

Humboldt County Entrepreneur Annual Survey: Identifying Key Determinants of Small Business Success

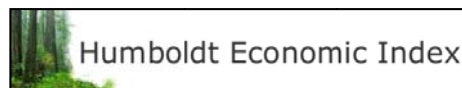


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HUMBOLDT STATE UNIVERSITY

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Introduction

Entrepreneurs are often believed to be the driving force behind local economic growth, especially in rural communities. Their efforts must be properly supported in order to ensure the health and resiliency of the local economy and community. This study of entrepreneurship was instituted to identify characteristics of business success specific to Humboldt County's unique economic climate. The results are aggregated and analyzed to pinpoint the most helpful ways to advise new business owners, target economic development services, and develop policies favorable to small businesses.

The initial survey conducted this year is meant to record key characteristics of the business cohort that started between 2008 and 2010. These characteristics include factors such as: industry type, owner demographics, years of experience, start-up costs, funding sources, initial profits, number of employees, networking ties, sources of advice, and economic development assistance. We plan for this survey to continue in the future and we plan will design and carry out a shorter annual survey of the same cohort of businesses in order to track changes in number of employees, profits, funding sources, and perceptions of growth. Analysis of the trends in data, especially after about 5 years, will point out factors lead to greater success – defined in this instance as overall growth, more employment, higher profits, and business survival. The hope is to establish a rapport with the businesses so they will continue to provide survey responses in the future and potentially allow us to survey them if they go out of business to understand why they were not successful and what could have helped them to succeed.

Project Development

This first phase of the project involved problem formulation, survey development, establishing survey administrations methods, and creating a database of businesses started in 2010. After receiving survey responses we entered them into a database, analyzed data, and wrote a report of findings for the Department of Economics and the Humboldt County Workforce Investment Board. A literature review was conducted to determine the best design in terms of which questions to ask to target possible determinants of success, and the best methods of survey administration to receive a high percentage of responses, and obtain useful primary data.

Survey questions were developed from a combination of practical experience in survey design and administration obtained from the investigators' work on a study titled "Rural Ethnic Entrepreneurship in Mendocino County." We also researched journal articles reporting the best characteristics leading to business success, considered the impact of economic principles on entrepreneurial motivation and business longevity, and consulted with area economic development agencies. See Appendix 1 for further reading. Particular attention was given to developing questions about the basic economic indicators of initial capital investment, employment growth, profit margin, and corporate structure. Also, more sociological impacts on business survival such as network connections, educational background, industry experience, and inter-business relations were included in the questions. We wanted the information to be useful to economic development agencies and government entities concerned with small business. The Humboldt County Workforce Investment Board and other area agencies were contacted to see what types of questions were helpful to them.

In order to start a comprehensive database of businesses recently we pulled the records of all fictitious business name Statements filed with the Humboldt County Recorder in 2010. FBNs contain

information about the name(s) of the owner(s), name of the business, a contact address and date of filing. After organizing the data in an Excel spreadsheet and consolidating multiple records from the same business (either from multiple filings or multiple owners) we ended up with a total of 797 unique business names.

Initially, the goal was to only accept data from businesses that started in 2010, but the survey returns resulted in businesses that were started in a variety of years, even up to 20 years ago. Owners can delay filing an FBN until a few years later or must re-file in five years after the records expire. Thus, not all businesses that filed in 2010 were started in 2010. In order to have a greater sample, we defined a 'new' business as any business that the owner indicated was started in 2008, 2009, or 2010. Businesses started in these years share the trait of being created during the harsh business climate of the 2007-09 recession. For purposes of data consistency and simplicity, just the 2008-2010 cohort of businesses will be followed through time. Down the line, a new cohort of businesses may be brought on to widen the pool of respondents if the response rate drops or failure rate increases.

Survey Administration Methods

Based on literature review recommendations as well as best use of available funds, the survey was conducted exclusively by mail. We included a monetary enticement in each envelope to encourage participation. The "Law of Reciprocity" states that people are moved to respond when a small amount of money is included with the survey. Though such a method means sending out a lot of money that will not be returned, the purpose was to increase our response rate at a lower cost than paying for the time it would take student assistants to conduct in-person surveys. Our response rate for completed, returned surveys was one out of three, which is very high.

First, time was spent looking for a phone number for each business and those that had one were called to let them know to watch for the survey in the mail. Phone contact is the next best thing after face-to-face contact to increase response rate. Then, each business (regardless of phone contact or not) was sent an envelope containing a cover letter explaining the research project and intended use of results, a survey, a self-addressed and stamped envelope, as well as \$4 monetary compensation. We requested return address service from the Post Office, which meant that any undeliverable letters were returned to us and efforts were made to find a correct address. After waiting two weeks from the initial mailing, businesses that we had not received a return envelope from were sent a second envelope with all the same things as the first, except monetary compensation. Lastly, second phone contact was made to only non-responsive subjects shortly after the second mailing to give a friendly reminder about completing the survey.

Any business that did not respond, or was not able to respond because the mailing did not reach them during this first round of surveys will be taken out of the database since we will be simplifying the survey in the future and will not have a record of their base characteristics or demographics to build upon.

Once our final survey methods were decided upon, we were required to submit a statement of project intent to the "Humboldt State University Institutional Review Board for the Protection of Human Subjects" to get approval of our survey questions, methods, and obtain an exemption from each business having to fill out a waiver form in order to use their data. We were granted an exemption on the grounds that human subjects could not be identified and that disclosure of responses would not put the subject at risk.

Database Setup

Microsoft Excel was chosen as the platform to store and analyze the data because the majority of people are familiar with its functions so it is easily passed on to future survey staff. Each FBN filing was given a unique identification number in order to make responses anonymous when working through data analysis and reporting results.

In the spreadsheet a column was created for each question with a standardized numerical input depending on the type of question. In the future, new rows can be added below each FBN to add on additional data to be aggregated with the previous year. There was an “Other” option on a number of questions that allowed entrepreneurs to explain any condition not included in the potential responses. The four open-ended questions including those about economics growth or decline and the main challenges were transcribed as written by the entrepreneur.

Future Survey Editions

This project was established as a “legacy project” which is a component of the Senior Capstone class required by the Humboldt State University Department of Economics, with the intent that it would become a project available for future capstone students to continue. The hope is that each year a student or ideally students will express an interest in re-administering the survey, analyzing data, and creating an annual report of findings. A key goal of this continued survey is to develop a trust and rapport with the entrepreneurs so they are willing to trust us with tracking their business, recognize the arrival of the annual survey, and understand the importance of their contributions. An important element of establishing trust is continuity and reliability.

Continued undertaking of this project by Capstone students will generate a database that will be able to be analyzed for trends in business success and failure. The second year of continuing the entrepreneur project will require that the student develop a new, shorter, and simpler annual survey to be administered for the rest of the project lifetime as well as creating a timeline/deadline chart to help guide the work of future undertakers of the project to completion. The new survey will not need to include unchanging parameters such as owner demographics or start-up information but may instead want to expand into other areas because the initial year of “trust” between HSU and the entrepreneur has been established. Examples of future questions include asking if the owner for their email address, would they prefer to take the survey online, or if they are actively looking to expand their business. A third year of survey design could include designing a survey of entrepreneurs who have gone out of business since the survey began and identifying those businesses for individual contact. Again, the goal of an annual survey is to establish credibility with the entrepreneur so they will potentially disclose information about why their business failed.

Survey Return

Overall, the study resulted in a return rate of 33% from 266 completed surveys. These 159 businesses, as well as any that return surveys before next year’s study, will make up the 2008-2010 cohort to be followed through time.

Data Summary

Overall Respondent Summary

A majority of Humboldt County entrepreneurs, 86%, identified themselves as white. The largest number of entrepreneurs were born between 1970-1979, the next most common result was 1950-1959. Males comprised 55% of entrepreneur respondents, and females made up 45%. The most frequent 'highest level of education' attained by entrepreneurs was a college degree at 27%, followed closely by 26% having completed at least some college.

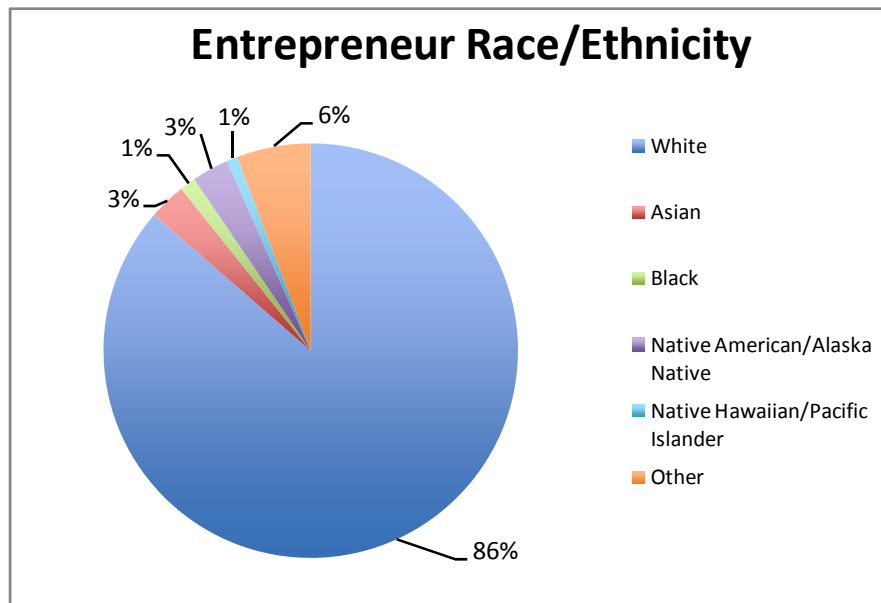


Figure 1. Entrepreneur Race/Ethnicity

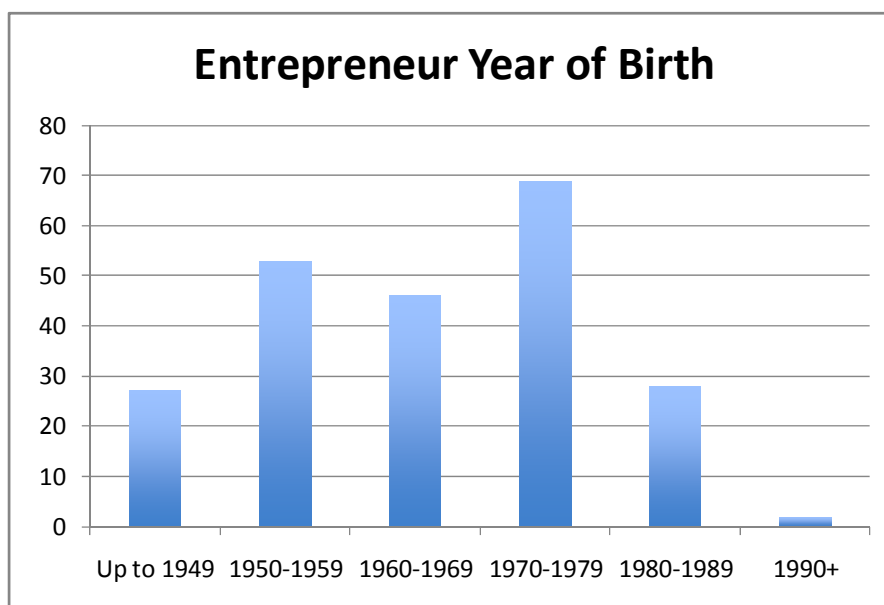


Figure 2. Entrepreneur Year of Birth

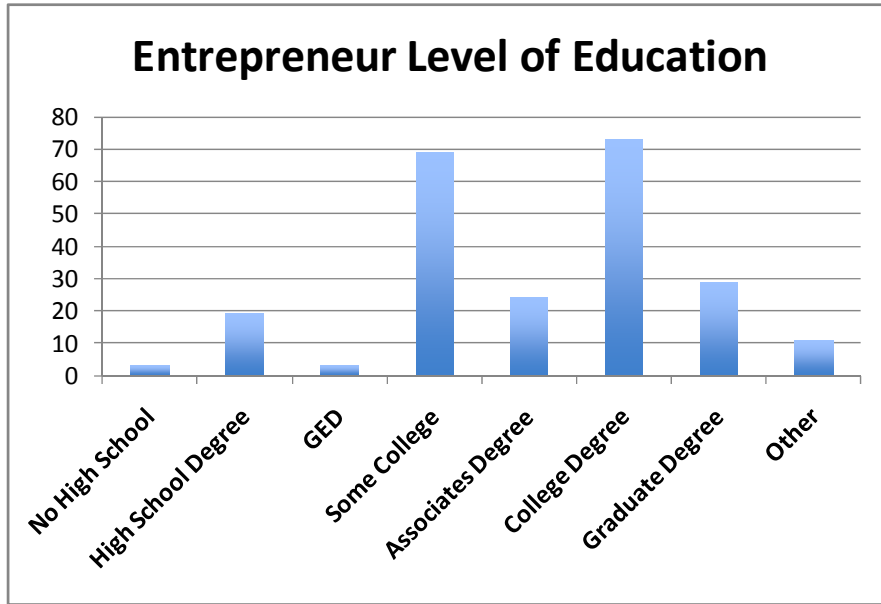


Figure 3. Entrepreneur Level of Education

The average business owner has lived in the local area for 24.3 years. California-born entrepreneurs represent a majority at 55%; internationally born entrepreneurs follow with just 6%. Most owners were either employed or self-employed before starting their new business. And nearly 60% of the businesses were the owner(s) first company.

Approximately 27% of business owners listed themselves as a member of business networking groups – the most frequently identified groups were the North Coast Small Business Development Center and the Chamber of Commerce. Forty-one percent reported that one or more members of their family owned a business, and family helped 38% of owners start their business.

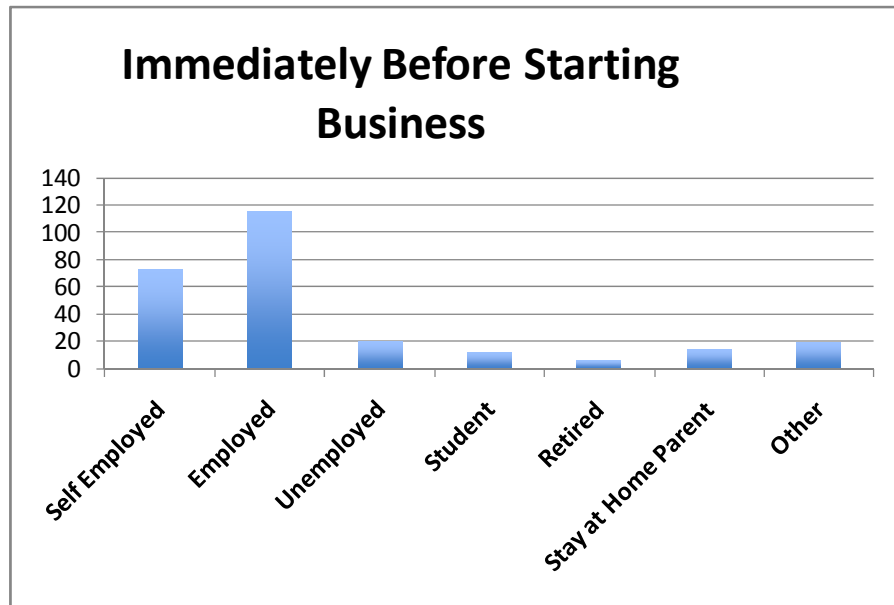


Figure 4. Activity Immediately Before Starting Business

Profitable Business Summary

Out of the survey returns, 54 (or 20%) of the businesses reported a profit. The average amount of revenue was \$129,649. The average reported profit was \$38,803, yet when excluding the highest and lowest numbers the adjusted profit is \$26,706.

There was an average of 1.3 owners for each business, with 73% of owners present at the business every day. Eighty-five percent of companies are sole-proprietorships, keeping with the one owner trend. About 44% of entrepreneurs had a business plan before starting, as well as an average of 9 years experience in a field related to the business' industry. The bulk of companies had a startup cost of less than \$5,000 as shown on the chart below, which may indicate that the majority of businesses launch on a smaller scale.

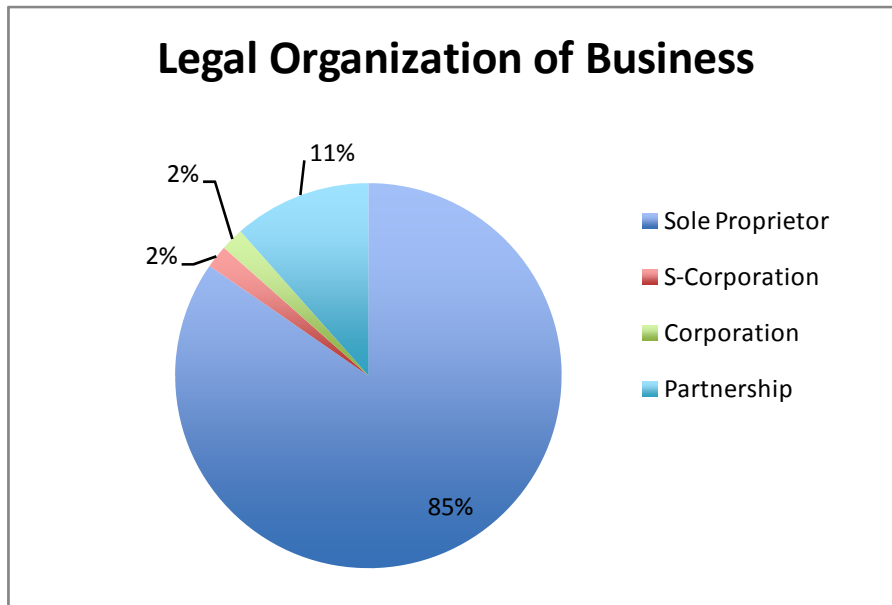


Figure 5. Legal Organization of Business

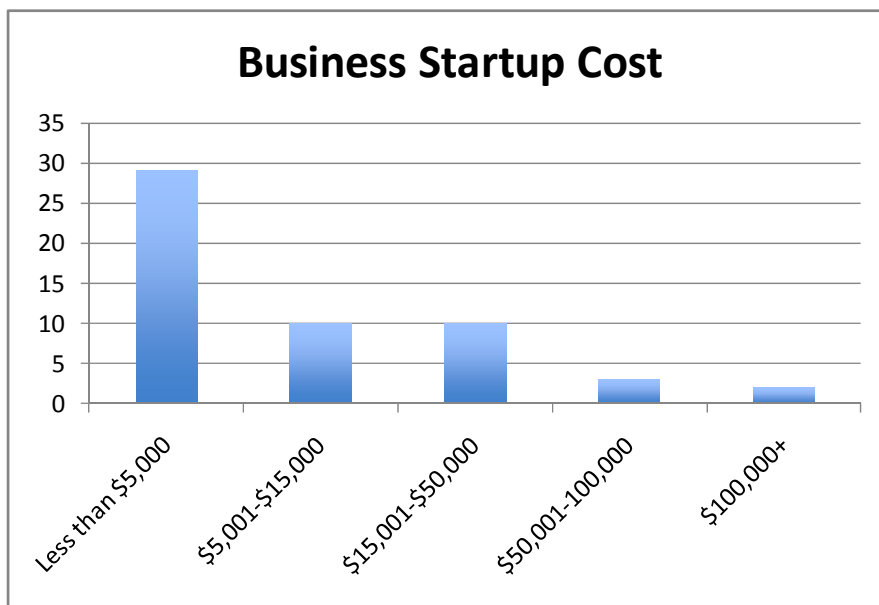


Figure 6. Business Startup Cost

Personal savings dominates as the source of funding the business over the last year, followed by the ‘Other’ category; in which one of the most common responses was “the business funds itself.” An interesting note is that the smallest category is “economic development grants” which could indicate that entrepreneurs are not widely aware of grant opportunities or that demand exceeds available grant funds.

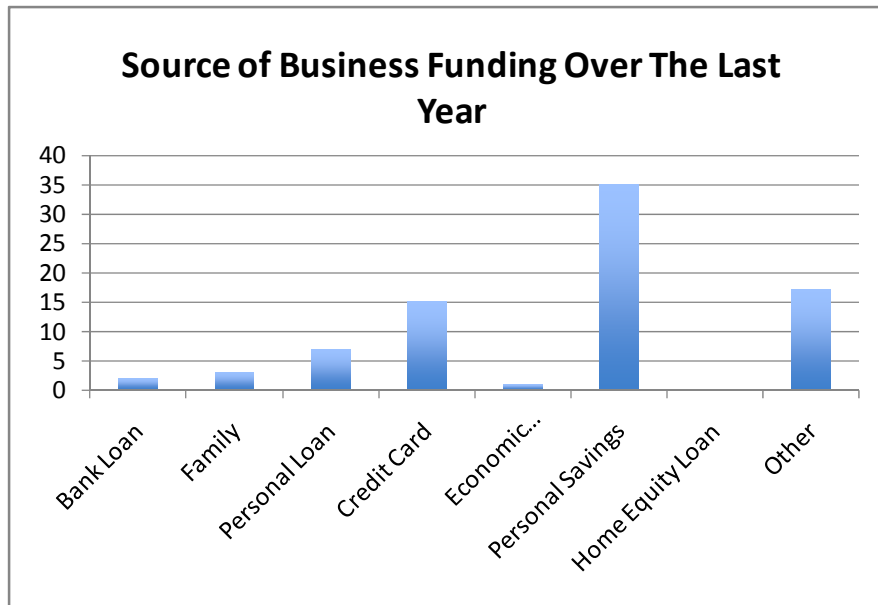


Figure 7. Source of Business Funding Over the Last Year

Employment growth is one of our main economic indicators of business growth and success. Profitable businesses have an average of 1.98 employees (compared to 3.98 for all respondents). Being that we are mainly following businesses in their first year, 65% did not expand employment. However, 33% indicated an increase in employees, which is an interesting finding considering the prevalence of ‘economic downturn’ in survey responses.

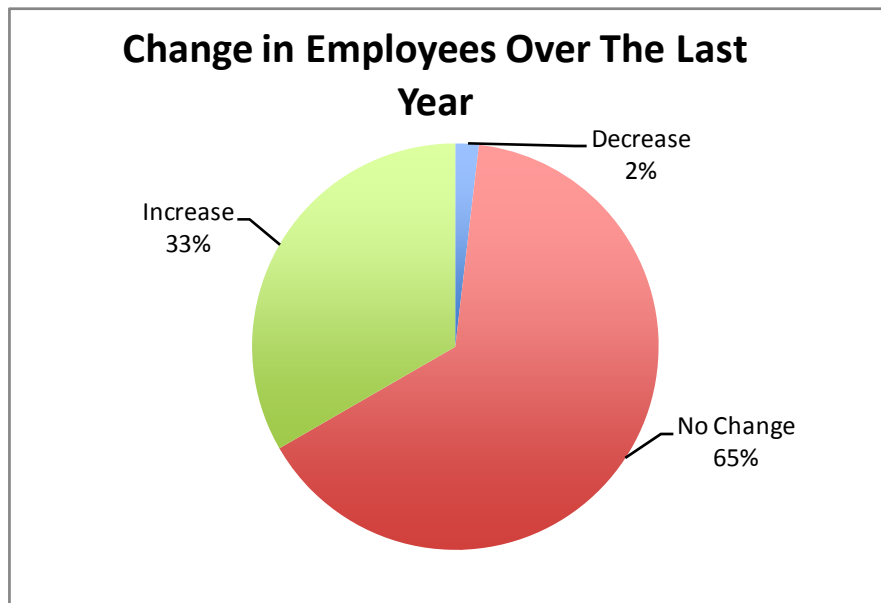


Figure 8. Change in Employees Over the Last Year

When asked where they sought advice, owner’s responses were concentrated in a variety of categories including family, friends, the Internet, other business owners, and accountants (from the ‘Other’ response). Business development organization advice ranks below 5 other categories as a source for advice, which could be higher considering the breadth of services offered at such agencies.

Of those who did utilize a development organization, the chart below demonstrates the fairly even distribution across the categories of assistance received by the organizations, indicating that no one type of assistance is most valuable to entrepreneurs.

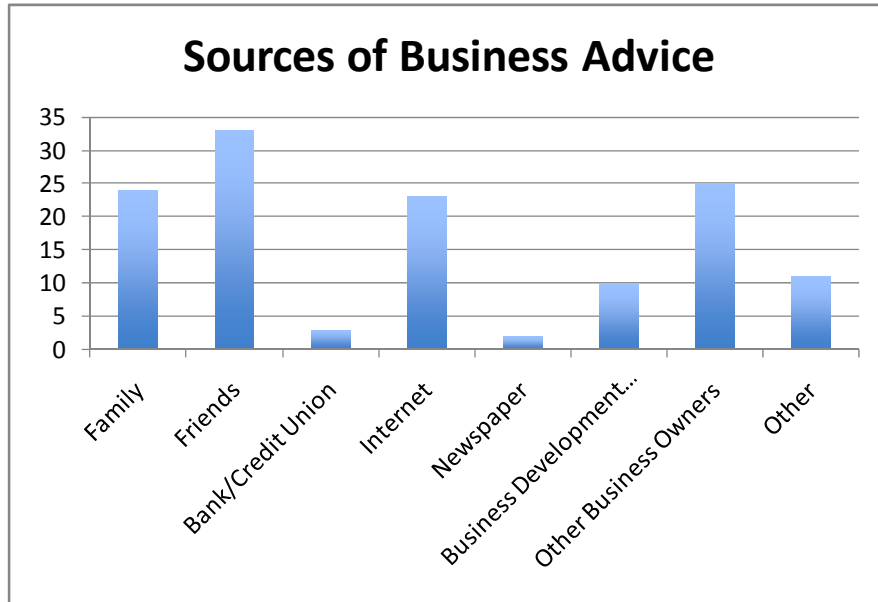


Figure 9. Sources of Business Advice

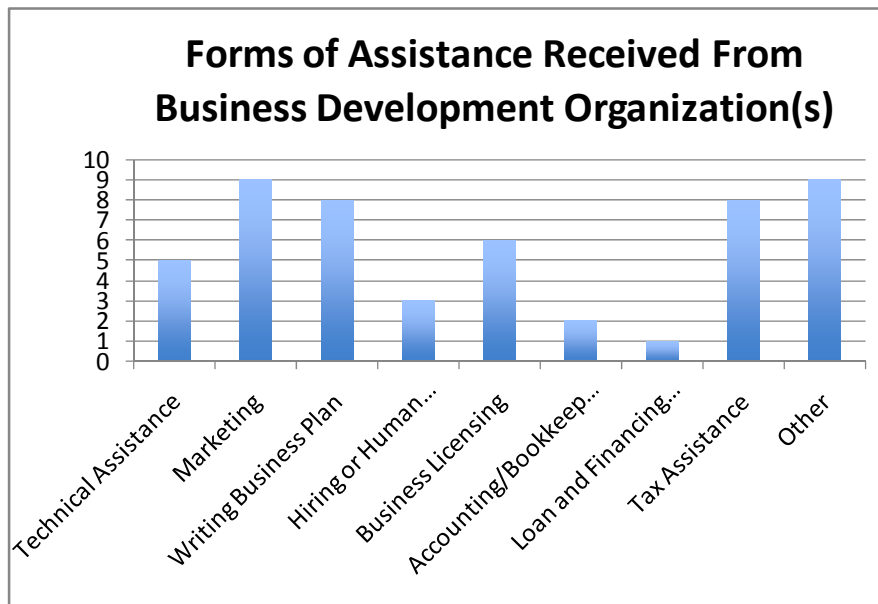


Figure 10. Forms of Assistance Received From Business Development Organization(s)

Making sales outside of Humboldt County may lead to expanded markets and therefore offer more opportunity for growth. However, sales outside Humboldt County were not common, with 40% conducting business solely within the county, and about two-thirds with ten percent or less of sales

outside the county. Fifty-four percent of businesses advertise, and ‘word of mouth’ advertising was frequently cited as a reason for business growth over the last year.

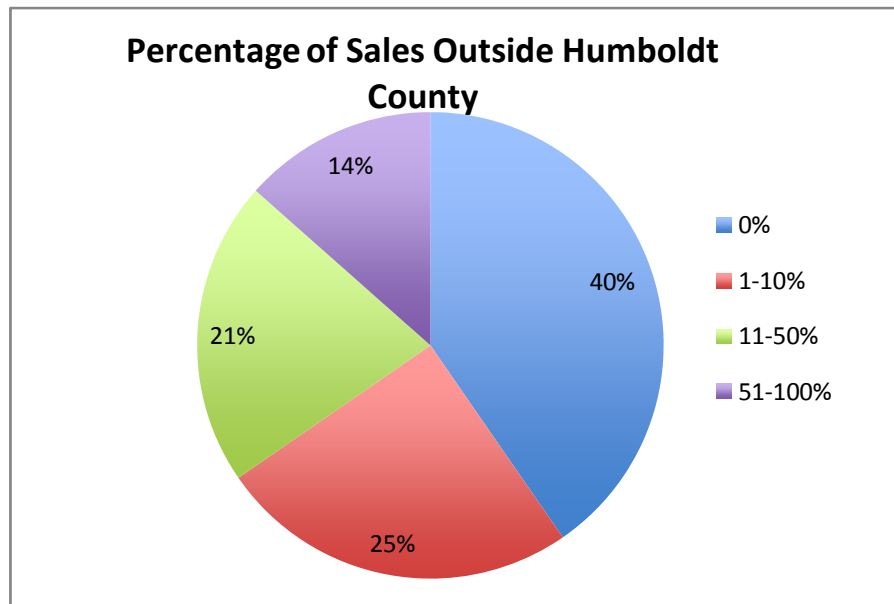


Figure 11. Percentage of Sales Outside Humboldt County

Correlations with Measures of Success

We next ask what factors are correlated with business success. Our measure of success is whether or not the owner reported a positive profit last year, and whether or not the number of employees increased over the last year. The four factors we consider are: 1) whether or not the owner is a member of business networking group, 2) whether or not the owner had a business plan, 3) the portion of sales that are to people outside of Humboldt County, and 4) whether or not this was the first business that the owner started. We expect membership in business networking groups and having a business plan to be correlated with greater business success. Businesses that have more sales outside of the County are “export-oriented,” but the anticipated effect on success is not certain. We also expect first time owners to be less successful due to lack of experience.

We carried out a Chi-squared test to see if groups that are separated according to these factors have more or less business success. For example, we look at the number of profitable and unprofitable businesses with owners in a business networking group and ask if that is different from what we would expect if there were no differences. For this analysis we will look at only completed returns for this analysis. It should be stressed that these findings only reveal correlation and not causation.

When looking at profitability, the reported p-values for the Chi-squared test are Member of Business Network (0.70=70% level), Business Plan (0.30), Sales Outside (0.31), and First Business (0.11). Thus, owners split along these dimensions do not report significant differences in profitability over the last year, although first business owners are very close to being significant at the 10 percent level.

When we look at the increase in the number of employees, the reported p-values for the Chi-squared test are Member of Business Network Group (0.06), Business Plan (0.14), Sales Outside

(0.51), and First Business (0.004). These differences are more pronounced. Being a member of a business networking group is associated with more likelihood that employees will increase. Surprisingly, our sample tells us that being a first time business owner is more correlated with an increase in employees. Perhaps first time entrepreneurs are clustered in industries that have done relatively well over the past year.

Since we are looking at new businesses, positive profits may not be in abundance, and businesses may still be relying primarily on labor from owner-operators. In a few years time, we expect there to be more variation in these measures of business success. Thus, it is important to continue to track this cohort of businesses in the future. More data from future years of collection also will be helpful in developing models and using methods that go beyond these simple tests in order to test for correlation and causation.

Answers to Open Ended Questions

Appendix 2 gives the answers to several open ended questions we asked. The first is “If your business has grown in the past year, then why do you think this happened?” The second is “If your business has declined in the past year, then why do you think this happened?” The third is “What were the biggest challenges that you faced in starting this business?” Answers are typed largely as written, with spelling errors corrected and comments removed that may identify the respondent. While these responses are not quantitative and it may be difficult to come up with an overall gage of the answers, we nonetheless feel it is instructive to see what the local entrepreneurs had to say.

Conclusion

This project created and implemented a survey of Humboldt County entrepreneurs, defined as owners who filed a fictitious business name statement with the County in 2010. The goal was to get a snapshot of owner and business characteristics and to correlate those with measures of business success. We also asked open-ended questions of entrepreneurs to reveal their perceptions of the challenges that they face in the local economic environment. Business development professionals and policy makers will find this information useful as they provide help to local entrepreneurs.

The survey response rate was very high, with one-third of almost 800 businesses sending back a survey. Many of the entrepreneurs were eager to share their story with us. Business conditions continue to be challenging coming out of the 2007-09 recession and it must be remembered that these data are on new businesses. Still, one in five owners reported a positive profit, and one in three hired more employees over the last year. Most entrepreneurs headed small sole-proprietorships, which needed less than \$5,000 in start up funds, did not hire employees, and had little if no sales outside of Humboldt County. They went to friends, other business owners, family and the Internet for advice. When they visited a business development agency, they got help with marketing, writing a business plan, and preparing taxes.

We find evidence that being a member of a business networking group is associated with more business success, and, somewhat surprisingly, that first time business owners appear to be more successful than their peers with more entrepreneur experience.

We expect to continue this as an annual survey of the 2010 cohort of entrepreneurs in the future. Data collected over more years will allow us to more precisely pinpoint which factors are associated with business success and will allow business development agencies to better target their support for businesses.

Appendix 1: Further Reading on Entrepreneurship

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Appendix 2: Responses to Open Ended Questions

Question #1: If your business has grown in the past year, then why do you think this happened?

Economy is recovering.

Key customer has grown, and us with them.

It is in the healthcare field.

Word of mouth referrals.

Not Particularly.

Hard work, better product, bringing in what the customer wants, tighter spending, better display, better marketing, advertising, less sleep, the drive to compete with unscrupulous employees.

Remodel and updating of products, made more of an investment in education.

Same accounts, plus more by referral.

Stayed the same.

Referrals.

Slight upturn in market and good employees.

Advertising.

Not grown.

Some, word of mouth mostly.

Investing profit into business advertising and good word of mouth with customers.

Investment in tooling and procedures to improve the product. Service and word of mouth and internet referrals.

It hasn't.

Showroom improvements, gain in stock level, positive word of mouth.

The word of mouth has gotten me more gigs. Also when I am doing an event people come up and ask for my number all the time.

Increased business- honesty, professionalism.

The clientele has slowly started growing.

Increased my billing rate per hour.

My name got out there more.

My business has grown in the fact that I am learning how to price my items and find the most cost effective outcome for being an artisan. Which entails lots of products before profits. Marketing as a very small business is key to having a broader range of interest.

I believe that word of mouth has been the most reliable reason for why there has been an increase in business/clientele.

Business has not grown due to lack of time to do proper marketing and all the other time consuming projects. As well as trying to figure out the steps before hand.

Hard work, focus.

Repeat business with companies that have been growing (new construction).

Word of Mouth.

Word of mouth.

Word of mouth advertising.

More well-known.

Offering a better vacation experience.

I work hard and my customers recognize that which results in word mouth advertising.

Our inventory has greatly increased due to all our profits going directly back into the business.

Advertising and community movement has greatly increased our sales.

My business has grown a little since the previous owner, people were happy to see change.
Getting more clients through word of mouth referrals.
My business is service based. Percussion classes and lessons. It has grown due to advertising and word of mouth.
I'm getting no sleep and living in my truck.
Time and energy I've invested myself.
I do what one no else does. Revolutionizing the medium by what I sell by making it different, yet my own.... From my heart.
More time getting the word out/Newspaper/ press.
Right now we are putting all income back into our business. I think we will start making a profit when we get all of the equipment we need, and our own cooking space.
New ownership.
Better customer base, more word of mouth.
There is a demand for ...the bilingual teaching I offer.
Sales begin this year.
Still starting up, building infrastructure.
This is the first year.
Word of mouth.
Exposure to high number of possible customers, putting ourselves out there with increased sales, venues, and business card handouts.
Just getting started.
I am blessed - friend recommended our service.
Increase of availability of product.
Increase of Gov. funded construction projects.
N/A.
Word of mouth, consistency, customer service, providing a relevant product.
Economic situation, word of mouth.
I work full time in a larger business that I own and cannot afford the time needed to grow.
Outreach and hired a broker on commission. General buildup and knowledge gain over many hard years working. Placement in Bay Area.
Vacancy rate varies but generally averages out on an annual basis.
Yes, due to an effort by myself to participate and to make happen more activity in my field.
Business networking group.
Added food to menu, expanded beverage menu, kept up with the herd.
Blogging has helped.
I worked on the side developing my product during the years of my previous business. When I started this business officially, I was ready and the market is ready for my product. I wouldn't say my business has grown but with little needed to invest in the initial start it wasn't so difficult to make a small profit.
Customer service, education, quality products, lots of elbow grease.
Word of mouth.
Word of mouth, years in business, being in a repair oriented business when people are new as much.
Advertising in a way where people see my business in many different places and opportunities to personally interact with the public without spending a lot of money.
Stayed pretty consistent. Gas prices affect prices and gave people less money to spend, but I have been advertising more to bring in more customers. More small purchase even out less large purchases.
Relentless self promotion and word of mouth.

Has not grown.
Exposure on the internet. Word of mouth. Advertisement on my vehicle.
Local community support.
No.
More clientele.
People like buying secondhand. I also know lots of people in the community and they have been very supportive of me starting my own business.
no.
Stayed the same.
About the same.
Attention to detail- more advertising- more marketing- more education- offering more services. The Golden Rule treat others how you want to be treated.
Ha!
Word of mouth through parents.
Early childhood education is becoming more defined and important in the local young families.
Because of the cost of fuel people are taking better care of their cars.
Increase fleet by two trucks.
My business grew slightly as I had more billable hours with existing clients.
No Change.
I believe our business remains steady with a slight increase each year, because we keeping our patient's care at the center of our focus, not profit.
Been established. More expenses now.
Stayed the same.
We work very hard on customer service and staying current on all the latest technology. We have a strong, loyal, patient base and we get lots of referrals from our happy patients.
Stayed the same.
Networking/word of mouth.
More and more people have found out about it through word of mouth and this community really values the ethics behind my company. I offer products that no other store has access to/I cater to young hip mothers, a group that this community has a lot of.
Our community is recognizing the vital importance of growing and producing our own food, especially food that is low maintenance and has high economic value.
More people need help building indoor and outdoor greenhouses all over Humboldt and word of mouth has helped me to expand.
Good reputation.
Customer service, quality of work, fair prices.
networking, developing personal business contract.
Remains the Same.
Worked my ass off.
Hard work, perseverance, and self-promotion.
I had a slow start, business is picking up a lot in the last few months. Advertising helped.
The type of business has an emphasis on local food production as food costs, the demand for local, cheaper options will increase as well.
More radio advertising, started taking in FedEx shipments (already an advertised UPS shipped), started taking in payments for PG&E, emphasized service and friendliness .
Word of mouth/friend and family.
We grow every month as more people discover/try our food. I think we are growing rapidly because we filled a niche, provided much needed/desired product. Are creative approach has a lot to do with

it, too.

Careful planning, adequate capitalization, excellent location.

Sheer perseverance. Refusing to quit.

Hard work.

We have increased product choices as our customers have requested. People are catching on to the fact that we're here. We have consistent.

Customer service increase; more property sales due to low real estate market.

Advertising, product awareness.

Clients say I do excellent work.

Word of Mouth.

I had to move to another part of the state and drop this business before I had a chance to get started.

I am back in the area now- but headed in a different direction.

Not grown.

Yes, due to aggressive marketing and expansion into an area lacking good services from competition.

I have kept my number of clients small and have built a level of trust and relationship which in return has expanded my business by simply word of mouth I believe.

Just starting to propagate plants.

Just opened.

Consistency.

Because we have been around many years and are well-liked in the community.

Consistency.

Identity of trust and value, Market demand from poor economy, Products and technology .

Focus on marketing and sales.

Stayed the same.

We have (gratefully) remained fairly stable. Cost of goods and various expenses have increased tremendously but with economy, we are avoiding more cost increases to our customers. In doing this, we have been very diligent to find other ways to reduce costs internally.

Sales, Marketing, Networking, Economic gains.

State contracts and winning public bids and doing more business with schools who have bend(?) money to spend on improvements, etc.

Word of mouth in a small town goes a long way, good or bad, so we always hit every project as if it were our own homes.

Advertising, it's important to target the right clients, also where and how we advertise really helps and word of mouth.

Demand.

Followed our business plan.

Advertising, education of the public.

Word of mouth, internet presence.

Search engine results,.

Demand is greater than what is currently out there.

Word of Mouth, High demand for child care, previous experience, networking.

New offers - web design and local search.

Bought another practice, word of mouth, offering unique services.

More aggressive marketing strategy, excellent customer service.

Business has grown due to internet shops.

We just started last month.

Word of mouth, social networking.

Happy customers and word of mouth.

New business, no prior years to reference.

A great product with high-quality, fresh ingredients mixed with great customer service. Also advertising and very positive word of mouth.

We shrank.

Question #2: If your business has declined in the past year, then why do you think this happened?

The economy and real estate vacancies, the earthquake in Jan 2010 and repairs.

Every gas station- drug store and grocery store, sells every kind of alcohol and beer/wine.

Very poor economy, Nationally and locally- the local liberal anti-business climate has finally eliminated the majority of good paying jobs in the area .

We have seen some decline due to the economy and people outsourcing on-line and people are going to paperless.

The economy .

Great recession. I once had customers not only in the U.S., but also Great Britain, France, Germany, and Japan. I haven't heard from them for over a year, except for Japan. They last ordered before the Great Earthquake, but no longer respond to emails. I hope they are still alive.

The economy was hard on everyone.

Nursery stock is closely related to the housing market, which has been in decline since the Fall of 2006.

Bad economy, shifting technology.

California state regulations telling me what I can do. No longer doing California.

State and Federal Government seems to be lacking in positive development growth, so money is more tight among consumers.

Poor economy.

The economy and real estate vacancies; earthquake in January 2010 - repairs.

Stayed the same.

Not declined.

Not enough time/extra income to run more than one business.

It hasn't.

Need to be more organized with website, stay on top of providing more inventory.

Our new location didn't give us as much foot traffic so we closed at the end of 2010.

Lack of work in construction.

Last summer was wet and rainy, things didn't grow well, it was a bad market for everyone.

Lack of marketing and staying up with technology.

I do not put enough time or energy into really making it take off.

Increased cost- Gas, coffee, cocoa, smoothies. Large expenses equal various government licensing fees (insurance and gasoline = 29% of expenses).

Hasn't declined.

Not taking the time to work on it.

This is a hobby business (craft).

Our local economy is becoming uncertain.

it didn't happen.

This is the first year.

Bad experience or timing.

Increased competition from local homeowners.

General economic downturn, lack of local employment, increased competition.

Business is stable.

Less disposable income by consumers, less deferred maintenance. I need to contact past customers.

My industry radically and the value of property went down, much more paperwork. People have less money to buy property. Cannot get stated income (Dero?) that have low rates.

Economy.

Stayed the same.

Water Damage, Recession.

Economically, our income dropped by 80% because the recession forced us to slash prices by more than 1/3.

Construction down.

Lack of focus and outlets for product.

Lack of drive, motivation on my part.

No.

The cost of farming has increased, and with losses suffered by farmers when the creamery went into bankruptcy farmers don't have money for capital improvements only cheap repairs .

Has declined since 12-31-2010.

U.S. Economy, Politics.

Because of the cost of fuel less people are traveling.

Moved to a smaller location due to major rent increase at old location.

This business was down 6% in 2010 from 2009. Her workers Comp rates and insurance cost effected the net profit. Customers are doing less preventative maintenance. More people are doing the minimum necessary to keep their vehicles running. This has affected the gross sales.

1. Service we offer is a non-essential/luxury and many people have less discretionary income currently. 2. Many current customers report that they are unable to make payments due to loss of income.

Stayed about the same.

Cost of gas, food, payroll has increased. We cannot raise our prices as often as the other things go up.

Stayed the same.

I think local people have less money for entertainment because of having to put their extra money into the gas tank, the cost of food has gone up also making entertainment dollars less.

I actually closed my business in 2010. I felt like I had gotten in way over my head and didn't have the energy to keep it going in addition to my day job. I'd like to try again sometime, though.

Loss of employees due to poor regulatory framework in Arcata.

Remains the same - I have declined selling my product in retail settings .

No interest.

New business, startup costs approx \$45,000. \$30,000 loss was expected even though we hoped there would be no loss.

Had a family setback.

Economy.

Competition.

If I could get a business or grant loan I could do better with more equipment.

Moved away.

I have started the business in the fourth quarter, so wouldn't expect to grow in three-four months.

The lease and profit margin are very important factors. Hope this year is better.

Declining economy.

Just opened.

No.

California economy/State funded programs.

Not enough time dedicated to marketing.

Dependent on legislation. Medicare benefits decreased 30% in the past 2 years. Workman's comp.

Networks and case management fluctuate by 20% per year.

local businesses do not have the money to upgrade their communications. They are still using 20

year old phone systems .

We also hit the rain snag this year as well. People tend not to want to paint while it is wet, either inside or out.

Construction economy- No projects to bid on.

New legislation has made it impossible for us to be certified organic.

Economy, resistance to type of business, wrong time of year for getting new clients with starting business.

We just started last month.

due to poor and declining health we have dissolved the business.

New business, no prior years to reference.

Poor economy, high unemployment, weak housing industry.

Question #3: What were the biggest challenges that you faced in starting this business?

Rehabilitation of the building - construction.

Undercapitalized, ignorance of business practices, no business plan.

No big challenge.

Finding good reliable help.

Getting the price/cost margins where fair and affordable for customers, but still able to make a profit.

Capital for expansion. Excessive, overlapping government regulations. California is currently 47th place for being business friendly. Every new project or industry is met not only with overregulation but also opposition from other citizens. We need to educate residents as to what it takes to have a tax base.

Lack of funds.

Believing in myself.

Cash flow; insurance liability; health care; taxes.

Learning the ropes of running a business in terms of: bookkeeping, personal issues, taxes, licensing, etc.

Not starting, sustaining it- cash flow.

Renting land.

Finding good employees, and drawing in customers.

Obtaining a client base and keeping it.

Working capital, lack of business experience, too many responsibilities (i.e. not enough time). money.

I am a mobile business and vend at various places- Example - Summer arts, festivals.

Money.

I don't remember as I was so determined, there was nothing I let stand in my way. There is nothing like someone telling me no (Eureka SBDC) to make me prove them wrong.

I had no idea there were places like North coast SBDC. Had to figure out everything myself.

The rehabilitation of the building - construction.

Finding the right customers and acquiring equipment, finding resources that right for your business.

Securing quality, American-made fabric and supplies.

Fear.

Finding the right people to fill positions.

Dealing with employees.

I have another job also and I am a mother so balancing my time was a challenge- also learning about the bookkeeping.

Potential customer base, lack of time with another business and raising a family.

We haven't done much marketing, letting word of mouth work. It's gradual steady growth.

Finances.

Organizing my schedule and not working too much.

Earning a name and good reputation in the community. Also gaining regular clients.

Relying on word of mouth - it was challenging because in the horse world that is how it works. You really have to impress to get passed on and since I don't have a lot of experience people were skeptical.

Big economic drop right after I bought it, sales dropped 35%. Bad legacy for sloppy workmanship.

Setting up website information by myself when not very efficient at web design.

Startup capital.

People taking my young age seriously but after people experience my high-level of professionalism,

they quickly understood why they wanted to hire me.
Startup capital, employee costs.
Getting a permit from the county.
Finding outlets to sell products to.
Making sense of what the previous owner did, streamlining the work, training our crew, learning business protocol with county and banks.
Getting exposure.
Finding an affordable location.
Time to be creative and finish my projects since I'm a stay at home mom with children.
Setting goals for my business; Staying focused and organized.
Finding the right equipment at a good price.
Finding clients.
Having sufficient revenue to purchase the necessary equipment to do my job effectively. You're best advertisement is a job well done and starting a business "from scratch," so to speak, doesn't always leave you with the available funds to perform that task. I often still feel that way being a year in a half into my business.
Packaging.
Confidence in myself, commitment, a lot of competition that has more sunshine and larger greenhouses than I.
Time, focus, resources, accountability, and outside projects.
Dealing with city, county, and state inspectors.
Taking time to study and test for license.
Clients.
People not knowing what permaculture is .
Not knowing where to start. I have had to do everything myself.
All the fees for the license and the taxes and finding other people who have been through this to find out who I need to talk to about questions I need addressed.
Bookkeeping, invoices, scheduling, time management.
Making profit in tough market.
Researching the management fees for vacation homes. I didn't know what to charge people. I called other vacation rental management companies and very few were helpful.
Finding demand using Craigslist helped significantly.
Acquiring the right inventory and prices. Trying to have a demographic which reaches teenagers to adults. Also, learning all the legal aspects of owning and operating a partnership with no experience.
Needing more money for surprises and things that came up. Always trying to get more people to come in.
Finding the time.
None really; I only did it so I could legitimately show proof of income for things like applying for loans, renting a home, etc. Getting a business license and checking account were all I did and it was simple.
High cost for inventory, and a weak economy. However, it started small to keep overhead down and my business has been slowly growing. Although, I saw no profit last year because of startup costs, I should be seeing profits this year.
Finding space where I could conduct my classes and getting insurance.
Learning how to do paperwork, license, advertising, fictitious business name.
Suppliers.
Upfront costs.
Marketing Strategy.

Marketing-people still don't know I'm here even though it's a small town.
Patience and creative consistency.
Money.
Loss of advertiser.
Permits/ sourcing materials.
The permits and licensing process.
Figuring out what taxes we pay and insurance to get.
Start up costs, business experience and knowledge.
Finding time to attend to accounting and running the business all by myself (I am a mom to two boys as well).
Getting licensed through DMV.
No Real Problems .
Establishing leases with facility or land owners.
Time and cash flow.
Finding/funding equipment for business type.
Time to make it happen, make products, get name out there.
Creating/finding a market for art and poetry.
Increase advertising costs.
Finding the time to start a new business while still having to work.
Government Regulations.
Risk. Sinking into deep debt, having faith that the business would come in. Going out and "pounding the pavement" to find customers.
It was an unknown concept, banks would not make loans.
Single parenthood.
Myself.
Getting organizational systems implemented. Deal with cash flow. Allowing time and a system to market.
Clients, money.
Learning the production process and sales!
Resources, time, fees.
No Plan, unsure about pricing etc.
Capital.
Learning how market myself without feeling pushy. Learning to deal with government and insurance companies.
Bookkeeping and learning practices involved in a production business - I find them much different than my main consulting service business.
shipping to fill orders; the recession stopped us from finishing the building we were planning to build so we could grow-general space requirement to produce and store product.
Dealing with the county merger process and all the permitting required to put the parcels together was challenging as well.
Tough competition from other companies/ business in my field.
Reaching my target audience.
No experience in preparing beverages- not familiar with the profit margin.
Rules and regulations.
Money, time/effort.
Direction.
Staying motivated while not getting paid.
Manufacturing! My business competes directly with products made overseas. Living in California is

expensive for business too.

Financing, fees and regulations, local politics, trust.

Finding an affordable retail space I'm (still searching) in desirable location, coming up with money to get going (there should be loans for first time business owners with bad credit).

Coming up with a good name, navigating permits, and LLC formation.

Getting the business off the ground with a part-time job to pay the bills at home. Once I was flooded with business, keeping up with all the work, bookkeeping, estimates, sales calls, administrative business, etc.

Getting people to know you exist.

Confidence, educating public about my field.

Startup costs.

Not too many, money coming in initially.

Learning how to start a business. How to file appropriate forms, my product line, and finding what people respond to.

Jumping through hurdles set by city council.

None.

Financial and customers.

Working 13 hours a day/not getting burned out. Dealing with fellow business owners getting upset at me for starting my own business.

Getting the 50 thousand dollars to buy the business and equipment necessary to operate it.

Finding employees.

Employees.

I started my business 28 years ago. There were days when I didn't have one client all day, I felt discouraged. The biggest challenge was believing in myself. I still love my work, and I think that has contributed to my success.

Once I proved quality of work, reputation and references enlarged accounts.

No challenges.

Money, hiring employees, finding employees that met licensing requirements, settling employee conflicts, working with licensing, the time it took for the building plan to be approved, the cost of getting the business started, getting a conditional use permit, taking the plan to city council, getting the plan approved for earthquake safety, getting the building built through months and months of rain, deadlines not being met, .

Managing staff and recruiting good staff.

Dealing with paperwork - IRS, EDD, BOE. Financial aid, could not get a loan for ten years from my banks.

Adjusting work schedules to cover shop hours.

The weather is a major factor, cost of fuel, cost of hay, government requirements, environmental consideration .

Starting and working capital. City of Arcata's design review.

Legal and licensing issues at the state level.

None in particular. I had a good reputation and a pre-existing pool of clients.

None, This business was started over 50 years ago. I bought it when the original owner wanted to retire.

Finding and keeping qualified personnel.

When I bought the business it had already been running - My biggest hurdle was obtaining funding for the down payment from the local bank - I ended up having to work with Redwood Regional Capital Economic Development Center.

Building and affording a new recording facility.

Having the funds to start the business and learning and understanding the costs involved to maintain the business.

Finding money to purchase the business. We (my husband and I) both work there prior to purchasing the business. We were very young and just graduating from HSU. We had student loans to pay back, no savings, and no equity. Luckily we both had good credit but it was impossible to get any business or personal loan from a bank. So we borrowed a little bit of money from lots of different people and got the remaining from the AEDC. By living on a super tight budget and working our asses off we were able to pay everyone back, but it was hard work.

Submitted application to state in April and didn't get permission to operate until end of July. I also had to go through a local business process to get permission to operate even though I am state regulated.

Under qualified staff. Large turnover. Unreasonable landlord.

Getting know in the community - getting local work.

Other businesses have seen what I do, and try to replicate it which causes confusion in the community. Keeping up with all the numbers, especially with merchant services (credit card processing).

Making business decisions with the person I originally started the business with. We split after a year, but the biggest challenge was dividing our assets. We could have used more legal help.

Making sure all forms were filled out and my business was legal.

Long distance to Eureka and fees.

Funding, no marketing skills, didn't ask enough people for help.

Business licensing and insurance hoops to jump through.

Not knowing how to pay my taxes. Not knowing how much to charge.

Unique field.

Time away from regular employment.

Have you seen the price of diesel?!!!

City regulations and permits; contractors quotes double what estimated; usually recommend that restaurants have 1-2 years capital when opening.

Money.

The beginning phase (getting started). Product development takes a great amount of time and resources. Advertising is very expensive but used properly it pay off.

Organization, accounting, and keeping a system for accounting.

Paying bills without having to take out more loans.

Finding quality employees without drug habits. Most employees feel they are entitled to an income regardless of how much or how hard they work. This trait is much more prominent in Humboldt. I am finally finding a solid reliable crew of people. It's definitely a challenge to run a small business in California. I truly believe the state of California doesn't care about small business owners or employees.

Getting people to understand the product, they see how good it works, they love it.

Basic logistics. Figuring out the nuts and bolts of opening, like what permits, insurance, etc., I would need. Being a mobile business made this even more complicated. The rest was fairly simple for me. Now my main challenge is going to be advertising and figuring out how to promote my business further.

Arcata city regulations!!!! Figuring out how to operate it because we are doing something so unique there is no existing manual, and finding the right employees.

Lack of qualified employees.

Making the decision to start. Also looking into other ways to diversify in the business and what we market.

Starting with used equipment, no gear, and Oregon permits.
Outside businesses that were not willing to work with me.
Lack of funding. Banks don't lend to people like me. Had I had access to more capital we could have started off stronger and carried less debt. Every penny we earn goes to paying down debt to our lenders.
Getting a complete list of licenses, permits, and steps to take to start.
Repairs on trucks.
Advertising and operation costs.
Getting money to start my business while unemployed - very hard.
Keeping up with demand, Client support.
It was very easy to get started and everyone I dealt with was nice and encouraging.
To find a reliable source to buy merchandise from.
Funding only.
Developing and retaining a steady clientele, and a field with so many local competitors.
It was extremely difficult to get potential pricing on the items we would sell due to suppliers tight lip policies until we put money up front. Very little general info on selling sewing machines was available.
Keeping my clients to a certain number; down turn of economy; capital.
Waiting for plants to mature and be market ready. Setting up nursery.
Time management, budget, advertising/marketing.
Deciding what products to buy wholesale.
Starting at the wrong time of year, figuring out good streams of revenue.
Time.
Making sure I had finances for rent and supplies.
My biggest challenge has been making appropriate changes in my approach to match the Humboldt County culture, my previous training business was in the Bay Area - a very different place. Although happy to live here (we chose it) the business challenges are unique and I am still on the steep part of the learning curve.
Nowhere to get supplies in Humboldt County.
Raising revenue.
Understanding all the paperwork for Building Com./ Fire Marshall/ and just waiting for everything to go through the right channels.
Employees.
Funding.
Paying myself last- Finding and Retaining the best people.
Adequate startup funding, time to do it all until I could afford to hire.
Enough networking time.
Getting financing, especially since we did not have experience as business owners or very much to invest personally; understanding legal agreements like lease etc.; Understanding all the legal requirements for employee law, insurance, etc.; Juggling being full time parents with new business.
Lengthy time to close sales.
Startup capital.
Paperwork, Competition, Word of Mouth and insurance companies.
Having enough working (liquid capital).
Getting a start, when I started my company I was barely 30 years old and was trying to get people to take me seriously - was kind of a stumbling point- and not being from around the area.
Government Regulations; Increased government reports, fees, and taxes; Its mind blowing!
Increased 100% in the last 12 years.

Breaking into the market in a small town like McKinleyville, sometimes companies, at least the well established ones use a certainly subcontractors exclusively.

Possibly becoming disabled.

Getting business startup, financing.

Driving revenue, getting out name out, overcoming bad legal advice.

Getting known.

Finances, getting word out about who we are and what we do.

Affordable space to operate; still looking for larger space that's affordable.

Bootstrapping.

None.

Writing the business plan .

Startup costs, working capital, stress.

Developing business systems. Finding IC's that are affordable.

Linking new business to our existing business.

Startup fees.

Limited and expensive advertising source is local newspaper. Word of mouth is usual source and is slow. Income level does not allow continuous advertising but I have not yet explored other options, as I felt that this type of business will probably be seasonal if I keep it local - which means pushing it only in spring and summer. Other options will be through Craigslist if I expand to the rest of Humboldt County or working entirely online through internet clients.

Decline in the real estate market.

Time! Anyone who deals in handmade products is strapped for time, it is hard to keep up.

Not having capital - Startup money. Not being able to find a certified kitchen to rent that was affordable and clean.

1. Having to use personal savings to start/fund the business. 2. Not enough time in the day after working at regular work.

Finding childcare for my son. Getting timely responses from the other local businesses.

Money.

Finances.

Communication, Minimal advertising.

Finding affordable, accessible, and move in ready office space. I still haven't found it, and work at home as a result. It seems most property owners can't/don't see the value in upgrading and updating their spaces. The commercial space that is available in Humboldt County is terrible. The status quo is old, moldy offices mostly way over priced.