

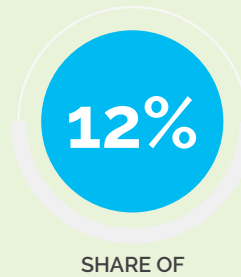
THE SMALL BUSINESS ECOSYSTEM ALONG THE 78 CORRIDOR

ABOUT THE INITIATIVE

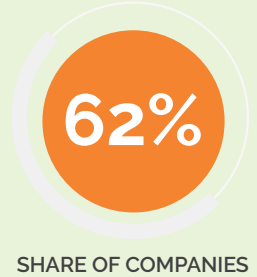
Small businesses, which represent approximately 98 percent of all local companies, are the backbone of the regional economy. This initiative, which includes a survey of 164 businesses along the 78 Corridor, seeks to uncover insight and gain a deeper understanding of small business perceptions of the regional business climate. The end goal is to develop new and enhance existing programming and support for small businesses in the 78 Corridor.



RESPONDENTS



SHARE OF VETERAN-OWNED COMPANIES



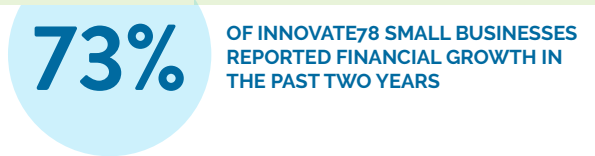
SHARE OF COMPANIES OPERATING MORE THAN FIVE YEARS

i FOR THE PURPOSES OF THIS SURVEY, SMALL BUSINESSES ARE DEFINED AS HAVING FEWER THAN 100 EMPLOYEES.

SMALL BUSINESS PERFORMANCE

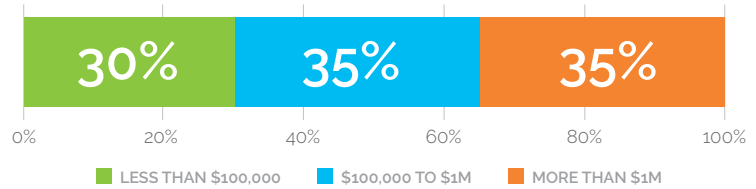
FINANCIAL PERFORMANCE

In the past two years, nearly three-quarters of companies have experienced an upward trend in their financial performance, with only 12 percent indicating a downward trend. Looking ahead, the overwhelming majority - 85 percent - of Innovate78 small businesses expect to grow. In fact, only 5 percent anticipate a decline in their financial performance.



OF INNOVATE78 SMALL BUSINESSES REPORTED FINANCIAL GROWTH IN THE PAST TWO YEARS

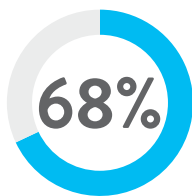
REVENUE BREAKDOWN



SALES CHANNEL



BUSINESS-TO-BUSINESS



BUSINESS-TO-CONSUMER



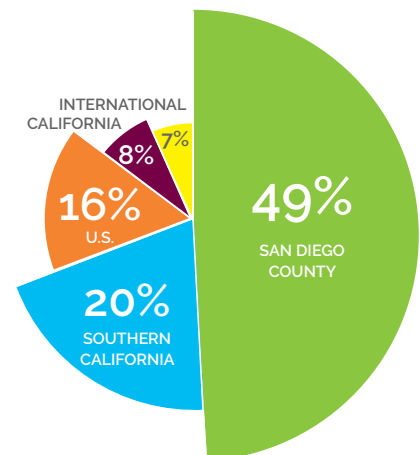
BUSINESS-TO-GOVERNMENT

*Respondents can select more than one

“As a small business and being the only employee there is a lot of area to cover. What I need the most help with is being introduced to businesses in my area so I can reach out to them and let them know what services I can offer for them.”
-North County Small Business

CUSTOMER BASE

The majority of small businesses along the 78 Corridor engage in business-to-consumer and business-to-business operations. The share of companies doing business-to-government contracting is largely reflective of the procurement opportunities in San Diego's defense-related industries.



CUSTOMERS NEAR & FAR

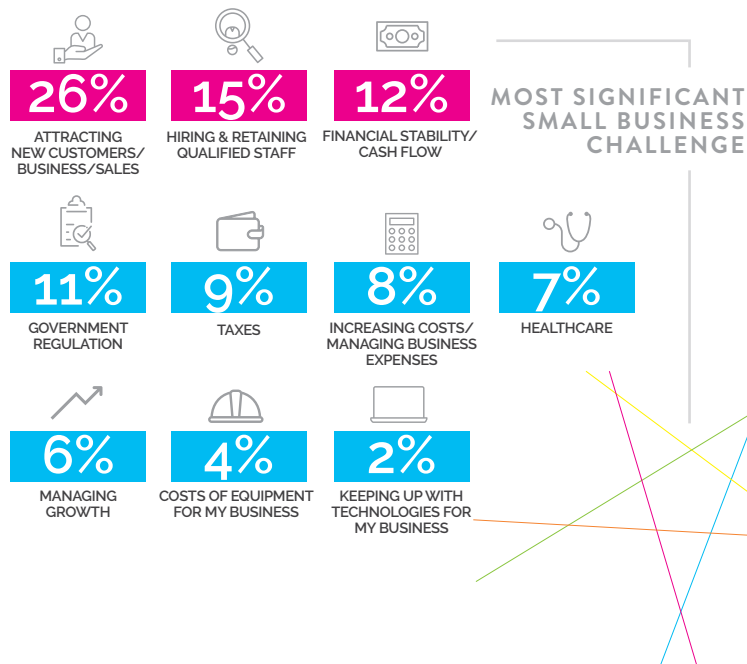
Nearly half of surveyed Innovate78 small businesses have customers within San Diego County. Additionally, a significant portion of small businesses export their products to the rest of the state, nation, and even international markets.

SMALL BUSINESS CHALLENGES

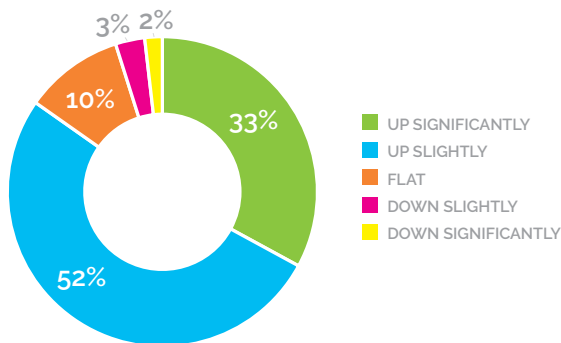
A variety of challenges often hinder small business competitiveness, and in absence of adequate support, can be the reason small businesses permanently close. While business challenges vary widely by industry, attracting new customers and growing sales was found to be the single, greatest challenge, with more than a quarter of companies ranking it as the most significant challenge.

“Attracting and hiring staff has been very challenging. High housing prices mean we must compete heavily on take-home compensation. We are happy to pay employees high salaries, but only after they can prove that they can do the job.”

-North County Small Business



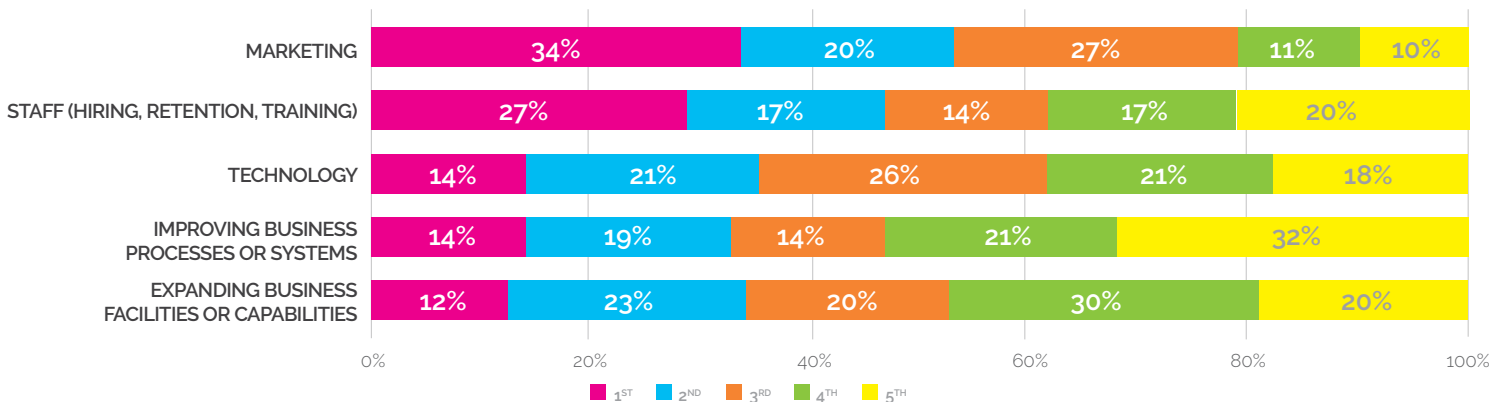
PROJECTED FINANCIAL PERFORMANCE NEXT TWO YEARS



LOOKING AHEAD

Overall, small businesses feel confident about the future. Of firms surveyed, roughly 45 percent expect to grow in terms of workforce and 85 percent expect to grow in terms of financial performance. For 34 percent of firms marketing will be the most likely future investment. Additionally, 44 percent of firms indicated staff (hiring, retention, and training) is the first or second most likely investment in the near future.

MOST LIKELY FUTURE INVESTMENTS BY PRIORITY



KEY TAKEAWAYS

SALES - AND ATTRACTING NEW BUSINESS - IS THE BIGGEST CONCERN FOR INNOVATE78 SMALL BUSINESS OWNERS.

88% of small businesses said sales/new business was a challenge, including 26% who said it was a 'significant' challenge.

JOB GROWTH ALONG THE 78 CORRIDOR IS LIKELY TO CONTINUE TO BE FUELED BY SMALL BUSINESSES.

Over the next two years, 45% of 78 Corridor small businesses intend to have more employees, while only 6% say they will have fewer employees.

THERE IS LOW AWARENESS AMONG SMALL BUSINESS OWNERS OF RESOURCES AVAILABLE VIA EDCs, JURISDICTIONS, AND OTHERS.

Although some small business owners intend to work with outside resources, a significant portion do not intend to use resources offered. In fact, although access to capital was a commonly cited area of need, 48% of businesses do not intend to use services offered by CDC Small Business Finance.