Dane County Economic Survey

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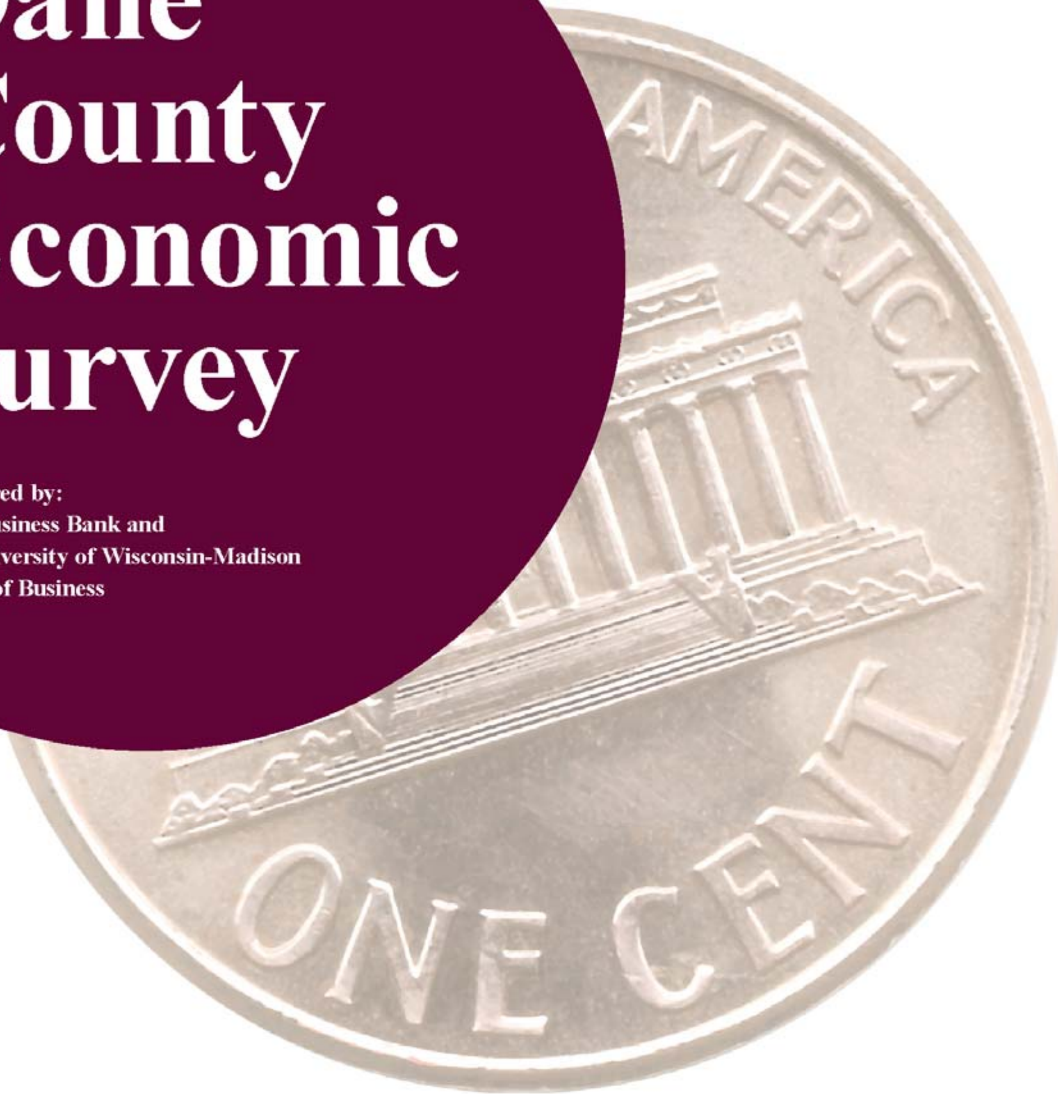

2004 Survey Results

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Prepared by:
Bhavana Rao & Belinda Bao
A.C. Nielsen Center for Marketing Research
UW-Madison School of Business

First Business Bank

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Background

This report highlights the findings of the 2004 Dane County Economic Survey, which was conducted by the A.C. Nielsen Center for Marketing Research between September and November 2004. The survey was sent to 4,093 businesses in Dane County with five or more employees. It was sent to participants with the title of CEO, CFO, President, and/or business owner. The survey asked questions regarding seven key economic indicators in each of the following areas:

- Sales Revenue
- Profitability
- Production/Operating Costs as a % of Revenue
- Capital Expenditures
- Number of Employees
- Overall Wage Change
- Operating Capacity

436 responses were received within the stipulated time --187 online and 249 fax/mail**.** Of those, there were a total of 389 respondents that had fully completed the questionnaire, with the exception of the capital expenditures and the overall wages sections, which received lesser responses. This sample size has an error range of .05. Significant differences noted in this report are at the 95% confidence level.

Topline Results

Overall the economic outlook seems to have improved in 2004. When compared to 2003, fewer companies have reported decreasing revenues although there is no big difference in the number of companies reporting profitability changes. There has been more spending in the county with more companies reporting increase in both capital expenditure and production costs. Fewer companies have reported a decrease in both these indicators. There have been fewer layoffs and more companies have reported increased employment in 2004 compared to 2003. Companies have also pointed towards a positive self-assessment of performance in 2004 with 64% of them indicating that they have either met or exceeded expectations.

The outlook for 2005 too seems optimistic and similar to the expectation they had for 2004. Projections on sales revenue, profitability, capital spending and wages for 2005 are very similar to 2004 projections. It is interesting that both revenue and profit growth is expected although somewhat more conservatively than 2004, with fewer expecting 10 % + increases in revenue. A trend of more companies predicting an increase in production costs and fewer companies predicting a decrease is also observed for 2005. The optimistic expectation is re-emphasized with about 79 % of companies expecting to perform better in 2005 compared to 2004.

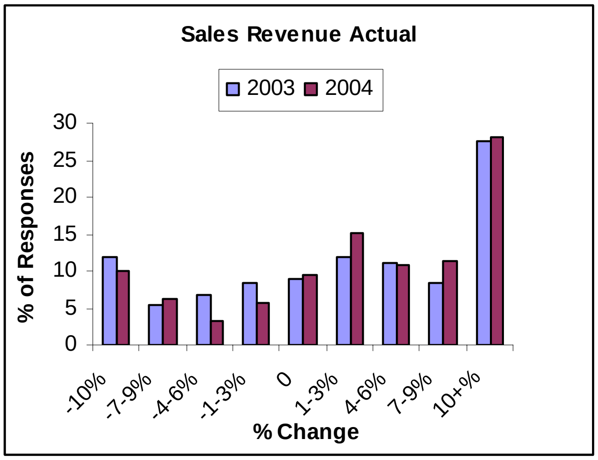
Regionally there are few differences, however, more companies operating in the broader national/international markets have reported increases in capital spending and hiring in 2004. In comparing the retail and the service sectors, the service sector appears to be doing better with more companies reporting increasing revenues and also increased production spending. However, the prediction for 2005 does not vary by region or sector on any of the indicators.

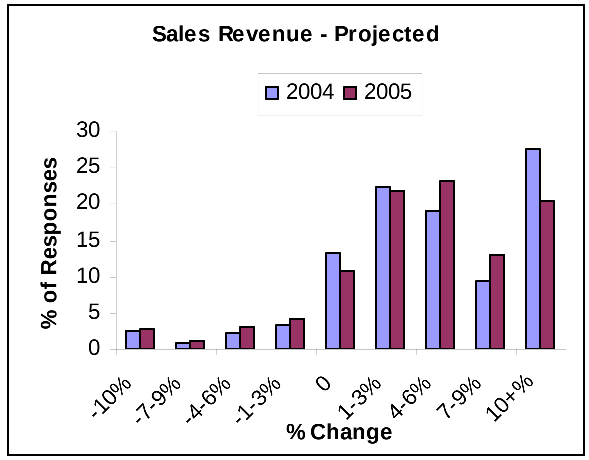
Detailed Findings

Sales Revenue

Overall Sales Revenue

Actual				Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	**32.46%**	8.90%	58.64%	2004	8.64%	13.09%	78.27%
2004	**25.19%**	9.51%	65.30%	2005	11.05%	10.80%	78.15%





Overall, sales revenue is improved from 2003 to 2004.

- Fewer companies have reported decreasing revenues in 2004
- However, no big difference in the number of companies reporting consistent and increasing revenues in both the years

Projection for 2005 seems to be similar to the projection for 2004

- However, significantly fewer companies are expecting large (10 + %) increase

Between regions there is no difference in the pattern; however numerically more companies operating in the other markets have reported an increase in revenue in 2004 compared to the companies operating exclusively in Dane County. In all the regions, numerically there are more companies reporting an increase in revenue and fewer companies reporting a decrease in 2004 compared to 2003.

About the same number of companies operating in Dane county expect an increase in sales revenue in 2005 compared to 2004.

Sales Revenue by Region

	Dane-Actual			Midwest-Actual			National-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	33.33%	11.90%	54.76%	32.84%	6.72%	60.45%	29.33%	5.33%	65.33%
2004	26.13%	10.55%	63.32%	23.64%	9.09%	67.27%	23.68%	7.89%	68.42%

	Dane-Proj			Midwest-Proj			National-Proj		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	11.31%	15.48%	73.21%	6.72%	11.94%	81.34%	5.33%	8.00%	86.67%
2004	12.06%	14.07%	73.87%	10.91%	8.18%	80.91%	6.58%	6.58%	86.84%

Between sectors, the service sector seems to perform better than the retail sector. Significantly more companies in the service sector reported increasing revenues in 2004 compared to 2003. However, there is no significant difference in the revenue projected for 2005 compared to the 2004 projection

Sales Revenue by Sector

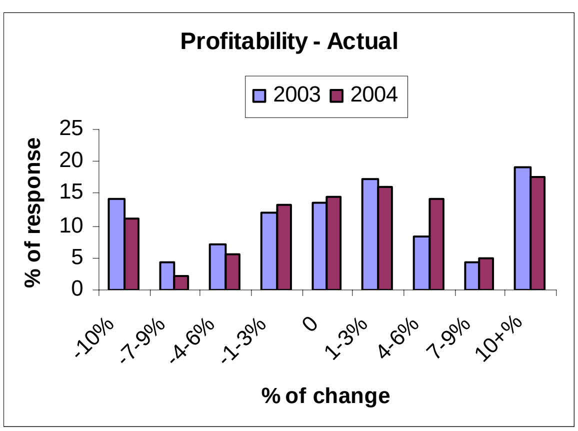
Retail-Actual				Service-Actual			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	36.11%	8.33%	55.56%	2003	32.04%	10.68%	**57.28%**
2004	29.17%	13.89%	56.94%	2004	23.53%	7.84%	**68.63%**

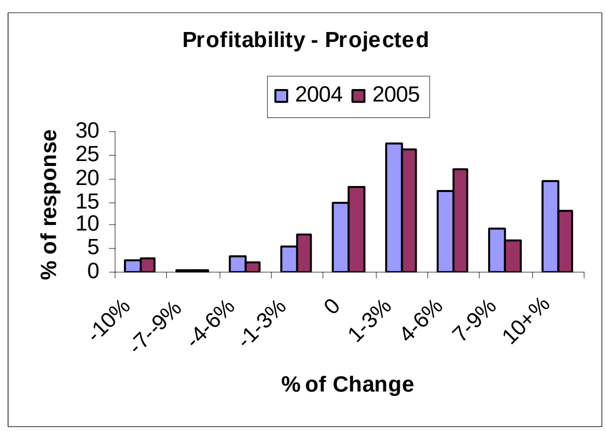
Retail-Projected				Service-Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2004	9.72%	9.72%	80.56%	2004	9.22%	11.65%	79.13%
2005	15.28%	8.33%	76.39%	2005	9.15%	9.80%	81.05%

Profitability

Overall Profitability

Actual				Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	37.43%	13.61%	48.95%	2004	11.78%	14.66%	73.56%
2004	32.39%	14.65%	52.96%	2005	13.62%	17.99%	68.38%





Generally, there is not a significant difference in profitability from 2003 to 2004 or a significant difference between the predictions in 2004 and in 2005.

- It might be interesting to note that, although numerically there is an increase in the companies reporting growth in 2004, only a moderate increase in profitability (4-6%) from 2003 to 2004 is significantly different (8.38% vs. 14.14%)

Regionally, there is no significant difference between the profitability in 2003 and 2004. Regions do not vary significantly in the 2005 projection compared to the 2004 projection.

Profitability by Region

	Dane-Actual			**Midwest-Actual**			**National-Actual**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	42.26%	16.67%	41.07%	35.07%	12.69%	52.24%	30.67%	6.67%	62.67%
2004	34.67%	17.09%	48.24%	30.91%	11.82%	57.27%	27.63%	13.16%	59.21%
	Dane-Projected			**Midwest-Projected**			**National-Projected**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	16.67%	15.48%	67.86%	7.46%	16.42%	76.12%	8.00%	8.00%	84.00%
2005	13.07%	22.11%	64.82%	14.55%	12.73%	72.73%	13.16%	14.47%	72.37%

Between sectors, fewer companies in the retail sector reported a decrease in profitability in 2004 compared to 2003.

Additionally more retail respondents reported a consistent (unchanged) profitability (25%) compared to a mere 8.5 % of respondents who reported the same in the service sector.

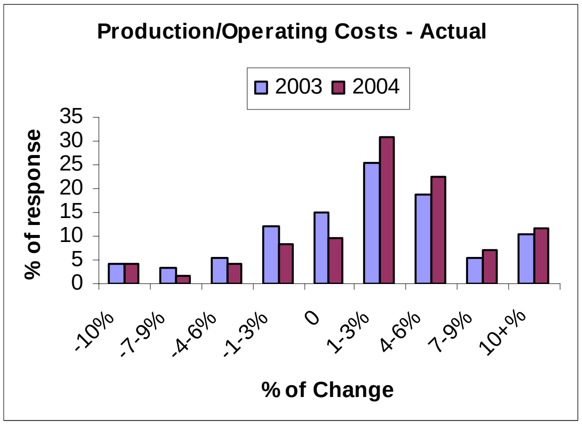
Profitability by Sector

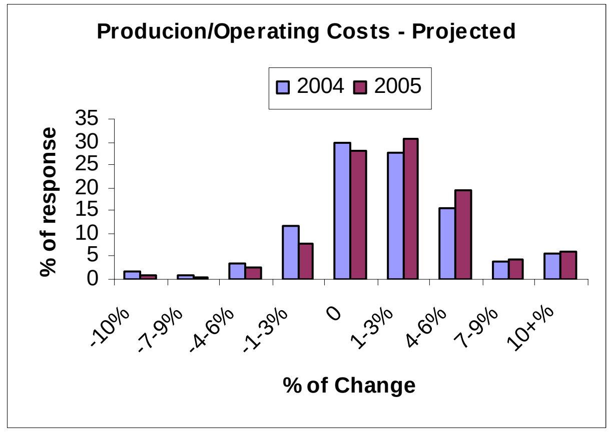
	Retail-Actual			**Service-Actual**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	**52.78%**	16.67%	30.56%	36.41%	15.05%	48.54%
2004	**29.17%**	25.00%	45.83%	33.99%	8.50%	57.52%
	Retail-Projected			**Service-Projected**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	11.11%	18.06%	70.83%	11.65%	14.56%	73.79%
2005	13.89%	20.83%	65.28%	13.07%	16.99%	69.93%

Production/Operating Costs as a % of Revenue

Overall Production/Operating Costs

Actual				**Projected**			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	**24.87%**	**15.18%**	**59.95%**	2004	**17.80%**	29.84%	**52.36%**
2004	**18.25%**	**9.77%**	**71.98%**	2005	**11.83%**	28.02%	**60.15%**





- More companies have reported an increase in production costs in 2004 compared to 2003
- Fewer companies have reported a decrease in 2004 compared to 2003
- Fewer companies have reported an unchanged (stable) production costs in 2004 compared to 2003

There is a similar trend in the expectations for 2005. More companies are predicting an increase and fewer companies are predicting a decrease. The number of companies expecting production costs to remain unchanged is similar to the 2004 expectation.

- Significantly more companies are reporting and expecting moderate increase (1-6%)

Regionally, there are few significant differences in production costs reported for 2004.

- Only companies in the Midwest reported a significant increase in growing production costs and a decline in decreased production costs. The projection follows the same trend.

Production/Operating Costs – by Region

	Dane-Actual			**Midwest-Actual**			**National-Actual**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	19.64%	16.07%	64.29%	**28.36%**	15.67%	**55.97%**	30.67%	13.33%	56.00%
2004	18.09%	10.05%	71.86%	**11.82%**	11.82%	**76.36%**	27.63%	6.58%	65.79%
	Dane-Projected			**Midwest-Projected**			**National-Projected**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	13.69%	27.98%	58.33%	**18.66%**	32.84%	**48.51%**	25.33%	29.33%	45.33%
2005	10.05%	31.66%	58.29%	**7.27%**	26.36%	**66.36%**	22.37%	19.74%	57.89%

Between the sectors, there are few significant differences in production costs for 2004.

- Only the service sector reported an increase in production costs.

Projection for 2005 does not show any significant difference between the sectors.

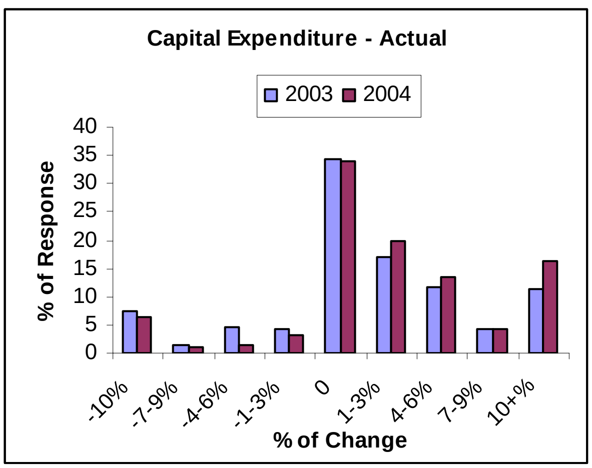
Production/Operating Costs – by Sector

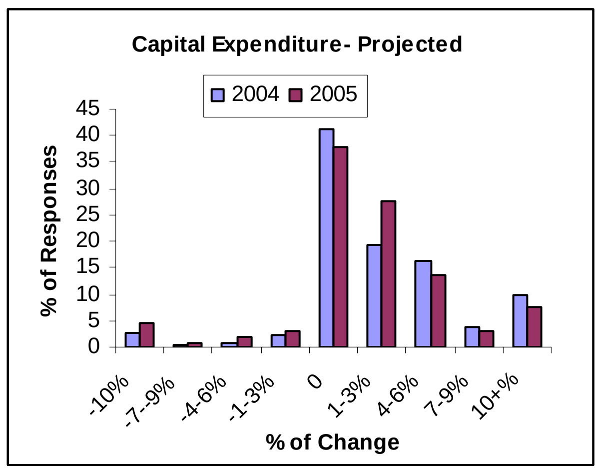
	Retail-Actual			Service-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	20.83%	11.11%	68.06%	25.24%	17.96%	**56.80%**
2004	19.44%	16.67%	63.89%	18.95%	12.42%	**68.63%**
	Retail-Projected			**Service-Projected**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	18.06%	30.56%	51.39%	15.05%	29.61%	55.34%
2005	9.72%	31.94%	58.33%	9.80%	30.07%	60.13%

Capital Expenditures

Overall Capital Expenditure

Actual				Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	**18.03%**	35.79%	46.17%	2004	6.50%	42.82%	50.68%
2004	**12.37%**	34.02%	53.61%	2005	10.05%	37.89%	52.06%





Overall there has been increase in Capital expenditures from 2003 to 2004.

- Significantly fewer companies have reported a decrease in capital spending in 2004
- Significantly more companies have reported an increase in capital expenditure in 2004
- Large difference observed in the 10+% increase level

Projections for 2005 seem to be similar in all the change categories to projections for 2004.

- More companies predict a minimal increase in 2005 compared to 2004

Between regions, significantly fewer companies operating in the Midwest region report a decrease in capital spending in 2004 compared to the National/International companies and companies operating in Dane County exclusively. The projection for 2005 is similar to the projection in 2004 and does not differ by region.

	Dane-Actual			**Midwest-Actual**			**National-Actual**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	14.20%	39.51%	46.30%	**21.26%**	31.50%	47.24%	20.83%	33.33%	45.83%
2004	13.07%	36.68%	50.25%	**10.09%**	35.78%	54.13%	14.47%	25.00%	60.53%

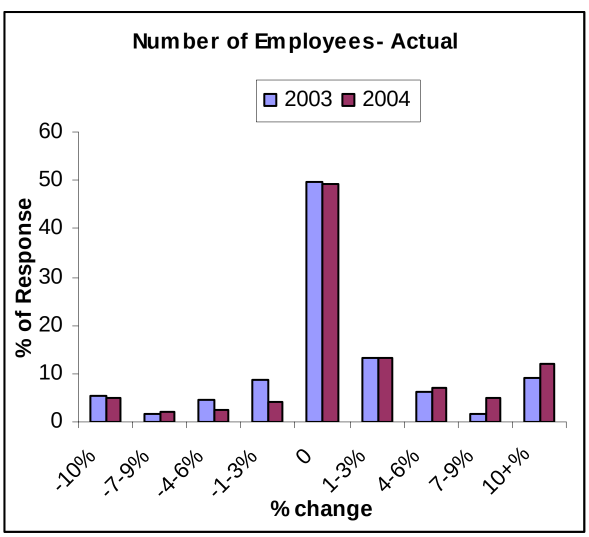
	Dane-Proj			**Midwest-Proj**			**National-Proj**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	4.32%	51.23%	44.44%	5.38%	39.23%	55.38%	13.89%	27.78%	58.33%
2004	9.55%	46.23%	44.22%	7.27%	29.09%	63.64%	15.79%	27.63%	56.58%

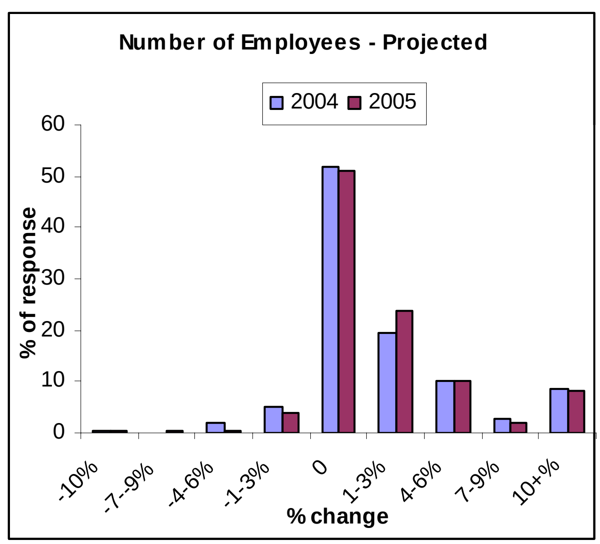
No difference observed between sectors in the reported for 2004 or the projection for 2005.

Number of Employees

Number of Employees

Actual				**Projected**			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	**20.16%**	49.74%	**30.10%**	2004	7.59%	51.83%	40.58%
2004	**13.88%**	49.10%	**37.02%**	2005	4.88%	50.90%	44.22%





Overall 2004 has been better than 2003 in terms of increased employee size.

- Fewer companies have reported a decrease in total number of employees
- More companies have reported an increase in total number of employees
- More companies have reported large (10 % +) increase in total number of employees

The projection for 2005 is similar to the 2004 projection. The change observed is not significant.

- However, more companies are predicting an increase in 2005 compared to the companies who reported an increase in 2004

Number of Employees – by Region

	Dane-Actual			Midwest-Actual			National-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	15.48%	61.31%	23.21%	19.40%	44.78%	35.82%	**33.33%**	30.67%	**36.00%**
2004	11.56%	58.29%	30.15%	18.18%	44.55%	37.27%	**13.16%**	31.58%	**55.26%**

	Dane-Projected			Midwest-Projected			National-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	5.36%	65.48%	29.17%	7.46%	47.76%	44.78%	12.00%	29.33%	58.67%
2005	4.52%	60.80%	34.67%	6.36%	45.45%	48.18%	3.95%	30.26%	65.79%

Between the regions, companies operating in the National/International markets have reported improved hiring in 2004 compared to the companies operating in the other regions

- Significantly more companies in the National/International segment have increased employee size in 2004
- Significantly fewer companies in the National/International segment have reported decreases in employee size in 2004
- No such difference observed in the Dane and Midwest regions

However, the projections for 2005 are similar across the regions. There were significant differences between the service sector and the retail sector. More companies in service sector have reported an increase in employee base in 2004 compared to the companies in retail sector. However, as in regions, the projections for 2005 compared to 2004 do not vary significantly by company type.

Number of Employees by Sector

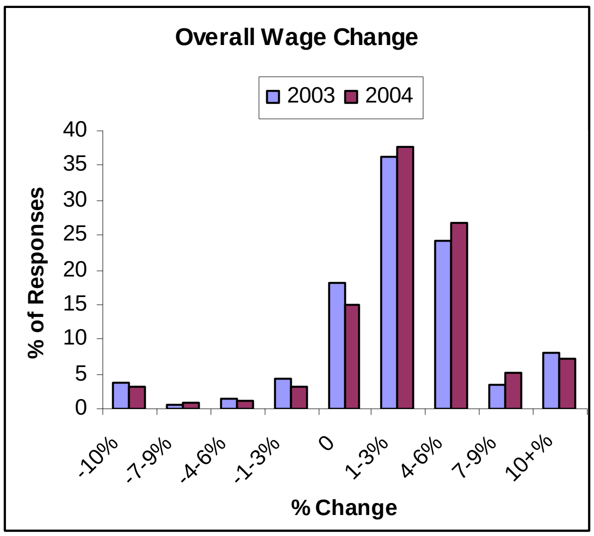
Retail-Actual				Service-Actual			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	18.06%	55.56%	26.39%	2003	18.45%	52.91%	**28.64%**
2004	15.28%	62.50%	22.22%	2004	13.07%	48.37%	**38.56%**

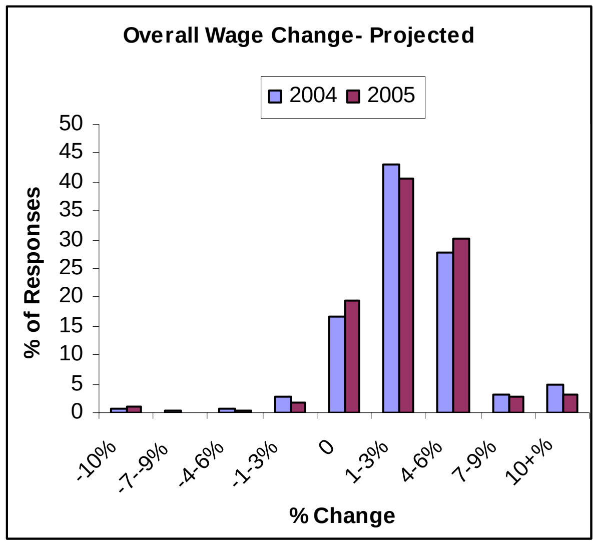
Retail-Projected				Service-Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2004	9.72%	69.44%	20.83%	2004	6.31%	50.00%	43.69%
2005	5.56%	68.06%	26.39%	2005	4.58%	49.02%	46.41%

Overall Wage Change

Overall Wage Change

Actual				Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	10.21%	18.06%	71.73%	2004	4.19%	16.75%	79.06%
2004	8.23%	14.91%	76.86%	2005	3.37%	19.43%	77.20%





Similar to 2003, about two thirds of the companies reported an increase in overall wages in 2004. More companies are reporting an increase or consistent wages.

- Although the number of companies reporting a decrease in 2004 is numerically lower and those reporting an increase are higher, the differences are not significant

The projection for 2005, similar to the employee size indicator, is not significantly different from the 2004 and the 2005 projection is not significantly different from the actual reported for 2004 either.

Regionally, although there is a small increase in the number of companies reporting a growing wage and a decline in companies with a decreasing wage reported in 2004, the changes are not significant.

The projection for 2005 shows a reduction in the number of companies predicting an increase in the Dane County and National segments. However, the decrease is not significantly different from the projection for 2004.

Overall Wage Change by Region

	Dane-Actual			**Midwest-Actual**			**National-Actual**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	7.14%	15.48%	77.38%	14.93%	18.66%	66.42%	9.33%	18.67%	72.00%
2004	7.04%	15.08%	77.89%	10.91%	15.45%	73.64%	7.89%	14.47%	77.63%
	Dane-Projected			**Midwest-Projected**			**National-Projected**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	2.98%	21.43%	75.60%	4.48%	14.93%	80.60%	5.33%	8.00%	86.67%
2005	4.08%	22.45%	73.47%	2.73%	17.27%	80.00%	2.63%	13.16%	84.21%

Between sectors, the retail sector shows a decline in the number of companies reporting a decrease in 2004 while the service sector shows a marginal increase in companies reporting growing wages. However, neither of these changes is significant.

It is interesting though that more companies in the service sector compared to the retail sector have reported an increase in wages in 2004 and also are predicting an increase for 2005.

Overall Wage Change by Sector

	Retail-Actual			**Service-Actual**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	12.50%	13.89%	73.61%	12.14%	17.48%	70.39%
2004	9.72%	26.39%	63.89%	6.54%	15.03%	78.43%
	Retail-Projected			**Service-Projected**		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	4.17%	27.78%	68.06%	4.85%	13.11%	82.04%
2005	4.17%	33.33%	62.50%	3.92%	17.65%	78.43%

Operating Capacity

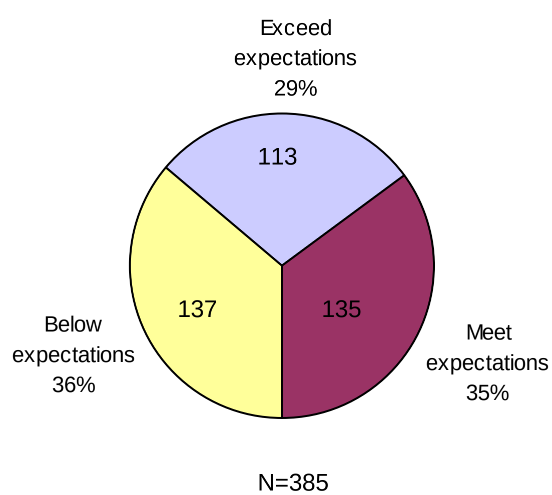
To determine how much "unused" capacity we have in Dane County respondents were asked an open ended question on the extent of capacity utilization. Of 389 survey responses, 369 answered this question. The response ranged from 10 % to 120 %, and similar to last year, the average was about 81.5 % and the median response was 85%.

Operating Capacity	% of Respondents
Under 50%	2.71%
50-59%	7.05%
60-69%	5.96%
70-79%	15.45%
80-89%	*25.75%*
90-99%	24.12%
100+%	18.97%
Total	100.00%

Performance for 2004

We asked respondents how their performance fared compared with expectations for 2004. The majority of the respondents had either met or performed below expectations. The main reasons attributed to the low performance were

- Overall market weakness
- Higher operating costs
- Domestic sales shortfall
- Competition



Expectation for 2005

Expectations for 2005 were quite good. More than three quarters of the respondents were optimistic of better performance than 2004. The reasons attributed to this expectation was:

- Improving economy and market condition
- New markets and increased customer base
- New product and diversification plans
- Better staffing

- Improved planning leading to better cost control
- Ahead on the learning curve
- Post election upswing

Reasons attributed to lower performance was:

- Increased competition pressures
- Out sourcing
- Increasing costs
- Economy not expected to improve
- Effects of the Iraq war on Oil prices
- Election effects