

NYC Small Business Services State of Small Businesses Survey

June 2019

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Executive Summary

Executive Summary

- In 2017, the New York City Council passed LL 209-2017 and LL 210-2017 requiring the Department of Small Business Services (SBS) to complete a survey and plan to address the needs of small businesses.
- In August 2018, SBS released a survey that was distributed via outreach to elected officials; outreach to community partners, including chambers of commerce; direct email outreach to businesses that SBS has supported through its programs; and posting on SBS social media pages.
- The survey received approximately 500 responses. Respondents answered questions related to their hiring needs, desired employee skills, barriers to growth, and the tools and resources they need to succeed.
- Unfortunately, the survey sample is not representative of the city's business population; the findings presented are based on a limited data set, which is not weighted to be representative of the population of NYC small businesses.
- Key findings from the survey included:
 - More than 40% of respondents said they did not currently have enough employees to sufficiently operate their business. The most commonly cited challenge facing businesses was labor.
 - Respondents looked for work ethic, customer service skills, and work experience when hiring employees.
 - Respondents faced challenges related to real estate, cost of overhead, rules and regulations, and financing.
 - More than 60% of respondents reported that they did not have the tools, resources, or time needed to find talent and to address other top challenges.
- An analysis of top respondent needs revealed that many of the challenges are addressed via free services offered by SBS. However, approximately 50% of respondents had not used SBS services. SBS will aim to increase awareness of its services and build on newly launched programs to increase offerings on topics desired by small businesses, including marketing and human resources training.

Respondent Overview

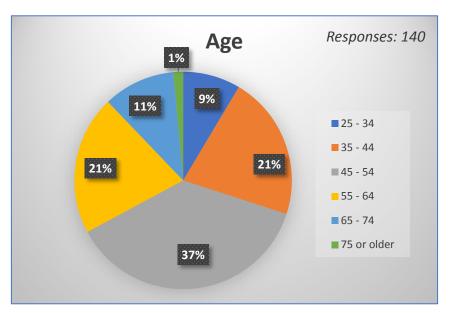
Online Survey Methodology

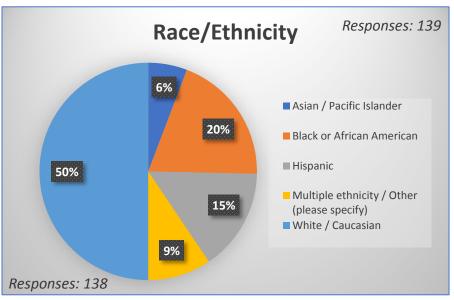
- The survey was conducted online.
- Data collection began late August 2018, and the survey is still active.
- SBS worked to get the word out to business owners, including:
 - Outreach to elected officials
 - Outreach via community partners, including chambers of commerce, merchant's associations and Business Improvement Districts
 - Direct email outreach to businesses that SBS has supported through its programs
 - Posting on SBS social media pages
- A total of 543 individuals responded to the survey through May 2019. However, individuals did not respond to every question. As a result, some key questions had fewer than 200 responses. This data provides directional insight but can not be seen as representative of all businesses in New York City.

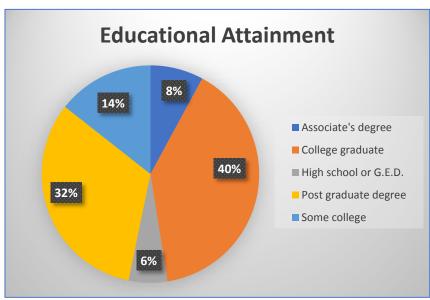
Respondent Personal Demographic Profile Summary

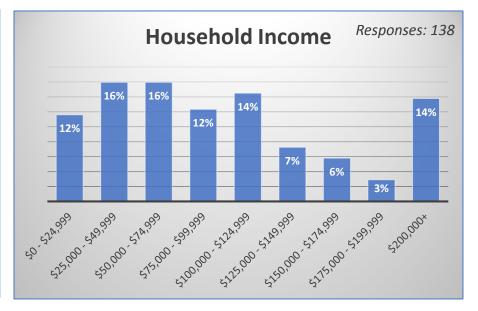
- Majority of respondents (79%) are between the ages of 35 and 64.
- Approximately half of the respondents are White/Caucasian. African Americans and Hispanics account for about 15-20% each.
- The overwhelming majority (94%) have a college or related/advanced degree. Only 6% have just a high school diploma.
- Distribution of household income is broad with no one income segment being predominant.

Respondent Personal Demographic Profile





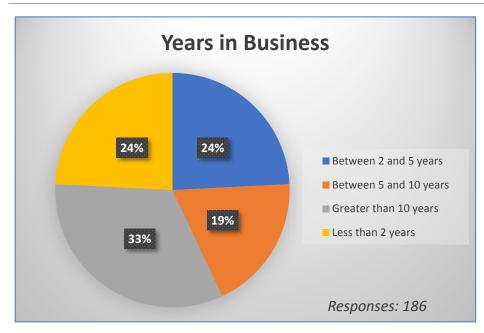


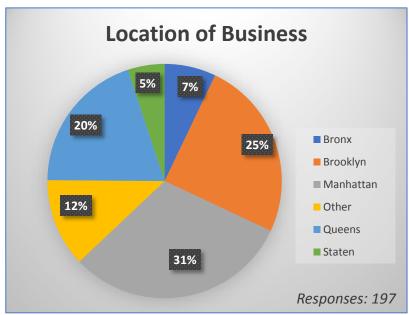


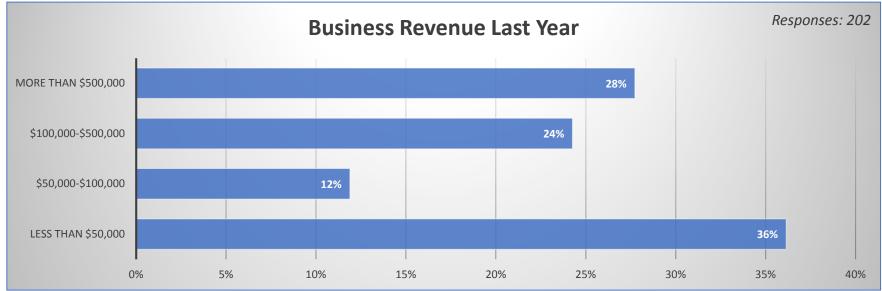
Respondent Business Profile Summary

- About a quarter of the respondents launched businesses in the last two years. A little less than half (44%) have businesses that have been in operation for between 2 and 10 years. And a third have businesses that have been in business for more than 10 years, with a handful more than 50 years.
- A third of the respondents are from Manhattan, and about a quarter each are from Brooklyn and Queens.
- About a quarter of respondents generated more than \$500,000 in business revenue last year.
- Half of the respondents generated less than \$100,000 in business revenue last year.
- From an industry classification perspective, the breakdown is as follows:
 - Food services: 17%
 - Professional, scientific, and technical services: 15%
 - Construction: 9%
 - Arts, entertainment, and recreation (such as gyms): 7%
 - Other (unnamed industries): 19%
- Approximately 50% of all respondents are currently leasing commercial space; only 14% own their space.
- Approximately a third (33%) of respondents either have temporary, or month-to-month, business locations, including coworking spaces or home offices.
- Approximately a third (33%) of respondents said they currently have no employees; and a quarter (26%) have fewer than 5 employees. Very few respondents (12%) have more than 5 full-time employees.
- About half (47%) of non-managerial employees are paid minimum wage, while 25% are paid \$15 to \$20 an hour. About 12% of respondents pay more than \$31 an hour to non-managerial staff.
- About 17% of managerial employees are paid minimum wage, while 25% pay \$15 to \$20 an hour. About a third (30%) of respondents pay more than \$31 an hour to managerial staff.

Respondent Business Profile





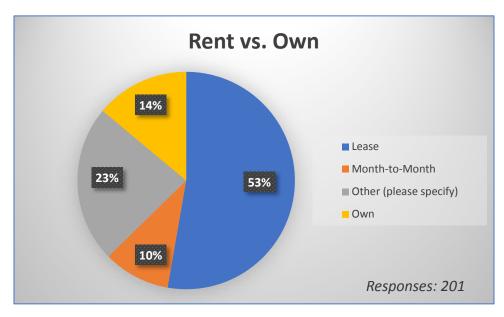


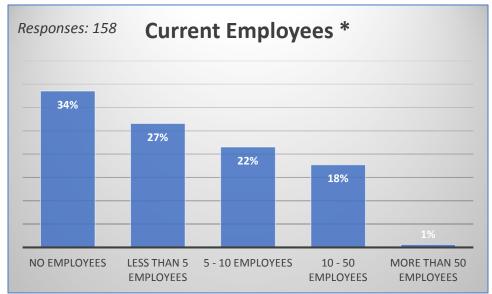
Respondent Business Profile

Business Industry Classification	Number of Respondents	% of Total
Other *	37	19%
Food Services (such as Bars and Restaurants)	33	17%
Professional, Scientific, and Technical Services	29	15%
Construction	18	9%
Arts, Entertainment, and Recreation (such as Gyms)	13	7%
Other Manufacturing	10	5%
Retail Trade (such as Bodegas and Convenience Stores)	9	5%
Education Services	9	5%
Health Care and Social Assistance (such as Child Care)	5	3%
Food and Beverage Manufacturing	4	2%
Administrative and Support Services	4	2%
Repair and Maintenance (such as Auto Shops)	3	2%
Real Estate (such as Rental and Leasing)	3	2%
Finance and Insurance	3	2%
Wholesale Trade (such as Grocery Stores)	2	1%
Mining, Quarrying, and Oil and Gas Extraction	2	1%
Information	2	1%
Barber Shops and Hair Stylists	2	1%
Management of Companies and Enterprises	1	1%
Laundry and Dry Cleaning Services	1	1%

^{*} Respondents did not provide details on which "Other" business industry they belong to.

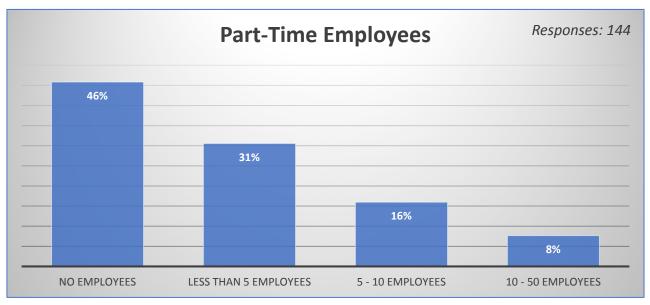
Respondent Business Profile





^{*} Current employees is a combined count of parttime and full-time employees

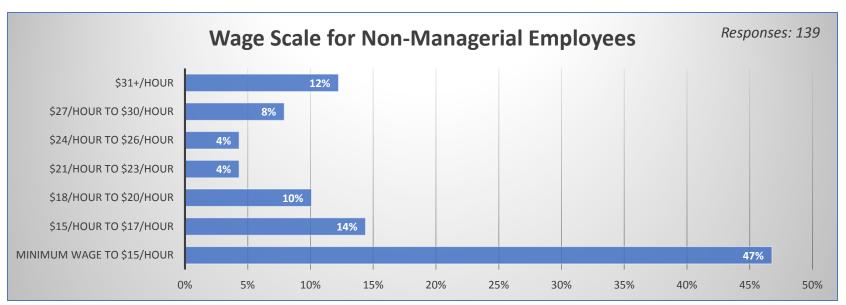
Business Profile Relative to Employees

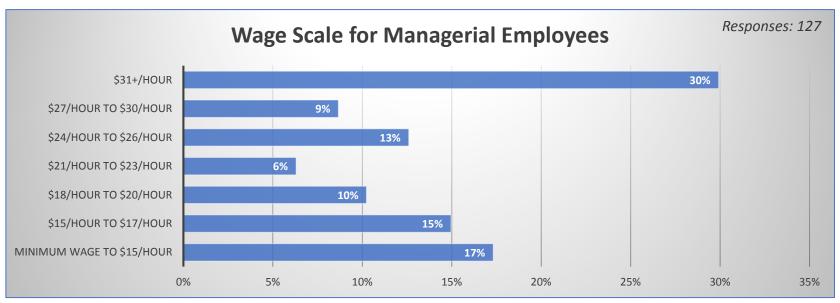




* Some respondents selected both part-time and full-time employees

Business Profile Relative to Employees



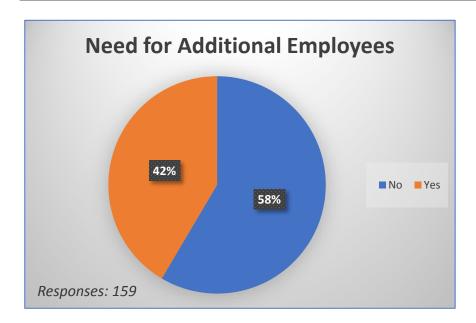


Respondent Hiring Needs

Respondent Hiring Needs Overview

- As many as 42% of respondents indicated that they need more employees but are unable to hire.
- Respondents who struggled to find talent cited lack of resources, the need for a specific skill set, and turnover as challenges in finding the necessary staff.
- For those who had hired employees, the primary recruitment sources for candidates included:
 - Friends and family: 32%
 - Online postings (i.e. Monster/Indeed): 23%
 - Craigslist: 20%
 - Social media: 16%
 - Workforce1 Centers: 5%

Current Hiring Needs



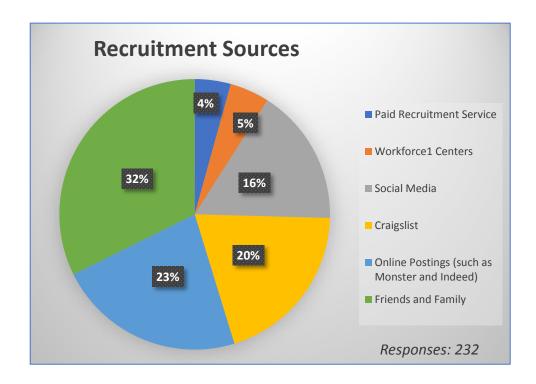
Top Reasons Cited for Not Hiring Employees:

- Can't afford to hire
- High turnover
- Can't find specific skill sets needed for business
- Only hiring for specific jobs/projects (when needed)
- Need working capital to hire employees

Last Position Hired:

- Cook/Chef
- Accountant
- Administrative assistant
- Project manager
- Barista
- Carpenter
- Electrician
- Dental assistant
- Data entry analyst
- Field technician
- Installer
- Designer
- Kitchen staff
- Office manager/assistant
- Sales associate
- Truck driver
- Teacher
- Receptionist
- Software developer
- Painter
- Marketing specialist
- Clerical staff

Recruitment Resources Used



Other Sources:

- Alumni networks
- General referrals
- Newspapers
- Union shops
- ZipRecruiter
- Freelancer portals
- Google
- LinkedIn

Respondent Workforce Needs

Respondent Workforce Needs Overview

- Nearly half of respondents indicated a need for employees. Most respondents were not seeking specific subject matter expertise or a significant level of experience, especially for non-managerial employees.
- Respondents indicated the key qualifications for employees are:

Work ethic: 29%

Customer service skills: 17%

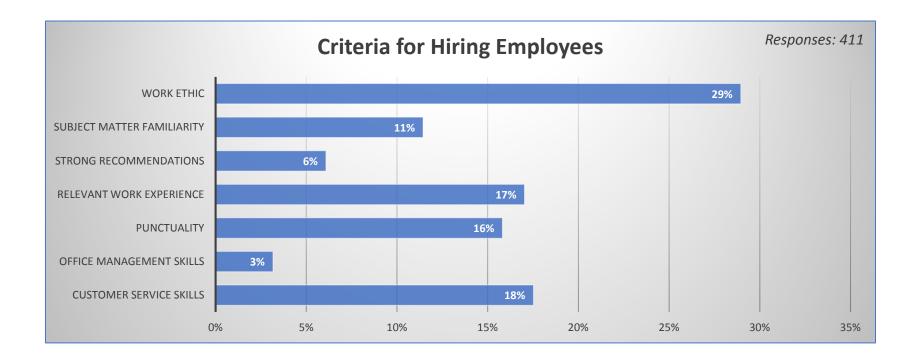
Relevant work experience: 17%

• Punctuality: 16%

Subject matter familiarity: 11%

- Anecdotally, respondents cited willingness to learn, attention to detail, and overall fit for the company's culture as other desired qualities.
- With respect to minimum years of experience required, 83% require previous professional experience for non-managerial employees. Nearly all businesses (92%) require previous experience for managerial employees.
- More than 40% of respondents look for 3-5 years of experience in managerial employees, compared to only 16% who look for the same level of experience for non-managerial positions.

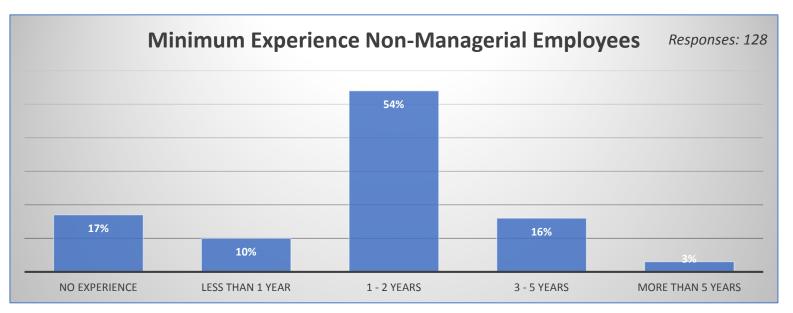
Desired Criteria



Other Criteria:

- Ability to learn quickly
- Fit with company culture
- Loyalty and honesty
- Licensing needed for job
- Personality
- Trustworthiness
- Salary expectations
- Attention to detail

Experience Required for Employees



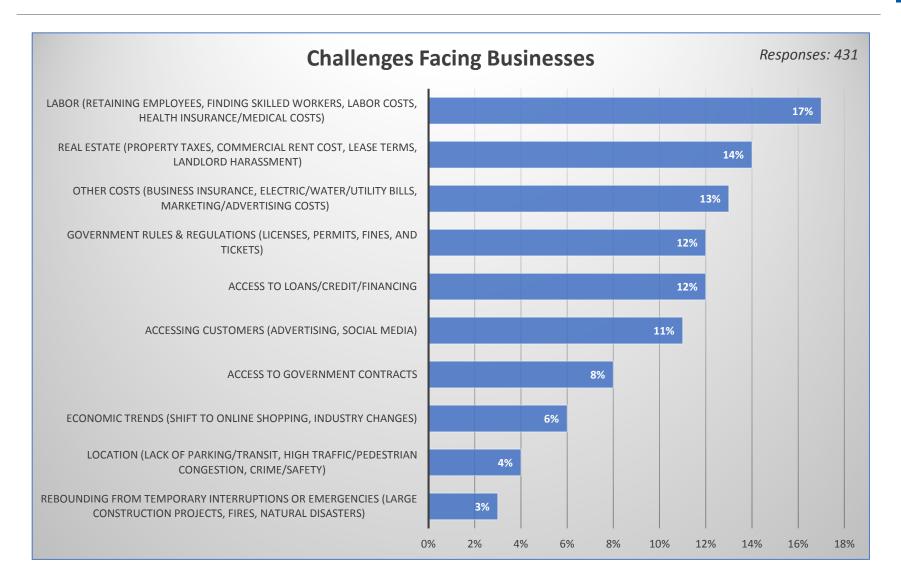


Respondent Barriers to Growth

Respondent Barriers to Growth

- Respondents described a range of challenges while operating their businesses in New York City. Many of these
 challenges align with national trends on top issues for small businesses, including access to talent, the cost of
 rules/regulations, and access to financing.
- Respondents indicated that their top challenges include:
 - Labor, including cost, availability, and retention: 17%
 - Real estate, including lease terms, landlord harassment and overall cost: 14%
 - Overhead, including insurance and utilities: 13%
 - Government rules and regulations: 12%
 - Access to loans, credit and financing: 12%
 - Marketing to customers: 11%
- Anecdotally, respondents stated specific challenges including accessing and retaining new clients, accessing funding and business loans, navigating many regulations, and paying for the cost of workers compensation and unemployment insurance.
- In terms of financing, approximately two thirds of respondents stated they used less than \$50,000 to fund their growth; approximately half of respondents used less than \$10,000.
- To fund growth, approximately one third of respondents used business loans and lines of credit.

Top Challenges for Respondents



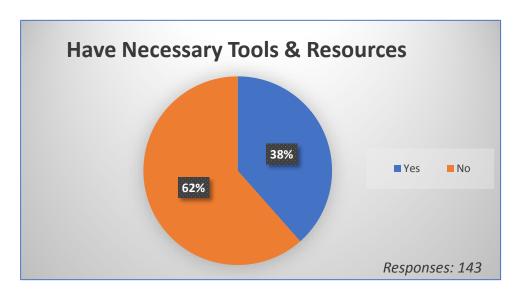
^{*} Respondents were asked to select their top 3 challenges; responses have been aggregated

Small Business Tools & Resources

Respondent Need for Support

- About two-thirds (62%) of respondents indicated they lack the tools and resources to address the challenges their businesses face.
- Respondents indicated that the most valuable supports include:
 - Financing, 21%
 - Marketing assistance, 18%
 - Legal assistance, 16%
 - Education, 15%
 - Recruitment, hiring and training, 11%
 - Assistance with government regulations, 10%
- In terms of access to talent, respondents identified the training of new employees as the top need (40%), followed by recruitment (33%) and general human resources management (27%).
- Anecdotally, respondents requested specific services that include marketing and growing their presence online, accessing contracts, receiving industry-specific content, understanding new regulations impacting businesses, and assisting with business record keeping.
- Despite respondents' identification of the need for support, approximately 30% of businesses had <u>not</u> previously accessed support services from any source.
- Of respondents who had accessed support, nearly 50% had received these services from their personal network.
 Outside of personal connections, individuals had received services through local merchant associations, chambers of commerce, and Business Improvement Districts.

Respondent Desired Support

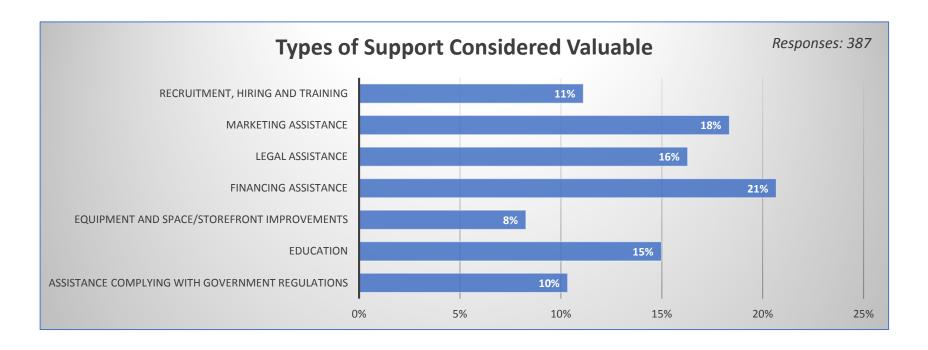




Other Support:

- Less paperwork
- Curriculum to train employees
- Support with monitoring employee behavior
- Social media skills for employees
- Ethics training for employees

Respondent Desired Support

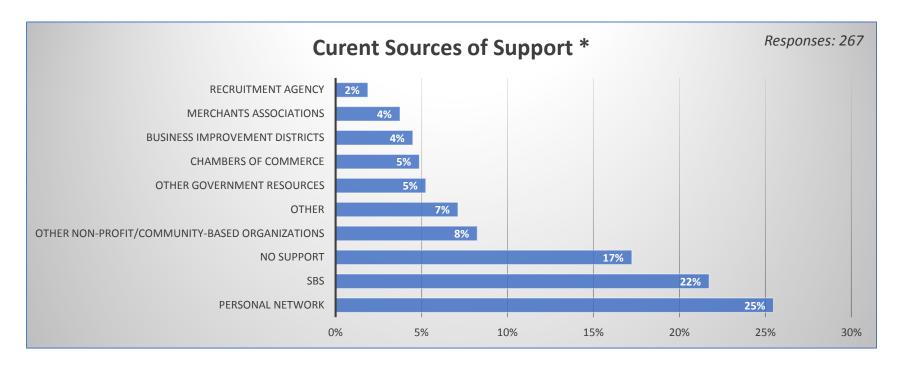


Other Support:

- Management training
- Tax reductions or rebates
- Marketing and PR support
- Intellectual property information

^{*} Respondents were asked to select 3 types of support; responses have been aggregated

Respondent Support Network



Other Sources of Support:

- Bank education programs (1)
- NYCEDC & Jamaica Development Corporation (2)
- SCORE (3)
- GoFundMe campaign (1)
- Online marketing courses (1)
- Goldman Sachs 10,000 Businesses (1)
- Friends and family (2)
- College business classes (1)

^{*} These are sources of support for launching, operating, or growing the business; "SBS" is the NYC Department of Small Business Services, including NYC Business Solutions Centers and Workforce1 Career Centers

Strategies & Services

Strategies & Services to Address Small Business Hiring Needs

- An analysis of top respondent needs revealed that many of the challenges are addressed via free services offered by SBS. However, approximately 50% of respondents had not used SBS services.
- In terms of access to talent, respondents identified the training of new employees as the top need (40%) followed by recruitment (33%) and general human resources management (27%). To address these needs, SBS currently offers the following services:

Employee Training:

Through SBS's Customized Training program, small businesses can apply for up to \$400,000 to help businesses invest in training their employees. Businesses identify training needs for their staff and are reimbursed for training costs. SBS also offers more than 25 industry-specific training programs, tailored to address the skills business owners look for in their employees. Programs include training for transportation, construction, manufacturing, technology, and healthcare, among others.

• Recruitment Services:

SBS, through its network of 18 Workforce1 Career Centers, provides free recruitment services to NYC businesses. The Workforce1 Career Centers are staffed with recruiters that source, screen and refer qualified candidates to businesses to fill their open positions.

• Human Resources Support:

SBS offers free online business courses developed by industry experts at the world's best universities, including a new series on Managing & Leading People. This series covers the topics of hiring and managing employees, inspiring and motivating teams, and conducting business negotiations. It is intended for operating business owners with specific management/leadership skill needs.

Strategies & Services to Address Small Business Growth Needs

• In terms of growth, respondents identified financing as the top need (21%), followed by marketing (18%), education (16%) and legal (15%). To address these needs, SBS currently offers the following services:

Capital Access:

SBS provides free financing assistance through its NYC Business Solutions Centers and Industrial Business Service Providers. Financial advisors work one-on-one with businesses to understand their financing needs, match them with the right products, and walk them step-by-step through the loan process. SBS also invests in funds where there are market gaps. These funds include the Contract Financing Loan Fund and the Bond Collateral Assistance Fund for businesses contracting with the City, and a suite of WE Fund products tailored for women entrepreneurs.

Marketing Assistance:

SBS offers free online business courses developed by industry experts at the world's best universities. SBS's courses include: Building Your Own Business, Operating and Financing Your Business, Mastering Marketing and Sales, and Achieving Your Growth Potential.

Educational Services:

SBS offers free in-person courses on the core topics in entrepreneurship at its network of seven NYC Business Solutions Centers and at partner organizations across New York City. These courses range from one-time seminars to multi-week comprehensive programs. Topics include business planning and operations, finance, marketing, and selling to government.

• Legal Support:

Small business owners can access pro bono one-on-one legal assistance on many commercial legal matters. In addition, SBS runs a specialized legal service to assist businesses with address commercial leasing issues. This service helps businesses negotiate leases and combat landlord harassment.

Strategies to Reach Small Businesses

• SBS offers numerous services that meet the needs businesses identified in this survey, but it is clear that awareness of these services remains low. To improve awareness, SBS will use the following channels to reach small businesses:

Neighborhood Outreach:

In order to reach the diversity of businesses in NYC, SBS will meet entrepreneurs where they are by doing outreach in a broad set of neighborhoods. SBS will use its mobile unit and its Chamber on the Go program to travel to commercial corridors in all five boroughs and deliver services to entrepreneurs at their place of business.

• Digital Marketing:

One of the best tools to reach small businesses in NYC at scale with effective tailored messaging is digital marketing. SBS will use the full complement of digital tools to launch campaigns highlighting the full suite of services offered.

• Strategic Partnerships:

By leveraging trusted partners that have deep roots in local communities, SBS will connect to more small business owners and new entrepreneurs. Partners will include community organizations that serve small businesses, merchant associations, Business Improvement Districts, small business advocates and cultural associations.

• Most importantly, SBS will use these channels to deliver messages in a culturally competent, linguistically appropriate way so that a diversity of audiences will understand the depth and breadth of services available to them.



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