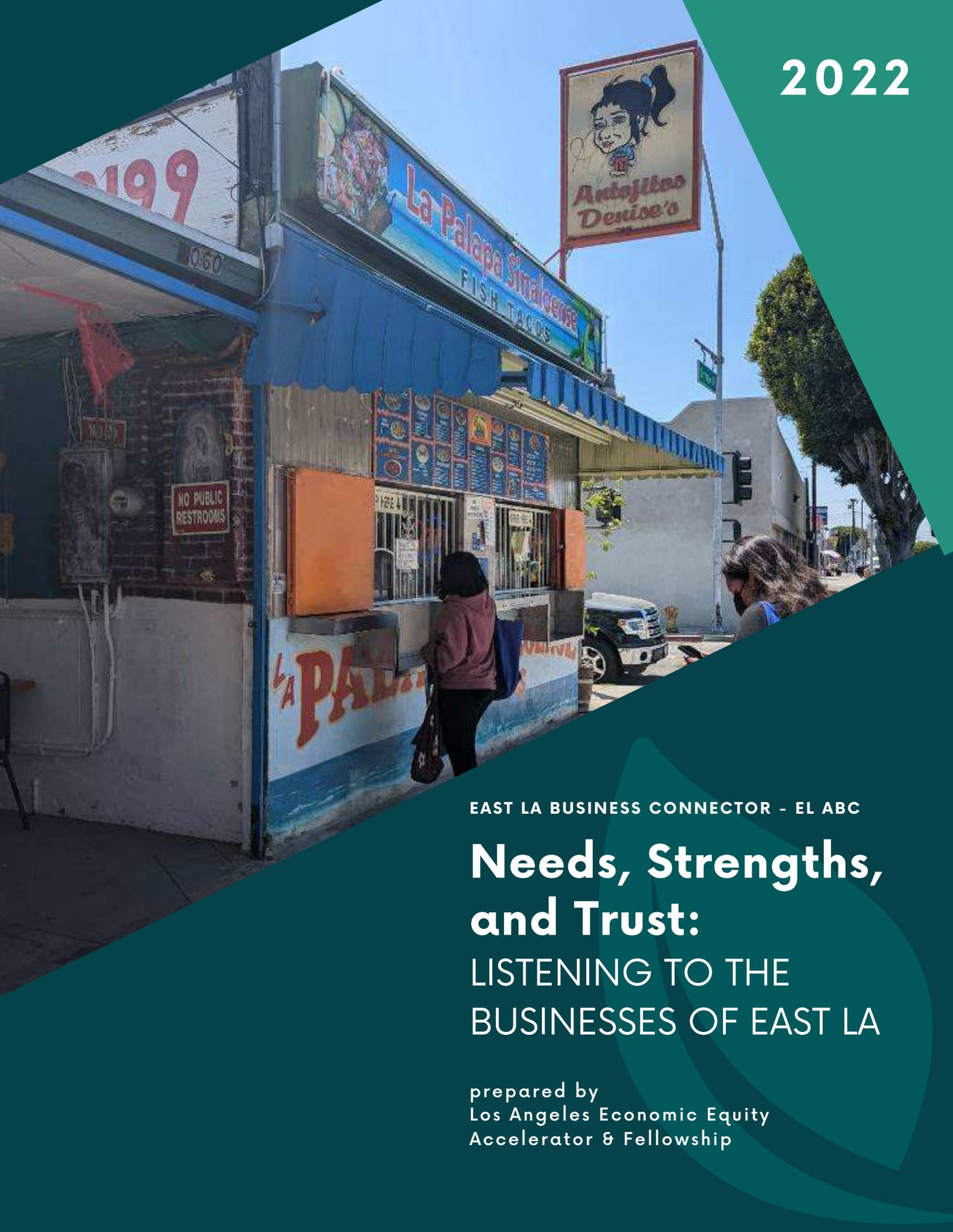


2022



EAST LA BUSINESS CONNECTOR - EL ABC

Needs, Strengths, and Trust:

LISTENING TO THE BUSINESSES OF EAST LA

prepared by
Los Angeles Economic Equity
Accelerator & Fellowship

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Executive Summary

This report tracks results from the East LA Business Connector (EL ABC), an action research project that as of October 2022 has engaged over 650 local and small businesses in East Los Angeles to better understand and meet community needs. This is a continuing work of action research, with every hour of effort directed toward actually supporting local businesses, both by connecting them with resources in the short-term and by informing policy and practice to better support a business ecosystem that is thriving, dynamic, and inclusive.

The work was led by a team of 46 Cal State LA students and 12 staff, many with strong family connections to the East LA community. This team spent hours walking blocks, completing rigorous observations and listening deeply in structured interviews, to generate insights including the following:

- **Investment in local business is investment in community.** When we asked these businesses their greatest sources of pride - what motivates them to do the work they do - the greatest number by far (44%) said they took pride in helping people and community. The people we talked to described their commitment to the people they serve in vivid detail, showing the strength of their roots in the East LA community,
- **Needs are serious and focused on core business functions.** The pandemic took a real toll on a community already facing real challenges: 54% of the businesses described struggling to find customers, and about 1 in 5 businesses we observed seemed to be permanently closed. Other common needs included recruiting and retaining reliable employees (27%), dealing with COVID policies (27%) and getting access to capital and loans (25%).



58

Student & staff interviewers

140

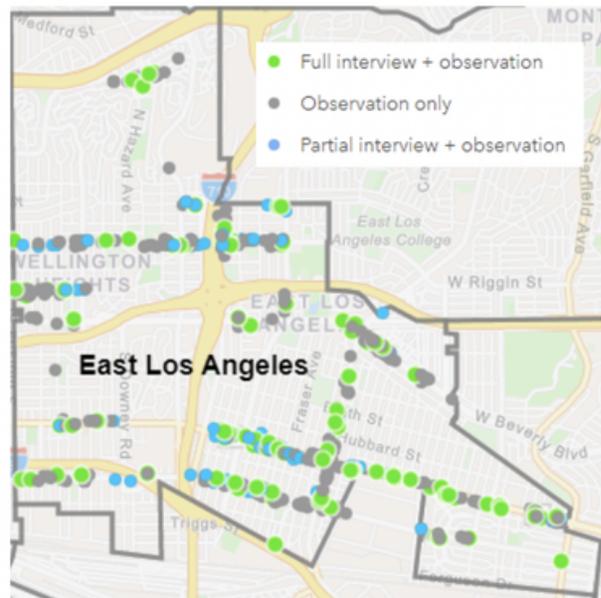
Full interviews of local businesses

684

Street-level business observations

EXECUTIVE SUMMARY CONTINUED

- **Many businesses are unsure where to turn.** The people we talked to were disconnected from sources of support to meet their needs. Only 22% had benefited from pandemic public aid programs like PPP or EIDL. The most common response (38%) to the question of where they would turn for support is that they didn't know and 18% more saying they would turn to themselves. Only 13% saying they could turn to a program designed to help businesses.
- **Culturally competent outreach and follow-up is key.** The response to the initial wave of outreach by Cal State LA students was overwhelmingly positive. Many business owners who had resisted talking with county staff opened up to students who led with kindness and genuine curiosity and made clear they were only there only to help. Though many people were glad to talk, most expressed doubts that the resources would actually reach them, with several describing experiences where they had been promised support that never came.
- **Key institutions are not yet known or trusted.** All of the key institutions designed to serve these businesses were known by less than 25% of the people we talked to, with LA County and Cal State LA as the only exceptions. Where institutions were known, feelings toward them were usually neutral at best: most people viewed every institution with either neutral or negative feelings, with the sole exception being Cal State LA, with 63% positive feelings.



Map of businesses observed and interviewed as of October 1, 2022.

EXECUTIVE SUMMARY CONTINUED

These results show both the urgency and the value of investing in the local businesses of East LA. At the same time, they show how past investments have failed to create strong relationships of trust and lasting impact, particularly when they are not matched by energetic outreach to small and minority-owned businesses - and where they are not sustained over the long term.

The hours of outreach in the EL ABC project has created an opening to connect with businesses more deeply and to deliver targeted and tailored resources that are in-language, culturally competent, and long term. It is vital to follow through on this moment of opportunity with decisive and sustained support. Please read these results as a beginning rather than an end, and a provocation to create more opportunities for these local businesses to speak, be heard, and get the resources and support they need to help their community thrive.

In community,
The EL ABC Team



Introduction

Efforts to support the small business community in East Los Angeles occur against the backdrop of economic and social challenges that multiplied during the COVID-19 pandemic. These challenges have deep historical roots: before the pandemic, decades of disinvestment left the community without access to basic resources for health and well-being, and its local businesses without the resources enjoyed by many communities in the region. As a cultural and economic center of the Latine community in the Los Angeles area, East LA is a center of innovation and a nexus of challenges, where entrepreneurs too often struggle to attract the capital, technical assistance, and strong institutions to fuel their growth.



Small businesses in East LA also demand better understanding and representation. Current public data sources miss the existence of many businesses and leave untouched questions of what businesses are struggling with and what resources they need to succeed. For this reason among others explored in this report, many of the institutions designed to serve them struggle to meet their needs effectively. The mission of the East LA Business Connector (EL ABC) project is to understand business needs in East LA in order to more effectively address them.



The EL ABC project grows from a partnership anchored by Cal State LA, the East LA Entrepreneur Center, the LEEAF program, and the Office of Hilda Solis. Through deep listening interviews and careful observations on the street led by a team from Cal State LA, EL ABC hopes to correct for gaps in data and understanding of the experience of entrepreneurs. It is a participatory action research project that amplifies the voices of small business owners and at the same time works to connect them with direct support, building connections and trusted relationships along the way.

Through the first phase of this project in spring and summer 2022, 46 Cal State LA students and 12 staff visited over 680 businesses and connected in person with over 150 with the goal of understanding and supporting businesses in unincorporated East LA in order to support economic revitalization community-wide. These students - particularly the student-led research team that continued to reach out to businesses past the initial wave of outreach in the Spring - brought a commitment and genuine desire to help that made them uniquely successful in establishing trust and connecting personally with businesses. They have invested time to create not only advances in knowledge but also a new pipeline of support helping businesses grow and thrive.

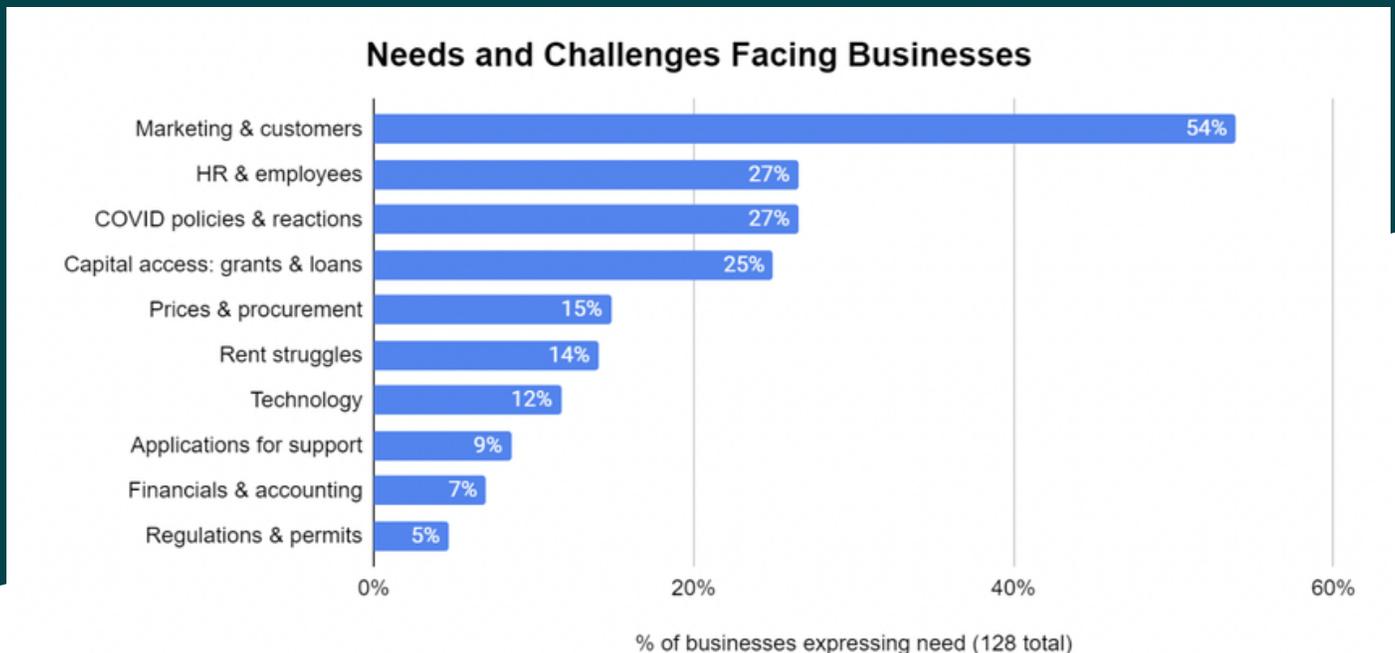
The report draws strength from multiple sources of background data but is based on two kinds of new data: interviews and observations done in person. Each interview draws from an Interview Guide co-designed and tailored by all partners to the EL ABC project, focusing on the challenges faced by these businesses and sources of pride, along with history of services, level of trust in key institutions, technical assistance needs, language needs, and more. Observations followed a protocol developed by the same team and adding insights about outside spaces and offering an overall understanding of the context surrounding the interviews.



Unmet Needs in the Small Business Community

Coming out of the pandemic, it is vital we understand the needs and challenges that businesses face in order to be able to provide adequate and targeted support services. Deep listening in semi-structured interviews can help shed light on the stories behind community economic struggle, shedding new light on what owners and employers are going through. With few exceptions, the businesses expressed serious needs and overwhelming challenges both during and after the closures of the pandemic. Several owners described the pain of having to let go of most of their employees during the downturn. Both employees and owners spoke of the stresses of taking on the same responsibilities with fewer staff. Many spoke of missing their neighboring businesses that had to close down during these hard times.

To better grasp the challenges faced by each business, we asked a series of open-ended questions, allowing respondents to talk through their needs from multiple perspectives. We then coded the responses into categories to track which challenges occurred most frequently, revealing the pattern captured in the figure below.



By far the greatest proportion of businesses (54%) named finding and retaining customers - including marketing - as their biggest challenge in maintaining a successful business. A retail clothing store owner explained their lack of customers was a result of events being canceled during the pandemic. Where previously they could reach out to new customers at pop-up events, this was no longer a viable option during the pandemic. Additionally, retaining new customers through marketing has been a challenge especially for those who are not comfortable with website design and social media. A beauty salon owner shared that her loyal returning customers have kept her afloat thus far, but she wishes she could find a way through social media to reach out to more people about her business.

Businesses also grappled with HR & employees (27%), particularly attracting, retaining, and retaining quality employees, revealing among other things the local impact of the "Great Resignation" during the pandemic. Businesses who reported issues with retaining employees were more stratified than those whose primary challenge was marketing and customer retention. This means that maintaining stable employment isn't concentrated in just two or three sectors, but is affecting businesses across the entire landscape. Not having enough employees affected business owners' personal lives, a restaurant owner claimed that they were not able to spend adequate time with their children because they had to stay at their place of business for so long.

The specific policies and regulations surrounding the Covid pandemic also posed challenges for businesses, with 27% of people interviewed highlighting this issue. Many local governments throughout the country forced businesses to close, creating hardships for self-employed persons everywhere. Restaurants, clothing and hair Salon/barber shops made up almost half of this group (47%), indicating that these types of businesses were the hardest hit pandemic policies and closures. One participant lamented at the fact that they received the keys to their business just three days before "they closed everything." Several responses also describe customers being angry over mask mandates.

The three most frequent needs from the interviews were further confirmed by a series of multiple choice questions asking level of satisfaction with five areas of their business: Marketing & Customer Acquisition; HR & Employees; Technology; Capital Access & Loans; and Accounting & Financials. The top two concerns were the same - with 30% unsatisfied with Marketing and 28% with HR - with several businesses that lost customers during the pandemic not yet connecting the need for customers to the need for marketing campaigns. As with the Capital Access & Loans

Though some challenges were not as frequently mentioned, they were still intensely important to the people they impacted. The 14% of businesses who specifically called out rent struggles as a primary challenge often described rising rents as a crisis that threatened to close their business. One respondent shared that since the pandemic began he has noticed other business owners start living in their business: faced with the increased burden of paying rent on their home and their business, they chose to live inside their business. A small number of businesses (4%) indicated that crime and safety were a concern for their businesses, like the business owner who expressed concern about transient people with mental illnesses making their area unsafe.

Many businesses expressed frustration with the institutions that were supposed to be helping them. The 9% of people who brought up Applications for Support as a challenge often expressed their frustration at having applied for a loan or grant without adequate guidance and resources to qualify. This mirrored the experiences of the 25% who mentioned Capital Access as a challenge and shared their stories of rejection and confusion in the application for bank loans and other resources.



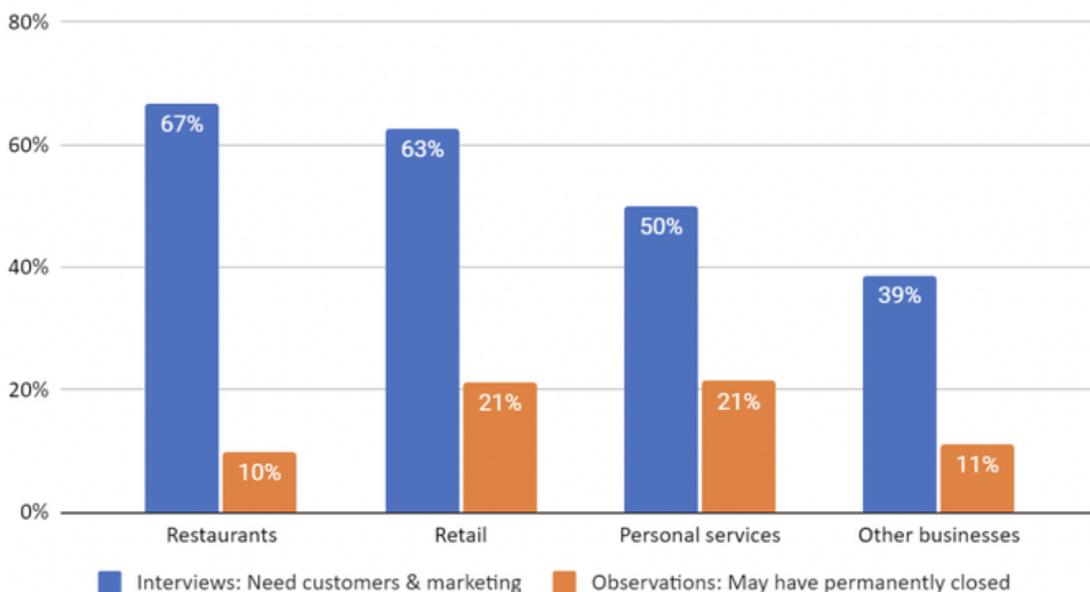
A retail shop owner, who has barely been open for a year, shared that they contemplated closing their store because it was becoming far too difficult to remain open without taking out a loan. Like other businesses we engaged, they have been struggling with attracting customers, rising prices, and rent. Like others, they felt they had no one to turn to for help in answering their questions. When we mentioned some organizations that help small businesses, they expressed being aware of organizations existing, but never having the time to research them. Though we were able to connect this and many other businesses directly to organizations that could help, unmet needs remain for dozens more businesses.

Different Needs by Industry and Area

While the pandemic made it difficult for many businesses to keep the lights on, the hardships of this time were unequally distributed. To understand needs more deeply, we matched data from the interviews to observations of 686 businesses from the street, coding among other things whether a business was open with customers, open with no customers, closed at the moment, or seemed to be permanently closed.

The chart below tracks interview results against observations to show the different impact of the pandemic by industry. The blue bars show the percent of businesses in each industry who noted a lack of customers as a challenge, showing the most concentrated customer challenges among restaurants (67% mentioned this challenge), retail businesses (63%), and personal services (50%). Among other businesses, only 39% brought up the lack of customers - still the most frequent challenge mentioned but a much lower proportion.

Industry analysis: Apparently closed v. needing customers



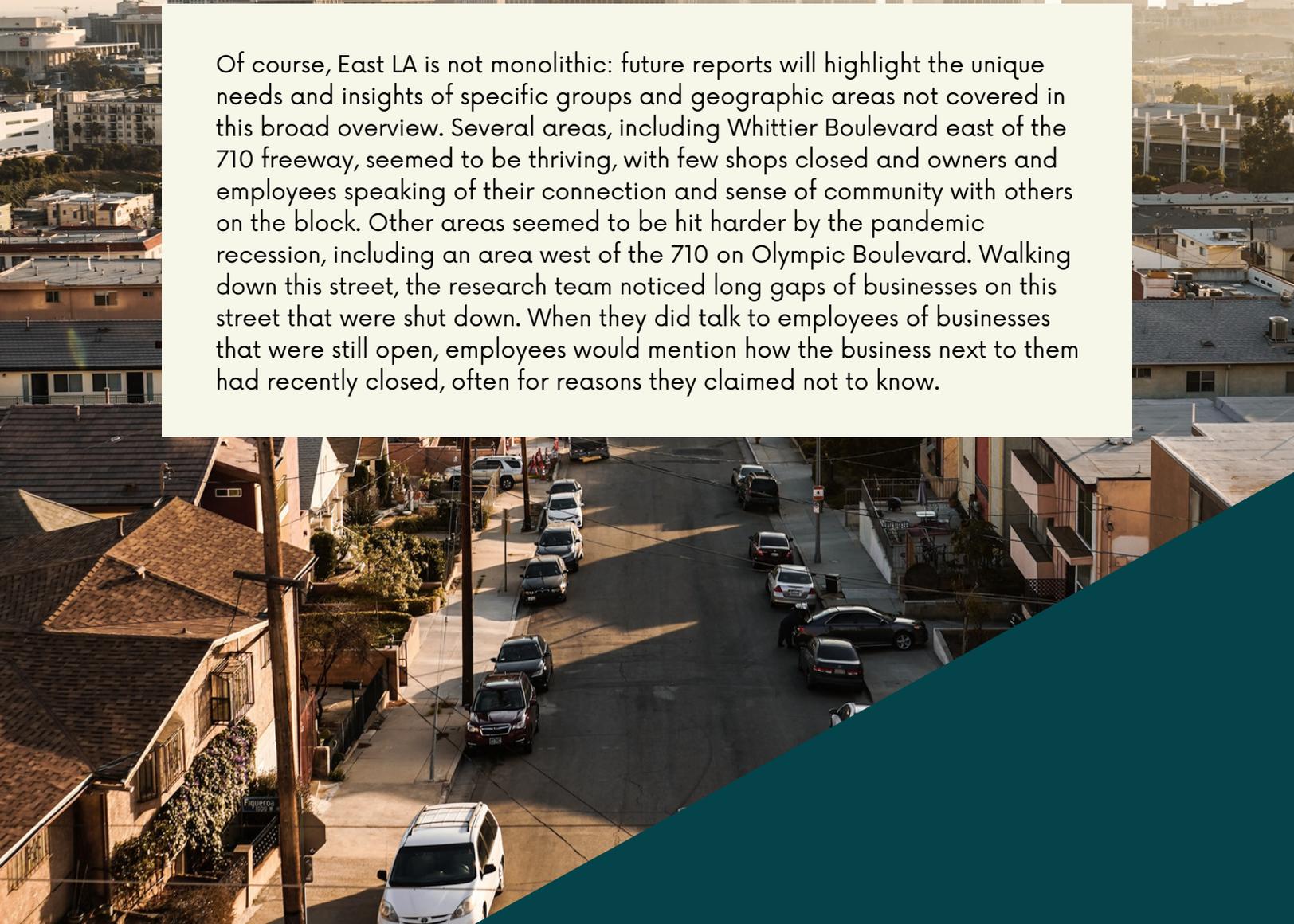
The data from observations tells a similar story with important differences. Where 21% of retail and personal services businesses that we visited appeared to be permanently closed, only 10% of restaurants and 11% of other businesses did. These results speak to a difference in the importance of brick and mortar locations across industries: several retail businesses described facing stiff competition from online vendors during the pandemic. We talked to several owners of personal service businesses who transitioned to running their business out of their home during this time. While the great majority of restaurants struggled to connect with customers, many were still able to use pick-up and delivery to stay afloat despite the challenges.

A field note from one of the student researchers sheds light on the specific needs and strengths of restaurants in particular:

During this research, I supported a few businesses and ate their delicious food. As I spoke to the owners, I could connect with them on a different level. One business owner's sister, who worked at her BBQ restaurant, said this was her passion. She attended culinary school and moved there to support her sister, who owns the restaurant. She wears many hats, does the shopping, prepping, the cooking, and works behind the cash register.

She mentioned they had to close the restaurant for 25 days straight during the pandemic and slowly began opening only on weekends. Since then, they recently started to open four days a week, and their dining area is still not open. They are short staffed, and she mentioned there is simply not enough time to do everything she needs to do. Learning about her background encouraged me to help her - plus the food was out of this world.

Of course, East LA is not monolithic: future reports will highlight the unique needs and insights of specific groups and geographic areas not covered in this broad overview. Several areas, including Whittier Boulevard east of the 710 freeway, seemed to be thriving, with few shops closed and owners and employees speaking of their connection and sense of community with others on the block. Other areas seemed to be hit harder by the pandemic recession, including an area west of the 710 on Olympic Boulevard. Walking down this street, the research team noticed long gaps of businesses on this street that were shut down. When they did talk to employees of businesses that were still open, employees would mention how the business next to them had recently closed, often for reasons they claimed not to know.



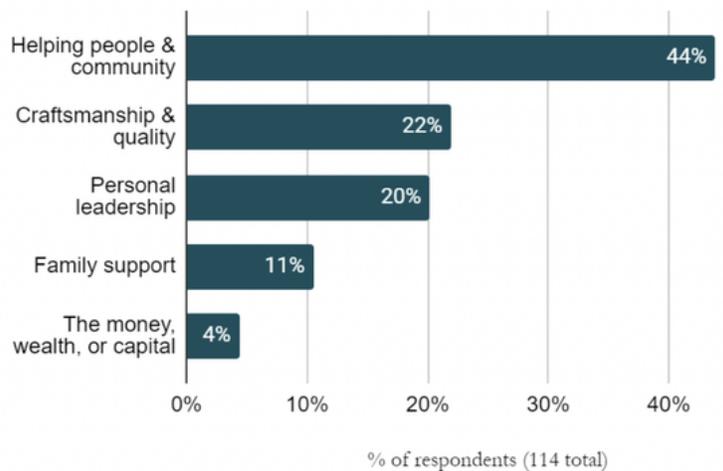


Pride & Strength

Effectively reaching and connecting with business owners takes honoring their strengths, including what motivates them to maintain their business despite all the challenges and needs communicated above. To gain an understanding in this area, we asked business owners a simple question - "What makes you proud of the work your business does?" - and coded their sources of pride into categories. The business owners have multiple sources for pride, but the three most frequent sources mentioned were in supporting the community and helping people, craftsmanship and quality of their work and product, and being their own boss.

For 44% of business owners, a main source of pride was their support for the community and helping people. Most of the people who featured this as a source of pride made reference to their neighborhood and to broader East LA, often citing culture and heritage as an anchor point. Some businesses based their pride on affordability, being able to provide their products at a discounted and affordable price for their community as opposed to the prices offered by big chain stores. An owner of a personal services business told us she takes pride in seeing their customers walk out with a smile, echoing others particularly in the community services and personal services industries who felt pride in making people's lives a little better through their work.

Sources of Pride



Another major source of pride was the craftsmanship and quality of the work produced by these businesses, with 22% specifically calling out this aspect in their response. For example, one beauty salon owner told us the quality of the cuts keeps loyal customers coming despite the risks of the pandemic. One restaurant expressed pride in using recipes that have been based down through generations, connecting customers to heritage and forging strong relationships through food that really means something. An owner of a food truck spoke of how they had used social media savvy to attract a national audience, reaching customers as far as San Diego and San Francisco.

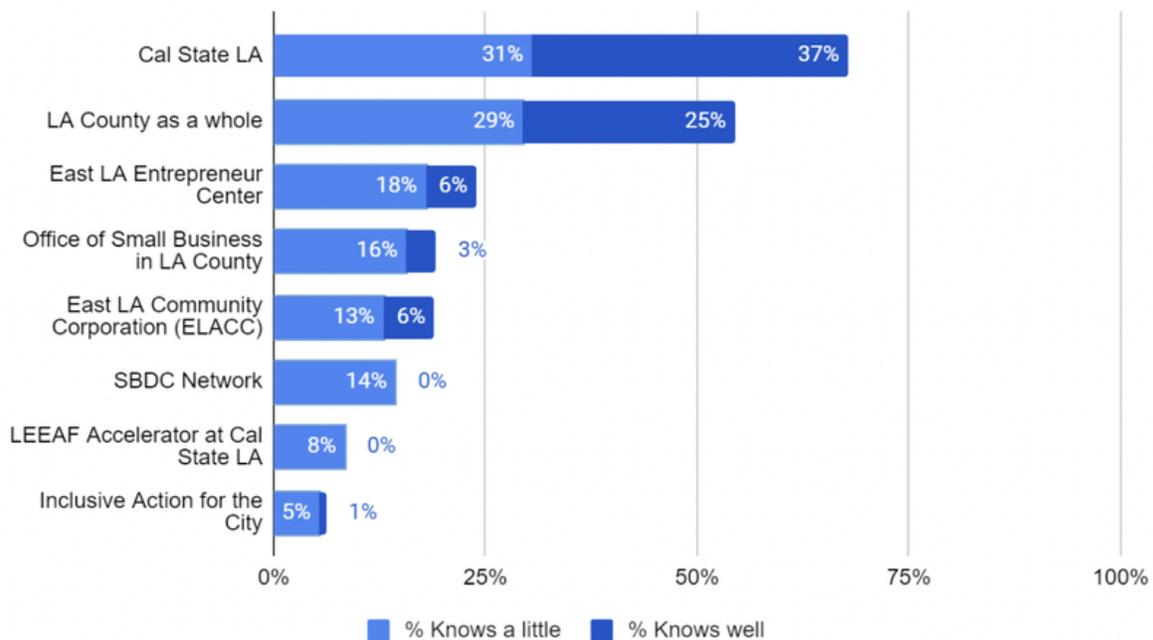
The third major source of pride for these business owners was personal leadership, with 20% naming this aspect as important in motivating their work. Owners in this category often spoke of their effort to be the best leader possible to keep their business thriving. Several also spoke of freedom, that instead of answering to someone else, they get to decide their own hours and how they run their business. A leader of a construction equipment company told us about how much he enjoyed new things and being independent while managing and meeting new people. Of course, each of the people we spoke to represented a business that made it through the pandemic years - and many owners expressed pride in facing down the challenges of the pandemic to keep their business alive.



Knowledge & Trust for Key Institutions

Effectively supporting businesses requires programs that are trusted and known in the community. Therefore, this research observed the level of knowledge of key programs that support business development and growth in the East LA Area. We asked business owners if they knew a lot, knew a little bit, or didn't know a series of organizations including public entities Cal State LA, the East LA Entrepreneurship Center, and the County of Los Angeles in general. It also included the community organizations East LA Community Corporation (ELACC), LEEAF Accelerator and Fellowship, and Inclusive Action for the City. If they knew an organization - whether a little bit or a lot - we asked if they felt, positively, negatively, or neutral toward that organization.

Key Institutions: Level of Knowledge

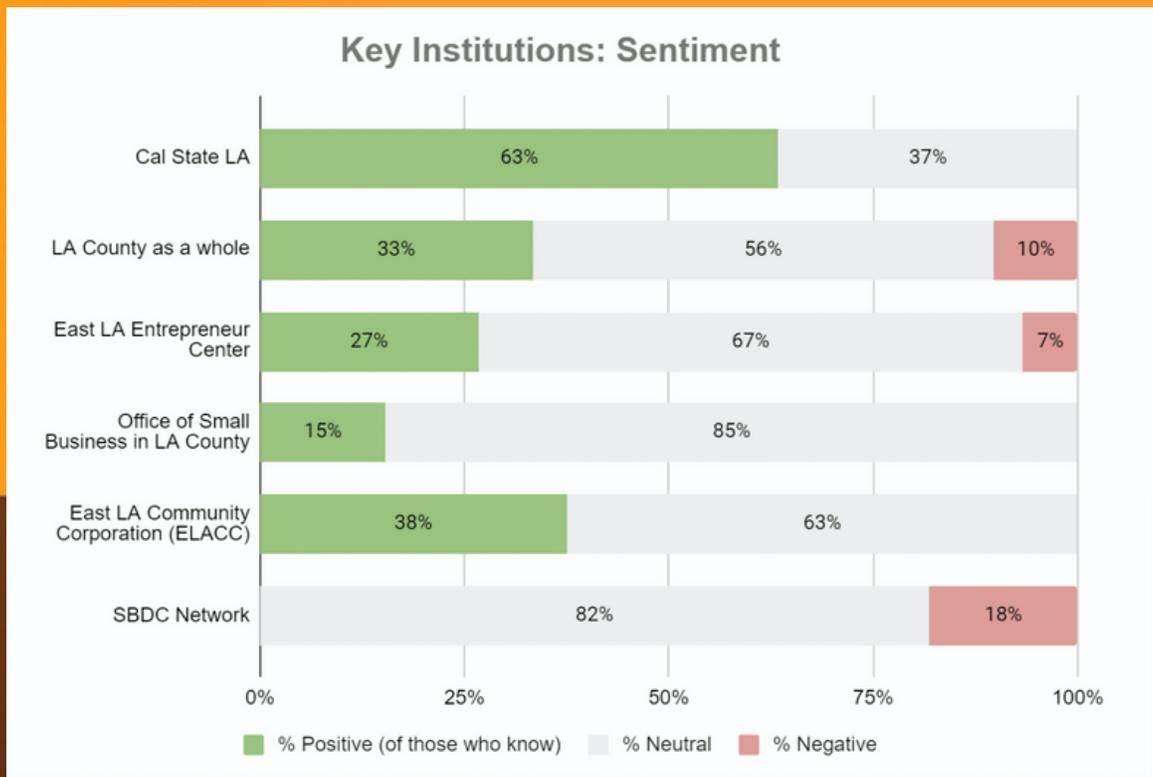


Cal State LA was the most recognized institution, with 68% claiming to know it to some degree. Of those 80 businesses who knew of Cal State LA, none felt negatively and 63% reported they felt positively. This was the highest proportion of positive feeling by far, with the next highest being the East LA Community Corporation at 38%. Several business owners opened up at the mention of Cal State LA, mentioning that they had a family member who studies there or knew someone who was an alum, and one shared that she loves Cal State LA because they allow her to set up shop in the courtyard near the restaurants twice a month to sell her products. The LEEAF Accelerator and Fellowship Program launched on campus in 2021 to expand the university's support for local entrepreneurs, perhaps opening an opportunity to build on the Cal State LA brand to create strong and trusted relationships in the community.



The second most widely known institution was the County of Los Angeles (54%), with 33% of those who knew it expressing positive feelings about the county as a whole. Less well known were the East LA Entrepreneurship Center (24%) and the LA County Office of Small Business (19%), which aim specifically to support businesses like the ones we interviewed. The Small Business Development Center network (SBDC) is one of the state's primary resource partners for small business development with a goal of providing businesses with one-on-one advising and expert training at no cost. However, only 14% (11 businesses) knew a little bit about the SBDC and no respondents reported feeling positively.

With the exception of Cal State LA, the overall levels of knowledge - and positive feelings - for these key institutions were remarkably low. Several business owners told us they had been promised support in the past, only to see it fail to come through. Some expressed skepticism in the idea that they could get helpful resources for free, often noting they had been approached by scammers in the past. The results of this data indicate that business owners are not utilizing resources available to them partly because they don't yet know these programs exist, but partly also because positive, trusting relationships still have to be built through consistent delivery of value for these businesses.

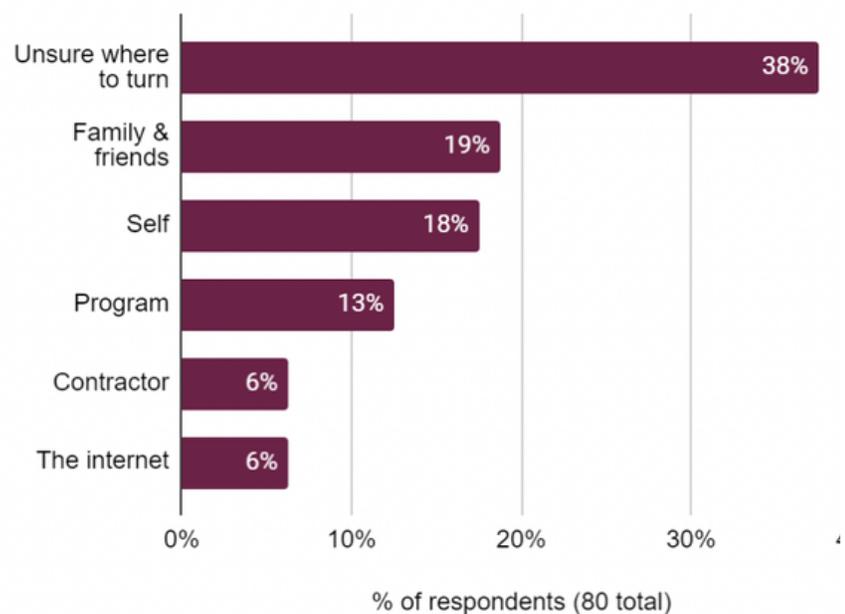


Where Businesses Turn for Support

If few small business owners know or trust in the institutions designed to support them, where do they turn for support? We asked business owners open-ended questions about where they turn when they need support and coded their responses into categories. The largest proportion of business owners (38%) told us they were not sure where to turn for support, showing a real unmet need for resources that help these businesses to thrive. This mirrored the results of a series of questions asking how businesses handle vital functions including accounting, HR, and marketing: the great majority handled all functions by themselves. Accounting had the highest proportion (17%) of businesses using outside help, showing that these businesses often stand alone.

Of the businesses that did identify a source they could turn to for support, the greatest number (19%) told us they would reach out to family and friends. The younger generation plays a large role: a salon owner told us that when she needs help with her business, she taps her adult daughter, who comes by whenever she can to help her with anything she needs. Her daughter is the one who helps her with accounting and social media and sometimes helps with cleaning or anything she needs for her salon. Although she works in a different industry, the daughter is helping her mother keep her business afloat; when we handed the owner information on resources for her business, she mentioned she would have her daughter go through it.

Sources of Support



Though the question initially assumed that people would turn to external sources of support, 18% of business owners responded that they would turn to themselves. One restaurant owner noted that they have worked with an accountant for years to help with their taxes, but apart from that, they have figured out the cooking, supplies, and service themselves. Since they have been in business so long, they stick to what they know and don't reach out to anyone. They have been in the exact location for years. They focus on returning clients. The restaurant does not have social media and is interested in advertising, but they don't have time. They mentioned they would want more customers, but they are short staff, and the only people working in the restaurant are family members—the people they did hire after the pandemic did not last very long. The owners shared, "We would like to hire more, but it takes time to train someone just for them to last a few weeks and not return."

Only 13% of business owners would reach out to a program for help. Some business owners mentioned that although they did have information on a program where they could reach out for help, they found that those programs were unreliable. For example, one business owner mentioned it was difficult to talk to someone over the phone because the phone line was always busy. Other business owners said that when attempting to get help, they would receive emails to fill out applications without any support. They don't have time to go through long applications, especially if the help is not guaranteed; they are too busy running a business.

The programs specifically designed to support programs during the pandemic had minimal reach among the East LA businesses we interviewed, mirroring national studies that found most of the benefit of programs like the Paycheck Protection Program (PPP) going to established businesses and to relatively wealthy communities. Of the 101 businesses that told us which pandemic resource programs they had been able to access - including PPP along with the Small Business Administration's Economic Injury Disaster Loan (EIDL) program - 78% said they had no support, including 5% who applied and were turned down.

Those who did find support generally found it from only one source, including PPP (6%), EIDL (5%), and grants offered directly from Los Angeles County (4%). Some business owners mentioned that they could not find anyone to help them fill out applications, especially assistance in Spanish, so they could not apply. Some said they missed the deadline and could not get any support filling out an application because of COVID.

Takeaways From the Analysis

Investment in small business is investment in community. This is particularly true for East LA, whose businesses are deeply rooted and committed not only to their own success but also to the success of their neighbors and customers. The businesses interviewed in the EL ABC project have shown that community is their primary source of pride, a central commitment, and in many cases the thing that has kept them motivated to sustain their business through the trials of the pandemic.

To truly thrive, particularly in an age dominated by e-commerce and box stores, these local businesses need support reaching customers - differentiating themselves from the competition, creating strong branding, and connecting through sharp, focused marketing campaigns. They need support developing a strong base of employees, accessing capital - and developing the strong financial and logistical infrastructure to sustain assets over the long term.

Support has so far failed to reach them in a meaningful way. Many of the businesses expressed frustration with programs that give one-and-done workshops, as if one hour of a zoom meeting could erase decades of unequal access to resources. Programs that are digital-only, or English-only, or one time only, or require complicated applications without support, have proven to be sources of frustration. Such programs can often worsen inequality by catering to relatively privileged businesses, giving further advantage to those who already have the resources to access the resources.

For these reasons and more, very few of the businesses benefited from Covid-era grant and loan programs intended to keep small businesses afloat. Though these businesses have faced incredible challenges, they are not turning to existing programs for support. Interview results show that the institutions designed to support these businesses are struggling to meaningfully connect. Many programs have underinvested in outreach, putting the small businesses of East LA beyond the reach of their core client base. Most key institutions are unknown in the small business community, and those that are known have developed little positive sentiment.

Supporting Businesses in East LA

Fostering institutions that genuinely enable this community of businesses to thrive will take concerted, long-term efforts to build relationships and trust. Key to this effort will be identifying, funding, and scaling programs that move beyond delivering single workshops or advising sessions to providing end-to-end support that 1) walks businesses through the early steps of accessing support, reducing friction in attending workshops, taking meetings, and applying for resources; 2) equips owners with lasting assets that they can then maintain, assets such as websites, accounting systems, and business plans; and 3) demonstrates genuine care by connecting businesses to networks of long-term mutual support.

The relaunch of the East LA Entrepreneur Center after the pandemic presents an opportunity to advance this kind of full-service program. Founded just a few months before the pandemic with the financial backing of Los Angeles County and the advocacy of Supervisor Hilda Solis, the Center went dormant during the pandemic but can and should serve as a hub that serves businesses directly and rapidly connects them to deeper resources, but also supports both outreach and accountability, investing in efforts to reach businesses that don't currently receive support and tracking equity outcomes to ensure resources are generating real results for small businesses and businesses owned by women and people of color.

Strong government institutions like the Center carry comparative advantages in their permanence and their robust connection to multiple community organizations but are not always flexible in their strategy and quick to change to meet evolving community needs. To expand capacity for rapid and flexible action, the Center should be supported by a leading organization who can coordinate end-to-end support for small businesses that includes outreach, assessment, triage, and case management for both business owners and service providers.

A key tool in the campaign to better serve the businesses of East LA and other marginalized communities is grassroots, on-the-ground outreach rooted in genuine care and linked to rigorous research. Pairing outreach with research can create win-wins for businesses and the institutions that support them: honoring the voices of individual owners and employees takes not only deep listening in the moment but a commitment to learning from their insights in a rigorous way, aggregating perspectives and pushing institutions to align closely to their expressed needs.

For these outreach campaigns to make meaningful connections, it will be important to leverage people and institutions capable of rapidly building trust and rapport. Given the level of knowledge and positive feeling attributed to Cal State LA, college students with local roots seem to be promising ambassadors. The students who led the canvassing efforts were able to quickly get responses due in large part not to their business expertise but to their cultural competency, their understanding of the social context facing East LA, their skills in Spanish, and most of all their clearly pure intentions as volunteers whose sole purpose was to help businesses in East LA.

On a policy level, this report reveals the need for better reporting and accountability from agencies receiving funding to ensure that businesses like the ones we interviewed receive effective support. As millions of new federal and state dollars are released into the Los Angeles region it will be absolutely crucial to track and rapidly report their recipients across race, gender, and region - and to devote budget to outreach campaigns that effectively reach businesses left behind by past waves of funding. Just as public procurement is required to go to minority- and women-owned businesses, local authorities can and should ensure that support genuinely benefits small, local businesses rooted in communities like East LA.



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