

# **Business - Data Methodology Guide**

## Global Business Landscape

According to the United States Census Bureau Economic Census, there are nearly 32 million businesses in the US. An analysis of these firms yields a few striking observations:

- Only 7.6 million US firms have employees; 24.4 million are considered non-employers
- Of the non-employer segment, 86% are sole proprietorships, 7% are partnerships, 5% are S-corporations; and the remaining are C-corporations.

For firms that sell to businesses of all sizes, small business represents a significant opportunity, but information on small businesses is often traditionally difficult to find.

## Business Lifecycle

A variety of business data attributes are combined to make up the business profile contained within DemographicsNow. Sources include public filings, SEC filings, telecom-based sources, online and offline advertising, company websites, and independent research on large, complex firms.

There are two structural forms that businesses may take:

- sole proprietorships
- partnerships and corporations

A sole proprietorship is a business not legally separable from its owner. There is no distinction between the liabilities and assets of the business and those of the business owner. A sole proprietorship always has one owner at any given time. In many states a sole proprietorship is required to register a Doing Business As (DBA) name for the business. This is required so that the state may reach the business owner and so that trading parties and the general public may identify the owner of the business. Sole proprietorships are very common in firms without employees, home-based businesses, and businesses which are early in their lifecycle.

The second category of firms includes corporations and partnerships but more generally can be thought of as any form in which the firm is distinct from its owners from a legal perspective. These firms have equity and that equity can be publicly traded (e.g. on a stock market) or privately traded. This facilitates the firm taking on additional capital and owners as it grows. In these firms the owners have limited liability in the event of a claim on the business. In all cases these firms are required to register with the state in which they are domiciled.

### Business Births

Many firms are started with consumer credit or friends and family financing. Until the firm has established commercial success it is not eligible for credit in the name of the business. The birth of a legal entity is rather simple to track due to filing requirements. Sole proprietorships are tracked by their behavior, which might include acquiring a business telephone line, advertising the business offline or online, or other indicators.

### Business Failure

As sole proprietorships are not distinct from their owner, business failures often result in a consumer bankruptcy rather than a commercial bankruptcy. Many firms fail without significant debt obligations and in these cases there is frequently no legal event to identify the

closing of the business. These firms are identified through a combination of negative factors such as a telephone disconnect, undeliverable address, business license expiration, etc. Such events have historically proven to correlate highly with firms going out of business. While research has shown that in most cases that firms reported as suspected out of business are no longer operating, approximately 10-15% of the time these firms are in fact active; therefore, one should remember that there is a possibility that the firm is still operating.

## **Data Sources, Validation and Compilation**

The data on business entities in DemographicsNow is created by aggregating data from multiple sources. Primary data sources include hundreds of private sources as well as government agencies. Examples include regional/vertical niche databases, telephone company databases, yellow pages, public filings, manual phone verification, and direct business registrations that include credit reporting bureaus. Each field within the business listing can be derived from different sources as well. Some specific examples are:

- Active businesses are defined as a record with a Connected Phone Number combined with EITHER a Confirmed Business Name OR a Confirmed Non-Vacant Deliverable Address
- An Inactive or Out of Business is defined as a record that has one of the following Negative Business Indicators: Vacant Address, Suspected Out of Business, Confirmed Out of Business, Non-Deliverable Address or Non-Working Phone Number
- Sales volume (and sales trend percent) is sourced from various data providers and is also computer modeled, except for publicly traded firms, which are required to disclose revenue. The sales volume model is also correlated to Census Bureau Economic Census data to validate against industry level averages/ranges, which is a survey conducted every 5 years of employer firms. For private companies, you should rely on this field to distinguish large vs. small firms since this is an estimate based on a computer-generated model, not as a continuous actual value.
- Year established is sourced primarily from original business filings (in the case of corporations and partnerships) or date of first appearance (for sole proprietorships, which are generally not required to register their business).
- Number of employees are actual figures for publicly traded companies; otherwise this figured is estimated based on the Census Bureau data, similar in the way sales volume is estimated.
- Business legal status is sourced from public filings (e.g. corporate registrations). Note that sole proprietorships are generally not filed in this manner so these will be blank in this case.
- Minority ownership is sourced from businesses that have applied to federal, state, and local government and other private agencies that track business ownership for woman- and minority-owned firms.
- Executive names is compiled from a variety of sources, including public filings and company websites, among others.

At the time source files are received, preliminary data testing is done to ensure that the data is acceptable for inclusion into the file. Testing is done by producing conflict scripts that highlight potential data issues prior to the data being accepted into file. These conflicts are reviewed manually and are the final determinant of the source's acceptability.

An additional strength of the business data in DemographicsNow is that all the data that has ever been received about a company is stored indefinitely, which allows for matching and testing incoming sources for currency and data integrity.

## Minority Ownership

DemographicsNow provides a diversity category if a business is classified as a minority owned company. Diversity category types are defined as follows:

Description	Acronym	Definition
Alaska Native Claims	ANC	Section 450b(e) of title 25 U.S.C. "Indian tribe" means any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (85 Stat. 688) (43 U.S.C. 1601 et seq.), which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.
Certified Small Business	CSB	Indicates whether the business is small and one which has been certified by a federal, state or local government agency or organization as having met all of the government standards that award eligibility.
Disabled Business Enterprise	DIS	At least 51% owned and controlled by a handicapped individual or service-disabled individual. A handicapped individual is a person with a physical, mental or emotional impairment, defect, ailment, disease or disability of a permanent nature, which any way limits the selection of any type of employment for which the individual(s) would otherwise be qualified or qualifiable.
Disabled Veteran Business Enterprise	DVET	At least 51% owned and controlled by one or more Disabled Veterans. The home office must be located in the United States and the home office cannot be a branch or subsidiary of a non-US corporation, firm or other non-US based business. The individual(s) must be a veteran of US military services and has

		a service-connected disability of at least 10% or more.
Disadvantaged Business Enterprise	DBE	As defined by the US Department of Transportation. At least 51% owned controlled by individual(s) who are socially and economically disadvantaged as defined by the DBE Regulation 49 CFR Parts 23 and 26. All eligible owners must certify they are members of a disadvantaged group (eligible ethnic group and/or female). Additionally, the owner(s)' assets cannot exceed \$750,000, excluding the assets of the business seeking the DBE certification and the owner(s)' primary residence.
Disadvantaged Veteran Enterprise	DVE	A business that is a small business concern owned and controlled by veterans, where not less than 51% is owned controlled and managed by veterans. As defined in (38 U.S.C. 101(2)) See veteran definition.
Gay, Lesbian, Bisexual and Transgender	GLBT	A business that is at least 51% owned by a Gay, Lesbian, Bisexual and Transgender entrepreneur, and certified by the National Gay & Lesbian Chamber of Commerce.
Green Certified	Green	A business that is certified by an agency as having met all of their standards for award eligibility within one of the following categories: process, product, building, design, energy, food, community and tourism.
Historically Black College/University	HBCU	Postsecondary academic institutions founded before 1964 whose educational mission has historically been the education of Black Americans.
Historically Underutilized Business Zone	HUBZone	As defined by the US SBA HUBZone Empowerment Program. Qualifying businesses must meet small business size criteria and must be located in distressed areas.

Labor Surplus Jurisdiction	LSA	Labor Surplus is generally defined for a Civil Jurisdiction rather than the entire MSA (Metropolitan Statistical Area) where the average unemployment number is 20% higher than the average U.S. unemployment rate in the last two calendar years.
Minority Owned Business Enterprise	MBE	At least 51% owned and controlled by individuals belonging to one or more of the following US Federal Government identified ethnic groups: Asian, African-American, Hispanic, Asian-Indian, Asian-Pacific, Native American, Alaska Native.
Small Business Administration 8a Program	SBA 8(a)	At least 51% owned and controlled by socially and economically disadvantaged individual(s). Under the Small Business Act, presumed groups include African-Americans, Hispanic-Americans, Asian-Pacific Americans, Sub-Continent Asian Americans and Native Americans. Other individuals can be admitted to the program if they demonstrate through "the preponderance of the evidence" that they are disadvantaged because of race, ethnicity, gender, physical handicap, or residence in an environment isolated from the mainstream of American society. In order to meet the economic disadvantage test, all individuals must have a net worth of less than \$250,000, excluding the value of the subject business and the owner(s)' primary residence.

Service Disabled Veteran	SDV	A business owned by a veteran with a disability that is service connected. The term "service connected" means, with respect to disability or death, that such disability was incurred or aggravated, in the line of duty in the active military, naval or air service. (38 U.S.C. 101(16))
Small Business Enterprise	SBE	Businesses smaller than a specified size (within an industry) as measured by its employee size and/or revenue. These criteria are defined in the US SBA Regulations, 13 CFR Part 121.
Small Disadvantaged Business Enterprise	SDB	At least 51% owned and controlled by socially and economically disadvantaged individual(s). African-Americans, Hispanic-Americans, Asian-Pacific-Americans, Subcontinent Asian Americans and Native Americans are presumed to qualify. Other individuals qualify if they show a "preponderance of the evidence" that they are disadvantaged. All individuals must have a net worth of less than \$750,000, excluding the equity of the business and primary residence. Successful applications must also meet the SBA Small business requirements as defined above.
Veteran Owned Business Enterprise	VET	At least 51% owned and controlled by a US citizen(s) who are veterans of US military service.
Veteran Owned	VBE	A business that is a least 51% owned by one or more veterans, who control and operate the business. Control in this context means exercising the power to make policy decisions and operate means to be actively involved in the day-to-day management of the business. The term "veteran" (38 U.S.C.'101(2)) means a person who served in the active military, naval, or air

		service, and who was discharged or released there.
Vietnam Veteran Owned	VVET	A business that is a least 51% owned by one or more Vietnam Veterans who served between 1/1/59 and 5/7/75 and have control and operate the business. Control in this context means exercising the power to make policy decisions and operate means to be actively involved in the day-to-day management of the business
Woman Owned Business Enterprise	WBE	At least 51% owned and controlled by individuals who are female.
Minority/Woman Owned Business	M/WBE	At least 51% owned by and controlled by individuals belonging to certain ethnic minority groups and/or are female in gender. This category is used when the data source does not specify the gender/minority classification, only that the business is one or the other.

## Corporate Family Linkage

Corporate family linkage data is culled from multiple sources. These corporate family linkage hierarchies represent ownership relationships greater than 50% between one or more commercial entities.

Businesses generally take three legal forms across all geographies:

- Sole proprietors are typically small startup or home-based businesses. These types of businesses will frequently do business as (DBA) a business name but in fact are not separate legal entities (the owner is the business). Eighty-six percent of all companies in the United States are sole proprietorships.
- Partnerships are common legal structures where multiple owners are involved and are particularly important in many professional disciplines.
- Corporations are most frequently used when it is important to limit the liability of the owners of the business and to facilitate the exchange of ownership through the trading of shares either privately or publicly.

While the term Corporate Family Linkage implies a focus on corporations it is important to note that other types of firms are covered as well. This includes government institutions (for example, school districts) and non-profit organizations, such as some hospitals.

### Types of Corporate Linkage

Linkage, in general terms, is the relationship between different active business entities or specific sites within a corporate family. Linkage occurs when one business location has financial and legal responsibility for another business location. The percentage of financial and legal responsibility determines the type of linkage relationship.

**Legal Traditional Corporate Linkage** - for those with majority ownership (greater than 50.1% of stock), there are two types of legal linkage relationships:

- Branch / Division to Headquarter linkage
- Subsidiary to Parent linkage

Legal linkage can exist for commercial entities, governments, and non-profit organizations regardless of size. However, linkage is not displayed on out of business records. The record must be active for any linkage status.

**Alternative Linkage** - Those relationships outside of majority ownership are in a separate database. These relationships typically are when the affiliated company has no legal obligation for the debts of the other company. Examples of these types of relationships include:

- Franchises, agents, dealers, associations and healthcare networks
- Minority ownership where one corporation owns minority interest in another (less than 50.1%)
- Joint ventures, where there is a 50/50 split in the ownership.

### **Classifications of Corporate Linkage**

Records in the Demographics Now “linked universe” will fall into 5 of these categories. Linkage terms and definitions are:

1) Headquarters

A headquarters is a business establishment that has branches or divisions reporting to it, and is financially responsible for those branches or divisions. If the headquarters has more than 50% of capital stock owned by another corporation, it also will be a subsidiary. If it owns more than 50% of capital stock of another corporation, then it is also a parent.

2) Branch (or Division)

A branch (or division) is a secondary location of its headquarters. It is not a separate corporation, has no legal responsibility for its debts, even though bills may be paid from the branch location. It will usually have the same legal business name as its headquarters, but can carry out a specific operation related to the headquarters and can even have its own trade style name. It is possible for them to also be located at the same address as the headquarters.

3) Subsidiary

A subsidiary is a corporation whose capital stock is more than 50% owned by another corporation and will have a different legal business name than its Parent. A subsidiary may have branches and/or subsidiaries of its own.

4) Single Location Subsidiary

A single location subsidiary has a parent who owns more than 50% of its capital stock, however, it does not have branches or subsidiaries reporting to it. As such, it does not have a headquarters code. Note: A Single Location Subsidiary is not the same as a **stand-alone** business which is titled “single location” and is not part of a corporate family.

5) Parent

A parent is a corporation that owns more than 50% of another corporation’s capital stock. The parent company can also be a subsidiary of another corporation. If the parent also has branches, then it is a headquarters as well as being a parent company.

## **Legal Structure / Legal Status Code**

Legal Structure / Stock Ownership information is collected on a variety of ways – third party sources including local government registries, phone interviews, a customer's update, etc.

The legal structure / legal status code identifies the legal form or structure of a business, as registered with government authorities. Examples are: partnership, corporation, private limited company, government department, proprietorship.

### **Stock Ownership**

Stock ownership represents the capital raised by a corporation through the issue of shares, which entitle shareholders to an ownership of interest (equity).

A company in which a business owns **less than 50%** of the capital stock is an affiliate of the business that owns the stock. For example: Hiawatha Trading Co. Inc. owns 39% of the capital stock in New World Trading Co.; therefore, New World is an affiliate of Hiawatha.

A company in which another business owns **more than 50%** of its capital stock is called a subsidiary. The company that owns the stock is called a parent company. For example: Excellence Corporation owns 100% of High Performance Inc. High Performance Inc. is a subsidiary of Excellence Corporation. Excellence Corporation is a parent company by owning more than half of the stock of High Performance, Inc.

### **Sole Proprietorship:**

- There is one individual as the owner.
- This one owner is legally and personally liable for all of the debts of the business.

### **Partnership:**

- A legal structure consisting of at least two partners.
- Each partner is liable for all the debts of the business.

### **Limited Partnership:**

- They consist of one General Partner and one or more Limited Partners.
- Have limited partners who are liable only for their percentage investment as to the debts of the company.
- They have the General Partner liable for all debts incurred by the business.
- Either an individual or a corporation can be a General or Limited Partner.
- Limited partnerships must file with the Secretary of State or other proper authorities

### **Corporation:**

- The owners are the stockholders.
- The stockholders elect the directors.
- The directors choose officers to operate the business.
- In small, closely held companies, the stockholders, directors and officers are generally the same people.
- The corporation is responsible for the debts of the business in most cases.
- The officers are not personally liable for the debts of the business.
- Corporations are also required to file a charter with the Secretary of State or other legal authority in the state where they incorporated.
- If they operate in another state outside where they are incorporated, they are also required to obtain authorization from that state to operate within the state's boundaries.

**Limited Liability Company:**

- An LLC combines certain features of corporations and partnerships.
- Integrates attributes of a corporation with the tax advantages of partnership.
- Is only available in certain states.
- Are owned by members whose rights, duties, and powers parallel those of shareholders in a corporation. Member size is unlimited.
- Allow the members not to be personally liable for the debts and obligations of the LLC.

**Joint Venture:**

- The legal structure consists of at least two businesses joined together to complete a project. These businesses are called co-ventures.
- In most cases, as soon as the project is completed, the joint venture is dissolved.

**Glossary of Linkage Terms**

Affiliate Company	Businesses that are related to another business, either through a principal or through the business itself. There are typically three types of affiliates: <ul style="list-style-type: none"> <li>• When a principal in one company owns stock or is a partner in another</li> <li>• A company in which a business owns less than 50% of the capital stock (minority interest company)</li> <li>• When a corporation is a subsidiary of another business, and that parent company has additional subsidiaries, the other subsidiaries are referred to as sister subsidiaries.</li> </ul>
Branch (or Division)	A secondary location of a business which reports to a headquarter location. It will have the same name as its headquarters and can have a trade name and different line of business (SIC). Does not have stock and is not incorporated.
Business Organization	Various types of business organizations exist including corporations, partnerships and proprietorships. Corporations may be public or private companies. Each type may have subsidiaries, divisions, branch locations, headquarter locations, etc.
Corporation	A form of business organization in which the business is granted a state or national charter as a separate legal entity.
Corporate Structure	The hierarchy of a business establishment, also known as corporate hierarchy.
Headquarters	A business establishment where the executive offices of the corporation are located. Branch locations report to headquarters. <i>Example: Ford Motor Company's headquarters location is in Dearborn, Michigan.</i>
Joint Venture	A 50/50 partnership between two companies creating a separately incorporated business. Joint ventures are not linked because neither partner in the business has greater than 50% ownership.
Limited Partnership	A limited partnership is a partnership with at least one partner with management responsibilities (the general partner) and at least one passive investor (the limited partner). The general partner(s) is also liable for the obligations of the Limited Partnership. Limited Partners are only liable to the extent of their investment in the partnership. More and more frequently, Limited

	Partnerships are being described as, or treated as, parents of other corporations, LLC's or LP's, subsidiaries of corporations, limited liability companies or other limited partnerships.
Limited Liability Company	A Limited Liability Company (LLC) is a hybrid form of business ownership that combines certain characteristics of partnerships and corporations. This legal structure integrates the limited liability attributes of a corporation with the tax advantages of a partnership.
Minority Interest Company	A type of affiliate. Specifically, a company in which another business holds an interest of less than 50%.
North American Industry Classification System (NAICS)	The North American Industry Classification System (NAICS) is an industry classification system designed to replace the SIC Code. The system was created by government statisticians from the U.S., Canada, and Mexico as a result of the North American Free Trade Agreement (NAFTA). NAICS codes are 6-digit process-based codes as opposed to the 4-digit product-based SIC Code. For example, the SIC code for Apparel Manufacturers becomes Cut & Sew Contractors under NAICS.
Parent	A business establishment that owns more than 50% of another company's capital stock or membership shares. The company to which a subsidiary directly reports.
Partnership	A form of business organization in which two or more persons or entities carry on a business as co-owners for profit.
Privately Held Company	A business in which most or all of the company's stock is owned by a small number of stock holders. The stock is not available for sale to the general public.
Proprietorship	A form of business organization in which an individual owns the entire enterprise.
Publicly Held Company	A business whose stock is traded on one of the stock exchanges.
Single Location	A business establishment with no branches or subsidiaries reporting to it.
Sister Subsidiary	A type of affiliate. When a corporation is a subsidiary of another business, and that parent company has additional subsidiaries, the other subsidiaries are referred to as sister subsidiaries.
Standard Industrial Classification (SIC)	<p>An SIC number is a hierarchical system of numerically categorizing the type of business activity conducted by the business establishment.</p> <p>SIC numbers can be 2, 4, 6 or 8 digits. Each concurrent level of SIC provides greater detail and insight into the operations of the company.</p> <p>An eight digit SIC number consists of two 4 digit parts:</p> <ol style="list-style-type: none"> <li>1) A government 4 digit SIC known as Base 4</li> <li>2) A custom 4 digit SIC known as Extension 4</li> </ol>

	<p><i>Example:</i>  62 = Securities, Commodity Brokers, Services  6211 = Security brokers, dealers and flotation companies  621101 = Security Brokers and Dealers  62110106 = Stock brokers and dealers</p>
Stand Alone Business	An entity which does not have any linkage relationships e.g. headquarter, parent, branches or subsidiaries. It is the only location of that business
State of Incorporation	<p>The state in which a business is legally incorporated. A business may be incorporated in a state different from its physical location.</p> <p>Outside of the U.S., government registries, such as Companies House in the UK, are utilized by companies that need to incorporate. Companies in the following countries must register with Companies House:</p> <ul style="list-style-type: none"> <li>• England</li> <li>• Scotland</li> <li>• Wales</li> <li>• Northern Ireland</li> <li>• Isle of Man</li> <li>• Guernsey</li> <li>• Jersey</li> </ul>
Subsidiary	A corporation that is controlled by another corporation through ownership of more than 50% of its capital stock. The subsidiary may have a different name than the controlling corporation. In August 2001, the business community decided that another corporation or Limited Liability Company could own a Limited Liability Company. In this case the LLC's membership shares are being owned (in a manner exactly analogous to a subsidiary corporation's stock) by a parent company. For example, if a corporation is the general partner in a limited partnership it may well treat that limited partnership as a subsidiary because it has decision making control or influence over that limited partnership.