2019 Business Plan
HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE

Delivering Process Improvement and Competitive Priorities for the Region of Hampton Roads, Virginia

From Solo to Symphony

The Alliance with Strategic Guidance Provided by IBM-PLI
Inputs for ecosystem innovation from Purdue University’s Agile Strategy Lab and the Institute for the Future
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Background

Over the past decade, minimal enterprise growth and job creation in the Hampton Roads market have led to considerable headwinds for competitive economic growth within private industries. These headwinds have materialized with adverse effects and are reflective within regional demographic trends, growth patterns, and business dynamics data. As such, the region of Hampton Roads has been confronted with a difficult challenge. A challenge of attracting and developing well-paying employment opportunities which meet the current needs of employers, while at the same time establishing cluster density in strategic areas that would position the region to innovate and thrive in the economy of tomorrow. Understanding this challenge, Hampton Roads’ future success in economic development is based, in large part, on recognizing the current and future economic environment and implementing improvement strategies at scale that will position the region as a location of choice for competitive private sector investments in the future.

The realities described above serve as the impetus to engage the IBM-PLI team. Understanding that business location decisions function as a methodical and analytical process where regions are being evaluated across a number of critical location factors that would position a firm for long-term operational success. Within this evaluation, businesses generally are attracted to geographic locations because of a certain mix of optimal advantages. Some of which include but are not limited to: cluster density (being near related industry), access to talent, cost advantages (quality land and labor), access to resources, transportation options, favorable government support, as well as technology and innovation in the area.

Using the lens of inward investment to their benefit, IBM-PLI conducted a series of regional competitiveness assessments which identified industry sectors that could best leverage the current assets and attributes of the Hampton Roads market in the near-term. From this assessment, regional leadership has actionable insights to a regional value proposition that can be taken to market and leveraged for the specific sectors which are best suited for near-term attraction to the region. Complementary to these action items, IBM-PLI provided a set of business environment improvement recommendations for economic development entities across the region. These recommendations address some of the critical location factors that cast a drag on the region’s optimal advantages and can be addressed pro-actively over the long-term.

In the short term, the economic value of implementing strategies at scale will redefine the baseline for economic growth. In the long-term, by focusing on a collaborative, higher wage growth model, economic development efforts have the potential to yield lasting impacts that will strengthen the region’s commercial and industrial integrity and move the region into a more favorable competitive position within both the domestic and international markets.
Accelerating Success

Building High-Performance into the Regional Economic Development Ecosystem

To successfully obtain the projected increase of inward investment and implement the full business environment improvement recommendations on behalf of Hampton Roads, expansion of the Alliances’ mission, and adjustments to the current program of work are required. Shown in the chart below, the Alliance will maintain its core functional responsibilities. However, moving beyond 2018, it is recommended that the Alliance pro-actively engage with activities that complement internationalization and investor development initiatives. In addition to these functions, the Alliance should actively partner and support strategic initiatives for investment promotion, regional partnerships, talent development and coordination, cluster development and innovative technologies, infrastructure & real estate, as well as finance.

The approved realignment of the Alliances’ program of work promotes that of a best-practice economic development organization. The functions described above serve to support that of a pro-active, value proposition-based marketing and business development approach and complement the definition of purpose for achieving unmatched excellence in competitive economic growth. The process to achieve this unmatched excellence is described in greater detail on the following page.
Building high-performance into regional economic development requires evolving the current framework in Hampton Roads. The needed evolution and restructuring will be catalytic for increased value-add partnerships across numerous entities within the regional economic development ecosystem. By way of encouraging collective value, the relationship transition would move the regional economic development structure progressively along the collaboration continuum, beyond that of a transactional linear framework to a co-creative and innovative system. In effect, to enhance our position on the continuum where, over time, co-creative action and innovation would improve the competitive environment in which new firms would look to invest, existing firms would choose to expand, and where abundant employment opportunities would exist for incoming and upcoming talent.

By leveraging the IBM-PLI analysis, the critical mass of civic and private sector leadership continues to move forward with new conversations about roles and relationships within the regional economic development ecosystem. Now more than ever before, momentum is aligning for change. As leadership reshapes the economic development thought process towards understanding the underlying market dynamics for competitiveness, the Alliance will maintain its position as an appropriate vehicle for implementation. In doing so, isolated tasks will be transitioned to engage horizontal connections. The intentional process of connecting horizontal functions will strengthen the regional network by encouraging trust while diminishing the concern for turf.

As the region moves forward, we must remember that systems and linear thought processes differ in fundamental ways. A strong regional ecosystem hosts a closely aligned core of partnerships that allows flexibility in strategic initiatives which speak to ecosystem outcomes and allow a permeable boundary. The closely aligned core enables the system to accomplish complex tasks while the permeable boundary encourages participation from new members and enables quick adjustments to ever-evolving environments. In contrast, a linear framework encourages isolation of tasks and defends boundaries.

Addressed in Action Item 2, over 2019 the Alliance will broaden its role to advance this transformation and encourage scalable and sustainable initiatives that hold the potential for transforming the regional economy. In effect, a strategic initiative’s department within the Alliance will be created to provide deep engagement with the regional market, both public and private. Most notably, working with communities and private industry, to position competitive initiatives in a way that strengthens our collective performance in all areas of economic development.
Opportunity Sector Identification

IBM-PLI’s location benchmarking analysis is conducted from a realistic investor’s perspective and simulates the location decision making process that companies go through when assessing locations for their investment projects.

To that end, IBM-PLI developed investment project assumptions and location requirements that corporate decision makers typically use when evaluating location options for the diverse variety of project types. To develop these prototypical investment projects, IBM-PLI uses real life input from location strategy projects for companies in the selected sub-sectors. This is seen as the most objective process to identify strengths and weaknesses of locations from the lens of a corporate decision maker.

It is from this filtering process, IBM-PLI has identified the sectors from which Hampton Roads currently hosts a competitive advantage and regional value proposition that can be taken to market.

Near-term opportunity sectors include:

For the prime target subsectors, senior professionals from the organization should develop the sector expertise that is required to demonstrate a deep understanding of the industry and be able to better serve the potential investor.

On the pages that follow, each of the above near-term opportunity targets has been highlighted. Each sector profile showcases the priority of the sector in regard to Alliance marketing, an overview of the sector, major competitive strengths, and regional value proposition.
With refreshed perspective, partners and organizations within the regional economic development ecosystem are beginning to look and support the region’s new focus for enhanced economic development in Hampton Roads. As a catalyst for this perspective shift, the Hampton Roads Economic Development Alliance must evolve and engage new, more effective tactics while developing a robust marketing offering, community positioning, and a world-class marketing delivery system. This discussed next generation marketing system will support current initiatives, while maintaining the agility to develop a program that will target, position, communicate, track and connect regional marketing messages across the economic development playing field in areas for which the Hampton Roads region currently hosts distinct competitive advantages.

In January 2019, it is recommended that the Alliance and local partners pursue a highly-reputable, nationally recognized firm with specific economic development and marketing industry expertise to help get the region on track with delivering its marketing and digital lead generation strategies. The development of a select committee will allow the facilitation and review of world-class proposals from a variety of nationally recognized economic development marketing and place-making consulting firms.

Shortly thereafter, and with facilitation by the selected firm, the region must undergo honest assessments of current regional messaging and outreach programs. This evaluation of the current program of work will add clarity and understanding to the dynamics of the region’s domestic and international perceptual identity. Through the process of perceptual research and marketing accelerator workshops, 2019 will allow the Alliance and regional partners the opportunity to unify priorities, brands, initiatives, and stakeholder responsibilities.

With the tactics described above, as well as others, the 2019 business plan and go-to-market strategy envisions the development, adoption and implementation of a next generation marketing program to include a best of class communications and lead generation delivery system. By using the best available technology platforms, the proposed regional branding and marketing initiative will deliver unparalleled community partnerships and consistency for the regional economic development ecosystem of Hampton Roads.

### 12-month Regional Marketing Initiative

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td>Phase I: National Perception Research</td>
<td>Phase II: Regional Micro Marketing</td>
<td>Phase III: HREDS Website Prototype</td>
<td>Phase IV: Online Business Attraction</td>
</tr>
<tr>
<td>Marketing Accelerator Workshops</td>
<td>Strategies for Community Partners</td>
<td>Design and Re-Development</td>
<td>Campaign</td>
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<tr>
<td>Phase II: Marketing Automation System</td>
<td>Phase III: Business Intelligence</td>
<td>Phase IV: Business Intelligence</td>
<td>Phase IV: A 50%+ increase of outside</td>
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<td>Development, Implementation, and Partner</td>
<td>Software to Support Regional</td>
<td>Software to Support Regional</td>
<td>customers allowing for drip/engagement</td>
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<tr>
<td>Engagement</td>
<td>Marketing Delivery System</td>
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<td>strategies</td>
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<td>Phase IV: Online Business Attraction</td>
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<td>Phase IV: A 50%+ increase of outside</td>
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<tr>
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<td>Software to Support Regional</td>
<td>customers allowing for drip/engagement</td>
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<td>Phase IV: Phase IV: Online Business Attraction</td>
<td>Phase IV: Business Intelligence</td>
<td>Phase IV: A 50%+ increase of outside customers allowing for drip/engagement strategies</td>
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</tr>
</tbody>
</table>
Regional Intelligence & Competitive Benchmarking

From Competitive to Collaborative Advantage: Co-Creating Conditions for Success

In the regional environment today, there are many discussions about regionalism and collaboration. Indeed, these themes are embedded within the Alliances’ 2019 Business Plan. Understanding the shift from competitive and duplicative tasks to co-creating collaborative advantages is mandatory if the region is to create an environment that works for all. Importantly so, the region cannot solve these problems in the silos of disciplines and sectors. As new trends continue to emerge, these process improvements will require a diverse set of stakeholders to work together and challenge the region to think more systemically and dynamically.

As a core unit of the Alliance, the Business Intelligence team embodies a culture that prioritizes itself around team work. Recognizing the value of collaborative approaches, each member is keen to maintain three virtues that have been highlighted around the country as cornerstones for building progressive high-performing teams. These virtues are powered by emphasizing team over self, being self-motivated and diligent, and listening to others and staying engaged. The net effect of this framework in Business Intelligence is that it allows the ability to provide creative, innovative, enthusiastic and forward-thinking leadership with a focus on achieving continuous and improved business performance, complementing the desired outcomes of our leadership and organization.

Being such, in addition to the core operational work streams related to business development project support, organizational reporting, economic analysis and company/industry intelligence, the 2019 program of work for the Business Intelligence department entails expanded value-add functions and responsibilities. Most notably in this space is the facilitation of competitive priorities and leveraging the IBM-PLI Business Environment Improvement Recommendations analysis as a roadmap and timeline of strategic implementation activities. Over the course of 2019 it is recommended that the Alliance lead important economic development discussions with business, civic, and policy-leaders. These engagements should be proactive in nature and address economic trends and conditions impacting the competitive positioning of Hampton Roads. The outcomes from these discussions should be leveraged and helpful in developing strategies to mitigate pressures on future economic growth.

Additionally, the process of understanding the health and dynamics of the regional business environment continues to be of high priority. Being such, the socialization and implementation of the regional competitive benchmark, at scale, is recommended. This benchmark highlights foundational variables that are considered supportive of economic growth agents. These growth agents drive productivity and host the potential to achieve the desired outcomes for enhanced competitive positioning.
Action Items

Summary – Accelerating Success
Partnering with stakeholders from the public and private sector, the Alliance will channel key messages and facilitate proactive awareness related to the region’s competitive positioning.

Tactics

- Partner with member communities to evaluate community planning necessary for future projects and enhance industry selling strategies through the development of cohesive messaging around the region’s unique value propositions.
- Develop deeper relationships with the RED Team and coordinate value-added products and outputs that advocate the importance for regional competitiveness.
- Engage local industry experts and related academics to advise and identify sector trends, priority needs, networks, suppliers and possible candidates for attraction efforts.
- Continue to inform regional leadership on necessary and relevant trends and economic development programs related to competitiveness.
- Develop top-tier collateral materials with clear marketing messages for each target subsector, based on verified strengths & facts.

Summary – Opportunity Sector Identification and Engagement
The core mission of the Alliance is to aggressively attract, grow and retain higher wage industries, talent and jobs. Central to this mission is to lead investment promotion activities for the region of Hampton Roads. The investment promotion function for the Alliance is supported by leading-edge research and analytic methodologies as a way to increase new leads and drive deal flow.

Tactics

- Develop and improve analytics model that will drive better marketing approaches as well as business attraction strategies.
- Conduct domestic and international out-bound business recruitment activities, including attending targeted conferences and marketing missions to individual firms.
- Set up introductory meetings with C-level executives of key potential investing companies in each priority target subsector, with an initial focus on companies with an existing presence in the United States having expansion potential.
- Promote the assets and attributes of the Hampton Roads region through the European American Investment Council to better attract international companies looking to expand in the United States.
Summary – Next Generation Marketing and Branding

Digital marketing and an increased web and communication presence will create greater awareness of the Hampton Roads market to the broader audience. These strategies will be focused toward targeted audiences of key personnel within certain subsectors.

Tactics

- Explore the opportunity to optimize the website using LeadIQ technologies to drive performance and lead generation.
- Implement lead-generation marketing through digital campaigns to increase direct source leads.
- Employ external digital marketing campaigns focused on optimum markets and C-level executives complementary to both the IBM-PLI markets of near-term opportunity and others.
- Strengthen and highlight targeted sectors on home page of website, so consultants and companies can easily identify the region’s strengths and priorities and match them to investor needs. Search engines are more likely to find these during initial screening processes.
- Continue to inform the national and international audience through the use of focused and regular (quarterly) high-quality newsletters to key contacts among potential investors and intermediaries (consultants, associations), communicating recent developments and success stories.

Summary – Regional Intelligence and Competitive Benchmarking

The Alliance will continue to lead the effort to position the region for future economic growth. Imperative to this function, measurements of organizational and regional performance metrics, milestones, and benchmarks are required.

Tactics

- Utilize the IBM-PLI Business Environment Improvement Recommendations analysis as a roadmap and timeline of strategic implementation activities.
- The Alliance will lead important economic development discussions with business, civic, and policy-leaders by providing market-based evidence and data.
- Socialize the Regional Competitive Benchmark Index as a tool to monitor long-term progress. Variables should be weighted for a competitive environment as reflected within the IBM-PLI analysis.
- Monitor organizational activities and adjust goals to reflect current market conditions and competitive projections.
Mandate, Leadership Engagement & Resources

The vision, objectives, and action items illustrated in the previous sections of the Alliances’ 2019 business plan convey what the organization would like to do over 2019. However, in real terms, the organizations mandate, effective engagement from regional leadership, and growth in resources will define what can truly materialize. To this end, formal agreements amongst all parties involved must be delivered to effectuate change.

In any economy, framing appropriately scaled solutions to address constraints on regional competitiveness are fundamental to the success of not only the regional program, but of the region itself. To appropriately evolve the organization’s mandate, function and impact, a memorandum of understanding (MOU) will be agreed upon and formalized by Q3 2019. This MOU will directly address the mutually agreed upon expansion of organizational function and define corresponding terms and conditions related to roles, relationships, and responsibilities in partnership with the region’s public sector investors.

In concert with the regional MOU, true engagement from the highest levels of public and private regional leadership will be a requirement for success. At its very core, exceptional and coordinated leadership amongst public and private partners will shape the long-term sustainability and success of regional economic development. By developing integrated visions with corresponding cross-sector strategies, leadership engagement builds support regionally, understands market dynamics, and harnesses collaboration for effective economic promotion. Built into the regional economic development program, effective leaders establish new platforms of ambition which serve to revive the sense of purpose, build a new vision of the future, and define a development path forward that responds to new market and organizational dynamics. With a dynamic approach that engages leadership across all boundaries, optimum use of resources and revenue-raising capabilities improve substantially as new shareholders are attracted to a sound and well-prepared program.

To aid in the process of resource development, and to provide best-of-class industry insight, the Alliance has a retained a professional funding advisor to help plan and implement a multi-year capital campaign. To kick-start the program, work has begun in Q4 2018 to refine the deliverables. Work will continue over 2019 and will entail multiple processes of evaluating the Alliances’ value proposition, building a strong foundation for success, and ultimately secure the organizations financial position for the future.

With the variables described above serving as foundational elements to the successful restructuring of regional economic development, the Alliance has set forth a projected budget for the year 2019. Highlighted on the following page, the 2019 budget is operating on the assumption that leadership from both public and private sectors will come together to resource and implement a robust regional economic development program, consistent with the IBM-PLI recommendations.
## 2019 Projected Budget

<table>
<thead>
<tr>
<th></th>
<th>2018 Budget Approved¹</th>
<th>2018 Budget Revised²</th>
<th>2019 Projected³</th>
<th>2019 Projected⁶</th>
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<tbody>
<tr>
<td><strong>Support &amp; Revenue</strong></td>
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<td>Corporate Investment Base</td>
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<td>$735,860</td>
<td>$739,634</td>
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<td>Corporate Investment New/Upgrade</td>
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<td>$45,000</td>
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<td>Corporate Investment Attrition</td>
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<td>$41,226</td>
<td>$(36,982)</td>
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<td><strong>Total Corporate Investment⁴</strong></td>
<td>$1,056,040</td>
<td>$739,634</td>
<td>$1,660,950</td>
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<td>Municipal Investment</td>
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<td><strong>Total Municipal Investment⁵</strong></td>
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<td><strong>Total Support &amp; Revenue</strong></td>
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<td>Marketing and Promotion</td>
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<td><strong>Balance (Revenue over Expenses)</strong></td>
<td>$(299,140)</td>
<td>$(299,101)</td>
<td>$15,000</td>
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</table>

**Notes:**
1. 2018 Budget approved in December of 2017.
2. 2018 Budget revised and approved at the 08.03.18 Executive Committee meeting.
3. Proposed budgets beginning 2019 start at $3,150,025 and ramp up to $4,055,179 million over three years.
4. Corporate investment is projected at 50% of the total program expense budget beginning in 2019.
5. Municipal Investment is projected at 50% of the total program expense budget beginning in 2019.
6. 2019 Budget with staff expense allocated across departments.
Business Development - Sector Profiles & Targeting

The approved realignment of the organization promotes that of a comprehensive and pro-active economic development organization. A pro-active proposition-based marketing approach requires increased promotion activities in key source markets. Planning of international marketing initiatives, such as missions and events, need to be closely aligned with market potential, e.g. as reflected in the target company profiles.

Pro-active = actively try to identify investment prospects before inquiries are generated. This is recognized as a strong advantage as investment promotion activities strongly contribute to economic development strategy by stimulating inward investment in specific sectors.

In addition to the activities described above, the Alliance remains diligent to fully assist any company placing a vested interest for an inward investment opportunity. This is largely seen historically as re-active marketing.

Re-active = act in response to inquiries from investors where inquiries are from seriously interested companies, that have pre-selected your location and the potential for winning the investment project is realistic.
Multi-Functional Shared Services

Sector Prioritization
High

Sector Overview
Shared services center serving the U.S. market and providing various higher value internal support functions to corporate operations including finance and human resources.

Hampton Roads should position itself as a prime and cost-effective location for medium sized facilities, ranging between 50 and 300 FTE.

Major Competitive Strengths
- Established shared services cluster
- Good pool of experienced skills in finance and human resources
- Strong student base with opportunities to partner with local colleges & universities
- Relatively competitive operating cost
- Flexible labor market

Regional Value Proposition
Hampton Roads is positioned with a strategically advantageous combination of high quality and competitive costs, as it relates to the shared services industry sector. The strengths that drive regional competitive positioning, as Hampton Roads is depicted in the upper right quadrant of the cost-quality map, include its: employment base, operating environment, connectivity, workforce, and education. The mix of these regional strengths enable the Hampton Roads to compete with key US and international competitor locations.
Target Marketing

Main Source Markets – Domestic and International

United States (California, New York, Connecticut, Florida, Texas), United Kingdom, Canada, Germany, France, India

Filtering & Domestic Market Identification – Cities represent metro areas

Cities with high concentration of STEM workers, i.e. tech hubs that have difficulty recruiting business and management services are highlighted in green. Beyond these three cities, regions with a high concentration of public and international growth companies that have low concentration and slow growth in business support services and are not very wage competitive could provide additional targets.

Markets of Opportunity

Shared Services

Upcoming Marketing Mission

- Shared Services & Outsourcing Week
  - March 11-14, 2019 - Orlando, Florida
Software Development & IT

Sector Prioritization
Medium-High

Sector Overview
Software application development, support and consulting services for US and international markets.

Hampton Roads should position itself as a prime location for small to medium sized software development operations with project requirements combining good quality and cost efficiencies. Expected headcount is in range 20-50 FTE.

Major Competitive Strengths
- Established IT cluster
- Experienced military personnel pool
- Strong student base
- Relatively competitive operating cost
- Strong data and IP protection

Regional Value Proposition
Hampton Roads is positioned with a sound combination of above average quality and below average costs, as it relates to software development and IT industry sectors. The strengths that drive regional competitive positioning, as Hampton Roads is depicted in the upper right quadrant of the cost-quality map, include: the region’s established IT cluster, cost effective operating environment, strong military assets, workforce, and educational asset. The mix of these regional strengths enable Hampton Roads to compete with key US and international competitor locations.
Target Marketing

Main Source Markets – Domestic and International
United States (California, New York, Massachusetts, Washington), United Kingdom, France, India, Germany, Canada, Japan

Filtering & Domestic Market Identification - Cities represent metro areas
Metropolitan Statistical Area with highest concentration and average earnings above Virginia Beach metro area, green highlights metro areas with strongest job growth.

Markets of Opportunity
Software Development
Transportation Technologies

Sector Prioritization
Medium-High

Sector Overview
Production of specialist components, assembly and repair for regional transport equipment market, notably where opportunities exist for leveraging ship-building capabilities and links to the Navy. Transfer of skills to related production of other transport equipment such as railcars, buses, trucks, and related technologies like sensors.

Hampton Roads should position itself as a location option for small to medium sized facilities, ranging between 50 and 200 FTE*

Major Competitive Strengths
- Established transport technologies cluster
- Good research base
- Reasonably good pool of experienced personnel
- Experienced military personnel pool
- Strong student base
- Opportunity for cross sector linkages

Regional Value Proposition
Hampton Roads is positioned with a strong combination of high-quality and competitive costs, as it relates to the transportation technologies industry sector. The strengths that drive regional competitive positioning, include: the strong existing cluster presence notably for maritime activities and transfer of skills to related sub-sectors such as automotive, aerospace, remanufacturing/refurbishing, sensors. With links to the Navy, relevant pool of experienced skills and large student base; opportunities for supply chain linkages and leveraging knowledge/research capabilities is high priority.
**Target Marketing**

**Main Source Markets – Domestic and International**
Japan, Germany, United States (Michigan, California, Illinois, Ohio, Wisconsin, New York), France, South Korea

**Filtering & Domestic Market Identification** - Cities represent metro areas
High concentration of transportation equipment manufacturing with strong state R&D spending trends in transportation equipment and average earnings above Virginia Beach, green highlights highest job growth.

**Markets of Opportunity**
Transportation Technologies
Distribution & Logistics

Sector Prioritization
Medium

Sector Overview
Regional distribution center serving the Eastern US market. Hampton Roads should position itself as a prime and cost-effective location for medium to large sized facilities, ranging between 50 and 300 FTE*

Major Competitive Strengths
- Good market access
- Established logistics cluster
- Reasonably good pool of experienced personnel
- Strong student base
- Opportunity for development of cross sector linkages
- Reasonably good port access and multimodal connectivity
- Reasonable access to relevant real estate

Regional Value Proposition
Hampton Roads is positioned with a sound combination of above average quality and competitive costs, as it relates to distribution centers. The port is a major asset, and the region’s proposition is stronger for activities that are more directly dependent on the port presence, such as logistics activities with links to value added manufacturing. Other regional strengths that drive regional competitive positioning, include: the region’s mid-Atlantic location with good market access, reasonably well-established cluster presence and relevant skill pool.
Target Marketing

Main Source Markets – Domestic and International
United States (Tennessee, Georgia, California, Texas, Illinois, Washington, New York), Germany, United Kingdom, Japan, Canada

Filtering & Domestic Market Identification
Distribution/Logistics hub with significant port/water transport business activity and average earnings above Virginia Beach, green with strongest job growth.

Markets of Opportunity
Distribution Center

- High-Priority Market
  1. Chicago, IL
  2. Detroit, MI
  3. Houston, TX
  4. Los Angeles, CA
  5. Miami, FL
  6. San Francisco, CA
  7. Seattle, WA
  8. Tampa, FL

- Markets to Consider
  1. Boston, MA
  2. New York, NY
  3. Philadelphia, PA
  4. Portland, OR
  5. St. Louis, MO
Food Processing

Sector Prioritization
Medium

Sector Overview
Specialist food processing facility destined for domestic and export markets.

Hampton Roads should position itself as a prime and cost-effective location for medium to large sized facilities, ranging between 100 and 200 FTE*.

Major Competitive Strengths

- Reasonably good access to raw materials
- Established cluster base
- Good pool of experienced staff
- Strong student base
- Reasonably good port access and multimodal connectivity
- Reasonable access to relevant real estate

Regional Value Proposition
Hampton Roads is positioned with a competitive combination of above average quality and reasonably competitive costs, as it relates to food and beverage processing relying on raw materials handled through the Port of Virginia, notably in US context. Strengths that drive regional competitive positioning in this sector, include: the region’s mid-Atlantic location with good market access and access to raw materials, reasonably well-established cluster base with a good pool of experienced personnel. Additionally, the region hosts reasonable operating costs with respect to labor, real estate and utilities.
Target Marketing

Main Source Markets – Domestic and International
United States (California, Illinois, New York, Minnesota, Pennsylvania, Georgia), Switzerland, Canada, Japan, France, United Kingdom

Filtering & Domestic Market Identification
High concentration of food processing and food and packaging machinery in port regions that are more likely to use imported agricultural products, with average earnings higher than Virginia Beach metro.

Markets of Opportunity
Food & Beverage Processing

- High-Priority Market
  1. Chicago, IL
  2. Cincinnati, OH
  3. Milwaukee, WI
  4. New York, NY
  5. San Francisco, CA

- Markets to Consider
  1. Boston, MA
  2. Dallas, TX
  3. Los Angeles, CA
  4. Minneapolis, MN
  5. Philadelphia, PA
## Events to Consider - 2019

<table>
<thead>
<tr>
<th>Event</th>
<th>Key Audience</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared Services &amp; Outsourcing Week</td>
<td>Outsourcing services providers and corporate reps</td>
<td>High</td>
</tr>
<tr>
<td>HR Shared Services &amp; Outsourcing Summit</td>
<td>HR executives and industry representatives</td>
<td>High</td>
</tr>
<tr>
<td>Port &amp; Terminal Technology</td>
<td>Representatives from port and auxiliary industries.</td>
<td>High</td>
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<tr>
<td>Hannover Messe</td>
<td>Industry reps from advanced mfg. and tech companies</td>
<td>Medium</td>
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<tr>
<td>Shipbuilding Technology Forum</td>
<td>Reps from shipbuilding industry, government and military</td>
<td>Medium</td>
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<tr>
<td>Future Food Tech</td>
<td>Food technology companies</td>
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<tr>
<td>ProFood Tech</td>
<td>Food producers and packaging companies</td>
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<tr>
<td>IPPE Expo</td>
<td>Food producers and packaging companies</td>
<td>Medium</td>
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<tr>
<td>Data Centre World</td>
<td>Data center services providers and corporate reps</td>
<td>Medium</td>
</tr>
</tbody>
</table>
Regional Growth & Goal Identification

Method Overview

The primary stimuli behind job announcement forecasts is the anticipated increase in new regional employment from small, medium, and large companies that currently exist within the region as well as new firms establishing themselves in the market. This increase in activity is observed as a corollary result of the improvements to the region’s business environment, with the recommendations identified by IBM-Plant Location International.

For the results highlighted on the following pages, the Alliance has worked to synchronize the growth scenarios within the analysis completed by IBM-PLI, “Inward Investment and Business Environment Improvements Actions” conducted over the first quarter of 2018. With this analysis serving as the foundation, Business Intelligence has produced regional growth opportunities that reflect various increases in regional employment. For the analysis that follows, these opportunities identify with IBM-PLI’s target goal of 82,500 additional jobs over current projections over the next ten years.

As is relates to the defined job creation goal of 82,500, there exist data characteristics which are important to highlight. First, the various employment creation goals within IBM’s analysis are inclusive of both direct and indirect employment creation over the next ten years, incorporating a 2.1 multiplier within two of the four development initiatives. Additionally, employment creation goals include the go-to-market strategy. For the purposes of identifying local high growth targets, it is important to apply only that of direct new employment creation. As such, indirect figures have been extracted from the 82,500 as originally described. Additionally, goals related to the elevated go-to-market strategy have been isolated and removed from the local growth figures. Both local growth and go-to-market growth scenarios are described within.

While actual job creation performance will differ from the projections within, annual goal creation targets are instructive for strategy planning. Data from this study should not be compared with that of any previous analysis, whose inputs, scope or timeline may have differed substantially. All forecasts are based on the Alliance’s interpretation of the IBM-PLI analysis of target growth employment goals, inclusive of current projections over a ten-year period.
Regional Growth & Goal Identification

Local Growth & Expansion

Within any economy, the majority of employment creation occurs from firms who currently operate within the business environment. This concept maintains its presence and is reflected within the growth scenarios accordingly. For local target growth, approximately 72% of jobs come from direct new employment creation, with 28% tied to indirect employment creation. After adjusting the growth scenario as described, it is estimated that direct employment creation tied to the local target scenario should amount to approximately 49,400 direct new jobs.

For the local high growth target, a number of assumptions have been made to model the anticipated increase in employment. First, enhanced job creation by locality has been distributed to reflect the city or county’s share of Alliance represented community population total, approximately 87.5% of the MSA total. Second, with the understanding that each locality offers strengths in different competitive sectors, economic impacts and job creation goals have been applied in industries that have strong implications for future economic growth within the community.

To identify strategic industries which have strong implications for future economic growth, Business Intelligence utilizes an analytic methodology known as shift-share analysis. Shift-share analysis is the process of examining a regional or local economy while considering both national growth trends across all industries and national growth trends related to a specific industry. The theory behind this methodology is similar to location quotients in that it highlights the unique industries within a regional or local economy. However, it explains the specialization of these industries in terms of job growth rather than total jobs. For this analysis, shift share methodology has been performed over the timeframe 2013 to 2017.

Highlighted by the competitive effect, the industries witnessing an impact within the analysis play a fundamental role in the strength and resilience of each unique community and have the ability to enhance the business environment from which they operate. As such, with the appropriate resources and encouragement, these industries can provide accelerated opportunities of growth and innovation within Hampton Roads.
Inward Investment

The goal-setting process for the Alliance has been built on the premise that organizational performance is best evaluated within a framework of recent, historical, and future potential. As such, it is important to note that current performance in this context is defined as the most recent three-year moving average of annual jobs announced, valued at 1,000 jobs per year. While recent performance is encouraging, it is important to have an understanding that this three-year moving period incorporates jobs announced in 2016. Where, in 2016, the Alliance announced the best year since year 2000 which was largely driven from a single investment project. Being such, this 1,000-job target per year is considered a high target and would lead to the creation of 20,000 jobs over ten-years.

More historically, the regular programming for inward investment delivers approximately 500 announced jobs per year to the regional marketplace, measured here as the organization's five-year moving average. Operating in this instance as the organization's minimum threshold, this low range would ultimately lead to the creation of 15,000 jobs announced over ten-years. For this analysis, the high and low range have been split and a target go-to-market goal of 17,500 over ten-years has been applied to derive the impact analysis.

For the purposes of modeling announcement projections, Business Intelligence has analyzed which near-term opportunity sectors are forecasted to witness a higher degree of investment attraction within the IBM-PLI analysis. Additionally, there exists an understanding that market penetration to achieve brand recognition and regional value proposition within the more targeted near-term opportunity sectors will take time. As such, it’s understood that investment projects in the short-term will materialize within sectors that currently host a situational advantage within the region or within industries that currently have a notable operating presence in the region. As such, to capture growth and impacts, employment gains have been applied by allocating the relative share of the top ten industries within each of the historically announced sectors as well as the near-term opportunity sectors identified by IBM-PLI.
Regional Growth & Goal Identification

Summary

In the short-term, improvement initiatives related to talent, infrastructure & logistics, site development, cluster development, and innovation are required. In the years ahead, Hampton Roads must remain knowledgeable of its competitive position and maintain the agility to design and implement initiatives to promote its competitive advantages while developing strategies to mitigate its competitive disadvantages.

With a refreshed understanding that business location decisions, whether domestic or international, involve deep evaluation across a number of weighted criteria; IBM-Plant Location International has provided the region a set of aggressive and necessary improvement actions and job creation goals to get the region back on track for increased private industry job growth and economic well-being.

The goals set forth within the IBM-PLI "Inward Investment and Business Environment Improvement Actions" analysis will undoubtedly change the region’s current trajectory for growth.

Opportunities for Regional Growth Over the Next Ten-Years

- Outlined within the IBM-PLI analysis, opportunities for achieving higher regional job growth exist with increased alignment and collaboration.
- Applying the target and minimum threshold growth scenarios to the current job growth outlook, labor growth outcomes improve significantly.