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AAA OKLAHOMA CITY: A CASE STUDY

Challenge

In a competitive business environment, it can be difficult for a city to stand apart. But for Oklahoma City, the cost of living, pro-business environment, incredible incentives offered, central location and quality of life combine to make OKC an ideal place to do business. The challenge is showing and proving this value to potential employers who may not be considering Oklahoma City, and competing in a very competitive marketplace. .

In the case of AAA, the challenge was to provide an appropriate site, workforce plan, and incentive package, persuading AAA to locate its new customer contact center in Oklahoma City.

Company Background

Established in 1900, AAA offers a wide array of automotive, travel, insurance and financial services. AAA is the largest, most reliable provider of emergency road service in the world. In North America, AAA is a not-for-profit, fully tax-paying federation of 57 motor clubs with more than 1,100 offices, serving more than 50 million members throughout the United States (48 clubs) and Canada (nine clubs). The California State Automobile Association or AAA of Northern California is headquartered in the San Francisco Bay area. They have approximately 7,000 employees and 3.8 million members.

Scenario

In late 2007, AAA was searching for a new operations center location. After a nationwide search, and extensive comparison of factors such as workforce availability, demographics, surrounding industries, job activity and wage comparison, AAA chose a short list of possible cities. OKC made this short list.

In the end, the final two possible locations were Indianapolis and Oklahoma City. Oklahoma City was faced with the task of proving it was the better location for the new contact center, by showcasing incentives, possible sites, quality of life for new or relocated employees, available and productive workforce and low cost of doing business. It was known that Indianapolis had an existing building, and that OKC did not.



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Ease of Process

From the very beginning, the Greater Oklahoma City Chamber was a partner for AAA's consultant and corporate liaisons, making sure the process was smooth, and confidential. The Chamber's economic development team engaged the necessary parties across the state needed to work seamlessly to pursue the AAA operations center. The City of Oklahoma City, the Oklahoma Department of Commerce and the State Department of Career Tech were also key players in the negotiations. By coordinating these entities from the beginning, the economic development team made the process smooth and streamlined for the client, who then needed only one point of contact to coordinate all aspects of the project.

The economic development was the local partner, gathering data and supplying information in the first phase of the site selection search.

"My first contact with the Greater Oklahoma City Chamber was with Amber Egnor, which set the tone for the entire process," said Neal Krueger, President and CEO of AAA Oklahoma/South Dakota.

"Helpful, responsive, excited about the opportunity, and ready to spread the great Oklahoma City story describe Amber's response to my inquiry."

Once Oklahoma City was officially chosen for the new operations center, the Chamber continued its dedicated role. They assisted with media announcements, employee relocation packets, hosting employee groups in Oklahoma City and connecting AAA with all the resources of the Career Tech System to finalize their specific Training for Industry (TIP) Program. They also hosted a number of AAA leadership visits throughout the process, and set up meetings with existing local businesses to talk about their experience of living and working in OKC.

"Our experience throughout the entire process was consistent," said Krueger. "It was very helpful to have (the Chamber) coordinating and hosting visits to OKC, contacts with other OKC employers, and meetings with the Department of Commerce and the Oklahoma City Economic Development Trust. The Chamber was always very responsive to our needs."

When a site was eventually chosen, the Chamber worked with KDC (AAA's general contractor) to connect AAA with city and state resources as they pursued purchase of the site and the build out of the facility, ultimately assisting with both the Ground Breaking and the Grand Opening.



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The City of Oklahoma City worked closely with AAA on the zoning and permitting process to meet critical timelines and the Oklahoma Department of Commerce was crucial in assisting with state incentive programs.

Project Timeline

- October 2007: Oklahoma City submits initial response
- January 2008: Key players from AAA conduct a site visit to Oklahoma City
- March 2008: Second site visit to OKC
- May 2008: AAA announces Oklahoma City as the location of the new contact center
- August 2008: New center groundbreaking
- October 2008: Potential relocated employees visit Oklahoma City
- August 2009: Hiring and job fairs begin
- October 2009: Center opens with first employees
- March 2010: Official grand opening of call center with nearly 100 relocated employees, and 500 locally-hired employees.

Site Selection Process

The Greater Oklahoma City Chamber was a true partner through every step of the process. If AAA had a problem, the Chamber found the solution. Some of the issues most important to AAA and addressed by the Chamber included:

The Workforce in the City

With a labor force of 572,818 in the greater Oklahoma City Area, and an unemployment rate today of 6.1% (second lowest in the nation for large cities), Oklahoma City has an available and motivated workforce, but not as large as markets such as Indianapolis. At the time of the recruitment, unemployment was at 4%. To determine AAA's specific needs, the Chamber used software specifically developed to analyze workforce data for OKC and analyze the availability of the labor market for very specific occupations. Several occupations were run through the system to determine the number of potential employees with similar skill sets who would likely choose to apply for a position with AAA.

The results showed the potential labor pool for claims examiners, insurance underwriters, insurance claims clerks, and insurance sales agents and property and casualty insurance to be more than 91,000 potential employees.



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Cost of Doing Business

The annual North American Cost of Doing Business Review by Economy.com found the region's cost of doing business to be one of the lowest of the 361 metro areas surveyed. The index measured the relative cost of labor, energy, taxes and office space. A KPMG study completed in April 2010 found Oklahoma City to be the least-costly metropolitan area in which to do business when compared with 12 locations of similar size. OKC also outranked larger cities like Atlanta, Miami and Houston.

Oklahoma is a right-to-work state with income and property taxes well below the national average. Sales tax is also one of the lowest in the nation. The cost of living index is 87.4, also well below the national average when looking at housing, groceries, utilities, transportation, health care and miscellaneous goods and services.

"The cost of living and residential real estate pricing in the Oklahoma City area were significantly lower than in other cities being considered as potential locations," said Krueger.

Relocating Employees from Other States

As part of the new operations center, AAA would be relocating some employees from several different states to Oklahoma City.

"Some employees from California, Arizona, and Colorado did have reservations about moving to OKC," said Kreuger. "The Chamber helped us set up a visit for several employees who came to Oklahoma City to get a better feel for the quality of life in OKC."

In October 2008, the Greater Oklahoma City Chamber invited these potential employees to Oklahoma City for a hosted tour to familiarize themselves with the quality of life.

Approximately 20 employees were taken on a guided driving tour through the city, taking time to examine neighborhoods, school and childcare options, restaurant and dining options and recreational activities. Employees met with a diverse group of city representatives throughout their stay. Oklahoma City made sure these potential employees knew that they would be welcomed into the Oklahoma City family. Those who couldn't attend were sent relocation packets that answered most questions.



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“These employees were impressed and some pleasantly surprised by what they learned,” said Krueger. “This group reported their experience and perception to other employees who were considering a move to the new operations center.”

By the time the new center opened, nearly 100 employees chose to relocate from their hometowns to Oklahoma City.

“Employees who have moved here from California, Arizona, and Colorado have mentioned the lower cost of living, lack of traffic congestion, Bricktown, good schools, and friendly people as reasons they are very happy with their decision to move to OKC,” said Kreuger.

AAA was also looking to recruit employees from within Oklahoma City. The Chamber assisted with publicizing job postings and career fairs. They also connected AAA with the Oklahoma Employment Security Commission who assigned a specific team to assist AAA in placing their job ads on the state’s website and publicizing their events.

Location of the New Center

The Chamber engaged local real estate groups and showed AAA 19 possible sites for consideration. Once the final location was chosen, the Chamber was there every step of the way. The customer contact center was constructed and occupied within 18 months of the groundbreaking.

State Incentives

Oklahoma has one of the most innovative and recognized incentive programs in the nation. The programs AAA qualified for and/or chose to take advantage of included:

Oklahoma Quality Jobs Program: This program provides quarterly cash payments directly to qualifying companies, for up to ten years. Qualified businesses must be a central administrative office, manufacturer, research and development, distribution center (with 75 percent out-of-state delivery) or certain service companies (with sales out-of-state exceeding 75 percent of total sales) and must achieve a payroll (within 3 years) of \$2.5 million or more. After 3 years the company must have \$2.5 million gross payroll for four consecutive calendar quarters on an ongoing basis. All businesses must offer basic health insurance coverage to all employees, and



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80 percent of employees must work at least 25 hours per week. The amount of the incentive is determined through a cost-benefit analysis prepared by the Oklahoma Department of Commerce.

Companies may also be eligible for the five-year ad valorem tax exemption (manufacturing), free Training for Industry Program (TIP), foreign trade zone and freeport benefits and other assistance programs.

Training for Industry Program: Consistently ranked as one of the top programs in the nation, Oklahoma's Training for Industry Program (TIP) provides customized training and resources to qualifying new and expanding Oklahoma companies at no cost to the company. Delivered through the state's Career Technology Centers, TIP ensures that companies have a productive workforce from the start. The Training for Industry Program in Oklahoma can cover up to 100 percent of costs.

Please see <http://www.okcommerce.gov/Site-Selection/Incentives> for other state programs.

OKC Incentives

Strategic Investment Program: This job creation incentive is a closing fund and is based on performance. It is paid to a company on an annual basis as jobs are created within qualifying business units. The funds can be used at the companies discretion, but the payout is based on reimbursements of qualifying capital improvements, including equipment and furnishings. It is a one-time, per-job incentive.

AAA, when combining both city and state opportunities, qualified for in excess of \$12.5 million in incentives.

"We found the city and the state to be flexible and easy to work with in helping us understand and maximize the financial incentives for locating the center in OKC," said Krueger.



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Conclusion

Today, the operations center handles calls from 6 million AAA members in nine states. There are 500 employees today, and over the course of the next year and a half, employment will ramp up to 825 employees. Employees offer membership, travel, insurance and emergency road services to AAA members in nine states including northern California, Nevada, Arizona, South Dakota and Oklahoma.

Key point include:

- Ground breaking to grand opening took only 13 months.
- AAA qualified for more than \$12.5 million in incentives
- Oklahoma City's cost of doing business and quality of life consistently outranked competing cities
- The synergy between the Greater Oklahoma City Chamber, the Oklahoma Department of Commerce, the City of Oklahoma City and the Career Tech System made the process smooth and efficient.

This project is yet more proof that Oklahoma City has much to offer employers. AAA and its members will benefit from Oklahoma's motivated work force, friendly business environment and low cost of operation.

"Oklahoma's Department of Commerce, the Greater Oklahoma City Chamber, the Oklahoma City Economic Development Trust, and many other city and state officials including Mayor Cornett and Governor Henry join together as a great team to attract new business to our city and state," said Krueger.

The Greater Oklahoma City Chamber economic development team has proven to be flexible yet aggressive, staying within desired time frames and specifications to get the job done. With a strong pro-business climate, exceptional work ethic, lower operating costs and a well-educated, talented workforce, Oklahoma City is unrivaled as a business location.