



**City of Seattle**  
Office of Economic Development

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To: Seattle City Councilmembers

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Subject: SLI 23-1-A-2: Increasing Small Business Access to New Markets

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In SLI 23-1-A-2, Council requested that the Office of Economic Development develop options for providing market research support to small businesses (those with 10-100 employees and revenues between \$1 million and \$50 million annually) in OED's targeted industry sectors. OED has been requested to identify options and related costs, and to provide recommendations on implementation.

**Background:**

One of the challenges for OED's small business retention and expansion work is the gap in our ability to provide market research and strategic advice that helps business to access new markets. In order for small businesses to survive and thrive, they must have access to data on industry trends, customers and competitors, the skills to analyze it and develop the appropriate strategies to capitalize on this research. There exist services for large companies to do this, but small companies cannot generally access or afford these services. Currently, OED's work in this area is limited to connecting companies to City procurement opportunities and informal match-making, but does not include providing GIS data, customer segmentation, and other market research that large companies depend on to identify new markets.

Market research services utilize GIS and other research tools to develop marketing lists, competitive intelligence, industry trends, new product tracking, and to answer a number of other custom business questions. They are also typically coupled with business consulting services to assist businesses in developing the appropriate implementation plan to ensure the biggest impact. Business consulting is focused on topics such as business plan development, marketing plan development, cost/financial analysis, export assistance, market research and strategies, and strategic planning. By increasing access to these resources, OED will be able to help small companies to increase their competitiveness and be connected with new customers.

In order to achieve our desired outcomes of business revenue and employment growth, research must be coupled with strategic advice and support to make it actionable. Anecdotal evidence has found that data alone is not typically useful in moving companies forward. For this reason, a contractor with the capability to provide corporate strategy, technical assistance, and research is the favored approach.

### **Evaluation of Options:**

Among the options considered were: 1) funding a portion of a Seattle Public Library reference librarian's time; 2) leveraging student consulting teams through Seattle University or University of Washington's business schools; 3) utilizing the existing Small Business Development Centers and their research capabilities; and 4) contracting directly with a professional business research organization.

A summary of these options and OED's recommendations are as follows:

- The Seattle Public Library does not have GIS capabilities and doesn't subscribe to a number of data bases that would be critical for corporate research including Dun and Bradstreet. In addition, having a corporate marketing research background would be key in ensuring that the research scope is refined with a mind to strategic business outcomes. This is not the typical profile for the public library reference librarian. Given that this option does not appear to be feasible, OED did not identify costs associated with this option.
  - OED does not recommend this approach.
- Student consulting can be very useful to businesses with a well defined project and capacity to engage student teams. We have found that these engagements vary greatly in their quality and need to be understood as a learning exercise for students as their core goal. They are not flexible in their timing, as they are typically tied to the academic calendar and specific course start and end dates. Student consulting teams could be a good supplementary opportunity, but not effective as a primary approach to delivering this service. Given that this option does not appear to be feasible, OED did not identify costs associated with this option.
  - OED does not recommend this approach.
- OED regularly refers Seattle-based businesses to the network of Small Business Development Center (SBDC) counselors, which is affiliated with the Small Business Administration. Among their professional research resources are SBA Net and the Center for Economic Vitality. However, the SBDC does not contract with outside entities for their services. Because their services are in high demand, they are often scheduled several weeks out. Without a contractual relationship, we could not guarantee a specific level of services for businesses referred to them. In addition, their services are confidential and without a contractual relationship we would not be able to report on metrics and outcomes. Given that this option does not appear to be feasible, OED did not identify costs associated with this option.
  - OED does not recommend this approach.
- OED requested and received a proposal to provide the research and consulting services to support small businesses from the Center for Economic Vitality (CEV), which is affiliated with Western Washington University. This proposal indicated that CEV could provide the research and consulting services to 10 small businesses for a cost of \$20,000 per year. CEV is uniquely positioned to provide these services through its

established programs of pairing business strategy assistance with business research services. The CEV has over twenty years of experience in combining strategic business counseling with competitive intelligence, or business research, to generate meaningful business outcomes. CEV currently provides its research services to a number of municipalities and the entire network of Small Business Development Centers in Washington State.

**Recommendation:**

Should the City decide to move forward with providing market research support to small businesses, OED proposes developing an initial pilot project using the services of CEV that would make the research and consulting services available to 10 companies for one year, at a cost of \$20,000. OED proposes that the initial pilot include a mechanism whereby OED and the participating businesses share the cost of the services. Further research and design is necessary to determine an appropriate cost-sharing formula to test in the pilot phase.

The City of Seattle is facing a budget shortfall for 2012 that will require budget reductions. In the face of this financial situation, any decisions to proceed with this pilot project should be considered in the context of the 2012 budget, evaluating the merits of this pilot project against the offsetting reductions that would be required.

If funded, the pilot project would unfold as follows:

1. OED would put a call out to companies interested in receiving these services. Companies would meet specific criteria, stated above, and be asked to prepare a brief proposal outlining a research question to be explored. This approach will engage companies most ready to act on the data.
2. Once OED selects a cohort of companies that is best positioned to benefit from these services, OED will host a workshop on using competitive intelligence to assist the companies in refining and narrowing their research and strategic scope.
3. Companies would participate in an initial intake conversation with a Business Strategist and a Research Analyst. This conversation would entail gaining a detailed understanding of the business, its current operations, its future objectives and any key obstacles. This initial meeting would be with the owner or key manager of the company.
4. Following these initial meetings, companies would be engaged in ongoing counseling with their Business Strategist, with the inclusion of research or a Research Analyst as is deemed appropriate. Companies would receive up to 12 hours of counseling and 8 hours of research over the course of a year. Advisors will provide business advice and technical assistance in:
  - Business plan development
  - Marketing plan development
  - Cost/financial analysis
  - Export assistance
  - Market research and strategies
  - Strategic planning

- Succession planning

This form of client engagement is ideal for companies that are ripe for expansion and development and are requiring honing of business strategies to advance to new markets and attract new customers.