



## Business and Professional Services

January 2019

The business and professional services industry provides services and support for other businesses in various industries. Primary services are highly technical and specialized services, such as legal, architectural, engineering, and consulting, that require expertise and extensive training. Secondary services are routine basic services that support daily activities, such as back-office support operations, accounting, shared services, and processing facilities. These services help companies operate, and the business and professional service industry is a targeted industry for Lexington's economic development. In 2016, approximately 29,200 people were employed in Lexington's business and professional services industry, earning an average of \$48,400 per year. Average salaries ranged from \$72,200 for primary services such as management of companies and enterprises (averaging \$105,500) and professional and technical services (averaging \$66,200) to \$28,700 for secondary services such as administrative and support services.

*"Lexington is a place where big dreams happen. Our exciting city ranks high in quality of life; low in cost of living. We're overflowing with great restaurants, family friendly festivals, a lively arts and cultural scene, and a strong, diverse business community. Our schools are excellent, from Kindergarten straight through to several institutions of higher education, including the University of Kentucky and Transylvania University. We're about to become one of the largest gigabit cities in the country, an opportunity to leap into tomorrow's economy. Lexington is a great place to live, work, and raise a family."*

*-Linda Gorton, Mayor of Lexington*

Companies engaged in providing business and professional services tend to concentrate in metropolitan areas near their clients, such as cities like Lexington. Back-office and support services companies tend to prefer lower-cost locations in proximity to major metropolitan areas. Lexington is one of the lowest cost-of-business locations in the country and has a business-friendly environment. In fact, Lexington was named #8 City with the Lowest Startup Costs by *SmartAsset* in 2016 and #34 Best Place for Business and Careers by *Forbes* in 2017.

## Industry Leaders in Lexington

Lexington is currently home to 100 headquarters operations including Lexmark, Galls Inc., Tempur-Sealy, and A&W Restaurants.

Tempur-Sealy located its world headquarters in Lexington to take advantage of the city's administrative and managerial services sector and business environment. Tempur-Sealy is the worldwide leader in premium and specialty mattresses and bedding products. The company is focused on developing, manufacturing, and marketing advanced sleep surfaces that help improve the quality of life for people around the world. Their products are currently sold in over 80 countries.



*Tempur-Sealy International's 128,000 square foot headquarters located at UK's Coldstream Research Campus. Photo: Glassdoor*



*Grand Opening for Valvoline USA's new 162,400 square foot global headquarters in Lexington (2017).*

Valvoline, the chemicals company, has been based in Lexington for over 30 years. In 2017, the company opened a new \$35 million global headquarters and R&D operation. Locating Valvoline's headquarters in Lexington demonstrates the confidence that the company has in our community and workforce. The company continues to be an important member of Lexington's Business and Professional Services sector.

Another company that recently expanded in Lexington is the national travel company Creative Lodging Solutions, which provides customized lodging programs that help corporate clients arrange business travel. In 2017, the company was acquired by FLEETCOR Technologies, Inc., a leading global provider of commercial payment solutions. FLEETCOR assists businesses of all sizes by giving them better control, simplifying, and securing payment of their fuel, toll, lodging, and general payables, making Creative Lodging Solutions a natural complement to the business. Creative Lodging Solutions has been recognized by Inc. Magazine's Hire Power Awards (2012) as a top private job creator in America, has consistently appeared on the Inc. 5000 list of the most entrepreneurial and fastest growing companies in America, and was named one of the Best Place to Work by the Kentucky Chamber of Commerce. Since 2014, Creative Lodging Solutions has invested \$5.5 million to locate in a larger building and has created 245 new jobs.

Although not headquartered in Lexington, Conduent has a major presence in the city. Conduent was created in 2016 when Xerox split into two companies: a document technology company which retained the Xerox name and Conduent, a business process outsourcing company. Conduent is a leader in business

process outsourcing and IT outsourcing across a variety of industries and the public sector. Thousands of companies rely on Conduent to help improve their processes, manage client operations, and focus on their core business. Conduent also specializes in IT solutions for levels of government. Their services include data center management, disaster recovery, network management services or help desk operations, and high-volume solutions support, both statewide and worldwide. Conduent represents an industry leader anchoring the Lexington professional services industry and employs 2,500 people.



Also located in Lexington are branch offices of IBM, the industry leader in IT services and many personal and business products. With around \$82 billion in annual revenue, IBM is ranked 31<sup>st</sup> in the Fortune 500. Founded in 1911, IBM recently celebrated its 100<sup>th</sup> birthday and has been a staple in Lexington ever since their days as a typewriter manufacturer and continue to maintain operations here. The company operates a data center that services clients that outsource their information technology to them. The company's Lexington employees also support sales and software development.

In 1991, IBM spun off a section of the company into what is now Lexmark, which is headquartered in Lexington. The company's operations include manufacturing laser printers and providing imaging products, software, solutions, and services that save customers time and money. As a global leader in imaging solutions and technologies, Lexmark serves clients in over 170 countries. Lexmark's Lexington headquarters employs 1,600 full-time employees. In late 2016, the business was acquired by a consortium of Asian investors, primarily Apex Technology Co., Ltd of China, and PAG Asia Capital, and has maintained its location in Lexington.

*"It's exciting to bring my company's headquarters to my home state of Kentucky. Lexington's advantageous proximity to our region and its location to our strategic partner, Tempur Sealy International Inc., make it an ideal location for us. Our connection with my alma mater provides us with opportunities for internships and recruitment.*

*-Kim Knopf, Innovative Mattress Solutions CEO and UK Alumna*

In 2015, University of Kentucky alumna Kim Knopf came home to Lexington and located her business's headquarters in Lexington. Innovative Mattress Solutions (IMS) invested nearly \$2.4 million in the project and created 52 jobs in operations, financing, information technology, marketing, human resources, and sales.

The decision by each of these companies to remain or locate in Lexington and expand

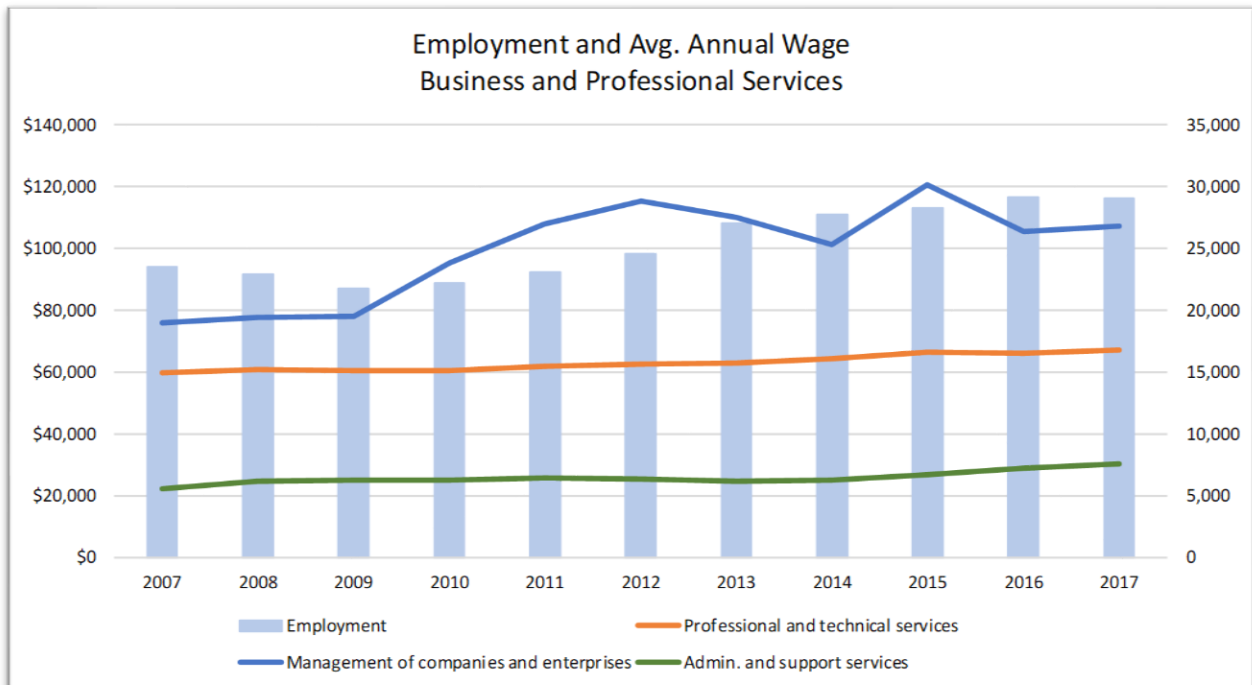
operations provide testimony that Lexington's productive workforce, central location, and other assets combine to create an environment in which businesses can thrive. Lexington provides an excellent business environment that encourages and supports growth in a variety of sectors.

## Select Business and Professional Services Companies in Lexington

Company	Service	Employees
Conduent	Business Services Outsourcing	2,500
Lexmark International Inc.	World Headquarters	1,600
Valvoline	Headquarters	650
Central Bank & Trust	Headquarters	501
Galls LLC	Headquarters	500
Tempur-Sealy	Headquarters	400
Creative Lodging Solutions	Business Travel Consultants	330
IBM	Business Services Outsourcing	200
CLARK Material Handling Company	Headquarters	200
Fifth Third Bank	Finance	115
Stoll, Keenon, and Ogden	Legal Services	112
LBX Company	Headquarters	98
Frost Brown Todd	Legal Services	74
Stites & Harbison	Legal Services	58
A&W Restaurants	Headquarters	40
Bingham, Greenebaum, Doll LLP	Legal Services	30

Source: Commerce Lexington Economic Development, 2019.

## Lexington Employment and Average Wage for Business and Professional Services



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2017.

## Real Estate for Office Users

The Bluegrass offers several options for businesses when choosing their location, both urban and suburban. Companies can choose a build-to-suit in one of Lexington's green spaces or locate in a move-in ready space in one of Lexington's downtown office buildings. If downtown is not the ideal location, Lexington also offers many suburban office options.

## Local Attributes

Aside from the growing business and professional services industry, Lexington itself hosts a myriad of attributes to business growth. The Lexington workforce is at the forefront of those local attributes. In fact, 41.8% of Lexingtonians over age 25 have a bachelor's degree or higher, which makes Lexington the 14<sup>th</sup> most highly educated city in the country, and 18% have an advanced degree, ranking Lexington 11<sup>th</sup> in the nation (Census Bureau, 2017). More specific to the needs of business and professional services is the University of Kentucky's Gatton College of Business. The Gatton College offers undergraduate, master's, and doctoral programs in business and economics. During the 2017-2018 school year, the program had an enrollment of over 3,566 students. High levels of educational attainment are made possible, in part, by the ten higher education institutions in the region that enroll nearly 70,000 students and graduate over 17,000 students every year. The bottom line is that Lexington has a strong, well educated workforce that provides a solid base for the local economy.

*"A Great American Brand is happy to be bringing A&W Restaurants back home to Lexington. Our executive team evaluated several other cities for the headquarters, but the support offered by Commerce Lexington's economic development team, the city of Lexington, and the Kentucky Cabinet for Economic Development brought Lexington to the top of the list. We're proud that Lexington will be home to our global headquarter operations."*

*-Kevin Bazner, CEO for A Great American Brand LLC*

Lexington has many competitive advantages for attracting and retaining business. Throughout Kentucky, utility costs are competitive, in terms of both electricity and natural gas. The region is served by a sophisticated and integrated telecommunications network that has built in excess capacity throughout Fayette County. Lexington also enjoys the advantage of location. When the local business community was surveyed and asked why they choose to locate their businesses in Lexington the number one answer was a close proximity to their customer base and/or suppliers. Lexington has excellent air and interstate access to the rest of the state as well as many metro areas outside of the region. These transportation attributes make Lexington a regional hub that provides excellent geographic proximity to market needs.

While Lexington is a first-class place to do business, it also ranks as one of the best places to live and raise a family. In addition to a low cost of living, affordable housing, and low commute times the region enjoys a wealth of natural beauty and offers various outdoor activities that take advantage of those resources. The high quality of life and good school systems contributed to Lexington being ranked #8 Best City to Live In America by *Money* (2018), #3 Best City to Raise a Family by *Zumper* (2018), and #16 Best Large City to Live In by *Wallet Hub* (2016). Lexington boasts many outstanding lifestyle and cultural amenities including premiere horse-racing, numerous museums, and prestigious athletic teams.

## Bibliography

Angelou Economics. (2010). *Target Industry Analysis*. Presented to Commerce Lexington December 2010.

IBM 2015 Annual Report. Retrieved from:

<https://www.ibm.com/annualreport/2015/assets/img/2016/02/IBM-Annual-Report-2015.pdf>

U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

U.S. Census Bureau, American Community Survey.

Xerox 2014 Annual Report. Retrieved from: <https://www.xerox.com/annual-report-2014/index.html>