2013

Voice of the Customer

Summary Report

IN PARTNERSHIP WITH: ComEd

An Exelon Company

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EXECUTIVE SUMMARY

Expansion Forecast

- More than 46 percent of the company executives surveyed said they plan to expand capacity in the next three years, up from the 34 percent response of the 2012 VOC survey. The expansions represent a potential $83 million in capital investment, 879,000 square feet of new space and 510 new jobs.
- Of the 125 employers surveyed, 68 percent said that their sales are increasing, well above the 2012 North American Data Study (NADS '12) average of 56 percent.

Competitive Strengths

- Surveyed executives identified customer and supplier access as a top strength for the region, pointing not only to a robust supplier/customer network locally but also unparalleled access to large markets such as Chicago and Milwaukee.
- Leaders felt that the region's transportation assets give the Rockford area a competitive advantage when it comes to moving people and product, citing superb access to interstates and highways, air cargo, rail and airline passenger service.
- Executives also singled out the region's low cost of living as attractive to both businesses and residents.

Opportunities for Improvement

- 39 percent of local executives interviewed said that certain aspects of quality of life are a concern, compared to the national average of 3.3 percent in the NADS '12 response. This serves as a barrier to growth in attracting new employees to the region, particularly the issues of crime and blight.
- Primary and secondary education system is a concern; however Alignment Rockford, the community initiative to support the public school system, is seen as a positive– creating new narratives regarding primary and secondary education.
- Business Climate was identified as a disadvantage, particularly regarding key legislation at the state level affecting the cost of doing business.

Competitive Benchmarks

- 69 percent of survey participants reported adding new products and services in the last five years, slightly above the 65 percent that reported doing so in 2012.
- Manufacturers and non-manufacturers have a drastically different view of the workforce, with area manufacturers experiencing more difficulty filling key positions than other business sectors.
- 52 percent of surveyed companies reported increases in employee training, up from the 37 percent that reported increases in training in 2012.
- 55 percent of surveyed companies reported some amount of export activity, well above the NADS '12 average of 42 percent.

ABOUT THE RAEDC

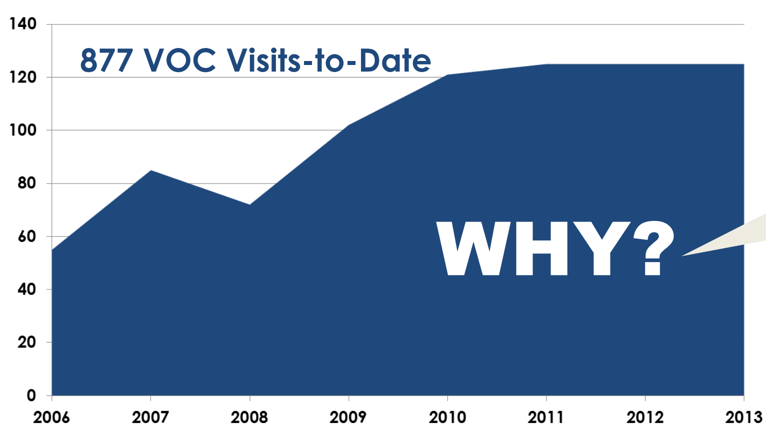
The primary role of the Rockford Area Economic Development Council (RAEDC) is to collaboratively enhance wealth creation in the Rockford Region by helping employers retain and create quality jobs. The RAEDC works closely with many partners to learn what existing and new employers need to grow, and to serve as a one-stop resource for clients. The RAEDC seeks to improve the competitiveness of the region by taking what it learns from the region's employers, and engaging the community in the daily work of economic development.

Introduction

WHAT IS VOICE OF THE CUSTOMER?

Every year the Rockford Area Economic Development Council meets in-person with over 100 local CEOs, businesses owners, and private sector leaders to have structured, confidential conversations about the regional business climate.

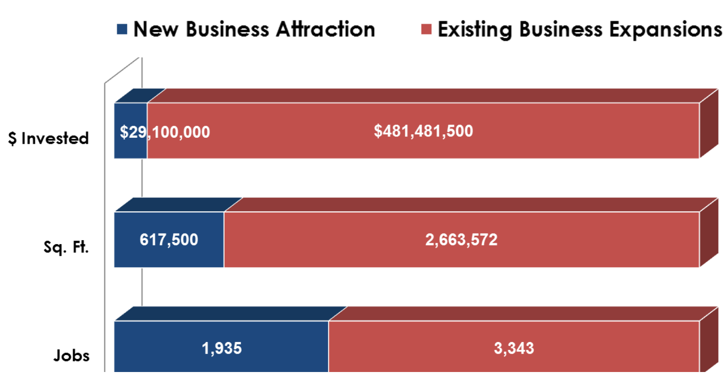
Existing Businesses' Role in Economic Development



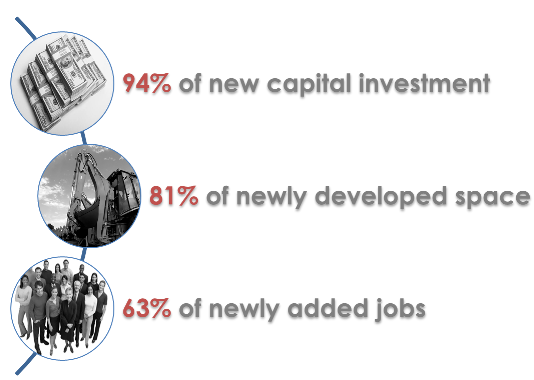
Did You Know?

According to Eric Canada, Chief Strategist at Blane, Canada Ltd., approximately 72% of new jobs and new investment in an urban community is generated from existing employers.

Economic Development Announcements since 2010
(Winnebago County)



Since 2010 Existing Business Expansions Have Accounted for:



2013 VOC OUTCOMES

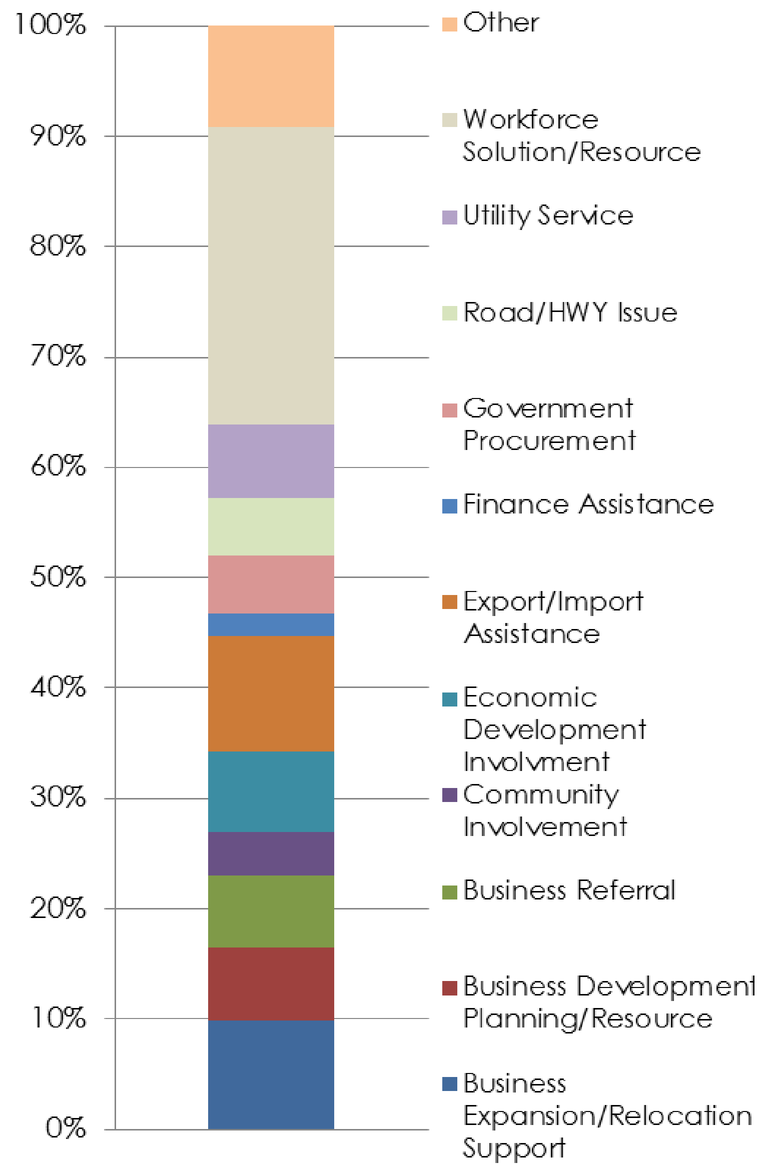
- **6** High-Risk Companies Identified
- **9** High-Growth Companies Identified
- **18** Companies Actively Considering or Undergoing Expansions
- **152** Assistance Actions Generated and Completed

125 Total Companies Visited

More than 7,500 Employees Represented

Assistance Network

Types of Assistance



TYPES OF COMPANIES SURVEYED

WHAT ARE PRIMARY JOBS?

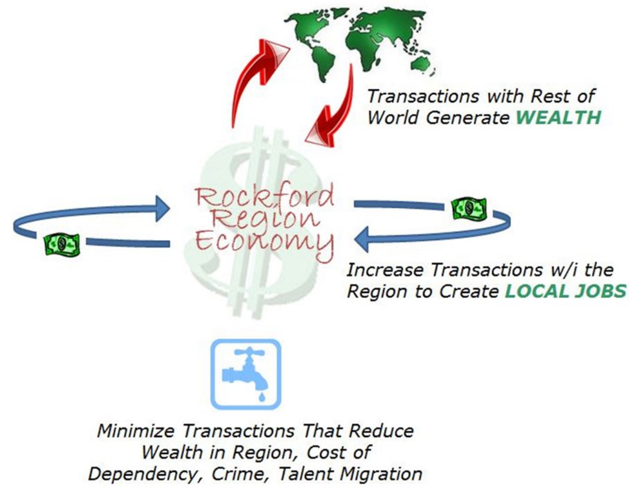
The vast majority of companies surveyed are producers of primary jobs

In Today's Economy, primary jobs are those that...

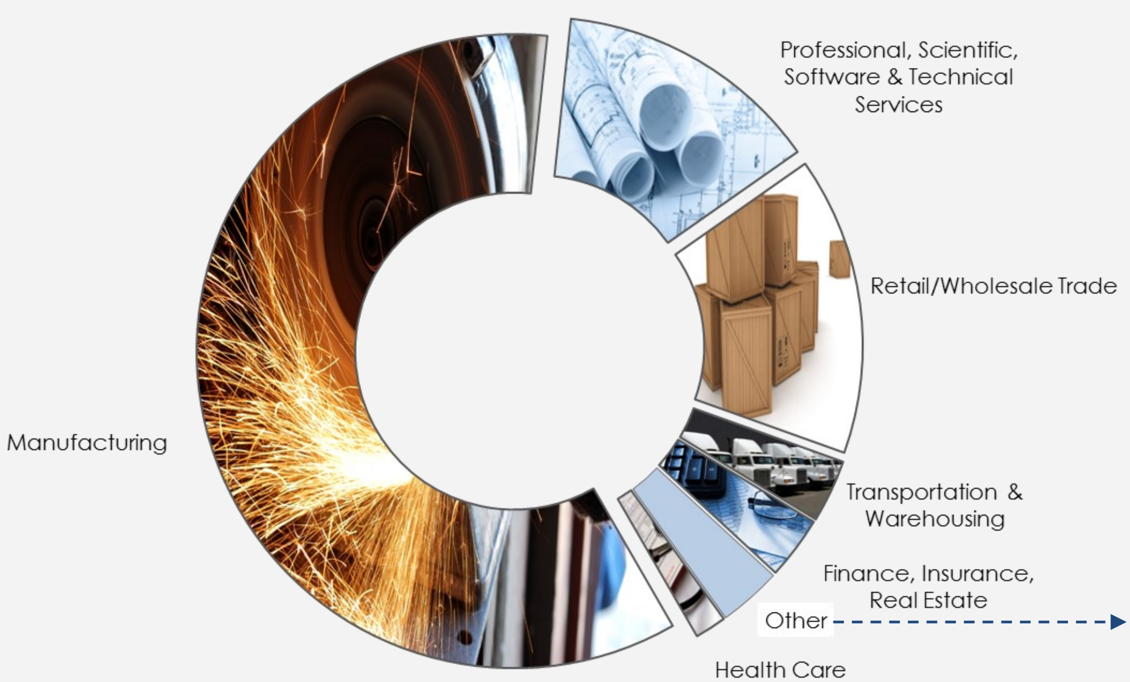
⇒ Produce goods or services that are consumed/sold outside of the community in which the job is located.

⇒ Attract people into the community through tourism or specialized services such as healthcare.

⇒ These types of transactions bring NEW money into the regional economy.



COMPANIES SURVEYED BY BUSINESS SECTOR



'OTHER' SECTORS

⇒ Media, Public Relations or Marketing

⇒ Waste Management & Remediation

⇒ Construction

⇒ Non-Profit, Civic & Social Organization

REGIONAL COLLABORATION IS KEY

In Winnebago County…

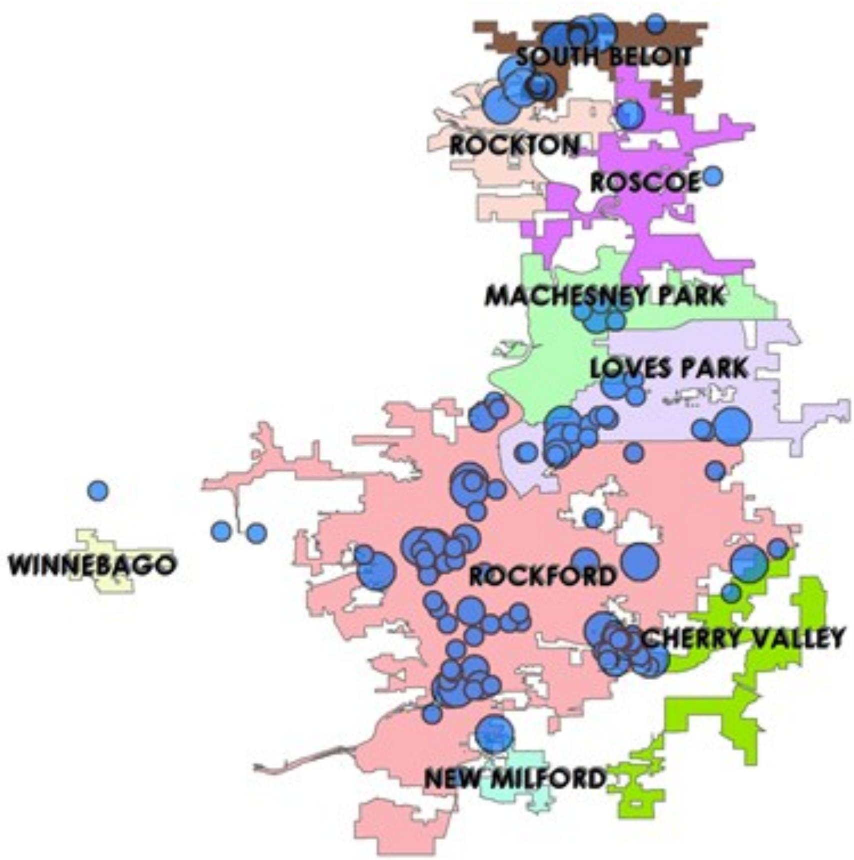
95% of residents work **within the State of Illinois**

83% of residents work **within Winnebago County**

Just **37%** of residents work **in the same municipality** in which they live

Source: U.S. Census Bureau, 2010-2012 American Community Survey

COMPANIES SURVEYED BY LOCATION



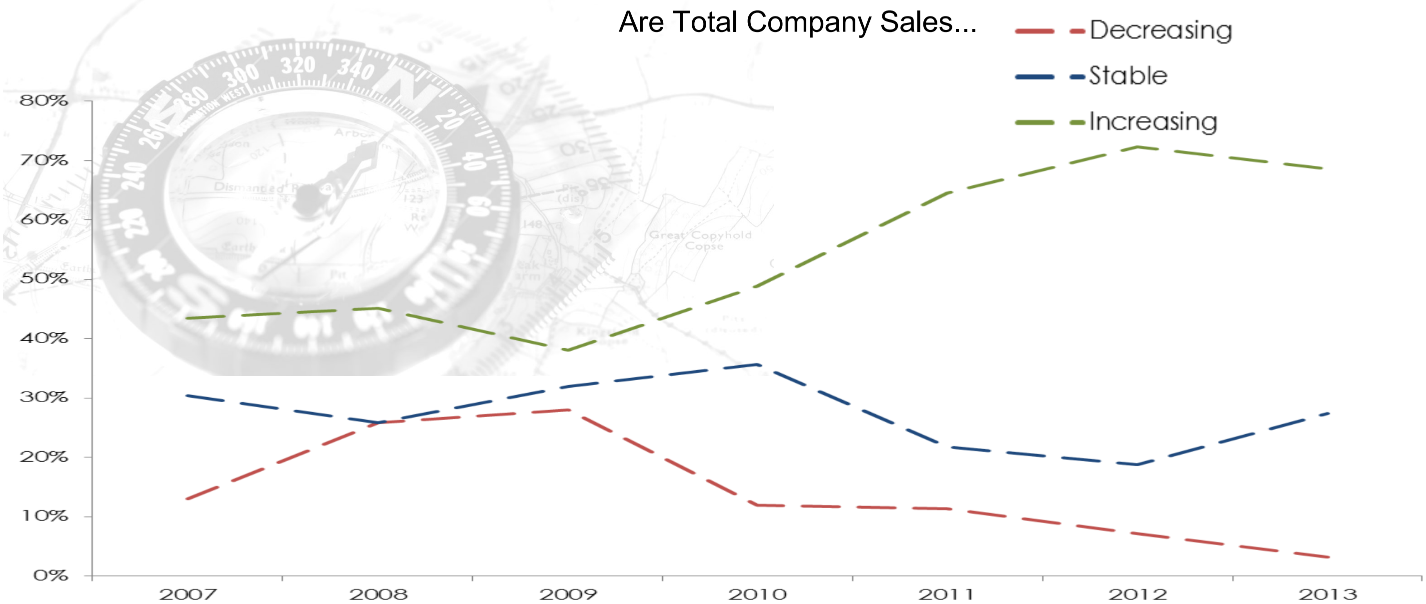
COMPANIES SURVEYED BY SIZE

- 1 - 49 Employees
- 50 - 99 Employees
- 100+ Employees

68% of companies with less than 50 employees

83% of companies less than 100 employees

EXPANSION OUTLOOK FOR SURVEYED COMPANIES



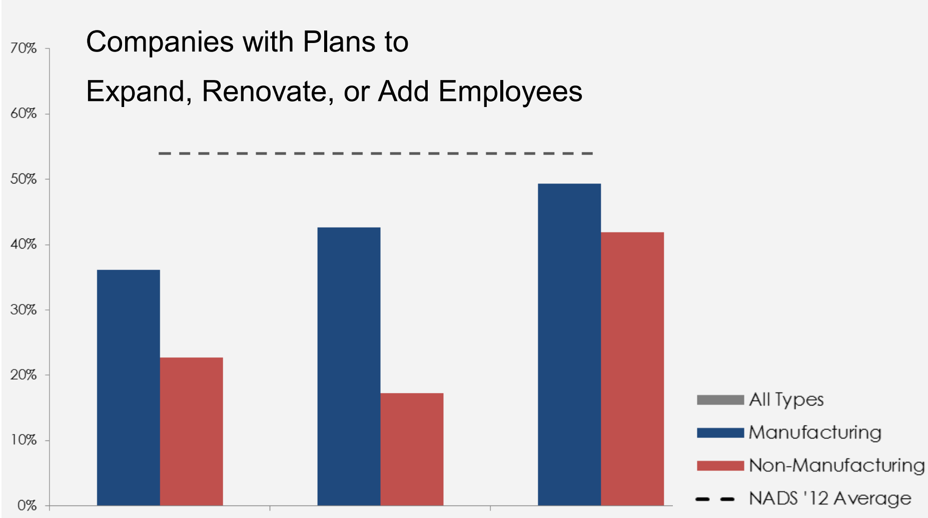
EXPANSION FORECAST

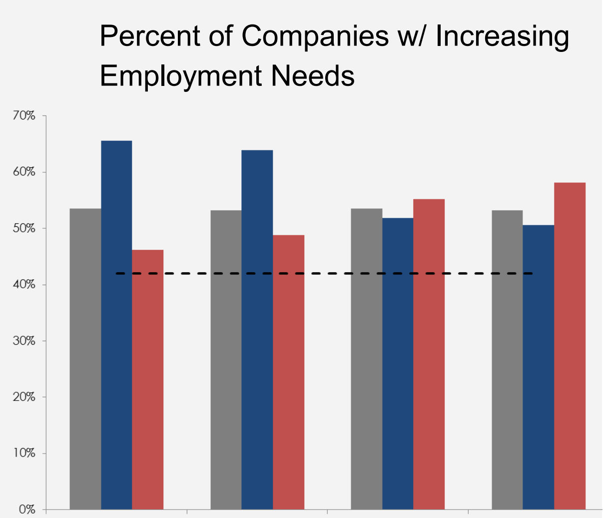
Estimates represent the plans of the 250 companies surveyed in 2012 and 2013, and is not a projection for all of Winnebago County.

Year	Est. Dollars Investment	Est. Jobs Added	Est. Sq. Ft.
2012	$97,745,000	517	246,100
2013	$83,220,000	510	879,500
Grand Total	**$180,965,000**	**1027**	**1,125,600**

2012 NORTH AMERICAN DATA STUDY (NADS '12)

The **2012 North American Data Study** ©Blane, Canada Ltd. is a comprehensive study summarizing the results of over 16,800 executive interviews (in 32 states and 3 Canadian provinces), all of which capture the insights and attitudes toward business climate from company leaders throughout North America.

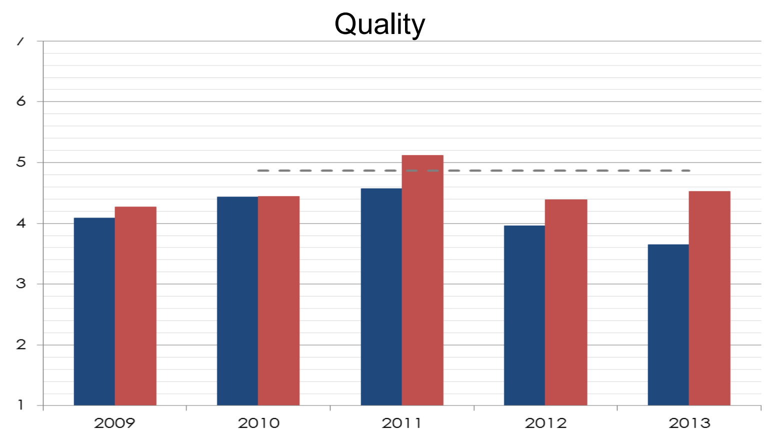




WORKFORCE ASSESSMENT

Manufacturing
Non-Manufacturing
NADS '12 Average

Surveyed employers rated the local workforce in four categories...

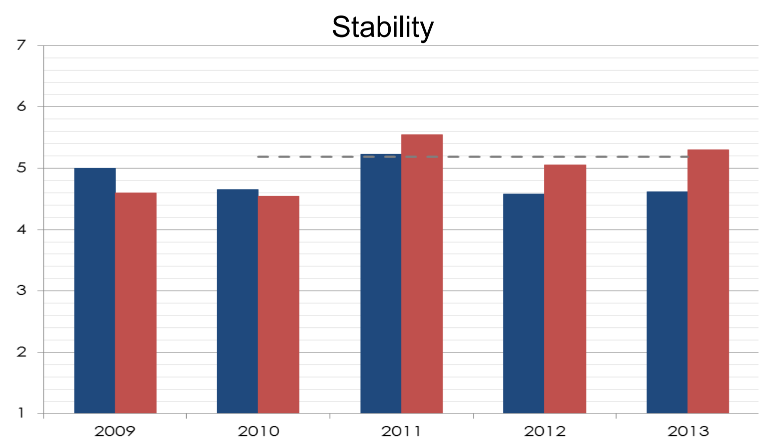


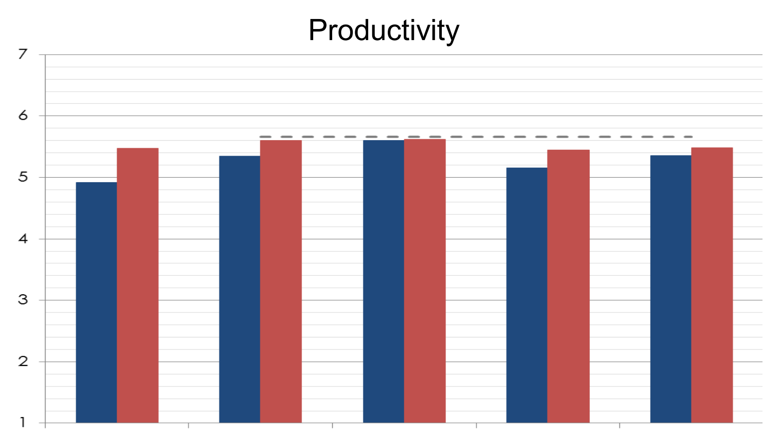
Surveyed employers' perceptions of the AVAILABILITY of workers has declined steadily since 2010 for manufacturers and improved in 2013 for non-manufacturers.

Surveyed employers' perceptions of the QUALITY of the workforce peaked in 2011, but has declined since, with manufacturers feeling more strongly about the difficulty of finding qualified employees

Perceptions of STABILITY have remained relatively flat with the exception of 2011 in which surveyed employers felt more positively about the lower turnover of workers.

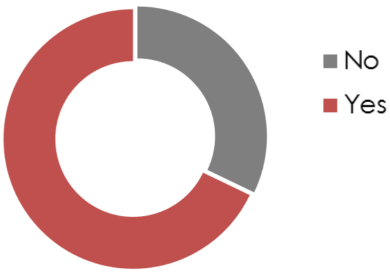
Surveyed employers' perceptions of PRODUCTIVITY have remained stable for non-manufacturers and has increased in 2013 after dropping in 2012.

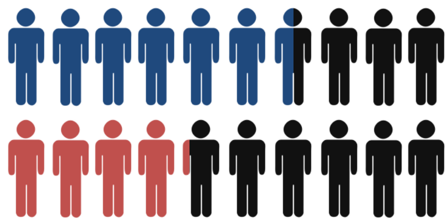




Community Profile – Surveyed Employers' Perceptions

Experiencing recruitment problems with particular skills or positions?

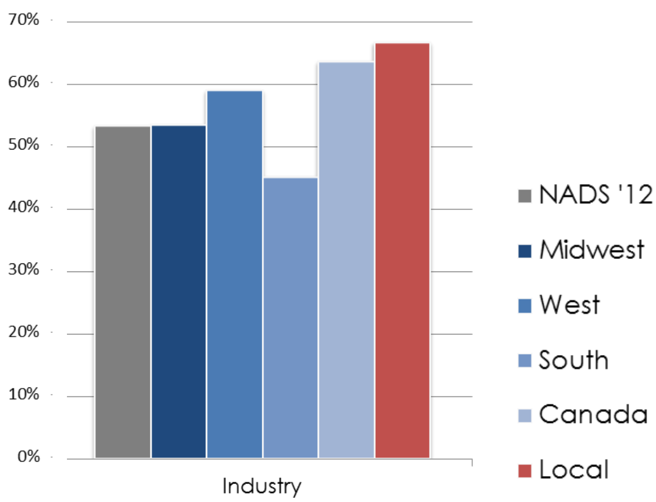


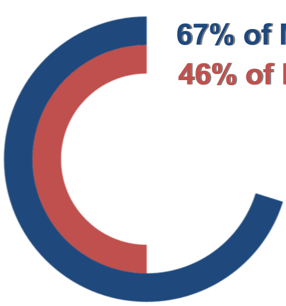


75% of Manufacturers said they were experiencing recruitment problems

42% of Non-Manufacturers said they were experiencing recruitment problems

Are recruitment problems industry-wide or limited to community?





67% of Manufacturers felt recruitment problems were industry-wide

46% of Non-Manufacturers felt recruitment problems were industry-wide

Most Difficult Positions To Fill

Production

1) Machinists
2) Maintenance Techs
3) CNC Programming
4) Tool & Die Makers
5) Welders

Non-Production

1) Sales/Customer Service
2) General Engineers
3) Mechanical Engineers
4) Truck Drivers

SWOT ANALYSIS

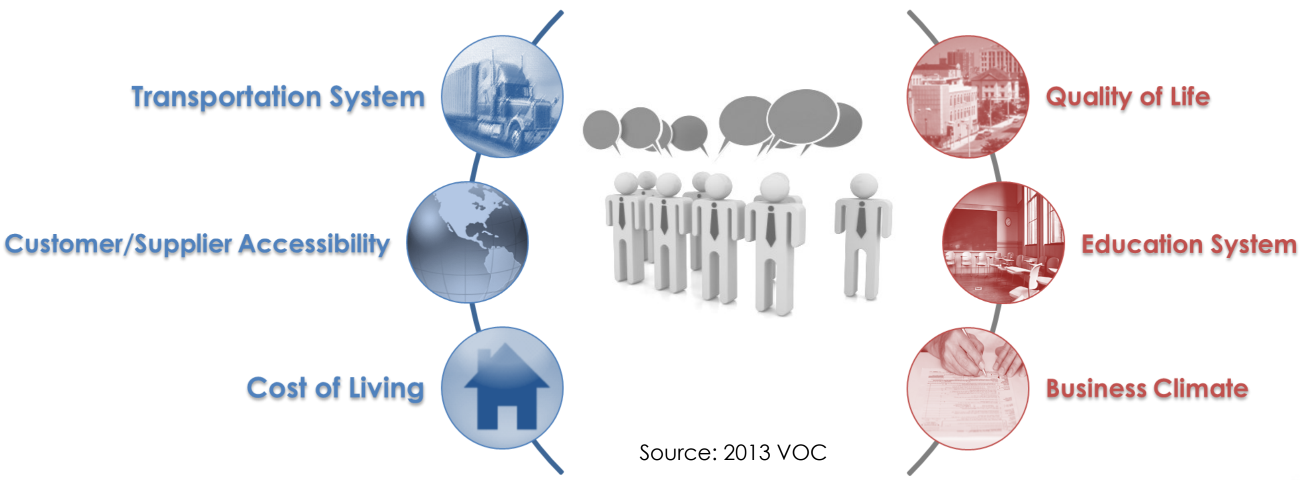
STRENGTHS WEAKNESSES OPPORTUNITIES TARGETS

The analysis of community strengths and weaknesses not only measures the frequency of responses but also takes into account relevance and context. This is done by benchmarking local survey results with the 2012 North American Data Study (NADS '12) as well as filtering personal experiences from perceptions influenced by the opinions of others.

Surveyed Business Leaders Feel

Regional Strengths Are

Regional Weaknesses Are



Source: 2013 VOC

ADVANTAGES

TRANSPORTATION SYSTEM

⇒ Chicago Rockford International Airport (RFD)

⇒ Access to major interstates via I-90 and I-39

⇒ O'Hare International Airport

⇒ 30 Miles north of Union Pacific Railroad's largest Intermodal Hub - Rochelle Global Hub III

CUSTOMER-SUPPLIER ACCESS

⇒ Proximity to Chicago and Milwaukee markets

⇒ Robust regional customer base

⇒ Strong Manufacturing supplier base

⇒ Over 100 machine shops in Rockford Region

⇒ Over 40 tool & die shops in Rockford Region

COST OF LIVING

⇒ Rockford's cost of living is very attractive compared to similar sized communities across the U.S.

RFD FACTS

- 2nd largest UPS air hub in the U.S.
- 27th largest cargo airport in the U.S.
- Named best cargo airport in its class in 2012 by *Air Cargo* magazine

The Chicago MSA is the 3rd largest economy in the United States, offering Rockford Region companies world-class access to an extensive network of potential customers and suppliers.

Source: Bureau Economic Analysis, 2012

Cost of Living Index

New York, NY	225.3
Washington, DC	144.7
Boston, MA	139.9
San Diego, CA	131.8
Chicago, IL	117.1
Madison, WI	109.3
Minneapolis, MN	108.7
Peoria, IL	100.9
Milwaukee-Waukesha, WI	100.8
Quad Cities, IA	98.8
Champaign-Urbana, IL	98.8
Phoenix, AZ	96.8
Austin, TX	95.6
Rockford, IL	**92.6**
Des Moines, IA	90.2
Columbus, OH	89.6
Springfield, IL	87.7

Source: 2012 ACCRA

Community Profile – Surveyed Employers' Perceptions

TOP CONCERNS

QUALITY OF LIFE

⇒ **39% of the survey population had a negative feeling** toward quality of life issues (the majority of which related to crime, unemployment, blight and downtown development)

⇒ Quality of life was also **identified by 8% of respondents as a barrier to growth**, specifically when it comes to the difficulty of attracting new talent into the region because of outside perceptions – some of which are accurate and some not so accurate.

EDUCATION SYSTEM

⇒ **18% of negative respondents** identified education as **a top concern**.

⇒ The majority of these responses are specific to the K-12 education system in which literacy, numeracy and work readiness are central to success.

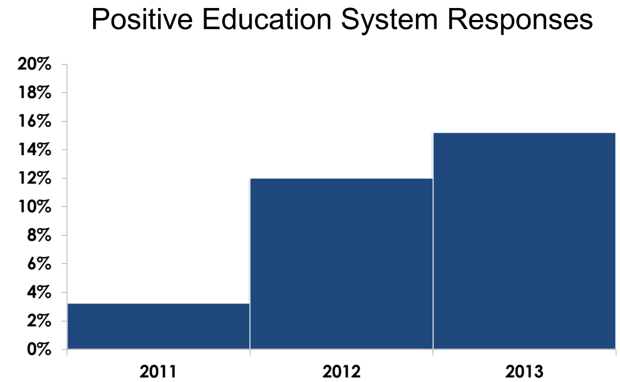
⇒ The education system was **identified by only 2% of respondents** as a barrier to growth. Although there are perceived weaknesses, they are **not a significant factor in business decision-making**.

BUSINES CLIMATE

⇒ **13% of responses** identified aspects of the business climate as **a weakness.**

⇒ The vast majority of these responses had to do with issues at the state level including workers' compensation reform and unemployment insurance.

⇒ Business climate was also **a barrier to growth according to 18.4% of the survey population** (highest of all categories)

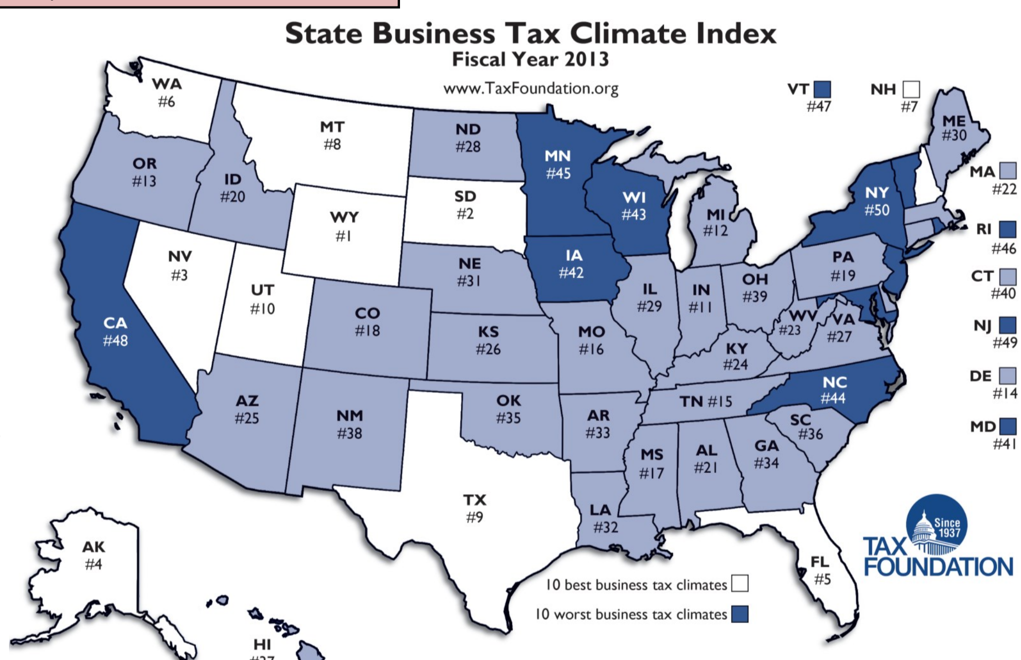


Tax Foundation's State Business Tax Climate Index takes into account five categories:

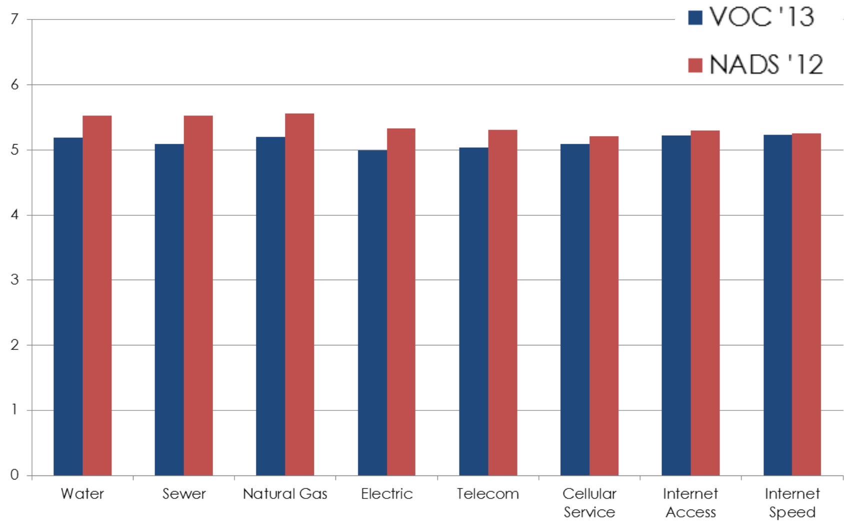
- Corporate Tax
- Individual Income Tax
- Sales Tax
- Property Tax
- Unemployment Insurance Tax

Illinois' composite score ranked 29th overall, meaning the state's total tax cost for doing business ranked ahead of neighboring states-WI, MN, and IA but behind MO, IN, and MI.

Illinois' two lowest ranked categories were unemployment insurance tax (43) and property tax (44) .

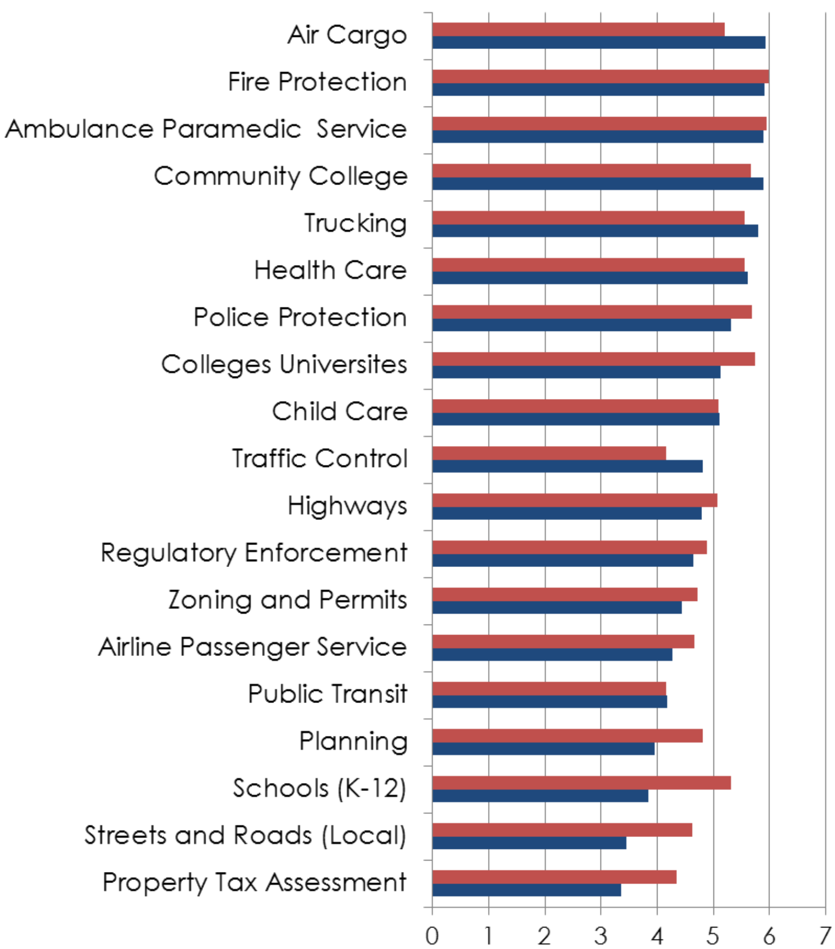


UTILITY SERVICE RATINGS



On a scale of 1 (low) to 7 (high), all utility services rated well above average - with no statistically significant differences from the **2012 North American Data Study.**

COMMUNITY SERVICE RATINGS



The vast majority of community services were rated satisfactory to above average by business leaders. Community services that stood out as being **statistically below average (more than half the standard deviation)** in comparison to the 2012 North American Data Study were:

- Community Planning
- Schools (K-12)
- Colleges and Universities
- Streets and Roads (Local)
- Property Tax Assessment

Air Cargo Service rated **statistically above** the 2012 North American Data Study average.

Competitive Benchmarking

ARE YOU PREPARED TO WIN?

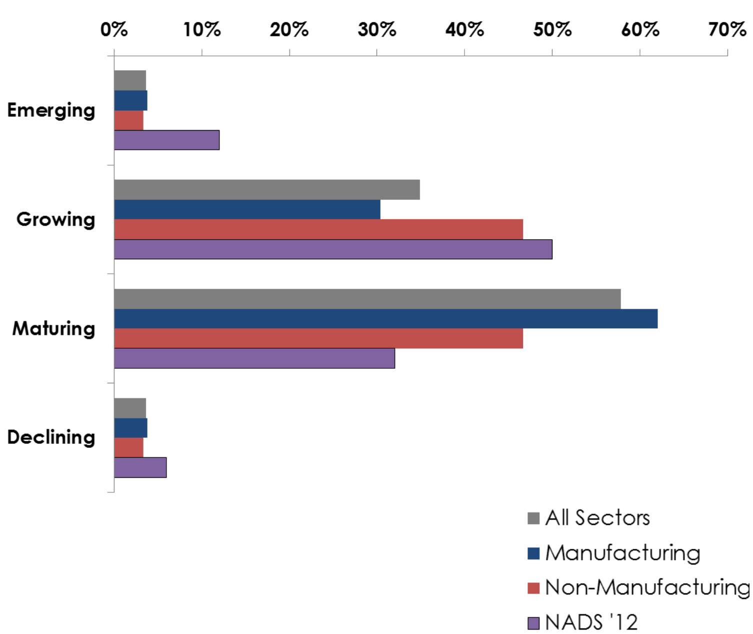
In today's marketplace, winning companies consistently find ways to outperform worldwide competitors. There are many characteristics that make up the DNA of winning companies. The Voice of The Customer Survey asks companies to assess their own competitiveness in five important areas.

5 Questions Every Globally Competitive Company Asks Itself:

1) Are we being innovative?
2) Are we improving?
3) Are we investing in our employees in ways that translate to success?
4) What are our opportunities to expand into new markets; should we pursue them?
5) Do we have a plan for management and ownership succession?

BEING INNOVATIVE

In What Life-Stage is Your Primary Product/Service?

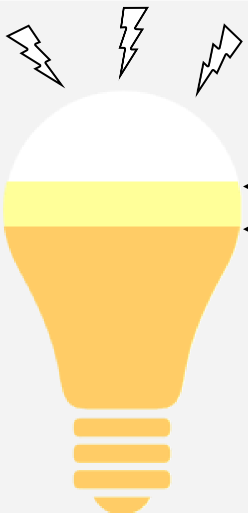


Did You Know?

EIGER*lab's* Center for Product Development offers 3D Printing services that can turn your concept into a physical product practically overnight. The Center for Product Development can assist with:

- Engineering
- Product Development
- Reverse Engineering
- Computer-Aided Design
- Commercialization

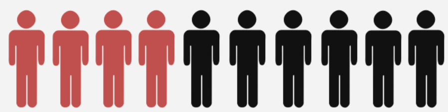
EIGER*lab* is northern Illinois' comprehensive resource where both new and existing entrepreneurs and inventors collaborate with pioneering leaders to incubate and accelerate businesses. EIGER*lab* ties together **Innovation-Collaboration-Entrepreneurship** into a centrally located, state-of-the-art mixed-use incubator, serving the region with leading edge business and engineering support services.



78% of NADS '12 survey participants reported adding new products/services in the last 5 years

69% of VOC '13 participants reported adding new products/services in the last 5 years

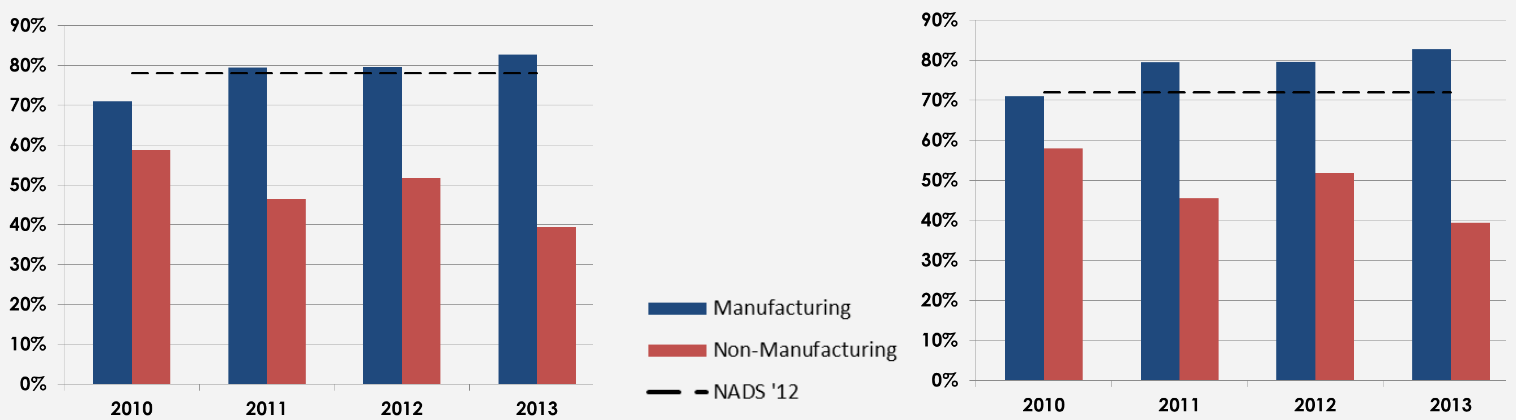
82% of Manufacturers reported adding new products/services in the last 5 years



40% of Non-manufacturers reported adding new products/services in the last 5 years

Added New Products/Services in last 5

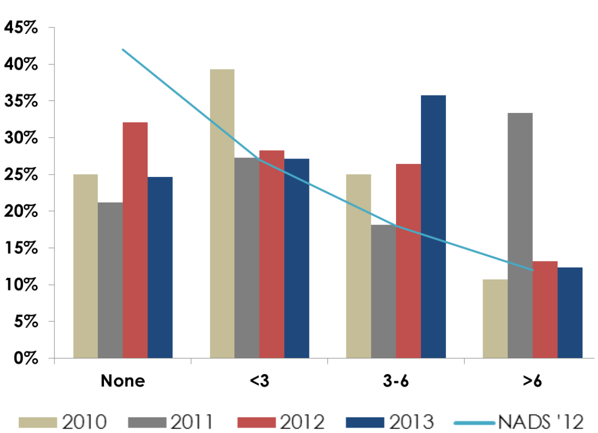
Plan to Add New Products/Services in next 2 Years



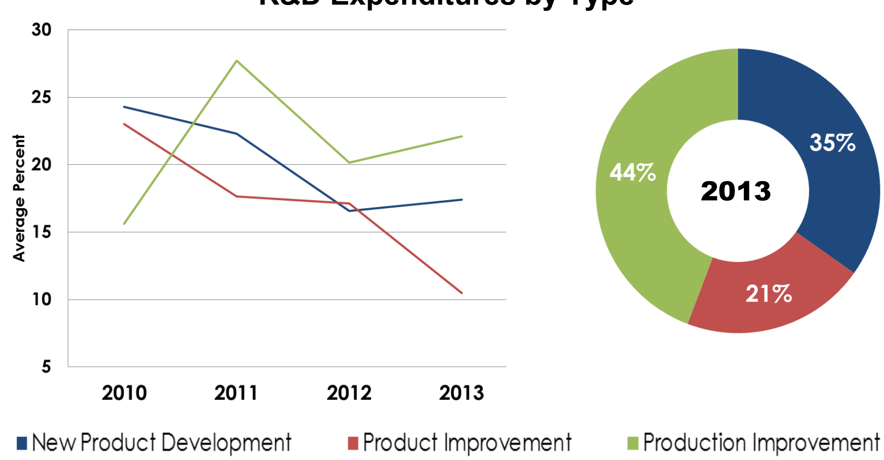
A slightly higher percentage of manufacturers reported adding products/services in 2013 while the percentage of non-manufacturers doing so decreased

A higher percentage of manufacturers reported plans to add products/services in 2013 while the percentage of non-manufacturers with plans to do so decreased

Percent of Total Sales Invested in R&D



R&D Expenditures by Type

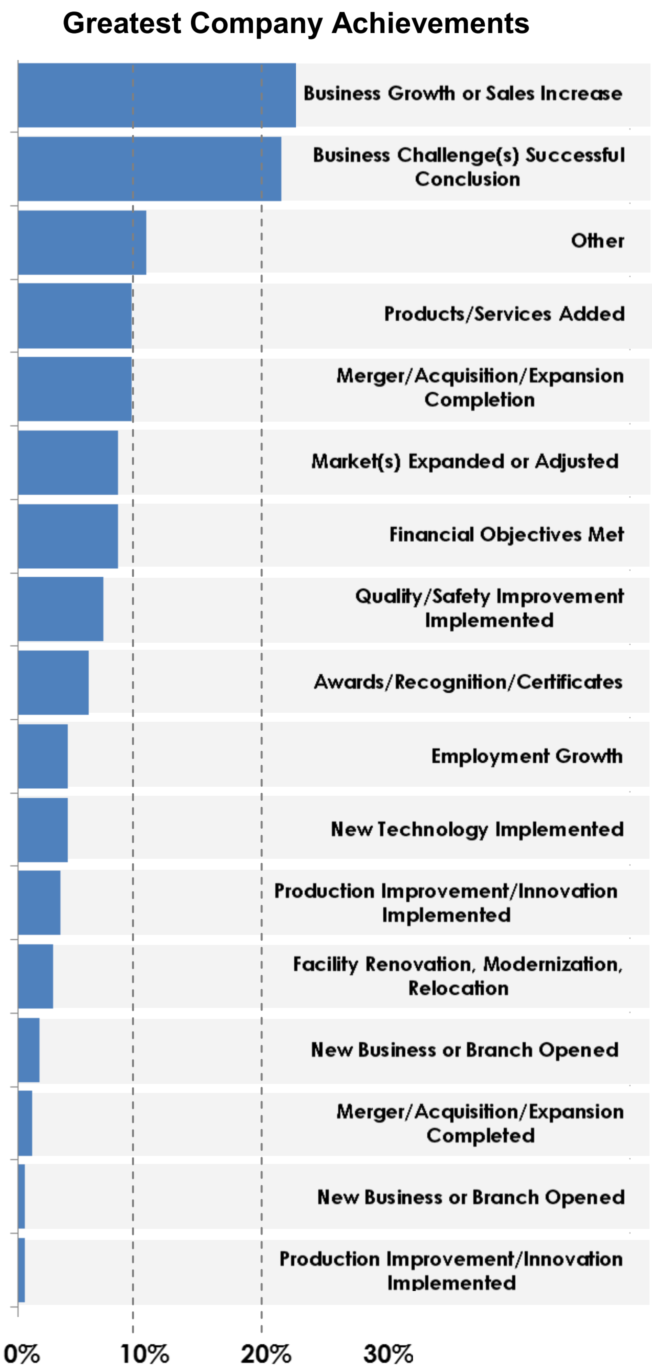


More companies locally reported investing in Research and Development activity than the 2012 North American Data Study, with the majority of companies spending less than 6% of company sales. The majority of R&D expenditures in our region go to production improvements.

CONTINUOUS IMPROVEMENT

"Excellent firms don't believe in excellence- only in constant improvement and constant change."

-Tom Peterson



How Do You Measure Your Success?

Goal setting and tracking **Key Performance Indicators** (quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization) are necessary for understanding whether or not a company is improving or moving backwards.

KPI Examples:

- **Employee Performance** Revenue per Employee, Turnover Rate
- **Financial** Net Profit Margin, Operating Expense Ratio
- **Market Assessment** Market Share, Search Engine Rankings
- **Safety** Reportable accidents, Minor accidents
- **Operational Performance** Six Sigma Level, On-time Performance
- **Understanding Customers** Customer Retention Rate
- **Sustainability** Waste Reduction, Supply Chain Miles

Resource

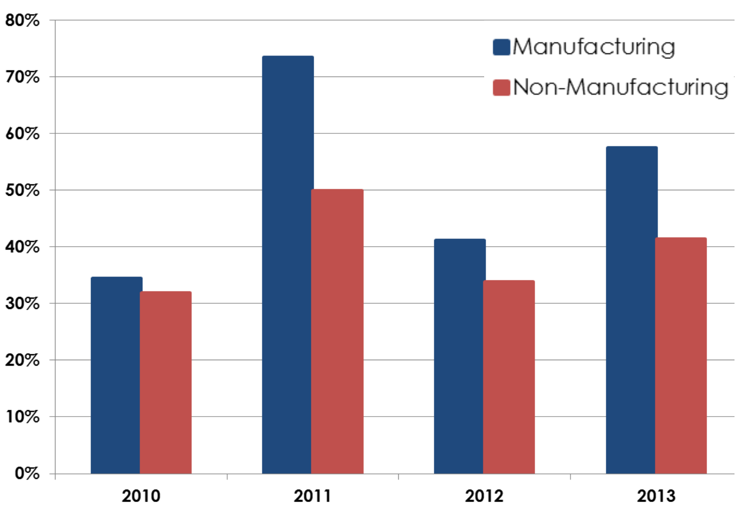
Serving the four-county area of Winnebago, Ogle, Stephenson, and Boone counties, the **Illinois Small Business Development Center** at Rock Valley College provides a centralized resource for business development and creation. No matter the size or industry of a business, the SBDC network provides valuable guidance on key business functions to ensure success, including: Legal Structure, Market Research, Sales/Marketing, Human Resources, Operations, Patents, Accounting/Finance, Licensing, Commercialization, and Business Planning.

WORKFORCE INVESTMENT

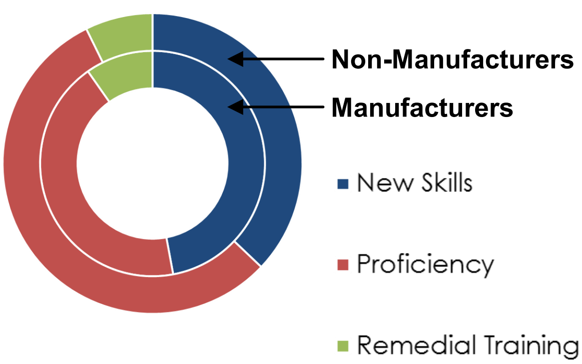
"What's worse than training your workers and losing them? Not training them and keeping them."

-Zig Ziglar

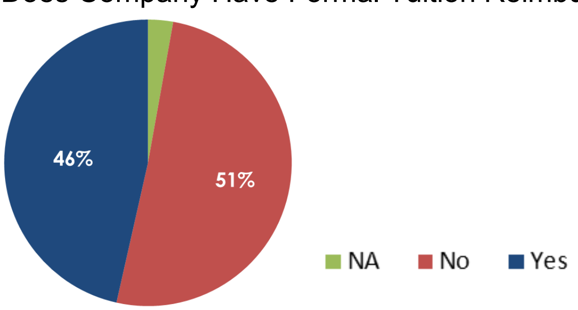
Companies Increasing Investment in Employee Training



Types of Training Provided



Does Company Have Formal Tuition Reimbursement?



Did You Know?

In a Louis Harris and Associates poll:

41% of employees reporting **poor training opportunities** with their current employers planned to leave **within a year**.

Just **12%** of employees reporting **excellent training opportunities** with their current employers planned to leave.

Training Resources

Workforce Connection (customized training assistance and grants)

Rock Valley College– Business Professional Institute

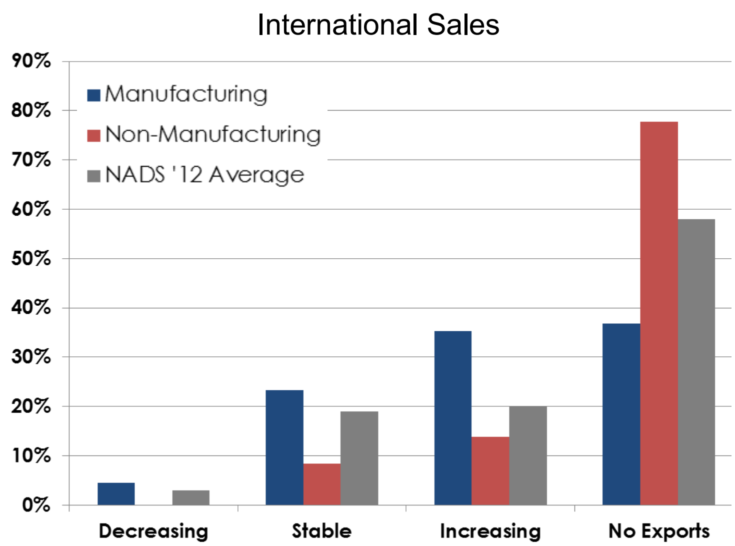
Illinois Manufacturing Excellence Center

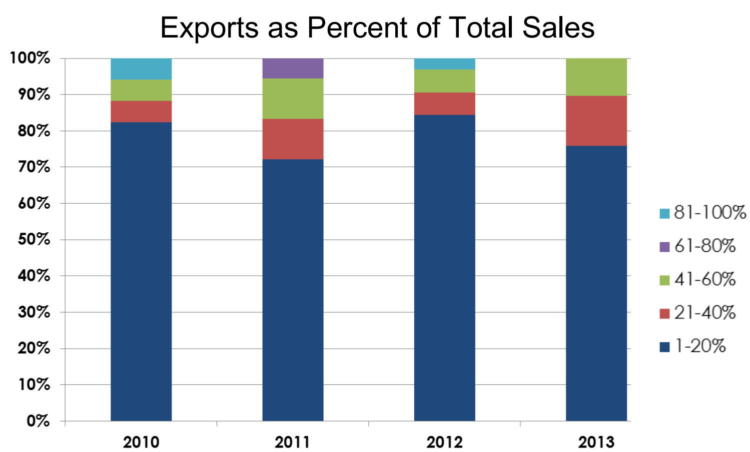
TechWorks

Rock Valley College

ACCESSING GLOBAL MARKETS

"A global economy is characterized not only by the free movement of goods and services but, more important, by the free movement of ideas and of capital." - George Soros





Did You Know?

- More than **70% of the world's purchasing power** is located outside of the U.S.
- **95% of the world's consumers** live outside the U.S.

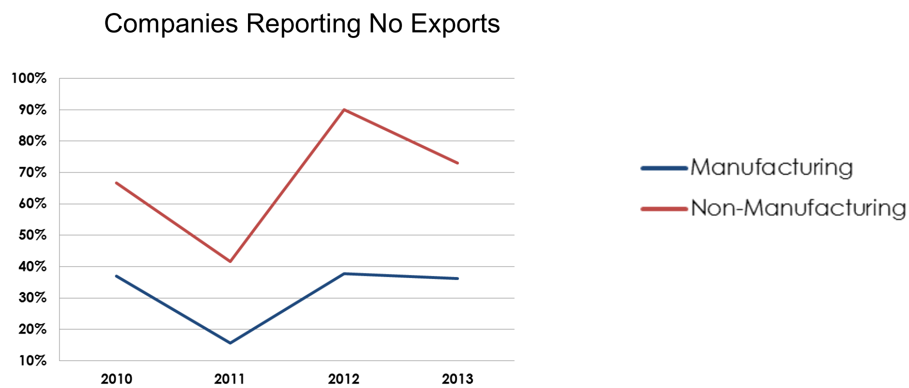
  - U.S. Department of Commerce

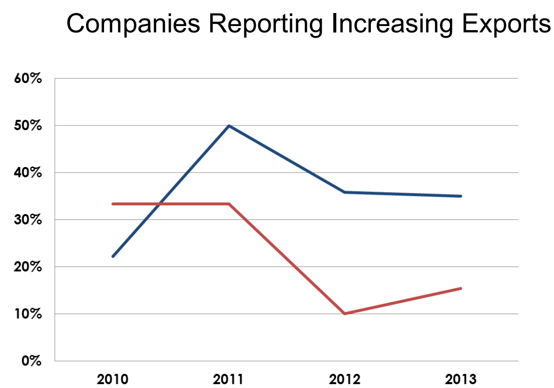
- The International Monetary Fund projects that almost **87% of global economic growth** will occur beyond U.S. borders.

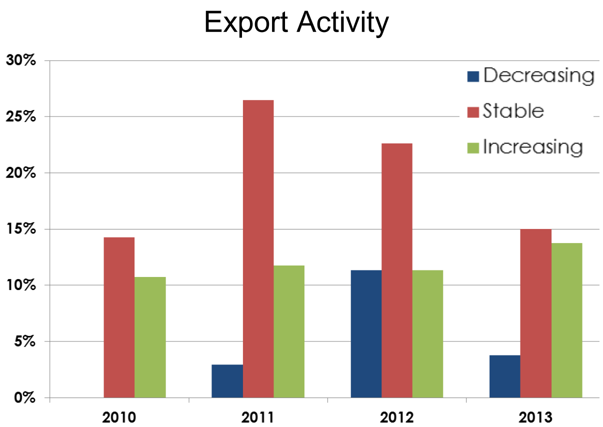
Direct exporting and importing is not a fit for every company or it may simply not be the right time; but there are resources to help you assess your options.

Resource

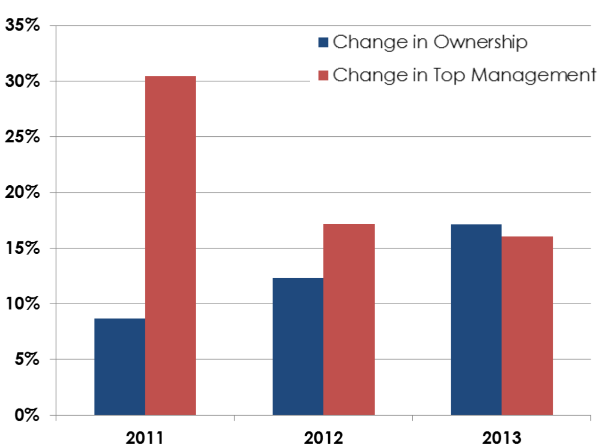
Whether you're looking to make your first export sale or expand to additional international markets, the **International Trade Center of the Rockford area** offers connections to trade counseling, supply chain optimization, market intelligence, business matchmaking, diplomacy resources and everything else you need to connect with the international marketplace.







OWNERSHIP AND MANAGEMENT SUCCESSION



Did You Know?

- **Family businesses** account for **50% of the U.S. GDP.**
- Yet, only **one-third of all family businesses** successfully make the transition to the second generation.
- Just **36% of firms have a process** in place for developing internal successors.

- *IN* Adviser's Succession Planning Study, 2012

Resources for Succession Planning

In addition to your close circle of legal and financial advisors, there are resources available to help jump-start the process including:

⇒ IL Small Business Development Center
⇒ Rockford University Family Business Center
⇒ Illinois Manufacturing Excellence Center

RESOURCES

Innovation and Entrepreneurship

EIGER*lab*/ Center for Product Development
http://www.eigerlab.org/
815-965-3522

Business Planning

Small Business Development Center
http://www.rockvalleycollege.edu/Business/SBDC/
815-921-2082

Illinois Manufacturing Excellence Center
http://www.imec.org/Strategic-Planning.cfm
309-677-3497

Workforce

The Workforce Connection
http://www.theworkforceconnection.org/
815-395-6619

RVC– Business & Professional Institute
http://www.rockvalleycollege.edu/Business/bpi.cfm
815-921-2067

TechWorks
http://www.eigerlab.org/techworks-workforce-training/
815-921-2054

International Trade

SBDC International Trade Center
http://www.rockfordil.com/international/itc
815-969-4263

U.S. Export Assistance Center
http://business.usa.gov/export#assistanceandopportunities
815-316-2380

Management/Ownership Succession

IL Small Business Development Center
http://www.rockvalleycollege.edu/Business/SBDC/
815-921-2082

Rockford University Family Business Center
http://www.rockford.edu/?FBC
815-921-2067

Illinois Manufacturing Excellence Center (IMEC)
http://www.imec.org/Business-Transition.cfm
309-677-3497

For More Information on the Above Resources and Many More:

The Rockford Area Economic Development Council | rockfordil.com | 815-987-8118

CONTRIBUTORS AND PARTICIPANTS

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