

# **Downtown Market Analysis: *Improving the Process***

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Small city downtowns throughout the country are being rediscovered as historic, authentic and sustainable mixed-use centers that offer places for shopping, employment, housing, dining, culture and worship. Unlike shopping centers that primarily serve national retail tenants, downtowns enjoy diversification of use. Downtown environments are growing in popularity among many segments, young and old, who seek an urban, amenity-rich experience. Downtowns are also gaining interest as a place for sustainable development, offering a central place in the community with opportunities for reusing and improving existing structures. Finally, downtowns have become the location of choice for many entrepreneurs and creative people. The downtown environment offers social and business interaction, diversity, and amenities appealing to people with various talents.

Economic development planning for any commercial district requires relevant market information to guide business retention, expansion, recruitment, marketing and other efforts. This information is the focus of a “market analysis”. Given the dynamic downtown environment, the traditional retail-driven analytical models no longer apply to downtown districts. Even more sophisticated demand/supply techniques used by national retailers are not applicable. Instead, downtown development professionals must analyze a complex market with a variety of building uses; independent ownership of building and businesses; distinct consumer segments; and intense competition from surrounding commercial centers.

This paper explores national trends in downtown market analysis in small cities to determine what’s working and what’s not. It is based on two sources of information:

- Survey of downtown development professionals to assess their market analysis practices and outcomes; and
- Findings from a workshop discussion session conducted at the March 2009 National Main Streets Conference in Chicago where consultants and community representatives shared ways to make market research more useful.

The goal of this paper is to provide downtown development professionals and market research service providers with some of the best practices in downtown market analysis and to offer new techniques and technologies that can be used at the community level. This paper will hopefully improve decision-making at both the downtown district and the business level, leading to positive economic development outcomes for our communities.

## Situation - General Problems with Downtown Market Analysis

Based on survey results and workshop discussions, there are numerous problems with many market analyses, often resulting in poor use of time and money. The following are some of the issues related to current market analysis practices.

Often communities turn to market analysis hoping it will provide “the” solution to their economic development challenges. While studies often begin with a common purpose of helping existing businesses become more profitable, they often lack a clear goal that defines what information is needed. Often defining the scope of a study is difficult as there are multiple users with different intentions. Further, communities often lack the knowledge of how to start their research. Many view market analysis as a process with a beginning and an end, not one that is ongoing, incremental and changing with a district’s lifecycle. As a result, too many studies are completed and then not used.

While the Main Street Four-Point<sup>1</sup> approach provides a framework for downtown revitalization, market analysis often fails to go beyond the “economic restructuring” point and provide information to support the other elements of downtown revitalization. Often specific strategies are not developed from the research leaving the downtown organization with “interesting data,” but limited connection to action strategies.

The downtown market is also difficult to analyze. One downtown can’t simply copy the methodology or research questions used by another as the approach used should be different depending on the type of community (urban, suburban, exurban, rural). Market characteristics are dynamic, not static, often changing within the timeframe of a typical study. Multiple business districts in an area can complicate an analysis, and the analysis must recognize downtown as one unit within a regional economy. Finally, downtown market analysis is not necessarily a linear process as the project scope and methodology may change along the way.

The process is complicated and tiring for most communities. Most downtown development professionals and volunteers do not find market analysis engaging, and its duration is often tiring. Practical action steps along the way are often missing resulting in study committee members forgetting why they are investing time in the process. In addition, many of the research concepts and language used are confusion and challenging.

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<sup>1</sup> The Main Street Four-Point Approach® as described by the National Trust for Historic Preservation is a unique economic development tool that serves as the foundation for local initiatives to revitalize their districts by leveraging local assets—from cultural or architectural heritage to local enterprises and community pride. The four points of the Main Street approach work together to build a sustainable and complete community revitalization effort. These points include organization, promotion, design, and economic restructuring.

The technical nature of downtown market analysis often requires outside expertise or facilitation. Local volunteers may not have the time or expertise to conduct many of the components of the analysis. At the same time, the cost of hiring outside expertise is often a barrier for many small cities.

Many market studies are still overly focused on traditional retail recruitment. Some are still designed to attract suburban-type chain stores downtown. Other commercial and residential uses are sometimes ignored in these studies. Given downtown's mixed uses and uniqueness, traditional retail analysis may not be the best use of research investment.

Market analyses are sometimes criticized as not objective or credible. Public participation and stakeholder insight is sometimes ignored. Studies sometimes rely on limited secondary data, and ignore creative and alternative approaches that capture local insight (charrette, visioning activities, town hall meetings, etc.). Some market studies also fail due to unrealistic assumptions (i.e. size of trade area) and a promotional agenda that is driven by hoped-for achievements and not actual assets.

## **Project Background:**

To help downtown professionals overcome problems with market analysis, this project was initiated to explore national trends in downtown research in small cities to determine what's working and what's not. It is based on two source of information:

- Survey of downtown development professionals (February 2009) to assess their market analysis practices and outcomes; and
- Findings from a workshop discussion session National Main Streets Conference in Chicago (March 2009) where consultants and community representatives shared ways to make market research more useful.

### Survey of Market Analysis Practices and Outcomes

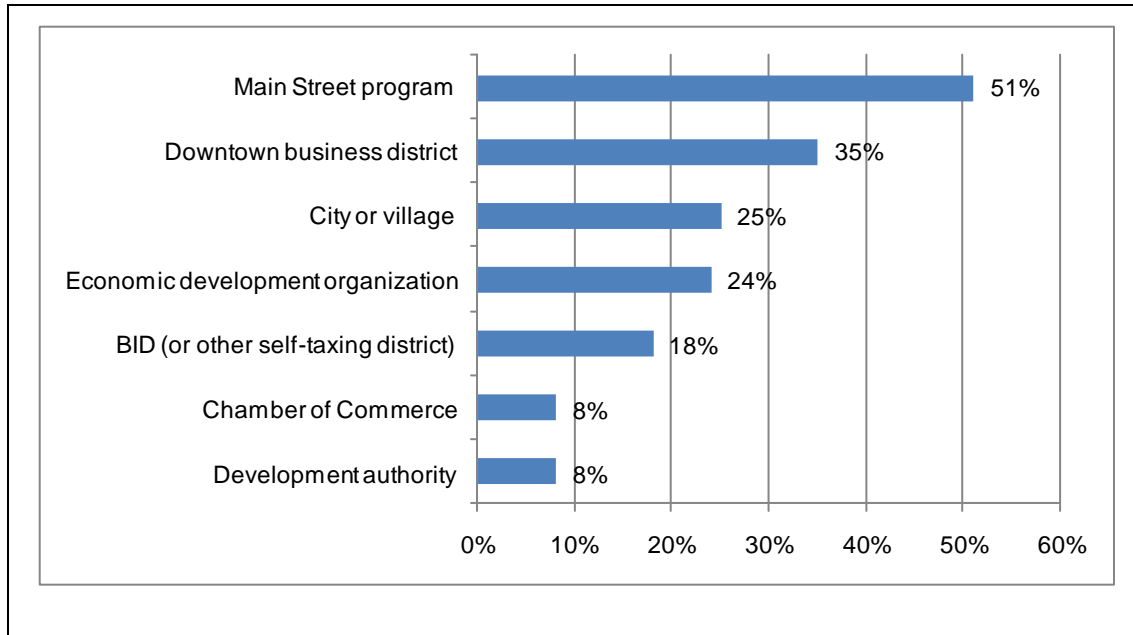
In early 2009, 15 academic, consulting and commercial center revitalization organizations collaborated in designing an online survey that would ask local downtown directors what market analysis techniques work well, and what new techniques are emerging. Survey collaborators included:

- University of Wisconsin - Extension, Bill Ryan, Matt Kures and Erin Fifield
- National Trust Main Street Center, Todd Barman
- Community Land Use and Economics Group, LLC, Joshua Bloom
- DANTH, Inc., David Milder
- Downtown Professionals Network, Jay Schlinsog
- Mississippi Main Street Association, Sam Agnew
- Ohio State University, Jill Clark
- Ontario Ministry of Agriculture, Food and Rural Affairs, Norman Ragetlie and staff
- Plutchak Consulting, Beth Plutchak
- R.A. Smith National, Inc., Michael Stumpf
- RDG Planning and Design, Cory Scott
- University of Minnesota - Extension, Ryan Pesch
- Vandewalle & Associates, Dan Kennelly
- Vierbicher Associates, Gary Becker
- Wisconsin Main Street, JD Milburn

The survey was completed and launched in February 2009. A copy of the survey is included in Appendix A. The survey was sent to approximately 200 commercial district representatives and downtown development professionals. Recipients were asked to share the survey with other communities. In total, 120 completed online surveys were received.

Many respondents work with more than one organization. Half (51%) of all respondents are affiliated with a Main Street program. Other organizations represented include a city or village (25%), and/or an economic development organization (24%).

Chart 1: Survey respondents' affiliations



Respondents represented small cities, most with a population of 10,000 to 50,000.

In the last five years, a majority of survey respondents had some experience conducting a market analysis. In particular, respondents:

- Had completed a comprehensive or abbreviated study (46%);
- Were currently conducting a study (16%);
- Market research is a continuous process - NO start or stop (9%);
- Started but discontinued a study (3%); and
- Had not started a study (26%).

#### Participants at the National Main Streets Conference Workshop

Bill Ryan and Matt Kures (University of Wisconsin-Extension) working with Todd Barman and Andrea Dono (National Trust Main Street Center) used the results of the online survey as a foundation for a workshop at the National Main Streets Conference in Chicago (March 2009). The workshop session was titled *Discussing the Next Generation of Market Analysis for Main Street*. A facilitated workshop discussion was conducted to expand upon survey findings and develop recommendations to improve the market analysis process. The workshop was attended by 75 participants, mostly Main Street program directors, educators and consultants.

The remainder of this paper discusses the findings: issues related to improving the market analysis process for small city downtowns. It includes recommendations on getting studies started, conducting studies, and fully and effectively using the results.

## Market Analysis: Getting started

“Getting started” is the first phase and perhaps the biggest obstacle in the market analysis process. It involved the initial steps of setting research goals and determining who should be involved.

### Goals of Market Analysis

Survey respondents were asked how important a number of goals are to their market analysis efforts. The following chart lists each goal and the percent of respondents who viewed that goal to be *very valuable*. Of note, the following goals were deemed to be *very valuable* to market analysis efforts by more than 60 percent of respondents:

- Understanding trade area’s customer’s to improve sales (71%);
- Demonstrating the economic importance of downtown (66%);
- Retail/service business expansion or recruitment opportunities (65%); and
- Helping individual business better understand the market (62%).

Chart 2: Goals deemed very valuable to market analysis



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ended responses. In particular, many communities use the market analysis to help improve their image and develop a brand strategy. A number of survey respondents also see market analysis as a way to gain new insight into specific targeted consumer segments. Segments such as heritage tourists, college alumni, and second homeowners were identified, demonstrating the level of precision that is needed in their marketing efforts. Various other

goals include improving traffic and parking, guiding zoning and comprehensive planning, supporting the local economy, engaging absentee landlords, attraction of specific employers, and increasing participation at local events.

### Barriers to Starting a Market Analysis

The survey explored barriers to initiating and completing a market analysis. Money and staff/volunteer time were each mentioned by about one-third of the respondents.

Funding is a major barrier as most respondents operate with very lean budgets and may not be able to afford consulting services. Consultants are sometimes viewed as too expensive and communities often need help in securing grants for such services.

Equally challenging is committing staff and volunteer time (including business operators) to market research. Analyzing data is not as glamorous as other priorities of downtown revitalization and may require time and skills not currently in-house. In addition, downtown organizations often struggle to get off the ground and a downtown research effort might drain limited energy and resources. Maintaining a research agenda during a leadership change is also difficult as research is often discontinued.

A lack of knowledge of the market analysis process stalls many communities. There are numerous approaches, each requiring very technical skill, often muddying the decision on how dollars and time can be best used. Sometimes research decisions are based on a consultant's particular approach, and not necessarily centered on a community's needs.

Demonstrating the value of a research project is also difficult. The challenge of engaging the local municipality was mentioned as a particular issue. Some report that having specific implementation or action plan as a goal for the study can help.

Some indicated an interest in a clearinghouse of consultants (with references) by specific area of interest or approach. Others cited the need for guidance in engaging other research partners such as local colleges and tourism organizations.

### Recommendations – Starting a Market Analysis

Based on survey results and workshop discussions, the following are selected recommendations to help effectively launch a downtown market analysis

*Use an assessment tool such as a Strength Weaknesses Opportunities Threats (SWOT) process to help launch research.* This process can engage local stakeholders from the start and help focus research around downtown's existing assets and market segments.

*Determine what has already been done and don't reinvent the wheel.* This is a problem in many communities that have experienced turnover in their downtown leadership. Often past research

is forgotten or ignored, or simply needs to be refreshed. Similarly, research conducted in peer communities should be utilized as it might offer some transferability.

*Establish specific goals for research.* It is important to clearly define the need for research. Information may be needed on how to support businesses in a tough economy, how to fill vacancies, or how to improve sales. Goals should specify the level of research depth needed (from simple market overview to comprehensive study).

*Establish benchmark indicators.* Measures of progress in downtown economic development should be identified and used as a basis for evaluating market analysis efforts. These indicators can include building vacancy levels, business sales, private investment and other measures of economic activity.

*Make sure the research effort is participatory.* Local buy-in is important and requires communicating the expected return on investment that will result from research. Key downtown stakeholders who should participate in the research include business operators, building owners, public officials and others.

*Create a market analysis action committee.* A study or oversight group should be assembled to prepare for, conduct and/or supervise the research. The limitations of staff and volunteer time should be recognized. A realistic timetable of project events should be developed so that the process does not “drag on.” Be aware of burn-out and impatience in this committee.

*Determine what research elements can be done internally and what require an outside consultant.* Some communities prefer a community-initiated analysis while others prefer to hire the technical services of a consultant. Various states have University Extension services that can serve as a research partner in a community-initiated approach.

*Hire an outside consultant as needed.* It is important to fully engage and coordinate the work of consultants. This includes immersing them in the community. Funding sources should be explored as early as possible.

**Recommendations for University Extension and other technical assistance providers**

Through multi-state collaboration, consolidate market analysis information, tools, techniques and online discussion related to downtown market analysis (building upon the existing Downtown Market Analysis toolbox). Develop a self-evaluation worksheet to help communities assess their specific market analysis needs and when a consultant may be necessary. Develop sample interview questions for consultants. Create of a clearinghouse of market research professionals, data and examples.

## Conducting a Market Analysis

“Conducting a Market Analysis” involves the implementation and administration of the research. It involves who does the work, techniques use, data sources, and the timely integration and analysis of information collected.

### Who is Involved in Market Analysis Efforts and Implementation

In their market analysis efforts, the majority of survey respondents involved the economic restructuring committee and state or local government in the process. College/university/extension, economic development organizations and consulting firms were each utilized by over half of the respondents.

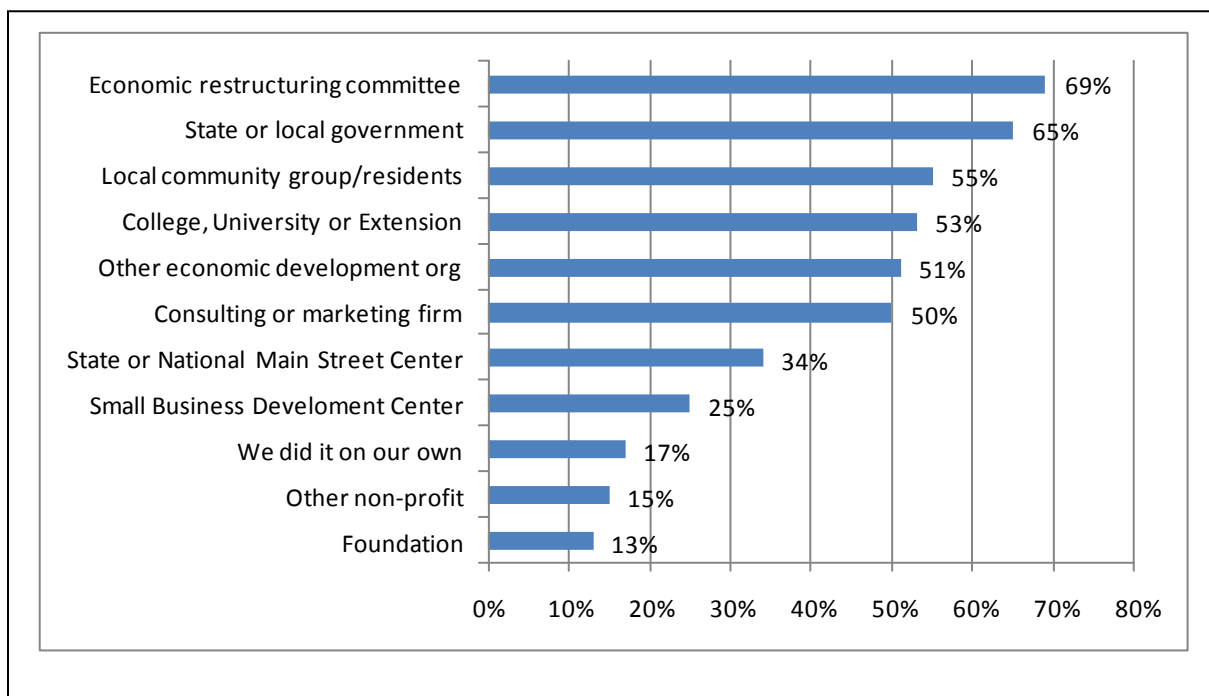
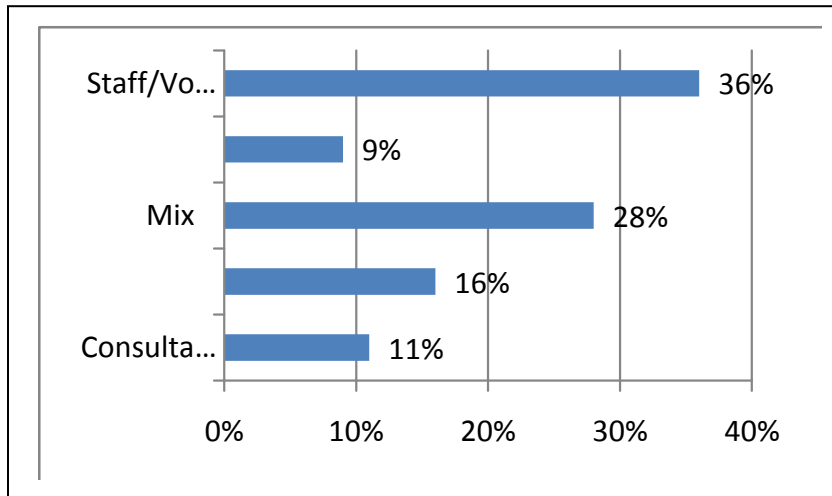


Chart 3: Who to involve in market analysis

The degree to which market analysis work was done in-house (downtown program staff and volunteers) versus consultant-driven varied. However, more respondents (36%) indicated that their market analysis effort was staff and volunteer driven versus consultant driven (11%).

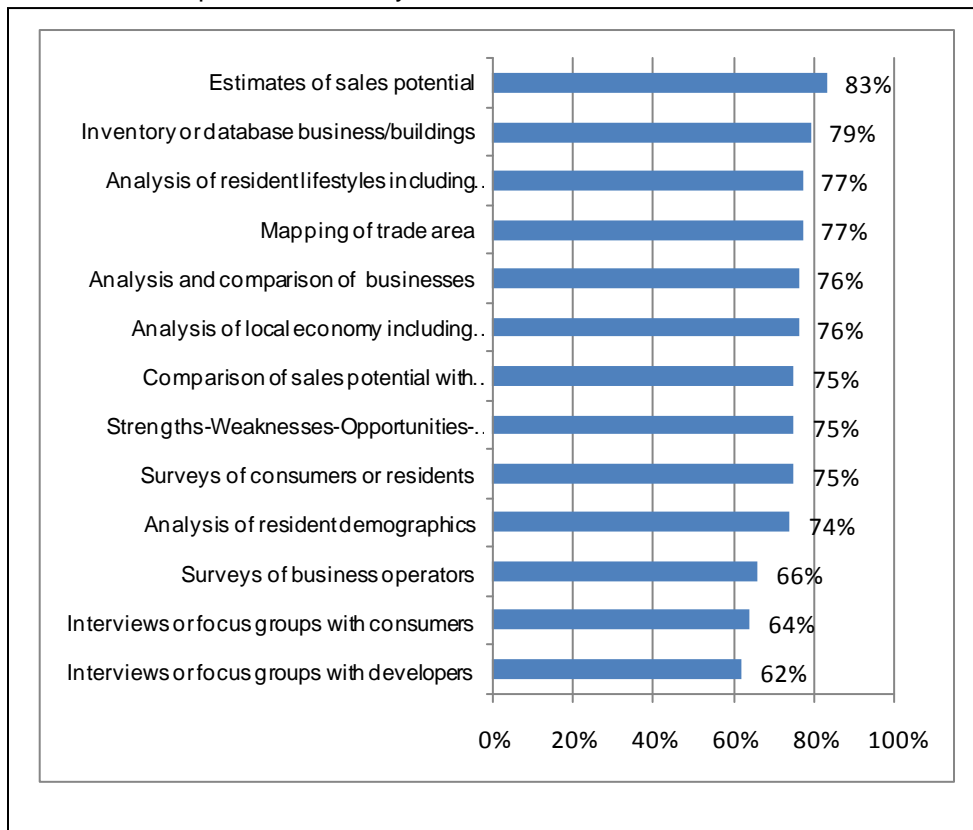
Chart 4: Who conducted the market analysis



Techniques Utilized

Survey respondents were also asked which techniques they used in their research and to what extent that technique was valuable in providing insight about their downtown. Estimates of sales potential (83%) was deemed *very valuable* by the largest percentage of respondents.

Chart 5: Techniques deemed very valuable

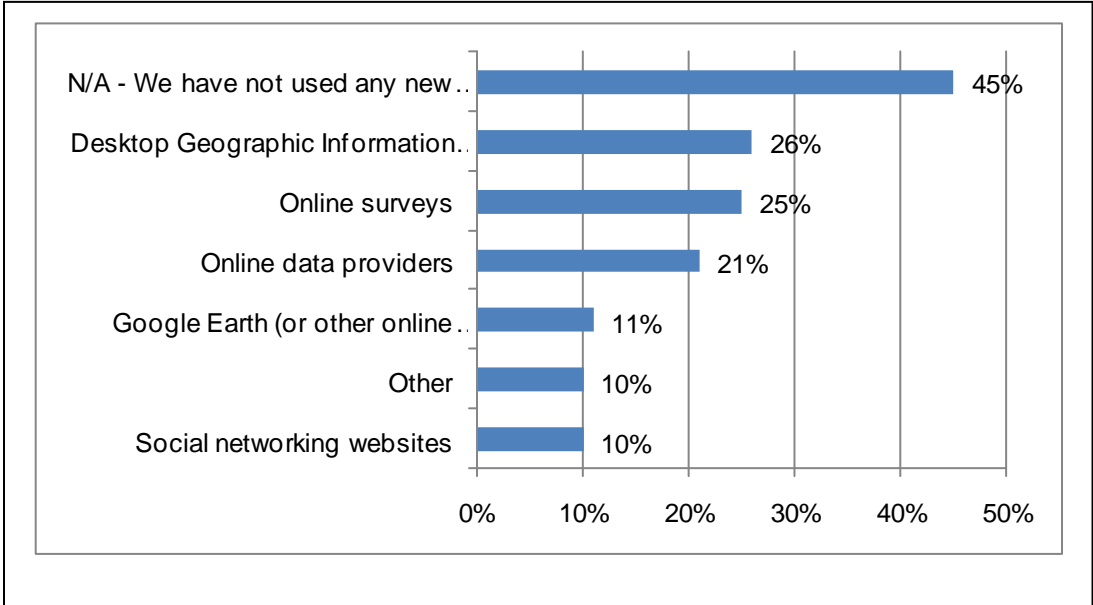


When asked for additional techniques, only a few were offered. Some indicated that they gathered market insight by providing listening forums: town hall meetings, intercept surveys, one-on-one interviews, discussions with representatives from other communities, etc. Other communities utilized various technical approaches such as cluster analysis and mapping of retail sales patterns.

Some communities have unique difficulties getting accurate, locally generated primary data such as customer zip codes, survey responses, or business interviews. Other communities have difficult markets to analyze (such as tourism sensitive communities) when relevant data may not be readily available.

A large number of respondents (45%) indicated that they have not used any new technologies in performing their market analysis. A number of survey respondents indicated that they do use desktop geographic information systems (26%), online surveys (25%), and/or online data providers.

Chart 6: Technologies used in performing a market analysis



Some respondents expressed an interest in learning about applying social networking technologies to market analysis. Others simply want to understand how to use tools already available. Many communities need to collect basic information on their trade area; they want to know what they can do with market data and how they can apply it to day-to-day responsibilities such as business recruitment.

Respondents expressed a desire to access market analysis resources in one place. One suggestion was to create a blog managed by either the University of Wisconsin –Extension or the National Main Street Center to share ideas and best practices related to downtown market research.

Various respondents suggested developing a CD that contains all of the University of Wisconsin-Extension Downtown Market Analysis toolbox<sup>2</sup> (as a way to limit downloads and printouts). Both a hard copy and online version of this toolbox could be enhanced via periodic webcast training sessions.

### Resources Used to Guide Market Analysis Work

Survey respondents were asked a few questions on the tools and techniques and technologies they used and how valuable they were.

Regarding the tools offered by the National Main Street Center or University of Wisconsin – Extension, respondents utilized the following in their market analysis efforts:

- Downtown & Business District Market Analysis online Toolbox (21%);
- Step-by-Step Market Analysis (16%);
- Fill-in-the-Blank Business Recruitment (5%); and
- Sales Potential Software (4%).

In addition to the Main Street and University of Wisconsin-Extension resources, other sources offering technical guidance include the CARDI toolbox (Penn State), conferences (state and National Main Street programs) and services provided by private consulting firms. Many communities have used public and private data resources to support their research. Most frequently cited were demographic data sources such as ESRI and Claritas. Many rely on readily available economic data from the U.S. Census Bureau and other national, state and county data sources. The survey responses suggest that communities may not be fully aware of all of the resources available to help them with their research.

### Recommendations – Conducting the Market Analysis

Based on survey results and workshop discussions, the following are selected recommendations to help downtown leaders conduct a market analysis.

*Understand the components of a market analysis that are available to a community.* Determine which approaches are most applicable to your type of community and that would address the research goals that have been established.

*Recognize that market analysis is not necessarily a linear process.* Given the complexity of downtown districts, research needs to be flexible and change course if findings and needs change along the way. Some communities may find a preliminary market “overview” to be a good starting point, followed by more specific research as needed. While certain deliverables in a timely manner, the analysis should be an active, continuous process that brings new insight to

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<sup>2</sup> Prepared in collaboration with the Wisconsin Main Street Program

downtown leaders as needed. Each element of an analysis should provide answers to questions important to the business community and should be shared along the way.

*Compartmentalize the process.* Don't get bogged down by one element (such as a building inventory). Build your analysis step-by-step and put data to use immediately, especially insights that businesses can use at once. Educate the public and stakeholders throughout the process.

*Utilize data sources that best describe the downtown market.* Many of the data sources used were from the *Urban Land Institute* or the *International Council of Shopping Centers*. As much of their data is specific to shopping centers, their application to downtowns may be limited. Similarly, some communities may need to measure true economic potential in alternative ways; for example, the impact on the "informal economy" (home-based businesses, bartering and other unrecorded economic activity). Additional data to help evaluate other non-retail uses is needed. (i.e. absorption rates, housing, office, etc.)

*Become familiar with the many traditional and tested techniques to study your market.* Learn to use what is already there. Do not necessarily rely on dated retail trade analysis methods, especially those more appropriated for chain and shopping center type stores. Just because a "retail leakage" analysis is conducted in one community does not mean it has value in another.

*Recognize the importance of being "business-specific."* To the extent possible, design your research so that it is relevant to business operators and investors. While a general market overview is helpful, the information needs of specific retailers, restaurant operators, office-space providers and others will vary. To the extent possible, these information needs should be addressed in the market analysis.

*Be wary of using only one method to study your market.* Use both qualitative and quantitative methods of data collection. Do not rely on one data source such as "pull-factors" and retail demand/supply reports from private data providers. Critique all data sources to ensure reasonableness. Market analysis should examine the economy from various dimensions and not rely on canned statistical reports.

*Use innovative techniques to explore your market.* Consider GIS, cluster analysis, web-based surveys, web-based GIS/data providers, emerging social networking techniques among others. Look beyond traditional SIC/NAICS business categories when investigating market opportunities. Use website/blog to ask questions and get new and relevant local information.

#### **Recommendations for University Extension and other technical assistance providers**

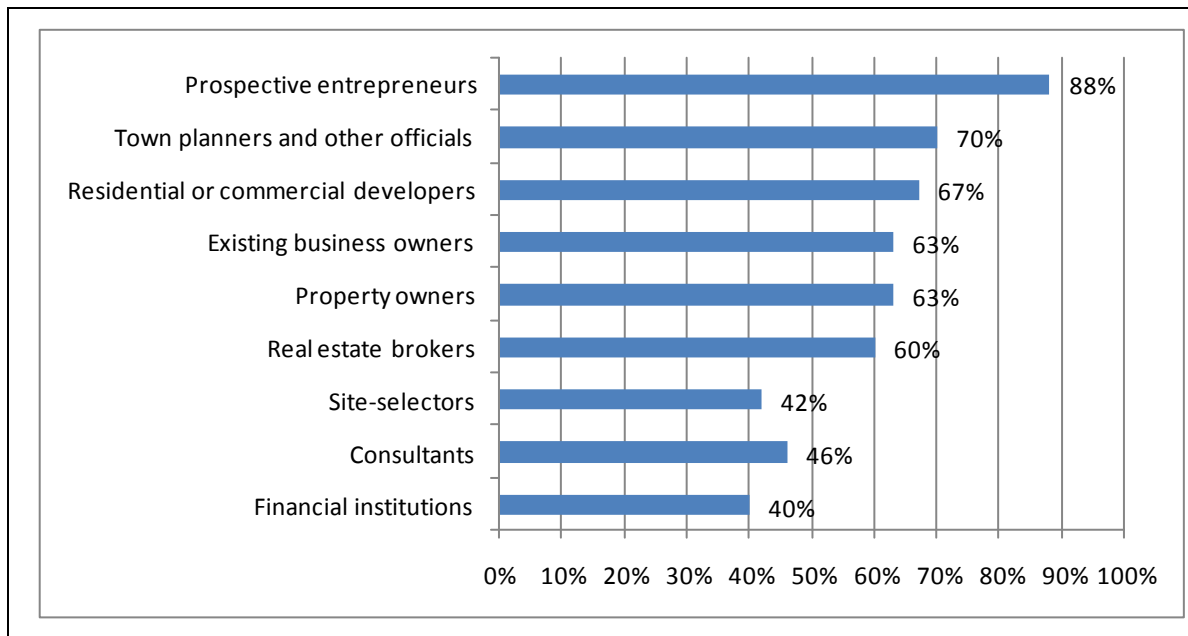
Through multi-state collaboration, update the most relevant data sources and analytical techniques for downtown market analysis (building upon the existing Downtown Market Analysis toolbox). Conduct research to add data that is currently missing (i.e. dollars-per-square-foot sales for downtown businesses). Launch webcast training series on market analysis. Use web-based social networking technologies to exchange ideas, data sources and tools.

## Using the Market Analysis

“Using the Market Analysis” involves applying the data to strategy development for all aspects of a downtown revitalization program (including all four points of a Main Street program). For economic development efforts, this can include business retention and expansion, business recruitment, and niche development. It also involves making the data and findings easily accessible and useable.

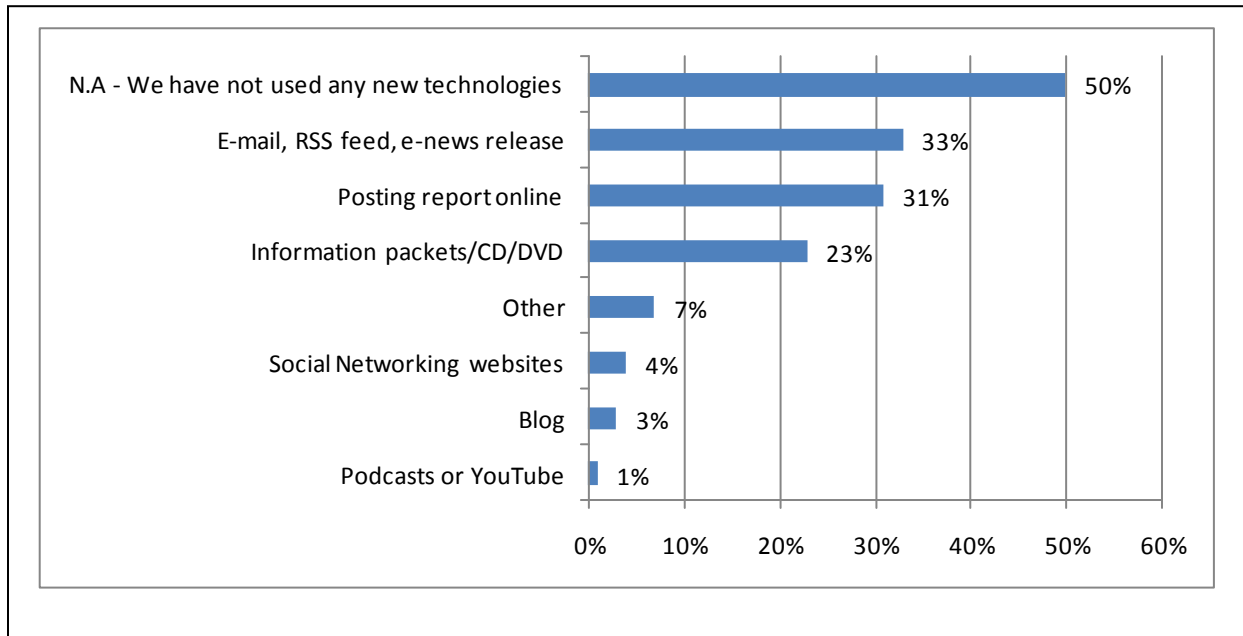
Many survey respondents received requests for market analysis information from prospective entrepreneurs (88%), town planners and other officials (70%), and/or residential or commercial developers.

Chart 7: Requests for market analysis information



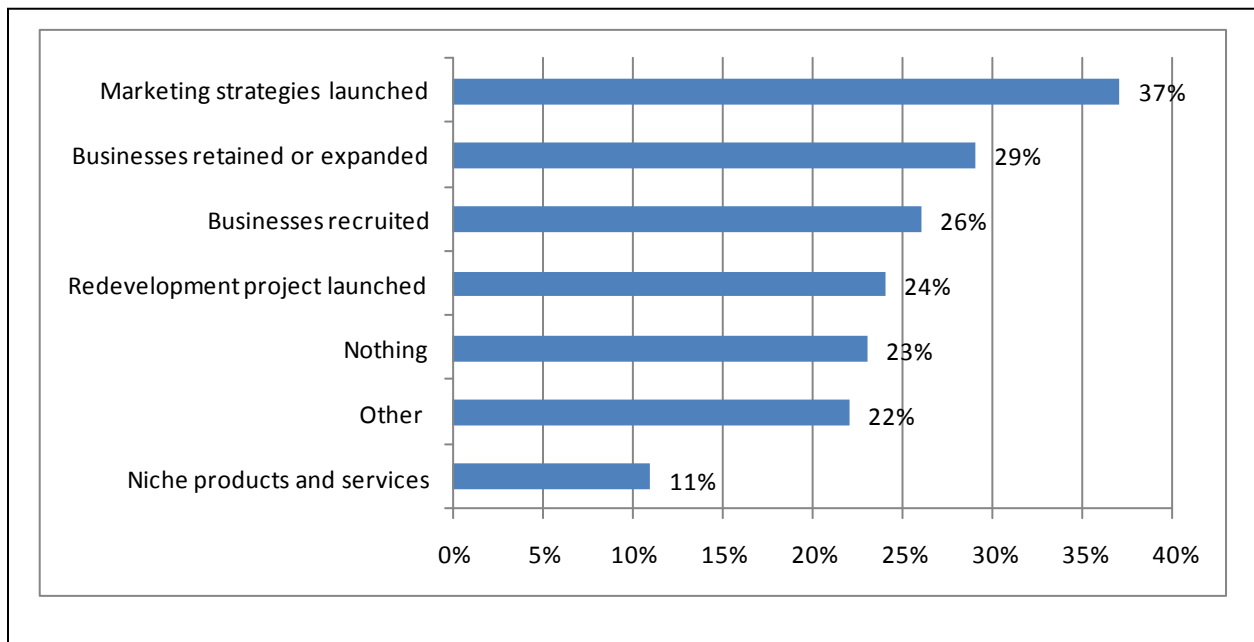
In distributing market analysis results, half of the survey respondents indicated they have not used any new technologies. The most commonly used technologies involve the web: E-mail, RSS feed, e-news release (33%), and posting report online (31%). A number of respondents (23%) also distribute results via information packets/CD/DVD.

Chart 8: Technologies used in distributing market analysis results



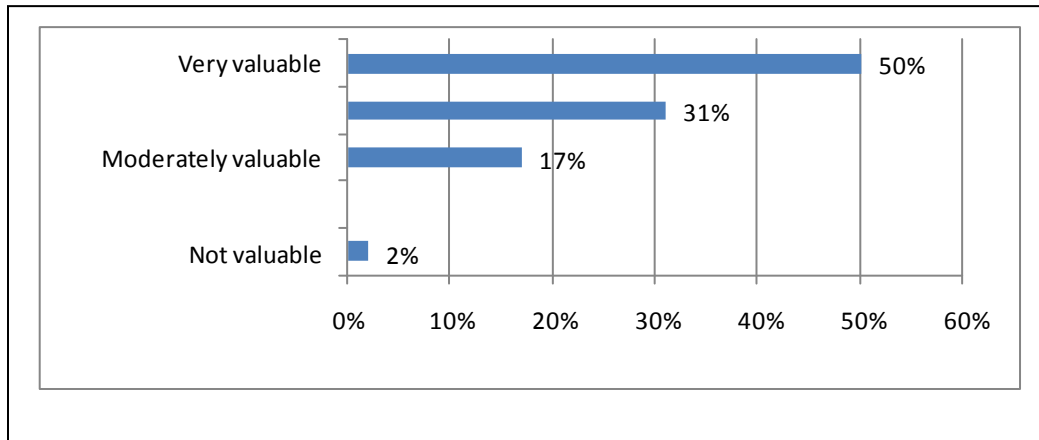
As a result of market analysis efforts, survey respondents report numerous outcomes. The most common outcomes included launching of marketing strategies (37%), retaining or expanding of businesses (29%), and recruiting businesses (26%). Unfortunately, 23 percent of respondents reported no specific outcomes as a result of their efforts.

Chart 9: Specific outcomes seen as a result of market analysis efforts



Nearly all survey respondents (98%) indicated that conducting a market analysis was valuable in advancing the goals of their organization.

Chart 10: How valuable is conducting a market analysis



### Recommendations – Using a Market Analysis

Based on survey results and workshop discussions, the following are selected recommendations to effectively use a market analysis.

*Utilize your research to guide your four points.* Fully utilize data to launch marketing programs, retain and expand businesses, recruit businesses, launch redevelopment projects, brand downtown, create synergy, etc. Consider hosting a strategy planning workshop to apply data to each component of your downtown program.

*Make your research findings available to likely users.* Prospective entrepreneurs are a major user of these studies, as are community leaders and planners, developers, existing business owners and brokers. Deliver research results in meaningful pieces and in an exciting way. Present findings to different business sectors (i.e. retail, restaurants, and tourism) in different formats, distilling content to reflect the particular information needs of each sector. Explore new technologies to make your research findings widely available on-the-fly.

*Use research honestly and correctly.* Downtown leaders should take ownership of their analysis and help others use it correctly. Some disagreement in the findings is likely and some unexpected strategies or results may develop. Nevertheless, the market analysis, if grounded in reliable data, can be used to foster more informed decision-making.

*Fully utilize the data to address specific question.* Many in the business community will be interested in how the research will bring in additional sales to their businesses. They may look for specific direction on how to make downtown a destination, what type of niches that might thrive, or how downtown development can encourage 24/7 activity. Use your study on-the-fly to address market related questions as they arise.

*Evaluate your research efforts.* Using benchmarks related to downtown economic health (discussed earlier), evaluate the effectiveness of market analysis efforts to assess impacts and outcomes on the district.

**Recommendations for University Extension and other technical assistance providers**

Through multi-state collaboration, develop additional instruction on how to use and apply market analysis (building upon the existing Downtown Market Analysis toolbox). Establish a national clearinghouse of market analysis examples along with a summary of the strategies that are derived from these studies. Develop a market analysis process evaluation tool.