

Target Industry Study

Presented to:



Presented by:

**Deloitte & Touche Fantus
December 1, 2000**

Executive Summary -- Overview

Background

- Fantus, a practice unit of Deloitte & Touche LLP, was selected in a competitive bidding process to produce a *Target Industry Study*.
- This report is the deliverable for the *Target Industry Study*. While it is a stand alone document, the target industry initiative is integral to the broader economic development strategy for the State of Nebraska.

Goal

- Identify ‘new economy’ industries that:
 - Are advantageous for Nebraska today and will position the state for economic growth in the future;
 - Recognize and address regional strengths and weaknesses.
- Focus on industries that increase the average wages of Nebraska residents.
- Position residents for value-added jobs.
- Expand Nebraska’s competitive arena.

Approach

- The project was structured in a highly interactive fashion between the Nebraska Department of Economic Development (NDED), the study partners, and Deloitte & Touche Fantus.
- Data was gathered in a multi-prong fashion as follows:
 - Reviewed past targeting studies;
 - Conducted research on issues facing this region of the U.S. and specifically Nebraska;
 - Analyzed independent research and data (source information is listed in the Appendix).
- A major thrust of the fact-finding was a (June 2000) week long ‘blitz’ of the state, including regional meetings with business and community leaders.
- Two key findings emerged from the state tour that potentially impact Nebraska’s future competitiveness:
 - Loss of the youth cohort (limited youth migration within the state and significant migration out of the state) jeopardizes the state’s future regarding creativity, risk taking, and workforce quality and availability.
 - The lack of entrepreneurial mindset and start-up capital is limiting growth opportunities (company start-ups and job creation).

Executive Summary -- Overview

Findings

The state may be viewed as four regions with regard to demographic, economic and skill set differences. These regions reflect attributes prospects are likely to seek out. Also, by recognizing regional attributes, communities should be able to better respond to prospects' requirements and needs. The regions are:

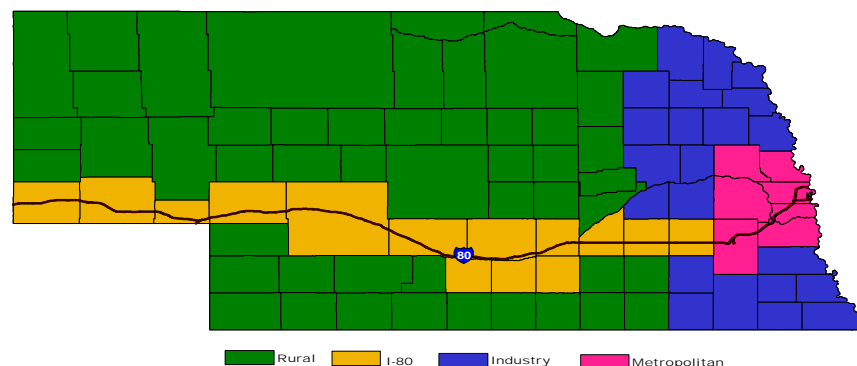
- **Rural** - areas north and south of I-80 that are agriculturally focused and less densely populated.
- **I-80 Corridor** - areas aligned with the primary east-west transportation corridor.
- **Industrial** - the eastern third of the state with existing infrastructure and technical skills commonly required by industrial companies.
- **Metropolitan** - the Lincoln / Omaha urban area with density sufficient to support more diverse and complicated business requirements.

Recommendations

There are two types of targets on which Nebraska should consider focusing its economic development efforts:

1. **EXISTING SYNERGIES**—Companies in industries for which Nebraska has a significant presence and for which the state can build off synergies with existing industries to successfully compete for new locations. The targets are:
 - **Agribusiness** - Though the agricultural industry in the U.S. is relatively mature, the greatest opportunities for Nebraska are likely to be found in *Food Processing* (value-added) and *Alternative Fuels* (tapping available Nebraska resources). Much of Agribusiness is shifting toward Biotechnology.
 - **Financial Services** - Electronic commerce is booming, and the state can expand upon its successes in *Securities Brokerages Services*. While the state has a strong reputation among *Insurance Carriers*, the industry must be protected because it is undergoing significant changes.
 - **Metal Products** - Nebraska can leverage its newly realized dominance in *Farm and Garden Equipment and Machinery* to attract *Fabricated Metal Products*, and *Metal Stamping & Bending* companies.
2. **KNOWLEDGE-BASED, NEW ECONOMY**—Companies in industries for which Nebraska may not have a significant existing presence, but are those targets that will help take the state forward. The targets are:
 - **Biotechnology** - Nebraska is able to build upon existing *Pharmaceutical Preparations* linkages as well as educational initiatives for *Research & Development* activities within this growing industry.
 - **Electronics Manufacturing** - The 'new economy' is focused on electronics. *Industrial and Analytical Instruments* utilizes existing employee skills and links into the Southeast Community College testing facility (Lincoln); the state has a significant presence of producers and suppliers of *Telecommunications Equipment*; and *Electronic Components* provide an opportunity to strengthen the supplier network to support local and regional businesses.
 - **Software Development** - Significant investment in information technology training at the college level has occurred; the state is positioned to leverage the emerging talent pool to attract companies and spawn start-ups.

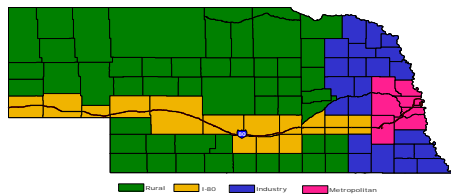
NEBRASKA REGIONS



Executive Summary -- Industry Targets

- The ideal industry targets for Nebraska will have four attributes:
 - **GROWTH** - The industry will have a growth potential greater than the composite national average.
 - ⊗ Implication: Focus limited resources (staff time and state budget) on high growth industries that provide the greatest viable opportunities.
 - **WEALTH** - Most residents of the state are employed. The goal is to create better paying jobs and increase the per capita wealth.
 - ⊗ Implication: Concentrate on industries that have a reputation for high payrolls or are willing to pay more for skills than most industries.
 - **VALUE-ADDED** - Nebraska's geographical position is central, yet removed from centers of population and international markets.
 - ⊗ Implication: High value-added products are less sensitive to production costs such as transportation and payroll and can be positioned more remotely from markets.
 - **INVESTMENT** - Because of the state's smaller population, plant closings often produce more economic volatility than in other states.
 - ⊗ Implication: Industries requiring large investments are more likely to invest management time and worker training to keep a plant viable longer than an industry that can easily be shuttered and moved.
- Targeted industries need to support the historically agrarian economy while also helping to diversify it.
 - Industries will have different life cycles; for some, growth will peak in the next several years, and others will require a decade to blossom.
 - Industries that fit the vision and goals of a respective community and the business leadership should still be pursued as opportunities arise.
 - Some industry activity will occur naturally, such as entertainment or retail, where the primary customers are local residents. These industries provide employment, but generally are not the industries that add to the total wealth of residents, and they are more sensitive to economic downturns. An ancillary benefit is the job training they provide.
 - Other industries, such as livestock 'kill' operations, may utilize a disproportionate share of resources (i.e., water, sewer, manpower) than the direct economic value, but may be necessarily pursued to support other more attractive industries within the supply-chain resident in the state or region.

Executive Summary -- Industry Targets



Rural	I-80	Industrial	Metropolitan
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EXISTING SYNERGIES TARGETS

Agribusiness – Much of the state’s existing businesses and economy depends upon agribusiness’ continued viability.

<i>Food Processing:</i> Focus on higher-value grain and meat processing.	Potential tie-ins to existing industries	Production facilities	Production facilities	R&D operations
<i>Alternative Fuels:</i> Concentrate on products that utilize state resources (i.e., grains, livestock, water, wind).	Production facilities	Production facilities	Production facilities	

Financial Services – Industry is quickly changing and growing.

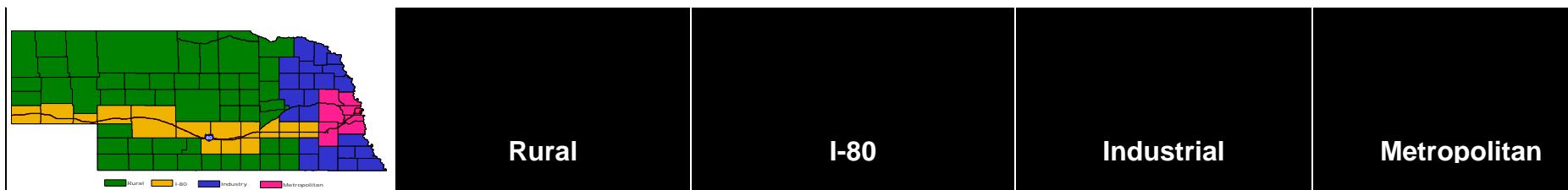
<i>Securities Brokerages Services:</i> Exploit key attributes in state (programming skills, cutting-edge companies, infrastructure) to expand and attract this fast growing industry.	Cost sensitive operations; customer support	Customer support		Regional offices and customer support
<i>Insurance Companies:</i> Build on the state’s reputation in the insurance industry as it undergoes major changes.	Processing operations	Processing operation	Back office operations	Regional offices and back office operations

Metal Products – State has unique opportunity to expand supplier base in the near-term to support local assemblers within a consolidating, low growth industry.

<i>Farm and Garden Equipment and Machinery:</i> Concentrate on significant state presence to grow supplier network.		Production facilities	Production facilities	Large-scale production; engineering and development centers
<i>Fabricated Metal Products:</i> Grow supplier network.	Sub-assembly production	Sub-assembly production	Large-scale production	
<i>Metal Stamping & Bending:</i> Grow local supplier network.	Sub-assembly production	Sub-assembly production	Large-scale production	

Note: Targets are intended to identify the type of facility ‘site seekers’ will likely consider given the attributes of the region, and therefore warrant proactive marketing initiatives. This does not preclude responding to non-targeted opportunities when they arise.

Executive Summary -- Industry Targets



Rural

I-80

Industrial

Metropolitan

KNOWLEDGE-BASED TARGETS

Biotechnology – Supports and expands state’s agribusiness (raw materials and customers) and worker skill sets (industry and colleges).

<i>Animal Pharmaceuticals:</i> Build on existing industries and the concentration of professional talent and customers.	Potential tie-ins to existing industries	Potential tie-ins to existing industries	Production facilities	Testing facilities R&D operations
<i>Research and Development:</i> Further leverage industry consolidation and educational resources.	Testing stations	Testing stations	Testing Stations	Testing facilities R&D operations

Electronics Manufacturing – Well established within the state, fast growing industry.

<i>Industrial & Analytical Instruments:</i> Capitalize on the fit between existing businesses and these devices.	Sub-assembly production	Sub-assembly production	Production facilities	Testing facilities R&D operations
<i>Telecommunications Equipment:</i> Take advantage of synergies and growing market.			Sub-assembly production	High value-added production
<i>Electronic Components:</i> Capitalize on opportunities to supply existing businesses in state and region.	Related parts production	Related parts production	Large and/or more complicated components	

Software Development – State has made significant investment in the educational infrastructure, and has several local success stories.

<i>Computer Software Development:</i> Leverage existing educational infrastructure and job skills for this fast growth industry.	Customer support	Technical related customer service centers	Back-office operations	Programming operations; high-end technical support
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Note: Targets are intended to identify the type of facility ‘site seekers’ will likely consider given the attributes of the region, and therefore warrant proactive marketing initiatives. This does not preclude responding to non-targeted opportunities when they arise.

Executive Summary -- Call to Action

Industries identified as targets will require differing levels of effort. Retention and attraction efforts for these targets need strong support and action at all levels to succeed: elected officials (Governor, legislators, mayors, and councils); economic development professionals (state, local, industries, special interests), state resources (i.e., job training, revenue and finance departments, etc.); universities (i.e., programs, research); and community and business leaders. All programs and initiatives should be coordinated by a single group, such as the Nebraska Department of Economic Development.

TARGET	ACTIONS
<p>EXISTING SYNERGIES: <u>Agribusiness</u>—generally a slow growth, competitive industry requiring proximity to the raw materials. <i>Goal:</i> pursue activities that achieve other goals (i.e., grain sales). <i>Timing:</i> important to react aggressively to new prospects, but not proactively target.</p>	<ul style="list-style-type: none"> • Brand Nebraska as the center for alternative and renewable energy (multiple forms—grain, water, wind, solar) • Regional teaming to attract larger operations • Reduce property tax impact on projects with large investments • Create affordable housing initiatives for lower paid employees (lower paying operations are critical to the overall supply chain) • Develop synergies with local universities to develop new products and processes • Work with existing industry to identify opportunities for value-added product line expansion
<p><u>Financial Services</u>—build off of existing industry base, leverage new skills in computer programming. <i>Goal:</i> leading edge transition into information age. <i>Timing:</i> longer term.</p>	<ul style="list-style-type: none"> • Legislation to encourage migration to “new economy” (e.g., South Dakota’s credit card legislation to attract financial services firms) • Strengthen technology transfer ties with universities • Aggressively market state’s strengths i.e., technology skills, infrastructure, synergies with existing companies • Network with existing businesses to expand supplier base
<p><u>Metal Products</u>—consolidating industry, need to reach out to suppliers <i>Goal:</i> attract vendors to support recently located manufacturers. <i>Timing:</i> Strong effort over the next two—three years.</p>	<ul style="list-style-type: none"> • Aggressive focused marketing effort to suppliers of existing manufacturers • Build several well-positioned speculative buildings to create near-term successes • Develop designated/pre-permitted manufacturing sites • Reduce property tax impact on M&E investment • Develop advanced manufacturing training programs and support services
<p>KNOWLEDGE-BASED: <u>Biotechnology</u>—consolidation of existing industries, growing applications creating new opportunities. <i>Goal:</i> leverage existing skills and industries. <i>Timing:</i> long-term growth.</p>	<ul style="list-style-type: none"> • Coordinate marketing activities to existing companies and new target opportunities • Create linkage marketing strategy by leveraging relationships and expanding business opportunities • Develop relationships between related programs at local universities and the business community • Establish national image for a particular sector of biotechnology operations
<p><u>Electronics Manufacturing</u>—fast growing industry. <i>Goal:</i> create an image for Nebraska as a major second-tier location. <i>Timing:</i> long-term.</p>	<ul style="list-style-type: none"> • Create incentive and other programs to relieve start-up costs • Expand funding for training and related workforce development programs • Create an inventory of speculation buildings; create tech parks with protective covenants and pre-approved plans • Establish national image • Identify high potential target companies and aggressively market • Develop synergies with related university programs and the existing testing facility
<p><u>Software Development</u>—growing industry, Nebraska’s infrastructure well positioned. <i>Goal:</i> establish reputation. <i>Timing:</i> long-term.</p>	<ul style="list-style-type: none"> • Create legislation to encourage migration to ‘new economy,’ including a statewide venture capital network • Create an image as a place for software development • Create building opportunities, local support network • Continue academic relationship with businesses and continue refining industrial support measures

Executive Summary -- Expectations

- While this plan has a 20 year planning horizon, it should be revisited every 3-5 years—to revise, update, and make mid-course corrections, additions, and deletions.
- The state is likely to have several immediate, modest successes—but this is a long-term strategy. The biggest impact will be seen 5-10 years out.
- This situation is not uncommon. The Research Triangle Park in Raleigh-Durham, NC started in the 1960's and took 20 years to gain momentum.
- Faster results will require substantial investment—for instance, Texas was able to invest hundreds of millions of dollars in University of Texas at Austin to realize success in just five years in the computer industry.

Details on Target Industries

Industry Targeting--Methodology

- The objective of industry targeting is to identify market segments with the best fit for the State of Nebraska.
- Based on insights gained from initial field investigations and research, Deloitte & Touche Fantus screened and analyzed industries to determine those industries with the greatest synergies with Nebraska's strengths and those which have the greatest likelihood of locating in the state.

- Deloitte & Touche Fantus considered the following key variables in its analytic approach to determining industry targets:
 - Locational fit—What are the particular workforce, operating infrastructure, land, or facility requirements for the industry and how do these fit with Nebraska's capabilities?
 - Industry growth—Is the industry growing and does the level and type of growth of this industries, and does this history lend itself to future expansion/relocation activity in Nebraska?
 - Potential competitive position: does the state have a unique advantage?
 - Industry migration patterns—Where is the industry concentrated geographically and is the concentration important to the development of the industry in Nebraska?
 - Technological trends—What are the technological innovations and trends in the industry that would influence its development in the state?
 - Shifts in business location philosophy—What are the location trends of the industry and how do these influence investment and location decisions?
 - Area and regional market/supplier relationships—How does the location of raw materials (including labor), product inputs, vendors, and ultimate markets impact Nebraska's attractiveness?
 - Wage levels—Will the industry raise the income levels of the state now and in the future?
 - Buyer-supplier relationships—What opportunities exist to match suppliers with companies that produce similar products and services?
 - Competitor and collaborative relationships—What opportunities exist for companies that produce the same or similar products or services to share information on critical business issues (e.g., innovations), either formally (through collaborative relationships) or informally (e.g., through local industry conferences and seminars)?
 - Shared resource relationships—What opportunities exist for firms that produce different goods and services to benefit by utilizing common sources of inputs such as raw materials, technology, or human resources.

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

- Traditionally, Nebraska’s economic base has been based on agriculture and related manufacturing industries as well as the insurance industry. These existing industries should continue to grow modestly for the same reasons that they currently have been successful historically: strong industry presence, access to raw materials, proximity to customers, high labor quality and moderate costs.
- Nebraska should be proactively targeting metal products companies and financial services. Agribusiness companies should be pursued when opportunities arise.
- The existing core industries that Nebraska can capitalize on to help achieve growth and wealth goals are:
 - **Agribusiness**—despite slowing population growth, improved production efficiencies, and modified eating habits, agribusiness remains a critical element of the economy. The state’s success will be tied to its ability to nurture knowledge-based agriculture.
 - **Financial Services**—particularly important will be insurance company internet operations and support operations for securities and online brokerage.
 - **Metal Products**—short-term consolidating but current opportunity to introduce new suppliers into the marketplace. While Nebraska’s electric rates are relatively low, property tax rates neutralize this advantage. This is a near-term opportunity that supports existing industry. The industry is consolidating, but there will be near-term opportunities to support existing suppliers and introduce new ones to the marketplace.

Industry Overview--Agribusiness

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

INDUSTRY OVERVIEW: The agribusiness industry is a diverse collection of privately-held and publicly-traded industrial companies and cooperatives employing 2.5 million people in the U.S. who grow, harvest, process and merchandise agricultural commodities. The greatest opportunities in Nebraska can be found in organizations in the food processing and alternative fuels sectors.

Primary Nebraska target industry opportunities:

- Food Processing (SIC 20/NAICS 311)
- Alternative Fuels (SIC 286/NAICS 3251)

INDUSTRY TRENDS:

- Future eating habits and preferences for processed foods will be significantly affected by the aging Baby Boom generation, increasing ethnic diversity and growing awareness of the benefits of a well balanced, healthy diet.
- Consumer interest, particularly among Baby Boomers, in healthy foods enriched with vitamins and other health additives (e.g., lower fat, higher fiber, etc.) will lead to competition between processed food companies and pharmaceutical industry in the development of “nutraceuticals.”
- The growing diversity of the U.S. population is leading processed food companies to experiment with ethnic processed foods beyond the international cuisines traditionally served in the U.S.– Mexican, Italian and Chinese.
- There is growing momentum for using ethanol as an additive in gasoline to combat air pollution.

INDUSTRY STATISTICS:

- Annual growth is projected to average less than 2% per year in both industries
- Average hourly wage in the food processing industry is \$12.25; \$21.38 in alternative fuels

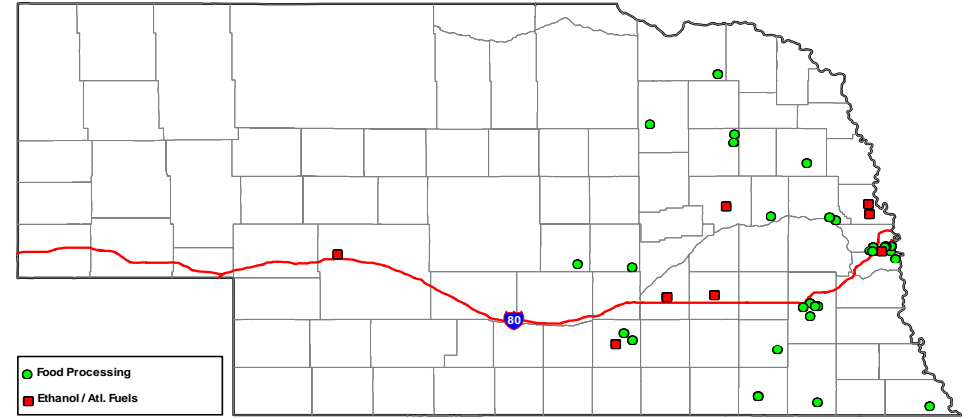
NEBRASKA CHARACTERISTICS:

- Number of establishments: 279
- Statewide employment: 34,502

KEY INDUSTRY CHALLENGES:

- As a relatively mature industry with moderate growth in the U.S., the processed food industry must market its products globally to take advantage of higher population growth rates, greater levels of industrialization and greater disposable incomes that will lead to more demand for its products. This will help the industry achieve a better than moderate growth rate.
- The substitution of ethanol in place of methyl tertiary butyl ether (MTBE), a carcinogen, as an additive to gasoline is mired in extensive political debate with significant lobbying by all interested parties.

EMPLOYMENT CONCENTRATION



INDUSTRY TRENDS AFFECTING NEBRASKA:

- Labor costs represent 40% of total spending by consumers on food products from growing the raw commodities to processing the harvested product.
- The food processing industry tends not to be impacted by general economic conditions given that the average consumer views food products as staples that are required purchases.
- Increased demand for ethanol as a gasoline additive is predicted to increase U.S. net farm income by \$12 billion and create approximately 13,000 jobs over the next 10 years.

SYNERGIES					VALUE			GROWTH		
Existing Businesses	Suppliers (existing or target opportunity)	Customers	Research/Support	Location	Image	Infrastructure	Labor	Industry Expansion	Concentration	Opportunity (Void)
✓	✓			✓	✓	✓	✓			

Industry Targets--Food Processing

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

INDUSTRY OVERVIEW: Food Processing--SIC 20/NAICS 311
Particular target SICs 2013, 2096, 2048

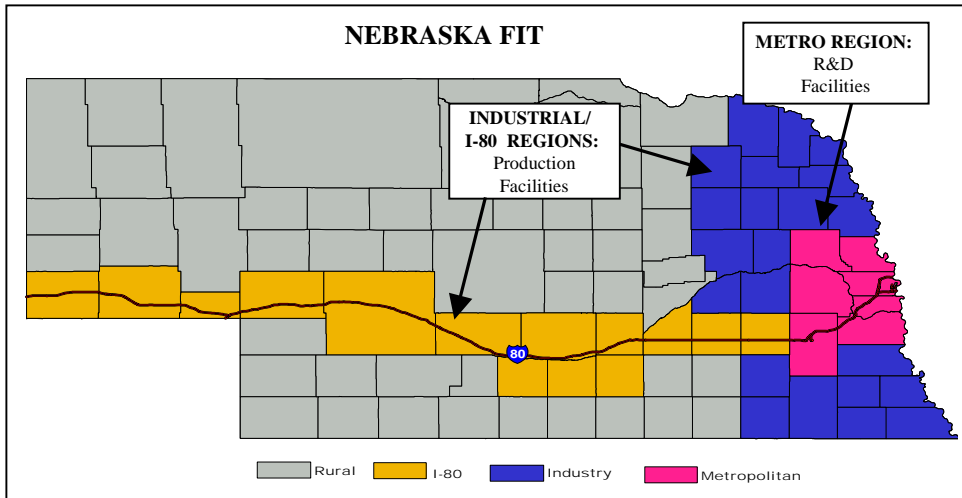
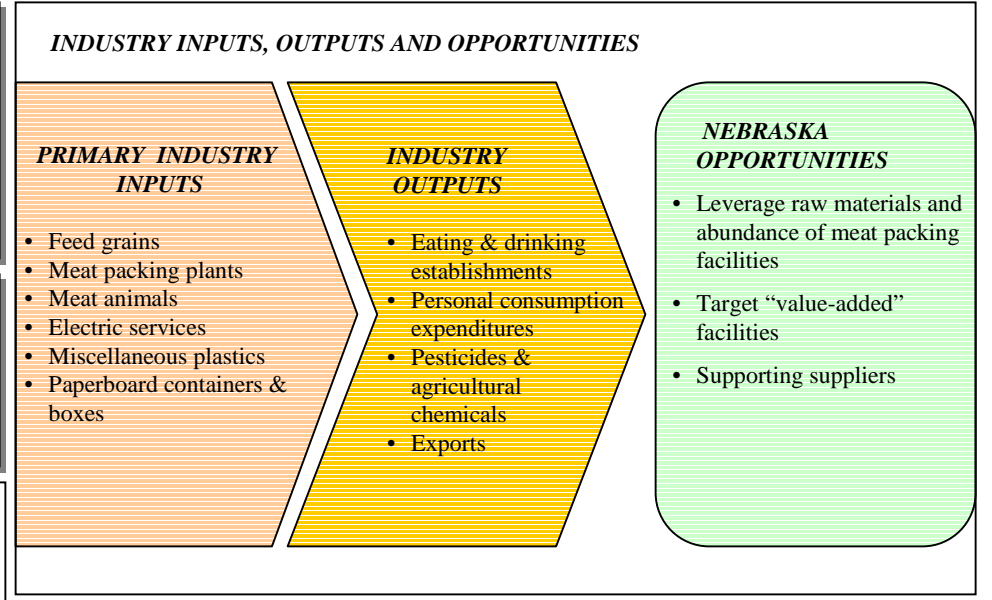
- Encompasses establishments engaged in meat processing, snack food processing, prepared feeds and feed ingredients for animals production.

REASON SELECTED: Availability of resources, value added to existing food processing establishments.

CURRENT NEBRASKA EMPLOYMENT: 271 establishments, 34,150 employees (SIC 20)

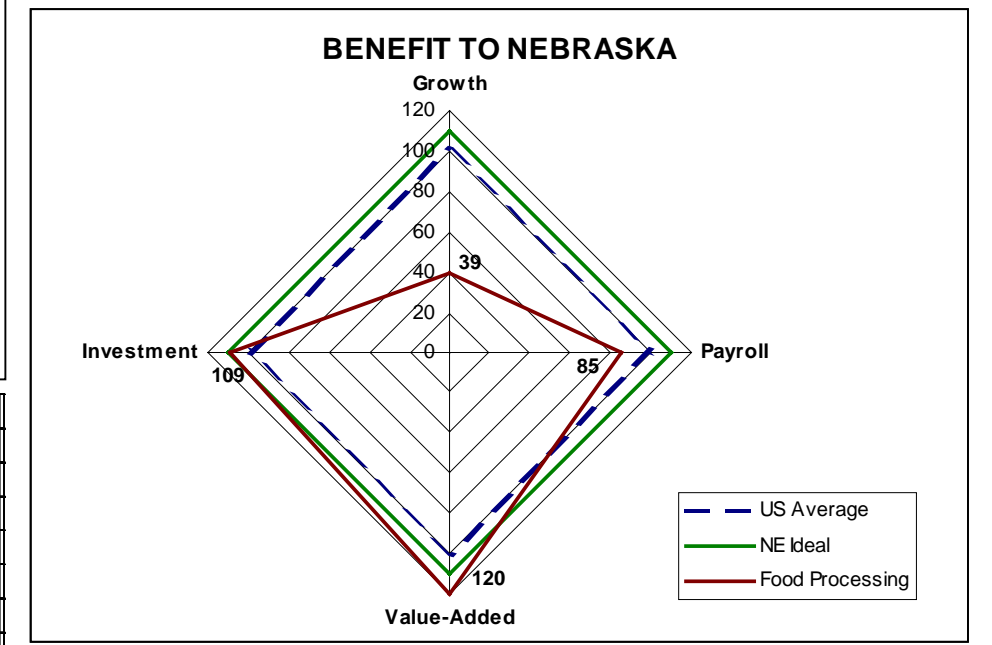
REPRESENTATIVE SITING CRITERIA:

Critical	Important
<ul style="list-style-type: none"> Access to raw materials Electric capacity Labor cost Water & sewer 	<ul style="list-style-type: none"> Natural gas



INDUSTRY METRICS:

Average Wage Level	\$12.03
Payroll as a % of National Average	85%
Typical Establishment Size	85
Electric Usage as a % of Inputs	1.1%
Annual Industry Growth Potential 1998-2008	1.3%
Annual Employment Growth Potential 1998-2008	12.9%
Value Added as a % of National Average	120%
Capital Investment as a % National Average	109%



Industry Target--Alternative Fuel

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

INDUSTRY OVERVIEW: Alternative Fuel--SIC 286/NAICS 32519

Particular target SIC 2869

- Encompasses manufacturing establishments primarily engaged in manufacturing industrial organic chemicals including ethanol.

REASON SELECTED: Source of raw materials; build upon existing industries and research, good image for Nebraska.

CURRENT NEBRASKA EMPLOYMENT: 8 establishments; 352 employees

REPRESENTATIVE SITING CRITERIA:

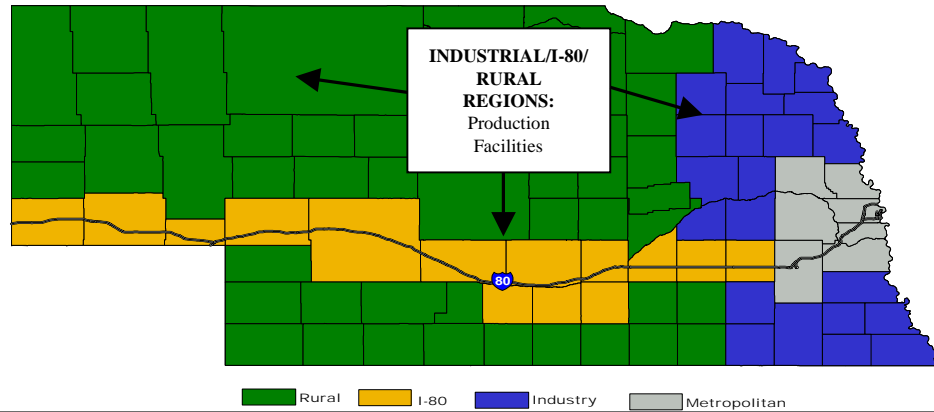
Critical

- Proximity to raw materials
- Cost of electricity
- Natural gas availability

Important

- Real and M&E property taxes
- Highway and railroad access

NEBRASKA FIT



INDUSTRY INPUTS, OUTPUTS AND OPPORTUNITIES

PRIMARY INDUSTRY INPUTS

- Industrial inorganic & organic chemicals
- Wholesale trade
- Crude petroleum & natural gas
- Electric services
- Natural gas distribution

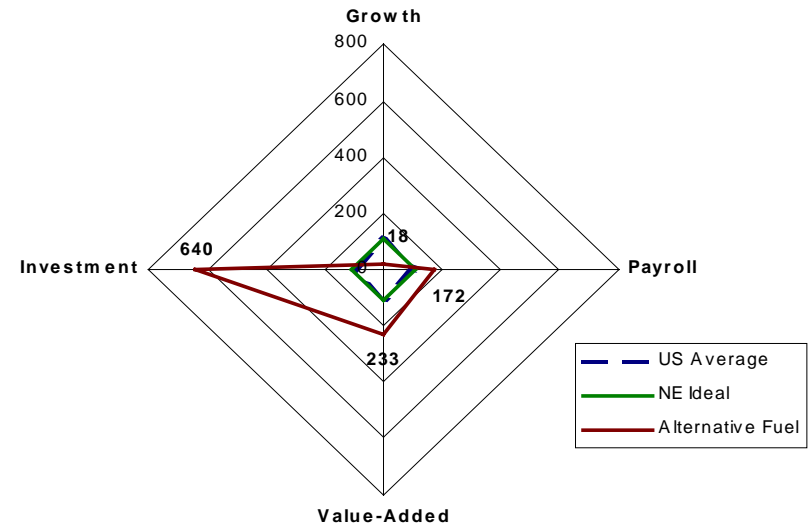
INDUSTRY OUTPUTS

- Industrial organic & inorganic chemicals
- Exports
- Plastics materials & resins
- Hospitals
- Miscellaneous plastics

NEBRASKA OPPORTUNITIES

- Investment
- Industry concentration
- Plastics companies using these raw materials

BENEFIT TO NEBRASKA



INDUSTRY METRICS:		
Average Wage Level		\$24.49
Payroll as a % of National Average		172%
Typical Establishment Size		123
Electric Usage as a % of Inputs		4.7%
Annual Industry Growth Potential 1998-2008		0.6%
Annual Employment Growth Potential 1998-2008		-6.7%
Value Added as a % of National Average		233.0%
Capital Investment as a % National Average		640.0%

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

Tasks

- Food processing
 - Expand state training programs to support these businesses.
 - Lower wages are important to the viability of this industry, therefore, provide affordable housing.
 - Tie in with appropriate university programs.
 - Interact with existing businesses to identify value-added product line expansion.
- Alternative fuel
 - Support lobbying efforts nationally, develop public relations campaign and link Nebraska as the natural place to produce these products.
 - Provide tax abatements to alleviate the property tax burden as these industries tend to be machinery and equipment intensive.
 - Develop a marketing strategy to build relationships with large engineering firms that design these types of facilities.

Timing

- Food processing
 - Maintain this industry and be prepared to respond actively to opportunities.
- Alternative fuel
 - Continue to build on the existing industry in the state and actively target these facilities for the next several years.

Industry Overview—Financial Services

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRI-BUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

INDUSTRY OVERVIEW: The financial services industry is comprised of a broad range of organizations that develop and market financial instruments and provide financial investment services to individual and institutional clients. The greatest opportunities for Nebraska are in securities brokerages services and insurance companies, specifically back office operations.

Primary Nebraska target industry opportunities:

- Securities Brokerages Services – Furnishing services to securities or commodity holders, brokers, or dealers, NEC (SIC 628/NAICS 522, 523)
- Insurance Carriers (SIC 63/NAICS 524)

INDUSTRY TRENDS:

- Interest rates are the most significant indicator of the health of the financial services industry with lower rates stimulating demand for the industry's services.
- Swift consolidation across all sectors of the financial services industry to achieve economies of scale, reduce costs and provide a wide array of services to clients and customers has led to fewer distinctions between firms that provide each type of financial product or service and more financial services conglomerates (e.g., Citigroup).
- Consolidation in the insurance industry is projected to reduce the number of firms by up to 50% in the near future.
- The aging of the U.S. population, growing sophistication of individual investors and enormous volume of information available over the internet has led to aggressive savings, causing significant price pressures and fierce competition for the savings and investment funds of U.S. consumers.
- Many large insurance organizations are expanding globally to stimulate revenue growth and decrease their dependence on mature U.S. markets. However, many national and regional firms are not expected to expand overseas because of cultural concerns and the lack of a clear understanding of the local consumer marketplace.

INDUSTRY STATISTICS:

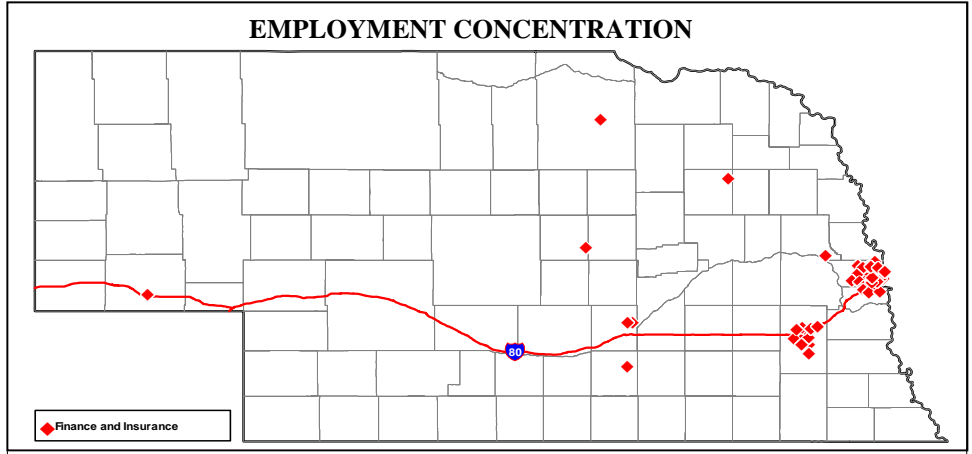
- Growth is projected to average 7.5% annually in securities and 1.4% annually in insurance
- Average hourly wage in securities is \$22.14 and \$17.49 in insurance

NEBRASKA CHARACTERISTICS:

- Number of Establishments: 3,447
- Statewide Employment: 47,800

KEY INDUSTRY CHALLENGES:

- Firms must differentiate the products and services that they offer to avoid becoming commoditized given that consumers are sophisticated and have the ability to compare products and perform research before purchase.
- It will be difficult for companies to remain competitive because of the competition and commoditization of financial products and services and the increased speed required to bring these products and services to market.
- Regulatory system that requires insurers to be licensed in all 50 states to sell insurance over the internet could pose problems for insurance companies' growth on the internet.



INDUSTRY TRENDS AFFECTING NEBRASKA:

- Though the insurance industry has lagged behind other financial services sectors, most notably securities brokerages, in capitalizing on the distribution potential of the Internet, there are noticeable changes occurring.
- Recent passing of federal legislation concerning the binding legality of electronic signatures will greatly enhance the ability of industry participants to consummate sales over the Internet.
- The insurance industry has lagged delivering products online.
- The number of online brokerage users is projected to double in the next three years.
- Pre-and post-trade online services will continue to be a major growth area.
- Due to recent regulatory legislation, banking, securities brokerages and insurance sectors continue crossing lines, further eroding competitive advantages and profits of individual industries.

SYNERGIES					VALUE			GROWTH		
Existing Businesses	Suppliers (existing or target opportunity)	Customers	Research/Support	Location	Image	Infrastructure	Labor	Industry Expansion	Concentration	Opportunity (Void)
✓			✓			✓	✓		✓	



Industry Target--Securities Brokerages Services

EXISTING SYNERGIES		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS

KNOWLEDGE-BASED		
BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

INDUSTRY OVERVIEW: Securities Brokerages Services--SIC 628/NAICS 522, 523
Particular target SICs 6289

- Encompasses establishments engaged in providing services to securities or commodity holders, brokers, or dealers including financial transactions processing for custodians of securities and stock transfer agents.

REASON SELECTED: Build upon industry pioneers, existing call center expertise/presence; transition to higher value services

CURRENT NEBRASKA EMPLOYMENT: 1,654 establishments; 21,000 employees

REPRESENTATIVE SITING CRITERIA:

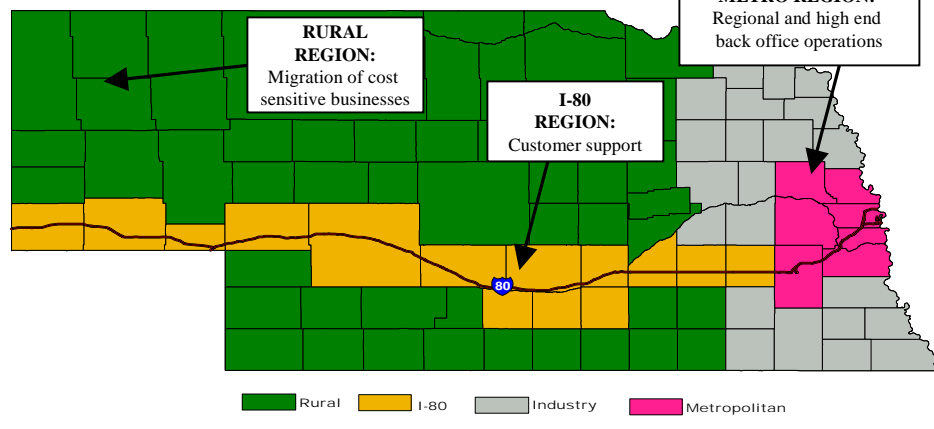
Critical

- Licensed or licensable workforce
- Positive regulatory climate
- Telecommunications infrastructure

Important

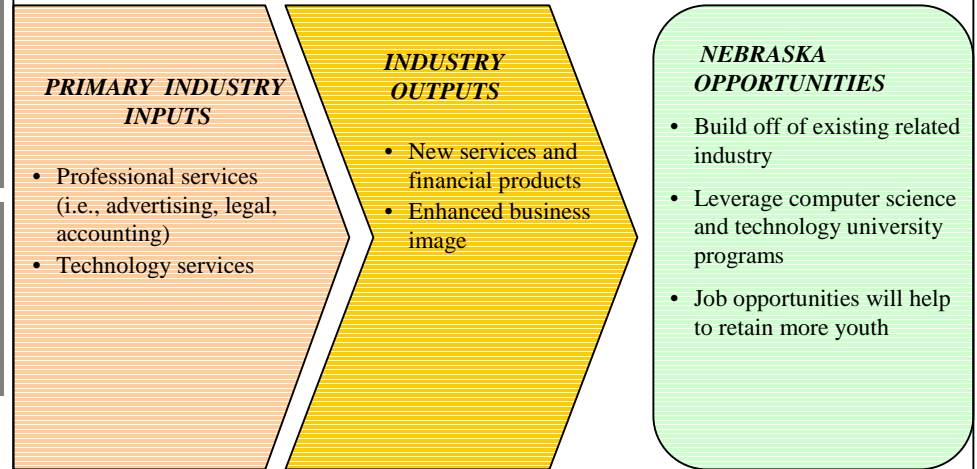
- Quality of life
- Air access to major markets
- Available office space

NEBRASKA FIT



INDUSTRY METRICS:		
Average Wage Level		\$22.14
Payroll as a % of National Average		150%
Typical Establishment Size		14
Annual Industry Growth Potential 1998-2008		7.5%
Annual Employment Growth Potential 1998-2008		3.4%

INDUSTRY INPUTS, OUTPUTS AND OPPORTUNITIES



KEY INDUSTRY FACTS

- Compound industry growth from 1998-2003 is 67%.
- Households using online advice in 2000-2005 is predicted to increase 1111%.
- Employment will increase 40% overall to 2008, versus 15% nationally.
- Online trading as a share of all equity trades is 16%, the online market is expected to reach \$688 billion by 2002.
- Mutual fund growth increased over the past nine years at a compound rate of 23%.

Industry Target--Insurance Carriers

EXISTING SYNERGIES		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS

KNOWLEDGE-BASED		
BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

INDUSTRY OVERVIEW: Insurance Carriers--SIC 63/NAICS 524

Particular target SICs 63

- Encompasses carriers of insurance of all types, including reinsurance.

REASON SELECTED: Build on existing insurance industry base, call center presence, and university concentration in conversion to e-commerce.

CURRENT NEBRASKA EMPLOYMENT: 1,793 establishments; 26,800 employees

INDUSTRY INPUTS, OUTPUTS AND OPPORTUNITIES

PRIMARY INDUSTRY INPUTS

- Innovation, changing outdated business models
- Expertise
- Professional services (i.e., legal, accounting)
- Technical services

INDUSTRY OUTPUTS

- Innovation and execution
- Distribution effectiveness, productivity
- Enhanced business image
- Records storage

NEBRASKA OPPORTUNITIES

- Build off of existing industry
- \$100 billion personal auto insurance business which has standardized policies with annual renewals
- Financial services super service centers

REPRESENTATIVE SITING CRITERIA:

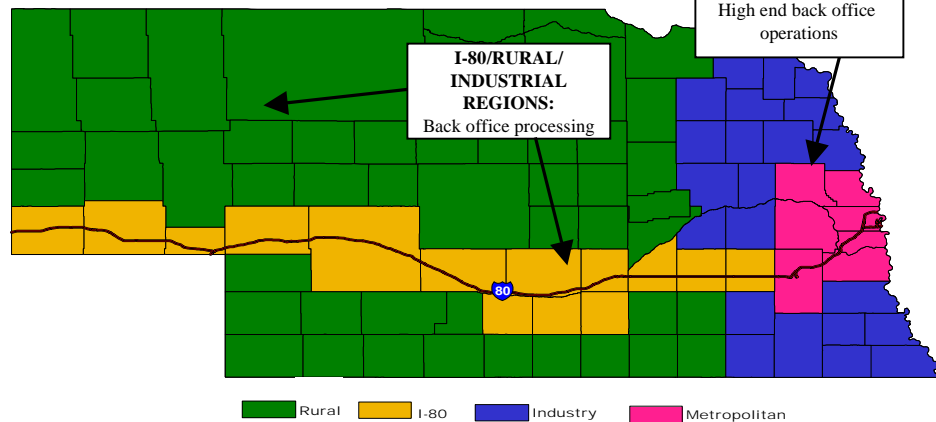
Critical

- Skilled labor force
- University proximity
- Positive regulatory environment

Important

- Quality of life
- Air access to major markets
- Proximity to similar companies

NEBRASKA FIT



KEY INDUSTRY FACTS

- Outsourcing of back office functions can help insurers remain competitive, creating a “virtual critical mass.”
- Online revenues show a five year compound growth of 135% until 2003.
- Industry is undergoing major organizational and processing reorganization.
- Shift toward tele- and electronic communications eliminates the need to locate operations proximate to each other.

INDUSTRY METRICS:	Average Wage Level	\$17.49
	Payroll as a % of National Average	119%
	Typical Establishment Size	37
	Annual Industry Growth Potential 1998-2008	1.4%
	Annual Employment Growth Potential 1998-2008	0.9%

EXISTING SYNERGIES			KNOWLEDGE-BASED		
AGRIBUSINESS	FINANCIAL SERVICES	METAL PRODUCTS	BIOTECHNOLOGY	ELECTRONICS MFG.	SOFTWARE DEV.

Tasks

- Develop a detailed marketing strategy.
 - Develop fact-based marketing material to actively market attributes (technology skills and industry knowledge) to the industry.
 - Explore direct mail opportunities.
 - Attend industry-specific trade shows.
 - Target-marketing campaign.
- Conduct meetings with existing firms within the basic industries to develop a linkage-marketing program.
- Assess and develop the necessary skill base to match the human resource needs of the targeted industries.
- Enact pro-business legislation to enhance attractiveness of state to “knowledge-based” financial service companies.
- Provide and expand training opportunities.
 - Technical skills, customer relationship management skills.
 - Develop industry-driven apprenticeship programs in conjunction with local universities.

Timing

- Develop favorable legislation and work skills programs (long-term).