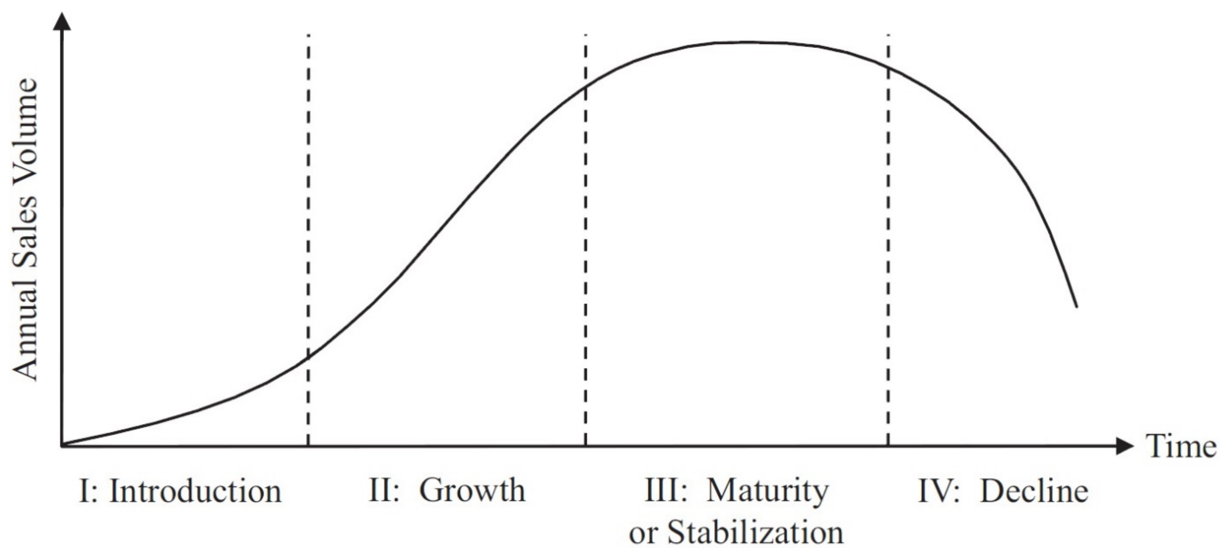
Industry Hub Strategy

by Terry J. Toomey, MBA

As the job market changes and industries age, it is important to consider how to develop strategies for declining industries to retool and adjust to the changing market and needs. The goal is to create a strategy to maintain jobs, keep small businesses viable and create a new methodology to help businesses adjust their practices. They need to understand HOW to change their operations to decrease overhead and evolve into a new entity. In some cases the current infrastructure can be retooled, in others, the workforce can be retrained and used in a new technology/ enterprise.

Companies in Late Maturity to Declining Phase are the target group for this strategy



Identification of declining industries:

Glass and glass product manufacturing

80,700 jobs in 2010
68,800 jobs in 2020
-1.6% annual job growth
Glass production and sales have steadily declined over the past five years, likely stemming from the slump in local automotive manufacturing and the long-term substitution of glass containers in the food and beverage-packaging market with alternative materials, such as plastic.

Metalworking machinery manufacturing
153,200 jobs in 2010
130,500 jobs in 2020
-1.6% annual job growth
The manufacture of powered tools for shaping metal parts has experienced a decline as demand from key foreign and domestic downstream markets has dropped.

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Miscellaneous manufacturing
266,000 jobs in 2010
210,300 jobs in 2020
-2.3% annual job growth
This category includes a wide range of products that are increasingly being manufactured in China, including: medical equipment, jewelry and flatware, sporting and athletic goods, dolls, toys, and games, office supplies, signs, concrete burial vaults, Christmas tree ornaments, Christmas tree lighting sets, beauty and barber chairs, burnt wood articles, lamp shades, matches, metal combs, and electric hair clippers.

Federal government jobs except for the Postal Service and electric utilities
76,600 jobs in 2010
60,200 jobs in 2020
-2.4% annual job growth
This BLS projection comes from 2012, before the $85 billion in forced budget cuts known as sequestration. In any case the post-recession outlook for federal jobs is negative.

Pesticide, fertilizer, and other agricultural chemical manufacturing
35,300 jobs in 2010
27,500 jobs in 2020
-2.5% annual job growth
Increased environmental regulations (such as the banning of certain pesticides) and improvements in technology and automation will reduce the number of workers in chemical manufacturing over the next decade.

Metal ore mining
36,400 jobs in 2010
28,100 jobs in 2020
-2.5% annual job growth
Jobs in the metal ore mining industry may continue to disappear as domestic mining companies compete with fast-growing industries in developing countries, where mines are less depleted and less restricted by environmental regulations.

Pipeline transportation
42,400 jobs in 2010
32,600 jobs in 2020
-2.6% annual job growth
Apparently US demand for installing and maintaining pipelines is declining. We expect this may change if the Keystone Pipeline is cleared for construction.

Computer and peripheral equipment manufacturing
161,600 jobs in 2010
117,500 jobs in 2020
-3.1% annual job growth

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Despite growing consumer demand for PCs and tablets, globalization has made US manufacturing less attractive, as manufacturing facilities move to Asia. Apple's new plan to hire a ton of people in Silicon Valley and do more manufacturing in the U.S. may partially reverse this trend.

Communications equipment manufacturing
118,000 jobs in 2010
85,700 jobs in 2020
-3.1% annual job growth
As with computers, this stuff can be made more cheaply abroad.

Postal service
656,400 jobs in 2010
474,600 jobs in 2020
-3.2% annual job growth
After the Postal Service lost $11.6 billion last year, it announced plans to eliminate 150,000 jobs by 2016. Congress is still considering cutting Saturday delivery, but even that may not be enough to save the ailing agency.

Leather and hide tanning and finishing, and other leather and allied product manufacturing
27,800 jobs in 2010
12,700 jobs in 2020
-7.6% annual job growth
These are hard times for the U.S. leather industry. Falling demand from auto, footwear and furniture manufacturers have caused major declines in revenue. Price-conscious consumers have also begun to favor substitute products made from cheaper materials, such as vinyl and plastic. Overseas competition is hurting here too, as with all manufacturing.

Apparel knitting mills
157,700 jobs in 2010
66,100 jobs in 2020
-8.3% annual job growth
Clothing manufacturing, which includes knitting and sewing garments, has significantly underperformed most sectors of the economy, due to massive competition from imports. The number of apparel knitting firms has declined at an average annual rate of 5.4% since 2007 and is expected to continue its downward trajectory at an average of 1.5% per year through 2017.

Source of these numbers: http://www.businessinsider.com/most-rapidly-declining-industries-2013-5#

An additional source sites the following as declining:

10. Online mortgage brokers

The online mortgage brokerage industry was hit hard in the aftermath of the housing crisis, as revenues declined at an annualized rate of 8.7% between 2009 and 2014. The slump in housing starts has presented a problem for the industry, as new homes drive the level of new mortgage loans. IBISWorld forecasts that a pickup in housing starts should allow the industry to grow revenues by nearly 16% a year over the next four years. However, a potential drag could be refinancing activity, which may slow down if interest rates rise in the coming years.

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9. Database & directory publishing

While the database and directory publishing industry includes both online and print publications, mainly yellow and white pages, the dramatic decline in print media and the emergence of search engines have contributed substantially to the industry's revenue slump. According to IBISWorld, the sale of advertising space accounts for nearly 63% of the industry's revenues, and online advertising has not made up for the lost revenues from printed directories. The industry's revenue fell by an annualized rate of 9.0% from 2009 to less than $11.4 billion this year.

8. Body armor manufacturing

The United States military is the body armor manufacturing industry's most important client. Following the withdrawal of troops from Iraq, and the continued withdrawal of troops from Afghanistan, demand for body armor has continued to fall. Industry revenue fell by an annualized rate of 9.5% between 2009 and this year. The decline is expected to taper off somewhat, however, to an annualized rate of 2.7%. The slightly slower decline is due in large part to increasing demand among local police forces for body armor.

7. Men's & boys' apparel manufacturing

Men's and boys' apparel manufacturing has been on the decline for some time, largely due to outsourcing to low-cost nations overseas. The industry's expected revenue of a little more than $1.1 billion this year is about half the 2009 revenue, a 12.5% annualized decrease. The number of Americans employed in apparel manufacturing more broadly has also fallen steadily for over a decade. There were nearly 300,000 employees at the beginning of 2004, versus less than 150,000 at the same time this year.

6. DVD, game & video rental

In-store video and game rental has been a declining industry for years. Perhaps no better example of this exists than Blockbuster, which at one time had more than 9,000 stores, according to MarketWatch. Blockbuster filed for bankruptcy in 2010, was acquired by DISH in 2011, and last year closed its remaining 300 stores. With the emergence of online streaming services such as Netflix, Amazon Instant Video, Hulu, and HBO GO, in-store rental industry revenues fell at an annualized rate of more than 14% from 2009 through 2014, a decline that is only likely to accelerate in the coming years, according to IBISWorld.

5. Data recovery services

Data recovery services may be made obsolete by cloud storage. The industry declined at an annualized rate of 15.5% from 2009 through 2014, as companies could increasingly store their data in cloud-based systems from Amazon, Rackspace, Google, and others. Such cloud services also helped shift the responsibility for data protection and recovery away from the individual companies to the storage companies. IBISWorld notes that "as options for data recovery and data loss prevention or backup have expanded over the past five years, demand for industry services has declined." Companies such as VMWare and Amazon Web Services now tout cloud-based disaster recovery services that protect against a loss of data.

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4. Tank and armored vehicles manufacturing

The tank and armored vehicle manufacturing industry is more reliant on government contracts than other industries. U.S. budget cuts to armored vehicle production, as part of the withdrawal from Afghanistan, partly explain the recent revenue declines in the industry. While revenues fell at an annualized rate of 16.3% between 2009 and this year, IBISWorld projects annual declines of just 0.7% over the next four years. The more modest expected rate is due in part to growing demand from foreign governments.

3. Wind turbine installation

Revenue in the wind turbine installation industry fell at an annualized rate of 16.4% in the five years through 2014, and it is projected by IBISWorld to slump by an annualized 7.3% over the next four years. One problem is that production ramped up prior to the expiration of a federal tax credit for wind production. The International Energy Administration projected in its Renewable Energy Medium Term Market Report that growth in new global wind generation capacity would gradually slow each year through 2020.

2. Computer manufacturing

The U.S. computer manufacturing industry has struggled with increased competition from abroad, as foreign companies benefit from less expensive labor. Further, global PC sales have declined in recent years, as many consumers have opted for smartphones and tablets instead. PC sales, however, may have found a bottom, as market research firms Gartner and IDC both reported better than expected shipments in the third quarter of the year. Both also reported that hyperscale data centers that provide cloud services were purchasing large amounts of servers, included in the industry. Still, the outlook for U.S. computer makers is hardly favorable, with IBISWorld forecasting a 5.2% decrease in revenues per year over the next four years.

1. Recordable media manufacturing

Recordable Media Manufacturing was the fastest falling U.S. industry tracked by IBISWorld, with an annualized 18.4% decline between 2009 and 2014. The rise of digital media and online streaming services can explain the growth of many thriving U.S. industries. The trend can also explain the drop in demand for recordable media products such as discs and tapes. However, the recordable media manufacturing industry does not include circuit board-based storage, MP3 players, flash drives, or hard disk. The increased use of these digital storage devices has directly contributed to the industry's decline. Industry revenues fell by an annualized rate of 18.4% since 2009 to less than $2 billion this year.

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Source: http://www.usatoday.com/story/money/business/2014/12/23/247-wall-st-dying-thriving-industries/20185247/

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As this economy evolves and the natural state of industry aging occurs, it is imperative to help businesses in these industries learn how to adjust, evolve and emerge into new operations. In some instances, these industries may need to completely change direction, merge into a consolidated operation or do research on where new opportunities lie. How can we use the current operation to meet needs for jobs and ongoing economic opportunities?

Although this seems to be a difficult task, early intervention into declining industries is imperative. Technology changes the way we operate in the world. We need to target these declining industries and redeploy the work force into new training programs, find ways to increase the use of technology to streamline operations and help in the consolidating of the industry to help the current players find a new role in the industry or give them the opportunity to identify new processes to preserve jobs.

As a natural course of industry evolution, new technologies replace old. Government has been loath to become involved in this natural progression to preserve jobs. This is very apparent in the "rust belt" states where unemployment is high and job prospects have been slow in developing. These states are also primarily Republican strong holds which view government intervention as socialism. These same state governments also fault the federal government for not providing enough support to these aging industries. This document is designed to help all factions understand how we can work together to increase job opportunities. The process must begin. It is imperative that new opportunities be provided to help all people find gainful employment that will support strong families.

How do we get started?

Action Plan:

1. Help those in these declining industries explore their options.
2. Identify current operations that can be helped with education and use of new technologies.
3. Provide education, grants for retooling current facilities and expertise to identify those operations that have a good chance of survival with the appropriate investments. It is imperative to put these programs into the hands of experienced business people, not government agencies. Creating more bureaucracy is not the answer. Creating functional teams through Economic Development Grants is possibly a way of assisting these areas to recovery.
4. Identify new, emerging technologies that can replace the aging technologies and take advantage of the current work force through retraining/ education.

The federal government has many grant opportunities but many opportunities are lost because the grants are given to entities that have a self-interest in using the monies. It is imperative that the investment in this job creation opportunity be put in the hands of experienced business people who have a track record of success. The current uses of Chambers of Commerce has not proven to be effective. Again, these entities have survival self-interest as their primary role and many of these grants have been diverted to supporting the Chamber and not in creating new jobs. Strong measures need to be associated with these grants to insure that the objectives are being met.

How do we create more job opportunities for all, including our senior citizens, fully utilize our community college system and work more closely with city and state governments to create opportunity? This partnership may appear different in different areas, but the ultimate goals are the same.

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Alternative Solutions:

Let's find solutions that work for these declining industries to expand their viability as we help them develop alternatives.

Most companies don't realize they should be monitoring and reassessing to determine if they are right with the times. This is where large savings for companies can be very helpful. Most industries fail in these areas 9 of 10 times to reach best practices.

The biggest failures in most companies come from 1 or more of these areas:

1. Internal software purchase centralization/consolidation
2. Database management
3. Proprietary software use (home grown software products)
4. Manufacturing automation and sorting (duplication)
5. Automation of manual jobs
6. Inventory control mastery
7. Technology change control practices
8. Lack of technology purchase
9. Proper use of technology (redundancy)
10. Tracking use of electricity in data centers
11. Decentralized network systems

Here is a good example of the technology that can be leveraged to help industries fighting foreign pricing to reduce cost.

"Successful consolidation in the back office

Data entry--
Enterprise-class Robotic Process Automation (RPA) software available for large, regulated industries, offering centralized management of a multi-skilled digital workforce that meets the needs of both business operations and IT."

The following example is included in the next pages to point out how using updated technologies decreases the cost of operations and therefore can help companies to continue operations at a lower cost. The importance of this discussion is to target companies earlier, gain cost savings therefor preserving jobs, giving owners more time to decide on alternative and exit strategies.

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Stakeholders: Unemployed or under employed workers, Community Colleges, Trade Schools, Universities, City Governments, State Governments, federal government and many local organizations.

All levels of government and communities have a vested interest in making this strategy work. Locally, jobs are preserved and created. Local economic development groups try to attract companies to relocate into an area. But if cities are allowing current jobs to decrease or cease to exist, there is a balancing act that does not take full advantage to positively impact the local economy.

Local: Desires new jobs. Reality is that current jobs may also be at risk. What is being done to help local employers to keep and grow jobs? There are multiple strategies that should be coordinated to make sure new good-paying jobs stay in the community or grow the job market. The first step is to do a full assessment of the local job market. Identify those industries that are in the late Mature Phase or Declining Phase. There will be definite consolidation within these industries. The positive impact is to help these industries make decisions before the "last gasp" and they cease to exist because of declining sales. These companies need help to make informed decisions that will impact their workers. If we are to keep many of these jobs, there will need to be opportunities created for re-training.

State: At the state level, there needs to be a concerted effort to increase opportunity for industries to have access to resources to help them make decisions, re-tool and create a strategy to preserve jobs. As we have seen in the "rust belt" states, the state government did not take aggressive action into preserving jobs and creating positive strategies to attract new jobs and preserve current jobs. There has been a negative impact in these communities which created long-term unemployment leading to drug problems, dis-enfranchisement and hopelessness. The human toll to this liaise faire activity should not be allowed to replicate.

Federal: The overall opportunity created at the federal level is to better use resources to assist states and local communities to create a positive impact on jobs. Currently the SBA is the agency in charge of helping to create jobs. Funding to the SBA has increased and is encouraging more funding for small businesses through loan programs, technical assistance and more. Their role is to increase opportunities in under-served communities like minorities, women, veterans and more.

Developing programs will require an actual education system that will be held accountable to re-training workers through quality programs. Under the current system, many resources are being squandered because the decisions are left in the hands of non-business people. These entities have internal goals which in many instances are not achieving the objectives of the program. Even at the community college level, no business people are involved in the programs. Local businesses are not included in decision making to help define the need of the jobs/ business community. There are also more opportunities that do not require a college, but should require some type of technical/ trade training. These types of institutions should have the same access as community colleges.

The Industry Hub model was created to increase job opportunities, strengthen communities, decrease government support in unemployment services and help overall restore pride/ well-being for workers.

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