

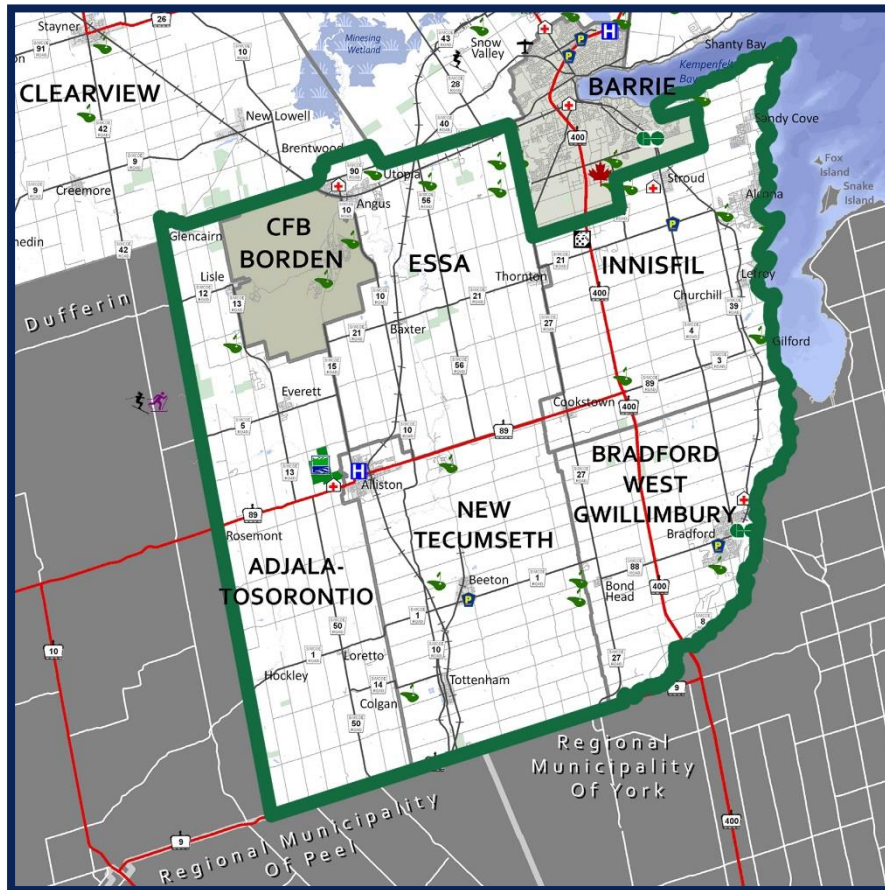


**Nottawasaga
Futures**

In Partnership with the
Municipalities of South Simcoe

Town of New Tecumseth Business Retention & Expansion Survey

Manufacturing Sector 2015



Map Courtesy of the County of Simcoe

Nottawasaga Futures would like to thank all of our partners who made this project a success.



Introduction

Nottawasaga Futures, in partnership with the County of Simcoe and the Municipalities of South Simcoe, conducted a business support program for the manufacturing sector of South Simcoe. The model used was the Business Retention and Expansion program (BR+E) adapted to the Ontario business environment by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and is intended to identify specific barriers to growth and highlight opportunities for expansion through a carefully designed survey.

This survey has been presented in each of the five South Simcoe municipalities with dedicated support and full participation. This report is a companion report to the South Simcoe Business Retention & Expansion Survey report, and should be taken in context.

Methodology

This report summarizes the results of a business visitation survey conducted with manufacturers from across the Town of New Tecumseth. The manufacturing sector is the largest contributor to the employment base in the Town of New Tecumseth. In 2014, manufacturing accounted for 32% of all jobs in the Town. New Tecumseth is home to the largest private sector employer (Honda of Canada Mfg. Inc.) in Simcoe County. Forty-five businesses were selected as a representative sample of the various sub-sectors within the manufacturing sector, representing a diversity of operations and sizes. Of the 45 selected, 17 agreed to participate¹. Many businesses across South Simcoe declined to participate, stating they were too busy, not interested, or did not need the assistance available to them. In an effort to increase uptake, Nottawasaga Futures and the municipalities tried a number of different approaches. Over 600 phone calls were made, as well as direct emails and phone calls from the municipalities to additional contacts, a targeted postcard mailed to all 128 businesses, and door to door visits to 27 businesses that had not responded by phone or email.

The Economic Development Office of the County of Simcoe, in partnership with Nottawasaga Futures, interviewed business owners between September 2014 and February 2015 using the Standardized OMAFRA Business Retention and Expansion questionnaire.

The Business Retention and Expansion Program focuses on existing businesses in a community. While the attraction of new business is an important aspect of a balanced economic development strategy, the Business Retention and Expansion process recognizes the need to do more to assist existing businesses, helping them to survive and grow. Through the BR+E process we are able

¹ Given that this survey was of a limited number of respondents, it cannot be definitively concluded that all manufacturing businesses in the area share similar experiences.

to get a better understanding of business needs, including the necessary information and resources required to address those needs. Through the Nottawasaga Futures Business Resource Centre, businesses were able to access business resources and meet one on one with consultants. As well, individual businesses were provided with information on grant programs available to them.

The survey is a tool used to gather information from businesses in the Town of New Tecumseth with the intention of discerning the critical issues relevant to business retention and expansion. The survey was structured to identify Red Flag issues in key areas such as:

- Manufacturing Activities;
- Business Climate;
- Future Plans (downsize, relocate, expand/renovate, close);
- Business Development;
- Workforce Development;
- Training; and
- Local Community Advantages and Disadvantages.

The following report is a discussion of the key areas, with the results summarized and cross-tabulated², to better understand the survey responses. The tool used for analysis was *Executive Pulse*. The survey included community based questions. Some questions required discrete answers from pre-determined lists (with options to identify additional or other answers), while others were open-ended questions that elicited qualitative responses.

² Cross-tabulation refers to the investigation of one question based on the response of another question.

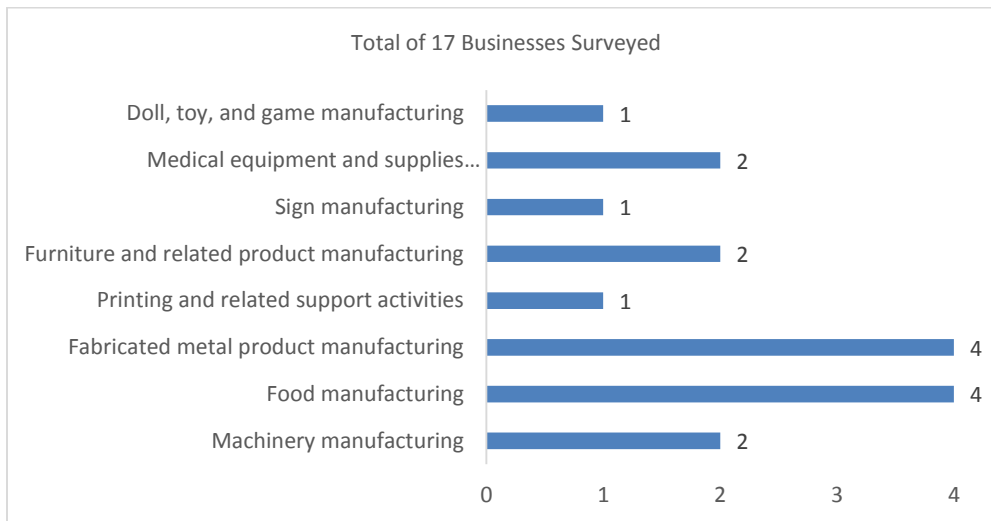
Survey Findings

Company Information

This section provides an overview of the general business climate in the Town of New Tecumseth.

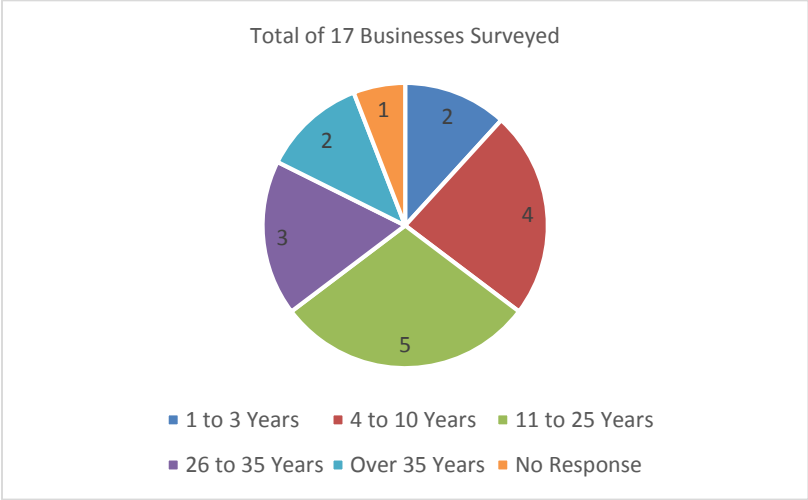
The Town of New Tecumseth has a mix of businesses associated with the manufacturing sector that participated in the survey. Of the 17 businesses visited 23% of respondents (4 businesses) identified as fabricated metal product manufacturers and 23% of respondents (4 businesses) identified as food manufacturing. Figure 1 displays the different sectors that made up the list of surveyed businesses.

FIGURE 1: TYPES OF MANUFACTURING FIRMS



Close to two thirds of survey respondents indicated that their businesses have operated in the community for over 11 years. Nearly all businesses, (94% of respondents or 16 businesses) are locally owned and operated with one location. 88% of the respondents (15 businesses) indicated that the owners live in the community with 94% of respondents (16 businesses) indicating that at least one of the owners is involved in the day to day operation of the business. It is clear that a substantial number of respondents are family run operations with the business owners having a vested interest in the success of the local economy and their businesses. Some of the comments from businesses are “*excellent proximity to customers and to larger markets*”, “*high quality of life in a growing community*”, and “*area has a lot of business and industry.*” The overall ages of respondent’s businesses are summarized in Figure 2.

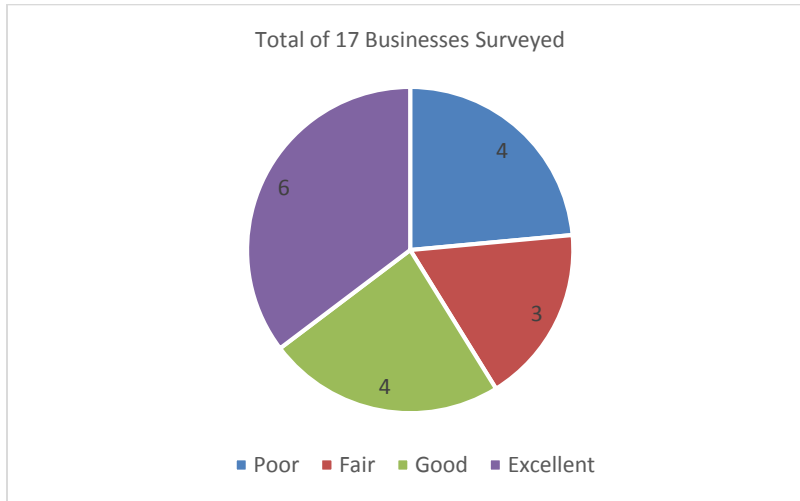
FIGURE 2: YEARS OF BUSINESS OPERATING IN COMMUNITY BY PROPORTION OF TOTAL RESPONDENTS



The businesses served local, Canadian domestic and international markets. Close to half of the respondents (8 businesses) identified the region as the primary market. Four companies currently export their products to multiple markets around the globe. Of the four companies, half have increased their export rate compared to two years ago, with the other half experiencing a decrease. The decreases are directly related to changing Food and Drug Administration (FDA) regulations and the exchange rate. Three additional companies identified themselves as potential exporters, all to the United States market. Their main barriers are local regulations, freight costs and exchange rates, the cost of manufacturing as well as local competition in potential export markets.

As Figure 3 illustrates, 59% of respondents consider the Town of New Tecumseth to be a good or excellent place in which to do business (10 businesses). In contrast, four respondents (23%) indicated that New Tecumseth was a poor place to do business. When asked if the respondents experienced a change in attitude toward the community as a place in which to do business over the past three years, 59% experienced no change, 23% experienced a positive change and 18% experienced a negative change in attitude.

FIGURE 3: GENERAL IMPRESSION OF THE TOWN OF NEW TECUMSETH AS A PLACE TO DO BUSINESS

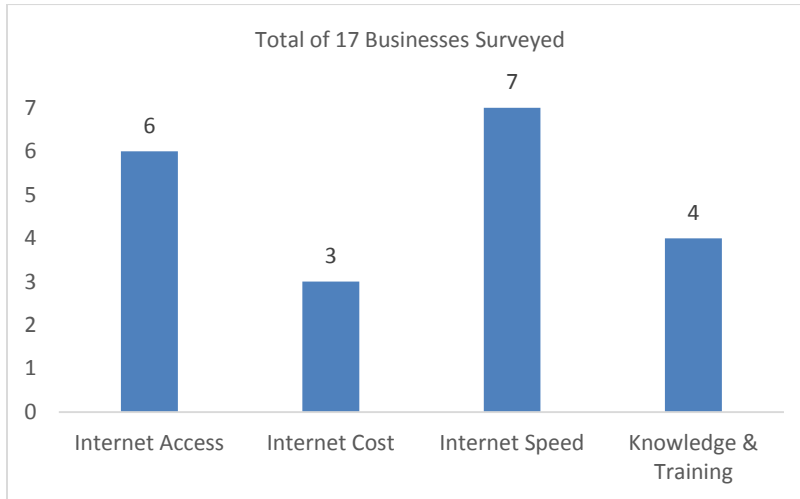


Some of the comments that were offered suggest discontent with various aspects including:

- quality of the workforce and ability to attract new employees;
- availability of serviced land;
- lack of industrial space;
- high (excessive) land costs compared to surrounding area(s);
- uncompetitive development charges;
- prolonged building permit application processes for expansion; and
- lack of support from the municipality.

One of the issues at the forefront of business responses was that of poor internet service. Over half of the respondents (9 businesses) identified themselves as high to very high users of technology in their businesses. 70% of the respondents (12 businesses) indicated that they are facing barriers in the technology requirements of their business. Figure 4 highlights the most common barriers across the various technological requirements.

FIGURE 4: INTERNET RELATED BARRIERS



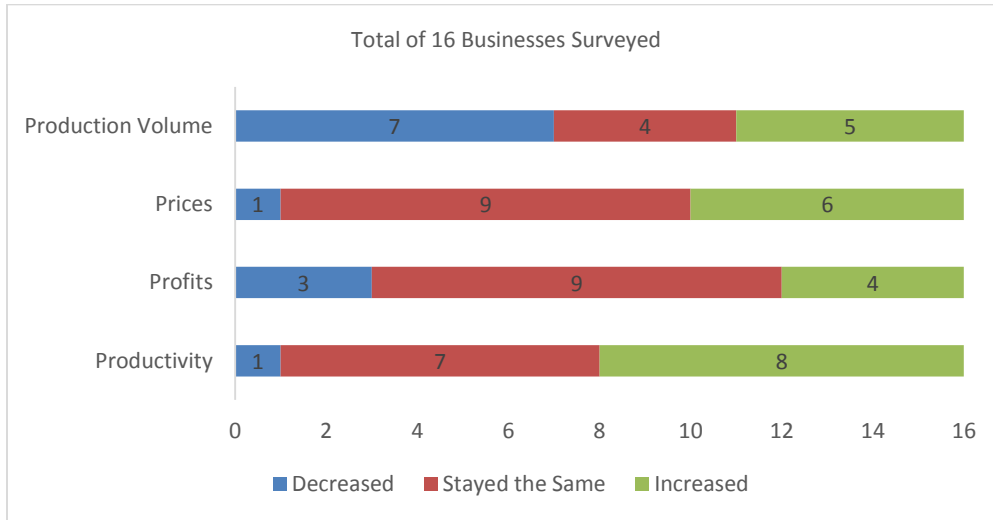
Manufacturing

Of the 17 businesses in New Tecumseth that participated in the survey, 16 completed the manufacturing portion of the survey. Of these 16, 69% of the respondents (11 businesses), stated that over the past two years production volume had decreased (44%) or stayed the same (25%), while 31% of the respondents (5 businesses) experienced an increase. 50% of respondents (8 businesses) have seen their productivity increase over the same period. This is an important fact since productivity gains serve as an invisible buffer, ready to absorb cost increases if and when they arise. Over three quarters of businesses saw their profits either increase (25% of respondents) or stay the same (56% of respondents) over the last two years. This is in line with the national trend for manufacturers. The national trend for the period from 2011 to 2013 has been a 7% increase in profit.³ Furthermore, according to the Bank of Canada, Autumn 2014 Business Outlook Survey, Canadian firms expect input prices to increase over the next 12 months. Anticipating firming demand, some businesses hope to be able to partially pass through increases in input costs.⁴

³ Quarterly Balance Sheet & Income Statement, Industry Classification System by North American (NAICS), Statistics Canada, Table 187-0001.

⁴ Business Outlook Survey, Bank of Canada, Results of the Autumn 2014 Survey | Vol. 11.3 | 10 October 2014.

FIGURE 5: COMPARED TO 2 YEARS AGO: HOW HAVE THE FOLLOWING ASPECTS CHANGED?



Every product has a life cycle and it is essential for businesses to know where their product(s) are in that cycle and use that information to plan for the future. 50% of respondents (8 businesses) have indicated that their primary product is growing. Furthermore, a business with its product nearing the end of its cycle is at risk of declining sales. 38% of respondents (6 businesses) view their primary product as maturing or declining with the remaining two choosing not to respond.

When asked about product development, 12 businesses answered. Of these, 41% of the respondents (5 businesses) have either introduced a new product to the market within the last 12 months or have a new product in development.

One area of concern is that half of the respondents do not have a Research and Development budget and 13% of the respondents (2 businesses) spend less than 3% of their sales on Research and Development. Furthermore, over the next three years, 69% of the respondents (11 businesses) indicate that their Research and Development budgets will either remain the same (10 businesses) or decrease (1 business).

56% of respondents (9 businesses) have indicated that there is new technology emerging that will change their primary product or how it is produced. Computerization plays a large part in these changes with the introduction of 3D printing, computerized design and manufacturing, and digital milling. In addition there are advancements in stamping and forming, new components and new finishing products emerging.

69% of respondents (11 businesses) have made major investments in equipment or machinery within the last two years. However, 56% of company facilities are underutilized (5 businesses) or in need of modernization (4 businesses) with the remainder currently at capacity. Those

businesses currently at capacity are using their existing capacity somewhat more intensively to meet gradually improving demand. Of those five companies who are underutilized, 60% (3 businesses) are interested in cooperating with another business to bring the plant to full capacity.

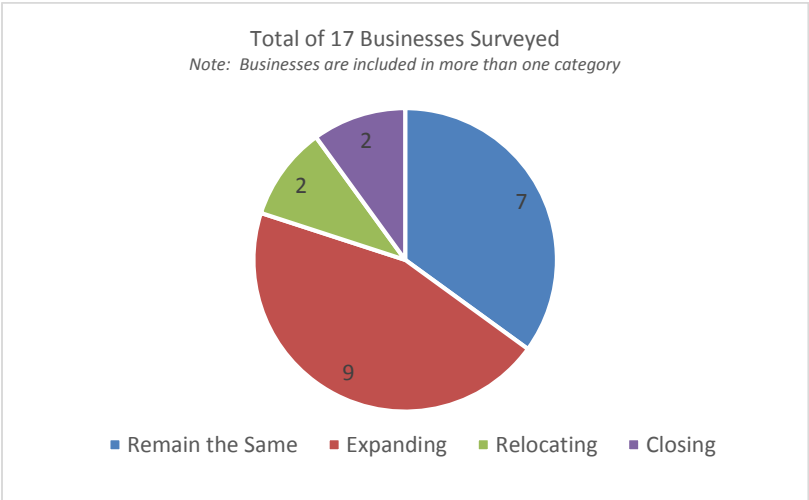
The main focus of process improvements currently is geared toward energy efficiency and productivity improvement (lean manufacturing), with more companies pushing toward a green future. Another significant focus for businesses in New Tecumseth is improving their vendor/supplier networks for continuous product improvement. A smaller sample of businesses are also focusing on six sigma quality control and increased health and safety activities.

A majority of companies outsource some of their product, with three companies outsourcing greater than 50%. This consists of raw materials such as steel with some other products and services such as injection molding, plating, milling and laser cutting.

Future Plans

This section provides a review of predicted future prospects for surveyed companies over the next 18 months. A primary question asked if respondent’s businesses were expected to remain the same, downsize, relocate, expand or close (Figure 6). Of the 17 businesses, 53% of respondents (9 businesses) expect to expand over the next 18 months and two of those are exploring the possibility of relocating at the same time. These two businesses are interested in remaining in the Town of New Tecumseth but are encountering barriers with regard to development charges and site selection. Furthermore, two businesses have indicated that they will be closing, citing market conditions as the main reason for the closure.

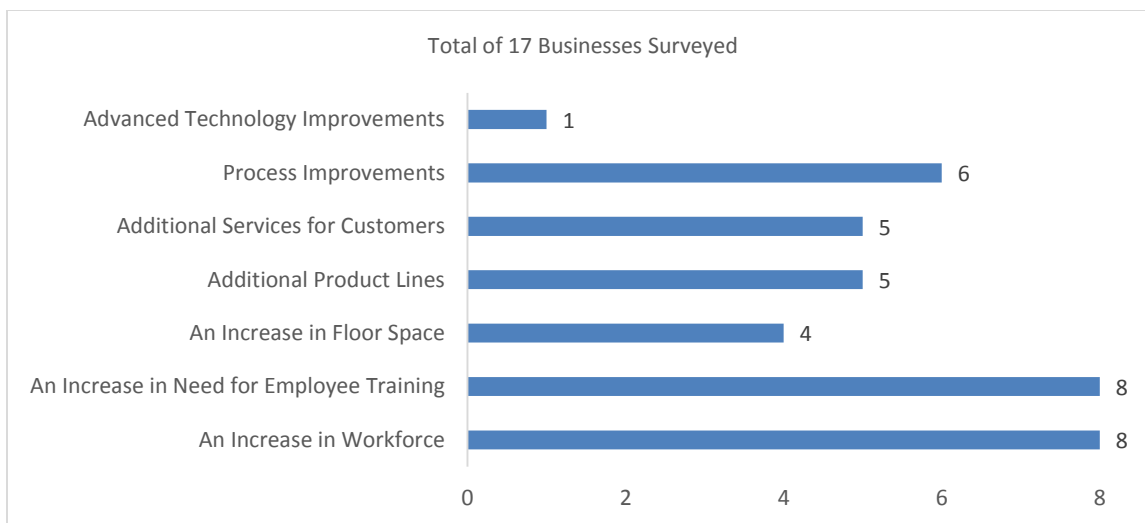
FIGURE 6: PLANNED BUSINESS UNDERTAKINGS WITHIN THE NEXT 18 MONTHS



On average, New Tecumseth businesses feel positive about the growth of their business and nearly half of the respondents foresee growth in their industry. 82% of respondents (14 businesses) expect their sales to either increase (53%) or remain the same (29%) over the next 12 months.

Business expansion is expected to have a number of positive impacts in New Tecumseth, as Figure 7 summarizes. Of those who are expanding, 88% of the respondents (8 businesses) indicated their expansions would lead to an increase in the workforce with a total of 24 new jobs created. Furthermore, 44% of respondents (4 businesses) expect the planned expansion will lead to additional floor space, totaling 17,300 square feet.

FIGURE 7: WILL YOUR EXPANSION REQUIRE OR LEAD TO...



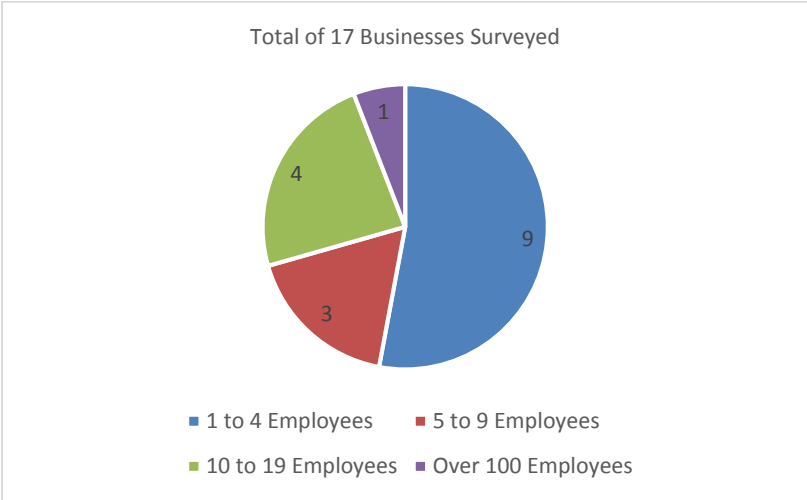
44% (4 businesses) of the respondents that are expanding have cited difficulty with their expansion plans and would like support from the community in the form of assistance with the planning, building permit and zoning process as well as site selection. Businesses have also expressed a need for support in terms of access to capital, i.e. small business financing, and grant information.

Workforce Development

The workforce development section of the survey focuses on past and expected changes in workforce size, while examining the factors responsible for these changes. This section further assesses the perceived quality and availability of the labour force for businesses responding to the survey.

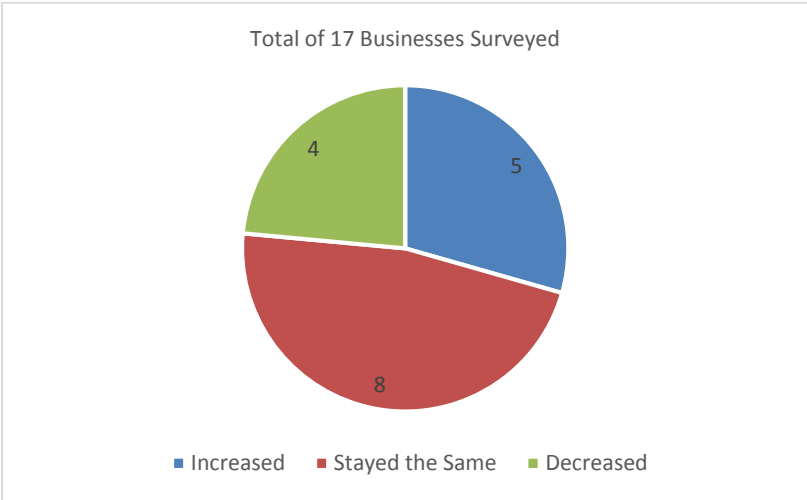
The majority of the businesses surveyed are small with 71% (12 businesses) having less than 10 employees. In addition, there are 23% (4 businesses) that have between 10 and 19 employees, and just 1 business that has more than 100 employees, as seen in Figure 8.

FIGURE 8: NUMBER OF EMPLOYEES



Of the 17 businesses surveyed, 29% of respondents (5 businesses) have indicated that they have increased the number of employees over the last three years and 23% of the respondents (4 businesses) have decreased their workforce (Figure 9), citing employee retirement, market conditions and employee attrition as the main factors for the decrease. The net number of new jobs created over this time period is 32. Four of the businesses indicated an increase between one and ten employees, and one indicated an increase of 25 employees. 47% of respondents (8 businesses) indicated that the number of employees remained the same.

FIGURE 9: EMPLOYMENT: TOWN OF NEW TECUMSETH OVER THE LAST 3 YEARS



Overall, respondents expressed that they were having issues with the quality of the workforce in the Town of New Tecumseth. When businesses were asked how they ranked the workforce as a factor of doing business in the community nearly one quarter of respondents (4 businesses) rated it as poor, and 18% of respondents (3 businesses) rated it as fair. 29% of respondents (5 businesses) rated the ability to attract new employees to the community as poor.

Looking more closely, of the business that responded to this question (15) we observe that businesses have difficulty hiring new employees. 60% of the respondents (9 businesses) stated that their business currently had difficulty hiring new employees. Nearly half of the respondents (8 businesses) identified lack of appropriate skills, training, and experience as hiring challenges. 22% of respondents (5 businesses) identified lack of applicants.

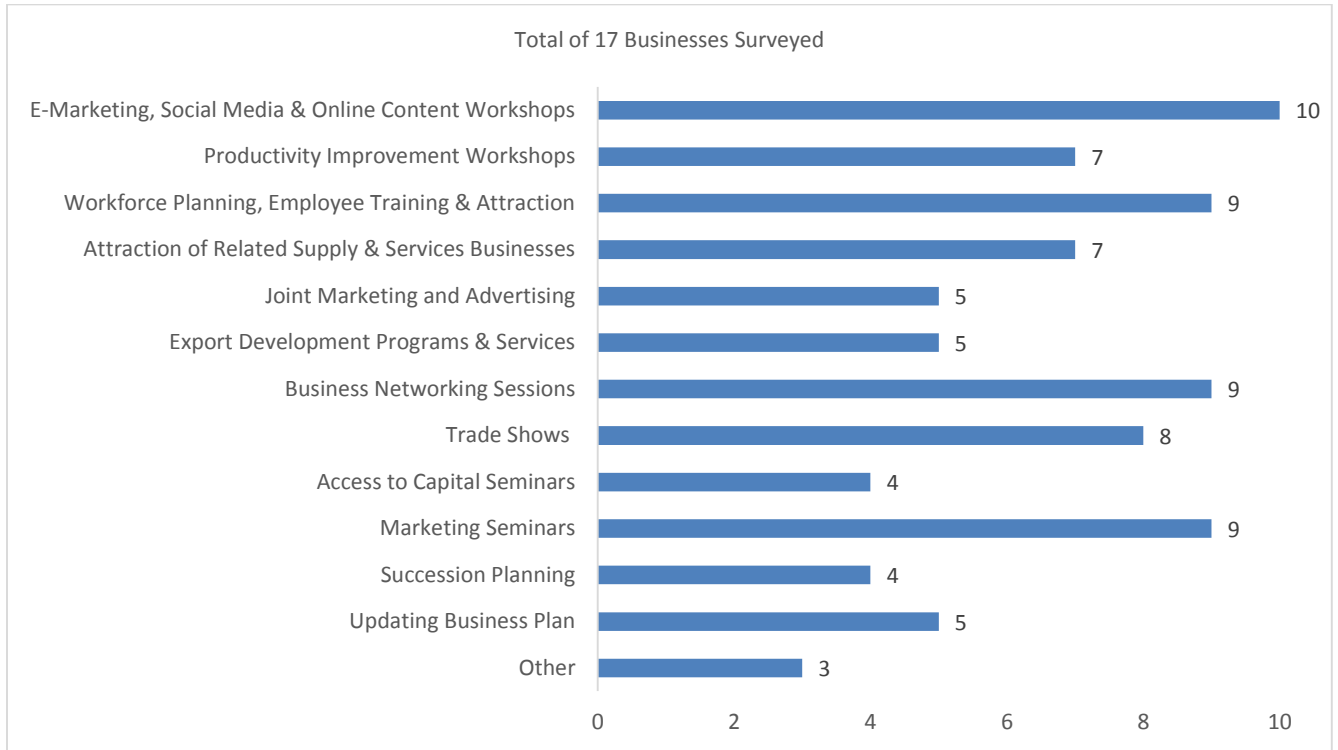
The main types of occupations businesses are having difficulty recruiting for are skilled and technical positions such as designers, technicians, skilled trades and management. The majority of businesses (65% of respondents) are using their personal networks and referrals when hiring new employees, with another 53% of respondents using employment centres and online job boards to conduct their hiring. Respondents have suggested that the community could assist with the hiring issues by providing incentives to train younger people, as well as including employment information (i.e. who's hiring) on the Town website.

Business Assistance

From a business management perspective, businesses would like advice/workshops related to marketing and e-marketing, social media, and online content. They are also interested in marketing seminars, business networking events, trade shows and access to capital seminars. A few of the businesses that are planning on expanding over the next 18 months have stated that access to capital would help them with their planned expansions. A low number of businesses were looking for outside help with updating their business plan, succession planning, and workforce planning, as seen in Figure 10.

65% of respondents (11 businesses) are interested in networking and information sharing with similar businesses in the community. Close to half of the respondents (41%) are also interested in joint marketing and some have expressed interest in working jointly in training initiatives.

FIGURE 10: WHAT ASSISTANCE OR OPPORTUNITIES WOULD BE BENEFICIAL TO SUPPORT YOUR BUSINESS?



Town and Community Services

When considering the services of the Town of New Tecumseth, businesses were satisfied with the essential police and fire services as well as local and regional roads, curbside garbage/recycling pick up, and cultural and recreational facilities. Respondents did however express dissatisfaction with the availability of serviced land, availability of space for rent or lease, internet and cell service, development charges, support from the municipality, as well as the planning, zoning and building permit process.

Overall the business community was happy with the business environment in the Town of New Tecumseth. They valued their quality of life and feel there is good availability of adequate housing. The businesses were content to remain in the community and for many of them, expanding and renovations have and will continue to be in their plans for the future.

FIGURE 11: ADVANTAGES AND DISADVANTAGES OF THE TOWN OF NEW-TECUMSETH AS A PLACE TO DO BUSINESS

Top 3 Advantages	Top 3 Disadvantages
Proximity to Markets	High Cost of Doing Business
Quality of Life	Lack of Public Transportation
Rurban Features	Lack of Industrial Space

Conclusion: Looking Forward

The results of the business visitation surveys have given some important insight into the realities and short-term expectations of the local manufacturers in the Town of New Tecumseth. A number of key issues have emerged from the survey results, each deserving of consideration as the Town of New Tecumseth moves to strengthen its manufacturing sector.

Issues associated with the quality of the local workforce surfaced at various points throughout the survey. Availability of skilled labour in the area and attraction of skilled workers to the community were areas of concern. Respondents have expressed that they would like to work with the town on the promotion of employment opportunities in the community.

Many businesses are interested in expanding in the near future. Despite the interest, respondents indicate that the development charges in the community are not competitive. Respondents have also cited that there is a lack of industrial space for rent/lease/purchase, as well as available serviced land in the community. Respondents have also indicated that they would like to see more industrial units available for lease or purchase. In its most recent strategic plan, the Town of New Tecumseth has identified ensuring there are serviced employment areas that provide a range of job opportunities as a strategic action toward enhancing the economic viability of the Town.

Respondents would like to see the Town develop a business attraction program that would take into account small businesses, making it easier for new businesses to come into the community. A suggestion was simplifying the zoning process.

Respondents to the survey have also indicated that they would like to receive more support from the Municipality. Examples of the kind of support needed are: support during the site selection process and financial support, such as a reduction in development charges in exchange for jobs created during a company's expansion.



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