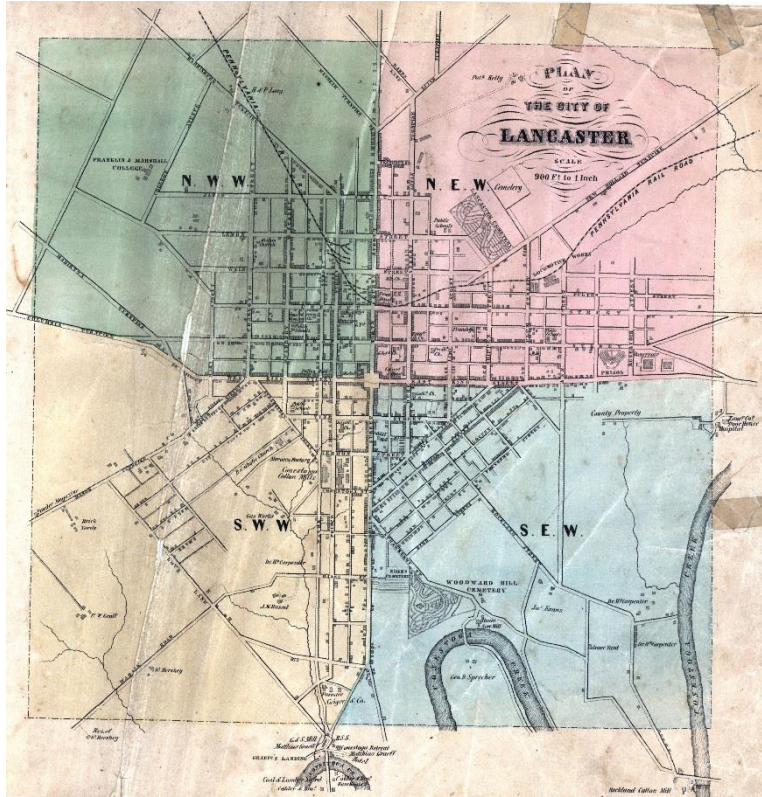


# South Lancaster City Research Project



**ASSETS Lancaster Research Project**



**Randy Berridge: Research Associate**

**Cinthia Liu: Summer Intern**

**July 2014**

## Abstract:

ASSETS provides essential resources to help entrepreneurs successfully start, manage, and grow their businesses. As a not-for-profit organization, we help underserved individuals pursue their dreams of self-employment and economic independence, resulting in stronger and more vibrant communities. The target market of ASSETS, South Lancaster City, struggles with a higher rate of poverty and crime compared to the city as a whole. The financial realities in this community create barriers for entrepreneurs to successfully start, manage, and grow their business. To gain a clear understanding of South Lancaster City, ASSETS conducted a research project that successfully mapped the existing entrepreneurial activity, bridged connections with the community, and surveyed 30% of the businesses in this focus area. Through this project ASSETS was able to highlight the programmatic opportunities for ASSETS and other economic development organizations to support the underserved community of Lancaster City and improve their outreach.

## I. Introduction

“Economic development does not merely depend on the optimal combination of given resources or production factors, but rather on finding and mobilizing hidden and under-utilized capabilities and assets on the ground, step by step, searching for bottom-up complementarities” (Squazzoni, 2008). This philosophy regarding economic development was argued by economist Albert O. Hirschman more than 50 years ago. With belief in this theory, ASSETS Lancaster has conducted a summer-long research project with a specific focus on the southern half of Lancaster City. The South of Lancaster City experiences a higher rate of poverty compared to the rest of city. As of 2012, South Lancaster City had a poverty rate of 40.05%, which results in an impoverished population of 6,655 people. In comparison, North Lancaster City has a poverty rate of 22.6% (Bloch, Ericson, and Giratikanon, 2014). Due to the financial realities inherent to this community, local businesses often struggle to succeed. Additionally, entrepreneurs from low income backgrounds often lack access to capital, networks, and education which could help grow their business. The purpose of this research project is to shed light on the unique difficulties entrepreneurs encounter operating in South Lancaster City, while simultaneously highlighting opportunities for business growth amongst existing and new businesses. Further analysis of this data will inform the programmatic activities of ASSETS Lancaster and other institutions focused on the economic development of this region.

## II. Literature Review

Callari (2009) conducted a study to examine the general patterns of income, spending, and business activity to better understand the economic climate in Southeast Lancaster City. The potential for economic development is assessed through eight industry sectors as follows; Retail, Professional/Scientific/Technical services, Administrative and Waste Management services, Education services, Health Care and Social Assistance, Arts/Entertainment/Recreation, Accommodation and Food Services, and other services. The report is organized into three “principal sections.” The first section consists of the estimated spending potential of Southeast Lancaster City residents shown through detailed categories of household spending. The second section identifies the existing businesses in Southeast Lancaster City organized by the aforementioned eight industry sectors. The final section compares the business activity in the focus area to 36 other regions throughout the U.S. with a similar demographic and income profile to that of Southeast Lancaster City. The study uses ‘sales volume’ as a measurement to compare the business activity in the Southeast to the 36 similar areas. Callari (2009) finds that the economic activity in the Southeast Lancaster City measures up favorably against the comparison areas. The study concludes that a potential for economic development may exist in this area for two reasons. The first is location and market-specific advantages that exist in the Southeast due to a strong, “local heritage, community support, and the existence of unique markets or marketing niches, among others” (Callari, 2009). The second proposed reason for economic development potential of the Southeast is that the general potential for economic development is greater than the “normal” levels of anticipated business activity for communities with a similar demographic and economic profile. These two reasons for potential economic development provide a space for further research to be done focusing on South Lancaster City.

## III. Methodology

Callari (2009) states that his study should be viewed as a foundation for development and business plans instead of a basis for “specific business initiatives.” Our study aims to use Dr. Callari’s

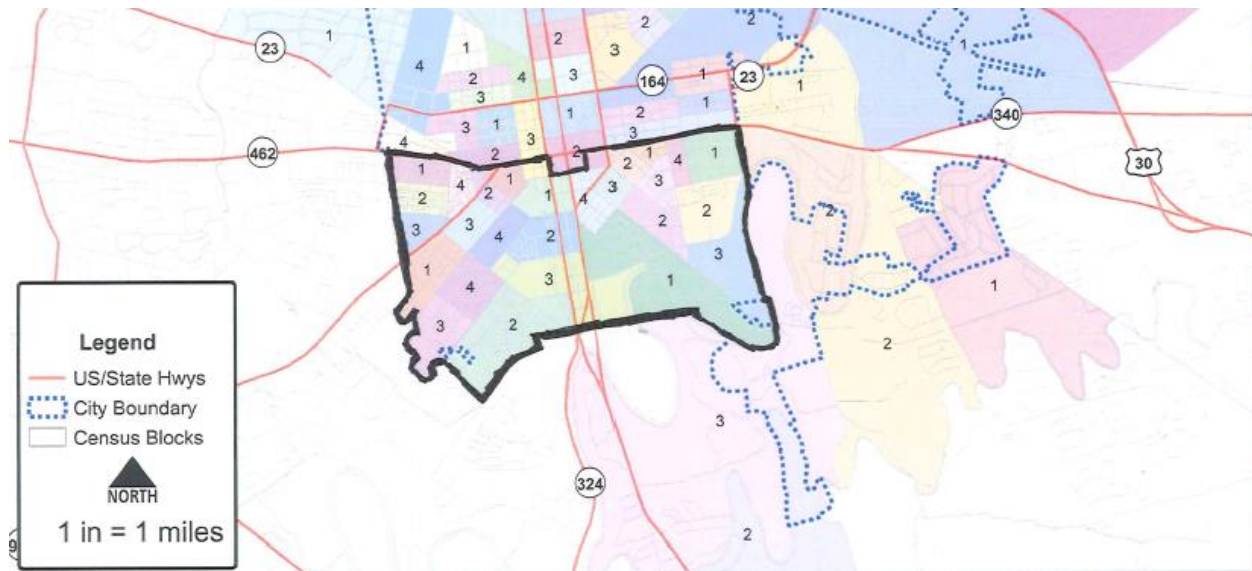
work as a starting point for further research, updating and expanding upon the this data. The research methodology requires the gathering of data pertaining to businesses in South Lancaster City. The data being collected will include various demographic and business statistics. The demographic statistics will include, but is not limited to the entrepreneurs; gender, ethnicity, income level, and highest level of education. The business information gathered includes, but is not limited to; number of employees, total sales, net income, and years in business. This data will be compiled into a database in order to analyze and reach a more clear understanding of the business makeup in South Lancaster City. The goals of the study will be to 1) Map existing economic and entrepreneurial activity in the study area 2) Foster the growth of direct connections with the existing businesses 3) Detect opportunities for collaboration/networking to spur business growth 4) Highlight the programmatic opportunities for ASSETS and other economic development organizations to support the underserved community of Lancaster City. Through the collection and analyzation of more accurate data ASSETS believes that it can improve its outreach and assistance in the economic and community development process in Lancaster City.

#### IV. Data Collection

This past spring research was conducted through the database Reference USA with the help of the Duke Street Business Center. Preliminary data was originally collected pertaining to businesses Lancaster City, but our goal was to refine and enhance what has been gathered with the limited resources at hand. Through collaboration with the Lancaster County Planning Commission we were able to enhance our database with the use of Nielsen Claritas Ixpress. Research through available databases was supplemented with the use of a survey. Starting in the spring and continuing through the summer, ASSETS Lancaster canvassed the community to conduct surveys of the local businesses to acquire data. The ability to conduct the survey ourselves allowed us to not only strengthen ties between us and the community, but also ensure the retrieval of accurate data. While surveying we also verified the existence of businesses in the database and recorded new businesses absent from the database. The results from this process made it possible to create a more accurate business listing as well as a map of business activity through ArcGIS.

#### V. Results:

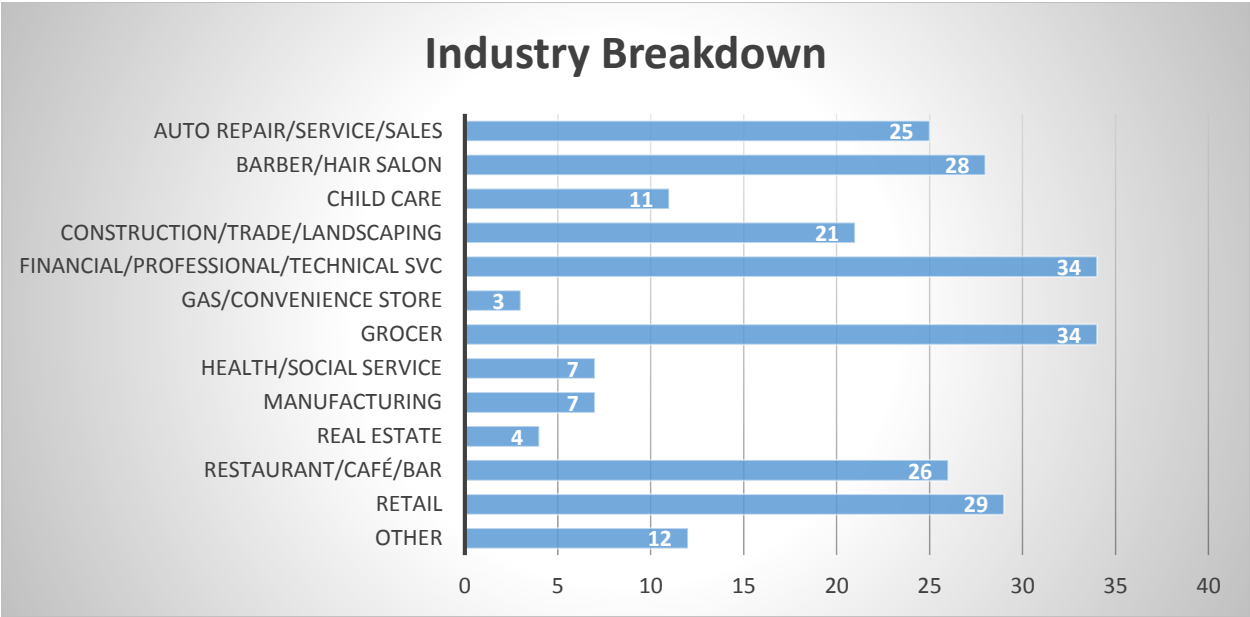
Over the course of two and a half months ASSETS Lancaster verified, surveyed, and mapped the business activity in Lancaster City that existed south of King Street. The results found 241 businesses in existence. 85 of these businesses were found to be located in the Southeast (south of King Street, east of Queen Street), while 156 businesses are located in the Southwest (south of King Street, west of Queen Street). It is important to note that this total business count excludes registered non-profits, banks, law firms/offices, and government offices. The focus area of this research can be seen in the following image:



This focus area was chosen based on city limits as well by the boundaries used by the Lancaster County Planning Commission. As shown on this map, the 0-100 blocks of West and East King Street were also excluded.

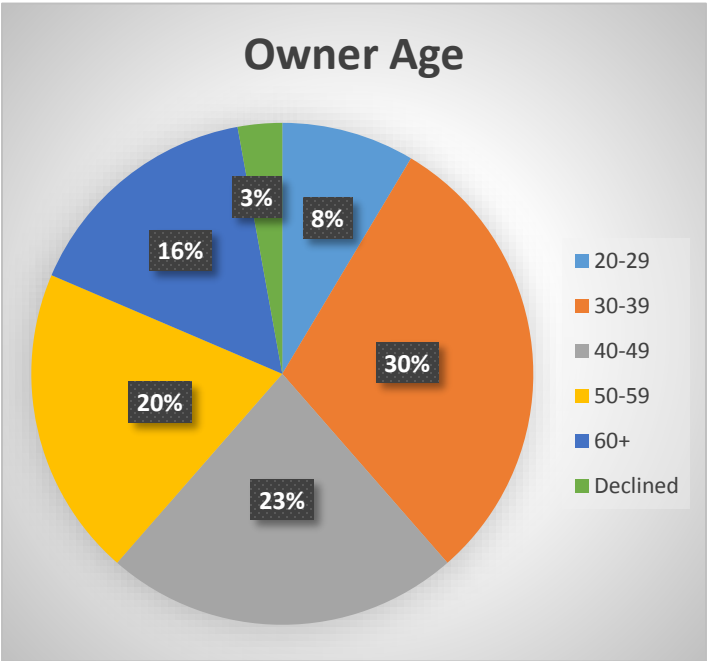
The business activity was broken down into various industries to better understand the diversity in business activity. The industry categories are as follows: Auto Repair/Service/Sales, Barber/Hair Salon, Construction/Trade/Landscaping, Child Care, Financial/Professional/Technical Service, Gas/Convenience Store, Grocer, Health/Social Service, Manufacturing, Real Estate, Restaurant/Café/Bar, Retail, and Other. For South Lancaster City the industry breakdown can be seen in this following chart and graph.

Industry	% of Businesses in Industry	Industry	% of Businesses in Industry
Auto Repair/Service/Sales	10%	Grocer	14%
Barber/Hair Salon	12%	Health/Social Service	3%
Child Care	5%	Manufacturing	3%
Construction/Trade/Landscaping	9%	Other	5%
Financial/Professional/Technical Svc	14%	Real Estate	2%
Gas/Convenience Store	1%	Restaurant/Café/Bar	11%
		Retail	12%



Out of these 241 businesses ASSETS Lancaster was able to speak with and survey 70 of these businesses. The survey and its questions in their entirety can be found in Appendix A. The results of the survey for all of South Lancaster City will be displayed below. The first few charts and graphs show basic demographic statistics pertaining to the owner of the businesses surveyed.

#### Question 1: Owner Age

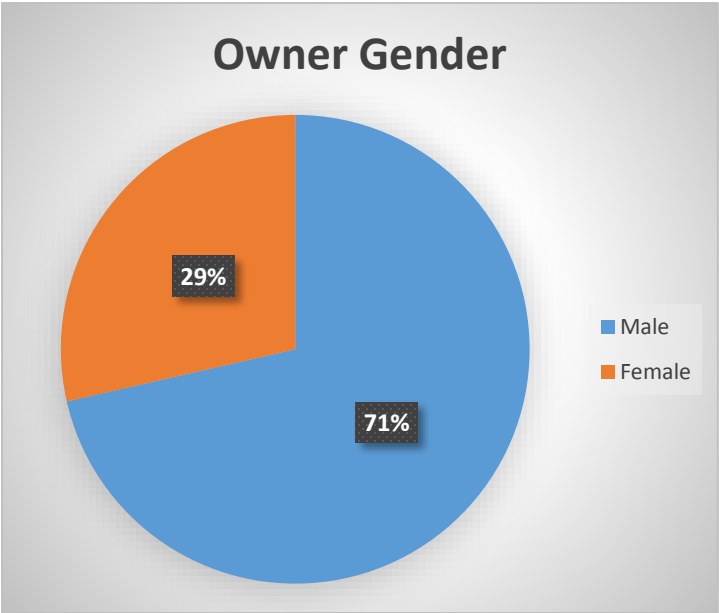


Age Range	Owners Who Identified
20-29	6
30-39	21
40-49	16
50-59	14
60+	11
Declined	2

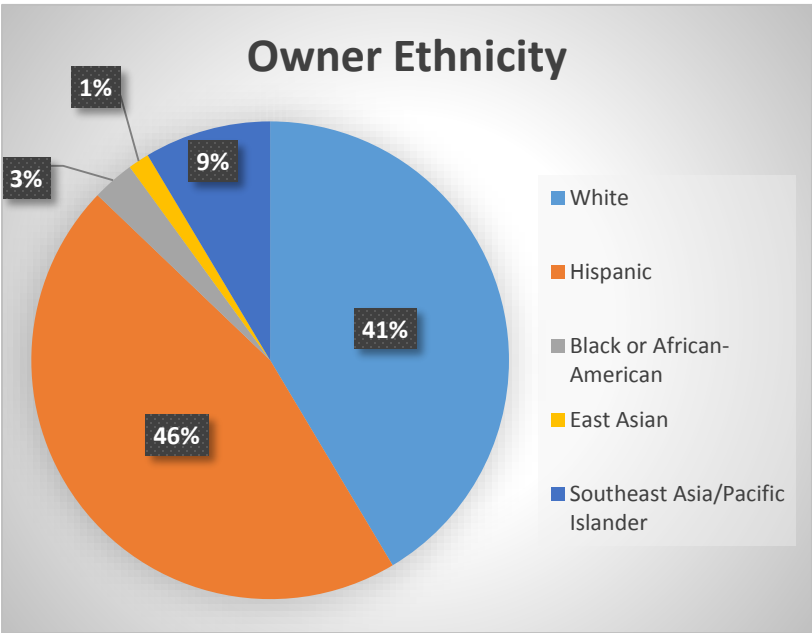
Question 2: Owner Gender

Question 3: Owner Ethnicity

If the business was owned or operated by multiple people of differing genders, we then asked who assumed the most responsibility or control over the company. The categories for ethnicity coincided with the recent census surveys as well as standard survey choices. The results for gender and ethnicity are below.



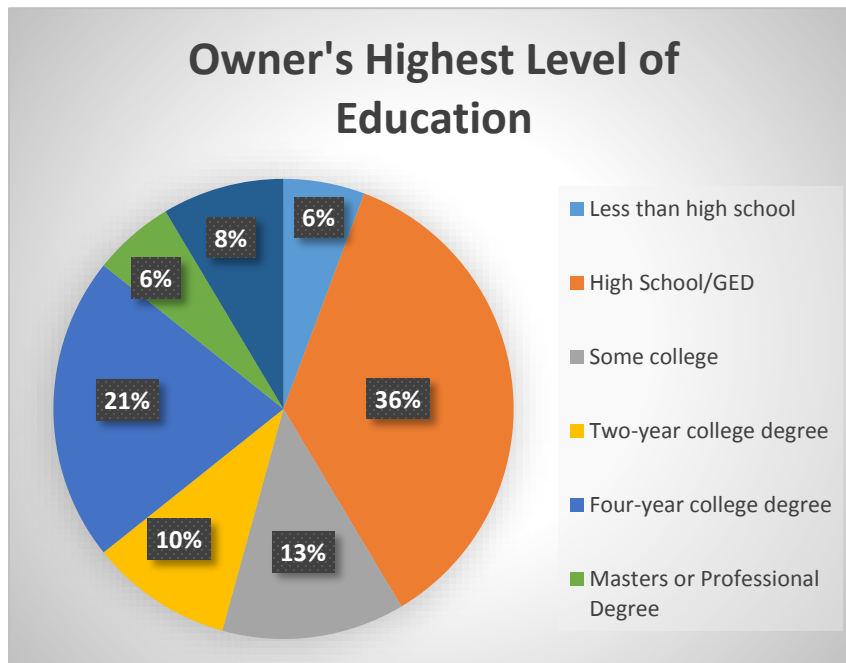
Owner Gender	Number Who Identified
Male	50
Female	20



Owner Ethnicity	Number Who Identified
White	29
Hispanic	32
Black or African-American	2
East Asian	1
Southeast Asia/Pacific Islander	6
Middle Eastern	0
Native American/Native Alaskan	0

#### Question 4: Owners highest level of education

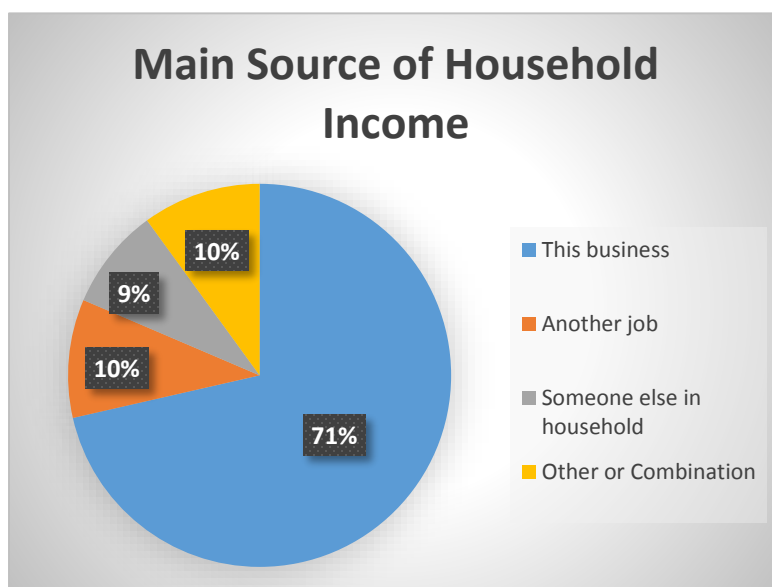
The choices for this were as follows: Less than high school, High School/GED, Two-year college degree, four-year college degree, or Master's degree. If the owner attended a specific trade school, cooking school, etc. the response was marked down as a four-year college degree or two-year college degree depending on the length of the program. The results for owner's highest level of education are below.



Owner's Highest Level of Education	Owner Response
Less than high school	4
High School/GED	25
Some college	9
Two-year college degree	7
Four-year college degree	15
Masters or Professional Degree	4
Declined Response	6

#### Question 5: Main source of household income

The choices for this question were: This business, another job, someone else in the household, other or combination. The results are below.

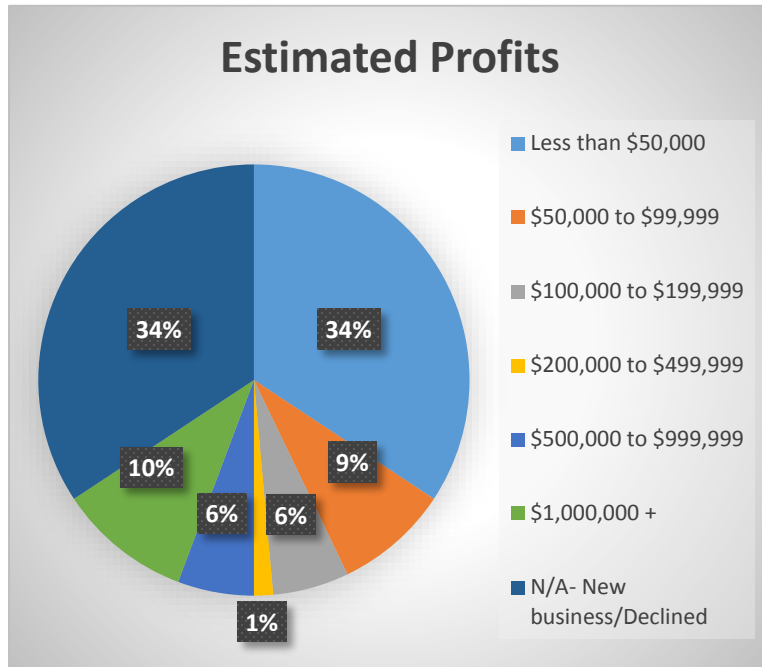


Main Source of Household Income	Owner Response
This business	50
Another job	7
Someone else in household	6
Other or Combination	7



### Question 6: Estimated profits from last year

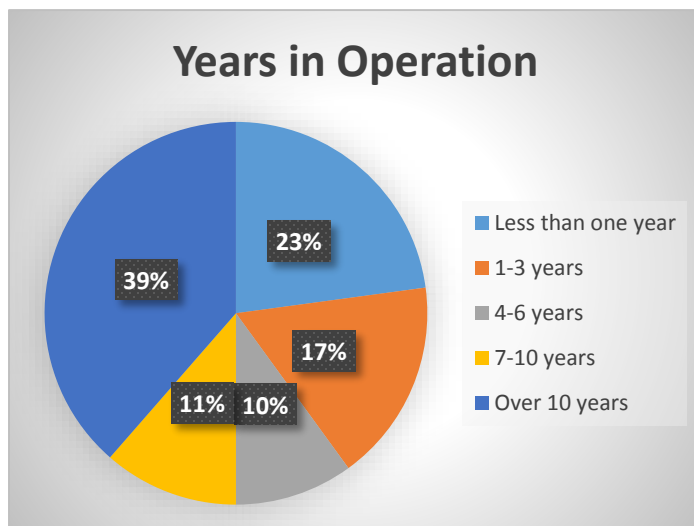
The possible responses were: Less than \$50,000, \$50,000 to \$99,999, \$100,000 to \$199,999, \$200,000 to \$499,999, \$500,000 to \$999,999, \$1,000,000 +, or N/A. N/A implies that the business has been operating for less than one full year, the owner could not give an accurate estimate, or they simply refused to divulge the information. The results are below.



Estimated Profits	Response
Less than \$50,000	24
\$50,000 to \$99,999	6
\$100,000 to \$199,999	4
\$200,000 to \$499,999	1
\$500,000 to \$999,999	4
\$1,000,000 +	7
N/A- New business/Declined	24

### Question 7: How long has your business been operating?

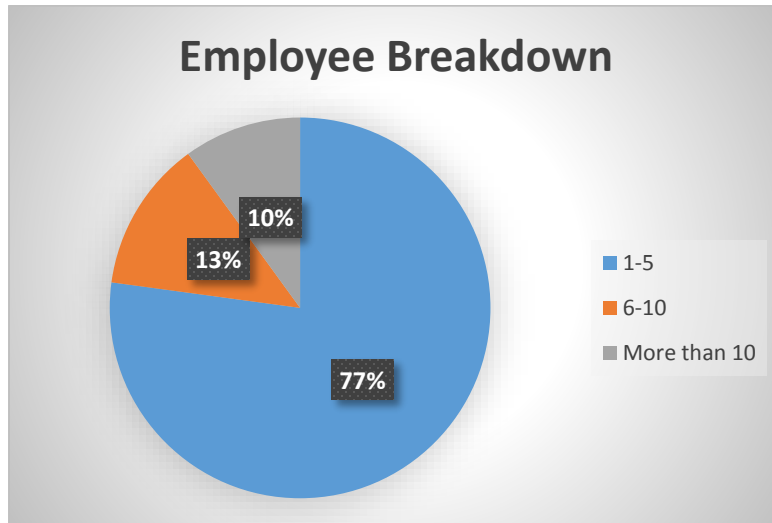
The years in operation referred to how long the business has been in operation under the current manager. The only exception to this is a family business that has been passed down. This was broken down in segments of: Less than one year, 1-3 years, 4-6 years, 7-10 years, and Over 10 years.



Years in Operation	Response
Less than one year	16
1-3 years	12
4-6 years	7
7-10 years	8
Over 10 years	27

### Question 8: Number of Employees

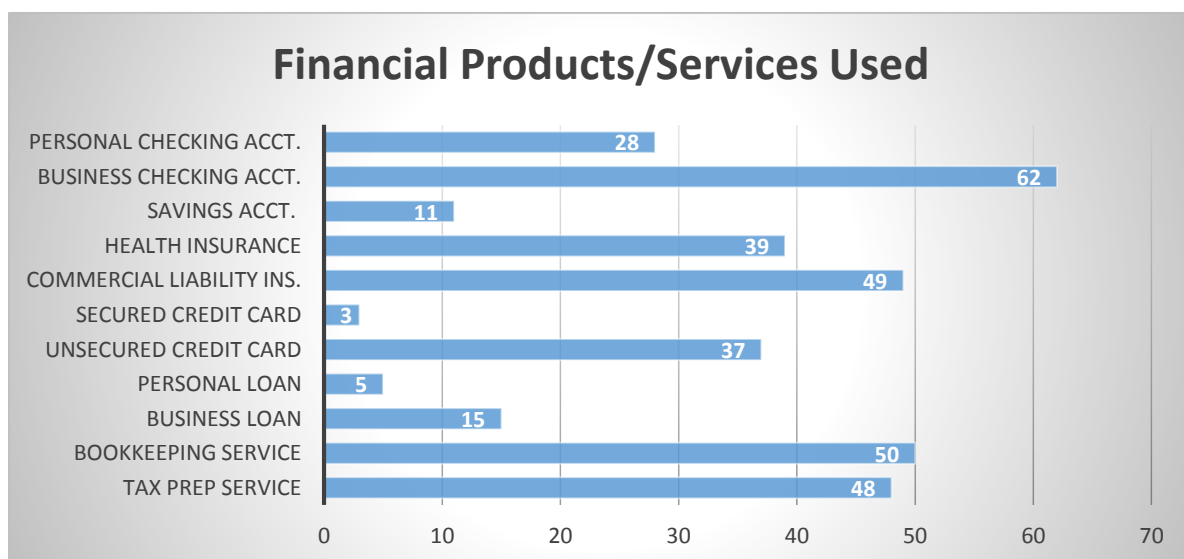
The ranges for employees were broken down as follows: 1-5, 6-10, or More than 10. The results are shown in the following chart and graph.



Number of Employees	Response
1-5	54
6-10	9
More than 10	7

### Question 9: What type of financial products or services do you use?

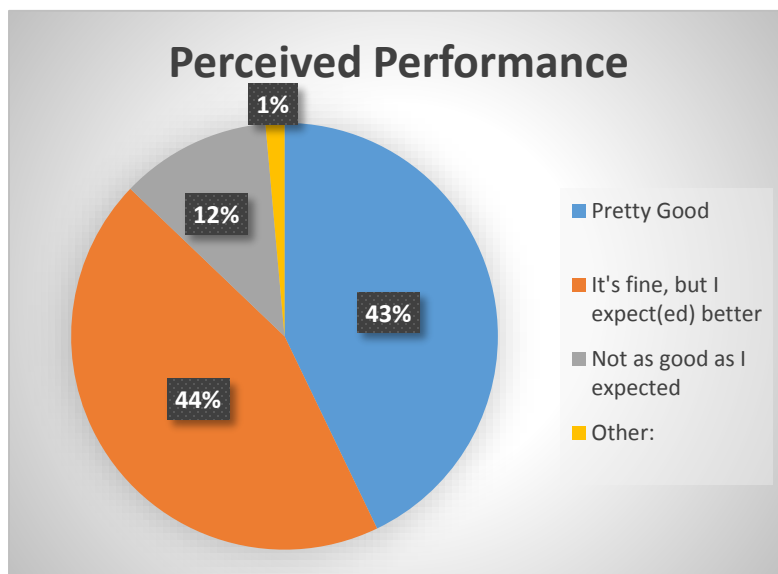
When giving the survey the options would be read off one by one, and the owner would indicated whether or not they used them after each one was listed. This method was applied to insure the owner remembered each option and clarification could be made after each financial product or service was listed. The choices given were as follows: Personal Checking Account, Business Checking Account., Savings Account., Health Insurance, Commercial Liability Insurance, Secured Credit Card, Unsecured Credit Card, Personal Loan, Business Loan, Bookkeeping Service (accountant or QuickBooks), and Tax Preparation Service. It is important to note that all of these financial products or services must be used for the business. For example if a business owner has an unsecured credit card for their own personal use, but do not use it for business expenses it would not be counted.



Financial Products/Services Used	Response %
Personal Checking Acct.	40%
Business Checking Acct.	89%
Savings Acct.	16%
Health Insurance	56%
Commercial Liability Ins.	70%
Secured Credit Card	4%
Unsecured Credit Card	53%
Personal Loan	7%
Business Loan	21%
Bookkeeping Service	71%
Tax Prep Service	69%

#### Question 10: How do you perceive your business is doing right now?

This could mean over the past year, since they started the business, or even recent trends. The choices for this response were 'pretty good', 'it is fine but I expect(ed) a better outcome', or 'not as good as I expected'. This is an extremely subjective question and response so results are to be taken as a pure reflection of their business profits or lack of. It also should be noted that it may be difficult for a business owner to admit that their business is not doing well or as well as they would like, furthering the point that these results are not to be assumed completely accurate. The results for perceived performance are below.

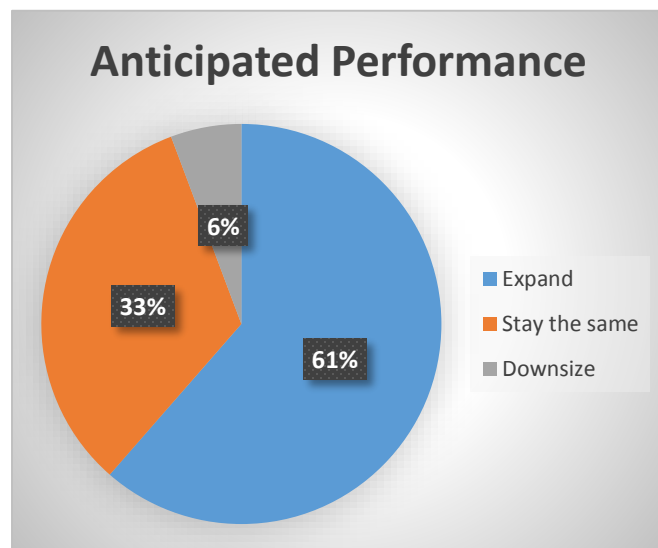


Perceived Performance	Business Response
Pretty Good	30
It's fine, but I expect(ed) better outcomes	31
Not as good as I expected	8
Other:	1

#### Question 11: How do you anticipate your business to grow this year?

The survey responses possible were as follows: expand, stay the same, or downsize. Expanding could indicated an increase in profits, employees, space, etc. Essentially any increase in the overall dynamics of the business would be considered an expansion for this study. 'Stay the same' indicates they expect the same outcomes as the previous year(s), and have no intention of changing the structure

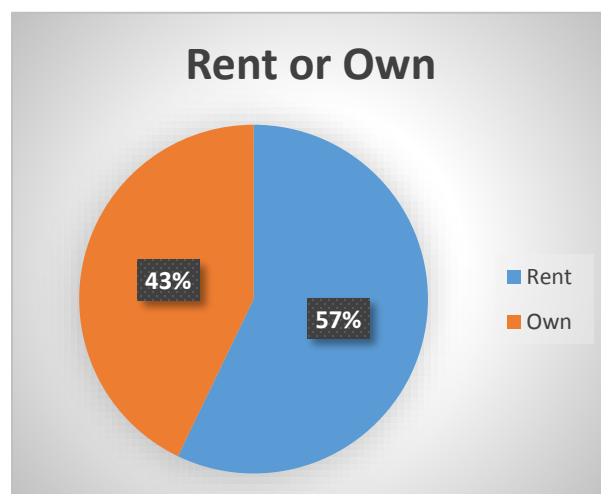
in the business. 'Downsize' indicates they expect their business is on a downward trend, and/or they need to cut expenses (employees, wages, space). The results for anticipated performance are below.



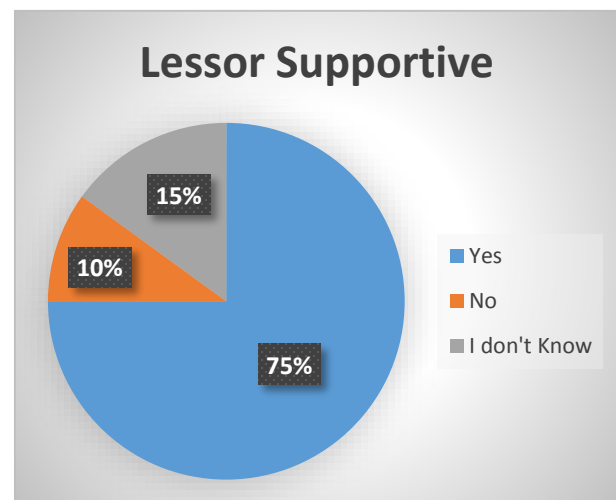
Anticipation for next year	Business Response
Expand	43
Stay the same	23
Downsize	4

Question 12: Do you rent or own this space?

Question 13: If rent, is your lessor supportive of your business?



Rent or Own	Response
Rent	40
Own	30



Lessor Supportive	Response
Yes	30
No	4
I don't know	6

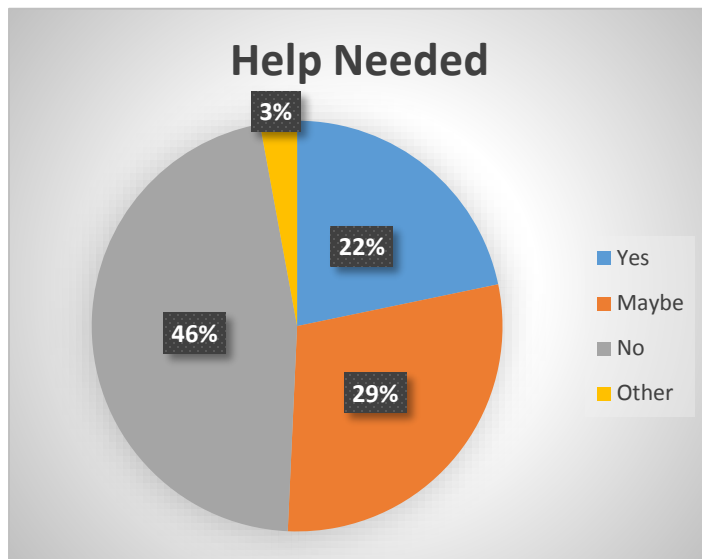
#### Question 14: Challenges you face as a business owner?

Similar to the 'financial products/services' question, the possible choices were listed one by one while the owner indicated whether they perceived each to be a challenge for them or not. The possible choices were as follows: Lack of good suppliers, maintaining cash flow, keeping finances in order, tax and regulatory compliance is too complicated, lack of knowledge in business management/administration, can't plan for the future due to uncertain economic conditions, high competition from other businesses, limited/unable to access financial products or services, no credit history or low credit score, lack of IT support, trouble finding and retaining the right employees, marketing, or other. The results are shown below.



Challenges	Business Response	Challenges	Business Response
Lack of good suppliers	13%	Limited/unable to access financial products/services	14%
Maintaining cash flow	17%	No credit history or low credit score	16%
Keeping finances in order	21%	Lack of IT support	7%
Tax and regulatory compliance is too complicated	13%	Trouble finding and retaining employees	16%
Lack of knowledge in business mgmt/admin	7%	Marketing	21%
Can't plan for the future due to uncertain economic conditions	24%	Other	14%
High competition from other businesses	26%	None:	10%

### Question 15: Do you need some assistance regarding the challenges listed above?

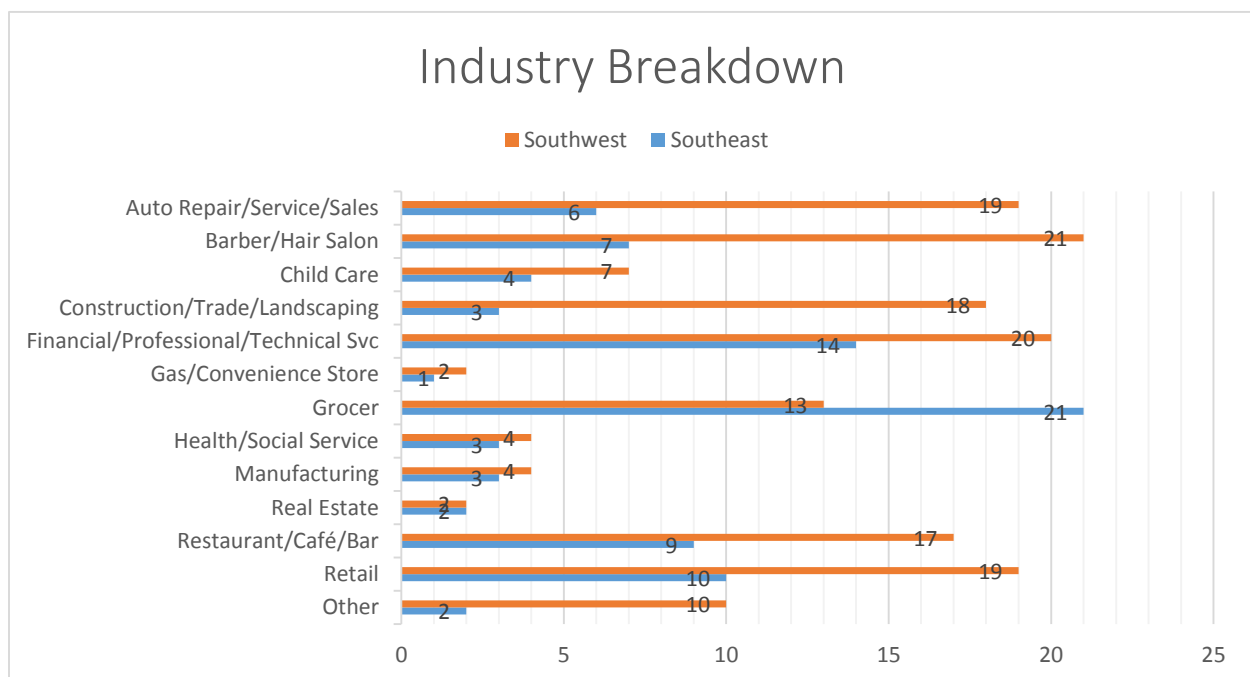


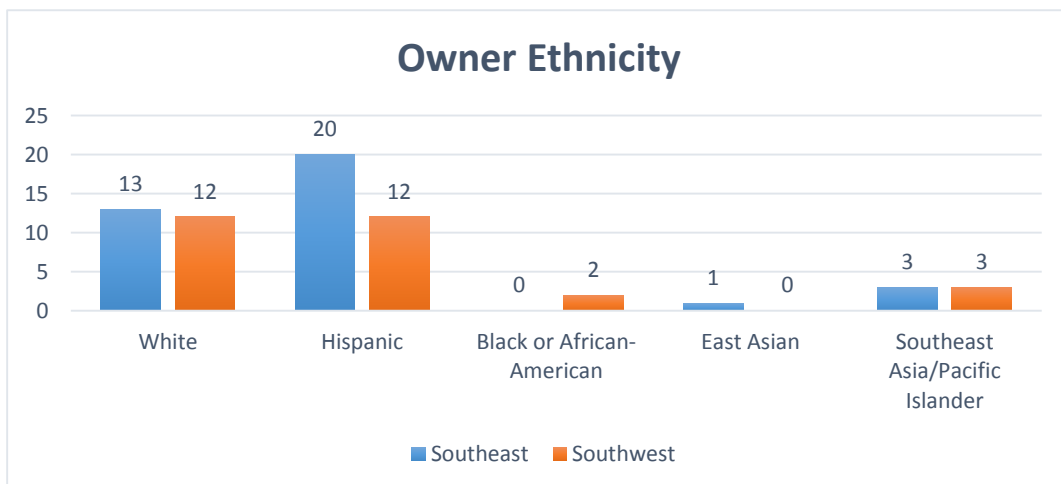
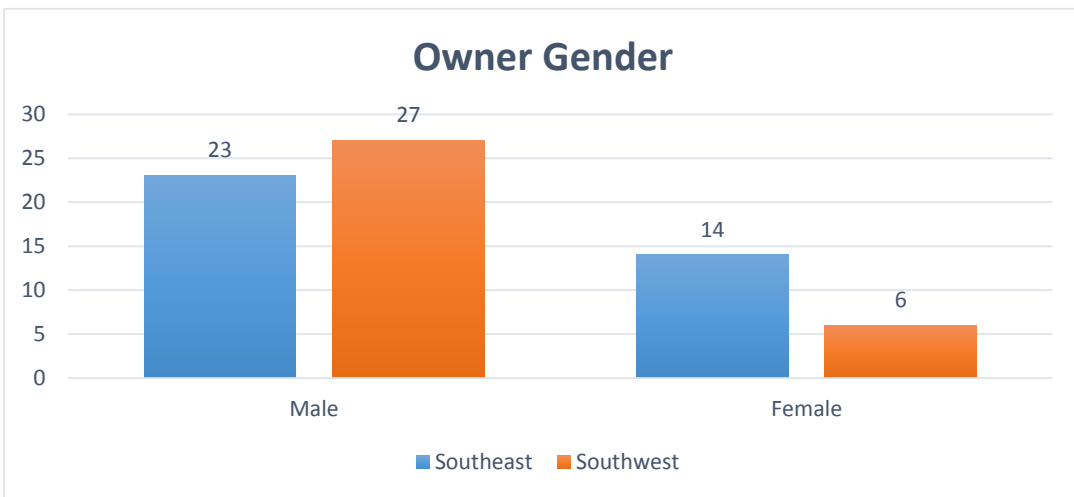
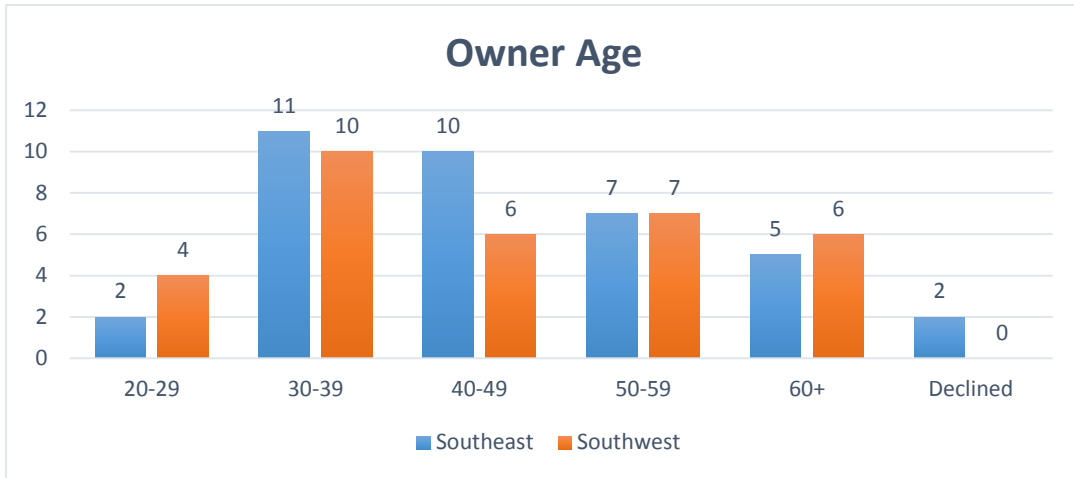
Help Needed	Response
Yes	15
Maybe	20
No	32
Other	2

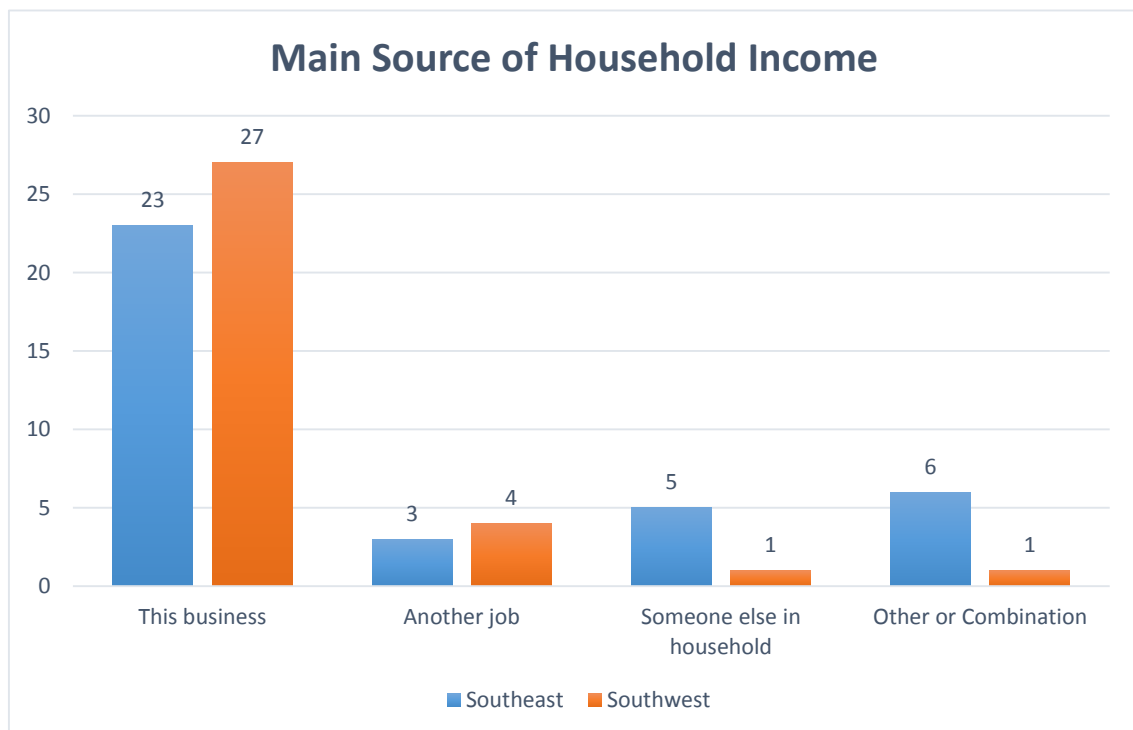
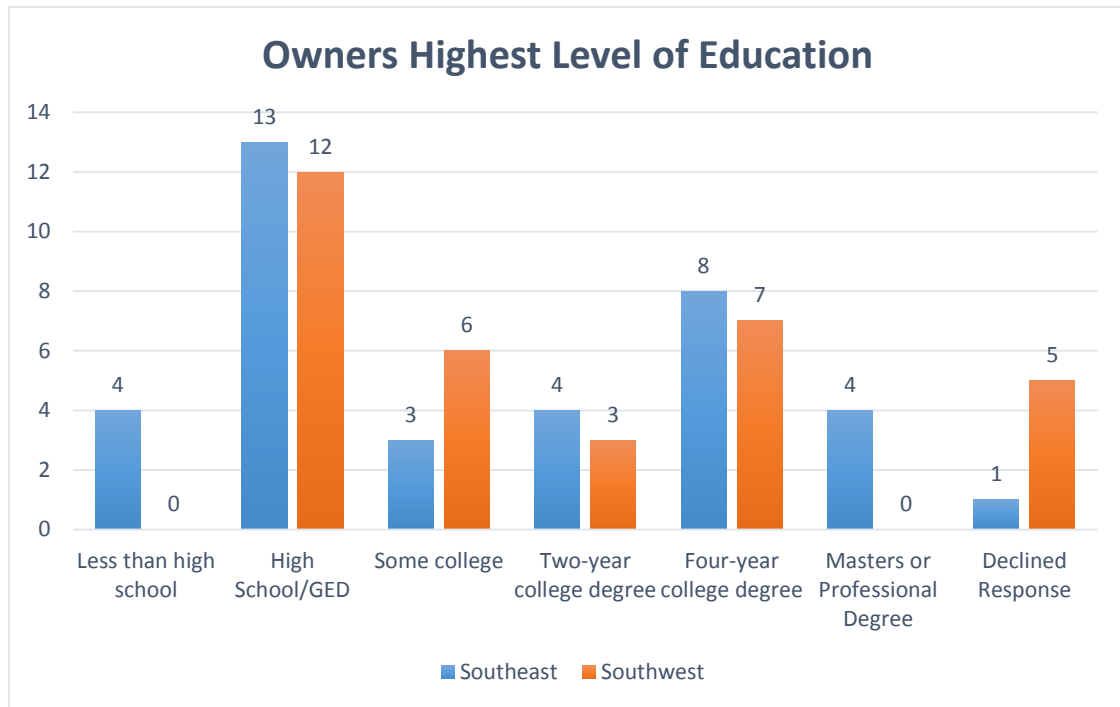
### VI. Analysis

#### Southeast – Southwest Comparison

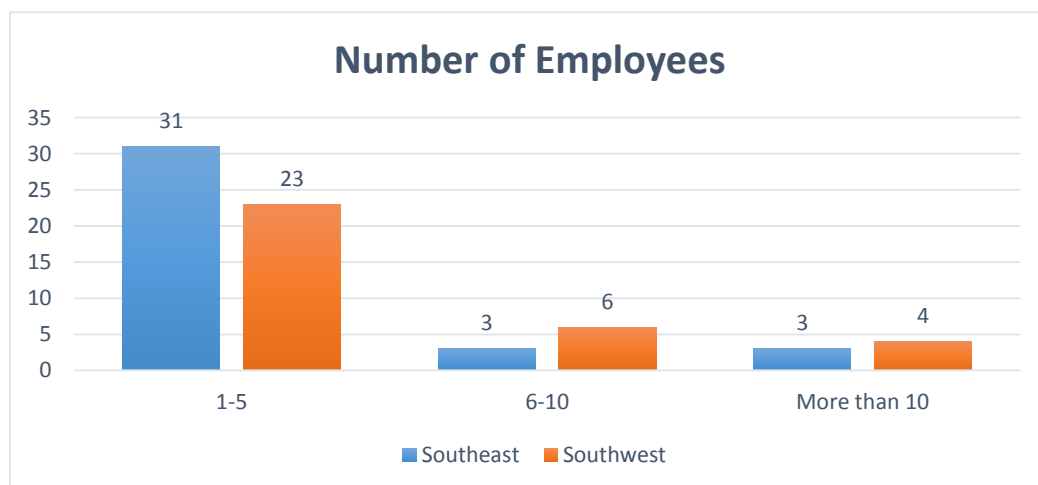
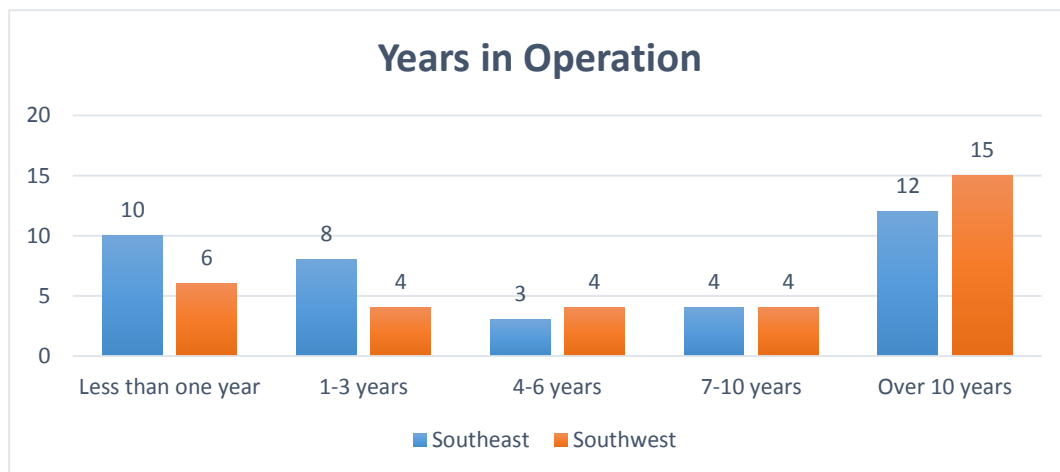
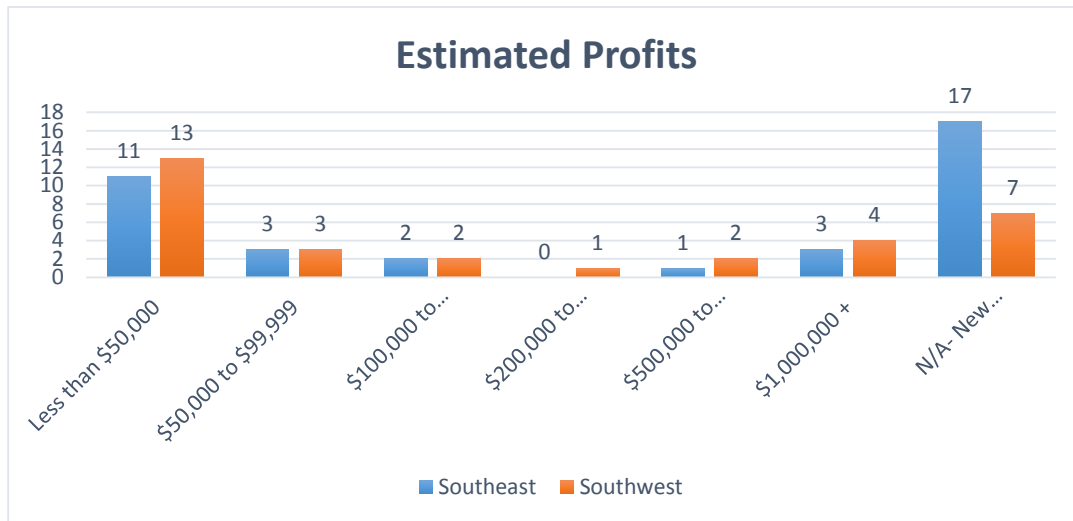
This section will be a comparison of the industry breakdowns and survey results comparing Southeast and Southwest. The results are drawn from the same questions in the previous section, there were no explanation in this section of the questions or the results. It is important to note that there were 33 surveys completed in the Southwest and 37 in the Southeast for a total of 70.

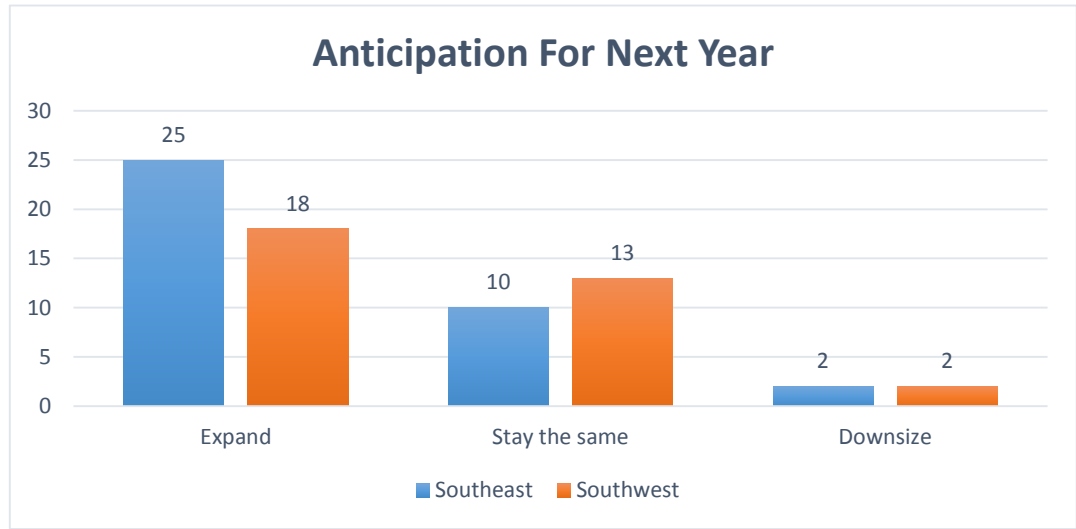
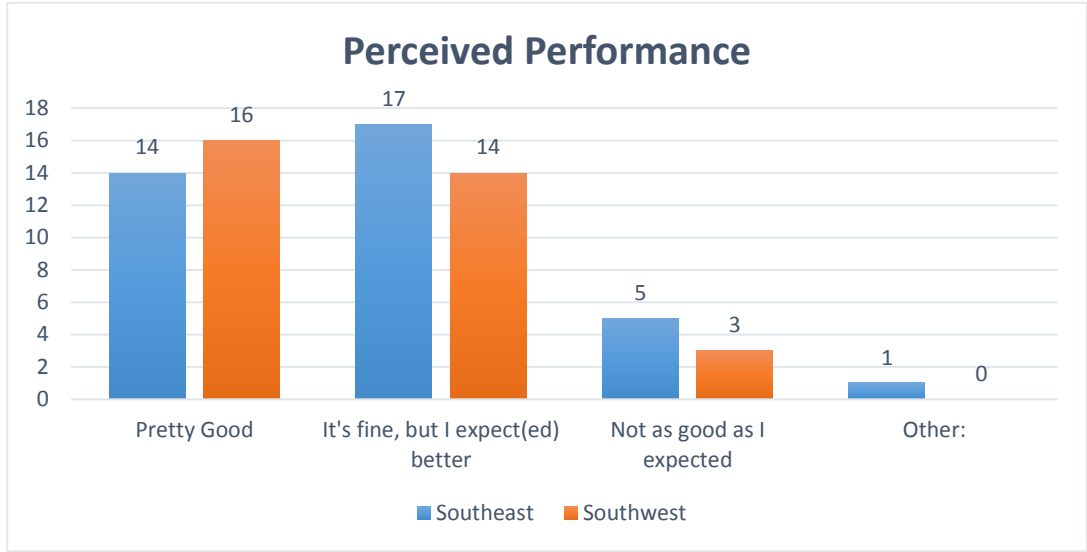
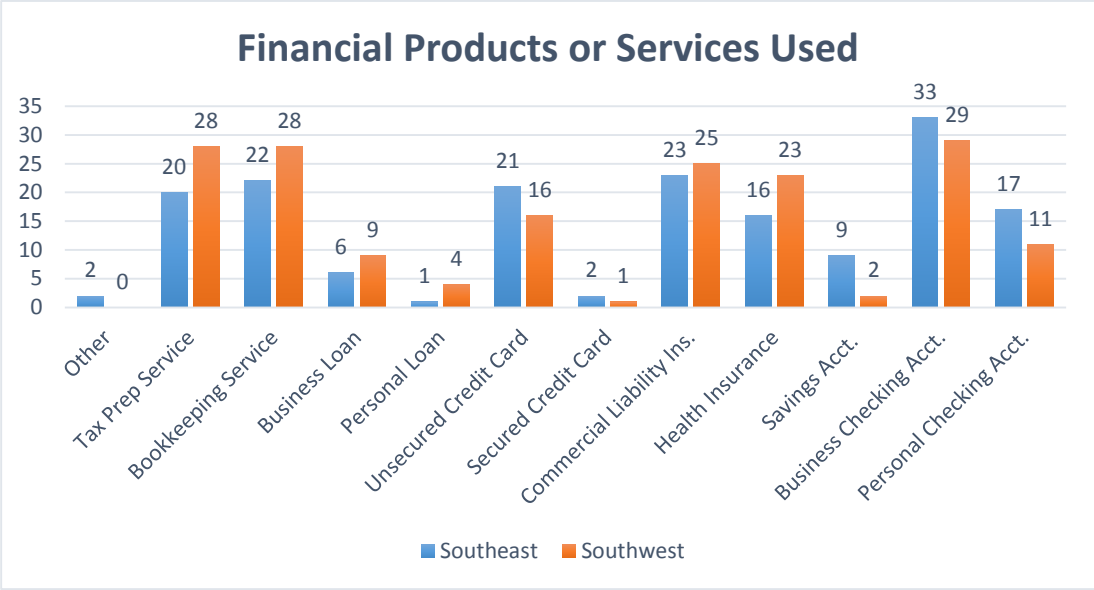


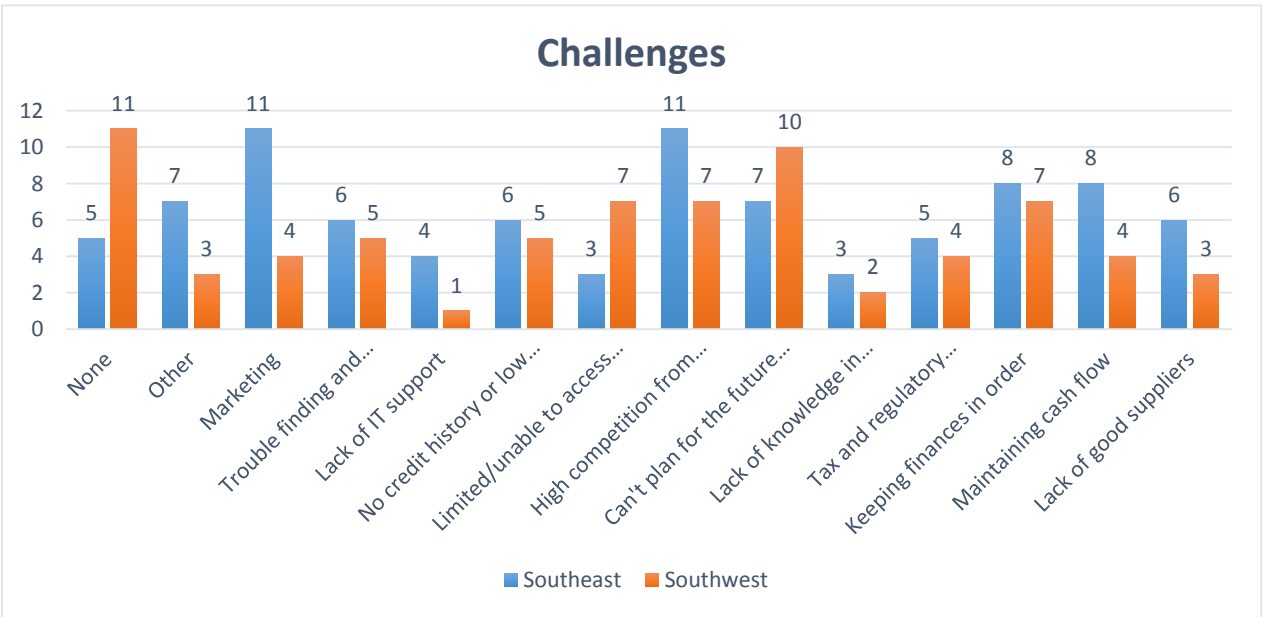
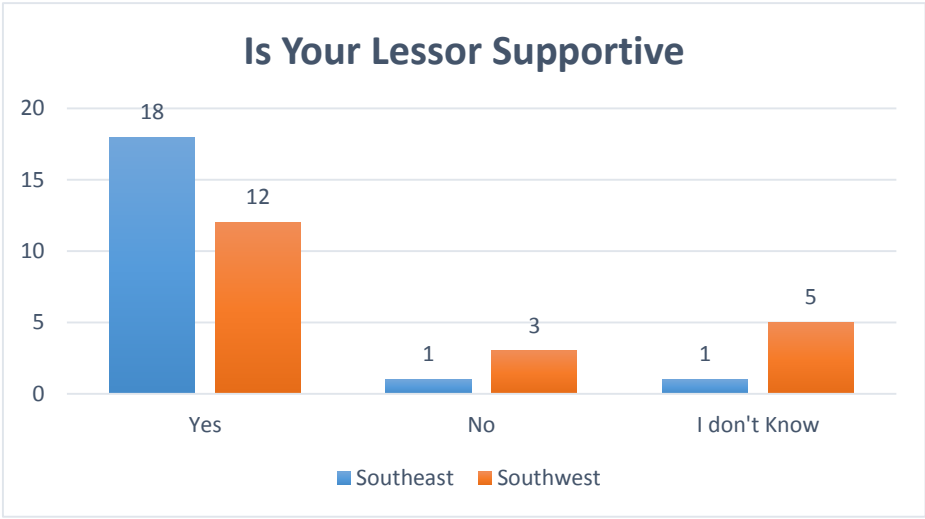
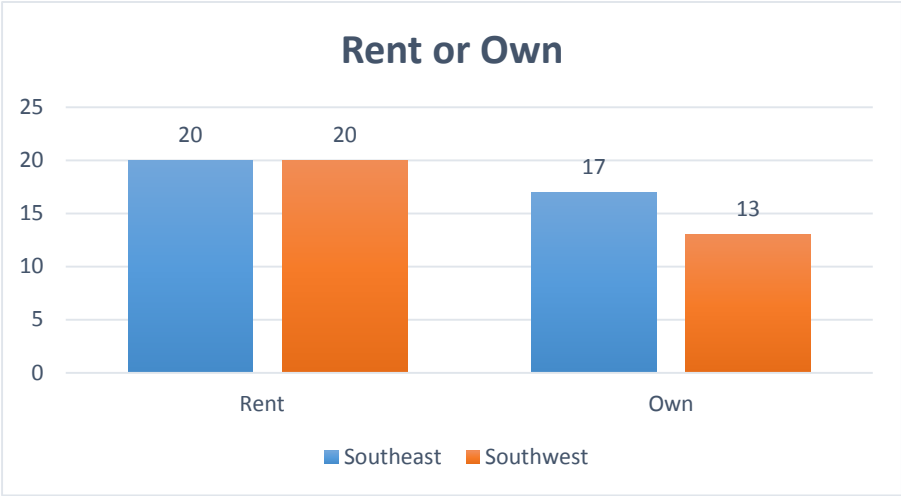


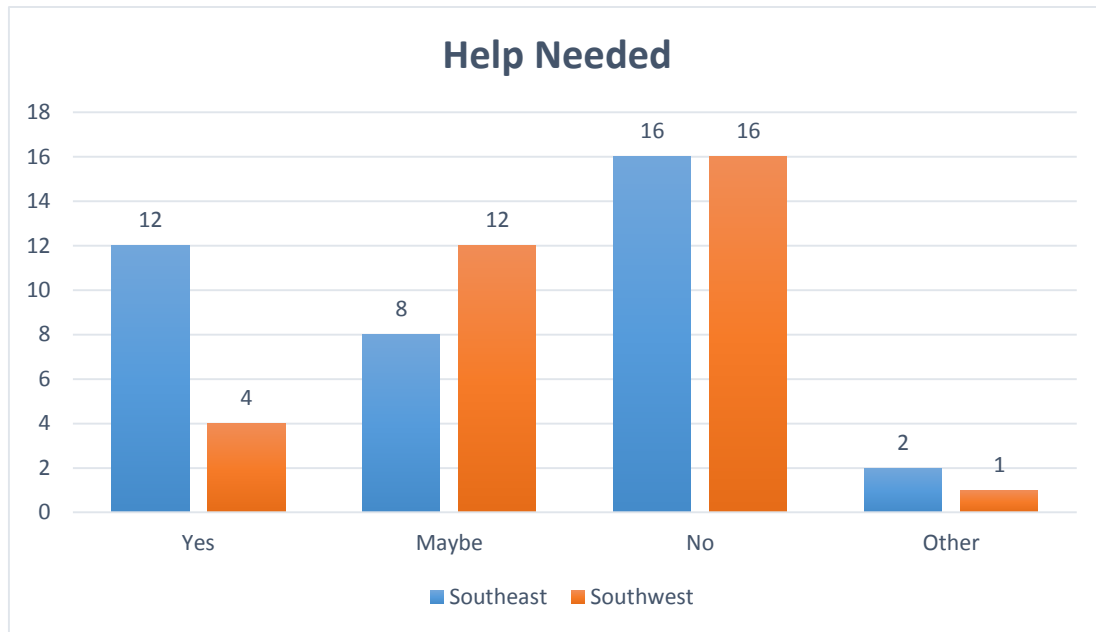












Overall, there were not significant differences between the Southeast and Southwest. The biggest differences came in the amount of total businesses as well as the breakdown by industry. The Southwest had nearly double the amount of businesses compared to the Southeast. Due to this the Southwest had more businesses in each individual industry, except for Grocers.

#### Social Questions

The last portion of the survey consisted of the three questions that the business owner could answer without pre-determined choices. The person conducting the survey would prompt these questions then paraphrase the response given by the owner to record the main points of their answer.

#### **Question 16: What has your experience been like as a business owner in Lancaster City?**

This question would typically stimulate an extended conversation about their story as a business owner and how they feel they are faring as a business owner as well as how they perceive the city is progressing as a whole. Of the 70 businesses surveyed, 45 of them expressed a positive relationship with the city and consider their overall experience as a business owner to be positive. 8 business owners considered their experience to be negative, while 13 were more or less indifferent. Lastly, 4 owners said the relationship was complicated and they have experienced positives and negatives.

In the Southeast one cluster of businesses who all expressed a positive experience was the 100 block of East King St. The business owners of La Petite Patisserie, Sophie Star Gazer, East King Culinary, That Shuu Girl Boutique, and La Cocina all gave near identical responses. They responded saying that their experience has been “terrific” and a great market exists for their businesses, but it is tough. They felt the main struggle has been to get people to venture down East King St. away from the downtown area. Overall however, they expressed feeling well supported by the city, community, and each other.

For some of the businesses in the Southeast further out on East King St. or deeper in the neighborhoods the response was less enthusiastic. They said that business was extremely tough and they are struggling. Two businesses in particular specifically mentioned the large existence of similar

businesses in the area, those being corner store grocers and barber shops/hair salons. The one business owner is quoted saying, “I don’t understand how the city can’t regulate how many similar businesses are allowed to be opened. How can I stay in business when there is competition on every corner? I can see three similar store out my front window!”

In the Southwest there existed another cluster of businesses all expressing a positive experience. These were located on S West End St. in the Slaymaker Building and neighboring areas. Each owner expressed how delighted they have been with business and thought that people are beginning to finally move outside of the downtown area of Lancaster City. They all felt they can support one another in this area and that competition even if there are similar businesses in the area, was not a problem.

It is interesting to note that the five businesses who responded negatively to their experience as a business owner all have been operating in Lancaster City for 30 or more years. Each of the owners repeated a similar response usually centered on the idea that they were not happy with the direction of the city. They felt neglected, over-taxed, and that crime and poverty are worsening. Two owners in particular became visibly irate when answering the question. One thought that the Water Street Mission is, “the worst thing to happen to S Prince St.” The owner claims that it has ruined the street, is financially irresponsible and has made the surrounding area unsafe. The other owner blamed the convention center citing it as a “money pit”. They are not making enough money after taxes to cover operational expenses, let alone pay themselves.

In contrast, many of the new businesses in the Southwest expressed opinions contradicting the veteran businesses, despite having similar enterprises. Each of these newer businesses said their experience has been great. They love the location, the community, and enjoy getting involved with the local society. They all believe that business can only go up and are extremely optimistic about the future of Lancaster City.

#### **Question 17: What societal or community challenges has your business experienced?**

South Lancaster City typically has a bad reputation. It is known to have higher levels of poverty and crime. Before the research project began, the assumption was that this question would be met with a high volume of negative responses citing problems of drugs, theft, and vandalism. However, this assumption was incorrect. 54 of the 70 business owners cited no problems with the local society and community. Furthermore, many claimed they enjoyed the area, the customers, and took pleasure in community involvement through block parties, barbeques, etc. Only a handful of business owners cited drugs, theft, or vandalism as a problem. The only issue owners stated in regards to their locations was that minimal people outside of the area were aware their business’s existence, they are even unsure the local government is aware of their existence.

The majority of those who expressed some challenges in the local society or community were predominately Auto Repair/Service/Sales businesses. Every once in a while they would have overnight break-ins to cars on their lots. Still, a large majority still did not express any negativity towards their community they just claimed it was something that, “happened.”

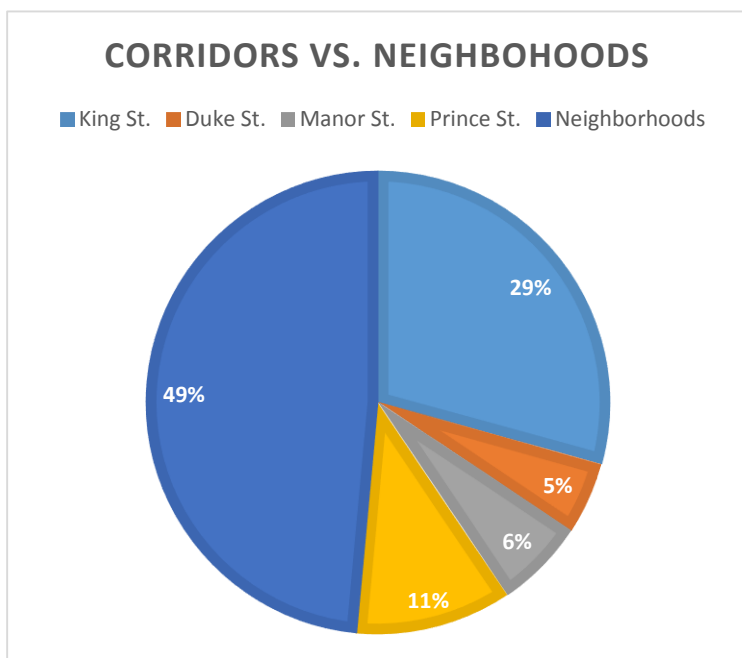
#### **Question 18: Do you interact with or support any local business or community-focused organizations? If so, which ones?**

A large majority (49/70) reported no affiliation with any local business or community-focused organizations. Of this majority a small percentage did express interest in affiliation in the future. They assume it would be good for them, but do not feel organizations exist that they would feel comfortable participating in. Also, many of these businesses are one employee, and said they do not have the time to get involved. If they are attending meetings then they are not at their business making money. A small percentage also said they used to be involved in organizations such as the Chamber of Commerce or Lancaster Young Professionals, but felt they were not sure if they were getting much from it.

Many of the businesses located off of King St. were involved more with local churches, community gatherings, and other local businesses. These were not formal organizations, but it was a comfortable environment and rewarding place to participate in. The Chamber of Commerce was the most prevalent business organizations with 7 business owners claiming to be members.

#### Corridors – Neighborhoods

In Lancaster City there are considered to be multiple streets that act as corridors into the city. The corridors are King St., Duke St., Prince St., and Manor Street. It is unsurprising to find that there is a lot of business activity happening along these streets. However, these four streets only account for about half of the business activity in South Lancaster City. The breakdown for these corridors compared to the neighborhoods can be seen below.



Corridor vs Neighborhoods	Total Number of businesses
King St.	70
Duke St.	12
Manor St.	15
Prince St.	26
Neighborhoods	116

From the breakdown you can see that King St. is clearly the most densely populated with businesses accounting for almost 30% of all business in South Lancaster City, while Duke St. is very utilized for its size and location.

## VII. Conclusion

With more time and resources it would be most beneficial to be able to survey more businesses in South Lancaster City to better understand the economic climate as well as the needs of the business owners. However, this was a big step forward in shedding light on the business activity that already exists here. Through the efforts of this research project we were able to compile the most accurate and up to date business directory for the focus area. It should be noted however, that the business directory may consist of errors in terms of missing businesses or owner information. There is no means of compiling data for sole proprietors operating out of their homes, especially if they are unregistered. We were also able to survey a decent size sample of the businesses to inform not only ASSETS Lancaster about the successes, needs, and challenges of the business owners, but also the city as a whole. The project gave an optimistic outlook on the potential growth of the focus area. A large number of the businesses are new operations with a positive outlook early on in their existence. The majority feel a strong connection to their communities and wish to grow with them and support them. We believe that ASSETS Lancaster successfully achieved the goals of the project. We were able to accurately compile the database and map, reach out to the businesses in the community to bridge a connection, assess the current business climate, and inform us and other economic development institutions on the needs of the business owners and the community.

## References

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