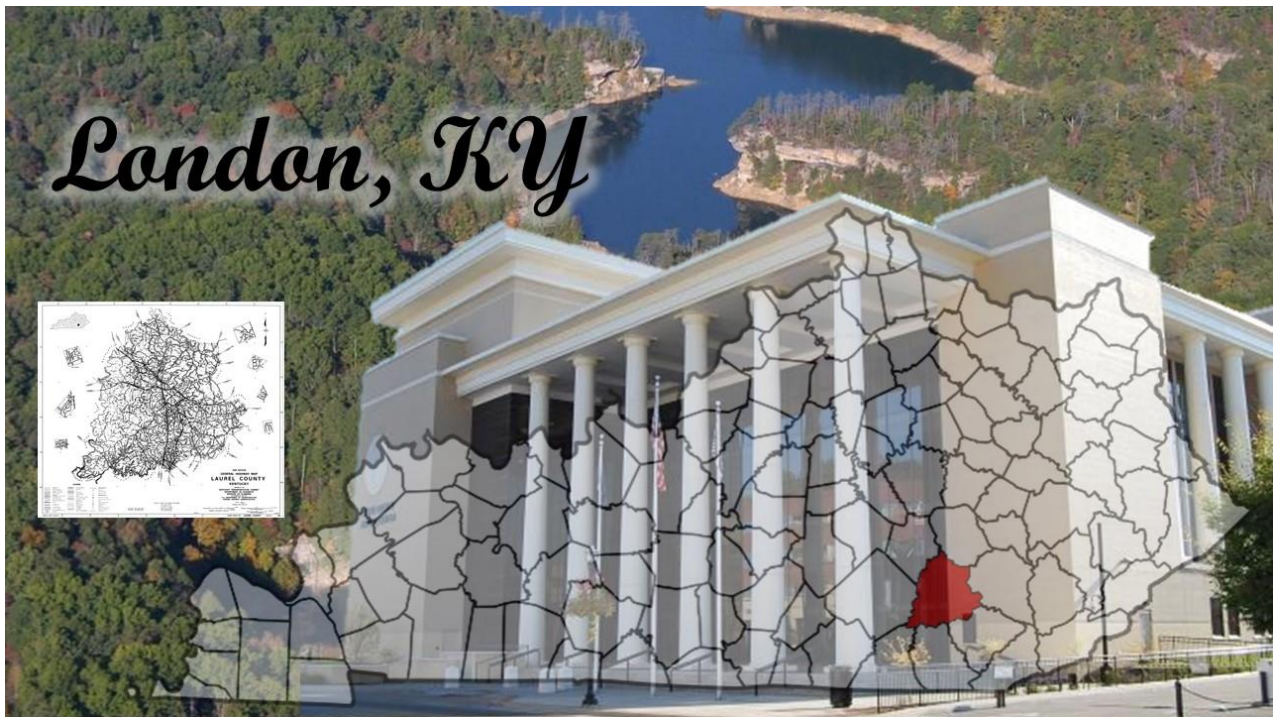


Development Opportunity Profile

Laurel County, Kentucky



April 4, 2016

Introduction

The Center for Rural Entrepreneurship believes in **empowering research** – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community. This **Development Opportunity Profile** is one of our **Getting Started Tools**. This profile was prepared for Laurel County, KY, by the Center, for our partner, the [Lake Cumberland Area Development District](#). Other **Getting Started Tools** include our **Philanthropic Opportunity Profile** and our forthcoming **Generational Diversity Profile**.

Taking Stock – The Power of Assessment

Whether a community or a region is successful over time – or not – depends upon the commitment and choices of its leaders and people, and the investments they make in their development. As Deepak Chopra says, “When you make a choice, you change the future.” Making the *right* development choices is a prerequisite for achieving community and regional prosperity. The best way to make the *right* development decisions is to commit to a thoughtful and robust assessment of your region’s opportunities. By taking the time to discover and better understand your region’s genuine development opportunities, you will make smarter investments and enhance your region’s potential for greater prosperity.

This **Development Opportunity Profile** is a start on a pathway to prosperity. But, it is only a start. It reflects one view of your region, based on secondary data. We challenge you to build on this work, draw on your own knowledge of the region and its assets, and create a deeper understanding of your unique development opportunities. Then use this understanding to craft and implement a smart development game plan. We hope this **Development Opportunity Profile** is helpful and contributes to your future development success.

Exploration ...

Dreaming ...

Visioning ...

Planning ...

Goal-setting ...

Action ...

Impact!

Asking the Right Questions

To be successful and achieve sustainable prosperity, every region needs to achieve two things, at a minimum – economic renewal and demographic renewal. These two things are intimately connected. New residents are attracted to and put down roots in places that offer diverse economic opportunities. And, a healthy population supports a more robust quality of life and the amenities that go with it – schools, health care, shopping, arts and recreation, for example. This **Development Opportunity Profile** helps you begin to answer a number of questions about your community or region:

1. What is the regional context for your place?
2. What are the demographic trends in your place?
3. How is your economy doing in terms of job creation?
4. How is your economy doing in terms of income generation?
5. What is driving your economy?

You may choose to address additional questions for your community – how are families doing; how is the ethnic makeup of your community changing? The answers to these and other questions will help you focus in on your genuine development opportunities.

The first section of this Profile provides an historical overview of your economy as a whole:

- The regional context
- Population trends
- Employment trends
- Personal income trends
- Economic drivers

The second section delves more deeply into the business or entrepreneurial economy, describing general business ownership trends and specific entrepreneurial attributes of your county. In the final section, we provide a summary of key development opportunities for your community as well as some identified development challenges.

Electronic Library

Research collected and analysis completed in support of this Profile is available through an Electronic Library at the following site:

<https://goo.gl/Zqfn2D>

Being a Smart Data Consumer. We provide a summary of research sources at the end of this Profile. Detailed source information can be found by reviewing specific research items in the Electronic Library. **Data used in this Profile is based on sampling and estimates. Through the sampling process, data can be skewed particularly in smaller, more rural counties. We encourage you to carefully review the data and question the results if they are at odds with your experience. At the same time, remember that others – prospective residents, employees, and entrepreneurs – are using this same secondary data to learn about your county.**

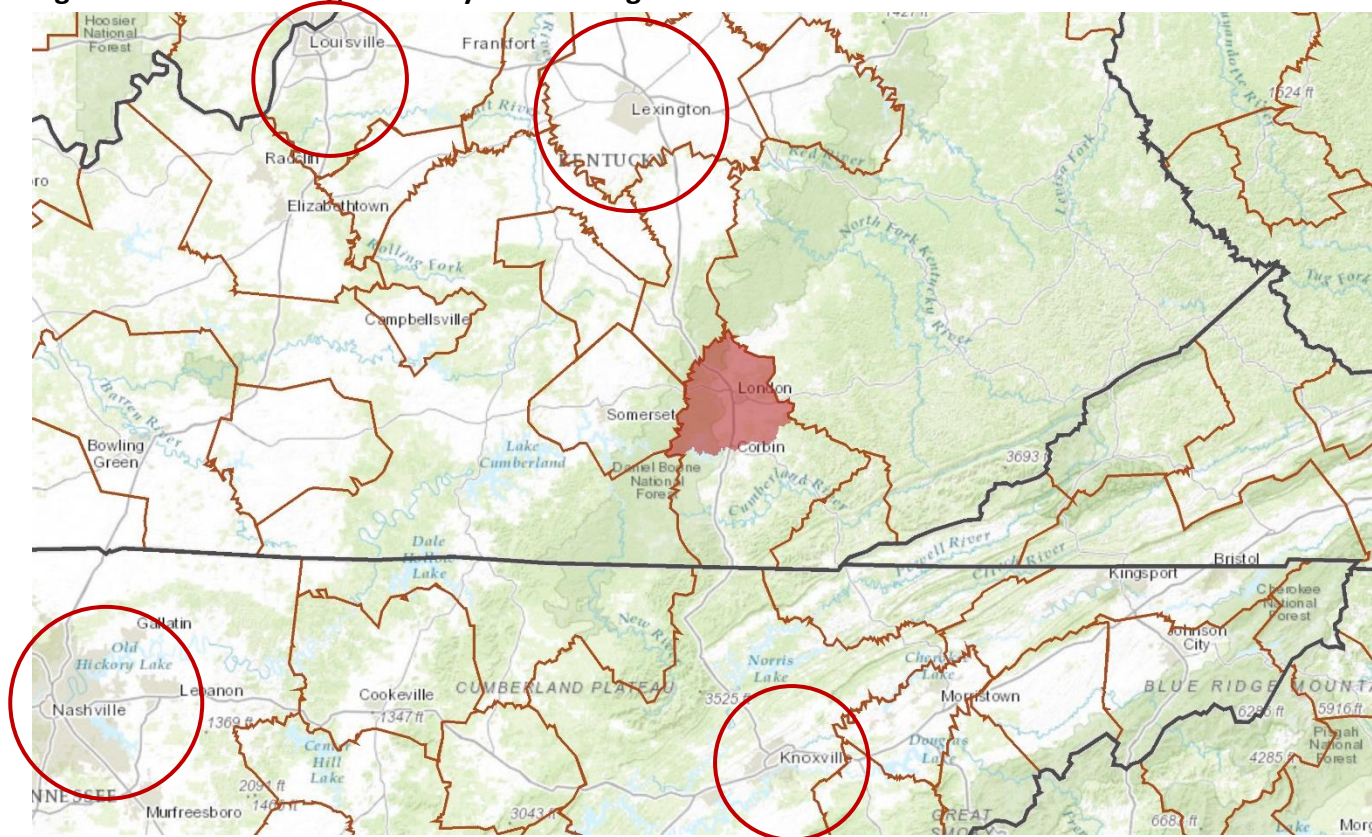
Understanding the Economy – Historical Overview

Regional Context

Every county has a unique location offering both opportunities and challenges. Even in our globally interconnected world, location still matters. Early in America's history, a county's access to water transportation was a plus. Today, a location with access to high speed internet and a unique quality of life might attract, for example, entrepreneurs or telecommuters who can choose to work from anywhere. Individual communities exist within a larger regional context that drives both economic and residential development.

Laurel County is located in south central Kentucky. It is a regional trade center being home to London, KY. The county is rich in history (home to Harland Sanders and Kentucky Fried Chicken) and natural resources including the Daniel Boone National Forest, numerous lakes and water courses. Natural resource amenities are increasingly important to recreationally-oriented retiring Baby Boomers and active younger generations. Within a day's drive of the county are four major metropolitan areas including Louisville, Lexington, Knoxville and Nashville with millions of potential consumers. For local entrepreneurs preferring the county's small town quality of life, this opens up significant business development opportunities.

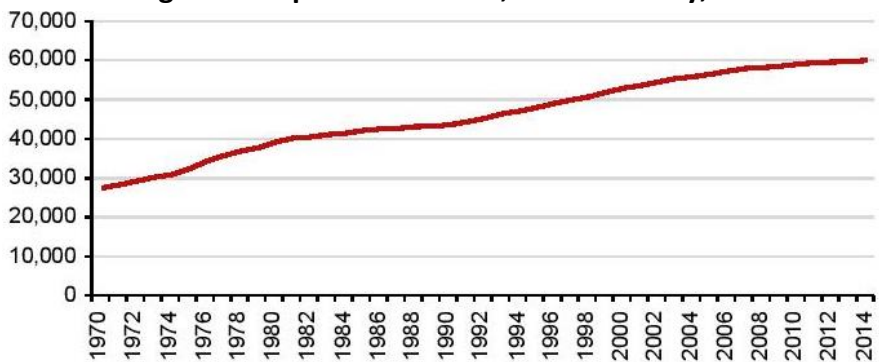
Figure 1. Laurel County, Kentucky and the Region



Population Trends

The county has experienced relatively strong and consistent population growth over the last 44 years. The rate of population growth has slowed during the last decade. As a regional trade center, the future of the community in part is dependent on development and growth in the larger region (see Figure 2 below).

Figure 2. Population Trends, Laurel County, KY



Laurel County, Kentucky Quick Demographic Profile

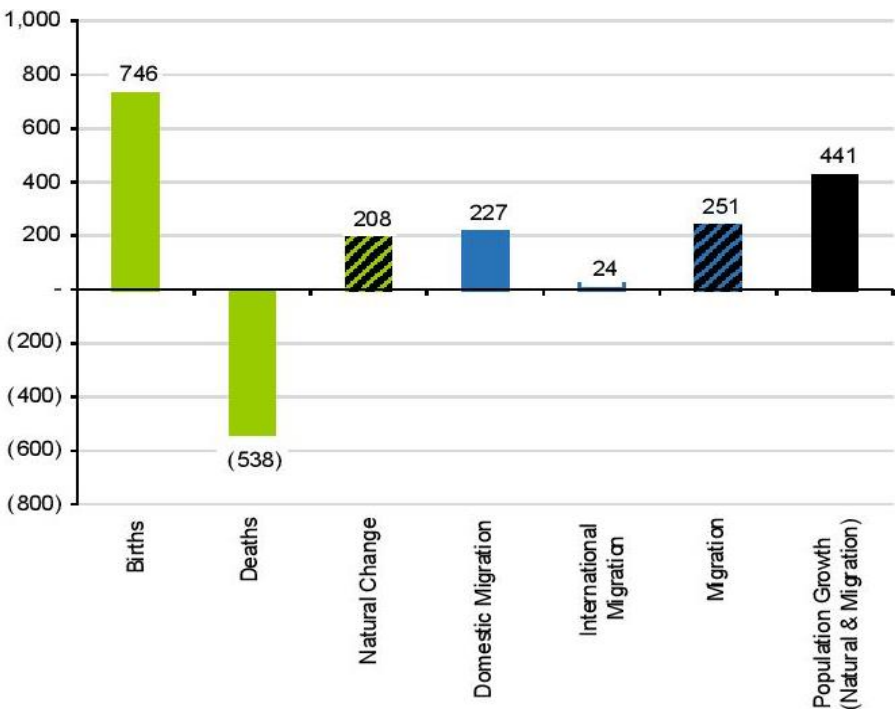
2010 Population – 58,849
Median Age – 39.8 Years
Households – 23,515
Average Household Size – 2.51

2015 Projection – 59,624
2020 Projection – 60,497

Projected 2015-2020
Growth Rate = 0.29% per year

Figure 3. Population Change, Laurel County, KY 2000-2014

Figure 3 shows average annual change in population, including natural change (births and deaths) and migration (in-migration and out-migration), for 2000 through 2014. Both natural and migration population change is positive for the last 14 years. While rapid population growth is not necessary to move the community to increased prosperity, any development game plan must focus on stabilizing the community's population by attracting younger families and retaining aging residents as a first step toward demographic renewal.



The Census Bureau makes a minor statistical correction called a "residual" which is included in Figure 2, but omitted from Figure 3. Because of this correction, natural change plus net migration may not add to total population change in Figure 2.

Employment Trends

Like population growth, employment growth was very strong from 1970 into the early 2000s. The 2001 Recession slowed growth and was followed by a weak recovery. The same pattern was repeated with the Great Recession. Most recently there are indications of renewed job

growth within the county. This is a challenge across the country and requires the county to focus on supporting area businesses and their growth as a way to increase employment and job offerings and grow a more diverse economy that can weather future economic downturns and trends. However, for increased economic prosperity, the economy must not only create jobs, but create a wider range of career opportunities that are attractive to current residents and those who might be attracted to the region. In today's knowledge-driven economy, attracting and retaining human talent is a key to sustained economic prosperity.

Figure 4. Employment Trends, Laurel County, KY.

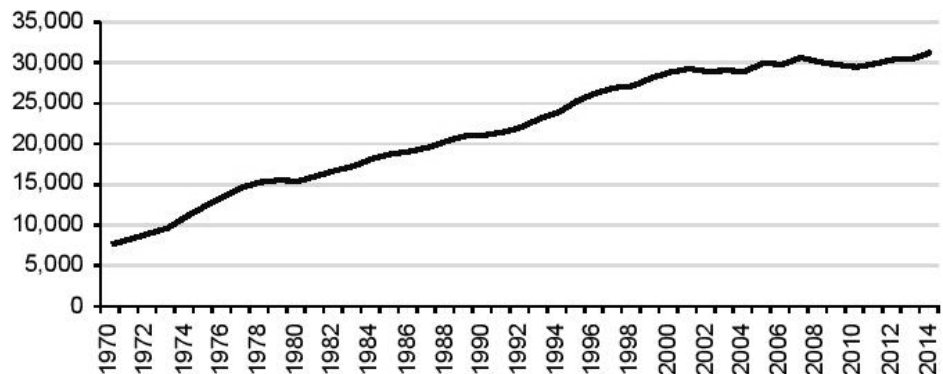
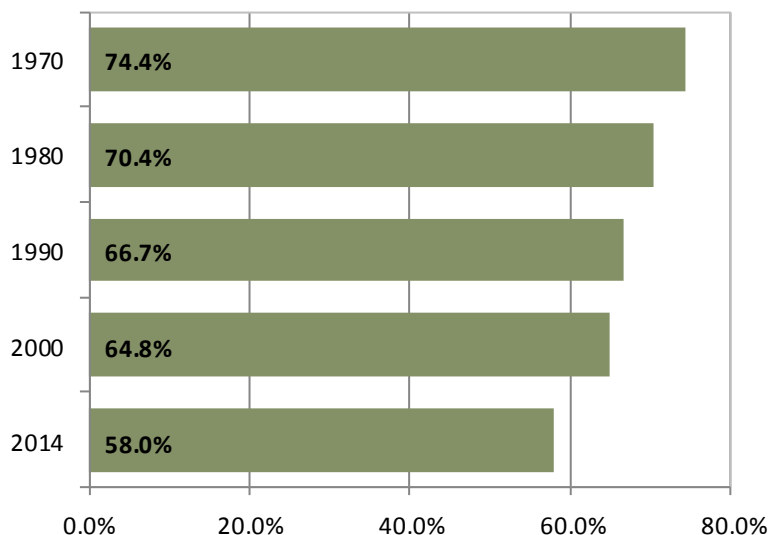


Table 1. Net Job Growth During Recession Periods

2001 Recession		Great Recession	
Recession (Mar-Nov 2001)	0.1%	Recession (Dec 2007-June 2009)	-0.2%
Recovery (Dec 2001-Nov 2007)	0.1%	Recovery (July 2009-Present)	-0.2%

“Labor earnings to total personal income” is a good proxy for how dynamic or robust an economy is. Labor earnings reflect income flowing to households from employment; non-labor earnings are derived from transfer payments, retirement income, etc. Figure 5 provides the ratio of Labor Earnings to total personal income over time. This ratio of economic vitality and health remained strong (60% range is considered healthy) into the 2000 period. Since 2000, it has fallen to under 60% in 2014. Rebuilding a more diverse and dynamic economy capable of retaining and attracting younger talent should be an investment strategy.

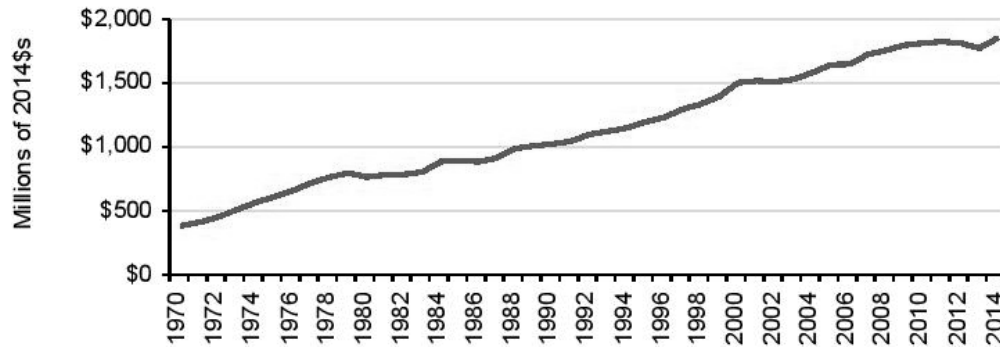
Figure 5. Labor Earnings



Personal Income Trends

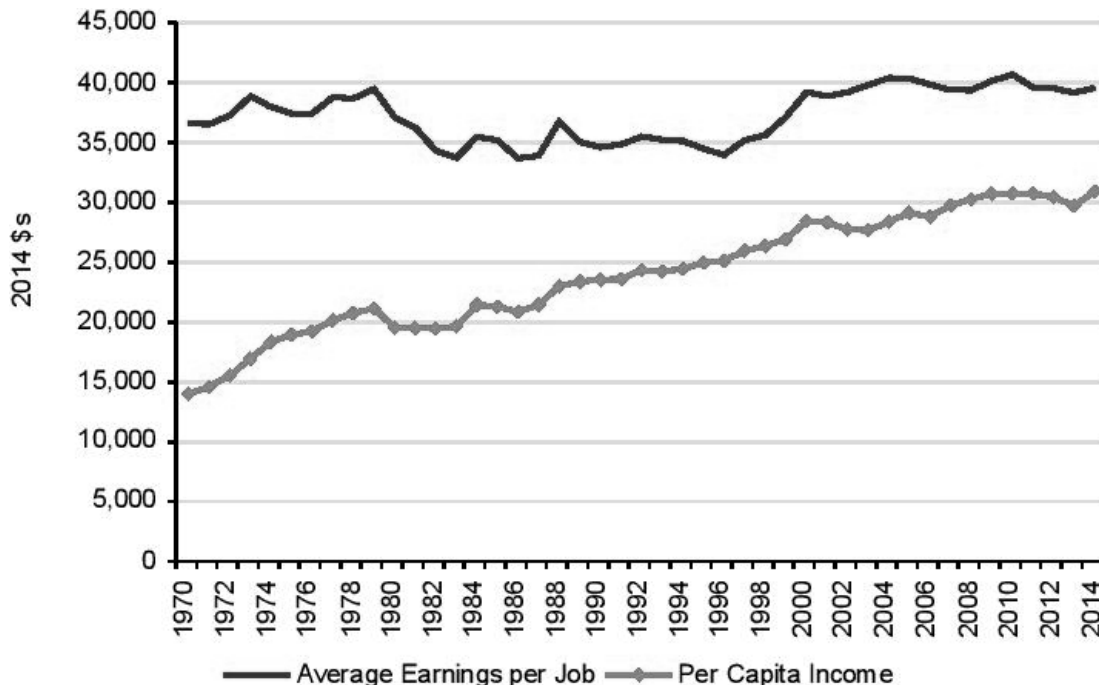
Personal income, measured in real or inflation-adjusted dollars, has increased throughout the 1970-2013 period (Figure 6). Personal income growth was strong during the 1970s, 1980s and 1990s reflecting strong population and employment growth. The Great Recession slowed income growth leading to a recent net decline. Recovery is suggested with the 2012 to 2013 trend uptick.

Figure 6. Personal Income Trends, Laurel County, KY



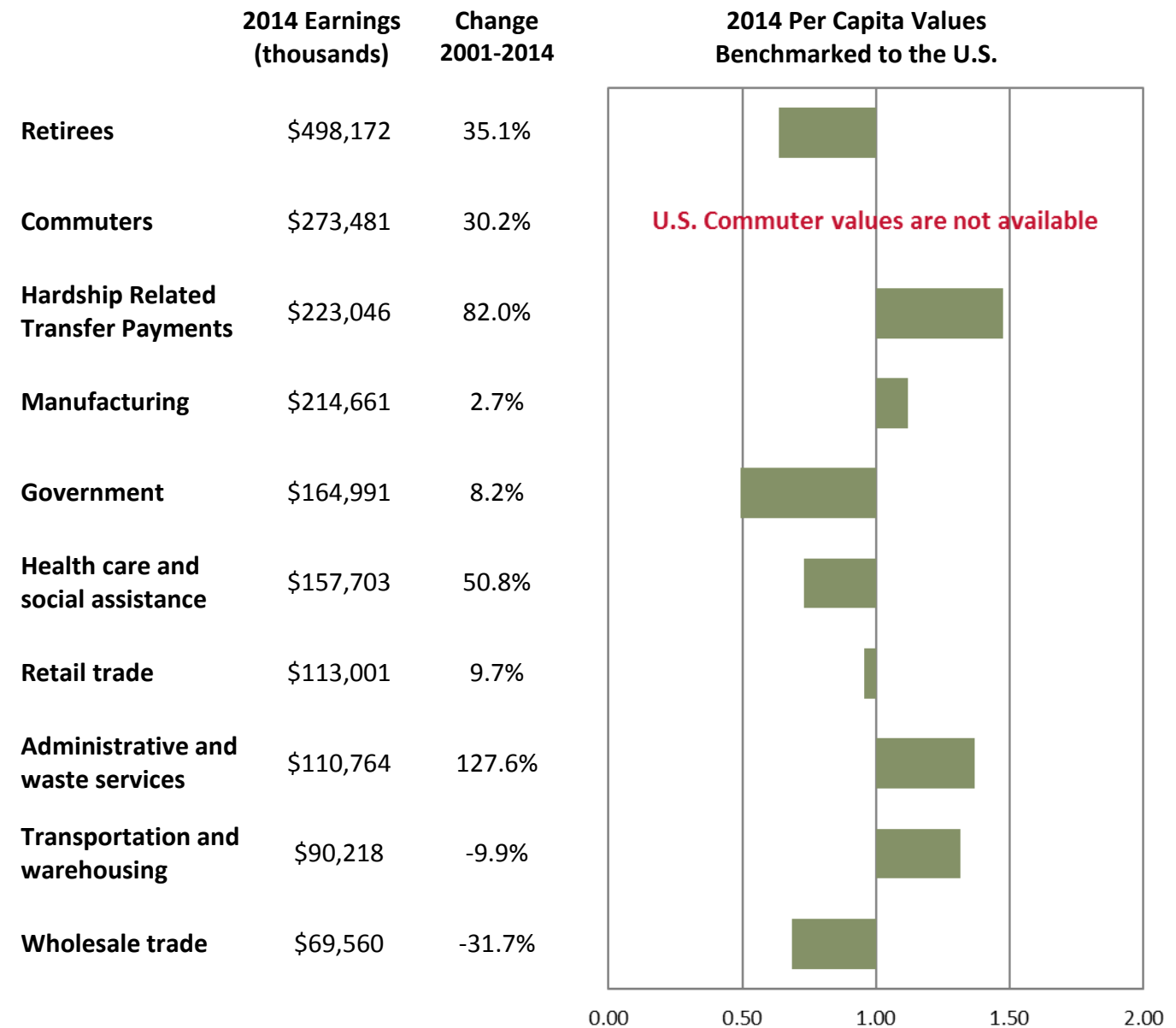
Per capita income or total personal income divided by total number of permanent residents has grown consistently over time. In part, this growth is due to rising non-labor income associated with retirees and increased hardship transfer payments. Average earnings per job declined from a high of over \$40,000 in the late 1970s to below \$35,000 in the mid-1990s. Since, real wages have improved to above \$40,000 again but have stagnated at this level. Increasing real wages is key to growing a more prosperous economy.

Figure 7. Average Earnings per Job & Per Capita Income, Laurel County, KY



Economic Drivers

Every community or state is shaped by certain **economic drivers** that generate income. Using data on total earnings by industry, this profile highlights the top 10 **economic drivers** for the community, how each of these has done in the last decade and its relative importance benchmarked to U.S. averages.



Retirees. The county is aging and retirees are the single largest driver of economic activity in the county today. Retiree related income (e.g., Social Security, Medicare, retirement, etc.) has grown dramatically over time. Age related transfer payments alone have grown from \$28 million in 1970 to \$155 million in 2000 and \$311 million by 2014. Retirees are a stabilizing force in most economies. Their incomes do not fluctuate as widely as other parts of the economy like agriculture or manufacturing. However, too much dependence on retirees can undermine economic development and future growth.



Commuters are the county's second largest economic driver in 2014 with \$272 million in personal income. There are two kinds of commuters including inflow (those living in the county but working outside of the county) and outflow commuters (those living outside of the county but working in the county). Inflow commuting has grown by 30% between 2001 and 2014. Outflow commuting is even more important with \$276 million in income leaving the county in 2014. Inflow commuting is dropping and outflow commuting is increasing. The county is an employment hub.

Hardship related transfer payments (e.g., Medicaid, welfare payments, unemployment insurance, etc.) are the third largest source of personal income in the county's economy. Part of this dependence is related to an aging population and is part due to historic and current economic distress. Hardship related income now accounts for \$223 million. Between 2001 and 2014, Hardship income has risen by 82% and is nearly 1.5 times greater when compared to the U.S. averages.

Manufacturing is critically important to this county. It offers important economic diversification and jobs. In 2001, there were 2,190 manufacturing jobs in the county and by 2010 this number had dropped to 1,435. Between 2010 and 2014, manufacturing employment rebounded slightly to 1,443. Personal income shows a similar pattern as jobs, but the rebound in personal income is much stronger rising from \$177 to \$215 million between 2010 and 2014 or by \$37 million.

Government includes federal, state and local agencies. Public education from K-12, public universities, colleges and community colleges also fall into this category. Government is the fifth largest source of personal income in the county in 2014. Government related personal income peaked in 2010 at \$187 million and has since dropped to just over \$165 million in 2014. Government employment in the county sits at 2,993 in 2014 down from a peak of 3,262 in 2010.

Health care is growing throughout the United States. Health care and social services is the sixth largest economic driver in the county generating \$158 million in personal income. Between 2001 and 2014, health care personal income grew by 51%. Total jobs in this sector sit at just above 3,000. Health care jobs are important in that they create a wide range of career options important to retaining and attracting younger human talent.

Retail Trade. Later in this profile, we will provide additional information on the county's retail trade sector. Retail trade is the seventh most important economic driver in the county in 2014 generating \$113 million in personal income. The sector had good income growth between 2001 and 2014 rising nearly 10%. Total employment in this sector sits a just under 4,000 workers.

Other Leading Economic Sectors include administrative and waste services, transportation and warehousing and wholesale trade. Transportation, warehousing and wholesale trade are often connected suggesting important economic activity. Combined, these sectors generated nearly \$160 million in personal income in 2014 but experienced contraction between 2001 and 2014.

Understanding the Business/Entrepreneurial Economy

Big Picture Overview

A central driver of regional prosperity is the business community. Figures 8-10 provide an overview of the county's business community, including for-profit, non-profit and governmental enterprises, from 1995 through 2013. Figure 8 highlights the change in total establishments over this period, showing growth from the early 2000s through the Great Recession followed by declining business numbers since 2010.

Laurel County, KY 2015

Total Businesses
2,461

Businesses per 1,000 Residents
Laurel County – 41
Kentucky – 38
U.S. – 77

Total Employees
25,039

Employees per 1,000 Residents
Laurel County – 420
Kentucky – 477
U.S. – 447

Figure 8. Establishments

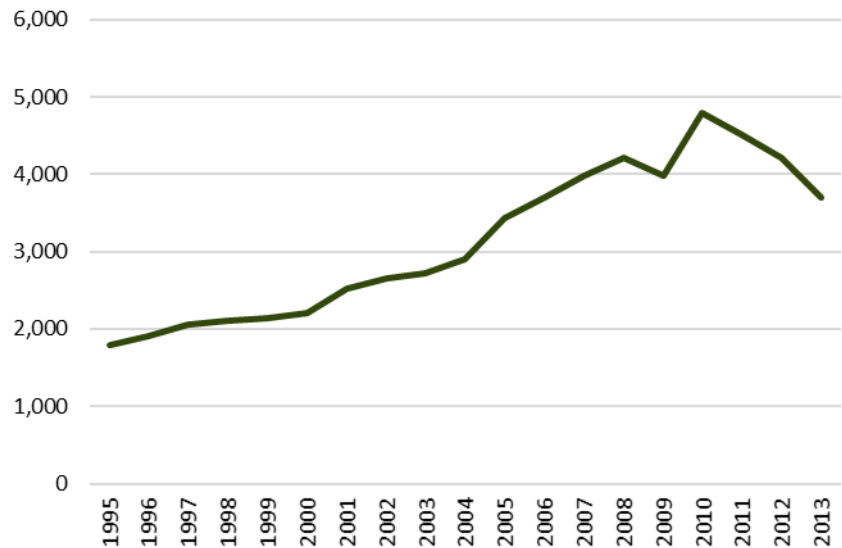


Figure 9. Jobs

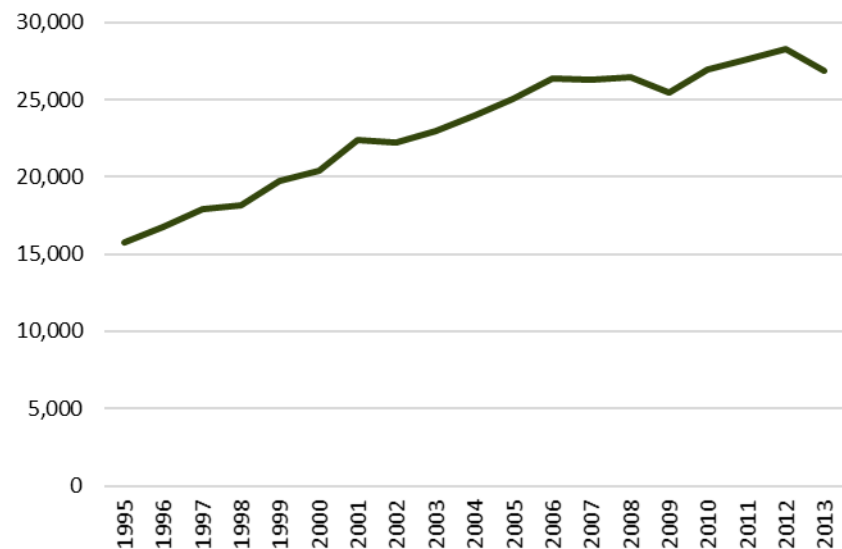


Figure 9 provides a comprehensive view of jobs in Laurel County. After decades of job growth, the 2001 and Great Recessions slowed this growth and created period of net job losses. Overall between 1995 and 2013, total jobs have grown from 14,740 to 26,846. Part of this growth is due to increasing part-time work.

Data in Figures 8-10 is from www.youreconomy.org. Find the source data for these figures in the electronic library.



COMMUNITY
DEVELOPMENT
PHILANTHROPY



NEW
GENERATION
PARTNERSHIPS



Figure 10. Sales (millions)

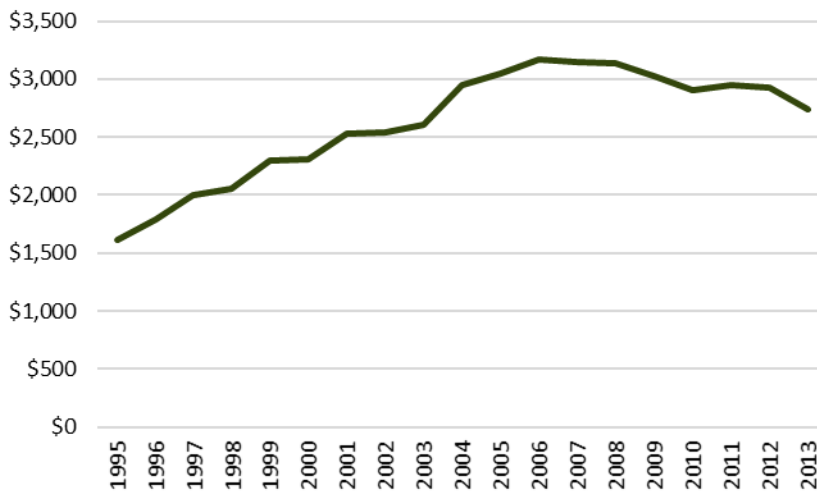


Figure 10 shows that total business sales from 1995 to 2013 for the county. There were strong venture sales from 1995 up to the Great Recession. Since, sales have declined from over \$3 million to under \$2.5 billion. Increasing venture sales is critical to expanding the economy's ability to generate jobs, new personal income and increased spending in the county.

Esri (www.esri.com) produces community-level analysis of businesses and employment by sector. The data provides a useful

overview of the relative importance of specific sectors in the county's economy in 2015 (Table 2). Economic sectors are organized into two components. A county's *traded sectors* produce products and services that are sold outside the county, bringing new income into the county. Traded sectors are also referred to as *basic industries*. Strong regional economies have strong and diverse traded sectors.

Local sectors are also important, enhancing the economy by capturing and re-circulating local spending to create additional economic activity. **Local sectors** (also called **non-basic industries**) help create more livable and competitive communities and regions. Local access to a wide range of goods and services such as shopping, entertainment, health care and education are essential to thriving communities and regions. Two particularly important sectors warrant additional analysis – retail trade (a **local sector**) and hospitality (a **traded sector**).

Retail Trade nationally has undergone major changes as once dominant locally-owned retailers are now competing with externally-owned big box stores and online sellers. A strong and diverse retail sector is important to capturing local spending and generating additional economic growth. According to Esri, the county has a positive retail trade balance. Total regional **retail demand** in 2015 was \$665 million and total **retail supply** (provided by businesses within the county) was \$1.1 billion, resulting in a **retail surplus** of \$404 million.

The **Retail Marketplace Profile** that follows provides more detail on retail demand and supply, identifying positive trade balances (in red) and spending leakages (in green). The electronic library includes a more detailed Retail Marketplace Profile. Your County might want to consider a two-part retail strategy focusing on (1) assisting business transitions in the **local sector** and (2) finding competitive niches for existing or new retail businesses.

Table 2. Economic Sectors in Laurel County, KY, 2015

Sector	Businesses	Employees
Agriculture	11	37
Mining & Utilities	28	294
Construction	193	979
Manufacturing	77	1,903
Wholesale Trade	118	2,791
Retail Trade*	473	4,325
Transportation & Warehousing	67	580
Information	42	387
Finance & Insurance*	195	717
Real Estate	110	407
Professional Services	143	963
Management & Administrative	77	972
Education	37	1,940
Health Care	203	2,640
Arts, Entertainment & Recreation	32	209
Accommodations	25	292
Food Service	110	2,455
Hospitality Sector**	167	2,956
Other Services	367	1,756
Public Administration	109	1,316
Unclassified Establishments	44	76
Total	2,461	25,039

*Esri provides additional detail for these sectors including sub-sector information.

**Hospitality Sector is created by combining the three preceding sectors.

Hospitality Sector represents a *traded sector* with potential in the county. The county has a modestly sized hospitality sector with 167 businesses generating nearly 3,000 jobs in 2015 according to Esri. A focused tourism development strategy that strengthens entrepreneurial activity in this area could grow this *traded sector* of the economy, adding diversification and growth. While these hospitality-related businesses and their employees may emphasize services to visitors, they also provide services to local residents and non-tourist visitors.



Retail MarketPlace Profile

Laurel County, KY
Laurel County, KY (21125)
Geography: County

Prepared by Esri

Summary Demographics						
2015 Population						59,624
2015 Households						23,515
2015 Median Disposable Income						\$29,629
2015 Per Capita Income						\$19,273
Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$664,618,625	\$1,068,488,727	-\$403,870,102	-23.3	558
Total Retail Trade	44-45	\$608,410,409	\$978,187,217	-\$369,776,808	-23.3	452
Total Food & Drink	722	\$56,208,216	\$90,301,510	-\$34,093,294	-23.3	106
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$144,457,382	\$253,157,823	-\$108,700,441	-27.3	91
Automobile Dealers	4411	\$119,798,786	\$204,875,477	-\$85,076,691	-26.2	42
Other Motor Vehicle Dealers	4412	\$15,656,353	\$33,392,464	-\$17,736,111	-36.2	21
Auto Parts, Accessories & Tire Stores	4413	\$9,002,243	\$14,889,882	-\$5,887,639	-24.6	28
Furniture & Home Furnishings Stores	442	\$14,970,117	\$11,370,607	\$3,599,510	13.7	17
Furniture Stores	4421	\$9,287,487	\$9,416,274	-\$128,787	-0.7	11
Home Furnishings Stores	4422	\$5,682,630	\$1,954,333	\$3,728,297	48.8	6
Electronics & Appliance Stores	443	\$22,323,497	\$11,604,553	\$10,718,944	31.6	14
Bldg Materials, Garden Equip. & Supply Stores	444	\$27,735,975	\$58,917,455	-\$31,181,480	-36.0	37
Bldg Material & Supplies Dealers	4441	\$23,648,378	\$55,084,272	-\$31,435,894	-39.9	32
Lawn & Garden Equip & Supply Stores	4442	\$4,087,597	\$3,833,183	\$254,414	3.2	5
Food & Beverage Stores	445	\$109,125,606	\$116,290,011	-\$7,164,405	-3.2	47
Grocery Stores	4451	\$99,270,263	\$112,650,347	-\$13,380,084	-6.3	35
Specialty Food Stores	4452	\$2,900,554	\$3,639,664	-\$739,110	-11.3	12
Beer, Wine & Liquor Stores	4453	\$6,954,789	\$0	\$6,954,789	100.0	0
Health & Personal Care Stores	446,4461	\$39,701,884	\$44,746,536	-\$5,044,652	-6.0	31
Gasoline Stations	447,4471	\$48,239,775	\$180,900,583	-\$132,660,808	-57.9	40
Clothing & Clothing Accessories Stores	448	\$22,302,499	\$21,461,784	\$840,715	1.9	46
Clothing Stores	4481	\$14,391,565	\$17,057,901	-\$2,666,336	-8.5	38
Shoe Stores	4482	\$3,667,174	\$1,981,100	\$1,686,074	29.9	2
Jewelry, Luggage & Leather Goods Stores	4483	\$4,243,760	\$2,422,783	\$1,820,977	27.3	6
Sporting Goods, Hobby, Book & Music Stores	451	\$15,125,274	\$19,176,129	-\$4,050,855	-11.8	33
Sporting Goods/Hobby/Musical Instr Stores	4511	\$11,159,416	\$17,244,361	-\$6,084,945	-21.4	30
Book, Periodical & Music Stores	4512	\$3,965,858	\$1,931,768	\$2,034,090	34.5	3
General Merchandise Stores	452	\$128,293,196	\$228,356,456	-\$100,063,260	-28.1	32
Department Stores Excluding Leased Depts.	4521	\$100,679,993	\$206,496,444	-\$105,816,451	-34.4	10
Other General Merchandise Stores	4529	\$27,613,203	\$21,860,012	\$5,753,191	11.6	22
Miscellaneous Store Retailers	453	\$28,384,456	\$26,333,986	\$2,050,470	3.7	58
Florists	4531	\$1,038,755	\$1,384,302	-\$345,547	-14.3	10
Office Supplies, Stationery & Gift Stores	4532	\$6,401,489	\$5,120,496	\$1,280,993	11.1	6
Used Merchandise Stores	4533	\$1,851,047	\$4,251,699	-\$2,400,652	-39.3	12
Other Miscellaneous Store Retailers	4539	\$19,093,165	\$15,577,489	\$3,515,676	10.1	30
Nonstore Retailers	454	\$7,750,748	\$5,871,294	\$1,879,454	13.8	6
Electronic Shopping & Mail-Order Houses	4541	\$3,502,685	\$0	\$3,502,685	100.0	0
Vending Machine Operators	4542	\$1,009,413	\$2,093,715	-\$1,084,302	-34.9	1
Direct Selling Establishments	4543	\$3,238,650	\$3,777,579	-\$538,929	-7.7	5
Food Services & Drinking Places	722	\$56,208,216	\$90,301,510	-\$34,093,294	-23.3	106
Full-Service Restaurants	7221	\$27,405,608	\$29,292,451	-\$1,886,843	-3.3	48
Limited-Service Eating Places	7222	\$26,643,264	\$57,883,864	-\$31,240,600	-37.0	53
Special Food Services	7223	\$1,116,523	\$3,125,195	-\$2,008,672	-47.4	5
Drinking Places - Alcoholic Beverages	7224	\$1,042,821	\$0	\$1,042,821	100.0	0

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please click the link below to view the Methodology Statement.
<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>

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March 16, 2016

Entrepreneurial Profile

Entrepreneurs play a central role in revitalizing community and regional economies. Where you have more robust entrepreneurial activity, you typically have more competitive, dynamic and prosperous economies. This is particularly true when there are rooted entrepreneurs who are part of the overall community, contributing to the economy and actively engaging in the civic and social life of the county. Healthy economies support a range of entrepreneurial talent – a **pipeline of entrepreneurs** – from aspiring and startup to growth-oriented and breakout entrepreneurs.

Startup Entrepreneurs are the seeds of an entrepreneurial economy, making up the mouth of the pipeline. Successful startups create opportunities for business growth that generates employment and ultimately drives the economy. One good proxy for startup entrepreneurs is the number of **self-employed** (where the owner/operator is the only employee). Figure 11 shows self-employment trends for the county from 1995 through 2013 (www.youreconomy.org). In 1995, self-employment was 400 and grew steadily (except for a dip during the initial year of the Great Recession) peaking in 2010 at around 1,700, a four-fold increase.

There was a particularly strong spike in self-employment in 2009-2010, what we call the “Recession Effect.” When finding a traditional wage and salary job is hard (as is the case in a severe recession), a talented and motivated person may choose self-employment as a career and/or survival strategy. As the county recovered from the Great Recession, self-employment dropped from over 1,700 in 2010 to around 900 in 2013. What happened to these

startup entrepreneurs? There are three possible reasons for this almost 50% decline. One, as wage and salary jobs became available, those who entered self-employment as a temporary solution transitioned into those jobs. Two, some of these startup ventures may have failed. Three, some of these startups ventures grew into Stage 1 (2-9 employees) or Stage 2 (10-99 employees) businesses.

Despite the recent contraction, the county saw a net gain of 500 self-employed ventures, a 125% increase, from 1995 to 2013. This is a very positive indicator and county leaders should explore the following questions:

- Who are these self-employed startups?
- What are they doing?
- How could we help them be more successful?

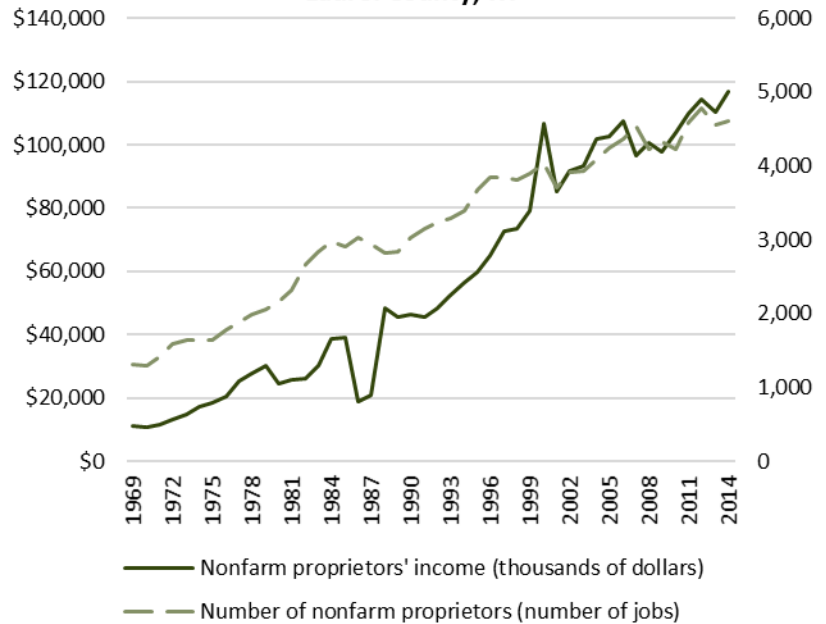
Figure 11. Self-Employed



Established, Locally-Owned

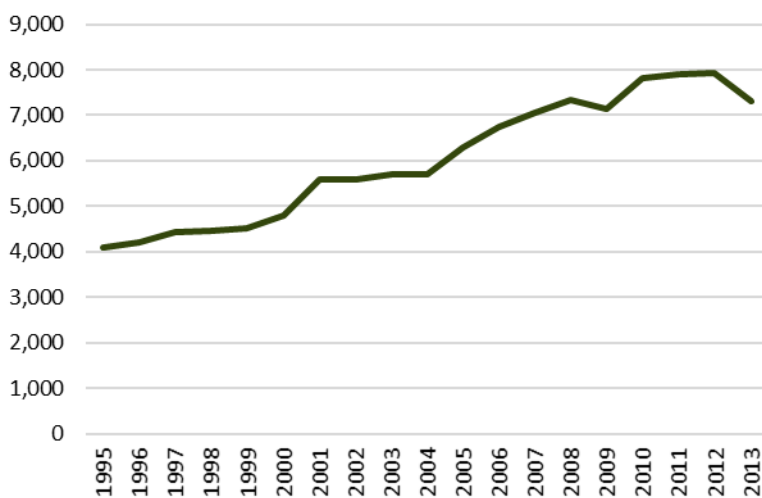
Entrepreneurial Ventures are important components of a community's entrepreneurial pipeline. When family-owned, local businesses prosper, they hire more employees, pay more local taxes and are able to more actively support their communities. We use two sets of data to describe these entrepreneurs. The U.S. Bureau of Economic Analysis (Figure 12) tracks nonfarm proprietors, typically small main street type businesses that are not incorporated. Youreconomy.org (Figure 13) tracks ventures based on the number of employees, with Stage 1 businesses (2-9 employees) representing small, most likely family-owned or locally-owned businesses.

Figure 12. Nonfarm Proprietors, Laurel County, KY



There has been consistent long-term growth and very strong recent growth in both nonfarm proprietor employment and income – a very positive trend for the county.

Figure 13. Employment in Stage 1 (2-9 employees) Ventures



The employment data on Stage 1 ventures (Figure 13) displays strong growth up to the Great Recession. Since, there has been job stagnation and a modest recent contraction in jobs from around 8,000 to 7,302 in 2013.

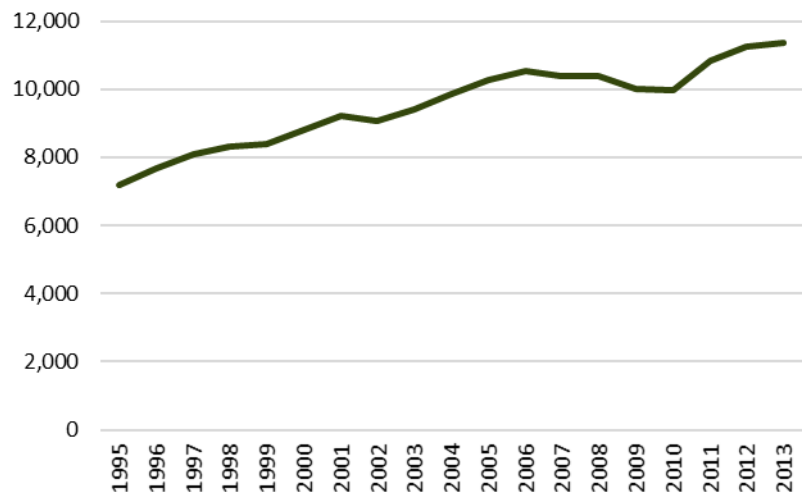
The trend lines for what we are describing as established, locally-owned entrepreneurial ventures are relatively strong, suggesting development opportunities for the county. Leaders should consider identifying and visiting these entrepreneurs to discover their challenges and opportunities, and to

determine how best to support their growth in the future. These ventures may be very important contributors to the **local sector** described earlier in this profile. And, some of them may be primed for growth, creating development impacts for the county.

Growth-Oriented Entrepreneurs comprise an important part of the entrepreneurial pipeline. These entrepreneurs have the desire to grow and have – or are seeking – the market opportunities to turn that desire into a reality. There is a great deal of attention paid to **growth entrepreneurs** – Economic Gardening (www.edwardlowe.org/tools-programs/economic-gardening) focuses almost exclusively on these entrepreneurs. In most community and regional economies, we have found fewer growth entrepreneurs and much larger numbers of **growth-oriented entrepreneurs**. This latter group includes entrepreneurs who are actively exploring ways to grow their businesses but who may still benefit from the types of business development assistance most regions and communities can offer. Helping growth entrepreneurs often requires much higher level resources, including diverse forms of capital.

As a proxy for growth-oriented entrepreneurs, we use employment for Stage 2 ventures (10-99 employees). Figure 14 shows strong job growth with Stage 2 ventures into the Great Recession period. Since the start of the Great Recession recovery, there has been relatively strong job growth reaching 11,355 jobs in 2013.

Figure 14. Employment in Stage 2 (10-99 employees) Ventures



Breakout Entrepreneurs are very important to both local and regional economies. Ideally, these entrepreneurial ventures create many jobs, stimulate economic growth and increase overall economic prosperity as new employee spending drives retail, service, construction and other sectors of the economy. In the **new economy**, many businesses are experiencing rapid sales growth but creating few jobs as they rely instead on contract employees and outsourcing strategies. As part of the entrepreneurial pipeline, communities should focus on those existing businesses that achieve breakout or rapid growth status **and** create many jobs in the process. According to Christine Hamilton-Pennell (former market research analysis with Littleton, Colorado's Economic Gardening program), the typical high growth entrepreneurial venture is one that has been around for several decades and reaches a point where there is both motivation and opportunity for high growth. It often takes an entrepreneur time to figure out how to achieve higher growth, creating opportunities for the community to provide support and resource connections. This observation also suggests that county leaders should not limit their focus to new entrepreneurial ventures. It is important to look at existing, established entrepreneurs who may be on the cusp of breakout growth.

As a proxy for breakout entrepreneurs, we use employment associated with Stage 3 ventures (100-499). Many Stage 3 ventures achieve a certain level of growth and plateau. If we see employment growth among Stage 3 ventures, there is a strong probability that there is breakout entrepreneurial activity. Figure 15 on the following page documents a positive trend for the community with relatively strong medium sized employer job growth all through the 1995 to 2013 period. Further exploration of what is driving this growth is recommended.

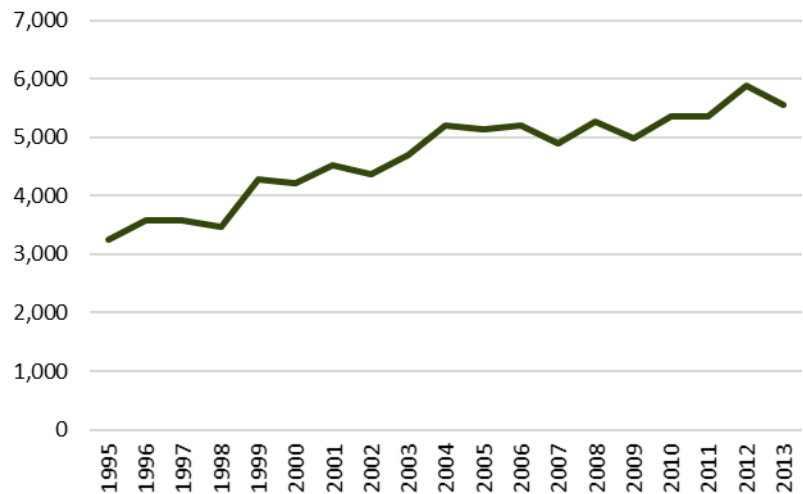
At the local level, it is relatively easy to identify potential breakout entrepreneurs (remember, they can be non-profits and public enterprises). At this stage, businesses are often moving out of existing space and building new office complexes or even campuses. They may be actively expanding their leadership teams or seeking new supplier relationships. Regional and local leaders should be watching for such evidence and meeting with these entrepreneurial teams to understand their plans and consider what support the community can provide.

Just as a water or natural gas pipeline is critical community infrastructure, the **entrepreneurial pipeline** is the lifeblood of a community or regional economy. A diverse set of entrepreneurial talent, across the entire pipeline, is one key to building a strong, diverse entrepreneurial economy. For the county, Table 3 provides a comprehensive picture of all private, public and non-profit business establishments across the entrepreneurial pipeline, using data from www.youreconomy.org.

Stage 4 or the largest employers displays strong growth up to the Great Recession followed by moderate contraction during the post-Great Recession recovery period.

This county has elements of the entrepreneurial pipeline in place, with more businesses in the earlier stages of venture development. Regional and local leaders should focus on understanding the entrepreneurial talent that exists in the county across this pipeline and targeting resources toward those with the desire, capacity and opportunity to grow.

**Figure 15. Employment in Stage 3
(100-499 employees) Ventures**



**Figure 16. Employment in Stage 4
(500+ employees) Ventures**

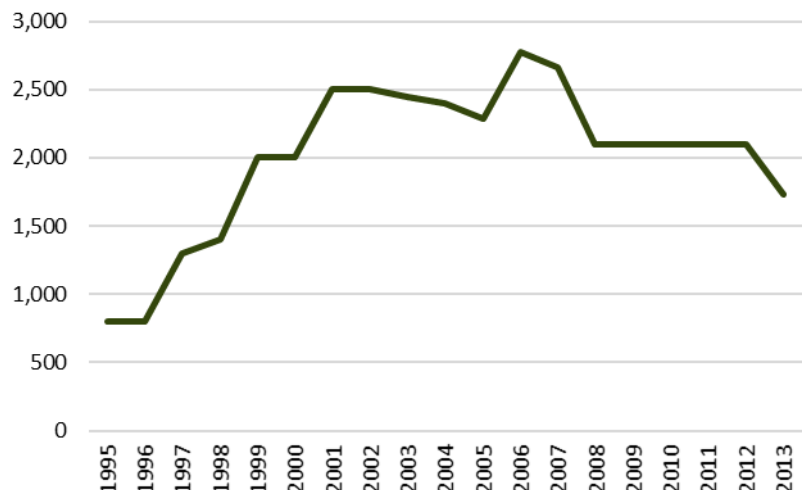


Table 3. Laurel County's Entrepreneurial Pipeline

Establishments	1995	2001	Change	2001	2013	Change
Total	1,794	2,524	730	2,524	3,706	1,182
Self-Employed (1)	400	552	152	552	901	349
Stage 1 (2-9)	1,086	1,563	477	1,563	2,340	777
Stage 2 (10-99)	290	385	95	385	434	49
Stage 3 (100-499)	17	20	3	20	28	8
Stage 4 (500+)	1	4	3	4	3	-1
Jobs	1995	2001	Change	2001	2013	Change
Total	15,748	22,410	6662	22,410	26,846	4,436
Self-Employed (1)	400	552	152	552	901	349
Stage 1 (2-9)	4,105	5,601	1496	5,601	7,302	1,701
Stage 2 (10-99)	7,201	9,233	2032	9,233	11,355	2,122
Stage 3 (100-499)	3,242	4,524	1282	4,524	5,558	1,034
Stage 4 (500+)	800	2,500	1700	2,500	1,730	-770

Using this Development Opportunity Profile

This **Development Opportunity Profile** is meant to be used as a conversation starter in your community or county. We believe that the best development decisions are made after a thorough assessment of your assets and opportunities. This Profile provides one set of information to get you started. We encourage you to share this profile with a diverse group of community stakeholders and residents. The data shared here will be enriched by conversations with a range of partners who bring new and unique perspectives on your economy and opportunities. An entrepreneur is likely to look at this information from a different perspective than a community banker or county commissioner. Yet, all of these perspectives can help you establish a better understanding of your starting point, and create the space for you to dream about what might be possible in your community going forward.

At the Center for Rural Entrepreneurship, we have studied local and regional economies throughout North America. We have deep and long-term experience helping communities understand their development opportunities and create entrepreneur-focused development strategies. Based on this experience, we offer some initial insights into potential development opportunities for Laurel County, Kentucky. We hope these insights provide the fodder for your initial community conversations.

<h3>Retirees</h3> <p>Retirees are a non-traditional economic sector but are the single largest driver in the regional economy. Retiree spending provides stability to local and regional economies. A focused development strategy on meeting the needs of retirees should be considered.</p>	<h3>Commuters</h3> <p>The second most important economic driver in the county is commuters. There is significant activity for those living in the county and working outside of the county. Also, the county is an employment hub attracting workers each day contributing to the county’s workforce.</p>	
<h3>Hardship Transfers</h3> <p>The county is aging and hurting from economic downturns. Hardship related transfer payments largely from federal and state sources are now the third largest source of personal income. Rebuilding a stronger economy will reduce the county’s dependence on hardship payments.</p>	<h3>Quality of Life</h3> <p>The county offers a unique quality of life including both city and rural lifestyle offerings. This is a development assets that requires ongoing place making.</p>	<h3>Location</h3> <p>The majority of this county is rural in character. However, within one day’s driving distance there are major metropolitan areas and many regional trade centers. The region’s location offers significant opportunities through market development with these urban centers with millions of consumers.</p>
<h3>Retail Capture</h3> <p>Based on Esri data for 2015, the region has a relatively strong retail spending capture profile. But there is room for improvement. Retail competition is intense and a focused strategy to help locally based and owned retailers improve their competitive positions is recommended. Retail ownership transition should also be considered.</p>	<h3>Entrepreneurial Energy</h3> <p>While the region has entrepreneurs across the pipeline, more of the entrepreneurial talent is concentrated in early stage ventures. There is an opportunity to identify those entrepreneurs who have growth-orientation and target resources toward helping them grow. A key focus may be growing a more entrepreneurial hospitality sector.</p>	
<h3>Manufacturing</h3> <p>Despite some losses, manufacturing continues to be of foundational importance to the county’s economy and society. Manufacturing is rebounding nationally. A focused business retention and expansion program is strongly recommended with a particular focus on manufacturing. Growing a more competitive and value-added manufacturing sector is key to success.</p>	<h3>Trade Center</h3> <p>London is clearly a regional trade center with government, health care, retail trade and services serving no only locals but consumers from a multi-county region. Working to grow a more competitive regional trade center economy with strong offers in recommended.</p>	

Sources

Data for this **Development Opportunity Profile** were obtained from the following:

- Esri (www.esri.com), Assorted Esri Market Intelligence Reports, August 2015
- Edward Lowe Foundation (www.youreconomy.org), August 2015
- Headwaters Economics (www.headwaterseconomics.org), Various Profile Reports, August 2015
- Google Maps
- U.S. Department of Agriculture, *Census of Agriculture 2012*, August 2015

Research documents associated with these sources can be found in the E-Library at <https://goo.gl/Zqfn2D>.

Reading Library

Useful reading related to entrepreneur-focused economic development:

- [Overview of Economic Development](#) (Don Macke and Nancy Arnold, RTC, The University of Montana Rural Institute, 2012.)
- [Creating Entrepreneurial Communities: Building Community Capacity for Ecosystem Development](#) (Deborah M. Markley, Thomas S. Lyons and Donald W. Macke, *Community Development*, Vol. 46, No. 5, December 2015.)
- [Creating Entrepreneurial Communities in Kansas](#) (Deborah Markley and Ahmet Binerer, Center for Rural Entrepreneurship, 2014.)
- [Energizing Entrepreneurial Communities – A Pathway to Prosperity](#) (Donald Macke, Deborah Markley and John Fulwider, Center for Rural Entrepreneurship, 2014.)
- [The E Myth Revisited – Why Most Small Businesses Don't Work and What to Do About It](#) (Michael E. Gerber, HarperCollins Books, 2001.)
- [Innovation and Entrepreneurship](#) (Peter F. Drucker, HarperCollins Books, 1985.)
- [Startup Communities](#) (Brad Feld, John Wiley & Sons, , 2012.)
- [The Good Jobs Strategy](#) (Zeynep Ton, New Harvest – Houghton Mifflin Harcourt, 2014.)
- [Investing in Entrepreneurs – A Strategic Approach for Strengthening Your Regional and Community Economy](#) (Gregg A. Lichtenstein and Thomas S. Lyons, Praeger, 2010.)
- [The Illusions of Entrepreneurship](#) (Scott A. Shane, Yale University Press, 2008.)

Other Center Resources

These additional [Empowering Research](#) tools can help you better understand your community and economy, the first step toward creating a vision and optimal prosperity plan.

More Development Opportunity Resources

- Economic Diversity report
- Economic Cluster report
- Manufacturing sector report
- Tourism sector report
- Agriculture sector report
- Community conversation report

Philanthropic Opportunity Profile draws on research unique to your community to help you better understand the drivers of wealth in your community and the potential for community-based philanthropy to support your economic development dreams and plans.

More Philanthropic Opportunity Resources

- [Donor Opportunity analysis](#)
- [Transfer of Wealth Opportunity analysis](#)
- Philanthropic Sector analysis
- Charitable Giving analysis

Generational Diversity Profile will help you understand generational change, some of the differences across the generations and potential impacts on community leadership, philanthropy and development.

More Generational Diversity Resources

- [Generational Diversity analysis](#)
- Generational Scenario analysis

We can also help you share this research with key stakeholders in your community through webinars, workshops and other types of engagements.

- Consultations
- Webinars
- Toolkits
- Keynotes
- Customized workshops and training institutes
- Coaching support
- Community-based projects and initiatives

To learn more, go to the [Get Started](#) page on our [website](#).

About the Center

The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing *empowering research* together with *effective community engagement* to advance *community-driven strategies* for prosperity.

Our **Solution Area Teams** – [Entrepreneurial Communities](#); [Community Development Philanthropy](#); [New Generation Partnerships](#) – empower community leaders to find their own answers to the economic development challenges and opportunities they face.

To learn more about the Center, go to www.energizingentrepreneurs.org.

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Our Team



Don Macke is Co-Founder and Director of the Entrepreneurial Communities solution area. Through this work, Don helps communities and regions throughout North America grow entrepreneur-focused economic development strategies. He works with a group of strategic partners across the country to deliver customized economic development solutions.



Deborah Markley is Co-Founder and Managing Director of the Center. Deb guides the Center's measurement and research agendas, including development and implementation of tools for measuring success, practice-driven research, and evaluation of model entrepreneurship development systems and initiatives in rural places.

Ann Chaffin is Senior Associate for Marketing Communications with the Center. Ann heads the Center's Communications team and is responsible for overseeing and branding all content the Center distributes and keeping communications current and professional for each of our solution areas.



Dana Williams is Project Associate with the Center. Dana provides management assistance and operational support across the Center, including providing executive assistance to each of the Center's solution areas and has been actively engaged in product development, supporting the creation of a number of online toolkits.



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