2014

Rockford
ILLINOIS USA
ROCKFORD AREA ECONOMIC DEVELOPMENT COUNCIL

Voice of the Customer

Summary Report

IN PARTNERSHIP WITH:

ComEd
An Exelon Company

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EXECUTIVE SUMMARY

Expansion Forecast

- More than 35 percent of the company executives surveyed said they plan to expand capacity in the next three years which may seem high but not when compared to the 49 percent and 46 percent that said they had plans to expand in 2013 and 2012, respectively. The expansions represent a potential $293 million in capital investment, 896,000 square feet of new space and 1,876 new jobs.
- Of the 75 employers surveyed, 64 percent said that their sales are increasing, which is significantly lower than the 69 percent and 74 percent that said so in 2013 and 2012 respectively, but still well above the 2012 North American Data Study (NADS '12) average of 56 percent.
- These two points suggest that after three straight years of robust employment growth from businesses already located within the region, the need for additional hires is leveling-off and survey respondents are more confident they can keep up with current demand without adding many additional employees.

Competitive Strengths

- Surveyed executives identified access to customers and suppliers 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 Region 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

- 49 percent of local executives interviewed said that they are concerned about quality of life or concerned about the negative perceptions of those outside of the region regarding quality of life . This negative response rate is very high compared to the national average of 3.3 percent found in NADS '12. This serves as a barrier to growth in attracting new employees to the region, particularly the issues of crime and blight. A positive trend is that the percentage of positive responses regarding the region more than doubled in 2013 and remained high in 2014.
- The primary and secondary education system was a concern of 49 percent of the survey population; 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. This can be seen in the percentage of positive responses about the K-12 Education System increasing steadily since 2011.
- Although Business Climate was not ranked highly as a Barrier to Growth for many companies, it was at the top of the list of Reasons Companies Would Consider Expanding Elsewhere, particularly when it comes to key legislation (such as unemployment insurance rates and workers compensation reform) at the state level affecting the cost of doing business.

Competitive Benchmarks

- Product Life Stage responses reveal that surveyed Rockford area companies represent very mature industries, products and services. This is especially true for the manufacturing sector. Local responses lag behind the NADS '12 average in both Emerging and Growing product/service life stages.
- 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. In 2014, the perceptions of the quality of workforce improved.
- 46 percent of surveyed companies reported increases in employee training, down from the 52 percent that reported increases in training in 2013. The majority of training provided (65 percent) is proficiency in existing skills rather than new job skills (30 percent).

Positive Trends

- In addition to responses about the Education System and Quality of Life trending positively, the percentage of positive responses regarding Community Leadership doubled in 2014 with many citing the positive influence of Transform Rockford.

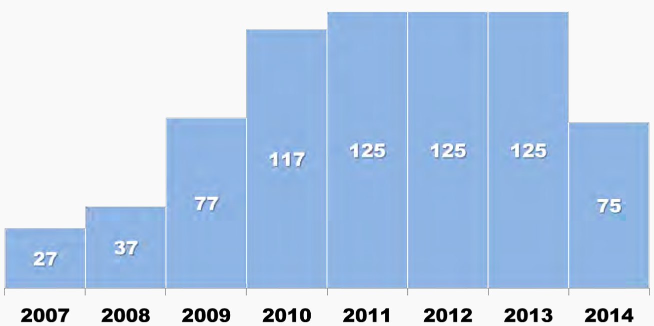
IMPACT OF VOICE OF THE CUSTOMER

What is Voice of the Customer?

One of the most effective ways to improve the economic vitality of a region is to help the businesses already in that region grow and expand. The first step in helping them grow is to find out who they are and assist with immediate expansion opportunities. The second priority is to identify what mid-to long-term issues are preventing them from growing and rally support and resources around those issues.

This is the philosophy behind the Voice of the Customer business retention and expansion survey. Every year, the Rockford Area Economic Development Council meets in-person with local CEOs, business owners, and private sector leaders to have structured, confidential conversations about the regional business climate.

Number of Visits



2014 VOC OUTCOMES

75
Total Companies Visited

13,000
Plus Employees Represented

5
Companies Actively Considering or Undergoing Expansions

9
High-Growth Companies Identified

5
High-Risk Companies Identified

22
Companies with Plans to Expand in Next 3 Years

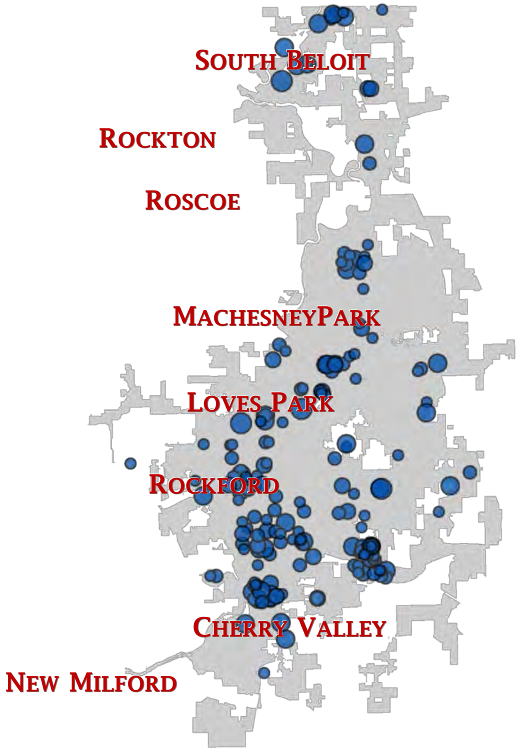
78
Assistance Actions

Types of Assistance Provided

CHARACTERISTICS OF SURVEYED COMPANIES

Rockford ILLINOIS USA

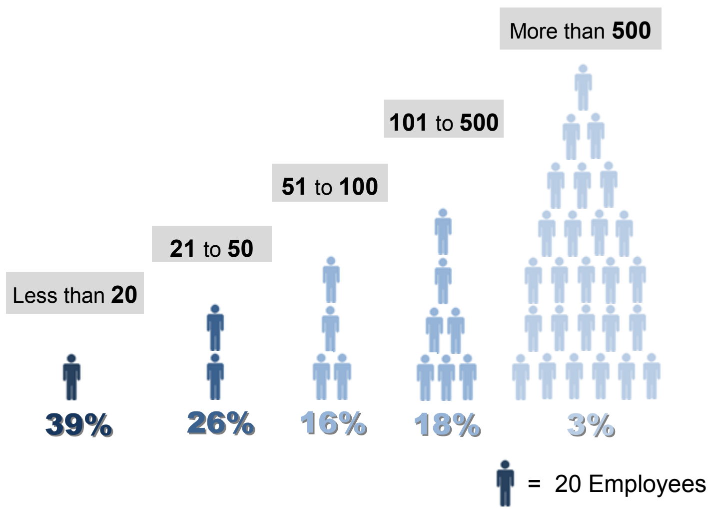
LOCATION



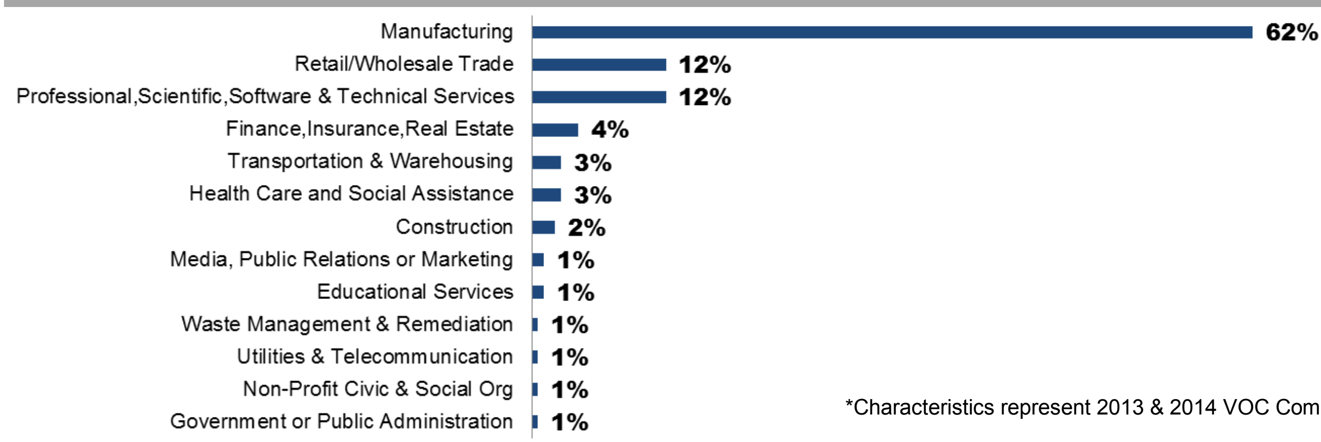
EMPLOYMENT SIZE

Employee Count

- 3 - 20
- 21 - 50
- 51 - 100
- 101 - 499
- More than 500



BUSINESS SECTOR



*Characteristics represent 2013 & 2014 VOC Companies

What are Primary Jobs?

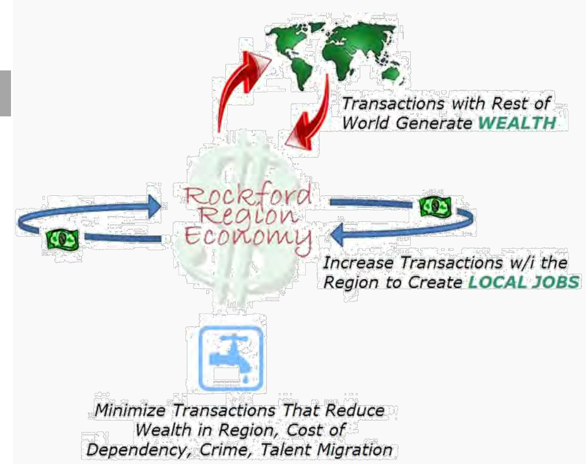
The vast majority of companies surveyed are producers of primary jobs.

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.



Employer Perceptions Business Climate

2012 North American Data Study

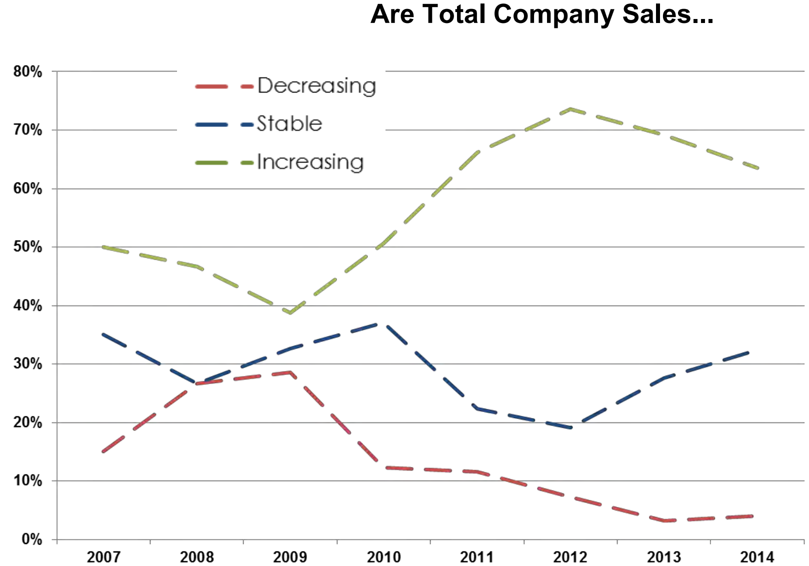
The **2012 North American Data Study (NADS '12)** ©Blane, Canada Ltd. is a comprehensive study summarizing the results of over 16,800 executive interviews (in 32 states and 3 Canadian provinces), all of which capture the insights and attitudes toward business climate from company leaders throughout North America. NADS '12 allows us a baseline to compare our local company responses with the responses of executives across North America.

EXPANSION OUTLOOK

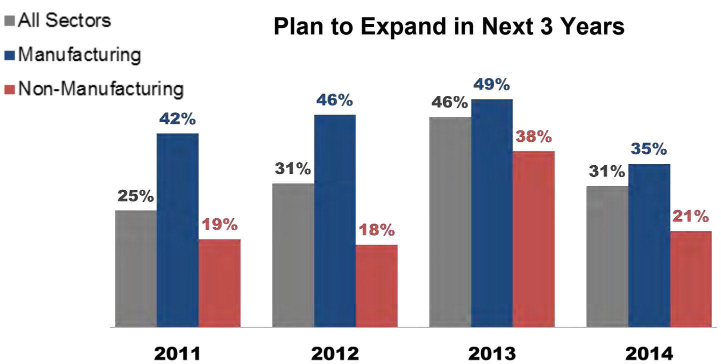
EXPANSION FORECAST

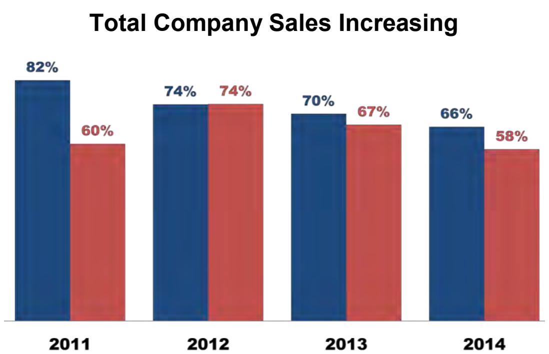
Estimates represent the plans of the 200 companies surveyed in 2013 and 2014, and is not a projection for all of Winnebago County.

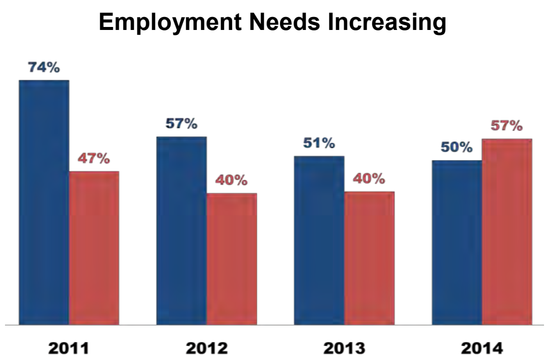
Year	Est. Dollars Investment	Est. Jobs Added	Est. Sq. Ft.
2013	$83,220,000	510	879,500
2014	$293,450,000	1876	896,000
Grand Total	**$376,670,000**	**2386**	**1,775,500**



With the percentage of companies reporting increasing sales down slightly from 2012 and 2013 more companies are confident they can keep up with current demand without adding additional employees or expanding capacity.





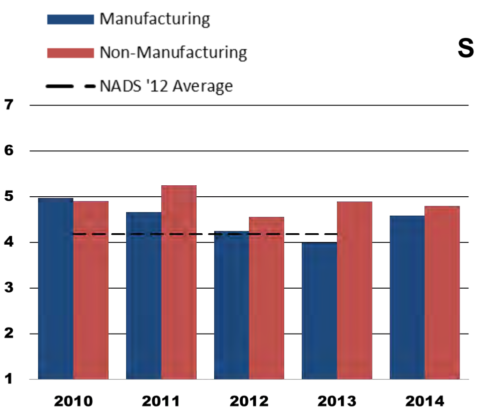


After 3 straight years of at least **40 percent of manufacturers** surveyed planning to expand in the near future, **a lesser 35 percent** of the 2014 companies surveyed have plans to expand in the next 3 years. While just **21 percent of non-manufacturing** companies had plans for physical expansion immediately beyond 2014, nearly **57 percent** expect their number of employees to increase.

Rockford ILLINOIS USA

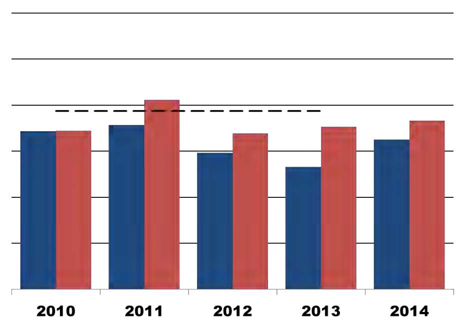
WORKFORCE ASSESSMENT

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



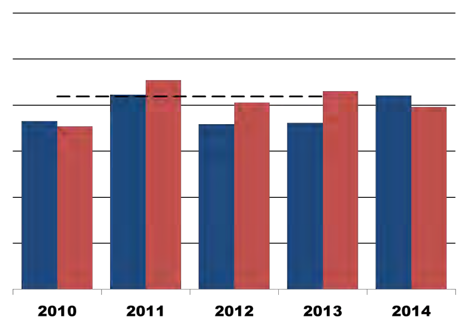
Availability

Manufacturers feel better about the availability of workers. Non-manufacturers feelings toward the availability of workers have remained steady over the last several years. Both are higher than the NADS '12 average.



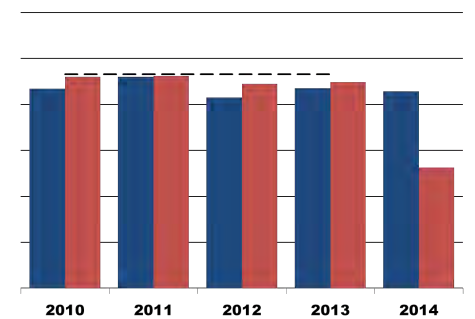
Quality

Manufacturers feel much better about the quality of workers in 2014. Non-manufacturers feelings toward the quality of workers have remained steady over the past several years. Both are lower than the NADS '12 average.



Stability

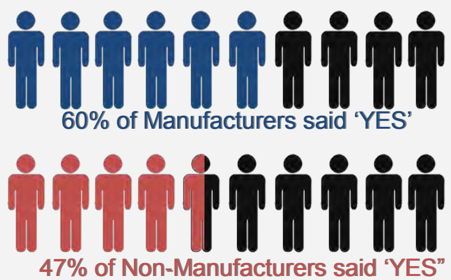
Feelings toward the stability of the workforce remained steady for manufacturers and increased significantly for non-manufacturers. Both are comparable to the NADS '12 average.



Productivity

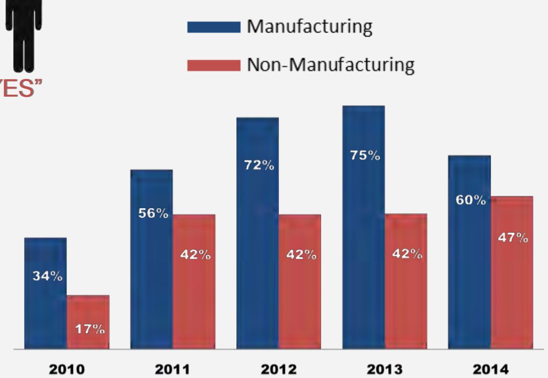
Feelings toward the productivity of the workforce remained steady for manufacturers and dropped sharply for non-manufacturers. Both are below the NADS '12 average.

Experiencing recruitment problems with particular skills or positions?

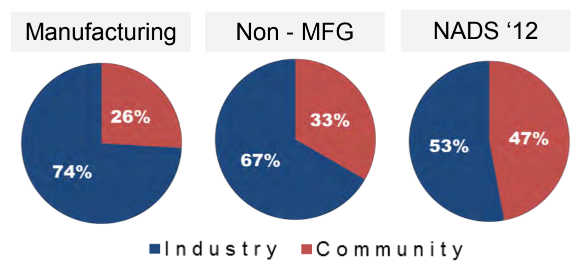


The percentage of manufacturers reporting recruitment problems decreased in 2014 (- 14%) while the percentage of non-manufacturers reporting recruitment problems increased (+ 5%).

The percentage of manufacturers reporting recruitment problems peaked in 2013, while the percentage of non-manufacturers reporting recruitment problems have been much more steady overall.



Recruitment Problems Limited to Community or Industry?



A much larger percent of local execs feel that recruitment problems are industry-wide compared to the NADS '12 average.

MOST DIFFICULT POSITIONS TO FILL

Production

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

Non-Production

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

EMPLOYER PERCEPTIONS BUSINESS CLIMATE

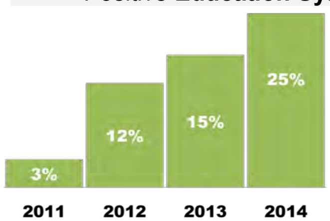
Competitive Analysis

The analysis of community strengths and weaknesses not only measures the frequency of responses but also takes into account relevance and context. All communities have strengths AND weaknesses. Comparisons to the North American Data Study allow us to pinpoint what the business community feels are competitive advantages and disadvantages.

Many execs cite community weaknesses that don't necessarily have a direct effect on the company. These responses are filtered out by also asking which of these issues are affecting their ability to grow and could be a deciding factor in why the company could choose not to expand in the region.

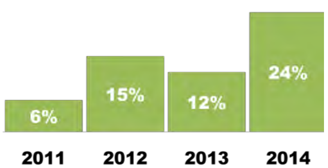
POSITIVE TRENDS

Positive **Education System** Responses



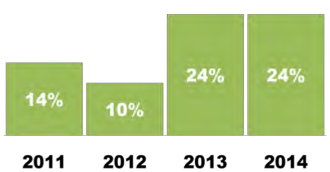
The percentage of positive responses regarding the Education System has increased steadily since 2011 (Alignment Rockford was founded in 2009).

Positive **Community Leadership** Responses



The percentage of positive responses regarding Community Leadership doubled in 2014, with many citing the influence of Transform Rockford.

Positive **Quality of Life** Responses



The percentage of positive responses regarding the Quality of Life provided by the community more than doubled in 2013 and remained high in 2014.

COMMUNITY PROFILE

Strengths

Transportation System

Customer/Supplier Access

Cost of Living

⇒ Many execs cited Chicago Rockford International Airport (RFD), access to major interstates I-90 and I-39, O'Hare International Airport, and Rochelle Global Hub III as major assets to their business

⇒ Proximity to Chicago and Milwaukee markets and a strong manufacturing supply base also ranked highly as strengths

Weaknesses

Quality of Life

Education System

Business Climate

⇒ **48% of the surveyed population had a negative feeling** toward quality of life issues (the majority of which related to crime, unemployment, blight and downtown development)

⇒ **47% of respondents** identified K-12 education as **a top concern**.

Reasons Not to Expand

Quality of Life

Business Climate

⇒ Although Business Climate was not ranked high as a Barrier to Growth for many companies, it was at the top of the list of reasons companies would consider expanding elsewhere.

⇒ Quality of Life was the only community issue ranked highly as a Weakness, Barrier to Growth, and a Reason Not to Expand in the region.

Barriers To Growth

Quality of Life

Education System

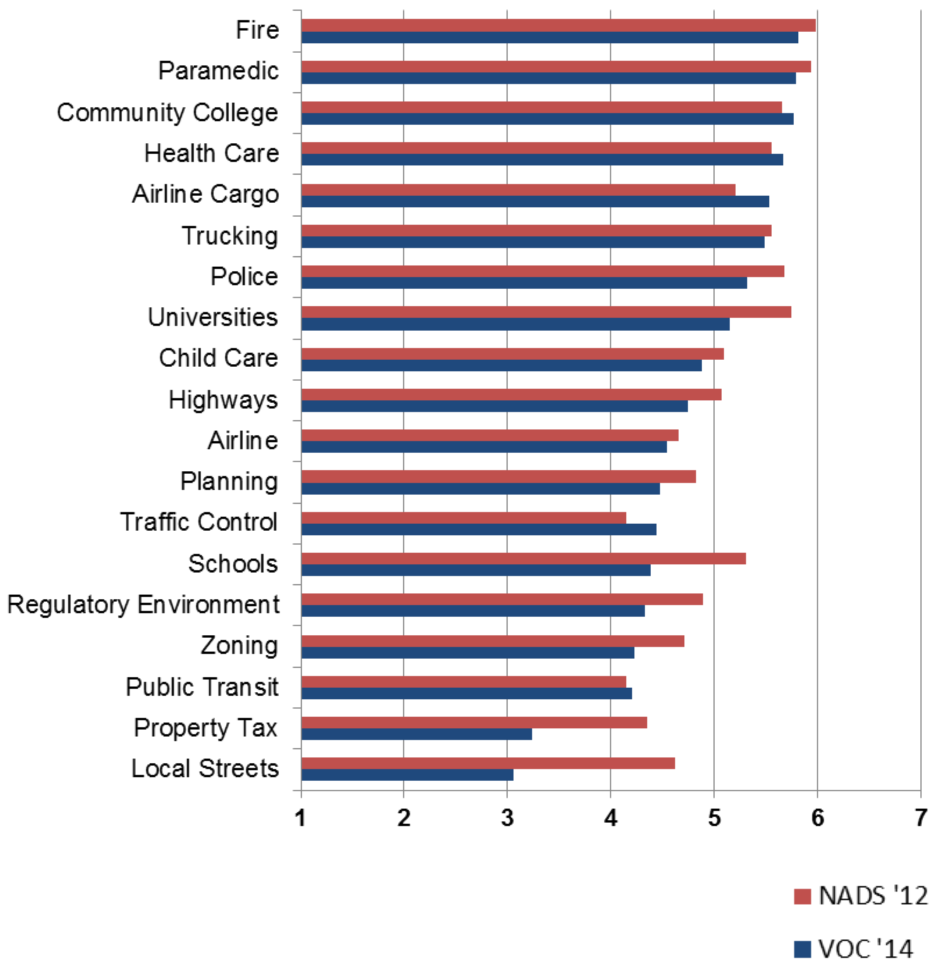
⇒ **While 24% of responses** identified aspects of the business climate as **a weakness, it was not ranked highly as a barrier to growth.**

⇒ **Quality of Life** and **Education System**, however, were ranked highly as Barriers to Growth.

EMPLOYER PERCEPTIONS QUALITY OF SERVICES

Rockford
ILLINOIS USA

COMMUNITY SERVICE RATINGS

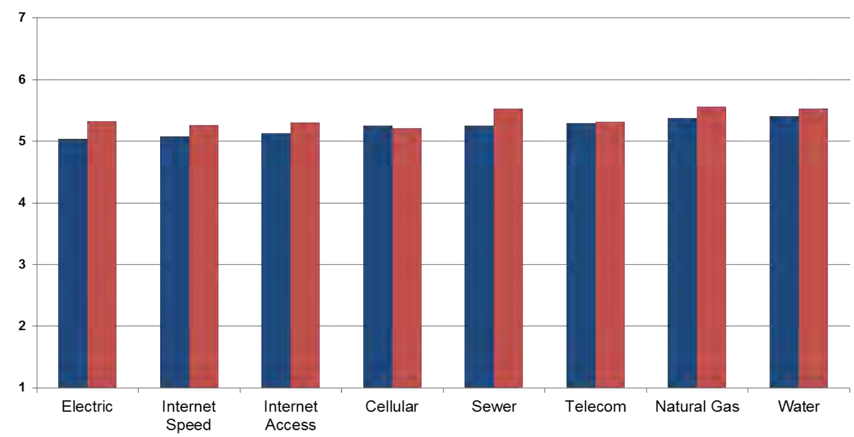


The vast majority of community services were rated satisfactory to above average by business leaders. Community services that stood out as being **statistically below average (more than half the standard deviation)** in comparison to the 2012 North American Data Study were:

- 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.

UTILITY SERVICE RATINGS



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

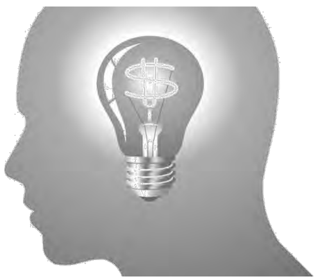
Self Assessment Competitive Benchmarks

Preparing 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:

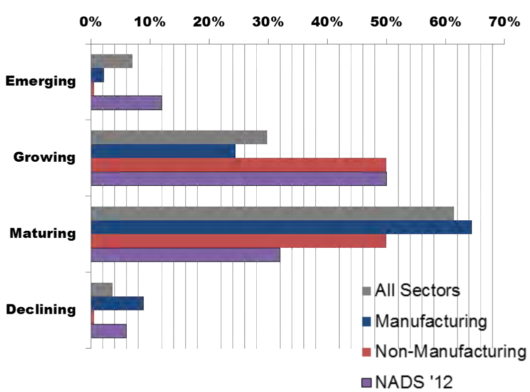
- BEING INNOVATIVE
- CONTINUOUS IMPROVEMENT
- WORKFORCE INVESTMENT
- MANAGEMENT/OWNERSHIP SUCCESSION
- NEW MARKETS

BEING INNOVATIVE

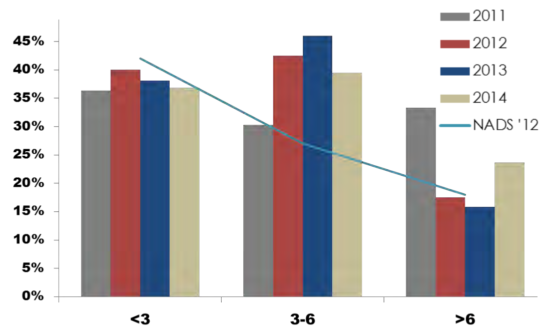


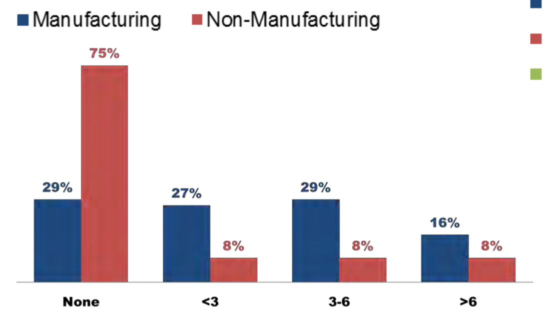
In What Life-Stage is Your Primary Product/Service?

The majority of companies surveyed in the Rockford area represent very mature industries, products, and services. This is especially so for the manufacturing sector. Local responses lag behind the North American Data Study average in both Emerging and Growing products/services.



Research & Development Activity as Percent of Total Sales

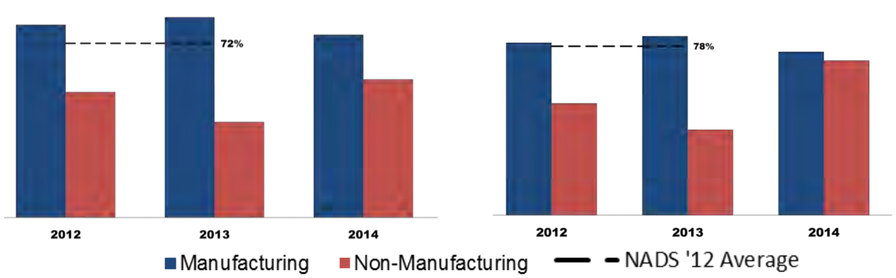




More companies locally reported investing in Research and Development activity than the 2012 North American Data Study, with the majority of companies spending less than 6 percent of company sales. The percentage of companies reporting R&D investment greater than 6 percent of total sales rose sharply in 2014.

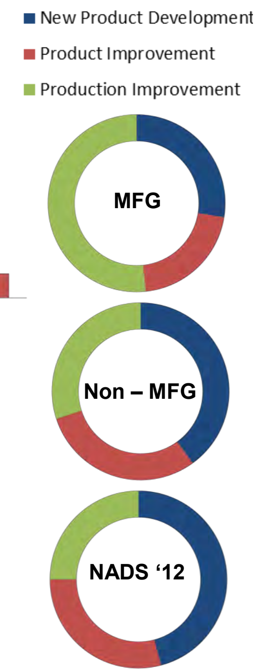
Added New Products/Services in Last 5 years

Plan to Add New Products/ Services in Next 3 years



Despite representing very mature products and services, a higher percentage of manufacturers reported adding new products and services in the last 5 years compared to non-manufacturers. This was comparable to the NADS '12 average. In 2014, a much larger percentage of non-manufacturers reported expanding their product/service offerings as well as having plans to.

Types of R&D



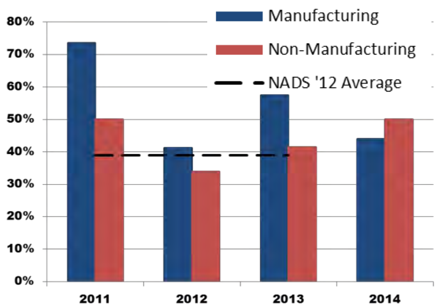
While a higher percentage of companies locally reported investing in R&D compared to the 2012 North American Data Study, the majority of R&D in our region goes to production improvement, rather than new product development or product improvements.

CONTINUOUS IMPROVEMENT

Execs were asked to share their companies' greatest achievements during the past three years. The below graph ranks the responses and gives some insight into how companies measure their success. 2014 rankings were nearly identical to 2013.

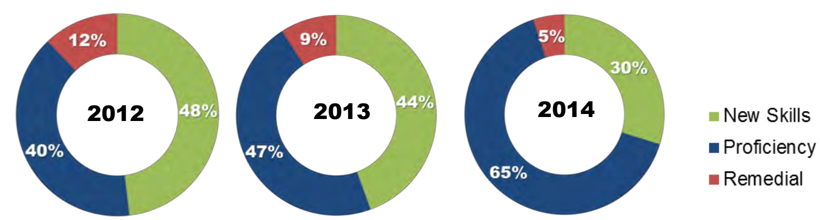
WORKFORCE INVESTMENT

Companies Increasing Investment in Employee Training



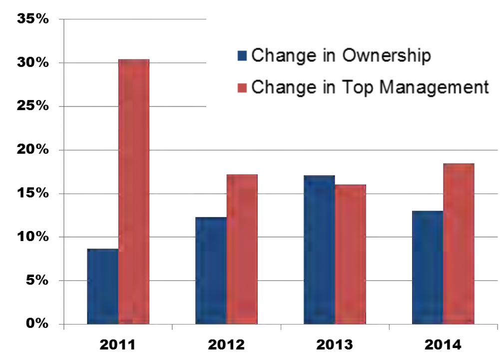
A fewer percentage of manufacturers reported increases in training in 2014. One reason may be due to the slowdown in new hires. For the first time in the last 5 years, a higher percentage of non-manufacturers reported increased training investment compared to manufacturers in 2014.

Types of Training Provided



The percentage of new job training being provided by surveyed companies has decreased significantly over the past 3 years. This could be another signal of the slowdown in hiring new employees.

MANAGEMENT/OWNERSHIP SUCCESION



- 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

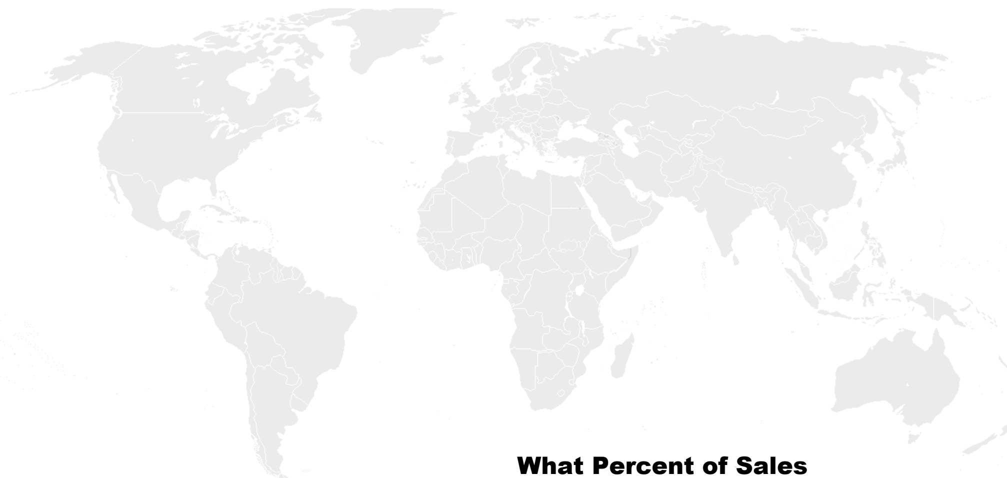
This is an area we are looking to more effectively impact locally going forward.

Self Assessment Competitive Benchmarks

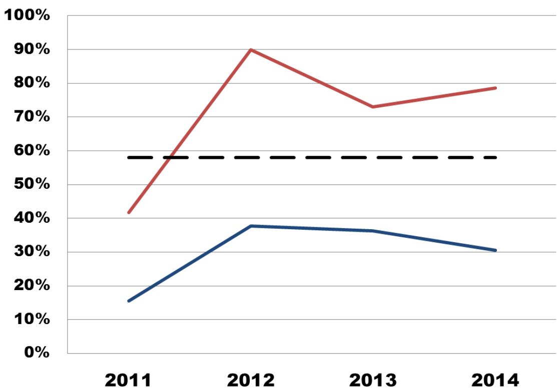
ACCESSING NEW MARKETS

Companies that have the potential to sell their goods and services internationally and capitalize on doing so are more profitable, more diversified and more sustainable long-term compared to their counterparts.

Just 31% of manufacturers reported having NO EXPORTS
compared to 79% of non-manufacturers reporting NO EXPORTS

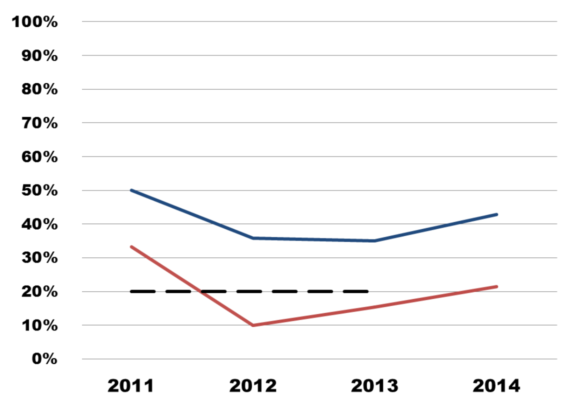


Companies with No Exports



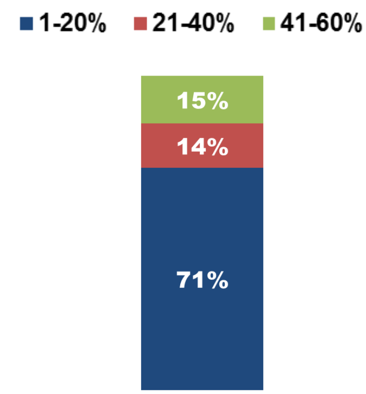
The Rockford area has twice the manufacturing employment than the national average. The graph to the left shows how much higher Rockford area **manufacturers' exports** are compared to **non-manufacturers** and the NADS '12 average (all business sectors).

Companies with Increasing Exports



Although the percentage of companies reporting that total sales decreased in both 2013 and 2014, the number of companies reporting increased exports increased both years.

What Percent of Sales Are Exports?



With 71 percent of companies reporting export sales accounting for less than 20 percent of total sales, there is still much opportunity to grow export sales as a means of diversifying the Rockford area's economic base.

RESOURCES

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

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

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

Management/Ownership Succession

IL Small Business Development Center

http://www.rockvalleycollege.edu/Business/SBDC/

815-921-2082

Illinois Manufacturing Excellence Center (IMEC)

http://www.imec.org/Business-Transition.cfm

309-677-3497

Innovation and Entrepreneurship

EIGER*lab* / Center for Product Development

http://www.eigerlab.org/

815-965-3522

For More Information on the Above Resources and Many More:

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

ABOUT THE RAEDC

The primary role of the Rockford Area Economic Development Council (RAEDC) is to collaboratively improve the economic strength of 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.

Rockford
ILLINOIS USA
ROCKFORD AREA ECONOMIC DEVELOPMENT COUNCIL

The Rockford Area Economic Development Council extends a special **thank you to all** the individuals and organizations that help make Voice of the Customer possible, including:

Survey Participants, Interview Volunteers, and

The Program Sponsor:

ComEd®
An Exelon Company

Your collective dedication and continued willingness to support and participate in Voice of the Customer is an integral part of guiding our community along the path of continual improvement.