Challenges of an organizational approach to applied downtown market analysis

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ABSTRACT

Downtowns are responding to decades of decline through a variety of revitalization strategies. The progression and success of downtown renewal efforts are largely rooted in asset-based, mixed-use approaches to revitalization that mirror the evolving economic functions of downtowns. While contemporary economic revitalization strategies provide opportunities, their complexity also creates potential challenges for community organizations tasked with determining the highest and best uses for downtown properties. Accordingly, this article examines how the evolution of downtown economic revitalization strategies has influenced the capacity and expertise required by organizations engaged in the endeavor of downtown market analysis. In particular, we identify applied market analysis challenges arising from organizational deficiencies in expertise, credibility, scope, and technology adoption and propose capacity building opportunities for overcoming these deficits.

Introduction

The market and societal forces inducing the economic decline of central business districts and downtowns have been well-documented in both popular and academic literature. Much of this work examines the rise of automobile-oriented development in the post-World War II era and the subsequent shifting of population patterns away from city centers to the suburbs. As consumers and employees moved to outlying areas, the economic desirability of a central location diminished. While a large share of research has focused on the demise of downtowns in larger cities, main street shopping districts in smaller, often rural communities have also struggled due to depopulation and an economic restructuring of the retail industry, particularly in response to the presence of large scale discount retailers. In responding to decades of decline, one of the common challenges confronting downtowns is how to effectively identify viable uses and financing for vacant or underutilized space. Private developers are often well-skilled and experienced in identifying the highest and best uses for properties, as well as marketing sites to prospective tenants and customers. However, conventional suburban developers may not have the experience, financial support or preference to pursue downtown projects. Differences between the suburban environment and downtowns, coupled with a long period of downtown disinvestment, may also create a perception that the investment risk is too high.

Despite the impediments, private investment is necessary for successful downtown revitalization efforts. To overcome the challenges facing prospective investors, communities have supported central business district revitalization using strategies designed to subsidize development, build the confidence of consumers, or identify new and overlooked market opportunities. Some approaches are physically-oriented, based on the premise that if communities create an attractive, safe, and accessible environment, then businesses and consumers will return. Additional policies have focused on fiscal interventions, using mechanisms such as tax incremental financing (TIF) districts, property tax abatement programs and revolving loan funds for downtown projects. Yet other strategies promote centralized retail management and marketing as essential activities for attracting consumers and businesses.

One of the more prevalent approaches to fostering and implementing these various downtown revitalization strategies is through the formation of downtown advocacy organizations such as...
as business improvement districts (BID’s), Main Street programs or
downtown development authorities. While these groups vary in
their organizational and funding structures, they support down-
town revitalization through a common assortment of activities
such as place-based marketing, safety, beautification and mainte-
nance efforts. As part of their missions, some of these advocacy
organizations are also involved with identifying opportunities for
strengthening or expanding downtown economic activity. For
instance, Main Street programs follow a trademarked Four Point
Approach to downtown revitalization that includes economic
restructuring as a core activity. Business improvement districts,
particularly in higher income areas, are also found to be engaged in
various business retention, expansion and attraction efforts (Gross,
2005).

As part of economic development and restructuring activities,
many downtown organizations examine their local and regional
economies through the process of market analysis. A market
analysis can include a variety of tasks, but generally involves
understanding the competition, identifying potential customers
and their associated preferences, and determining the types of
goods and services that best meet consumer desires. Conducted
properly, a market analysis can help an organization recognize
market failures that may be restricting downtown development,
discover prospects for expanded downtown economic activity, or
find opportunities for growing existing businesses. Unfortunately,
many downtown advocacy organizations turn to market analysis
with unreal expectations or fail to define a clear goal for using
the end results. Some local groups are also constrained in their
economic development capacities by budget restrictions or a lack of
expertise (Gross, 2005; Mitchell, 2001; Stokes, 2007). Often located
in smaller or less affluent communities, organizations with lower
capacity levels may lack an understanding of the market analysis
process or face financial barriers to hiring an outside expert to
conduct a study.

For those downtown advocacy groups without the requisite
knowledge or finances to properly perform a market analysis, we
maintain that these deficiencies can be addressed with adequate
instruction and technical assistance provided by economic devel-
opment organizations, educational institutions and community
development professionals. To better understand how expertise
might be developed within downtown revitalization organizations,
this paper examines the challenges associated with performing
organization-driven downtown market analysis in the context of
contemporary downtown revitalization strategies. The remainder
of this paper is structured as follows. Section 2 briefly examines the
success and failures of several downtown economic renewal
strategies and how their progression influences current approaches
to market analysis. Section 3 examines one established, but
maturing response to building the capacity of downtown advocacy
groups through a community economic development approach to
downtown market analysis. Section 4 considers persistent and
emerging issues related to performing market analysis from the
perspectives of downtown revitalization professionals and suggests
opportunities for addressing these challenges. Section 5 concludes
the paper.

A review of downtown economic renewal strategies

Community approaches to downtown revitalization are
numerous. Robertson (1999) groups 16 strategies for downtown
revitalization into four broad categories: reinforcing downtown’s
sense of place, developing large activity generators, fostering
supplemental downtown functions and creating transportation
a taxonomy of three strategies based on the historic evolution of
downtown development efforts. These strategies are the physical
restructuring of downtown to meet the needs of an automobile-
based society, attempting to directly compete with outlying
commercial districts and emphasizing a downtown’s unique
identity. Leinberger (2005) suggests a prescriptive 12-step
approach to revitalization based on visioning, partnerships, orga-
nizational development and re-establishing a private sector market
in a variety of residential and commercial real estate segments.
Waits, Henton, and Nguyen (2001) examine broad-based strategies
for economically repositioning downtowns based on their
progression from retail centers to so-called “creative” downtowns
driven by knowledge workers, entrepreneurs and universities. Each
of these approaches, either through their successes or failures, has
influenced how communities consider strengthening their
respective downtown economies.

In the course of evaluating various downtown economic
renewal strategies, two controversial questions have emerged: 1)
should downtowns replicate suburban shopping environments or
instead seek differentiation as unique places, and 2) should revi-
talization be driven by large, professionally-directed projects using
techniques that require substantial expertise, or should the process
evolve based on existing assets? While these options appear to be
polar opposites, in practice they are interrelated and downtown
redevelopment practitioners must seek an appropriate blend.

Mall replication vs. differentiation

As downtowns were understood to be a community’s unchal-

genred retail center until the mid-1950s, many revitalization
strategies focus on consumers and their shopping habits. Wide-
spread retail migration to outlying areas during the 1960s and
1970s inspired numerous communities to fashion downtown
revitalization strategies that attempted to mimic suburban shop-
ping environments (Robertson, 1997). In many ways, suburban
shopping malls are idealized downtown streetscapes to many
consumers. Shopping mall interiors are streets free of disorder,
automobile traffic, pollution, inclement weather and the presence
of lower-class residents (Goss, 1993). Consequently, some down-
towns attempted to replicate the success of suburban retail
developments by constructing pedestrian malls or enclosed
downtown shopping malls that copied the scale and amenities of
suburban retail centers (Robertson, 1997). Other communities
recognized the accessibility that suburban shopping centers offered
to consumers with automobiles and tried to retrofit their down-
towns to accommodate car-oriented development patterns
(Robertson, 1995). Specific adaptation strategies included con-
structing freeways with new feeder roads that channeled
consumers into downtowns or devoting additional land to parking
structures (Filion et al., 2004).

Despite these efforts, many downtowns were unable to
successfully duplicate the suburban shopping experience.
Robertson (1997) suggests that most pedestrian malls failed because
they lacked the centralized management found in suburban shop-

ing centers and could not eliminate all external influences in the
public realm, such as weather or the presence of panhandlers.
Similarly, the success of downtown enclosed shopping malls is also

2 For an overview of Business Improvement Districts and their characteristics, see

Guided by the National Trust for Historic Preservation, Main Street programs are
based on a Four Point Approach that is a community-driven strategy used to
revitalize downtown and neighborhood business districts. The four points include
organization, promotion, design and economic restructuring and are intended to
address many of the traditional challenges facing downtowns. Economic restruc-
turing includes activities related to business expansion, recruitment and retention
(National Trust Main Street Center, 1998).
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