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Mid-size companies could drive local economic recovery

DAVE GALLAGHER - THE BELLINGHAM HERALD

As economists sift through piles of data to see if the recession is coming to an end, several Whatcom County companies are not waiting.

Many of the local companies pushing forward with expansion plans in uncertain economic times have something in common: They are the often-overlooked mid-size companies. These companies are nimble, yet established enough that they may help push Whatcom County out of the economic doldrums.

Often referred to as Stage 2 companies in economist circles, they have between 10 and 99 employees and often have the best chance to take advantage of the current changes taking place, said Tom Dorr, director of the Center for Economic Vitality.



"Stage 2 companies are more likely to see growth quickly (than smaller firms) in this part of the economic cycle because they have more infrastructure in place and have already established ties when it comes to financing," Dorr said. "They have matured past the survival mode stage and are ready to take the next step."

Many examples have shown themselves locally in recent weeks: Superfeet, which currently has around 80 employees, is building a new corporate headquarters in Ferndale; Logos Bible Software, which is slightly above a typical Stage 2 company with 188 employees, is adding about 43,000 square feet of office space in downtown

Bellingham after purchasing the Flatiron Building; Barlean's Organic Oils near Ferndale recently finished a new warehouse, adding about 30,000 square feet to its facility.

While these expansions of facilities are taking place, hiring tends to happen with baby steps, Dorr said. However, there are enough mid-size companies locally taking these baby steps that it should start to make a dent in the unemployment numbers.

"What these companies have in common is the growth is strategic and calculated, not reactive," Dorr said. "Many of them are planning ahead for steady growth in employment; it's not a boom."

Many of the local mid-size companies experiencing growth share some commonalities, such as being in industries that are doing well in this recession. Logos Bible Software is seeing growth in its software products at a time when there is growing popularity for computer tablets, such as the Apple iPad and Amazon's Kindle.

"The growth has been tremendous. The overriding challenge we've had lately is finding excellent people to fill positions," said Bob Pritchett, CEO of Logos. He noted they have about 10 openings for computer software developers and others they want to fill right now.

Established businesses that have been re-investing profits into the company are also able to avoid the credit crunch that has stymied other firms. Bruce Barlean of Barlean's Organic Oils said they've been able to invest in technology to come out with new products revolving around Omega-3 fish oils, including its Omega Swirls, which has a fruit smoothie texture, something that has been a hit for parents and children.

"As a family-owned company, we needed to re-invest our profits in order to fund further growth," Barlean said.

Others have focused on trying to get an accurate read about what customers' needs are before making investments. Sandy Keathley of K&K Industries Inc. said they recently invested about \$250,000 in equipment that will allow them to handle larger orders when it comes to bending, shaping and cutting steel.

"There is no way we would have bought this equipment when the economy was going downward a year ago," Keathley said. "But since we've had it installed about a month ago, there's been a lot of interest from our customers. Everyone that sees it says 'wow.' It is very tempting to just play it safe and not make any changes during a recession, but this is already paying off."

This is also a time for some companies to get aggressive in anticipation of a turnaround. Last week All American Marine announced it was returning to its roots and taking orders to once again build commercial fishing boats, rolling out a design for a 32-foot Bristol Bay sternpicker. For Matt Mullett, managing partner of the 44-employee company, the strategy is two-fold: To try and find ways to keep his crew busy in the late summer months when the current ferry boat projects are completed, as well as go after a niche he believes will present an opportunity for years to come.

"It's been years since a significant number of this type of commercial fishing boats have been built, so there are many that need to be replaced," Mullett said. "This is a great time to be looking around for opportunities, because price (for material) is low."

Jim Vleming, a regional labor economist for the state, said the mid-size companies have moved past the shock and fear of the financial meltdown that took place in the fall of 2008 and are looking for ways to make money again.

"Smaller companies are still in a hold-your-breath mode and are still holding onto their wallets because they don't have a lot of resources to work with," Vleming said. "(Mid-size companies) are looking to get to the next level, and want to be on the front part of the wave of any recovery."

TAKING A STEP FORWARD

Several Whatcom County small- and mid-size companies have implemented expansion plans in recent weeks. Here are a few examples:

- **Barlean's Organic Oils** - Recently finished building a new warehouse at its Lake Terrell facility near Ferndale, adding about 30,000 square feet of space.
- **Superfeet** - Recently started building a new 45,000-square-foot facility near Hovander Park in Ferndale. The shoe insole manufacturer expects to be in its new facility at the end of November.
- **Logos Bible Software** - Purchased the seven-story Flatiron Building currently occupied by CH2M Hill and will expand into the building later this year, after CH2M Hill has moved into its new building on Bellwether Way.
- **Blue Sea Systems** - Earlier this year the company, which makes electrical products for the marine industry, formed Terra Power Systems, which will handle electrical product contracts in the trucking industry. Terra Power took up an additional 8,000-square-feet of additional space in the Blue Sea building.
- **All American Marine** - Along with the ferry boat construction, the company has brought back its commercial fishing boat design and is now taking orders for the 32-foot Bristol Bay sternpicker.
- **K&K Industries** - The laser and router cutting company recently installed "Big Blue," a 230-ton press brake that bends and shapes steel for a variety of industries.