

2006

NAM Small Manufacturers Operating Survey Results

The 2006 NAM Small Manufacturers Operating Survey was e-mailed to more than 5,100 small and medium manufacturers nation-wide in June 2006. More than 467 surveys were returned and used in this analysis; the response rate was 9.2 percent.

Where similar questions were asked, results are shown for previous years. Answers are rounded off in all instances; in this year's survey they are rounded off to the nearest tenth.

Operating Results and Expectations: The following questions review your financial results for 2003 compared to 2001 results, as well as expected results for 2004. For each area, please select the answer that best describes your result or expectation. All responses are, of course, confidential.

CURRENT SURVEY

1. Sales	2005 actual	2006 expected
Increase more than 10%	40.2	33.1
Increase 5-10%	18.6	29.7
Increase up to 5%	13.7	14.3
Stay about the same	14.3	11.1
Decrease up to 5%	6.0	4.7
Decrease 5-10%	3.0	4.7
Decrease more than 10%	4.1	2.1
N/A	0.2	0.2

CURRENT SURVEY

2. Employee wages (excluding benefits)	2005 actual	2006 expected
Increase more than 10%	3.4	3.2
Increase 5-10%	8.3	8.8
Increase up to 5%	67.5	72.0
Stay about the same	19.2	15.2
Decrease up to 5%	0.9	0.6
Decrease 5-10%	0.2	0.2
Decrease more than 10%	0.4	0.0
N/A	0.0	0.0

CURRENT SURVEY

3. Capital investment	2005 actual	2006 expected
Increase more than 10%	22.4	25.2
Increase 5-10%	13.7	16.0
Increase up to 5%	16.5	17.1
Stay about the same	38.7	31.0
Decrease up to 5%	2.8	4.5
Decrease 5-10%	1.1	1.1
Decrease more than 10%	4.3	4.7
N/A	0.6	0.4

CURRENT SURVEY

4. Number of full-time employees	2005 actual	2006 expected
Increase more than 10%	12.8	10.0
Increase 5-10%	9.8	12.4
Increase up to 5%	19.9	31.6
Stay about the same	48.1	37.2
Decrease up to 5%	4.7	5.6
Decrease 5-10%	3.2	2.1
Decrease more than 10%	1.5	1.1
N/A	0.0	0.0

5. How many people does your company employ?	
Fewer than 25 employees	12.4
25-50 employees	18.6
51-100 employees	25.2
101-200 employees	18.6
201-350 employees	8.5
351-500 employees	7.7
More than 500 employees	9.0
N/A	0.0

6. Were you able to hire new workers in 2005-06?	
Yes	87.0
No	10.9
N/A	2.1

7. Do you plan to hire new workers in 2006-07?	
Yes	75.6
No	23.1
N/A	1.3

8. If yes, approximately how many?			
Average	15	Median	7

9. What are your company's annual sales?			
Average	\$52,905,000	Median	\$13,000,000

CURRENT SURVEY

10. How much of your 2005 sales were from exports? What are your expectations for sales from exports for 2006?	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 Projected
	More than 25%	7.30	6.2	6.8	8.8	6.0	4.2		7.9	6.8	8.3	9.6
11-25%	10.68	10.2	11.5	10.9	8.4	9.5		14.0	12.6	14.9	16.7	17.9
5-10%	15.12	16.3	16.1	16.3	16.2	14.5		16.6	18.0	16.8	16.5	15.4
Less than 5%	40.57	37.8	39.1	35.6	39.0	41.9		33.5	36.8	38.9	36.8	34.8
None	25.09	29.5	26.1	24.7	27.6	27.4		28.0	25.9	16.8	18.8	19.4
N/A	1.25	.6	0.4	3.7	2.8	2.4		0.0	0.0	4.3	1.7	1.7

CURRENT SURVEY

11. How did your company's 2005 profitability compare with 2004?	2005 actual	2006 expected
More profitable	52.5	57.8
About the same	17.8	25.1
Less profitable	23.1	13.3
Not profitable, but better	2.8	2.6
Not profitable but worse	3.9	1.3
N/A	0.0	0.0

12. How do you anticipate 2006 profitability will be compared with 2005?	2005 actual	2006 expected
More profitable	57.8	56.8
About the same	25.1	24.1
Less profitable	13.3	15.6
Not profitable, but better	2.6	1.5
Not profitable but worse	1.3	1.7
N/A	0.0	0.2

13. What are your plans for inventories in 2006?			
Increase inventories	15.0	Substantially liquidate inventories	1.7
Hold inventories at or near current levels	61.1	N/A	5.1
Sell off inventories gradually	17.1		

14. How often are you able to pass on price increases?	
All the time	21.7
Under 50% of the time	31.7
Under 25% of the time	34.8
Never	8.8
N/A	2.9

15. How much on average did the prices of your products change in 2006 compared to last year?	
All the time	9.9
Under 50% of the time	6.3
Under 25% of the time	4.5
Never	0.5
Overall average	5.8

16. This was due to:	
Competition	8.3
Innovation	8.3
Increased productivity	8.3
Exports	3.1
Energy costs	46.9
Other	66.7

16-A Other	All of the time	Under 50%	Under 25%	Never
Other	66.7	67.1	38.3	38.5
Energy Costs	46.9	47.1	41.6	23.1
Competition	8.3	12.1	35.1	43.6
Increased Productivity	8.3	5.0	12.3	15.4
Innovation	8.3	6.4	9.1	2.6
Exports	3.1	1.4	3.9	0.0

17. Which of the following best describes the legal form of ownership of your company?	
C-corporation	37.0
S-corporation	58.3
Other	4.7
N/A	0.0

18 Which of the following best describes the ownership of your firm?			
Private, family or individually owned	84.2	Public, closely held	2.8
Private, widely held	2.1	Other	2.6
Private, investor owned	8.1	N/A	0.2

19. In order of importance, rank the three tax issues that represent the greatest burden to your company. (1 being greatest burden)			
Federal income taxes	1	State taxes (out of state)	7
Estate (Death) taxes	2	Corporate alternative minimum tax	8
State taxes (in state)	3	Capital gains taxes	9
Payroll taxes	4	International tax code provisions	10
Compliance with current tax rules	5	Restrictions on net operating losses	11
Current depreciation rules	6		

20. Since 2001, the tax rate for S-Corporations and other non-corporate business entities, has dropped from 38.8% to 35%. How important has this tax reduction been to your business?	
Very important	34.6
Moderately important	22.4
Not significant	18.8
N/A	24.1

21. How much did you save?			
Average	\$376,698	Median	\$50,000

22. How was the savings used?			
Reinvested	44.5	Materials	1.5
Equipment	19.1	Taxes	1.5
Debts	8.1	R&D	.1
Health Care	2.9	Expansion	.1
Labor	2.9	Development	.1
Benefits	1.5	Education	.1
Inventory	1.5		

23. How much did you and your family spend in 2005 on estate tax planning <i>i.e.</i>, insurance premiums, financial planning, accountants, lawyers?			
Average	\$94,346	Median	\$20,000

24. Have your estate tax planning costs increased since enactment of a temporary phase-out of the death tax in 2001?	
Yes	21.8
No	52.8
N/A	25.4

25. If, yes, by what percent?			
Average	28	Median	20

26. Do you currently use or plan to use in 2007, the federal R&D tax credit?	
Yes	42.5
No	47.0
N/A	10.5

27. Are you an indirect beneficiary of the federal R&D tax credit, <i>i.e.</i> , your company has a contractual agreement to manufacture a product for another company using that company's R&D?	
Yes	6.3
No	80.3
N/A	13.3

28. For 2005 as a percentage of operating costs, please estimate what your company spent in the following expenses categories: PRODUCT DEVELOPMENT AND DESIGN			
Under 2%	33.8	9-10%	4.5
2-5%	33.8	Over 10%	8.1
6-8%	11.5	N/A	8.3

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories: TRANSPORTATION & LOGISTICS			
Under 2%	26.5	9-10%	9.8
2-5%	32.9	Over 10%	10.7
6-8%	17.3	N/A	2.8

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories: HEALTH CARE			
Under 2%	3.8	9-10%	16.9
2-5%	28.4	Over 10%	26.9
6-8%	23.3	N/A	0.6

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories:			
WORKFORCE TRAINING & DEVELOPMENT			
Under 2%	50.0	9-10%	3.6
2-5%	31.2	Over 10%	3.2
6-8%	10.0	N/A	1.9

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories:			
ENERGY COSTS & CONSERVATION			
Under 2%	20.3	9-10%	9.6
2-5%	32.5	Over 10%	14.7
6-8%	22.0	N/A	0.9

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories:			
ENVIRONMENTAL HEALTH & SAFETY			
Under 2%	51.3	9-10%	5.6
2-5%	30.3	Over 10%	2.4
6-8%	8.1	N/A	2.4

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories:			
EXPORTING			
Under 2%	52.8	9-10%	2.1
2-5%	16.9	Over 10%	1.3
6-8%	4.3	N/A	22.6

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories:			
GOVERNMENT REGULATIONS			
Under 2%	65.2	9-10%	1.5
2-5%	13.2	Over 10%	2.4
6-8%	4.7	N/A	13.0

28. For 2005, as a percentage of sales, please estimate what your company spent in the following expenses categories:			
LITIGATION			
Under 2%	63.4	9-10%	0.6
2-5%	15.4	Over 10%	2.6
6-8%	4.7	N/A	13.3

29. In the last five years, has your company ever had a frivolous lawsuit brought against it?	
Yes	44.1
No	54.4
N/A	1.5

30. If so, what were the costs?			
Average	\$195,216	Median	\$50,000

31. Have you ever terminated the development of a product due to concerns about lawsuits?	
Yes	32.3
No	59.6
N/A	8.2

32. Have you ever terminated the development of a safety innovation to a product already on the market due to litigation concerns?	
Yes	8.7
No	79.3
N/A	12.0

33. In order of importance, rank how the following are to improving your company's growth. (1-most important; 6-least important)			
Development of new or improving existing products	1	Workforce training	7
Improvements in manufacturing processes	2	Improving the company's R&D capability	8
Improvements in marketing and selling other than IT	3	Organizational development strategies	9
Reduced taxes	4	Improving the company's intellectual property portfolio	10
Complementing products with value-added services	5	Investments in information technology	11
Investments in new plant and equipment	6	Improved broadband connectivity	12

34. For your facility's primary product or product group, rank the following factors in order of importance in how you compete in the market for customer sales. (1-most important; 3-least important. Do not give same rank to more than one factor.)			
High quality	1	Innovation, new technology	4
Quick delivery	2	Value-added products and services	5
Adapting products to customer needs	3	Low price	6

35. Which of these are the top three most serious problems for your company?	
The cost of health insurance for your employees	86.9
The cost of environmental regulations	9.6
Government regulations generally	22.9
Finding qualified employees	46.3
Retaining skilled employees	9.4
Training employees	9.9
Burden of taxes	24.4
Difficulty in obtaining financing	4.5
Litigation	8.1
Cost of compliance with taxes (not the tax payments themselves)	4.5
OSHA regulations	4.7
Competition from imports	39.0
High energy costs	34.9

36. For the following employee benefit areas, please indicate which best describes your plans for the next two years, (Please select not applicable for benefit areas which you do not currently offer, and have no plans to offer in the next two years)	Plan to Begin	Plan to Increase	Plan to Maintain Current Level	Plan to Curtail	Plan to Drop	Not Applicable
Health/medical insurance	0.6	2.1	80.8	15.0	1.1	0.4
Health Savings Accounts	17.7	10.5	20.7	0.4	0.2	50.4
Defined benefit retirement plans	0.4	1.5	22.4	3.4	4.3	67.9
Profit-sharing/401(k) plans	1.7	14.1	76.5	1.1	0.2	6.4
Bonuses	1.1	19.0	66.7	5.6	0.2	7.5
Term life insurance	0.6	2.4	80.8	0.9	0.2	15.2
Stock ownership plans	1.1	5.6	21.2	2.4	0.6	69.2
Tuition reimbursement	1.7	2.6	64.7	1.9	0.2	28.8
Child care	0.9	0.0	11.5	0.6	0.0	87.0
Parental leave	0.6	0.2	53.6	0.6	0.0	44.9
Flex-hours	1.7	5.8	48.5	0.9	0.4	42.7
Flexible benefits	2.1	4.3	36.3	0.9	0.4	56.0
Telecommuting	0.6	4.1	23.9	0.6	0.4	70.3

37. How much has health-coverage costs increased over the past year?			
0%	3.6	Increased 31-40%	1.7
Increased by 1-10%	31.4	Increased 41-50%	1.9
Increased 11-20%	48.7	More than 50%	0.6
Increased 21-30%	11.5	N/A; I do not offer health-care coverage	0.4

38. If health care costs continue to increase along current trends, would you:	
Drop health care coverage	3.0
Increase employee's share of coverage costs	68.6
Change to a defined contribution or Health Savings Account (HAS) approach	19.0
Maintain existing coverage	8.1
N/A	1.3

39. What percentage of health insurance for employee coverage is borne by employee contributions?			
None	16.5	31-40%	7.5
1-10%	15.6	41-50%	7.1
11-20%	29.9	More than 50%	2.8
21-30%	20.1	N/A, I do not offer employee coverage	0.6

40. Has the percentage of health insurance premiums for dependent coverage borne by employee contributions:	
Increased	51.3
Decreased	3.2
Stayed the same	40.4
N/A	5.1

41. What is the annual average cost per employee (all employees) of training for your company?			
Do not train	2.4	\$751-\$1,000	20.9
\$1-\$250	25.4	More than \$5,000	3.0
\$251-\$500	29.5	N/A	4.7
\$501-\$750	14.1		

42. Do you currently have a written safety and health program in place at your facility?	
Yes	89.5
No	9.6
N/A	0.9

43. In 2006, what percentage, as a share of sales – if any – does your company expect to spend conducting Research and Development?			
Less than 2%	40.0	8-10%	3.2
2-4 %	24.6	More than 10%	3.2
4-6%	12.0	N/A	12.0
6-8%	5.1		

44. What environmental area has the greatest cost for your company?	
Air regulations	19.0
Water regulations	18.4
Solid waste regulations	12.8
Hazardous waste regulations	26.1
Other (please specify)	3.8
N/A	19.9

45. Does your company have a plant or other investment (acquisition, equity interest or joint venture) outside the U.S.?	
Yes	19.7
No	78.4
N/A	1.9

46. If so, what region?	
China	4.3
Southeast Asia	0.6
Latin America	0.4
Africa	0.0
Mexico	3.4
Canada	1.5
Other	3.4
N/A	78.4

46-a. Other	
Europe	42.5
Asia	16.3
U.K.	15.0
Mexico	7.5
Australia	7.5
Canada	3.8
Brazil	2.6
Bermuda	1.3
Central America	1.3

47. Did your company have such an interest outside the U.S. in 1999?	
Yes	14.3
No	65.0
N/A	20.7

48. If so, is U.S. taxation of your foreign-source income an issue for your company?	
Yes	6.6
No	20.7
N/A	72.6

49. Would you consider exporting (or expanding exports) if the NAM could provide practical assistance?	
Yes	56.2
No	19.4
N/A	24.4

50. What percent of your materials are sourced from abroad?			
Average	12.9	Median	5.0

51. On average, what is the replacement cost of the major equipment that you have on your factory floor?			
Average	\$7,742,970	Median	\$400,000

52. Do you currently provide your employees with election information (such as voter registration materials)?	
Yes	18.6
No	80.1
N/A	1.3

53. Do you currently provide your employees with information on how public policy affects your bottom-line?	
Yes	35.5
No	63.4
N/A	1.1

54. Would you like info on how to distribute election or policy info to employees?	
Yes	39.9
No	55.8
N/A	4.4

55. The NAM is looking to add 2-3 additional “Member Services” over the next 12 months. Please rank <i>each</i> of the services below on a scale from 1 to 5 (1- most important; 5-least important) to identify those that would significantly impact your bottom line and that you would be most interested in signing up for through the NAM.	
Group purchasing of electricity and natural gas	1
Health Insurance Auditing and Recovery	2
Workers Comp Auditing and Recovery	3
Discount off Manufacturing Industry Benchmarking Report to help you determine how your operations compare to all manufacturers or peers in your sector	4
Buying/Selling used equipment and excess inventory	5
Computers, related equipment and software discounts	6
Travel, hotel and car rental discounts	7
Wireless phone discounts	8
Telecom and Energy Bill Auditing and Recovery	9
Discounts off Harris InfoSource’s Database of U.S. Manufacturers – to proactively generate mailing and call lists for marketing to manufacturers by size, region, sector and titles	10
(MRO) Maintenance, repair and operations material discounts	11
Office supplies discounts	12
Discounts on ThomasNet online directory listings, including catalog and other services	13
Discounts on Paid Internet Search through major Internet Search Engines	14

56. Is there another major service you would like to see NAM offer?			
No	41.2	China	2.9
Health care	20.6	Networking	2.9
Skills	4.4	Materials	1.5
Taxes	4.4	Immigration	1.5

57. How has the high cost of energy affected your company?	
Lower Profitability	86.9
Reduced funds for capital improvements	22.9
Laid off workers	3.2
N/A	6.2

58. If so, what percentage of your workforce?			
Average	9.6	Median	5.0

59. What is the most significant challenge facing your company?			
Energy costs	14.1	Government regulations	4.3
Taxes	6.9	Trivial lawsuits	4.7
Health care costs	33.0	Other	12.2
Import competition	23.8	N/A	1.1