



# CBIA's 2011 Fairfield County Business Survey

## Introduction

The Connecticut Business and Industry Association (CBIA) and the Stamford Chamber of Commerce are pleased to partner with BlumShapiro and TD Bank to produce the fourth biennial Fairfield County Business Survey. This report examines the workforce, energy, and transportation challenges for companies in Fairfield County and the economic, financial, and regulatory climates in which they operate.

Since we last conducted this survey, in the fall of 2009, the economic recovery has been rocky. This year, our questionnaire entered the field during market troubles in September, and key indicators point to an economy that is still fragile.

Results from the 2011 Fairfield County Business Survey reveal a mildly optimistic economic outlook, at best, for 2012. Fifty-nine percent of respondents claim their businesses have changed substantially as a result of the recession, and while a slight majority expect to be profitable this year, they also anticipate considerable challenges.

While area business leaders believe government often makes it more difficult for them to succeed and are not convinced that their state tax dollars are used effectively, they also believe that there are opportunities for the public sector to help the region

be more competitive. For example, they believe policies that reduce business costs, increase the availability of skilled workers, and result in transportation improvements and better access to capital would greatly benefit businesses in the region.

## Key Findings

Several key findings emerge from this year's survey:

- ▶ Business profitability was clobbered by the recession and saw only modest improvement over the last two years.

**“Despite all the challenges noted in this year’s survey, a significant number of Fairfield County businesses believe the future will provide opportunities for growth and profitability. This is evident in the combination of recent expansions and plans to expand, reported by 44% of businesses.”**



**John Zinno**  
Partner, BlumShapiro

Sponsored by:

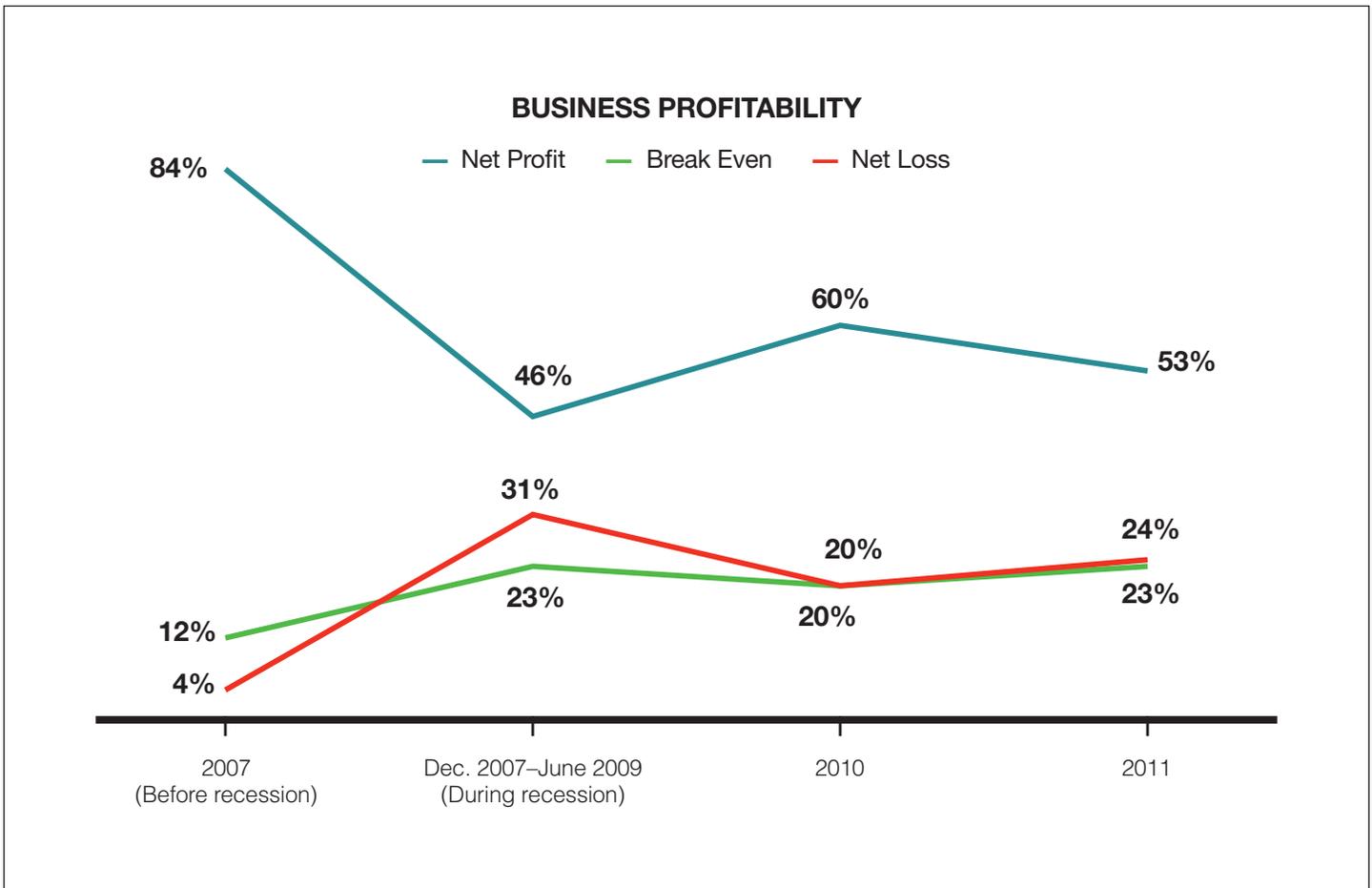


America's Most Convenient Bank®

Most businesses (84%) report being profitable immediately before the recession; only 46% turned a profit during the recession. An upswing in 2010 (60% of respondents recorded a net profit) was tempered by a dip this year (only 53% expect to be profitable in 2011).

- ▶ Thirteen percent of firms recently expanded, and another 31% plan to. More than half of all companies surveyed cite the cost of doing business, including regulatory and tax burdens, as a barrier to business expansion.
- ▶ Only 15% of respondents today (compared to 43% two years ago) agree or strongly agree that their state and local taxes are reasonable.
- ▶ Respondents expect conditions for their own firms to improve or remain stable through 2012. They are far less confident about the economic outlook for the county as a whole; only one-quarter of respondents are somewhat or very optimistic about the economic climate in Fairfield County through the end of next year.

- ▶ Though most companies surveyed (72%) have no direct ties to the financial services sector, more than three-quarters (76%) acknowledge that this sector is important to the region's economy.
- ▶ Most reported that the American Recovery and Reinvestment Act of 2009, or federal stimulus package, was not helpful to their businesses or their county. Few believe another stimulus effort would help.
- ▶ Sixty percent of businesses in Fairfield County give the cost of energy a poor rating. Energy quality and reliability were rated more favorably (excellent, good, or average) by 57% of respondents.
- ▶ Improvements to and expansion of I-95 are identified as the best solutions to the region's transportation problems.
- ▶ When companies were asked about the single greatest benefit to operating a business in Fairfield County, the region's traditional strengths—its quality of life and prime market location—continued to shine. Far fewer



respondents consider the region's skilled/educated workforce or opportunities for personal income growth to be its greatest assets.

- ▶ Nearly half of all respondents (48%) report that skilled workers are not readily—or at all—available in Fairfield County. This is a sharp increase over 2009, when 22% said skilled workers were not readily or at all available.

### Current Economic Conditions

The majority of businesses surveyed (60%) recorded a profit in 2010. Fewer (53%) expect that to be the case in 2011.

If business confidence is weak, companies' performance since the last survey provides some context: A greater percentage of Fairfield County businesses recorded a net loss

in 2010 than had expected to in 2009, when we last surveyed them. Most respondents (59%) acknowledge that their businesses have changed substantially because of the recession.

Businesses are slightly more optimistic about conditions for their own firms in 2012: 38% see conditions improving, and 40% believe they will remain stable. They are less confident about the economic outlook for Fairfield County as a whole: Only 18% expect any improvement at all; 44% expect conditions to get worse.

**“All things considered, Stamford has been able to hold its own in these difficult economic times. We were hopeful that 2011 was going to be the year of growth. The first half was encouraging, but the third quarter took the wind out of the sails.”**



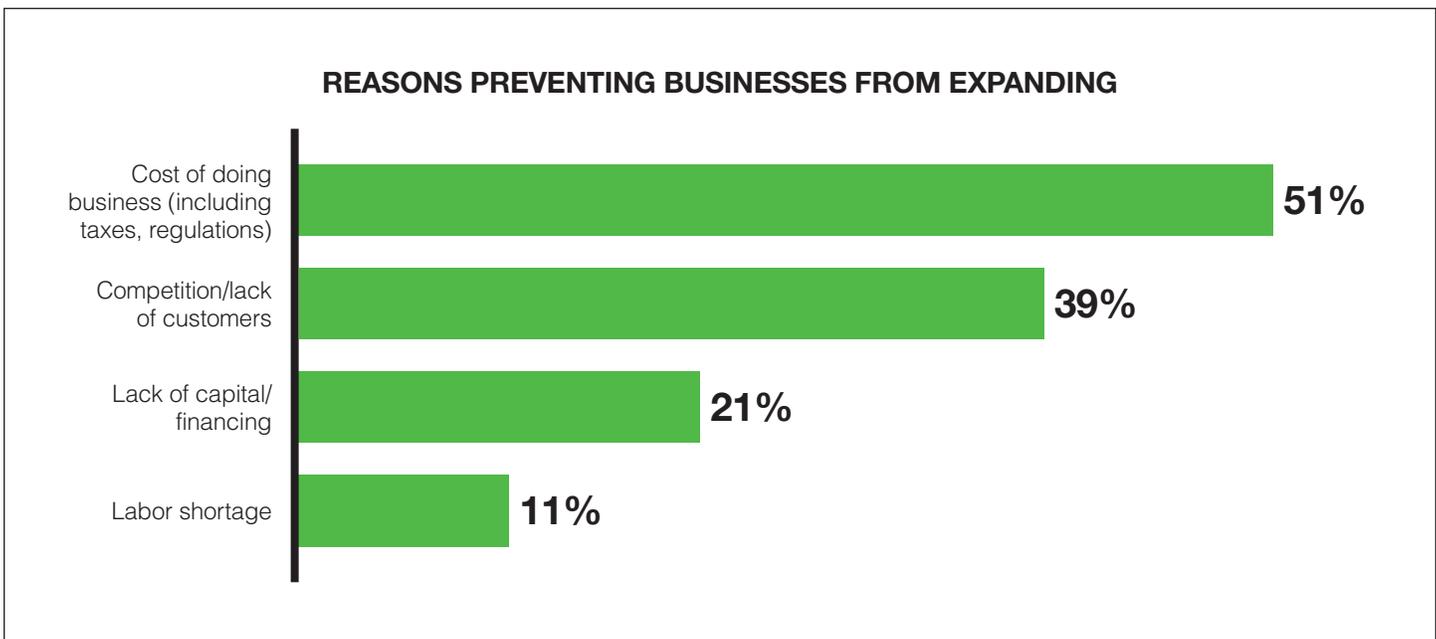
**Jack Condlin**  
President & CEO, Stamford Chamber of Commerce

**“What’s encouraging is that even though the majority of businesses surveyed are increasingly concerned about the economy, many of them expect to be on better footing in 2012. The fact that nearly one-third have plans to expand their business in the next five years is especially welcome news, because growing businesses have greater potential to create local jobs.**

**It’s a testament to the strength of the business community that even in the face of considerable economic challenges, they remain optimistic and are determined to succeed. Now’s the time to give them the support they need to do just that.”**



**Michael LaBella**  
CT Market President, TD Bank



While many firms are on track for growth, a sizable minority are struggling: 24% are in the red this year, and 23% expect conditions to deteriorate further in 2012. Considering that we are over two years into a “technical” economic recovery, these figures reflect an economy that is still stressed.

### Business Expansion: Prospects and Challenges

Nearly one-third of businesses surveyed (31%) plan to expand in the next five years; another 13% recently expanded.

Strategies to facilitate expansion include new products, services, and investments in research and development (44% of respondents); acquisition (34%); direct marketing and web-based advertising (29% each); strategic alliances

(27%); and new technology (22%). Respondents also cited international trade (10%), mergers (8%), and outsourcing (8%) as strategies for growth.

The biggest barrier to expansion, noted by more than half of businesses (51%), is the cost of doing business—including taxes and regulations. Competition and lack of customers were identified by 39%, and lack of capital/financing continues to be an issue for 21% of firms.

### The Role of Government

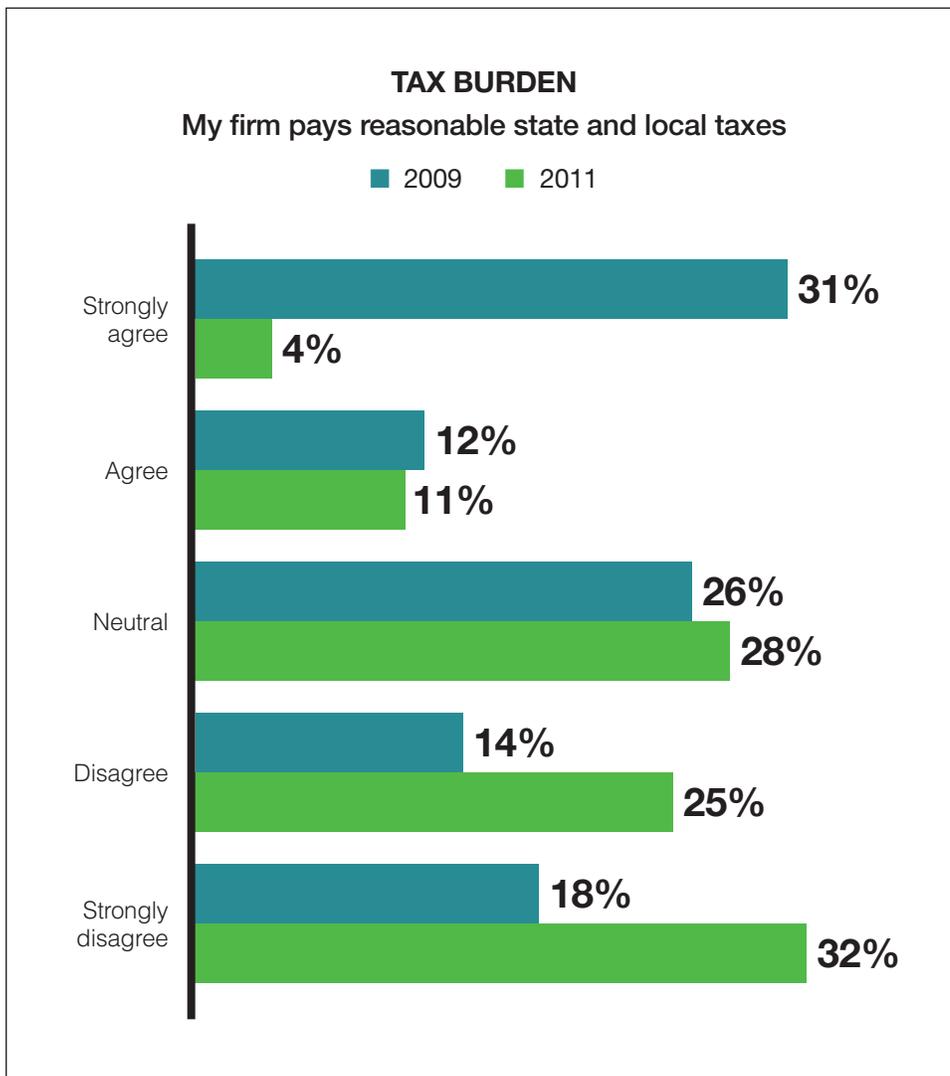
In 2009, 43% of Fairfield County businesses agreed or strongly agreed that the local and state taxes they paid were reasonable; today, 15% feel that way. Only 7% believe that their state tax dollars are used effectively and that

Fairfield County benefits from state spending as much as most other parts of the state. Nearly three-quarters of respondents (74%) believe government makes it harder for their companies to succeed.

Given a choice, most businesses (76%) prefer that state and local economic development incentives be targeted to small companies rather than large firms; 19% would choose incentives for individual projects. (It should be noted that 77% of respondents are companies with fewer than 50 employees.)

We asked businesses to describe the outcomes of two major government initiatives undertaken in the two-year period since our last survey: the American Recovery and Reinvestment Act of 2009 (ARRA)—and state and federal healthcare reform.

Roughly one in ten respondents characterized the 2009 federal stimulus package as somewhat helpful to their companies. Eighty percent said it was not helpful, and 10% were not sure. The majority



(74%) today believe another federal stimulus effort would not help businesses in Fairfield County.

Half of all businesses acknowledge little or no understanding of the impact on business that could result from expanding the roles of state and federal government in healthcare. Although just under half (48%) plan to take no action in response to healthcare reform, slightly more than half (52%) are considering dropping employee healthcare coverage and paying the federal penalty.

### Transportation and Energy Issues

When asked in 2009 to predict the single greatest challenge to operating a business in Fairfield County over the next five years, nearly 20% of businesses surveyed identified problems with the region's transportation infrastructure. Forty-three percent of respondents then—and now—said the most effective action state government could take to address the issues would be improving I-95 and expanding highway capacity by adding lanes. Expanding the rail system was also a top choice.

As far as funding sources for transportation enhancements, businesses were least willing to support tax hikes and most likely to favor fast-lane tolls (such as E-ZPass) at the state borders and on major highways.

At the time of our last survey of Fairfield County businesses, the region's energy picture—like its transportation infrastructure—was marred by gridlock. In the intervening years,

investments in transmission lines and upgrades to generating capacity have improved the region's energy supply and reliability. Today, 57% of businesses surveyed rate the quality and reliability of energy at or above average. Cost, however, continues to be a problem: 79% of businesses rate it poor or fair.

Incentives for energy conservation and alternative sources, including the development of electric vehicle (EV) charging stations in Fairfield County, were both poorly rated and poorly understood. Significant uncertainty also exists about companies' own plans for renewable or alternative energy use. Only 13% of respondents intend to use renewable/alternative energy over the next two years, while 31% are unsure.

Among those who use renewable/alternative sources or plan to, solar power is by far the leading choice (65%). Wind power is a distant second (24%), followed by geothermal energy (15%) and fuel cells (12%).

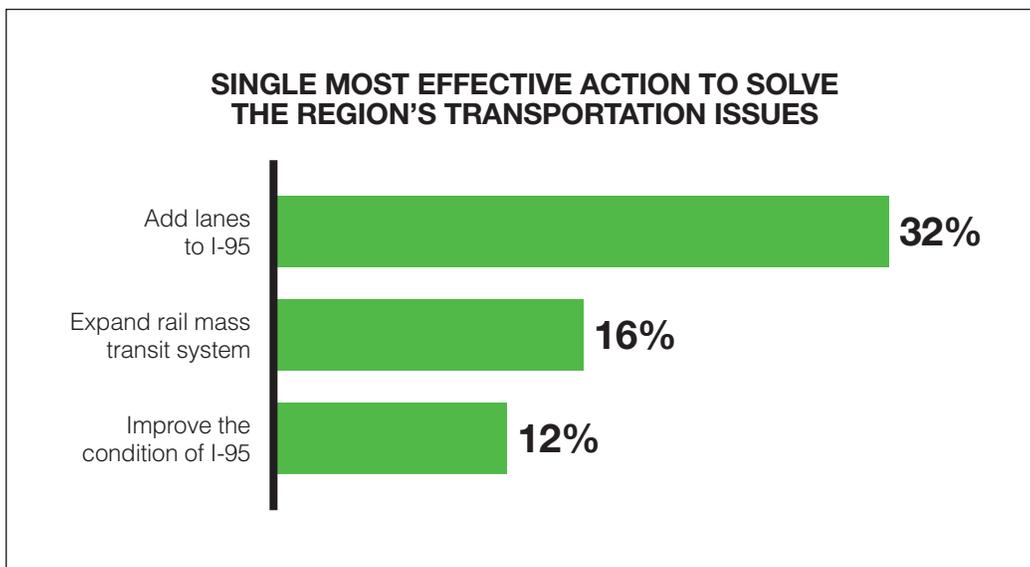
### Workforce

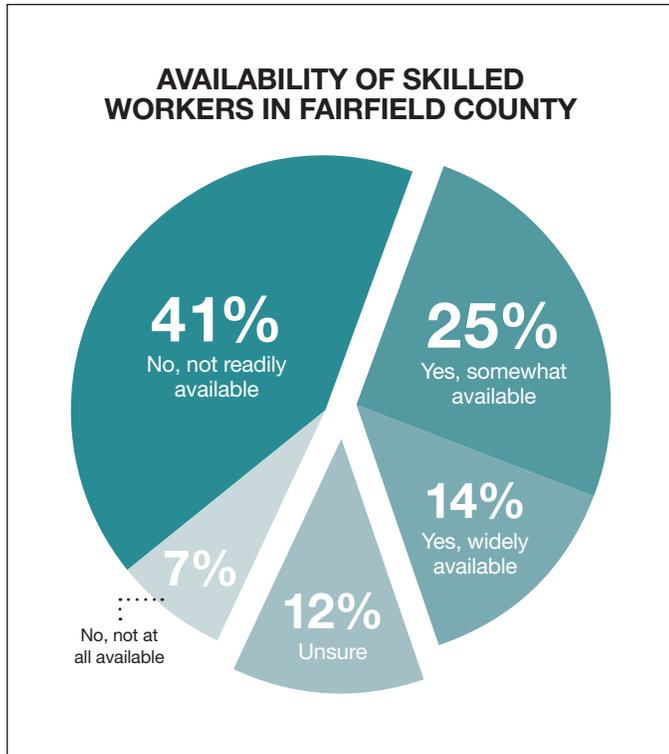
Despite a statewide unemployment rate hovering around 9%, only 39% of respondents say Fairfield County has a sufficient number of skilled/educated workers. In fact, more than one in ten businesses surveyed said a labor shortage is preventing them from expanding.

Businesses do most of their hiring from within Fairfield County—both professional, salaried employees (73% of firms) and hourly workers (81%). Of those that hire most of their employees outside of Fairfield County, the majority hire from elsewhere in Connecticut. Approximately 5% recruit from neighboring New York or New Jersey.

Most respondents rate Fairfield County's colleges and universities as good or excellent in terms of their ability to provide employers with qualified workers.

Opinions of community/technical colleges and comprehensive high schools are somewhat less





favorable, with most respondents rating those institutions good or average. Surprisingly, technical high schools—which traditionally score much higher on our statewide surveys of employers—received a fair or poor rating by 36% of Fairfield County businesses. Demographics might help explain the discrepancy. Manufacturers—who typically have a much more solid representation in our statewide surveys and who rely on technical high schools for a significant share of their workforce—accounted for only 18% of respondents in the 2011 Fairfield County Business Survey.

### Business Amenities, Urban Development

When asked to choose how they would like to see most vacant or undeveloped urban space in Fairfield County developed, respondents were nearly evenly split: 25% preferred parks and recreation; 21% chose commercial development other than office, retail, or industrial use; and 20% preferred housing. Seventeen percent preferred industrial development, and 16% office or retail development.

Hotels in the area scored high in terms of availability and the quality of their business amenities. Convention centers, on the other hand, were not seen as widely available and fell more often into the average range for the quality of their business

amenities. Neither hotels nor convention centers scored well in the category of cost, with most businesses rating them at or below average in terms of affordability.

### Restoring Business Confidence

With many businesses in Fairfield County struggling—and significant numbers expecting conditions in the region to decline in the next year—hopes are not high for a strong economic recovery in the near term.

That's why government leaders must take decisive action to restore business confidence in Connecticut so that companies small and large will choose to invest, grow, and create jobs here.

The responses of Fairfield County businesses to our survey point to several key steps state policymakers should take:

- ▶ Solve the state's fiscal crisis by aggressively leaning state government, reducing the cost of delivering public services, and addressing Connecticut's long-term unfunded liabilities. No other actions are more essential to reducing the tax burden on business and strengthening the state's economic competitiveness.
- ▶ Continue streamlining the regulatory process so that it serves its purpose without hindering economic growth and business startups and expansion.
- ▶ Implement the education reforms passed over the last two years to ensure that Connecticut's workforce continues to be among the most skilled, well-educated, and highly productive in the world.

**“ This survey shows that there are a lot of areas where Connecticut policymakers can take action to lower the cost of doing business, improve infrastructure, and instill the confidence that businesses need in order to make expansion decisions. The October special session gives them a forum to initiate positive change.”**



**Pete Gioia**  
Vice President & Economist, CBIA

- Require the Department of Transportation to develop a plan that coordinates all proposed and approved projects aimed at modernizing the I-95 and I-91 corridors.

With the governor's special legislative session on jobs less than two weeks away and the General Assembly reconvening for the regular 2012 session in less than four months, our elected officials have a golden opportunity to address all of these areas and more. It's critical that they take advantage of this opportunity and show that they recognize private-sector investment as the key to job creation and sustained economic growth.

### Methodology

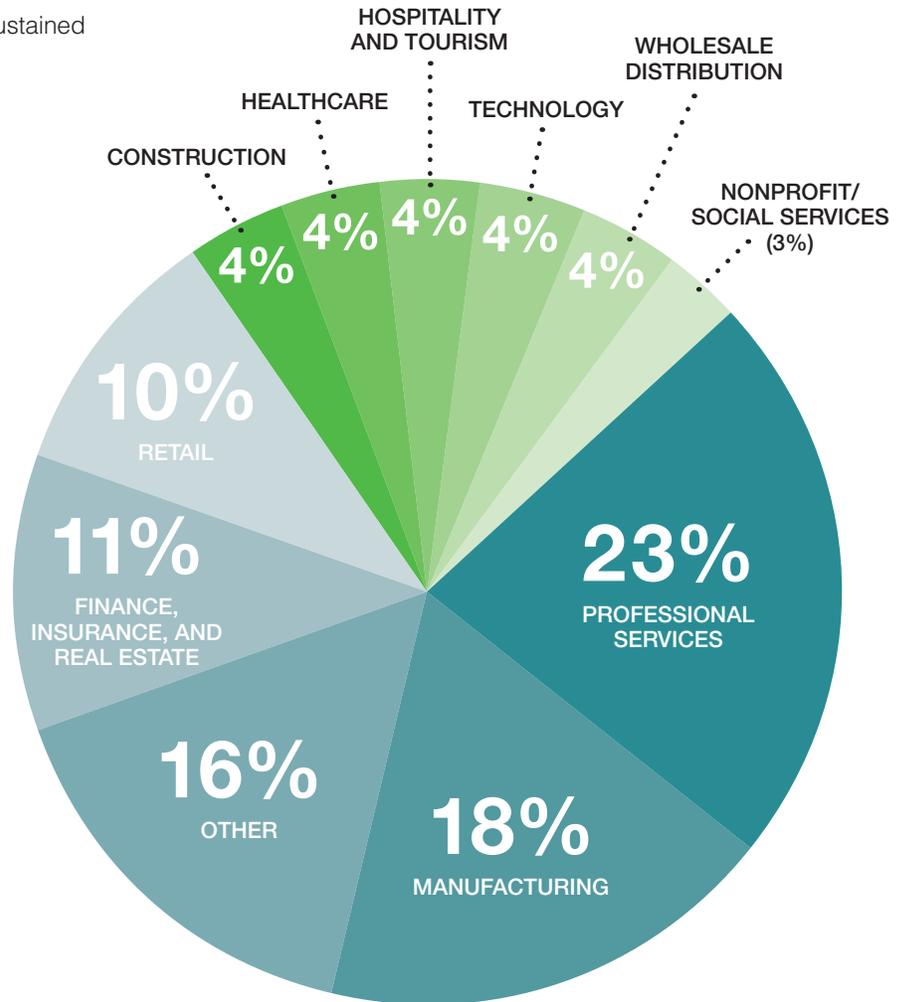
The 2011 Survey of Fairfield County Businesses was emailed to nearly 3,000 executives; 195 completed the survey, for a return rate 6.5% and a margin of error +/-7.1 %. All figures are rounded to the nearest whole number and may not total 100%.

### Demographics

The greatest share of survey respondents were professional services companies (23%), followed by manufacturing (18%), finance, insurance, and real estate (11%), retail (10%), construction (4%), healthcare (4%), hospitality and tourism (4%), technology (4%), wholesale distribution (4%), and nonprofit/social services (3%). Sixteen percent identified their business category as "other."

Twenty-eight percent have direct ties to the financial services sector, and 9% to hedge funds.

The average number of years in business for responding companies was 32.6 years.



## SPONSORS

### BLUMSHAPIRO

BlumShapiro is the largest regional accounting, tax and business consulting firm based in New England with offices in West Hartford and Shelton, CT, and Rockland, MA. We have nearly 300 professional and administrative staff, making us a member of the top 70 accounting firms in the United States. Our size has allowed us to develop specialized industry knowledge and dedicated staff who focus on a broad range of businesses in Manufacturing, Distribution, Healthcare, Education, Government, Non-Profit, Construction, Automotive and Retail.

#### BlumShapiro Has Changed the Playing Field for Professional Service Firms

We act as personal advisors to our clients, and, as such, we are personally committed to the success of each and every client we serve. We live in Connecticut, we work in Connecticut, so we are easily accessible to assist our clients in addressing the ever-changing needs of their businesses.

Because of BlumShapiro's size, focus and client service philosophy, we have successfully attracted and retained some of the best talent in the country. Our team has the national experience and industry expertise to assist our clients in meeting their most challenging business issues.

The BlumShapiro team provides clients additional value through the continual development of turnkey solutions that address the changing needs of their businesses. We compile best practice information through the collective knowledge of our professionals and secondary resources to build state-of-the-art solutions to serve the operational and financial needs of our clients. By providing these solutions, we help our clients quickly and economically address many of the business issues and opportunities they face.

#### Resources Available Worldwide

BlumShapiro is an independent member of Baker Tilly International, a network of high-quality, independent accounting and advisory firms. Baker Tilly International is the 8th largest network in the world and is represented by 150 firms in 120 countries. Through our close affiliation with our member firms, we have the unique ability to seamlessly service the international requirements of our clients.

#### Our Services

- Accounting and Auditing
- Tax Services
- Acquisitions & Divestitures
- Consulting
- Process & Controls Consulting
- Litigation Services & Business Valuation

For further information on how we can assist your business, please contact Carl R. Johnson, Managing Partner, 860.561.6819, [cjohnson@blumshapiro.com](mailto:cjohnson@blumshapiro.com), [blumshapiro.com](http://blumshapiro.com).

### TD BANK

TD Bank, America's Most Convenient Bank®, is the new name for the combined Commerce Bank and TD Banknorth stores in the Mid-Atlantic, Metro Washington, D.C., and Florida markets.

Although our name has changed, our commitment to being America's Most Convenient Bank—and our legendary focus on customer service—remains unchanged. Unparalleled convenience is central to our brand promise at TD Bank, America's Most Convenient Bank. Our brand is more than our name—it's who we are and what TD Bank is all about!

Customers of Commerce Bank and TD Banknorth in the Mid-Atlantic, Metro Washington, D.C., and Florida markets can bank at any of our more than 575 rebranded TD Bank Stores. TD Banknorth customers, however, should continue to use the TD Banknorth website and [ebillpay at tdbanknorth.com](http://ebillpay.tdbanknorth.com).

TD Bank will continue to focus on delivering an unparalleled customer experience by providing:

- Seven-day branch banking
- Extended hours
- Free Penny Arcade coin counting machines
- Hassle-free products
- Treats for children and dogs

TD Banknorth locations throughout New England will rebrand as TD Bank, America's Most Convenient Bank, in Fall 2009.

The new TD Bank and TD Banknorth form one of the 20 largest commercial banking organizations in the United States. The combined company—from Maine to Florida—has more than \$114 billion in assets and provides customers with a full range of financial products and services at nearly 1,100 convenient locations.

TD Bank, America's Most Convenient Bank, is headquartered in Cherry Hill, New Jersey, and Portland, Maine.

#### About TD Insurance

TD Insurance, Inc., is one of the largest insurance agencies in the Northeast and a subsidiary of TD Bank, N.A. TD Insurance has been protecting consumers and businesses throughout our footprint for well over 100 years. With 17 offices in Massachusetts, Connecticut, New Hampshire, Maine, New Jersey, upstate New York, and Vermont, TD Insurance offers a full-service network of accomplished insurance professionals with the experience necessary to help you choose the right protection for you, your family, your business or your employees.

#### About TD Wealth Management

Through TD Bank and its affiliates, including Commerce Capital Markets, Inc., we provide investors, individuals and corporations with a broad range of brokerage, banking, trust, and other consumer financial services under the TD Wealth Management brand. In the United States, TD Wealth Management services include:

- Financial Advisory, allowing clients to work with a professional Financial Advisor associated with Commerce Capital Markets, a full-service brokerage firm, to develop and implement investment strategies to achieve a full range of goals.
- Private Client Services, a team of investment, banking and trust professionals who work together to provide you with the highest level of tailored advice and integrated wealth management solutions.

For more information, visit [tdbank.com](http://tdbank.com).

## PARTNERS

### CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

CBIA is Connecticut's largest business organization, with 10,000 member companies. Our public policy staff works with state government to help shape specific laws and regulations to support job creation and make Connecticut's business climate competitive. Our councils, committees, and roundtables give our members forums in which to become involved in the legislative and regulatory processes.

One of CBIA's most important functions is to provide our members with information that can help them better manage their businesses. We conduct training seminars and workshops; arrange for consulting services; and hold conferences on environmental regulations, health and safety, human resources, compensation and benefits, taxes, energy, and healthcare. Our free telephone consulting service gives members access to our experienced staff of professionals on a wide range of business topics.

Many CBIA members take advantage of our employee benefits plans, discount programs, and group purchasing opportunities. These include innovative health and dental insurance programs as well as other insurance lines, retirement plans, a COBRA continuation program, an eyewear savings plan, group energy purchasing, and member discounts on everything from packaging materials to background checks. For more information, visit [cbia.com](http://cbia.com).

### STAMFORD CHAMBER OF COMMERCE

The Stamford Chamber of Commerce is the largest business organization in southwestern Connecticut. Organized to advance the civic and economic vitality of Stamford, the chamber's primary mission is to represent, strengthen and unify the business community and provide the best environment in which to work and live. The more than 1,600 businesses that are members of the chamber are a tribute to the economic growth and vitality of Stamford.

The chamber presents over 60 events per year and has 20 committees with over 250 members volunteering and helping the business community. For more information, visit [stamfordchamber.com](http://stamfordchamber.com).