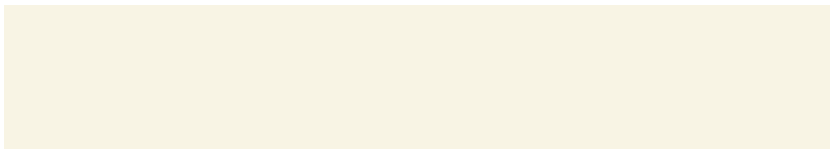




Business Face of the Inland Empire 2007



**W G** WILKIN • G U G E  
*marketing*

INLAND SOUTHERN CALIFORNIA'S BUSINESS NEWSPAPER  
**THE BUSINESS PRESS**

**THE PRESS-ENTERPRISE**  
*Inland Southern California's Newspaper*

# Business Face of the Inland Empire

Riverside and San Bernardino Counties, collectively known as the Inland Empire, encompass over 27,000 square miles. The two-county area captures 17.5% of the area of California and just less than one percent of the total United States land mass. The region's population is over four million, making it the 14th largest metropolitan area in the country, behind Phoenix and ahead of Seattle, Minneapolis, San Diego and St. Louis.

Over 132,000 businesses provide jobs and services for the local population. Increasingly, the region's businesses are playing a greater role in statewide, domestic and international trade. The Inland Empire has become a staple in the international trade of goods through its connection to the ports of Los Angeles and Long Beach. According to a January 18, 2008 article in *The Press-Enterprise*, current traffic through the ports of Los Angeles and Long Beach stands at 17 million containers annually and is expected to rise to 40 million by 2020. The region's rail lines and warehouses make it a critical player in goods movement.

This analysis is based upon data generated from Claritas and its Business-Facts database. The database contains information about more than 13 million U.S.-based businesses.

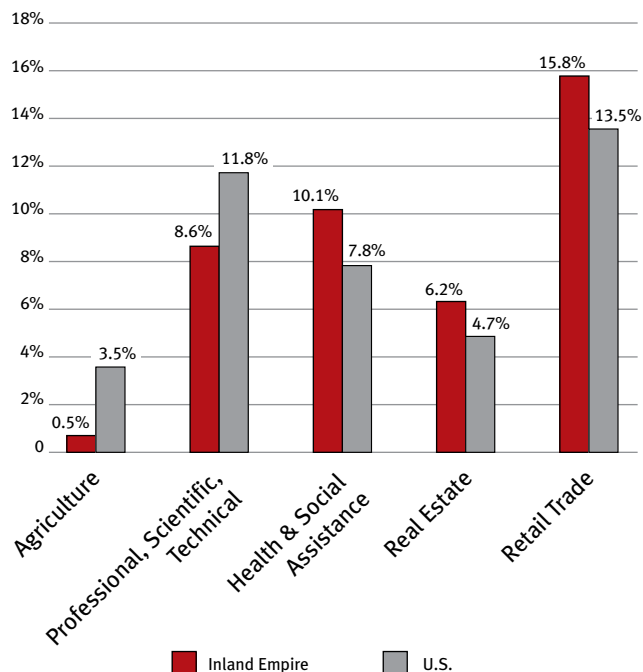
One of the variables used in the analysis is the NAICS code. The North American Industrial Classification System (NAICS) was designed to replace Standard Industrial Classification (SIC), originally created in the 1930s to classify establishments by their primary type of activity and to promote the comparability of establishment data describing various facets of the U.S. economy. The Office of Management and Budget last updated the SIC in 1987. In a market faced with increasing emphasis upon international trade, the SIC became outdated. Its successor, NAICS, has a six-digit code for designating industry types. The code, at the five-digit level, is standardized across Canada, the U.S. and Mexico.

The Inland Empire differs somewhat from the national distribution across the 20 primary categories. Over half of the region's businesses fall into one of the following categories:

1. Retail Trade (15.8%)
2. Other Services (12.2%)
3. Health Care and Social Assistance (10.8%)
4. Construction (9.3%)
5. Professional, Scientific and Technical Services (8.6%)

Collectively, these industries account for 56.4% of local businesses compared to 55.2% nationally. However, when broken down, there are some interesting differences. The region's decline as an agricultural hub is evident. Nationally, 3.5% of the businesses are in the category of Agriculture, Forestry, Fishing and Hunting. Locally, this category accounts for 0.5% of businesses. The region is also under-represented in the Professional, Scientific and Technical Services category. This industry includes professionals, e.g. lawyers, accountants, architects and marketing consultants, as well as scientific consultants in the life, physical and social sciences. Nationally, this industry accounts for 11.8% of all businesses while regionally it accounts for 8.6%.

**Graph 1 – Distribution of Businesses by Selected NAICS Clusters**



The retail trade is critical to the Inland Empire economy accounting for approximately one out of six businesses in the two-county region. Trends in retail sales growth have been down since reaching a peak in the first quarter of 2007. This decline coincides with a slowdown in home construction and population growth. According to economist John Husing, between 2000 and 2006, an average of 83,116 people per year moved into the Inland Empire. This fell to 49,475 in 2007, a decline of 40.5%. This is likely to have a continued negative impact on sales for retailers of all sizes from the big box Wal-Marts down to the local nail salons. Employment in the retail sector could very likely face a decline this year due to downward pressure on sales.

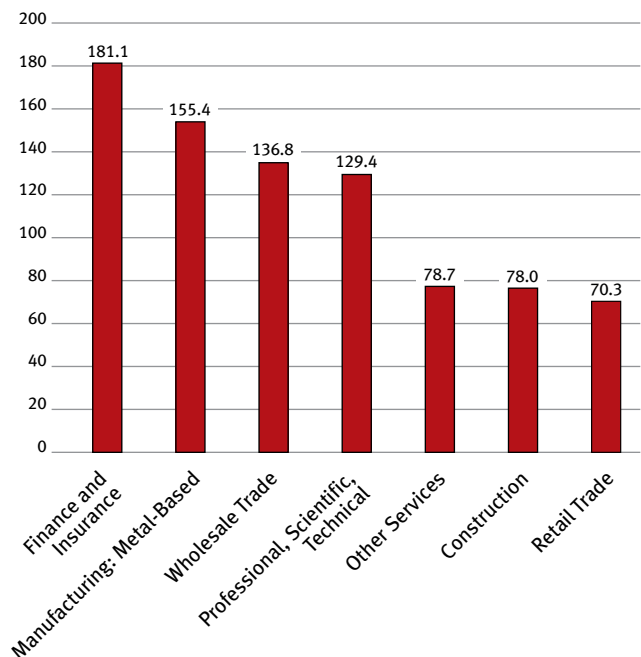
Riverside, the region’s most populous city, was the leader in number of businesses. Claritas estimates that the city of Riverside has over 13,400 businesses. Following in second place is the other county seat in the region. San Bernardino is estimated to have over 7,800 businesses. After these two cities, the correlation between population and number of businesses is not as strong. Fontana is estimated by Claritas to be the third most populous city in the region, but it ranks number seven in number of businesses at just under 5,000. Half of the businesses can be found within the sphere of influence of 11 cities. They are:

City	# of Businesses
Riverside	13,410
San Bernardino	7,812
Ontario	7,269
Corona	6,753
Rancho Cucamonga	6,744
Temecula	5,089
Fontana	4,983
Palm Desert	4,732
Upland	4,704
Victorville	4,080
Palm Springs	4,050
<b>Total</b>	<b>69,626 (52.6%)</b>

Between 2000 and 2006, the cities with the greatest increase in households were not the same cities that captured the greatest share of businesses. Cities outside the San Bernardino Valley and 91 Corridor tended to show higher than median rates of household growth. These cities included Winchester, Menifee, La Quinta, Murrieta, Beaumont, Indio and Coachella amongst others. The exceptions were Temecula and Victorville, which had housing growth rates well above the median of 14.0% and which played host to a significant share of the region’s businesses.

On a zip code level, 91730 (Rancho Cucamonga) has the greatest concentration of businesses at 4,627 (see chart below.) This zip code accounts for over two-thirds of the city’s businesses. Other key zip codes include 91786 (Upland) with 4,219 businesses or 89.7% of the city’s businesses; 91710 (Chino) with 3,565 businesses or 97.0% of Chino’s total; 91761 (Ontario) with 3,508 businesses or 48.2% of Ontario’s business base; and 92260 (Palm Desert) with 3,217 businesses or 68.0% of Palm Desert’s business base. Riverside’s top zip code is 92503 with 2,699 businesses or 20.1% of the city’s base. In San Bernardino, 92408 is the top business zip code with approximately 2,200 business or 27.7% of the city’s base.

**Graph 2 – High/Low Indexing Business Types (91730 Zip Code)**



In the 91730 zip code, businesses that are in the Finance and Insurance category (NAICS 52) account for 10.1% of all businesses. The norm for the Inland Empire is 5.6%, thus creating an index score of 181.0. Other business types that are found in higher than expected concentration include Wholesale Trade, Metal-based Manufacturers and Professional, Scientific and Technical firms. Conversely, there are fewer retail firms than would otherwise be expected. Retail firms account for 11.1% of the business base in 91730, however region-wide the average is 15.8% per zip code, an index score of 70.3%.

Smaller operations dominate the Inland Empire business landscape. Three out of four businesses in the region have nine or fewer employees, with over 31% having two or fewer employees. Conversely, 22% have ten or more employees. The site with the largest number of employees is the Marine Corps Air Ground Combat Center in Twentynine Palms. The facility is estimated to have over 10,800 employees. It is followed closely by Loma Linda University Medical Center with 10,000 employees. The University of California at Riverside, Ontario International Airport and Fort Irwin round out the top five single largest work sites.

The Inland Empire has three Fortune 1000 firms headquartered in the region. Stater Bros. is the largest, in terms of employees, with over 17,000 employees. The privately-held grocery store chain has over 160 stores in six counties, with sales of over \$3.5 billion in 2006 according to Answers.com. Fleetwood Enterprises, the region's largest publicly-held company, has over 9,000 employees and generates \$2.5 billion according to CNNMoney.com. Corona's Watson Pharmaceuticals generated \$1.9 billion for the fiscal year ending December 2006. The company has 5,830 employees. Watson develops and markets both generic and branded pharmaceuticals.

## It's good to be home.

According to Claritas, the Inland Empire is home to over 11,700 home-based businesses. This translates to 8.9% of the region's business base. The businesses have an average of three employees, compared to 13 for non-home-based operations. The Upland zip code, 91784, has the highest percentage of businesses that are classified as home-based (43.3%).

Research compilation and analysis for Business Face of the Inland Empire 2007 was conducted by Wilkin Guge Marketing, Inc., an independent research and marketing firm located in Ontario, California. The study was conducted in partnership with *The Business Press*, Inland Southern California's business news source, and *The Press-Enterprise*, the region's largest daily newspaper.



Wilkin Guge Marketing  
3237 East Guasti Road, Suite 220  
Ontario, CA 91761  
866-654-4WGM (4946)  
[www.wilkinguge.com](http://www.wilkinguge.com)



*The Business Press*  
1650 South E Street  
San Bernardino, CA 92408  
909-806-3100  
[www.thebizpress.com](http://www.thebizpress.com)



*The Press-Enterprise*  
3450 Fourteenth Street  
Riverside, CA 92501  
951-368-9600  
[www.PE.com](http://www.PE.com)