

## Main Street 101: Economic Restructuring

Presented by  
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## The Main Street Four Point Approach®

- Simultaneous work in four broad areas:
  - Organization
    - getting everyone working toward the same vision for downtown
  - Promotion
    - getting more people to visit downtown
  - Design
    - getting downtown into top physical shape
  - Economic Restructuring
    - getting downtown businesses busier

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## ER Responsibilities

How you get downtown businesses healthier

- Know the market
- Strengthen existing businesses
- Fill vacancies with complementary businesses
- Assemble incentives and capital
- Develop underutilized space
- Monitor and report performance



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## Economic Restructuring Outcomes

- Better understanding of the market by you and reaction to the market by downtown businesses
- Better relationship between you and existing downtown businesses
- Healthier downtown businesses
- Healthier downtown business mix
- Increased business activity, rents, property values, and investor confidence
- Market based rents and property values

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## Fundamental economic restructuring

- Appreciation/understanding of how good businesses work



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## How good businesses work

Measuring how

- Total tickets
  - Total dollar value
  - Total transactions
  - Average sale amount
- Sales compared to sales on the same day the year before
- Profitability by item and category
- Conversion rate (the % of shoppers who become buyers)
- Time spent shopping per store visit
- Interception rate (% of shoppers with employee contact)
- Waiting time

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## How good businesses work

Pro Forma

- Gross Scheduled Income (GSI)
  - Less: Vacancy
  - Plus: Miscellaneous Income
- Equals: Effective Gross Income (EGI)
  - Less: Fixed Expenses
  - Less: Variable Expenses
  - Less: Reserve for Replacements
- Equals: Net Operating Income (NOI)
  - Less: Debt Service (DS)
- Equals: Cash Flow (CF)



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## How good businesses work

Six key business practices

- Write down the business processes
- Set financial goals/cleanup financial statements
- Have a marketing budget
- Keep track of customer information
- Keep employees in the loop
- Do a literal housekeeping, cleanup



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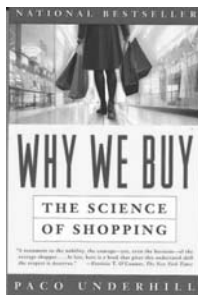
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## How good businesses work

The Mechanics of Shopping

- “Build and operate a retail environment that fits the highly particular needs of shoppers and you’ve created a successful store.”



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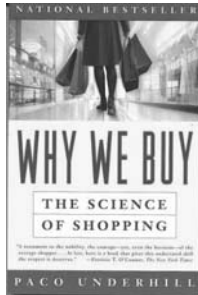
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## How good businesses work

Retailing 101: balance between...

- Design (the premises)
- Merchandising (whatever you put in the premises)
- Operations (whatever employees do)



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## How good marketplaces work

Clustering

- A technique for leveraging your existing or potential niches by spatially arranging them
  - to generate the most foot traffic
  - to positively impact “sales”



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## “Sales”

- Retail sales
- Service sales
- Housing sales
- Housing rentals
- Commercial rentals
  - Offices
- Overnight stays
- Meal sales
- Ticket sales



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## How good marketplaces work

Clustering

- Competitive clusters
  - Competitive businesses sell the same type of products and services
- Complementary clusters
  - Complementary businesses sell related products and services
- Compatible clusters
  - Compatible businesses may have unrelated products and services but share customers.
- Anchors (traffic generators) within and for each of these clusters
  - Gateways and parking near anchors

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## How good marketplaces work

Clustering

- Competitive clusters lend themselves to cooperative business promotions
  - market the ability to comparison shop within your commercial district
- Complementary clusters lend themselves to cross-business promotions
  - compel the customer to purchase all those related products and services while shopping in your commercial district.
- Compatible clusters lend themselves to consumer segment promotions
  - focus on connecting the targeted customer group with all the businesses in your commercial district that will appeal to them

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## Know the market

Market position

- A downtown specialization or niche based on:
  - a primary consumer segment served and
  - a primary set of goods and services offered
- Downtown's competitive advantage (brand awareness) versus alternative commercial districts



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## Know the market

Market position

- “A great place where creative individuals can choose from an eclectic selection of women’s and children’s apparel and accessories, home goods, and personal care products.”
  - Easton (a lifestyle center in Columbus, Ohio)
    - They called this statement their Anthropologie

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## Know the market

Market position

- Communicate it convincingly and confidently (brand it)
- Use it to develop a working relationship with other commercial districts
- Use it to target business assistance
- Use it to manage your business clusters
- Integrate it throughout all Four Points

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## Know the market

Specific project recommendations

1. Define your downtown’s market position
2. Refine your market position over time
  - By comparing it to the community’s vision for downtown
    - your ideal downtown versus your current market reality
  - By comparing it to the best available market information



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## Know the market

Specific project recommendations

- Best available market information
  - Assemble your community's past market research/analysis efforts
    - Don't forget about planning documents
  - For each, digest and distribute useful knowledge
    - Benchmarking economic conditions
    - Key conclusions
    - Identified market opportunities

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## Know the market

Caution

- The science and art of the market
  - Generic classifications versus intrinsic qualities
  - Priorities based on the community's vision for your district and its' market position
  - Intuition/gut
  - Demand can also be created

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## Know the market

Specific project recommendations

- Research answers to your specific questions to inform your decisions
  - To refine the downtown or business district's market position
  - Your district-wide market research cannot be or replace business-specific market research
- Encourage and help downtown businesses research answers to their specific questions to inform their decisions
  - Zip code tally
  - Customer database
  - Focus groups

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## Market information

- Supply information
  - Supply of space (Building and Business Inventories, Business Owner Survey)
  - Supply of products and service (Business Owner Survey, Business Mix Analysis)
- Demand information
  - Demand from where (Trade Area Analysis, Local Economics)
  - Demand for what (Customer Demographics and Lifestyles, Consumer Survey)
  - Demand for how much (Sales Potential)
- Market opportunities (demand exceeds supply)
  - Retail, Service Business, Restaurant, Theater, Residential, Office, Lodging

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## Market information

- Resource: Step-by-Step Market Analysis available at [www.mainstreet.org](http://www.mainstreet.org)
- Resource: Downtown and Business District Market Analysis web site [www.uwex.edu/ces/cced/dma/](http://www.uwex.edu/ces/cced/dma/)

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## 10 Steps to a Comprehensive Business Retention Program

(Valecia Crisafulli, Main Street News, January 2003)

- Establish a business retention team.
- Know the market.
- Create a market positioning statement and market strategies.
- Identify key businesses.
- Identify & offer needed business assistance.
- Plan for effective business promotion.
- Help businesses identify & develop opportunities for growth & expansion.
- Learn to recognize early warning signals.
- Plan for business transition.
- Support existing businesses personally.

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## Strengthen existing businesses

- The missing link: communication (two-way) and relationship building
  - Trust versus credibility
    - Credibility is intellectual
    - Trust is visceral, a leap of faith followed by feedback



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## Strengthen existing businesses

Communication and relationship building strategies



- Formal “on the clock”
- Informal “off the clock”
- One to one

*The right methodologies, messages, messengers, and moments*

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## Strengthen existing businesses

Credibility

- Resume
  - Annual report
- References
  - Use a third party to vouch for your character and competence or serve as an intermediary
- Reputation
  - Testimonials
- Demonstration
- Data
- Guarantee
- Keep your problems to yourself



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## Strengthen existing businesses

Trust

- Trust on your part
- Trustworthy behavior on your part
  - Be respectful
  - Be open and transparent
  - Care
  - Be useful
  - Be dependable, reliable
  - Be visibly accountable
  - Build shared experiences



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## Trust on your part

- Let go of fear
  - Know who you are and your potential value
- Believe they are competent and have character
- Forgive mistakes, let go of the past
  - Don't criticize
  - Don't talk behind backs



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## Trustworthy behavior on your part

Be open and transparent



- Tell the whole truth
  - Don't omit important details
- Never tell lies
  - Don't mask truths
- If you do have secrets, let it be known
- Explain your motives and intentions

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## Trustworthy behavior on your part

Care

- Learn and speak their language
- Take the time to understand their history, culture, and perspective
- Show genuine concern and interest in their business and its problems
- Make them feel like 'the special one'
  - Call up or send them an e-mail to congratulate them on any good news
- Listen attentively with understanding and empathy
  - Frame what they have said
- Don't rush
- Do these things without any expectation of a return

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## Trustworthy behavior on your part

Be useful

- Communicate enthusiastically your plan for solving their problems
  - Solve real issues and improve real processes
  - Create solutions that add value
- Show progress
- Become a valuable resource
  - When they believe they need you, trust will increase
- *Send some referrals their way*



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## Trustworthy behavior on your part

Be dependable, reliable

- Keep confidences
- Do not over-promise
- Follow through
  - Always give more than expected
- Be fair
  - Have no favorites
- Be predictable and consistent
- Be willing to be influenced
- *Return every phone call and every e-mail promptly*

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## Trustworthy behavior on your part

Be visibly accountable



- Own up to any mistakes
  - Don't get defensive
- Handle complaints promptly with empathy and honesty

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## Trustworthy behavior on your part

Build shared experiences

- Team up, partner
  - Use icebreakers and fun team-building exercises
- Maximize joint gain
  - Celebrate successes publicly



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## Strengthen existing businesses

- Property owners are businesses too
  - Equally important to develop a trusting relationship



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## Strengthen existing businesses

Specific project recommendation



- Assign the task of building relationships and trust
  - Match each business and building owner with the right liaison

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- *Support existing businesses personally.*

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## Fill vacancies with complementary businesses

- Passive business recruitment
- Business owner attraction
- Entrepreneurial development
- Proactive business recruitment



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**Fill vacancies with complementary businesses**  
proactive business recruitment

- **Inherent weaknesses of proactive business recruitment strategies**
  - Typically focused on the business type and not the business owner
  - Recruited businesses can fail even if a market opportunity exists (because of the owner)
  - Non-recruited businesses can flourish even if a market opportunity wasn't identified (because of the owner)

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**Fill vacancies with complementary businesses**  
business owner attraction

- **Business owner attraction: Make the downtown more attractive to entrepreneurs and employees (efforts from all Four Points)**
  - Everyone working toward the same vision for downtown (organization)
  - Downtown in top physical shape (design)
  - Lots of people visiting your downtown (promotion)
  - Healthy downtown businesses (economic restructuring)

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**Fill vacancies with complementary businesses**  
business owner attraction

- **Design efforts**
  - Good spaces
    - Maintained/improved spaces (design guidelines)
    - Authentic spaces (competitive advantage/economic value of historic spaces)
    - Quality spaces (economic value of quality materials and craftsmanship)
    - Smaller spaces
    - Vacancies (available space)
  - Design incentives as business incentives
  - Marketplace
    - Business Clustering

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## Good spaces



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## Good spaces



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## Fill vacancies with complementary businesses

business owner attraction

- Promotion efforts
  - Marketing plan/market position
  - Image campaigns/branding
  - Cooperative advertising programs
  - Events (and how to benefit)
    - Special events (traffic)
    - Business promotions (sales)
  - Promotion assistance
    - Business marketing
    - Business advertising (5-10% of gross sales)
    - In-store promotions



Experienced-based retailing

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## Develop underutilized space

- Vacant lots
- Vacant first floor spaces
- Marginal first floor businesses
- Vacant upper floor spaces
- Unimproved upper floor spaces
- Parking lots and pocket parks



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## Develop underutilized space

Inventorying space

- How much space you manage and what type
- The amenities and value of that space
- The maintenance needs for that space
- Who occupies that space and how to contact
- How many businesses occupy that space and what kind

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## Develop underutilized space

Inventorying space

- Paper file
- Spreadsheet
- Database
  - The ability to easily search, sort, query, or report information from the inventory
  - One database to rule them all
    - Benefit of having everything in one place
      - update once

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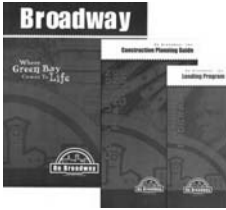
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## Assemble incentives & capital



- Identify and communicate all available financial and technical resources and providers
  - Be knowledgeable and make referrals
  - Foster networking between providers
  - Develop a marketing campaign to get the word out
  - Expand and supplement where necessary

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## Assemble incentives & capital

Require adherence to business guidelines

- Ideal hours of operation
- Frequency of window display turnover
- Investment in marketing
- Customer service standards
- Tracking customers
- Hospitality
- Parking practices
- Knowledge of neighbors
- Referrals
- Maintenance
- Cleanliness
- Positive attitude
- Appreciation
- Other?

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## Assemble incentives & capital

Set the bar for business greatness, encourage consistent quality

- The competition can accomplish this with leases
- May increase success rate and thus make businesses a better risk for financing



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## Monitor and report performance

- Collect base-line data
- Record information on changes
- Measure annual performance
- Report annual performance



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## Monitor and report performance

- Most Main Street communities report reinvestment to their state offices
- Only logical to communicate these statistics locally

KEY INDICATORS	2002	2003	
Volunteers	N/A	122	↑
Number of New Volunteers	N/A	55	↑
Dollar Value of Volunteers	N/A	\$2270	↑
Number & Dollar Amount of Grants	0	1/965,000	↑
Number of Members	9	34	↑
Attendees at Special Events	4950	8746	↑
Number of Merchants Involved	49	90	↑
Number of Print Stories	37	45	↑
Number of Design Improvements	3	5	↑
Number of Net New Businesses	1	19	↑
Number of Net New Jobs	37	N/A*	↑



Broadway Hometown Partnership  
2003 Annual Report

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## ER Committee Roles

- Committee Volunteers
  - to plan and implement projects
- Committee Chair
  - to recruit members, to run meetings and to resolve conflict
- Staff
  - to assist, advise and provide information
- Board
  - to set policy and approve annual action plan and budget
- Tasks
  - Orientation/training
  - Work/action plan



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## Who Serves on the ER Committee

The Team

- Business service professionals (attorneys, accountants, etc.)
- Bankers
- Real estate professionals
- City staff or elected officials
- Economic development and business organization representatives
- Academic staff
- Property owners
- Enthusiastic business owners (competitors?)
- Retired business owners



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## Who Serves on the ER Committee

The Team

- People who like to shop or can be shopping critics (like movie critics)
- Good listeners (can keep secrets, are trustworthy)
- People who like puzzles (or Monopoly)
- Good problem solvers and negotiators
- People who like math (crunching numbers)
- Good salespeople



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## Conclusion

Principles of Success

- Comprehensive strategy: Not just recruitment
- Incremental steps: Keeping pace with the market
- Self-help: Local investment
- Partnerships: Public and private \$
- Unique assets: Market position, and the economic value of authentic history
- High standard of quality: The economic value of quality materials and craftsmanship
- Changes in attitude and practice: Business owners first, customers second
- Implementation: Avoid analysis paralysis

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