

BUILD
START-UP
VOICE
BUSINESS
REFER
EXPERTISE
CULTIVATE
FEEDBACK
CONTRIBUTE
LOCAL
COMMITMENT
VISITS
TRADE
VENTURE
VOCATION
CAREERS
DEVELOPMENT
PARTICIPAT
ACHIEVEMEN

RICHMOND HENRICO HANOVER CHESTERFIELD
REGIONAL
CONNECT
NETWORK
EMBRACE
ANALYSIS
SUCCESSIONS
STRATEGY
PARTNERS
ADVOCATE
ECONOMY
INDUSTRY
GOALS
LEARN
THANK
SHARE
TESTIMONIALS
FACE-TO-FACE
OPPORTUNITY
INFORMATION

BUSINESS FIRST

greater richmond



HIRE
DATA
GROW
PLAN
DEVELOP
NOURISH
POSITIVE
MARKETS
SUPPORT
IMPROVEMENTS
PROFESSIONAL
RELATIONSHIP
COLLABORATE
INVESTMENTS
CONVERSATION
VOLUNTEER
COMMUNITY
ASSISTANCE
RESOURCES
ENCOURAGE

INNOVATION
COMMERCE
EXPANSION
RETENTION
OPTIMISTIC
THRIVE
ISSUES
IMPORT
ADVICE
PROFITS
ANNUAL
REPORT
2009/10
EXPORT



Overview

Businesses today must adapt to survive in a sea of uncertainty. Recent economic challenges have put our business community in waters that it likely has never navigated. One thing is certain – our commitment to the support of existing businesses has never wavered. These companies – new and old, large and small – have made such an important contribution to our community.

Business retention and expansion is one of the four pillars of our economic development strategy. It's a strategy with a focus on keeping businesses here in the Richmond region strong and profitable; marketing the region domestically and abroad to attract high quality jobs and new investment into our community; supporting the formation of new enterprises; and ensuring that our workforce is world-class and ready to support industry in a new and dynamic global economy.

It's a time when companies face important decisions – where to locate, where to consolidate, how best to serve their customers, how to make strategic investments in their facility and their workforce – to best position themselves to take advantage of the recovery that's gaining momentum. And we think the Richmond region is a smart place to make those investments.

In this economic environment, an effective business retention strategy becomes even more important, and a commitment has been made by the counties of Hanover, Henrico, Chesterfield and the City



of Richmond to work collaboratively to address the needs and challenges of businesses. We don't do it alone. The Business First team is comprised of the Greater Richmond Partnership, our public sector partners, 80 private sector business leaders, and more than 15 public agencies who share our commitment to the growth and success of business in our region.

During this program year, which ended June 30, 2010, a total of 533 companies were interviewed representing more than 21,000 jobs in the region. Bright spots for the coming year include the fact that 26 percent of all companies plan to add jobs with the potential to create 1,388 new positions. More than 100 companies interviewed have plans to expand, with 40 reporting the need for a total of 300,000 square feet of additional space to accommodate their growth.

Through the program's consultative process, 91 referrals were made for immediate follow up action. Assistance from local government and resource partners this year helped to support the creation or retention of 767 jobs and resulted in \$137 million in new private investment in the region.

Despite the uncertainty that continues to plague the economy, 96 percent of company respondents shared that they have a positive attitude about the Richmond community. The following pages highlight in more detail the findings of the Business First program and the attitudes and opinions of companies doing business here in the region.

We look forward to navigating these changing waters together and stand committed to working collaboratively to bring creative solutions to build a stronger regional economy.

Sincerely,

Sara J. Dunnigan

Senior Vice President, Existing Business Services & Talent Development
Greater Richmond Partnership, Inc.

Business First Greater Richmond Supports Businesses in the City of Richmond, and the counties of Chesterfield, Hanover and Henrico.



chesterfield county

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Business Assistance Process

The Business First program starts with local economic development staff that develops a targeted list of firms to interview. Professional staff and trained volunteers then reach out to area business owners and CEOs to schedule a face-to-face visit. The visit is structured to help the program team develop a deeper understanding of each individual firm's needs or challenges and respond in a customized way.

When issues are identified we work with a network of partners to provide a variety of support in areas such as local government services, finance, workforce development, international trade and business planning or other support services. All company responses are confidential and used to provide direct assistance where needed. The collected information is also presented in aggregate to help us develop a better understanding of critical business issues facing the region so that we can position our resources to respond.

Our goals are simple: to thank area businesses for their commitment to the regional economy and connect them to the right resources and information to help them succeed and grow right here. Aggressive metrics have been developed to demonstrate how well we are accomplishing these goals.

This annual report represents the collective responses of those interviewed during the 2009-2010 program year. A complete list of companies as well as copies of the report can be accessed at the Business First website, www.businessfirstrichmond.com.

Key Findings & Opportunities

533 companies interviewed

21,242 existing jobs represented

132 companies planning to add staff in the coming year

1,388 new jobs projected

101 expanding businesses identified

\$136m in new investment potential

2010 Program Impact

258 new jobs

497 retained jobs

\$137m in new private investment

Recent Successes

Pfizer Consumer Health Research and Development

City officials, State leaders and the Greater Richmond Partnership worked with Pfizer over several months to craft a proposal that would lead to the successful retention of Pfizer's Global Consumer Health R&D facility in the City. The project will retain more than 300 jobs locally and continue the long-standing civic-corporate partnership.



Smurfit-Stone Container Corp.

Smurfit-Stone Container Corporation, an integrated containerboard and corrugated packaging producer, will consolidate two Henrico County facilities into one state-of-the-art, efficient manufacturing operation. The new consolidated facility will be an Alpha Plant, one of several state-of-the-art corrugated plants for Smurfit-Stone based on its best-in-class equipment and proximity to its global supplier network and customers. The project will save 150 jobs and will consolidate into a 316,000-square-foot facility on South Laburnum Avenue near the Richmond International Airport.



Maruchan Virginia, Inc.

Maruchan Virginia Inc., the maker of the nation's top selling ramen noodle brand, announced an expansion in Chesterfield County with the addition of a fourth production line. This project included a capital investment of \$16 million and up to 50 new jobs, building on a long history of success and partnership with the County.



Flexicell, Inc.

Hanover-based Flexicell, Inc. is a leading robotic system integrator and automation equipment manufacturer specializing in end-of-line case packing, palletizing, and material handling solutions. A Business First visit revealed a need for the services of the Virginia Department of Business Assistance and their Virginia Jobs Investment Training Program. The project involved investment in a new robotics line and a training grant supporting the skills advancement of 11 Flexicell engineers.



Profile of Participating Business

The 2009-2010 Business First participants represent a diverse set of companies involved in a variety of activities that make up Richmond's regional economy. Overall, 533 businesses were interviewed this year representing more than 21,000 jobs in the region. The Representation by Industry table to the right shows the distribution of participating firms by industry and total employment. As well as representing the diversity of business activities within the Richmond economy, these firms also represent the different sizes of area companies. The average firm had 40 employees, but total employment varied from 1 to 1,850 employees.

Ownership & Management

The majority of participating firms are privately owned companies with stable ownership and management. However, 5 percent indicated that an ownership change was pending at their facility and 13 percent indicated that a change in ownership had taken place within the past eight years. Of this year's participants, 67 percent are family-owned. Minority-owned and women-owned companies are also represented.

Location & Function

Understanding the location of a company's decision makers and the significance of the Richmond operation are vital to the relationship-building process that helps the Business First team support area businesses. Of this year's participants, 74 percent are headquartered in the Richmond region, while 19 percent are headquartered outside Virginia but within the United States. A minority are located in other areas of Virginia or outside the United States.

Most facilities serve a unique function within their companies, but a significant 38 percent of interviewees reported that another facility within the United States provides a similar product or service, while 15 percent have a similar facility abroad. The Other U.S. Facilities and International Facilities charts to the right show the percentage of participants with redundant facilities located in the United States and internationally.

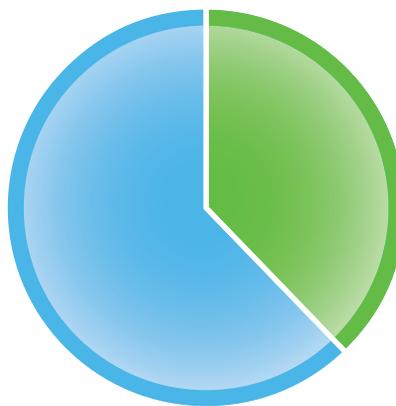
Planning

The use of a strategic plan can help a company guide itself through the current uncertain economic times. Of this year's participants, 74 percent are using a strategic plan. Though a year-to-year comparison is difficult to make because new companies are interviewed each year, this does represent a slight increase over past years.

Representation by Industry

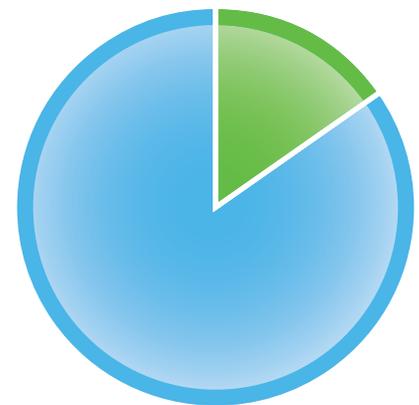
Industry	Firms	Employees
Agriculture, Forestry, Fishing and Hunting	1	4
Utilities	2	42
Construction	44	927
Manufacturing	55	4,390
Wholesale Trade	50	1,650
Retail Trade	47	731
Transportation and Warehousing	8	3,207
Information	18	1,125
Finance and Insurance	56	683
Real Estate and Rental and Leasing	23	320
Professional, Scientific, and Technical Services	106	2,058
Management of Companies and Enterprises	7	1,018
Administrative and Support and Waste Management and Remediation Services	14	132
Educational Services	13	322
Health Care and Social Assistance	27	1,440
Arts, Entertainment, and Recreation	7	2,242
Accommodation and Food Services	23	428
Other Services (except Public Administration)	31	481
Public Administration	0	0
Totals	533	21,242

Other U.S. Facilities



Yes38% 96 firms
No62% 158 firms

International Facilities



Yes15% 38 firms
No85% 209 firms

Business Indicators

Sales Trends

The past year has presented many challenges to local businesses, but attitudes toward sales trends have generally remained positive as businesses anticipate an end to the economic downturn. Despite the recession, 37 percent of participants have managed to increase their sales in the past 12 months. However, a significant 32 percent have experienced declining sales. Despite this, an optimistic 73 percent of respondents are projecting sales growth in the next year, though a majority of these businesses only expect to see modest increases of 1 to 9 percent. The bar graph below shows projected sales growth for all participants.

Competitive Position

Economic conditions have made it necessary for local businesses to take measures to ensure their survival in a new and turbulent business climate. A number of companies interviewed – 45 percent – are now pursuing government contracts. These contracts are particularly attractive due to decreased spending from the private sector combined with recent stimulus fund projects sponsored by the federal government. Many companies have not, however, taken up a particular interest in import and export activities, with only 14 percent expressing interest in partnering with international firms for such a purpose.

Employment Projections

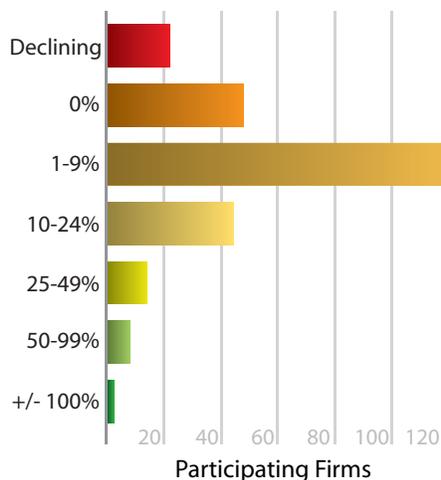
The Richmond region has been hit with high unemployment rates over the past two years, but many local businesses have indicated that they are ready to begin hiring again. Of this year's participants, the Business First outreach team identified 132 businesses planning to hire more employees over the next 12 months. This group anticipated hiring more than 1,300 new employees. Conversely, there are 24 local businesses planning to reduce staff, putting 186 positions at risk. The outreach team and program partners are working to preserve local jobs and help businesses find new solutions to revenue problems.

The Employment Forecast table above shows the anticipated employment change by industry. Amongst this year's participants, the largest job growth is expected to occur in the Manufacturing industry, particularly within the area of primary and fabricated metals. Our participants also anticipated significant job growth in the Arts, Entertainment, and Recreation industry. Job losses were projected in the Real Estate and Rental and Leasing industry and the Accommodation and Food Services industry.

Employment Forecast

Industry	New Jobs	Pct Change
Agriculture, Forestry, Fishing and Hunting	0	0
Mining, Quarrying, and Oil and Gas Extraction	4	0.33
Utilities	0	0
Construction	3	0.21
Manufacturing	635	52.85
Wholesale Trade	91	7.57
Retail Trade	23	1.91
Transportation and Warehousing	0	0
Information	29	2.41
Finance and Insurance	37	3.08
Real Estate and Rental and Leasing	-6	-0.5
Professional, Scientific, and Technical Services	55	4.58
Management of Companies and Enterprises	20	1.66
Administrative and Support and Waste Management and Remediation Services	52	4.33
Educational Services	10	0.83
Health Care and Social Assistance	81	6.74
Arts, Entertainment, and Recreation	151	12.57
Accommodation and Food Services	-35	-2.91
Other Services (except Public Administration)	52	4.33
Public Administration	0	0
Gross Total	1,202	100%

Projected Sales Growth



Space & Facility Utilization Rates

As companies emphasize efficiency in these uncertain times, it is not surprising that a small majority of participants indicated that they are using more than 90 percent of their facility's available space. However, 22 percent said they were using less than

75 percent of their facility's capacity. With improving economic conditions on the horizon, these companies will have room to expand easily. In fact, 63 percent of participants indicated that there is room for expansion at their current site. Since 88 percent have a positive attitude toward their existing facility, this is encouraging news.

Expansion & New Investment

Expansion and new investment by existing companies has a tremendously positive effect on local economies. Most of our local businesses plan to maintain their current size, but 101 interviewed businesses reported plans to expand locally within the next 18 months. These businesses anticipated a need for a total of 300,000 square feet of new space and expected to invest a combined \$136 million in the Richmond region.



Business Climate Rankings

During Business First interviews, local companies are given the chance to express their opinions about the regional business climate, including factors such as municipal services, infrastructure, and quality of place. The economic downturn has had a deep impact on local companies, with more than 50 percent agreeing that the local business climate is worse today than it was five years ago. However, economic concerns are not necessarily local in nature, as 96 percent have a positive attitude toward the community and an optimistic 78 percent believe that they will see an improvement in the local business climate over the next five years.

Regulatory Climate & Municipal Services

A business-friendly regulatory climate and efficiently provided municipal services are important components to the success of local businesses and the growth of Richmond's regional economy. The chart to the right shows respondents' rankings of several state and municipal functions.

In general, this year's ratings remain similar to those of previous years. Overall, surveyed companies seem pleased with their local governments, with almost 80 percent rating local operations as Good or Excellent. Code Enforcement, Building Inspection and Permitting, and Zoning and Land Use Regulations were given satisfactory ratings by the vast majority of respondents, while Police Protection and Fire and Emergency Services received particular praise. As in previous years, businesses reported less satisfaction with tax rates and structures.

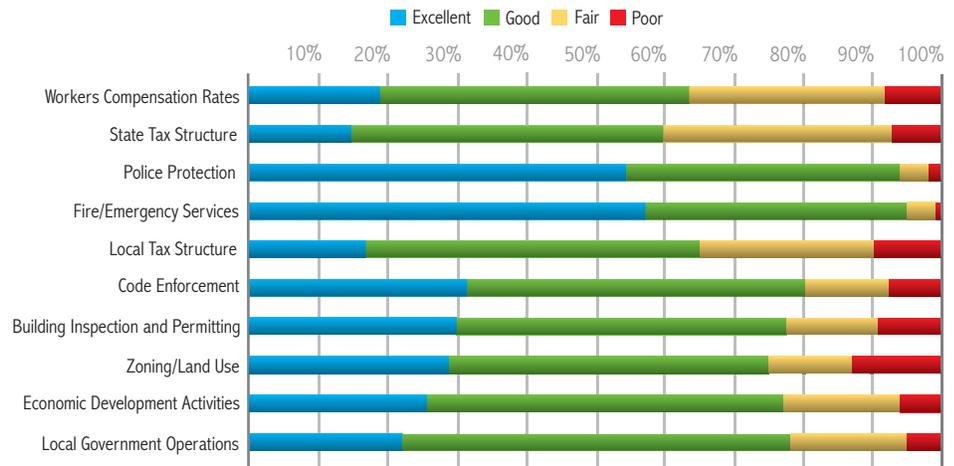
Transportation Factors

The efficient movement of goods and services, ideas, information, and people into, out of, and around our region is vital to the health of businesses competing in a dynamic and ever-globalizing economy. The chart to the right summarizes businesses' opinions on various transportation mediums within the Richmond region, including ground, rail, water and air services.

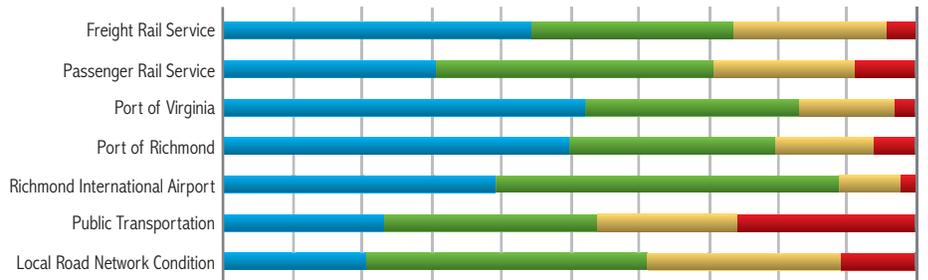
The Richmond International Airport continues to earn high approval from businesses, with nearly 90 percent rating its services as Good or Excellent. Satisfaction ratings for port services were not far behind. A majority of respondents ranked rail services positively, though Freight Rail Service was given higher marks than Passenger Rail Service. Ground transportation met with

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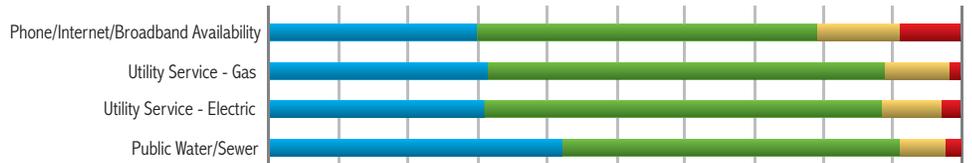
Regulatory Climate & Municipal Services



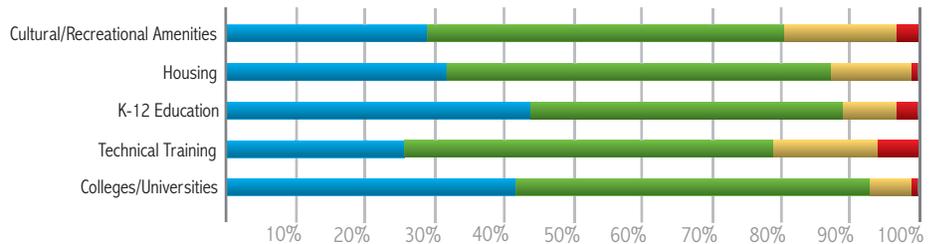
Transportation Factors



Communications Services & Utilities



Quality of Place Factors



Workforce Quality



Workforce Availability



less satisfaction. Only slightly more than 60 percent of respondents rated the local road conditions as acceptable, and even fewer were satisfied with public transportation services.

Communications Services & Utilities

As the chart on the previous page shows, a large percentage of businesses are satisfied with utilities services in the Richmond region. Communications services, which are vital to the success of businesses competing in today's fast-paced environment, were also considered to be Good or Excellent by almost 80 percent of those interviewed. Businesses giving these services Fair or Poor ratings primarily cited lack of availability, with fewer concerned about reliability.

Quality of Place Factors

A high quality of place makes it easier for businesses to attract and retain employees and is therefore an important component of the region's business climate. As the chart on the previous page shows, the Richmond region's quality of place was highly rated by interviewees, with education receiving especially high marks. Respondents were also particularly pleased with housing, which received Good or Excellent ratings from over 85 percent of businesses. Cultural amenities and technical training in the Richmond region satisfied the fewest respondents, but still received high marks from 80 percent of those questioned.

Workforce Quality & Availability

The charts on the previous page depict workforce quality and availability opinions for the past three years. Most employers continue to rate our region's workforce quality as Good or Excellent, 53 percent and 33 percent respectively. With unemployment rates remaining above-average this year, it should be no surprise that worker availability was also considered to be Good or Excellent by more than 80 percent of participating businesses. A smaller number of employers – 18 percent – are still having problems filling their positions with qualified employees, but this number is down from last year and significantly lower than in years past. However, with so many job seekers in the region, these difficult-to-fill positions likely represent a mismatch between skills and demand.

Challenges & Opportunities

Access to Capital & Finance

Business First participants noted a shortage of capital for moderate to high risk companies due to new guidelines by the federal government. These guidelines are being reinforced by bank examiners, resulting in the restriction of loan availability. Overall, a lack of financing for small businesses has created challenges. This is combined with cash flow problems, attributed to receivables being stretched beyond 40 days and reductions in available lines of credit.

Growing firms are finding it more difficult and expensive to fund new growth opportunities. Start-ups and early stage firms have commented about the lack of venture capital and mezzanine financing. A lack of this type of capital can restrict growth even when new business opportunities present themselves.

This issue will remain a top concern in the coming year as Richmond area businesses work to best position themselves for economic recovery.

Sales - Developing & Diversifying

In discussions with Richmond area businesses, the identification of new customers and the diversification of an existing customer base were common concerns.

Despite the growing opportunities in federally funded contracts, severe reductions in state and county budgets have made a significant impact on businesses serving these market segments. As the State capital, this has historically been an area of significant opportunity for many local businesses.

Similarly, many small businesses serve a very narrow market niche and when that customer group is affected by economic conditions, they have a very difficult time finding new opportunities due to lack of experience or contacts.

Due to challenges in the global economy, participants noted that overall exports are down; however,

opportunities in emerging markets like China and India are available for firms with exportable products or services and an interest in trading globally.

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Regulations & Taxes

The past year has seen a rapidly changing regulatory environment. Companies appear reluctant to spend or hire due to the uncertainty around federal legislation and regulatory changes that may impact their business. This uncertainty includes unknown costs associated with the newly passed health care bill as well as upcoming tax and regulatory changes.

Workforce

Even in these times of high unemployment, certain companies reported challenges recruiting workers with specific job skills. This problem has been observed nationally as well – especially in industries like manufacturing – where rapid technology adoption has made the existing skills of available workers obsolete. Demographic trends – and especially the aging of the workforce in certain sectors – have driven shortages of experienced workers in skilled trade occupations like electricians and mechanics.



Program Partners

Capital Region Workforce Partnership (RESOURCE)
Chesterfield County Economic Development
City of Richmond Department of Economic and Community Development
City of Richmond Department of Public Utilities
Community College Workforce Alliance
Greater Richmond Partnership, Inc.
Greater Richmond Small Business Development Center
Hanover County Economic Development
Hanover County Planning Department
Henrico County Economic Development
Port of Richmond
Richmond Economic Development Corporation (REDC) Community
Capital Group
Richmond International Airport
University of Richmond
Virginia Biotechnology Research Park
Virginia Commonwealth University
Virginia Department of Business Assistance
Virginia Economic Development Department - International Trade Division
Virginia Manufacturers Association - Workforce Division
Virginia Philpott Manufacturing Extension Partnership
U.S. Small Business Administration

The Business First Greater Richmond Team is comprised of a diverse group of organizations who share our commitment to the success of existing business. The group listed here is just a small sample of the many resources available to businesses in the greater Richmond region. To learn more and to read our blog, please visit the program website at www.businessfirstrichmond.com.

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grpva.com
Greater Richmond Partnership, Inc.

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