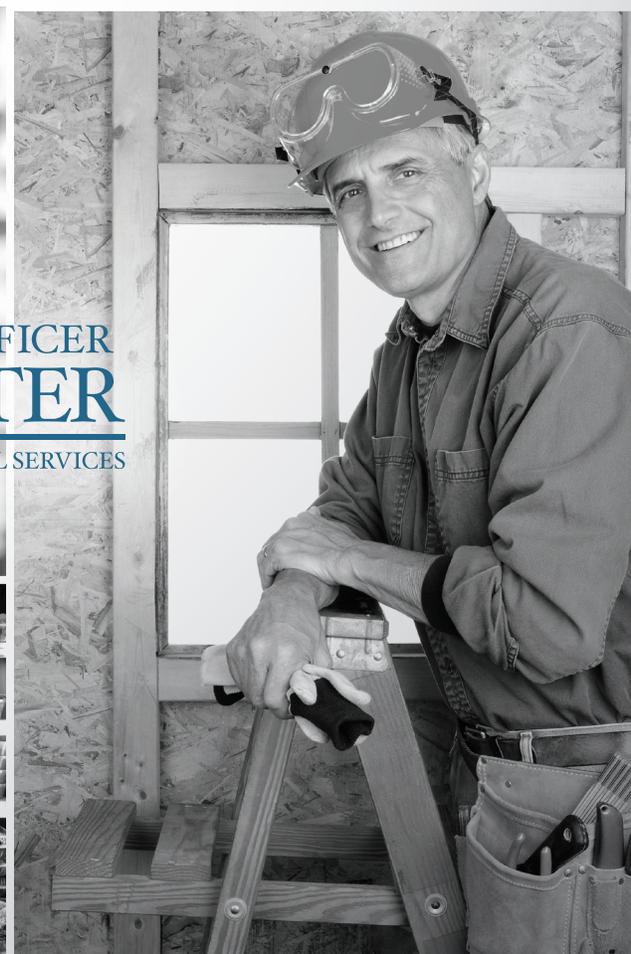




2013 SMALL BUSINESS SURVEY



CHIEF FINANCIAL OFFICER
JEFF ATWATER
FLORIDA DEPARTMENT OF FINANCIAL SERVICES





DEAR FELLOW FLORIDIANS:

Small businesses are the cornerstone of Florida's economy, serving as a hub for innovation, job creation, and consumer choice. Collectively they contribute about 75 percent, or \$583 billion, to our state's total GDP. By providing a favorable business climate where Florida's economy can flourish and expand, our state helps these small businesses create jobs in our communities, bolster our economic growth and prosperity, and strengthen our financial position.

Given its importance to Florida's economy and a sustainable recovery throughout the state, it is essential to maintain an ongoing analysis and thorough understanding of the current state of small business in Florida. To do this, I called upon my partners at the Florida Small Business Development Center Network and Florida Chamber Foundation to help take the pulse of Florida's small businesses by conducting the **2013 Small Business Survey**.

Our survey asked small business owners in Florida, most with less than 50 employees, about how they are faring in the current economic environment. The survey results showed signs of resilience and growth in small businesses across Florida and revealed a bright outlook for future expansion and hiring. Despite a slow economic recovery, nearly 90 percent of small business owners reported plans to grow their businesses in the coming year with most planning to make new capital investments and hire additional employees over the next 12 months in Florida.

Yet, amid recent improvement and optimism for the future, Florida's small businesses continue to shoulder their fair share of hurdles, such as a persistent lack of access to capital. In order to fully unleash Florida's economic growth potential, overcoming these barriers and other important small business issues must be a priority. For this reason, I remain committed to keeping small businesses at the forefront of Florida's economic conversation, and I hope the **2013 Small Business Survey** equips you with the resources to join me.

Sincerely,

JEFF ATWATER
Chief Financial Officer
State of Florida



For more small
business resources,

visit www.myfloridacfo.com/floridasbottomline

EXECUTIVE SUMMARY

The 2013 Small Business Survey provided valuable insight into the health of Florida's small business community and the challenges they still face. Survey results show indications of present and future growth and hiring in Florida's small business community. However, results also show that a lack of access to capital continues to hamper small businesses in Florida.

The survey found evidence of a small business recovery in Florida as small business owners reported both an increase in sales and in their capital expenditures over the past 12 months - two leading indicators for scalable growth and future hiring.

Survey results also revealed that, going forward, the growth outlook for Florida's small business community is bright. An overwhelming majority of small business owners surveyed indicated they have plans to grow over the next 12 months (87%). Of those with plans to grow, most plan to hire new employees (30%), make new capital expenditures (27%) and expand their product lines (19%).

Although improving, access to capital continues to be

a significant barrier to the expansion and growth of small businesses in Florida. The 2013 Small Business Survey illustrated this problem, with results showing a strong disconnect between the supply and demand for traditional forms of capital. Of note, the lack of access to capital problem was significantly pronounced for younger firms (less than 6 years old).

- Of those who would like a bank or credit union loan, more than half did not feel that they would successfully obtain it in the current lending environment (56%).
- Of those who wanted loans, 63% percent of young firms did not feel they would successfully obtain a bank or credit union loan in the current lending environment. In contrast, a smaller, albeit significant, share of mature firms (49%) felt the same way.

Amid continuing difficulty in accessing capital, survey results showed that more small businesses appear to be interested in alternative financing

as a means to fund their growth and expansion.

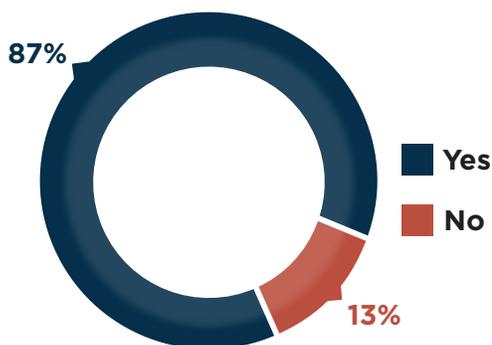
- Nineteen percent of respondents regularly use alternative forms of capital to finance their small business.
- A much larger share of respondents (44%) indicated they would like to use alternative sources of financing in the future.

Survey results also found that some small businesses in Florida are prevented from growing their operations due to barriers outside of access to capital issues. Of those respondents who had no plans to grow their small business over the next year (13%), the most frequently cited reasons for not doing so were:

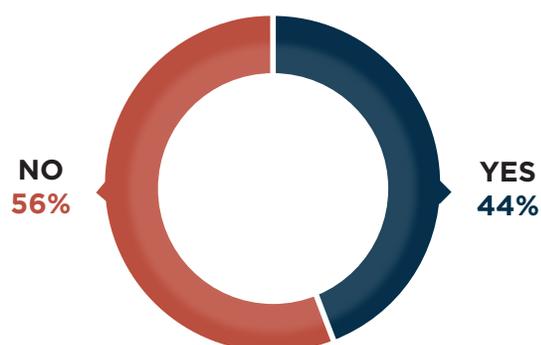
1. Economic uncertainty
2. Lack of sales
3. Lack of available financing
4. Requirements of the federal health care law (PPACA)
5. Regulation at all levels of government

In order to unleash the true potential for growth and job creation in Florida, vigilance of these issues must be of utmost importance.

Do you plan to grow your business in the next 12 months?



Thinking of the current environment, do you think your business would be successful in obtaining a bank or credit union loan?



THE 2013 SMALL BUSINESS SURVEY

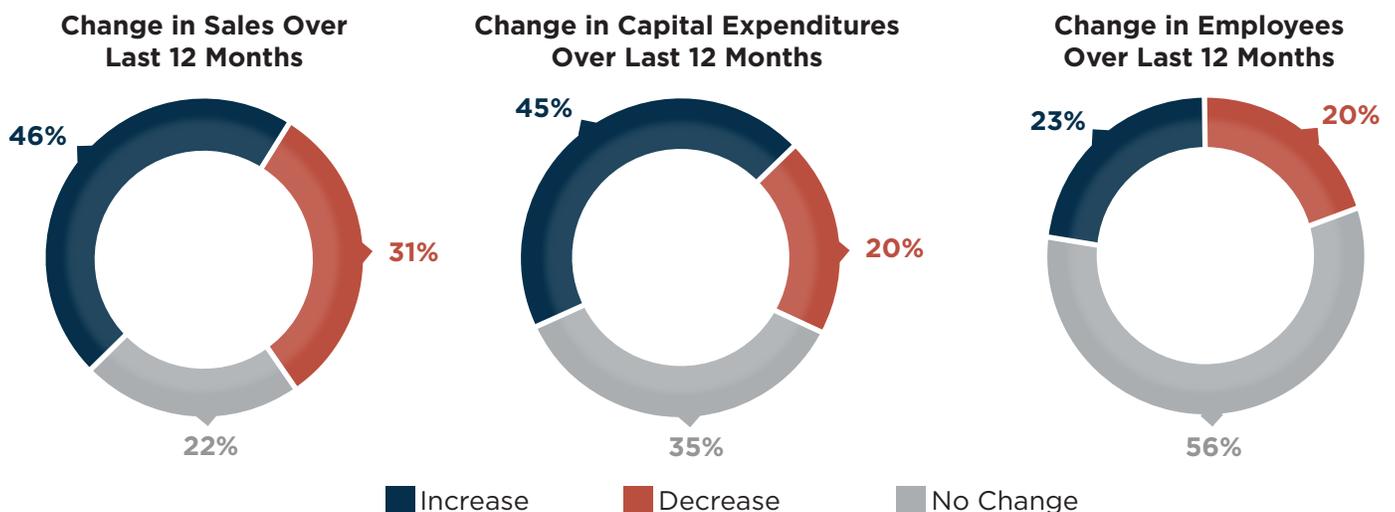
The current economic recovery presents a prime opportunity to identify the growth catalysts and lingering barriers in Florida's small business community. To do this, Chief Financial Officer Jeff Atwater, with the assistance of the Florida Small Business Development Center Network and the Florida Chamber Foundation, conducted the *2013 Small Business Survey*. Small business owners throughout the state, who employ at least one but no more than 500 employees, were surveyed between August and September 2013 to better understand how successfully they were operating in a post-recession economy with respect to their plans for growth, financing, investment and ability to access capital. The results provided valuable insight into the health of Florida's small business community and the challenges they still face today.

FLORIDA'S SMALL BUSINESSES ARE GROWING

The improving health of Florida's small business community is inextricably linked to the improvement in the state's economy: entrepreneurs are benefiting from a rebound in the state's housing market, ongoing improvements in household finances and a shrinking unemployment rate.

The *2013 Small Business Survey* found evidence that Florida's small businesses are recovering. Although hiring was mixed, small business owners reported increasing sales and investments in capital expenditures over the past 12 months - two leading indicators for scalable growth and future hiring.

- Nearly half of respondents have seen sales increase over the past 12 months (46%).
- Forty-five percent of respondents increased their capital expenditures over the past 12 months.
- As expected, small business hiring, which lags capital investment and sales activity, grew more slowly. More than half of the respondents said they made no change to their payrolls over the past 12 months (56%) while 23 percent added employees and 20 percent downsized their workforce within the past year.



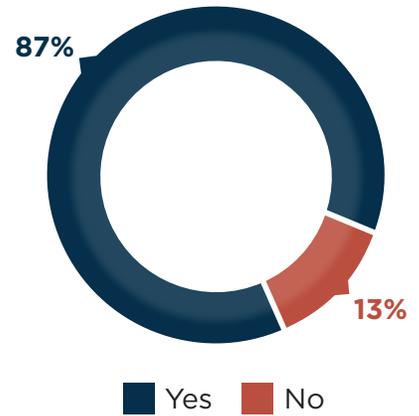
The survey also found that an overwhelming majority of small businesses in Florida plan to grow over the next 12 months. *The 2013 Small Business Survey* found that:

- Nearly 90 percent of respondents plan to grow their business over the next 12 months (87%).
- Thirteen percent of respondents indicated they have no plans to expand their business in the next 12 months, a reminder of the challenges still facing small businesses today.

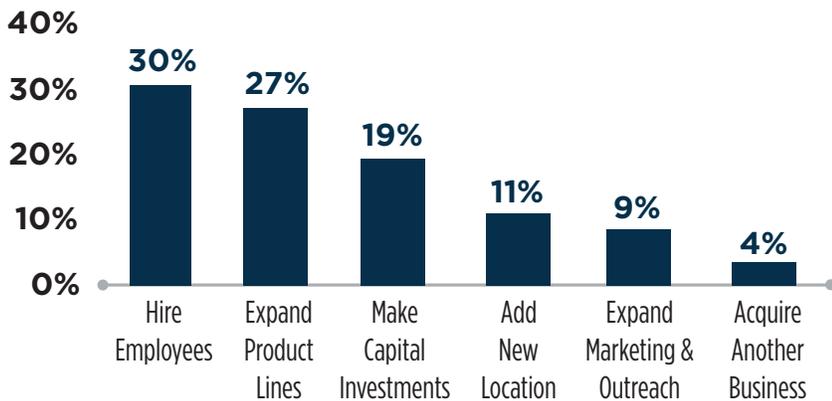
Of those who plan to grow:

- Thirty percent plan to hire employees, 27 percent plan to expand product lines and 19 percent plan to make capital investments.
- In addition, 11 percent of respondents plan to add a new location, 9 percent plan to expand marketing and outreach and 4 percent plan to acquire another business.

Do you plan to grow your business in the next 12 months?



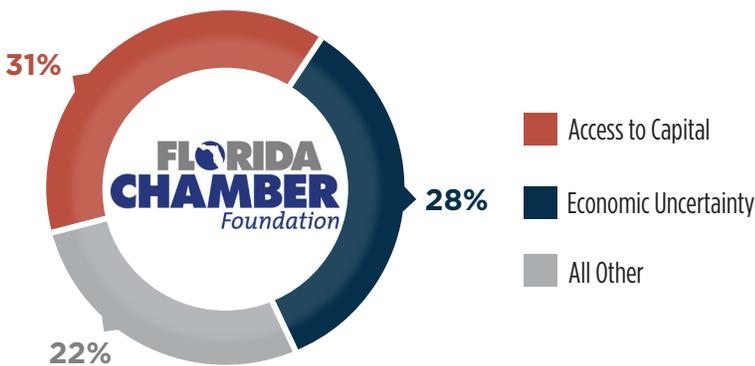
In What Areas/Ways Do You Plan to Grow Your Business in the Next 12 Months?



ACCESS TO CAPITAL IS A SIGNIFICANT BARRIER TO SMALL BUSINESS EXPANSION AND GROWTH

Although the economy is improving, small business lending is nowhere near the levels seen before the Great Recession and access to capital continues to be a significant barrier to the expansion and growth of small businesses in Florida. According to the Federal Reserve Bank of Cleveland, loan standards are now stricter and credit standards higher than before the Great Recession, especially for small businesses.¹

Florida Chamber: Top Issues Facing Small Businesses Today



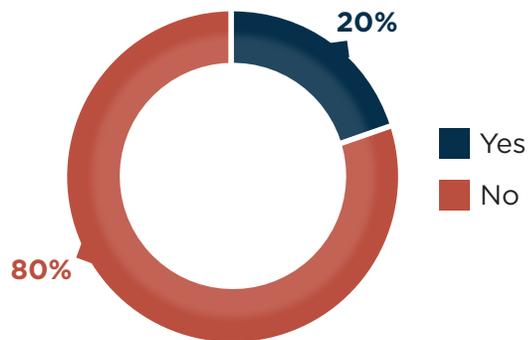
Source: Florida Chamber of Commerce, “Florida Small Business Index Survey” Q4-2013

According to the Florida Chamber of Commerce’s *Florida Small Business Index Survey*, 31 percent of small business owners pinned “access to capital” as the top issue facing Florida small business. Additionally, economic uncertainty continued to be a top issue for small businesses in the fourth quarter, likely a result of federal government impasses as well as uncertainty surrounding the requirements of the federal health care law.

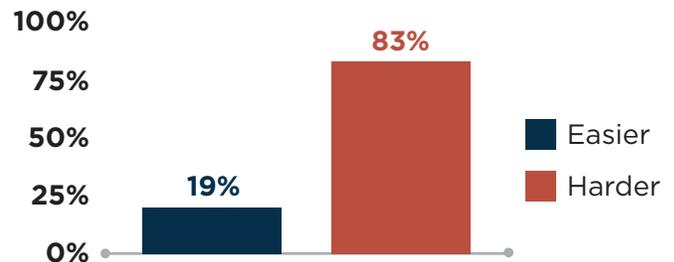
¹ Ann Marie Wiersch and Scott Shane, “Why Small Business Lending Isn’t What is Used to Be”, Federal Reserve Bank of Cleveland. Available at: <http://www.clevelandfed.org/research/commentary/2013/2013-10.cfm> (August 14, 2013).

According to the *Index's* results, of those small businesses who sought financing during the last 6 months, 80 percent were unable to obtain it. Further of those who currently seeking capital, 81 percent believe it will be harder to successfully obtain financing in the next 6 months.²

Of those who sought financing during the last six months, were you able to?



Of those seeking capital, how do you think your ability to obtain financing will change during the next six months?

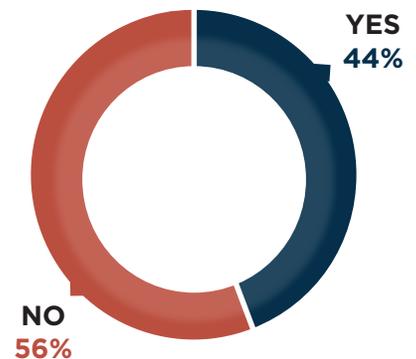


Source: Florida Chamber of Commerce, "Florida Small Business Index Survey" Q4-2013

Responses to the *2013 Small Business Survey* made it clear that access to capital remains a problem. Results showed a strong disconnect between the supply and demand for capital.

- The largest disconnect existed for traditional forms of capital, such as bank or credit union loans. More respondents indicated they would like to use a bank or credit union loan than lenders appeared to allow.
- Of those who would like a bank or credit union loan, more than half of respondents did not feel that they would successfully obtain a bank or credit union loan in the current lending environment (56%).

Thinking of the current environment, do you think your business would be successful in obtaining a bank or credit union loan?



“We are struggling to find capital to grow and fund projects at affordable rates.”

-Small business owner in Northeast Florida

Of note, young firms (less than 6 years old), which are significant generators of new economic activity and job creation, tend to have more difficulty accessing the capital they need compared to mature firms (6+ years old). According to the Federal Reserve Bank of Atlanta's *Small Business Survey*, close to half of young firms in the southeast region received none of the capital they requested (44%), compared to the less than one-third of mature firms who received none of the amount requested (17%) in the fourth quarter.³

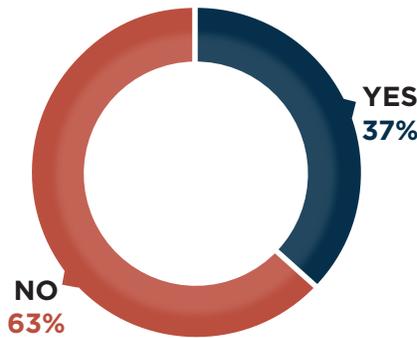
² Florida Chamber of Commerce, "Florida Small Business Index Survey," Quarter 4 Survey Results. Available at: http://www.flchamber.com/wp-content/uploads/SBC-Index-Report_October-2013.pdf. (October 2013).

³ Federal Reserve Bank of Atlanta, "Small Business Survey," Q4 2013. Available at: <http://www.frbatlanta.org/research/smallbusiness/sbsurvey/> (November 2013).

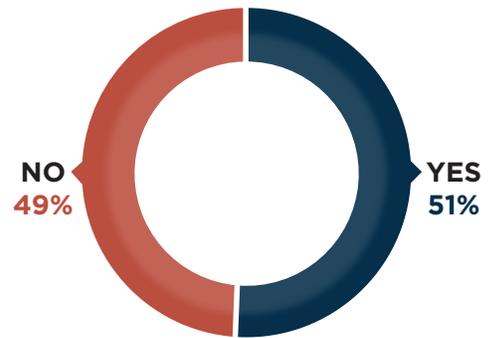
Results from the *2013 Small Business Survey* reflect these difficulties. For traditional forms of financing, survey results show that young firms in Florida are less confident about successfully obtaining a bank or credit union loan.

- Of those who wanted loans, 63 percent of young firms did not feel they could successfully obtain a bank or credit union loan in the current lending environment.
- In contrast, a smaller share of mature firms (49%) felt they would be unsuccessful in obtaining a bank or credit union loan in the current lending environment.

Thinking of the current lending environment, do you think your business would be successful in obtaining a bank or credit union loan?



Young Firms (>6 Years)



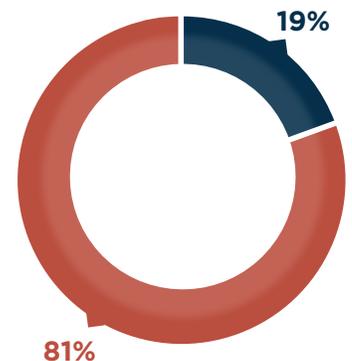
Mature Firms (6+ Years)

ALTERNATIVE FINANCING & SMALL BUSINESSES

Amid continuing difficulty in accessing capital, it seems more small businesses are interested in alternative financing as a means to fund their growth and expansion. An influx of venture capital deals and advancements in funding platforms appears to have the attention of small businesses in Florida. The *2013 Small Business Survey* found that:

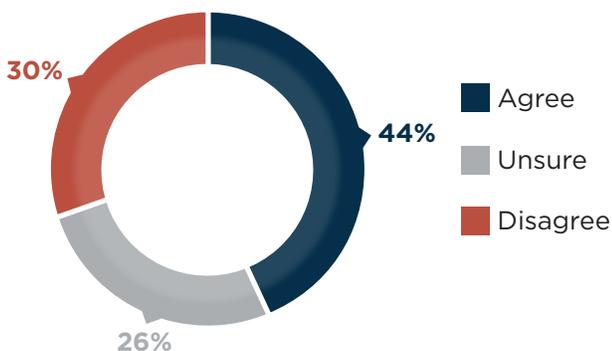
- Nineteen percent of respondents regularly use alternative forms of capital to finance their small business.
- Forty-four percent indicated they would like to use alternative sources of financing in the future.
- Of the alternative sources listed, respondents indicated they would most prefer to use angel investors, followed by venture capital and crowdfunding, in the future.
- Twenty-six percent of respondents said they were unsure of their desire to capitalize their business with alternative forms of financing in the future, which may allude to a lack of information or understanding about alternative financing at the small business level.

I regularly use alternative sources of financing in my business

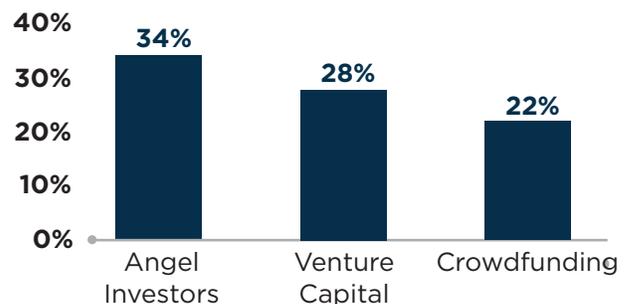


■ Agree ■ Disagree

I would like to capitalize my business with alternative forms of financing in the future



Assuming each of the following sources of financing are equally available to you, what is the likelihood your business would use these sources in the future?



“ For the most part, my business has always grown with savings and lines of credit or a credit card. I would like to consider other options so that it’s possible to get things a little sooner to help the company grow. ”

-Small business owner in Southeast Florida

OTHER BARRIERS PROHIBITING SMALL BUSINESS GROWTH

Some small businesses are prevented from growing their operations due to a variety of barriers confronting them. The *2013 Small Business Survey* found that 13 percent of respondents had no plans to grow their business over the next 12 months. Of those businesses, the most frequently cited reasons for *not* planning to grow in the next year were:

1. Economic uncertainty (32%)
2. Lack of sales (27%)
3. Lack of available financing (16%)
4. Requirements of the federal health care law (PPACA) (13%)
5. Regulation at all levels of government (12%)

The fact that these small business owners most frequently cited economic uncertainty and a lack of sales as primary reasons for not growing over the next year is evidence an economy still in recovery. Aside from economic concerns, a lack of available financing was also cited as a reason why respondents had no plans to grow emphasizing the lack of accessibility to capital. Finally, those without plans for growth cited the requirements of the federal health care law and regulation at all levels of government as barriers to future business growth and expansion.

GOING FORWARD

Small businesses, who are key players in economic prosperity and job creation, are staging a recovery after climbing out of the Great Recession. The *2013 Small Business Survey* results show present and future growth and hiring in Florida’s small business community. Close to half of all respondents reported increased capital expenditures and sales over the past year, which provide the framework for future hiring. Furthermore, an overwhelming majority – nearly 90 percent – plan to grow over the next 12 months, and adding employees to their payrolls is a top priority.

However, the *2013 Small Business Survey* also revealed that lack of access to capital continues to hamper small business growth. In a new era of strict lending practices and risk aversion, obtaining capital is a true and continued challenge for small business owners in Florida. In light of this reality, alternative forms of financing may be an untapped resource for many small business owners.

Finally, the survey identified challenges preventing Florida’s small businesses from growing. Of those business without plans to grow over the next year, the most frequently cited reasons were economic uncertainty, lack of sales, lack of available financing, the requirements of the federal health care law, and regulation at all levels of government.

In order to unleash the true potential for growth and job creation in Florida, understanding and overcoming these issues must be of utmost importance.

METHODOLOGY

A survey form was developed by the Florida Department of Financial Services for the *2013 Small Business Survey* with the purpose of identifying economic trends and emerging issues affecting small businesses in Florida. The survey was sent electronically to a sample of small business owners in Florida between August 20, 2013, and September 6, 2013. Survey participants were limited to small business employers headquartered in Florida with less than 500 employees. The use of email solicitation was the primary method for acquiring responses, which were collected through a web-based survey platform. The survey was distributed in partnership with the Florida Small Business Development Center Network and the Florida Chamber Foundation.

The *2013 Small Business Survey* received 1,093 unique responses.

Of those responses:

- 22% of respondents were located in the Central Florida region;
 - 21% were located in the Southeast Florida region;
 - 17% were located in the Central West Florida region;
 - 16% were located in the Northeast Florida region;
 - 15% were located in the Northwest Florida region; and,
 - 9% were located in the Southwest Florida region.
-
- 66% of respondents employ less than 5 employees;
 - 14% employ 5 to 9 employees;
 - 8% employ 10 to 19 employees;
 - 7% employ 20 to 49 employees;
 - 3% employ 50 to 99 employees; and,
 - 2% employ 100 to 499 employees.
-
- 12% of businesses surveyed were less than 1 year old;
 - 40% were 1 to 5 years old;
 - 17% were 6 to 10 years old; and,
 - 31% were 11+ years old.

Special thanks to our partners who made this report possible:



www.FloridaSBDC.org



www.FLChamber.com/Foundation

The 2013 Small Business Survey was written by Antoine Kyle Brandon,
Economic Analyst with the Florida Department of Financial Services.



November 2013



**FLORIDA
CHAMBER**
Foundation

SEAL OF THE STATE OF FLORIDA
CHIEF FINANCIAL OFFICER
JEFF ATWATER
FLORIDA DEPARTMENT OF FINANCIAL SERVICES
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