



Succession Survey Report  
of  
Nanaimo Licensed Businesses

Conducted by Community Futures Central Island in  
partnership with the City of Nanaimo

Prepared: February 2011



As of 2006, 98% of all businesses in British Columbia were small businesses and provided 47% of all employment in the province. A significant number of these businesses are operated by the “baby boomer” generation and for most of their working lives job creation was the prevailing business model. Over the past several years, however, a new paradigm has emerged. A convergence of low birth rates and high numbers at retirement age will mean that, over the next 20 years, there will be unparalleled shortfalls of both business owners and employees resulting in a direct affect to our communities and economies. Maintaining diversified economies and potentially a critical mass of businesses may place the sustainability of many small communities in jeopardy.

The June 2010 Small Business survey conducted for Community Futures BC by Leger Marketing indicated that 41% of business owners in Rural BC plan to exit in the next 5 years. Considering there are about 364,500 businesses in BC this equates to:

- 149,445 business owners exiting
- 425,918 potential job losses

And while many business owners say they plan to exit, only one business in five has identified who will take over the reigns and 64% have done little to prepare themselves or their businesses to do so.

As always, in the face of adversity the future holds great opportunity ~ in this case for small business ownership and the maintenance of jobs in BC.

## Project Overview:

Community Futures, with their experience, successes and a focus on both business and community development was uniquely positioned to take a lead role. We can assist in monitoring business succession activity, delivering presentations to business owners, community organizations and stakeholders and creating products and services, including training. These tools can help to minimize the impact projected business transitions and labour shortages will have in Rural British Columbia. By taking action now City of Nanaimo and Community Futures will become the "go to" people on this huge and long lasting economic shift in the community.

An important start was to carrying out a “Survey of Licensed Businesses”. Community Futures Central Island approached the City of Nanaimo in November 2010. The City’s Economic Development Department was very receptive to carrying out the survey. Community Futures initiated survey which was conducted from mid November 2010 to mid January 2011. The deadline for submissions was January 15<sup>th</sup>, 2011. For best results the survey was distributed with business license renewals. This initial survey will provide baseline data. It is recommended to initiate this form of survey on a bi-annual basis. Subsequent surveys will enable the city to monitor and evaluate their ongoing succession situation. This will assist greatly in their business retention and expansion strategy.

## Distribution:

The Succession Survey was mailed in the business license renewal reminder that was distributed to 6000 City of Nanaimo Business Licensees. The survey was comprised of 14 multiple choice questions. A copy of the survey is in the appendix of this report.

## Collection Method:

The survey was collected by four methods:

- 1) Fax to Community Futures Central Island
- 2) Mail to Community Futures Central Island
- 3) Enclosed with the business license renewal to the City of Nanaimo (mail or hand delivered); or
- 4) Internet – completing an online Survey Monkey format.

A majority of the surveys were collected by means of mail, hand delivery and fax.

Of the 6000 surveys distributed 855 were collected. The response rate was 14.25% which is very good for a mail out survey with no reminders or follow up. Typical response rates for mail outs are 10% or less.

Of the total surveys collected 99 people responded online. It is interesting to note that of those who did respond online the vast majority were under the age of 45. Computer savvy or Internet based transaction comfort may be a contributing factor to this trend. If this survey were to only be administered online, the results may be dramatically decreased.

## Investment:

The investment necessary to support this effort was minor in comparison to results. The total costs for supplies, labour (creation of survey tools, survey data input and report writing) contributed by Community Futures was under \$1000. The city's expenditure was only the physical addition of the paper survey to the license renewal mail out and staff collection of returned surveys.

## Results:

### Question 1: Business License Number

- ✍ 843 survey respondents supplied their business license number
- ✍ 12 did not supply their business license number

**Question 2: Business Location Postal Code** (Mapping physical locations of business owners planning to exit will help identify community planning and real estate issues and opportunities.)

- ✍ 774 survey respondents supplied their business location postal code
- ✍ 81 did not supply their business location postal code

**Question 3: What is your age group?** (Assists with planning and analysis)

Answer Options	Response %
Over 65	11.3%
60-65	13.0%
55-59	18.7%
50-54	18.8%
45-49	14.0%
44 and under	24.1%

**Question 4: How long have you owned your current business?** (May provide indication of business' stability)

Answer Options	Response %
Less than 5 years	29.6%
6-10 years	20.4%
11-15 years	16.6%
16-20 years	12.7%
21+ years	20.7%

**Question 5: What do you sell?** (May provide direction on priority businesses to deal with – some products and services are deemed more critical to maintain; may direct thought to packaging businesses for acquisition or an amalgamated sale.) (A list of the products and services are listed in the appendix)

This question had survey respondents able to answer multiple options as some individuals offer both products and services while others are either just products or just services.

Answer Options	Response %
Products	29.7%
Services	78.6%
Other	10.8%

**Question 6: How many employees do you have?** (Provides impact data)

Employee Status	# of Businesses Reporting	Total Number of Employees
Full Time	524	2849
Part Time	336	1360
Seasonal	73	375
<b>Total Employees</b>		<b>4584</b>
Self Employed Operator	248	
<b>Total Jobs</b>		<b>4832</b>

**Question 7: When do you plan to exit your business?** (Provides level of urgency and may guide you and

others on how to respond)

Answer Options	Response %
1 year or less	2.3%
2 years	4.0%
3 years	3.7%
4-5 years	8.5%
6-10 years	12.0%
Intend to continue operating my business	69.4%

Question 8: Why do you intend to exit your business? (Assists with planning)

Answer Options	Response %
Retirement	87.3%
Pursuing another business opportunity	6.0%
Taking employment in another business	2.8%
Other	4.0%

Question 9: How do you intend to exit your business? (Helps determine stage of business owner preparedness and builds business owner profile for CF and the surveyed community)

Answer Options	Response %
Sell/transfer to a family member	9.8%
Sell/transfer to a non family member	37.5%
Sell to an employee(s)	5.4%
Sell to another franchise	3.6%
Close the business down	36.6%
Other	7.1%

Question 10: If you intend to sell or transfer your business have you identified a successor to your business? (Helps determine stage of preparedness)

Answer Options	Response %
Yes	21.4%
No	78.6%

Question 11: At approximately what price point do you plan to sell or transfer your business? (Determines valuation of business and impact on real estate values)

Answer Options	Response %
\$50,000 or less	21.8%
\$50,001 - \$100,000	16.1%
\$100,001 - \$200,000	12.1%
\$200,001 - \$300,000	9.7%
\$300,001 - \$400,000	10.5%
\$400,001 - \$500,000	4.0%
\$500,001 or more	25.8%

Question 12: Do you have a transition (succession) plan in place? (Helps determine stage of preparedness)

Answer Options	Response %
Yes, I have a formal, written plan	7.4%
Yes, I have an informal, unwritten plan	32.7%
No, I haven't identified a plan	59.9%

Question 13: If you answered YES to Question 10, who has assisted you in the preparation of your transition plan? Check all that apply. (Helps determine stage of preparedness; may help CF to determine who to partner with for client training purposes)

Answer Options	Response %
Business partner	17.1%
Lawyer	24.4%
Accountant	51.2%
Banker	9.8%
Personal Financial Planner	14.6%
Spouse	24.4%
Online Internet Resources (self-help website, bank or other financial websites, etc)	4.9%
Other	12.2%

Question 14: Lastly, would you like to be informed of opportunities to assist with business transitions? (Helps determine stage of preparedness)

Answer Options	Response %
Yes	25.1%
No	74.9%

## Lessons Learned:

76 % of the respondents are over the age of 45 (650 of 855). This certainly is in tune with the demographic baby boom bubble.

70% of the business owners have owned/operated their business for more than six years. This shows to the stability of the businesses surveyed.

A majority of the businesses that responded are service oriented.

607 employers employ 4584 employees for an average 7.5 employees each

- 138 businesses reported having at least 1 full time employee ranging to 7 that have over 51+ full time employees
- 129 businesses reported having at least 1 part time employee ranging to 2 that have over 51+ part time employees
- 25 businesses reported having at least 1 seasonal employee ranging to 2 that have over 51+ seasonal employees

248 businesses were owner/single operators equaling 29% of the respondents.

Approximately 30% of the businesses that were surveyed wish to exit their businesses in the next 10 years = 256 businesses. Of that 18% wish to exit in the next 5 years = 154 businesses. The percentage of respondents to this survey is 14.25% (a multiplier of 7); we can estimate that 1080 businesses in Nanaimo are planning on exiting in the next 5 years or less. That is one in 6 businesses currently operating in Nanaimo.

Approximately 87% are exiting their business because they wish to retire.

Alarmingly 36.6% of the businesses surveyed (94) are prepared to just close their businesses. If we use the multiplier of 7 that estimates that 658 businesses intend to just close their doors in the next 10 years. Can you imagine the impact of amenities and services to the community? 37.5% are seeking someone to buy their business however 78.6% of those business owners have no idea to whom that will be. Where are those buyers? How do business owners stage their businesses so that their business stands out as an opportunity in a buyer's market or attractive to a competitor to capture a greater market share?

50% of business owners plan to sell their business for \$200,000 or less. 24% of business owners plan to sell their businesses for between \$200,000 and \$500,000. 26% of business owners plan to sell their business for \$500,000 or more. Based on just the 256 businesses that responded, and taking into consideration that 94 businesses will just close their doors, 162 businesses will want to sell their business in the next 10 years. We can estimate that with the upcoming sales of business assets and or land and buildings a minimum of 37 million dollars worth of transactions will be exchanged. If we use the multiplier of 7 that estimates that at a minimum \$259 million dollars worth of business sale/real estate will be exchanged by 2021.

The reality is that only 7.4% of business owners have a formal written succession plan/exit strategy for their business. 32.7% have an informal unwritten plan. The overwhelming majority (59.9%) of business owners have no plan at all. With the amount of realty value at stake that is alarming thought. Consider if businesses lease space – how many vacancies will there be? What will happen to amenities in the community? What affect will it have on employment? If

businesses are to just close will this shrink the employment market as there are less employers to hire staff?

When business owners did seek advice in regards to succession planning they turned first to their accountant, second their lawyer and spouse, third their business partner. It seems that their banker was low on the list as was accessing self help information.

Sadly, only 25% of the respondents wanted information on succession planning if it were offered. The other 75% declined. There seems to be a gap between the number of individuals who have no plans (59.9%) and those who would want more information to plan (25%). With the future demographic trends and the number of individuals that will be seeking self employment at a premium, it would be prudent to package or stage a business for sale. Whether it be a competitor who is wishing to acquire or merge, an employee(s) buying in, or someone purchasing and asking for vendor financing, the business that is prepared and strategic will be most attractive.

## Recommendations:

The format that was chosen for this survey was good. The City of Parksville determined that they wish to take a green concept and only do an online survey. This met with poor results. Only 4 businesses responded. We would recommend maintaining the practice implemented.

Conduct a "Barriers to Succession" Survey to those who responded to the survey as "Exiting". This would assist in determining what steps are necessary to assist businesses in succession planning.

Conduct a "Barriers to Expansion" Survey to those who responded to the survey as "Do not plan to Exit". This would assist in determining future strategies to assist agencies to support business expansion which is far easier to achieve than business recruitment.

## Appendix



### Survey of Licensed Businesses

To avoid duplication and to ensure the accuracy and integrity of this survey, please enter your:

1. Business License # \_\_\_\_\_ 2. Postal Code \_\_\_\_\_

3. What is your age group?

- Over 65
- 60 – 65
- 55 – 59
- 50 – 54
- 45 – 49
- 44 and under

4. How long have you owned your current business?

- Less than 5 years
- 6 – 10 years
- 15 – 20 years
- 20+ years

5. What do you sell?

- Products - what type of products? \_\_\_\_\_
- Services - what is your area of specialty? \_\_\_\_\_
- Other? \_\_\_\_\_

6. How many employees do you have?

- Full-Time \_\_\_\_\_
- Part-Time \_\_\_\_\_
- Seasonal \_\_\_\_\_

7. When do you intend to exit your business?

- 1 year of less
- 2 years
- 3 years
- In 6 – 10 years
- Intend to continue operating my business (Please do not continue with the survey from this point on.)

8. Why do you intend to exit your business?

- Retirement
- Pursuing another business opportunity
- Taking employment in another business
- Other – please explain \_\_\_\_\_

Over →

**9. How do you intend to exit your business?**

- Sell/transfer to family member
- Sell/transfer to non-family member
- Sell to another franchise
- Close the business down
- Other – please explain \_\_\_\_\_

**10. At approximately what price point do you plan to sell or transfer your business?**

- \$50,000 or less
- \$50,001 - \$100,000
- \$100,001 - \$200,000
- \$200,001 - \$300,000
- \$300,001 - \$500,000
- \$500,001 or more

**11. Do you have a transition (succession) plan?**

- Yes, I have a formal, written plan
- Yes, I have an informal, unwritten plan
- No, I haven't identified a plan

**12. If YES to question 10, have you been assisted in preparation of a transition plan? Check all that apply.**

- Business partner
- Lawyer
- Accountant
- Banker
- Personal Financial Planner
- Spouse
- Online Internet resources (self-help website, bank or other financial websites, etc.)
- Other – please specify \_\_\_\_\_

**13. Lastly, would you like to be informed of opportunities to assist with business transition?**

- Yes (We can contact you through the Business License Number provided)
- No

**Thank you**

**Please return your completed survey by January 15, 2011:**

- fax to 250-585-5584
- mail to Community Futures, 104-5070 Uplands Drive, Nanaimo, BC V9T 6N1
- enclose with your business license renewal to the City of Nanaimo