

# Initiative for a Competitive Milwaukee

## Manufacturing Survey Results

### *Executive Summary*

*September 2003*



**ICM** Initiative for a Competitive Milwaukee



**ICIC** Initiative for a Competitive Inner City

## **The Milwaukee-ICIC Partnership conducted a survey of Milwaukee manufacturers.**

### **Primary Objective**

- Quantify the successful manufacturers in the four county region and identify their characteristics.

### **Secondary Objectives**

- Identify inner city related issues.
- Utilize survey findings to develop preliminary recommendations that can increase the competitiveness of the Milwaukee manufacturing environment.

### **Survey Specifics**

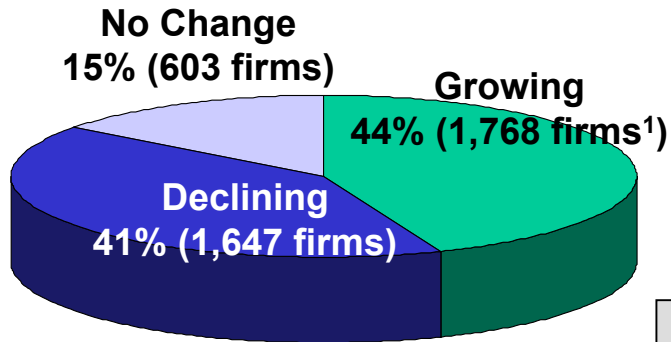
- 370 manufacturers responded to the survey.
- Survey results have a 95% confidence interval within +/- 4.8%. This means that if the survey was conducted an infinite number of times, there is a 95 percent probability that the results will be within 4.8 percentage points of reality each time.
- The survey was administered in a manner that reflects the universe of manufacturers in the Milwaukee four county area and has been reviewed by Don Heinz, a consultant and adjunct professor in statistics at Marquette University.

**44% of Milwaukee manufacturers experienced revenue growth and 33% increased the number of employees in the last three years.**

**REVENUE GROWTH**

**(Q4)** What is the company's annual sales for the most recent fiscal year?

**(Q5)** What was the company's annual sales three (3) years ago?



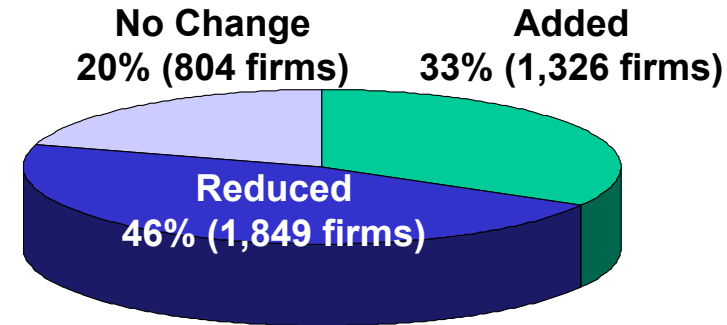
257 respondents  
(weighted)

Average Revenue CAGR for Manufacturing Firms	
All Firms	2.2%
Growing	12.5%
Declining	-8.1%

**EMPLOYMENT GROWTH**

**(Q34)** What is the company's current employment

**(Q35)** What was the company's employment three (3) years ago?



320 respondents  
(weighted)

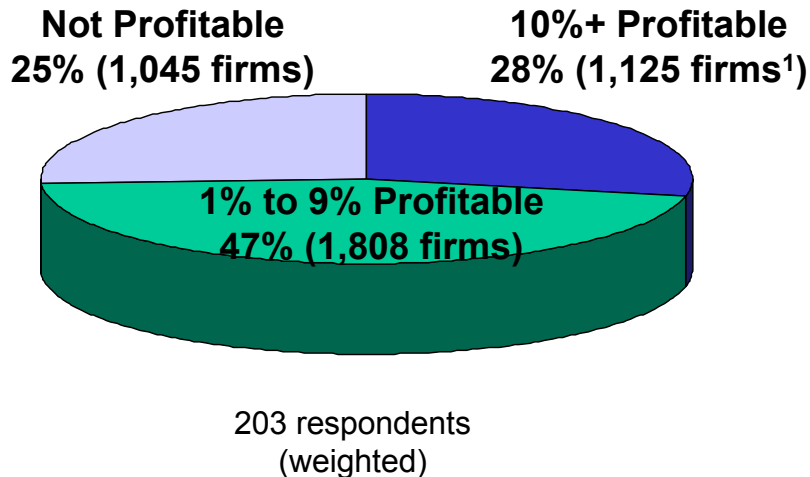
**61% of growing (revenue) companies also increased employment. (Q34-35)**

<sup>1</sup>Projected number of growing firms based on the universe of over 4,000 manufacturers in the Milwaukee four county area.  
Source: Milwaukee-ICIC Manufacturing Survey, 2003. ICIC Analysis

**75% of manufacturers are profitable and 44% of manufacturers grew in profitability over the past three years.**

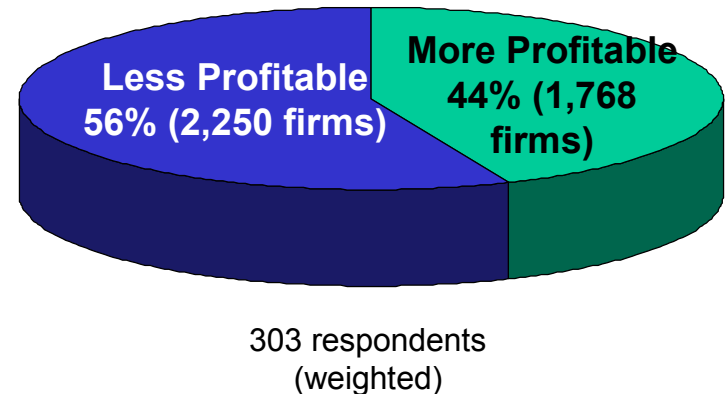
## PROFITABILITY

**(Q8)** What is the company's after tax income as a percentage of sales (Profitability)?



## GROWING IN PROFITABILITY

**(Q9)** Is the company more or less profitable than it was three years ago?



**66% of growing (revenues) companies are more profitable over the last three years. (Q9)**

<sup>1</sup> Projected number of firms that have profitability of 10% or higher based on universe of over 4,000 manufacturers in the Milwaukee four county area. Source: Milwaukee-ICIC Manufacturing Survey, 2003. ICIC Analysis

# A majority of manufacturers expect to grow and remain at their current business location.

## STABILITY

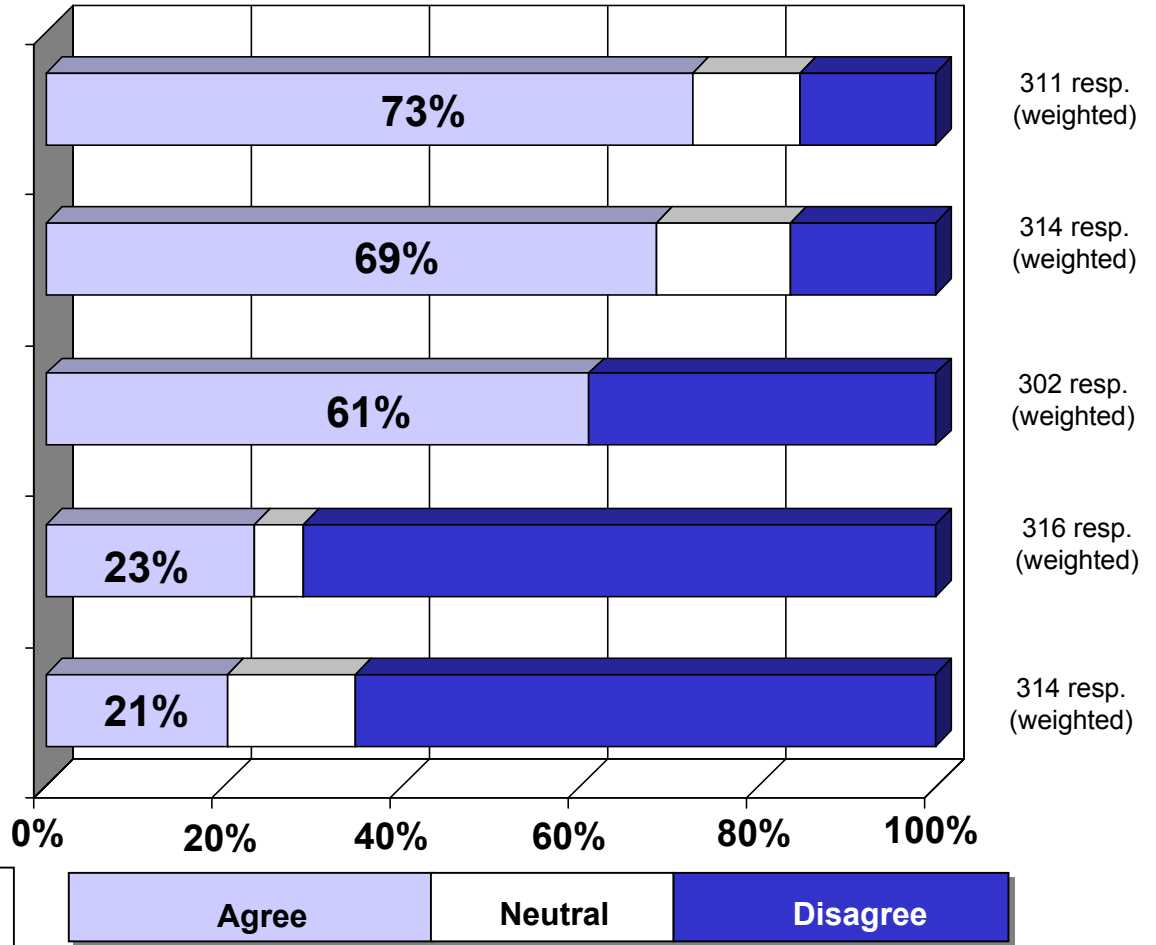
**(Q52)** We are confident we will be at this location in 5 years.

**(Q13)** We are confident we will still be supplying our largest customer in 3 years.

**(Q41)** Do you expect to have more employees in the Milwaukee area in 3 years time?<sup>1</sup>

**(Q61)** We have considered moving our business, or a portion of it, to a foreign country.

**(Q51)** We are interested in conducting a plant expansion in the next two years.

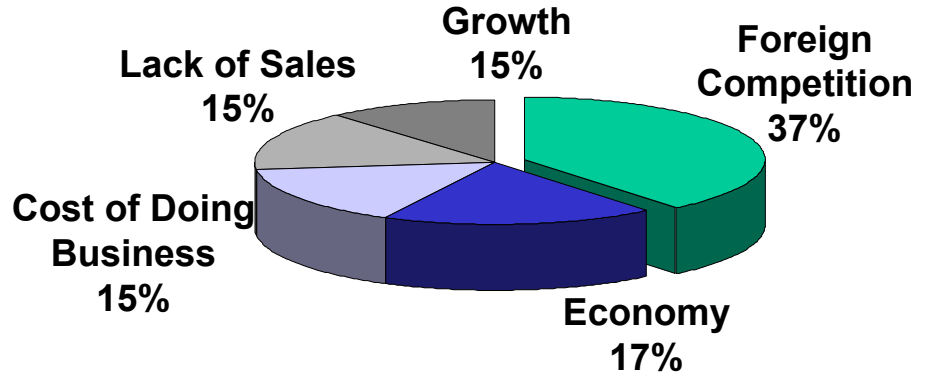
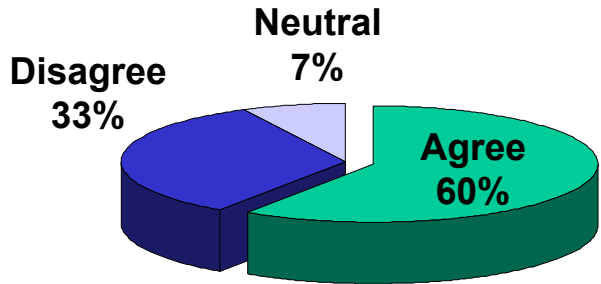


**There was no significant difference between Inner City, Rest of City, and MSA respondents in answering the above questions.**

<sup>1</sup>Question 41 was presented as a Yes/No question.  
Source: Milwaukee-ICIC Manufacturing Survey, 2003. ICIC Analysis

# The Milwaukee manufacturing sector is affected by foreign competition.

**(Q62)** What is the top business concern facing your company



**(Q21)** Our company is increasingly – negatively – affected by low-cost foreign competition.

However, many respondents state that they are not shifting their business, part of their business, or their purchasing overseas.

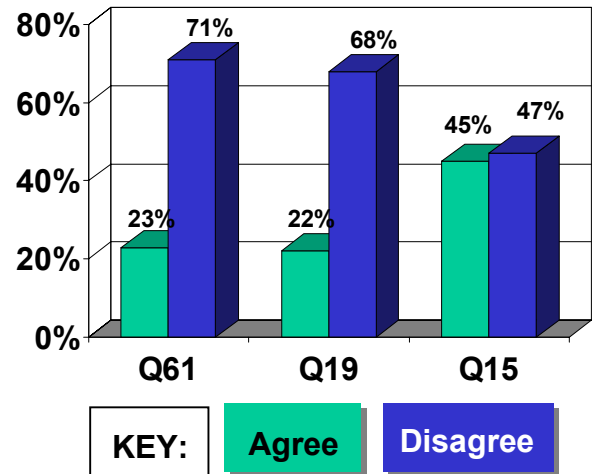
**(Q61)** We have considered moving our business, or a portion of it, to a foreign country

---

**(Q19)** Our Company has shifted more of our purchasing expenditures from local suppliers to lower cost foreign manufacturers.

---

**(Q15)** Our Largest Customer is increasingly purchasing more from foreign suppliers



The survey shows that successful manufacturers have identifiable, common characteristics.

### Measures of Success

Characteristics of Success	Revenue		Profitability		More/Less Profitability		Plant Exp. in 2 years		Supply Lrgst Cust. in 3 yrs		At Location in 5 yrs		More Emp in 3 yrs	
	Grow	Dec.	Prof.	Not Prof.	More	Less	Agr.	Dis.	Agr.	Dis.	Agr.	Dis.	Yes	No
Price premium			43%	12%	49%	33%			46%	24%	46%	19%	48%	26%
Proprietary products	56% <sup>1</sup>	40%					69%	49%	57%	33%				
More high-end products									72%	52%	75%	41%		
Proprietary processes					58%	39%	62%	43%	55%	16%	56%	19%	52%	40%
Installation services			38%	19%										
More work-force training	72%	55%			71%	55%					68%	41%		

#### Note on non-correlating Characteristics

The survey was designed to test 11 proposed characteristics of success. Five of these characteristics did not exhibit statistically significant correlations to the above measures of success. These five non-correlated characteristics are: Product design, development, and/or testing services; After-sales customer service; Quality assurance and/or continuous improvement programs; Information technology investments; and Increased inventory turns over the last three years.

In addition, several characteristics correlated to negative company performance. Quality and/or CI programs correlated with non-profitability; Design, development, and/or testing services correlated with non confidence in supplying largest customer; After-sales customer service was correlated with declining growth revenues, and not keeping largest customer.

<sup>1</sup> Reads: 56% of manufacturers with growing revenues make proprietary products. 40% of manufacturers. with declining revenues make proprietary products.  
Note: Blank cells are not considered statistically significant.

## **Inner City manufacturers are just as likely as non-inner city manufacturers to exhibit characteristics of success.**

- The location (Inner City, Rest of City, Rest of MSA) of manufacturers does not influence their tendency to exhibit 5 of the 6 characteristics of success.
- Only one characteristic of success (Q24: “Manufacture proprietary products”) exhibits statistically significant differences by location.
  - The survey shows that manufacturers located in the Rest of City are more likely than Inner City and Rest of MSA firms to manufacture proprietary products.

## **Inner city manufacturers have the same expectations about their futures as non-inner city manufacturers (differences shown are not statistically significant).**

- We are confident that we will be in business at this location in 5 years.  
[Affirmative: IC - 73%, ROC - 78%, MSA - 71%] (Q52)
- We are interested in conducting a plant expansion in the next 2 years.  
[Affirmative: IC - 17%, ROC - 23%, MSA - 21%] (Q51)
- We are confident we will still be supplying Our Largest Customer in 3 years.  
[Affirmative: IC - 81%, ROC - 75%, MSA - 63%] (Q13)
- Does your company expect to have more employees in the Milwaukee four county area in next 3 years? [Affirmative: IC - 69%, ROC - 50%, MSA - 65%] (Q41)

## **Inner City firms are just as likely as non-Inner City firms to be more profitable than they were 3 years ago (differences not significant).**

[Affirmative: IC - 48%, ROC - 41%, MSA - 44%] (Q9)

**Relative to other geographic areas, the Inner City lags in technical skills of workforce, security, and land availability - but it is on par in transportation and building infrastructure.**

**Location**

	Total		Inner City		Rest of City		Rest of MSA	
	Agr.	Dis.	Agr.	Dis.	Agr.	Dis.	Agr.	Dis.
Crime in our neighborhood is a problem	<b>22%</b> <sup>1</sup>	74%	<b>58%</b>	30%	13%	80%	15%	83%
Perception of crime in neighborhood is a problem	<b>22%</b>	72%	<b>60%</b>	22%	12%	75%	15%	84%
Technical skills of labor is an advantage	<b>59%</b>	27%	<b>41%</b>	43%	52%	32%	66%	22%
Company could easily assemble land to expand	<b>63%</b>	31%	<b>54%</b>	38%	57%	40%	67%	26%

**Inner City Catch-up**

**Location Characteristics**

	Total		Inner City		Rest of City		Rest of MSA	
	Agr.	Dis.	Agr.	Dis.	Agr.	Dis.	Agr.	Dis.
Basic readiness skills of labor is an advantage	50%	30%	45%	36%	36%	41%	56%	25%
Manufacturing facilities are efficient	75%	12%	76%	5%	88%	8%	71%	15%
Access/Proximity to highways is an advantage	53%	28%	54%	24%	38%	41%	58%	24%
Transportation infrastructure is good	76%	18%	76%	19%	90%	7%	71%	22%

**No Geographic Difference**

<sup>1</sup>Reads: 22% of total manufacturers in the Milwaukee four county area agree that crime is a problem in our neighborhood.

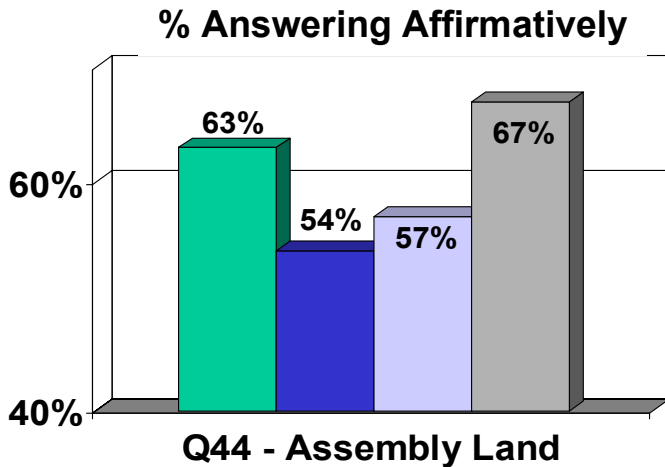
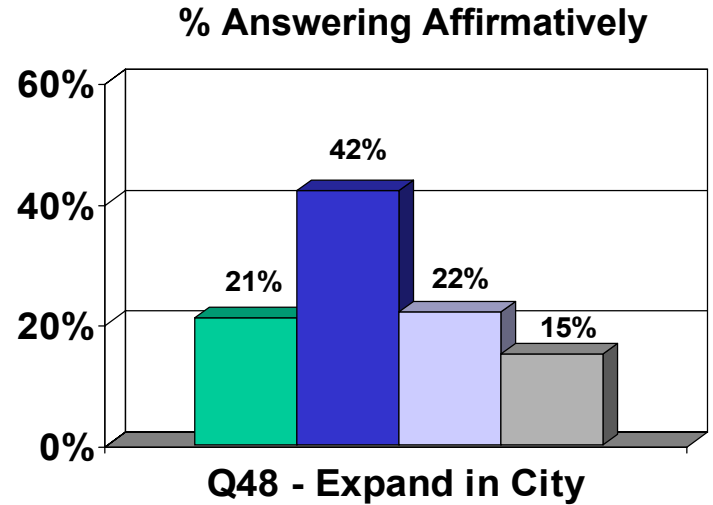
<sup>2</sup> Neutral responses to the land expansion and crime questions were excluded during statistical analysis to account for the low frequencies found in this response category.

Note: Answers pertaining to “City/town provides good outreach to our company” (Q47) and “Availability of labor is an advantage“ (Q37) are not statistically significant - which also means that they are competitive factors for the Inner City.

**Inner City manufacturers are more likely than non-inner city manufacturers to be willing to expand or move into the city; however, they are less likely to believe they could assemble the necessary land to expand.**

**(Q48)** We would expand/move our manufacturing operations in/into the City of Milwaukee.

**KEY:** ■ Total resp. ■ Inner City ■ Rest of City ■ Rest of MSA



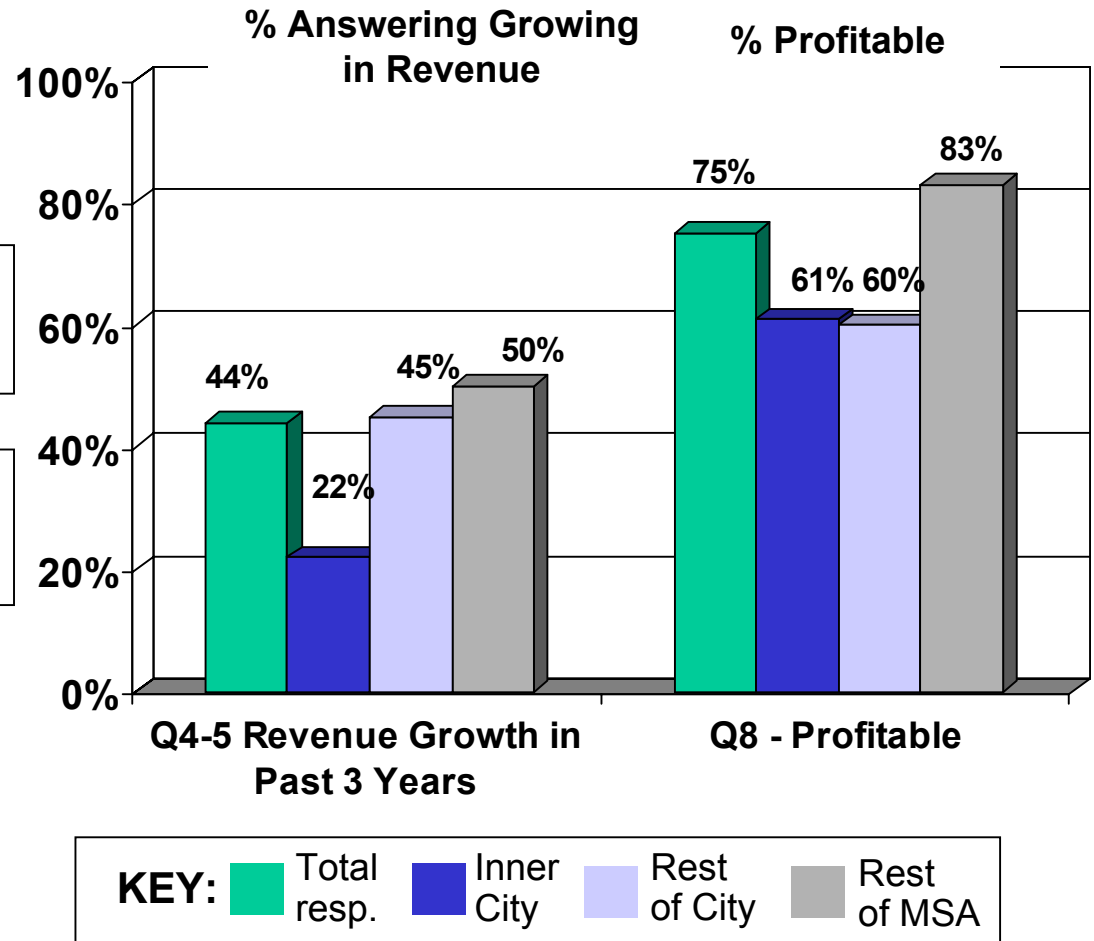
**(Q44)** Our company could easily assemble the necessary land if we needed to expand.

**27% of manufacturers in the Milwaukee four county area have moved their business, or a portion of their business, out of the City of Milwaukee in the past decade. (Q55)**

**Inner City manufacturers are less likely to be growing in revenues during the past three years than non-inner city firms, and less likely to be profitable than firms in the rest of the MSA.**

**(Q4, Q5)** What is the company's annual sales for the most recent fiscal year; three years ago?

**(Q8)** What is the company's after tax income as a percentage of sales (Profitability)?



# Initiative for a Competitive Milwaukee

## Manufacturing Survey Results

*Executive Summary*

*September 2003*



**ICM** Initiative for a Competitive Milwaukee



**ICIC** Initiative for a Competitive Inner City