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REVIEW
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Retail *IS* Economic Development:
HOW TO CREATE AGGRESSIVE RECRUITING STRATEGIES IN TODAY'S ECONOMY

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Retail **IS** economic development and should be a component of your community's comprehensive economic development strategy.

Your success will bring increased sales and property tax revenue; new jobs; more shopping and eating options; and reduced outflow of dollars to other communities. Retail choices also enhance your community's quality of life, which is a component in recruiting businesses and a capable workforce.

Volunteer leaders and city staff charged with achieving these important goals have faced tremendous challenges during recent years brought on by a difficult economy. But the horizon is looking brighter for retail recruitment and expansion.

THE ECONOMY AND RETAIL

The big economic story of 2013 will be the return of the U.S. housing market. Home values have already stabilized and are beginning to show appreciation in most U.S. markets. Home sales are up throughout the country, including the state of Illinois. New home construction surged in 2012 to an annual rate of 872,000, the highest since the financial crisis.

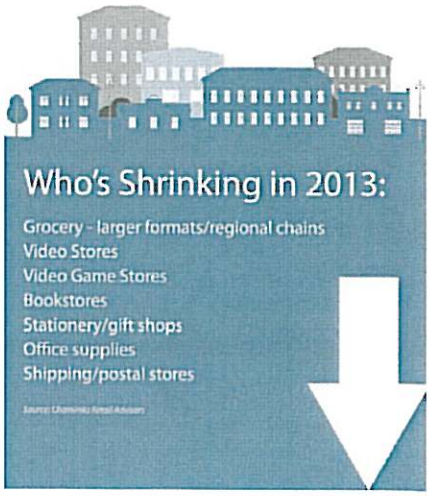
A continued boom in new-home construction will fuel jobs – and vice versa, according to economists at IHS Global Insight. Each new home that's built creates an average of three jobs for a year. That's not factoring in the ripple effect – for instance, among retailers as people furnish their new homes.

The return of "the wealth effect" triggered by home value appreciation is the single most important trend to watch for retail, states an industry forecast by Chainlinks Retail Advisors. Housing related retailers ranging from home goods to furniture to do-it-yourself home improvement stores should rally in late 2012, and visible increases in consumer spending should occur by 2014.

Mom-and-pops, who have largely been missing in action since 2008, will also increasingly return to the retail marketplace with new small business concepts Chainlinks predicts. Leading the way will be restaurants, which will account for up to 40 percent of all new tenancy in the marketplace.

However, retailer expansion in 2013 is still about the sure thing, with greater population densities and higher income demographics winning out most of the time.

That doesn't mean your community should give up on establishing an aggressive Retail Economic Development Plan if



you are a rural, small or mid-size community. Retail recruitment and expansion is a process, not an event. Each step you take now builds a foundation for future success in attracting the retailers that are most likely to thrive in your community.

HOW DO YOU CONVINCE A RETAILER YOU ARE A SURE THING?

There are 10 Steps that should be components of a Retail Economic Development Plan that will give you a competitive advantage in today's economy.

#1 – LOOK AT YOUR COMMUNITY THROUGH THE EYES OF A RETAILER AND DEVELOPER

First impressions are important because retailers always seek to minimize risk and maximize profits. Tour your community and try to look at it as an outsider would. What kind of first impression does your town offer?

What can you improve? Things to pay close attention to include appearance; pride of ownership of residential and commercial properties; a functional infrastructure; evidence of crime; codes and code enforcement; and the vitality of your downtown area.

Understand that retailers will be looking for opportunities – not just sites. To be successful, a retail site must have each of these essential location factors:

- Visibility
- Accessibility
- Regional exposure
- Population density
- Population growth
- Operational convenience
- Safety and security
- Adequate parking
- Adequate signage

#2 – KNOW YOUR COMPETITION

When a retailer comes into the marketplace, they evaluate the entire region, including the towns surrounding your community. You need to assess what these competing communities offer when it comes to attracting retail. What are they doing to recruit retail? What incentives are they offering?

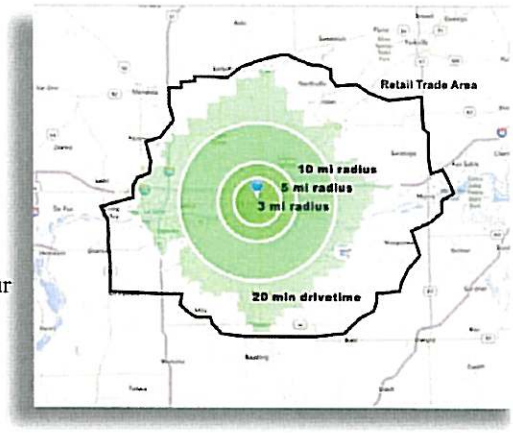
Additionally, perform a SWOT analysis of your own community from a retailer's perspective. That means identifying your strengths, weaknesses, opportunities, and limitations.

#3 – KNOW YOUR RETAIL TRADE AREA

A Retail Trade Area is the largest distance consumers are willing to travel to purchase retail goods and services. The size depends upon the variety of goods and services offered in your community and proximity to retail in nearby competing communities. An accurate Retail Trade Area is the foundational tool for a retail recruitment strategy.

You will want to identify your Primary Retail Trade Area, which encompasses consumers who are likely to shop in your community more than once per week. This is where retailers derive approximately 80 – 85% of their business.

You should also identify your Secondary Retail Trade Area, encompassing consumers who are likely to shop in your community once per week, or once every two weeks. This is where retailers derive approximately 15 - 20% of their business.



Once you have determined your Primary and Secondary Retail Trade Areas, market this population data to retailers and real estate developers instead of your community population, which is always a much smaller number.

#4 – KNOW YOUR DEMOGRAPHICS AND PSYCHOGRAPHICS

This should include your daytime population - the people who are employed in your community. Restaurants must have a healthy daytime population to ensure a good lunch business. Restaurants cannot survive on dinner business alone.

Psychographics are important to retailers as they seek to perfect the site selection process and identify a customer base with a desire for their products or services. Psychographic variables are any attributes relating to personality, values, attitudes, interests or lifestyles.

#5 – KNOW HOW MUCH RETAIL OPPORTUNITY EXISTS

Conduct a Retail/Gap Opportunity Analysis to discover what retail segments are leaking sales to surrounding communities. This information is meaningful to retailers looking for unmet consumer demands in your community.

A Retail/Gap Opportunity Analysis calculates estimated potential retail sales (demand) for your Retail Trade Area and compares these figures to estimated actual sales figures (supply) to estimate retail dollars "coming in" or "flowing out" of your community. The study also identifies the retail sales surpluses and/or leakages for as many as 52 different retail sectors. This distinguishes the retail categories that have the highest propensity for success in your community and quantifies their retail potential.

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If you are a college community, be sure to also capture student spending data in your market analysis. Student spending has a positive impact and can be quantified for retailers through a spending survey focused on purchasing habits and retailer-type preferences.

#6 – TARGET RETAILERS THAT ARE A GOOD MATCH FOR YOUR COMMUNITY

Develop marketing and feasibility packages that are customized to your Retail Trade Area and the site selection criteria of specific retailers. Your marketing packages should include: Retail Trade Area, Retail Trade Area population, demographics, psychographics, Retailer Gap/Opportunity information, traffic counts, aerial photographs of your community and surrounding area, and information on available sites. (Retailers are site driven.)

When you contact retailers, you must be ready to provide this information quickly and easily.

Also be aware that retailers and developers may visit your community without your knowledge. All of your retail information should be available and easy for them to find on your city's website.

#7 – INVOLVE YOUR STAKEHOLDERS

Your stakeholders include chamber of commerce representatives, brokers, developers, investors and entrepreneurs in your community. These are key players who can help market your community's retail opportunities to their clients and other contacts. Make sure everyone has the same marketing and feasibility information. Articulate your community's retail recruitment and expansion strategies. A rule of thumb we've learned through the years: "If they are not in on it – and up on it – they will be down on it."

#8 – HAVE A RETAIL RETENTION PROGRAM

Retail retention is just as important as retail recruitment when it comes to the long-term economic strength of your community. The success of your existing retailers leads to increased sales tax revenue as well as job growth. Additionally, these business owners are ambassadors who present a positive image for new retail and business recruitment.

Make sure that you have a current database of your retailers with their contact information. Outreach activities to share your most current retail market information should be established. Events that have proven to be successful include economic outlook sessions, breakfast or lunch with the mayor, retail business workshops, and one-on-one meetings and visits with business owners and managers.

The information you offer from market studies such as the Retail Trade Area Determination and Retail Gap/Opportunity Analysis gives your existing retailers a better understanding of the spending patterns and purchasing behaviors of consumers in the community. They can make adjustments in their product and service offerings to keep more residents shopping locally and better target their marketing to draw from a broader base of customers throughout your Retail Trade Area.

71% of respondents are motivated to shop locally because 68 cents of every dollar spent at a locally-owned retailer stays in the community.

Source: International Council of Shopping Centers Survey

#9 – PARTICIPATE IN RETAIL INDUSTRY EVENTS

Go where the retailers and developers go. The most important events are the national and regional conferences presented by the International Council of Shopping Centers (ICSC). Consider exhibiting at targeted events or at least attending to network. ICSC will present the 2013 Global Retail Real Estate Convention (RECON) in Las Vegas May 19-22. With over 30,000 attendees and 1,000 exhibitors, it's the largest industry convention. You can get more information about RECON and regional conferences such as the Chicago Deal Making Conference in October at www.icsc.org.

#10 – BE TENACIOUS AND PATIENT

Don't be discouraged if you do not achieve success within the first six or even 12 months of your Retail Economic Development Plan. As stated above, retail recruitment is a process, not an event. You can look at communities throughout the U.S. where desirable retail was virtually non-existent 10 years ago. Now, the retail and restaurant choices residents and visitors are enjoying are plentiful, and the community's tax base is expanding.

You can make this happen in your community. You just have to take that first step.

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