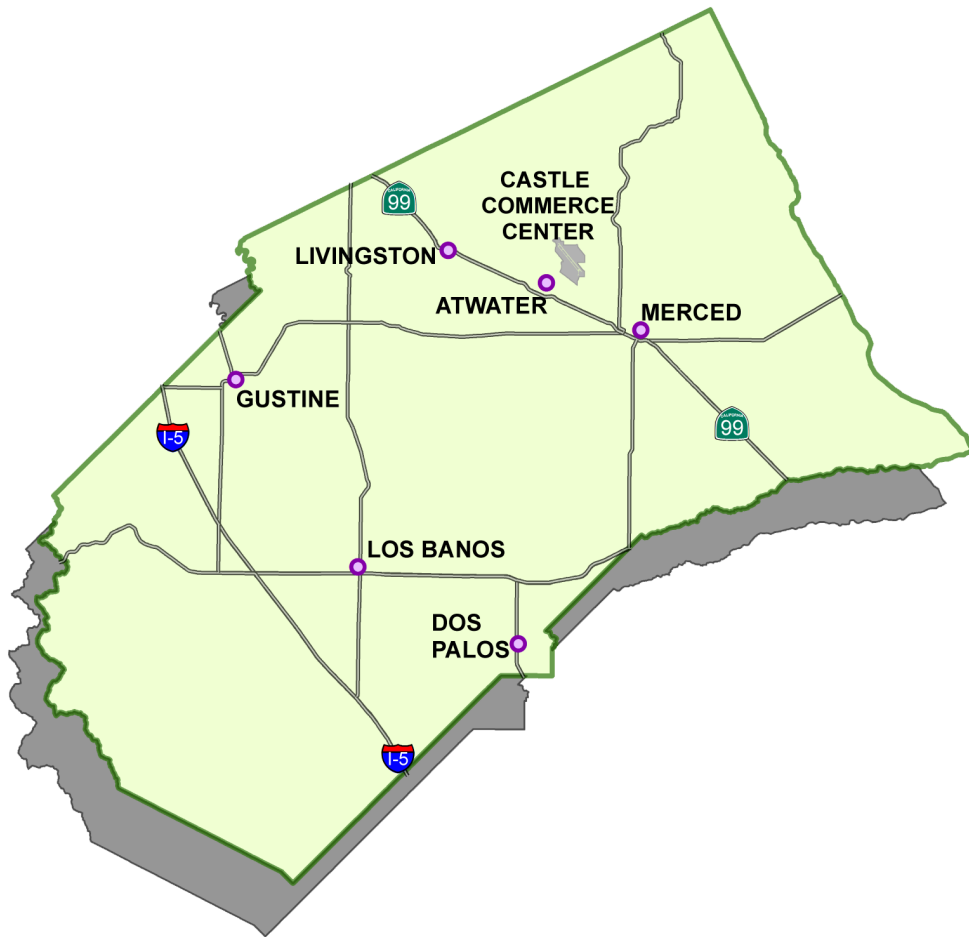




Merced County Business Needs Outreach Project

A Survey of Small Business Needs, Issues, and Concerns in Merced County
Presented by Central CA Small Business Development Center Regional Network



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The Survey

The University of California, Merced SBDC Regional Network continued and expanded on the Merced Business Outreach Project, first conducted in 2018 and again in 2019, to assess the needs and challenges of our local business community in 2023. This was initially intended to be an annual survey but was suspended in 2020, 2021, and 2022 due to the Pandemic. The survey was conducted by 5 well-trained UC Merced students and SBDC senior business consultant Octavio Valencia, acting as the project coordinator. Students visited local businesses and conducted face-to-face interviews with business owners and managers. Additionally, an online version of the survey was shown through emails sent to local business owners. The 2023 survey also included several open-ended questions to provide respondents with an opportunity for additional comments. The in-person surveys were conducted between June 26th and July 17th and focused on the cities of Merced, Los Banos, Atwater, Livingston, and the unincorporated communities of Winton, Le Grand, and Planada. A total of 224 small business surveys were completed, of which 186 were collected in person and 38 were collected from the online survey.

Figure 1 shows the total number of responses by City/Community - Merced 99 (44%); Los Banos 32 (14.2%); Winton 25 (11.1%); Atwater 24 (10.7%); Livingston 10 (4.4%); Planada 7 (3.1%); Gustine 6 (2.7%); Dos Palos 6 (2.7%); Le Grand 6 (2.7%); Delhi 5 (2.2%) and Hilmar 4 (1.8%).

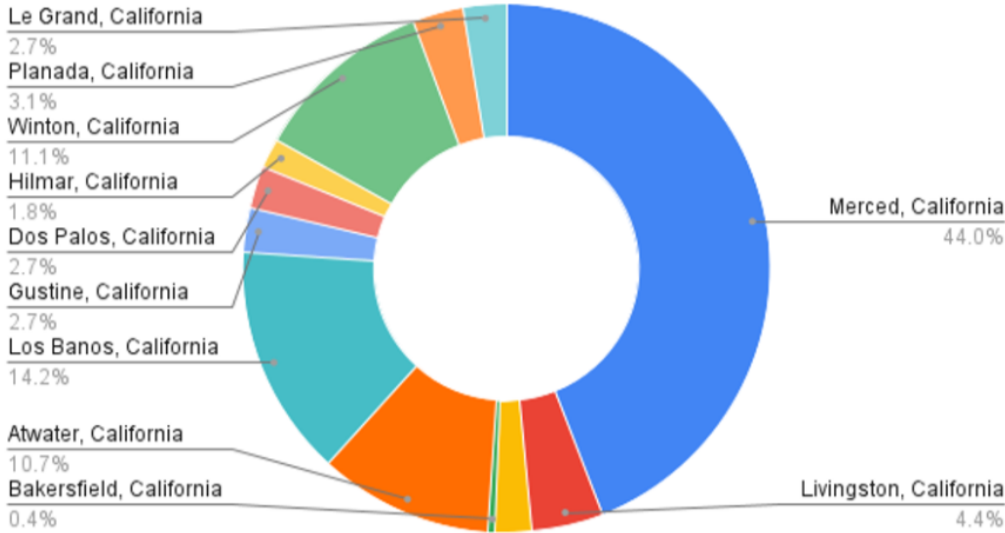


Figure 1. Distribution of cities in this survey.

The Objective

The main objective of the survey project was to assess the current needs, issues, and challenges of the local business community, as directly reported by them. Survey results will help inform the SBDC of how well its current services match the needs of our local businesses and will be used to help shape its future business assistance programs and services. Conducting the survey brings visibility to SBDC services and identifies new potential clients who express an interest in receiving SBDC assistance. Furthermore, completing the study demonstrates UC Merced's continued focus on supporting local small businesses and economic development. The SBDC will be sharing the data collected with UC Merced leaders, local city/county agencies, the SBA district office in Fresno and with the other 5 Central California SBDC network offices to allow for comparison to business needs in other Central CA communities.

Expanding the Work from previous years

Expanding interviews with businesses in Atwater, Livingston, and Los Banos, as well as the inclusion of the unincorporated communities of Winton, Le Grand, and Planada in 2023, has not only broadened the scope of the survey to reflect the entire County but has also put in motion a longitudinal study. The University of California, Merced/ SBDC Regional office has taken ownership of this project and intends to conduct this survey annually in the coming years. The total number of surveys completed in 2023 was 224, of which 186 were collected in person and 38 responses were received from the online survey.

Overview of Survey Results

The most prevalent challenges reported by respondents

The most common challenge faced by local small businesses reported in this survey was "rising costs," 53% of respondents listed this as the biggest challenge they face today. This is a change from the #1 challenge in 2019, "finding new markets or customers." The #2 challenge in 2023 was "finding new customers," with 38% of respondents citing difficulty in this area, followed by "taxes" at 30% and challenges "using social media" at 22%.

How participating businesses market their products and services

Regarding how businesses approach marketing, the responses were similar to the 2018 and 2019 surveys, with "word of mouth" relied upon by most local businesses to attract and retain new customers, with 84% of our survey respondents using this option. The second most commonly used marketing tool was social media at 69% and websites at 32%. The least used marketing tools were email programs at 7%, newsletters at 4%, and traditional mail at 3%.

How businesses are being capitalized/funded

The reinvestment of business earnings remained the most common source of how respondents fund their businesses. Nearly 8 out of 10 (78%) of respondents are using business earnings to support their businesses' capital needs. This is down 2% from 2019 survey numbers. In the same order as the last two previous surveys, the second and third highest scores were for personal funds at 47%, up from 26%, and credit cards at 23%, up from 15% on the last survey conducted. Notably, the use of bank term loans came in at 6%.

Need for additional financing and intended uses of funds.

Of the businesses expressing a need for business financing, the most common response (44%) was using new funds for inventory purchases. 36% reported needing funds to purchase equipment or machinery, followed by hiring more staff at 33% and improving cash flow at 31%. The next prevailing use of new funds was purchasing their business location, coming in at 16%.

Email request for information about UC Merced's Kiva micro-loan

41% of respondents expressed interest in receiving more information through email about UC Merced's Kiva micro-loan program. This innovative program helps local businesses build a Kiva online profile to raise \$20,000 in funds. Repayment is at a 0% interest rate. More information about the UC Merced Microfinance Project's Kiva loan program can be found at <https://microfinance.ucmerced.edu/information>

Current employees and need to hire

Of those businesses with employees, 42% have full time employees, and 52% only have part-time employees. 43% of the businesses with full-time employees have between 1-3, and 81% with part-time employees also have between 1-3. 63% of the businesses surveyed were considering hiring, up from 50% of respondents in the 2019 survey. 23% of 2023 respondents had an immediate hiring need. 24% expected to hire within the next 1-3 months, 27% within the next 3-6 months, and 27% expected to hire at least 1 new employee in 6 months or more.

Are business owners and or managers familiar with the SBDC and interested in receiving more information about SBDC services and no-cost, professional business assistance?

Only 29% of businesses interviewed during the 2019 survey said they were familiar with the SBDC program. In the 2023 survey, this increased to 39%, representing an awareness increase of 10%. 46% of 2023 respondents said they would like to receive more information about the SBDC through email.

How do businesses prefer to receive business advice/assistance?

The preferred way to receive SBDC's support services is via private one-on-one meetings with a business expert (46% of respondents). Online and internet courses came in second at 29%, followed by short informational videos at 26%, live webinars at 13%, multi-week courses at 7%, and one-time workshops at 6% each.

Potential businesses' challenges ranked in terms of the severity of impact to their businesses.

The three most impactful potential future business impacts cited by respondents in order of importance were taxes, difficulty finding new customers, and rising costs. Homelessness, supply chain/inventory, and crime were the three least impactful.

NOTE: The question below was added to the 2023 survey to capture a sense of the general business environment post-covid.

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

The following three themes emerged from the answers to this question: 1) Difficulty in generating enough revenue and clientele from business operations to meet respondents' general business needs and stay in business. 2) The prevalence of crime, vandalizing, and homelessness, coupled with the desire for more law enforcement. 3) Lack of capital/funding to conduct things like marketing, hiring, expanding, and staying in business. Other issues mentioned were inflation, the long-term impacts of COVID-19, and the lack of local "foot traffic."

A more detailed break-down of responses to each survey question

Naturally, further research would be needed to narrow in, expand on, and more accurately speculate on the possible root causes for the statistics presented here. However, the data gives us a relatively clear picture of the most prevalent business struggles reported directly by business owners and managers. Furthermore, data collected in future surveys will reveal trends and enrich the significance of these 2023 measurements.

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

The most common reported challenge in the 2023 survey compared to 2019 changed from finding new markets or customers to rising costs, with 53% of respondents having listed this as the biggest challenge they face today. This was followed by 38% of respondents reporting difficulty in finding new customers, and the third most common selection was taxes at 30%, followed by social media at 22%.

Compared to the previous survey (2019), the prevalence of direct competition reported as a challenge was substantially less at 15% versus 35% as previously reported. Surprising 21% said “difficulty in finding a talented workforce” versus 46% in 2019. 2) Only 17% responded to the “challenge of government regulations” versus the 36% who cited this as a challenge in the 2019 survey. Results are shown in Figure 2.

Additional feedback from the “Other” check option:

Rising interest rates were also listed as a challenge, as well as internet sales, insufficient business revenue, high credit card usage fees, and negative impacts from homelessness.

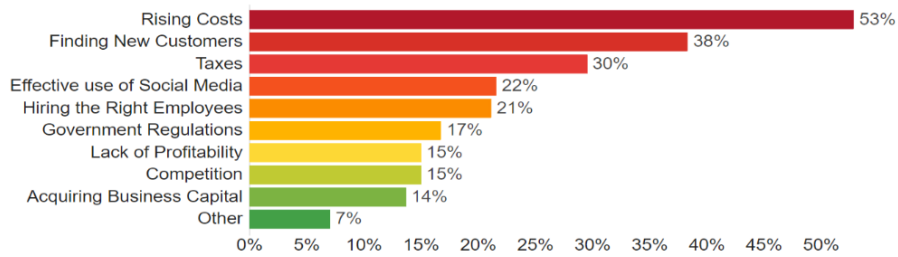


Figure 2. Biggest challenges currently faced by businesses.

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

As with the two previous surveys, word-of-mouth advertising continues to be heavily relied upon by most local businesses to retain and attract customers, 84% of survey respondents. The second most commonly used marketing tool was social media at 69% and websites at 32%. The least used marketing tools reported in the 2023 survey were email programs at 7%, newsletters at 4%, and traditional mail at only 3%. Results are shown in Figure 3.

No common themes emerged from this question’s “Other” box option.

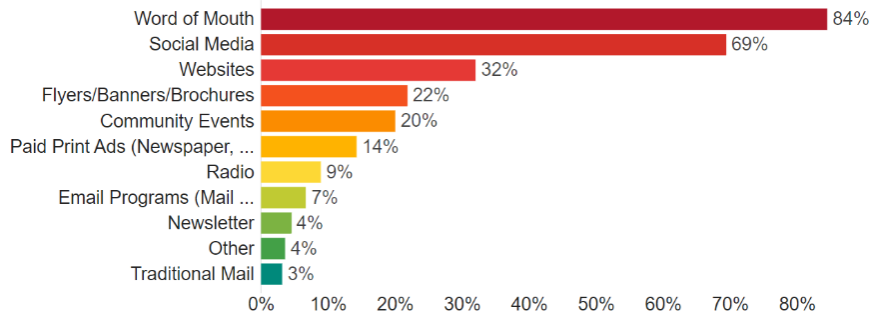


Figure 3. Current marketing tactics employed by businesses.

3- How do you currently fund your business?

Using business earnings remained the most common business funding source, with nearly 8 out of 10 respondents (78%) using it to fund their businesses, down 2% from the 2019 survey results. In the same order as the last two surveys, the second and third highest scores were using personal funds at 47%, up from 26%, and credit cards at 23%, up from 15% in the last survey conducted. Notably, bank term loans and “Lines of Credit” came in at only 6%. Results are shown in Figure 4.

No common themes emerged from this question’s “Other” box option.

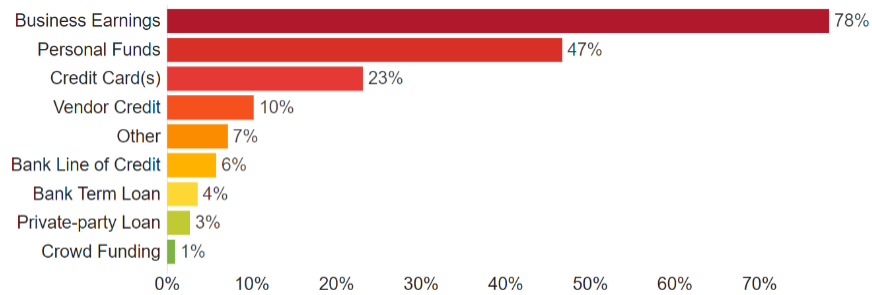


Figure 4. Ongoing financing operations by businesses.

4- Do you need additional Business Financing?

32% of respondents expressed a need for additional business financing, a significant increase from 19% in the 2019 survey (Figure 5).

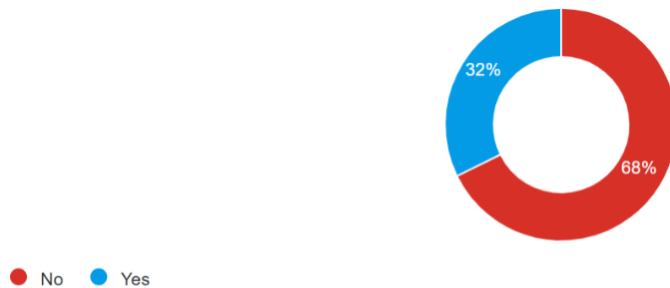


Figure 5. Businesses that need additional financing

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

Of those businesses that did express a need for business financing, 44% said their intended use of new funds was for inventory purchases. 36% reported needing funds to purchase equipment or machinery, followed by hiring more staff at 33% and improving cash flow at 31%. Among the most minor prevailing needs for funds reported was purchasing a building, coming in at 16%. Results are shown in Figure 6.

No common themes emerged from this question's "Other" box option.

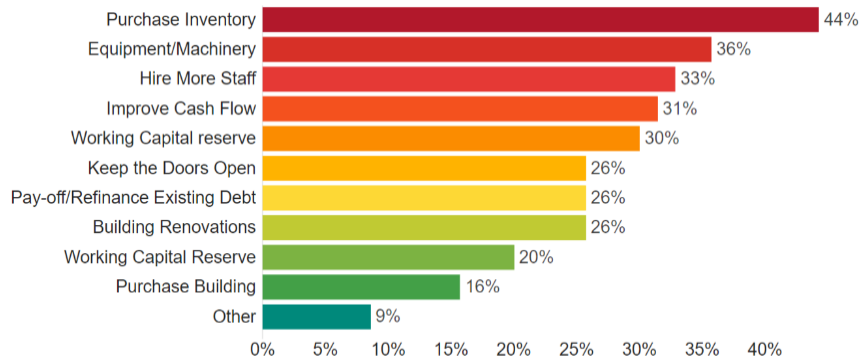


Figure 6. Intended funding from the additional financing.

6- Email request for information about UC Merced's Kiva micro-loan.

41% of respondents expressed interest in receiving more information through email about UC Merced's Kiva micro-loan program (Figure 7).

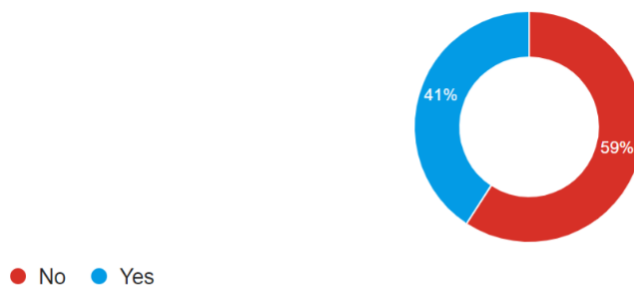


Figure 7. Businesses interested in receiving an email about Kiva (low-interest micro loan).

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

Of those businesses with employees, 42% have full-time employees, and 52% have part-time employees. 43% of the businesses with full-time employees have between 1-3. 81% of the businesses reported they have between 1-3 part-time. 63% of the businesses surveyed were considering hiring, up from 50% in the 2019 survey. Of those respondents reporting they intended to hire, 23% of them had an immediate hiring need, 24% of them expected to hire within the next 1-3 months, 27% of them within the next 3-6 months, and 27% planned to engage in more than 6 months. Results are shown in Figures 8 & 9.

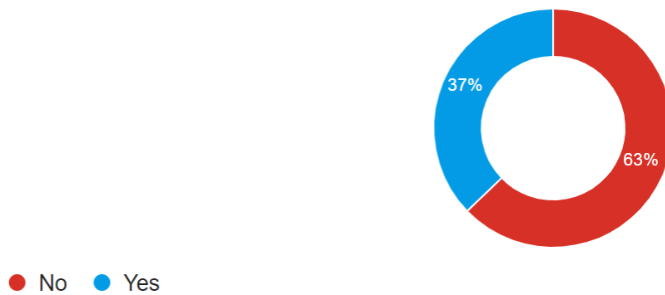


Figure 8. Businesses that plan to add employees.

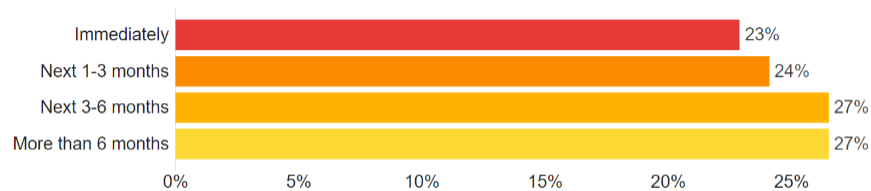


Figure 9. The time frame of businesses that would want to hire.

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

Only 29% of businesses interviewed during the 2019 survey were familiar with the SBDC, compared to 39% this time. This represents an increase in awareness of 10% (Figure 10).

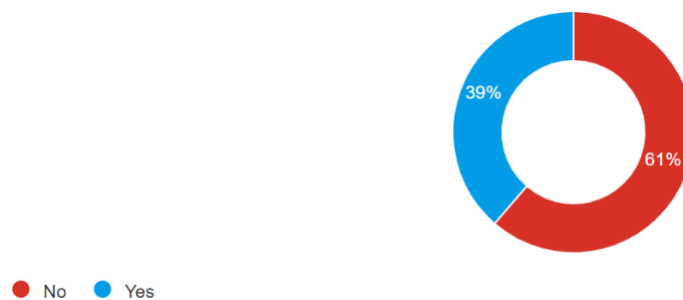


Figure 10. Businesses that knew of the SBDC before the survey.

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

46% of respondents expressed an interest in receiving more information about SBDC's no-cost professional business advisors service (Figure 11).

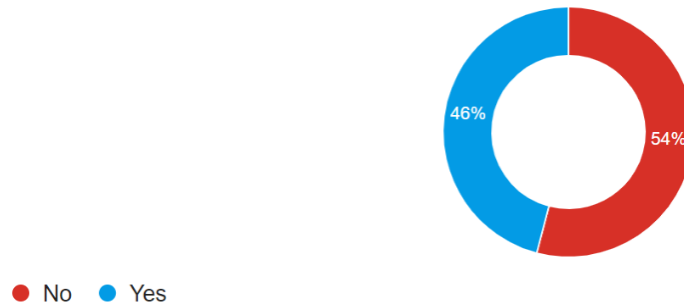


Figure 11. Businesses that want informational emails from and about the SBDC.

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

Survey respondents say the preferred way to receive business assistance services is via private one-on-one meetings with a business expert, with 46% of respondents choosing this option. Online and internet courses came in second in preference at 29%, followed by short informational videos at 26%, live webinars at 13%, multi-week courses at 7%, and one-time workshops at 6% each. Results are shown in Figure 12.

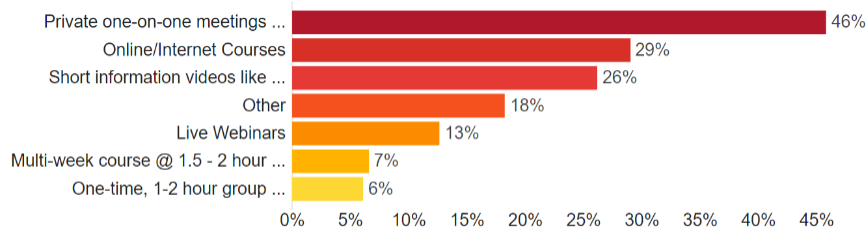


Figure 12. How businesses would prefer to receive assistance from the SBDC if they were to ask for it.

11- Would you like to share anything else about your business?

The following three themes emerged from the answers to this question: 1) Difficulty in generating enough revenue and clientele from business operations to meet respondents' general business needs and progress. 2) The prevalence of crime, vandalizing, and homelessness, coupled with the request for more law enforcement. 3) Lack of capital/funding to conduct things like marketing, hiring, expanding, and staying in business. Other issues mentioned were rising costs, the economic impact of COVID-19, and lack of foot traffic.

The Survey Example

Business Name: _____ Email: _____

Business Address: _____ City _____ Zip _____

Person Interviewed: _____ Title: _____ Date: _____

1) What is the biggest challenge facing your business today?

- | | | |
|---------------------------------------|--|---|
| <input type="checkbox"/> Taxes | <input type="checkbox"/> Government Regulations | <input type="checkbox"/> Finding New Customers |
| <input type="checkbox"/> Competition | <input type="checkbox"/> Effective use of Social Media | <input type="checkbox"/> Acquiring Business Capital |
| <input type="checkbox"/> Rising Costs | <input type="checkbox"/> Lack of Profitability | <input type="checkbox"/> Hiring the Right Employees |

Other: _____

2) How do you currently market your business? (check all that apply)

- | | | | |
|--|---|--|-------------------------------------|
| <input type="checkbox"/> Word of Mouth | <input type="checkbox"/> Flyers/Banners/Brochures | <input type="checkbox"/> Paid Print Ads (Newspaper, Magazines, Specialty) | |
| <input type="checkbox"/> Radio | <input type="checkbox"/> Social Media | <input type="checkbox"/> Email Programs (like Mail Chimp/Constant Contact) | |
| <input type="checkbox"/> Website | <input type="checkbox"/> Traditional Mail | <input type="checkbox"/> Community Events | <input type="checkbox"/> Newsletter |
| <input type="checkbox"/> Other(s): _____ | | | |

3) How do you currently finance your business operations? (Check all that apply)

- | | | |
|--|---|--|
| <input type="checkbox"/> Business Earnings | <input type="checkbox"/> Vendor Credit | <input type="checkbox"/> Bank Line of Credit |
| <input type="checkbox"/> Credit Card(s) | <input type="checkbox"/> Personal Funds | <input type="checkbox"/> Crowd Funding |
| <input type="checkbox"/> Bank Term Loan | <input type="checkbox"/> Private-party Loan | <input type="checkbox"/> Other _____ |

4) Do you currently need additional Business Financing? ___ Yes ___ No

5) If Yes, what do you need funds for? (check all that apply)

- | | | |
|---|--|--|
| <input type="checkbox"/> Hire more Staff | <input type="checkbox"/> Purchase Building | <input type="checkbox"/> Working Capital Reserve |
| <input type="checkbox"/> Purchase Inventory | <input type="checkbox"/> Equipment/Machinery | <input type="checkbox"/> Pay-off/Refinance Existing Debt |
| <input type="checkbox"/> Building Renovations | <input type="checkbox"/> Improve Cash Flow | <input type="checkbox"/> Keep the Doors Open |
| <input type="checkbox"/> Other _____ | | |

6) UC Merced offers a low-interest micro-loan called Kiva.

Would you like to receive an email with more information about Kiva? ___ Yes ___ No

7) Do you have employees? ___ No ___ Yes If yes, how many full time? ___ part time? ___

8) Are you planning to add employees ___ No ___ Yes If yes, when are you hoping to hire?

- | | | | |
|--------------------------------------|--|--|---|
| <input type="checkbox"/> Immediately | <input type="checkbox"/> next 1-3 months | <input type="checkbox"/> next 3-6 months | <input type="checkbox"/> more than 6 months |
|--------------------------------------|--|--|---|

9) Are you familiar with the Small Business Development Center program, also known as the SBDC? ___ Yes ___ No

10) The SBDC provides professional Business Advisors at no-cost to help improve/expand businesses. Would you the SBDC to email you with more information? ___ Yes ___ No

11) If you were to request no-cost advice/assistance from the SBDC, how would you prefer to receive it? (Check all that apply)

- Private one-on-one meetings with an expert
- One-time, 1-2 hour group workshops
- Live Webinars
- Other: _____
- Multi-week course @ 1 ½-2 hour per week
- Online/Internet Courses
- Short informational Videos like You Tube

12) In terms of magnitude or severity, rank how each of the following is impacting your business today. 0 being no impact, up to 10 being the most extreme impact.

- | | | |
|-----------------|-------------------------------|-------------------------------------|
| __ Taxes | __ Government Regulations | __ Difficulty Finding New Customers |
| __ Competition | __ Crime | __ Supply Chain/Lack of Inventory |
| __ Rising Costs | __ Lack of Profitability | __ Hiring the Right Employees |
| __ Homelessness | __ Acquiring Business Capital | __ Effective Use of Social Media |

13) Is your Business facing any other needs, challenges or difficulties that you would like to share?

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