



AN IN-DEPTH LOOK AT SAN DIEGO'S SMALL BUSINESS ECOSYSTEM

Survey Overview

Quantitative: Web-based survey // 522 total respondents

- + 264 respondents: sourced from EDC, SBDC, and other partner organizations
- + 258 respondents: sourced from independent research panel database

Qualifying companies:

- + 100 or fewer employees, operating in San Diego County or Imperial County
- + Excluded: Nonprofits, philanthropic organization, companies with more than \$100M in annual revenue

Average survey length: 12.5 minutes

Survey distribution process:

- + EDC, SBDC, and partner organization databases: Email from each organization with direct link
- + Independent research panel database: Email for panel organization with direct link

Questionnaire development, programming, and fieldwork management:

- + Stitch Marketing Research drafted the questionnaire, programmed the online survey interface, and managed the fieldwork/distribution with help from EDC team

Key Takeaways



Key Takeaways

Sales – and attracting new business – is the biggest concern of the region’s small business owners.

- + 85% of locally-serving small businesses said sales/new business is a challenge, including 25% who said it is a ‘significant’ challenge.
- + Government contracting, franchising, market research, and financing were the top areas where small businesses said, “we need help to improve in this area.”
- + When asked about the “most important future need,” 18.3% of locally-serving small businesses reported that their top need is attracting, identifying, and retaining customers.

“*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.*”

Key Takeaways

A close second concern is available capital/investors for growth.

- + 17% of locally-serving small businesses indicated they need help with accessing capital and financing.
- + 8.4% of all small businesses indicated capital and financing as the single most important future need.
- + Woman, veteran, and minority-owned businesses were most likely to report needing help with accessing capital and financing.

“With no prior business history, I would like help with access to grants and loans for my startup.”

“For most biotech start-ups the key area of need is financing (seed and/or venture). San Diego lacks a robust life science venture presence. Thus, we have to travel to Boston and/or the Bay Area. I don’t know why more VCs don’t put an office here but they should, and it’s something the EDC can help with.”

Key Takeaways

Job growth in the region is likely to continue to be fueled by small businesses.

- + Staffing (hiring/retention) ranked as the top area of likely future investment by small businesses (followed by marketing).
- + Hiring and retaining qualified staff ranks as the third most significant challenge to small business operators.
- + Over the next two years, 41% of locally-serving small business intend to have more employees, while 9% say they will have fewer employees.

“ 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. Otherwise, we will be hiring and firing people. This tactic would damage the team culture, which is focused on alignment of the employee’s personal goals and the organization’s goals.”

Key Takeaways

There is low awareness among small business owners of the multitude of resources available via EDCs, SBDC, and others.

- + 'Any chamber of commerce' is the most utilized resource, leveraged by 33% of small businesses.
- + 20% of respondents had not heard of any economic development corporation and 38% had not heard of SBDC.
- + 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, 40% of businesses do not intend to use services offered by CDC Small Business Finance.

“The most important future needs for my business in order to benefit is to have someone outside of me is for someone to come in and consult/coach me on personal and business related blind spots. I need someone to observe and give me their expert opinion on what to improve, what I lack, what I'm good at but could be even better at.”

“Finding out what I don't know about running a small business without becoming an expert myself. Finding the right people who can do what I can't do to help on the financial/legal/HR for a small business.”

Small Business Thoughts

On keeping up with technology...

“As a small business it's difficult to make changes needed to remain relevant without a huge input of additional capital. The ever-changing social media platforms are difficult to maintain and/or learn without training. Resources to help connect small businesses with potential investors for the purpose of expanding the business would be helpful.”

On connecting with other businesses...

“More open business networking and participation. Too often the same people from the same generational circles operate programs, contracts, communication channels, events. This makes for a stale ecosystem lacking independent/critical thought, friction, and innovation.”

“We'd like to connect with larger businesses that would benefit from partnering with a smaller DBE.”

“Finding collaborative small business partners and associates with similar interests / target industries and collaborative skills. We have some initiatives in this area.”

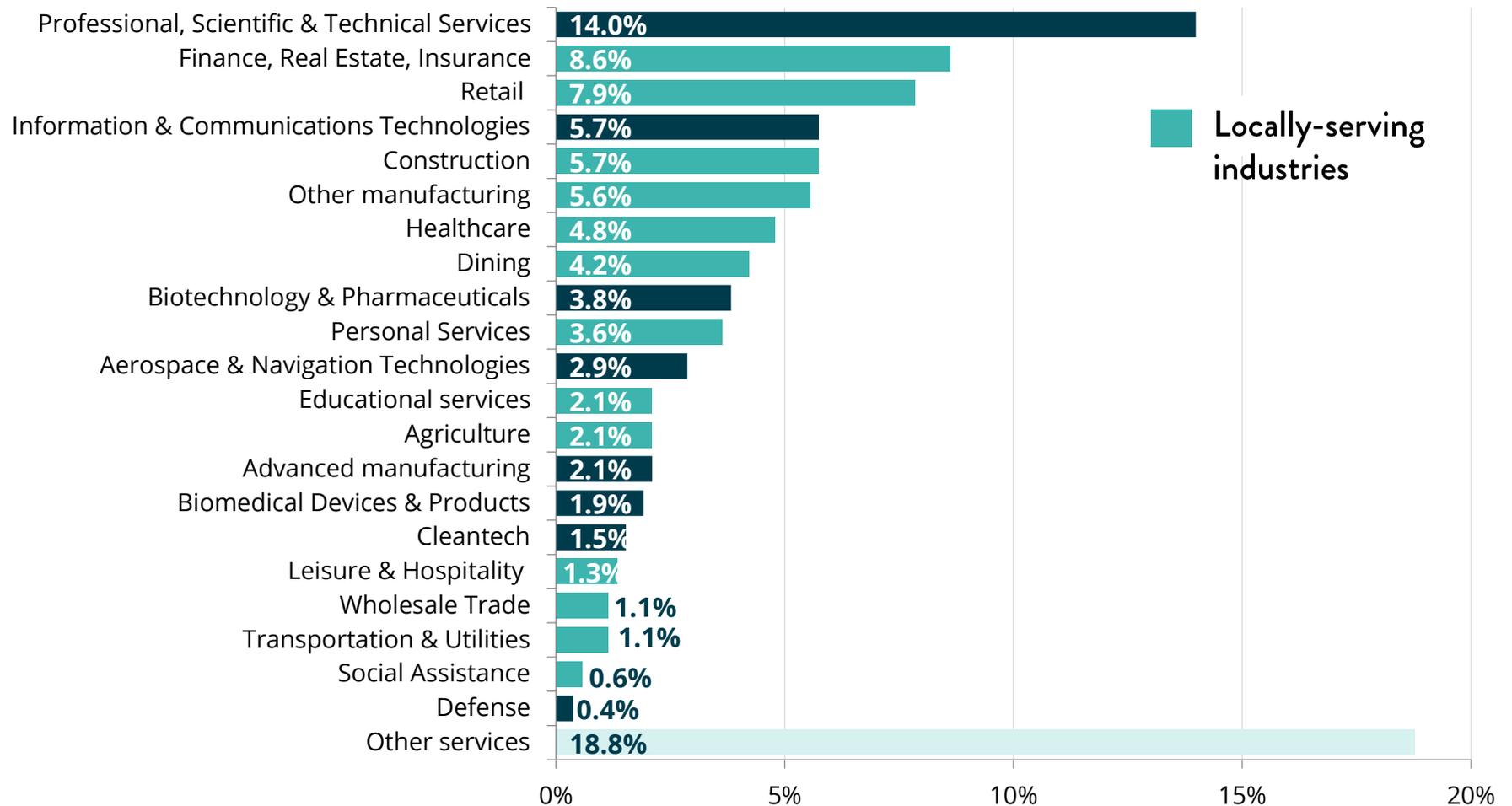
Company Profiles



Industry Detail

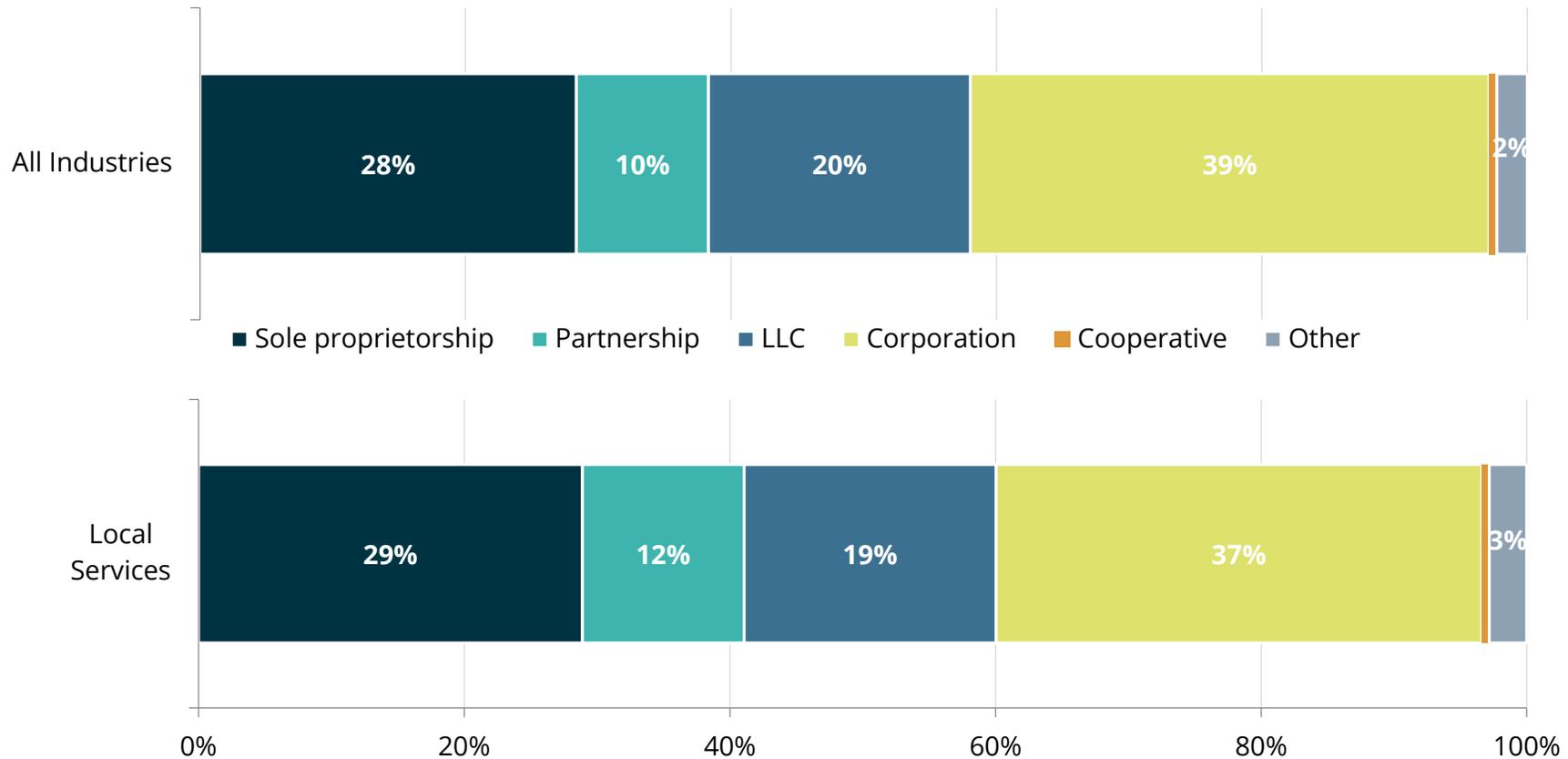
Throughout this report, the local services segment will often be broken out and compared to total responses across all industries.

i All industries, respondents: n = 522
Local services, respondents: n = 353



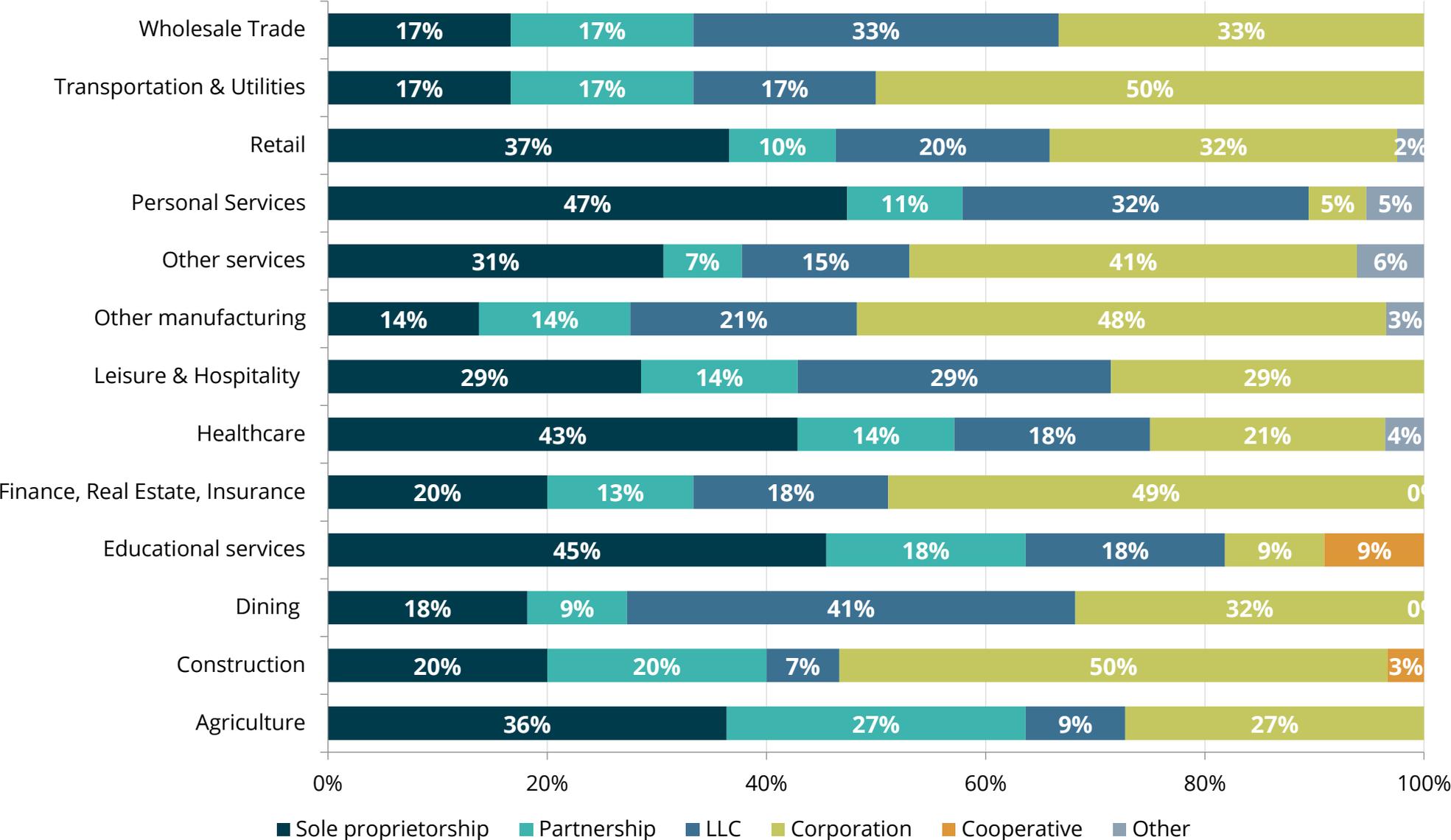
Company Structure

Overall, company structure between all industries and local industries showed no significant differences.

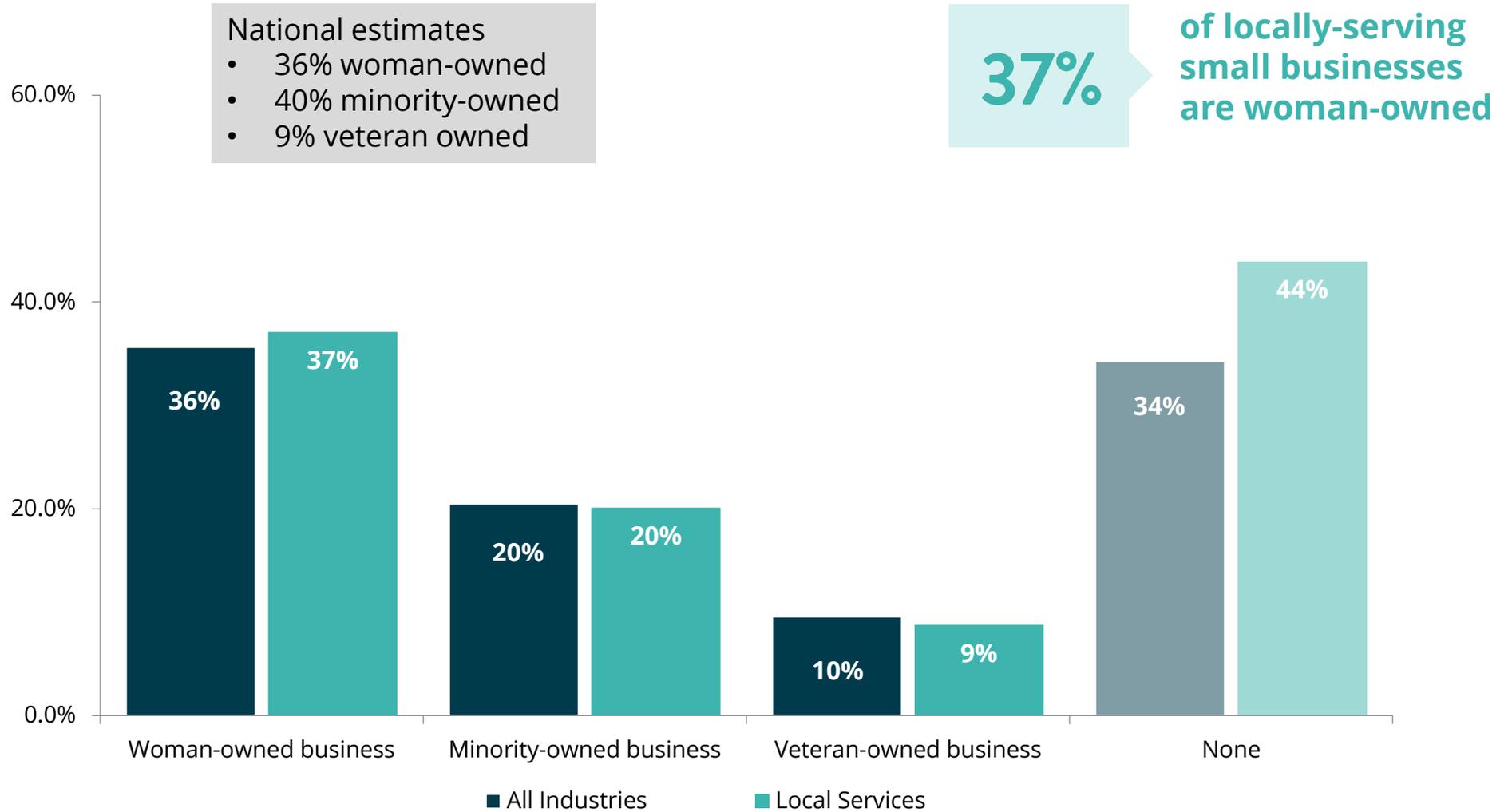


Note: Non-profits were excluded from the research project

Company Structure by Industry – Local Services



Women/Minority/Veteran-Owned*



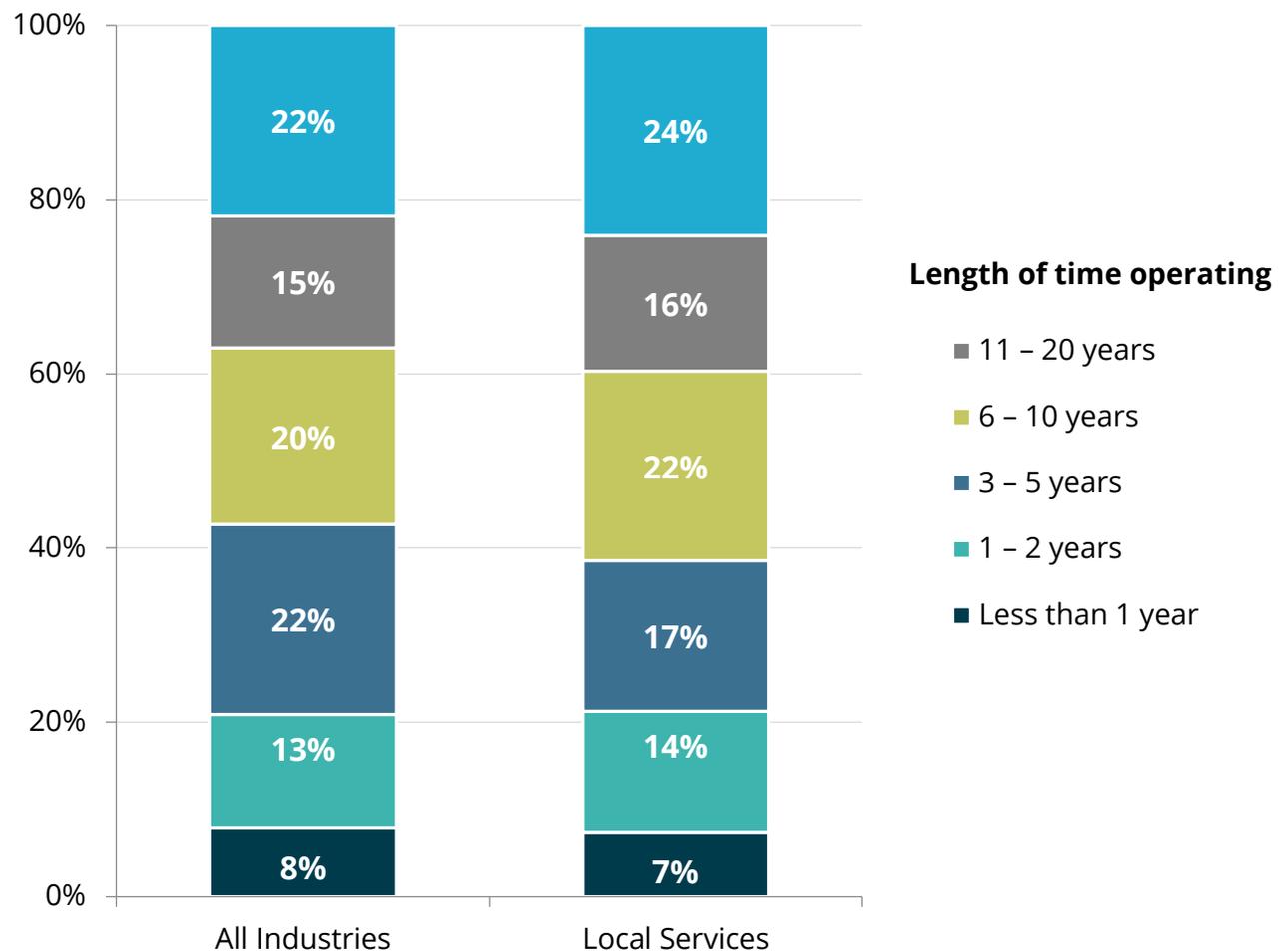
Source: SBA; Small Business Labs; U.S. Dept. of Labor

*Respondents can select more than one

Time in Business

Locally-serving businesses tend to be more established, with roughly 40% operating since before the Great Recession.

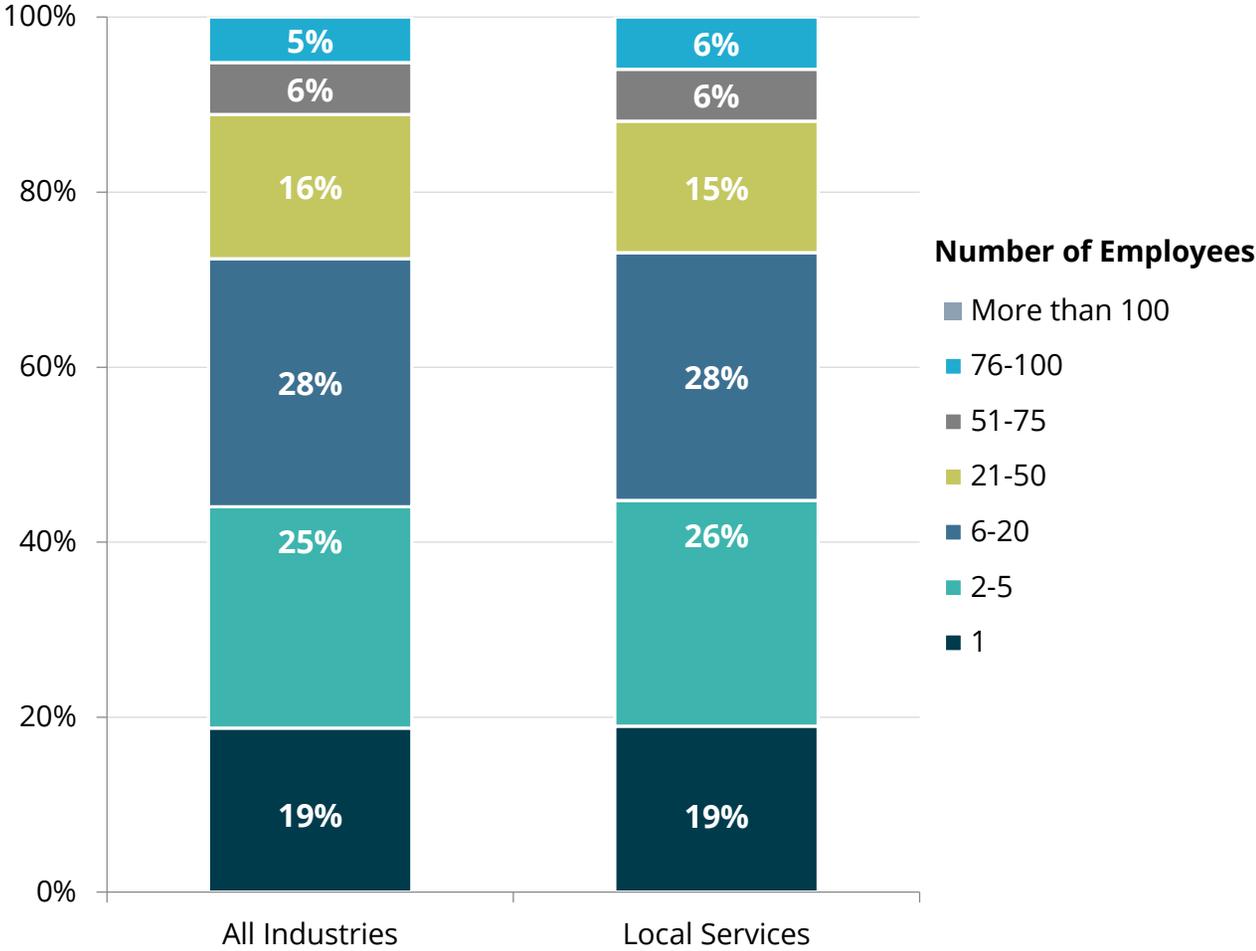
62% of locally-serving small businesses have been operating for more than five years



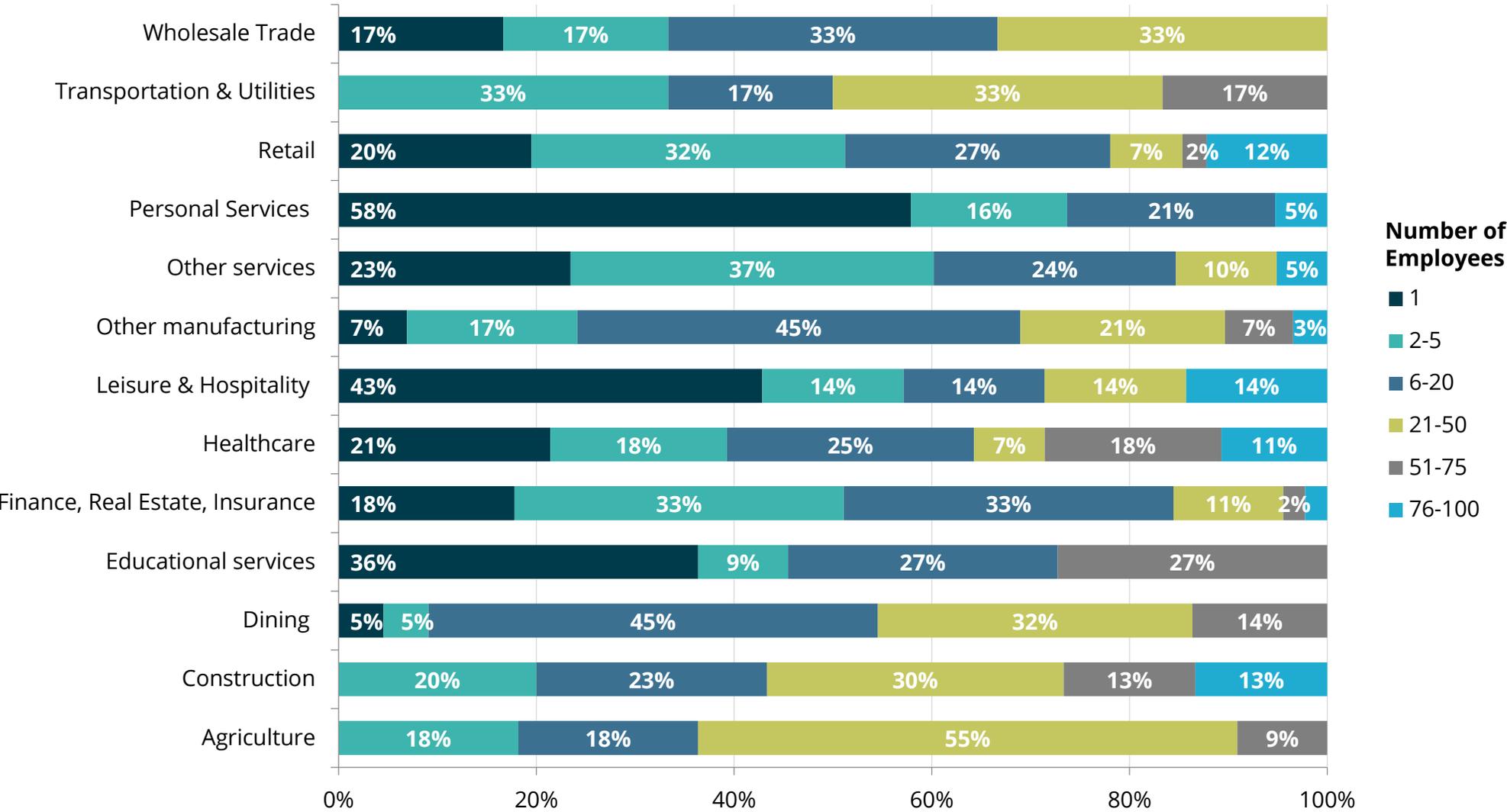
Company Size

73%

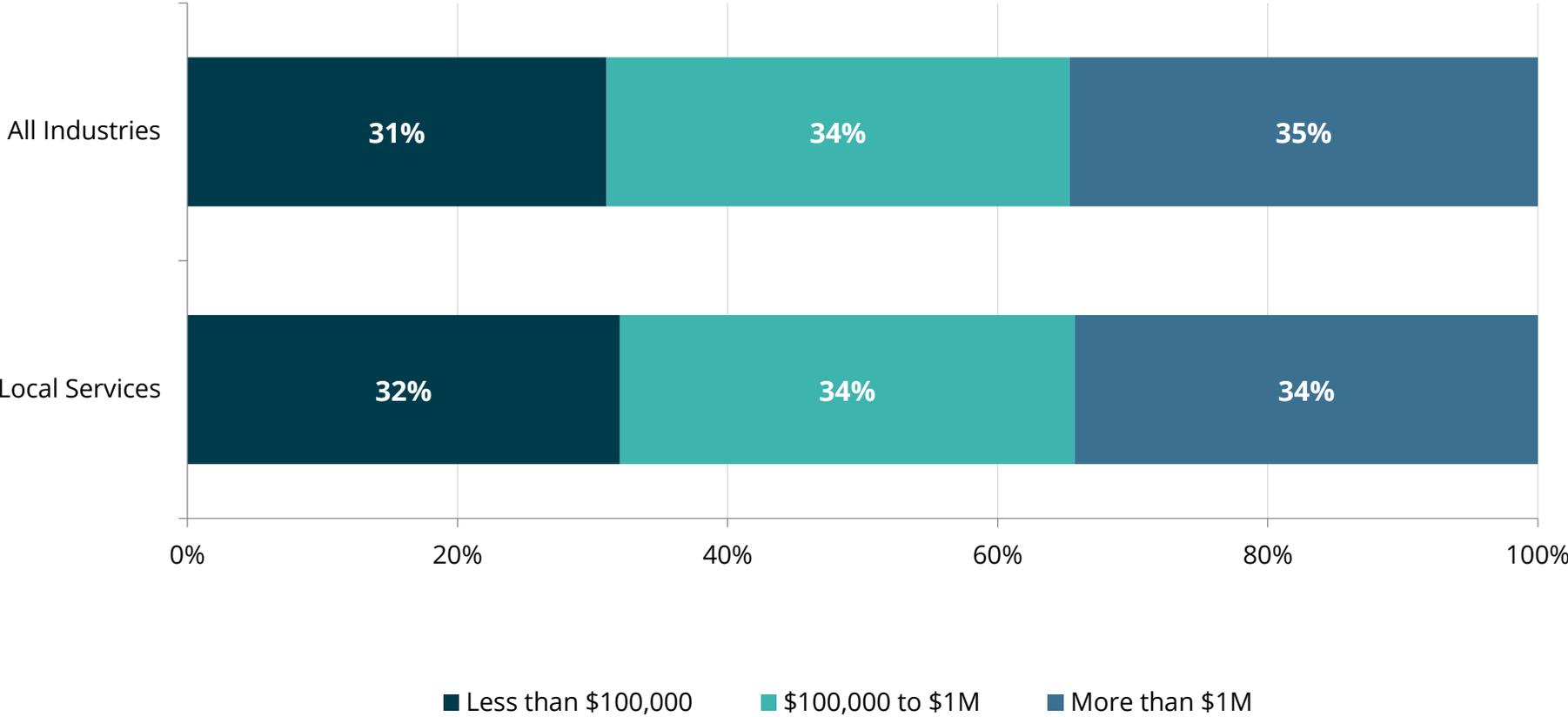
Locally-serving small businesses have 20 or fewer employees



Company Size by Industry – Local Services

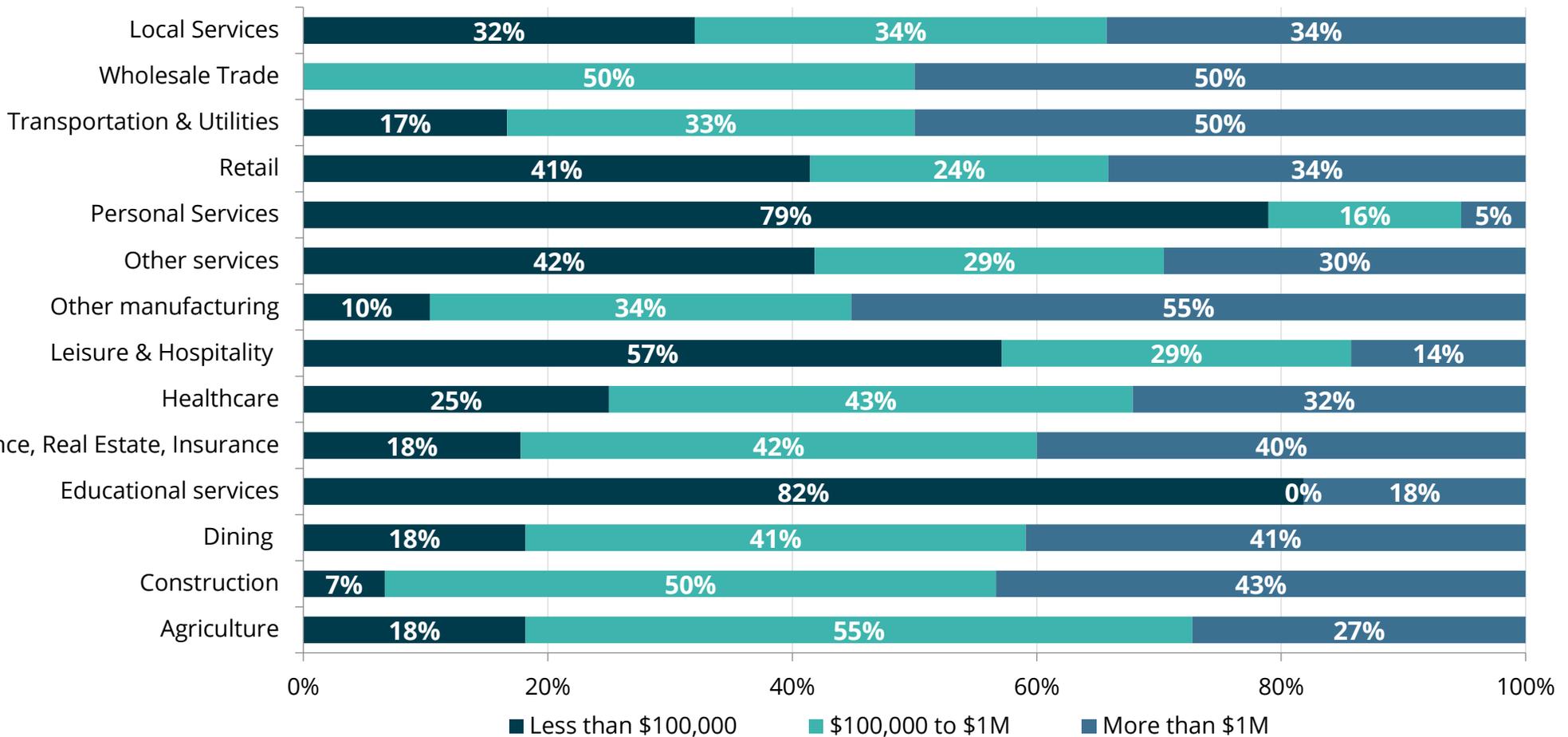


Revenue



Revenue by Industry – Local Services

Roughly one-third of small business generate less than \$100k in annual revenue. Personal services tends to be the lowest grossing industry, while manufacturing boasts the highest share of small businesses generating more than \$1M in annual revenue.

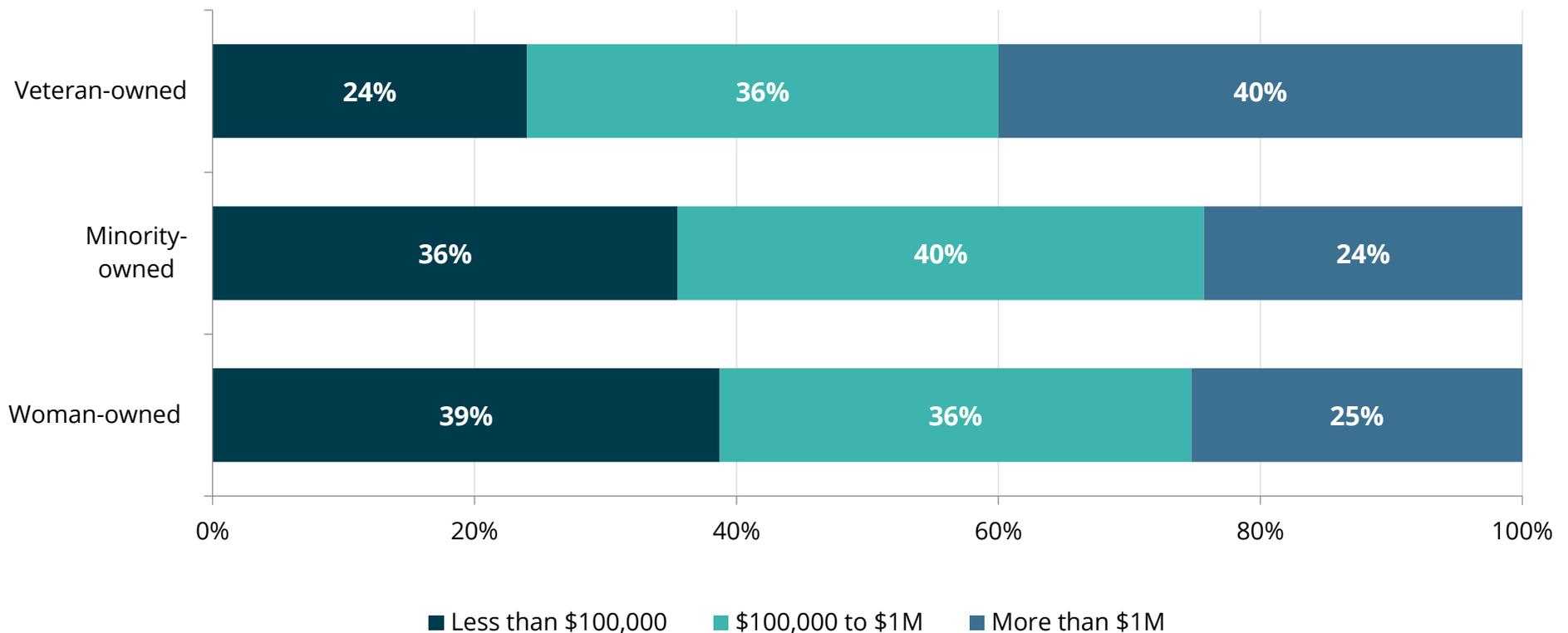


Revenue by Ownership – All Industries

Company revenue varies significantly by ownership. Female-owned companies have the highest share of companies generating less than \$100k per year, while veteran-owned businesses are more likely to generate more than \$1M in revenue annually.

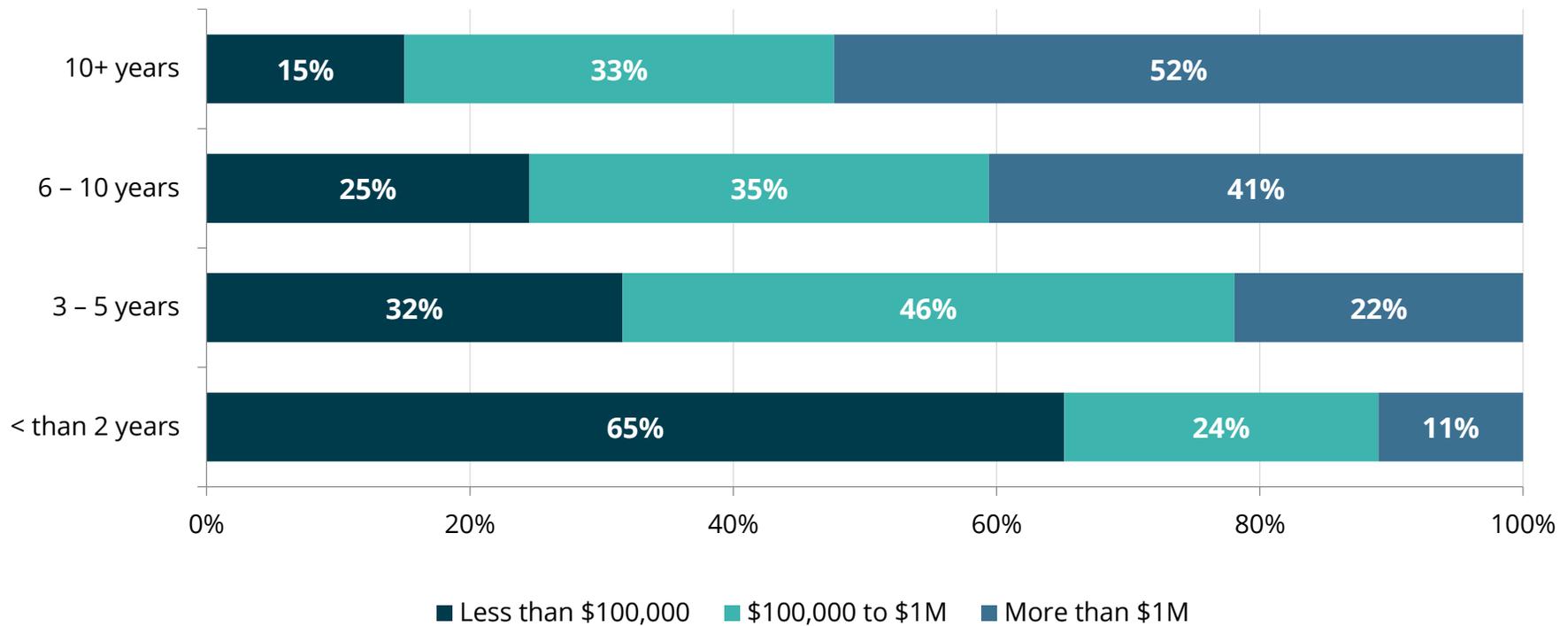
40%

of veteran-owned small businesses generate greater than \$1M in annual revenue



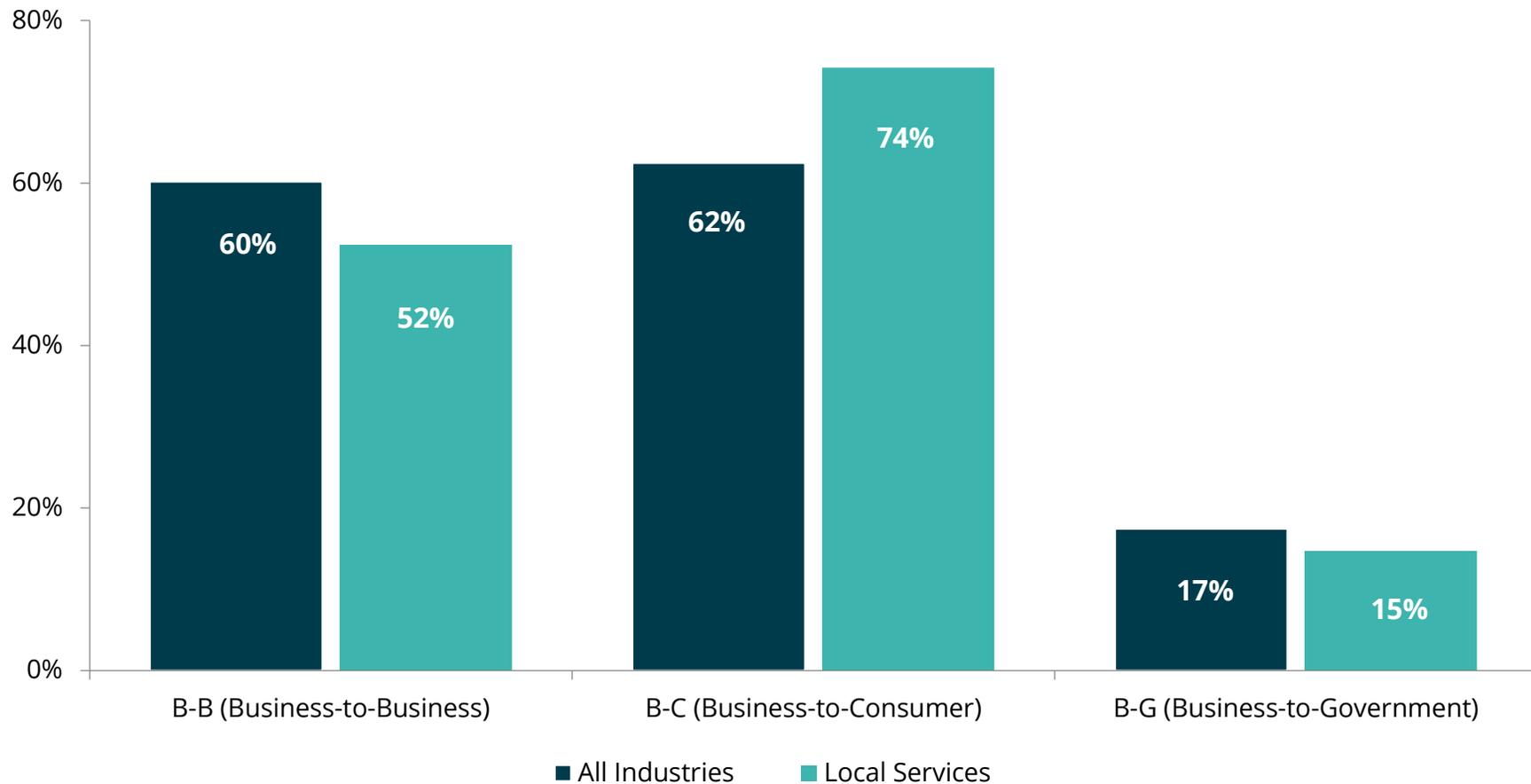
Revenue by Age of Business – All Industries

More than 65% of companies who have been operating less than two years generate less than \$100K in revenue, while the majority of more established companies of 10 years or longer generate more than \$1M in revenue annually.



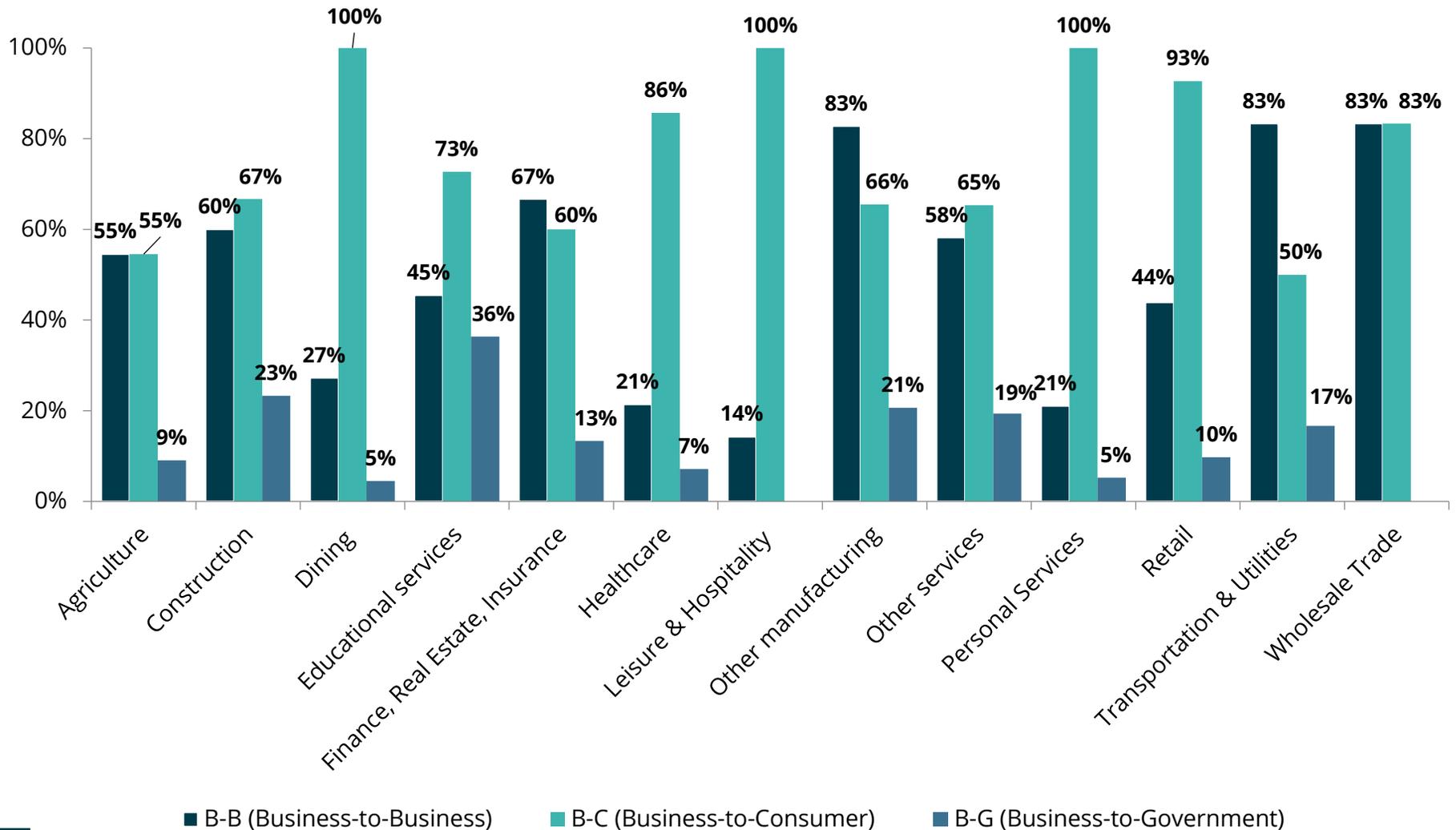
Sales Channel*

The overwhelming majority – 74% – of locally-serving companies engage in business-to-consumer activities.

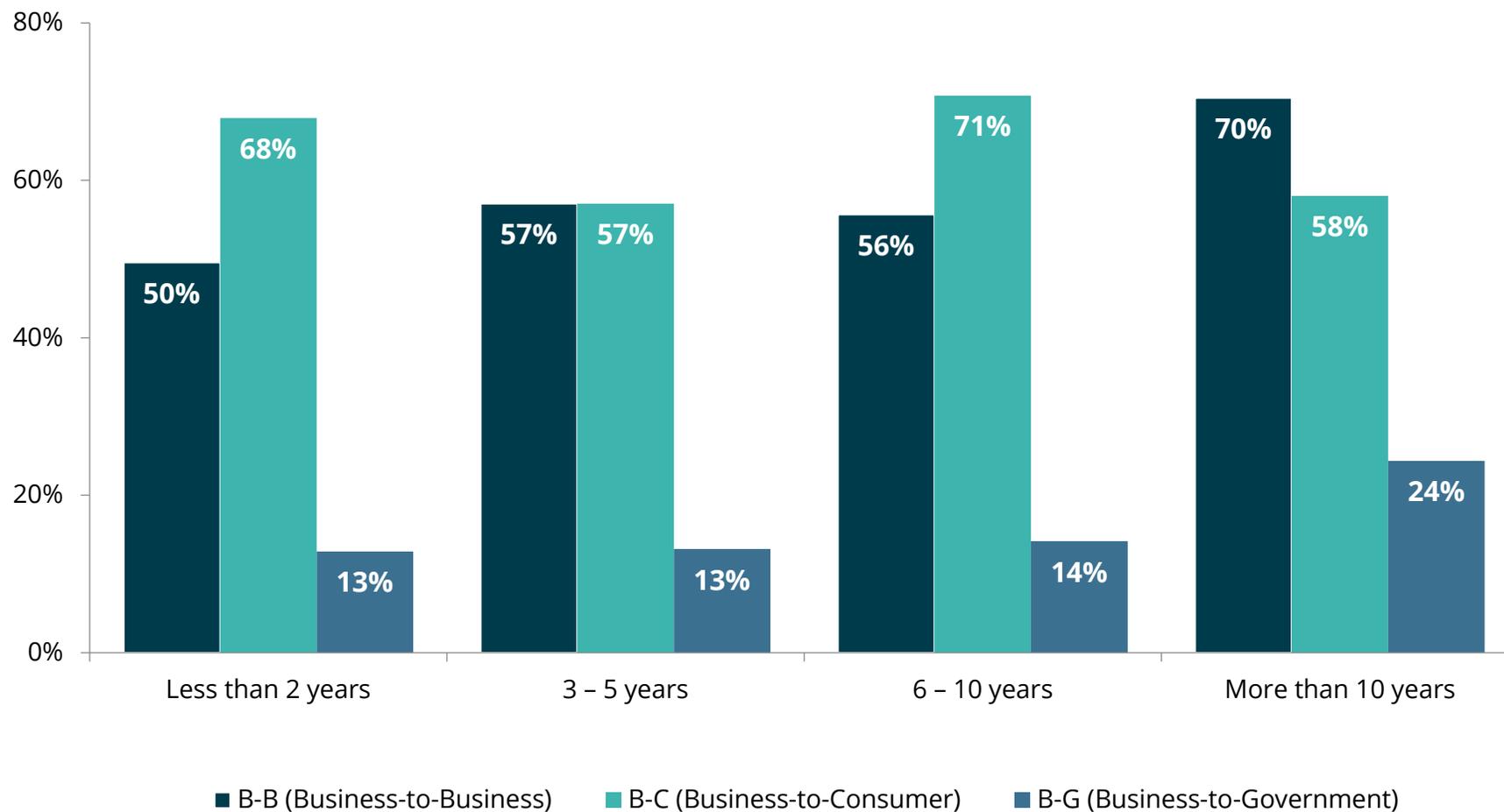


*Respondents can select more than one

Sales Channel by Industry – Local Services

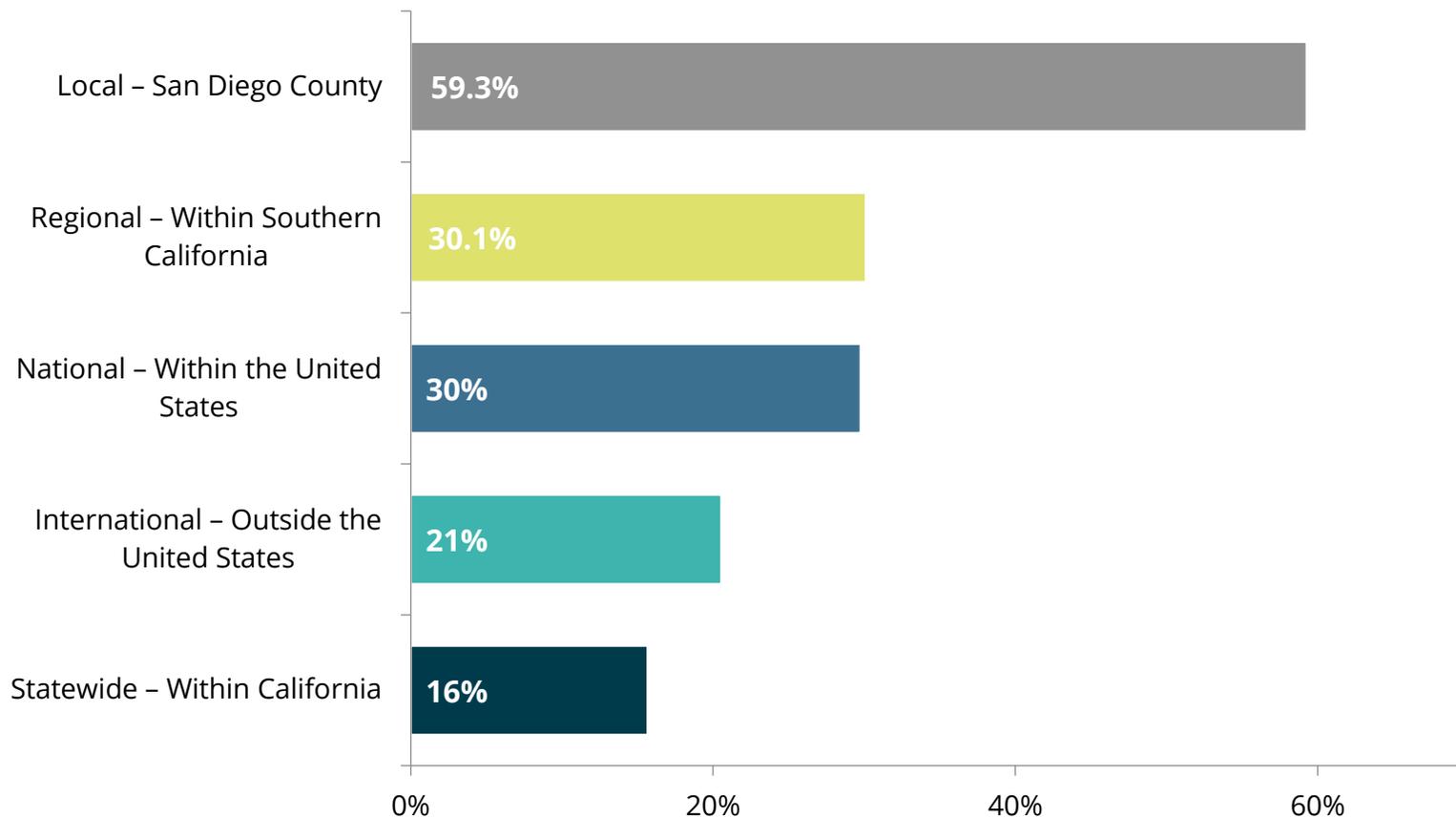


Sales Channel by Age of Business – All Industries



Sources of Sales/Revenue* – All Industries

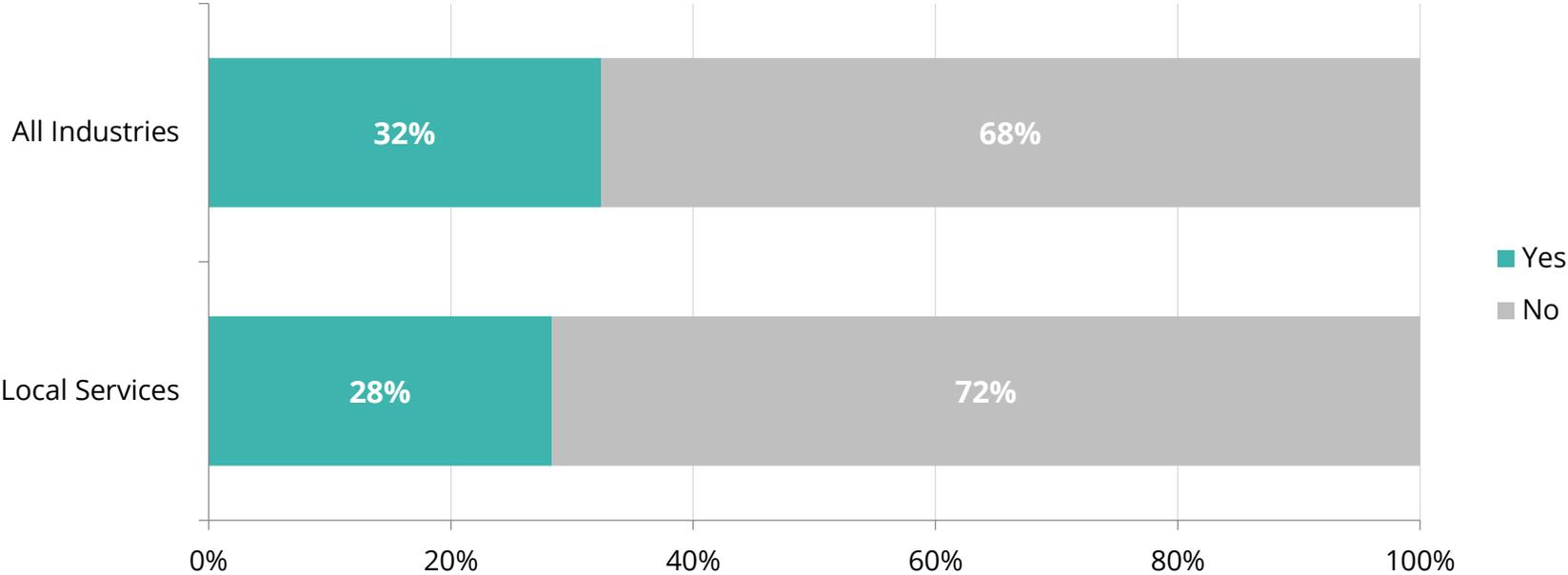
The majority – 59.3% – of the region’s small businesses have local customers. Additionally, a significant portion of small businesses sell their products to the rest of the state, nation, and even international markets.



*Respondents can select more than one

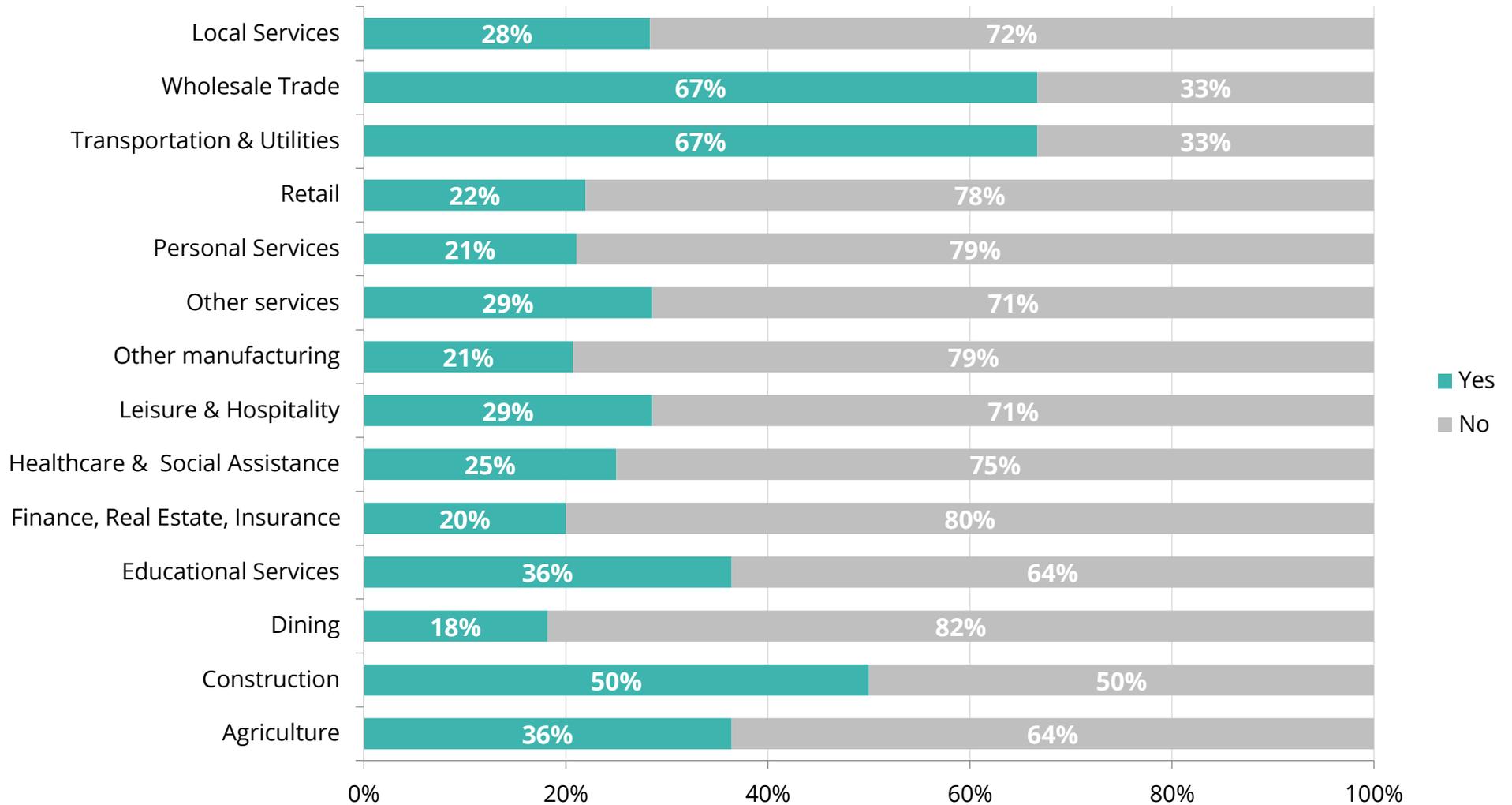
Location of Employees

Question: Do you have employees located outside the San Diego County area?



Location of Employees by Industry

Question: Do you have employees located outside the San Diego County area?





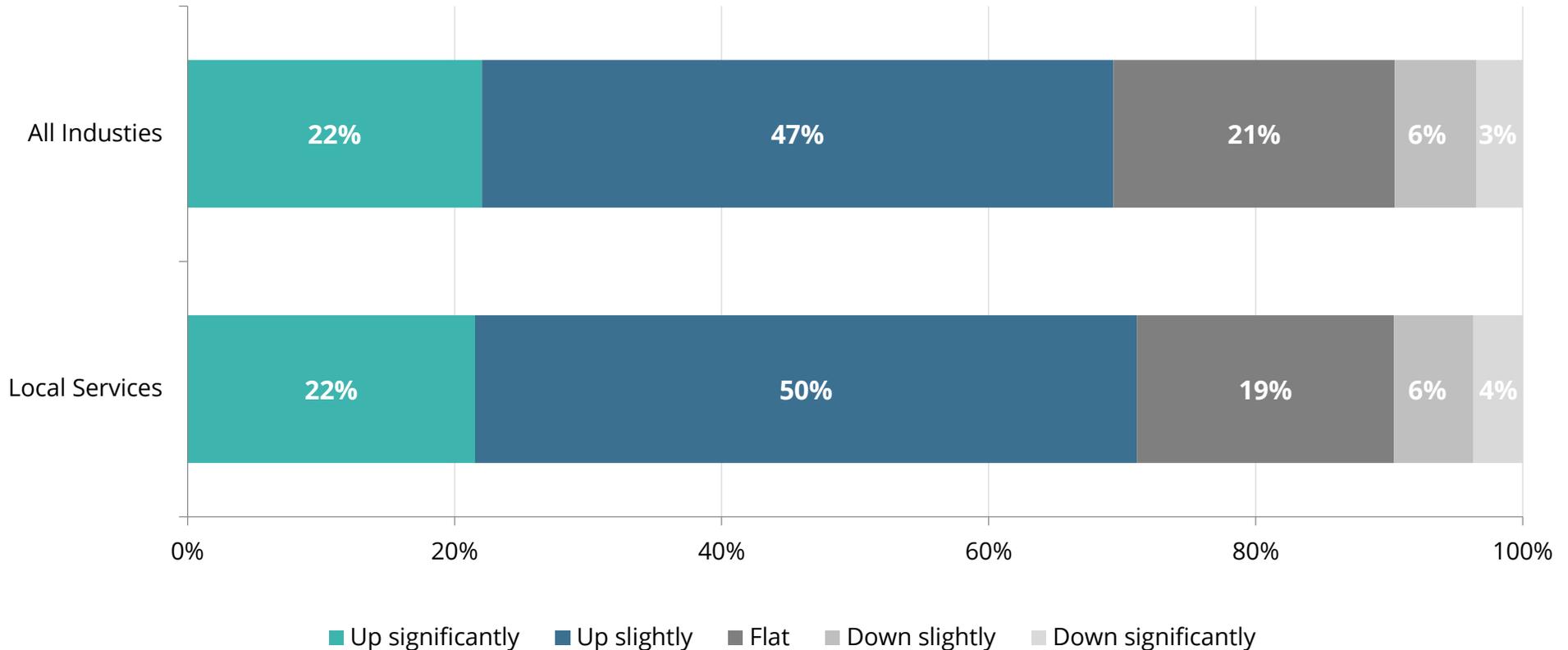
Looking Forward

Financial Performance Trends (Past Two Years)

In the past two years, the majority of small businesses have experienced an upward trend in their financial performance.

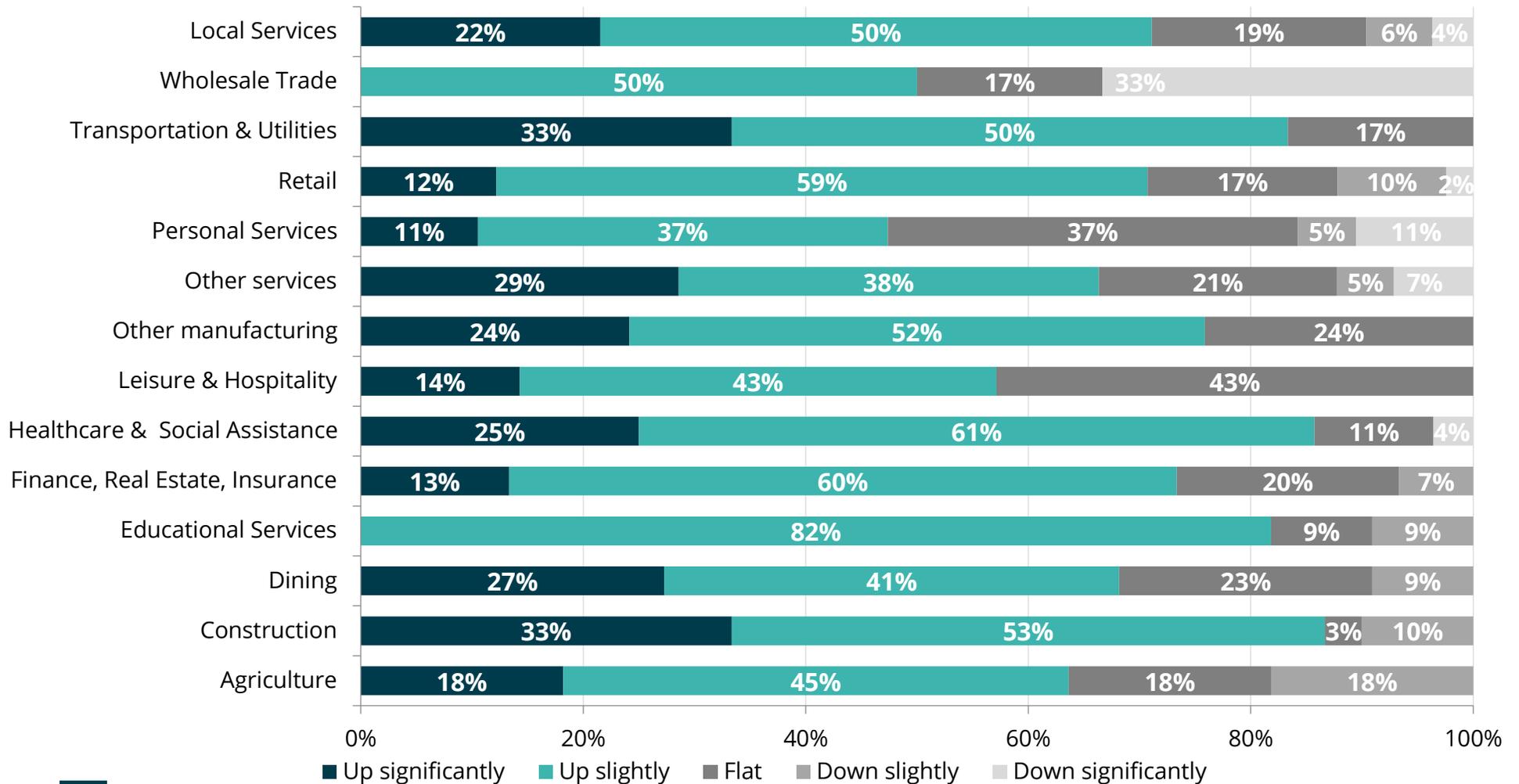
72%

of locally-serving small businesses reported financial growth in the past two years



Financial Performance (Past Two Years) – Local Services

Healthcare and social assistance and construction had the highest reported increases in financial performance, with 86% of their respective firms reporting significant or slight growth.

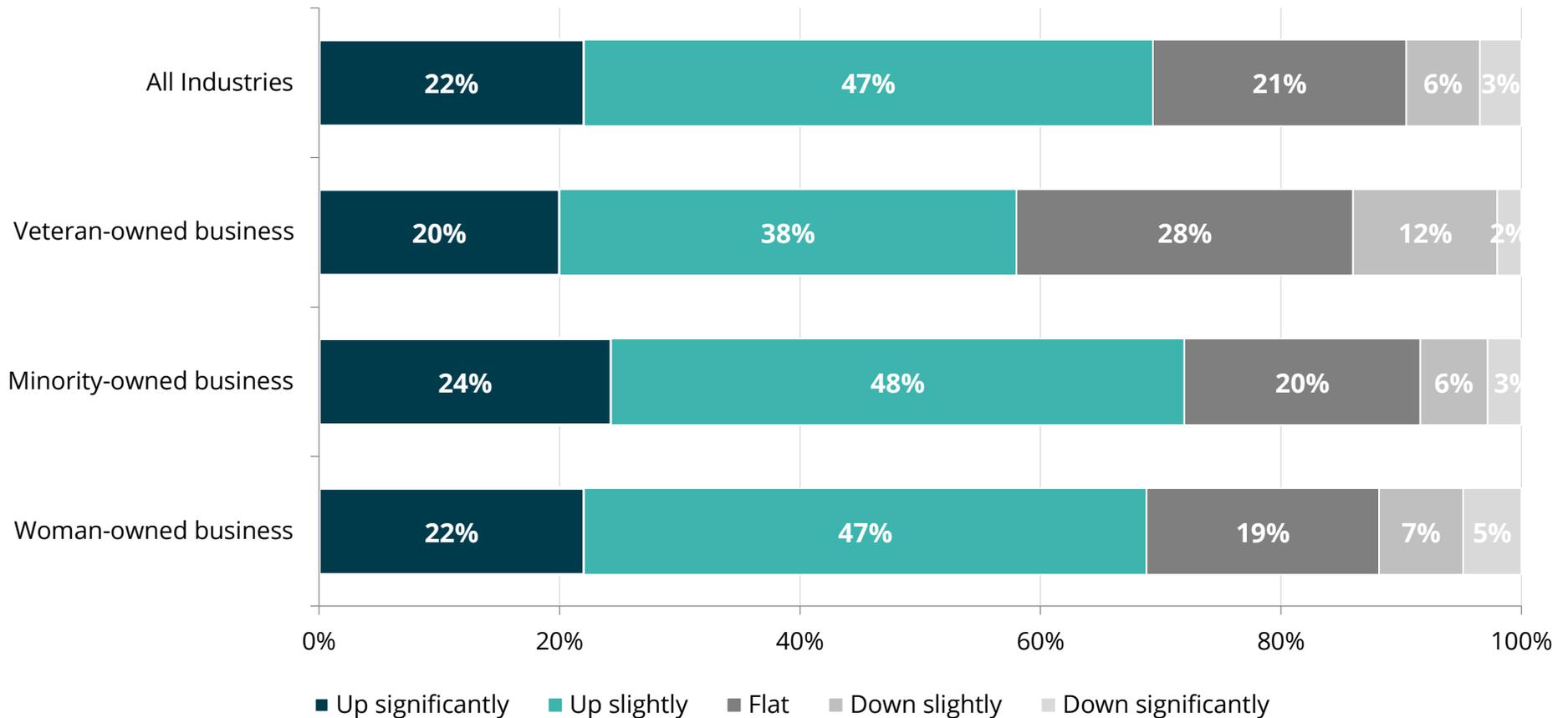


Financial Performance (Past Two Years) – *By Ownership*

Relative to all respondents, veteran-owned small business have not been performing as well and have in fact reported the largest share of flat or declining finances.

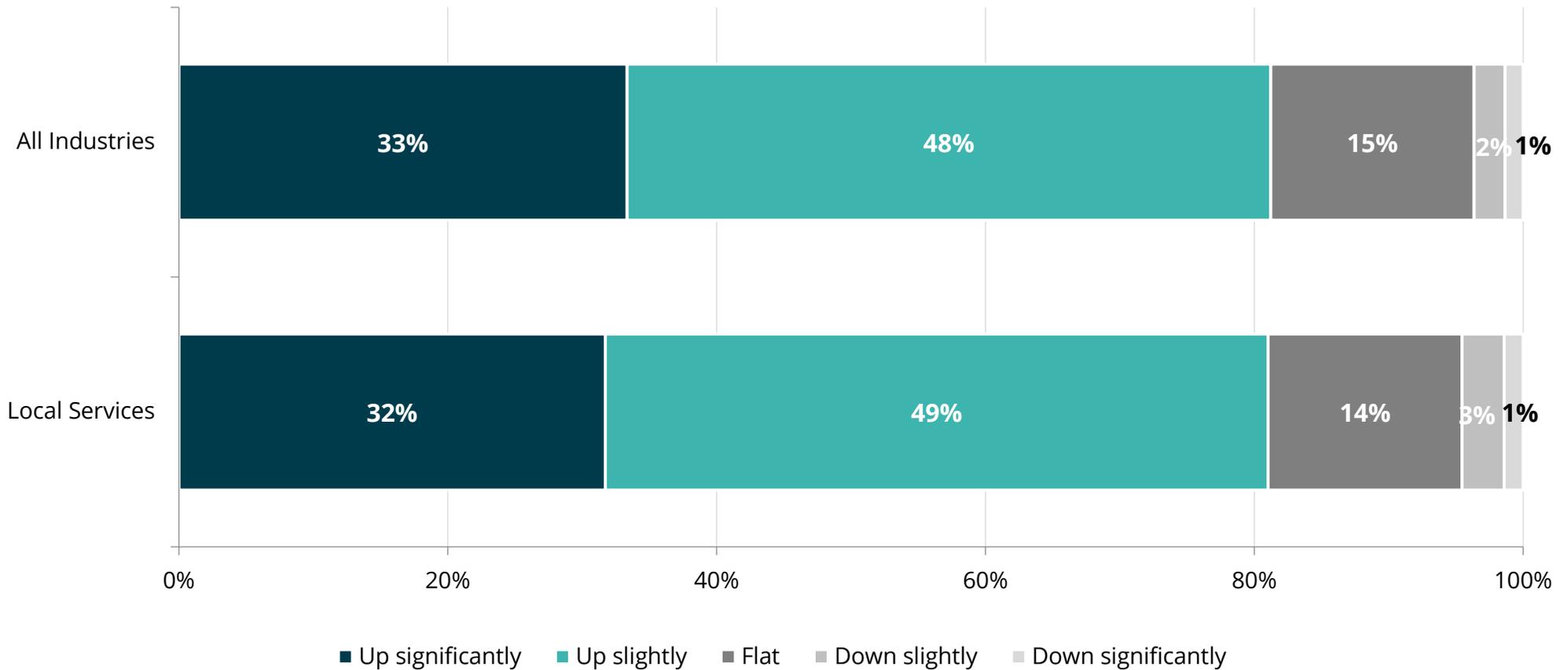
72%

of minority-owned small businesses reported financial growth

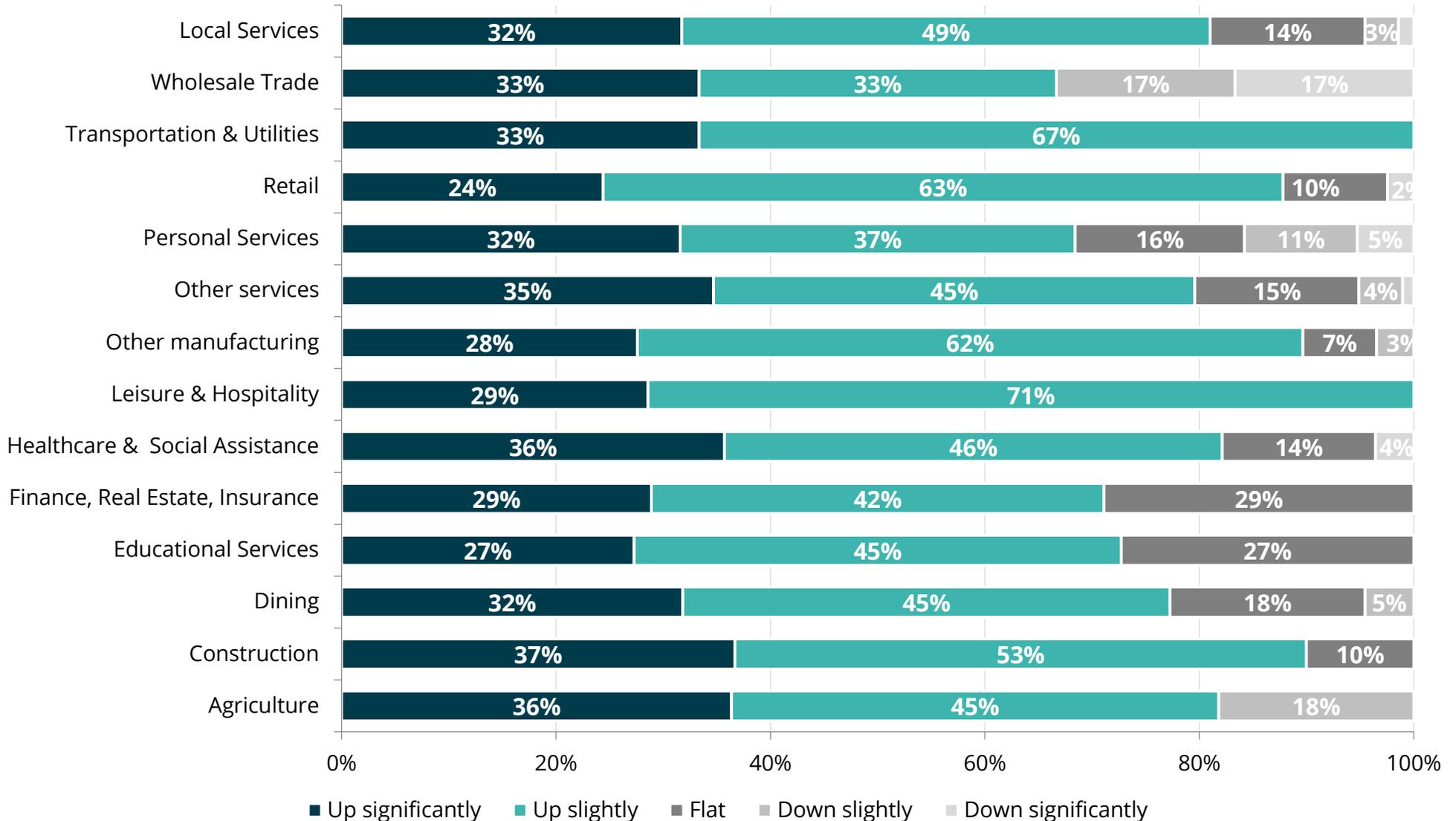


Financial Performance (Next Two Years)

Looking ahead, the majority – 81% – of locally-serving small businesses expect to grow. In fact, only 4% anticipate a decline in business.

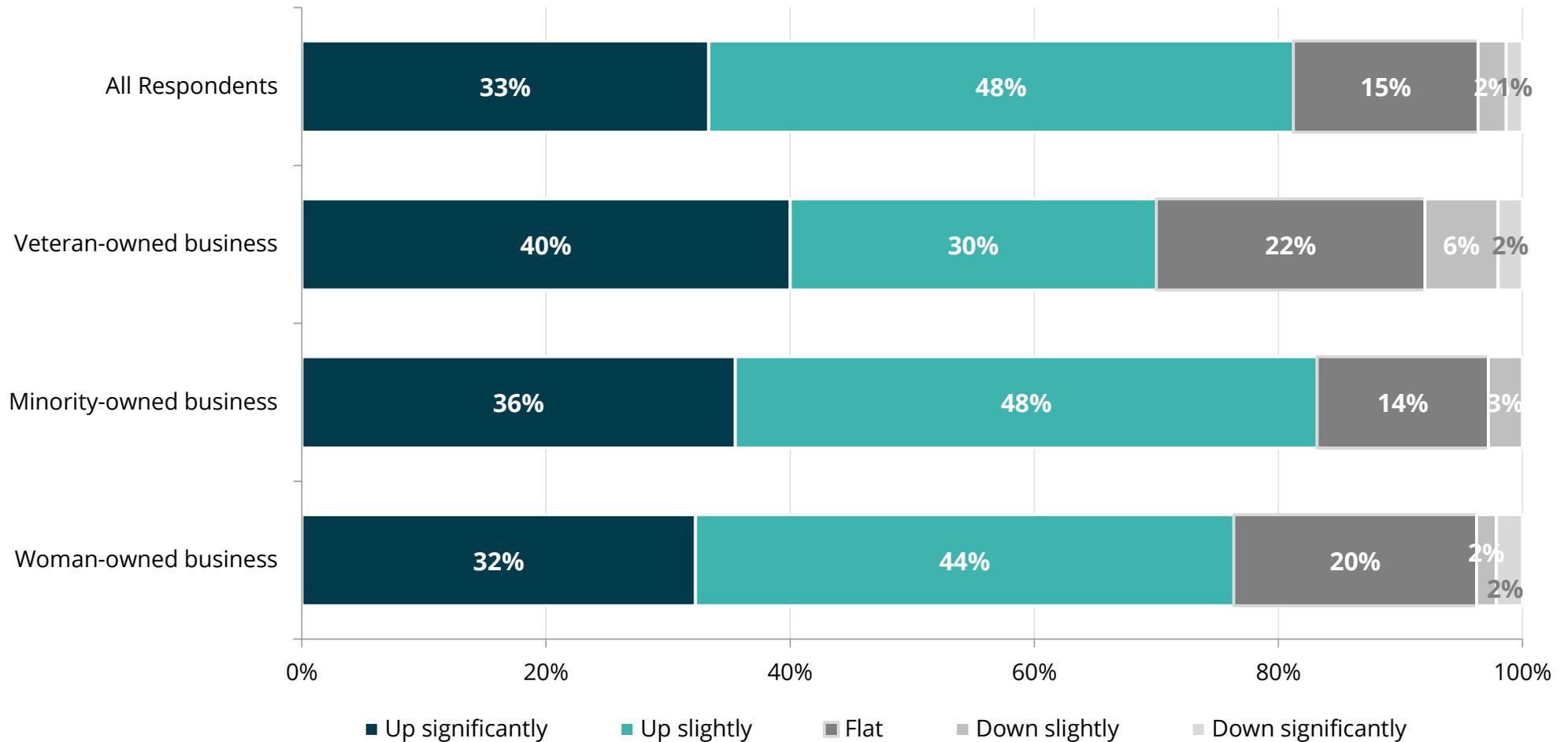


Financial Performance (Next Two Years)



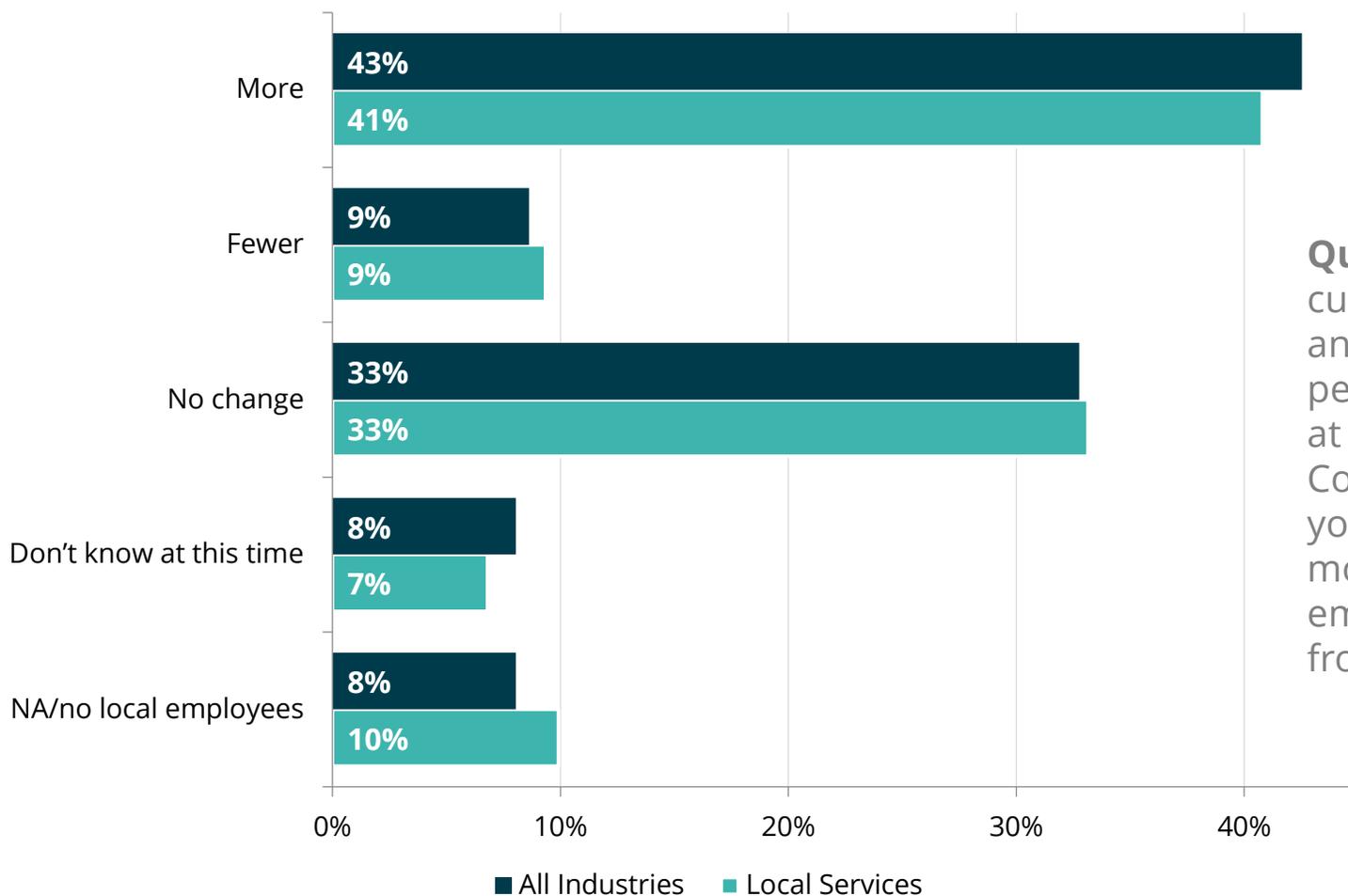
Financial Performance (Next Two Years) - *By Ownership*

Minority-owned small business have the most positive business outlook, with 83% of businesses anticipating either slight or significant growth.



Workforce Outlook (Next Two Years)

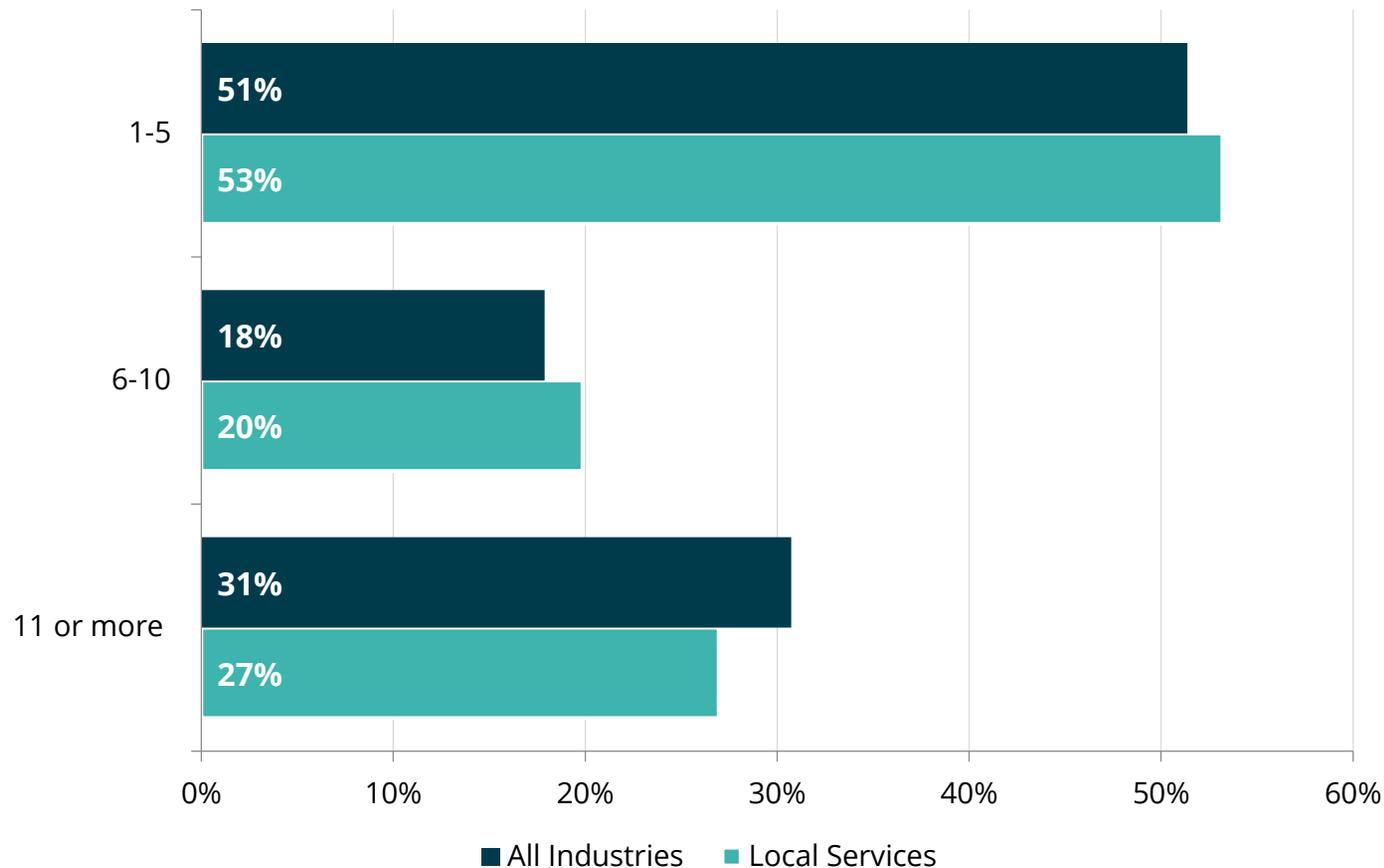
Over the next two years, 41% of locally-serving small businesses anticipate having more employees, while 9% expect to have fewer.



Question: If you currently have full-time and part-time permanent employees at your San Diego County location(s), do you expect to have more or fewer employees two years from now?

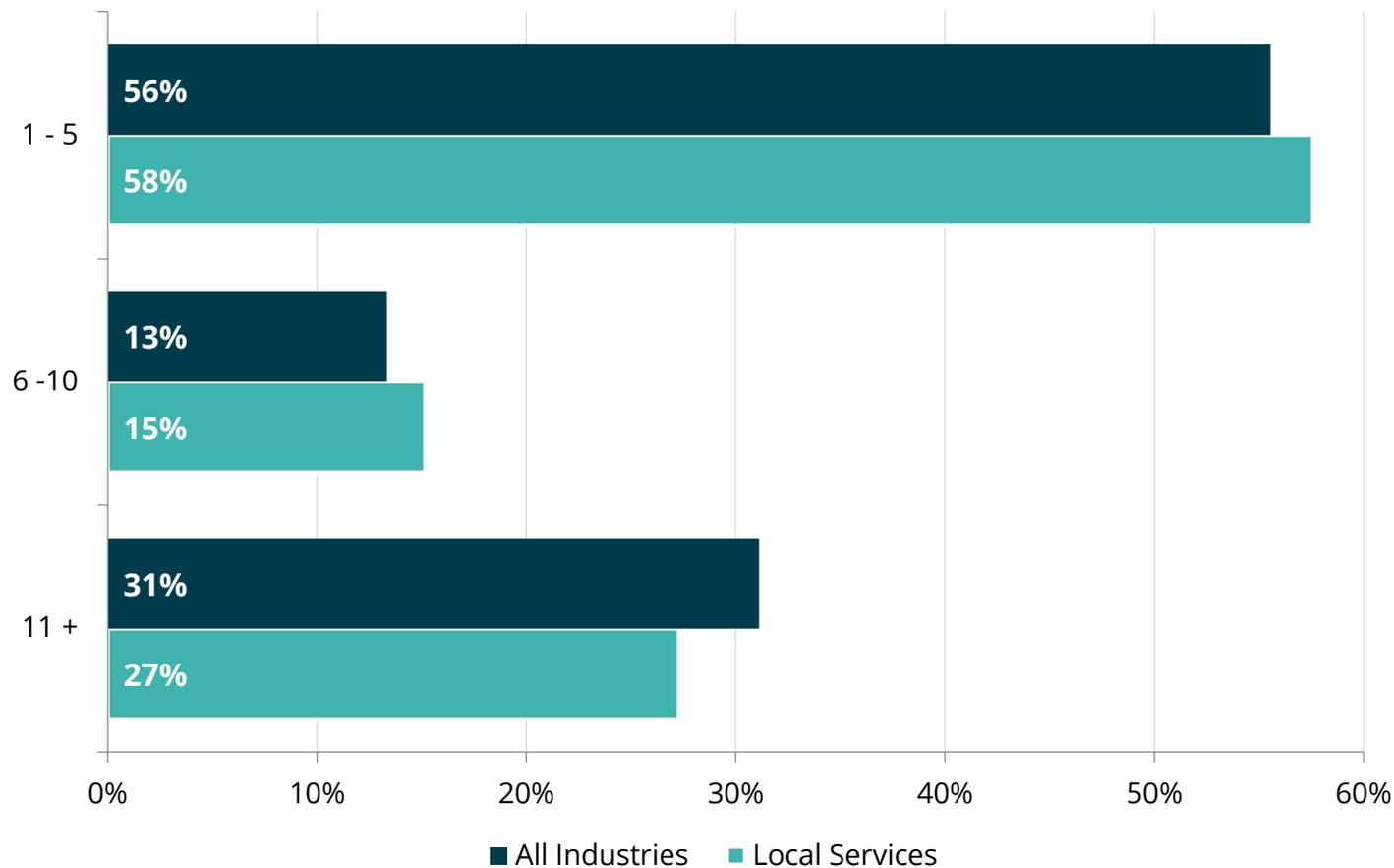
Workforce Growth (Next Two Years)

Nearly 70% of all small businesses that anticipate hiring new employees in the next two years will hire 10 or less employees. Locally-serving small businesses in particular are less likely to hire more than 10 employees.



Workforce Decline (Next Two Years)

Nearly 9% of all surveyed businesses expect to have fewer employees in the next two years. Most of the losses are expected to be in the one to five employee range.



Likely Investments in Business

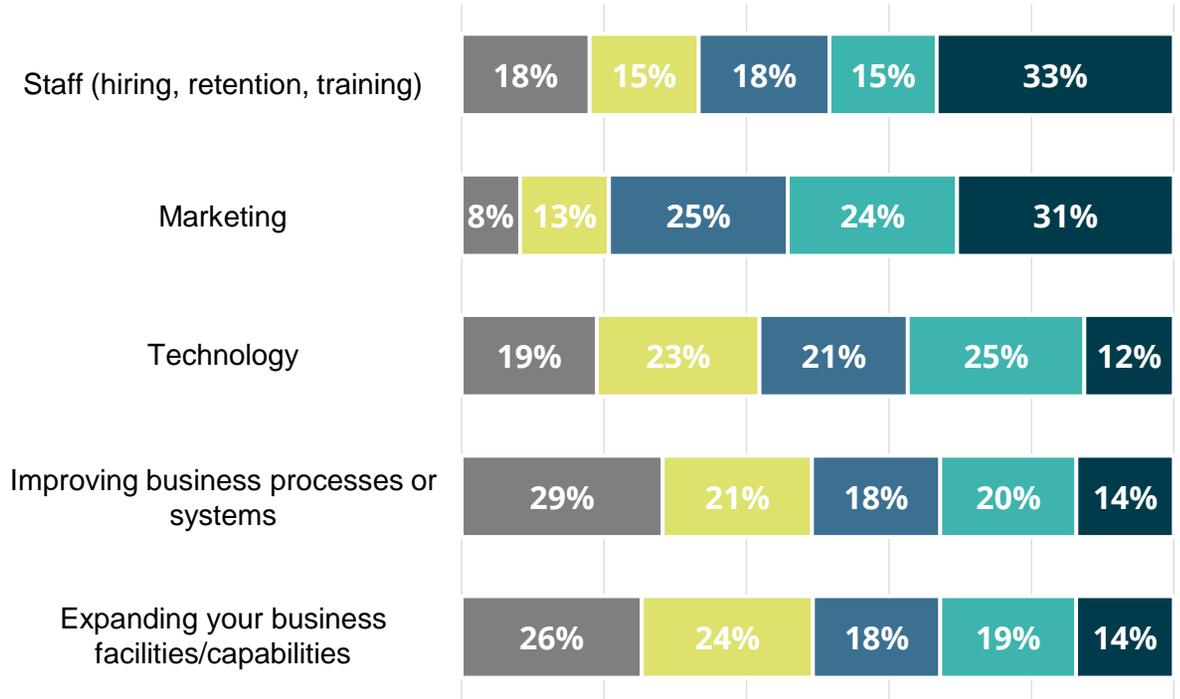
The most important likely business investment is hiring, retaining, and training talent.

Question: Which of the following areas are you most likely to invest in for your business next, in order of importance? Please rank them as 1 being most important, 2 being second most important, and so on.

ALL INDUSTRIES



LOCAL SERVICES

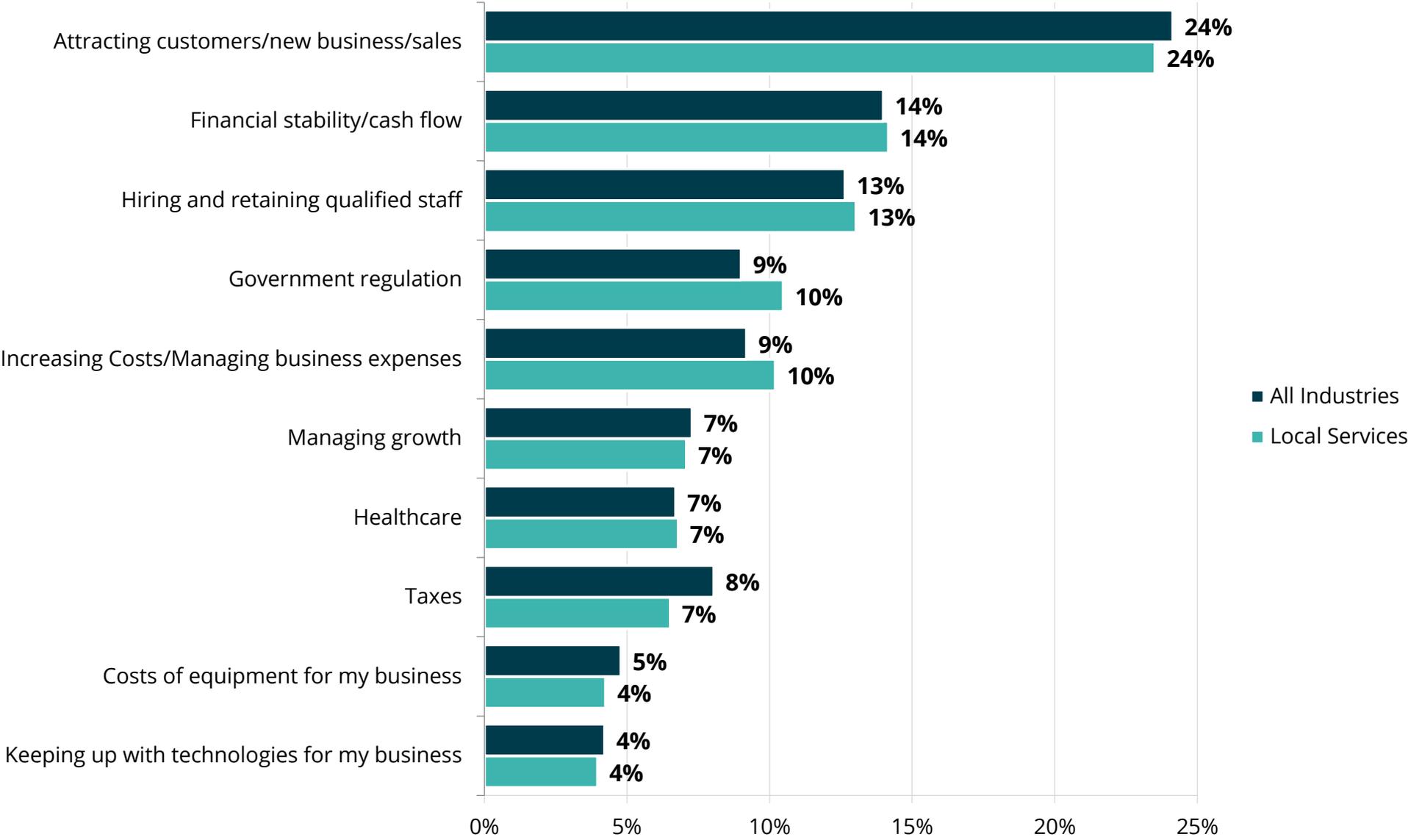


■ 1 ■ 2 ■ 3 ■ 4 ■ 5

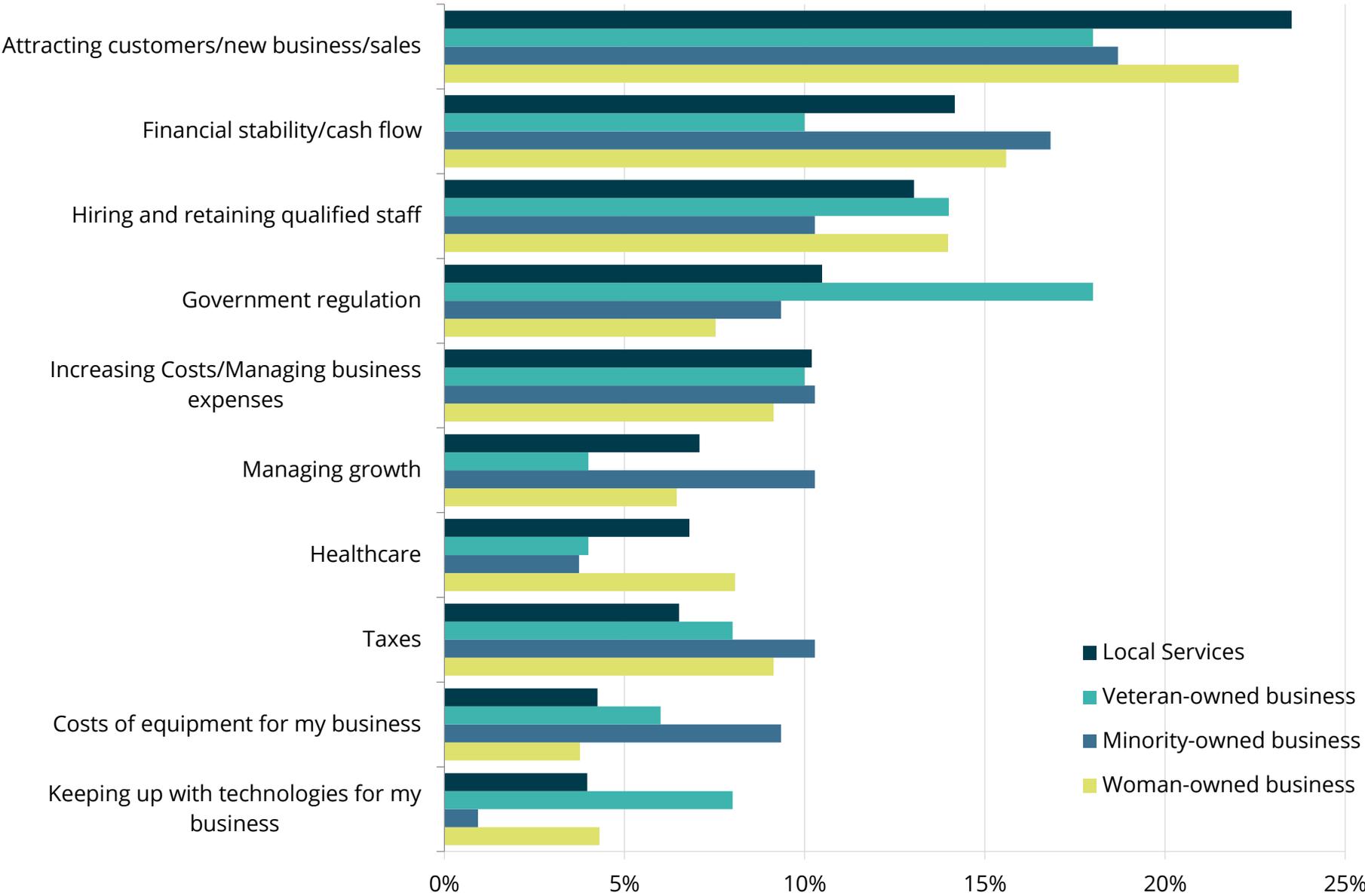


Business Operations

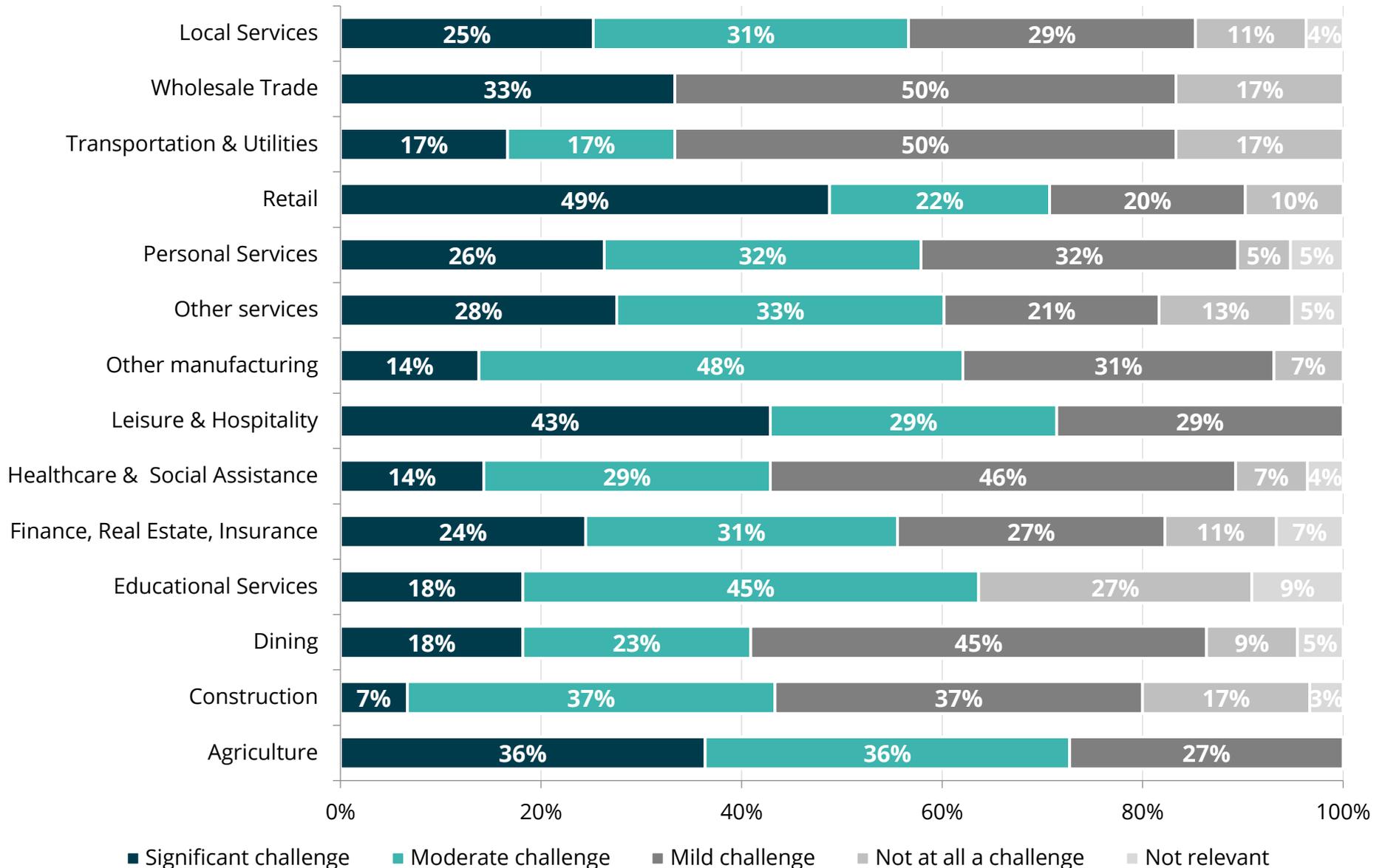
Most Significant Challenge



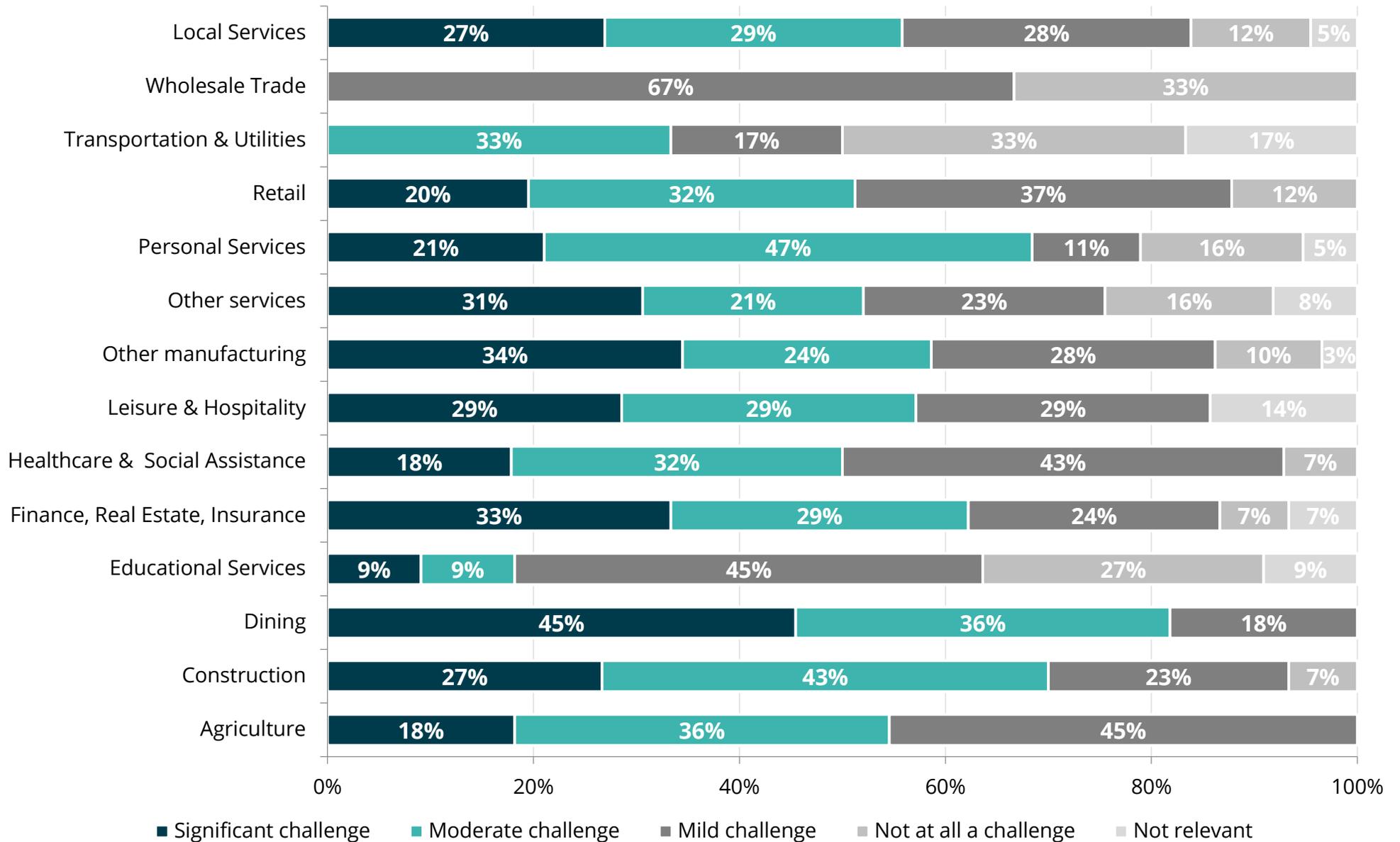
Most Significant Challenge by Ownership – Local Services



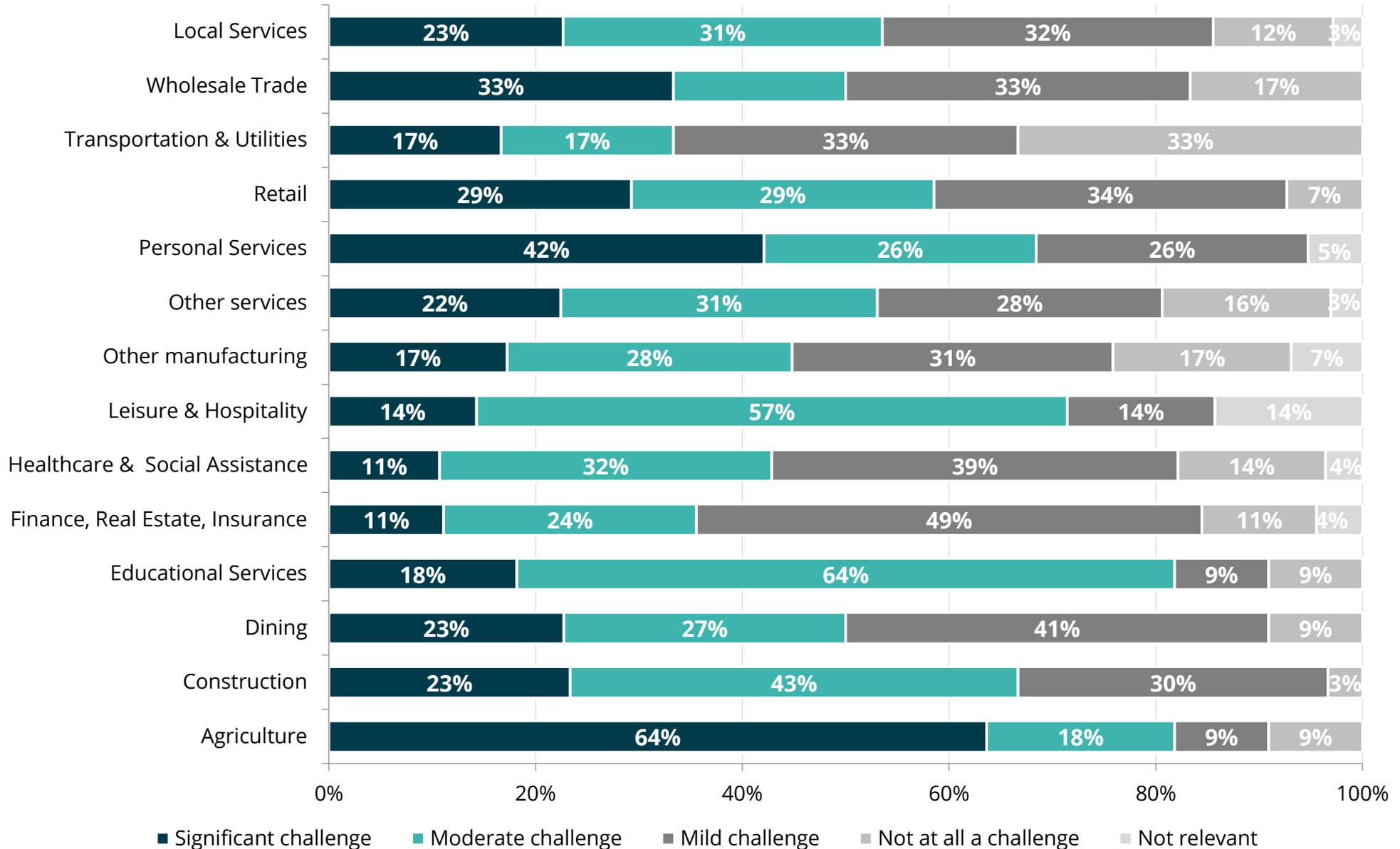
Business Challenges – Attracting Customers/Business



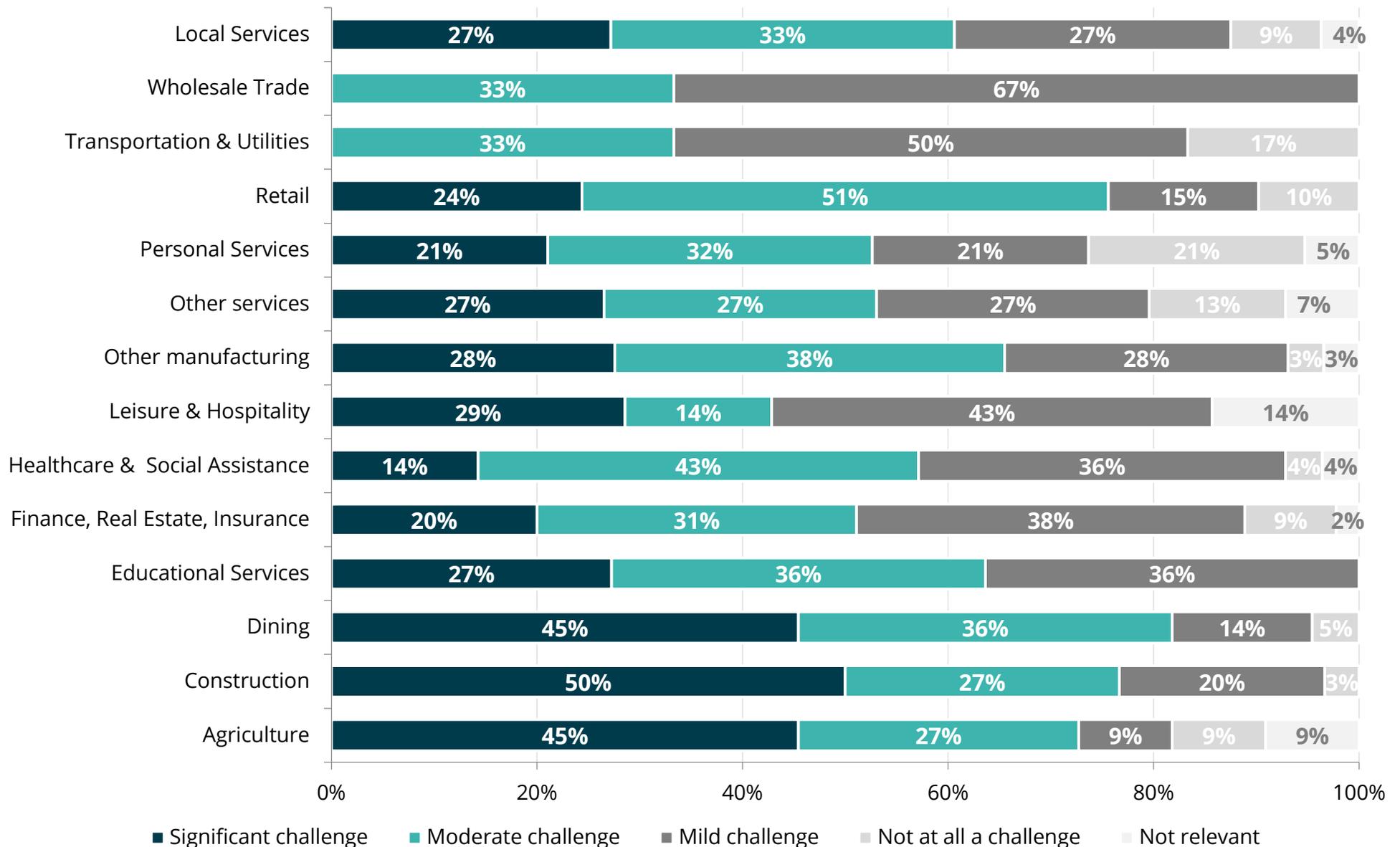
Business Challenges – Taxes



Business Challenges – *Financial Stability/Cash Flow*

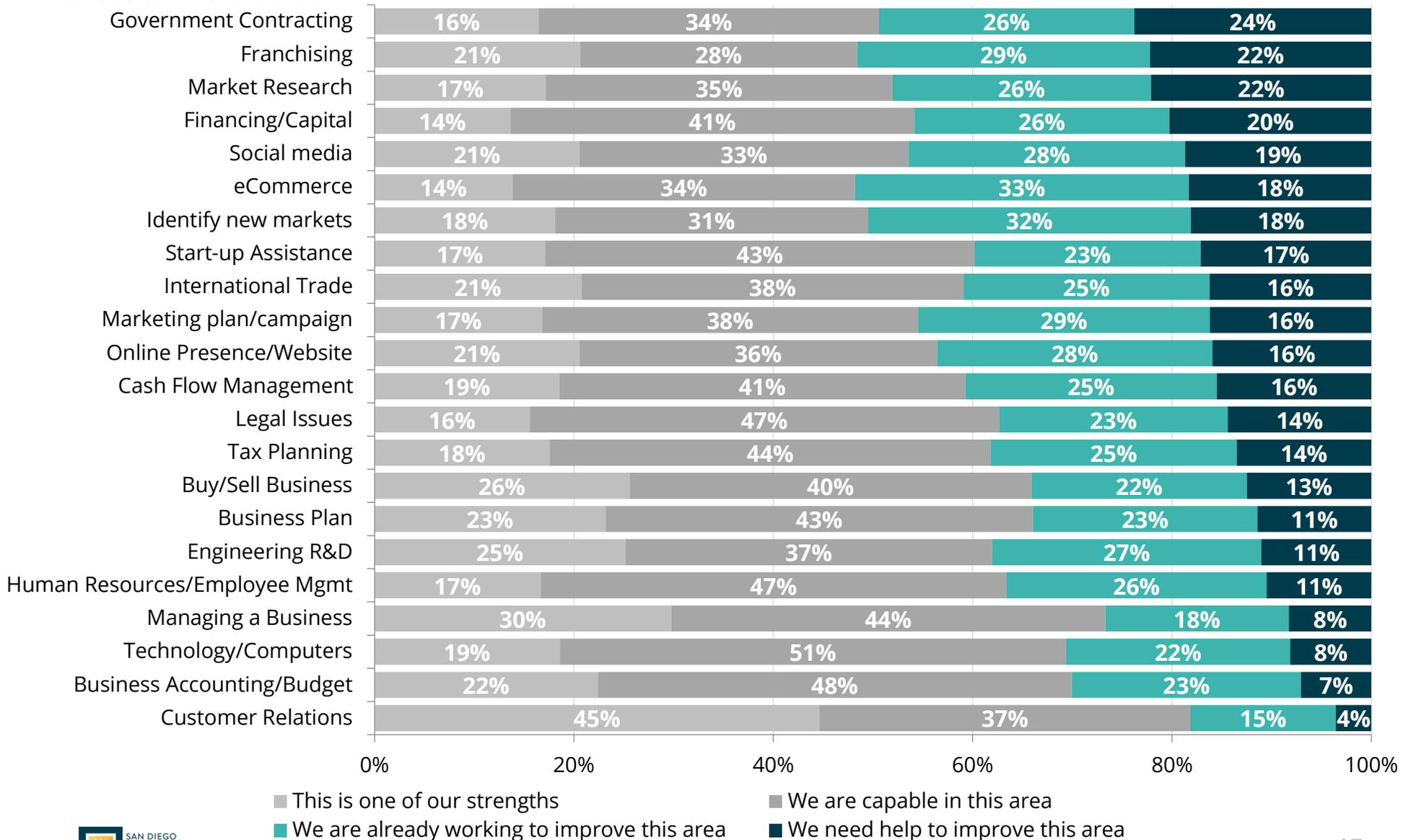


Business Challenges – Increasing Costs/Managing Expenses



Areas Needing Help – Local Services

Question: For each of the operational areas below, please rate your company and its ability to execute in that area.

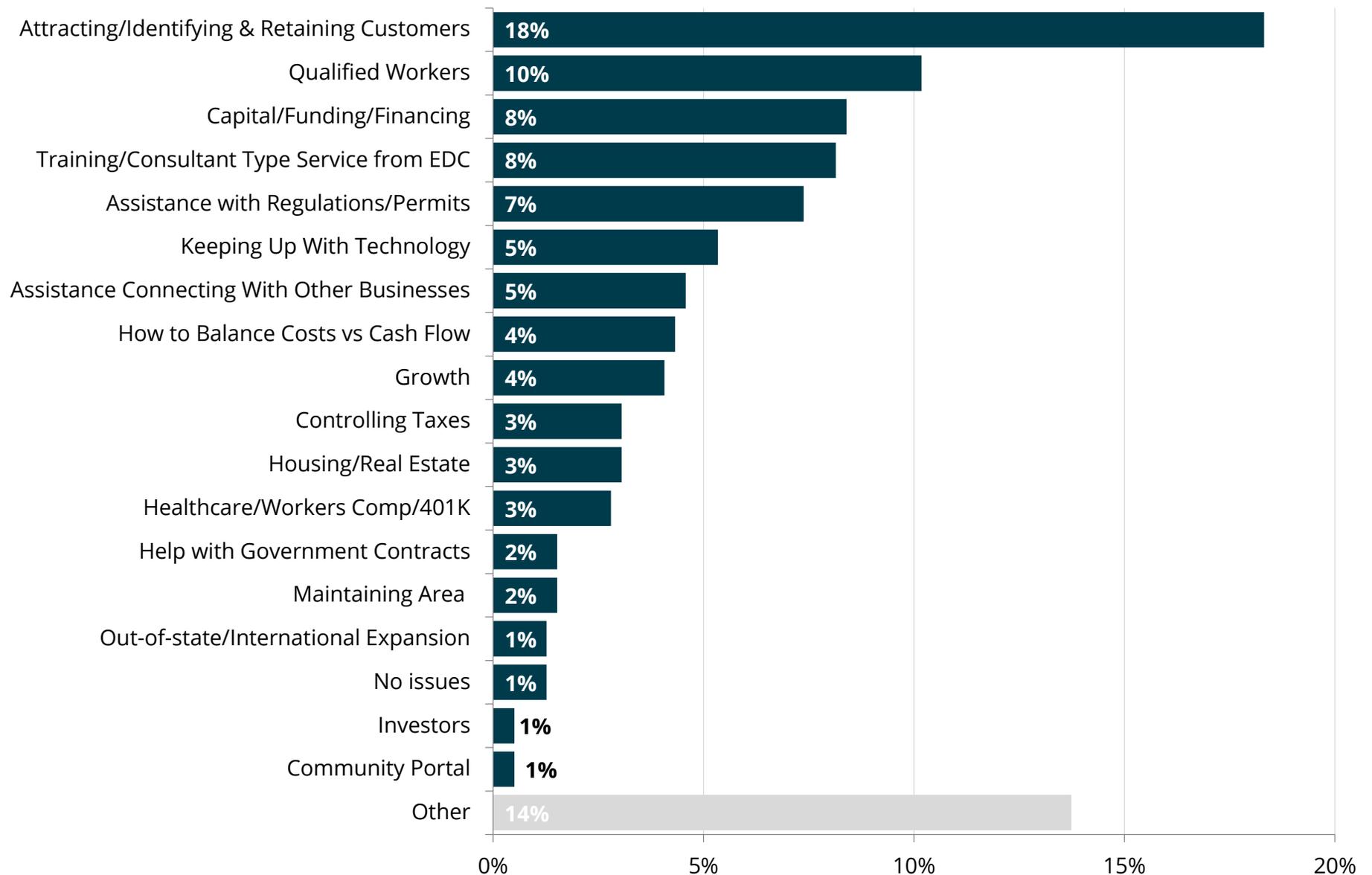


Areas Needing Help by Ownership

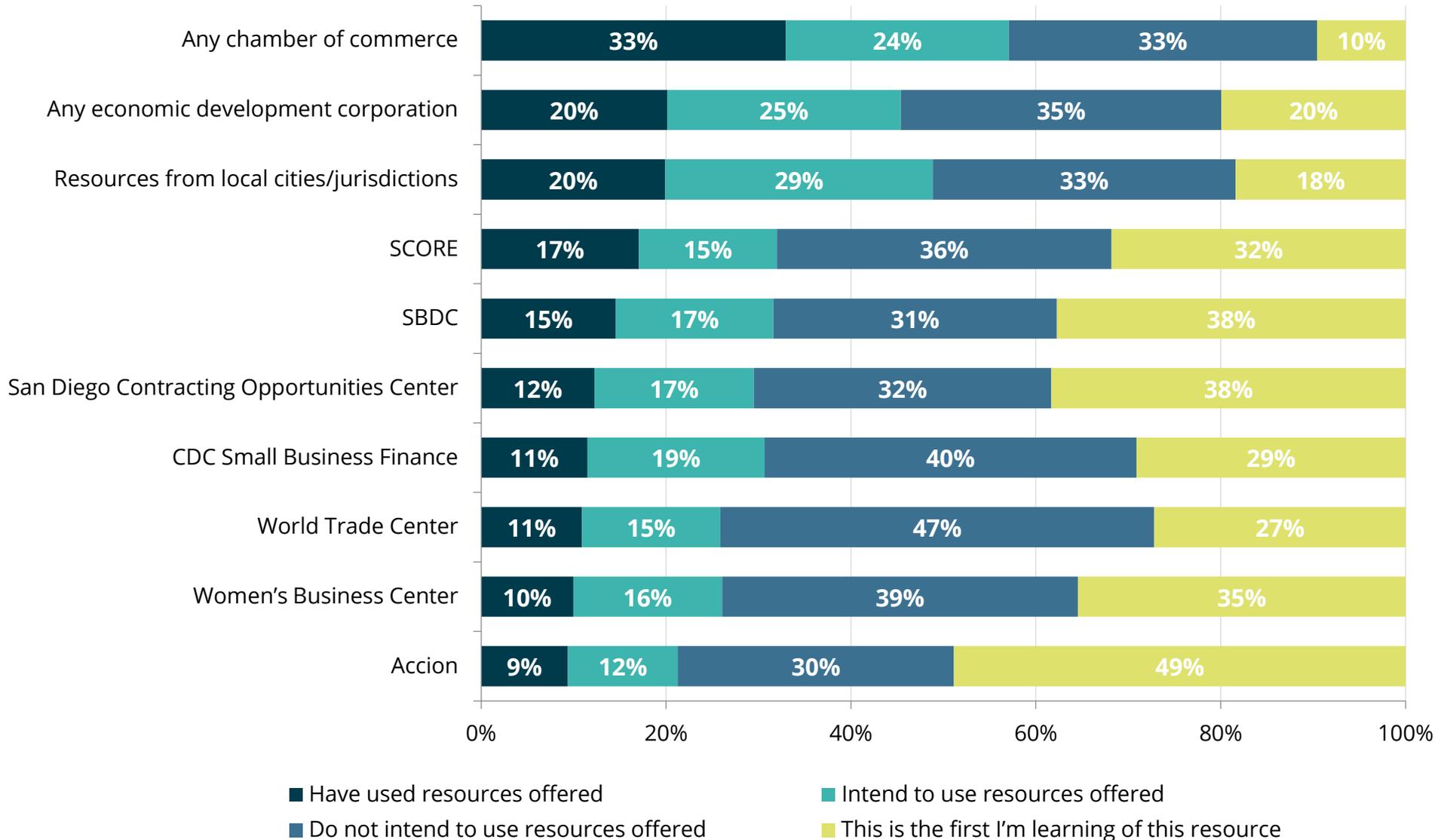
Question: For each of the operational areas below, please select in which areas your company “needs help to improve this area.”

AREAS NEEDING HELP	LOCAL SERVICES	WOMAN-OWNED BUSINESS	MINORITY-OWNED BUSINESS	VETERAN-OWNED BUSINESS
Government Contracting	24%	10%	17%	16%
Franchising	22%	10%	7%	8%
Market Research	22%	15%	18%	20%
Financing/Capital	20%	20%	22%	22%
Social media	19%	16%	16%	20%
eCommerce	18%	10%	14%	12%
Identify new markets	18%	18%	15%	16%
Start-up Assistance	17%	13%	7%	6%
International Trade	16%	4%	12%	12%
Marketing plan/campaign	16%	17%	13%	14%
Online Presence/Website	16%	15%	16%	18%
Cash Flow Management	16%	14%	15%	8%
Legal Issues	14%	12%	8%	4%
Tax Planning	14%	18%	13%	6%
Buy/Sell Business	13%	7%	6%	12%
Business Plan	11%	12%	17%	8%
Engineering R&D	11%	4%	7%	8%
Human Resources/Employee Mgmt	11%	7%	8%	2%
Managing a Business	8%	10%	5%	6%
Technology/Computers	8%	10%	9%	6%
Business Accounting/Budget	7%	10%	8%	8%
Customer Relations	4%	3%	8%	8%

Most Important Future Need – All Industries



Resource Awareness & Utilization – All Industries



Appendix

A modern, open-plan office lounge area. The space features a vibrant red sofa with blue and patterned cushions, and several grey armchairs with black metal frames. A man in a teal shirt is seated at a desk in the background, working on a laptop. The room has a high ceiling with exposed ductwork and industrial-style pendant lights. The floor is made of light-colored wood. A large, semi-transparent white box with the word "Appendix" is overlaid on the left side of the image.

Respondent Demographics & Job Roles

RESPONDENT AGE

Age Group	All Respondents	Local Services
Under 25	4%	3%
25 to 29	11%	11%
30 to 34	10%	10%
35 to 39	13%	13%
40 to 44	8%	9%
45 to 49	12%	12%
50 to 54	8%	9%
55 to 59	12%	11%
60 to 64	9%	9%
65 to 69	5%	5%
70+	6%	5%
Prefer not to answer	1%	1%

RESPONDENT JOB ROLE

Job Role	All Respondents	Local Services
Accounting and/or Finance	24%	29%
Customer Service	30%	37%
Human Resources	20%	23%
Executive	47%	46%
Marketing and/or Advertising	27%	31%
Operations	34%	36%
Product development and/or Engineering	14%	14%
Production	16%	18%
Purchasing	19%	24%
Research & Development	16%	16%
Sales and/or Business Development	34%	39%
Other	5%	5%

RESPONDENT ETHNICITY

Ethnicity	All Respondents	Local Services
Black or African-American	7%	6%
Indian	1%	1%
White or Caucasian	66%	67%
Hispanic, Latino or Mexican American	17%	19%
Asian descent	7%	6%
Native American	3%	2%
Other	3%	3%
Prefer not to answer	6%	7%

RESPONDENT GENDER

Gender	All Respondents	Local Services
Male	51%	48%
Female	46%	48%
Prefer not to answer	4%	4%

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Released October 2018