

CLERMONT COUNTY
ENTREPRENEURIAL OPPORTUNITY ASSESSMENT

December 2021

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**Clermont County Entrepreneurial Opportunity Assessment
Final Report – December 2021**

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Summary

This document constitutes a final report for the Clermont County Entrepreneurial Opportunity Assessment. It includes the results of the data analysis described in the May 2021 proposal. Production of the final report will follow our collective review of this report to identify areas of client focus for further analysis. Nonetheless, there are a few observations that can be made from the assessment to date:

Clermont County has a dynamic economy with significant existing entrepreneurial activity that suggests a positive environment for targeted entrepreneurial development element(s) that address priority, focused public policy objectives

Specific initiatives (co-working space, business incubator, etc.) have favorable environment that could be capitalized upon but would still require more specific market-demand data to assess their individual feasibility

Clermont County lags in the per capita rate of new business formation but the population-weighted trend has shown significant increase recently. This suggests the possibility of high economic leverage from well-placed intervention(s) that accurately address remaining entrepreneurial impediments

Data also suggest that Clermont lags in the elevation of current smaller entrepreneurial stage businesses into high growth capable enterprises. The reasons for this - that might warrant economic policy intervention - are not yet clear and await the specification of priority policy options that would quickly define further information needs

Prior to the COVID pandemic, positive trends in Clermont County economy would have accommodated a spectrum of possible entrepreneurial development options ranging from ideation scale initiatives (co-working) to implementation (business incubator) to expansion (growth firm attraction)

Targeted entrepreneurial strategies, when successful, can proactively address different community development priorities: downtown revitalization, demographic inclusion, economic diversification, industry cluster enhancement, etc. Thoughtful, consensual goal identification, in combination with the relative healthiness of the Clermont County economy described in this assessment, provide a promising basis for a successful, limited, entrepreneurial development program

1. Project Description

The Center for Economic Development and Community Resilience of the Ohio University Voinovich School of Leadership and Public Affairs is undertaking work on behalf of the Clermont County (Ohio) Office of Economic Development in performing an Entrepreneurial Opportunity Assessment of the county's recent and current entrepreneurial activity to describe patterns of new business formation and growth that delineate early-stage economic development opportunities.

The economy of Clermont County, like that of all economies, is always changing in response to numerous local, national, and global forces. Such economic realignments are inevitable and are neither inherently good nor bad. But their effects on current employers and employees are always significant and their examination can reveal future economic development opportunities. This assessment is examining recent and current economic changes and responsive entrepreneurial activity in Clermont County. These findings be compiled and analyzed to describe the opportunities revealed at the intersection of these trends.

The assessment will yield information on both the level and types of entrepreneurial activity in the project area and potential economic strategies to enhance entrepreneurial activity. Entrepreneurial activity provides insights on emerging strategies to capitalize on regional advantage. Economic shifts in a region can be more volatile than the changes in that region's fundamental economic advantages. As one set of competitive business models declines others can emerge that capitalize on regional advantages in new ways. The earliest examples of novel business models are typically manifested among a region's new businesses, as the intimate perspective of numerous entrepreneurs enables them to espy nascent opportunities yet statistically unperceived. The success – or near-success – of these “early movers” often pioneers business pathways for others to follow and expand upon. In this regard, entrepreneurs are both early indicators and agents of regional economic development opportunities.

1.1. Project Implementation

The assessment is being performed by the Center for Economic Development and Community Resilience under the direction of Brent Lane, Executive in Residence for Economic Strategies at the Voinovich School of Leadership and Public Affairs of Ohio University. The project is using personnel and resources of the Voinovich School with the cooperation of, but at no direct cost to, the Clermont County Community and Economic Development Department. The assessment began in early May 2021 with a planned project term of ten weeks.

1.2. Project Methodology

This study is assessing the entrepreneurial economy of Clermont County through an examination of recent economic trends to identify positive regional industrial sectors and associated new business formation patterns. The study comprises:

- a regional economic scan of industries, employment, and income

- a Location Quotient analysis of regional employment sectoral distribution and concentrations
- a shift-share analysis to identify temporal changes in economic composition.
- an analysis of new business formation rates; and
- a characterization of relevant business demographics such as industry sector, revenue and employment, ownership structures and facility scale

This report describes the outcomes of this assessment and the analysis of its research findings.

2. Clermont County Local Economic Context

Several key 2019 statistics (Table 1) show that over the past two decades, Clermont County has economically outperformed the State of Ohio and has kept pace with the US economy. The region is leading the State of Ohio and the US in several basic measures of economic well-being:

Growth in private, non-farm employment in Clermont County from 2021 to 2019 greatly exceeded that of the State of Ohio (27% to 8%) and grew as a slightly faster rate than the US (26.7%).

As a result, the unemployment rate in county (3.40%) was significantly better than that for the State of Ohio (4.2%), and (again) slightly better than the US rate (3.5%)

This lower unemployment was achieved even given Clermont County's higher rate of workforce participation (65.8%), meaning that many of its citizens were both actively seeing – and finding – employment.

An effect of this combination is that the income of Clermont County residents, whether measured by per capita income or median household income, leads the same figures for the State of Ohio, and effectively equals or exceeds the national equivalents.

These positive economic factors have likely both contributed to, and benefitted from, Clermont County's steady pace of population growth from 2001 to 2019 (nearly 15% increase over the period), in sharp contrast to the much slower population growth of Ohio (2.6%) and nearly the same as the US (15.6%)



Table 1 Economic Context

Economic Context*			
Statistical Category	Clermont County	Ohio	U.S.
Private, non-farm employment growth (2001-2019)	27.2%	7.8%	26.7%
Unemployment Rate, December 2019	3.4%	4.2%	3.5%
Workforce participation (%), 2019	65.8%	63.2%	63.0%
Per Capita Income, 2019 (USBEA)	\$55,842	\$50,199	\$56,474
Median Household Income, 2019 (US Census)	\$67,744	\$58,642	\$65,712
Poverty Rate, 2019	8.2%	8.2%	8.2%
Population change (%), 2001-2019	14.8%	2.6%	15.6%
<i>*Unless otherwise indicated, this report only addresses economic statistics of private, for-profit industry sectors, and does not include data from non-profit or government sectors.</i>			

Such positive economic statistics may seem to downplay the need for additional economic development strategies in Clermont County, given the apparent recent economic success. But it should be noted that such a perception of such success is exaggerated by the comparatively poor performance of the Ohio economy. While Clermont County's economy is outperforming that of much of Ohio, it is only performing at the average level nationally. This suggests that Clermont County needs to continue economic development efforts that offer the potential for new jobs creation and higher income generation. Fortunately, the county's current economic position provides a basis for optimism as to the feasibility of well-conceived economic initiatives that are positively reinforced by trends and forces contributing to the region's economic success.

But it is not being overly optimistic to expect that a deeper examination of recent economic and industrial trends may reveal emerging or nascent opportunities for future economic growth. If such opportunities do indeed exist that are likely already being made apparent through the actions of diligent entrepreneurs with prescience borne from insightful diligence apparent only to a very few, or that are as yet indiscernible from often dated and imprecise economic statistics.

3. Realignment can reveal opportunities

In recent decades the economy of Ohio has experienced a realignment that was inevitable given the transformative forces of automation and globalization that were reshaping economies across the US and around the world. In this context, Clermont County has economically outperformed much of the rest of Ohio. The county has nonetheless been affected by the realignment that has presents Clermont's leadership and citizens with challenges and opportunities to address in their economic development efforts.

While economic realignments are commonly described as examples of "creative destruction", that reference is inaccurate and can lead to misleading assumptions and policy reactions. As

defined by the originator of the term, Joseph Schumpeter, creative destruction refers to the “incessant product and process innovation mechanism by which new production units replace outdated ones”¹. In simpler terms, creative destruction describes the intentional elimination or alteration of established business practices in favor of innovative alternative ones. Either way, the application of the phrase to a region’s economy can incorrectly imply a status of inevitability that can seem to leave little room for constructive policy responses. The economic realignment experienced in Clermont County has had very real but not universally positive or negative effects. There is a tendency in economic policy to focus solely on the negative results of change which can obscure newly revealed and nascent opportunities. To paraphrase Nietzsche, “what doesn’t kill your economy may reveal its strengths”.

At the same time, one must be diligent in recognizing that Clermont’s recent successes can also obscure underlying concerns that could prove detrimental. Paradoxically, in such cases the risk is not that economic development efforts might fail, but that they may not optimally capitalize on the opportunities at hand. Economic development is hard and significant successes can be rare. When genuine opportunities present themselves, it is imperative to maximize their potential benefits, which is difficult if one’s economic development focus is mistargeted.

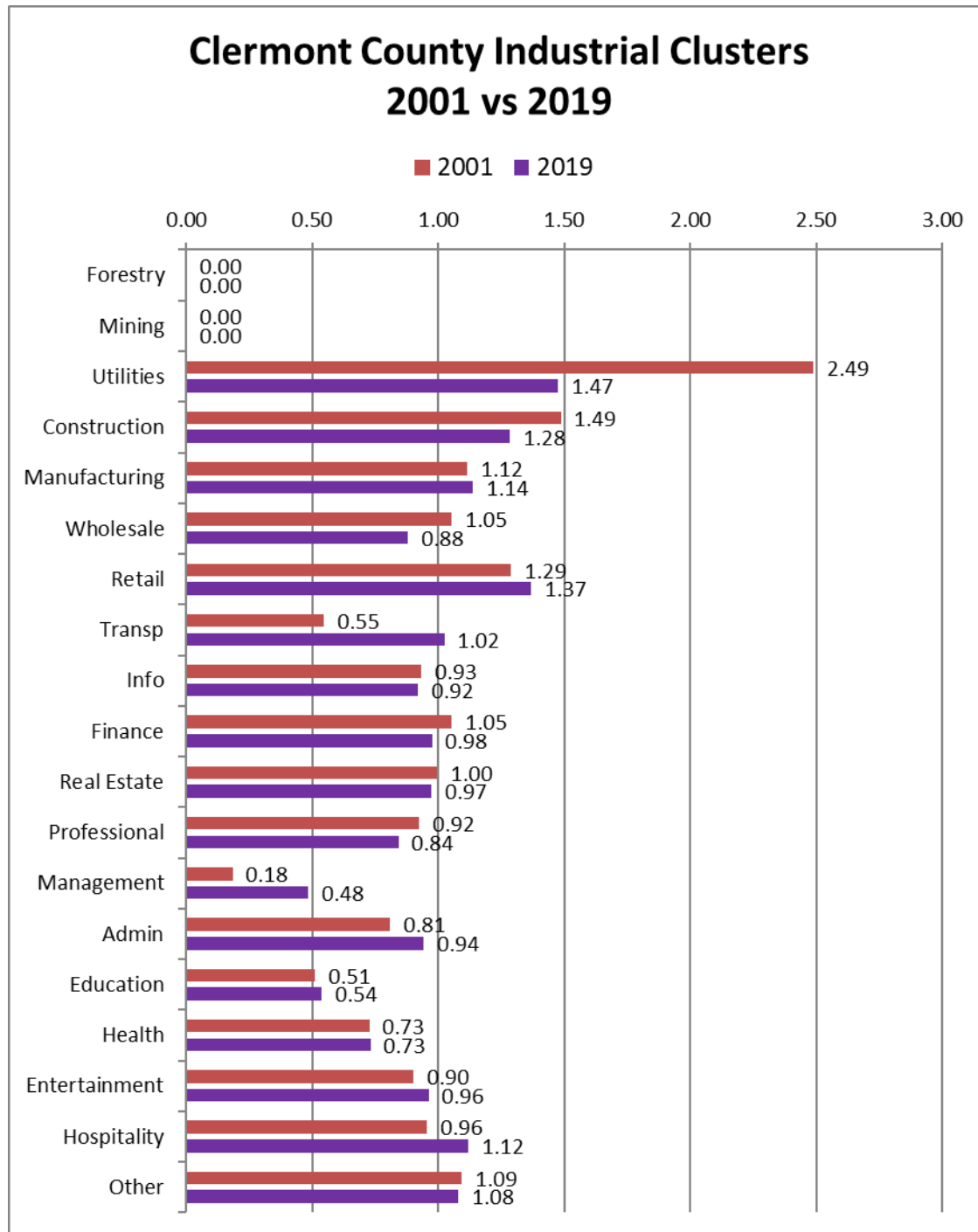
3.1 Industry sector comparative analysis

Industry sector comparative analyses are a powerful technique for revealing regional past and current economic strengths. And while it cannot predict the future, it can provide a factual basis for its forecasting. For example, comparing the share of employment by an industry sector in Clermont County to that of the US – a statistical ratio called a “Location Quotient” (LQ) – can indicate for what types of business activity Clermont has had competitive advantages. As importantly, analysis of the change in LQs over time can show how those advantages are evolving, increasing, or decreasing, and thus provide trends useful in community economic development efforts to capitalize on favorable strategic positions.

Location Quotient

A location quotient (LQ) is an analytical statistic that measures a region’s industrial specialization relative to a larger geographic unit (usually the nation). An LQ is computed as an industry’s share of a regional total for some economic statistic (earnings, GDP by metropolitan area, employment, etc.) divided by the industry’s share of the national total for the same statistic. For example, an LQ of 1.0 in manufacturing means that the region and the nation are equally specialized in manufacturing; while an LQ of 1.8 means that the region has a higher concentration in manufacturing than the nation.

FIGURE 1 CLERMONT MICROPOLITAN INDUSTRIAL CLUSTERS 2001 AND 2019



Such an examination of the Clermont economy from 2001 to 2019 (Figure 1) shows that while the county has experienced LQ value reduction in some sectors – for example in its dominant position in Utilities declined from an LQ of 2.45 to a still significant 1.47 – it has enhanced its strengths in others such as Retail and Accommodations. A shift toward greater employment concentration in services sectors is unsurprising. But it is conspicuous that as this occurred Clermont County has maintained its robust position in the Manufacturing sector where its LQ even grew slightly from 1.12 in 2001 to 1.14 in 2019. This increase can be interpreted as Clermont County successfully retained more manufacturing jobs than the US due to underlying competitive advantages that portend a foundation for renewal that may already demonstrated in recent business activity trends. This analysis further shows that the Clermont economy has retained, and sometimes enhanced its position in other industry sectors as well. The LQs of the utilities, transportation, construction, and other sectors each remained or in some cases increased – beyond the 1.0 LQ value that demarcates higher than the US share of employment in those industries.

3.1.1 Shift-Share Analysis shows Strength Trends

As previously mentioned, examining changes in a region's industrial LQs over time can show opportunities to be capitalized upon through economic development strategies. A particularly useful analytic instrument for assessing such changes is **shift-share analysis**. It can be used to differentiate regional economic changes attributable to national trends from those that result from more regional effects. Thus shift-share analysis helps identify industries where a regional economy may have competitive advantages over the larger economy.

This study used shift-share analysis to examine industry sector changes in Clermont County between two periods: 2001-2019 (long-term) and 2010-2019 (short-term). The analysis covered three economic variables:

- Percentage change employment within industries of the Clermont County economy,
- Change in the LQ of those sectors to account for US employment trends, and
- Total 2019 Clermont County employment for those industry sectors

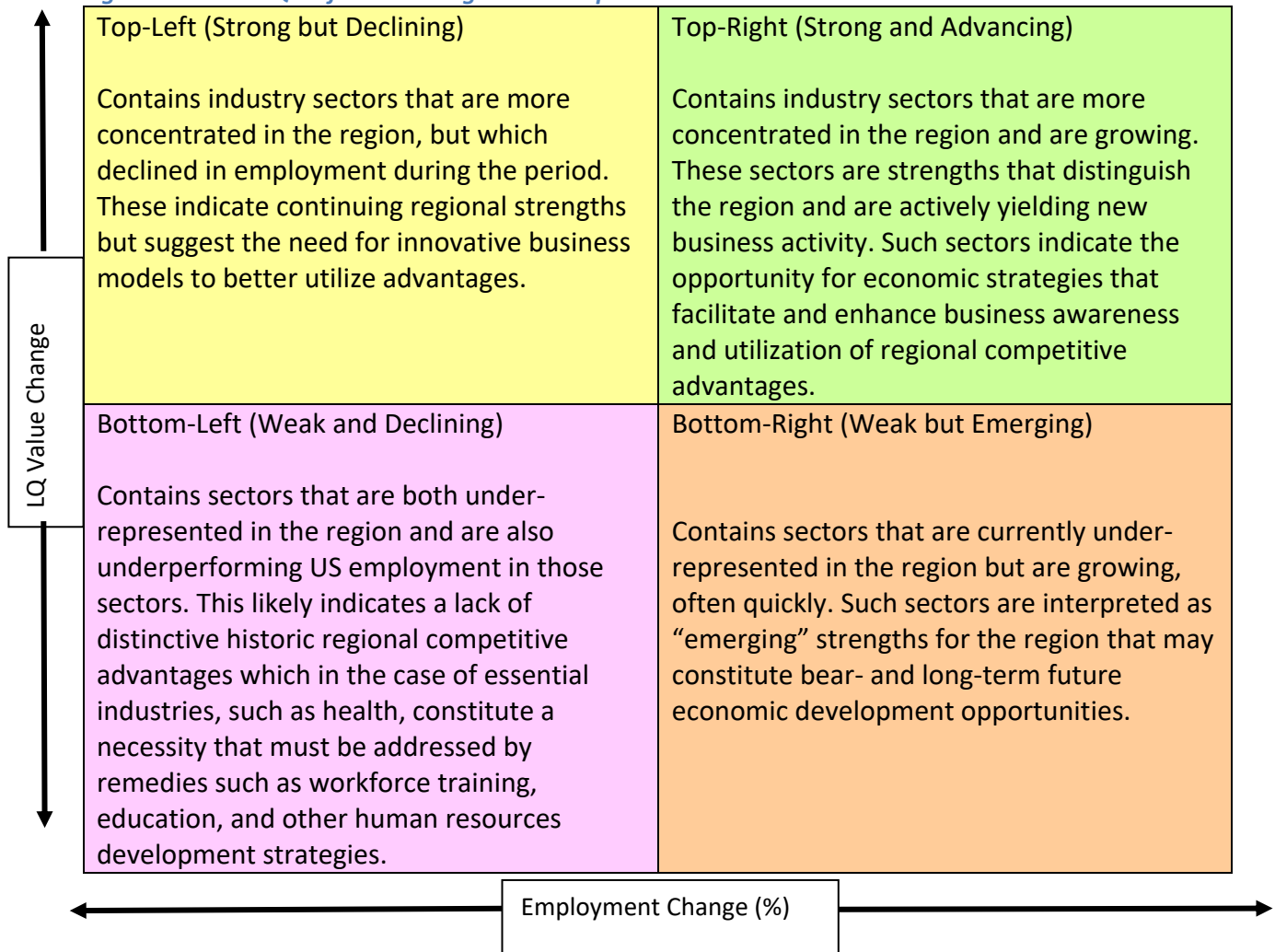
The data for these periods are shown in Table 2.

Table 2 Employment and LQ Change (2001-2019)

	2001-2019	2001-2019	2010-2019	2010-2019	2019
Industry Sector	Change%	LQ Change	Change%	LQ Change	Employment
Forestry	NA	NA	NA	NA	NA
Mining	NA	NA	NA	NA	NA
Utilities	-47%	-1.01	-30%	-0.51	379
Construction	-2%	-0.20	22%	-0.01	6,443
Manufacturing	-24%	0.02	36%	0.24	6,878
Wholesale	-14%	-0.17	-1%	-0.03	2,551
Retail	10%	0.08	5%	0.01	11,616
Transportation	215%	0.48	63%	0.02	4,183
Info	-17%	-0.01	-3%	-0.05	1,422
Finance	28%	-0.08	-4%	-0.19	4,760
Real Estate	78%	-0.03	14%	-0.07	4,246
Professional	37%	-0.08	13%	-0.05	5,526
Management	273%	0.30	49%	0.06	599
Admin	52%	0.14	23%	0.05	5,289
Education	65%	0.03	11%	-0.01	1,150
Health	51%	0.01	13%	-0.01	7,519
Entertainment	68%	0.06	18%	-0.04	2,084
Hospitality	61%	0.16	20%	-0.02	7,615
Other	26%	-0.01	16%	0.01	5,653

The outputs of the shift-share analysis are displayed as “bubbles” representing employment in the industry sector positioned on a grid in which the X-axis position represents industry sector employment change over the period and the Y-axis position indicates change in the Location Quotient (LQ) value for the industry sector. The result is a graphical depiction of industry sectors over four quadrants where their position indicates trends and prospects for industrial development as described in Figure 2.

Figure 2 *LQ Shift-Share Diagram Description*



A comparison of the relative long- (Figure 3) and short-term (Figure 4) competitive positions of Clermont’s industry sectors displays a distinct and significant “Top-Right” directional shift. The long-term economic shift had left many Clermont County industries in relatively middling competitive positions. But more recent, short-term trends have taken several of the industry sectors in a far more positive direction into or toward “Strong and Advancing” Top-Right quadrant indicating that positive employment growth in industry sectors with increasing LQ concentration in Clermont County.

FIGURE 3 CLERMONT LONG TERM ECONOMIC REALIGNMENT (2001-2019)

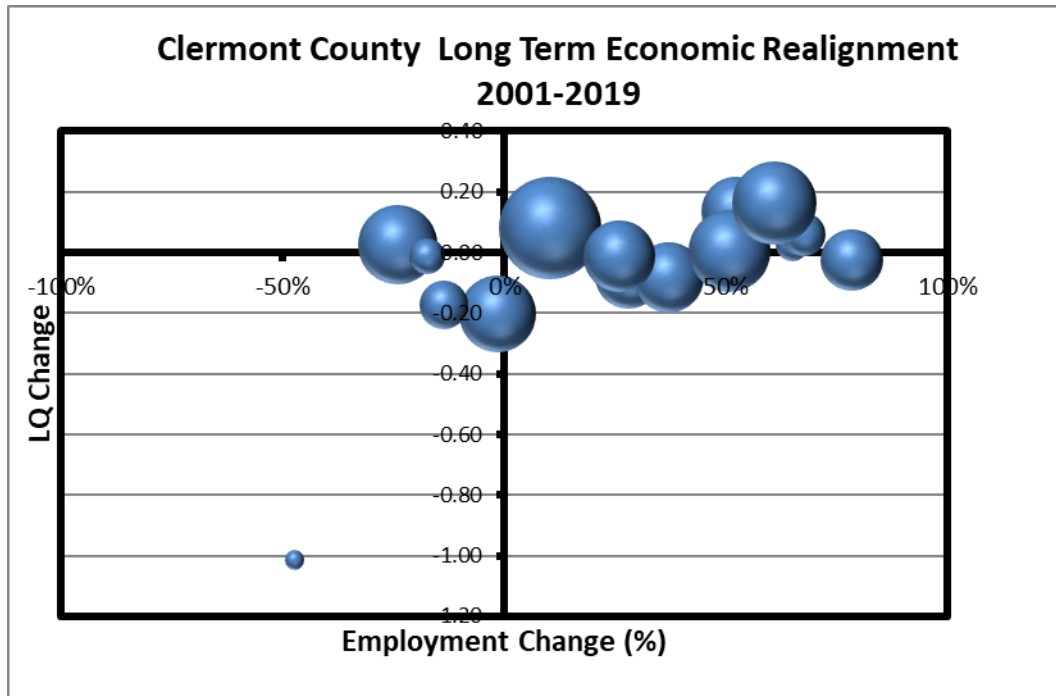
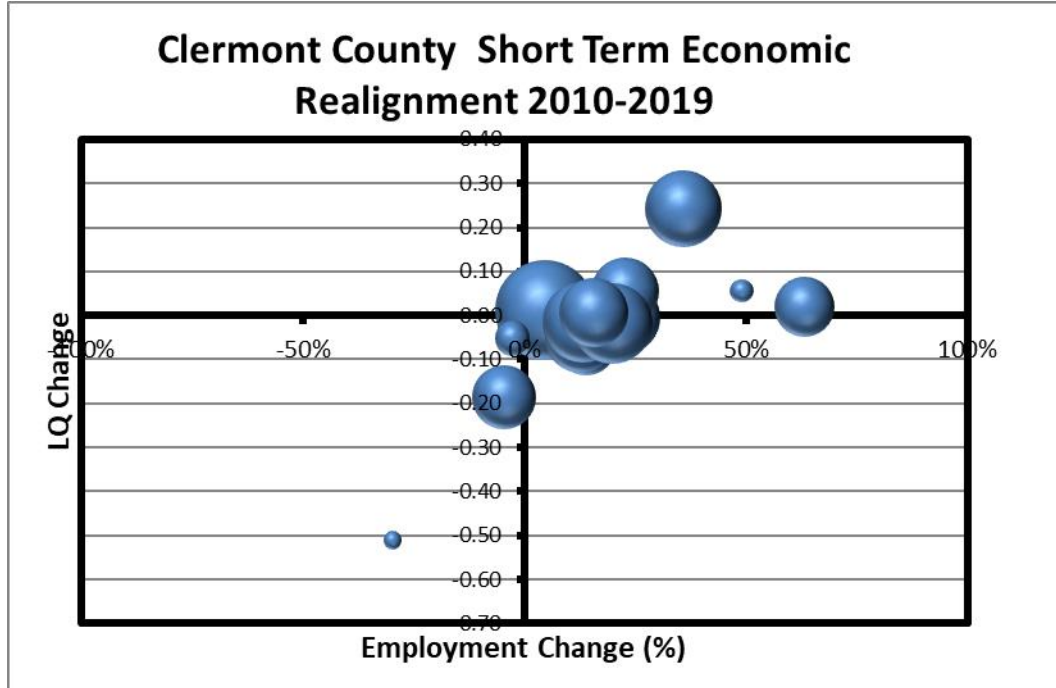


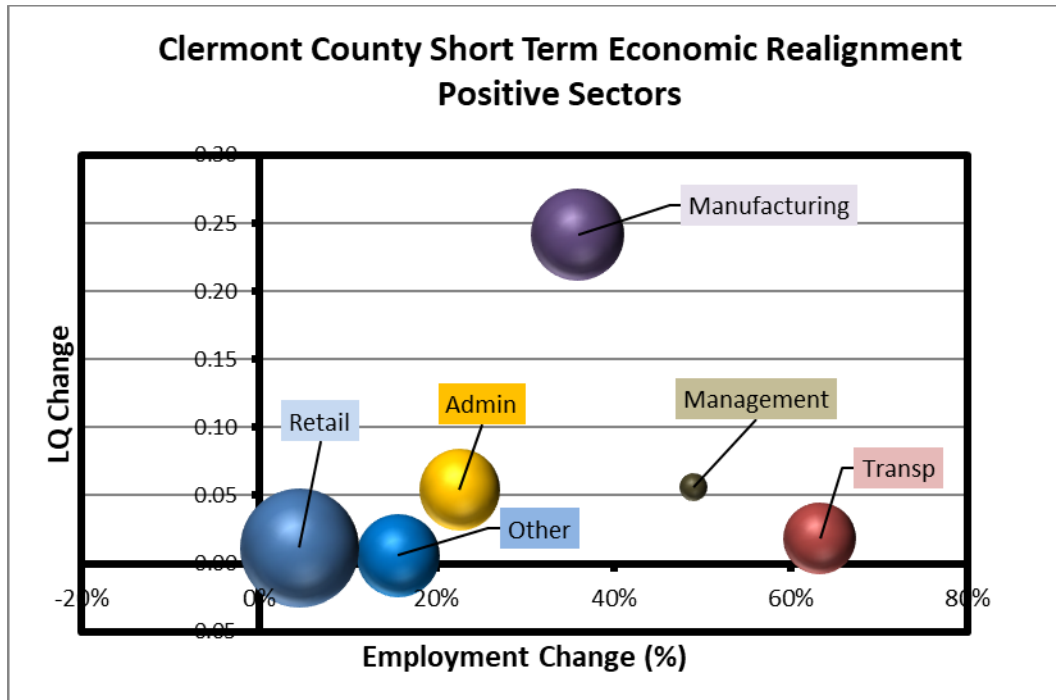
FIGURE 4 CLERMONT SHORT TERM ECONOMIC REALIGNMENT (2010-2019)



3.1.2. Clermont's Positive Economic Sectors

There were six (out of a total of 19) Clermont County industry sectors that exhibited improved gains in LQ value and employment patterns in the 2010-2019 short-term period as compared to those sectors' long-term 2001-2019 values. (Figure 5).

FIGURE 5 CLERMONT POSITIVE SHORT TERM ECONOMIC REALIGNMENT



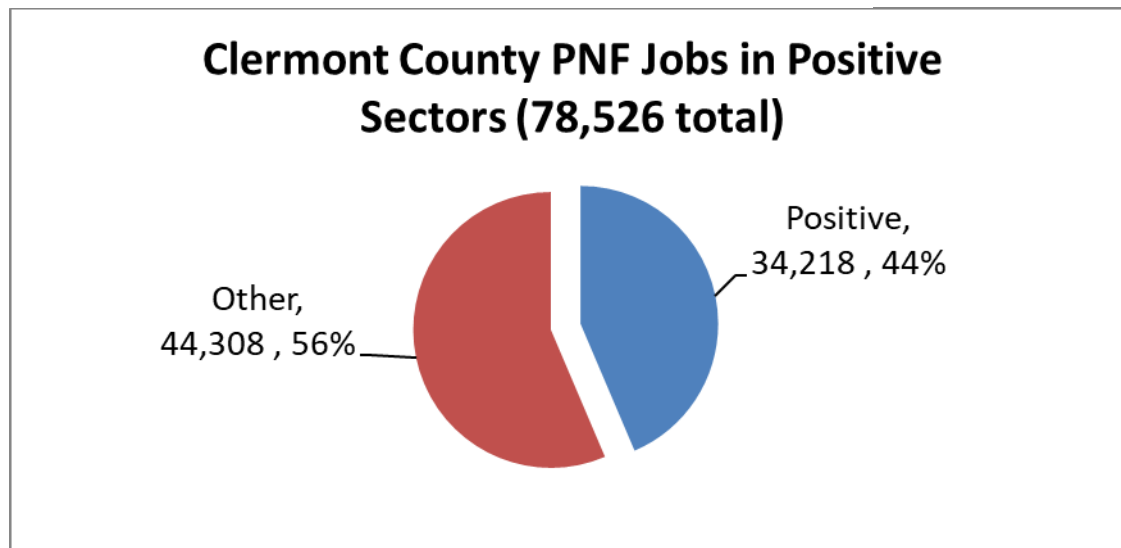
The strength of the short-term LQ gain varied widely across these sectors, ranging a LQ increase 0.24 in the Manufacturing sector to only 0.01 in the Retail sector. The specific industry sectors showing the most positive short-term (2010-2019) LQ movement included (Table 3):

Table 3 Clermont Positive Industrial Sectors

Positive Sectors	LQ gain	Jobs
Manufacturing	0.24	6,878
Management	0.06	599
Admin	0.05	5,289
Transportation	0.02	4,183
Retail	0.01	11,616
Other	0.01	5,653
Total		34,218

It is significant that these six positive sectors, while a minority of the total nineteen private industry sectors, account for a very large share of economic activity in Clermont County. Together the six positive sectors account for 34,218 (44%) of all private sector jobs in the county. (Figure 6) This indicates that business activity in these sectors have a significant effect on the Clermont County economy.

FIGURE 6 CLERMONT REGION JOBS IN POSITIVE SECTORS



It is expected that the economic strengths in Clermont County's positive industry sectors would similarly offer bases for entrepreneurial development, with new ventures capitalizing on the underlying region advantages. That prospect was examined and is discussed in the next section.

4. Clermont County Base Level Entrepreneurial Activity

Entrepreneurship is an inherent activity in any economy. Indeed, research has found that the differential between economies with perceived high versus low levels of entrepreneurial activity is generally not great, often just a matter of a few percentage points. But where in an economy those relatively few additional new firms arise can have tremendous "downstream" significance as a subset of such local "startup" businesses may survive, mature, and expand into substantial high growth enterprises with disproportionately large economic roles.

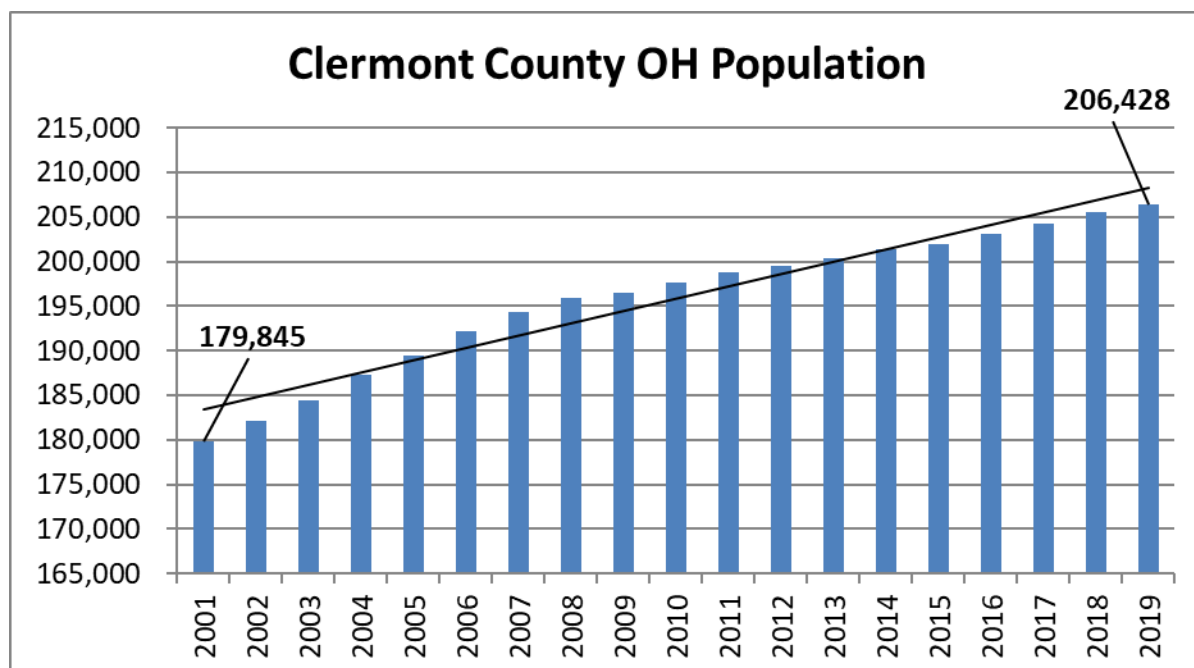
A challenge in economic development is to discern where such opportunities are already in evidence and intercede effectively with the correctly focused entrepreneurial support. It is a fascinating prospect, for which the viability is a function of several factors. Some of these factors are immediately quantifiable through extrapolations of recent market area trends. But other equally significant factors but can be examined only indirectly, such as or by inferences drawn from applicable research applied to the Clermont County economy. In this section we discuss the findings of a combination of these approaches to describe the opportunities for entrepreneurial development in the county and offer some insights on potential strategies.

4.1 Population Trends and Entrepreneurship

Given that research have found a general correlation between a region's population growth and its level of entrepreneurial activity, Clermont County's more positive trend in population growth relative to Ohio is encouraging. This positive trend alone is likely to enhance the county's entrepreneurial prospects as new businesses start, and existing small businesses expand, to supply the increasing demand for products and services of a growing population of potential customers. However, it is important to note that such population-correlated growth tends to favor largely retail and service sectors, so called "non-traded" sectors, rather than growth by businesses in "traded" industry sectors that serve non-local – meaning in this case "non-Clermont County" customers elsewhere in Ohio and the world.

The population of Clermont County has grown steadily over the past two decades (Figure 7). From just under 180,000 in 2001, the county's population grew 14.8% to 206,000 in 2019.

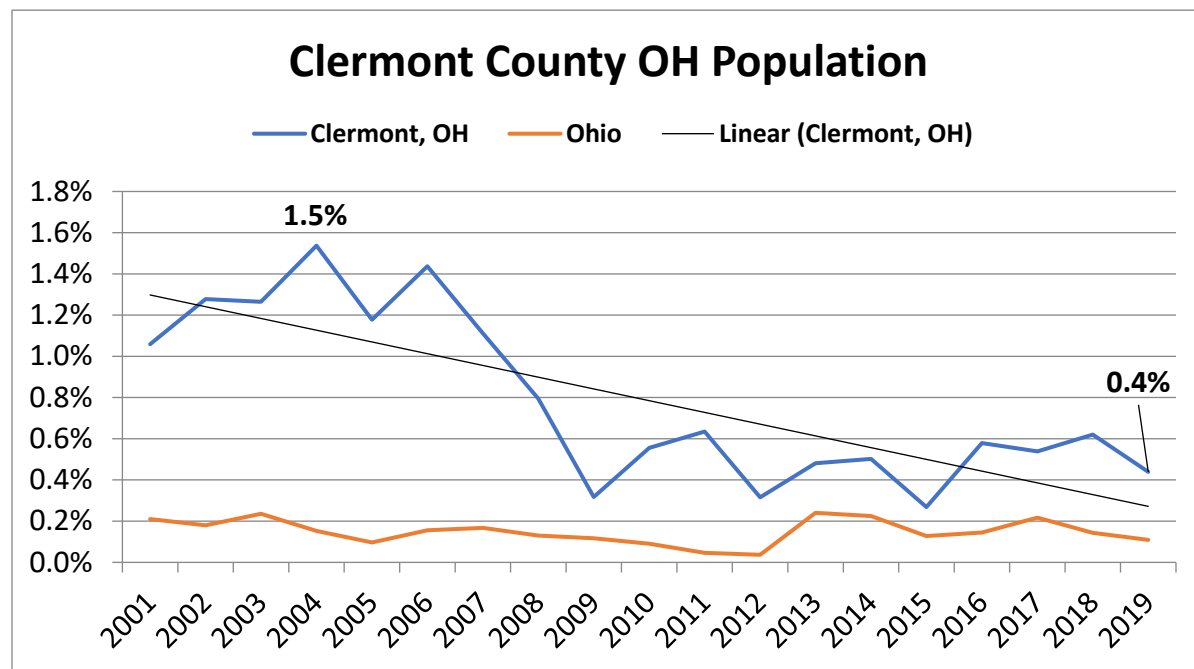
FIGURE 7 CLERMONT COUNTY POPULATION



This rate of population is noteworthy, especially given that over the same period the population of the State of Ohio grew a total of only 2.6%. Clermont's higher relative rate of population growth is further illustrated in Figure 8 where the county's annual rates of growth exceeded that of Ohio in every year of the 2001 to 2019 period.

But this graphic also shows that Clermont’s population growth rate, while still positive, has nonetheless been slowing dramatically in more recent years. After peaking at 1.5% annually in 2004, the county’s annual population growth rate has slowed to 1.4% by 2019. Thus, it is reasonable to conclude that, to whatever extent entrepreneurial activity in Clermont County has been supported by higher rates of population growth, that impetus is lessening as the county’s population growth is slowing.

Figure 8 Clermont County Population Annual Growth Rate



This slowing population growth could have implications for Clermont’s future entrepreneurial activity to the extent it affects entrepreneurial activity. Research on US rates of business startups have found that decreases in population growth tend to lower new firm “entry” rates, with the effect of shifting the regional firm-age distribution towards older firms. ² Moreover, further research found that, rather than being a geography- or industry-specific effect, the relationship between regional population growth and firm formation rates is remarkably strong, even after controlling for other factors—including regional effects, industrial and labor market composition, culture, and public policies.

4.2 Absolute Business Formation Rates

Fortunately, this generally strong relationship between slowing population growth and entrepreneurial activity can have exceptions, especially when the population decline is a function of economic dislocation-driven outmigration. In such scenarios, as may be the case in Clermont County, economic realignments lead to employment contraction (and associated outmigration) by businesses in some industry sectors. But robust resource and location advantages can be then redeployed for use by other new and attracted firms with more

competitive business models. In such instances, regional advantages revealed and reallocated through economic realignment can enable a newer generation of companies to begin the slow process of growth to regional preeminence.

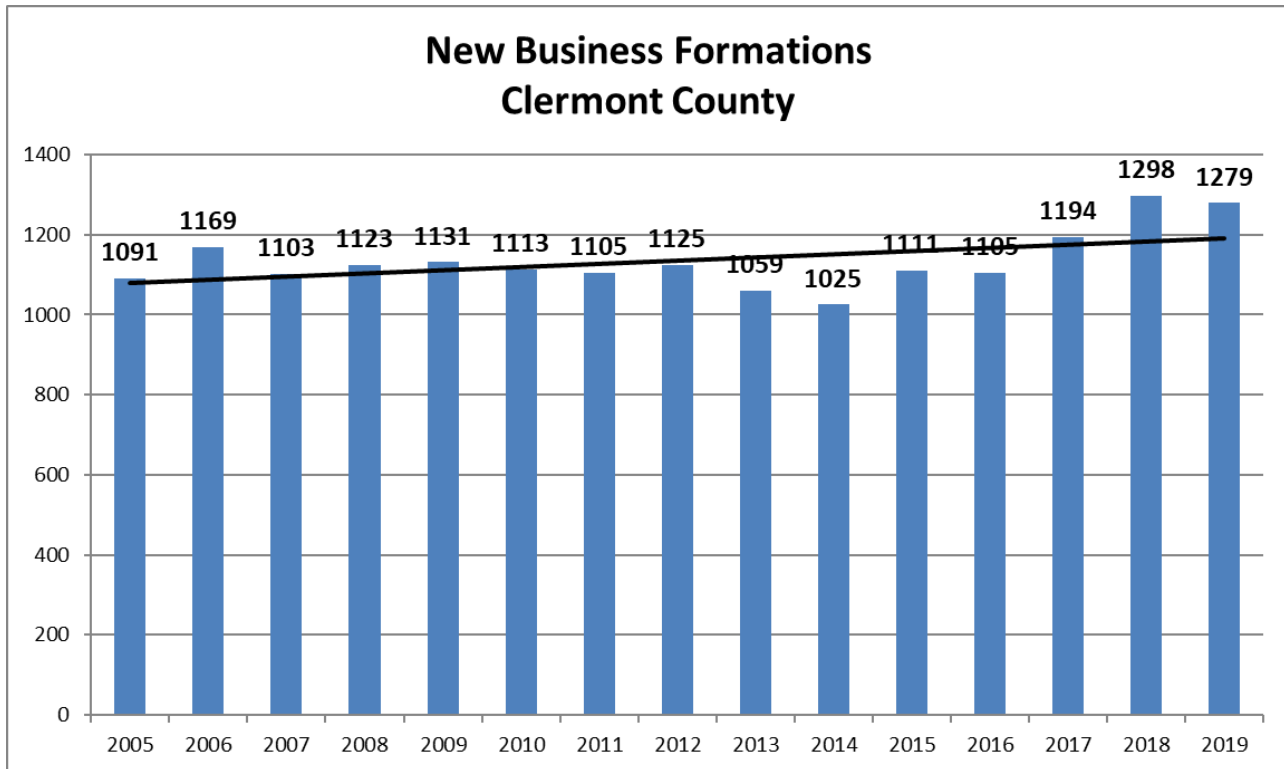
The potential for such a phenomenon may be first detected in its earliest stages when the growth in the rate of new business starts, rather than matching along with slowing population growth, begins to rise faster than population growth. There is evidence that this may be the case in Clermont County and suggests a potentially stronger market potential than otherwise indicated.

That evidence is in the form of previously unavailable information on entrepreneurial activity, Business Formation Statistics (BFS), which are an experimental data product of the U.S. Census Bureau being developed by economists affiliated with Board of Governors of the Federal Reserve System. BFS data is distinguished from other, less substantive measures of entrepreneurial activity in that it includes only new businesses applying for Employer Identification Numbers (EINs) in the United States and are thus associated with new companies with employees (as opposed to self-employed or sole proprietorships). The BFS measures both business initiation activity and the cycle from initiation to realized business formation. The BFS thus gives an early look at business formation activity within the U.S. at a detailed state level and regional level.

4.2.1 Clermont County Recent New Business Formations

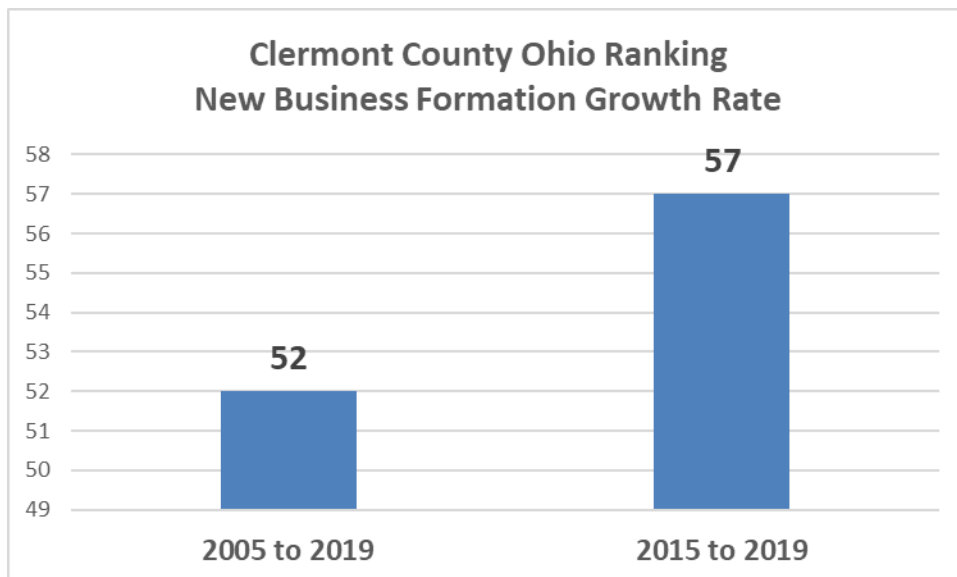
Analysis of BFS data available through the US Census found a recent and sustained increase in new business formations in Clermont County. Over the 2005 to 2019 period for which data was available, Clermont County consistently added had more than a thousand new businesses with employees annually. (Figure 9) The county has even experienced a modest increasing annual rate of new business formations which contrasts with the declining rate of population growth in the period. In fact, the county achieved its two highest years of new business formation in 2018 and 2019.

FIGURE 9 CLERMONT COUNTY NEW BUSINESS FORMATIONS



Despite these positive trends, it must be noted that Clermont County is not particularly entrepreneurial relative to other Ohio counties. The US Census BFS database was queried for information on business initiation activity in all 88 Ohio counties over the past several years. Analysis of this data found that Clermont County's New Business Formation growth rate has lagged that of most Ohio counties in both the long and short term. While new business formations in the county increased by 17.2% between 2005-2019, and by 15.1% in the more recent 2015-2019 period, Clermont ranks only 52nd and 57th (out of 88 counties) in those periods respectively. (Figure 10)

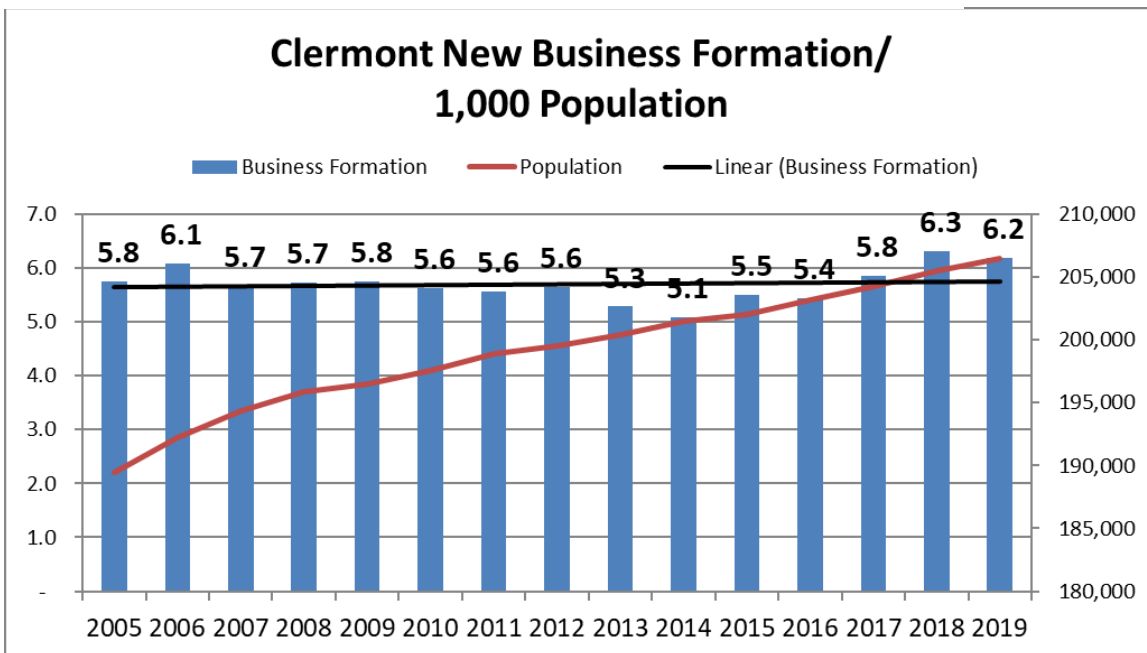
FIGURE 10 CLERMONT COUNTY ENTREPRENEURIAL ACTIVITY RANKING



4.2.2. Population-Weighted Business Formation Rates

The potential significance of such rankings needs to take into account the reality that the population of Ohio's counties vary greatly, and with such variance comes high levels of data volatility as even small changes in business formation rates can have exaggerated effects in smaller population counties. For that reason, a deeper analysis was performed to determine Clermont County's population-adjusted rate of new business formation over the 2005-2019 period. This analysis looked at the annual rate of new business formations per 1,000 population and compared the change rate of business formation to population. (Figure 11)

FIGURE 11 CLERMONT COUNTY POPULATION WEIGHTED NEW BUSINESS FORMATION RATE



This analysis showed that the changing rate of population growth in Clermont County has had very little effect on changing rates of new business formation. In fact, new business formations per 1,000 people have been remarkably consistent as the population of Clermont County has grown. Perhaps more importantly, business formation, rather than slowing as the rate of population growth has slowed (since 2014), population-adjusted business formation rates have actually accelerated significantly – from 5.1 to 6.2 - over the most recent years.

One interpretation of this recent inflection can be that a new generation of entrepreneurial firms is forming in Clermont County from the re-utilization of resources and locational assets freed up by long-term economic realignment. This can be encouraging news for economic development initiatives in Clermont County that are premised on cultivating nascent business opportunities.

This sustained increase suggests both an increasingly positive economic climate for entrepreneurial development in the region and the probable existence of a significant market of nascent ventures in the Clermont County “entrepreneurship pipeline”. Census data on new business formation inevitably undercounts entrepreneurship as it only identifies businesses that apply for governmental Employer Identification Numbers (EINs) for employment tax purposes. It therefore omits non-employer businesses, such as sole proprietorships, as well as potential ventures still at the ideation and evaluation stages of entrepreneurial development. While it is unknown what percentage of nascent firms mature to the formation stage, at which they might apply for an EIN and become statistically visible, encouraging more prospective entrepreneurs to begin that process and then accelerating their maturation could significantly increase the size and diversity of Clermont County’s business population.

5. Clermont County's Emerging Businesses

The basic task in assessing the potential market for a targeted entrepreneurial development effort is the identification and characterization of how many “nascent” businesses, or those just coming into existence, might exist in Clermont County. This task is challenging as nascent prospects are, by definition, individually statistically invisible. Most exist only in the minds of their potential founders as ideas and intentions. Others may have progressed further toward realization in the form of hobbies or crafts or part-time consulting “gigs”, perhaps being sold in weekend markets, through on-line platforms, or websites.

Fortunately, assessing the feasibility of an entrepreneurial development strategy does not require identifying specific client prospects but rather the likelihood of their existence. And that potentiality can be deduced from the existence of their predecessors. Just as the potential diners at a planned restaurant can be inferred from the number of filled tables at similar nearby establishment, so can the number and nature of potential Clermont County businesses be inferred from the composition of the region's current business population. Each of these, and probably multiples of additional potential businesses that were not “realized”, were previously at the earliest stage of conception. It is the number and nature of those realized businesses that provide the basis for estimating the potential Clermont County entrepreneurial market. Incubator.

5.1. Clermont County Business Demographics in Positive Sectors

The size and composition of the current Clermont County small business population provide precedents that can inform an understanding of the area's emerging entrepreneurial market. Research indicates that this may be a particularly valid in examinations of the smaller size cohort of businesses present in those Clermont County industrial sectors exhibiting persistent regional advantages via their increasing Location Quotient values.

As discussed in a previous section of this report, Location Quotients (LQ) are an analytical statistic measuring a region's industrial specialization relative to a larger geographic unit (usually the nation). An LQ is computed as an industry's share of a regional total for some economic statistic (earnings, GDP by metropolitan area, employment, etc.) divided by the industry's share of the national total for the same statistic. As previously discussed, LQ values can also be used as the basis for shift-share analysis to examine changes in a region's industrial concentrations over time, revealing competitive advantages to be capitalized upon through economic development strategies.

This technique was applied in an earlier section to identify industrial sectors within the Clermont County economy that recently increased their LQ values during the on-going, long-term economic realignment. This analysis identified six (out of a total of 19) industry sectors in Clermont County that showed near-term improved gains in LQ value and employment patterns. While the analysis of these positive sectors discussed in the previous section emphasized their employment contributions, examining the composition of the number and sizes of businesses in the six positive sectors provides additional information on the potential makeup of the

Clermont County entrepreneurial population.

5.1.1 Business Industry Distribution in Clermont County Positive Sectors

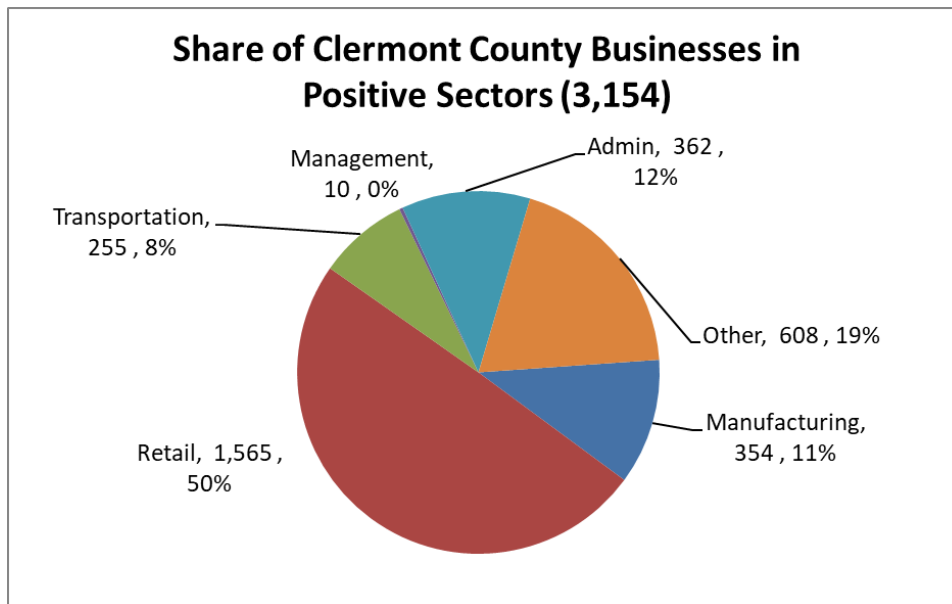
In 2019 the six positive sectors comprised a total of 3,154 businesses (Table 4). The largest share of these were in the Retail sectors, which accounted for 50% of the total. However, it is important to note that of the six positive sectors, the Retail sector experienced the weakest gain in LQ value, which suggests it may be the least robust of the sectors for future entrepreneurial development due to the relative insignificance of its regional competitive advantage.

Table 4 Clermont County Positive Sectors LQ Gains and 2019 Businesses

Positive Sectors	LQ Gain	2019 Businesses	% Firms
Manufacturing	0.24	354	11%
Management	0.06	10	0.3%
Admin	0.05	362	11%
Transportation	0.02	255	8%
Retail	0.01	1,565	50%
Other	0.01	608	19%
Total		3,154	

At the opposite end of the spectrum, the Manufacturing sector was found to have increased its already strong concentration in the Clermont County economy while comprising a small but significant share (11%) of firms in the positive sectors. (Figure 12) One interpretation of this combination is that while future new manufacturing ventures starting in Clermont County may not be numerous, those that do could be able to better leverage distinctive local attributes to achieve significant marketplace competitive advantages in their markets, thus positioning them for greater growth.

FIGURE 12 SHARE OF CLERMONT COUNTY BUSINESSES IN POSITIVE SECTORS



5.1.2. Business Size Distribution in Clermont County Positive Sectors

These industry distribution characteristics are encouraging for an economy, like Clermont County, that is challenged to grow and attract businesses employing strategies which capitalize on the region's competitive advantages in new ways. That the region is already experiencing some success in this challenge is evidenced by the dominant role of smaller businesses in the county's positive sectors.

The great majority of businesses in the six Clermont County positive sectors are small, locally owned firms with 83% currently having fewer than 20 employees - perhaps positioned for substantial future growth (Figure 13). These businesses are also predominantly locally owned, with 68% being sole locations rather than branches or subsidiaries of larger companies (Figure 14). This indicates that even given the county's relatively healthy economic growth of the past few decades, Clermont is fertile ground for new entrepreneurs and could produce more.

FIGURE 13

OWNERSHIP OF CLERMONT COUNTY BUSINESSES IN POSITIVE SECTORS

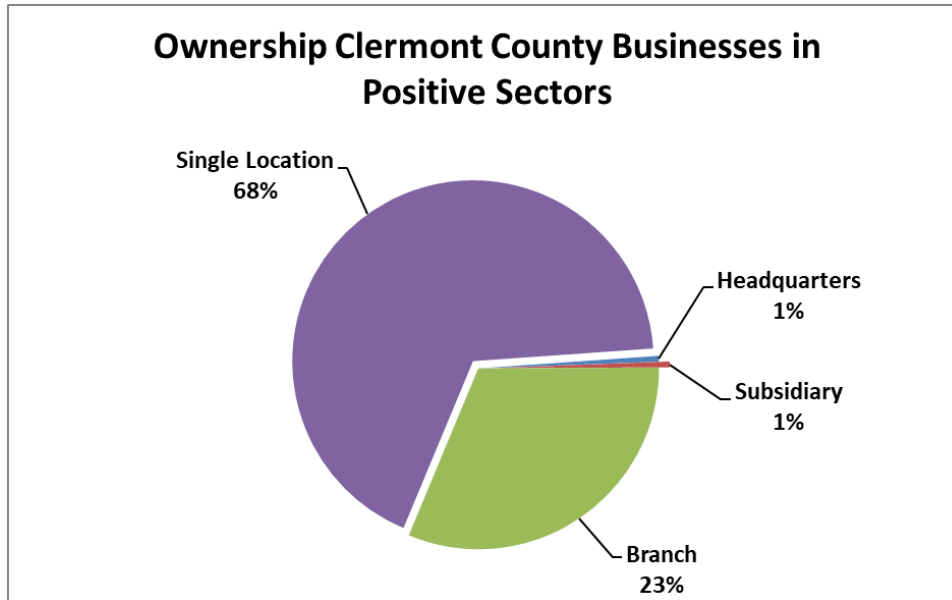
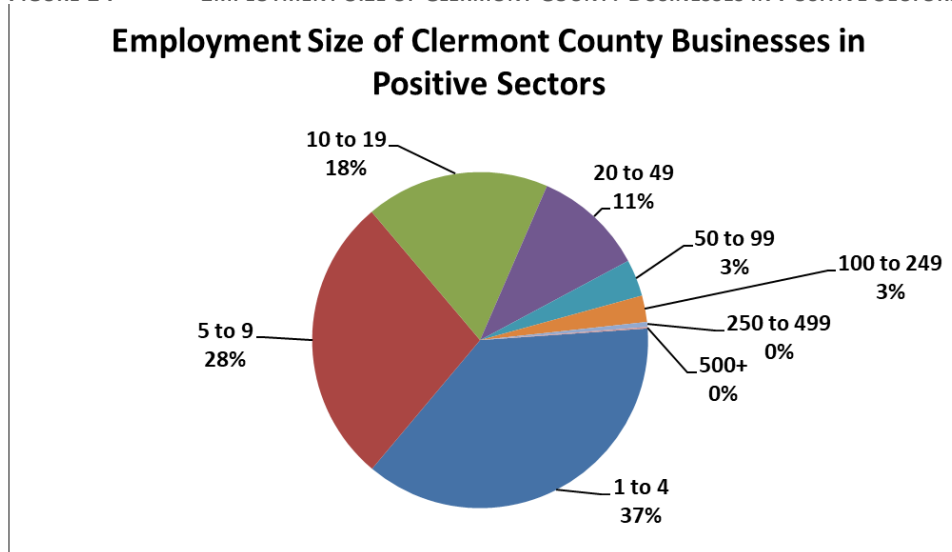


FIGURE 14

EMPLOYMENT SIZE OF CLERMONT COUNTY BUSINESSES IN POSITIVE SECTORS



6. Clermont County's Growth Positioned Attraction Prospects

This research project focused on producing information for the attraction of growth positioned entrepreneurial firms to locate along the Clermont County Highway 32 Industrial Corridor. The goal was to identify a set of firm attraction candidates or a "Virtual Portfolio", derived from positive industry sectors previously identified for Clermont County, as representative examples of economic development prospects.

6.1 Prospect Identification

The prospect identification was conducted by focusing on growth positioned firms' potentially seeking relocation and/or expansion locations correlated with Clermont County economic strengths as evidenced by recent patterns of industrial development. The resulting constructed Virtual Portfolio delineates firm characteristics in workforce and infrastructure to inform ongoing and near-term economic development efforts and provide basis for economic impact estimation.

6.1.1 Disaggregation of Clermont County positive industrial sectors

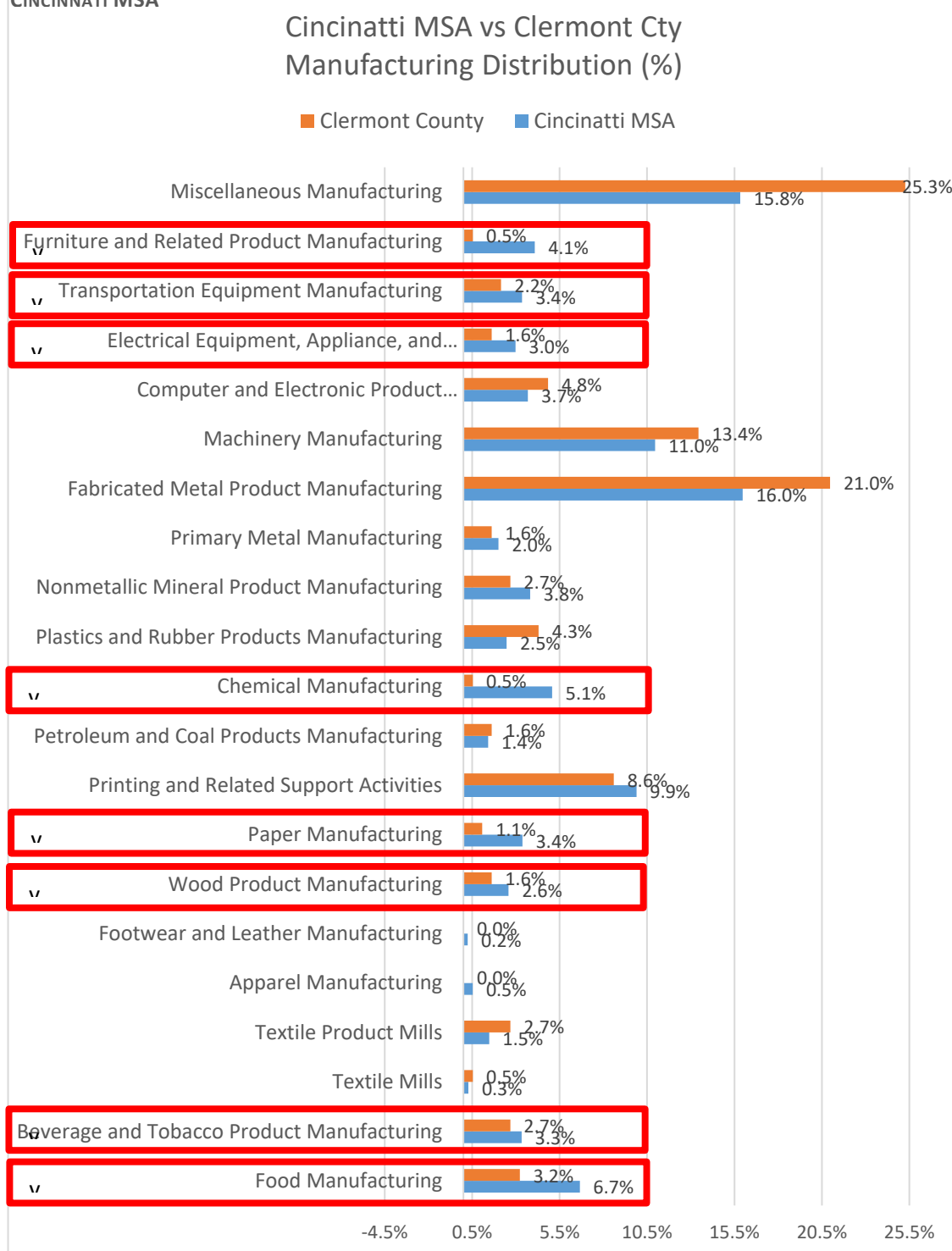
Previously identified Clermont County positive industrial sectors were disaggregated to 3-digit NAICS code levels to specify distinctive market-validated subsector advantages. These sectors were further differentiated at more precise levels by their constituent firms. Out of a total of 232 manufacturing firms, 186 operating as either headquarter (HQ) or sole location (SL) locally-owned firms were identified in 19 3-digit NAICS manufacturing categories (Table 5).

Table 5 Distribution of HQ/SL Firms in Clermont County's Manufacturing Sector

Clermont County Manufacturing Industry Sector HQ/SL Firm Distribution		
NAICS Code	NAICS Category	# Firms
	Textile Mills	1
325	Chemical Manufacturing	1
	Furniture and Related Product Manufacturing	1
322	Paper Manufacturing	2
	Wood Product Manufacturing	3
324	Petroleum and Coal Products Manufacturing	3
	Primary Metal Manufacturing	3
335	Electrical Equipment, Appliance, and Component Manufacturing	3
	Transportation Equipment Manufacturing	4
312	Beverage and Tobacco Product Manufacturing	5
	Textile Product Mills	5
327	Nonmetallic Mineral Product Manufacturing	5
	Food Manufacturing	6
326	Plastics and Rubber Products Manufacturing	8
	Computer and Electronic Product Manufacturing	9
323	Printing and Related Support Activities	16
	Machinery Manufacturing	25
332	Fabricated Metal Product Manufacturing	39
	Miscellaneous Manufacturing	47
TOTAL		186

The resulting Clermont County HQ/SL industry sectoral population distribution was compared with the manufacturing industry distribution of the broader Cincinnati Metropolitan Statistical Area (MSA) to identify prevalent regional sectors with firm under-representation – highlighted within red lined boxes - in Clermont County. (Figure 15)

FIGURE 15: COMPARISON OF THE MANUFACTURING INDUSTRY DISTRIBUTION OF CLERMONT COUNTY TO THE CINCINNATI MSA



This analysis identified 8 “high potential” NAICS3 sectors (Table 6) in which the Cincinnati MSA region had significantly larger share of manufacturing firms than Clermont County. This indicates that the regional economy, that includes Clermont County, has market-validated advantages that have attracted firm creation, relocation, and growth in those sectors. The lower share these sectors represent in Clermont County’s economy further suggest the county can leverage those advantages in a targeted effort toward growth firms within those sectors.

Table 1 High Potential NAICS3 Sectors

NAICS3	NAICS Category
311	Food Product
312	Beverage and Tobacco Product
321	Wood Product
322	Paper
325	Chemical
335	Electrical Equipment
336	Transportation Equipment
337	Furniture and Related Product

6.1.2 Parent Company Geographic Analysis

Geographic analysis of Clermont County subsidiary firms’ parent companies’ locations to delineate established patterns of regional advantage recognition and location capture behavior that reveal locations from which to derive future business (re)location prospects

Subsidiary location decisions made by parent companies involve consideration of a broad set of factors. Such decisions collectively constitute a market-based validation of a selected region’s comparative economic advantages for those firms’ industry sectors either as contrasted with the home region of the parent company or alternative subsidiary location options. Therefore, the decisions of parent companies to locate subsidiaries in Clermont County are compelling, empirical evidence of industry preferences that reveal high potential geographic targets for the solicitation of additional economic development prospects from the county.

The population of Clermont County subsidiary firms with verified parent company relationships within the 8 “high potential” NAICS3 sectors were examined to identify the home regions of those parent companies. These locations – representation – highlighted within red lined boxes with the exception of Ohio - became the target market areas from which relocation and expansion prospects for Clermont County would be identified (Table 7).

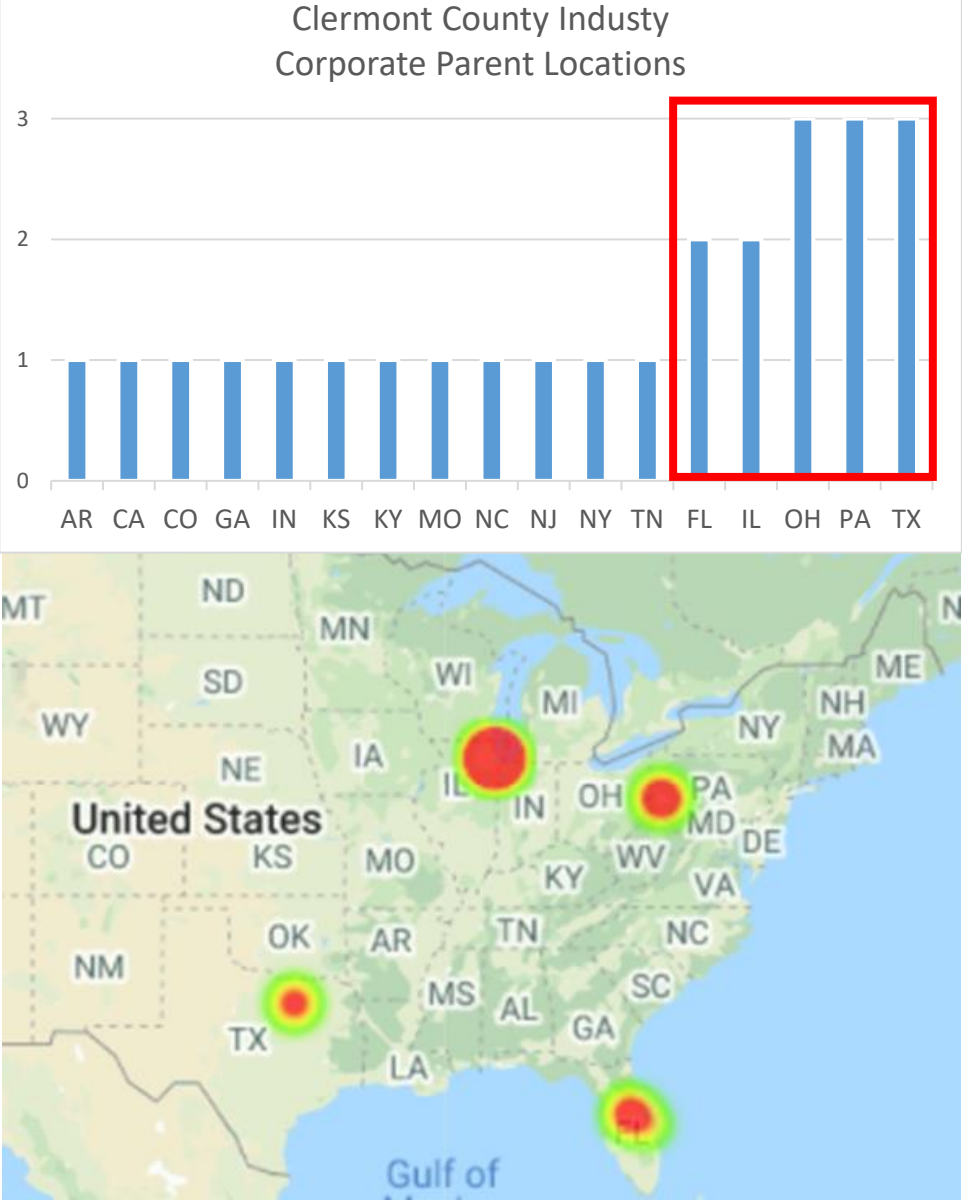
Table 7 Home Regions of High Potential NAICS3 Sectors outside of Ohio

City	State	Firms
Siloam Springs	AR	1
Canoga Park	CA	1
Centennial	CO	1
Melbourne	FL	2
Orlando	FL	2
Atlanta	GA	1
Carol Stream	IL	2
Chicago	IL	2
Batesville	IN	1
De Soto	KS	1
Florence	KY	1
St Louis	MO	1
Davidson	NC	1
Parsippany	NJ	1
College Point	NY	1
Akron	OH	3
Cincinnati	OH	3
Medina	OH	3
Coraopolis	PA	3
Pittsburgh	PA	3
Yardley	PA	3
Franklin	TN	1
Carrollton	TX	3
Irving	TX	3

Parent corporations from four non-Ohio states representation – highlighted within red lined boxes - exhibited the strongest market-validated preferences for Clermont County as a location: Texas, Pennsylvania, Ohio, Illinois, and Florida (Figure 16). Nonetheless, as location preferences are most often aligned with city or metropolitan area characteristics, the actual corporate parent home city locations were used in the search parameters for Clermont County prospects.¹

¹ Identification of headquarters and sole location growth positioned candidate firms matching Clermont positive industry subsectors and geographic location sourcing patterns

FIGURE 16 DISTRIBUTION AND MAP OF CLERMONT COUNTY INDUSTRY CORPORATE PARENT LOCATIONS



6.1.3 Prospect Profiling and Identification

Identify headquarters and sole location growth positioned candidate firms matching Clermont positive industry subsectors and geographic location sourcing patterns.

Information on high potential industry sectors and geographic locations was combined with research evidence on growth-positioned company characteristics to compile a Clermont County prospect profile. (Table 8) Searches of a proprietary commercial business database using the Clermont County Prospect Parameters identified 347 verified businesses meeting all 6 of the parameters.

Table 8 Revised Clermont County Prospect Parameters

Revised Clermont County Prospect Parameters	
Industry Sector	9 NAICS3 high potential categories
Geography	Twelve target cities in IN, TN, MO, FL, TX, IL, and PA
Ownership	Headquarters (HQ) or Sole Locations (SL)
Employment	10 to 249 employees
Revenues	\$5MM to \$500MM
Facility Size	10,000 to 40,000 square feet

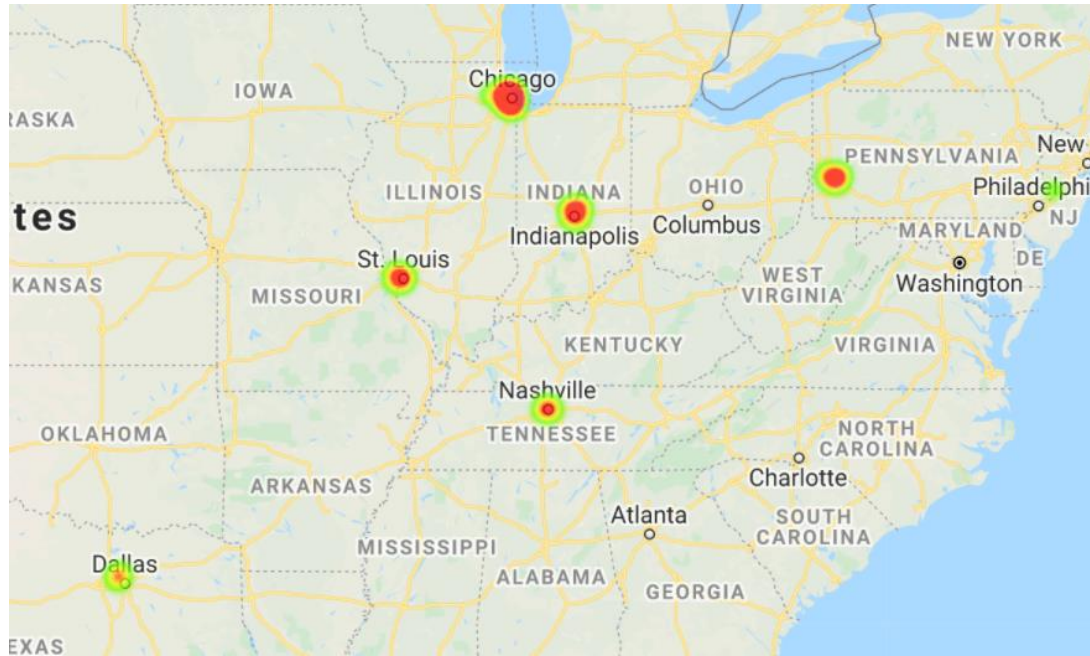
Geography

These prospects were not evenly divided geographically (Table 9); however, they were present in all twelve targeted cities. (Table 3) Prospects were concentrated in Chicago (51%), Indianapolis (12%), Pittsburgh (10%), and St. Louis (9%). (Figure 17)

Table 9 Geographic Distribution of the 12 Targeted Cities

City	State	#Firms	%
Melbourne	FL	6	1.7%
Orlando	FL	15	4.2%
Carol Stream	IL	5	1.4%
Chicago	IL	180	51.0%
Indianapolis	IN	43	12.2%
St. Louis	MO	30	8.5%
Coraopolis	PA	4	1.1%
Pittsburgh	PA	34	9.6%
Yardley	PA	2	0.6%
Nashville	TN	14	4.0%
Carrollton	TX	6	1.7%
Irving	TX	8	2.3%
TOTAL		347	

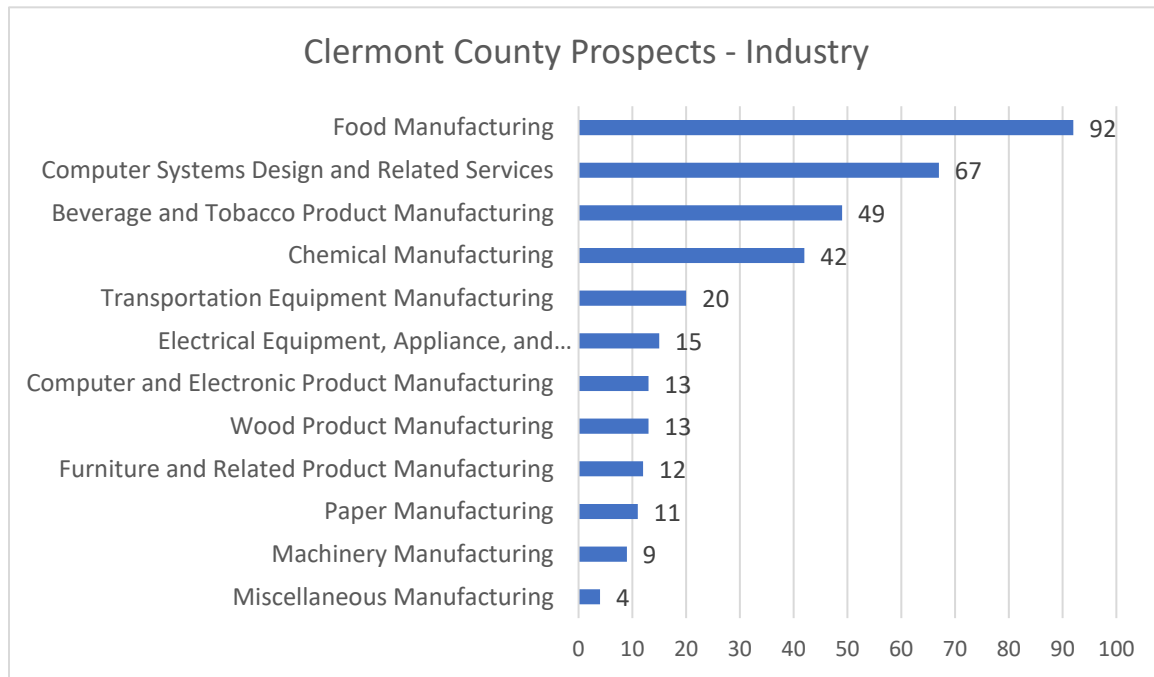
FIGURE 17 MAP OF THE CONCENTRATION OF THE TARGETED CITIES



Industry

The Clermont County prospect pool was similarly concentrated in terms of its distribution across the 9 NAICS9 high potential categories (Figure 18). Of the 347 prospects identified, a large plurality were in Food Manufacturing (92), followed by Computer Systems Design (67), Beverage (49), Chemicals (42), and Transportation Equipment (20).

Figure 18 Industry Distribution of Clermont County Prospects



NAICS3	NAICS Category	#Firms
339	Miscellaneous Manufacturing	4
333	Machinery Manufacturing	9
322	Paper Manufacturing	11
337	Furniture and Related Product Manufacturing	12
321	Wood Product Manufacturing	13
334	Computer and Electronic Product Manufacturing	13
335	Electrical Equipment, Appliance, and Component Manufacturing	15
336	Transportation Equipment Manufacturing	20
325	Chemical Manufacturing	42
312	Beverage and Tobacco Product Manufacturing	49
541	Computer Systems Design and Related Services	67
311	Food Manufacturing	92
	TOTAL	347

Scale

As expected for growth-positioned entrepreneurial industrial firms, the Clermont prospect pool trended to the smaller ends of the scale related parameters. Most of the prospects reported annual revenues of \$5 to \$10 million (178) or \$10 to \$20 million (87) (Figure 19). Employment was similarly concentrated in the lower levels of 10 to 19 (190) and 20 to 49 (152) (Figure 20). Despite these tendencies, a majority of firms operated in the large of the two facility size parameters, with 228 in the 20,000 to 39,999 s.f. range, compared to the 119 firms in 10,000 to 19,999 s.f. range (Figure 21).

FIGURE 12 REVENUE DISTRIBUTION OF CLERMONT COUNTY PROSPECTS

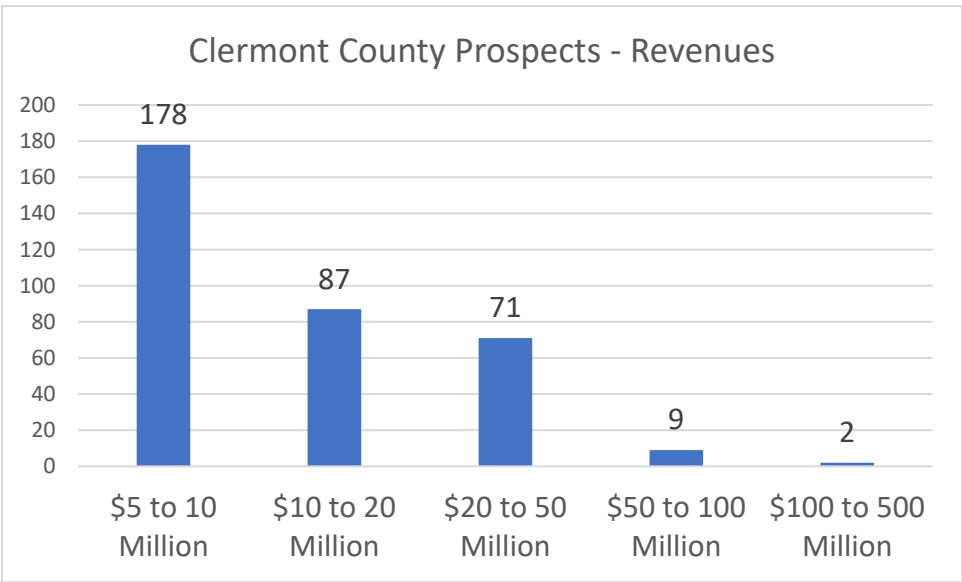


FIGURE 20 EMPLOYMENT DISTRIBUTION OF CLERMONT COUNTY PROSPECTS

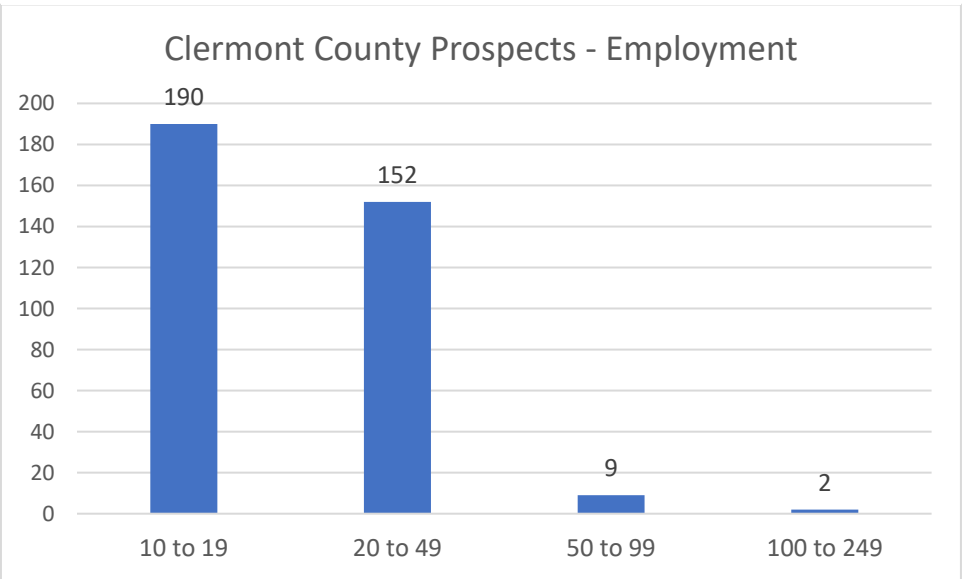
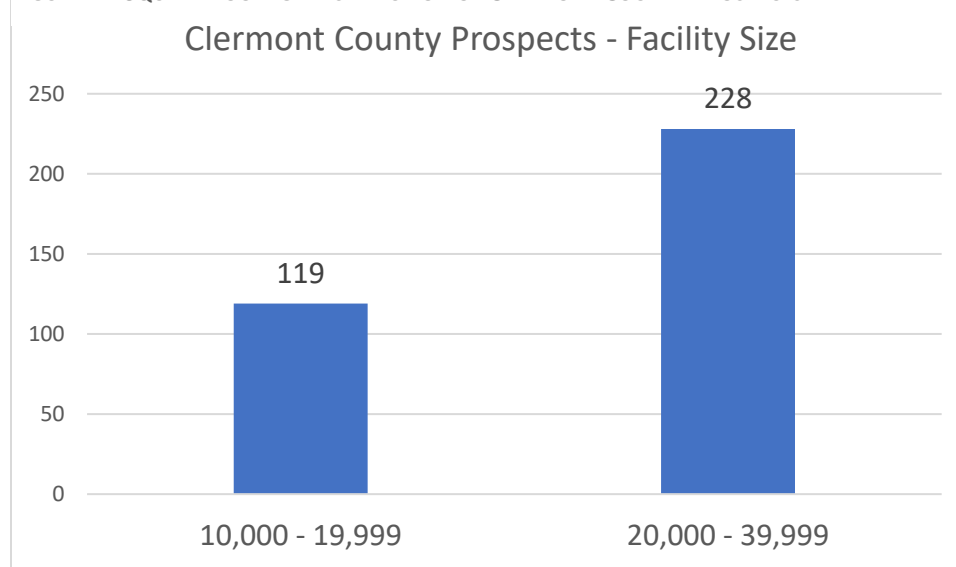


FIGURE 21 SQUARE FOOTAGE DISTRIBUTION OF CLERMONT COUNTY PROSPECTS



6.2 Virtual Portfolio Construction

A “Virtual Portfolio” was constructed comprising 20 candidate firms aligned with Highway 32 industrial corridor location factors (workforce, utility, facilities, etc.). Information derived from the Clermont County prospect firms population was organized using a “Virtual Portfolio” modeling technique. This technique enables a platform for economic development planning refinement in terms of strategy viability and scale of economic outcomes. The Virtual Portfolio technique also provides an opportunity for market-validated, granular information on the employment and site location requirements prerequisites of the business prospects as an aid to workforce, infrastructure, and facility development planning.

By presenting representative business examples this Virtual Portfolio provided a substantive basis to demonstrate resource requirements and potential economic impacts. As such the Virtual Portfolio tool enables a calculation and characterization of the physical facilities requirements of the prospect firms to be attracted to the Highway 32 corridor. Those requirements can be compared to the currently available inventory of appropriate properties to assess the adequacy of available properties and the priority of planned facilities.

6.2.1 Hwy 32 Industrial Corridor Entrepreneurial Prospects

Representative examples of aligned Target Sector firms were used to construct and populate a preliminary Virtual Portfolio of 20 growth-positioned firms (Table 9) illustrating attainable outcomes of a successful Highway 32 economic development plan to attract growth-positioned entrepreneurial manufacturing firms.

Portfolio entries were selected based on an alignment of the Clermont County industrial distribution with a representative cross section of the larger Cincinnati MSA manufacturing firm population as previously described. According, portfolio firms were selected proportionally from the Clermont County prospect firm database across the 8 NAICS3 high potential sectors (Table 10), with the largest number of firms derived from the Food Products, Electrical Equipment, and Transportation Equipment sectors.

Collectively the targeted 20 Virtual Portfolio firms would require a total of approximately 540,000 square feet of industrial and commercial facilities. The average facility size for firms in the portfolio is 27,000 s.f. (Table 11).

In accordance with discussions of the draft findings earlier this week, the initial findings were augmented by including three additional metro areas (Nashville, Saint Louis, and Indianapolis) and firms from the 5415 NAICS category – Computer Systems Design and Related Services (Figure 22). Information in high potential industry sectors and geographic locations were combined with research evidence on growth-positioned company characteristics to compile a Clermont County prospect profile.

Table 10 Revised Clermont County Prospect Parameters

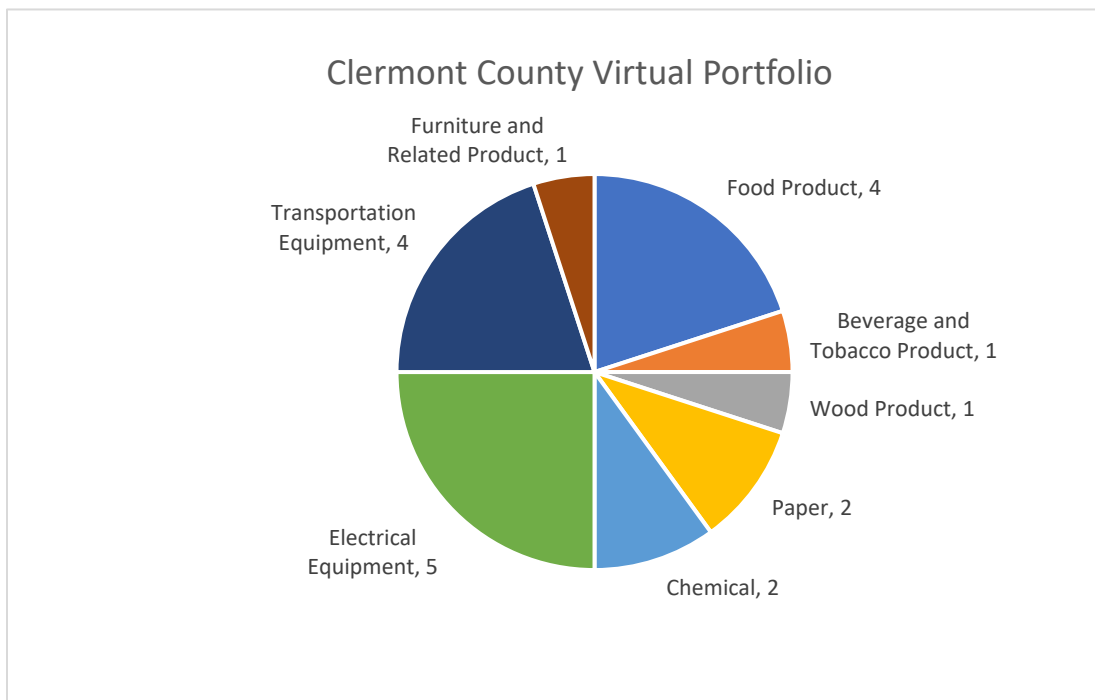
Revised Clermont County Prospect Parameters	
Industry Sector	9 NAICS3 high potential categories
Geography	Twelve target cities in IN, TN, MO, FL, TX, IL, and PA
Ownership	Headquarters (HQ) or Sole Locations (SL)
Employment	10 to 249 employees
Revenues	\$5MM to \$500MM
Facility Size	10,000 to 40,000 square feet

Table 11 Clermont County Prospects Virtual Portfolio

Clermont County Prospects Virtual Portfolio							
Company Name	City	ST	NAICS3	Primary NAICS Description	Emp.	Revenues	Facility (sf)
Padrino Foods	Irving	TX	311	All Other Miscellaneous Food Manufacturing	13	\$5,048,000	30,000
egal Health Food Intl	Chicago	IL	311	All Other Miscellaneous Food Manufacturing	43	\$19,449,000	30,000
Simple Sugars	Pittsburgh	PA	311	Cane Sugar Manufacturing	18	\$5,423,000	30,000
TEC Foods Inc	Chicago	IL	311	All Other Miscellaneous Food Manufacturing	40	\$17,840,000	30,000
Aurochs Brewing Co	Pittsburgh	PA	312	Breweries	48	\$64,090,000	30,000
Cardinal Pallet Co Inc	Chicago	IL	321	Wood Container And Pallet Manufacturing	30	\$6,683,000	15,000
Armbrust Paper Tubes Inc	Chicago	IL	322	Metal Can Manufacturing	22	\$11,905,000	30,000
Rudd Container Corp	Chicago	IL	322	Corrugated And Solid Fiber Box Manufacturing	42	\$10,470,000	30,000
Accu-Labs Inc	Chicago	IL	325	All Other Miscellaneous Chemical Product And Preparations	20	\$11,429,000	30,000
Acid Products Co Inc	Chicago	IL	325	All Other Basic Organic Chemical Manufacturing	15	\$25,032,000	30,000
Revision LP	Irving	TX	335	All Other Miscellaneous General Purpose Machinery	15	\$12,194,000	30,000
Orbital Systems LLC	Irving	TX	335	Radio And Television Broadcasting And Wireless Com	13	\$6,128,000	30,000
Gus Berthold Electric Co	Chicago	IL	335	Switchgear And Switchboard Apparatus Manufacturing	40	\$9,640,000	30,000
Homewood Products	Pittsburgh	PA	335	All Other Miscellaneous Electrical Equipment	29	\$7,041,000	15,000
Phoenix Electric Mfg. Co	Chicago	IL	335	Motor And Generator Manufacturing	38	\$9,063,000	30,000
Fleet Services Inc	Chicago	IL	336	Other Motor Vehicle Parts Manufacturing	15	\$5,436,000	30,000
Ramptech	Chicago	IL	336	Railroad Rolling Stock Manufacturing	17	\$10,412,000	15,000
Top Line Automotive Engineering	Chicago	IL	336	Other Motor Vehicle Parts Manufacturing	40	\$14,495,000	30,000
Wheeler Trailer Inc	Chicago	IL	336	Travel Trailer And Camper Manufacturing	30	\$12,608,000	30,000
Resilient Cognitive Solutions	Pittsburgh	IL	541	Custom Computer Programming Services	41	\$12,284,000	15,000
TOTAL					569	\$276,670,000	540,000

Figure 22 Clermont County prospect profile

NAICS3	NAICS Category	#Firms
311	Food Product	4
312	Beverage and Tobacco Product	1
321	Wood Product	1
322	Paper	2
325	Chemical	2
335	Electrical Equipment	5
336	Transportation Equipment	4
337	Furniture and Related Product	1
	TOTAL	20



Impact Factor	Total	Avg.
Employment	569	28
Revenues	\$ 276,670,000	\$ 13,833,500
Facility (sf)	540,000	27,000

6.2.2 Estimated Economic Impact of Highway 32 Corridor Virtual Portfolio

The established econometric model, IMPLAN (Impact Analysis for Planning) was used to estimate the combined economic impact on Clermont County of the 20 firms constituting the Highway 32 Virtual Portfolio. IMPLAN is an economic analysis software uses an input-output methodology to track the ripple effects of each dollar spent within a regional economy. For example, when a firm buys good and services from another firm in the same region, that firm pays its employees in wages and makes subsequent purchases to other firms. These firms in turn make purchases of goods and services from other firms, and so on. Additionally, employees of these firms spend their wages on other industries in the Clermont County which also creates ripple effects within the region

As a result, each initial dollar spent on activities supporting the operations of the firms of the Virtual Portfolio may be circulated several times within the county. The number of times each dollar circulates within a regional economy is referred to as a multiplier effect. For example, if a firm's output multiplier is 1.50, then every two dollars' worth of spending to support the firm will generate an additional dollar's worth of economic activity within the regional economy.

The inputs for the IMPLAN were derived from the aggregate impacts of the Virtual Portfolio calculated in the previous section. Those inputs include 569 employees, employee compensation of \$31,295,000 and revenues totaling \$276,670,000. Summary results of the IMPLAN analysis are reported below in Table 12. Note that when IMPLAN reports direct effects for labor income, this is a sum of both employee compensation and proprietor income.

Table 12: Impact Summary

Impact	Employment	Labor Income	Value Added	Output
1 - Direct	569.00	\$ 307,965,000	\$ 312,747,631	\$ 212,004,691
2 - Indirect	326.10	\$ 18,861,808	\$ 31,104,175	\$ 62,176,293
3 - Induced	1025.70	\$ 43,425,206	\$ 88,873,968	\$ 154,287,478
Total	1920.80	\$ 370,252,014	\$ 432,725,774	\$ 428,468,463
Multiplier	3.38	1.20	1.38	2.02

These results imply that, while \$212 million was spent supporting the operations of the Virtual Portfolio, these activities generated a total of \$428.5 million in economic output for Clermont County in (YEAR). Furthermore, these activities support a total of 1,921 jobs in the county, including the 569 employees of the 20 portfolio companies. An output multiplier of 2.02 implies that, for every dollar spent supporting the operations of these firms, an additional dollar is generated in economic output for Clermont County.

Table 13 is an expansion of table 12, detailing the direct impacts of the Virtual Portfolio firms and the indirect effects generated for other industries within Clermont County. Industry-specific multipliers can also be generated for each individual industry. For instance, the Virtual Portfolio aggregate employment of 569 workers supports an additional 83 workers in the full-service restaurant industry. So, for every 7 workers employed by the Virtual Portfolio firms, we should expect an additional worker in the full-service restaurant industry to be supported in Clermont County.

Table 13: Top Ten Industries Impacted

Industry	Jobs	Labor Income	Value Added	Output
391 - Miscellaneous manufacturing	569.01	\$31,295,319	\$312,748,242	\$212,006,849
509 - Full-service restaurants	83.75	\$2,105,894	\$18,786,597	\$23,848,759
510 - Limited-service restaurants	74.18	\$1,994,828	\$5,501,715	\$10,104,225
447 - Other real estate	58.06	\$1,808,817	\$4,864,005	\$9,870,753
521 - Religious organizations	43.22	\$1,731,955	\$3,797,887	\$8,372,430
472 - Employment services	41.28	\$1,684,369	\$3,773,467	\$7,513,242
411 - Retail - General merchandise stores	37.59	\$1,644,703	\$2,900,604	\$6,238,579
406 - Retail - Food and beverage stores	33.67	\$1,420,087	\$2,897,254	\$5,732,808
396 - Wholesale durable goods merchants	30.17	\$1,360,627	\$2,865,300	\$5,242,905
491 - Nursing and care facilities	26.29	\$1,229,547	\$2,569,905	\$4,567,490

Discussion

In addition to estimated impact that the Virtual Portfolio on their Clermont County, these firms have additional other economic benefits not listed here. For example, the analysis found that the Virtual Portfolio generates about \$428.5 million in economic activity and supports about 1,920 jobs in Clermont County. Furthermore, the operation of the Virtual Portfolio generates about \$13.8 million and \$56.5 million in state and federal taxes, respectfully.

END
