

Center for Economic and Business Research

Business Optimism Survey Report - 2016

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In Collaboration With



COASTAL
COMMUNITY BANK

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Executive Summary

The 2016 Business Optimism Survey (Survey) is a collaboration between The Center for Economic and Business Research (The Center) and Coastal Community Bank to collect information related to the business environment primarily within Snohomish County but also beyond. The Center, located within the College of Business and Economics at Western Washington University, is conducting the research and analysis services. The survey represents the second report in a longitudinal process that makes inquiries of businesses from the perspective of employees in leadership roles within community businesses.

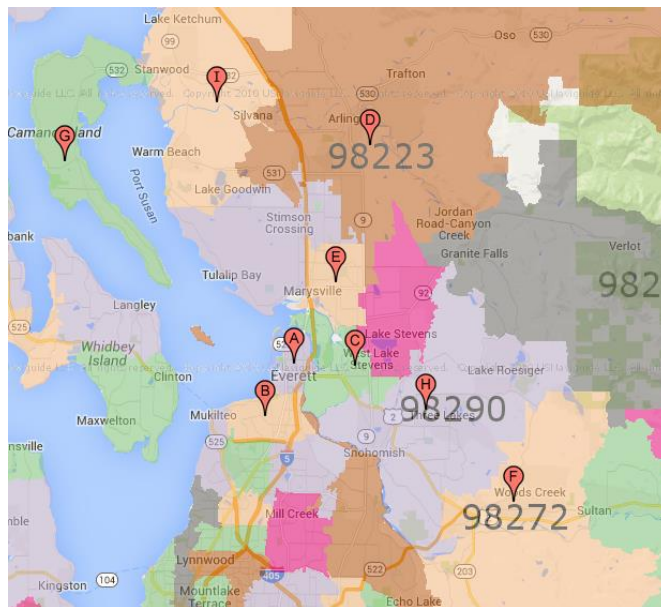
The Survey is designed with three purposes in mind: (1) to provide on-going observations of the current business environment, to be compared with baseline observations previously gathered; (2) to collect data that can be used to forecast the future business environment; (3) to assess business needs based upon self-reported characteristics, perceptions, and concerns. To accomplish these, the Survey integrates questions dealing with the businesses' current condition with questions regarding the future of the business. Current condition questions include business location (ZIP Code), years of operations, and number of employees. Future oriented questions include level of optimism for the local economy as well as the business in particular, revenue changes, investment changes, and different growth areas within the business. This report lists all questions and reports basic descriptive statistics.

The Center utilized an online survey methodology to obtain responses from local businesses. A web based survey was e-mailed to an estimated 1,276 business contacts primarily located in Snohomish County but with a sample set throughout the region. Up to three reminder e-mail notices were sent to the business contacts. The survey was left open for three weeks.

To familiarize readers with the content of this survey, here we make a few observations:

- Overall, business owners remain optimistic about the regional economy for the next 12 months, dropping from the previous study by about 2.35 to averaging around 73.21 out of 100, where 100 represents the most optimistic view. Contributing factors remain similar to our previous findings which include, but are not limited to:
 - 93 percent of businesses expect *at least* economic stability for the next 12 months (previously 95 percent).
 - 60 percent of businesses expect revenues to rise from the previous year (previously 61 percent). Of those who expect revenue to rise...
 - 43 percent expect the growth to come from new customers.
 - 19 percent expect growth to come from increased sales from existing customers.
 - 54 percent of businesses expect to invest at the same level as last year while 35 percent expect to invest more than last year (previously 56 and 33 percent, respectively).
 - Over the next 5 years, 61 percent of businesses expect an increase in net profits, 44 percent expect growth in employment, 44 percent expect growth in equipment, and 34 percent expect increases in gross margins while only 17 percent of businesses did not expect any growth.

- Owners' personal cash and revenue generated by the business remain the most accessible sources of funding, while borrowing from family or friends and selling business assets also remain the least accessible forms of funding for businesses.
- Retail and Construction are the highest represented industries at 15 percent and 14 percent of total respondents, respectively. Other notable industries include Other Services (except Public Administration) at 13 percent and Real Estate/Rental/Leasing and Professional/Scientific/Technical Services, both of which each represent 9 percent of total respondents. These same industries were also highly represented in the previous survey.
- 58 percent of businesses have been in operation for 20 years or less, while 12 percent of businesses have been in operation for 50 years or more (previously 59 and 11 percent).
- The average company in the region has 21 full time workers and 11 part time workers.
- Similar to the previous survey, over 50 percent of businesses are located in ZIP codes that correspond to parts of, or all of, Everett, Arlington, Marysville, Monroe, Camano Island, Snohomish, and Stanwood. A map of the listed ZIP codes can be found below.



*(A) 98201, (B) 98203, (C) 98205, (D) 98223,
(E) 98270, (F) 98272, (G) 98282, (H) 98290, (I) 98292

- 65 percent of respondents are owners, 14 percent are CEOs or Presidents, 6 percent are controllers or CFOs, 9 percent are managers, and 6 percent are other organizational leaders which suggests sufficient level of leadership represented across all reported organizations.
- A majority of respondents described their personal political leanings as Republican, with 19 percent identifying as strictly Republican while another 45 percent identified themselves as Independents who lean Republican.
- 67 percent of respondents would at least feel the same as they do now about the regional economy (same optimism level) should the Republican Party sweep the November elections (Republican President, Senate, and House). At the same time, 45 percent of respondents would feel less optimistic about the regional economy should the November election result in a Democratic President and Senate and Republican House.

Clarifying Notes

1. Percentages given are of the number responding to a question divided by the number asked that question. This denominator may contain fewer businesses than the total number of businesses responding to the survey due to question branching and survey attrition.
2. In some cases, percentages do not sum to one hundred because of rounding
3. A report of 0 percent indicates that the percentage of responses rounded down to, but is not equal with, zero.
4. This report presents responses from all businesses completing any question regardless of whether the respondent completed the survey or not.

Survey Results

Q1: Are you considering delaying any business decisions until AFTER the November election?

84 percent of respondents would not delay business decisions until after the election. It seems as though the political climate is perceived as stable enough that businesses don't anticipate being impacted by election results in a significant way, at least not enough to influence their decision making.

Answer	Response	%
Yes	23	16%
No	125	84%
N =	148	100%

Q2: Given the possible outcomes of the election provided in the table below, please indicate your level of optimism as it relates to the general regional economy. The items on the left indicate which party would be selected for either President or Senate Majority.

Given the results below, it seems like certain election results could have significant impact on regional optimism levels, such as Republicans sweeping the November election, however, since 84 percent of respondents are not considering delaying business decisions until after the election, it would seem that this particular election will not heavily influence regional business decisions.

Question	I would feel less optimistic about the regional economy	I would feel about the same as I do now	I would feel more optimistic about the regional economy	N
Republican President, Republican Senate and Republican House	46	35	69	150
Republican President, Democrat Senate and Republican House	47	71	28	146
Democrat President, Republican Senate and Republican House	51	90	5	146
Democrat President, Democrat Senate and Republican House	71	37	40	148

Q3: How would you describe your personal political leanings?

67 percent of respondents *at least* lean Republican, however, most respondents consider themselves Independent with certain political leanings.

It is also important to note that business owners indicated that they lean Republican. To account for this potential bias, we have examined Q5 and Q6 through the lens of political leanings to see if there are any significant differences.

Answer	Response	%
Democrat	17	11%
Independent but lean Democrat	33	22%
Independent but lean Republican	69	46%
Republican	31	21%
N =	150	100%

Q4: What is your level of optimism for your business prospects in the next 12 months?

The average level of optimism on a scale of 1 to 100, 100 representing the most optimistic, was reported as 73.24 suggesting the average business in Snohomish County is more optimistic than not about business prospects in the coming 12 months. While most respondents reflect optimism in business prospects, there are noted outliers in both directions, with some reflecting significant level of pessimism that may be business or industry specific.

These findings are similar to the baseline study in which the level of optimism was reported as 75.56.

Period	Average Value	Standard Deviation	N
Current	73.24	20.21	402
Baseline	75.56	19.03	248

Q5: When thinking about the regional economy, what are your expectations for the next 12 months?

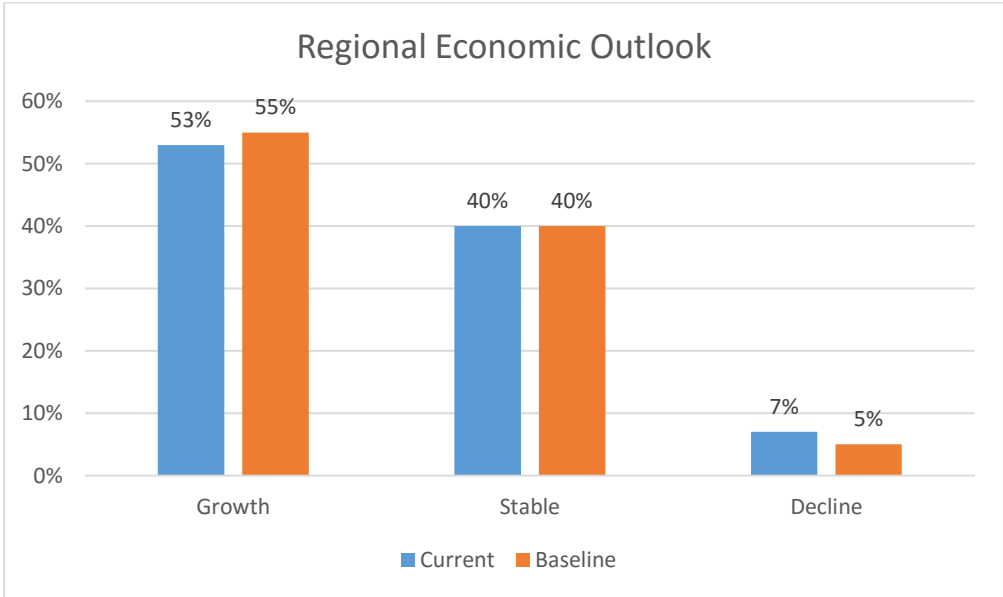
More than half of the respondents expect regional economic growth for the next 12 months while 40 percent expect the local economy to remain stable over the same period. Only 7 percent of respondents expect the local economy to decline. Overall, 93 percent of respondents expect *at least* economic stability in the region for the next 12 months which contributes to the optimistic outlook.

These findings are similar to the baseline study with at most a 2 percent difference in each answer.

Political influence

Of those who at least lean Democrat, 54 percent expect regional economic growth and 41 percent expect stability. This is fairly reflective of the sample population and would suggest that political leanings do not have an influence on economic expectations.

Period	Growth	Stable	Decline	N
Current	53%	40%	7%	399
Baseline	55%	40%	5%	262



		How would describe your personal political leanings?		
		Democrat	Independent but lean Democrat	Total
When thinking about the regional economy, what are you expectations for the next 12 months?	Growth	11	23	34
	Stable - No real change	10	16	26
	Decline	0	3	3
	Total	21	42	63

Q6: In thinking about your business in particular, do you expect your revenues to increase over the last year, stay about the same as last year, or decrease from last year?

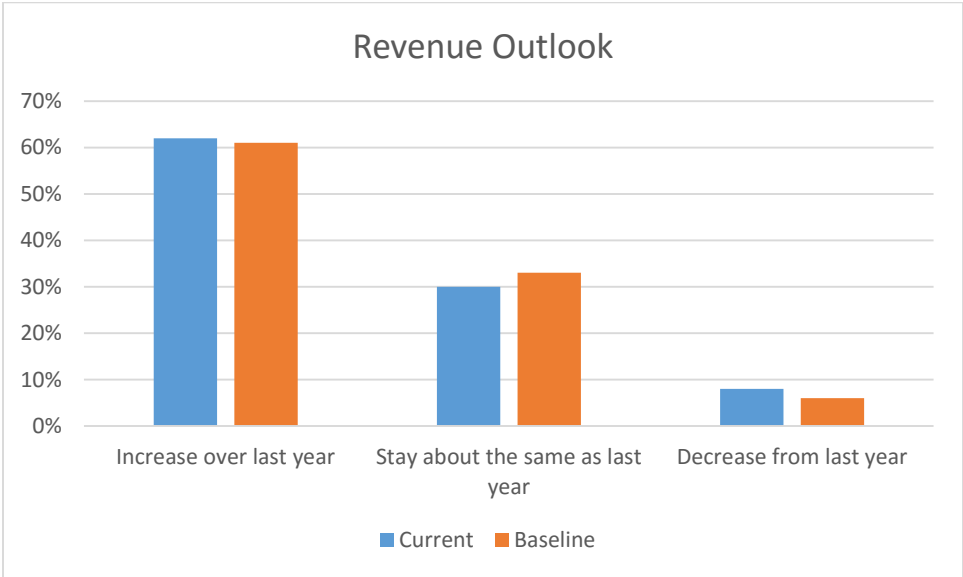
62 percent of respondents expect revenues to increase over last year while 30 percent expect about the same level of revenue as last year. Only 8 percent of respondents expect a decrease in revenue from last year. The overall positive outlook on revenue growth likely contributes to the reported elevated level of optimism for Q2.

Political influence

These findings are similar to the baseline study with at most, a 3 percent difference in each answer.

Of those who at least lean Democrat, 57 percent expect regional economic growth and 35 percent expect stability. This is fairly reflective of the sample population and would suggest that political leanings do not have an influence on economic expectations since Democrats still have a positive outlook on revenue growth and the same proportion of respondents expect revenues to at least remain same as last year.

Period	Increase over last year	Stay about the same as last year	Decrease from last year	N
Current	62%	30%	8%	399
Baseline	61%	33%	6%	262



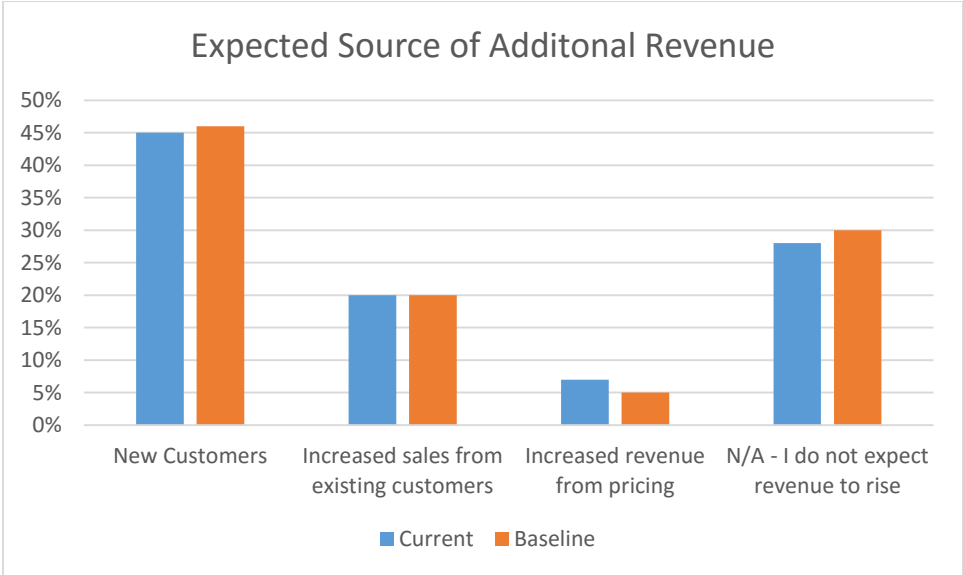
	How would describe your personal political leanings?			
		Democrat	Independent but lean Democrat	Total
In thinking about your business in particular, do you expect your revenue to...	Increase over last year	14	22	36
	Stay about the same as last year	7	15	22
	Decrease from last year	0	5	5
	Total	21	42	63

Q7: If you expect your revenue to rise from last year, where do you expect the majority of it to come from? New customers, increased sales from existing customers, increased revenue from pricing, or no expected rise in revenue.

Over 70 percent of respondents expect revenue growth from either new customers, increased sales from existing customers, or from pricing, while 28 percent do not expect revenue to rise from last year. This is consistent with the positive outlook on revenue growth, as was found in Q4, and likely contributes to the elevated level of optimism, as was found in Q1.

These findings are similar to the baseline study with at most a 2 percent difference in each answer.

Year	New Customers	Increased sales from existing customers	Increased revenue from pricing	N/A - I do not expect revenue to rise	N
Current	45%	20%	7%	28%	384
Baseline	46%	20%	5%	30%	254

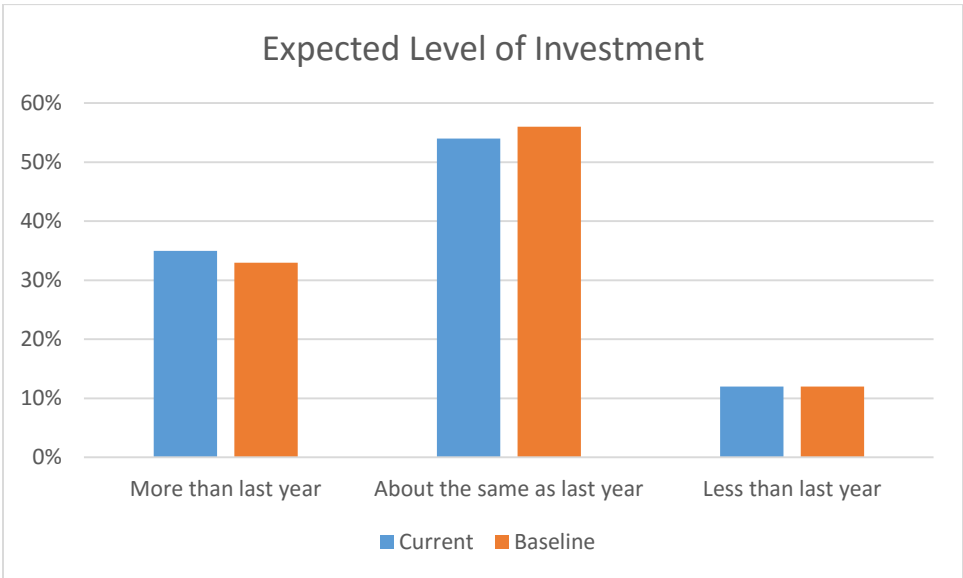


Q8: In thinking about your business in particular, do you expect to invest in the business more than last year, about the same as last year, or less than last year?

Over half, or 54 percent of respondents expect to invest about the same as last year while a little over a third expect to invest more than last year. This suggests at least stable investment into local businesses in the near future and potential growth in revenue due to the 35 percent of respondents who expect capital injection to increase.

These findings are similar to the baseline study with at most a 2 percent difference in each answer.

Period	More than last year	About the same as last year	Less than last year	N
Current	35%	54%	12%	399
Baseline	33%	56%	12%	264

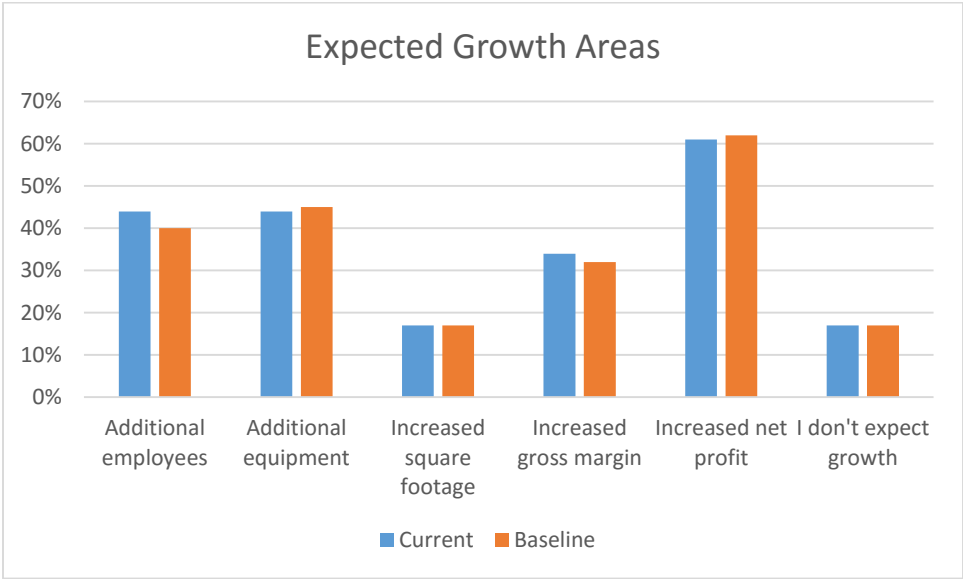


Q9: When thinking about the next five years, what type of growth, if any, do you expect? (Check all that apply)

Respondents remain optimistic about growth in net profit in the next 5 years, with 61 percent of respondents reporting expected growth in this area. The expected increase in net profit is likely the result of the expected revenue growth (Q1) since 44 percent of respondents expect to add new employees to their business while 44 percent expect to add more equipment, both of which are added costs.

Overall, these findings are similar to the baseline study. The major difference is in the additional employee’s category; this study revealed that more businesses expect growth in this area (44 percent versus 40 percent found in the baseline study).

Period	Additional employees	Additional equipment	Increased square footage	Increased gross margin	Increased net profit	I don't expect growth	N
Current	44%	44%	17%	34%	61%	17%	395
Baseline	40%	45%	17%	32%	62%	17%	260



*Numbers are greater than 100 due to the allowance of multiple responses

Q10: When your business needs additional capital, how would you rank these sources of funding as most accessible to you? (Ranked on scale from 1 to 5)

A majority of the respondents reported revenue generated by the business to be the most accessible source of additional capital. Personal funding by the owner is also reported as being an easy source of funding while borrowing from friends or family, or selling assets was reported as the least accessible amongst the options.

These findings are similar to the baseline study.

CURRENT PERIOD	Most Accessible				Least Accessible	Total Responses
Owners personal cash	29%	35%	24%	8%	4%	368
Revenue generated by the business	58%	32%	7%	2%	1%	368
Borrowing from a bank or other financial company	10%	25%	37%	18%	10%	368
Borrowing from friend or family	1%	4%	12%	40%	43%	368
Selling assets	2%	4%	21%	31%	42%	368
N =	368	368	368	368	368	-

BASELINE PERIOD	Most Accessible				Least Accessible	Total Responses
Owners personal cash	34%	35%	21%	7%	3%	241
Revenue generated by the business	54%	37%	7%	1%	1%	241
Borrowing from a bank or other financial company	11%	21%	37%	19%	12%	241
Borrowing from friend or family	0%	4%	14%	41%	40%	241
Selling assets	1%	3%	22%	31%	43%	241
N =	241	241	241	241	241	-

Q11: From the pull down list, please choose the industry group your company is most closely identified with.

Retail and Construction are the highest represented industries at 15 percent and 14 percent of total respondents, respectively. Other notable industries include Other Services (except Public Administration) at 13 percent and Real Estate/Rental/Leasing and Professional/Scientific/Technical Services, both of which each represent 9 percent of total respondents. The optimism report is likely to be reflective of the industries listed above.

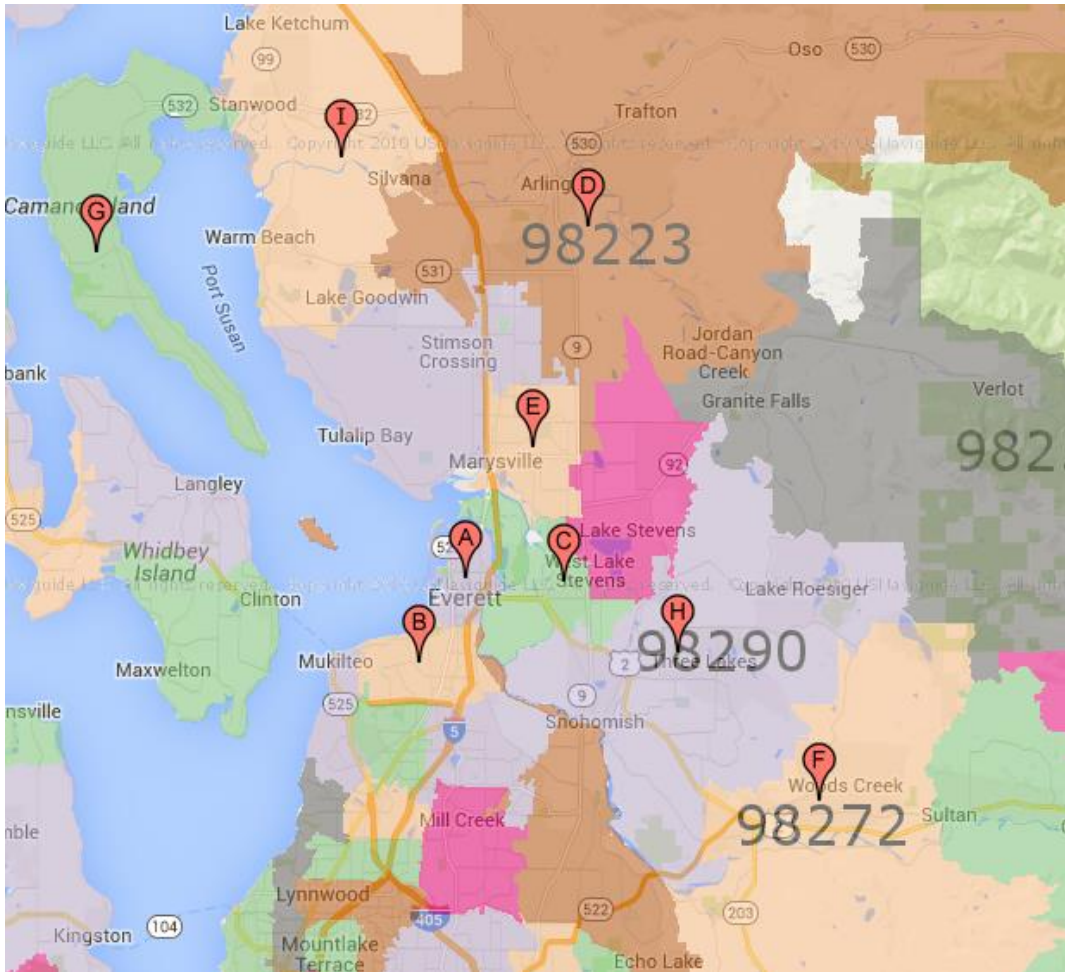
These findings are similar to the baseline study.

Answer	Current Period	Baseline Period	Percentage Change
11 Agriculture, Forestry, Fishing and Hunting	3%	3%	0%
21 Mining, Quarrying, and Oil and Gas Extraction	0%	0%	N/A
22 Utilities	2%	3%	-33%
23 Construction	14%	15%	-7%
31-33 Manufacturing	8%	9%	-11%
42 Wholesale Trade	3%	3%	0%
44-45 Retail Trade	15%	13%	15%
48-49 Transportation and Warehousing	2%	3%	-33%
51 Information	1%	1%	0%
52 Finance and Insurance	5%	5%	0%
53 Real Estate and Rental and Leasing	9%	10%	-10%
54 Professional, Scientific and Technical Services	9%	10%	-10%
55 Management of Companies and Enterprises	1%	1%	0%
56 Administrative and Support and Waste Management and Remediation Services	0%	0%	N/A
61 Educational Services	3%	2%	50%
62 Health Care and Social Assistance	6%	4%	50%
71 Arts, Entertainment, and Recreation	4%	5%	-20%
72 Accommodation and Food Services	3%	2%	50%
81 Other Services, except Public Administration	13%	14%	-7%
92 Public Administration	1%	0%	N/A
N =	360	237	N/A

Q12: What ZIP code is your business headquartered in? (Of the 386 responses received, 383 were valid ZIP codes)

The majority of businesses, or 203 out of the 383 respondents, are located in ZIP codes that correspond to parts of, or all of, Everett, Arlington, Marysville, Monroe, Camano Island, Snohomish, and Stanwood. The optimism report is likely to be reflective of the ZIP codes with higher number of respondents. A map of the noted locations and a table of all reported zip codes can be found below.

These findings are similar to the baseline study.



ZIP Code	Count	%
98282	39	10.18%
98201	37	9.66%
98223	27	7.05%
98290	26	6.79%
98272	24	6.27%
98292	17	4.44%
98271	16	4.18%
98270	16	4.18%
98203	16	4.18%
98204	12	3.13%
98294	11	2.87%
98208	10	2.61%
98249	8	2.09%
98241	8	2.09%
98258	7	1.83%
98275	6	1.57%
98274	6	1.57%
98012	6	1.57%
98296	5	1.31%
98072	5	1.31%
98251	4	1.04%
98087	4	1.04%
98287	3	0.78%
98256	3	0.78%
98206	3	0.78%
98036	3	0.78%
98026	3	0.78%
98801	2	0.52%
98288	2	0.52%
98277	2	0.52%
98264	2	0.52%
98260	2	0.52%
98253	2	0.52%
98236	2	0.52%
98235	2	0.52%

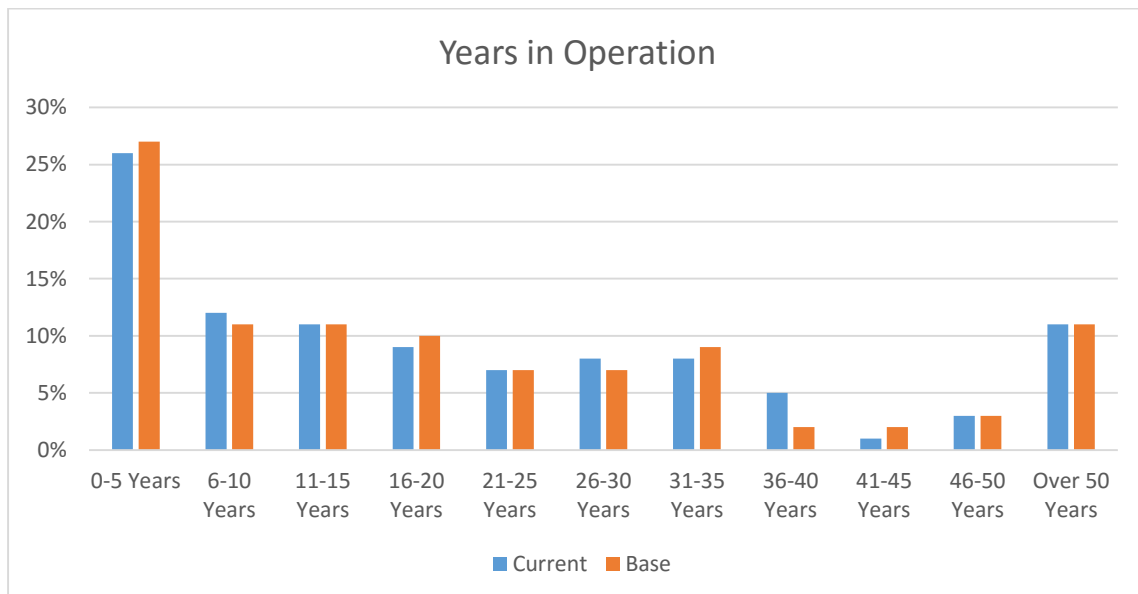
98221	2	0.52%
98133	2	0.52%
98033	2	0.52%
98020	2	0.52%
98019	2	0.52%
98014	2	0.52%
98011	2	0.52%
99223	1	0.26%
98972	1	0.26%
98831	1	0.26%
98816	1	0.26%
98722	1	0.26%
98392	1	0.26%
98293	1	0.26%
98291	1	0.26%
98273	1	0.26%
98248	1	0.26%
98233	1	0.26%
98225	1	0.26%
98213	1	0.26%
98205	1	0.26%
98125	1	0.26%
98122	1	0.26%
98119	1	0.26%
98118	1	0.26%
98115	1	0.26%
98112	1	0.26%
98108	1	0.26%
98104	1	0.26%
98077	1	0.26%
98065	1	0.26%
98059	1	0.26%
98037	1	0.26%
97035	1	0.26%
80222	1	0.26%

Q13: How many years has your business been in operation?

Almost 50 percent of businesses in Snohomish County have been in operation for 15 years or less, 53 percent of which have been in business for 5 years or less. While a majority of the businesses are new and relatively young, about 16 percent of businesses have been in operation for over 40 years. The data collected may be more reflective of the numerous newer businesses while not as reflective of the older ones, even though they represent 16 percent of businesses in the region.

These findings are similar to the baseline study.

Years in Operation	Current Period	Baseline Period	Percentage Change
0-5 Years	26%	27%	-4%
6-10 Years	12%	11%	9%
11-15 Years	11%	11%	0%
16-20 Years	9%	10%	-10%
21-25 Years	7%	7%	0%
26-30 Years	8%	7%	14%
31-35 Years	8%	9%	-11%
36-40 Years	5%	2%	150%
41-45 Years	1%	2%	-50%
46-50 Years	3%	3%	0%
Over 50 Years	11%	11%	0%
N =	385	251	



Q14: How many Employees does your company have? (Estimates are acceptable)

Information regarding the number and type of employees in a community are useful in the long term. The type of employment and shifts over time reveals the health of the overall economy and industries represented in the survey.

Q14A: Full Time - Company Wide

Period	Min Value	Max Value	Average Value	Standard Deviation	N
Baseline	1	2500	42.96	261.61	101
Current	1	23400	115.67	1380.40	292

Q14B: Full Time – Snohomish County

Period	Min Value	Max Value	Average Value	Standard Deviation	N
Baseline	1	2000	47.43	234.48	101
Current	1	400	21.06	53.74	192

Q11C: Part Time – Company Wide

Period	Min Value	Max Value	Average Value	Standard Deviation	N
Baseline	1	220	12.3	32.87	101
Current	1	3000	42.60	274.84	178

Q11D: Part Time – Snohomish County

Period	Min Value	Max Value	Average Value	Standard Deviation	N
Baseline	1	1600	30.6	195.56	101
Current	1	530	11.15	51.90	118

Q15: Which of the following functions is the closest to your role within this business?

Period	Owner	CEO or President	Controller or CFO	Manager	Other primary organizational leader	N
Baseline	65%	13%	5%	9%	7%	255
Current	65%	13%	5%	9%	7%	255