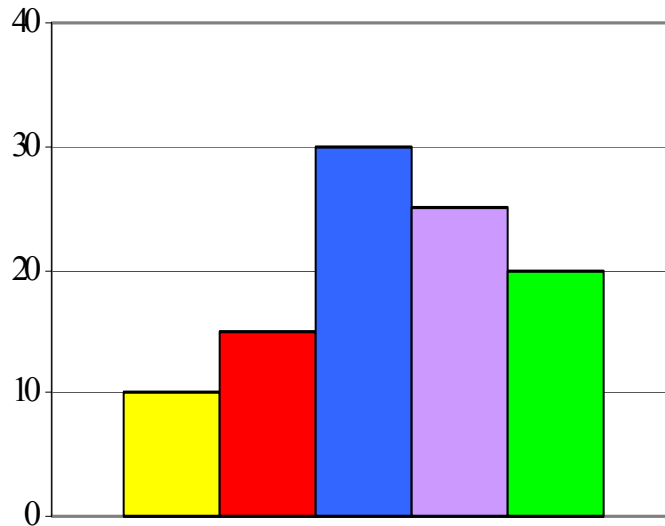


# **Business Outlook Survey**

**1999-2000**



**The Beta Consulting Group, Inc.**

## Executive Summary

This is the tenth annual Business Outlook Survey report prepared by Beta Consulting. Many thanks to those who contributed to the survey by completing and returning the questionnaire. Once again, the high level of participation enhanced the survey results.

Those surveyed were presidents, owners, and other top executives of U.S. manufacturing and service businesses. Practically all of those surveyed participate in the business-to-business arena, selling their goods and services to resellers, distributors, OEMs, or business users.

For most companies, 1999 turned out to be a better year than 1998. And, going into 2000 the outlook is more positive than last year at this time.

Here are the major survey findings for 1999.

- About 63% reported that sales met or exceeded plan, slightly higher than last year.
- 66% reported that profits met or exceeded plan, down somewhat from last year's 70%.
- High performance ratings were given to Operations and Finance.
- Product Development received its highest ranking in recent memory.
- Service companies outpaced manufacturers.
- Small and medium sized companies did better than their large counterparts.
- Companies with a high level of international business did not do quite as well as those with low percentages.

This is how it looks for 2000 and beyond.

- Over 90% expect sales and profits to meet or exceed 1999 levels.
- "People" resources are even tighter going into 2000 than they were last year.
- The national economy will be a major positive factor in 2000 results.

- The key strategies for 2000 and beyond include:
  - Pursuing New Customers and New Markets
  - Introducing New Products and Innovation
- Customer service, Aggressive Selling, and Innovative Marketing are also important strategies for 2000 and beyond.
- In this year's survey we noted the continuation of an ongoing trend: the mismatch between the performance of the product development function and the importance of new products as a strategy for the future.
  - Among companies rating new products a "5" strategy, 50% rated product development at "3" or lower.
  - Among companies rating new products a "4" strategy, 33% rated product development a "2" or lower.
- Companies need to improve product development in order to realize success with new product dependent growth strategies.

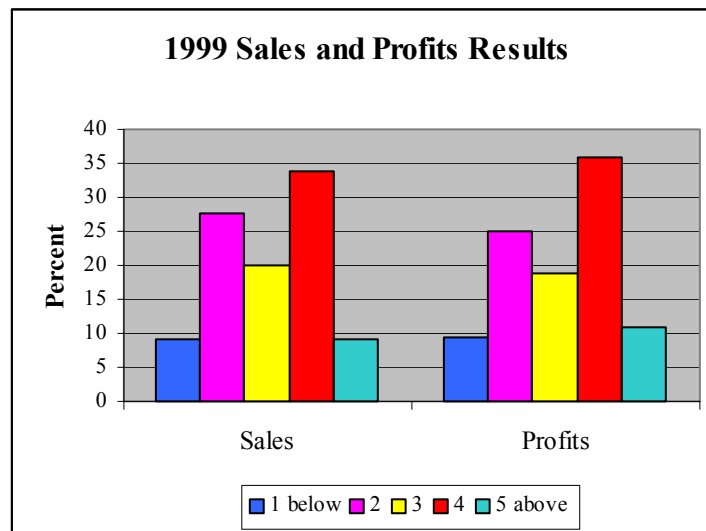
The results of the survey begin on the next page.

## Survey Results

This report is organized along the lines of the survey questionnaire. Each survey question is stated, followed by the survey results, interpretation, and comments.

**Question:** How did your actual 1999 sales and profits performance compare to your expectations or plan for 1999?

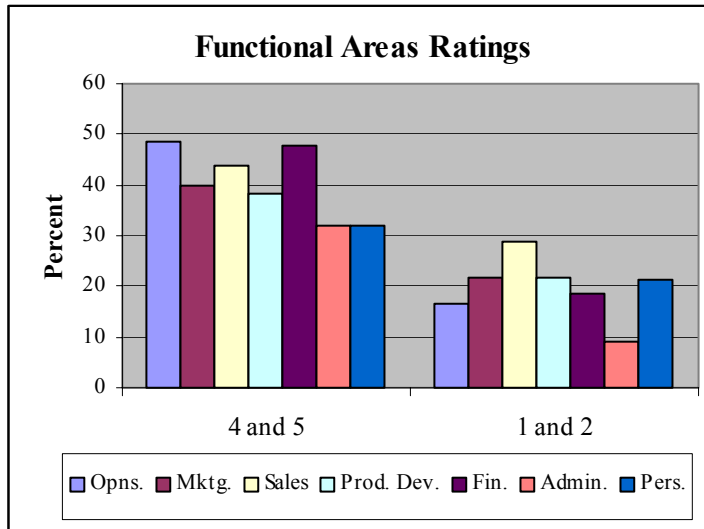
The following chart shows the percentage response in each of five categories for sales and profits.



- 63% reported that sales met or exceeded plan based on combined 3+4+5 ratings. This was about the same as last year.
- 65% reported that profits met or exceeded plan based on combined 3+4+5 ratings. This was a little below last year.
- 37% reported sales below plan based on combined 1+2 ratings. This was about the same as last year.
- 34% reported profits below plan based on combined 1+2 ratings. This result was five points higher than last year.

**Question: What is your evaluation of the 1999 performance of the following functional areas of your business?**

The following chart shows two data sets. The one on the left shows the combined 4+5 ratings for each of the functional areas. The intention is to show which areas performed above expectations. The data set on the right shows the combined 1+2 ratings for the same functional areas. The intention is to show the extent to which each area performed below expectations.



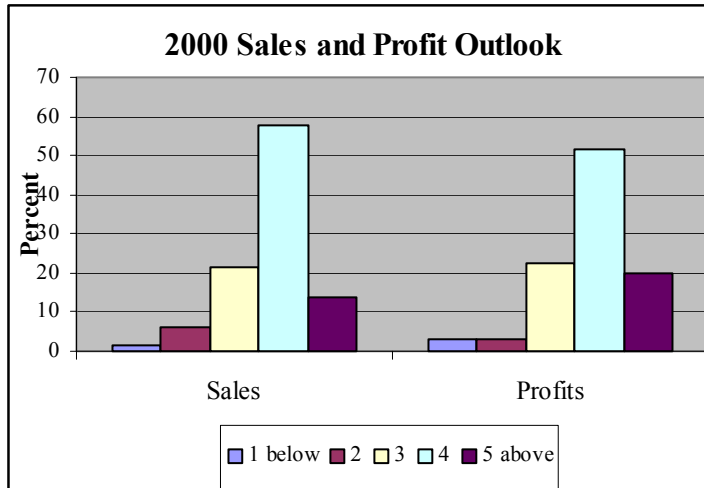
- Operations and finance were the top ranked areas at 48% in combined 4+5 ratings.
- Administration and Personnel were last in combined 4+5 ratings at 32%.
- Sales had the highest combined 1+2 ratings, 29%.
- Marketing and Product Development were close behind at 22% in combined 1+2 ratings.
- This year the ratings were clustered more toward the middle of the range compared to other years. There were fewer ratings at the high and low end.

- The following table presents the raw data upon which the above graph is based.

Category	Evaluation %				
	(low)	1	2	3	4
Operations	2	15	35	45	3
Marketing	5	17	38	28	12
Sales	12	17	27	35	9
Product Development	3	18	40	31	8
Financial	3	15	34	37	11
Administration	2	8	58	29	3
Personnel	2	20	46	30	2

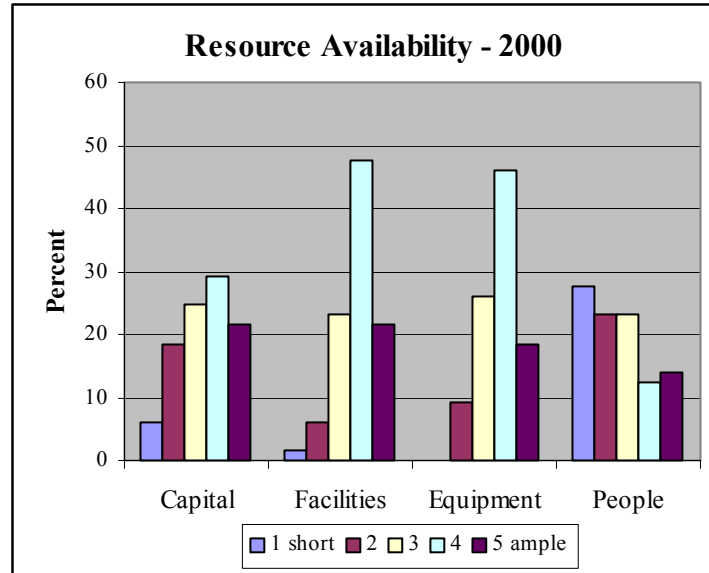
**Question: Compared to actual 1999 results what is your sales and profits outlook for 2000?**

The following chart shows the percentage response in each of five categories for sales and profits.



- \* 92% believe that 2000 sales will meet or exceed 1999 results.
- 94% expect that 2000 profits will meet or exceed 1999 results.
- Only 8% expect lower sales.
- Only 6% expect lower profits.
- Companies are a little more positive about next year's outlook than they were last year.

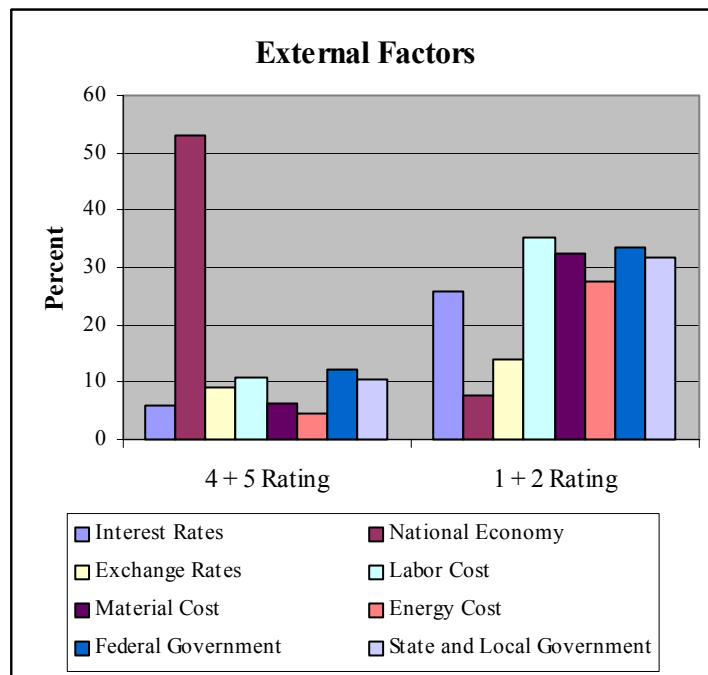
**Question: What corporate resources are in the shortest supply entering 2000?**



- “People” are in the shortest supply of the four basic corporate resources.
- 51% rate “people” in the combined 1 + 2 categories compared to 42 % last year.
- 28% rated “people” in category 1 compared to 14% last year and 7% the year before.
- Capital is rated a little more restricted than last year.
- Equipment and facilities are rated slightly more abundant than last year.

**Question: Do you expect the following external factors to have a positive or negative effect on your business results in 2000?**

The following chart displays two data sets. The one on the left shows the combined 4 + 5 ratings for external factors effecting business results. The one on the right shows combined 1 + 2 ratings for the same factors. The 4 + 5 ratings signify positive influence and the 1 + 2 ratings signify negative influence.



- The national economy towers above all other external factors as a positive effect on 2000 results. This year's rating is well above last year's.
- However, labor, material, and energy costs have all inched higher from last year.

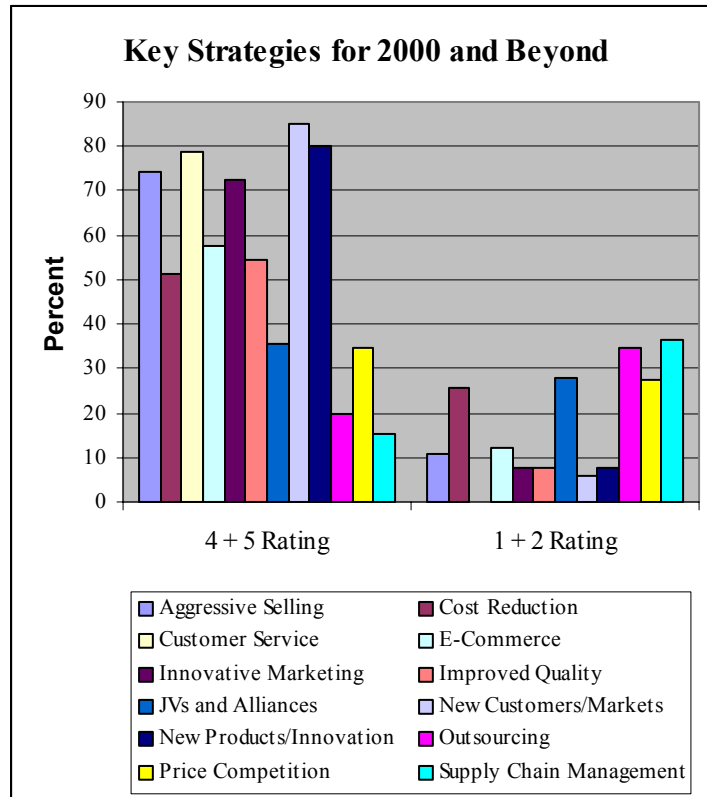
- The following table presents the data upon which the above chart is based.

**Effects of External Factors - 2000**

Category	Evaluation %				
	(negative)	1	2	3	4
Interest Rates	6	20	68	6	0
National Economy	0	8	39	50	3
Exchange Rates	3	11	77	8	2
Labor Costs	9	26	54	9	2
Material Costs	6	26	62	5	2
Energy Costs	5	23	67	5	0
Federal Government	11	23	54	9	3
State and Local Government	3	29	57	9	2

**Question: How important will the following be in increasing your sales and profits during 2000 and the next few years?**

The following chart displays two data sets. The left set shows combined 4 + 5 ratings and signifies the extent to which each strategy will be strongly emphasized. The right set shows combined 1 + 2 ratings and signifies the extent to which each strategy will not be emphasized.



- New Customers/Markets had the highest combined 4 + 5 rating, 85%.
- New Products/Innovation was a close second at 80%.
- Rounding out the top five were Customer Service, Aggressive Selling, and Innovative Marketing. All scored in the 70-80% range.
- E-Commerce, a new category in this year's survey, scored a 57% in combined 4 + 5 ratings.
- Supply chain management and outsourcing had the lowest combined 4 + 5 ratings.

- The following table presents the data upon which the above chart is based.

### Key Strategies – 2000 and Beyond

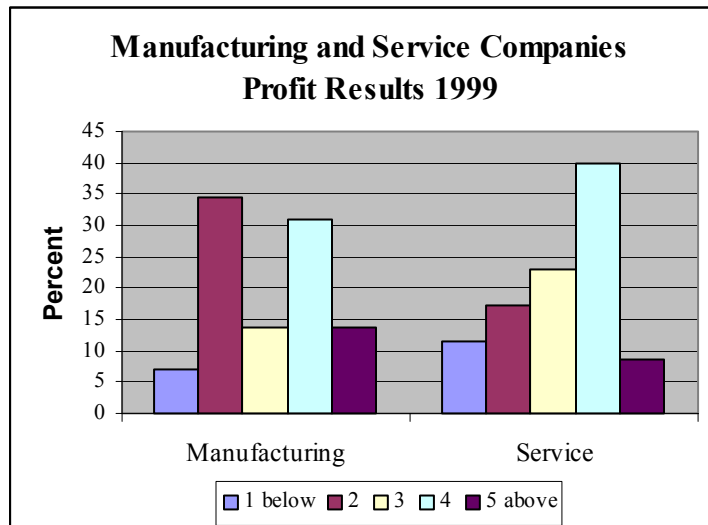
Category	Evaluation %				
	(unimportant) 1	2	3	4	(important) 5
<b>Aggressive Selling</b>	5	6	15	36	38
<b>Cost Reduction</b>	9	17	23	36	15
<b>Customer Service</b>	0	0	21	30	49
<b>E-Commerce</b>	5	8	30	42	15
<b>Innovative Marketing</b>	3	5	20	41	31
<b>Improved Quality</b>	5	3	38	42	12
<b>JVs/Alliances</b>	14	14	37	23	12
<b>New Customers/Markets</b>	2	5	9	46	38
<b>New Products/Innovation</b>	3	5	12	48	32
<b>Outsourcing</b>	17	18	45	14	6
<b>Price Competition</b>	12	15	38	29	6
<b>Supply Chain Management</b>	21	15	49	12	3

## Three Comparisons

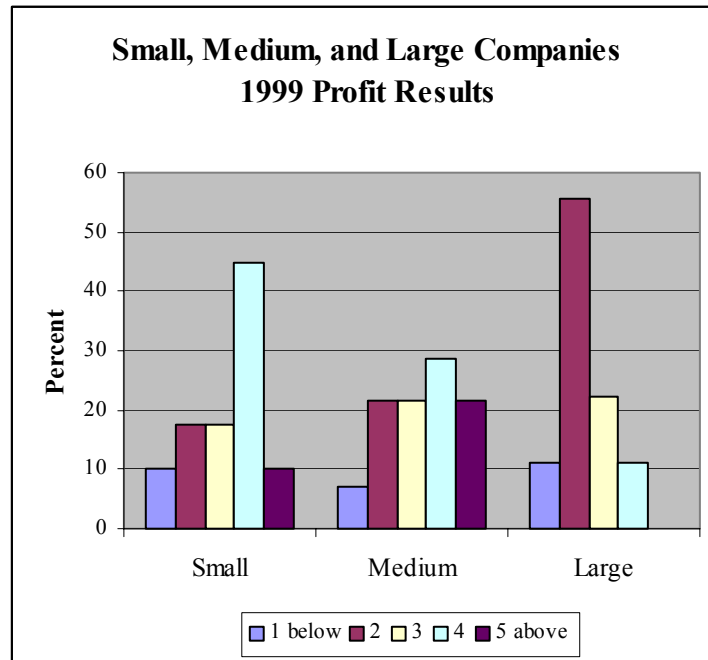
In this section of the report we divided the survey responses into categories and compared 1999 profit results. The categories are:

- manufacturing and service companies
- large, medium and small companies based on number of employees
- low and high participation in international business

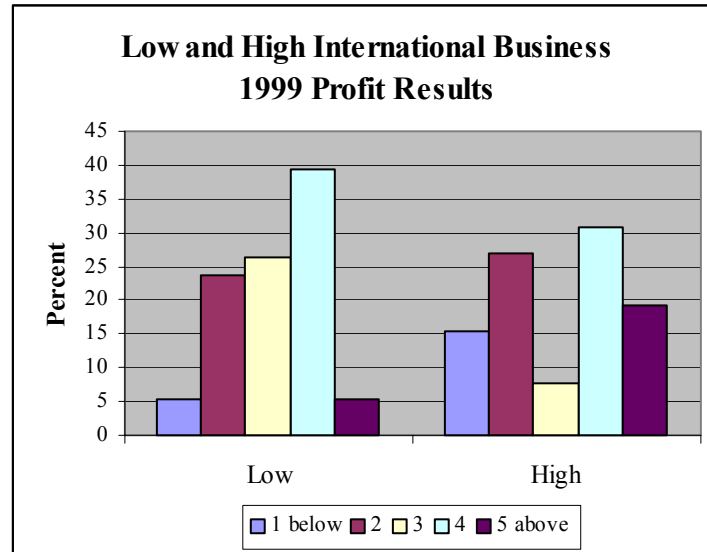
The results are shown in the next three graphs.



- 49% of the service companies reported profit above plan compared to 45% of the manufacturers.
- 41% of manufacturing companies reported profits below plan compared to only 29% of service companies.
- The difference between manufacturing and service company results was narrower than it was last year.



- Small and medium companies led the way reporting 50% and 55% in the combined 4 + 5 categories respectively.
- Large companies trailed badly with only 11% in category 4 and none in category 5.
- Small =<50 employees, Medium = 50-500, Large =>500



- 50% of companies with high percentages of international business rated in the combined 4 + 5 categories compared to 45% of the low percentage companies.
- However, 42% of the companies with high percentages of international business rated in the combined 1 + 2 categories compared to only 29% of the low percentage companies.
- We guess that companies with significant Asian exposure suffered diminished profits in 1999.
- Low = <10% international business, High = 10% plus

**The Beta Consulting Group, Inc.**

With about 160 projects completed, Beta Consulting is in its 13<sup>th</sup> year. Our specialty is helping companies grow and prosper. We do this by identifying market trends and opportunities as well as internal changes to facilitate profitable growth.

We do this for manufacturers, software companies and clients that provide specialty services.

Capabilities include market research, new product marketing, sales promotion, troubleshooting, strategic planning. We also provide implementation assistance.

Clients range in size from under \$10 million to well over \$1 billion in annual sales. Most sell and market their products or services on a business-to-business basis.

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