

# Innovative Market Analysis for Downtowns

Todd Barman, September, 2010

Innovative Market Analysis for Downtowns

**Main Street**  
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Introduction

- Status quo simplified
  - Determine supply of products and services
  - Determine demand for products and services
  - Compare supply with demand to determine market opportunities
- Established innovations
  - Rather than consultant product, empowered community
    - Informed consumers of consultant services
  - Rather than one large static report, many small active pieces

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Resources

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

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# Innovative Market Analysis for Downtowns

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### The Toolbox

- Part I: Understanding Market Conditions
- Part II: Identifying Market Opportunities by Sector
- Part III: Developing Market-Driven Strategies



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### Part I: Understanding Market Conditions

- Getting Started
- Creating a Building and Business Inventory
- Surveying Business Operators
- Analyzing Your Business Mix
- Analyzing Your Trade Area
- Analyzing Local Economics
- Analyzing Customer Demographics and Lifestyles
- Assessing Consumer Attitudes

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### Market conditions

- 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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**Hard reality of the market**

- Market opportunities in the form of unmet supply have become difficult if not impossible to find
- Growth of retail space (supply) has far outpaced growth of retail spending (demand)
  - “Between 1990 and 2005 the amount of retail space per person in the United States doubled”
- Built because shopping centers, since 1954, are highly lucrative tax shelters, not to satisfy increased consumer demand
- “Built because chains see a predatory opportunity to displace sales at other businesses” Stacy Mitchell, Big-Box Swindle

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**Getting started:** Defining the purpose of your study; what are your expected/desired outcomes?

- Why do you want/need a market analysis?

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**We have traditionally asked these three questions after the market analysis is done**

- What does this information mean? How do we interpret and use the data?
  - This may mean we did the wrong research
- What opportunities does the information present for businesses in our district?
  - This may mean we did the wrong research
- How can we help our businesses take advantage of these opportunities?
  - This is always a good question

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How could you use the following market analysis information?

- 37% of people who work downtown say they eat lunch in the downtown district.
- 62% of people who work downtown say they typically buy their clothing online or from a catalog.
- The town's Hispanic population has increased from 3% to 11.5% during the past decade.
- People under 18 rate "merchant friendliness" significantly lower than people over 18?

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How to apply market knowledge and fine-tune the marketplace comprehensively

- Economic Restructuring (Healthy district businesses)
  - Identify niche markets
  - Identify where to locate businesses within your district — or where to encourage existing businesses to relocate within the district
  - Help existing businesses identify ways to sell more products and services to existing customers
  - Help existing businesses respond to market trends and identify new customers and ways to attract them

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How to apply market knowledge and fine-tune the marketplace comprehensively

- Design (District in top physical shape )
  - Identify potential design improvements including in-store merchandising and window displays
  - Identify public improvements that will generate increased business activity, rents, property values
  - Determine how alternative designs and locations will affect project marketability and profitability
  - Determine how much money property owners should spend on building rehabilitation projects (so that rents don't increase too quickly/outpace the market)

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How to apply market knowledge and fine-tune the marketplace comprehensively

- Promotion (Lots of people visiting your district)
  - Create a marketing plan, market-driven promotions
    - Decide the who, what, when, where, why, and how of your advertising (image campaigns) and your events (special events and business promotions)
  - Target new promotions and retarget existing promotions
    - Tailor promotional activities to attract target customer segments (types and timings)
  - Help existing businesses do the same

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How to apply market knowledge and fine-tune the marketplace comprehensively

- Organization (Everyone working toward the same vision for the district)
  - Establish realistic, economically based performance benchmarks for your revitalization program and monitor your program's progress over time
  - Forecast human resource needs (e.g. special task forces or committees)
  - Forecast financial resource needs
  - Help existing businesses do the same

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Downtown Market Analysis: Improving the Process

- [www.uwex.edu/ces/cced/downtowns/dma/improving-the-process.cfm](http://www.uwex.edu/ces/cced/downtowns/dma/improving-the-process.cfm)
  - Recommendations – Using a Market Analysis
    - Utilize your research to guide your four points
    - Make your research findings available to likely users
      - *Design your research for the intended user*
    - Use research honestly and correctly
    - Fully utilize the data to address specific question
      - *Design your research to answer a specific question*
    - Evaluate your research efforts

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Fundamental economic restructuring

- Learning how good developments work and then improving how well yours work - collectively and individually

Identify what your commercial strengths are (or can be) and develop them

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Fundamental economic restructuring

- Develop space
- Develop businesses
- Develop customers
- Develop partners

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Work tasks

- District-wide market research to inform your development decisions
  - Craft a downtown market position statement
  - Perform a business mix analysis
  - Craft a clustering/leasing plan
  - Perform targeted research
  - Integrate all this into your community's planning

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# Innovative Market Analysis for Downtowns

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### Work tasks



- Craft a downtown market position statement
- 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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### Market position example

- “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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### Specific project recommendations

- Define your downtown's market position
  - Who to sell to (collective target customer)
  - What to sell (collective target concept)
- 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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**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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**Using the market position**

- Shape how you develop space
  - Marry design concepts and business concepts
- Shape how you develop businesses
  - Manage your business niches
  - Target business assistance (repositioning)
- Shape how you develop customers
  - Brand the district
- Shape how you develop partners
  - Develop a working relationship with other commercial districts

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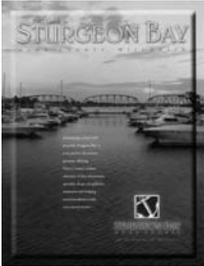
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**Developing customers**  
Branding the district

- Create commercial brand awareness in the minds of potential customers
- Positive commercial brand awareness will increase the probability that customers will choose you when selecting a shopping or tourist destination



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**Developing customers**  
Branding the district

- Collectively settle on a single brand in which you will invest volunteer and financial resources to strengthen and promote
  - Before communicating the chosen brand, be sure you have developed enough assets and are prepared to fulfill expectations created
- Businesses, current and future, will likewise need to co-brand themselves with whichever community brand is chosen in order to survive and thrive

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**Developing customers**  
Branding the district



- Business and district sustainability requires finding ways to continue promoting and building brand awareness during the time between your signature events

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**Work tasks**

- Perform a business mix analysis and craft a clustering/leasing plan
  - Inventory buildings/businesses
  - Compare business mix
    - Identify niches that could be captured and supported in downtown
  - Create a clustering/leasing plan
    - Identify space opportunities and needs

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**Building and business inventories: Purpose**

- Contacting stakeholders
- Tracking investment in the program
  - Pledges, sponsorships, volunteer hours, etc.
- Monitoring and reporting economic performance (measuring success)
  - Benchmarking and tracking property values
  - Tracking reinvestment (building & business improvements, jobs)
- Tracking vacancies and listings
  - Renting & selling property, siting businesses
- Tracking physical condition of the district
  - Targeting design assistance
- Tracking supply of products, services, housing, etc.
  - Knowing your market, analyzing your business mix
  - Developing business promotions & business directories
- Tracking Trade area
- Tracking media preferences
  - Targeting marketing strategies, cooperative advertising
- Tracking hours of operation
  - Managing and promoting district hours of operation

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**Building and business inventories: Analogy**

- Do you think a mall manager would be able to tell you how much space they manage?
- Do you think they could tell you about the amenities and are aware of maintenance needs for that space?
- Do you think they could tell you how many businesses they lease to and what kind?
- Do you think they could tell you how best to contact each business?

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**Building and business inventories:**  
How much space do you have and how good is it? (Supply)

- Building Assets
  - Owner/manager contact information
  - Assessed value and taxes
  - Last sale date and amount
  - Availability for sale or rent
  - Total square footage
  - Building amenities
  - Zoning class
  - Historic status
  - Building condition
  - Number of floors, commercial units, residential units

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**Building and business inventories:**  
How many businesses do you have and what kind? (Supply)

- Business Assets
  - Commercial units
    - Owner/manager contact information
    - Unit condition and amenities
    - Business classification & primary products/services
    - Date established
    - Business hours
    - Space use
    - Employment information and job availability
  - Residential units
    - Tenant/resident contact information
    - Unit condition and amenities
    - Residential amenities

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**Types of inventories**

- 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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**Resources**

- [www.uwex.edu/ces/cced/downtowns/dma/1.cfm](http://www.uwex.edu/ces/cced/downtowns/dma/1.cfm)
  - MS Access forms (not the software)
  - Free, no customer service
  - This is a head start for Access users
- [www.downtown-diva.com/database.php](http://www.downtown-diva.com/database.php)
  - Filemaker Pro forms and reports (not the software)
  - \$395, helpful documentation, basic customer service
- [www.easy-ware.com/](http://www.easy-ware.com/)
  - Stand alone software (no additional software needed)
  - Single-User Version \$795 (Multi-User Version \$1,595 or \$2,495)
  - \$75 per hour of training, recommend two or three two-hour training sessions
  - Support, charge \$30 per Primary user\* per month - paid annually

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**Business mix**

- A snapshot of the numbers, types, and combinations of establishments in your district
- Business Mix Analysis: comparison of your current business mix with the business mix of comparable and successful districts
  - To identify potential niches and clusters from successful places
  - To identify missing businesses

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**Business mix analysis**

- Identifying comparable places
  - Similar in population and demographics
  - Similar in distance from a metropolitan area
  - Other characteristics – industry concentrations, universities, government
- Identifying successful places
  - Knowledge from existing study group or committee members
  - Recognized district successes
  - Research websites of other communities' chambers or main street organizations

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**Niche**

- A niche is a market specialization
  - a clearly defined and tightly focused segment of potential customers (consumer niche) or products/services (business niche)



mustardweb.com

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### Consumer niches

clearly defined and tightly focused



- Demographic segment
- Psychographic segment
- Geographic segment

- Homework: Define your consumer niches and determine their preferences.

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### Business niches

clearly defined and tightly focused



- Product segment
- Service segment

- Homework: Define your business niches and determine their complements.

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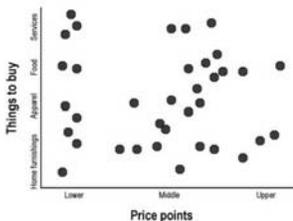
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### Business niches

Exercise



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**Business niches**  
Restaurants as a complement

- Restaurants for women's apparel and accessories niches?
- Restaurants for home furnishings/improvement niches?
- Restaurants for personal service niches?
- Restaurants for ethnic and cultural heritage niches?

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**Business niches**  
Restaurants as a complement



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**Clustering/leasing plan**

- Proactive design of a dream marketplace
- A compelling vision of a fully functioning future marketplace
- Sell potential investors on their ability to become part of a successful place



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# Innovative Market Analysis for Downtowns

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### Clustering/leasing plan



- The collective, not the individual, determines commercial district success
- The right combination and critical mass of businesses to attract the available customers

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### Clustering/leasing plan



- Hypothetical rearrangement and addition of businesses within the district to visually map out or model the ideal business district
- May also involve the hypothetical development of space

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### Clustering/leasing plan

A concrete downtown development plan

- The art of combination
  - Consistent with the market position
- Checked against the science of the market and the reality of any given space
  - Each potential investor is still responsible for running his or her own numbers



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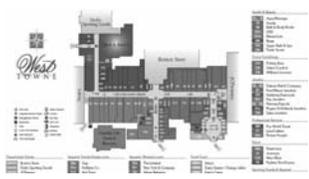
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### Clustering/leasing plan

- Leveraging your existing or potential niches by spatially arranging them
  - to generate the most foot traffic
  - to positively impact "sales"



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### Clustering/leasing plan

- 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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### Clustering/leasing plan

- 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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# Innovative Market Analysis for Downtowns

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**Work tasks**

- Perform targeted market research to answer questions raised during earlier work tasks
  - Observations
  - Interviews
    - Focus groups
  - Surveys
    - In person (e.g. intercept)
    - Distance (e.g. mail, Internet, and phone surveys)
  - Analysis

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**Answer market questions to inform your development decisions**

- Space
  - What sort and how much to define and enhance your collective target concept
- Businesses
  - What sort and how much to define and enhance your collective target concept
- Customers
  - Perceptions, preferences, brand awareness to evaluate and shape your target marketing
- Partners
  - Synergy between your development and theirs

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**Exercise**

- Brainstorm market research questions
  - the more specific the better

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**Business owner surveys**

- Summary
  - To determine supply of products and services
  - To help direct business assistance projects
  - To show businesses someone cares enough to ask (business retention)

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**Business owner surveys**

- Open business reporting (non-sensitive)
  - Contact information
  - Needs and opportunities assessment
  - Business and workforce data
  - Market and marketing data
- Anonymous business reporting (sensitive)
  - Sales per square foot
  - Sales per employee
  - Rent per square foot
  - Wages

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**Trade area analysis**

<ul style="list-style-type: none"><li>• Consumer Segments:<ul style="list-style-type: none"><li>• Local residents and existing customers</li><li>• Day time employee population</li><li>• Tourists/Visitors</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Geographic locations:<ul style="list-style-type: none"><li>• Gravity Modeling</li><li>• Street addresses</li><li>• Zip Codes</li><li>• License plate survey</li><li>• Drive-Time</li></ul></li></ul>
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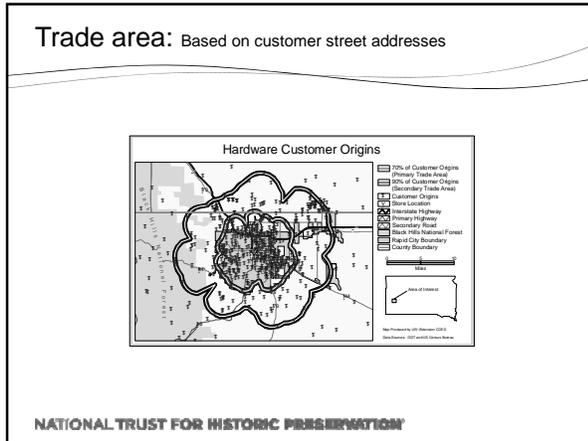
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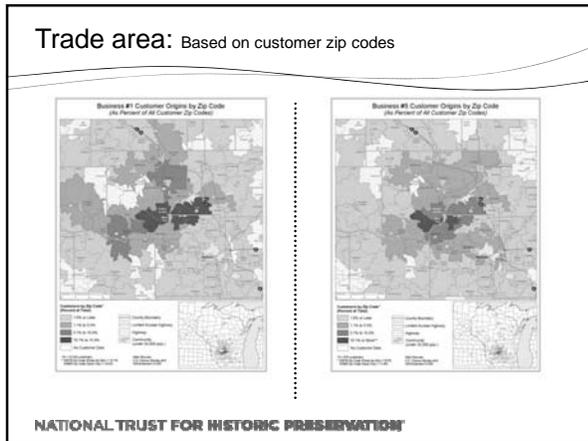
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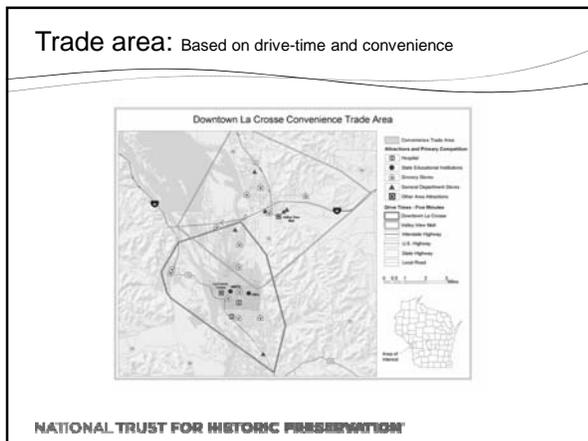
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**Trade area: Cautions**

- The market you will go after (strength) not the market you will settle for (weakness)
  - Use the numbers (e.g. demographics) to determine your position in the regional and local markets
  - Are there enough of the right customers available for the assembled businesses to break even or better?
- May need to expand the trade area
  - Geographically (e.g. day trippers)
    - Well-run destination businesses that become regional draws
    - The right combination and critical mass of businesses that collectively become a regional draw
  - Virtually (e.g. clicks and mortar)

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**Local economics**

- To gain a better understanding of the region, it is important to examine local and regional economic trends:
  - Income and earnings trends can tell us about the overall health of the local economy
    - Labor force and unemployment
  - Sales trends can tell us about the area's capture of dollars
    - surplus/leakage calculations
  - Other indicators such as traffic volume and patterns, construction and tourism can enhance understanding of local economy

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**Customer demographics & lifestyles**

- Demographics available for free from US Census (census.gov) and American Factfinder (factfinder.census.gov)
- More secondary data available for a fee from national data companies like ESRI and Claritas
- Include lifestyle or psychographic data in the analysis like "Tapestry" from ESRI and "PRIZM" from Claritas
  - Households in each trade area are segmented into unique clusters that describe their demographic, lifestyle, media and purchasing characteristics

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# Innovative Market Analysis for Downtowns

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**Customer demographics & lifestyles:** Cautions

- The science and art of the market
- Intrinsic qualities versus generic classifications
  - Business success is determined by the differentiated product/service, not the generic
  - So is commercial district success; in sum and in part
- Priorities based on the community's vision for your district and its' market position
- Intuition/gut
- Created demand

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**Consumer survey**

- Observations
- Interviews
  - Focus groups
- Surveys
  - In person (e.g. intercept)
  - Distance (e.g. mail, Internet, and phone surveys)
- Analysis

- When and how often they shop, eat out, or stop in the district
- Where and why they shop
- What they want
- Market and marketing data

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**Sales potential**

- Sales Potential spreadsheet available from the National Trust Main Street Center
- Based on 2004 Consumer Expenditure Survey data (also available for free at [bls.gov/cex/home.htm](http://bls.gov/cex/home.htm))
- Guides the user through the process of acquiring free demographic data from American Factfinder for use in the spreadsheet
- Factors in a wide variety of demographic variables
- Generate estimates of not only average sales potential across all demographic variables entered, but also specifies the lowest most conservative estimate, the highest most optimistic estimate, and a weighted average based on the user's confidence in each variable

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# Innovative Market Analysis for Downtowns

Todd Barman, September, 2010

Calculating sales potential

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# Households  
*(Census of Population)*

X Average sales per household  
*(Consumer Expenditure Survey)*

= Sales potential or buying power

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Help businesses keep pace with the market

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- Follow the health of “district indicator” businesses



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Help businesses keep pace with the market

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- Monitor and report local economic performance
  - Property values
  - Prevailing rents
  - Space availability
  - Sales tax revenues



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# Innovative Market Analysis for Downtowns

Todd Barman, September, 2010

**Help businesses keep pace with the market**

- Industry trends
  - “Dollars & Cents of Shopping Centers” CD
    - Developed through an ULI/ICSC partnership
    - [www.icsc.org/cgi/displaybook/000300](http://www.icsc.org/cgi/displaybook/000300)
  - Free business statistics and benchmarks
    - e.g. sales per square foot or per establishment
    - [www.BizStats.com](http://www.BizStats.com)
  - Trade associations
    - [www.uwex.edu/CES/cced/downtowns/dma/industrylinks.cfm](http://www.uwex.edu/CES/cced/downtowns/dma/industrylinks.cfm)

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**Specific project recommendations**

- Build the capacity of downtown businesses to research answers to their specific questions to inform their decisions (Your district-wide market research cannot replace business-specific market research)
  - Craft their own market position statement
  - Perform their own targeted research
    - Zip code tally
    - Customer database
    - Focus groups
- Facilitate that research as a business assistance service

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**Resources**

- The Toolbox
  - Part II: Identifying Market Opportunities by Sector
  - Part III: Developing Market-Driven Strategies
- National Trust Main Street Center
  - My email [todd\\_barman@nthp.org](mailto:todd_barman@nthp.org)
  - Our web site [www.mainstreet.org](http://www.mainstreet.org)
  - Main Street NOW
    - Archive of Main Street News
  - List serve
  - National Main Streets Conference
  - Publications

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