

Alberta Business Beat

Volume 24
December, 2018

ATB Business & Agriculture
& The Listening Post

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Background & Methodology

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Background

ATB Financial commissioned NRG Research Group to conduct a survey of 300 randomly selected small- to medium-sized businesses in Alberta each quarter, beginning in Q1 2013. Starting in Q1 2015, the Q1 waves of the Business Beat were conducted as part of the Alberta Business Survey, which increased the number of Q1 survey completes to 600.

The purpose of the study is to gain an understanding of the challenges faced by small- to medium-sized businesses in Alberta, and to track confidence in the business climate in Alberta.

In Q4 2018, additional interviews were conducted with majority Indigenous-owned businesses to allow a greater understanding of their unique needs and challenges. In total, 131 interviews were conducted with Indigenous majority-owned businesses.



Research Objectives



- Measure business owners and managers' perceptions of what the business climate will be like six months from now;



- Understand the current challenges faced by SMEs. The majority Indigenous owned SME sample was boosted to **allow a greater understanding of their unique needs and challenges of these businesses compared to non-majority indigenous owned businesses.**



- Profile the firmographics as well as respondent demographics for small- to medium-sized businesses in Alberta.

Methodology

Qualifying Businesses

Alberta SMEs
<500 employees,
<\$20 million annual revenues,
must be financial decision makers or
influencers

In addition to the 300 completes, the
sample was boosted with additional
majority indigenous owned sample
based on a business list curated by
**Canadian Council for Aboriginal
Business (CCAB)**

Field dates:

November 5 - November 26, 2018

Telephone with online option

- Approximately **10,000 businesses contacts made and 300 completed the survey**. 10 indigenous majority owned businesses were included in this list.
- To boost the sample for indigenous majority business* responses, approximately **850 businesses contacts made from the CCAB sample list and 121 completed the survey**
- The overall business indexes are based on the 300 completes at an overall level. However, the comparisons between indigenous and non-indigenous majority businesses include the full sample size of 420.

Margin of error at an overall level is
+/- 5.8%

Key Insights

1 Optimism

Compared with the general business population, majority Indigenous-owned businesses tend to be more optimistic about the overall Alberta economy, as well as to their own business. The current economic environment is perceived as less of a challenge by majority Indigenous owned businesses compared to majority non-indigenous businesses

2 Business Challenges

Labour related challenges are experienced less by majority indigenous owned businesses compared to majority non-indigenous owned businesses. Majority Indigenous owned businesses mainly tend to mention **cash flow and day to day operation challenges as reasons for keeping them awake at night.**

3 Innovation

All entrepreneurs tend to agree that technology is changing the way their business is done, and believe they are investing sufficient time and capital to keep up with new technology. More than one-half of businesses have recently introduced new services, processes, or products.

Key Insights

4

Firmographics: Some interesting differences were noted among indigenous and non-indigenous majority owned businesses who completed the survey.

Relative to non-indigenous majority owned businesses, higher proportion of indigenous majority owned businesses tend to be:

- in the Energy or Oil and Gas (or related businesses)
- tend to have a B2B or B2G procurement model
- have no borrowing needs
- tend to have revenue lower than <\$500K
- tend to be in the initial growth phase

The ATB Business Beat Indexes- Overall

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SMEs remain optimistic about the future

"How do you think... will be six months from now?"



% better off



% the same

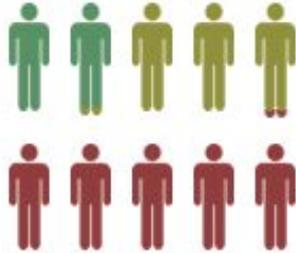


% worse

Alberta Economy

49% ↓ -15

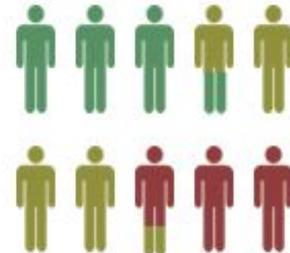
will be better off or
the same



Your Company

72% ↓ -4

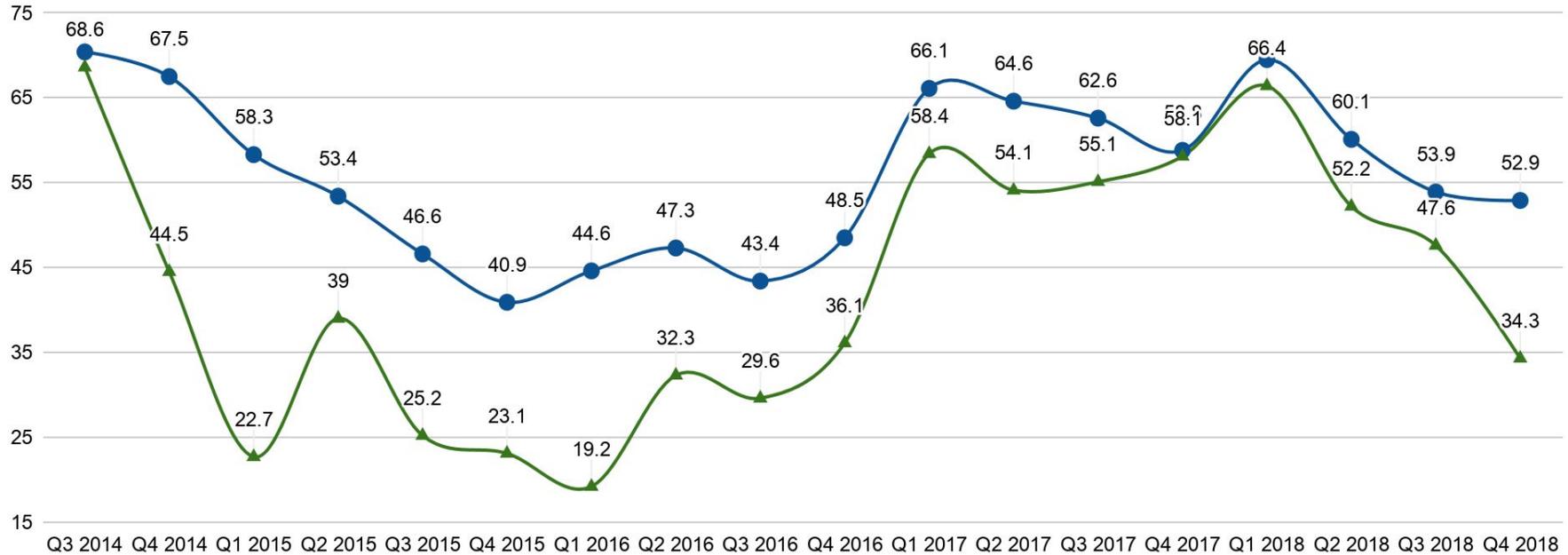
will be better off or
the same



The ATB Business Beat Index

Index (0-100)

● ATB Business Index ▲ ATB Economy Index

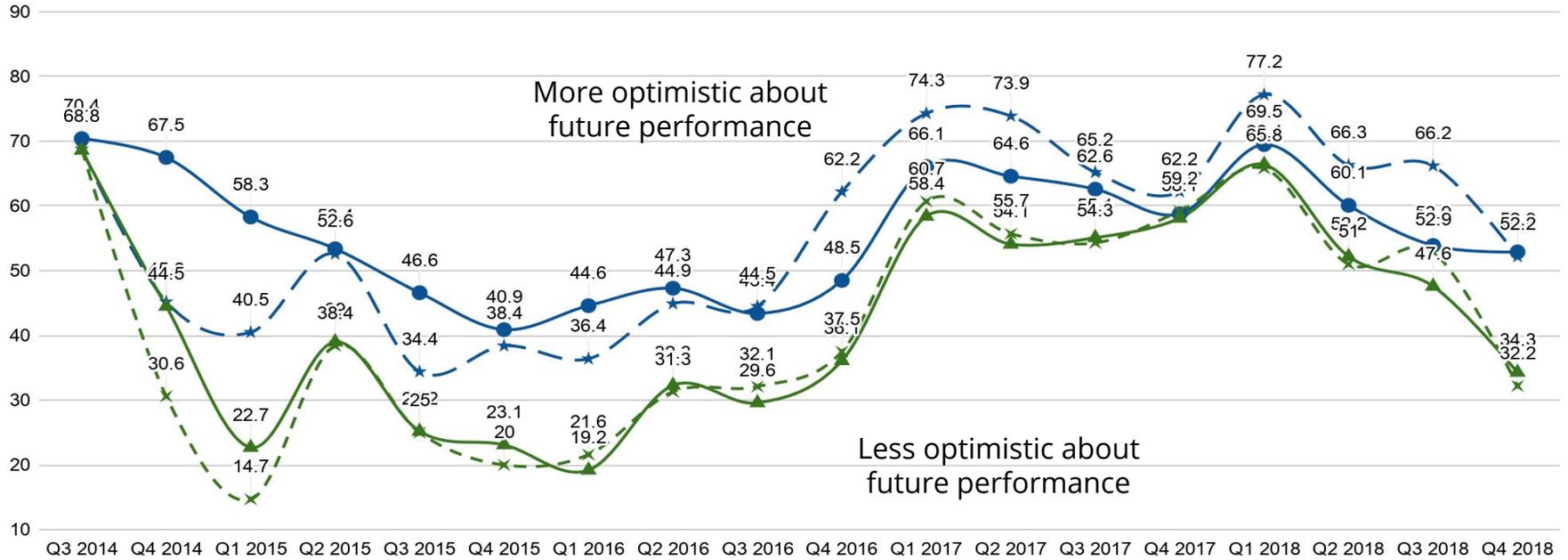


Data time periods: Q3 2014 = Aug, 2014; Q4 2014 = Dec 2014; Q1 2015 = Mar 2015; Q2 2015 = Jun 2015; Q3 2015 = Aug 2015; Q4 2015 = Nov, 2015; Q1 2016 = Mar 2016; Q2 2016 = Jun 2016; Q3 2016 = Sept 2016; Q4 2016 = Nov 2016; Q1 2017 = Mar 2017, Q2 2017 = May 2017, Q3 2017 = Aug 2017; Q4 2017 = Nov 2017; Q1 2018 = Mar 2018; Q2 2018 - Jun 2018; Q3 2018 - Sept 2018; Q4 2018 = Dec 2018

The ATB Business Beat Index - Energy

Index (0-100)

● ATB Business Index ★ ATB Business Index (Energy) ▲ ATB Economy Index ✕ ATB Economy Index (Energy)

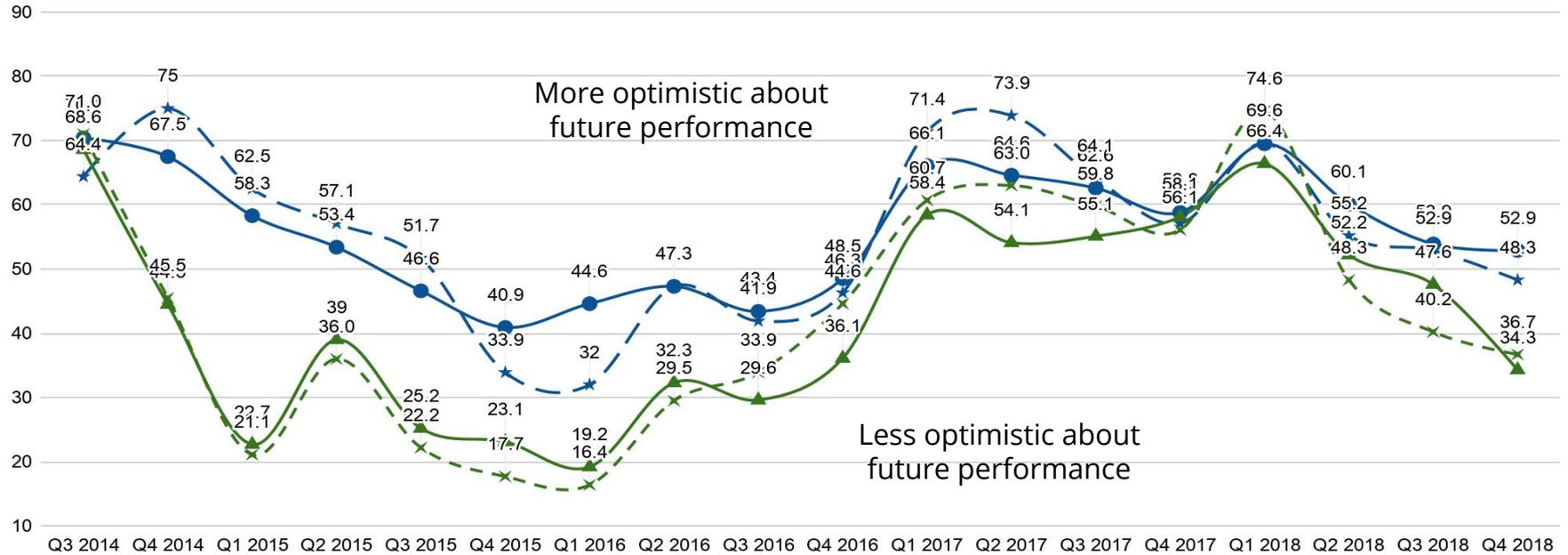


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The ATB Business Beat Index - Retail

Index (0-100)

● ATB Business Index ★ ATB Business Index (Retail) ▲ ATB Economy Index ✕ ATB Economy Index (Retail)

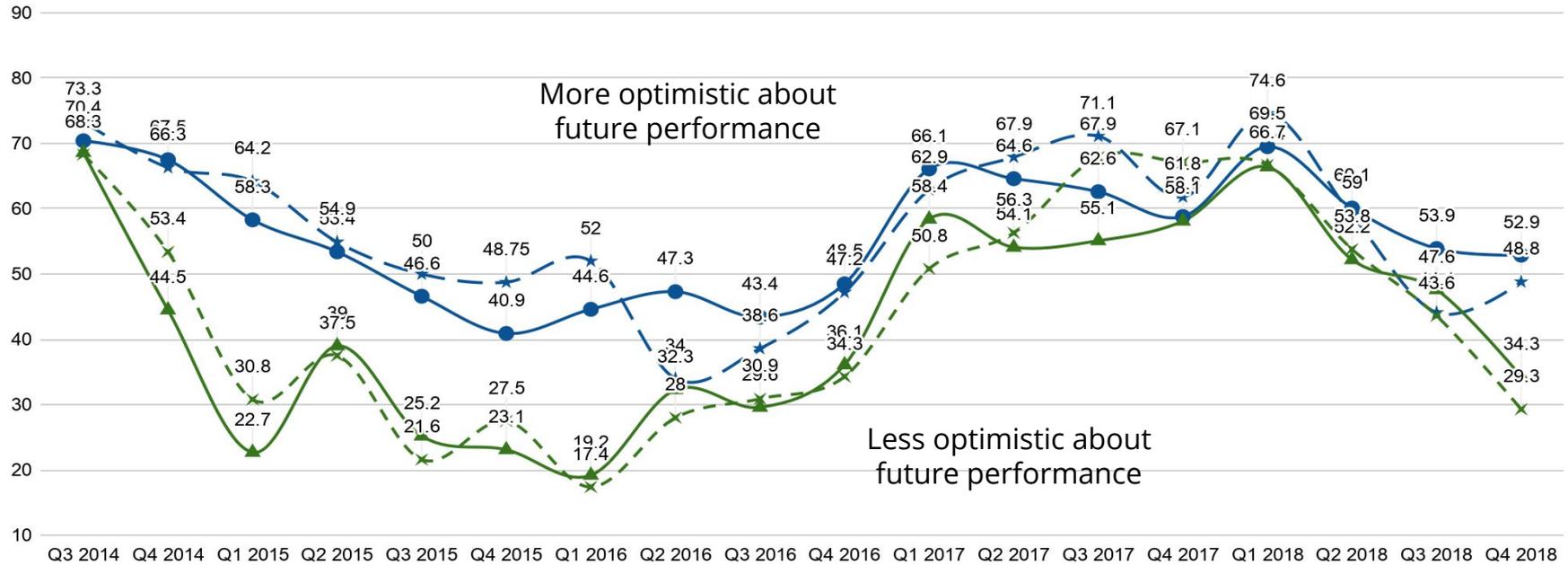


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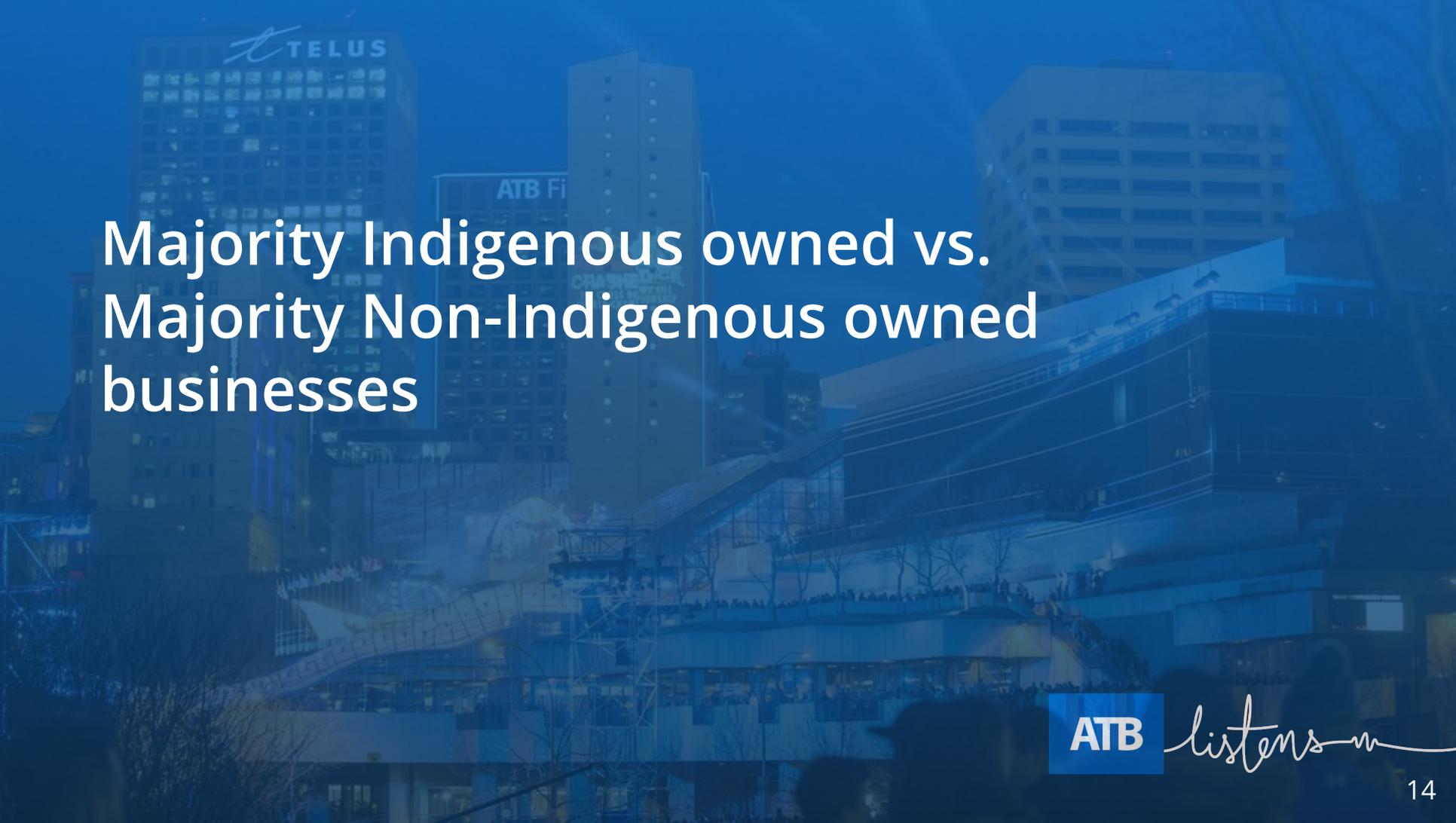
The ATB Business Beat Index - Construction

Index (0-100)

● ATB Business Index ★ ATB Business Index (Construction) ▲ ATB Economy Index ✕ ATB Economy Index (Construction)



Data time periods: Q3 2014 = Aug, 2014; Q4 2014 = Dec 2014; Q1 2015 = Mar 2015; Q2 2015 = Jun 2015; Q3 2015 = Aug 2015; Q4 2015 = Nov, 2015; Q1 2016 = Mar 2016; Q2 2016 = Jun 2016; Q3 2016 = Sept 2016; Q4 2016 = Nov 2016; Q1 2017 = Mar 2017, Q2 2017 = May 2017, Q3 2017 = Aug 2017; Q4 2017 = Nov 2017; Q1 2018 = Mar 2018; Q2 2018 - Jun 2018; Q3 2018 - Sept 2018; Q4 2018 = Dec 2018



Majority Indigenous owned vs. Majority Non-Indigenous owned businesses

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Indigenous majority owned businesses have a more optimistic outlook, especially towards Alberta Economy, compared to non-indigenous majority owned businesses.

"How do you think... will be six months from now?"



% better off



% the same



% worse

Alberta Economy

Your Company

Majority Non-Indigenous Owned

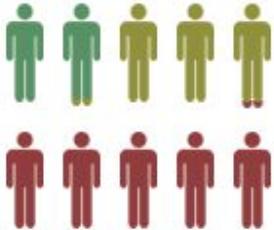
Majority Indigenous Owned

Majority Non-Indigenous Owned

Majority Indigenous Owned

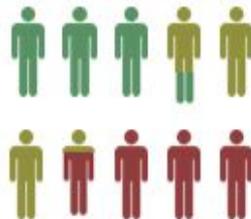
49%

will be better off or the same



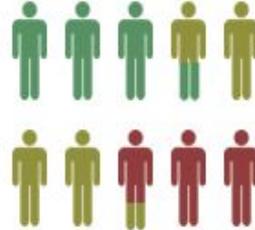
61%

will be better off or the same



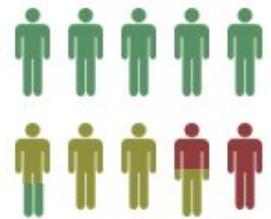
72%

will be better off or the same



84%

will be better off or the same



The ATB Business Beat Index

Indigenous majority owned vs. Non-Indigenous majority owned businesses

	Business Index			Economy Index		
	Majority Indigenous Owned	Majority Non-Indigenous Owned	Gap	Majority Indigenous Owned	Majority Non-Indigenous Owned	Gap
ATB Index Overall	67.6	52.9	15	46.4	34.3	12

Index (0-100)

What keep entrepreneurs up at night.....

Entrepreneurs mentioned several challenges which keep them up at night. The open ended comments about challenges faced by entrepreneurs were mainly grouped in **three categories**:

Challenges related to:

Maintaining the business **67%**

Alberta Economy
& Policy **26%**

Growing the business
14%

Multiple response question. Total >100%

Each category mentioned above is explored in greater details in this report. A few differences were noted in terms of challenges faced by indigenous majority vs. non-indigenous majority businesses within each category.

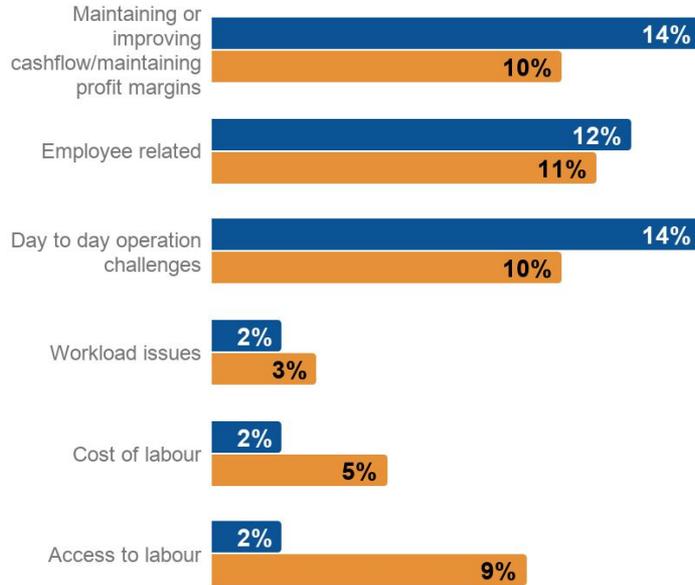
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Challenges that keep entrepreneurs up at night

Related to maintaining their businesses

- A slightly higher proportion of majority Indigenous owned businesses reported cash flow and day to day operation challenges as reasons for keeping them awake at night.
- **Labour related challenges** are experienced more by majority non-indigenous owned compared to majority indigenous businesses



Employee related

- Retaining employees
- Safety of employees

Day to day operation challenges

- Administrative challenges
- Equipment related - cost and quality
- Increasing overhead
- Weather
- Rent
- Bookkeeping
- Succession planning
- Quality of client service

Cost of labour

- Increase of basic minimum wage

Access to labour

- Labour shortage
- Skills shortage

Verbatims

Related to maintaining their business

Majority Indigenous Owned

Financial/profit margin - not what I expect it to be.

Cash flow and getting paid by clients.

Safety, keeping our people safe

How are we going to pay the bills is what keeps me up.

Well being of my employees, data security.

Paperwork, invoicing, payroll. Accessing the bank for capital.

I work 24/7. Work keeps me up.

Lack of work, projects

Non-Majority Indigenous Owned

Availability of staff, we are always short on staff

Cost in relation to employees and it is impacting my business

Employee retention because I live in Fort Mac and I cannot afford to pay site wages

Employees - they are not loyal. Operational stress & management

Cashflow is an ongoing problem. Profits are down because of this economy.

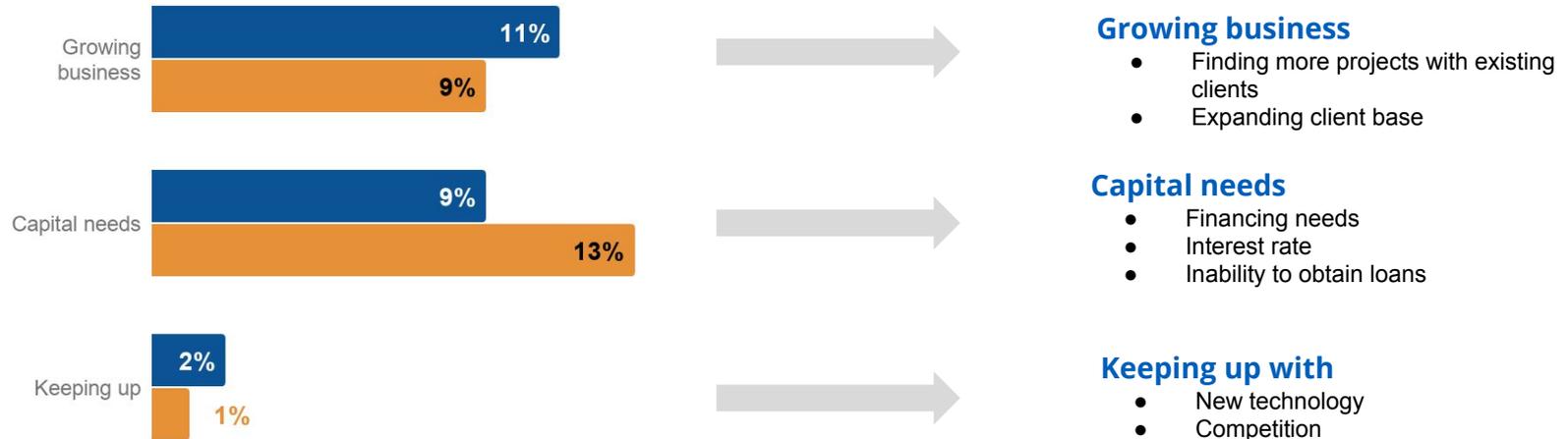
Hiring the proper people with the proper education is a challenge.

Marketing - looking for new ways to help us generate business. Also labour cost has gone up recently

Challenges that keep entrepreneurs up at night

Related to growing their businesses

- Both majority indigenous owned and majority non-indigenous majority businesses face challenges finding new projects, clients, keeping up with technology and competition seems.
- Majority non-indigenous businesses more often reported capital needs as a challenge that keeps them up at night



Verbatims

Related to growing their business

Indigenous

Expanding the company - difficult to do it in this environment.

Finding new clients.

Competition with American firms. We need to use technology to keep up.

Contract retention.

Which direction to go - there is lots of opportunities in US and Canada.

Being able to produce fast enough to meet the demand.

Non-Indigenous

Access to capital - we do not have enough Venture capital companies left in Alberta.

Acquiring contracts in an unpredictable housing market

Trying to develop the business but a lot depends on the policy at Federal and Provincial level.

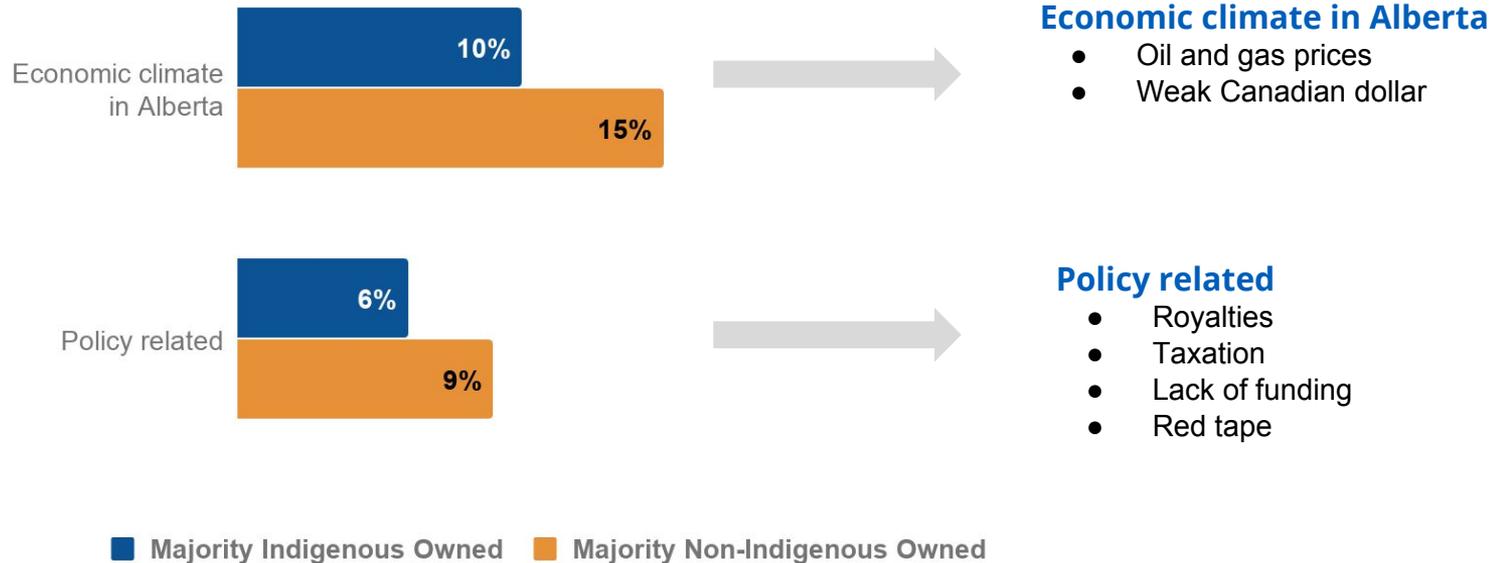
Financing/funding from any source

Changing technology means I need to increase my bookkeeping skills using new technology.

Challenges that keep entrepreneurs up at night

Related to the Alberta Economy & Policies

- A higher proportion of non-indigenous majority business owners mentioned the Alberta Economy and policy related issues as challenges that keep them up at night.

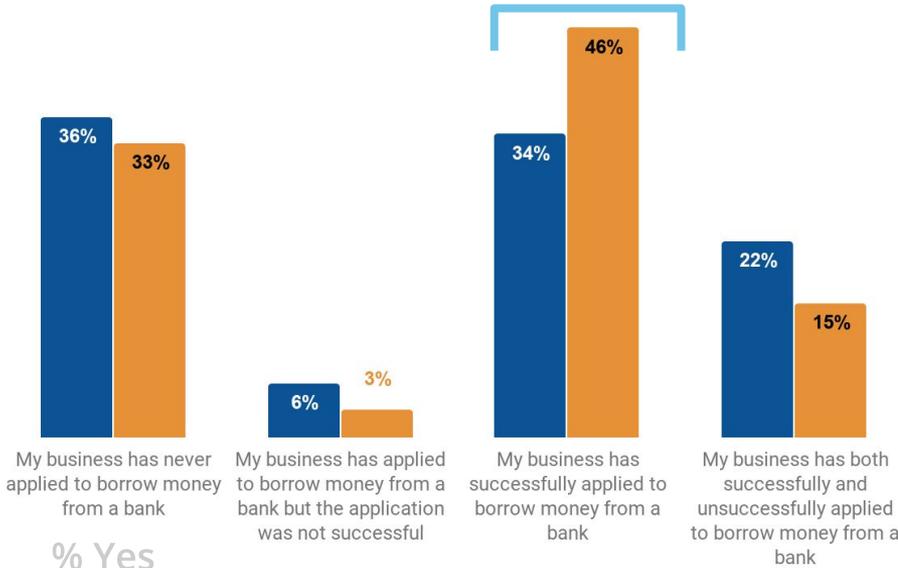


Attitudes towards borrowing, innovation & technology

Majority Indigenous Owned vs. Majority Non Indigenous
Owned businesses

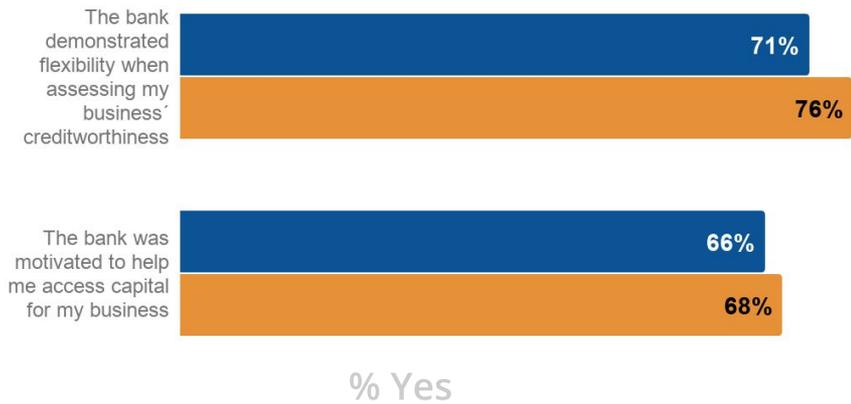
Majority non-indigenous owned businesses are more likely to successfully apply to borrow money than majority Indigenous owned businesses.

Experience Applying to Borrow



■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned

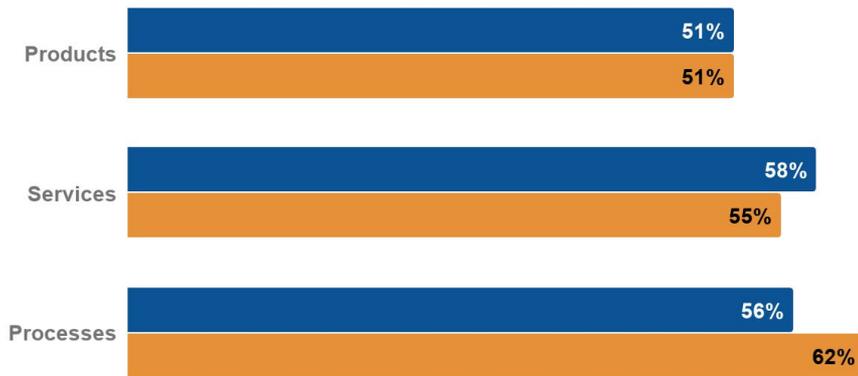
Relationship with the Bank



Attitudes towards innovation and technology is relatively similar among majority indigenous owned and majority non-indigenous owned businesses.

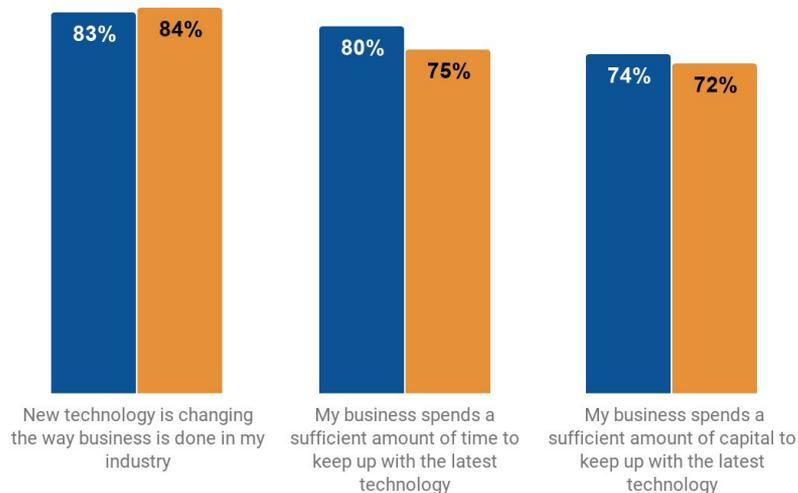
Innovation

% of business owners who have introduced new products, services, and processes in the past three years



Technology

% of business owners who strongly/somewhat agreed



■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned



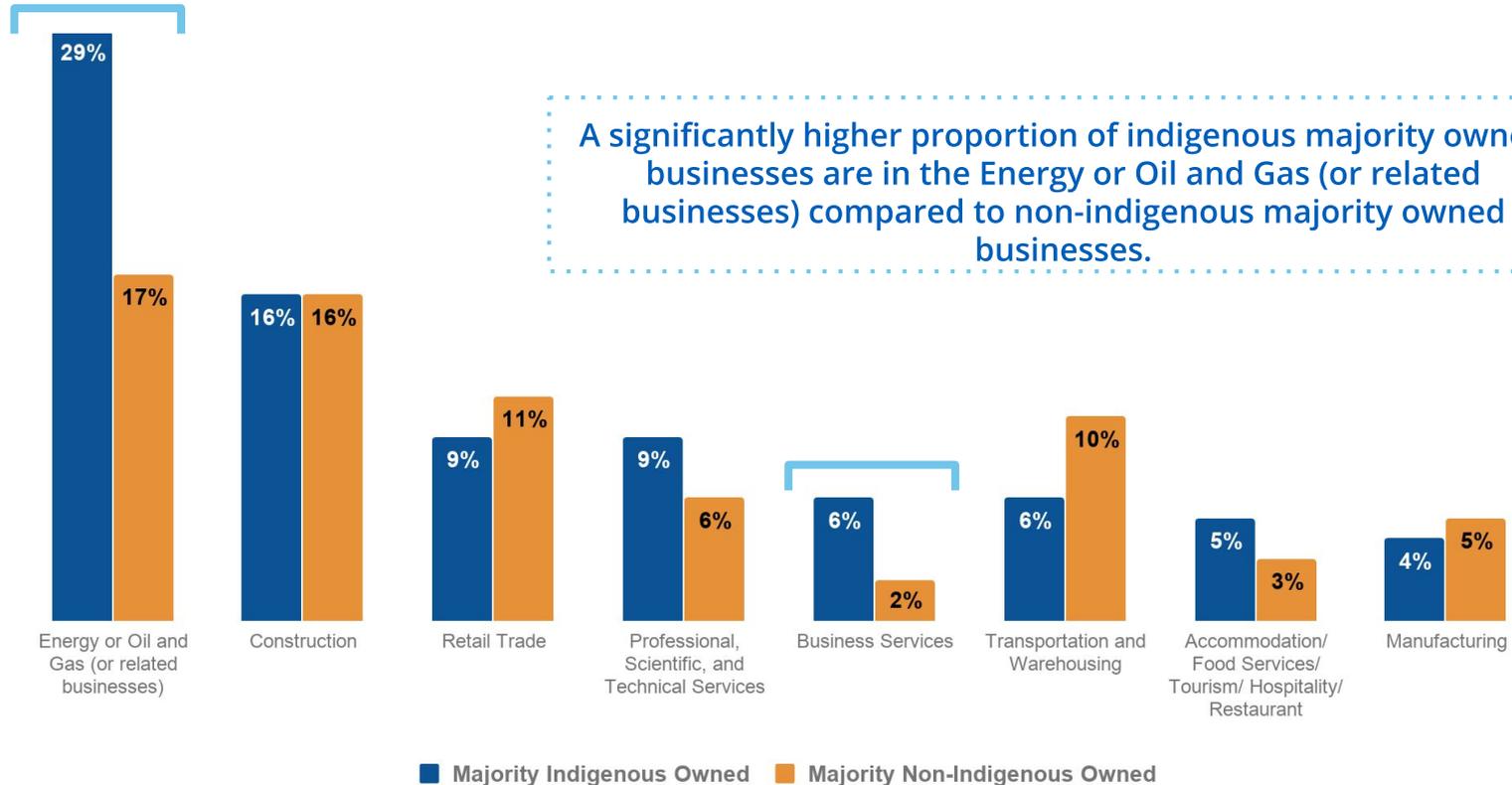
Firmographics & Business models

Majority Indigenous Owned vs. Majority Non-Indigenous Owned Breakout

ATB

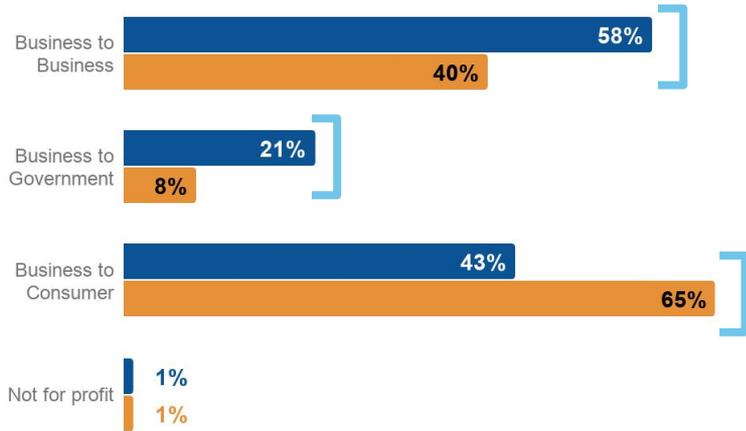
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Industry



Business Model

Which of the following best describes your business model?



B2B Contract Opportunities

In the past year, has your business approached or been approached by the following groups?

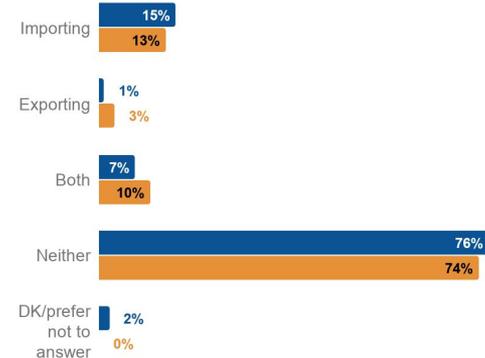
	Majority Indigenous Owned	Majority Non-indigenous Owned
Majority Indigenous Owned businesses	23%	16%
Majority Non-Indigenous Owned Businesses	50%	65%
Oil Field Businesses	6%	1%

A higher proportion of majority indigenous owned businesses have a B2B or B2G procurement model compared to majority non-indigenous owned businesses.

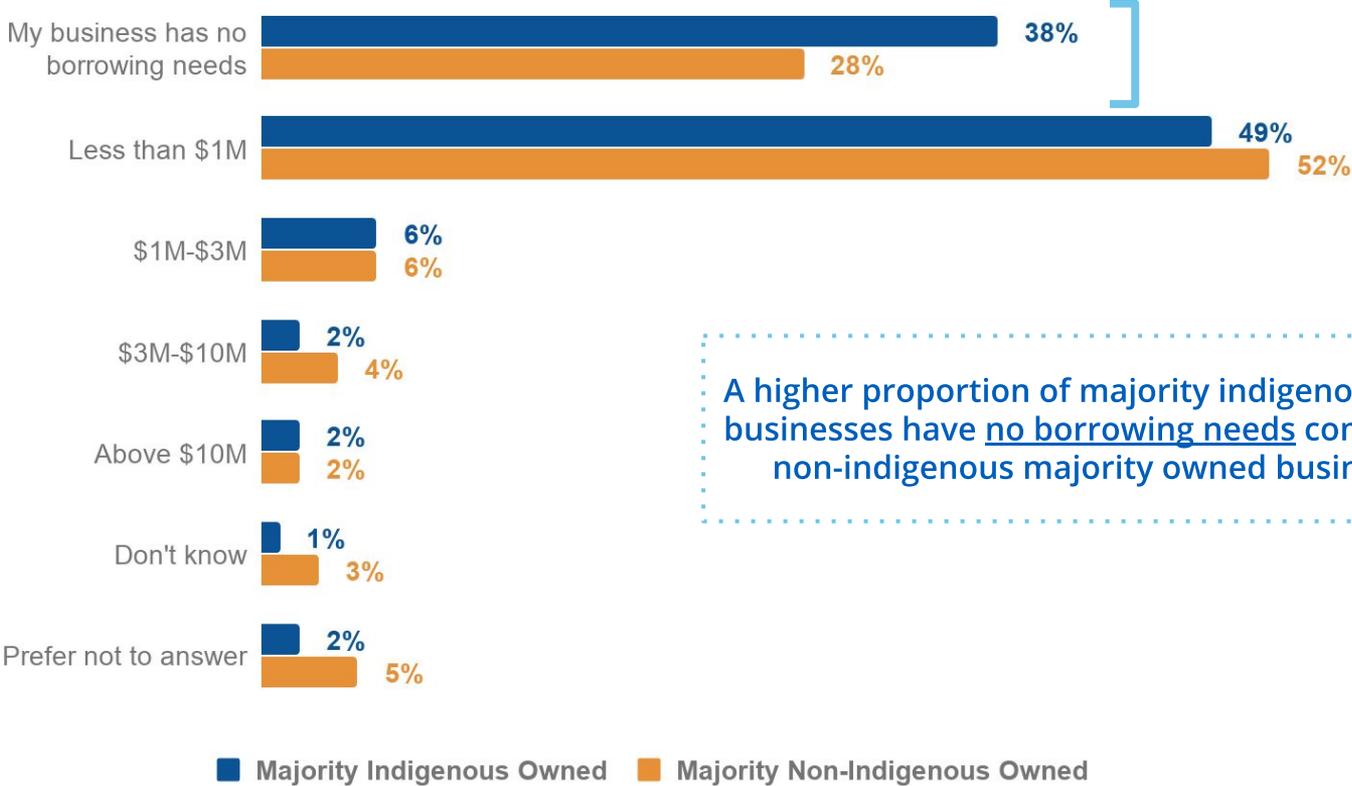
■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned

Import/Export

Does your business do any of the following...

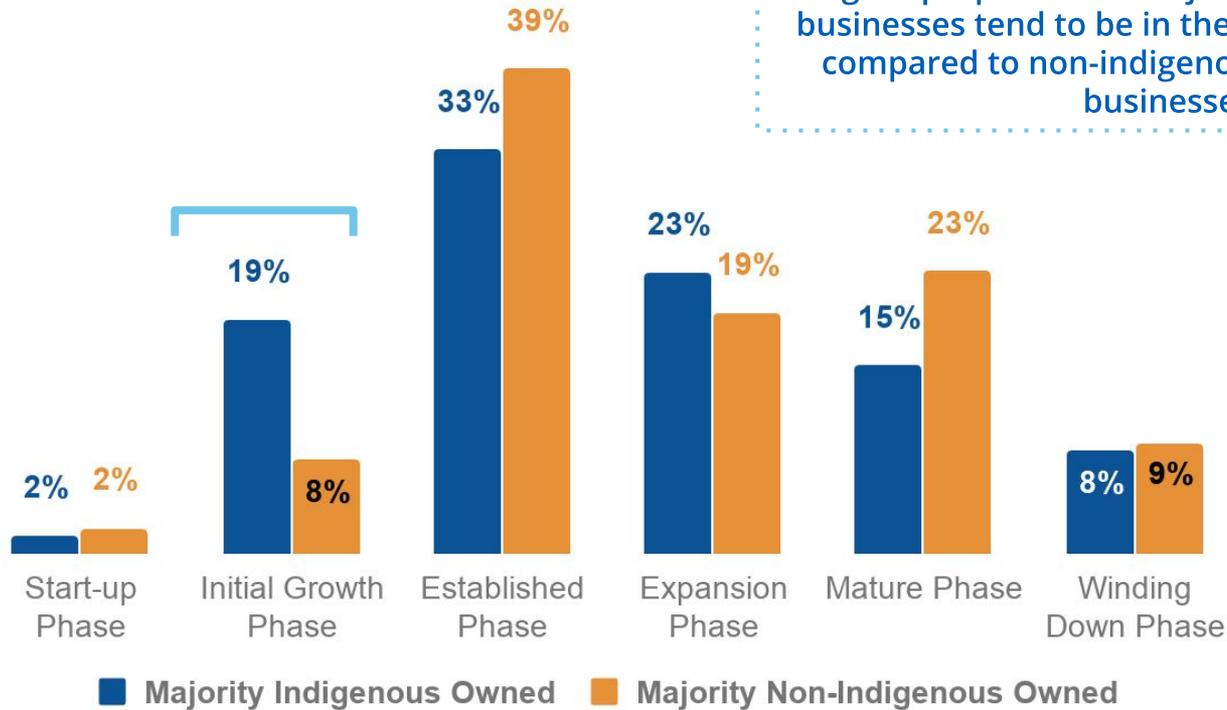


Borrowing

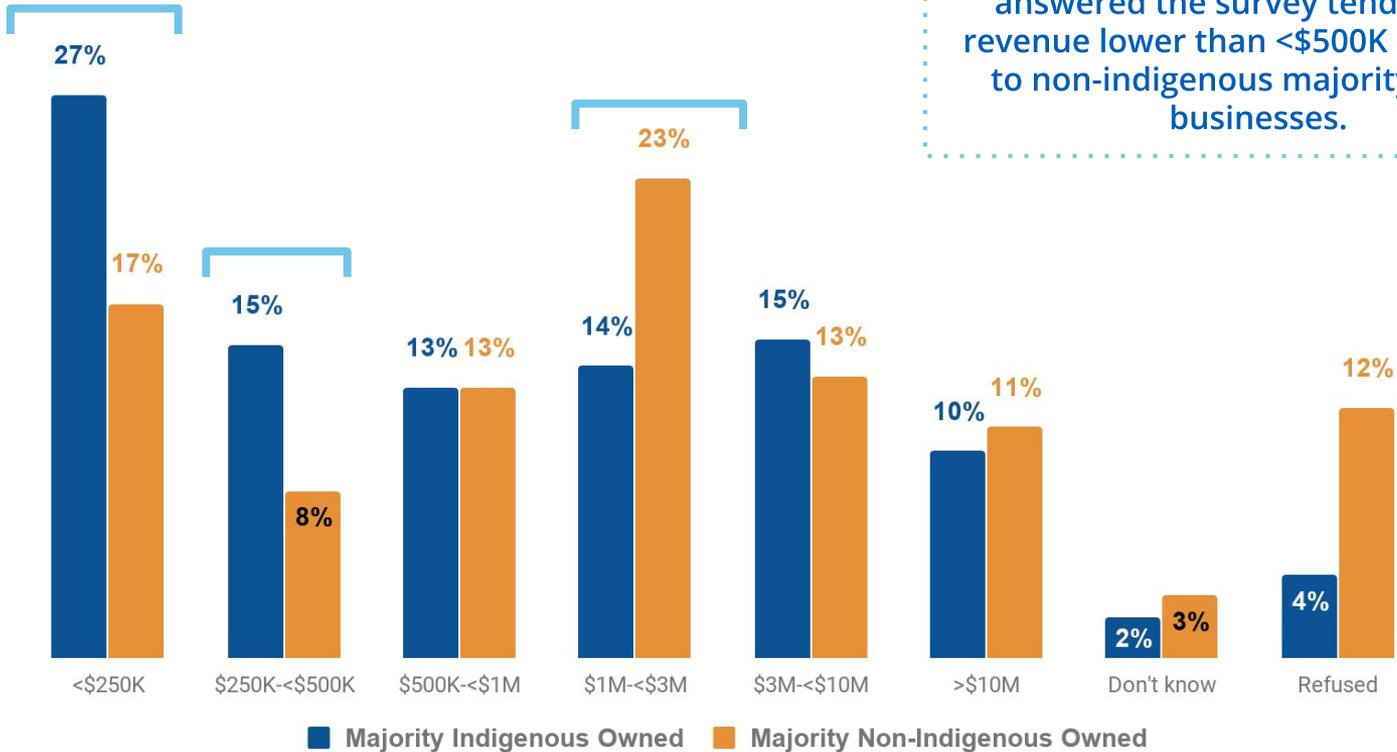


Q: "How would you describe your business' typical borrowing needs?"; Source: ATB Financial, Survey on Alberta SMEs, December 2018, CCAB sample, n = 131; D&B n = 289; ** Blue brackett indicates statistically significant difference

Business Life Stage



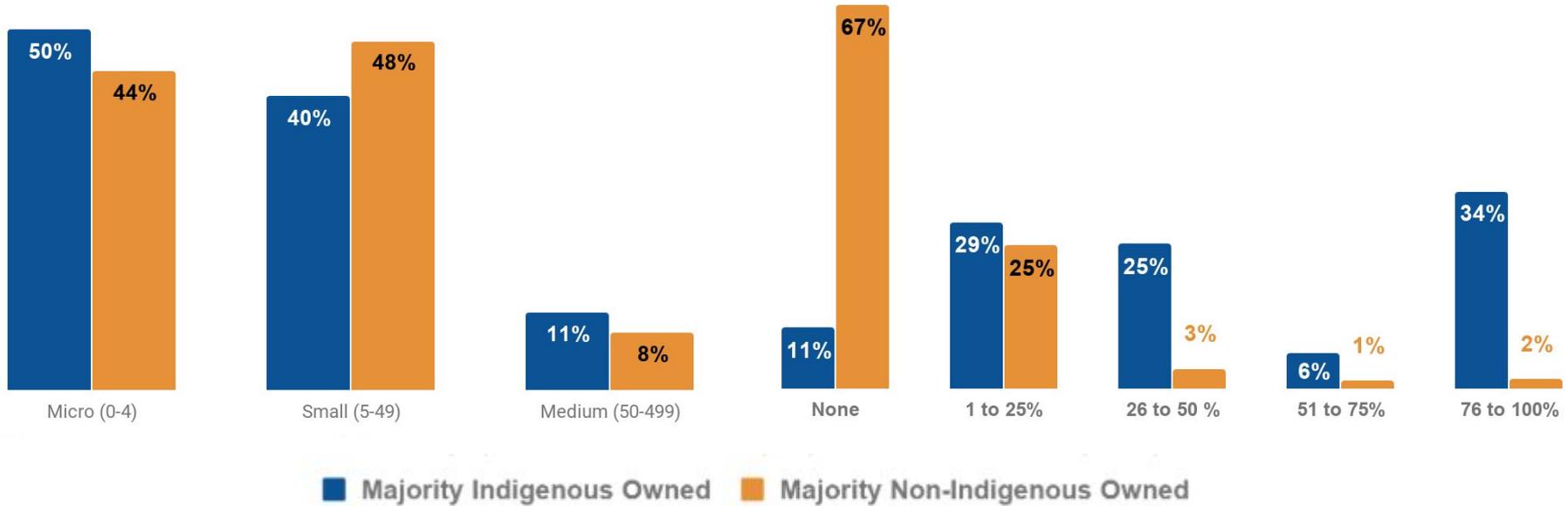
Revenue



A higher proportion of indigenous majority owned businesses who answered the survey tend to have revenue lower than <\$500K compared to non-indigenous majority owned businesses.

Employees

% Indigenous Employees



Company size (in terms of number of employees) is comparable among indigenous majority and non-indigenous majority owned SMEs. Not surprisingly, the proportion of indigenous employees are higher in indigenous majority owned businesses.

Appendix 1

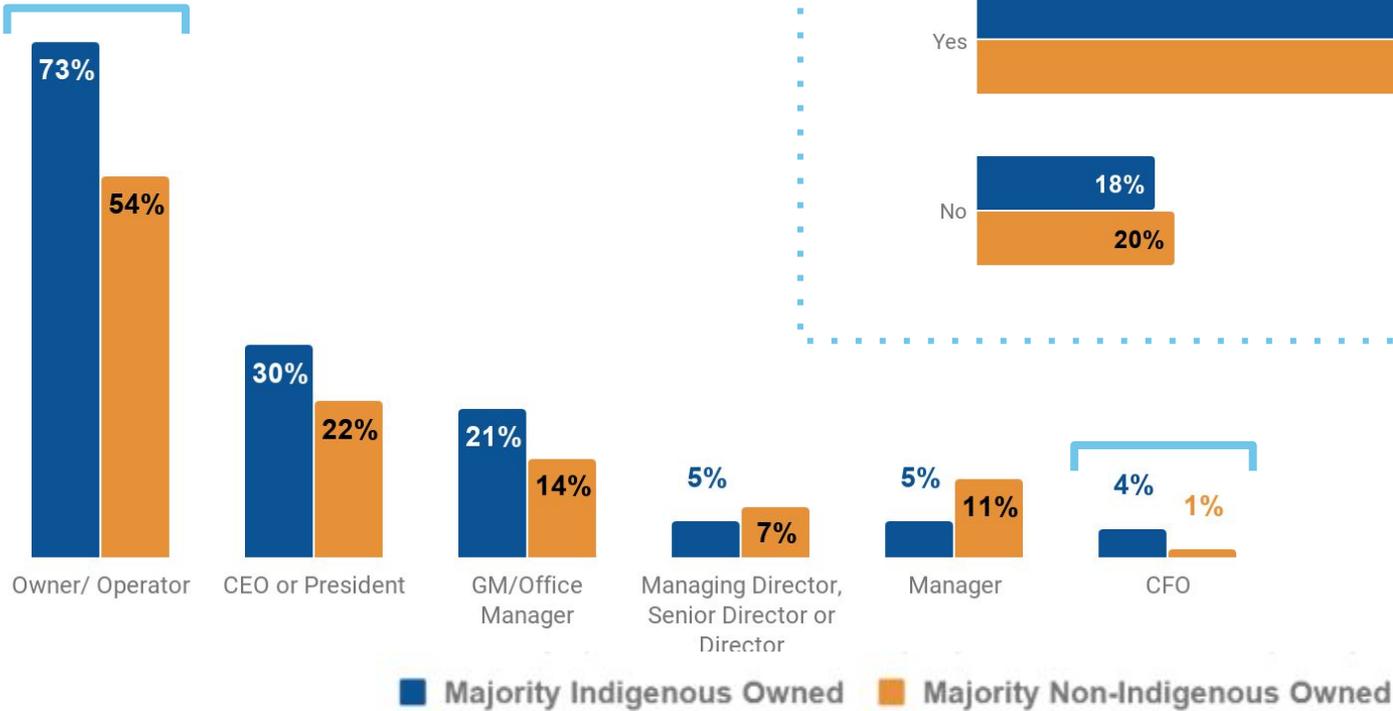
Some other firmographics

Majority Indigenous Owned vs. Majority Non-Indigenous Owned Breakout

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Role



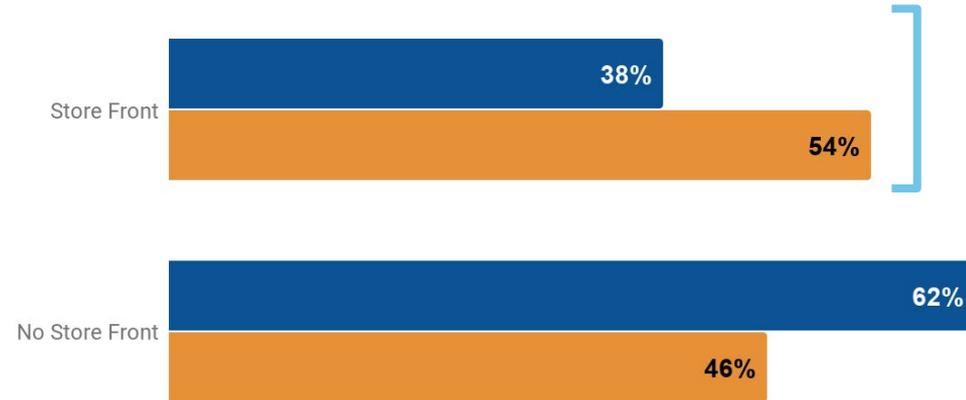
Entrepreneur



Franchise



Store Front



■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned

Family Business

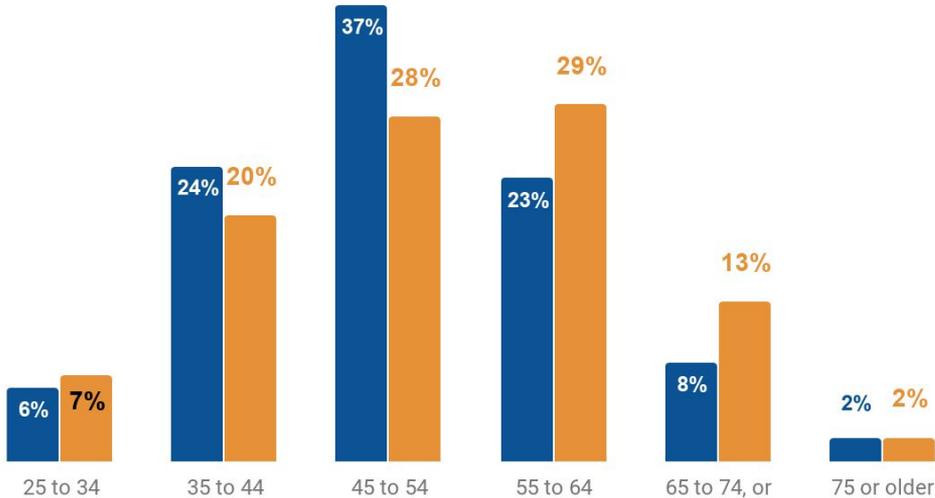


Describe your business...



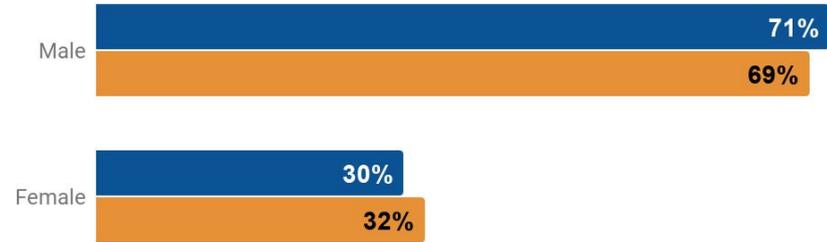
■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned

Age

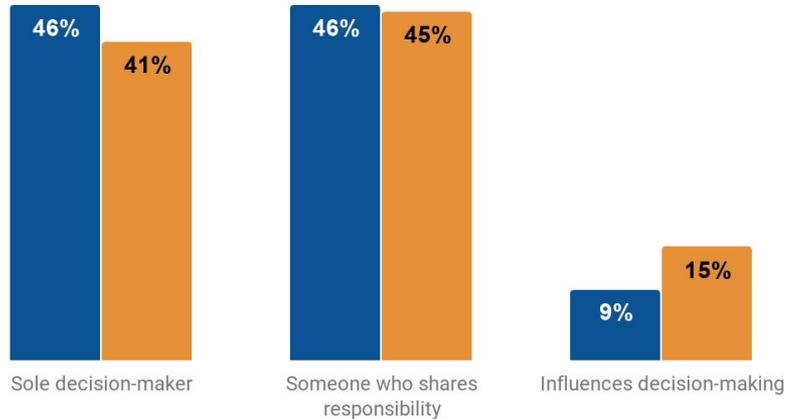


■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned

Gender



Role in Financial Decisions



Majority Women Owned



■ Majority Indigenous Owned ■ Majority Non-Indigenous Owned

Any Questions?

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The Listening Post

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We can transform banking

Reimagine it **MAKE BANKING**

WORK FOR PEOPLE

Because we carry the outrageous belief that banking can change

PEOPLE'S LIVES FOR THE BETTER

Make their time richer

their aspirations closer

THEIR HAPPINESS DEEPER

HOW WILL **?** By doing things other

WE DO THIS **•** banks wouldn't do

By being ever loyal relentlessly

to our customers inventive

and steadfastly genuine in our pursuit

of Albertans' greater good

BY USING BANKING TO CREATE HAPPINESS

WHY HAPPINESS?

Because good things happen when

happiness becomes your purpose

that's **ATB**

why

will always

BE MORE

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