

2024 Small Business Survey Results

April 2024

Survey details

Web survey of small businesses in San Diego and Imperial Counties completed by BW Research.

- Qualifying companies are those with **100 or fewer employees**, operating in **San Diego County or Imperial County**.
- Quotas were included to maintain a representative sample based on industry and size.
- Average survey length: **9 minutes**.
- Survey field dates: **February 13 through March 10, 2024**.
- ***Note that findings are based on surveys of small businesses and should not be taken as representative of all businesses in San Diego and/or Imperial Counties.***

603

Small businesses from San Diego and Imperial Counties completed the survey

Key takeaways

Overview

01

Growth trends and outlook

Job growth has been *flat* for the past few years. However, one-third expect to increase hiring over the next year.

02

Hiring is greatest challenge

More than half had trouble recruiting and hiring qualified staff.

03

Moving out of the county

A significant number of small businesses would consider (20%) or are planning to (7%) move out of their county.

Employment growth and hiring

Job growth for small businesses in San Diego and Imperial Counties has been flat for the past few years. However, small businesses have a positive outlook on near-term growth (9% growth on average).

- **Construction & Design industry were most likely to report job growth**, with 32% indicating that their workforce had increased over the last two years.
- Expectations regarding future job growth increase by business size, with **38% of larger small businesses (25-100 employees) expected to increase employment in the next 12 months.**
- Small businesses in the **Life Sciences, Emerging Technologies, and Information and Communication Technologies industries are most optimistic** about future job growth.
- Small businesses in the **greater San Diego region are most optimistic about hiring. South County small businesses are the least optimistic** about future job growth.
- Small businesses that **rely on customers in the region are less optimistic about hiring.**

Challenges

The most significant challenge small businesses face is recruiting and hiring qualified staff.

- More than half of small businesses (**55%**) **experienced some level of difficulty recruiting and hiring qualified staff.**
- **Mid-sized (10-24 employees) and larger small businesses (25-100 employees) were more likely to report difficulty in recruiting and hiring qualified staff** than micro firms (2-9 employees).
- **Firms with less years in operation were more likely to report difficulties in finding affordable working space and securing funding** compared to firms with more experience.
- **Firms with more years in operation were more likely to report difficulties in recruiting and hiring qualified staff** compared to firms with less experience.
- The **4 next most significant challenges small businesses** face were: (1) Navigating rules and regulations for local businesses (44%), (2) Retaining or keeping qualified staff (43%), (3) Finding affordable commercial office or working space (43%), (4) Securing necessary funding (43%).

Moving out of the county

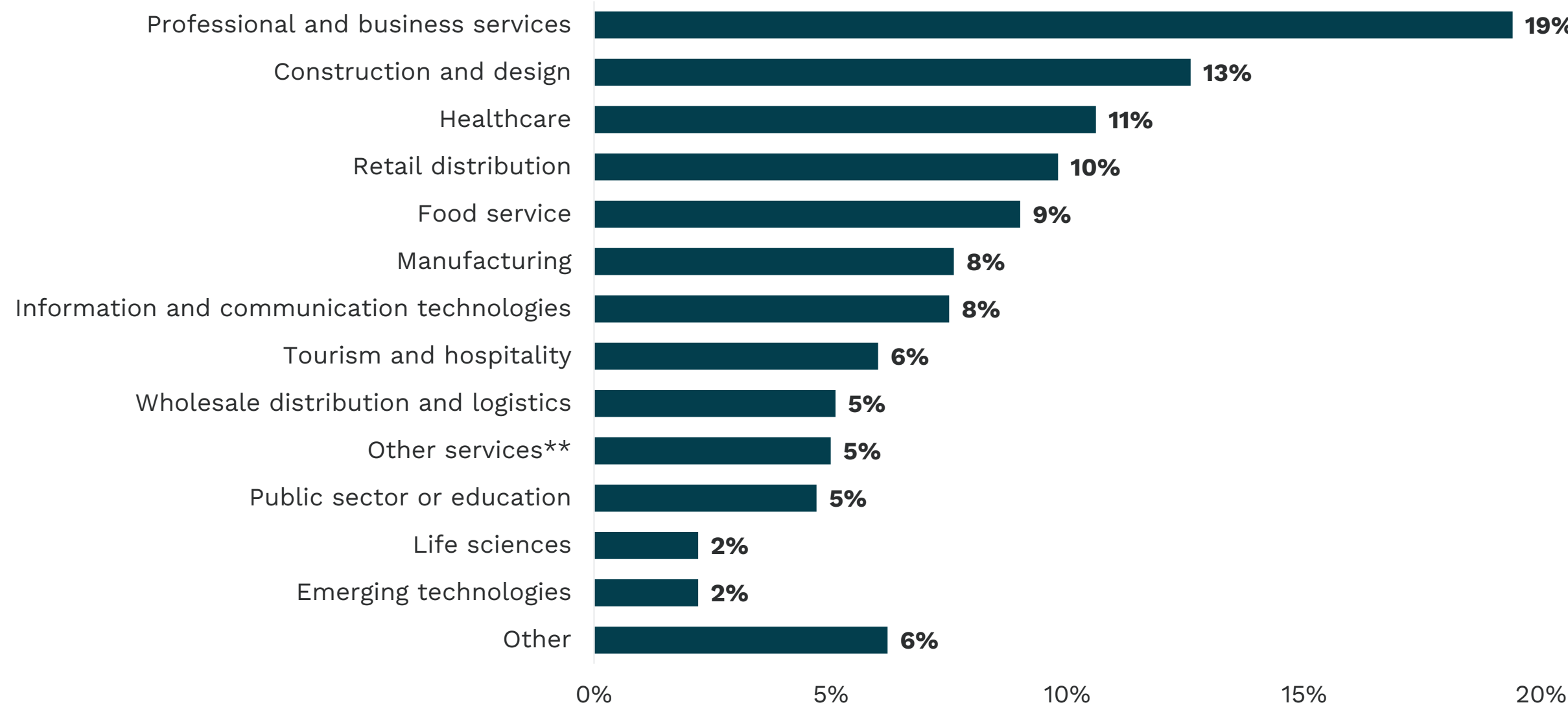
A significant number of small businesses would consider (20%) or are planning to (7%) move out of their county.

- The largest challenge cited by small businesses planning a move out of the county was **navigating rules and regulations for small businesses (61%)**. **Attracting talent (59%)** and **finding affordable commercial or working space (56%)** were also a highly cited challenges.
- Small businesses that **cite that local programs and resources that support them are a weakness are more likely to leave the region.**
- Small businesses that **need assistance with advertising are more likely to leave the region.**
- Small businesses in the **Manufacturing, Distribution, and Life Sciences industries are most likely to leave their county.**
- **East County small businesses are most likely to leave**, with 8% planning to leave and 28% indicating they may leave at some point in the future.

Business profile

Industry detail*

Professional and business services accounted for the largest share of small businesses surveyed.

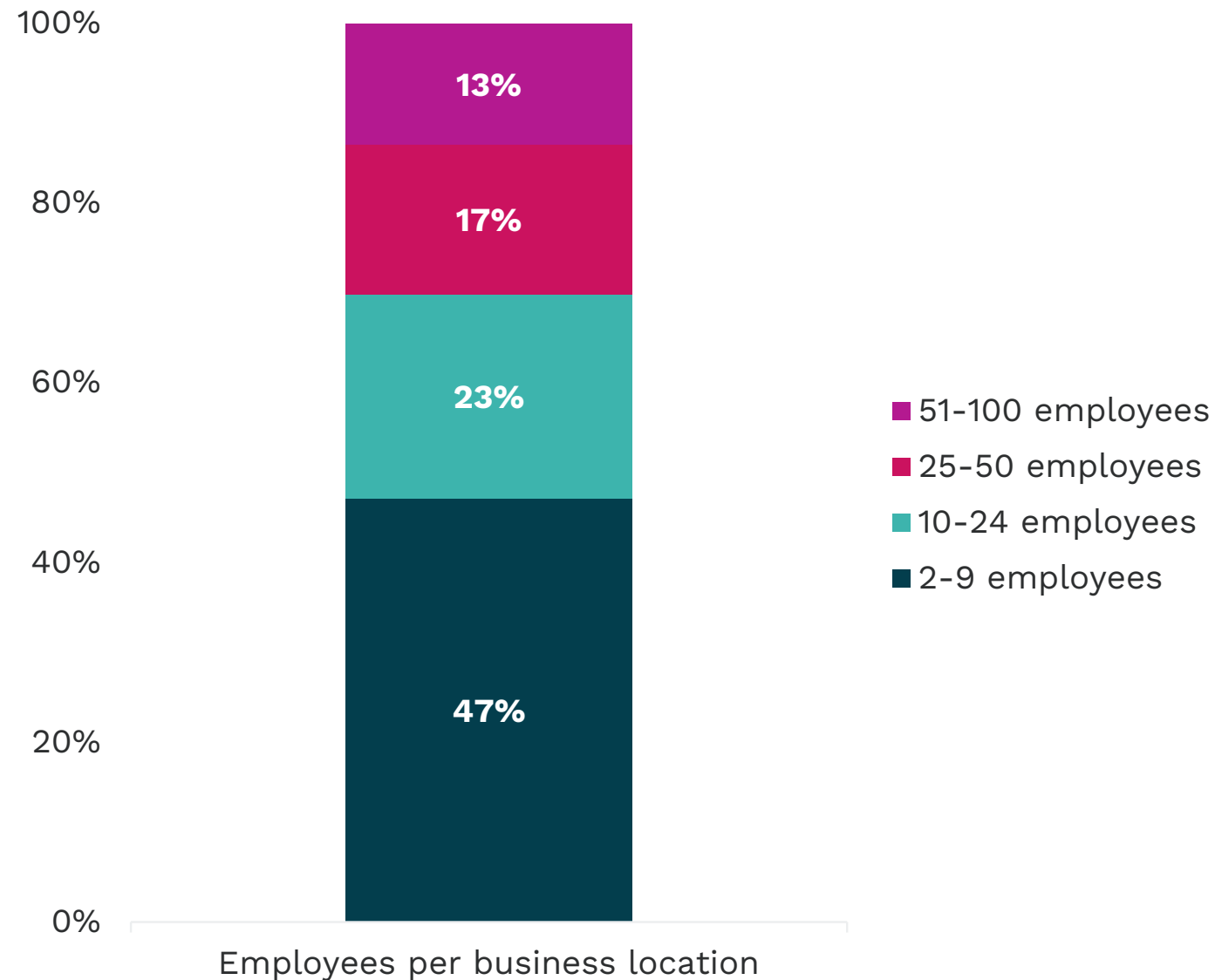


*Respondents can select more than one

**Other Services includes automatic repair, janitorial services, beauty, health, and/or fitness.

Company size

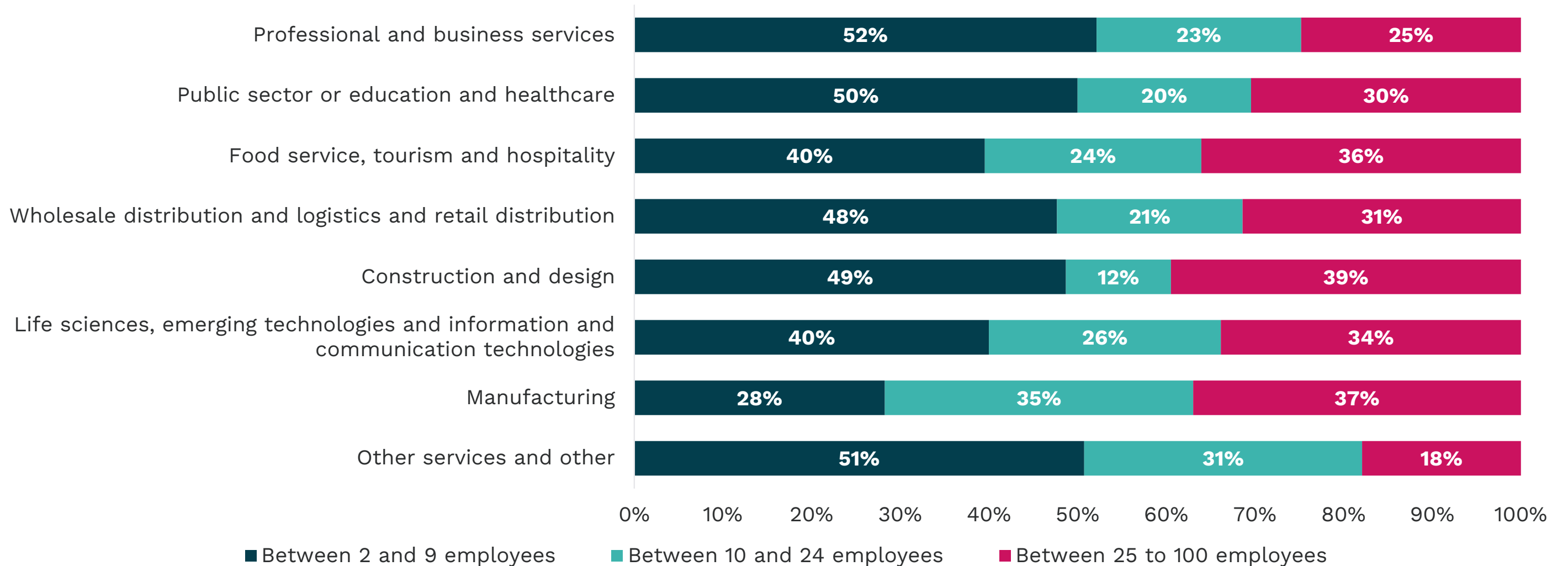
The average company size of respondents is just under 22 employees.



Nearly half of survey respondents are **micro businesses** (2-9 employees).

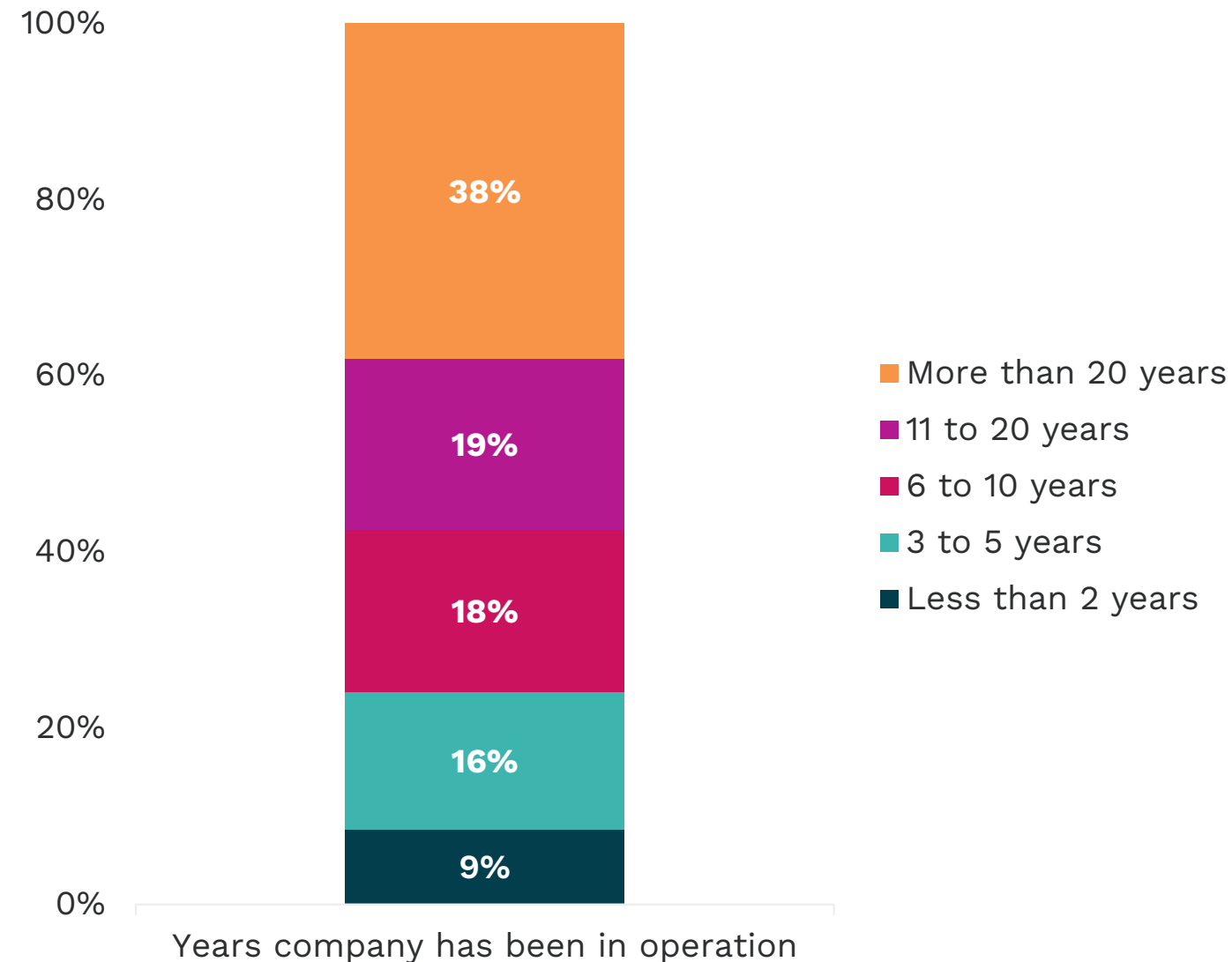
Company size by industry

The manufacturing industry has the lowest share of micro businesses.



Time in business

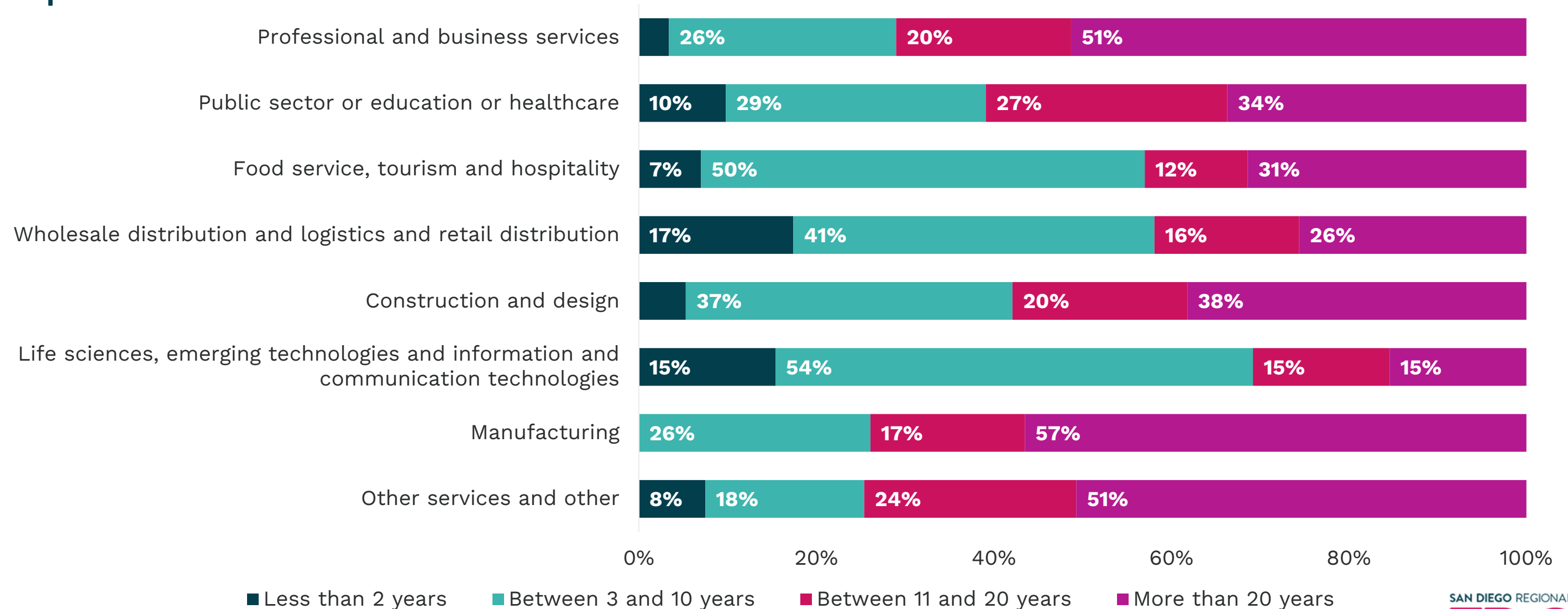
Three-quarters of small businesses surveyed have been in operation for more than five years.



The average length of operating history of respondents have **increased** since the 2018 survey.

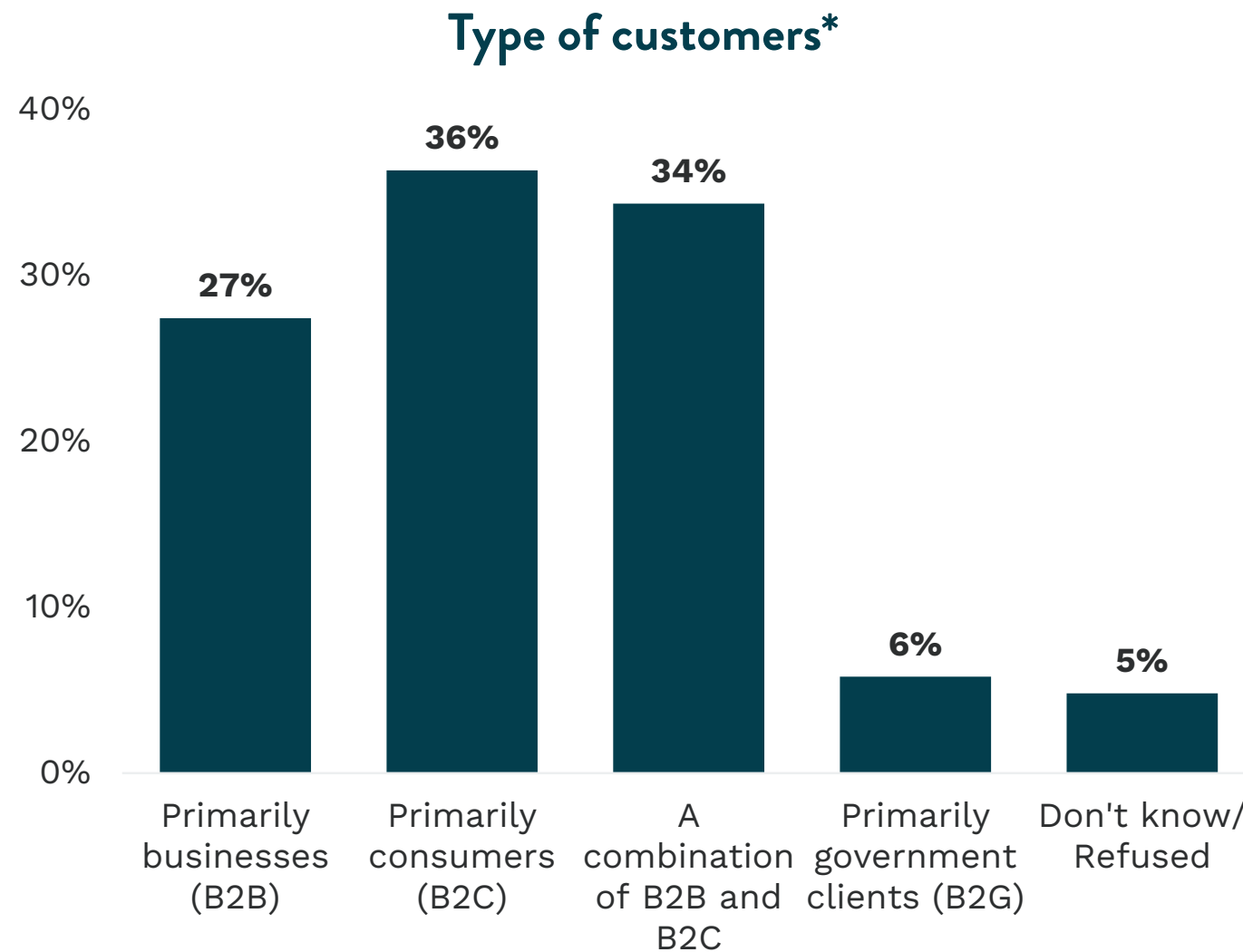
Time in business by industry

The manufacturing industry has the highest share of small businesses with more than twenty years of experience.



Customer base and location

A mix of B2B and B2C businesses with mostly local customers.

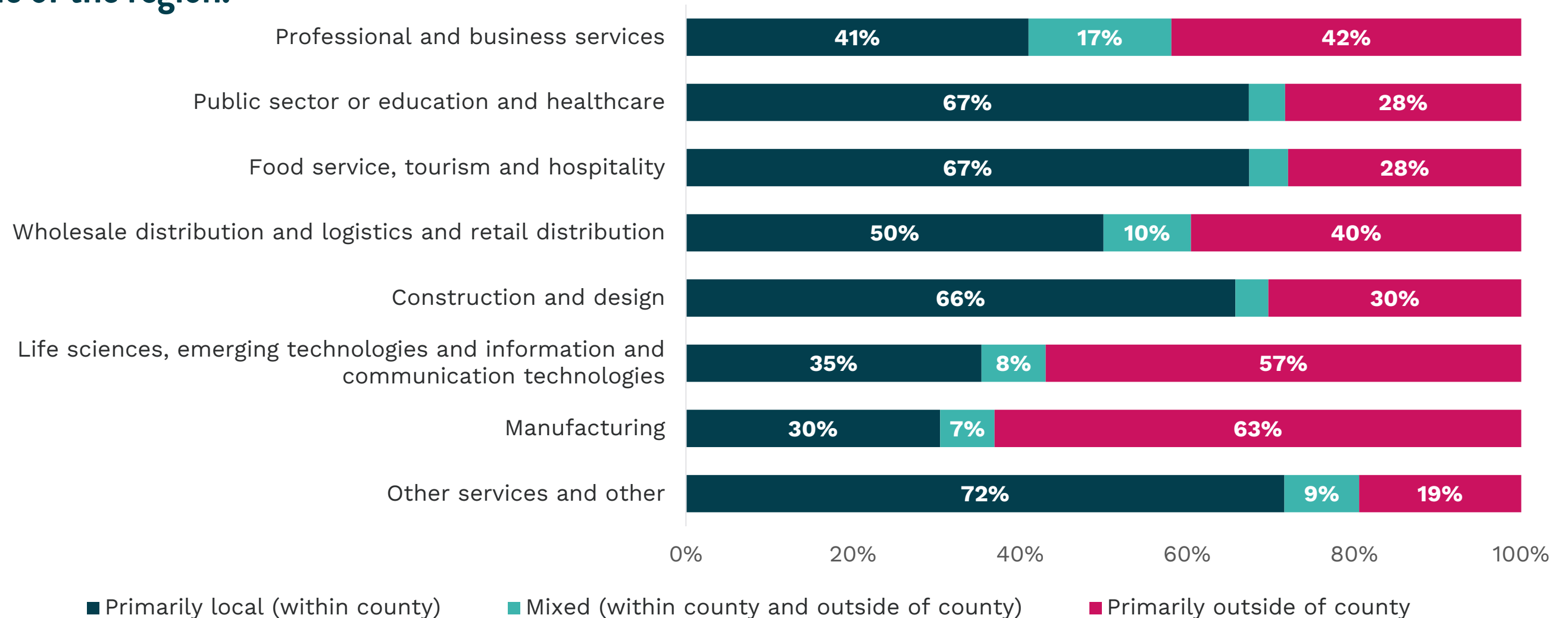


The **share of small business respondents serving government customers declined relative to 2018**, when 17% of respondents identified as primary B2G.

*Respondents can select more than one

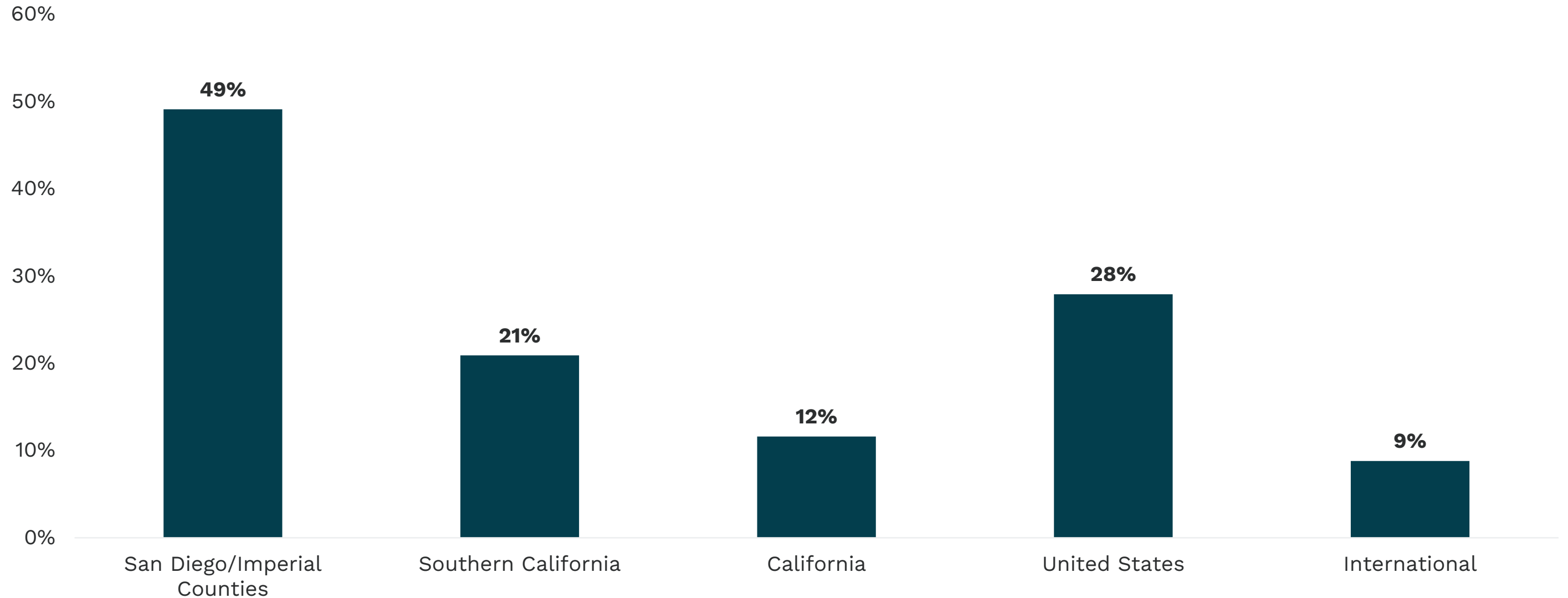
Customer location by industry

Most small businesses in the innovation economy and manufacturing industry do business with customers outside of the region.



Supplier location*

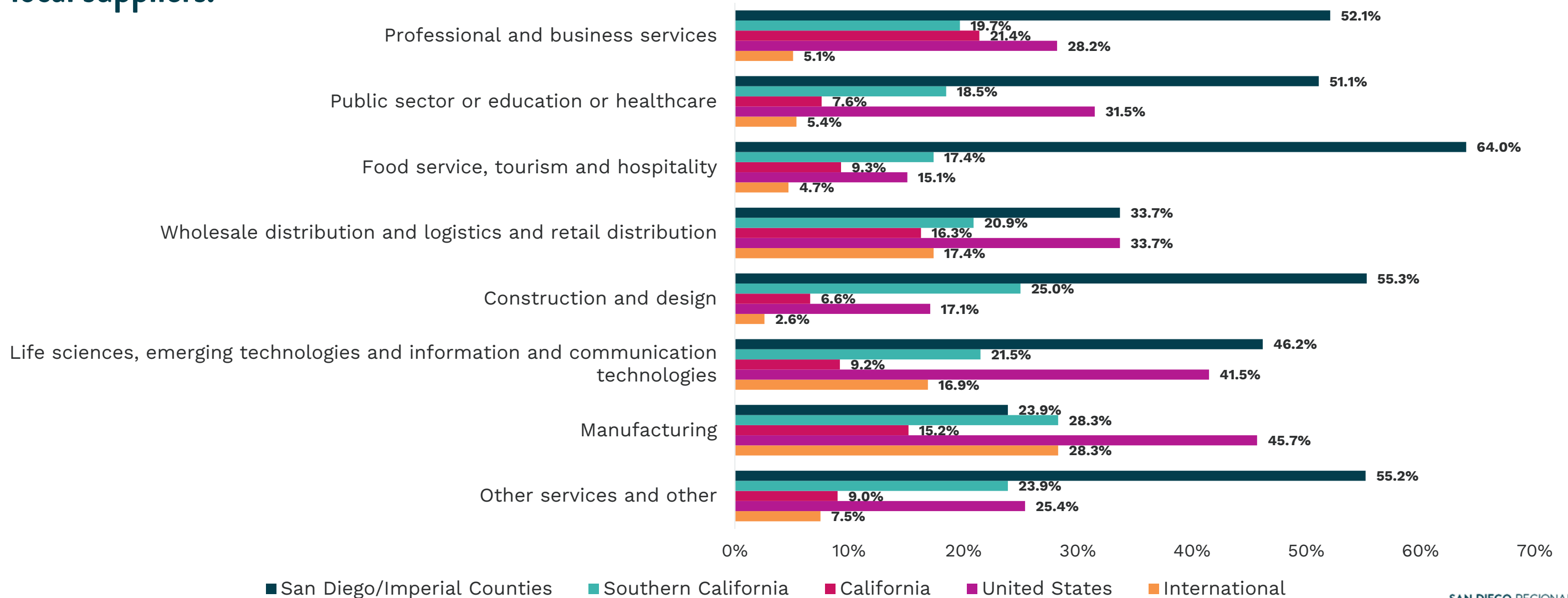
Nearly half of small business respondents procure locally in the region.



*Respondents can select more than one

Supplier location by industry

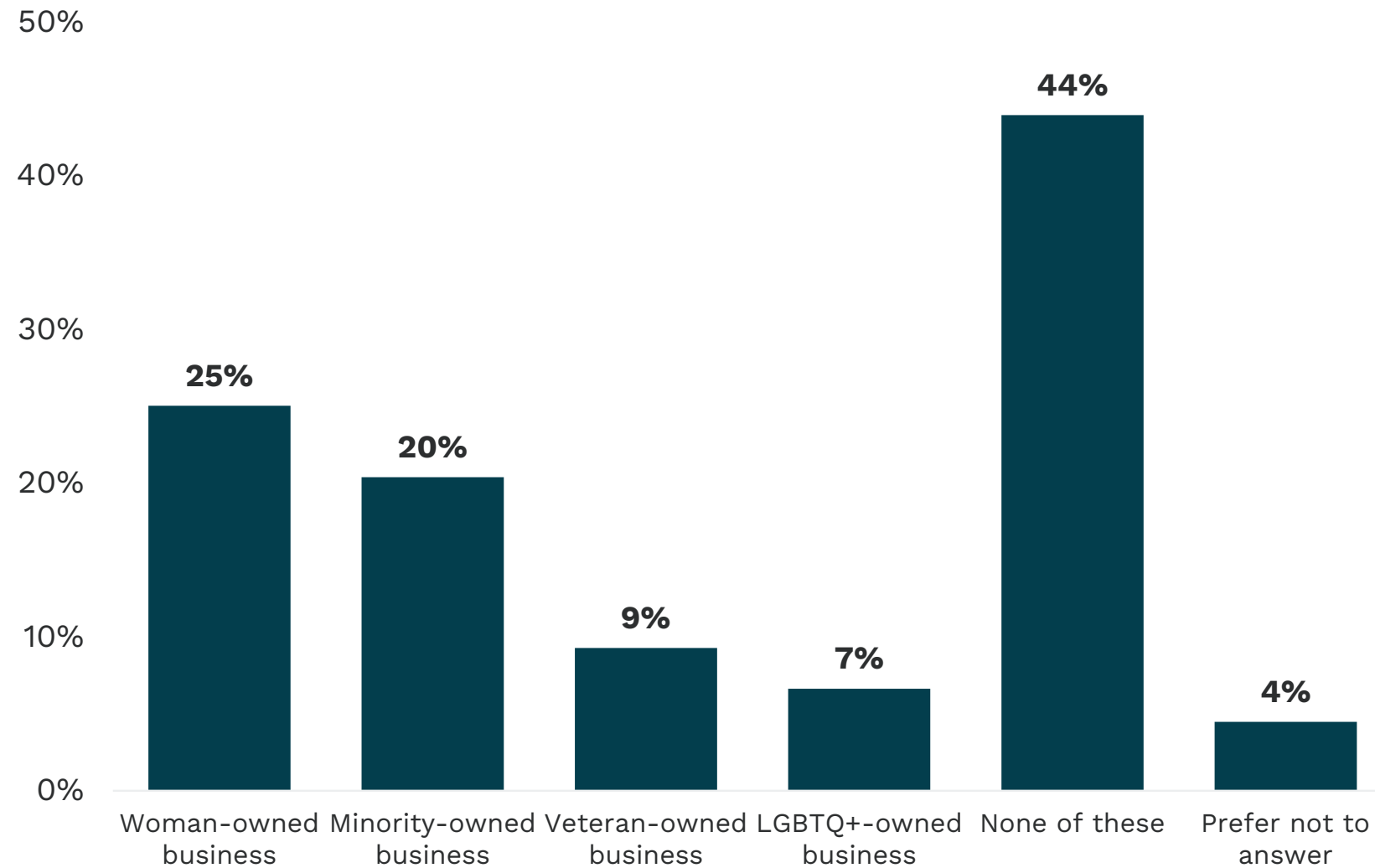
Wholesale distribution and logistics, retail distribution, innovation* economy, and manufacturing rely less on local suppliers.



*Innovation refer to life sciences, emerging technologies, and information and communication technologies

Women/Minority/Veteran/LGBTQ+-owned*

One-quarter of small businesses surveyed are women-owned.



National averages for all firm sizes¹:

- 22% women-owned
- 21% minority-owned
- 5% veteran-owned

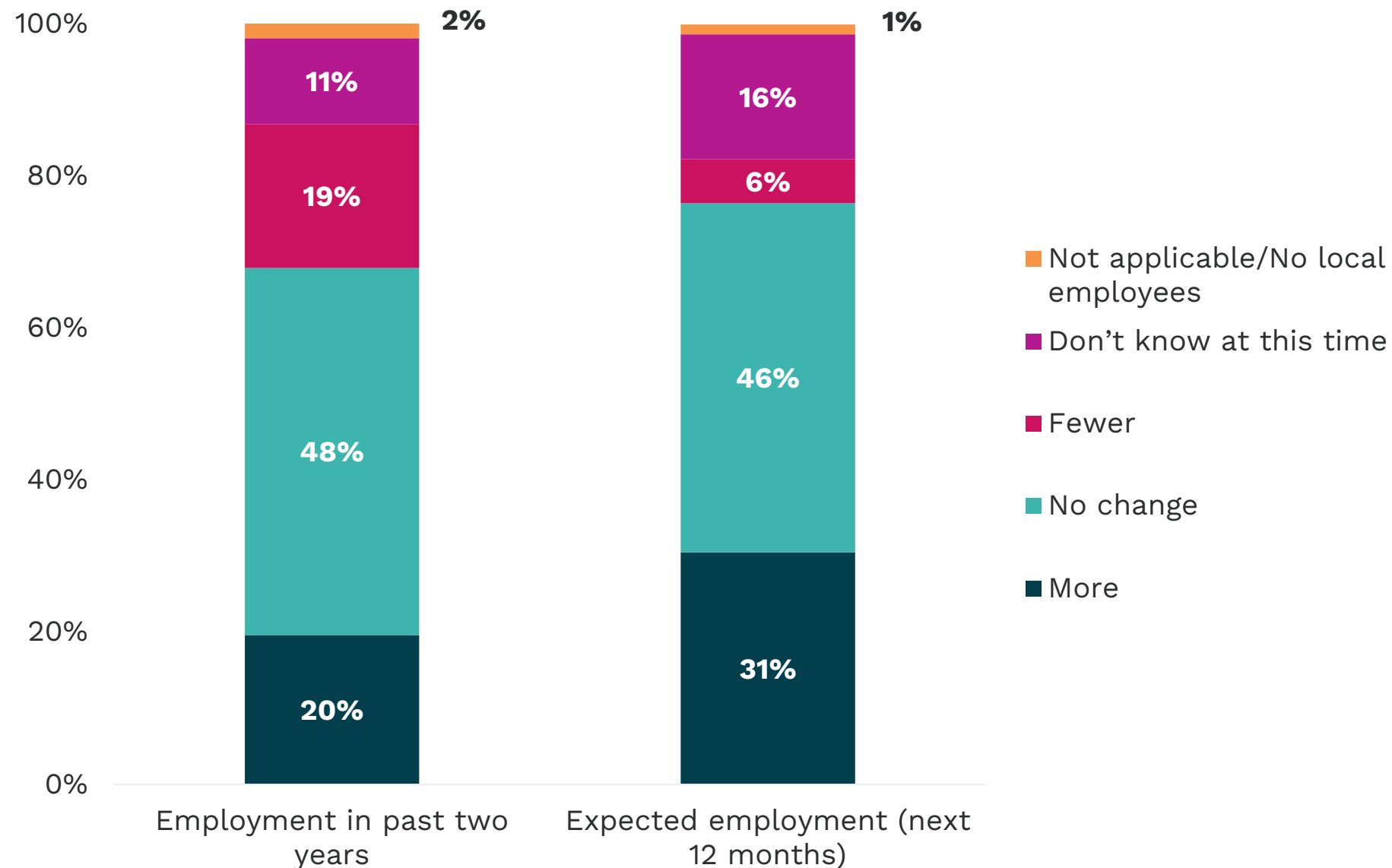
*Respondents can select more than one.

¹Source: U.S. Census Bureau

Employment growth and hiring

Historical and expected growth

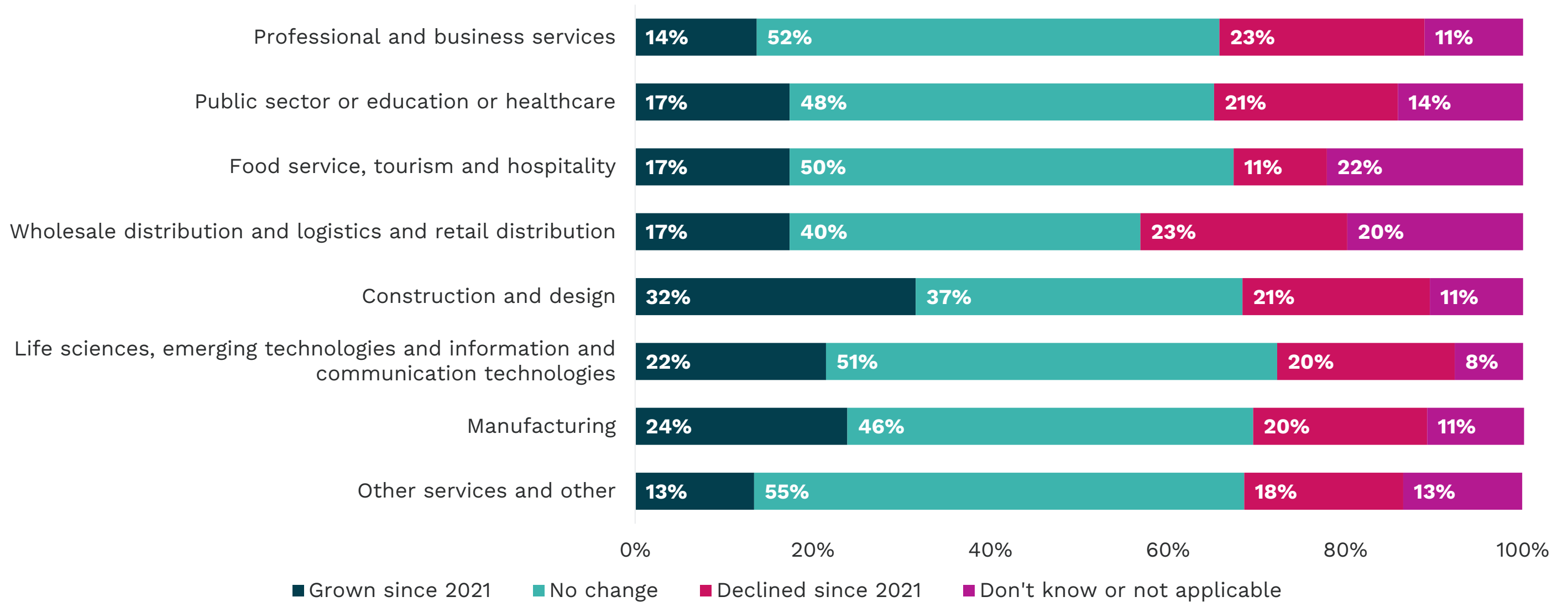
Average projected growth of 9% in the next 12 months.



Almost **half of small businesses** have not experienced change in employment and are similarly not expecting change anytime soon.

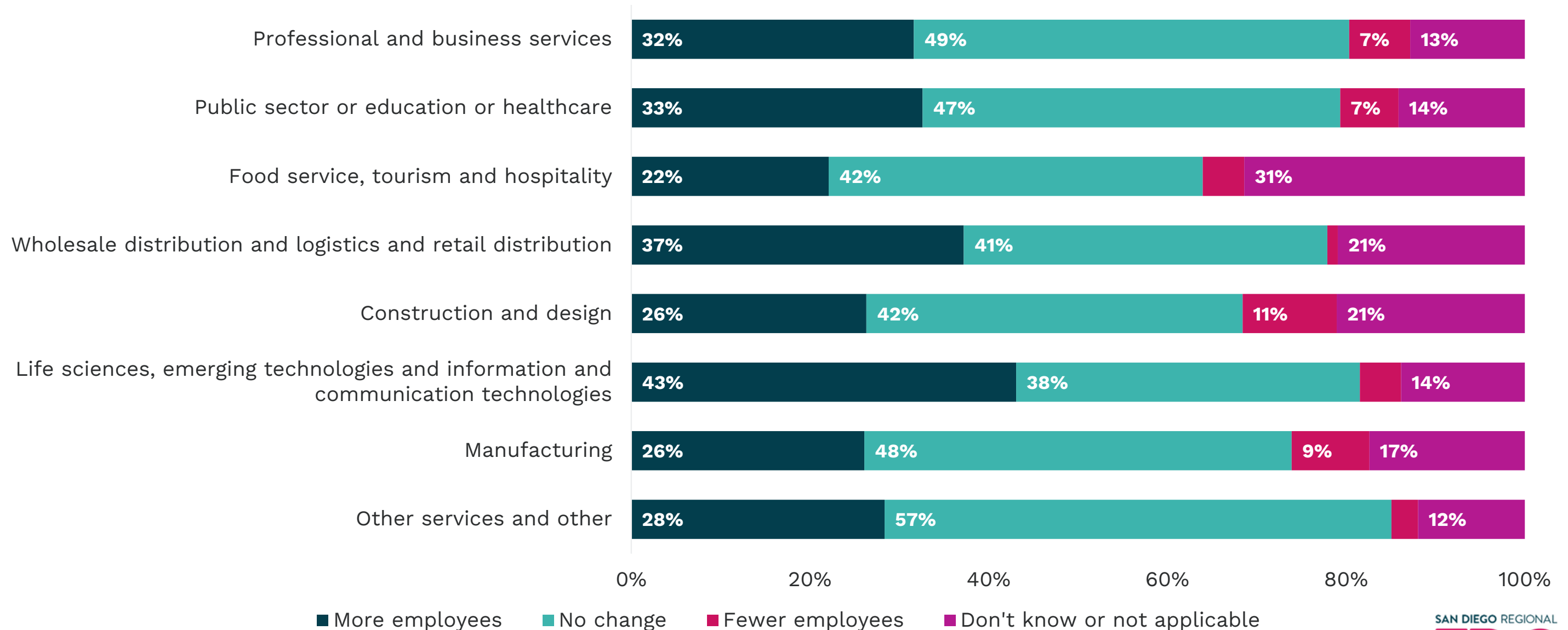
Historical growth by industry

Construction and design industry have the highest share of firms reporting job growth.



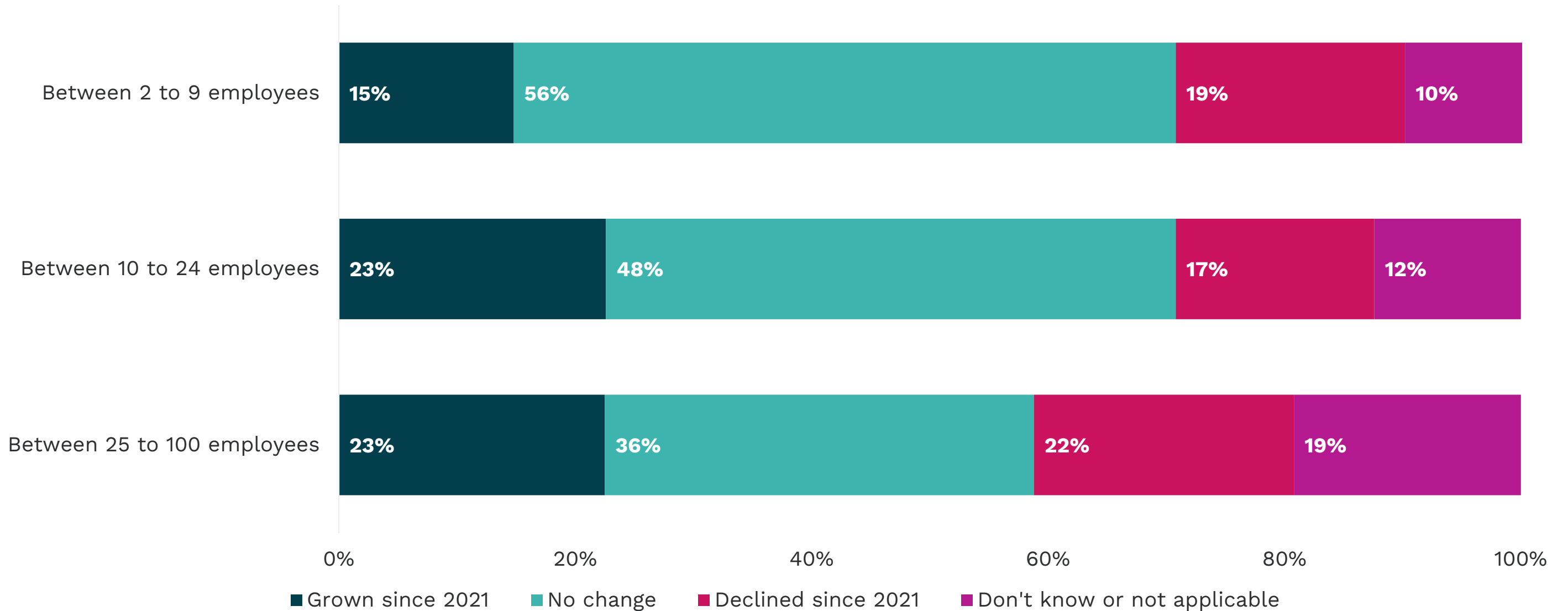
Expected growth by industry

43% of small businesses in the innovation economy indicated they will grow in the next twelve months.



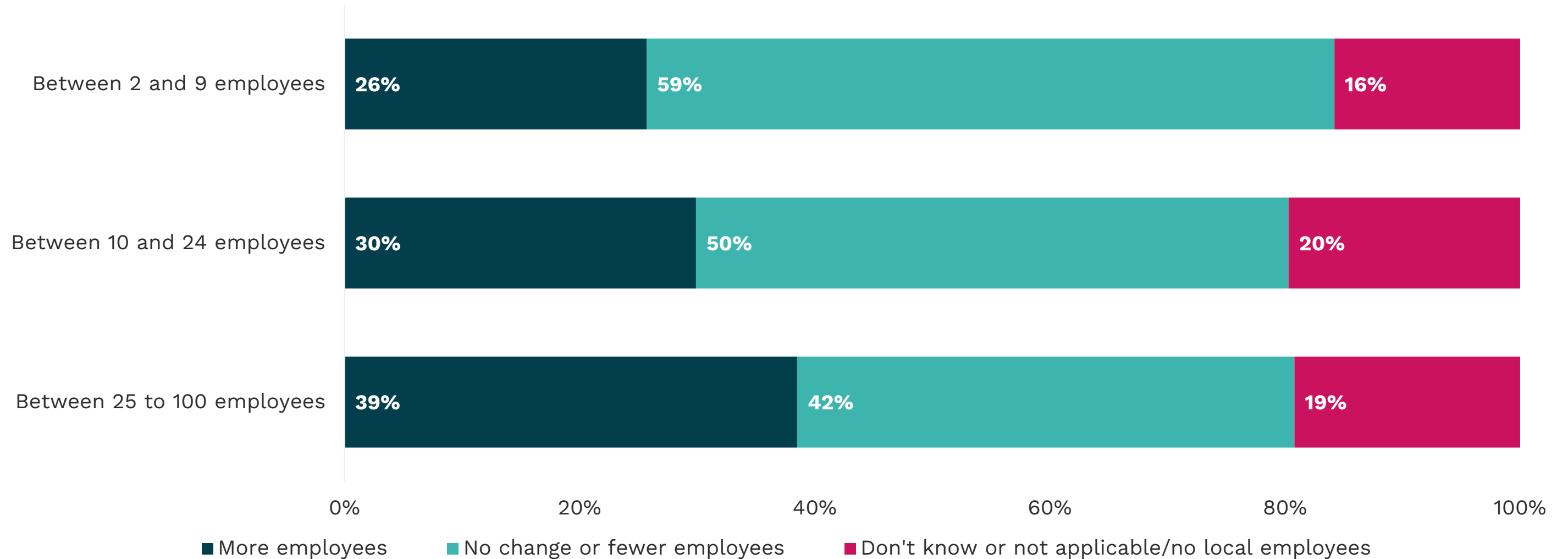
Historical growth by firm size

Smaller firms has had less volatility in employment relative to larger small businesses since 2021.



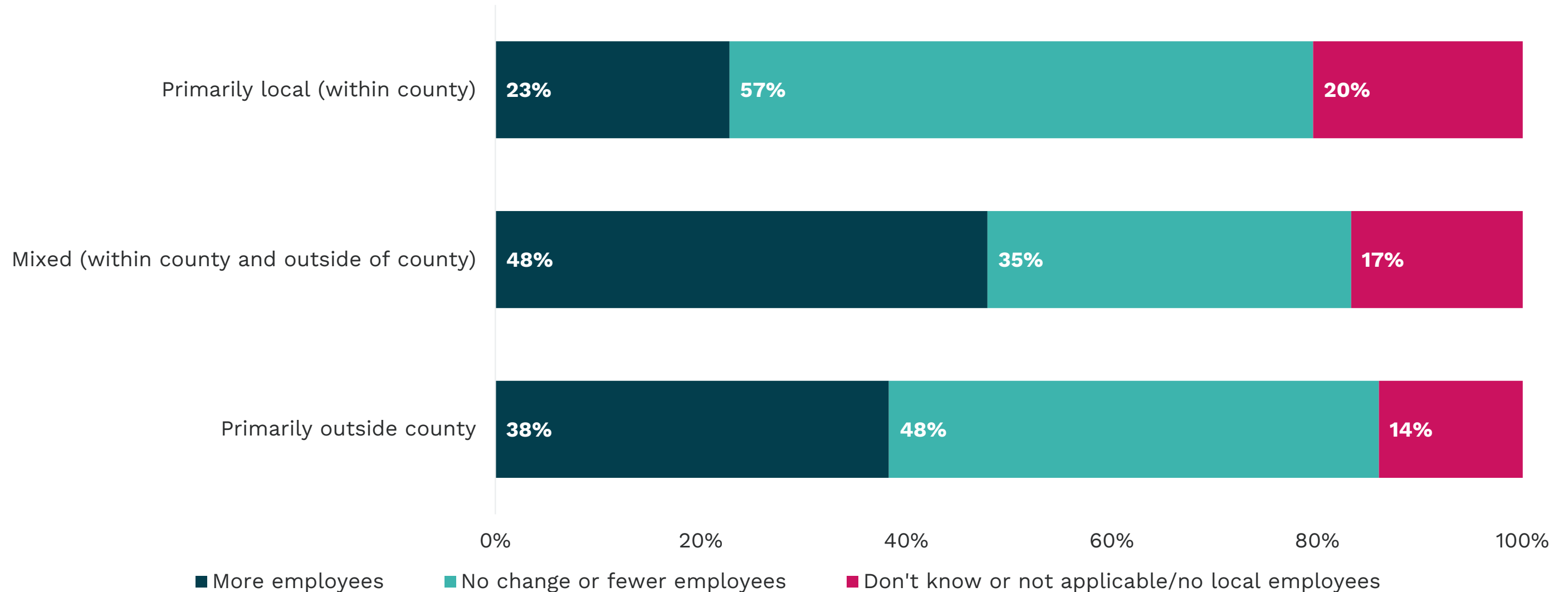
Expected growth by firm size

Larger firms are expected to grow in employment in the next 12 months.



Expected growth by customer location

Small businesses that rely on customers in region are less likely to grow in employment.



Business opportunities and challenges

Business challenges

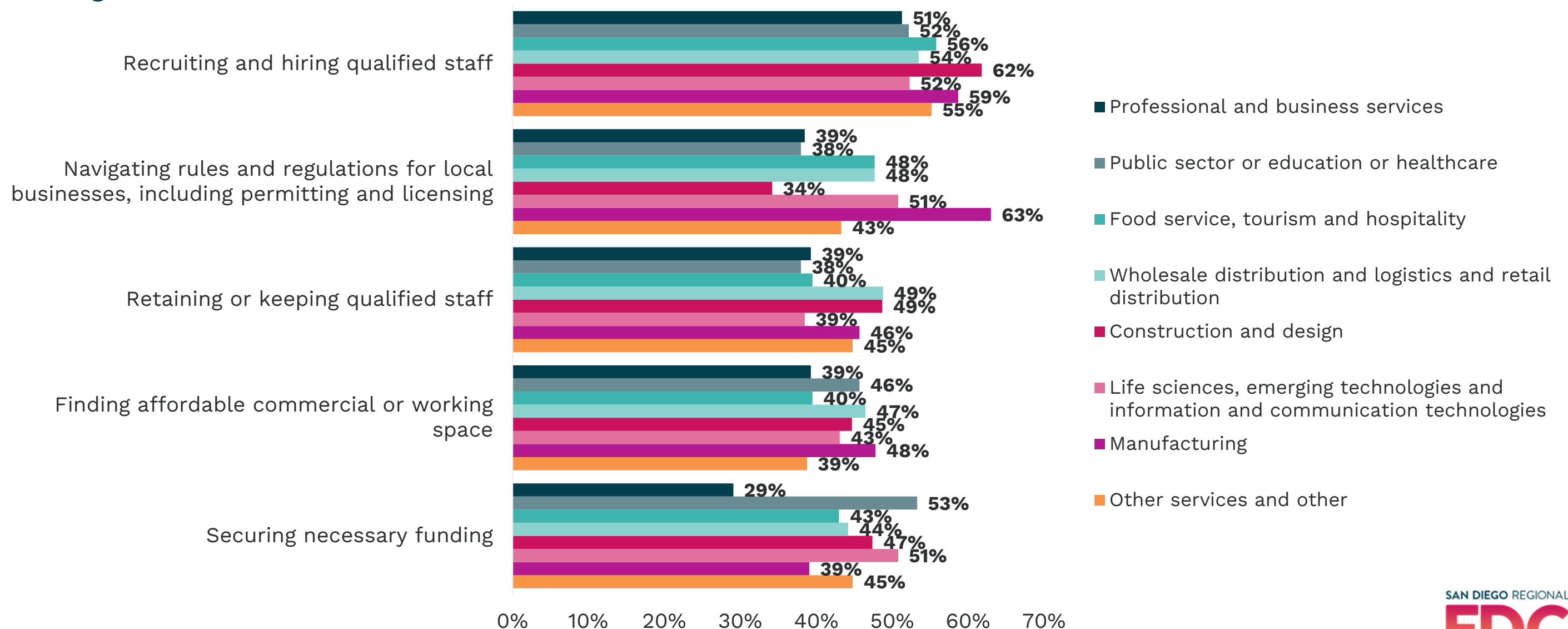
Hiring and recruiting of qualified staff is a challenge faced among most small businesses.



55% of firms reported encountering challenges with hiring and recruiting.

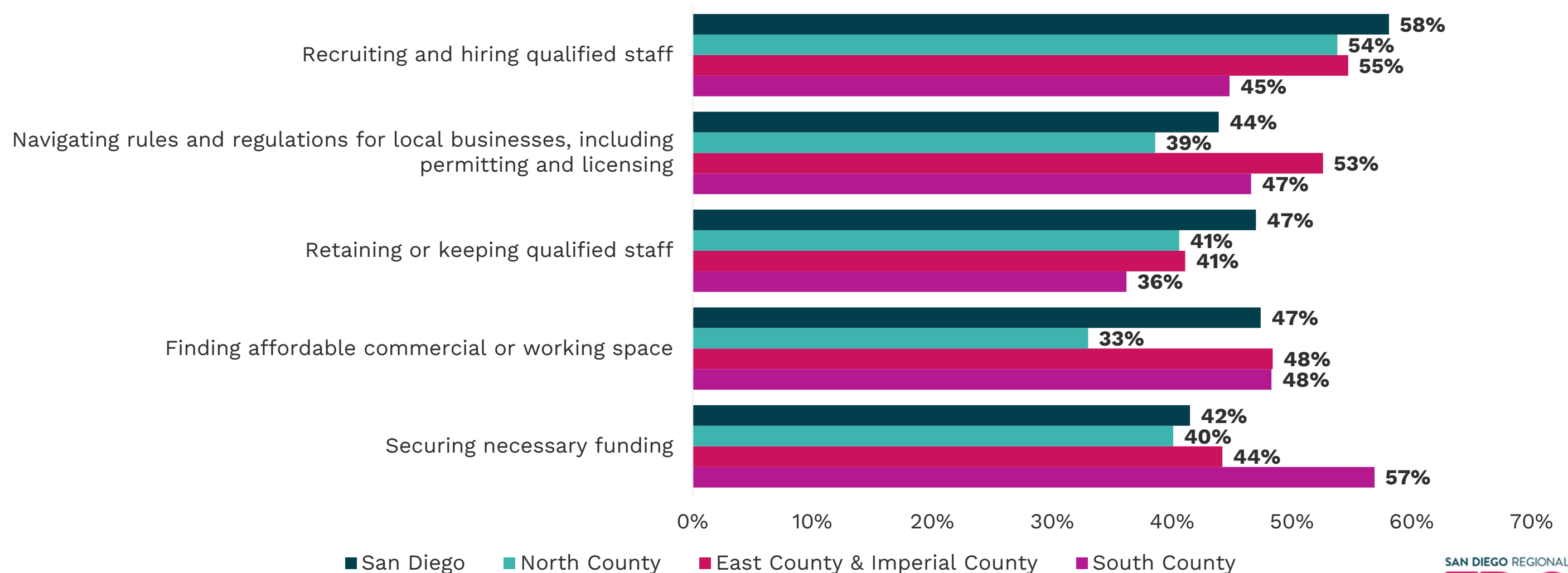
Top five challenges by industry

Nearly two out of three small businesses in the manufacturing industry express difficulty in navigating rules and regulations.



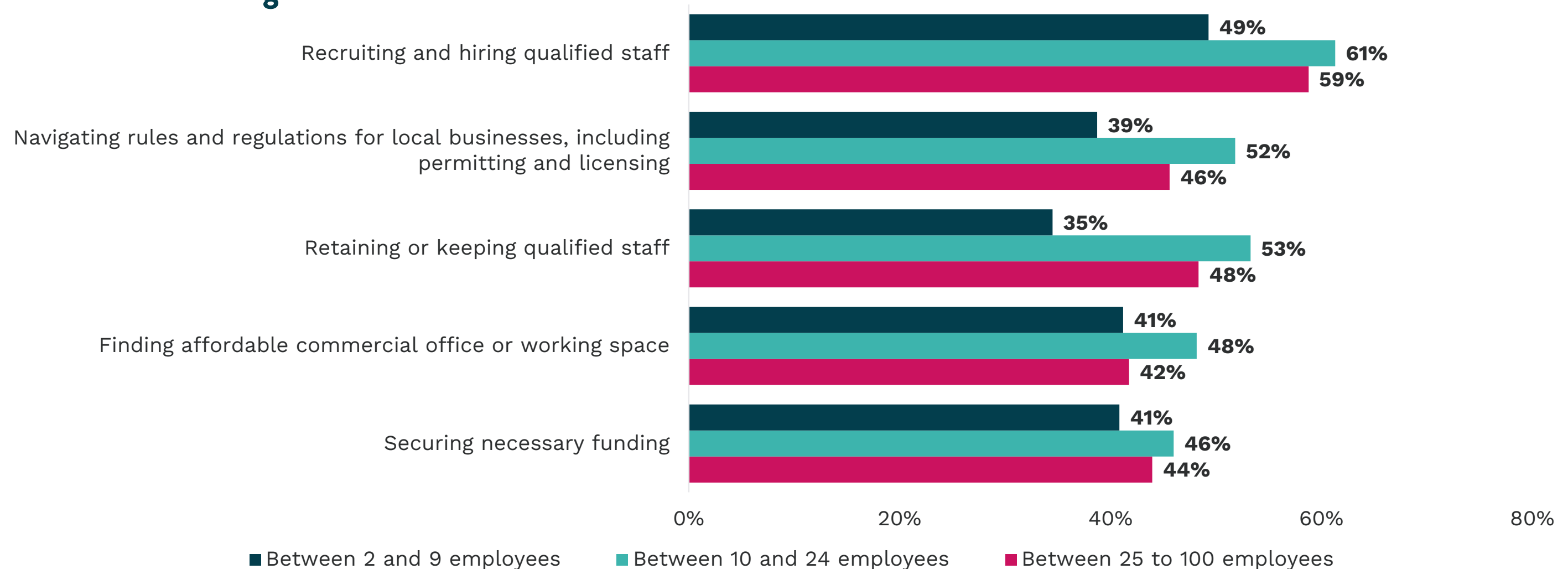
Top five challenges by region

Small businesses in South County are more likely to face difficulty in securing necessary funding, with 57% expressing it as a challenge.



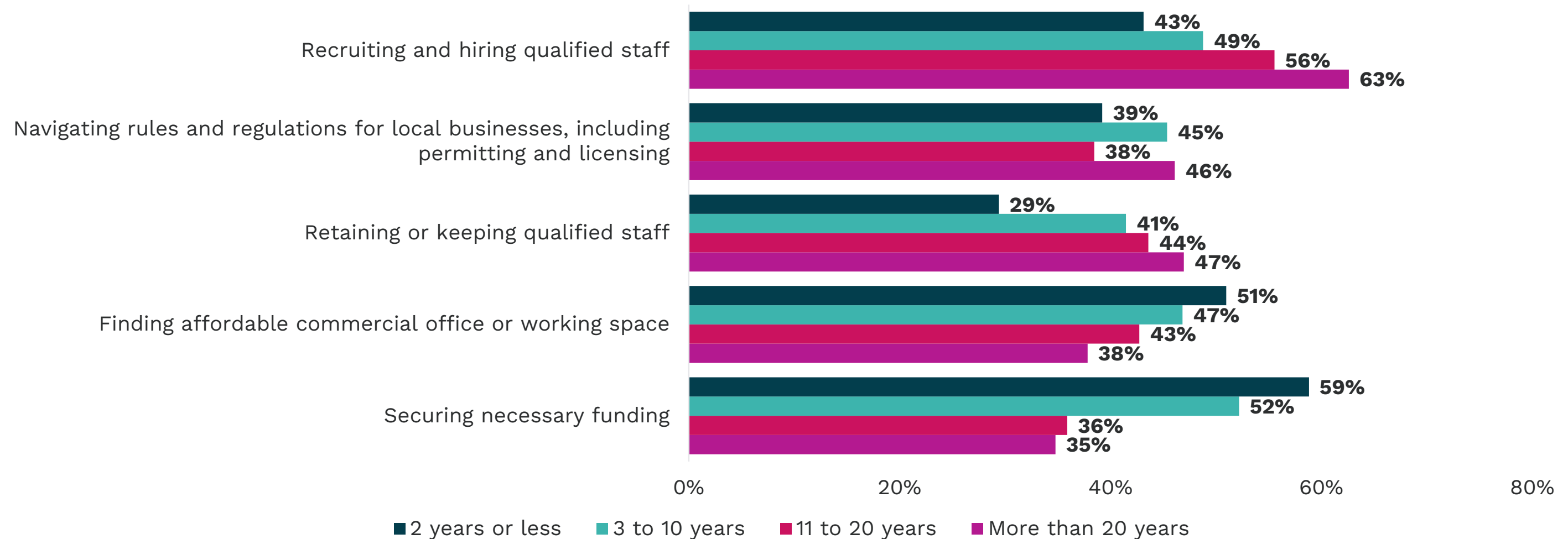
Top five challenges by firm size

Mid-sized and the larger small businesses generally had higher shares of firms reporting difficulties, especially with issues relating to talent.



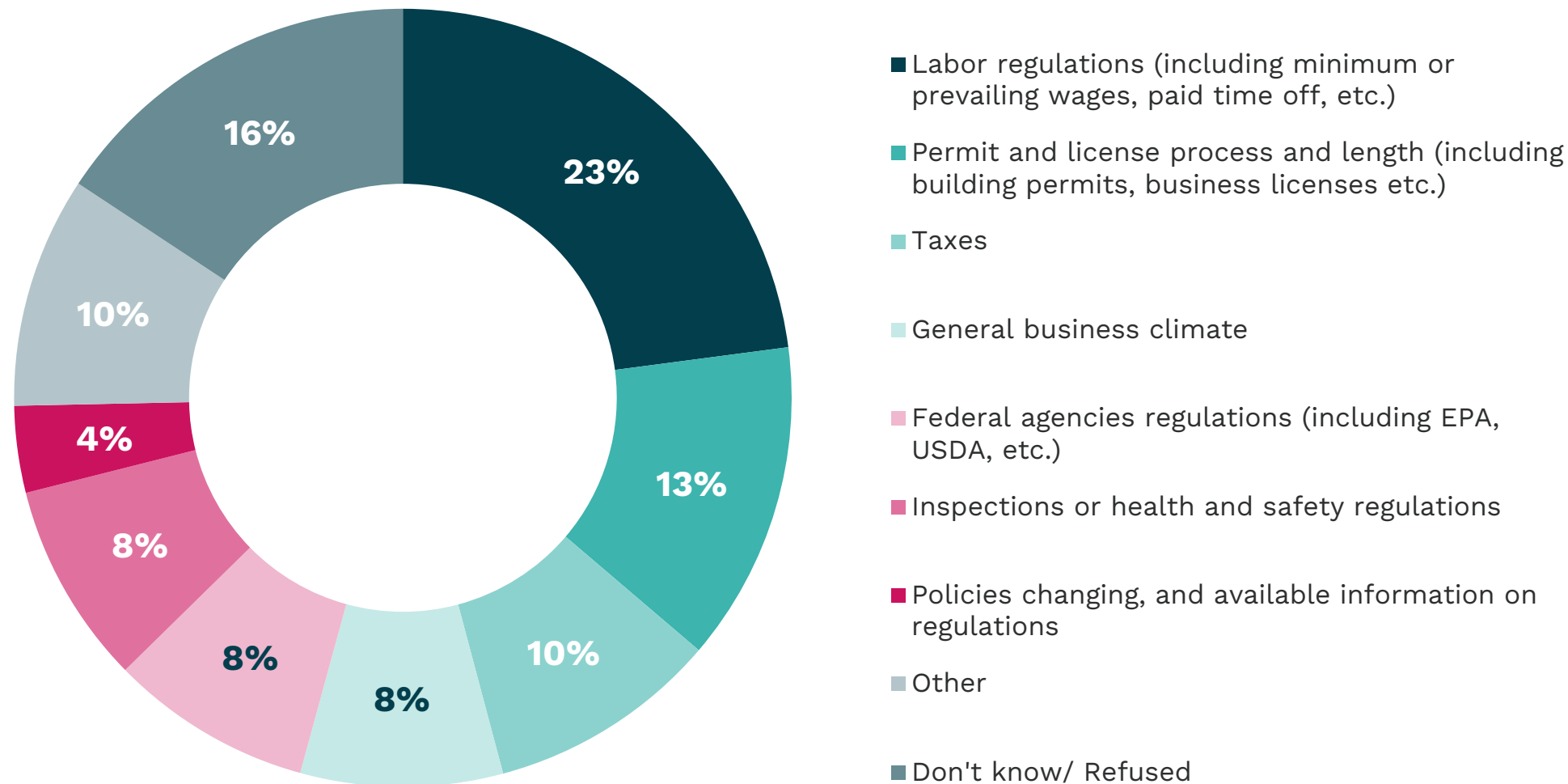
Top five challenges by time in business

Younger firms are more likely to have difficulties in finding a working space and securing necessary funding, whereas firms with more experience are more likely to have difficulties with attracting and retaining talent.



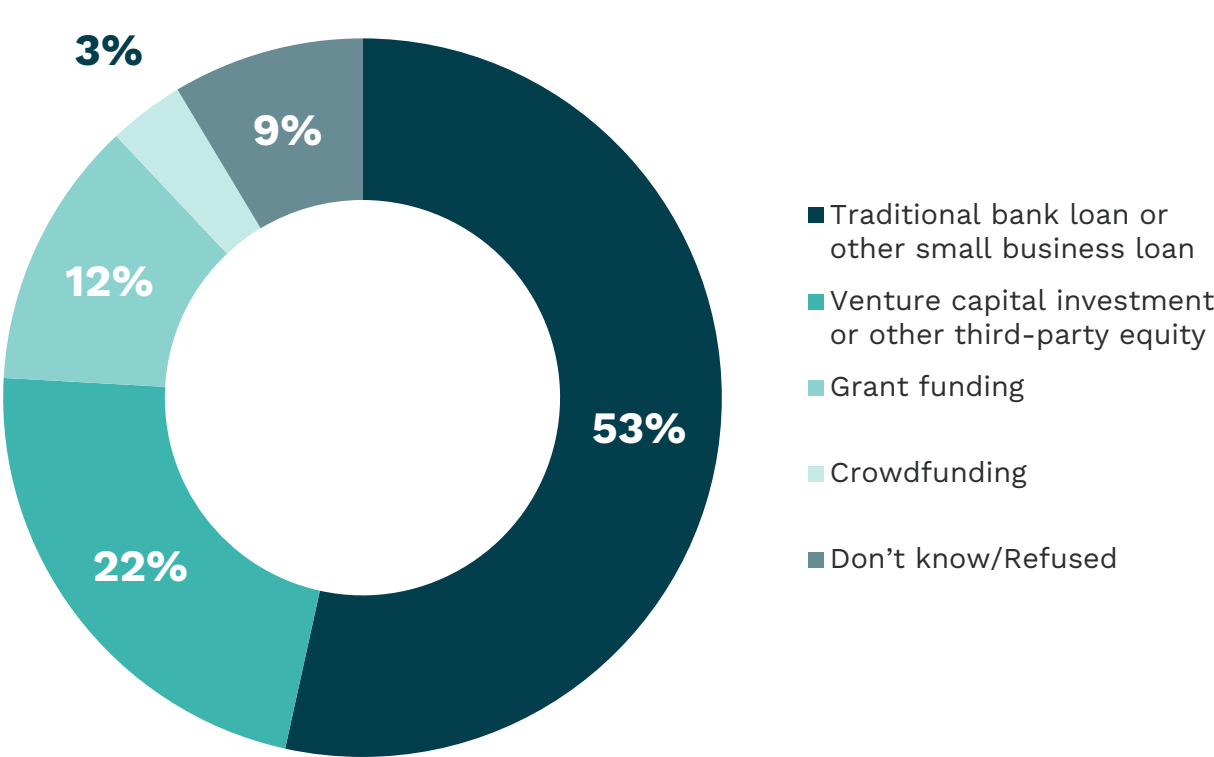
Rules and regulations for small businesses

Nearly one-quarter of small businesses specifically cite having difficulty with labor regulations, such as minimum wage and paid time off.

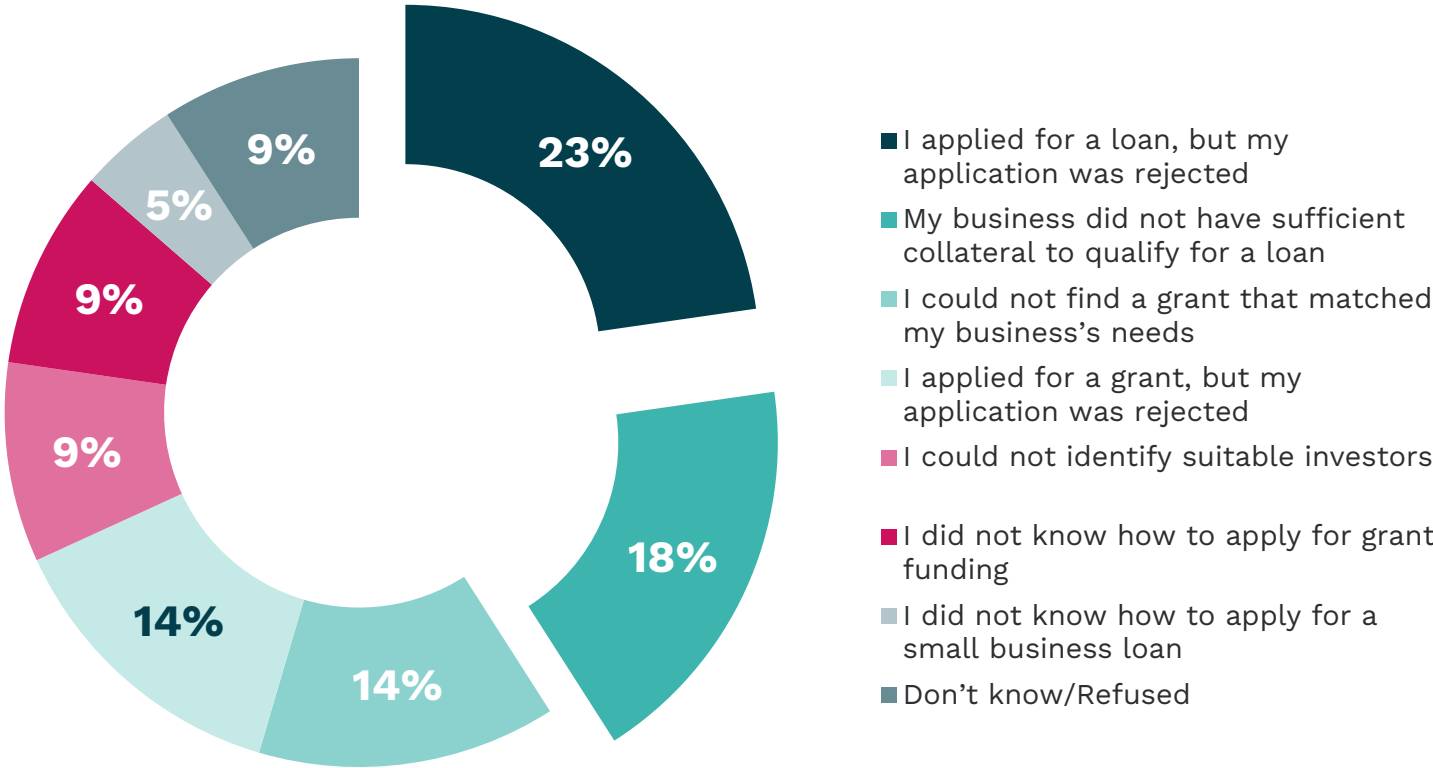


Funding

Most small businesses rely on traditional bank loans for funding. The primary reasons for businesses being unable to obtain funding are related to loan approvals.



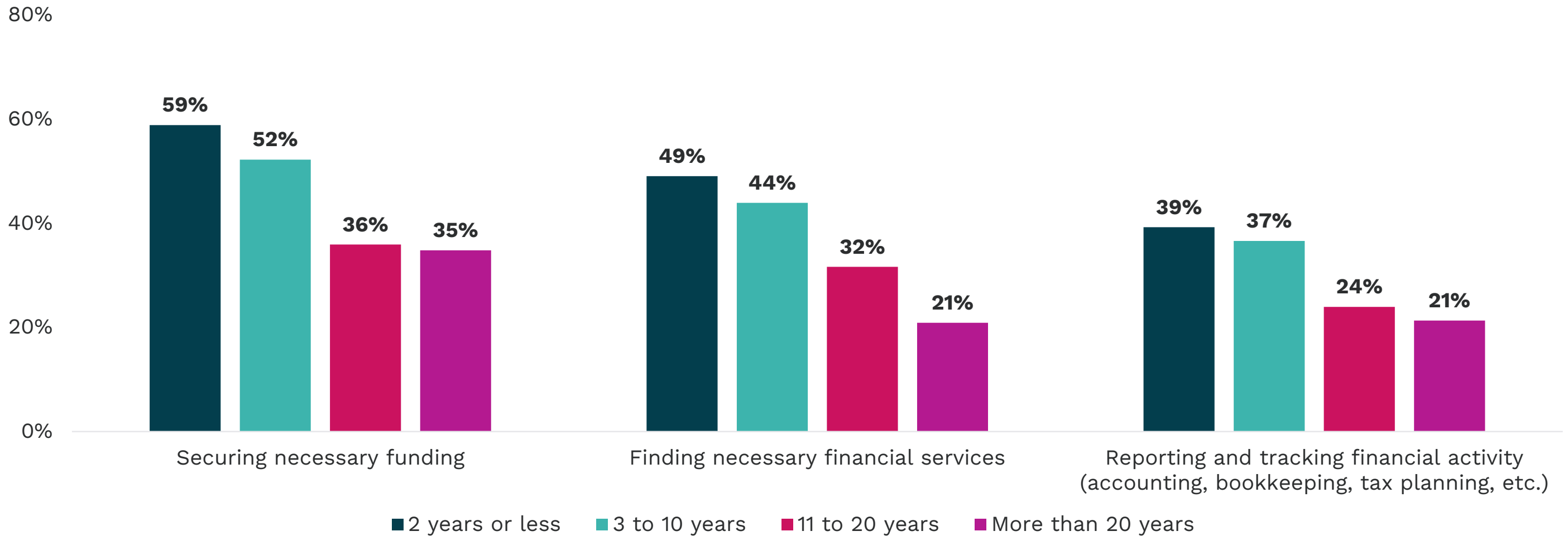
Type of financing or funding



Reason for lack of funding

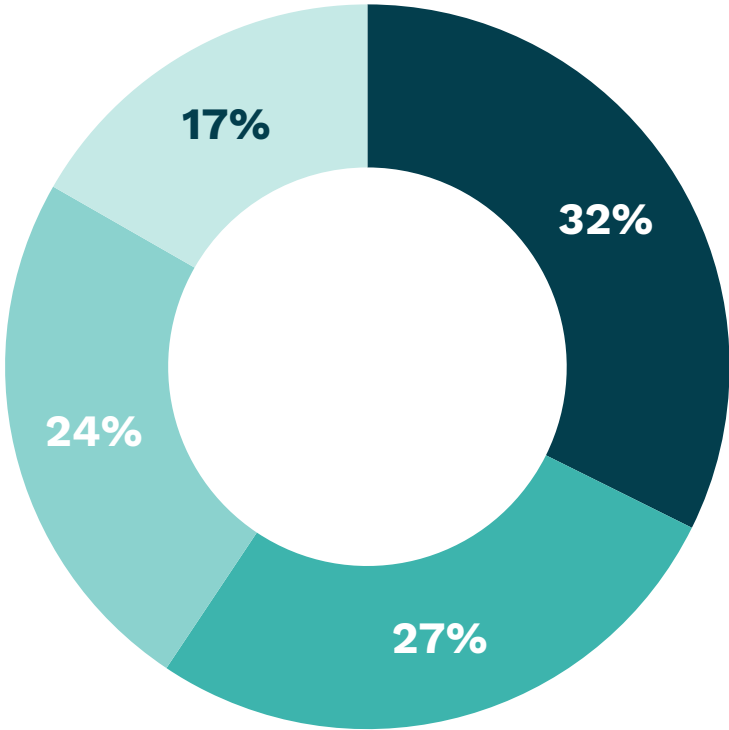
Financial challenges by time in business

Younger small businesses are more likely to struggle with financials relative to firms with more experience.

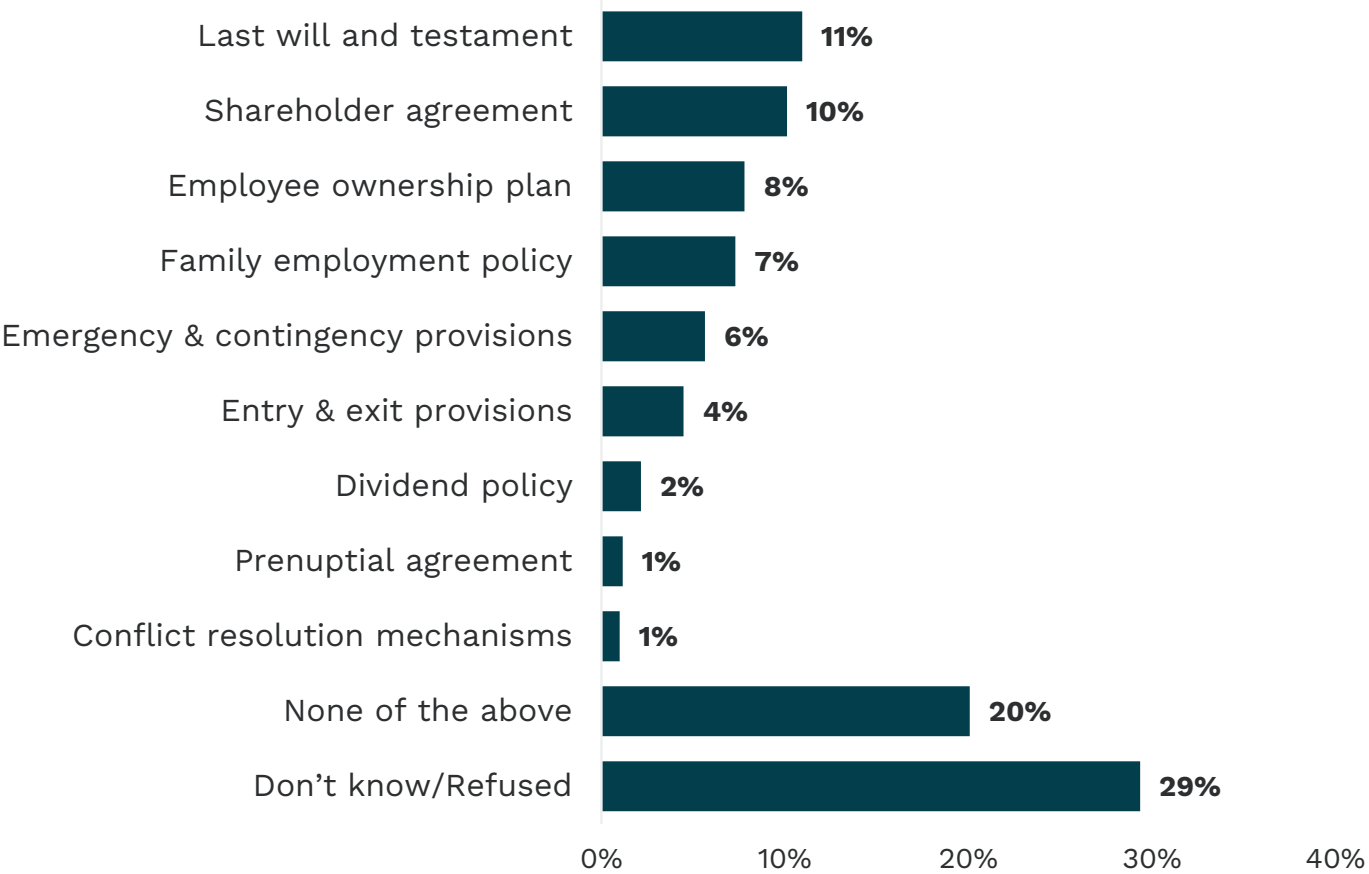


Succession planning

One-third of firms indicate the business would be passed down to a family member if the decisionmakers were unable to operate, while one-fourth indicated the business would shut down. Half of all businesses either do not know of or do not have a formal succession plan.

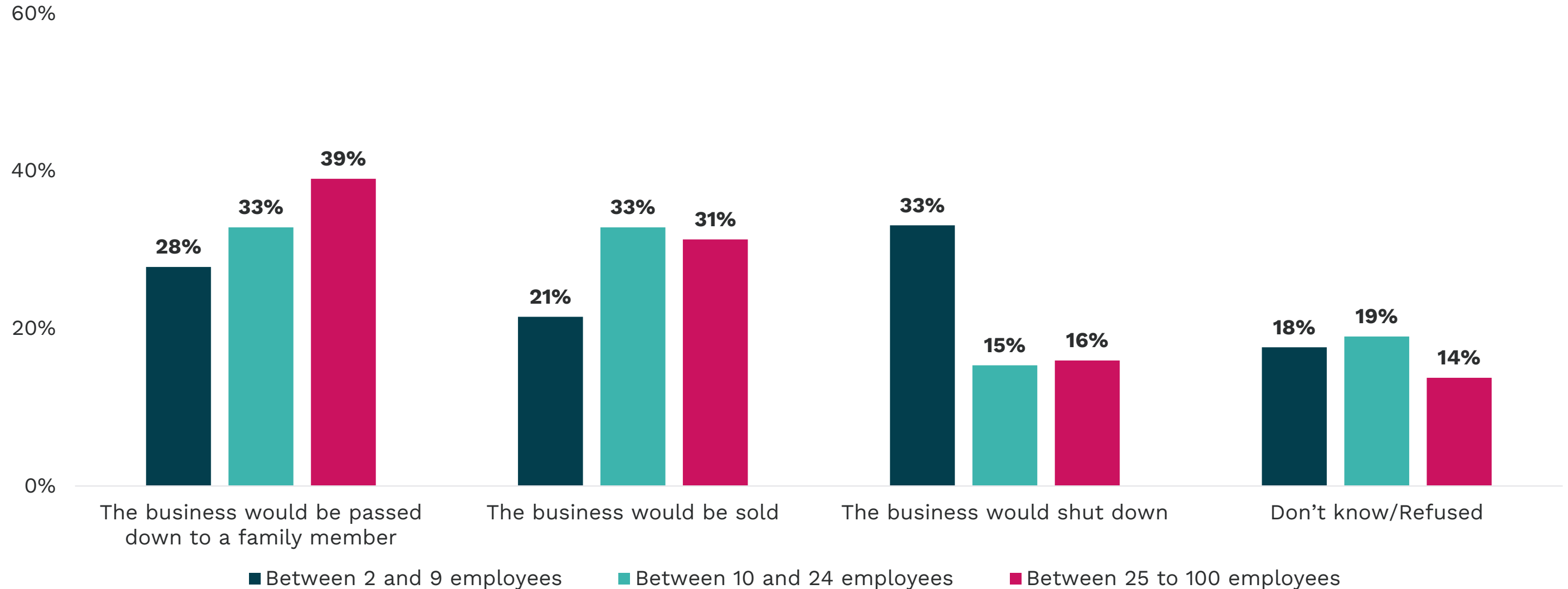


- The business would be passed down to a family member
- The business would be sold
- The business would shut down
- Don't know/Refused



Succession planning by firm size

One out of three micro businesses would shut down if the owner were unable to run the business.



Technology literacy

While company websites were rated among the most important technologies, digital and social media advertising are the areas of greatest need for technical development.



*Out of small businesses rating 'very important'

Assistance needed with technology by industry

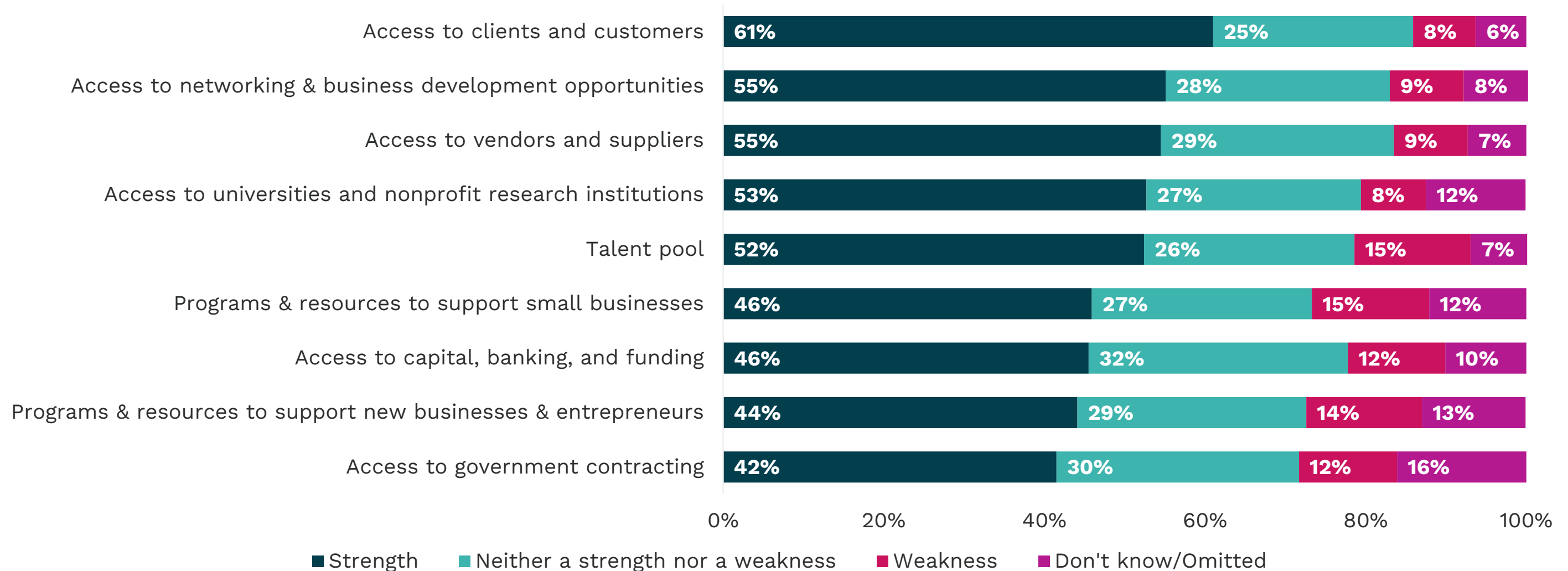
Several industries have an increased need to get assistance with advertising, including small businesses in the innovation economy.

	Professional and business services	Public sector or education and healthcare	Food service, tourism and hospitality	Wholesale distribution and logistics and retail distribution	Construction and design	Life sciences, emerging technologies and information and communication technologies	Manufacturing	Other services and other
My company's website	10%	21%	14%	19%	11%	22%	9%	6%
Accounting software	7%	16%	15%	8%	13%	11%	7%	6%
Payroll software	4%	10%	12%	5%	12%	15%	4%	6%
Cybersecurity technologies and/or software	9%	10%	11%	8%	9%	22%	13%	8%
Customer relationship management software	7%	12%	11%	14%	5%	12%	11%	10%
Social media advertising	9%	19%	20%	22%	13%	22%	4%	10%
Digital advertising	6%	17%	16%	20%	8%	14%	11%	12%
Point of sale technology	9%	5%	12%	14%	1%	9%	7%	8%
Human resources software	3%	8%	9%	5%	4%	11%	2%	3%
Third-party selling platforms like Amazon Marketplace, Walmart Marketplace, eBay, or Etsy	3%	5%	11%	14%	3%	8%	4%	2%

Perceptions of local resources

Strengths and weaknesses of San Diego/Imperial County

Small businesses cite access to clients and customers as the region's greatest strength.



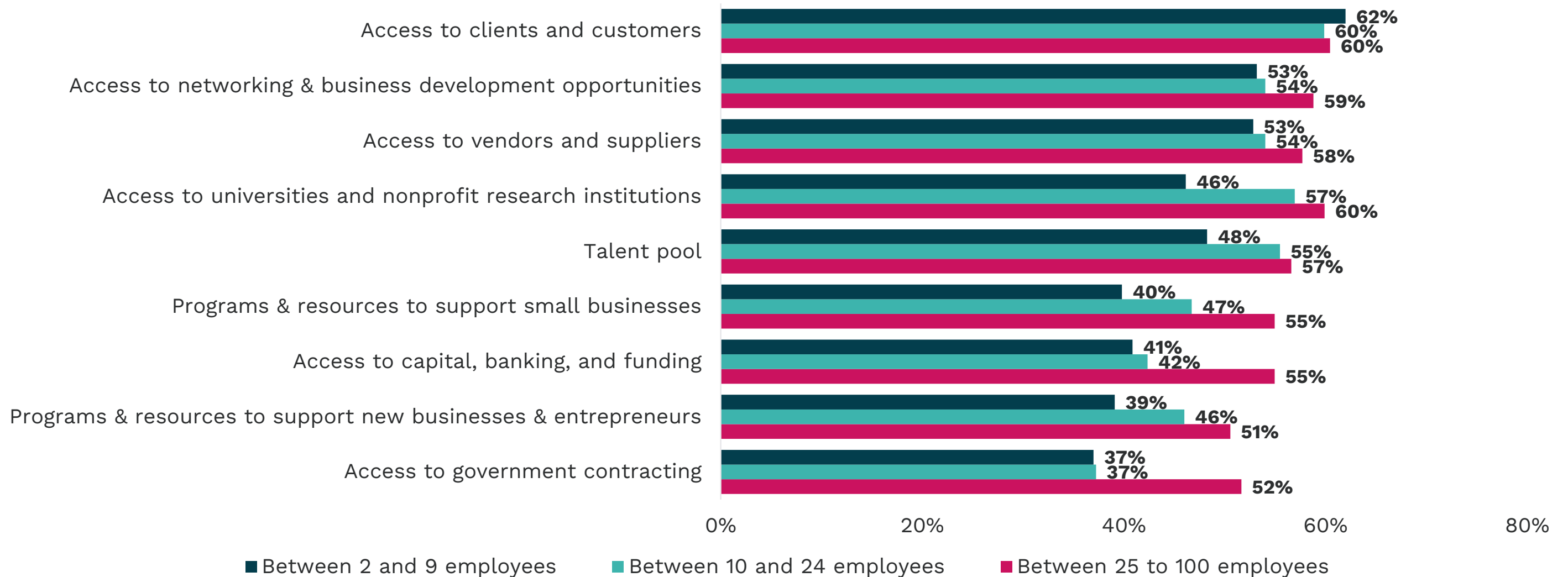
Strengths of San Diego/Imperial County by industry

Small businesses in the manufacturing industry have below average satisfaction with the resources San Diego/Imperial County has to offer.

	Professional and business services	Public sector or education and healthcare	Food service, tourism and hospitality	Wholesale distribution and logistics and retail distribution	Construction and design	Life sciences, emerging technologies and information and communication technologies	Manufacturing	Other services and other
Access to clients and customers	57%	58%	63%	69%	65%	63%	44%	61%
Access to networking & business development opportunities	43%	61%	52%	64%	61%	75%	39%	51%
Access to vendors and suppliers	45%	54%	65%	66%	59%	51%	46%	51%
Access to universities and nonprofit research institutions	50%	65%	54%	55%	43%	69%	50%	42%
Talent pool	51%	58%	50%	51%	53%	72%	41%	46%
Programs & resources to support small businesses	39%	50%	52%	56%	43%	59%	28%	42%
Access to capital, banking, and funding	41%	50%	48%	52%	40%	55%	33%	45%
Programs & resources to support new businesses & entrepreneurs	33%	48%	49%	56%	37%	63%	33%	42%
Access to government contracting	36%	45%	45%	43%	51%	46%	30%	34%

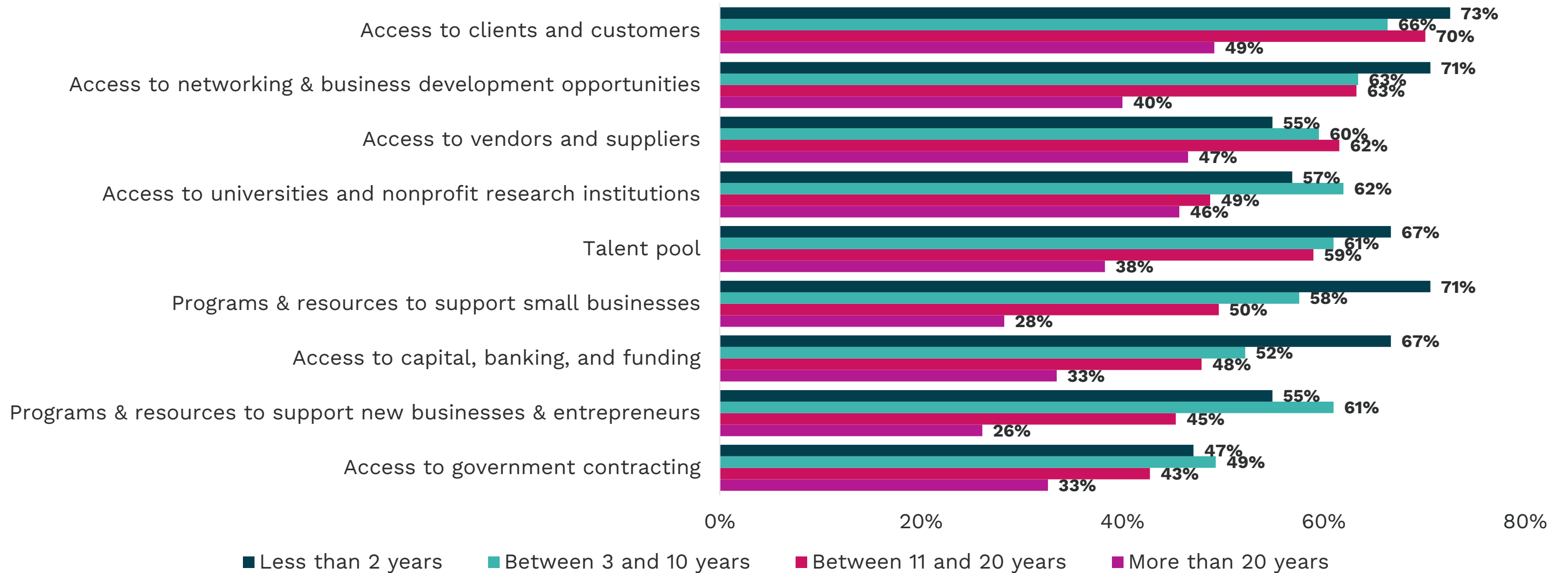
Strengths of San Diego/Imperial County by firm size

Micro businesses are generally less likely to view local resources as a strength.



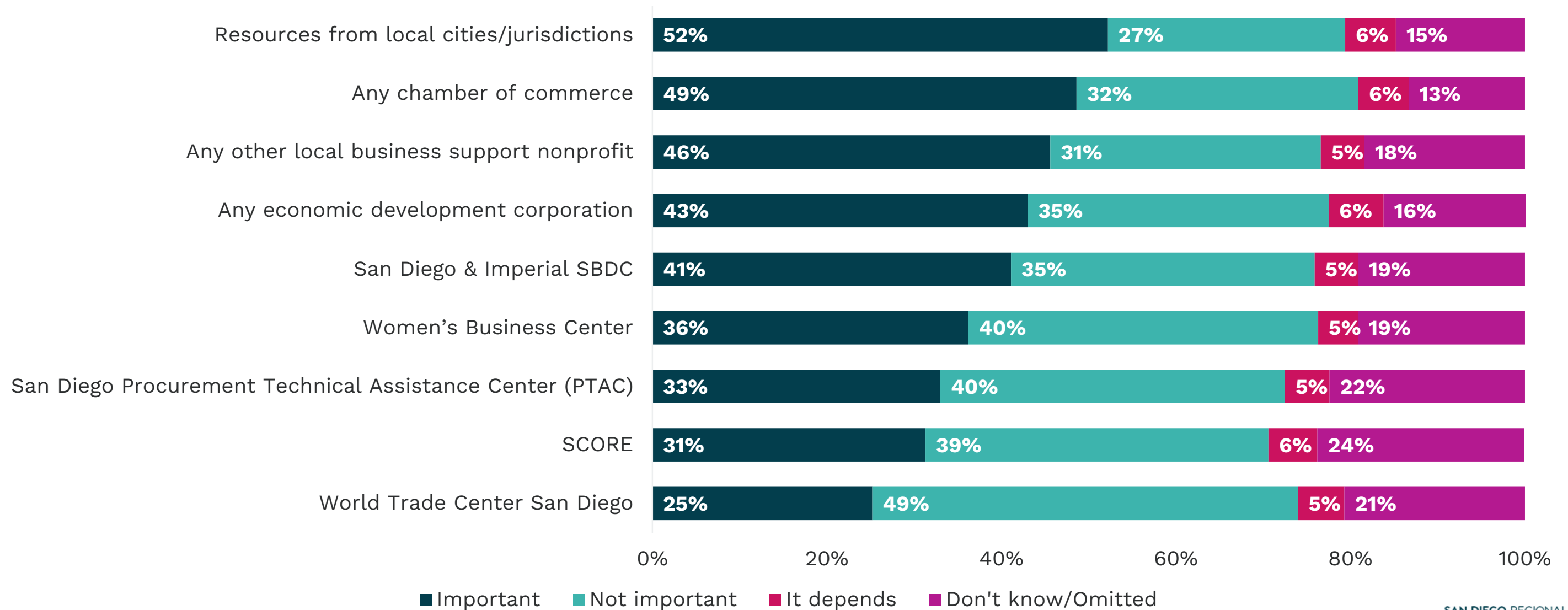
Strengths of San Diego/Imperial County by time in business

Firms with more experience are less likely to view local resources as a strength.



Importance of interactions with organizations

Small businesses rely on local government for support more than non-profits.



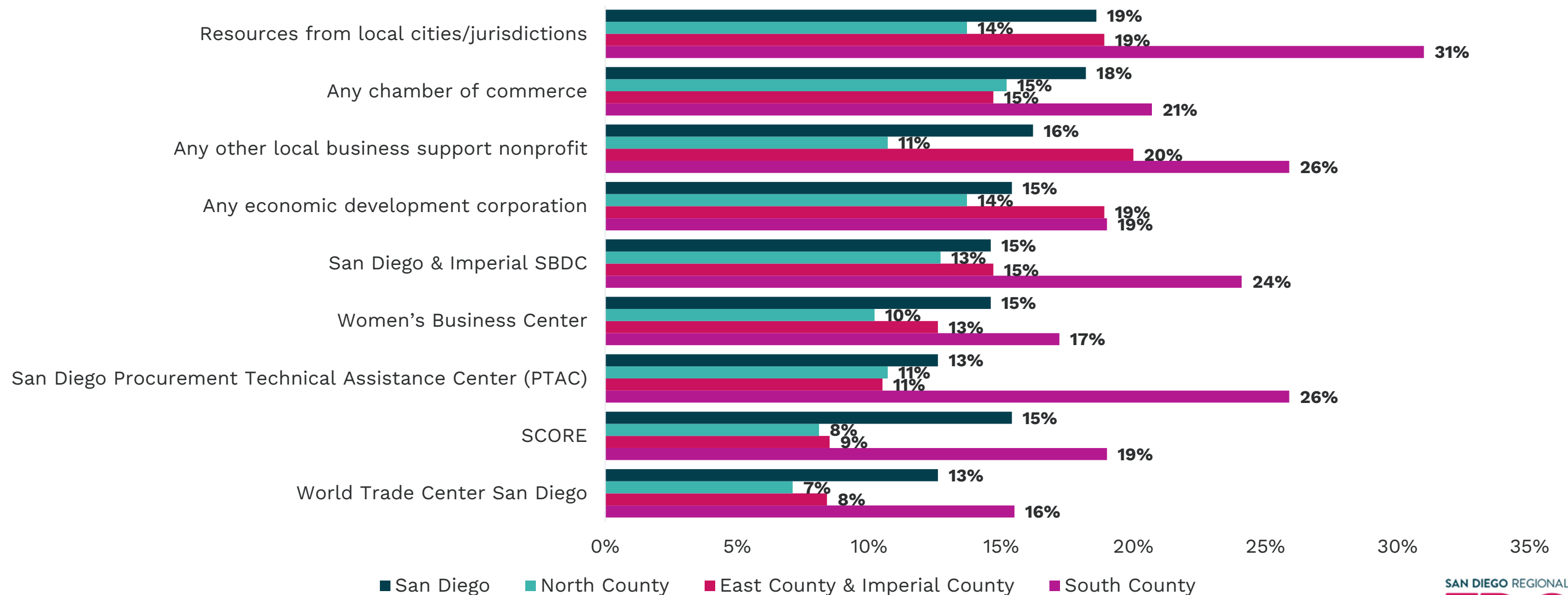
Organizations rated as very important by industry

Small businesses in the manufacturing industry are least likely to rate an organization as very important relative to firms in other industries.

	Professional and business services	Public sector or education and healthcare	Food service, tourism and hospitality	Wholesale distribution and logistics and retail distribution	Construction and design	Life sciences, emerging technologies and information and communication technologies	Manufacturing	Other services and other
Resources from local cities/jurisdictions	17%	17%	20%	19%	25%	23%	9%	15%
Any other local business support nonprofit	15%	25%	15%	22%	12%	23%	4%	18%
Any chamber of commerce	20%	20%	20%	15%	15%	20%	4%	10%
Any economic development corporation	10%	19%	20%	22%	15%	28%	2%	10%
San Diego & Imperial SBDC	18%	13%	17%	15%	18%	20%	2%	13%
Women's Business Center	11%	16%	17%	19%	11%	15%	7%	9%
San Diego Procurement Technical Assistance Center (PTAC)	13%	10%	13%	20%	13%	19%	11%	9%
SCORE	10%	13%	17%	11%	13%	19%	7%	10%
World Trade Center San Diego	7%	12%	11%	14%	12%	20%	9%	6%

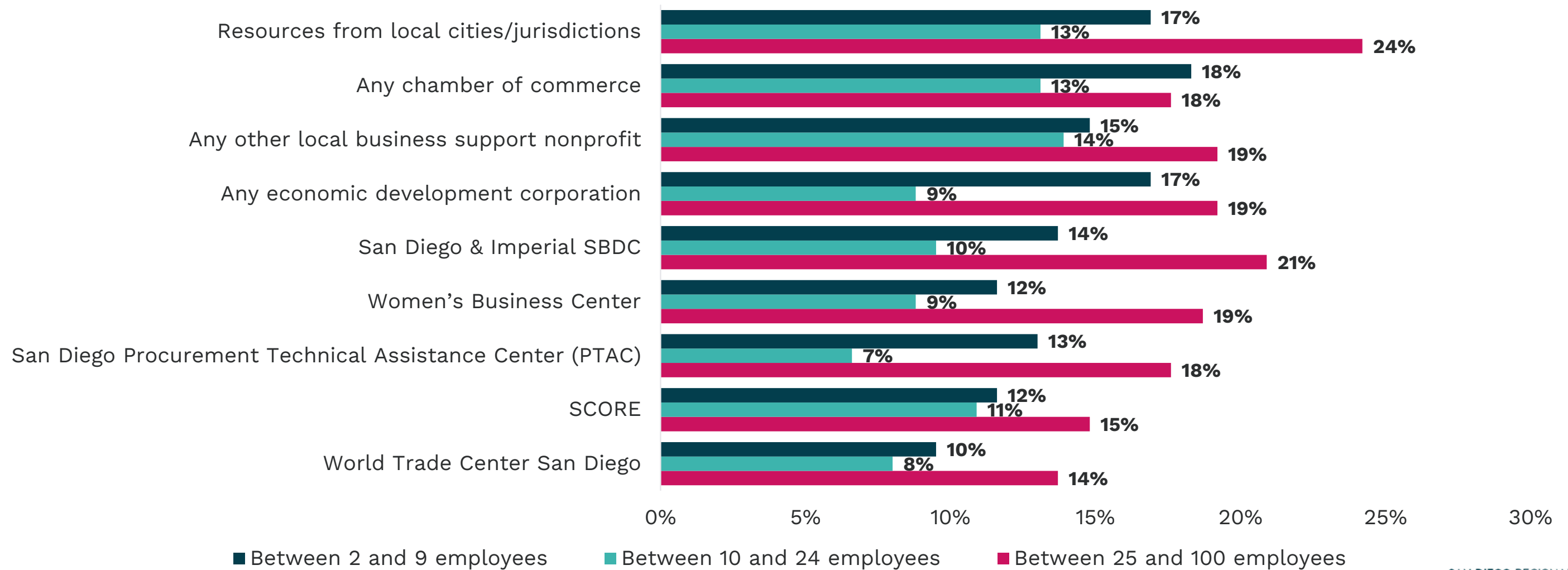
Organizations rated as very important by region

South County small businesses are the most likely to have favorable interactions with local organizations, while North County firms are least likely.



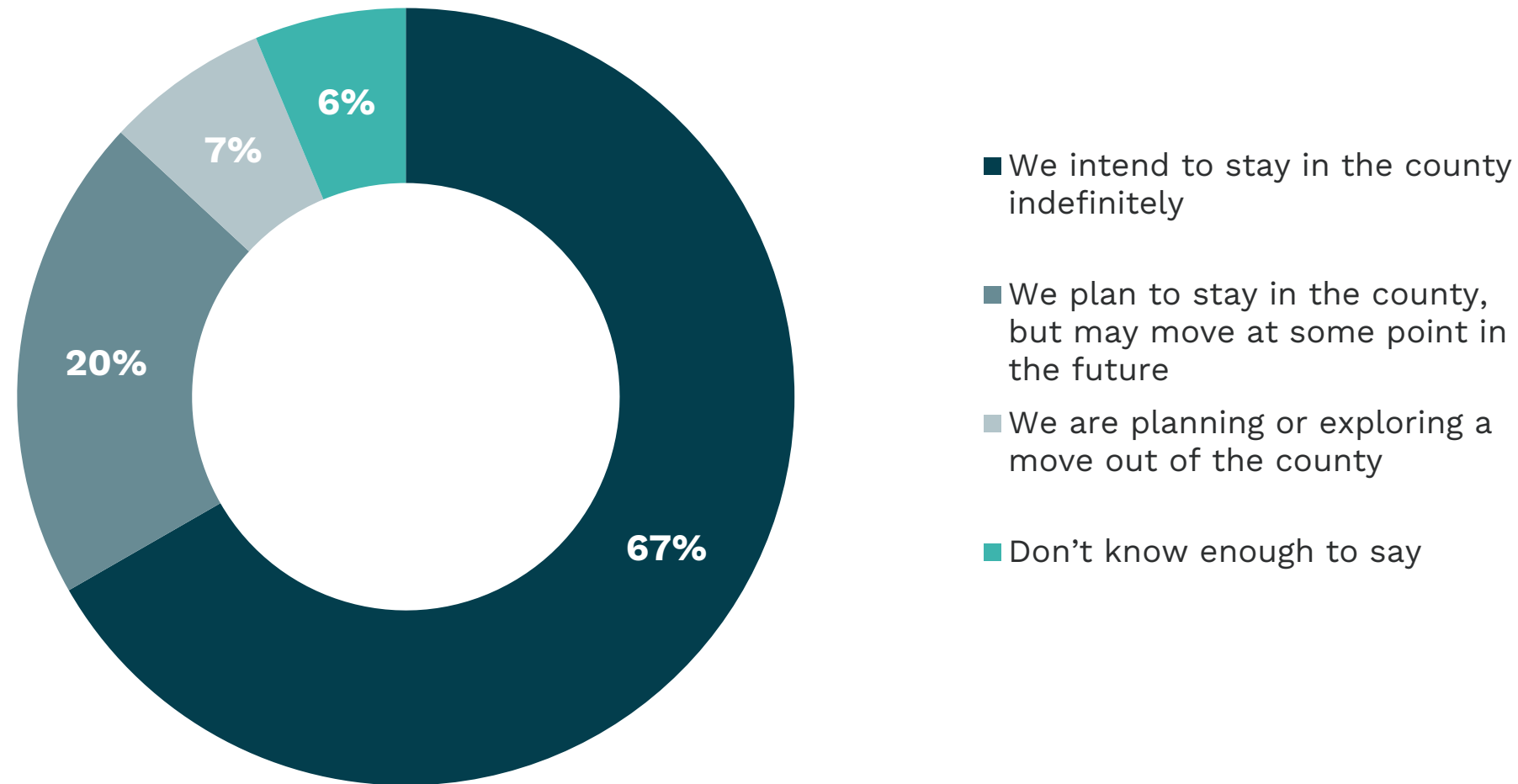
Organizations rated as very important by firm size

Larger small businesses are most likely to find importance in local organizations, whereas mid-sized small business were least likely.



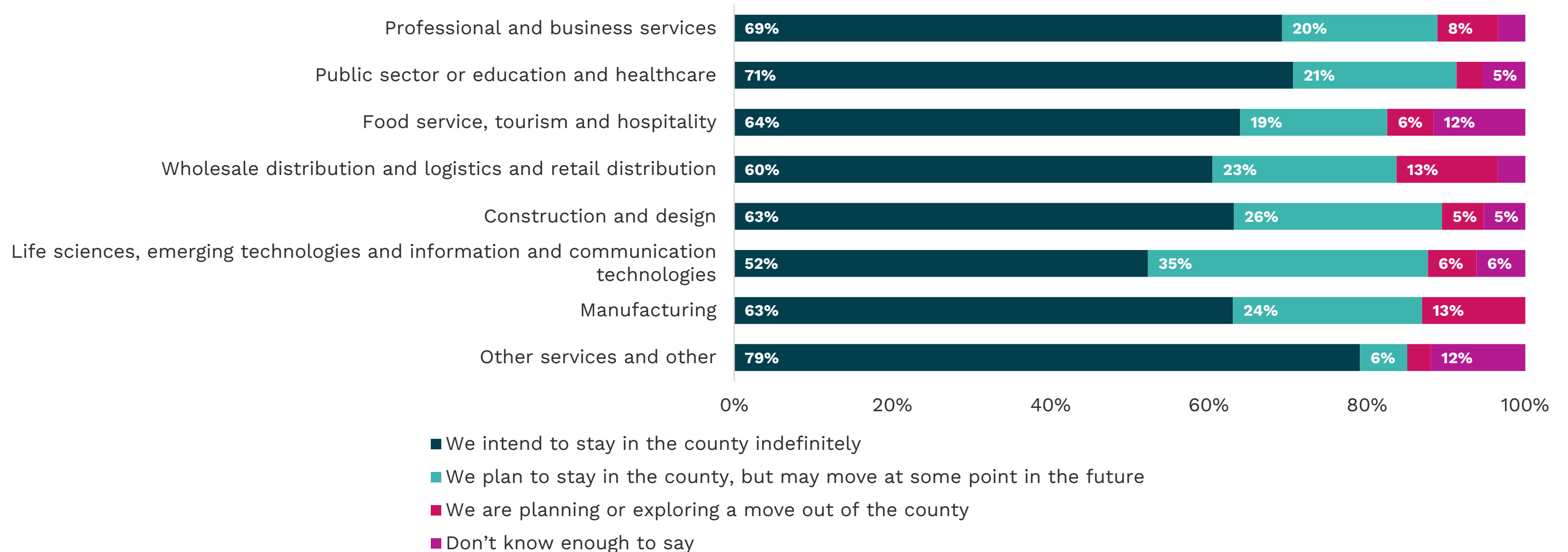
Small business retention

One in five small businesses plan to stay, but are willing to leave if necessary.



Small business retention by industry

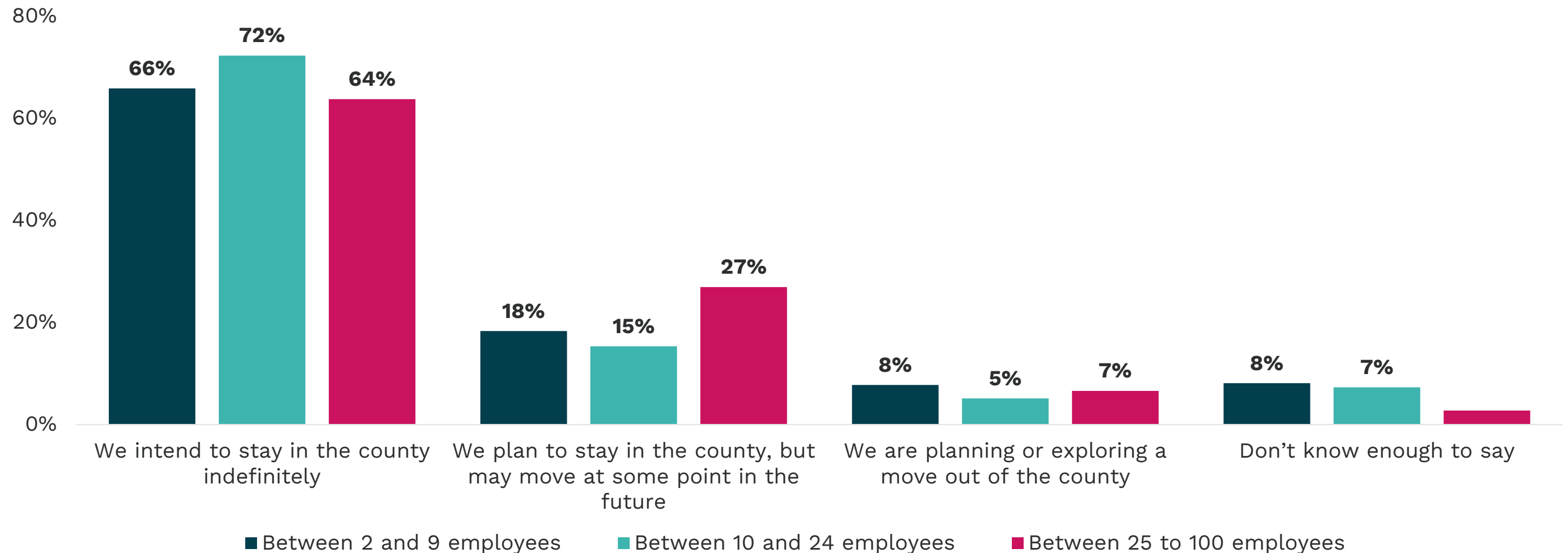
Small businesses in the innovation economy are the most likely to consider moving out of the region in the future.



*Other Services includes automatic repair, janitorial services, beauty, health, and/or fitness.

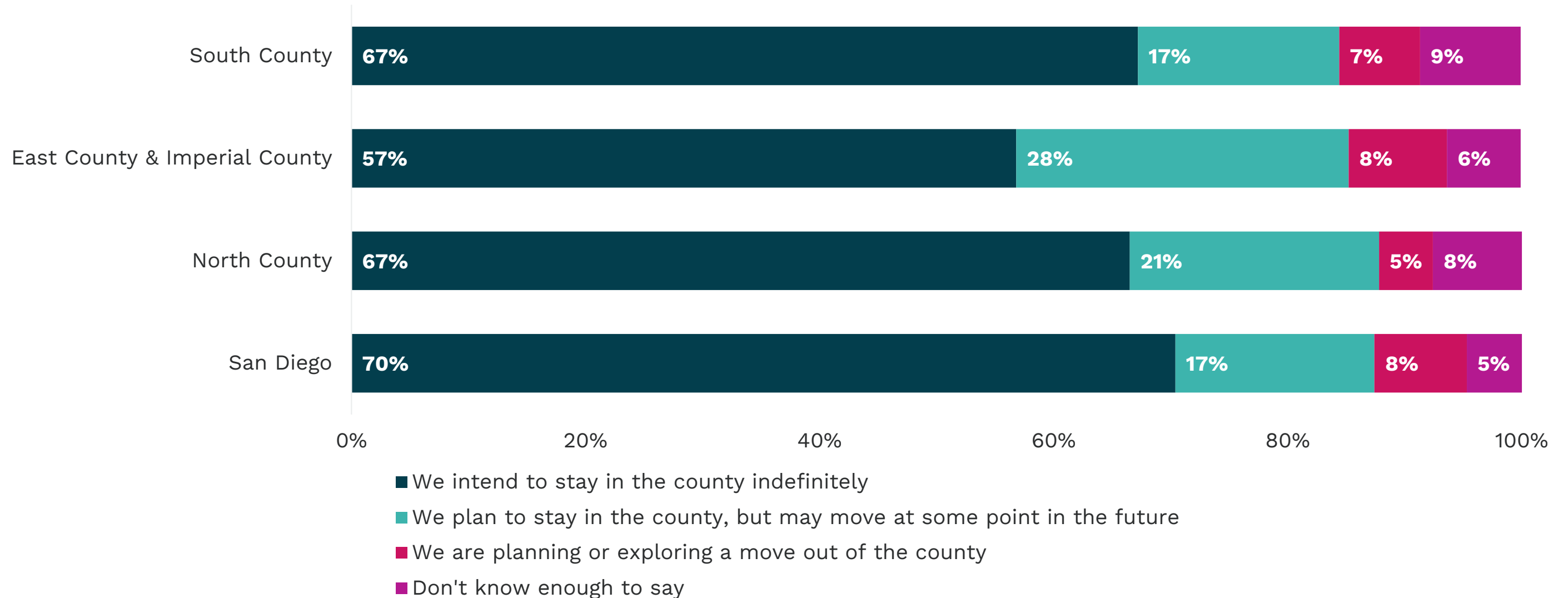
Small business retention by firm size

One out of four larger small businesses have considered moving out of the region.



Small business retention by region

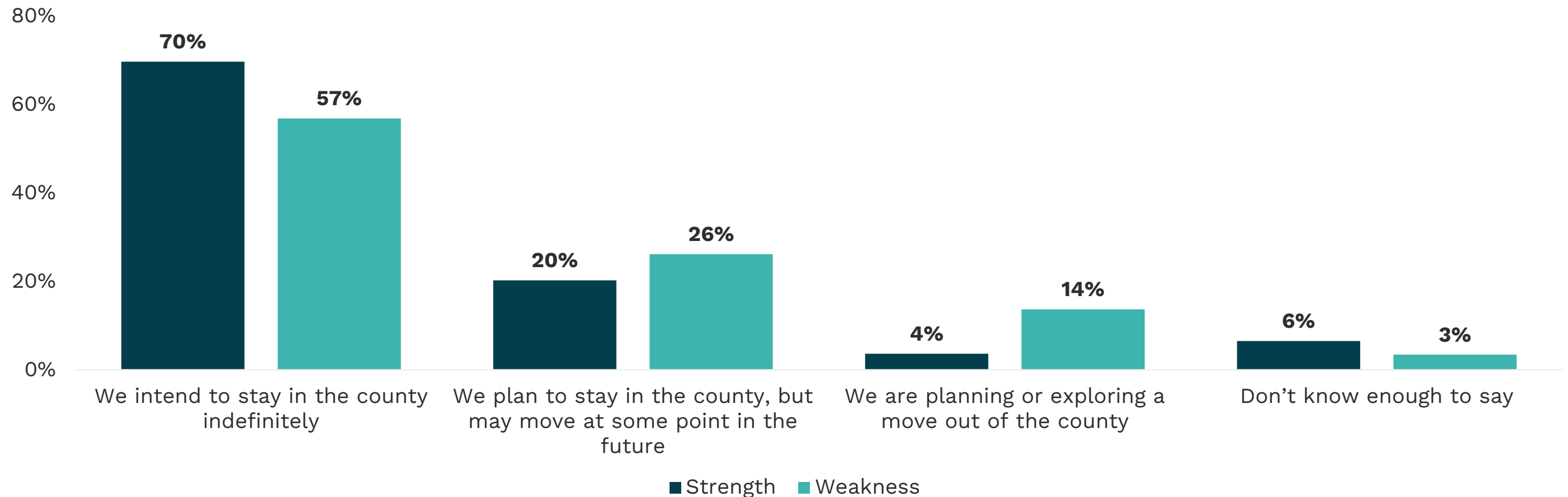
Small businesses in East County & Imperial County have expressed the most desire to leave the region.



Small business retention by opinion on programs and resources

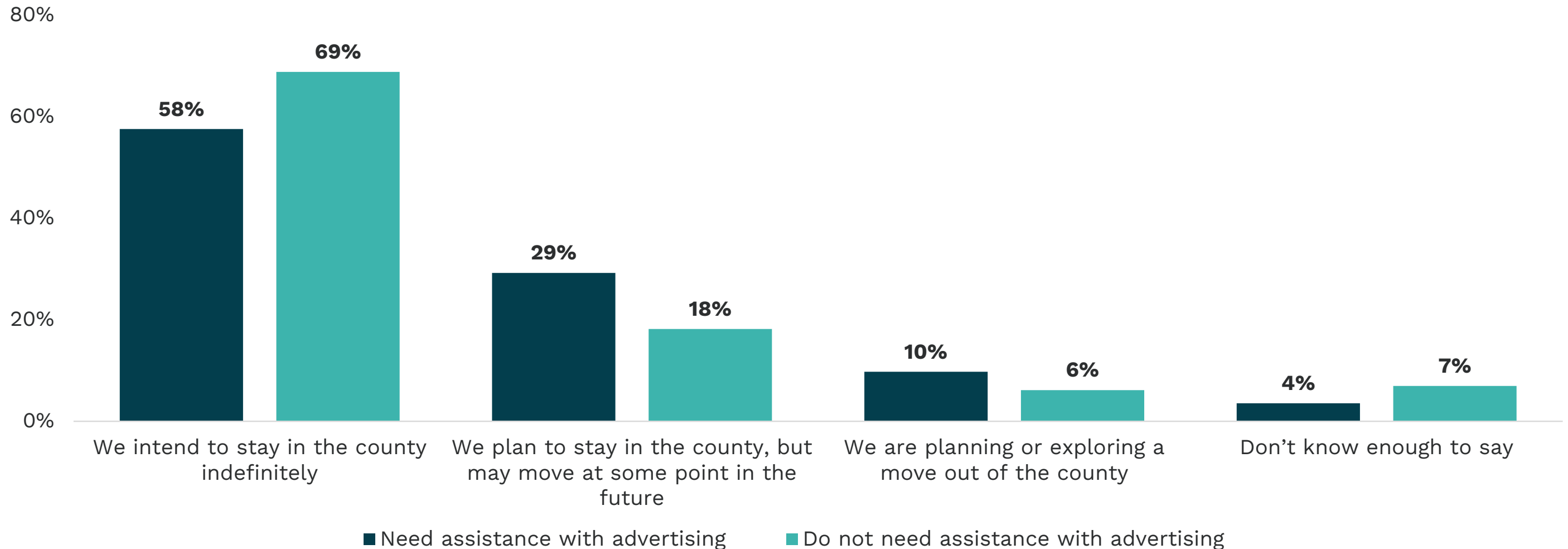
Small businesses that expressed that local programs and resources that support small businesses are a weakness are more likely to leave the region.

Retention by opinion on the county's programs and resources to support small businesses



Small business retention by assistance needed with advertising

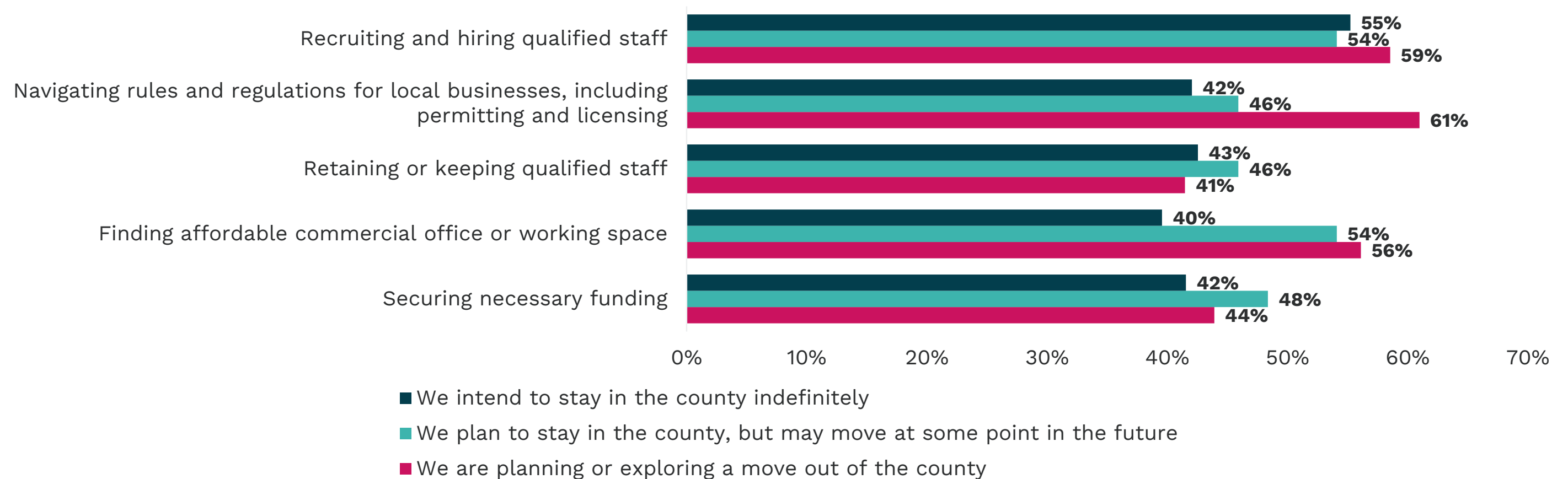
Small businesses that need assistance with advertising (social media and digital) are more likely to leave the region.



Top five challenges by small business retention

Three in five (61%) small businesses that are planning to move out of the county report difficulty in navigating rules and regulations.

Small businesses that reported difficulty for the top 5 challenges by retention





U.S. Small Business
Administration

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