



# Business Retention and Expansion

Organizing business retention and expansion activities is a common application of market analysis findings. These activities include mobilizing a BR&E team, identifying issues, and helping existing businesses expand or, if they are at risk of closing or relocating, stay open and stay downtown. Too often the sudden closing of a long-time business surprises residents and local officials alike who assume a business is doing fine simply because the doors remain open each day. Instead, probing business owners about business challenges and future plans offers clues about possible future actions. Through the market analysis process, and the business survey in particular (see Business Survey section of the Toolbox), you have the opportunity to identify individual business needs you can act to fill, such as providing more space, addressing financing issues, or providing information resources.

Retaining and expanding existing businesses is a common economic development strategy because this is typically less costly and time intensive than recruiting new businesses. The success of existing businesses provides proof of the economic viability of a district. Furthermore, businesses content with their community become ambassadors to existing and new entrepreneurs.

Market analysis data can be used in the following four steps of a business retention and expansion strategy:

- Forming a business retention and expansion team,
- Identifying warning flags,
- Offering individual business assistance, and
- Developing business retention and expansion strategies.

## Related Content

- University of Minnesota Extension and Ohio State University Extension operate comprehensive BR&E programs and have skills and expertise in developing BR&E strategies. See links to the right.
- Business Retention and Expansion International at <http://www.brei.org/>
- Fact sheet Series on Business Retention and Expansion from University of Florida Extension at [http://edis.ifas.ufl.edu/topic\\_series\\_br](http://edis.ifas.ufl.edu/topic_series_br)

# Step 1: Establish a Business Retention and Expansion Team

A business Retention and Expansion (BR&E) team coordinates responses to individual business concerns, or warning flags (see Step 2), and develops strategies to improve the local business climate.

The committee should include four or five individuals with the skills and abilities to help businesses with common business challenges like marketing, accounting, or finance, as well as regulatory issues. City officials or economic development professionals commonly join BR&E teams since their role includes connecting businesses to state and local programs and acting as liaison between business and government departments. The credibility of team members and their rapport with the business community is critical. Businesses must trust team members to handle issues competently and confidentially or efforts to improve the business district will falter.

Market analysis data that has been assembled can be used by the BR&E team to help existing businesses make more informed day-to-day operating decisions. These decisions can relate to inventory, merchandising, advertising and other topics. In addition, data can be used to help make decisions related to location and business expansion. The following information is particularly useful in business retention efforts:

- Characteristics of the business district;
- Description of the trade area;
- Characteristics of existing and potential customers; and
- Trends and future opportunities.

Members of the team should be given a copy of the market analysis. Supplemental information such as detailed demographic reports, lifestyle segmentation profiles, and consumer survey data should also be made available.

## Step 2: Identify Warning Flags

Warning flags or “red flags” are issues of individual businesses that are a cause for concern and targets of response from the BR&E team. The primary source of information to identify warning flags is the Business Survey (see Business Survey section of the Toolbox), which includes many questions to identify potential problems.

On the Standardized Business Owners Survey, the needs and opportunities section includes a range of questions to identify warning flags. Questions 7 and 8 address some of the most important warning flags related to moving or expanding a business:

- “How Satisfied are you with the present location of your business?”
- “Do you have plans to expand or reduce operations for your business in the foreseeable future?”

Other questions in the standardized survey ask business owners about their interest in receiving information resources and business incentive programs, and about challenges they face. The survey also asks business owners to rate community assets. For example, a business may cite restrictive regulations as a major challenge. The BR&E team would identify this answer as a warning flag and follow up on details to determine if it could help by modifying an ordinance or zoning codes.

A good process to identify warning flags includes setting aside a time in which the whole BR&E team can assess surveys together and discuss appropriate follow up. The team can use the warning flags worksheet (see following exhibit) to organize its thoughts and keep good records to facilitate a timely response. A good practice is to have two team members review each survey. A viewing by a second set of eyes may uncover issues the first team member did not notice.

The worksheet contains two important columns: (1) level of urgency and (2) organization or person responsible for follow up. Certainly not all warning flags have the same level of urgency. A business indicating plans to move to another community in the next six months is clearly an urgent matter in need of immediate attention, whereas interest in historic preservation tax credits may not be as pressing. The worksheet refers to red, yellow, and blue flags to rate the urgency—standard language in a BR&E program. When considering proper follow up to warning flags, the BR&E team should not limit itself to its own members' skills and abilities, but look to other organizations or people who can best assist with the issue at hand. The best people or organizations to handle follow-up are those who can retain the trust and confidentiality of the business owner. Be sure to notify businesses of your intentions to hand off some issues to appropriate resource people or organizations.

**BR&E Plan for Action Worksheet**  
**for use in identifying and responding to “Warning Flag” issues**

Item No.	Survey Category or Question #s	Problem Description	Level of urgency*	Organization/ Person(s) Responsible to Respond	Date that Follow-up Initiated	Recommended Action	Update/Date of Resolution

\*Level of Urgency = Red – immediate response required; Yellow – 3 to 6 month response timeframe; Blue – more than 6 month timeframe



See <http://www.extension.umn.edu/BusinessRetention/toolkit/> for more Business Retention and Expansion resources

8/25/11

# Step 3: Offer Individual Business Assistance

A starting point for any BR&E team offering assistance to individual businesses is getting the market analysis data into their hands, and then helping them apply the information to their operations. Based on responses to the business survey, the BR&E team will know the particular needs of individual businesses and can use the market analysis data as a guide. Some businesses may be particularly interested in the customer survey findings for marketing or inventory purposes, whereas others keen on expansion may decide the findings on the retail and service opportunities most helpful. It's important for the BR&E team to determine the appropriate level of contact to best assist businesses. Simply mailing out market analysis results would not have the same impact as a member of the BR&E team sitting down with business management and discussing possible applications. Some uses of the market data include:

- Redesigning marketing plan to attract more customers;
- Opening a complementary new business;
- Motivating existing customers to spend more money;
- Identifying new markets for current product lines;
- Adding new product lines or services to capture a wider market range;
- Opening boutique shops with niche product lines inside other businesses;
- Identifying and adapting to business and marketing trends;
- Repositioning and differentiating the business by changing its image and product mix;
- Expanding existing space or relocating within the district; and
- Opening under one-ownership companion shops that support each other.

Beyond applying market analysis data to business decisions, other areas of assistance may include:

- Store presentation and window display;
- Succession planning and business transition;
- Merchandise presentation;
- Merchandise selection;
- Locating buying groups;
- Customer service;
- Developing/updating business plans;
- Accounting and record keeping;
- Compliance with local, state and federal regulations;
- Inventory control;
- Computer use;
- Website development;
- Personnel management and training;
- Financial incentives;
- Local code enforcement and public policy;
- Improving advertising and promotion; and
- Identifying and capturing new markets and planning for business expansion.

A warning flag that deserves special and prompt attention is any business owner who plans to sell, close or retire. The BR&E team's role here could include:

- Serving as a liaison between the business owner and potential buyers or brokers;
- Identifying potential buyers;
- Developing a financial incentive package;
- Helping set up an employee buy-in program;
- Providing information and resources on succession planning;
- Helping business owners prepare marketing materials; and
- Working with media on advertising and public relations during the transition.

When following up with individual businesses, the BR&E team may assist as members' time and skills allow, but should not be hesitate to reach out to others for help. Local university Extension educators, Small Business Development Center (SBDC) counselors, Main Street program business specialists, Service Corps of Retired Executives (SCORE), chamber of commerce and other public or private small business professionals can provide assistance. Follow-up can take many forms, ranging from a mailing in response to simple information requests to individual consulting.

# Step 4: Develop Business Retention and Expansion Strategies

When reviewing business surveys, you will find some issues that cut across many businesses and call for strategies that will affect the whole business district. Some strategies may be simple, such as hosting group workshops to meet community training needs. Others may be more sophisticated, such as forming cooperative purchasing alliances or launching group advertising initiatives. The key is to develop strategies consistent with the findings of the market analysis data and business district activities already under way.

Needless to say, experts do not recommend developing business retention and expansion strategies in a vacuum. Instead, the BR&E team should put in place a process that allows businesses and other interested parties to review business survey findings and develop strategies that address issues common to many businesses in the business district. The process must allow participants time to learn about the business survey findings, brainstorm ideas, and prioritize and choose strategies. This may take the form of a half-day retreat with a facilitator or a couple of smaller meetings. The more people are involved with developing the strategies, the more they will be invested implementing the plan to realize their vision.

An action planning worksheet (see following figure) is a helpful tool the BR&E team can use to implement strategies and move from ideas to action.

## Action Plan

*NOTE: This format can be helpful in writing down all the "parts" to making a STRATEGY work!*

  

STRATEGY:					
RECORDER:					
#	Task / Activity	Who's Responsible?	By When?	% Progress (Est.)	Additional Notes
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
				25   50   75   100 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

  

What related activities are underway?	Is the project reaching all firms?	Do we want to partner with this project?

  

UNIVERSITY OF MINNESOTA | EXTENSION

Developed by Jody Hornvedt, Extension Educator, 2004



**About the Toolbox and this Section**

The 2011 update of the Downtown and Business District Market Analysis Toolbox is the product of a collaborative effort involving University of Minnesota Extension, Ohio State University Extension, and University of Wisconsin Extension. The update was supported with funding from the North Central Regional Center for Rural Development.

The toolbox is based on and supportive of the economic restructuring principles of the National Trust Main Street Center. The Wisconsin Main Street Program (Wisconsin Department of Commerce) has been an instrumental partner in the development of this toolbox.

This section includes new methods added by Ryan Pesch and Michael Darger of University of Minnesota Extension and Bill Ryan of University of Wisconsin Extension. This section was edited by Mary Vitcenda of the University of Minnesota Extension.

September 21, 2011