



Merced Business Outreach Project

2018 Survey of Local Small Business Needs, Issues & Concerns

The Survey

The Valley Sierra Small Business Development Center (VSSBDC) in collaboration with UC Merced and the City of Merced, conducted a project to survey the needs and challenges of local businesses between June 1 - July 31, 2018, within the City of Merced. VSSBDC hired, trained and supervised four UC Merced students to visit local businesses and conduct the survey over a six-week period. Students visited about 300 Merced area businesses and were successful in completing 198 surveys.

Objective

The main objective of this project was to assess the current needs and challenges of the local business community and increase awareness for VSSBDC services. The SBDC also wanted to determine how current services matched the needs of the business community and discover opportunities to expand/improve SBDC services. Survey results are also being reported to the City of Merced and the UC Merced Regional SBDC office for the purposes of shaping future business programs and services. Furthermore, 64 local businesses expressed immediate need for SBDC assistance as a result of business visits.

Scope of the Survey

Valley Sierra SBDC hired 4 UC Merced students to visit as many local Merced area businesses as possible during the 6-week project timeline. In addition to the data collected from 198 completed surveys, the UC Merced students were asked to collect business name, interviewee name, title and contact information and leave SBDC collateral materials behind at each business visit. Students were given instructions to explain the purpose of the visit was to determine local business needs and that all information shared would be kept in strict confidence. As a collaboration between SBDC, City of Merced and UC Merced, it was hoped the project would also demonstrate the sponsoring group's interest in assessing the current needs and supporting the long-term welfare of the local business community.

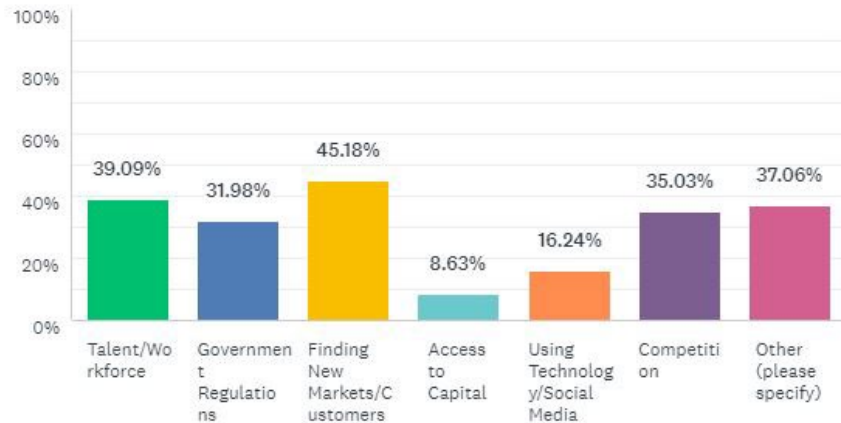
Survey questions were focused on the following business challenges/needs:

1. What are the biggest challenges facing the respondents' businesses today?
2. What are their most and least commonly used marketing tools and channels?
3. What are their most commonly used funding sources, and is there a current need for additional business capital; if so, what kind?
4. What are their hiring plans, as well as their needs and challenges in this area?
5. Determining if and how business owners are open to receive professional assistance from the Merced SBDC to help improve or expand their business.
6. Determining business size by number of employees for comparing the needs and challenges of large versus smaller businesses.

Survey Questions and Results

1) What are the three biggest challenges facing your business today?

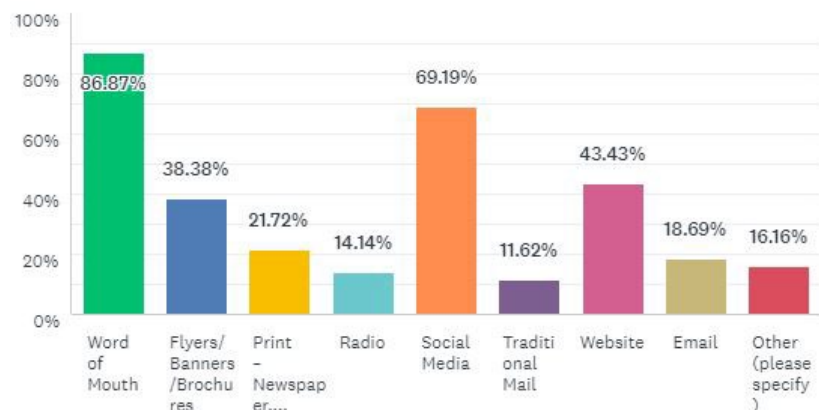
The most commonly reported challenge, had to do with finding new markets or customers, as almost one out of two respondents reported a struggle with this issue. This was followed by 44% of respondents reporting difficulty in finding a talented workforce. The third most common selection was competition, with about one out of three businesses considering this a challenging area. Worth noting, was the fact that 29% of the responses also marked government regulations as a challenge. Further research would be needed to narrow in and expand on any of the above-mentioned answers. Using technology/social media was reported as challenging by one out of six participants and less than 8% reported accessing capital as a current challenge in their business.



This question had the highest percentage of respondents indicating the “Other” option, at almost 31%, and also sharing their personal thoughts on additional challenges facing local businesses. With 11 mentions, the most commonly reported “other” issue was the impact of the local homeless population and how it affects the business community. Somewhat related to this answer were three mentions of public intoxication, trash and urination as a challenge. Several “other” challenges mentioned were affordability of adequate marketing, with 6 responses; the high costs of doing business in Merced, with 5 mentions; 5 mentions of unsuitable location; 3 of inadequate parking; 3 of a challenging local economy, and lastly, there were 2 references to high taxation.

2) Which of the following do you use to market your business?

Word of mouth advertising is relied upon by most local businesses to attract and retain new customers, with 87% of our survey respondents having checked this option. As for the use of other marketing channels or tools, 69% said they use social media and 44% of them have a business website. 38% also rely on banners, flyers and brochures, as part of their marketing mix and 22% uses newspaper or magazine advertisements. Almost 19% of them use email as a

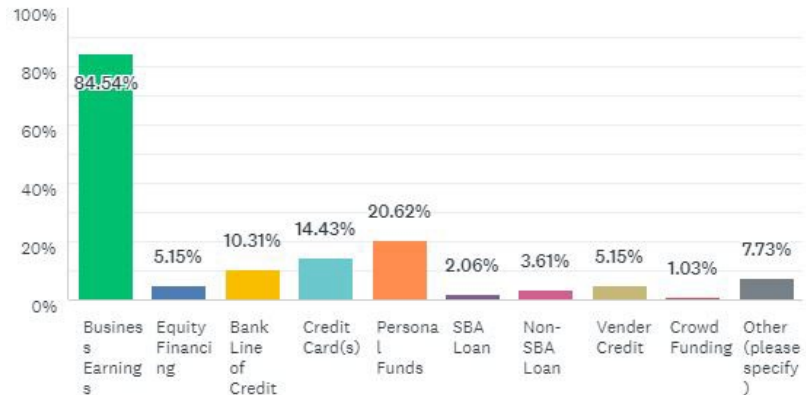


marketing tool and only 14% advertise on radio, with the least reported Marketing channel used being traditional “snail” mail marketing.

Common areas listed for “other” marketing tools were referrals, with 8 eight respondents; followed by 5 mentions of outreach in the form of booths and/or tabling. Various forms of online tools like Apps, Yelp and google were also mentioned a couple of times each, as was “Catspots”, an on-line UC Merced directory that lists participating local businesses that offer special promotions and discounts to customers, as they present their membership CatCard.

3) How do you currently fund your business?

Business earnings was how 84% of respondents say they meet cashflow and operational financing needs of the business. Investment of personal funds are used by nearly 21% of the local business community to meet business cashflow and general capital needs. Credit cards came next as the most common funding option used, at almost 15%, notably, this was slightly higher than the use of traditional bank loans or credit lines, reported at 14%. Vendor credit and equity financing were each reported at a 5%, followed by SBA loans at just 2%. Crowd funding was the least reported funding source used by Merced businesses at 1% of respondents.



“Other” funding options mentioned were private investors cited by one respondent, and there were a couple of mentions of grants and donations by local not for-profit organizations as a method for generating business capital.

4) Do you need additional Business Capital?

A surprisingly small number of respondents said that they were currently seeking capital for their business. 28 or 14% of respondents, expressed a need for additional business capital. In terms of the “Type of Financing” they were seeking, 13 mentioned grants, 10 traditional loans, and 2 specifically mentioned SBA loans, with only three referencing new or expanded credit lines.

5) Do you have employees?

28 businesses surveyed (15%) reported NOT having any hired employees. Of the “YES” respondents, 30 reported having only one employee, 32 had two and 25 had three. Collectively, a total of 58% of businesses surveyed reported having three or less employees. 33% had four to ten employees, 6% between eleven and thirty, and only 3% more than thirty.

6) Are you planning to hire/add employees? If so, when?

44% of the businesses surveyed report that they plan to hire additional employees within the next 6 months. With 22 planning to do so immediately (within 30 days), 20 in one to three

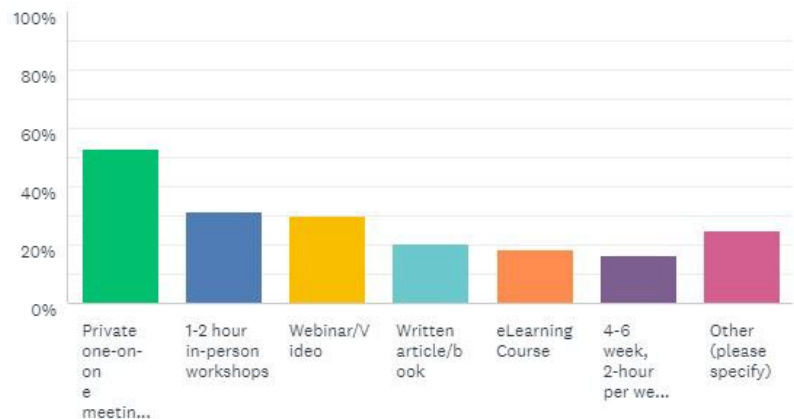
months, and the remaining 45, not for three to six months out. 56% of respondents said that are not planning to hire within the next 6 months.

7) Would you like no-cost, professional assistance to help improve/expand your business?

About one-third of the respondents expressed a desire for SBDC’s professional assistance.

8) How would you prefer to receive business assistance?

The preferred delivery method for SBDC services were private, one-on-one meetings with consultants. 1-2 hour in-person workshops were also high on the scale at 32% and the use of videos and/or webinars came in as a close third at 30%. The use of written articles or books was the next highest score at 20% and E-Learning very close to that at 19%. The lowest preferred method for assistance was for 2-hour per week courses over a 4-6-week period, with only 16% of respondents choosing this option. There were no “other” preferred methods offered by respondents.



NOTE: The SBDC business consultants have followed-up with respondents that expressed an interest in receiving services.

9) Is there anything else about your business you would like to share?

The responses received to this open-ended question were mostly related to challenges and issues unique or specific to the businesses responding. A few general themes emerged from the comments around the impacts of homelessness as an on-going problem affecting the local business community. 21 respondents cited vagrants and homeless persons were negatively impacting their business. Three responses also connected this issue to vandalism and business brake-ins. There were seven mentions of a lack of support for the local business community by the City, County and/or other local government agencies, with specific observations relating to lack of adequate resources, aid or support or police responses. Lastly, there were a couple of responses citing concerns of a possible slowing of the economy affecting their business in the coming year, and several positive statements commenting on a high degree of community pride and civic engagement.

SUMMARY OF LESSONS LEARNED

Almost 50% of respondents reported having a struggle to increase revenue and profitability, meet overhead expenses, have stable cash flow, or had enough funds to be able to execute an effective marketing campaign. In terms of working capital and cash flow, we learned that a relatively small number of local businesses are using debt as the primary “cash flow” source with only 15%-20% using business credit cards and loans. Only 14% of respondents expressed a need for additional business capital, with the most sought-after possible funding sources being grants and traditional bank loans.

44% of the businesses surveyed report that they plan to hire additional employees within the next 6 months but 44% of respondents also reported difficulty in finding a talented workforce. We learned that of the respondents who reported having employees, 91% had ten or fewer employees and that 28% of respondents did not have any employees.

In terms of receptivity to receiving professional assistance to run their businesses, one out of three respondents (64) expressed a desire to receive SBDC's services, and the preferred delivery method chosen by 53% of respondents, was private one-on-one work meetings with consultants. In-person workshops of one to two hours were also high on the scale as it was an option selected by 32% of respondents and extended trainings were the least desirable choice, with only a 16% "approval".

Lastly, 29% of respondents cited that government regulations were having a negative impact on local businesses and 33% think competition is a significant challenge to their success. There was some consensus that the homeless population is negatively affecting local businesses as this was a main theme reported in the comments sections throughout the survey. To a lesser degree, some respondents said that City, County and other local government agencies could be providing more support to the local business community.

In 2019, the UC Merced Regional SBDC office intends to continue and expand this Business Needs Survey project to include additional communities in Merced County. The goal in the summer of 2019 will be to visit 500-550 businesses in Merced, Los Banos, Atwater and Livingston and complete 350 surveys using UC Merced student interns.

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