (Intrapreneurs) are individuals who act like entrepreneurs within a larger corporation. They are responsible for developing new projects, products, or services, often in a more innovative or entrepreneurial way.

Lifestyle Entrepreneurs prioritize their personal passions and lifestyle over business growth. They often start businesses with the goal of achieving a balanced life, working on their own terms.

Hustler Entrepreneurs are driven, high-energy individuals who often start small but have the ambition to scale quickly. They work hard and are highly resourceful but may lack extensive funding or experience at the outset.

Tech Entrepreneurs specifically focus on technology and innovation within the tech space. They often build businesses around software, hardware, apps, or tech services.

Serial Entrepreneurs start multiple businesses over their careers, often selling or exiting one venture to move on to the next. They thrive on new challenges and enjoy the process of building and scaling businesses.

Acquisitive Entrepreneurs build wealth by acquiring existing businesses rather than starting their own from scratch. They look for opportunities to acquire, improve, and scale underperforming companies.

E-commerce Entrepreneurs leverage the internet to sell products or services. Their businesses are often online-only, operating through websites, online marketplaces, or apps.

Green Entrepreneurs (Eco-entrepreneurs) focus on sustainability and environmental impact. They create businesses that promote eco-friendly practices or sustainable products and services.

Franchise Entrepreneurs operate businesses under a well-established brand through a franchising model. They benefit from the brand's recognition and an established business model, while managing day-to-day operations.

Family Business Entrepreneurs start businesses with family members or run businesses that have been passed down through generations. The focus may be on continuity, tradition, and long-term stability.

Health and Wellness Entrepreneurs focus on the booming health and wellness industry, creating businesses related to fitness, nutrition, mental well-being, or alternative health.

Creative Entrepreneurs focus on the arts, entertainment, fashion, design, and other creative industries. They often blend artistic passion with business acumen to build sustainable ventures.

Mompreneurs are mothers who balance raising children with running a business. Their businesses often offer flexible work arrangements and cater to needs related to family life.

Small Business & Entrepreneurship

Business Segments

+8%

Estimated 5-Year Growth

Regional Growth Estimate for
Self-Employed Persons (All Industries)

A centralized location, low cost of office space, entrepreneurial spirit, and diverse talent base give small companies a competitive edge.

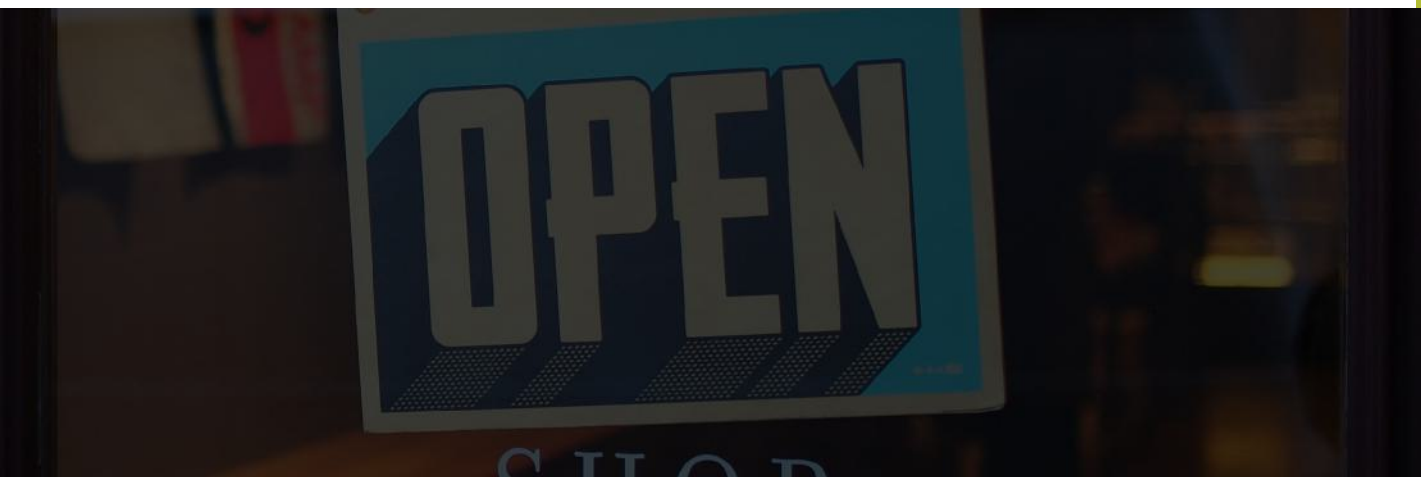
The local small business ecosystem is dominated by five industries: Retail Trade, Personal Services, Healthcare, Accommodation & Food, and Professional & Technical Services. These industries employ more than 50% of all employees (112,679) within small businesses and provide a combined payroll of \$4.6 billion annually.

Industries which require large equipment investments and significant capital to operate are generally not well represented among small businesses. For example, Manufacturing, Utilities, and Mining represent only 3.5% of all small businesses in the area.

Healthcare, Construction, and Wholesale Trade have the highest annual payroll contributions totaling \$3.9 billion annually. These earnings are spread among 66,563 employees.

Regional Small Business Composition

Industry	Firms	Employees
Retail Trade	2,585	18,792
Other Services (except Public Admin)	2,313	17,904
Health Care and Social Assistance	2,082	32,793
Accommodation and Food Services	1,853	30,659
Professional and Technical Services	1,701	12,531
Construction	1,619	19,332
Administrative and Support	1,120	18,863
Wholesale Trade	1,016	14,438
Transportation and Warehousing	940	14,465
Finance and Insurance	835	6,905
Real Estate and Rental and Leasing	710	5,408
Manufacturing	623	14,078
Arts, Entertainment, and Recreation	313	3,714
Educational Services	300	9,373
Information	209	1,600
Management of Companies and Enterprises	62	1,461
Industries not classified	52	189
Utilities	23	250
Agriculture, Forestry, Fishing and Hunting	21	106
Mining, Quarrying, and Gas Extraction	6	101



Demographics

By Ownership and Employment

Diversity in small businesses can enhance creativity, improve problem-solving, and foster innovation. Embracing diversity not only benefits the business environment but also contributes to a more equitable society.

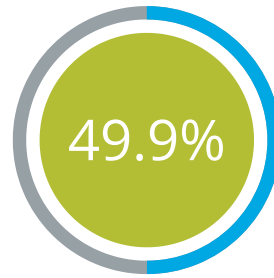
Women

Woman-Owned Business

Women Employed in Small Business



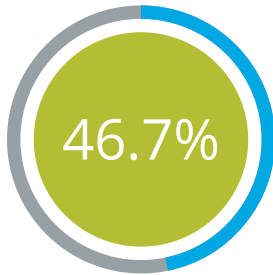
**62,286
Businesses**



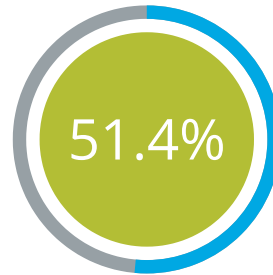
Diverse Populations

Diverse Ownership

Diverse Employees in Small Business



**68,314
Businesses**



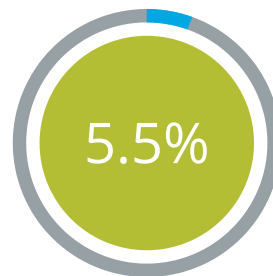
Veterans

Veteran-Owned Business

Veterans Employed in Small Business



**8,146
Businesses**



Self-Employment

Small Business & Entrepreneurship

52,657

**Self-Employed
Residents**

2021

8%

**5-Year Projected
Growth**

2021 - 2026

Approximately 8.5% of the regional workforce identifies as Self-Employed and does not appear on a company payroll. The largest two cohorts are in the Miscellaneous Services industry - Hair Stylists/Cosmetologists (3,918) and Landscapers (2,503). The Construction industry is also home to several types of independent operators, such as general laborers, electricians, painters, and carpenters with a total of over 8,000 self-employed professionals.

It is important to distinguish that self-employed individuals may be sole proprietors of a business, and therefore count among small business statistics. Alternately, they may be entirely independent contractors/freelancers, in which case they are not part of any business. Many self-employed individuals work primarily for autonomy or income flexibility, without necessarily aiming to scale or innovate within their field. In either case, self-employment does not necessarily equate to entrepreneurship.

Top Occupations of Self-Employed Residents

2021



- Hairstylists, and Cosmetologists 3,918
- Landscaping and Groundskeeping Workers 2,503
- Managers, All Other 2,095
- Construction Laborers 1,760
- Heavy and Tractor-Trailer Truck Drivers 1,616
- Maids and Housekeeping Cleaners 1,583
- Childcare Workers 1,554
- Carpenters 1,464
- Supervisors of Retail Sales Workers 1,388
- Janitors and Cleaners 1,094

Small Business Growth

Small Business & Entrepreneurship

\$38K

**Median Earnings
- Unincorporated
Business**

2021

\$72K

**Median Earnings -
Incorporated
Business**

2021

83%

**of Self-Employed
Earn More than
Payrolled Occs.**

2021

Small business ownership and self-employment have grown considerably within in the last ten years. Factors contributing to this growth include a supportive local government, various grants and resources for small businesses, and a strong sense of community among entrepreneurs.

Until 2020, Shelby County received an average of 8,000 applications for new business formations per year. Bolstered by stimulus payments, enhanced unemployment benefits, and a new appreciation for flexible scheduling, new business applications in Shelby County alone ballooned to a high of over 24,000 applications in 2021. The Greater Memphis region ended 2021 with 33,295 new business applications in total. Additionally, via the Community Reinvestment Act, the region was approved for a total of nearly \$2 billion in small business loans in 2021.

Examining 332 occupations for which annual wage data is available reveals that approximately 83% of self-employed workers are earning more than their counterparts on a company payroll. The occupations with the largest wage disparities are mostly high-level executive managers like CEOs, Financial Managers, and Operations Managers. Conversely, self-employed creatives and real estate professionals tend to earn considerably more as independent operators.

The Next Generation

In 2023, nearly 16,000 students completed post-secondary education programs in the Memphis area. 1,883 (11.7%) earned certificates and degrees in Business and Management. These programs have experienced an average increase of 6% in the last five years (2018 - 2023).

There are 12 accredited institutions in the Greater Memphis region conferring these degrees and credentials. Within a 150-mile radius, there are an additional 54 educational institutions that offer business programs as well, resulting in 10,000 graduates in 2023 with the relevant education to support the growing small business landscape or start firms of their own. Several regional institutions feature programs dedicated exclusively to entrepreneurship and small business management. These graduates have increased more than 200% within the last five years.

The following list highlights the top ten regional educational institutions issuing degrees and credentials relevant to Business and Management, with their 2023 completion totals.

Education Completions (2023) Business & Management

- University of Memphis 892
- Strayer University-Tennessee 355
- Northwest Mississippi Community College 247
- Christian Brothers University 113
- Arkansas State University Mid-South 84
- Rhodes College 73
- Southwest Tennessee Community College 71
- Le Moyne-Owen College 18
- Rust College 17
- TCAT -Memphis 10
- Visible Music College 3



Support Partners

Small Business & Entrepreneurship

Greater Memphis has a thriving entrepreneurial and small business ecosystem, supported by assets like a vibrant culture, central location, lower cost of living, and a network of business partners devoted to leveraging talent for maximum economic impact. Small businesses compose 99.9% of the United States economy. Therefore, resources to help owners and entrepreneurs build and thrive are plentiful at federal, state, and local levels. These assets range from loans and grants to education and mentorship.

In addition to the services offered by the US Small Business Administration (SBA) and the US Chamber of Commerce, each state offers a Small Business Development Center (SBDC) as well as Economic and Community Development offices (ECD).

Locally, Greater Memphis small business owners also have access to world-class resources like Epicenter, StartCo, SeedCo, AgLaunch, Alchemist Accelerator, SCORE Memphis, MMBC Continuum, the City of Memphis's Entrepreneur's Network Center, and the Greater Memphis Chamber. (Click each logo for additional information.)





APPENDIX.

Sources for the following charts, as well as the contents of this report, are as follows: Lightcast™ 2024: QCEW Employment/Industry Data Q3 2024, The US Bureau of Labor Statistics (as retrieved from FRED/St. Louis Federal Reserve), the US Small Business Administration, and the US Census Bureau. Many data points are estimates, seasonally adjusted, aggregated/averaged, and projections based on past data trends. As such, the information in this document should be treated as guidance rather than precision.

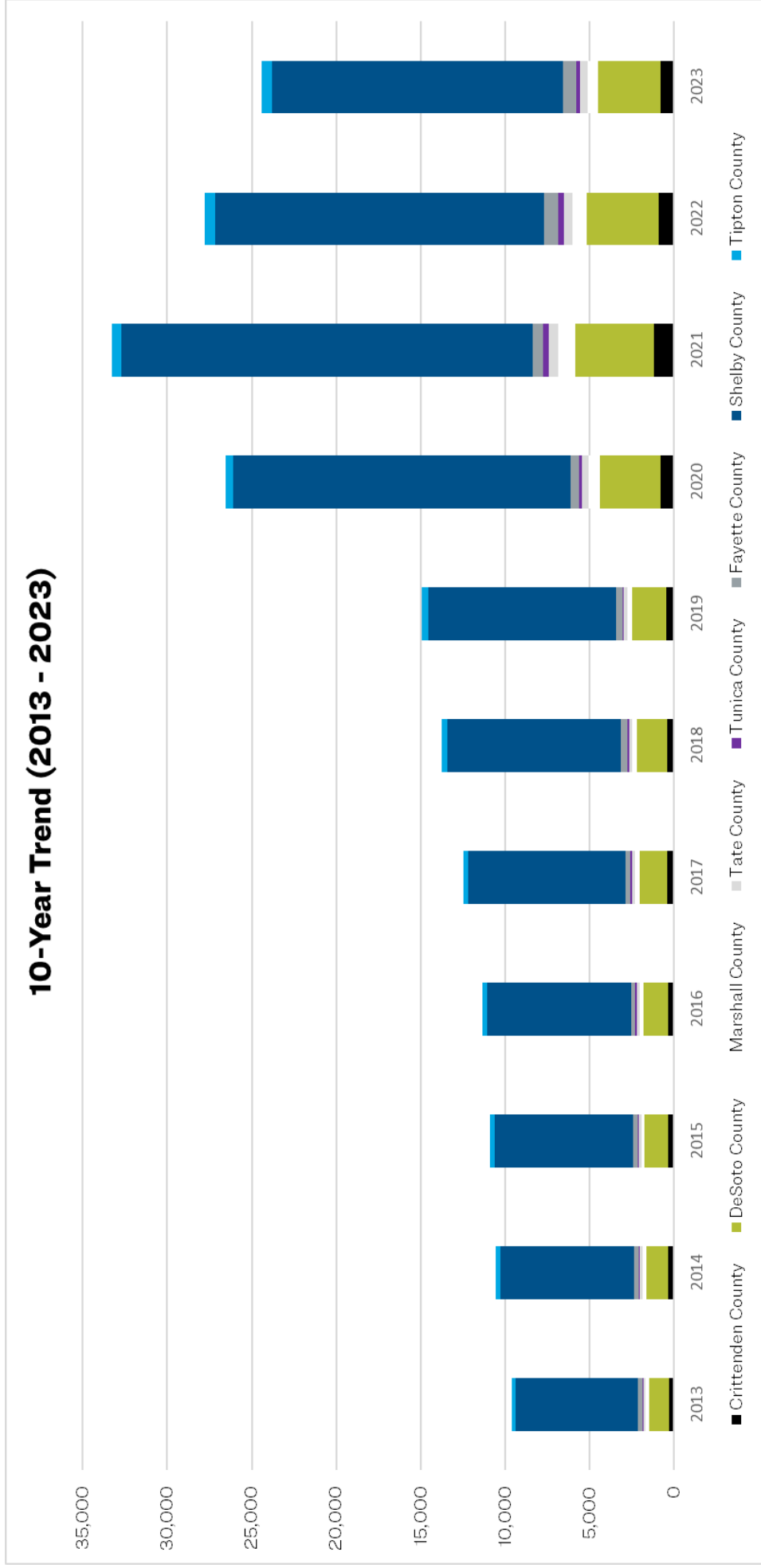
2021 Industry Composition

Small Business & Entrepreneurship

Industry	Firms	Locations	Employee Count	Annual Payroll
Retail Trade	2,585	2,760	18,792	\$798,507,000
Other Services (except Public Administration)	2,313	2,417	17,904	\$600,909,000
Health Care and Social Assistance	2,082	2,283	32,793	\$1,697,887,000
Accommodation and Food Services	1,853	2,113	30,659	\$637,208,000
Professional, Scientific, and Technical Services	1,701	1,713	12,531	\$908,383,000
Construction	1,619	1,620	19,332	\$1,172,146,000
Administrative and Support and Waste Management and Remediation Services	1,120	1,135	18,863	\$727,689,000
Wholesale Trade	1,016	1,051	14,438	\$1,059,500,000
Transportation and Warehousing	940	973	14,465	\$785,334,000
Finance and Insurance	835	1,091	6,905	\$657,344,000
Real Estate and Rental and Leasing	710	823	5,408	\$312,602,000
Manufacturing	623	641	14,078	\$816,981,000
Arts, Entertainment, and Recreation	313	316	3,714	\$112,870,000
Educational Services	300	315	9,373	\$418,192,000
Information	209	239	1,600	\$71,790,000
Management of Companies and Enterprises	62	66	1,461	\$206,809,000
Utilities	23	24	250	\$23,532,000
Agriculture, Forestry, Fishing and Hunting	21	22	106	\$3,438,000
Mining, Quarrying, and Oil and Gas Extraction	6	8	101	\$5,643,000

New Business Applications

Memphis MSA



READY TO LEARN MORE?

The **Greater Memphis Economic Research Group** is a thought leadership entity that manages a portfolio of strategic advisory projects to drive quality job growth and investment activity into the Greater Memphis region. The GMERG team leverages data to align regional stakeholders around the metrics that matter to improving the economic performance of the area and creating generational prosperity for all.

Our capabilities include:

- Economic Trends & Conditions Research
 - Industry Insights
 - Economic Impact Analyses
- Cost Comparison and Analyses
- Labor and Wage Benchmarking
- Custom Economic Reporting
 - Spatial Analyses

GET IN TOUCH!

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