

MEDC Small Business Survey Presenter Notes and Insights

Statewide

Top 3 challenges for small businesses were:

1. Hiring and retaining talent
2. Creating demand and generating revenue
3. Addressing the impact to their businesses from supply chain disruptions

Biggest Challenges For Small vs Micro Businesses

- The main challenges they face are with hiring and retaining talent, access to capital, sales and marketing to generate demand, make up their lost revenue from the past 2 years, and address supply chain issues from global impact of the pandemic. Needs vary by size of business, capital is #1 for the smallest and hiring is #1 for the biggest small businesses.

The Major Assets available to small businesses to support their businesses across the state were:

- Accounting & Finance Management - 61
- Communications, Marketing & Public Relations - 73
- Technology & Software Services - 94
- Sales & Customer Acquisition - 33
- Team, Talent & Human Resources - 68
- Legal Services - 30
- Management & Operations - 105

Top Needs for small businesses were:

1. Marketing (Demand generation)
2. Sales (Demand generation)
3. Technology (Demand generation/ Supply Chain issues)
4. Human Resources (Hiring)

Business Sentiment

Very Confident	35%
Somewhat Confident	32%
Unsure	23%
Somewhat Unconfident	6%
Very Unconfident	5%

Regions

Region 1

Nearly 50% of business owners classified themselves within the food service or restaurant industry, which, as an industry, is labor-intensive with high turnover rates. Survey results indicate that 50% of the food service or restaurant businesses who responded indicate that they did not expect to restaff to pre-Covid levels with over 75% citing the inability to find talent as the key challenge.

Region 2

Region 2 was among the most optimistic of the regions regarding business recovery with over 50% of respondents expecting revenue to increase within the next calendar year. Nearly 75% were confident at some level of their business's ability to recover and with over 30% expecting to restaff to pre-Covid levels. Nearly 50% of businesses had maintained staffing levels throughout the pandemic or had already fully restaffed at the time of the survey.

Region 3

Over 30% of Region 3's business owners reported having at least \$50k cash on hand with over 75% claiming that they did not miss any payments during the Covid-19

pandemic; however, consistent with other regions, hiring and locating talent and supply chain disruptions were among their highest reported challenges.

Region 4

Nearly 75% of Region 4's small businesses reported an annual revenue under \$1 million dollars. Around 25% of these businesses were in manufacturing, finance, real estate, or technology industries. Growing sales and revenue was cited as a top goal for this region followed by hiring additional employees and generally surviving the impact of the pandemic.

Region 5

Over 65% of small business owners in Region 5 that reported they had not fully restaffed cited the inability to find talent as a key challenge. Under 15% of businesses in this region identified as home-based with nearly 40% reporting no change to operating hours as a result of the pandemic. Asset-mapping revealed that funding, development, and capital is the most prevalent resource in this region followed by education and training and accounting and finance support.

Region 6

Over 80% of Region 6's small business owners reported having financial statements on hand. This may be a result of the asset-mapping findings, which report that 35% of this region's assets are classified as business setup support. Business owners cited hiring and locating talent and supply chain disruption as their two biggest challenges.

Region 7

With top industries reported as food, retail, services, and arts, 70% of Region 7's business owners reported that current revenues cannot accommodate certain staff. Similarly, 40% of business owners reported an inability to retain talent and nearly half expected some level of revenue decrease year-over-year. Asset-mapping revealed

that funding, development, and capital was the primary categorization of resources in this region.

Region 8

Over 85% of small business owners reported a reduction in operating hours up to 50% during the Covid-19 pandemic. Of those who have not restaffed to pre-Covid-19 levels, over 35% report that their current business capacity cannot accommodate those staffing levels. Food, retail, and services comprise the top three industries in this region.

Region 9

Over 85% of small business owners who were approved for loans in Region 9 used the monies to fund working capital. Nearly 70% of respondents also accessed capital from local, state, or federal grants. Among those who applied for loans, banks were the preferred lending source; however, over 45% of respondents also utilized funds from their personal savings or friends and family.

Region 10

Over 30% of small business owners in Region 10 reported an annual revenue under \$25k. This region received the lowest rate of PPP approval, falling into the 80th percentile, and of those who responded, nearly 30% reported missing a rent payment during the pandemic. Business owners listed access to capital and lack of customer demand/revenue as their top challenges.

Microbusinesses

General

These numbers have been calculated by segmenting respondents who have 9 or less employees AND reported an annual revenue of less than \$250k.

Over half (56%) of businesses surveyed are microbusinesses.

Of the 10 regions, eight had microbusiness responses near or exceeding 50% with Region 7 at the highest with 72%. The lowest occurrence of microbusiness responses was within Region 6 at 41%.

36% of microbusiness respondents are home-based.

Approximately 20% of all microbusinesses applied for funding from mainstream capital sources.

Approximately 36% of home based microbusinesses applied for funding from alternative capital sources.

Only 5% of home-based businesses applied for funding from mainstream capital sources.

General Revenue

Nearly 42% of microbusinesses made less than \$25k in revenue in 2020.

Close to 75% of microbusinesses made less than \$100k in revenue in 2020.

Almost 30% of microbusinesses made \$10k or less in revenue in 2020.

Approximately 10% of micro businesses made \$0 in 2020.

Nearly ¾ of microbusinesses (74%) made only \$100k or less in annual revenue in 2020.

Employee Count

Nearly 2/3rds (63%) of microbusinesses have 1 employee or less.

Less than 15% (12%) of microbusinesses have more than 3 full-time employees.

Industries

Nearly half (48%) of food service and restaurant businesses—the largest industry in the state—are considered microbusinesses. Almost 40% of those identified as microbusinesses are making less than \$25k in revenue annually.

Funding & Capital

Almost half (45%) of microbusinesses who sought capital utilized their personal savings.

Nearly a fifth (21%) received money from friends and family members.

25% did not utilize any alternative funding sources during the pandemic.

Over a quarter (27%) of microbusinesses applied for state grants; just over 20% (22%) applied for federal grants.

Of those microbusinesses who indicated they applied to alternative funding and capital sources (20% of all microbusinesses):

- Over 40% (42%) applied for bank funding.
- 20% applied for a credit union loan.
- Under 20% (18%) applied for nonprofit lender funding.
- Over 15% (16%) applied for non-bank online funding.
- Over 1/3 (35%) applied for another alternative source of funding.

Funding & Capital (Less than \$25k annual revenue)

Nearly 50% (49%) of microbusinesses earning less than \$25k in annual revenue who sought capital utilized their personal savings.

Nearly a quarter (24%) received money from friends and family members.

Just over a quarter (28%) of microbusinesses earning less than \$25k in annual revenue who sought capital indicated applying for federal and state grants.

Of those microbusinesses earning less than \$25k who indicated they applied to alternative funding and capital sources (7% of all microbusinesses):

- Over 30% (32%) applied for bank funding.
- Nearly 35% (34%) applied for a credit union loan.
- Almost a quarter (24%) applied for nonprofit lender funding.
- Over 10% (12%) applied for non-bank online funding.
- Over 1/3 (34%) applied for another alternative source of funding.

Demographics

- Over a third (41%) of American Indian / Alaskan Native respondents classified their businesses as services while over a half (58%) of MENA respondents classified their businesses as food
- Over a quarter (29%) of New American Citizen, Refugee, or Immigrant respondents classified their businesses within the manufacturing industry, which is 15% higher than any other race or ethnicity reported by the survey.

- Just under half (45%) of Black business owners classified their businesses as home-based.
- Nearly 1/2 of all Hispanic business owners reported reducing their hours of operation by at least 25% during the pandemic. Over 90% (93%) claimed to have reduced hours by at least 75%.
- Black business owners were among the most optimistic regarding business recovery with over 75% of respondents citing some level of confidence.
- 100% of Asian business owners who applied for PPP received funding, and of those who applied for bank loans, 100% were also approved.
- Only a third of Black business owners who applied for nonprofit loans reported receiving any funding.

Additional Research

<https://www.cnbc.com/2022/02/01/small-business-owners-optimistic-but-still-face-challenges-amid-covid.html>

<https://www.uschamber.com/sbindex/quarterly-spotlight>

<https://gusto.com/company-news/how-protecting-workers-health-and-wealth-can-help-business-owners-combat-the-great-resignation>

<https://www.aspeninstitute.org/blog-posts/financing-the-small-business-recovery-7-key-facts-and-challenges-for-2022/>

<https://bipartisanpolicy.org/blog/persisting-problems-exploring-four-small-business-challenges-in-a-post-pandemic-era/>