



BUSINESS FIRST INITIATIVE REPORT

2019

A survey of local,
registered businesses
located in St. Cloud, FL







INTRODUCTION

The City of St. Cloud recognizes the need for economic development in not only new developments, but its existing business structure. Florida is home to the fourth largest economy in the nation. Its growth in 2018 significantly outpaced the U.S. at large at a rate of 3.5% to 2.9%. Small businesses are an essential part of the economic landscape in Florida, making up 99.8% of all businesses and employing 3.3 million employees, more than 42% of the state's workforce.

Currently, Florida's unemployment rate stands at a low 3.4%, which is lower than the national average of 3.6%. The top five industries for small business in Florida are accommodation and food services; healthcare and social assistance; professional, scientific, and technical services; construction; and retail.¹

St. Cloud's unemployment rate reduced from 5.6% in 2013 to 3.4%. St. Cloud has seen the job market increase by 3.9% over the last year. Future job growth over the next ten years is predicted to be 57.1%, which is higher than the US average of 33.5%.² There has been an resurgence of commercial development too. St. Cloud has 94.9% occupancy. Commercial development has increased by 141,000 since 2016. (St. Cloud Regional Medical Center has spent more than \$4.4 million in capital investment.) In an effort to gauge the current business climate of St. Cloud from its businesses, the report attempts to provide an overview of the business community and their impressions of the immediate future. There are more than 1,300 registered businesses within the city geographic boundaries. Of those, 985 with known email addresses. This survey represents a sample population of 11% (or 106 respondents).

The survey, consisting of 20 questions, was itemized into sections: demographics, sales, workforce, location, management and quality of life. The demographics section asked simple questions to determine business industry types, age of existence, number of employees, and property ownership. This information is pertinent in understanding the composition of St. Cloud business community. The sales section requested information about marketing tactics, domestic and international sales, e-commerce and growth projections. This information is useful in determining the demand for products and inventory management. A qualified workforce is imperative in the successful longevity of a business. Without talent, businesses would be forced to locate outsourced solutions. The next section of questions concerning location, helps determine where business activity is occurring. Management and quality of life sections directly address the connection between business owners and what factors directly affect how/where/when they choose to do business.

The survey also allows respondents to voice concerns, kudos, and criticisms of St. Cloud's economic environment. Every effort is made to include these comments in each survey. The survey is administered, written, and published by the economic development staff of the City of St. Cloud. We very much welcome your comments and suggestions regarding the report, including suggestions for special topics or questions in future editions.

¹ Business News Daily. How to Run a Business in Florida, June 20, 2019 retrieved from <https://www.businessnewsdaily.com/8811-doing-business-in-florida.html> on December 16, 2019

² Sperling's Best Places, December 21, 2019 retrieved from https://www.bestplaces.net/city/florida/st._cloud

EXECUTIVE SUMMARY

The survey originated from the city staff wanting to know more about the registered businesses within the City. While the application for business tax receipts provides basic information, more information is required in order for city staff to better furnish its existing and proposed new business community. This survey report attempts to provide an overview of the St. Cloud economy based on its business owners. An invitation was sent to 985 business owners. A reminder was sent with the December monthly newsletter. In addition, a link to the survey was provided to the St. Cloud Chamber of Commerce and Main Street Program. Each entity sent the survey link to the respective distribution lists. 107 businesses completed the survey between November 14 and December 6, 2019.

There was a previous survey issued through the St. Cloud Chamber of Commerce almost two years ago by its then-President Kari Whaley. That survey interviewed 60 businesses from April to August 2017. Most of those questions were used again for comparative analysis in this survey. Many of those respondents were also in this survey. Here are highlights:

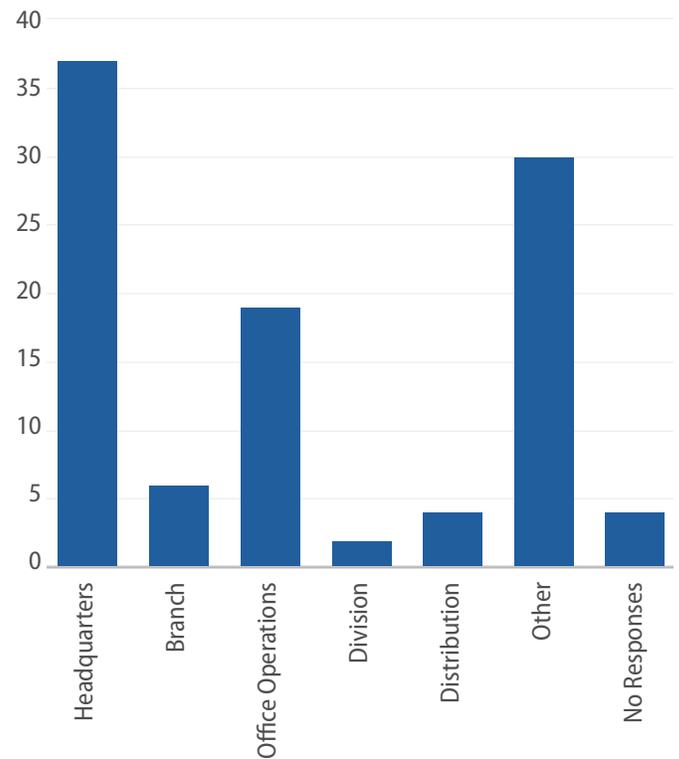
- 65 percent increase in respondents
- 10 increase in property ownership
- 11 percent increase in the respondents who describe St. Cloud as its headquarters or main office
- 20 percent increase in the respondents who believe their projected sales growth will increase in their next fiscal year
- 2 percent increase in the respondents who believe their projected sales growth will remain unchanged.
- 21 percent decrease in the number of respondents to intend to expand or relocate in the next year.
- 7 percent decrease in the number of respondents that expect changes in top management or ownership in the next 3/5 years

COMPANY CHARACTERISTICS

What type of facility best describes the business/organization?

In an effort to learn more about our existing business inventory, several questions were asked that included business structure, ownership and age of existence. The following **Figure 1** represents the different types of business structures.

Figure 1. Business Types



Headquarters, defined as the managerial and administrative center of an organization, represents 37% of the responses. (It should be noted that in 2017, 54% of the respondents listed St. Cloud as their headquarters or main office location. Branch, defined as a location other than the main office which usually consists of smaller division of the company, represents 6.0%. Office operations, 20%, is practical application of processes within a business—usually singularly tasked. 28% defined the facility as ‘Other’; however upon reviewing the comments most were retail or retail-oriented. It should be noted that there were outliers such as real estate and/or medical offices which could be categorized as ‘Office Operations’.

Is the property leased or owned?

This question was asked to assist our office in determining capacity for future build out. 55% of respondents were owners of their property compared to 43% in 2017. 45% reported leasing their facility, compared to 36% in 2017. It should be noted that not all respondents answered this question. In comparison to the 2017 survey, business property ownership has increased in the last 2 years by 12%.

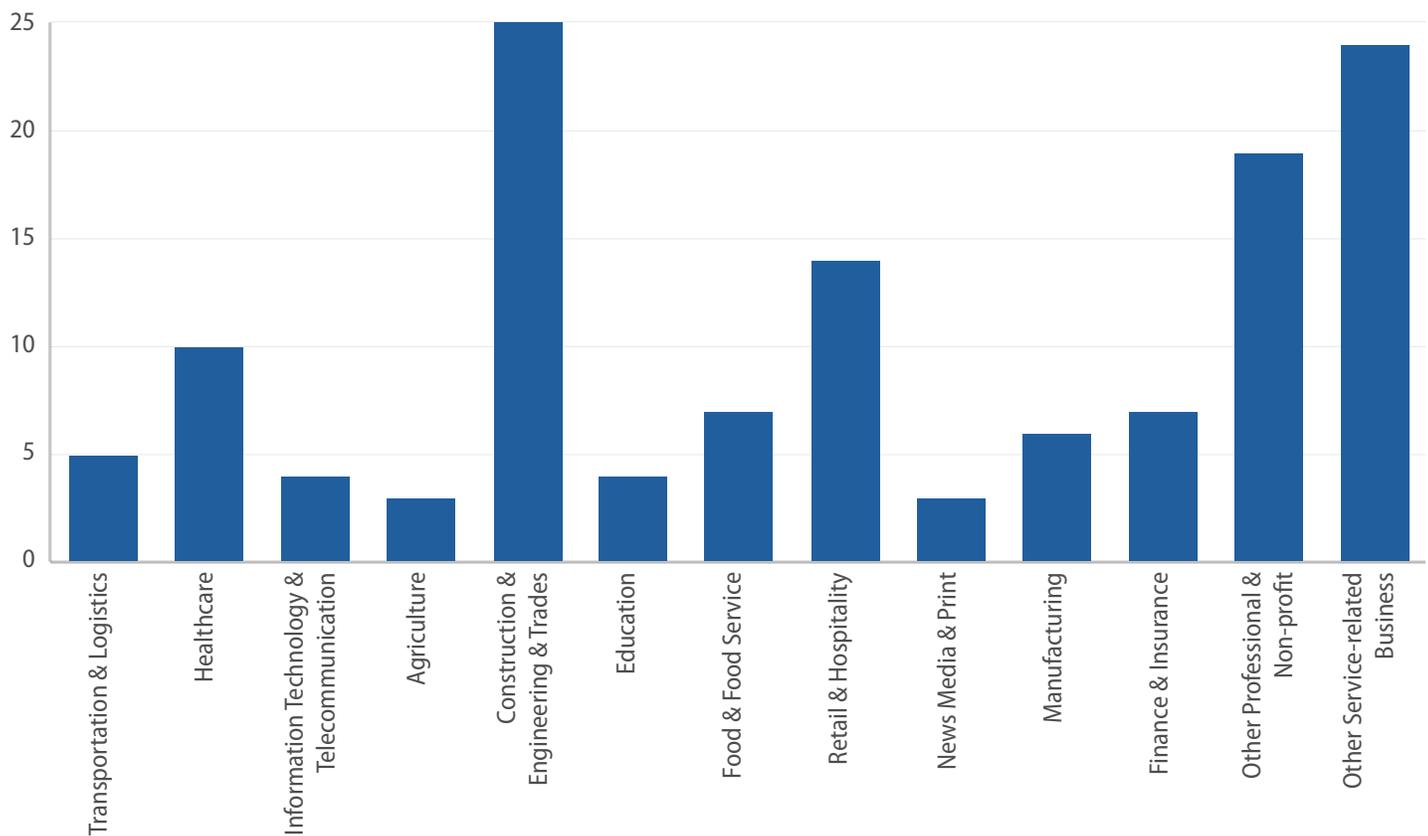
What best describes your business industry?

There were 13 categories given of common business industry. This question helps define the nature of business transactions within St. Cloud. While St. Cloud offers an array of business goods and services, it could definitely use more diversity and equity in its industry mix. **Figure 2** represents the responses of the above referenced question.

The largest industry representation was Construction/Engineering/Trades and Other Service-related Business, with 23.5% and 22.5%, respectively. It can be inferred that this representative of the spike in residential construction in Central Florida. Osceola County was a strong contributor to Central Florida's increased starts activity, and has continued to put up strong 2018 numbers. In 3Q18, starts in Osceola showed a 21% increase from the prior quarter and a 45% increase from starts in 3Q17.³ It can be noted that construction jobs make up 15% of the state's total construction employment.⁴

The next data sets closest to the construction and service, is Other Professional and Retail & Hospitality. These categories can include certain subcategories for example medical, finance, architecture, insurance, banking and more. It is also important to state these industries were self-reported and not defined by NAICS (North American Industry Classification System).

Figure 2. Industries



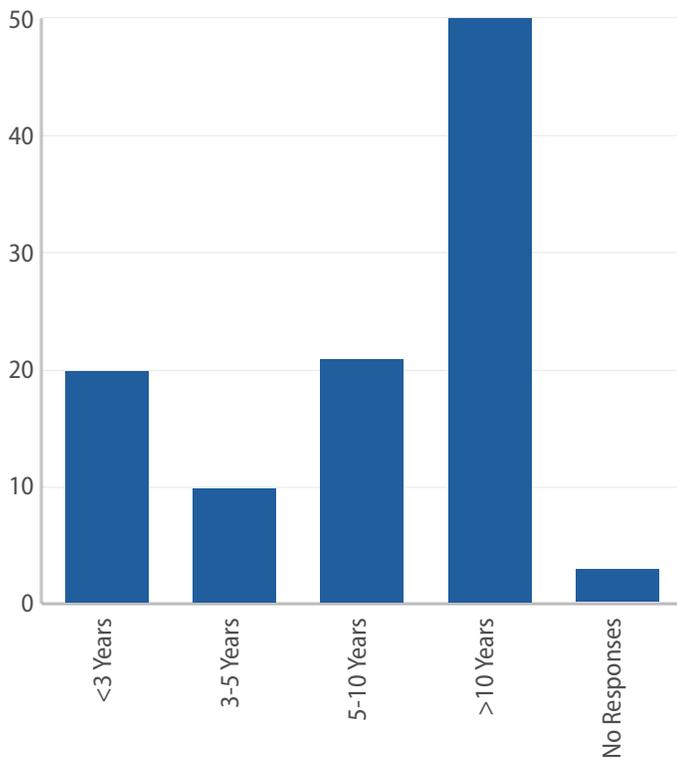
³ Hanley Wood Metrostudy: Central Florida Market. Central Florida Housing 3Q2018: Growth Continues as Demand Remains Strong; Affordability is Rapidly Diminishing retrieved from <https://www.metrostudy.com/central-florida-housing-3q18-growth-continues-demand-remains-strong-affordability-rapidly-diminishing/>

⁴ Orlando Business Journal, April 4, 2019 <https://www.bizjournals.com/orlando/news/2019/04/04/orlandos-construction-boom-may-reach-record.html>

How old is your business?

While small businesses are the backbone to the US and local economy, small companies can come up against a lot of challenges during start up and first few years. Some issues are harder to overcome than others. However, those who are successful receive the fruits of their labor with increased financial stability, growth and succession planning. The majority of respondents (46.6%) were existing businesses more than 10 years old. **Figure 3** reflects the age of businesses that completed the survey.

Figure 3. Years in Business



REVENUE & LEAD GENERATION

Lead generation is an integral component to small business and economic development. It determines the source(s) of revenue to increase client base, customer engagement and build revenue. Economic developers are also curious about lead generation as it helps determine the source of business and workforce attraction. Suppliers and end-users are research byproducts and dictate marketing strategies and metrics. Companies that master lead generation for business to business connections also reap its benefits. The next few figures highlight the marketing efforts of St. Cloud businesses.

Figure 4 shows where existing businesses are conducting the most business. Most respondents overwhelmingly stated that they perform locally, 74%! **Figure 5** shows the results of businesses' marketing efforts. It would appear that most businesses are retaining their efforts in the local economy.

Figure 4. Current Market

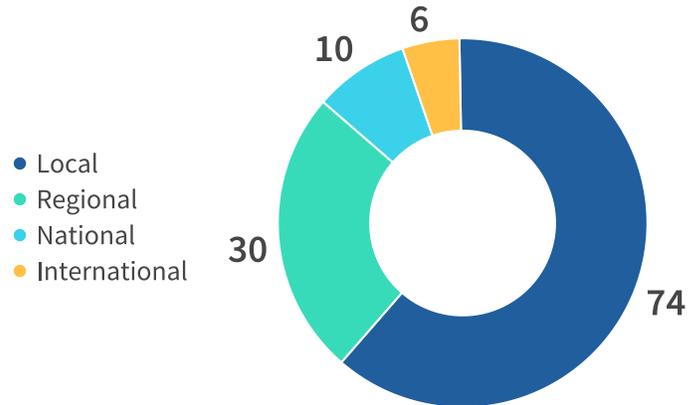
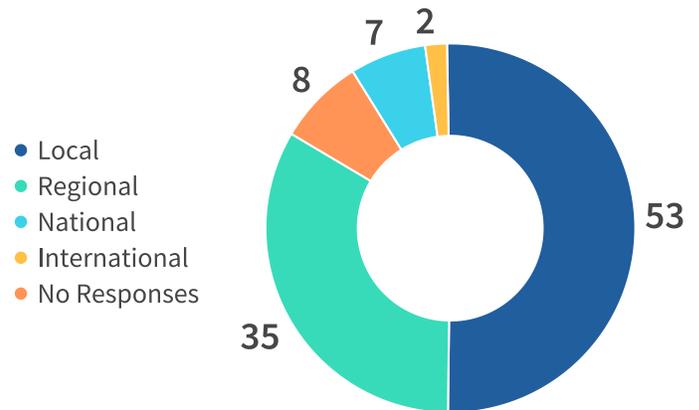


Figure 5. Target Market



It should be cautioned that utilizing one source of lead generation may cause an disruption in sales when/if the company encounters growth limits in its original target market.

Companies can benefit by modifying its efforts to reach diverse demographics to expand its customer base. Expansion of market base includes the re-evaluation of target market, customer profiles and the preparation of a new market analysis. While this is an extensive process, it will help increase sales and diversify companies' sales portfolio.

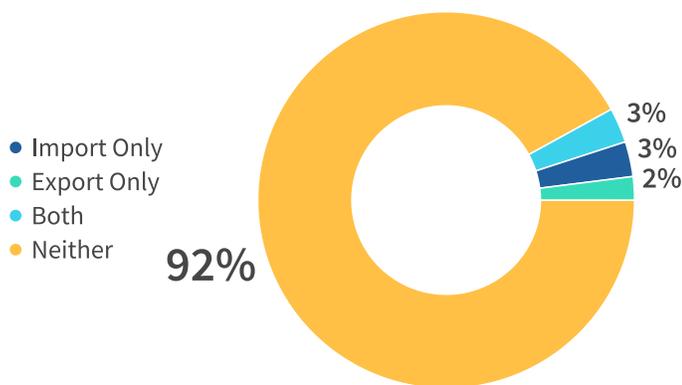
INTERNATIONAL SALES

Central Florida is an international hub for transportation, tourism, retail, culture and people. Sweeping changes in the competitive landscape, including the presence of foreign competitors in domestic markets, are driving businesses to rethink their strategies and structures to reach beyond traditional boundaries. Increasing numbers of small and midsize companies are joining corporate giants in striving to exploit international growth markets or in trying to become world-class even if only to retain local customers.⁵

As noted in **Figure 6**, very little international trade is performed by St. Cloud businesses. Florida reported 59,617 companies exported goods in 2015; and 95% of those companies were small firms—generating 58.9% of Florida’s \$49.5 billion in total exports. That’s a substantially large market not to be a part of.

Our close proximity to major transportation hubs are unparalleled. St. Cloud is located minutes from the Florida Turnpike, with direct access to the Florida Turnpike, Interstate 4, State Roads 417 and 528. St. Cloud is only 9 miles away from Sunrail, Central Florida’s commuter rail system and a 30 minute drive from the Orlando International Airport, the 10th busiest airport in the U.S.

Figure 6. International Sales



SALES & MARKETING

With the resurgence of e-commerce, most brick and mortar stores are competing with virtual stores that have the benefit of lower overhead. Now that most business is run digitally, communication has also changed to customer demand including the way products and services are bought and sold. Considering that in 1998, only 5% of all business worldwide had begun some form over-the-internet and e-commerce transactions, the internet has revolutionized the ways business is conducted.

In the 2017 survey, it was recorded that sales had increased for 67% over the previous year and 82% thought their sales would continue to increase into their next fiscal year. The question was posed without the correlation to e-commerce. In 2019, 34% thought their projected sales growth would range between 10-24%; 25% thought their projected sales growth would range between 1-9%; 13% thought their projected sales growth would not change; 11% thought their projected sales growth would range between 50-100% in the next year.

The question was asked about the percentage of sales completed via internet (e-commerce). The majority of respondents, 43%, replied none of their sales were completed via e-commerce. The number appears to be a representation of a trend among small businesses. 42 percent of the small businesses surveyed by SurePayroll say “the Web really isn’t that important to their business.” Twenty-eight percent of the small businesses in the survey said they don’t even have a company website.⁷ 45.5% responded some percentage of their business sales were performed via internet.

⁵ Harvard Business Review. Thriving Locally in the Global Economy. August 2003 retrieved from <https://hbr.org/2003/08/thriving-locally-in-the-global-economy>

⁶ SBA Office of Advocacy, Florida Small Business Profile 2018 retrieved from <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-FL.pdf>

⁷ Small Business Trends. 74 Percent of Small Business Websites Have No eCommerce. February 25, 2019 retrieved from <https://smallbiztrends.com/2016/06/small-business-ecommerce-trends.html>

While many businesses do not conduct sales over the internet, they do connect with their customers that way. Most businesses reported some percentage of their customers make initial contact via the internet. 74% of respondents said that customers are received via social media (website, Facebook, etc.) In fact, 13% of respondents reported over 50% of the customer base originated from the internet.

While the 2017 survey questioned the trend of sales over the previous year and future year's projection, it was imperative staff performed a deeper account for the source of sales.

As technology advances, so does a business's ability to communicate with its customer. St. Cloud business must adapt in order to compete regionally and nationally. 55% of surveyed businesses make their initial contact via the internet. **Figure 9** represents the responses to the question: what percentage of sales are completed via the internet (eCommerce). The chart shows most businesses, 42.8%, did not conduct its sales via the internet. While these figure seems alarming, it is actually on trend.⁸ However, this is not a good trend; as the amount of customers originating from search engines are typically from a mobile device. As the amount of smart phone dependent users increase, having an online presence could yield a sustainable amount of new customers. It should be noted that 39% of the 2017 survey respondents said they were aware of emerging technologies that will change their field. Further, 50% were using innovations new to the industry.

Figure 7. Projected Sales

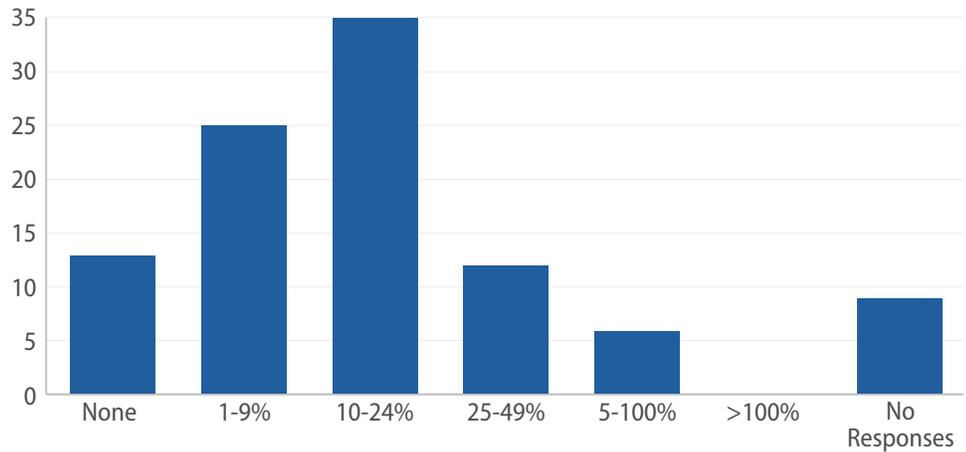


Figure 8. Internet Contact

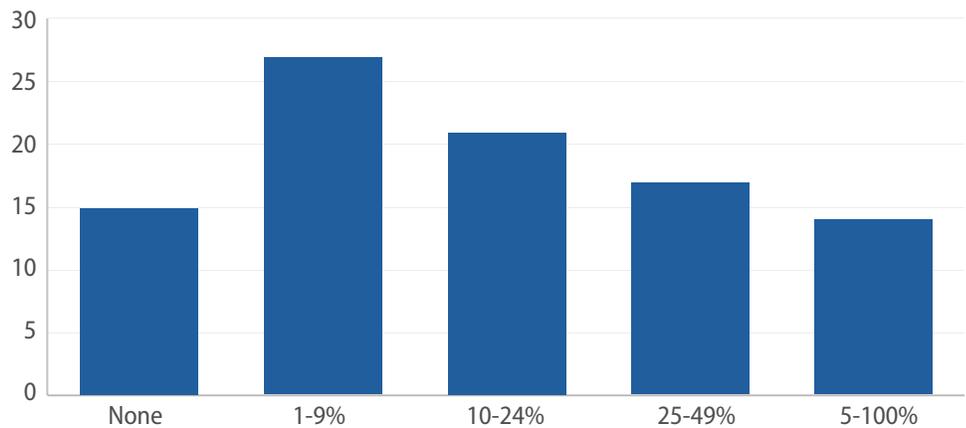
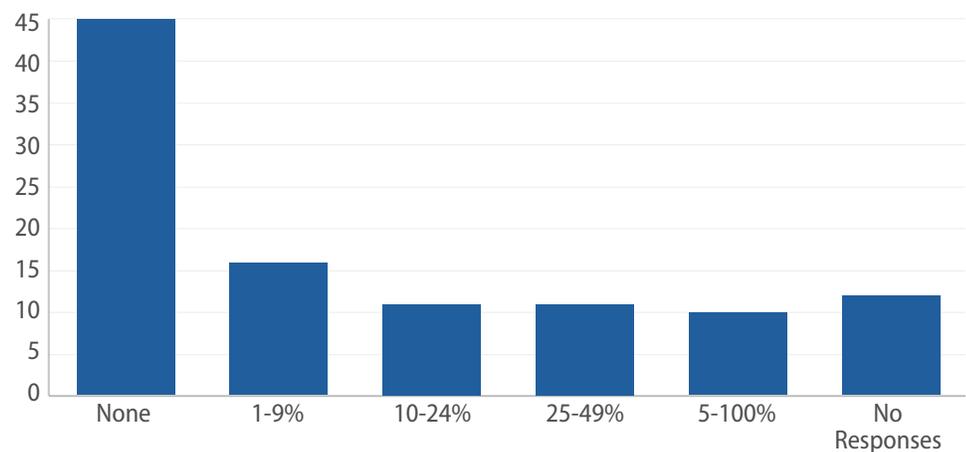


Figure 9. eCommerce Sales



⁸ Small Business Website in 2016: A Survey revealed 46% did not have a website. (Survey issue date February 17, 2016) retrieved from <https://clutch.co/web-designers/resources/small-business-websites-2016-survey> on December 17, 2019.

Figure 10. New Technologies Changing the Business Landscape

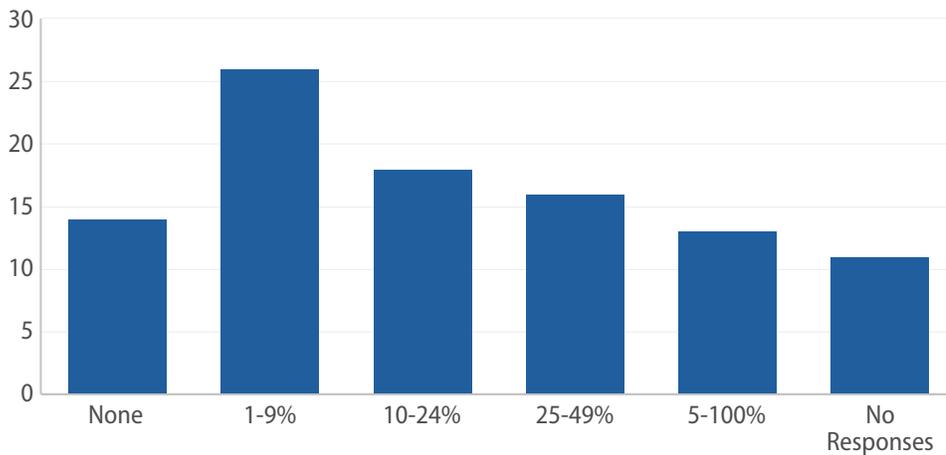


Figure 10 is a further indication of how technological advances may have stalled on St. Cloud business operations as 70% state that are unaware of any new industry trends (specific to their business) that will change their products, services or production.

WORKFORCE & TALENT ATTRACTION

The ability to attract and retain high quality talent is an ongoing issue—not issue in St. Cloud, but nationally. A strong labor market is a sign of a booming economy.⁹ While St. Cloud’s low unemployment is a great way to gauge the economic sustainability of a community; it lends to the problem of businesses seeking knowledgeable and available employees. Those who do have enough employees, are forced to deal with the issue of retaining them. With the regional and national trend of technological advances, employers require employees with specific skillsets.

Additionally, the rising cost of living exacerbated by the lack of affordable housing have placed employers between the proverbial rock and hard place. While more than 4,600 housing units have erupted since 2010, Zillow reported a 3.4% increase in the median home value since last year. Those who have adopted new technologies reported challenges when training existing workers to use them or when finding qualified candidates who are familiar with them.¹⁰

Figure 11. Issues with Employee Recruitment

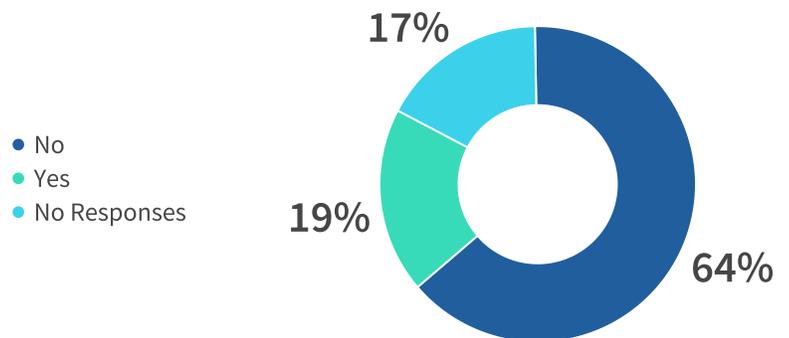
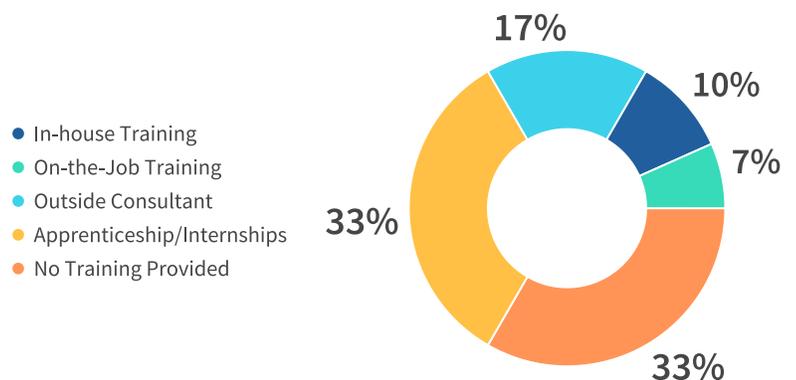


Figure 12. Employee Training



⁹ Crain’s New York Business. The Challenge of Talent Attraction and Retention. October 28, 2019 retrieved from <https://www.craigslist.com/sponsored-bank-america/challenge-talent-attraction-and-retention> on December 16, 2019.

¹⁰ Crain’s New York Business. The Challenge of Talent Attraction and Retention. October 28, 2019 retrieved from <https://www.craigslist.com/sponsored-bank-america/challenge-talent-attraction-and-retention> on December 16, 2019.

The survey respondents represent 105 businesses totaling 1,440 local employees. Note that figure 10 shows 64% of employers said they do not have problems recruiting employees. In 2017, 54% stated they struggle with employee recruitment and training. 61% provided in-house training; 43% provided external/outside consultant training; and 7% offered apprenticeships. Of the respondents who offered comments about the difficulty in finding talent, here are some of the comments:

—“Labor force is terrible. Need more vocation education in schools.”

—“Skills and experience are in short demand.”

—“It is challenging to locate qualified candidates that are also local to St. Cloud.”

Figure 11 reflects the styles of training offered by most employees. It is important to note that most employers offers some form of in-house training and/or on-the-job training, 70%. None of the respondents used outside consultants or contractor to provide training. A few provided apprenticeships, internship and/or externships, 3%.

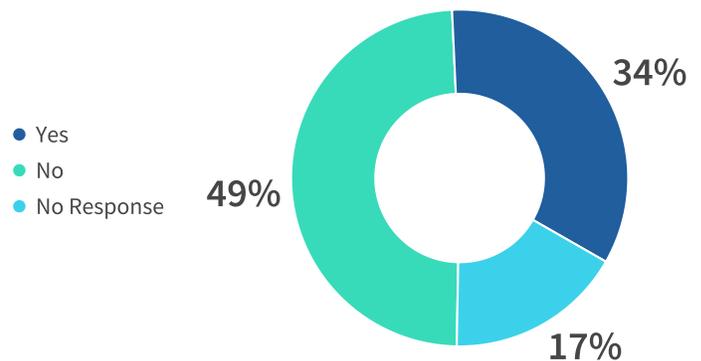
LOCATION. LOCATION. LOCATION.

The location of a business is integral to its success. Logistically, it must access to its suppliers and customers. It also will influence operational costs, competitive advantage, and marketing efforts.

Figure 13 illustrates the responses to the question: Is the ability to expand or relocate an important factor to growing your business/organization? This is an important question to economic developers. It helps staff research the strategies, techniques and potential new programming to incentivize the business to relocate or continue its operations within a geographic area. Relocation can lower operation costs significantly via lower tax structure, reductions to property maintenance expenses and operational expenses (i.e. logistics/transportation costs), and/or closer access to its workforce population. In fact, when asked if the ability to expand or relocate was an important factor to growing its business, 34% stated ‘yes’.

In 2017, 29% of surveyed businesses reported they have expanded or relocated in the past year and 43% planned to expand to relocated in the next year (2018). Currently, 59% of surveyed businesses report they intend to expand or relocate in the next year. This is critical information as the ability to offer real solutions in the form land availability, incentives, talent pool (workforce), close proximity to transit solutions and streamlined logistical options for operations to decrease downtime will prove invaluable tools to potential businesses. St. Cloud’s short/reverse commute, high median household income, direct access to transit systems (rail, roadway, air, sea ports, etc) and high volume of its workforce talent pool makes it a great destination for future development opportunities. In fact, several commenters referenced St. Cloud’s location and close vicinity to the Turnpike, Neo City, Lake Nona Medical City, and Narcoossee Road as assets and integral to its success. Other comments included affordable housing and community growth as benefits.

Figure 13. Ability to Expand

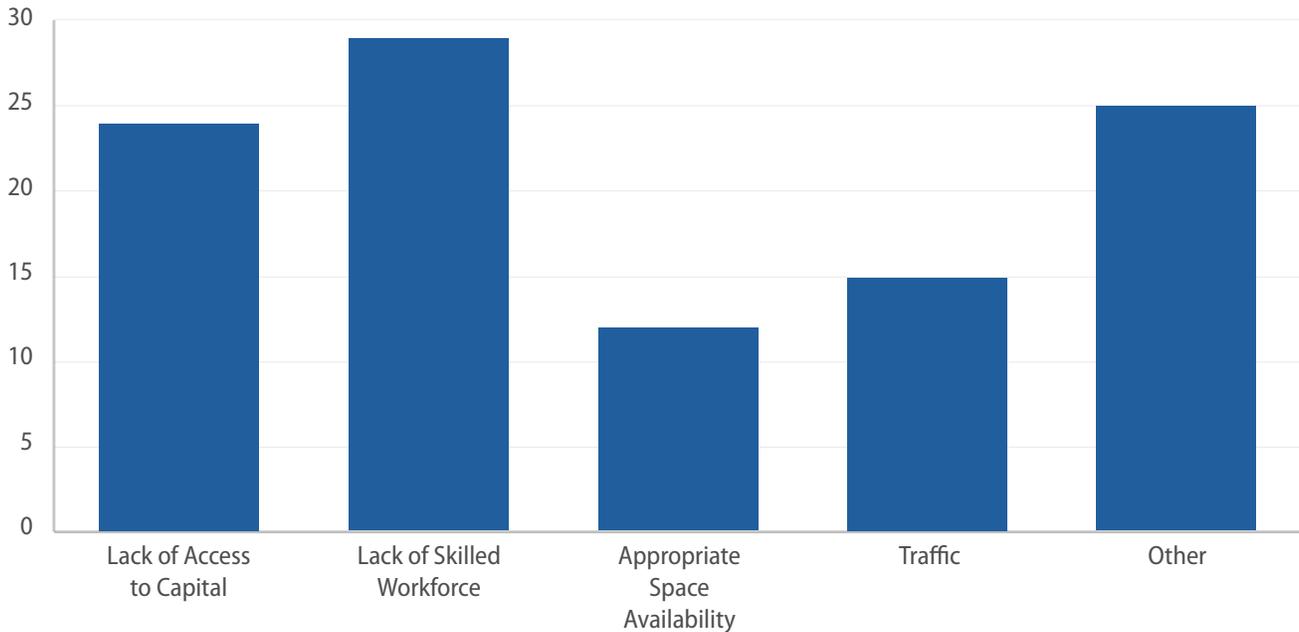


MANAGEMENT & GROWTH

The question was asked whether the business/organization expected any changes in upper management or ownership in the next 3-5 years. Internal changes in a business ownership can affect operations in several ways including, but not limited to, tax structure, corporate strategy, organizational structure and long term strategic planning. As many businesses in St. Cloud are sole proprietorships (either through franchisee, self-employment or independent contractors), it should not be a surprise that most responded 'No'; 69%, in fact. In 2017, 18% of businesses reported expected changes in upper management—compared to 10% in 2019. This decrease in change can be interpreted as a positive sign of economic stability.

External changes can also post a threat to a business projected growth if not forecasted and planned. The follow-up question to business' plans for management, were the perceived external threats to its growth. **Figure 14** represents the responses to the question, "What challenges, if any, could threaten your business/organization growth?" It should be noted that this question allowed for multiple responses. While the perceived lack of skilled workforce received the largest votes (34%), access to capital was not far behind (27%). This is relevant as it is consistent with comments provided in the 2017 survey. It should be noted that the option to fill in responses was given. 25 respondents supplied their own responses. 32% of those, stated the economy as a direct threat to the business. As they did not elaborate, no other inferences can be supplied at this time.

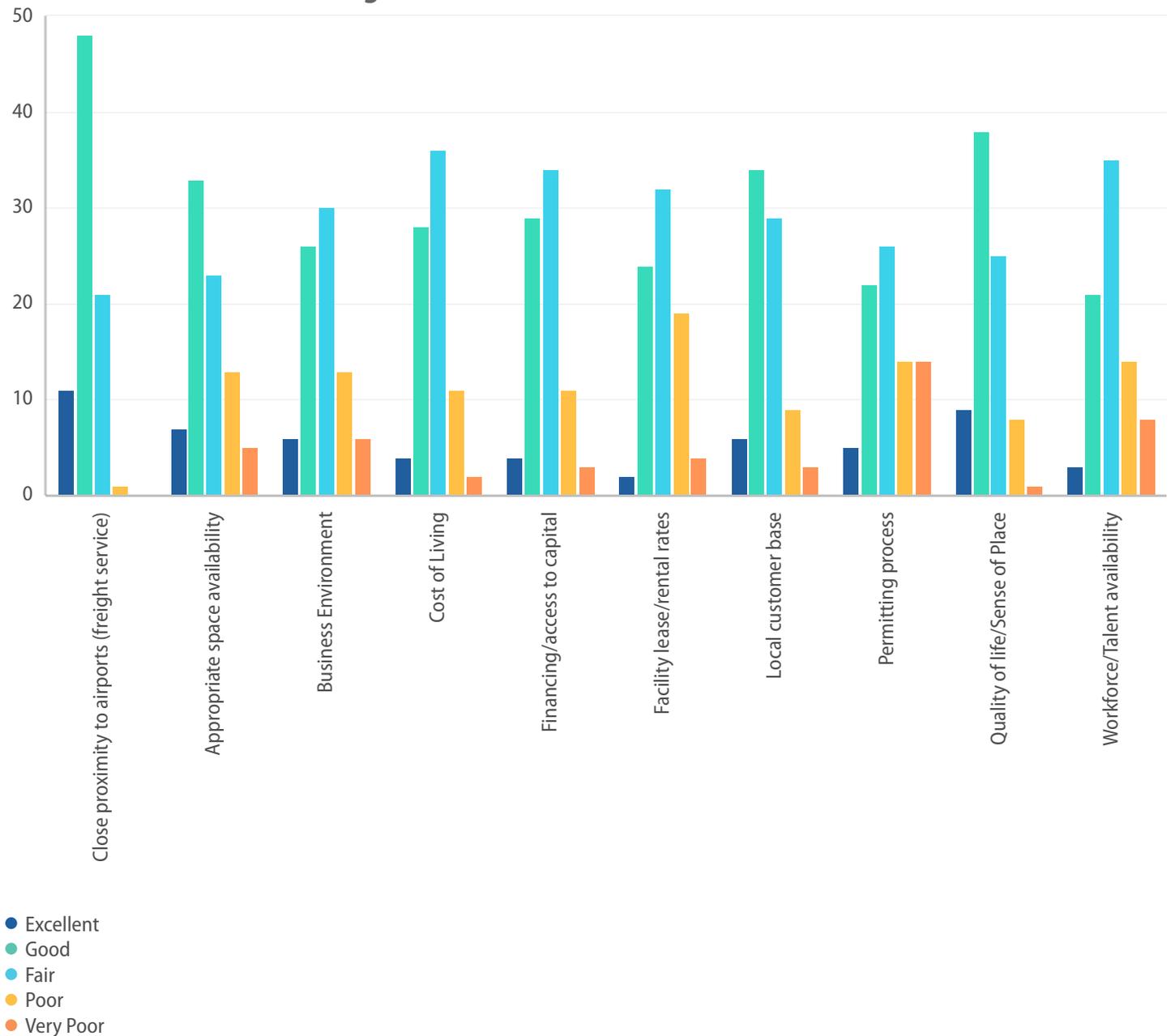
Figure 14. External Threats



FACTORS FOR A SUCCESSFUL BUSINESS

As previously referenced several times, there are many factors that subject a business to its success or failure. Figure 14 illustrates respondents' perception of certain predominant ones such as space availability, business environment, financing options, cost of living, etc. Due to the large volume of information in this chart, the following breakdown is available:

Figure 15A. Business Factors for Success



Note: The legend reflects the actual number of respondents and their respective scores. Figure 15B reflects the percentage of respondents.

Figure 15B. Business Factors for Success (by percentage)

	Very Poor	Poor	Fair	Good	Excellent
Close proximity to airports (freight service)	0	1	21	48	11
	0%	1%	26%	59%	14%
Appropriate space availability	5	13	23	33	7
	6%	16%	28%	41%	9%
Business Environment	6	13	30	26	6
	7%	16%	37%	32%	7%
Cost of Living	2	11	36	28	4
	2%	14%	44%	35%	5%
Financing/access to capital	3	11	34	29	4
	4%	14%	42%	36%	5%
Facility lease/rental rates	4	19	32	24	2
	5%	23%	40%	30%	2%
Local customer base	3	9	29	34	6
	4%	11%	36%	42%	7%
Permitting process	14	14	26	22	5
	17%	17%	32%	27%	6%
Quality of life/Sense of Place	1	8	25	38	9
	1%	10%	31%	47%	11%
Workforce/Talent availability	8	14	35	21	3
	10%	17%	43%	26%	4%

CONCLUSION

In most areas, the responses were good or fair. However, it should be noted that certain area received high responses in the poor or very poor category that warrant observation. High facility/lease rates and the permitting process are the most prominent.

The last question of the survey allowed for surveyors to offer additional comments not included in the initial questions. Below is a snapshot of the responses:

—*“Proximity is an advantage but lack of commercial base.”*

—*“Just need more things going on to keep people IN town [versus] leaving to lake Nona or Kissimmee or Orlando.”*

—*“St. Cloud is having difficulty in adapting to growth.”*

—*“Advantage: Local business owners very friendly and helpful. Lease rates are fair. Disadvantage: Foot traffic in the area is lower than expected but slowly rising. Lack of family friendly food options after dark.”*

—*“I choose to live here as I like the sense of community, the quality of the schools and the area in general. However, I am tired of only having fast-food eateries or diners - apart from Crabby Bill's we don't really have any decent or independent restaurants.”*

—*“I think the city and main street do a great job of providing a large variety of free events to get people downtown. Parking keeps many away from what I hear. I thought the whole process for opening was better than expected. City staffers were great.”*

—*“I hope the City plans to expand Business including a business center to allow other companies to find space to setup in town. Bringing industry to the area will also bring jobs to local residents. Business real estate and rentals are not readily available.”*

—*“Focus your attention on Small and Local businesses and how you can better support those who support this community.”*

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10. Business Climate Survey results published for collection November 8, 2019 and ran through December 31, 2019.

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