



**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

# ATHLETIC & OUTDOOR

**A SIGNATURE INDUSTRY FOR THE PORTLAND REGION**

**THIS IS WHERE IT ALL BEGAN.  
THIS IS WHERE BILL MET PHIL. WHERE GERT PUSHED TIM.  
WHERE WIEDEN PARTNERED WITH KENNEDY. IN SHORT,  
THIS IS THE EPICENTER FOR INNOVATION IN THE CATEGORY.  
WHAT HOLLYWOOD IS TO THE MOVIE INDUSTRY, PORTLAND  
IS TO THE ATHLETIC & OUTDOOR INDUSTRY.**

The best brands in the category live here.

Other great brands in the category are moving here.

Having all these great brands concentrated in one region raises the bar for everyone.

These great brands attract the best talent in the world.

The best talent in the world love living in Oregon.

So they're here to stay.

This industry is sustainable. In more ways than one.

There has always been a spirit of friendly competition in this industry along with the humanity to collaborate when it helps everyone.

A handful of entities in the area exist for the sole purpose of supporting, encouraging and furthering the success of this region—through collaboration, education and innovation.

These entities are as passionate about growing Oregon's Athletic & Outdoor Industry (A&O) as the brands they help support. They have skin in the game. They're invested.

In October of 2009, this group of passionate entities initiated a research project that involved a series of roundtable discussions with Portland and Oregon Athletic & Outdoor Industry leaders. What follows is a summary of some of our findings from this study. We hope that you come away with the same sense that we did: that the city of Portland and the state of Oregon is an exciting place to be if you're an entrepreneur, and an even more exciting place to be if you're an entrepreneur in the Athletic & Outdoor Industry.



## WHY WE DID THE STUDY

We were driven by four primary desires: One, to bring more recognition to the Athletic & Outdoor Industry as a primary source of jobs and economic growth in the region. Two, to define the industry and its unique challenges, opportunities and key competitive markets. Three, to engage the industry in a dialogue that could lead to actions, policies and initiatives that will further the aforementioned economic growth. Four, to identify opportunities for public and private collaboration to leverage the region's competitive advantage as the global A&O hub.

## WHO "WE" ARE

The Portland Development Commission partnered with the Oregon Business Development Department, the Oregon Business Council, Impresa Economics, the University of Bern, Portland State University and a number of industry leaders. So, in a real sense, "we" are you.

## WHAT WE LEARNED

The A&O cluster is a signature industry for the Portland region and is composed of dominant large companies and emerging small players. The category is fueled by constant innovation and evolution, entrepreneurship and legendary rivalries, balanced with personal cooperation. It is the quintessential global, knowledge-based industry: one that pays high wages to Oregonians based on their ability to create economically valuable new ideas that compete in the global economy. Dynamic, idea-driven and closely tied to the state's ethic of sport and active recreation, the Athletic & Outdoor Industry deserves a more prominent role as a symbol and example of the region's economic prowess.

### There are Anchors and there are Entrepreneurs

Portland's A&O cluster is a group of innovative, world-class firms that design, market and distribute footwear, apparel and related gear for sports, recreation and active lifestyles. This cluster is anchored by Nike, the global leader in the field, and includes Adidas' North American headquarters and Columbia Sportswear. The cluster also includes hundreds of smaller firms which develop and market their own products and provide a wide range of specialized services to other firms within the cluster. The competitiveness of the A&O cluster is inextricably linked to the skills, interests and values of its workers, and the local ethos, characterized by active living, sustainability and innovation.

Statewide, the Athletic & Outdoor Industry directly employs more than 14,000 workers and includes more than 700 firms with a payroll. Total statewide payroll in 2008 was nearly \$1.2 billion and average wages are more than \$80,000 annually, about 70 percent higher than the statewide average for all workers. In addition, as many as 3,200 self-employed persons with sales revenues of more than \$95 million are working directly in the A&O industry cluster or in closely related occupations like specialized design services. These statistics reflect only employment in "core" A&O industries. The cluster also generates impact through its purchases from other industry sectors, especially professional services.

Portland has the highest concentration of A&O firms in the nation. The region has the highest location quotient for footwear wholesaling of any large metropolitan area and the second highest location quotient for footwear manufacturing. Its A&O firms account for the single largest share of footwear-related patents in the United States and the second highest level of self-employment specialization in the category.

### It's not just a cluster, it's an alpha cluster

Because it integrates design, marketing and global branding, the Athletic & Outdoor Industry has a higher level of recognition than most clusters and contributes additional creative impetus to the regional economy. It is an alpha cluster, meaning that it is characterized by continuous innovation, high wages, strong geographic concentration and strong connections to the culture and quality of life in the community. In Portland's case, the cluster has important business and cultural connections to design, media and communication, as well as to a distinctive local lifestyle and other clusters in music, art and food.

### This is high value, high wage work.

The A&O cluster is emblematic of a profound shift in the underlying sources of economic wealth, away from physical production and towards knowledge creation. Some of the early pioneering firms manufactured footwear, apparel and gear, either for local markets or based on local inputs. Danner made boots, Jantzen manufactured swimwear, Pendleton Woolen Mills wove its blankets and clothing, Columbia Sportswear made hats, vests and coats. Today, however, manufacturing locally is the exception, not the rule. Most firms have outsourced their low value, high volume manufacturing to lower cost areas in Asia, especially China, Indonesia and Vietnam.

STATEWIDE DIRECTLY EMPLOYS  
THE A&O INDUSTRY  
**MORE THAN  
14,000 WORKERS**  
AND INCLUDES MORE THAN 700 FIRMS WITH A PAYROLL.  
TOTAL STATEWIDE PAYROLL IN 2008 WAS  
**NEARLY \$1.2 BILLION.**  
THE AVERAGE WAGES ARE  
MORE THAN **\$82,700** ANNUALLY,  
**ABOUT 70% HIGHER**  
THAN THE STATEWIDE AVERAGE FOR ALL WORKERS.

Similarly, most North American distribution activity has shifted closer to the population center of the United States (Tennessee, Kentucky, Indiana). The activities that remain in Portland tend to be the high value, creative core activities of design, marketing, finance, logistics and management—creating and marketing new products, not producing or moving them. Portland has become the epicenter for designing and marketing these products and managing the entire global enterprise.

#### The swoosh is not alone

Historically, there was little reason to believe that footwear firms would flourish in Portland. While the region had a few makers of outdoor-related footwear (like Danner and several smaller firms making “brown boots” for logging, construction and hiking) the nation’s footwear industry was historically concentrated in New England, St. Louis and Akron, Ohio (think rubber footwear).

The genesis, growth and success of Nike was the seminal event in creating an Athletic & Outdoor Industry cluster in Portland. Phil Knight and Bill Bowerman created a new set of products (high performance athletic shoes) and a business model (global branding of footwear) that dramatically changed the apparel and footwear industries.

As the number one firm globally in this industry—and the number one Athletic & Outdoor Industry employer in Portland—Nike essentially defined the current version of the industry and many of its workers have gone on to play leadership roles in other firms. Former Nike employees Rob Strasser and Peter Moore were responsible for bringing Adidas’ North American headquarters to Portland and played key roles in helping update the company’s organization and global strategy in the early 1990s. A significant fraction of Columbia Sportswear’s principal managers previously worked with Nike and start-up and small apparel firms around the state frequently employ Nike alumni as well.

Nike anchors the region’s brand and credibility as a center for A&O businesses. Its scale and economic importance are key drivers for the local economy, with a direct economic impact on the Portland area estimated at \$1.9 billion per year in 2004.

Nike attracts skilled workers to the region, and develops the skills of its employees, many of whom go on to work at other jobs in the A&O cluster. Nike provides a business model for other firms and its former employees have started many spin-off businesses, especially in the A&O category. Nike also supports many professional and creative firms as well as self-employed individuals that serve as critical vendors and suppliers to Nike. Over time, Nike’s role has changed, while it was the progenitor of the cluster in the 1970s and 1980s, today, Nike employment is less than half of the cluster total. Most of the job growth today is coming from other firms and the cluster is more complex and diverse than in earlier decades.

While Nike is vitally important, the cluster is now much bigger than one business, and is characterized by three distinct sizes of firms: Extra Large (global or regional headquarters, like Nike, Columbia and Adidas, each with more than 500 employees); Large (companies like Leatherman, LaCrosse/Danner, Pendleton and others, employing between 100 and 500 employees); and Small (companies with fewer than 100 employees). The Large and Extra Large firms have global scale, with offices and operations around the world. They operate their own retail stores and distribute products through independent retail outlets. The Small firms in the industry tend to specialize in product design and marketing.

#### In this particular kingdom, talent is king.

The critical ingredient in the growth and success of the industry is the local talent base. The region’s great environment, abundant recreational opportunities and widespread sustainability ethic attracts and helps root here the kinds of workers who help the industry to flourish.

The creative people who design the products, develop the brands and help market them are at the center of this industry cluster. They are supported by those with the business acumen to manage the financial and logistical aspects of the industry. Large and small firms identify talent as the key competitive factor in the industry and point to the region’s abundant supply of talented workers with experience as the region’s chief economic asset for the A&O cluster.

“THE REGION’S LARGE TALENT POOL IS BOTH THE REGION’S BIGGEST ADVANTAGE AND ITS BIGGEST DISADVANTAGE—BECAUSE IT ATTRACTS OTHER FIRMS THAT MAY HIRE AWAY A FIRM’S OWN TALENTED WORKERS, AND TENDS TO BID UP THE PRICE OF SKILLED WORKERS.”

—Tim Boyle, Columbia Sportswear

That said, access to talent is essential to this cluster’s success. Historically, attracting talented workers to Portland has not been a problem, although some in the industry worry that a combination of high personal income taxes and the perception of volatile funding for public schools may make it harder to attract talent in the future. For senior level executives there is also the concern about a lack of other executive level opportunities should the job not pan out and in some cases concern about the spouse’s ability to be gainfully employed.

High wages reflect the key role that talented workers play in this industry cluster. The average wage in the state’s Athletic & Outdoor Industry in 2009 was \$82,700, according to data compiled by the Oregon Employment Department. This is 79% higher than the average wage for all workers in the Oregon portion for the Portland metropolitan area (\$46,233) in that same year. The industry’s high average is the product of both relatively high wages and a disproportionate concentration of the workforce in high wage occupations.

#### Then there’s that whole “hybrid life” thing.

The ability to combine career with personal passions in a supportive environment is a decisive advantage for this cluster. The boundaries are blurred between an individual’s role as worker, consumer and citizen. A significant fraction of those working in the cluster—especially the creative workers—

are passionate participants in sports and active recreation. They use their own products and they embrace a lifestyle that emphasizes these values. Portland’s physical and cultural environment provides diverse opportunities and strong support for sports, active living and sustainability. One firm—Keen—has even coined the term “hybrid life” to describe not just the balance between “living and working,” but the combination of the two.

And yet the pervasiveness of the hybrid lifestyle manifests itself in a pronounced schizophrenia about the region’s work ethic. Employers recognize and value the fact that their workers are committed to balancing work and outside interests, but are dismayed, as one put it, that “the parking lot is empty at 5:00 on Fridays.” Despite high pay levels (especially at larger firms), industry leaders say it is not uncommon for people to take—and stay at—lower paid jobs in Oregon, choosing the lifestyle that the region affords them. Many firms were started and staffed by people who had previously worked at larger firms with a higher level of compensation, but voluntarily chose to earn less, instead pursuing another opportunity such as starting a new business.

#### As it turns out, where we are matters.

Portland’s physical environment and emphasis on sports, outdoor recreation and active living are strong complementary assets for this industry. The region’s mild climate and relatively easy access to a wide range of outdoor recreational opportunities (the Pacific Ocean, the Columbia River Gorge, the Cascades and Mt. Hood, Central Oregon’s high desert and the Willamette Valley) make Portland an attractive place for people with an interest in active living. Oregon residents are far more likely to engage in most forms of outdoor recreation than other Americans. The region has many passionate early-adopters and innovative users who have pioneered different kinds of sports and outdoor activities (from running for health in the 1960s to cyclocross and windsports today).

The strength of local recreational participation often plays a key role in the development of new products and new companies. Local companies’ customers—and perhaps more importantly, their employees—take advantage of these sports and recreational opportunities, which can provide insights into the development of new products.

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Pressed to define the reason they locate in Portland, A&O firms consistently said, “This is where our company was started... this is where we want to live.” In addition, the ease of finding relatively skilled workers, coupled with the strength of the cultural and physical environment for those interested in active recreation were decisive advantages.

#### But there is competition.

The Athletic & Outdoor Industry is characterized by competing and complementary clusters. Boston, Los Angeles, San Francisco, New York, Salt Lake City, Ogden and Boulder are all frequently mentioned as prominent cluster locations for athletic apparel, footwear and outdoor gear in the United States. Each has its own strengths and specializations: Boston is a key center for footwear firms, including Reebok (Adidas subsidiary) and New Balance; Los Angeles is a major center for apparel distribution, and has a vastly larger local manufacturing base than Portland; The garment districts in New York still have strong concentrations of designers and distributors, as well as a wealth of suppliers and cutting and sewing contractors that are simply not found in Portland; The San Francisco Bay Area has many outdoor and outerwear firms; and Boulder is strong in outdoor gear and apparel.

#### It's a globalized world, after all

All of the firms in the outdoor lifestyle industry are affected by global scale competition. The ability to navigate the global supply chain is an essential skill for most firms. They must learn to source product globally and sell product nationally and internationally in order to be successful. That said, the widespread availability and reliance upon contract manufacturers in Asia (primarily in China's Pearl River Delta) means that sourcing and manufacturing cost are no longer key competitive differentiators. All firms face roughly the same production costs. With the playing field even, innovation and speed to market have become the new competitive edge. Predicting, responding to and shaping market trends is a key driver of success in the industry. One critical element of success is speed: shortening the cycle of designing new products and reducing the amount of time between production and delivery can be the difference between profit and loss. Going forward, the industry needs to continually develop new products and new designs in order to be successful and the challenge has grown greater over time with the proliferation of competitors, market niches and product diversity.

#### The friendliest of enemies

The rivalry among individuals and firms in the Athletic & Outdoor Industry is legendary. And while it continues in earnest on some levels—competing for market share, signing endorsement contracts, hiring employees and developing new products—company representatives said that at the personal level and within the region there is a widespread ethic of cooperation. The frequent movement of workers between firms in the industry fosters a web of cross-company professional contacts.

The large firms (Nike, Adidas and Columbia) know that the presence of a cluster of firms works to the benefit of all, as evidenced by their collaboration on selected issues such as trade and tariff regulations affecting footwear and apparel imports, and anti-counterfeiting initiatives. Not to mention the one aspect that is somewhat unique to the region and to the cluster itself: its unusually high level of philanthropic and community engagement.

#### So many shades of green

The emerging green ethos plays a dual role in the A&O industry: in a general sense, it increasingly defines the industry's core values—and more specifically—it stimulates product and market innovation, driving more environmentally friendly products and processes. Embracing sustainability as part of corporate culture is helpful in attracting and retaining talented young workers, who seek employers that embody and apply sustainability as part of their business strategy. Sustainability strategies are also seen as risk-avoiding: getting ahead of the curve in developing alternative materials and processes helps insulate the company from the negative effects of higher oil prices, tougher product safety regulations and changing consumer tastes.

Sustainability has also served as common ground for industry-led cooperation, evidenced by the recently developed Eco Index. The Index offers companies a way to benchmark and measure their environmental footprint, informing sourcing and product improvement decisions. The initiative is being led by the Outdoor Industry Association and has received seed funding from the Portland Development Commission.

### The only constant

The Athletic & Outdoor Industry is marked by continuous change, frequent mergers, acquisition and growth. Major brands (Nike, Adidas, and Columbia) are seeing their global markets expand as incomes rise around the world and interest in active lifestyles grows. New entrants are identifying, developing and expanding niche markets for specific products and activities. Talent moves between and across companies. New firms start up and begin to grow, with a few expanding to become established players in the industry, and others remain as small “lifestyle” companies. Acquisition of small growing firms brings new ideas and competencies into larger firms and recapitalizes investors and entrepreneurs. Even closures can prompt dislocated workers to start their own firms, ultimately triggering further growth. The cluster has continued to grow by the relocation or expansion of A&O firms from other locations to Oregon, such as Keen, Icebreaker, Yakima, Merrell and Li Ning.

Product development demands constant innovation, research and improvement and Oregon-based firms account for a high fraction of the patents issued for innovations in footwear manufacturing. Several of the larger companies have begun to integrate more sophisticated technology into their products and technology will play an increasingly critical role in product performance, business costs and sustainability goals.

### WHAT WE'RE DOING WITH THESE INSIGHTS

The A&O cluster is an industry on the move and Oregon is the place to watch in terms of innovation and visionary leadership. To stay ahead of the curve and continue to grow the category, we need to keep pushing the boundaries of what's possible. To that end, we have developed a number of initiatives and programs designed to leverage the region's unique competitive advantage. They fall into one of six primary areas of focus.

#### Area 1: Leadership

We will promote the region's leadership position as the world's premiere A&O industry cluster. We will continue to support and engage with the OIA Eco Index. We will look for appropriate opportunities to promote specialty manufacturing in the region. We will support the industry's use of technology in lean manufacturing processes, material innovation, and leadership in sustainability.

#### Area 2: Connection

We will invest in supporting the array of smaller networking organizations that link the industry together. We will develop cross-cluster connections to the region's other “alpha” clusters. We'll capitalize on the Portland Center for Design & Innovation as a means for providing specific technical assistance to A&O firms and a venue for encouraging industry collaboration.

#### Area 3: Development

We will seek to develop globally competitive schools that prepare Oregonians for jobs in this globally competitive industry.

#### Area 4: Entrepreneurship

We will work to improve working capital availability to nurture start-up and small firms and work with entrepreneurs and business leaders on business climate initiatives that keep Oregon and the region a fertile ground for entrepreneurial activity.

#### Area 5: Policy

We will educate policymakers and elected officials on the economic impact and critical importance of traded sector industries like A&O to the health of the state and regional economy. We will address key state and local policies on taxes and education funding. We will seek to expand the public sector economic development portfolio to address the specific challenges of A&O as a globalized, knowledge-driven sector of the economy.

#### Area 6: Communication

We will endeavor to become a communications hub for all of this activity, developing pieces like the one you're reading as well as an ongoing Action Plan, which will serve as a more living, breathing document that reflects the activity, opportunities, goals and priorities of this effort as we move forward.

**WHAT YOU CAN DO  
ENGAGE. BE INVOLVED. TAKE ADVANTAGE OF THE OPPORTUNITIES  
FOR EDUCATION, CONNECTION AND CO-OPERATION. CONTACT THE  
PDC WITH ANY QUESTIONS, SUGGESTIONS, CONCERNS OR IDEAS  
YOU MAY HAVE. ABOVE ALL, CARE. BECAUSE WE HERE IN OREGON  
SHARE A UNIQUE PLACE IN HISTORY AND AN UNPRECEDENTED  
OPPORTUNITY TO LEAD THE WAY. TO DEMONSTRATE, BY EXAMPLE,  
THE POWER AND POSSIBILITIES OPEN TO ANY COMMUNITY  
WILLING TO STOP TALKING ABOUT CHANGING THE WORLD  
AND JUST DO IT.**



This data is current as of November 2010.

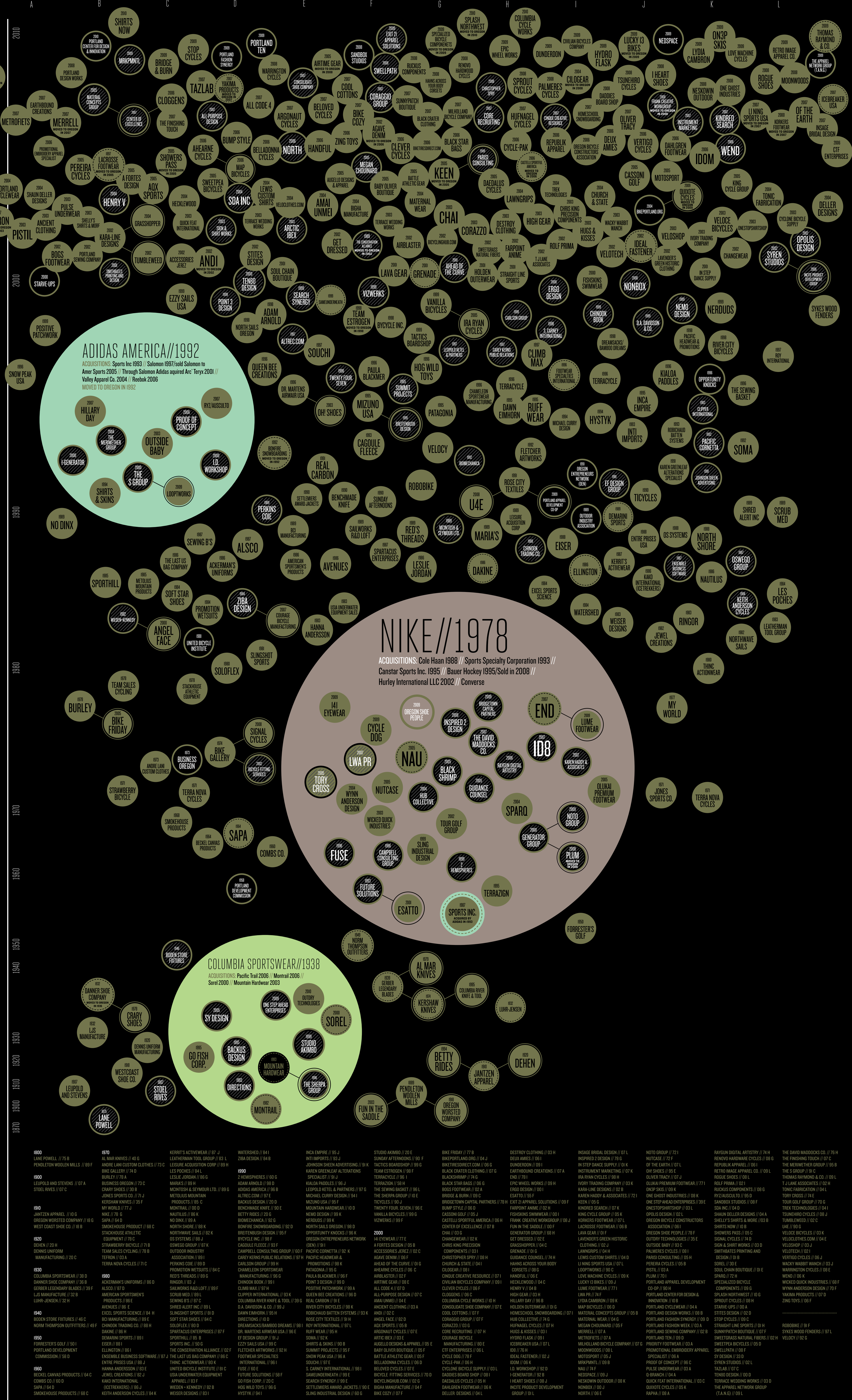
ATHLETIC & OUTDOOR INDUSTRY: OREGON // 1875 - 2010

Find each company listed chronologically and alphabetically in the index below. Coordinates are also included in the index to help find the company's position along the timeline. The timeline starts-up of another organization on the map, it will be grouped with and placed on the timeline under its parent's year of inception. Refer to the key below to identify each company's specific industry and connections.

HOW TO READ THIS INFOGRAPHIC

- CORE INDUSTRY
SERVICE INDUSTRY
SUPPORT INDUSTRY
MERGER/ACQUISITION
SUBSEQUENT STARTUP

FOR MORE INFORMATION: POXATHLETICOUTDOOR.COM



ADIDAS AMERICA//1992
ACQUISITIONS: Sports Inc 1993 / Salomon 1997/sold Salomon to Amer Sports 2005 // Through Salomon Adidas acquired Arc'teryx 2001 // Valley Apparel Co. 2004 // Reebok 2006
MOVED TO OREGON IN 1992

NIKE //1978
ACQUISITIONS: Cole Haan 1988 // Sports Specialty Corporation 1993 // Canstar Sports Inc. 1995 // Bauer Hockey 1995/Sold in 2008 // Hurley International LLC 2002 // Converse

COLUMBIA SPORTSWEAR//1938
ACQUISITIONS: Pacific Trail 2006 // Montreal 2006 // Sorel 2000 // Mountain Hardwear 2003

Index table listing companies and their founding years, organized by decade. Includes entries for 1870s, 1880s, 1890s, 1900s, 1910s, 1920s, 1930s, 1940s, 1950s, 1960s, 1970s, 1980s, 1990s, 2000s, and 2010s.

# Athletic & Outdoor

Building a Strategic Plan for the Industry





A&O Young Professionals Summer Bike Tour (2016)



# Oregon's Signature Industry

In 2010, business leaders, along with city and state officials declared the Athletic & Outdoor (A&O) industry “the signature industry for the Portland region.” It was an obvious candidate. The City of Portland’s economic development strategy highlighted A&O as one of four major industries that would be responsible for job creation and increased economic activity for the region. It is an industry inspired by Steve Prefontaine and built by Phil Knight, Bill Bowerman, Gert Boyle, Dan Wieden, and many others. It is also an industry that benefits from irrevocable regional advantages: a temperate climate, a diverse geography, and a culture of competition, innovation, and trade.

The industry is made up companies large and small, with the average Oregon A&O company employing less than 30 people. In the years since the release of the 2010 A&O industry report, “Athletic & Outdoor, A Signature Industry for the Portland Region,” the industry has grown to include many companies that manufacture goods in Oregon. The types of companies that make up the A&O industry include a variety of consumer goods companies including apparel, footwear, gear, bags and accessories, bikes and bike accessories, knife and tool, and fashion, as well as the suppliers and business services companies that create important support systems for the A&O industry to thrive.

The industry’s performance in the intervening years has fully validated that declaration. Success beget success. Already a magnet for the world’s best design talent, the industry’s pull and scope intensified over the last seven years. Arrivals created new firms and inspired industry-leading companies to expand their local presence. Employment in the industry grew by almost 50 percent between 2005 and 2015.



Jose Martinez, founder and owner of Orox Leather Co.

Prosper Portland and other regional and state economic development agencies worked with the industry to develop programs, events, and organizations to benefit and grow the industry, including:

- The Entrepreneurial Peer to Peer Program: designed to help growing A&O companies understand business basics and learn from experts. The program has helped nearly 40 companies.
- The A&O Young Professionals Group (AOYP): an industry-led group that seeks to provide opportunities for education and networking for the ever-growing population of new talent within the A&O industry. The group organizes monthly meetups and 2-3 larger events a year within the Portland region.
- Oregon Outdoor Alliance: a 250 member partnership with Business Oregon, EDCO, and local A&O businesses, OOA seeks to connect and cultivate the outdoor industry in Bend and beyond.

Once primarily a Portland story, the industry has spread to Bend, Hood River, and Eugene. There, the formula for success has been the same as in Portland. Entrepreneurs with a deep passion for the outdoors look for communities where they can grow a business in supportive cultural and industry ecosystems and enjoy an unparalleled quality of life. Mt. Hood, Mt. Bachelor, the Steens, the Willows, the Columbia Gorge, Smith Rock, and Crater Lake are here to stay, and so is our world-class A&O talent.

If the 2010 report got anything wrong, it may have been the scope. A&O is the signature industry for the Portland region,

but has also quickly become a signature industry for all of Oregon.

## Why This Update

The A&O industry and Oregon have gone through remarkable changes since 2010. When the first report was published, the state and the nation were just emerging from a deep recession. Economic expansions typically favor Oregon, and this one has been no different. By 2016, industry growth hit an unprecedented pace with multiple companies growing aggressively at the same time.

Today, the industry looks to a future of opportunity and change. The most promising trend is the unrelenting growth of the global middle class. Populations are moving from farms to cities—especially in Asia—and turning into consumers. An estimated 140 million people join the middle class each year. In a few years, the rate could increase to 170 million per year. By 2020, the majority of the world’s population will live in middle-class or upper-class households for the first time ever.

Simultaneously, Oregon’s population is rapidly diversifying, which could help the A&O industry connect to global customers. Success here hinges on Oregon and the industry putting strong education, training, and recruitment processes in place to build a pipeline for increasingly sophisticated work.

Lastly, technology is disrupting the relationships between designers, suppliers, manufacturers, distributors, retailers, and consumers. A&O firms large and small will need to reorganize collaboration during product development, revamp

manufacturing processes, and find new ways connect with customers. And they must expect that those relationships will change every few years.

In the context of this unprecedented opportunity and change, this report has three aims: One, to provide an update on the industry’s remarkable growth since the recession’s end. Two, to engage the industry in a dialogue that could lead to strategies and initiatives that could further strengthen its position. Three, to identify opportunities for public and private collaboration to leverage the state’s competitive advantage as the global A&O hub.

### Oregon A&O Industry by the Numbers

**49.3%**

Industry employment growth 2005-2015

**822**

Number of A&O establishments, 2015

**\$3 billion**

Total payroll

**1,300,000 square feet**

New office space created in Nike’s HQ expansion, starting Jan 2015

**+160,000 square feet**

Additional space leased or purchased by other industry leaders—Adidas, Columbia Sportswear, and Under Armor—between 2015 and summer 2017



BlackStrap Industries Inc. in Bend, OR

# Trends and Events That Shape the Industry

As industry leaders sat down to develop a strategic plan, they took stock of recent trends and events. They described competitive landscape undergoing constant change. Setbacks and challenges exist, but they are outweighed by progress and opportunities.

## A&O Leads the Way in the Recession Recovery

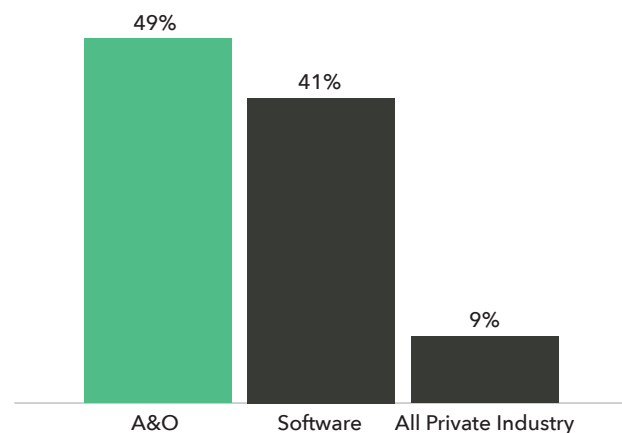
The industry's numbers speak for themselves. Employment in the A&O industry grew from 13,816 to 20,626 in the decade between 2005 and 2015. That's just shy of a 50 percent increase in jobs during a period when Oregon suffered one the toughest economic downturns in its history. By contrast, private sector employment—measured across all industries—grew by only 9 percent.

**“I don't know that we've ever seen a time when so many companies are aggressively growing at the same time.”**

**Jennifer Nolfi, Portland State University**

Those jobs were created by expansions of existing firms and the creation of new ones. Nike embarked on a massive buildout of its global headquarters. Adidas absorbed a 25,000-square foot former call center into its North Portland

**Job Change in Oregon, 2005-2015**



campus. Columbia Sportswear acquired a new building to help accommodate its 1,000 staff and headquarters.

But the growth wasn't limited to the Nike, Adidas, and Columbia expansions. The decade saw the number of Oregon A&O firms increase by 19 percent, from 691 to 822. Startups included Cairn, CiloGear, Goumi Kids, TREW, North St. Bags, Moxie & Moss, Portland Gear, WILD Outdoor Apparel, and Breadwinner Cycles to name a few.

And, further demonstrating the region's pull, Under Armour acquired a 68,698-square foot former YMCA building and expanded it by 40,000-square feet. A company spokesperson told the Oregonian, "Portland has emerged as a strategic hub for the brand, where we will continue to attract and hire best-in-class

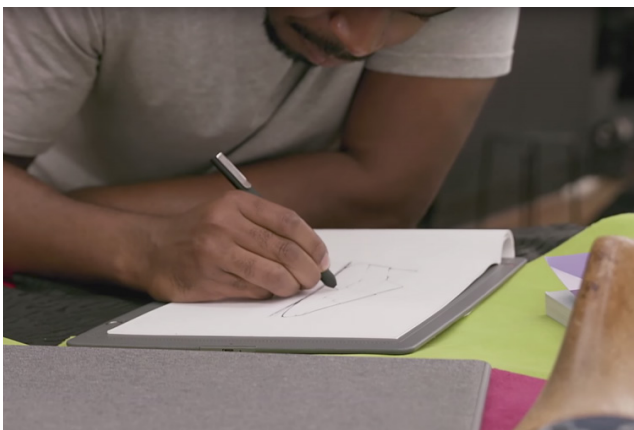
talent.” The company opened its Portland headquarters with 100 employees in February and expects to double that over the next several years.

## Nike Doubles Down on Oregon

In 2012, Nike looked to the future, saw a rapidly expanding global middle class, and plotted an aggressive growth strategy that included a headquarters buildout. Wanting to call Oregon home for the coming decades, they negotiated for some tax certainty in exchange for job creation. What came next beat all expectations.

The headquarters expansion will add three office buildings with 1.3 million square feet and three parking garages with 4,000 stalls. Reviews of the Nike plans suggest the project cost at least \$350 million—a well-timed boost to the region’s construction industry as it continued to recover from the Great Recession.

The new space could eventually accommodate up to 7,000 additional employees. Its headquarters’ job count exceeded 10,000 in 2016, making Nike the second largest private-sector employer in Oregon.



Pensle Footwear Design Academy in Portland, OR

## A&O Extends Across Oregon

The economic recovery has seen not only a surge in jobs but also an expansion of the industry’s geographic footprint. What was a handful of successful firms outside Portland has turned into the stable, growing A&O networks in Bend, Hood River, Eugene, and elsewhere. The recipe for success is similar: outdoor enthusiasts with strong entrepreneurial streaks are looking for market opportunities and great places to raise their families. They are finding those opportunities across Oregon.

### “Outdoor recreation is in Oregon’s DNA.”

#### Governor Kate Brown and Portland Mayor Ted Wheeler

Bend, anchored by Hydro Flask and Ruffwear, has added Gobi Gear, Snoplanks, Cairn and a long list of new arrivals. Now, A&O firms and local-sector partners have created the Oregon Outdoor Alliance, with 37 company members and the goal of connecting and cultivating the outdoor industry in Bend and beyond. “You can commiserate together. You can celebrate together. It’s engagement. It’s networking. It’s education,” says Cairn co-founder Rob Little. Bend Outdoor Worx adds an additional support: the accelerator, founded by local industry experts, helps startups with strategic, legal, financial, marketing, and product development support.

Similar networks are evolving in Hood River. The area’s world-renowned windsurfing conditions have attracted gear manufacturers and athletes. In

June 2017, local entrepreneurs organized Outfound—an experimental conference connecting outdoor enthusiasts with leading brands in the outdoor industry. Bend Outdoor Worx—along with Vibram, PrAna and others—sponsored the three-day event, which featured presentations by industry executives, investors, and leading adventure athletes.

## TrackTown Reinforces the Oregon A&O Brand

Oregon's A&O industry was born on the track at Eugene's historic Hayward Field. Premier events hosted at Hayward Field have transformed Eugene into the undisputed track and field capital of the United States and a home to athletes from across the world. The nonprofit TrackTown USA organization was responsible for organizing 20 top collegiate and amateur events during 2008-2017, including the 2014 International Association of Athletics Federations (IAAF) World Junior Championships, the 2015 USA Track & Field Outdoor Championships, the 2016 IAAF World Indoor Championships in Portland, the 2016 U.S. Olympic Team Trials—Track & Field.

Dustin Pearce, co-owner of Run Hub Northwest, explained the draw of Hayward and Eugene to the BBC. "There's no other environment in the country for track and field like Hayward Field. The athletes talk about the Hayward Magic. They feed off the energy of the fans. For a lot of runners, it's a pilgrimage. They want to make it out here because they want to be in a place where people appreciate the sport at the

same level they do."

History was made when the IAAF awarded the 2021 World Championships to the United States and the state of Oregon. The championships, which will be the largest sporting event in the world in 2021, with nearly 2,000 participants, will take place August 6-15. The event is expected to attract almost 55,000 visitors, including athletes and staff who will arrive early to train in Oregon.

## Industry Partners Grow and Prosper

All good traded-sector companies—those that sell outside the state and country—know their success is built on a foundation of a vibrant local sector: schools, colleges, banks, advertisers, architects, attorneys, builders, management consultants, and others. There's no better example of a talented local sector actor than the Portland State University graphic design student who designed the iconic Nike "swoosh."

An industry's growth accelerates when the two sectors find a rhythm, build knowledge together, and reinforce each other's strengths. A&O firms hire advertisers and branding experts to market their goods to diverse populations. They hire attorneys to negotiate contracts and navigate trade policies across the world. They turn to local schools, colleges, and universities for an educated workforce.

Stoel Rives, Lane Powell, Perkins Coie, D.A. Davidson, and Ziba Design were pioneering collaborators in what has become a sizable constellation. In many cases, their A&O work has become so strong that local service firms

have transformed into international players. Widen+Kennedy, which got its start with Nike, now has offices in Amsterdam, Delhi, London, New York, Sao Paulo, Shanghai, and Tokyo—in addition to its Portland headquarters.

The creation of new degree and certificate programs at regional universities is a clear sign of the industry's maturity. In 2012, Portland State University launched A&O certificate programs at the undergraduate, graduate, and executive levels. In 2013, the University of Oregon created sports product management programs for undergraduate and graduate-level students.

## New Technology Disrupts Everything from Design to Delivery

New technologies—from 3D printers and drones to machine learning and wearables—are disrupting all aspects of the A&O industry. The means by which entrepreneurs design, test, manufacture, and distribute their products is rapidly evolving.

Nike's recently announced Consumer Direct Offense is a response to a variety of technologically driven opportunities and disruptions. The initiative's goal—double the pace of innovation, double product creation cycle time, and double direct connections with customers—is illustrative of the demands on all industry players. Large or small, new technologies allow will the industry to design, test, and manufacture new products at a faster pace and lower cost.

How firms get their products to customers is changing given sharp declines in the

conventional retail sector. Sports Authority has liquidated. Foot Locker's weak Q1 2017 earnings triggered a sharp decline in its stock price. A long list of venerable retailers—including J.C. Penny, Macys, Sears—have announced store closures. Analysts attribute the abrupt decline to customers turning to online shopping.

Technological change will demand a constant reevaluation of product conception/design processes, supply-chains, manufacturing processes, distribution, and more. Those that fall behind will quickly go out of business.

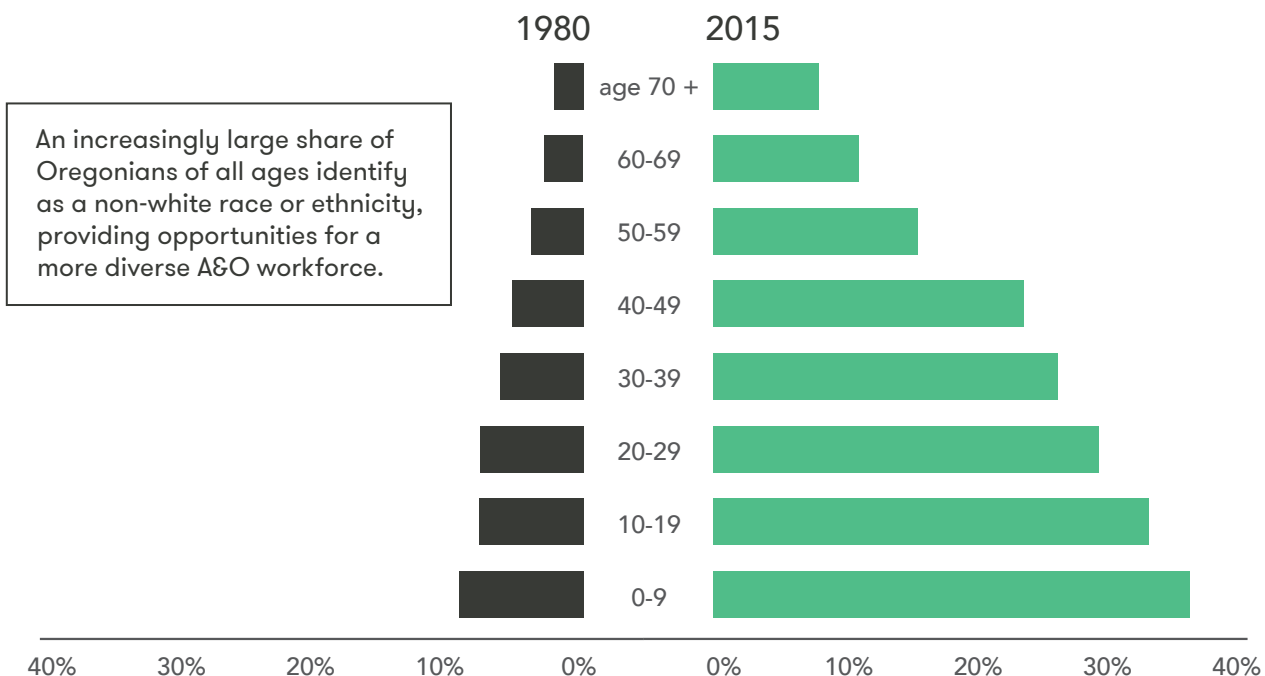
## Inequality Spurs Calls for Economic Inclusivity

The Great Recession laid bare stark inequities that had developed in the American economy. A new generation of economic developers, concerned by those trends, has redefined success in regional job growth strategies. High-paying, traded-sector jobs are necessary but have insufficient outcomes. Development agencies seek inclusive growth that creates jobs at the middle- and high-wage levels, supports healthy communities throughout the state, and fosters wealth creation among traditionally disadvantaged populations—and particularly communities of color.

Inclusive growth will require intentional focus and attention. The industry has excelled in creating high-wage jobs but lags on measures of inclusivity. For example, the *Prosper Portland 2015-2020 Strategic Plan* found only 7 percent of the industry's jobs in the city were middle-income jobs—well



**Oregon’s Changing Demographics:  
 People of Color as a Share of the Population, by Age Group, 1980 and 2015**



An increasingly large share of Oregonians of all ages identify as a non-white race or ethnicity, providing opportunities for a more diverse A&O workforce.

below the shares posted by other clusters. Similarly, only 21 percent of the jobs offered an average salary of \$42,000 per year or higher—Prosper Portland’s benchmark for a “quality job”.

**Oregon’s Diverse Workforce Offers a Key to Growth**

Almost 40 percent of Oregon kindergarteners are racial/ethnic minorities—or more than four- times the rate of the state’s retirement-aged population. Designing education programming and career pathways to Oregon’s top industry clusters, including A&O, is an economic necessity. Absent strong education and training systems

that prepare Oregon’s increasingly diverse population for higher-skilled, complex work, the A&O and other industries will encounter persistent workforce shortages that stifle growth and innovation.

Oregon’s growing ethnic and racial diversity is a competitive advantage in a globally connected economy. Fully tapping the consumer power of the global middle class will require Oregon’s A&O firms to increase the diversity of their workforce. Employees with diverse racial, ethnic, and global backgrounds are critical to understanding the tastes and desires of rapidly expanding markets across the world.

## A Growing Global Middle Class Drives Demand

While recent U.S. economic news has been uneven during the recession's recovery, much of the world is transitioning from rural to urban and from poor to middle class. That bodes well for the industry, and it's a big opportunity for Oregon firms.

In 2015, about 3 billion people were considered middle class—defined by incomes between \$11 and \$110 per person per day. As a group, they spent an estimated \$35 trillion—or \$12,000 per person. By 2030, the global middle class is projected to grow to 5.4 billion people, with estimated spending of \$64 trillion (constant 2011\$).

The growth is concentrated in Asia. Estimates suggest that China's middle class consumption will more than triple during 2015-2030—from \$4.2 to \$14.3 trillion. India's middle class consumption is expected to increase more than five-fold from \$1.9 to \$10.7 trillion.

**“It’s not just the prosperous West buying athletic products. Vast new markets of middle-class consumers in China, India, and elsewhere in the developing world have been sold on running shoes and yoga pants.”**

**“Booming Sports Companies Look to Fill Hundreds of Jobs,” *The Oregonian***

With the unprecedented expansion of the global middle class, an increasingly well-off population will focus time and resources on sports and fitness. Asia's rapidly growing

economies were key to former President Obama's support for the Trans-Pacific Partnership (TPP). Although the Trump Administration has withdrawn from the TPP agreement, the economic trends that inspired it are still a reality.

In 2016, Jay Sole—a footwear and apparel analyst at Morgan Stanley—projected 30 percent annual sales growth through 2020, based on expanding consumer markets in China, India, and other developing nations.

Success will take work. With new markets come changes in consumer preferences and competition. And, while there will be temporary setbacks, the near doubling of middle class consumption over the next 15 years—with much of it in Asia—is great news for the industry and Oregon.

## **A&O Industry Growth Since 2010**

**A selection of companies and programs that started, expanded, or relocated to Portland or Oregon in the years since the previous study.**

- **Antigravity Equipment**
- **BlaqPaks**
- **Brandlive**
- **Chrome Industries**
- **Compass PR**
- **Cyclepath**
- **Evo**
- **Gladys Bikes**
- **Goumikids**
- **House of Castelleon**
- **Islabikes**
- **Little Package**
- **Make It Good**
- **Mathys+Potestio**
- **Minnie and George**
- **Moxie & Moss**
- **Olderbrother**
- **OSU - Cascades: Tourism, Recreation, and Adventure Leadership undergraduate program**
- **Pensole Footwear Design Academy**
- **Portland Accessories**
- **Portland State University: Athletic and Outdoor Product Management masters program**
- **Revant Optics (Society 43)**
- **Seamus Golf**
- **Shwood**
- **Smith Optics**
- **Splash Northwest**
- **Spooltown**
- **The Clymb**
- **The Fit**
- **The Good**
- **Truce Designs, LLC**
- **Under Armour**
- **University of Oregon: Sports Product Management masters program**
- **Windpaddle Sails**



Kate Day, Sara DeLuca, and Kyle Begley, founders of Moxie & Moss Workwear

# A Strategy for a Vibrant Industry Cluster

During Spring 2017, Prosper Portland, Business Oregon, Portland State University, and ECONorthwest convened A&O industry leaders in a series of focus groups across the state. Participants offered insights on the industry’s competitive position. They stepped through a strategic framework maintained by the Oregon Business Plan (OBP), which is focused on the “4Ps for Prosperity”:

**4P’s of Prosperity**

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**People:** A talented workforce



**Productivity:** Quality infrastructure, reasonable business costs and a competitive regulatory climate



**Place:** An attractive quality of life and quality public services that attract and retain talented people



**Pioneering Innovation:** An innovative, entrepreneurial spirit statewide

Working in the OBP framework, industry leaders helped to identify five goals and six possible actions that would deepen the industry’s competitive advantage during the next several years.

## People

**Goal 1: Focus on local K-12 outreach and create a pipeline to Oregon A&O university programs.**

Oregon higher education institutions, like Portland State University and the University of Oregon, have developed A&O industry-specific programs to generate talent in this field. There are also new programs being added, with OSU Cascades Campus in Bend debuting their 4-year degree in Outdoor Projects in Fall 2018. The progress to date is impressive, but more can be done to expand the local talent pool. Oregon’s high schools provide a ripe opportunity for increasing awareness of the variety of opportunities within the industry. Providing pathways for youth from high school will also support goals to increase access and inclusion within the local industry. Statewide programs like Oregon Connections, a web-based tool for connecting industry professionals in the classroom, provide additional opportunities for A&O industry professionals follow up and continue to connect to Oregon classrooms throughout the year.

**Proposed Action:** Work with the Office of Outdoor Recreation, if established, to create an A&O Industry week within Oregon high schools, developed in coordination with A&O businesses and university programs.

**Goal 2: Increase the recruitment and retention of diverse employees at companies in the A&O industry.**

Focus group attendees said it is difficult to both recruit talent from diverse backgrounds, and retain those individuals. They cited the absence of an inclusive workplace culture and broader community as the source of the problem. National industry organizations, like Camber Outdoors, have developed CEO diversity commitment programs to modify recruitment practices, culture-building practices, and performance monitoring with the goal of expanding representation and opportunities for women within the outdoor industry. This program and others can serve as a guide for the development of broader diversity goal setting for local industry leaders.

**Proposed Action:** Work with hiring/HR departments and executive recruitment firms to develop an inventory of current industry diversity recruitment and retention efforts and develop goals for improving local industry diversity.

**Proposed Action:** Develop a network of organizations and training programs that companies can use to learn how to develop an inclusive culture.

## Productivity

**Goal 3: Enable small- and medium-sized A&O businesses to access back-of-house services and scale more efficiently.**

Small- and medium-sized business in all industries face issues around scaling operations and developing a reliable pipeline of talented employees. The A&O industry in Oregon is no different. Similar industry groups in other regions have developed networks of shared services that provide support services tailored to industry needs. These could include physical shared spaces, such as shared manufacturing facilities, as well as back-of-house support services, like accounting or IT. Shared services networks have the benefits of: (1) offering necessary business services at a lower rate than hiring in-house, and (2) accessing those services from a network with specific industry experience.

**Proposed Action:** Develop a shared services network for small- and medium-sized A&O companies.

## Place

**Goal 4: Foster community and collaboration in the A&O Industry.**

A sense of community is integral to a high quality of life. Some regions of the Oregon A&O Industry have organized regular local events, such as the A&O Annual Industry Celebration, which takes place annually and seeks to highlight emerging trends or

A&O leaders in the Portland region, or the Backyard Collective day of action—an event held in multiple Oregon cities in collaboration with local environmental conservation and industry organizations. Recently, the passing of HB 2143, which established the first Saturday in June as Oregon Outdoor Recreation Day, creates an opportunity for regional and statewide collaboration in support of this day. An industry event hosted on this day would not only help foster community within the industry, but could also support causes and organizations aligned with the A&O industry such as education, conservation, and innovation.

**Proposed Action:** Organize a “Day of Action” for the A&O industry, in coordination with the Oregon Outdoor Recreation Day, and collaborate with industry and community organizations from across the State of Oregon.

## Pioneering Innovation

**Goal 5: Unify Oregon regions under a cohesive message.**

Individual regions in Oregon have their own strong reputations for some element of the A&O industry: Portland has major industry headquarters, Bend has niche manufacturing, Hood River has a robust outdoor recreation industry. These regions have been successful in marketing themselves, but the State does not have a cohesive brand or marketing



**A&O Young Professionals Group monthly meet up**

strategy for the industry. A statewide marketing strategy would enable Oregon to better compete with states like Utah and Colorado, which have unified their A&O industries and brands under their respective statewide offices.

**Proposed Action:** Establish a statewide brand for the A&O industry and, if the State approves an Oregon Office of Outdoor Recreation, partner with that office to develop a statewide marketing strategy.

## Next Steps

Working groups focused on each of these goals will be convened to further elaborate on the proposed goals. Proposed goals will then be finalized and Prosper Portland, along with industry partners, will measure progress on the goals annually.



We would like to give special thanks to the institutional partners who supported the production of this report:



We would also like to thank the industry partners who contributed to this report:

Adidas | Benchmade Knife Company | Built Oregon | Columbia Sportswear  
Entre-Prises USA | goumikids | Hydroflask | KAILOA | KEEN Footwear | Nutcase Helmets  
Oregon Outdoor Alliance | Portland Product Werks | Pensole Footwear Design Academy  
Pistil Designs | PMI Worldwide | Revant Optics | Ruffwear | Yakima Racks | Zealios