



# Introduction

For the last four decades, small cities (population of less than 100,000) all across our country have seen continued economic leakage from downtown to outlying edge locations. Once the center for community and economic activity, downtowns have suffered the loss of retail and other businesses to sites in shopping centers and commercial strips. Downtowns continue to suffer economic hardship brought on by fierce retail competition from category killers, large discount stores, and regional shopping centers. Many small city downtowns face high vacancy rates and a poor mix of retail tenants. They typically lack the market research support available to the big retailers and shopping center developers.

Market studies are typically conducted in downtown districts for a number of reasons.

Examples include:

- To help businesses understand their trade area to improve sales;
- To explore business development opportunities; and
- To demonstrate the economic importance of downtown.

This market analysis toolbox is designed to help local business leaders, entrepreneurs, developers, and economic development professionals across the country understand the changing marketplace and identify business and real estate development opportunities that are realistic and make sense for their communities. It will introduce and guide the user through many of the techniques used in analyzing specific development opportunities for a downtown area. The toolbox is intended to be a self-help resource that can be used in a locally-initiated market analysis.

However, downtown market analysis today should differ from retail and shopping center market analysis. Instead of focusing strictly on retail, new emphasis is placed on the particular strength of downtown, its assets, history and quirkiness. Traditional retail is part of the equation, but only part of it. Some of the new additions to this toolbox build on factors that are unique to downtown - things that tell a compelling story about the advantages of doing business downtown.

The 2011 update of the Downtown and Business District Market Analysis toolbox is a result of a collaborative effort involving University of Minnesota Extension, Ohio State University Extension, and University of Wisconsin-Extension. The revised toolbox (building from the original University of Wisconsin-Extension toolbox) incorporates new tools developed in the partnering states. The update was supported with funding from the North Central Regional Center for Rural Development. The toolbox is based on and supportive of the economic restructuring principles of the National Trust Main Street Center. The Wisconsin Main Street Program (Wisconsin Department of Commerce) has been an instrumental partner in the development of this toolbox.

**Toolbox Update**  
**Improving the Market Analysis Process**

*Downtown Market Analysis-Improving the Process (Ryan and Kures, September, 2009)* is a paper that 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 paper provides 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. It has provided a basis for many of the updates that have been incorporated in this toolbox.

**Learn more:**

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# Market Analysis Process

The market analysis process presented in this workbook compartmentalizes the work so that a community can focus on the sectors most applicable to their needs. Each section of this toolbox is designed to provide the community with analytical techniques that can be put to work immediately in economic revitalization efforts. The process requires input from local residents so that the recommendations reflect both market conditions as well as the preferences of the community. The toolbox's sections are divided into three major parts as follows:

## Part I: Understanding the Market

This part provides a series of tools necessary to develop a broad and basic overview of the competitive environment. It provides the necessary foundation to provide more in-depth analysis of different business and real estate sectors. Tools include:

- Trade Area Analysis
- Demographics & Lifestyle Analysis
- Local & Regional Economic Analysis
- Business Owners Survey
- Consumer Survey
- Focus Groups
- Peer City Comparison

## Part II: Analysis of Opportunities by Sector

This part goes beyond typical market studies by providing tools to analyze specific business and real estate development opportunities raised in Part I. The purpose of this section is to provide the user with advanced tools that can be used as part of a market analysis or on an as-needed basis. Tools include methods for analyzing opportunities in:

- Retail & Service Businesses
- Restaurants
- Arts & Entertainment
- Housing
- Office Space
- Lodging

## Part III: Putting Your Research to Work

This part helps the user develop conclusions and recommendations that are realistic in today's marketplace. The intent is to look "outside of the box" to identify realistic solutions that could revitalize downtown. Tools include ways to apply market analysis data in:

- Niche Development
- Space Usage
- Image, Branding, Marketing
- Business Retention/Expansion

- Entrepreneurship
- Business Recruitment
- Benchmarking

This market analysis toolbox and its compartmentalized tools takes advantage of the wealth of market data and technology available today to extend our understanding of market opportunities. Both readily available public and private data (secondary data) and information collected locally through survey and other research (primary data) are combined to fuel the market analysis with only the most relevant information. The use of various database software products including geographic information systems greatly enhance the analysis and provide new insight.

# A Community Education Approach

While hiring a consultant to complete a market analysis might be appropriate for some communities, the approach of this toolbox is based on the premise that business and community leaders will benefit by being actively involved in the research process. Because there are technical components to the toolbox (obtaining data and using geographic information systems software), it may be helpful to rely on outside help from a university Extension educator or consultant to guide you through the process.

## Community Involvement

This toolbox is intended to provide a concise yet comprehensive process for completing a market analysis for a small city downtown. Unlike most market studies, the focus here looks beyond retail to a variety of uses in an effort to create a realistic plan for a vibrant downtown. Local participation and sharing of ideas among community leaders adds greatly to the success of a market analysis. A core study group interested in learning about their community and economic revitalization is essential. Users should deviate from the process as necessary and weave in other market analysis techniques that may fit their community better.

Market analysis can be an exciting learning opportunity for a community. It should result in positive and measurable economic impacts for its downtown.

## Relevant Data Sources

Part of the challenge of market analysis is sorting through many sources of data to identify that which is most relevant to your community's research effort. Data is necessary in market analysis to define the trade area and analyze demand and supply trends within and beyond that area. This has become increasingly difficult with the volume of data now readily available over the Internet. The key is to navigate through information sources and access only those most relevant to the assignment at hand: downtown market analysis. Throughout the toolbox are suggested data sources to help your study committee collect relevant information as efficiently as possible.

Excellent and constantly evolving data sources are now available over the Internet from various data firms. These sources often provide data instantly and customized for a particular geographic area. While data from public agencies is typically free, private data firms are in the business of packaging data for particular applications like retail market analysis. Consumers of data must decide if time is best spent accessing and assembling free data, or simply purchasing data in a format appropriate for the analysis. All data, public or private, primary or secondary, must be used responsibly and with caution.

In addition to secondary data, some data must be collected locally through survey and other primary research. This toolbox provides examples of standardized data collection techniques to assist in this process.

## Geographic Information Systems

Geographic Information System (GIS) is a computer software application that matches a variety of data to specific to your community's geographic location. It displays the results on maps rather than in tables or charts allowing communities and business leaders the ability to more effectively understand data in context of their location. GIS enables one to easily combine a variety of data from several different sources and formats to create maps that can help illustrate important trends in the data.

GIS not only allows the creation of accurate detailed trade area maps, but can also help the recognition of important market trends that would often go unnoticed without the ability to visualize the data on a map. It enables people to see and understand the data unlike any chart or table. It's an important tool to have whether customers are businesses or communities.

Throughout this toolbox are examples of how GIS can be used to enhance the understanding of the market and opportunities for downtown. GIS is becoming increasingly sophisticated, yet more accessible. More and more data providers are now making some GIS functions available over the web.

# Getting Started

Conducting a Downtown Market Analysis in a community is a major project. It requires time, commitment, and the active involvement of a group of dedicated people. This section discusses how to assemble a study group and involve the community in research and learning that will benefit the local economy. This section also provides guidance to help the study team identify the outcomes they hope to achieve and set a realistic work plan to get the work done.

## Assembling a Study Group

A key element to a successful analysis is the local study team. The analysis requires a study team of five to eight key business and community leaders who are willing to work. The study team will conduct the market analysis, make recommendations and develop a plan to implement the recommendations. Team members will learn how to collect and analyze market data by identifying and analyzing the community's trade area. They will be responsible for some of the data collection and most of the analysis. The team will have assigned tasks and readings throughout the project. Team members will report their findings to the group.

The team will make recommendations for improving the community's downtown and develop a plan for implementing the recommendations. They'll write a final report that describes the analysis of the community. The report will include their findings, recommendations, and the plan. Their participation in this project will not only result in a completed analysis, but will build long-term local capacity to improve economic activity downtown.

Make sure that the study team includes a variety of people with a range of interests and priorities. Including only those people who strongly support the objectives of the project will certainly insure less debate and fewer disagreements. However, the results are more likely to be narrowly focused and may lack a broad base of support in the community. Consensus may be easier to reach when everyone is already on the same page, but implementation will often be extremely difficult.

Who should be on the committee? It depends on the community, the situation, the objectives, and the issues faced. Study team membership should typically include:

- Business leaders
- Consumers
- Political and government leaders
- Representatives of local service clubs (i.e. Chamber of Commerce)
- Leaders from the local financial community
- Local economic and community development professionals
- Real estate professionals
- Local commercial property owners
- Business students

Who else should be included on the team? It depends. If historic preservation is a major issue, include a local advocate for historical preservation. If housing, environmental concerns, senior citizens, tourism, or the new retail store on the edge of town are important issues, consider advocates for these areas when choosing team members. If they aren't included on the team, be sure to provide them with ample opportunity to participate in the process. Not only will the results be better, but their support will help insure success.

The success of this project also depends on identifying and involving the "power actors" in the community. What are "power actors"? They are the official and unofficial leaders, and decision-makers of a community. They are the people on-the-scene and behind-the-scenes who can legitimize the study and help it succeed. Or, they can help insure that it fails to meet its full potential. Ideally, they will be directly involved as members of the team. Those who aren't involved as team members must be kept in-the-loop during the project. Involving the "power actors" in the community will help insure a successful analysis. Ignoring them will just as certainly diminish the potential benefits of this project.

## **Getting Your Community Involved**

As the study group proceeds with the market analysis, input and participation from the broader community is important. Local input provides fresh ideas as well as community ownership of this study. This buy-in is especially important after the analysis is done and it's time to implement the study's recommendations.

The local media can help. Press releases, interviews, and stories are usually welcomed by local media. And, don't stop with one story. Market analysis is a continuing, unfolding story about the community. Regular stories in a variety of media is one of the most effective ways to keep everyone aware of what's happening. Newsletters (i.e. Chamber of Commerce) are also effective in getting the word out. Perhaps most effective are personal conversations with local power actors. Each study team member should be responsible for keeping one or two local power actors informed and in support of the market analysis. A sample press release to introduce the market analysis is presented in the appendix.

In addition, some study groups have found it helpful to offer the community one or more presentations, open-houses or discussion sessions to share the purpose, methods and preliminary findings of their market analyses. These meetings offer the study group a great opportunity to obtain feedback on their work as well as solicit new economic revitalization ideas for downtown.

## **Learning About the Issues and Trends**

One of the most important reasons for local volunteers to be involved in the market analysis study group is learning. Many will find that the knowledge gained from their participation will have direct benefit to their business, organization or career. A participant on the study team gains direct and first-hand knowledge of the data and analyses that are part of this effort.

Today, the business environment is changing faster and more dramatically than ever before. Shifts in the demographics of the marketplace and rapidly changing consumer preferences and buying patterns mean that businesses must be willing and able to adapt quickly. The emergence and acceptance of new ways to shop and new types of stores creates a fiercely competitive, continually evolving business environment. The number and variety of new products and services being introduced into the marketplace means businesses must be more alert and responsive. Recognizing the new realities of the marketplace is an important part of the market analysis.

The initial part of a market analysis should review some of the fundamental changes in retailing and consumer behaviors happening nationwide. In addition, factors affecting the market for downtowns and successful economic revitalization efforts such as niche market development and co-existing with large chain stores provide information to help guide the market analysis.

Local issues and trends can be analyzed, and compared and contrasted to national trends in an effort to assess the current local situation. To understand what has been happening locally, recent and relevant research studies on the community should be collected. This will provide all team members with a firm foundation, enable them to build on what's already been done, and avoid "reinventing the wheel." Instead, it should build upon good research and data readily available. Some good places to begin a search include:

- Local Main Street or Business Improvement District Manager
- Chamber of commerce
- City, county or regional planning professionals
- County Extension faculty and other college or university sources
- Local government offices
- State departments including commerce, tourism, transportation, etc.

Learning should also include discussions of what has happened locally based on observations from business people in the community. If the study group includes a number of business owners and operators, they should be encouraged to share trends and conditions that they believe are impacting the economic health of downtown.

## **Understanding Initial Perceptions of Your Business District**

Information on how outsiders view your community and its business district can help focus the direction and purpose of your market analysis. Clearly, the market potential of a commercial area will be constrained by problems such as dirty streets, vacant storefronts, poor signage, dilapidated buildings and lack of customer service. Sometimes perceptions held by merchants, residents and elected officials are different.

One widely used assessment tool is called First Impressions: A Program for Community Assessment and Improvement. This tool can be used to clean the "rose colored glasses" that

residents tend to wear. The program was developed over a decade ago to address these kinds of issues and is based on the premise that communities need an accurate and honest picture of the present before they can visualize (and examine the market potential of) the future. First Impressions provides unbiased and unique perspectives of outsiders (nonresidents) to more fully understand problems and opportunities that are limiting economic revitalization.

First Impressions has proven to be an effective community development tool for hundreds of communities across the country. It can be used as a foundation to help shape your market analysis plan of work. For more information on the program, see:

<http://www.uwex.edu/ces/cced/FirstImpressions.htm>

## Research Outcomes and Creating a Plan of Work

With an understanding of national and local issues and trends impacting downtown, the study group should prioritize what they hope to learn from the market analysis. Specific research outcomes should be identified that will provide the community answers to their most important economic revitalization questions. A sample of intended outcomes are as follows:

- Understand dynamics of the trade area including its customers and competition;
- Address specific issues (business mix, vacancies, intense competition, etc.);
- Demonstrate the economic importance of downtown;
- Support business expansion and recruitment efforts;
- Encourage entrepreneurship;
- Identify niche markets;
- Identify appropriate mixed uses for downtown and geographic clusters;
- Develop a market-driven brand and promotional plan; and
- Identify potential design improvements.

A study team may have a long list of intended outcomes, or simply focus on one or two. Regardless, these intended outcomes help establish direction for the study and keep the study group headed in the right direction.

This toolbox is compartmentalized into separate, stand-alone sections. Depending on the intended outcomes of the research, the study group may decide to use all or only some of these sections. The toolbox is designed to help the study group complete a single comprehensive market analysis, or be used on an as-needed basis.

For a complete market analysis, a study group should plan on a 6 to 12 month timetable. Groups should meet on a regular basis with two-hour work meetings. The meetings should focus on data analysis and how that data fits in to the purpose and intended outcomes of the study. Active study groups with participants that are willing to volunteer their time and take on specific responsibilities will complete the analysis in less time than groups that rely on one or two group leaders. Accordingly, it is important that all study group participants be engaged in the analysis with specific assignments and duties.

# Appendix - Sample Press Release

For Immediate Release

(Enter Date)

Contact: (Enter name and phone number of primary contact)

(Enter name and phone number of secondary contact)

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## MAIN STREET PROGRAM KICKS OFF DOWNTOWN MARKET ANALYSIS

(Enter City)--(Enter main street organization) has begun work on a downtown market analysis. A downtown market analysis is the process of documenting details about the downtown's current condition, exploring changes occurring in the marketplace, verifying what consumers want from downtown, discovering what businesses the downtown market will support, and creating a downtown business development strategy.

Many communities must hire professional consultants for a substantial fee in order to have access to this important tool used by businesses, property owners, developers, bankers and investors for making better-informed decisions. (Enter Main Street Organization) will complete their downtown market analysis by assembling a team of volunteers who will receive free technical assistance provided by Wisconsin Main Street Program staff and the University of Wisconsin-Extension Center for Community and Economic Development. This free technical assistance is one of the many benefits (Enter City) receives as a designated Wisconsin Main Street Community.

In the months to come, (Enter City) will see (Enter Main Street Organization) volunteers inventorying downtown businesses and buildings, surveying consumers and business owners, writing a downtown market profile, and weighing the supply of various business categories against the demand for those business categories.

Once they have a detailed picture of the downtown's economy, (Enter Main Street Organization) will shape a business retention campaign that includes providing assistance and training to existing businesses and helping them expand. Next they will shape a recruitment campaign to compliment existing businesses and buildings downtown. Recruitment will target businesses that people want and that the market will support. With their market analysis in hand, (Enter Main Street Organization) will have a better chance of bringing business prospects downtown.

Interested parties may volunteer for the downtown market analysis team by calling (Enter name of committee chair) (Enter phone number). For more information on the downtown market analysis or on (Enter Main Street Organization), contact (Enter Main Street Manager Name), at (Enter phone number).

### **About the Toolbox and this Section**

The 2011 update of the Downtown and Business District Market Analysis toolbox is a result of a collaborative effort involving University of Minnesota Extension, Ohio State University Extension, and University of Wisconsin Extension. The update was supported with funding from the North Central Regional Center for Rural Development.

The toolbox is based on and supportive of the economic restructuring principles of the National Trust Main Street Center. The Wisconsin Main Street Program (Wisconsin Department of Commerce) has been an instrumental partner in the development of this toolbox.

This section builds on work originally completed by Matt Kures, Bill Pinkovitz and Bill Ryan of University of Wisconsin Extension. This update was edited by Mary Vitcenda of the University of Minnesota Extension.

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