

## Introduction

For 60 years Fortune magazine has published a list of the 500 largest firms in America, known as the Fortune Five Hundred. Comparing the lists of 1965 and 2015 reveals how radically the national economy has transformed in fifty years.

- In 1965, not a single retailer was in the top 100; by 2015, the number one firm was a retailer and retailers were 20% of the top 20 firms.
- In 1965, 74 of the top 100 firms were manufacturers. Fifty years later there were only 11 – a decline of 77%.
- In 1965, there wasn't a single firm from the Health Care sector in the top 100; by 2015, two Health Care firms were in the top 20.
- In 1965, there wasn't a single firm from the Financial sector in the top 100; by 2015 the Financial sector represented 26% of the top 100 firms – the largest sector by far.

The transition from the Industrial Economy to the Knowledge Economy has been rapid – and the change is accelerating. Over 90% of the Fortune 500 companies from 1955 are gone. In 1958, the average age of a firm on the S&P 500 was 61 years; today, it is 18 years.

This transition has meant that many of the underlying concepts of the business world have been turned upside down. Consider:<sup>1</sup>

- Uber, the world's largest taxi company, owns no vehicles.
- Facebook, the world's most popular media firm, creates no content.
- Alibaba, the most valuable retailer, has no inventory.
- Airbnb, the world's largest accommodation provider, owns no real estate.

This radical restructuring of the national and regional economies has had an enormous impact on Long Beach. Responding to those changes and setting a course for increased economic vitality requires rethinking many of the old assumptions and adapting to new realities.

Change is not new to the City. In a span of 150 years, Long Beach transitioned from an agricultural center to an oil town to a Navy town to an aerospace town to . . . a city that is not yet defined. In a world of uncertainties, there is only one certainty: Long Beach faces a very different, very unsettled and rapidly changing economy in 2016 and beyond – and will have to adjust to prosper.

Since 1991, Long Beach has lost thousands of jobs and has become more of a bedroom community than an employment sector. The manufacturing sector has declined substantially, from the Number One sector to Number Seven. As late as 1990, McDonnell-Douglas employed almost 50,000 workers at its Long Beach facilities<sup>2</sup>; in 2014, the last C-17 flew off from Long Beach Airport. Along with many other cities that once were “big shoulder” manufacturing centers, the City has seen many of those jobs replaced with jobs with lower pay and fewer benefits. Value-added employment – high wage employment – is increasingly tied to technology and information-driven businesses, sectors that don't play to Long Beach's historical strengths.

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<sup>1</sup> Booyah Online Advertising, March 30, 2015.

<sup>2</sup> “Battling the Lethary at Douglas”, Richard W. Stevenson, New York Times, July 22, 1990.

As the third decade of the 21<sup>st</sup> Century approaches, Long Beach faces new challenges: a rapidly restructuring economy, altered demographics, growing globalization and ever increasing technology deployment. Even the very nature of employment itself may be changing. For cities, as well as businesses, “We’ve always done it this way” is a phrase better suited as an epitaph on a tombstone rather than a guiding principal.

Where is Long Beach now?

- The Port continues to be an enormous economic engine – but both its growth and its impact on job creation are likely to be more moderate than in the past.
- Long Beach is attracting more educated millennials – but continues to experience substantial levels of poverty and income inequality.
- The City’s educational infrastructure is one of the City’s most important assets – but it faces significant challenges compared to other high achieving districts and institutions.
- There is significant growth in the professional services sector – but the percentage of Long Beach residents with college degrees lags far behind competitor cities.
- New downtown development is promising – but it focuses on residential and hospitality, not on projects designed to generate high-value employment.
- The City’s economic development efforts continue to focus on retail for sales tax revenue – but the retail sector is undergoing substantial restructuring that limits its potential for expansion and job creation.

The purpose of this report is to look at recent data and insights – both local and national – to help policy and decision makers evaluate where Long Beach is and where it should be headed. The goal is to bring information and insights to the forefront that may have not been considered – information and insights that can help generate a discussion that leads to a strategic vision aligning the strengths of the City to a changing environment.

This report has nine sections. Each section addresses a topic that impacts current and future economic development in the City. The sections are not designed to be comprehensive, but to highlight changes and conditions likely to affect the Long Beach economy. The sections are:

- Technology
- Changing Nature of Employment
- Small Business
- Information
- Retail
- Civic Center
- Creative Economy
- Prosperity and Demographics
- Major Assets (Port, Educational Infrastructure, Housing)

**The New Economy and Long Beach: Introduction**  
**Economic Development Results, LLC**

Long Beach is a major American city that, remarkably, retains small town charm and qualities. Those small town qualities are great assets – but can also be liabilities. Long Beach’s small town can-do attitude and cohesiveness have often prompted the City’s key institutions to work together and coalesce around great concepts, such as the Long Beach College Promise. That ability is a major and ongoing strength of Long Beach.

But that small town quality also means the City can be somewhat isolated, more inward looking and less welcoming to change and new ideas. These are characteristics that are less helpful in an environment where change and new ideas are the rule, not the exception. As it develops a strategic plan for economic growth, a key will be to channel the virtues, but not the drawbacks, of the City’s “small town” nature in order to embrace a clear and unified vision for the future.

Few American cities have the assets of Long Beach: a Southern California coastal city with 330 days of sunshine and an annual temperature of 72 degrees; one of the nation’s busiest ports; one the nation’s premier aquariums; the largest campus in the California State University system; award-winning K-12 school district and community college; a nationally recognized convention center, sports arena and performing arts center that anchor a flourishing hospitality sector; a thriving health care cluster; a vibrant downtown; unique museums and cultural institutions; everyone’s favorite airport; and miles and miles of sandy beaches.

There is one more asset that is substantial and, in fact, invaluable to the City’s economic future: the residents of Long Beach. The individuals and families of the City are a reservoir of diversity, talent and capabilities, and share an affection for and commitment to their city that is unique.

These are the assets than can make Long Beach what very few cities in the nation are: a major urban center in a spectacular natural setting. Long Beach can be a cultural and educational center that is a year-round active lifestyle city. It can be a city of diverse communities that enrich and strengthen the city as a whole. Leveraging its unique assets can make Long Beach a premier American city – but that will require unbiased examination, strategic thinking and a commitment to a sustained and consistent effort.