

*Private Company Services*

# *Trendsetter Barometer*

**Business outlook report  
January/February 2012**

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# Quarterly highlights

PwC commissioned independent research firm BSI Global Research Inc. to interview 250 chief executive officers (CEOs/CFOs) of leading privately held US businesses in the fourth quarter of 2011. The interviewees were asked about their current business performance, the state of the economy, and their expectations for business growth over the next 12 months. We then compared their responses with the prior quarter's results to see how the outlook has changed.

Key findings:

- **Optimism about the US economy rises.** In the fourth quarter of 2011, optimism about the US economic outlook for the next 12 months began to rise, after the prior quarter's low, increasing 12 points to 39 percent. Fewer *Trendsetter* executives were pessimistic: only 16 percent, 8 points below the prior quarter's 24 percent. The remainder, 45 percent, said they were uncertain.

In contrast, optimism about the world economy's prospects over the next 12 months was up only slightly, increasing 3 points to 24 percent. The majority of private companies selling abroad, 54 percent, voiced uncertainty about the world economy, while outright pessimism dropped 6 points to 22 percent.

- **Revenue projections higher.** Top executives of US privately held businesses raised their companies' 12-month average revenue growth forecast from a low of 7.2 percent in the prior quarter to 8.5 percent (18 percent higher). Note that end-of-year forecasts for *Trendsetter* companies in calendar-year 2011 was a lower 7.3 percent. Seventy-eight percent expect positive own-company revenue growth in the year ahead — 35 percent expect double-digit revenue growth, and 43 percent expect single-digit revenue growth. Only 5 percent expect negative growth over the next 12 months, 13 percent expect zero growth, and 4 percent did not respond.

- **Emerging markets activity strong.** Despite uncertainty about the world economy, *Trendsetter* executives selling abroad forecast that 20% of their total revenue over the next 12 months will come from international sales. International companies also expect a higher rate of revenue growth in the year ahead — 9.6 percent, versus 7.5 percent for their domestic-only peers. The expected growth rate is even higher for *Trendsetter* companies selling in emerging markets — 11.1 percent. Further expansion into new markets abroad surged among the emerging-markets companies — rising to 60 percent (up 20 points from last quarter). Forty-one percent of international *Trendsetter* companies overall have such plans, whereas just 7% of domestic-only companies do.

- **Demand remains the leading barrier to growth.** Concern about lack of demand is still the main perceived barrier to growth, cited by 71 percent of *Trendsetter* executives. Fifty percent cite legislative/regulatory pressures, followed by the impact of higher oil/energy prices (34 percent) and fears of increased taxation (32 percent). Concern about profitability/decreasing margins, meanwhile, dipped 7 points to 30 percent. Pressure for increased wages (22 percent) and higher interest rates (18 percent) remained lesser concerns.

- **Gross margins turn positive.** Gross margins were higher for 22 percent of *Trendsetter* companies and lower for 19 percent, resulting in a net 3 percent having higher margins (up from minus 1 percent). Margins stayed about the same for the remaining 59 percent. Twenty percent reported higher costs and 11 percent reported lower costs, for a net 9 percent with higher costs. Higher prices were reported by 14 percent, and 8 percent reported lower prices, for a net 6 percent with higher prices. Overall, 30 percent of *Trendsetter* executives view profitability/decreasing margins as a barrier to growth in the year ahead.

- **More spending planned.** Forty percent of *Trendsetter* companies are planning major new investments of capital over the next 12 months. And they expect to spend at a higher rate than previously forecast: 8.2 percent of sales versus 6.1 percent in the prior quarter. *Trendsetter* companies selling in emerging markets lead the way, with 64 percent planning major capital investments, compared with 53 percent of international companies overall and 29 percent of their domestic-only peers.

Seventy-two percent of *Trendsetter* companies plan to increase operational spending over the next year. Information technology leads the way (40 percent), followed by new product/service introductions (29 percent), and marketing & sales promotion (25 percent). Increased operational spending is higher among international companies (83 percent vs. 62 percent domestic-only), and higher still (88 percent) among *Trendsetter* companies selling in emerging markets.

- **Upswing in hiring.** The majority of *Trendsetter* companies, 54 percent, plan to add to their workforces over the next 12 months (up 6 points); only 3 percent expect to reduce their workforce. Overall, a 2.0 percent increase is projected for *Trendsetter* composite workforces over the next 12 months, up from 1.6 percent in the prior quarter and 1.8 percent a year ago. Concern about lack of qualified workers is cited by 24 percent.

Chart 1.1 International marketers outpace domestic-only peers

	International marketers (n=118)	Domestic-only peers (n=132)
Business outlook, next 12 months		
Optimistic about US economy	38%	33%
Optimistic about world economy	20%	—
Revenue growth rate	9.6%	7.5%
International sales (% of total)	20%	—
Planning major capital investments	53%	29%
Planning expansion to new markets abroad	41%	7%
Plans to increase spending (net)	83%	62%
• Information technology	48%	34%
• New products/services	43%	17%
• Sales promotion	31%	21%
• Business acquisitions	23%	10%
• R&D	25%	5%
Prior quarter's performance		
• Increased gross margins (net)	+3%	+2%
• Increased costs (net)	+10%	+8%
• Increased prices (net)	+9%	+5%

Note: International marketers have average revenue of \$409.9 million; their domestic-only peers have average revenue of \$245.9 million.

A quarter-by-quarter comparison of the key indicators shows the business outlook for the next 12 months and how the views of the survey panel have changed (see Chart 1.2). The pages that follow provide a detailed look at each question for the previous five quarterly surveys.

# Key indicators for the business outlook

Chart 1.2 Key indicators for the business outlook

A quarter-over-quarter comparison of the key indicators shows how the 12-month outlook has changed. The change column indicates the movement of opinion from third-quarter 2011 to fourth-quarter 2011.

Business outlook, next 12 months	2010	2011				Change	Page
	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11	3Q – 4Q'11	
Optimistic about US economy	63%	64%	43%	27%	39%	↑	7
Optimistic about world economy <sup>1</sup>	56%	54%	38%	21%	24%	↑	9
Expect positive revenue growth	83%	85%	88%	78%	78%	=	21
Average growth rate expected	9.8%	10.2%	9.5%	7.2%	8.5%	↑	21
Planning major new investments	36%	37%	42%	38%	40%	=	25
New investments as a % of sales	7.2%	7.5%	8.4%	6.1%	8.2%	↑	25
Planning to hire	57%	63%	58%	48%	54%	↑	23
New workers as a % of workforce (net)	+1.8%	+2.4%	+2.0%	+1.6%	+2.0%	↑	23
Expected barriers to growth							
• Lack of demand	67%	67%	75%	77%	71%	↓	27
• Legislative/regulatory pressures	51%	50%	52%	54%	50%	↓	27
• Oil/energy prices	32%	38%	45%	33%	34%	=	27
• Increased taxation	35%	30%	35%	34%	32%	=	27
• Profitability/decreasing margins	32%	31%	30%	37%	30%	↓	27
• Lack of qualified workers	18%	26%	23%	22%	24%	=	27
• Pressure for increased wages	18%	15%	19%	18%	22%	↑	27
• Strength of the US dollar	18%	14%	23%	19%	19%	=	27
• Lack of capital for investment	19%	17%	20%	26%	18%	↓	27
• Higher interest rates	18%	14%	21%	12%	18%	↑	27
• Competition from foreign markets	9%	10%	10%	11%	12%	=	27

1. Reflects responses from international marketers only.

# Economic views

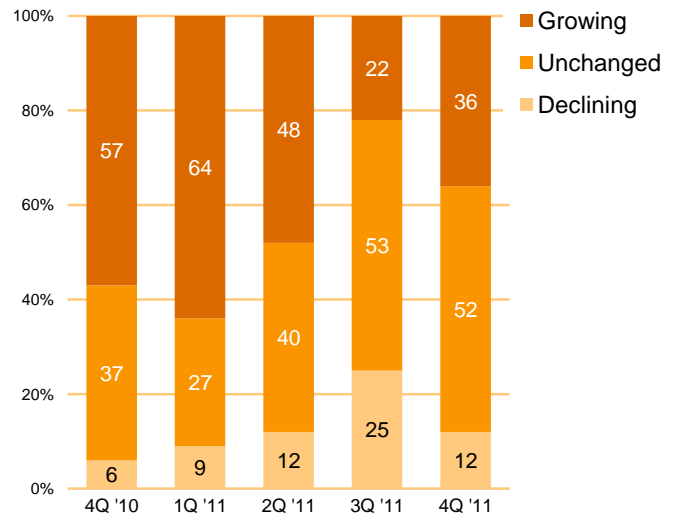
# View of the US economy, this quarter

## Which best describes your view of the US economy this quarter?

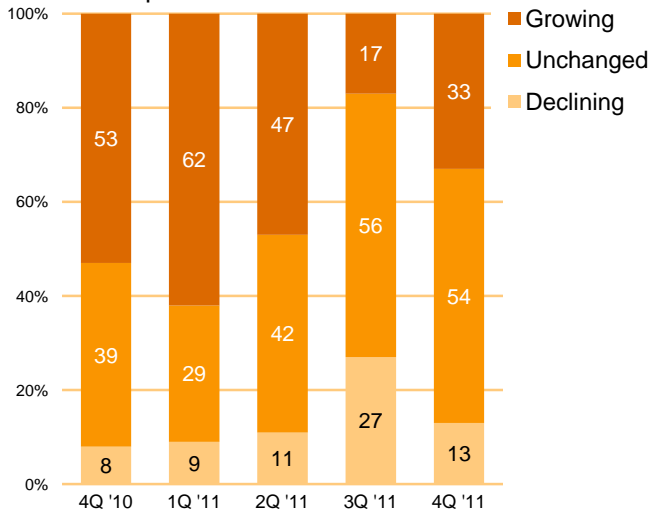
In fourth-quarter 2011, 36 percent of panelists said they believed the US economy was growing, up 14 points from the prior quarter. Only 12 percent said the US economy was declining (down 13 points), and 52 percent felt it was about the same.

Chart 2.1 View of the US economy, this quarter

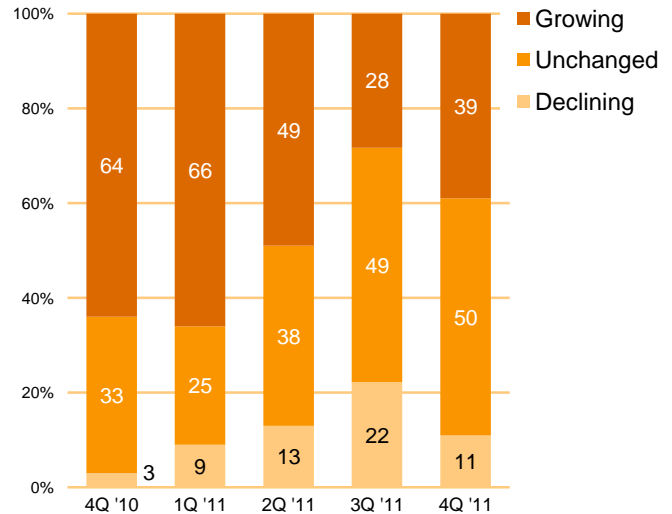
### All respondents



### Product companies



### Service companies



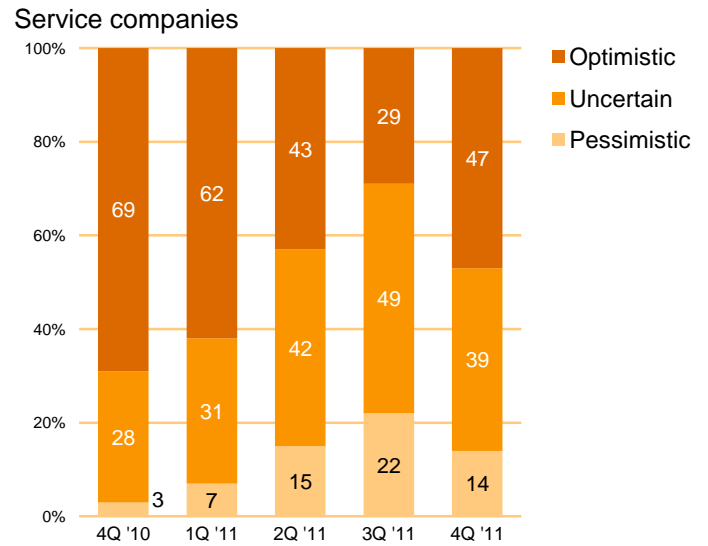
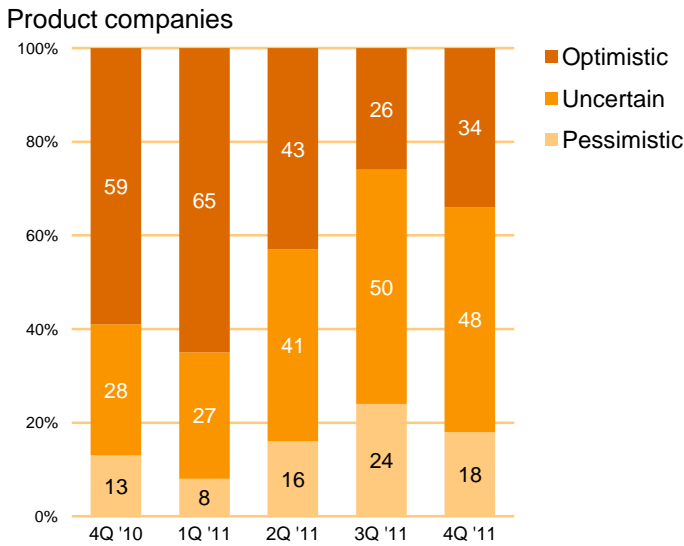
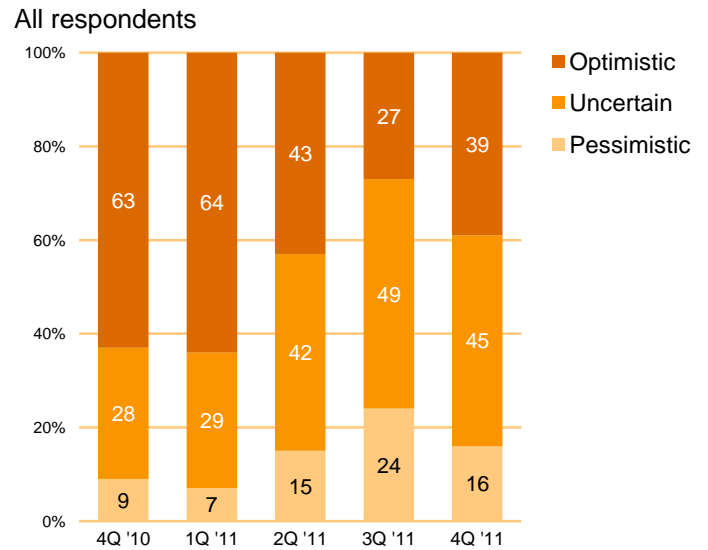
Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

# View of the US economy, next 12 months

Looking ahead at the next 12 months, how do you feel about the prospects for the US economy?

The percentage of panelists who are optimistic about the US economy over the next 12 months rose 12 points to 39 percent. Those expressing pessimism decreased 8 points to 16 percent, and 45 percent said they were uncertain.

Chart 2.2 View of the US economy, next 12 months



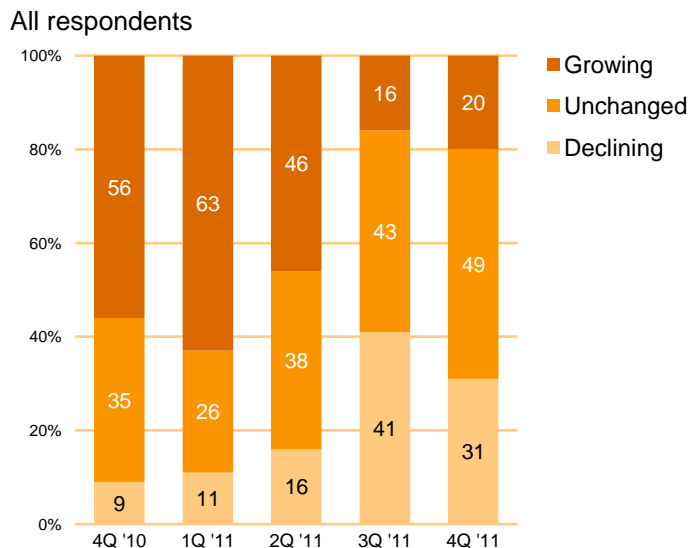
Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

# View of the world economy, this quarter

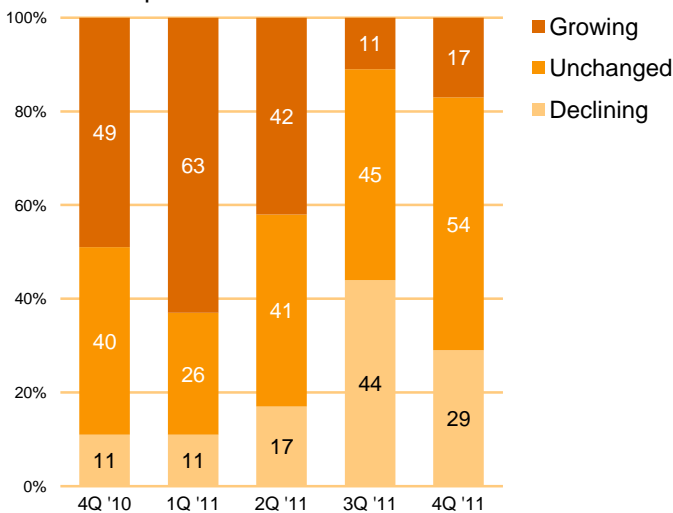
## Which best describes your view of the world economy this quarter? (international marketers only)

In fourth-quarter 2011, 20 percent of respondents who market abroad viewed the world economy as growing, up 4 points from the previous quarter. More, 31 percent, viewed the world economy as declining (down 10 points), and 49 percent viewed it as unchanged.

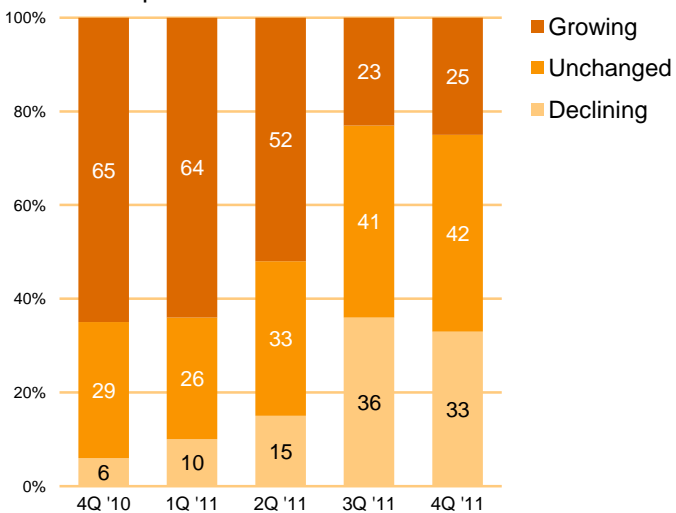
Chart 2.3 View of the world economy, this quarter



## Product companies



## Service companies



Note: In 4Q 2011 All international marketers, n=118, Product companies, n=70, Service companies, n=48

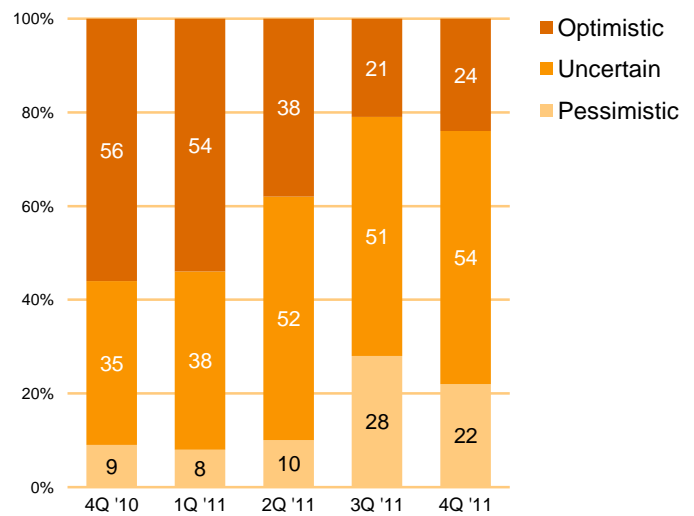
# View of the world economy, next 12 months

Looking ahead at the next 12 months, how do you feel about the prospects for the world economy? (international marketers only)

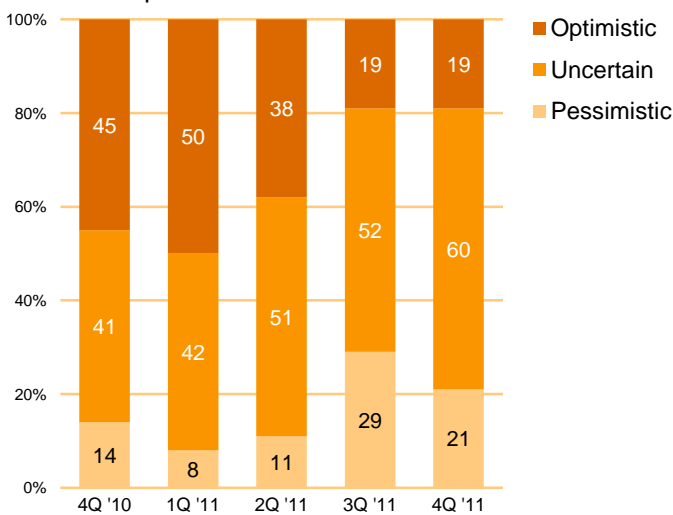
Of international marketers surveyed in the fourth quarter, 24 percent expressed optimism about the world economy's prospects over the next 12 months, up 3 points from the prior quarter. The percentage expressing pessimism dropped 6 points to 22 percent, while the majority (54 percent ) was uncertain.

Chart 2.4 View of the world economy, next 12 months

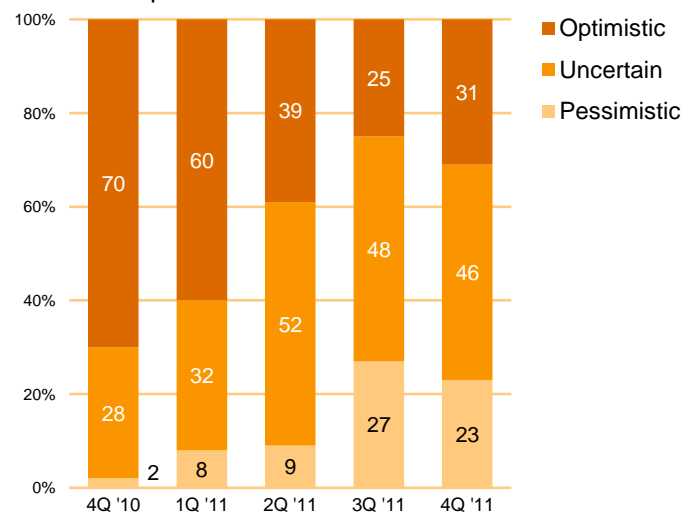
All respondents



Product companies



Service companies



Note: In 4Q 2011 All international marketers, n=118, Product companies, n=70, Service companies, n=48

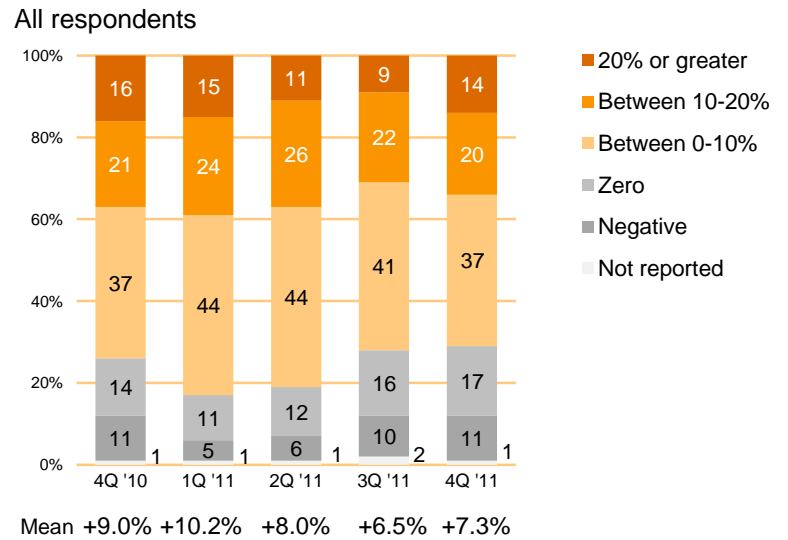
# Company performance

# Company revenue growth, calendar year

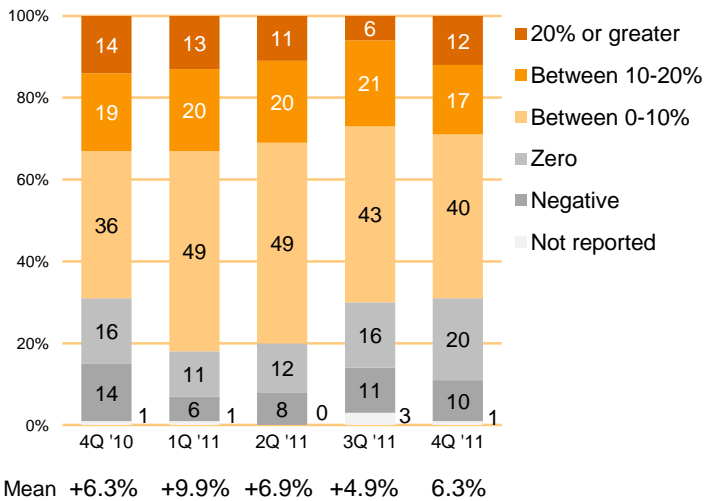
## What is your company's estimated revenue growth rate for the calendar year?

For calendar-year 2011, the composite average own-company growth estimate rose from 6.5 percent in the third quarter to 7.3 percent in the fourth quarter. Of executive officers interviewed, 71 percent reported positive revenue growth through the calendar year, with 34 percent reporting double-digit growth and 37 percent single-digit growth. Only 11 percent reported negative revenue growth, 17 percent reported zero growth, and 1 percent did not respond.

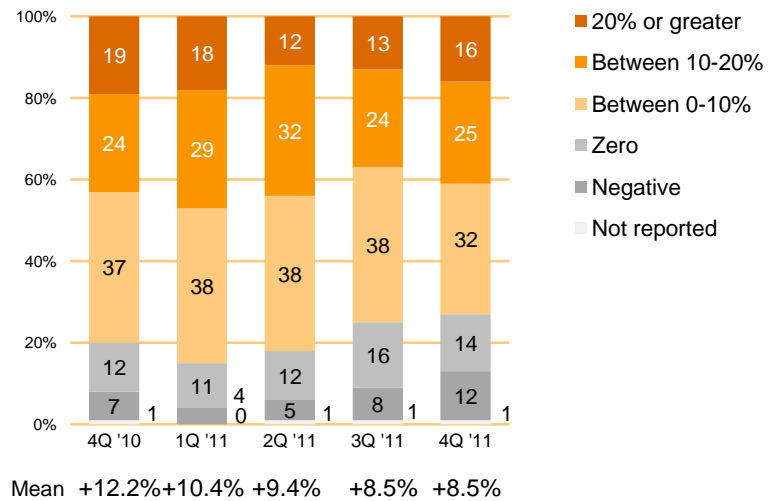
Chart 3.1 Company revenue growth, calendar year



## Product companies



## Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

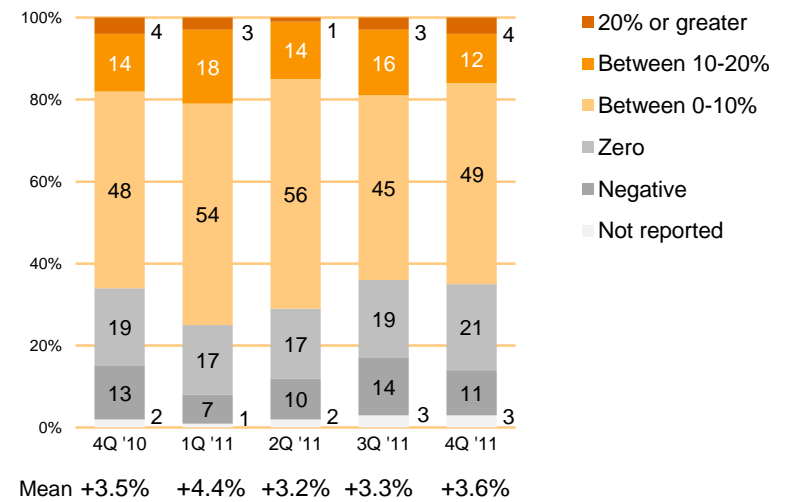
# Industry growth, calendar year

What is your industry's estimated growth rate for the calendar year?

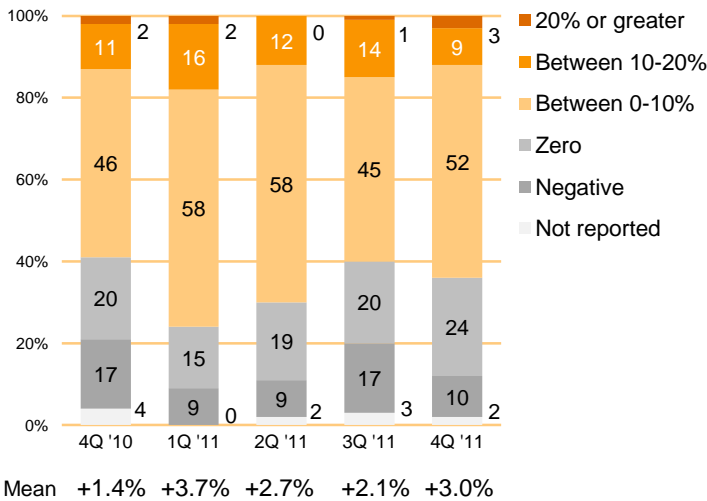
Industry sector growth projections for calendar-year 2011 averaged 3.6 percent in fourth-quarter 2011, slightly above the average 3.3 percent calendar-year projection in third-quarter 2011.

Chart 3.2 Industry growth, calendar year

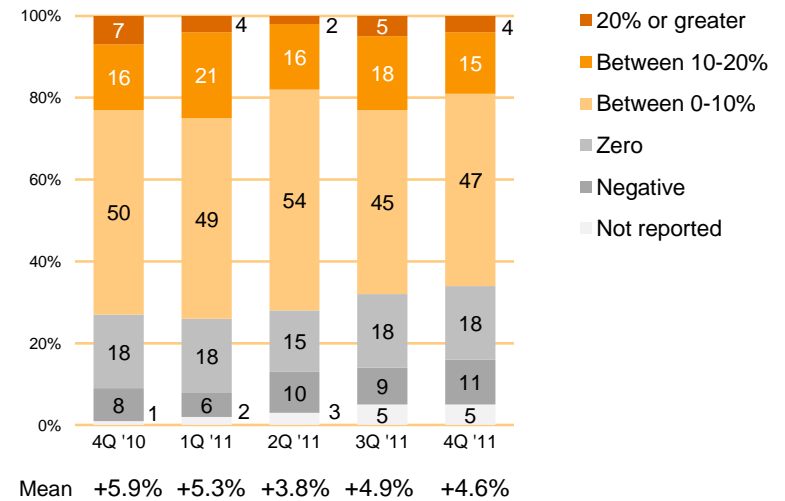
All respondents



Product companies



Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

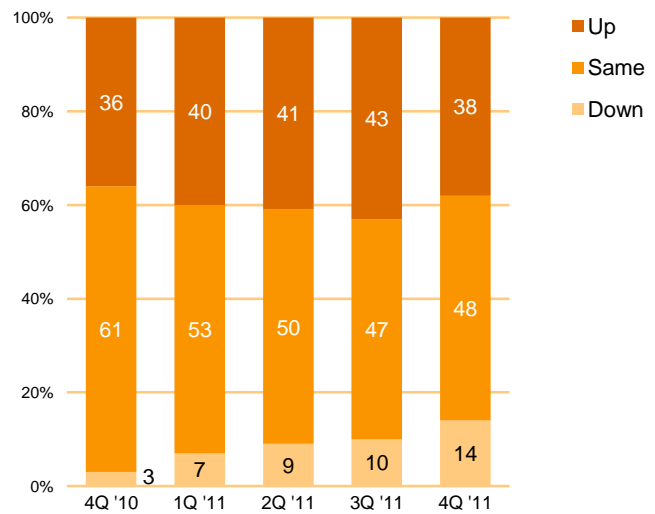
# International sales

## Are international sales up, down, or the same compared with three months ago?

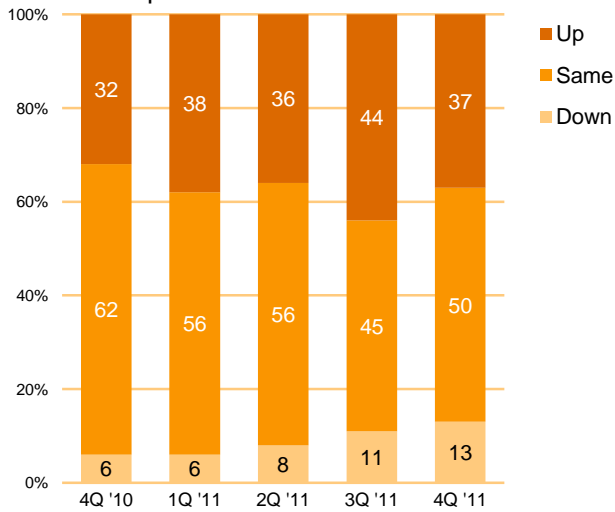
In the fourth quarter, 38 percent of international marketers increased sales abroad, down 5 points from the prior quarter and up 2 points from a year ago. Fourteen percent reported fewer sales (up 4 points from the prior quarter), while 48 percent reported no change.

Chart 3.3 International sales

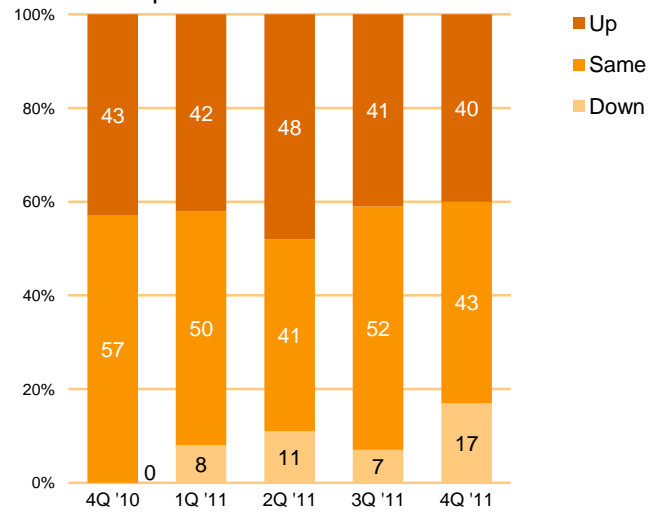
### All respondents



### Product companies



### Service companies



Note: In 4Q 2011 All international marketers, n=118, Product companies, n=70, Service companies, n=48

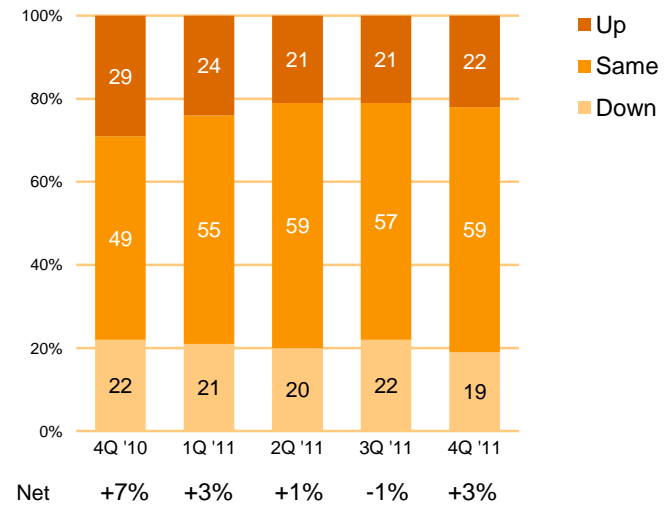
# Changes in gross margins

## Are gross margins up, down, or the same compared with three months ago?

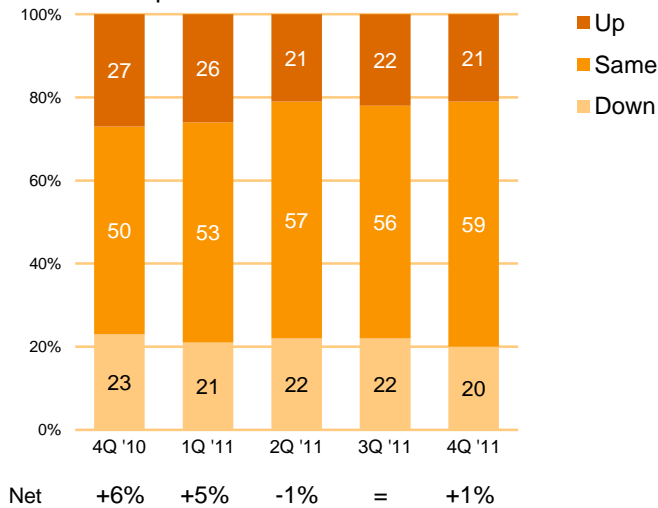
Gross margins were slightly positive in the fourth quarter, as 22 percent reported higher margins and 19 percent reported lower margins, for a plus 3 percent net change, up 4 points from the previous quarter.

Chart 3.4 Changes in gross margins

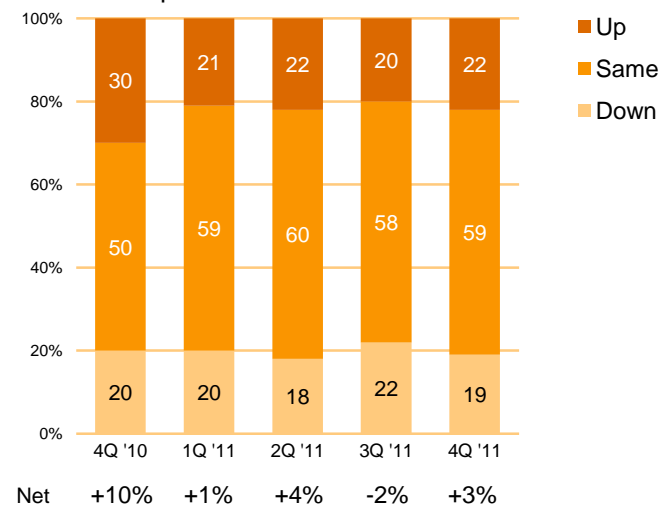
### All respondents



### Product companies



### Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

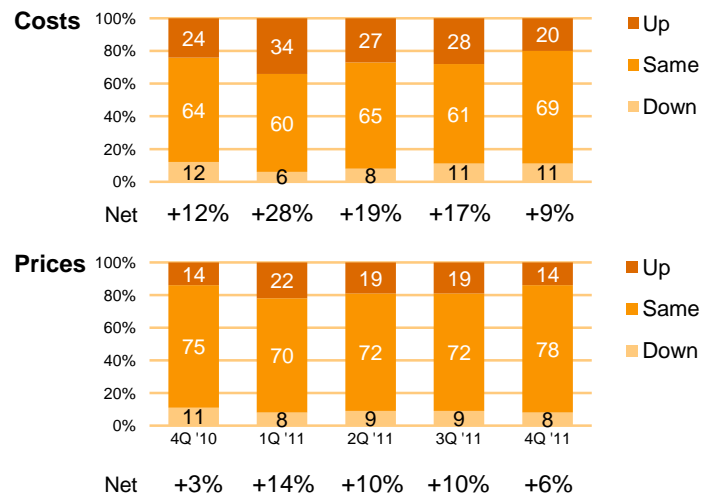
# Changes in costs and prices

## Are costs up, down, or the same compared with three months ago? Prices?

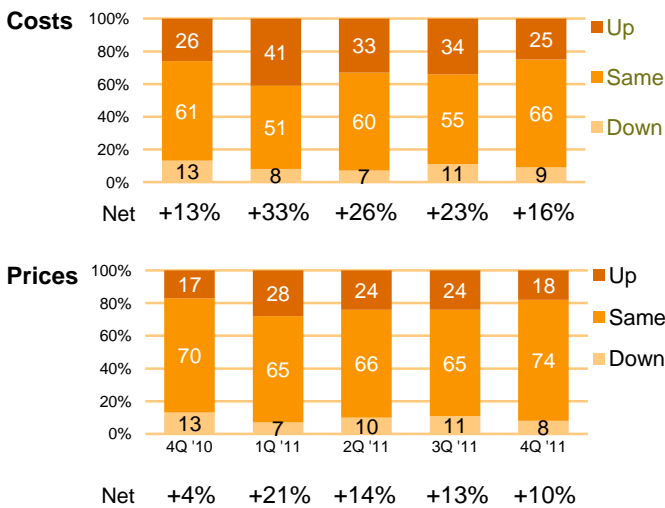
In fourth-quarter 2011, costs and prices were moderately higher. Costs increased for a net 9 percent, as 20 percent reported higher costs and 11 percent reported lower costs. Prices were up for a net 6 percent, as 14 percent reported higher prices and 8 percent said they were lower.

Chart 3.5 Changes in costs and prices

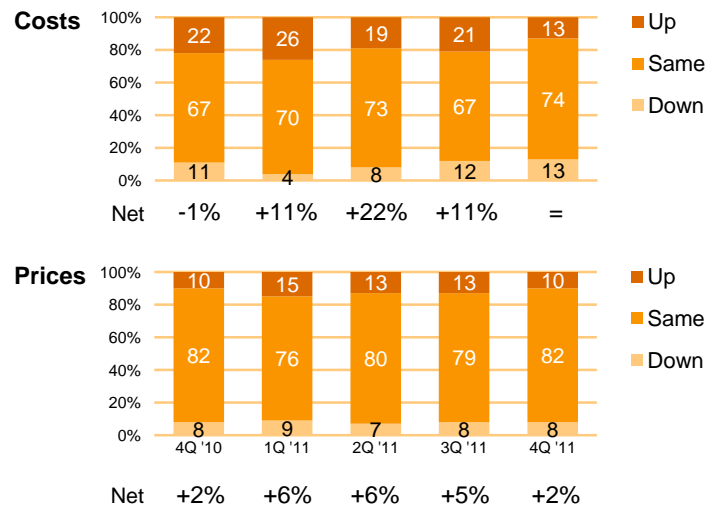
### All respondents



### Product companies



### Service companies



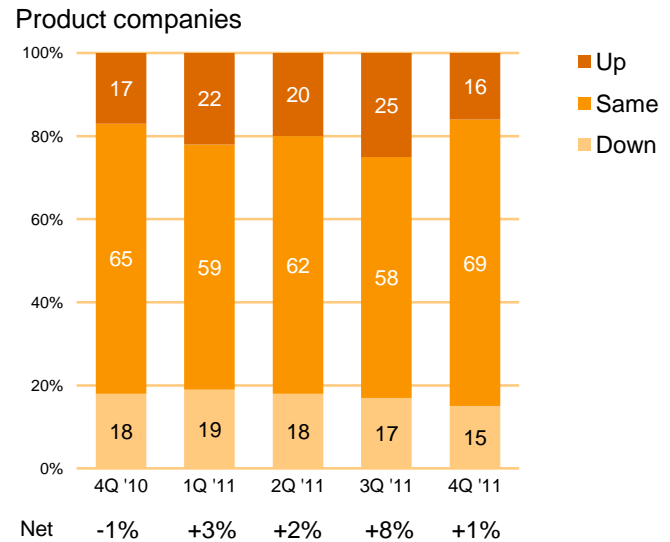
Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

## Finished inventories as a percent of sales

Are finished inventories as a percent of sales up, down, or the same compared with three months ago? (product companies only)

Overall, finished inventories in the fourth quarter were somewhat higher: up for 16 percent of product companies and down for 15 percent, with a net plus 1 percent reporting higher inventories. The majority, 69 percent of respondents, said their inventories remained about the same.

Chart 3.6 Finished inventories as a percent of sales



Note: In 4Q 2011 Product companies, n=143

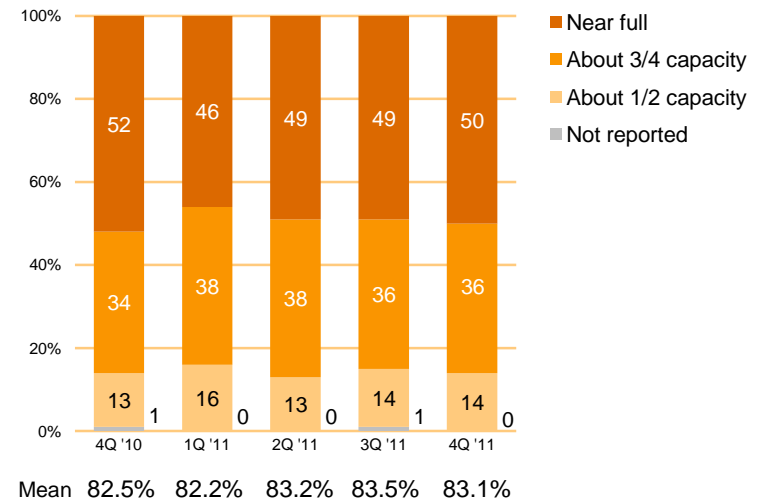
# Level of operating capacity

## What is your organization's current operating capacity?

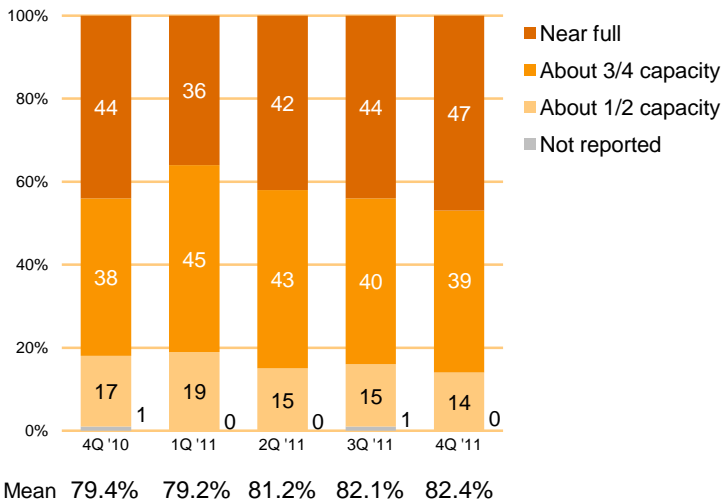
Operating capacity is an estimate of the current level of permanent staffing compared with what is needed for full-capacity output. In the fourth quarter, the average level of operating capacity for respondents was an estimated 83.1 percent, similar to the prior quarter's 83.5 percent. Fifty percent reported near full capacity (up 1 point from the prior quarter).

Chart 3.7 Level of operating capacity

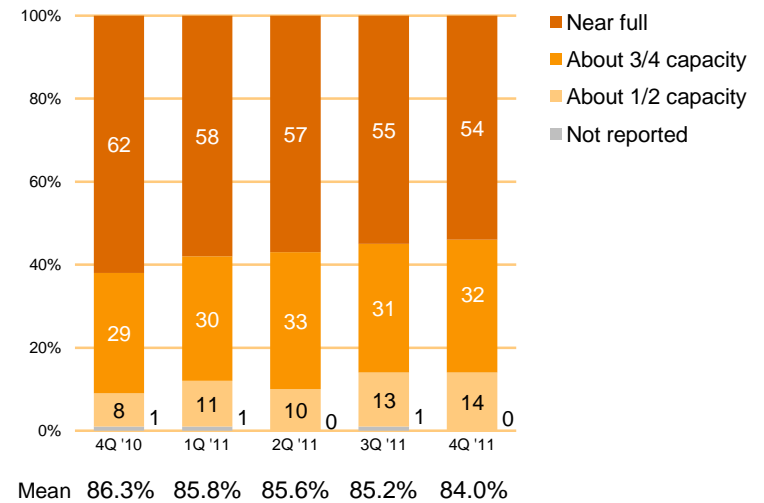
### All respondents



### Product companies



### Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

## New bank loans, credit terms and financing

In the past three months, has your organization initiated any new bank loans, longer credit terms from your suppliers, or other types of financing? What is the current interest rate you are paying for your bank financing?

Limited banking activity was reported in the fourth quarter, with only 7 percent of panelists reporting financing activity. Six percent reported new bank loans, 1 point above the prior quarter. More loans were made to product firms (8 percent) versus only 2 percent to service firms. The mean interest rate paid on loans by these companies was 3.90 percent, 13 basis points lower than a year ago.

Chart 3.8 New bank loans, credit terms and financing

### All respondents

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Any activity	8%	8%	8%	5%	7%
• New bank loans	7%	7%	7%	5%	6%
• New credit terms (suppliers)	1%	1%	1%	---	1%
• All other new financing	1%	1%	1%	---	1%
• Mean interest rate (all bank loans)	4.03%	3.81%	3.83%	3.89%	3.90%

### Product companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Any activity	9%	8%	5%	5%	10%
• New bank loans	7%	6%	5%	5%	8%
• New credit terms (suppliers)	1%	1%	1%	---	1%
• All other new financing	2%	1%	---	---	2%
• Mean interest rate (all bank loans)	4.07%	3.67%	3.73%	3.66%	3.94%

### Service companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Any activity	8%	8%	11%	5%	2%
• New bank loans	8%	7%	10%	5%	2%
• New credit terms (suppliers)	1%	1%	1%	---	---
• All other new financing	---	---	1%	---	---
• Mean interest rate (all bank loans)	4.00%	3.98%	3.94%	4.14%	3.85%

Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

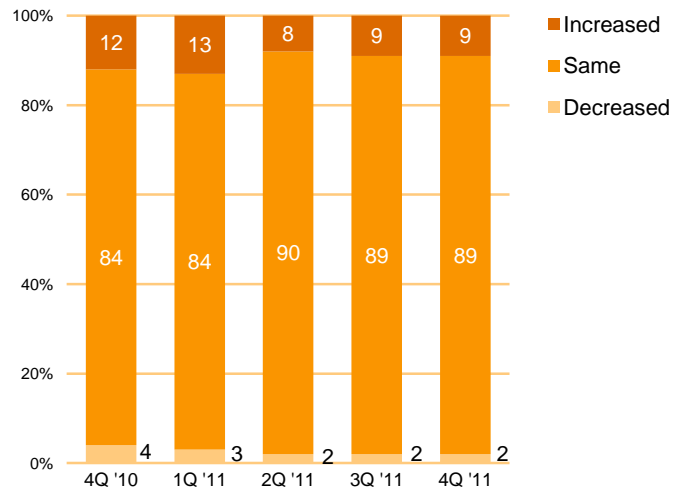
# Change in credit availability

How has credit availability changed in the past three months for your organization? (based on current banking relationships)

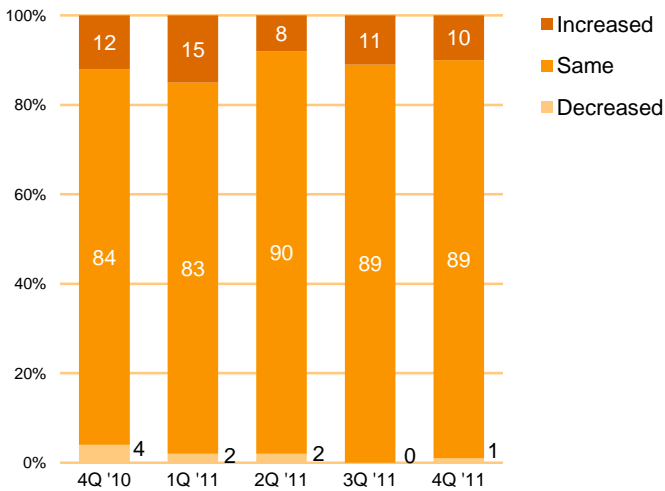
Credit availability in fourth-quarter 2011 remained the same as the prior quarter, with 9 percent of panelists reporting an increase, 2 percent reporting a decrease, and 89 percent reporting no change.

Chart 3.9 Change in credit availability

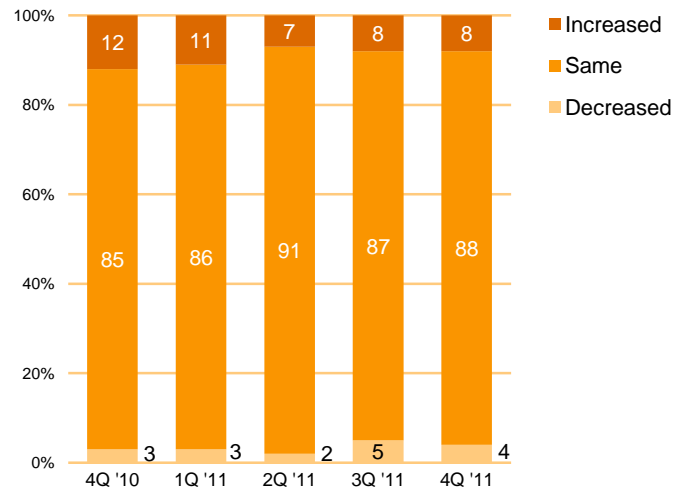
All respondents



Product companies



Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

# Business outlook, next 12 months

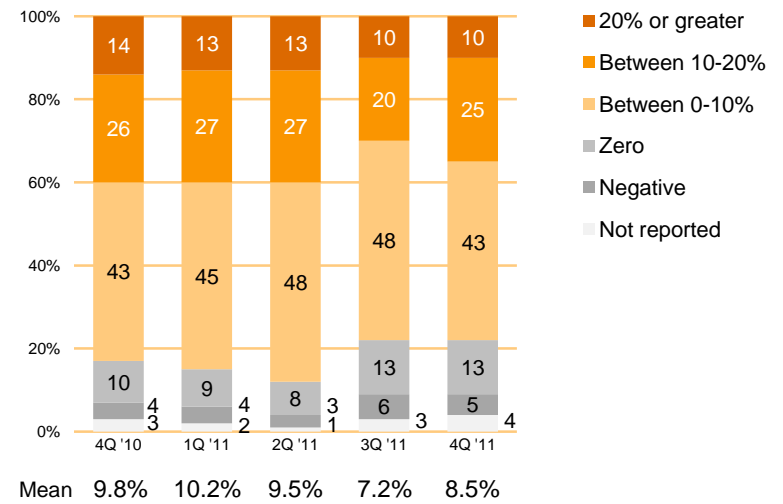
# Revenue growth, next 12 months

## What is your organization's estimated revenue growth rate for the next 12 months?

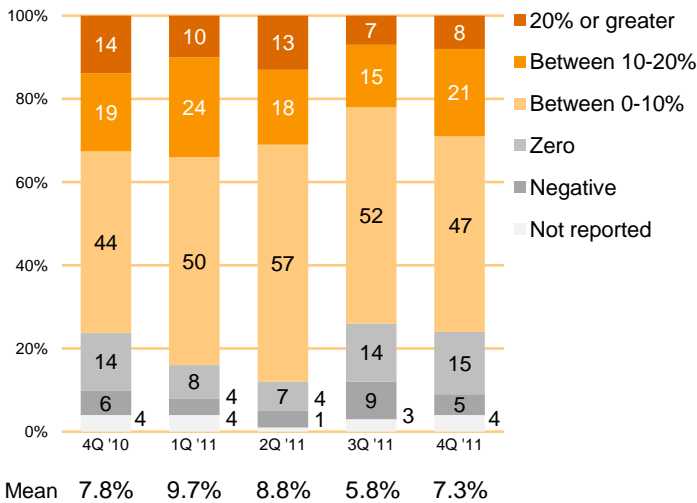
Respondents' projected average revenue growth rates for their own companies over the next 12 months increased 1.3 points in the fourth quarter, rising from 7.2 percent to 8.5 percent. Seventy-eight percent said they expected positive own-company growth, with 35 percent projecting double-digit revenue growth and 43 percent single-digit growth. Only 5 percent expected negative growth over the next 12 months, 13 percent expected zero growth, and 4 percent did not respond.

Chart 4.1 Revenue growth, next 12 months

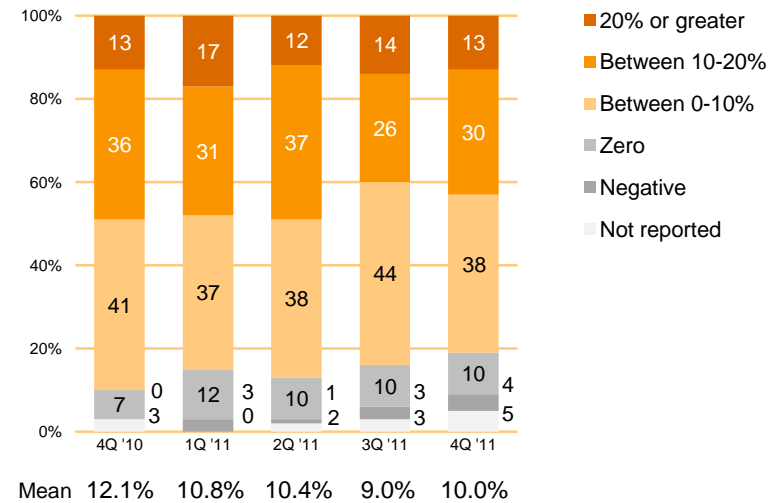
### All respondents



### Product companies



### Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

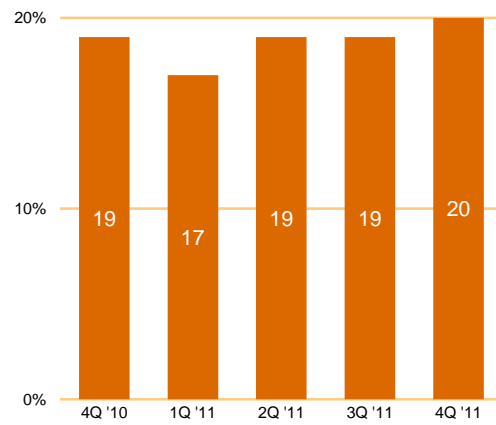
## International sales, next 12 months

What percent of your business's total revenue over the next 12 months do you expect to be derived from international sales? (international marketers only)

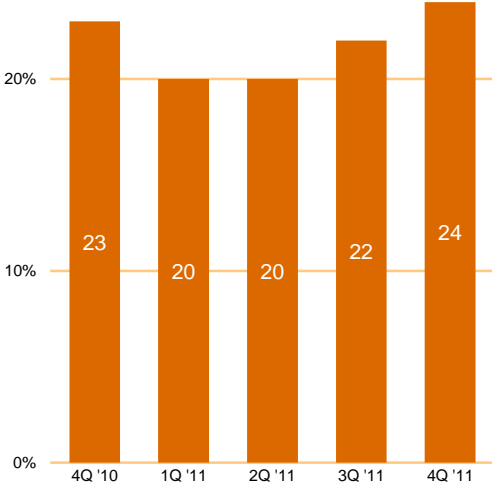
Panelists selling abroad projected that the average contribution of international sales to total revenue over the next 12 months would be 20 percent, up 1 point from the prior quarter and a year ago.

Chart 4.2 International sales, next 12 months

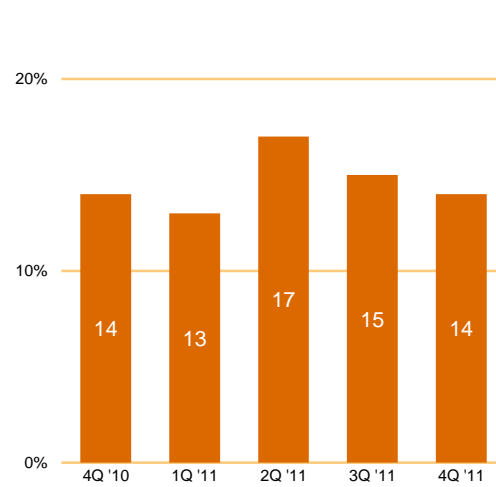
All respondents



Product companies



Service companies



Note: In 4Q 2011 All international marketers, n=118, Product companies, n=70, Service companies, n=48

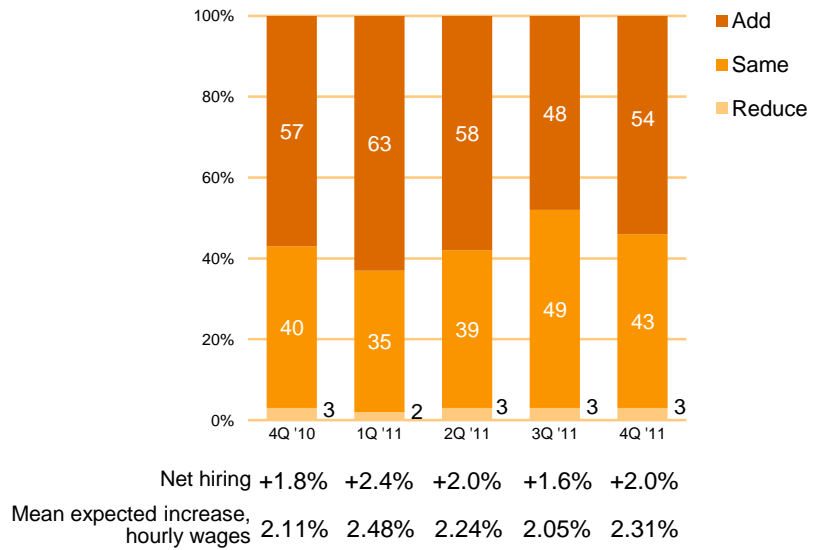
# Percent planning to hire

Do you plan to add or reduce the number of full-time equivalent employees over the next 12 months? If so, how many? Do you plan to increase hourly wages?

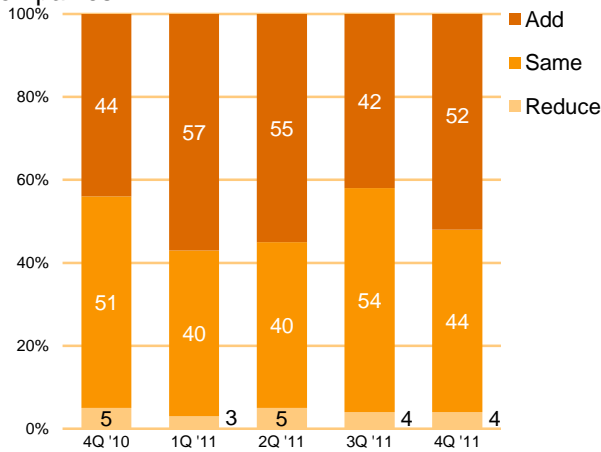
Looking ahead, 54 percent of panelists plan to add employees to their workforces over the next 12 months, up 6 points from 48 percent in the prior quarter, and down 3 points from a year ago (57 percent). Only 3 percent plan to reduce workers, and 43 percent say their workforce will stay about the same. An overall increase of 2.0 percent is planned for the panel's average composite workforce, up from 1.6 percent last quarter.

Chart 4.3 Percent planning to hire

All respondents

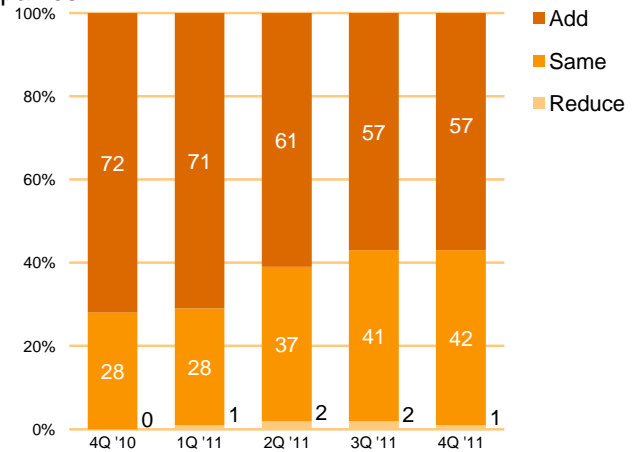


Product companies



Net hiring +1.8% +1.1% +1.7% +1.5% +1.7%  
 Mean expected increase, hourly wages 1.93% 2.58% 2.35% 2.00% 2.20%

Service companies



Net hiring +1.8% +5.5% +2.4% +1.9% +2.5%  
 Mean expected increase, hourly wages 2.36% 2.35% 2.11% 2.11% 2.45%

Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

## Percent planning to hire by type of employee

### What types of employees do you plan to add or reduce over the next 12 months?

Over the next 12 months, 29 percent of those planning to hire will be looking primarily for professionals/technicians, up 2 points from last quarter. Seventeen percent say they are interested in hiring sales/marketing executives, while thirteen percent cite interest in hiring production workers.

Chart 4.4 Percent planning to hire by type of employee

#### All respondents

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Planning to hire (net)	57%	63%	58%	48%	54%
• Professionals/technicians	32%	38%	31%	27%	29%
• Sales/marketing	23%	24%	20%	18%	17%
• Production workers	15%	20%	12%	11%	13%
• White collar support	15%	19%	15%	13%	11%
• Skilled labor	9%	12%	10%	11%	9%

#### Product companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Planning to hire (net)	44%	57%	55%	42%	52%
• Professionals/technicians	21%	30%	26%	18%	22%
• Sales/marketing	14%	18%	14%	12%	13%
• Production workers	23%	28%	20%	16%	19%
• White collar support	10%	20%	15%	11%	11%
• Skilled labor	8%	14%	12%	11%	12%

#### Service companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Planning to hire (net)	72%	71%	61%	57%	57%
• Professionals/technicians	46%	47%	38%	38%	38%
• Sales/marketing	33%	30%	28%	25%	22%
• Production workers	6%	10%	3%	5%	5%
• White collar support	21%	18%	15%	14%	11%
• Skilled labor	10%	10%	8%	11%	6%

Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

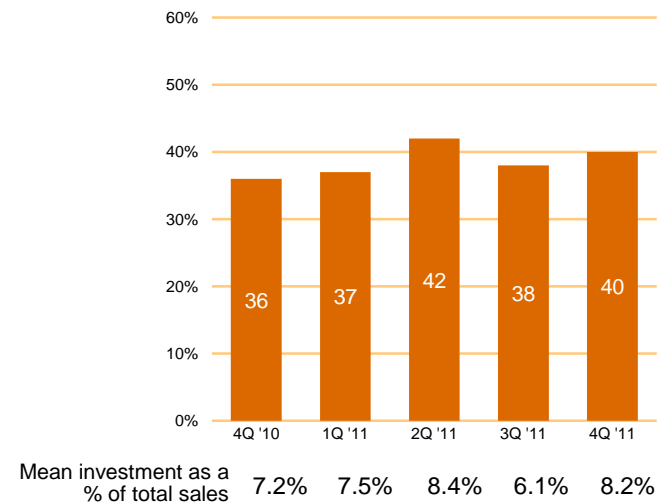
# Percent planning major new investments of capital

Are you actively planning any major new investments of capital over the next 12 months? If so, what percent of total sales do you expect to invest?

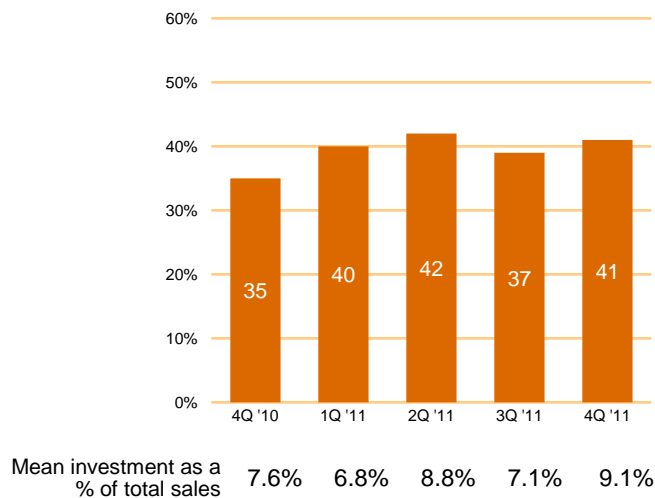
Over the next 12 months, 40 percent of those surveyed are planning major new investments of capital for business growth, up 2 points from the prior quarter. A year ago, only 36 percent were planning major new investments of capital (4 points less). The mean level of investment is higher than the previous quarter, 8.2 percent versus 6.1 percent of sales.

Chart 4.5 Percent planning major new investments of capital

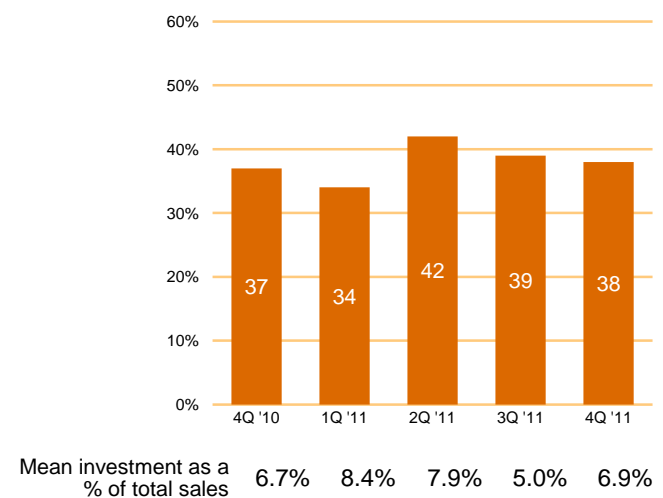
All respondents



Product companies



Service companies



Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

## Percent planning to increase operational spending

### Over the next 12 months, where do you expect to increase spending?

In the fourth quarter, 72 percent of panelists were planning to increase operational spending over the next 12 months, same as the previous quarter. Information technology (40 percent, up 1 point) was followed by new product or service introductions (29 percent), marketing & sales promotion (25 percent), facilities expansion (24 percent), and geographic expansion (23 percent). R&D spending dropped 2 points from the prior quarter to 14 percent.

#### Product companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Percent planning to increase spending (net)	74%	65%	70%	69%	73%
• Information technology	29%	37%	36%	36%	41%
• New product or service introduction	31%	29%	32%	33%	31%
• Marketing & sales promotion	26%	25%	27%	23%	22%
• Facilities expansion	26%	21%	25%	23%	26%
• Geographic expansion	21%	20%	21%	19%	22%
• Advertising	19%	25%	20%	16%	19%
• Business acquisition	15%	18%	20%	15%	15%
• Research and development	14%	18%	14%	16%	15%
• Internet commerce	4%	3%	6%	8%	6%

Chart 4.6 Percent planning to increase operational spending

#### All respondents

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Percent planning to increase spending (net)	74%	70%	73%	72%	72%
• Information technology	32%	40%	36%	39%	40%
• New product or service introduction	31%	32%	33%	34%	29%
• Marketing & sales promotion	27%	25%	28%	23%	25%
• Facilities expansion	25%	21%	23%	21%	24%
• Geographic expansion	23%	21%	24%	22%	23%
• Advertising	20%	23%	22%	17%	18%
• Business acquisition	15%	19%	20%	15%	16%
• Research and development	11%	16%	12%	16%	14%
• Internet commerce	6%	5%	6%	8%	6%

#### Service companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Percent planning to increase spending (net)	74%	76%	76%	77%	71%
• Information technology	35%	43%	35%	43%	39%
• New product or service introduction	32%	35%	34%	35%	27%
• Marketing & sales promotion	28%	26%	29%	23%	29%
• Facilities expansion	23%	21%	20%	18%	21%
• Geographic expansion	27%	22%	28%	26%	24%
• Advertising	21%	21%	25%	18%	18%
• Business acquisition	16%	20%	20%	16%	17%
• Research and development	7%	12%	9%	16%	12%
• Internet commerce	7%	8%	6%	8%	7%

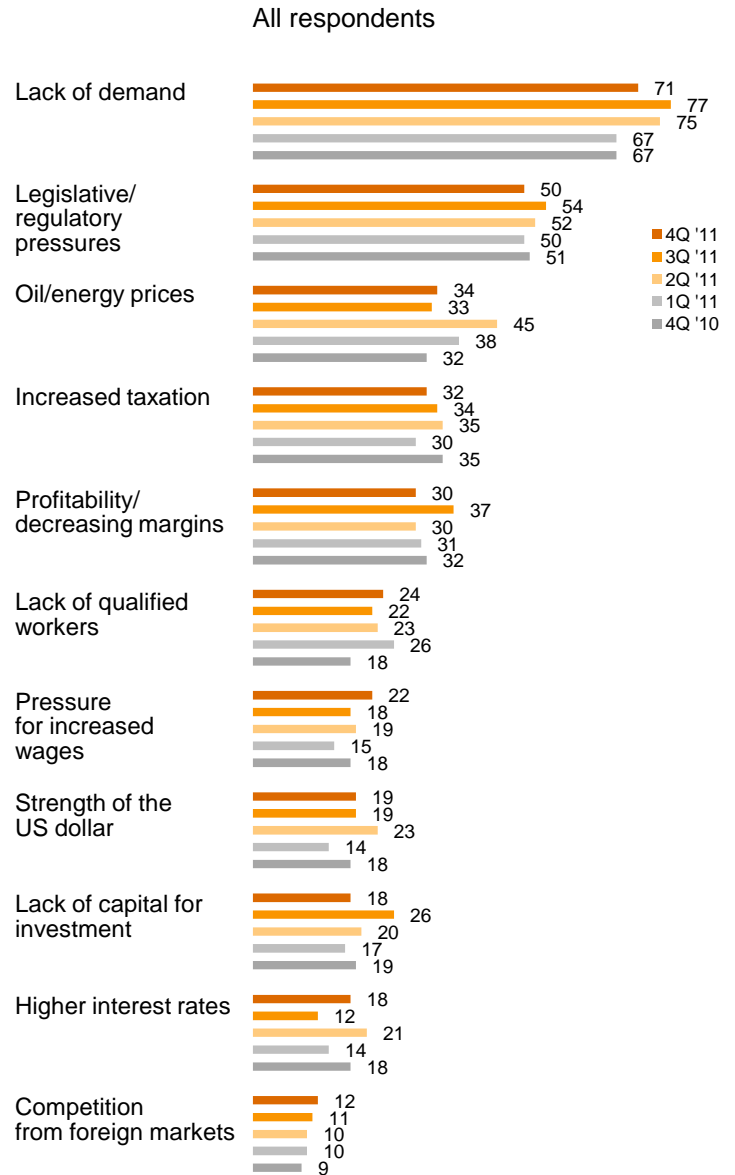
Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

## Expected barriers to business growth

Over the next 12 months, will any of the following factors represent barriers to business growth?

Lack of demand remained the most-cited barrier to business growth over the next 12 months, cited by 71 percent. Half the panelists said legislative/regulatory pressures might be a barrier (50 percent). The percentage of those concerned about oil/energy prices increased to 34 percent. Profitability/decreasing margins was down 7 points as a barrier to growth, at 30 percent; and lack of capital for investment was down 8 points to 18 percent.

Chart 4.7 Expected barriers to business growth



Note: In 4Q 2011 All respondents, n=250

## Plans for M&A and other business initiatives

### Over the next 12 months, do you expect to participate in any of the following new business initiatives?

Looking at the next 12 months, 58 percent of respondents said they expected to participate in new business initiatives, an increase of 9 points from the prior quarter. Overall, the most prevalent expected initiatives were new strategic alliances (28 percent), expansion to new markets abroad (23 percent), new joint ventures (22 percent), and purchase of another business (18 percent). New facilities abroad rose 3 points to 5 percent.

#### Product companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
New business initiatives (net)	55%	48%	59%	46%	53%
• New strategic alliance	22%	21%	34%	21%	26%
• Expand to new markets abroad	18%	14%	17%	17%	20%
• New joint venture	20%	17%	26%	19%	22%
• Purchase of another business	18%	14%	21%	14%	17%
• Bring in new partners	10%	9%	7%	4%	6%
• Restructure debt	11%	14%	13%	6%	7%
• Sale part/all of own business	4%	4%	2%	2%	5%
• New facilities abroad	8%	4%	7%	3%	6%
• “Angel” investors	5%	6%	6%	4%	5%
• Venture capital	4%	1%	1%	2%	2%
• Private placement	---	---	2%	1%	1%
• IPO	1%	1%	---	1%	1%

Chart 4.8 Plans for M&A and other business initiatives

#### All respondents

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
New business initiatives (net)	59%	54%	62%	49%	58%
• New strategic alliance	28%	26%	36%	25%	28%
• Expand to new markets abroad	19%	15%	18%	17%	23%
• New joint venture	20%	19%	23%	19%	22%
• Purchase of another business	18%	17%	20%	15%	18%
• Bring in new partners	11%	11%	11%	5%	8%
• Restructure debt	10%	12%	13%	7%	7%
• Sale part/all of own business	6%	5%	6%	4%	6%
• New facilities abroad	5%	3%	4%	2%	5%
• “Angel” investors	5%	5%	5%	4%	4%
• Venture capital	4%	1%	2%	2%	2%
• Private placement	2%	3%	4%	2%	1%
• IPO	1%	1%	1%	1%	1%

#### Service companies

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
New business initiatives (net)	63%	61%	66%	51%	61%
• New strategic alliance	34%	32%	38%	30%	29%
• Expand to new markets abroad	20%	17%	19%	16%	21%
• New joint venture	21%	21%	20%	19%	20%
• Purchase of another business	19%	21%	20%	16%	20%
• Bring in new partners	13%	12%	16%	8%	14%
• Restructure debt	9%	10%	12%	8%	9%
• Sale part/all of own business	8%	6%	10%	6%	9%
• New facilities abroad	2%	1%	1%	---	2%
• “Angel” investors	5%	3%	5%	4%	2%
• Venture capital	3%	---	3%	2%	---
• Private placement	4%	6%	7%	3%	---
• IPO	1%	1%	1%	1%	1%

Note: In 4Q 2011 All respondents, n=250, Product companies, n=143, Service companies, n=107

# Survey demographics and research methodology

## Demographics

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Who	Leading privately held businesses in the United States		
Interview dates	October 20, 2011, to January 20, 2012		
	<b>All (250)</b>	<b>Product (143)</b>	<b>Service (107)</b>
Average number of employees	938	1,112	708
Average business unit revenues	\$233.0 million	\$300.0 million	\$143.5 million
Average enterprise revenues	\$323.3 million	\$424.2 million	\$188.5 million
Five-year growth rate	77%	79%	75%
Industry sectors	Products 57% Manufacturing 30% Trade/Distribution 15% All other 12% Services 43%		

## Methodology

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PwC's *Private Company Trendsetter Barometer* is a quarterly telephone survey conducted by the independent research firm BSI Global Research Inc.

The survey panel consists of CEOs and their designates from a geographically balanced sample of leading private companies in the United States, as identified in the business media.

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## About the research:

The Private Company Trendsetter Barometer is one in a series of quarterly business outlook surveys from PwC. The survey provides a view on the 12-month outlook for revenue growth, new investments, new hiring plans, emerging business barriers, and more. In addition to the business outlook, we hear from our panelists about special issues they face as the business climate changes. Results of the quarterly business outlook surveys and special issue surveys are available from [www.pwc.com/us/pcs](http://www.pwc.com/us/pcs) and [www.barometersurveys.com](http://www.barometersurveys.com).

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