



LBMC | MAKE A GOOD
BUSINESS BETTER

2019

BUSINESS OUTLOOK REPORT

LBMC, a top 50 public accounting firm and the largest Tennessee-based professional business services company, presents the results of our second-annual national Business Outlook Survey. The survey offers a glimpse of challenges, business trends and levels of optimism across eight major industries in the U.S.

Among the more than 300 respondents to the Survey, the majority of participants were in C-level positions, with almost half identifying themselves as either CEO or President of a \$5 million-plus company with a regional market and at least 50 employees. This range of leader participation provides a business pulse for planning in 2019 as you compare your goals to those of your peers inside and outside of your industry.

If you have any questions related to how the conclusions in this survey may impact your business in the coming year, the team at LBMC can help. You may also contact us for additional copies of the report or to share your contact information to be included in next year's survey.

We appreciate the opportunity to make individuals, businesses and the communities we serve better.

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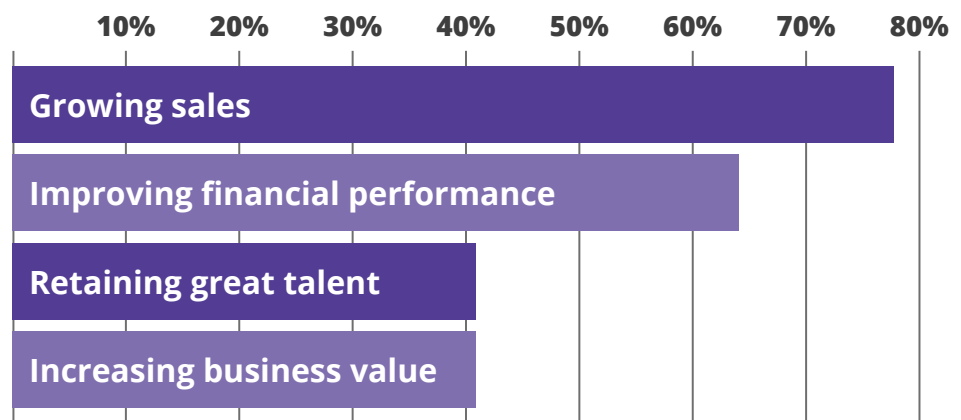
2019 OUTLOOK

Leaders are laser focused on business intelligence and talent development. Confident in their capitalization and current talent pool, they are investing strategically, looking at new markets and acquisitions and anticipating hiring as well as improved productivity and efficiency.

It seems that most leaders have laid the financial groundwork for improving compensation and benefits, data security and compliance through 2018. Now they are poised to take advantage of the more positive tax and regulatory climate by investing in their people and existing products and services. Their primary sales strategy will be acquisition of new locations and entering new markets, which may also support their attraction and retention of talent.

Leaders want to see a continuation of economic stability coupled with improved margins and efficiencies. They will make strategic investments in technology that include new tools, but also specialists to manage it. **Although their responses still read as cautiously optimistic for the economy in 2019, leaders have shifted their focus from “staying the course” to innovation and exploration of new opportunities.** This includes alternative work arrangements, new benefits and AI or automation in the interests of meeting their growth projections.

The top four business goals listed in this survey



With business value tying for the third top business goal for 2019, it's apparent that companies recognize the need for business transition or succession planning in the top ranks — and that need is becoming more real to leaders. The truth reveals itself in the next top business goals for 2019, which include “finding great talent” (23 percent) and “plan for business succession” (17 percent).

Again, these goals indicate relative confidence and optimism for the economy and a focus on top line growth. Leaders are anticipating risk factors related to talent shortages and turnover as well as changing customer preferences. They plan to solve them through a variety of

means mentioned previously, but also through advisory and business consulting solutions.

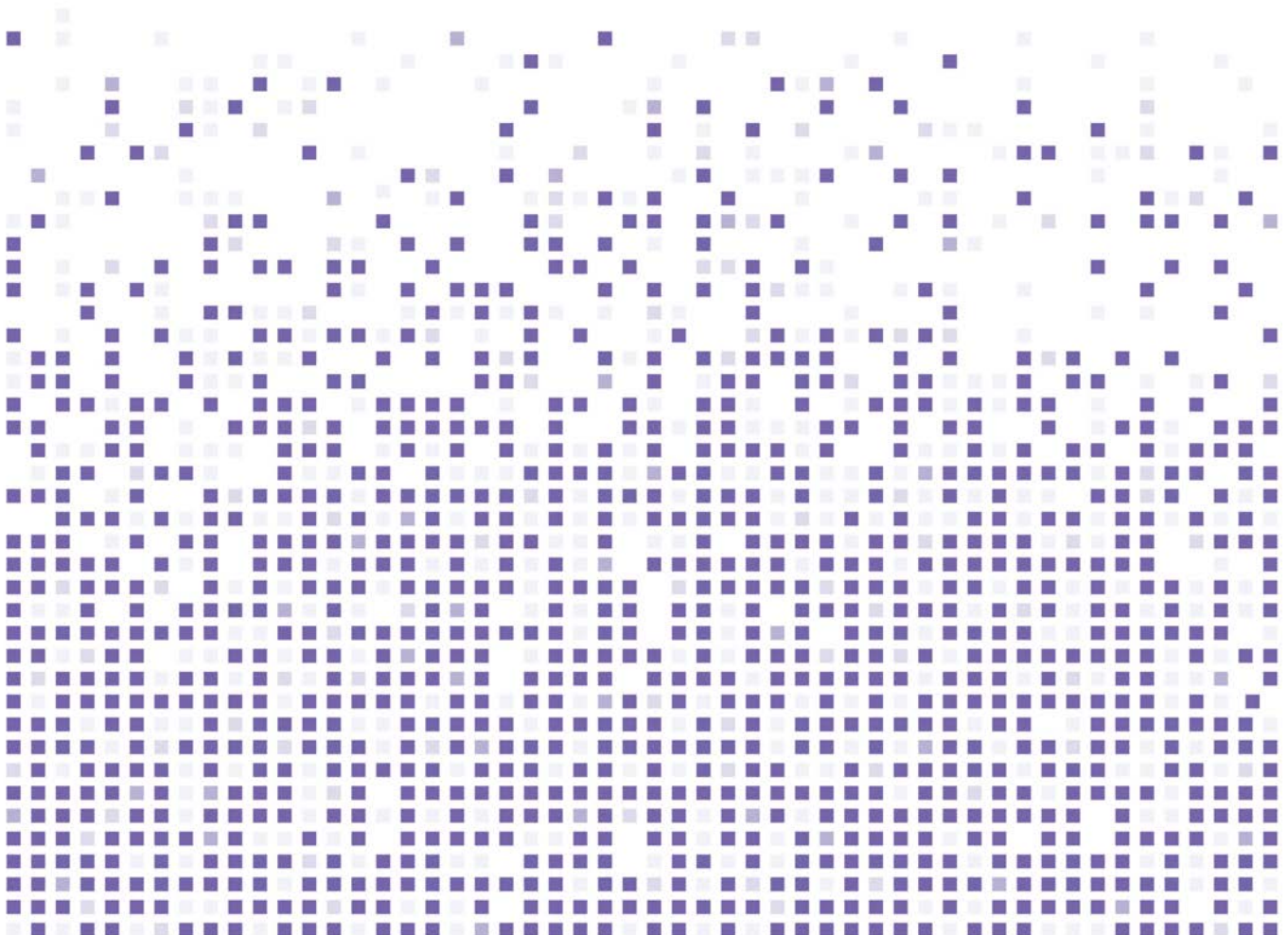
More than 28 percent of leaders plan to work with advisory and business consulting solutions to manage their top business challenges.

“The biggest benefit to our company in the coming year would be success of our growth strategies, including increasing current customer spend as well as launching into new verticals.”

– CEO, Technology

2019 is not viewed as a year for staying the course. We anticipate that leaders will be willing to take on a bit more risk and capital investment as the price of growth, barring any major changes in the economy or customer demand.

It remains to be seen how the new federal corporate tax structure will play into leader plans, the realities of maintaining security, or the impact of tariffs on raw materials costs. But what a difference 12 months can make. If you would like more information on these unknown factors to strengthen your 2019 business planning, LBMC has several resources available through our Resource Center at www.lbmc.com/resources.



REVENUE GROWTH AND OPTIMISM

Taking into consideration all industry sectors and sizes of companies in the Survey, we would characterize the overall tone of business leaders as remaining **cautiously optimistic**, similar to the responses in last year's survey. Business leaders' optimism for the regional economy averaged 7.6 out of 10, while optimism for the U.S. economy averaged 7.2 out of 10. Anticipated revenue losses ticked up from less than 10 percent of all companies in 2017 to 11 percent of companies in 2018. More than, 7 percent had reductions in staff over the last 12 months and 2 percent noted a hesitation to hire. A decrease in spending also ticked up from 8 percent of companies in 2017 to 9 percent in 2018. Overall, however, leaders noted increased spending, hiring and revenue growth in the past 12 months.

Guarded optimism, despite higher than anticipated revenue growth across most industries in this survey, may stem from **talent shortages** and **retention challenges** as well as **concern that the economy is not growing at a faster pace**. It is interesting to note that although optimism is up and planned capital spending is up from last year's survey responses, leaders' confidence in growth is hampered by concern over operational costs and their perceived capacity to meet unexpected higher demand.

Almost 16 percent of companies had revenue growth greater than 20 percent over the previous year, and more than 21 percent of companies noted growth of 10-20 percent. The biggest gains were in the construction, real estate and technology industries. The technology industry is the only sector that reported two years of consistently positive growth in this survey. The average range of growth for 37 percent of all companies, regardless of industry, was 3-10 percent.

STAFFING

More than 53 percent of companies increased staffing levels in the past 12 months while almost 37 percent maintained the same staffing levels. This ratio is down by 3 percent compared to hiring levels in 2017. However, anticipation for hiring is up for 2019, with almost 52 percent of leaders expecting to hire more employees. This anticipated hiring correlates with leaders' optimism about meeting unexpected increases in future demand, which is down from 53 percent of leaders in 2017 to about 41 percent of leaders in 2018. About half of leaders noted an "average" ability to meet unexpected demand.

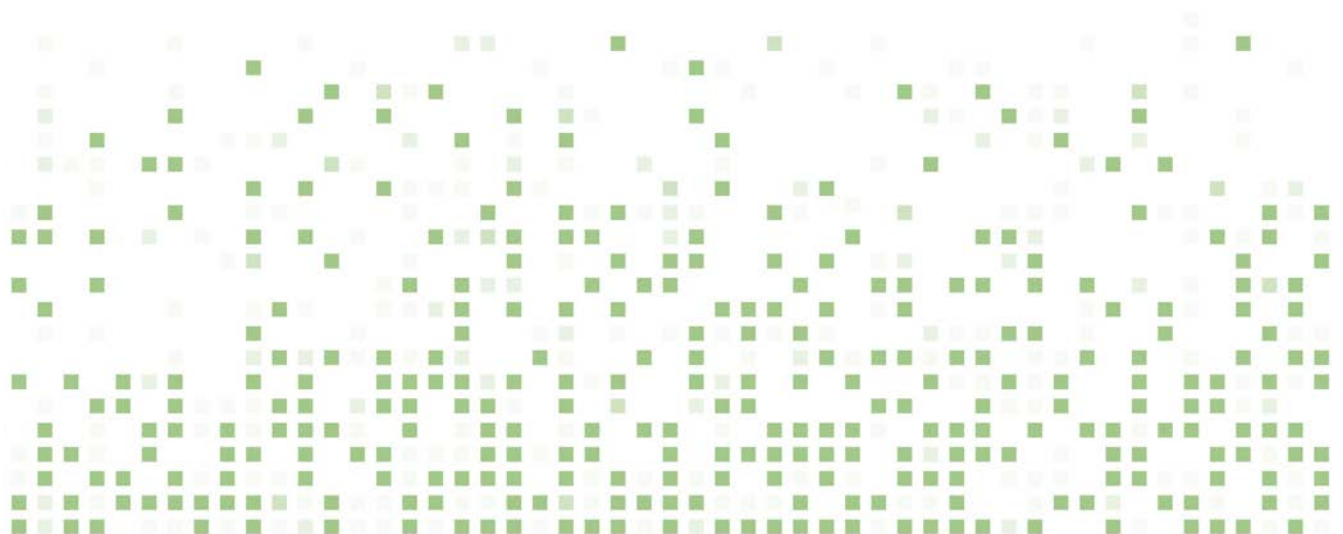
RETAINING TALENT

The third biggest risk management strategy for company leaders across industries is to retain great talent, cited by 41 percent of leaders. As the market improves and employees enjoy opportunity and mobility, leaders are focusing on retaining talent through more investment in compensation and benefits as well as training and workplace flexibility. For 2019, availability of "top personnel" is among the biggest business challenges for 37.6 percent of leaders, while 23 percent of leaders also cited staff turnover as a major concern.

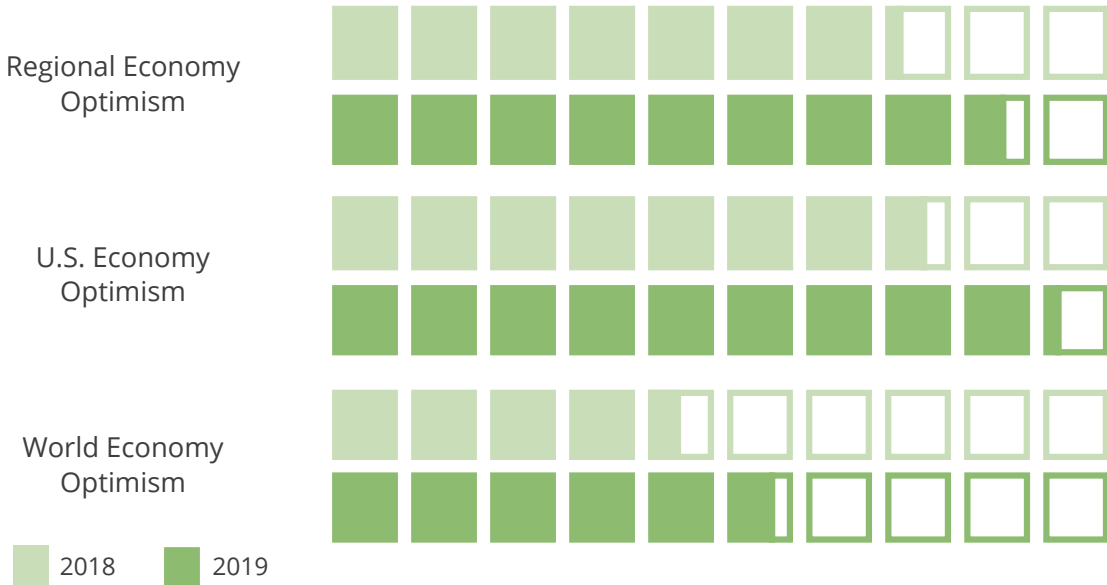
CAPITAL SPENDING

Plans for capital spending in the next 12 months were up, with about 34 percent of participants planning to hold steady on spending rates while almost 22 percent planned to increase spending by 10-20 percent. Almost 37 percent of companies plan to increase spending by 3-9 percent. Sustained spending or a slight decrease was noted in manufacturing and financial services. Increased capital spending is spread across many industries, indicating that the decision is dependent on company strategy rather than an industry trend. This upward trend from a year ago may be due to anticipated tax reporting opportunities through the **Tax Cuts and Jobs Act of 2017**, bonus depreciation rules and the **Section 179** expensing deduction for non-real estate assets placed into service in 2018.

In fact, many respondents, about 11 percent, mentioned plans to invest in new equipment, tools, vehicles, software and IT security solutions in the coming 12 months. More than 20 percent anticipate capital investment in new locations and facility improvements while another 11 percent report employee training and hiring investments.



OPTIMISM



The gap in optimism between the regional and national economy has narrowed from a year ago. Leaders’ optimism has ticked up one percentage point for the regional economy from a year ago and a full two percentage points for the national economy. Despite concerns over tariffs and challenges with hiring, leaders have also increased their optimism for the world economy from 4.5 out of 10 last year to 5.7 out of 10.

However, more than 40 percent of leaders chose greater economic growth as the single factor that will have the most positive impact on their businesses in the next 12 months. About 50 percent cite a combination of talent development and “technology innovation.”

Interestingly,
13.6%
of leaders anticipate investment in
— or continued use of —
artificial intelligence/robotics
as part of their business strategy.

BUSINESS STRATEGY

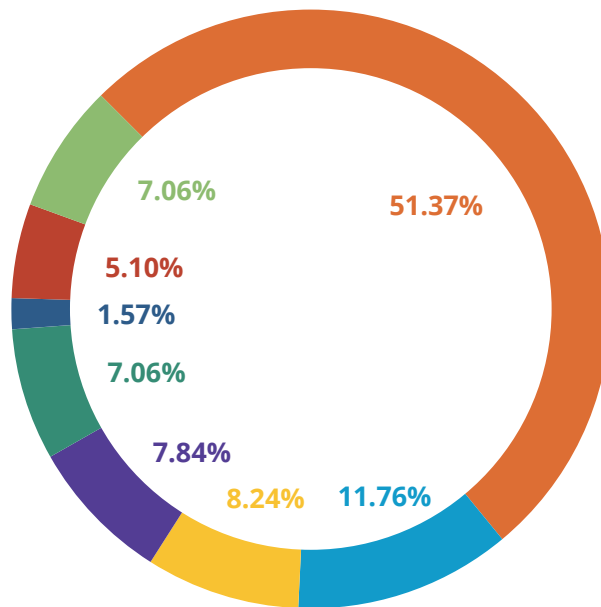
When planning for 2019, many leaders appear ready to seek acquisition targets or expand organically through new locations or market territory. While they are still focused on efficiency and improving the performance of existing systems, there is an indication of more focus on top line growth and investment.

ACQUISITION/MERGER

As indicated earlier in this report, anticipated capital spending is up. Growth through acquisition, a new facility or new location, is cited by 27 percent of leaders as a business strategy for 2019, up from 9 percent just 12 months ago. About one-third of leaders is specifically open to, or anticipates, a merger or acquisition in the coming year. Another 12 percent of leaders will consider selling businesses or being acquired.

PRODUCTS/SERVICES

The sales strategy for products and services remains the same from a year ago. About 34 percent of respondents plan to roll out new products and services to either existing or new markets in 2019. About 65 percent of leaders will focus on promoting existing products and services to existing or new markets. About 8 percent of leaders anticipate increased pricing for products and services. The big innovators appeared to be in healthcare and manufacturing, but there are also new products and services planned in professional services, retail and technology.



- Improve margins/revenue through productivity/efficiency
- Technology improvements
- Improve margins/revenue through increased pricing
- Decrease operating expenses
- Partners acquisitions, or vertical integration
- Downsizing
- Other
- No specific plan

PRODUCTIVITY/EFFICIENCY

More than half of leaders are focused on improving margins and revenue through higher productivity and efficiency. More than 43 percent report investment in technology solutions, focusing specifically on business intelligence/analytics, enterprise resource planning (ERP) and core operating solutions and cloud strategies. Only 8 percent of leaders anticipate the ability to decrease operating expenses, likely due to plans to increase compensation and benefits. **Almost 20 percent** of leaders are concerned about the risk of increased raw materials costs.

“We expect to increase spending on recruitment. The need for talent is great, and we want the greatest team.”

–CEO/President, Financial Services/Banking

COMPENSATION, TRAINING, AND FLEXIBLE WORK

When it comes to retaining top talent, increased compensation is the incentive of choice for 41 percent of companies, up from 29 percent of companies in 2017. Training and development is also up slightly, cited by 23 percent of leaders compared to about 21 percent of employers last year. Flexible and remote work arrangements remain popular, cited by 23 percent of leaders.

MARKETING AND R&D

Besides increased investment in new capital equipment and talent, about 18 percent of leaders continue to focus on marketing and research and development, while 21 percent have reinforced their intentions to invest in new locations, facilities and acquisitions. When searching for the best business capital investments, 25 percent of companies are seeking customized products and information that fit their specific needs. One-third of leaders also emphasize the importance of referrals. More than 19 percent pay attention to thought leadership or case studies of products and services, while more than 13 percent are increasing their personal use of cloud-based services — more than likely due to higher mobile device use and apps.

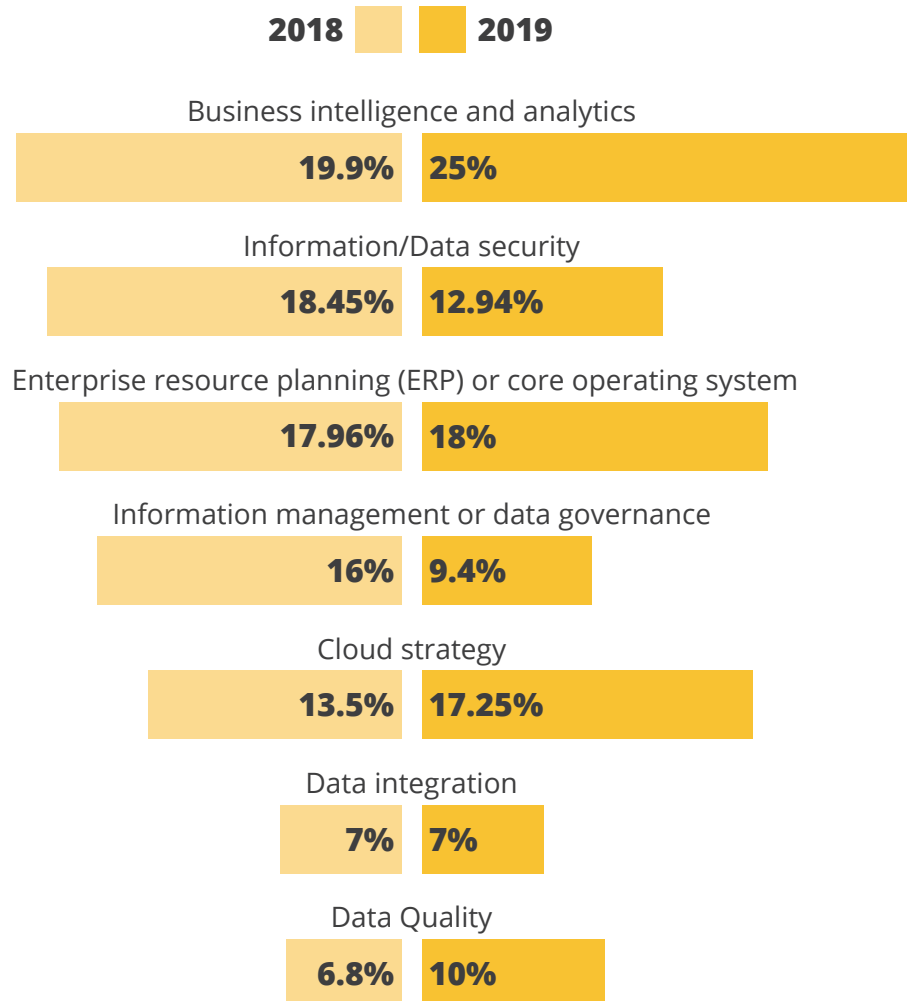
About one-quarter of C-level business leaders use online research and purchasing options.

ONLINE RESEARCH

This data indicates that online information and case studies influence buying decisions, and that customized information and products have an edge. One quarter of C-level leaders are conducting self-directed research and automated transactions prior to interfacing with sales representatives.

TECH INVESTMENTS

Technology spending priorities or improvements offer few clear trends overall. **However, comparisons from year to year show an increased interest in business intelligence and analytics, data quality, information management or data governance and cloud strategies.** Clearly, leaders are more interested in quality and timely data now that their ERP infrastructure and data security investments are in place. Leaders are also placing a greater emphasis on cloud technology investments in the coming year, up from 13.5 percent to 17.25 percent of respondents.



TECHNOLOGY INNOVATION

It should be noted that more than 21 percent of leaders in this year's survey believe "technology innovation" will have the most positive impact on their business in the next 12 months. Similarly, about 19 percent of leaders cite current use or planned uses for blockchain technologies or cryptocurrency, with the largest sample citing planned or current uses for various forms of artificial intelligence/robotics.

CYBER SECURITY

Leaders are continuing their focus on the performance of existing IT systems, and a similar number of leaders from a year ago (around 20 percent) cite continued outsourced technology management.

#1

Hiring a Chief Security Officer was ranked as the number one cybersecurity priority by 14 percent of leaders.

A little more than 48 percent of leaders listed their number one cybersecurity priority as using new software security tools. A quarter of leaders are also prioritizing cybersecurity risk assessments, while 12 percent plan to create response plans for security breaches. Almost 7 percent will update their third-party risk management

policies. Overall, more than two-thirds of leaders in the survey indicated active plans for cybersecurity management.

While 13 percent of respondents in last year's survey emphasized data security as their biggest strategic initiative, only 9.8 percent cite it for 2019 initiatives. Also, 4.7 percent of respondents in this year's survey included "cybersecurity/information security investments" in planned 2019 capital spending.

"We plan to make better use of information technology to explain products and services in more detail to our clients."

- CEO, Professional Services

See page 10 for additional analysis on data security risk management and how it compares to last year's survey responses.

As a final thought, technology improvements, as a way to increase profits, are cited by 11.76 percent of leaders, compared to 10 percent of leaders in 2018. This indicates a growing awareness that IT may support reduced operational costs and improved efficiency, if managed strategically, for the benefit of employees and clients.



Concerns over regulatory costs and changes have downshifted over the past 12 months, according to leaders in this year's survey. **Whether due to policy and administrative changes at the federal level or other factors, this concern dropped from the biggest business challenge cited by leaders in 2018 to their third biggest concern for 2019, a drop from 43 percent of leaders to 34 percent.**

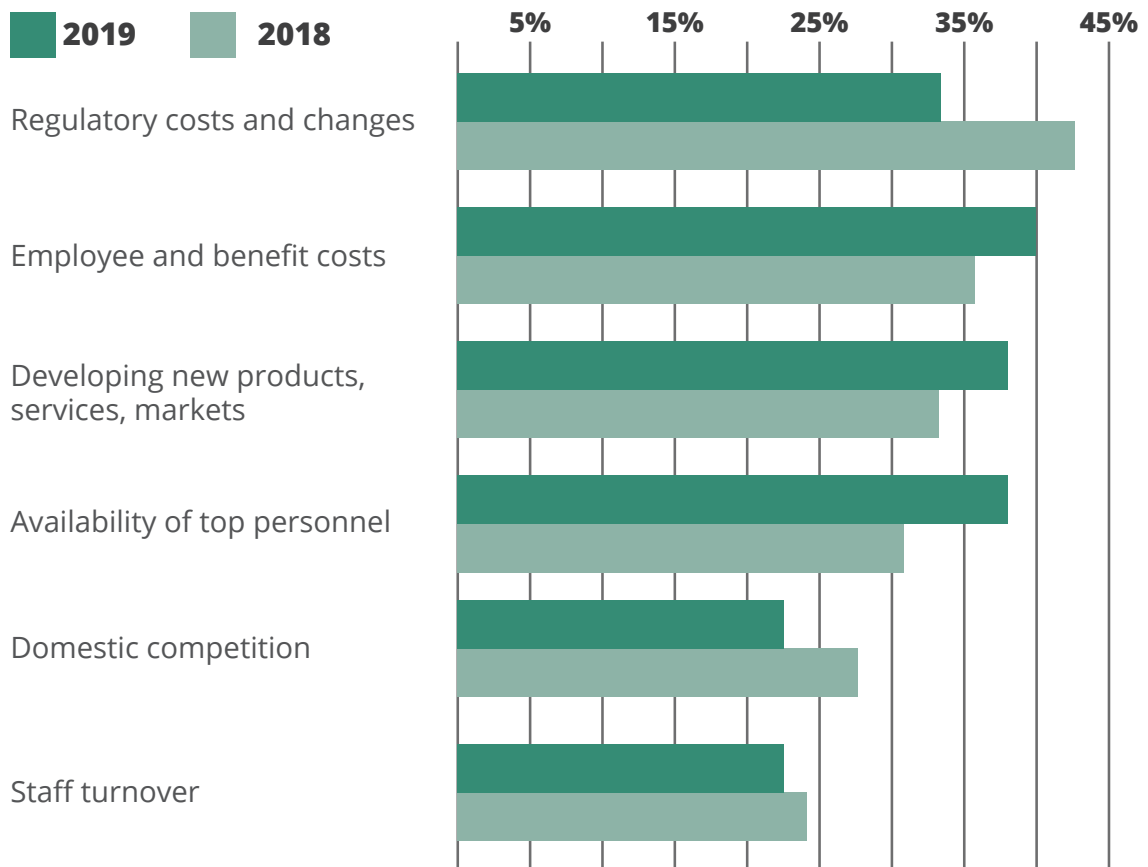
EMPLOYEE COSTS

Taking over the top business challenge for 2019 is concern over employee and benefit costs, rising from 35.8 percent of leaders to 40.6 percent. These costs are also cited as the top inflationary risk for 45 percent of leaders, but this number is down from 55 percent of leaders in 2018. Inflationary concerns over raw materials costs have edged up as a concern by close to 20 percent of leaders, up from 13.5 percent in 2018. This trend suggests that leaders are paying attention to global trade initiatives and policies that may impact their businesses.

TALENT RETENTION

Availability of top personnel tied with "developing new products, services and markets" as leaders' second biggest business challenge in 2019. These two challenges were each cited by 37.6 percent of leaders. Their responses correlate with business leaders' plans to increase compensation as a recruitment strategy. To improve their business outlook, staffing solutions were cited by almost 40 percent of leaders, and talent development was cited by 29 percent of leaders. In order to meet their goals of improved financial performance and growth, 41 percent of leaders cite the importance of talent retention as a risk management strategy.

About 10 percent of leaders plan to either add benefits or increase their contributions to employee benefits in 2019.



TAX REGULATIONS

Close to 60 percent of respondents are confident in planned increases in capital spending, while 30 percent planned to keep spending the same. Although the majority of leaders (70.6%) were concerned about high corporate tax rates in last year's survey, this concern is all but nonexistent 12 months later. However, about 11 percent note a specific strategy to reduce their company's current tax liability, and 6 percent believe that tax regulations will have the most significant impact on their businesses in 2019. This may correlate to relative uncertainty as to how the Tax Cuts

and Jobs Act of 2017 will materially impact their company's tax obligations. About one-third of business leaders cite comfort with their personal knowledge of tax reform.

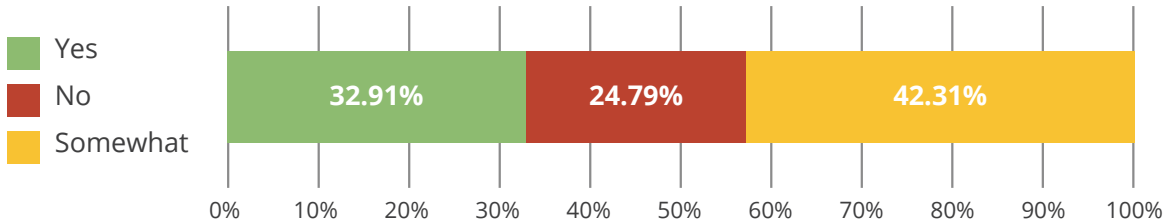
“Healthcare reform that gets settled timely and corporate tax reform would have the most positive impact on our business.”

— Controller, Healthcare

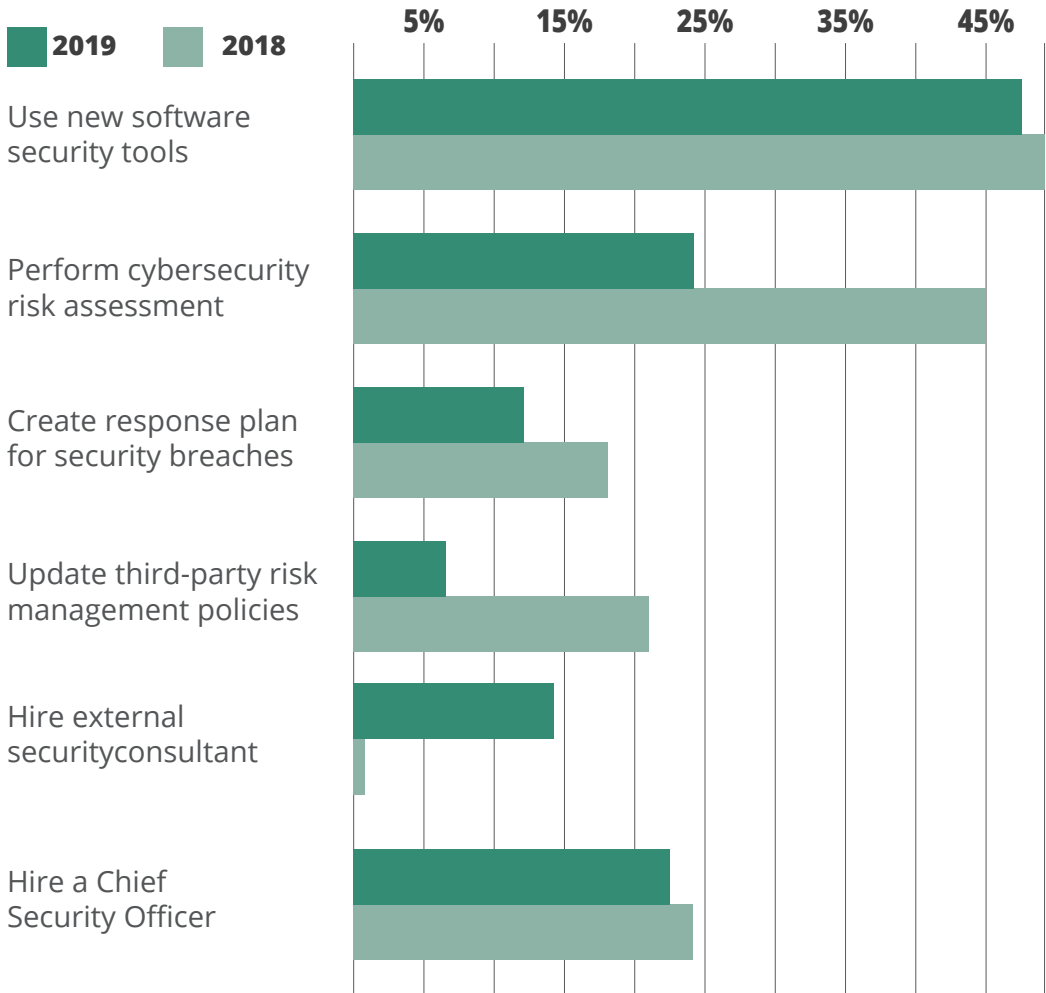
When asked about cybersecurity risks, the majority of leaders cited active plans for risk management, but their priorities have shifted toward delegation to specialized personnel and tool enhancements. New software tools will

still be the top investment by about half of leaders for 2019 in order to keep pace with security updates and advances. (See chart on next page.)

Do you feel comfortable with your knowledge of business tax reform?

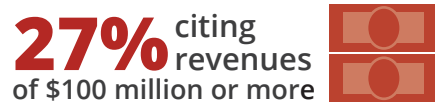


Top Priorities for Managing Cybersecurity Risk



The following data was aggregated from survey responses by industry. It is a general overview of pulse survey responses regarding optimism, strategy and outlook for 2019. Keep in mind that there were more companies responding from certain industries than others, and their outlook for the industry may not be representative of the whole.

CONSTRUCTION



Most companies were regional



23% had five or more locations



Regional and national economy optimism

Revenue Picture

A year ago, 40 percent of construction leaders anticipated growth of 10-20 percent, but actual revenues in that range accounted for about 27 percent of companies, with one-third reporting growth of 3-9 percent and 10 percent of leaders citing revenue growth of more than 20 percent. Nevertheless, both hiring and capital spending increased for about 60 percent of construction companies in the past 12 months.

2019 Expectations

About one-third of these leaders do not plan to increase spending in the coming 12 months. Those who do are focusing on acquisitions and new locations or employee training. About half of leaders believe they have too few employees to meet demand, and more than 60 percent plan to hire in 2019. More than 40 percent will increase compensation, and 30 percent will offer enhanced training to attract and retain talent.

Compared to last year, construction leaders are focusing on existing and new markets with their products and services. They view growth opportunities through increased efficiency, new locations, and acquisitions.

“We would like to expand our business regionally.”
– CEO, Construction

opportunities through increased efficiency, new locations, and acquisitions.

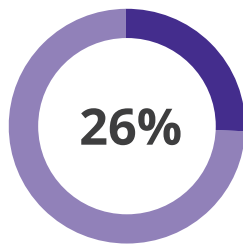
About 1/3 of leaders
would entertain an acquisition,
but
only **12%**
will consider selling.

Top business goals for construction leaders include improving financial performance, sales growth and talent, with planning for succession and increasing business value as secondary concerns. They are keeping an eye on raw materials costs as their biggest

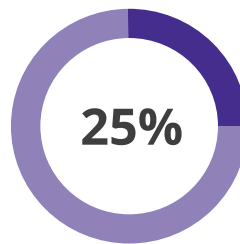
inflationary risk, but cite an average to above average ability to meet unexpected demand.

Enterprise resource planning (ERP) tools, business intelligence and cloud strategy remain the top technology investments planned for construction companies in 2019. Liquidity is not a concern for most companies, and their focus will be on top line growth and employee development primarily through financial and staffing solutions.

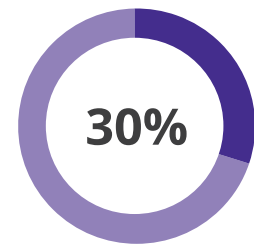
FINANCIAL SERVICES/BANKING



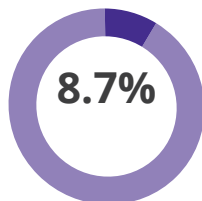
of these companies experienced an average 3% - 9% **growth** rate in the past 12 months.



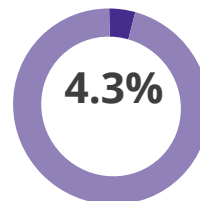
of these companies experienced an average 10% - 20% **growth** rate in the past 12 months.



of these companies experienced an average **growth** rate greater than 20% in the past 12 months.



of leaders experienced revenue **losses** of 3%-10%.



of leaders experienced revenue **losses** of 10%-20%.

2019 Expectations

More than 69 percent of leaders in this industry increased their capital spending over the past 12 months, even though the majority in the 2018 outlook report said they would not do so. Optimism for both the regional and national economy is at an 8 out of 10, with optimism for the world economy

at a 6 out of 10. Leaders anticipate 2019 capital spending in the areas of IT, employee training, cybersecurity and new locations or facilities, with 55 percent planning to increase capital expenditures by 3-9 percent and 20 percent of leaders increasing capital expenditures by 10-20 percent. Hiring is also increasing for 60 percent of leaders, with 30 percent citing too few employees.

Financial services/banking leaders indicate plans to increase compensation while also trying to improve margins through productivity. At the same time, they want to grow through expansion into new markets. Leaders also want to improve the performance of their existing IT systems, with a quarter of leaders planning to invest in new business intelligence and analytics solutions. These leaders also ranked a cybersecurity risk assessment high on their plans in the next 12 months to manage risk, along with investment in new software security tools.

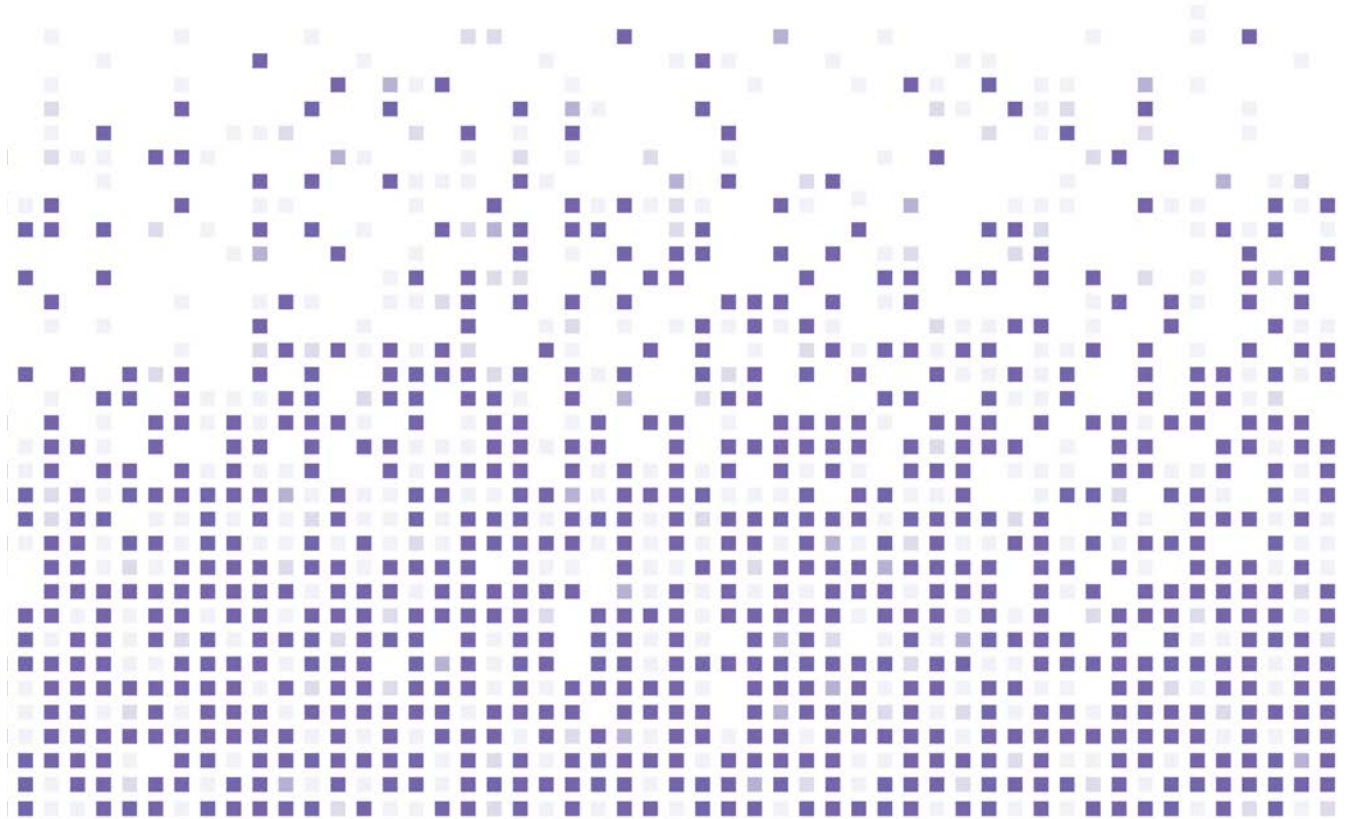
Business Challenge

In terms of risk management, regulatory requirements and changes have been their biggest business challenge over the past two years, followed this year by the availability of top talent. About 42 percent want to develop new products, services or markets. They are relying on a combination of financial, staffing and IT solutions to meet those challenges. More than other industries,

leaders in financial services/banking feel comfortable with their knowledge of tax reform. However, almost 58 percent cite rising interest rates as an inflationary risk to their businesses. Interest rates are a far greater concern in this industry than labor costs.

Almost half of leaders in this industry want to increase business value, with about 10 percent dealing with succession issues. About 15 percent of leaders anticipate increased profits through partners, acquisitions or vertical integration in 2019. About 26 percent are looking at acquisition targets while 16 percent are open to merger offers.

Emerging tech innovations such as blockchain, cryptocurrency and artificial intelligence appear to be a low priority on most leaders' agendas in the coming year — or they weren't willing to disclose their approach to them for the purposes of this survey.



HEALTHCARE



Primarily **regional** healthcare leaders and privately owned

59% listed more than one location

50% regional competition
38% national competition
12% international competition



2019 Expectations

More than **90%** of healthcare leaders anticipate revenue increases in 2019

with about **66%** of leaders reporting increased capital spending and hiring in 2018.

They also experienced slow growth, with more than 55 percent citing growth of 3-10 percent. Their business strategy includes both new products and new markets, with 18 percent open to acquisitions and 29 percent anticipating capital spending on new locations or facilities. While 44 percent of leaders plan to improve margins through productivity and efficiency, about 18 percent plan to do so through increased pricing.

Primary goals for IT investment in health care facilities include enhancements to existing systems and focusing on ERP solutions. About 20 percent plan to invest in cloud solutions. Just over 58 percent view technology solutions as a primary way to deal with top business challenges that include regulatory requirements and various labor costs. In fact, inflationary factors related to labor costs are a barrier to growth,

and “improving financial performance” is cited by 71 percent of leaders as their top business goal for 2019.

Industry leaders expect to add more staff in 2019, with 26 percent citing too few employees to meet their needs and **35 percent concerned about turnover**. They note a range of methods to retain top talent, with the top method being additional compensation, enhanced training, and new benefits or increased company contributions to benefits.

“The changing insurance reimbursement landscape is one of the top challenges our industry faces.”
– CFO, Healthcare

While half of healthcare leaders still cite referrals as a primary way that they choose products and services, 23 percent say that thought leadership and case studies influence their buying decisions. About 56 percent of healthcare leaders expect to seek financial solutions to solve their top business challenges.

MANUFACTURING



About one-third of companies had **less than 50 employees** and one-third had **between 100 and 249 employees**

Half were regional and about 70% were privately owned



40% cited 5 or more locations



40%

have revenues between \$25 million and \$100 million

50% national competition

20% international competition

Revenue Picture

Manufacturing shows an improving picture from a year ago, with almost 21 percent listing revenue growth of 10-20 percent, and 34 percent listing growth of 3-10 percent. That compares to one-third of participants citing growth of 3-9 percent a year ago, and 22 percent of leaders reporting zero growth. While 25 percent of leaders noted that revenues were down 3-20 percent a year ago, just 13.7 percent of leaders reported losses in the last 12 months, and the ratio was also lower, between 3 and 10 percent.

2019 Expectations

Hiring increased for 55 percent of responding companies, even though leaders had anticipated limited hiring. Capital spending was also up among about 69 percent of responding companies. Similar to 2018 projections, about 40 percent of leaders expect revenue to grow 3-9 percent in 2019. The surprise is that growth projections of 10-20 percent are expected by 56 percent of leaders, compared to 27 percent of leaders in 2017. Optimism for the regional and national economy is averaging 7 out of 10, tempered by concerns over raw materials and labor costs. About 59 percent of manufacturing leaders cite only an average ability to meet an unexpected increase in demand, with 48

percent citing too few employees. About 22 percent of leaders would consider selling their company in the next 12 months.

“We are focusing our efforts on buying more product and warehouses to hold the product.”

– CEO/President Manufacturing

Marketing and R&D are top priorities for capital spending in 2019, along with investments in acquisitions, new locations or new facilities. Leaders also emphasize investments in new ERP systems as well as a focus on new products and markets. To keep top talent, 36 percent of leaders plan to increase compensation, while 44 percent are investing in training and development. Another 16 percent are offering flexible or remote work arrangements.

Rather than investing in new IT, manufacturing leaders are seeking to improve the performance of existing systems, but about 14 percent are exploring technology innovations to positively impact their business such as artificial intelligence and robotics. About 36 percent of leaders also cite improvements in information management among their top three business goals.

PROFESSIONAL SERVICES



Revenue Picture

In last year’s survey, about 58 percent of professional services leaders expected revenue growth. In reality, 32 percent of leaders reported revenue growth of 3-10 percent, while another 37 percent reported growth greater than 10 percent. While 17 percent of companies reported neutral growth, about 13 percent reported losses.

2019 Expectations

Hiring held steady or decreased, according to 51 percent of leaders, which continued to align with levels of capital spending. Spending increased for half of companies, but 35 percent don’t plan to increase spending in 2019. About 45 percent plan to hire more people in 2019, offering increased compensation and flexible or remote work arrangements. About 45 percent of leaders are concerned about employee and benefits costs, and they plan to solve those challenges through technology solutions and improving the performance of existing systems. About 31 percent of leaders are most interested in business intelligence and analytics followed by 20 percent who are interested in cloud strategies.

Although many firms do not plan to increase capital spending in 2018, their investment priorities include: marketing and R&D, acquisition or new location investments, and technology. Currently, they believe their firms or organizations have mainly an average ability to meet increased demand. About 37 percent cite talent development as having the most positive impact on their business.

“Our business is growing tremendously; we have too few employees and are planning to hire.”
– CEO/President, Professional Services

Top business goals for professional service firms include growing sales through products and services, improved financial performance and increasing business value, which correlates with concerns over labor costs and economic growth in the coming year. About 36 percent of leaders plan to seek out advisory and business consulting solutions to help them solve business challenges in the coming year.


REAL ESTATE

\$5
million
or less in revenue



Regional
and
privately
owned




One-third of
companies
have two or
more
locations

50 or fewer
employees



Regional economy
optimism



National economy
optimism



Worldwide economy
optimism

Revenue Picture

Growth for the real estate industry was slightly higher than projected 12 months ago. About 76 percent of leaders cited positive growth, compared to 73 percent in 2017. As predicted a year ago, about half of those companies grew by 3-10 percent, but close to one-third have had growth of 10-20 percent, and almost 18 percent enjoyed growth of greater than 20 percent. Capital spending also increased for more than 76 percent of these companies. Half increased their hiring even though the same percentage predicted flat hiring 12 months ago.

2019 Expectations

Growth projections are modest at 3-9 percent for half of these companies, with another one-third projecting growth of 10-20 percent. Capital spending is projected to increase for 60 percent of these companies. As in several other industries, real estate leaders are focusing on acquisitions and new locations, marketing and R&D. Some leaders specifically report plans for equipment upgrades and facility improvements.

Real estate leaders plan to improve profits

through acquisition or merger, exploring new markets, and mainly by improving efficiencies. Unlike other industries, nearly half of real estate leaders (43 percent) cite plans to outsource their technology support and services to improve their efficiency and productivity. They are focusing on business intelligence and cloud strategies to improve their financial performance. About one-third of real estate leaders are also interested in researching and doing more purchasing through online methods.

“We plan to increase spending to replace and upgrade equipment and review our facilities.”
– CEO/President,
Real Estate

Interest rates and the global economy are a growing concern for real estate leaders, with their primary concern being U.S. economic conditions and growth. About one-third of companies cite concerns about stagnant or declining markets, which is fueling plans for exploring new products, services and markets.

To maintain their top talent, real estate leaders also emphasize the need to increase compensation in the coming year, offer more flexible work arrangements and even develop new benefits or contribute more to existing benefits. Leaders report an average ability to meet unexpected demand, but more than 30 percent of leaders admit reluctance to hire in 2019 even if they don't have enough employees.

Real estate leaders will primarily seek financial and business advisory solutions to help them meet business challenges in the coming year. They will look for guidance on productivity solutions, how to optimize their existing systems and processes and strategies to get new leads and business opportunities.

RETAIL TRADE

39% listing revenues of \$5 million or less



30% listing revenues of more than \$100 million



The majority were regional companies and privately owned



48% one location
30% 2-4 locations
21% 5 or more locations



Regional economy optimism



National economy optimism



Worldwide economy optimism

2019 Expectations

Growth was up for retail trade from 12 months ago. About 63 percent of leaders cited positive growth in 2018, compared to 50 percent in 2017. About 24 percent reported similar numbers, while 6 percent reported revenue losses of 3-10 percent and 3 percent had revenue losses of 10-20 percent. Growth projections are mixed for 2019, with 77 percent projecting growth between 3 percent and 20 percent, but none projecting growth greater than 20 percent. About 6 percent of leaders are projecting more losses of 3-9 percent and 16 percent expect similar revenues.

Both hiring and spending were high in 2018, with 79 percent of companies reporting spending increases and 48

percent increasing hiring. About 58 percent of leaders plan to increase spending again in 2019 with a focus on new locations, marketing and R&D and IT. About 37 percent will consider an acquisition.

More customized information is a key influencer for half of retail leaders when they are considering capital investments.

About 45 percent of leaders in retail trade believe they have too few employees to meet demand, and **16 percent hesitate to hire.** Most retailers are sticking with their existing markets, with 70 percent focusing on new and existing products to grow sales. Improving margins through productivity and efficiency is their primary method for profitability, focusing on improving

performance of existing IT systems, using business intelligence and seeking financial solutions.

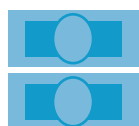
Although labor costs are a key inflationary concern, almost 42 percent of leaders plan to increase compensation to attract and retain retail talent, and 32 percent will offer training and development opportunities. They are counting on top line growth through better margins and new products to manage increased labor costs.

“Equipment maintenance is a priority for our business.”
– Director, Retail Trade

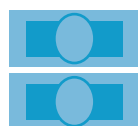
Changing customer preferences are on the minds of about one-third of leaders in the survey. **Close to 30 percent of leaders plan to engage consultants, and 29 percent will focus on procurement to manage that challenge.** About 48 percent of retail trade leaders anticipate an above average ability to meet unexpected market demands.

TECHNOLOGY

57% listing revenues of \$5 million or less



21% listing revenues of more than \$100 million



75% are privately owned



40% Regional locations

39% International locations

Most companies had 50 or fewer employees



More than half of these companies have one location



Regional and national economy optimism



Worldwide economy optimism



Revenue Picture

Although optimism is a bit down, about 30 percent of technology leaders reported sustained revenue growth of greater than 20 percent in 2018. Two years of consistent growth are likely due to demand for new technologies that improve efficiency and productivity as well as new tools for business intelligence and security. Still, almost half of companies had 2018 growth of 3-9 percent, taking the industry’s reported growth ratio way down from 12 months ago when 13 percent of technology leaders reported growth of 3-9 percent. Only 11 percent of companies posted revenue growth of 10-20

percent in the past 12 months, compared to 22 percent of respondents in 2017. This downscaled growth correlates with less optimism in the global economy and pressure to develop new products.

Like in other industries, technology leaders are looking at leveraging business analytics and increasing their marketing and R&D spending. Getting into the minds of their target clients will be important in anticipating the next wave of growth, with 21 percent of leaders needing to satisfy investors for publicly held entities.

Along that line, 30 percent of leaders are projecting growth of 3-9 percent, with about

43 percent of leaders planning revenue growth of 10-20 percent. About 17 percent of leaders are projecting flat growth in 2019.

2019 Expectations

Inflationary factors including labor costs and global disruptions mean that technology leaders in this region plan to maintain capital spending and also slow hiring. About half of these leaders experienced higher than expected increases in hiring and capital spending in the last 12 months, but believe they have adequate resources now for growth in 2019.

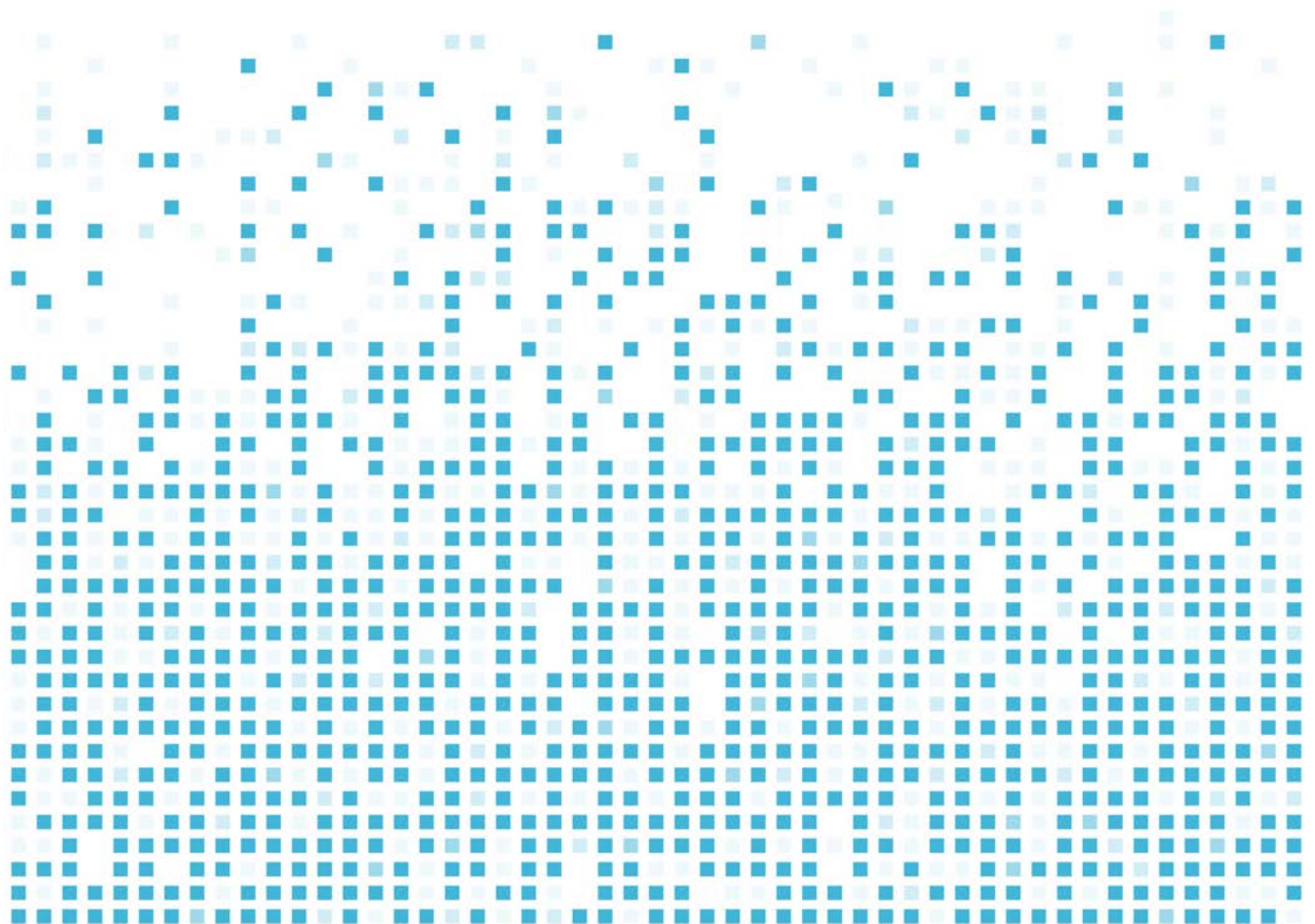
Retention of talent will be a primary focus through a variety of incentives, such as increased compensation, training and

flexible work arrangements. They do not plan to increase or add benefits.

For the second year in a row, technology leaders emphasize improving performance of existing systems, but they are specifically interested in business intelligence tools and also maintaining information and data security. They will seek new technology, staffing and financial solutions to help them increase margins and make the best use of existing assets even as they seek new product development and potential acquisitions.

“Our business will increase spending to focus on IT, employee training and an additional location.”
– COO, Technology

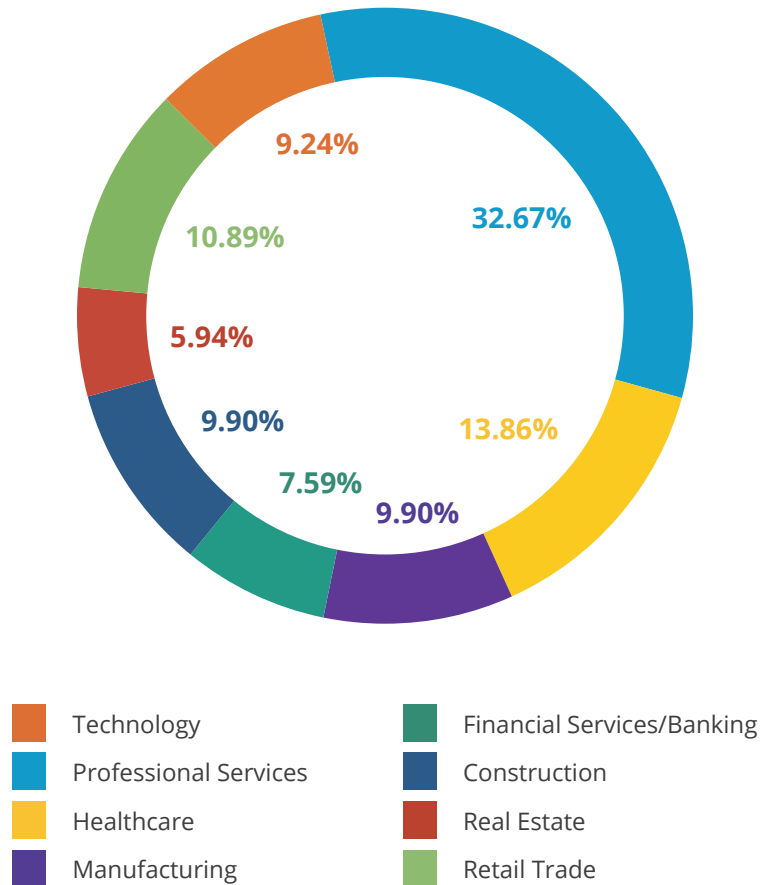
About one-third of technology leaders were open to acquisition opportunities, while almost 24 percent will consider selling in the coming 12 months.



ABOUT THE SURVEY

The LBMC Business Outlook Survey is a national survey covering business unit leaders in eight industries. It is considered a pulse survey, which is opinion based and not scientific in nature. The Survey collected responses to determine a baseline of optimism and strategy preferences over the past 12 months and the coming 12 months.

What industry best describes your organization?



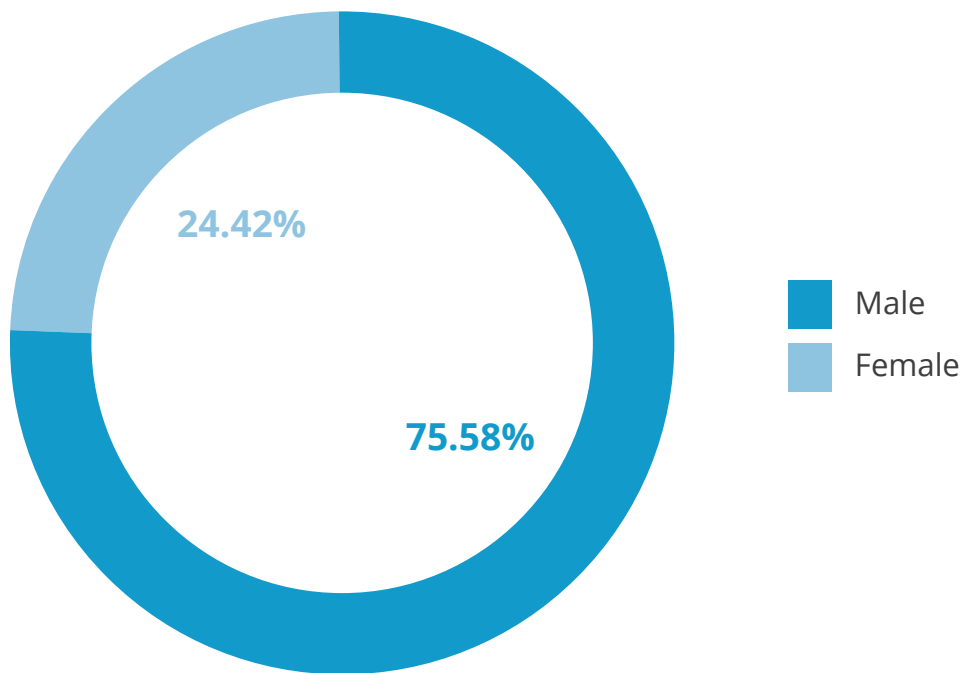
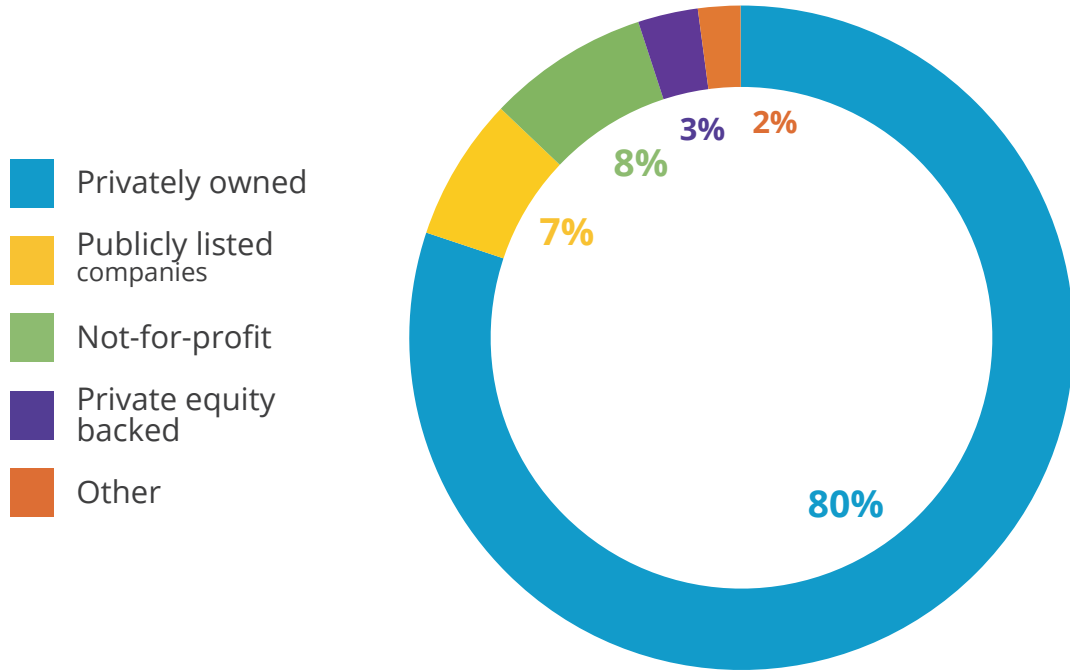
The 2018 survey collected responses from 303 business unit leaders, 291 of those through online electronic survey and another 12 responses by third-party phone survey to gather additional detail. Approximately 65 percent of survey respondents were C-suite level leaders ranging from CEO to SVP/VP. About 9 percent were CFOs.

Size of company by revenue was split between small and large companies, with about 47 percent listing revenues of less than \$5 million, 18 percent at \$5-\$25 million, 16 percent at \$25-\$100 million and about 19 percent at more than \$100 million.

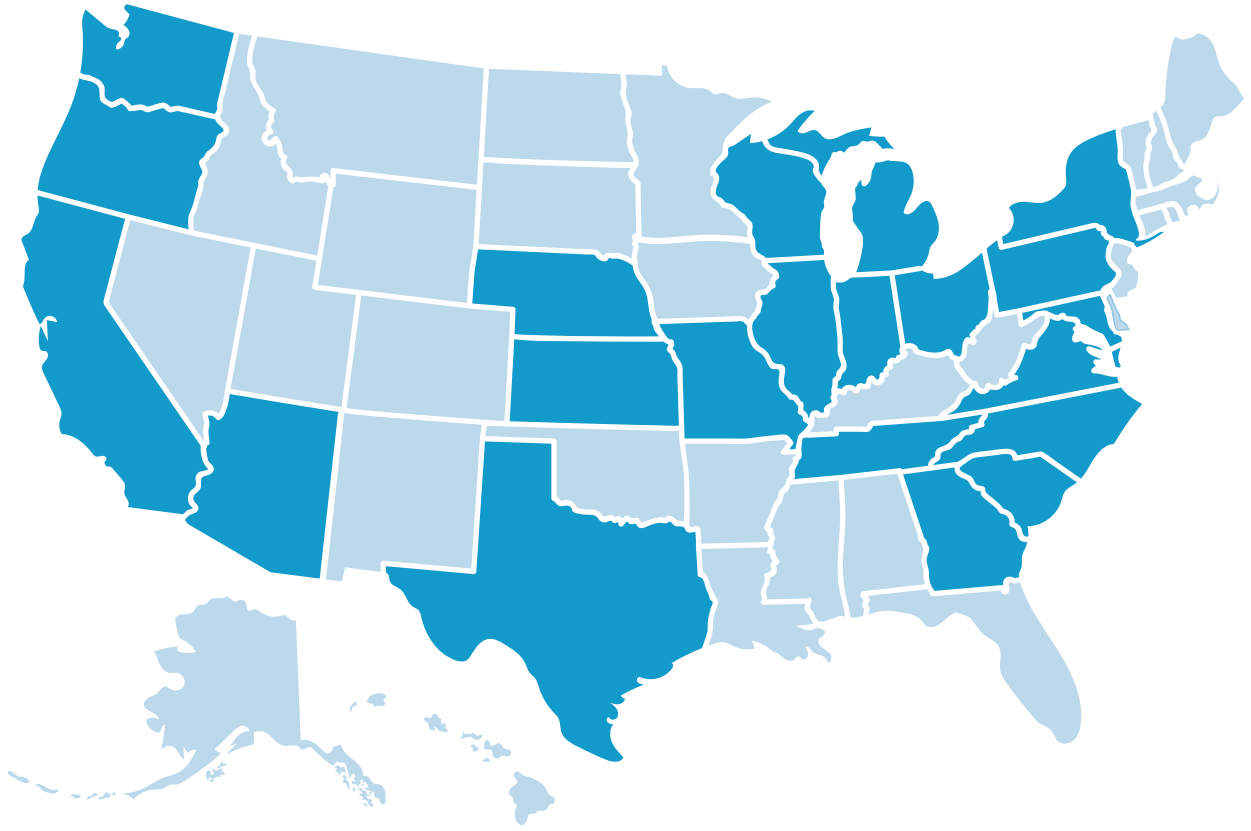
About 59 percent of respondents listed 50 or fewer employees, and 13 percent of companies listed 50 to 99 employees. About 18 percent have between 100 and 999 employees, while 10 percent list 1,000 or more employees. The majority of companies (69 percent) are

regional, meaning that they have more than one office or geographic area served. About 20 percent of respondents are national, and 11 percent are international. Almost 24 percent of respondents have more than

five locations, and 23 percent have two to four locations. Competitor locations were listed as mainly regional or national, with 12 percent listing international competition.



Respondent Locations



METHODOLOGY

In the survey, participating business unit leaders reported on how business conditions have changed for several indicators including revenue, employment, capital spending and company outlook. Questions covered changes over the past 12 months and expectations for activity over the next 12 months. The survey consisted of 38 questions and was conducted for several weeks in September and October 2019, prior to the U.S. mid-term election. Individual survey responses were kept confidential, with analysis conducted as aggregated summaries.

Survey responses were collected and analyzed both as a whole and by industry by third-party agency, Ingenuity Marketing Group, LLC, in Saint Paul, MN, with review and confirmation by LBMC's marketing segment analyst.

ABOUT LBMC

LBMC is the largest professional service solutions provider based in Tennessee, serving more than 10,000+ clients with diverse needs across a spectrum of industries; however, we didn't start that way. LBMC was founded in 1984 as a traditional accounting firm with a simple mission: to serve a great group of clients and enjoy doing it. More than 30 years later, loving what we do and whom we do it for has taken us a long way. LBMC has been named a top 50 firm in the country. Today, we've become industry leaders in financial, human resources, technology, information security, and wealth advisory services backed by more than 600 employees - not because a business plan told us to be, but because we're entrepreneurs and our clients asked us to be.

As illustrated by our "Best Places to Work" recognition, LBMC is committed to attracting and retaining the nation's best talent, positioning us to best serve clients with the industry's brightest minds. So, what is LBMC? Whether you need to supplement or outsource a single function, need an ally you can trust for your taxes, or are in the market for a comprehensive business solutions partner, LBMC is what your business needs. For more information on LBMC visit www.lbmc.com.

Ready to make your good business better?

Call us at 615-377-4600 or e-mail us at info@lbmc.com