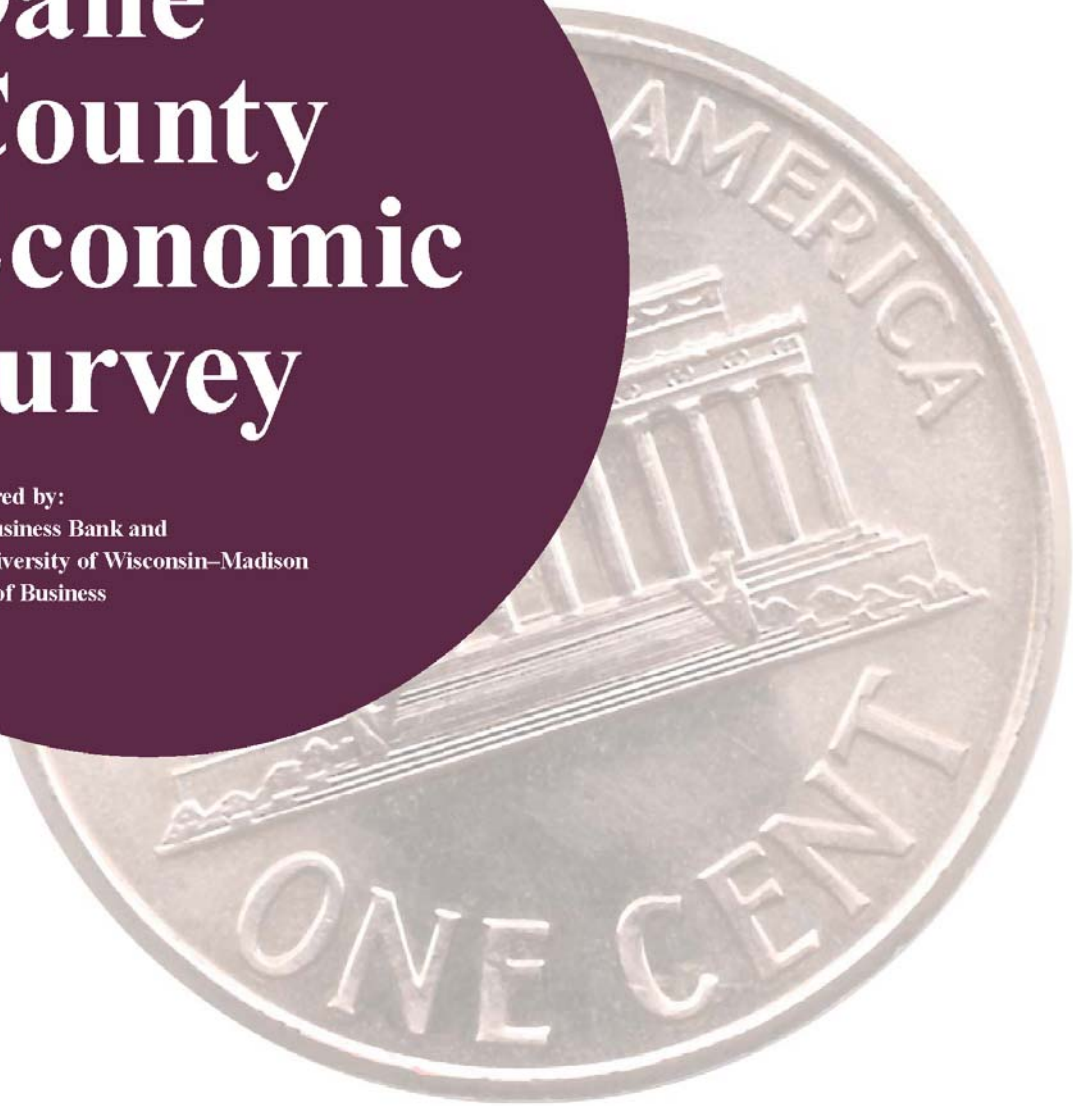


# Dane County Economic Survey

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School of Business



## 2005 Survey Results

December 7, 2005

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## **Executive Summary**

This report highlights the findings of the 2005 Dane County Economic Survey, which was conducted by the A.C. Nielsen Center for Marketing Research between September and mid-October 2005. The survey was sent to 5,190 businesses in Dane County with five or more employees and was addressed to the 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, Total Operating Costs as a % of Revenue, Capital Expenditures, Number of Employees, Overall Wage Change and Operating Capacity.

Overall the economy performed on par in 2005. When compared to 2004, expectations were met or exceeded by slightly more than half of the companies reporting. However, a smaller percentage of companies reported an increase in sales revenue, operating costs, capital expenditures, profitability, and number of employees in 2005. Even though none of these reductions were statistically significant, the trends are worth noting.

The outlook for 2006 appears to be less optimistic than in prior years. According to the survey, significantly fewer Dane County businesses expect to have an increase in sales revenue, profitability, and number of employees in 2006. Additionally, the percentage of companies expecting a higher performance for 2006 reduced from 79% to 70%. Although 70% is still high, the reduction is of some concern. This less optimistic outlook might be in part due to the unexpected hike in oil and gas prices caused by two gulf-coast hurricanes – Hurricane Katrina and Hurricane Rita. The survey was conducted at the time of the two hurricanes.

Regionally there are few differences but some are worth noting. More companies operating in broader geographic markets are reporting positive performance in terms of sales revenue, profitability, and number of employees. In percentage terms, more of the larger companies are optimistic about the economy going forward. However, the manufacturing sector is strongly outperforming other sectors (retail, service, technology, etc.) – sales revenue, profitability, and number of employees are all stronger in the manufacturing sector. Additionally, Business-to-Business firms are in general outperforming Business-to-Consumer firms as well as those firms that operate in both spaces in terms of profitability and number of employees.

## Key Summary Results

The table below illustrates the percentage of companies surveyed which are reporting (2005) or expecting (2006) changes in each area of interest including the variation from the prior period.

<i>Area</i>	<i>2005 Results</i>	<i>Variance from 2004</i>	<i>2006 Expectations</i>	<i>Variance from 2005 expectations</i>
Sales	63.28% saw increase	↓ 2.02%	68.79% expect increase	↓ 9.36%
Revenue	9.66% saw no change	↑ 0.15%	17.41% expect no change	↑ 6.61%
	27.07% saw decrease	↑ 1.88%	13.79% expect decrease	↑ 2.74%
Profitability	47.24% saw increase	↓ 5.72%	57.41% expect increase	↓ 10.97%
	17.76% saw no change	↑ 3.11%	24.31% expect no change	↑ 6.32%
	35.00% saw decrease	↑ 2.61%	18.28 % expect decrease	↑ 4.66%
Operating	68.97% saw increase	↓ 3.01%	63.62% expect increase	↑ 2.47%
Costs as %	13.45% saw no change	↑ 3.68%	22.41% expect no change	↓ 5.61%
Revenue	17.59% saw decrease	↑ 0.66%	13.97% expect decrease	↑ 2.14%
Capital	48.35% saw increase	↓ 5.26%	48.10% expect increase	↓ 3.96%
Expenditures	37.74% saw no change	↑ 3.72%	39.62% expect no change	↑ 1.73%
	13.91% saw decrease	↑ 1.54%	12.28% expect decrease	↑ 2.23%
Number of	33.62% saw increase	↓ 3.40%	36.38% expect increase	↓ 7.84%
Employees	49.48% saw no change	↑ 0.38%	55.69% expect no change	↑ 4.79%
	16.90% saw decrease	↑ 3.02%	7.93% expect decrease	↑ 3.05%
Wage	75.43% saw increase	↓ 1.43%	74.83% expect increase	↓ 2.37%
Change	15.05% saw no change	↑ 0.14%	19.14% expect no change	↓ 0.29%
	9.52% saw decrease	↑ 1.29%	6.03% expect decrease	↑ 2.66%
Capacity	15.72% were under 70%	↑ 0.00%	Not asked	n/a
Utilization	44.42% were between 70-90%	↑ 3.22%		
	39.85% were over 90%	↓ 3.24%		
Overall	22% exceeded expectations	↓ 7%	70% expect better	↓ 9%
Performance	39% met expectations	↓ 2%	30% expect worse	↑ 9%
	39% didn't meet expectations	↑ 3%		

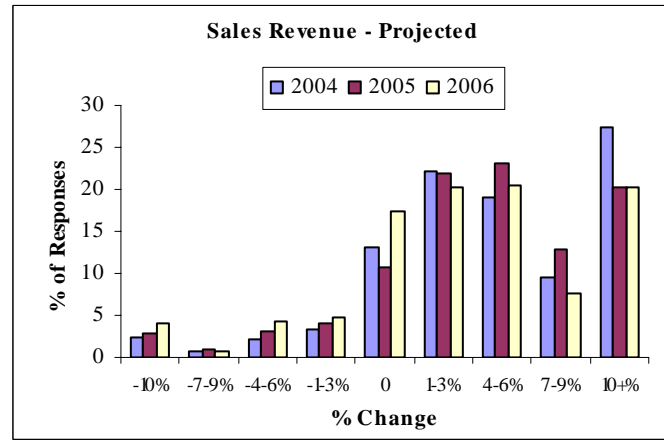
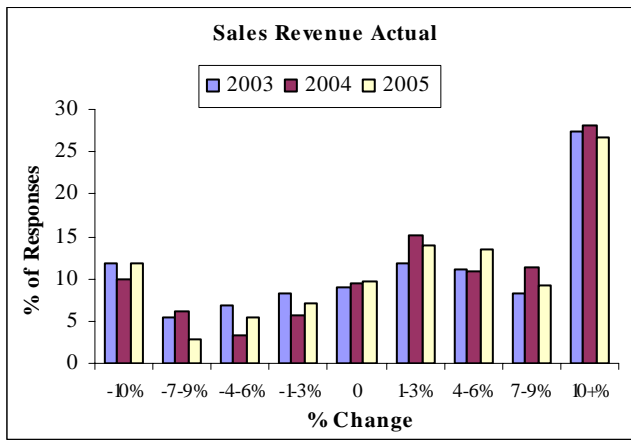
## Detailed Findings

### Sales Revenue

#### Overall Sales Revenue

Actual				Projected			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	<b>32.46%</b>	8.90%	58.64%	2004	8.64%	13.09%	78.27%
2004	<b>25.19%</b>	9.51%	65.30%	2005	11.05%	<b>10.80%</b>	<b>78.15%</b>
2005	27.07%	9.66%	63.28%	2006	13.79%	<b>17.41%</b>	<b>68.79%</b>

Note: fields highlighted are significantly different at 95% confidence level



Overall, sales revenue in 2005 was similar to that in 2004.

- A slightly lower percentage of businesses reported an increase in sales revenue, but the change was not significant.

However, projection of sales revenue for 2006 is less optimistic than last year.

- Significantly less in percentage terms of businesses projected an increase (68.79% vs. 78.15%), while a significantly higher percentage of companies reported unchanged (17.41% vs. 10.80%) sales revenue for 2006.

#### 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%
2005	29.64%	11.40%	58.96%	23.70%	8.09%	<b>68.21%</b>	23.60%	6.74%	69.66%

	Dane-Projected			Midwest-Projected			National-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	11.31%	15.48%	73.21%	6.72%	11.94%	81.34%	5.33%	8.00%	86.67%
2005	12.06%	14.07%	<b>73.87%</b>	10.91%	8.18%	80.91%	6.58%	6.58%	86.84%
2006	15.31%	19.22%	<b>65.47%</b>	12.14%	16.18%	71.68%	10.11%	13.48%	76.40%

Note: fields highlighted are significantly different at 95% confidence level

Significantly less in percentage terms of businesses operating in Dane County alone (58.96%) reported an increase in sales revenue than those operating in the Midwest (68.21%). Although not statistically significant, a lower percentage of businesses operating in Dane County alone reported an increase, whereas a higher percentage of businesses operating in the Midwest and nationally realized an increase in sales revenue in 2005 than 2004.

A significantly lower percentage of businesses operating in Dane County alone are projecting an increase in sales revenue for 2006 compared to 2005. Although not statistically significant, less in percentage terms of businesses operating in Dane County alone are projecting an increase in sales revenue than those operating in the Midwest and nationally.

*Sales Revenue by Sector*

	Retail-Actual			Service-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	36.11%	8.33%	55.56%	32.04%	10.68%	<b>57.28%</b>
2004	29.17%	13.89%	56.94%	23.53%	7.84%	<b>68.63%</b>
2005	37.96%	7.41%	54.63%	25.19%	8.27%	66.54%
	Manufacturing-Actual			Other Business-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	<b>20.00%</b>	10.77%	69.23%	28.57%	13.45%	57.98%

	Retail-Projected			Service-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	9.72%	9.72%	80.56%	9.22%	11.65%	79.13%
2005	15.28%	8.33%	76.39%	9.15%	<b>9.80%</b>	<b>81.05%</b>
2006	20.37%	14.81%	64.81%	14.29%	<b>16.92%</b>	<b>68.80%</b>
	Manufacturing-Projected			Other Business-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	<b>3.08%</b>	12.31%	<b>84.62%</b>	15.13%	<b>26.05%</b>	<b>58.82%</b>

Note: fields highlighted are significantly different at 95% confidence level

Significantly less in percentage terms of manufacturing businesses (20.00%) reported a decline in sales revenue in 2005 compared to retail businesses (37.96%). Numerically larger percentage of manufacturing businesses reported an increase in sales revenue for 2005 compared to other sectors.

Manufacturing businesses are more optimistic about sales revenue for 2006 than other sectors. Businesses categorized as Other are less optimistic about an increase in sales revenue, but a larger percentage of those businesses are forecasting no change in sales revenue for 2006. In the service sector, a smaller percentage of businesses are projecting an increase in sales revenue than for last year.

### Sales Revenue by Business Classification

	B2B-Actual			B2C-Actual			Both B2B & B2C-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	<b>18.57%</b>	11.43%	70.00%	32.29%	12.56%	55.16%	27.19%	5.53%	67.28%

	B2B-Projected			B2C-Projected			Both B2B & B2C-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	<b>7.14%</b>	13.57%	<b>79.29%</b>	17.49%	21.97%	60.54%	14.29%	15.21%	70.51%

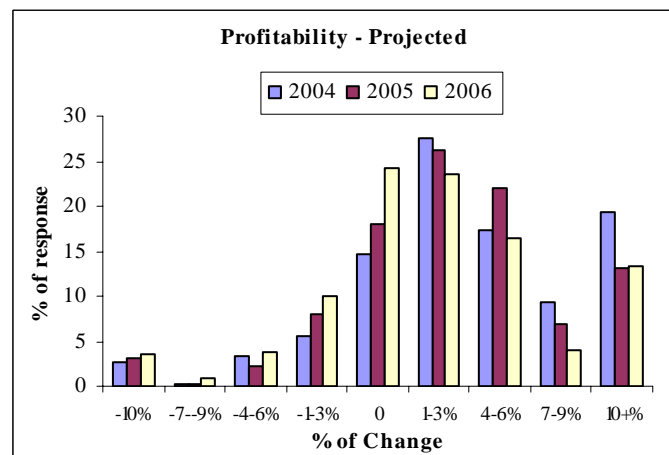
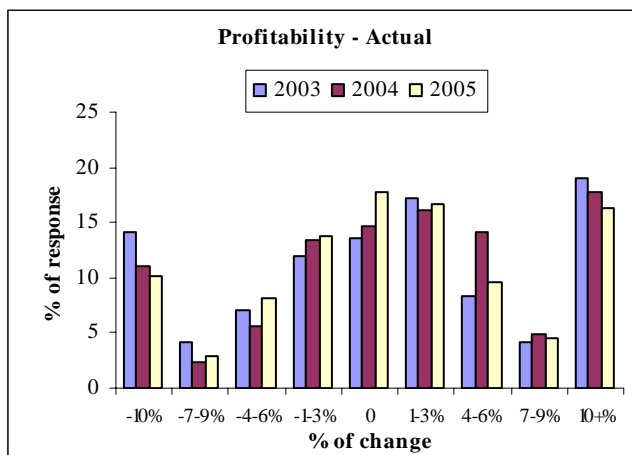
The percentage of Business-to-Business firms reporting lower sales revenue for 2005 was significantly smaller than for Business-to-Consumer firms. In addition, B2B firms are more optimistic in projecting an increase of sales revenue for 2006.

### 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%	<b>17.99%</b>	<b>68.38%</b>
2005	35.00%	17.76%	47.24%	2006	18.28%	<b>24.31%</b>	<b>57.41%</b>

Note: fields highlighted are significantly different at 95% confidence level



Businesses made similar profitability in 2005 compared to 2004, but businesses are less optimistic in projecting profitability for 2006.

- Numerically a smaller percentage of businesses had an increase in profitability in 2005 than in 2004.
- A lower percentage of businesses are projecting an increase in profitability for 2006 vs. 2005, while more are projecting profitability to remain the same.

*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%
2005	37.13%	19.22%	43.65%	31.21%	17.92%	50.87%	33.71%	11.24%	55.06%

	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	<b>13.07%</b>	22.11%	<b>64.82%</b>	14.55%	12.73%	72.73%	13.16%	14.47%	72.37%
2006	<b>20.52%</b>	27.69%	<b>51.79%</b>	16.76%	20.81%	62.43%	14.61%	16.85%	<b>68.54%</b>

Note: fields highlighted are significantly different at 95% confidence level

Regionally, a smaller percentage of businesses operating in Dane County alone reported an increase in profitability than those operating nationally. There is no significant change in profitability from 2004 to 2005 for businesses operating in each specific region.

Businesses operating in the Midwest and nationally are more optimistic about an increase in profitability for 2006 than those operating in Dane County alone. There is a significantly smaller percentage of businesses operating in Dane County alone projecting an increase and a larger percentage projecting a decrease in profitability for 2006 than 2005.

*Profitability by Sector*

	Retail-Actual			Service-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	<b>52.78%</b>	16.67%	30.56%	36.41%	15.05%	48.54%
2004	<b>29.17%</b>	25.00%	45.83%	33.99%	<b>8.50%</b>	<b>57.52%</b>
2005	42.59%	18.52%	38.89%	34.96%	<b>17.67%</b>	<b>47.37%</b>
	Manufacturing-Actual			Other Business-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	29.23%	10.77%	<b>60.00%</b>	33.61%	23.53%	42.86%

	Retail-Projected			Service -Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	11.11%	18.06%	70.83%	11.65%	14.56%	73.79%
2005	<b>13.89%</b>	20.83%	<b>65.28%</b>	13.07%	16.99%	<b>69.93%</b>
2006	<b>27.78%</b>	20.37%	<b>51.85%</b>	19.17%	23.68%	<b>57.14%</b>
	Manufacturing-Projected			Other Business-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004						
2005						
2006	<b>6.15%</b>	18.46%	<b>75.38%</b>	16.81%	<b>34.45%</b>	48.74%

Note: fields highlighted are significantly different at 95% confidence level

Manufacturing businesses performed better in terms of profitability than businesses in other sectors. Significantly larger percentage of manufacturing businesses reported an increase in profitability than retail businesses.

Manufacturing businesses are also more optimistic about an increase in profitability for 2006 compared to other businesses. In service sector, there is a significant fall in percentage of businesses projecting an increase in profitability for 2006 compared to 2005. In retail sector, a significantly larger (smaller) percentage of businesses are projecting a decrease (increase) in profitability.

*Profitability by Business Classification*

	B2B-Actual			B2C-Actual			Both B2B & B2C-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	27.86%	15.71%	<b>56.43%</b>	40.36%	22.42%	<b>37.22%</b>	34.10%	14.29%	51.61%

	B2B-Projected			B2C-Projected			Both B2B & B2C-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	<b>7.86%</b>	22.14%	<b>70.00%</b>	24.66%	26.91%	<b>48.43%</b>	18.43%	23.04%	58.53%

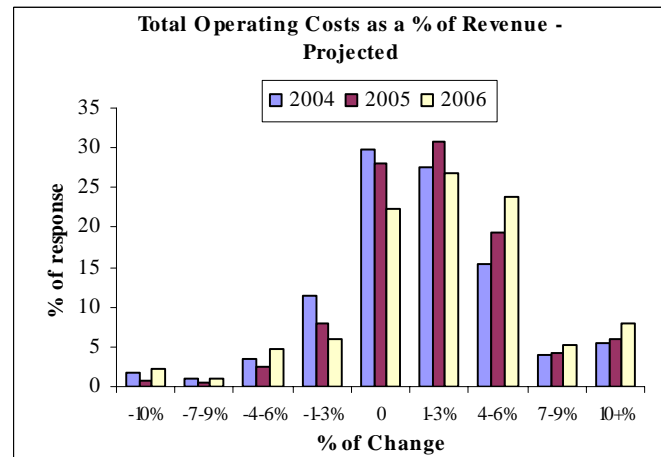
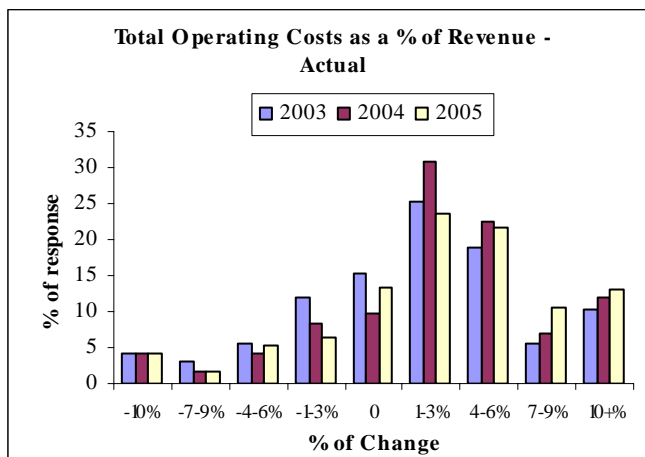
Business-to-Business firms performed better and are more optimistic than Business-to-Consumer firms in terms of profitability.

**Total Operating Costs as a % of Revenue**

*Total Operating Costs*

Actual			Projected				
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	<b>24.87%</b>	<b>15.18%</b>	<b>59.95%</b>	2004	<b>17.80%</b>	29.84%	<b>52.36%</b>
2004	<b>18.25%</b>	<b>9.77%</b>	<b>71.98%</b>	2005	<b>11.83%</b>	<b>28.02%</b>	<b>60.15%</b>
2005	17.59%	13.45%	68.97%	2006	13.97%	<b>22.41%</b>	63.62%

Note: fields highlighted are significantly different at 95% confidence level



There was no significant change in total operating costs as a % of revenue for 2005 vs. 2004. There is a similar trend in the expectations for 2006 compared to 2005. However, a smaller percentage of businesses are projecting an increase in operating costs as a % of revenue for 2006 than the actual results from 2005.

*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%	<b>28.36%</b>	15.67%	<b>55.97%</b>	30.67%	13.33%	56.00%
2004	18.09%	10.05%	71.86%	<b>11.82%</b>	11.82%	<b>76.36%</b>	27.63%	6.58%	65.79%
2005	15.31%	14.66%	70.03%	16.76%	12.14%	71.10%	<b>28.09%</b>	10.11%	61.80%

	Dane-Projected			Midwest-Projected			National-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	13.69%	27.98%	58.33%	<b>18.66%</b>	32.84%	<b>48.51%</b>	25.33%	29.33%	45.33%
2005	10.05%	31.66%	58.29%	<b>7.27%</b>	26.36%	<b>66.36%</b>	22.37%	19.74%	57.89%
2006	12.38%	24.10%	63.52%	12.14%	17.92%	69.94%	<b>23.60%</b>	24.72%	<b>51.69%</b>

Note: fields highlighted are significantly different at 95% confidence level

Regionally, a higher percentage of businesses operating nationally had a decline in operating costs as a % of revenue compared to those operating in Dane County alone and the Midwest in 2005. A smaller percentage of businesses operating nationally are projecting an increase in operating costs for 2006.

*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%	<b>56.80%</b>
2004	19.44%	16.67%	63.89%	18.95%	12.42%	<b>68.63%</b>
2005	14.81%	12.96%	72.22%	18.05%	14.66%	67.29%
	Manufacturing-Actual			Other Business-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	<b>30.77%</b>	9.23%	60.00%	10.92%	14.29%	74.79%

	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%	<b>30.07%</b>	60.13%
2006	9.26%	31.48%	59.26%	14.29%	<b>20.30%</b>	65.41%
	Manufacturing-Projected			Other Business-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	16.92%	20.00%	63.08%	13.45%	21.85%	64.71%

Note: fields highlighted are significantly different at 95% confidence level

A significantly larger percentage of manufacturing businesses reported a decrease in the amount of operating costs as a % of revenue for 2005 compared to any other sector. Additionally, a smaller percentage of retail businesses reported a decrease in operating costs this year; however, this is not statistically significant.

Interestingly the service sector has a higher percentage of companies projecting an increase in operating costs as a % of revenue. Also interestingly there is a significant drop in the percentage of service companies projecting no change to operating costs as a % of revenue.

*Operating Costs - by Business Classification*

	<b>B2B-Actual</b>			<b>B2C-Actual</b>			<b>Both B2B &amp; B2C-Actual</b>		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	22.14%	14.29%	63.57%	14.35%	16.59%	69.06%	17.97%	9.68%	72.35%

	<b>B2B-Projected</b>			<b>B2C-Projected</b>			<b>Both B2B &amp; B2C-Projected</b>		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	16.43%	20.00%	63.57%	13.00%	27.35%	59.64%	13.36%	18.89%	67.74%

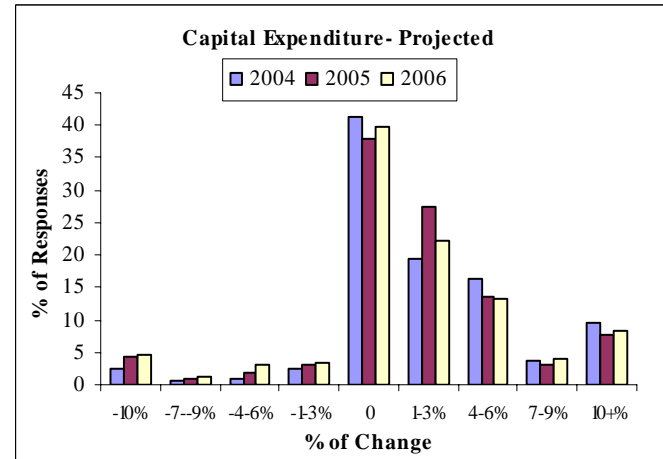
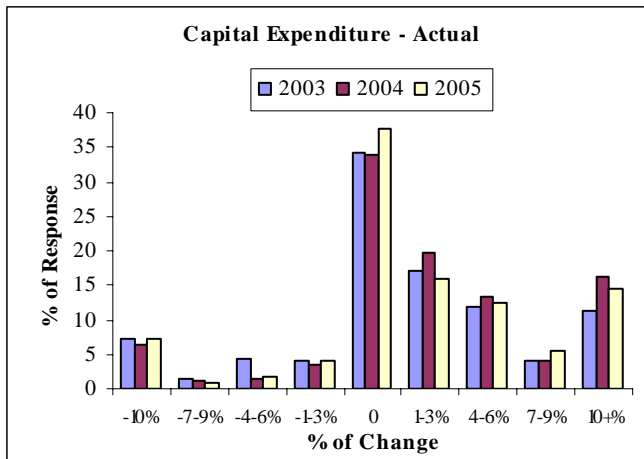
There is no significant difference among B2B, B2C and both B2B & B2C firms in terms of operating costs. However, a fewer percentage of B2C firms are projecting an increase in operating costs as a % of revenue for 2006.

**Capital Expenditures**

*Overall Capital Expenditures*

<b>Actual</b>				<b>Projected</b>			
	Decrease	Unchanged	Increase		Decrease	Unchanged	Increase
2003	<b>18.03%</b>	35.79%	<b>46.17%</b>	2004	6.50%	42.82%	50.68%
2004	<b>12.37%</b>	34.02%	<b>53.61%</b>	2005	10.05%	37.89%	52.06%
2005	13.91%	37.74%	48.35%	2006	12.28%	39.62%	48.10%

Note: fields highlighted are significantly different at 95% confidence level



Overall there was no significant change in actual capital expenditures from 2004 to 2005 and no significant change in projection from 2005 to 2006.

- Numerically a smaller percentage of companies had an increase in capital expenditure in 2005 vs. 2004. The same trend was observed in the projections for 2006.

### Capital Expenditures – by Region

	Dane-Actual			Midwest-Actual			National-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	14.20%	39.51%	46.30%	<b>21.26%</b>	31.50%	47.24%	20.83%	33.33%	45.83%
2004	13.07%	36.68%	50.25%	<b>10.09%</b>	35.78%	54.13%	14.47%	25.00%	60.53%
2005	13.40%	38.24%	48.37%	16.47%	36.47%	47.06%	11.36%	39.77%	48.86%

	Dane-Projected			Midwest-Projected			National-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	4.32%	51.23%	44.44%	5.38%	39.23%	55.38%	13.89%	27.78%	58.33%
2005	9.55%	46.23%	44.22%	7.27%	29.09%	<b>63.64%</b>	15.79%	27.63%	56.58%
2006	11.80%	40.98%	47.21%	13.29%	35.84%	<b>50.87%</b>	11.24%	40.45%	48.31%

Note: fields highlighted are significantly different at 95% confidence level

Across regions, no significant difference in capital expenditure was reported for 2005. However, in the Midwest, a significantly smaller percentage of companies are projecting an increase in capital expenditure for 2006 compared to 2005.

### Capital Expenditures – by Sector

	Retail-Actual			Service-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	11.59%	46.38%	42.03%	20.60%	34.67%	44.72%
2004	5.56%	41.67%	52.78%	17.11%	29.61%	53.29%
2005	12.96%	40.74%	46.30%	14.02%	35.98%	50.00%
	Manufacturing-Actual			Other Business-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	14.06%	34.38%	51.56%	15.38%	40.17%	44.44%

*Capital Expenditures – by Sector (continued)*

	Retail-Projected			Service-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	8.45%	50.70%	40.85%	5.53%	39.20%	55.28%
2005	5.63%	50.70%	43.66%	9.15%	41.83%	49.02%
2006	12.96%	48.15%	38.89%	12.50%	37.88%	49.62%
	Manufacturing-Projected			Other Business-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	12.31%	40.00%	47.69%	11.76%	38.66%	49.58%

Note: fields highlighted are significantly different at 95% confidence level

There was no significant difference across sectors in actual capital expenditure for 2005 and projected capital expenditure for 2006.

*Capital Expenditures - by Business Classification*

	B2B-Actual			B2C-Actual			Both B2B & B2C-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	16.79%	40.15%	43.07%	13.00%	41.26%	45.74%	13.02%	32.56%	54.42%

	B2B-Projected			B2C-Projected			Both B2B & B2C-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	10.00%	39.29%	50.71%	13.06%	45.05%	41.89%	12.96%	34.26%	52.78%

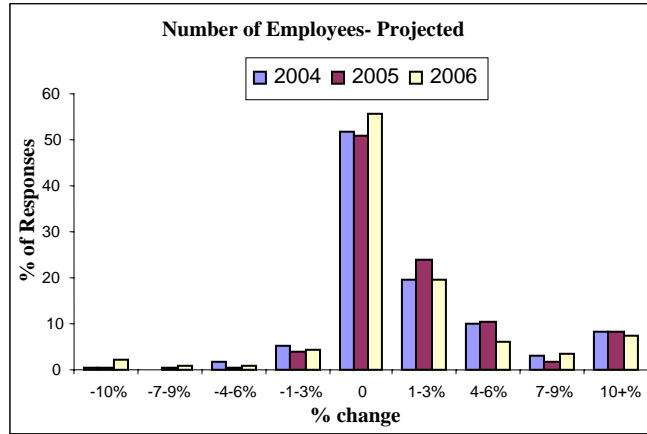
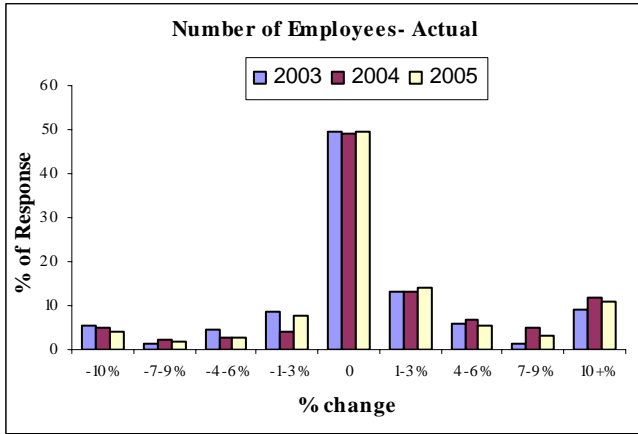
There was no significant difference across business classifications in actual capital expenditure for 2005 and projected capital expenditure for 2006.

**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%
2005	16.90%	49.48%	33.62%	2006	7.93%	55.69%	36.38%

Note: fields highlighted are significantly different at 95% confidence level



There is no significant change in number of employees for 2005 compared to 2004.

The projection for 2006, though, shows a weakening in the headcount for Dane County businesses. The percent of businesses projecting to increase the number of employees reduced significantly to an estimated 36.38% from 44.22%. This is coupled with a slight increase in the percent of businesses projecting a decline in the number of employees for 2006.

*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%
2005	18.24%	52.44%	29.32%	13.87%	50.87%	35.26%	17.98%	35.96%	46.07%

	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%
2006	8.79%	61.89%	29.32%	5.78%	52.02%	42.20%	8.99%	38.20%	52.81%

Note: fields highlighted are significantly different at 95% confidence level

The number of employees by region also tells a story of slight diminishment.

- More businesses operating in Dane County alone reported a significant decline in the number of employees. Similarly, the percentage of firms operating in Dane County alone reporting no change in employee count declined.
- The percentage of firms operating in the Midwest (but located in Dane County) and reporting no change to the number of employees increased slightly in 2005.
- Conversely, the percentage of firms operating on a national level (but located in Dane County) reporting a decline in the number of employees increased slightly in 2005 over 2004.

- The percentage of firms operating nationally and showing an increase in the number of employees declined from 55.26% to 46.07%, a large but not statistically significant drop.

Between the regions, the percentage of companies operating nationally and projecting an increase in the number of employees is greater than for Dane County only and Midwest oriented firms.

- Similar to that reported for 2005, a smaller percentage of national firms are projecting an increase in the number of employees (65.79% for 2004 vs. 52.81% for 2006). Again this is a large but not a statistically significant number.
- No region is projecting a larger increase for 2006 in the number of employees than either projected for 2005 or actually occurred in 2005.

### *Number of Employees by Sector*

<b>Retail-Actual</b>				<b>Service-Actual</b>		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	18.06%	55.56%	26.39%	18.45%	52.91%	<b>28.64%</b>
2004	15.28%	62.50%	22.22%	13.07%	48.37%	<b>38.56%</b>
2005	17.59%	61.11%	21.30%	17.67%	48.50%	33.83%
<b>Manufacturing-Actual</b>				<b>Other Business-Actual</b>		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	9.23%	<b>35.38%</b>	<b>55.38%</b>	18.49%	<b>54.62%</b>	<b>26.89%</b>

<b>Retail-Projected</b>				<b>Service-Projected</b>		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	9.72%	69.44%	20.83%	6.31%	50.00%	43.69%
2005	5.56%	68.06%	26.39%	4.58%	49.02%	46.41%
2006	8.33%	72.22%	19.44%	9.40%	52.26%	38.35%
<b>Manufacturing-Projected</b>				<b>Other Business-Projected</b>		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	<b>0.00%</b>	44.62%	<b>55.38%</b>	9.24%	62.18%	28.57%

Note: fields highlighted are significantly different at 95% confidence level

Different sectors have different hiring patterns. Currently it appears that a manufacturing firm in Dane County is more likely to be increasing the number of employees than a business in retail or service.

- There were only slight differences in the percentage of retail and service firm's reporting of the changes in the number of employees from 2004 to 2005.
- Manufacturing represents the largest percentage of firms reporting an increase in the number of employees for 2005.

Similarly, there is a higher percentage of manufacturing firms expecting to add to staff in 2006. Conversely, the percentage of retail firms expecting to increase staff has reduced from over 26% in 2005 to under 20% in 2006. A similar pattern has emerged in the service sector.

*Number of Employees by Business Classification*

	B2B-Actual			B2C-Actual			Both B2B & B2C-Actual		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	14.29%	42.14%	<b>43.57%</b>	18.39%	59.64%	<b>21.97%</b>	17.05%	43.78%	39.17%

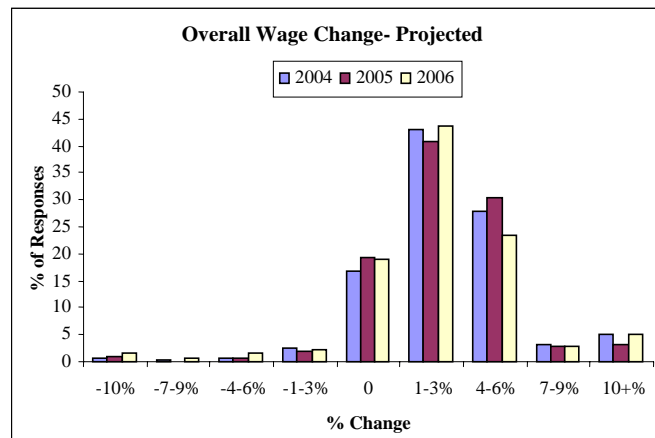
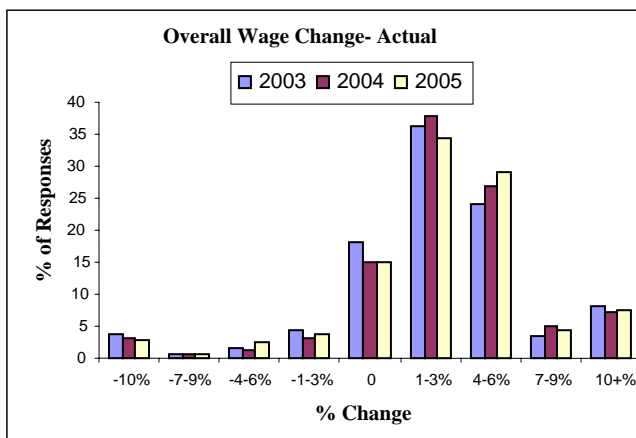
	B2B-Projected			B2C-Projected			Both B2B & B2C-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	3.57%	<b>45.71%</b>	<b>50.71%</b>	8.97%	<b>69.51%</b>	<b>21.52%</b>	9.68%	47.93%	42.40%

Higher percentage of B2B firms reported and are expecting higher increase than B2C firms.

**Overall Change in Wages**

*Overall Change in Wages*

	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%
2005	9.52%	15.05%	75.43%	2006	6.03%	19.14%	74.83%



Wages have increased over the past three years, but the increases have remained largely the same. For example, approximately 75% of businesses reported an increase in wages for 2005 over 2004. Similarly, the majority of businesses realized a small to moderate increase in wages (1%-6%).

Projections for 2006 show that slightly fewer businesses are expecting wages to increase and slightly more are expecting wages to decline than in the previous two years. However, these differences are not statistically significant.

*Overall Change in Wages 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%
2005	10.46%	14.38%	75.16%	6.98%	14.53%	78.49%	10.11%	16.85%	73.03%
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%	<b>84.21%</b>
2006	6.19%	19.22%	74.59%	4.62%	16.76%	78.61%	6.74%	22.47%	<b>70.79%</b>

Note: fields highlighted are significantly different at 95% confidence level

Differences in wages across the regions are minimal and not statistically significant. However, a trend is appearing for those businesses operating in the Midwest – over the past two years, wages have increased each year.

The projection for 2006 shows a significant reduction in the percentage of companies operating nationally expecting to have higher wages. Likewise, the percentage of national businesses expecting wages to decline increased but not in a significant manner. For businesses operating in Dane County alone and in the Midwest, the differences are minimal and not significant.

*Overall Change in Wages 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%
2005	10.19%	17.59%	72.22%	10.94%	14.34%	74.72%
Manufacturing-Actual			Other Business-Actual			
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	6.15%	10.77%	83.08%	9.32%	17.80%	72.88%

*Overall Change in Wages by Sector (continued)*

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%	<b>33.33%</b>	62.50%	3.92%	17.65%	78.43%
2006	6.48%	<b>19.44%</b>	74.07%	7.52%	18.05%	74.44%
Manufacturing-Projected				Other Business-Projected		
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	1.54%	18.46%	80.00%	5.88%	21.01%	73.11%

Note: fields highlighted are significantly different at 95% confidence level

Minor differences exist between the sectors in the 2005 wage numbers. The retail sector has shown an increase in the percentage of businesses reporting a wage increase, but not significantly. Interestingly that level has returned to nearly the same as that in 2003. There is not a substantive difference between the retail, service and other classification for businesses reporting an increase in wages. However, the percentage of manufacturing businesses reporting an increase in wages is higher than for the other sectors but not significantly.

Very similarly, the manufacturing sector has the highest percentage of businesses reporting an expectation of an increase in wages for 2006. The retail sector has a significant amount of businesses expecting wages to remain the same for 2006.

*Overall Change in Wages by Business Classification*

B2B-Actual			B2C-Actual			Both B2B & B2C-Actual			
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	<b>3.62%</b>	18.12%	78.26%	<b>14.35%</b>	15.25%	70.40%	8.29%	12.90%	78.80%

B2B-Projected			B2C-Projected			Both B2B & B2C-Projected			
	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase	Decrease	Unchanged	Increase
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	2.14%	17.14%	<b>80.71%</b>	8.07%	23.77%	<b>68.16%</b>	6.45%	15.67%	77.88%

In percentage terms, more firms classified as Business-to-Business reported an increase in wages for 2005 versus firms classified as Business-to-Consumer. However, that difference was not significant. The difference between the percentage of B2B and B2C firms reporting a decrease in wages was significant with over 14% of B2C firms reporting such a decline.

Additionally, a significantly higher percentage of B2B firms are projecting an increase in wages for 2006 compared to B2C firms.

## Operating Capacity

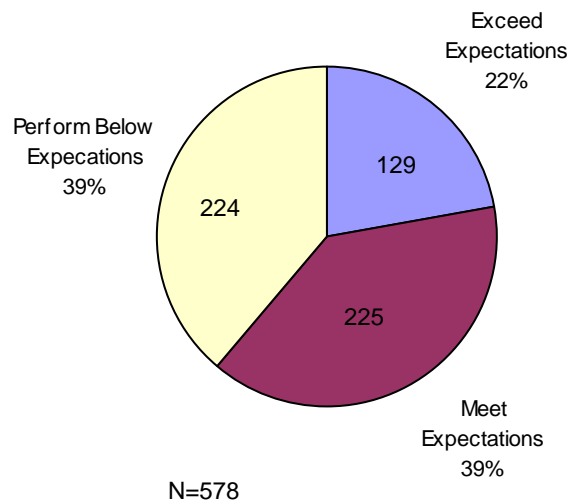
To determine how much “unused” capacity we have in Dane County respondents were asked an open ended question on the extent of capacity utilization. Out of 580 survey responses, 547 answered this question. The response ranged from 5 % to 120 %, and similar to last year, the average was about 80.9 % and the median response was 80%.

Capacity Utilization	% of Respondents
Under 50%	3.84%
50-59%	4.75%
60-69%	7.13%
70-79%	15.90%
80-89%	28.52%
90-99%	24.31%
100+%	15.54%
Total	100.00%

## Performance for 2005

We asked respondents how their performance fared compared with expectations for 2005. The majority of the respondents had either met or performed below expectations. The main reasons attributed to the low performance were:

- Higher Operating Costs
- Overall Market Weakness
- Rising Gas Prices
- Domestic Sales Shortfall



The prior two surveys did not include Rising Gas Prices as an option when analyzing performance vs. expectations. From the 2005 Dane County Economic Survey, over 16% of all respondents indicated that Rising Gas Prices were a reason for not meeting expectations. Likewise, over 22% indicated that Higher Operating Costs were a reason for not meeting expectations.

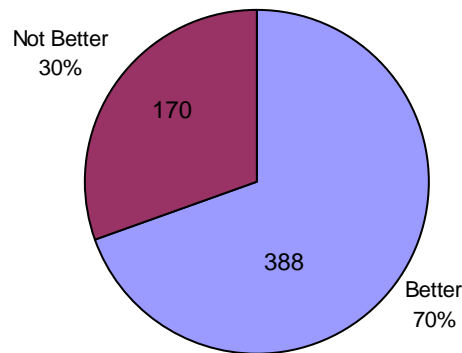
## Expectation for 2006

Expectations for 2006 were still positive even though the expectations dipped in a statistically significant manner from last year (79% Better vs. 70% Better). Some reasons attributed to the overall expectation are:

- Increased demand for products
- Cost reductions will kick in
- Efficiencies in process, production, and staff
- Effectiveness of sales staff
- General economic optimism
- New and more profitable clients
- New Technology

Some reasons attributable to lower number of firms expecting a higher performance are:

- Smoking ban in Madison, WI
- Continued High Gas Prices
- Storms in the south – higher prices
- Government regulations/interference
- Increasing costs/lower margins
- Lack of pricing power
- Sales shortfall



N=558

**Appendix:**

**Methodology**

The 2005 Dane County Economic Survey was sent to 5,190 local businesses with 5+ employees. Of those, 624 responses were received within the stipulated time – 125 online and 499 fax/mail – a 12% response rate. There were a total of 580 respondents (11.2%) who adequately completed the questionnaire pertaining the key economic indicators listed below. This sample size has an error range of 0.05, and significant differences noted in this report are at the 95% confidence level.

**Demographics of the Businesses in the Survey**

**Geographic Market**

	<b>Number</b>	<b>Percent</b>
<b>Dane County</b>	307	53.95%
<b>Wisconsin</b>	111	19.51%
<b>Midwest</b>	62	10.90%
<b>National/International</b>	89	15.64%
<b>Total</b>	569	100.00%

**Business Classification**

	<b>Number</b>	<b>Percent</b>
<b>B2B</b>	140	24.14%
<b>B2C</b>	223	38.45%
<b>Both</b>	217	37.41%
<b>Total</b>	580	100.00%

**Number of Employees**

	<b>Number</b>	<b>Percent</b>
<b>1-4</b>	71	12.24%
<b>5-19</b>	312	53.79%
<b>20-99</b>	143	24.66%
<b>100-499</b>	46	7.93%
<b>500+</b>	8	1.38%
<b>Total</b>	580	100.00%

**Business Type**

	<b>Number</b>	<b>Percent</b>
<b>Manufacturing</b>	65	11.21%
<b>Retail</b>	108	18.62%
<b>Service</b>	266	45.86%
<b>Technology</b>	22	3.79%
<b>Others</b>	119	20.52%
<b>Total</b>	580	100.00%