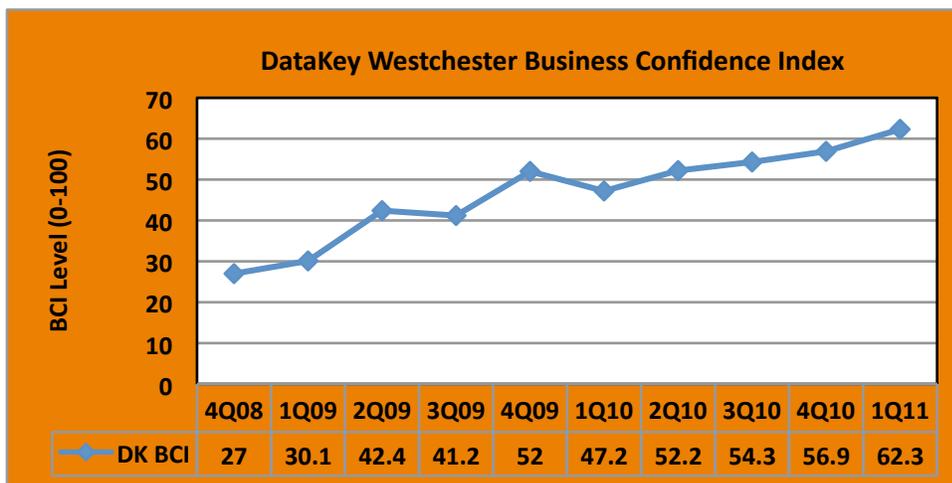


# DataKey Westchester Business Confidence Index

The Business Council of Westchester in partnership with DataKey Consulting, LLC each quarter survey local Westchester businesses to gauge business confidence.

The DataKey Business Confidence Index focuses on key business metrics, such as trends in staffing levels, top line revenues, bottom line profits, capital spending budgets, and other industry performance data. Critical data was captured and analyzed against comparison points of one quarter and one year ago.

The DataKey Westchester Business Confidence Index for 1Q 2011 scored a 62.3 (scale of 1 to 100).



*The 1Q 2011 DataKey Business Confidence Index reading is 62.3; it represents the fourth consecutive highest recorded level since the inception of the index, and is the first time the confidence level has eclipsed 60.*

(Note: a score of 50 means an equal number of businesses are optimistic about the future as are pessimistic)

**Key Takeaways** The DataKey Business Confidence index rose 5.4 points to a 10 quarter high water mark of 62.3%, which is a 10% increase over last quarter. There has been, and continues to be a general upward trend in this Business Confidence Index.

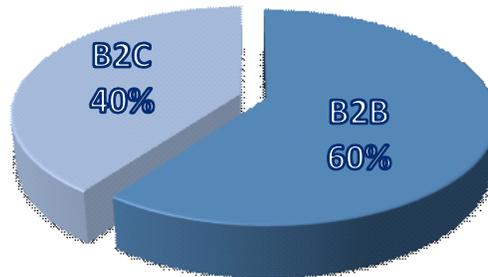
Nationally, the private sector added 222,000 jobs in February, and the unemployment rate fell to 8.9% nationally. The Westchester cautious signals of business optimism align to the general signs pointing to the possibility that companies are feeling a bit more confident in the economy and their own financial strength.

Businesses are quick to point out, that there remains a long required improvement trail ahead.

**For more information, please contact DataKey Consulting at 914-945-8808**

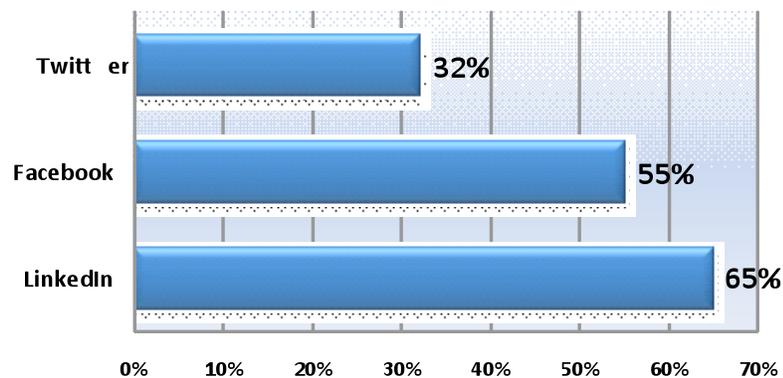


**Q1. Is your company primarily B2B (Business to Business) or B2C (Business to Consumer)?**



**Q2. Please indicate which social media sites you use for business:**

**Business Use - All Respondents**



- LinkedIn – 73% of B2B respondents, 54% of B2C respondents
- Facebook – 44% of B2B respondents, 73% of B2C respondents
- Twitter – 26% of B2B respondents, 41% of B2C respondents
- Only 2% of respondents indicate that they utilize “other” social media sites
  - 100% of these respondents use Constant Contact

### Q3. Please indicate which social media sites you have a personal account on:

- LinkedIn – 93% of business users also have a personal account
- Facebook – 88% of business users also have a personal account
- Twitter – 55% of business users also have a personal account

### Q4. Are the number of new job openings (not counting replacements) at your company less, the same or more compared to last quarter?

- 30% of companies responding to the survey have more job openings compared to last quarter
  - A 50% increase over the 4Q 2010 figure of 20%
- 60% of companies have the same number of job openings
  - Same result as the 4Q 2010 figure
  - 10% have fewer job openings than last quarter
    - 41% decrease over 4Q 2010 respondents that indicated less hiring

**Key takeaway/s** – The unemployment rate has now fallen almost a full percentage point in just three months — the sharpest drop in a generation. Nationally, hiring came from various industry segments, factories, trucking companies, health-care providers, construction firms, hotels and restaurants all added jobs. Although the **Westchester unemployment rate** remains around 7%, **the number is expected to fall** should Westchester businesses follow the survey respondents' planned hiring trends.

### Q5. Is your capital spending budget for the next 6 months lower, the same, or higher compared to 3 months ago and 1 year ago?

- 79% of responding companies plan to lower, or keep their capital spending budget the same, compared to 3 months ago
  - 30% increase when compared to 4Q 2010
- 66% say they plan to lower, or keep their capital spending budget the same, compared to 1 year ago
  - 30% plan to increase spending compared to 1 year ago
  - 17% plan to increase their capital spending budget the same, compared to 3 months ago

The owner of a small, design services company believes:

- “It seems to me, at least in my field, that businesses are starting to spend more money again. They are understanding the importance of keeping their online image fresh and relevant. If the competitors are doing it, they really have no choice if they wish to compete for that potential business . I have a positive outlook for 2011.”

Meanwhile, the owner of a small marketing company with revenue > \$500k says:

- “I feel that businesses are realizing that they need to market and communicate and that they need to hire professionals. The "Do it ourselves" attitude is definitely decreasing. Businesses are realizing they don't have the time or expertise.”

**Key takeaway/s** – Westchester business owners who conserved cash for much of 2010, began to spend more towards the end of the year. Although that spending may be leveling off, **indications are that spending will outpace levels of 1 year ago.**

### **Q6. What is your expected percent change in revenue for your company over the next 6 months compared to 3 months ago and 1 year ago?**

- 73% of company respondents anticipate static or increasing revenue over the next 6 months compared to 3 months ago
  - Slightly lower than the 75% from 4Q 2010
  - 50% expect increasing revenue compared to 3 months ago
  - 62% expect increasing revenue compared to 1 year ago

An owner of a business consulting firm remarks:

- “We definitely see business picking up. Companies that have survived the last several years are really starting to invest again - our professional services business is clearly on the rise in a significant way.”

**Key takeaway/s** – Business owners and leaders are increasingly confident about revenues with **20% more of the surveyed respondents expecting an increase** in revenues compared to 1 year ago (50% vs. 62%)

### **Q7. What is your expected change in profit over the next 6 months compared to the projections 1 quarter ago?**

Revenue projections, well managed budgets and business expenses, continue to have a positive impact on Westchester business profitability.

- 80% of companies respondents anticipate the same, or more profit, over the next 6 months compared to 1 quarter ago
  - In line with 2Q and 3Q 2010 outlooks
  - 50% expect increasing profit, 30% expect static profit

**Key takeaway/s** - Revenue outlook, company budgets and expense management are still keeping **profits steady**. Given the recent spike in oil futures, it appears that businesses are making the necessary adjustments to stay on par. The leveling off of capital expenditures should assist business in maintaining profits despite increases to commodity prices, as long as there isn't a major shock to the system.

An executive at a large manufacturing company with revenues in excess of \$100MM believes:

- "Escalating commodity costs are causing an inflationary spiral."

### Q8. What is your expected change in the performance of your industry over the next 6 months compared to 3 months ago?

- 81% of companies say they expect the performance of their industry to remain the same, or increase, over the next 6 months compared to 3 months ago
  - Almost identical to 3Q and 4Q 2010, and a 5% increase over those surveyed in 2Q 2010
- 10% of respondents expect their industry's performance to fall compared to 3 months ago
  - A 50% decrease when compared to 4Q 2010, however the number of respondents that "Don't Know" has doubled from 5% to 10%

A mid-level manager at an events rental company believes:

- "Our industry is based mostly on consumer spending for social and personal events. It rises and falls with the amount [sic] of disposable income of families.

**Key takeaway/s** – 81% of respondent companies foresee an **increase**, or **no change**, in their **industry performance**. Although this has remained fairly constant since 3Q 2010, it is possible that respondents are unsure of how recent world events, and their corresponding effects, will impact their industry on a macro level. The number of respondents that "Don't Know" how their industry will perform over the next 6 months has doubled since last quarter.

### Q9. Has your confidence in your business declined, stayed the same or improved compared to 3 months ago and 1 year ago?

- 47% report increased confidence in their business compared to 3 months ago, and 57% report increased confidence compared to 1 year ago
  - 24% increase in confidence compared to last quarter
  - 9% report decreased confidence compared to 3 months ago

**Key takeaway/s** – Responding company confidence has increased over the last 3 months. Over 90% of respondents are just as, or more confident, than they were last quarter. This increase in confidence is important when it comes to hiring decisions, and is perhaps a portion of the reason why respondents indicated more new job openings earlier in the survey.

### Q10. How do you expect Westchester County's economic condition to fair relative to other NY, NJ and CT state counties over the next 6 months compared to 3 months ago and 1 year ago?

Half of all respondents feel that there will be no change to Westchester's economic condition relative to the rest of the tri-state area over the next 6 months.

- 12% of respondent companies anticipate a decline when *compared to 3 months ago*, versus 23% who expect a better economic condition
  - 18% expected a decline, and 22% expected a better economic condition when surveyed in 4Q 2010
  - 33% decline in the number of respondents that anticipate a decline compared to 3 months ago
- 11% anticipate a decline when *compared to 1 year ago*, versus 30% who expect a better economic condition
  - 22% expected a decline, and 30% expected a better economic condition when surveyed in 4Q 2010
  - 50% decrease in the number of respondents that foresee a decline compared to 1 year ago

**Key takeaway/s** – While the number of respondents that anticipate a better economic condition relative to their neighbors stayed constant since last quarter, the number of respondents that expect a decline fell sharply. Westchester is holding steady, but that does not tell the whole story since many respondents do not believe that the county and/or state were in a great position to begin with.

The owner of a professional services company remarks:

- “Young talent are [sic] discouraged, frustrated and leaving NY in droves due to the high costs to stay.”

The owner of a small financial services firm states:

- “The tax mess MUST be figured out. Rob Astorino and the Board MUST figure out how to work together.”

## An Economic Synopsis

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30-year bond yields, as of the February 10, 2011 bond sale, were the highest in the last 10 months and the number of bids placed was less than the average for the past 10 auctions. Additionally, demand in the category of bidders that includes foreign central banks, was at its lowest point since May 2007. The market is turning away from U.S. Treasuries and targeting more investment for riskier assets that make up part of the growing recovery. Going forward, businesses and investors will look to economic reports for further confirmation that the recovery is gaining momentum before turning away further.

Recently released Economic data by The U.S. Department of Commerce and the U.S. Labor Department suggests that the recovery may be gaining steam. The January 28, 2011 Commerce Department release pointed to a 4Q 2010 Real GDP increase of .6%, and ended 2010 at an annual rate of 3.2%.

Meanwhile, the Labor Department reported initial claims for unemployment insurance fell to the lowest since July 2008 in the week ended February 4, 2011. (Locally, the last reported non-seasonally adjusted unemployment rate in Westchester County measured 6.9% as of December 2010, compared to 9.1% nationally at the same time).

On February 9, 2011 the Fed Chairman, Ben Bernanke told the House Budget Committee that the unemployment rate is likely to remain high “for some time,” although, the Fed’s debt buying plan intends to purchase ~ \$97 billion of Treasuries through March 9, 2011. The previous Fed purchase was larger (\$112 billion); another indication of recovery and increased appetite for risk among personal and institutional investors.

# Hall of Fame Summary

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## Q1. In which category were you a Hall of Fame winner?

Category	Response %
Corporate Citizenship	17.6%
Entrepreneurial Success	11.8%
Family Business Success	11.8%
Small Business Success	17.5%
Women in Business Success	41.2%

## Q2. What are the 3 best business decisions your company has made? Please explain.

While the responses were varied in their specifics, there were 4 common themes across the board; strategy, leadership, networking.

- **63% cited strategy** as the top best business decision made by their company. This investment and confidence in vision propels these companies to greatness.
  - A Corporate Citizenship winner states that the best thing her company did was, “Right sizing our asset portfolio to enable growth.”
- **Leadership:** According to a Woman in Business winner, her decision to “To stick to our core competencies and not be all things to all people” was the best business decision she could have made.
- **Networking:** An Entrepreneurial Success winner reflects on his best decision, “Engaging in the Westchester community, specifically in the Business Council of Westchester. “

## 3. Reflecting on your business, what, if anything, would you have done differently? Please explain.

Hall of Famers were candid with regard to their missteps.

A Hall of Famer who won for Entrepreneurial Success believed he should have, “Hired an experienced CEO from the start.”

One Corporate Citizenship winner declared, “Develop a more comprehensive marketing strategy.”

And a Women in Business winner reflected by stating, “Early on, I would have hired professionals (like accountants and bookkeepers) instead of trying to do so much ourselves. For small business owners, taking on too much outside your expertise causes too much stress. You think you can't afford to hire the pro, but really you can't afford NOT to fire.

#### **4. How well do you think your company does each of the following? Strategy Planning, Goal Setting/Monitoring, Financial Management, Product/Service Innovation, Strategic Partnership, Business Process Excellence, Company Culture and Continuous Learning.**

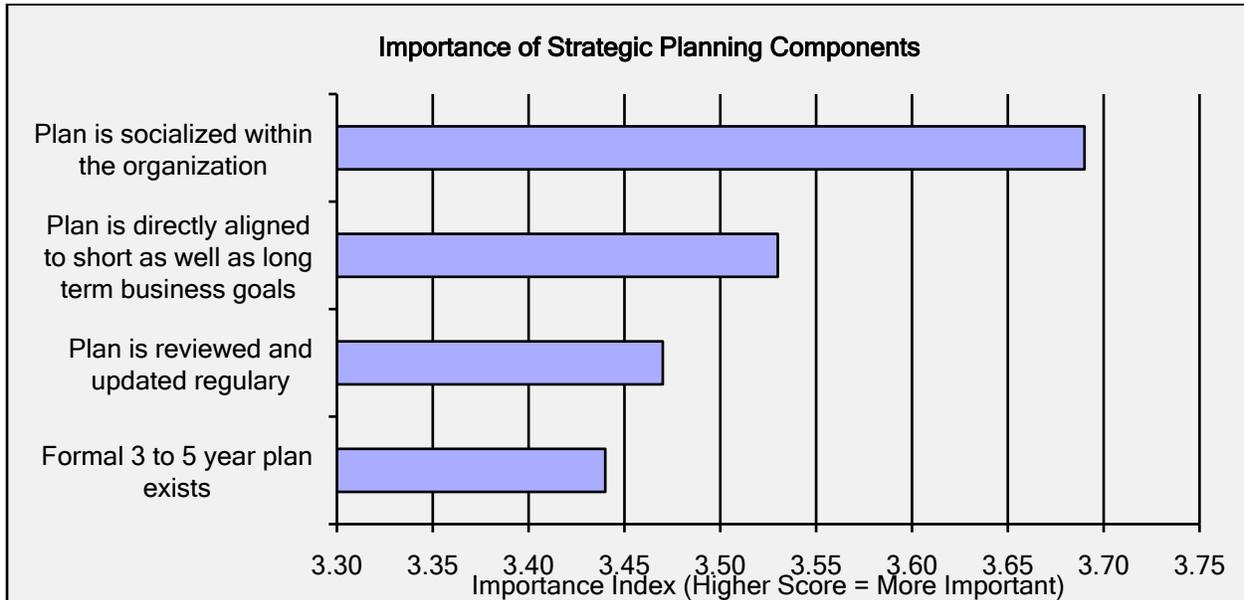
An overwhelming 77% of respondents believe that their company does “product/service innovation” very well with “company culture” and “strategic partnerships” trailing closely at 75% and 71% respectively.

Goal setting was cited as something 59% of Hall of Famers felt their companies did “well.”

Surprisingly, strategic planning often seen as a critical component for success scored low marks with 35% of respondents concluding that their companies do strategy planning only somewhat well or not at all well, leaving us room for even more dramatic growth opportunities.

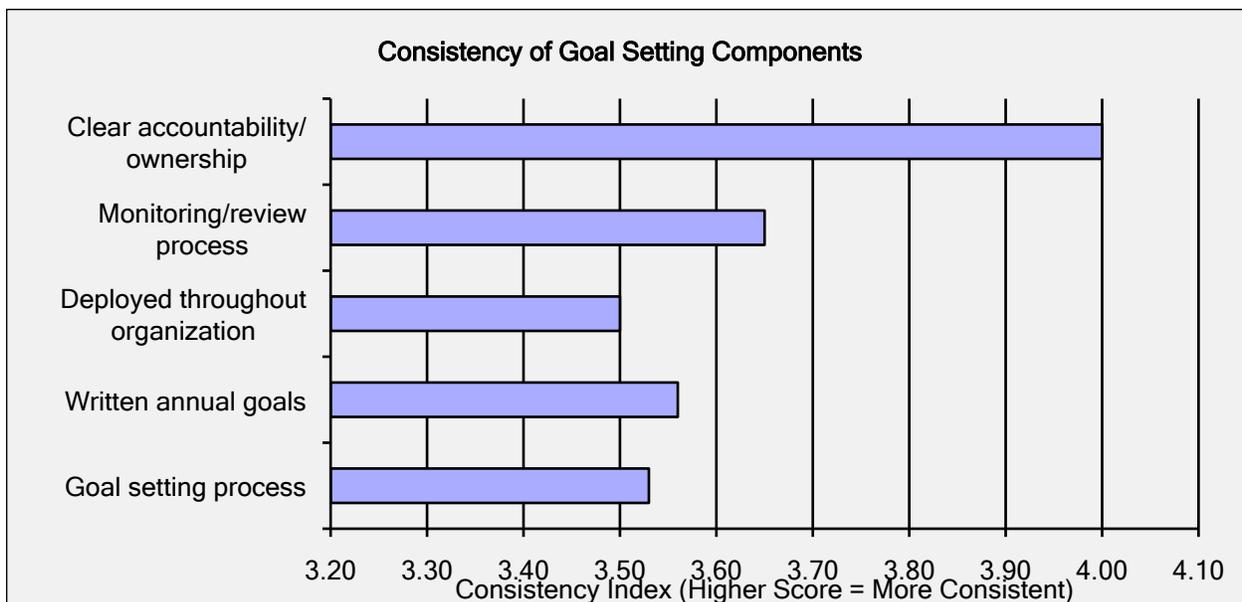
#### **Q5. How important are the components of strategic planning to the overall success of your company?**

When it comes to strategic planning, all components were rated “Extremely Important” most often (35.3% of responses). However, when considering the average score as revealed by the Importance Index, it's clear that BCW Hall of Famers rate internal communication and socialization of plans as the most important factor for the company's success by a significant margin.



## Q6. How consistently does your company implement the components of goal setting?

In general, BCW Hall of Famers rated their companies well in the ability to consistently support all the components of goal setting, as all of the components received a majority of responses (ranging from 29.4% to 41.7%) in the “Consistently” or “Very Consistently” categories. Upon considering the average scores as revealed by the Consistency Index, clear accountability and ownership rated highest while deployment of the goal setting components throughout the entire organization received the lowest score.

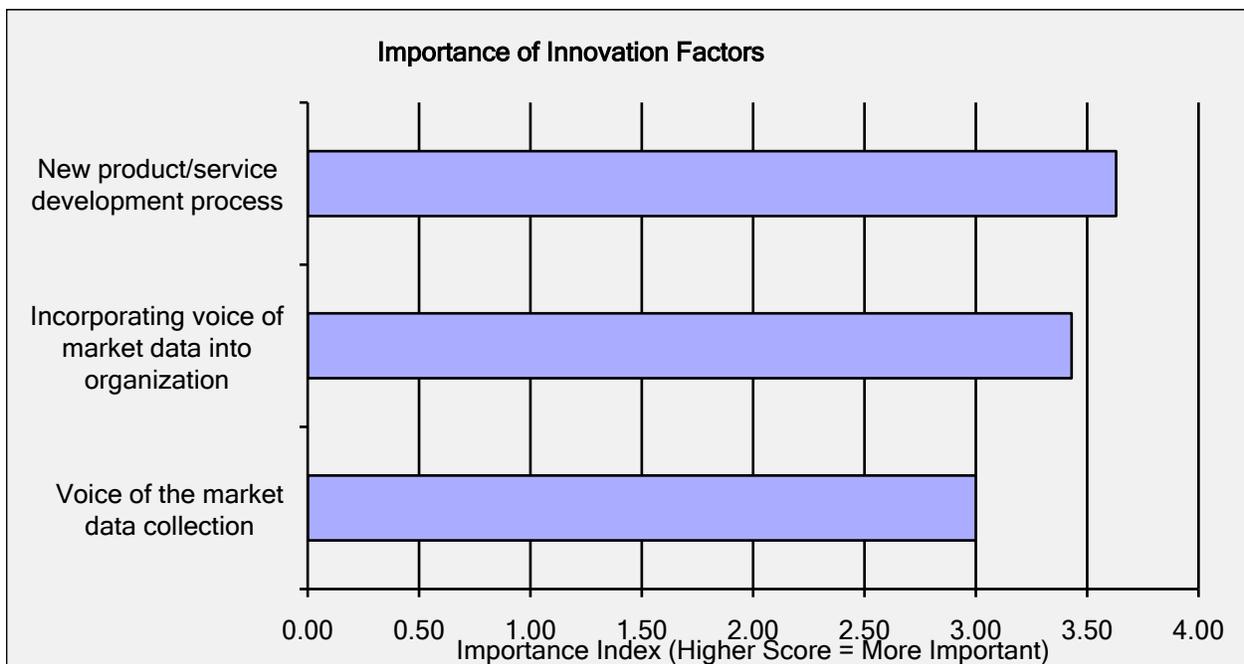


**Q7. Would you agree that the following financial management practices are critical to your company's success?**

The majority of respondents indicated that they “Strongly Agree” that dashboard reporting, cash flow analysis, and banking relationships are critical to their company’s success (47.1%, 64.7%, and 64.7%, respectively).

**Q8. How important of a role do the following product/service innovation factors play in your company's achievements?**

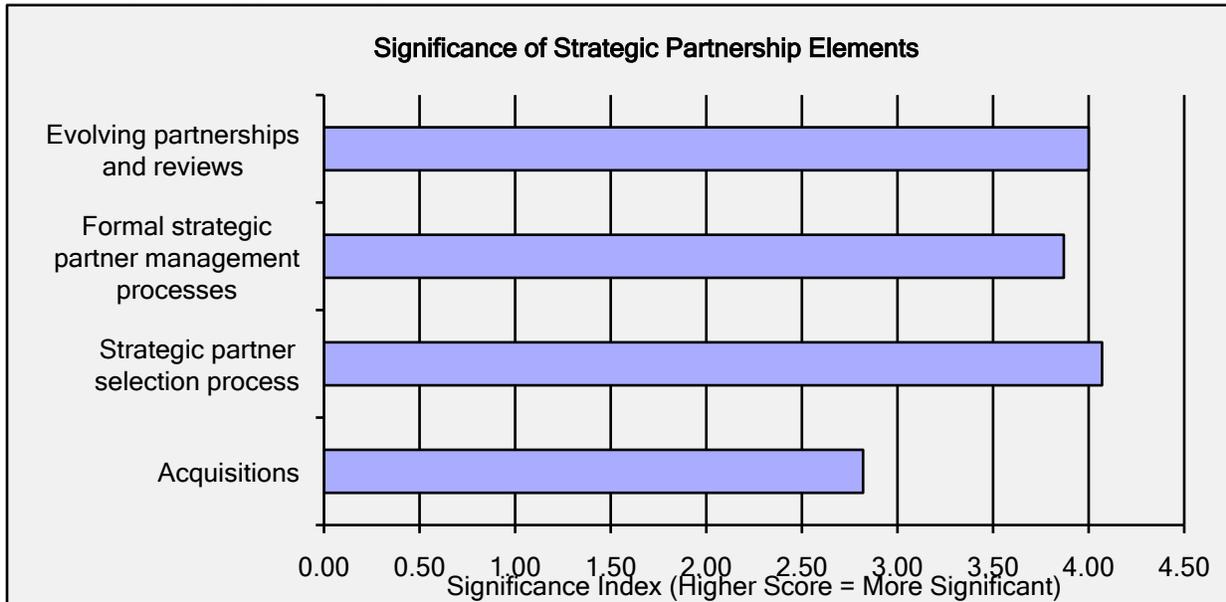
All innovation factors ranked high, with the majority of responses falling into the “Very Important” category. The Importance Index reveals that new product/service development process received a slightly higher average score than other factors.



**Q9. How significant have the following elements of strategic partnership been to your company's accomplishments?**

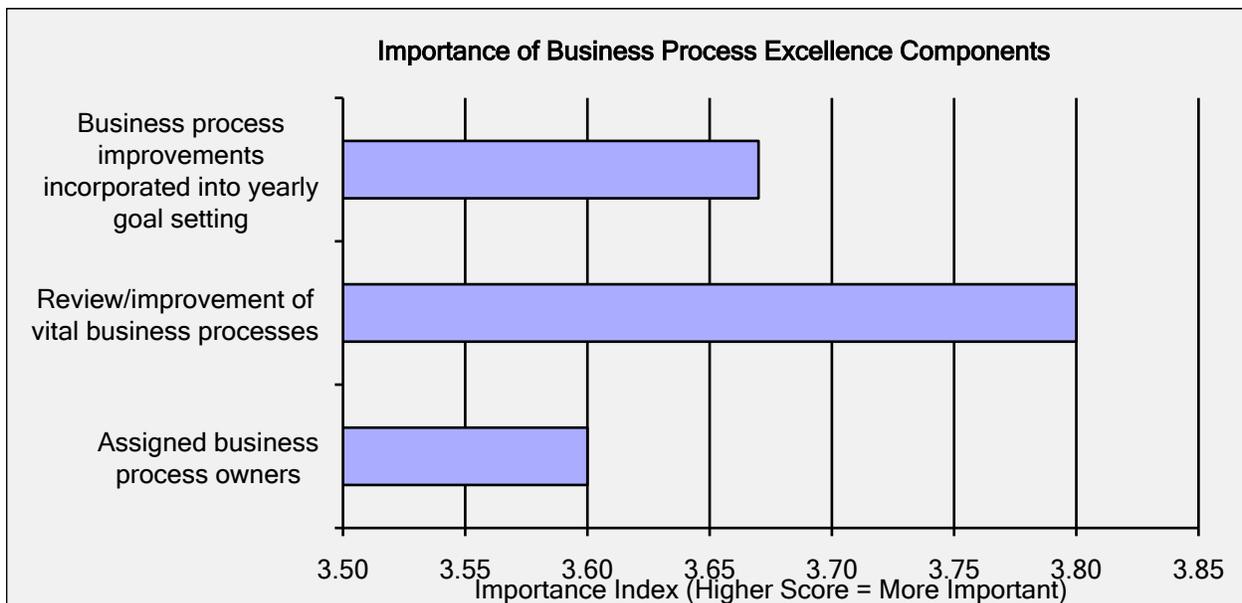
Strategic partner selection process, formal strategic partner management processes and evolving partnerships and reviews all ranked as “Very Significant” with majority responses of 58.8%, 47.1%, and 47.1%, respectively. Acquisitions were not applicable for the majority (35.3%) of companies. The Significance Index supports that strategic partner selection process is the most important factor, closely

followed by evolving partnerships and reviews.



**Q10. With respect to your company's success, how important are the business process excellence components listed below?**

While all components received majority responses in the “Very Important” category, review and improvement of vital business processes was revealed as the most important component when considering the average scores as revealed by the Importance Index.

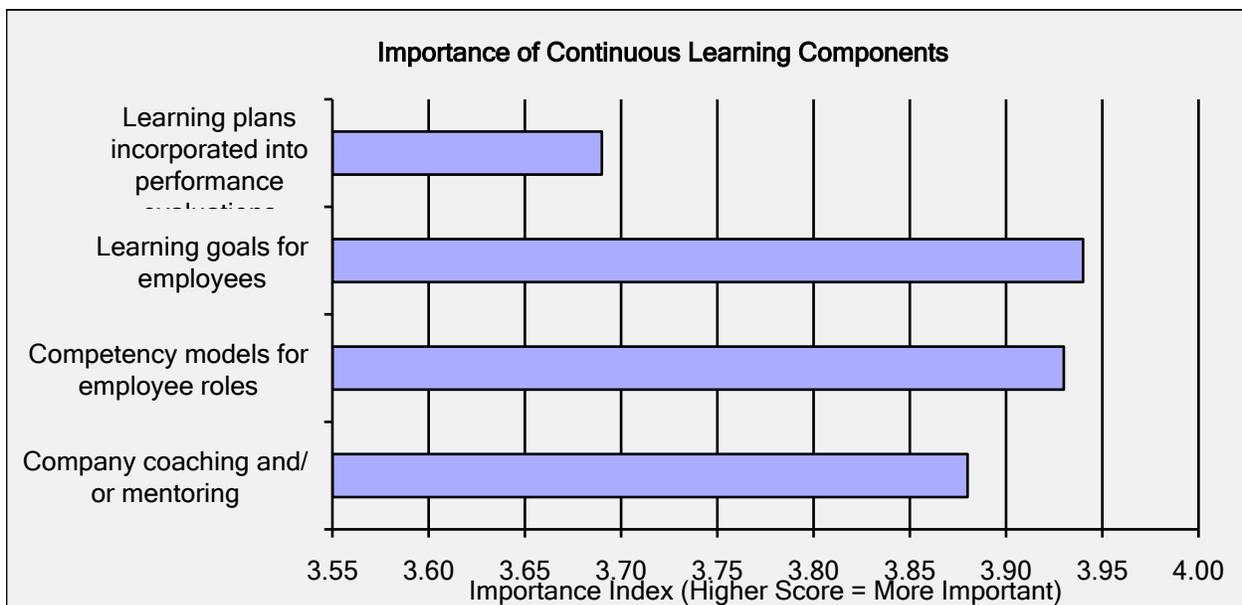


### Q11. Which of the following characteristics of your company's culture would you agree with?

Company culture management is thriving according to BCW Hall of Famers, who reported that they “Strongly Agree” that their company’s culture is highly regarded within the organization (58.8%) and was created by design (47.1%), and also “Agree” that their company’s culture is socialized within the organization (52.9%), aligns with overall strategy and business goals (52.9%), and is deployed, reviewed and monitored on a regular basis (47.1%).

### Q12. How important are the following continuous learning components to the success of your company?

BCW Hall of Famers report that continuous learning is an important investment at their companies, with the majority of respondents rating company coaching/mentoring (41.2%) and competency models for employees roles (35.3%) as “Very Important” and learning goals for employees (52.9%) and learning plans incorporated into performance evaluations (35.3%) as “Important.” The Importance Index reveals that learning goals for employees received the highest average score, closely followed by competency models for employee roles.



### **13. Please add anything else that you feel has been instrumental in making your company a success.**

A Hall of Fame winner in the Entrepreneurial Success category summed it up best by stating ...”A focused commitment to excellence.”

“Integrity of the Executive team trickles down throughout your organization, always remember that.”

“The importance of focusing on Product Excellence and Innovation.”

## 14. What advice would you give to aspiring Hall of Fame professionals?

Hall of Famers had sound and inspirational advice for aspiring winners.

“Follow your heart and be capitalized”

“Businesses of all sizes must wear three hats: technician, manager, and entrepreneur. All areas are equally important.”

“Constantly seek to improve.”

“Integrity as a guiding principle to client, vendors and associates.”

“For small business, I would say refrain from giving your services away for less than they are worth. You may have to eat peanut butter for a while early on, but people do think they get what they pay for - don't short-sell yourself.”

“Recognize and reward your top employees”

“Leaving Nothing to chance and seize your dreams”

“View every opportunity to be extraordinary!”

“Follow your passion!”

“Work smart, plan well, develop a great team, know your competition, work with integrity”