



Sonoma County

Business Owner Perspectives

2026

Author

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Acknowledgements

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About Sonoma County Economic Development Collaborative

The Economic Development Collaborative is dedicated to building accessible pathways to lasting economic vitality through meaningful partnerships and targeted initiatives. Guided by inclusivity, integrity, and accountability, we provide services, conduct research, and shape policies to support economic opportunity from ideation to realization.

Disclaimer: The findings, interpretations, and conclusions expressed in this report are those of the author and do not necessarily reflect the views of Sonoma County or the Sonoma County Economic Development Collaborative.

Executive Summary



Sonoma County's economy is producing more output with fewer traditional signals of growth and that shift puts small business at the center of economic resilience. County GDP rose from \$22.6B in 2012 to \$38.5B in 2023, including a post-2020 rebound of over \$6B. Yet employment peaked in 2018 and has not fully recovered, and the county experienced a population decline of about 4% between 2016–2022. Taken together, this pattern signals a structural pivot where growth is increasingly shaped by productivity gains, automation, self-employment, and small business dynamism, not just payroll job creation.

That matters because Sonoma County is fundamentally a small business economy. In 2023, the county had 60,205 total businesses, including 45,633 nonemployer firms and 14,572 employer firms, meaning roughly three in four businesses operate without payroll employees. Even among employer firms, the dominant model is micro-scale as 58% have 0–4 employees, and another 28% have 5–19. In other words, the county's capacity to sustain jobs, services, and community infrastructure rests heavily on the viability of very small firms and solo entrepreneurs.

At the same time, the benefits of business ownership and the pathways to scale are uneven. Employer firm data indicate substantial revenue gaps by race/ethnicity. If minority-owned employer firms generated the same average revenue per firm as nonminority-owned employer firms, Sonoma County would see an estimated \$3.6B in additional annual employer-firm revenue. Meanwhile, the ownership base is aging, nearly half of nonemployer owners (48%) are 55+, and employer ownership skews even older, raising the urgency of succession and ownership transition as an economic development issue, not just a business planning issue.

Many of Sonoma County's structural challenges (including aging ownership, population shifts, and revenue scale disparities) are shared across California and the United States. However, because the county's economy is more concentrated in very small firms and less buffered by high-growth industry clusters, these dynamics carry amplified local impact. Strengthening firm-level productivity, scaling capacity, and ownership transition is therefore a core economic resilience strategy.

This report was designed to answer a practical question for the Sonoma County Economic Development Collaborative (EDC) and partners: *What does the business ownership landscape look like today, and what constraints most limit stability and growth, especially for entrepreneurs and communities who are not yet fully participating in countywide prosperity?* To do so, we combine secondary data (U.S. Census Bureau ABS and NES-D) with original local data collected through a multilingual business owner survey (n=108 validated responses) and nine in-depth interviews conducted across industries and supervisorial districts. Because the validated survey sample primarily reflects established businesses with stronger digital footprints, findings should be interpreted as conservative for the broader, less formal segment of the business community. Accordingly, the analysis triangulates survey results with federal datasets and qualitative interviews.

Key Findings

1) Sonoma County's economy is increasingly "small business powered" but that power is concentrated in nonemployer and microbusiness activity. In 2023, 76% of businesses were nonemployers (45,633 of 60,205). The business base grew 13% (2012–2022) while nearly all firms (99.98%) remain under 500 employees. Among employer firms, 58% have 0-4 employees and 28% have 5-19, underscoring how much job creation capacity sits in very small establishments.

2) Business ownership in Sonoma County is aging, making succession and ownership transition an emerging economic development priority. Among nonemployer business owners, 48% are age 55+. Among employer business owners, roughly four in five are 45+ (with notable concentration in older age bands). In the survey sample, the mean owner age is 53, and 19% report a future goal of exiting/selling the business, a signal of transition pressure even among formally established firms. Interviews reinforced that continuity is not guaranteed and that owners are actively weighing succession pathways (including cooperative and employee-owned transitions).

3) Immigrant entrepreneurship is a meaningful part of the county's business base, particularly among nonemployers, yet pathways into employer ownership remain more limited. 20% of nonemployer business owners are foreign-born (about 9,200 owners). Employer firm ownership is also meaningfully immigrant-linked (approximately 17% foreign-born). Citizenship differs by firm type as 11% of nonemployer owners are non-citizens compared to 4% of employer owners.

4) The county's strongest "business growth gap" is not business formation it's business scaling, especially for Hispanic- and minority-owned employer firms. ABS employer-firm data show Hispanic-owned firms are 14% of employer firms (among firms with reported ethnicity) but generate \$1.7B in sales, about 6% of employer-firm revenue in that reporting frame. White-owned firms represent 81% of employer firms (9,894) and account for \$25.1B in sales. Minority-owned firms generate about half the average revenue per firm compared with nonminority-owned firms (\$1.43M vs. \$2.82M), producing a modeled \$3.6B "opportunity gap."

5) Marketing and customer acquisition is the most persistent pain point showing up at startup, during operations, and as the single "biggest challenge." In the startup phase, 58% cite marketing/getting first customers as a major early challenge. For current operations, 60% cite marketing as a current challenge. When forced to choose one challenge, 36% name marketing as the single biggest challenge (more than any other option). Open-text responses repeatedly ask for help reaching customers, underserved markets, and local visibility.

6) Regulatory complexity and permitting delays function like a "tax on time." Early-stage barriers include registering the business/getting permits (58%) and understanding legal requirements (58%). In ongoing operations, 35% cite compliance with laws and regulations as a current challenge. Interviews describe permitting/compliance as costly, slow, and unpredictable, with examples of months-long delays and high fees affecting reinvestment and timelines.

7) Costs and uncertainty are the dominant headwinds to growth and they directly constrain reinvestment. The top reported barriers to achieving business goals are inflation/rising costs (51%) and uncertainty (46%), followed by consumer behavior shifts (41%). Interviews provide concrete examples of operating pressure and emphasize that thin margins make even small increases in fees, insurance, or utilities consequential.

8) Capital access is uneven and many owners either avoid debt or lack the capacity to pursue slower, more complex funding (like grants). 37% of surveyed firms applied for funding in the prior 12 months. Among applicants, about 60% received “most” or “all” of requested funding, but 8% received none and funding sources skew toward credit cards (16%) and traditional lenders (11%). Interviews show many owners prefer reinvestment/self-funding, seek credit-building (not high-risk borrowing), and want grants (especially for energy efficiency) but lack grant-writing capacity.

9) Digital adoption is more widespread for basic tools, but advanced adoption (e-commerce, AI) is low and barriers are primarily time, cost, and trust. In the validated survey sample, adoption is high for email tools (96%), websites (89%), and social media (84%); lower for online sales platforms (24%) and chatbots/AI customer support (9%). The analysis highlights the biggest barriers to adopting digital tools as lack of time (48%) and cost (36%), outweighing internet or language barriers ($\leq 4\%$). Interviews add that technology decisions are shaped by trust, privacy concerns, and affordability, not training alone.

10) Entrepreneurship is deeply connected to quality of life and community infrastructure. Only 40% report business income consistently covers personal living expenses; another 21% cover expenses but with difficulty, while 39% do not cover consistently and/or rely on savings/other income. Yet 67% report their life would be worse without their business, indicating strong nonfinancial value (identity, autonomy, purpose). Interviews emphasize businesses’ multiplier role (supporting contractors, vendors, and service workers) and frame small firms as local economic infrastructure embedded in community networks.



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Introduction

Sonoma County's economy is built on small businesses. These are businesses that anchor downtowns and rural corridors, create jobs, provide essential services, and shape the region's identity. Yet the operating environment for these businesses has become more complex. There is slower labor-force growth, an aging population, persistent affordability pressures, rising operating costs, and regulatory complexity are now core business conditions, not temporary shocks.

At the same time, Sonoma County's demographic future is increasingly diverse. Census estimates show that 31% of county residents identify as Hispanic or Latino, 23% are age 65+, and 17% are foreign born. These trends shape both the consumer market and the workforce, and they reinforce the need for an inclusive small-business ecosystem that expands opportunity to start and scale businesses across communities.

This report provides a business landscape analysis designed to support the Sonoma County Economic Development Collaborative (EDC) and partners in strengthening the small business ecosystem. It integrates secondary data from the U.S. Census Bureau's Annual Business Survey (ABS) and Nonemployer Statistics by Demographics (NES-D) with original data collected through a Sonoma County business owner survey and in-depth interviews.

The analysis is organized around three practical questions: (1) What does Sonoma County's business base look like today and how is it changing? (2) Who owns Sonoma County businesses, and where do gaps in ownership and scale persist? (3) What do business owners say they need most to stabilize, grow, and remain rooted locally?

Primary data collected specifically for this project, including a countywide business owner survey (n=108) and in-depth interviews (n=9), analyzed thematically and cross-validated against secondary patterns where possible. Additional detail on sampling, instrument design, limitations, and validation is provided in Appendix A.



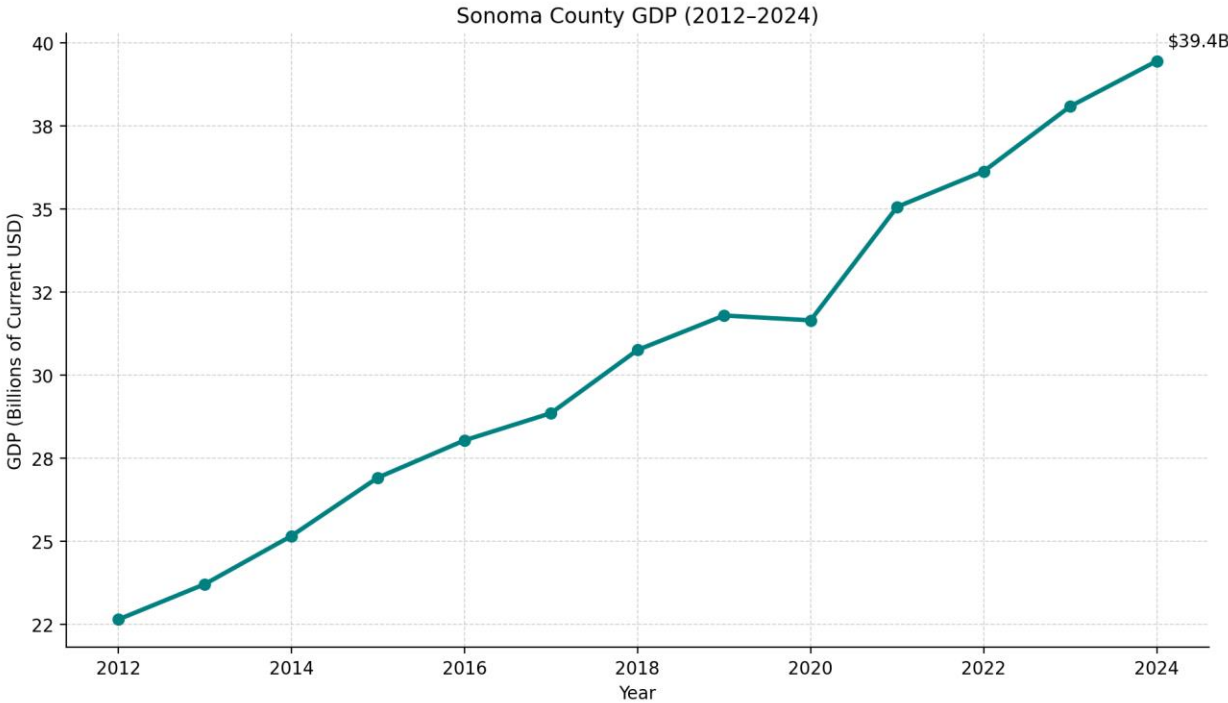
Section I: Sonoma County Economic Context

Sonoma County’s business climate is shaped by a set of interlocking structural forces: economic growth that is real but uneven across time, a labor market that has not returned to its late-2010s peak, and population dynamics that constrain both labor supply and local consumer demand.

Output growth has been substantial but volatile since 2020

County GDP (current dollars) increased from \$22.6B in 2012 to \$38.1B in 2023, reaching \$39.4B in 2024, a roughly 74% increase since 2012 (Figure 1). This long-run rise signals strong productive capacity, but post-2020 volatility underscores the importance of resilience among local firms and the sectors that support them.

Figure 1. Sonoma County GDP (current \$), 2012–2024

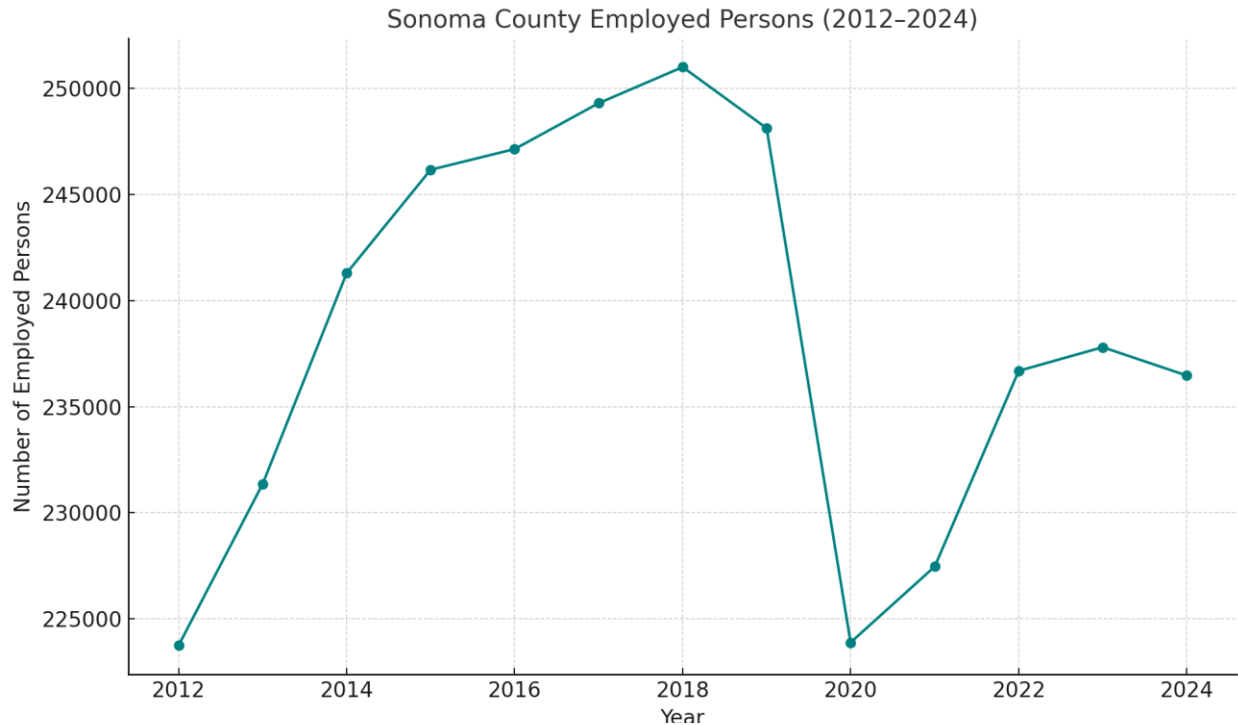


Source: U.S. Bureau of Economic Analysis (BEA), *Gross Domestic Product: All Industries in Sonoma County, CA* (GDPALL06097), Federal Reserve Bank of St. Louis FRED.

Employment remains below its pre 2019-peak

County employed residents rose from 223,737 (2012) to a peak of 251,010 (2018), then declined during the pandemic period and stabilized around 237,803 (2023) and 236,470 (2024) (Figure 2). This matters for small businesses in two ways. First, for customer demand. Fewer employed residents can dampen discretionary spending in some sectors. Second, this impacts the labor supply as businesses face tighter conditions when growth depends on hiring, particularly for specialized roles.

Figure 2. Employed persons, Sonoma County, 2012–2024

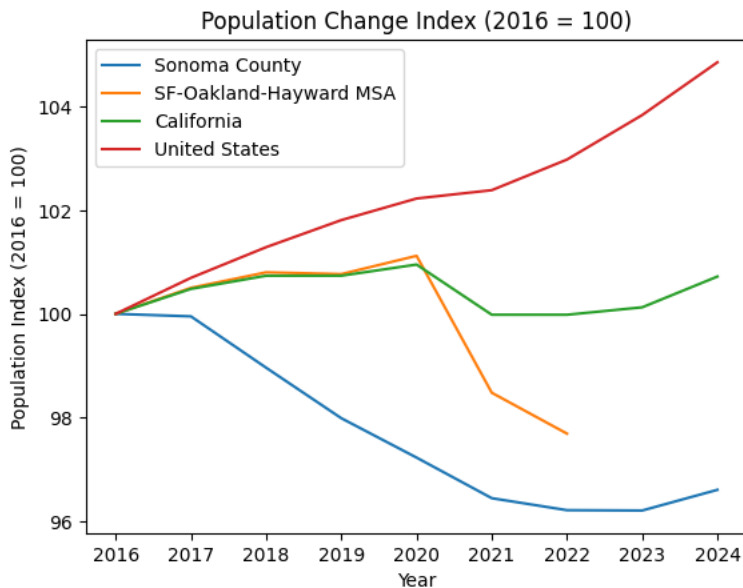


Source: U.S. Bureau of Labor Statistics (BLS), *Employed Persons in Sonoma County, CA* (Series LAUCN06097000000005A), Federal Reserve Bank of St. Louis FRED.

Population decline and aging influence both markets and workforce

Sonoma County’s population declined from 502,445 in 2016 to 483,398 in 2022, a decrease of approximately 4%. Census QuickFacts estimates the county at 485,375 in 2024, indicating modest stabilization but continued levels below the mid-2010s peak. This decline is part of a broader regional pattern rather than an isolated local contraction.

Figure 3. Population change index for Sonoma County vs Broader Bay Area, CA and the U.S.

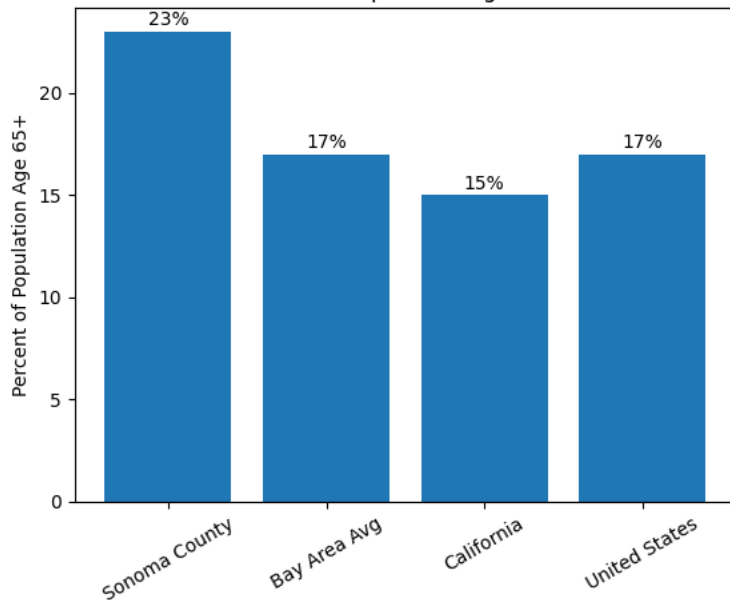


Source: U.S. Census Bureau, Population Estimates Program (2016–2024); Federal Reserve Bank of St. Louis FRED.

Sonoma County’s decline began prior to the pandemic and has been more sustained than statewide averages. The broader Bay Area also experienced post-2020 population loss, reflecting regional housing costs, migration shifts, and remote work restructuring. By contrast, the United States overall continued to grow during this period, underscoring that Sonoma’s demographic trajectory reflects state and regional dynamics rather than a nationwide contraction. While California experienced statewide population loss following 2020, and several Bay Area counties, including San Francisco and Alameda, recorded net outmigration during the same period, national population growth remained positive, driven largely by international migration.

What distinguishes Sonoma County is not simply population decline, but its age structure. Approximately 23% of residents are age 65+ (2020–2024), compared with roughly 15% statewide and 17% nationally. This comparatively older age profile has direct implications for labor-force replacement, business succession, and demand composition. At the same time, 31% of county residents identify as Hispanic or Latino (2020–2024), reflecting continued demographic diversification.

Figure 4. Aging population trends, comparative Share of Population Age 65+



Source: U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates

Taken together, these demographic conditions shape a county economy characterized by growing demand for services tied to aging households, continued expansion of diverse consumer markets and bilingual service needs, and a labor market in which replacement hiring may be as important as net new job creation. In a region where small and micro-scale firms dominate the business base, demographic shifts translate quickly into economic realities. Slower working-age population growth constrains hiring pipelines, while an aging ownership and workforce base heightens the urgency of succession planning and generational transition.

What this means for small business strategy

These conditions point to a different growth model. In a county facing slower population expansion and a large older cohort, the most viable paths to shared prosperity depend on improving productivity and margins for existing firms, helping firms expand into new markets (including visitor economy and regional exports), and ensuring that new and diverse entrepreneurs can start and scale businesses that meet evolving community needs.

Section II: Structure of the Business Base

Sonoma County’s business base has a two-tier structure: a large universe of nonemployer businesses alongside a smaller set of employer firms that drive the majority of payroll and sales. Understanding the size distribution and the distinctions between employer and nonemployer businesses is essential for aligning support strategies with how businesses actually operate.

The county’s business base is dominated by nonemployers

The analysis finds that Sonoma County had approximately 60,205 total businesses in 2023, including about 45,633 nonemployer firms and 14,572 employer firms. Nonemployer businesses are firms with no paid employees; Census definitions generally classify them based on administrative records and receipt thresholds.

From 2012 to 2022, Sonoma County added roughly 7,000 firms (about 13% growth). Growth accelerated in the mid-2010s and then leveled off, with nonemployer firms peaking around 2018–2020 and dipping slightly during recovery. Overall, the trajectory reflects gradual upward growth despite economic disruptions.

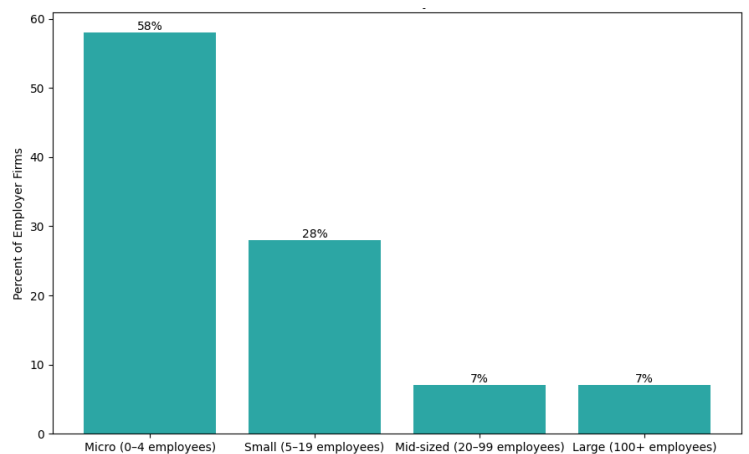
Employer firms are predominantly micro-sized

Among employer firms, 58% have 0-4 employees and another 28% have 5-19 employees; mid-sized and large firms are relatively rare by firm count (Figure 5). This distribution underscores that the county’s job creation and service provision capacity rests heavily on very small employers.

Business structure in comparative perspective

Sonoma County’s business base is heavily concentrated in nonemployer and micro-employer firms, with roughly three in four firms operating without payroll employees. While nonemployer firms account for a majority of businesses nationally, Sonoma’s share is somewhat higher than both California and national averages. In major Bay Area counties, the presence of larger mid-sized and high-growth firms increases the relative share of employer establishments. Sonoma County’s comparatively thinner layer of mid-sized firms means that economic resilience depends more directly on the stability and productivity of microbusinesses.

Figure 5. Employer firms by number of employees, 2023

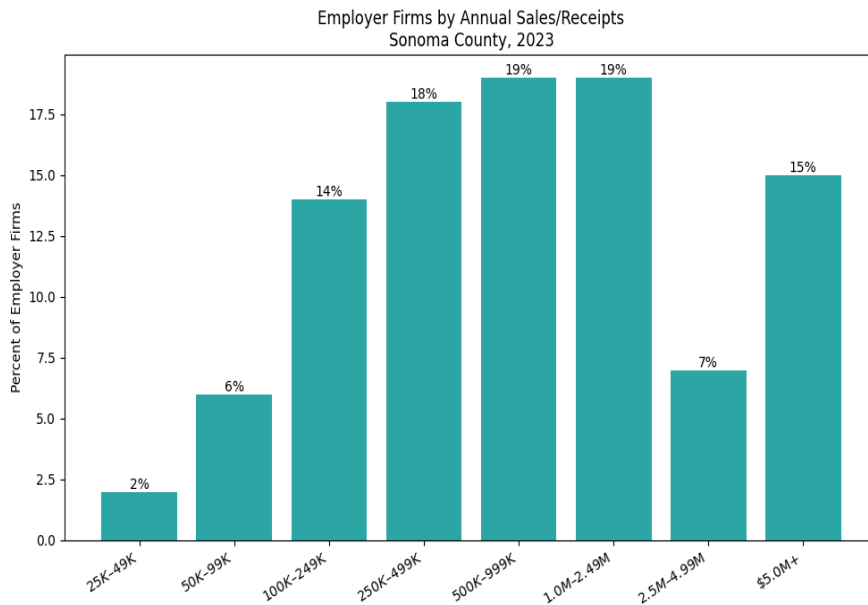


Source: U.S. Census Bureau and National Center for Science and Engineering Statistics (NCSES), *Annual Business Survey (ABS) 2023*.

Revenue structure reinforces the gap between nonemployers and employers

Employer firms cluster in the mid-market revenue range, with \$250K–\$2.49M accounting for the largest share of firms, and a meaningful share reporting \$5M+ in annual sales (Figure 4). Very few employer firms fall below \$50K, reinforcing that job creation typically requires a revenue base well above subsistence levels. In contrast, nonemployer firms are numerous but typically generate far lower receipts and often represent supplemental income strategies or early-stage enterprises.

Figure 6. Employer firms by annual sales/receipts, 2023



Source: U.S. Census Bureau and National Center for Science and Engineering Statistics (NCSES), *Annual Business Survey (ABS) 2023*.

A healthy ecosystem must serve both stability and scale

Because the county includes a large set of firms seeking stability (compliance navigation, cash-flow management, and customer acquisition) and a smaller share pursuing expansion (hiring, growth capital, and market access), the ecosystem must offer both business basics and growth pathways. Sections V-VI detail what owners say they need most.



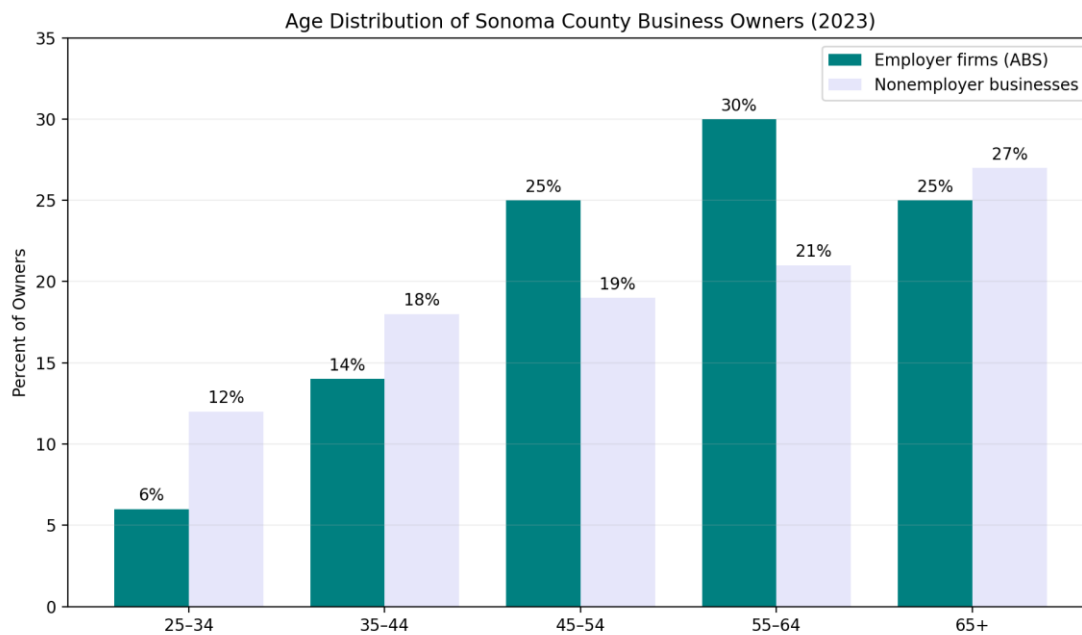
Section III: Who Owns Sonoma County Businesses

Ownership patterns shape the durability of local firms, the likelihood of succession and continuity, and the inclusiveness of wealth building through entrepreneurship. Using 2023 U.S. Census ownership datasets and 2025 local survey results, this section describes key demographic characteristics of business owners in Sonoma County.

Ownership skews older especially among employer firms

Among nonemployer owners, nearly half (48.3%) are age 55+. Employer firm ownership is even more concentrated among older groups, with roughly four in five owners age 45+ and the largest share between ages 55 and 64. This age profile suggests that many businesses will face ownership transition decisions over the next decade.

Figure 7. Age distribution of employer and nonemployer business owners (2023)

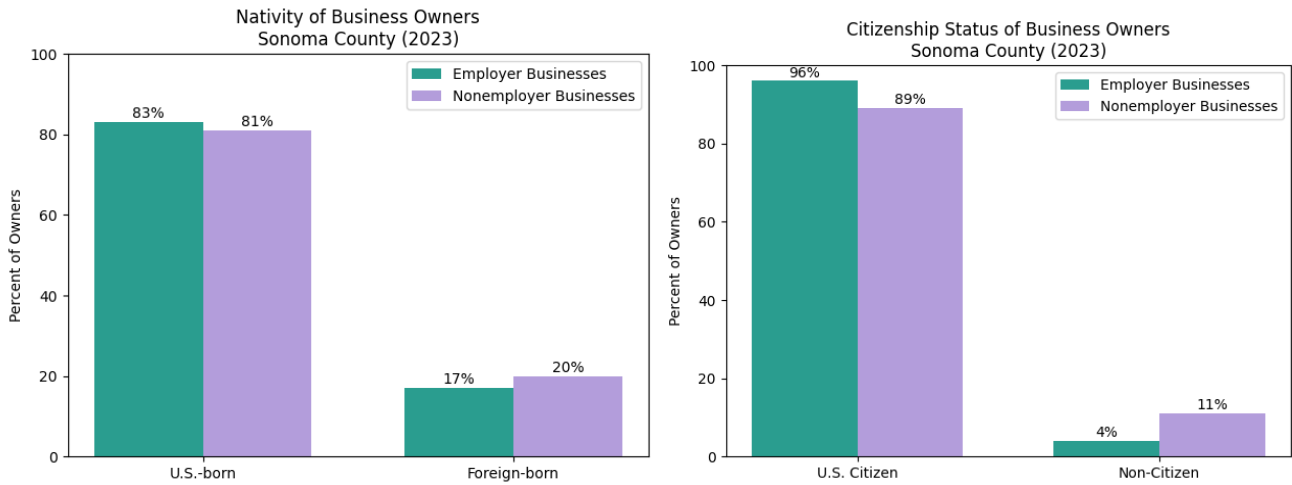


Source: U.S. Census Bureau, *Annual Business Survey (ABS) 2023* and *Nonemployer Statistics by Demographics (NES-D) 2023*.

Immigrant entrepreneurship is a meaningful presence, especially among nonemployers

Immigrant entrepreneurs play a significant role in the county's nonemployer economy: 19.5% of nonemployer owners are foreign born. Citizenship status adds nuance: 11% of nonemployer owners are not U.S. citizens, which may shape access to traditional financing, government contracting, and some formal support programs. Among employer firms, ownership is overwhelmingly concentrated among U.S. citizens, suggesting that citizenship status may influence who is positioned to scale into job creating firms.

Figure 8. Nativity (U.S.-born vs. foreign-born) and citizenship status by employer status, 2023.



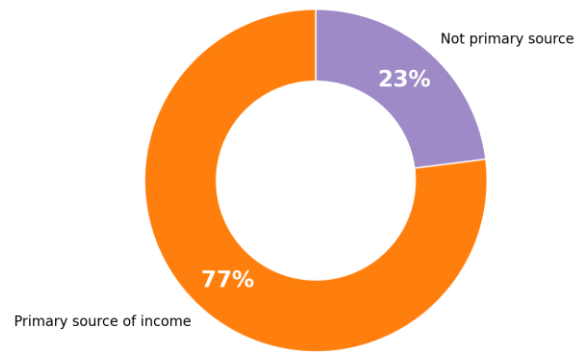
Source: U.S. Census Bureau, *Annual Business Survey (ABS) 2023* and *Nonemployer Statistics by Demographics (NES-D) 2023*.

Most employer owners rely on their business as their primary source of income

More than three-quarters (77%) of employer firm owners report that their business is their primary source of income. This underscores that employer entrepreneurship is often a core household livelihood strategy rather than supplemental income.

Figure 9. Business as primary source of income, 2023

Is the Business the Owner's Primary Source of Income? Sonoma County Employer Firms (2023)

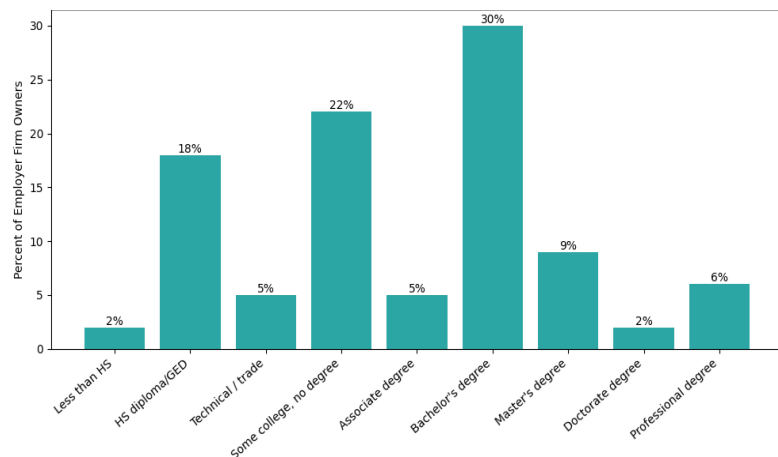


Source: U.S. Census Bureau, *Annual Business Survey (ABS) 2023*.

Employer ownership is strongly associated with higher educational attainment

Employer firm ownership in Sonoma County is strongly associated with higher educational attainment. Nearly half of employer firm owners hold at least a bachelor's degree, with additional owners reporting some college experience. This pattern suggests that education and credentialing may be correlated with the resources and networks often needed to scale a business.

Figure 10. Educational attainment of employer firm owners, 2023

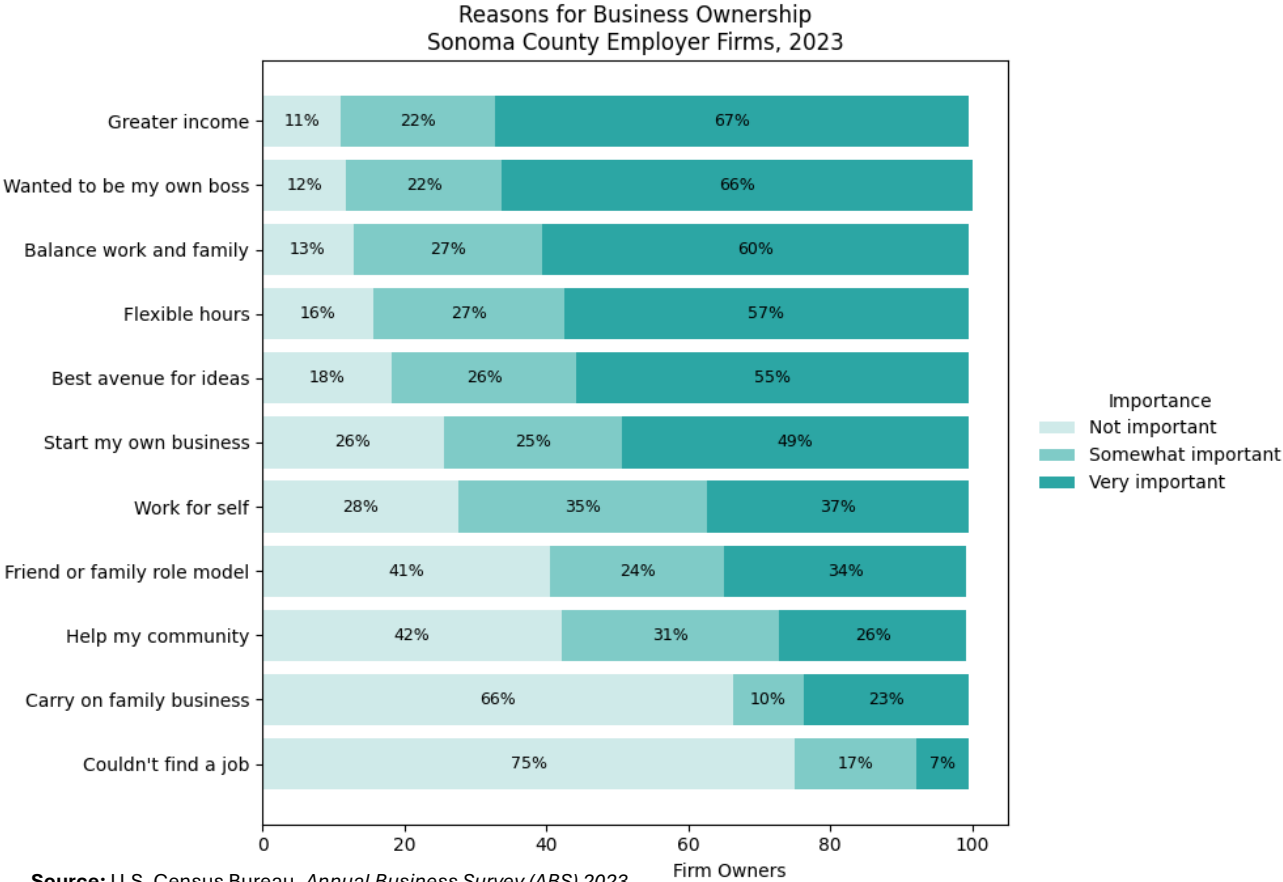


Source: U.S. Census Bureau, *Annual Business Survey (ABS) 2023*.

Motivations for ownership are opportunity-driven

Employer firm ownership is primarily driven by opportunity, autonomy, and growth. Two-thirds of employer firm owners cite income potential and being their own boss as very important reasons for starting their business, while only a small share cite job scarcity. This points to an ecosystem where many owners want to grow but face structural constraints in doing so.

Figure 11. Reasons for employer business ownership, 2023



Succession and next-generation entrepreneurship warrant attention

Together, the age profile and income reliance suggest that succession planning is not just an individual business issue, it is a countywide continuity issue. At the same time, lower shares of younger owners point to the need for pathways that reduce barriers to entry for next-generation entrepreneurs, including access to affordable space, capital readiness, and networks.

Section IV: Inclusive Entrepreneurship and the Opportunity Gap

Inclusive entrepreneurship is an economic strategy. When more residents can start and scale businesses, the county gains jobs, services, innovation, and local wealth building.

Employer business ownership is not proportional to Sonoma County’s demographics

Sonoma County is 31% Hispanic or Latino (2020–2024), yet Latino-owned employer firms represent a substantially smaller share of employer businesses. This gap does not imply a lack of entrepreneurial activity, rather, it reflects how firms are distributed across employer vs. nonemployer status, industries, and scale.

Ownership gaps in state and national context

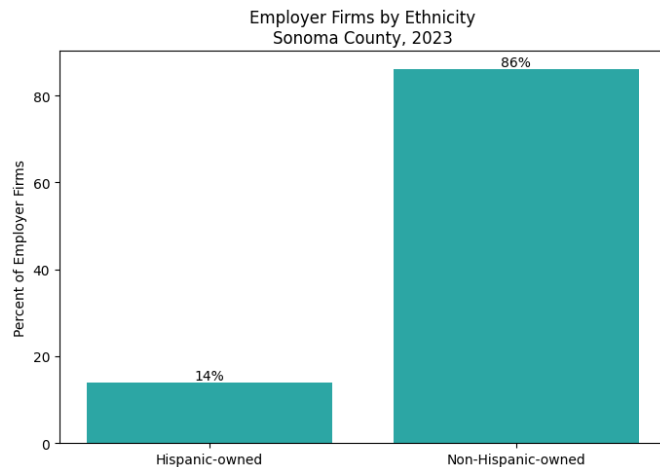
Ownership disparities between population share and employer-firm representation are not unique to Sonoma County. Across California and the United States, Latino business formation rates are strong, yet Latino-owned firms are less likely to operate as employer businesses at scale. In many regions, this reflects structural differences in capital access, industry distribution, and pathways from self-employment to payroll employment. What distinguishes Sonoma County is not the existence of an ownership gap, but the economic concentration risk associated with it. In a county where small and micro-scale firms drive a substantial share of economic activity, underrepresentation in employer ownership translates more directly into forgone revenue, hiring, and local wealth generation.

Revenue gaps point to a scale gap

ABS-based patterns indicate substantial revenue-per-firm differences by minority status. On average, minority-owned employer firms generate \$1.43M per firm compared with \$2.82M among nonminority-owned employer firms. If minority-owned employer firms matched the nonminority average, Sonoma County would realize an estimated additional \$3.6B in annual employer-firm revenue. These gaps are a practical indicator of differences in reinvestment capacity, hiring potential, and the ability to withstand shocks.

If minority-owned employer firms matched the nonminority average, Sonoma County would realize an estimated additional \$3.6B in annual employer-firm revenue

Figure 12. Latino employer-firm ownership share



Source: U.S. Census Bureau, *Annual Business Survey (ABS) 2023*.

Source: U.S. Census Bureau, *Annual Business Survey (ABS) 2023*; author’s calculations

Revenue-per-firm disparities by minority status are also well documented nationally. Findings from the Federal Reserve’s Small Business Credit Survey and the SBA Office of Advocacy show persistent differences in firm size, revenue levels, and financing experiences across racial and ethnic groups. California exhibits similar patterns across sectors such as construction, retail, and hospitality, where minority-owned firms are concentrated but often operate at smaller average scales. Sonoma County’s estimated \$3.6 billion opportunity gap reflects these broader structural dynamics. However, because the county has a comparatively smaller layer of mid-sized and large firms to buffer aggregate revenue, differences in scaling outcomes among employer firms carry disproportionate economic weight locally.

Why scale gaps persist what the literature and local data suggest

National research consistently finds that scaling barriers are often tied to unequal access to affordable capital and credit-building pathways, constrained networks and market access, and uneven access to the capacity supports required for professionalization (financial management, compliance navigation, sales growth infrastructure). Sonoma County’s survey and interview findings echo these dynamics locally, particularly around customer acquisition, cost pressures, and time constraints.

Closing the opportunity gap requires a scale lens across the ecosystem

Closing the opportunity gap requires moving from a narrow startup support model to an ecosystem that also helps firms build demand (customers and sales pipelines), strengthen operations (cash-flow management, planning systems, and workforce capacity), access timely capital, and expand market access through procurement and anchor partnerships. Sections V-VII translate these needs directly from business owners’ voices.



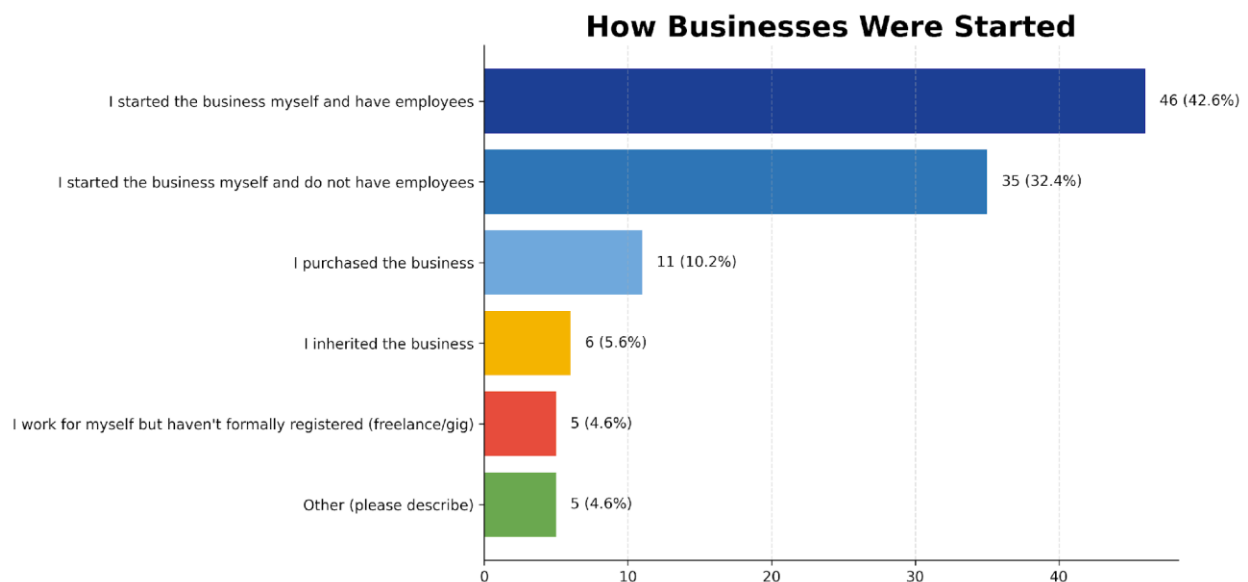
Section V: Business Owner Survey Findings

This section summarizes findings from the Sonoma County business owner survey (n=108 validated responses). Results should be interpreted as directional as the validated sample reflects established businesses with stronger digital footprints and clearer person-business alignment, and therefore may underrepresent emerging, informal, home-based, or less-digitized firms. See Appendix A for details on survey fielding, validation, and limitations.

Business pathways and tenure

Most respondents started their businesses, with the majority employing others. Self-employed owners without employees make up the next largest group, while only a small share purchased, inherited, or freelance without registering a business. About 38% of surveyed businesses have been operating for 10+ years, signaling a mix of long-standing businesses and newer firms.

Figure 13. Pathways into business ownership (survey)



Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey, 2025*.

Staffing models and workforce composition

Surveyed businesses report a range of staffing models, including full-time and part-time employees, seasonal workers, and contractors. Among businesses with employees, the median workforce is five full-time employees and the average is 17. Nearly one in three surveyed businesses operate without employees, underscoring the need for supports that serve both job-creating employers and solo entrepreneurs.

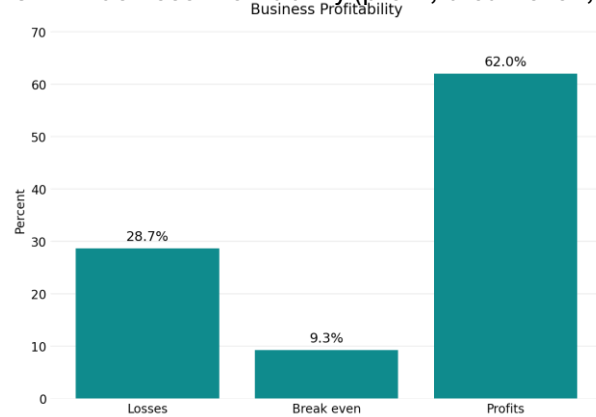
Industry distribution

Survey respondents span many industries, with strong representation in professional, scientific, and technical services; retail trade; accommodation and food services; construction; and other services. This distribution reflects a service-oriented business footprint and highlights the importance of customer demand, tourism, and local market conditions.

Revenue and profitability

Over 60% of respondents report annual revenue of \$100K or more, indicating strong participation from established businesses. At the same time, profitability is mixed. More than half report profits, but a substantial share report breaking even or operating at a loss, underscoring tight margins and ongoing financial pressures.

Figure 14. Business Profitability (profit, break-even, loss)



Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey, 2025.*

Business formalization and workplace practices

Most respondents report foundational legal and compliance practices (licenses, contracts, and access to legal guidance). However, formal workplace protection policies (such as anti-harassment, anti-discrimination, and workplace violence policies) are less consistently in place, suggesting an opportunity for low burden supports that help small employers strengthen people practices.

Figure 15. Business formalization and workplace policy adoption (survey)



Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey, 2025.*

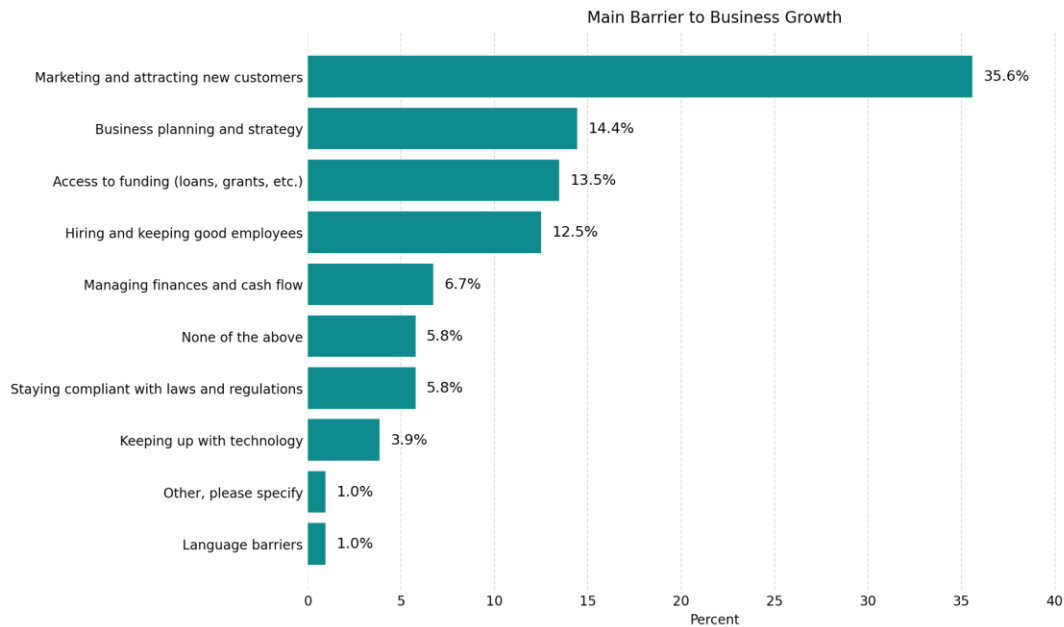
Motivations for entrepreneurship

Owners are primarily motivated by financial security and autonomy, and most are driven by a combination of two to three key factors. Entrepreneurship in the sample is largely opportunity-driven rather than necessity-driven, aligning with the ABS data.

Challenges: startup, current operations, and the single biggest barrier

The survey shows a consistent pattern across business stages: marketing and customer acquisition is the dominant challenge. The top startup challenges include marketing/getting first customers as well as registering the business, permitting, and understanding legal requirements. In ongoing operations, marketing remains the most common challenge, followed by business planning/strategy, compliance, and managing finances or accessing funding. When asked to select the single biggest barrier to business growth, marketing again ranks first by a wide margin.

Figure 16. Single biggest barrier to growth (survey)

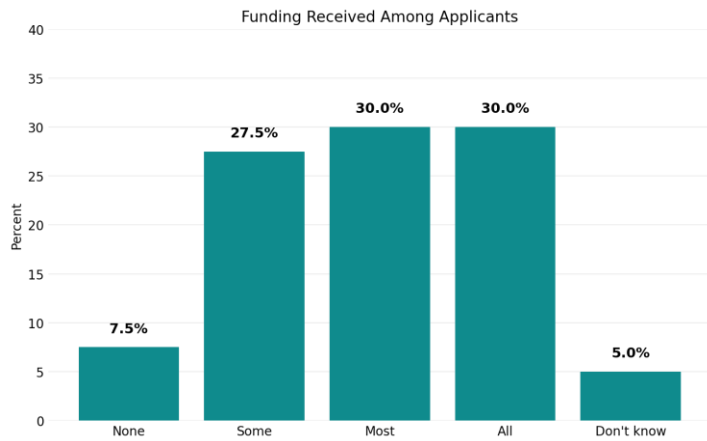


Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey*, 2025.

Access to capital and funding experience

More than one-third of surveyed businesses applied for funding in the prior 12 months. Among those that applied, outcomes vary: some received all or most requested funding, while others received only some or none. Reported application sources skew toward traditional lenders and credit cards, suggesting a recurring need for timely, right-sized capital and support that reduces the administrative burden of pursuing grants or low-cost financing.

Figure 17. Business funding outcomes, past 12 months (survey)

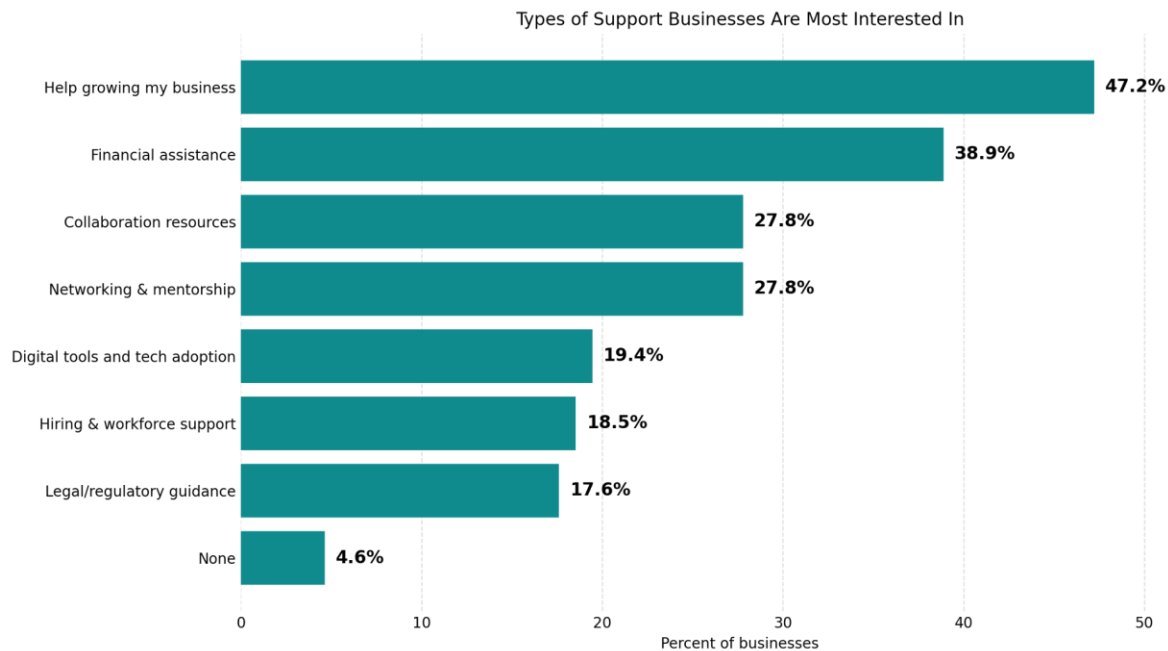


Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey, 2025.*

Business support ecosystem and communication preferences

More than half of respondents were unfamiliar with EDC prior to the survey. Support engagement spans multiple organizations, including chambers and the SBDC, but a notable share report receiving no support from any listed organization. Owners’ priorities are clear: they most want help growing the business and financial assistance. Communication preferences are highly actionable: mail and email are preferred by the vast majority of respondents, far exceeding other channels.

Figure 18. Top support business owners want (survey)



Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey, 2025.*

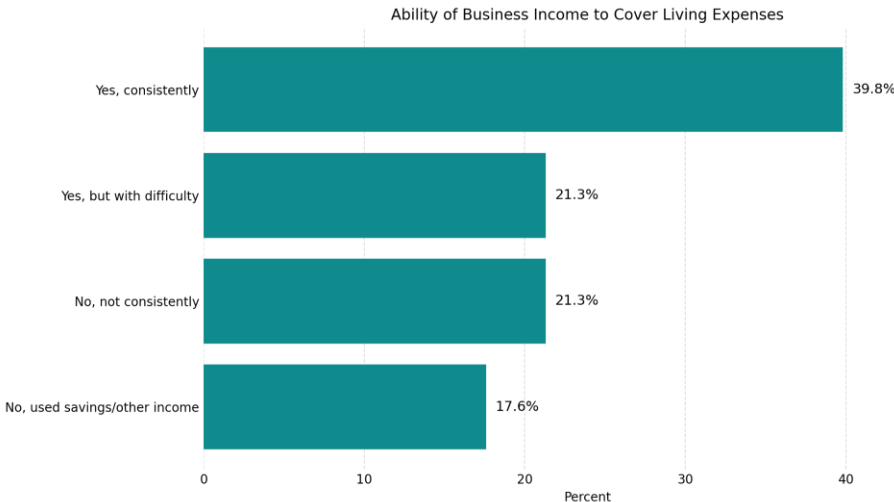
Certifications, contracting, and technology adoption

Certifications and government contracting remain underused pathways for many small businesses, with barriers often tied to awareness, complexity, and time burden. Technology adoption is high for basic tools (email, websites, social media, accounting), while advanced adoption (e-commerce platforms and AI tools) is lower. The largest barriers to adopting new tools are time and cost, not language or internet access.

Household economics and quality of life

Only about four in ten respondents report that business income consistently covers personal living expenses. Many also report that the county’s cost of living has worsened their quality of life. Despite these pressures, two-thirds say their life would be worse without their business, underscoring the role of entrepreneurship in identity, autonomy, and community contribution.

Figure 19. Business earnings vs. living costs (survey)



Source: Economic Development Collaborative, *Sonoma County Business Owner Trends Survey*, 2025.

Section VI: In-depth Interviews

To complement quantitative findings, the project team conducted nine in-depth interviews with Sonoma County business owners between October 2025 and January 2026. Interviews were conducted remotely via Zoom using a semi-structured protocol and analyzed thematically. Participants represented all five supervisorial districts and a range of industries and business stages. Insights are presented anonymously to protect confidentiality.

Figure 20. Interview participant profile (industries, districts, staffing models)

Characteristic	Distribution
Interview format	Semi-structured Zoom interviews
Supervisorial districts represented	1, 2, 3, 4, and 5
Primary industries	Retail, Agriculture, Professional Services, Finance, Real Estate, Food Services, Winery, Hospitality
Business stage	Majority were employer businesses; several were sole proprietors
Staffing models	Full-time employees, part-time employees, seasonal workers, and contractors
Geographic spread	Santa Rosa, Cloverdale, Forestville, Cotati, Windsor, Fulton, Sonoma Coast

Theme 1: Entrepreneurship is deeply purpose-driven

Many owners framed entrepreneurship as a mission tied to community, family, or identity. Interviewees described purchasing or building businesses to preserve access to essential services, create inclusive models of hospitality, or provide trusted services within immigrant communities. This values-based entrepreneurship underscores that small business policy should treat local firms as community infrastructure.

“This business isn’t about getting rich. It’s about keeping something essential available to the community.” - Grocery owner

“I want to make sure people see this work as important to the community... these are well-paid jobs that really matter.” - Professional services business owner

“If this business disappears, it's not just one job lost. It affects dozens of people connected to it.” - Hospitality business owner

Theme 2: Workforce constraints are a growth bottleneck

Staffing challenges were among the most consistently cited barriers, especially for service-oriented and seasonal businesses. Employers described difficulty recruiting bilingual and bicultural staff, retaining younger workers, and building administrative and leadership capacity. Several owners emphasized that growth limitations often stem from management and systems capacity rather than customer demand alone.

“It’s really difficult to find truly bilingual and bicultural staff capable of doing workshops, radio interviews, community outreach.” - Professional services business owner

“A lot of people work two hours and they leave the position... they just wanted to meet unemployment requirements.” - Professional services business owner

“We can find people who want to work, but training them to manage systems and lead teams takes constant effort.” - Hospitality group owner

“Most of our growth limitations come from administrative capacity” - Restaurant and catering owner

Theme 3: Regulatory and permitting burdens create uncertainty and delay

Across industries, owners described permitting and compliance processes as costly, slow, and unpredictable. Agricultural operators cited long wait times and high environmental fees for basic land-use approvals; hospitality operators highlighted evolving local regulations; and market operators described rising permit costs that divert resources away from mission delivery. Owners also described regulatory burden as cognitively exhausting, reducing confidence and reinvestment capacity.

“It took me seven months to get through the permitting process... just to deep till the soil.”

“Thousands of dollars in fees... there’s no common sense. The cost of doing anything gets added to by this huge regulatory burden.”

“California is far and away the most difficult state I’ve ever worked in for a business climate.”

“It feels like paying multiple agencies for the same permission to operate.”

Theme 4: Rising operating costs constrain reinvestment

Interviewees repeatedly emphasized cost pressures that limit growth and stability. Energy costs, in particular, were described as a major driver of relocation and reinvestment decisions. Owners

linked cost escalation to foregone raises, delayed equipment purchases, and reduced ability to innovate.

“The current facility incurs \$9,000 a month in utility costs. Reducing energy expenses is a key business driver.”

“The energy costs are just out of control... that’s raises, that’s new equipment, that’s making food cheaper.”

Theme 5: Capital access is uneven; many owners prefer self-funding

Financing pathways varied widely, with several owners avoiding debt unless strategically necessary. Some relied entirely on reinvestment and cost discipline, while others used SBA loans and lines of credit but faced constraints when prior-year losses affected underwriting. Interest in grants, particularly for energy efficiency, was common, but owners often lacked grant-writing capacity and described financing timelines as mismatched with business needs.

“Seeking grant writing support and funding for energy efficiency... financing access is constrained by prior-year losses.”

“By the time financing comes through, the need has already passed.”

“The fastest funding options aren’t the cheapest, but they’re the only ones that move at business speed.”

Theme 6: Technology is both opportunity and risk

Technology adoption is not simply an access issue, it is shaped by trust, affordability, and autonomy. Some firms invest heavily in technology to compete with larger players, while others remain skeptical of AI due to privacy concerns and misinformation risks. Interviewees emphasized that digital support strategies must address affordability and trust, not only training.

“I can give an employer with just one or two employees an HR platform that looks like the big guys.”

“It’s a trust issue... once you use AI, they’re observing you... that scares me.”

Theme 7: Small businesses operate as local economic infrastructure

Owners emphasized multiplier effects: even small enterprises sustain contractors, vendors, and service workers. Businesses described partnerships with food banks and nonprofits, support for Hispanic-owned contractor networks, and the role of rural firms as nodes in local service economies. Supporting small businesses therefore strengthens broader community infrastructure, not only individual firms.

“People see one business, but behind it are dozens of livelihoods.”

Theme 8: Civic networks and peer coalitions are resilience tools

Many owners rely on informal networks, coalitions, and volunteerism more than formal advertising or government programs. Referral-based growth remains central for professional services, while tourism and agricultural operators described coalition leadership and peer coordination as strategies to influence policy and prepare for shocks. These networks are an under-recognized form of economic infrastructure.

“Nothing about us, without us... navigating the systems together can be beneficial.”

Theme 9: Succession and sustainability shape the future

Several owners raised questions of longevity - who will carry the business forward and under what conditions? Interviewees described succession planning tied to social impact goals, exploration of cooperative or employee-owned transitions, and concerns that continued operation may be untenable without structural change. These signals align with the county’s aging owner profile and elevate succession planning as a near-term ecosystem need.



Conclusion

Sonoma County’s small businesses are navigating real structural headwinds including population dynamics, labor constraints, rising costs, and regulatory complexity, while continuing to serve as the county’s community and economic infrastructure. The data show a business base dominated by nonemployer firms, a smaller set of employer firms that drive revenue and payroll, and ownership patterns that skew older, which raises the stakes for succession and continuity.

At the same time, the county’s demographic future underscores a major growth opportunity: expanding inclusive pathways for entrepreneurship and, especially, for scaling businesses. Closing scale gaps is not only an equity goal; it is an economic development strategy with measurable upside.

The message from business owners is programmatic – help us reach customers, reduce friction, manage costs, access capital that arrives on time, and navigate systems that were not designed for very small firms. If EDC and partners align around these needs, delivered through the channels owners trust, Sonoma County can strengthen business resilience, expand opportunity, and build a more durable local economy.



Appendix



A. Methodology

This report integrates secondary and primary data to produce a multi-source view of Sonoma County's business landscape. The approach is designed to align macro context, business structure, ownership patterns, and owner-reported needs.

Secondary data sources

Annual Business Survey (ABS). The ABS is an annual Census Bureau program that produces statistics on business ownership and firm characteristics for employer businesses using a combination of survey responses and administrative records.

Nonemployer Statistics by Demographics (NES-D). NES-D provides information on the demographic characteristics of nonemployer businesses, produced as a research series to extend business-ownership coverage to firms without paid employees.

Nonemployer definition and confidentiality. Census defines nonemployer businesses as those with no paid employees and meeting minimum receipts thresholds, derived primarily from IRS administrative records and protected through disclosure avoidance procedures.

County macro indicators. GDP, employment, and population time series are drawn from BEA and BLS sources accessed through the Federal Reserve Bank of St. Louis (FRED).

Primary data sources

Business owner survey. The survey was available in English, Spanish, Vietnamese, and Simplified Chinese and fielded June 25–July 31, 2025. Due to suspected survey infiltration, the project team conducted a structured external validation process using personally identifiable information provided by respondents who opted in to receive updates from the Sonoma County Economic Development Collaborative (EDC). The final analytic sample (n=108) reflects a strict validation standard, producing a clean dataset but likely underrepresenting emerging, informal, home-based, or less-digitized businesses. The analysis therefore triangulates survey findings with secondary data and in-depth interviews.

In-depth interviews. Nine interviews were conducted October 2025–January 2026 via Zoom using a semi-structured format. Participants represented all five supervisorial districts and a range of industries and business stages. Interviews were conducted confidentially and are reported in aggregate without identifying details.

Limitations

Survey results are not statistically representative of the entire Sonoma County business population. Findings should be interpreted as directional and used alongside secondary datasets

and interviews. Secondary datasets may suppress small cells to protect confidentiality, limiting disaggregated analysis for certain groups at the county level.

B. Glossary of Terms

Annual Business Survey (ABS): A U.S. Census Bureau program producing annual statistics on business ownership and characteristics for employer businesses.

Nonemployer Statistics by Demographics (NES-D): A Census Bureau series providing demographic characteristics of nonemployer businesses, extending ownership statistics to firms without paid employees.

Employer business / employer firm: A business with paid employees (as classified in employer datasets).

Nonemployer business: A business with no paid employees that meets minimum receipts thresholds and is subject to federal income taxes.

Establishment vs. firm: An establishment is a physical location of business activity; a firm may own one or more establishments. Definitions vary across datasets.

Minority-owned / nonminority-owned: Ownership categories used in Census business ownership tabulations; some categories may be suppressed at small geographies to protect confidentiality.

Opportunity gap: In this report, an estimate of missing revenue that would exist if minority-owned employer firms had the same average revenue per firm as nonminority-owned employer firms.

Succession / ownership transition: The process of transferring business ownership to a new owner (family, employees, external buyer, or other structures).

Employee Stock Ownership Plan (ESOP): A defined contribution retirement plan that invests primarily in employer securities and can be used as an employee-ownership transition mechanism.

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