



**DATE:** March 14, 2018  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 18-07  
Update on the Athletic and Outdoor Industry Cluster

#### **BRIEF DESCRIPTION OF INFORMATION ITEM**

No action is requested; information only.

At the March 14, 2018 Prosper Portland Board of Commissioners (Board) meeting, staff will provide an overview of the Athletic and Outdoor industry cluster. Prosper Portland focuses its business development, retention, and expansion efforts on the following four traded sector industry clusters (industries whose firms sell most of their goods and services outside of the Portland region): Technology and Media, Athletic and Outdoor, Metals and Machinery, and Green Cities.

These four industries provide the best opportunity for the agency to partner with the business community, harness economic growth, and increase middle-wage job opportunities for Portlanders. Over the past five years, Prosper Portland's cluster strategy has contributed to the creation of 11,868 jobs in the prioritized industries, accounting for 77 percent of Prosper Portland's total job creation contribution during this timeframe.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

Prosper Portland's traded sector economic development work delivers on key objectives of its 2015-2020 Strategic Plan, particularly by supporting quality job growth and collaborating with partners for an equitable economy. The primary emphases for the agency's cluster focus are to ensure that small, local businesses stay and expand in Portland and to further ensure that women and people of color benefit from business and employment growth. Within the Athletic and Outdoor industry cluster, staff's business retention and expansion work primarily supports small- to medium-sized enterprises to enhance their growth and competitiveness.

The Athletic and Outdoor cluster is a broad category of companies producing innovative consumer goods and services that put Portland on the map for fashion, innovation, and design. These include footwear, apparel, gear, bicycle, and knife/tool companies, as well as their suppliers and service providers. In recent years, the industry has grown to include a broader range of consumer products companies in the handmade goods or "maker" space that include bags, accessories, home goods, and jewelry.

Based on state and local wage data, the Athletic and Outdoor industry provides 8,616 jobs within the city of Portland and more than 21,000 across the metropolitan area. The industry consists of both large global brands and small to medium-sized homegrown companies, with 96 percent of cluster companies being defined as small businesses (fewer than 50 employees). Portland's larger anchor Athletic and Outdoor companies include Adidas, Columbia Sportswear, Keen, and Leatherman, which employ close

to 3,000 people in Portland. Over the last ten years, cluster employment has grown by almost 50 percent statewide; nearly 80 percent of this growth has taken place in the Portland region.

Companies such as Tanner Goods, Cycle Dog, Orox Leather, and Nutcase Helmets represent the evolution of the local industry. Started five to ten years ago in garages as friend-and-family operations with one to two employees or as brainchildren of former Nike executives, these companies are now selling internationally, have multiple storefronts locally and nationwide, provide apprenticeship and employment opportunities to local talent, and partner regularly on Prosper Portland initiatives to support and grow those opportunities.

### **BACKGROUND AND CONTEXT**

As the City of Portland's (City's) economic development agency since 1981, Prosper Portland has focused on traded sector industry growth for many years. The 2009 adoption of the *Economic Development Strategy: A Five-Year Plan for Promoting Job Creation and Economic Growth* heralded a new phase of this work. By prioritizing only four industry clusters and devoting a staff member to each, Prosper Portland has been able to understand industry needs, build relationships, and tailor programs and initiatives that grow quality jobs for the benefit of the industry and the Portland community at large.

**Cluster Profile.** The Athletic and Outdoor industry cluster is thriving in Portland due to a strong talent base, an entrepreneurial spirit, world-class companies, and a continued commitment to innovation by consumers and leaders. These qualities, combined with City and State of Oregon (State) support and proximity to year-round recreational access, have earned global recognition for Portland as a hub for this industry. Oregon has long been a leader in the number of footwear patents nationwide — between 2008 and 2012, more patent applications for outdoor apparel came from Oregon than Utah, Colorado, Washington, and Nevada combined, leading media outlets such as *GQ*, *CNBC*, and *USA Today* to refer to Portland as the Silicon Valley of footwear and apparel. Continued growth of the cluster offers the potential to meet many of the City's economic, innovation, and social goals.

**Workforce Characteristics.** The cluster's workforce consists of a broad cross-section of skill sets and educational backgrounds. Occupations include a wide array of jobs and careers across many disciplines, including marketing, manufacturing, sales, design, customer service, and business functions such as accounting and finance. Higher wage occupations tend to be found in design and marketing positions, particularly at the "Big Three" firms, and 16 percent of jobs in Athletic and Outdoor are middle-wage jobs.

**Early Cluster Work.** When the Athletic and Outdoor cluster was prioritized in 2009, staff concentrated on business visits to share Prosper Portland's service offerings and better understand company and industry needs. On average, staff conducts 50 business visits per year, using knowledge gained to develop programs and initiatives to support local small business formation and growth — an area where Prosper Portland and industry priorities align.

In 2010, in order to galvanize and convene the industry around job creation priorities, Prosper Portland unveiled a first-of-its-kind Athletic and Outdoor industry study, along with a visualization of the industry's evolution and its capacity to spin off startups and innovative new products (see Attachments A and B). The 2010 study leveraged the industry's natural inclination to work together around shared goals and helped Prosper Portland lead the way in initiatives that benefitted not only the private sector, but also the community and society at large. The industry worked together to develop an action plan for public-private collaboration, which included goals around talent, entrepreneurship, sustainability, and global branding.

Subsequent activities have included the annual Athletic and Outdoor industry celebration, now in its eighth year, the Peer to Peer program for entrepreneurs, the launch of the Higg Index, a tool for measuring supply chain sustainability pioneered by local companies with Prosper Portland's support, and company participation in Prosper Portland-led trade shows and international events to promote the Portland Athletic and Outdoor brand. Educational institutions and programs also began as a result of this work, including Pensole Footwear Design Academy, Portland State University's Athletic and Outdoor Industry Certificate, and the University of Oregon's Sports Product Management Program.

**Current Cluster Work.** Guided by the 2015-2020 Strategic Plan, Prosper Portland honed its cluster industry work to focus on middle-wage job growth and enhanced access to quality jobs for all Portlanders. Within the Athletic and Outdoor cluster, staff provides resources and connections to entrepreneurs and small businesses, particularly those owned by women and people of color, and develop and support programs and events that highlight and connect talent from diverse backgrounds to the industry.

Prosper Portland prioritizes resources to existing firms that are expanding and to companies considering a new investment in Portland. This is done in partnership with Greater Portland, Inc. the regional economic development agency, and Business Oregon, the State's economic development agency. Successes include the retention and expansions of North American headquarters for Adidas, Chrome Industries, and Under Armour.

In 2017, Prosper Portland updated the *2010 Athletic and Outdoor Industry Study* to guide agency investments, priorities, and partnerships in a continued effort to advance Portland's Athletic and Outdoor cluster work and better align it with the agency's Strategic Plan. Staff worked with ECONorthwest, a research and advisory firm, and two cross-industry focus groups in Bend and Portland to create the *2017 Athletic & Outdoor Report*, which provided a review of industry trends, regional priorities and challenges, as well as updated suggestions for key action areas (see Attachment C). The report's updated call to action broadens the agency's emphasis to include not only job creation and expansion but also a more community-focused strategy to improve diversity, education, and statewide coordination and branding. This shift recognized three critical factors: i.) the industry's continued success and growth was excluding potential quality talent; ii.) the growing importance of online selling and connecting with consumers around the world; and iii.) the threat to the very heart and soul of the industry—public lands and spaces—by new federal and state policies.

The *2017 Athletic & Outdoor Report* call to action identifies continued and increased support for entrepreneurs and highlights the value of providing mentorship programs and creating a network of shared service providers that can provide small businesses with services at a reduced cost. Discussions of these efforts should begin in the next year. Within the current portfolio of entrepreneurial support, staff has prioritized working with women and minority-owned firms, and many of the existing programs have seen participation from underrepresented founders increase over the past two to three years. The current portfolio of entrepreneurial support includes:

- **Entrepreneurial Peer to Peer Program.** Now in its sixth year, the program brings together small business owners to learn from each other and local subject matter experts on topics related to business growth, such as accounting, human resources, and e-commerce. Local small business owner Sean Beers facilitates the bi-monthly sessions, and participants have access to online templates, presentations, resources, and mentors through the program. Each cohort consists of six to 10 companies, many of which go through two years of the program in order to complete the full curriculum. Since 2011, 38 companies have participated in the program, 45 percent which are either women- or minority-owned.
- **Prosper Portland financial tools and resources.** Qualified companies within urban renewal areas (URAs) have access to Prosper Portland's Prosperity Investment Program (PIP) grant, which helps

business owners of color and cluster companies make improvements to their storefronts and workplaces. Recent PIP grant recipients include the Functional Apparel and Accessories Studio in Old Town/Chinatown and Pacific North Press, a screen printing and apparel company in the Interstate Corridor URA.

- **Athletic and Outdoor Annual Industry Celebration.** The Athletic and Outdoor annual industry celebration is one of the few times this community comes together under one roof to celebrate and learn from one another. Prosper Portland staff has strived to increase the diversity of voices that are presented at the event, tripling minority representation in this year's program compared to 2016. In an effort to support entrepreneurs of color and women, the 2017 celebration provided the opportunity for underrepresented small business owners to pitch for a chance at receiving investment from the Oregon Angel Fund. The event featured six startup finalists, five of which were women- or minority owned. The event introduced new ideas and companies to the larger Athletic and Outdoor community and gave pitch contestants a chance to meet with investors and potential new customers.
- **Exploring international markets.** Staff works with small and medium-sized firms to reach new domestic and international markets by exhibiting at domestic and international trade shows to develop new trade leads and partnering opportunities that could broaden and increase sales. This work leverages assistance and financial resources available through the U.S. Department of Commerce and Business Oregon. Pop Up Portland Japan (2014-2017) and the International Sporting Goods Trade Fair (ISPO) in Munich, Germany (2012) provided unique opportunities for Portland to highlight itself as a hub for creative makers, handmade goods, and outdoor products. Of the 24 companies that participated in the Pop Up Portland Japan missions, 42 percent were women- or minority-owned. Over the four years of the program, collective on-site sales totaled \$135,000 with an additional \$415,000 in orders and sales over time. For the past several years, Prosper Portland has also made a block of hotel rooms at the Outdoor Retailer show free to women-owned and minority firms, lessening the burden of attending this show for priority business owners.

The *2017 Athletic & Outdoor Report* call to action also identifies the training, recruitment, and retention of diverse talent as a priority for the future of the industry. Prosper Portland directly invests in and partners with key higher education institutions, such as Pensole, the Functional Apparel and Accessories Studio, and Portland State University to support industry-specific programs that train the next generation of Athletic and Outdoor talent and entrepreneurs. Prosper Portland's support of these partner educational programs entails scholarships, materials, and resources for students seeking to work in the industry. Following is a description of efforts to advance educational programming and talent development within the industry.

- More than 500 students have enrolled and completed courses at the **Pensole Footwear Design Academy**, founded by former Nike Jordan brand manager D'Wayne Edwards. Pensole has succeeded in developing partnerships with global brands such as Google, Nike, Jordan, Adidas, Puma, New Balance, Skechers, Vans, Cole Haan, The Northface, Foot Locker, Levis, ASICS, Danner, Vibram, Under Armour, and ECCO. Eighty-five percent of graduates from the program have found industry employment.
- **Portland State University's Athletic and Outdoor Certificate Program** began in 2013 to provide students in the School of Business industry-specific knowledge and skills to secure jobs in the Athletic and Outdoor industry. Since then, 153 students have enrolled in the PSU Athletic and Outdoor program. More than 80 percent of alumni have been placed in jobs related to the Athletic and Outdoor industry, with 95 percent placed in jobs related to their degree; employers have included Nike, Columbia Sportswear, Adidas, Revant Optics, Gerber Gear, Danner, Smith Optics, Leatherman, Poler, Nau, North, and Icebreaker. This term a record-high 98 students are enrolled; 50 percent of whom are women, and 17 percent of whom are people of color.

- The **University of Oregon’s Masters of Science in Sports Product Management** is an 18-month, full-time program that kicked off in 2015. Its first class graduated in 2017 with 37 students (30 percent of them women and 35 percent minority representation) and 90 percent of them have now found jobs within the Athletic and Outdoor industry. The classes of 2018 and 2019 have seen increased enrollment, as well as increased women/minority representation (36 percent/50 percent and 27 percent/42 percent, respectively).
- Formed as part of Prosper Portland’s industry support work, the **Athletic and Outdoor Young Professionals (AOYP)** group has grown a supportive community of young professionals in Portland’s Athletic and Outdoor industry by fostering connections, showcasing industry talent, and continuing to highlight Portland as a recognized global industry hub. The group connects talent to local leaders and employers through events and networking. Prosper Portland works with an AOYP committee to develop and organize two to three events a year which have created a community of talent that will be the next generation of leaders for the industry. The group provides a platform to educate up-and-coming talent on opportunities within the industry and to inspire those that are currently employed with Athletic and Outdoor firms. The year ahead will include an expanded committee and an increased emphasis on highlighting diverse voices within the Athletic and Outdoor community. The past year has already seen events that reached a broader, more diverse audience, such as a film contest in conjunction with Sneakerweek, a new Portland event created and organized by Pensole instructor and AOYP committee member Herbert Smith. Audience members voted on the short films, and 75 percent of entries were submitted by people of color.

The Athletic and Outdoor industry website, [www.aoportland.com](http://www.aoportland.com), was recently refreshed to place a greater emphasis on telling stories of underrepresented talent and entrepreneurs within the industry. The Athletic and Outdoor Community and Talent section features 10 stories this fiscal year which were also included in the industry newsletter (more than 2,000 subscribers). Six of these stories featured women or minority talent or entrepreneurs in the industry: Herbert Smith, Carrie Atkinson, Angela Medlin, Stacey Gose, Brittney Sierra, and Maya Mori.

Further implementing the call to action, Prosper Portland staff will organize a new committee of hiring and recruitment staff at larger firms to create a catalog of current initiatives within the industry for retaining and recruiting diverse talent, as well as to identify potential barriers and opportunities to increase diversity within their companies. A collaborative approach to this issue will benefit public and private priorities.

### **EQUITY IMPACT**

The Athletic and Outdoor cluster work delivers equitable outcomes for Portlanders by prioritizing and encouraging participation in programs and industry-led efforts by middle-wage employers, women and people of color. Technical assistance and resources are prioritized to participating firms to address any barriers. Of the 46 Athletic and Outdoor business visits that Prosper Portland staff conducted in fiscal year 2016-17, 56 percent were minority- or women-owned, and at least 10 were located in URAs. Programs and events like the Peer to Peer program, the AOYP committee, the Athletic and Outdoor annual celebration, the Pop Up Portland Japan missions, and the Athletic and Outdoor website are increasing exposure and business assistance to underrepresented firms. In the coming year, staff will work with industry to develop a plan to increase the retention and hiring of diverse talent and shine a brighter spotlight on diverse voices within the community of professional talent and entrepreneurs.

### **ATTACHMENTS**

- A. 2010 Athletic and Outdoor Industry Study

- B. 2010 Athletic and Outdoor Infographic
- C. 2017 Athletic and Outdoor Industry Update