

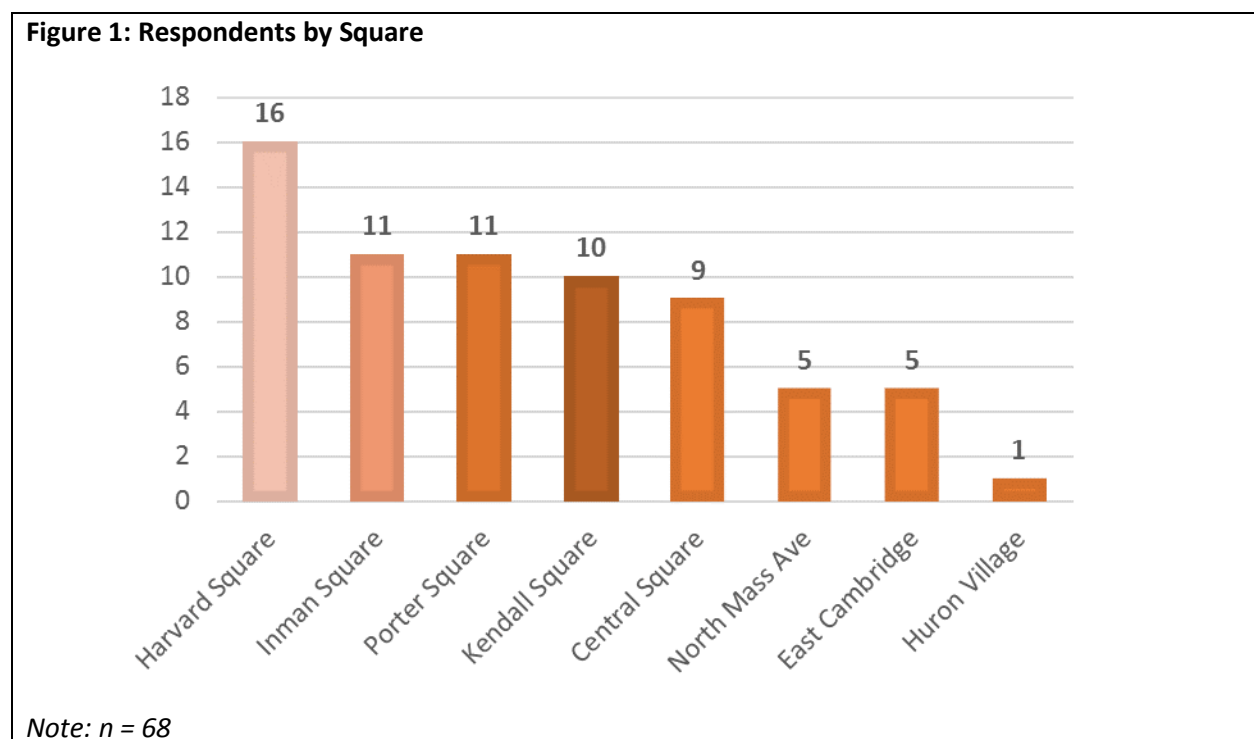
# Data Analysis of 2017 Business Survey

## Background

This is a report on the answers received from an online survey was conducted in collaboration with the Cambridge Community Development Department's Retail Strategy Project. The survey was made available to Cambridge small business owners for 6 weeks (January-March 2017). The survey link was distributed through the Economic Development Division newsletters, business association's newsletters, social media, and business events. EDD staff also visited business in key commercial districts to explain the purpose of the survey and solicit email addresses for further, more individual follow up.

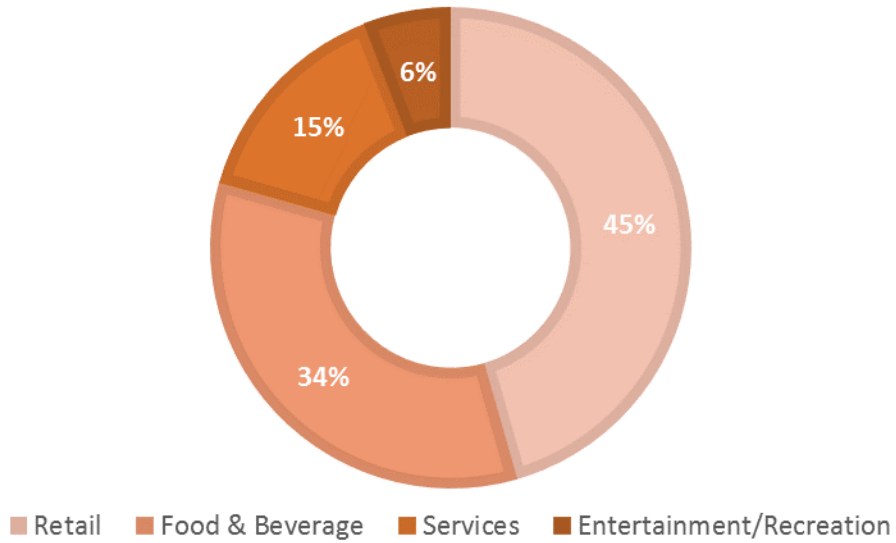
## Respondent Overview

Sixty-eight businesses answered the survey. The respondents were distributed fairly evenly throughout the city, mostly appearing in key commercial districts. The distribution of responding businesses appears to be consistent with the relative density of businesses in each district; Harvard had the strongest showing but probably has the most businesses, whereas Huron Village, a much smaller district, has fewer respondents (see Figure 1).



Each of the responding businesses was placed in one of the following categories: Entertainment/Recreation; Food & Beverage; Retail; and Services. Forty-five percent (45%) were retail establishments, and 34% were food and beverage establishments (See Figure 2).

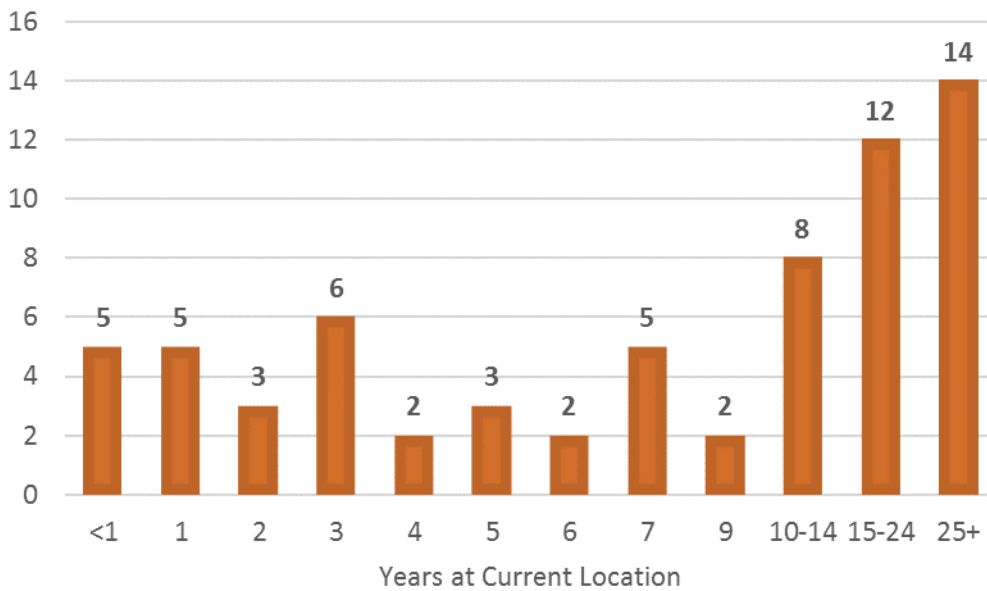
**Figure 2: Type of Respondents**



Note: n = 68

Of the businesses that responded, 50 only had one location, 17 had more than one, and one did not have any location as a food truck startup. Respondents were asked how many years they had been in the present location. As Figure 3 shows, there was a wide distribution among respondents, with 19 at three years and less and 14 at 25 years and more

**Figure 3: Years at Current Location**

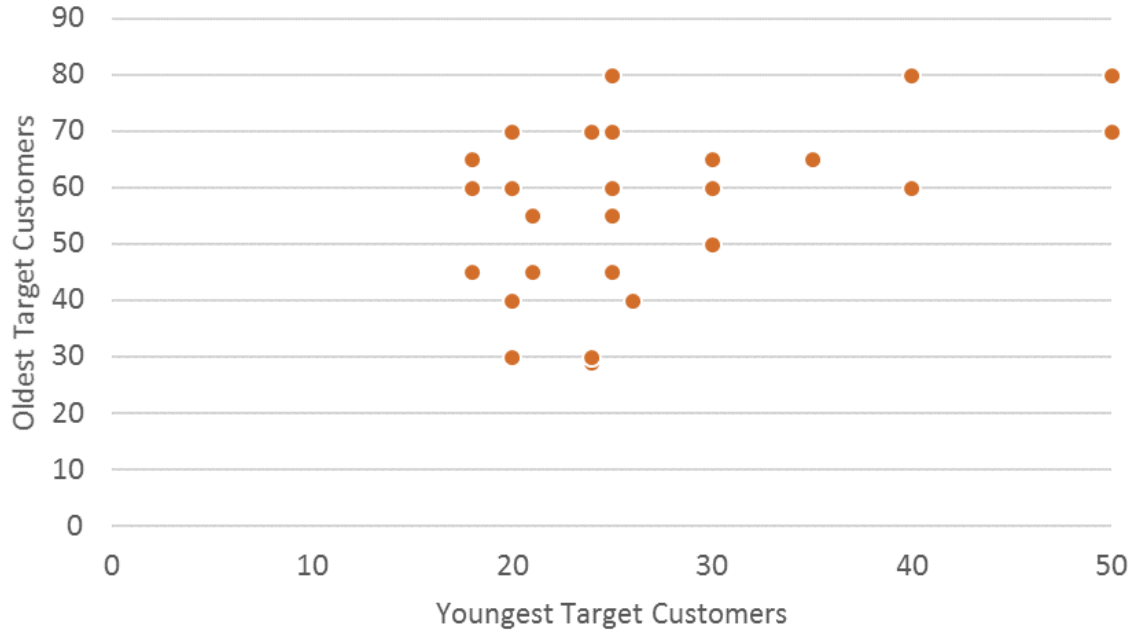


Note: n = 67 (Food truck startup not included.)

## Target Demographic

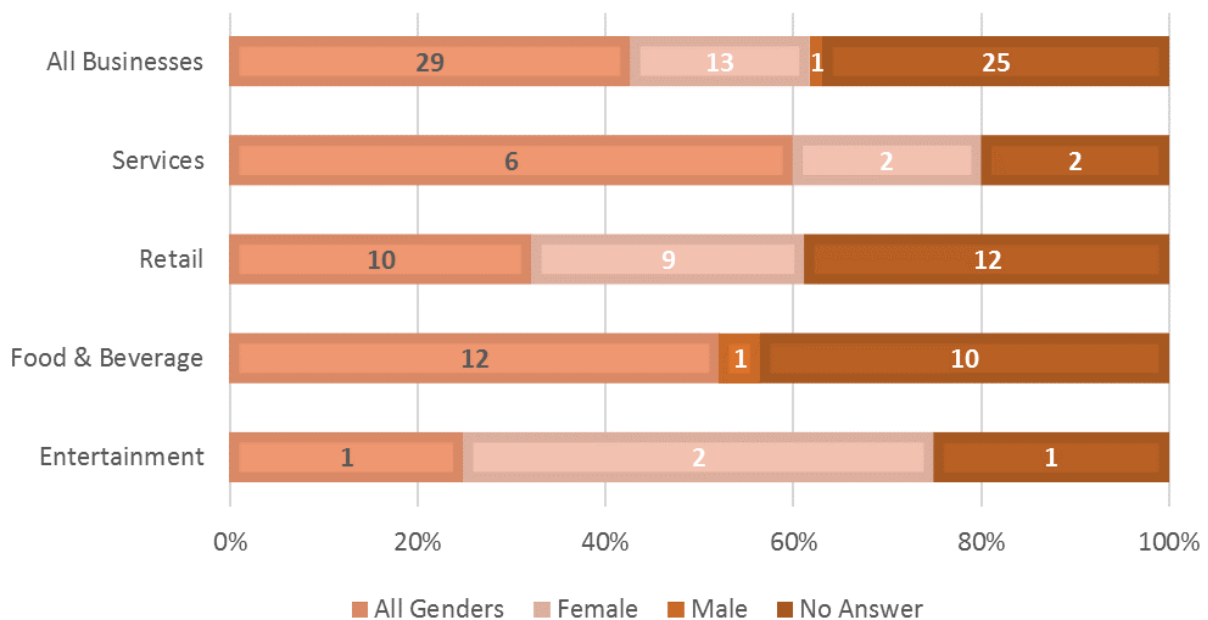
Businesses were asked to identify their target demographic and were encouraged to consider age, race, gender, and income level. Figures 4 through 7 break down the responses to each of these dimensions. Businesses also included other details about their target demographic, which are summarized in Table 1.

**Figure 4: Target Demographic: Age**



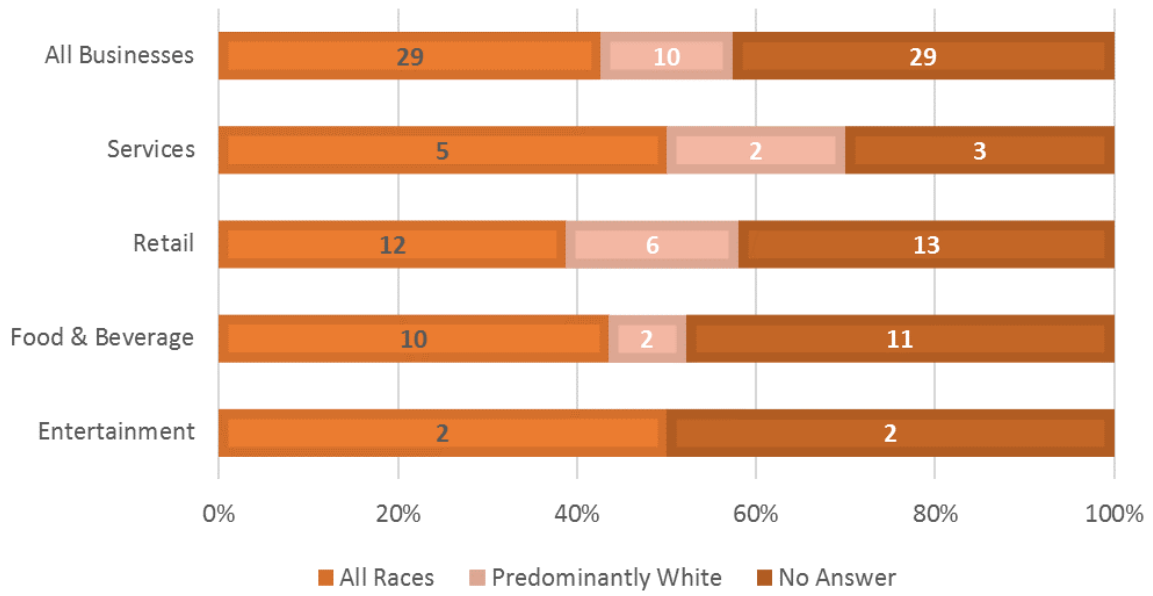
*Note: n = 61. Twenty-two (22) businesses said all ages, and 14 businesses did not mention age as a target demographic.*

**Figure 5: Target Demographic: Gender**



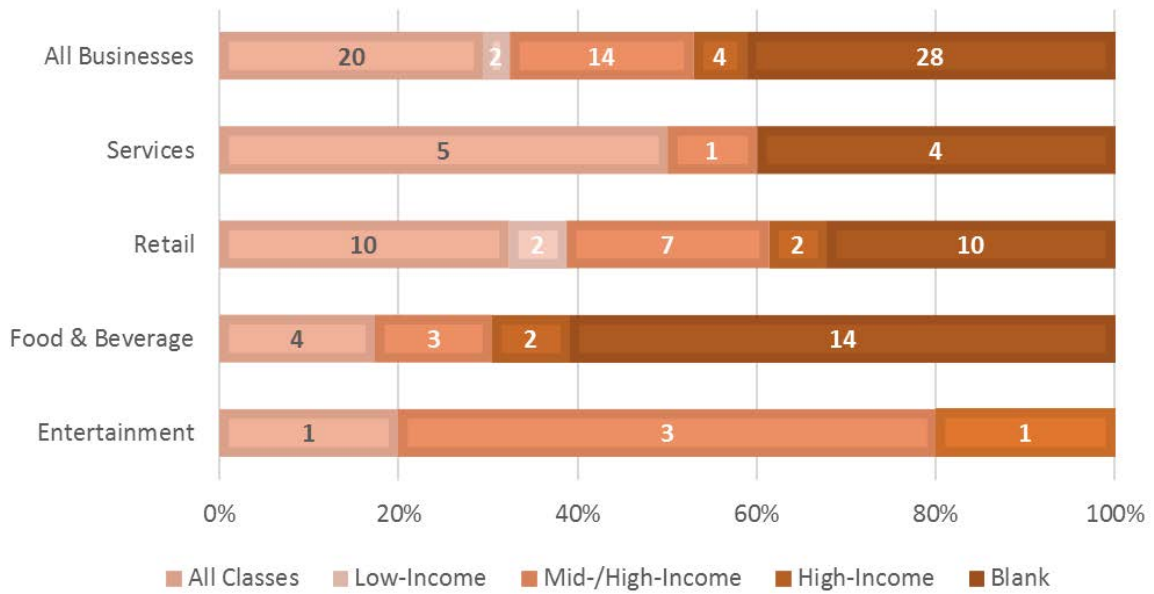
*Note: n = 68*

**Figure 6: Target Demographic: Race**



Note: n = 68

**Figure 7: Target Demographic: Class**



Note: n = 68

|                            | <b>Students and Professors</b> | <b>Professionals</b> | <b>Residents and Local Shoppers</b> | <b>Tourists and International Visitors</b> | <b>Families</b> |
|----------------------------|--------------------------------|----------------------|-------------------------------------|--|-----------------|
| <b>Entertainment</b>       | 1                              | 1                    |                                     | 1  | 1               |
| <b>Food &amp; Beverage</b> | 6                              | 4                    | 3                                   | 1  | 1               |
| <b>Retail</b>              | 3                              | 1                    | 3                                   | 1  |                 |
| <b>Services</b>            | 1                              | 0                    |                                     |  | 1               |
| <b>All Businesses</b>      | 11                             | 6                    | 6                                   | 3  | 3               |

*Note: This table counts businesses that mentioned these specific groups; many businesses mentioned more than one group.*

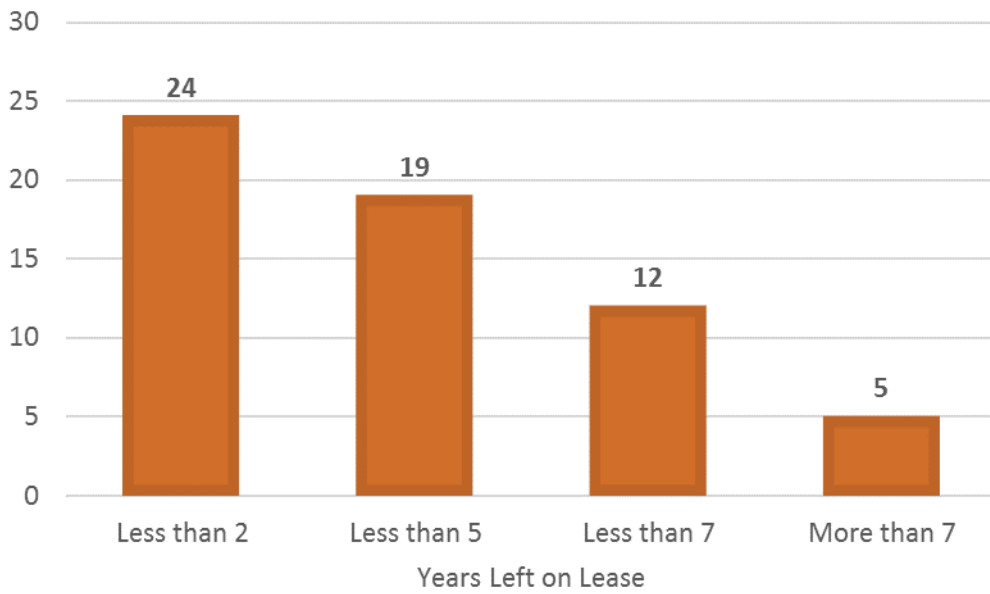
## Property and Expenses

Ten percent (10%) of respondents owned the property where their business was located; 90% did not.

Of the 61 businesses that did not own their property:

- Seventy-two percent (72%) said their lease was up within the next five years. The exact number of years left on the lease for businesses that did not own their property is illustrated in Figure 8.
- Fifty-seven percent (57%) said they had a formal renewal option built into their lease. Ten percent (10%) said they were not sure if they did or not, and 31% did not have a renewal option. Two percent (2%) left the question blank.
  - Of those that do have formal renewal options, 46% were planning to use their renewal option.
  - Those who are not planning to use their renewal option or not sure if they would cited the following reasons:
    - Not offered an automatic renewal or have a month-to-month or year-to-year lease (5 businesses)
    - Rents or charges included in lease becoming too expensive (2 businesses)
    - Uncertainty about market saturation or profitability (1 business)
    - Increasing labor costs (1 business)
    - Plans to move to a new location (1 business)
    - This is a decision not made by the person taking the survey (1 businesses)
- 59% of those who answered the question said escalation was included in their rent.
  - For those who answered no and answered a question about whether they anticipated a rent increase, 34% said they did anticipate an increase and 30% said no. Twenty-six percent (26%) indicated that they could not predict it. One business mentioned that the rent would not matter because their sales could not keep pace with current rent anyway, and another explained that their rent is a portion of their business income.

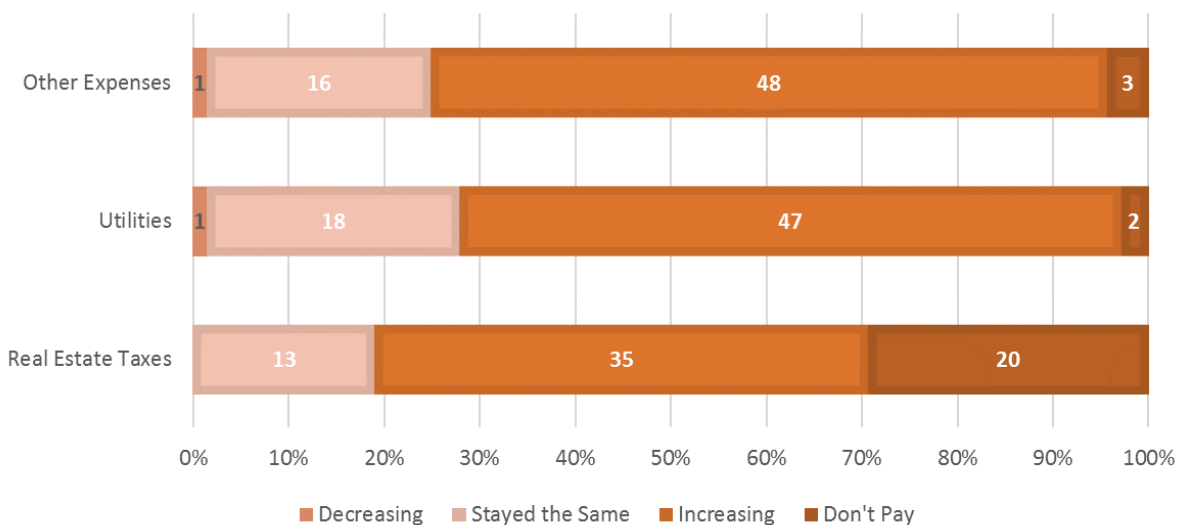
**Figure 8: Years Left on Lease**



Note: n = 60; 8 did not answer this question.

Figure 9 shows that most businesses felt their real estate taxes, utilities and other expenses were increasing over time. Businesses were also asked explicitly whether they paid real estate taxes or their landlords did. Forty-six percent (46%) of respondents said their landlords did and 43% said they did. The remainder indicated that they both did (6%) or were unsure (6%).

**Figure 9: Are expenses increasing or decreasing?**

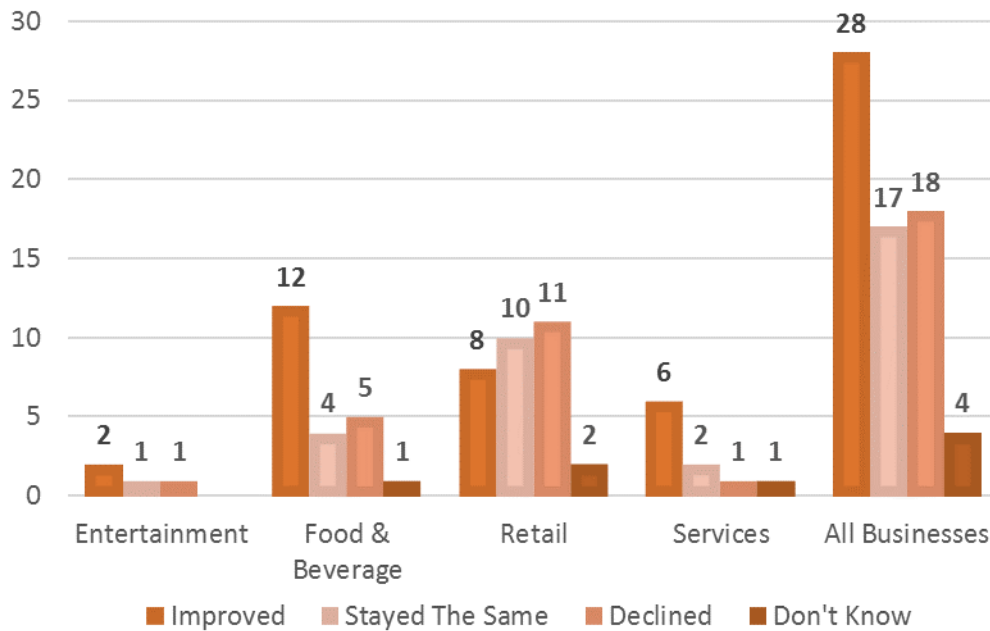


Note: n = 68 for each expense category.

## Business Trajectory

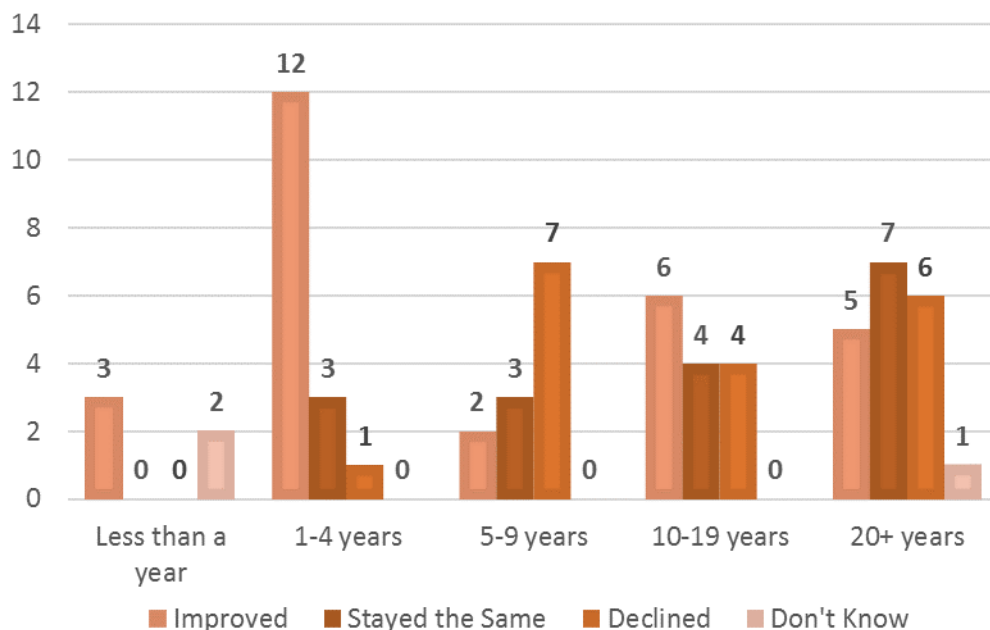
Businesses were asked whether their business had improved, declined, or stayed the same since the previous year. Figures 10 and 11 illustrate their responses broken out by business type and by years at current location. Forty-two percent (42%) of businesses said that business had improved, and 25% said it stayed the same. In every category except retail, the majority of businesses said business had improved.

**Figure 10: Business Trajectory By Business Type**



Note: n = 67; one declined to answer this question.

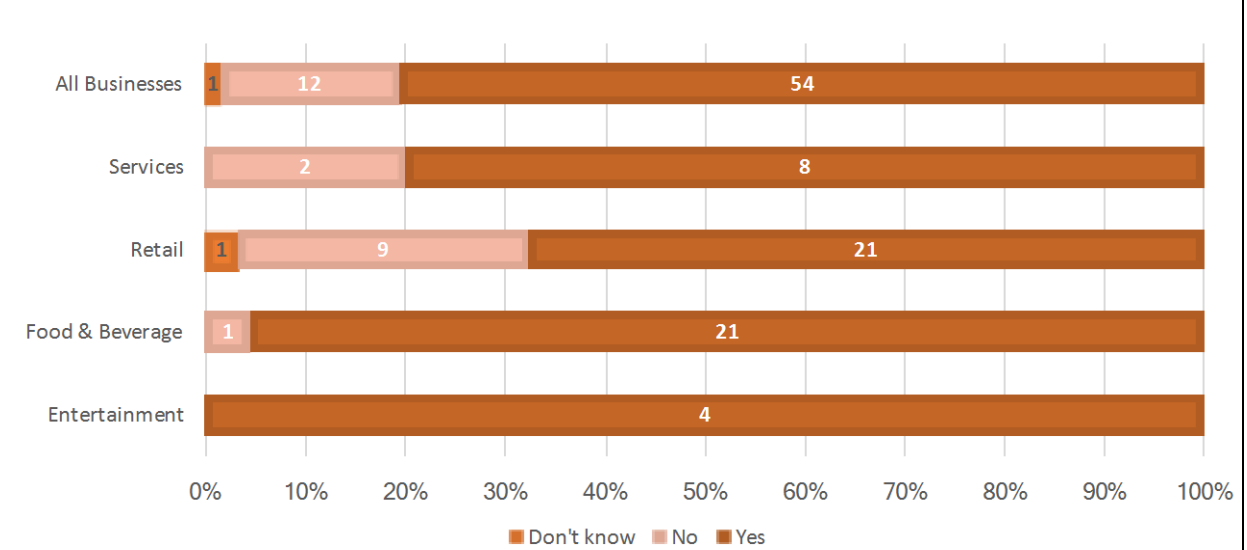
**Figure 11: Business Trajectory By Years at Location**



Note: n = 66; one declined to answer this question and another did not have a number of years at a location.

Businesses were also asked whether they intended to stay in their location for the next five years (See Figure 13). The overwhelming majority, 81%, said that they did intend to stay. However, of the businesses who said they intended to stay, 7% of them qualified their answers by saying “hopefully,” or “assuming I can survive.” Another 18% of all respondents said that they did not know if they would stay. Retail businesses were more likely to say “No” or “I don’t know” in regards to whether they would stay for five more years; 30% said no, compared to 0% for entertainment and recreation, 4% for food and beverage and 20% for services.

Figure 12: Do you intend to stay in your location for the next five years?

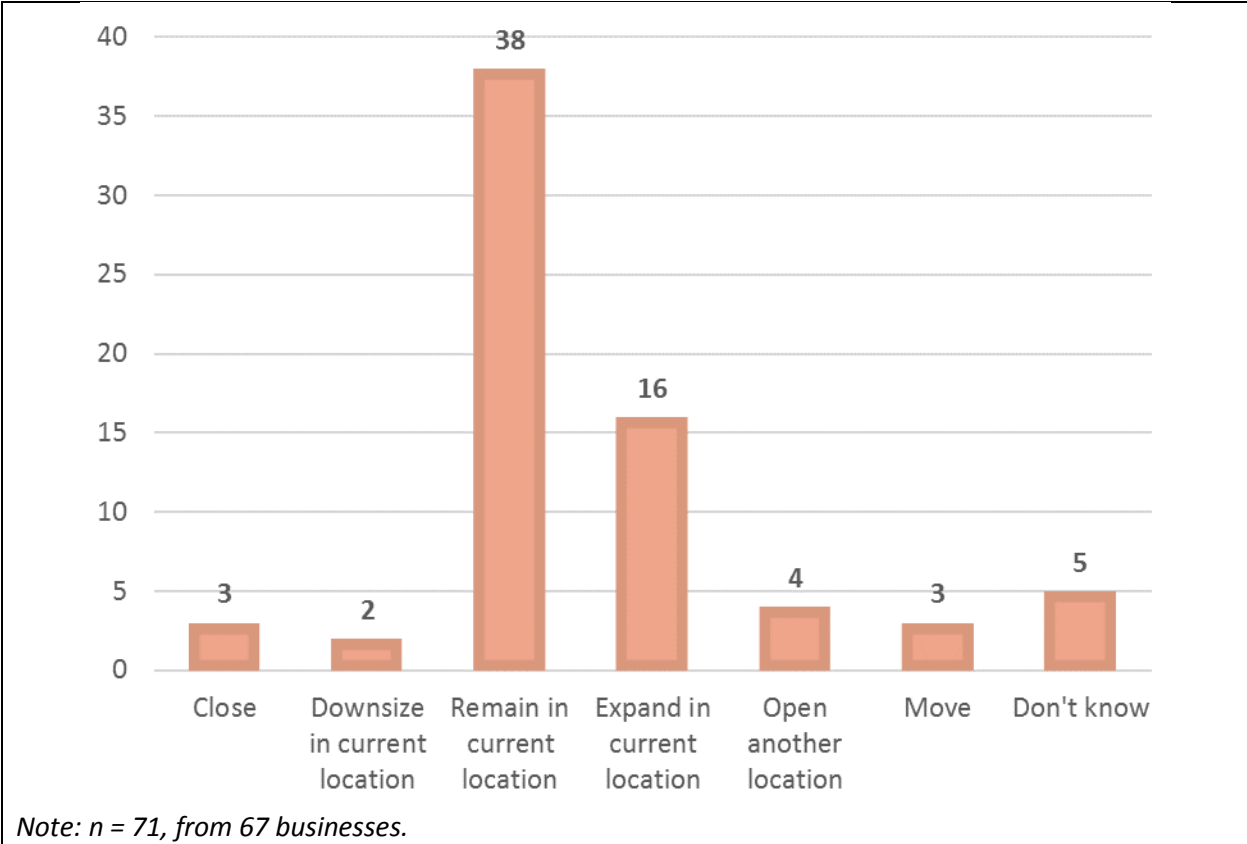


Note: n = 67

Respondents were also asked to select from a list of options what their plans were for the next five years. They could select more than one of the options. Their answers are tabulated in Figure 13.

Figure 13: What do you plan for your business in the next five years?





Businesses were asked to select from a checklist challenges they expected to face to their profitability in the coming years. Table 2 lists the numbers for the answers offered. In addition, many people wrote in responses. These included:

- High labor costs (9)
- Difficulty hiring good employees (3)
- Lack of available parking (3)
- Difficulty attracting new customers (2)
- Losing out to online retailers (2)
- Market saturation (e.g., too many restaurants) (2)
- Increasing costs in general (2)
- Customers not buying, only browsing (1)
- Loss of other retailers in the neighborhood (1)
- Construction-related disruptions (1)
- Increased political uncertainty (1)
- Waiting on City approval (1)

Some included details about what they found unfavorable in their lease. One respondent mentioned that they were unable to understand or dispute common area maintenance charges.

| <b>Table 2: Biggest Challenges to Profitability Expected</b> |  |
|--|--|
| <b>Challenge</b>   | <b>Number of Businesses Selecting This</b> |

|   |    |
|---|----|
| Increase in rent  | 33 |
| Increase in cost of utilities                                   | 27 |
| Increase in real estate taxes                                   | 22 |
| Changing customer base  | 18 |
| Lack of capital to invest in improvements                       | 16 |
| Redevelopment or sale of the property where business is located | 9  |
| Lack of working capital   | 8  |
| Unfavorable lease terms   | 6  |
| Lease term expired, no interest in renewal                      | 1  |

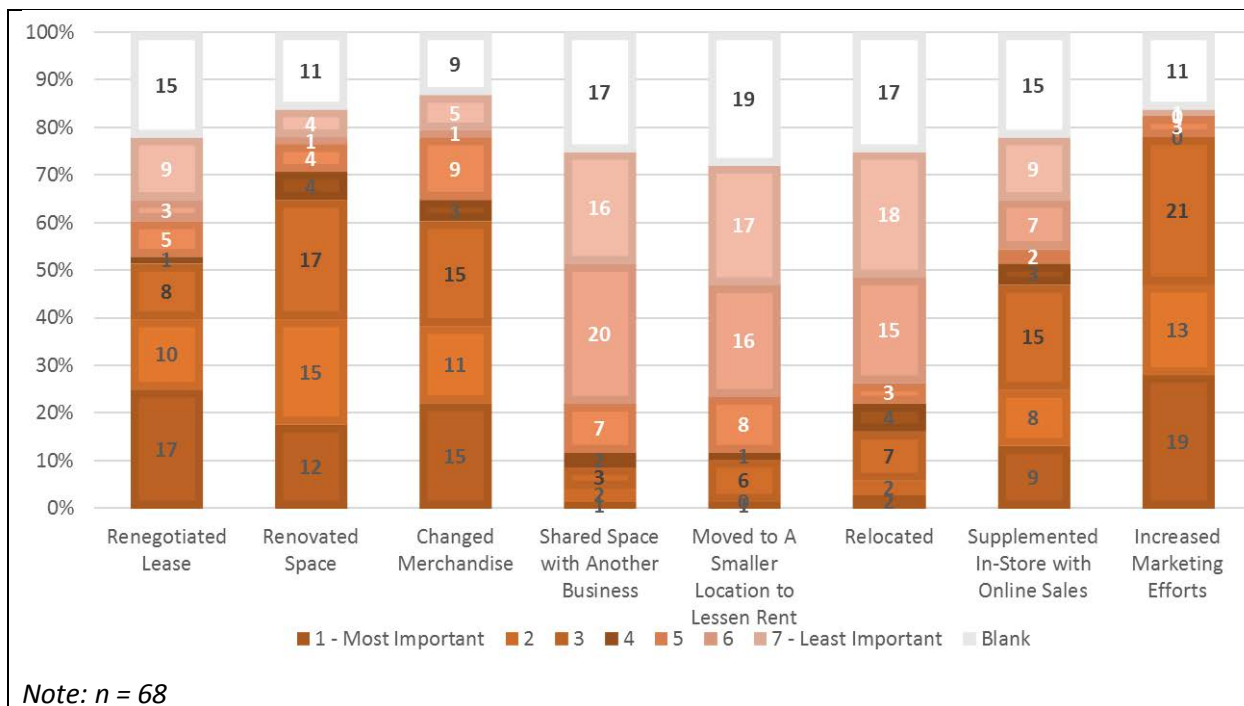
*Note: Respondents could select as many challenges as they wished.*

### Strategies for the Future

Respondents were asked if they were changing the way they were doing business to remain profitable; 78% said that they were. Some of these businesses mentioned that they were still developing a strategy or had just started trying new strategies. Respondents mentioned trying to keep costs down, increasing marketing efforts, and generally thinking of new ways to stay competitive.

Figure 14 displays the different strategies businesses used to maintain profitability and how important they felt these strategies were. Business owners ranked “Increased Marketing Efforts,” “Renegotiated Lease,” “Changed Merchandise,” and “Renovated Space” as the most important strategies. “Shared Space with Another Business,” “Relocated,” and “Moved to A Smaller Location to Lessen Rent” appear to be the least important according to survey respondents.

**Figure 14: Strategies for Maintaining Profitability In Order of Importance**



## Final Comments

The last question of the survey allowed respondents to provide any additional comments they have. Below is a selected sample of unedited comments:

- We have been fortunate to have strong advisors and consultants to help navigate the business end of things - but we still have **a major staffing issue in the restaurant world**. For me, personally, I am in an ok position with my leases but - if I weren't I would be in really bad shape because of the other financial pressures of this business.
- The issue for many small businesses is that **the labor market is tight and the wages are going up** each year. Rising wages in a vacuum are a good thing especially in a city with a high cost of living. However, the real estate taxes are going up each year. The rent is going up each year. The cost of paper goods is going up each year. The cost of food is going up each year. We can only push off so much of these costs onto the customers or else they reduce the amount of times they dine out. There cannot be a situation where the employee gets increased wages, the owners pay increased taxes, the COGS increases annually, the city has more tax revenue and the owner can't pass it through. This will end in massive unemployment if it continues indefinitely as doors shutter. There **needs to be an offset for all of these costs to the small business owners**.
- Specifically to Harvard Square it appears there is a new food operation opening every day **however population growth seems to be stagnant**.
- **Healthcare costs, labor costs and high rents** are making it difficult for small businesses all over Cambridge
- While we are a healthy business, a dramatic increase in rent would put us underwater and force us to move. Our relationship with our landlord amicable but they have been asking our neighbors for dramatic increases in rent and other fees to secure leases. It looks as if they will only sign leases for tenants willing to pay a high premium. I suspect that they will be open to a tenant-at-will status, but that leaves us in a very precarious position where the landlord can

force us to vacate with little notice which happened just last month to another Harvard Square tenant. I respect property owner rights, but **I think business tenants need some leverage**. Every day (and I am not exaggerating) customers who visit the store lament the loss of older, established businesses in Harvard Square and they worry that the charm and character of the neighborhood is washing out. I think city planning needs to take steps to defend the uniqueness and character of Cambridge and a part of that should include the businesses that are a part of the city's history. Also our business has been paying real estate taxes for decades. I would hope the city recognizes that.

- **Parking, parking and parking**
- Rent is higher than our other stores in Manhattan, Los Angeles, San Francisco, Miami, etc.
- **I don't have parking permit from city so I am paying extra money for parking space**. So if city of Cambridge allowed us to park "daytime parking sticker" at no charge in the residential street parking that will be helpful and appreciated. Thanks.
- I feel the biggest threat to small service businesses in Cambridge is that **the people we employ can't afford to live here** (neither can I, for that matter), and they can easily find work instead in the suburbs where they live. I have lost two employees to this exact scenario in the past six months, where they left to teach at studios closer to where they live.
- "If we could renegotiate our lease to reduce rent it would make a big difference! But that seems a pretty unlikely scenario. **Foot traffic is a huge contributor to our customer base**. Many first time customers claim they found us when walking by. There was more foot traffic in general in Harvard Sq before the subway-bus transfer was relocated underground. And on Church St the closing of the Harvard Sq Theatre reduced passersby."
- **Store visits are down. Inman Square seems quieter and quieter each passing month**. I have trimmed my profit margins in an effort to make sure we aren't considered "expensive" compared to online giants. There is nothing I can do to fight against "convenience" of online giants.
- I feel that **online business like Amazon**, and other big stores have really cut into small business sales. My sales have gone down every year since 2008 with the exception of 2016 which was even with the previous year. Our Holiday season was up a little from the previous year.
- The Square is an absolute mess. **The homeless situation is WAY out of control**. Church Street is dark and doesn't feel safe at night. There is almost no police presence.
- I have a more understanding landlord than many, who appreciates small local business as long as it is stable. Other major issues: **need for solid transportation & parking for my elderly customers; transportation & loading zone access for my tractor trailer deliveries is declining; major construction projects not on my building driving my customers away from the square**.
- Working with City of Cambridge to examine our marketing strategy. **Took information and redesigned website AND increased marketing of our business. Saw excellent growth in last quarter of 2016**. Thank you!
- **Learning how to find Working Capital** to open an additional store
- Also planning a change from beer and wine to full liquor. Would like to renovate after lease is negotiated to guarantee our investment.
- **Trash removal is a high expense**- city help would be appreciated.
- I believe labor costs are one of the biggest costs, Finding talent with managing fixed costs-utilities, trash
- **Lack of business owner parking pass is a huge challenge** and has led to many parking tickets

- Conditions in Harvard Square are becoming unsustainable for independent businesses. **Increasing rents and dark storefronts caused by this are the main concern right now. We are also looking at a prolonged major construction (two+ years) at the Abbot building group that will affect everyone doing business here.** Not only will this cause us all to lose revenue and customers because of the disruption to streets and sidewalks, there is also a negative association to the mall-ification and gentrification of the shopping experience that will negatively impact our potential customer base. **Also in Massachusetts because of antiquated blue laws retailers are singled out and penalized with a Sunday time and a half hourly law at the same time hourly wages are increasing sharply.**
- Give our suppliers at least 15 minutes to unload their trucks before getting a ticket, the loading zone may have a vehicle already unloading and sometimes a truck must double park. **My suppliers do not like delivering to Cambridge because sometimes a Police officer or a Meter person makes them move before they can unload.**
- Business climate in Cambridge continues to become more difficult in which to operate **with new regulations and costs being layered by government adding to burdens of state and federal burdens.**
- **My customer base is aging and dying off.** Young people don't buy the way the boomer generation did. But in the meanwhile Cambridge is making it more and more difficult for my customers to shop with me. **The constant removal of parking spaces to adjust for the new "traffic calming" means that my customers, who may at one time have lived in Cambridge but now don't, can't find parking and won't bother coming in to see me.** As they age it becomes more important for them to find spaces near me but it becomes harder and harder. No one will take a train in from or bicycle from places like Concord, Wellesley, Lexington, etc. just to buy a piece of jewelry. Cambridge's refusal to alleviate this problem with other creative measures (allowing parking in residential only areas sometimes, etc.) is the single worst problem I face. After all, with the Internet no one HAS to shop at a bricks and mortar shop. So every time you take away another space or refuse to come up with some creative solutions you are slowly but steadily killing the bricks and mortar shops.
- I RECENTLY MOVED BECAUSE THE BUILDINGS ARE SLATED TO BE TORN DOWN. WHILE LOOKING FOR NEW SPACE, I WAS ASTOUNDED AT HOW EXPENSIVE IT WAS TO RELOCATE TO ANOTHER RETAIL SPACE in East Cambridge. THE TRIPPLE NET LEASES ARE PROHIBITIVE FOR A SMALL BUSINESS TO SUSTAIN BECAUSE LANDLORDS DICTATE ALL THE TERMS INCLUDED WHEN A BUSINESS HAS TO BE OPEN. IF I WERE TO MOVE INTO A TYPICAL RETAIL SPACE FOR MY BUSINESS, MY RENT WOULD HAVE TRIPPLED OR QUADRUPLED AND THERE IS NO WAY THAT I COULD INCREASE MY PRICES TO ACCOMMODATE THE HORRIBLY HIGH RENTS. **CAMBRIDGE IS A DIFFICULT PLACE FOR A SMALL BUSINESS TO SURVIVE AS A LESSOR.** I AM FORTUNATE TO HAVE FOUND MY NEW CURRENT LOCATION ALTHOUGH I AM CONCERNED THAT MY LANDLORD WILL ASK FOR AN INCREASE IN THE FALL. WE SHALL SEE.