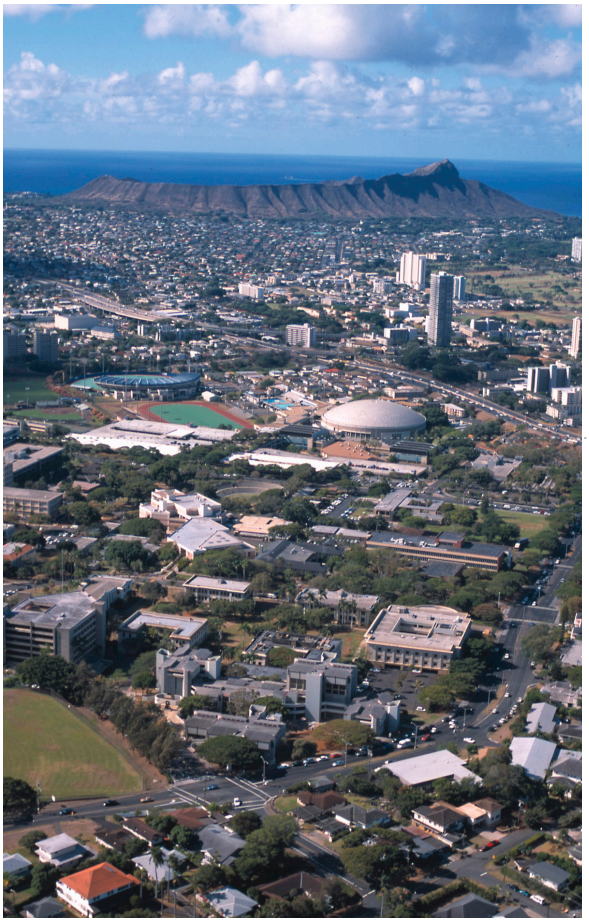

Investigating and Tackling Barriers and Needs for Small Business Success in Honolulu

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UHERO
THE ECONOMIC RESEARCH ORGANIZATION AT THE UNIVERSITY OF HAWAI'I

CITY & COUNTY OF HONOLULU
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Office of Economic Revitalization

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Executive Summary

This report examines the state of small businesses in Honolulu in 2024, using both quantitative data and qualitative insights to identify key needs, challenges, and opportunities for growth. A combination of a large-scale survey with **1,024 respondents** and in-depth interview discussions with **11 small businesses** provided a comprehensive view of the small business ecosystem.

Key Findings

Small Business Needs

- **Support Services:** Marketing and sales (48.94%), financial resources (43.65%), and human resources (34.82%) were identified as the top needs. Minority-owned businesses, particularly, expressed a higher demand for financial support.
- **Networking:** Over half of respondents (51.81%) emphasized the importance of network connections. Barriers such as time constraints (54.88%) and geographical challenges (40.47%) hindered effective networking. Minority business owners, including Native Hawaiian and Filipino entrepreneurs, underscored networking as critical to success.
- **Market Access:** Nearly 28.60% of businesses face challenges accessing new customers. Major barriers were marketing and advertising difficulties (65.99%) and maintaining an online presence (28.43%).
- **Innovation Support:** Over 93% of businesses found innovation support valuable, with a focus on marketing innovations (54.92%) and process improvement (44.16%). Smaller firms and rural businesses face unique challenges in accessing these resources.

Small Business Challenges

- **Access to Finance:** While 52.88% reported good or excellent access to financing, 29.90% faced significant barriers, including high interest rates (42.14%) and complex procedures (28.54%). Minority and younger business owners reported lower access levels.
- **Workforce Challenges:** Acquiring and retaining employees remains difficult for 38.18% of respondents, citing a lack of qualified candidates (62.46%) and budget constraints (38.92%). Retention issues include insufficient benefits (36.87%) and limited career development opportunities (23.06%).
- **Market Competition:** Nearly 72% of businesses operate in competitive markets, with older and larger firms reporting higher competitiveness. Competition with large online corporations makes maintaining customer loyalty challenging.

Insights from Comparable Cities

Cities such as San Diego, Miami, and Virginia Beach implement effective small business support policies, including financial assistance programs, workforce development, and marketing innovation resources. These initiatives provide valuable frameworks for enhancing small business growth in Honolulu.

Recommendations

1. **Continue Support of Minority-owned and New Businesses:** Continue and develop programs tailored to minority-owned and newer businesses, focusing on financial planning, marketing, and workforce development.

2. **Strengthen Networking Opportunities:** Create centralized networking systems to help small businesses build connections and collaborate on projects. Host regular industry-specific events and local mixers.

3. **Enhance Market Access:** Provide training and resources for digital marketing and e-commerce to help small businesses maintain a competitive online presence.

4. **Address Financial Barriers:** Partner with financial institutions and others to simplify financing and provide low-interest loans, especially for minority and young business owners with limited credit history.

5. **Promote Workforce Development:** Launch initiatives for technical skills training, leadership development, and employee retention strategies—partner with educational institutions to build talent pipelines.

6. **Adopt Best Practices:** To foster small business growth and sustainability, implement policies from comparable cities, such as business incubators, innovation hubs, and public-private partnerships.

The City and County of Honolulu have an opportunity to fill the gaps left by other state programs and provide meaningful support to small businesses. By focusing on targeted solutions and addressing their most pressing challenges, the city can help small businesses thrive, drive economic growth, and strengthen the resilience of our local communities. Together, these efforts can build a stronger, more sustainable future for small businesses and the people they serve.

Definitions of Key Terms

Small Business: An independently owned and operated business with fewer than 10 employees

Minority-Owned Business: A business owned by an individual belonging to one or more of the following racial or ethnic groups: Black/African American, Chamorro, Filipino, Hispanic/Latino, Indigenous/First Nations/Alaska Native, Japanese, Korean, Micronesian, Native Hawaiian, Samoan, or Vietnamese.

Young Business: A business that has been in operation for less than three years.

Younger Business Owners: A business managed by an individual under 25 years old.

Older Business Owners: A business managed by an individual over 50 years old.

Key Findings

Small Business Needs:

Support services: Marketing and sales (48.94%), financial resources and assistance (43.65%), and human resources, workforce, and talent (34.82%) are the most critical support services needed by Honolulu businesses. Firms in business for over 10 years are less likely to need support in areas such as business planning, financial resources, legal services, and marketing compared to newer businesses. (See Appendix A). In contrast, larger firms report an increased need for human resources and workforce support. Minority-owned businesses show a higher demand for financial resources and assistance.

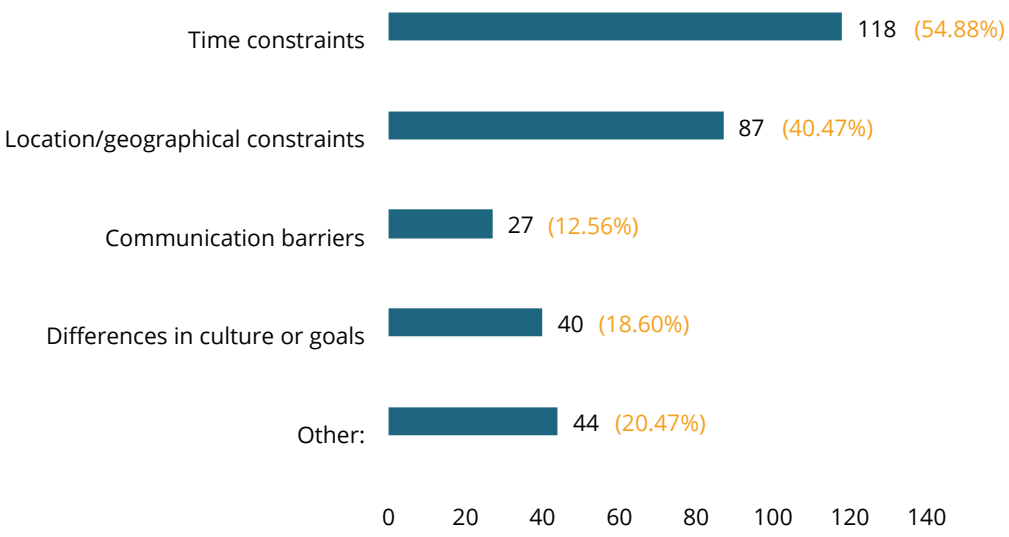
Critical Support Services

Networking: Over half of business owners (51.81%) reported that their network connections have been extremely valuable. Minority respondents, including Native Hawaiian and Pacific Islanders (61.25%) and Filipinos (73.68%), particularly underscored the critical importance of networking in sustaining and growing their businesses.

> An artist highlighted the unique support system within Hawaii's artist community: "*I would not be here without networking. The artist community in Hawaii is so unique—everyone supports each other and mentors up-and-coming artists.*"

However, maintaining network connections can be challenging. Nearly 29.15% of respondents cited difficulties, with the most common barriers being time constraints (54.88%) and location or geographical challenges (40.47%). Younger business owners and newer businesses reported higher rates of these obstacles.

Reported Challenges by Networking



Many small businesses expressed interest in opportunities to strengthen their networks, with nearly half indicating interest in local business mixers (47.21%) and industry-specific conferences (49.94%).

> Collaboration emerged as a key benefit of networking, as a general contractor explained: "*It's about making connections, teaming up, and collaborating on projects. It's a two-way street: we help others, and they help us.*"

> To enhance networking opportunities, a participant proposed the idea of centralized networking support: "*Organizing the organizers—providing systems where small businesses can connect and collaborate—would help us build larger systems of support.*"

Market access: Women business owners show a higher interest in customer service and technical skills innovations, while men focus more on sales. (See Appendix B). Sector-specific needs vary, with technology businesses prioritizing technical skills and product development and retail/service sectors emphasizing marketing and process improvements. Geographical differences also exist, with rural businesses needing process improvements and urban businesses focusing on marketing innovations.

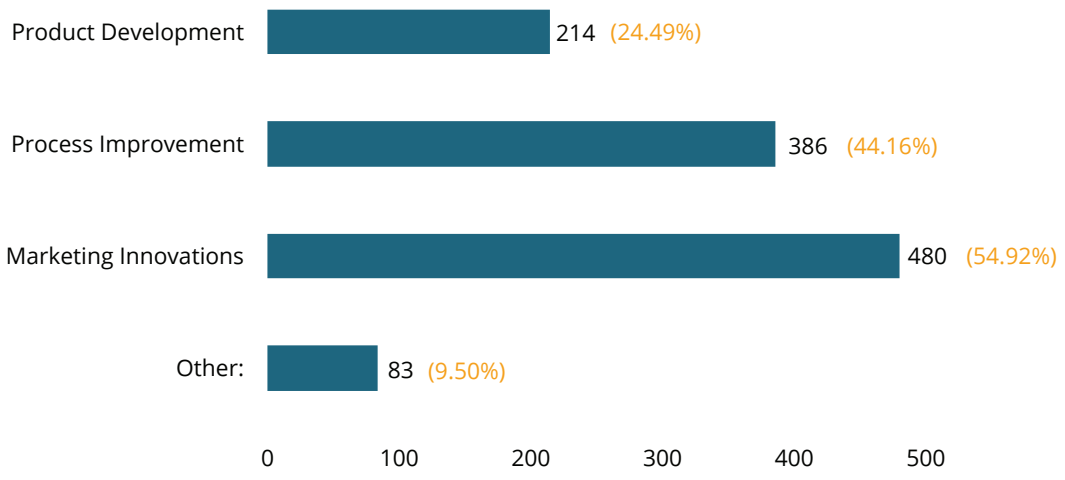
Interviews and discussions with small business owners provide a deeper, more personal view of these innovation and technology challenges. Many owners admit struggling to stay current with evolving digital tools and platforms—an issue that underscores the survey's quantitative findings.

> As one small retailer explained, "*I have a website, but I have to pay someone to update it. If I could get training or help to learn how to manage it myself, it would save me a lot of money.*"

> A Latina spa owner also highlighted the challenge of keeping up with social media changes: "*Social media changes so quickly. A year ago, it worked one way; now the algorithms have changed, and I have to relearn everything.*"

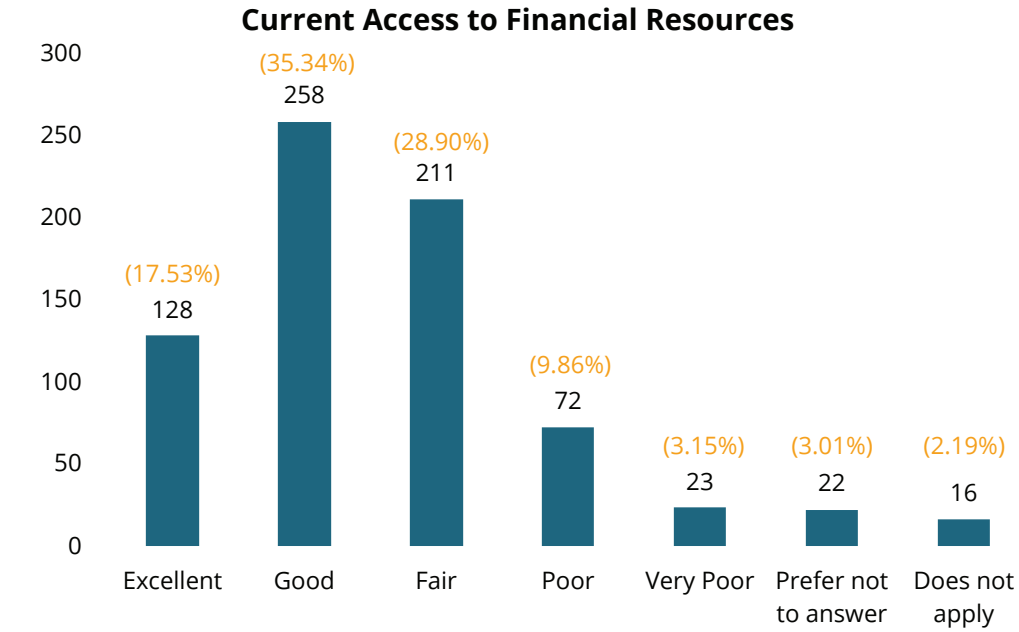
Small businesses in Hawaii recognize the importance of innovation and are eager for tools, training, and guidance—most notably when it relates to market access and marketing innovation. However, understanding how to leverage novel shifts within digital spaces remains a challenge.

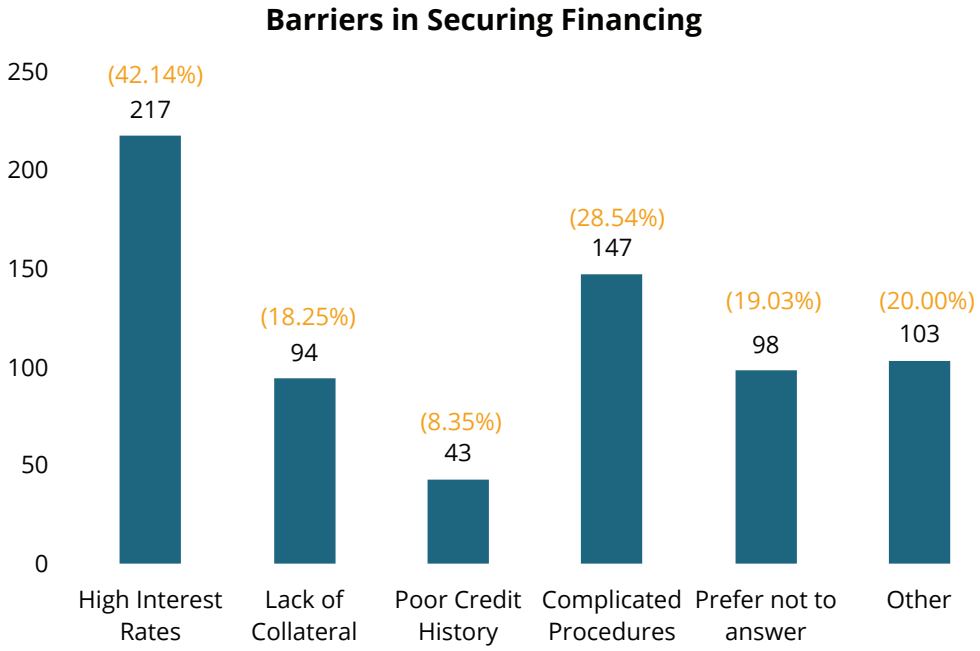
Innovation Support Types



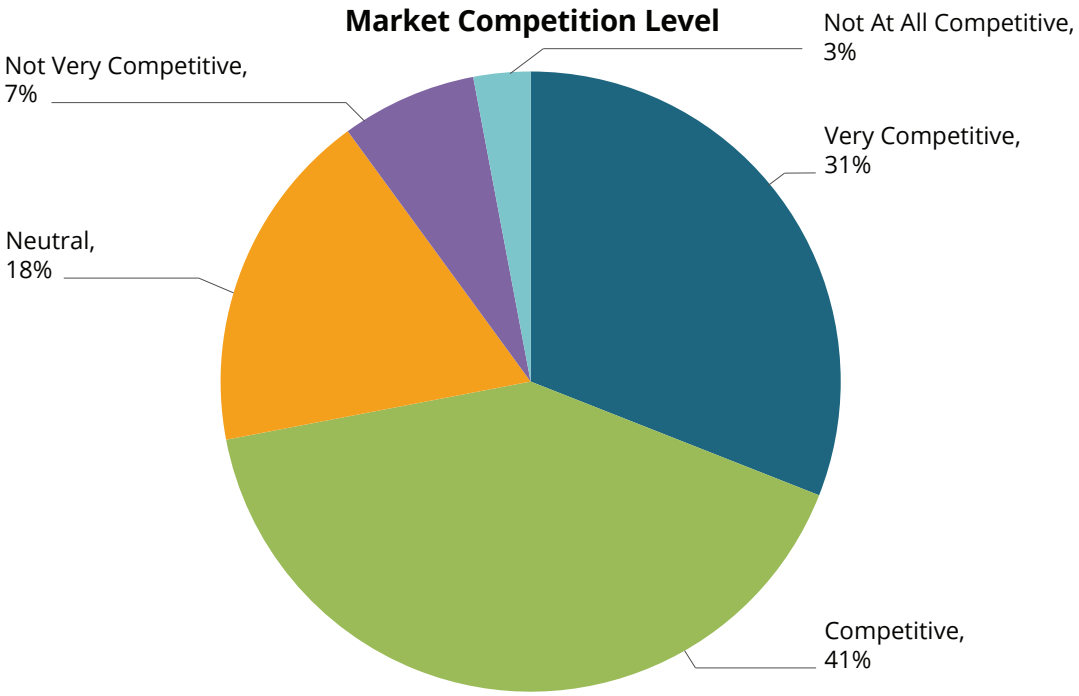
Small Business Challenges:

Access to finance, regulation, and compliance challenges: 52.88% of respondents reported good or excellent access to finance, while 13.01% reported poor or very poor access. Men were more likely to report excellent financial access compared to women. (See Appendix B). Young business owners and smaller firms reported lower access to finance compared to older business owners and larger firms respectively. 29.90% reported facing difficulties securing financing, with the most notable barriers being high interest rates (42.14%) and complicated procedures (28.54%). One-third of respondents noted that their need for additional financing was urgent immediately or within 6 months (32.08%). Most firms reported a high understanding of regulations and compliance, with only 6.76% reporting somewhat or very poor understanding. Around half of the firms have a designated person handling regulation and compliance (52.05%). Honolulu City Council District 1 had the highest rate of difficulty securing financing (53.33%), while District 4 (25.37%) and District 7 (25.86%) had the lowest rates. High interest rates were the most cited barrier for District 3 (38.24%), District 4 (33.33%), District 5 (43.55%), District 6 (39.47%), and District 7 (39.13%). (See Appendix C). Complicated procedures were most noted by businesses in District 1 (50.00%) and District 2 (45.45%), while District 9 businesses were most likely to indicate a lack of collateral (54.55%).





Market competition: Most firms reported being in a competitive market, with 30.98% reporting their market to be very competitive and 41.02% reporting as competitive. 45.67% of firms believe their own business is very competitive, and 42.70% believe themselves to be somewhat competitive. Men were 7.05% more likely to believe their firms were very competitive compared to women. (See Appendix B). Both older respondents and older firms noted a higher likelihood of identifying their businesses as very competitive.



For many businesses, the dominance of large online corporations makes these challenges harder. A pet food store owner described the intense competition they face:

> *"I'm up against a billion-dollar corporation. I am a small independent. I have many more expenses than them. They can afford to set lower prices"*

Service-based businesses also experience challenges related to market competition, especially when competing against established software providers. A bookkeeping business owner shared:

> *"I do bookkeeping for small businesses, and my industry has changed pretty significantly in the last probably five years. A lot of that has to do with QuickBooks and its impact on small businesses… It's a lot of anti-competitive behavior and monopoly practices."*

Training: 51.33% of respondents indicated the need for technical skills training for their employees, 43.09% for customer service training, and 42.33% for leadership development. 31.69% of respondents indicated the need for sales training. White respondents indicated lower customer service training needs in comparison to minority counterparts. (See Appendix D).

Acquiring & retaining employees: Over one-third of respondents (38.18%) indicated that acquiring new employees is very challenging, with an additional 23.49% describing it as somewhat challenging. Older and larger firms reported even higher levels of difficulty in recruitment. The most commonly cited obstacles were a lack of qualified candidates (62.46%), budget constraints (38.92%), and a competitive job market (31.23%).

A consultant highlighted the difficulty of sourcing talent locally:

> "It's very hard to find qualified individuals who are not already employed by mainland companies. We can only grow as fast as we can expand our headcount."

Specific industries, such as general contracting, echoed these concerns about skilled labor shortages:

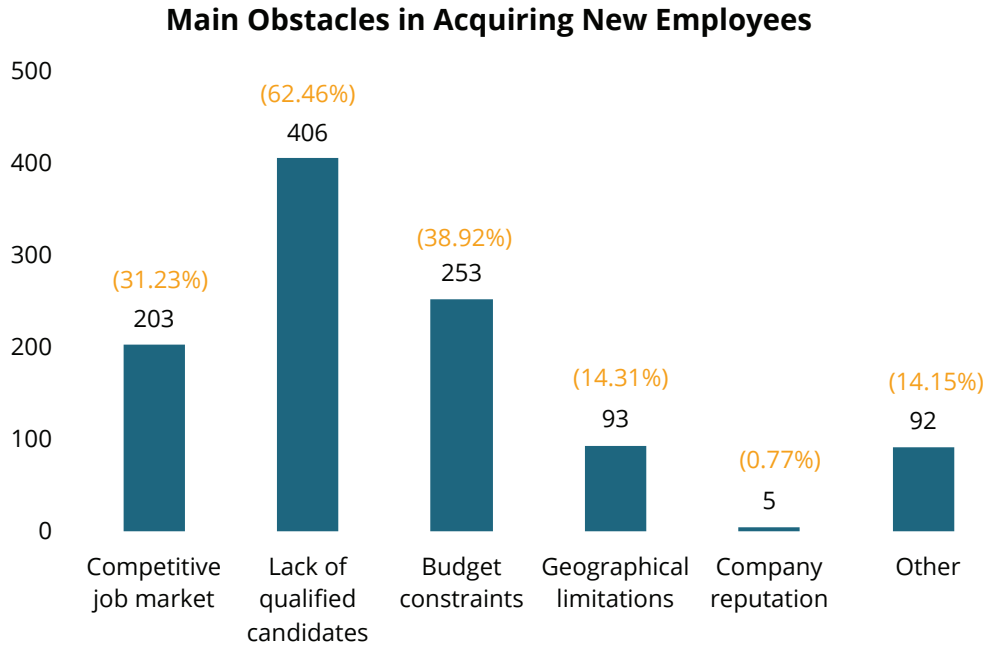
> "Finding reliable, trained, and skilled employees has been the biggest challenge."

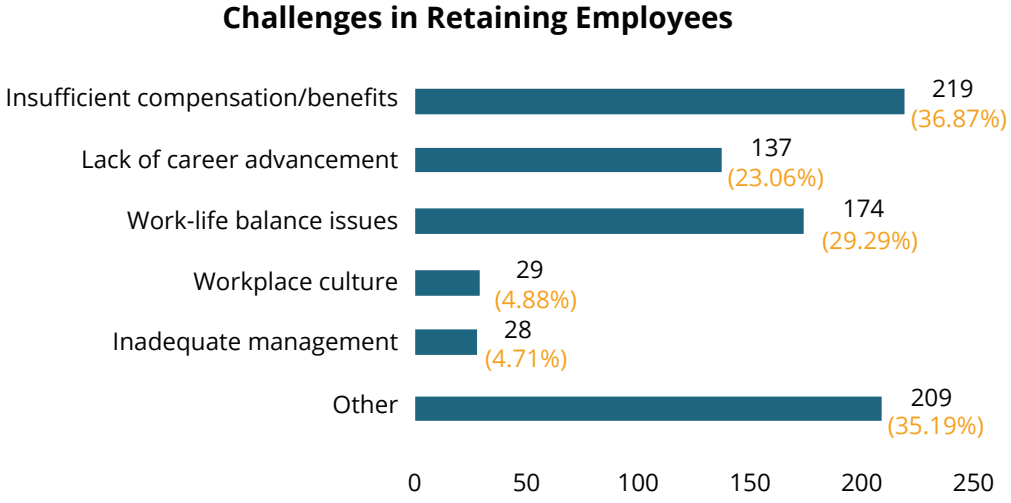
While most firms reported low turnover rates (70.43%), retention remains a significant challenge for some. The most frequently mentioned retention issues include insufficient benefits (36.87%), work-life balance concerns (29.29%), and limited opportunities for career advancement (23.06%).

A therapy center owner reflected on the difficulties of retaining staff in their industry:

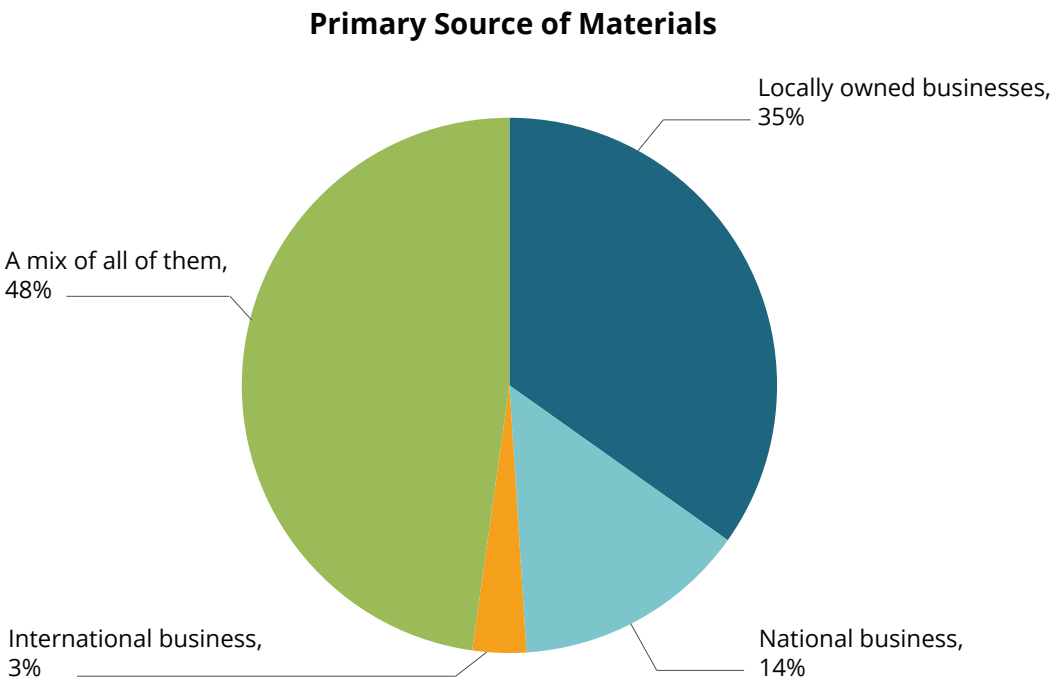
> "It's very difficult to hire and retain therapists, especially now. Higher pay and less stressful conditions elsewhere are a challenge."

Despite these challenges, 29.76% of respondents indicated that they actively engage with other businesses for information-sharing purposes, which may help address some workforce-related issues collaboratively.



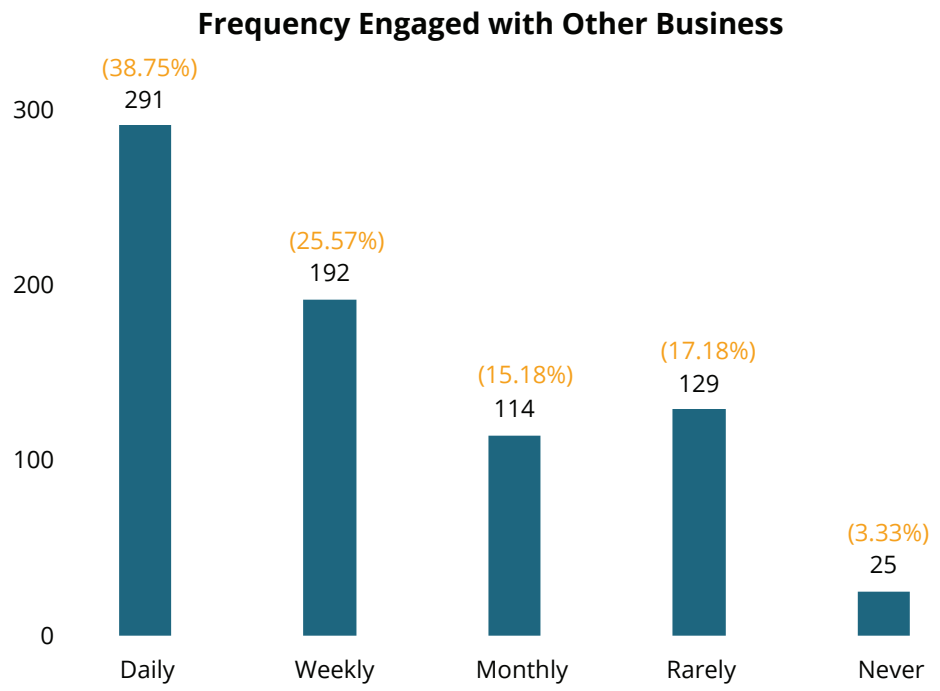


Source of materials, products, and packing: The survey revealed that 34.82% of firms primarily rely on locally owned businesses, 14.17% depend on national businesses, and 47.77% use a combination of local, national, and international sources. On average, firms purchase 33.75% of their products and services from out-of-state online businesses, 27.69% from local non-chain establishments, and 23.94% from local chains. Notably, businesses with lower revenues tend to source a higher percentage of their inputs from out-of-state suppliers.

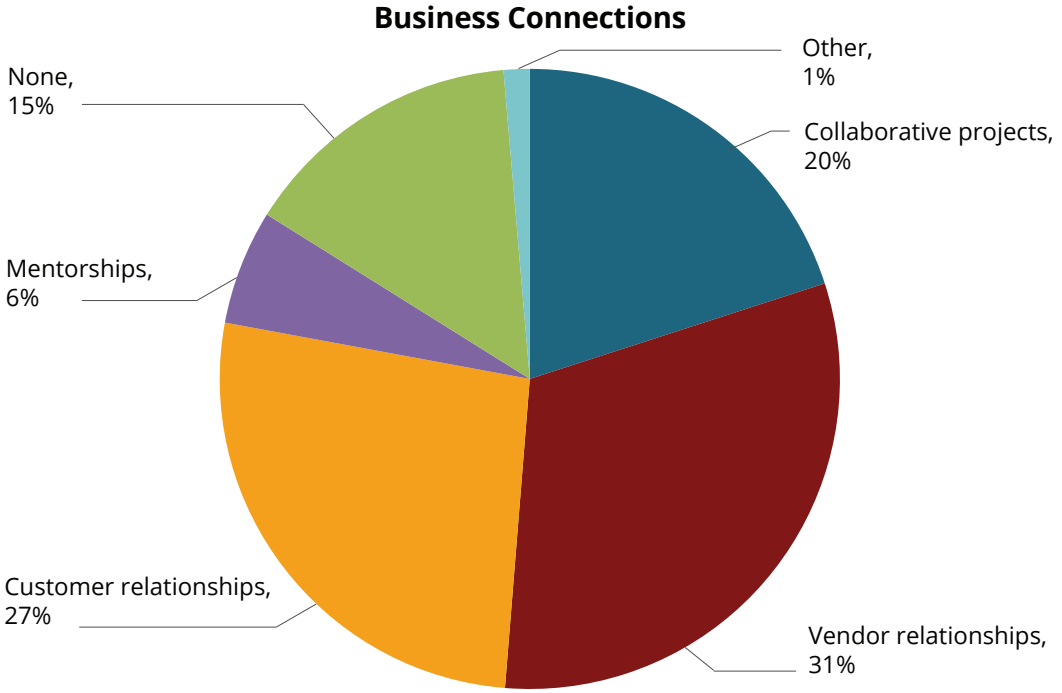


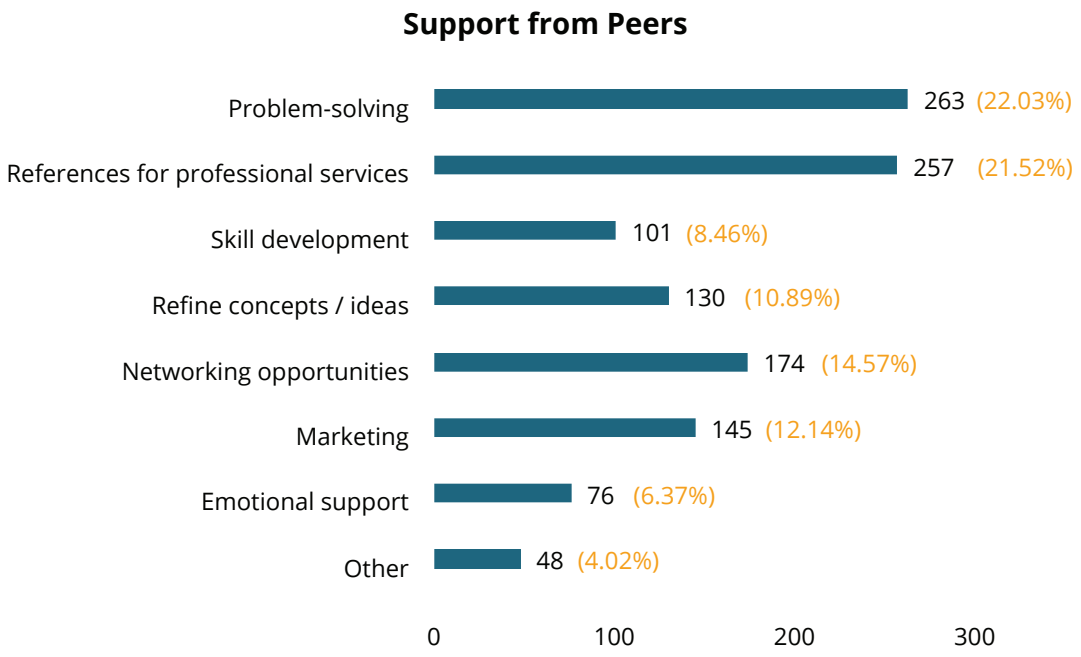
Local vs non-local (industry independent): The degree of reliance on local versus non-local sourcing varies across industries. Industries such as financial services (60.00%), health services (43.10%), and non-profit organizations (62.50%) most frequently report using locally sourced inputs. Among local non-chain suppliers, food and beverage (46.03%), manufacturing and distribution (37.12%), and retail (33.23%) lead in sourcing percentages. In contrast, industries such as construction services (47.31%), fine and performing arts (47.50%), and health services (44.19%) report the highest reliance on out-of-state suppliers. These findings underscore the diverse sourcing strategies employed by firms based on industry-specific needs and revenue levels.

Connections of the businesses to other small and large businesses: Half of the businesses indicated typically engaging with other businesses that were a mix of all sizes (46.53%). 30.83% typically engaged with larger firms, and 19.86% engaged with similarly sized firms. Most respondents indicated that they engage with other businesses daily (38.75%) or weekly (25.57%). Male respondents noted a higher frequency of engagements compared to women. Larger firms also had a higher frequency of business engagements.

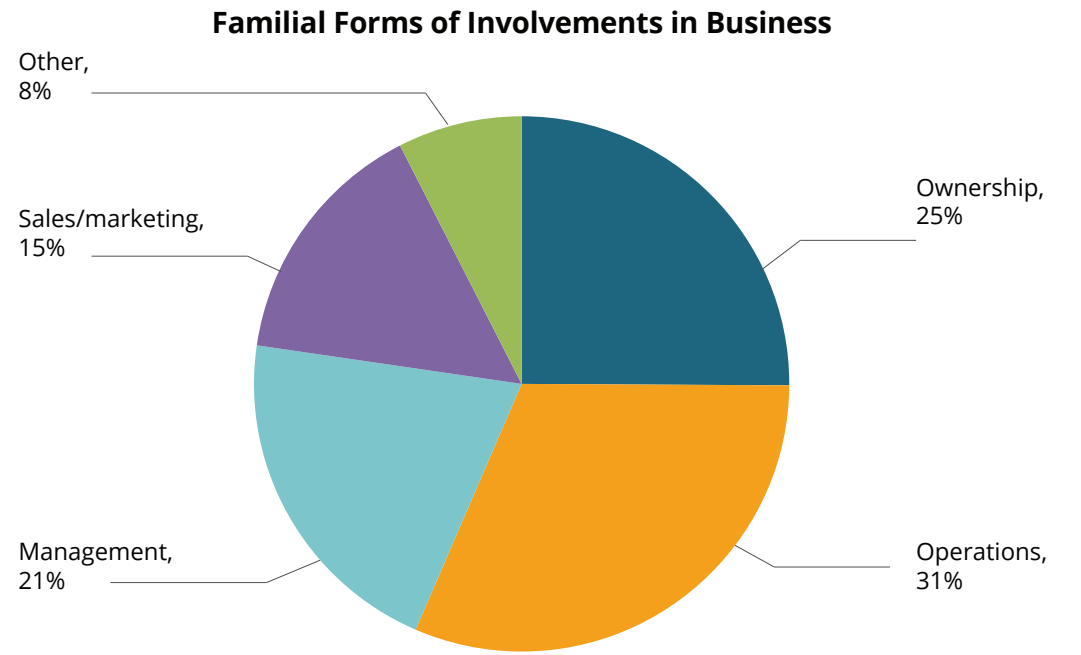


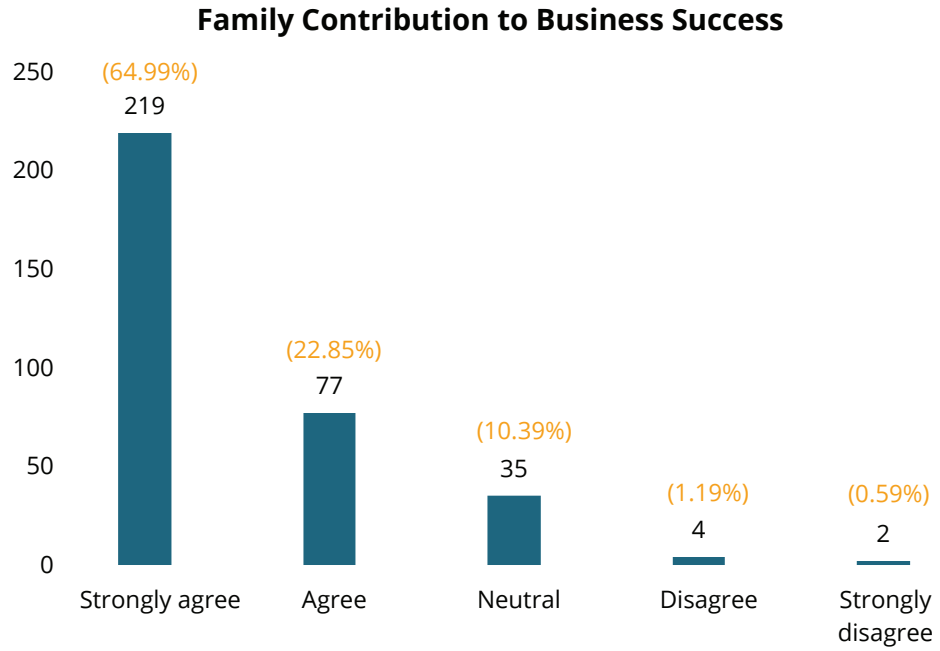
Peer support: Respondents indicated the high importance of business networking to their firms' success, with 44.93% saying it is very important and 30.22% saying it is important. 51.81% of respondents say that their business connections are extremely valuable. Firms report the most frequent outcomes of these business connections are vendor relationships (31.26%), customer relationships (26.63%), and collaborative projects (20.02%). 57.22% of respondents indicate reaching out to other firms for support. Filipino and multi-ethnic respondents indicated the highest rates of reaching out compared to other racial and ethnic groups. Firms with more employees and higher revenue both indicate a higher likelihood to reach out to other businesses for support. The most frequent types of support they receive are problem-solving (22.03%), references for professional services (21.52%), and networking opportunities (14.57%).





Family support: 45.54% of firms reported that their families are involved in their business. Women were 7.03 percentage points more likely to have their families involved. (See Appendix B). Native Hawaiian and Pacific Islanders, Latinos, and Multi-ethnic respondents had the highest rates of family involvement. (See Appendix D). Firms with 2-5 employees had much higher rates of family involvement than any other size firm. The most cited forms of involvement were operations (54.76%), ownership (43.75%), and management (36.31%). Of those indicating family involvement, 64.99% strongly agreed that their families contribute to the success of their businesses, with an additional 22.85% agreeing. Non-minority firms and firms with large revenues have the highest percentage of previous business owners in their direct family.





Small Business Interviews

The following insights were compiled based on recurring themes and specific ideas shared by participants. These findings align closely with this report's quantitative analysis, enhancing the overall recommendations' robustness and actionability.

1. Competition with Large Online Corporations
A recurring theme among participants was the significant challenge posed by competition with large online corporations, such as Amazon or other dominant e-commerce players. Many businesses expressed concerns about their ability to compete with the scale, pricing strategies, and logistics networks of these online giants. Smaller businesses, particularly those with physical storefronts or more localized operations, face difficulties in offering similar convenience prices. This competition often leads to pressure on profit margins, forcing smaller businesses to find unique value propositions, such as personalized customer service, niche offerings, or specialized local products. In addition, some participants highlighted the need for better digital strategies or online presence to help bridge the gap with these larger players, but they struggle with the resources or expertise required to scale their operations online effectively.

2. Technology Support
Another key theme discussed in the interviews was the need for improved technology support. Many businesses acknowledged that embracing technology could streamline their operations, enhance customer experiences, and increase efficiency. However, participants frequently noted challenges in implementing or upgrading technology due to lack of expertise, or difficulty finding solutions tailored to their specific needs. Small businesses, in particular, find it difficult to keep up with rapid advancements in areas such as e-commerce platforms, marketing, and customer relationship management (CRM) tools. There were also concerns about cybersecurity and data privacy, with smaller businesses lacking the infrastructure or resources to protect sensitive

information. Several participants emphasized the importance of accessible training and support to help businesses cost-effectively adopt technology, while others suggested partnerships or collaborations to gain better access to tech solutions.

3. Staffing Challenges
Staffing challenges were a significant concern for many interview participants. Several businesses cited difficulties in finding skilled employees, particularly in specialized fields or roles that require expertise. In areas such as technology, marketing, and management, businesses often find it hard to compete with larger organizations that can offer higher salaries or more attractive benefits. Additionally, many participants mentioned the high turnover rates that impact their operations, leading to increased recruitment costs and operational disruptions. Some noted the difficulty in maintaining a stable workforce in industries with seasonal demands or fluctuating customer volumes, while others expressed frustration with the challenge of finding employees who align with their company culture and values. Suggestions to address these issues included offering flexible work arrangements, providing better training opportunities, and improving work-life balance to attract and retain talent.

4. Access to Credit
Access to credit emerged as another pressing concern for many business owners. Participants often reported difficulties in securing financing, whether for startup costs, expansion, or even day-to-day operational expenses. Traditional lending institutions, such as banks, were seen as challenging to navigate due to strict requirements, lengthy approval processes, and high interest rates. Many small businesses also mentioned that they lacked the necessary collateral to secure loans, making it difficult to access the capital needed for growth. Participants suggested the need for alternative lending options, such as microloans, community-based lending programs, or government-backed loan schemes, to support small businesses with more flexible, accessible financing options.

5. Networking as a Support Mechanism
Finally, networking emerged as a vital support mechanism for many business owners. Participants shared that connecting with other local business owners, industry peers, or community organizations provided not only valuable insights and advice but also emotional support and a sense of belonging. Many noted that building a network helped them discover new opportunities, whether in the form of partnerships, collaborations, or customer referrals. Participants recommended expanding local business networks, leveraging social media groups, and participating in industry associations to build more robust professional connections. Some also suggested the creation of more accessible mentorship programs or informal meetups where smaller businesses could share resources, ideas, and challenges in a supportive environment.

These insights highlight the diverse challenges and opportunities that small businesses face, particularly in navigating competition, staffing, technology adoption, and access to capital. Our recommendations aim to address these concerns through a combination of practical solutions, program support, and community-driven efforts. By enhancing access to technology, providing tailored resources for workforce development, and fostering stronger networking platforms, we can create a more supportive environment for business growth and sustainability. Additionally, advocating for better access to credit, especially through alternative financing options, and offering targeted support programs will help small businesses overcome financial barriers. Ultimately, these recommendations seek to empower businesses to thrive in a competitive landscape while contributing to a more resilient and inclusive economy.

Comparable Cities with Successful Programs Supporting Small Businesses

Cities such as San Diego, Miami, Virginia Beach, Charleston, Savannah, San Antonio, Anchorage, and Jacksonville share similarities with Honolulu in various ways. Each of these cities has significantly contributed to programs specifically designed to support small businesses in various categories.

San Diego: A coastal city in California, San Diego has a robust economy driven by tourism, military, and technology sectors

San Diego & Imperial Small Business Development Center (SBDC): The SBDC focuses on empowering business creation and growth by offering services that lead to job creation, capital investments, and innovation. Public-private partnerships are managed with the oversight of the U.S. Small Business Administration (SBA) and local host institutions. San Diego Regional Economic Development Center (EDC): Works directly with companies (free of charge) to help grow the economy and provide services to small businesses. Funded through public and private partnerships. San Diego City Funding: General Fund, Transient Occupancy Tax, Grants and Federal Funding, Special funds, Public-Private Partnerships, Nonprofit Funding

- Marketing and Sales: SBDC offers workshops and consulting on: digital marketing strategies, customer acquisition, and sales techniques. The EDC complements this by providing: market research resources and connecting businesses with marketing experts to refine their strategies and expand their reach.
- Financial Resources and Assistance: The SBDC helps businesses secure loans, grants, and investments by offering guidance on financial planning and funding applications. The EDC's Small Business Relief Fund further supports businesses by providing direct financial assistance, including low-interest loans and grants, along with connections to investors.
- Human Resources, Workforce, and Talent: The SBDC offers HR consulting services focused on workforce planning and employee training. The EDC complements this by developing talent pipelines through partnerships with local educational institutions, helping businesses recruit and retain skilled workers.

Miami: Tourism and international trade bolster Miami's economy. Its tropical climate and strategic position are comparable to Honolulu's economic dynamics in the Pacific region.

Miami Bayside Foundation: Miami Bayside Foundation (MBF) is a nonprofit organization designed to advance economic development in South Florida through the support of minority businesses and education. Funded through public and private partnerships.

Miami-Dade County's Mom and Pop Small Business Grant Program: The Mom and Pop Small Business Grant Program offers funding opportunities for small owned and operated businesses to purchase equipment, supplies, advertising/marketing, inventory, building liability insurance, security systems and minor renovations. Federally funded with corporate sponsors and donors. Miami City Funding: Property taxes, sales taxes, local business tax, tourist and convention taxes, utility taxes.

- Marketing and Sales: The Miami-Dade County's Mom and Pop Small Business Grant Program provides financial support that allows small businesses to enhance their marketing efforts and expand their customer base. The Beacon Council, Miami's economic development organization, offers resources and consulting services to help businesses develop effective marketing strategies and improve their sales performance.
- Financial Resources and Assistance: The Mom and Pop Small Business Grant Program offers direct financial assistance to small businesses in Miami-Dade County, helping them

secure the funding needed for growth and sustainability. The Miami Bayside Foundation also provides low-interest loans and grants to minority-owned businesses, ensuring broader access to financial resources.

- Human Resources, Workforce, and Talent: CareerSource South Florida partners with local businesses to develop workforce training programs, helping employers recruit and retain skilled workers. The Miami-Dade Beacon Council also assists businesses in talent pipeline development by connecting them with educational institutions and providing resources for employee training and development.

Virginia Beach: Coastal city in Virginia that features a strong economy supported by tourism, military installations, and a strong small business sector.

Virginia Beach Department of Economic Development: Fosters economic growth in the city by attracting new investments, innovation, and jobs. Funded through the City of Virginia Beach, federal grants, and partnerships with organizations VA Minority Business Council: Promotes business opportunities for small, minority, women, and service-disabled veteran-owned businesses in Virginia Beach. Funded primarily through allocations from the City of Virginia Beach's budget, supplemented by private partnerships Virginia Beach City Funding: Property Taxes, Sales Taxes, Personal Property Taxes, Business Licenses, Transient Occupancy Tax, Utility Taxes, and Special Assessments.

- Marketing and Sales: The Virginia Beach Department of Economic Development (VBDED) supports small businesses by offering marketing resources and networking opportunities to enhance visibility and customer acquisition. The Minority Business Council (MBC) promotes minority-owned businesses through advocacy and connecting them with larger corporations and government contracts.

- Financial Resources and Assistance: Virginia Beach's EDC provides the Economic Equity Fund is a $10 million loan fund offering low-cost financing to small businesses owned by women and/or Black, Indigenous, or People of Color (BIPOC). The MBC assists by connecting these businesses with additional grant opportunities and financial resources available through local and state programs.

- Human Resources, Workforce, and Talent: The MBC offers access to training programs tailored for minority and women-owned businesses, supporting their recruitment and retention efforts.

Charleston: A rich historic city that has an economy centered on tourism, port activities, and technology.

South Carolina Association For Community Economic Development (SCACED): The (SCACED) is a coalition dedicated to developing healthy and economically sustainable communities across South Carolina. SCACED focuses on building wealth and creating economic opportunities, particularly for minority communities and those often excluded from the economic mainstream. Minority & Women-Owned Business Enterprise Office: Charleston's Minority & Women-Owned Business Enterprise Office (MWBE) works to increase the participation of minority and women-owned businesses in the City of Charleston's contracting opportunities. Charleston City Funding: Property Taxes, Sales Taxes, Personal Property Taxes, Business Licenses, Transient Occupancy Tax, Utility Taxes, Special Assessments.

- Marketing and Sales: Buy local programs & free/low-cost marketing consulting support

- Financial Resources and Assistance: Charleston's Small Business Assistance Program offers grants and low-interest loans to help businesses secure the funding they need to grow. The South Carolina Association for Community Economic Development (SCACED) also provides financial education and connects businesses with additional funding opportunities through its network of community lenders.

- Human Resources, Workforce, and Talent: MWBE supports small businesses by offering training programs that help owners develop their workforce and improve HR practices.

Savannah: Known for its historic significance and coastal location, Savannah, Georgia, has an economy driven by tourism and manufacturing.

Creative Coast: Creative Coast supports the entrepreneurial, technology, and creative communities in Savannah by fostering local innovation through education and social programs. Savannah Entrepreneurial Center: The Savannah Entrepreneurial Center (SEC) promotes local business creation and economic empowerment through comprehensive business training and development. They offer professional mentoring, technical assistance, classroom training, networking opportunities, and referrals to business and financial resources. City Funding: Property Taxes, Sales Taxes, User Fees, Interfund Revenues, Other Taxes and Revenues.

San Antonio: San Antonio is a beautiful city in the heart of Texas fueled by tourism. Like Hawai'i, San Antonio is home to many different military bases, providing jobs for many of its citizens.

Small Business Economic Development Advocacy Program (SBEDA): The Small Business Economic Development Advocacy (SBEDA) Program in San Antonio promotes the fair participation of small, minority, and women-owned businesses (S/M/WBEs) in city contracts. SBEDA addresses disparities by ensuring these businesses have equal opportunities to compete for city contracts. Services: Contracting Goals, Evaluation Preferences, Technical Assistance, Certification Assistance, Networking Opportunities, Business Development Support, Disparity Studies, and Program Adjustments. City Funding: Taxes, fees, Grants, Bonds, Enterprise Funds.

- Financial Resources and Assistance: SBEDA provides financial incentives, such as bid discounts and prime contract set-asides, that help small businesses compete for city contracts.
- Business Planning: SBEDA supports business development by offering technical assistance, education, and consulting to help small businesses strengthen their business plans, refine their bidding processes, and improve operational efficiency.
- Human Resources, Workforce, and Talent: The program helps small businesses build capacity by offering mentorship and training opportunities, allowing them to develop their workforce and management skills, which are crucial for business growth and sustainability.

Anchorage: Like Hawai'i, Anchorage boasts a stunning natural landscape and offers a wide range of outdoor activities. Attracting many visitors to view its amazing landscape.

Anchorage Economic Development Corporation (AEDC): The Anchorage Economic Development Corporation (AEDC) fosters a prosperous, sustainable, and diverse economy in Anchorage by encouraging economic growth, promoting a favorable business climate, and improving the standard of living for residents. State Small Business Credit Initiative (SSBCI): The State Small Business Credit Initiative (SSBCI) provides capital and technical assistance to promote small business stability and growth. It aims to increase access to capital for small businesses, especially in underserved communities, by catalyzing private investment, with each $1 of SSBCI funding expected to generate up to $10 in private investment. City Funding: Property and Sales Taxes

- Financial Resources and Assistance: The Alaska SBDC provides one-on-one financial consulting to help small businesses secure loans, grants, and investment capital. It offers guidance on financial planning, budgeting, and accessing various funding sources, which is crucial for businesses looking to stabilize or expand their operations. SSBCI specifically targets financial assistance by increasing access to capital for small businesses, particularly in underserved communities. The program amplifies the impact of public funds by catalyzing private investment.

- Marketing and Sales: SSBCI supports small businesses by providing technical assistance, helping them develop stronger business plans, and securing private investments that bolster stability and growth, especially in challenging markets. Alaska SBDC provides workshops and one-on-one consulting focused on digital marketing strategies, customer acquisition, and sales techniques. Additionally, the SBDC assists businesses in developing effective marketing plans, optimizing their online presence, and leveraging social media platforms to reach broader audiences and drive sales.
- Human Resources, Workforce, and Talent: The SBDC helps businesses improve their workforce management by providing HR consulting services, which include employee training programs, talent acquisition strategies, and workforce planning.

Local Business Preference Programs

The Local Business Preference Programs are initiatives designed to support small and local businesses by giving them a slight competitive edge in government contracting. These programs vary across different states and cities but generally aim to promote economic growth within these communities.

Los Angeles, California

- Local Business Preference Program (LBPP): This program provides bid preferences to local businesses. For example, businesses certified as Local Business Enterprises (LBE) receive an 8% preference on contracts over $150,000, with additional preferences for small businesses.

San Antonio, Texas

- Local Businesses can receive up to a 5% price preference on low-bid contracts.

Methodology used in this study

This study aimed to gather comprehensive insights into the challenges and needs of small businesses in Honolulu in 2024. By employing both quantitative and qualitative methods, the research provides a nuanced understanding of the small business landscape, focusing on areas such as training, support services, market access, innovation support, and other key challenges.

Quantitative Component: Online Survey

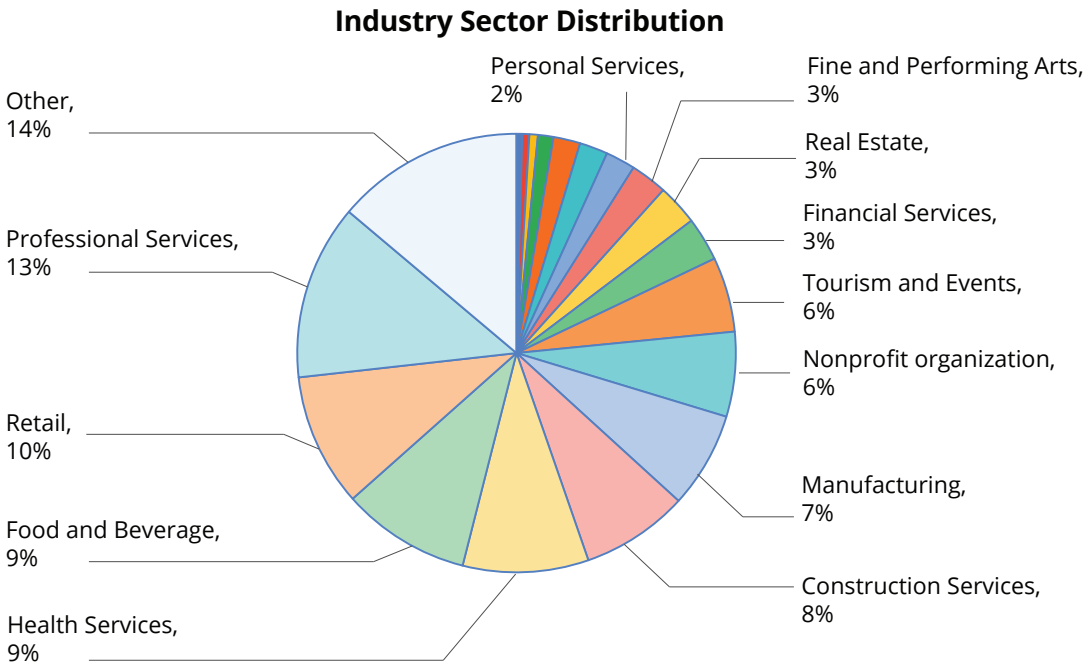
A comprehensive **online survey** was designed to collect data on the needs, challenges, and opportunities for small businesses in Honolulu. Key areas explored in the survey included:

- Training and professional development needs.
- Access to business support services and networking opportunities.
- Market access and innovation support.
- Challenges related to financing, regulatory compliance, and market competition.
- Workforce issues, including employee acquisition and retention.

The survey was deployed using a **targeted and multiphasic approach** to ensure representation from a diverse range of businesses across industries, ownership types, business sizes, and geographic locations within Honolulu. In total, **1,024 small businesses** completed the survey in 2024.

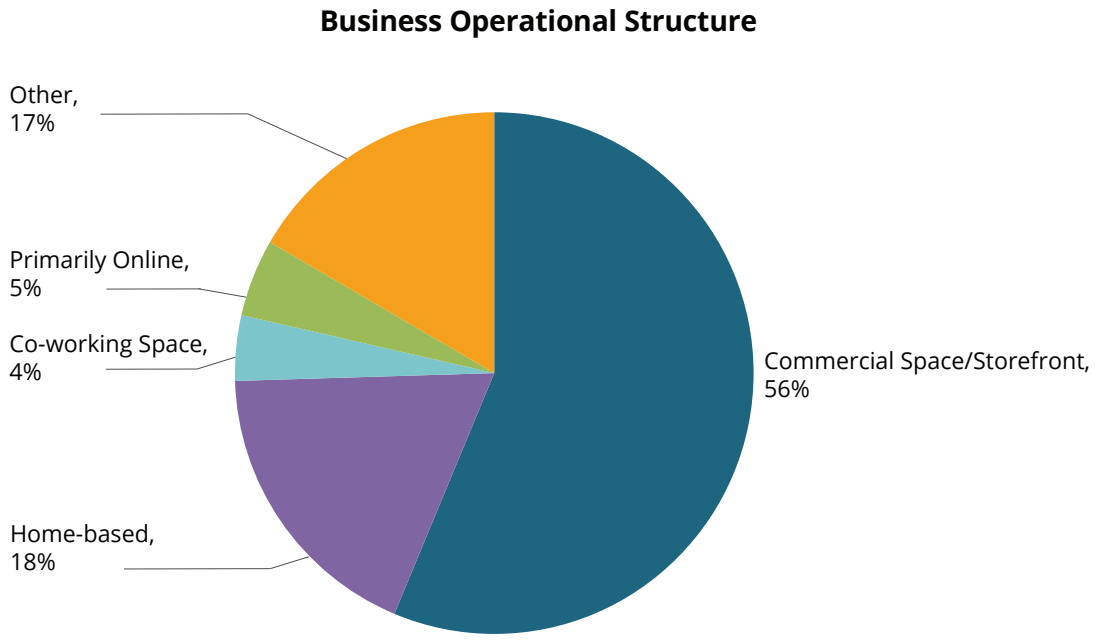
Business and Respondent Characteristics

Industry: Many industries are represented with 12.92% being professional services, 9.79% retail, 9.48% Food and beverage services, 9.27% health services, 7.92% Construction services, 7.08% manufacturing, wholesale, and distributions. The remaining industries represent less than 7% each. The largest category was "other" with 13.85%; many respondents with this response wrote in agriculture.

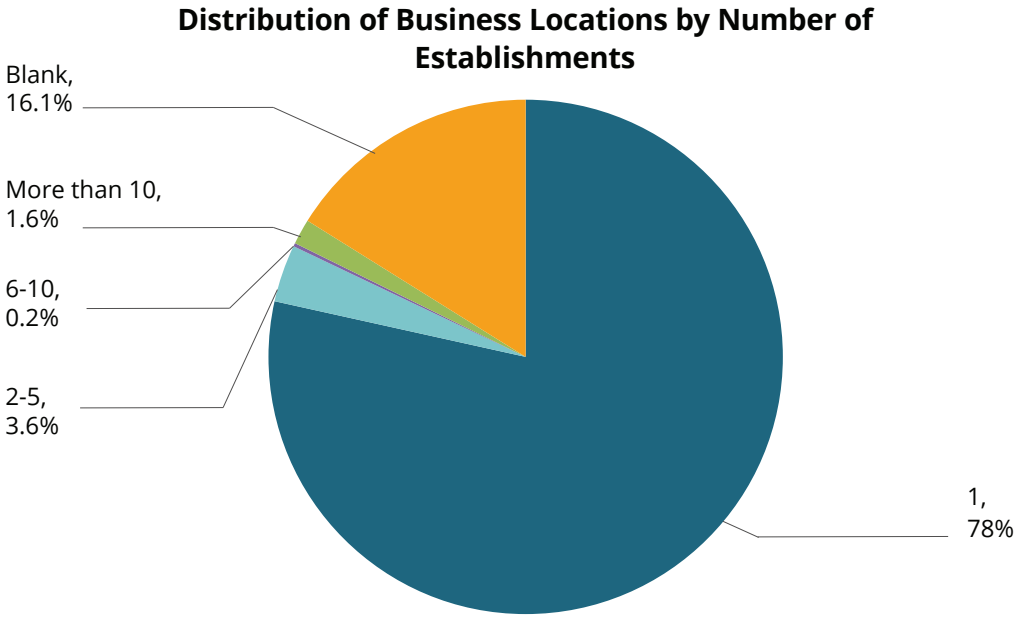


Type of Ownership and Business Operational Structure: Nearly all businesses in the survey (97.43%) are independently owned, with 1.71% being mainland franchises and 0.86% local franchises. A majority, 56.3%, conduct their operations from commercial premises, highlighting the preference for traditional business locations that provide a physical presence for customer interaction and logistical needs. Home-based businesses account for 18.2%, reflecting a significant segment of entrepreneurs and small businesses that leverage residential setups for cost efficiency and flexibility.

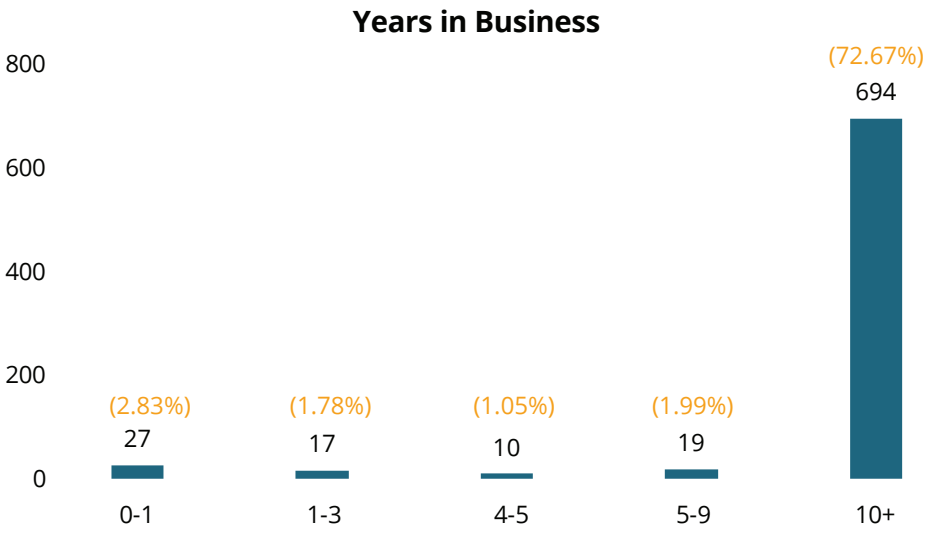
A notable 16.6% of respondents indicated "other" as their operational structure, suggesting a diversity of non-traditional arrangements that may include mobile operations or hybrid models. Only 4.8% of businesses operate primarily online, underscoring either the niche nature of fully digital businesses or the potential for growth in e-commerce. Meanwhile, 4.1% utilize co-working spaces, reflecting a growing trend among startups and freelancers who value shared resources and networking opportunities.



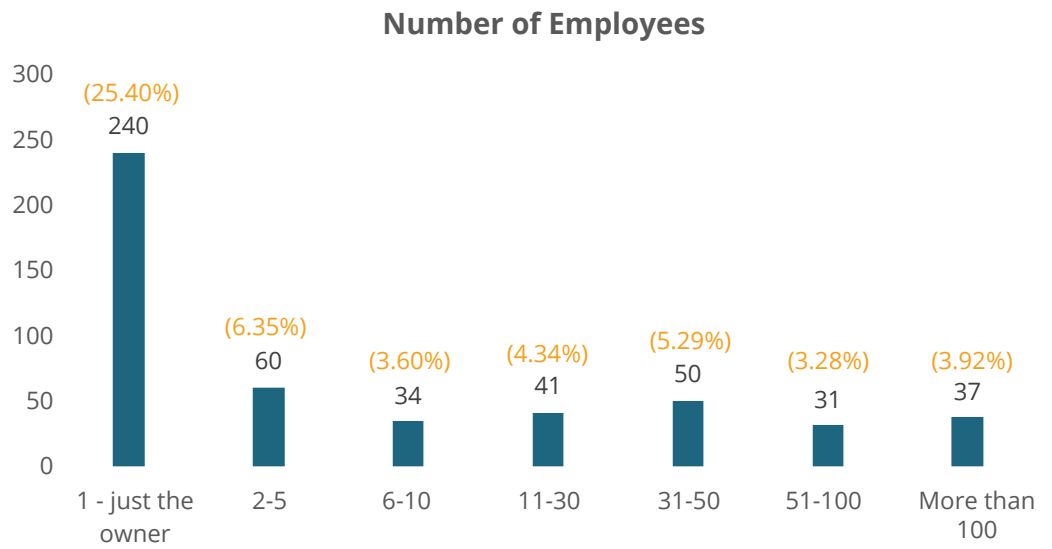
Number of Establishments: The survey data shows that the vast majority of businesses (78.5%) operate from a single location. A smaller segment, 3.6%, reported operating between 2 to 5 establishments. Firms with 6 to 10 establishments are rare, accounting for just 0.2% of the sample, while those with more than 10 establishments comprise 1.6%, suggesting that multi-location operations are uncommon in the surveyed group. Notably, 16.1% of respondents did not provide an answer. Overall, the findings emphasize the predominance of single-establishment businesses, with multi-location operations representing a much smaller share.



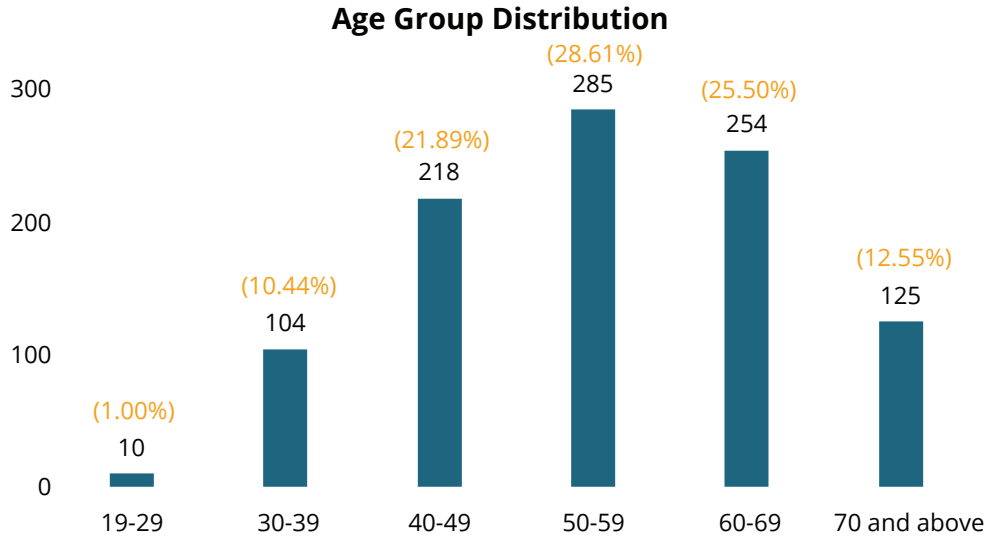
Years in business: Most respondents in the survey represented well-established firms, having been in business for ten or more years (72.67%). The remaining businesses have been established for 0-5 years. This will allow us to investigate differences in success among these long-established firms.



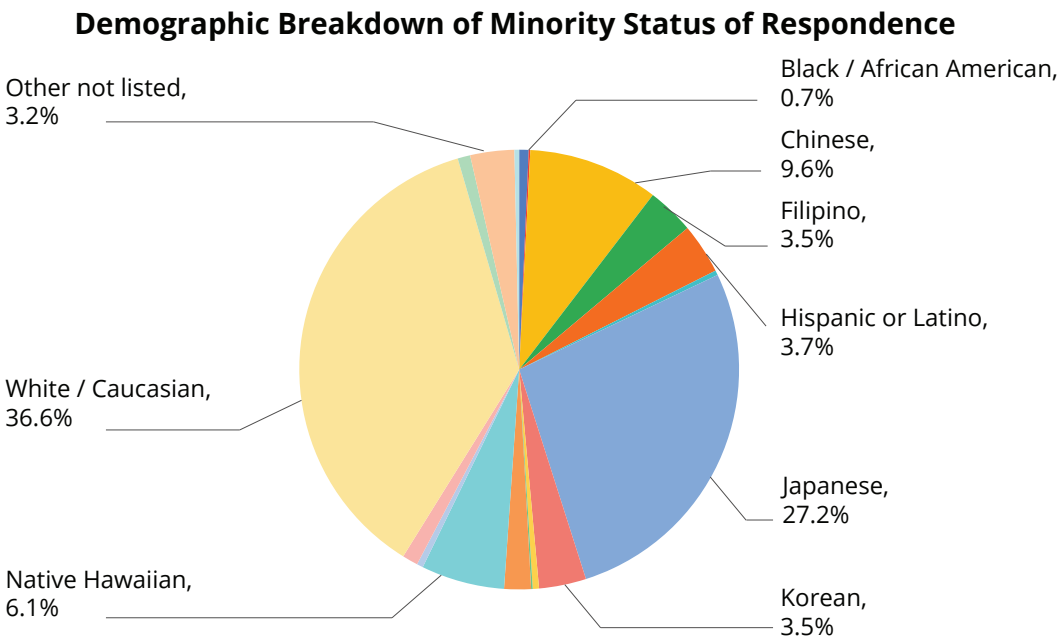
Size of firms: Around one-quarter of businesses are firms of just the owner (25.40%) and only (6.35%) have 2-5 employees. Firms of 6-10 represent 3.60% of responses, and those with 11-30 employees represent 4.34%. The remaining firms have 31 or more employees. One-quarter of firms report annual revenues between $1-5 million (26.99%). 14.57% report revenues above $5 million. Almost half reported earnings between $0.25-1 million (49.50%), and 8.96% made less than 0.25 million.



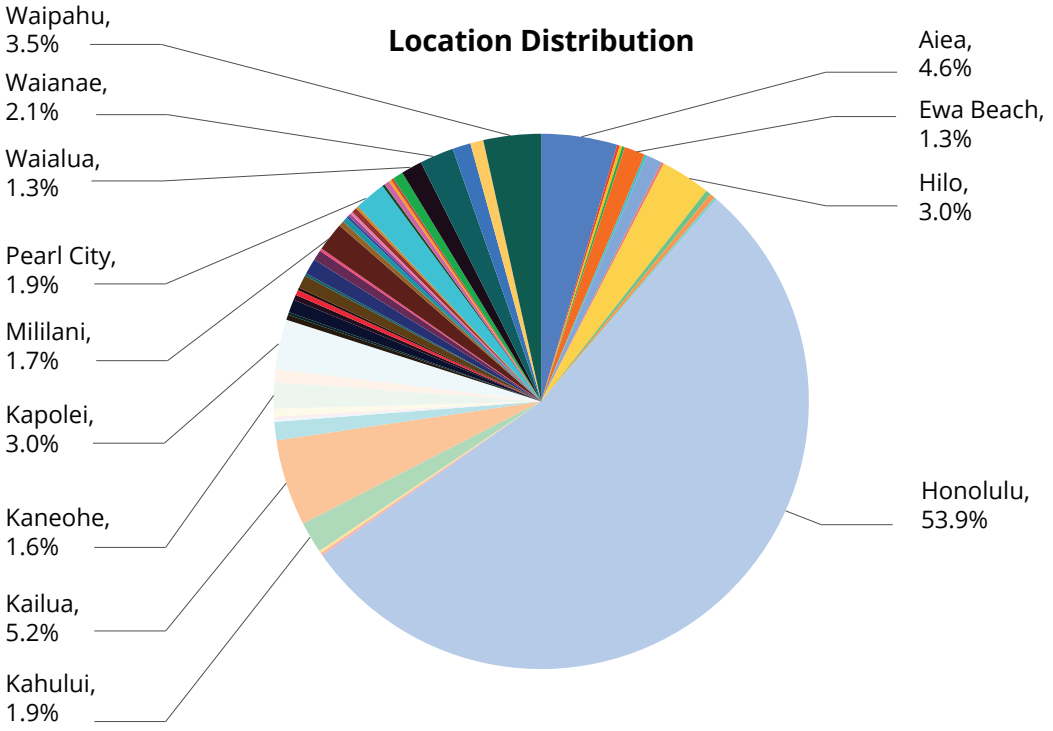
Gender and Age: The survey had a fairly even gender distribution, with 50% of respondents identifying as Male (50.78%), 47.27% identifying as Female, and the remaining identifying as non-binary, another term, or preferred not to answer. Survey respondents were mostly middle-aged, with three-quarters between ages 40-70 (21.89% 40-49, 28.61% 50-59, and 25.50% 60-69). Only 11.44% of respondents were below 30 years old, and 12.55% were aged 70 or above.



Minority status: The largest racial or ethnic group reported was White/Caucasian (36.65%), followed by Japanese (27.17%), Chinese (9.60%), and Native Hawaiian (6.13%). Most respondents were U.S. citizens by birth, marriage, or naturalization (95.10%), while 3.13% were Green Card holders and 0.20% were COFA migrants.



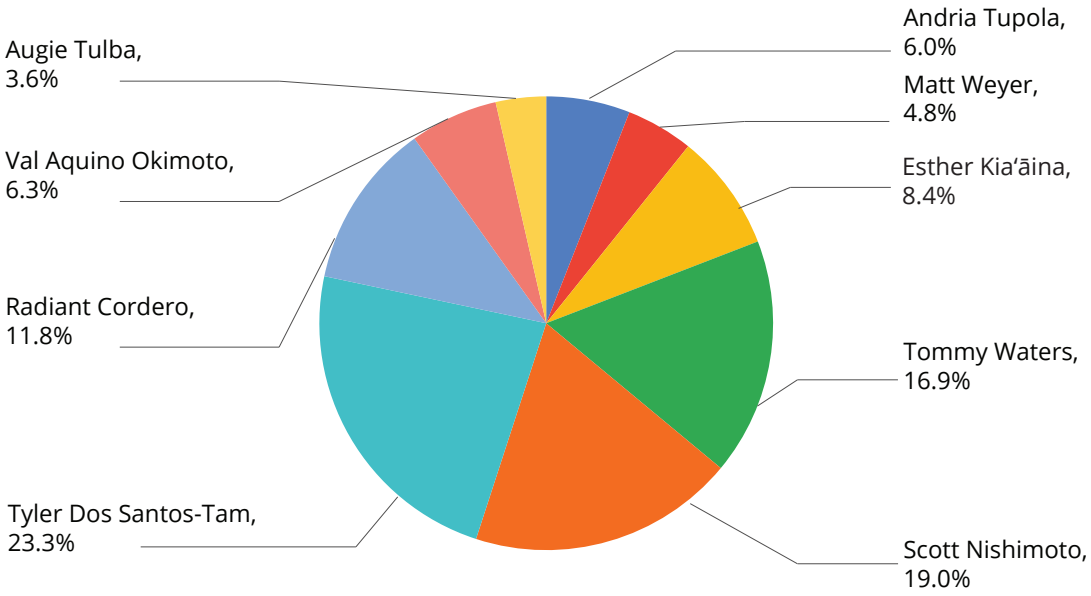
Location: While the survey was intended to measure Oahu businesses, 17.85% of respondents are not located on Oahu, with 1.09% of the sample not being in Hawai`i. The majority of businesses report being in Honolulu (53.90%). 78.47% of respondents report only one location, with 3.61% reporting 2-5, 0.21% reporting 6-10, and the remaining 1.59% having more than 10 locations.



Council Districts:

The majority of responses were from county districts that include the city of Honolulu, with the most respondents coming from District 6 (23.32%), District 5 (18.98%), and District 4 (16.89%). Health services were the most common industry for both Districts 5 (13.79%) and District 6 (16.79%), followed by professional services (Dist. 5 - 12.07%, Dist. 6 - 16.06%). The other category was the largest for District 1 (25.64%), District 3 (21.57%), and District 7 (15.07%). District 2's most common industry was retail (23.33%), and District 4's was food and beverage (17.65%). Construction services were the most common for District 8 (21.95%) and District 9 (21.74%).

Distribution of Responses by Council District Representation



Qualitative Component: Interviews

The interviews aimed to conduct in-depth 30-minute interviews with small business owners to explore specific topics, gather valuable insights, and identify both existing and emerging challenges small businesses face.
UHERO recruited participants by sending email invitations to small businesses that met the following criteria:

1. The owner belongs to a minority ownership category.
2. The business has been operational for a short period of time, typically less than five years.

A total of 11 businesses responded positively and agreed to participate. Details of these businesses, including ownership category, ethnicity, and zip code, are summarized in Table 1.

Interview Process:
Each interview lasted approximately 30 minutes. Participants received a $100 incentive as a token of appreciation for their time and contributions.

Table 1: Small Businesses Interviewed

Minority Ownership Category	Number of Business	Ethnicity	Zip Code
Women Business Enterprise (WBE), Minority Business Enterprise (MBE)	2	Hispanic or Latino	96826, 96814
Minority Business Enterprise (MBE)	3	Hispanic or Latino, Filipino, Japanese	96816, 96734, 96817
Minority Business Enterprise (MBE)	1	Other Pacific Islander	96706
Women Business Enterprise (WBE)	1	White / Caucasian	96792
Underserved population	1	White / Caucasian	96817
Minority Business Enterprise (MBE), Small Business	2	Hispanic or Latino	96813, 96815
Afro-Latino Business, Women Business Enterprise (WBE)	1	African American and Hispanic	96820
Total	**11**		

This methodology ensured a diverse range of voices and perspectives were represented in the discussions, providing meaningful insights into the challenges and opportunities faced by minority-owned small businesses.

Limitations

This report is based on data collected from a convenience sample of small business owners and managers in Honolulu in 2024, with 1,024 businesses completing the survey and 11 businesses participating in interviews. While the findings provide valuable insights, there are several limitations to consider:

1. **Self-Reported Data:** As with any survey, the data is self-reported, which may introduce response bias. Participants may have provided socially desirable answers or may have been reluctant to share candid responses about sensitive topics such as business practices, financial status, or operational challenges.

2. **Sample Representation:** While the sample includes businesses from various Honolulu County districts, age groups, racial and ethnic backgrounds, and demographic categories, it may not fully represent all small businesses in the county. For example, businesses operating for more than five years were overrepresented in the sample, potentially skewing results toward the experiences and needs of more established enterprises rather than newer startups.

3. **Focus on Publicly Available Data:** Information about small business policies and programs in other cities was primarily drawn from publicly available databases. Consequently, this report may not capture all aspects of the programs or provide a complete picture of their implementation and effectiveness.

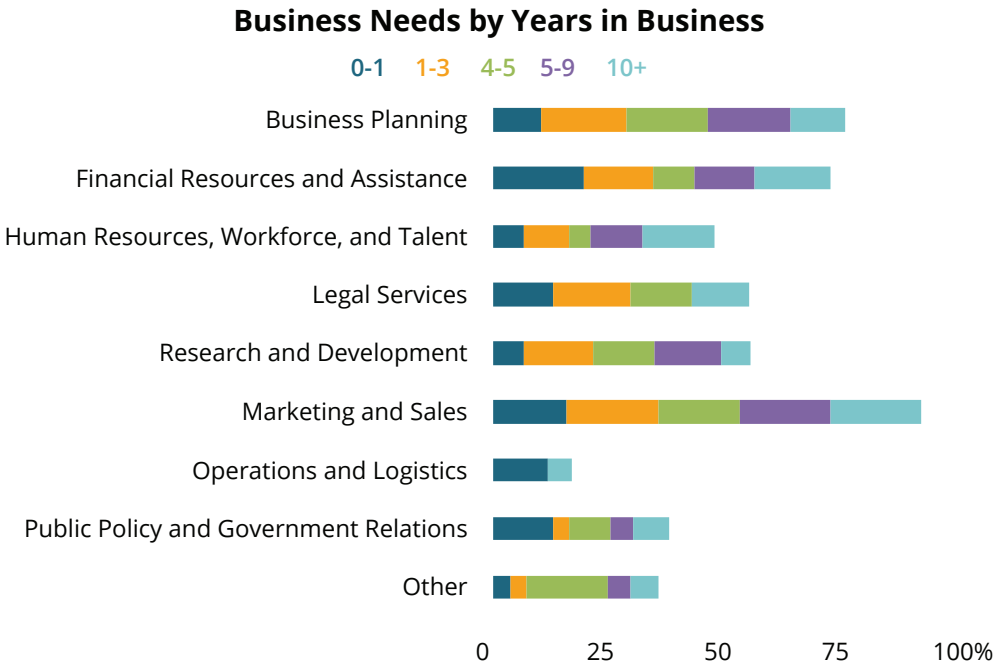
4. **Descriptive Nature of Analysis:** This report focuses on descriptive analyses rather than inferential or causal analyses. The data was not weighted to reflect the overall business distribution or sector composition in Honolulu, which may limit its generalizability. Additionally, descriptive statistics cannot identify causal relationships between variables, making it difficult to draw definitive conclusions about the drivers of observed trends.

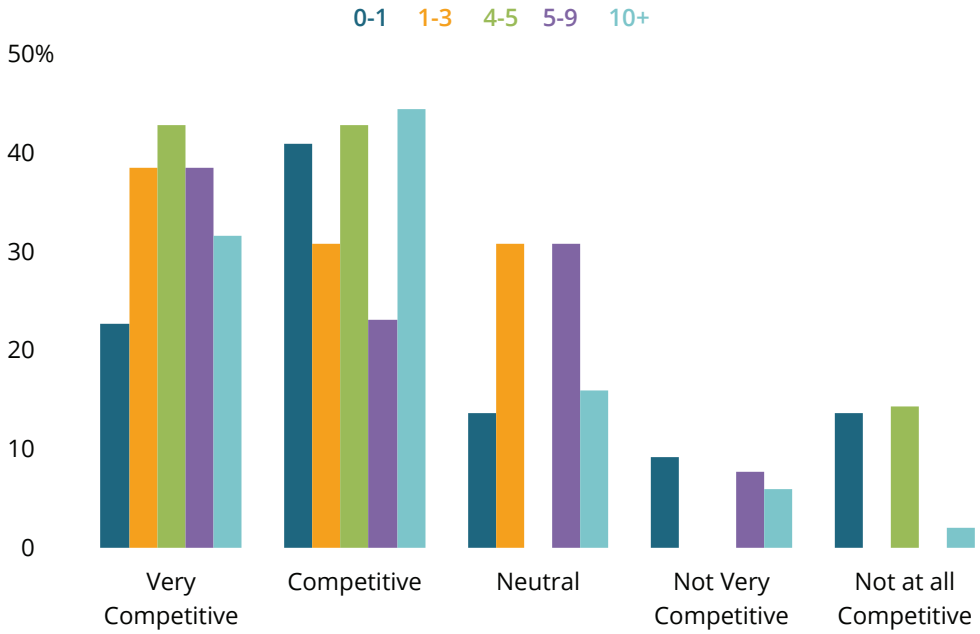
5. **Limited Qualitative Depth:** Although interviews provided valuable qualitative insights, the small sample size of 11 participants limits the ability to generalize these findings across all small businesses in Honolulu.

6. **Geographic and Sectoral Bias:** Certain geographic areas or business sectors may be underrepresented in the sample due to recruitment challenges or lower response rates, potentially limiting the comprehensiveness of the findings.

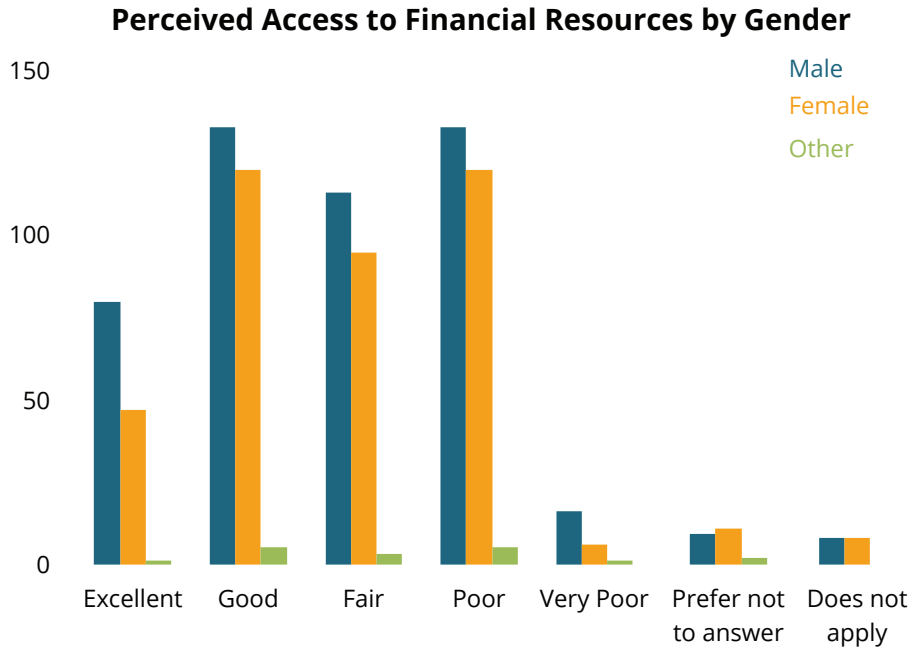
Despite these limitations, this report offers one of the most comprehensive analyses of small business needs in Honolulu County to date. It highlights critical areas for intervention and provides valuable evidence that can inform policymakers, business support organizations, and stakeholders as they develop strategies to support small businesses and promote economic growth.

Appendix A: Differences Based on Time of Ownership

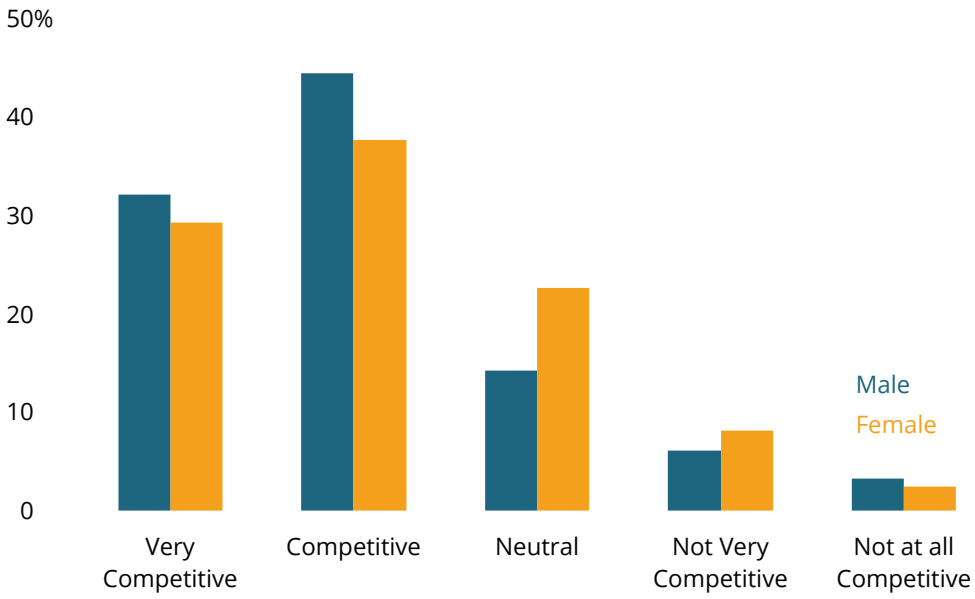




Appendix B: Differences Based on Gender



Perceptions of Business Competitiveness by Gender



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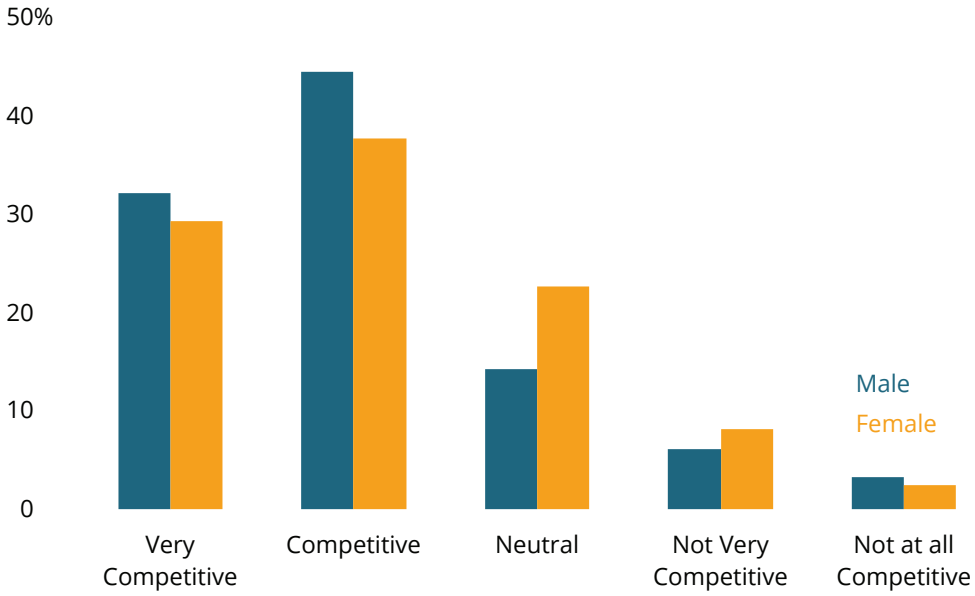
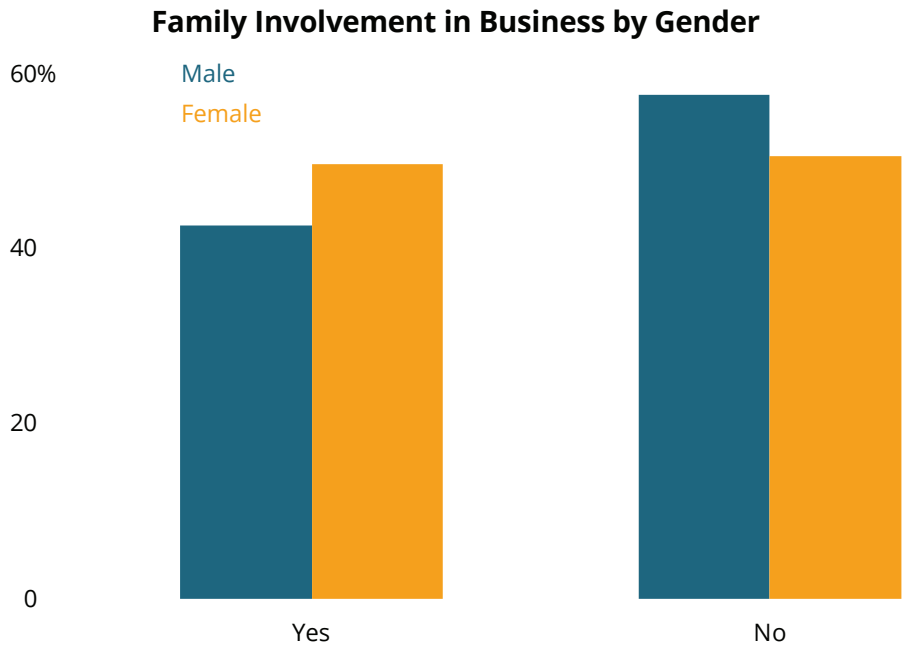
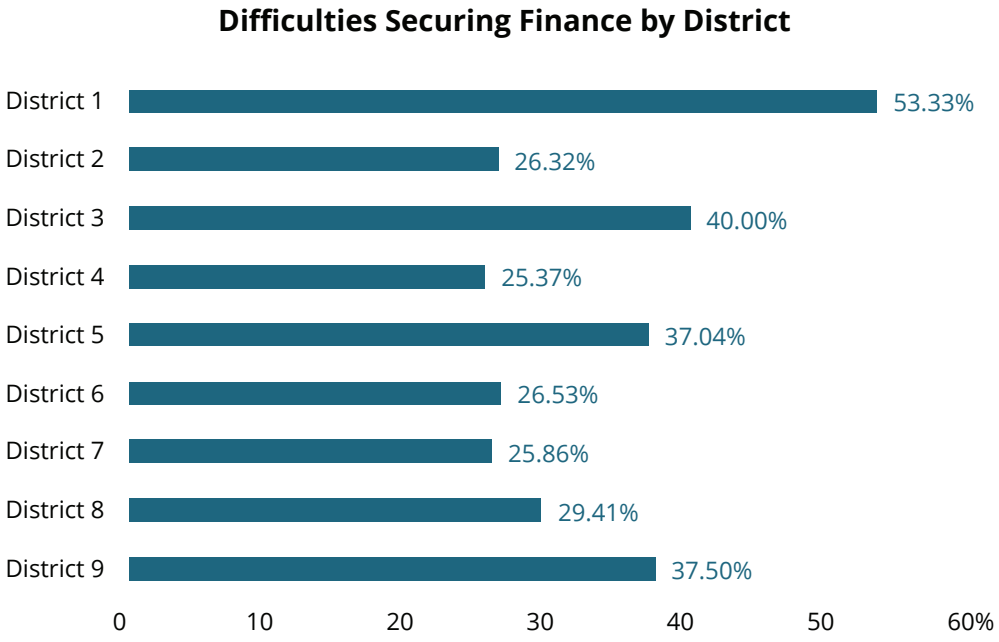
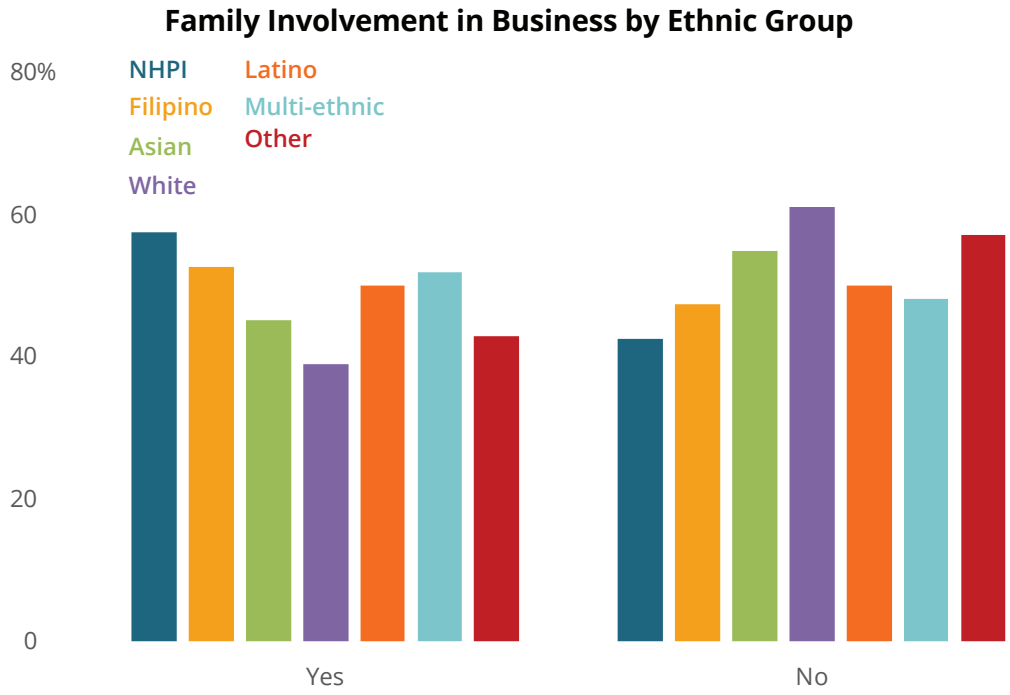




Appendix C: Differences on securing finance based on districts



Appendix D: Differences Based on Ethnic Group



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