



ROCKPORT  
ANALYTICS

# TARGETING INDUSTRIES AND ORGANIZATIONS FOR RELOCATION, EXPANSION, AND INCUBATION IN SOUTHERN OCEAN COUNTY



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# Overview

## Introduction

The goal of the Southern Ocean County Chamber Regional Business Development Plan was to convene a council consisting of a broad coalition of regional partners who will contribute to the exploration of Southern Ocean County's strengths and create a shared action plan that can be implemented to stimulate interest in new investment, light industry and corporate sectors; resulting in job creation, property value stability and smart repurposing of vacant commercial buildings and properties. The first meeting was held August 21, 2013, with the report being a long term outcome to commemorate the 100th Anniversary of the organization.

**Efforts** would be made that the region's designated business districts and state wide strategies would become cohesive and work to the advantage of residents and businesses by building the foundation for a thriving business community by the year 2020. The development of this plan would also open the dialogue necessary to sustain the educational and policy infrastructure to support a vibrant business economy while preserving the integrity of the small town environment of our region.

**The Southern Ocean County Chamber of Commerce** will use this as a framework for the future of our business community. By working with the tremendous advantages our region has in place and enhancing the broader economic opportunity. Our board thanks the efforts of those who contributed to the strategy of this report through the council. As stated in the initial plan the council will now disband and a Business Leadership Advisory Council will form to advance the findings of this report through new initiatives such as Low Risk Business Incubator, workforce and Customer Service initiatives, and business assistance targeting growth industries.

Thank you to the Business Council Members who contributed:

### Policy Initiatives

David McKeon Ocean County Planning  
Dan Kennedy, NJ Business Action Center  
Maggie O'Neil Ship Bottom Merchants  
Robert Keeler, Borough of Beach Haven Council  
Tim Hart, Tuckerton EDC  
Peter Rossi, Borough of Ship Bottom Council  
Ken Nilson, Chair

### Growth Sectors

James Spaloss, Lacey EDC/Chamber  
Sara McCombs, Barnegat Chamber  
Nancy Davis, Barnegat Chamber  
Susan Marshall, Tuckerton EDC  
Lori Pepenella, Southern Ocean County Chamber  
Virginia Brodsky and Christopher Schwab, Co-Chairs

### Business Incubators/Work Force Development

Ben Waldron, Monmouth Ocean Development Corp  
Esther Lawrence, Assistant Dean Stockton School of Business  
John Boyle, Professor Stockton University  
Sharon McKenna, Stafford Township Council  
Jerry Thompson and Robert Goodyear, Co-Chairs

### Liaisons:

Gerard Scharfenberger, NJ Office of Planning  
Robert Geist, District 1 Liaison  
Anthony Ranucci –District 3 Liaison  
Jason Smith, District 9 Liaison  
Dana Lancellotti, Ocean County Business Development & Tourism  
Joe Coyle, Southern Ocean Medical Center

## Welcome to the Charter Members of the Business Leadership Advisory Council

Skye Gibson, Merrill Lynch  
Jillian Panzone Elsasser Panzone's Pizza & Pasta  
Christopher Schwab, Anderson Agency  
David McKeon Ocean County Planning  
Esther Lawrence, Stockton University  
John Boyle, Stockton University  
Jeremy DeFilippis, Jetty Inc  
Lori Pepenella, Southern Ocean County Chamber of Commerce

## Research

Rockport Analytics, a private economic development research consultancy, has been retained by Southern Ocean County Chamber of Commerce (SOCCC) to help support a regional business planning effort with data-driven analysis and recommendations for business development in the southern Ocean County area. This work will examine current conditions and detail potential steps for the attraction, retention, and incubation of business against a vetted list of potential industry and business targets. As an input to the *Regional Business Plan*, this analysis will help to narrow the list of realistic targets for the SOCCC and develop specific initiatives aimed at growing job opportunities, absorbing vacant commercial space, and generally lifting the quality of life across the area. Finally, the findings and strategic recommendations identified in this study are purposely consistent with the stated objectives of the SOCCC, as well as those outlined in the Ocean County's Comprehensive Master Plan released in December 2011<sup>1</sup>.

The findings and recommendations of this research effort should not be considered a panacea. A deep dive into the available data covering Ocean County and the SOC area paints an important-but-not-complete picture. The data and accompanying analytics have been used to apply a consistent targeting logic to all possible candidates in an effort to generate a short list of realistic possibilities. The real work begins from there. Each recommended sector and business candidate within (or outside) must be further vetted for the many attributes and issues for which data is not available or fails to inform.

It is safe to say that the SOC area is one that has been gaining population, particularly among older age cohorts. At the same time, job gains have been harder to come by. Over the past decade, the trend has been to trade jobs in sectors such as manufacturing for ones in retail, personal services, restaurants, and recreation. Any job is a good one, but some are better than others. That is, those jobs created in sectors that have higher rates of productivity and wages have a greater multiplier effect in the community. Waves of induced spending from those jobs are stronger and resound longer in the local economy. To the extent possible, economic development (ED) policy should prioritize these sectors,

### SOC Regional Business Plan Goals

- Create a footprint for feasible economic growth and stability for residents and business
- Job creation through development, retention, and incubation of new and existing businesses across an array of sectors that can readily utilize SOC's infrastructure, labor force, and resource advantages
- A specific focus on Tourism will identify initiatives designed to enhance the local workforce, repurpose existing private and public space, and expand opportunities outside of the summer season.

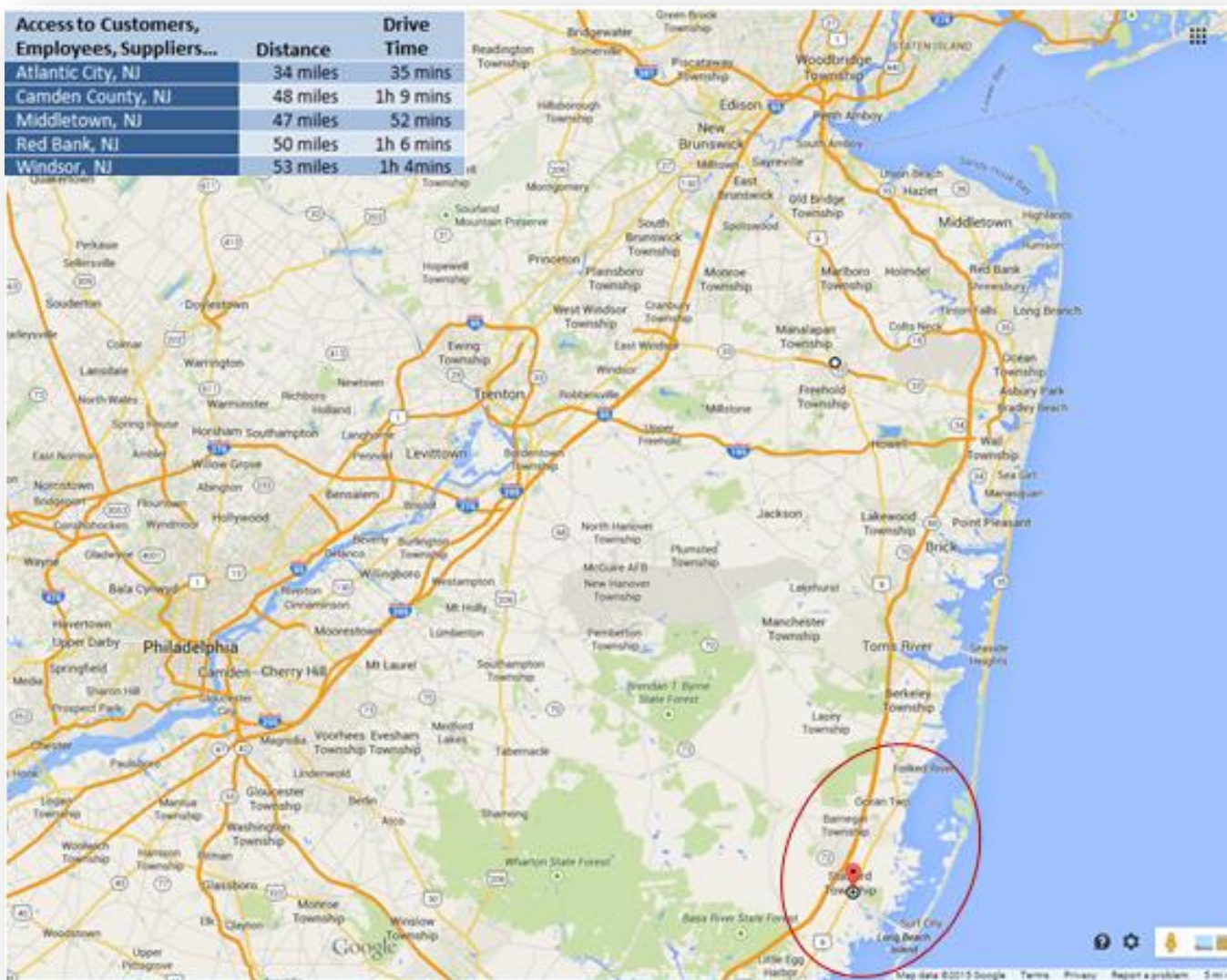
<sup>1</sup> 2011 Ocean County Comprehensive Master Plan, December 2011, Ocean County Planning Board, Toms River, NJ



businesses, and employees. At the same time, targets and initiatives must be realistic, have a consensus of support, and reflect local strengths and weaknesses. The net result will be a larger and faster return on the ED investment.

For the purposes of this study, Southern Ocean County (SOC) includes the follow townships and boroughs:

- Barnegat township
- Barnegat Light borough
- Beach Haven borough
- Eagleswood township
- Harvey Cedars borough
- Lacey township
- Little Egg Harbor township
- Long Beach township
- Ocean township
- Ship Bottom borough
- Stafford township
- Surf City borough
- Tuckerton borough



Rockport Analytics has performed many such economic development studies over the course of more than 25 years. Our approach had us utilize available data from the NJ Department of Labor, the U.S. Bureaus of the

Census, Labor Statistics, and Economic Analysis, and an array of private sources, including the latest IMPLAN economic model of Ocean County<sup>2</sup>. In short, we have deployed a time-tested methodology to produce credible list of potential target sectors for business development. Moreover, our research has been executed in a manner consistent with other related economic impact studies, including the 2011 Economic Impact of Tourism in Southern Ocean County<sup>3</sup>, in order to facilitate sector/cluster comparisons and contribute to the 2015 SOC Strategic Plan.

## Contact

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<sup>2</sup> The IMPLAN model was originally developed at the University of Minnesota (see [www.implan.com](http://www.implan.com))

<sup>3</sup> 2011 Economic Impact of Tourism in Southern Ocean County, NJ, Rockport Analytics, October 2012

# Executive Summary

The Southern Ocean County Chamber Regional Business Development Plan is part of an effort to explore the area's strengths and create a plan to stimulate new investment in appropriate businesses that can create new jobs, intelligently repurpose existing vacant commercial space, and raise property values in general. Resources aimed at these goals are not unlimited, however. Smart choices of a targeted set of sector candidates that are compatible with SOCCC objectives and are pragmatically obtainable are paramount. Moreover, the economic development tools and policies available to the SOCCC and their effectiveness with certain target sectors may also help to inform choice. The Chamber's strategy was to first use a data-driven approach to generate a short list of candidates that would then warrant a more specific selection process.

Rockport Analytics, a private economic development research consultancy, has been retained by Southern Ocean County Chamber of Commerce (SOCCC) to help support the SOCCC's planning effort. Rockport has executed a research effort which examined current conditions in Southern Ocean County, identified observed area strengths, and vetted an array of compatible target sectors for potential attraction, retention, and incubation efforts. A list of recommendations based upon their detailed findings is presented in this report.

The research culminated with a list of six target clusters that meet the goals of the SOCCC, are compatible with the findings of Ocean County Master Plan<sup>4</sup>, and should be open to investment in southern Ocean County.

## Southern Ocean County Economic & Demographic Profile

- ❖ **Ocean County has been gaining population at a rate of about 1% per year since 1998.** This ranks it in the top quintile of all U.S. counties. Much of this growth has come from domestic in-migration from surrounding counties, particularly those from the northern part of the state.
- ❖ **Southern Ocean County (SOC) has actually been leading the population growth charge. At 119,400 in 2014, SOC has been growing at a healthy 1.3% per year clip since 2000.** And this pace is expected to be maintained through the year 2030 when SOC total population will reach an estimated 145,200 and comprise 23% of Ocean County.
- ❖ **With a growing SOC population base will come additional demand for retail, personal services, utilities, and (especially) health care and education.** Transportation and communications infrastructure, as well as commercial space availability, may challenge that growth, however.
- ❖ **Ocean County business and job performance has been admirable over two decades, especially considering the challenges faced across New Jersey and many other parts of the country.** Employment growth, at 1.3% per year since 1998, ranks in the top quintile among all U.S. counties. Wage gains have also been notable. Wage growth of 2.4% since 1998 ranks Ocean in the top one-third of all counties, likewise for Real GDP Per Capita growth, a measure of countywide living standards.
- ❖ **Taking a deeper dive into Southern Ocean County,** the area has struggled to regain the jobs lost during the Great Recession, a common challenge across most of New Jersey. **In the five year period between 2007 and 2012, SOC saw a net loss in jobs of just over 2,200, most of that among its top 15 dominant industry sectors.**
- ❖ **Clearly many of the sectors that are driving SOC success are related to tourism,** either directly serving area visitors (e.g. restaurants, amusements, real estate) or as contributors to the tourism supply chain (e.g. business services, information, administrative support). In fact, more attraction/retention of

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<sup>4</sup> 2011 Ocean County Comprehensive Master Plan, Ocean County Planning Board, Toms River, NJ, December 2011

businesses on the tourism supply chain is arguably low hanging economic development fruit for the SOC area.

- ❖ **SOC jobs are concentrated in industries that tend to have smaller employers.** The region has an average jobs-per-establishment count of 8.4. The top 15 sectors come in at only 8.8. Job development in an environment of smaller employers whose markets are local tends to require more one-on-one business incubation.

## SOC Industry Clusters: Focusing on Development “Ecosystems”

- ❖ **Experts argue that the concept of a target should be expanded beyond single industries. Instead, strategic development plans should focus on business “ecosystems” or clusters.** A cluster takes a 360 degree view of what makes a sector or business successful –beyond simply growing revenue and focusing on cost-effective/quality suppliers, a skilled labor force, financial/capital market access, and educational, association, and government partnerships.
- ❖ **The creation and strengthening of regional clusters is the key to local (and national) prosperity.** Clusters enhance productivity, spur innovation, and drive growth in excess of population expansion. Close proximity brings together technology, information, talent, and investment –hallmarks of more rapid success.
- ❖ **There are two types of clusters distinguished by the nature of their end-markets. *Traded* clusters are industry ecosystems that ultimately serve markets outside the local area. *Local* clusters consist of ecosystems that primarily serve the local market.** The latter exist in every region and are proportional to local population. Traded clusters generally have a larger economic impact on a region because their top-line revenue is not constrained by local population, their wage levels tend to be higher, and they demonstrate much higher levels of innovation.
- ❖ **So, which clusters currently make up the SOC region? Tourism as the largest cluster is not surprising, but the relative size of the business services, distribution, and education clusters is perhaps less obvious.** Unfortunately, Ocean County job gains in the Tourism, Business Services, and Education clusters have not been enough to cover the losses in Distribution, Biopharma, and Marketing Design & Publishing. Ocean County had a net traded cluster loss of 678 jobs between 2002 and 2012.

## Area Imports and Exports Suggest Market Opportunities for Ocean County Businesses

- ❖ Recognizing that a local business’s success is a function of more than simply a large market for its good or service, **businesses also need easy access to business inputs, adequate supplies of skilled labor and critical materials and business services. When a business lacks sufficient quantities (or quality) locally of either, it must import them from outside the area.** Identifying the local sectors that currently produce much less of their product or service than is required locally (be it by businesses, households or local government) provides a **ready-made argument for (a) the expansion of existing businesses and (b) the attraction of additional businesses to the area.**
- ❖ Rockport analyzed over 400 detailed sectors in Ocean County and found almost \$8.5 billion in imports (2011). New businesses in those sectors which top the import list would find abundant local demand. Among them are ***Wholesale Trade & Warehousing, Mortgage & Industrial Banking, Hospitals, Post-secondary Private Education, Security & Investments***, as well as ***Legal and Business Services***.



- ❖ **Legal and Business Services also appear to be underserved in Ocean County.** Examples include Data Internet/ISP Providers, Scientific Research Services, Employment/HR Services and Advertising. These data certainly suggests that Ocean County could support more of these businesses.

## Targeting Clusters and Industries for Focused Economic Development in Southern Ocean County

- ❖ **What Makes a Good Target?** A simple approach would focus upon the fastest growing industries in the U.S., trade clusters with large market upsides, high wages, small environmental footprints, and low public infrastructure hurdles. These sectors, however, will be among everyone’s targets and, for all their benefits, may be a mismatch for local labor skills, available commercial space, infrastructure, and land use requirements.
- ❖ **Data can help. Measures of growth, size, competition, and economic multipliers can help trim a long list of possibilities.** And judgement plays a huge role in considering all of the issues for which adequate measures do not exist. Rockport Analytics has utilized a data-driven approach towards building a short list of vetted candidates, by building **an index of desirability or a Market Power Index (MPI)** from an array of weighted factors (see table at right).

Industry Performance Measure	Units	Logic	MPI Weight
Historical U.S. growth in sales 2004-2014	Compound Annual Growth %	Growing sectors are preferred	10%
Projected U.S. sector sales growth through 2020 -Sales	Compound Annual Growth %	Future growth is even more critical	20%
Value of Ocean County imports	2012 in nominal \$	Current dearth in local supply suggests ready-made markets and fewer competitors	30%
Regional Purchase Coefficient	2012 % of demand met by local supply	The higher the RPC, the more spending stays and resounds locally	10%
% of Employment in Establishments w/ LT 100 employees	Percentage of total establishments	Sectors with smaller scales more compatible with current SOC infrastructure and available commercial space	10%
Average Salary per Worker	Nominal dollars	Higher wages mean greater economic impact	20%
<b>Total</b>			<b>100%</b>

- ❖ After overlaying judgement for other factors for which data is not available, Rockport Analytics arrived at the following short list of cluster targets for SOC:

### Recommended SOC Target Cluster List 2015

Recommended Target Cluster	Logic	Potential Strategies
<b>Tourism</b>	<ul style="list-style-type: none"> <li>• Critical Mass: existing size @ \$1.3B (2014) in sales, supporting 10,000+ direct jobs</li> <li>• Cluster revenue comes entirely from outside the region</li> <li>• Organic growth and SOC comparative advantage</li> </ul>	<ul style="list-style-type: none"> <li>✓ Infrastructure &amp; marketing investments in emerging tourism niches</li> <li>✓ “Secondary” attractions convince visitors to come, stay longer, and spend more.</li> <li>✓ Examples include museums, historical sites, theaters, a garden or nature preserve, etc.</li> <li>✓ Attack tourism supply chain businesses</li> </ul>

Recommended Target Cluster	Logic	Potential Strategies
Business Services	<ul style="list-style-type: none"> <li>Local demand already outstrips available OC supply. And new SOC entrants can compete for market in adjacent counties.</li> <li>Business Services firms are most successful when leveraging local presence –a strong selling point for SOC.</li> <li>U.S. growth expected to reach more than 5% per year, with jobs expanding over 2%/yr through 2020.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Traditional ED start-up/incubation tools and workforce development programs</li> <li>✓ Partnering with regional business schools to develop internships and education outreach</li> <li>✓ Partnering with regional financial service firms to open satellite facilities in SOC region</li> </ul>
Financial Services	<ul style="list-style-type: none"> <li>Local demand outstripped supply by \$686M in 2013. New entrants could also attack markets in adjacent areas.</li> <li>U.S. industry growth expectations through 2020 calls for annual sales growth of 5.6%, jobs gains at 2.1%/yr.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Traditional ED start-up/incubation tools and workforce development programs</li> <li>✓ Partnering with regional business schools to develop internships and education outreach</li> <li>✓ Partnering with regional financial service firms to open satellite facilities in SOC region</li> </ul>
Health Care	<ul style="list-style-type: none"> <li>Local demand reached \$3.5 billion (2013). Hospitals and medical labs are well below U.S. per capita averages &amp; SOC population is growing.</li> <li>Health Services is a local cluster, except for medical instruments manufacturing or distribution. Upside potential will, therefore, be constrained by population growth.</li> <li>U.S. industry growth expectations through 2020: sales @ 5.7% and jobs @ 3.3%</li> </ul>	<ul style="list-style-type: none"> <li>✓ Partnering with regional colleges and medical schools to develop internships and education outreach</li> <li>✓ Partnering with regional schools and training firms to open satellite facilities in SOC region</li> </ul>
Education & Knowledge Creation	<ul style="list-style-type: none"> <li>Local demand outstrips local supply by \$720 million (2013). Most of this gap lies with post-secondary education.</li> <li>Post-secondary education and technical training are also critical inputs to an expanding and evolving economy. OC &amp; NJ's relatively high unemployment rate is due in part to a skills mismatch.</li> <li>Education's role in raising the</li> </ul>	<ul style="list-style-type: none"> <li>✓ Partnering with regional colleges and medical schools to develop internships and education outreach</li> <li>✓ Partnering with regional schools and training firms to open satellite facilities in SOC region</li> </ul>

Recommended Target Cluster	Logic	Potential Strategies
<p><b>Distribution, Warehousing, &amp; Logistics</b></p>	<p>productivity of virtually every industry makes it part of the solution.</p> <ul style="list-style-type: none"> <li>• Local demand outstrips supply by \$650M in 2012. Two large gaps exist in food and industrial parts distribution and storage.</li> <li>• Sector lies squarely on the supply chain of Tourism &amp; Health Care.</li> <li>• With almost 90,000 skilled transportation and material moving workers locally or within commuting distance, the labor market is well equipped to support SOC expansion</li> <li>• Wage levels for workers in this cluster average more than \$50k per year.</li> <li>• Overall U.S. growth is expected to be strong: sales @ 5.4% , jobs @ 1.7%/yr.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Traditional ED start-up/incubation tools and workforce development programs</li> <li>✓ Partnering with existing Tourism Cluster firms to attract specific distribution or warehousing companies</li> <li>✓ Partnering with regional distribution or warehousing firms to open satellite facilities in SOC region</li> </ul>

# Southern Ocean County Economic & Demographic Profile

## Demographics: In-Migration Driven by Improved Quality of Life

Ocean County has been gaining population at a rate of about 1% per year since 1998. This ranks it in the top quintile of all U.S. counties. Much of this growth has come from domestic in-migration from surrounding counties, particularly those from the northern part of the state, seeking Ocean County’s enviable quality of life advantages. Moreover, Ocean’s growing popularity as a desired shore community has attracted significant numbers of retirees over the past two decades. Ocean County does skew to the older side with about 22% of its population 65 and older (U.S. county average is 14%). Yet, Ocean has also seen increases in the 45-64 year old age cohort as well, currently at about 26% of total. These gains were made early in the new millennium and have flattened since the Great Recession, however. One demographic challenge that Ocean faces with respect to business attraction is the low (and falling) level of millennials, those in the 25-44 cohort. At only 21.5%, Ocean is well below the national average of 26.3%.

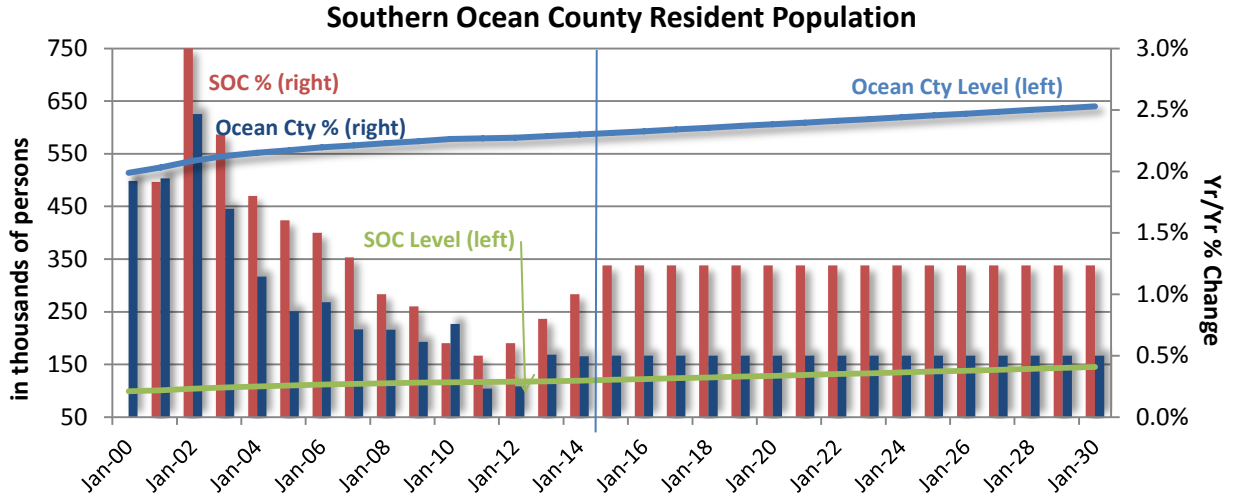
Southern Ocean County (SOC) has actually been leading the population growth charge. At 119,400 in 2014, SOC has been growing at a healthy 1.3% per year clip since 2000. And this pace is expected to be maintained through the year 2030 when SOC total population will reach an estimated 145,200 and comprise 23% of Ocean County. Available residential space may begin to challenge these growth expectations after 2020, however.

### Ocean County Population: SOC Will Continue to Pace Growth

Area	2014	2020	2030	2014-2030 C.A.G.R.
Ocean County	586,300	605,800	639,800	0.5%/yr
Southern Ocean Area	119,400	128,500	145,200	1.2%/yr
Rest of County	466,900	477,300	494,600	0.4%/yr
State of New Jersey	8,938,200	9,437,500	10,252,200	0.9%/yr

Source: US Bureau of Census, Proximity One, Rockport Analytics

The chart below tracks both Ocean County and the SOC area since 2000. The blue line (left scale) depicts total countywide population; the green line is the SOC area. The blue and red bars (right scale) show year-on-year % change in population. SOC (red bars) has been outpacing the rest of the county by a factor of 1.5. SOC’s population growth rate has also recovered strongly from the slow-down caused by the Great Recession. The blue vertical line separates historical levels from projections through the year 2030. Population growth momentum will continue to favor the southern end of the county with growth expectations of about 1.2% per year versus just 0.4%/yr for the rest of Ocean County. The good news is with a growing SOC population base will come additional demand for retail, personal services, utilities, and (especially) health care and education. While transportation and communications infrastructure, as well as commercial space availability, may challenge that growth, thoughtful planning and astute investments should enable SOC and Ocean County to facilitate this expansion and achieve their goal for rising living standards.



Source: US Bureau of Census, Federal Reserve Bank of St. Louis, Proximity One, Rockport Analytics

## Business and Jobs Profile: Performing Admirably During a Difficult Period

Ocean County business and job performance has been admirable over two decades, especially considering the challenges faced across New Jersey and many other parts of the country. The charts below tell some of that story in the aggregate. Long and short-term trends in performance reveal a county that has performed well. For example, employment growth, at 1.3% per year since 1998, ranks in the top quintile among all U.S.

### Ocean County Jobs, Establishment Counts, Living Standards:

#### All Performing Admirably



Ranks are by percentile from 1-100 among all 3221 U.S. counties:  
 ● 1-20 (first quintile) ● 21-40 (second quintile) ● 41-60 (third quintile) ● 61-80 (fourth quintile) ● 81-100 (fifth quintile)

Source: Institute for Strategy & Competitiveness, U.S. Bureaus of Labor Statistics, Census



counties. Meanwhile, wage gains have also been notable. Wage growth of 2.4% since 1998 ranks Ocean in the top one-third of all counties, likewise for Real GDP Per Capita growth, a measure of countywide living standards. At 1.4%, Ocean County is in the 35<sup>th</sup> percentile of all U.S. counties. Having said this, at \$29,333 in 2013, OC’s GDP per Capita is in the middle of the U.S. county pack. Finally, business establishment growth has been positive as well, with Ocean gaining nearly 1,300 business locations since the turn of the century. After declining during the Great Recession, both jobs and business counts have rebounded, albeit slowly.

Taking a deeper dive into Southern Ocean County only and focusing on the more recent past, the area has struggled to regain the jobs lost during the Great Recession. In the five year period between 2007 and 2012, SOC saw a net loss in jobs of just over 2,200, most of that among its top 15 dominant industry sectors. The table below summarizes employment and establishment gains/losses among the top 15 sectors in SOC.

### Top 15 Industries Driving Jobs in Southern Ocean County in 2012

Rank	NAICs Code	Industry Description	Jobs 2007	Jobs 2012	Jobs Gain/Loss	% of Total SOC	Estabs 2012	Avg Jobs per Estab
1	44-	Retail trade	5,062	5,268	206	27.0%	393	13.4
2	62	Health care & social assistance	3,640	3,642	2	18.6%	238	15.3
3	722	Food services & drinking places	2,695	2,608	(87)	13.3%	263	9.9
4	23	Construction	2,202	1,699	(503)	8.7%	388	4.4
5	541	Professional & technical services	1,055	782	(274)	4.0%	168	4.7
6	22	Utilities	785	769	(16)	3.9%	3	256.5
7	812	Personal and laundry services	518	521	2	2.7%	102	5.1
8	561	Admin support svcs	1,129	496	(632)	2.5%	107	4.6
9	813	Membership, Assn, & Non-profits	533	477	(56)	2.4%	75	6.4
10	522	Credit intermediation & related	415	403	(12)	2.1%	40	10.1
11	713	Amusements, gambling, & recreation	520	359	(161)	1.8%	59	6.1
12	51	Information	583	343	(240)	1.8%	25	13.7
13	531	Real estate	366	325	(41)	1.7%	92	3.5
14	811	Repair and maintenance	263	236	(27)	1.2%	66	3.6
15	31-	Manufacturing	350	222	(128)	1.1%	40	5.6
		<b>Total Top 15 Sectors</b>	<b>20,117</b>	<b>18,150</b>	<b>(1,967)</b>	<b>92.9%</b>	<b>2,059</b>	<b>8.8</b>
	Grand Total	<b>Total Southern Ocean County</b>	<b>21,738</b>	<b>19,535</b>	<b>(2,203)</b>	<b>100.0%</b>	<b>2,314</b>	<b>8.4</b>

Source: County Business Patterns, NJ Department of Labor, Rockport Analytics

Some observations:

- SOC business activity is dominated by industries associated with tourism –no surprise there. The “4Rs” of restaurants, retail, recreation, and real estate comprised over 44% of total SOC employment. Businesses in these sectors also serve area residents of course.
- Many top sectors are also part of the tourism supply chain. Profession & Technical Services and Administrative Support Services are examples. Some of their revenue and jobs are dedicated to supporting the SOC businesses that directly serve visitors.
- At 2,314 establishments in 2012, SOC comprised about 19% of Ocean County. At 8.4 employees per establishment, SOC’s businesses skew smaller than the County (@11 per) and the U.S. average (@16).

## 2012 Southern Ocean County Business Demographics: *What Drives the Local Economy?*

NAICs Code	Industry Description	Business Establishments				Employment			
		2012	5 yr G/L	% Total SOC	SOC % County	2012	5 yr G/L	% Total SOC	SOC % County
11	Agriculture, forestry, fishing	16	(2)	0.7%	55.2%	44	3	0.2%	59.2%
21	Mining, quarrying, and oil & gas	1	(4)	0.0%	16.7%	14	(37)	0.1%	27.6%
22	Utilities	3	(2)	0.1%	11.5%	769	(16)	3.9%	68.5%
23	Construction	388	(116)	16.8%	26.4%	1,699	(503)	8.7%	25.4%
31-	Manufacturing	40	(11)	1.7%	13.1%	222	(128)	1.1%	5.0%
42	Wholesale trade	64	(15)	2.8%	14.1%	219	(84)	1.1%	7.5%
44-	Retail trade	393	(32)	17.0%	23.0%	5,268	206	27.0%	20.4%
48-49	Transportation & Warehousing	45	(13)	1.9%	19.7%	353	41	1.8%	9.4%
481	Air transportation	1	1	0.0%	33.3%	2	2	0.0%	18.2%
483	Water transportation	2	0	0.1%	40.0%	4	0	0.0%	26.7%
484	Truck transportation	13	(8)	0.6%	13.3%	96	21	0.5%	19.9%
485	Transit and ground passenger	9	(3)	0.4%	22.5%	185	46	0.9%	14.5%
487	Sightseeing transportation	7	(2)	0.3%	43.8%	14	(9)	0.1%	1.1%
488	Support Activities for Transpo	6	(6)	0.3%	14.3%	21	(46)	0.1%	8.7%
492	Couriers & messengers	7	5	0.3%	29.2%	30	26	0.2%	6.5%
51	Information	25	(10)	1.1%	24.0%	343	(240)	1.8%	31.8%
52	Banking & Finance	83	(8)	3.6%	17.1%	613	19	3.1%	15.5%
522	Credit intermediation and related	40	(9)	1.7%	18.1%	403	(12)	2.1%	16.8%
523	Insurance carriers and related	14	5	0.6%	13.1%	68	36	0.3%	8.4%
524	Insurance carriers & related	29	(4)	1.3%	18.5%	141	(6)	0.7%	19.0%
53	Real Estate & Leasing	109	(9)	4.7%	22.4%	392	(48)	2.0%	15.3%
531	Real estate	92	(8)	4.0%	22.4%	325	(41)	1.7%	17.7%
532	Rental & leasing svcs	17	(1)	0.7%	22.4%	67	(7)	0.3%	9.2%
541	Professional and technical svcs	168	(16)	7.3%	16.3%	782	(274)	4.0%	14.5%
55	Management of companies	2	(2)	0.1%	6.9%	4	(45)	0.0%	0.1%
561	Admin support svcs	107	(5)	4.6%	15.9%	496	(632)	2.5%	9.9%
562	Waste mgmt & remediation svcs	7	3	0.3%	17.1%	30	18	0.2%	10.4%
61	Educational services	25	(6)	1.1%	14.0%	196	(121)	1.0%	5.6%
62	Health care & social assistance	238	5	10.3%	17.0%	3,642	2	18.6%	11.8%
711	Performing Arts, Sports	4	3	0.2%	10.0%	32	0	0.2%	15.8%
712	Museums, Historical Sites, etc.	1	0	0.0%	33.3%	14	0	0.1%	65.6%
713	Amusements, gambling, and rec	59	(5)	2.5%	27.2%	359	(161)	1.8%	7.2%
721	Accommodation	27	(4)	1.2%	24.3%	197	(34)	1.0%	19.5%
722	Food services & drinking places	263	10	11.4%	26.9%	2,608	(87)	13.3%	20.3%
811	Repair and maintenance	66	0	2.9%	20.6%	236	(27)	1.2%	14.4%
812	Personal and laundry services	102	7	4.4%	20.4%	521	2	2.7%	19.4%
813	Membership assoc & non profits	75	(1)	3.2%	35.9%	477	(56)	2.4%	35.9%
99	Unclassified entities	3	0	0.1%	0.4%	6	0	0.0%	0.6%
	<b>Grand Total</b>	<b>2,314</b>	<b>(233)</b>	<b>100.0%</b>	<b>19.7%</b>	<b>19,535</b>	<b>(2,203)</b>	<b>100.0%</b>	<b>16.0%</b>

- SOC is not overly diverse with respect to industrial structure. Almost 60% of all jobs are in the top three industries –Retail Trade, Health Care, and Food Services. Unfortunately, these sectors register relatively lower on the average wage scale.
- Retail Trade has created the most jobs during the 5-year period analyzed (2007 and 2012) at 206. Insurance Agencies, Truck & Other Ground Transportation, and Banking have also *added* jobs.
- SOC is dominated by sectors that serve visitors (tourism) and local residents which tend to be housed in smaller establishments (e.g. retail, restaurants, personal services). Moreover, many of these sectors tend to have lower levels of payroll, reducing their downstream, sometimes called their “induced”, economic multipliers.
- This local market dominance suggests a higher degree of income “recycling” (i.e. wages paid locally are then spent primarily with other local businesses), a condition that can make economic development momentum more difficult to develop.
- Having said that, the construction, professional & business services, information, and manufacturing sectors are well represented in Southern Ocean County and do tend to pay higher average wages.
- Measuring job gains/losses for only the period 2007 to 2012 may overstate the apparent negative momentum since 2007, the peak in the economic cycle before the Great Recession. At this writing, many counties and municipalities across New Jersey have yet to recapture their prior peaks.
- Nearly 93% of SOC jobs are concentrated in the top 15 sectors. The area would clearly benefit by greater industry diversity. Diversity has been proven to be a development catalyst and can help to buffer the extremes of the business cycle over time.
- SOC jobs are concentrated in industries that tend to have smaller employers. The region has an average jobs-per-establishment count of 8.4. The top 15 sectors come in at only 8.8. In fact, eliminate the three utilities in the area and this figure falls to 8.5 per establishment. Job development in an environment of smaller employers whose markets are local tends to require more one-on-one business incubation. Larger employers can rely more on organic top-line revenue expansion.
- Clearly many of the sectors that are driving SOC success are related to tourism, either directly serving area visitors (e.g. restaurants, amusements, real estate) or as contributors to the tourism supply chain (e.g. business services, information, administrative support). In fact, more attraction/retention of businesses on the tourism supply chain is arguably low hanging economic development fruit for the SOC area.

## SOC Industry Clusters: Focusing on Development “Ecosystems”

After a clear articulation of goals, formulating an economic development strategy typically begins with an assessment of current conditions, a list of the region’s strengths/weaknesses, and an inventory of current sectors and businesses. Many experts argue that the concept of a target should be expanded beyond single industries, however. Instead of sector-by-sector targets such health care, high tech manufacturing, or professional services, strategic development plans should focus on business “ecosystems” or clusters. A cluster takes more of a 360 degree view of what makes a sector or business successful –not just growing revenue in the core business, but also focusing on cost-effective/quality suppliers, a skilled labor force, financial/capital market access, and educational, association, and government partnerships.

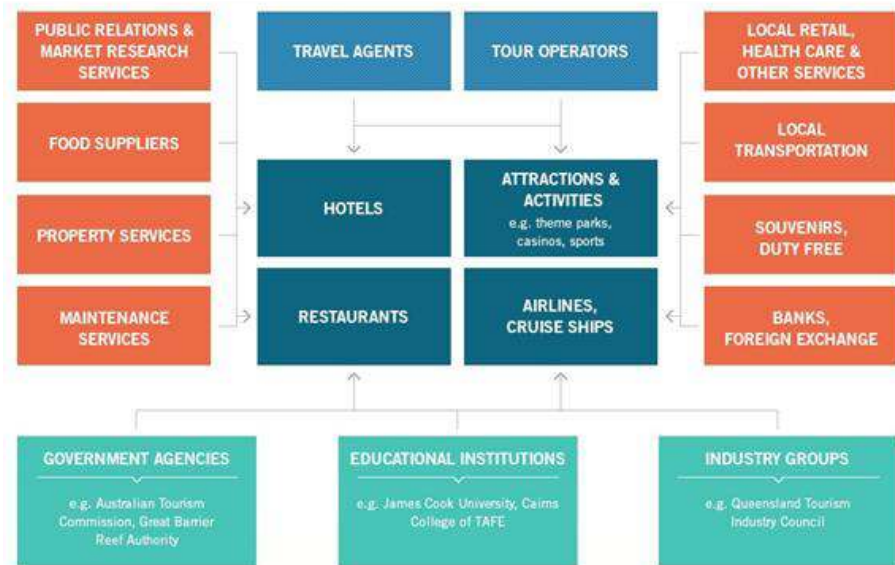
The creation and strengthening of regional clusters is the key to local (and national) prosperity. Clusters enhance productivity, spur innovation, and drive growth in excess of population expansion. Close proximity brings together technology, information, talent, and investment –hallmarks of more rapid prosperity. Clusters

exist where economic activities among interrelated industries in a location reach critical mass. It is at this point that local linkages begin to have a meaningful impact on company performance. Clusters emerge naturally in market economies, but can also be influenced by prudent economic development policy.

There are two types of clusters distinguished by the nature of their end-markets. *Traded* clusters are industry ecosystems that ultimately serve markets outside the local area. They generally locate where competitive advantages produce the best outcomes. *Local* clusters consist of ecosystems that primarily serve the local market. They exist in every region and are proportional to local population. Most of the employment in any region is found in local clusters. Traded clusters generally have a larger economic impact on a region because their top-line revenue is not constrained by local population, their wage levels tend to be higher, and they demonstrate much higher levels of innovation. That does not mean local clusters are not desirable development targets, however. Local clusters provide necessary services for residents and the traded clusters in a region. Both are needed to support a prosperous regional economy.

Perhaps the best way to illustrate is to use the SOC region's largest and most prolific cluster, Tourism. The adjacent flow chart illustrates how many other actors contribute to the success of what we as consumers might consider tourism (dark blue boxes in the center). In fact, tourism is an activity that involves many sectors which directly supply goods and services to visitors such as hotels, restaurants, attractions, transportation, and retail.

### Industry Clusters: Tourism Example



Meanwhile, these businesses require materials, supplies, and services to operate. They also need capital and (especially) skilled labor in order to thrive. If the Tourism *Industry* is depicted in the dark blue boxes then the Tourism *Cluster* includes all of the other critical partnerships required for success depicted in the other boxes. A successful restaurant needs food distribution and equipment partners. It also needs insurance, accounting services, legal advice, and a banking partner in order to thrive. Above all, it needs access to skilled labor and the means to keep them that way.

It goes without saying that when building an ED relocation (or retention) pitch for a tourism-oriented business, easy access to a dynamic and growing market of visitors is paramount. SOC clearly has that. Yet stressing the region's strengths in the rest of the tourism ecosystem may be the thing that seals the deal. When a tourism business cannot find sufficient coverage/scale in its supply chain or other partnership institutions, it must import these things from outside the area. Pitching tourism businesses on the virtues of an SOC location/expansion, while simultaneously seeking supply chain organizations in sectors with large amounts of imported goods and services is an example of a broader-based development initiative that recognizes and leverages the concept of a cluster.

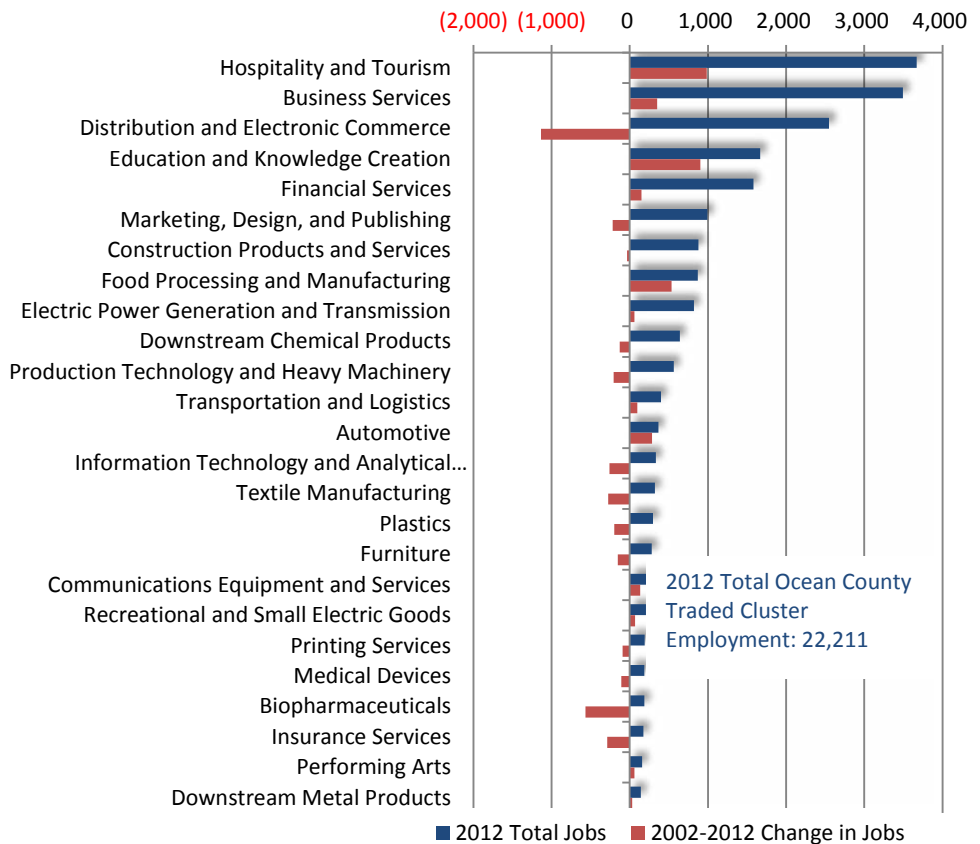
So, which clusters currently make up the SOC region? Rockport has tapped the ongoing work at the Institute for Strategy and Competitiveness at the Harvard Business School led by Michael Porter for clustering insight. Unfortunately, the data needed to establish and analyze clusters exists only at the county level of detail. Still, focusing on Ocean County's clusters, while considering SOC's unique advantages, can further help to inform development strategy.

The chart at right lists the largest 25 *traded* clusters in Ocean County based upon 2012 employment (blue bar). The red bars identify the number of jobs gained/lost since 2002.

Tourism, as the largest cluster is not surprising, but the relative size of the business services, distribution, and education clusters is perhaps less obvious. Unfortunately, job gains in the Tourism, Business Services, and Education clusters have not been enough to cover the losses in Distribution, Biopharma, and Marketing Design & Publishing. Ocean County had a net traded cluster loss of 678 jobs between 2002 and 2012.

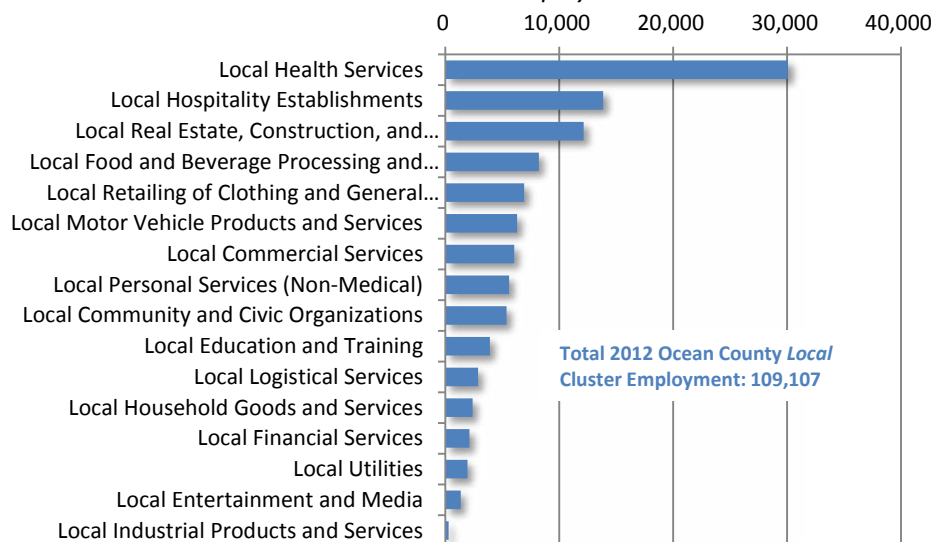
The next chart at right tracks 2012 employment in Ocean County's *local* clusters. The size and composition of these

## Top Traded Clusters in Ocean County based on 2012 Employment



Source: Institute for Strategy and Competitiveness, Harvard

## Top Local Clusters in Ocean County based on 2012 Employment



Source: Institute for Strategy and Competitiveness, Harvard Business School



clusters reflects county residential population and the local businesses that serve them. In total, local clusters comprised about 83% of county employment, traded clusters making up the other 17%. Any new job is beneficial and local cluster businesses provide critical inputs to every Ocean County business but, from an economic development standpoint, job growth in traded clusters would arguably pay greater future dividends.

## Occupational Profile: Current Distribution Reveals Some Leverage-able Strengths

Having access to the right skilled labor force is paramount for existing and potential businesses. Fortunately, Southern Ocean County is blessed with an existing set of occupations that would be appropriate for the attraction of many desirable target clusters and industries. The table at right breaks out current (2013) employment in the SOC area across high level occupations.

Southern Ocean County Jobs by Occupation		2013 Jobs	% of SOC
<b>Southern Ocean County Total</b>		<b>51,795</b>	<b>100%</b>
Management, Professional, & Related Occupations		16,781	32%
Service Occupations		9,940	19%
Sales and Office Occupations		14,857	29%
Farming, Fishing, & Forestry Occupations		327	1%
Construction, Extraction, & Maintenance		4,187	8%
Production, Transportation, & Material Moving		4,213	8%

Source: NJ Department of Labor, U.S. Bureau of Labor Statistics

Note the abundance of managerial, professional, and sales occupations (31,600) necessary for a broad array of businesses. The area may be relatively lean in engineering and technical employees but many of those professionals are within a short commute.

Expanding the geographic definition of SOC's available labor pool to include communities in which demographic data already reveals strong commuting patterns suggests significant existing supply of technical, engineering, and professional talent as well. The table below includes counties to the north and east of Ocean County and reports the occupational mix of a total labor pool of over 1 million workers within a manageable commuting distance of SOC. Total employment for 2014 is reported alongside the average annual salaries in the region.

### Occupational Employment in Edison-New Brunswick-Ocean County Area\*

Occupation	2014 Employment	% of Total	Average Annual Wage
Architecture and Engineering Occupations(170000)	13,940	1.4%	\$84,770
Arts Design Entertainment Sports and Media Occupations(270000)	10,590	1.1%	\$54,930
Building and Grounds Cleaning and Maintenance Occupations(370000)	30,790	3.1%	\$28,740
Business and Financial Operations Occupations(130000)	55,380	5.5%	\$78,510
Community and Social Service Occupations(210000)	11,410	1.1%	\$53,960
Computer and Mathematical Occupations(150000)	42,410	4.2%	\$95,190
Construction and Extraction Occupations(470000)	29,560	3.0%	\$57,790

Occupation	2014 Employment	% of Total	Average Annual Wage
Education Training and Library Occupations(250000)	74,620	7.4%	\$57,140
Farming Fishing and Forestry Occupations(450000)	600	0.1%	\$27,870
Food Preparation and Serving Related Occupations(350000)	76,790	7.7%	\$24,430
Healthcare Practitioners and Technical Occupations(290000)	56,230	5.6%	\$88,080
Healthcare Support Occupations(310000)	35,230	3.5%	\$30,080
Installation Maintenance and Repair Occupations(490000)	38,590	3.9%	\$51,000
Legal Occupations(230000)	5,880	0.6%	\$121,720
Life Physical and Social Science Occupations(190000)	10,640	1.1%	\$76,700
Management Occupations(110000)	54,640	5.5%	\$141,260
Office and Administrative Support Occupations(430000)	167,570	16.7%	\$38,250
Personal Care and Service Occupations(390000)	29,970	3.0%	\$30,930
Production Occupations(510000)	44,770	4.5%	\$36,520
Protective Service Occupations(330000)	20,500	2.0%	\$56,030
Sales and Related Occupations(410000)	110,560	11.0%	\$42,900
Transportation and Material Moving Occupations(530000)	81,070	8.1%	\$33,260
<b>Grand Total</b>	<b>1,001,740</b>	<b>100.0%</b>	<b>\$59,548</b>
<b>* includes Monmouth and Ocean Counties</b>			

Notable are the 14,000 engineers and architects, 42,000 computer & mathematical professionals, and 75,000 educational and training workers already in or within commuting reach of Southern Ocean County. These and other critical workers provide adequate supply for many of the traded and local cluster targets that SOC might consider for attraction, expansion, and/or incubation. Given the observed trend of in-migration to Ocean County for its quality of life advantages and the volume of commuters currently moving in both directions, the labor pool described above is well within the reach of current and future SOC businesses.

## Area Imports and Exports Suggest Market Opportunities for Ocean County Businesses

We have already discussed the nature of business ecosystems, recognizing that a local business's success is a function of more than simply a large and accessible market for its good or service. Easy access to much-needed business inputs is also important, such as adequate supplies of skilled labor and critical materials and business services. When a business lacks sufficient quantities (or quality) locally it must import them from outside the area. Identifying the local sectors that currently produce much less of their product or service than is required locally (be it by businesses, households or local government) provides a ready-made argument for (a) the expansion of existing businesses and (b) the attraction of additional businesses to the local area.

Meanwhile, in the case of a sector that produces far and away more output than is demanded locally, much of its product would be exported. Large exports tend to happen with industries that possess a comparative advantage in the region such as easy access to needed raw materials, specialized labor resources, or close proximity to end-markets. Agglomeration takes place through natural market forces over time. These advantages may also provide the foundation for yet another SOC relocation or expansion case.

Input/output analysis provides the tools needed to estimate imports and exports by sector in the Ocean County area. Rockport Analytics has examined the IMPLAN model of Ocean County for assistance is deriving the current level of imports and exports by sector. As was the case in our analysis of clusters, data inputs at the county level is finest level of geographic detail available. Still, analyzing Ocean County in total, while considering some of the unique advantages that exist in SOC, can help to generate a short list of potential target candidates based upon import and export opportunities.

The table below summarizes the top 35 Ocean County sectors (among 400 in total) ranked on total imports into the area. The value of local production is compared to local demand be it from (a) intermediate (material & supply) uses or (b) final demand (i.e. households, government, business capital, and foreign exports). When the difference between local supply and demand is negative, an import takes place. Supply in excess of demand promotes (domestic) exports. Moreover, we have included a regional purchase coefficient (RPC) which describes the proportion of total demand in Ocean County that is satisfied by local producers. Essentially, a sector having a high level of imports and a large RPC would be a good candidate for locating (or expanding) in Ocean County. The local market is currently being underserved and, holding other things constant, a new business would likely find abundant demand and a dearth of competition –a compelling economic development story.

### 2011 Ocean County Sector-by-Sector Supply & Demand: Top 35 Importing Sectors

NAICS Code	Ocean County Sector	Local Production (in mils\$)	Business Intermediate Demand (in mils \$)	HH, Govt, Capital & Foreign Export Demand (in mils \$)	Total OC Demand (in mils \$)	Regional Purchase Coefficient %	OC Imports (in mils\$)
<b>Tot</b>	Total	\$23,787.2	\$8,860.3	\$23,383.9	\$32,244.2	0%	<b>-\$8,457.1</b>
<b>524</b>	Insurance Carriers	\$44.8	\$273.9	\$590.0	\$863.9	5%	<b>-\$819.1</b>
<b>324</b>	Refined petroleum products	\$102.2	\$340.7	\$358.9	\$699.6	10%	<b>-\$597.5</b>
<b>420</b>	Wholesale trade distribution services	\$577.9	\$395.9	\$752.5	\$1,148.3	35%	<b>-\$570.5</b>
<b>325</b>	Pharmaceutical preparations	\$82.3	\$70.1	\$424.6	\$494.7	0%	<b>-\$412.4</b>
<b>622</b>	Private hospital services	\$1,113.8	\$1.1	\$1,520.6	\$1,521.8	73%	<b>-\$408.0</b>
<b>522</b>	Non-depository Industrial, Mortgage banking, Credit Cards, etc.	\$176.2	\$380.9	\$95.9	\$476.7	37%	<b>-\$300.5</b>
<b>610</b>	Education from private colleges, universities, & prof schools	\$151.8	\$7.0	\$395.5	\$402.5	38%	<b>-\$250.7</b>
<b>722</b>	Restaurant, bar, and drinking place services	\$763.0	\$104.8	\$897.3	\$1,002.2	75%	<b>-\$239.1</b>

NAICS Code	Ocean County Sector	Local Production (in mils\$)	Business Intermediate Demand (in mils \$)	HH, Govt, Capital & Foreign Export Demand (in mils \$)	Total OC Demand (in mils \$)	Regional Purchase Coefficient %	OC Imports (in mils\$)
523	Securities, commodity contracts, investments, & related	\$146.5	\$146.8	\$196.8	\$343.6	39%	-\$197.1
550	Management of companies and enterprises	\$41.3	\$233.4	\$0.0	\$233.4	14%	-\$192.1
525	Funds, trusts, and other financial services	\$47.4	\$6.6	\$232.9	\$239.4	20%	-\$192.1
521	Commercial Banking and other depository credit services	\$443.0	\$239.4	\$391.9	\$631.3	67%	-\$188.3
481	Air transportation services	\$7.0	\$32.7	\$149.6	\$182.3	3%	-\$175.3
336	Automobiles	\$0.0	\$0.0	\$151.9	\$151.9	0%	-\$151.9
210	Oil and natural gas	\$152.7	\$293.6	\$0.0	\$293.6	32%	-\$140.9
311	Processed meat and rendered byproducts	\$5.0	\$30.2	\$115.0	\$145.2	0%	-\$140.2
334	Electronic computers	\$0.2	\$0.2	\$129.3	\$129.5	0%	-\$129.3
517	Telecommunications	\$371.6	\$242.2	\$257.3	\$499.5	72%	-\$127.9
540	Legal services	\$248.8	\$154.2	\$217.2	\$371.3	65%	-\$122.5
312	Soft drinks and manufactured ice	\$1.6	\$9.0	\$114.0	\$123.1	1%	-\$121.5
540	Scientific research and development services	\$9.7	\$43.0	\$75.8	\$118.9	8%	-\$109.1
518	Data processing- hosting- ISP- web search portals	\$27.1	\$10.7	\$117.4	\$128.1	18%	-\$101.1
721	Hotels and motel services, including casino hotels	\$60.0	\$40.9	\$119.8	\$160.7	0%	-\$100.7
314	Women's and girls' cut and sewn apparel	\$0.3	\$0.3	\$97.1	\$97.4	0%	-\$97.0
334	Audio and video equipment	\$1.6	\$1.4	\$92.4	\$93.9	0%	-\$92.3
336	Light trucks and utility vehicles	\$0.6	\$0.0	\$92.3	\$92.3	0%	-\$91.8
561	Employment services	\$65.2	\$123.5	\$19.5	\$143.1	46%	-\$77.9
326	Other plastics products	\$3.6	\$59.5	\$21.8	\$81.3	0%	-\$77.6
312	Cigarettes, cigars, chewing tobacco	\$0.0	\$0.0	\$75.3	\$75.3	0%	-\$75.3
452	Retail Services - General merchandise	\$206.4	\$20.0	\$261.0	\$281.0	73%	-\$74.6

NAICS Code	Ocean County Sector	Local Production (in mils\$)	Business Intermediate Demand (in mils \$)	HH, Govt, Capital & Foreign Export Demand (in mils \$)	Total OC Demand (in mils \$)	Regional Purchase Coefficient %	OC Imports (in mils\$)
540	Advertising and related services	\$147.6	\$208.3	\$12.2	\$220.6	66%	-\$73.0
311	Processed poultry meat products	\$0.0	\$12.6	\$59.8	\$72.4	0%	-\$72.4
532	Automotive equipment rental and leasing services	\$76.9	\$49.4	\$98.0	\$147.4	44%	-\$70.6

Some observations:

- Local demand for sectors such as *Insurance Carriers, Pharma, Automotive Production, Computer Equipment, Air Transportation*, and others with low RPCs tends to be satisfied almost entirely from suppliers outside any local economy. While this should not eliminate them from target consideration per se, a pitch of “abundant local demand” will be less interesting to these candidates.
- Sectors such as *Wholesale Trade & Warehousing, Mortgage & Industrial Banking, Hospitals, Post-secondary Private Education, Security & Investments*, among others, have higher RPCs and large imports into Ocean County. New business entrants in these sectors should be impressed with the upside potential for sales in the local area.
- Legal and Business Services also appear to be underserved in Ocean County. Examples include *Data Internet/ISP Providers, Scientific Research Services, Employment/HR Services* and *Advertising*. These data certainly suggests that Ocean County could support more of these businesses.
- The *Hotel* sector defies the logic of this analysis since nearly all of its demand comes from non-residents (hence the low RPC). Local demand for hotels, at about \$160 million in 2011, refers to Ocean County resident’s expenditures traveling outside the area.
- Likewise, the \$239 million in *Restaurant* imports is also somewhat distorted by the visitors-versus-residents demand issue, albeit less so than Hotels. Ocean County’s status as a key tourism destination means that a significant share of its *Restaurant* output (@\$763 million in 2011) is dedicated to visitors. Moreover, the seasonal nature of restaurant demand would also tend to distort this analysis since it is based upon annual data. All of this does not eliminate the possibility that Ocean County is underserved in the *Restaurant* sector, however. That answer would require more careful analysis of visitor data as well.
- Many Ocean County retail sectors are showing significant domestic exports from the area (exports are not shown in the above table). This is likely a reflection of the large amount of visitor commerce that takes place, particularly for subsectors such as grocery, drug, and clothing stores. Likewise, sectors such as *Amusements & Recreation, Sightseeing Transportation*, and *Ground Transportation* also show strong export positions in Ocean County. Each of these industries is intensely supported by visitor demand. Evaluating their appropriateness for targeting will require a specific analysis of the current and future prospects for Tourism in general.



# Targeting Clusters and Industries for Focused Economic Development in Southern Ocean County

## What Makes a Good Target?

A simple approach would have SOC focus upon the fastest growing industries in the U.S., trade clusters with large market upsides, high wages, small environmental footprints, and low public infrastructure hurdles. Of course, every other community in the country would be targeting these industries as well. Moreover, these sectors, for all their benefits, may be a mismatch for local labor skills, available commercial space, infrastructure, and land use requirements. They may also be a mismatch with local strategic objectives and the SOC’s sense of place.

Data can help. Measures of growth, size, competition, and economic multipliers can help trim a long list of possibilities. And judgement plays a huge role in considering all of the issues for which adequate measures do not exist. Rockport Analytics has utilized a data-driven approach towards building a short list of vetted candidates, one that considers growth but also factors in other issues of regional compatibility. The key is to generate a realistic list with higher probabilities for success. We have gathered data on a number of attributes that address desirability and weighted them according to their influence on local economic success. Wherever possible, we also incorporated projections of these measures to recognize that the execution of a business strategy will take place over many years. These weights can of course be altered in order to consider alternative scenarios. An index of desirability is the result, a *Market Power Index* (MPI) if you will.

While we were constrained by the availability of data in many cases, the attributes for which we did have accurate measures included:

Industry Performance Measure	Units	Logic	MPI Weight
Historical U.S. growth in sales 2004-2014	Compound Annual Growth %	Growing sectors are preferred	10%
Projected U.S. sector sales growth through 2020 -Sales	Compound Annual Growth %	Future growth is even more critical	20%
Value of Ocean County imports	2012 in nominal \$	Current dearth in local supply suggests ready-made markets and fewer competitors	30%
Regional Purchase Coefficient	2012 % of demand met by local supply	The higher the RPC, the more spending stays and resounds locally	10%
% of Employment in Establishments w/ LT 100 employees	Percentage of total establishments	Sectors with smaller scales more compatible with current SOC infrastructure and available commercial space	10%
Average Salary per Worker	Nominal dollars	Higher wages mean greater economic impact	20%
<b>Total</b>			<b>100%</b>

## Market Power Index Results

Rockport Analytics collected the appropriate measures, calculated the distributive statistics and derived the MPI by 3-digit North American Industry Classification System (NAICS)<sup>5</sup>. This more exhaustive definition of sectors made the data collection more difficult but was necessary to provide sufficient detail to facilitate comparisons and ultimately be useful. The table below summarizes the top 25 Ocean County sectors ranked by the composite MPI using the **bolded** attribute weights identified in the first row. The MPI was standardized to range from zero to 100 to assist interpretation.

### Ocean County Market Power Index Results: Top 25 of 400 Sectors

3d NAICS	Industry	2013 Ocean County Sales	2012 Ocean County Imports	Regional Purchase Coefficient	US 2004-'14 Growth	2014-'20 US Future Growth	Avg #Jobs per Estab	Avg Salary	MPI STD
		mills\$	mills\$		CAGR	CAGR		\$/ yr	<b>0-100</b>
	<b>MPI Weight</b>		<b>30%</b>	<b>10%</b>	<b>10%</b>	<b>20%</b>	<b>10%</b>	<b>20%</b>	<b>100%</b>
519	Internet Publishing and Broadcasting and Web Search Portals	\$15.5	-\$8.9	29.5%	4.6%	3.5%	19.8	\$150.0	<b>100.0</b>
541	Custom computer programming services	\$61.6	-\$5.8	88.4%	10.4%	5.7%	9.5	\$75.9	<b>99.8</b>
519	Internet publishing and broadcasting services	\$13.2	-\$8.3	26.1%	4.6%	3.5%	19.8	\$150.0	<b>99.8</b>
523	Securities, commodity contracts, investments, and related services	\$343.6	-\$197.1	39.4%	2.4%	5.6%	8.7	\$189.8	<b>97.3</b>
540	Other misc professional, scientific, and technical services	\$51.6	\$3.6	99.2%	7.7%	5.6%	9.5	\$75.9	<b>96.0</b>
230	Maintained and repaired residential structures	\$98.0	-\$13.5	86.1%	1.6%	7.7%	8.3	\$53.7	<b>94.7</b>
540	Veterinary services	\$37.3	-\$3.2	91.1%	4.3%	5.3%	9.5	\$75.9	<b>94.6</b>
541	Specialized design services	\$18.5	-\$2.1	88.2%	4.3%	5.3%	9.5	\$75.9	<b>94.5</b>
230	Newly constructed nonresidential commercial & health care structures	\$279.7	\$74.8	100.0%	1.6%	7.7%	8.3	\$53.7	<b>94.0</b>
541	Photographic services	\$9.9	-\$2.2	77.3%	4.3%	5.3%	9.5	\$75.9	<b>93.6</b>
541	Accounting, tax preparation, bookkeeping, and payroll services	\$134.0	-\$20.2	84.3%	4.3%	5.3%	9.5	\$75.9	<b>92.3</b>

<sup>5</sup> <http://www.census.gov/eos/www/naics/index.html>

3d NAICS	Industry	2013 Ocean County Sales	2012 Ocean County Imports	Regional Purchase Coefficient	US 2004-'14 Growth	2014-'20 US Future Growth	Avg #Jobs per Estab	Avg Salary	MPI STD
621	Home health care	\$161.5	-\$13.6	91.6%	5.4%	5.7%	11.2	\$54.4	<b>92.0</b>
541	Computer systems design services	\$46.0	-\$35.8	21.9%	10.4%	5.7%	9.5	\$75.9	<b>91.5</b>
324	Asphalt paving mixtures	\$20.8	\$44.2	99.0%	10.5%	2.6%	45.2	\$100.4	<b>91.0</b>
621	Offices of physicians, dentists, and other health practitioners	\$1,064.7	\$76.3	100.0%	5.4%	5.7%	11.2	\$54.4	<b>90.9</b>
541	Architectural, engineering, and related services	\$268.8	-\$34.9	83.5%	4.3%	5.3%	9.5	\$75.9	<b>90.7</b>
621	Medical and diagnostic labs and outpatient and other ambulatory care services	\$375.4	-\$27.1	92.5%	5.4%	5.7%	11.2	\$54.4	<b>90.6</b>
541	Environmental and other technical consulting services	\$32.0	-\$16.2	49.6%	4.3%	5.3%	9.5	\$75.9	<b>90.0</b>
336	All other transportation equipment	\$9.0	-\$8.7	0.1%	7.1%	8.7%	116.5	\$63.8	<b>89.8</b>
524	Insurance agencies, brokerages, and related services	\$49.0	\$56.8	100.0%	2.4%	5.6%	13.3	\$75.1	<b>89.5</b>
541	Other computer related services, including facilities management	\$70.2	-\$54.9	19.7%	10.4%	5.7%	9.5	\$75.9	<b>89.4</b>
533	Leasing of nonfinancial intangible assets	\$72.7	-\$39.1	12.3%	3.3%	6.0%	14.5	\$92.9	<b>89.3</b>
532	Video tape and disc rental services	\$12.2	-\$4.3	64.8%	3.3%	6.0%	9.4	\$44.8	<b>89.0</b>
532	General and consumer goods rental services exc video	\$33.4	\$3.3	99.8%	3.3%	6.0%	9.4	\$44.8	<b>89.0</b>
525	Funds, trusts, and other financial services	\$239.4	-\$192.1	19.8%	2.4%	5.6%	6.4	\$165.3	<b>88.6</b>

The MPI constructed by Rockport is an aid to choosing the most appropriate targets for strategic business development through 2020 for Southern Ocean County. It cannot be the only consideration, however. For one, being data driven, it is constrained by available measures of sector pros and cons. Secondly, the MPI considers industries serially. While helpful in developing broad constructs, the targeting of clusters will involve the choice of many interrelated industries, some of which might not score well in their own MPI. Thirdly, there are many important qualitative attributes to be considered as well. Finally, the tools and initiatives available to the Southern Ocean County Chamber to execute the plan will also have an influence over which clusters and

sectors are ultimately chosen. The end-game is about results –jobs, rising income, improved fiscal positions, and improving quality of life. Rockport would suggest a more nuanced and holistic approach but the MPI is arguably a good place to start.

Some additional notes of the MPI exercise:

- The MPI rankings can easily be recast to reflect a different weighting scheme and the addition or subtraction of sector attributes. Rockport would be happy to work with the SOCCC to find the most optimal approach.
- The table above illustrates the top 25 3-digit NAICS sectors based upon the MPI as described. All 400 industries are available in an Excel spreadsheet for additional analysis and research by the SOCCC.
- Each attribute was measured with the latest published data available. While having more current data for some of the measures would be desirable, it is unlikely that this would significantly impact the relative rankings.

With all of these things in mind, Rockport recommends the consideration of the following targets for the SOCCC's Strategic Business Plan.

## Tourism



Tourism is far and away the largest traded industry cluster in Ocean County. It provides direct jobs to over 25,000 (2014) New Jersey residents and, when including its upstream and downstream secondary impacts, the total climbs to 36,000<sup>6</sup>. That is 11% and 15% of total Ocean County employment, respectively. In 2012, Rockport Analytics examined tourism's impact on the Southern Ocean County region and found that about one-third of Ocean County's tourism activity takes place there. Targeting further development in businesses that operate within the Tourism Cluster is obvious and critical.

**Ocean County remains one of the fastest growing tourism economies in New Jersey with 2010-2014 spending expanding by about 5.5% per year.**

### Why Tourism?

- Existing (direct) size in SOC is about \$1.3 billion (2014) in sales, supporting 10,000+ direct jobs
- Traded cluster whose revenue comes entirely from outside the region yielding higher development multipliers
- Expected organic growth and SOC existing comparative advantage

**Strengths:** Critical mass, existing physical & brand assets, existing labor force, longer-term demographics favor leisure travel

**Challenges:** Regional competition, seasonal, constrained marketing/promotional budgets against natural visitor fatigue, lacking in some secondary attractions/activities/events, dominated by relatively lower wage jobs

<sup>6</sup> The Economic Impact of Tourism in New Jersey 2014, New Jersey Division of Travel and Tourism, Oxford Economics, April 2015

## Potential Strategies:

- Marketing investments to raise visitation and visitor spending
- Infrastructure & marketing investments in emerging tourism niches, particularly ones that would extend seasons (e.g. ecotourism, cultural tourism, gastro-tourism, local/regional sports tourism, etc.). The primary trip purpose for most of SOC's visitors is beach/sun. This purpose is inherently seasonal, however. To extend the season and further grow the Tourism Cluster will require nurturing additional trip purposes with other attractions and events. A successful event such as Chowderfest is an excellent example.
- "Secondary" (to Beach/Sun) attractions can also convince more visitors to come, stay longer, and spend more. Examples of a secondary attraction would include museums, historical sites, theaters, a garden or nature preserve, or larger shopping attraction. More research would be required to choose the most appropriate type for SOC of course, but more secondary attractions would:
  1. Attract new visitors for reasons other than beach/sun, particularly off season.
  2. Potentially a good rainy day activity for existing beach/sun visitors
  3. Raise the spending levels of existing visitors since a visit to a local museum or theater would likely involve more spending than an additional day on the sand.
  4. Help to insure repeat visitation by providing more to explore and experience, particularly for habitual visitors to SOC
  5. Draw visitors of other shore communities to SOC introducing them to the advantages of the area and increasing total visitor spending
  6. Raise the quality of life of SOC residents and give more potential in-migrants a reason to move there.
  7. Further enhance housing values of resident and vacation homes and add to SOC's sense of place
- An example: Rehoboth/Bethany Beach, DE is in the process of developing a botanic garden<sup>7</sup> scheduled to open in 2016 designed to: (1) provide residents with an important educational/cultural amenity that raises quality of life, (2) gives summer beach tourists from Delaware and Maryland a complimentary attraction, (3) brings new non-beach visitors to the area, particularly during the shoulder seasons.

## Business Services

### Why Business Services?

- Local demand has reached \$1.2 billion (2013) but available OC supply is far less, resulting in area imports of \$320 million. Moreover, potential new SOC business services firms can compete for market share in adjacent counties.
- Business Services firms are most successful when partnering with their clients through close relationships, many of which require local presence—a strong selling point for SOC.
- U.S. growth in business services revenue is expected to reach a compound annual growth rate (CAGR) of more



<sup>7</sup> The Economic & Fiscal Impacts of the Delaware Botanic Gardens at Pepper Cree

than 5% per year, with jobs expanding over 2%/yr through 2020. An expanding pie is of course better for all.

- Key subsectors would include (w/ estimated OC imports):
  - Computer Hosting, Software, Services (\$96 million)
  - Employment/HR Services (\$77 million)
  - Advertising (\$73 million)
  - Business Support & Office Administration (\$51 million)
- With an average firm size of 10 for professional business services and 26 for administrative services, the cluster would be compatible with existing SOC commercial space and consistent with the goal of repurposing some of the current vacant inventory.
- Business services pay greater than average wages with \$76k average salaries for professional and technical business services and \$42k for administrative services
- The Business Services Cluster has both traded and local attributes. The traded portion, generally firms with broader regional or national markets, would have a higher economic development ROI for the SOC, but local demand is also important and currently underserved.
- Business Services is a key supply chain member of the Tourism Cluster. Rockport estimates that SOC Tourism alone generates about \$43 million (2013) in supply chain demand for Business Services.

**Strengths:** Underserved local markets, low capital and infrastructure hurdles, compatible regional occupational labor pool and strong quality of life. Many business service occupations compatible with a semi-retired lifestyle and part-time work—a compelling SOC argument.

**Challenges:** Evolving broadband infrastructure. Off-season quality of life contrast. Access to travel infrastructure, particularly airports. Existing local professional labor talent shortage requires in-migration for some subsectors.

**Potential Strategies:**

- Partnering with existing Tourism Cluster firms to attract specific business service companies and/or skilled labor
- Traditional ED start-up/incubation tools and workforce development programs
- Partnering with regional business schools to develop internships and education outreach
- Partnering with regional business service firms to open satellite facilities in SOC area

## Financial Services

### Why Financial Services?

- Local demand in OC reached \$1.5 billion in 2013, yet inadequate local supply caused an estimated \$686 million in imports from outside the county. New SOC financial services firms could attack this unmet demand as well as compete for market share in adjacent areas using SOC as a home base.
- U.S. industry growth expectations through 2020 calls for average annual sales growth of 5.6% and jobs to





expand at about 2.1%, both above the average rate of all sectors.

- Key subsectors would include (w/ estimated OC imports):
  - Commercial Banking (\$188 million)
  - Investment & Mortgage Banking (\$300 million)
  - Securities, Brokerage, Wealth Management (\$197 million)
- Average firm size is about 12, similar to business services. The Financial Services cluster would also be compatible with existing SOC commercial space and fit well with the goal of repurposing current vacant inventory.
- Financial Service Cluster wages are well above average, with Commercial Banking at \$68k per year, Investment Banking at \$103k, and Brokerage/Wealth Management at \$189k. All other things constant, the attraction of more jobs from this cluster would pay outsized dividends to SOC.
- The Financial Services Cluster has both traded and local attributes. The traded portion, generally firms with broader regional or national markets, would have a higher economic development ROI for the SOC, but local demand is also important and currently underserved.

**Strengths:** Underserved local markets, low capital and infrastructure hurdles, compatible regional occupational labor pool and strong quality of life, some financial service occupations compatible with a semi-retired lifestyle and part-time work –a strong SOC position

**Challenges:** Weak broadband infrastructure. Off-season quality of life contrast. Access to travel infrastructure, particularly airports. Existing local professional labor talent shortage requires in-migration for some subsectors.

**Potential Strategies:**

- Traditional ED start-up/incubation tools and workforce development programs
- Partnering with regional business schools to develop internships and education outreach
- Partnering with regional financial service firms to open satellite facilities in SOC region

## Health Care Cluster

Perhaps another cluster that is somewhat obvious for strategic outreach. Health Services are already large and growing in the region. Demographics, particularly the large influx of baby boomers to NJ shore communities, suggest that it will stay that way. Analyzing other “Eds-and-Meds” cluster success stories suggest the key is to develop a specialization anchor (e.g. cancer, heart, kidney centers) as a key catalyst for growth beyond that which is required to meet rising local demand.

**Why Health Care?**

- Local demand reached \$3.5 billion (2013) in Ocean County. While there appears to be adequate current supply of practitioner offices and nursing care facilities, hospitals and medical labs are well below U.S. averages for communities of similar population. The IMPLAN model suggests about



\$435 million in imports of the latter. Moreover, adequate supply of practitioners and nursing care facilities are based upon current population levels. With the influx of retirees into Ocean County expected to continue, this situation could reverse quickly.

- Health Services is inherently a local cluster, except for medical instruments manufacturing or distribution, meaning that its product/service is produced and consumed locally. Indeed, the OC Regional Purchase Coefficient for the Health Cluster is approaching 100% for most subsectors except Hospitals (74%) and Medical Instruments & Supplies (1%). Upside potential will, therefore, be constrained by population growth. Hospitals are the exception where market boundaries are much larger.
- U.S. industry growth expectations through 2020 calls for average annual sales growth of 5.7% and jobs to expand at about 3.3%, clearly national leaders.
- Key subsectors would include (w/ estimated OC imports):
  - Medical Instruments, Supplies & Appliances (\$33 million)
  - Home Health Care (\$14 million)
  - Medical Labs and related facilities (\$27 million)
  - Hospitals (\$408 million)
  - Health Practitioners Offices (+\$76 million surplus)
  - Nursing & Residential Care Facilities (+\$172 million surplus)
- At an average firm size is about 11.5, practitioner's offices and medical labs would be easier to recruit and more compatible with the repurposing plan. Hospitals, at north of 800 per establishment would require significant net new facilities and infrastructure investment.
- Health Service Cluster wages are also above average with most subsectors registering average wages of about \$55k per year. Nursing and Residential Care come in lower at \$26k/yr due in part to the large number of part-time workers employed.

**Strengths:** Underserved local markets in certain subsectors. Low capital and infrastructure hurdles (except Hospitals)

**Challenges:** Long-term growth constrained by population growth, although expected to remain strong. Some key labor shortages, particularly in skilled occupations in high demand everywhere.

**Potential Strategies:**

- Partnering with regional colleges and medical schools to develop internships and education outreach
- Partnering with regional firms to open satellite facilities in SOC region
- Look to ED best practices in health care for specific guidance

## Education & Knowledge Creation Cluster

### Why Education & Knowledge Creation?

- Local demand reached \$720 million (2013) in Ocean County but local supply was estimated at only \$87 million, pushing the county to over \$400 million in imports. Most of this gap lies with post-secondary education including professional and technical training.

- While the local population and existing businesses appear to be underserved at this point in time, growth can be expected to exacerbate this situation through 2020. Post-secondary education and technical training are also critical inputs to an expanding service-based economy. Moreover, the transition to higher tech manufacturing will continue to require ongoing worker training. Finally, Ocean County and New Jersey’s relatively high unemployment rate is due in part to a skills mismatch that investments in the Education Cluster could help to remedy.
- Overall U.S. growth will not be as robust as some of the other suggested targets, but education’s role in the rising productivity of virtually every industry dictates that it be part of the solution.
- Key subsectors include (w/ estimated OC imports):
  - Colleges, Universities, Professional Schools (\$250million)
  - Computer & Management Training, Technical Schools (\$40 million)
- Education & Knowledge Creation Cluster wages are slightly above Tourism but below some of the other suggested targets with average annual wages at \$37k/worker.



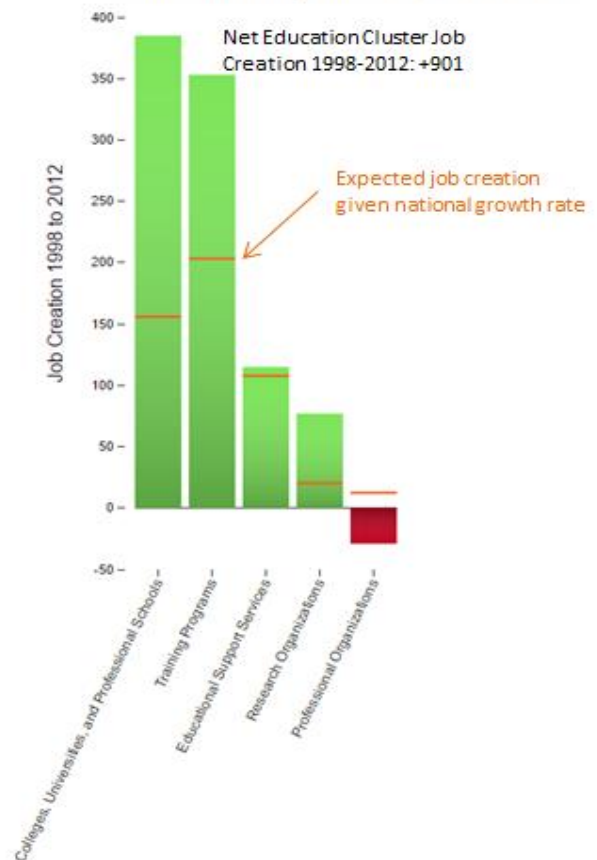
**Strengths:** Underserved local markets in post-secondary and technical training, access to regional skilled labor that could commute or be convinced to in-migrate. Training positions can be compatible with a semi-retired lifestyle and part-time work –a strong SOC position

**Challenges:** College & universities have much higher investment hurdles, current local labor pool is on the thin side. Part of holistic ED pitch for other target clusters.

**Potential Strategies:**

- Partnering with regional colleges and medical schools to develop internships and education outreach
- Partnering with regional schools and training firms to open satellite facilities in SOC region

*Education and Knowledge Creation Cluster  
Job Creation by Subcluster, 1998-2012*



## Distribution, Warehousing & Logistics Cluster

### Why DWL?

- Local demand for Distribution, Warehousing, and Logistics was \$1.45 billion in 2012. With little local sector presence, much of this demand must be satisfied by outside firms, about \$650 million to be precise. A large part of this gap is in food and industrial parts distribution and storage. This cluster lies squarely on the supply chain of the Tourism and Health Care clusters, as well as many smaller but critical industries in the county.
- The DWL Cluster contains a mix of both trade and local businesses. Investments in this cluster will help to address shortfalls in local supply and can easily reach out to regional and national markets.
- With almost 90,000 skilled transportation and material moving workers locally or within commuting distance, the labor market is well equipped to support SOC expansion within this cluster.
- Wage levels for workers in these subsectors are well above average at \$50k per year. Consequently, the ED ROI of this cluster is strong.
- Overall U.S. growth is expected to be strong in this cluster through 2020 with growth averaging 5.4% and 1.7% per year for sales and employment, respectively.
- At an average firm size is about 50 for warehousing, 14 for distribution, and 12 for logistics, the commercial space challenge is greater but not insurmountable. Perhaps some of the repurposed commercial space in SOC would be appropriate for certain DWL subsector entrants. The businesses in this cluster are relatively more capital equipment intense, however, suggesting slightly higher investment hurdles.



**Strengths:** Underserved local markets particularly in food, industrial parts, and medical instruments & supplies distribution. Component of the Tourism and Health Care supply chains. Good local road networks and regional arteries with continuing investments a major tenant of the Ocean County Master Plan. Abundant access to skilled labor locally and within commuting distance.

**Challenges:** Higher investment hurdles. Warehousing can be space intense. Part of a holistic ED pitch for other target clusters.

### Potential Strategies:

- Traditional ED start-up/incubation tools and workforce development programs
- Partnering with existing Tourism Cluster firms to attract specific distribution or warehousing companies
- Partnering with regional distribution or warehousing firms to open satellite facilities in SOC region

## About Rockport Analytics



Rockport Analytics, LLC ([www.rockportanalytics.com](http://www.rockportanalytics.com)) is a research and analytical consulting firm providing high quality quantitative and qualitative research solutions to business, government, and non-profit organization clients across the globe. Headquartered in West Chester, PA, Rockport's focus is on creative and actionable research in the travel & tourism market. We provide fast, nimble service in a transparent environment.

Rockport Analytics capabilities include:

- Market Analysis and Forecasting
- Economic Impact Assessment, Tourism Satellite Accounting, and Economic Development
- Market Modeling and Decision Support Tools
- Project Feasibility Assessment
- Primary Research and Secondary Research Synthesis
- Stakeholder Surveys – internal & external

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