

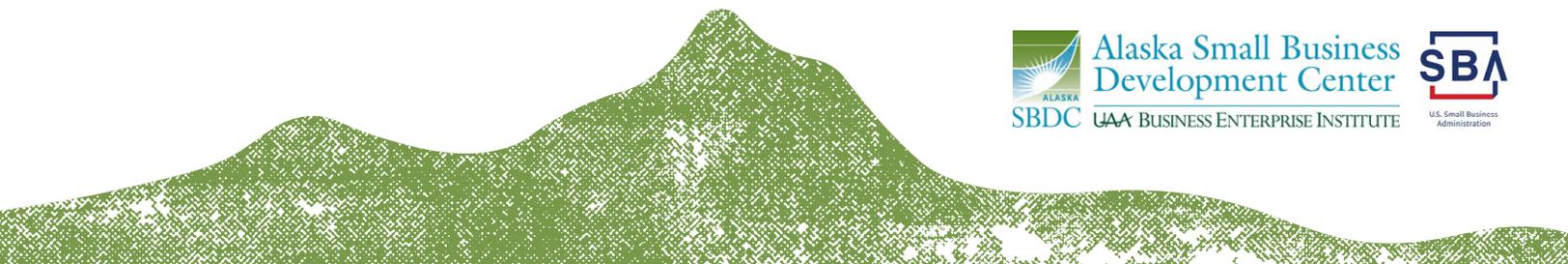


Photo Credit: James Evans

ALASKA SBDC

2021 ALASKA ANNUAL SMALL BUSINESS SURVEY

We grow small business



Alaska Small Business
Development Center
UAA BUSINESS ENTERPRISE INSTITUTE



2021 Alaska Small Business SURVEY

Economy shows signs of recovery, but some challenges still remain.



Jon Bittner
Alaska SBDC
Executive Director

A stylized, handwritten signature of Jon Bittner in black ink.

The past three years have been the most challenging we've seen in the Alaska SBDC's 35-year history. Business models were flipped upside-down, the workforce and workplace were fundamentally changed, supply lines were disrupted, and basic infrastructure was stretched to the breaking point. Through it all, Alaskans and the small businesses that make up our communities have persevered and, in some cases, even thrived.

With this much change and disruption happening for so long, it can be hard to get a feel for where we're at as a state and more importantly, where we're going. That is why I'm particularly excited to present this year's 5th Annual Small Business Survey results. For the past five years, the Alaska SBDC has reached out to hundreds of businesses across the state to get their feedback on barriers to business, the economy, their financial situation, and other important topics. As federal relief funds for businesses are exhausted and local and state governments are trying to decide how best to support their economies, this information is more relevant than ever.

Overall, this survey found that businesses were much more optimistic about the economic future of local and state economies. In 2020, for the first time since the Alaska SBDC launched the survey, more businesses thought the economy would get worse rather than improve in the next 12 months. In 2021, the trend flipped back (just barely) into more positive than negative outlooks.

When it came to barriers to business, survey respondents added rising cost of goods and services as well as shipping to their top problems alongside familiar issues like finding employees. We also see a lot of businesses needing additional funding in the new year, but a significant amount of concerns about their ability to be able to secure it.

As the pandemic winds down and our economy ramps back up, we hope that the information we've collected here can help policymakers and business leaders develop strategies and make decisions that will help all of our small businesses recover faster. Whether it's the COVID pandemic or any other difficulty that the state might face, the best way to get through it remains the same: together.



691

RESPONSES



89

COMMUNITIES



24

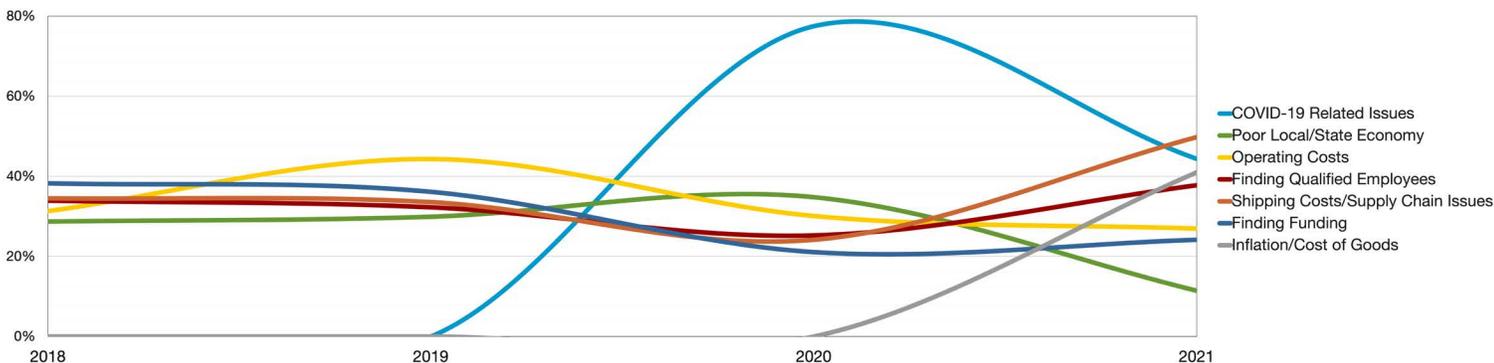
INDUSTRIES



Challenges to BUSINESS



G1: What are the top three challenges facing small businesses in Alaska?

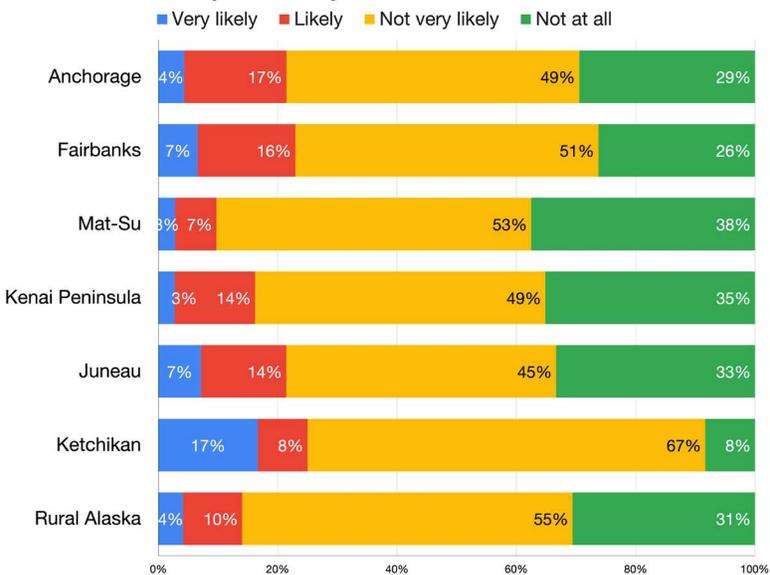


It has never been easy to start or run a business in Alaska, but these last few years have been particularly difficult. During the pandemic, businesses have contended with lockdowns, quarantined workers, remote operations, supply chain breakdowns, shortages, increasing prices, extreme unpredictability, a shift from traditional to relief financing and more. This has resulted in a variety of changes to the usual barriers to business that the survey results have shown over the past four years.

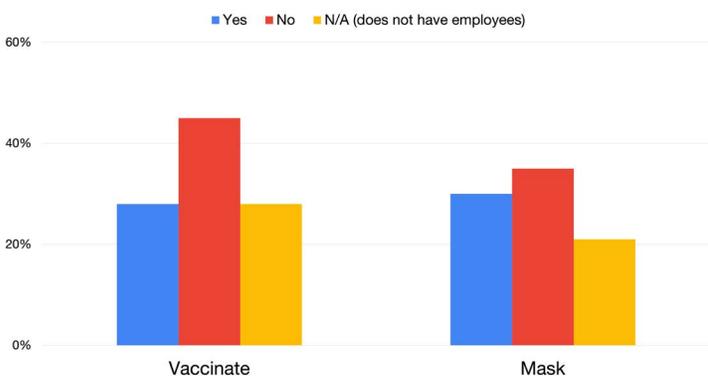
As illustrated in graph G1, the top challenge in 2021 was supply chain issues/shipping costs which increased from 5% in 2017 to 50% in 2021. COVID-19 related issues was the next major challenge, with 45% in 2021 compared to 80% in 2020. Rounding out the top three challenges, and making its first appearance on the survey, was Inflation/cost of goods.

All of these factors are causing businesses to struggle to stay open. While the percentage of businesses that said they were likely or very likely to fail within the next six months did drop from 26% to 18%, this still represents a large number of Alaska businesses at risk. As shown in graph G2, when we look at the responses by region, we see that businesses in Ketchikan and Fairbanks are particularly concerned with their economic futures.

G2: Without additional assistance, how likely is your business to permanently close within the next 6 months?

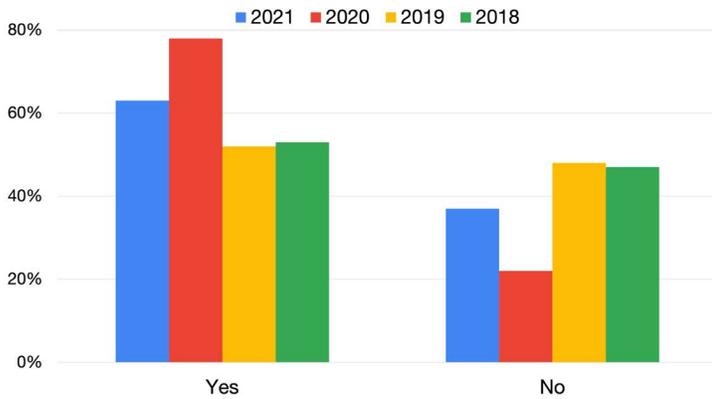


G3: Do you currently have or are you considering requiring your employees to mask or get vaccinated?

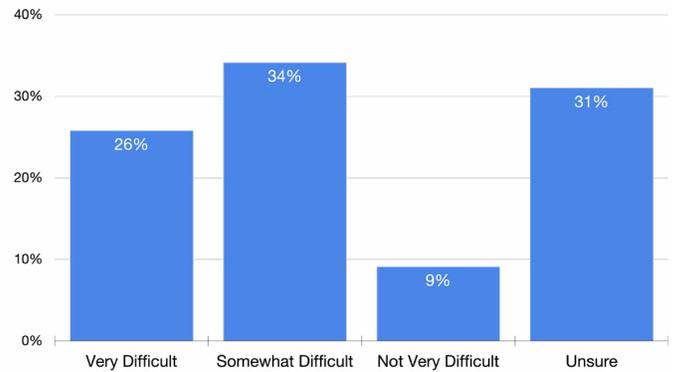


Raising CAPITAL

G4: Were you successful in obtaining capital?



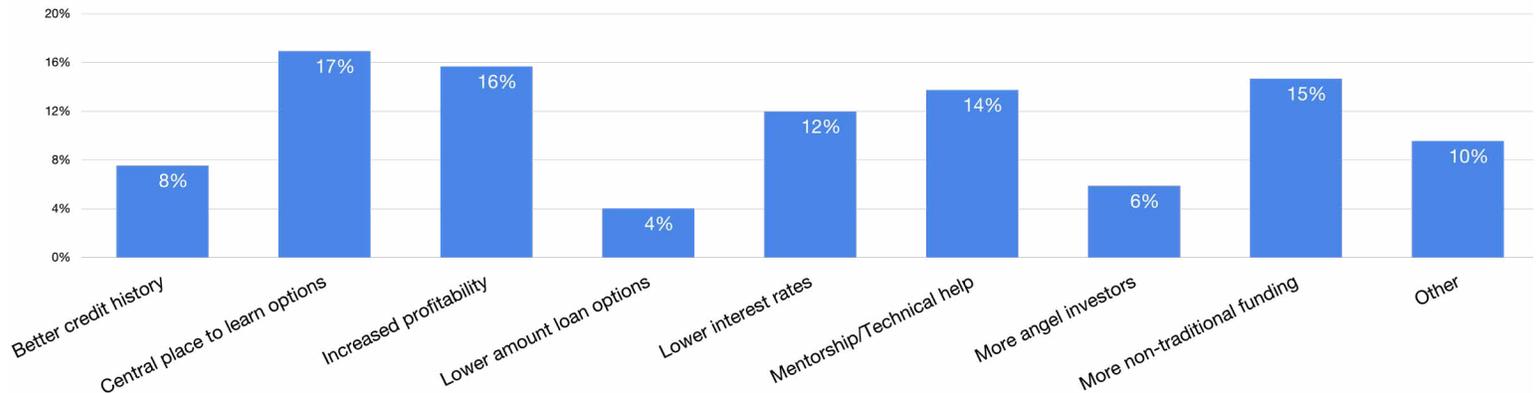
G5: Generally, how difficult do you think it would be to raise capital within the next 12 months?



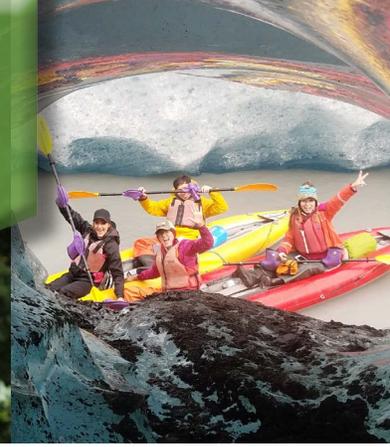
As indicated in graph G4, one of the difficulties many businesses are facing as they transition from “hunker down” to “sprint forward” is that the last few years have been rough on everyone’s financials. Even if businesses were able to secure funding through the relief programs, they still might find it hard to secure traditional forms of financing due to lack of sales, changing markets, or just general uncertainty about their industry.

Of those surveyed (see graph G5), 61% felt it would be difficult to raise new capital in the next 12 months with only 9% indicating they felt it would not be difficult. Most COVID relief programs for businesses are expended at this point and this is particularly problematic for businesses who are trying to take advantage of the recovering economy. Many business will find it difficult – if not impossible – to recover from economic effects of the pandemic without new capital to buy inventory, replace equipment, add staff, or engage in marketing efforts.

G6: What would make it easier to raise capital for your small business?



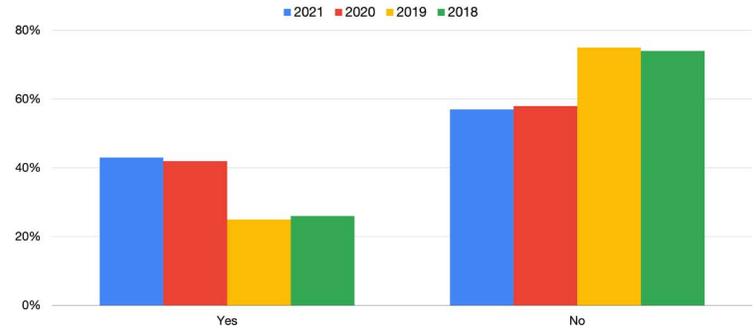
Financial SITUATION



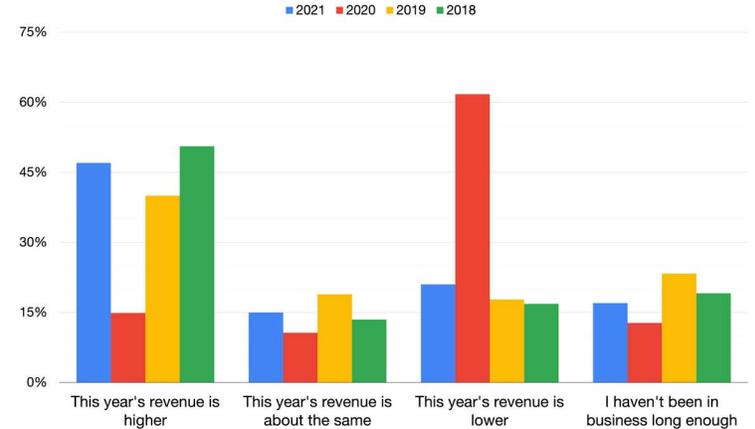
The last two years have seen a significant increase in the number of businesses seeking and receiving funding, primarily due to the creation and deployment of a variety of relief funding through the Coronavirus Aid, Relief and Economic Security (CARES) and American Relief Plan (ARPA) Acts. Moving into 2022, we see indications that businesses are recovering financially from the COVID-19 driven economic slowdown with over 45% indicating this year's revenues were higher than last year. Unfortunately, we're also seeing a higher-than-normal number of businesses indicating that they will close in the next six months without new funding or a significantly improved economic situation (seen in G2 on page 3).

This disparity appears to be driven by industry and how quickly they are able to recover. Looking to graph G9, tourism businesses are struggling the most to come back from the last two years of fewer visitors and increasing costs on top of workforce difficulties. Wholesale dealers and transportation companies on the other hand are predicting a very good 2022 on top of two years of better than average economic activity. Both the struggling and the prospering businesses are driving a larger than usual desire by businesses to seek funding in 2022, but the expectation from 60% of those seeking funding is that it would be either very or somewhat difficult to secure.

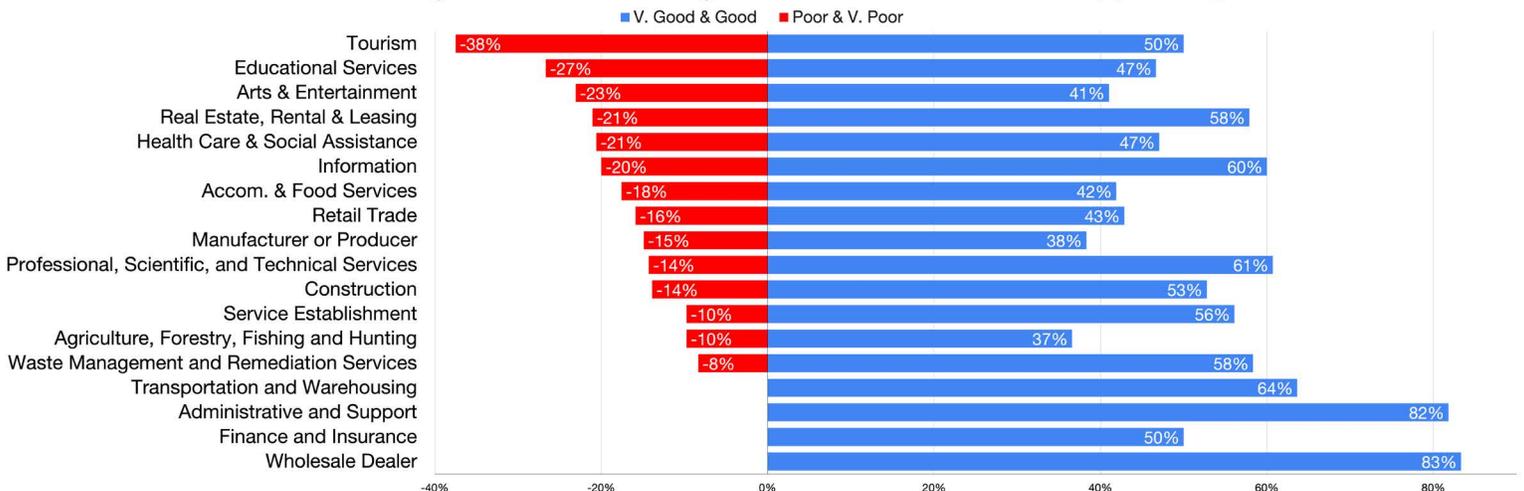
G7: Did you seek to raise money for your business in the last 12 months?



G8: How has this year's revenue compared to last year's revenue?



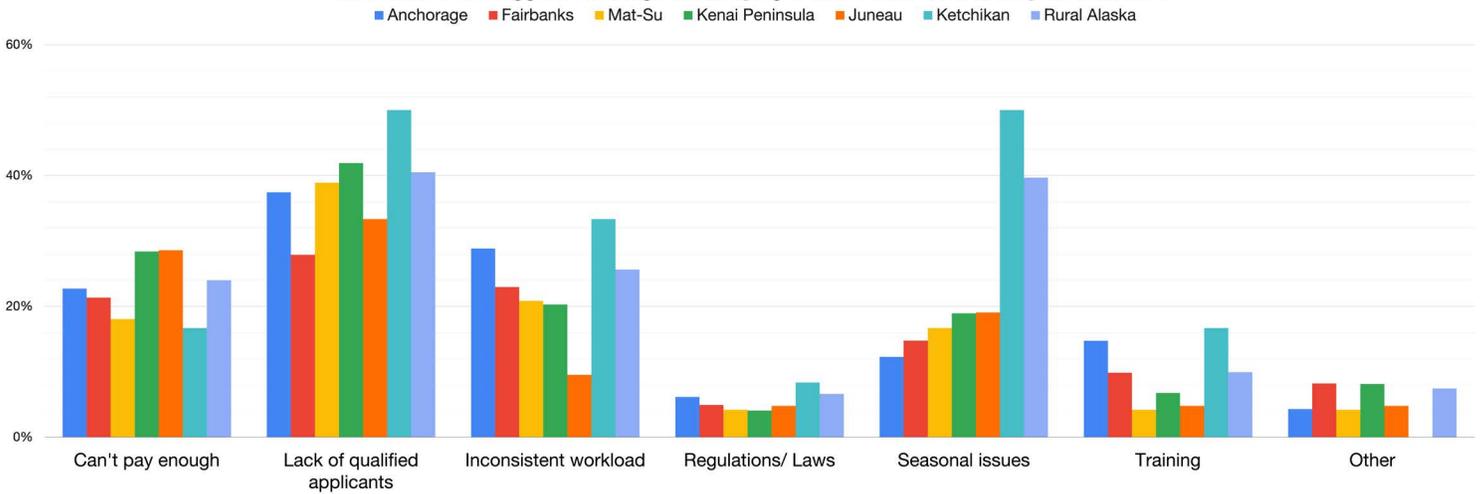
G9: Measuring the Extremes: Predicting Financial Situation Next 12 Months (by Industry)





Workforce CHANGES

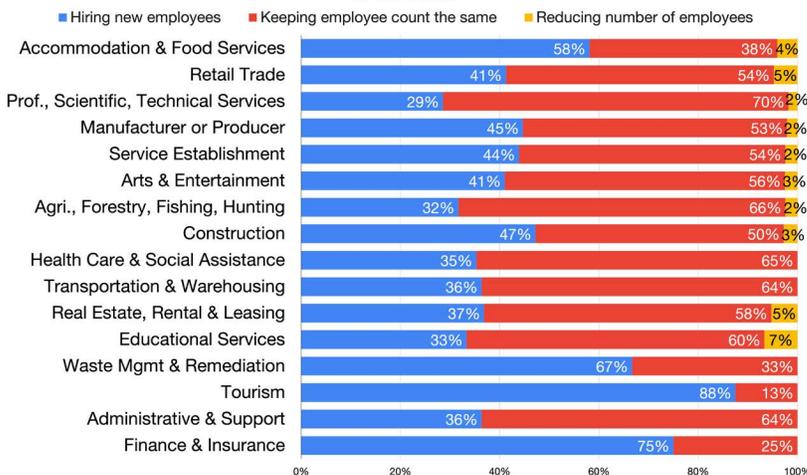
G10: What is the biggest challenge when trying to hire someone new for your business?



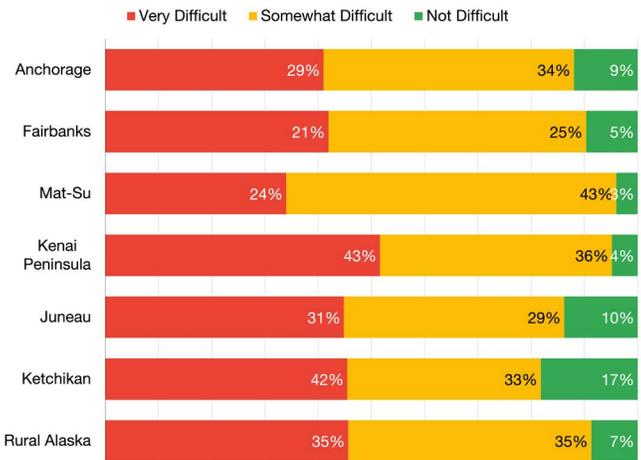
Alaska has always struggled to find enough people to staff our businesses due to our small population and large geographic area. The pandemic has exacerbated those problems by not only changing the economy, but also the way people view work. In graph G12, businesses trying to take advantage of the economic recovery are finding it difficult to fill empty positions or retain existing workforce.

Almost all of the businesses surveyed indicated they were looking to grow or maintain their current workforce in 2022. Unfortunately, they also indicated it was difficult or very difficult to find anyone to fill those positions. They list several reasons, including: a lack of qualified applicants, not being able to pay enough and seasonal issues, as the biggest challenges to hiring. While all areas of the state are having difficulty finding employees, some regions are particularly hard hit. The Kenai Peninsula had the most difficulty of any area surveyed due to a lack of qualified applicants.

G11: Are you planning to change your employee count over the next 12 months?



G12: How difficult is it to hire new employees for your business?



Alaska Small Business Development Center Locations

ANCHORAGE | FAIRBANKS | HOMER | JUNEAU | MAT-SU | RURAL | SEWARD | SOLDOTNA

SMALL
BUSINESS
VOICES
in 89 Alaska
Communities

With 36 years under our belt, the Alaska SBDC provides no-cost business coaching and low-cost workshops throughout the state of Alaska via our eight centers.



www.aksbdc.org

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