



**QUESTER™**

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# Impact of Crude Oil Prices on Small-Medium Sized Businesses

January, 2015

# Background

## Small business is BIG!

- The 23 million small businesses in America account for 54% of all U.S. sales.
- Small businesses provide 55% of all jobs and 66% of all net new jobs since the 1970s.
- The 600,000 plus franchised small businesses in the U.S. account for 40% of all retail sales and provide jobs for some 8 million people.
- The small business sector in America occupies 30-50% of all commercial space, an estimated 20-34 billion square feet.

*sba.gov*

Investigating the impact of lower crude oil prices on small businesses is key to learning the macro (and micro) economic benefits of crude oil prices.

# Research Questions

This research specifically seeks to understand the positive impact of low crude oil prices on SMB owners. Specifically, this research will address:

1. How have fallen crude oil prices impacted their businesses, overall?
2. What has the business been able to accomplish as a result of lower crude oil prices that would not have otherwise been realized?
3. What is the outlook for 2015 crude oil prices?

# Method & Screening

Quester conducted an online study with 150 owners of small-medium sized businesses.

Small-Medium sized business defined as:

- 5-500 employees &
- \$100,000 - \$4,999,999 annual revenue

For full discussion:

- Mix of Industry
- Must be aware that crude oil prices have fallen over last 12 months
- Must be aware of positive impact of fallen crude oil prices on business operations (positive/no impact/negative)

# Top Five Takeaways

1

77% of SMB owners realize that crude oil prices have fallen. Of those, 76% have been positively impacted.

2

The positive impact of lower crude oil prices is realized through greater profits – driven by lower variable expenses and greater consumer spending.

3

52% of businesses positively impacted by lower crude oil prices have saved over \$10,000 in just one month's time.

4

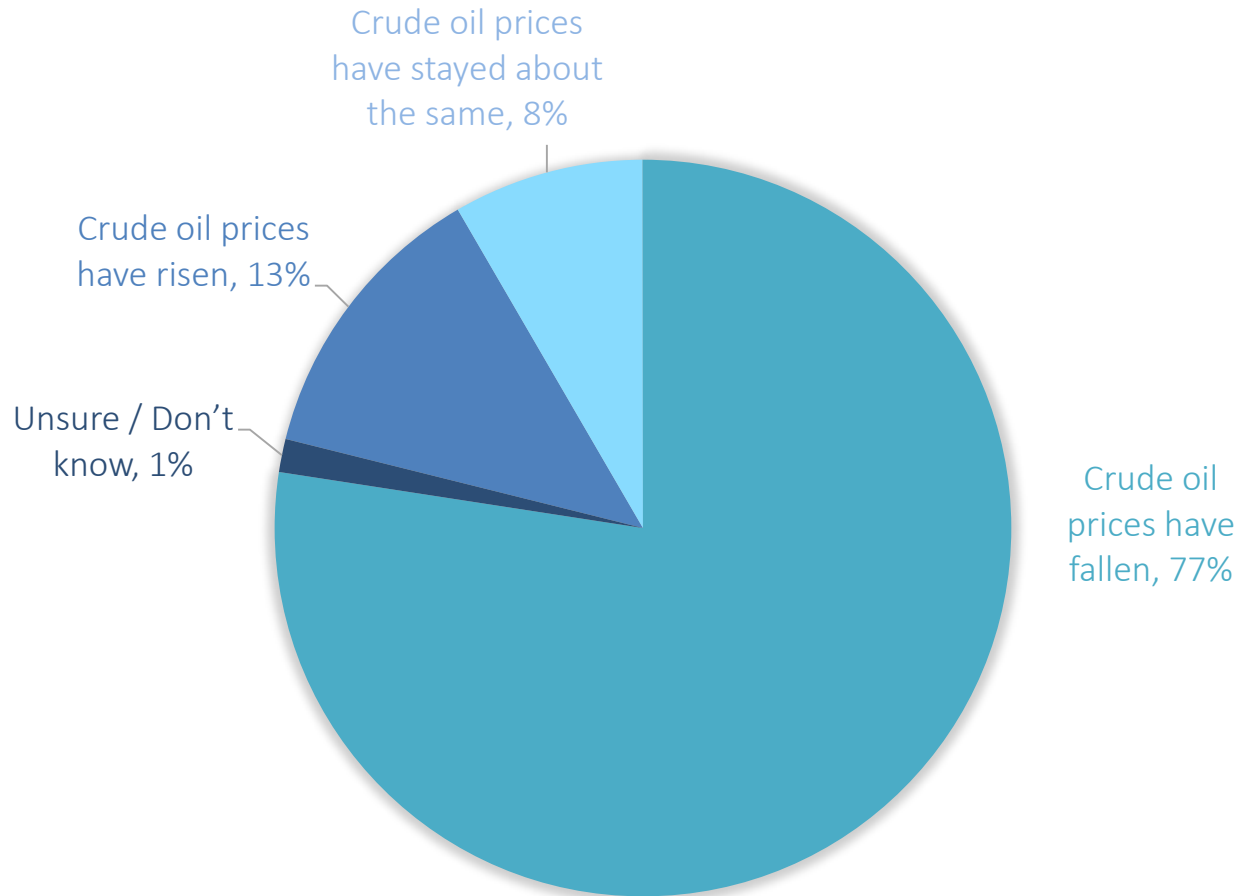
The influx in money has provided a sense of freedom to SMB owners; they have been able to save more money for future investment, employee bonuses & raises, or expand their operation. While they have been positively affected by fallen crude oil prices, there is a group of owners who has not accomplished anything outside of norm (yet) – they are operating as business as usual.

5

2015 outlook for crude oil prices is mixed among SMB owners. Those who believe the prices will rise are preparing for that now by saving. Those who believe the prices will remain the same or fall next year are optimistic for future growth and business expansion.

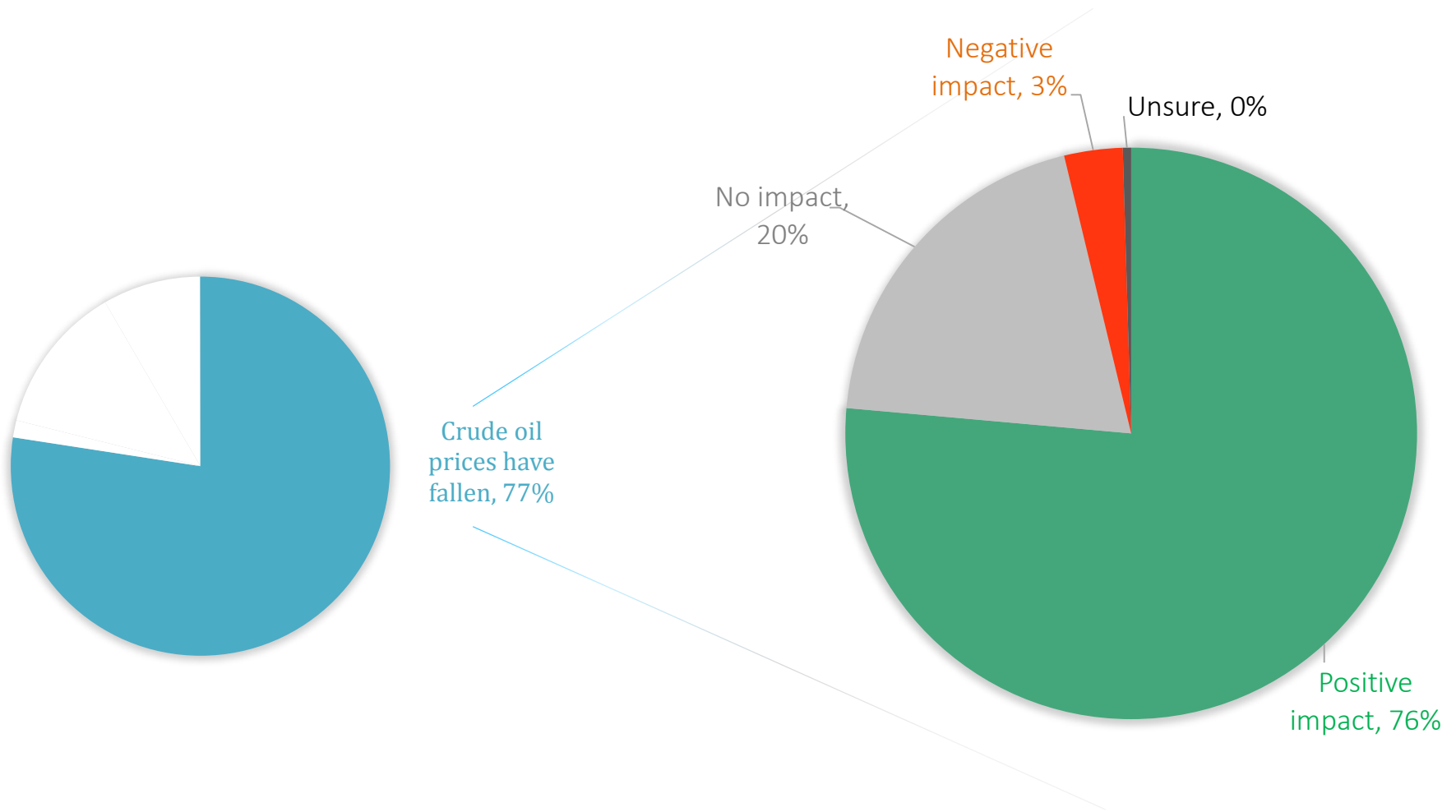
# Awareness of Lower Crude Oil Prices

Most SMB owners recognize that crude oil prices have fallen over the past 12 months.



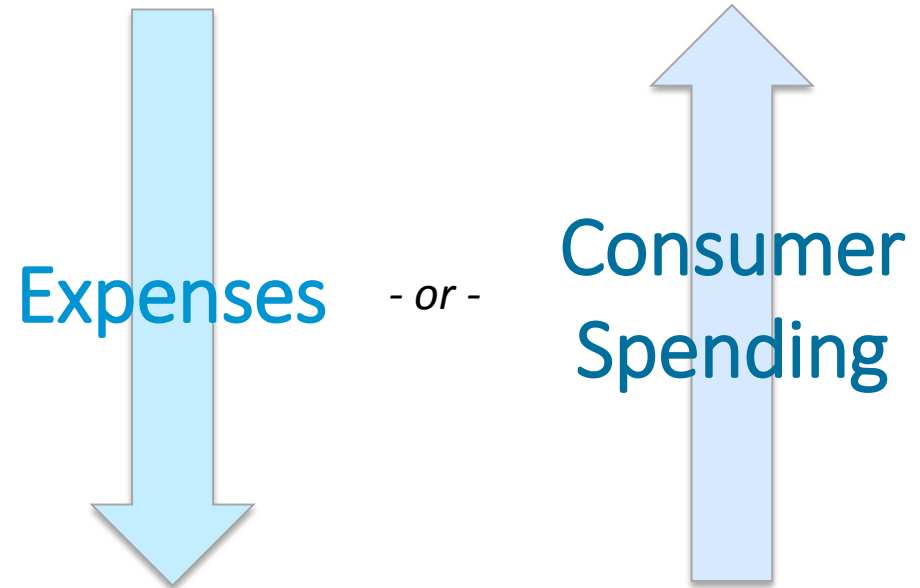
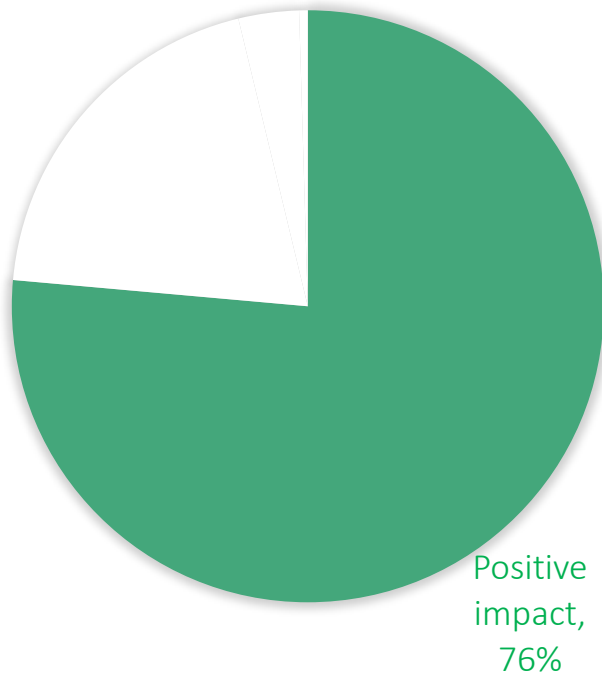
# Impact of Lower Crude Oil Prices

For these business owners, their businesses have been positively impacted.



# Business Impact, Explained

Lower expenses & an influx in consumer spending are the two main ways in which SMBs are positively impacted by lower crude oil prices.





# Business Impact - Greater Profits

## Lower Expenses

Whether it's saving fuel in driving to visit clients, shipping or delivering products, or reimbursing employee fuel, SMB owners recognize the internal impact of crude oil savings.

For some, money saved in one part of the business is invested in other parts of the business, for expanding their trade area, or for improving customer service.

For others, the savings they realize internally directly ties to the savings their customers save.

"It has given us **more disposable income** to fuel our cars so we can drive to **meet with more customers**. We can be more **consumer friendly** by meeting with clients where they are instead of having them drive to our offices."

– *Financial Services*

"I have eight work truck/vans and generators that run on gas and our monthly **gas bill has been cut in half** giving my company **an extra couple of thousand of dollars a month.**"

– *Real Estate / Construction*

"Lower crude oil prices translate into **lower materials and construction costs**, and that gets property owners and developers **off the fence and building**. Once **construction activity increases, the need for our services increases as well.**"

– *Real Estate / Construction*

# Business Impact – Greater Profit

## Increased Consumer Spending

For other companies, the impact of lower crude oil prices is realized not in internal savings, but in greater consumer spending.

Restaurant, hotel, auto repair, computer repair, and tourism company owners discussed a recent influx in business as a result of greater consumer spending, in which they associate to lower fuel prices.

“Since **people have more money** in their pockets with the decrease in oil prices, there has been an **increase of spending in my shop**. In Dec 2013 we had maybe 15 people get computer fixes. Dec 2014, we've had 47.”

– *Computer repair*

“As more **people start driving again**, they need their cars to be **fixed**. This **increases the amount of sales and services sold**.”

– *Auto repair*

“...with cheaper gas prices more **people have the extra money to go out to eat**. We have always maintained a solid repeat customer, but when gas is cheaper we **get more new customers and it increases our profits**.”

– *Restaurant*

# Business Accomplishment

For many business owners, low crude oil prices have allowed them to bank money into savings; setting the stage for future growth and investment.

## 20% - Saving Money

For many owners who have realized lower overall expenses, they are saving money for future use (expansion, hiring, equipment) – there's sense of freedom and calm with saving.

## 19% - Investing in Employees

Others have reinvested their company's savings in staff by hiring, and providing bonuses and raises that would not have been provided without fallen crude oil prices.

## 19% - Nothing, Business as Usual

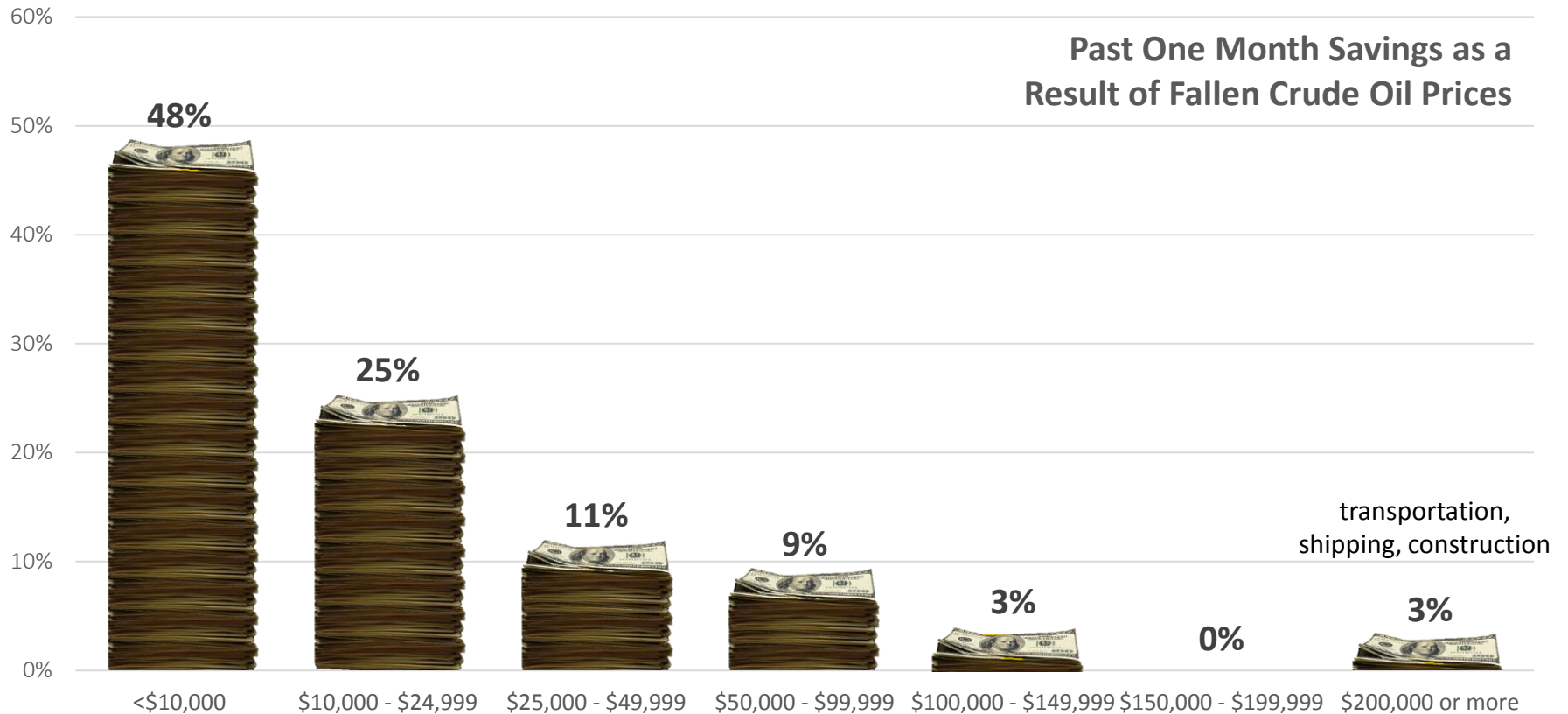
While these owners have been positively impacted by fallen crude oil prices, they have not accomplished anything that they would not have accomplished otherwise.

## 13% - Expanding Business

Some owners have reinvested their savings by purchasing or fixing equipment and vehicles to increase capacity, services, and reach. They are driving farther to meet with more clients or shipping more product to farther places.

# Single Month Savings

52% of the SMBs surveyed have saved more than \$10,000 in just one month as a result of fallen crude oil prices.



# Business Accomplishment - Verbatims

“Falling crude prices have **allowed me to hire more workers and purchase new tools and equipment.** I have also have more funds to devote to **advertising** my business.”

“We have been able to cut back on what we pay for fuel so I was **able to give larger Christmas bonuses** this year.”

“I **do not feel pressured** to group service calls together and have more **flexibility** with scheduling.”

“I have **more money** to put into the business and the product line.”

“We are able to **travel more.** This means that we can bring **more trucks** out to bring around to deliver our products. we are able to **hire more drivers which means they can go to more places** which means more money for the business.”

# Business Accomplishment - Verbatims

“Nothing at this point, other than to **save money.**”

“There's **nothing we've done differently**, and no special way we've spent that **saved money**. It has just **helped our cash flow**, helping me to be a little more at ease about the companies near future.”

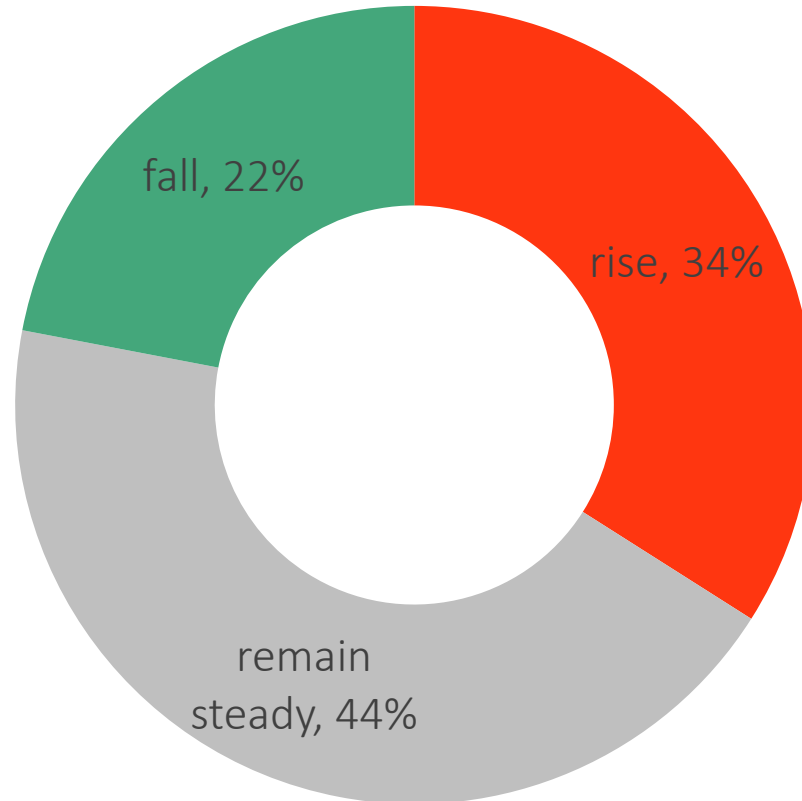
“**Nothing as of yet.** However, my personal bottom line will be better. Any money I don't have to pay out will eventually end up in my pocket.”

“**Nothing** that we would not have done. It is just that we have **saved money** doing the things we need to do.”

“**Nothing**, we are **proceeding as usual.**”

# 2015 Crude Oil Predictions

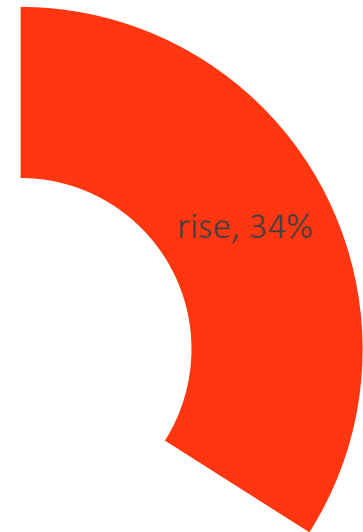
SMB owners are split in their predictions for crude oil prices in 2015.



# 2015 Crude Oil Predictions

Those who expect prices to rise again understand that their profit margins will take a hit, that travel will be more expensive and that hire and bonuses will take a back seat. Where prices were lowered to consumers will fallen prices, they would need to raise again to previous pricing.

There is a group of conservative owners in this bucket who see the low prices as temporary and are operating as such, minimizing the expected impact.





# 2015 Predictions

“Our **incomes will have to drop** to keep up with what is needed for work...”

“...if they rise then we will be **forced to raise our menu prices** we have always tried to remain low but if crude oil rises so will the cost of supplies **so I will have no choice to raise the price.**”

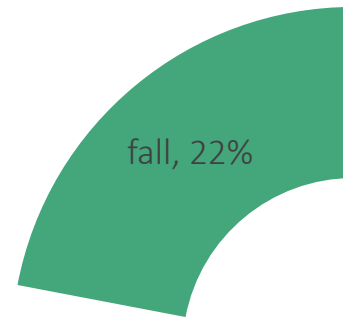
“**Won't be impacted too much** as we have been working under the **assumption that the prices will rise.**”



rise, 34%

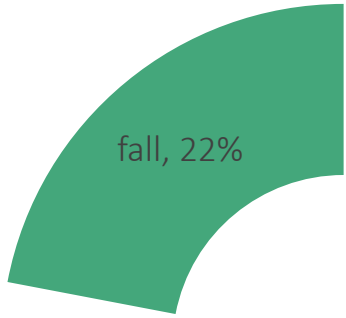
# 2015 Predictions

For those who expect crude oil prices to fall even more in 2015, they look forward to freeing up extra money to expand their businesses in reach and inventory, passing savings onto their customers, and investing in employees.



# 2015 Predictions

“We will **save more money** on fuel and be able to **pass that on to our customers and employees**. We won't have to spend as much money on gas. We can lower prices and give bonuses.”



fall, 22%

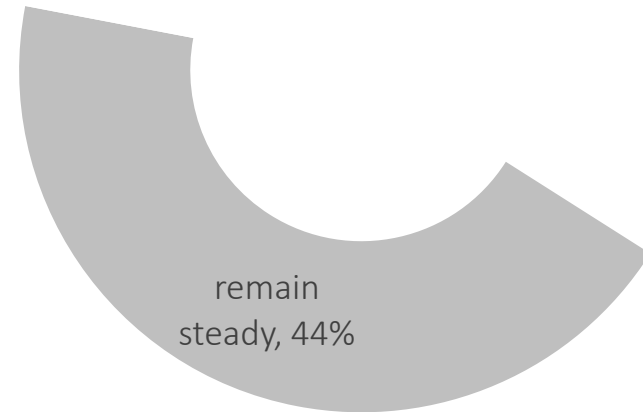
“It would be good if crude oil keeps falling. It helps with **expanding my business**, helping the economy. **It has been a long time since we have been able to expand** and now we have the chance.”

“I'll make more money and can **reinvest in my product**.”

# 2015 Predictions

Owners who expect prices to hover at their current rate are optimistic for further savings to boost profit margins higher than recent years.

With extra cash flow, they will consider expanding their businesses in geography, in capabilities with new equipment, and with new employees.

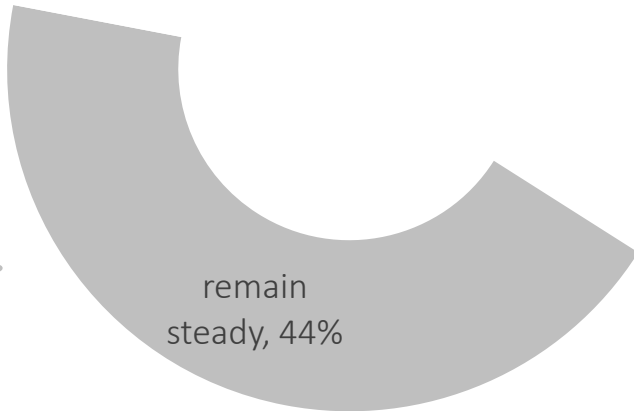


# 2015 Predictions

“We will be able to come out with **more profit than before** when the prices remained higher.”

“We will still be able to offer **more raises**, get **newer equipment** and do **maintenance** that is badly needed on our buildings. It's badly needed and the **extra money will help the cause** of getting work done that has been needed for awhile.”

“Our company will **continue to save money** and **get ready for our growth** to dominate the market that we are in. Our biggest **hurdle was cash** and now that oil prices have fallen that is for time being **no longer a concern of ours.**”



remain  
steady, 44%



**QUESTER<sup>®</sup>**

Garrett McGuire

Vice President, Corporate Strategy

[Garrett.McGuire@Quester.com](mailto:Garrett.McGuire@Quester.com)