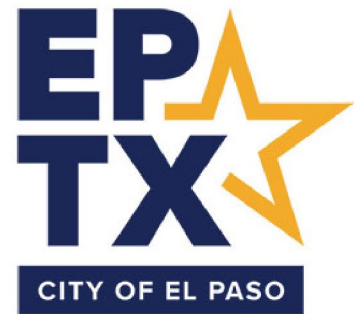




UTEP
HUNT INSTITUTE
FOR GLOBAL COMPETITIVENESS

Business One Stop Shop

Third Quarter Update: December 8, 2023



Executive Summary

The City of El Paso commissioned the Hunt Institute for Global Competitiveness, herein the Hunt Institute, at the University of Texas at El Paso, to conduct a comprehensive survey of small businesses in El Paso, Texas. This report provides a snapshot of the survey of 316 small businesses to identify strengths and areas for improvement and gather insights to enhance the overall experience for local enterprises engaging with the business one-stop shop

Small businesses in El Paso are in the different branches of the Services sector, mainly in the Hair and Nail Salons and Personal Care Services as well as the Professional, Scientific, and Technical Services. Retail Trade, and Transportation and Warehousing sectors are increasing their presence in this county. Most of the surveyed businesses have been active for over 5 years and are Hispanic-owned.

In 2022, some businesses were still struggling with COVID-19 pandemic-related issues such as supply chain constraints and healthcare issues. The increased cost of goods, inflation, and unstable markets were other areas of concern for small businesses in El Paso.

This analysis delves into the current landscape of businesses, revealing notable trends and challenges. Of the businesses surveyed, a significant 53.5% operate with at least one employee and other 46.5% have no employees.

Key challenges identified include reduced sales, hurdles in employee recruitment, and the quest for skilled talent. A noteworthy concern is the prevalence of high-interest rates when seeking credit.

To overcome these challenges, businesses express a need for technical assistance. Specifically, there is a demand for support in loan applications, comprehensive business plan reviews, and improved access to technology services. This underscores a vital opportunity for strategic interventions aimed at bolstering the resilience and growth potential of these businesses.

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Business One Stop Shop



This center benefits the local business community and the regional economy by supporting sustainable economic growth and leading to increased access to markets for emerging businesses.

Small and medium-sized enterprises (SMEs), start-ups, and entrepreneurs face hurdles in managing diverse administrative tasks, from registration and licensing to accounting and legal compliance. The City of El Paso has created a Business One Stop Shop to overcome these complexities. This center benefits the local business community and the regional economy by supporting sustainable economic growth and leading to increased access to markets for emerging businesses.

Survey Response Summary

Between July 20 and December 14, 2023, the City of El Paso administered surveys to local businesses, receiving 316 responses. It's essential to note that this figure reflects the data after undergoing a cleaning process, during which all duplications were removed. The questions of the survey aim to identify the challenges businesses are going through and the areas of opportunity to refer them to programs and resources available for them.

| Survey Type | Number of Responses |
|------------------------|---------------------|
| LiftFund | 265 |
| UTEP Marketing | 28 |
| Pioneers 21 | 23 |
| Total Responses | 316 |

Challenges



Name Discrepancies

While collecting and cleaning survey data, the Hunt Institute encountered challenges due to businesses providing names that did not match the list provided. This occurred because some businesses did not have a legal name when LiftFund sent the initial list to conduct the survey. Managing survey administration and data cleaning required extra effort to ensure accurate and consistent data, essential for result quality.



Duplicate Responses

Another issue emerged as some businesses submitted multiple survey responses, leading to duplicate answers and data complications. This occurred because the City of El Paso used the same survey link for a separate marketing program, resulting in multiple observations for the same business. Manual intervention was needed to eliminate duplicates. The Institute selected the most completed survey for analysis.



Adding New Businesses

While conducting data cleaning, the Hunt Institute identified businesses that were not initially included in the recipient list provided. Consequently, new companies were added to the recipient list to ensure comprehensive coverage.

Respondent Demographics



Source: Hunt Institute using survey data.

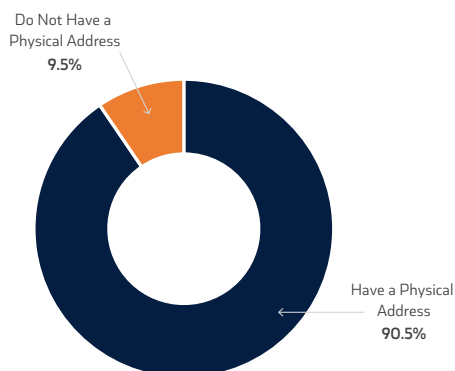
While most of the businesses responding to the survey have a physical location within El Paso County limits, some respondents were not in this location when they answered the survey. Most respondents (278) were in Texas when they answered the survey. Arizona accounted for the next largest group of respondents (18), and others were located in Louisiana, Illinois, New Mexico, and Washington at the time of the survey. There were also six respondents who completed the survey from cities in Mexico, most of them in the state of Chihuahua.

| United States | Number of Responses |
|-----------------|---------------------|
| Arizona | 18 |
| Illinois | 2 |
| Louisiana | 3 |
| New Mexico | 2 |
| Nevada | 1 |
| Ohio | 1 |
| Oklahoma | 1 |
| Tennessee | 2 |
| Texas | 278 |
| Washington | 2 |
| Total Responses | 310 |

| Mexico | Number of Responses |
|-----------------|---------------------|
| Chihuahua | 4 |
| Coahuila | 1 |
| Quintana Roo | 1 |
| Total Responses | 6 |

Business Profile

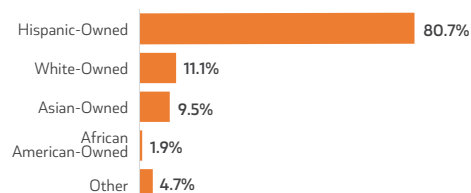
Business Physical Address



Source: Hunt Institute using survey data.

The vast majority, 90.5%, of the businesses surveyed have a physical address in El Paso, while only 9.5% of the businesses do not.

Majority Type of Business Ownership

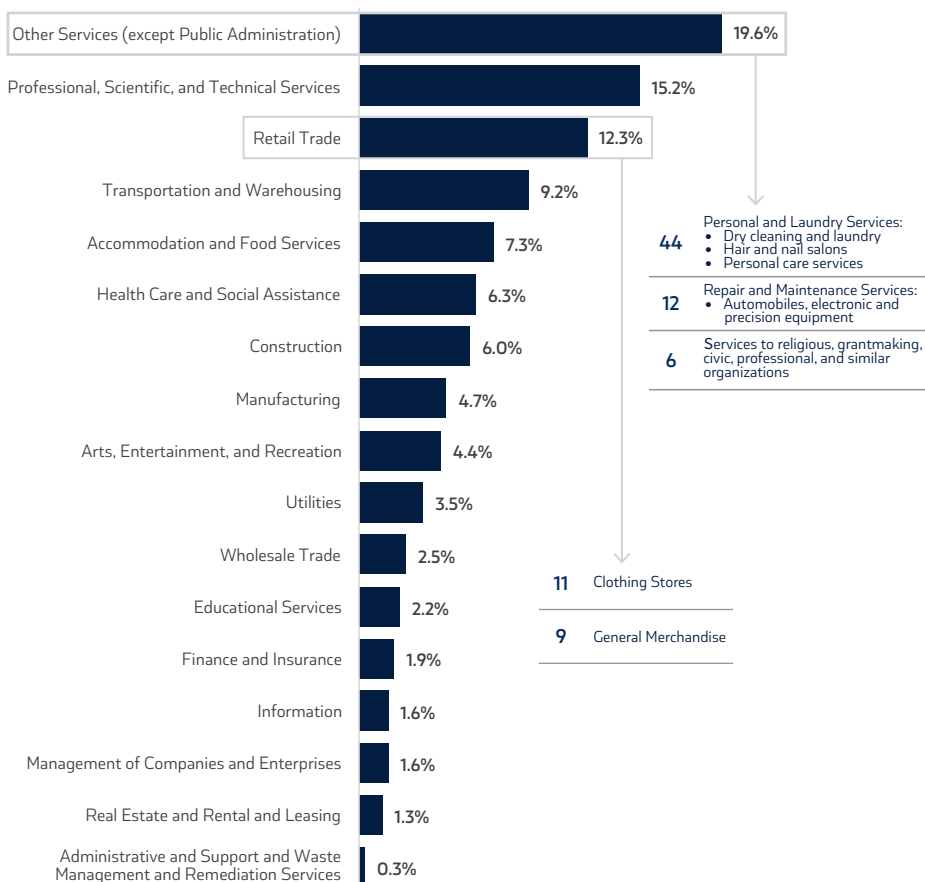


Note: Figures won't sum up to due to multiple-answer question.

Source: Hunt Institute using survey data.

The surveyed small businesses in El Paso are mostly Hispanic-owned, accounting for 80.7%. White-owned businesses account 11.1% and Asia-owned businesses at 9.5%.

Business Sectors



Source: Hunt Institute using survey data.

The two largest business sectors among surveyed businesses were Other Services (except Public Administration) and Professional, Scientific, and Technical Services, at approximately 20% and 15.2%, respectively. Administrative and Support and Waste Management and Remediation Services is the business sector with the least representation, at 0.3%.

The Other Services (except Public Administration) include 44 businesses in the Personal and Laundry Services, which include dry cleaning and laundry services, hair and nail salons, and personal care services. Other 12 small businesses in this sector do Repair and Maintenance Services to automobiles, electronic and precision equipment, and personal and household goods, while the other six businesses offer religious, grantmaking, civic, professional, and similar organizations services.

In the retail sector, clothing stores account for 11 businesses, and general merchandise accounts for another nine enterprises.

Business Industries by Zip Code

Business Type



Business Share by Zip Code

| Zip Code | Share of Businesses |
|----------|---------------------|
| 79835 | 0.4% |
| 79901 | 9.5% |
| 79902 | 5.3% |
| 79903 | 5.6% |
| 79904 | 1.1% |
| 79905 | 2.5% |
| 79906 | 0.7% |
| 79907 | 4.9% |
| 79911 | 0.7% |
| 79912 | 15.5% |
| 79915 | 7.4% |
| 79922 | 1.8% |
| 79924 | 4.2% |
| 79925 | 9.2% |
| 79927 | 0.4% |
| 79928 | 0.4% |
| 79930 | 1.8% |
| 79932 | 2.8% |
| 79934 | 1.1% |
| 79935 | 3.5% |
| 79936 | 12.7% |
| 79938 | 8.8% |

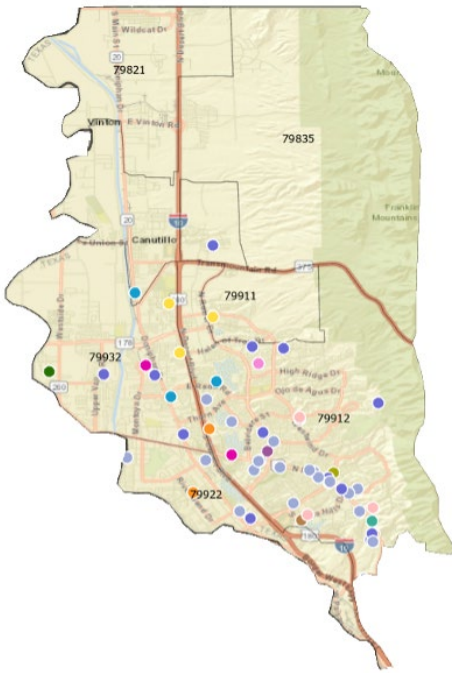
Approximately 15.5% of the surveyed businesses are located in the 79912 Zip Code. In this area, the majority of businesses fall under the Other Services (Except Public Administration), Professional, Scientific, and Technical Services, and Accommodations and Food Services sectors. Another notable concentration is found in the 79936 Zip Code, accounting for 12.7% of surveyed businesses. This particular area exhibits a diverse mix of businesses, with the Utilities, Transportation, and Construction sectors prominently standing out.

Source: Hunt Institute using survey data.

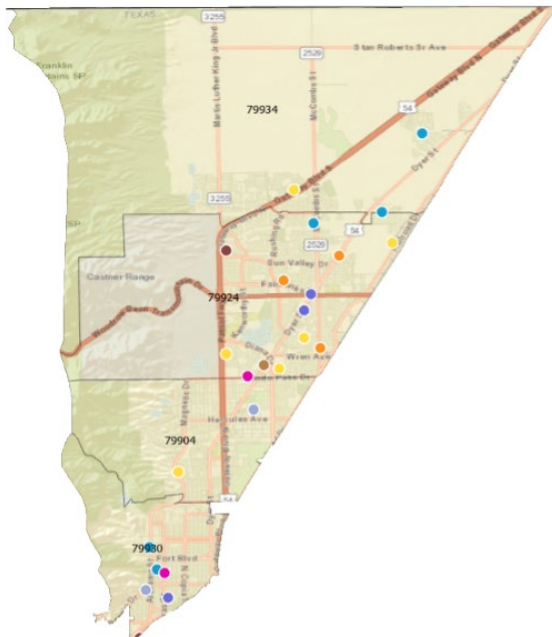
Business Type

| | |
|--------------------------------|--|
| Utilities | Real Estate and Rental and Leasing |
| Construction | Professional, Scientific, and Technical Services |
| Manufacturing | Management of Companies and Enterprises |
| Wholesale Trade | Support and Waste Services |
| Retail Trade | Educational Services |
| Transportation and Warehousing | Health Care and Social Assistance |
| Information | Arts, Entertainment, and Recreation |
| Finance and Insurance | Accommodation and Food Services |
| | Other Services (except Public Administration) |

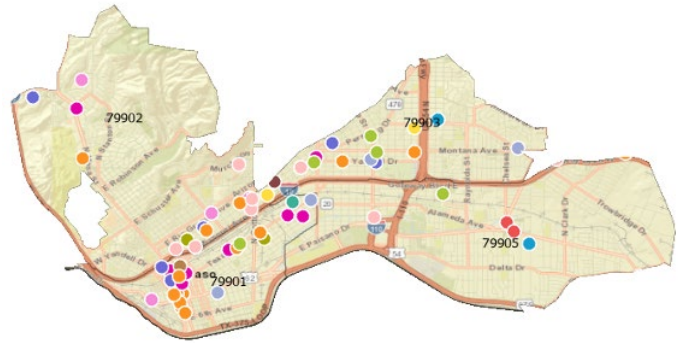
Businesses located in West El Paso



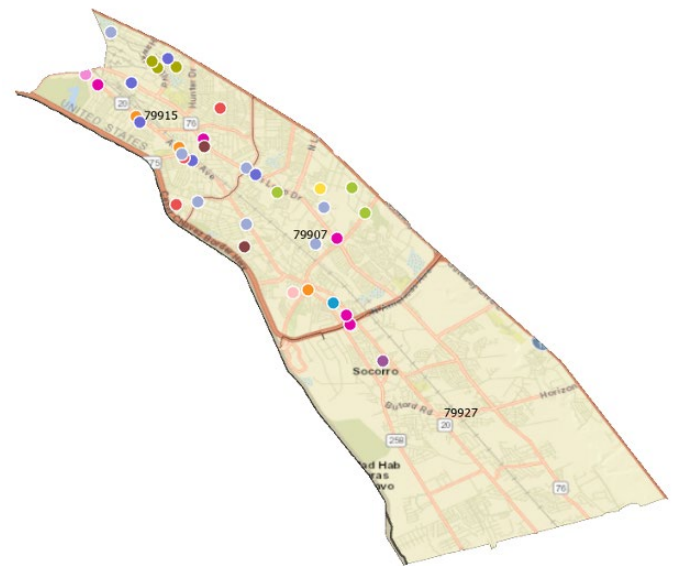
Businesses located in the Northeast of El Paso



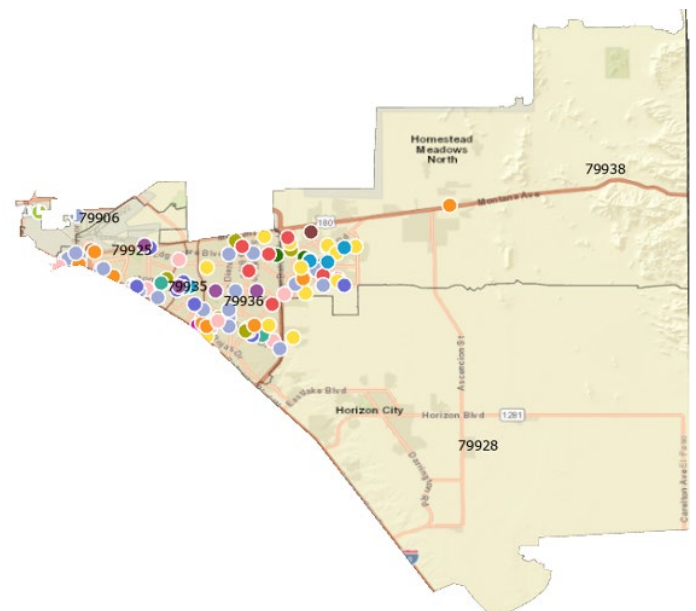
Businesses Located in Central El Paso



Businesses Located in the Lower Valley of El Paso

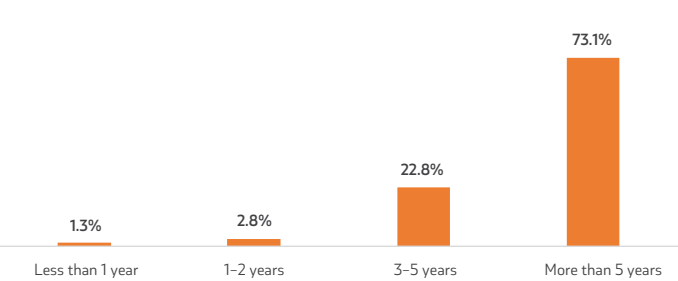


Businesses Located in East El Paso



Business Profile

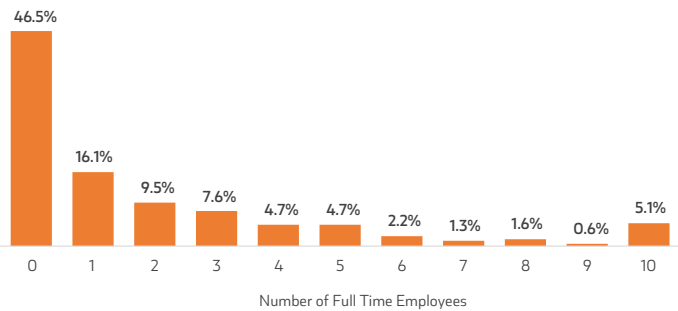
Business Operations



Source: Hunt Institute using survey data.

Most businesses surveyed have been in operation for more than 5 years at 73.1%. Among these, the predominant sectors include Other Services (Except Public Service), Professional, Scientific, and Technical Services, and Retail. Conversely, a mere 1.3% of businesses reported less than one year in operation, with representation from the Retail and Professional, Scientific, and Technical Services sectors.

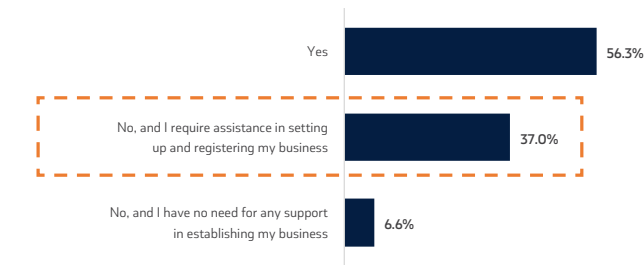
Number of Full-Time Employees (Excluding Owner/s)



Source: Hunt Institute using survey data.

Most businesses surveyed have at least one employee, at 53.5%, while 46.5% reported having no employees.

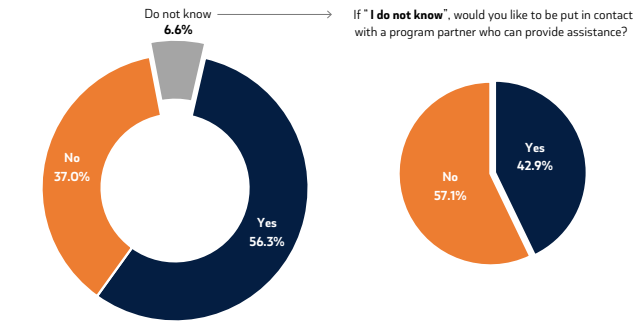
Legal Establishment



Source: Hunt Institute using survey data.

More than half of all the businesses surveyed reported having a legal establishment in place at 56.3%. However, this means that the remaining 43.7% of surveyed businesses do not have a legal establishment. The majority of businesses reporting a lack of legal establishment also reported a need for assistance in setting up and registering their business.

Business Permits or Licenses Required

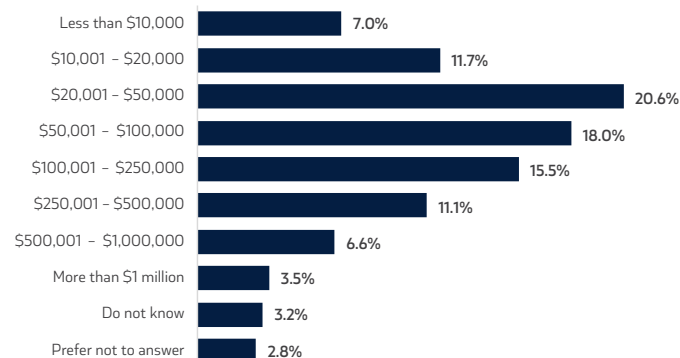


Note: Figures may not sum up due to rounding
Source: Hunt Institute using survey data.

Out of the businesses surveyed, 56.3% have indicated that permits or licenses are required for their business, while 37.0% are not. Of the 6.6% who "do not know", 42.9% answered that they would like assistance from a program partner to address this challenge.

Business Performance

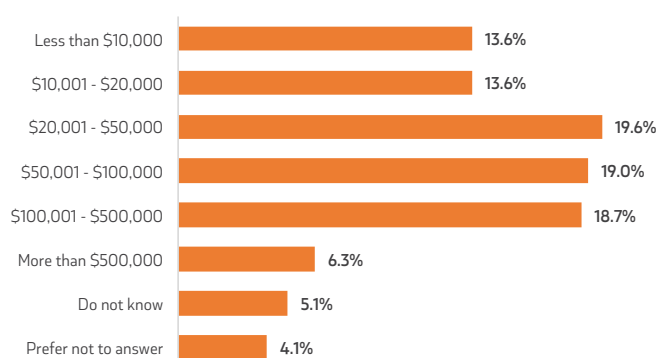
Business Total Annual Gross Income in 2022



Source: Hunt Institute using survey data.

In 2022, the largest share of businesses had a total gross income between \$20,001 and \$50,000 at 20.6%, closely followed by the next segment of those earning between \$50,001 and \$100,000 at 18.0%. Only a 3.5% said their total gross income surpassed \$1 million.

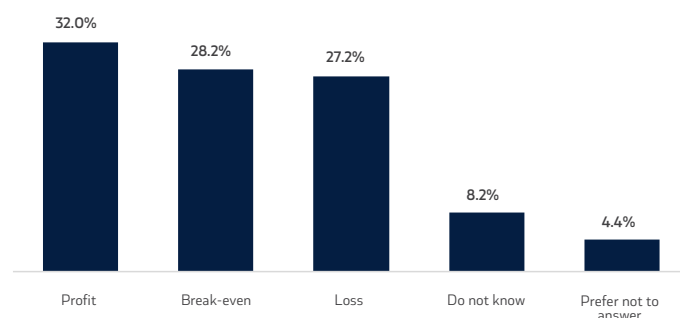
Business Expenses in 2022



Source: Hunt Institute using survey data.

Approximately 19.6% of the businesses reported their expenses in 2022 were between \$20,001 and \$50,000, followed by 19% of the businesses spending between \$50,001 and \$100,000. A total of 5.1% of the businesses are unaware of their total business expenses while 4.1% of the respondents decided not to disclose their expenses for the same year.

Business Financial Status in 2022



Source: Hunt Institute using survey data.

In 2022, 32% of the businesses made a profit while an additional 28.2% broke-even. On the other hand, 27.2% of the businesses reported losses during the year and 8.2% did not know. The remaining 4.4% of the businesses preferred not to answer this question about their financial status. The top three sectors that reported losses are: Other Services (except Public Administration) (18.6%), Retail Trade (17.4%), and Health Care and Social Assistance (9.3%).

Key Business Challenges in 2022

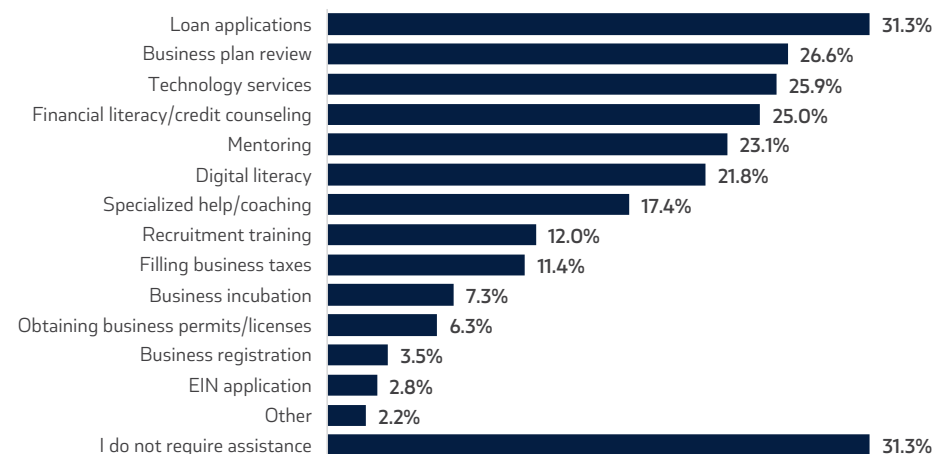


Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Marketing and sales, followed by Financial management were the key areas where businesses experienced challenges in 2022, with 66.1% and 49.1% respectively. In Marketing and sales businesses said they lost some contracts or clients, or the sales went down while facing higher costs of goods, inflation, and an unstable market. Human resources management was also a challenge with 21.2%. Businesses said they had a hard time hiring and retaining employees or finding the talent they need.

Technical Assistance and Financial Literacy

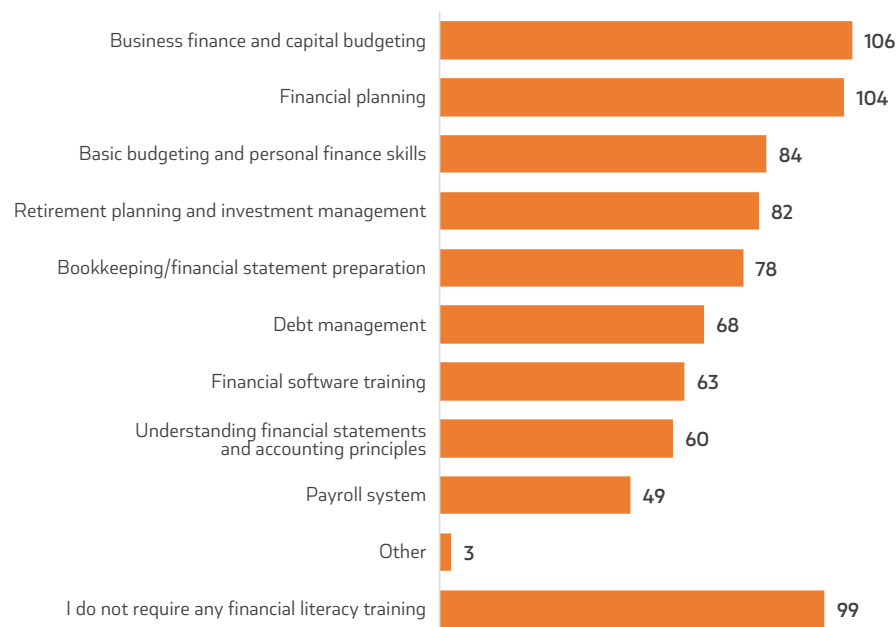
Areas that Require Technical Assistance



Almost one-third of the businesses required assistance while applying for loans at 31.3%. Other areas businesses reported as critical for assistance are Business plan review and Technology services, with 26.6% and 25.9%, respectively. On the contrary, 31.3% of the businesses expressed that they do not require assistance.

Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Areas that Require Financial Literacy Training

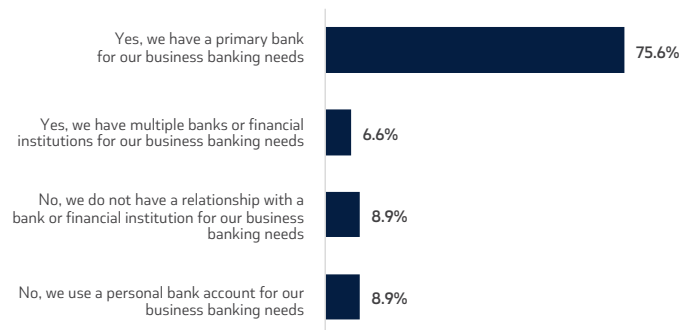


Businesses require a wide variety of financial literacy training, but most are related to finances. In this question, businesses were able to pick all the areas they needed training. Finance and capital budgeting is an area in which they would like to receive financial literacy training with 106 responses, followed closely by financial training with 104. In contrast, 99 businesses said they do not require any financial literacy training.

Note: Businesses were able to pick more than one answer.
Source: Hunt Institute using survey data.

Access to Capital

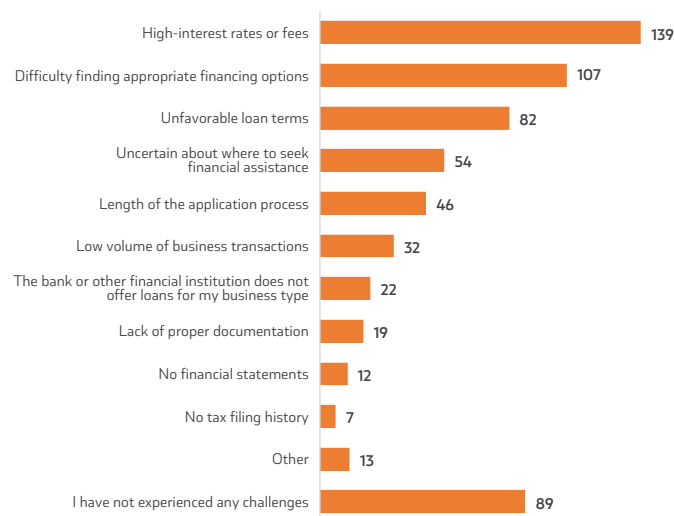
Relationship with a Bank or Financial Institution for Business Banking Needs



Source: Hunt Institute using survey data.

Most of the businesses have a primary bank to conduct their banking needs, accounting for 75.6% of the respondents. However, 8.9% use a personal bank account for their business banking needs, and an additional 8.9% have no relationship with a bank or financial institution.

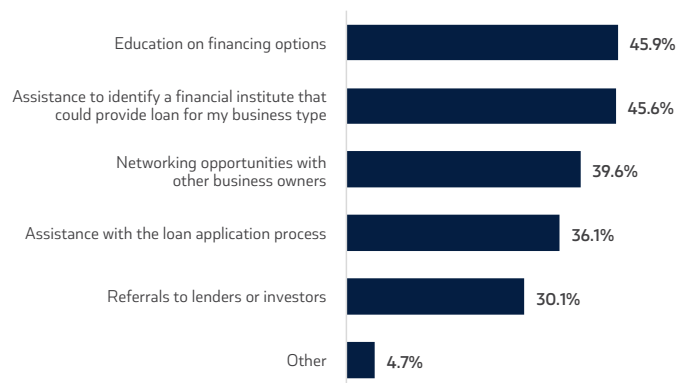
Encountered Challenges While Seeking Business Financing



Source: Hunt Institute using survey data.

Small businesses in El Paso have encountered several challenges while seeking financial resources for their operations. High-interest rates or fees and difficulty finding appropriate financing options are the primary challenges encountered by businesses, with 139 and 107 responses, respectively. In contrast, 89 businesses said they have not experienced any challenges in this area.

Business Support or Resources Benefit for Accessing Capital

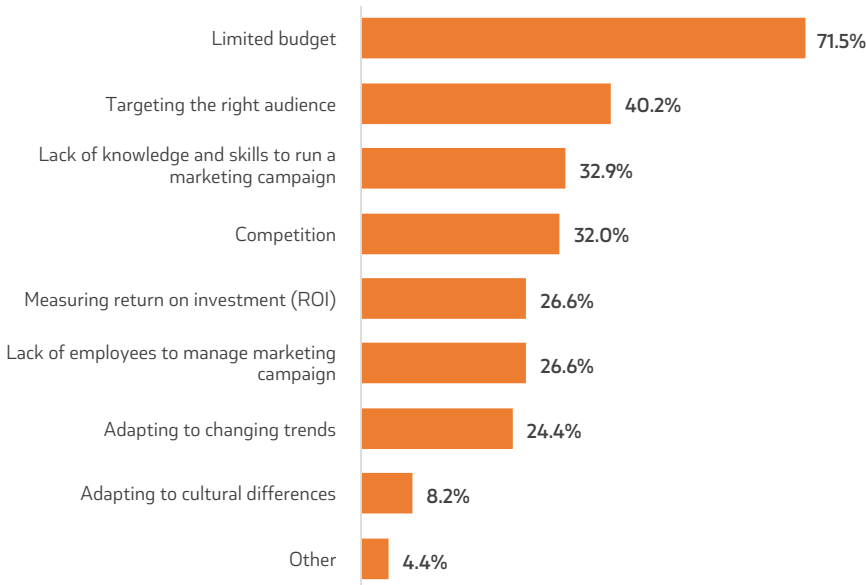


Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Businesses require a wide variety of business support or resources for accessing capital. Most reported education on financing options and assistance to identify a financial institute that could provide loans for their business, with 45.9% and 45.6%, respectively.

Marketing

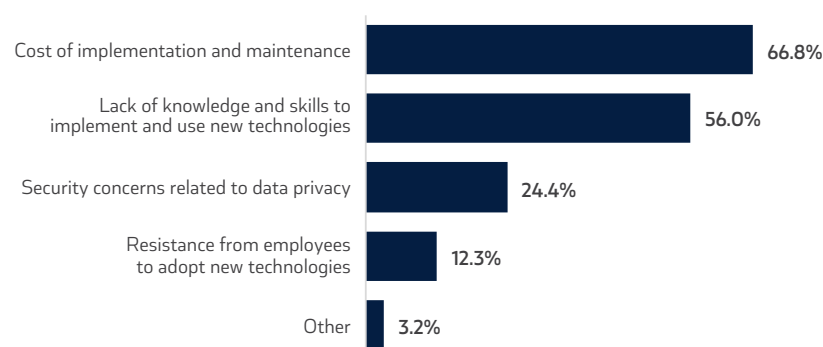
Primary Challenges Encountered During Marketing Campaigns



Almost two-thirds of the businesses responded that the primary challenge encountered during marketing campaigns is a limited budget, with 71.5%. They are also struggling to target the right audience, at 40.2%, while the lack of knowledge and skills to run a marketing campaign was also in the top 3, with 32.9%.

Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Major Challenges Encountered in Adopting New Technologies for Business

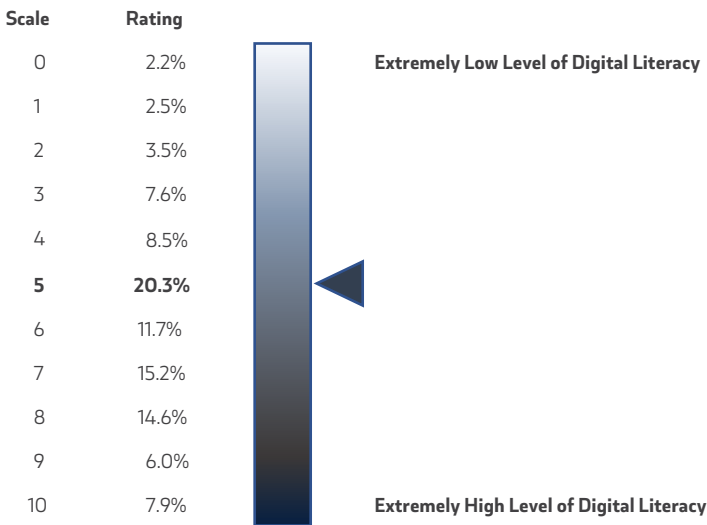


Businesses identified that the cost of implementation and maintenance is the main challenge when adopting new technologies, with 66.8%. This is followed by a lack of knowledge and skills to implement and use technologies at 55.1% and security concerns related to data privacy at 24.4%.

Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Digital Transformation

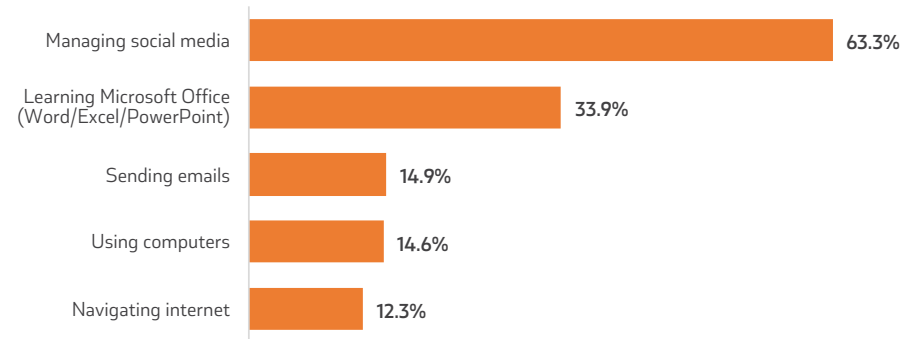
Digital Literacy Rating



Most businesses in El Paso mentioned that they feel neutral with their level of digital literacy, with 20.3%, while 7.9% have a high level of digital literacy, and only 2.2% have extremely low levels.

Source: Hunt Institute using survey data.

Areas that Require Digital Transformation Training

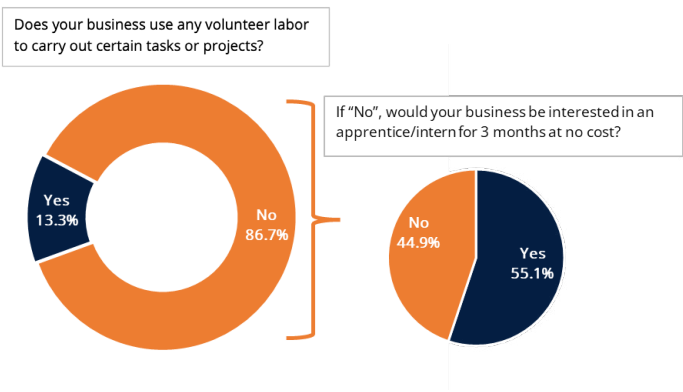


Managing social media is the highest priority in areas that require digital transformation training, with 63.3% of businesses expressing a need for improvement in this domain. Learning Microsoft Office comes second at 33.9%. Additionally, the data underscores a substantial requirement for navigating the internet, indicated by 12.3% of businesses.

Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Workforce Development

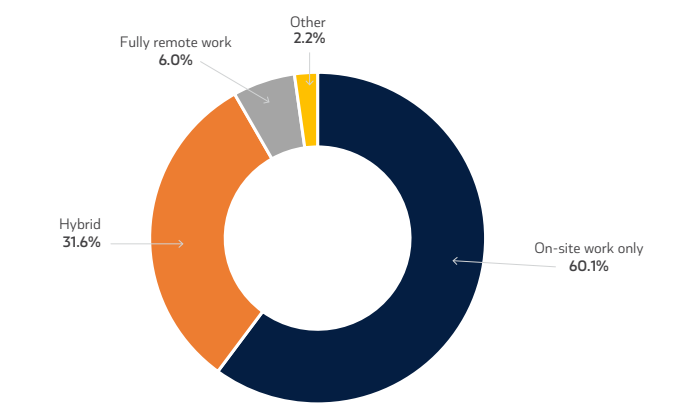
Volunteer Labor for Businesses



Source: Hunt Institute using survey data.

Most of the businesses in El Paso do not use volunteers to run certain tasks or projects. Only 13.3% of the businesses use volunteers. More than half of the businesses that do not use volunteers are interested in having an apprentice/intern at no cost for three months, with 55.1%.

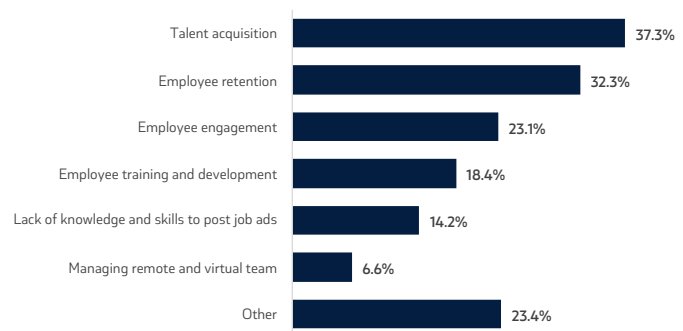
Business's Approach to Work Arrangements



Source: Hunt Institute using survey data.

Most businesses prefer on-site work only with 60.1%, while 31.6% have adopted the hybrid mode, which combines on-site and remote work. Only 6% of the businesses prefer a fully remote work scheme.

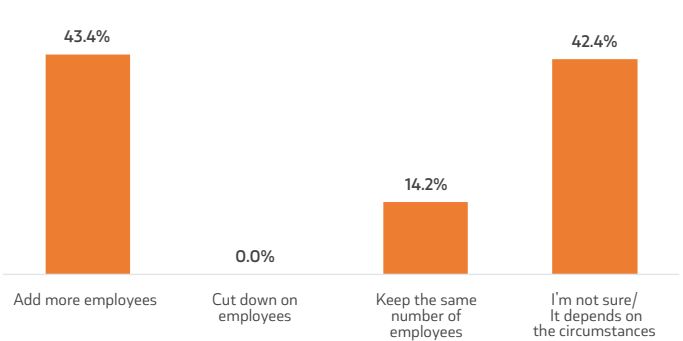
Key Workforce Development Challenges



Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Talent acquisition and employee retention are the top concerns for businesses when it comes to workforce development, with 37.3% and 32.3%, respectively. Employee engagement follows closely at 23.1%. The data also reveals the significance of employee training and development at 18.4%, followed by a "lack of knowledge and skills to post job ads" at 14.2%, and the need to manage remote and virtual teams at 6.6%. Additionally, a sizeable percentage falls under "other" (23.4%).

Employment Change Expectations in 2024

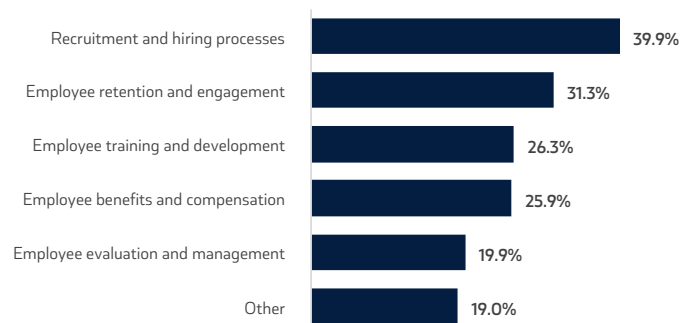


Source: Hunt Institute using survey data.

Small businesses in El Paso are willing to hire more workers in 2024. A total of 43.4% of businesses want to increase their workforce, while 14.2% want to keep the same number of employees. None of the businesses consider cutting down job positions. Still, 42.4% of businesses are unsure about hiring new employees depending on the circumstances.

Workforce Development

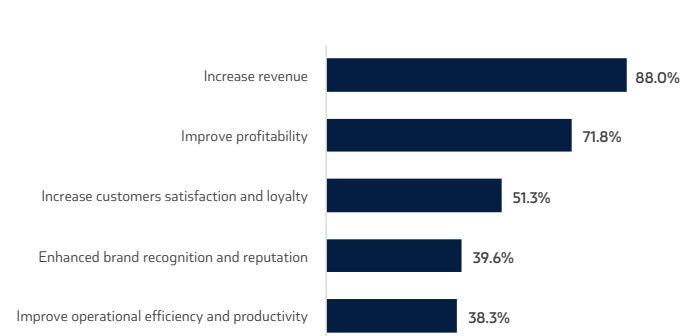
Areas Requiring Assistance to Meet Employment Change Expectations in 2024



Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

The top areas requiring assistance or consultation to meet employment change expectations in 2024 primarily focus on human resources. Recruitment and hiring processes are identified as the most significant concern at 39.9%, followed by employee benefits and compensation, as well as employee retention and engagement at 31.3% and 26.3%, respectively.

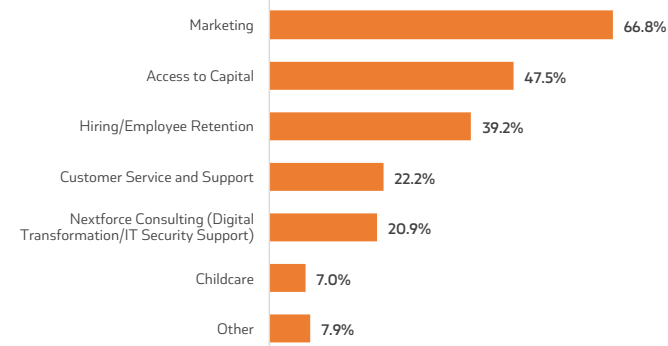
Top Five Business Goals Prioritized for the Next 1-2 Years



Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Increasing revenue stands out as the top objective for businesses for the next 1-2 years, with 88.0%. Improving profitability follows with 71.8% of the businesses recognizing its importance. While increasing customer satisfaction and loyalty is also notable at 51.3%, the adoption of new marketing strategies and enhancing brand recognition demonstrate moderately lower emphasis at 39.6% and 38.3%, respectively.

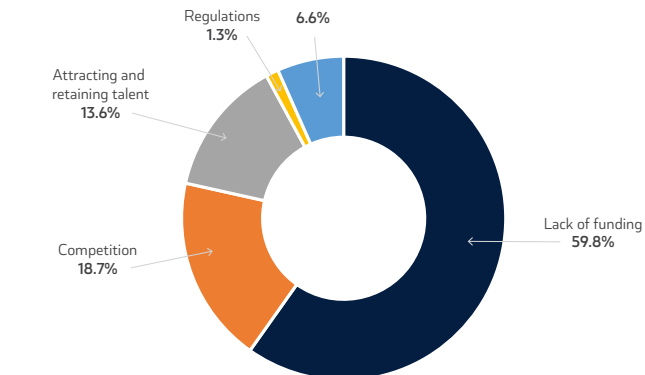
Open to Recommendations for Support and Service Connections



Note: Figures won't sum up to due to multiple-answer question.
Source: Hunt Institute using survey data.

Marketing is a significant area of concern, with 66.8% of respondents expressing a need for support in this domain. Access to capital is also notable, as 47.5% of participants identified it as a priority. Additionally, addressing hiring and employee retention, at 39.2%, emerges as another important aspect to focus on for effective support and service connections.

Biggest Challenges in Achieving Business Goals

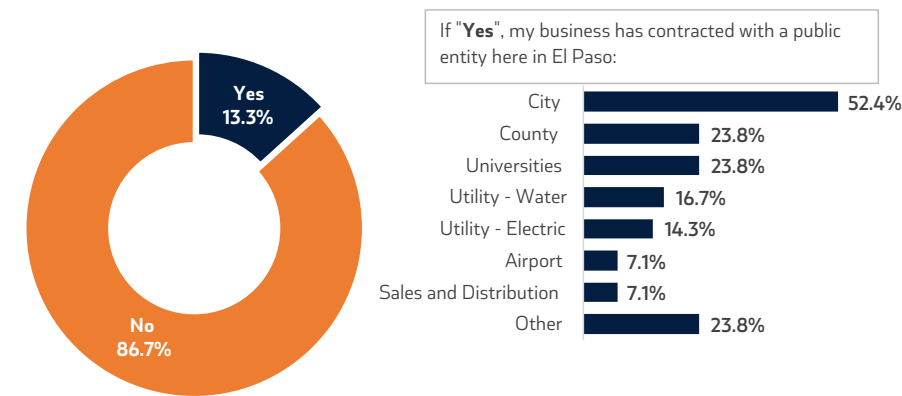


Source: Hunt Institute using survey data.

The biggest challenge for enterprises in El Paso to achieve business goals is the lack of funding, at 59.8%. Competition and attracting and retaining talent are also important and sit at 18.7% and 13.6%, respectively. Regulations are the least important, accounting for only 1.3%.

Procurement

Businesses that Have Contracted with a Public Local Entity



Source: Hunt Institute using survey data.

A very high proportion of the businesses have never contracted with a public local entity in El Paso with 86.7%. Only 13.3% of the businesses had contracts with a public local entity. Half of the businesses contracted with a public local entity did so with the City of El Paso.

Conclusion

Small businesses in El Paso, Texas, face various challenges to achieve their goals. Throughout this survey, business have expressed their need for financial assistance and training. Critical challenges encompass diminished sales, difficulties recruiting employees, and limited access to capital. A significant concern revolves around the prevalence of high-interest rates when seeking credit.

In response to these challenges, small businesses in El Paso expressed their willingness to be trained and to have access to programs to help them be more competitive. Specifically, there is a demand for support in areas such as loan applications, thorough review of business plans, access to volunteers to work with them, and enhanced access to technology services and marketing. This emphasizes a crucial opportunity for strategic interventions to fortify these businesses' resilience and growth potential.