



2010 Economic Outlook Survey:

How Industrial Companies can Succeed in the
Current Economy



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Executive Summary

In January 2010, GlobalSpec conducted an economic outlook survey of its registered user base of engineering, technical, manufacturing and industrial professionals in the United States. The goal of the survey was to understand the impact of economic conditions on the industrial sector and to provide analysis and advice that will help manufacturers and suppliers succeed in the current economy.

The survey results show a prognosis for 2010 that is much more optimistic than it was a year ago, with spending and sales expected to increase. Most significant perhaps is that 47% of industrial companies anticipate sales will be up in 2010, while only 26% expect sales to be down. These results demonstrate a significant positive economic trend over last year, when 56% said that economic conditions would lead to sales being down.

The majority of companies will keep budgets the same or begin to increase budgets in 2010. 18% of engineers and technical professionals stated their departmental budget will increase over 2009, while 41% stated the budget would remain the same. Engineers and technical professionals are working on more projects, which the survey shows may be the result of pressure on departmental budgets or reduced headcount.

Two of the hardest hit sectors last year are expected to improve in 2010. 61% of respondents working in the Semiconductor & Electronics industry, and 59% in the Automotive industry, expect sales to be up in 2010. Other industries also expect gains in 2010. 58% of those in Consumer Products/Electronics and 57% in Chemicals, Plastics & Rubber anticipate higher sales in 2010 as well.

Suppliers that provide products and services to industries that are showing improvements should invest in marketing to increase their visibility, maintain competitiveness, and open up opportunities to win new business. On the other hand, suppliers and service providers that primarily sell into the hardest hit industries should determine if their products can meet customer needs in industries that are beginning to rebound, and if so, develop messaging for these customers and plan marketing programs that target these industries.

The majority of companies will be focusing time and effort on entering new markets (59%), and/or new product design and development (54%). 49% will put time and effort into new technology research. Some of these projects involve longer term spending, but because the industrial buy cycle tends to be long and complex, it's important for suppliers to build and maintain a market presence where customers can find them now, during the research phase of the buy cycle.



Top areas where engineers themselves will be allocating more time and effort include projects to save energy, reduce waste/scrap, and increase production capacity of existing lines. Suppliers whose products or services can help test current production processes, reduce waste and energy consumption, or otherwise save money will find market opportunity. Suppliers may need to adjust their messaging and re-purpose application notes, case studies, data sheets, and white papers around these initiatives to let potential customers know how their products can be used in these applications.

In terms of product spending in 2010, the majority of engineers and technical professionals will be spending the same or more than in 2009 in every category measured. 80% will spend the same or more on electrical components and mechanical components. 79% will spend the same or more on electronic components and 78% will spend the same or more on calibration & testing services.

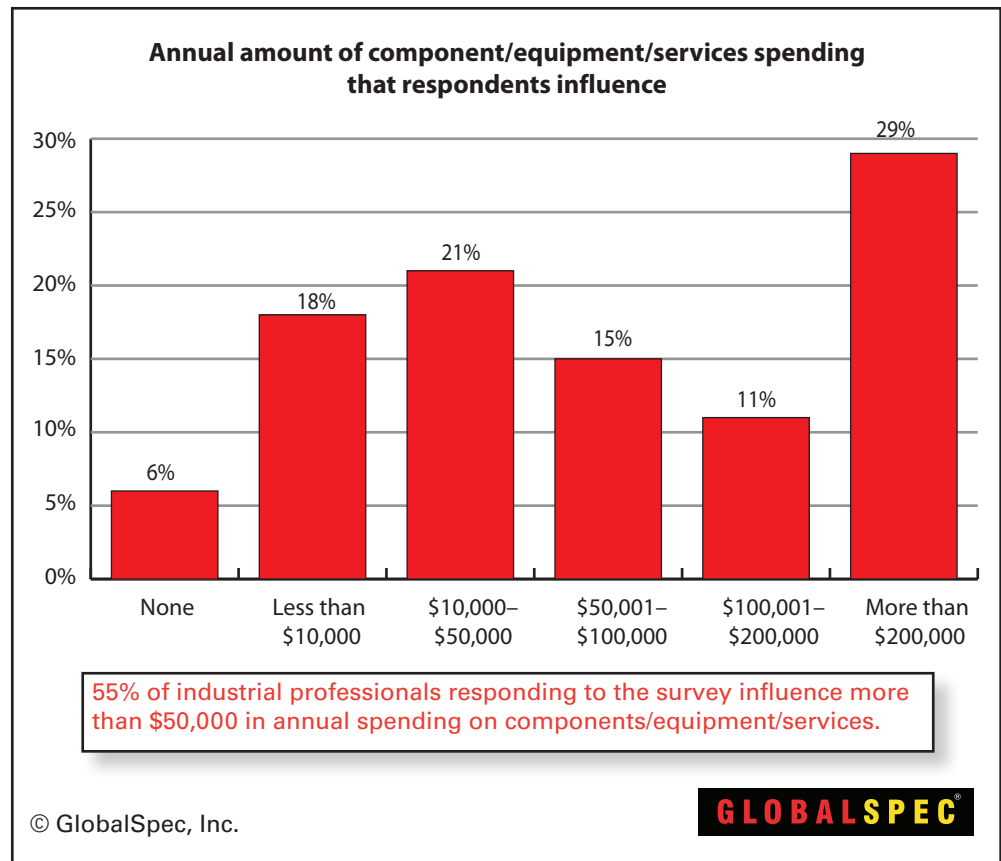
The industrial audience continues to increase the amount of time it spends online for work and has clearly demonstrated a preference for online information sources over traditional print media. Online media represents four of the top five resources used by engineers to search for suppliers, products, components and services. 75% spend three or more hours per week on the Internet for work-related purposes, and 46% average more than an hour a day online for work. 64% of respondents visit six or more work-related Web sites each week. Conversely, 36% state their use of printed trade magazines declined over the past 12 months. The conclusion to draw is that you need a strong and broad online presence in 2010, and must allocate your marketing budgets accordingly, in order to compete, win new business, and increase market share.



Profile of Respondents

The GlobalSpec 2010 Economic Outlook survey was completed by more than 2,000 respondents in the United States. 54% hold engineering titles. Other titles represented include a cross section of corporate management, manufacturing, purchasing, quality control, research and development, and technical support positions. Respondents work across a variety of industries, from aerospace and automotive, to semiconductor and electronic components, to utilities.

- 92% of respondents are involved in purchasing components and services.
- 55% influence more than \$50,000 in annual spending on components/equipment/services.
- 40% influence more than \$100,000 in annual spending on components/equipment/services.





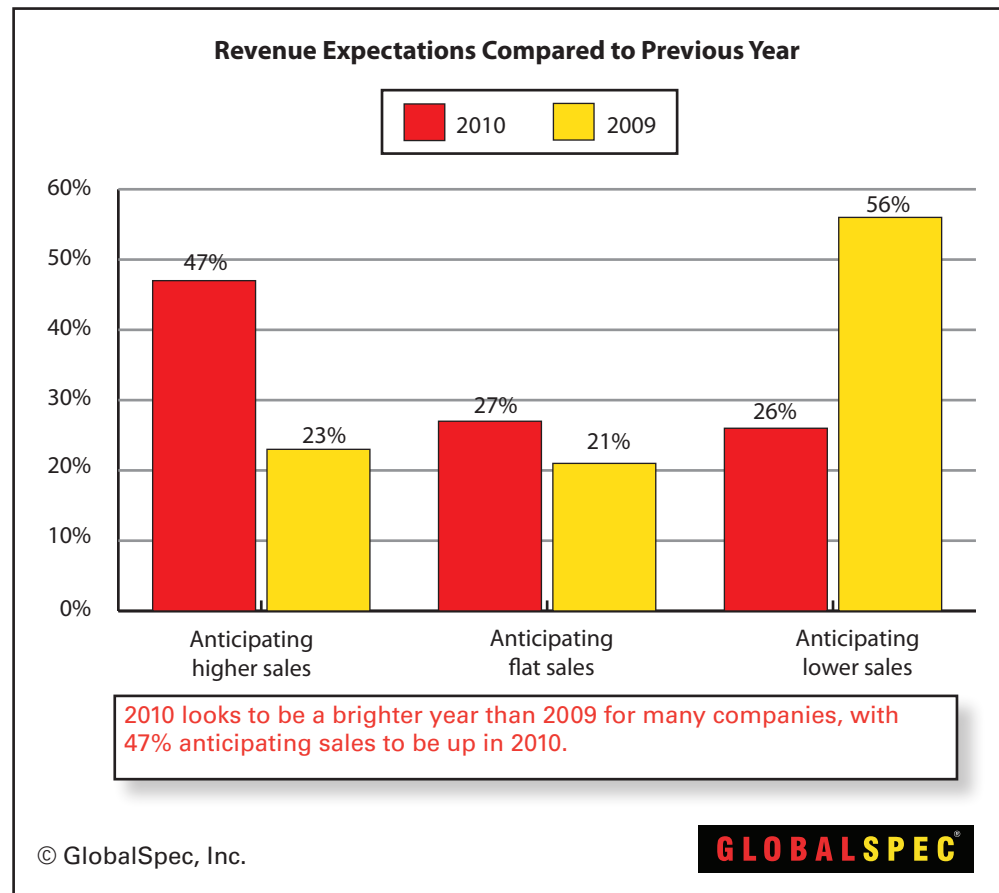
How to Use These Survey Findings

Use the survey results and analysis presented in this white paper as a benchmark to measure your company's current situation and marketing activities. Do your marketing strategy and product messaging align with the behavior of your customers and trends in the market? Are you making the right decisions to win available business and gain market share? If not, now is the time to make the necessary adjustments to marketing programs, market targeting, and product positioning that will allow you to capture the opportunities available in the current economy.

If you have any questions about this survey please contact us at 800.261.2052.

2010 Economic and Business Climate

Respondents were asked how the economy will impact their company's sales in 2010. 47% anticipate that sales will be up in 2010, while only 26% expect sales to be down. These results are in sharp contrast to last year, when the majority (56%) said that economic conditions would lead to sales being down in 2009, and only 23% said sales would be up. The overall prognosis for 2010 is much more optimistic than it was a year ago.





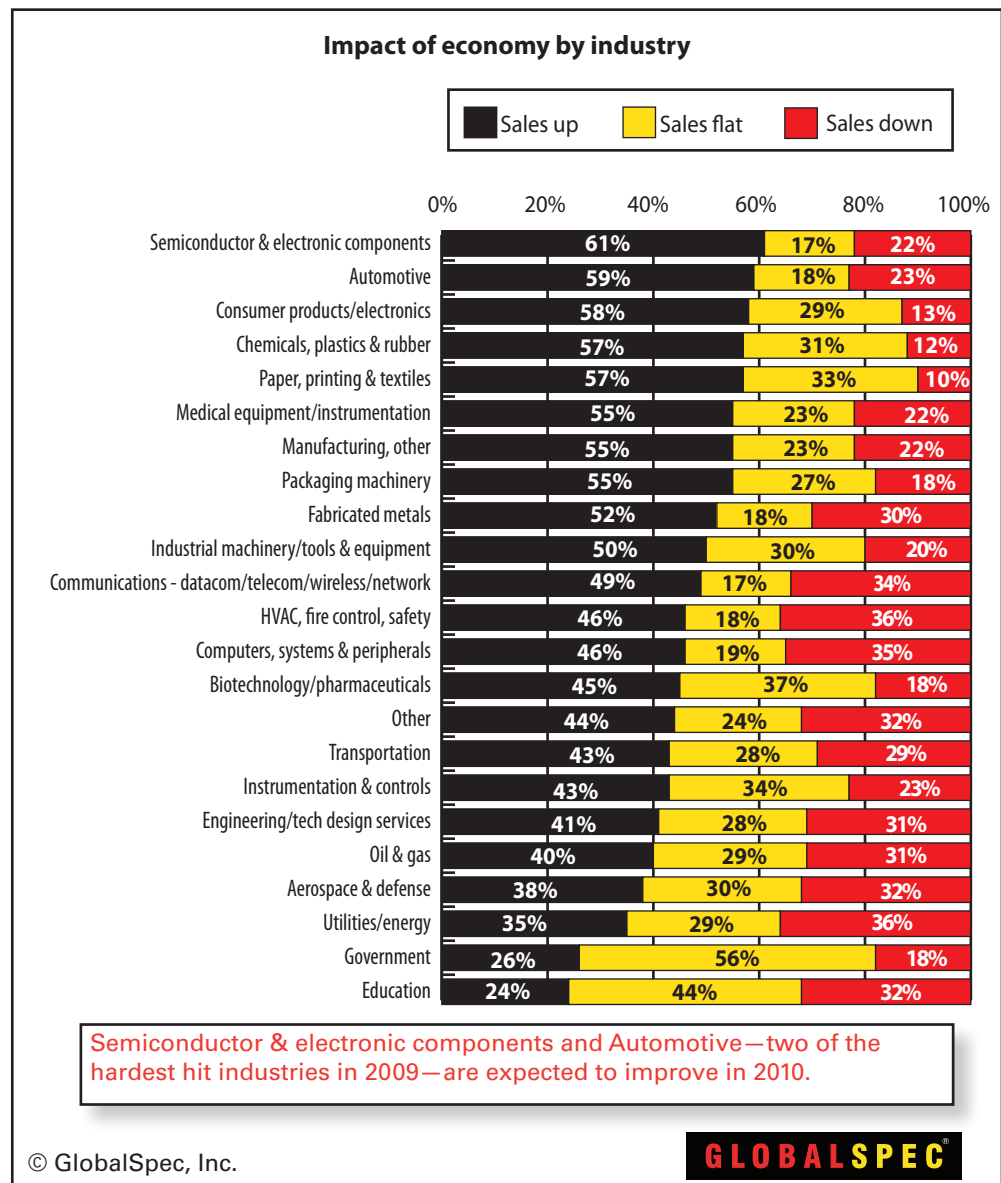
Impact by Industry

Two of the hardest hit industries last year are expected to improve this year. 61% of respondents working in the Semiconductor & Electronics industry, and 59% in the Automotive industry, expect sales to be up in 2010. Part of this rebound may be attributed to industries that suffer the most also have the most to gain when economic conditions improve. But other industries also expect gains in 2010. 58% of those in Consumer Products/Electronics and 57% in Chemicals, Plastics & Rubber anticipate higher sales in 2010 as well.

Suppliers that provide products and services to industries that are showing improvements should invest in marketing such as e-newsletter advertisements, online directories, and virtual events to increase their visibility, maintain competitiveness, and increase opportunities to generate leads and win their share of new business. This is especially true if you've had to cut back on marketing investments recently: you don't want to be left behind as buying increases.

On the other hand, suppliers and service providers that primarily sell into industries that are slower to recover need to explore if their products can meet customer needs in industries that are beginning to rebound. If their products are a good fit, marketers should re-focus marketing efforts to these segments, adjust their messaging, and re-purpose content such as white papers, data sheets, application notes and Web pages to meet the needs of their new audiences.

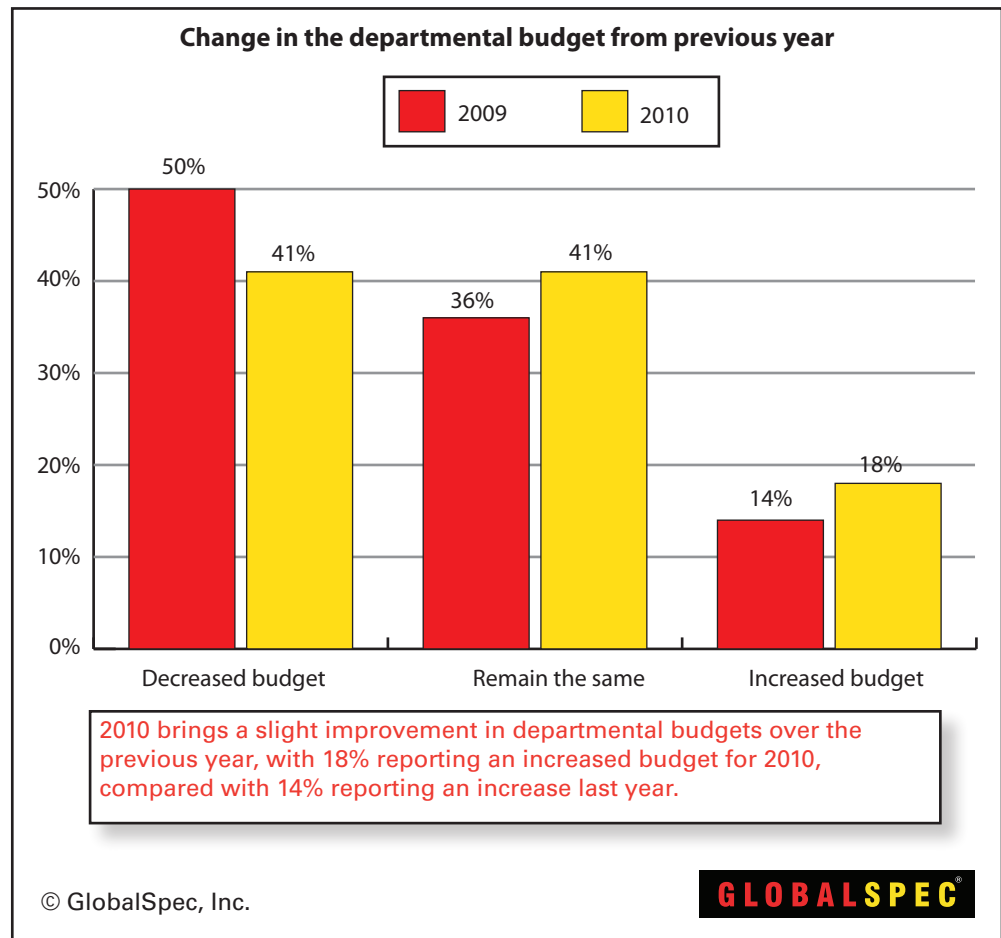
"We seek new opportunities as those who were not as strong going into 2009 have really struggled to meet expectations. We have weathered the storm fairly well and are looking for those rays of sunshine to come back."
— Corporate Management, Packaging Machinery





Departmental Budgets and Workload

The majority of companies will keep budgets the same or begin to increase budgets in 2010. 18% of engineers and technical professionals stated their departmental budget will increase over 2009, while 41% stated their budget would remain the same. This is a slight improvement over 2009, when 14% said there would be an increase and 26% said budgets would remain the same. Fewer companies (41%) are decreasing budgets this year than last year (50%). Headcount mostly parallels trends in departmental spending, with 16% increasing headcount in 2010, 44% keeping the same headcount, and 40% reducing headcount.

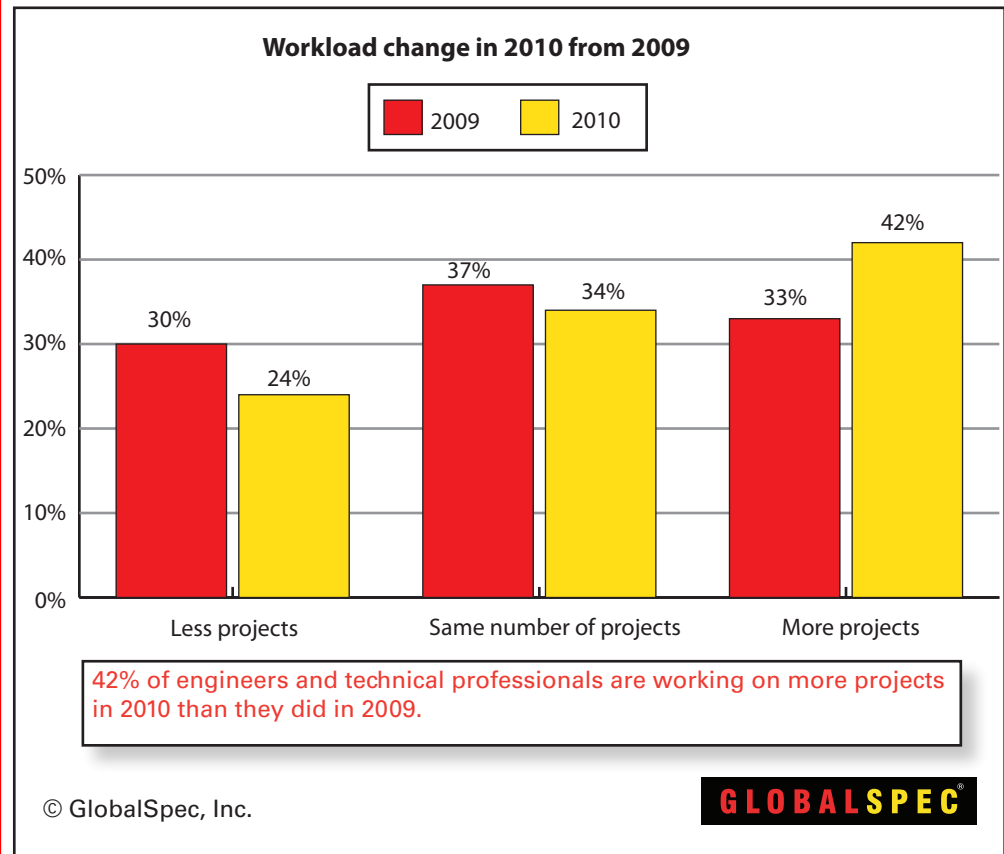




"New projects may now be possible considering that the sales are getting stronger."

— Research & Development, Manufacturing

Engineers and technical professionals are working on more projects, which may be the result of pressure on departmental budgets or reduced headcount. 42% stated they are working on more projects in 2010 than they did in 2009, which is up nine percentage points from last year's survey, when 33% stated they were working on more projects. These busy engineers typically work under constant time pressures; when they do devote time to researching products and services, it's important for suppliers to be visible on search engines, e-newsletters, online directories and other online channels their customers use to locate suppliers, products and services.





Where Time, Effort, and Spending are Focused

In 2010, the majority of companies will be focusing time and effort on entering new markets (59%), new product design and development (54%), and new technology research (49%). Part of the work process in each of these areas of focus is searching for and specifying components and services. Some of these projects involve longer term spending, but because the industrial buy cycle tends to be long and complex, it's important for suppliers to build and maintain a robust market presence where customers can find them now, during the research phase of the buy cycle, or they will likely miss out on sales opportunities.

"We are researching alternatives to replace out-dated equipment with new equipment, thereby reducing the cost of maintenance."

— *Technical Support Services, Government*

Other work effort by engineers will lead to near-term spending. 48% are spending more time on projects to save energy, and 46% on projects to reduce waste/scrap. 45% are spending more time on projects to increase production capacity of existing lines. Typically, these types of projects require purchasing parts to alter manufacturing processes or assembly line functions.

Suppliers whose products or services can help test current production processes; reduce waste, rejects and energy consumption; or otherwise save money will find market opportunity. To be more competitive, suppliers may need to re-focus their positioning and messaging around these money-saving initiatives that are important to potential customers.

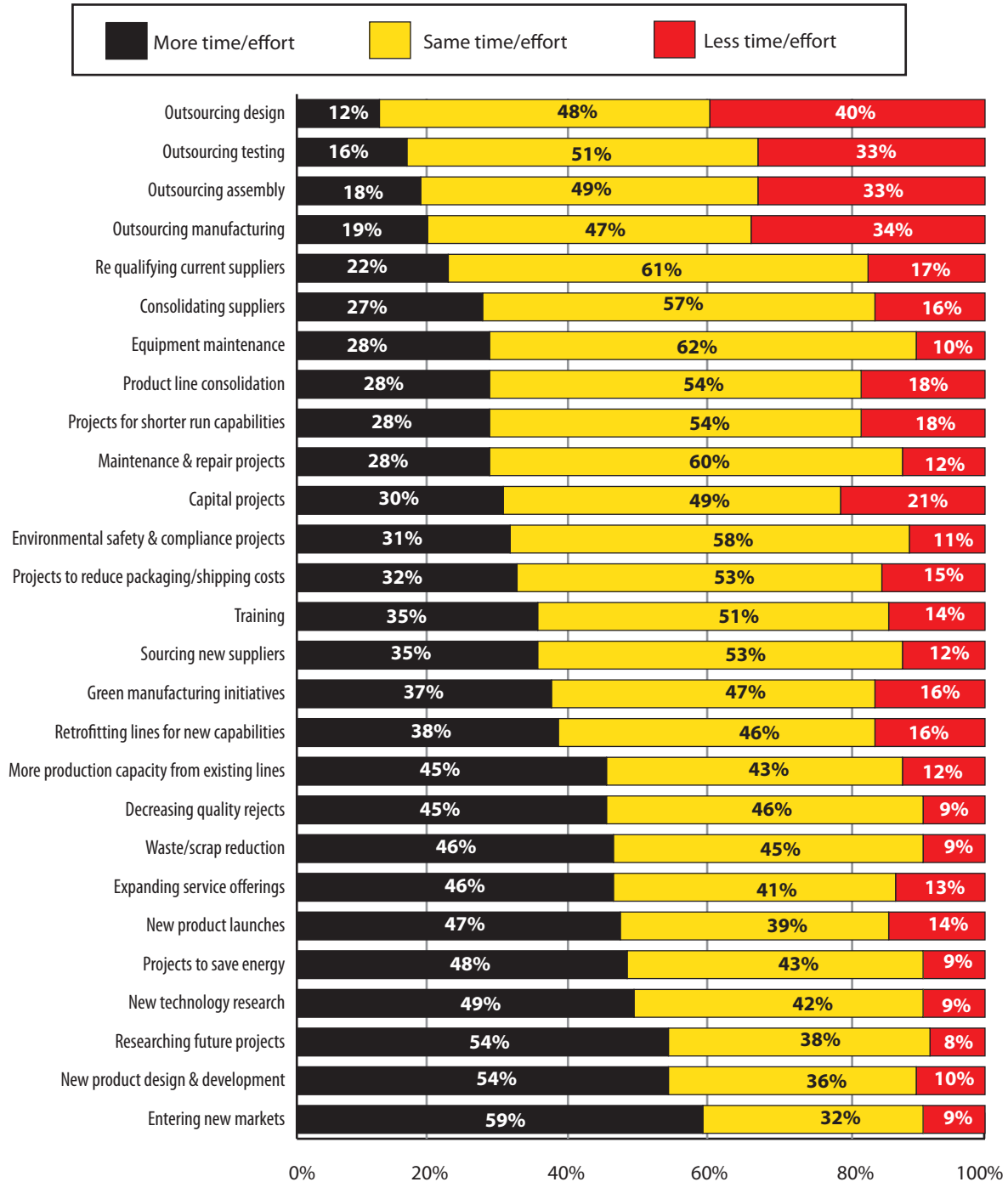
"Most of the impact, and increased sales, will be driven by 'go green' products, services, and increased environmental awareness."

— *Engineer, Packaging Machinery*

Suppliers that package with their products value-added consulting or complimentary design services will find market opportunity because companies are spending less time and effort on outsourcing in 2010 and may not have enough time or internal resources available to them. 40% are spending less time and effort on outsourcing design, 34% on outsourcing manufacturing, and 33% on testing and on assembly.



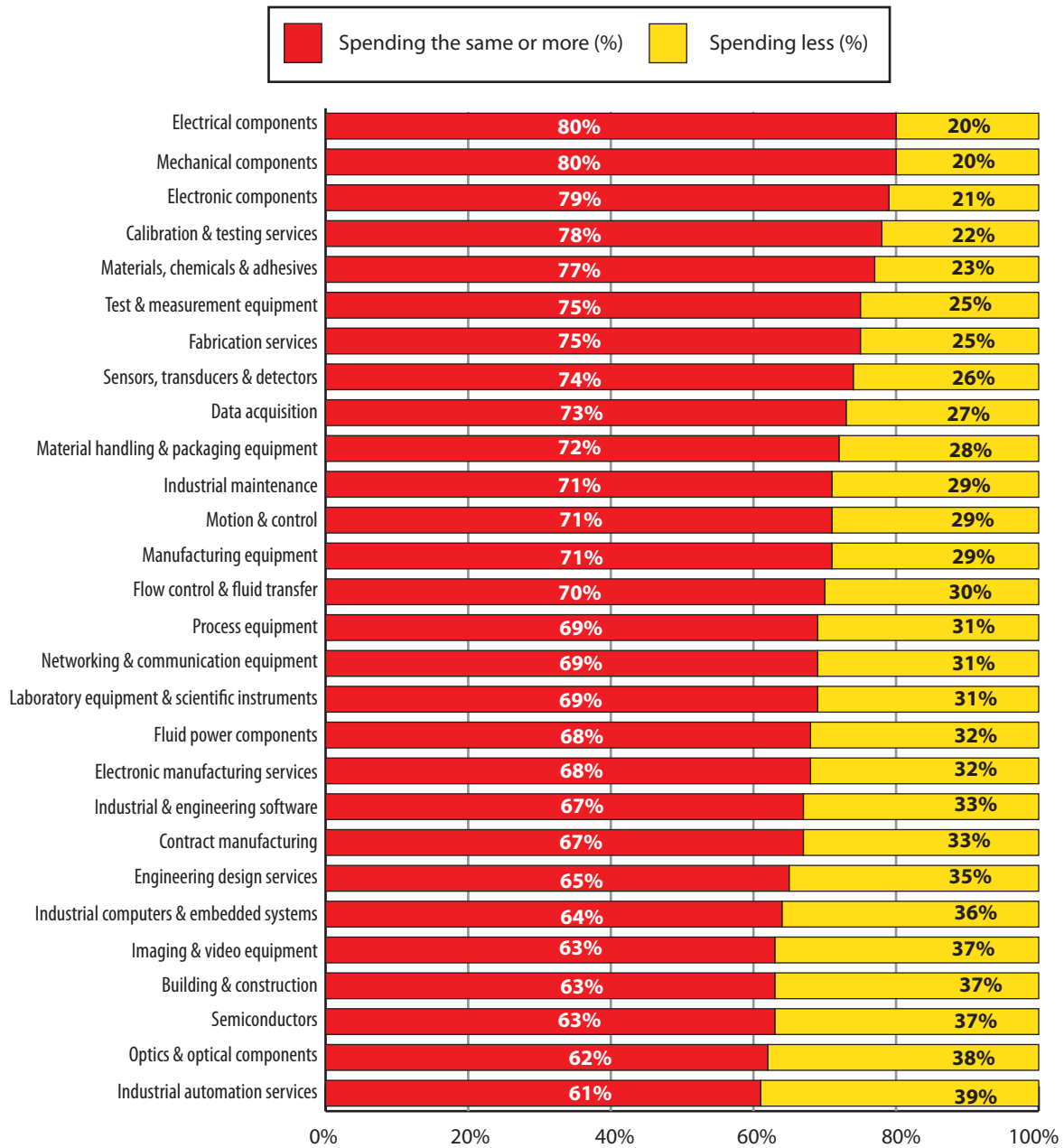
Where industrial companies will focus time & effort in 2010



The three top areas where companies will be devoting time and effort in 2010 are entering new markets, new product design & development, and researching future projects. Less time and effort will be devoted to outsourcing in 2010 compared to 2009.



Where money will be spent in 2010

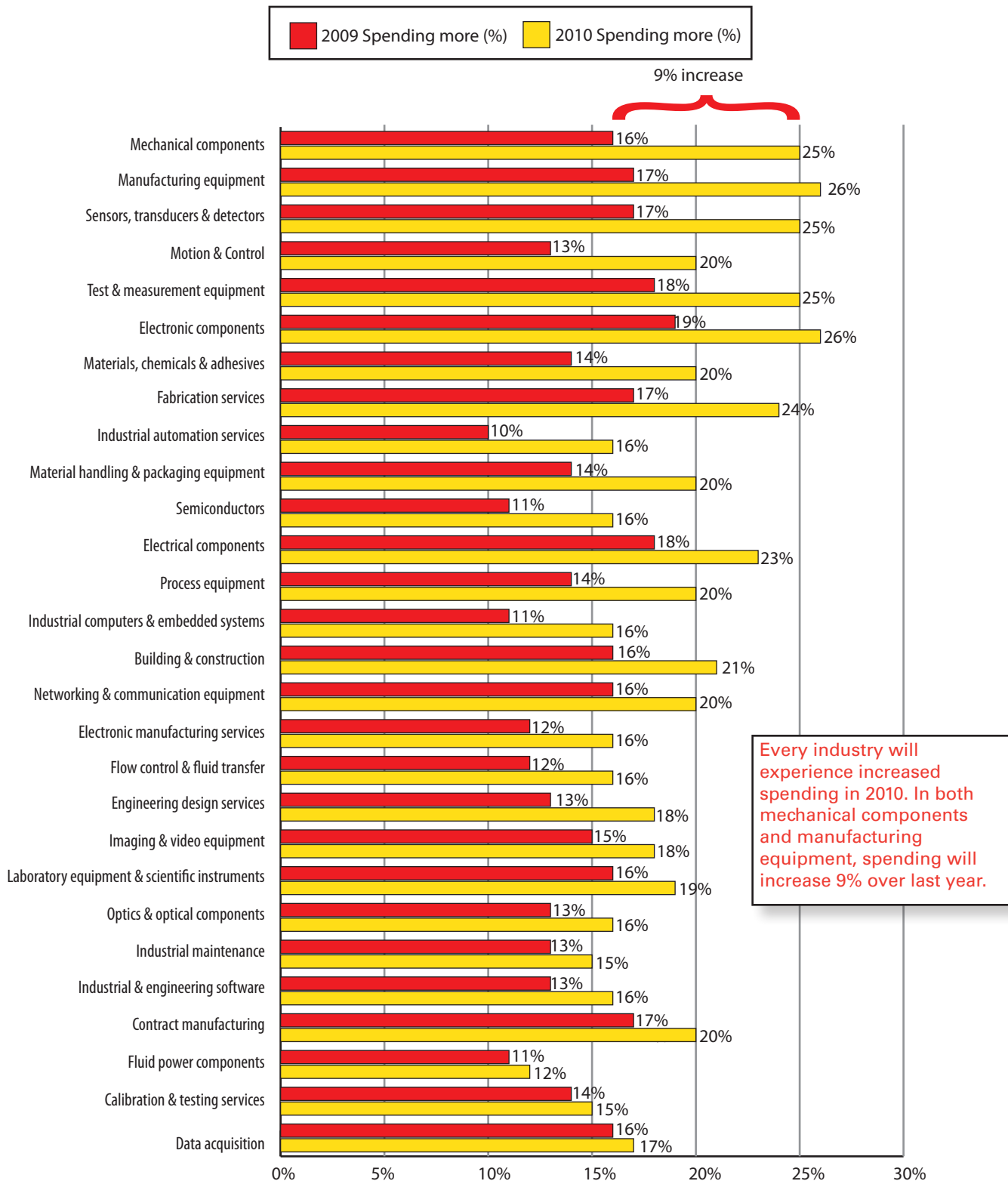


The majority of companies are spending the same or more in 2010 than in 2009 in every category of products, components, and services.

In terms of product spending in 2010, the majority of engineers and technical professionals will be spending the same or more than in 2009 in every category measured. 80% will spend the same or more on electrical components and on mechanical components. 79% will spend the same or more on electronic components and 78% will spend the same or more on calibration & testing services.



Industries are spending more in 2010



Every industry will experience increased spending in 2010. In both mechanical components and manufacturing equipment, spending will increase 9% over last year.

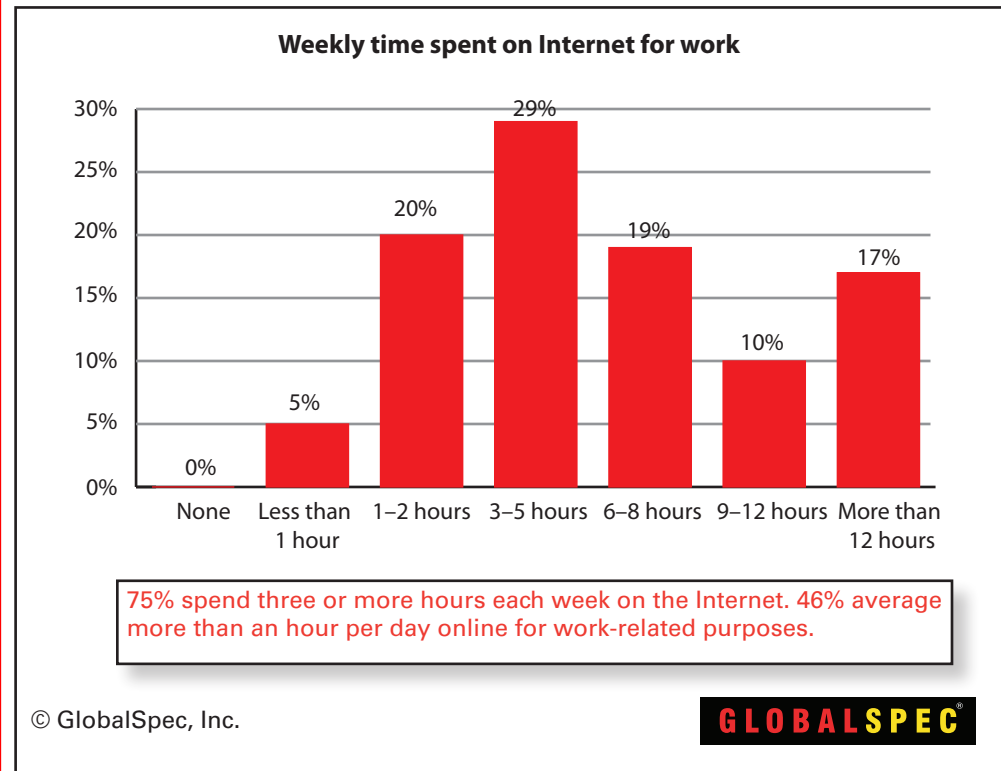
Compared to 2009, both manufacturing equipment and mechanical components will see spending increases of 9%, and all other product categories will experience spending increases as well. This data indicates that companies are spending more money in 2010 on industrial products.

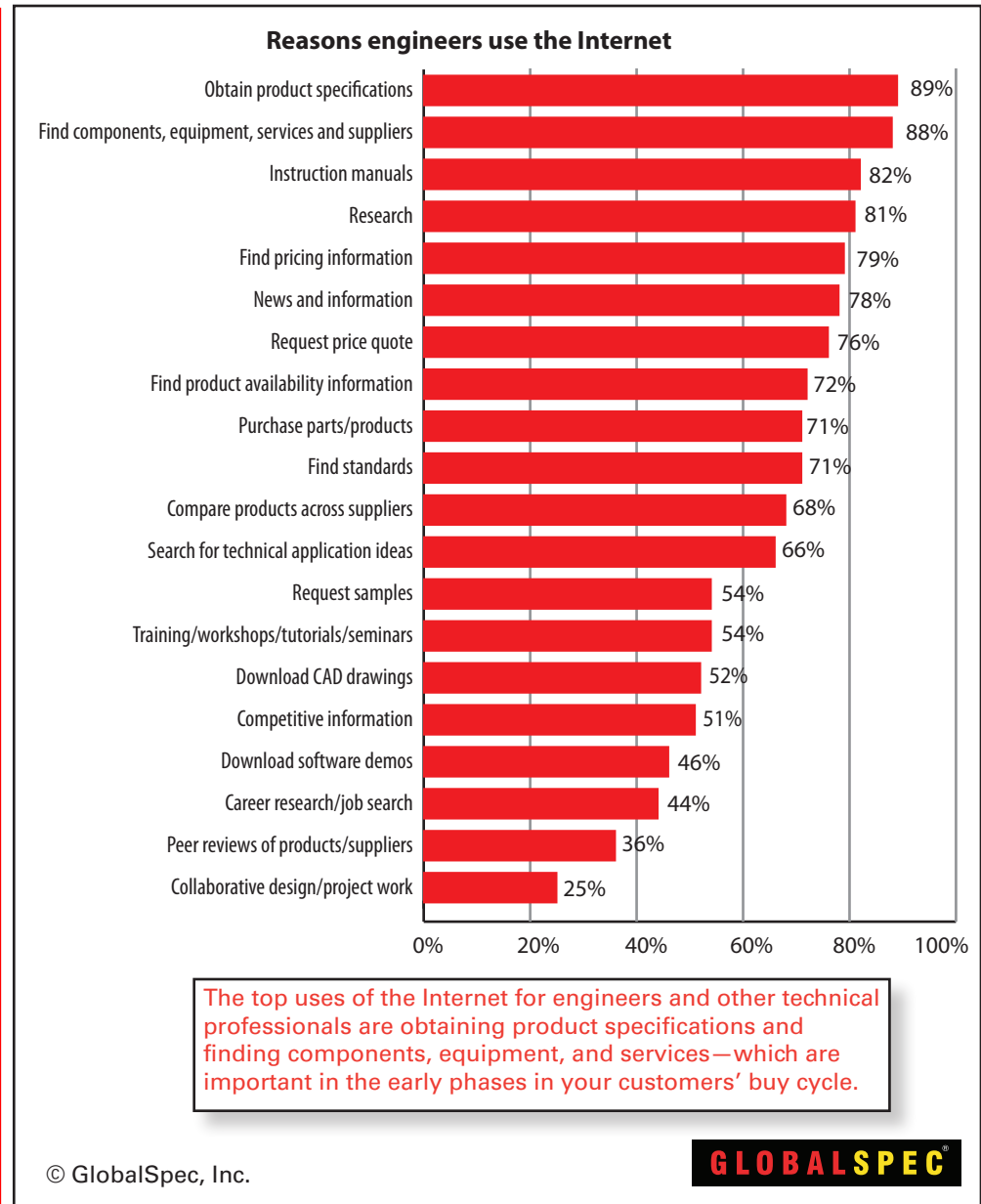


How the Economic Outlook Impacts Supplier Marketing

Many suppliers have been operating under constrained marketing budgets in recent years. Because of budget limitations, you must optimize the marketing resources you do have to achieve a strong return. The 2010 Economic Outlook Survey asked your potential customers how they search for and find components, connect with suppliers, and engage in the buying process. These results can help guide you in implementing the right marketing strategies that will target potential customers and provide you with measurable results.

Your potential customers rely heavily on the Internet for work for reasons such as finding products, services and product specifications. 75% spend three or more hours per week on the Internet for work-related purposes, and 46% of respondents average more than an hour a day online for work.



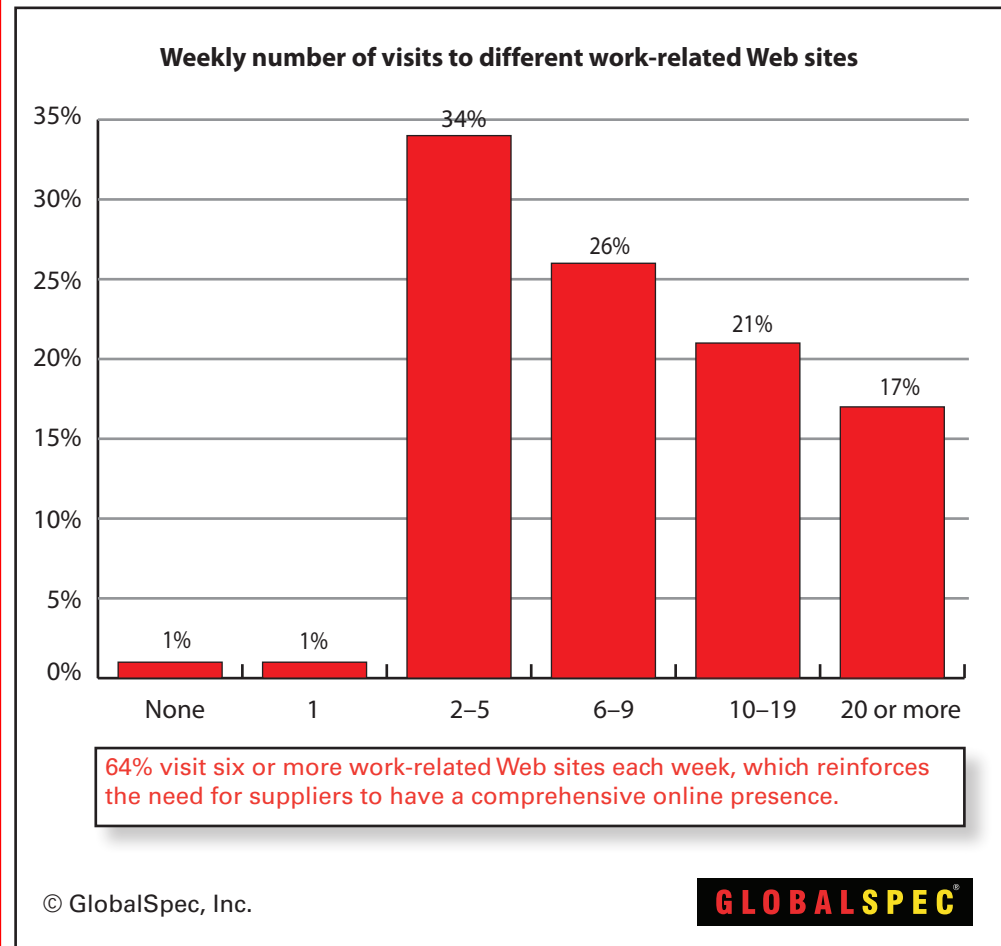


Engineers and other technical professionals go online to perform many important work functions related to the industrial buy cycle. The top online work-related activities are obtaining product specifications (89%) and finding components, equipment, services and suppliers (88%). Your customers also use the Internet to perform research, request price quotes, purchase parts/products, compare suppliers, and other work-related activities.



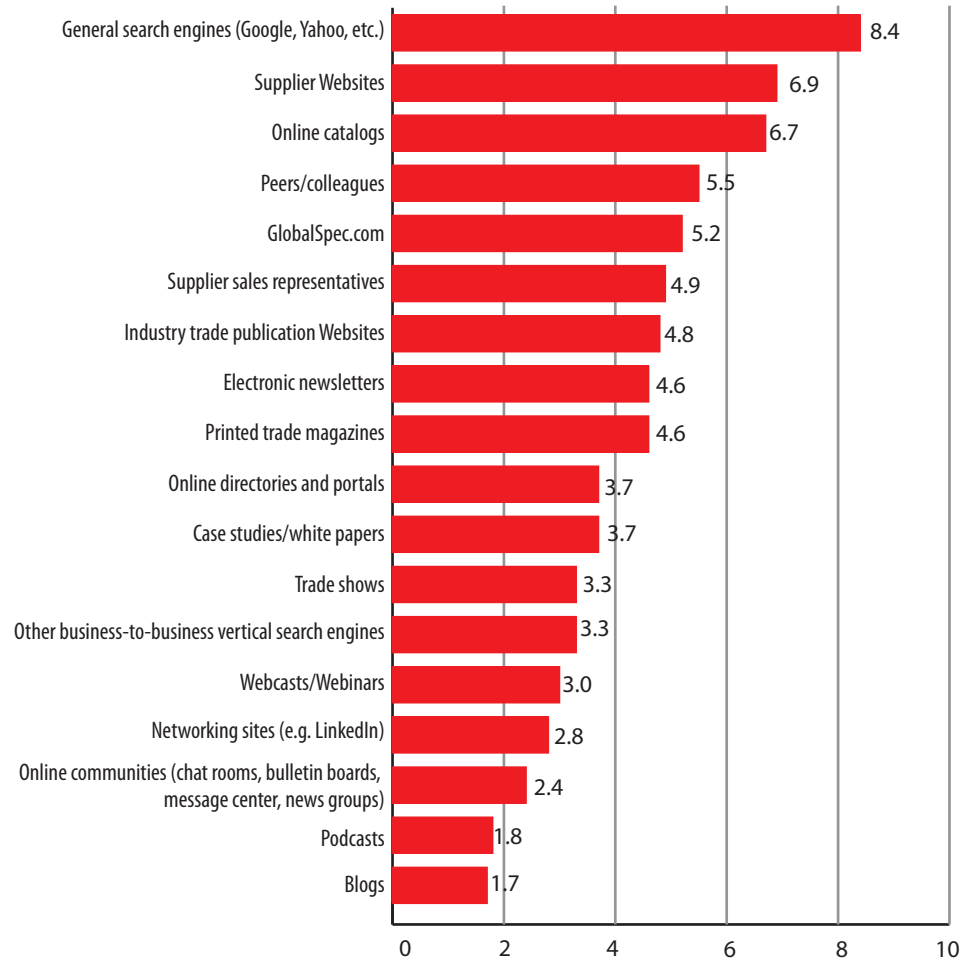
64% of respondents visit six or more work-related Web sites each week. In a related survey result, four of the five most valuable sources used to search for products, services, and suppliers are online sources: general search engines, online catalogs, supplier Web sites, and GlobalSpec. Printed trade publications were ninth on the list and trade shows did not make the top ten. In fact, 59% stated they attended no trade shows in 2009.

These results indicate the need for suppliers to provide a wide breadth and depth of technical information online for their target audience—and to have a robust online presence beyond the basic requirement of a company Web site, including general and industry-specific search engines, searchable online catalogs, online directories and more.





**Frequency of sources used when searching for products, services and suppliers
(1=never, 10=every time)**

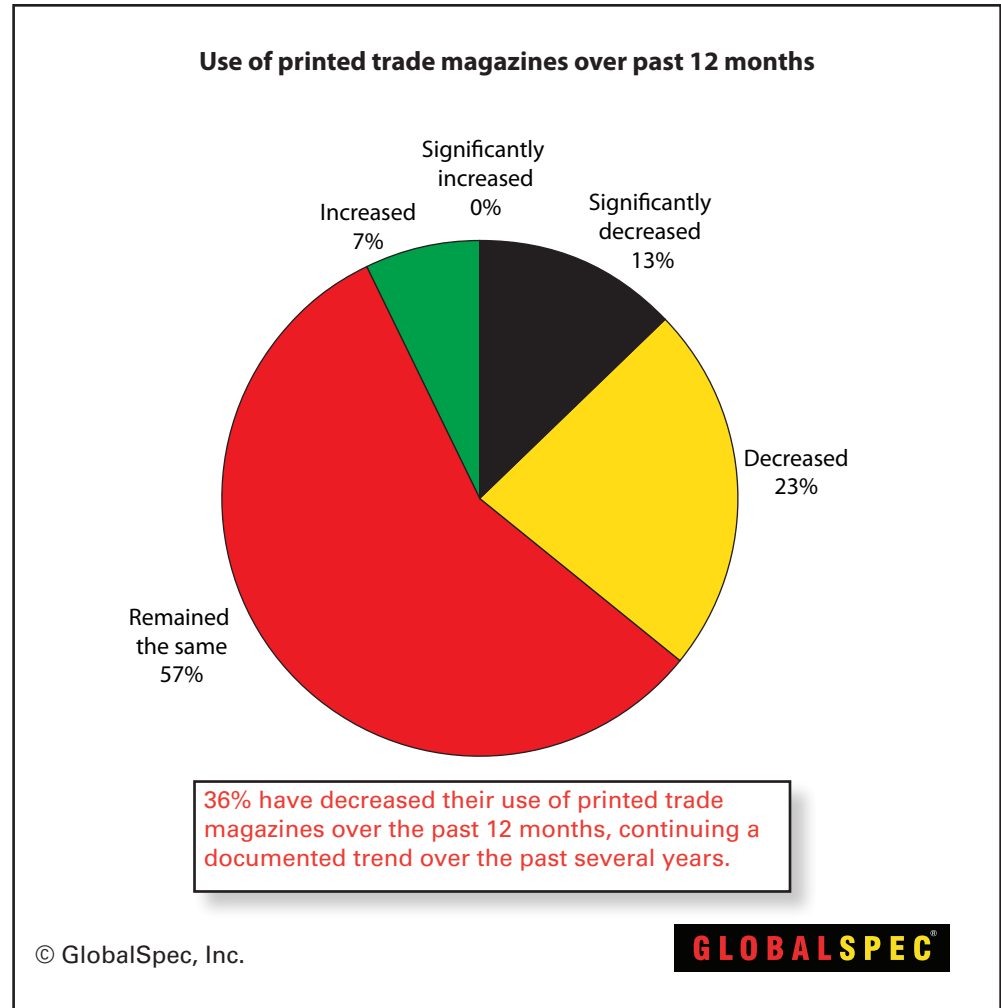


Four of the top five sources used to search for services and suppliers are online sources: general search engines, supplier Web sites, online catalogs, and GlobalSpec.

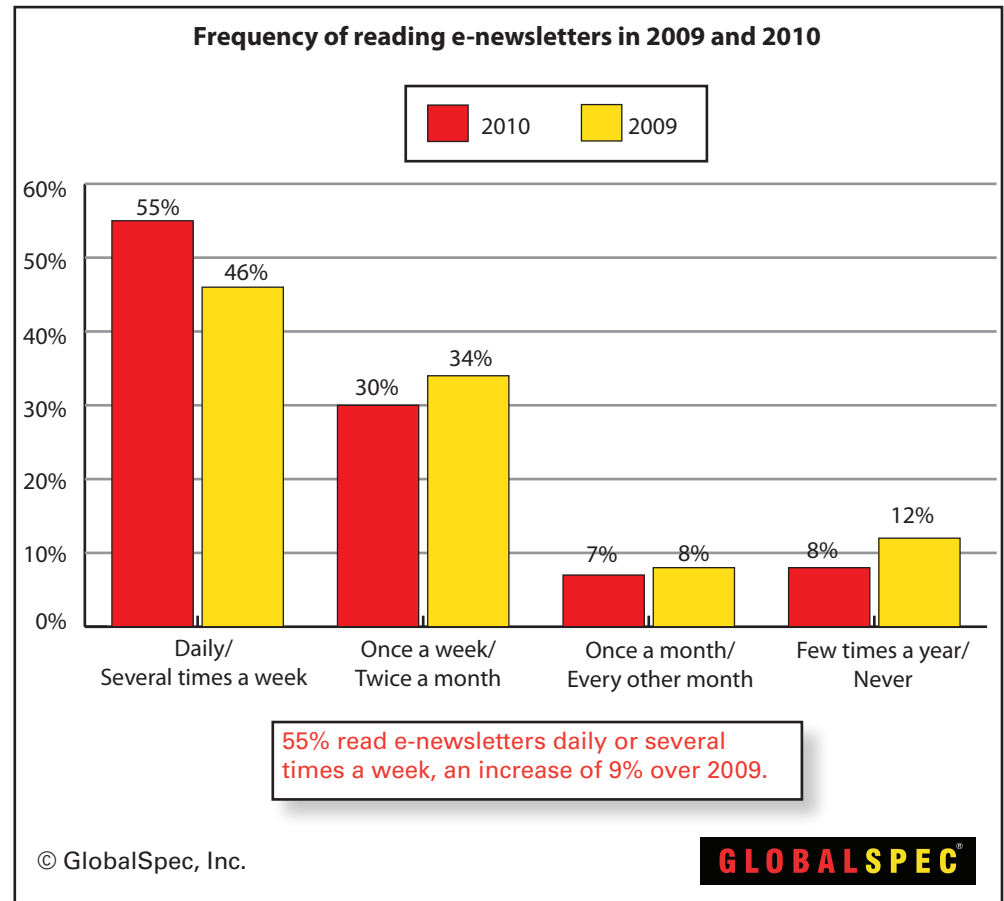
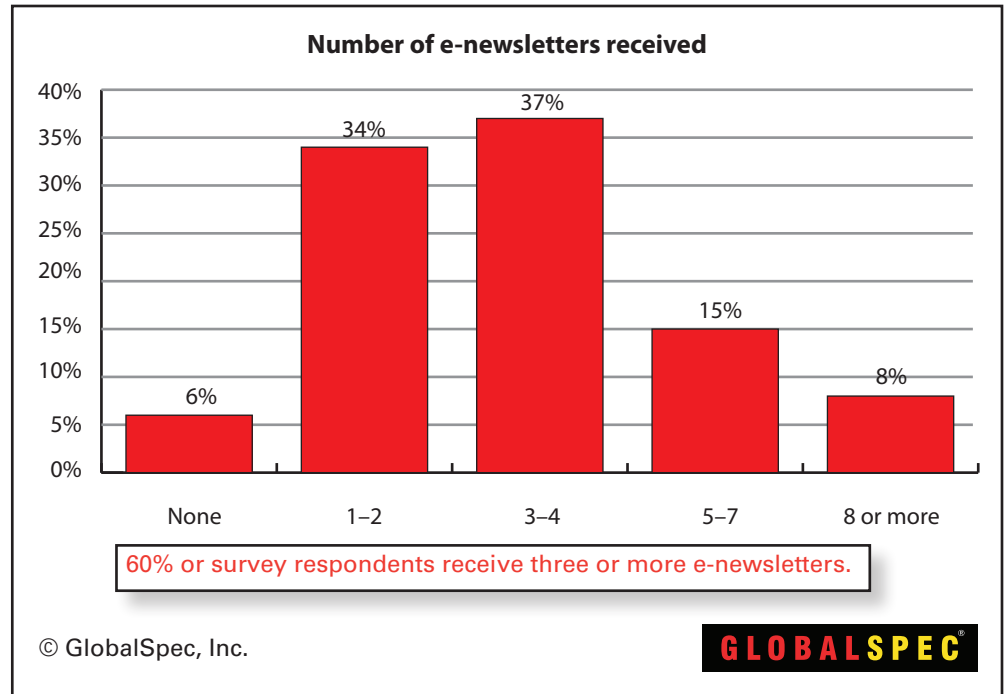
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Further evidence of the decline of traditional media is that 36% state their use of printed trade magazines declined over the past 12 months, continuing a trend that has been documented over the past several years. None of the respondents have significantly increased their use of trade magazines over the past 12 months.



Instead of relying on traditional media such as printed trade publications, engineering, technical, manufacturing and industrial professionals are turning to e-newsletters as an information source. 60% receive three or more e-newsletters each week. 55% read e-newsletters daily or several times a week, an increase of 9% over 2009. Because the majority of engineers and technical professionals read e-newsletters regularly, it is a better choice for delivering time sensitive information to this audience. To match their customers' preferences and gain more opportunities to connect with them, suppliers should shift marketing budget away from traditional print publications and into product and industry-specific e-newsletters.





"The economy is starting to turn for the better and our company appears to be increasing sales and production on many different products. The slow economy from last year has delayed some large projects and they are starting up again, making 2010 a potentially very good year."

— Process Engineer,
Engineering/Technical Design
Services

Five Marketing Strategies for Suppliers in 2010

The industrial market is showing positive signs in 2010, with spending increasing across the board, and opening up opportunity for suppliers who market effectively. More companies are increasing budgets this year compared to last year and 47% of companies anticipate sales to be higher in 2010 than in 2009. To capture available business, suppliers must be smart and competitive, carefully choose target markets, and maintain online marketing frequency where you have the greatest opportunity. Also, apply what you now know about your customers: what they are seeking, how to reach them, and how to adjust your messaging to get their attention.

Here are five marketing strategies that can help you succeed in 2010:

- 1. Match your message to market need.** Engineers are spending more time on projects to save energy, reduce waste, and increase production capacity of existing lines. This should lead to near-term spending on parts and components. If your products are a good fit in these areas, you should modify existing or create new product data sheets, application notes, white papers and other marketing collateral that specifically address these customer needs. Show how you can save customers money and provide value. In addition, prospects that have limited budgets or have had to cut back on outsourcing may be responsive to messaging around additional customer support, just-in-time delivery, complimentary design services or other value-added services.
- 2. Evaluate current markets and seek out new markets.** Some markets remain challenging; others are beginning to recover. If you sell into multiple markets, you can reduce efforts in markets where spending is slow to recover, such as Government, Education, and Utilities; and increase efforts where more spending is taking place. Semiconductor & Electronic Components and Automotive—two of the hardest hit industries in 2009—are expected to improve in 2010. You should also seek out new markets where you don't currently have a strong presence but where spending is taking place and your products and services are a good fit. Again, you may need to re-purpose application notes, white papers, case studies and other marketing materials to be relevant to prospects in new markets. Choose targeted marketing tactics that put your company in front of the industry-specific audience that you are trying to reach, such as e-newsletters, online tradeshows and targeted search engines that keep you in front of potential customers 24x7.
- 3. Expand your online presence.** Your customers have shown a clear preference for using online information sources over traditional media sources for work-related purposes. 2010 is the year to expand your online presence to connect with more potential customers. Having a company Web site is only the minimum—and it's not enough. Work with experienced online media partners and explore other options such as targeted e-newsletters, searchable online catalogs, online directories, banner ads, and virtual events.



4. **Maintain marketing frequency.** A number of the top projects your potential customers are working on—such as entering new markets, new product design & development, and new technology research—will lead to longer term spending. To get on your prospects' short lists for projects currently being researched, you must maintain marketing frequency in those places where potential customers are looking for solutions: search engines, Web sites, online catalogs, and GlobalSpec. The industrial buy cycle tends to be long and complex: if you're not found by your potential customers during their early research phase, you will likely lose opportunity for future business as prospects get closer to purchase decisions.
5. **Optimize the allocation of your marketing budget.** Your customers and prospects are online, and that is where you need to reach them in order to compete and win business. However, your marketing budget may be fixed, which means you need to shift dollars to online programs that perform and away from places where your audience isn't looking—print advertising, trade shows and other traditional media just aren't as effective anymore. The other advantage of online programs is that they are built for measurement—leads, impressions, clicks, and conversions all can be counted. With marketing under increasing pressure to demonstrate results, measurable programs that help you connect with your target customers should occupy a prominent position in your marketing mix.



About GlobalSpec

GlobalSpec.com is used regularly by engineering, technical, manufacturing and industrial professionals worldwide to search for components, products, technical information and services. GlobalSpec users benefit from domain-expert search engines, a broad range of proprietary and aggregated Web-based content, 60+ e-newsletters and online events—helping them search for and locate products and services, learn about suppliers and access comprehensive technical content. SpecSearch[®], GlobalSpec's trademarked search technology, allows users to search by specification more than 185 million parts in 2,200,000 product families from more than 26,000 supplier catalogs.

For manufacturers, distributors and service providers, GlobalSpec offers tailored marketing solutions that put you in control and expert online marketing advice to help you find new customers. We provide highly filtered sales leads and marketing opportunities, qualified Web traffic to your site, product promotion and brand advertising platforms, and a wide range of e-media advertising and marketing solutions including keyword ads, e-mail marketing, banner ad networks, online events and industry-leading e-newsletter advertisements—allowing you to choose the options that fit your unique business needs.

The ability to find customers...to tap into new markets or new regions that are actively seeking your products...to understand what prospects are looking for...to gain an integrated marketing program and a wealth of practical advice about online marketing—this is the GlobalSpec approach. And it's why many manufacturers and suppliers choose GlobalSpec to help their businesses grow.

For more information on GlobalSpec's comprehensive marketing solutions please call 800.261.2052 or visit <http://www.globalSpec.com/advertising>.

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