



What's Ahead?

FIVE BUSINESS TRENDS FOR 2010

An economic turnaround. Healthcare reform. Lower unemployment. A new calendar is at hand, so what's in store for Arizona business heading into 2010? We asked some experts to look at five key areas of the economy and make some informed predictions about the next 12 months.

B Y D A V I D L U C A S



The Changing Workforce

As businesses recover from the recession, they will be cautious about hiring willy-nilly. For this reason, expect to see more contract workers, leased employees and outsourcing in 2010. "As the economy recovers, we will see companies start to hire contractors to get the work done, but not hiring permanent employees because they are not yet willing to take this plunge," says Brian Carlson, owner of Ambrion, a recruitment and placement firm.

The leased employee, one who receives compensation and benefits from a third-party company, could be one component of a new-look workforce. "You're going to see more of a hybrid labor force," says Dick Lippert, managing partner of Leathers Milligan & Associates. "Companies are going to have their core of leaner, more efficient full-time people. In some areas, companies may be more heavily invested in the leased employee."

He adds that certain functions, such as marketing, will be farmed out to third parties rather than performed by in-house staff.

A significant part of this workforce may be working from home next year as more companies are expected to allow employees to telecommute one or more days a week. Some may even experiment with the four-day workweek.

"If you have good employees and they are able to work out of the office, more people could work from home," says Kim Edwards, CEO of

Walters warns. "If these or other unforeseen events happen, the economy could be in for an additional 12 to 18 months of recovery."



Mergers & Acquisitions

Owners of businesses that struggled during the recession and those looking for new opportunities may benefit from private equity firms that are chomping at the bit to invest money that is burning a hole in their pockets. These firms are looking to be active players in the mergers and acquisitions (M&A) arena in 2010.

"During the recession, there has been a downturn in M&A activity," says Steve Lawrence of Gallagher & Kennedy in Phoenix, which represents private equity and venture capital firms. "There remains a significant amount of private equity funds on the sidelines ready to deploy. Once the economy turns around, once lending constraints soften, there will be a breakout of M&A activity."

Lawrence notes that many owners who sell their businesses will start up new ventures and create jobs as a result.

"In the first half of 2009 fundraising activity for private equity firms is down, but there still is money being raised and there are still transactions being done," Lawrence says.



Michelle Bolton



Brian Carlson



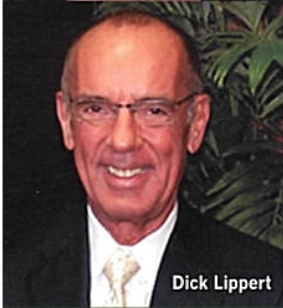
Kim Edwards



Park Howell



Steve Lawrence



Dick Lippert



Dave McIntyre



Andrea Norman



Bob Roth



Dale Walters

Scottsdale-based advertising firm Kim Conway and Associates. "If they have their computer, they can do it anywhere. As technology changes and with the workforce continuing to have the influence of younger generations coming up, they will have to look at those creative methods. You don't need to have 50 people in your office driving to and from work."



The Economy: Which Way is Up?

Many experts believe Arizona's economy is on the mend; however, it may not be a painless recovery. Unemployment in 2010 will get slightly worse before it gets better, according to Dale A. Walters, CEO of investment firm Keats, Connelly and Associates. "I expect Arizona will take longer to recover than the U.S. economy because of the continued excess housing inventory and sluggishness in tourism," Walters says. "Businesses have no incentives to come to Arizona, so don't expect help from big business."

He expects the Arizona economy will increase approximately 1.5 percent in 2010, whereas the U.S. economy should increase about 2.0-2.5 percent.

But if the unforeseen should happen, all bets are off. "The wildcard is the possibility of a double dip if a major natural disaster or terrorism occurs in the U.S., or if there is another major business bankruptcy,"



Smarter Marketing

With marketing budgets stretched thin during the recession, businesses will continue to make the most of every buck even after the economy turns around. Arizona companies will do more to exploit the Internet and take advantage of social networks such as Facebook and LinkedIn, and technologies like Twitter. Search engine optimization (SEO) is proving to be an economical method to boost the power of Web sites by pushing them up to the first page results on the Google, Yahoo and Bing search sites.

Andrea Norman of Mind the Gap Marketing Solutions helped one client optimize a Web site with eye-opening results. "We did SEO and increased their Web site traffic by 200 percent in three months and also increased the time spent on the site five-fold," she recounts.

Kim Edwards expects restaurants to be prime candidates to do more low-cost marketing through technology. "Restaurants are choosing days or times they are slowest and they are text messaging or e-mailing coupons for the days when they need business most. It is generating a great deal of business for them on their slowest days," she says.

Some marketing efforts leveraged green projects to great success during

the recession, but “sustainability” will be the watchword going forward. “It’s no longer enough to simply measure your business success by how much money you make,” asserts Park Howell, president of Park&Co, a Phoenix-based marketing firm. “With progressive companies, ROI has expanded to a triple bottom line—people, planet and profit. Thriving companies are paying attention to the social, cultural and, of course, economic impacts they are having on communities.”

Howell notes Wal-Mart and other companies are flexing their retailing muscle to demand more environmentally-friendly products and these trends trickle down to the local level.



Healthcare Innovations

While government grapples with healthcare reform, some Valley companies are exploring innovative methods of treating specific groups. Military families, who witness their loved ones moving to and from Middle-Eastern wars, will receive special attention.

“The behavioral health impact of these conflicts on those that are serving as well as on their families is on the increase,” says David McIntyre Jr., president and CEO of TriWest Healthcare Alliance. “We don’t see a reduction in the demand for healthcare services among that population in the near term. We think it will continue to climb.”

TriWest has helped to develop a Web-based program that allows soldiers and their families to consult face-to-face with therapists online 24/7. “In this behavioral health space, we are bringing tools and approaches that are going to help respond to issues in a more effective way,” McIntyre says. “It’s possible that some of that will have a spin-off benefit to civilian society.”

Consumers will continue to look for alternative treatment methods that are more affordable. One may be in the area of home care for seniors.

Bob Roth, managing partner of Cypress HomeCare Solutions, says many seniors no longer have one financial option when considering assisted living. Because the housing market crash depreciated the value of homes, many seniors are unable to sell their homes to make the transition to assisted living facilities. Their one viable option is home care. Cypress recorded a 26 percent increase in business during the recession by providing personal services to clients in private home settings.

The Arizona Legislature passed measures in the recent session to make it easier for small businesses to offer health insurance to their employees. These “mandate light” bills are scaled-down policies that make it more affordable for small groups and individuals to access health insurance.

Michelle Bolton, vice president of public affairs and economic development for the Greater Phoenix Chamber of Commerce, says carriers like Blue Cross/Blue Shield of Arizona offer this kind of policy. “We wanted to give small business an option, that if they could only afford a scaled-back health insurance plan, they could access mandate light,” she says.

Bolton expects this kind of plan to be as popular as a measure passed in 2006, for which there is now a waiting list to sign up for coverage.

Cautious optimism may define the outlook for 2010. Arizona business will take any kind of positive news following the worst recession in memory. ■

Get Connected

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