



2022 CNMI SMALL BUSINESS SURVEY



2022 SMALL BUSINESS SURVEY REPORT

AUGUST 10, 2022

About this Report

This 2022 CNMI Small Business Survey Report has been prepared by the Governor's Council of Economic Advisers and in collaboration with the CNMI Small Business Development Center Network, and the Saipan Chamber of Commerce.

Introduction

As the Commonwealth of the Northern Mariana Islands (CNMI) emerges from the years of unprecedented economic disruption caused by the COVID-19 pandemic, it is apparent to all concerned parties that the Commonwealth is presented with an opportunity to use this moment in history to secure lasting and long-awaited support for small businesses.

To respond to the task of seeing a stronger small business community in the CNMI, the Governor's Council of Economic Advisers (GCEA), within its 10-year planning effort, organized its Small Business Development and Retention Planning Committee led by Council members Joe C. Guerrero and Alex B. K. Youn. Within this planning Committee, GCEA coordinated with the CNMI Small Business Development Center Network (SBDC), and the Saipan Chamber of Commerce (SCC) to work collaboratively to review the historical and emerging challenges of small business with the following objectives:

Task 1: Determine the definition of what constitutes a "small business" in the CNMI context by analyzing:

- A. The composition of the current business environment and size determinations relative to existing operations; and
- B. The size, characteristics, and industries encompassed under varying business sizes.

Task 2: Identifying the broad range of issues facing the small business community in the CNMI to include:

- Economic or market conditions



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- Structural/financial resources
- Government support resources
- Obstacles toward development or business retention
- Utilization and efficacy of business training and support programs

These areas of analysis led to the development and release of the 2022 CNMI Small Business Survey. The survey was launched on June 28, 2022 through dissemination in business associations, media releases, and was made available on the GCEA website (www.cnmieconomy.com). The 23 questions contained within the survey were developed in collaboration between GCEA, SCC, and SBDC and constructed to capture responses that can be applied to multiple use cases.

On July 6 to July 8, 2022, responding to additional needs of the diverse business communities in the Commonwealth, the collaboration sought to expand the reach of the survey by connecting with the Korean, Chinese, and Filipino business organizations. These meetings led to the deployment of online surveys translated into Korean and Chinese languages.

The survey period closed on August 4, 2022 with a total response from 210 unique respondents.

Survey Results

The 2022 CNMI Small Business Survey asked the small business community to provide their responses the following 23 questions, divided into three topic areas:

About Your Small Business

1. What is the ethnic group of the owner(s) of your business?
2. What is the nationality of the owner(s) of your business?
3. How many full-time equivalent employees do you employ?
4. How would you describe your business?
5. What sector does your business operate in?
6. How long has your business been running?
7. Which of the following best describes your situation?



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8. What is your approximate revenue of your business in the tax year ending December 2021?
9. What is your operation cost including rents, salaries, and other overhead costs?

Small Business Financial Support

10. What type of financial assistance did you receive to start your business?
11. In your experience, what if any were the challenges with obtaining finance for your business?

Small Business Support

12. What are your main short-term concerns for you or your business?
13. What are your main long-term (3 years or more) concerns for you or your business?
14. How easy is it to start or run a business in the CNMI?
15. In your experience, how easy is it to find business support and advice in the CNMI?
16. Which of the following sources of business support and advice in the CNMI have you found most helpful?
17. In the past, on what topics have you sought advice on?
18. In your experience, how helpful have you found business support and advice at the CNMI Small Business Development Center Network?
19. In your experience, how helpful have you found business support and advice at the CNMI Department of Commerce?
20. In your experience, how helpful have you found business support and advice at the Commonwealth Economic Development Authority?
21. In your experience, how helpful have you found business support and advice at the CNMI Department of Land and Natural Resources, Department of Agriculture?
22. In your experience, how helpful have you found business support and advice at the PTAC (Procurement Technical Assistance Center)?
23. How do you prefer to receive business support?



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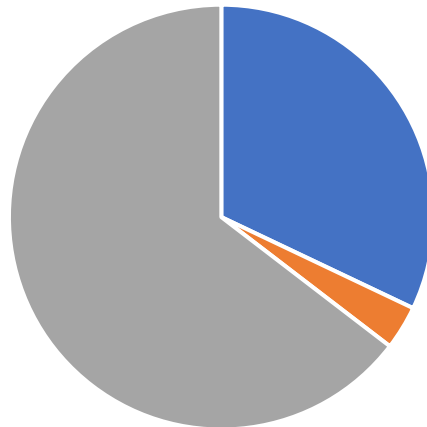


These questions elicited a range of responses. After consolidating the survey results from the English, Korean, and Chinese versions of the survey, the following are highlights from responses:

What is the nationality of the owner(s) of your business? **Responses** **Percent**

Non-US Citizen	67	32%
Green card holder	7	3%
United States Citizen	135	65%

What is the nationality of the owner(s) of your business?



■ Non-US Citizen ■ Green card holder ■ United States Citizen



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How many full-time equivalent employees do you employ?

Responses

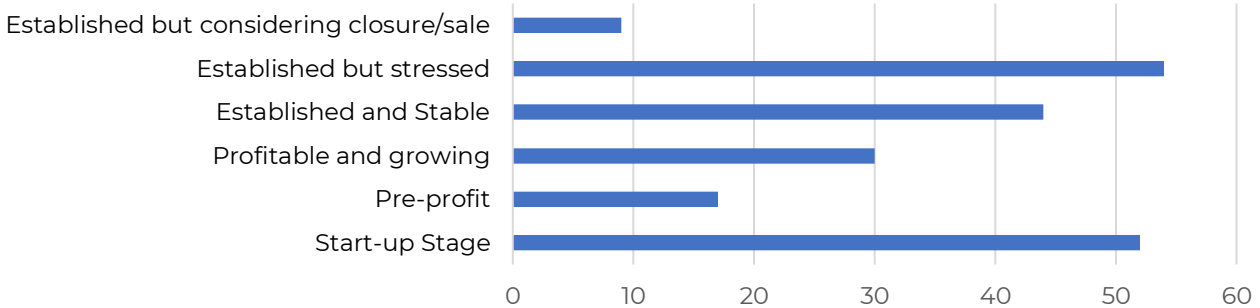
Average	6.87
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How would you describe your business?

Responses Percent

Start-up Stage	52	25%
Pre-profit	17	8%
Profitable and growing	30	15%
Established and Stable	44	21%
Established but stressed	54	26%
Established but considering closure/sale	9	4%

How would you describe your business?





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What sector does your business operate in?

Responses Percent

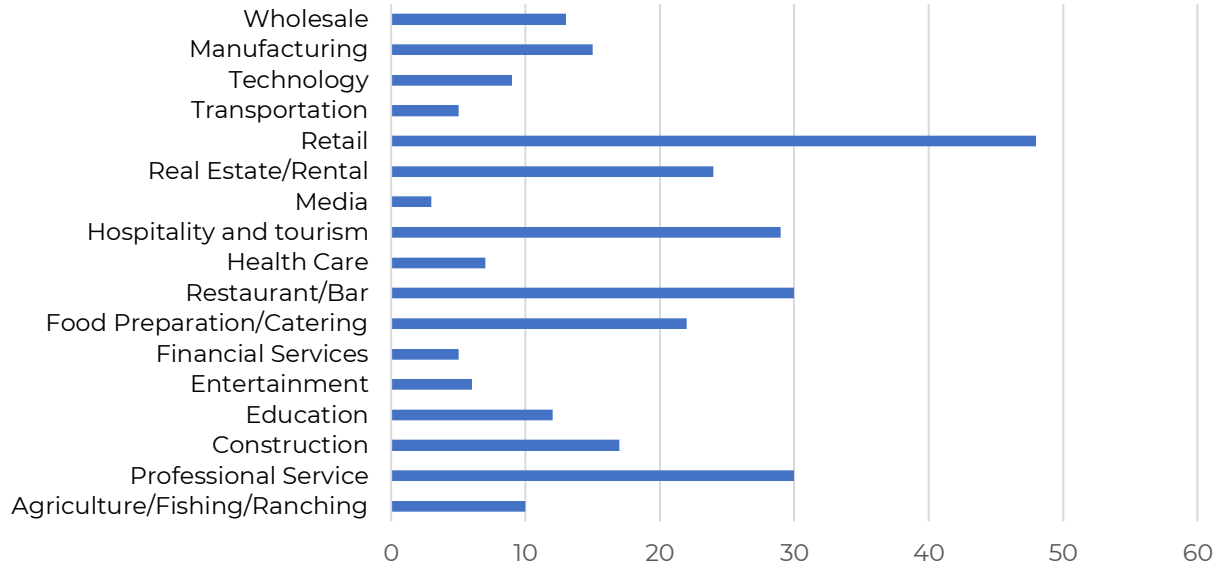
Agriculture/Fishing/Ranching	10	4%
Professional Service	30	11%
Construction	17	6%
Education	12	4%
Entertainment	6	2%
Financial Services	5	2%
Food Preparation/Catering	22	8%
Restaurant/Bar	30	11%
Health Care	7	2%
Hospitality and tourism	29	10%
Media	3	1%
Real Estate/Rental	24	8%
Retail	48	17%
Transportation	5	2%
Technology	9	3%
Manufacturing	15	5%
Wholesale	13	5%



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What sector does your business operate in?





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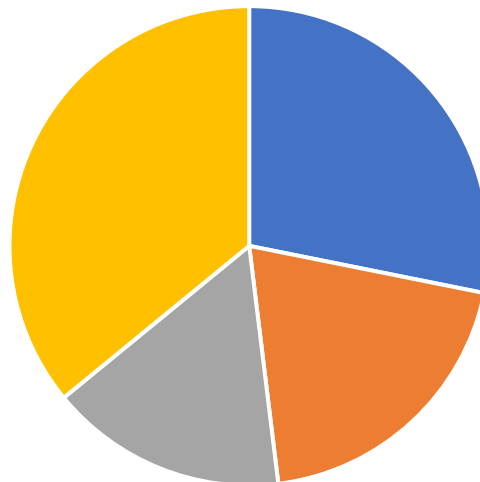


How long has your business been running?

Responses Percent

1 to 3 years	58	28%
Less than 1 year	41	20%
4 to 9 years	33	16%
over 10 years	74	36%

How long has your business been running?



■ 1 to 3 years ■ Less than 1 year ■ 4 to 9 years ■ over 10 years



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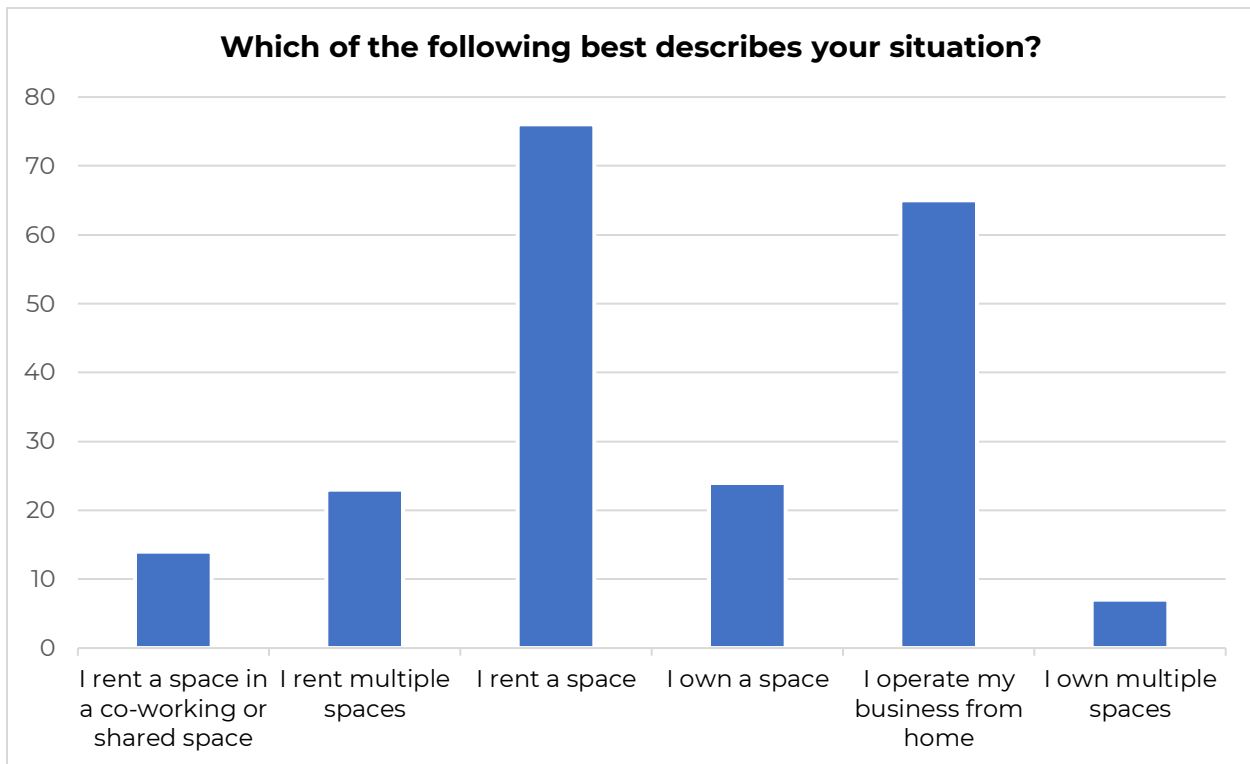


Which of the following best describes your situation?

Responses Percent

I rent a space in a co-working or shared space	14	7%
I rent multiple spaces	23	11%
I rent a space	76	36%
I own a space	24	11%
I operate my business from home	65	31%
I own multiple spaces	7	3%

Which of the following best describes your situation?





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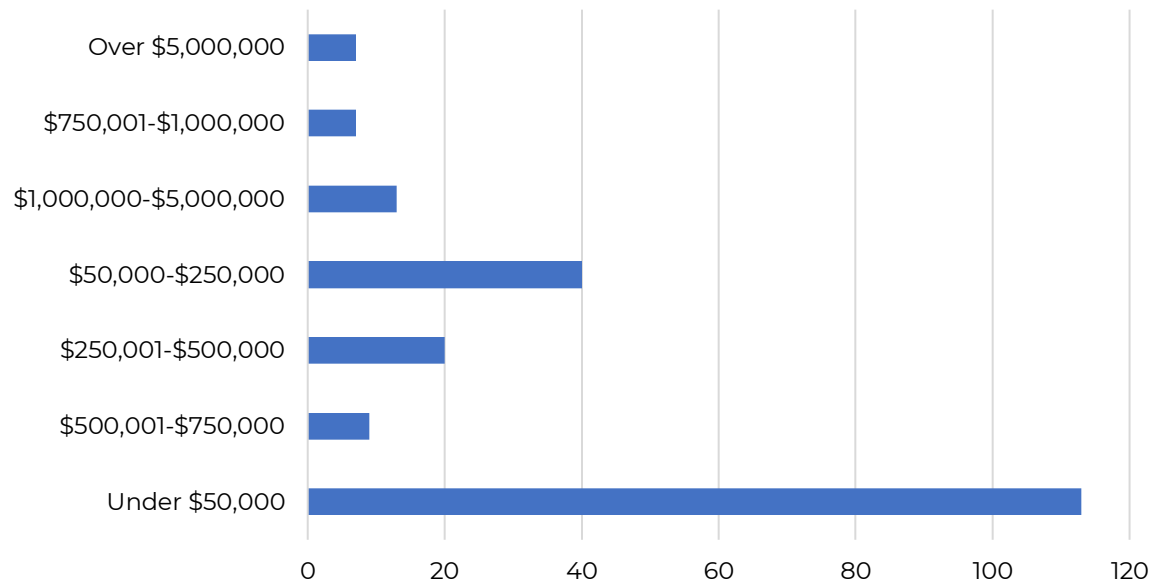


What is your approximate revenue of your business in the tax year ending December 2021?

Responses Percent

Under \$50,000	113	54%
\$500,001-\$750,000	9	4%
\$250,001-\$500,000	20	10%
\$50,000-\$250,000	40	19%
\$1,000,000-\$5,000,000	13	6%
\$750,001-\$1,000,000	7	3%
Over \$5,000,000	7	3%

What is your approximate revenue of your business in the tax year ending December 2021?





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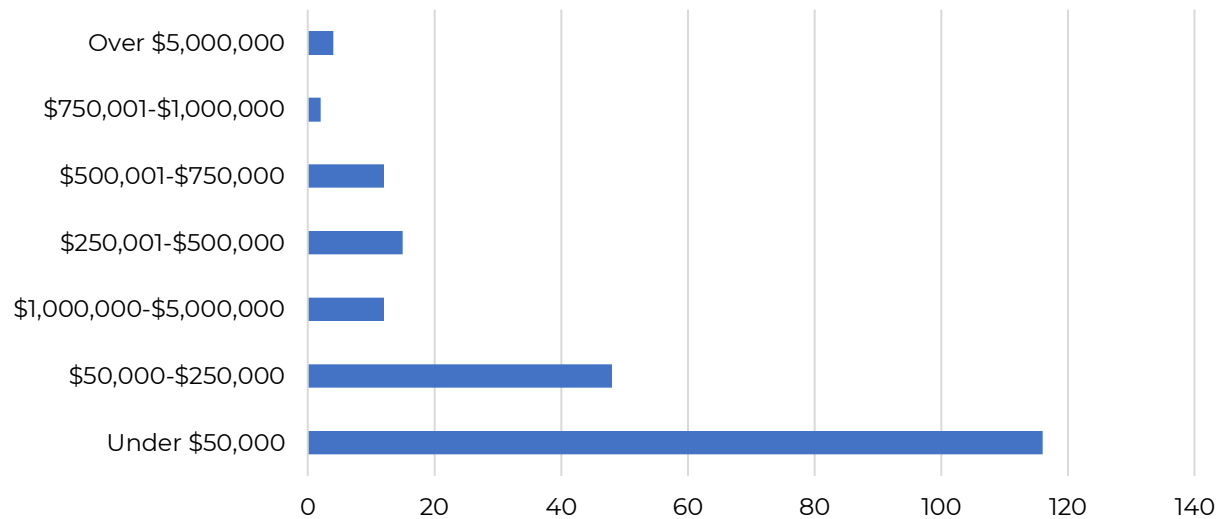


What is your operation cost including rents, salaries, and other overhead costs?

Responses Percent

Operation Cost Range	Responses	Percent
Under \$50,000	116	56%
\$50,000-\$250,000	48	23%
\$1,000,000-\$5,000,000	12	6%
\$250,001-\$500,000	15	7%
\$500,001-\$750,000	12	6%
\$750,001-\$1,000,000	2	1%
Over \$5,000,000	4	2%

What is your operation cost including rents, salaries, and other overhead costs?





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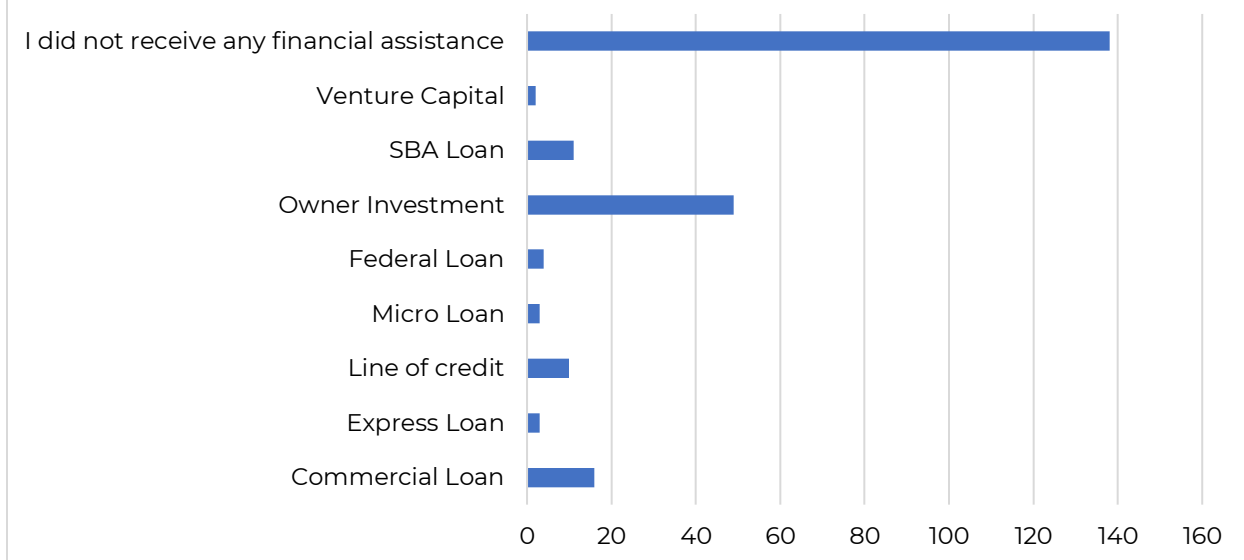


What type of financial assistance did you receive to start your business?

Responses Percent

Commercial Loan	16	7%
Express Loan	3	1%
Line of credit	10	4%
Micro Loan	3	1%
Federal Loan	4	2%
Owner Investment	49	21%
SBA Loan	11	5%
Venture Capital	2	1%
I did not receive any financial assistance	138	58%

What type of financial assistance did you receive to start your business?





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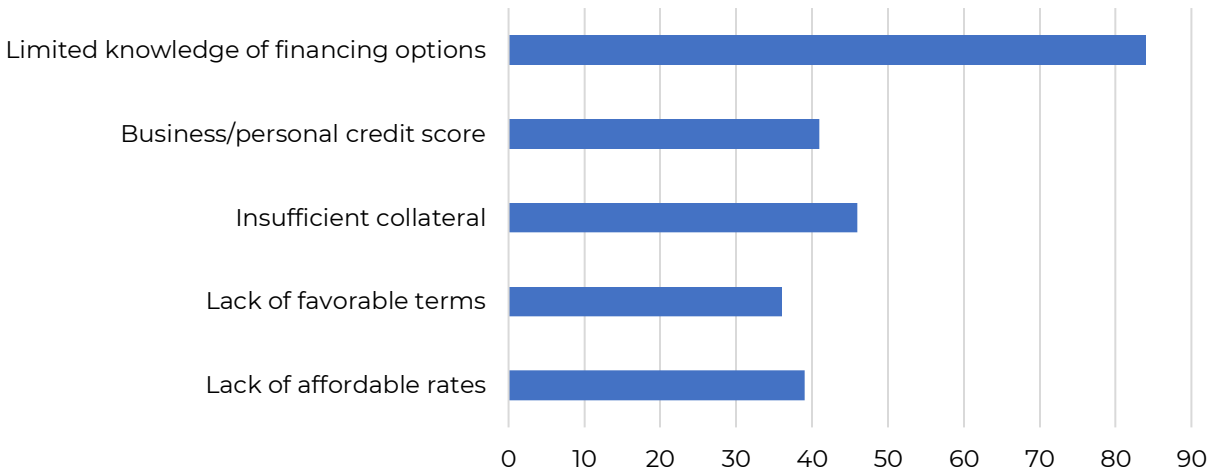


In your experience, what (if any) were the challenges with obtaining finance for your business?

Responses Percent

Lack of affordable rates	39	16%
Lack of favorable terms	36	15%
Insufficient collateral	46	19%
Business/personal credit score	41	17%
Limited knowledge of financing options	84	34%

In your experience, what (if any) were the challenges with obtaining finance for your business?





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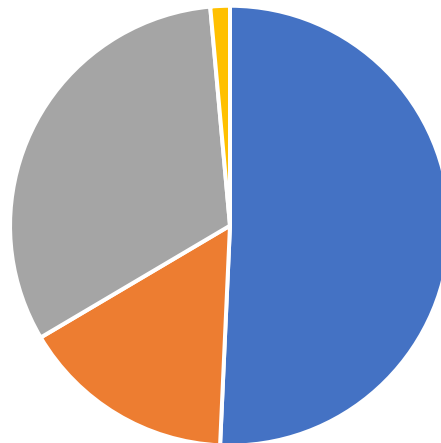


How easy is it to start or run a business in the CNMI?

Responses Percent

Difficult	106	51%
Very difficult	33	16%
Easy	67	32%
Very easy	3	1%

How easy is it to start or run a business in the CNMI?



■ Difficult ■ Very difficult ■ Easy ■ Very easy



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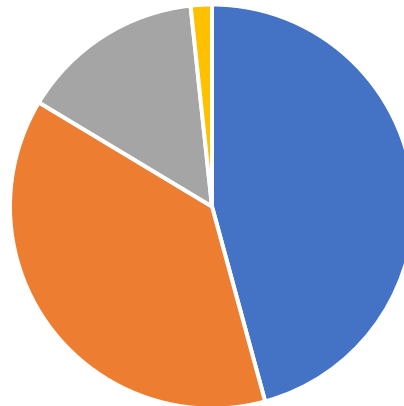


In your experience, how easy is it to find business support in the CNMI?

Responses Percent

Difficult	81	46%
Very difficult	67	38%
Easy	26	15%
Very easy	3	2%

In your experience, how easy is it to find business support and advice in the CNMI?



■ Difficult ■ Very difficult ■ Easy ■ Very easy



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Top 1 short-term concern

Top 1 short-term concern	Responses	Percent
Developing an online presence / e-commerce / social media	6	2.9%
Cost of doing business in the CNMI	64	30.8%
Obtaining finance	34	16.3%
Acquiring new customers	17	8.2%
Dealing with income volatility	18	8.7%
Managing finance	6	2.9%
Recruiting or retaining appropriate workforce	34	16.3%
Expanding to new markets	14	6.7%
Government departments are too inefficient	1	0.5%
Finding suitable workspace or retail space	4	1.9%
Biased and unfair CNMI Procurement regulations	1	0.5%
Integrating or adapting to new technologies	2	1.0%
CNMI government interference.	1	0.5%
Lack of personal finances to expand the business	1	0.5%
Developing new management or leadership skills	1	0.5%
Zoning changes from prior use to present restricted use and permit processing is unreasonable	1	0.5%
Relocation to Tinian	1	0.5%
Lack of financial resources to expand my house rental business	1	0.5%
Dealing with Government departments, permit process and red tape	1	0.5%



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Top 1 long-term concern

Responses Percent

Top 1 long-term concern	Responses	Percent
Cost of doing business in the CNMI	67	32.2%
Recruiting or retaining appropriate workforce	30	14.4%
Finding suitable workspace or retail space	8	3.8%
Expanding to new markets	15	7.2%
Developing an online presence / e-commerce / social media	5	2.4%
Obtaining finance	21	10.1%
Integrating or adapting to new technologies	6	2.9%
Dealing with income volatility	23	11.1%
Immigrant status	1	0.5%
Renewal every permit and business license. I can pay for payment but TOO MUCH PAPER WORKS. Please make some on-line.	1	0.5%
Developing new management or leadership skills	5	2.4%
N/A	2	1.0%
Acquiring new customers	13	6.3%
Managing finance	8	3.8%
CNMI government interference.	1	0.5%
Lack of personal finances to expand the business	1	0.5%
Dealing with Government departments – permits and ongoing costs of compliance with overly burdensome regulations	1	0.5%



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Survey Highlights

Of the 210 respondents, there are a number of insights that can be gained into the characteristics of small business in the CNMI. In no particular order, here are the preliminary insights from the survey based on early analysis.

1. Majority of Small Businesses in the CNMI had an annual revenue of less than \$50,000 in 2021 (54% \pm 6.7%)
2. The majority of small businesses in the CNMI did not receive any financial assistance to start their businesses (58% \pm 6.2%)
3. The largest single reason given for challenges in obtaining finance was the limited knowledge of financing options available (34% \pm 5.9%).
4. The number one short term concern facing small businesses is the Cost of Doing Business in the CNMI, followed by Finding Suitable Workspace, and Expanding to New Markets.
5. The number one long-term concern facing small businesses is the Cost of Doing Business in the CNMI, followed by Recruiting or Retaining Appropriate Workforce, Dealing with Income Volatility.
6. Majority of small businesses find it is either difficult or very difficult to start or run a business in the CNMI.
7. More than 2/3rds of small businesses find it is difficult or very difficult to find business support and advice in the CNMI.