

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: November 10, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-128
Urban Development Department, Business & Industry Division: Introduction to the Activewear Cluster.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

None – information only.

SUMMARY

This report is the second in a series of briefings on the cluster work of the Portland Development Commission (PDC) and focuses on the activewear cluster. The report includes a briefing on the industry, including statistics about the strength of Portland's activewear cluster. The report also provides a brief overview of PDC's cluster development framework, an update on the evolution the activewear cluster, and timeline for the development of an action plan for the industry. In addition, this report provides an overview of the Materials Resource Library – an initiative identified in the City's five-year economic development strategy to support Portland's position as a global creative center.

The activewear cluster was identified as a target cluster by the Portland Economic Development Strategy, which seeks to grow employment in the city by 10,000 net new jobs within five years by focusing its job growth and retention efforts on four clusters. Clean technology and sustainable industries, software, and advanced manufacturing are the strategy's other target clusters. Subsequent briefings over the next six months will provide detailed updates on PDC's work within each of the target clusters.

PDC's current approach to support job growth in the activewear industry is to partner with industry leadership to develop an action plan that will position Portland as a competitive location for firms in this industry to start, expand, grow, and attract talent. A key focus will be to nurture entrepreneurship and innovation, and identify industry led initiatives that offer the opportunities to improve the competitive environment for local activewear firms.

BACKGROUND

The Portland Economic Development Strategy is predicated on the implementation of a cluster approach to create jobs. By enhancing the competitive environment for firms in four target clusters – clean technology and sustainable industries, activewear, software, and advanced manufacturing – the city can foster growth in these promising sectors. In order to effectively pursue a cluster strategy, PDC will tailor its business retention, expansion, and recruitment

efforts to meet the needs of cluster firms. The Business & Industry Division (Division) has embarked on an effort to organize the majority of its work to meet the needs of the clusters as defined by the clusters themselves. In addition to having three separate teams focused exclusively on cluster work, the Division's business finance team and international business development efforts will have cluster growth as a primary objective.

Why Focus on the Activewear Cluster?

- **Definition:**
 - Activewear firms are companies that design, manufacture, and/or market:
 - Footwear;
 - Apparel;
 - Gear and/or equipment for: camping, hiking and other outdoor activities; and
 - Accessories (purses, belts, etc.).
- **Statistics:**
 - The activewear cluster is healthy and growing in Portland:
 - Local employment is growing faster than the national average. This cluster grew 37% faster than the national average between 2001 and 2007¹; and
 - Compared to the national average, activewear employment is more highly concentrated in Portland than the nation.²
 - Activewear is a high performing cluster:
 - In 2007, cluster firms contributed \$55M in value added growth to the local economy.³
 - The cluster provides Portlanders with quality jobs:
 - As of 2007, 9,833 activewear jobs were located in the region, 3,620 of which were in the city.
 - 37% of the region's activewear employment was located in Portland in 2007; and
 - For 2007, the average cluster wage in Portland was \$52,295.⁴
- **Companies:**
 - Activewear companies contribute to Portland's unique international brand. Portland is home to:
 - Keen, adidas, Nike, Lucy, Icebreaker, Nautilus, Columbia Sportswear, Ziba, Nau, Danner/LaCrosse, Sapa Profiles, Pendleton Woolen Mills, Leatherman, Li Ning, Merrell, King Cycle Group, Dr. Martens, Castelli, Looptworks, Yakima, S Group, Showers Pass, Dunderdon.
 - These companies employ talented Portlanders and attract people from around the world.

¹ ECONorthwest, "Evaluation of Economic Specialization in Portland," 2009

² ECONorthwest, "Evaluation of Economic Specialization in Portland," 2009

³ ECONorthwest, "Evaluation of Economic Specialization in Portland," 2009

⁴ QCEW data, Oregon Employment Department, 2007

- **Portland is an important West Coast hub for activewear:**
 - Pendleton, Nike, Adidas, and Columbia Sportswear positioned Portland as an activewear hub drawing talent, suppliers, vendors, and other activewear firms to the Portland region;
 - Activewear companies have discovered that the region serves as a living laboratory for product testing and experimentation. Oregonians have an experimental spirit and are willing to try new products from barefoot running shoes to custom hard wood bike frames. Portland companies can test consumer acceptance and demand for their new running, biking, skiing, hiking, and rain gear;
 - The Pacific Northwest is the perfect playground for a workforce interested in fusing their creativity with a passion for the environment or the excitement of experiencing nature;
 - The Portland region offers diverse recreational opportunities – within approximately 30 minutes of downtown Portland there are premier locations for skiing, rock-climbing, wind-surfing, surfing, and hiking, and cycling is both a competitive sport and a primary source of transportation for many commuters;
 - Portland’s culture of conservation and sustainability has cultivated conscientious and innovative companies who seek to meet demand in the consumer market for sustainable materials and business practices. This business model appeals to a range of designers, entrepreneurs, and workers who strive to be on the cutting edge of sustainable design and production;
 - The media calls Portland a magnet for creative people, but has also recently labeled our city as a symbol of West Coast “hipness.” Hipness is an important branding element for many companies and people in this cluster⁵;
 - Senior cluster leaders are available for mentoring emerging entrepreneurs and leaders;
 - Portland is more affordable than other major metropolitan areas that offer similar amenities to firms and workers in this cluster; and
 - Portland is connected with direct light rail from the airport to the city center, passenger and direct cargo flights to Asia and Europe.

How does the cluster approach allow PDC to be more effective with this cluster?

- Convening cluster leaders is allowing PDC to gain perspective on commonalities between firms and mechanisms that drive growth across the cluster. Both lead to the creation of industry-driven initiatives that serve a range of firms, instead of meeting the needs of just a few;

⁵ “The Next Youth-Magnet Cities,” Wall Street Journal (9/29/09)

- The cluster development approach encourages staff to cultivate a deep understanding of cluster dynamics and strong relationships with cluster leaders. In this way, cluster development demonstrates a commitment to understanding the conditions that influence the growth of highly productive firms and to nurturing their ability to become more competitive. Cluster leaders appreciate this commitment and, in return, commit to working with PDC; and
- Finally, this approach is allowing PDC to target its investment in areas anticipated to have the most lasting economic impact for the City.

Cluster Framework Overview

In August, Division staff completed a framework for working with clusters based on best practices throughout the world. This framework will serve as a playbook for PDC's work with all clusters and ensure that interventions in clusters follow a consistent methodology.

The cluster framework divides the work into two phases that include the following steps:

Phase I – Investigate, inventory, and convene clusters to:

- assemble a snapshot of an industry's growth potential;
- map individual firms active in the cluster, their position in the supply chain, and the system of relationships that make the cluster competitive in the region; and
- develop working partnerships with cluster entrepreneurs. These relationships become important for identifying cluster opportunities and gaps, as well as for creating an accurate asset map of resources in the city that contribute to its economic competitiveness and creating well-calibrated initiatives.

Phase II – Diagnose, act, and evaluate to:

- synthesize findings from quantitative and qualitative research;
- formulate a strategic plan that cluster entrepreneurs can have ownership of and collectively implement so that government resources are well leveraged;
- implement action plan; and
- determine if actions are meeting objectives and if cluster is capable of self-sustaining intervention.

Progress Made to Organize the Cluster

- Investigate:
 - As part of the Portland Economic Development Strategy and ongoing economic trend analysis, PDC has identified indicators to measure the success of this cluster and have benchmarking statistics from which to measure future growth.
 - PDC annually reviews the cluster's location quotient, shift-share, average annual wages and average annual payroll.

- Inventory:
 - PDC has built an initial inventory of cluster companies.
 - PDC has an overview of the aggregate employment and payroll details for these firms.
- Convene:
 - PDC is convening the cluster to develop an activewear study and to explore the feasibility of developing a Materials Lab and entrepreneurial support. An initial roundtable was held October 8, 2009, and interviews are being conducted to inform subsequent phases of this work.

Portland Economic Development Strategy Activewear Cluster Initiatives		
Phase 1 of Cluster Development: <i>Investigate, inventory and convene clusters</i>	Convene Activewear Cluster through Activewear Study	<p>PDC is responsible for leading the development of the Activewear Study. Project partners include: Greenlight Greater Portland (GLGP), Portland State University (PSU), Oregon Business Council (OBC), and the Oregon Business Development Department (OBDD).</p> <p>Deliverables include:</p> <ul style="list-style-type: none"> • Activewear industry definition (Nov 2009); • Activewear inventory (Nov 2009) • Online directory of activewear firms throughout the region (Nov 2009) – PDC, OBDD, GLGP; • Supply Chain Map (Nov 2009) – PDC, OBDD, GLGP; • Collateral material(s) (Dec 2009) – GLGP; • White paper articulating challenges, opportunities, benchmarks and competitor locations nationally and internationally (February 2010); • Genealogy Map (May 2010) – PSU
	Progress to Date	<ul style="list-style-type: none"> • Draft inventory completed (will be revised based on industry definition) • Hosted roundtable with handful of industry leaders • Held roundtable debrief with project partners • Scheduling interviews with cluster leaders • Developed specific set of questions for interviews that will help us better understand and communicate with the industry. The questions will: 1) define the industry; 2) identify firms/leaders that should be included in the discussion; 3) guide how we communicate with the industry i.e., focus groups, roundtables, interviews, etc. through this project
	Role of Partners	<p>Oregon Business Development Department is PDC's lead funding partner for this project.</p> <p>GGP is the lead for incorporating findings from study into collateral materials.</p> <p>PSU is developing and producing the industry genealogy map and contributing with the donation of some staff time.</p>

		<p>The Oregon Business Council is assisting with research and convening.</p>
	<p>Develop Materials Resource Library</p>	<p>PDC is responsible for leading an effort to explore the feasibility of establishing a materials resource library. PDC is working with a consortium of firms including architecture, interior design, activewear, product and industrial design and higher education partners.</p> <p>An advisory committee has been established including representatives from industry and higher ed. The role of the Advisory Committee is to guide the project, advocate for the project and resources as appropriate. A series of focus groups have been conducted and an online survey was deployed to allow for greater industry input both within and outside of Portland.</p> <p>Final product will be a business plan for establishing, organizing, funding and structuring a materials library that meets industry needs, is globally competitive, furthers Portland’s position as a global design center and is economically sustainable.</p> <p>Deliverables include:</p> <ul style="list-style-type: none"> • IGA executed with the Oregon University System to develop the business plan (Aug 2009); • Materials Library website (Dec. 2009); and • Materials Library business plan (January 2010); • Articulation of Next Steps beyond business plan such as identifying/funding a person to implement the business plan (January 2010).

	<p>Progress to Date</p>	<p>2 meetings of the advisory committee have been held to date on 7/29 and 9/23</p> <p>Four focus groups have been held as follows:</p> <ul style="list-style-type: none"> • Industrial/Product/Communications Design (9/10/09); • Activewear/Equipment (9/10/09); • Higher Education (9/16/09); and • Architecture/Interior Design (9/16/09) <p>Survey deployed to collect broader input from design community in and outside of Portland and internationally</p> <p>Survey deployment has included partnerships with the following organizations:</p> <ul style="list-style-type: none"> • American Institute of Architects (AIA) West Coast chapter; • Industrial Design Society of America (IDSA) – local and national chapters; • American Institute of Graphic Artists (AIGA); and • Outdoor Industry Association (OIA) Eco Working Group
	<p>Role of Partners</p>	<p>Oregon University System through the University of Oregon is developing the business plan. They are also donating some of their time to this effort to augment the funding they receive from PDC.</p> <p>Thom Walters is serving as a facilitator for this project and is donating his time to match the payment he receives from PDC.</p> <p>PDC is funding the development of the business plan and is the lead in this effort including identifying the members of the Advisory committee, focus group participants and key industry partners for survey deployment.</p> <p>Industry and higher ed participants on the Advisory Committee and focus groups are volunteering their time.</p> <p>Members of the Advisory Committee have also volunteered their time to develop the survey message and format; format the invitations to the focus groups and develop a project website, along with participating in other meetings related to this project.</p>

Conclusion

PDC has cultivated a relationship with activewear firms for several years. The shift to a cluster development strategy is creating the circumstances for PDC to partner with industry to strategically calibrate its initiatives and investment in a way that will most effectively support job growth in the activewear industry.

ATTACHMENTS:

- A. Activewear Study – Convening Stage Work Plan (Draft)
- B. Activewear Study – Roles of Project Partners (Draft)
- C. Creative Exchange Status Report
- D. Creative Exchange Advisory Committee Members

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Activewear Cluster Convene Project: Work Plan

Project Objective: Review and Confirm the industry cluster definition by convening industry leaders in roundtable discussions, focus groups, and other discussions. Determine incentives for convening by identifying cluster needs, opportunities, and obstacles. Identify areas of mutual interest and leaders to articulate a vision for the growth of the cluster for the next 5-10 years.

Project Manager: Jennifer Nolfi

URA: All

Project Staff: Paul Wachana, Sara Bedinghaus, Megan McCarthy

Project Type: Industry & Business Development

Project Sponsor: Patrick Quinton

Budget Code: 101-242160-H24015

External Project Partners: Impresa Inc, Portland State University, Greenlight Greater Portland, Oregon Business Development Department, Oregon Business Plan, Pinpoint Logic and Industry Leaders.

Project Attorney: N/A

Task	Purpose/Description	Status	Target Completion Date	Owner
Convene roundtables with industry leaders	To determine industry or cluster definition, identify members of the cluster, how to talk to industry and to get members vision of what or how the industry looks like in the next 5-10 years. Deliverables will be a document	Currently conducting informal roundtable meetings and small group interviews with industry leaders for Oct /Nov, 2009. Developing budget and contracts with partners. Roundtable agenda and discussion questions confirmed.	October-November, 2009.	JN/PW/SB

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	providing industry definition, participants and areas of strongest mutual interest, which will highlight incentives for convening.			
Convene focus groups	<p>Foster understanding of industry cluster. Discussions will explore competitive nature of region, venture capital, quality of life, higher education, talent, innovation, and other topics that emerge from roundtable discussions.</p> <p>Deliverable will be an initial draft document with information about the activewear industry needs /issues and refined areas of strongest mutual interest.</p>	Industry leader roundtables in October-Nov, 2009 will shape research scope and the participants list will be part of the directory for ongoing and future contacts.	Jan 2010	JN/PW/SB
Develop and analyze supply chain based on the industry definition	<p>To understand how firms in the cluster interact with one another. Identify the existing opportunities and gaps in the cluster. Industry members will vet the inventory and confirm the cluster definition.</p> <p>Deliverable will be activewear industry supply chain map that demonstrates how local activewear cluster firms interact. An online industry directory for activewear companies will be another product.</p>	Initial inventory and supply chain framework is complete. As the cluster definition is refined, PW will plug in local companies to the supply chain map.	December, 2009.	PW /JN/SB

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ACTIVEWEAR INITIATIVE: A COLLABORATIVE EFFORT TO FORGE INDUSTRY CONNECTIONS AND FACILITATE INDUSTRY GROWTH

Activewear/outdoor gear is a strong industry cluster and major source of future job creation in both the Portland metropolitan region and the state of Oregon. Leading economic development organizations agree that a deeper, shared understanding of the cluster, among both private and public sector leaders, is essential to accelerate industry growth.

To that end, the Portland Development Commission, Greenlight Greater Portland, Oregon Business Development Department and the Oregon Business Plan are engaged in a series of conversations and opportunities for connection with industry leaders, whose specific knowledge and perceptions will inform any future steps taken to advance the cluster's growth. In addition to identifying specific opportunities for partnership and action, this collaboration will produce a report outlining key trends, challenges, opportunities and potential initiatives for the industry to share with elected leaders, candidates for office and other economic development organizations.

While private sector innovation and leadership hold the key to industry growth, economic developers and elected officials have a unique role in facilitating that growth by convening industry groups, identifying issues, developing policy and creating the underlying conditions that support industry health. Because their resources are limited and must be targeted effectively, the partners in this effort will encourage connections and communication with additional individuals and organizations who can help address the needs identified.

Partners

The Portland Development Commission is the City of Portland's economic development and urban renewal agency. The PDC is responsible for implementing the city's Five-Year Economic Development Strategy, adopted by the Portland City Council in June 2009, which identifies activewear/outdoor gear as one of four key growth opportunities for the Portland region. While PDC continues to provide direct services to businesses, the agency also has a renewed emphasis on engaging industry leaders to understand the needs for continued growth in these four sectors, with the goal of creating 10,000 new jobs over the next five years.

Greenlight Greater Portland is the region's only privately-funded economic development organization, covering the seven-county Portland region. GGP focuses on researching the region's assets, marketing those assets to companies and talent in targeted industries, and assisting with business retention and expansion within targeted industries. Through its research, GGP has identified the activewear/outdoor gear cluster as an opportunity for regional growth in terms of companies, talent and culture. By developing a better understanding of the industry and its needs for growth, GGP will be able to improve its marketing and recruitment efforts in the activewear/outdoor gear space.

Oregon Business Development Department is the State of Oregon's economic development agency. The department recently re-organized and is now focused on five key growth industries, including activewear/outdoor gear. OBDD provides direct services such as access to capital, lean manufacturing consulting, assistance with international markets and business recruitment. OBDD is interested in more clearly targeting its resources in the activewear/outdoor gear industry cluster.

Oregon Business Plan is an economic strategy and policy agenda to create more quality jobs in Oregon. The Plan is driven by a steering committee of private and public sector partners, updated every year and presented to elected leaders at the Annual Oregon Leadership Summit. The Plan is developed by assessing the needs of Oregon's key traded sector industries, identifying the needs that cut across multiple industries, and developing a set of policy initiatives to address those needs. Like the other partners, the Plan has identified activewear/outdoor gear as a key traded-sector industry.

Portland State University

Project Status Report

Date: 10/1/2009 - 11/30/2009

Submitted By: Jacobson, Eric

Project Status |————— Impacting —————|

Overall: 

Schedule: 

Performance: 

Cost: 

Project Information

Project Name: Creative Exchange

ID: 549 **Status:** Active

Project Phase: Execution, Monitoring, & Control Phases

Phase Start: 07/01/2009

Project Objective: The objective is to establish the Creative Exchange over a five-year period. The Creative Exchange is viewed as an organization that facilitates the exchange of information and ideas in support of the Activewear, Creative Services, and Sustainable Industry/Clean Tech Clusters and involves higher education entities in developing a curriculum to support innovation and a talent pipeline. The Creative Exchange is envisioned to be a self-sustaining entity that includes a 7-10,000 SF materials library located in the Central City.

Project Manager: Eric Jacobson

Project Sponsor: Jennifer Nolfi

Project Staff:

Budget Code: 101-204-179-H24512 Industry Development
330-204-160-H79023 Materials Lab

URA: Multi-URAs

RNumber:

Boundary: Central City

Operations / Policy Project Categories

Operations / Policy Project		
Strategic Initiative Project		

Tasks and Risks completed between 10/1/2009 and 11/30/2009

Type	Description	Start Date	Target End Date	Completed Date
Task	Deploy survey and tabulate responses.	09/2009	10/2009	10/2009
Task	Uliko Studio tour.	10/2009	10/2009	10/2009

Ongoing Tasks

Task	Description	Start Date	Target End Date
1	Provide update to PDC Board	11/2009	11/2009
2	Organize/attend technical focus group meeting.	10/2009	11/2009
3	Execute U0-PDC IGA Amendment #1	10/2009	11/2009
4	Review Draft Business Plan and provide comments to consultant team.	11/2009	11/2009

Project Status Report

Date: 10/1/2009 - 11/30/2009

Submitted By: Jacobson, Eric

Ongoing Tasks

Task	Description	Start Date	Target End Date
5	Organize/attend 3rd Advisory Group meeting.	09/2009	12/2009
6	Business Plan rollout and public meeting.	10/2009	01/2010
7	Establish website.	10/2009	01/2010

Future Tasks starting after 11/30/2009

No future tasks

Risks and Actions

No risks or actions

Comments

Schedule:	<p>Prepare Business Plan: July 2009 - January 2010</p> <ul style="list-style-type: none"> - Hire consultant team - Establish Advisory Committee - Conduct market research - Draft Business Plan - Final Business Plan <p>- Future tasks TBD based on Business Plan.</p>
Scope:	<p>Prepare business plan, including organizational structure, staffing, and funding plan, for the Creative Exchange/Materials Library, establish an advisory board to oversee the establishment of the Creative Exchange, and identify short-term and long-term physical space for the Creative Exchange/Materials Library.</p>
Opportunities:	<p>This project represents an opportunity to partner with higher education and industry to provide three-dimensional samples of both traditional and sustainable design materials, trend and resource information that will improve local firms' capacity to innovate and connect with creative disciplines and collaborators across industries.</p> <p>The Creative Exchange will inspire, inform and advance Portland's design industry and international reputation, by improving access to materials and information that meet the highest standards of excellence. The Library will promote collaboration, connection, and a deepened well of innovation to maximize business competitiveness and solidify Portland's standing as a global design leader.</p> <p>This project is included in the City's Five-Year Economic Development Strategy.</p>
Community / Stakeholder Meetings / Issues:	<p>Advisory Group established.</p>
Commission Meetings / Issues:	<p>Need to provide update to PDC Board on activewear strategy and Creative Exchange in late 2009.</p>
City Council Meetings / Issues:	<p>Component of Economic Development Strategy</p>
Business and Workforce Equity Programs:	<p>n/a</p>

Project Status Report

Date: 10/1/2009 - 11/30/2009

Submitted By: Jacobson, Eric

Comments

Prevailing Wage Requirements: n/a

Sustainability / Green Compliance and Issues: n/a

UDD Major Project Milestone Information: n/a

Notes: Major Milestones Achieved:
* IGA with UofO executed - June 2009

Major Milestones Anticipated:
* Complete Business Plan - January 2010

**Materials Library Business Plan
Advisory Committee**

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