

TABLE 1.—INDUSTRY CHARACTERISTICS OF THE ITVARs INDUSTRY, THE NONMANUFACTURING ANCHOR GROUP AND HIGHER-LEVEL SIZE STANDARD GROUP

Category	Average firm size		Start-up Costs		Four-firm concentration ratio (percentage)
	Receipts (millions)	Employees	Non-payroll receipts per establishment (millions)	Employee equivalent	
IT value added reseller	\$3.47	14	\$2.42	10	18.3
Nonmanufacturing anchor group	0.95	11	0.56	6	14.4
Higher-level size standard group	4.60	21	1.80	14	26.7

The average employment size of an ITVAR of 14 employees is about the same as for the nonmanufacturer anchor group level of 11 employees. In terms of average receipts size, ITVARs average receipts size are more than triple that of the nonmanufacturer anchor group's average receipts size. This difference reflects the larger proportion of equipment sales by ITVARs than by firms in other nonmanufacturing industries. Since the size standard under consideration is based on number of employees, the evaluation of this factor will not be based on average receipts size, but is shown for information. The average firm size of ITVARs is two-thirds of the higher size standards group's average employment firm size of 21 employees. Based on the ratio between the ITVAR's and the two comparison groups' average firm size, a size standard at or slightly above the nonmanufacturer level is supportable, or between 65 to 100 employees.

The nonpayroll receipts per establishment indicator is a measurement of entry barriers. Based on

this measure, start-up costs for ITVARs are almost five times larger than those of the nonmanufacturer group and about one-third of the higher-level size standard group. As with the average firm size factor, the receipts levels are misleading when considering an employee size standard. To make this measure more useful, the receipts levels were adjusted by the sales per employee for each industry category to show what number of employees it would take, on average, to earn those levels of receipts. This conversion shows that ITVARs with 10 employees generate the estimated average nonpayroll receipts per establishment. This level falls in the middle between the employment sizes calculated for the nonmanufacturer anchor and higher size standards comparison groups, 6 and 14, employees, respectively. This industry characteristic supports a size standard between the nonmanufacturer anchor and higher size standard group levels, or between 100 to 125 employees.

The ITVAR industry's four-firm concentration ratio is estimated to be

18.3%. This is derived from a weighted average of the four-firm concentration ratios of 23% for the Computer and Computer Peripheral Equipment and Software Merchant Wholesalers industry (NAICS 423430, formally code 4421430) and 15.5% for the Computer Systems Design and Related Services industry group (NAICS 5415). A ratio of 18.3% indicates that a small number of businesses do not dominate this industry. As discussed earlier in the description of the size standards methodology, this is not an important factor in assessing a size standard when the four-firm concentration ratio is below 40%.

Table 2 below shows data on the distribution of receipts by firm employment size. For this factor, the SBA is evaluating the cumulative size of firm that accounts for predetermined percentages of total industry receipts (40%, 50%, 60%, and 70%). The table shows firms up to a specific employment size, along with all other smaller firms, account for a specific percentage of total industry receipts.

TABLE 2.—PERCENT OF RECEIPTS BY FIRM SIZE OF THE ITVARs INDUSTRY, THE NONMANUFACTURING ANCHOR GROUP, AND THE HIGHER-LEVEL SIZE STANDARD GROUP

[Number of employees]

Category	Size of firm at 40%	Size of firm at 50%	Size of firm at 60%	Size of firm at 70%
IT Value Added Reseller	250	1,000	>2,500	>2,500
Nonmanufacturing Anchor Group	35	64	130	307
Higher-level Size Standard Group	188	391	1,051	>2,500

The ITVAR industry consists of firms many times larger than firms in the nonmanufacturing anchor group. ITVARs with 250 employees and less obtained 40% of the industry's total receipts whereas firms of 35 employees and less in the nonmanufacturing anchor group obtained 40% of the industry's total receipts. For the other size distribution percentages, ITVARs more than 15 times the size of the firms

in the nonmanufacturing anchor group. These data support an ITVAR size standard significantly above the anchor nonmanufacturing level of 65 employees.

Relative to the higher-level size standards group, ITVARs that obtained 40% of industry sales were approximately one-third larger than the size of firms that cumulatively obtained 40% of industry receipts in the higher-

level size standard group (250 employees and 188 employees, respectively). The size of ITVARs is more than twice the size of firms for the higher-level size standard group at the 50% and 60% levels. At the 70% level, firms of at least 2,500 employees and less cumulatively captured that proportion of industries sales for the ITVAR industry and the higher-level size standard group. The analysis of