Dallas Industry Strategy

Economic Development and Housing Committee

April 3, 2006
Purpose

• Introduce a target industry strategy to guide the Office of Economic Development’s (OED) proactive business development efforts over the next 24 months
Introduction

• The key concept in ED today is how the locality adds value to the firm
  • In turn, some industries bring more benefit to a community than others because they more closely match local work force, infrastructure and technology assets
  • Well adapted industries will grow faster and invest more
• To truly add value requires that a City understand the strengths, weaknesses, threats and opportunities of an industry
  • With limited resources, this means focusing on the industries that will best fit Dallas and give us the greatest return on our scarce economic development resources
  • They key is to select strategic industry targets that can be addressed by all economic development services
Customize OED Services

- Under a strategic industry approach, the tactics adopted by business service divisions can be tailored to the unique needs of each target industry
  - Entrepreneurial small business – create industry specific BACs / incubator capability and build work force and research partnerships
  - Business development – develop a custom response process for the cold call firms in these industries
  - BEAR program – call on local firms to assess needs and foster partnerships and associations
  - Marketing and recruitment – develop campaigns to identify and call on potential relocation candidates
  - Research – monitor conditions, threats, opportunities, work force and facilities needs of target industries
  - International – provide targeted recruitment of international firms
Strategic Target Research

• To identify a set of industries that can prosper in Dallas and maximize our return on scarce economic development resources, OED completed an extensive analysis of the Dallas economy and the national and international prospects of approximately 250 industries.
Five Strategic Industry Prospects

• From this research OED identified five top prospects

• Year one:
  • High IT Use Services (finance, accounting, distribution, health care)
  • Prefabricated Building Materials

• Year two the strategy adds:
  • Media (converging content, Spanish markets)
  • Food Processing and Distribution
  • Instrument Manufacturing
Why High IT Use Services?

**Current Dallas Position:** 3,332 firms concentrated in accounting, payroll and finance.

**Value Chain Target:** Firms that build linkages between information technology and Dallas’ professional strengths: finance, accounting, health, distribution.

**Reality Check:**
- Trend is merging of professional knowledge and IT systems/software to create new, more efficient business processes
- Central city locations appeal to many professionals who will create these industries
Why Prefabricated Materials?

**Current Dallas Position:** 155 firms concentrated in fabricated structural metal, window and door manufacturing, and wood kitchen cabinet and countertop manufacturing.

**Value Chain Target:** Firms that apply advanced processes to remain competitive and ultimately move into advanced materials and energy efficient building systems.

**Reality Check:**
- Growing demand for prefabricated construction materials to save costs
- High-end “green” products to save energy
- Dallas can supply components for regional housing growth
**Why Food Processing?**

**Current Dallas Position:** 162 firms concentrated in milk, baking and snack foods.

**Value Chain Target:** Add frozen and specialty foods and distribution.

**Reality Check:**
- Opportunities for niche products
- Opportunity to supply the region or national markets
- Takes advantage of logistics and distribution capabilities

Current Food Processing Jobs

![Map showing current food processing jobs distribution](image)
Why Media?

Current Dallas Position: 840 firms concentrated in advertising, motion picture and video production.

Value Chain Target: Cross-media firms and growing ethnic markets.

Reality Check:
- Convergence of technologies – TV, video games, print – are producing cross fertilization and standardizing the required skills
- Growing Hispanic market domestically and internationally
Why Instruments?

**Current Dallas Position:** 101 firms concentrated in electronic measuring/testing and navigation and guidance instruments.

**Value Chain Target:** Move to niche manufacturing of high-tech products that combine industry capabilities.

**Reality Check:**
- Large engineering community and growing engineering schools
- Mechanical, electronics, bioengineering and materials engineering are converging with the promise of new products in health care, security, energy/environmental systems
- Provides service enablers: pieces of hardware that generate large numbers of supporting service jobs

*Current Instruments Jobs*
How to Select Strategic Targets

- Step 1: Review previous studies
- Step 2: Identify Dallas’ global economic role
- Step 3: Identify Dallas’ regional economic role
- Step 4: Identify our unique industry mix
- Step 5: Understand global economic and business trends
- Step 6: Do a detailed statistical analysis of all industries and develop a short list
- Step 7: Understand work force conditions
- Step 8: Inventory our business real estate assets
- Step 9: Perform a qualitative analysis of short list industries (SWOT)
Previous Target Studies

• Governor’s Office – North Texas (2005):
  • Semiconductor and micro-electromechanical systems
  • Aerospace and defense (Fort Worth)
  • Information and computer technology (equipment and services)
  • Energy

• Greater Dallas Chamber – Dallas half of DFW (2002):
  • Data & computer management (retention)
  • Global financial firms
  • Medical device and biopharmaceutical firms
  • Semiconductor equipment and supplies (not chip production)
  • Headquarters, data and logistics facilities
Previous Target Lessons

• Relevance
  • Provide high value added industry targets
  • Relatively current
  • Chamber emphasis on facilities
  • Governor’s emphasis on “soft infrastructure” such as trade associations and university degree programs

• Shortcomings
  • Both focus on region, not City of Dallas
  • Focus on high skill to exclusion of entry level
  • Do not address how to transition from current industry mix to higher value added
  • Recruitment to the exclusion of entrepreneurship and expansion of local companies
Dallas’ Global Role

To the World, Dallas = DFW

• DFW in turn is seen as:
  • Big economy
    • US: 8th, World: 27th
  • Administrative center
    • 5th ranked HQ center
    • 101,000 federal and state jobs
  • Distribution center
    • 3rd busiest international airport
    • 15 major freight facilities
    • 4 intermodal rail yards
    • 5 interstate highways
Dallas’ Regional Role

- Biggest city
  - 1/5th of population and work force
  - 1/3rd of employment and output
  - 1/2 of area office space
  - 1/3rd of area industrial / distribution space
- Infrastructure nexus
  - Highways, rail, Love Field, DART, utilities, telecommunications
- Urban amenities
  - Hospitals, community colleges, cultural center, urban neighborhoods, signature parks
City of Dallas Residents’ Employment

- Agriculture and Mining
- Construction
- Manufacturing
- Wholesale trade
- Retail trade
- Transportation / Warehousing / Utilities
- Information
- Finance / Insurance / Real Estate
- Professional / Scientific / Management
- Educational / Health / Social services
- Arts / Entertainment / Recreation
- Other services
- Public Administration

Dallas Percent vs. US Percent

U.S. Census - 2003 American Community Survey
Global / National Business Conditions

- Convergence of information technology and business processes:
  - Business process
  - Software
  - Hardware – Service enablers
- Logistics and transportation trends:
  - Supply chain processes are driving retail, manufacturing and increasingly services
- Higher energy prices:
  - Productivity increases are key to maintaining living standard
  - Need more efficient manufacturing, distribution, services and land use
- Demographic shifts:
  - Labor competition – a quality work force available globally
  - US / Dallas population is younger than many other nations / cities
  - Return to the city movement?
Economic Outlook

• Dallas has a favorable industry mix:
  • If Dallas grows at U.S. average, it adds 59,000 jobs by 2010
  • Dallas’ industry mix, however, is forecast to add 73,000 jobs
• 30 percent of new jobs will be office professional
• Non-professional jobs will have to increasingly come from vocational healthcare, retail, temporary agencies
• Manufacturing continues to lose jobs
• Cities across the region and the world are actively competing and nurturing development - we will have to earn many of these jobs
• Global economic trends offer opportunities to Dallas
## Quantitative Variables

<table>
<thead>
<tr>
<th>Variable:</th>
<th>What it tells us:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location quotient:</td>
<td>How concentrated the industry is in Dallas</td>
</tr>
<tr>
<td>Establishment growth:</td>
<td>Which industries are creating the most new firms</td>
</tr>
<tr>
<td>Shift-share:</td>
<td>How competitive Dallas’ firms are compared to national firms</td>
</tr>
<tr>
<td>Employment level:</td>
<td>How big the Dallas work force is in each industry</td>
</tr>
<tr>
<td>Employment forecast:</td>
<td>Which industries expect to add the most jobs</td>
</tr>
<tr>
<td>Output forecast:</td>
<td>Which industries expect to add the most value and tax base</td>
</tr>
<tr>
<td>Economic multiplier:</td>
<td>Which industries have the biggest local economic impact</td>
</tr>
<tr>
<td>Wage rate:</td>
<td>Which industries contribute most to personal income</td>
</tr>
<tr>
<td>Longitude and latitude:</td>
<td>Where industries currently cluster in the City</td>
</tr>
</tbody>
</table>
## Example of a Top 25 List

<table>
<thead>
<tr>
<th>Description</th>
<th>NAICS*</th>
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<th>NAICS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Investment Pools and Funds</td>
<td>5259</td>
<td>Converted Paper Product Manufacturing</td>
<td>3222</td>
</tr>
<tr>
<td>Cable Networks and Program Distribution</td>
<td>5132</td>
<td>Architectural and Structural Metals Manufacturing</td>
<td>3323</td>
</tr>
<tr>
<td>Medical and Diagnostic Laboratories</td>
<td>6215</td>
<td>Support Activities for Road Transportation</td>
<td>4884</td>
</tr>
<tr>
<td>Specialized Freight Trucking</td>
<td>4842</td>
<td>Dairy Product Manufacturing</td>
<td>3115</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>5133</td>
<td>Electric Power Generation, Transmission and Distribution</td>
<td>2211</td>
</tr>
<tr>
<td>Radio and Television Broadcasting</td>
<td>5131</td>
<td>Communications Equipment Manufacturing</td>
<td>3342</td>
</tr>
<tr>
<td>Soap, Cleaning Compound, and Toilet Preparation Manufacturing</td>
<td>3256</td>
<td>Plastics Product Manufacturing</td>
<td>3261</td>
</tr>
<tr>
<td>Information Services</td>
<td>5141</td>
<td>Nondepository Credit Intermediation</td>
<td>5222</td>
</tr>
<tr>
<td>Data Processing Services</td>
<td>5142</td>
<td>Specialized Design Services</td>
<td>5414</td>
</tr>
<tr>
<td>Navigational, Measuring, Electromedical, and Control Instruments Manufacturing</td>
<td>3345</td>
<td>Motion Picture and Video Industries</td>
<td>5121</td>
</tr>
<tr>
<td>Medical Equipment and Supplies Manufacturing</td>
<td>3391</td>
<td>Activities Related to Real Estate</td>
<td>5313</td>
</tr>
<tr>
<td>Securities and Commodity Contracts Intermediation and Brokerage</td>
<td>5231</td>
<td>General Freight Trucking</td>
<td>4841</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Software Publishers</td>
<td>5112</td>
</tr>
</tbody>
</table>

*NAICS = North American Industrial Classification System
Workforce Conditions

Residents With High School Diploma or Below

- Dallas has a diverse work force with large numbers of high and low skilled individuals
- This implies a need for industries and jobs at all skill levels
Business Real Estate Assets

- Dallas has a number of industrial and business centers
- An industry’s facility and real estate needs are specialized
Go Beyond the Statistics

• Key Questions to ask of the short list industries
  • Economic Questions:
    • What are the key occupational trends?
    • What are the key technology trends?
    • Which are a match for our geographic priorities?
    • What are the gaps to moving our target industries up the value chain?
    • Does the statistical definition of an industry make sense?
  • Organizational Questions:
    • What are our long-term image (and other) objectives?
    • Which provide opportunities to realign OED services?
    • How many industries can we do justice in year one?
    • How can the City add value?
Strategic Industries Recap

- Five Strategic Industries for Dallas:
  - High IT Use Services (finance, accounting, distribution, health care)
  - Prefabricated Building Products
  - Food Processing and Distribution
  - Media (converging content, Spanish markets)
  - Instrument Manufacturing
- Each is an existing Dallas strength
- There is a recognized path from each into next generation products and services
- They all have better than average employment and output prospects
- The list does not follow fads: this is a unique list for a unique economy
Covers All ED Services

- Foundation is based on stabilization, customer responsiveness, and growing next generation companies
- Second layer is strengthening existing dominant industries
- Finally, selectively expand the industry mix
Implementation

• New Economic Development Mindset: How can we add value across the board?
  • Publicly show that we are committed to the industry’s success here
  • Build relationships
  • Plan for target industry needs
  • Maintain good quality of life: public safety, strategic investments in roads, parks and libraries and catalyst projects
Recommendations

• Implement a rolling start to target industries
  • Full campaign in year one for two industries:
    • High IT Use Services
    • Prefabricated Building Materials
  • Maintain monitoring system for all five and look for targets of opportunity in the remaining three:
    • Food Processing and Distribution
    • Media
    • Instruments
  • Complete research to identify solutions to gaps and in particular the best approach to grow new firms in each
  • Implement full campaigns for remaining three over next 24 months