Market Analysis for Main Street

Texas Main Street | Texas Historical Commission

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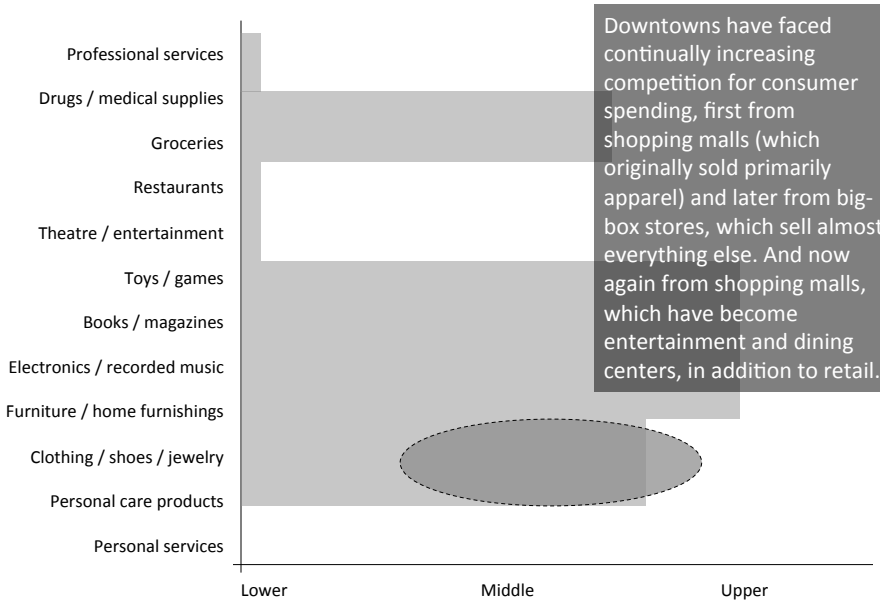
The Community Land Use and Economics Group



Downtowns have faced continually increasing competition for consumer spending, first from shopping malls (which originally sold primarily apparel) and later from big-box stores, which sell almost everything else. And now again from shopping malls, which have become entertainment and dining centers, in addition to retail.

A surplus of retail space nationally means there is typically no need to build *additional* commercial space in most communities.

Some Rules

It's not about parking.

Parking supply is typically not the barrier to revitalization, though there may be parking management solutions to certain problems.

It's not the buildings' fault.

Historic buildings are the necessary economic differentiator for downtown. Demolishing buildings usually leads to further disinvestment.

Incentives, not entitlements.
a KOZ property!
Great benefits for business owners.
Retail Stores Available
Great Restaurant Site!
available
RESTAURANT ROW
INCENTIVE PROGRAM
RETAIL INCENTIVE PROGRAM
available
(Including Liquor License)
Call for more details
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Revitalizing downtown typically requires some market interventions to disrupt the cycle of disinvestment. Focused incentives can catalyze desired development.

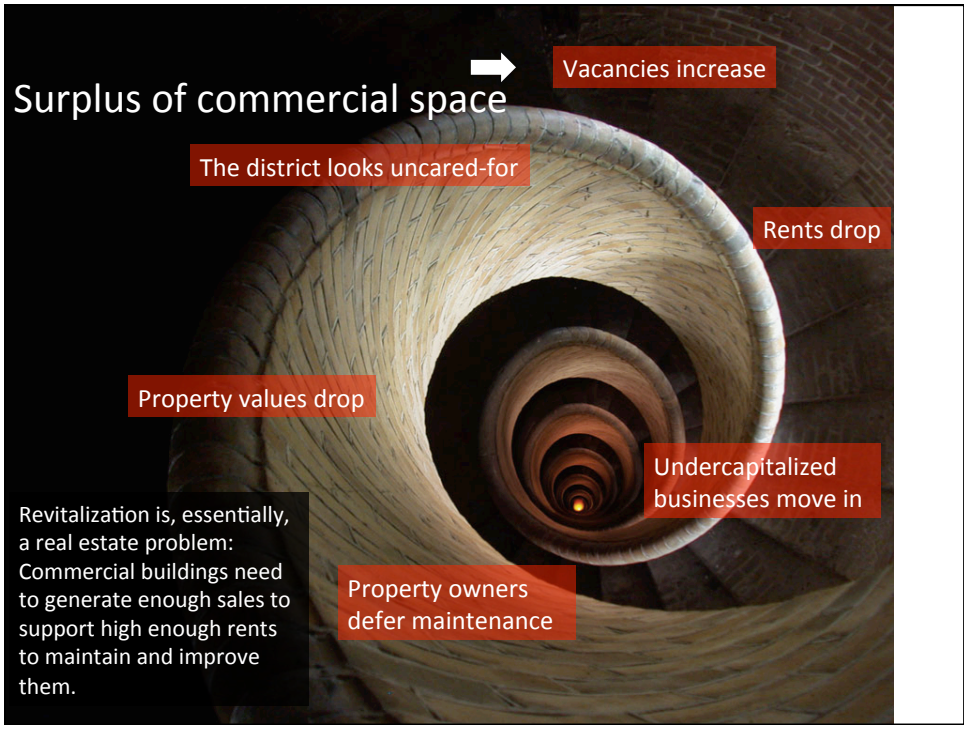
Historic buildings are green.

Activate the space.
Active spaces, and elements that stimulate interactivity, also make the place more economically vibrant.

The myth of uniform store hours.
Different kinds of businesses serve different customers, often at different times. Uniform store hours will not serve all customer and business needs and is not a battle worth engaging.

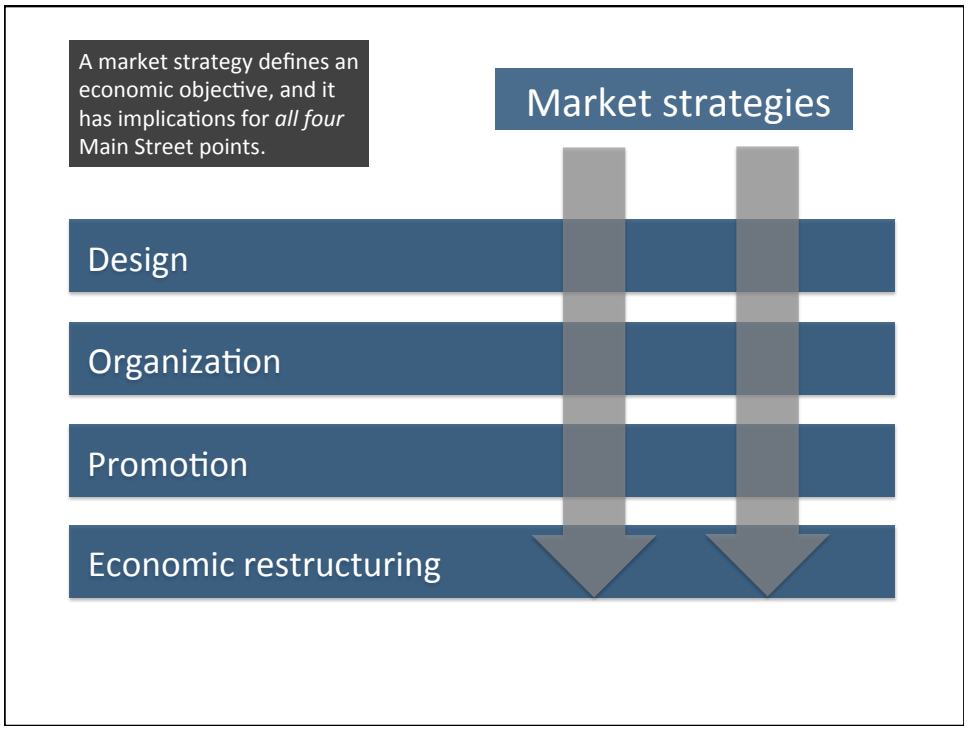
What happens outside downtown matters.
WAL*MART
SUPERCENTER
Satisfaction Guaranteed
Because there is a finite amount of available spending, building new retail space anywhere in the community will typically have an adverse affect on downtown.

Excel at *some* things, not *all* things.
Most successful downtowns have focused their offerings, rather than trying to compete in all retail categories.


Surplus of commercial space
Vacancies increase
The district looks uncared-for
Rents drop
Property values drop
Undercapitalized businesses move in
Revitalization is, essentially, a real estate problem: Commercial buildings need to generate enough sales to support high enough rents to maintain and improve them.
Property owners defer maintenance

Market viability
Community desire
順 路
THIS WAY
Community-based economic development happens at this intersection.

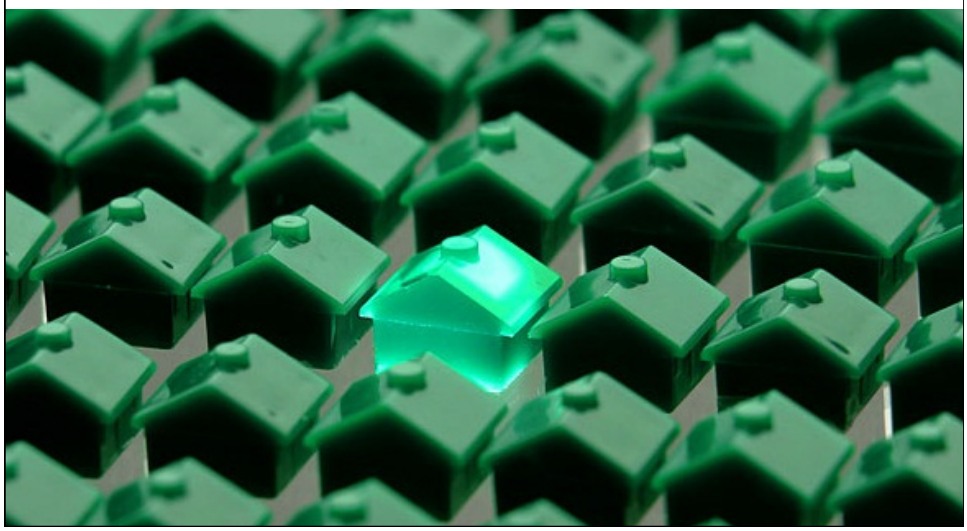
Market strategies
The intersection of *market viability* and *community desire* forms the basis for a Market Strategy.


A market strategy defines an economic objective, and it has implications for *all four* Main Street points.
Market strategies
Design
Organization
Promotion
Economic restructuring

Retail supply

Market analysis is, essentially, the study of retail supply and demand, business performance, and consumer preferences.

Retail demand



Market analysis starts with a hunch.
For example:

Downtown could support a grocery store.
Downtown could support a full-line grocery store.
Downtown could support an organic foods specialty grocery store.
Downtown could support a cooperative, natural foods grocery store.

Write down some questions

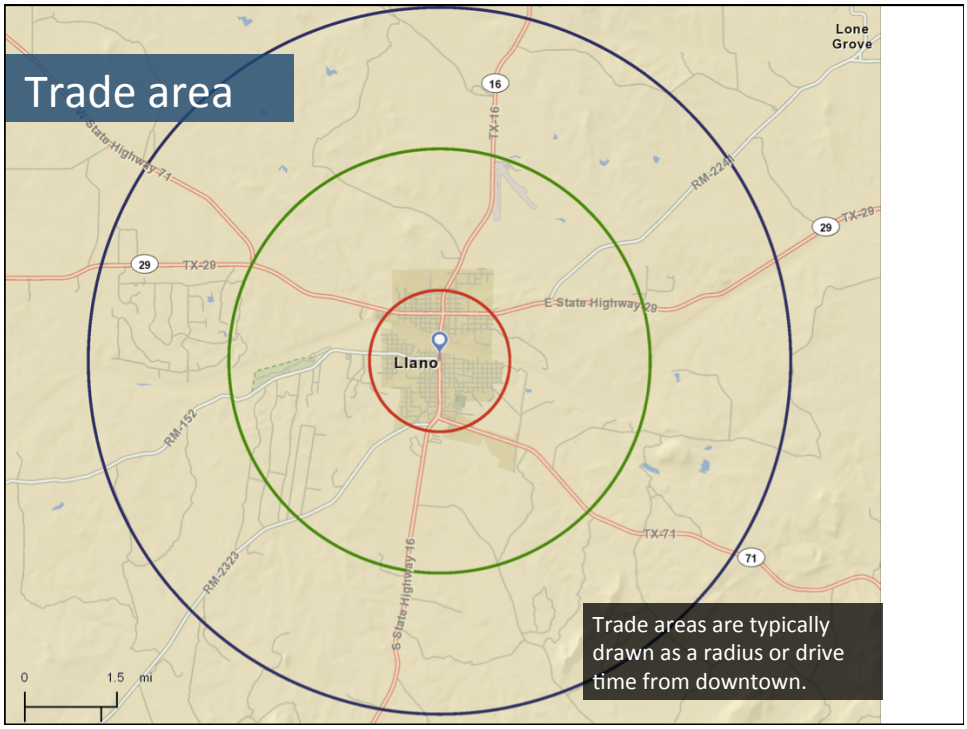
Where are people buying groceries now?
How much are people spending on groceries?
What's the sales leakage?
Is there a niche market that's not being served?
What are the household characteristics? (Age, size, ethnicity, income, educational level)
What size store would be supportable?
Do we have a suitable building or site?

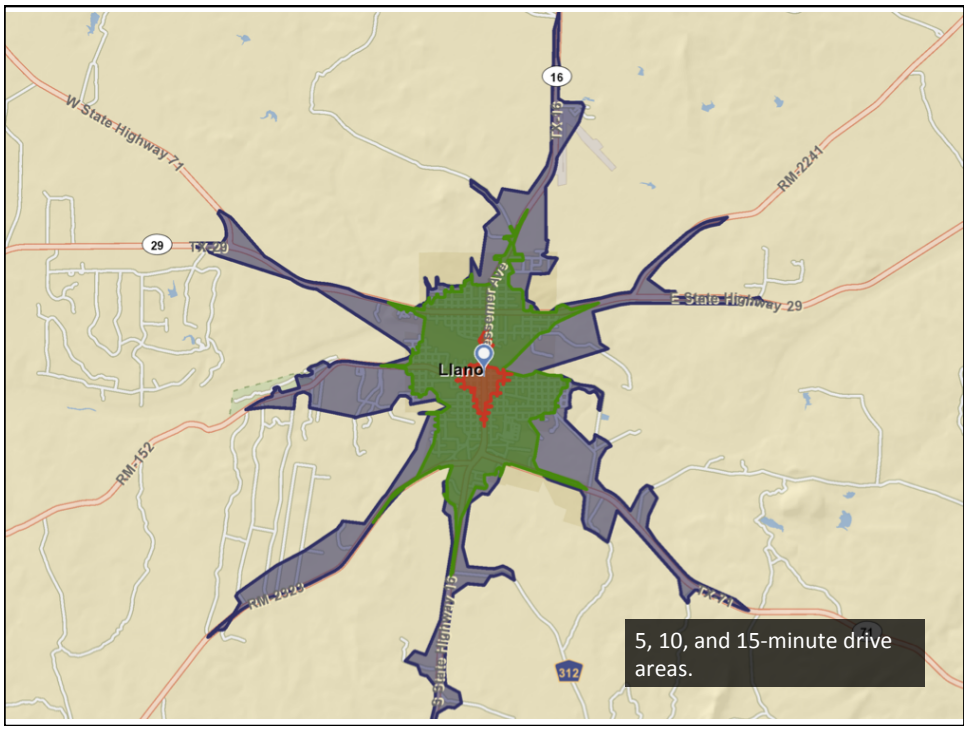
Sales potential and sales gap (or surplus)

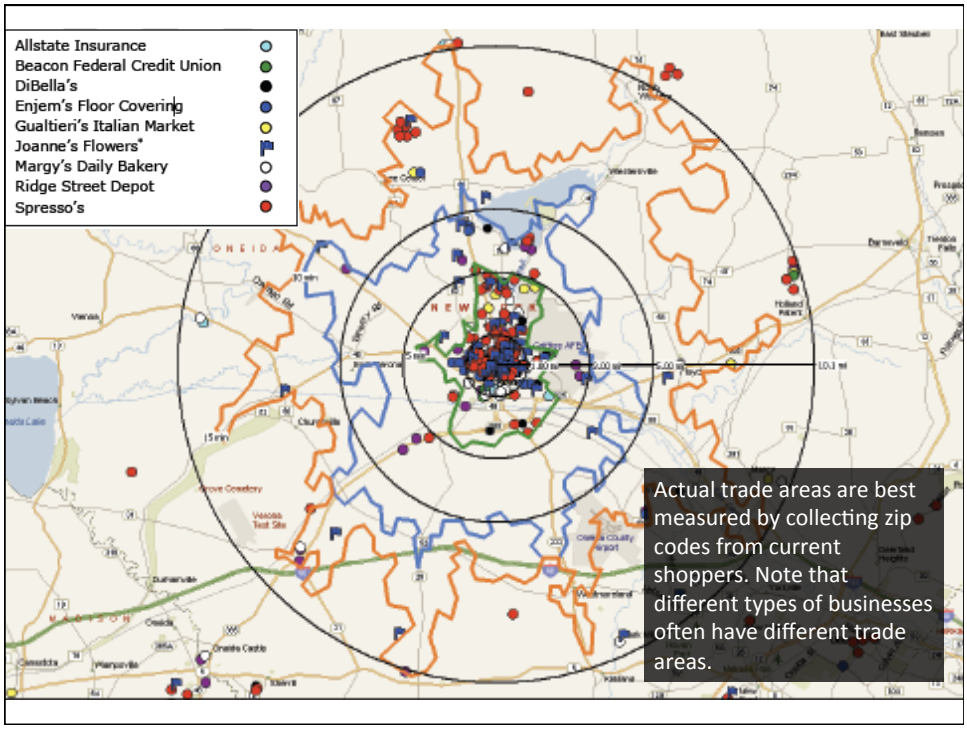
Actual sales
\- Potential sales
= Sales gap or surplus

Where do you find this information?

- Buying power can be calculated by multiplying the number of households (Census) by their typical spending (Consumer Expenditure Survey). The data can also be purchased from data providers, like ESRI.
- Actual sales, in Texas, can be obtained in aggregate form from your city from sales tax revenues. Similar information for smaller geographies can be purchased from ESRI and other companies, though it is based on mathematical models, rather than actual sales reporting.


Trade area
Lone Grove
16
TX-16
State Highway 71
RM-2241
29
TX-29
E State Highway 29
Llano
RM-152
TX-71
71
RM-2323
S State Highway 16
0
1.5 mi
Trade areas are typically drawn as a radius or drive time from downtown.


16
TX-16
W State Highway 71
RM-2241
29
TX-29
E State Highway 29
Llano
RM-152
RM-2323
S State Highway 16
312
5, 10, and 15-minute drive areas.



Heartland Communities

Demographic

Settled and close-knit, residents of *Heartland Communities* have a median age of 42.4 years. Approximately half of the residents have already retired, many in the same towns where they have lived and worked their whole lives. Nearly half are aged 55 years or older. Although married-couple families comprise nearly half of the household types and almost one-third are singles who live alone, other family types and shared housing are also represented. Children are found in 30 percent of the households. Diversity is minimal; nearly 9 in 10 residents are white.

Socioeconomic

The median household income is $35,701. Two-thirds of the households earn wage and salary income, and 39 percent receive Social Security benefits. Because of low home value, their median net worth is $49,675. Employed residents work in occupations ranging from management positions to unskilled labor jobs; approximately 40 percent are employed in service industries. The percentage of the population aged 25 years or older that has completed high school is higher than the U.S. level; the percentage that has attended college is far lower than the U.S. figure.

Psychographics are proprietary systems for clustering consumer types into groups. They are often used by national retailers to pick sites near their customers.

- Work on lawn/garden/DIY
- Own shares in mutual funds
- Order products from Avon
- Watch cable TV
- Own/lease domestic vehicle

"Heartland Communities" is one of 65 psychographic segments in ESRI's "Tapestry" system.

- Who shops on Main Street now?
- What is the district's greatest competition?
- Who are the competitor's customers?
- For which activities do people visit the district?
- What do people like/not like about the district?
- What kinds of new businesses would people support?
- What keeps people from shopping on Main Street?

1. Intercept surveys

2. Community surveys

3. Focus groups

What can you learn from surveys?

- Trade area
- Demographic information
- District use
- Shopping characteristics
- Perceptions of the district

	Sun	Mon	Tues	Wed	Thurs	Fri	Sat
7:00 – 9:00				X	X		
9:00 – 11:00		X				X	X
11:00– 1:00	X				X		
1:00 – 3:00	X		X				X
3:00 – 5:00				X			
5:00 – 7:00	X				X		
7:00 – 9:00			X		X		X

A reliable survey requires a rigorous, random sample so it is representative of all customers in the downtown, on all days and across all business hours.

Why use focus groups?

- Understand underlying reasons and motivations
- Provide insights into the context around a problem
- Generate ideas and/or hypotheses for later quantitative research
- Uncover prevalent trends in thought and opinion

Why use focus groups?

- If you are having trouble even framing the question, or narrowing the issue
- If you have some hard data that you want to understand in richer detail
- To help frame a broader survey
- If your questions are about "**Why?**" not "How many?" or "How often?"

Focus groups *focus* research.

- 5 to 10 people (No more!)

- Homogeneous (The sample is chosen, not random)

- Skilled, neutral facilitator

- Watch out for the Hawthorne effect

Once you have:

- Buying power and sales gap data
- Business inventories and performance data
- Consumer survey and focus group data

What do you do with the information?

Start a Business Assistance Team

Help struggling businesses adapt.

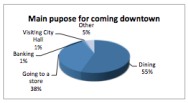
- Accountant
- Attorney
- Visual merchandising specialist
- Website/ecommerce specialist

Provide "humanized" data to businesses

Restaurateur tip sheet

This "tip sheet" offers some practical ideas derived from the recent Midway Market Study. The Market Study was conducted by the Community Land Use and Economics Group, LLC, for Midway Renaissance, Inc. We have aimed to provide downtown businesses with information they can use to both improve their enterprises and, in the process, attract new customers to Midway.

Customers. An on-street survey of Midway shoppers conducted in April 2011 indicates the most common reason for coming downtown is dining (55%). Perceptions of downtown are generally quite high and respondents place a high value on "quaint atmosphere," "small-town" feel, and they highly value Midway's restaurant cluster.



Locals are slightly more likely to come downtown first for dining and second for retail shopping. For visitors, the reverse is true. In fact, among a range of retail, service, and entertainment purchases, restaurant dining is the single thing that area residents (approx. 20-minute drive) most commonly report using in Midway.

Trade area. Midway's trade area is national and regional. About 70% of customers come from the triangle that includes Louisville, Lexington, and Cincinnati. About 30% come from elsewhere in the country.

Retail sales void analyses have become less meaningful as many purchases have migrated online, but they are still relevant for restaurants. In the immediate Midway area (5-min. drive), consumer buying power for restaurant dining approximately equals local sales ($1M to $1.5M). For a larger, 20-min. drive area, there is an overall sales void of $9M out of total buying power of $84M. Midway should be able to capture a portion of these leaked sales.

Performance. A survey of businesses to gather gross sales, rents, and other performance benchmarks yielded only a handful of responses – too few to report aggregate findings for restaurants. In general, rents (i.e., not owner-occupied) for retail space in Midway ranged widely, from $3.70 to $22.00 per square foot. As a rule of thumb, rent should not exceed 10% of gross sales. (Some Midway businesses exceed this ratio.)

Business hours: Because different types of businesses function differently, all downtown businesses cannot have uniform hours. That said, the irregularity of hours in downtown Midway is extreme. All shoppers – area residents and tourists – expressed dissatisfaction with business hours. Tourists, especially, represent irretrievable potential sales if businesses are closed at the time of their visit.

Strategies. Downtown Midway should focus on two distinct and differentiated markets: *local consumers* and *Bluegrass visitors*. The first group is defined by geography and consumers are making choices among competing options. The latter group does not have geographic boundaries but it is subject to the volume of visitors who come to the region.

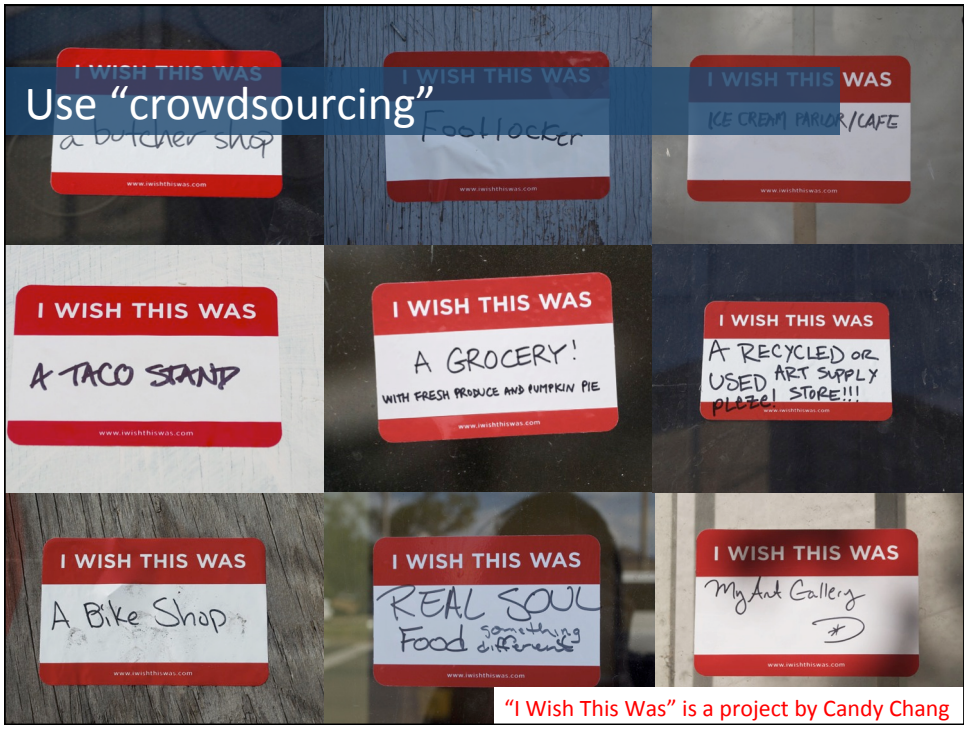
- "Local consumers" come from Midway itself and surrounding communities. For very nearby households, Midway satisfies some convenience purchases with pharmacy, grocery store, bank, and casual restaurants. For customers a bit farther away, Midway is a regional destination, especially for fine dining. The geographic draw for this set of customers ranges up to 20 minutes drive time.
- "Bluegrass visitors" come for attractions: the equestrian industry and associated events (esp. Keeneland), the Bourbon Trail, and, to a lesser extent, area vineyards. In addition to people traveling by car, a few organized motorcoach tours also bring visitors to Midway.

To do. The following activities can be implemented by Midway business owners themselves, even as Midway Renaissance, the Merchants Association, and the City rethink how downtown improvements, marketing, and economic development should be managed.

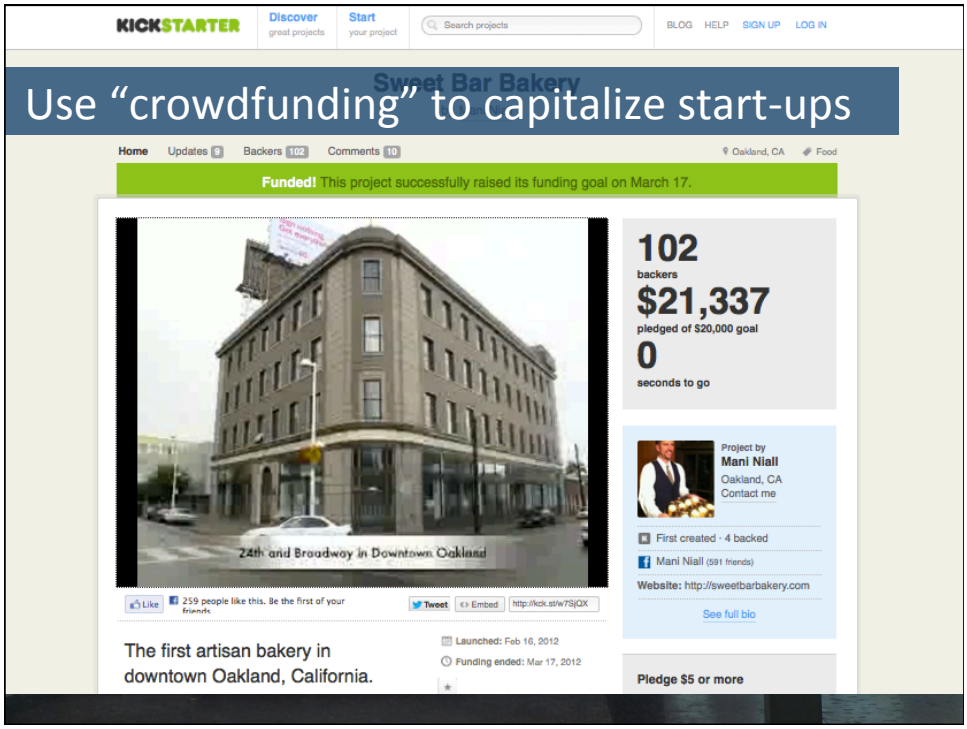
- **Organize a business coffee klatch.** Organizing activities for downtown as a whole – or even for a subset of businesses – will require some type of forum and leadership group. A coffee klatch of restaurateurs is a good way to coordinate shopping and dining nights or tourism incentives. (This group may include – or coordinate with – retailers.)
- **Coordinate with tour operators.** Observe the names on regional tour buses and establish a point of contact. Negotiate group dining packages that include a mark-up for the operator.
- **Cross-promote to retailers.** Provide a retail guide to diners, encouraging them to shop after lunch in Midway – or an incentive for evening diners to return during the day, when retailers are open. (Retailers should do the same for restaurants.)
- **Get customers to write online reviews.** Many visitors scout out their activities using any of several online tools. Few Midway restaurants are represented on Facebook, TripAdvisor, Yelp, or other social websites. Set up listings and encourage customers to write online reviews.
- **Offer a good-value, fixed-price menu on slow nights.** A lower-priced two or three-course meal can increase traffic from regional customers on slower nights.
- **Conversely, offer a fixed-price menu during equestrian seasons at a *higher* price.** During Keeneland and other equestrian tourism events, or on the busiest seasonal or holiday nights (when Midway restaurants are already doing their best business), try offering a high-end fixed-price menu to increase margins during peak periods.
- **Coordinate restaurant and retail hours during peak nights of peak seasons.** While we do not recommend trying to coordinate all downtown business hours, we do recommend using the coffee klatch to organize a handful of retailers to remain open through the restaurant closing time for peak nights during the peak seasons.
- **Organize shopping and dinner nights with local churches and charities.** In addition to attracting organized visitor groups (e.g., bus tours), the restaurateur "coffee klatch" can seed new visitor groups. Reach out to area churches and charities (20-minute drive area or more), inviting them to buy fixed-price group lunches and dinners in Midway. With dining as the initial attraction, retailers can then hold in-store "open-house" events, with later hours and refreshments. Build in an incentive for the charity to participate, such as contributing a portion of all ticket sales *and* a percentage of dining sales from the night. Similar group packages can be marketed to senior homes.

Recruit new businesses

1. Send out scouts
2. Make an appointment and visit
3. Follow up with specific, helpful information
4. Meet the business's needs
5. Stay in close contact
6. Celebrate the opening
7. Support the new business



“I Wish This Was” is a project by Candy Chang


KICKSTARTER
Discover
Start
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Use "crowdfunding" to capitalize start-ups
Home Updates 9 Backers 102 Comments 10
Oakland, CA Food
Funded! This project successfully raised its funding goal on March 17.
24th and Broadway in Downtown Oakland
102
backers
$21,337
pledged of $20,000 goal
0
seconds to go
Project by
Mani Niall
Oakland, CA
Contact me
First created · 4 backed
Mani Niall (591 friends)
Website: http://sweetbarbakery.com
See full bio
The first artisan bakery in downtown Oakland, California.
Launched: Feb 16, 2012
Funding ended: Mar 17, 2012
Pledge $5 or more

Consider "community-owned" businesses
THE COMMUNITY STORE