The Siouxland Initiative

Annual Synchronist Business Retention Report - 2009

The Siouxland Initiative

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The Siouxland Initiative (TSI) is pleased to release the Synchronist Annual Business Retention Report for 2009. TSI with its tri-state economic development partners conducted approximately fifty in-depth interviews with primary-sector companies--companies that ship goods and services out of the community and bring revenue back in. Questions were asked that dealt with workforce issues, utility concerns, expansion plans, sales and market share, technology, industry specific challenges and community services. Responses that were specific to the company remain confidential and are used to assist local economic development organizations in retaining companies in the area and assisting companies in their expansion efforts.

Although the size of the companies surveyed varied, the average number of local employees in the companies participating in the survey was 335. The companies in the survey represented all of Siouxland's major industries including manufacturing, food processing, construction and agricultural-based chemical production.

Several trends emerged from the discussions that are worth noting. First, major users of sewer services were concerned about the lack of capacity and recent and projected rate increases. When questioned about infrastructure improvements, the completion of four lanes on Highway 20, in addition to enhanced air service were top priorities. In 2008 a major concern was the lack of available workforce. With the downturn in the economy, this concern was lessened for the short term which was reflected in the survey; but skilled workforce remains a concern long term for local expanding companies.

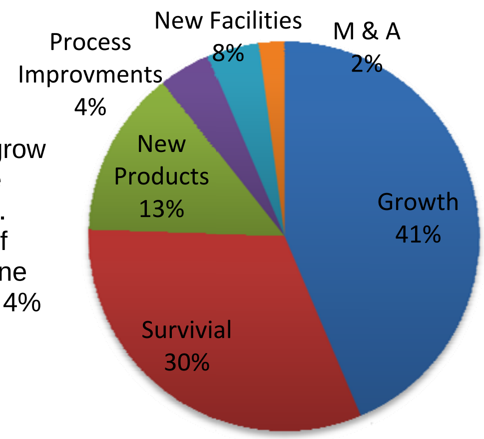
When companies were asked about advantages to doing business in Siouxland, they cited employee work ethic, local positive business climate and low transportation costs due to Siouxland's central location, as key advantages. We thank our local economic development partners from all three states who participated with the survey. Most of all we thank our local companies for taking the time to participate in the survey and look forward to working with you in the future to ensure your continues success.

Debi Durham, President

Joseph Wright, Vice President

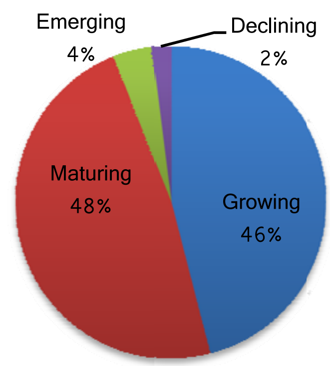
Companies' Greatest Achievements in the Last Five Years

Over one third (41%) of the participating companies indicated their ability to grow their business as their greatest achievement in the last five years. Nearly one third (30%) indicated that staying in business was their greatest achievement. The introduction of new products or services was the greatest achievement of 13% of participants. New or improved facilities were the response of nearly one out of every ten companies (8%). Process improvements were mentioned by 4% of the companies. A merger or acquisition event was cited by only 2% of companies, compared to 14% in '08.

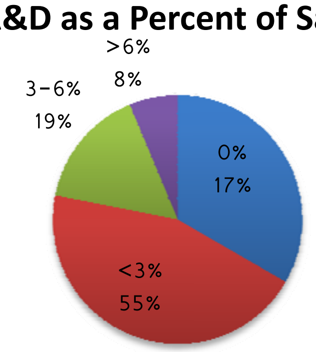


Primary Product Life Cycle

Products follow a life cycle where at first they enter the market at the emerging stage; once the value to the market is realized there is rapid growth, then product maturity where sales of the category level off. Mature products tend to be commoditized; and, as such, give the company very little competitive advantage and a narrower profit margin. Half (50%) of the primary products of Siouxland companies are either maturing or declining in their life cycle.



R&D as a Percent of Sales

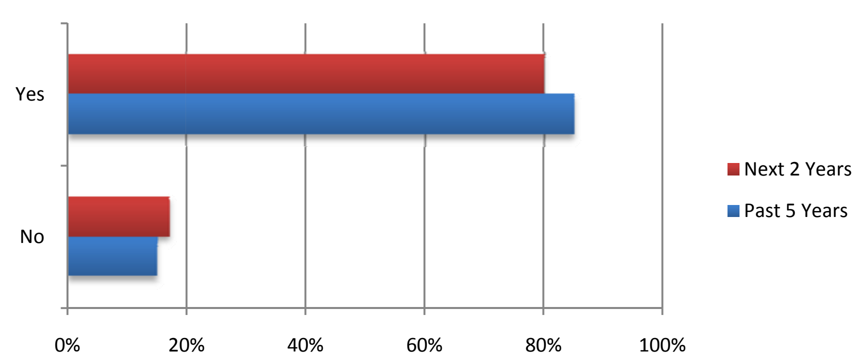


Research & Development

A strong indicator of future business growth is investment in R&D. When asked if they focused R&D, eight out of ten (83%) Siouxland companies responded in the affirmative. Of those surveyed, 8% invest heavily (over 6% of total sales revenue), where over half (55%) of companies that do R&D invest less than 3% of total sales revenue. In the U.S., a typical ratio in R&D investment for an industrial company is about 3.5% of sales revenues. Only 10 % of our local companies invest at or above the national level.

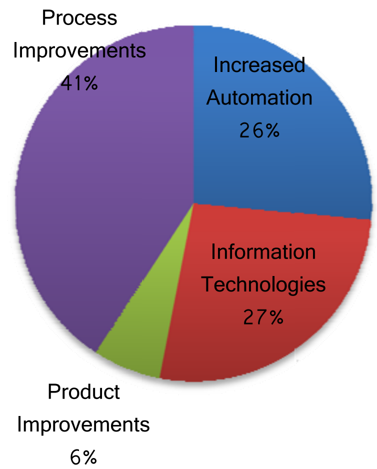
New Products & Services

85%% of Siouxland companies surveyed reported that they have introduced new products or services into the market in the last five years. Over 80% of Siouxland companies surveyed also planned to introduce additional products or services in the next two years.



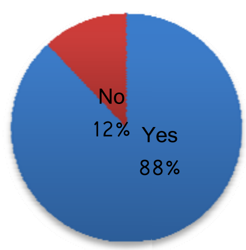
Emerging Technologies

When asked whether there were emerging technologies that would substantially change their products or services or how they are produced, over one third (35%) indicated there were technologies that would substantially change their business. Some of the technologies mentioned included process improvements (41%); use of new information technologies (27%); increased automation (26%); product improvements (6%). These responses indicate that compared to '08 the trend towards increased automation was overshadowed by the effort to improve processes. The reason for a shift in focus from increased automation to process improvement may be due to the downturn in the economy and the fact that process improvement is less capital intensive then purchasing equipment used to automate a process.



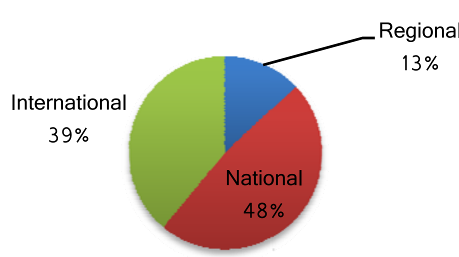
Adequacy of Siouxland's Technology Infrastructure

Over eight in ten companies said that Siouxland's technology infrastructure was adequate for their future growth.



Market Area

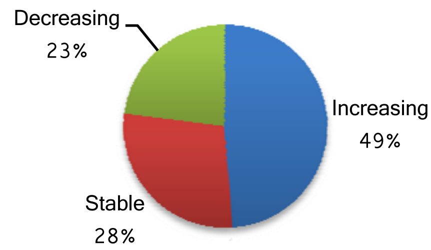
A company's market is important. Businesses that have regional, national or international customers generate revenues that flow into the community creating wealth for the community. Of the companies surveyed, 100% have markets that were broader than the local market. Nearly 9 in 10 companies had markets that were national or international in scope.



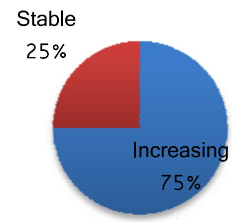
Company Sales

Almost two out of every three participating companies (64%) surveyed in '08 indicated their total company sales were increasing. In '09 the number of companies with increasing sales dropped 15% to 49%.   Over one fourth (28%) indicated that sales were stable in '09. Less than one in ten (8%) indicated that sales were decreasing in '08, that number nearly tripled in '09 (23%).
Companies that fell into the value-added category fared much better than those in other categories. Value-added ag companies reported no sales decreases, whereas 42% of companies not considered value-added ag saw sales decreases.

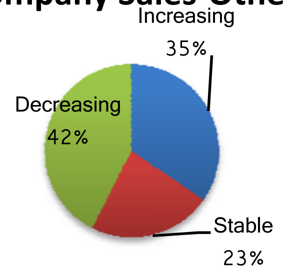
Company Sales-All



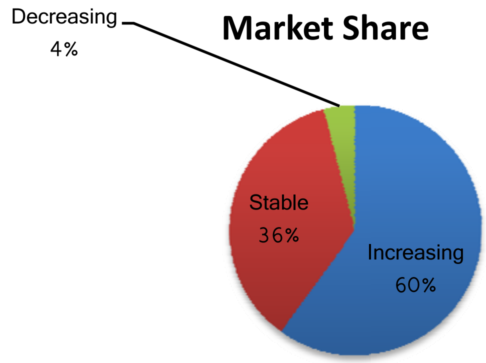
Company Sales-Value Added Ag



Company Sales-Other



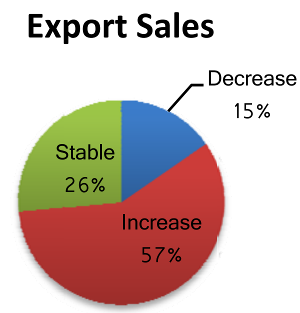
Market Share

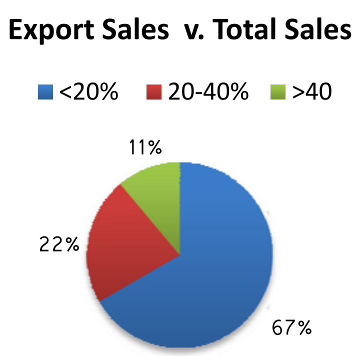


Of those that responded, 96% reported that their company was maintaining or increasing market share of their key products or services. Only 4% said they were losing market share. In contrast to sales data, market share data was uniform in both ag and non-ag related industries. This is good news for Siouxland; it shows that our local companies are remaining competitive and that non-ag sales decreases are most likely due to external factors that are not a result of local companies' inability to compete. The economic downturn could be an explanation for a company seeing sales decreases while maintaining or even increasing market share.

Foreign Export Sales

55% of respondents indicated they are exporters. Of those that do export, over two thirds (57%) reported that export sales were increasing. In '08 67% of local exporters reported foreign sales were increasing, that number was reduced by 10% in the '09 survey. This change seems to correlate with observations that foreign markets have slowed recently, trailing the US economy into the recession. 26% of companies exporting reported stable sales. 15% reported decreasing export sales.





When responding to the question of how much of their total sales were from exports, 67% of those that export reported that those sales were less than 20% of total sales. 22% of exporters reported export sales of between 20-40% of total sales. Eleven percent (11%) reported export sales above 40% of total sales.

Products or Components Imported

40% of respondents reported that they did not import any foreign products or components. Of those that did import, nearly two thirds (63%) said their use of foreign products or components was increasing. The remainder (37%) reported their use of foreign products was stable.

Expansion Plans

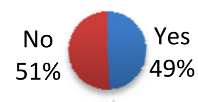
Expansion refers to new jobs, additional capital investment or additions to their facility's square footage.

Projected Expansion Numbers

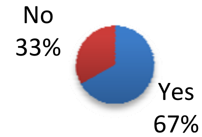
Of those asked about plans to expand, less than half (49%) had plans for expansion. That number was down 18% from over two thirds (67%) in '08. Over half (51%) of those asked had no plans for future expansion. For comparison we looked at all the companies that were part of both the '08 and '09 surveys and totaled the numbers from this group for both years. In '08 this group planned on making $372 million in capital investment. In '09 the same group of companies planned on making $10 million in capital investment. The same group planned on creating 519 jobs based on their '08 response as opposed to just 75 new jobs in the '09 survey. These companies had planned on adding 231,000 sq. ft. of facility in '08. That number was 51,000 in '09. The numbers are interesting in that it is clear that the economic downturn has chilled local businesses plans to expand. It is interesting to note that the number of companies that reported sales increases in '09 mirrors the number of companies that have plans to expand. There was a correlation between sales and expansion as well.

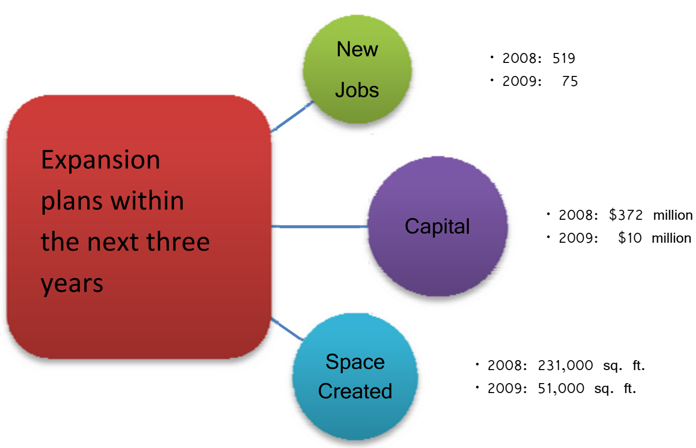
Expansion within the next 3 years

'09 Survey:



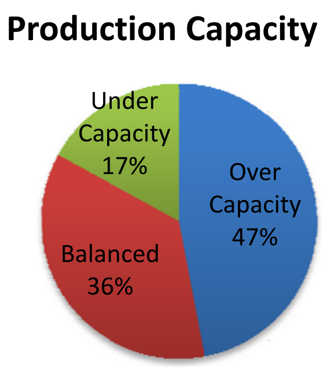
'08 Survey:





Merger & Acquisition (M&A) Activity

When asked whether merger, acquisition or divestiture activity was increasing within their own industries, nearly half (48%) said yes. 50% said these activities were stable within their industries. Less than 2% said that M&A activities were decreasing within their industry. No general trend arose as to the types of industries where M&A was more or less active.

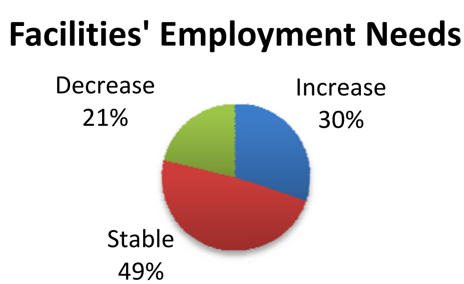


Industry Production Capacity

When asked to describe their respective industry's production capacity, nearly half (47%) indicated their industry was over capacity. This was a 13% increase from '08 when over one third (34%) felt like their industry was over capacity. 36% indicated that their industry was balanced, down from 40% last year. 17% reported their industry was under capacity. This number was down from 26% in '08. These numbers are to be expected with the downturn in the economy.

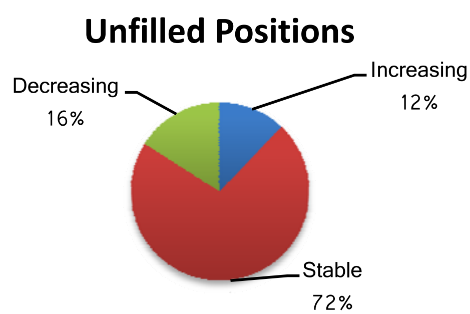
Employment Needs of Siouxland Businesses

Of those surveyed in '08 nearly half (49%) were planning on their employment needs increasing. That number dropped 19% to 30% in '09. In '08 51% of those surveyed said their employment needs were stable. In '09 that number nearly unchanged at 49%. In '08 there were no companies that had a decrease in employment needs, 21% of those surveyed in '09 reported a decrease in employment needs.



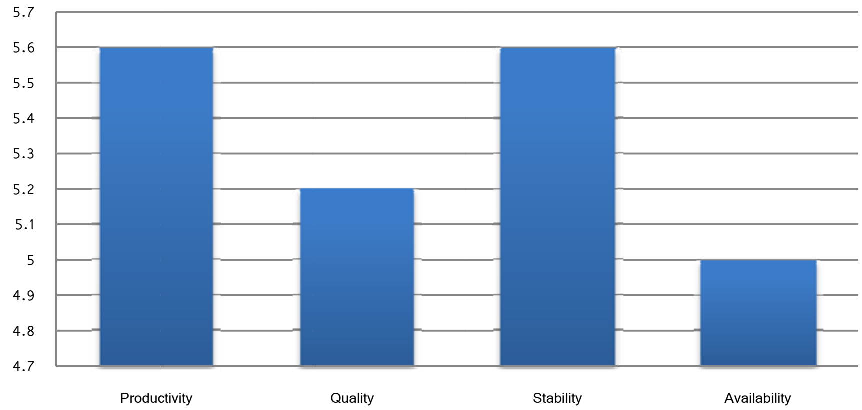
Current Unfilled Positions

This statistical indicator reflects jobs that already exist and remain unfilled. The aggregate number of unfilled positions among those surveyed in '08 was 448. The total number of unfilled positions in '09 was 311 (a 31% decrease). With a larger sample size in the '09 survey compared to the '08 survey, this number should have been higher. Of those surveyed in '09, 12% reported that the number of unfilled positions was increasing. Nearly three quarters (72%) of participants reported that the number of unfilled positions was stable. 16% reported that the number of unfilled positions was decreasing.



Workforce Attributes

Businesses were asked to rate Siouxland's workforce on a scale of one to seven (1 = low, 4 = average, 7 = high) based on four different attributes: productivity, quality, stability and availability. The scores were averaged. All scores improved over the '08 survey. Productivity went from a score of 5.4 in '08 to 5.6 in '09. Quality increased from 4.7 in '08 to 5.2 in '09. Stability went from 4.9 in '08 to 5.6 in '09. Availability was up from 4.1 to 5.0.



Employee Training

When asked about training programs, 96% indicated they have formal in-house training programs. Of those, half (50%) indicated that monetary investment in employee training was increasing, down 19% from 69% in '08. 46% indicated that investment in training was stable, an increase of 17% from 29% in '08. 4% indicated that investment in employee training was decreasing in '09, as opposed to 2% in '08.

	% of Companies with Training Programs	% of Companies Increasing Spending on Training	% of Companies with Stable Training Budgets
Siouxland	96%	50%	46%

Of participants' investment in employee training half was allocated to training new hires where the other half was allocated to additional training for current employees.

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