

Focus Index Report Q3 2010: A Survey of Business Sentiments and Priorities

Focus Market Research
November 2010

Table of Contents

Results and Analysis

❖ Introduction to Survey.....	3
❖ Executive Summary.....	4
❖ General Business Sentiments.....	5
❖ Business Performance.....	10
❖ Challenges, Opportunities, & Investments.....	16
❖ Conclusion.....	25

Appendix

❖ Respondent Profile.....	26
❖ Survey Questionnaire.....	29
❖ Individual Graphs per Question.....	33

Introduction to Survey

About the Focus Index Survey:

The Focus Index is a quarterly survey designed by Focus.com to capture a snapshot of businesses' sentiments, concerns, priorities and strategic investments for the coming 12 months. It also asks respondents to compare business performance relative to this time last year. The survey is completed by individuals who respond to an online invitation sent to a registered list of Focus members. Respondents then answer questions using an online survey tool. A portion of respondents are also surveyed over the phone. This is the inaugural release of the Focus Index Survey. For more information [feel free to contact us](#).

About Focus.com:

Focus.com is an online service that provides millions of professionals with the expertise they need to make better business decisions. To support its mission, Focus.com features a network of world-class business and technology experts and offers real-time Q&A, interactive events, and research reports. Focus.com is free and available to anyone who wants to make better business decisions, faster.

Methodology:

- The following data is based on a sample of 664 surveys, administered online and via phone.
- This data was collected between Sept. 1 and Sept. 29, 2010.
- Respondents represented companies of all sizes and industries.
- Source of respondents: Focus membership
- For the purposes of this study, Small Business is defined as 1-49 employees, Mid-Market as 50-999, and Enterprise as 1,000+.
- The confidence level for this study is 99% with a $\pm 5\%$ margin of error.
- For a copy of the survey, see Appendix: Survey Questionnaire.

Executive Summary

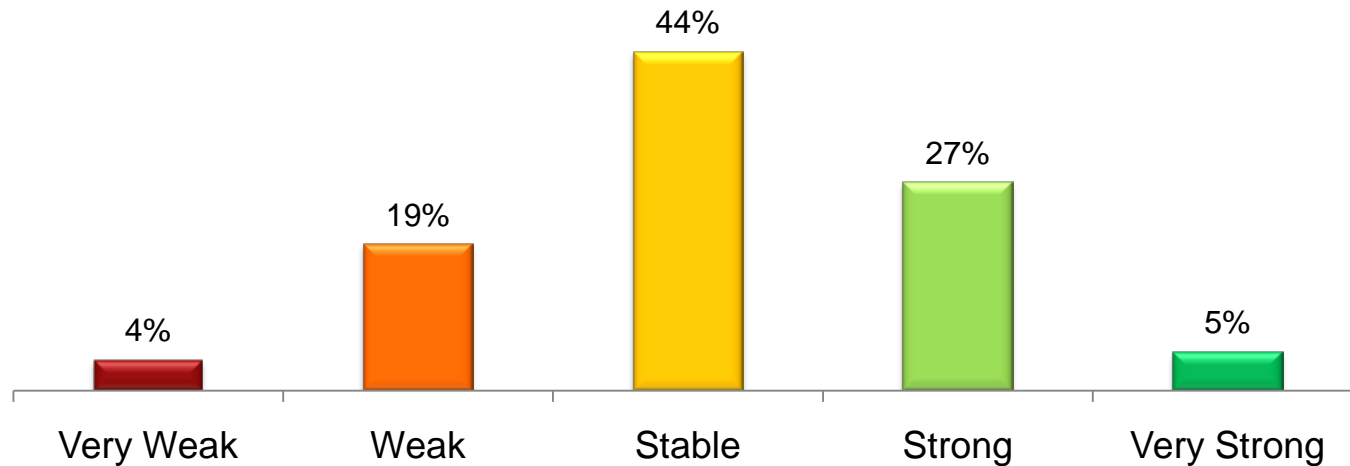
- I. Business sentiment is improving faster than you think.
- II. Economic uncertainty and a lack of demand reign as businesses' biggest concerns.
- III. Businesses are trying to overcome a lack of demand by investing heavily in sales.
- IV. Enterprise are more optimistic than small and midsize businesses.

Our Q3 2010 Index shows a general upward trend in optimistic sentiment, as well as a steadily rising trajectory in revenue, profitability and headcount. While data suggests Small Businesses are slower to recover than Larger Businesses, half of the respondents (of all sizes) project their businesses will be strong or very strong in 2011. Nonetheless, businesses identify major challenges in the uncertainty of the economy and a lack of demand. Thus it follows that most business respondents are prioritizing Sales (functions, personnel, technology, etc.) as their most critical investment. Why? Businesses see the most direct opportunity in turning existing prospects into customers as well as developing new products, services and markets.

General Business Sentiments

Businesses face a challenging environment today...

General State of Businesses Today

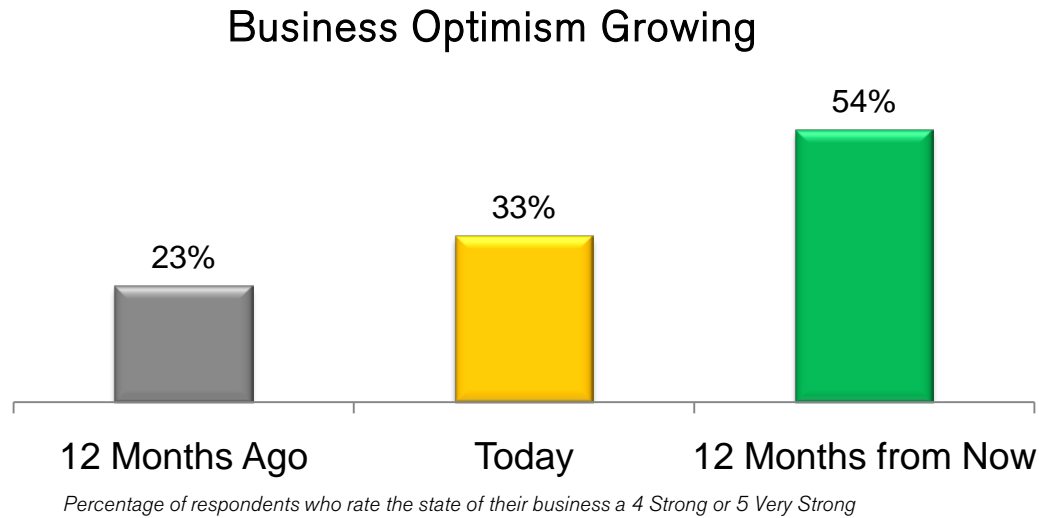


Business respondents are asked to rate the general state of their businesses on a scale of 1-5, where 1 is Very Weak and 5 is Very Strong.

The climate in 2010 is still tough

- Nearly 25% of all respondents report the general state of their business today is either weak or very weak.
- Nearly half of businesses surveyed claim they are stable at best.

...but are optimistic about tomorrow.

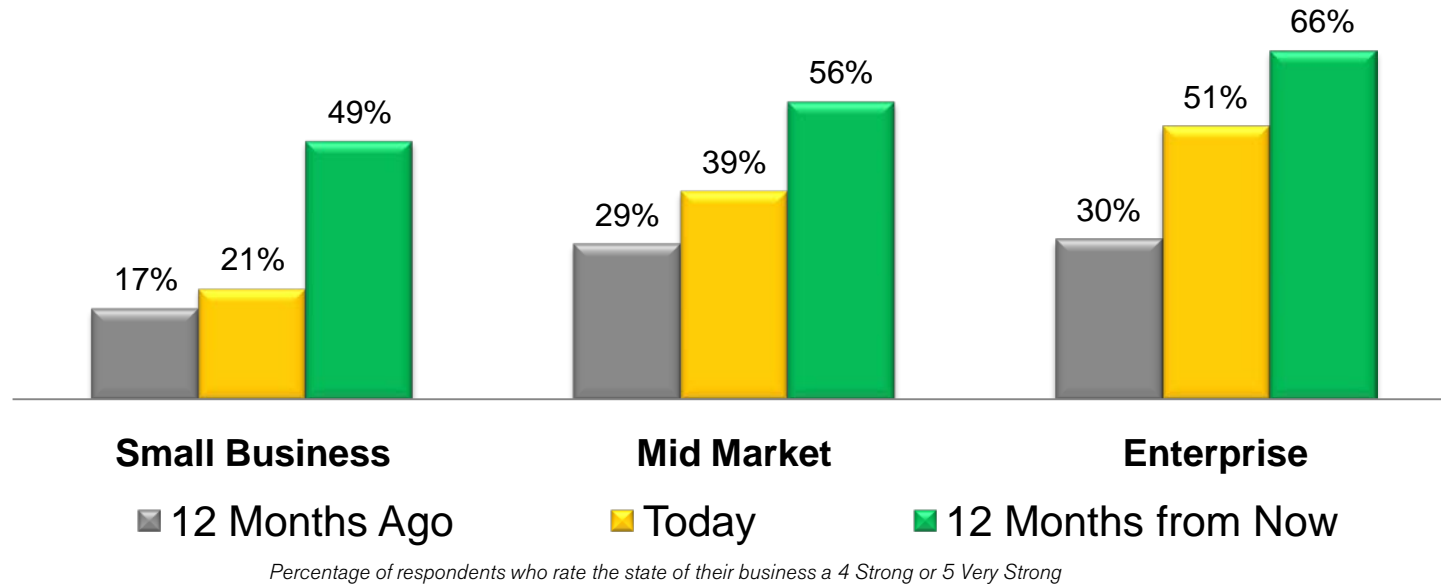


But data suggests sentiment is improving over the next 12 months

- Businesses are more positive about today than they were 12 months ago.
- 54% of all respondents project an even stronger business over the next 12 months.

Enterprises more optimistic than SMBs

The bigger the business, the more positive the sentiment



- Small Businesses may be slower to weather the storm.
 - The positive change in Business Sentiment from Q3 2009- Q3 2010 was only 3% for Small Businesses, relative to 21% for Enterprises.
- Data suggests larger companies are stronger today *and* in the coming year relative to SMBs.

Sentiments vary by industry

Healthcare & Pharmaceuticals report the highest sentiment average today

- Healthcare & Pharmaceuticals as well as Financial Services project the highest average sentiment for the coming 12 months.

Information Economy industries also report high optimism over the next 12 months

- Software & Internet and Computers & Electronics also report higher optimism today relative to other industries.

Government reports the most optimism 12 months ago

- The Government sector also shows the least change in sentiment over time.

Real Estate & Construction report the lowest sentiment today and 12 months from now

- They are also the only industries to report a *lower* sentiment today relative to 12 months ago.

Business Services report the lowest sentiment 12 months ago

- Business Services also shows the greatest change in sentiment over time.

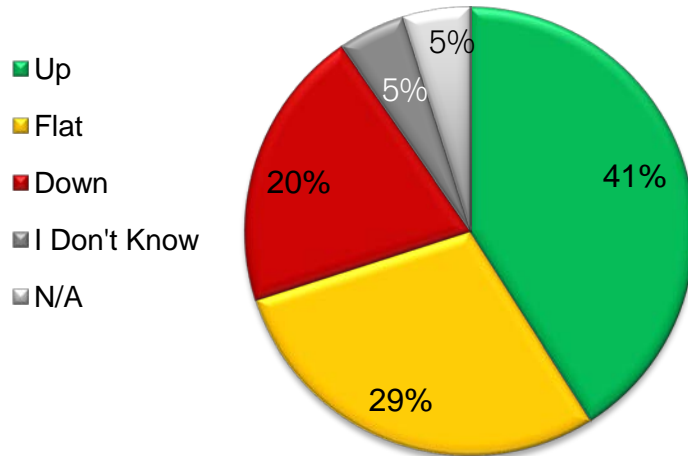
	12 Months Ago	Today	12 Months from Now
Business Services	2.6	2.9	3.5
Computers & Electronics	2.9	3.1	3.7
Education	2.8	3.1	3.5
Financial Services	2.9	3.2	3.7
Government	3.4	3.4	3.6
Healthcare & Pharmaceuticals	3.2	3.5	3.8
Manufacturing	2.7	3.1	3.5
Media & Entertainment	2.7	3	3.5
Non-Profit Organizations	3.2	3.4	3.5
Real Estate & Construction	2.8	2.5	2.7
Retail	2.8	3.1	3.5
Software & Internet	2.7	3.2	3.8
Telecommunications	3	3.2	3.5
Wholesale	2.8	3.2	3.5
ALL Industries	2.8	3.1	3.6

Respondents are asked to rate the state of their business on a scale of 1-5, where 1 is Very Weak and 5 is Very Strong; Averages are derived from this scale.

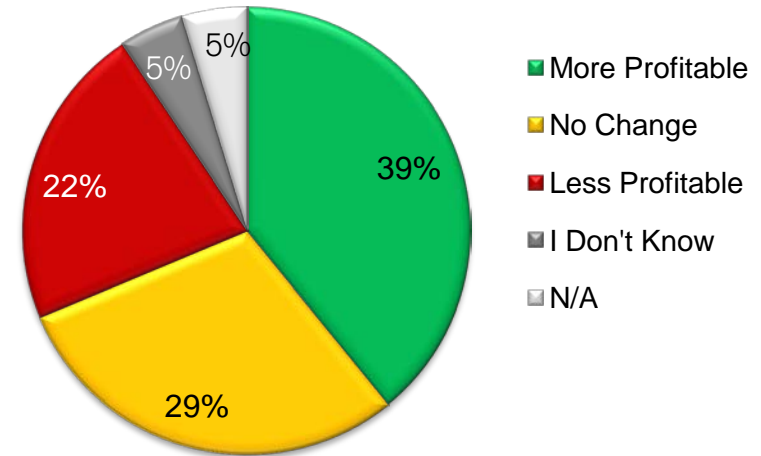
Business Performance

Sales and Profitability support growing optimism

More businesses report increases in *revenue* than decreases



More businesses report increases in *profitability* than decreases

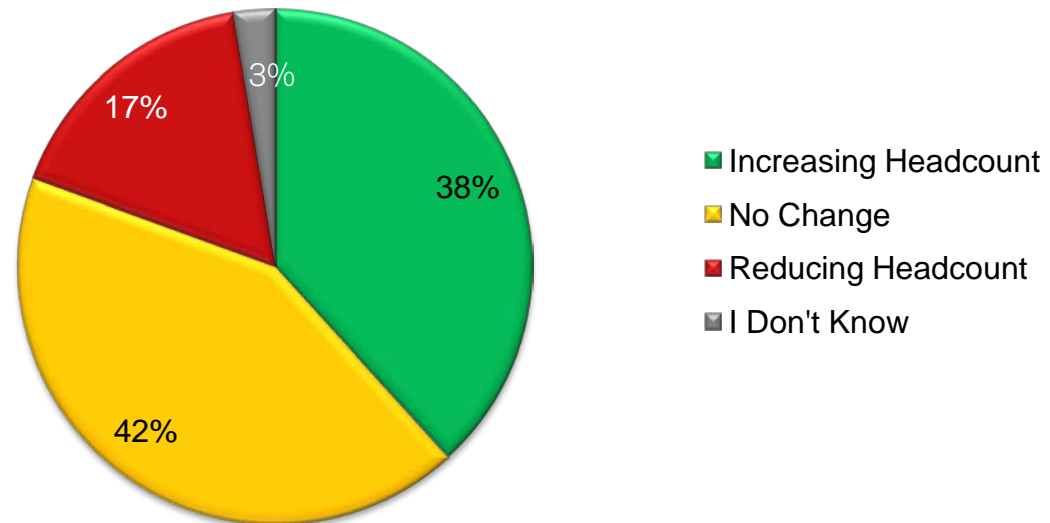


These graphs show how sales/revenue and profitability have changed since 12 months ago.

- 51% of Enterprise companies report UP revenue, relative to 34% of Small Businesses.
- Industries seeing the highest percentage of UP sales are Healthcare & Pharmaceuticals, Telecommunications, Retail and Wholesale.

More businesses are hiring than firing!

Twice as many businesses are hiring than firing

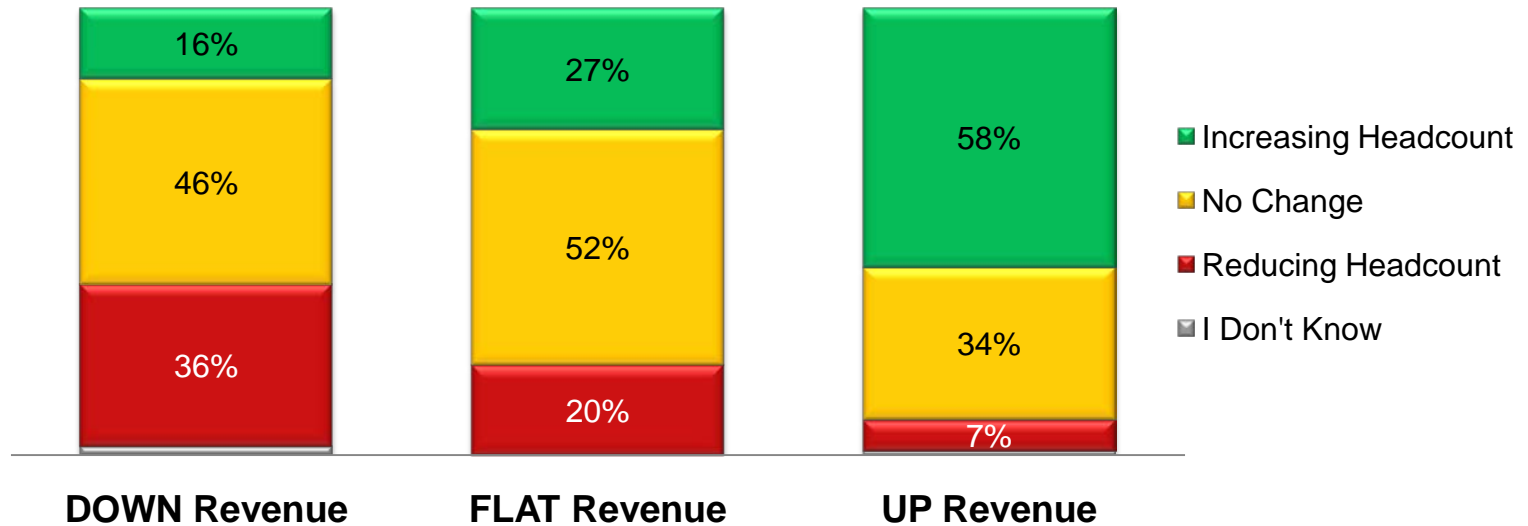


This graph shows how businesses' hiring has changed relative to 12 months ago.

- Nearly twice as many Enterprise companies (24%) are decreasing headcount relative to Small Businesses (13%).
- Industries seeing the most hiring are Software/Internet, Manufacturing, Wholesale and Media/Entertainment.

That said, hiring typically correlates with the state of business revenues

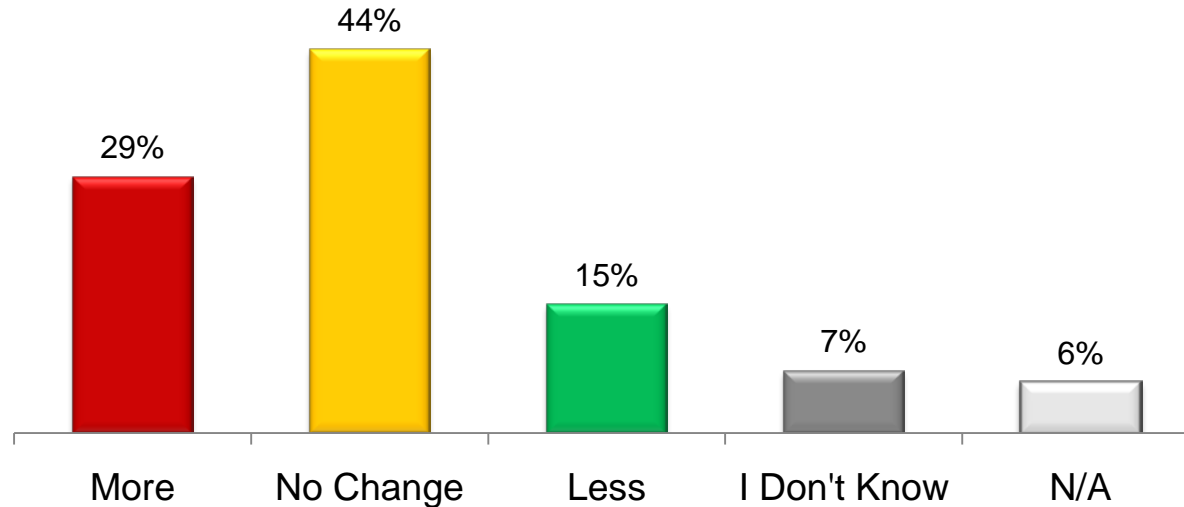
How does revenue growth relate to hiring/firing?



This graph shows how changes in revenue over time reflect changes in headcount.

Costs of goods and services could become a problem

More businesses seeing increased costs vs. lower costs



This graph shows how costs to produce goods/services have changed compared to 12 months ago

- Small and Large Businesses showed very little variation in changes in costs relative to 12 months ago.
- Industries paying substantially more to produce their goods/services are Manufacturing and Real Estate.

Focus Community speaks: Business Performance

“We’re investing in operations personnel. We’re hiring people to make things run more efficiently. That’s key for growth. We’re also looking at online training in order to be able to get people up to speed ASAP! Business is going really well right now.”

–Sales Director, Mid-Market Utilities Company

“Because we do Naval Engineering, we’re at the mercy of the Navy. We’re hoping that the money saved in Iraq will funnel back to spend on other programs. Meanwhile, our costs are going up but because of indirect rates. The drivers of those costs are different because our industry is controlled by government regulations (by Federal Acquisition Regulations).”

–Finance Director, Mid-Market Government Service

“Our revenue is flat; expenses are increased (because of health insurance cost increases); operating costs increased; the threat of the unknown tax increases are the 700-pound gorilla in the room. New products and more sales activity are needed to be able to hit our year end numbers.”

–VP, Mid-Market Financial Services Company

Challenges, Opportunities, & Investments

The biggest challenges for businesses are macro in nature

What is the single biggest challenge facing your business today?



Business respondents were prompted to select their single biggest challenge (above); Respondents were also asked to rate the each challenge on a scale of 1-5, where 1 is Not an Challenge and 5 is Biggest Challenge.

Businesses are confronted with a cyclical challenge

→ The economy fosters an atmosphere of uncertainty, which strains demand, and ultimately affects sales conversion

Despite indications of improvement, the macro climate is still tough

→ Many challenges are external, originating from sources businesses can't necessarily control internally:

- Economic Climate
- Weak Demand
- Competition
- Government Regulation & Compliance
- Access to Capital

Focus Community speaks: Challenges

“When the economy is slow and companies are hesitant to spend capital dollars, ensuring your existing customer base does not erode is essential for spring-boarding sales and market share when the recovery begins.”

–VP, Mid-Market Energy Company

“We design, build, and maintain sustainable landscapes; our future success depends on satisfied customers. That is increasingly difficult in this economy when customers have the impression they should be getting a deal, while our labor and cost of materials have only gone up. Bottom line is that we make less.”

–CEO, Small Landscaping Company

“The economy is very tough right now because people are afraid to spend. It's tough getting clients to sign, investors to invest, banks to lend. It trickles down.”

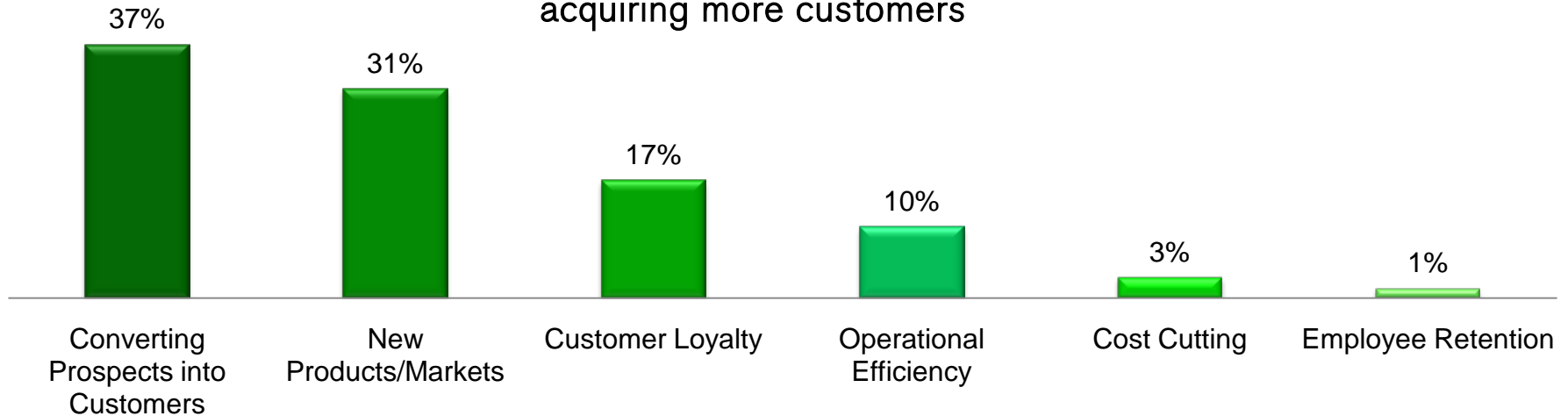
–CEO, Small Software Company

“We insure personal and business property and personal and business contingencies. Reaching sales goals by now accepting quality to moderate risks is part of our objective.”

–VP, Mid-Market Financial Services Company

Businesses are focusing on customer acquisition as top opportunity

The biggest opportunity for most businesses is acquiring more customers



Business respondents were prompted to select their single biggest opportunity (above); Respondents were also asked to rate the each opportunity on a scale of 1-5, where 1 is Not an Opportunity and 5 is Biggest Opportunity

Opportunities support attracting and maintaining demand

- Many businesses also aim to develop New Products/Markets as a means of drumming up demand and differentiating themselves from competitors
- Many businesses see major opportunity in improving Customer Satisfaction & Retention
- Surprisingly, 17% of respondents claim Cost Cutting is not an opportunity at all

Focus Community speaks: Opportunities

“We provide medical care based on your income. Obviously with the world as it is today, we have LOTS and LOTS of customers now... more than we have space for! So having space and capital for improvements and additions is key. We could become huge, but for us a lot of it is about getting the funds to make it happen.”

–CEO, Small Software Company

“New clients (and client diversification) are our priority and so developing and closing a new business pipeline is paramount. That’s where the most opportunity lies.”

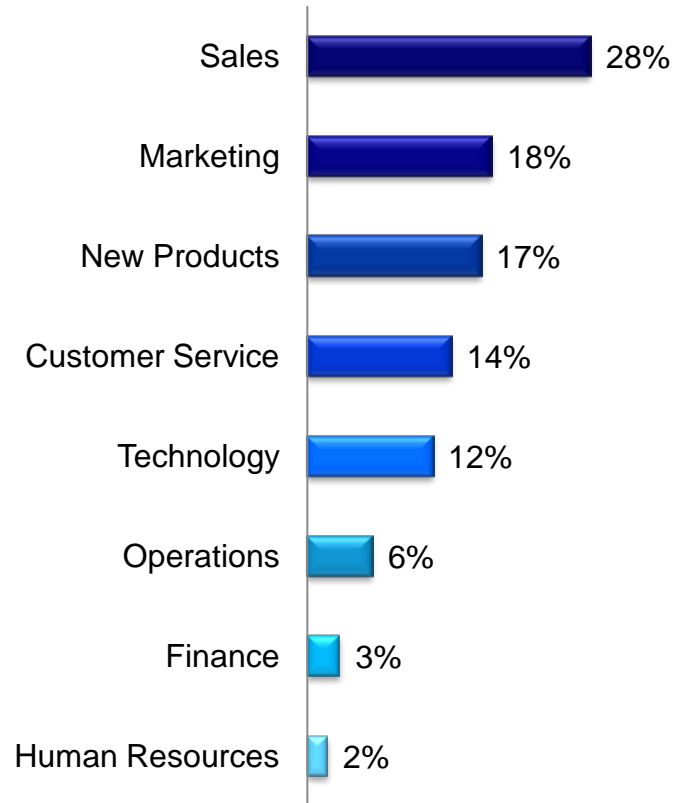
–CMO, Small Business Services Company

“Our company sells and services medical devices. We have focused on building a strong service department and now recognize the need to focus on strengthening our sales force. We will be working on additional training and more cross-selling with our staff.”

–HR Associate, Mid-Market Retail Company

Hence the top priority investment is in Sales!

Businesses are trying to overcome a lack of demand by investing accordingly



Business respondents were prompted to select their single highest priority investment (above); Respondents were also asked to rate the each investment function on a scale of 1-5, where 1 is Not a Priority and 5 is Highest Priority.

Investing in Sales functions, personnel, and technologies is most companies' No.1 priority

→ 68% of all respondents cite Sales among their top priority investments (rated a 4 or 5)

There is also a significant pattern of investment surrounding customer-facing initiatives, relative to back-office functions

- Marketing
- New Products/Services
- Customer Service

Although Technology was not rated the No. 1 Priority Investment, respondent feedback suggests specific software and/or IT infrastructure support about a quarter of *all* investments

- Sales: CRM
- Marketing: Marketing Automation
- Customer Service: Business Phone Systems
- Operations: ERP/MRP
- Industry Specific Technologies
- IT Infrastructure

Focus Community speaks: Priority Investments

SALES

"We have decided to invest in Sales in order to maintain or increase share in a market that has seen volumes reduced as new competitors have entered in the last 12-18 months. We produce and sell sand and gravel." *–VP, Mid-Market Distribution Company*

MARKETING

"We're investing in marketing and sales initiatives to 1.) expand our reach into other regulated industries such as insurance & healthcare, 2.) to ensure that our current customers know the breadth of services we provide." *–CTO, Small Real Estate Firm*

NEW PRODUCTS/SERVICES

"Pharmaceutical companies live and die by the R&D investment. We're investing in new products because no new products means reduction in long term sales due to patent expiry of existing products." *–IT Director, Enterprise Pharmaceutical Company*

CUSTOMER SERVICE

"Reputation is paramount as most new business opportunities come through client referrals, word of mouth, etc. As such, making a commitment (and investment) to customer service is always our top priority." *– Founder, Small Public Relations Firm*

TECHNOLOGY

"We have many customer types, and many influence points inside our client organizations. We need better, more accurate customer and business intelligence. Our biggest need is a new CRM and business intelligence system." *–VP Marketing, Mid-Market Business Services Company*

OPERATIONS

"We're investing in operations first, and marketing second. We're developing an elaborate website that will serve both operations and marketing. We'll be integrating it with our current software." *–CEO, Small Payroll Services Company*

FINANCE

"We distribute instruments. Our dealers need financing for their customers and themselves. We need financing to either offer them financing or for us to stock larger quantities." *–President, Small Distribution Company*

HUMAN RESOURCES

"We are a trucking company and our drivers are our highest priority. We invest in people: If they don't drive, we don't have a company." *–IT Director, Mid-Market Transportation Company*

Small Business vs. Enterprise Perspectives

Businesses invest in opportunities that directly relate to the challenges they face

Small Business	Focus	Enterprise
<ul style="list-style-type: none"> • Weak Demand/Sales • Economic Uncertainty 	<p style="text-align: center;">Primary Challenge</p> <p>Despite similar pressures, SMBs are focusing primarily on stabilizing demand and closing new business, while Enterprises face more diverse challenges.</p>	<ul style="list-style-type: none"> • Competition • Economic Uncertainty • Government Regulation • Operational Efficiency
<ul style="list-style-type: none"> • Converting Prospects to Customers 	<p style="text-align: center;">Biggest Opportunity</p> <p>Most businesses see the most direct opportunity in converting prospects to customers; however Enterprises place the most value in developing and expanding new markets.</p>	<ul style="list-style-type: none"> • New Products/Markets
<ul style="list-style-type: none"> • Sales • Marketing 	<p style="text-align: center;">Priority Investments</p> <p>Businesses of all sizes emphasize Sales, but Enterprises specifically identify new products/services/markets as their No. 1 Investment Priority</p>	<ul style="list-style-type: none"> • New Product/Service • Technology

Focus Community speaks: Small Business vs. Enterprise

“We are anticipating the investment in technology will cut our costs delivering the product, reduce time to market for new initiatives, enhance our public image, and position us to comply with new regulations at less cost.”

–IT Administrator, Enterprise Financial Services Company

“Our business provides women ages 35-50 with Fashion that fits their everyday life. We *have* to constantly be innovating the product in order to stay competitive in this market.”

–Marketing Manager, Enterprise Retail Company

“We’re investing in Customer Service. Specifically, we want to create the ultimate customer experience by investing in additional value-added services to integrate with our CRM solution.

–Marketing Director, Small Internet Company

“We’re investing in sales and marketing initiatives 1.) to expand our reach into other regulated industries such as insurance & healthcare, 2.) to ensure that our current customers know the breadth of services we provide.”

–CTO, Small Real Estate Firm

Conclusion

Data from the Focus Index Survey suggests businesses are more optimistic than one might expect. Approximately half of all businesses in this survey anticipate the general state of their company will be strong or very strong 12 months from now. Focus prompted respondents to demonstrate the general state of their businesses by asking them to compare revenue, profitability, headcount and costs to this time last year. In general, these figures support businesses' underlying optimism: More businesses report increases in revenue, profitability and headcount than decreases. The one area of concern may be the rising costs of production.

Despite the growth in optimism, Focus Index Survey findings suggest the macro climate today is still tough. The current economic environment fosters an atmosphere of uncertainty, creating major challenges for businesses around strained demand and increasing competition. To address these concerns, *most* businesses cite their No. 1 investment priority as Sales, (e.g. personnel, cross-training, related technologies, campaigns, etc.), simply seeking to convert more prospects into customers and close new business. Respondents also emphasize investments that attract and sustain demand, namely marketing, product innovation and customer service. Technology also emerges as a secondary investment, often supporting the logistics or infrastructure for these and other investments.

While businesses of all sizes stress the importance of *creating demand* (sales) and differentiating themselves from competitors, data suggests larger enterprises are investing more broadly, particularly in the development of new products/services/markets, and in specific technologies. Meanwhile, Small Businesses are also focusing on marketing investments to increase brand awareness and differentiation. While businesses of all sizes feel economic pressures, economic uncertainty and weak demand can be an even bigger challenge for SMBs, evidenced by Small Businesses reporting substantially lower business strength today (21%), relative to Enterprises (51%). Despite similar external forces, Small Businesses are often slower to recover given they have more limited resources and budgets.

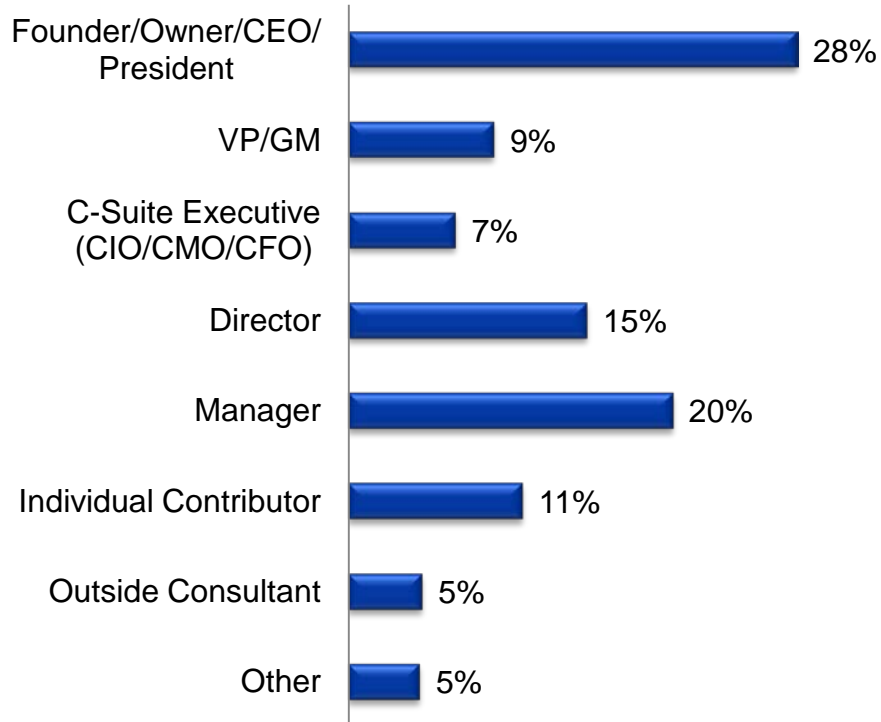
Although Q3 2010 has seen a marginal upturn since Q3 2009, economic forces continue to affect different businesses in different ways. Specific industries such as Real Estate and Non-Profit Organizations report higher costs and weaker revenue, while others sectors such as Software/Internet and Healthcare/Pharmaceuticals are seeing upward trends in sentiment, sales and profitability. Ultimately, the economy's effect is diverse, creating critical risks for many, forcing increased efficiency and accountability on others, and unprecedented opportunities for some.

How will the findings and implications of this study unfold over the coming year? Stay tuned for the Focus Index Survey Q4 2010!

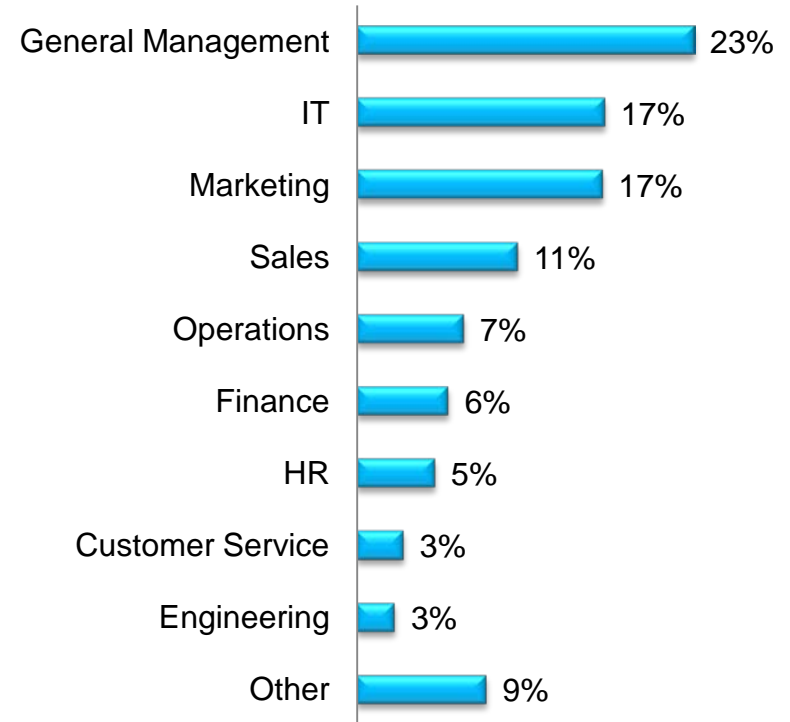
Appendix: Respondent Profile

Role of Respondents

Management Responsibility

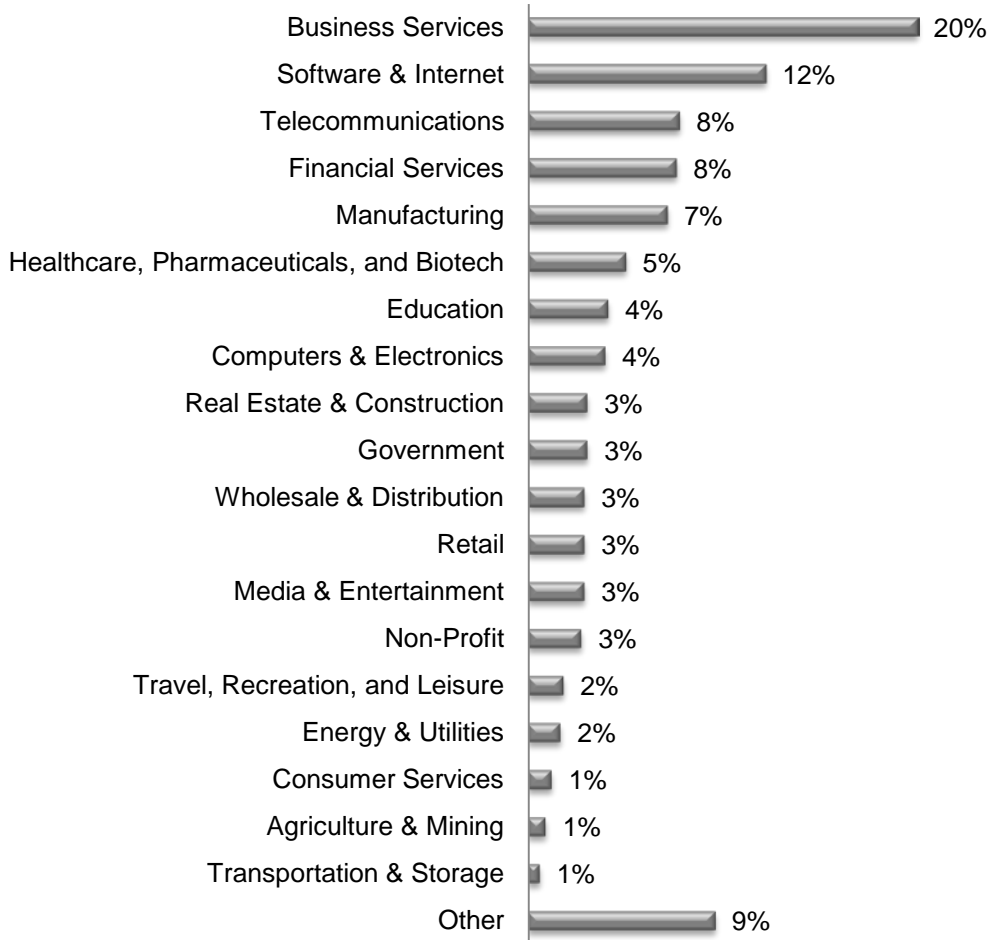


Job Function

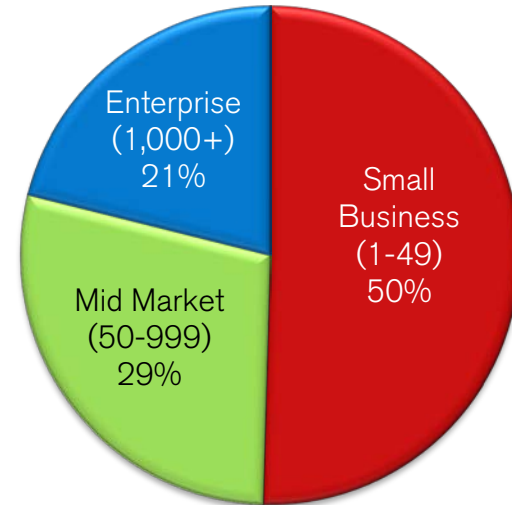


Company Demographics

Industry Breakdown



Size Breakdown



Appendix: Survey Questionnaire

Survey Questionnaire

SECTION I: PROFILE

1. Indicate your company's size:

- a. 1
- b. 2-24
- c. 25-49
- d. 50-99
- e. 100-249
- f. 250-499
- g. 500-999
- h. 1000-2499
- i. 2500-4999
- j. 5000-9999
- k. 10,000+

2. Which of the following most accurately describes the department or function in which you work?

- a. IT
- b. Sales
- c. Customer Service
- d. Marketing
- e. HR
- f. Operations
- g. Finance
- h. General Management
- i. Engineering

3. What is your level of management responsibility?

- a. Founder/Owner/CEO/President
- b. C-Suite Executive (CIO/CMO/CFO)
- c. VP/GM
- d. Director
- e. Manager
- f. Individual Contributor
- g. Outside Consultant
- h. Other

4. What industry is your company in?

- a. Agriculture & Mining
- b. Business Services
- c. Computers & Electronics
- d. Education
- e. Energy & Utilities
- f. Financial Services
- g. Government
- h. Healthcare, Pharmaceuticals, and Biotech
- i. Manufacturing
- j. Media & Entertainment
- k. Non-Profit
- l. Real Estate & Construction
- m. Retail
- n. Software & Internet
- o. Telecommunications
- p. Transportation & Storage
- q. Travel, Recreation, and Leisure
- r. Wholesale & Distribution
- s. Consumer Services
- t. Other

Survey Questionnaire

SECTION II: BUSINESS HEALTH & PERFORMANCE

5. Indicate the *general state* of your business TODAY:

- a. Very Weak
- b. Weak
- c. Stable
- d. Strong
- e. Very Strong

6. Indicate the general state of your business 12 MONTHS AGO:

- a. Very Weak
- b. Weak
- c. Stable
- d. Strong
- e. Very Strong

7. What do you think the general state of your business will be in the NEXT 12 MONTHS?

- a. Very Weak
- b. Weak
- c. Stable
- d. Strong
- e. Very Strong

8. How do you sales/revenue compare to THIS TIME LAST YEAR?

- a. Up
- b. Flat
- c. Down
- d. I Don't Know
- e. N/A

9. Are you MORE or LESS profitable now compared to THIS TIME LAST YEAR?

- a. More Profitable
- b. No Change
- c. Less Profitable
- d. I Don't Know
- e. N/A

10. Are you increasing or reducing headcount?

- a. Increasing
- b. No Change
- c. Reducing

11. Since this time last year, are you paying *more* or *less* to produce the goods/services you offer?

- a. Less
- b. No Change
- c. More
- d. I Don't Know
- e. N/A

12. Is your company currently trying to find financing/funding?

- a. Yes
- b. No
- c. I Don't Know

Survey Questionnaire

SECTION IV: BUSINESS INVESTMENTS, CHALLENGES, & OPPORTUNITIES

13. In which departments or functions is your company prioritizing the MOST for investment?

(Rate on a scale of 1-5 where 1 is Not a Priority and 5 is Highest Priority)

- a. Marketing
- b. Sales
- c. Customer Service
- d. Technology
- e. Operations
- f. New Products/Services
- g. HR Benefits/Resources
- h. Finance

13a. Select your absolute #1 Investment:

13b. COMMENTARY: Briefly describe WHAT your business does and WHY you've chosen to invest in the above (highest priority) department(s):

14. What are the biggest challenges facing your business today?

Rate on a scale of 1-5 where 1 is Not a Challenge and 5

Is Biggest Challenge)

- a. Economic Uncertainty
- b. Competition
- c. Weak Demand/Sales
- d. Access to Capital
- e. Ineffective Marketing
- f. High Internal Costs
- g. Operational Inefficiency
- h. Managing Technology
- i. Employee Recruitment & Retention
- j. Government Regulation/Compliance

14a. Select the single biggest challenge facing your business today:

15. What are the biggest opportunities for improving your business today?

(Rate on a scale of 1-5 where 1 is Not an Opportunity and 5 is Biggest Opportunity)

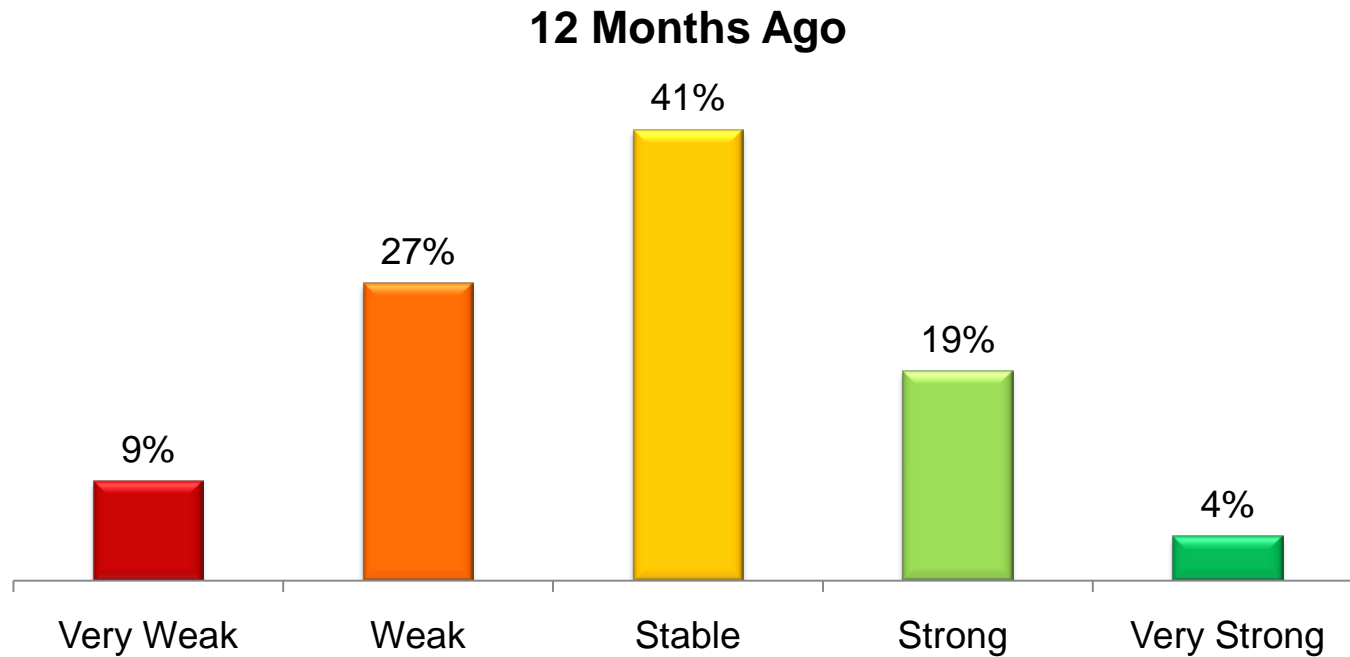
- a. New Products/Markets
- b. Turning Prospects into Customers
- c. Customer Satisfaction & Retention
- d. Employee Recruitment & Retention
- e. Cost Cutting
- f. Operational Efficiency

15a. Select the single biggest opportunity for improving your business today:

Appendix: Individual Graphs per Question

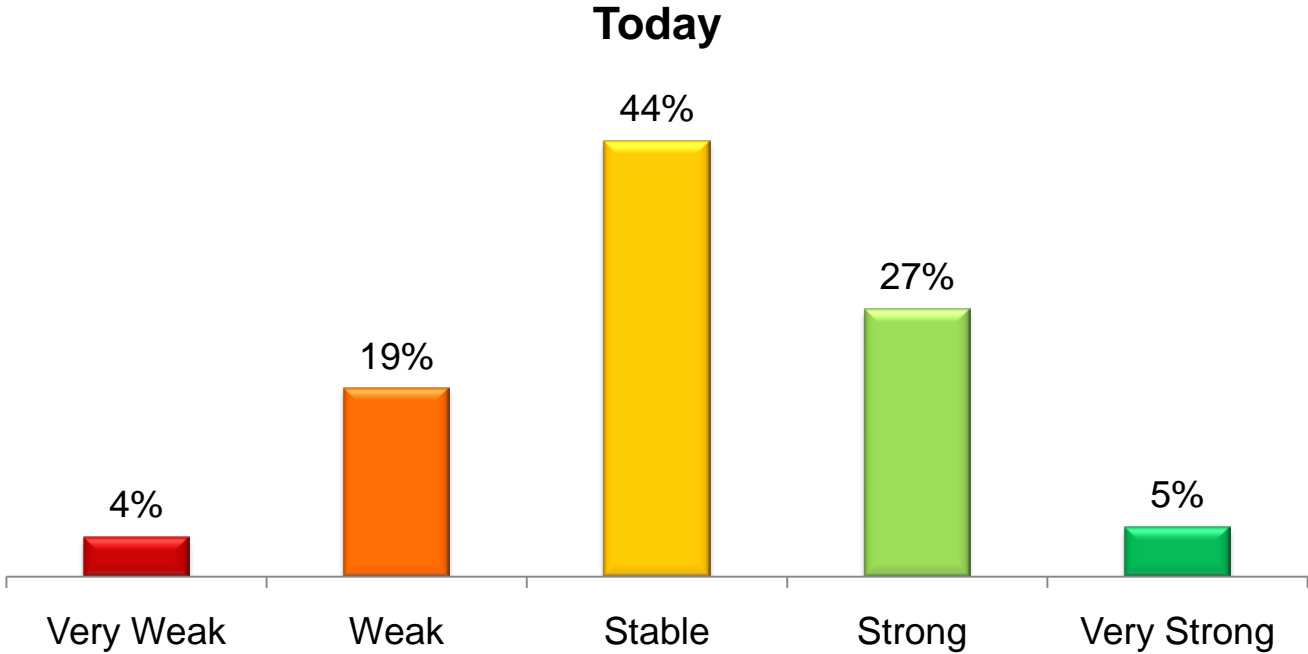
What is the GENERAL STATE of your business THIS TIME LAST YEAR?

(Rate on a scale of 1-5 where 1 is Very Weak and 5 is Very Strong)



What is the GENERAL STATE of your business TODAY?

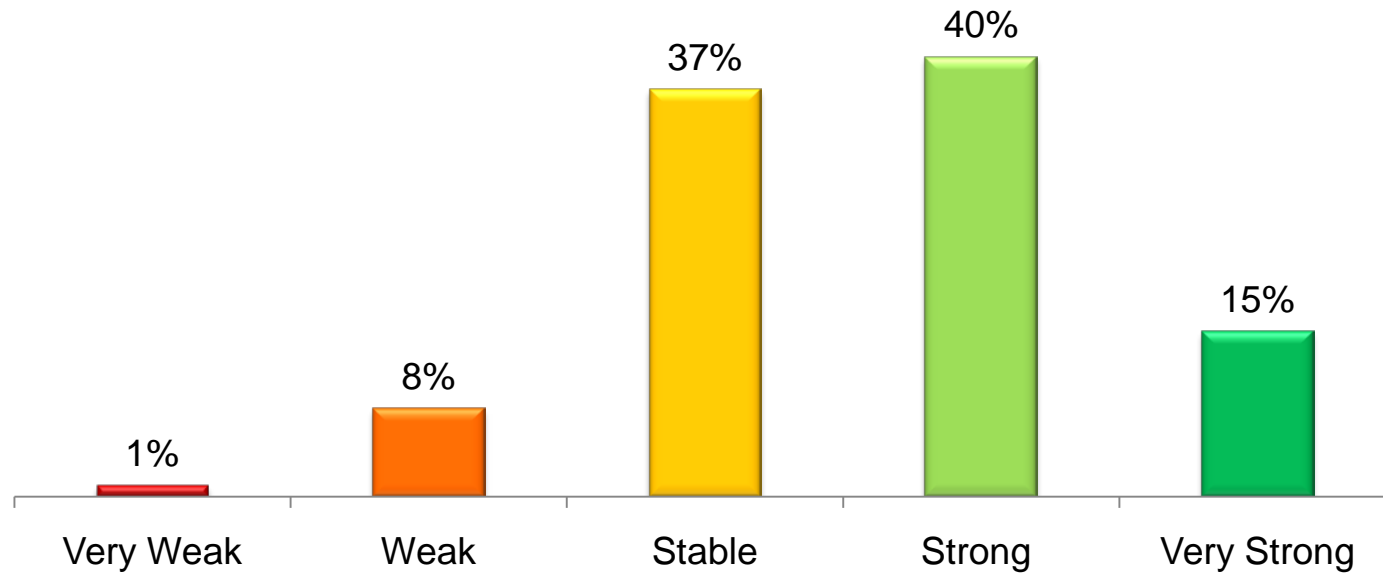
(Rate on a scale of 1-5 where 1 is Very Weak and 5 is Very Strong)



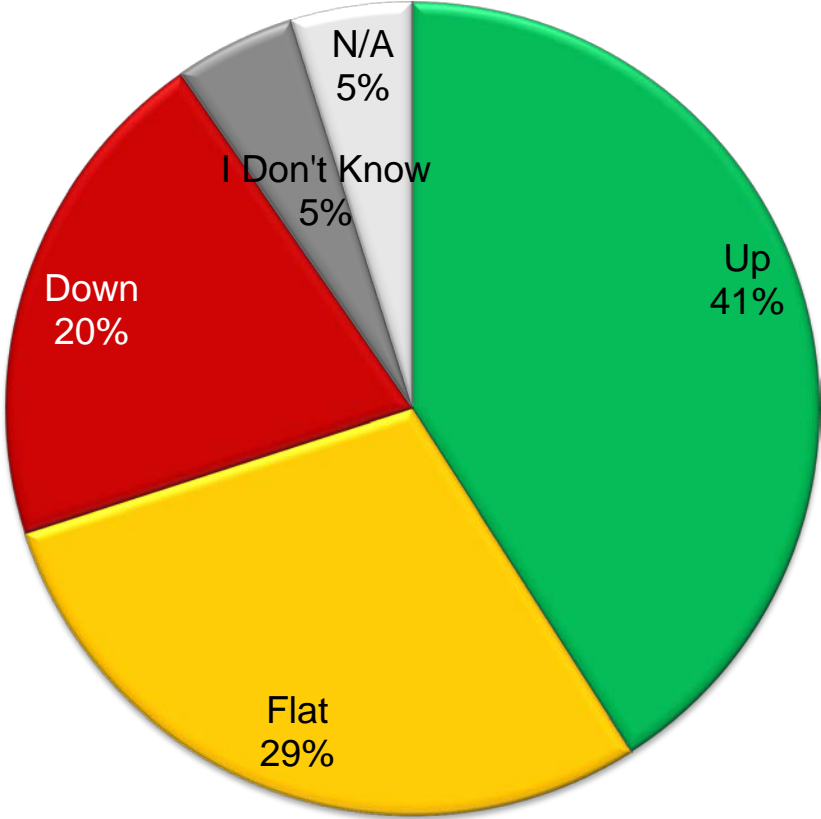
What do you think the GENERAL STATE of your business WILL BE IN THE NEXT 12 MONTHS?

(Rate on a scale of 1-5 where 1 is Very Weak and 5 is Very Strong)

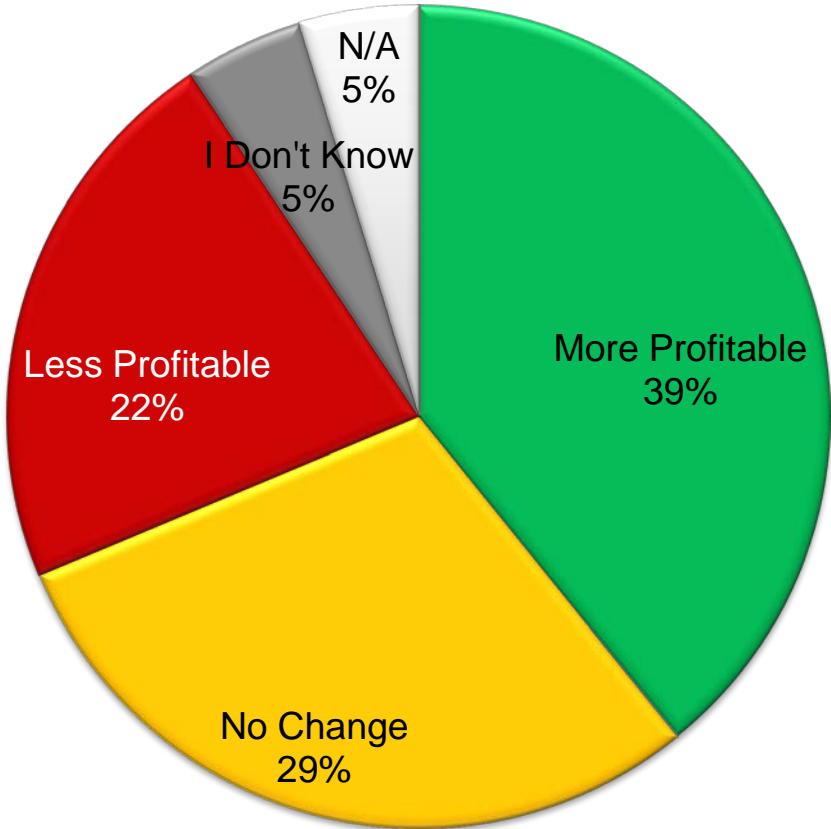
12 Months from Now



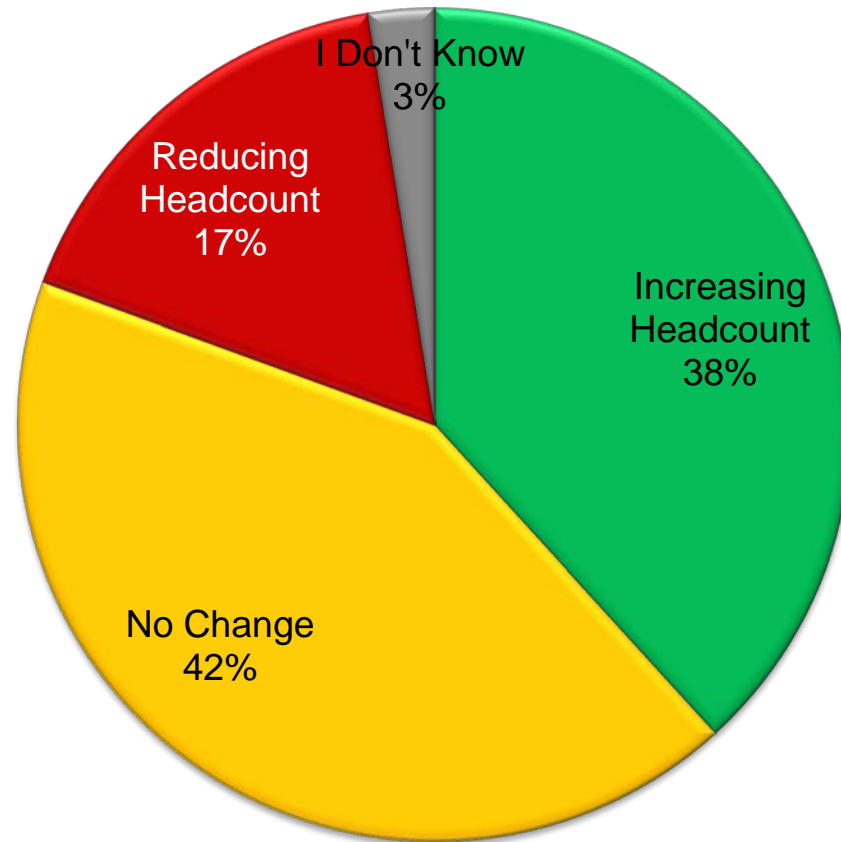
How do your SALES/REVENUE compare to THIS TIME LAST YEAR?



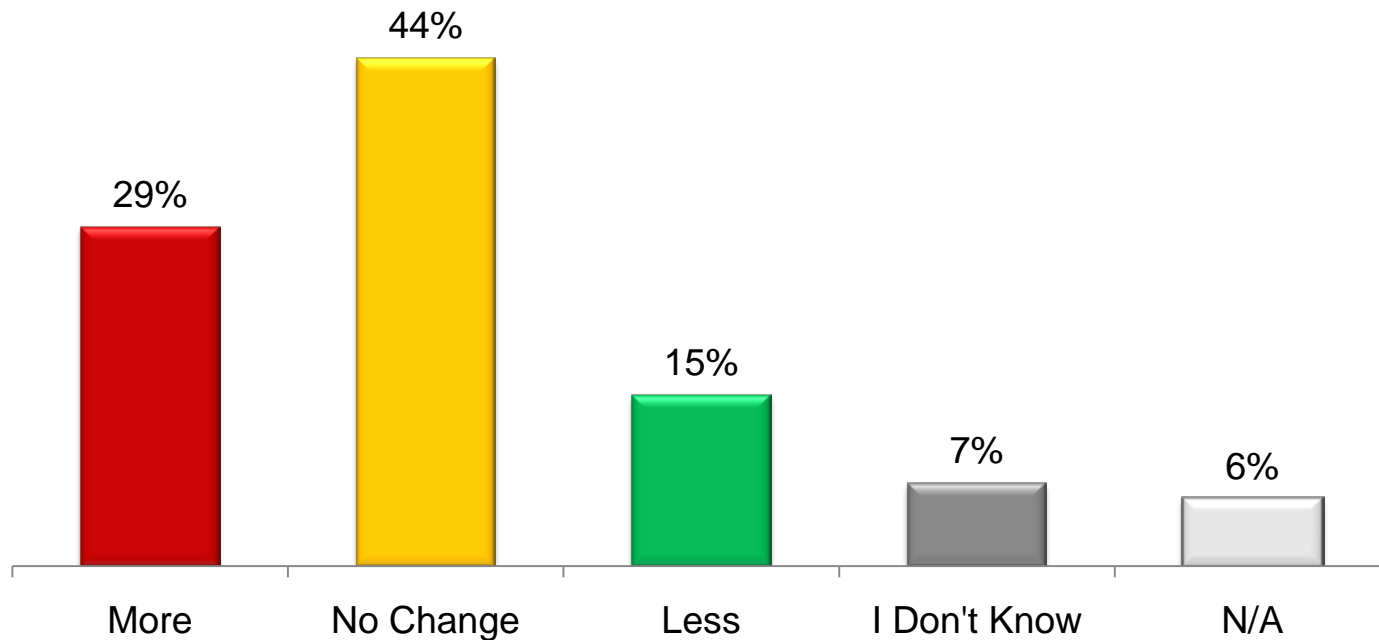
Are you more or less PROFITABLE now compared to THIS TIME LAST YEAR?



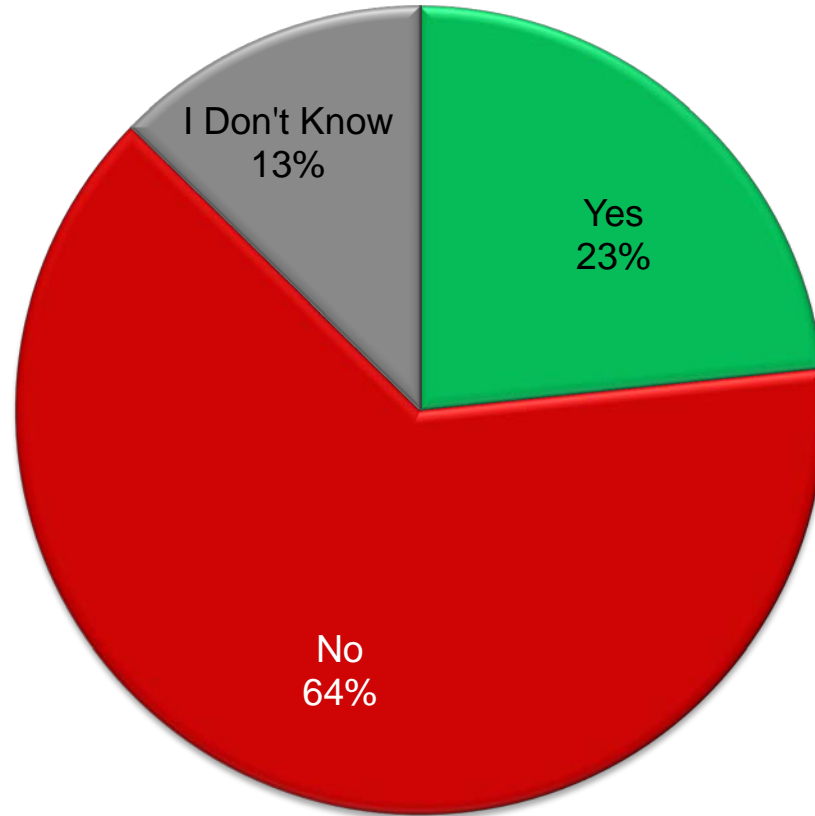
Are you increasing or reducing HEADCOUNT?



Are you paying more or less to PRODUCE YOUR GOODS/SERVICES now compared to THIS TIME LAST YEAR?

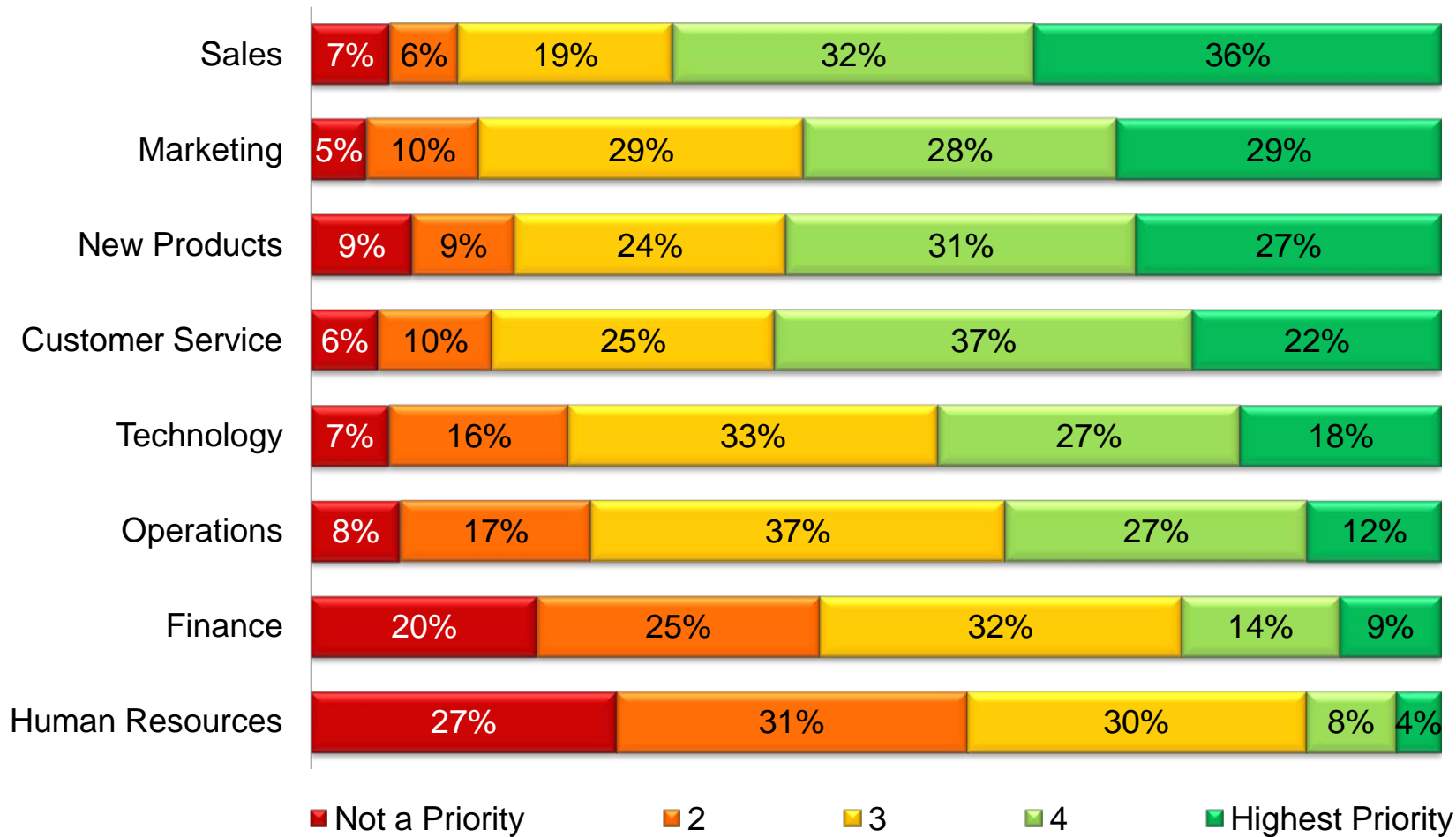


Is your company currently trying to find FINANCING/FUNDING?



Which departments and functions are your company prioritizing the MOST for investment?

(Rate on a scale of 1-5 where 1 is Not a Priority and 5 is Highest Priority)

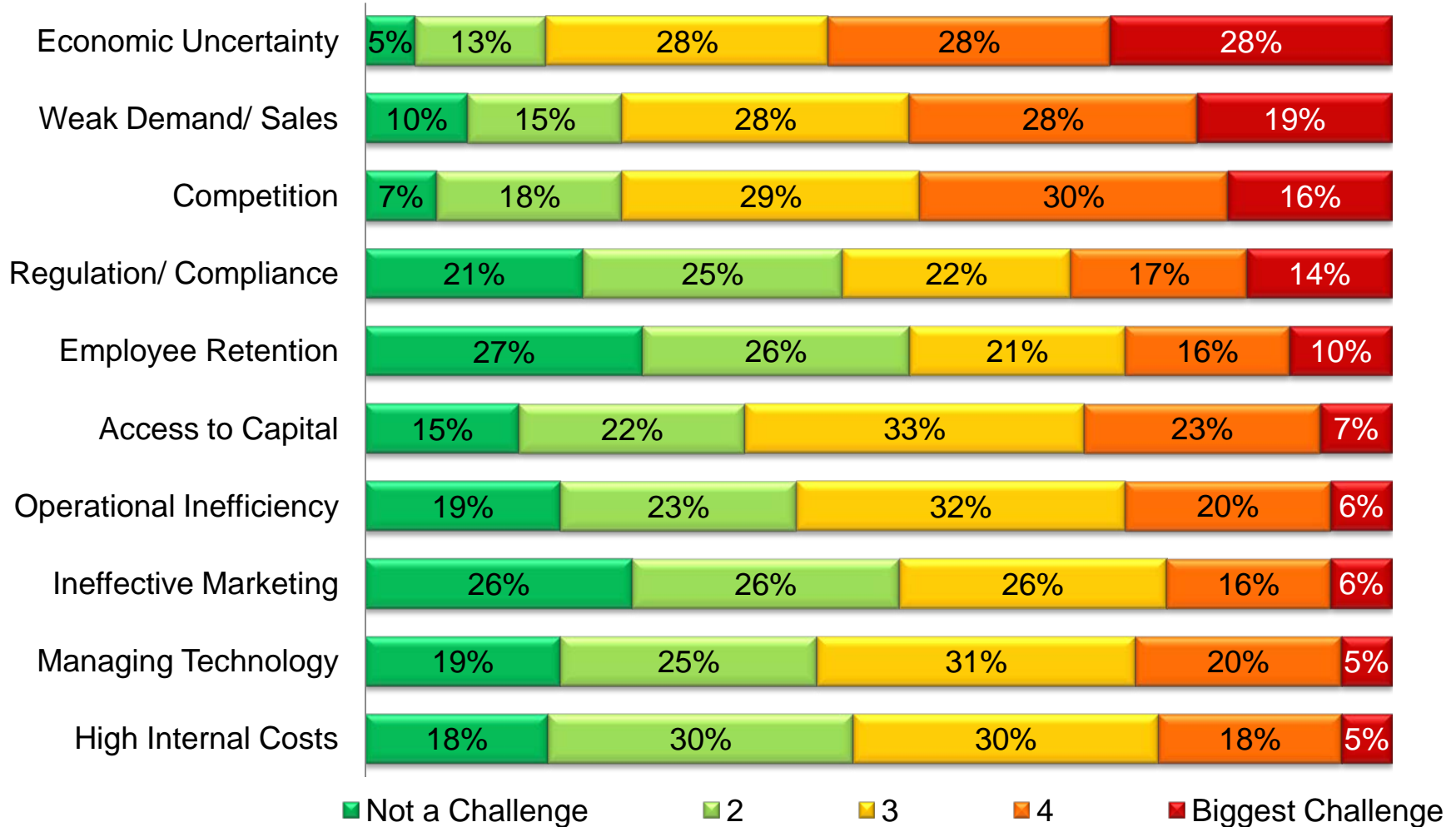


Which of these investments would you rate as your absolute No. 1 Priority?

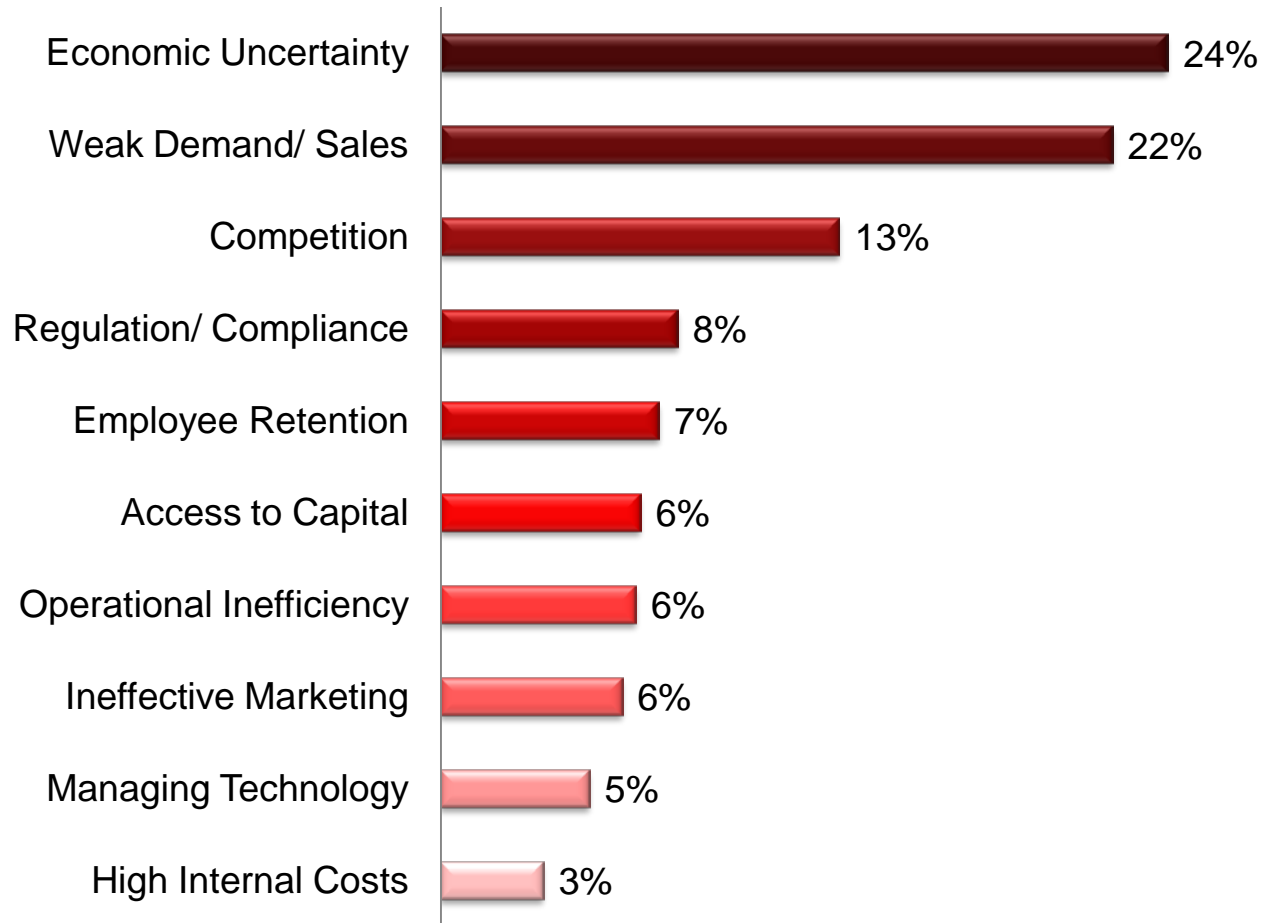


What are the biggest challenges facing your business today?

(Rate on a scale of 1-5 where 1 is Not a Challenge and 5 is Biggest Challenge)

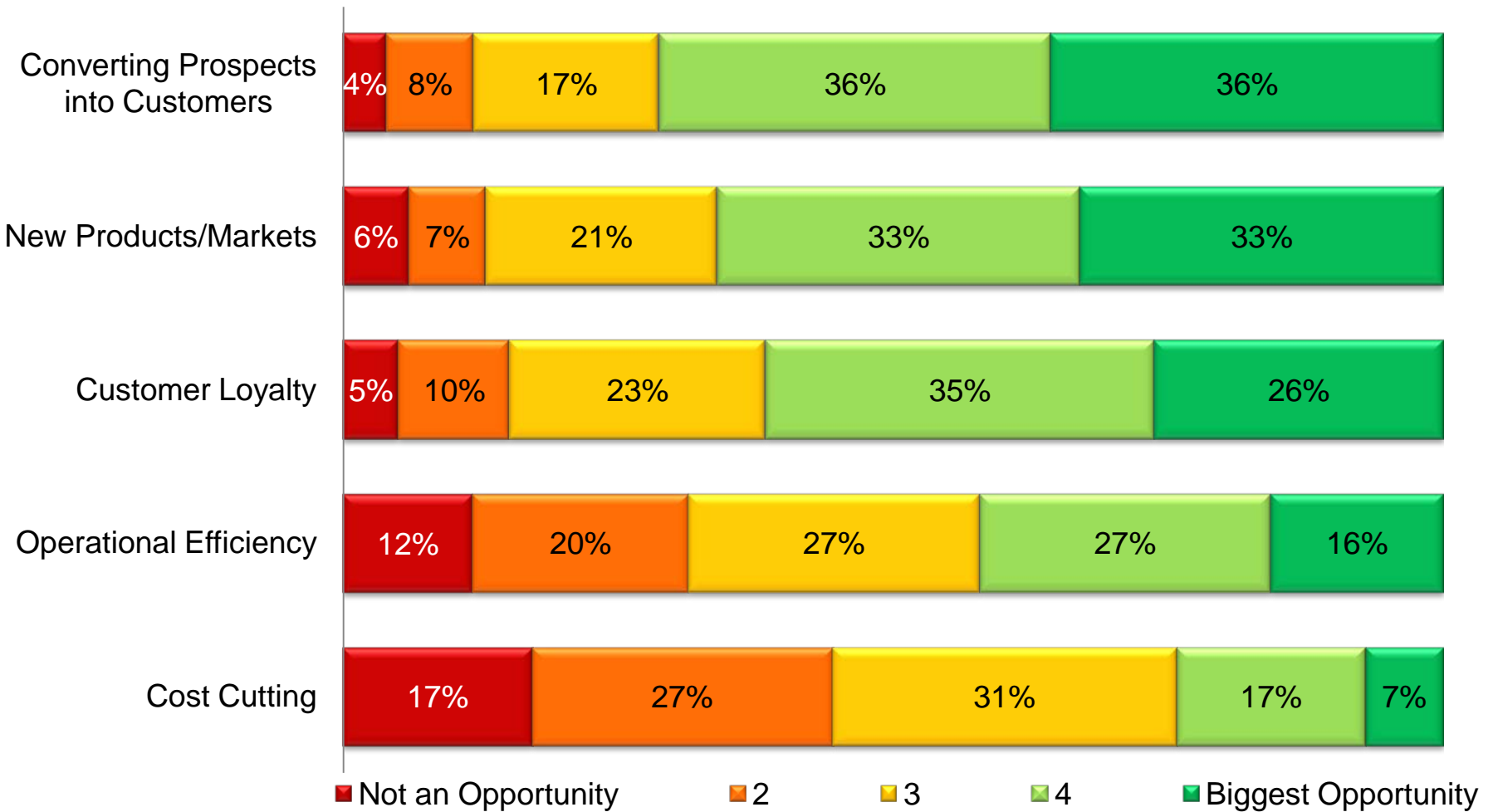


Which of these challenges would you rate as your absolute No. 1 Biggest Challenge?



What are the biggest opportunities for improving your business today?

(Rate on a scale of 1-5 where 1 is Not an Opportunity and 5 is Biggest Opportunity)



Which of these investments would you rate as your absolute No.1 Opportunity?

