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Economic Trends 2008

Charging forward

Yabuki has Fiserv poised for growth

BY ANDREW WEILAND, *of SBT*

Brookfield-based Fiserv, Inc. may be immune to many of the problems facing the U.S. economy in 2008. The company provides information management and electronic commerce systems and services to the financial and insurance industries. The firm has about $4.5 billion in annual revenues, 23,000 employees and more than 21,000 clients around the world.

Although its primary customers in the banking industry are facing problems stemming from the sub-prime mortgage crisis, Fiserv expects to continue to grow in 2008, said chief executive officer Jeffery Yabuki.

"We're in the enviable position of being a company that is largely what I call a recurring revenue-oriented business," he said. "So, anytime someone writes a check or uses a debit card or uses a credit card, pays a bill of some kind, I get paid. And so to the extent that consumers decide to spend less money, it usually doesn't translate to less transactions. It translates to smaller transactions and in fact at times it can actually translate to more transactions. Our business model is strong."

However, Yabuki does expect 2008 to be a tough year for the overall U.S. economy.

Yabuki

Jeff Yabuki, Fiserv President and CEO

"As I talk to my colleagues, people are talking about hunkering down," he said. "They're talking about slowing job growth down."

A big problem is that consumer confidence has dropped significantly, as a result of numerous bad news reports about the economy, he said.

"What's really driven the economy over the three or four years has been the consumer," Yabuki said. "When consumers are confident, they spend and that buoys everything. Now every day you pick up the newspaper and you read about this billion dollar write-off, or this $10 billion write off, or this $30 billion write off or this foreclosure. All of that bad news translates to skittishness across consumers. When consumers get skittish, they slow down their spending, and that is the cycle that I think we're in the midst of."

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The banking industry also has become skittish and is in a credit crunch, largely as a result of the subprime mortgage crisis, Yabuki said. Not long ago, banks were very aggressive in loaning money, but that has shifted dramatically.

"The pendulum has clearly swung," Yabuki said. "In 2006 and a little bit into '07 and a little bit into '05, money was available. It was very, very easy to get money. The pendulum swung to the point of basically doing loans that probably people should not have been doing. When people can't give their money away fast enough, that's usually a sign that something is going to happen. So now, it has all swung back the other way."

Banks eventually will become more aggressive in lending money, Yabuki said.

"Right after the early stages of the crisis, you couldn't get jumbo loans. Commercial markets were just stopped," he said. "Subprime is gone. For all intents and purposes, right now, subprime is gone. But again, that's a pendulum issue because there is so much equity that sits in the subprime or nonprime borrower that eventually people will, in my opinion, figure out how to lend pragmatically as they always had up until three or four years ago. The problem was people quit pricing the risk."

Acquisitions have always been a major part of Fiserv's growth strategy. In December, the company completed its largest acquisition ever, acquiring Norcross, Ga.-based CheckFree Corp. for $4.4 billion. CheckFree provides electronic commerce services and products including electronic bill payment and internet banking. The acquisition allows Fiserv to become the nation's leader in online bill payment technology.

The struggling economic environment could encourage mergers and acquisitions activity this year as weaker companies look to sell and stronger firms look to buy, Yabuki said.

"The nervous type of environment that I mentioned will create opportunity," he said. "The stronger firms will get stronger

Fiserv, Inc.

PRESIDENT AND CHIEF EXECUTIVE OFFICER: Jeff Yabuki

HEADQUARTERS: Brookfield, WI

INDUSTRY: IT services for financial and insurance industries

NUMBER OF EMPLOYEES: 23,000 (2,000 in Milwaukee area)

ANNUAL REVENUES: About $4.5 billion

WEB PAGE: www.fiserv.com

and the weaker firms will get weaker and that is usually a formula for some consolidation. I expect to see a fair amount of interesting activity occur over the next 12 to 24 months because it takes time for the pain levels to get sufficient to act as a catalyst to get people to take action. But always in cycles like this you see some kind of consolidation."

"Our transit system needs help. We need some real infrastructure here if we want to really drive the business community and attract new entrants into Wisconsin, which is what we need to do over the long term."

Fiserv also will continue to look for acquisition opportunities in 2008, Yabuki said.

"To the extent that there are opportunities for us to take advantage of some of the consolidation and some of the fragmentation that exists in our marketplace, we'll look to do that as well," he said. "It's been what we've done always. We also realize that the environment does what the environment does, and we have to be ready to act and react as we can."

Fiserv is an IT services provider and in 2008, Yabuki said he expects there will be more development of technological innovation for bill payments. Yabuki also said he expects to see ongoing technological innovations for data management including identity and information protection.

As the U.S. population ages, the health care industry is expected to grow. Despite that expectation, Fiserv in November announced it would sell most of its health care businesses to Minnetonka, Minn.-based UnitedHealth Group Inc. for $775 million.

"Our decision to sell that business had nothing to do with the macro characteristics of the health care industry," Yabuki said. "It's going to have more and more growth. As we get older, people are going to spend much more money, a much larger percentage of their income, on health care, whether it be preventative, acute and chronic. As a principal at Fiserv, what we've said is we're only going to operate in businesses where we bring some kind of competitive advantage. In the case of health care, we were never going to be able to overtake the Uniteds of the world to be able to really compete and be able to deliver the specialized value that clients need and expect. So our perspective was, let's do what we do really well and let's let someone else do what they do well."

Looking ahead, Fiserv plans to stay in the Milwaukee area and add more jobs here, Yabuki said. The company has about 800 employees at its Brookfield headquarters and about 2,000 in the metro area.

"We have actually been steadily growing the company in terms of employees," Yabuki said. "We think we have more growth opportunities than we can necessarily execute, and we're really only constrained by good people. And so we are actually looking to add people here in Milwaukee as well as in the other 270 locations we have around the world. We're not in any kind of a slowdown mode."

Fiserv plans to keep its headquarters in the Milwaukee area, despite some of the challenges of doing business here, Yabuki said.

"The environment in Wisconsin is difficult," he said. "It's a higher tax state. It is a difficult place to recruit to because it is hard to compete with the coasts,

Survey indicates skilled labor will be in demand

Employers in Wisconsin and northern Illinois are concerned about finding enough qualified people to fill their skilled and technical positions in 2008, according to the latest survey by QPS Companies Inc., a Brookfield-based staffing firm.

QPS surveyed more than 200 local companies regarding their 2008 hiring plans. Respondents were asked to indicate which job positions will prove most difficult to fill based on their business demands in early 2008.

Almost 20 percent of the respondents indicated that skilled and technical positions will be the most difficult to fulfill. Machine operators/machinists and CNC positions will be second- and third-most difficult to fill, respectively.

According to the Department of Labor's Bureau of Labor Statistics, 76 million baby boomers are expected to retire in the next few years, but only 46 million workers will replace them. The shortage of labor appears to be hardest hit in the skilled/technical trades, with more employees retiring than those who are looking for work.

and Chicago is such easy proximity. And lastly, because we don't have a favorable transit system, it's difficult for us to recruit from Chicago. If we had the right rail system, we could easily recruit from Chicago. And it's hard for people from the inner city to get out to the suburbs and vice versa. Our transit system needs help. We need some real infrastructure here if we want to really drive the business community and attract new entrants into Wisconsin, which is what we need to do over the long term."

As for the national economy, the business community must get to work to grind its way out of the economic downturn, Yabuki said.

"Frankly, I think what will get us out of this nervousness the quickest is us kind of getting back to business," he said. "The write-offs are going to come. The bad behaviors have already occurred. And so, it's not going to get any better if you or I decide we're not going to hire more people. Or you and I decide we're not going to serve our clients in the best way we can. And so I think actually clients, or consumers on the business side, will be watching the things we do very closely - we being the business community. And so, making those bets, deciding that we are going to continue to do the best we can, period, I think will get us out of the cycle the fastest, because there's nothing anyone can do to stop the bad news."