

Trend-Spotting



ECONOMIC SURVEY AND EVENT PROVIDE INSIGHT INTO 2016

WHEN DAVE VETTA, president and CEO of First Business Bank-Milwaukee, launched the First Business Economic Survey for the Greater Milwaukee Region in 2008, he had no idea that it would document an historic benchmark. It was early in the Great Recession and the data didn't look good. "But it turned out to be a significant place to start measuring regional activity from" says Vetta. "We've come so far in seven years, and we've got the numbers to track it."

Now in its seventh year, the First Business Economic Survey delivers an annual snapshot of southeastern Wisconsin's middle market business owners' predictions for the year ahead. In addition, the survey results include the prior year's and other historic data, creating a map of regional economic trends.

The release of the survey, by design, coincides with the annual Key Industries panel discussion, held this year on December 11 at the Country Springs Hotel in Pewaukee.

Over time, attendance has grown from about 75 in 2008 to over 400, on average, today. For the last four years, Governor Scott Walker has spoken to

attendees about economic trends in both the region and the state.

From the beginning, the Waukesha County Business Alliance (WCBA) and BizTimes Milwaukee have been partners.

"Our objectives were aligned" said Vetta, "to get to the pulse of what's happening in the business community and provide a forum for understanding those results in a dynamic environment."

WCBA president Suzanne Kelley says the survey can be a valuable tool for regional business leaders. "The ability to look at region-specific economic trends – across multiple industries – is an invaluable resource for not only our members, but for companies throughout southeastern Wisconsin."

Vetta agrees. "We've always wanted to make sure people walked away with something meaningful to apply. It's rare to get business owners together to talk about business, and we've achieved this."

As in past years, the 2015 panel featured five business leaders representing different industries – and perspectives. See what they have to say – as well as photos from the 2015 Key Industries panel and a breakdown of key survey highlights – on the pages that follow.



Key Industries Highlights

ON DECEMBER 11, 2015, over 400 business leaders gathered at the Country Springs Hotel in Pewaukee for a morning of valuable business insights for the coming year. The event included a keynote address by Governor Scott Walker, a panel discussion of distinguished business leaders on their predictions for our region in 2016 and the unveiling of the seventh annual First Business Economic Survey for the Greater Milwaukee Region.

Conducted by a third party and underwritten by First Business Bank, the survey polls 100 regional executives on their predictions for their own companies in the coming year, and compares aggregated data year-over-year. Copies of the survey can be downloaded at www.firstbusiness.com/survey.

Read on for highlights from the panelists, an overview of the survey and a glimpse at Irgens' Corridor Project, opening in Brookfield in 2016.



JIM ZAISER

PRESIDENT, HYDRO-THERMAL CORPORATION

"Manufacturing in Wisconsin is about people working together."

A recent report shows that for the second time since 2009, US manufacturing factories registered a contraction in the marketplace and 27 percent of CEOs intended to shrink capital outlays. There are a lot of factors that influence that – slow growth in China, mediocre capital spending in the US, a strong US dollar and low oil prices. It's great for gas prices at the pump, but a lot of manufacturing in the area supports that industry. Our response is that the dollar situation has decreased our export business by 40-percent from last year, but now we've seen a huge comeback in the last two months. And it creates other opportunities, for example, in the ethanol industry. Manufacturing may be softening, but anything is better than in 2008 when I became president of Hydro-Thermal.



TIM HANLEY

GLOBAL LEADER, CONSUMER & INDUSTRIAL PRODUCTS, DELOITTE

"Everyone seems to be keeping a sharp eye on costs, and to be increasingly cautious on spending."

The 2015 First Business Economic Survey findings appear to be slightly more optimistic than the views I am hearing expressed from client senior executives I am meeting both locally and throughout the US.

For example, the First Business Economic Survey revealed that 70 percent of respondents expect performance to improve further in 2016. When Deloitte Global surveyed CFOs in North America recently, many remain buoyed by the strength of the North American economy but have voiced strong concerns about how slowing Chinese growth could hit home. They remain committed to growth agendas, but are finding growth to be an increasing challenge, particularly for those that rely on markets outside the US. Everyone seems to be keeping a sharp an eye on costs, and to be increasingly cautious on spending.



BRAD ZEPECKI
MANAGING PARTNER, SAFENET CONSULTING, INC.

“Building a pool of strong local technologists will be key.”

Given that our economic outlook continues to be positive and the importance of technology and talent to growth, building a pool of strong local technologists will be key. In the short term, one of the biggest challenges companies face is the hiring and retention of highly qualified technical people.

For continued success, we need to start at the K-12 education levels and instill in our kids that, believe it or not, a technology career is cool, exciting and makes a major impact on everyday life and business. Additionally, business investment – in education, training, hiring and retention and the myriad of enterprise technology choices available – will ultimately be the driver that take businesses to the next level.



GREG MARCUS
CEO, MARCUS CORPORATION

“Due to the lack of investment in convention facilities, our community is falling behind the country.”

Overall I think the tone of the survey reflects what we are seeing in the community. Unfortunately, due to the idiosyncrasies of our businesses – rooted in hospitality and entertainment as they are – it is a little tough to give an exact read.

While the hotel business is the more economically sensitive of our two businesses, the potential impact of strengthening demand for hotel rooms is being muted by an influx of heavily-subsidized supply. Further, our booking windows are relatively short (within 90 days, generally) which further inhibits our ability to predict outcomes into the future. The only long-term indicator in the hotel business for us is convention business, and unfortunately for Marcus Corporation and others, due to the lack of investment in convention facilities, our community is falling behind the country. As for the theatres, it is really all product-dependent. If the movies are great, people show up. If they're not, in the words of Yogi Berra, “If they ain't going to come, no one can stop them.”



JACLYNN WALSH
PRESIDENT/COO, IRGENS

“The Greater Milwaukee Area real estate market is strong.”

The Greater Milwaukee Area real estate market is strong, and the First Business Economic Survey echoes what we have experienced firsthand in the marketplace. As companies continue to hire to meet business demands, we are seeing their physical plant expand, along with longer-term commitments. This, combined with other positive economic indicators, has resulted in an overall increase in real estate investment.



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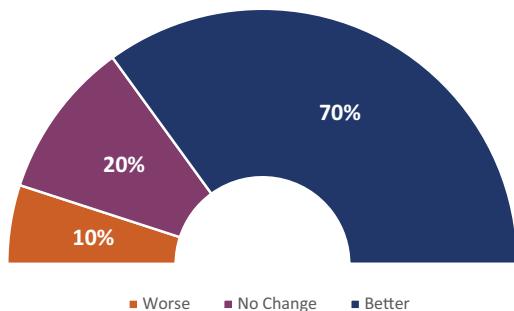
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First Business ECONOMIC SURVEY 2015 Results

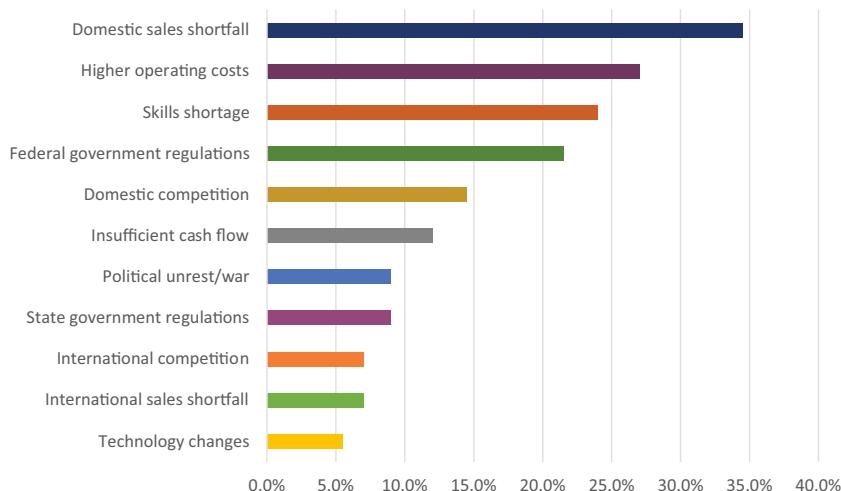
Executive SUMMARY

- Record-tying positive performance on sales and strong performance on profitability
- 48% of businesses reporting an increase in Operating Cost as a Percentage of Revenue
- Capital expenditures were the same or higher for 81% of respondents (a further 26% expect an increase in 2016)
- Further increases in sales and profits expected, and those expecting decreased sales and profits are at historic low levels
- Hiring and wages both expected to be strong
- The outlook for 2016 is strongly optimistic, with 70% of companies expecting improved performance over 2015

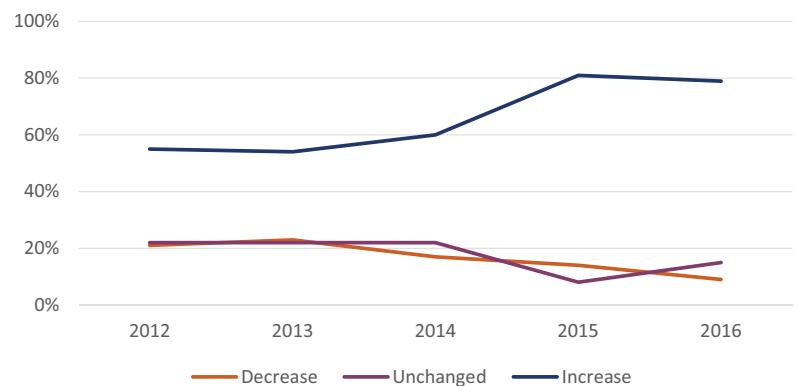
Will you perform better or worse overall in 2016 compared to 2015?



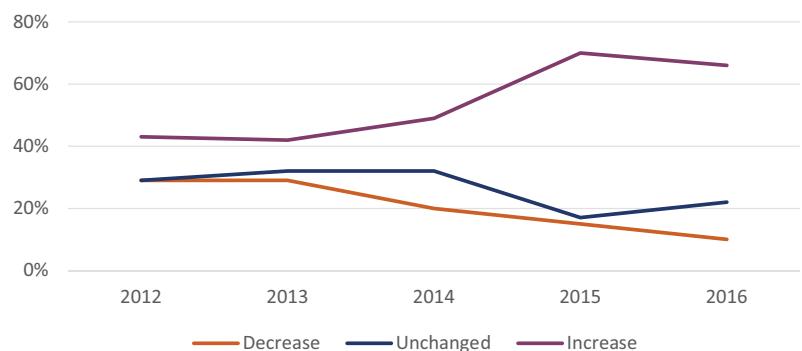
Factors Leading to Worse Performance



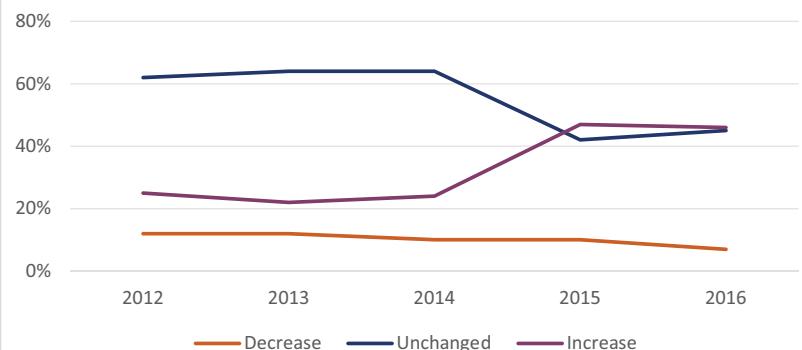
Sales Revenue - Projected



Profitability - Projected



Number of Employees - Projected



FULL SURVEY
Available

Get your free copy of the full report including industry specific data at firstbusiness.com/survey

