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Surveys: State, Valley small business owners optimistic

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A recent California Bank & Trust small business survey found that 86 percent of respondents in California felt that their business was moving in the right direction with 87 percent expecting growth over the next year.

The survey found that 65 percent of small businesses expect growth of 5 percent or more over the next 12 months.

Additionally, 63 percent of respondents expect growth to increase year-over-year. Interestingly, the Los Angeles region is slightly more bullish

than the Bay Area and San Diego, with 43 percent of small business owners expecting a growth rate of more than 10 percent over the next 12 months compared to 38 percent in the Bay Area and 26 percent in the San Diego region.

California Bank & Trust fielded its third-annual benchmark survey to gauge the thoughts and opinions of California's small business owners. More than 680 small business owners throughout the state shared their opinions during the survey conducted in April.

California Bank & Trust also surveyed small businesses on current regulatory and environmental conditions and the impact of these circumstances on their business. Nearly two-thirds of respondents (63 percent) in this year's survey said the Affordable Care Act has had a neutral or positive impact on their business.

In addition, 72 percent of small businesses said the rise in the minimum wage would have a neutral or positive effect on their business while 59 percent said the drought would have no affect on their business.

"What our 2014 small business survey illustrates is that many California small businesses are in a unique position to capitalize on growth opportunities and weather larger macroeconomic changes," said Tory Nixon, Executive Vice President, Small Business Lending, California Bank & Trust. "Small businesses are shrugging off these regulatory changes and environmental concerns and are quite optimistic about the future growth of their business."

"The growth rates echo

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what we are experiencing with our banking businesses throughout California," added Nixon. "We are seeing increased demand across the board for commercial and small business lending, cash management, international banking, merchant services, online and mobile banking and wealth management services. This activity underscores an increased need for capital to support the growth plans of small businesses."

The survey focused heavily on the Los Angeles, San Francisco and San Diego areas. Small businesses in the Fresno area are seen as having their own unique perspective on economic conditions, that in some cases differ from the larger cities.

For one thing, the economy has been slower to rejuvenate in inland Valley areas than in the big coastal cities.

"The local economy mirrors what you see in your customer base," said Chuck Rigsbee, senior vice president of Fresno-Sacramento California Bank & Trust.

He said locally, small businesses held off and held back in investing until they reached a point where they felt a need to do something. That has led to an uptick in small business activity, Rigsbee said.

He described small business

growth in the Valley as slow and steady. "We are the last one to come out of the recession," Rigsbee said.

Still, Valley small business owners are mostly optimistic. And Rigsbee has seen an uptick in loan demand. Loan rates are still attractive, he said, adding that loan rates are likely to stay down for the next 12 months.

A informal survey conducted last week by The Business Journal that attracted 74 responses from local small business owners also found a primarily positive outlook among the owners. Asked if their business was headed in the right direction, 69 owners responded yes and five no.

Asked if their business was on pace to grow this year, the response was 60 yes to 14 no. By a margin of 55 to 19, the owners said they expect Valley business growth this year.

On financing, eight of the Valley respondents said they would seek loans compared to 66 not seeking financing.

Asked about impacts of the Affordable Care Act, 51 said they would be impacted and 23 said they would not. Asked if the Valley small business owners would hire more employees this year, 50 said yes and 24 no.

Additional highlights from the California Bank & Trust state survey include:

* **Areas of Investment.** Small businesses are planning to make significant capital investments over the next 12 months. Eighty-four

percent of small businesses surveyed are planning to invest more or the same amount in technology over the next 12 months, just over 70% in both online marketing and equipment, and 66% in social media.

* **Hiring.** More than half of small businesses surveyed plan to hire additional employees in 2014. Ninety-two percent plan to hire 1-10 additional workers with one-quarter or 25 percent of this group planning to hire 5-10 employees.

* **E-Commerce & Online Presence.** An online presence continues to be significant for small businesses throughout the State. Ninety-six percent of respondents have a website, just over 60 percent currently use digital marketing techniques to promote their business and over 52 percent said an e-commerce online presence was "extremely important" or "very important." Interestingly, when asked the primary source of sales growth, an overwhelming majority (74 percent) said traditional sales.

* **Social Media.** Nearly 60 percent of respondents maintain a social media presence for their business and 34 percent are increasing their investment in this communication medium.

* **Succession Planning.** Almost 90 percent of those surveyed have a succession plan in place, saying they would pass on their business to a friend or family member (30 Per-

cent), sell business to employees (16 percent) and sell their business to the highest bidder (43 percent).

* **Financing.** Close to 35 percent of small businesses surveyed are expected to need financing over the next 12 months with 49 percent saying that bank loans are their primary source of funding.

* **Banking.** The most common usage of online banking includes accessing account information/resources (78 percent) and conducting transactions (67 percent). In addition, "competitive rates," "customer service" and "payment and term options" were the most important factors when looking for a loan provider, above "industry knowledge", "regional knowledge" and well beyond "government backing."

* **International Sales.** Thirty-eight percent of California small businesses derive sales from international markets with 9 percent saying international markets accounted for over 25 percent of their sales.

"The comprehensive results of our survey showcase a clearly different environment in California for small businesses than 2013," Nixon said. "Businesses are optimistic, expect healthy grow rates, are making capital investments and leveraging new technologies to market and sell their products."

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