

April 2013 Open Cases

Date Rec'd *electronic complaint received	Address/ Location	Type	Date & Action Taken	Follow Date	Date Abated	Results/Comments	Rental
*4-16-13	6505 School	yard brush in ROW	4-17-13 letter sent	4/26/2013	4-29-13		N
4/18/2013	1110 67th	inoperable/unlicensed vehicle	4-19-13 letter sent	5 days from receipt	4-29-13		Y
4/18/2013	1035 65th	tires in yard	4-19-13 letter sent	5 days from receipt	4-29-13		Y
4/19/2013	1147 65th	inoperable/unlicensed vehicle	4-19-13 letter sent	5 days from receipt	Property owner sent in proof of registration- 30 days		Y
4/29/2013	1028 68th	brush	4-29-13 letter sent	5/10/2013		Sending fine & grass violation	Y
4/29/2013	1513 66th	brush	4-29-13 letter sent	5/10/2013	5-10-13		N

April Building Inspections

1820 76th	plumbing rough-in
1909 76th	plumbing/electrical rough-in
1019 69th	stop box repair
6500 University	rough-in plumbing/electrical for Yoga space
6804 Del Matro	deck footings
7122 Jefferson	electrical rough-in
7122 Jefferson	final electrical
1233 72nd	approach
7004 Bellaire	approach
6506 Del Matro	new sewer
6510 Del Matro	new sewer

Memorandum

May 15, 2013

TO: City Council Members
Jeff Fiegenschuh, City Administrator

FROM: Sheena Danzer, City Inspector

SUBJECT: Heartland Economic Development Course

I would like to thank the Council members in giving me the opportunity to attend the Heartland Economic Development Course that was held in Blue Springs, Missouri, April 21-25. MidAmerican Energy was kind enough to offer a \$595 scholarship for the course making it that much more worthwhile. It was personally one of the better courses I have been to as far as new knowledge that was It was a week long course with new information poured out during every presentation from professional economic developers across the Midwest.

The course is through the University of Northern Iowa's Institute for Decision Making and is an accredited course through the International Economic Development Council. The course was formed as this is relatively a new field and designed to meet the increasing need for professional education in economic development. The course I attended is the first step in becoming a certified economic developer (CEcD) which I plan on pursuing in the near future.

I left the course with the idea that becoming more involved with the Chamber and now Windsor Heights Young Professionals will help in understanding what businesses in Windsor Heights need in order to survive in our city. Working closely with the larger stakeholders in town and growing that relationship will be critical in the future as Windsor Heights continues to re-develop. Entrepreneurship is an area that was discussed a lot in the course as well that had me wondering how many residents in town are working out of their homes. A goal of mine is to get a better number of those people and see what we as a City, together with the Chamber can do to help them expand if they need to and to make sure they can expand within the City.

Business Retention

Program Launch Guide

Eric P. Canada
Blane, Canada Ltd.

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Business Retention Program Launch Guide

Launching a successful existing business program requires more than knocking on doors. The following pages highlight the different elements that should be accounted for as you plan your program. We also have identified a number of different roles and responsibilities to be covered. It is not necessary to have different individuals for each role; however, it is important to recognize the breadth of the work to be done. Therefore, if one individual is responsible for multiple roles, it will take longer to implement a full-scale program.

Also, it is important to recognize a good BR&E program should deliver value short-term and long-term. Traditional business retention has been very short-term focused. The same short-term benefits of a classic R&E program are by-products of a properly executed business information approach to understanding the businesses in the community's portfolio.

Program

- What will be the program name?
- Will there be a specific identity created for the program?
- Who will be the program spokesman/champion?

Program Goals

- Short-Term Goal(s)
 - Touch key employers
 - Identify and address company and community problems
 - Identify and assist expansion opportunities
 - Identify and address companies at risk
- Long-Term Goal(s)
 - Drive ED resources (organizational, community, and partner) to opportunities
 - Determine needs of growth and value companies in the community
 - Watch for business and economic trends

Local Issues

The interview process should have three focuses.

1. Company background information
2. What is happening in the business and the business' competitive environment
3. What are the local issues impacting the business

Traditional focus has been almost exclusively on element # 3. We call this a "What's wrong with us approach" to business retention. Nice to know but, this approach fails to take advantage of the visit opportunity to understand what is happening within the

business and their industry. See article, “Locked in the Twilight Zone” – <http://www.blanecanada.com/free.html>

Caution: Time is limited. When developing the interview guide, the challenge is to limit the appetite for the “next” question. It is important to stay under one-hour for an interview.

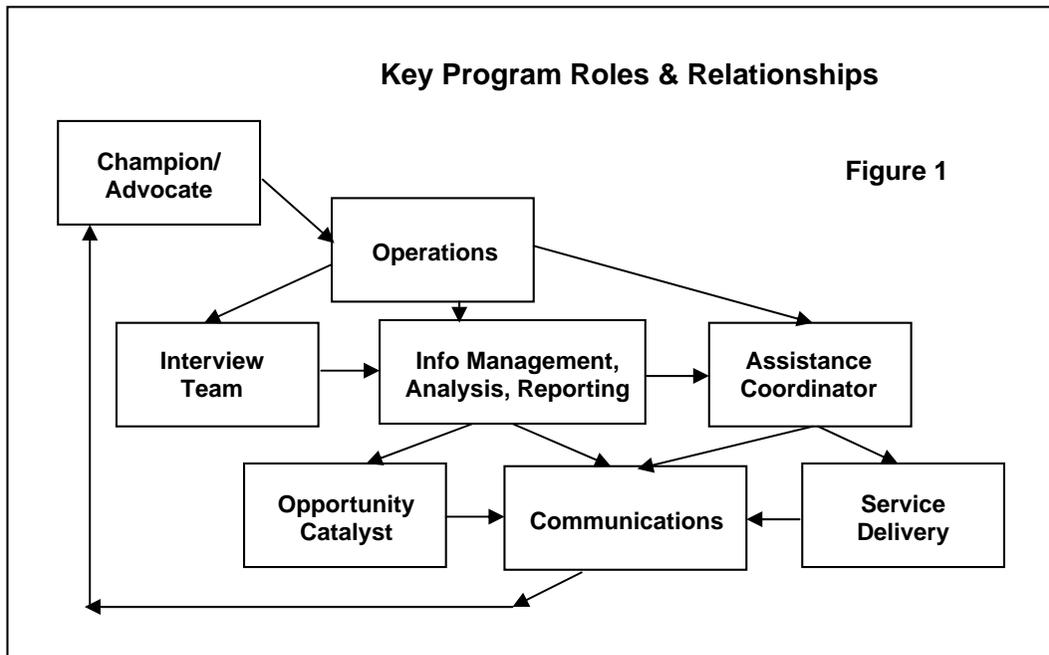
Process

- Target Company List (Appendix)
 - Which companies?
 - Quality or quantity (see goals above)?
 - How selected?
 - What background info is available (internally and/or externally)?
 - How will additional background info be gathered?
- Rapid Response Team
 - Who are the go to people who will work to resolve each issue uncovered?
 - Will response team members be given a program orientation?
 - Who will manage the longer-term challenges and tasks?
 - Who will manage the response team and insure task completion?
 - Who will share the outcome with those requesting assistance?
- Executive Meetings (Interviews)
 - Staff?
 - Extended staff? (Local, Regional, and State ED Partners)
 - Board Members?
 - Volunteers?
 - Individuals or teams of two?
 - Timing: blitz first 50 then, monthly goal?
 - How will scheduling be coordinated?
 - Who will provide interviewer orientation?
 - Who will manage data collection?
 - How will collected information be managed to create a knowledge base for the community’s most important assets?
 - Will interview flow allow time for prompt follow-up as needed?
- Confidentiality
 - Confidentiality policy and management
 - Who will have access to the interview information
 -
- Info Action
 - Who will be the media spokesman?
 - Will a report be created?
 - Annual Report
 - Issue/topical report(s)

- Policy recommendation report(s)
 - Management report(s)
 - Who will be responsible for reviewing information as it is collected looking for opportunities
 - Company
 - Company Groups
 - Public Relations
 - Organizational
 - Partners
 - Who will analyze findings
- Funding
- How will on-going operational costs be covered?
 - How will miscellaneous cost be covered?
 - Is there a budget for data?
 - Is a software program of value and budgeted?
 - Is part-time assistance for data collection or entry needed?

Program Roles and Responsibilities

A successful business retention program is multi-faceted. There are many important roles. Each has its purpose and requirements. The greatest failure in developing successful business retention programs is underestimating the resource requirements shown in Figure 1 and outlined below.



Champion/Advocate

- Outside person
- Awareness building/promotion
- Partnership development
- Spin results (media, leadership, members)
- Apply results
- Pushing information into policy

Operations

- Interview coordination
- Data management
- Quality control
 - Data
 - Analysis
 - Data interpretation and public dissemination
- Staff & partner coordination
- Volunteer recruitment, training, motivation
- Partner recruitment, orientation, motivation

Information Management

- Gather background information on existing employers to be interviewed
- Convert raw data into usable information
- Package and present info for varied audiences
- Explore new ways to use existing data
- Feed success stories to advocate, operations, communications

Assistance Coordinator

- What is needed?
- Who can help?
- How will they be informed?
- When there's a gap, who follows-up?
- Did it get done?

Opportunity Catalyst

- Business opportunity?
- Partner opportunities?
- Joint venture potential?
- Market opportunity?
- Cluster potential?

Response Team

- Team formation
- Coordination
- Follow-Up
- Tracking
- Reporting
- Analysis

Other BR&E Planning Resources

- Blane, Canada Ltd. Free Articles – <http://www.blanecanada.com/free.html>
 - Locked in the Twilight Zone: Business Retention Fails the Strategic Value Test!
 - Rocketing out of the Twilight Zone
 - The Missing Link: A Vision for Retention & Expansion
 - Untapped Potential
 - Step-by-Step Business Retention Survey Evaluation
- Advanced Business Retention: Beyond the Basics, Course by Blane, Canada Ltd. – <http://www.blanecanada.com>
- Synchronist Business Information System® Business Retention Software, Blane, Canada Ltd. – <http://www.synchronist.com>
- Business Retention Expansion International (BREI) Association offering conferences and training courses – <http://www.brei.org>
- Economic Development Institute (EDI) ED Professional training program covering BR&E and other topics specific to ED management – <http://edi.ou.edu/>
- State and Regional Partners

Appendix

Existing Business Interview Selection Procedure and Criteria Launch Sequence

Company/Executive Identification and Selection

In addition to your own list sources, the following are recommended resources and procedure for selecting companies for business retention interviews.

Company List Resources

National

- Harris Directory
- Dun & Bradstreet MarketPlace database
- Hoover’s Business Information
- Public Library (business services section)

Regional & Local

- Public Utility Partner
- Tax Assessor’s Office
- Business Registration List
- Workforce Investment Board
- Economic Development Organization
- Chamber
- Council of Governments
- United Way

Step 1: List Categories

Determine which of the following categories will be used for selecting companies.

List Category ¹	Yes/No
Industry type (if desired) ³	
Business sector or target industry cluster(s)	
Energy load	
Image companies ⁴	
Largest employers and largest taxpayer	
Mid-sized companies 25 – 250 employees	
Small, emerging companies, 5 – 50 employees	
Public/quasi public employers ⁵	

¹ Some categories may overlap, e.g. largest employer/large energy user

² Industry type, e.g. cluster, manufacturing, headquarters, and commercial services

³ Image companies are well known outside the community and create positive impressions of the community and/or draw traffic to the community

⁴ Schools, hospitals, government facilities, large non-private employers

Step 2: Categorization

- 1) Review the list and mark each company based on their industry group.
 - a) Primary sector
 - b) Retail/Local Service sectors
 - c) Public/quasi public
- 2) Review the company list for any companies with known high risk concerns.
- 3) Review the company list for each of the categories identified for inclusion in Step 1.

Step 3: List Filters

- 1) Select companies by category. The following is our recommended representation

List Category	Primary Representation Percent	CRTS Representation Percent
Industry type (if desired) ³	XX	XX
Primary sector or target industry cluster(s)		
Energy load	15	5
Image companies ⁴	5	20
Largest employers and largest taxpayer	15	25
Mid-sized companies 200 – 25 employees	45	30
Small, emerging companies, 5 – 50 employees	10	15
Public/quasi public employers ⁵	10	5
Total ⁶	100%	100%

¹ Some categories may overlap, e.g. largest employer/large energy user

² When a category exceeds the target representation, a random sample of the companies within that category should be selected

³ Industry type, e.g. PRIME cluster, manufacturing, headquarters, and commercial services or Retail, local service, tourism cluster, accommodations, food, entertainment

⁴ Image companies are well known outside the community and create positive impressions of the community or draw substantial traffic to the community

⁵ Schools, hospitals, government facilities, large non-private employers

⁶ Percents shows are guidelines, not absolute. This is intended to produce a representative sample, not a statistical sample

- 2) Check to insure 80% (+/- 5%) of the companies on the selected list are primary sector companies. If survey design is for retail/commercial businesses, then 80% should be this type of businesses. Note, it is impossible to use the same interview form for both primary sector and retail/commercial businesses. The business drivers and market scope are vastly different confusing the findings and complicating analysis potentially leading to the wrong conclusions.

Step 4: Executive Identification & Background Information Collection

Collect and organize contact and company information in a usable manner to make it available for interview and easy updating over time.

Step 5: Finalize Interview Guide

Plan, develop, and test the proposed interview guide as per the article “Locked in the Twilight Zone” – <http://www.blanecanada.com/free.html> and other available resources.

Step 6: Conduct Interviewer and Response Team Training (if needed)

Plan and coordinate training as per the launch guide and other available resources.

Step 7: Begin Scheduling and Conducting Interviews

Determine who schedules the appointments and how they will be coordinated to insure no duplications or call backs when someone has declined to participate..

Step 8: Activate Response Team as Needed

Organize, assign, and distribute assistance requests. Track and manage requests through to completion. Report back to individual requesting assistance as to the outcome.

Step 9 Organize and Compile Findings for Analysis and Reporting

Collect and organize contact and company information in a usable manner to make it available for interview and easy updating over time. Think of this as a building a knowledge base that will survive your time in this position and benefit the person who follows you. They should be able to step into the role and learn your procedures and understand what has happened in the past with only a modest level of training and support.

Step 10 Promote Findings and Recommendations Drawn from the Report

Collect and organize contact and company information in a usable manner to make it available for interview and easy updating over time.

Step 11 Initiate Action to Implement Recommendations

Take the top priority and set a plan to implement the required change or correction.

Step 12 Continue the Interviews and Repeat the Cycle

One of the biggest changes in business retention has been the movement to an on-going business retention effort. Instead of periodic blitzes, many organizations now have monthly call goals to insure ongoing contact with employers and continually refreshing their knowledge of changes in the community.

The Importance of an Existing Business Strategy

This article was written to help Synchronist Users reinforce the importance of business retention to a community's economy. It can be reprinted and distributed as wished with credit to source in local media, organization newsletters, web sites, board meetings, etc.

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A community's best companies are your competitor's best prospects!

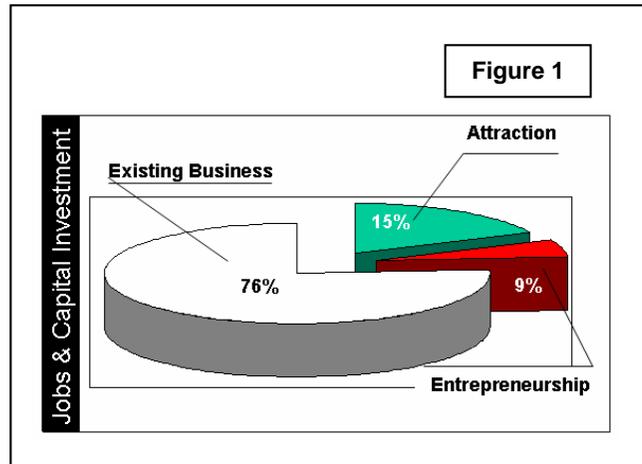
by Eric P. Canada

... dozens of other economic development organizations may be communicating with your community's best employers right now. If the community makes doing business difficult, company executives may turn to another community for help.

When it comes to the discipline of economic development, states, regions and municipalities can choose from a variety of strategies. Generally speaking, these can be broadly categorized into three categories: business attraction strategies, strategies that encourage or foster entrepreneurship, and strategies that are designed to grow the businesses already in the community.

Economic Impact

Looking at the source of jobs in a community gives insight into the importance of business retention. Based on research by Blane, Canada Ltd., the average community will derive 76% of their new jobs and capital investment from existing business. Business attraction will contribute 15%, and entrepreneurship will deliver the balance of the new jobs and capital investment, about 9%. In a rural area, the contribution of existing businesses is likely to be 86 - 90% because both business attraction and entrepreneurship will contribute less.



Add in "lifetime value," the economic benefit generated by a company over the life of the business, and the economic impact of existing companies increases. Even a small employer's lifetime value can be substantial when payroll, taxes, business purchases and philanthropy, are considered.

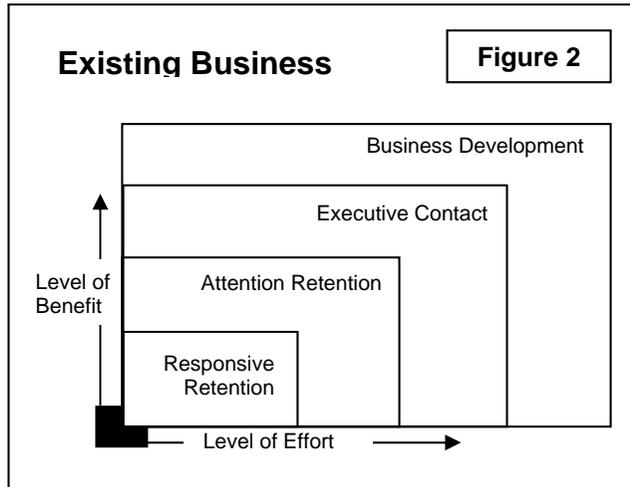
Yet, existing businesses, as any investment annuity, are easily taken for granted by community leaders.

Business Retention

To strengthen the relationship with existing businesses, many economic development organizations have a business retention program. There are four elements to a comprehensive existing business program. Business retention and expansion is only one of these elements. Each element requires a progressively higher level of commitment of time and money, as shown in Figure 2. The reward in each case is commensurate with the investment.

- **Responsive Retention**
 - Respond to the problems/needs of individual companies.
- **Attention Retention**
 - Create opportunities to shower attention on existing employers.
- **Executive Contact**
 - Conduct personal interviews or surveys to identify company and community issues.
 - Collect company-specific strategic information.
- **Business Development**
 - Provide support and services to help individual and groups of companies to increase sales and grow in the community.

Results have been mixed. Jobs have been saved. Important issues have been uncovered and corrected. Yet, existing business programs do not get adequate support or the funding needed to protect individual company's or the community's most important asset, its economic future.



Portfolio Management

Progressive communities around the US and Canada are now adopting a new view of existing companies based on the future economic security these companies represent. Progressive communities are looking at the existing business base as a portfolio. The value of the portfolio is the sum total of the value the individual companies bring to the community. Similar to an investment portfolio, the community's portfolio provides future security. But, insuring future security means managing the portfolio. Like a stock portfolio or a real estate portfolio, the first step to manage the existing business base as a portfolio is to assess each company and their business practices.

Economic development organizations have used executive contact, private one-on-one meetings with business executives, as a central part of business retention. Historically, the goals have been clear:

- Help companies at risk of leaving/downsizing
- Identify opportunities to help companies expand in the community
- Identify problems that could cause employers to leave a community
- Build relationships with individual company executives

Conducting executive visits is not enough to adopt an effective portfolio management strategy for existing business programs. In order to be effective, the questions asked during the visit must be designed to gather predictive data. Municipal officials must craft questions and guide the executive interview discussions in order to obtain information concerning the corporation's growth plans, community problems if any, need or desire for assistance, perception of place in the community, and perception and level of awareness the company may have of the officials

themselves. This new interview strategy leads to an understanding of the value of the company to the community, satisfaction levels, growth potential and the potential risk of the firm leaving the community or downsizing. As a by-product, the interview identifies companies at risk, companies that need help expanding their facilities, and community-based problems.

The goal of community economic portfolio management is to better manage public resources and increase the return on investment in economic development policy and programs by maximizing the future economic value of the business base. Communities adopting a portfolio approach to existing business are now redefining the purpose of the executive visit. They are also defining the strategic information needed to understand a company's economic contribution to a local economy.

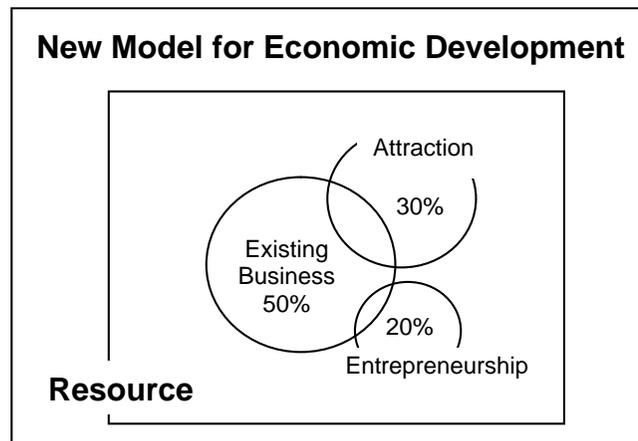
For the first time, instead of focusing exclusively on individual companies, community leaders are asking, "What is the value of our portfolio? Is the portfolio being neglected? Should our portfolio be conservatively or aggressively managed? What is the cost/consequence of a failure to act? What are to the community's long-term objectives for the existing business portfolio?"

Balancing An Economic Development Strategy

Traditionally, economic development strategy has been dominated by business attraction.

However, looking at the risk of loss to other aggressive marketers and the potential represented by the existing business base, economic development strategy should be led by the existing business program, including business retention.

By emphasizing existing businesses, progressive communities adopting a portfolio management strategy are working to align their economic development strategy with real world realities. This approach:



- Focuses resources on the greatest opportunities
- Makes business retention/expansion an integral part of a more comprehensive approach to existing business
- Leverages the executive-contact/assessment phase to collect information beneficial to business development, business retention, as well as business-attraction programs
- Improves the community's infrastructure, making it more attractive to prospective investors
- Generates positive success stories documenting company and economic growth
- Works to diversify the economy

Focusing on portfolio management provides all the benefits of a classic business retention and expansion program. Companies with problems and/or expansions are identified while community

problems are isolated. At the same time, resources can be properly directed to growth and value companies.

Close

Viewing the existing business base from the perspective of a community's economic portfolio clarifies the community's dependence on maximizing the portfolio's value. This defines a clear role for the economic development organization. It provides a rationale to draw together the economic development resources deployed in a variety of programs and services provided locally as well as at the state level. Furthermore, maximizing the portfolio value requires strategic information, a hands-on management approach, and selectively directing resources to growth companies to help them achieve their potential. This is clearly a proactive strategy, presenting a compelling argument for additional resources. Starving existing business programs to devote 80 percent of the available resources to business attraction is a flawed strategy, a strategy no longer valid in a global economy.

Economic development strategies dominated by business attraction leave communities with too much at risk. Building a portfolio management strategy refocuses economic development programs on the long-term. Communities and their economic development organizations can invest their resources (incentives, loans, grants, public infrastructure, time, etc.) more efficiently to maximize the long-term value of the portfolio.

Eric P. Canada is the leading authority on existing business strategies and business retention. His extensive body of work has changed the way economic development organizations manage their relationships with the companies in their economic portfolio.

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Locked in the Twilight Zone: Business Retention *Fails* the Strategic Value Test!

Eric P. Canada
Teresa A. Rendleman



**Winner 1997
Roepke Award**

"The most significant
contribution to economic
development literature in 1996."

Editors, ED Review

Economic Development Review

Summer 1996, Reprint

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Locked in the Twilight Zone: Business Retention *Fails* the Strategic Value Test!

Eric P. Canada
Teresa A. Rendleman

Business retention programs are not reaching their potential. The model currently in use produces little information to help manage or anticipate economic growth, predict companies at risk, or identify growth industries. Questions of significant strategic value constitute less than 12% of the questions posed in the typical survey or visit. A new approach is proposed to maximize strategic information gathered through the retention process.

In April 1994, we stated in Blane, Canada Ltd.'s *Clients and Friends Letter*,

“Business retention programs that fail to gather predictive data are only 40% effective. Satisfaction and future plans are only a small part of what should be gathered during a retention visit/survey. Competitive intelligence experts use information to predict the behavior of companies. Using these same techniques, development professionals can identify companies at risk even before management knows.”

The truth is, we were wrong! There is even less strategic value to the information collected under the business retention model currently in use. After analyzing more than 50 retention survey instruments, the results indicate that:

- ◆ more than 53% of the questions confirm information already known or easily known
- ◆ only 5.2 % of the questions gather company intelligence
- ◆ fewer than .6% of the questions focus on gathering industry intelligence

In short, the current approach fails to access critical knowledge held by CEOs and senior management while time is wasted confirming information available from others in the company. No wonder retention activities contribute little to the marketing strategy of most development organizations. The problem is that the current model for business retention focuses on:

- confirming information easily known
- identifying local problems
- offering assistance
- building good will

These are important goals, but in an environment of global competition these issues do not drive corporate decision-making. Therefore, should a development organization invest 88.4% of their information collection process on these issues? We think not. Is this the most valuable information a company executive can share with a development professional? No. Rather, an organization should utilize strategic and competitive intelligence to help sharpen the focus of internal and/or external marketing activities.

Today, according to our current analysis, **questions of significant strategic value constitute less than 12% of the questions posed** during a retention visit or in a mail survey. Yet, averages can be misleading. For example, **57% of the surveys asked no questions of strategic value.** In those

cases where strategic questions were asked, based on a 30-minute interview, an average of only 3.6 minutes was devoted to gathering strategic information.

State of the Art

Prior to 1993, we hadn't given much thought to the structure and purpose of a business retention survey instrument. Like other professionals, over the years we had conducted many visits, telephone interviews, and created written surveys. Each was a slight variation of the others we had written or gathered from peers. We accepted common practice as appropriate and useful. **The notion that there was another way never occurred to me!**

A personal breakthrough resulted from work Blane, Canada Ltd. had done for development and corporate clients in the areas of customer satisfaction and competitive intelligence. In these disciplines, the emphasis is on enhancing the strategic value of information. The link to business retention came from the book, *The Competitive Intelligence Handbook*, by Richard E. Combs and John D. Moorhead. From this book along with other sources, two phrases struck a cord.

“The essence of any competitive analysis activity is that it contributes to making better and faster decisions.”

Charles J. Mathey
“Competitive Analysis”

“The answer is only important if we ask the right question.”

Anon

We have since confirmed that a conflict exists between information gathered through business retention programs and the information developers actually need to improve marketing results. While conducting research for the book, *Economic Development: Marketing for Results!* We interviewed dozens of peers in development. Through these interviews it became

clear me that development organizations invest tremendous resources in business

Figure 1: Category Definitions

Confirmation Questions – confirm basic company information already known or easily known

Assistance Questions – offers to help resolve problems, provide information, facilitate third party help

Problem Identification Questions – identify specific problems and rate overall satisfaction with community services

Predictive Questions – explore management actions to assess attitudes toward the company's growth potential

Industry Intelligence Questions – identify trends within the company's industry regarding demand, product innovation, competition

Company Intelligence Questions C gather information about the company's markets, activities, and plans

Buyer/Supplier Linkage Questions C assess changing relationships with key customers and or suppliers

retention and produce information of relatively low value. The low quality of results has caused a halfhearted commitment to retention/expansion, a predominantly reactionary management style, and little consideration of collected information in crafting the organization's overall marketing strategy.

To help make the case for this article that the wrong questions are being asked, we conducted a structural analysis of current survey instruments to document the types of questions in use. Seven categories of questions were defined. (Figure 1) Surveys were gathered from development organizations throughout the U.S. and Canada. (Figure 2) More than 50 surveys were received and evaluated.

For each survey, individual questions were evaluated and then categorized. To avoid skewing the results when categorizing, Teresa Rendleman, who did not know how the findings would be used, put the questions into categories.

The matrix in Table 1 shows the representative distribution of questions by type for a number of the survey instruments evaluated. The findings, as shown in Table 2, fully substantiate the premise:

- surveys are dominated by confirmation questions
- questions do not tap the specialized knowledge of executives
- questions provide little in the way of strategic information to focus internal or external marketing

The biggest surprise in the matrix was that fewer than half the surveys explore the possibility of supplier opportunities with local executives. Linked industry marketing can be a powerful marketing strategy. Peoria, Illinois has pursued a linked industry marketing strategy for years. And, according to Tucker Kennedy of Peoria EDC (IL), several

new facilities, including their last two attractions, *located in Peoria to be closer to a primary supplier*. The evidence in our analysis indicates that while development professionals talk about supplier/buyer marketing strategies they are apparently not making use of a primary tool, the retention survey, to capture information to make this strategy more effective.

If the hope is for improved marketing results, development professionals must increase the *strategic value* of available information. Because the retention survey process effectively generates information from important sources, it should be the cornerstone of a strategic information system. *The key becomes asking the right questions.*

Figure 2: Sample Instruments

To gather a random sample of survey instruments, personalized letters were sent to 55 development executives requesting copies of R/E instruments (personal visit, phone, and/or mail). To insure a random sample of instruments, each recipient was asked to photocopy the letter and forward it to two other professionals. Also, a notice asking for current survey instruments was placed on an Internet mailing lists of approximately 125 individuals interested in economic development. Finally, sample instruments included among materials from AEDC's business retention course were included. All instruments received before the deadline dates were included in the analysis.

Competitive or market intelligence is defined as “the selection, collection, interpretation, and distribution of publicly-held information that has strategic importance,” according to authors Richard Combs and John Moorhead. Counter to the purpose of a traditional retention program, a market intelligence approach seeks to gather and organize *predictive* information as well as market intelligence. Predictive information provides value by helping the development executive anticipate changes impacting a community’s economic base. Market intelligence seeks to document or quantify competitive advantages and weaknesses affecting retention and attraction.

Improved marketing results are the driving force behind the need for redesigning the retention survey. The proposed approach is not a radical new concept. It is supported by proven market research and competitive intelligence techniques used regularly in other industries.

To achieve the maximum benefit from a retention program, it should be viewed as a four-stage system.

- Stage 1 C compile employer information
- Stage 2 C conduct CEO interviews
- Stage 3 C compile and analyze the data
- Stage 4 C blend findings into the marketing plan

Stage 1 – Compile Employer Information

About 50% of a traditional business retention survey is devoted to collecting employer background information, e.g., company address, number of employees, union representation, senior executives, parent company, products, and SIC codes. This information should be collected by phone from the company’s executive assistant or human resource manager prior to conducting the CEO interview. There

are two benefits to obtaining this background information in advance. First, during interviews with the CEO, interaction can be focused on questions that will provide more valuable information along with industry insights. Second, being prepared demonstrates to the CEO that the organization has done its homework.

Stage 2 – Conduct CEO Interviews

The emphasis of the redesigned retention survey instrument should be on capturing three types of information: customer satisfaction, predictive information, and marketing research. Some predictive information and market research data cannot be easily captured in a written (mail out) survey. Some of these questions do not lend themselves to multiple choice or short answers. Question choice and presentation are very important in the mail survey instrument. To maximize gathering of strategic information, use telephone or personal visit interviews consisting of open-ended questions. Each interviewer should be prepared to probe for clarification by following up answers with the questions “Why?” or “Can you give me an example?”

Type of Interview

Blane, Canada Ltd.’s experience indicates that in general telephone interviews are as effective as personal visits. The critical ingredient, person-to-person contact, exists in both methods. Telephone interviews have a number of advantages: they tend to be more efficient, they can be scheduled for the convenience of the respondent, they can be completed in less time, and they greatly reduce non-productive downtime required for travel between interviews. Telephone interviews also provide a sense of comfort because the respondent is not being directly observed and, consequently, is less aware of the interviewer’s note taking.

On the other hand, in personal interviews it is often easier to establish a rapport with the respondent than in

telephone interviews. In addition, a personal visit allows for the use of props, which might be needed to clarify a question or facilitate an answer.

Regardless of the method C mail, phone, or personal C to affect the change being proposed, it is essential to dramatically overhaul the types of questions posed to company executives. The following sample questions cover three areas of interest: customer satisfaction, predictive information and market research. Brief explanations highlight the nature of these sample questions.

Customer Satisfaction

Attitudes are important indicators of customer satisfaction. If attitudes have changed, it is important to know how they have changed. For example, negative trends help identify problems, whereas positive trends could indicate progress has been made in improving services or resolving past problems.

Sample Questions

1. Has your attitude toward doing business in this community changed during the last two years?
2. If yes, has it improved or deteriorated?
3. Why?

Predictive Information

To begin to predict company behavior, it is essential to learn about factors that drive expansion and relocation. For example, if a sister facility (facility with the same production capabilities) is already in place, production can be shifted quickly in response to changes in business conditions. The possibility of a quick shift increases the risk level for communities with a sister facility.

Sample Questions

1. Does your company have a sister facility producing the same or similar products? (List city and state or country)
2. Are the plant and equipment at the sister facility older or newer?

For many companies, the driving force in plant location is proximity to market. When growth is in a different geographic region than production, pressure increases to move or expand production within the new market. Being unaware or complacent about a company's growth patterns could cost a development organization expansion opportunities. Valuable insight is gained through understanding a company's market area and direction of growth.

Sample Questions

1. Where are the company's top three markets served from this facility?
2. Where is your company's market growing fastest?
3. What is the company's top international market?

Market Research

Understanding advantages and disadvantages of doing business in a community from the executive's point of view can provide valuable marketing insights. Problems can be addressed, and opportunities can be leveraged.

Sample Questions

1. What are the advantages of doing business in this community?
2. What are the disadvantages of doing business in this community?
3. Where are your primary competitors located? Why?

These questions are just a few examples of the approach developers could use to predict behavior, evaluate satisfaction,

and improve economic development marketing. They represent the types of questions development professionals should ask during a retention interview. This list is not complete, however, and these questions are not designed to blend into an existing survey instrument. Further research is still needed to determine what specific questions will produce information of the greatest strategic value to development professionals. Additional examples of interview questions are provided in the book, *Economic Development: Marketing for Results!*

Stage 3 - Compile and Analyze the Data

Each survey form has value and provides insight as each describes one company's situation and one executive's view. This information must be analyzed separately. The first step of the analysis is to perform a "risk" assessment. Based on the company information gathered, a determination must be made regarding the following questions:

1. Is there any reason to believe that this company is at risk for downsizing, closure, or relocation?
2. Is there evidence the company is considering expansion locally or elsewhere?
3. Is the company committed to the community?
4. Regarding these findings, what steps, if any, should be taken by the organization?

Company analysis should be completed immediately following the personal or telephone interview, and any required action should be scheduled as soon as possible thereafter.

The real power of a retention program designed as a market research tool is gained from the aggregate result of numerous surveys. By comparing the answer given to each question, it is possible to identify trends among clusters of companies. The clusters

used for analysis can be made up of companies grouped by size, industry, location, market, or other shared characteristics. The goal of this cluster analysis is to find recurring comments that identify opportunities or suggest potential problems. The condition of the community's product, community services, and attitudes, is of particular concern during cluster analysis. The search for competitive advantages also takes place in the cluster analysis.

A cluster analysis should be conducted regularly as new surveys are added to the information base. Results should be compared to data from a prior time period. Cluster analysis can be performed manually or electronically depending on the number of surveys involved and available resources.

Stage 4 - Blend Findings into the Marketing Plan

The final step in the retention information system proposed is to decide how the new information affects marketing.

- *What are the implications for future marketing activities?*
- *Are local companies at risk?*
- *Do local plant managers need community information packaged specifically for off-site decision-makers?*
- *Is more internal marketing needed with local executives?*
- *How should the organization respond to changing attitudes about doing business in the community?*
- *Are there new opportunities for business attraction to be researched or pursued?*
- *Can area executives open doors through their affiliations to help with business attraction?*

Any conclusions drawn from the analysis of the interviews must then be systematically blended into the current marketing plan.

Jumping the Gun

As development professionals tend to be action oriented, it is likely that some will plug into their current retention survey sample questions from this article. The perspective and strategic information the questions suggested here would improve any of the instruments we have analyzed. But, to break the “er” improvement cycle – newer, bigger, better, and shorter, – common in business retention survey instrument design, more work is necessary.

We believe economic development needs a comprehensive strategic information system. To system envisioned will bundle value laden questions, noted earlier, with information gathering techniques including the retention process, new information sources, information management tools, and structured analysis procedures. To construct a comprehensive system as described will require involving expertise outside of economic development. This expertise will be derived from the input of people who gather and evaluate business information from a financial perspective such as stock analysts, floor traders, and investment portfolio managers. There is also a need to involve information specialists such as competitive intelligence researchers, electronic researchers, as well as computer specialists to assemble hardware and software into support systems that automate the information-handling component of a system.

Conclusion

Today's business retention methodology and tools are ill equipped to address the needs of the development organization wanting to build their local economy. Good will is no longer the issue. Continued reliance on the traditional business retention approach for information collection in today's competitive environment leaves development organizations vulnerable and open to criticism. Business

retention programs should play a greater role in providing company, industry, and marketing information needed to build the foundation for solid marketing strategies.

There is tremendous potential for increasing the strategic value of a business retention program without an appreciable cost increase. To capture the potential of this shift, development professionals must challenge traditional methods. They must increase experimentation to build better retention interview tools.

The ability to gather strategic information for marketing should become a top priority for every development organization. Internal information resources should create opportunities and anticipate changes that impact businesses within a community.

Next Step

Since proposing this framework, development professionals who have read *Economic Development: Marketing for Results!* and participants in marketing courses where this concept has been discussed have challenged Blane, Canada Ltd. to develop the concept into a complete strategic intelligence system for economic development. This challenge has resulted in the formation of an independent research consortium to develop the concept and share the results.

Blane, Canada Ltd.'s research in this area continues, as we believe it is an inexpensive way to increase marketing effectiveness. We are currently helping to form an independent research consortium to lead work on creating a comprehensive strategic information system for economic development. The intent is for participants to share the cost of research and then have access to the resulting system for their organization.

Participation in the consortium is open to state, regional, and local development groups (development organizations, units of government, public utilities or others) in the U.S. and Canada interested in increasing the value of internal information resources.

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Teresa A. Rendleman, Research Director, Blane, Canada Ltd. where she conducts client contact research, industry research, and the collection and verification of marketing data.

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Synchronist Business Information System®

Award Winning Business Retention Software

The Synchronist Business Information System® gives economic development organizations absolute control over existing business information. It puts them in a leadership position on managing their community's existing economic portfolio.

The Synchronist System is far more than a set of business retention questions. It is a structured business information system designed for collection, management, analysis, and reporting of the business data impacting the community's economy. The Synchronist System is a business assessment tool. It is the most powerful tool of its kind available to economic development professionals; proven effective in local, regional, and statewide applications throughout the U.S.

Every attempt at computerizing business retention has been about automating the traditional R&E practice. Since the current practice is fundamentally flawed, the outcome is faster, low value information. Not much of an ROI (return on investment) there. Blane, Canada Ltd. has recast the question. For our clients and Blane, Canada Ltd., R&E is about strategic information, about understanding the company and how they fit into the fabric of the community. The Synchronist System is designed to deliver both.

Synchronist information, including sample screens, reports, and users can be found at:
<http://www.synchronist.com>

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Impact

"Everyone thinks they have an R&E program – until we show them what we can do with the Synchronist. They are blown away!"

Deb Calvert, MidAmerican Energy, IA

"I need it! After using the Synchronist System in St. Joseph, MO, I can't function without it. It has become a staple for me."

Lynn Parman, formerly St. Joseph, MO, ordering Synchronist for Lawrence, KS

Breakthrough Concepts

The Synchronist System is built on pioneering research by Blane, Canada Ltd. This research and Blane, Canada Ltd.'s portfolio management concept have changed the way economic development professionals approach business retention and the broader range of values derived.

The conceptual underpinnings of the Synchronist System are captured in the series of articles:

"Missing Link: A Vision for Retention and Expansion."

"Locked in the Twilight Zone: Business Retention Fails the Strategic Information Test!"

"Rocketing out of the Twilight Zone"

"What's a Gazelle?"

Articles available at:
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(See Books & Articles)

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630.462.9210 fax
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The Prospect comes to town – preparation, the tour, and follow-up

Before the Visit - Company Information

1. Learn as much as we can about the company, their industry, the project (utility and labor requirements especially), the company's competitors, and your competitors.
2. Is it a real deal? Ask economic development allies to check out the company.
3. Who is making the decision within the company? What are the criteria for making it?
4. Why are they considering your community? Where else are they looking?
5. Are they considering off shore/out-of-country locations?
6. What is the project timing?
7. Who will be coming? What are their titles and responsibilities within the company?
8. Why are they looking for a community like yours?
9. What are their key location factors?
10. Ask them, what will it take to make this happen?

Preparing for the community visit

1. Ask prospect source (state agency, etc.) what he/she would recommend you do to best host the company? Engage them in helping you as much as possible, but realize they may also be showing the company representatives other communities.
2. Put together a list of everyone the prospect might want to meet, along with their contact information and cell phone numbers and email addresses.
3. Have a street sweeper go through town and clean up as much as possible. Drive through town with a critical eye.
4. The prospect will likely need to use the rest room during their visit--make sure it is clean and orderly.
5. Prepare briefing materials, including a PowerPoint presentation on your community – put it on a CD to give them and put it on your website or in a bound or three-ring fact notebook (use your community brochure if that is all you've got, but a three-ring notebook that lays flat would be better). Include maps of available sites and buildings of interest to them.
6. Who needs to be on the greeting committee and who needs to be in reserve? The presidents of the community college and regional university would be good to have available.
7. Hold a pre-visit briefing and rehearsal with as many of the players as possible.
8. Map out the tour route and run it to time it. My suggestion would be to begin and end at the strong points. First and last impressions are the ones most remembered.
9. If they are staying overnight, where are they staying? Put flowers, a fruit basket, and a welcome note from the mayor in their room.
10. Give the prospect a list of local people they will meet, along with their contact information, including cell phone and email.
11. Arrange for visits with local companies. Select companies who support your efforts, especially "high-tech."
12. Learn about the prospect's industry and what some of the trends are so that you can talk with the client in a meaningful way. Brief the locals on this information.
13. What are the unique needs of the prospect's industry? For example, semi-conductor facilities often use large quantities of water and have pretty nasty waste water to treat.
14. Prepare an economic impact analysis to determine what type of incentives and how much to offer. Don't give away the farm, but be prepared to negotiate. Find out what their critical needs are, including their timing.
15. Keep their visit out of the press unless they give you permission. Pre-mature disclosure can and has killed deals.
16. Maintain their confidentiality unless they give you permission to disclose information. This is often hard to do in a small town.

17. Have a clean large vehicle ready – some use a motor home or large van. Have a driver who knows the route and has rehearsed it. Don't try to be the driver and the narrator. The narrator needs to focus on the client's reactions, including body language, etc.
18. If they fly in, make sure the airport terminal is clean and orderly. It will be their first impression of your community.
19. Show all sides of your community, not just the "good stuff." Emphasize small-town values and good schools – important for them in recruiting employees.
20. Arrange a luncheon, dinner, or breakfast with community leaders in a private room.
21. Prepare a written itinerary, including address and phone for where they will be staying. Don't forget to build breaks into the itinerary – restroom and cell phone/email.
22. Work with the agency bringing the prospect to town. But if this is the real deal, offer to fly them in and out by helicopter (assuming the prospect would like to do so). This provides a great aerial view of the community and minimizes the distance off the expressway issue.
23. Put a news embargo in place. Tell the press that you don't want their next story to be about how you lost the deal because they leaked the story.
24. Work as a team - all of us are a lot smarter than any one of us. Make sure everyone knows their role.
25. Relax and have fun! This is a great opportunity to learn.

The community visit

1. Pray for good sunny weather, but have umbrellas and foul weather gear on hand for them and you.
2. Be on time and prepared. Ask the prospect handler to give you a call when they are on their way. Prospect tours often run behind schedule.
3. Hold an orientation meeting with a map and, if possible, aerial picture to show them what they will be seeing. Make adjustments as needed in the tour to include the places in which they show the most interest.
4. If possible, hold a teleconference call with the governor to tell them they are wanted and needed.
5. Give them a briefing book including itinerary, local contact info, map, community fact book, CD-presentation, etc. Offer to ship it home for them since they may be visiting several communities and not want to lug it home. Put as much as possible on a CD or DVD for them to take back. Give them a copy of the community history DVD.
6. Have a digital camera along and take pictures at their request to be emailed to them promptly after their visit.
7. Call ahead to let people know you are on your way.
8. Pace yourself and use a tag-team approach so that you stay fresh and alert.
9. Have the site/building information available in print and electronic form (CD or ideally on a Memory Stick – more high tech).
10. Give them a memorable gift (not too heavy or offer ship it home for them).
11. Thank them for taking the time to visit.

After the Visit

1. Send a hand-written thank-you note to both the agency that brought you the prospect and the company representative for taking the time to visit. Email is fine but a hand written note is rare these days. You want to be remembered.
2. **Promptly** follow up with any additional information they request.
3. Create a password protected section of your website containing all the information they have been given. This way, the prospect can share the information with others in the company when he returns.
4. De-brief the team and take notes for improvements for next time. Ask the agency that brought the prospect to participate.
5. Be ready for the next visit – theirs or someone else's. It could happen tomorrow.

1. Industrial Site Information

Name of Site	
Size of Total Site	
Location of site relative to the City proper	
Existing Building Information	
Total square footage	
Office	
Manufacturing	
Warehouse	
Ceiling height	
Dock doors	
Truck doors	
Crane and tonnage, if applicable	
Heating	
Air conditioning	
Column space	
Previous use	
Owner and/or Owners' Representative of Site	
Name	
Current Address	
Phone Number	
Fax Number	
General topography of site	<input type="checkbox"/> Level <input type="checkbox"/> Gently Rolling <input type="checkbox"/> Rolling
Is site within corporate city limits?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is site subject to annexation?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is site subject to flooding?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Elevation range of site	
Established 100 year flood level elevation at site	
Use of surrounding contiguous areas:	
East	
West	
North	
South	
Previous land use	
Has an environmental audit of the site been conducted?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Transportation accessibility:	
Highway	
Railroad	
Present zoning	
Applicable protective covenants and/or zoning regulation	
Type of soil and typical bearing ration	
Utilities available, source or supply, line size	
Sewer size and provider	
Electric power source and power specs	
Natural gas source and service line size and pressure	
Other services at site / building	
Telephone	
Refuse collection	
Police protection	
Fire protection	
Fire insurance class rating at site	
Building cost	
Property costs: asking price per acre	

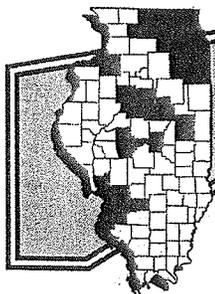
1. Site Location Profile

General	
City	
County	
State	
Population	
City	
County	
Ten year growth rate city	
Ten year growth rate county	
Nearest metropolitan areas	
Municipal Information	
Government form for City	
Government form for County	
Full time policemen for City / County	
Fire insurance class rating for inside and outside city	
Planning enforcements	
Zoning enforcements	
Community support services	
Medical	
Hospitals	
Local health maintenance organizations	
Agencies which provide 24-hour emergency medical mobile services	
Clinics	
Physicians	
Dentists	
Churches	
Country clubs	
Parks	
Hotels and motels	
Restaurants for formal dining	
Public libraries	
Financial institutions	
Number of banks	
City bond rating	
County bond rating	
Education	
Licensed child care centers	
Public systems-name, accreditation, current statistics, national standardized test results	
Private schools	
Local or area vocational tech school info	
Area universities or colleges	
Transportation	
Highways; Interstates and US highways	
Airport service, runway length, nearest commercial service	
Motor freight carriers	
Local communications system	
Telephone service	
TV stations	
Radio stations	
Newspapers	
Housing costs	
New homes	
Apartments	
Labor	
Unemployment rate	
Average drawing radius for labor	

Taxes	
Local tax rates imposed	
Sales tax rate imposed	
Utilities	
Electric local suppliers	
Sewage treatment, capacity	
Water supply info	
Climatical data	
Average rain	
Average snowfall	
Temperatures	
Direct prevalling winds	
Local elevation range	
Miscellaneous information	
List of major Service related employers in area	
Local union associations	
Major manufacturing/distribution operations	
Manufacturing/distributing closings	
Area approved landfills-non hazardous, and hazardous	
Identification of location inducements	
Employee selection/training	
Financial options	
Special inducements	

3. Project Costs for Specific Items

Ad Valorem Taxes	
Projected annual taxes based on facility and site	
Projected annual taxes based on production equipment	
Wages/fringes (area industry)	
Wages	
Unskilled	
Packers and assemblers	
Skilled	
Fringes	
Minimum percentage of base wages	
Maximum percentage of base wages	
Area average % of base wages	
Manufacturing space for lease	
Availability of space in x size range	
Estimated Triple net Rate Range	



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Preparing to Work with Prospective Businesses

by Jerry W. Szatan¹

Companies contacting communities to evaluate them as potential locations for a new investment present an exciting potential payoff to a community's economic development effort. Site selection typically is a process of elimination, however, and communities that are unable to respond in an effective and timely manner will be left behind in favor of their better-prepared competitors. The purpose of this report is to help communities meet the challenge by providing insights into the site selection process and the needs and practices of site selection consultants and to review common questions asked by prospective businesses or site selectors about rural areas.

The term "rural areas" in this report refers to both unincorporated areas and small cities—everything other than metropolitan statistical areas (MSAs)—though much of this information could apply to smaller MSAs, especially those that are isolated from larger urban agglomerations.

Before turning to some specific questions asked by site selectors, it might be useful to emphasize a few points about the broader economic development context. Attracting a corporate facility to your community, while offering the excitement of a ribbon cutting, is only part of a broad economic development strategy that most often includes business retention, entrepreneurship, the promotion of agricultural or historical tourism, community development as a regional retail or service center, and other goals.

Retaining and supporting existing businesses typically has greater economic impact for most communities. Commonly

quoted estimates suggest that 80-85 percent of job growth comes from the expansion of existing industries. A retention program provides an opportunity to build relationships with existing business and to understand your community's strengths and weaknesses from their point of view. Retention also supports external marketing: Expansion announcements are powerful marketing tools. Companies locate in an area based on promises and expectations. They expand based on experience. Satisfied local businesses will be your best salespeople during site visits by companies considering the area for new facilities.

The site selection inquiry may come to the community from the company directly, through a representative such as a site selection consultant, or through an intermediary such as the state development office or a regional utility. Usually when the community receives a call from a site selection consultant it may be among ten to fifteen, or fewer, semifinalists or it may be among three or four finalists for a site visit. The nature of the questions differs depending on whether the community is being evaluated as a semifinalist or as a finalist; typically, the number of questions and level of detail increases for the finalists. For example, at the semifinalist level, the request may be for competitive wage levels for an occupation; at the finalist level, the request may be for introductions to several employers to talk in detail about wages and hiring. Given that many rural communities may not have had direct experience with a site selection inquiry, a review of questions communities often ask about the operating practices of site selection consultants will provide a useful context.

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What Can We Do to Prepare?

Know yourself; do an analysis of community and regional assets. Site selection information needs will vary by project. Manufacturers will ask different questions than back office operations; foreign-owned companies may ask questions about topics, such as nearby cultural/language schools, that domestic companies do not. There are common topics that recur in almost every search, however. These include questions about labor availability and quality, local wages, available sites and buildings, major employers, utility capacity, transportation services, taxes and incentives, recent economic development news and plans, quality of life factors, and other operating cost and conditions. It is beyond the scope of this report to list all the common site selection factors; one source for more information is the database project of the International Economic Development Council¹ (2004; also see DCEO 2004).²

Communities that wait to collect data about themselves until an inquiry is received may discover that they do not have enough time to assemble the required information. Having up-to-date and accurate information is critical, but there typically is a trade-off in maintaining a comprehensive database for the wide variety of questions you may be asked and keeping it up to date. Creating and maintaining a large database can be very time-consuming. Target industries could help focus your database efforts.

If we can't prepare for all possible questions, what do we do when we are asked about something we have not prepared for? Know your allies and where to turn for specific types of information that different organizations may maintain. These include state agencies for labor, tax, and regulatory questions; as well as utilities, universities, railroads, regional development groups, and others. Relationships with local employers are crucial. A critical step in evaluating finalist communities is talking to local employers about their experiences in finding labor, sourcing business services, and working with local government.

How fast do you typically need the information? This varies by project, but a good rule of thumb is one week, though it could be two or three days. Project deadlines are shorter today; companies demand two to three weeks' response time for a site selection step for which they

allowed two to three months ten years ago. Improved communication technology, especially the Internet, has speeded up the ability to conduct site selection research and has raised client expectations for delivery speed. This reinforces the point that you can't wait until you get the call to know the basics about your community.

What do we do if we can get most of the information by the requested deadline, but need another day or two for one item? Send what you have by the deadline and explain your plan to get the missing data and when you will have it. Responding to deadlines is crucial: don't miss a deadline for one missing item. Not responding in time when there are competing communities with similar assets who can respond by the deadline may cause your community to be eliminated. Site selection consultants have to meet client deadlines and that determines the deadline you are given. When you discuss the information request with the consultant or the company, ask about project timetables and be clear on deadline expectations.

There is more to my community than covered in the questions asked. Should my community communicate this information? Consultant requests for information typically are focused and structured based on a prioritized list of factors for the site search. Since time is usually short, answers to these questions must be provided as quickly as possible, even though there may be other community assets that might be useful for the consultant to understand. Most site inquiries will be narrowly focused—especially at the semifinalist stage when a community is still being qualified for the presence of a particular business asset or service. Communities that provide extraneous information, hoping that if they “throw it out, maybe it will stick” often make finding the required answers difficult. Be sure to answer the questions asked, then place additional information in an appendix. This makes it easy for the consultant to find answers to the questions that are asked and gives you an opportunity to showcase your community.

It would help if we knew the company's name. Why all the secrecy? Companies value confidentiality because it gives them control over the site search process and it helps prevent the rise and spread of rumors that would

¹This website contains a discussion of the program to develop consistent economic development databases and a downloadable spreadsheet with the data elements. It also is a good source for information on economic development practices, trends, and resources.

²DCEO has developed a database website and template for communities to create an IEDC consistent database. Other states have similar efforts.

harm morale among their workforce. Site searches often are feasibility studies and, therefore, no action may result. Rumors that a company is looking for a new site, even if this is for an expansion that will not affect employment in any existing facility, easily can become rumors of potential facility shutdowns.

Communities may try to guess a company's identity and sometimes succeed. Be warned that your community must be discrete and respect the company's desire for confidentiality. It is not uncommon for a company to drop a community because its identity was revealed inappropriately. If companies want you to know who they are, they will tell you at the appropriate step in the process.

How important are incentives? To the extent that incentives are predictable in dollar terms, they are part of the total financial analysis with other items such as electricity or labor costs. In other instances, incentives may be tie-breakers among equal or near equal finalists offering similar long-term advantages. Companies are definitely more aware of incentives today, and they seem to be growing more prominent. Know the incentives that are available in your community from local, state, or other sources. From a community point of view, look at the benefits the new facility promises in terms of payroll, investment, and taxes and decide if the economic impact offers the appropriate payoff for the proposed incentive offering. Companies should be able to tell you what they plan to add to the economy of an area. If a company

calls and asks only about incentives, be sure that you understand the potential return to the community before making a commitment (Gambale 2003⁹).

How subjective is site selection? Objectivity and subjectivity both play a role in site selection and their relative importance may change as the site search narrows. If a company starts with a large number of candidate communities, by the time the finalist stage is reached, unless the search criteria are unusual, the communities will be very similar on most factors that can be measured. When the company visits a community at this point, subjective factors may make the difference. Company representatives may like or dislike a community because of its appearance, because of some incident on the visit, or because it reminds them of another community where they had a good or bad experience. If the communities are objectively similar, then this may be the appropriate place for subjectivity to influence a choice among the communities vying for the company.

Any other advice for responding to inquiries? Present a unified front when dealing with site selectors. Companies or consultants likely will be looking at a broader region around a community. Perceived distrust or feuding creates concern; the company may wonder what will happen if they locate their facility in your community and the company needs regional cooperation to address some unforeseen need. Having a single point of contact to arrange community tours offers speed, efficiency, and accountability for follow-up.

Do Companies Have Certain Questions They Usually Ask about Locating in Rural Areas?

Definitely. From a site selector's perspective, the general concerns with rural areas are about availability or capacity of labor, infrastructure, suppliers or business services from a production standpoint, and quality of life for potential corporate transferees. While the specific resources and business services differ from company to company—a manufacturer may ask about tool and die shops and highway access, while a customer contact center will ask about customer service labor availability and telecommunications services—general categories of questions that most site inquiries will include are discussed below.

Is there enough labor? Where will we find workers? This almost always is a critical question. Some manufacturers may plan to pay well and expect to attract workers easily

and, thus, may be less concerned, but they will still ask. Labor availability, quality, and cost are the most important questions for back office facilities and other labor-driven operations. It is a greater concern for larger employers and those who will be hiring rapidly or when specialized skills and seasonal or unpredictable hiring spikes are expected.

Communities can take several steps to address this question. One of the most important is to understand and emphasize the broader regional commuting patterns often found in rural areas; workers usually commute farther and longer than in more urban areas. Companies coming from urban or suburban environments typically expect most of the hourly workforce to commute no more than 30 minutes which translates into ten to 15 miles or less, depending on

⁹Gambale (2003) reports on a survey of *Area Developments'* readers' plans for new facilities and their ratings of the importance of different factors in site selection.

congestion and alternative employment opportunities. In less congested rural areas, 30 miles can often be covered in 30 minutes. Moreover, in areas with fewer employment opportunities, longer commutes, 45 minutes or an hour or more, may be acceptable. In sum, potential workers often come from a much wider area than more urban companies expect. There may be untapped sources of labor such as members of farm families willing to moonlight for extra income or health benefits. Your challenge is to understand and document these patterns so that you use the data to persuade potential employers. Another step is to develop programs, often with the help of state employment agencies, to help employers with initial hiring and recruiting.

Where will we find skilled labor? Even if labor availability in general is good, a company often will be concerned about the specific skills it needs for its operation. The advice to emphasize the regional labor force still applies. Developing strong training capabilities, even at the regional level, cannot be overemphasized. Much of the workforce in rural areas may have mechanical skills learned in agriculture that provide a sound base that can be augmented with training if they are not directly applicable to the new facility. Training capacity is needed not only for initial staffing but for ongoing training of new hires, hopefully stemming from expansions, and for retraining of existing staff as business needs change.

In many areas of the country, the community college system has taken leadership of both ongoing career training and customized training for specific employers. Know your area's training capabilities (i.e., make friends with the community college). Also, be aware of applicable state incentive programs and build capabilities to support your economic development goals. Nissan Motors located a new auto assembly facility in Canton, Mississippi, where there was no auto assembly history, in part because the state provided substantial training incentives, including building two training facilities and subsidizing other training activities (Canup 2004; Kanengiser 2003).

Are sites or buildings available? Companies conducting a site search often want an available building, and if there are no buildings, then sites which are available and ready to build on are usually needed. Ironically, though an available building may be necessary to keep a community in consideration, companies often construct their own facility if the community meets their other needs. An available building sometimes is like the ante in a poker game; it allows the community to stay in contention and provides the opportunity to present its other operating assets. Many communities have built speculative buildings to attract potential tenants. Another tactic is to identify buildings that can be converted from their original use to a new use;

the most common examples of these are former retail buildings being converted to back office facilities. Know your potential sites and characteristics such as ownership, for sale status, and whether they are served by utilities or how long it might take to extend necessary utility services and who would pay for the extension.

In some parts of the country, rural communities have joined forces to develop regional business parks offering higher-quality business environments with up-to-date telecommunications, more extensive landscaping, architectural standards, and other amenities. In Maine, 24 communities jointly developed FirstPark (2004), which enabled formal sharing of park costs and revenues. As one person involved in a similar project being planned in North Carolina stated, "It will give our five-county area a marketable product that none of us can afford to create alone" (IEDC 2003).

What can we do if we don't have sewer capacity or other infrastructure? This is often a knock-out factor in a site search, and there likely is not much you can do in the short run. If a company needs five million gallons a day of sewage treatment capacity and the community cannot offer it, then the community will be eliminated. Even so, there may be cases where there are options or opportunities to build over the long run. Rochelle, Illinois, built a short-line railroad over several years to connect its industrial area to both Union Pacific and Burlington Northern rail lines, offering potential companies competitive rail shipping rates (Szatan 2003).

What if we are not on the interstate highway system? Again, this will be a knock-out factor in some site selections. Often, companies will want sites that are within a predetermined maximum distance from an interstate. In other cases, though, there may be an opportunity to emphasize compensating advantages. Sites away from the interstate likely will cost less than sites on the interstate, and the land cost savings may offset the cost of extra gas and driving time, as may advantages such as better utility services or a less expensive and more stable labor force or other factors. Some states provide greater incentives or make it easier to obtain incentives in rural areas through criteria such as lower qualifying wage thresholds. Amazon.com built its eastern distribution center in Campbellsville, Kentucky, about 35-40 miles from the two nearest interstates because it had an available building and workforce going for it (Fishman 2000; Sheilly 2004). Do you have a good four-lane or even two-lane road that can be upgraded if necessary?

A neighboring community has an intermodal freight facility or a UPS hub; we do not. How can we compete? Consider these regional assets. Admittedly those

companies that most value proximity to such facilities will tend to locate in the community or its next-door neighbor; however, other companies may be satisfied to locate somewhere nearby. According to economic development representatives for The Burlington Northern Santa Fe Railway, their new intermodal facility in Elwood, Illinois, will benefit companies and communities 50-100 miles away and perhaps farther depending on company freight patterns and road networks (Szatan 2003).

Can we transfer employees here? Where will their professional spouses work? What are your health services and cultural attractions? This may not be an

issue for some who have grown up in rural areas and seek to return to a lifestyle they know and prefer. For persons not familiar with rural living, they will want to know how long it will take to reach services, recreation, and other amenities. Is there a larger community within an hour's drive that could offer a greater variety of employment opportunities? Is a larger hospital with more services available within an easy commute? Is there a university nearby that provides cultural opportunities? Remember, it is not uncommon to travel an hour or more in major metropolitan areas a few times a year to attend cultural events. Your community may be equally accessible, but you need to know.

**How Can Our Community Market Itself?
How Do We Get on Your Company's Radar Screen?**

Regional efforts are especially important in rural areas. The combination of being small and possibly little known outside the immediate area and having limited resources for marketing makes a compelling case for regional marketing efforts. Executives in Chicago will not be familiar with many, probably most, communities in southern Illinois; and executives in New York likely will know even fewer. Examples of rural areas organizing a regional marketing effort are increasingly common. For example, regional efforts have been organized along geographical lines—North Carolina has divided the entire state into regional county groups; others have focused on a stretch of highway, seacoast, or river; and others have made alliances of neighboring communities. The public-private I-39 Logistics Corridor (2004) in Illinois, which stretches more than 150 miles from Beloit, Wisconsin, to Bloomington, Illinois, was

formed to market the area and to take advantage of new intermodal freight facilities.

The questions reviewed above are common in most site selection inquiries in rural communities, but they are not a comprehensive list; that is something that may not be possible to compile. Site selection inquiries will arrive unexpectedly, and questions may be asked that the community has not anticipated. This report has attempted to help rural communities successfully respond to site selection inquiries by providing some insight into the site selection process and reviewing common questions that site selectors will ask. To better prepare themselves, communities should understand their assets, know where to turn for help with unexpected information requests, and take a regional approach to identifying assets.

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How to Recruit New Manufacturing*

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Steven F. Warren

INTRODUCTION

The desire to improve the quality of life in their area is the reason why citizens of an area become and remain involved in economic development. This critical but elusive quality of life substantially is a result of the area's economic base, as measured by the area's tax and job bases.

The economic base of any area, in turn, results from investment or reinvestment. It is investment and reinvestment of capital which produces the tax base and the jobs. In the American economy, most of these crucial investment dollars come from the private sector.

One important source of this essential private sector investment is from manufacturing firms that are new to an area.

According to the Illinois State Chamber of Commerce, 100 new manufacturing jobs in a community can have a substantial impact on an area. For example, these new jobs can produce 315 additional related jobs, \$12 million more in personal income per year, and \$5,000,000 in additional bank deposits.

Given this impact, it is not surprising that manufacturing investment is sought by people in any area.

THE CHALLENGE OF RECRUITING NEW MANUFACTURING INVESTMENT

Recruiting new manufacturing investment, however, is a very competitive business. There are reported to be in excess of 10,000 economic development organizations in the United States, all competing for

one or more of the just 200 major location decisions made each year.

To improve the chances of standing out — of winning the investment "race" — the leaders of an area must approach their job of stimulating private sector investment as a sales function, treating the potential investor as a client and the area as the product.

It has been said that the people who are successful in economic development are locally sensitive yet investor client driven. The challenges to the area's leadership are to develop and implement a recruitment strategy based on matching the area's desires and abilities with the investor's needs and interests.

THE FIRM'S NEEDS AND INTERESTS

A firm looking to invest in a new manufacturing facility has one thing — profitability — upper most in its business mind. The management of such businesses have to go before their board of directors regularly and report to them how the firm is doing. Certainly the board wants to know about recent sales and costs, but ultimately they are interested in how much money the firm made and may make in the future. Management is always asked "what are the profits?"

Profit, of course, is determined by revenues and costs. Easy access to current or potential new customers can affect a firm's revenues and is often a significant plant location consideration.

Costs, of course, are a major concern of any business and dominate most locational decisions. It is essential for local citizens involved in economic development to realize that businesses measure nearly everything in money terms. Businesses must know in detail the costs, revenues and resulting profitability of doing business in any location, especially when they are in

the plant site selection process. They must have current and accurate data to use in making their investment decisions.

The investment decision makers in the firms are vitally concerned with tangibles. They pay particular attention to an area's track record in working with other businesses. No manager can afford to put his company at risk by betting on an area's hopes and promises.

Hence, local leaders must know what the area has that the business firm needs. Capabilities must be documented. In any business, before salespeople call on a prospective new account, they know their product inside and out. Selling an area is no different.

It is paramount for local citizens to think and act like business people. Citizens must be ready to respond to a prospective investor's business inquiries accurately, completely, and rapidly.

THE PROCESS OF RECRUITING MANUFACTURING

In order to improve their chances of being successful in the recruitment of new manufacturing, there are three sequential steps the citizens in an area should follow. These steps are: 1) creating the product (area) for investment, [preparing] 2) communicating the product's (area's) capabilities to targeted potential investors [prospecting] and, 3) facilitating the decision making activities of those investors who have expressed an interest in the product (area) [prospect handling].

Becoming Prepared

Once the leaders of an area understand what motivates an investor, their economic development need becomes to position themselves to respond to the business product and information needs of the potential investor.

The Product

The area must be in a position to meet the business needs of the firm. This means having in place such manufacturing requirements as the appropriate transportation network, facilities (land and/or buildings) with adequate services, and the necessary labor. If these requirements do not exist in the area, the only logical response of the economic development leadership of an area is to create them [or at least be in a position to do so].

* The contributions of Greg Nleman and Robert Treat to the content of this article and the support of Illinois Power are gratefully acknowledged.

Data

Data that address the cost of doing business and document the nature of the "product" in the area must be obtained, put in a usable form, and kept current. An area's data bank should include information on the availability, quality, and costs of labor, transportation, public services, (such as water, sewerage, and fire and police protection), and energy services — (electricity and natural gas). Community leaders must also be familiar with available industrial properties — land and buildings. They must know where they are, how much they cost and their quality.

Finally, the leaders must know what incentive programs are available, especially locally.

Some nonbusiness information should be in the data bank as well, such as recreational activities and educational programs.

Obviously a great deal of information must be collected. It must be current and accurate and kept that way. This is not a simple job. It requires a committed local leadership.

Presentation of Data

The next challenge in preparation is to decide how data should be presented to the potential investor client to document the capabilities of an area.

A variety of formats are available; they include: (1) a profile (that summarizes the information on the location); (2) a fact book (which provides back-up detail); (3) industrial site and building brochures; (4) labor statistics; (5) a multi-color brochure portraying the quality of life in the area; and (6) finally and least important, a video tape that gives visual information about the location.

In preparing information in any of these formats, it is useful to keep in mind that the firm's first need is quality information. Illustrations, while not irrelevant, are of secondary importance. Illustrations can make good information clearer, but they cannot make poor data good.

Throughout this entire effort, the local leadership must *think and be creative* because each client is different. Leaders cannot afford to make a purely mechanical response. Needs of prospective clients certainly must be anticipated, but unfortunately, no one can anticipate all the needs of a specific manufacturing investor. The local economic development leadership must be prepared to be as innovative as necessary and mentally ready to create special responses to meet special needs.

The leaders who are in a position to respond to a basic business request have done their homework. They have made their location more competitive in the business of economic development through their anticipation of the product and information needs of potential new investors.

The Organization

But one substantial requirement has not been addressed yet, namely *who* will collect all the prerequisite information, put it in the appropriate format, keep it accurate and up to date and present it to investors?

The answer, of course, is the leadership of the area through a local economic development organization. This organization will have the responsibility to assure that what is being done is consistent with the wants and desires of the people of the area as a whole. The economic development organization will also be the group that actually solicits and works with potential investors. The organization is a key component of an economic development program, for the job of economic development is too big and too important for one person or just a small handful of people in the area. Rather, it is most successful when it is the effort of a broad-based team composed of local people who have an interest and capability in economic development.

The organization may consider hiring an economic development professional to implement their program. This decision should be based on the sophistication of the program and the availability of funding. If it is impractical to hire a professional, the economic development organization of course will need to utilize committees to implement various aspects of the program.

With an operational organization in place and with the necessary data about the product collected and put into a useful form, the local leaders are well on their way to being "prepared" for economic development.

The evidence is clear that the prepared area has the best chance of success in the highly competitive business of economic development.

Generating Investor Interest

The second step in an economic development recruitment program is generating prospective investors.

There are two different ways in which potential investor clients may approach an area. Some clients will contact the local organization directly, without any solicitation effort on the part of the local leadership. Other clients result from a response to

an outreach activity by the local group or other organizations.

Because it does not have to wait for the client to come to it, the well prepared organization has a major advantage in prospect development. Its leaders are able to take the message of its area's capabilities to prospective investor clients.

To generate prospects, a local economic development organization may contact investor firms directly or it may be referred to prospective clients. The leadership of an organization can use both of these approaches, along with responding to unsolicited inquiries.

Referral Organizations: As Client Sources

Referrals generally come from economic development organizations that have an interest in the welfare of the area, such as the state economic development department, utilities, and railroads that serve the location. These potentially supporting organizations are commonly called "allies".

Referrals can also come from consulting firms retained by the investor. This group includes plant location consultants, along with realtors, especially industrial realtors.

The local economic development organization may choose to concentrate its energies on informing these referral groups of the business capabilities of the area and keeping such people informed. After all, they come into contact with more prospective clients than the local economic development organization ever will.

Referral groups can also be cultivated relatively inexpensively. The number of ally and consultant groups is very finite and the names of the key contacts in each are available. Often, moreover, they are commonly not a great distance away and thereby travel is affordable.

Positive relationships with referral groups, especially allies, also can be very beneficial to the local area, in that they can be of significant support in providing details of services to the area's prospect. There will be times — perhaps frequently — when the local leaders will need the help of the knowledgeable people in its referral network.

But a note of caution is in order. If the local leadership wishes to maintain a working relationship with this source of potential investors, such leaders must work with the referral group in a *professional manner*. The referral group, by bringing a prospect to the area, has put *its* reputation on the line.

They in effect have told the client that the organization has the capability to meet their needs. The area's leadership cannot afford to let the referral group down.

Direct Generation

Projects can also be generated directly by the local organization itself. This is done in one of two ways or a mixture of the two.

One is to make the capabilities of the area known to industries in general. For example, the local economic organization may place an ad in a general economic development publication.

The second approach is to focus on a select number of industries and associated firms, with the first step being the creation of a list of those industries whose probable needs match the area's interests and capabilities.

After the target industries have been identified, the local economic development organization must produce from this initial screening a more detailed list of targeted industries. Next it must identify specific firms within the industry group(s) to solicit actively.

Finally, decisions have to be made about how to contact the management of the targeted firms.

The alternative communication processes are: 1) to promote the area in industry magazines, 2) to mail prepared marketing materials directly to the identified management, 3) to exhibit at trade shows and 4. to use telemarketing.

Client interest is expressed by a particular firm, local leaders should look for opportunities to visit the firm's office to present the area's capabilities directly to the management or encourage the management of the firm to visit the local area.

An Expensive Undertaking

The economic development leadership of an area needs to recognize that most outreach activities are usually relatively expensive and, if conducted properly, are very time consuming. Prospecting for new business is neither cheap nor simple.

One way for a single location to reduce the cost of recruiting new business is to band together with others and, as a group of towns or a region, solicit targeted industries and firms.

Facilitating The Investment Process Initial Response

If the people in the area have done their homework and are lucky, a business personally, or consultant/realtor will contact

the economic development organization wanting investment information. What should the people in the organization do?

First, they need to continue to think in business-like terms from the vantage point of the investor. It is vital that the local leadership realize that their objective is to stay on the client's list of possible locations by addressing and responding to the contact's requests.

This third step in the recruiting of manufacturing process is often called "prospect servicing or prospect handling".

In preparing the community's initial response, the leaders need to determine as much as possible what the client wants. This will enable the leaders' to respond accurately and thoroughly to the prospect's needs. Ask how one can help. Listen!

Then the information that the client desires should be sent in the agreed-upon timeframe. At a minimum, a follow-up letter should be sent summarizing what is available and what will be done, and when.

After the initial response package has been sent, a telephone call follow up should confirm that the material arrived. Determine if the information sent was what was desired.

Finally state one's willingness to provide additional help as needed and determine when would be the best time for follow-up again. In the process, look for opportunities to have the client visit the local area.

On-Site Investigation

If the leadership is very fortunate, the client will eventually state a desire to make a business trip to the area. Leaders should treat this request in the same businesslike manner as they did the previous ones. Remember that the client is coming to confirm the information on the business product he or she has been supplied and to learn more.

The bad news is that the client is also continuing to try to find something that will eliminate the area. By this time, the prospect is also evaluating other locations. They have typically narrowed down a large number of locations from early in the process to a select a few to study in depth. Their job, at this point, is to select the best one, by eliminating the others.

The client is of course in the area to see the location. But before the business tour begins, the local leadership must confirm what the client wants to see and do. They also must confirm the amount of confidentiality the client wants. The leaders should not make assumptions — they should ask!

The responsibility of the leadership of the local economic development organization is to keep the visit on a business level by showing the client only what he/she wants to see and by keeping the local host group small, but composed of people who can make the necessary commitments and who can answer questions.

It is wise to keep the business trip low key. This means no press, no flashy meals at the country club, no banners, no press conferences. Maintain confidentiality always! A location can be eliminated solely on its inability to keep the company's name and intentions out of the newspapers and local gossip.

The leaders need to follow up as before with answers to the new questions raised by the client.

Closing The Deal

If the local leaders have created and documented a competitive "product" and are extremely lucky, the negotiations may proceed to the deal closing stage.

SUMMARY

Recruiting new manufacturing investment offers a potential way for any area to affect positively its quality of life.

Local leaders who choose this course, however, must recognize that a well developed economic development program is required, as is a significant commitment of the area's leadership resources and, depending on the activities chosen, a substantial commitment of financial resources as well.

They should also realize that a three step sequential process is available to increase the area's chance of attracting new investment.

Step one is preparing the area. There is homework to do and it must be done. The area — the product — must be known and its capabilities documented and even improved. The people of the area need to know whether or not they can compete competitively in the business of recruiting new manufacturing investment.

Step two is generating prospects. A realistic program to reach prospective investors must be created and implemented. This includes cost effective allocation of available local money, people and time.

Step three is handling or servicing the client. Local leaders must function as professional sales people, which means becoming knowledgeable about how to relate to a prospective investor.

Although utilizing this or any process or procedure does not assure the desired results, by following these three steps, the leaders of an area are doing what they can to increase their area's chances of success.

No location can expect to win them all. Attracting new industries is very competitive and successes are hard to come by. Expectations should not be set too high and instant results should not be anticipated.

The creation and implementation of a realistic plan, based on the principles that have been described, however, will certainly make success more likely.

How to Interview The Industrial Prospect

Martin Orr, C.I.D.

INTRODUCTION

From sharing information with a "suspect" to negotiating with a "live prospect," the interview, as a communication process, is the basis for our results as economic developers. The interview is the first step in turning an available building or site into a new facility with jobs for your community.

In actuality, no two interviews will be the same. Individual economic developers have their own styles. Individual local communities base their interviews to some degree on their strengths (which prospects will likely know in advance). Every prospect representative has his own individual approach. This diversity provides a great challenge and is a reason for economic developers to operate in a professional

Prospect representative can come in all sizes and forms. Some will be community officials or officers. Some may be professional personnel (such as engineer, real estate manager, marketing representative) assigned the task of finding a location for the new facility. Or, in numerous cases, a consultant will be employed to do the initial investigation and screening. On the other hand, your community may be represented by a professional economic developer. In quite a few instances, however, local volunteer leaders will be performing the community representatives.

The purpose of this "interview primer" is to emphasize the importance of the interview process. Regardless of individual approaches, the basic elements in preparing for and conducting an interview are consistent. Properly conducted, the initial interview with a "suspect" will often lead to detailed discussions with a live prospect. For that reason, each interview must be thorough. A complete interview will include: LISTENING to the prospect's requirements and desires; TALKING both to

answer the prospect's questions and to sell your product and community; and WATCHING to be aware of facial and other reactions which may indicate the need for further information.

The "HOW TO" theme of this publication is designed to assist the economic developer to prepare for and to conduct a successful prospect interview. For either an existing business expansion prospect or a new business facility location prospect, you are representing your community.

PREPARING FOR THE INTERVIEW

Knowing Your Product

As the professional economic developer or the committed volunteer representing the community, the prospect expects you to know a broad range of details about your community. Thus, you are responsible for accumulating quantitative information about your community, your sites and buildings, and your services. The product also includes those qualitative attributes that you and your community are proud of and can sell to others.

Although developing a thorough knowledge of your product at first appears to be an ominous task, a good economic developer learns to utilize local and state resources. For information not easily maintained in your organizational files, being familiar with and having access to others becomes important. Other on-going resources would include: the city engineer and public works staff, city and county tax offices, university industry resource offices, state development organization and revenue department offices, and private realtors and developers.

Instead of saying "I do not know" to a prospect's question, it is better to say "I will get that information for you."

Know Your Prospect

If the name of the prospect company and

the name of the prospect representative is known in advance, you have an opportunity to prepare for the initial prospect contact or interview.

A small amount of research can provide you with information on the company's current facilities, sales and profit history, and prior investment patterns. Familiarity with this information and names of the prospect's corporate executives helps the economic developer in two ways. With fewer questions to ask the prospect, you have more time to listen to the prospect and to respond to his questions. Secondly, the prospect will appreciate the active interest of the local community.

Sources of information include local libraries, chambers of commerce, and state development organizations. Types of information include annual reports, *Dun & Bradstreet*, *Moody's*, *Standard & Poors*, and other investment reports and business periodicals.

Frequently, the name of the prospect is not known at the time of the initial request for information. Prospects and site selection consultants will acquire information from many communities before selecting a limited number for more detailed analysis. In these cases, the economic developer must respond professionally to the specific questions asked. A part of the response may include asking the prospect's representative for more detail regarding some questions.

Knowing Yourself

Conducting an "interview" by face-to-face meeting, telephone conversation, or by letter requires confidence on the part of the economic development professional. The prospect's initial opinion of your community is directly influenced by the confidence you have in yourself and your product. This confidence is reflected in the ability to answer questions and to show enthusiasm.

In the interview process, some decisions have to be made, particularly whether the project appears to fit in with your community's environment and whether the proposed facility or expansion ought to be pursued vigorously.

Participating in professional economic development education programs and learning through experience provide the basis for your confidence. This, along with knowing your product and the prospect, puts you in the position to represent your community properly.

CONDUCTING THE INTERVIEW

Setting the Stage

As noted earlier, no two interviews will be the same. Your initial prospect communication may be limited to a telephone interview or to a written response from a prospect representative. However, for each case you have the opportunity to present professionally your community or to muffle it completely. In each case, the purpose of the interview is to respond to the questions of the prospect and to sell the benefits of your site and community.

When limited to a written response, you have few alternatives. Short, concise but thorough, answers must be given to questions presented. Additional written response should be limited to an attractive community profile and/or organizational brochure along with your offer to provide further information. A site selection representative may request information from many communities; if multiple responses are being reviewed, the voluminous information packet may be quickly rejected.

The Telephone Interview

The telephone interview requires the same elements and attention you would give to a face-to-face interview. Your environment must be controlled to the degree that you will not have interruptions and that you will have information available. If you cannot devote adequate time or you must gather information from other areas in your office, it is advisable to ask the prospect if you can call back within a short period of time.

Listening to the prospect's requirements and questions is the crucial part of the interview. Prematurely attempting to lead the prospect to the attributes of your site without knowing the prospect requirements may shorten the interview. The prospect representative may feel that you cannot meet the requirements.

Although cordial conversation is expected, answers to individual questions must be to the point. If the prospect representative has a site selection evaluation form from which questions are being asked, superfluous discussion may indicate a "snow job." Asking for clarification during response to questions may further help you to document the requirements. Allow the prospect to end the "interview." Once you understand the requirements, offer to mail further information. Based on your feelings about the interview, you could invite the prospect to visit your community or

offer to visit the prospect at his office.

The Face-to-Face Interview

The face-to-face interview normally occurs in one of two environments — your office or that of your prospect. In either case, you must commit your time and your attention to the prospect representative. The face-to-face interview is very demanding because you must present yourself as an organized professional. At the same time, it can be most rewarding because you can visually see the response of and establish a rapport with the prospect representative.

In the interview in your community, you are in control of the environment. By setting aside time in your office or a private conference room, you are able to devote your attention to the prospect requirements. Although there may be pressure by local community leaders to participate in the initial interview, this contact should be limited to yourself and one or two key resource persons. At this time, you are primarily responding to the prospect's questions. The more people present and taking time to talk will reduce your ability to learn the prospect's requirements. A site/facility tour and a meal or cocktail with the prospect will provide an opportunity to introduce others to the prospect. However, it is very possible that the prospect representative will not want to meet with others. The desire to remain anonymous should be respected.

A team effort may be beneficial, with one person primarily responsible for listening to and recording the prospect requirements and a second person primarily responsible for answering questions and selling the product. In addition to benefiting you, the team effort may expedite the delivery of a good response to the prospect.

PROSPECT INTERVIEW INFORMATION

Prospect inquiries and interviews normally include four types of information. From the prospect, the purpose of the inquiry and technical requirements are received. From you to the prospect site/facility/community facts and community attributes and incentives are provided. An example "Prospect Information Guide" is included in Exhibit A; the following is a description of the information sought.

Purpose of the Inquiry

The general purpose of the inquiry should be identified to assist you in determining

your ability to respond to the prospect. This would include the proposed use of a facility and market/geographic factors of importance in considering your community. The type of facility is based on the proposed use, ranging from manufacturing to office purposes. Market service area factors include both geographic service area and type of customer information. Other geographic factors include time, distance, and shipping costs from suppliers or to customers.

The initial prospect inquiry will normally include the anticipated date by which a proposed site/facility is needed. Critical site/facility or service requirements are often identified initially.

The prospect's introductory information will provide you an overview upon which more detailed requirements will be based. This introductory information may indicate factors you will want to emphasize in future communication.

Technical Requirements

Specific site, building, utility, transportation, and employment requirements of the prospect are normally identified in general terms in the initial interview. Based on response to the initial requirements, more detail may be requested.

Site size may be but one consideration as other site information may include soil types, slope, shape, and expansion options. In addition to such location factors as transportation access and population area, consideration may include relationship to other business and planned industrial/business districts.

If an existing building is sought, the prospect will identify general facility requirements and specifications such as noted in the example form. Other special requirements such as heavy utility services should be noted so that you can investigate the community's capability of meeting them. If the prospect proposes new construction, factors for consideration may include building codes and recent cost comparisons.

Utility requirements vary in importance depending upon proposed type of use. In any case, however, special attention should be given to the terminology used — i.e., units per hour vs. units per day vs. units per month. Also, any special requirements or peak factors should be noted.

In addition to volume of water, other criteria may include pressure, alternate sources, and purity or mineral content.

Both existing and possible future sewerage requirements should be noted. Special

EXHIBIT A
Prospect Information Guide

PROSPECT NO. _____
STAFF PERSON _____
INITIAL CONTACT _____ 19 _____

PROSPECT SOURCE:

Response to: _____ Advertising campaign
_____ Letter/direct mail
_____ Telephone contact

Referral by: _____ Existing Company
_____ Bank
_____ Consultant
_____ State
_____ Realtor/Developer

I. COMPANY INFORMATION

Company Name _____
Contact (Name) _____
Title _____ Phone (____) _____
Street _____
City/State/Zip _____
Principal Product(s)/Service(s) _____
Location of Headquarters _____
Location of Other Facilities _____

II. REQUIREMENTS:

Occupancy by _____ 19 _____

A. FACILITY for:

Primary Function: manufacturing _____, assembly _____
distribution _____, warehouse _____, bulk processing _____
office _____
Primary Markets: local _____, regional _____, national _____
international _____
Geographic Area based on: proximity to raw materials/suppliers _____
proximity to commercial customers _____, proximity to consumer markets _____,
other _____

SITE: Acres _____ /soil bearing _____
Freeway access: No _____ ; Yes _____ : within _____ miles
Metro area: Yes _____ ; population range _____
No _____ ; but within _____ miles

C. BUILDING:

Size _____ sq. ft.
Available _____ or will construct _____
Ceiling height _____ Bay widths _____
Sprinkler _____ Air Conditioned _____
Docks _____ truck high _____ Drive-in doors _____
Type of construction _____
Floor bearing _____
Type of use: Office _____ sq. ft.
Manufacturing _____ sq. ft.
Warehouse _____ sq. ft.
Number of parking spaces _____
Other building requirements _____

D. UTILITIES

Water (treated) _____ gals./day (untreated) _____ gals./day
Sewage _____ gals./day
Electricity _____ kw/peak _____ kw/day
Natural gas _____ cu. ft./day
Coal _____ tons/day
Other fuels _____
Other waste disposal _____

E. TRANSPORTATION: Rail served: No _____ ; Yes _____ ; volume _____
 Trucking: private _____ ; local _____ ; interstate _____
 Commercial Air: No _____ ; Yes _____ ; within _____ miles
 Barge: No _____ ; Yes _____ ; volume _____

F. EMPLOYMENT: Total Projected _____
 Transferred _____ New _____
 Professional _____
 Skilled _____
 Unskilled _____
 Training Assistance Desired: No _____ ; Yes _____
 Type of skills _____
 Organized Labor: No _____ ; Yes _____
 Union(s) _____

G. FINANCING: Assistance requested: No _____ ; Yes _____
 Approx. Investment \$ _____ Land/Building
 \$ _____ Equipment

H. OTHER: Foreign Trade Zone: No _____ ; Yes _____ ; within _____ miles
 Bonded warehouse: No _____ ; Yes _____ ; within _____ miles
 Underground space _____

III. COMMENTS/FOLLOW-UP

disposal requirements should also be noted, although special processing is normally the responsibility of the prospect.
 Electricity requirements, in addition to base demand, may include available alternate sources and interruptible service factors.
 Immediate and future natural gas and fuel requirements may include information about alternate fuels available. For coal users, content and source may be a factor.
 For each type of utility service, the costs may be a factor based on volume of use. Additionally, pollution control requirements of your community may be a factor in response to some prospect needs.
 Normal transportation requirements are easily identified. Special cargo handling requirements and zone information should be noted if an immediate response cannot be made.
 Employment and skill level requirements should be collected so that available labor and training information can be provided to the prospect. Special considerations may include salary and wage comparisons, training assistance available, and union involvement in the prospect company and/or in your community.
 Financing assistance by your state or local community may be requested. Depending upon your knowledge of the pros-

pect company, the general alternatives can be presented. Detailed discussions of financing should normally be deferred to the appropriate officials (for example, local or state financing authorities).
 Other prospect requirements may include the need to have some or all facilities within or near a foreign trade zone or underground space. Also, bonded warehouse space information may be important.
 Responding to prospect requirements may involve information readily available or, as previously noted, may involve calling upon local and state resources. In either case, the local economic developer is responsible for getting the answer to the prospect.
Your Response
 The third type of information in the prospect interview is your response to the requirements given you. Having an available community profile or fact book is desirable during your verbal response to questions asked and a copy should be given to the prospect representative for possible unasked questions.
Community Attributes and Incentives
 The fourth type of information in the prospect interview supports your extra effort to make the sale — if you can meet the

basic requirements. Information about community attributes, so-called livability factors, and other factors about which your community is proud should be available both verbally and in material to be given the prospect.
 Written information about financing, training, and tax incentives should also be provided. Whether administered locally or by your state, you want the prospect to know you are aware of the services and prepared to help.
FOLLOW UP
 The prospect interview does not end with a simple exchange of information. A follow-up letter should reinforce your interest in helping the prospect to locate in your community. Also, a prompt response to any unanswered technical questions should be provided — both by telephone and in writing.
 Through cooperation with the staff of your state economic development office, use of their support and their contacts may be beneficial in attracting a new company from another state or country. For an expansion prospect within your state or community, use the support and contacts of other companies — unless the prospect inquiry is confidential.

Working With Consultants on Facilities Location Projects

Charles F. Harding

Consultants can be difficult to work with. They request information in an elaborate format that ignores data you have put together at great expense and trouble; they expect you to arrange complex community visitations on short notice; they decline to give you information about their clients that would make preparing an effective marketing effort much easier; and, inexcusably, they do not always keep you informed on the results of all your labors. Yet consultants are a major channel for corporate investment. A 2,000-person Pratt & Whitney plant in North Berwick, Maine, the Diamond-Star Motor Company plant in Bloomington, Illinois, a 500-person Household Finance office Chesapeake, Virginia, Newmonting's headquarters in Denver, Caron's new plant in Bakersfield, California and many hundreds of other facilities, large and small, were located with the help of consultants. Their projects can make careers, turn around communities that have fallen on hard times, or bring an area to a new level of development. Working effectively with consultants is an essential part of any economic development program. This is especially true because you want them to come back, whether or not you win the project they are working on today. Because consultants work more projects more often than any individual within a corporation, the need to establish an effective, long-term relationship is especially great.

As in dealing with any market, to develop a good program it is important to understand what motivates consultants and what pressures they are under. Fortunately, the objective of most consulting firms is quite simple: client satisfaction at a profit. Profits ensure that uses are paid, careers advanced,

and resources available for the development of the business. Client satisfaction, or better still, client delight, ensures future opportunities for work and profits.

The consultant can provide value to a client in a combination of four ways:

- **Information** By providing information that the client would have difficulty acquiring itself, either on its own or by contacting you directly.

- **Analysis** By interpreting information gathered in terms of its importance to the client in a way that the client could not do itself or with your help.

- **Consultative Skill** By helping develop consensus and get issues resolved within the client company so that rapid action can be taken.

- **Service** By providing these benefits rapidly, secretly and in any other way that client circumstances require.

The economic developer who helps the consultant in these four areas is making a real contribution to the consulting process and, more important, to servicing an important prospect.

In my experience there is little truth to the old complaint that consultants simply repackage information provided by economic developers and sell it for a lot of money. Members of our staff who have previously worked as economic developers agree that the value they are providing their clients is quite different from that provided in their former jobs. However, you can help the consultant and the consulting process greatly by ensuring that data you supply which serves as one basis for analyses is as thorough, current, and compatible with that received from other sources as possible. Also, you can help ensure that when the consultant collects information in the community, that time is spent as efficiently as possible. This allows the

consultant to focus on those aspects of his work that ensure he brings benefit to the client beyond what the client could get working directly with economic developers.

Consultant's nonbillable time is precious and limited. Hours devoted to nonbillable activities include, for example, the time spent with you during your prospecting visits to the consultant's office. Since such time comes straight out the firm's profitability, you will want to use such time well. Some economic developers work hard to ensure that they provide some fresh information or insight into their communities when they visit and are always welcome. Meeting with these people is an appropriate use of nonbillable time because it increases the knowledge base of the firm. Others wish to make repeated visits as a courtesy or political necessity within their own organizations, but have little to say that is new. Though this group is less professional than the former, we take the time to meet with all. The more professional prospectors, however, want to maximize both their own and the consultants' time.

Consulting firms also prefer to avoid burning out valued people. All succumb in varying degrees to the pressure to increase total hours and, as a result, only attract and retain employees who like to work. Once again, helping a consultant get good information rapidly will decrease the amount of time required per project and help reduce overtime and ensure that your community is presented in the most favorable fair light possible.

THE GUIDING RULES

It follows from this discussion that the economic developers most sought after

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by consultants are those that help provide value to clients (once again: information, analysis, consultative skill and service) and help the consultant and the consulting process operate efficiently. Easily said, but how is this done? There are ten rules worth following.

1) Know Your Community.

The difference between those economic developers who know their communities (or regions or states or service territories, as appropriate) and those that think they do is huge. Knowing the community means knowing people as well as information. It means that the economic developer can get me in to see anyone I want and that each will have been briefed on the purpose and importance of my visit and appropriately coached on how to help me. You cannot provide efficient service to the consultant if you do not have extensive contacts and developing contacts takes a lot of work. I vividly remember having to change my interviewing plans half way through a community visit, because of an unexpected discovery. Three busy executives successively dropped what they were doing to do an interview with me when we showed up on their door steps, simply because the economic developer I was with asked them to. How often had he helped these men over the years to earn this type of respect? To have left town without those interviews would have resulted in a major project overrun. I also remember working with a utility company representative in a major metropolitan area who advised me quietly that the owners of a building that looked attractive were being sued by a former employee who believed she had suffered from chemical exposure from working in the building. I would probably have discovered this fact anyway, but he saved me hours of research and time wasted on an unsuitable property. In a city with hundreds of available buildings, his knowledge of this particular one was impressive. The difference between knowing a community and thinking you know it is a matter of detail. The economic developer who knows a community will not just suggest that a utility line crossing a site can be moved; he will know the cost and time required to do so. His contacts will be broad enough to get me in to see almost anyone I want. Knowledgeable economic developers save consultants

huge amounts of time and effort and will be sought out.

2) Know Your Market.

The best economic developers know about the needs of industries likely to locate in their communities and quickly learn about a specific prospect when its identity is revealed. This knowledge permits a developer to anticipate the consultant's concerns on a specific project and reduces the amount of communication required to avoid misunderstandings. The best economic developers know that most food processors are unwilling to locate facilities adjacent to a chemical plant, regardless of the real probability of contamination, because fear of it can destroy a market. They know that proximity to a company's research lab is almost irrelevant to where most companies invest contract research dollars. They know that plastic injection molders are highly sensitive to power interruptions. They know these and a thousand other facts that allow them to service consultants and their other markets more efficiently. Historically, this knowledge was gained slowly and painfully from working with a large number of prospects. While experience will always have premium value, technology is now helping shorten the learning curve through industry information software.

Market knowledge does not provide you with answers so much as with a basis for asking intelligent questions. Asking a consultant doing a location study for a processing plant if the client's employees work continuously rotating shifts shows a sensitivity to industry concerns, even if, in this specific case, the answer was no.

3) Listen.

The best economic developers are good listeners. Before trying to provide information on their communities they listen intently to the consultant describe the client's needs. What is more, they listen to learn about the consultant's needs. Is he or she under unusual time pressure? Is he or she having difficulty devising a means of analyzing a particularly knotty problem? Finally, when they meet the prospect face-to-face, they listen again. On one project I recall the economic developer heard the prospect mention that his son played hockey avidly. The prospect was far too profes-

sional to treat this interest as a location issue and did not mention it as such, but the economic developer recognized a personal need that was potentially in conflict with a business one. During the dinner he excused himself to make a phone call. On the way back to the hotel, we coincidentally passed the local hockey rink and were invited to look at it. Again coincidentally, the manager of the rink and the head coach were there even though it was well past 9:00 pm. The informal meeting that followed was devoid of obvious community promotion. To this day, I cannot prove that these were not coincidences, but the town got the new facility. All too often economic developers promote when they should be listening, sell when they should be probing for more information and simply pass up opportunities to listen. As frustrating as it must be to spend a day chauffeuring a consultant from appointment to appointment, I am always surprised when an economic developer declines to do so, since a day in the car provides an unequalled opportunity to listen.

4) Use Professional Sales Techniques.

There is a whole industry specializing in the analysis of and training in effective selling. With billions at stake in competitive sales situations in this country each year, millions are spent on sales training. Yet, I doubt that many economic developers have had an opportunity to partake of the excellent programs that are available. One such program, for example, breaks a sale into seven discrete steps—connecting, encouraging, listening, questioning, confirming, providing and checking—each having a specific purpose and methodology. It is worth noting that providing information comes relatively late in the process. This is true of all of the most professional programs. Prior to providing information you must develop a personal relationship, involve the prospect in your sales process, learn about his or her needs, confirm that you have heard them properly and that the information you can provide will address specific concerns adequately, and only then provide the information.

Sales professionals have developed techniques to deal with skepticism, indifference and objections, for through an intermediary to the decision-maker, and for selling to groups

as well as individuals. The best economic developers, whether through professional training or natural ability, follow the guidelines set out in such training programs almost to the letter.

Be Responsive.

In a brief survey of PHH Fantus consultants of what distinguished the best economic developers, responsiveness was easily the most frequent answer. Responsiveness means speed, it means providing the specific information you have asked for rather than sending something that was already available, it means accuracy and it means attention to detail, such as providing the consultant with a map of the community during a visit, whether it was requested or not. Finally, it means providing balanced materials. Clients frequently ask consultants to work on extremely short deadlines and the pressure to respond is inevitably bucked, in part, to economic developers. It is in your best interest to respond to the consultants' deadline just as you would if you were contacted directly by the company.

The best economic developers recognize that they will not be perceived as fully objective sources of information. Realizing that they will have to prove their assertions with facts, they develop a strong sense of evidence. Evidence can be in the form of documents, testimony by community residents less likely to be seen as biased or physical proof provided by showing the consultant a site or other pertinent things. The developer who provides a consultant with a newspaper clipping documenting that 800 people lined up to apply for jobs at a recent plant opening is doing a more professional job than the one that simply states that this occurred.

Responsiveness means thinking about the small needs of the site seeker. One developer always travels with an extra pair of boots in the trunk of his car in case a consultant or other prospect wants to walk a muddy site. He also arranges to have a cherry picker at large sites. Ostensibly, this is to ensure that the prospect can get an aerial view of the whole property, but this true professional knows that after a prospect has seen a dozen or more sites they tend to blur together in his memory. No matter how many sites he has seen, the prospect always remembers the one he saw through the cherry picker.

6) Keep Your Community's Development Machinery Well Oiled.

Many projects reach a critical point when an otherwise favored town is at risk of losing the prospect because of a specific shortcoming. Good economic developers have enough support in their communities that they can get a fast and firm (i.e., written) commitment to resolve such problems. The best developers anticipate events and avoid the crisis altogether by perceiving that a shortcoming is likely to become a make-or-break issue and dealing with it early in the project. In one case we were seeking a site for a company concerned about expressway visibility. A town which had a beautiful site at the intersection of two major interstates almost fell from consideration because sewer and water had not been extended to the property. The economic developer had created such a proactive development attitude in the community that he was able to get the utility extension commitment within three days. He earned a bonus, because within six months another company with a similar concern located a second major plant on the site. In another case a client loved a town but disliked the only building in it large enough to meet its needs. The economic developer drove by a smaller one and promised on the spot to have its size doubled within 90 days. He got the plant, which has since quadrupled in size. This commitment could also not have been made without full knowledge that the community would support the development effort. The ability to make such a quick promise was the result of earlier hard work with city leaders.

7) Use Professional Presentation Skills.

This is the area of all of those I have discussed where I believe that there could be the single greatest improvement in the economic development industry. I can think of many economic developers who really know their product, know their markets, listen well, employ effective sales techniques, are responsive and keep the economic development machinery in their communities well oiled. I can think of relatively few who have demonstrated fully professional presentation skills.

Between \$5,000,000 and \$10,000,000 per year is spent by the economic development community on prospecting visits and slide shows each

year by conservative estimates. In spite of this investment, almost nothing is spent on presentation skills training to ensure that what is delivered at so huge a cost is presented professionally. Of the thousands of presentations from visiting economic developers that I have heard over the years, there are only a few that are memorable, including a superb one by the Houston Economic Development Council showing the transition of the city's economy since the oil bust. This need not be the case. As was true of selling techniques, there is a small industry of people who specialize in training in this area. The need for high quality presentations increases when you consider the frequency with which they are required for prospects visiting your community or for marketing your program within your community. With a modest investment progressive economic developers will be able to differentiate their organizations through professional presentation training.

8) Use Professional Marketing Materials.

As an inevitable outgrowth of computer graphics and desk top publishing, the quality standards for marketing materials have increased. Materials prepared with the free services of the local community college or other group will be compared in the market with those put together by marketing professionals. Today the best economic development materials are not only full of information, but are also attractive, easy to read and, in many cases, personalized to the specific prospect.

9) Keep Those Who Cannot Handle Prospects Away From Them.

Every community has individuals who lack sensitivity in handling prospects. A real estate developer once told me that his town was "heaven compared to New York". When I suggested that my client, a native New Yorker, might not agree with him, he fell over himself with chagrin and, I am sure, was more careful about what he said when my client came to town. The most professional developers are extremely careful about presuming familiarity with a consultant's interests and beliefs. By careful probing they learn whether or not the consultant or prospect is a hunter, before extolling the diversity of game in the area. But they go beyond this and, to the

extent possible, keep others in the community who are likely to make thoughtless, prejudiced statements away from all prospects, including consultants. The consultant will assume that his prospect will be treated in a manner similar to the way he himself is, and will be leery of introducing a valued client to someone likely to prove offensive. The stakes are too high to allow any single person's insensitivity to damage the chance of closing a deal.

10) Develop Your Community In The Context Of A Strategic Vision.

The consultant is not so much interested in what a community is like today, but rather in how it will be in the future when and if the client is operating there. Today's advantages and problems are only relevant to the extent that they tell the consultant something about the future. It is an old saw that clients are happiest when they go to towns that are not quite what they want but are becoming more so every day, than when they go to towns that are exactly what they want but becoming less so. For this

reason those communities with a leadership that has a sense of what they want the community to become always have a marketing advantage. These are the ones which put the infrastructure, whether it be sites, utilities, education or civic amenities, in place to fuel the right type of development.

As an example, leaders in Scranton, Pennsylvania recognized that their community had strong potential for back-office development even though it was perceived as an old line manufacturing town. The community with consulting assistance developed a plan to attract more offices and has since won major projects from J.C. Penney Telemarketing and Prudential over stiff competition. These people made sure that they enhanced and effectively marketed natural advantages for such operations.

SUMMARY

Each year in a healthy economy corporations locate dozens of new facilities with the help of consultants. As long as this is true, working with con-

sultants will be an important aspect of the economic developer's job. By having the consultant meet profit and satisfaction needs you ensure that he or she will be eager to work with you again, providing added incentive to consider your community on another project. Professional economic development practices are the basis for a good working relationship with this market segment.

POSTSCRIPT

A brief post script to this article is warranted. It was originally prepared as a speech at the request of NACORE's Economic Development Council. My willingness to present it was influenced by my desire to pay back a little of the help provided to me by economic developers over the years and is offered with the understanding that another article, entitled "Working with Economic Developers," which could be prepared by the readers of this piece, would be of value for consultants, including myself, who work on facilities location projects.

Site Selection: Corporate Perspective and Community Response

Phillip D. Phillips, Ph.D.

The primary goal of economic development programs is to influence corporate site selection decisions. Influencing the site selection decision is vital to attracting new investment and employment from outside an area and is just as important to creating new businesses and retaining existing businesses. How and why businesses choose where to locate is without doubt the most frequently discussed topic in economic development; it is also one of the most misunderstood. This article will specifically discuss the following questions from both the perspective of the corporate site seeker and the response by the community economic developer:

What types of site selection decisions do businesses make?

What factors control these decisions?

What steps does a business go through in locating a site?

At what points in the process can a community development organization influence the site selection decision?

How can an economic developer best have a positive influence on an area's chances in the site selection process?

An understanding of these topics is a prerequisite to knowing what an area's true strengths and weaknesses for economic development are and for designing an action program to improve its development prospects. Failure to understand the site selection process leads development organizations to spend a great deal of time and money doing things that will not materially improve their prospects for attracting and retaining businesses while ignoring important programs and initiatives. Failure to understand the site selection process can also lead to needless bickering and recrimination over opportunities that were lost through no fault of the development or-

ganization. Last but not least, an understanding of what factors are important in business site selection and what makes an area an attractive location is as important for retaining and creating businesses as it is for attracting outside businesses development.

TYPES OF SITE SELECTION DECISIONS

Start-up

All companies face at least one site selection decision during their corporate history: where should the business be established? This is true of retail businesses, manufacturers, wholesalers, high-tech businesses—all businesses. Because the start-up decision is made by all businesses and because it influences so many decisions that follow, this undoubtedly is the most important of all site selection decisions.

The start-up decision is, unfortunately, often ignored by economic developers. Generally entrepreneurs choose to start a new business in their home town, wherever that may be. Just think of the difference it would have made if Henry Ford had been from St. Louis rather than from Detroit! One important job of community economic development organizations is to help new business start-ups by making it easier for them to find financing, facilities, and all of the other things a new business needs.

Expansion

The second most common site selection decision is expansion—all growing companies must make this decision sooner or later. Expanding on-site at a business's current location is always easiest, yet it may not always be possible or desirable. Some businesses cannot expand because of the physical limitations of their current building site—there is simply nowhere to grow. Other businesses may locate expan-

sion elsewhere for a variety of reasons, often to be nearer their customers.

Businesses often expand at new locations because of the strong "pull" of operating advantages, such as lower wages, lower utility costs, or tax incentives. Unfortunately, some businesses also choose to expand in new locations because of the "push" of operating difficulties in their current location. As many midwestern and northeastern communities discovered, expansion by local manufacturing companies in Sunbelt and foreign locations with better operating conditions and costs was only the first part of a two-step process. Expansion at a new location was followed by contraction—and perhaps complete closure—of facilities in old locations. Bit by bit, they lost companies that had been the mainstay of the community. In business retention the community must make certain that it does not "push" any local business to locate elsewhere because of avoidable cost or operating difficulties.

Relocation

A one-time, complete relocation of a business, meaning simply pulling up stakes in community A and moving to community B, is rare. Yet this aspect of site selection receives a great deal of attention, partly because it is dramatic compared with the establishment of a small new firm. There were no newspaper headlines on the day when General Motors, IBM, or almost any other company was founded, despite their future importance. A relocation also gets a great deal of attention because it puts the issues of site selection and economic development—operating costs, operating conditions, business climate, and incentive—into clear perspective.

The nature of a site selection decision also varies with the type of company. Franchise restaurants make these decisions on a continuous basis: new locations are how they grow. Public utilities, on the other hand, are assigned their service territory by government regulation and so cannot relocate.

Major multinational corporations make site selection decisions within the context of an ever-changing "portfolio" of products and locations. A branch plant for such a company is part of a much larger strategy involving many different products, functions, and locations. For most manufacturing companies which are small or mid-size, the site selection decision is a rare and often traumatic occurrence.

CONTROL FACTORS IN SITE SELECTION

While many factors influence site selection, only a few are strong enough to really control the location process. A first and overriding control factor is familiarity and knowledge. For any company, a site is chosen from among those locations with which it is familiar. This is why most new companies are started in the founder's home town—the location he or she knows best. The goal of economic development marketing to outside companies is, above all else, to make them aware that a community exists so that it can become a possible candidate location.

COST FACTORS

Cost factors are generally the starting place in a site search, and for good reason. A business cannot succeed if it does not make a reasonable profit. Once profitability is assured, a business may consider quality of life and other operating conditions. Specific cost factors are described in more detail below.

Markets and Raw Material Sources

Market proximity is a major location factor for most firms. A few companies are termed "footloose" because their product does not involve major transportation costs for bringing in raw materials and shipping out the finished product. But even theoretically footloose companies—computer manufacturers are a good example—have many reasons to be near and easily accessible to their customers so that they can understand and respond to their needs. For retail, service, and wholesale firms, market proximity is the heart of the site selection process. For a fast food restaurant, the right location is one that has the maximum possible number of customers within a nearby area. Other decisions such as finding an available piece of property on a major thoroughfare, are purely tactical.

For some firms, access to raw materials is a key. This relationship is clear for a grain miller who must be near the farmers who supply the raw material. It can also be important for other types of firms for reasons that might not be so obvious. For example, many new food additives and pharmaceutical products are produced by fermentation processes that use the by-products of wet grain milling as their feedstock, that is, their raw material. Thus, for

many of these firms, being near a wet-grain milling center is a major location factor and this can be an important aspect of the economic development strategy for a community with grain milling facilities. Community developers must always look for "forward linkages," that is, for firms using locally produced products as raw materials.

Labor

Traditionally, labor has been the most important single cost and location factor for most businesses. This is still true today, although automation, rising energy and transportation costs, higher land and building costs, and other factors have made labor less dominant in the cost picture than it once was. To be successful, an area must still be competitive in terms of labor costs.

Increasingly, labor supply, productivity, quality, skills, and work ethic are becoming more important in a firm's site selection decision than simple hourly wage rates. Some of the reasons for this are demographic and economic. The number of new workers entering the labor force is rapidly declining. This decline, when combined with the impact of eight years of continued economic expansion in the 1980s has put a real squeeze on the labor supply. This is especially the case in areas such as New England which have seen rapid growth in the last several years.

Also, the increasing incorporation of technology in virtually every type of job from auto mechanics to clerical work to traditional manufacturing calls for better reading and mathematical skills and a generally higher level of employee competence. Education, literacy, and numeracy (the ability to handle arithmetic and mathematics) rather than low cost have become the new buzzwords in describing what employers are looking for in workers.

Unionization, which was a major factor in site selection in the 1960s and 1970s, has faded in importance in the 1980s for several reasons. Labor unions are weaker and less aggressive now than they were ten or twenty years ago, although this could certainly change in the future. Also, the sectors of the economy that are expanding most rapidly—services, clerical, and high-tech—are generally the least unionized. Site selectors have also become more sophisticated. No longer is the level of unionization viewed as a simple litmus test of community's labor-management climate. Rather, educational levels, strike history, absenteeism, turnover rates, and other pro-

ductivity-related labor factors are more closely analyzed.

Utilities

Utility costs have become a more important site selection factor over the last two decades as basic energy costs have risen. Electric and natural gas rates have also become much more complex, with many specialized rates and with negotiated rates for larger users. For site selectors, utility territories have become "invisible states," and for companies using large amounts of electricity or natural gas the cost differences between these "states" can be far more significant than the more generally recognized tax cost differentials.

Sewer and water costs are only minor location factors for the vast bulk of firms, but there are exceptions. For example, food processors may require large amounts of water and may discharge tremendous amounts of organic matter, creating high BOD (biologic oxygen demand) loadings in their wastewater. For these firms, both cost and availability of water supply and wastewater treatment are important site selection factors. There is no more effective way for a community to halt economic development than to have a sewer moratorium.

Increasingly, high quality, high capacity telephone service is a location factor. Some facilities, such as order fulfillment centers, need high volume, voice-grade communications, while others, such as branch manufacturing plants, depend on data transmissions of everything from orders to payroll. Smaller communities and rural areas—especially those not served by major telephone companies—are at a disadvantage in trying to attract or retain the increasing proportion of companies having sophisticated telecommunications needs.

Transportation

Transportation costs are an important factor for manufacturing firms. Just how a community measures up in terms of transportation costs for a particular firm will, of course, depend on the firm's sources of materials and markets.

For a firm distributing its product from a single location to a national consumer market, there is a very regular pattern of transportation costs, with the lowest costs being in Kentucky, Tennessee, southern Illinois, Indiana, and Ohio. It is no wonder that most of the "transplant" foreign auto producers such as Mitsubishi, Honda, Nissan and Isuzu have located in just this region. After all, a freight cost different-

of \$100 per car will add up to \$100 million in five years for a plant producing 200,000 cars per year. Yet many small communities from Minnesota to Texas to Florida worked hard to lure the General Motors Saturn plant and the Japanese transplant assembly facilities.

Taxes and Business Climate

Taxes are a much less important and a more complex site selection factor than is commonly recognized. Taxes generally account for only a few percent of the total operating cost of a facility and can be easily overwhelmed by other cost factors, but taxes are discussed a great deal, for two reasons: (1) they are visible—a company gets a bill, and (2) they are negotiable—a company can try to lower this cost factor through incentives.

Because businesses vary tremendously, no single "best tax climate" exists. Some states and communities tax real property heavily, which is a problem for a manufacturing firm with very expensive plant facilities, but not a problem for a computer software firm that has few real property assets. Other states tax corporate income heavily, which is more of a problem for established, profitable firms than new startups. Franchise taxes, inventory taxes, and a host of others also influence different firms—or even different facilities of the same firm—differently. Thus a site search must carefully evaluate how the tax structure of a particular state and community relates to a corporation's specific characteristics and the nature of the specific facility being located.

Municipal, township, special district, and county taxes especially influence site selection when the issue gets down to particular parcels. At this point, as a firm is comparing site A in a community to site B in a community a few miles away, local taxes and tax incentives can become an important factor even though locally variable taxes are generally only a fraction of a percent of total costs. The site selection process narrows the field of communities under consideration to only those locations that score very well on other cost and operating condition factors and as a result even a relatively small tax cost difference can be decisive in site selection.

NON-COST FACTORS

Non-cost factors are also important in site selection. Most significant among them are access to specialized suppliers, access

to training facilities, environmental regulations, and quality of life.

Specialized Suppliers

Lack of specialized suppliers and services is one of the biggest hurdles that many communities must face in attracting businesses. Many manufacturing firms need specialized services, such as anodizing or heat treating. For non-manufacturing firms, general-business services such as accounting or specialized maintenance can be important site selection criteria.

Access To Training Facilities

For many firms, access to community college training programs is an important factor and will be evaluated with special care. A few firms are also highly concerned about the availability of college training and postgraduate education for managerial personnel. Given the increasing need for high quality, well-educated employees, virtually all firms are now closely scrutinizing the quality of local primary and secondary education, especially in terms of providing basic skills in reading and mathematics.

Environmental Regulation

Environmental regulations are not a controlling factor for the overwhelming majority of site selection decisions. But they are crucial for a few decisions and are likely to become more important in the next several years. Environmental questions center around four issues: (1) air emissions, (2) wastewater discharge, (3) solid waste, and (4) disposal of toxic and hazardous wastes. The issue of environmental regulation is far too complex to deal with in detail here, but a few general comments are relevant and possible.

The environment is likely to become a more important issue in site selection in the future for several reasons. The U.S. Environmental Protection Agency continues to develop more stringent standards for control of pollution and toxic substances. This, however, may be less important than the fact that many target dates for attaining various environmental standards established over the last twenty years are now coming due. Also, increasing use of technology in manufacturing has resulted in the increasing use of exotic and often highly toxic chemicals.

Rural areas and small communities are frequently at an advantage in having less severe existing environmental problems. Often they do not face the increasingly

draconian limitations on development such as those placed on air quality nonattainment areas. On the other hand, small communities and rural areas have often been less sophisticated in dealing with environmental hazards. As a result, these areas are finding that they are the scene of toxic waste disposal sites and "midnight dumping." In a few cases, unscrupulous businesses have attempted to take advantage of a small community's lack of sophistication and desire to create jobs to operate hazardous facilities, although state and federal environmental regulations make this increasingly difficult.

Quality of Life

Finally, quality of life is an important site factor for almost any facility. Discussion of this factor has been saved until last because that is where it generally falls in the site selection process. In corporate site selections, a firm reduces its number of choices to a handful of "best" locations based on operating cost and operating conditions because there is no point for a firm to consider a location in which it cannot be financially competitive. While quality of life may have contributed to getting down to this short list, it is rarely the most important factor. In the end, however, a site selector is faced with several locations, all of which look good on paper in terms of cost and operating conditions. Needless to say, if the designated facility manager or other personnel who are to be transferred to a new location are on site selection team they will be especially concerned about quality of life.

Two exceptions to this generalization are high-tech facility locations and corporate headquarters. Because top technical and managerial talent is so rare and because these persons are so important to the future value of the company, the site selection decisions for these facilities are (or at least should be) primarily recruitment decisions. The location that will do the most to help recruit the best people is the best location, with cost factors being of only secondary importance.

Intangible Factors

The author's experience in site selection taught him that one cannot go strictly by the numbers. Communities that are indistinguishable based on statistical data can be vastly different places on the ground. One community may be neat and tidy, while another is unkempt and ill-planned, even though they have nearly identical income

rels. Some communities have a high degree of community spirit, others are contentious. A field inspection of the communities and a meeting with civic leaders quickly reveal these differences.

No matter how unique and wonderful one may think his or her community is, it looks "just like many others on paper. The difference between being the bride and the bridesmaid—between being number 1 and number 2 in site selection—is often a matter of quality of life and community cooperation. Remember, too, that community cooperation is more than just giving incentives; it is also instilling confidence. When a company "buys the product" by selecting a community as a location, it is placing tremendous faith in the town, its community leaders' truthfulness, and their ability to keep promises as well as to make them.

STEPS IN THE SITE SELECTION PROCESS

Any site selection, whether it is a branch plant location, a new business start-up, a relocation, or an expansion, goes through a predictable series of steps. Though the details will vary among types of firms, the basic outline is the same. Sometimes the order of the steps changes, and often a firm will go back and rework an earlier step because of new information gathered during the site selection process. In many cases a "no go" decision will be made at some point. The selection process will then be terminated, generally either because of changing economic conditions for the firm (declining sales or profits, higher interest rates, and the like) or because the firm learns that it had unrealistic expectations about the potential market for its product or that kind of costs or operating conditions could be obtained.

Often site selection is a stop-and-go process, which can be maddening for communities working with firms, whether they are local companies planning an expansion or outside companies considering a location. One day representatives of the firm are in a tremendous hurry—they want information or commitments and they want them by tomorrow. Then these corporate representatives disappear for six months while the project is put on hold, waiting for better market conditions, financing, or approval at a higher level of management. All one can do as an economic developer is respond as best as possible to requests for information and suppress the natural hu-

man urge to strangle someone who asks for the impossible by tomorrow and then appears to lose interest or disappears for several months.

Distilled below are the author's observations on the steps in the site selection process, based on working with many firms as a site selection consultant, along with comments about what a community's economic developers can or cannot do to influence the process. Just remember that not all site selections go by the book and that it is difficult to know just where a firm is in its decision-making process. Often even the identity of an outside prospect is not known early in the process, which will add a little mystery and intrigue to life. The steps presented here are for a manufacturing facility.

Step 1: Defining the Facility

This is probably the most important step in the entire process for a community's success in attracting or retaining a facility, because during this phase firms define both what they will produce and the basic requirements to produce it. Unfortunately, this is also a step that takes place behind closed doors far from the eyes of economic developers.

Within this general phase a company or entrepreneur will define the following:

- The product or mission of the facility
- Managerial and technical skill needs to operate the facility
- Overall anticipated employment levels and skill needs
- Utility requirements (water, sewer, electric, and natural gas)
- Site and building requirements
- Supplier and service requirements
- Environmental constraints (water or air pollution, solid waste generation)
- Relation to other corporate and competitor facilities.

It is common for the definition of the facility to change during the site selection process as the company learns more about not only its own needs, but also what is reasonably available in the real world. Many companies begin with an impossible wish list of desires that they will never be able to meet in one location. For example, they want highly skilled workers and low wages or to be in a major metropolitan area but also to be in an area with a low level of unionization. As they continue through the site selection process, companies have to

decide what is most important and make choices based on these decisions.

Step 2: Geographic Analysis of the Market

New facilities are often built to serve new markets. This was the primary reason for the growth of the Sunbelt in the 1980s. Growth of this region in the 1960s and 1970s created new demand and companies moved in or were established to meet that demand. Also, different facilities will serve different markets. In the example of the auto manufacturers given earlier, the market is the United States. Other facilities might serve a market region ranging from the local community (especially for retail facilities), to a multistate region, to the world. The local market is typically most important for retail operations, while regional and national markets are most important for manufacturers. A company will generally also try to forecast the level and geographic distribution of demand for some future planning time, perhaps five years, and will take this into account in determining the size and location of a new facility.

Step 3: Deciding to Do a Site Search

That a site search should be undertaken may appear to be self-evident, but that is far from the case. In fact, many if not most considerations of building a new facility do not ever lead to a formal site selection process. Even if a company concludes that new product lines or expanding markets require more production capacity, there are a variety of ways of achieving this end. A company may renovate and automate an existing facility or build onto it rather than seeking a new facility. Increasingly, companies seek to gain new production capacity by acquiring operating facilities or entire companies. In some cases, however, the most reasonable solution is to search for a new location, whether that is starting from scratch on a "greenfield" site or buying a vacant existing building.

Of course, a business expansion or retention decision is simply a site selection process from the point of view of the community where a firm is currently located. The job of the economic developer is to convince local companies that they already have the best possible site and that they cannot find better operating costs and conditions elsewhere. One must also make sure that the basic requirements for expansion—good sites, utility capacity, trained labor, etc.—are available in the area.

Step 4: Freight Cost Analysis

The early step in a site search for a manufacturing facility is generally a freight cost analysis. In the analysis, the company must compute the inbound cost of raw materials at various sites as well as the outbound shipping cost to customers. This allows the company to narrow its region of research by finding a least freight cost location and determining the additional cost that would be incurred in moving away from that location.

The least freight cost point is of interest, but even more important is the range of possible locations allowed by the cost penalty of moving away from this location. Very high freight cost penalties are not likely to be overcome by savings in other areas such as labor or taxes, so high freight cost areas can be eliminated from consideration. For nonmanufacturing companies, other cost factors may serve the same basic role as freight. For example, for a corporate office with a great deal of personal travel, the cost and time required for executive travel is a major consideration.

Step 5: Defining the Search Area

Based on freight costs and market area a firm usually defines a search area for facilities. A few examples are:

- Between 50 and 150 miles from Chicago—a manufacturer of steel shelving
- Illinois, Indiana, Ohio and Kentucky—near a automotive component supplier
- In a city of more than 250,000 with excellent flying weather—for an aircraft manufacturer
- Towns of fewer than 25,000 within a triangle bounded by Houston, Dallas, and San Antonio, Texas—for a furniture manufacturer.

If a community is outside the area of search or does not meet the basic site criteria of a company, it will not be considered, much less selected, as the facility location.

Step 6: Initial Screening

Even within these delimited search areas, however, there are likely to be hundreds if not thousands of communities that can be considered as potential locations. At this stage, site selection is a ruthless process of winnowing the locations under consideration down to a manageable number that can be screened more thoroughly. This screening phase usually concentrates on several "knockout" factors, any one of which will eliminate a community from

further consideration. Knockout factors could include a minimum size of the local labor force, distance to an interstate highway, available sewer capacity, or any one of dozens of other items that are important for the particular facility.

Often the criteria used in initial screening are quite arbitrary. This screening is typically done without directly contacting community development organizations, because the information is readily obtained from the state, utility companies, or a computerized database. Despite its brief and arbitrary nature, this preliminary screening tends to be final; that is, communities do not reenter the site search at a later stage once they have been dropped.

A fatal problem for communities in the initial screening phase is lack of information. If a data sheet or computer database indicates "no data available" or simply has a blank for sewer capacity, a firm generally drops the community from consideration. Filling in gaps in data requires time and effort on the part of the site selector and lack of data is viewed as an indication of a potential problem or at least a community's lack of commitment to provide information; hundreds of other communities do provide complete information so there are plenty of other choices remaining.

Economic developers must recognize that at this phase a site selector's interest is either unknown to him/her or is very limited. When a prospect asks for certain specific information during an initial contact, it is usually for screening purposes. It is very important that one provide all of the information requested and to make it readily accessible. Site selectors do not want to wade through a four-inch-thick pile of information they did not request just to find the eight facts they did request. Thus, "jumbo" packets of unrequested information are often left unexamined and piled in a corner of the site selector's office in unopened express delivery packages. He or she will concentrate on those communities providing requested data in a concise form and will review massive data packets "when I have more time," which is generally never.

Step 7: Second-Round Screening

Beginning with a list of hundreds of communities and several knockout factors, the site selector can quickly narrow the field to 10 to 20 communities for more intensive investigation. It is often at this point that the site selector will first make direct contact with community development officials. The community developer

should recognize that his/her area is still probably only one of many areas under consideration and that the real work has just begun.

Often an important factor at this point in the process is evaluation of available sites and buildings. They do not call the process "site selection" for nothing! Unfortunately, many communities, including some very large ones, do a poor job of gathering and presenting information on sites. They have elaborate color brochures on the quality of life and a fly-specked hand drawings of sites and buildings. Care should be given to providing complete site and building information and to presenting it in a professional fashion.

Information on sites should include not only standard data on size and utilities, but also an asking price. Nothing is more exasperating to a site selector than a community or developer who is coy about price. A blank is not an answer to the question "site price," nor is the term "negotiable." Any firm worth dealing with knows that the price is negotiable. The question is: at what price is the seller beginning the negotiation process?

Step 8: Field Visits

Generally, a professional site selector will narrow the field of communities under consideration down to three or four on the basis of secondary screening and will then undertake field visits. A company doing its own site selection without a consultant will usually visit more communities, perhaps five, seven, or even ten. Often this is the first view the site selector will have of a community. Therefore it is important that everyone in the relatively large cast involved in local economic development do a good job and know his or her part.

A site visit is usually brief, ranging from a few hours to two days. During that time the site selector or selection team will want to meet with local employers in larger firms and firms within their particular business. These visits are most informative, because through them a site selector can learn a great deal more than factual information.

After a few interviews, community attitudes begin to come through clearly. Local businesspersons may tell prospects some things you would rather they did not hear but businessperson to businessperson discussions are the most important single factor in evaluating a community. Only a very naive site selector would not expect and want to hear the bad as well as the good and to hear it sooner rather than later. During a

visit a prospect will also typically meet local elected officials and utility representatives and will look at promising and available buildings.

Several words of caution are in order in lining up with site visits:

Don't try to hide anything. Problems usually come out eventually, and if you have tried to hide them, your credibility is gone.

Show the prospects what they want to do, not what the community wants to do for them. Time is short in a site visit, and people do not like to have their time wasted.

Be well prepared and use development representatives. The power company representative will have the best grasp of electric rates; the real estate sales companies will know the area best; the state commerce department representative will have the best grasp on incentive programs work; and the wastewater treatment plant operator will know those trickling filters like no one else.

Don't wear your prospects out. Many communities seem to try to attract firms by overkill and exhaustion. Scheduling too many interviews does not allow enough time for any of them and invites problems. Prospects who are kept going from dawn to dusk without a break will not be happy when they leave that community.

Step 9: Ranking Alternatives

In ranking alternative locations, prospects have the problem of choosing between apples and oranges. One community has low freight costs, the second a good labor force, the third good living conditions. How to choose? At this point, a firm must decide which factors are really the most important, because one community may have all of the advantages.

Eventually, however, the communities are ranked and the site selection recommendations will be made. These rankings may be based on an apparently rigorous weighting of factors and ranking of communities for each factor to produce an overall community rank. Often, selection of a site is a compromise among different individuals and interests; for example, the engineer who wants a level site, the freight specialist who wants good access and the designated plant manager who wants good housing and schools. These competing interests are not readily measured on a point value scale. The decision may just be a gut reaction by the corporate owner or CEO.

One way or another candidate locations will be ranked.

Step 10: Engineering Analysis, Legal Analysis, and Options

It is a long way from a recommendation to a facility. A company may take out an option on a site or building but this is hardly an assurance that they will be coming to the community. Prudent site selectors will option sites in more than one community so that they are not left out in the cold by an unforeseen problem.

Two subjects require special attention. First, an engineering analysis of the site should be made to assure that the drainage, soil-bearing characteristics, and other factors are acceptable. Second, a legal analysis is also important, because a flaw in the title or an unexpected easement can eliminate a site. Problems in either of these two could knock a site and possibly a community out of the running. A well prepared community will have soil surveys, title checks and other standard purchase procedures taken care of in advance in order to eliminate these as possible concerns for the site selector and move their community along in the selection process.

Step 11: Implementation

Even after the groundwork has been laid, all the analysis done, and all of the recommendations made, many site selection decisions stall out for long periods or fizzle out completely. Why? The most important reason is probably money or, more accurately, the lack of it. Obtaining financing is often time-consuming and uncertain for smaller companies; obtaining internal approval in large corporations can be just as time-consuming because approvals are often required from a board of directors and even if the company has plenty of money there are also many other competing demands for it. During this phase and the previous one, incentives will be negotiated. Superior state and local incentive packages can often tip the balance at this point if (as is likely) the first and second or third choice locations are similar in terms of costs and operating conditions.

As the time approaches for making a final site decision that may influence the future of the entire company—not to mention the individuals on the site selection team—many of the basic questions reassert themselves. Is the new facility really a good idea? Corporate politics may also enter the picture: some people oppose a facility within a company because they

think the product it will make is a mistake or because they believe the money could be spent more wisely for other things. In more than one case opponents of a new product have tried to kill the product by muddling and delaying the site selection. Perhaps market conditions have changed. Thus, there are often delays ranging from a few weeks to several months or even years during the final phases of the site selection process while these issues are resolved. Site options are renewed and re-renewed until either the project is undertaken or— all too often—dropped.

Step 12: Start-up

Even after the "go" decision has been made, there is a long process in getting a facility into production. A new facility must be constructed or an existing building must be modified to meet the company's specific needs, personnel must be transferred in or hired locally, and machinery and equipment must be set up. All of these stages can benefit from local assistance to assure a smooth start-up. Success is a smoothly operating facility, not an announcement. Even when the facility is up and running, your job as an economic developer is not over. It has merely changed from attraction to retention!

CASE STUDY

The best way to understand the dynamics and intricacies of the site selection process is to look at an actual example. A detailed description of the location criteria for a furniture manufacturing plant based on an actual site search is provided in Exhibit 1. This is a relatively large facility and an elaborate facility description, providing a good example of many issues you are likely to face in responding to a manufacturing company's site selection needs. Note that this is not a purely hypothetical example; these are the actual site location requirements of a company that was evaluating communities in North Carolina and Georgia for a facility location. An office or retail site selection would involve a very different list of site selection criteria and would require substantially different data from the community.

By the time the community receives a set of site criteria such as those presented in Exhibit 1, the firm will most likely have gone through the first five steps of the site selection process: that is, it will have defined the facility, analyzed its market, decided to begin a site search, done a freight

cost analysis, and defined the search area. It may also have completed step 6, initial site screening, without the knowledge of communities involved. Most community developers do not recognize the amount of that prospects or consultants have done before they ever contact the community.

A company may change its site criteria as it gains new information on markets or production processes and engineering, but one will not talk them out of a major criterion simply because the community does not meet it. If the firm wants a 20-acre site, one will not convince them that the town's 10-acre parcel is good enough.

In the example furniture manufacturing plant, the community responding to an information request would have a great deal of data to provide and would do well to consider some larger issues to determine if the community is right for the plant. For example:

Is the labor market in the area able to provide 280 hourly workers? What impact will this have on existing employers?

Does the local work force have any experience with a three-shift operation and will it be accepted?

Does the community have trucking service capable of handling the very large inbound and outbound freight requirements?

Does the community have a good available site or building?

Does it have the utility services (electric, natural gas, water, and sewer) needed for a plant of this size?

Are all the industrial supplies and services available in or near the community?

If it is decided that the community meets the major site criteria for the facility, getting answers to all of these questions takes a good deal of legwork, and typically a prospect or consultant will want information in a few days or at most in a few weeks. Thus, before going to the trouble of responding, make a "first cut" decision as to whether the community meets the site selection criteria. This does not imply a perfect match. No community is ever perfect for a facility, which is what makes site selection so difficult. For example, a company is not likely to find an existing building that meets its needs; the one in this case study did not. But there should be a reasonably good match between your community and the facility, and it should be a business you believe would be a good neighbor to existing business.

EXHIBIT 1 Example of a Facility Description Furniture Manufacturing Plant

Product:

Laminate on chipboard furniture and furniture hardware (casters, pulls, etc.).

Labor (number):

Salaried personnel (includes accounting, engineering, sales, and general management) 50

Hourly Personnel

Receiving, shipping and inspection 40

Toolroom and maintenance 20

Casting, forming, and finishing 60

Assembly 160

Total hourly 280

Note: This would be a three-shift, five day-a-week operation.

Inbound Freight (lb/yr):

Zinc and zinc alloying block 3,000,000

Steel coil 2,600,000

Wire 1,600,000

Chipboard and plastic laminate 10,000,000

Other fabricated metal components 3,500,000

Additional materials, including corrugated cardboard boxing and plastic for packaging, would be obtained from local sources.

Outbound Freight:

Approximately 22,250,000 lb/yr to be shipped nationwide by LTL (less than carload) common carrier.

Scrap to Be Recycled (lb/yr):

Zinc 230,000

Steel 980,000

Plastic Quantity Unknown

Site:

Approximately 20 acres.

Building:

Desire existing building of 280,000 sq. ft. including 75,000-100,000 sq. ft. of warehouse space and 15,000-20,000 sq. ft. of office space. Warehouse portions should have 16-20 ft. ceiling.

Electric Power:

Monthly usage 40,000-450,000 Kwh. Power factor .97. Three-phase current required.

Natural Gas:

2,000 Mcf per month. Noninterruptible service highly preferred.

Water:

Approximately 70,000 gallons per day, primarily for process cooling. Prefer municipal supply.

Sewer:

Prefer municipal system.

Solid Waste:

Zinc, steel, and plastic to be handled by a scrap dealer; chipboard to be handled by a landfill.

Environmental:

Will pretreat wastewater.

No known air emission problems.

Noise:

No problems at property line.

Industrial Services and Supplies:

Reasonable proximity (100 to 150 miles) to a variety of industrial supplies and services will be required. These include:

Mill supply

Platers (zinc, chrome, brass, nickel, oxide)

Packaging fabricator
Plastic injection molding (250-450 ton range)
Tool and die shop (steel stamping, injection die cast, and injection plastic molding)
Stamping shop (250 tons)
Rubber molding shop
Heat treating
Batch tumbling
Screw machine shop
Vacuum metalizing
Plastic laminate
Chipboard
Zinc, steel, and plastic scrap dealers

Community:

Should be within 50 miles of a hub airport.
A small community of about 10,000 population is preferable. The community should have excellent labor-management relations and a good supply of labor at reasonable wage rates.
Favorable state and local tax codes are important.

Responding to these site specifications emphasizes the importance of data as the primary community marketing tool. As an aid for development groups, try put-together a response packet indicating the community can meet the various site needs outlined in Exhibit 1. Who

will provide the various types of information needed? For example, who will provide information on the size, skills, and quality of the local labor force? How long will it take to assemble the needed data? Who will handle these duties as a backup if

your first choice person is out of town, ill or otherwise unavailable?

CONCLUSION

The best way for a town's leaders to succeed in locating a facility is to think not in terms of the community's interests and not even as an economic developer, but rather as a prospect. By recognizing the site selector's motivations and needs and by understanding the site selection process, the economic developer can avoid many pitfalls—for example spending time and effort trying to attract a firm when the area has virtually no chance of success, providing not enough or too much information, or not meeting the prospect's needs. A more widespread understanding of the steps in the site selection process and the many reasons that a company may choose another community that best meets its needs can also help to prevent needless recrimination and bickering among those involved in economic development in those many instances when your community is not chosen.

Effective Prospect Presentations: Your Competitive Edge

Michael B. McCain, CED, FM

Competitive pressures have changed the ways economic developers present community data to companies. Practitioners must identify and satisfy specific information needs, instead of providing generic sales materials about an area. Doing so requires knowledge of the product to be presented, the prospects, their real requirements, their consultants and the competition. This knowledge enables preparation of effective written, personal and follow-up presentations, as well as formal proposals.

INTRODUCTION

The most successful companies today do not concentrate on selling a product or service. Rather, they focus on identifying and satisfying individual customer needs in a highly responsive fashion. The most effective economic developers do likewise.

From the standpoint of business recruitment, development practitioners can no longer place the top priority on marketing and follow up later with general information. Instead, the emphasis has to be on identifying the individual needs of prospective corporate customers and presenting project-specific information which shows how these needs are best fulfilled.

Competitive pressures in a global economy have affected how companies do business and the ways they make business location decisions. Manufacturers, for example, must produce greater numbers of higher quality products at a lower unit cost, while maintaining the flexibility to meet customer desires and schedules. Changes affecting service sector operations are equally dramatic.

To compete, companies are investing more money in computer-driven equipment and the skilled employees to operate it. Never before has the facility location decision had so great an impact on a company's bottom line. As a result, never before have corporate information demands on economic developers been so detailed, requirements so stringent, or deadlines so restrictive.

At the same time, the number of areas worldwide which are seeking new facilities has never been larger. Just as companies change to meet competitive challenges, so must economic developers. A major difference is the way data is presented to prospects. Consider these scenarios:

A prospect wants information about the community. Because of your prior research, printed copies of a thick statistical facts book are readily available. One is mailed the same day.

On short notice, a prospect is coming to visit. You are prepared, armed with a video depicting every aspect of the community and a permanent sales team ready to go into action.

You are finalist for a new corporate facility. Wanting to be certain company officials do not overlook anything before making a location decision, you follow up by sending another copy of the statistical facts book, quality of life brochures and a copy of the video.

Not too long ago, some considered this standard operating procedure. Respond in these ways today, and you risk losing to a community with more effective presentation capabilities.

WHAT IS A PROSPECT PRESENTATION

By definition, a presentation is a descriptive or persuasive account of something, such as a product. General informa-

tion is not persuasive to prospective corporate customers. A prospect presentation should describe specific attributes as they pertain to a prospect's individual requirements. An effective presentation clearly shows how the requirements are fulfilled and explains why the product offered is the best choice.

Different service providers need to present different kinds of information to prospects, of course. Presentations by state development agencies, economic development departments of utilities and railroads, architectural and engineering firms, construction companies, industrial realtors, financial institutions and others, will differ from presentations by local development groups. The emphasis here is on community presentations, although some of the material that follows has applications for all.

There are several ways to present information to prospects: in face-to-face conversations; visually, using projected transparencies, videotapes and interactive geographic information systems; electronically, by phone, fax or modem; and written documents, such as booklets, reports and proposals. All these methods might be employed during the course of a project. They can be categorized into four distinct types of presentations:

initial presentations about a community, usually in writing, tailored to project needs

personal presentations during prospect visits, often using visual aids

follow-up presentations, addressing specific questions and concerns

formal proposals, which are a deal-closing mechanism.

Pre-printed statistical fact books, quality of life brochures and generic community videos are not prospect presentations; they are compendia of diverse information. Although they may incorporate the data a prospect is seeking, by their very nature they also contain non-essentials. It is time consuming, and often irritating, for a prospective customer to endure drivel just to find those items which are important to a project. In today's competitive environment, responsiveness to individual needs and tailored customer service are paramount.

Pretend being the prospect. When compiling a presentation, ask yourself, "Does

this answer all my questions? What exactly is being offered? Is there an obviously good fit between what the project requires and what the community is presenting? Am I persuaded to consider this area further? Based on this information, would I locate this facility here?"

Keep in mind that companies do not undertake a process of *selecting* a site. Rather, it is a site *elimination* process. When you're first contacted about a project, it's a good bet the company is screening thirty or forty other areas as well, if not more. Inundated with responses, their top priority is to narrow the locational options to a manageable number. They often develop an evaluation matrix to compare initial project costs and annual operating expenses from city to city and eliminate communities until they get down to three or four finalists.

The role of written, personal and follow-up presentations is to keep from being eliminated. The purpose of a formal proposal is to be chosen as the site. But in order to prepare either, there are five things you must know:

- your product
- your customers
- what they want
- the consultants who may be assisting them
- your competition.

PREREQUISITES FOR EFFECTIVE PRESENTATIONS

Know your product

Accurate information about what you have to sell must be available. There have been numerous articles, seminars and EDC/EDI classes about how to research, develop and maintain a community data base. Its importance cannot be overemphasized. Nevertheless, possessing this information will not do much good unless you have the ability to promptly access and modify specific items, format them appropriately and present them effectively.

Computer capabilities are a prerequisite. While individual economic development agency needs will vary, basic hardware might include a personal computer for each staff member, a file server to allow sharing of information, sufficient random access memory and a large enough hard disc storage capacity, a laser printer with

automatic sheet and envelope feeders, an optical scanner and a color inkjet printer (which can be used to store and retrieve photos of sites and buildings), a CD-ROM drive, and a modem, permitting electronic communications. Software alternatives for presentation purposes are numerous. At the very least, you will need a strong word processing system, graphics package, spreadsheet, data base manager, desktop publishing and, perhaps, a project tracking system.

With these capabilities, it is possible to store and update volumes of information, select what is needed, modify whatever is necessary, and quickly print pages of text with graphics and photos, all with the same formatting, and having a professional appearance.

Not everything included in a project-specific presentation has to be output on a moment's notice. Such documents as lists of employers by SIC, utility rate schedules and analyses of job applications and wages by occupational category, can be placed in compartmentalized shelves for easy retrieval and compiling as required.

Knowing what you have to sell also predetermines the kinds of companies which will be your best prospects. But in this competitive environment, that is not enough. Although recruiting targeted businesses does help improve a community, a corollary is even more accurate: improving a community helps attract new businesses. Investments to improve your product will return multiple dividends by increasing the number of customers who will find it attractive.

Know your prospect

It is imperative to know your prospective customer. This includes the company, the subsidiary or division responsible for the project and the people with whom you will be dealing--the ones who will make the business location decision.

One way to obtain a great deal of company and industry-specific information is by accessing on-line data bases via computer modem. In a matter of minutes you can ascertain a company's size, financial strength, mode of operation, locations of facilities, biographical information on principals, as well as current trends in a prospect's industry.

A few examples include Dun & Bradstreet, Dow Jones News Retrieval, Dialog and Nexis. Alternatively, a service bureau

could conduct a data base search. For instance, they can perform a key-word query of a company's name in trade magazines, provide synopses of articles written about them recently, and compile a report of what is happening in a company's SIC category.

Such information also may be found in public libraries, or preferably in your office library. *Who's Who in America*, *Who's Who in Finance and Industry*, D&B directories, *Standard & Poor's*, *Thomas Register*, *U.S. Manufacturers Directory*, and *The Directory of Corporate Affiliations* are standard reference publications. Such research will be invaluable in preparing a presentation to a company.

Know their real requirements

This is the most important aspect by far. To demonstrate, take out two sheets of paper. On one, list every community asset you have to sell. On the other, put down what the prospect, your customer, wants to buy. Invariably, the first page will have a lot more writing than the second. Find out what the prospect is really looking for.

Some project requirements are self-evident and commonly divulged, such as a ten-acre site near a major highway. There are also requirements which are not always volunteered, like a ten-acre site in a Class A business park, accessible to but not visible from a highway, served by fiber optics and near a pre-school day care center.

Go beyond the standard locational requirements questionnaires used to interview prospects. Ask for their evaluation checklist or comparative matrix. Sometimes, it will be provided. In conversation, find out all their locational criteria. Determine what is most, and least, important. Identify the real factors affecting their decision.

This is much easier said than done. It is difficult to develop the rapport necessary to get this level of detail and the requirements often will change during the life of a project, but without this information it is tough to put together an effective presentation. If this is impeded by confidentiality constraints, respond by saying you do not need to know the company's identity but would like enough information to enable a meaningful response. There will be times when they cannot or will not tell you. Then you must rely on knowledge and experience.

For example, you are having an initial phone conversation with a prospect, con-

able to divulge anything about the company. All he or she can say is that it is a precision metal machining project to make a lightweight component for another product, and some preliminary data about the community is needed. Well, you justifiably assume that skilled labor, such as CNC machine programmers, will be an important requirement. So will tool and die shops and related support services...pertinent education and training programs...motor freight carriers...the reliability and cost of electric power. You also can assume they will not be interested in such things as barge transportation capabilities or the number of food processing firms in the area.

It is much better to make such assumptions and tailor a presentation accordingly than to send a document consisting of a generic laundry list. Better yet, ask someone with a relevant background what the typical requirements and operating costs are for such a project. Input/output tables from the Bureau of Economic Analysis, U.S. Department of Commerce can be used as a guide. Computer software programs for industry targeting purposes can be helpful, too.

As an aside, do not waste the prospect's or yours. If you cannot meet the requirements, or conclude other cities are a much better fit and you have no offsetting advantages, say so. You will eventually lose this one anyway, right? The prospect will appreciate your honesty and you can spend your time and money on more promising projects.

Know their consultants

On larger projects, a company may retain the services of a business mobility consultant, engineering firm, realtor, attorney, accountant and/or other technical assistance providers. In your initial conversation with a prospect, ask if outside consultants are helping with the location evaluation process. If the response is affirmative, send them copies of everything provided to the company. Keep the consultants informed and they may volunteer project details you otherwise might not learn about. Work proactively to make them an advocate of your location.

In the initial stages of a project, you may be dealing exclusively with a consultant who is performing a location analysis for a

client. At this point, the consultant is the prospect. If a presentation does not convince the consultant your location merits further consideration, forget about being given a chance to persuade company officials you have the right spot. There are three rules to follow:

- Provide exactly the information needed, in the precise order or format requested.
- Respond promptly, and continue to be responsive in handling follow-up queries.
- If confidential information is divulged, keep it confidential.

The same holds true when state development agencies, utilities, railroads and similar organizations call to obtain information for a prospect. On the other hand, if you're working with a company directly, you should have already involved these economic development allies. In many cases, the prospect contacted them before speaking with you or will eventually. Make sure your presentations do not conflict with the information they provide.

Know your competition

Ask prospects where else they are looking; many times, they will say. If you know who the competition is and can find out what they have to offer, you will have a competitive advantage. The purpose is not to learn their weaknesses, but to determine your comparative shortcomings so offsetting benefits can be identified.

There are several ways to get this information. Some economic development magazines publish annual synopses of state business costs and incentives. Although this is a questionable tactic, ask a friendly plant manager to respond to competitor ads in economic development magazines. Call the employment service offices, utilities, state revenue departments and similar agencies in competing areas. Conway Data's SiteNet, an on-line data base, is another way to ascertain what other cities offer in sites, buildings and incentives.

Never use this information to engage in negative selling. You will lose credibility by pointing out competitors' shortcomings. Emphasize your strengths instead, as well as advantages which offset comparative weaknesses.

It is perfectly acceptable, however, to compile business cost comparisons which objectively portray factual data about operating expenses in your community versus

others. Be very careful about doing this, because if your information about competing areas is inaccurate, incomplete or out of date, it will compromise the veracity of all the other material you provided.

So, you know your product and have the capability to present it; you know the customer, both the company and the decision-makers; what they really want to buy; their consultants; and something about the competition. Now you are able to put together an effective presentation.

TYPES OF PRESENTATIONS

There are four types of presentations: initial written presentations about the community, personal presentations to company executives, follow-up presentations addressing particular concerns, and formal proposals which show what the community will do to meet their needs and minimize project costs.

Written presentations

The first opportunity to make a presentation likely will be in writing. Remember, a standard statistical facts book and similar pre-printed publications are not presentations. Sending generic community materials is better than nothing, but that is about all.

Sure, it is quicker and easier to pull a facts book off the shelf and drop it in the mail. Preparing an effective written presentation may take several hours of concentrated effort and require the work of more than one person. But if sent the same day it will not take any longer for the prospect to receive it, and is a lot more effective. An emerging trend is to copy a presentation from a word processing file to a computer diskette for a prospect, or even to transmit it electronically, assuming hardware and software compatibility.

A custom presentation for a major project with unusual requirements may take days of full-time work to prepare. This is one instance where being the first to submit data is not necessarily the best. Take the extra time to do the job right, let the prospect know when to expect your package and ensure it is there as promised.

The elements of an initial community presentation will vary, obviously, according to the requirements of a particular prospect. Generally, they include:

- site descriptions, aerial photos, plot plans and topo maps

- specifications, floor plans, and photos of available buildings
- utility data, including capacities, service characteristics and costs
- materials on transportation attributes, with freight rate and transit time analyses
- details about raw materials, supportive services, and related inputs
- labor availability and wage rate information, by pertinent occupational category
- information describing education and training resources
- tax rates, financing programs and cost-reduction incentives
- quality of life factors, such as housing costs and recreational and cultural amenities.

Some of these materials will be obtained from others, such as your state development agency, utility companies and real estate developers. Check and double check every bit of data obtained from outside sources for relevance and accuracy; if it is voluminous or contains extraneous details, excerpt needed portions for a particular presentation. Above all, include only information which relates to the individual project's unique needs and make it easy for corporate decision-makers to see that you have what they want. Following are a few tips:

- Summarize pertinent advantages in an easy-to-read cover letter or executive summary.
- Use sections with tabbed dividers to make categories of information easy to find.
- Personalize it. Do not convey the impression of it being "off the shelf."
- Bind it appropriately. Image and appearance count.
- Do not send a presentation via regular mail. Express ship it, or better yet, deliver it personally.
- Provide extra copies. Get your materials in the hands of as many decision-makers as possible.

Personal presentations

The goal of an initial written presentation is to convince the prospect to inspect your community in person. Effective prospect handling during a community visit is a topic unto itself, but there are some guide-

lines as they relate to the subject of personal presentations.

When first meeting prospects face-to-face, the cardinal rule is, do not sell! Instead, listen. Ask questions. Look for cues in their facial expressions and body language, and react accordingly. Try to get more information about the project, its requirements, and how the location decision will be made. This new knowledge will be especially helpful during follow-up presentations.

If it can be circumvented, do not have one permanent sales team which meets with every corporate visitor. Each project is different and the composition of presentation teams should differ according to project needs. Include only those who have key information to impart--not from your perspective, but from the prospect's point of view. Here's a good example: normally, a prospect would not meet the entire city council during an initial visit. The development practitioner, though, in researching the backgrounds of company principals, learned the CEO had served on the city council at his headquarters location. Local council members were told in advance what to say, and the CEO met with them during the visit itinerary. He later said the cooperative, pro-business attitude of local government was a main reason he chose to locate in that city.

Your primary sales tool during a visit is the itinerary. By following it, prospects should be able to see that their requirements are fulfilled. The community literally should sell itself. Meetings with business owners or plant managers are a principal component of almost every itinerary and comprise one reason why a good existing industry assistance program is so crucial. Because of their knowledge of factors meaningful to visiting prospects and their perceived objectivity, they typically are the most important members of a community presentation team.

Visual aids are helpful when making personal presentations to prospects, because seeing graphic materials reinforces what is heard. A number of software programs are available which enable quick design of a presentation including computer slides, overhead transparencies, handouts and speaker's notes, all in one file. As you create slides you are automatically creating the presentation, in a format that carries through from beginning to end.

Videotapes are a frequently used visual aid and presentation tool. As a complement to one generic community video, consider having several, short videos. One might focus on quality-of-life attributes, another on education and training resources and another on location and transportation advantages. In this manner, you can visually present those subjects of most importance to a prospect, without spending time on topics that may not be of interest. Furthermore, the creation of a video library of individual subjects will enable the quick production of custom presentations.

Imagine the impact on a prospect viewing statistical data, maps, photos, graphics and video images, all the while listening to relevant narrative, simply by pressing a touch-sensitive VDT screen or clicking a mouse. Although some state development agencies and utility economic development departments are doing this today, interactive computer video presentations using laser disc technology require a budget and staff beyond the means of most local development groups.

However, CD-ROMs are becoming an affordable alternative. At a comparatively small cost, you can record written data, graphics, maps, photos and motion images on a compact disk and use a personal computer to quickly access and sequence the images and statistics of interest to your prospect. Emerging technology will soon permit the production of interactive, multimedia presentations with full-screen video and audio on a laptop in your office or a prospect's.

Follow-up presentations

No matter how professional your written and personal presentations may be, it is for naught if you do not follow up. Good economic developers are very responsive in fulfilling a company's additional information requests. The most effective ones try to anticipate needs and answer questions before they are asked.

If you learned of an important issue during the prospect visit, now is the time to address it. If the subject is involved and requires a lengthy explanation, maintain the same level of quality and attention to detail as in your initial written presentation.

Many follow-up presentations are brief. Only a few elaborative details may be needed on an item, but usually they are required immediately. A fax machine, there-

more, has become a necessity in today's economic development office. Tomorrow, E-mail may become just as necessary.

There are varying levels of follow-up. An initial presentation contains material at a wide variety of subjects. After the round of elimination, more specific information is needed on a select number of factors. As the candidates are narrowed to a fewer number, an even greater degree of specificity is required. Follow-up presentations on specific subjects are just as important as written and personal presentations about the community.

Some economic development agencies hire consulting firms to analyze local attributes for targeted operations. Such reports (for instance, *The Suitability of Yourtown as a Location for Distribution Facilities*) can lend a great deal of credibility to community presentations. They are particularly useful as a follow-up device.

Do all this and you may become a finalist. You will then have the opportunity to try and close the deal by preparing a formal proposal.

Formal Proposals

Face-to-face and in writing, you have presented information about what you have company. Now, it is time to emphasize what you propose to do for them. A formal proposal does three things:

It describes the ways you intend to reduce their initial project costs and annual operating expenses, in summary form and in a detailed explanation of each item.

It contains letters of commitment, and even legal agreements, backing up everything that is promised. It also includes letters about non-cost factors the company deems important.

It conveys the powerful image of a can-do community, having the commitment and capacity to serve the company and management team over the long term.

Rather than having sections with tabbed dividers, proposals often have numbered pages with a table of contents, making it easier to find any one item. To illustrate, reproduced below are the main categories of a 70-page proposal that helped close the sale for a 1,200-employee plant; individual items under these categories were listed by the number:

Project Expediting and Cost Savings
Cost-Reduction Incentives

- Letters Pertaining to the Site and Utilities
- Letters Describing Tax Abatements
- Letters About Labor Availability, Cost and Training
- Letters Addressing Union Climate
- Letters Explaining Existing Industry Assistance Benefits
- Letters About Reducing Relocation Costs
- Letters Offering Favorable Home Loans for Transferred Executives
- Letters Describing Other Quality-of-Life Attributes.

It is common for proposals to be hard-bound and embossed with gold leaf lettering. In addition to written proposals, economic developers occasionally produce special-purpose videos outlining their unique locational advantages and financial inducements for major projects.

This brings up a subject that has caused a great deal of consternation in the economic development profession, namely the increased use of financial incentives, resulting in an escalation of the bidding war. Do not expect a truce. The competition (for companies seeking to reduce costs and the locations trying to attract them) is simply too intense. For instance, the corporate real estate executives who say they actively seek incentives jumped from twenty-eight to fifty-seven percent during 1988-1993, according to surveys by *Site Selection* magazine. At the same time, the number of states offering tax credits for new jobs rose thirty-eight percent and the number offering free land increased by twenty-eight percent. Basic kinds of financial incentives found in formal proposals are:

- cash grants directly to a company, or money paid to others to reduce a firm's project expenses
- low-interest-rate financing, using public funds
- giving away or dropping the cost of something that is already owned, such as property
- infrastructure improvements, usually benefiting a broad area as well as the company
- providing specific services, like free employee training, through existing program budgets

tax exemptions, which involves giving up something that previously had not been received.

Some prospects will ask you and other finalists to submit a proposal that guarantees a free site, fully serviced and ready to build on. They do not consider this to be an incentive and they will not accept your cost to provide it as constituting money in their corporate pocket. They do not care if it costs you one dollar or million; it is simply their way of comparing such factors on an equal basis.

Economic developers must be both aggressive and prudent. It is imperative to deploy enough weapons to win the project, while avoiding the ricochet of excessive inducements. If you quantify what is available (even federal government incentives like JTPA) and the competition does not, you will have an advantage.

The benefits must exceed the costs, however, and you must be able to explain it in a way the average citizen understands. Some communities and states include a recapture clause in their proposals, where incentives have to be returned if job or investment promises are not kept. Of course, it is naïve to offer incentives if a company would come anyway, but this situation is rare indeed.

There will be times when your financial incentives will not be competitive or when it makes no economic sense to offer some of them. Other locations will have the ability and propensity to offer more. Then, the only option is to "outwant" the competition. To that end, here are examples of other inducements which can be included in a proposal:

- the approval of all permits will be expedited
- building owners will provide free office space during the construction period
- spouses of transferees will receive help in finding jobs
- banks will extend home mortgage and bridge loans on favorable terms
- attorneys will donate their legal services
- hotels will comp rooms during house-hunting trips
- retail stores will offer discounts to all new employees
- hospitals will give free care for the first year they are in town

colleges will provide free tuition to the children of relocated executives.

Do everything possible to portray a community wide commitment to save the company and its management team time and money. Convey the intent and ability to be immediately responsive to their business and personal needs, both initially and throughout the future. Create an atmosphere of trust, acceptance, personal concern and guaranteed performance. This can result in a very real comfort level, so great that a CEO will choose your community over one which offers larger financial incentives, but which lacks such a commitment. Sometimes, this approach works; when everything else is equal, it invariably does.

The sole purpose of a formal proposal is to justify a corporate location decision in your favor. Contrasted to presenting objective information, as in an initial presentation, this is the time to sell. It probably will be the final opportunity to close the sale, so make certain your proposal is forceful and compelling. After all, there are no rewards for second place in this profession.

THE END RESULT

Project-specific presentations require a lot of thought, hands-on effort and investments in computer hardware and software. The end result indicates to a prospect not that the area is seeking new facilities of any type, but that it wants this one particular project and has the best location for it. It also demonstrates a commitment to customer service and responsiveness that will benefit them upon becoming a corporate citizen.

SUMMARY

To summarize, if you...

- contact prospects sooner than your competitors,
- present materials directly related to their unique interests more effectively,
- corroborate everything during their visits in a more professional manner,
- ensure all their questions and concerns are addressed better than your competitors do.

show specifically how they can make more money in your area than anywhere else, and

make it easier for them to reach this conclusion,

while providing a community that is perceived more attractive...

Then you'll have a competitive edge—especially over those who mail a standard propaganda package.

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