

South Wenatchee Subarea Planning White Paper

Business Survey Analysis

PRELIMINARY

June 27, 2013

INTRODUCTION

South Wenatchee is an area of the City that has seen repeated efforts to improve neighborhood and economic health over the last 20-30 years. Most recently, the City of Wenatchee City Council requested Staff to focus on South Wenatchee planning by developing a subarea plan to encourage citizen involvement in the implementation of programs and policies impacting the area. A subarea plan also identifies a community based vision, specific goals for improvements, and implementation strategies that help guide citizens, businesses, and government in making sustained improvements to the area. The current South Wenatchee planning effort began in 2012 with an intense public process entitled “I Imagine South Wenatchee” which was led by Council Member Jim Bailey, local Architect Tom Basset. A Sustainable Design Assessment Team (SDAT), involving 6 professionals from various cities in the nation, assisted the community in developing ideas that provide the impetus for the development of a subarea plan specific to South Wenatchee. This process yielded a report to the community presenting unbiased opinions of what type of improvements could be implemented in South Wenatchee based on community feedback and the professional experience of the team. A copy of the report is available at www.wenatcheewa.gov. Click on the “What’s Happening” heading and look for “Progress in South Wenatchee”.

City staff has been gathering technical information to assist in the continued process of subarea planning. Technical information and data collection is critical to the development of a vision and a plan that can be practically implemented. A series of white papers address specific technical issues to help support the community in strategy development associated with the ultimate development of a subarea plan. The objective of this white paper is to provide a detailed review and explanation of significant insights developed from the South Wenatchee Business Survey.

1. Explain research, development and methods of distribution for the South Wenatchee Business Owner Survey. Review five key components of survey:
 - a. Sampling
 - b. Question Design
 - c. Mode of Data Collection
 - d. Interpreting Data
 - e. Communicating Results
2. Review Findings of Business Owner Survey
3. Describe business owner responses and local marketplace and South Wenatchee economy.

SOUTH WENATCHEE BUSINESS OWNER SURVEY

The South Wenatchee Business Owner Survey was created to develop a better understanding of the businesses that operate in the South Wenatchee Business District (SWBD) to assist in the development of an analysis for the area. This survey was also intended to return information about individual businesses that would be useful in supporting efforts to encourage, maintain and expand the current business mix. Additionally, owners had the opportunity to provide input on a variety of issues pertinent to the local business environment that affect surrounding neighborhoods as well. Ultimately this survey will provide relevant data for future discussions about business trends, perceptions about market conditions, policy strategies and business development approaches.

Business Survey Research

In order to create the South Wenatchee Business Owner Survey, a number of downtown and commercial district surveys from cities and economic development organizations around the country were reviewed. A particularly useful resource was the 2011 Downtown and Business Market Analysis (DBMA) toolbox. This online guide was created through a collaboration of the University of Minnesota Extension, Ohio State University Extension, and the University of Wisconsin Extension with funding from the North Central Regional Center for Rural Development. Complete with survey examples and useful reviews of the survey process, the DBMA toolbox is a comprehensive review of economic development methods and downtown market analysis strategies.

In total the Business owner survey focused on three distinct sections with a number of questions relevant to market analysis and the improvement of the commercial and neighborhood district. In total respondents were asked to answer 31 questions within those categories.

Sections:

1. Needs and Opportunities – This section focuses a range of topics and issues that owners might face over the life of their business. Questions ranged from operation challenges to how useful public infrastructure improvements might be for their business.
2. Business and Workforce Data – Questions in these sections were directed at obtaining specific information about individual businesses and their staff. Owners were asked to submit how long they have been in business, the number of full, part-time and seasonal employees they and whether they have any plans for expansion.
3. Advertising and Marketplace Information – The final section provided an opportunity for business owners to share the dynamics of their market and the methods they employ to

reach their customer base. These question generated insight into the type of consumers shopping in South Wenatchee and the reach of the trade area.

Components of the Business Survey

- a. Sampling
- b. Question Design
- c. Mode of Data Collection
- d. Interpreting Data
- e. Communicating Results

Sampling

Using Geographic Information System (GIS) software a total population of businesses was generated within the borders of the SWBD. Within this area 241 businesses were identified from official 2012 businesses license data. In order to provide an equal opportunity to participate, the survey was mailed to the owners of all 241 businesses with return postage paid. This method allowed all South Wenatchee businesses with business license information on file with the City of Wenatchee the change of providing feedback. In total 31 businesses responded to the survey.

Statistical Significance

Because only 31 businesses responded to the survey the ability to make statistically precise assumptions regarding the SWBD is challenging. Assumptions about the trends occurring in the SWBD are limited by both the number and type of businesses that participated. Insights throughout this paper make light of that fact and indicate when results may be skewed by certain traits of the survey population.

Question Design

Question design was based a number of successful surveys from around the country and examples from the Down Town Market Analysis toolbox. Each question was then edited for fluency, clarity of understanding and inherent bias. Sections that required qualitative responses about services or infrastructure projects were tailored to fit those being offered and conducted in the City of Wenatchee. The survey was then distributed to partnering organizations (Wenatchee Chamber of Commerce) for review and additions.

Many of the questions were organized into Likert-scales (a form of ordinal data), asking respondents to determine their preferences towards a question based on a range of answers. For example, several questions asked participants to rate how strongly they agreed with a given statement and were required to mark potential responses ranging from Strongly Agree to Strongly Disagree. The survey also included a number of nominal questions regarding personal business information.

Mode of Data Collection

The survey was mailed to all 241 South Wenatchee businesses. Return postage was included to eliminate any financial barriers that might prevent completion. A subscription to a popular online survey site was also purchased and the survey was made available electronically at no cost. Responses to the survey were required a month and a week after the survey was mailed. The City of Wenatchee employed Congdon mailing service of Wenatchee to ensure quick and efficient delivery targeted directly at identified businesses.

Interpreting Data

The interpretation of data is based on a high-level assessment of each response rather than drawing conclusions towards a defined hypothesis. Again, the primary purpose of this survey was to establish a baseline understanding of the South Wenatchee market place and the businesses that operate there. For the purposes of this review, questions were grouped into subcategories. A description of collective findings from each subcategory is then provided.

FINDINGS OF BUSINESS OWNER SURVEY

Section I: Needs and Opportunities

Building/Operating Space

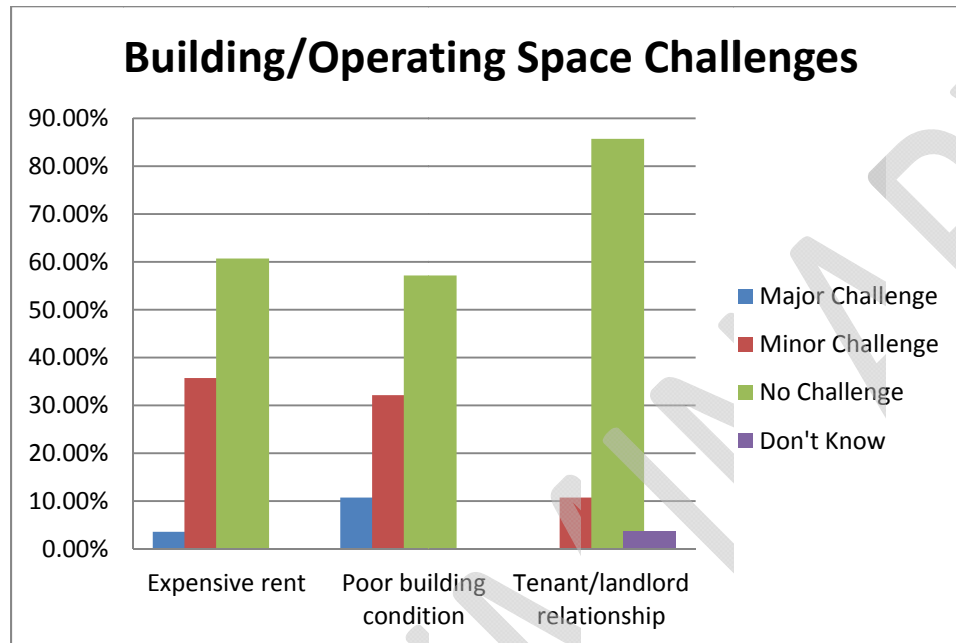
Business owners were asked several questions in relation to the building or commercial space they operate within. According to 60% of business owners, “expensive rent” was not a challenge. This finding seems consistent with the 65% of businesses owners who indicated they own the space in which they are located. Furthermore, 56% of all businesses that responded have been in operation for over 20 years. This may indicate that South Wenatchee businesses are likely to own their building after 20 years.

Respondents who claimed they lease their operating space were almost split on whether rent proved challenging. The majority said rent was no challenge; suggesting at the very least that businesses leasing in South Wenatchee are currently capable of paying operating costs with little difficulty. Low property values in the area would also suggest that rents in South Wenatchee are more affordable compared to the rest of the city.

When businesses were asked about building conditions and relationships with the landlord the majority indicated that these factors posed “no challenge” as well. When those who lease were examined independent of the entire group, slightly more than half said building condition was a

minor issue. However, less than a quarter of that same group indicated they had no challenge with their landlord.

Figure 1 – Building /Operating Space Challenges



The majority of businesses who responded are well established in the community, with many serving the valley for more than 20 years. Rent amongst this group doesn't pose a significant challenge as many of the businesses in South Wenatchee own their building. Additional factors, including low property values, amicable landlord relationships and healthy building conditions generally support the perception that South Wenatchee is an affordable area to own a business.

Local Infrastructure

In general, South Wenatchee business owners are not facing any considerable challenges with the majority of key infrastructure items including parking, sidewalks and street lights. Parking was the only area that split responses and may require further examination. Half tended to feel as though parking posed a degree of challenge while the other half indicated that it was not an issue.

More information about specific parking concerns should be collected to identify the nature of this problem. However, owners were also asked how often they or their employees took public transportation, 26% said "almost never" and 49% said "never". Although arriving to work via

bicycle or walking was not assessed; low public-transportation ridership, high local traffic volumes, and the auto oriented destination nature of the South Wenatchee business mix indicates that automobiles are heavily relied upon and parking is an important infrastructure asset.

Table 1 – Local Infrastructure Challenges

To which degree does your business experience the following challenge?	Major Challenge	Minor Challenge	No Challenge	Don't Know
Insufficient Parking	24%	24%	48%	3%
Insufficient Sidewalks	11%	21%	64%	4%
Insufficient Streetlights	23%	23%	54%	4%

As a whole, infrastructure deficiencies appear to pose little to no challenge for South Wenatchee businesses. Parking is the only questionable category, and should be targeted for additional research before future South Wenatchee development projects are considered.

Regulatory Environment

The regulatory environment in South Wenatchee doesn't initially appear to present any critical barriers for local business owners. Survey participants were first asked to what degree they believed restrictive business regulations presented an issue. Among those who responded, 46% said "no challenge". "Minor challenge" and "major challenge" were split equally at 21.4% respectively. Businesses were also asked if they had any difficulty with government response to formal complaints. The majority of respondents (53.57%) indicated no challenge with only 25% saying minor challenge and 7% saying major challenge. These questions were not designed to be exhaustive of the various regulatory requirements business owners may face. It does however; provide some general sense of how owners perceive these issues and whether future input is needed.

Financing and Costs

Nearly 65% of businesses indicated that access to local financing was not an issue. As noted earlier, very few of the businesses that responded to the survey are start-ups and therefore have very different financial needs than a business just getting off the ground. Businesses that have been operating for more than a decade are not necessarily beyond the need of additional loans or credit lines, but they may have an easier time establishing future earning potential and overall stability, than fledgling businesses. Interestingly enough, of the 20% of businesses

reporting a problem with access to local financing, 33% have been in business between 11 and 20 years with 67% over 20 years.

When assessed for the level of challenge with other general costs, businesses were not particularly worried by shipping and transportation. More than 78% of owners did note that increasing overhead costs were an issue.

Competition

Businesses in South Wenatchee are fairly cognizant of in-town competition, with more than 50% indicating some degree of difficulty. Concerns were divided equally amongst major and minor levels of challenge. When compared individually, the majority of businesses indicate “no challenge”.

Relatively low levels of local competition in South Wenatchee may indicate potential opportunity for growth in specific industries. Conversely, high levels of competition among auto part dealers, gas stations, and mill working companies may suggest a surplus in these industries throughout Wenatchee.

Table 2 – Local Competition Challenges

Competition	Major Challenge	Minor Challenge	No Challenge	Don't Know
In-town competition	25.93%	25.00%	42.86%	3.57%
Out-of town competition	14.29%	32.14%	50.00%	3.57%
Internet Competition	14.29%	25.00%	53.57%	7.14%

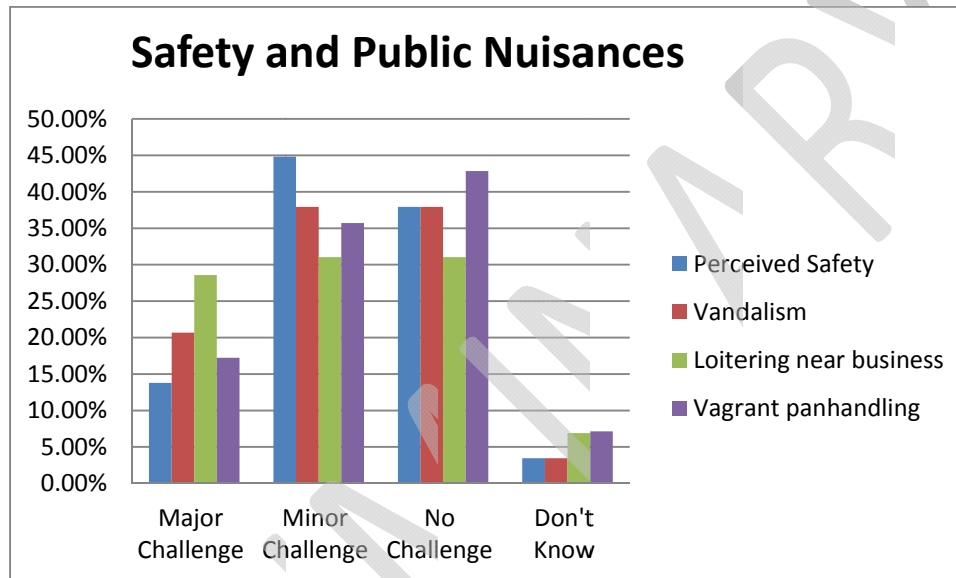
Initial findings suggest that out of town and internet competition do not present significant challenges for businesses. This observation may partially be explained by the nature of goods and services provided by the responding sample of businesses. The local demand for these goods and services may also be adequate enough to offset potential loss of sales from non-local competition.

Many of the South Wenatchee Businesses that responded to the survey are considered “basic” or “non-export” type businesses. This means services and products are not primarily traded outside of the region and therefore do not bring new dollars into Wenatchee’s economy. Encouraging non-basic or export type businesses to locate in the South Wenatchee Business district would stimulate an additional flow of income into the economy that would continue to support the current array of businesses.

Safety

South Wenatchee Business owners were asked about public nuisances and whether or not they believe the area is safe. As Figure 4 displays, the majority of businesses indicated some level of challenge with vandalism, loitering, and panhandling. Combined, these concerns outweighed those who suggested that no challenge was present.

Figure 2 – Safety and Public Nuisances



Business Assistance

Business assistance programs were not generally desired by the business community. Respondents were asked how likely they were to use assistance on the following topics:

- Business Planning
- Financial Management
- Inventory Management
- Marketing/branding/advertising
- Employee hiring or training
- Customer service or hospitality
- Building Improvements
- Window displays or interior store design
- Business market analysis
- Social media for business

In every single category businesses suggested they were unlikely to benefit from these programs, with the exception of social media for business. This is not, an exhaustive list of programs, nor do these categories cover every potential issue that a business may seek guidance on. But it does give a general sense of how receptive the well-established business community is towards outreach efforts of this kind.

Further evidence of businesses self-reliance was supported by an additional question prompting owners to identify which incentive or assistance programs, if any, they do use.

Table 3 –Business Assistance Programs.

Which of the following business incentive or assistant programs have you used for your business?	Percent
Center for Entrepreneurship at Wenatchee Valley College	5.71%
Greater Wenatchee Area Technology Alliance	8.57%
North Central Washington Loan Fund	5.71%
North Central Washington Economic Development District	0.00%
North Central Washington Hispanic Chamber of Commerce	0.00%
Port of Chelan	2.86%
Quest Revolving Loan Fund	2.86%
Service Corps of Retired Executives (SCORE) Tech Assistance	11.43%
Skill Source	22.86%
Wenatchee Valley Chamber of Commerce	11.43%
Washington State Small Business Development Center	8.57%
Washington Skill Source	17.14%
Other	0.00%

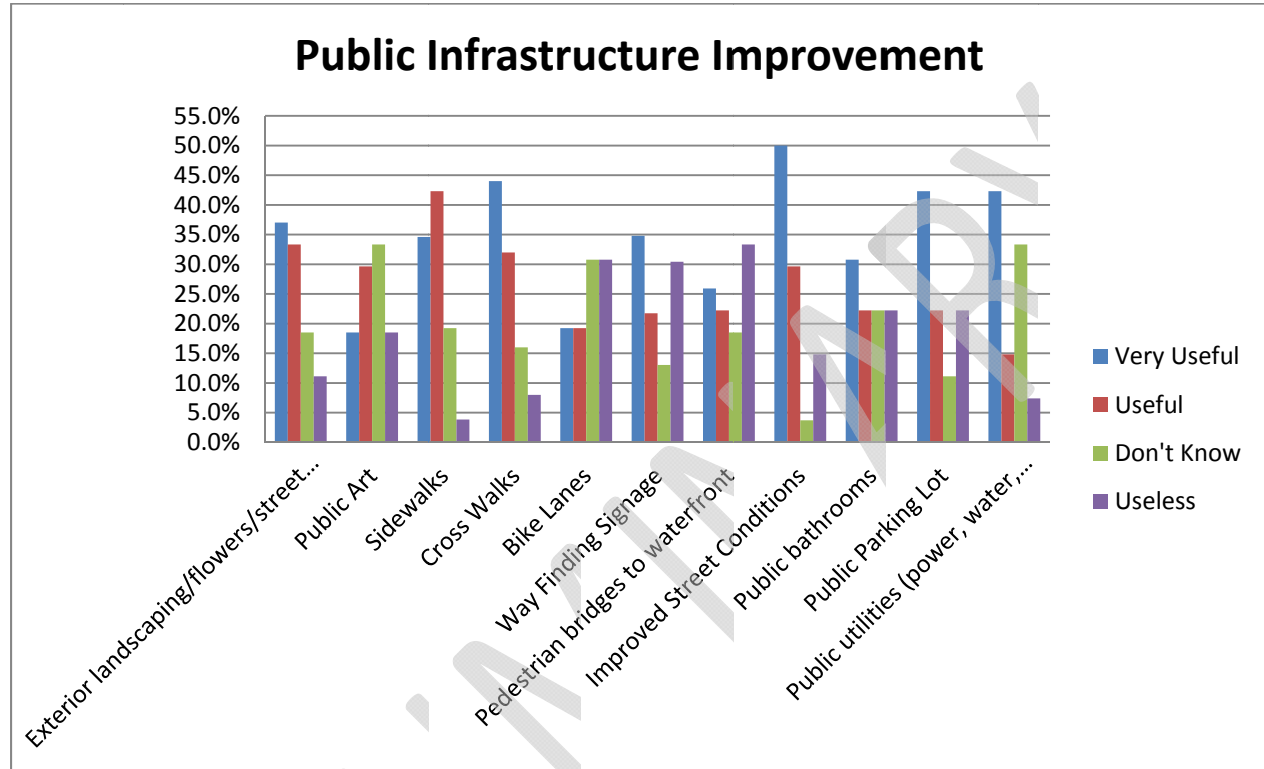
Overall the total use of any given service by South Wenatchee businesses is fairly low. Table 3 suggests that among the most used programs are Skill Source, the Wenatchee Valley Chamber of Commerce and the Service Corps of Retired Executives. It should be noted, that these results far from prove anything about the actual benefit these services and assistant programs may impart. Longtime business owners might feel comfortable with the current success of their establishment and don't have any reason to change practices. Regardless, not all businesses are in this position and it is important promote a diverse set of organizations that provide guidance for our entrepreneurial community.

Infrastructure

Overall, business owners returned positive responses towards the potential benefit or "usefulness" of public infrastructure improvement. In particular, enhancements to the streetscape including sidewalks, crosswalks, landscaping and general street conditions were considered useful. Business owners clearly recognize the benefit of have a well maintained streetscape that provides for pedestrian as well as automobile traffic. Bike lanes on the other hand were considered less useful, but respondents also indicated that they didn't really know how beneficial they might be. Similar results amongst public art

and the improvement of utilities were also observed. Business owners may not have enough information about these topics to make an informed decision.

Figure 3 – Public Infrastructure Improvement



Approval of City Services

The overall approval of the services provided by the City of Wenatchee and affiliated partners was very positive. Business owners were asked to rate the adequacy of important services. In order to develop a general sense of approval the percentage of total respondents who said they either agreed or strongly agreed were merged to into the “Combined Support” category.

Table 4 – Approval of City Services

Local Service	Combined Support	Strongly Agree	Somewhat Agree	Neutral	Disagree	Strongly Disagree
Local police protection is adequate.	60.71%	25.00%	35.71%	25.00%	7.14%	7.14%
Local fire protection is adequate.	71.43%	50.00%	21.43%	25.00%	0.00%	3.57%
Local waste management service is adequate.	71.43%	42.86%	28.57%	10.71%	14.29%	3.57%
Building Code Enforcement	53.57%	21.43%	32.14%	25.00%	10.71%	10.71%
Municipal services are adequate given the level of local taxation.	55.17%	31.03%	24.14%	20.69%	10.34%	13.79%

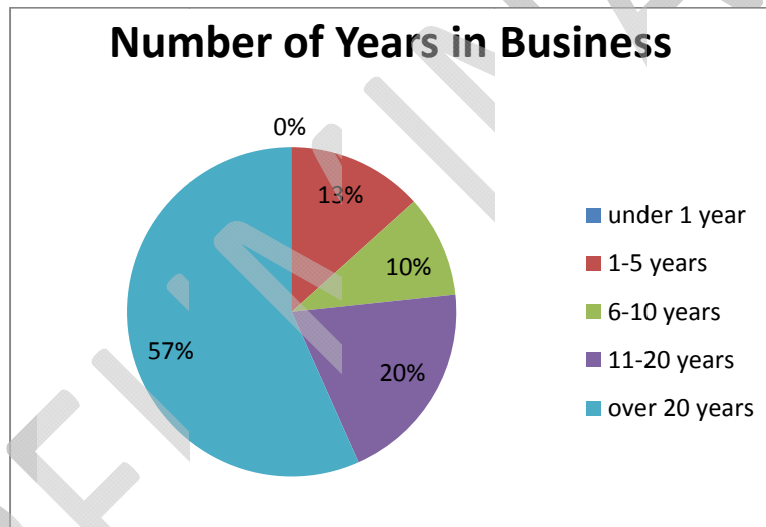
Of the categories listed police, fire and waste management were all rated very highly. Building Code enforcement also garnered a majority of approval from local business owners. And when participants were asked to rate municipal services overall given the local level of taxation, slightly more than 55% indicated general support.

Section II: Business and Workforce Data

Business History

The Business and Workforce Data section provide a more detailed picture of the individual businesses that operate in South Wenatchee. Much of this information has already been referenced to analyze findings from the Needs and Opportunity section.

Figure 4 – Number of Years in Business



As shown in Figure 4 the majority of businesses that responded to the survey have been operating in the Wenatchee Valley for over 20 years. As noted throughout earlier sections of this report, this factor plays a significant role in the interpretation of the data. These businesses are well established and have seen a variety of conditions unfold in the South Wenatchee Business district. On one hand these businesses boast successful business models and relationships with their customers that have withstood the test of time. However, it is not likely that these businesses share the same set of challenges or needs as burgeoning startups. Low demand for business incentive and assistant programs, and the overall lack of building and rental challenges from this sample population, may be indicative of this reality. Businesses that have operated for this long are also clearly tuned into their customer base and have a strong understanding of the demographic they are serving. This may in fact bolster market segment and advertising data from the survey.

A vast majority of businesses own the building or space they operate within. Although the number of businesses that own their building outright is not known, this high level of ownership is likely related to the older age of these businesses. In fact 79% of businesses that own their building are 11 years or older. As mentioned earlier high ownership rates also negated issues around expensive rent and landlord challenges.

As Table 6 shows, this group of businesses does not have immediate plans to move or expand their business. This does not necessarily suggest a lack of entrepreneurial spirit, rather it be the reality of businesses, even mature ones, to simply maintain status-quo as the economy continues to recover from the financial recession of 2008. It should also be pointed out that these questions in particular suggest nothing of how well businesses are actually doing, irrespective of plans to “expand”.

Table 5 - Percentage of Respondents that Own or Lease Building/Operation Space

Own	Lease	Lease, want to purchase
66%	31%	3%

Table 6 – Plans to Move or Expand

Plans to Move or Expand	
I plan to open an additional location outside of Wenatchee.	12%
I plan to move to a new location in Wenatchee.	0%
I plan to move to a new location outside of Wenatchee.	4%
I don't have any plans for changes.	85%
I plan to close.	0%

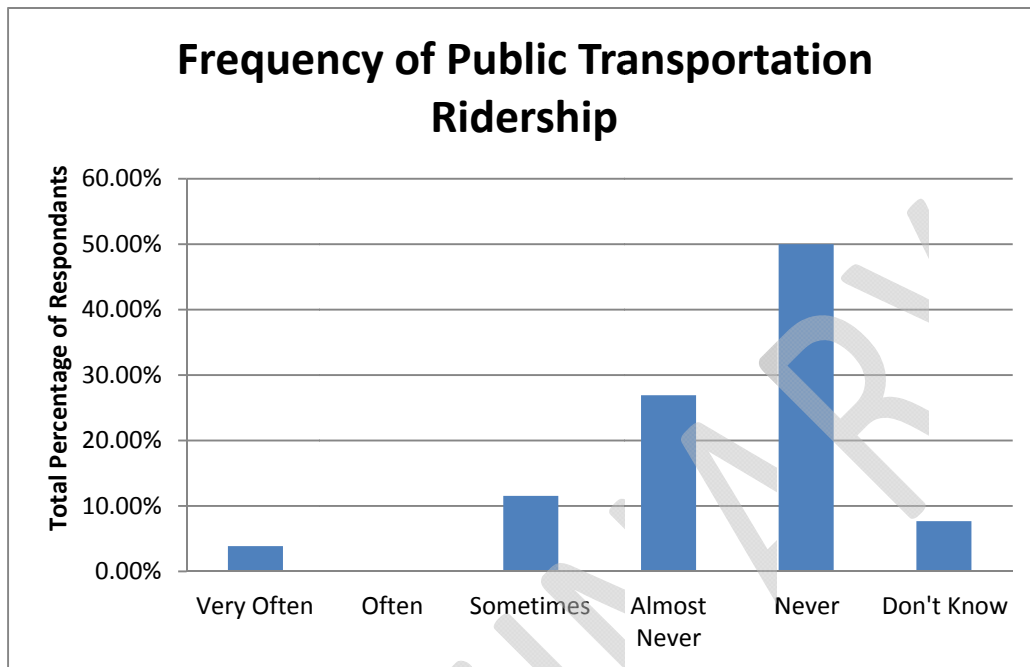
Employees

On average the businesses sampled have 5 full time employees and 3 part time employees and only 1 seasonal employee. These results are slightly skewed by one large retail store that employs 30 full-time employees. Shown on Table 7, 64% of all South Wenatchee businesses responded that 10% or less of their employees reside in South Wenatchee. As Figure 5 points out however, the majority of owners and their employees “never” take public transportation while commuting to the South end from surrounding areas.

Table 7 – Percentage of Employees that Live in South Wenatchee

Percentage of Employees that Live in South Wenatchee	
0-10%	63.64%
10-20%	13.64%
20-30%	9.09%
30-40%	0.00%
40-50%	4.55%
80-90%	4.55%
90-100%	4.55%

Figure 5 – Frequency of Public Transportation Ridership

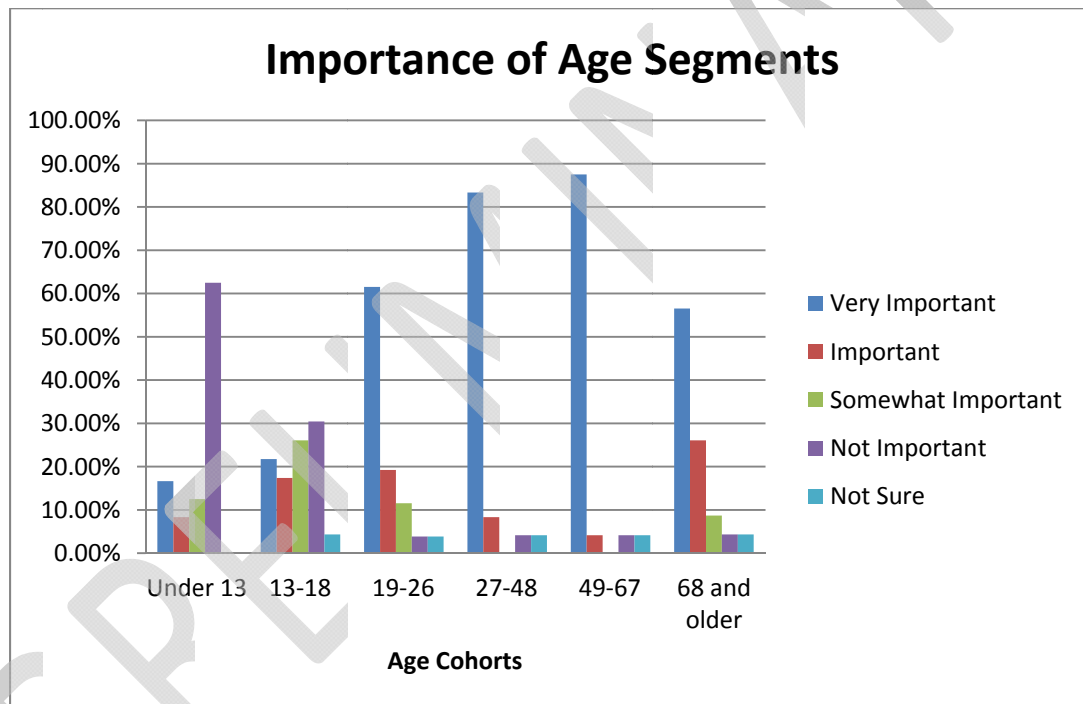


Section III: Advertising and Marketplace

Age Segments

The final section of the business survey asked a series of questions regarding advertising, market segments and general conditions. Overall, businesses felt that customers between the ages of 49-67 were their most important target audience. Closely following were 27-48 year olds and 19-26 year olds behind them. In related research, a demographic analysis of the South Wenatchee region revealed that 41.8% of individuals are between the ages of 21 and 34, while only 23% are between 34 and 44. Even fewer are between the ages of 45-54 and 55-64, composing 20.2% and 14.7% of South Wenatchee residents respectively. With this knowledge businesses in South Wenatchee may want to consider opportunities to promote

Figure 6 – Importance of Age Segments



Active Times of the Year

The busiest months of the year for South Wenatchee Businesses are July and August while the slowest months are January and October. During these months 48.50% of businesses do between 50 and 250 transactions during the week when things are busy. During slower times of the year, transactions range between less than 50 and 250 each week.

Figure 7 –Busiest Months of the Year

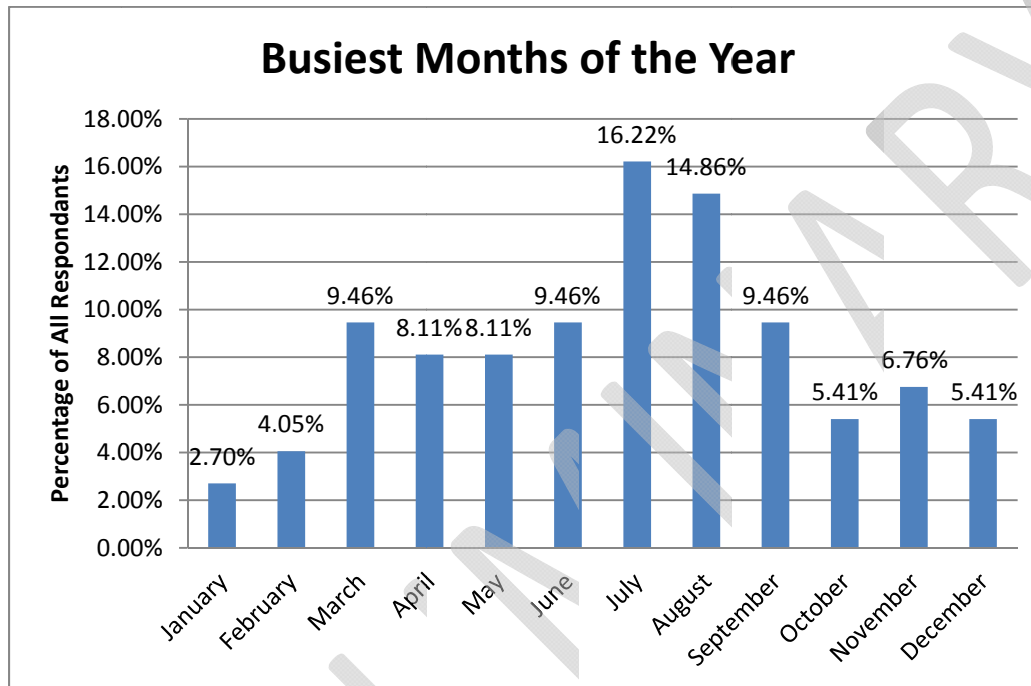


Table 8 – Weekly Customer Transactions

How many customer transactions do you conduct each week?				
	Less than 50	50-250	250-500	500 or more
Busiest Months	16.67%	45.83%	8.33%	29.17%
Slowest Months	39.13%	39.13%	4.35%	17.39%

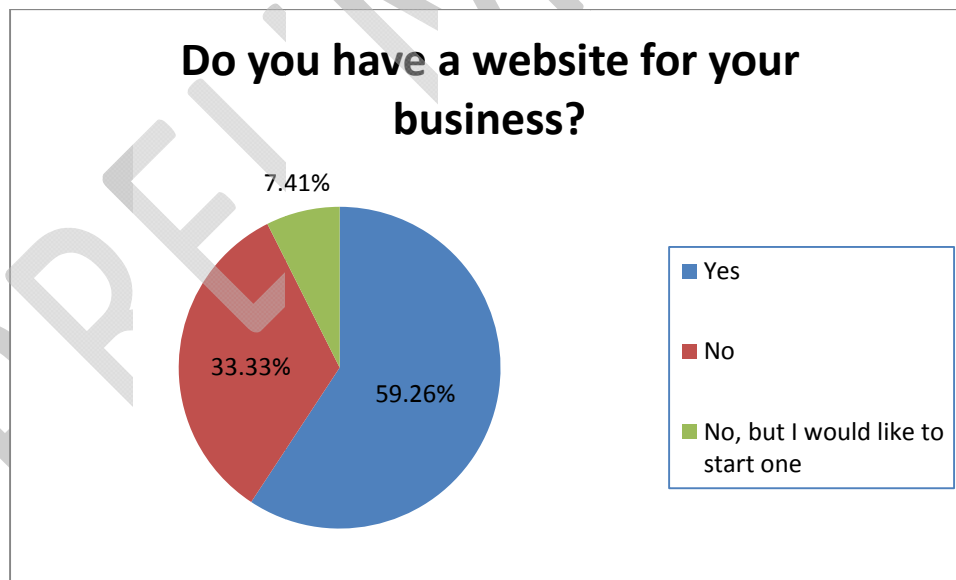
Advertising

The primary form of advertising among businesses is radio (15%), internet and social media (13%), and the Yellow Pages (13%). The majority of businesses, nearly 60%, have a website. Similarly, the only business assistance program South Wenatchee Businesses were interested in the improvements of social media advertising for their business. This is not necessarily surprising given the rapid pace at which these social utilities are changing.

Table 9 – Advertising Preferences

Advertising Medium	Percent
Newspaper	12%
Magazines	7%
Radio	15%
Local Television Stations	4%
National Television Stations	3%
Movie Theater Screens	0%
Direct Mail/Catalogs	7%
Window Displays	8%
Billboards	5%
Internet/Social Media	13%
Referral Programs	8%
Yellow Pages	13%
I don't advertise	5%

Figure 8 – Website



SIGNIFICANT INSIGHTS

Rather than preparing a conclusion to the data and information collected in this white paper, the objective may be better served by preparing a list of significant insights to help place the data in context. The reader is invited to share their insights as differing perspectives will provide various interpretations to the data. These insights about the data contained within all of the whitepapers are intended to be the basis for discussion and strategy development for the South Wenatchee subarea plan.

1. The results from the current survey would benefit from supplementary information. An additional random sample from businesses not captured in this survey would help bolster the accuracy of the results. Certain assumptions about age, preferences for business assistance and entrepreneurial activity for example may differ with a larger, more diverse population.
2. Insights about certain categories including approval of city services, support for local infrastructure improvement and other perceptions about challenges facing businesses should be considered general conclusions and not explicit approval or rejection. Limited information about these subjects was provided for businesses purposefully to determine a snapshot of preferences. Additional information and continued public discourse should occur prior to specific strategies being developed.
3. An overwhelming majority of respondents (78%) are struggling with rising overhead costs within their industry.
4. Many of the businesses responding are long tenured businesses having vested interest in the future of South Wenatchee.
5. Public transportation is not very utilized by employees.
6. According to a number of findings including, preference for parking, low transit ridership, and market area, the SWBD is primarily an auto-oriented section of town.
7. Non-preference for business assistance and incentive programs and low participation rates with local business organizations suggests a “self-reliant” mentality among owners surveyed. This pattern is consistent with the heritage of the South Wenatchee.
8. South Wenatchee businesses responding are were generally not national chains. Only a few in South Wenatchee are national companies. The majority of businesses are small and entrepreneurial in nature.

9. Businesses surveyed indicated that their customer base originates from the greater Wenatchee Valley and does not necessarily stem from the S. Wenatchee neighborhood alone.
10. Business owners in South Wenatchee currently cater primarily to adults above the age of 21.

PRELIMINARY