Matt Wagner:

Welcome to the Main Street Business Inside podcast. I'm your host, Matt Wagner, chief program officer at Main Street America, a nonprofit leading a collaborative movement dedicated to strengthening communities through place-based economic development and community preservation. Each week join me as I travel the country and take a deep dive into the personal journeys of downtown and neighborhood entrepreneurs. The stories that far too often go unnoticed and unheard. Whether you're a small business owner who wants to learn from your peers or community leader looking to better support your local business base, Main Street Business Insights is here to provide you with the tools, strategies, and personal stories to help you and all of your main street businesses thrive. So subscribe now and tune in every Wednesday to get inspired by the individuals driving our communities forward.

Welcome everyone to another episode of the Main Street Business Inside Podcast. I'm your host, Matt Wagner, chief program officer at Main Street America, and today's podcast is actually number 11. So if you caught the spinal tap reference, that's not the only reason why this is significant. Just acknowledging that less than 2% of all podcasts out there make it to episode 21 and we just did it. So big shout out to our marketing and comms team and really thanks to all of our leadership at Main Street America for really supporting this important storytelling part of our work that we do. This episode in particular is going to take a look at how communities and small business owners can better understand local market conditions as part of their efforts to build more effective strategies that can strengthen or even make more resilient their local economies in addition to really positioning business relative to market opportunities.

Now, market understanding can be rather daunting. Often, I think many people feel like I did back in college or in high school taking a calculus or a physics class. I just wasn't that particularly good at it. It often seemed like a purely a data-driven exercise with a realm of statistical inputs. And while data can play a really crucial role in essence serving as the foundation for market understanding, effective market analysis actually goes beyond just the numbers crunching. It's really a blend of science and art requiring deep understanding of your community, its needs, key drivers, the broader context of how it functions as a place where consumers and visitors and small businesses and organizations all sort of converge. When it said that something is more art than science, and that's basically what I'm getting at. In the simplest terms, we're suggesting that these are forms of judgment, that as part of the decision-making process, it's not just the data as presented. One could even suggest that as a philosophy and a belief system behind this approach that you could position it as such. So let's explore here.

Oops. A market position statement is really just a brief description of your customer and our business segments and an explanation of how your district uniquely meets in the needs of the target market. Now it's a belief that your district is very much like a product and it has competitors as such, whether it's in consumers, shoppers, investors, new businesses, they all have many choices that they can make. And so a market positioning statement, as you might see on your screen in the podcast, you won't see it, but it's really not like a vision statement in which most are frankly overly generic. A market positioning statement really is about addressing your competitive vantage and then allowing you to really align your district's four-point efforts in the context of Main Street in support of your brand in value proposition.

Now the second part I think of a general philosophy around local market understanding as an art form is that, market analysis like small businesses don't, or at least they shouldn't, rely on one single piece of data. Think of it as a number of different puzzle pieces which you're trying to configure to illuminate that picture and that when and analyzed in connection with one another, they craft the full story or the picture of what your market is all about. Now remember, I think one quick thing here is that your market is already there. It's present. It's not like you are necessarily creating something from scratch, like the market is there, it exists. Now you can certainly begin to push it in a certain direction or visualize it in a different way, but it's commonly found in the way that you look at your or explore your business mix, the level of vacancy, who's there shopping currently, what activities are taking place within the district, and how your assets are connected or perhaps not in some ways, and we will get to that.

But keep in mind, markets are always an evolution. And we certainly saw this during the pandemic that not only are they in evolution, but sometimes the pace of change can be quite dramatic. For some, this was way too quick and others are needing perhaps more of an injection of capital like an incentive, something to push or catalyze and jumpstart them as a way to transition their strategy. But markets are there, they're not hidden and simply just getting out and observing the context around how your district is operating will illuminate so much. All right. And then final philosophy here before we tackle more of the art component of market, local market understanding is, I want you to keep in mind that your experience and know-how as place professionals or small business owners, they really make a difference. And sometimes we refer to this as gut instinct, but it does matter.

You're there a lot of the time for some more than others, of course, walking in everyday seeing who's there, who's walking into your store perhaps. If a particular strategy feels way out of place or a bit too far of a stretch, it's likely or at least it should be discussed in more understanding to understand the why behind that. If your gut or it's not passing the smell test as they also say, it's probably telling you something and passing that smell test is just as important as understanding something like the psychographics or the retail trade growth within your community. So yes, data's important, the science aspect is important, but what it's telling you from an art perspective holds equal ground in many respects. All right, so the art of community market understanding really shows itself I think in two fundamental ways. And so we're going to tackle each one of them separately.

The first one being really around going from interpreting the data to then actually developing strategy from that or strategies from that. I've got an example here. While it may seem counterintuitive, quantitative data collected in a market analysis typically either confirms or leads to further questions, but it doesn't really lead the effort. Rather than presenting itself on the surface of a clear picture, it doesn't tell you exactly what the strategy should be, what direction it takes. It really is an art form of being able to interpret that data. And so, the graphic here on your left hand side is from Esri. They're a big data house, a lot of people in market analysis, you may be familiar with Esri as a way to secure some data around a particular location or geographic trade area that you've delineated. And what this particular graphic is looking at is what's called a retail trade projection over five years.

And you can see I got an arrow running here of the overall trade growth during that time period of about 8.4%. Now on the surface, that perhaps doesn't look very strong, okay? And the reason being is that this particular data set looks at the basis of that retail trade growth is really based on population growth. And the way census, where we're looking at the census is really the difference between births versus deaths. But something profound has happened over the past four years that really has changed the equation and made it much more complex or difficult to simply look at things based on birth versus deaths. And that's being that we've had tremendous amount of population migration through the United States. In fact, just a quick like factoid here, rural economies in particular, so this really underestimates rural economies. They have typically shown population losses within census data if you just looked at that.

And despite the fact that 37% of rural counties actually grew more than 2% from 2020 to 2022 because of remote work frankly. And given that remote workers typically bring three to four times the income levels compared to local incomes, there can be great enhancements of available retail shopping, food shopping, professional service, et cetera, spending capacity within the community. The graphic to your right is something that can help illuminate that a little bit more. And that's coming from the IRS. They do each year, although they haven't released 2020 data yet, but they put out by county what's called migration data. That first column you see is actually the number of new filings in your particular county. This being Wise County as my example here in Virginia. And then the second column is the number of people that that represents. So for a rural county like Wise County, an additional almost 1300 more people is a big deal.

And then the third column there that you can see, the 22,764, that's actually with three zeros. So that's an additional 23 million. So if you're not seeing this and you're listening on the podcast, we'll put in the show notes, the link to the IRS migration data, but it's very important specifically in rural economies to just better understand what's happening there. But just as important you knowing that is, what does that actually mean? And that's the art part. So now we've seen two pieces of data or looked at two pieces of data, which is sort of the science aspect, but it still doesn't tell you necessarily how you might react to that or how to plan strategy. For instance, is 1200 or 1300 new individuals, is that dollar figure that's being brought in, is that a large enough market to focus on? For smaller rural counties, something like that may represent 10% or 5%.

Those may be big numbers. How might that impact housing? Do we need a strategy to address because now we're going to have pinch points if we didn't already in the level of housing or rental rates. What is the level of Airbnb activity? Has that been surfacing, which we saw a lot of during the pandemic, and do we now need a policy to control or manage that so we're not having further crunches on housing? Is there enough to support a co-work venue or some sort of hybrid third space as a result of this influx of new remote work or the new population growth?

What about the potential impacts on downtown rental rates or could we have displacement of our existing businesses from new folks coming in and wanting to start businesses as well and driving up rental rates more than the market currently could bear? And then finally, just as another example of the questions to ask in an art form is, what shifts in consumer spending and supportable new business niches might be based on those new customer groups? What's their psychographics like? So understanding all of that is part of the art then of being able to position that in terms of strategy.

Okay. Number two, in the art of market analysis interpretation to strategy is recognizing that qualitative data is just as important as quantitative data. So qualitative often being thought of as more the art side of data collection. But in this particular case and how we think of it in market understanding is, sometimes the data can illuminate where you might want to go deeper. You might want to ask more questions about particular data points. Having people around a table or being able to interview or perhaps do a survey. But most importantly, focus interviews the qualitative data can be so important. It gives you the ability to go deeper and ask additional questions that might illuminate the situation or provide additional insight that you just can't pick up in just looking at quantitative data only.

Thirdly is understanding of macro trends. Now no district exists within a bubble. I think that's important, really important to recognize and more macro trends can have tremendous impact on your particular district. And we saw again during the pandemic how macro trends in for instance, like consumer shifts might delineate now how we serve consumers in a restaurant setting or now they want more dining out. There are generational shifts. We're at what we call peak 65, which in 2024 simply means that this'll be the year of which we have the greatest retirements happening within the baby boomer generation. That's going to have extreme, cause extreme shifts because of the generation pullbacks in spending perhaps from baby bloomers, new spending habits, social media habits, etc, of a new entire generation. Technology shifts what will happen with AI for instance, and how does that impact our district and even the way that we work, as I was chatting about remote work or hybrid work can cause a big shifts or just decline in workforce and the continuing pains that might cause in small businesses needing to hire people.

Okay. Let's move on now to really the second component of the art of local market understanding. And what we think of there is the place matters in the form of design. That design context, the spatial elements of our place actually can really illuminate decision points about the market. Okay, so much of the art of local market understanding comes in on-site context setting. As someone that has done a number of different market studies during my time, I would never do one if I hadn't seen the particular district. I wouldn't do it in a vacuum simply looking at data because the context of the site, the way the buildings, the small businesses, the mix, that all matters to making certain decisions. And so let's explore how that can occur. This is an example that I'm going to be using for the podcast listeners out there of Altavista, Virginia.

And even though it's a small downtown, design can often cause huge shifts in how we think about consumers using that particular district or downtown. And in this particular case, I'm showing three graphics here. One of the sort of a Google map showing two different nodes. We call this nodal development. And really what it is, is signifying that there are different market strategies at work here, even though it's a small downtown or a small district. And so, that doesn't necessarily matter when the downtown spatially is configured so differently. Yes, in bigger downtowns or even other smaller ones, it could look similarly but may have different assets or a different business mix. And that could cause nodal development changes. In the particular case of Altavista and I'm sure like many what happens here is in one node you've got greater density and concentration in a different setback and scale of the buildings versus another part of the district that's more like auto-centric, lots more setbacks.

The scale of buildings is different one story versus two and three stories, it's less dense and the business mix shifts dramatically where you have more professional services and fast food and gas versus more like strolling shopping, restaurants, dining, cultural activities, that sort of thing. And so for that reason we have two different nodes and two different strategies. But the key point is that the data wouldn't necessarily show that. You actually have to visualize it, you have to be there, you have to look at the business mix. You can't get that by understanding psychographics or even retail trade trends or demographic trends over time. This is a spatial example and that's why again, the art, not just the data points become so, so important.

Data may also demonstrate certain market opportunities, but you may not understand whether there is the present, the assets to truly drive those opportunities in the form of natural or built or economic or even societal asset forms. In this particular case, what I looked at was as an example, was the retail projections in a community, the fictitious community of restaurant and drinking establishments. Again, this data would come from Esri and it would be in the retail trade projections, the five-year projections. The example I'm using suggests that restaurants and drinking establishments over that five-year period of time would grow by 6.1 million. On the surface, that doesn't tell you much, right? Okay, I get it's going to grow and that I could share it with my small business owners, but what would that really mean from my district's perspective? Well, in general we would first establish, well what could I capture of that?

If that's new growth, my district probably can't capture it all. Of course it will go to other places, it might go to other districts within the city or the town or what have you. So depending on how strong I feel or how much I capture currently I'm just putting in a 20%. So 20% of 6.1 million. Now I'm doing math, okay, this is the science aspect of it, that's roughly 1.2 million. Now most business types or business segments, you can go online, simply do a Google search and you can find out what is the average per square foot sales per square foot of that kind of business type, whether it's hardware, restaurants in this particular case, bike stores, book stores, you name it. You can basically go online and there's some accounting firm or industry association that has looked at sales per square foot averages as a benchmark for certain retail or professional service operations.

In this particular case, I used the 150, there are several for restaurants, so I went sort of the middle of the road here. And when you divide the 1.2 million that I could capture in new sales by that 150, it shows that I could support 8,133 square foot. Okay, now I'm getting a little bit somewhere. Now I know how big the size could be of what I could support, which might be multiple kinds of restaurants at 8,000 square feet, probably not one that would be 8,000 square feet, but it still doesn't illuminate other parts, okay? So data's great and it got me this far, but the art comes in when I'm trying to understand things like, well, what type of restaurants then, what's customer niches or where do I have other growth opportunities or cultural amenities that might be able to leverage new eating opportunities or sporting activities or events?

Were there any declines in my office market post COVID? So I may see increasing demand, but in my particular district, if I was heavy on office and people are now remote working, it may not reflect the true opportunity within my district because I lost a key market that would've serviced those particular businesses. Do I have the building stock conducive? That's a whole other thing that data's not going to eliminate. What's my property owner situation? What's the condition of the buildings. And what's the aim? Am I looking for someone to move in that's coming from somewhere else? Is this a startup activity? And I should think about ways to grow to filling that space like more startup activities, food trucks or shared food kitchen opportunities. Maybe that's really where I should put my resources to build up to that space demand over the five-year period of time. Again, that's where the art part of this shows up.

Third, sometimes the data just doesn't illuminate design barriers. We're not looking at, when you're looking at the data from Esri or Placer or the IRS data or whatever data form you're pulling, it can't see and visualize the context of the place. And a great example, I'll go back to my Altavista, Virginia. Now everyone's going to want to go and visit so they can see this market data at play. But what's fascinating there is when you look at assets that might represent consumers to be drawn to that downtown or that particular commercial district, in this particular case, the photo on the left, and again you can't see this on the podcast, but what it is, it's called English Park. They've got a wonderful splash pad, they host tons of events and activities there. It's in very close proximity to the downtown. You might even be able to visualize it from downtown.

But lo and behold, what is in between that great asset that drives consumers to the community and potentially downtown that in the downtown, what lies between is a railroad track and there is a kind of an experiential pedestrian footbridge that you can go across, but there are visual issues or impediments there between that and the downtown and this particular park and also physical impediments in that there's no elevator access and there are a lot of steps as well. And so even though this is a great attempt, it definitely stifles and puts up a barrier to making those connections between your downtown and what could be a market coming to another asset feature. All right, so very important that you think about the design barriers and that's the art form of understanding the market. Another great example, this one from Galax, Virginia. You can tell I live in Virginia and I've done some recent work in Virginia.

So I'm using these examples. Is that asset connectivity illuminating these markets can go undetected in data. All right, so this is another classic form of where they knew this is the art. This particular community knew that in a particular park that there was this wonderful, wonderful event happening. 30,000 folks generally come to this old fiddler's convention, okay? It's held in Feltz Park. And for those that are watching this on YouTube, you can see this graphic in the circle around Feltz Park. But they were feeling, this was the gut, that it wasn't having as much impact as they thought it could and they couldn't figure out why. And we were able to use data in the form of Placer.ai data, which is another graphic I put here looking at the date that it was held and looking then at the downtown where we were driving the Placer data, we could see that during the time of this event, in fact, they were right.

It wasn't having that much impact. Great impact on the community, but in terms of the district market, it wasn't necessarily having that much impact. And the biggest event that was held in downtown a barbecue event and that had massive, it was their largest day volume of traffic within the particular downtown. One other example is the new river trail. It's very close to downtown, but you actually have to walk up a hill or ride your bike up a pretty large hill and there's Highway 58 that divides the trail head and downtown proper. So it's really important to keep in mind that even though you may have wonderful assets driving traffic, things like sidewalk or road conditions, the lack of wayfinding signage or insular event areas like campus where they don't leave or highway or train crossings can take what you're seeing in the data and really make that opportunity a design fix or a needed design fix more than a market sort of fix to it.

And so again, these are really art forms where if you don't know that and you're not seeing that because the data is not showing it, you're left wondering what's going on here? Why aren't we getting the boost that we should? And so again, context really matters in all of these cases. Okay. So the last part of this, and really it's the moral of the story, is that the community and sets of main street leaders, your opinion and knowledge about the district is imperative to market understanding in the development of your transformation strategies or market strategies that enable us you to drive your work. Having the data like Esri or Placer.ai, they're very illuminating, but as you can see hopefully through this episode that they are only half the story. And so it truly is like the art and science or the science and art of market understanding that's so important.

So don't leave that out of it. Recognize that your knowledge as a local board member or economic vitality member or staff is just as important as that consultant you're hiring, someone from our team or what have you. It's that coming together, the qualitative and quantitative that makes so much sense and can illuminate and create stronger, more realistic transformation strategies and market strategies for your downtown. So as always, is a business owner or likewise to my place professional colleagues out there. I hope this episode has provided plenty of new insights and solutions and inspiration. And as consumers, please continue to support your local businesses and please tell their stories. They're so important to our local and national economies and more importantly, they promote and provide quality of living to the places we all call home. That's going to do it for this week's episode. Remember to check out the recording and other related films of the podcast we've been doing over this season two. You can check that out on our Main Street America YouTube channel.

As always, thanks for listening. Please rate and review us as you can see on the video in my graphic here. And be sure to tell your family and friends and colleagues when you'll actually be able to come up catch us on season three of course. We'll be announcing that shortly. But we're going to have some special edition content coming from our national conference. It's going to be held in Birmingham in early May where we'll be recording a live podcast with Alycia Levels Moore founder of POLARIS, a co-work in an entrepreneurial event center in Birmingham's Woodlawn neighborhood. So be sure not to miss that. And we plan to follow that podcast with a chat with our winner of our Mary Means Leadership Award. So that's going to be announced at conference. I'm not going to give that away, but post-conference, we'll be featuring the winner there. So plan to be there and plan of course to listen post-conference. And as always, thanks for all your support.