

**Results of the 2013 Gibsons Business License Survey
prepared for the Gibsons Town Council
April 22, 2014**

Economic Development Select Committee



Context

In the *Economic Development Strategy and Action Framework for the Town of Gibsons and the Lower Sunshine Coast* adopted by Gibsons Town Council in November 2013, one of the initiatives proposed under *Monitoring* (Strategy #5) was to begin an annual survey of businesses licensed in Gibsons. Therefore, when license renewals were sent out in December 2013, a list of non-compulsory questions were included as a Survey of Licenced Businesses (see Appendix A) with a commitment that the identity of respondents would not be disclosed. Of the 435 businesses renewing their license for 2014, 120 chose to respond to those questions, giving a 28% response rate. The following is a summary of those responses.

Overview

Of the 120 respondents, 46% were in retail or consumer services, 19% in tourism-related services, 18% in business and professional services, 13% in construction, and 4% in manufacturing.¹ Based on the number of employees, 78% of the respondents were micro-enterprises (i.e. fewer than five employees) and the rest were small businesses (i.e., fewer than 100 employees). The average length of time in business, for those in business at least one year, was 15.4 years, and 52% were incorporated. Data analysis tables are provided in Appendix B.

Compared with 2012, 44% of the businesses saw their revenues increase, while 28% experienced a decrease and 28% stayed the same. Projecting forward five years, 60% of businesses expect to expand, while 26% expect to stay the same, and 14% to close or be sold.

Regarding employees, 24% hired new staff in the past year, 17% downsized, and 59% maintained the same staffing level. While 31% reported that they had no interest in hiring additional staff, 48% said that they would need increased sales to justify increased hiring and 21% reported that they could not find appropriately skilled persons to hire. Of those businesses whose revenues had increased since 2012, 96% maintained the same staffing level or added new staff.

When asked about the source of their customers, the averages reported were 43% from Gibsons, 42% from up-Coast, and only 15% from off-Coast. While 9% reported having customers only from Gibsons, 14% reported having at least 90% of their customers only from Gibsons. At the other extreme, 5% of firms report having only off-Coast or outside BC

In regard to potential economic leakage, the averages reported were 35% of input purchased in Gibsons, 11% purchased up-Coast, and 54% purchased off-Coast. Over three-quarters (84%) of the businesses reported purchasing some or all of their inputs from off-Coast.

Sector of Business

Examining the data by business sector, business/professional service firms were likely to have been in business the longest (18.3 years), while retail/consumer firms were the youngest

¹ Because of the small number of manufacturing respondents, their data were not analyzed further.

(14.1 years). Construction firms were most likely to be incorporated (73%), followed by business/professional service firms (57%) and then retail/consumer services (52%).

Business/professional service firms (48%) were slightly more likely than retail/consumer service firms (45%) or tourism-related businesses (45%) to report an increase in revenues, while construction firms (28%) were significantly less likely to have experienced a revenue increase. Retail/consumer service firms were most likely to expect their business to expand over the next five years (77%), while tourism-related businesses were least likely to predict expansion (40%).

Construction firms reported the highest average number of full-time employees (9.2), while business/professional service firms (2.9) and tourism-related business (2.7) reported the lowest. Retail/consumer service firms averaged the most part-time employees (2.5). Both business/professional service firms (78%) and tourism-related businesses (73%) were likely to report no change in staffing patterns from 2012, but 42% of construction firms reported laying off workers. The primary reason given by retail/consumer service firms (47%) and business/professional service firms (54%) for not hiring new employees was that they would need increased sales levels to justify hiring, while construction firms gave both a need for increased sales (40%) and an inability to find workers with appropriate skills (40%) as their primary reason.

While 62% of the business/professional service firms reported that their customer base included customers from off-Coast, 8% of retail/consumer service firms reported having customers only from Gibsons. If indeed retail/consumer service firms are relying heavily on local customers to stay in business, one might question how actively they have embraced the growing trend of online sales.

Retail/consumer service firms reported the highest percentage of inputs purchased from off-Coast (68%). Construction firms (55%) and tourism-related businesses (52%) reported purchasing over half of their inputs in Gibsons.

Years in Business

Small businesses, once started, typically face two vulnerable periods. The first is the two-year mark where, if the owner is not able to begin drawing a living wage, the enterprise closes. The second is in the five-to-nine year period where many firms face decisions about how to manage growth. Firms in business ten years or more were significantly more likely to be incorporated (65%) – i.e., to have adopted a formal corporate structure.

Not surprisingly, firms in business less than ten years were more likely to have experienced an increase in revenues over 2012 as part of their initial growth phase when compared with older firms. Firms in business less than five years were the most optimistic about expansion over the next five years (80%), followed by firms in business 10-19 years (65%). Almost half of the firms in business 20 or more years (44%) expected to maintain the status quo over the next five years, and those in business five-to-nine years were the most likely to predict being sold (19%).

While most firms in business five-to-nine years reported no change in staffing levels (71%), firms in business less than five years (45%) and 10-19 years (35%) reported hiring increases. The need to link any increase in hiring to an increase in sales revenues was a primary consideration, especially for those in business less than five years (52%) and 10-19 years (54%).

Firms in business 20 years or more were most likely to have customers from off-Coast (22%). Those in business 10-19 years were significantly more likely to purchase a higher percentage of inputs from on-Coast (65%).

Incorporation

While incorporation is not a requirement for a successful business, the process of incorporating often signals a more formal management structure and explicit business procedures. Respondents whose businesses were incorporated tended to have been in business longer (18.5 years) as compared with those not incorporated (12.5 years). Since 48% of responding businesses were not incorporated, it may be that business owners are not aware of the usual benefits of incorporation.

Surprisingly it has been the unincorporated Gibsons businesses that were more likely to have experienced an increase in revenue (54%), while 70% expect to expand over the next five years. Although 67% of unincorporated businesses maintained the same staffing level, 30% hired more staff while 45% expressed no interest in increasing staff.

By contrast, only 36% of incorporated businesses had an increase in revenues over 2012 and 54% maintained the same staffing level, though 50% expect to expand over the next five years. Incorporated businesses reported, on average, that 58% of their inputs were purchased from off-Coast.

Exporters to Off-Coast Customers

One important way in which businesses offset risks from depressed markets is to broaden their customer reach. With the growth of online transactions, it is now possible for virtually all businesses to develop customers in global markets. Indeed, there are a number of examples in Gibsons of firms whose customers are primarily or exclusively global. However, 29% of respondents reported having no customers off-Coast. Further, over one-third (39%) of locally-focused respondents cited a lack of growth on the Coast as the reason for their business not performing better.

Comparing “exporting” firms (defined in this case as having at least 25 percent of customers from off-Coast) with “non-exporting” firms (defined as having only on-Coast customers, including customers who come to the Coast as tourists), exporting firms were significantly more likely to report increased revenues (50%) compared with non-exporting firms (35%). Exporting firms were also more likely (72%) to have maintained staffing patterns rather than hiring new staff, while 25% of non-exporting firms reported hiring more staff and 25% reported laying off staff.

Looking more closely at customers, one-third of exporting firms reported that at least 50% of their customer base was outside of BC while an additional 24% reported that at least 50% of their customer base was off-Coast. For non-exporters, 29% reported that all of their customers were local to Gibsons, while 38% reported that at least 90% of their customers were from Gibsons.

Non-exporting firms were more likely to see themselves expanding in five years (66%) as compared to exporting firms (50%), while 40% of exporting firms expect to maintain the status quo. Most (79%) of the respondents who saw slower economic growth on the Coast as the main barrier to expansion were non-exporting firms. Over half (58%) of the respondents saying that

they need training in how to manage their companies more successfully were non-exporting firms, with only 4% of firms with at least 25% of customers off-Coast making that assertion.

Summary and Recommendations

The year 2013 followed 2012 in being a sub-par year for economic growth across Canada, with an average national GDP growth of only 1.7 percent. In that context, it is impressive that 44 percent of respondents reported an increase in revenues from 2012 to 2013, and 60 percent expect their businesses to expand over the next five years. Similarly, having 83 percent of firms report that they were able to maintain or increase 2012 staffing levels indicates strength in the local economy. These positive results need to be publicized to offset casual negative comments about the Gibsons economy, and a draft press release is attached to this report.

The most important step being recommended regarding this survey, after publicizing the results, is to repeat it in coming years, with an explanation about its importance in order to encourage even more businesses to respond. The Economic Development Select Committee would like to see all of the questions repeated in 2014, in order to provide an annual sequence of comparative data, and one option added to the last question on leading constraints on growth: "Need access to financing for small business growth."

Based on the survey data themselves, there are four areas where initiatives could strengthen businesses in Gibsons. The first is the development of an online directory of services and supplies that are available in Gibsons and along the Coast. Respondents to the survey cited lacks (like the need for a provider of office supplies) that are simply not true. However, it remains difficult for businesses to find the inputs they need on-Coast when there is no central source of information.

The second area relates to filling gaps that do exist in the local economy and stemming economic leakage. Respondents consistently mentioned the lack of specialized inputs, including highly specialized products, professionals with specialized skills, specialized technical support, and bulk wholesalers. While it may be unrealistic to attract bulk wholesalers given the size of the local market, it could be possible to target professionals and technicians with specialized skills who could service a global market from Gibsons.

The third area is providing training in how to develop customers off-Coast and outside of Canada in order to increase sales. With 29% of respondents reporting that they currently have no off-Coast customers and a high proportion wanting training, this could have an immediate growth impact. This training could include methods of identifying the sources of customers and strategies to ensure customer loyalty where on- or off-Coast.

The fourth area relates to the size of local businesses. Given the geography and demographics of the Gibsons area, having small enterprises is entirely appropriate. There are funding and training initiatives available to micro-enterprises and small business that could be very helpful to the local business community.

Request of Gibsons Town Council

Finally, the Economic Development Select Committee would like to request from Town Council a shift in the Committee's mandate since the *Economic Development Strategy and Action Framework for the Town of Gibsons and the Lower Sunshine Coast* was adopted by Gibsons Town Council in November 2013. The Committee would like to recommend that the

Appendix A
Survey of Licenced Businesses

Business License # _____

Year your business started _____

Is your business incorporated? Yes No

How many employees do you have? _____ full-time _____ part-time

Compared with last year:

Have your revenues increased decreased no change

Have the number of employees increased decreased no change

What is the leading constraint on your hiring additional employees today?

Need higher sales to justify

Can't find the right skills/experience

Not interested in having (more) employees

Other (specify _____)

Approximately what percent of your revenue is from (total = 100%):

____ Gibsons customers/businesses

____ Sunshine Coast (outside Gibsons) customers/business

____ Visitors to the Coast

____ Customers/businesses off-Coast in BC

____ Customers/businesses outside BC

Approximately what percent of the products and services for your business are purchased (total = 100%):

____ From other Gibsons businesses

____ From non-Gibsons businesses on the Coast

____ From off-Coast

Please list any services you would like to purchase locally but don't, and the reason:

Where do you see your business in 5 years?

Expanding

Status quo

Contracting

Sold

Closed

What is the leading constraint on growing your business?

Not interested in growth

Need training in how to manage more efficiently

Need training in how to market more effectively

Other (specify _____)

Appendix B
Survey of Licenced Businesses Data Tables*

Table 1: Respondents

	Percent	Years in Business	Incorporated	Full-Time Employees	Part-Time Employees
Sector:					
Business/professional	19%	18.3	57%	2.9	0.9
Construction	13%	15.3	73%	9.2	0.8
Retail/consumer	47%	14.1	52%	3.2	2.5
Tourism-related	20%	15.1	32%	2.7	1.7
Years in business:					
0-4 years	25%	1.7	32%	2.0	2.5
5-9 years	20%	7.1	37%	2.5	2.1
10-19 years	28%	13.3	63%	4.8	1.6
20 or more years	27%	33.6	67%	4.4	0.9
Incorporated?					
Yes	52%	18.5	-	5.0	1.9
No	48%	12.5	-	2.0	1.6
Off-Coast customers?					
25%+ of customers	18%	12.9	48%	4.4	1.2
None	29%	15.8	56%	3.6	1.6
Total	100%	15.4	52%	3.8	1.8

Table 2: Revenues

	Change Compared with 2012			In Five Years?		
	Increase	Decrease	None	Expand	Status Quo	Sold
Sector:						
Business/professional	48%	33%	19%	52%	33%	15%
Construction	28%	36%	36%	50%	21%	29%
Retail/consumer	45%	24%	31%	77%	17%	6%
Tourism-related	45%	30%	25%	40%	35%	25%
Years in business:						
0-4 years	65%	10%	25%	80%	16%	4%
5-9 years	55%	28%	17%	56%	25%	19%
10-19 years	39%	36%	25%	65%	20%	15%
20 or more years	42%	29%	29%	44%	44%	12%
Incorporated?						
Yes	36%	34%	30%	50%	35%	15%
No	54%	22%	24%	70%	17%	13%
Off-Coast customers?						
25%+ of customers	50%	30%	20%	50%	40%	10%
None	35%	35%	30%	66%	17%	17%
Total	44%	28%	28%	60%	26%	14%

Table 3: Employment

	Change Compared with 2012			Constraint to Hiring?		
	Increase	Decrease	None	Need More Sales	Skills Deficit	No Interest
Sector:						
Business/professional	11%	11%	78%	54%	14%	32%
Construction	25%	42%	33%	40%	40%	20%
Retail/consumer	36%	13%	51%	47%	26%	27%
Tourism-related	7%	20%	73%	35%	10%	55%
Years in business:						
0-4 years	45%	0%	55%	52%	16%	32%
5-9 years	0%	29%	71%	33%	33%	33%
10-19 years	35%	15%	50%	54%	18%	28%
20 or more years	16%	21%	63%	41%	22%	37%
Incorporated?						
Yes	19%	27%	54%	48%	29%	23%
No	30%	3%	67%	43%	12%	45%
Off-Coast customers?						
25%+ of customers	11%	17%	72%	43%	9%	48%
None	25%	25%	50%	67%	18%	15%
Total	24%	17%	59%	48%	21%	31%

Table 4: Sourcing

	Customers Are From:			Purchase Inputs From:		
	Gibsons	Coast	Off Coast	Gibsons	Coast	Off Coast
Sector:						
Business/professional	26%	37%	37%	33%	18%	49%
Construction	31%	60%	9%	55%	27%	18%
Retail/consumer	53%	40%	7%	24%	8%	68%
Tourism-related	40%	48%	12%	52%	4%	44%
Years in business:						
0-4 years	32%	55%	13%	40%	12%	48%
5-9 years	49%	37%	14%	44%	9%	47%
10-19 years	49%	38%	13%	22%	13%	65%
20 or more years	42%	36%	22%	33%	10%	57%
Incorporated?						
Yes	40%	43%	17%	30%	12%	58%
No	46%	40%	14%	41%	11%	48%
Off-Coast customers?						
25%+ of customers	10%	25%	65%	20%	9%	71%
None	60%	40%	0%	45%	17%	38%
Total	43%	42%	15%	35%	11%	54%

*Based on 116 respondents.