

# LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

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## Downtowns and Chain Businesses\* Part 2: Strategies to Attract and Deter Development

The previous edition of "Let's Talk Business" summarized many of the pros and cons of chain stores locating in downtowns. After weighing these pros and cons, a downtown organization may want to consider either active pursuit of chain stores or have methods for deterring their development. Accordingly, the following discussion presents some strategies for attracting or deterring chain businesses.

### Strategies to Attract Chain Businesses

Once a community has decided to pursue chains for their downtown, there are a number of strategies and suggestions to consider. These strategies will help a downtown organization analyze their market and prepare to speak the language of chain businesses.

**Provide Market Information** - A comprehensive market analysis is necessary to convey the downtown's business potential. A well-executed market analysis should include sections on spending potential, the identification of business clusters through a building inventory, a demographic analysis, traffic counts (foot and vehicular) and consumer survey work. Data that describes the recent additions and success of other chains in your downtown is also important, as is market data that highlights the unique reasons for doing business downtown (such as the captive daytime office population). Providing this information to a prospective chain will aid in creating credibility as well as relate the competitive advantages of locating in a given downtown.<sup>1</sup>

**Research and Identify Appropriate Chains** - Not every chain is compatible with every downtown. Many chains have specific needs that do not fit a community's vision for their downtown. Chain businesses often require large amounts of floor space, predetermined numbers of parking stalls, formulaic building designs and other amenities.<sup>2</sup> In narrowing the

search, one strategy is to match types of chains instead of specific chain businesses.<sup>1</sup> For instance, if available building locations and traffic patterns cannot offer a drive-thru window, then many fast-food restaurants are not appropriate choices. In addition, try to identify chains that are willing to work with the special constraints of a downtown location.

**Promote Residential and Mixed-Use Development** - Chain businesses realize that successful, vibrant downtowns are the ones that have a variety of activities and attract people for different reasons. Once people are drawn downtown for one reason, they will often stay and shop. While many downtowns offer a mix of activities (retail, office, government, services, etc), one component often ignored is residential development. Chains want larger, downtown populations near their stores as these people are more likely to shop locally and generate greater foot traffic.<sup>3</sup>

**Work with a Developer, Broker or Trade Association** - Most chain business real estate offices are not used to working with individual organizations. Consequently, a call to these offices may not result in any effective dialog. In addressing these problems, downtowns may want to contact developers, commercial real estate brokers or trade associations that work with chain businesses on a regular basis (several associations are listed at the end of the article).<sup>1</sup> Providing them with the names of potential franchisees interested in downtown is often useful.



## Strategies to Deter Chain Businesses

After reviewing the pros and cons of chain stores, a downtown may decide that they do not want to pursue these types of businesses. However, this decision does not mean a downtown can ignore the possibility of a chain coming to town. Subsequently, a downtown must be prepared for this possibility and have strategies in place to thwart potential chain businesses.

**Help Strengthen Independent Businesses** - Increased profitability and market penetration of existing independent businesses can help prevent the entry of chains. However, some chains may view the success of others as an opportunity to enter and dominate a market. Nevertheless, providing independent businesses with market information, business district management and promotion, and small business assistance can strengthen their performance. Shopping center management techniques should be applied to downtown to ensure the right mix and critical mass of businesses. This will point to business expansion opportunities for existing businesses. If business recruitment is necessary, smaller regional or multi-location family businesses are an alternative.

**Be Aware of New Development** - Often, a new development is proposed without revealing the identity of the business. The identity is not revealed in fear of driving up the cost of the property or generating opposition. While this practice is particularly true with "big box" development, it happens with many other types of businesses as well.<sup>4</sup> Being aware of proposed developments stops chain stores from opening without any notification.

**Zoning Ordinances** - Certain zoning restrictions can be useful in deterring chain businesses. For instance, physical size caps are zoning ordinances that restrict the size of new retail developments. Accordingly, these caps can effectively ban many of the large formats used by national retailers. Depending on the wants of each community, these caps can be set at different sizes or imposed in different neighborhoods. Furthermore, these ordinances can be used to enforce design standards. As mentioned earlier, many chain businesses have formulaic designs for their new locations. Knowing some of their guidelines and creating standards (no drive-thrus, appropriate signage, windows, etc.) to counteract them may be useful in discouraging chain stores.<sup>5</sup>

**Impact Assessments** - Forcing larger retailers to undergo a community impact assessment requires that they demonstrate the overall impact of their development on a community. A review of local land use or development policies that favor the large corporate competitors can provide important public dialog. These assessments can include

provisions for public hearings and provide an avenue for citizen discussion.<sup>5</sup>

**Encourage Community Participation and Action** - Local businesses can regain their role in a healthy local economy. Getting the public and other businesses to understand the issues is the first step. Then they can be mobilized to promote their independent businesses and encourage local consumers to patronize locally owned stores.<sup>6</sup>

## Conclusion

A community may want to attract or defer chain development in their downtown based on its economic development priorities and long-term vision. While many communities would welcome the addition of a chain store to their downtown area, they must realize that chains do not want to be the revitalization catalyst. Instead, they want to be in places that are already revitalized.<sup>3</sup> Accordingly, the attraction (or deferment) of chains in a downtown should not be as an "end-all" goal, but rather as an ongoing consideration in business expansion and recruitment efforts.

### Additional Resources

The following list of organizations and Internet addresses may be useful in addressing a variety of issues on chain businesses and downtown development.

#### General Information on Chain Businesses and Downtown

- Urban Land Institute (ULI) - [www.uli.org](http://www.uli.org)
- National Main Street Center - [www.mainstreet.org](http://www.mainstreet.org)

#### Trade Associations

- International Council of Shopping Centers - [www.icsc.org](http://www.icsc.org)
- International Franchise Association - [www.ifausa.org](http://www.ifausa.org)

#### Stopping Chain Business Development

- Institute for Local Self Reliance (ILSR) - [www.ilsr.org](http://www.ilsr.org)
- New Rules Project - [www.newrules.org](http://www.newrules.org)

#### Market Analysis

- University of Wisconsin-Extension, Center for Community Economic Development (CCED) - [www.uwex.edu/ces/cced/](http://www.uwex.edu/ces/cced/)

#### Sources:

1. National Trust for Historic Preservation. "Chains on Main: A New Look at National Retailers." *Main Street News*. (August/September, 2001) pp. 2-18.
2. "Create a Balance Between Chain Retailers and Downtown's 'Mom and Pop' Shops." *Downtown Idea Exchange*. (August, 1999) pp. 1-2.
3. "National Retailers are Taking a Closer Look at Downtown Locations." *Downtown Idea Exchange*. (August, 1997) pp. 1-3.
4. Beaumont, Constance E. *How Superstore Sprawl Can Harm Communities*. Washington D.C.: National Trust for Historic Preservation, 1994.
5. New Rules Project Web Site at URL <http://www.newrules.org/retail> Mitchell, Stacy. *The Home Town Advantage*. Minneapolis, MN: The New Rules Project of the Institute for Local Self Reliance, 2000.

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