



FROM THE ALASKA SBDC EXECUTIVE DIRECTOR



Jon Bittner

On behalf of the Alaska SBDC, I'm pleased to present the results of our third Alaska Small Business Survey. This survey was created to help business owners, policymakers and others understand the challenges and perspectives of businesses in Alaska.

Over 500 businesses responded to this survey, giving us one of the most comprehensive snapshots of Alaska's small business sector available.

Compared to last year, the outlook for the state and local economies have shifted significantly. In 2018, businesses had a positive outlook on the economic future of their state and local economies. This year those perceptions have flipped, with the majority holding a negative outlook for both. Interestingly, their own financial outlook in 2020 remains strong with 62% indicating their finances will be good in 2020.

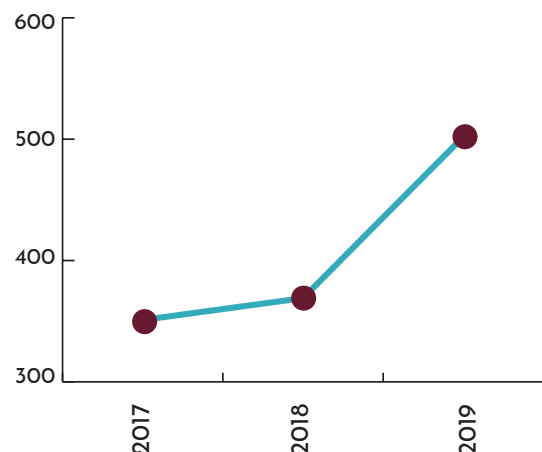
In 2019, 25% of businesses surveyed attempted to raise funds and over half were successful.

The funding was used for working capital, new equipment and building renovations indicating a focus on maintaining operations in a shift from 2019's focus on expanding business, new markets and new products. The types of funding secured is changing as well. In previous years, most businesses received bank loans (37%). This year, the top category was friends and family with banks coming in second (19%).

When it comes to barriers to business the top issue by far was still operating costs (including shipping). Finding qualified employees was also a top concern. The fact that these issues are still top barriers to business for the third year indicates they are deeply entrenched and resistant to external changes making them difficult to address.

While the Alaska SBDC is still optimistic about the future, it's clear there are areas that need to be addressed to unlock our economic potential before businesses can return to a focus on growth. This will require a concerted effort between business leaders, policymakers and others to try and enact the necessary changes. The Alaska SBDC will continue to work with our various partners to try and enact change that will benefit Alaska's important small business sector and hope that your organizations will join us.

40 survey questions were sent to
2762 Alaska SBDC clients,
500+ responses from small
business owners across Alaska



We have seen a steady incline in the number of survey response since 2017.

ECONOMIC HEALTH

53%

reported their 2019 **revenues**
were about the same or higher
than in 2018.

62%

predicted their **financial situation**
would be good or very good in
2020.

When asked about the economic future of the state, the majority of respondents were more negative (35%) than positive (25%), on whether the economy would improve in 2020. This is a significant shift from the 2018 survey results which were more positive (41%) than negative (21%). The shift from positive to negative extended to whether their local economy would improve as well with 33% saying it would not and 31% saying it would improve. This is a significant change from 2018 when 44% said local economies would improve and only 17% thinking they would get worse.

Cause for Concern

When asked to identify the top challenges facing small businesses, **25% of survey respondents identified operational costs including shipping costs** as being a major barrier for Alaska's small businesses.



Tundra Tonic (Fairbanks)

TOP 5

Greatest Challenges Facing Small Businesses



#1

Operating Costs

#2

Finding Funding



#3

Shipping Costs

#4

Finding Qualified Employees



#5

The Economy

CAPITAL INFUSION

Funding Sources Shift

Businesses are being forced to pursue new forms of funding as they find themselves less suitable for traditional bank financing.



- Successful bank loans declined by 13%.
- The number of businesses seeking Angel Funding nearly doubled with a success rate unchanged from 2018.
- Credit Card funding increased 15%.

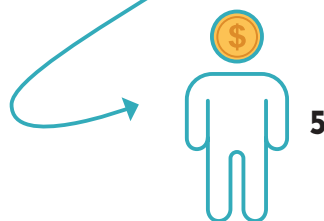
One in four businesses reported seeking new capital in 2019 – with a little over half indicating they were successful. Additionally, 36% of businesses indicated that they would seek new capital in 2020 for working capital (20%), new equipment (17%) and marketing (14%). Unlike previous years when funding was earmarked for new product development, expansion, and new equipment, this year businesses seem to be focused on maintaining current operations and focusing on existing products and services. The amount of funding each business successfully raised was lower than in previous years. Capital infusion in the \$500,000-\$1,000,000 range dropped from 17% in 2018 to 8% in 2019 while funding under \$50,000 increased by 12%. That trend is projected to continue into 2020 with businesses indicating they will seek smaller amounts primarily in the \$100,000-\$500,000 and under \$10,000 ranges.



Friends and Family lending was the preferred approach to securing capital in 2019, knocking traditional bank lending off the top spot.



25% of small businesses sought funding in 2019



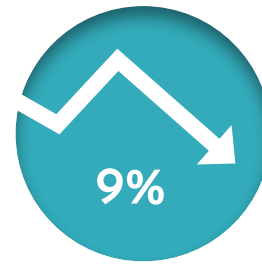
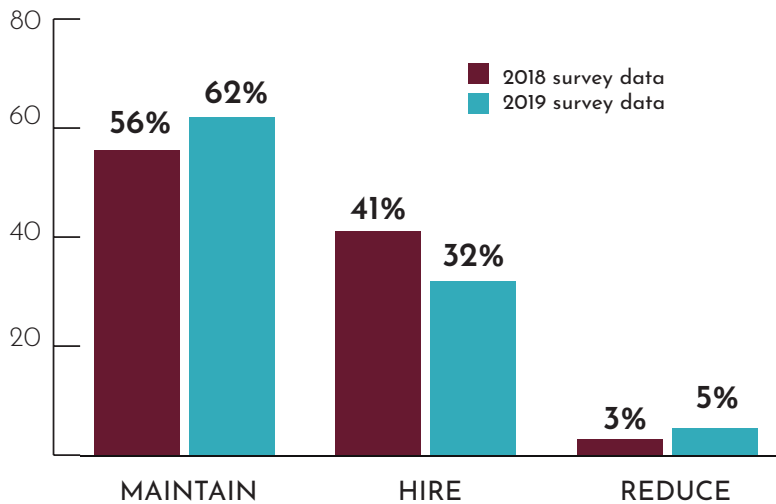
52% were successful



The amount of funding each business successfully raised was lower than in previous years. Businesses will seek smaller amounts of funding in 2020.

ALASKA JOBS

2020 Plans for Hiring



2020 HIRING OUTLOOK

Predicting a decline in new hires and a slight increase in staff reduction, small business owners expect to experience a deceleration in workforce growth for 2020.

Hiring is still the biggest workforce challenge

When asked to identify the biggest challenge in hiring new employees, the majority of business owners (53%) cited a **lack of qualified applicants** as the biggest barrier.



TAKEAWAY

First and foremost, there was a significant change in the results from 2018 to 2019. A lot of optimism about the state and local economies was lost even though business owners were still bullish on their own financial prospects.

There was also a significant shift in the capital that businesses were able to secure, from more traditional bank loans and angel investments towards more risky or less discerning options like friends and family, credit cards and online lenders. While we hesitate to definitively state what is driving these changes, it would appear to be a move away from sources of funding that require stable revenue and future prospects towards capital that has less stringent requirements, often at the expense of higher interest rates or more complicated agreements. On the bright side, the rate of businesses successfully securing funding has remained constant and there are still a significant number of employers looking to grow or maintain their workforce.

Of larger concern is the persistent nature of the top barriers to business. While the top five categories may move up or down one rank on the list year to year, the barriers remain remarkably consistent. Operating costs, finding qualified employees and securing funding show up year after year regardless of how the rest of the results change. These barriers act as a natural limiter on the growth and development of Alaska's small business sector and



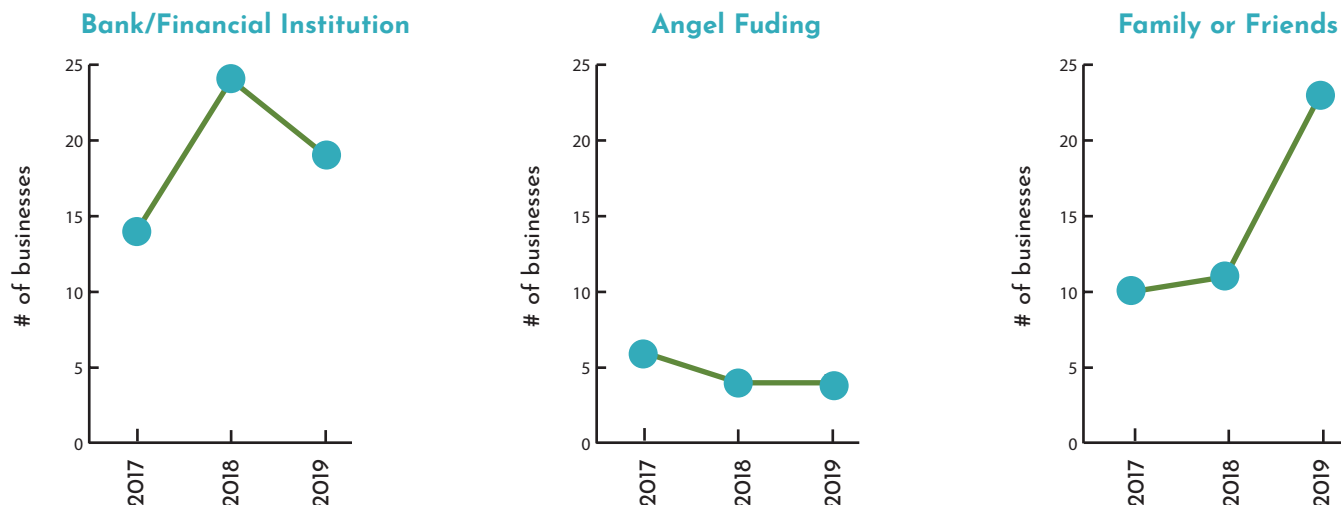
represent a significant drag on our economy as a whole.

With 99% of all businesses in Alaska classified as "small business" that employ over half of the state's workforce, this sector is vitally important to our state. When it comes to new industry development, job growth, exporting and innovations, no one does it better than Alaska's small businesses.

While the Alaska SBDC remains committed to our mission of helping the state's entrepreneurs start and grow their businesses, this sector needs the broader support of Alaska's policymakers and communities to really succeed. By working together 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 entrepreneurs continue to transform our economy into a more stable, mature and diversified state.

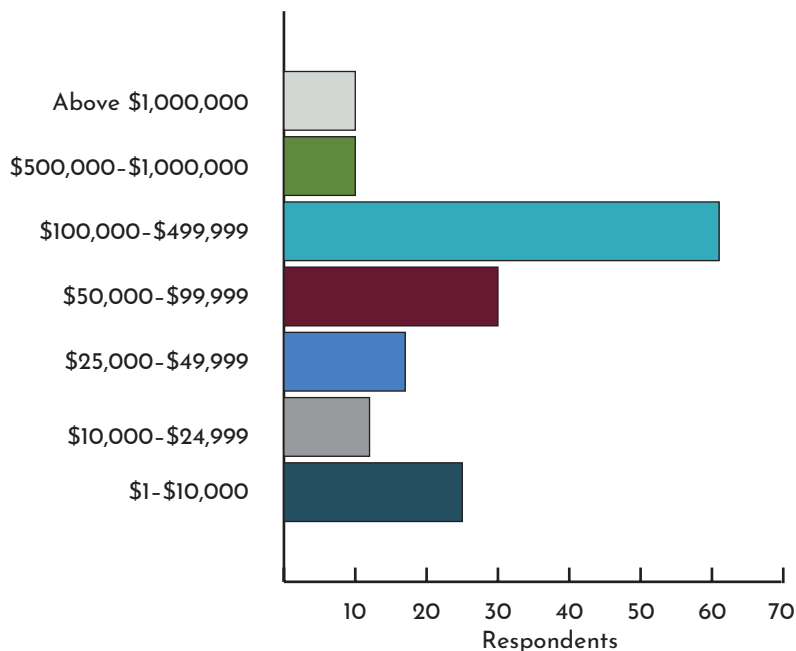
2020 AT A GLANCE

3-YEAR TREND IN SUCCESSFUL CAPITAL INFUSION BY FUNDING TYPE

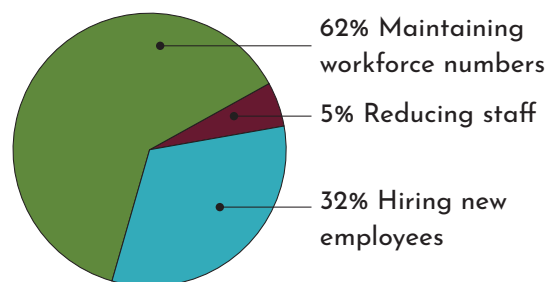


ANTICIPATED CAPITAL FUNDING ASKS FOR 2020

Out of 165 businesses who said they would seek capital funding in 2020, the majority will aim for \$100,000-\$500,000 range.



2020 HIRING PLANS



TOP CHALLENGES FACING ALASKAN SMALL BUSINESSES

1. Operating Costs
2. Finding Funding
3. Shipping Costs
4. Finding Qualified Employees
5. Economy



Alaska Small Business Development Center
SBDC UAA BUSINESS ENTERPRISE INSTITUTE

907.786.7201

info@aksbdc.org | www.aksbdc.org

1901 Bragaw St., Ste. 199 Anchorage, Alaska



Media Contact: Jon Bittner, Alaska SBDC Executive Director | Jon.Bittner@aksbdc.org | 907.529.1103

SMALL BUSINESS IN ALASKA

99.1% of all Alaska businesses fall under the definition of "small business"*

141,147 Alaskans are employed by a small business*

73,354 small businesses in Alaska, from Ketchikan to Utqiagvik

In 2019, Alaska small businesses received **111 SBA loans** totalling nearly **\$65,000,000** to help build their businesses and boost the economy**

ALASKA SBDC'S 2019 SMALL BUSINESS SURVEY

The Framework

The Alaska SBDC's 2019 Small Business Survey was designed to showcase the importance of the small business sector on Alaska's economy. Over 2,700 questionnaires were sent to Alaska SBDC clients in over 100 communities across the state. Over 500 businesses responded answering over 30 questions regarding their financial outlook, workforce projections, barriers to business, the economy and more.

*Source: U.S. Small Business Administration, Office of Advocacy, 2019 Small Business Profile

**Source: <https://www.sba.gov>

Beaver Brothers Trading Co. (Juneau)