

**SPECIAL REPORT:
BUSINESS CONFIDENCE**

Businesses Upbeat About the Months Ahead

Cal State San Marcos Project Takes Stock Of the Economy for Remainder of the Year

By BRAD GRAVES

Business leaders in San Diego County feel the economy is poised to turn around after the COVID-19 pandemic, with slightly more than one-third forecasting that it will happen in the next six to 12 months.

Those are the findings of the San Diego Business Confidence Index survey, conducted by students at California State University San Marcos earlier this spring.

The San Diego Business Journal sponsored the survey. Participating businesses had until April 18 to return their questionnaires.

“Businesses suffered through the pandemic last year and business confidence dropped significantly,” said Jim Hamerly, Ph.D., dean of the college of business. “We were pleasantly surprised to see it recover this spring.”

A group of business administration students conducts the survey, asking businesses how they feel about conditions in the next six months. This semester the students received 128 responses from the general business population. Not all businesses shared their locations, but of those who did, 70% reported being in North County while almost all others reported being in the central part of the county.

In conjunction with the project, students surveyed leaders in three vertical markets that are very important to the local economy: Craft Brewing; Tourism and Hospitality; and Biotechnology and Medical Devices. Results of those surveys are presented on the following pages.

In addition, business leaders were polled on changes they made due to the coronavirus pandemic.

Looking Toward a Turnaround

Businesses responding to the survey generally said they see better times coming. Roughly two-thirds or 69% said they expected their businesses to be back to pre-pandemic levels within a two-year window.

There were a lucky few who said their businesses actually grew during the pandemic. Some 15% of all survey respondents reported growth.

Some 11.5% of businesses said they felt business would return to normal in fewer than six months.

The largest group of respondents — some 37% — are looking toward the fourth quarter of 2021 and the first quarter of 2022; specifically, they said

they expected their businesses to return to pre-pandemic levels in six to 12 months. An additional 23% said they saw a recovery to pre-pandemic levels in 12 to 24 months, while 9.7% said they expected a recovery in more than two years. Four businesses in total, making up 3.5% of the responses, said they felt that they would never recover.

Feeling Good

A central component of the survey results is a Business Confidence Index. Survey authors use data they collect in each of the four surveys to calculate a numerical score for each index. Scores range from 0 to 100, with 50 being neutral and greater than 50 being optimistic about the economy.

In the spring of 2021, the General Business Confidence Index hit a record high of 80.96, up dramatically from 59.78 in spring 2020, which indicated a more neutral mood. The index from fall 2020 was 64.91.

Over the five years of the springtime survey, optimism has prevailed.

Roughly three out of four businesses said they expect their revenue to increase during the next six months. Only 5% said they expected it to decrease. Some 71% said they expected profits to increase in the next six months, again, with 5% predicting a decrease.

More than half of businesses — some 57% — said they planned to increase the number of employees, with another 38% saying employment would remain the same.

Three out of four respondents said they had changed their business strategy since the arrival of the pandemic, and 73% said they adopted new technologies in response to the event.

Respondents said they had adopted videoconferencing technology, with one out of four using Zoom and another 7.4% using Microsoft Teams.

Nearly 15% said they had begun working remotely. Some 5% said they had taken up e-commerce and 1% said they had implemented curbside pickup.

A team of five students under the direction of Qi Sun, Ph.D. distributed their survey to more than 1,800 businesses in the region, and then compiled results. The students were Leah Richards, Cassidy Sellin, Emily Evans, Tala Kojok and Mena Samaan. The five conducted the survey as part of their participation in CSUSM’s Senior Experience Program. ■



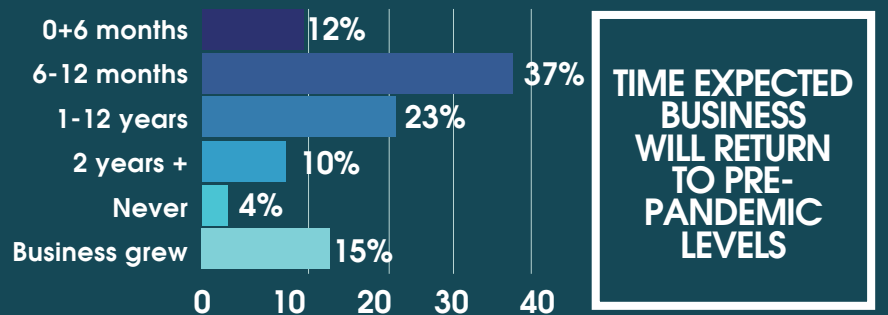
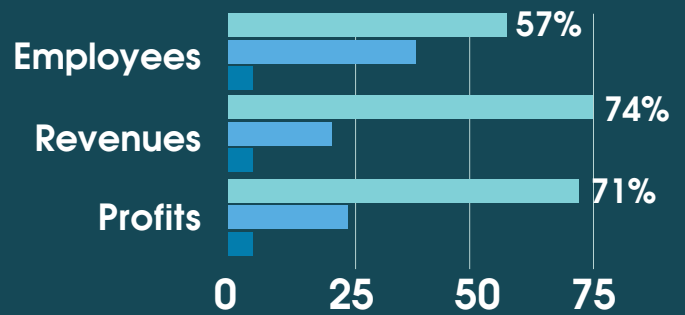
Jim Hamerly
Dean
College of Business
Administration
Cal State San Marcos

GENERAL BUSINESS

CONFIDENCE INDEX SURVEY

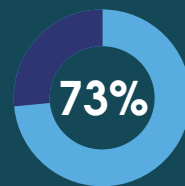
INCREASE STAY THE SAME DECREASE

IN THE NEXT 6 MONTHS YOU EXPECT:

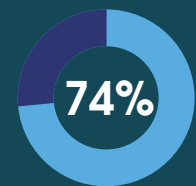


TIME EXPECTED BUSINESS WILL RETURN TO PRE-PANDEMIC LEVELS

SINCE THE STARTS OF THE PAMDEMIC..



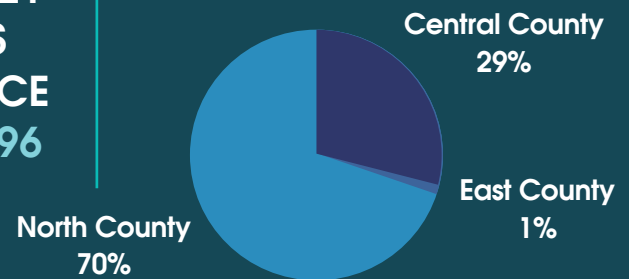
ADOPTED NEW TECHNOLOGIES



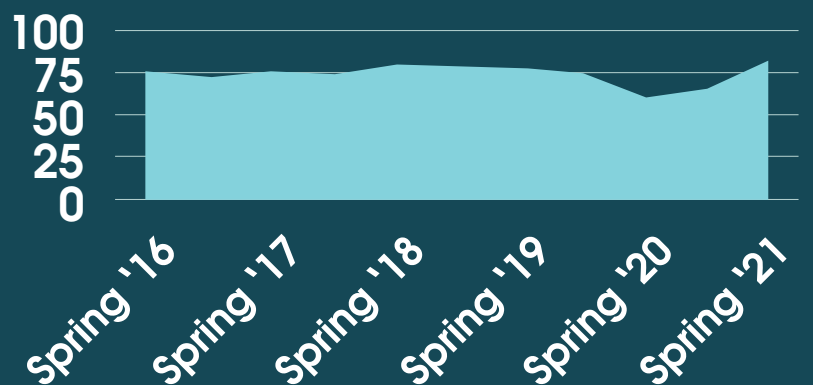
CHANGED THEIR BUSINESS STRATEGY

SPRING 2021 BUSINESS CONFIDENCE INDEX: 80.96

BUSINESS LOCATION



HISTORICAL CONFIDENCE INDEX TREND



Source: California State University, San Marcos Business Confidence Index Survey (128 responses)

Region's Brewers Regain Confidence

By BRAD GRAVES

San Diego County's craft brewing community is feeling confident about the future, according to a just-released survey conducted by the College of Business Administration at Cal State University San Marcos.

Responses from 34 brewers yielded a Craft Beer Confidence Index of 90.68. Under the 100-point scoring system, anything above 50 is good. Brewers haven't felt as good about the potential for increased business since 2018. (The index peaked at 94.57 during the spring of that year.)

Surveys were distributed with the help of the San Diego Brewers Guild and returned by April 25.

Some 85% of respondents said they expected to add employees over the next six months, while 3% said they expected a decrease. Top line revenue was expected to increase at 32 out of the 34 businesses polled. Profits were expected to increase at 28 of the 34 breweries, with two others saying they expect a decline.

Asked to estimate when business would return to pre-pandemic levels, answers were evenly split. Twelve respondents said they expected to reach that level in the next six to 12 months. Another dozen said they expected a return in one to two years. Four businesses expect business to be back in less time — within six months — while three said they would never see pre-COVID levels. Three respondents said their businesses grew during the pandemic.

Some 74 percent of those responding said they adopted new technology because of the pandemic. Thirteen out of 34 said they took up online ordering. Three said they began delivering their products and two said they began canning their beer.

Three out of four said they expected raw materials prices to increase within the next six months.

Eighteen of 34 respondents said they produce 1,000 or fewer barrels of beer per year, while five respondents said their output topped 15,000 barrels. A barrel is 31 gallons. ■

Tourism Begins Rebuilding Process

By BRAD GRAVES

Tourism and hospitality is on the rebound, but it may take up to two years to achieve pre-COVID levels. That's the view of 93% of people who responded to a recent survey.

Some 70% of industry executives who responded to the April survey said they do not expect to see business rivaling the pre-COVID days until at least April 2022, and perhaps as late as April 2023.

Those were the findings of students at the Cal State San Marcos College of Business Administration, who sent out questionnaires on the subject. Some 54 tourism industry officials responded.

Nine percent of respondents anticipate a comeback within the next six months, while another 13% stated levels will be back within six to 12 months.

Practically no one sees an immediate decrease in tourism, while 19% anticipate business staying level, and 80% sees increased levels in the next six months.

An index measuring confidence in the economy ahead stood at an all-time high, at 90.87, surpassing the previous high of 80.45 in the spring of 2018.

Some 94% of respondents (51 out of 54) said they see revenue increasing in the next six months, while 83% see profits increasing. Eighty percent of businesses say they are planning to add employees, while 2% said they expect to cut back. ■

Turn the page for a graphic detailing results of the Tourism and Hospitality Confidence Index Survey.

Biotech Ranking Introduced in 2021

By BRAD GRAVES

Students at the College of Business Administration at Cal State San Marcos have begun monitoring San Diego's biotechnology sector — an area that has weathered the storm of COVID-19 well.

Fifteen local companies took part in a survey about the state of their businesses. With that data, students calculated an initial Business Confidence Index for San Diego's biotech and medical device sector. Its initial reading is 74.44 — midway between neutral and the highest score possible.

Several measurements, including companies' plans to hire, and forecasts for revenue and profits, go into the index.

The industry seems to be in hiring mood, with 73% of respondents planning to increase staff within the next six months.

No one expects revenue to decrease. Some 60% of respondents said they expect revenue to stay the same and 40% predict an increase. Profits are expected to rise at 33% of businesses, while at the remaining 67%, profits are expected to stay the same.

Some 40% of those answering the survey said their R&D budgets had increased in the previous 12 months. ■

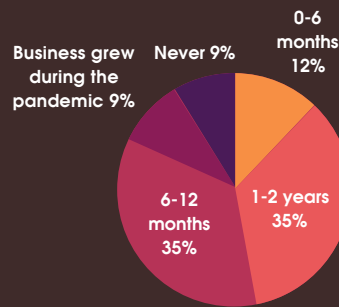
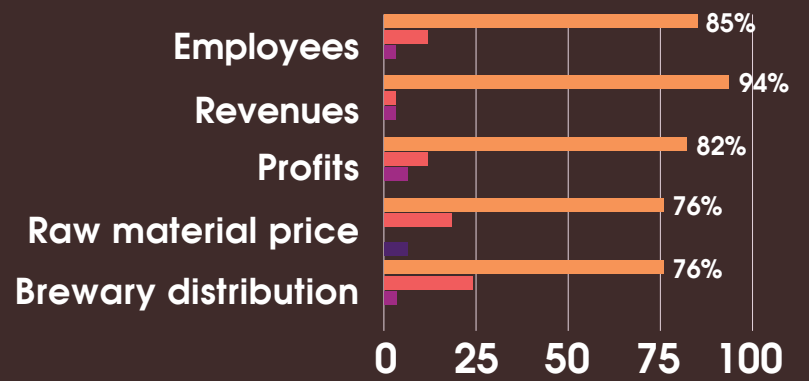
Turn the page for more results from the Biotech & Med Devices Confidence Index Survey.

CRAFT BREWING

CONFIDENCE INDEX SURVEY

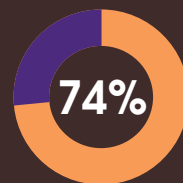


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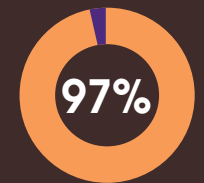


TIME EXPECTED BUSINESS WILL RETURN TO PRE-PANDEMIC LEVELS

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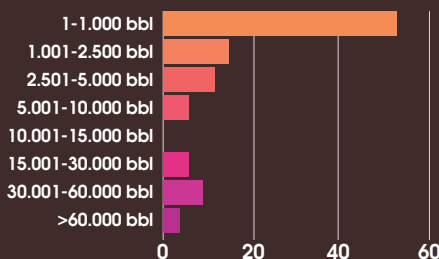


ADOPTED NEW TECHNOLOGIES



CHANGED THEIR BUSINESS STRATEGY

BARRELAGE IN THE LAST 12 MONTHS



SPRING 2021 BUSINESS CONFIDENCE INDEX: 90.68

HISTORICAL CONFIDENCE INDEX TREND



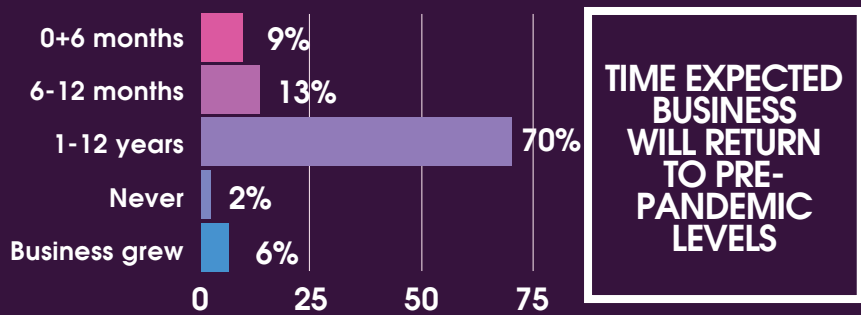
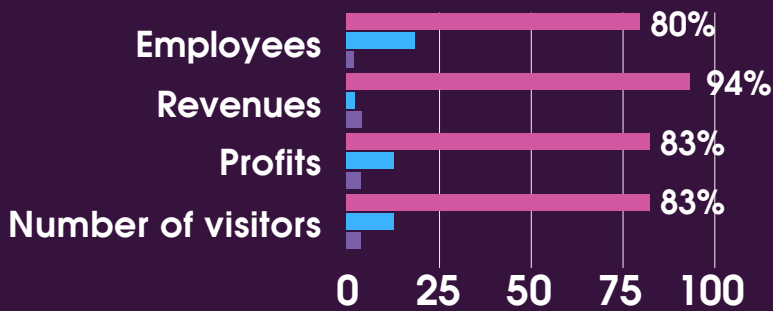
Source: California State University, San Marcos Business Confidence Index Survey (34 responses)

TOURISM & HOSPITALITY

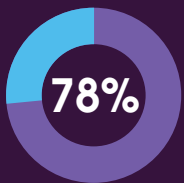
CONFIDENCE INDEX SURVEY

INCREASE STAY THE SAME DECREASE

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ADOPTED NEW TECHNOLOGIES



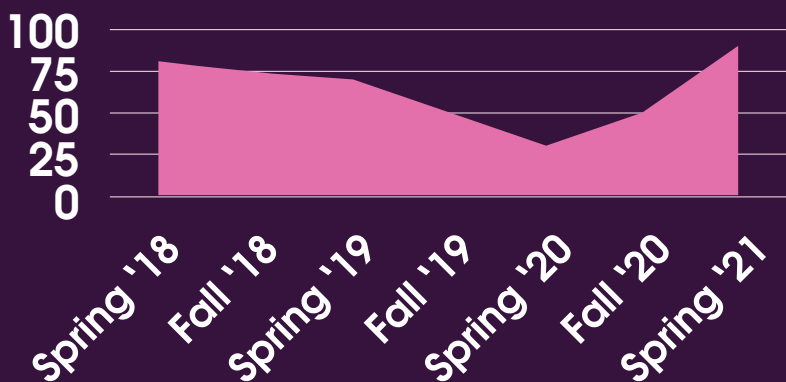
CHANGED THEIR BUSINESS STRATEGY

IN THE NEXT 6 MONTHS PATRONS WILL MOST PRIORITIZE:

SPRING 2021 BUSINESS CONFIDENCE INDEX: **90.87**



HISTORICAL CONFIDENCE INDEX TREND



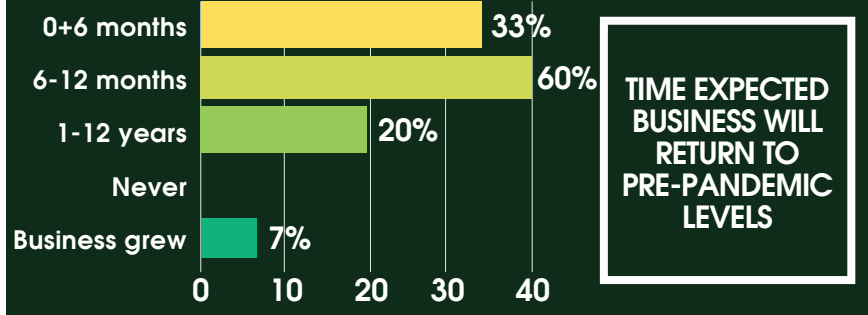
Source: California State University, San Marcos Business Confidence Index Survey (54 responses)

BIOTECH & MED DEVICES

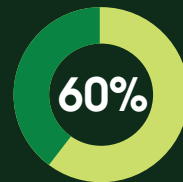
CONFIDENCE INDEX SURVEY

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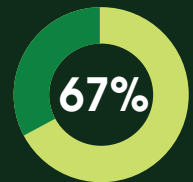
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SINCE THE STARTS OF THE PAMDEMIC..



ADOPTED NEW TECHNOLOGIES

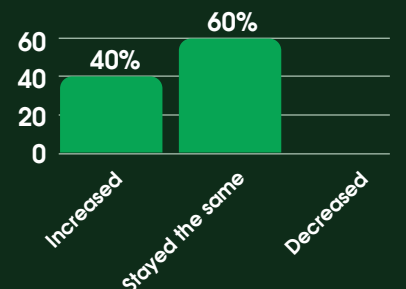


CHANGED THEIR BUSINESS STRATEGY

THE REGULATORY ENVIRONMENT OF OUR GURRENT PRESEDENTIAL ADMINISTRATION WILL:



IN THE PAST 12 MONTHS, INVESTMENT IN RESEACH & DEVELOPMENT:



SPRING 2021 BUSINESS CONFIDENCE INDEX: **74.44**

Source: California State University, San Marcos Business Confidence Index Survey (15 responses)