

2019 Merced County Business Assessment Project

A Survey of Local Small Business Needs, Issues and Concerns



**By: The University of California, Merced
Small Business Development Center Regional Network**

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2019 MERCED COUNTY BUSINESS ASSESSMENT PROJECT

The Survey:

The Central CA SBDC Regional Network, hosted by UC Merced, has expanded on last year's Business Outreach Project, in order to continue assessing the needs and challenges of our local business community in Merced County. In both years, 2018 and 2019, the survey was conducted by well-trained UC Merced students, supervised by SBDC senior business consultant Octavio Valencia, acting as the project coordinator. This year SBDC senior consultant Rhonda Lowe assisted by overseeing students conducting surveys in Los Banos. In 2019, students and SBDC consultants visited nearly 600 local businesses conducting face to face interviews with owners and/or managers between June 10th and August 9th. Businesses were visited in Merced, Los Banos, Atwater, Livingston and the unincorporated community of Winton completing 273 surveys. With the aid of UC Merced and the Greater Merced Chamber of Commerce, surveys were also sent out electronically to over 5,000 local businesses generating an additional 83 responses. In total, 356 surveys were completed in 2019.

The Objective:

The main objectives of the project are to directly hear from local businesses as to their needs, issues and challenges, increase the visibility of the SBDC and improve awareness of its services in the business community and to use the data collected to connect local businesses with appropriate support services to help meet their needs. In addition, the data generated will be used to help the SBDC shape future programs and services in Merced County and how well current SBDC services match the needs of our business community. Lastly, we will be sharing this report with local City and County agencies and the US Small Business Administration (SBA), as input for consideration regarding future public policy development.

Expanding the Work:

The University of California, Merced SBDC Regional Network has taken ownership of this project since inception and will continue to administer the survey in the coming years. The 2019 project greatly expands the number and locations of businesses surveyed with the addition of the cities of Los Banos, Atwater and Livingston, as well as the unincorporated community of Winton. Our intention is to conduct this survey annually to measure changing needs over time and broadened the scope of the survey to reflect small businesses across the entire County. The project scaled up from 198 completed surveys in 2018, to 356 in 2019 and is expected to further expand to 500 completed surveys across all areas of Merced County in 2020.

Thank you to our project sponsors for making this effort possible. Merced County, City of Merced, UC Merced, the State of CA, Governor's Office of Business and Economic Development (GO-Biz) and the US SBA.

SUMMARY OF KEY FINDINGS

The most prevalent challenges reported by respondents

The most common challenge reported was finding new markets and/or customers, as nearly one in two respondents (49%) reported facing this issue. This was closely followed by difficulty in finding appropriate employees (46%), government regulations (36%), competition (35%), use of technology/social media (24%) and difficulty with access to capital (16%).

How local businesses market their products and services

Worth of mouth advertising continues to be the most popular way businesses say they attract and retain customers (85%), with social media (63%) as the next most common marketing tool. Surprising was the significant decline in businesses that said they are using newspaper, magazines and specialty publications to market their business. This category saw a 17% reduction in use over 2018 with only 5% of businesses saying they are now using print media compared to 22% of respondents last year. The rest of the categories were relatively consistent compared to 2018 with the use of a business website (46%), use of flyers, banners and/or brochures (37%), e-mail (17%), radio (15%) and traditional mail (12%).

How businesses are being funded

Using business earnings continued to be the most common business funding source, with eight out of ten respondents (81%) using it to fund their businesses, down 4% from last year's numbers. The second, third and fourth highest responses were use of personal funds at 26%, credit cards at 15% and bank lines of credit at 11%. The vendor credit category doubled from 5% in 2018, to 10% in 2019. The least reported funding methods used were Non-SBA loans with five mentions (1.4%), SBA loans with zero mentions and Crowd funding, with just one mention.

Need for additional financing and intended uses of funds

19% of respondents expressed a need for additional business capital financing which was an increase of 5% compared to 2018. The most common intended use of funds was for business expansion (24%), followed by purchase of equipment or machinery (14%), working capital (13%), inventory purchases (13%), improving cash flow (10%), purchasing a building (7%), building renovations (6%), keeping the doors open (5%) and refinancing existing debts (4%).

NOTE: It is worth mentioning that the options offered from the "If yes" follow-up to this question changed from "funding source options" in the 2018 survey, to potential "uses for desired funds". Hence, no direct comparison can be made on "use of funds" responses compared to 2018. No themes emerged from the answers received this year in the "Other" category.

Current employees and need to hire

79% of all businesses surveyed said they had at least 1 employee. 53% of the employers surveyed reported having both full time and part time employees, 32% reported having only full-time workers and 15% only part time workers. 17% had more than ten full-time employees 10% had more than ten part-time employees. In total, respondents reported 964 part-time and 2,078 full-time employees with the average employer surveyed having 10.5 employees.

One of the more surprising results from the survey is the large number of local businesses in need of new employees. 49% of all 2019 survey respondents say they are looking for new employees, up from 44% in 2018. 55% are looking to hire in the next 3 months, up from 48% in 2018. 28% of “hiring” respondents had an immediate hiring need (within 30 days), 27% expect to be hiring in the next one to three months, 24% within the next three to six months and 22% were holding off hiring for six months or more.

Are business owners and or managers familiar with the SBDC and interested in receiving more information about our services and professional business assistance?

About seven out of ten business owners/managers interviewed (71%), said they were NOT previously aware of the SBDC. Last year (2018), only one out of three businesses expressed a desire or need to receive SBDC’s professional assistance. This year however, the question was modified to reflect only an information request about the services offered by the SBDC, without necessarily asking them to make a formal request for services. This change in the wording of the question resulted in 53% of the respondents asking to receive more information about the SBDC program. The UC Merced SBDC is working quickly to follow up with all respondents requesting information about SBDC services.

How businesses prefer to receive to receive business advice/assistance?

28% of survey respondents stated their preferred way to receive assistance services was via private one-on-one meetings with a business expert with Online and internet courses at (19%), business articles/books (14%) and “Ted Talks”/You Tube Videos (13%). However, given that online and internet courses can include video presentations via You Tube and live webinars, we could take the liberty of combining these categories. This would result in accessing assistance via the internet in some form at a 37% response rate, which is nine percent higher than traditional one-on-one meetings. This implies small business access to the Internet, especially high-speed access is even more critical today than ever before. The two least preferred methods were one time, 1-2 hour workshops with just 3% of the votes and 4-6 week, 2-hour per week courses, with just one out of one hundred respondents selecting this option.

What business owners and/or managers wanted to share with us as an open question

The biggest issue reported in the open-ended Comment section, (similar to 2018), is the prevalence and perceived impacts on businesses from the local homeless community. This is a complex and complicated issue with comments including associated impacts like increased customer and employee safety risks, open drug use, theft and break-ins, loitering, prostitution,

etc., as shared by survey respondents. Twenty-five (25) respondents specifically mentioned the homeless or perceived related issues, with an additional fourteen (14) responses referencing safety concerns, nine (9) cleanliness/loitering and (3) negative city image impacts. Additionally, it is worth noting that 20 responses to the “Other” category for question #1, “What are the three biggest challenges facing your business today”, was specifically around the homeless “issue”, as seen from the business owners’ and/or managers’ perspective.

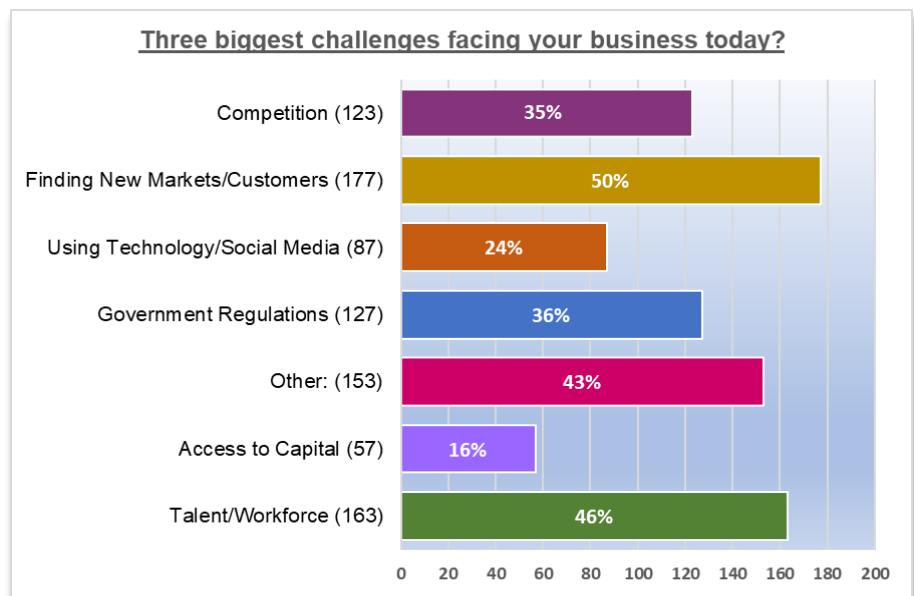
To a much lesser degree one additional theme emerged from the “Comment” responses at the end of the survey with 10 persons expressing discontent towards governmental regulations of varying types including things like zoning restrictions, compliance requirements, difficulty of getting a business license and excessive taxation.

SURVEY RESPONSE DETAILS

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

The most common reported challenge had to do with finding new markets or customers as one in two (50%) of respondents reported a struggle with this issue. This was followed by 46% of respondents reporting difficulty with their workforce. The third most common selection was government regulations at 36%, followed closely by competition at 35%. 24% of respondents reported struggling with using technology/social media and 16% said to have difficulty with locating needed capital for their businesses.

When compared to 2018, there was a measurable increase in challenges reported by respondents with government regulations up by 4%, finding new markets up by 5% access to capital and finding talent/workforce up by 7% and using technology and/or social media up by 8%. The challenge of direct competition was unchanged.



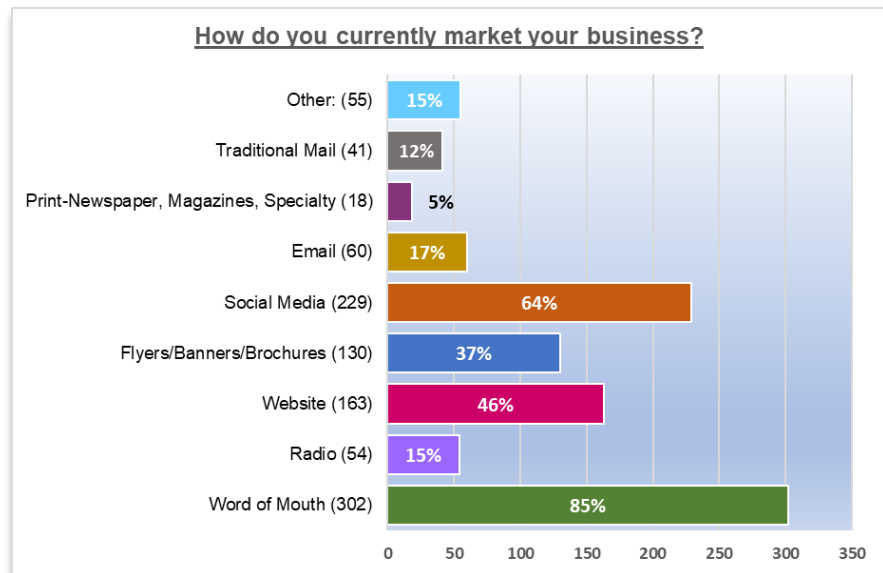
Further follow up is needed to more accurately determine appropriate responses and solutions to the challenges reported. However, the data does give us a clear picture of the most prevalent business struggles, as reported by the business owners and managers directly. Furthermore, any data to be collected in future years will reveal trends and enrich the significance of these statistical measurements.

Additional feedback from the “Other” check option:

One hundred and fifty-three respondents (43%) checked the “Other” box for this question and provided specific, unique challenges. This is significantly more than in 2018. By far, the most commonly mentioned “other” issue regarded as a current challenge was homelessness, as seen from the business owners’ and/or managers’ perspective. This included associated impacts of safety, cleanliness, drug use and negative community image. One out of ten respondents that checked “other”, spoke to this issue. No other major themes emerged from the remaining 100 plus responses. There were six mentions of struggling with low sales, four of not having enough parking spaces, three of the high cost of business insurance, two for government regulations or “red tape” and two for high rent cost.

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

Word of Mouth advertising continues to be relied upon by most businesses, to attract and retain new customers, with 85% of our survey respondents having checked this option. The second most commonly used marketing tool was social media, which surprisingly, decreased by 5% from 2018. The greatest variance was in newspaper, magazines and specialty publications category, with a 17% reduction over 2018, with



only 5% of businesses reporting they use print media to market their business, compared to 22% last year. The rest of the categories fell within a non-significant plus or minus 3% variance, with the use of a business website at 46%, traditional mail at 12%, e-mail at 17%, radio at 15% and the use of flyers, banners and/or brochures at a 37% reported usage.

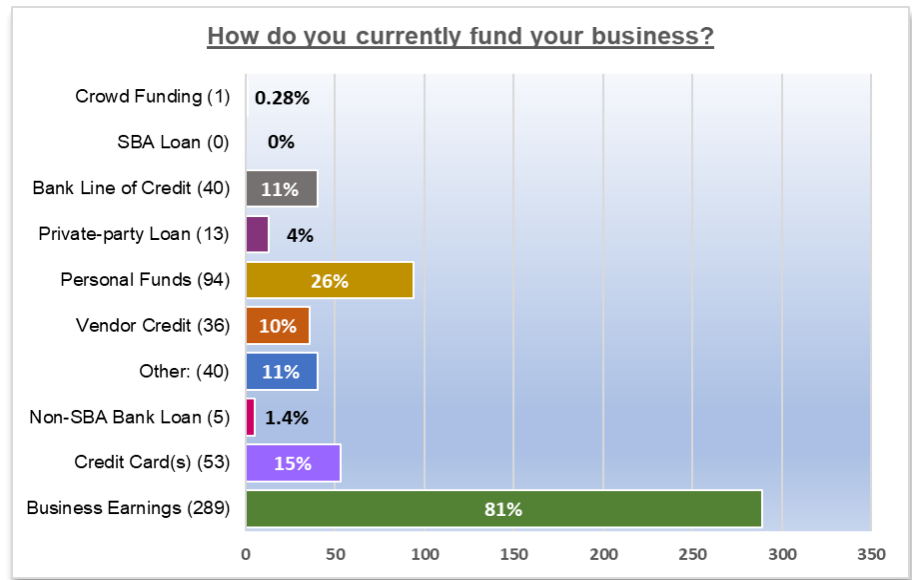
Additional feedback from the “Other” check option:

The four most common themes for other marketing tools used, were Yelp (5), referrals (4), television (4), and Google/SEO (4). It may be noteworthy to mention that together, these marketing tactics mentioned accounted for only 31% of the “other” written answers as there were no other marketing tools/channels mentioned more than once.

3- How do you currently fund your business?

Using business earnings continued to be the most common business funding source, with eight out of ten respondents (81%) using it to fund their businesses, down 4% from last year's numbers. In the same order as last year, the second, third and fourth highest responses were personal funds at 26%, credit cards at 15% and bank lines of credit at 11%. In terms of variances from last year's results, both use of personal funds and vendor credit increased by 5% over 2018 to 10% in 2019. The least reported funding methods used were Non-SBA loans with five mentions (1.4%), SBA loans with zero mentions and Crowd funding with just one mention.

No themes emerged from the answers shared in the "Other" category, besides three non-for-profit organizations listing donations and/or fundraising and a couple of mentions of investors, as funding sources.



4- Do you need additional Business Financing?

19% of respondents expressed a need for additional business capital financing.

5- If YES, what do you need funds for?

Of those expressing the need for additional business financing, the most common intended use of funds was business expansion (24%) purchase of equipment or machinery (14%), working capital (13%) and inventory purchases (13%), improving cash flow (10%), purchasing a building (7%), building renovations (6%), keeping the doors open (5%) and refinancing existing debts (4%).

NOTE: It is worth mentioning that the options offered from the expanded "If yes" follow-up question to this question changed from "funding source options" in the 2018 survey, to potential "uses for desired funds". Hence, no comparison can be on this question and no themes emerged from the answers received in the "Other" category.

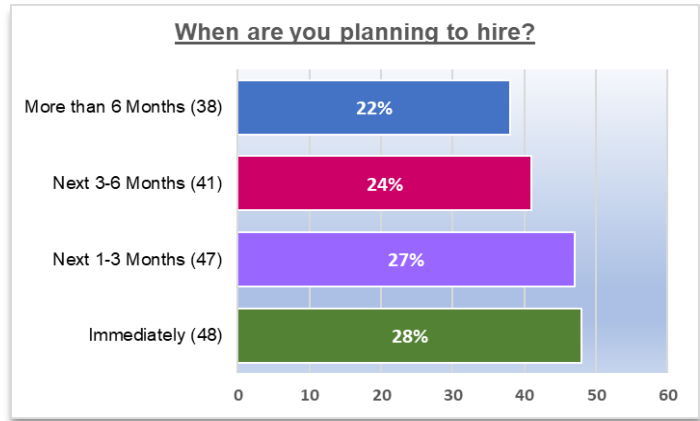
6- Do you have employees? If YES, how many full time and how many part time?

About one out of five businesses interviewed (21%) did not have any employees and of the 79% that did, reported total of 964 part time and 2,078 full time employees. Of those businesses that

do have employees, more than half (53%) reported having both full time and part time employees. 32% reported having only full-time workers and 15% only part time workers. 83% of respondents reported ten or less full-time employees 90% reported ten or less part time workers.

7- Are you planning to hire/add employees? If YES, when are you planning to hire?

Half of the businesses surveyed were thinking about hiring with 28% of those having an immediate hiring need and 27% expected to be hiring within the next one to three months, 24% within the next three to six months and 22% more than six months after the date of the interview.



8- Are you familiar with the Small Business Development Center program, also known as the SBDC?

About seven out of ten business owners/managers interviewed (71%) were NOT previously aware of the SBDC.

NOTE: Since this question was not asked last year, these results will be the baseline to measure any strides made towards achieving a broader awareness of the SBDC within the business community.

9- The SBDC provides professional Business Advisors at no-cost to help improve /expand businesses. Would you like more information?

Last year (2018), only one out of three businesses expressed a desire or need to receive SBDC’s professional assistance. This year however, the question was modified to reflect only an information request about the services offered by the SBDC, without necessarily asking for a commitment to receive such services, on the part of the interviewee. This change in the wording of the question resulted in 53% of the respondents asking to receive more information about our professional advisors and our SBDC services in general.

10- How do you prefer to receive business advice/assistance?

There were six different possibilities offered in terms of the means by which the survey respondents might prefer to receive services and/or professional business assistance. However, given that this year we have added the important category of Ted Talk like presentations/YouTube videos to capitalize on this technological trend, we will not be able to line up last year’s percentages to those presented here, but will be able to do so in the coming years.

The preferred way to receive assistance services was via private one-on-one meetings with a business expert (28%), Online and internet courses (19%), business articles/books (14%) and “Ted Talks”/You Tube Videos (13%). However, given that online and internet courses can include video presentations via You Tube, and that live webinars, one of the additional options offered, is inherently an online tool, we could take the liberty of combining these categories; If we did so, that would result in a 37% combined preferability level, which is nine percent higher than traditional one-on-one meetings. Furthermore, this would accurately reflect the trending use of such information sharing tools. The two least preferred methods were one time, 1-2 hour workshops (3%) and 4-6 week, 2-hour per week courses (1%).

The only theme that emerged from the “Other” comment option in this question was the use of traditional e-mail, as a means to disseminate useful information; there were eight mentions of it, which represents a 3% request rate, that would very likely be higher if the option were to be included in the survey.

11- Is there anything else about your business that you would like to share?

Like last year’s responses (2018), the feedback we received from this open-ended question varied greatly from reports of challenges that were specific to individual businesses, to generalized grievances and difficulties of several kinds being experienced by the respondents. However, the biggest issue being reported by far, was once again, the prevalence and perceived impacts (real or not) of the local homeless community. This included accompanying “issues” like safety risks, open drug use, theft and break-ins, loitering, prostitution, etc., as described by survey respondents.

Twenty-five respondents mentioned the homeless “issue”, with an additional fourteen references to specific safety related concerns and nine more cleanliness/loitering and city image preoccupations. Additionally, it is worth noting that in the “Other” category for the question of “What are the three biggest challenges facing your business today”, by far the most commonly mentioned challenge, with one out of ten respondents mentioning it, was the homeless “issue”, as seen from the business owners’ and/or managers’ perspective.

To a much lesser degree, an additional theme emerged from the responses of approximately 3% of survey respondents, who expressed discontent towards governmental regulations of varying types, like zoning restrictions, compliance requirements, difficulty of getting a business license and excessive taxation.

Lastly, a small number of businesses reported they were at risk of closing. Six respondents reported to be struggling with getting enough clients to stay in business, three more were worried about increasing rents and three reported difficulty finding employees could force them to close.