



CALIFORNIA STATE UNIVERSITY
LONG BEACH
College of Business

Long Beach Small Business Monitor

Expectations for Long Beach Small Business in 2020 "Return to Optimism?"

At this time last year, Long Beach small business people were expressing concern and anxiety about the coming year. A large number of Long Beach small business people were lowering their expectations for sales, revenues and spending. But as the year progressed, things didn't go wrong, consumer spending increased, sales trends remained up, and attitudes among small business people turned more upbeat.

Today, in early 2020, Long Beach small business people are more optimistic than at this same time last year. The percentage planning for an increase in sales during 2020 has risen to 66%, and just 12% say their sales and revenues will decline in 2020. The more optimistic outlook of Long Beach small business is reflected in national data reported by Gallup in which the lower expectations of last year have been replaced by more hopeful feelings for small business growth in 2020 across the country. Survey responses for Long Beach small businesses and national small businesses can be seen in the tables below.

Gallup is reporting large gains in consumer confidence nationally ([for more info on Gallup's consumer confidence data click here](#)). Confident consumers shop more and buy more, which is good for small business. An increase in consumer confidence may be what is contributing to the positive expectations of more Long Beach small business people.

So, the year begins with Long Beach small business people having higher expectations for more sales and revenues in 2020. But this survey is a snapshot in time. Last year we measured less optimism among Long Beach small businesses which turned around during the year.. As 2020 progresses and the nation enters a volatile presidential election season the positive expectations that we see at the beginning of this year may give way to more uncertainty and less confidence. It is going to be an interesting 2020!

Sales Expectations Are Higher

Long Beach Small Business Monitor Survey:

Are You Planning on Sales to Increase, Decrease or Stay the Same in 2020?

Change	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Increase	54%	61%	60%	54%	55%	62%	63%	54%	66%
Decrease	14%	12%	15%	18%	21%	11%	10%	18%	12%

Gallup National Small Business Surveys (Q1)

Are You Planning on Sales to Increase, Decrease or Stay the Same in 2020?

Change	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Increase	49%	43%	48%	55%	50%	61%	66%	55%	65%
Decrease	15%	22%	17%	11%	13%	9%	9%	10%	6%

Expectations Are For More Hiring

After softening last year, there is an increase in the number of Long Beach small business people who are planning on hiring more people this year. Thirty-four percent (34%) of Long Beach small business people today say they will be hiring more, and fewer (6%) business owners expect to lay-off or decrease their workforce in 2020.

In this time of low unemployment, Long Beach small business people say they are finding it hard to locate qualified people. As noted in the table below, 66% of Long Beach small business people reported that the number one problem they anticipate this year will be finding new skilled employees, an increase of 11% over the past few years. Helping small businesses find qualified workers to meet new consumer demand will be a top priority in 2020.

Hiring Exceptions in 2020

Long Beach Small Business Monitor Survey:

Are You Planning on Hiring at Your Business
to Increase, Decrease or Stay the Same in 2020?

Change	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Increase	21%	29%	31%	29%	27%	35%	30%	31%	34%
Decrease	6%	7%	7%	8%	13%	6%	7%	9%	6%

Hiring #1 Concern of LB Small Business in 2020.

Today, How Much of a Problem Is...?

Problem Type	2018	2019	2020
Finding Skilled Employees	55%	62%	66%
Business Taxes and Fees	62%	65%	61%
Raising Working Capital	37%	48%	44%
Finding and Keeping Customers	35%	46%	42%
Access to Low Cost Credit	22%	35%	38%

More Spending On Equipment, Inventory and Supplies is Expected

Capital spending is a very important metric in determining the expectations of small business. Capital spending is done to help a small business meet increased demand and sales. When a small business plans more capital spending, they are seeking to increase their infrastructure to meet an anticipated growth in customer transactions.

This year, more Long Beach small businesses are planning an increase in their capital spending on such things as new equipment, more inventory and supplies. Four in ten (41%) are saying their capital spending will increase in 2020. No doubt this is a response to more Long Beach small business people having positive expectations for growth in sales and revenues in the coming year.

Capital Spending in 2020

Long Beach Small Business Monitor Survey:

**Are You Planning on Capital Spending At Your Business
to Increase, Decrease or Stay the Same in 2020?**

Change	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Increase	31%	28%	41%	35%	31%	35%	35%	39%	41%
Decrease	20%	14%	18%	17%	17%	13%	12%	12%	18%

More Expect To Seek New Credit and Financing in 2020

Often small businesses are under-capitalized and have difficulty finding access to credit and financing. Fewer small businesses have access to credit than larger companies because lending to them is seen as riskier and more expensive than extending credit to larger companies. This is because small businesses fail at higher rates than big businesses and changes in the business cycle have a larger impact on their profits.

In our survey this year, we find an increase in the percentage of Long Beach small business people who report they will likely seek an increase in their business credit and financing in the coming year. Today 41% say they are planning on seeking an increase in their credit situation. Similar to capital spending (and often necessary to realize this new spending), planning to increase credit and financing is an indication of more optimistic expectations for small business growth. Taking on new credit is a sign of more positive outlooks for Long Beach small businesses.

Expectations for New Credit/Financing in 2020

Long Beach Small Business Monitor Survey:

Are You Planning on Applying for New Credit/Financing to Increase, Decrease or Stay the Same in 2020?

Change	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Increase	24%	25%	20%	16%	19%	19%	21%	24%
Decrease	20%	16%	17%	16%	14%	15%	8%	20%

Summary - Overall Expectations Are Positive for 2020

Long Beach small business people are more optimistic about 2020 than they were at this time last year. More anticipate an increase in sales and revenues, hiring, capital spending and loan financing in 2020.

The next edition of the CSULB - COB Long Beach Small Business Monitor will take a closer look at exceptions for the coming year across different types of small businesses and between different areas of the city of Long Beach. The next edition will be emailed in March 2020.

Long Beach Small Business Monitor

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Visit the [Long Beach Small Business Monitor Web site](#) to learn more about survey methods, purpose and goals, and to access archives of past small business surveys and reports.



Visit the [College of Business Web Site](#)

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