Applied Geography 32 (2012) 80–87

Contents lists available at ScienceDirect

Applied Geography

journal homepage: www.elsevier.com/locate/apgeog

Challenges of an organizational approach to applied downtown market analysis

Matthew E. Kures*, William F. Ryan

Center for Community and Economic Development, University of Wisconsin-Extension, 610 Langdon St. #335, Madison, WI 53703, United States

Keywords:
Downtown revitalization
Market analysis
Economic development

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[1]. 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 (Fogelson, 2001; Frieden & Sagalyn, 1989; Ghosh, 1986; Gratz & Mintz, 1998; Moe & Wilkie, 1997; Padilla & Eastlick, 2009; Robertson, 1997). 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 (Irwin & Clark, 2007; Stone, 1997; Vias, 2004).

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 (Faulk, 2006). 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 (Leinberger, 2005).

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 (Downs, 1979). 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 (Faulk, 2006). Yet other strategies promote centralized retail management and marketing as essential activities for attracting consumers and businesses (Padilla & Eastlick, 2009; Page & Hardyman, 1996; Warnaby, Bennison, Davies, & Hughes, 2004).

One of the more prevalent approaches to fostering and implementing these various downtown revitalization strategies is through the formation of downtown advocacy organizations such

* Corresponding author. Tel.: +1 608 265 8258; fax: +1 608 263 4999.
E-mail addresses: matthew.kures@uwex.edu (M.E. Kures), bill.ryan@uwex.edu (W.F. Ryan).

[1] Downtown and central business district are used interchangeably throughout the remainder of this paper.

0143-6228/$ – see front matter © 2010 Elsevier Ltd. All rights reserved.
doi:10.1016/j.apgeog.2010.06.004

as business improvement districts (BID's), Main Street programs or downtown development authorities[2]. While these groups vary in their organizational and funding structures, they support downtown revitalization through a common assortment of activities such as place-based marketing, safety, beautification and maintenance 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.[3] 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 development 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 though 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.

[2] For an overview of Business Improvement Districts and their characteristics, see Mitchell, 2001.

[3] 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 restructuring includes activities related to business expansion, recruitment and retention (National Trust Main Street Center, 1998).

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 improvements. Filion, Hoernig, Bunting, and Sands (2004) use 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, organizational 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 revitalization 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 unchallenged retail center until the mid-1950s, many revitalization strategies focus on consumers and their shopping habits. Widespread retail migration to outlying areas during the 1960s and 1970s inspired numerous communities to fashion downtown revitalization strategies that attempted to mimic suburban shopping 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 downtowns 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 downtowns to accommodate car-oriented development patterns (Robertson, 1995). Specific adaptation strategies included constructing freeways with new feeder roads that channeled customers 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 shopping 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