



NORTHERN DISPATCH

22 MAY 2018

THE STATE OF SMALL BUSINESS IN NORTHERN B.C.

WHAT IS THIS?

As Northern B.C.'s leader in economic development we at Northern Development feel that it's crucial to understand the data behind the decisions that affect the communities we serve. Earlier this year, the State of the North Economic Report revealed that although Northern B.C.'s economy remains largely reliant on the natural resource sector, it's also incredibly complex, nuanced and ever shifting. For that reason, we've created the **'Northern Dispatch'** – short reports that delve into portions of the State of the North in greater detail, adding commentary and context on specific sectors or subjects ... and maybe a little myth-busting too.

Our hope is that the Northern Dispatch will provide value to communities, business leaders and stakeholders who share our passion for Northern B.C. We plan to issue four of them this year, each one focusing on a different topic pulled from the State of the North. Here's hoping you have as much fun reading them as we did writing them.

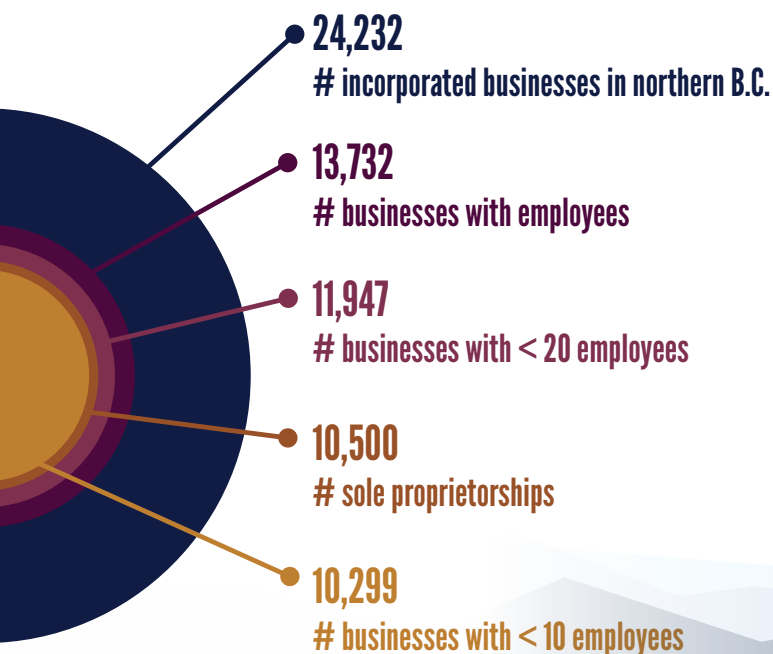
ENJOY!

THE STATE OF SMALL BUSINESS

IN NORTHERN B.C.

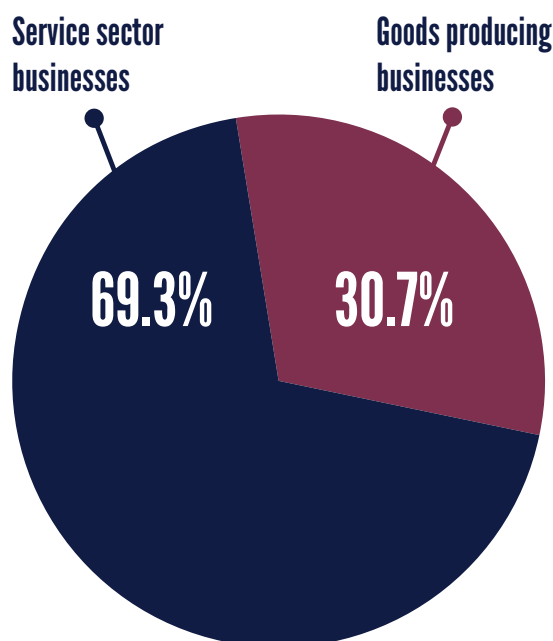
Big city folk can be somewhat forgiven for thinking that Northern B.C. is an empty landscape blanketed in snow-laden conifers and punctuated with the occasional mine, mill or gas plant. Heck, we've done it to ourselves – we keep telling them that the majority of the value of B.C.'s exports comes from our part of the province and that it's almost entirely driven by extractive industries. Many of them have never been north of Hope, and certainly Hollywood hasn't done us any favours when it depicts northern Canada (not that it often does, but that's a topic for another day).

Well, the truth is that Northern B.C. is actually the land of small business. There are 13,732 businesses with employees in northern B.C., according to the State of the North report. Eighty-seven per cent of those businesses have fewer than 20 employees, and 75% of those businesses have less than 10. There are a further 10,500 businesses based in the region that have no employees at all – these are one person shops and sole proprietorships – according to BCStats.



And guess what? Only 30.7% of regional employment is in the goods producing sector, which means 69.3% is in the service sector. That means approximately two thirds of employed people in the north work in service-based businesses – not necessarily at the mines, mills or gas plants we're known for.

So what about those large businesses that call the north home? Turns out retail shops, restaurants, hotels and public services account for 62% of all businesses in the north that have more than 20 employees. That means that even our region's version of 'medium-sized businesses' aren't necessarily resource sector businesses.



BUT THAT DOESN'T MEAN THE RESOURCE SECTOR ISN'T CRITICALLY IMPORTANT TO OUR REGION

Although our region's mines, mills and gas plants may not directly employ as many people as small business does, it would be foolish to overlook the important role they play underwriting our regional economy. Our foundational industries continue to be forestry, mining, energy, agriculture and tourism (which we would argue is a natural resource industry, but, again, a topic for another day). There's also a healthy argument to be made that transportation is a baseline sector in our region. Together, these sectors are where our first dollars are generated. The revenue that's generated by these sectors – be it from cutting lumber to extracting natural gas or shipping goods from producers to consumers – is then used to procure services, supplies and equipment from small enterprises around the region. How big is this sector? Well, a few years ago the Trust launched the Supply Chain Connector – the largest industrial procurement database in B.C. Its membership is limited to businesses in Northern B.C. and today there are approximately 2,300 industrial supply chain businesses registered on the site and we're aware of half as many more that aren't registered. All that is to say that the industrial supply chain that serves the resource sector is a big component of our small business sector.

Breaking that down further, those industrial supply chain businesses need services, supplies and equipment as well, which drives demand for another tier of businesses. And the folks who are employed in all of these businesses? Well, they need services too – doctors, nurses, physiotherapists, teachers, grocery stores, housing, legal services, tax services, restaurants, clothing stores, etc.



**SUPPLY CHAIN
CONNECTOR.CA**

A free public database for procurement officers to find local businesses to help them build major projects

Register for free at supplychainconnector.ca

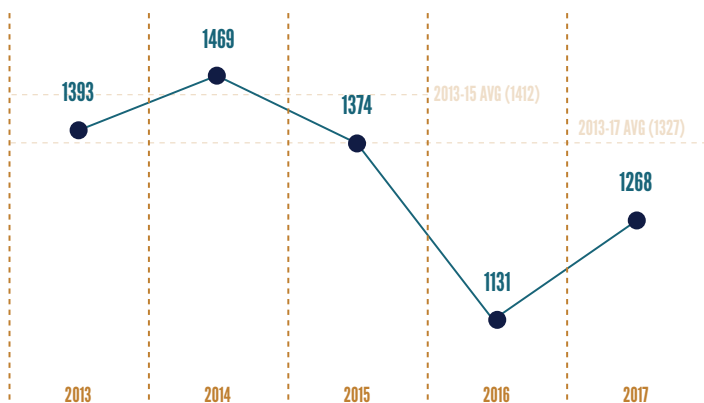
IN THIS WAY, OUR SMALL BUSINESS SECTOR IS COMPLETELY INTEGRATED WITH OUR CORE REGIONAL INDUSTRIES

Take, for example, the forest sector. In 2016, 92% of all forest sector businesses with employees were small businesses with fewer than 50 employees, according to BCStats. Further, logging, forestry and support operations are dominated by small firms, with 97% of these businesses having fewer than 50 employees.

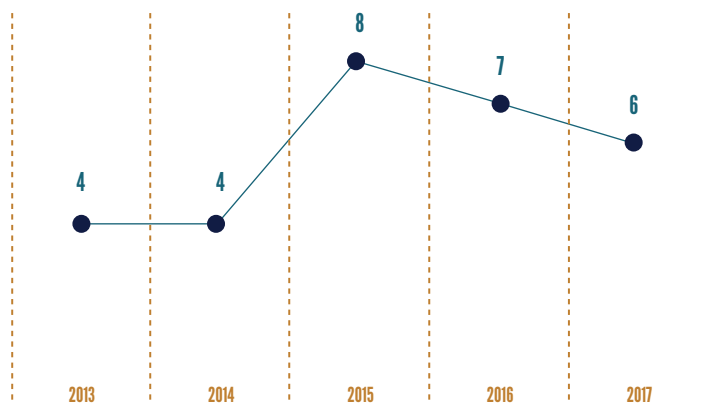
When our core sectors experience a down market our small businesses are impacted. According to the State of the North report, business formations in 2016 totalled 1,131 region-wide, which remained below the 2013-2015 average of 1,412 per year. This could be interpreted as the hangover from the downturn in the resource sector, particularly the oil and gas industries hurt hard by the drop in oil and natural gas prices in 2014. In fact, the Peace River and Northern Rockies regions saw the greatest decline in business formations during that period, but the Peace has since bounced back as the energy sector has strengthened.

The good news is that our small business sector shows signs of being resilient. Regional bankruptcies remained on par with the five-year average in 2016, totalling only seven businesses. That could be interpreted as meaning that small business in our region remains somewhat insulated from the direct ups and downs of the resource sector, and also that many small businesses have some built-in financial padding to get them through tough times.

Northern B.C. business formations



Northern B.C. business bankruptcies



BUT HOW CONFIDENT ARE OUR SMALL BUSINESS OWNERS FEELING ABOUT THE FUTURE?



GUEST CONTRIBUTOR: VAL LITWIN, BC CHAMBER OF COMMERCE

Val Litwin is the President and CEO of the BC Chamber of Commerce. Previous to his role with the BC Chamber of Commerce, Val served as CEO of the Whistler Chamber of Commerce for three years. During this time, he grew its membership base, launched a world-class educational partnership with the Gustavson School of Business at the University of Victoria (which was featured on Forbes.com) and reinvigorated the Chamber's brand to the point where Whistler had one of the fastest growing membership bases last year.

In 2007, Val co-founded a first-to-market concept, Blo Blow Dry Bar, which has since grown to more than 70 locations worldwide.

In 2011, as Vice President of Franchise Operations at Nurse Next Door, Canada's largest homecare company, he helped drive the franchise system's fast growth into the US market – adding almost 70 locations to the brand in under 3 years.

Val is also well-versed in the social enterprise space. In 2002, he co-founded Extreme Kindness and launched volunteer tours and a web series based on committing random act of kindness across Canada and the U.S. The tours evolved into a best-selling book on corporate social responsibility and the power of communities to build social capital.

How the heck are businesses in the north doing? A blanket answer to a question like that will put you on thin ice fast and fall short of telling the full story. As B.C.'s biggest and broadest business network with more than 36,000 members, our job is to know what's on B.C.'s mind. That means our purpose propels us to get out to the grassroots and ask sharp questions. So my short answer is: It depends who you ask.

If you talk to business owners in Tumbler Ridge, they'll tell you how bullish they're feeling about an emerging tourism industry built around epic dinosaur fossils and outdoor adventure. A resident strolling on Front Street would surely comment on how relieved they are the metallurgical coal mines are running again thanks to Mark Bartkoski and his team at Conuma Coal. Local officials might remind you that their region is home to one of Canada's largest wind farms and that their economy is showing signs of true diversification. Tumbler seems to be experiencing at least a mini-boom, not a bust.

Spend some time in Fort Nelson, though, and they'll tell you how it's been a struggle lately. Mills have closed and there isn't much logging going on – in a place that used to be the beating heart of the forest industry in B.C. just a few decades ago. Of course, like many communities in B.C.'s north, folks there are resilient and innovative. Newer business, Down to Earth Café, has bragging rights as being one of the best damn vegan restaurant in B.C. The town also celebrated the 75th anniversary of the Alaska Highway last year and to help mark the occasion, local entrepreneur Dale Clarke produced a calendar featuring the unsung and brilliant and courageous women that helped build northern B.C. Proceeds from calendar sales went to local community projects, which demonstrates the social fabric of Fort Nelson is as strong as its ever been. Fort Nelson may be down, but it ain't out.

There are other northern (high)lights, too. Site C moving ahead means more jobs are coming to Fort St. John

and the prospect of a final investment decision for LNG Canada in 2018 could be game-changing for Kitimat and the Haisla First Nation. A larger LNG export industry would also drive growth for thousands of small businesses keen to supply a nascent industry with everything from environmental consultants to jackhammers.

The hard data from our MindReader™ platform adds some colour to what folks are telling us in boardrooms and on shop floors. For context, MindReader™ is a cloud-based platform, and through focused surveys, can aggregate provincial sentiment from our members on issues that affect them and their businesses.

According to our MindReader™ data, the north is feeling good. When asked how things are going with their business overall, 36% of respondents said their business is in good shape, 21% said very good shape, 29% said acceptable shape. When we asked northern business owners if they were planning on investing or implementing new technologies in the next 3 years to increase productivity or efficiency, 60% said yes. These numbers are certainly reassuring.

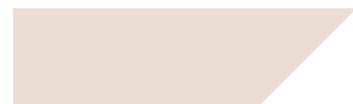
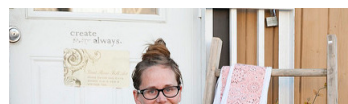
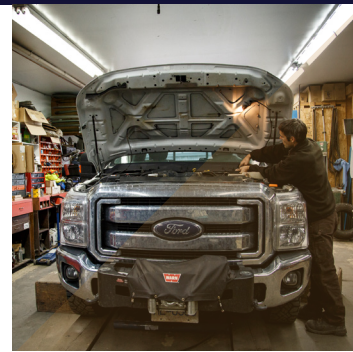
So back to the original question. If you're an entrepreneur or leader in the north, you've told us over coffee and through surveys the future looks pretty bright. But you've also shared that times have been challenging – and you've had to pull on your personal reserves and a thing called gumption.

Our take? Keep an eye on the north. The entrepreneurial spirit is alive and social capital is kicking in the upper latitudes. Whether you're into dinosaurs, mega projects or vegetarian shepherd's pie – the north won't quit.



**BC Chamber
of Commerce**

Know what's on BC's mind.



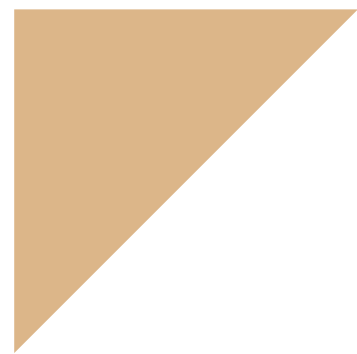
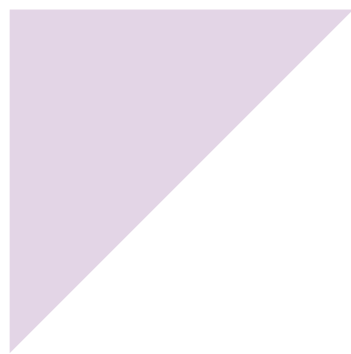
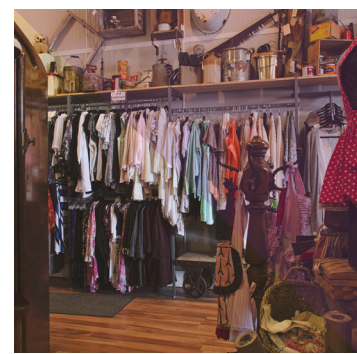
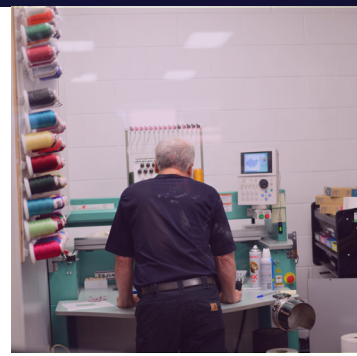
SO, IF SMALL BUSINESS IS BIG BUSINESS IN NORTHERN B.C., HOW DO WE HELP IT GROW?

As Val points out, our business owners in the north are optimistic about the future, but they've also accepted the fact that life hasn't necessarily been easy these last few years. The question now is: how do we help?

With so many small businesses in the north going full tilt all the time or struggling through challenges common to resource-based communities, a common refrain we hear from entrepreneurs is that they don't have the time or capacity to invest in themselves. Simply put, they're working in the business not on the business. The result is that our businesses in the north run the risk of missing out on new contracts and customers because they don't have the time to get out the door and solicit new opportunities, or they overlook the development of a key component of their business that ultimately holds them back.

The challenge here comes down to capacity – if you don't have the time or the people to address your immediate challenges then you're perennially stuck on your back foot. That's why the Trust created the Competitiveness Consulting Rebate program. The program provides small and medium-sized supply chain companies with up to a 50% rebate to a maximum \$30,000 grant to offset the cost of hiring a first-rate consultant to improve business systems and operational efficiency. The difference between being stuck in one place and taking your business to the next level can sometimes be as simple as bringing in some help.

Fortunately, there's a wealth of resources available to small business owners throughout British Columbia. Organizations such as Community Futures offer



a number of support services, including loans, business coaching and workshops. Others such as the Women's Enterprise Centre, Forum for Women Entrepreneurs, Futurepreneur and Small Business BC offer a range of tools and resources that are specifically designed to be easy, accessible and help your business grow – whether it be through attractive financing options, peer mentoring groups or marketing 101 courses. And don't overlook the resources that can be accessed through your local chamber of commerce or even continuing education programs at your local college or university.

In fact, there are so many resources available to business owners that it can be difficult to know how to begin combing through them for the service or program you need. Our advice? Carve out an hour of time in the next week, think about what your business really needs and plan to address it. Chances are good that the solution to address that 'need' will at some point bring you into contact with one of the above-listed organizations. That's a good thing.

Someone once said that 80% of success is just showing up. If that's true, the other 20% is a combination of smarts, teamwork and gumption, as Val puts it. We'd bet that teamwork makes up the majority of that last 20%. No one builds success alone, and just like our communities in Northern B.C. our businesses in the North are successful because of partnerships, collaboration and accessing one another's resources.

So how do we help our businesses in the north grow? Well, a major project or two sure wouldn't hurt, but regardless of whether that happens there are 24,232 small businesses in the Northern B.C. that have an opportunity to grow.

Now imagine what just one more job at each of those businesses would do to our regional economy?



JOEL MCKAY, NORTHERN DEVELOPMENT INITIATIVE TRUST

Joel McKay is the Chief Executive Officer of Northern Development Initiative Trust, a quarter billion dollar regional development corporation focused on building a stronger economy across Northern British Columbia. Joel joined Northern Development in June 2012 as Director of Communications where he led a successful communications services program for small communities across the region, and handled the Trust's communications and marketing and economic research and analysis.

Joel was previously Assignment Editor at Business in Vancouver Newspaper where he led a team of journalists and focused on in-depth coverage of the resource sector. Joel is editor of the Don Rennie award-winning Small Town P.R. Playbook, a Jack Webster award winning journalist, was named one of Prince George's Top 40 Under 40 business leaders, an alumni of the 2015 Governor General's Canadian Leadership Conference and in 2016 was honoured with a Distinguished Alumni Award from Kwantlen Polytechnic University.