

# San Diego PRO Neighborhoods

## Research Results



Support for the San Diego Small Business Lending Collaborative is provided by JPMorgan Chase, through its Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) initiative.

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# **BACKGROUND & RESEARCH OBJECTIVES**

# BACKGROUND and RESEARCH OBJECTIVES

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The San Diego Small Business Lending Collaborative, a grant-funded partnership, works to support small businesses by identifying and removing barriers to growth. The Collaborative intends to collect data in this research that will shape the development of an actionable Equitable Development Plan that will enable the Collaborative, and/or any its partners to secure additional capital and/or resources that can be deployed in response to needs identified any business owners operating within the San Diego Promise Zone.

The objective of this research is to gather data to inform the creation of a responsive, data-driven Equitable Development Plan that will deployment of start-up/expansion capital and training/technical assistance for diverse small business owners operating within the San Diego Promise Zone zip codes.





# **METHODOLOGY**

# METHODOLOGY

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- ✓ Data were collected from 129 small business owners and 101 prospective business owners in zip codes 92102, 92113 and 92114.
- ✓ Respondents were given the choice of taking the survey in English or Spanish.
- ✓ The Logan Heights Community Development Corporation conducted door to door interviews using iPads.
- ✓ Luth research sent e-mail invitations to opt-in residents/business owners in the three zips using lists provided by the Collaborative.
- ✓ Other organizations in the zip codes such as community colleges, adult education centers and churches were invited to participate in the survey. These surveys were available on paper or via link.
- ✓ Postings were made on Social Media (Facebook, Instagram, etc.) to recruit as broadly as possible within the zip codes.





# RESEARCH RESULTS

# KEY FINDINGS

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## BUSINESS OWNERS

- The majority of business owners (74%) own the business alone and most work from home (71%). The businesses are primarily in the service (29%), food (24%) and retail (20%) sectors.
- The median revenue per month amount is low at \$1,500 but there is a wide variety in revenue amounts.
- The biggest challenges facing business owners are credit/financing (39%), e-commerce (32%) and accounting/bookkeeping (29%).
- Nearly one half of the business owners (45%) have other owners to go to for advice but one in three have no idea where to go for business advice (33%).
- Few (12%) have ever applied for business financing mainly because they think their business is too small or they have credit issues.
  - Among the few who have applied for financing, many found only expensive options (40%) or were declined due to bad credit (27%) or income requirements (20%).
- One in three (35%) of business owners have no knowledge of any finance options available to them.

# KEY FINDINGS

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## PROSPECTIVE OWNERS

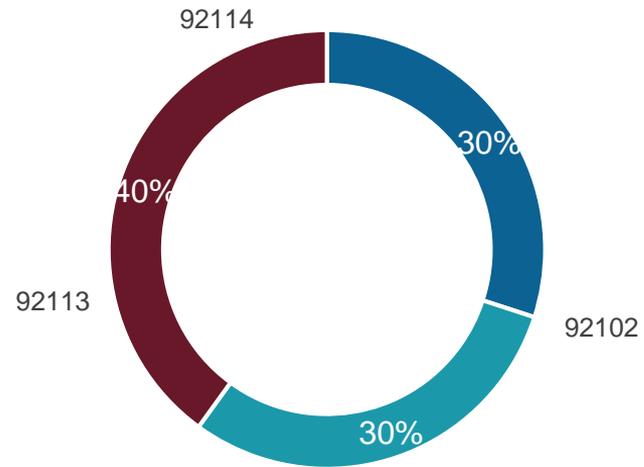
- Prospective business owners are planning business primarily in the service (30%) and food (29%) sectors. The majority plan to operate their business out of their home (58%).
- The biggest challenge facing one half of them is they have no idea how to get their business started or where to even go for advice (52%). Many also feel they don't have enough money to get started (50%) and have concerns over a loss of income while getting started (47%).
- Few (12%) currently have a mentor to help them get started.
- The amount of money required to start varies, depending on where they are in the process. Overall, the median amount needed is \$15,000 while those who have already started saving to start a business (48%) anticipate needed a median of \$2,500 more to go before they can start.
- Many (41%) anticipate funding the start up from savings with borrowing from non-profits (19%) and other means of financing is not being considered by many.



# **Business Owners**

# Zip Code of Business

- Survey participating business owners are split relatively equally between the 3 zip codes of interest.

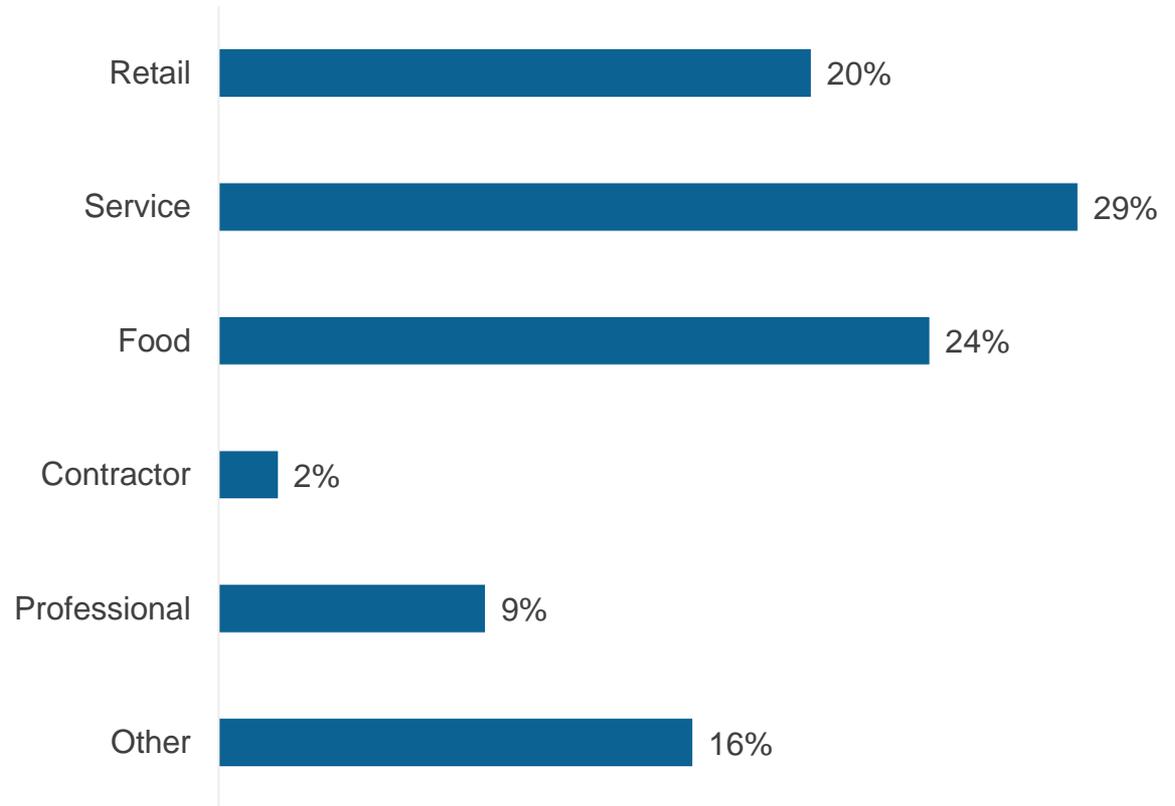


S3: What zip code do you operate your business from?

Base: Business Owners n=129

# Type of Business

- Service, food and retail are the leading types of businesses owned. Few own professional or contractor businesses.

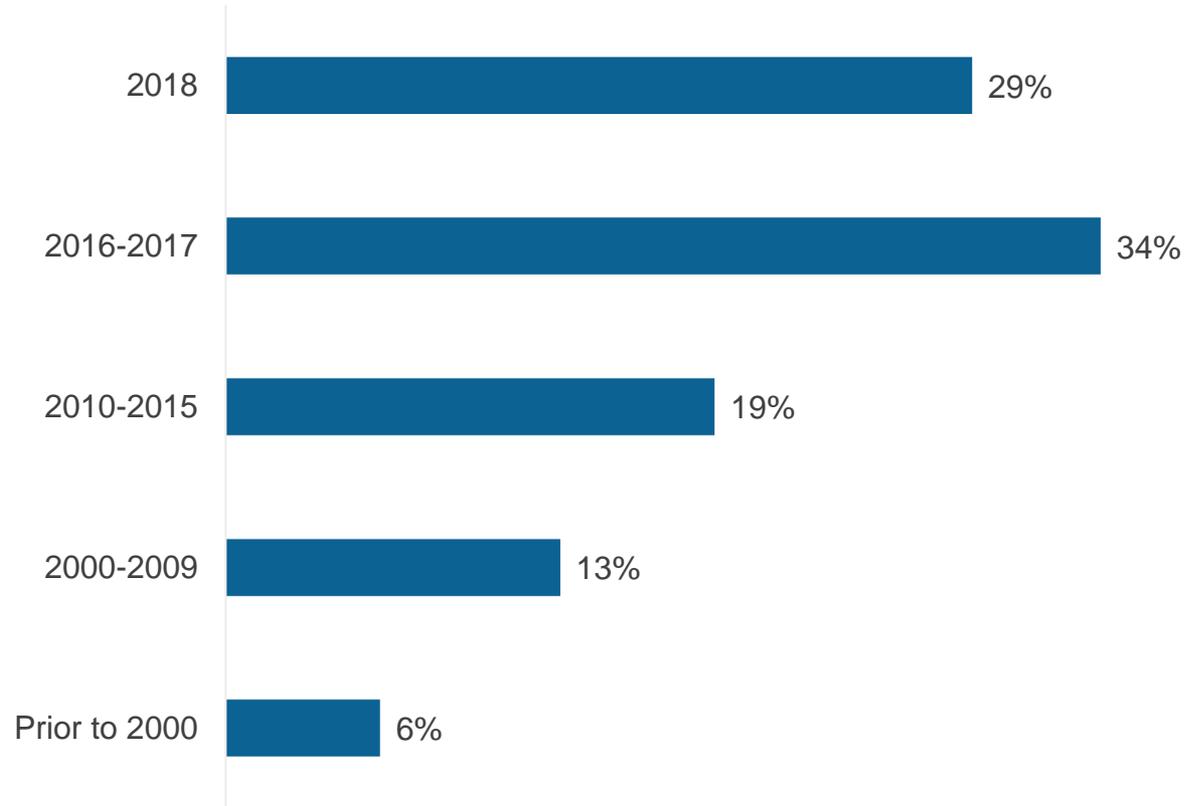


B1: Which of the following best describes the type of business you have?

Base: Business Owners n=129

# Year of Business Start

- The majority of the businesses have been started in the past two years; however, nearly one in five have been around approximately 20 years or longer.

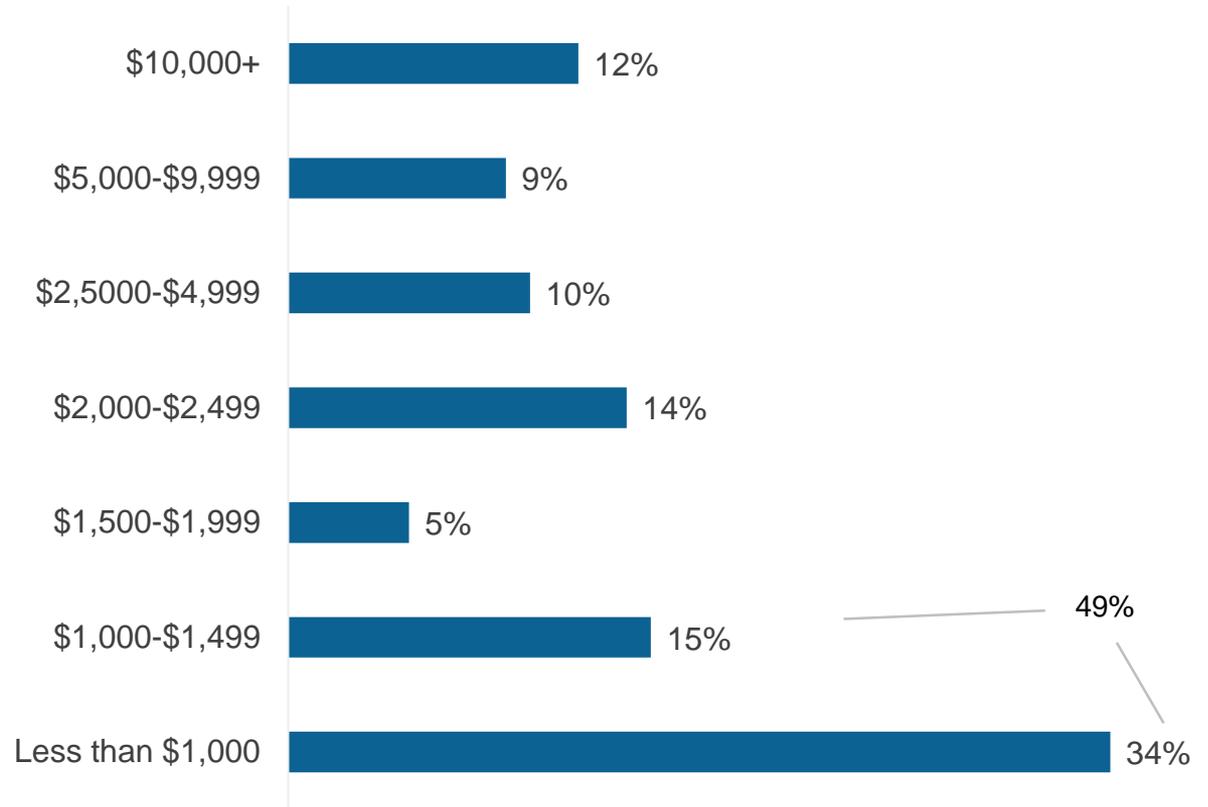


B2: In what year did you start your business?

Base: Business Owners n=129

# Approximate Monthly Revenue

- Approximately, one half of the businesses are generating less than \$1500 per month in revenue.

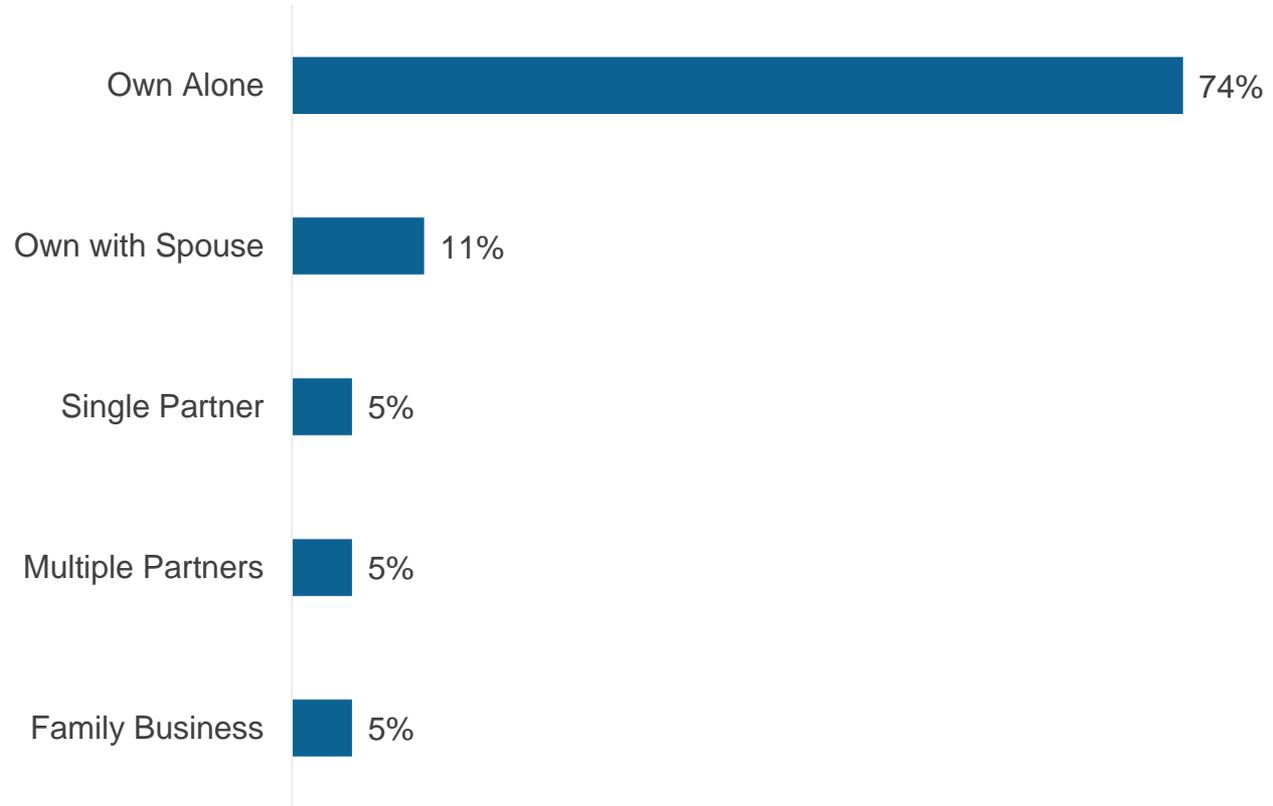


B3: On average, how much sales or revenue does your business bring in each month?

Base: Business Owners n=129

# Business Ownership

- Three in four of the businesses are owned by a single individual. There are very few businesses in this area owned by partners or are family-owned businesses.

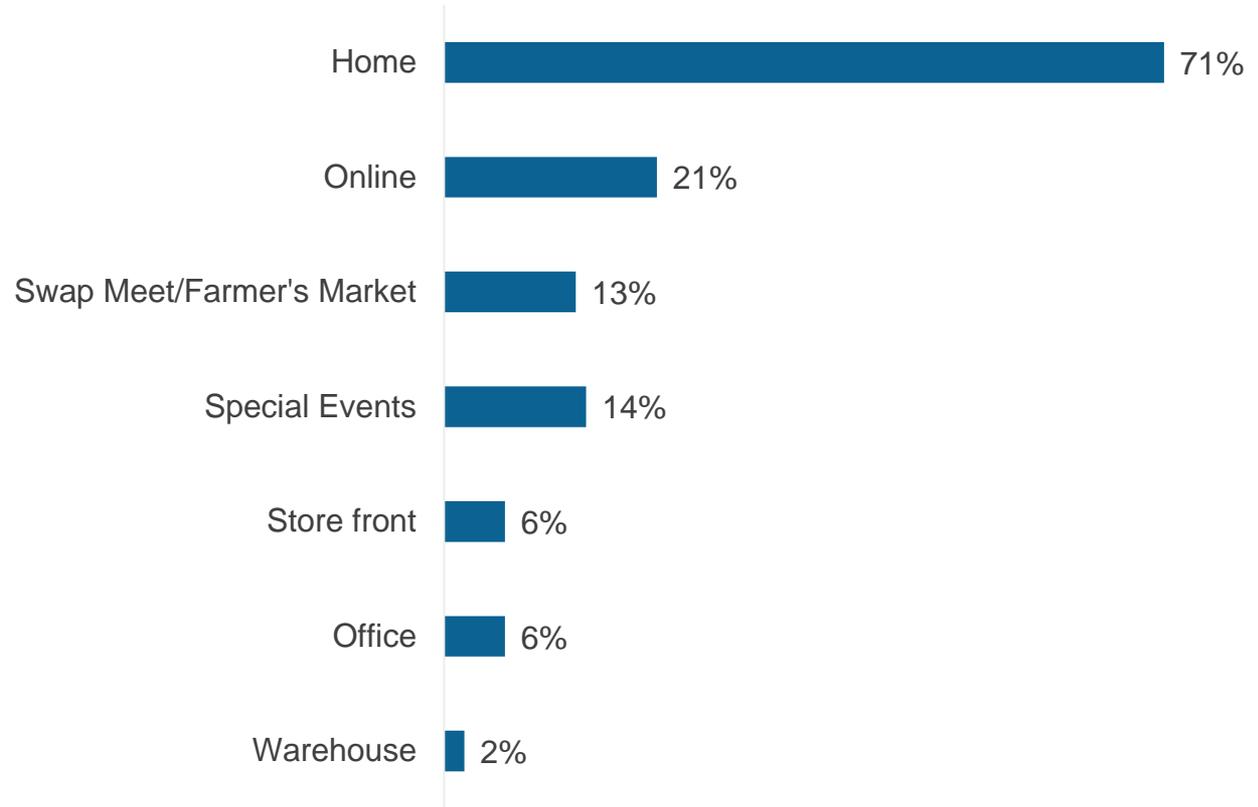


B4: Which of the following describes the ownership of your business?

Base: Business Owners n=129

# Location of Business

- Three in four of the businesses are home based, with about one in five involve an online component.

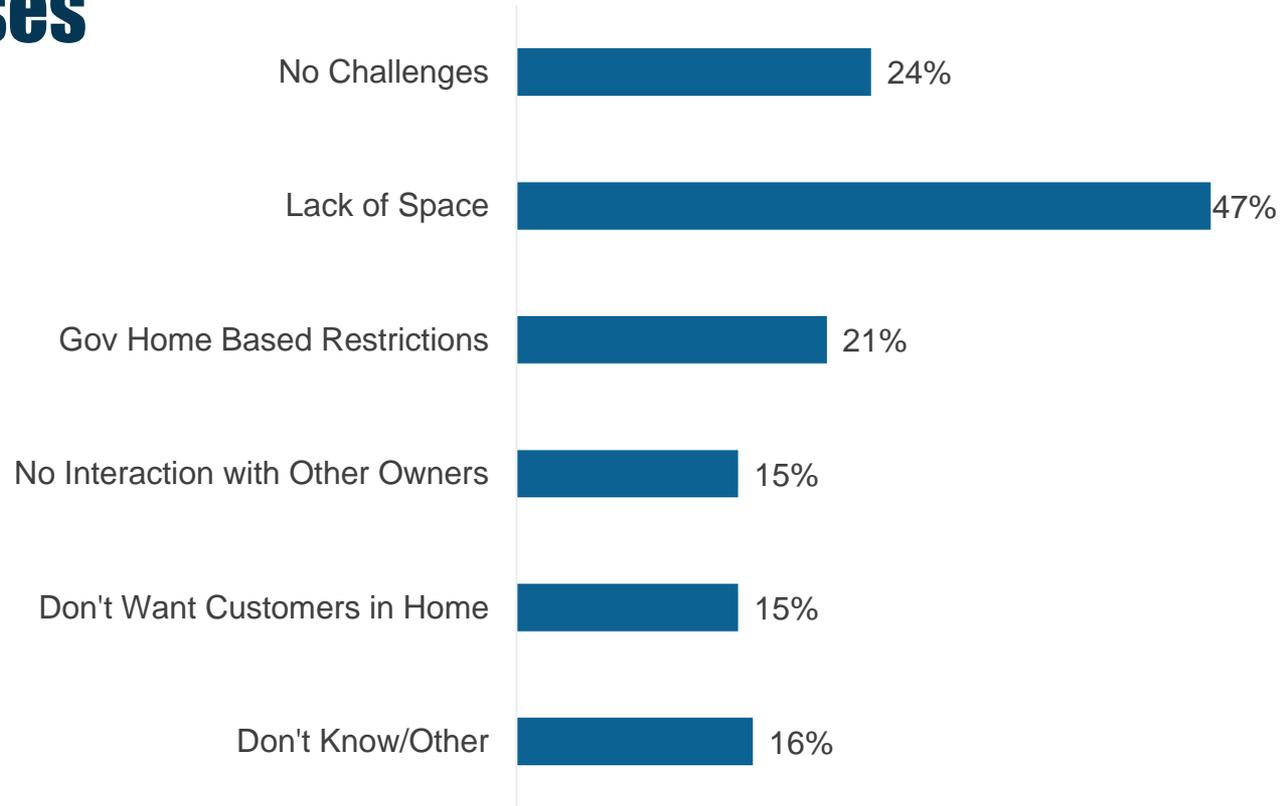


B5: Where do you operate your business from?

Base: Business Owners n=129

# Challenges for Home Based Businesses

- The lack of space is the primary challenge facing business owners who are operating from their homes.

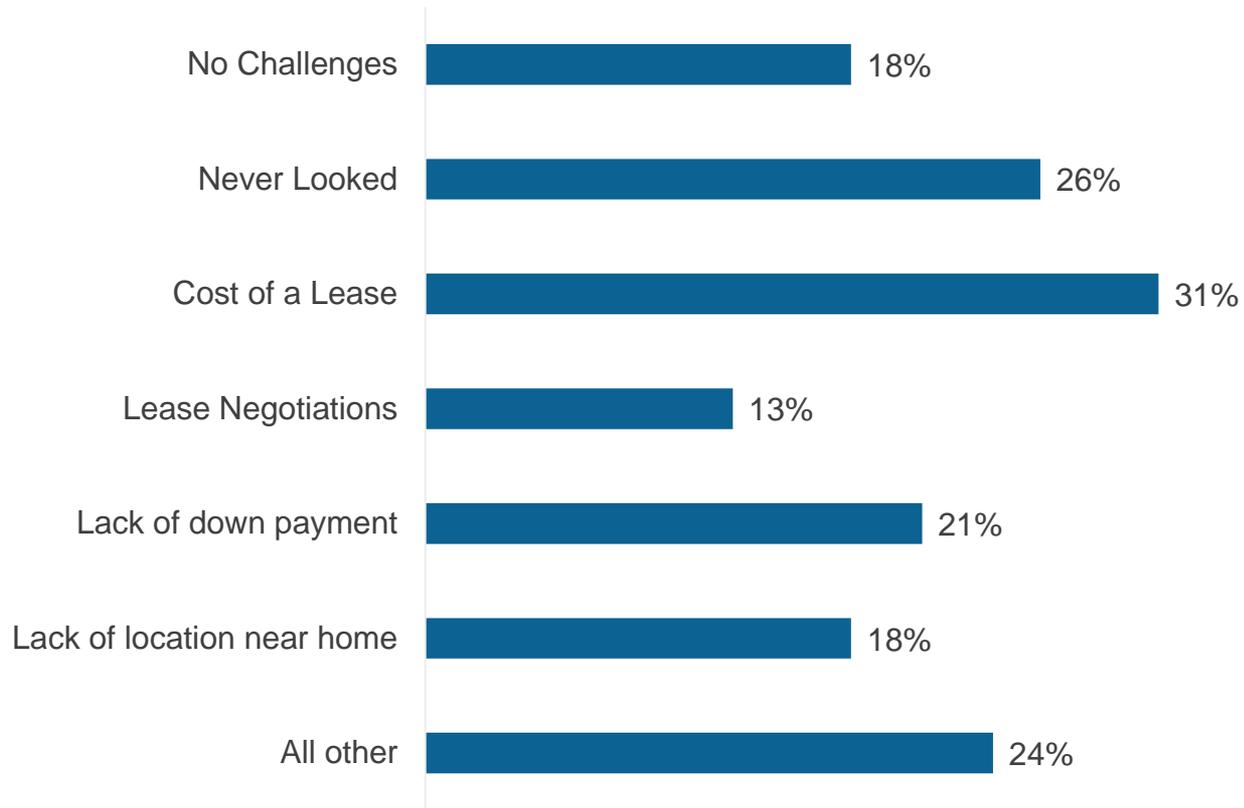


B6: What are some of the challenges you face in operating your business out of your home?

Base: Operate business from home n=92

# Challenges Finding Space

- Among business owners whose business is located outside of the home, the cost of a lease and lack of a down payment are the primary challenges they face when looking for space.

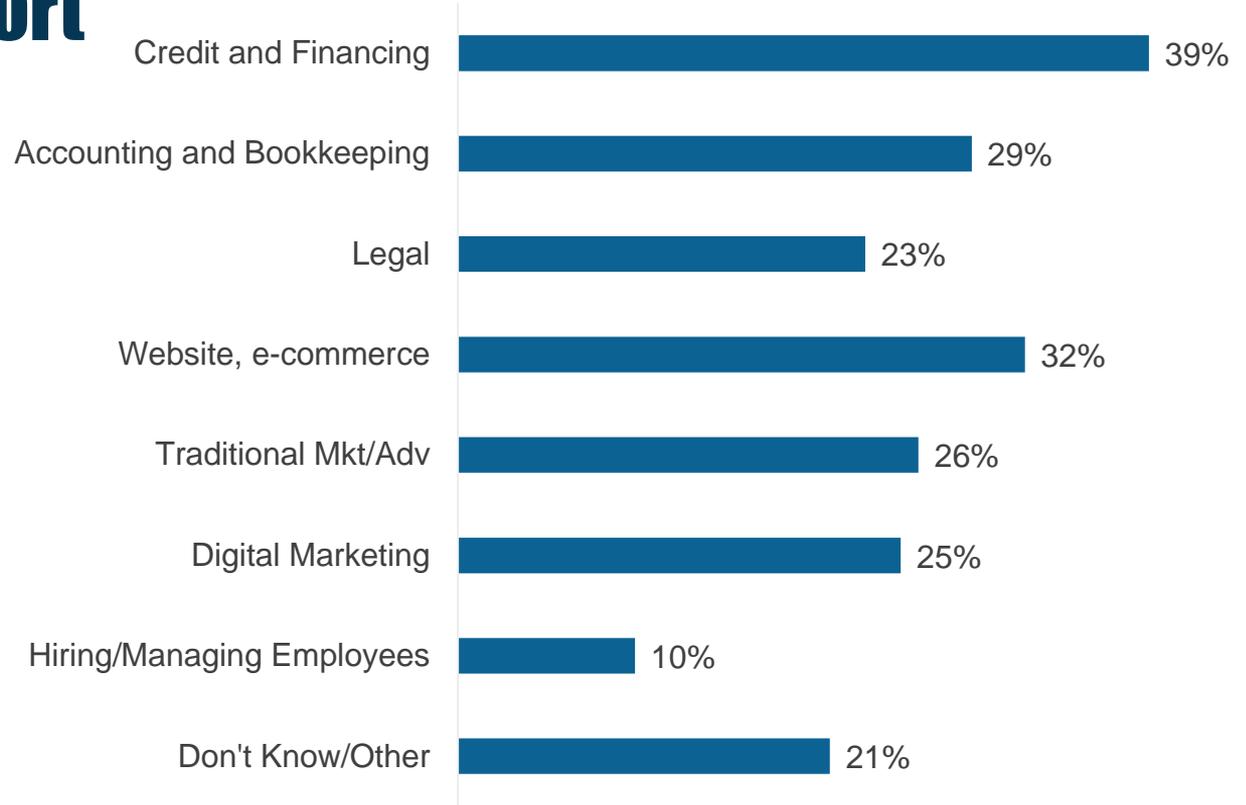


B7: What are some of the challenges you faced, if any, in looking for a business location?

Base: Operate business from location other than home n=62

# Challenging Areas Requiring Support

- In running their businesses, owners are faced with many challenges requiring support. Credit and financing, accounting and bookkeeping and website/e-commerce are challenges faced by the most owners.

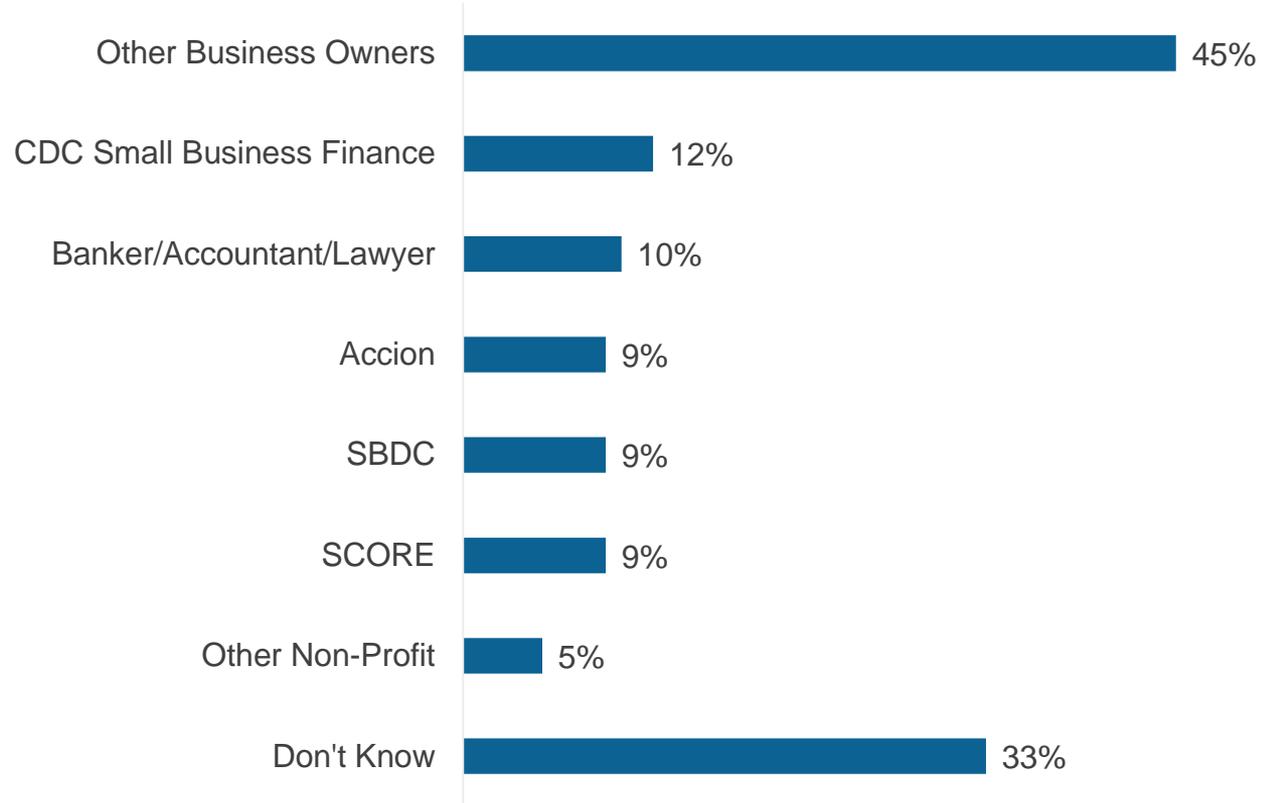


B8: What areas of your business, if any, do you find challenging and would like to have additional support to strengthen?

Base: Business Owners n=129

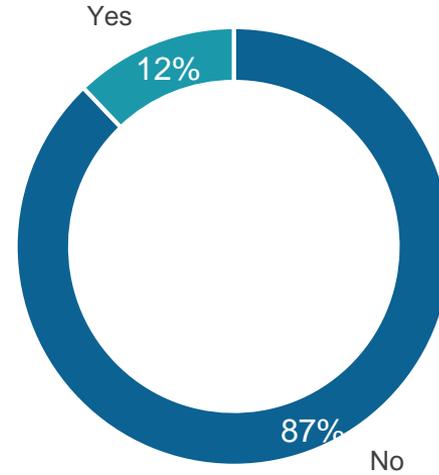
# Sources Used for Advice

- For advice in dealing with the challenges, most seek the advice of other business owners or just don't know where to turn. Few are contacting the non-profit options available to them.



# Ever Applied for Business Financing

- Very few business owners have ever applied for business financing for their business.

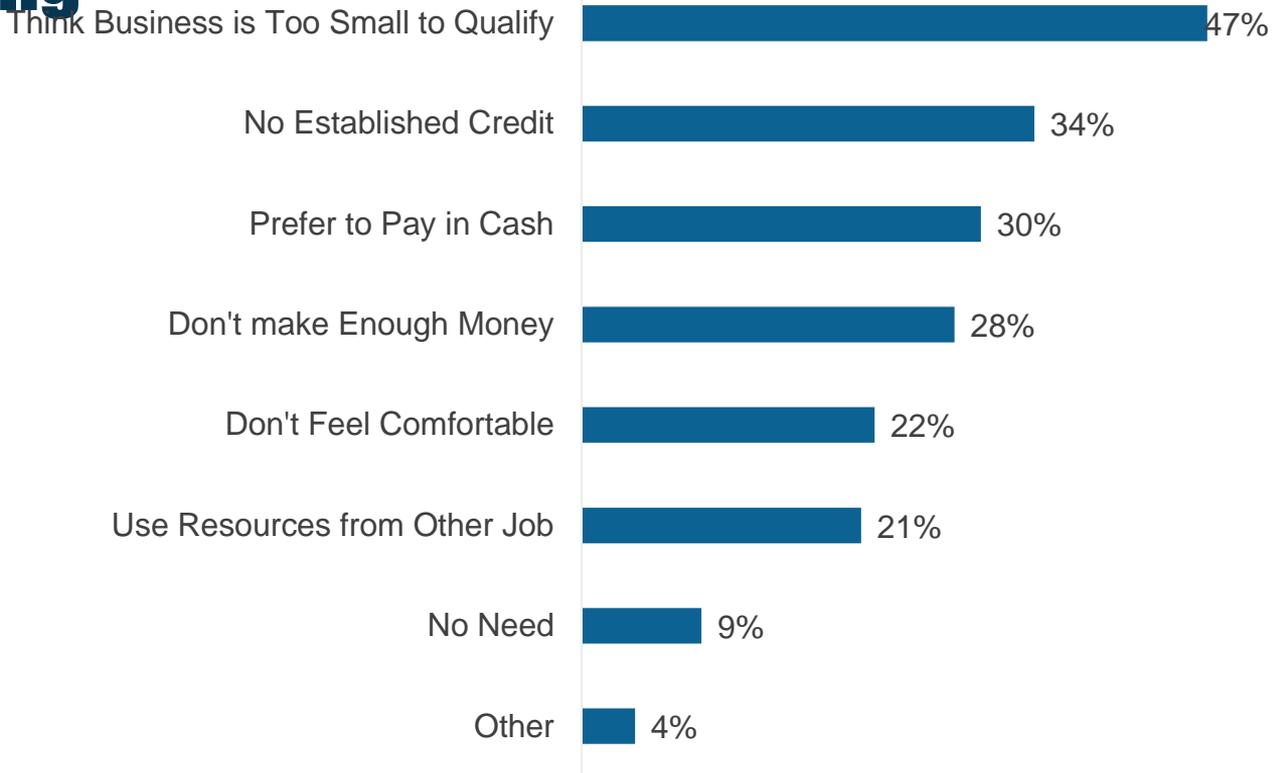


F1: Have you ever applied for any business financing?

Base: Business Owners n=129

# Reasons for Not Seeking Financing

- Nearly half have never applied for financing because they think their business is too small. Many don't have established credit or feel comfortable applying for financing.

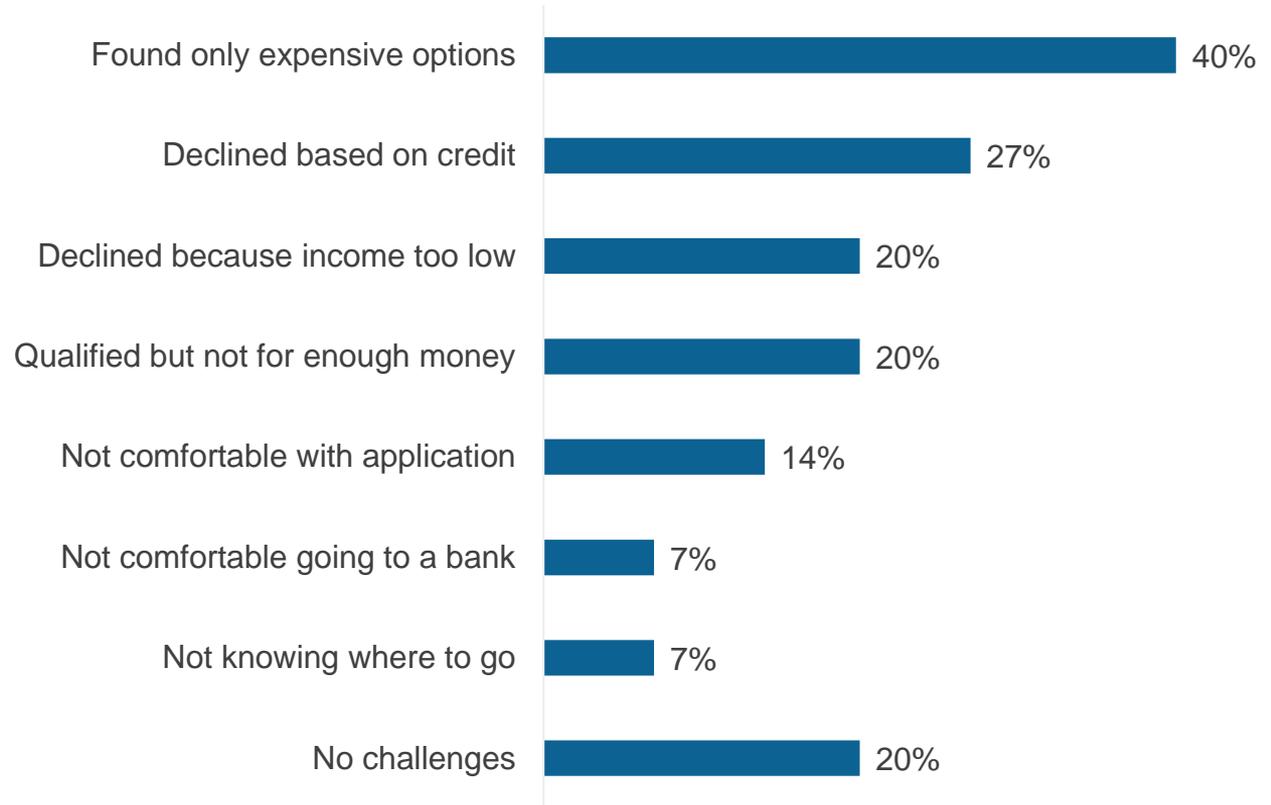


F3: You mentioned you have never applied for any kind of business financing. Which of the following reasons describe why you haven't applied for financing?

Base: Business Owners who never applied for financing  
n=114

# Challenges Faced in Financing

- Most owners who have sought out financing, found only expensive options or were declined based on credit or income.

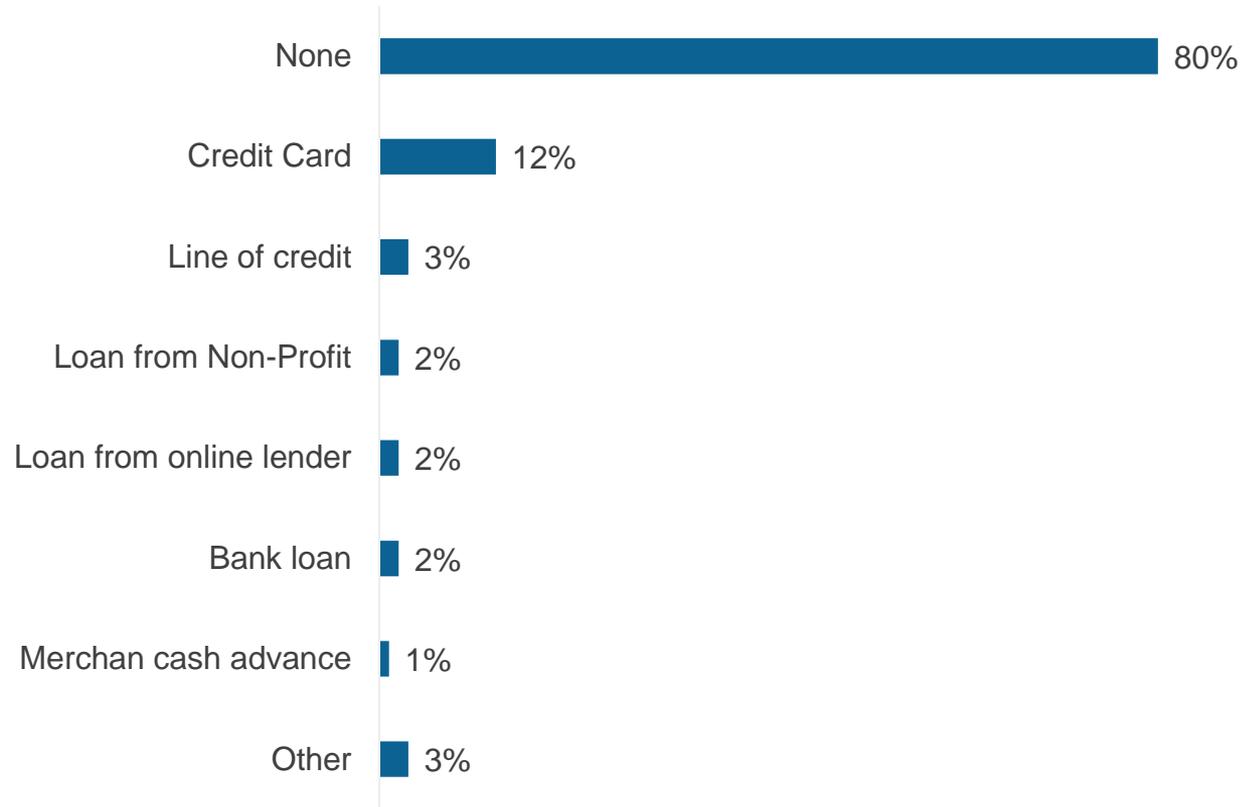


F2: What challenges did you face when seeking capital for your business?

Base: Business Owners who have applied for financing n=15

# Finance Options Used in Past Year

- The majority of business owners did not use any financing in the past year. About one in ten used their credit card for financing.

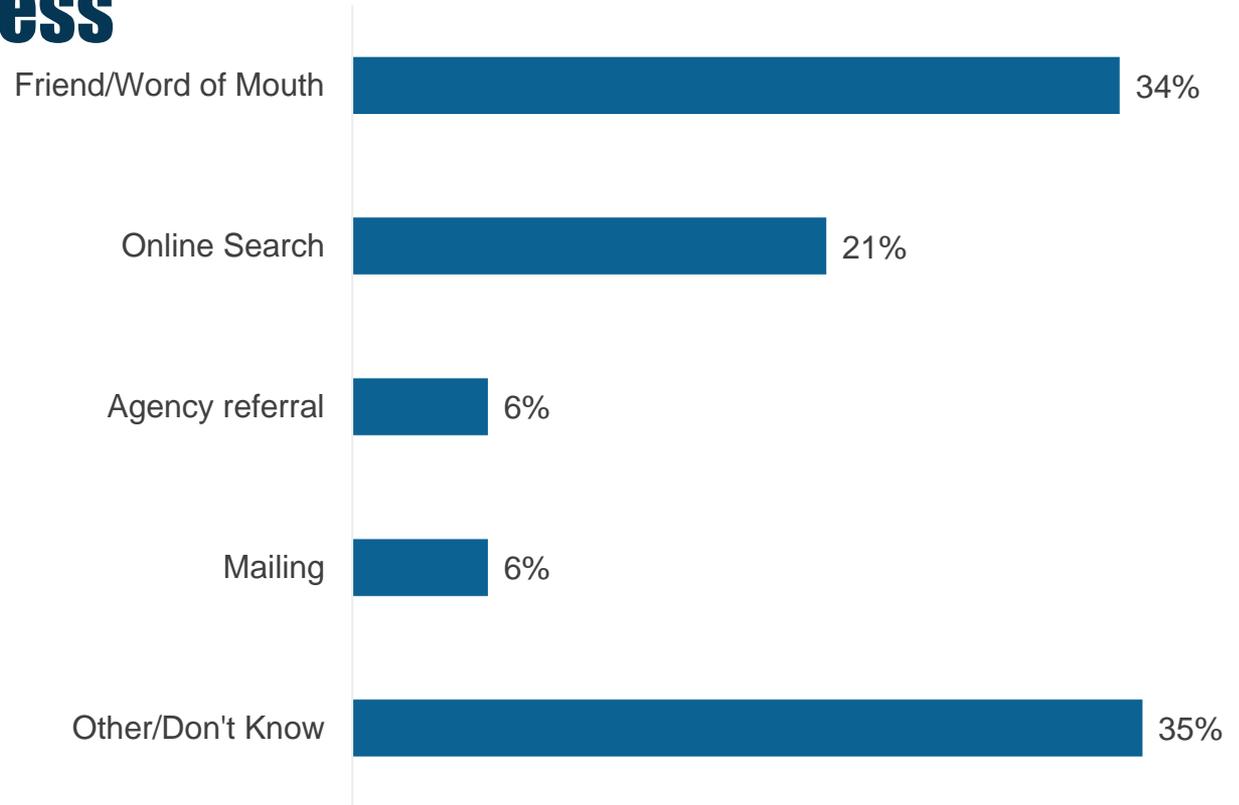


F4: In the past 12 months, have you received any financing for your business through any of these options?

Base: Business Owners n=129

# Source of Financing Options Awareness

- Similar to seeking business advise, many business owners do not know where to go to learn about financing options. Friends and online searches are used most frequently.

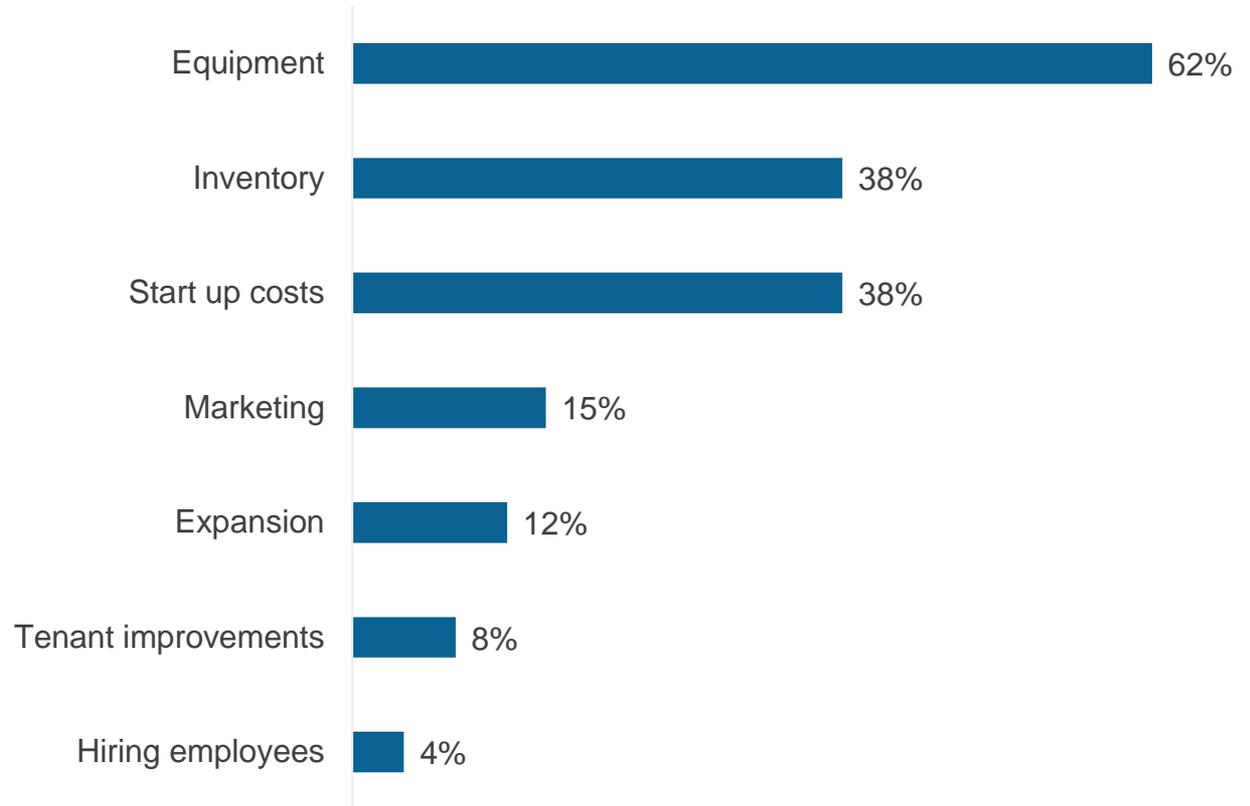


F5: How did you learn about these finance options?

Base: Business Owners n=129

# Financing Uses

- Among business owners who have sought out financing, more than half used that financing for equipment. Inventory and start up costs are also leading uses for business financing.

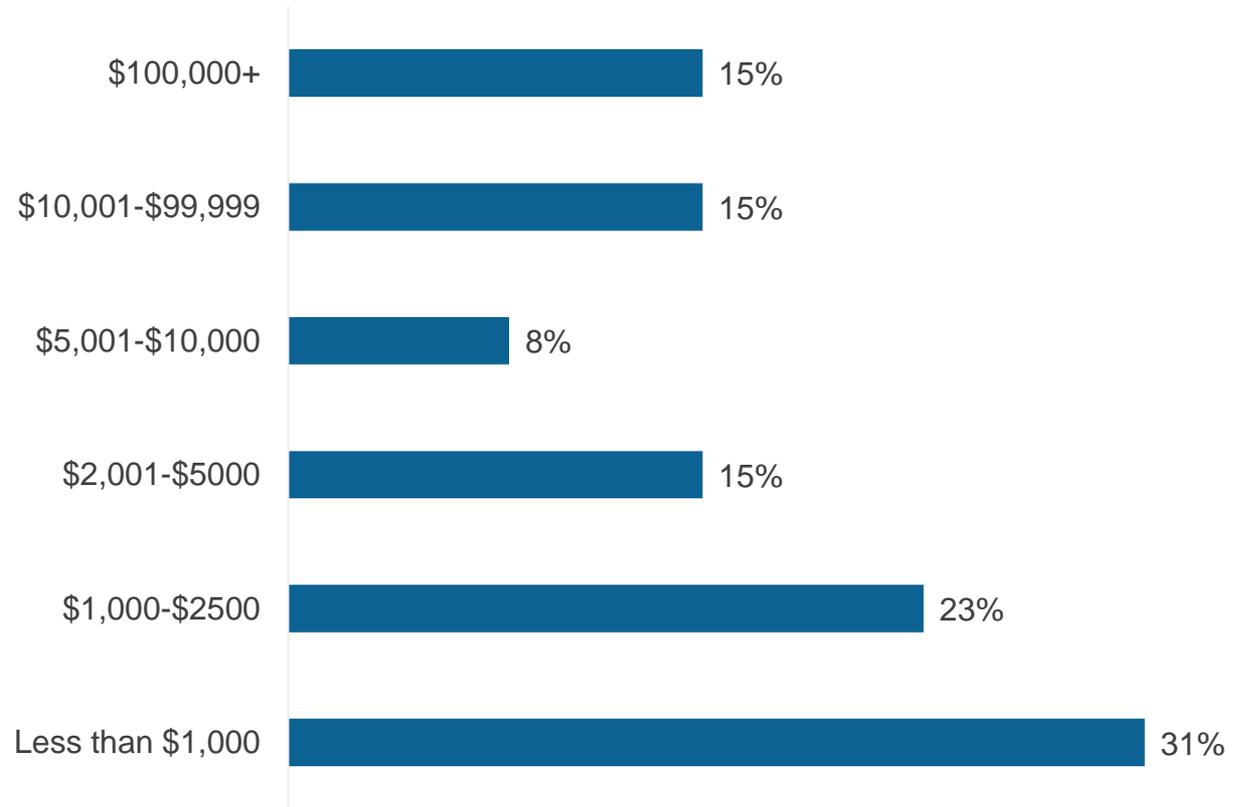


F6: What did you use the financing for?

Base: Business Owners who obtained financing in past year  
n=26

# Approximate Amount Borrowed

- The amount of business financing borrowed in the past year varies substantially, likely by the size of business. The majority of business owners borrowed a small amount of capital that was \$2,500 or less.

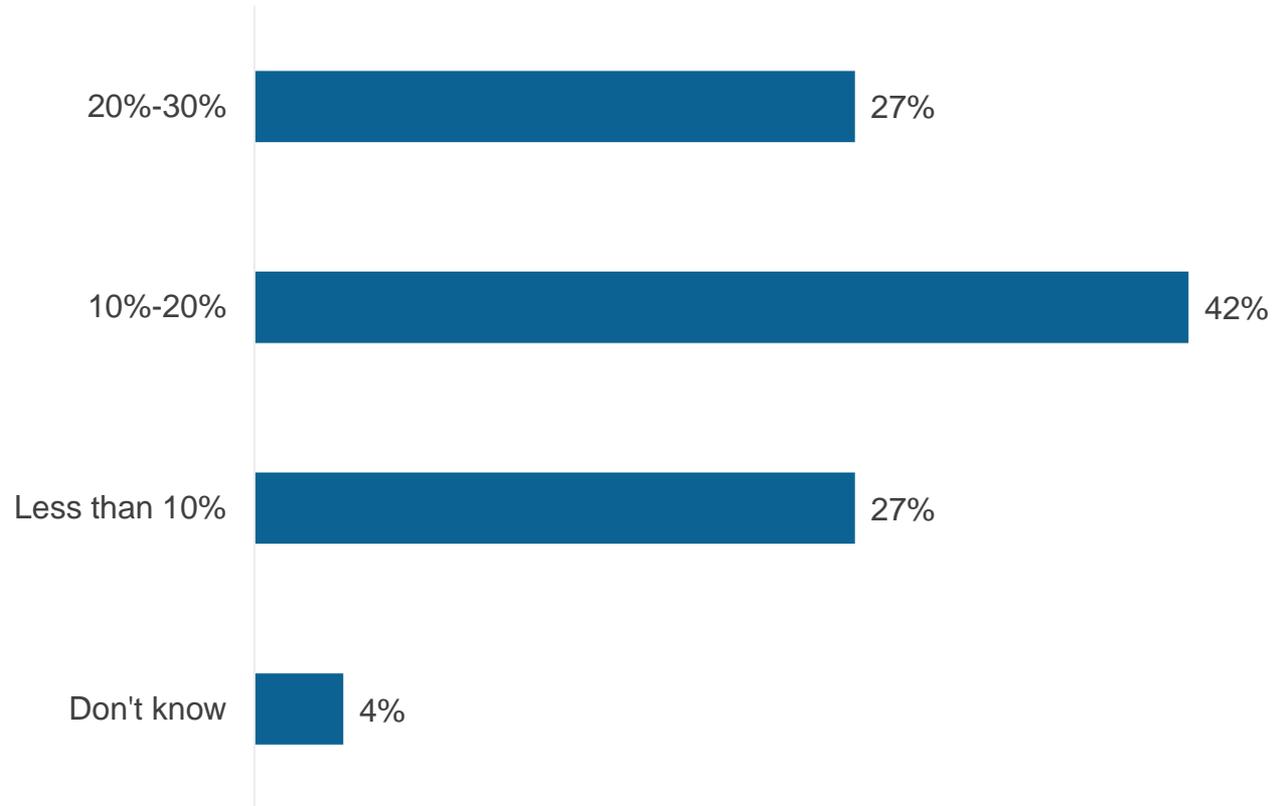


F7: How much money did you borrow for purpose previously selected in the past year?

Base: Business Owners who  
obtained financing in past year  
n=26

# Finance Rate Paid

- The cost of the financing was high for many of them, with only one in four borrowing with an interest rate less than 10%.



F8: As best as you can remember, what is the highest interest rate you have ever paid for business financing?

Base: Business Owners who obtained financing in past year  
n=26

# Finance Rate Paid

- Expensive options were used due to the lack of awareness of more affordable options or due to the simplicity of the chosen option (e.g., just charged to the credit card).

Did not know of more affordable options

29%

It was a simple process

29%

Interest rate wasn't clear

14%

I needed money fast

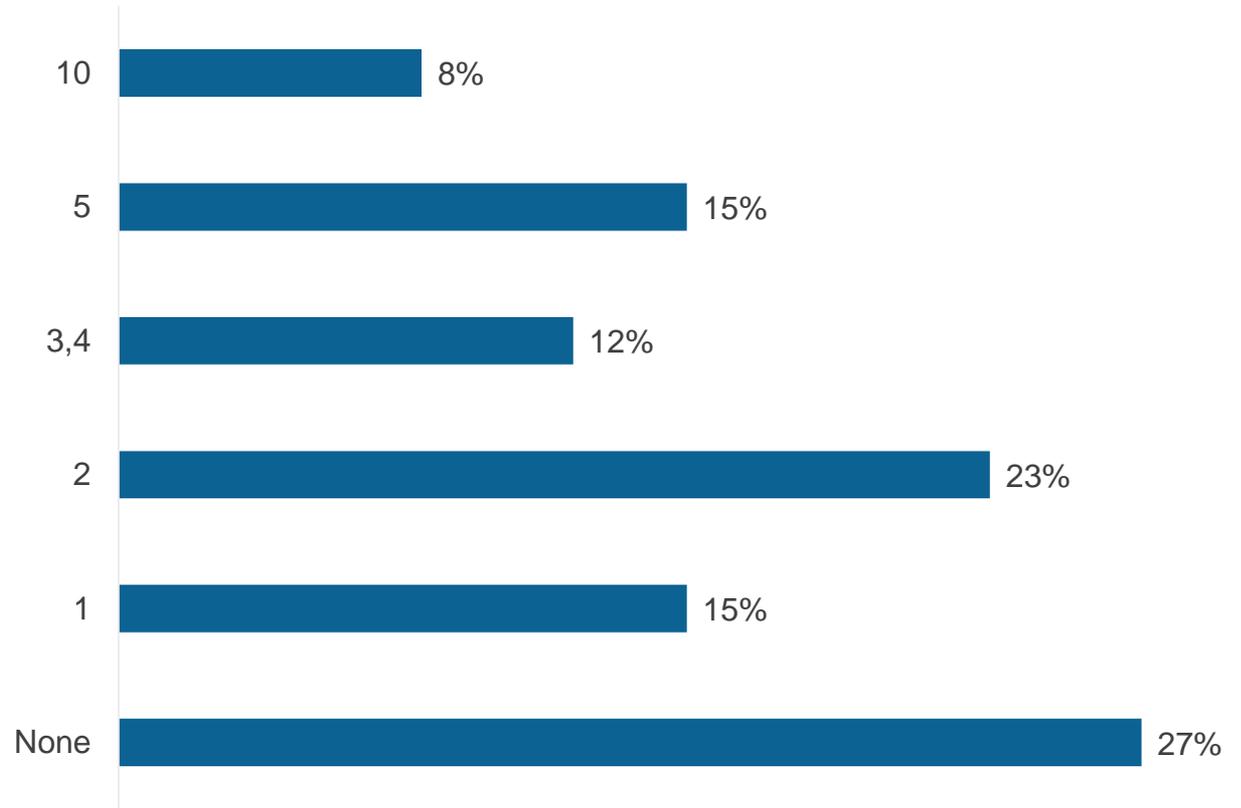
14%

F9: You mentioned you paid over 20% or did not know your interest rate. Which of the following best describes your reasoning behind this choice?

Base: Business Owners who obtained 20%+ interest financing in past year n=7

# Future Hires

- Many of the business owners have hiring plans for the next two years, with only one in four not planning to hire anyone.

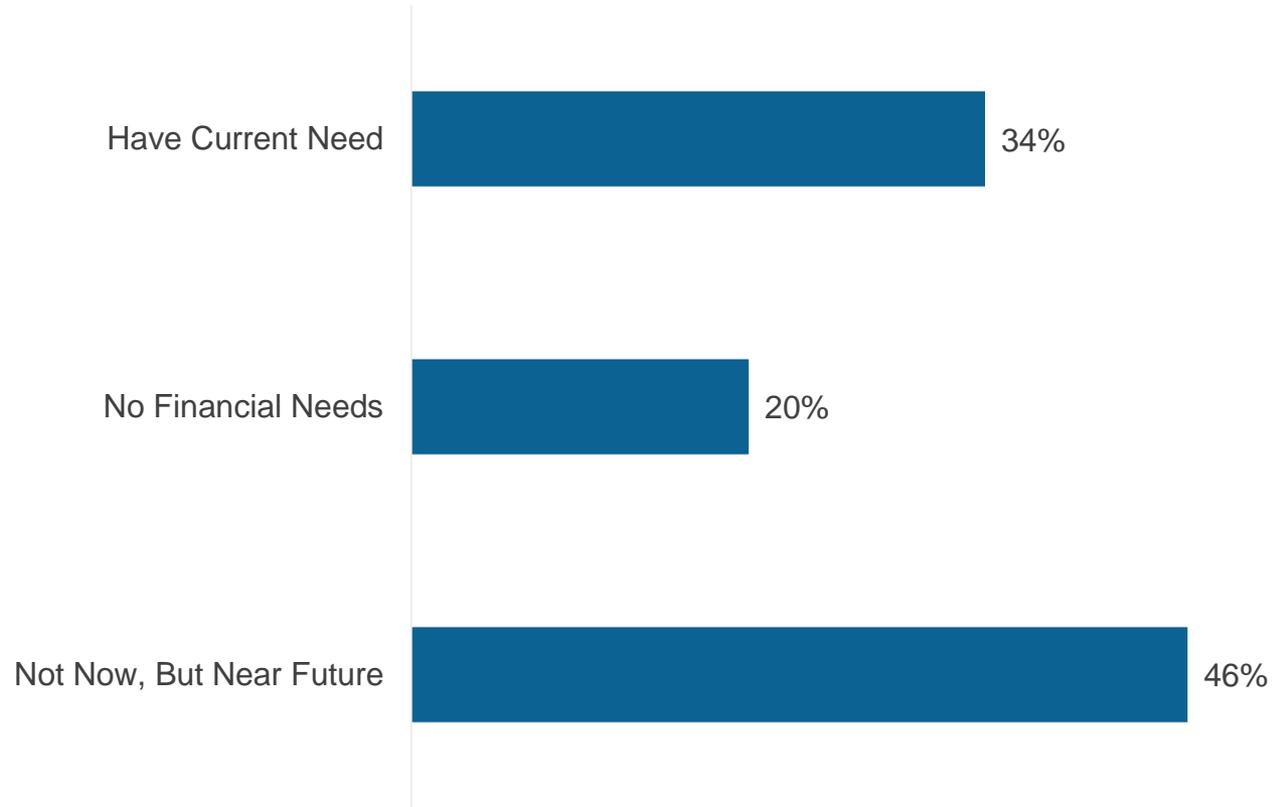


F10: How many employees do you plan to hire in the next 2 years?

Base: Business Owners n=129

# Financial Needs

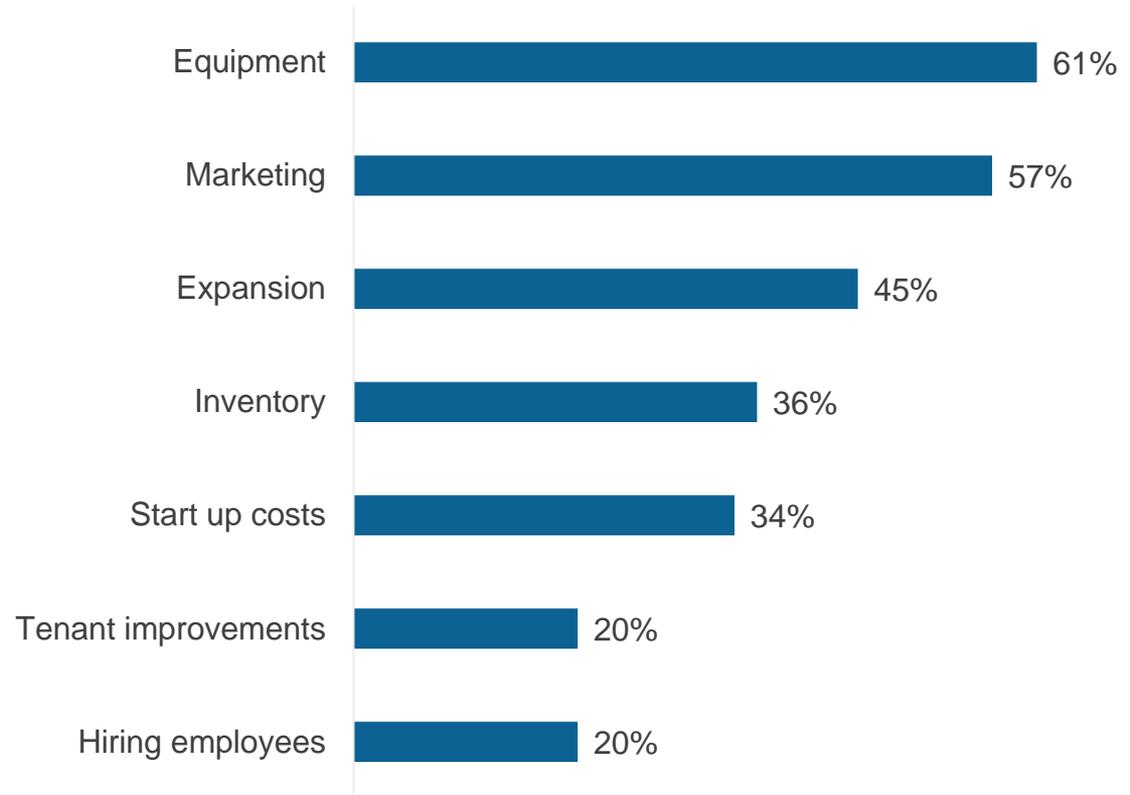
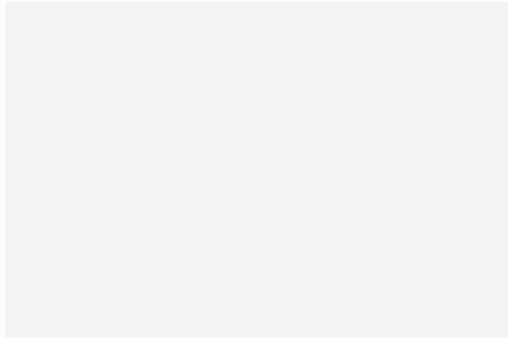
- The majority of business owners claim a need for financing, with one in three having an immediate need and one half acknowledging a future need.



G1: Are you currently in need of financing to invest in your business?

Base: Business Owners n=129

# Investment Financing Needed for

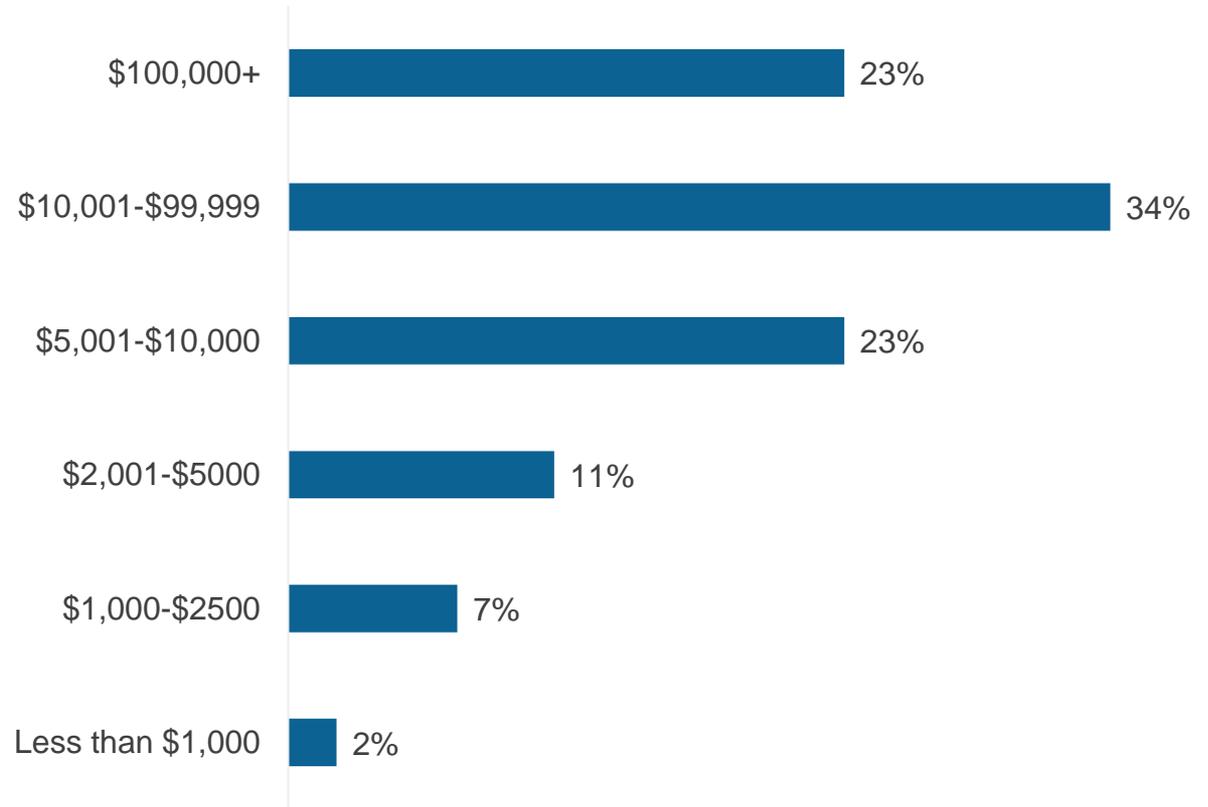


G2: What are you looking to invest in?

Base: Business Owners who have a need for financing n=44

# Amount of Financing Needed

- The anticipated future financing need amounts are varied, ranging from under \$1,000 to many requiring more than \$100,000.



G3: How much money do you anticipate needing to borrow previously selected?

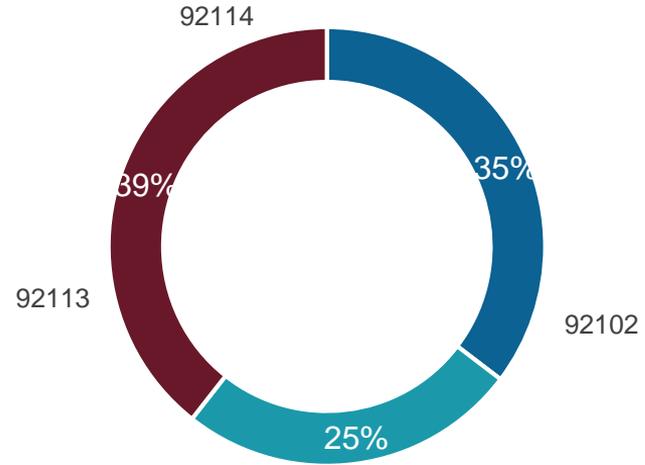
Base: Business Owners who have a need for financing n=44



# Prospective Owners

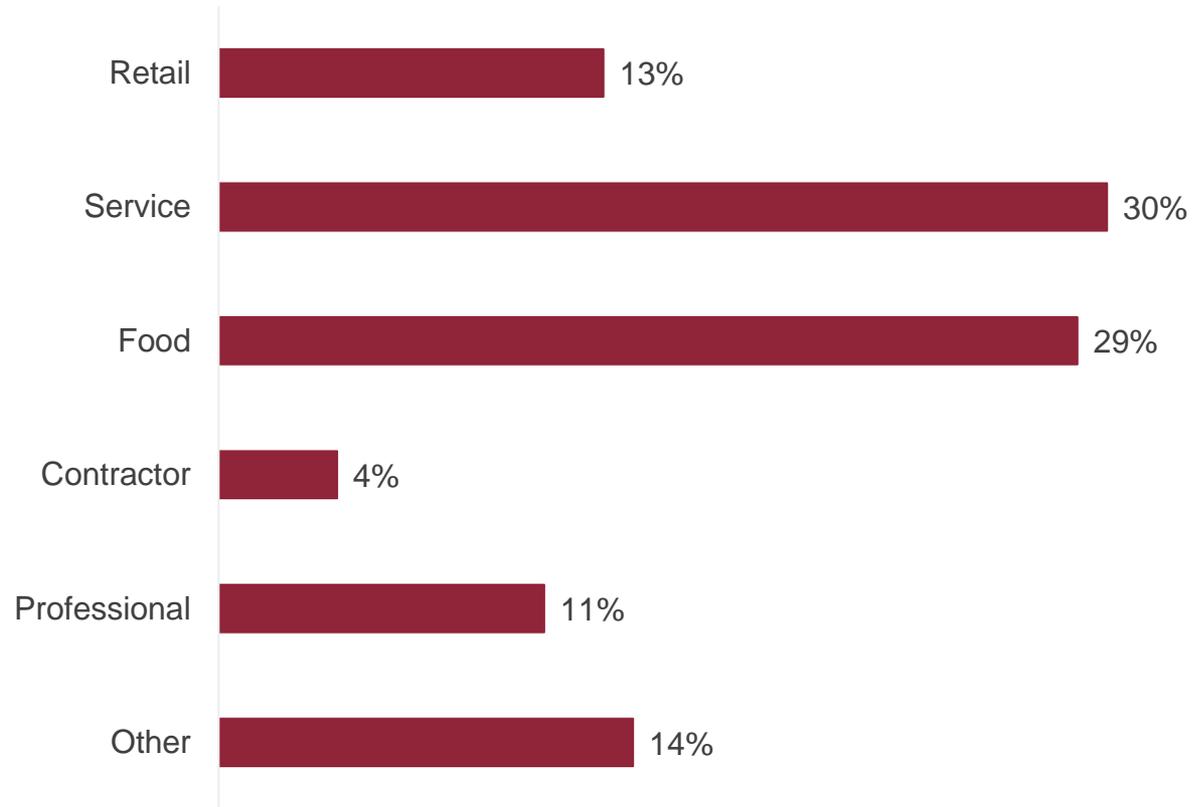
# Residence Zip Code

- Survey participating residences in the zone of interest who plan to start a business owners are split relatively equally between the 3 zip codes of interest.



# Type of Business

- Services and food related businesses are the leading type of business that future owners are interested in starting up.



H1: You mentioned you have a hobby or idea that you are considering setting up as a business. What type of business are you interested in starting?

Base: Prospective Owners n=101

# Anticipated Challenges

- Prospective business owners are anticipating many challenges with one half not even knowing where to start or how to go about doing it. Others are trying to save enough money and many are also concerned about the loss of income while starting a business.



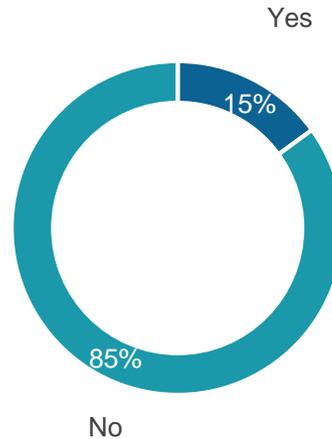
H4: What challenges do you think you will face in starting your own business?

Base: Prospective Owners n=101

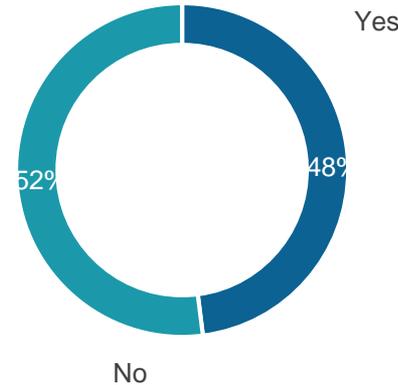
# Advice from Mentors

- Very few prospective business owners are currently seeking advice from mentors. Nearly one half are currently raising money to start the business but one in four need help to figure out how much financing they are going to need.

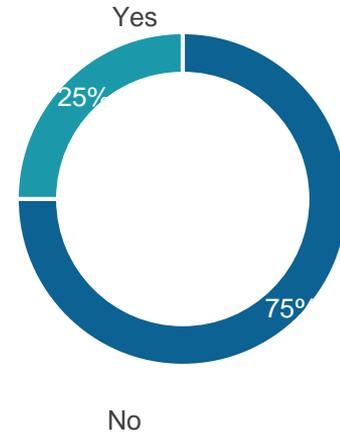
Advice from Mentors



Currently raising money



Need help to figure out financing

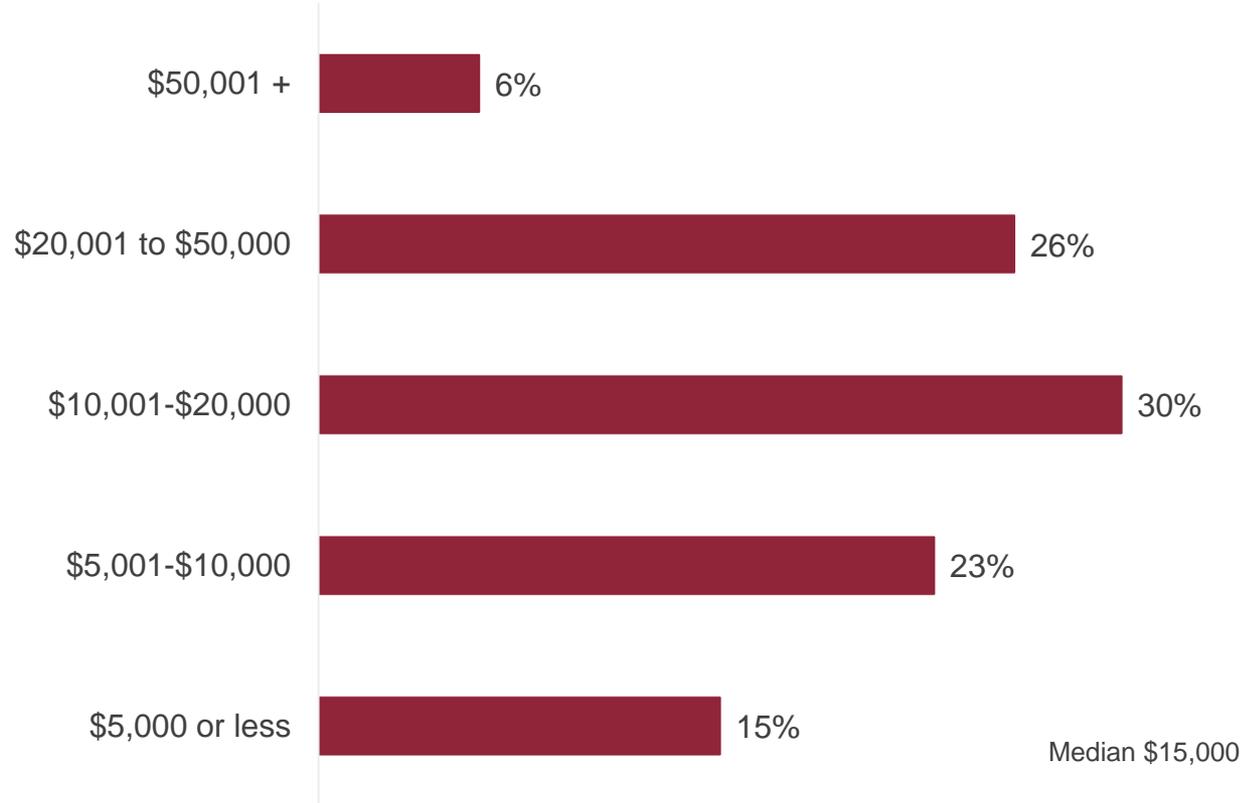


H6: Are you currently getting advice from any mentors?  
H8: Are you trying to raise money for your business?  
H10: Do you need help is figuring how much to raise?

Base: Prospective Owners n=101

# Amount of Financing Needed

- Prospective business owners are anticipating the need for fairly substantial financing, with the median amount being \$15,000.

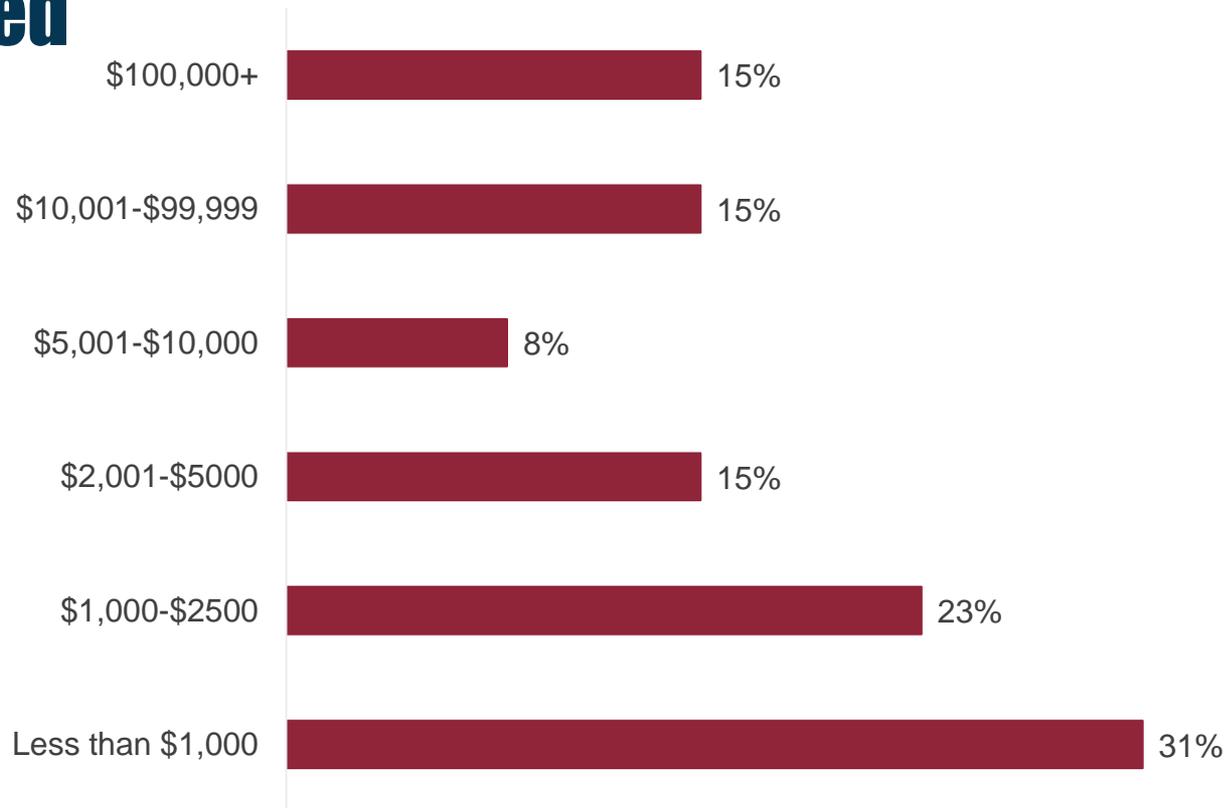


H9: How much do you anticipate you need to raise?

Base: Prospective Owners n=101

# Approximate Amount of Financing Needed

- The amount of capital anticipated by prospects already raising capital is much less. The majority of these prospective business owners figure they need to raise less than \$2,500 to start their business.

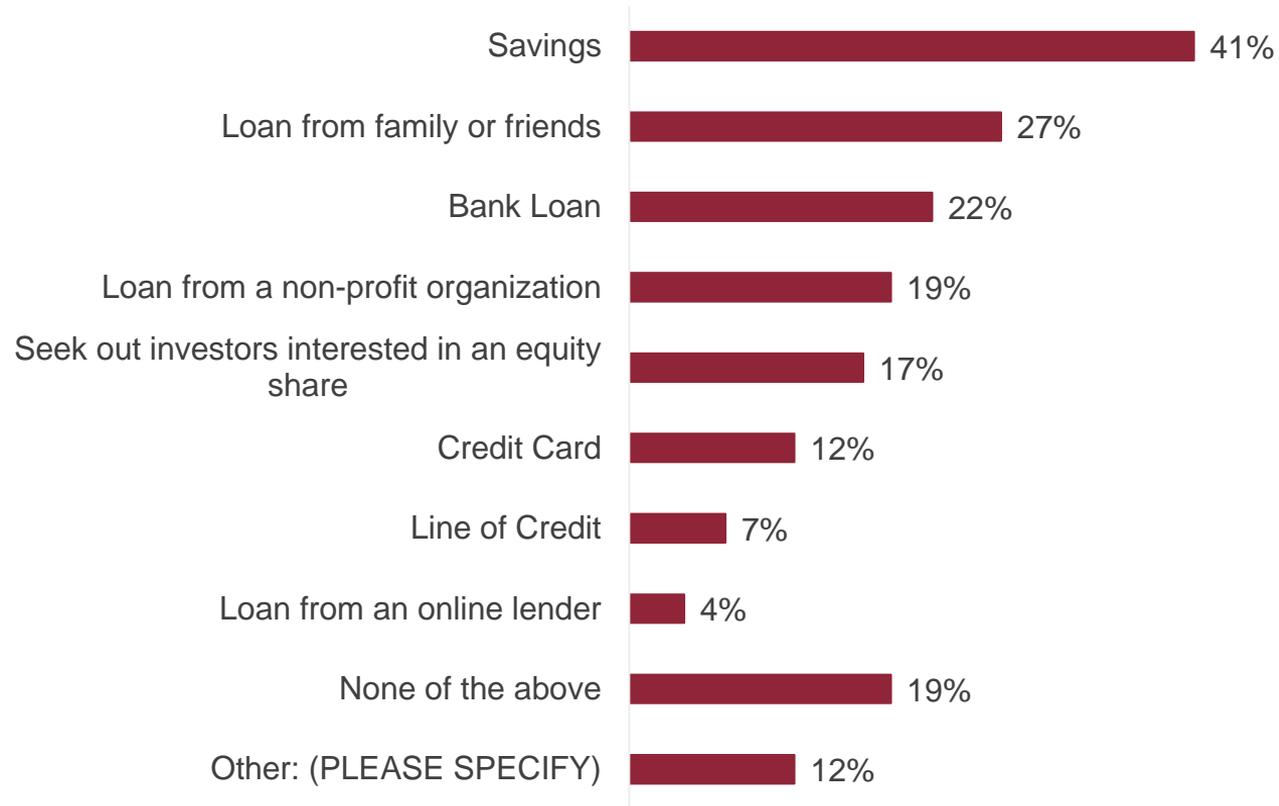


H1: How much do you anticipate you need to raise?

Base: Currently raising money  
n=48

# Plans for Financing

- Nearly one half of prospective business owners plan to finance their business with their own savings. One in five plan to get a loan from a non-profit.

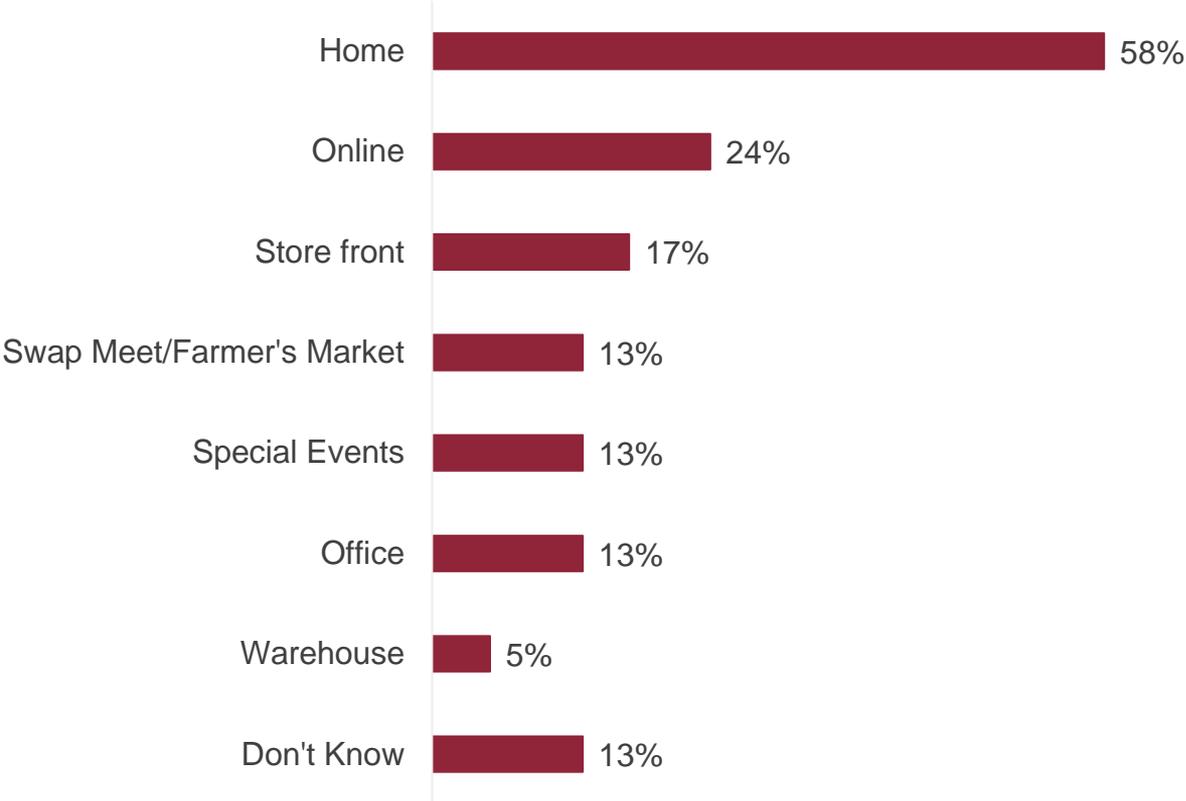


H7: How do you plan to finance your business?

Base: Prospective Owners n=101

# Planned Location of Business

- Over one half of prospective business owners plan to work out of their home, with one in four indicating there will be an online component to their business.

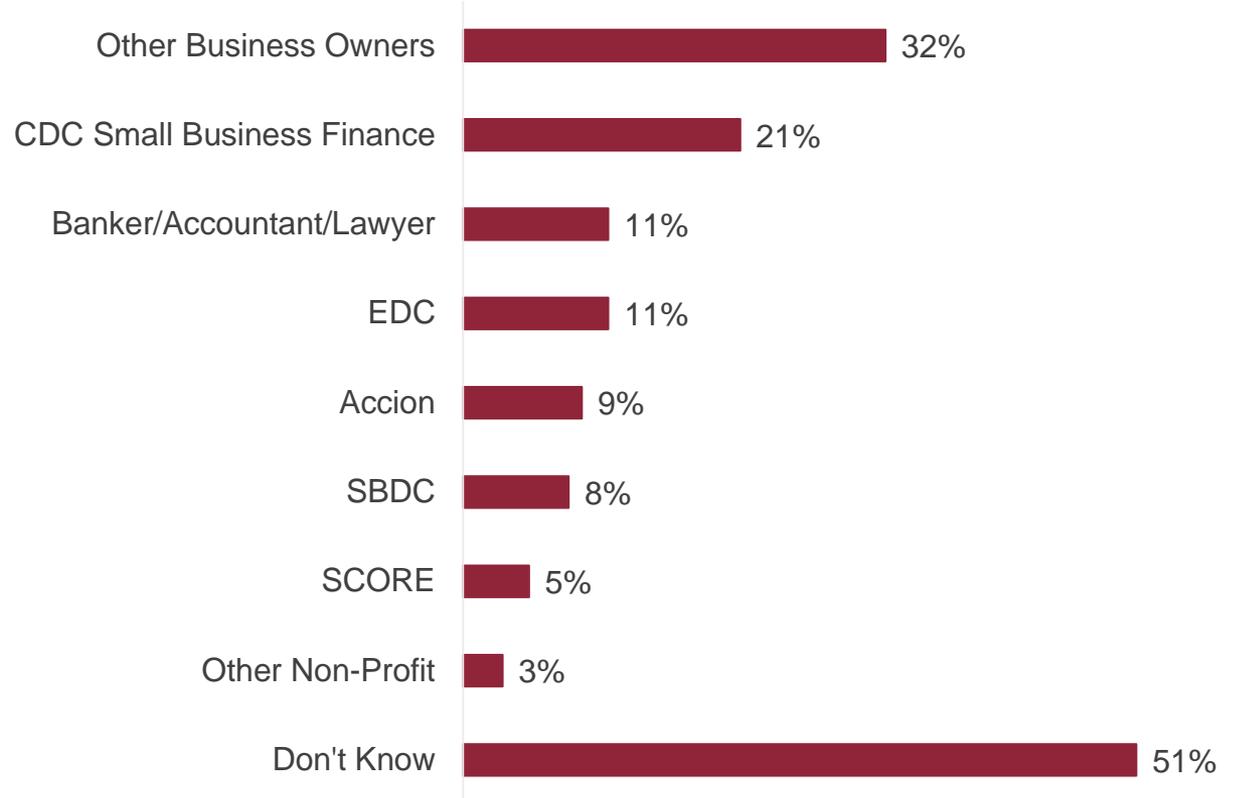


H2: Where do you plan to operate this business from?

Base: Prospective Owners n=101

# Sources Plan to Use for Advice

- One half of prospective business owners have no idea where to turn to for advice on their business. One in three will turn to other business owners for guidance, with few planning to use non-profits to help get started.

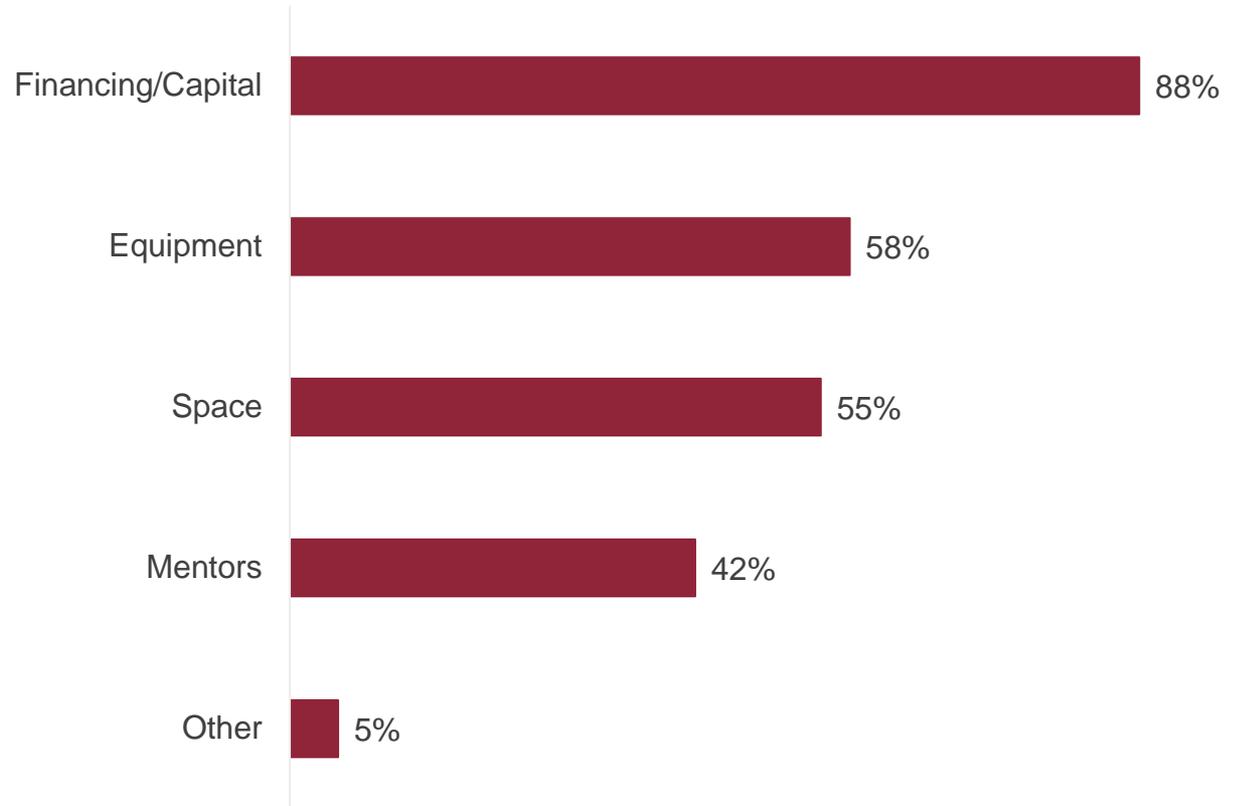


H3: Who would you go to for advice about your business?

Base: Prospective Owners n=101

# Resources Needed

- Prospective owners recognize the need for financing and equipment to start their business. Fewer than one half recognize the need for mentors in getting started.



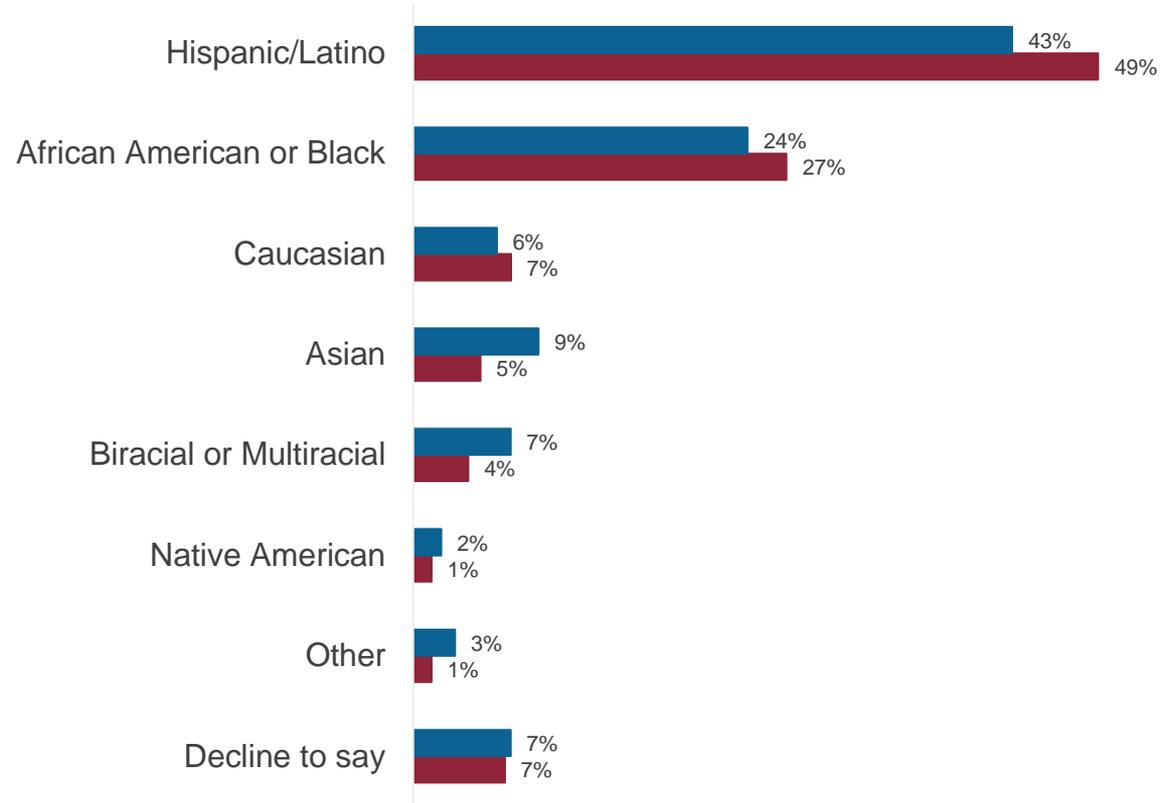
H5: What resources do you need to launch your business?

Base: Prospective Owners n=101



# DEMOGRAPHICS

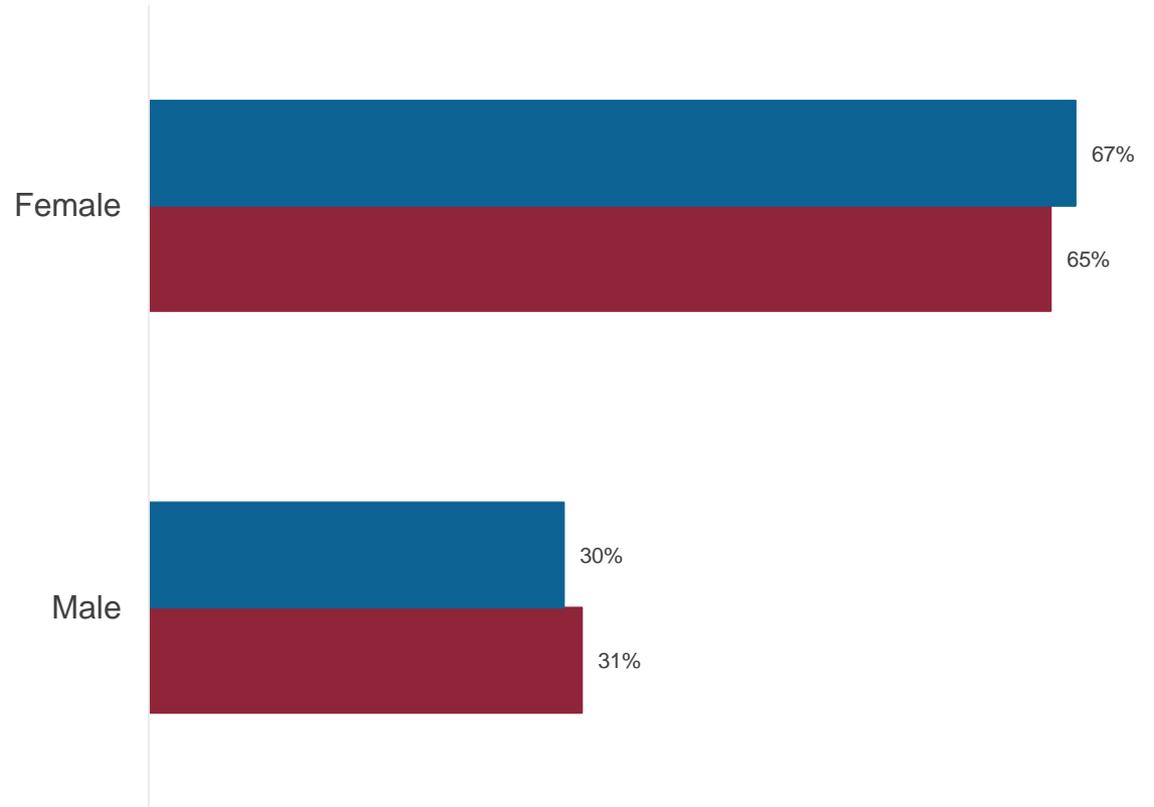
# Race



D1: What race do you identify with?

Base: Business Owners n = 129  
Prospective Owners n=101

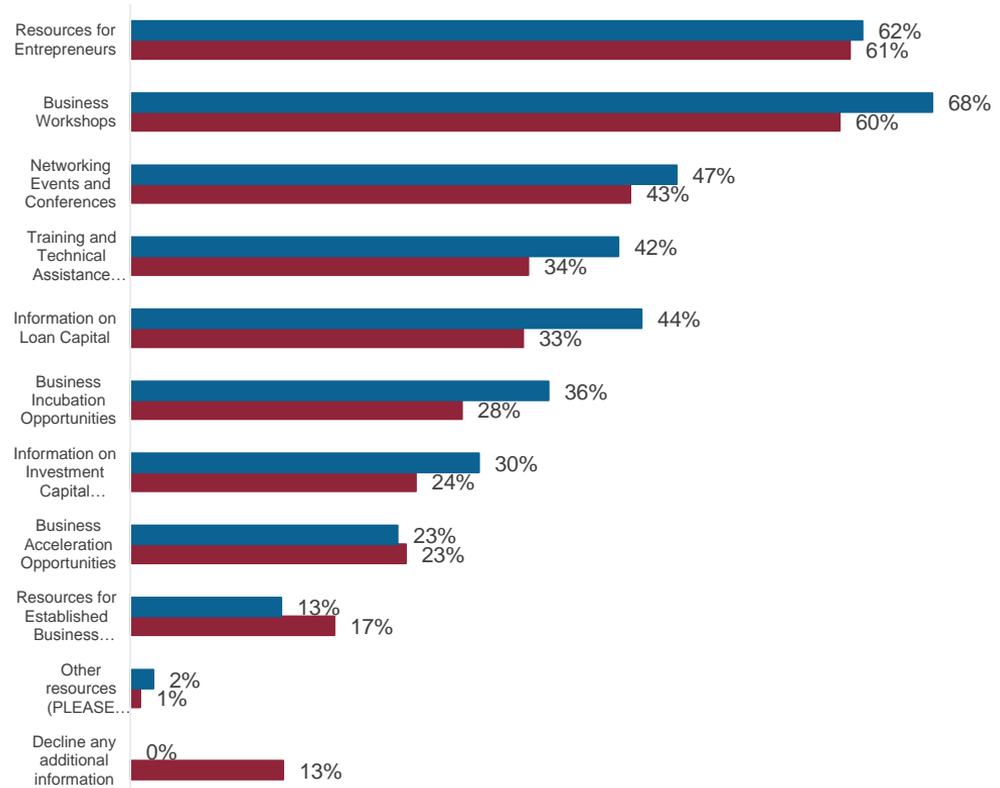
# Gender



D2: What gender do you identify with?

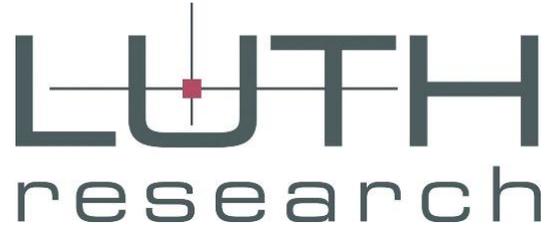
Base: Business Owners n = 129  
Prospective Owners n=101

# Topics of Interest



What topics are of interest to you?

Base: Business Owners n = 129  
Prospective Owners n=101



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