

## Business Retention and Expansion

One of the most effective economic restructuring tools community leaders can offer is a program to assist existing businesses in their efforts to become or remain profitable within the business district. It is typically less costly and time intensive to help retain an existing business than it is to try to recruit a new one. Further, the success of existing businesses helps demonstrate the economic viability of a district. The following retention and expansion steps are based on a recent article by Valecia Crisafulli of the National Main Street Center of the National Trust for Historic Preservation.

**Step 1: Establish a Business Retention Team** - A business retention committee (team) should be assembled and given the responsibility for developing retention strategies and coordinating business assistance activities. The committee should include four or five individuals skilled in small business banking, marketing and accounting.

**Step 2: Know the Market** - Market analysis data can be used by the retention 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 regarding location and expansion. The following information is especially useful:

- Characteristics of the business district;
- Description of the Trade Area;
- Description of customers; and
- Trends and Future Opportunities.

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

**Step 3: Create a Market Position Statement** - An effective marketing position statement identifies realistic opportunities, primary target markets, trade area and the desired business mix for the district. It can also identify niche markets as defined by both

products and/or consumer groups. The position statement is derived from the community's vision for the district, the market analysis, and the business district's competitive position in the marketplace.

**Step 4: Identify Key Businesses** - While it is important to offer retention assistance to all business, there may be certain ones that are critical to the economic vibrancy of the district. These are typically important businesses that create street life, pedestrian traffic and a sense of vitality. Typically, they relate to the primary target markets identified in the market position statement described earlier. These businesses can include but are not limited to:

- Anchors and traffic generators;
- Long-standing businesses in the community;
- Creative, model businesses;
- Large employers;
- New businesses with growth potential;
- Minority-owned businesses;
- Businesses that serve an ethnic market;
- Businesses that serve downtown residents;
- Businesses critical to retention strategies; and
- Unusual businesses that add character.

**Step 5: Offer Needed Business Assistance** - The retention effort should address specific types of assistance identified by key businesses. Typical areas of focus may include:



- Store presentation and window display;
- Merchandise selection and presentation;
- Locating buying groups;
- Customer service;
- Developing/updating business plans;
- Accounting; record keeping and inventory;
- Compliance with governmental regulations;
- Computer usage and web site development;
- Personnel management and training;
- Financial incentives;
- Local code enforcement and public policy; and
- Improving advertising and promotion.

Assistance can be provided through group workshops, one-on-one counseling, and making available a lending library of books and resource materials. Help can be provided by University Extension educators, Small Business Development Center counselors, Main Street program business specialists among others.

#### **Step 6: Promote Businesses to Targeted Markets -**

To help the retention effort, the district's promotional activities must be consistent with the market analysis data and the resulting marketing strategies for the district (see step 3). Effective promotion of special events and activities requires knowing the best ways to reach targeted consumer groups. To help attract the targeted markets, work to improve the district's overall image and identity through public relations, business standards, and maintenance of the district.

**Step 7: Help Businesses Identify and Develop Opportunities for Growth and Expansion -** The retention team can be of great assistance to the district by helping businesses identify opportunities for growth and expansion. These opportunities include:

- Attracting more customers through improved marketing;
- Building a repeat customer base;
- Motivating existing customers to spend more;
- Adding new product lines or services to capture a wider market range;
- Identifying and adapting to business trends,
- Repositioning and differentiating the business by changing its image and product mix;
- Expanding or relocating within the district;
- Opening boutique shops with niche product lines inside other businesses;
- Opening under one-ownership "companion" shops that support each other; and/or
- Opening a complementary new business.

Often a recruitment team can use a market analysis to provide assistance in identifying such opportunities.

**Step 8: Recognize Early Warning Signs -** The business retention team should identify struggling businesses as early as possible before it is too late to provide meaningful intervention. Often these businesses will exhibit signs of difficulty such as:

- Low or slow moving inventory;
- Cut backs in staff and operating hours;
- Drop-off in advertising;
- Poor interior and exterior maintenance;
- Negative attitudes;
- Slow payment or other banker information;
- On-the-street rumors;
- Poor performance of a similar business;
- An owner's personal crisis or lifestyle change;
- A business owner nearing retirement with no transition plan;

As personal business difficulties are usually a very sensitive and confidential issue, the retention team needs to approach the operator in a gentle manner.

**Step 9: Plan for Business Transition -** If a business owner plans to sell, close or retire, it is important to find this out as early as possible. The retention team's role here could include:

- Serving as a liaison between business owner and potential buyers or broker;
- Identifying potential buyers;
- Developing financial incentives for purchase;
- Helping set up an employee buy-in program;
- Providing information to business owners;
- Helping prepare marketing materials; and
- Working with media on advertising and public relations during the transition.

Assisting with business transition requires special skills in commercial brokering and real estate. If no one on the retention team has this expertise, it may be necessary to bring someone else on board or gradually acquire certain skills in this area.

#### **Step 10: Support Your Downtown Businesses -**

For the retention team to maintain credibility when working with local businesses, its members need to be seen shopping, dining and conducting business on a regular basis in the district. Becoming active in the district provides opportunities for visual monitoring, keeps communication channels open, and builds relationships that are essential key to making business retention efforts succeed.

Source: [10 Steps to a Comprehensive Business Retention Program](#), Valecia Crisafulli, National Main Street Center of the National Trust for Historic Preservation. Full article is available to members of the National Main Street Program in the January 2003 Main Street News.