

Week of January 27, 2003

Project Watch

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500-Worker Florida Operation Navy Federal's First Outside HQ Area

by JACK LYNE, *Site Selection* Executive Editor of Interactive Publishing

PENSACOLA, Fla. – The world's largest credit union is expanding operations for the first time ever outside the backyard of its Virginia headquarters. **Navy Federal Credit Union** has picked an 18.6-acre (7.4-hectare) site near **Pensacola, Fla.**, to develop what company officials are calling the organization's first "remote in-call center."

The center will eventually employ as many as 500 workers inside Bell-Heritage Oaks Commerce Park, Navy Federal Credit Union officials explained.

"Our goal is to expand service to our worldwide membership," President and CEO Brian McDonnell said of the site announcement. "The quality of the area's work force and its educational level," were major factors in Navy Federal's decision to locate its first non-branch operation away from its Vienna, Va., headquarters complex, explained McDonnell.

The company employs more than 2,700 at its Virginia organizational base, which spans more than 1 million sq. ft. (90,000 sq. m.) of office space. Navy Federal has another 1,400 employees working in its 96 worldwide branch offices.

Virginia, however, still figured large in the site search. In the final decision, Pensacola beat out Tidewater, Va. - some 120 miles (192 kilometers) southeast of Vienna - to land Navy Federal's 500-employee center. Jacksonville, Fla., was one of the earlier candidates considered, said Navy Federal Senior Vice President Preben Ebbesen.

Operation 'Opportunity to be Employer Of Choice,' Says Navy Federal Official

Ebbesen reemphasized the importance of Pensacola's labor availability, quality and underemployment at the Escambia County Commission meeting at which the county sold the site to Navy Federal.

"Our original objectives were to find a location that would reduce our wage costs, and we wanted an opportunity to attract and retain a skilled call center work force," Ebbesen told *Site Selection*. "The Pensacola area has more than 36,000 underemployed workers, and 31 percent of those underemployed workers have advanced degrees," he continued. Pensacola also fared well in Navy Federal's interviews with other call center managers in the area.

"We were pleased with the answers from those call center managers in terms of the local work force's availability, quality and stability," Ebbesen said. "We have several call centers at headquarters, employing about 600 people, and turnover for those centers has varied between 50 percent and 50 percent a year, which involves a lot of investment in training."

Those factors, Ebbesen said at the County



ON THE GULF: Navy Federal picked Pensacola (pictured), a city of some 420,000 residents on the northwest side of Florida's Gulf Coast.



FAMILIAR WATERS: Navy Federal is bringing its 500-employee center to an area with four U.S. Navy bases, including the Pensacola Naval Air Station, home to the Naval Air History Museum (pictured). More than 30,000 area residents are already Navy Federal members.

Commission meeting, "offer a clear opportunity to be an employer of choice."

Salaries will help solidify the company's employer-of-choice efforts. Navy Federal will pay \$16 an hour on average at its Pensacola operations, Ebbesen said. The Pensacola area's average pay is \$12.33 an hour, according to the Pensacola Area Chamber of Commerce.

Navy Federal hopes to further solidify its employee appeal with its Pensacola working environment.

"We will be developing a corporate campus setting that both Navy Federal and the Pensacola community can be proud of and enjoy," McDonnell explained. The campus will include heavily wooded areas and jogging trails, he said. All employees will have a view of the trees and water on the site, Ebbesen added.

'Project Tucker' Took 18 Months

Incentives were another major factor in Navy Federal's southward migration. "The incentive packages offered by Escambia County and the state of Florida were the ultimate thing that tipped the scale," Ebbesen said.

"This project includes nearly \$2 million in federal and state grants for infrastructure improvements and another \$2 million in potential tax refunds and exemptions," said Dick Baker, chairman of Florida's Western Gate Economic Development Council, the Pensacola Area Chamber's economic development arm. Local and state officials, said Baker, had been working with Navy Federal and its consultant, the Staubach Company, for 18 months on the project, codenamed "Project Tucker."

Navy Federal's board of directors actually picked the Pensacola site in September. Project incentives, however, were so important, Ebbesen explained, "that we waited until January, when everything had been approved up and down the government ladder, before announcing the project." Those incentives, he said, will include pre-qualifying job applicants and providing free work-force training and installing roads, infrastructure and utilities to the site.

Though customer proximity wasn't a location factor, Navy Federal will have that in Florida. The U.S. Navy has four bases operating in Escambia County and neighboring Santa Rosa County, including the Pensacola Naval Air Station. Navy Federal has more than 30,000 members in the Pensacola area, Ebbesen said.

Formed in 1933, Navy Federal provides Navy and Marine Corps personnel and their families with checking and savings accounts, mortgages, individual retirement accounts, and a range of loans. The credit union has more than two million members. Members can retain all credit-union privileges even after their discharge from the armed services. "Once a member, always a member" reads Navy Federal's slogan.

Center New Park's 'Anchor Employer'

Navy Federal also represents an important first member for Bell-Heritage Oaks Commerce Park. Escambia County only recently acquired the 67-acre (26.8-hectare) park site from the Matt Langley Bell 4-H Camp Board of Trustees, and it is now developing the acreage into an office and R&D center.

"Navy Federal's new call center will provide an anchor employer for this development," said Marie Young, Escambia County Commission chairwoman.

"It's a good start," echoed Commissioner Bill Dickson.

Navy Federal will make a rapid start in getting its center online. The company anticipates breaking ground at the Pensacola site by March, with the center projected to be operational by December 2003, Navy Federal officials said. The center will employ 55 workers when it opens, with employment projected to exceed 400 by the end of 2005. Company officials are projecting that the facility will reach its full employment of 500 workers in 2008.

Navy Federal, they added, will spend some \$13 million on the project for the land and building,

fixtures, and furniture and equipment.

Navy Federal also has an option in Bell-Heritage Oaks Commerce Park to purchase an adjacent 9.8 acres (3.9 hectares). The company will exercise that option if it decides that it needs that tract for further Pensacola-area expansion, Navy Federal officials said.

H-P Adding 200 Jobs in Omaha Despite Company's Deep Work-Force Cuts

by **JACK LYNE**, *Site Selection* Executive Editor of Interactive Publishing

OMAHA, Neb. – Despite the drastic work-force reduction already under way at **Hewlett-Packard** (H-P), the company is adding 200 workers at its operations in **Omaha, Neb.**

Some of the new jobs will be added in sales. Most of the positions, though, will be added at H-P's Omaha-area plant on Chalco Valley Parkway, which manufactures PCs, laptops and servers. H-P, however, has been noticeably reticent about the job additions in the Nebraska city. The company has made no announcement about the new jobs. The expansion only came to light after *The Omaha World Herald* broke the story. The newspaper got a brief verification on the jobs that will be added in Omaha from officials at H-P's Palo Alto, Calif., headquarters.

The new jobs in Nebraska come as H-P has already cut 5,000 of what the company estimates will be 17,900 total jobs. The 17,900-employee figure marks an increase from the 15,000 job-cut figure that company officials projected last summer. Some of the further jobs cuts will be accomplished through voluntary separations, H-P officials have said.



AT HOME IN OMAHA: H-P already employs more than 1,100 employees in Omaha (pictured).

Manufacturing Additions May Reflect H-P's Strong Holiday Showing

"We hire according to business growth and business needs, or growth in the area," H-P spokeswoman Brigida Bergkamp said in explaining the new positions that are being added in Omaha. At the same time, though, Bergkamp wouldn't say whether Omaha would be affected by the company's further work-force reductions. H-P currently has some 1,150 total employees in the Omaha area. The company's major job cuts are being driven by weak economic conditions, plus the costs and overlap from H-P's \$18.9-billion merger during 2002 with Compaq Computer, H-P officials have explained.

The sizable number of manufacturing jobs that are being added in Omaha may reflect H-P's strong showing in PC sales during 2002's holiday-fueled fourth quarter. H-P, in fact, supplanted Dell Computer in total worldwide PC shipments during last year's fourth quarter, according to market researcher IDC. H-P shipped 6.17 million units for a 16.1 percent share, while Dell's share dropped from 16 percent to 15.7 percent in the fourth quarter, IDC reported.

But uncertainties over where further H-P job cuts will take place are, coincidentally, reflected in dueling research estimates vis-à-vis who was 2002's No. 1 PC maker. H-P is No. 1, says IDC. Dataquest, though, says that Dell claims 2002's top PC-selling spot.

The difference rests in different in researchers' methodologies.

Dataquest combined H-P and Compaq's PC shipments for all of 2002. That gave H-P the No. 1 spot, with a 16.2-percent market share on 21.5-million units shipped.

IDC, on the other hand, only counted Compaq's shipments beginning in 2002's second quarter. That

gave Dell the 2002 crown, with a 15.2-percent market share on 20.7-million units shipped. H-P completed its Compaq buy and the companies' merger in May of last year.

Eisai's \$65M Boston R&D Operation Part of Japanese Drug-Maker's Big U.S. Move

by **JACK LYNE**, *Site Selection* Executive Editor of Interactive Publishing

ANDOVER, Mass. – Japanese drug-maker **Eisai Co.**, which is rapidly ramping up its U.S. presence, will set up a new \$65-million R&D facility in **Andover, Mass.** The research expansion coincides with Eisai's aggressive steps to muscle up its U.S. sales and distribution networks. Eisai USA Inc., the company's U.S. subsidiary, already owns the vacant 23-acre (nine-hectare) site for the R&D facility, which will be located some 24 miles (38 kilometers) north of downtown **Boston**. Eisai will build an 110,000-sq.-ft. (9,990-sq.-m.) research operation on the Boston-metro tract.

The new Massachusetts facility will mark a major step forward in Eisai's U.S. R&D presence, company officials explained. Eisai's existing U.S. research operations only synthesize compounds for possible use in manufacturing new drugs. The Andover R&D facility's thrust will be more ambitious, including utilizing biotechnology to cultivate and ferment potential manufacturing compounds, as well as testing those compounds on animals to measure their safety and effectiveness.

"We aim to raise our status in the United States," said Bill Sheldon, president and chief operating officer of Eisai, Japan's fourth-largest pharmaceuticals firm. Construction of Massachusetts operation will begin in spring 2004, with completion slated for 2006, he said.

Eisai Completes U.S. Operations Base

The Andover project is only one of the aggressive moves that Eisai is making in the United States, the world's largest pharmaceutical market.

The company in early January, for example, announced that it will substantially expand its sales force in North America, a market now accounting for 36 percent of Eisai's worldwide revenues. The Tokyo-based firm over the next two years will expand its U.S. sales representation to 500 employees, doubling its current sales force.

"Dramatically expanding our sales force reflects Eisai's exceptional growth in the past five years," Sheldon explained. Eisai from 1998 and 2001 moved from No. 44 in U.S. pharmaceutical revenues to No. 23.

Competitive pressures also seem to be a major impetus in Eisai's U.S. expansion. The Japanese pharmaceutical market, now filled with foreign competitors, is saturated.

In addition, Aciphex, Eisai's drug for treating ulcers, has recently faced strong challenges from generic substitutes. The company's doubled U.S. sales force will largely focus on increasing Aciphex sales, many industry analysts believe. In addition, the larger U.S. sales force will give Eisai the capacity to promote products without relying on outside partners, company officials said.

Eisai took an initial step in that direction in January. The company began independent U.S. distribution of Aricept, its Alzheimer's drug, which is the world's best-selling treatment for the disease. Previously, Eisai had co-distributed the drug in the United States in partnership with Pfizer. (The Japanese company, however, said that it will, at least for now, continue its other U.S. partnerships, including an agreement to co-market Aricept with Pfizer, company officials said).



GROWTH DRUGS: Eisai's expansions reflect the company's strategy "to raise our status in the United States," said President and Chief Operating Officer Bill Sheldon.

With its changes in distribution and manufacturing, Eisai now has a full operational base in the United States. In its last fiscal year, which ended on March 31, 2002, the company had some \$3.3 billion in worldwide sales, an annual increase of almost 14 percent.



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