



2018

Alaska Small Business Survey



From the Alaska SBDC Executive Director



Jon Bittner
Executive Director

On behalf of the Alaska Small Business Development Center, I'm pleased to present the results of the second annual Alaska Small Business Survey.

As an organization with over 35-years of experience working with and for Alaska's small business sector, the Alaska SBDC is in a unique position to see, first-hand, the profound impacts our clients have on Alaska and our economy. This survey was created as a way to help quantify and share some of those insights, and to uncover important trends driving Alaska's economic engine in the future.

Almost 400 businesses responded to our survey, allowing Alaska SBDC to capture one of the most comprehensive snapshots of Alaska's small business community available. We asked these entrepreneurs questions about their business' financial health, workforce, the future of the state's economy and impacts of state and federal regulations. What we found was both interesting and - in some cases - surprising, even for an organization that works as closely with the private sector as we do.

When it comes to barriers to success, the survey suggests that finding funding is still the number one issue for small businesses, followed by high shipping costs and a scarcity of qualified employees. On the bright side, 66% of respondents said that they predict their company's financial situation would be good or very good in the coming year, and half of all businesses that sought capital in 2018 were successful in obtaining it for a variety of needs, including working capital, new equipment and expanding operations. On top of that, 35% of respondents indicated they planned to seek new funding in 2019, and all but seven companies surveyed were planning on either hiring additional employees or maintaining their current staffing levels.

This is encouraging news for anyone interested in the State's economic future. While there are still some headwinds for Alaskans trying to start or grow their businesses, the general outlook is positive. Businesses are focusing on expanding, hiring new employees and accessing new markets. They believe that not only will their business be more successful in the coming year, but that the state and their local communities will also be more successful.

While there are still some uncertainties around the long term economic impacts of the November, 2018 earthquake and an ongoing government shutdown, the general consensus of Alaska's businesses is that there are growth prospects on the horizon and they're ready, willing and able to take advantage of those opportunities.



On the cover: Alaska Kayak Company is an Alaska small business based in Ketchikan. They specialize in small tours that offer visitors a rare opportunity to experience and explore Alaska the way locals do. Visit www.alaskakayakcompany.com for more information.

WHAT WE DO

The Alaska Small Business Development Center (SBDC) was started in 1986 to provide no-cost advising services and low-cost educational programs to entrepreneurs looking to start or grow their small businesses. Hosted by the University of Alaska Anchorage Business Enterprise Institute and funded, in part, by the U.S. Small Business Administration, the Alaska SBDC currently maintains offices statewide including Anchorage, Mat-Su, Fairbanks, Juneau, Ketchikan, Seward and the Kenai Peninsula.

WHO WE ARE

Our staff is comprised of highly qualified, experienced business professionals with business ownership/management experience and/or advanced degrees in business. All Alaska SBDC business advisors are certified through the Alaska SBDC Professional Certification program, and offer confidential, one-on-one advising sessions and workshops across the state to help drive small business growth, expansion and innovation.

Small Business in Alaska



+ 99.1%

of all Alaska businesses fall under the SBA* definition of "small business".*



+ 71,841

small businesses in Alaska, from Ketchikan to Utqiagvik.*



+ 142,448

Alaskans are employed by a small business.*

In 2016, Alaska small businesses received 7,594 loans totalling



\$228,929,000

to help build their businesses and boost the economy.**

* Source: U.S. Small Business Administration, Office of Advocacy, 2018 Small Business Profile

**Source: ffiec.gov (most recent available)

The Alaska SBDC 2018 Small Business Survey was designed to learn more about this important sector of Alaska's economy. Approximately 2500 questionnaires were sent to Alaska SBDC clients across Alaska. Almost 400 questionnaires were completed, offering invaluable insight into Alaska's thriving small business sector.

Alaska SBDC's 2018 Small Business Survey

44

survey questions were sent to

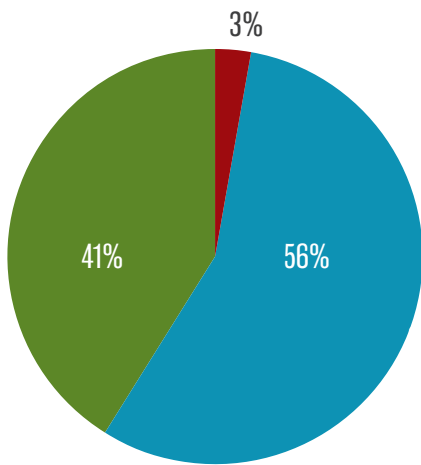
+2400

Alaska SBDC clients, generating

+370

responses from small business owners across Alaska.

Alaska Jobs



2019 Plans for Hiring

The majority of small businesses surveyed indicated they were planning to maintain (56%) or increase (41%) their workforce in 2018. Only 3% planned on reducing staff in the coming year.

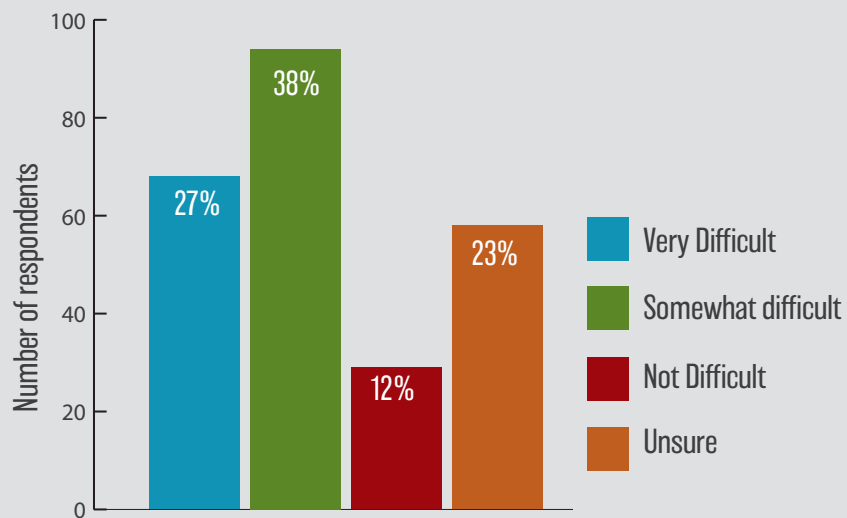


A large percentage (97%) of the small businesses surveyed indicate plans to maintain or grow their workforce in 2019 - even higher than last year. Slightly more than 65% of survey respondents indicated it was either somewhat difficult or very difficult to hire new employees for their business, and more than 54% cited a lack of qualified applicants as their biggest challenge to hiring, an 11% increase over last year.

Hiring is a Tough Part of the Job

65% of small businesses surveyed reported it was either very difficult or somewhat difficult to hire new employees for their business. This represents a 7% increase over 2017 survey data.

Only 12% indicated it was not difficult, while 23% were unsure.

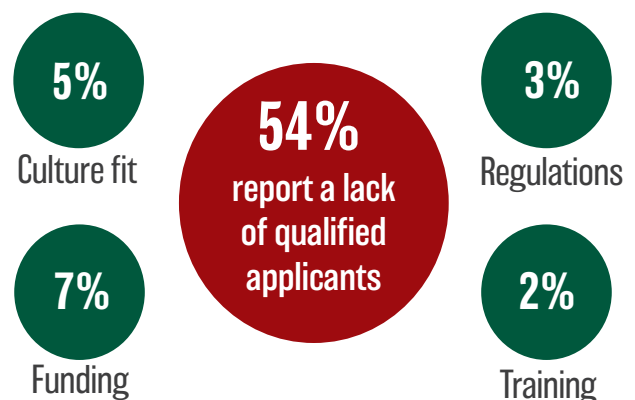


Difficult to Find Qualified Applicants

When asked to identify the biggest challenge faced when trying to hire someone, the majority of small businesses surveyed cited a lack of qualified applicants. The increasing lack of qualified workforce appears to be a continuing trend.

Other challenges included lack of funding, culture fit, regulations/laws, and training.

Challenges when trying to hire someone:



Capital Infusion



26%

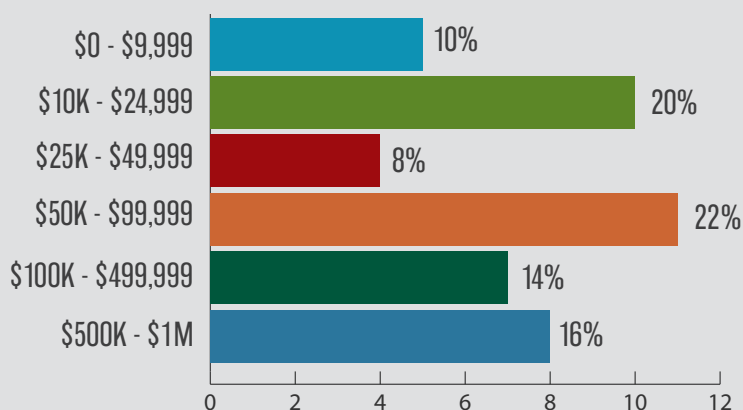
of small businesses surveyed reported they sought capital funding in the past 12 months, an 8% increase over 2017.

Of those seeking funding, nearly **53%** report being successful, a 12% decrease from 2017



One in four businesses reported seeking new capital in 2018; just a little over half indicated they were successful. Nearly one in three respondents reported they plan to seek new capital in 2019 to invest in new equipment, expand operations or create new products/services. This seems to indicate an optimistic outlook for their business' growth. It is interesting to note that the types of funding they plan to seek is changing. In 2017, Angel investment was listed as the second most popular financing option being sought after bank loans, but in 2018 the SBA Loan Guarantee inched past and funding from family and friends dropped in favor of crowdfunding.

Amount of capital small businesses reported receiving in the **past** 12 months:



Percentage of small businesses planning to seek capital in the **next** 12 months:



Survey question:

"What type of capital will you seek?"

24% Bank/Financial Institution

13% SBA Loan guarantee

12% Angel Investor

10% Government Grant

8% Crowdfunding

7% Family & Friends

6% Venture Capital

5% Credit card

4% Online Lenders

3% Suppliers

8% Other

Economic Health

TOP 5

Greatest Challenges Facing Small Business

1. Operating costs
2. Finding funding
3. Shipping costs
4. Finding qualified employees
5. Economy



66%

predicted their financial situation would be good or very good in 12 months.



56%

of survey respondents reported their 2018 revenues were about the same or higher compared to 2017.



When asked about the economic future of the state, the majority of respondents were largely optimistic (42%), while 38% were unsure if the economy would improve in 2019. Different from last year's survey, this perception appeared to extend to respondents' local economies, indicating a balance between state and local economic concerns. Also interesting to note: in 2017 the economy was listed as the third greatest challenge facing small business; this year it dropped to number five.

Operating Costs are a Concern

When asked to identify the top challenges facing small businesses,

45%

of survey respondents identified **operational costs** as being a major factor for Alaska small businesses.

Looking Forward

The key takeaways from this report center around two things. First, Alaska's small businesses represent a vast and growing sector of our economy. Despite uncertainties stemming from natural disasters and government shutdowns on the federal level, Alaska's small businesses continue to display resilience and grit. This is reflected in their continued optimism about the financial future of their businesses, their anticipation to maintain or grow their workforce, and their desire to seek new capital for expansion, capital improvements and new equipment.

On the other hand, while we are seeing an uptick in small business development and anticipate further growth in the coming year, small businesses are facing some significant barriers. Difficulties in finding qualified applicants to fill open positions, particularly in seasonal or flexible-schedule jobs; finding new forms of capital; high operating costs stemming from shipping and health care; feeling the repercussions of the government shutdown and political uncertainties on the federal level; and developing new ways to market their products and services to a larger audience in the face of new technologies are all significant and justified concerns for today's small business owner and entrepreneur.

With 99% of Alaska's businesses classified as "small business," this sector represents an important economic driver. When it comes to new business starts, job growth, economic diversification and exporting goods no one does it better than small business owners. Finding ways to energize and support Alaska's small business sector is the key mission of the Alaska SBDC, but this sector needs the broader continued support of the state's policy makers, local governments, anchor businesses and community members. We need to drive home the fact that not only is Alaska open for business - business is good. By working collaboratively to break down barriers to small business growth, freeing up access to more capital, addressing the widespread workforce issues and providing a smoother and more intuitive regulatory environment we can help these entrepreneurs continue to transform our economy into a more stable, mature and diversified state.



UAA BUSINESS
ENTERPRISE INSTITUTE

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