

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

APPENDIX C

Target Industry Profiles

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INDUSTRY PROFILE

INSURANCE CARRIERS

The insurance industry includes two main types of entities - insurance carriers and insurance agencies or brokerages. The latter are small, often independent establishments that sell insurance policies for the carriers. The carriers themselves are larger companies that provide insurance, manage funds and assume the risks covered by policies. This profile will focus on insurance carriers as the desired Sussex County target.

Insurance carriers offer a variety of policies and financial services to their customers, invest and manage premium payments, handle and pay claims and provide other administrative services related to insurance policies, annuities and investments, including providing investment information.

There are about 5,000 US insurance carriers and annual sales among these firms totals over \$1 trillion dollars. The industry is highly concentrated with the 50 largest firms holding more than 60 percent of the market. The insurance industry as a whole employed about 2.3 million persons in 2004, and 62 percent of these persons (1.43 million) worked for insurance carriers.

The carriers are typically large establishments often employing 250 or more persons in one location. Though employment growth was negative in 2004 and 2005, it has increased in the first three quarters of 2006. There are three major types of employees in these firms: clerical, investment management, and sales. Managers favor college graduates for managerial, sales and professional positions. However, many of these jobs, even at the clerical level, require special skills or knowledge, and command above average wages. Some positions, such as actuaries, require advanced degrees, professional certification and/or licensing. In 2005 the industry average wage was \$21.67, well above the national average of \$16.00.

The industry faces a number of challenges including catastrophic losses from risks such as hurricanes, a dependency upon economic conditions to obtain investment income streams, extensive and persistent litigation, and a decline in life insurance premiums. However, the evolution of new products, such as long-term care insurance, reinsurance, and the potential for broader health insurance coverage, combined with some legal reforms offer new opportunities for carriers. In addition, larger firms are broadening their product lines and taking advantage of the ability to sell additional investment products. The Internet offers new sales opportunities and the industry is exploring this avenue. Growth is projected at 4.6 percent per year between 2006 and 2009.

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Key Locational Factors

- Competitively Priced Office Space
- Communications Network
- Adequate, Qualified Labor Supply
- Quality of Life
- Air Access

Match to Sussex County

- Availability of Communications Network
- Availability of Labor
- Quality of Life
- Existing Industry Presence

Issues of Concern

- Availability of Office Space
(at 250 sq.ft./person a 250 person office will require
62,500 sq.ft. of Class A space)
- Air Access (EWR is approx. 2 hours away plus parking
and security time)
- NJ Business Climate (esp. past regulatory issues)

SOURCES:

US Census Bureau, 2002 Economic Census, Sector 52
Data Tables, Insurance Carriers

US Department of Labor, Bureau of Labor Statistics, Career
Guide to Industries, Insurance.

First Search. Com. Industry Profile, Insurance Carriers.

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INDUSTRY PROFILE

PLASTICS MANUFACTURING

Establishments in this industry manufacture a wide variety of items ranging from plastic sheeting and wrap to air mattresses to septic tanks. Most manufacturing operations are of a continuous process nature, though these operations are often defined by the production run of a specific product for a specific customer. Firms typically use one of three techniques for production – injection, extrusion, and injection blow molding. Some operations do include assembly or hand layout (composite) processes.

The industry underwent a period of consolidation in the late 1980s and early 1990s, but there are over 16,000 firms in the industry, ranging from divisions of large producers such as DuPont to very small shops. The largest 50 firms hold only 30 percent of the market; small firms are able to compete on the basis of specialization. According to the Society of Plastics Engineers the industry accounts for 1.4 million jobs and over \$310 billion in sales each year. The industry is expected to grow in the near future with output increasing by 51 percent and employment by almost 21 percent.

The market for these products is highly fragmented though there are several main categories. Figures from 2001 indicate:

Commercial fabricated products	22 percent
Transportation related products	22 percent
Plastic packaging	13 percent
Building and construction products	12.4 percent
Plastic components of electrical devices	7 percent

Firms typically sell on the basis of specialization and the ability to meet customer specifications, with price as a secondary factor. Because of this specialization customers are usually located within a few hundred miles – closer if the product is large or bulky, such as bottles. Still, competition is keen, especially in commodity-like products. Advances in technology and increases in productivity have, however, kept firms competitive against both foreign and domestic competition. Many companies are actively seeking new and more flexible processes, new molding techniques, and new materials to increase productivity and reduce production times. Indeed, industry production rates are higher than the national average. The trend toward shortened product life cycles, more complex products, and the use of new materials increases the need for more advanced machinery and better educated workers at all levels from design through production. There is also an increasing emphasis upon the use of

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engineers to facilitate production and upon the presence or assistance of Research and Development capability to assist in product development and production.

Demand and production are closely related to the state of the broader economy. Production costs are heavily influenced by the cost of raw materials – petrochemical products – and thus prices can move quickly. The industry has fared well because of the on-going housing construction boom, and the impact of the slowdown has yet to be felt. There is some seasonality to demand because of the construction industry.

The industry does involve the use of a variety of hazardous substances and processes. Air emissions in particular are a concern. However, the use of specialized equipment, especially for venting, and safety training mitigates the dangers of pollution.

The size of these operations varies widely, though many operations employ 50 to 75 persons. The typical plant is less than 100,000 square feet in size. Historically work force skills for production workers in particular were not high. Bureau of Labor Statistics figures for 2005 indicated that plastics industry employees earned an average wage of \$14.01 per hour – a figure that was 90 percent of the national manufacturing figure. Overall the work force composition of the typical firm is 15 percent administrative and professional, 12 percent sales and clerical, 66 percent process and maintenance, and 7 percent unskilled. Fringe benefits are a low 24 percent of payroll.

Key Locational Factors

- Electricity
- Market Proximity
- Highway Access
- Communication
- Adequate Labor Supply

Match to Sussex County

- Proximity to Market
- Highway Access
- Competitive Utility Rates
- Availability of Communications
- Availability of Labor
- Availability of Support Services
(engineering/design/equipment)

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Issues of Concern

- ◆ Availability of appropriate and infrastructure served sites
- ◆ Cost of environmental compliance
- ◆ Cost of living concerns
- ◆ NJ business climate

SOURCES:

Business Facilities (various articles, 2004 - 2005)

US Census Bureau, 2002 Economic Census, Sector 31 Data Tables, Manufacturing

US Department of Labor, Bureau of Labor Statistics, Career Guide To Industries, Chemical Manufacturing

www.Answers.com. Plastics, Not elsewhere Classified.

First Search.com. Industry Profile. Plastics and Rubber Products Manufacturing.

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INDUSTRY PROFILE

PROFESSIONAL SERVICES

The Professional and Business Services Census Bureau sector includes firms specializing in a range of activities including:

- legal services
- accounting
- architectural, engineering and design services
- computer services
- consulting
- advertising
- research services
- photographic services

These establishments account for a large part of the US economy - \$600 billion in annual sales for some 600,000 firms. The largest segment by sales is legal (\$130 billion followed by engineering with \$120 billion.

The industry is fragmented and many firms exist on the basis of selling specialized services on an intermittent or even single use basis. In management consulting the top 20 firms hold only 25 percent of the market, in advertising the top 20 firms have only 40 percent of the market and in law the top 20 firms have only 6 percent of the market. Only about 5,000 firms have sales of over \$10 million and most firms are small, single office operations. Many firms consist of a sole practitioner.

Small firms are found throughout the nation, but the larger firms often cluster in metropolitan areas in order to be close to their corporate customers. Though most of these types of firms invest heavily in technology for both communications and project work, their chief asset is the skills and experience of their staff members. Thus, these firms do not require space for inventory, equipment of other property. Internet communication has decreased the need for access to libraries and research institutions, making firms more flexible in choosing a location. It has also enhanced client communication and reduced the need for face-to-face meetings, but air access for firms operating on a national or international basis is still a major location decision factor.

Salaries are high relative to the US average of \$15.00 per hour. For example, accounts received \$24.00 per hour in 2002 and attorneys averaged \$44.00. Employment growth nationally was 2 percent in 2004, 3.5 percent in 2005 and 3.6 percent for the first nine months of 2006. Growth is expected to continue through 2009, and Bureau of Labor Statistics projections indicate employment

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growth will increase 27.8 percent through 2014 (compared to a 14.8% growth rate over all industry sectors).

Employees in these firms tend to be well-educated and some sectors such as the legal, architecture, and engineering areas do require both a specific advanced degree and licensing. In other cases, such as management consulting, entry (and exit) from the industry is easy because there is little licensing, certification or capital investment required, though education and experience are necessary. Education is typically on-going

These industries often lag the national economy and some sectors are very vulnerable to economic trends. However, the increasing complexity of operations, the downsizing of corporate staff and the increasing globalization of business offer many opportunities for firms to not only remain in business but to expand.

Key Locational Factors

- Competitively Priced Office Space
- Communications Network
- Adequate, Qualified Labor Supply
- Quality of Life
- Air Access

Match to Sussex County

- Availability of Communications Network
- Availability of Labor
- Quality of Life
- Proximity to Regional Market

Issues of Concern

- ◆ Availability of Office Space
- ◆ Air Access (EWR is approx. 2 hours away plus parking and security time)
- ◆ NJ Business Climate

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SOURCES:

US Census Bureau, 2002 Economic Census, Sector 54 Data Tables, Professional and Business Services

US Department of Labor, Bureau of Labor Statistics, Career Guide To Industries, Management, Scientific, and Technical Consulting Services.

US Department of Labor, Bureau of Labor Statistics, Industry at a Glance: NAICS 54-56: Professional and Business Services

First Search.com. Industry Profile. Professional Services.

Answers.com. Management Consulting Services.