

Special Report on the Impact of Disasters on Small Businesses

Lessons learned from recent U.S. disasters



Decide with Confidence

Small businesses are the most vulnerable and least likely to survive a natural disaster. Almost **90% of the businesses** most likely to be impacted by a disaster have less than 10 employees. According to the Institute for Business and Home Safety, “an estimated 25% of businesses do not re-open following a major disaster.”¹ With the rise of natural disasters, it is critical for small businesses to be better prepared in case of a disaster. More importantly, federal, state and local government agencies and the business community need to work together to help small businesses recover.

Deepwater Horizon Oil Spill

The oil spill in the Gulf of Mexico in April 2010 had the potential to impact **7.3 million businesses** throughout Alabama, Florida, Louisiana, Mississippi, and Texas, affecting **34.4 million employees** and **\$5.2 trillion in sales volume**.

Of the total 7.3 million businesses in the five Gulf States, **81% or 5.9 million were small businesses** with less than 10 employees. **79% or 369,826 businesses** in Alabama were small with less than 10 employees. There are **2.6 million small businesses (81%)** in Florida, **430,610 (78%)** in Louisiana, **296,801 (78%)** in Mississippi, and **2.2 million (79%)** in Texas were considered small.

Likelihood of Businesses to have Severe Financial Difficulties

The D&B Financial Stress Score predicts the likelihood a business will cease operations within the next 12 months. Small businesses that are likely to fail prior to a disaster will have a harder time post disaster. D&B found **1.5 million businesses** within the five Gulf States were struggling prior to the oil spill. Because **81% of the total businesses were small businesses** with less than 10 employees, the majority of the 1.5 million businesses with severe financial difficulties were also likely to be small businesses. If impacted, these businesses would have had a harder time recovering post disaster.

Emergency Preparedness

Although a business cannot plan when and where a disaster will hit, small businesses can leverage national preparedness best practices to better prepare, respond and recover from a crisis.

Prepare—Ensure your financial stability

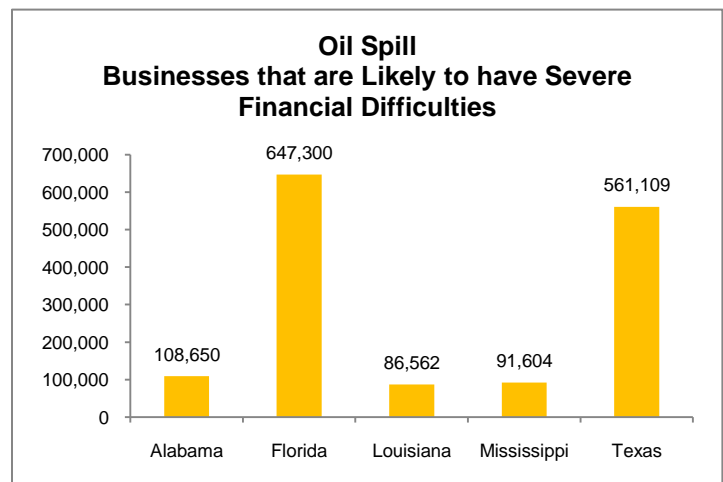
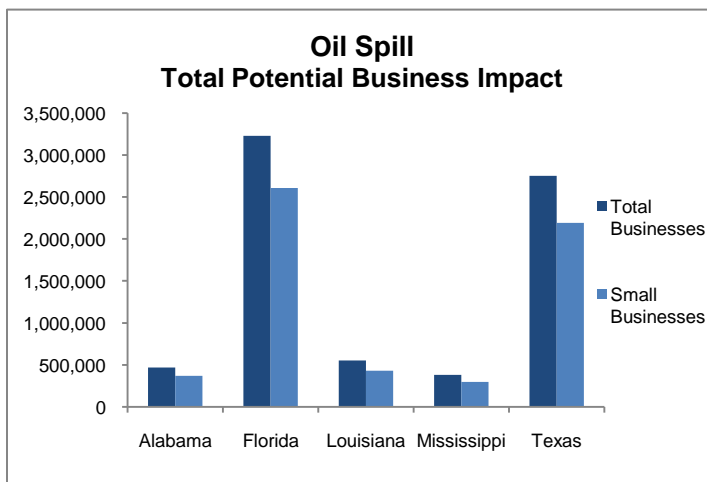
- Keep your insurance policy up to date
- Keep your business credit profile up to date
- Keep important records offsite in a safe deposit box

Respond—Ensure continuity of business by creating an emergency response plan which includes:

- Employee contact strategy
- Supplier contact strategy

Recover—Know where to find help to return your business to normal operations

- Local Chamber of Commerce
- FEMA disaster grants
- SBA Office of Disaster Assistance disaster loans



¹ U.S Department of Homeland Security http://www.ready.gov/business/_downloads/mentor_guide.pdf

Recent Disasters

Southern Tornado Outbreak

The extreme tornado outbreaks which occurred in April 2011 in Alabama, Georgia, Tennessee and Mississippi had the potential to impact **323,860 businesses**, affecting **1,547,652 employees** and **\$168 billion in sales volume**. Of the **323,860 businesses**, **307,921 or 95% were small businesses** with less than 10 employees.

Joplin, Missouri Tornado

The EF-5 rated tornado that hit the city of Joplin, Missouri in May 2011 was categorized as the deadliest tornado in U.S. history to date. The tornado had the potential to impact **7,160 businesses** within the city of Joplin, affecting **47,810 employees** and **\$3.3 billion in sales volume**. Of the 7,160 businesses, **6,387 or 89% were small businesses with less than 10 employees**. The tornado had the potential to affect **11,469 employees** and **\$1.25 billion in sales volume of small businesses** in Joplin.

Other Services had the largest number of businesses, jobs and sales volume, and **1,394, or 85% were small businesses**, with **3,520 employees** and **\$672.3 million in sales volume**.

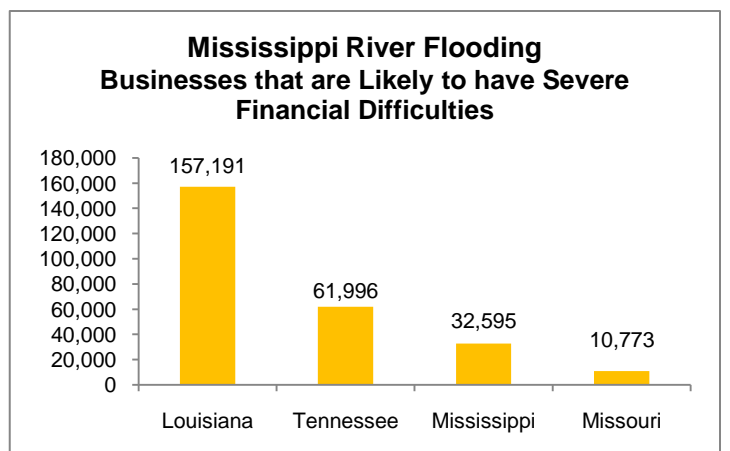
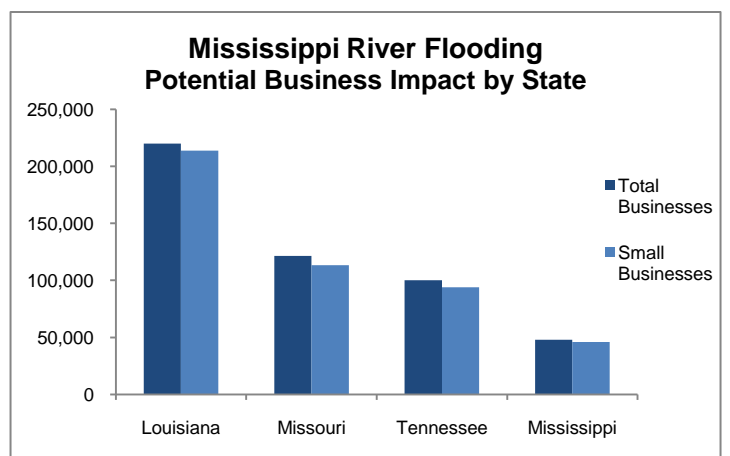
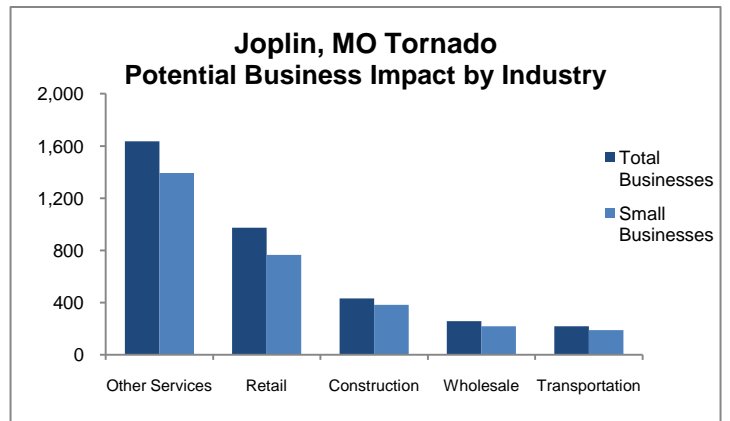
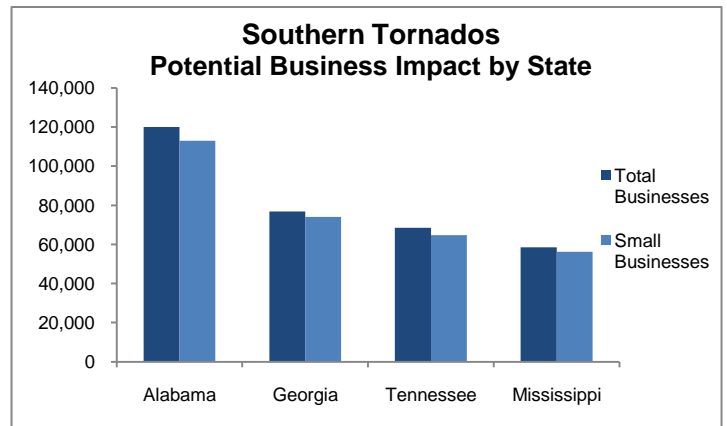
Mississippi River Flooding

The severe flooding of the Mississippi River in Louisiana, Missouri, Tennessee, and Mississippi had the potential to impact **489,174 businesses**, affecting **2,143,088 employees** and **\$483.1 billion in sales volume**. Of the **489,174 businesses**, **466,861 or 95% were small businesses** with less than 10 employees, affecting **1,256,937 employees** and **\$50 billion in sales volume**.

In the top industries—Other and Business Services, Retail, Manufacturing, and Construction—**254,621 businesses**, or **94% were considered small**, with **928,763 employees** and **\$34.4 billion in sales volume**.

Likelihood of Businesses to have Severe Financial Difficulties

Small businesses likely to fail prior to a disaster will have a harder time post disaster. For example, in looking at the states affected by the Mississippi River flooding, D&B found **262,555 businesses—95% considered small—had worse than average financial outlook**, making it even more difficult if they were impacted to recover from the disaster.



Dun & Bradstreet, the world's leader in business information and commercial insight, reviewed its database of over 200 million businesses to analyze the impact of recent disasters on small businesses.