

Municipal Market Analysis and Economic Development

Prepared by:
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Wales, Wisconsin

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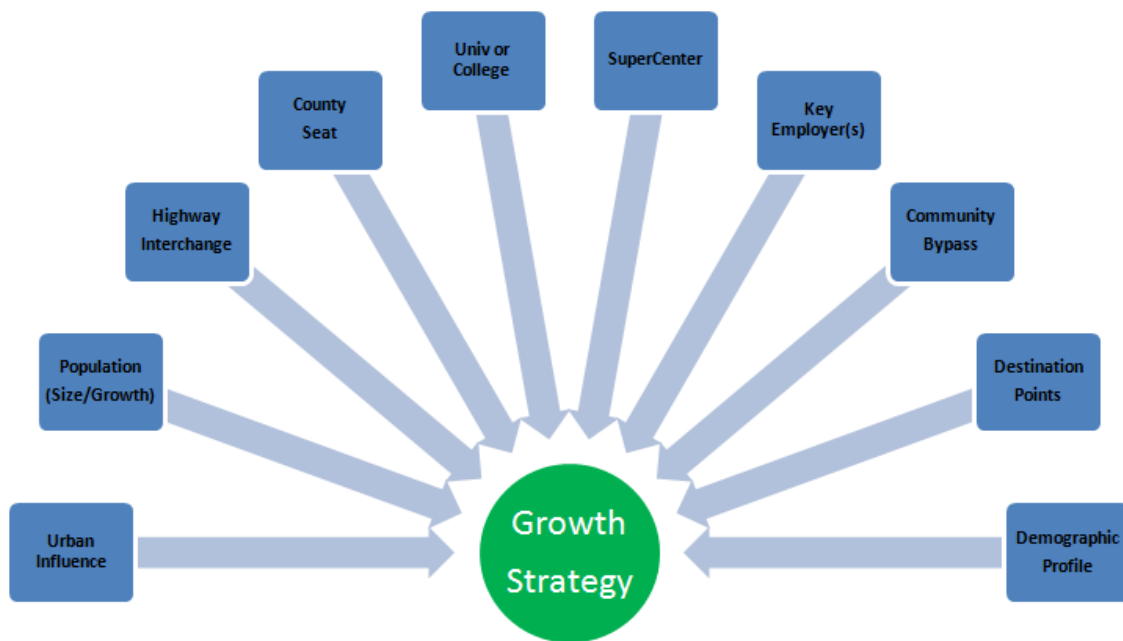
Strategic Business Solutions, Inc. has been active in Market Analysis and Segmentation for over 10 years. Our methodologies and analytics are proven to deliver effectiveness and efficiencies across multiple industries.

Municipal Market Analysis

If your economic development plan is out of alignment with the current economy or based on an unattainable vision for the future - it's time to consider a **Strategic Business Solutions, Inc.** Municipal Market Analysis (MMA).

Our approach focuses on ten fundamental market factors and can help you create a sustainable lending strategy that leverages local strengths and addresses market gaps and pockets that are underserved within your business community. The fact-based approach overlays your market with similar markets and creates a plan based on successful community profiles and best practices.

Key Market Factors (10)



1. **Urban Influence** - Is your community influenced by a larger market or serving as a standalone entity? Three baseline segments are used to classify municipalities. (Metropolitan, Micropolitan, Rural)
2. **Population Size/Growth** - How large is your community? Our segmentation helps identify markets of similar size and growth to add depth to the base Urban influence segmentation.
3. **Highway Interchange** - What are our market entry and departure points? Communities located adjacent to interstate and major highway interchanges have very different patterns of economic development.

4. **County Seat** - Does your municipality serve as the County Seat? County seat communities hold unique market positions (e.g. Court House, Administration) and also have unique implications for business and professional planning.
5. **University or College** - Is your community home to a university or college? The presence of a higher educational facility within a market also changes the business profile and related economic development.
6. **SuperCenter** - Has WalMart entered your market with a SuperCenter store? Clearly, recognizing the influences in a community of SuperCenter stores should be included in the mix.
7. **Key Employers** - Who are the dominant employers in your market? Understanding the relative importance of key employers and complimentary services is important in economic planning.
8. **Community Bypass** - Has your Downtown been impacted by a Community Bypass? Understanding the importance of community bypasses in the evolution of municipal destination points is pivotal to creating growth and alignment with infrastructure.
9. **Tourist Destination Points** - How many and what type of tourist attractions are in our community? Wisconsin is a strong tourism state. Understanding how your current mix of destination points can strengthen your economic base is an additional component within a comprehensive economic development plan.
10. **Demographic Profile** - What are the core demographic trends? Demographic projections provide a "road map of cultures". Age, income, occupational mix, ethnicity are all important in aligning economic development with the people who live in your community.

Main Street Market Segmentation (Example)

Thirty-six communities were included in the baseline segmentation. These communities cover a wide variety of local profiles and infrastructure combinations. While each community may consider itself unique, there are common characteristics that are shared with other markets.

Main Street Municipal Segmentation

Our modeling places a premium on identifying market commonalities and "best practices". A review of communities with similar profiles provides the Main Street market stratification shown below and sets the stage for peer community research on successful best practices.

Main Street economic plans usually focus on retaining or improving business vitality and growth within a geographic subset of a community. However, the dominant dynamics of the overall market are influential in what types of businesses should be located within the typical downtown district.

Creating a dataset of comparative factors is the foundation for factual segmentation. The rigor of our analytics and years of experience in supporting bank management business decisions is often what separates **Strategic Business Solutions, Inc.** studies from those of developers and civic design firms.

As you look through the very top line analysis that follows, take a minute to appreciate the underlying work required to isolate and validate each variable and generate the custom baseline segmentation and comparative methodology.

Our methodology has been proven to be applicable for local, regional and national market analysis.

Main Street Community Map



Main Street markets in Wisconsin include Milwaukee suburbs (e.g. West Allis, Pewaukee), County Seats (e.g. Monroe, West Bend) and more remote rural communities (e.g. Algoma, Tigerton). In addition, their portfolio also includes communities where a large percent of the overall economy is tourism based (Eagle River, Sturgeon Bay).

Regardless of the profile, there are communities for comparison and identification of "best practices".

Baseline Segmentation

Place	Urban Influence	Population Segment	Hwy/Interstate Interchange	Community Bypass	County Seat	University /College	Super Center	Top 100 Employer HQ	Listed Destination Pts
Green Bay	Metro	Very Large	Yes	Yes	Yes	Y-U	Yes	Yes	Large (3+)
Port Washington	Metro	Medium	Yes	Yes	Yes	No	Yes	No	Medium (1-2)
Pewaukee	Metro	Medium	Yes	Yes	No	No	No	No	Medium (1-2)
Manitowoc	Metro	Large	Yes	Yes	Yes	Y-C	Yes	Yes	Large (3+)
Fond du lac	Metro	Large	Yes	Yes	Yes	Y-C	Yes	No	Large (3+)
West Bend	Metro	Large	Yes	Yes	Yes	Y-C	Yes	Yes	Medium (1-2)
West Allis	Metro	Large	Yes	Yes	No	No	No	No	Medium (1-2)
De Pere	Metro	Large	Yes	No	No	Y-C	Yes	No	None
Stevens Point	Micro	Large	Yes	Yes	Yes	Y-U	Yes	Yes	None
Wausau	Micro	Large	Yes	Yes	Yes	Y-C	Yes	Yes	Medium (1-2)
Beloit	Micro	Large	Yes	No	No	Y-C	Yes	Yes	None
Watertown	Micro	Large	No	Yes	No	No	Yes	Yes	None
Monroe	Micro	Medium	No	Yes	Yes	No	Yes	No	Medium (1-2)
Chippewa Falls	Micro	Medium	Yes	No	Yes	No	No	No	Large (3+)
Whitewater	Micro	Medium	No	Yes	No	Y-U	Yes	No	Medium (1-2)
Platteville	Micro	Medium	No	No	No	Y-U	Yes	No	Medium (1-2)
Marshfield	Micro	Medium	No	No	No	Y-C	Yes	Yes	None
Two Rivers	Micro	Medium	No	No	No	No	No	No	Medium (1-2)
Portage	Micro	Small	Yes	Yes	Yes	No	Yes	No	Medium (1-2)
Columbus	Micro	Small	Yes	Yes	No	No	No	No	Large (3+)
Lake Mills	Micro	Small	Yes	No	No	No	No	No	Medium (1-2)
Ripon	Micro	Small	No	No	No	Y-C	No	No	Medium (1-2)
Sheboygan Falls	Micro	Small	No	No	No	No	Yes	No	None
Sharon	Micro	Small	No	No	No	No	No	No	None
Rice Lake	Rural	Small	Yes	Yes	No	Y-C	Yes	No	Medium (1-2)
Tomahawk	Rural	Small	Yes	Yes	No	No	No	No	Medium (1-2)
Sturgeon Bay	Rural	Small	No	Yes	Yes	No	Yes	No	Large (3+)
Rhineland	Rural	Small	No	Yes	Yes	No	Yes	No	Medium (1-2)
Richland Center	Rural	Small	No	No	Yes	Y-C	Yes	No	Medium (1-2)
Prairie du Chein	Rural	Small	No	No	Yes	No	Yes	No	Large (3+)
Eagle River	Rural	Small	No	No	Yes	No	No	No	Medium (1-2)
Darlington	Rural	Small	No	No	Yes	No	No	No	None
Viroqua	Rural	Small	No	No	Yes	No	No	No	None
Algoma	Rural	Small	No	No	No	No	No	No	Medium (1-2)
Osceola	Rural	Small	No	No	No	No	No	No	None
Tigerton	Rural	Small	No	No	No	No	No	No	None

Example Market Comparison (Stevens Point, Wausau & Beloit)

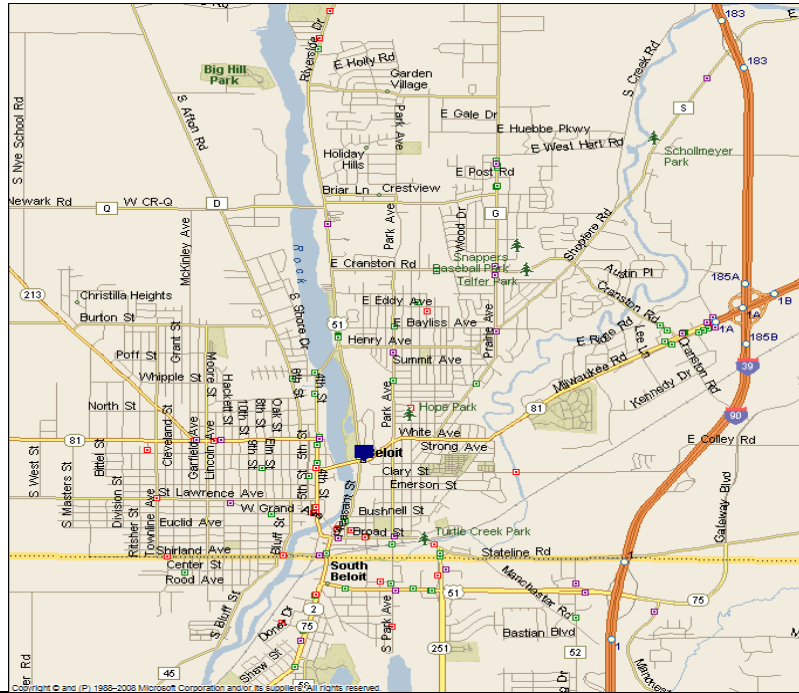
To further illustrate the importance of core commonalities in planning for economic development we will touch on three communities that share some very basic similarities.

Core Commonalities

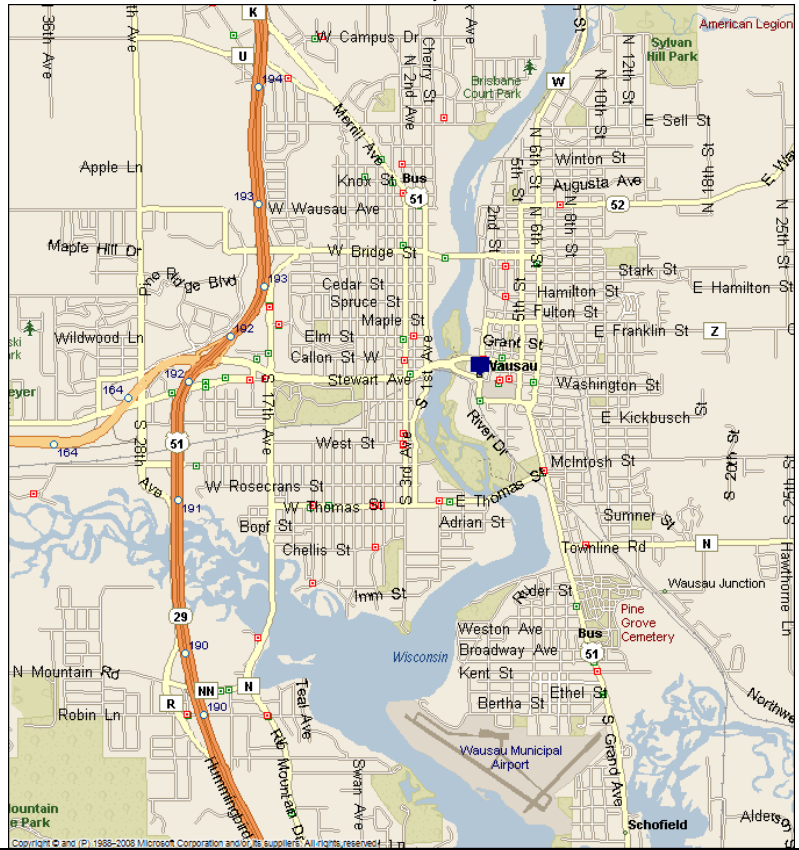
All three communities have downtown areas that were historically located near a river waterway. As time passed, the core transportation arteries migrated from passing directly through the downtown area to bypassing the traditional business districts. In addition, both Stevens Point and Wausau are County Seats which are attractive to specific types of employment and services.

It is the exploration and evaluation of successful patterns of development and natural transitions that lead to identifying "best practices" and optimal plans for growth.

Beloit, WI



Wausau, WI





Key Employers

For our example, we next add a data overlay of the Top Employers in Wisconsin showing that the three communities are also home to at least one of the Top 100 employer companies. Understanding what their presence means to the community and opportunities for further "economic alignment" add yet another chapter to the best practice scenario.

Market	Top 100 Employers	
Stevens Point	Sentry	
Wausau	Employers Insurance	APW Ltd.
Beloit	ABC Supply Co. Inc.	Regal-Beloit Corp.

Hey Stevens Point!

Do You Know...

What businesses align with:

- Interstate/Highway Interchanges?
- Bypassed Downtown Districts?
- County Seats?
- Major P&C Insurance carriers?
- Tier 2 University?

What are the specific industry gaps in your existing local business mix?

What are the top brands within these industry categories?

Who are the contacts at companies that fill your gaps?

Strategic Business Solutions, Inc. can help!

Economic Development Applications

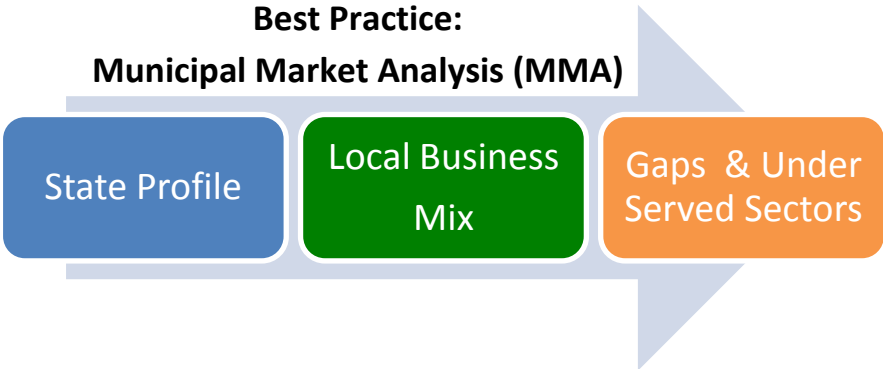
Opportunity Identification

Effective opportunity identification starts with the evaluation of every business in similar markets. Rating the risk of each line of business is fundamental to growth planning and market management. Just as a bank would apply risk ratings to relationships, our approach reviews lines of business and assigns a risk/opportunity score.

In addition we use **market profiles** and **business gap** analysis criteria in the assessment of growth opportunities. Adding ratios that assess risk (and identify opportunities) based on local market characteristics adds clarity to the economic development process.

Fact-based Planning

We continue to find that many municipalities, developers and banks with commercial portfolios have yet to migrate to a comprehensive **fact-based planning** approach. At Strategic Business Solutions, Inc. we believe that our proven methodologies can create the foundation for reenergizing development in your local economy and minimizing risk (developers, community banks).



Wisconsin Business Facts

Some basic WI business facts that might be of interest include:

- There are approximately 220,000 businesses in Wisconsin.
- Over half of all businesses are concentrated within four Major Industry Classifications.
- Retail Trade is the largest Industry Classification representing over 1/5th of the state total.

Industry Classification	BUSINESSES (WI)	(%)	Accum (%)
1 Retail Trade	47,422	21.6%	21.6%
2 Business & Personal Service	35,448	16.1%	37.7%
3 Construction	20,940	9.5%	47.3%
4 Fin, Ins, Real Estate	19,995	9.1%	56.4%
5 Education & Social Services	13,393	6.1%	62.5%
6 Manufacturing	13,065	5.9%	68.4%
7 Health Services	11,554	5.3%	73.7%
8 Government	10,148	4.6%	78.3%
9 Wholesale Trade	9,516	4.3%	82.6%
10 Art & Membership Organizations	9,142	4.2%	86.8%
11 Transportation	9,022	4.1%	90.9%
12 Ag, Forest, Mining, Animal Svcs	6,834	3.1%	94.0%
13 Engin, Arch, Acctng, Mgmt Services	5,277	2.4%	96.4%
14 Not Classified	3,988	1.8%	98.2%
15 Legal Services	3,462	1.6%	99.8%
16 Household & Misc Services	442	0.2%	100.0%
Grand Total	219,648	100.0%	

Beginning with a more global perspective provides a basis for comparison to assess your local mix of businesses by Industry and Category.

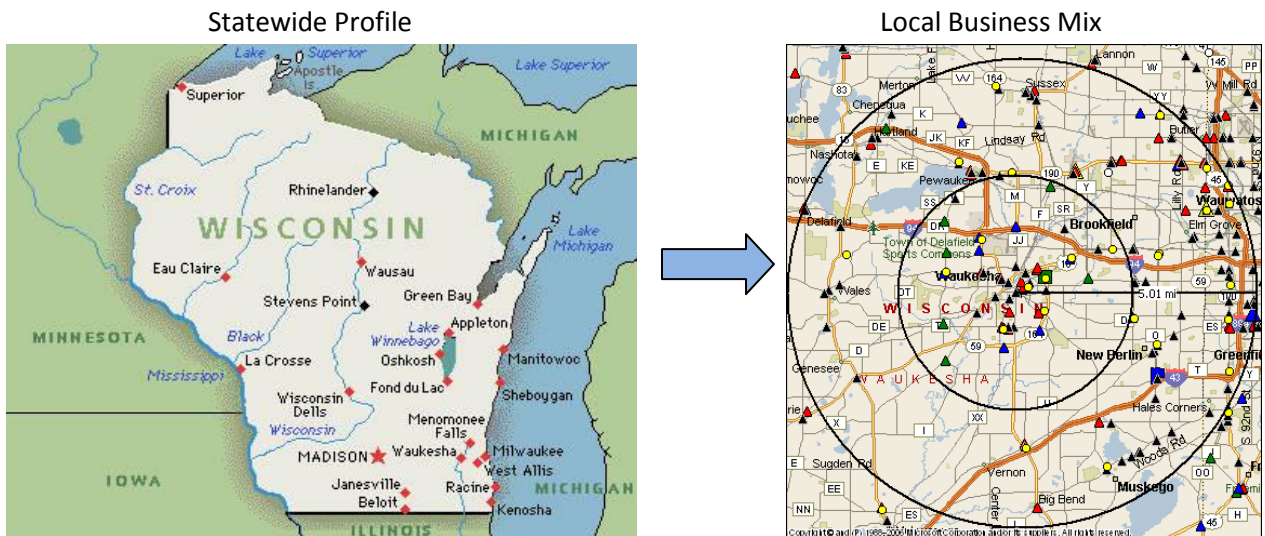
State Profile

A. Baseline for Comparison

It can be eye opening for bank management to see exactly where their market fits within the context of a larger base. Using a market (map) and business database (matrix) approach as a baseline for discussion can help prioritize growth opportunities.

Methodology & Tools

- Maps = Target Markets (Where is our target market(s)?)
- Matrices = Business Database (Who is in our market? How do we make \$?)
- Models = Decision Trees (What are the risks/market opportunities?)



When Developers, Municipal Leaders and Lending Institutions can all see how business resources are being successfully allocated, the potential for building momentum can once again be restored.

Local Mix & Business Opportunity Index (BOI)

B. Identify Local Opportunities (Gaps)

Understanding exactly what mix of businesses are in your market by industry and size is key to managing market risk. Having a finite count of the local businesses by size and industry type is also a key component to a sound growth plan.

Our **Business Opportunity Index (BOI)** compares each Industry category for the State (or similar communities) with your local market. The comparison of the two databases identifies market gaps and over and underserved classifications. *The index can be customized to compare markets with similar profiles (e.g. Beloit, Stevens Point, Wausau).*

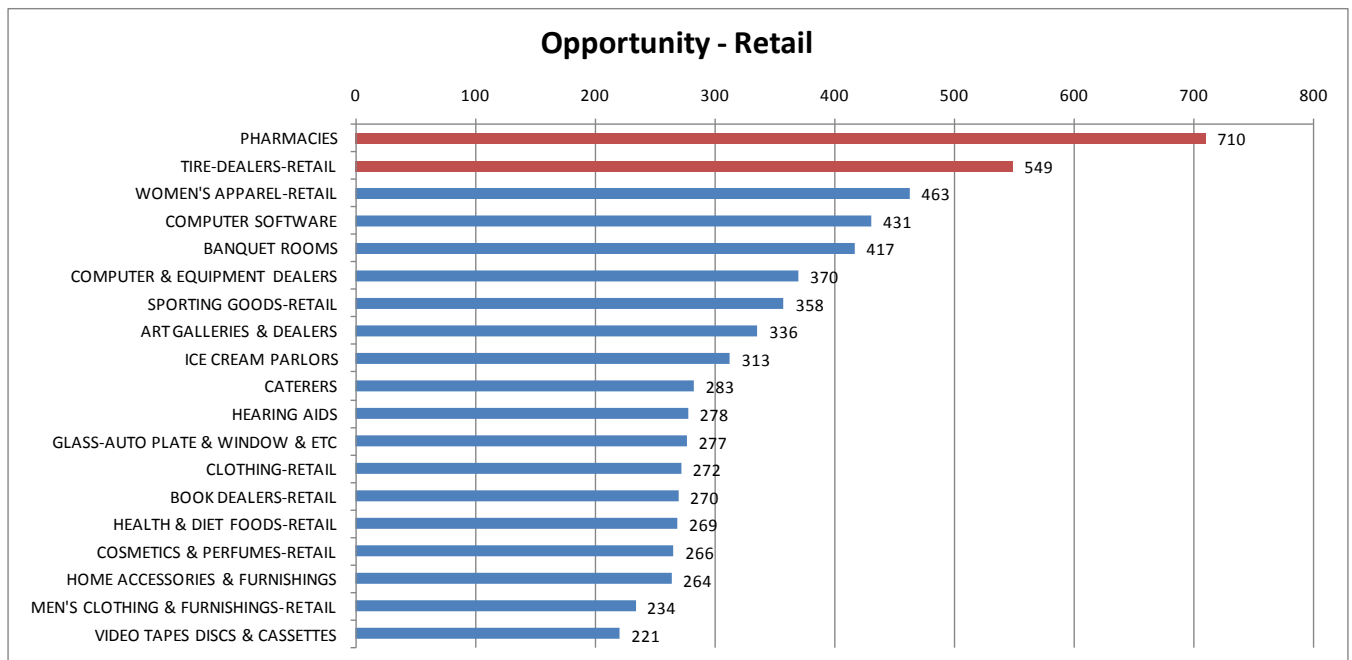
DESCRIPTION	BUSINESSES		Local		Local/State
	(WI)	WI (%)	Market	Local (%)	Index
HOSPICES	64	0.03%	2	0.7%	24.51
GUNS & GUNSMITHS	107	0.05%	2	0.7%	14.66
PHYSICAL THERAPISTS	255	0.12%	4	1.4%	12.31
MONUMENTS	144	0.07%	2	0.7%	10.90
REHABILITATION SERVICES	203	0.09%	2	0.7%	7.73
SURVEYORS-LAND	222	0.10%	2	0.7%	7.07
REAL ESTATE MANAGEMENT	371	0.17%	3	1.1%	6.34
GROUP HOMES	248	0.11%	2	0.7%	6.33

Businesses with above average Business Opportunity Index scores should be considered as higher risk as the local market is less likely to be able to sustain additional competitors.

Gaps & Underserved Sectors

When looking at the profile for Retail businesses you can identify and prioritize business gaps that paint a picture for fact-based business development and portfolio growth planning. The clarity provided by the **Business Opportunity Index (BOI)** for evaluating specific opportunities is missing in the opportunity evaluation process of many municipalities.

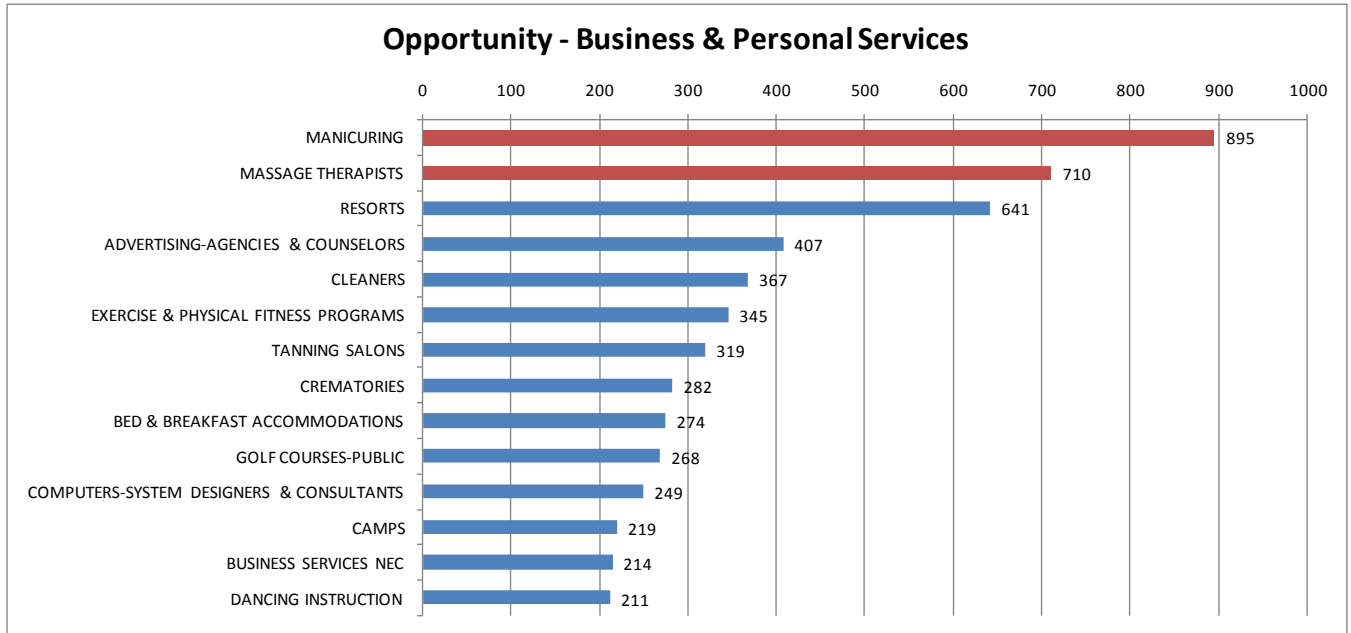
Retail Opportunities



- **Pharmacies**
- **Tire Dealers - Retail**

Businesses that fill gaps and have below average Business Opportunity Index scores should be considered as opportunities within the local market.

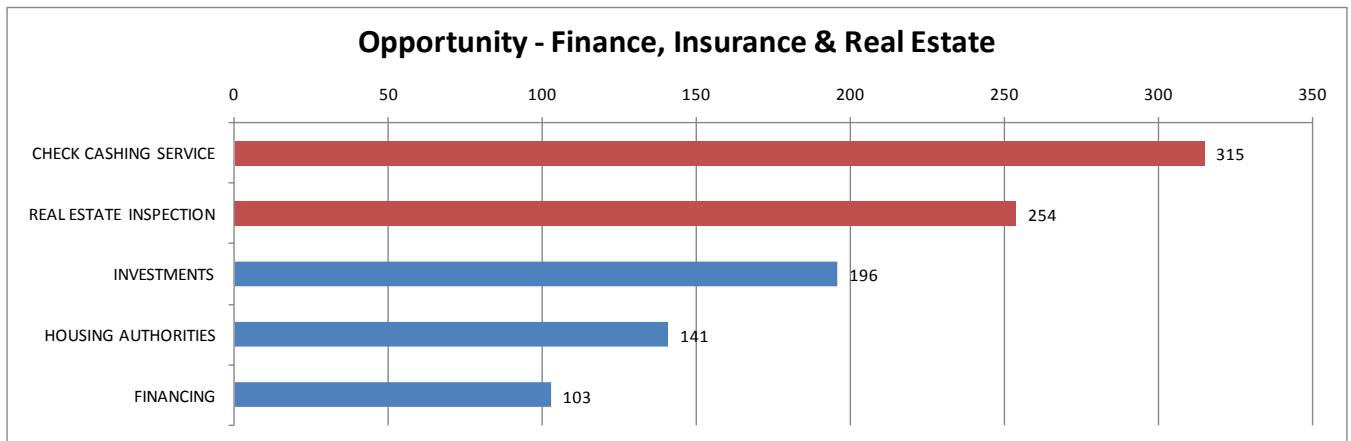
Services Opportunity



- **Manicuring**
- **Massage Therapists**

The approach crosses all industry classifications and can be very powerful in working with local developers and financial institutions to both maximize occupancy and minimize credit risk.

Finance, Insurance & Real Estate Opportunity



- **Check Cashing Service**
- **Real Estate Inspection**

In addition, the results from the analysis can be applied to existing commercial properties in your market to improve performance.

C. Index of Existing Businesses = Over & Underserved Lines of Business

Understanding areas where your community is overserved and underserved is also important in growth planning. Our fact-based approach provides the information needed to make sound planning, lending and investment decisions and take a more proactive approach in your local market.

Overserved Lines of Business

DESCRIPTION	Local/State Index	
MUSIC INSTRUCTION-VOCAL	41.29	
TRUCK-DEALERS-USED	39.22	Knowing which Lines of Business are overserved is important to "manage away" from specific business categories in your market.
COGNITIVE DISABILITY-DEV DISABILITY SVCS	37.36	
ARCHERY RANGES	29.05	
BEER & ALE-RETAIL	28.02	
SNOWMOBILES	27.05	

Underserved Lines of Business

DESCRIPTION	Local/State Index	
PLUMBING CONTRACTORS	0.95	In addition to the Market Gaps, knowing which Lines of Business are underserved is key to "manage towards" <u>creating a more vibrant local economy.</u>
AUTOMOBILE BODY-REPAIRING & PAINTING	0.75	
TAX RETURN PREPARATION & FILING	0.60	
ELECTRIC CONTRACTORS	0.59	
PHYSICIANS & SURGEONS	0.48	

Targeted Commercial Loan Lines of Business

Retail Businesses

Pharmacies
Tire Dealers - Retail



Target Franchises

Walgreens, CVS
Goodyear, Tires Plus

Personal Services

Manicuring, Beauty
Massage Therapy



Merle Norman, Beauty Brands
Massage Envy, Med Spa

Financial Services

Check Cashing Services
Real Estate Inspection
Tax Preparation



United Check Cashing
National Property Inspections
Jackson Hewitt, Liberty Tax

Collective Vested Interests

The focus of this newsletter is on the benefits of a **Municipal Market Analysis** for Economic Development Planning. There are multiple groups that can collectively benefit from the clear and concise assessment of risks and opportunities.



When you have a fact-based Municipal Market Analysis & Business Development Plan with specific Lines of Business and Targeted Franchises...

You can move collectively forward to build a stronger local economy and winning **Economic Development Plan**.



20-30 Minute Overview Presentation

We would be happy to meet with you for an overview presentation. The streamlined presentation usually takes only around 20 minutes so it can easily fit as an agenda item for most economic development teams.

Facts over Fantasy

We are finding that our fact-based approach to studying markets and delivering solutions is more applicable and appreciated during the current economic environment when portfolio managers are finding their **Field of Dreams** ("If we build it they will come") plans for commercial development are not working.