
Schaumburg Business Association's Business Retention and Expansion Results of 2023

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As curated by Martin Karl Vanags, MartinKarl Consulting

In the dynamic economic development landscape, the cornerstone for sustainable growth lies in the strategic embrace of Business Retention and Expansion (BRE). As we navigate the ever-evolving currents of global markets, BRE emerges as an indispensable force intricately woven into the fabric of prosperity for communities.

While the allure of attracting external firms and fostering entrepreneurial ventures is undeniable, BRE transcends as a singular catalyst, yielding unparalleled returns on investment. Studies underscore that a robust economic development strategy, enriched by the conscientious cultivation of existing businesses, fortifies the local economic ecosystem and often outshines its counterparts in generating substantial and enduring dividends.

In this pursuit, the amalgamation of careful listening and relationship-building forms the bedrock of our BRE endeavors. Research consistently underscores that up to 80% of net new jobs and capital investments emanate from the resilient pulse of existing businesses. Our commitment to fostering this symbiotic relationship is exemplified through the lens of the past year's endeavors. This report endeavors to paint a nuanced picture of the economic vitality within our community, offering insights into the challenges surmounted and triumphs celebrated by the businesses that shape our economic landscape. While not exhaustive, the data unveiled herein is a compelling testament to the resilience and dynamism inherent in our local economic tapestry.

The information provided in this report provides the reader with a snapshot of the economic activity in the Village of Schaumburg. While in no way exhaustive, the data generated by the Schaumburg Business Association's (SBA) BRE efforts provide a glimpse into the challenges and triumphs of Schaumburg businesses in the past year.

This report is divided into several sections. Section I provides an overview of trends impacting the nation's economy and its relationship to Schaumburg. Section II looks at responses provided by businesses in Schaumburg to the one-on-one meetings conducted by the SBA, and Section III provides results from the survey sent to Schaumburg businesses under the BRE effort.

Section I : Sector Trends --Schaumburg vs. National

Schaumburg's economy comprises three major sectors: retail, manufacturing, and professional services.

Retail -- The retail sector continues to recover from the aftershocks of the pandemic. In determining interest rates, the Federal Reserve looks at "labor market tightness," which is measured as the number of job vacancies divided by unemployment. This tells us the number of job vacancies available for each unemployed person in the labor market. Jobs are available when this number is high, and the market is considered tight. A "slack" job market is the opposite; the number of job vacancies has more unemployed bidding for them, and there are not enough jobs to go around.

According to a study conducted by the St. Louis Federal Reserve, the professional and business services industry, accommodation, and the food services industry (a form of retail) contributed the most to labor market tightness, meaning there were more jobs available than people able to fill them.

Despite the job tightness, retail had a good year in 2023, with overall retail sales for the 12 months of 2023 up 3.2 percent (± 0.4 percent) from 2022. Total sales for the October 2023 through December 2023 period were up 3.9 percent (± 0.4 percent) from the same period a year ago.

Professional Services -- Like the rest of the world, Schaumburg continues to experience labor tightness in professional services. Industry leaders nationwide were cautious about expectations in 2023 and thus are rolling over into 2024. There are a number of concerns worldwide, such as rising prices (although this has hit its peak), fiscal tightening, and instability in the Middle East and other parts of the world. This has resulted in decreased customer demand and profit margins.

Many professional services companies and businesses in general are also experiencing difficulty in implementing and adhering to equity, social, and governance issues, commonly

known as "ESG." This is a polarizing issue between companies seeking a more encompassing strategy and culture in their inherent strategies versus shareholders and some government institutions seeking to regulate these concepts. This issue will continue to work its way down to mainstream businesses. It will continue to be a topic of disagreement.

In 2024, professional services will continue to face challenges, including the prevalence of regenerative Artificial Intelligence (AI) and how it will impact the workforce and business stability. Those companies adopting AI in their operations need help finding skilled workers to deploy AI. Implementing AI requires specialized skills in data science, machine learning, and AI development. Professional services firms may need more in-house expertise and find recruiting and retaining talent with the necessary skills challenging.

As in 2022, the challenges facing Schaumburg and other communities across the country, which were exasperated by the pandemic, are the need for more diversity in the workforce, as well as an aging population that is retiring at higher rates than younger workers are replacing them. Companies need help finding qualified candidates willing to relocate or work more hours while looking after their families.

Companies that offer flexible work schedules (including telecommuting) and benefits like childcare or elder care assistance so that employees can continue working while maintaining their personal lives outside the workplace will do well. Increasing their outreach efforts with minority communities so that they have access to qualified applicants who will help them grow their business without having to relocate them across the country or make them give up time with their children could be a strategy to consider.

Manufacturing -- In 2023, manufacturing received a boost from several unprecedented pieces of legislation. This legislation, which includes the Infrastructure Investment and Jobs Act (IIJA), the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act, and the Inflation Reduction Act (IRA), is prioritizing the construction of new infrastructure, advancing clean energy projects and enhancing the USA's semiconductor industry. This prioritization by the federal government spurred record investment in manufacturing in 2023.

However, 2024 presents some obstacles that may slow down or reduce the investment that has occurred thus far and helped manufacturing. Among these are economic uncertainty, the ongoing labor shortage in many sectors, lingering supply chain issues, and disruptions and challenges to meet lower carbon emissions goals.

There's also been concern about how automation affects jobs within manufacturing industries—in particular, robotics or machine learning technologies might take away jobs from workers who perform repetitive tasks like manually assembling parts without much oversight from human supervisors.

The few manufacturers in Schaumburg that responded expressed indicated similar thoughts. Their industries are growing, but a constant awareness must be in place to overcome the many issues, such as workforce, supply chain management, and overseas competition. Based on the information and data gathered, we looked to determine if there were any discernible trends among the different sectors that responded. Due to the limited response, it is hard to establish overarching trends in any of the areas; however, here are a few that the SBA and the Village may want to pay attention to, as they are also occurring nationally.

Section II -- Results of the Business Retention and Expansion Interviews

The Village of Schaumburg has a diverse business profile. The SBA obtained information and responses from various businesses, including retail, professional services, manufacturing, and B2B services and products.

The SBA conducted in-person interviews and electronic surveys to garner the views of Village Businesses in 2023. The information gathered represents the views of a cross-section of these businesses; the results vary regarding prospects, challenges, and needs.

The US Census Bureau identified over 3,400 businesses as employers in the Village of Schaumburg; the SBA identified fifty firms representing a cross-section of the business in the community. Those interviewed and responding included:

- Insurance
- Healthcare
- Retail
- Computer Network/Services/Supplies
- Manufacturing --Distributed Products

- Business and Professional Services
- Restaurant & Hospitality
- Floor Coverings
- Distributor Public Relations
- Electronics
- Healthcare
- Automobile Services and Repair
- Schools/Child Care/NFP
- Sports and Recreation

Challenges -- The comments during the interviews ranged from great admiration for the Village of Schaumburg and its business environment to disappointment in energy costs and supply chain issues. The common theme was that business was good and expanding. In one case, there was a potential for losing business location due to physical needs and energy costs. In one case, the business was concerned that "shipping costs for shipping large equipment have increased as much as 50-75% while sales are down 10-15%."... with a Cook County 6B Tax Incentive program expiring in 2 years, they may have to sell the building." This is a cause for concern, and the SBA is working with this business to address their concerns. In the one-on-one meetings the SBA had with businesses, they were asked what they felt was the biggest challenge facing Their business in Schaumburg. The response included the following:

1. Growing the business (7)
2. Increasing sales and product demand (3)
3. Coping with lower sales
4. Limited parking
5. Rising costs
6. Filling specific positions
7. Managing growth
8. Generating lunch business
9. Marketing
10. Business Operations
11. Competition
12. Enough space

These concerns varied depending upon the type of business. Some of these issues are internal and can be dealt with via changes in approach or management practices. The Village and the SBA may want to tackle the other problems or challenges together.

Asked what their second biggest challenges are, responses included:

1. Supply Chain Delays (3)
2. More extensive facility (2)
3. Workforce

Supply chain delays are due to global trade and events such as shipment lag. The recent drought in the Panama Canal zone has reduced the cargo that can be shipped through the zone. New military activity in the Middle East shipping lanes may continue exacerbating the supply chain.

Primary interest -- This question is asked regarding the SBA and its services:

1. Community (5)
2. Economic Development (8)
3. Marketing (3)
4. Relationships (5)
5. Advocacy (1)

Economic development leads to the question of the business's primary interest. The continued stability and growth of the Village of Schaumburg bodes well for every existing business. Therefore, economic development is a focus on which the SBA should continue to concentrate. Community issues and relationships were a close second. The meetings suggest that the SBA should continue fostering discussions and meetings that increase businesses' opportunities to engage in community improvement issues and develop relationships. One business stated,

"Excited to have turn-key business lectures, events, and training, etc. through the Schaumburg Business Association. Happy with the Village of Schaumburg, and amenities of restaurants, shopping and entertainment in their backyard."

Revenue and Costs -- the SBA met with companies ranged from small to very large. Revenues varied across the board, again depending upon the type of businesses. All reported strong revenue growth, although headwinds are constantly being monitored. The revenues of companies visited ranged from \$1.5 million to \$80 million.

A business that provides construction and improvement services to residential and commercial properties indicated:

"Due to increasing product demand, the company has increased growth and sales yearly for 13 years straight. Most of their marketing is through the internet and SEO, which causes their cost per prospect to be higher than other marketing venues."

Most of the restaurants that were interviewed, local and franchise, indicated increasing food costs were putting a pinch in their operations. However, some that had been open for a long time cited the value of loyal longtime employees, which made up for the increased operating costs.

Building and Facilities --The businesses that were visited varied in total square feet. In addition to the existing footprint, four firms indicated they were ready to expand. As noted above, expansion and growth were hindered by supply chain issues and energy costs. One cited the need for more land to develop a new, much larger facility. Several others indicated parking issues and noise from surrounding businesses. These were short-term problems, and helping these businesses find new locations within Schaumburg is a priority to keep them here. Building sizes ranged from 2,500 square feet (office) to 40,000 square feet (manufacturing/distribution). Many of the businesses visited have been long-term occupants of the Village, with some having operated for as much as 25 years.

Section III -- Survey Results

The response to the first question, **"What are Schaumburg's Strengths as it relates to doing business here?"** elicited many positive remarks. Overwhelmingly, respondents answered positively. Here are some of the comments made:

"Proximity to the airport; and ease of driving" and "Workforce and proximity to everything."

"Location: good access from several surrounding suburbs" and "Accessibility - it's effortless to get to and get out of. Additionally, because we have so many businesses in town, more bring people/businesses in."

Businesses in Schaumburg recognize that location is essential. This is the reason many of them stay and are located in the Village. Other responses addressed the diversity and the population of Schaumburg. Some of the responses included:

"Diverse demographic groups, strong business community, very community-based," and "Schaumburg is a diverse and secure community with strong support for businesses. The Schaumburg Business Association fills a crucial gap, and the Village and park district's creative initiatives make a significant."

Finally, businesses appreciated the business climate and support from the Village and SBA. Comments included:

"Convenient for workforce, great local amenities (e.g. restaurants, recreation, etc.), a good reputation as a safe community," and "Efficient, clean, safe and well-maintained city with a large talent pool of hardworking residents. Excellent Police Department, Fire Department, and Emergency Responders..."

Also, *"Support it needs to run business" and "Great resources to get what one needs done."* Finally, *"Safe and well maintained, easy access to all major highways, lots of restaurants and shopping which brings lots of people outside Schaumburg into it,"* and,

"Great city planning and support from the local government and business community. Large population and lots of visitors from out of town."

The next question asked, **"What are Schaumburg's weaknesses as a place to do business?"**

The response to this question was varied. From ambivalence to ever present concern about taxes:

"Nothing you wouldn't find in any other community," to concerns about regulation -- "Sometimes the village codes and rules can restrict business growth. Taxes are high. Small businesses definitely receive less focus, exposure and support than large businesses."

Other concerns were traffic and mass transit, with four mentions; taxes, particularly Cook County taxes, with five mentions; and government rules, laws, and regulations, getting seven mentions. Some responses concerned particular issues that could be addressed with some follow-up. Some of the responses included the following:

Traffic and mass transit:

"Poor metra/public transport option" and "Location: difficult to get to for those who live in the city (and perhaps have no car)."

Taxes:

"Cook County taxes, overall challenges related to Chicago suburban real-estate markets," and "Just the Illinois taxes," and "HIGHER REAL ESTATE TAXES" (respondents capitalization).

Laws and Regulation:

"Village inspectors," and "Permitting takes longer than needs to," and "Too many unnecessary/ridiculous restrictions and "hoops to jump through."

Overall, none of the responses were dire, nor were there any responses that showed momentum towards one single issue or challenge. Many responses could be managed with easy follow-up by the SBA or the Village; some have already been.

Expansion and Growth -- One of the purposes for conducting Business Retention and Expansion activity is to determine if there are barriers to growth and to identify companies seeking to grow. The overall goal is to maintain the company in Schaumburg. Several questions in the survey were asked to assess this level of activity. They included:

Does the company plan to expand/contract in the next three years?

- 35% of the respondents said they had yet to make plans to expand.
- 35% of the respondents indicated they are growing but did not give specifics.
- 19% of the respondents said they plan to add 37 new jobs and over **\$1.5 million** in new capital investment.

Are there barriers to growth in this community? If so, what are they?

- 58% of the respondents indicated no business growth barriers.

Others responded with comments pointing to a lack of diverse language speakers (for salespeople hires), too many "like" businesses concentrated in the area, and "Less red tape to get through to run my business."

Are there any reasons Schaumburg may not be considered for future expansion?

Over 86% of the respondents indicate no. There were only a few reasons businesses would not consider expansion in Schaumburg, with Cook County taxes and Illinois being perceived as a state unfriendly to business being two of them. Another mentioned a lack of green space and amenities as their reason.

Business Profile -- The next section strives to understand the company's position in the marketplace. Questions centered around their products and services:

Where is your company's primary product/service in its life cycle:

Emerging	54%
Growing	38%
Maturing	8%

Are new products / Services anticipated in the next two years?

Yes	62%
No	38%

Is new technology emerging that will substantially change your company's primary product or how it is produced?

Yes 12%

No 88%

The yes companies indicated a practice of evaluating new technology, with one mentioning how Artificial Intelligence might change their business.

Are the total company sales increasing, decreasing, or stable?

Increasing 54%

Decreasing 4%

Stable 42%

Is the market share of the company's key product(s) Increasing, decreasing, or stable:

Increasing 42%

Decreasing -0-

Stable 50%

Other/NA 8%

Under the Other category, a respondent said: *"The COVID-19 pandemic had a dramatically negative impact on our business, we are slowly recovering market share as our addressable market recovers."*

In your industry, is production balanced or under capacity?

Balanced 84%

Under Capacity 12%

Other/NA 4%

Do you anticipate any federal, state or local legislation changes that will benefit or adversely affect your business in the next five years? If so, what are they, and how will they affect your business?

Most respondents (61%) said "No" or "NA." Several indicated potential issues, including:

"Our Cook County Class 6B exemption will expire in 5 to 6 years. If we cannot renew it, we would consider moving our operations outside Cook County." And,

"We rely on independent contractors for event planning and execution. Contractor law is getting more strict and this may impact how we support our clients and/or our pricing to clients."

"As the Fed acts to control inflation, mortgage rates will decrease, opening up the market for more business."

Overall, the business profile of those surveyed indicates a steady and growing business economy. With a few exceptions, and these exceptions are simply single issues, business is thriving in Schaumburg.

Workforce

The workforce is the key to successful local and regional economies. With a skilled and trained workforce, a business can function. The BRE survey asked respondents about their workforce.

Availability of workforce in Schaumburg (on a scale of 1 being poor and 5 being excellent)

One	-0-
Two	12%
Three	12%
Four	38%
Five	38%

Quality of workforce in Schaumburg

One	-0-
Two	4%
Three	16%
Four	42%
Five	38%

Stability of workforce in Schaumburg

One	-0-
Two	-0-
Three	23%
Four	42%
Five	34%

Is the number of unfilled positions increasing, decreasing, or stable?

Increasing	31%
Decreasing	4%
Stable	62%
Other	4%

Is the company experiencing recruitment problems with certain employee positions or skills?

A majority of businesses (73%) responded with "NO." the several that responded with yes indicated that they had problems finding people for positions that required experience in their sector, such as bilingual loan officers and event planners with experience. In addition, positions at lower wages and entry-level positions were hard to find, with one business saying, *"Difficult to find quality candidates and employees who are dependable and motivated."*

What is the primary reason for employee turnover?

Many reasons were given for employee turnover. None of them were the same, and they varied. Lack of upward mobility, burnout from travel and starting a family, young employees' propensity to change jobs, and lack of production and work ethic were cited as reasons for turnover.

Workforce Summary

The global forces impacting Schaumburg's employment and workforce situation are intertwined with broader regional and national economic trends, technological advancements, and demographic shifts. Globalization and technological changes influence the demand for specific skills and the types of jobs available in Schaumburg, especially in sectors that are sensitive to international markets or require advanced technical expertise.

Based on the data provided by the survey, the overall workforce environment and sentiment appear favorable, indicating a stable and generally well-rated workforce in terms of availability, quality, and stability. However, challenges exist, such as the reported difficulty in finding qualified candidates for specific positions, particularly those requiring sector-specific experience, bilingual skills, or roles with lower wages.

To strengthen the economy and workforce in Schaumburg, the SBA and the Village can consider several strategies:

Skill Development Programs: Collaborate with educational institutions and training centers to offer programs that align with the specific skill sets required by businesses in Schaumburg. This can help bridge the gap between the skills available in the workforce and those demanded by employers.

Sector-Specific Initiatives: Develop targeted initiatives to address recruitment challenges in sectors where businesses struggle to find experienced personnel. This may involve creating partnerships with industry associations, providing incentives for skill development, or organizing job fairs tailored to specific sectors.

Support for Entry-Level Positions: Recognize and address the difficulties businesses face in hiring for lower-wage and entry-level positions. This could involve working with local educational institutions to create pathways for students entering the workforce or incentivizing firms to invest in training programs for entry-level employees.

Work-Life Balance Initiatives: Address factors contributing to employee turnover, such as burnout from travel or starting a family. Encourage businesses to adopt policies that promote work-life balance, flexible work arrangements, and professional development opportunities to enhance upward mobility within the organization.

Collaboration and Networking Events: Facilitate networking events and forums where businesses can connect, share best practices, and discuss common challenges. This can foster community and collaboration among local businesses, contributing to a more robust and interconnected economic ecosystem.

In summary, while the overall economic situation in Schaumburg appears stable, targeted interventions in workforce development, sector-specific initiatives, and addressing challenges related to entry-level positions can further strengthen the local economy. The SBA and the Village play pivotal roles in fostering collaboration and implementing initiatives that enhance the skills, diversity, and overall vitality of the workforce in Schaumburg.

Municipal Services and Government

The survey asked businesses to assess public services, utilities, and the governmental jurisdictions of Cook County and the Village of Schaumburg. They were asked to score these parts of the community, with one being negative and a score of five being the most positive.

Overall, the results are positive. The highest score was achieved by Police, Fire, and Ambulance, with 80% giving these services a score of Five (5). Under this category, 95% of the respondents gave them a score of four or five.

Eighty-four percent (84%) of the respondents gave Community Planning a score of four or five. The Village of Schaumburg was just a little behind, with 81% of the respondents scoring the Village with a four or five.

The lowest scores were given to Cook County. 54% of respondents gave Cook County a score of one or two. Here are the results:

Police, Fire, Ambulance

One	-0-
Two	-0-
Three	5%
Four	15%
Five	80%

Traffic control

One	-0-
Two	1%
Three	19%
Four	23%
Five	57%

Public Transportation

One	8%
Two	8%
Three	27%
Four	30%
Five	27%

Water, Gas, Electric

One	-0-
Two	8%
Three	15%
Four	46%
Five	31%

Schools (K-12)

One	-0-
Two	-0-
Three	19%
Four	27%
Five	54%

Community Planning

One	-0-
Two	-0-
Three	16%
Four	38%
Five	46%

Property tax assessment

One	11%
Two	16%
Three	38%
Four	27%
Five	8%

Cook County

One	27%
Two	27%
Three	19%
Four	19%
Five	8%

Village of Schaumburg

One	-0-
Two	-0-
Three	19%
Four	19%
Five	62%

Summary: Economic Conditions and Key Takeaways for the Village of Schaumburg, Illinois

In the dynamic landscape of economic development, the Schaumburg Business Association and Village of Schaumburg have strategically embraced Business Retention and Expansion (BRE) as a cornerstone for sustainable growth.

This report provided a comprehensive overview of the economic conditions in Schaumburg, focusing on retail, manufacturing, and professional services sectors based on the BRE activity of the SBA.

Key Takeaways include:

Retail Sector Resilience:

--Despite labor market tightness, the retail sector in Schaumburg experienced a positive year in 2023, with overall sales increasing.

--The St. Louis Federal Reserve indicates that professional and business services, including accommodation and food services, significantly contributed to labor market tightness in the retail sector.

Challenges in Professional Services:

--Labor tightness persists in professional services, with concerns about rising prices, fiscal tightening, and global instability impacting customer demand and profit margins.

--Adoption of regenerative Artificial Intelligence (AI) poses challenges, requiring skilled workers and potential impacts on workforce stability.

Manufacturing Boost and Obstacles:

--Manufacturing in the USA received a boost from Federal legislation in 2022 and 2023, leading to record investments.

--However, obstacles in 2024, such as economic uncertainty, labor shortage, supply chain issues, and concerns about automation's impact on jobs, pose challenges. This may apply to manufacturers in Schaumburg.

Business Retention and Expansion Interviews:

-- Interviews with various businesses revealed a diverse profile, with challenges ranging from energy costs to supply chain issues.

-- Primary challenges for businesses included growing the business, increasing sales, coping with lower sales, and addressing rising costs.

Survey Results: Strengths and Weaknesses:

-- Schaumburg's strengths highlighted include its proximity to the airport, a diverse population, and strong community support.

-- Concerns include high taxes, government regulations, and traffic and mass transit issues.

Workforce Considerations:

-- The workforce in Schaumburg is generally rated positively in terms of availability, quality, and stability.

-- Challenges include difficulty in finding qualified candidates for specific positions, particularly bilingual roles and lower-wage positions.

Municipal Services and Government Assessment:

-- Public services such as Police, Fire, and Ambulance received high ratings, while Cook County received lower scores.

-- Community planning and the Village of Schaumburg received positive scores, indicating overall satisfaction.

Recommendations:

- Strengthen the economy through skill development programs and sector-specific initiatives.
- Address challenges related to entry-level positions and encourage work-life balance initiatives.
- Collaborate with local businesses through networking events to foster community and collaboration.

- Continue focusing on economic development, as it plays a pivotal role in maintaining the stability and growth of the Village of Schaumburg.

In conclusion, while Schaumburg faces challenges inherent in a dynamic economic landscape, the concerted efforts in BRE and community engagement position the Village well for continued economic vitality. Strategic interventions in workforce development and collaboration with businesses can further enhance the local economic ecosystem.