SMALL BUSINESS CHALLENGES

Lack of resources and support are a threat to small business competitiveness and can often be the reason small businesses permanently close. While business challenges vary widely by industry, attracting new customers and growing sales was found to be the single, greatest challenge with nearly a quarter of companies ranking it as the most significant.

KEY TAKEAWAYS

SALES - AND ATTRACTING NEW BUSINESS - ARE THE BIGGEST CONCERN OF THE REGION’S SMALL BUSINESS OWNERS.

85% of locally-serving small businesses said ‘sales and new business’ was a challenge, including 25% who said it was the most significant challenge.

AVAILABLE CAPITAL AND INVESTORS FOR GROWTH IS ANOTHER MAJOR CONCERN.

14% of small businesses said that ‘financial stability and cash flow’ was the most significant challenge.

THE HIRING OUTLOOK IS POSITIVE FOR SMALL BUSINESSES.

Over the next two years, 41% of locally-serving small businesses intend to hire more employees. In fact, staffing ranked as the top area of likely future investment by small businesses.

MOST SIGNIFICANT SMALL BUSINESS CHALLENGES

- Sales and Attracting New Business
- Financial Stability and Cash Flow
- Lack of Resources and Support
- Attracting and Retaining Qualified Staff
- Healthcare Costs
- Taxes
- Equipment Costs
- Keeping Up with Technologies
- Government Regulation
- Increasing Costs & Managing Expenses
- Managing Growth

LOOKING AHEAD...

Overall, small businesses feel confident about the future. Of firms surveyed, roughly 43% expect to grow in terms of workforce and 81% expect to grow in terms of financial performance. For 33% of firms, staff development will be the most likely future investment. Additionally, 52% of firms indicated marketing was the first or second most likely investment in the near future.
Small businesses - those with fewer than 100 employees - are the backbone of the regional economy. This initiative, which includes a survey of 522 small businesses across San Diego and Imperial counties, seeks to uncover insight and gain a deeper understanding of small business perceptions of the regional business climate. The goal is to develop new and enhance existing programming and support for small businesses in the region.

### Small Businesses Drive San Diego’s Economy

Today, small businesses represent 98% of San Diego’s businesses and employ roughly 59% of the workforce. Moving forward, it is projected that small businesses will be the primary driver of regional economic growth. At present, nearly two-thirds of regional employment is locally-serving, and can be found in industries such as healthcare, finance, real estate, education, construction, personal services, and food and beverage.

Nearly two-thirds of companies who have been operating less than two years generate less than $100K in annual revenue, while more than half of established companies (10 years or longer) generate more than $1M in revenue annually.

The majority of businesses in the region are primarily engaged in business-to-consumer and business-to-business operations. The share of companies doing business-to-government contracting is reflective of the procurement opportunities in San Diego’s defense-related industries.

The overwhelming majority - more than 64% - of firms in the region employ fewer than five people.

### About the Respondents

- **522 Respondents**
- **68% Local Services**
- **22% Companies Operating More Than 20 Years**

### Small Business Industry Breakdown, Top 10

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Responses = 522</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, Scientific &amp; Technical Services</td>
<td>14%</td>
</tr>
<tr>
<td>Finance, Real Estate &amp; Insurance</td>
<td>8.6%</td>
</tr>
<tr>
<td>Retail</td>
<td>7.9%</td>
</tr>
<tr>
<td>Broadcast &amp; Communication Technologies</td>
<td>5.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>5.6%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>4.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.2%</td>
</tr>
<tr>
<td>Biotechnology &amp; Pharmaceuticals</td>
<td>3.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>3.6%</td>
</tr>
<tr>
<td>Professional, Scientific &amp; Technical Services</td>
<td>14%</td>
</tr>
</tbody>
</table>

### Ownership Breakdown

- **Women Owned** 48%
- **Minority Owned** 26%
- **Veteran Owned** 16%
- **San Diego** 9%
- **U.S.** 1%

### Regional Firm Size & Employment Breakdown

- **27% of the region’s workforce are in businesses with fewer than 20 employees**

### Regional Employment Breakdown, 2017

- **96K Small Firms**
- **98% of all San Diego Firms**
- **697K Workers**
- **59% of San Diego’s Workforce**

### Revenues Performance

Nearly two-thirds of companies who have been operating less than two years generate less than $100K in annual revenue, while more than half of established companies (10 years or longer) generate more than $1M in revenue annually.

### Customer Base

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### Customer Location

- **59% San Diego County**
- **10% San Diego**
- **30% Southern California**
- **10% California**
- **21% International**

The majority - 59% - of the region’s small businesses have local customers. Additionally, a significant portion of small businesses sell their products to the rest of the state, nation, and even international markets.
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