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MARKET ANALYSIS FOR COMMUNITY TRANSFORMATION: A PRACTITIONER'S GUIDE



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Main Street America™ has been helping to revitalize older and historic commercial districts since the late 1970s. Today, it is a movement consisting of more than 1,600 neighborhoods and communities, rural and urban, who share both a commitment to place and to building stronger communities through preservation-based economic development. Main Street America is a program of the nonprofit National Main Street Center, a subsidiary of the National Trust for Historic Preservation.

Market Analysis for Community Transformation: A Practitioner's Guide was co-written by Josh Bloom and Kennedy Smith of Community Land Use & Economics.

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Market analysis is a critical tool in helping decisionmakers assess the economic conditions of their commercial districts and arrive at an effective plan for transformation. This resource guide takes market analysis — a key component of the Main Street Approach — and breaks it down for practitioners.

One of the toughest challenges facing older and historic Main Streets — both rural downtowns and urban neighborhood corridors — is sustaining and growing a district's economic foundation. Whether it's restructuring the foundation of a struggling downtown or strengthening the base of a healthy district, the work involves a multitude of components due to the economically diverse nature of commercial districts. Ultimately, it requires having a market-based strategy that guides all the actions and decisions made by the organizations and agencies involved in a district's revitalization.

The good news is that *all communities have choices about their economic futures*. There isn't just one economic development strategy that will work; instead, there are always many possibilities. It is a paradox, of sorts: Market analysis relies on the examination of quantitative and qualitative data, but those inputs rarely yield a definitive answer. Rather, the research produces a range of options, which then need to be critically evaluated. Market analysis is an essential tool for identifying those options and for weighing the pros and cons of each choice.

A good market analysis has many practical uses. At the broadest level, local leaders should use a market analysis to inform the Transformation Strategy selection process for the district. A Transformation Strategy is a statement of intentional economic direction that can be used to focus and guide future development and your Main Street program's initiatives.

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With sound market analysis at its core, a Transformation Strategy can be used to:

- // Help existing businesses sell more goods and services to existing customers.
- // Help existing businesses identify new customers and find ways to attract them.
- // Identify new businesses that your district can likely support.
- // Make decisions about where to place businesses within your district and, in some instances, about where to encourage existing businesses to relocate within the district.
- // Plan highly effective promotional activities that appeal to the types of customers you are trying to attract.
- // Establish realistic, economically-based performance benchmarks for your district's revitalization program and monitoring your program's progress.

The market analysis and the Transformation Strategy together provide the foundation for the revitalization program's overall strategic plan, guiding the program's actions in a solid, market-based understanding of the district's most realistic opportunities for economic growth.

MARKET ANALYSIS ONLY TELLS PART OF THE STORY

Market analysis is a critical element of the Main Street Approach, providing data on market strengths and weaknesses that guides decision-making. But, data only goes so far. The transformation a Main Street program seeks to achieve needs to reflect the input, desires, and vision of the community it serves. This can only be accomplished by intentional and sustained community engagement. See the companion guide, *Community Engagement for Main Street Transformation*, for practical strategies for working with community members to help shape your work and implement your Transformation Strategies. And, be sure to reference *The Main Street Approach: A Comprehensive Guide to Community Transformation* which will help you take your market data and community input and translate those inputs into actionable Transformation Strategies.

“We did a market analysis recently. Can we use the one we already have?”

Maybe. And almost certainly you can use pieces of it.

It's important to remember that a market analysis is only a snapshot in time. Today's shifting economic landscape mean that your district economy is constantly evolving. So, a commercial district-level market analysis is typically useful for three to five years, but its shelf-life could vary. It could be shorter if, for example, there has been a recent change, like large housing development in or near the district, or a large employer has closed or moved. It could be a bit longer if things have remained very stable over the last five years. However, with the rapid growth of online shopping and the impacts it is having on bricks-and-mortar retail, a market analysis older than five years is likely to be outdated.

If you have completed a market analysis in the last five years, it is worth rereading it and comparing its contents to the components described in this resource guide.

WHAT IS A MARKET ANALYSIS, AND WHAT IS “MARKET ANALYSIS LITE”?

Market analysis is a tool to help local leaders make informed decisions about their commercial district. Information about consumers, businesses, and trends helps leaders make educated guesses about the future and choose a deliberate direction among several options. It is a set of measurements that together provide a snapshot of a commercial district's current economic condition and its potential for growth and change.

Market analysis for a commercial district differs from an analysis for a particular site or development project. When considering a real estate project, a developer uses a “pro-forma” analysis to make a “go” or “no-go” decision for a specific building on a specific parcel, to make adjustments to the scale, use, or finishes, and to identify needs and sources for subsidy. A market analysis for a *district* can help identify potential development opportunities, which may create a need for a specific project or site-based pro-forma analysis.

Market analyses are sometimes specialized (focusing on housing or industrial development, for example) and sometimes general (focusing on an entire community or region). When people think of market analyses for

downtowns and neighborhood commercial districts, they usually think of *retail* market analyses. Retail activity is an important component of commercial districts, and it is usually a good place to start in determining a strategic direction for a district’s economic transformation. But the historic retail foundation of commercial districts has been experiencing upheaval as more retail purchases move online. And the economies of commercial districts involve much more than retail; housing, dining, industry, professional and personal services, entertainment, transportation, small-scale production and nonprofit activities, among others, are equally important.

Although different types of market analyses may contain different types of measurements, all good market analyses should help you:

- // Shape a vision and develop tangible economic goals for the district;
- // Build on the district’s strengths and unique competitive advantages; and
- // Mitigate against the district’s weaknesses.

Traditional market analysis can be complicated, highly detailed, and expensive. In our work with communities,

we have begun to use the phrase “Market Analysis Lite” to describe a process that helps local practitioners get a handle on the market analysis process without an overly burdensome time or financial investment.

- // Market Analysis Lite de-emphasizes some of the quantitative aspects of traditional, more rigorous market analysis in favor of speed, agility, cost savings, and the ability to get going with the work of revitalization — rather than wait until you know every detail about the local economy.
- // Market Analysis Lite uses data, but leans heavily on common sense, local knowledge of the existing uses and functions of the commercial district, along with critical interpretation. You can gather and interpret some data yourself, without engaging a professional analyst. And you can gather and analyze information in “chunks,” getting more detailed when needed (such as when a particular development is proposed).

This resource guide will walk you through seven components of this simplified approach to market analysis and includes accompanying exercises for you to use in your own community. Taken together, these components will provide a basis for understanding the economics of your commercial district.

Component	Description and purpose
1. Trade area	The trade area defines the geographic market you will analyze.
2. Population characteristics and trends	The size and composition of the population informs the size and nature of consumer demand.
3. Sales gap	The difference between household spending and business sales can reveal opportunities to recapture spending that is leaving the community.
4. Business inventory	Assessing the current business mix may reveal clusters that can be reinforced, or consumer needs that are not being met.
5. Competitive context	Identifying competing downtowns, commercial districts, and shopping centers (including their strengths and weaknesses) helps to differentiate and position your commercial district.
6. Perceptions and attitudes	Consumer attitudes affect behaviors. This research component gathers direct information from shoppers, workers, and residents.
7. Transformation Strategies	Market Analysis informs your district’s Transformation Strategies—the economic direction for all of your initiatives.

You get to choose how much of the research and analysis you want to do yourself. How much you do yourself will depend on the time you have available and your comfort with the data you will be gathering and analyzing. You may choose to work with Main Street America or an affiliated consultant to complete some of the tasks and analysis for you. If you choose to get professional assistance, you will be an informed client — you can specify the kind of data collection, analysis, and interpretation you need.

TRADE AREA

To begin your market analysis, you must delineate the trade area for your district. A trade area is a geographic area from which a district attracts customers.

Shopping malls and big-box stores view their primary trade area as the geographic region from which they attract 50 to 75 percent of their customers. A secondary trade area attracts 15 to 20 percent, and a tertiary trade area attracts the remainder. This definition usually works well for places selling similar types of merchandise to customers of a similar demographic.

For traditional commercial districts, defining trade areas is more complicated. These districts have many different uses and users. For example, a downtown café's primary trade area might just encompass the district itself, while the primary trade area for a bike shop might be many miles in diameter.

Knowing where the customers come from is crucial in making decisions about how broadly to promote the district. It also allows you to more accurately pull market data, such as "sales void" — the amount of household spending that may be "leaking" to other shopping venues. Bear in mind that a commercial district is likely to have multiple trade areas, depending on the businesses in the district.

POPULATION CHARACTERISTICS AND TRENDS

The Census of Population and its annual population-sampling supplement, the American Community Survey (ACS), are invaluable resources, and they are free at [census.gov](https://www.census.gov). Using the Census and ACS, you can develop a rich portrait of your trade area's population. Some of the most commonly-used resources in a market analysis include:

- Population and number of households (allows you to size the market);
- Median household income and income brackets (used in calculating buying power, poverty levels, and other spending-related data);
- Median age and age brackets (a proxy for life stage, such as households in their family-building or retirement years);
- Race and ethnic composition (a reflection of different types of households in your trade area; may also highlight niche business opportunities);
- Household size (may provide insights into purchasing preferences or housing needs); and
- Commuting times, distances, and destinations for the community's working residents.

All of these are available online by using the American Fact Finder tool at [census.gov](https://www.census.gov).

The very concept of a trade area is now being disrupted, with consumers shifting a range of convenience-type purchases (everything from laundry detergent to pet food) to online ordering, big-box stores working to gain a foothold against Amazon, and some shopping being delegated to delivery services. Getting a customer to come to your commercial district now depends less on proximity (or trade area) than it did in the past. Attracting a customer involves providing something that is often defined by uniqueness, convenience, and/or an engaging experience.

Nevertheless, defining your trade area still provides important parameters for your market analysis, just be mindful of its limitations. You will use the trade area(s) to gather population and sales-void data. Keep in mind that a larger trade area includes more rooftops, but it also includes more businesses, which affects sales voids. This will be discussed in more detail in the next section.

SEE EXERCISE 1 P. 11



DUBUQUE, IOWA. CREDIT: URBAN LAND INSTITUTE

The ACS provides much of the detailed household and lifestyle data that the decennial Census formerly provided. The ACS is collected on a continual basis, throughout each year. Because ACS data is developed from relatively small samples, it is most accurate for geographies with populations over 65,000. For geographies with populations between 20,000 and 65,000, it is reported in rolling three-year averages, and for geographies with populations under 20,000, it is reported in rolling five-year averages.¹

Much of the population information that you can access through the Census website is also available for purchase from ESRI through its Business Analyst service, which is somewhat easier to navigate. Data can also be ordered from Environics Analytics, a service similar to ESRI. ESRI and Environics Analytics provide population size and characteristics for the most recent year and a five-year future forecast. Estimates and projections are based on their own proprietary methodologies.²

In addition to the ACS, most state governments prepare ongoing estimates of population changes for counties, and sometimes for towns and cities. They use this information to help plan for changes in school enrollment, infrastructure needs, housing demand, and other key factors that might affect the state's revenues and expenses.

Yogi Berra said, "It's tough to make predictions, especially about the future." Note that most forecasts of population growth or decline are straight-line projections based on trends observed in the recent past. Without a crystal ball, it is simply not possible to know if future population growth or decline will match the forecasts. And the further you try to peer into the future, the more unknowable the scenario. Local information about planned land development, housing construction, or schools is often the most useful data in making short-term population predictions.

SEE EXERCISE 2 P. 12

COMMERCIAL DATA SERVICES

Several companies sell demographic and economic data packaged in reports for any geography you specify — e.g., zip code, city, county, or radius or drive-time from a point. The "reports" are actually data tables without interpretation. Some of the information sold by commercial data services is available free from census.gov and some information is generated through their own analytic systems.

Subscriptions to geospatial information services typically start at around \$1,500, but some reports can be purchased "à la carte." Many city or county economic development offices subscribe to one or more data services and you may be able to access information by working with a local or regional partner. The most common of these services are ESRI and Environics Analytics (formerly known as Claritas).

▶ **ESRI** sells a range of geographic information services (GIS) and data-mapping software. For the tasks in this Market Analysis Lite manual, ESRI's "Business Analyst Online" is most relevant. In addition to demographic and economic data, ESRI offers a consumer segmentation (psychographics) product called "Tapestry". To purchase data reports à la carte, see <http://www.esri.com/products/BuyReports/configure>.

▶ **Environics Analytics**, an off-shoot of Claritas, sells information similar to ESRI. Its consumer segmentation product is called PRIZM. To purchase data reports à la carte, see <https://en.environicsanalytics.ca/Spotlight/Pay-As-You-Go>.

A cautionary note: There can be enormous data differences between ESRI and Environics Analytics. Differences are most pronounced for smaller geographies, such as smaller towns or smaller drive-time areas. In particular, sales gap reports are known to be highly variable across data service providers. (This is due to the imperfect nature of the primary source data for business sales and the proprietary methodologies used to develop the reports.) The variability across data services illustrates the limits of quantitative analysis and underscores the need for thoughtful interpretation. For simplicity (and consistency), choose one data service — preferably the one that is also used by your city, county, or state partners.

¹ For small and midsized towns, ACS data can be unreliable because of the small sample sizes. The ACS notes a "Confidence Interval" which can help you assess reliability of the data.

² Note that data from ACS and ESRI are both estimates. It is common for ACS, ESRI, and Environics Analytics population data to differ (sometimes in significant ways), especially for smaller communities or geographies.

SALES GAP

Sales gap (also called sales void, retail gap, and sales leakage) represents the amount of available consumer spending captured within a given trade area.

Traditionally, the concept of sales gap has been applied to purchases that had a relationship to where people live versus where they shop. So, malls and big-box stores considered the amount of household spending they could capture within a given radius. Sales gap analyses have been used in traditional commercial districts as well — particularly when analyzing convenience-type purchases, the things people tend to buy close to home or work. Sales leakages are less relevant for unique business types or destination purchases. For example, a customer might travel a significant distance to buy a musical instrument or a bicycle — or even to go to a special-occasion restaurant or an entertainment venue. As the trade area becomes quite large, the concept of “leakage” becomes less useful.

The problem is that similarly to the definition of trade area, the very concept of sales gap is losing meaning. Items that were once tied to a region (like the mall that sold apparel to households in the surrounding city or county) no longer require proximity between seller and buyer. Even the most basic purchases, like groceries, are shifting to online delivery services.

This is all to say that interpreting sales gap information requires a critical (and even skeptical) eye.

When reading a sales gap report such as Retail MarketPlace Profile or Retail Market Power, note that under “Retail Gap,” a negative number reflects a *sales surplus* and a positive number represents a *sales gap*. This is counter-intuitive, but the logic behind it is a positive number under “Retail Gap” represents an *opportunity* to recapture sales. Pay close attention to this inversion when reading these reports. When sharing with others, you may want to transcribe the report into your own table, changing the negative “surpluses” to positive numbers, and the positive “gaps” to negative numbers to reduce confusion for the casual reader.

SEE EXERCISE 3 P.13

BUSINESS INVENTORY

How are the buildings in the district currently used? How much space is occupied, and how much is vacant? For occupied space, how much is used for retail businesses, service-sector businesses, restaurants, housing, government agencies, nonprofit organizations, and other uses?

To conduct Market Analysis Lite, you will need a list of all businesses in the district (or at least the ground-floor businesses), along with their standardized industry classification, their size, and some assessment of their performance. A business inventory and building inventory (which is a separate project) serve multiple purposes, including keeping track of business and property owner contact information, and maintaining a list of available space for prospective tenants. For our purposes here, you will use the list primarily to assess the relative strengths of the business mix in your district, and to see if there are identifiable clusters and potential connections among businesses.

You can create a business inventory yourself, or you can purchase a list from one of several online data services, including infousa.com and salesgenie.com. Business lists for specified geographies are also available from ESRI, but only through its subscription services. One advantage of a standardized list is that businesses are listed with some contact information and they are categorized by the North American Industrial Classification System (NAICS) code. Note that purchased lists tend to have some inaccuracies and need to be cross-checked with your own on-the-ground observation.

BUSINESS CLUSTERS

You may have a group of three or more similar businesses which could be considered a cluster and could, potentially, be marketed as such, or might form a basis for your Transformation Strategy. Some common business clusters include:

Agriculture / Antiques / Apparel / Arts /
Convenience goods and services / Entertainment
/ Ethnic specialties / Furniture and home
furnishings / Health and wellness / Restaurants
/ Specialty foods / Sports and recreation

SEE EXERCISE 4 P.14

COMPETITIVE CONTEXT

Online competition is a given, and all bricks-and-mortar retailers are trying to adapt to it. Some of your district's businesses may be positioning themselves to establish or expand their own online presence. In the middle of this period of retail upheaval, it is hard to imagine how the industry will look in the future and how it may affect the competitive advantages or disadvantages of traditional business districts.

Among businesses that are selling an experience (such as restaurants or entertainment venues), a highly differentiated product (such as local or artisanal goods), or those that are providing a leisure component in addition to a retail experience (such as a bike store with a café), there is value in assessing competing districts, shopping centers, or entertainment venues. Gaining a perspective on the regional competitive context can help you shape a unique market position for your district.

SEE EXERCISE 5 P.15

PERCEPTIONS AND ATTITUDES

Population data from the ACS and other data services tell you a lot about your district's customers, but a simple survey can provide richer, primary data of a kind you can't get otherwise get. What are people's perceptions of the district? Why do they come — or not come?

Surveys can gather both quantitative and qualitative information. The quality and reliability of the data you collect is dependent on the survey's design and the phrasing of the questions, and on gathering a sample that reflects the population.

SEE EXERCISE 6 P.15



COVINGTON, KY. CREDIT: KATHY LA PLANTE

WHEN TO CALL A SPECIALIST

Whether you seek help in completing your market analysis depends on how comfortable you are with the sources of information and with manipulating and interpreting data. Even if you are comfortable with the resources and tools, you may find that the perspective of an outsider is helpful. In some cases, a statewide, regional, or citywide Coordinating Program may be able to provide direct assistance or resources to access outside professional help. If you decide to seek assistance, make sure you remain an active part of the research process by establishing a temporary committee to work closely with the consultant. And remember, the purpose of a Market Analysis Lite is to define your strategy, make some initial decisions, and prioritize initiatives. Main Street America offers technical services to assist you, through its own staff and affiliated consultants.

Turn feedback collected from public surveys into a word cloud (see left). Word clouds help distill feedback into a visually interesting and engaging format that can be used in public meetings and shared with stakeholders. See exercise 6 for a sample consumer survey.

USING MARKET DATA TO DEFINE A TRANSFORMATION STRATEGY

The primary purpose of undertaking market analysis — understanding what drives the local economy and how your community envisions its future — is to use what you learn, factoring in input from your stakeholders and buy-in from community, to articulate a Transformation Strategy for your district. A Transformation Strategy is a focused, deliberate path to revitalizing or strengthening a downtown or commercial district's economy.

Your market analysis will likely reveal some opportunities. For example, your analysis should identify some business strengths and weaknesses with respect to consumers' demands and shopping habits. And it should clarify your trade area for marketing purposes. It should also reveal the types of customers your district attracts or could attract. Are they college students? Families? Tourists? Seniors? You will probably “learn” a lot of things that you already knew. But now, they will be supported by data.

This data is valuable, but it will only take you so far. Achieving meaningful transformation in your downtown requires bringing diverse stakeholders from all sectors together, and inviting them to be proactive participants. The process of community engagement is a complementary “input” to market analysis. Taken together — the feedback from your community, and the data collected via market analysis — can help you hone in on your overall strategy for downtown revitalization.

An effective Transformation Strategy reflects the community's overall vision, serves a particular customer segment, responds to an underserved market demand, or creates a differentiated destination. A Transformation Strategy guides the direction of the revitalization initiative and, over time, transforms the district. The most valuable outcome of your analysis will be to focus your work around a strategy — and this is also probably the hardest part because it involves choosing one direction over several reasonable possibilities. A companion guide, *The Main Street Approach: A Comprehensive Guide to Community Transformation*, offers a more detailed look at how to develop and implement Transformation Strategies — and the data you've collected here will serve as the foundation.



NEW HAMPTON. CREDIT:
NEW HORIZONS CHAMBER



SALT LAKE CITY, UTAH.
CREDIT: MATT WAGNER

EXERCISES

Try your hand at Market Analysis Lite

EXERCISE 1: DEFINE THE TRADE AREAS

You can use any or all of the following options for delineating your trade area:

CITY OR NEIGHBORHOOD BOUNDARIES. While this is the easiest method, it may or may not relate to where your district's customers actually live. Information is often easily accessible for standardized geographies and zip codes, so this method is a satisfactory starting point. One benefit of using standardized geography (such as municipal boundaries) is that when you pull sales void data, it will reveal city sales leakages that may be of particular interest to city elected officials and the city's economic development staff.

DRIVE-TIME AREAS. Drive-time areas are typically preferred over "rings" because they take road networks and topological barriers (like mountains or rivers) into account (though they don't address perceptual barriers, like crossing a bridge or a highway). Several free web-based tools can map drive-time areas. ESRI, the demographic services provider, can also map drive-time areas. Typical drive-time areas used in retail market analysis are 5, 10, and 15 minutes from the center of your commercial district. In dense cities, drive-time areas may be smaller, or could be mapped as walk-time areas.

CROWD-SOURCED BOUNDARIES. If you want to dig deeper, you can map your trade area using data generated from customers in your district. While low-tech, an in-store mapping exercise is a highly effective way to visualize actual trade areas. To do it, use a printing service to produce 5 to 10 large-format maps of a scale appropriate to the density of your area. (A 10-minute drive-time area is a reasonable guide to how much area the map should include. In rural communities, a larger, 30-minute drive area may be warranted.) The maps should be mounted on cardboard or foam-core and be no larger than of 24" x 24" to keep it manageable. Place the maps in businesses of different types for two weeks, with a marker attached. Business owners should ask each customer to mark where they live with a dot on the map. If their place of residence is off the map, they should write their zip code on an accompanying sheet of paper. And if the store does online sales, the owner should record those locations separately. On the resulting maps, draw a rough line or boundary that captures 50 percent to 60 percent of the dots. (If there are a lot of separately-recorded zip codes or a lot of online sales to other zip codes, you may need to transpose the dots and zip codes to an online map, which doesn't have the size limitations of a paper map.) Compare the resulting trade areas across the different maps from different businesses.

Another method of mapping your trade area is to request several businesses in your downtown to simply collect customer zip codes over a one- or two-week period of time. Once again, it is critical with both of these crowd-sourced methods that you have a diversity of businesses in which collection is taking place. For example, you may want to consider having a distribution of businesses ranging from convenience to restaurants to specialty stores that have different trade distributions.

EXERCISE 2: GATHER BASIC POPULATION DATA

If your trade area is a city or other standardized geography (a place, in Census parlance), you can simply enter the name into American Fact Finder and pull up the most recent data tables for demographic characteristics of interest to you. In most cases, your trade area (such as a drive-time area) will be a polygon that does not coincide with a standard geographic place. In these situations, your best option is to use the site's mapping function to select all the Census tracts in the area of interest.³

While you are looking at current ACS data for your trade area, go ahead and download the ACS data for the last five years, if available. While the ACS is an estimate based on sampling and it reports a rolling average, it will allow you to see trends over time.

If you are able to access to ESRI Business Analyst, consider downloading the following reports for your trade area:

- // Demographic and Income Profile
- // Demographic and Income Comparison Profile (allows you to compare up to three areas, such as five-, 10-, and 15-minute drive areas)
- // Community Profile
- // Tapestry Profile

Now that you have the data, spend some time with it. Ask yourself some questions such as:

- // Does the data make intuitive sense?
- // Is the population growing or shrinking? At what rate? Is it aging? Is it becoming more diverse?
- // Do you observe anything that makes you want to dig a little deeper? (For example, in addition to median income, you might want to look at how households are distributed across income brackets. Or, you might want to look at how race and ethnicity correlate to income.)
- // Is there anything in the data that doesn't make sense to you? For example, in university communities, you might find that household income levels seem lower than you expected — which could be because residential students sometimes have a downward effect on median age and income, skewing data about the permanent population.
- // Is there a large population of workers in the district who are not reflected in the population data? How about tourists or other visitors?
- // Are there any major developments you are aware of that will change the population significantly in the future?

EXERCISE 2: CONTINUED...

³ Go to <https://factfinder.census.gov>. Choose "Advanced Search," then "Show me all." Select "Geographies" tab on left; select "Map" tab. Zoom to your trade area. From the drop-down menu in "Select Geographies," choose "Census Tract." Then use the "point" or "polygon" tool to select all the Census tracts in your area of interest. Click "Add your selections." Now, using the tabs on the left (e.g., age, income, race and ethnicity, etc.), you can access data tables for your trade area. You can also save your geography selections to your computer, so you can easily reload the map on the Census website the next time you need it.

EXERCISE 2: GATHER BASIC POPULATION DATA

IF YOU WANT TO DIG DEEPER: TAPESTRY, PRIZM, AND PSYCHOGRAPHICS

In addition to population updates, ESRI and Environics Analytics sell consumer segmentation systems called Tapestry and PRIZM, respectively. These proprietary systems, known commonly as psychographics, cluster American households into approximately 65 segments with each segment sharing similar attitudes, behaviors, and spending patterns. A Tapestry or PRIZM report tells you how many households in your trade area align with each of the national segment profiles. And ESRI and Environics Analytics provide a narrative of each profile, giving you insight into each segment's lifestyle.

When studying local trade areas, it is common to observe that households fall mostly into just one, two, or three segments. That's because people with similar incomes, lifestyles, political beliefs, and consumer characteristics tend to live in clusters — in cities and neighborhoods.

Psychographics are typically used by national retailers to identify locations where households fit their target customer. The Tapestry and PRIZM systems are somewhat less useful for a general market analysis of commercial districts, though they can paint a more vivid picture of household lifestyles and can provide context for the data you gathered from the ACS.

EXERCISE 3: ORDER A SALES GAP RECEIPT

ESRI Business Analyst sells a “Retail MarketPlace Profile” and Environics Analytics sells a “Retail Market Power” report. Both products report estimated sales gaps and sales surpluses for the geographic area you specify. Ordering a sales gap report on your own or through a partner agency's subscription is the easiest way to access sales gap information. The data is reported for major North American Industrial Classification System (NAICS) retail and retail-service industry categories, and for your trade area as a whole.

Once you have a sales gap report, here are some questions to ask:

- // Is there a very large (e.g., more than 50 percent of available buying power) overall sales gap — or is there an overall sales surplus? (This is reported on one of the top lines of the report, “Total Retail Trade and Food & Drink.”) What could be some explanations for this?
- // Are there any specific industry categories where there is a very large sales gap or surplus? What could be some explanations for this?
- // In the areas where the report shows significant sales leakage, what is your assessment of the feasibility of recapturing some of those sales?
- // What changes to business practices could help to recapture lost sales?
- // What changes to the business mix could help to recapture sales?
- // In areas where you have a sales surplus, what is the cause and what is the significance? For example, if your district has a lot of restaurants and it is known as a dining destination, does that mean you can't support any more restaurants?

EXERCISE 3: CONTINUED...

EXERCISE 3: ORDER A SALES GAP RECEIPT

When reading a sales gap report such as “Retail MarketPlace Profile” or “Retail Market Power,” note that under Retail Gap, a negative number reflects a sales surplus and a positive number represents a sales gap. This is counter-intuitive, but the logic behind it is a positive number under Retail Gap represents an opportunity to recapture sales. Pay close attention to this inversion when reading these reports. When sharing with others, you may want to transcribe the report into your own table, changing the negative surpluses to positive numbers, and the positive gaps to negative numbers to reduce confusion for the casual reader.

EXERCISE 4: BUSINESS INVENTORY AND CLUSTER ANALYSIS

Purchase a business inventory for your district from infousa.com or salesgenie.com and clean up the list:

- // There are probably some ATMs listed as “businesses” that you can delete.
- // Licensed professions (like doctors and lawyers) tend to be listed as individual businesses, rather than as a practice or firm. You may want to consolidate these.
- // There may be some uncategorized or mis-categorized businesses that you’ll want to correct.

Next, sort the list by NAICS code. (An NAICS lookup tool, and information about each of the NAICS categories, is available at naics.com.) Study the inventory and consider the following questions:

- // Do you notice any business clusters (by industry) that you had not previously considered — even if they are geographically scattered in the district?
- // Are there any non-retail (e.g., professional, manufacturing, or upper-story) businesses that form a part of the commercial district’s economy?
- // Are any of the business types threatened by external changes, including online retail?
- // Which businesses act as traffic generators, and which businesses benefit from those traffic generators?
- // For key retail sectors that may be present in your district (such as restaurants, home furnishings, apparel, etc.), estimate the total square footage devoted to each industry.
- // Based on your common-sense assessment (such as comparing businesses in your district to other, healthy businesses that you have come across in other places), which businesses in your district are underperforming? What do you think are the reasons?

Please note: A business list you purchase may also include information about total estimated sales and number of employees. This information is estimated based on businesses of a similar type. For particular businesses in a specific district, it is often inaccurate.

EXERCISE 5: COMPETITIVE ASSESSMENT

Depending on your district's current strengths (such as retail, services, dining, entertainment, etc.) and whether your district is urban, suburban, or rural, your competitors may look different.

1. Make a list of downtowns or commercial districts in your city or region that may be attracting some of your customers.

- a. How far away are they?
- b. What are the strengths of each?
- c. What are the weaknesses of each?

2. The Directory of Major Malls provides a database of shopping centers. It can also be accessed through ESRI's subscription-level services. Using a radius of three to five miles in a large city, or 50+ miles in a rural area, download an inventory of all shopping centers in your extended trade area.

- a. Calculate total number of square feet among all shopping centers in the extended trade area.
 - b. What are the strengths of the most significant shopping centers in your area?
 - c. What are their weaknesses or vulnerabilities? Are any of them losing anchor tenants? Which of the shopping centers, by your observation, are struggling or underperforming?
3. What is your commercial district's market position in this competitive context? In what ways does it need to change?

EXERCISE 6: CONSUMER SURVEY

Start with an online survey. It is the easiest kind of survey to distribute and tabulate. It can be sent to residents and district workers and, if you collect a large enough sample size, it should roughly represent your market. (If your district is highly dependent on visitors, however, you may need to supplement an online survey with on-street intercept surveys.)

Tips on survey design:

- // Keep the survey short. Really short. If it takes a respondent more than a couple of minutes to fill it out, they may not finish it — or not even start it. Consider stating up front how long the survey is expected to take to complete.
- // Start with an easy question and end with demographic questions (if you decide to include them).
- // Phrase questions neutrally.
- // Test the survey first with a few people who have never seen it. They will be able to tell you if it takes too long to complete, or if the phrasing of a question is unclear.

EXERCISE 6: CONTINUED...

EXERCISE 6: CONSUMER SURVEY

Distribute the survey as broadly as possible. A service like SurveyMonkey (surveymonkey.com) allows you and your partner agencies to send a link by email to any resident or employer lists they may already have on hand. It also allows you to post a link on your own and your partner agencies' websites, and to post it to social media platforms.

Tips on survey analysis:

- For open-ended questions, such as “What three words come to mind when you think of downtown?”, you can use a word-cloud generator (such as wordle.net) to visualize the data. For questions like “What are the district’s biggest challenges?” you can manually code the answers by topic (e.g., parking, litter, gentrification) and count the times each topic is mentioned.
- For demographic questions, you can compare the answers to the Census or ACS to see how closely the survey sample reflects the population.

Questions to ask:

- Did the survey confirm what you already suspected or did it reveal anything surprising? (Even if it confirmed what you suspected, there is value in having verified and quantified it.)
- Did any themes emerge that would help you develop an identity for the district?
- Did any themes emerge about the district or its competition that would help you articulate a strategy for the district?

SAMPLE COMMUNITY SURVEY

1. What three words come to mind when you think about downtown? (limit to one-word answers)

2. The top three issues facing downtown are (check 3):

- Crime
- Cleanliness
- Homelessness
- Inconsistent store hours
- Infrastructure (roads, sidewalks, bike lanes, etc)
- Amenities for kids/family friendly
- Lack of housing
- Parking
- Variety of businesses
- Traffic
- Vacancies
- Other (please specify) _____

EXERCISE 6: CONTINUED...

EXERCISE 6: CONSUMER SURVEY

SAMPLE COMMUNITY SURVEY (CONTINUED)

3. What would you most like to improve downtown? (choose no more than 3)

- | | |
|---|--|
| <input type="checkbox"/> Business mix | <input type="checkbox"/> Professional and service businesses |
| <input type="checkbox"/> Business quality | <input type="checkbox"/> Public improvements (sidewalks, benches, banners, public art) |
| <input type="checkbox"/> Civic facilities (city hall, courthouses, library, etc.) | <input type="checkbox"/> Restaurants |
| <input type="checkbox"/> Friendliness | <input type="checkbox"/> Signage |
| <input type="checkbox"/> Greenspaces | <input type="checkbox"/> Special events |
| <input type="checkbox"/> Historic buildings preserved | <input type="checkbox"/> Storefronts |
| <input type="checkbox"/> Overall atmosphere | <input type="checkbox"/> Walkability |
| <input type="checkbox"/> Parking | |
| <input type="checkbox"/> Parks and green spaces | |
| <input type="checkbox"/> Other (please specify) _____ | |

4. Which businesses do you most often patronize downtown?

1. _____
2. _____
3. _____

5. What three business types would you like to see within the downtown/district that are not currently present?

- | | |
|---|--|
| <input type="checkbox"/> Arts and crafts | <input type="checkbox"/> Entertainment |
| <input type="checkbox"/> Bookstore | <input type="checkbox"/> Grocery |
| <input type="checkbox"/> Brewery | <input type="checkbox"/> Health and beauty |
| <input type="checkbox"/> Children/kids | <input type="checkbox"/> Home goods |
| <input type="checkbox"/> Clothing | <input type="checkbox"/> Jewelry |
| <input type="checkbox"/> Coffee shop/bakery | <input type="checkbox"/> Pub/restaurant |
| <input type="checkbox"/> Fine dining | <input type="checkbox"/> Shoe store |
| <input type="checkbox"/> Drug store/pharmacy | <input type="checkbox"/> Sporting/outdoors |
| <input type="checkbox"/> Electronics | |
| <input type="checkbox"/> Other (please specify) _____ | |

EXERCISE 6: CONTINUED...

EXERCISE 6: CONSUMER SURVEY

SAMPLE COMMUNITY SURVEY (CONTINUED)

6. Do you have an interest in opening a business downtown? If yes, select which type.

- | | |
|---|--|
| <input type="checkbox"/> No interest | <input type="checkbox"/> Professional office (attorney, accountant, insurance, etc.) |
| <input type="checkbox"/> Brewery or distillery | <input type="checkbox"/> Retail business (gifts, antiques, shoes, apparel, sporting goods) |
| <input type="checkbox"/> Food truck | <input type="checkbox"/> Restaurant |
| <input type="checkbox"/> Incubator or shared office space | <input type="checkbox"/> Service business (salon, spa, printer, car care, etc.) |
| <input type="checkbox"/> Manufacturing | |
| <input type="checkbox"/> Pop-up business (open temporarily to test a business idea) | |
| <input type="checkbox"/> Other (please specify) _____ | |

7. What time of day do you most typically do your shopping (not just downtown)?

- | | |
|-----------------------------------|------------------------------------|
| <input type="checkbox"/> 7-9am | <input type="checkbox"/> 1-5pm |
| <input type="checkbox"/> 9-11am | <input type="checkbox"/> After 5pm |
| <input type="checkbox"/> 11am-1pm | |

8. What day of the week do you most frequently shop (not just downtown)?

- | | |
|------------------------------------|-----------------------------------|
| <input type="checkbox"/> Monday | <input type="checkbox"/> Friday |
| <input type="checkbox"/> Tuesday | <input type="checkbox"/> Saturday |
| <input type="checkbox"/> Wednesday | <input type="checkbox"/> Sunday |
| <input type="checkbox"/> Thursday | |

9. Where do you live?

- | | |
|--|--|
| <input type="checkbox"/> In downtown X | <input type="checkbox"/> Elsewhere in XYZ County |
| <input type="checkbox"/> Elsewhere in town X | <input type="checkbox"/> Outside XYZ County |

10. Where do you work?

- | | |
|--|---|
| <input type="checkbox"/> In downtown X | <input type="checkbox"/> I'm a student |
| <input type="checkbox"/> Elsewhere in town X | <input type="checkbox"/> I'm retired |
| <input type="checkbox"/> Elsewhere in XYZ County | <input type="checkbox"/> I'm unemployed |
| <input type="checkbox"/> Outside XYZ County | <input type="checkbox"/> I'm unable to work |
| <input type="checkbox"/> I work at home | |

EXERCISE 6: CONTINUED...

EXERCISE 6: CONSUMER SURVEY

SAMPLE COMMUNITY SURVEY (CONTINUED)

11. How old are you?

Under 18

18-24

25-34

35-44

45-54

55-64

65-74

75 or over

Prefer not to answer

12. Describe downtown in one sentence.

GLOSSARY

American Community Survey (ACS): An ongoing survey of the U.S. population conducted by the Bureau of the Census. The ACS is a sample (as opposed to the Census of Population, which is a counting).

Buying power: The amount of money a group of consumers is likely to spend on a product or service. Synonymous with market demand.

Captive market: A group of customers who spend blocks of time in the same area (like a district's daytime workers, or students on a college campus) and, because of their limited mobility during those blocks of time, are likely to patronize businesses nearby.

Cluster: A group of businesses that sells similar sorts of products or services and/or that caters to similar sorts of customers. A group of clothing stores might constitute a cluster, for example, as might a group of businesses catering to teens.

Consumer Expenditure Survey: An ongoing nationwide survey and series of interviews conducted by the U.S. Bureau of Labor Statistics, with information about how much money households in the U.S. typically spend annually on a wide range of goods and services, according to household demographic characteristics.

Discretionary income: Income remaining after taxes and necessities (like rent and utilities) are paid.

Disposable income: Income remaining after mandatory charges like taxes.

Demographics: Statistical characteristics of a group of people, such as age, income, or ethnicity — factors that generally affect decisions about where to shop and what to buy.

Market analysis: A systematic measurement and evaluation of a given area's economic condition and its likely opportunities for economic change.

Market demand: Synonymous with buying power.

Niche: A narrow subset of a larger product line or of a demographic group (e.g., a bookstore that sells a specialized category of books might be considered a niche business, and a business that caters to a very specific type of customer, such as musicians or teachers, might be considered to serve a niche market.)

Psychographics: Factors that describe the attitudes and preferences of a group of people. Unlike demographics, which describe facts about a person or group of people (such as age, profession, or income), psychographics involves characteristics like lifestyle, hobbies, brand preferences, musical preferences, and values.

Sales gap (also called retail gap, sales leakage, and sales void): The difference between household buying power and business sales in a given geographic area.

Trade area: The geographic area from which a business, commercial district, or shopping center attracts customers.