

Greater Reno-Tahoe Economic Outlook

Business Survey

January 2010



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Greater Reno-Tahoe Economic Outlook Business Survey January 2010

Sponsored by
The College of Business
University of Nevada Reno



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Greater Reno-Tahoe Economic Outlook Business Survey – January 2010

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EXECUTIVE SUMMARY

BACKGROUND & OBJECTIVES

Background

The annual Greater Reno-Tahoe Economic Outlook Business Survey has been conducted since 2004; prior to 2007 the study was called the Northern Nevada Business Outlook Survey.

The survey was originally designed jointly by EDAWN (Economic Development Authority of Western Nevada), the Reno Sparks Chamber of Commerce, InfoSearch International, and The Glenn Group. In 2009, the sponsorship of the survey shifted to the Center for Regional Studies at the University of Nevada's College of Business in partnership with InfoSearch.

The questionnaire has been updated annually, including in 2009, to keep the content fresh and relevant. Twelve of the 26 current survey items date back to 2004 and have been retained to enable longitudinal comparisons. Other items have been added or revised over time to address key or emerging regional issues. The results of the six end-of-the-year surveys are detailed in this report.

Objectives

The primary objective of the annual study has been to measure business leaders' opinions about the regional business environment including existing and anticipated economic conditions, employment needs, and the advantages and challenges of conducting business in the Greater Reno-Tahoe area.

In 2009, questions were added to measure business leaders' perspectives about topical issues such as digital media, health care legislation, the federal stimulus package, and carbon cap-and-trade legislation.

The annual study also includes the "Greater Reno-Tahoe Economic Outlook Index" – a summary indicator of business leaders' perspectives of the outlook for the regional economy.

METHODOLOGY

The 2009 online survey was sent to an email list of 1,990 senior-level business leaders comprised of members of EDAWN, the Sparks Chamber of Commerce, Nevada Business Connections, UNR Summit attendees, and city and county government leaders in the region. It is possible that some of the initial recipients may have forwarded the online survey invitation to other regional business leaders. A total of 486 people out of the 1,990 (or more) responded to the survey, for approximately a 24% response rate.

Additionally, 12 other regional business-oriented organizations (such as the Builders Association of Northern Nevada, the Nevada Manufacturers Association, and the Carson Valley Chamber of Commerce) were provided a link so that they could directly email a survey invitation to their members. This shared link accounted for 17 more respondents, to bring the total number of respondents to **503** for the 2009 study.

Over 200 regional business leaders have responded in each study year: 301 respondents in 2004, 391 in 2005, 305 in 2006, 281 in 2007, 235 in 2008, and, most recently, 503 in 2009. Factors that may have contributed to the considerable jump in the number of respondents in 2009 include the shorter survey length, the change in sponsorship to the University of Nevada, Reno, and/or the seriousness of the current economic conditions.

Historically, the Economic Outlook Survey has been an end-of-the-year study. Prior to 2009, the online surveys were in the field in November and/or December to meet a deadline for an economic forum. With the change in sponsorship, the 2009 survey was in the field from January 19 to February 4, 2010, after the 2009 year concluded.

Half the respondents (50%) identified themselves as either the business owner (26%) or the President/CEO (24%). Additional titles of respondents included executive (15%), manager/director (12%), partner (5%), and other (7%).

In terms of geographic location, 62% of respondents reported that their firm was in Reno, 18% in Sparks, 8% in Carson City, 9% in other cities in the region (e.g., Dayton, Fallon, Gardnerville, Lockwood), and 3% in multiple cities in the region.

KEY HIGHLIGHTS

Overall Economic Outlook

- In 2009, the country was in the midst of a profound economic recession that has been described as the worst economic crisis since the Great Depression. It is not surprising then that the majority of business leaders (52%) characterized the overall economic conditions in the area as poor, with another third (33%) saying conditions were fair, and 13% saying they were very poor. Only 2% described the region's economic conditions as good, and no respondent, out of 503 business leaders, said conditions were very good.
- About 9% of respondents indicated that overall economic conditions in the area had improved in 2009 over conditions in 2008, up from just 1% in 2008 who said they were better than in 2007.
- In 2009, nearly one-third of respondents (31%) indicated they expected overall economic conditions in the Greater Reno-Tahoe area to improve in the next 12 months, up from 19% in 2008 who anticipated improvement.
- In 2009, the Economic Outlook Index score (62.8) was higher than the 2008 score (45.7), yet was still below the 2007 score (70.1) and earlier scores.
- In other words, 2008 was when the economic outlook (looking forward to 2009) appears to have hit bottom, while 2009 appears to be when actual economic conditions may have hit bottom.

Impact of Recession

- In 2009, 36% anticipated that their firm's revenues would increase during the next 12 months (up from 25% in 2008), while 21% anticipated that capital expenditures would increase (up from 11% in 2008).
- In 2009, about the same percentage of firms planned to increase facility size (10%) as planned to decrease facility size (11%).
- In 2009, 20% expected that their firm's total number of employees in the area would increase during the next 12 months, while about the same percentage (21%) expected the total number to decrease. The primary reason to increase or decrease the total number of employees was a change in business activity. In 2009, 44% expected their firm to hire employees (for turnover or growth), similar to 45% in 2008. In 2009, more companies reported looking for sales/marketing staff than for any other type.
- Due to current economic conditions, nearly two-thirds of respondents (63%) reported that their firm had reduced travel outside the region, while half (52%) had cut back on the use of consultants.
- In 2009, the number one attraction to doing business in the area was the quality of life, while the number one challenge was increasing sales.

Current Trends

- In 2009, about two out of three respondents (64%) reported that their firm outsourced at least one business function. The two most common business functions to outsource were information technology and human resources/payroll.
- Seven out of ten respondents (70%) reported that their company currently uses one or more types of digital media; the most common type used was an e-blast (43%).
- Based on the health care legislation that was being considered at the time of the survey, the majority of business leaders (57%) expected the legislation to increase their company's health care costs and over one-third (38%) expected it to increase their administrative costs.
- About one out of five respondents (21%) reported that their firm had benefited either directly (9%) or indirectly (12%) from the federal stimulus package.
- One out of four respondents (25%) indicated that they have a good understanding of the carbon cap-and-trade bill, 39% said they have a limited understanding, while 36% reported they have no understanding of the bill.
- About seven out of ten respondents (70%) reported that the availability of financing during the current economic recession has had some impact on their firm, primarily on their customers' access to capital.

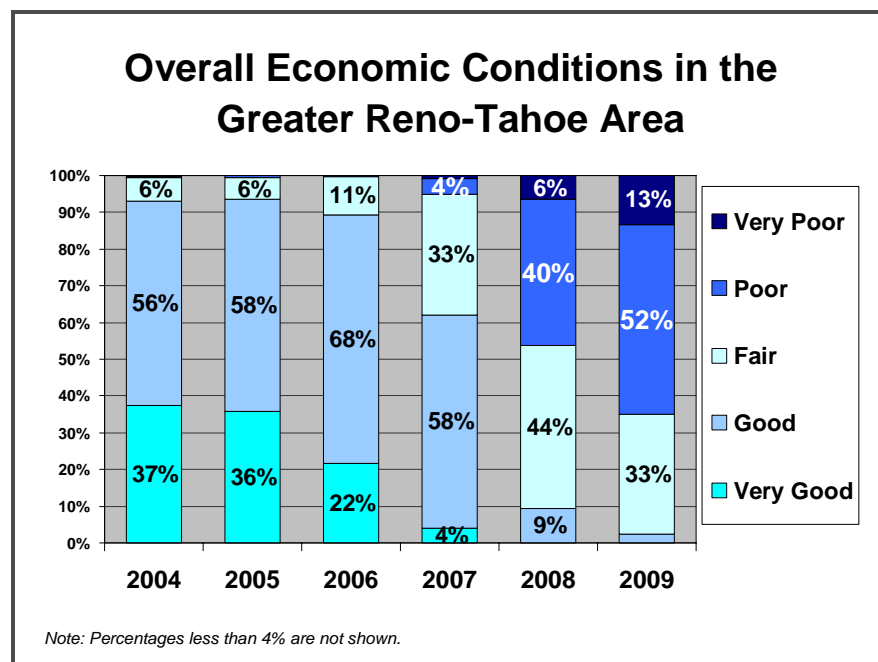
DETAILED FINDINGS

ECONOMIC OUTLOOK

1. How would you rate the overall economic conditions in the Greater Reno-Tahoe area?

Economic Conditions	2004 n = 300	2005 n = 391	2006 n = 305	2007 n = 280	2008 n = 235	2009 n = 502
Very Good	37.3%	35.9%	21.6%	3.9%	0.0%	0.0%
Good	55.7%	57.7%	67.5%	58.2%	9.4%	2.4%
Fair	6.3%	5.9%	10.5%	32.9%	44.3%	32.7%
Poor	0.3%	0.5%	0.3%	4.3%	40.0%	51.6%
Very Poor	0.3%	0.0%	0.0%	0.7%	6.4%	13.3%

- The percentage of respondents who rated the overall economic conditions in the area as either “good” or “very good” (combined) was relatively stable in the first three years of the study – 93% in 2004, 94% in 2005, and 89% in 2006; this percentage dropped to 62% in 2007 and then plummeted to 9% in 2008 and 2% in 2009.
- In both 2008 and 2009, no respondent rated the overall economic conditions in the Greater Reno-Tahoe area as “very good.”
- In 2009, two out of three respondents (65%) rated the economic conditions in the area as either “poor” or “very poor” (combined), up from less than half (46%) in 2008, and just 1% in the 2004 baseline study.



2. In a phrase or sentence, how would you describe the current economic conditions in the Greater Reno-Tahoe area?

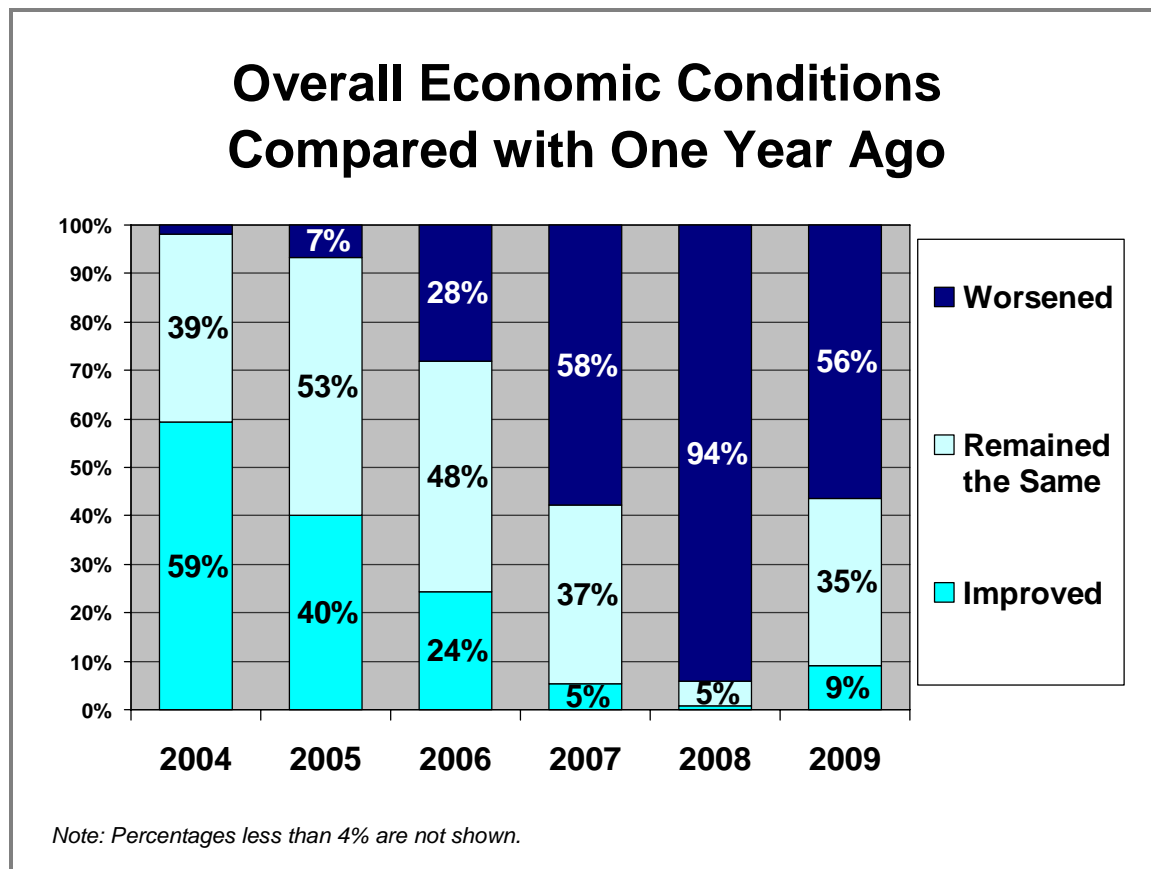
- In 2009, a total of 448 respondents (89% of all respondents) provided a description of the current economic condition in the Greater Reno-Tahoe area.
- Of the 448 who provided comments, about seven out of ten (72%) described the economy with a downbeat word or phrase, such as “declining,” “no positive news on the horizon,” or “needing CPR.”
- About 10% of respondents mentioned that they are starting to see some signs of improvement or potential in the economy, while 9% reported that economic conditions are uncertain or vulnerable, and another 9% described the conditions as flat, fair, or stable.
- Some of the contributing economic factors mentioned were poor sales, reduced capital, high unemployment, a reduction in hours and/or pay, lack of job diversity, business failures, house foreclosures, and depressed housing values.
- Sample comments are provided in the chart below; the complete list of responses is provided in the supplemental Comments Report.

Comment Themes	Frequency	Percentage	Sample Comments
Economic conditions are poor	321	71.7%	“Anemic,” “Bleak,” “Challenging,” “Depressed,” “Dismal,” “In crisis,” “Sluggish,” “Wrong track”
Some signs of improvement, potential	44	9.8%	“It will start to turn around,” “Re-emerging,” “Slowly getting better”
Uncertain, unstable, vulnerable, cautious, mixed	40	8.9%	“Waiting to see which way the wind will blow,” “Unpredictable”
Flat, fair, okay, stable	39	8.7%	“Flat,” “Hanging on,” “Holding steady,” “Stationary”
Other	4	0.9%	“Jobs are needed”

3. Compared with a year ago, have overall economic conditions in the Greater Reno-Tahoe area improved, remained about the same, or worsened?

Compared to a Year Ago	2004 n = 300	2005 n = 388	2006 n = 305	2007 n = 279	2008 n = 234	2009 n = 501
Improved	59.3%	40.2%	24.3%	5.4%	0.9%	9.2%
Remained the Same	38.7%	53.1%	47.5%	36.9%	5.1%	34.5%
Worsened	2.0%	6.7%	28.2%	57.7%	94.0%	56.3%

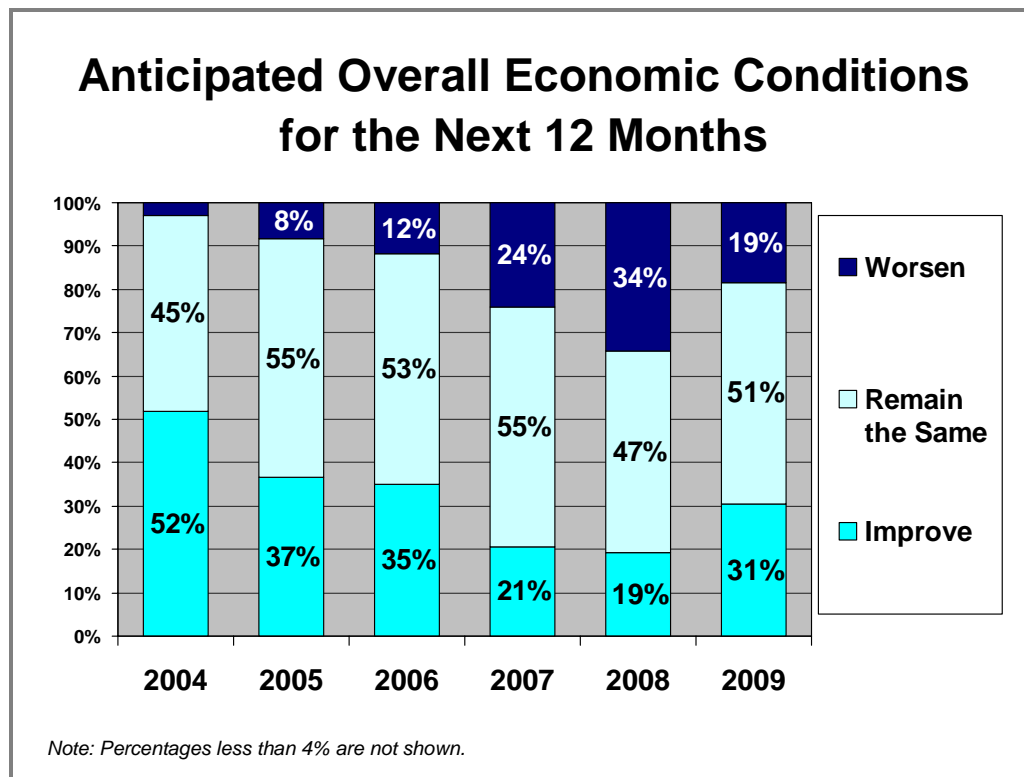
- In 2009, about 9% of respondents indicated that overall economic conditions in the Greater Reno-Tahoe area had improved compared to one year prior, up from just 1% in 2008.
- One-third of respondents (35%) reported that overall economic conditions had remained about the same, up from 5% in 2008.
- The sense that regional economic conditions were getting worse appears to have peaked in 2008, when 94% of respondents reported that conditions had worsened, compared to 58% the year before in 2007 and 56% the year after in 2009.



4. In the next 12 months, do you expect the overall economic conditions in the Greater Reno-Tahoe area to improve, remain about the same, or worsen?

Expectations for Next 12 Months	2004 n = 301	2005 n = 391	2006 n = 305	2007 n = 278	2008 n = 234	2009 n = 502
Improve	51.8%	36.7%	35.1%	20.5%	19.2%	30.5%
Remain the Same	45.2%	55.1%	53.1%	55.4%	46.6%	51.0%
Worsen	3.0%	8.2%	11.8%	24.1%	34.2%	18.5%

- In 2009, nearly one-third of respondents (31%) indicated they expected overall economic conditions in the Greater Reno-Tahoe area to improve in the next 12 months, up from 19% in 2008 and 21% in 2007, and closer to the percentage found in 2006 (35%).
- About half the respondents (51%) expected that overall economic conditions would remain about the same. Moreover, about half of the respondents (+/- 6%) in all six years of the study have expected the status quo to be maintained.
- Again, the sense that regional economic conditions would get worse in the next 12 months appears to have crested in 2008, when 34% expected that conditions would worsen, compared to 24% the year before in 2007 and 19% the year after in 2009.



FINANCES AND FACILITIES

5. Do you anticipate that the revenues for your firm's operations in the Greater Reno-Tahoe will increase, remain about the same, or decrease during the next 12 months?

Expectations for Revenues*	2004 n = 281	2005 n = 368	2006 n = 291	2007 n = 280	2008 n = 224	2009 n = 487
Increase	73.2%	70.4%	66.3%	47.4%	24.6%	36.3%
Remain the Same	23.7%	25.0%	25.8%	34.2%	38.8%	43.7%
Decrease	3.1%	4.6%	7.9%	18.4%	36.6%	19.9%

*Excludes respondents for whom revenue "does not apply."

- In 2009, over one out of three respondents (36%) anticipated that their firm's revenues would increase during the next 12 months, up from one out of four (25%) in 2008.
- About 44% anticipated their firm's revenues would remain about the same, the highest percentage of the six years of the study.
- About one out of five respondents (20%) expected their firm's revenues to decrease, down from 37% in 2008.

6. Do you anticipate that the total capital expenditures for your operations in the Greater Reno-Tahoe area will increase, remain about the same, or decrease during the next 12 months?

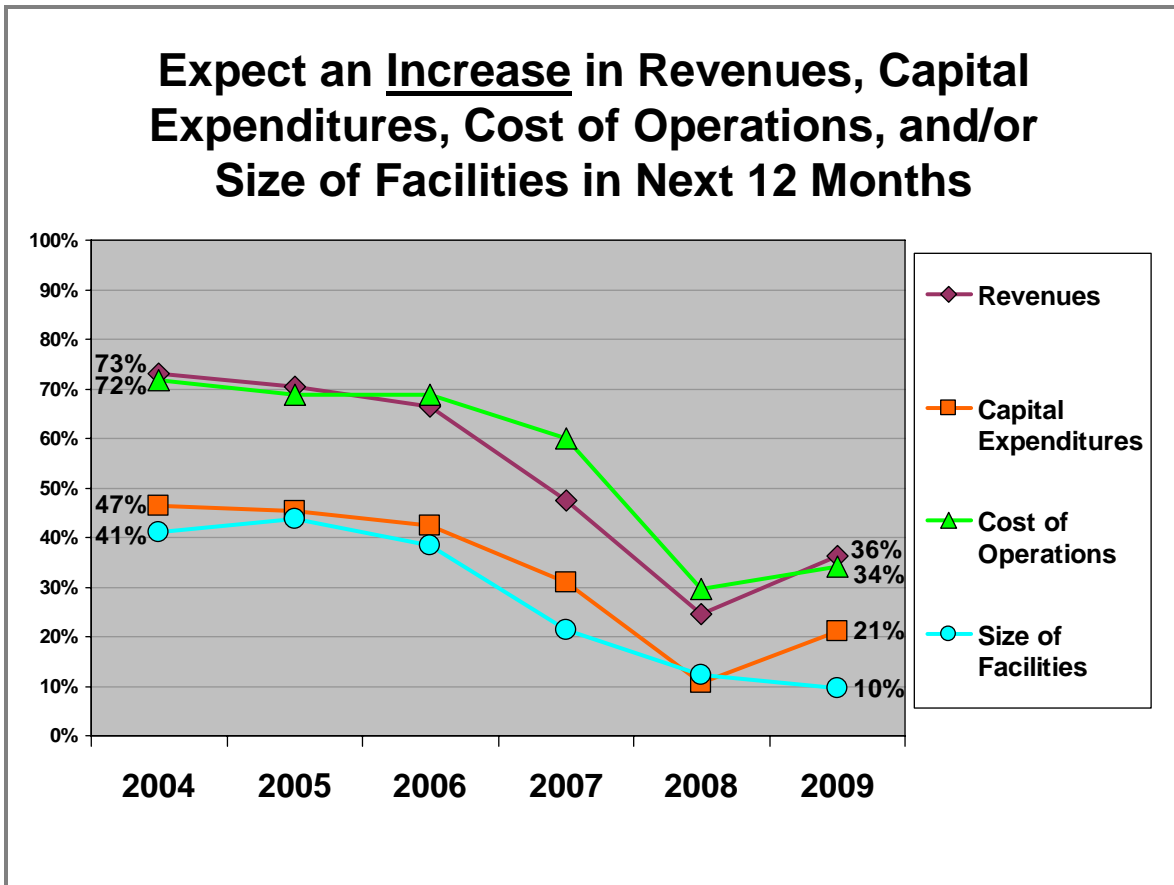
Expectations for Capital Expend.	2004 n = 294	2005 n = 386	2006 n = 304	2007 n = 278	2008 n = 232	2009 n = 500
Increase	46.5%	45.3%	42.4%	30.9%	10.8%	21.0%
Remain the Same	45.8%	44.0%	47.0%	49.3%	42.2%	47.4%
Decrease	7.7%	10.6%	10.5%	19.8%	47.0%	31.6%

- In 2009, about one out of five respondents (21%) anticipated that their firm's capital expenditures would increase during the next 12 months, up from about one out of ten (11%) in 2008.
- Nearly half (47%) anticipated their firm's capital expenditures would remain about the same; a similar percentage was found in all six time periods.
- About one out of three respondents (32%) expected their firms' capital expenditures to decrease, down from 47% in 2008.

7. Do you anticipate that your cost of operation will increase, remain about the same, or decrease during the next 12 months?

Expectations for Operational Costs	2004 n = 300	2005 n = 391	2006 n = 305	2007 n = 279	2008 n = 234	2009 n = 497
Increase	71.7%	68.9%	68.9%	59.9%	29.5%	34.0%
Remain the Same	26.7%	29.3%	28.2%	31.5%	46.6%	50.3%
Decrease	1.7%	1.8%	3.0%	8.6%	23.9%	15.7%

- In the first four years of the study, 60% of more of the respondents expected their firm's cost of operations to increase. In the last two years, only about one out of three did (30% in 2008 and 34% in 2009).
- In 2009, half (50%) anticipated their cost of operations would remain about the same, while 16% expected the cost of operations to decrease.
- As shown in the chart below, expectations for an increase in operational costs run almost parallel with expectations for an increase in revenues.



8. During the next 12 months, does your firm plan to change the size of its facilities in the Greater Reno-Tahoe area?

Plans for Facility Size	2004 n = 301	2005 n = 391	2006 n = 305	2007 n = 280	2008 n = 234	2009 n = 494
Plan to Increase	41.2%	43.7%	38.4%	21.4%	12.4%	9.5%
Remain the Same	58.8%	56.3%	61.6%	78.6%	69.2%	79.6%
Plan to Decrease*	n/a	n/a	n/a	n/a	18.4%	10.9%

** From 2004 to 2007, respondents were asked a yes/no question about whether their firm planned to expand facilities in the Greater Reno-Tahoe area in the next 12 months.*

- About the same percentage of respondents said their firm planned to increase (10%) as said planned to decrease (11%) the size of facilities in the Greater Reno-Tahoe area.
- Four out of five (80%) expected that the size of their facilities would remain the same.
- As shown in the chart on the previous page, in the first five years of the study expectations for an increase in facility size ran almost parallel with expectations for an increase in capital expenditures. In 2009, however, expectations for an increase in facility size did not keep pace with expectations for an increase in capital expenditures.

EMPLOYEES AND HIRING

9. Do you expect that your firm's total number of employees in the Greater Reno-Tahoe area will increase, remain about the same, or decrease during the next 12 months?

Total Number of Employees	2004 n = 300	2005 n = 391	2006 n = 304	2007 n = 281	2008 n = 235	2009 n = 498
Increase	54.7%	59.6%	59.2%	32.4%	12.3%	19.5%
Remain the Same	42.0%	39.1%	35.9%	55.5%	54.0%	59.8%
Decrease	3.3%	1.3%	4.9%	12.1%	33.6%	20.7%

- In 2009, one out of five respondents (20%) expected that their firm's total number of employees in the Greater Reno-Tahoe area would increase during the next 12 months, up from one out of eight (12%) in 2008.
- The majority (60%) expected that their firm's total number of employees would remain the same, as was the case in both 2007 and 2008.
- About one out of five respondents (21%) expected that their firm's total number of employees would decrease, down from 34% in 2008.

10. What is the primary reason you expect your firm's total number of employees to change in the next 12 months? *(New response choices in 2009)*

Primary Reason if Changing Total Number of Employees	2009 Plan to Increase n = 96	2009 Plan to Decrease n = 103
Change in business activity	84.4%	61.2%
Change in budget but not activity*	0.0%	16.5%
Consolidation, relocation of jobs	4.2%	16.5%
Change in employee activity, automation	1.0%	5.8%
Turnover	3.1%	0.0%
Federal stimulus money	3.1%	0.0%
Other – specify	4.2%	1.0%

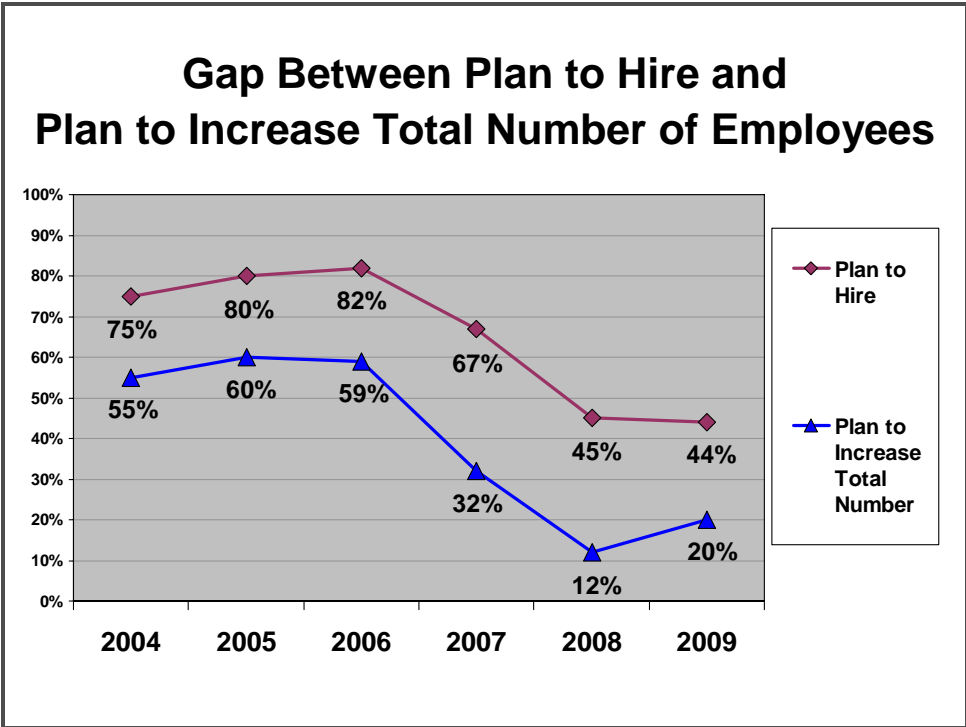
*Coded based on "other specify" comments, such as a decrease in the budget for a government entity or in reimbursement for a medical office where work activity remained about the same.

- In 2009, a change in business activity was the primary reason for both increasing and decreasing the firm's total number of employees.
- Among those who plan to decrease, 17% reported that their budget but not their level of activity had decreased, while another 17% attributed the decrease to consolidation/relocation.
- Only 3% of those who plan to increase the total number of employees attributed the increase to federal stimulus money.

11. Regardless of whether you expect your firm’s total number of employees to change, does your firm plan on hiring any employees for your operations in the Greater Reno-Tahoe area during the next 12 months?

Plan on Hiring	2004 n = 301	2005 n = 391	2006 n = 305	2007 n = 281	2008 n = 235	2009 n = 503
Yes	75.1%	80.1%	82.0%	66.9%	44.7%	43.5%
No	24.9%	19.9%	18.0%	33.1%	55.3%	56.5%

- In 2009, 44% of respondents expected that their firm would hire employees for their Great Reno-Tahoe area operations, similar to 45% in 2008.
- Over the six year study period, the gap between those who plan to hire and those who plan to increase the total number of employees has ranged from 20 to 35 points, as shown in the chart below. The gap reflects the fact that some companies anticipate hiring replacements based on turnover rather than hiring for growth.



12. What type of employees does your firm plan on hiring? (Check all that apply; percentages based on total number of respondents; sorted by rank)

Type of Hires (Check all that apply)	2004 n = 301	2005 n = 391	2006 n = 305	2007* n = 281	2008* n = 235	2009 n = 503
Sales & Marketing	35.5%	33.2%	35.7%	26.3%	14.5%	20.7%
Skilled Tradespeople	18.9%	20.5%	22.0%	21.7%	14.5%	15.7%
Admin/Clerical	37.5%	40.9%	36.4%	n/a**	16.2%	15.5%
Professional (not IT)	29.2%	28.4%	31.1%	27.0%	14.5%	15.5%
Service/Laborers	n/a	n/a	19.3%	16.0%	10.2%	10.7%
Management	23.3%	26.1%	22.6%	19.9%	10.2%	5.0%
IT Technical	12.3%	17.4%	14.4%	9.3%	8.1%	4.6%
Social Media, Internet Marketing***	n/a	n/a	n/a	n/a	n/a	4.0%

* For comparability, the 2007 and 2008 figures were adjusted from prior reports to be based on the total number of respondents and not the total who were hiring.

** The Administrative/Clerical staff question was inadvertently not programmed into the 2007 online study.

*** The social media/internet marketing response choice was added in 2009.

- In 2009, more companies reported looking for sales/marketing staff than for any other type. About one out of five (21%) reported they plan to hire sales/marketing staff, up from 15% in 2008.
- The percentage of companies looking for management employees decreased from 10% in 2008 to just 5% in 2009.
- About 4% of respondents reported that they were looking to hire employees in social media/internet marketing (a new category in 2009).

13. What is the biggest issue, if any, that your firm has with hiring employees and/or recruiting employees to the Greater Reno-Tahoe area? (Open-ended)

- In 2009, a total of 360 respondents (72% of all respondents) provided some type of comment regarding hiring employees and/or recruiting employees to the area.
- Among the 360 who commented, the four main themes were finding qualified/skilled employees (25%), not having enough business (16%), dealing with financial issues such as the cost of living, benefits, or payroll taxes (14%), and handling work ethic issues (10%).
- Additional themes included having too many applicants (3%), having people not meet screening criteria (2%), and finding people with the necessary language skills (1%).
- Another 21% reported that they had no problems with hiring, while 4% mentioned that the topic was not applicable or that they had no employees.
- Sample comments are provided in the chart below; the complete list of responses is provided in the supplemental Comments Report.

Comment Themes	Frequency	Percentage	Sample Comments
Qualified/skilled employees	91	25.3%	"Competence," "Experience," "Lack of capable talent"
Lack of business	58	16.1%	"No work available," "Overstaffed now," "Drop in business"
Finance issues	49	13.6%	"Cost of living," "Benefits," "Payroll taxes"
Work ethic issues	35	9.7%	"Dependable," "Attitude," "Willing to put in an honest day's work"
Too many applicants	9	2.5%	"Too many respondents to ads," "Sorting through many applicants"
Screening criteria issues	8	2.2%	"I-9 requirements," "Finding people who can pass a drug test"
Language issues	4	1.1%	"Language barriers," "Only hire bilingual employees"
Other issues	15	4.2%	"The area and its culture," "Flexible schedules," "Transportation issues"
No issues	75	20.8%	"No problems," "No issues"
Not applicable, no employees	16	4.4%	"Not applicable," "No employees"

OUTSOURCING

14. Which of the following business functions does your firm in the Greater Reno-Tahoe area currently outsource? (Sorted by 2009 responses)

Outsourced Business Functions	2006 n = 305	2007 n = 188	2008 n = 105	2009 n = 503
None*	55.4%	50.7%	60.3%	36.0%
Information Technology	21.3%	20.8%	20.3%	23.9%
Human Resources/Payroll	17.0%	21.5%	15.2%	18.7%
Sales/Marketing	9.2%	11.3%	5.1%	11.7%
Finance	7.2%	6.0%	3.8%	9.3%
Social Media/Internet Marketing**	n/a	n/a	n/a	9.3%
Transportation	2.6%	3.2%	2.5%	4.8%
Manufacturing	3.3%	4.2%	2.9%	4.4%
Facility Management	4.6%	3.9%	2.5%	3.2%
Contact/Call Centers	2.6%	6.7%	4.6%	3.0%
Administration	4.6%	6.4%	4.6%	3.0%
Distribution/Logistics	2.6%	1.4%	2.9%	3.0%
Research & Development	4.6%	5.6%	3.8%	2.8%
Warehousing	1.7%	2.8%	2.1%	2.2%
Other	8.9%	8.1%	9.3%	8.3%

* From 2006 to 2008, respondents were asked a yes/no question about whether their firm outsourced any business functions.

**The social media/internet marketing response choice was added in 2009

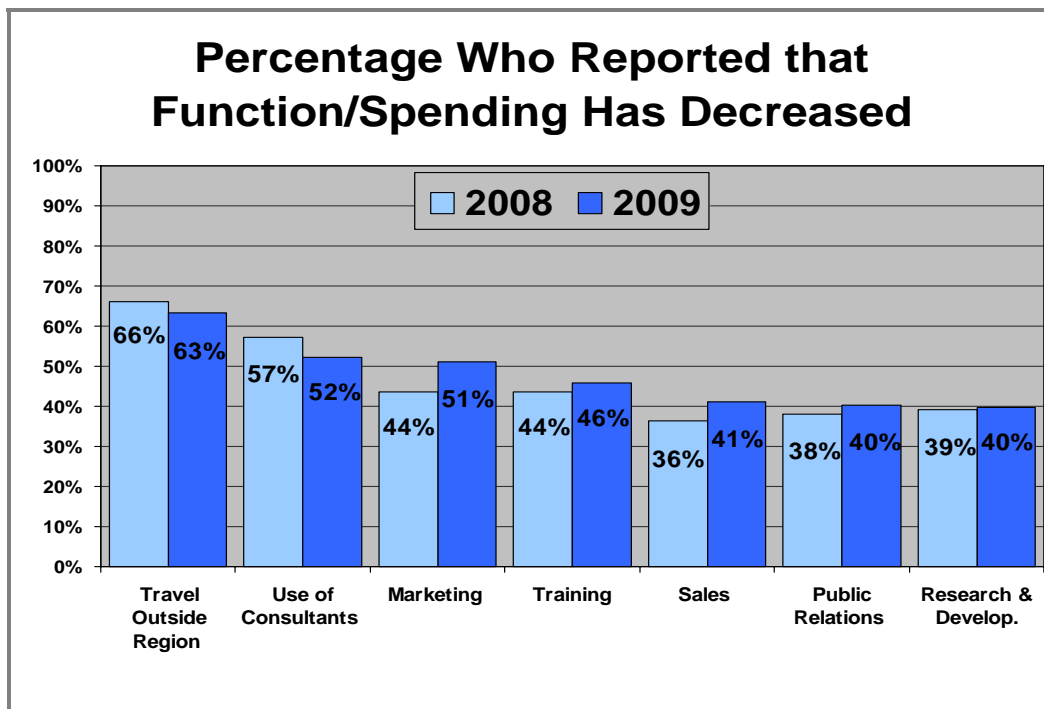
- In 2009, about two out of three respondents (64%) reported that their firm outsourced at least one business function.
- The most common business function to outsource was information technology in both 2008 (20%) and 2009 (24%).
- The second most common business function to outsource was human resources/payroll functions in both 2008 (15%) and 2009 (19%).

IMPACT OF TOUGH ECONOMIC TIMES

15. How much have the following functions in your firm been affected by the current economic conditions? *(New question in 2008)*

Business Functions Affected by Economy	Function/Spending Increased	Function/Spending Remained the Same	Function/Spending Decreased a Little	Function/Spending Decreased a Lot
Travel outside the region	9.4%	27.2%	22.4%	41.0%
Use of consultants	8.7%	39.2%	15.0%	37.1%
Marketing	20.5%	28.2%	28.0%	23.2%
Training/prof. development	15.7%	38.3%	25.9%	20.0%
Sales	18.7%	40.3%	21.0%	20.0%
Public relations	15.3%	44.3%	21.1%	19.3%
Research and development	8.8%	51.6%	21.3%	18.3%

- Of the seven business functions measured, the one that has been most affected by the current economic conditions is travel outside the region. About two out of three respondents in both 2008 (66%) and 2009 (63%) reported that travel outside the region has decreased either a little or a lot.
- In 2009, about half the respondents (52%) reported that their firm had cut back the use of consultants.
- In 2009, more firms reduced spending on marketing (51%) than reduced spending on sales (41%) or public relations (40%).



ADVANTAGES AND CHALLENGES

16. What do you like most about doing business in the Greater Reno-Tahoe area? *(New response choices in 2009)*

Like Most about Doing Business in Greater Reno-Tahoe Area	2009 n = 496
Quality of life	52.0%
Location	16.7%
Business tax advantage	10.7%
Favorable business climate	9.7%
Cost of doing business	6.0%
Workforce/employees	1.4%
Labor/market pool	0.4%
Tax abatement/incentives	0.4%
Permitting process	0.2%
Other	2.4%

- In 2009, over half the respondents (52%) reported that the quality of life attracts them to do business in the Greater Reno-Tahoe area.
- Other features that business leaders like about doing business in the area included the location (17%), business tax advantage (11%) and favorable business climate (10%).

17. What are the three most significant challenges for your firm in the Greater Reno-Tahoe area? *(Prior to 2009, the question asked for the one most significant challenge; in 2009, the question asked for three.)*

Three Most Significant Challenges	2009 n = 503
Increasing sales	66.2%
Business operating costs	44.3%
Rising costs of benefits	39.0%
Legislative issues	26.2%
Hiring skilled employees	26.0%
Regulatory costs	24.5%
Cost of living	18.1%
Retaining skilled employees	11.7%
Facility issues	7.4%
Cost of real estate	6.6%
Other	12.3%

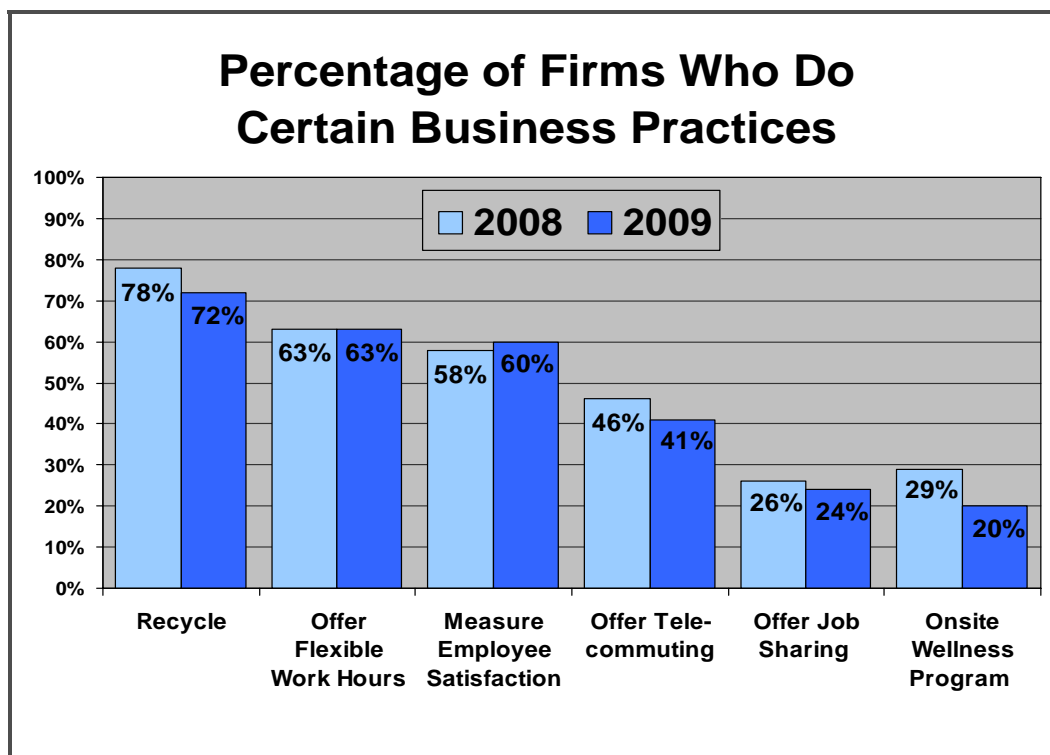
- In 2009, two out of three respondents (66%) reported that increasing sales was one of the top three challenges for their firms.
- Other significant challenges included business operating costs (44%), the rising cost of benefits (39%), legislative issues (26%), and hiring skilled employees (26%).

CURRENT BUSINESS PRACTICES

18. Which of the following business practices does your firm currently do?

Business Practices in 2009	Firm Does - Adopted Practice In Past Year	Firm Does - Adopted Practice 1+ Years Ago	Firm Does Not - Not a Current Practice
Recycling	11.7%	60.0%	28.4%
Offering flexible work hours (beyond standard business needs)	10.2%	52.7%	37.2%
Measuring employee satisfaction/engagement	11.8%	47.7%	40.4%
Telecommuting	8.0%	32.7%	59.3%
Offering job sharing	5.6%	18.8%	75.6%
Having an onsite wellness program	5.7%	13.8%	80.7%

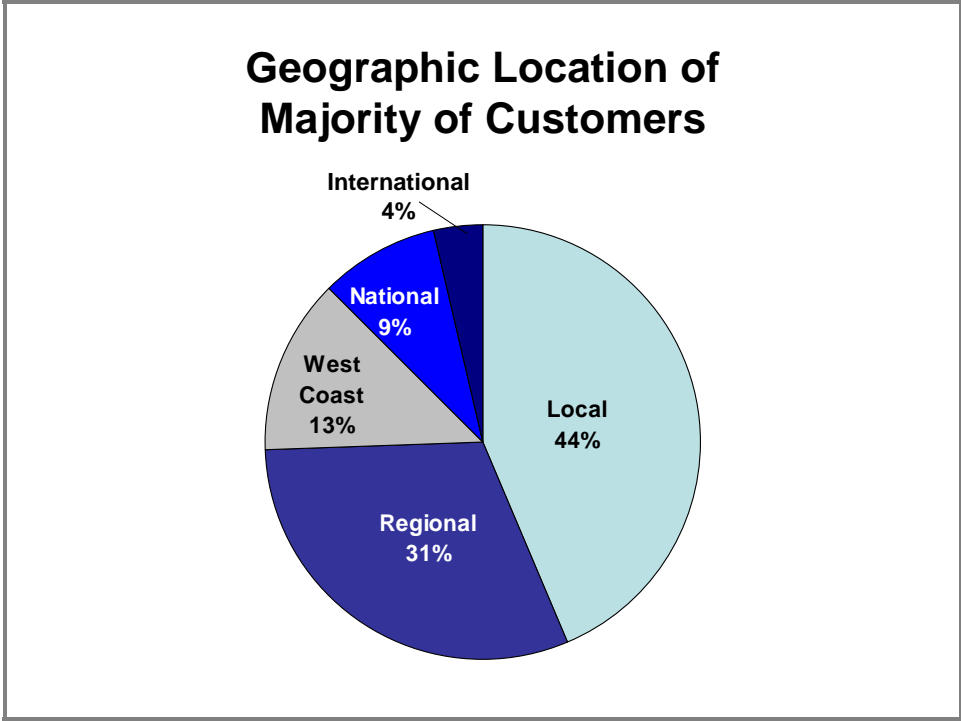
- The most common business practice of the six measured was recycling. In 2009, 72% of respondents reported that their firm recycles, down slightly from 78% in 2008.
- The least common business practice of the six measured was having an onsite wellness program. In 2009, 20% of respondents reported that their firm has an onsite wellness program, down from 29% in 2008.



19. What is the geographic residency/location of the majority of your customers? *(New question in 2009)*

Geographic Location of Majority of Customers	2009 n = 500
Local	43.6%
Regional (surrounding counties)	30.8%
West Coast	13.0%
National	9.0%
International	3.6%

- Three out of four respondents (75%) reported that the majority of their customers are either from their local area (44%) or regional area (31%).
- The other 25% of respondents have a broader customer base in terms of geography with the majority of their customers from the West Coast (13%), national (9%), or international (4%) areas.



CURRENT EVENTS

20. Does your company use “digital media”, and if so, please select all the types used? *(Multiple responses allowed; new question in 2009)*

Types of Digital Media Used	2009 n = 503
Do not use	30.2%
E-Blast (email list-serves)	42.7%
Facebook	35.2%
Web blogs	20.9%
Twitter	16.1%
Other - specify*	8.7%

* Websites were not included in the other category.

- Seven out of ten respondents (70%) reported that their company currently uses one or more types of digital media.
- The most common type of digital media used was an e-blast or email list-serves (43%).
- About one out of three respondents reported that their company uses Facebook (35%), one out of five (21%) have web blogs, and about one out of six (16%) have Twitter accounts.

21. How do you expect the pending health care legislation to impact your company? *(Please check all that apply; new question in 2009)*

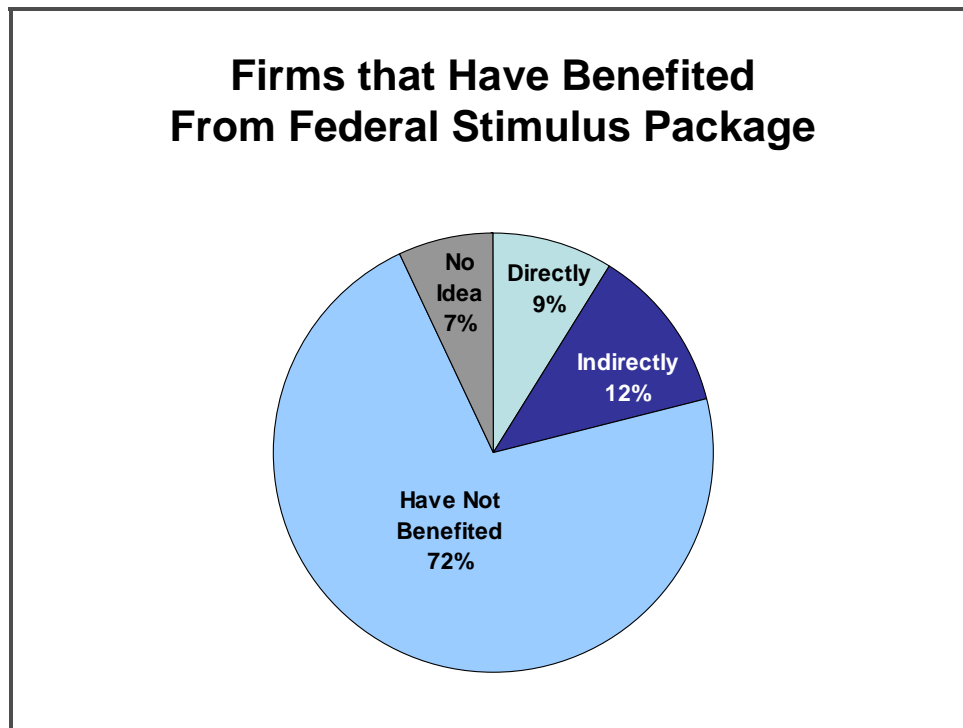
Expected Impact of Pending Health Care Legislation	2009 n = 503
Increase health care costs	57.3%
Increase administrative costs	38.2%
Level the playing field for employee retention	5.4%
Decrease health care costs	3.4%
Decrease administrative costs	1.0%
No expected impact	11.5%
Have no idea	22.9%

- Note that this new survey question was written in early January, 2010, when major federal health care legislation, backed by the Democratic Congress, appeared imminent. The first day the survey was in the field (January 19, 2010) happened to be the same day that Republican Scott Brown won a special election for a U.S. Senate seat in Massachusetts. Brown's surprising election made the future of the proposed federal healthcare legislation uncertain, which may have affected some of the responses such as "have no idea" (23%).
- Based on the health care legislation that was being considered at the time of the survey, the majority of business leaders (57%) expected it to increase their company's health care costs and over one-third (38%) expected it to increase their administrative costs.
- Few respondents thought that the proposed health care legislation would level the playing field for employee retention (5%), decrease their health care costs (3%), or decrease their administrative costs (1%).
- About one out of nine respondents (12%) expected the health care legislation to have no impact on their company (either because the legislation, if passed, was thought to have no impact or because the legislation suddenly seemed unlikely to pass).

22. Has your firm benefited in any way from the federal stimulus spending?
(New question n 2009)

Firm Benefited from Federal Stimulus Spending	2009 n = 499
Directly benefited	9.4%
Indirectly benefited	12.0%
Have not benefited	71.7%
Have no idea	6.8%

- The American Recovery and Reinvestment Act of 2009 – more commonly referred to as the federal stimulus package – distributes \$787 billion in tax benefits, contracts, grants, loans, and entitlements. The stated purpose of the recovery package is to “jump-start the economy to create and save jobs.” (Source: www.recovery.gov)
- About one out of five respondents (21%) reported that their firm had either directly benefited (9%) or indirectly benefited (12%) from the federal stimulus package.
- The majority of respondents (72%) reported that their firm had not benefited from the federal stimulus package, while another 7% did not know.



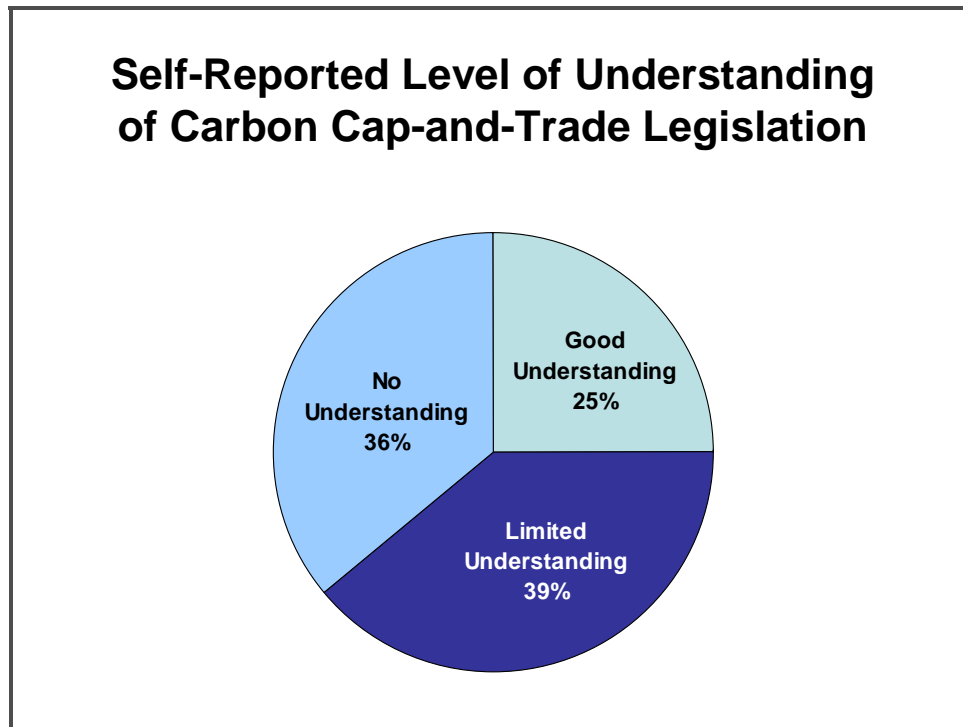
- A crosstab analysis was conducted to see if there was a relationship between benefiting from the federal stimulus package and perceptions of whether the overall economic conditions in the Greater Reno-Tahoe area have improved. One might speculate that the respondents who had directly benefited might be more likely to say that economic conditions had improved.
- As it turns out, none (0%) of the respondents who said their firm had directly benefited from the federal stimulus package reported that the overall economic conditions had improved, one-third of them (35%) said economic conditions had remained about the same, while two-thirds (65%) said they had worsened. This may be because the entities that were most likely to benefit directly may also have been those that were in the most dire financial situations.
- Among those who had indirectly benefited from the federal stimulus package, about one out of six (17%) reported that the overall economic conditions had improved, one-third (32%) said economic conditions had remained about the same, while about half (52%) said they had worsened.
- The perception of respondents whose companies had not benefited fell between those who had directly and indirectly benefited, with 9% reporting that the overall economic conditions had improved, 34% saying economic conditions had remained about the same, and 57% saying conditions had worsened.

Relationship Between Benefiting from Federal Stimulus and Perceptions of Overall Economic Conditions		Has your firm benefited in any way from the federal stimulus spending?			
		Directly Benefited n=46	Indirectly Benefited n=60	Have Not Benefited n = 357	Have No Idea n=34
Compared with a year ago, have overall economic conditions in the Greater Reno-Tahoe area improved, remained about the same, or worsened?	Improved	0%	17%	9%	9%
	Remained about the Same	35%	32%	34%	47%
	Worsened	65%	52%	57%	44%
	Total	100%	100%	100%	100%

23. How well do you understand the proposed carbon cap-and-trade legislation? *(New question in 2009)*

Understanding of Proposed Carbon Cap-and-Trade	2009 n = 497
Good understanding of the bill	24.7%
Limited understanding of the bill	39.4%
No understanding of the bill	35.8%

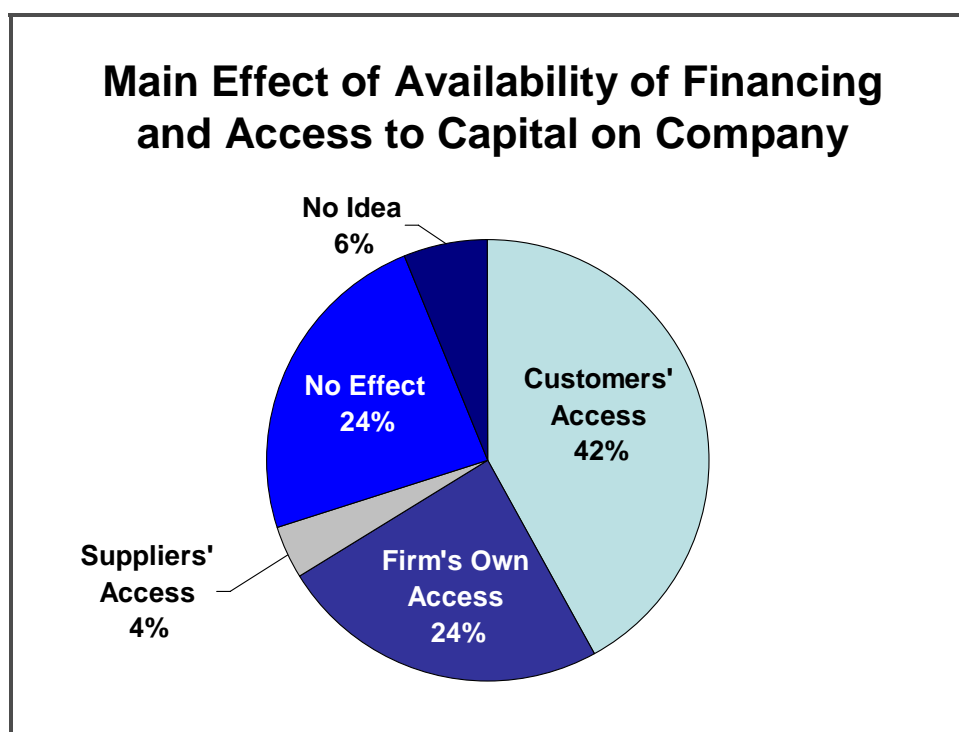
- On June 26, 2009, the U.S. House of Representatives passed by a slim majority (219 to 212) the 946-page American Clean Energy and Security Act of 2009 – also known as carbon cap-and-trade legislation or the Waxman-Markey bill – but the measure has stalled in the Senate and has not yet (as of February, 2010) become law. The bill would “put a cap on emissions of planet-warming greenhouse gases, and would require high-emitting industries to reduce their output to specific targets between now and the middle of the century.” (Source: www.grist.org)
- Only one out of four respondents (25%) indicated that they have a good understanding of the carbon cap-and-trade legislation, two out of five respondents (39%) said they have a limited understanding, while another third (36%) reported they have no understanding of the bill.



24. How is availability of financing [most] affecting your firm? (New question in 2009)

Effects of Availability of Financing	2009 n = 496
Our customers' access to capital has been impacted	42.3%
Our access to capital has been impacted	23.6%
Our suppliers' access to capital has been impacted	4.0%
No effect	24.0%
Have no idea	6.0%

- About seven out of ten respondents (70%) reported that the availability of financing during the current economic recession had had some impact on their firm.
- Respondents reported that the availability of financing had most affected their customers' access to capital (42%), their own access to capital (24%), and their suppliers' access to capital (4%).
- About one out of four respondents (24%) reported that the availability of financing had no effect on their company, while another 6% did not know.



RESPONDENTS' JOB TITLES AND FIRM CHARACTERISTICS

25. Which title most closely represents your position?

Job Titles	2004 n = 299	2005 n = 391	2006 n = 293	2007 n = 281	2008 n = 234	2009 n = 500
Owner of business	14.7%	11.8%	15.7%	12.5%	12.8%	25.8%
President or CEO	22.7%	20.7%	24.9%	20.3%	21.4%	24.2%
Executive	26.8%	27.4%	26.3%	18.1%	14.5%	14.6%
Manager/Director*	20.4%	24.5%	26.3%	34.9%	38.9%	12.2%
Partner	7.7%	3.3%	6.8%	3.2%	3.4%	5.2%
Sales/Account Exec**	n/a	n/a	n/a	3.2%	3.0%	1.6%
Government	n/a	n/a	n/a	n/a	n/a	1.4%
Other	7.7%	12.3%	n/a	5.3%	6.0%	4.0%

*Includes "Supervisor" in 2004 and 2005

** Coded from "other" category

- Half the respondents (50%) identified themselves as either the owner of a business (26%) or the President/CEO (24%).
- Other titles of respondents included executive (15%), manager/director (12%), and partner (5%).
- Additionally, 2% were sales/account executives, 1% of respondents were in a government position, and 4% had other titles.

26. Company Size by Number of Employees *(Calculated based on company name and location)*

Number of Employees	2009 Survey		2nd Quarter 2009 Averages*					
	Companies Responding to Survey**		Washoe County		Six-County Region***			
0-4 Employees	199	45.4%		8,815	60.6%		12,870	61.7%
5-9 Employees	49	11.2%		2,357	16.2%		3,399	16.3%
10-19 Employees	44	10.0%		1,738	12.0%		2,378	11.4%
20-49 Employees	66	15.1%		1,075	7.4%		1,445	6.9%
50-99 Employees	30	6.8%		316	2.2%		438	2.1%
100-249 Employees	27	6.2%		173	1.2%		230	1.1%
250-499 Employees	10	2.3%		38	0.3%		56	0.3%
500-999 Employees	7	1.6%		7	0.0%		20	0.1%
1,000+ Employees	6	1.4%		18	0.1%		22	0.1%
Total	438			14,537			20,858	

* The source for the 2nd Quarter 2009 Averages, shown on pages 30-32, is the Department of Employment, Training, & Rehabilitation (DETR), for specific use by Center for Regional Studies.

** The 503 individual survey responses were collected from 438 unique companies.

*** The six-county region includes Carson City and Churchill, Douglas, Lyon, Storey, and Washoe Counties.

- About 45% of firms represented in the survey had fewer than 5 employees, compared to 61% of firms in Washoe County and 62% of firms in the six-county region.
- Another 43% of firms represented in the survey had 5 to 99 employees, compared to 38% of firms in Washoe County and 37% of firms in the six-county region.
- Additionally, 11% of firms represented in the survey had 100 or more employees, compared to 2% of firms in Washoe County and 2% of firms in the six-county region. In other words, respondents from larger firms were somewhat more likely to respond to the survey; they were perhaps more likely to be on the source list.

27. Type of Industry *(Calculated based on company name and location)*

Summary Industry Information	2009 Survey		2nd Quarter 2009 Averages			
	Companies Responding to Survey		Washoe County		Six-County Region	
Total Firms	438		11,846		17,064	
Total Employment	39,226		172,541		236,428	
Average Wage*	\$23.52		\$20.32		\$20.14	
Total Annual Payroll**	\$1,922,953,812		\$7,834,960,096		\$10,635,102,372	

*The above wage estimates are calculated by dividing the 2nd Quarter 2009 payroll by the number of employees and 520 hours (13 weeks by 40 hours); the resulting estimates do not account for employees who work less than or more than 40 hours per week.

**The Total Annual Payroll is calculated by multiplying the 2nd Quarter 2009 payroll by four (the number of quarters in a year).

- The three charts that follow show that the firms of survey respondents are proportionately similar to the firms in the county and region overall.
- For instance, the two main industries represented by the survey – (1) Finance/ Insurance/Real Estate and (2) Professional Services – are also the two most common type of firms in Washoe County.

Firms by Industry	2009 Survey		2nd Quarter 2009 Averages					
	Companies Responding to Survey		Washoe County			Six-County Region		
Agriculture & Forestry	1	0.2%	25	0.2%	112	0.7%		
Construction	24	5.5%	1,336	11.3%	2,054	12.0%		
Educ., Health, & Social Services	33	7.5%	1,195	10.1%	1,646	9.6%		
Entertain., Accom., & Food Serv.	25	5.7%	1,004	8.5%	1,480	8.7%		
Finance, Insur., & Real Estate	77	17.6%	1,422	12.0%	1,977	11.6%		
Government	9	2.1%	129	1.1%	378	2.2%		
Information	18	4.1%	175	1.5%	233	1.4%		
Management & Admin. Services	24	5.5%	1,066	9.0%	1,470	8.6%		
Manufacturing	33	7.5%	452	3.8%	777	4.6%		
Mining	1	0.2%	43	0.4%	66	0.4%		
Other Services	30	6.8%	827	7.0%	1,144	6.7%		
Professional Services	64	14.6%	1,618	13.7%	2,201	12.9%		
Retail Trade	22	5.0%	1,265	10.7%	1,789	10.5%		
Transportation & Utilities	12	2.7%	437	3.7%	642	3.8%		
Wholesale Trade	17	3.9%	852	7.2%	1,095	6.4%		
Unknown	48	11.0%						

Employment by Industry	2009 Survey		2nd Quarter 2009 Averages				
	Companies Responding to Survey		Washoe County		Six-County Region		
Agriculture & Forestry	5-9	Not disc.*	161	0.1%	1,023	0.4%	
Construction	847	2.2%	10,436	6.0%	13,680	5.8%	
Educ., Health, & Social Services	17,436	44.5%	36,197	21.0%	46,983	19.9%	
Entertain., Accom., & Food Serv.	3,126	8.0%	29,057	16.8%	39,623	16.8%	
Finance, Insur., & Real Estate	2,216	5.6%	8,544	5.0%	11,053	4.7%	
Government	5,792	14.8%	9,665	5.6%	19,882	8.4%	
Information	907	2.3%	2,425	1.4%	3,160	1.3%	
Management & Admin. Services	1,571	4.0%	12,183	7.1%	14,653	6.2%	
Manufacturing	1,369	3.5%	10,433	6.0%	16,821	7.1%	
Mining	5-9	Not disc.*	212	0.1%	408	0.2%	
Other Services	291	0.7%	4,382	2.5%	6,013	2.5%	
Professional Services	2,149	5.5%	8,899	5.2%	10,818	4.6%	
Retail Trade	960	2.4%	19,888	11.5%	27,767	11.7%	
Transportation & Utilities	1,940	4.9%	10,875	6.3%	13,978	5.9%	
Wholesale Trade	612	1.6%	9,184	5.3%	10,566	4.5%	

Average Wage** by Industry	2009 Survey		2nd Quarter 2009 Averages				
	Companies Responding to Survey		Washoe County		Six-County Region		
Agriculture & Forestry	Not disclosed*		\$16.59		\$14.84		
Construction	\$29.31		\$24.36		\$23.99		
Educ., Health, & Social Services	\$22.25		\$23.09		\$22.41		
Entertain., Accom., & Food Serv.	\$10.39		\$11.17		\$11.33		
Finance, Insur., & Real Estate	\$24.74		\$24.65		\$23.81		
Government	\$31.67		\$29.85		\$29.08		
Information	\$25.82		\$26.18		\$26.31		
Management & Admin. Services	\$15.74		\$21.38		\$21.30		
Manufacturing	\$24.33		\$26.70		\$25.66		
Mining	Not disclosed*		\$48.73		\$36.30		
Other Services	\$19.14		\$16.02		\$15.72		
Professional Services	\$30.94		\$28.65		\$28.12		
Retail Trade	\$19.52		\$13.64		\$13.69		
Transportation & Utilities	\$32.57		\$21.43		\$21.92		
Wholesale Trade	\$18.70		\$25.06		\$24.77		

* Due to small samples, the values are not disclosed in order to protect the information of individual businesses.

** Wages for service workers may include tips.

CONCLUDING COMMENTS

28. Do you have any other comments about the economic conditions or economic outlook for Greater Reno-Tahoe? *(Open-ended)*

- In 2009, a total of 190 respondents (38% of all respondents) provided some type of additional about the economic conditions or economic outlook for the Greater Reno-Tahoe area.
- The five most common themes in the comments were wanting less government regulation (20%), increasing/diversifying jobs and businesses (18%), dealing with tough economic times (13%), seeing or hoping for improvement (13%), and feeling that the economic recovery will take one or more years (6%).
- Sample comments are provided in the chart below; the complete list of responses is provided in the supplemental Comments Report.

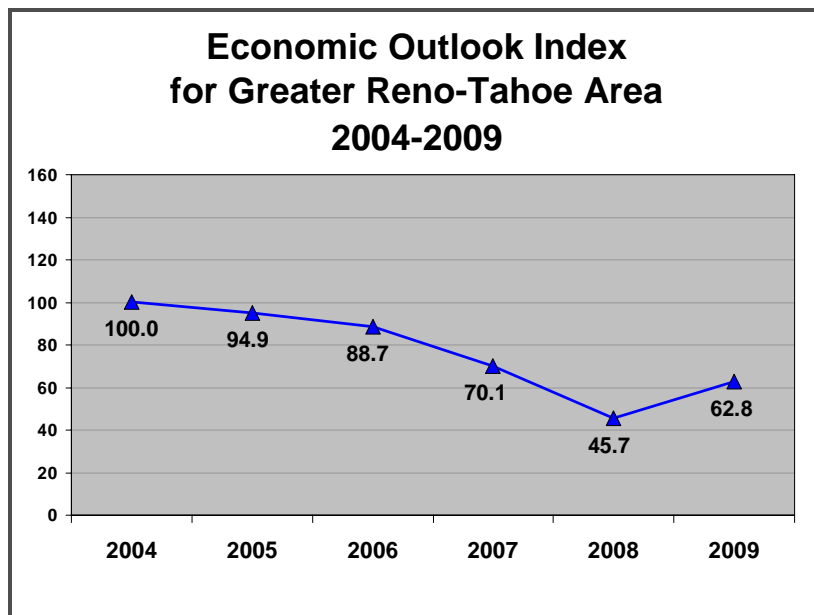
Comment Themes	Frequency	Percentage	Sample Comments
Less government regulation; frustration with taxes/ legislation	37	19.5%	"Tell my government to get out of my business!" "Let capitalism work," "Increasing taxes is not the solution"
Need jobs, recruit businesses, diversify industries	34	17.9%	"Put focus on core industry jobs," "Need good paying jobs," "Diversify the region beyond gaming"
Times are tough	25	13.2%	"Getting harder to do business," "We're afraid this is the new normal"
See improvement, hope for improvement	24	12.6%	"Hope it gets better soon," "Good times are on the way"
Recovery is slow, one or more years away	12	6.3%	"Economy will remain stressed for 3-4 years," "It will be a few years for a true recovery"
Need access to capital, loans	9	4.7%	"Still cannot secure a loan," "[Need] banks to start lending again"
Buy local, support local businesses	8	4.2%	"Get people back to work by supporting our small businesses," "Buy local from locals"
Concerned for government services, infrastructure, cuts	8	4.2%	"We need more taxes and more programs to develop the state," "We must invest in infrastructure"
Education is key	6	3.2%	"[Need] a strong education system," "More emphasis on education"
Attract more tourists	4	2.1%	"Do more to bring tourists," "Bring visitors to our great community"
Other comments	23	12.1%	"[Need] dynamic leaders," "Stop hammering the doom and gloom," "Must get our housing market back"

ECONOMIC OUTLOOK INDEX (EOI)

Greater Reno-Tahoe's Economic Outlook Index (EOI) was designed to measure and track the change in the local economic outlook over time. The methodology used mirrors a national methodology and is based upon six components, which are scored as the percent giving favorable responses (e.g., "increased"), minus the percent unfavorable (e.g., "decreased"), plus 100. The total component score is the sum of the six components.

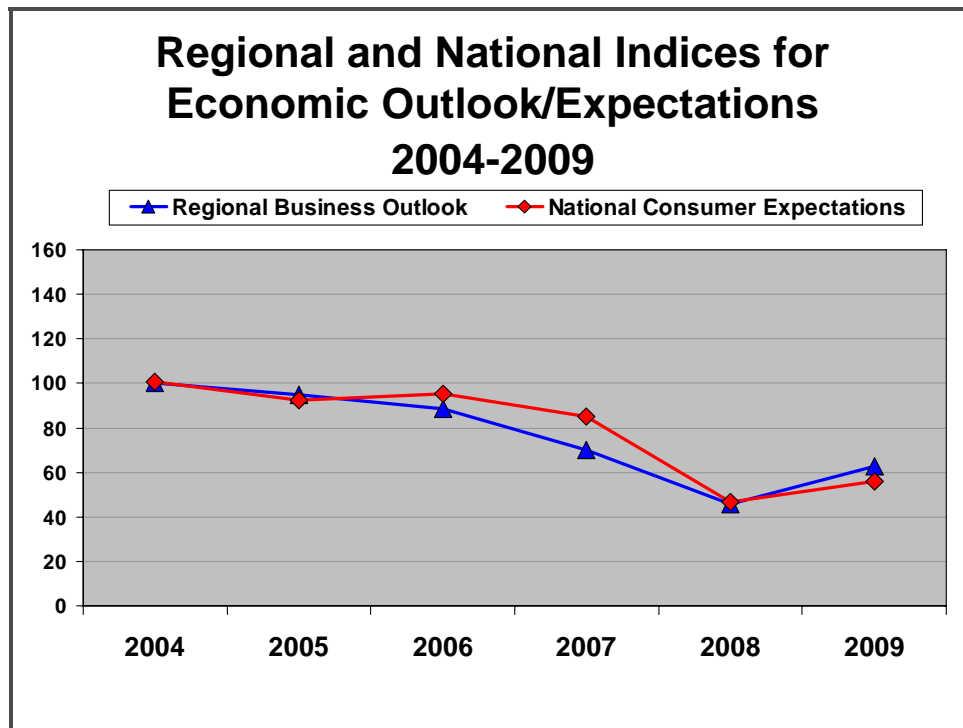
The EOI was established with the baseline 2004 survey at 100.0. Over time, the index goes up or down, based upon each time period's total component score as a percentage of the baseline score. The economic outlook index appears it may have "hit bottom" in 2008, after four years of decline. This year, the index score (62.8) was higher than the 2008 score (45.7), yet still below the 2007 score (70.1) and earlier scores.

Greater Reno-Tahoe's EOI Components	2004 Scores	2005 Scores	2006 Scores	2007 Scores	2008 Scores	2009 Scores
Current Economic Conditions	157	134	96	48	7	53
Expected Economic Conditions	149	128	123	96	85	112
Expected Revenue Growth	170	166	158	129	88	99
Expected Capital Expenditures	139	135	132	111	64	89
Expected Cost of Operations	170	167	166	151	106	116
Expected Change in Employees	151	158	154	120	79	118
Total Component Score	936	888	830	656	428	588
Greater Reno-Tahoe's EOI	100.0	94.9	88.7	70.1	45.7	62.8



The change in the regional economic outlook roughly mirrors a national trend on expected economic conditions; some outlook or expectation scores dropped from 2007 to 2008 and then rebounded in 2009 on a national level as well. For example, the Conference Board's Consumer Confidence Index reported a national consumer's "Expectations Index" of 100.7, 92.6, 95.1, 85.2, 46.7, and 55.9 for approximately the same time periods, as shown in the chart below.

Regional and National Indices	2004	2005	2006	2007	2008	2009
Regional Index - Greater Reno-Tahoe's Economic Outlook Index	100.0	94.9	88.7	70.1	45.7	62.8
National Index- Conference Board's Consumer's "Expectations Index"	100.7	92.6	95.1	85.2	46.7	55.9



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