



# Methods for Analyzing Business Opportunities

*This market analysis can be used to begin the analysis of business development opportunities. This section provides a framework for assembling relevant data from previous sections for the analysis of selected retail, entertainment and service business categories.*

This market analysis is intended to build the capacity of Milwaukee Downtown BID 21 to perform targeted business retention, expansion and recruitment activities. Appendix A helps to examine specific business categories by assembling relevant data from prior sections.

While the data collected in this market analysis may be insufficient to adequately support a detailed feasibility study, it does provide enough information to help guide preliminary business retention, expansion and recruitment efforts. Appendix A is not intended to replace the activities of commercial brokers and independent site selectors but complement the work of these individuals and assist potential entrepreneurs.

Data in this market analysis can be used to guide objective economic development efforts including:

1. determining if the district is ready to launch an expansion or recruitment effort for a particular type of business;
2. assisting prospective entrepreneurs and business developers with objective market data; and
3. supporting economic development marketing efforts that objectively promote the benefits of doing business in Downtown Milwaukee.

Figure A.1 provides a flowchart illustrating how data in this market analysis can be used to assess market conditions for specific types of retail, entertainment and service businesses. The data is used to develop quantitative and qualitative assessments of market demand for the selected business category. Demand is then compared with current and projected supply to quantify the particular business category's market potential.

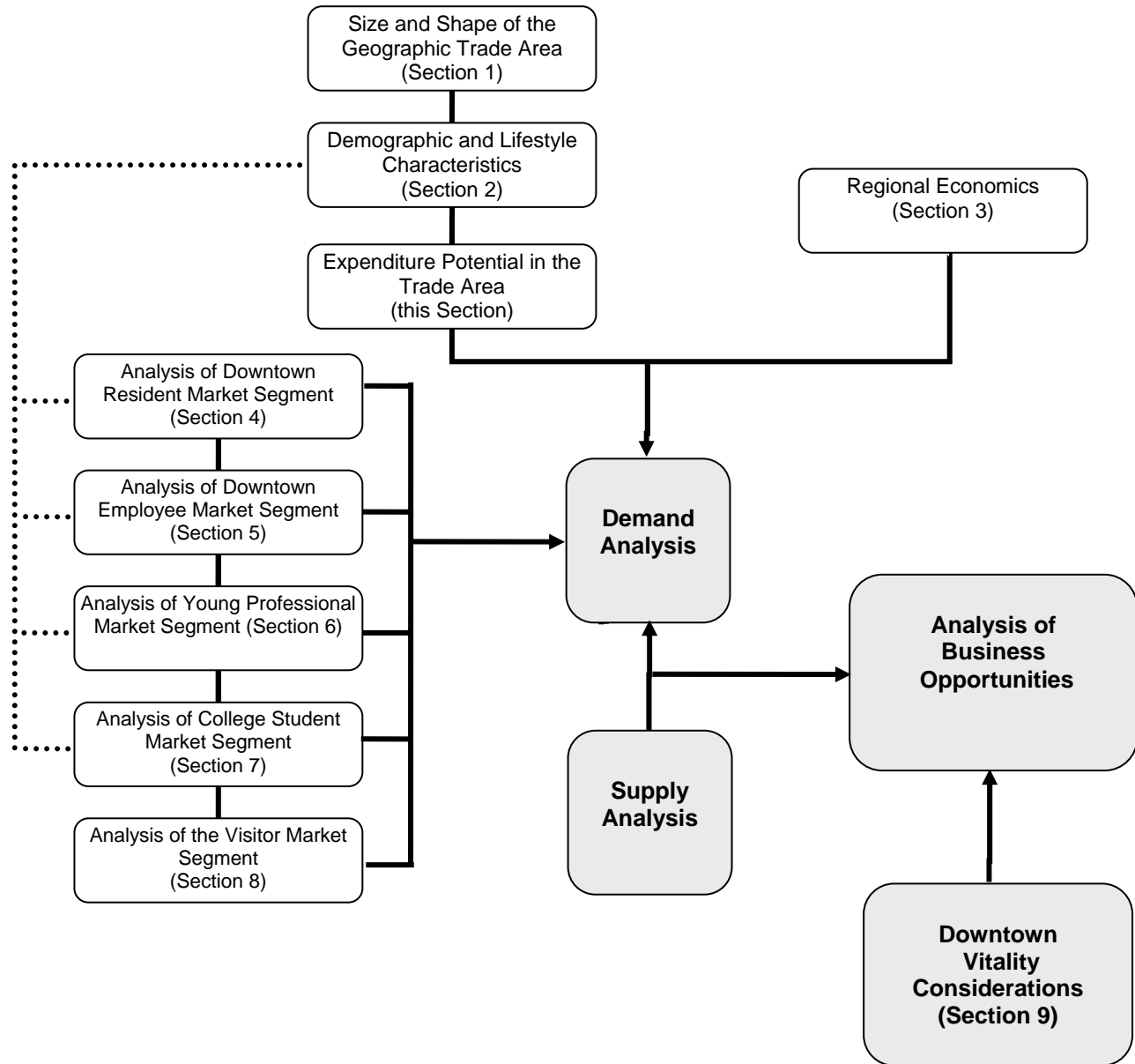
Additional considerations related to Downtown's future economic vitality are also considered. These considerations might include expected changes to the Downtown area that will strengthen demand for the business category being analyzed.

Demand and supply data coupled with future downtown vitality considerations provide an objective basis for encouraging or discouraging expansion or recruitment in a particular business category.

The process in this section can be used to analyze the market for the business gaps and opportunities identified in Section 9. It can also be used on-the-fly to examine business ideas as they emerge.

The Business Opportunities Analysis Form (Form A.1) is designed to summarize findings for each business category examined. It is based on Figure 2.1 and provides a systematic tool for assembling relevant data from this market analysis. Information to help complete this form is provided in the balance of this section.

**Figure A.1 – Analysis of Business Opportunities Flowchart**



## **Demand Analysis**

Demand refers to the desire to purchase, coupled with the power to do so, in a particular business or product category. As the flowchart indicates, each section of this market analysis contributes to the analysis of demand. Due to the complexity of measuring demand, both quantitative data (such as expenditure potential) and qualitative data (perceptions and behaviors of consumers) are drawn from the market analysis to gauge overall market support.

### *A.) Size and Shape of the Geographic Trade Area*

Depending on the business category, one of the three trade areas identified in Section 1 should be selected. These trade areas include the Downtown Study Area, the Primary Destination Trade Area, and the Secondary Destination Trade Area. The study area chosen should be the smallest geographic area that captures at least 75% of likely customers. For example, a neighborhood dry cleaner may be able to generate 75% of its customers from the immediate Downtown Study Area, but a men's clothing store may need to rely on a larger area including the Secondary Trade Area to generate 75% of its customers.

Given the number of potential convenience trade areas for downtown businesses, the Downtown Study Area may not be precise enough to serve as an "overall" convenience trade area. Businesses focusing on convenience goods and services may be better analyzed using a more customized trade area. Further, existing businesses that have prior market knowledge of their drawing power, or their probable trade area, may want to use their own area definition.

### *B.) Demographic and Lifestyle Characteristics*

Demographic and lifestyle characteristics of the trade area as determined above must also be analyzed. Particular attention should be placed on those characteristics that reflect the type of consumers most likely to utilize a particular business category. For example, percent of home ownership may be an important attribute when analyzing the market for furniture or building material stores. Data describing the demographics and lifestyles in the three trade areas are included in Section 2 and Section 4.

For businesses categories with trade areas different than those identified in Section 1, demographic and lifestyle data can be assembled with assistance from a private data firm. Online services from providers like ESRI Business Information Solutions and Claritas can help define these trade areas and provide the associated data.

### *C.) Expenditure Potential in the Geographic Trade Area*

Expenditure demand can be estimated for a business category or by product type.

*Business Category* - Once the trade area is selected and demographic data is assembled, an approximation of spending potential can be calculated. Expenditure potential can be calculated based on the 2002 US Census Bureau's Economic Census data for Wisconsin. Wisconsin business sales for the subject business category can be divided by state population to estimate per capita sales. Per capita sales can then be adjusted for inflation (13%) to estimate 2006 levels. Expenditure potential is then estimated by multiplying the population in the subject trade area by state per capita sales. The estimate can be then adjusted up or down based on the trade area's per capita income relative to the State's per capita income. These calculations have already been made in Table A.1 for a selection of businesses often found in downtown

and business districts. This method can be replicated for other businesses not included in the table.

*Product Type* – An alternative approach to estimating expenditure demand is to examine spending by product type (instead of by business category). The University of Wisconsin-Milwaukee Employment and Training Institute provides comparison data on purchasing power for various products for all census tracts, residential zip codes, and the 100 largest metro areas in the U.S. The profiles are designed to help assess the advantages of urban density for underserved city neighborhoods. Their web site contains expenditure demand by product type for census tracts or zip codes and is available at:

<http://www.uwm.edu/Dept/ETI/PurchasingPower/purchasing.htm>

#### *D.) Consumer Behaviors and Preferences by Market Segment*

In addition to studying the geographic trade area, it is equally important to examine the behaviors and preferences of the five market segments discussed in detail in this market analysis (Sections 4 - 8). For each of the five segments (downtown residents, downtown employees, regional young professionals, area college students and visitors), national trends and local market characteristics should be summarized as they relate to the subject business category. For example, the growing economic power of college students, the number of college students in Milwaukee, and their lifestyles and spending patterns could be discussed in the analyses of electronics stores, movie theaters, apparel stores. The focus group findings presented in each of the market segment sections can also be used to summarize opportunities and issues applicable to Downtown Milwaukee.

Finally, the “Expected Level of Demand from Target Market Segments” in Table A.1 is an initial attempt at summarizing which segments will generate high demand for the selected business categories. They are based on the how the consumer preferences of each market segment align with a corresponding business category. The table also indicates those categories that could serve multiple market segments. This table should be modified based on the user’s own assessment and interpretation of data in this market analysis. In addition, the expected level of demand does not account for the existing supply of these goods or services, or the quality and performance of existing businesses.

**Table A.1 - Spending Potential by Business Category**

NAICS	Selected Business Category	Expenditure Potential*			Expected Level of Demand from Target Market Segments**				
		Study Area Demand	Primary Trade Area Demand	Secondary Trade Area Demand	Residents	Office Workers	Young Professionals	College Students	Visitors
	<b>Retail Stores:</b>								
44211	Furniture	3,086,636	37,391,854	128,795,139	△△△	-	△	-	-
4422	Home Furnishings	2,842,353	34,432,586	118,602,026	△△△	-	△△△	-	-
44311	Appliance, Television, and Electronics	4,982,614	60,359,944	207,908,047	△△△	-	-	△△△	-
44312	Computer and Software	870,112	10,540,637	36,306,913	△△△	△△△	△△△	△△△	-
44313	Camera and Photographic Supplies	95,514	1,157,071	3,985,497	△	△	△	-	-
4441	Building Material and Supplies Dealers	19,151,068	231,998,182	799,110,892	△△△	-	-	△	-
4451	Grocery	29,765,257	360,579,646	1,242,005,950	△△△	-	-	△	-
4452	Specialty Foods	857,155	10,383,672	35,766,251	△△△	△	△	-	△
44531	Beer, Wine, and Liquor	1,516,555	18,371,723	63,280,857	△△△	-	△△△	△△△	-
44611	Pharmacies and drug	10,620,533	128,658,329	443,159,819	△△△	△△△	△	△	-
44612	Cosmetics, Beauty Supp & Perfume	274,477	3,325,045	11,453,019	△△△	△△△	△△△	△△△	△
44613	Optical Goods	460,075	5,573,404	19,197,425	△△△	△△△	△△△	△△△	-
44619	Other Health and Personal Care	601,234	7,283,420	25,087,526	△△△	△	△	-	-
44811	Men's Clothing	338,423	4,099,692	14,121,267	△△△	△△△	△△△	△△△	△△△
44812	Women's Clothing	1,350,790	16,363,616	56,363,991	△△△	△△△	△△△	△△△	△△△
44813	Children's and Infants' Clothing	271,065	3,283,711	11,310,644	-	△	-	-	△△△
44814	Family Clothing	2,676,795	32,427,000	111,693,843	△△△	△△△	△△△	△△△	△△△
44815	Clothing Accessories	130,181	1,577,024	5,432,013	△△△	△△△	△△△	△△△	△△△
44821	Shoe	1,289,431	15,620,314	53,803,711	△△△	△△△	△△△	△△△	-
44831	Jewelry	1,469,670	17,803,747	61,324,481	△△△	△△△	△△△	△	△
45111	Sporting Goods	2,053,640	24,878,023	85,691,616	△△△	-	△△△	△△△	△
45112	Hobby, Toy, and Game	1,022,403	12,385,501	42,661,491	△△△	△△△	-	△△△	△△△
45113	Sewing, Needlework, and Piece Goods	278,816	3,377,604	11,634,059	-	-	-	-	-
45114	Musical Instrument and Supplies	423,693	5,132,665	17,679,313	-	-	△	△△△	-
45121	Book and News Dealers	915,659	11,092,393	38,207,421	△△△	△△△	△△△	△△△	△△△
45122	Prerecorded Tape, CD, & Record	342,628	4,150,634	14,296,736	△	-	△△△	△△△	△
45200	General Merchandise (Department)	22,885,993	277,243,478	954,956,978	△△△	△	△	△△△	-
45311	Florists	519,832	6,297,299	21,690,859	△△△	△△△	△△△	-	△
45321	Office Supplies and Stationery	1,231,426	14,917,634	51,383,349	△△△	△△△	△△△	△△△	-
45322	Gift, Novelty, and Souvenir	1,082,128	13,109,015	45,153,614	-	-	-	-	△△△
45391	Pet and Pet Supplies	559,402	6,776,661	23,342,007	△	-	-	-	-
45392	Art Dealers	152,106	1,842,628	6,346,878	△△△	-	△	-	△△△

NAICS	Selected Business Category	Expenditure Potential*			Expected Level of Demand from Target Market Segments**				
		Study Area Demand	Primary Trade Area Demand	Secondary Trade Area Demand	Residents	Office Workers	Young Professionals	College Students	Visitors
	<b>Food Service and Drinking Places:</b>								
72241	Drinking Places	2,346,500	28,425,768	97,911,719	△△△	△△△	△△△	△△△	△△△
72211	Full Service Restaurants	9,759,032	118,222,003	407,212,200	△△△	△△△	△△△	△△△	△△△
72221	Limited Service Eating Places	8,367,753	101,367,895	349,158,723	△△△	△△△	△△△	△△△	△△△
	<b>Recreation/Entertainment:</b>								
71394	Fitness Centers	858,038	10,394,374	35,803,115	△△△	△△△	△△△	△	-
51213	Motion Picture Theaters	1,051,666	12,740,004	43,882,568	△△△	-	△△△	△△△	△
	<b>Personal Services:</b>								
62441	Child Day Care	1,877,598	22,745,437	78,345,988	△△△	△△△	-	-	-
81211	Barber/Beauty Salons	1,523,258	18,452,917	63,560,527	△△△	△△△	△△△	△△△	-
81231	Coin-op Laundry	108,487	1,314,226	4,526,814	△△△	-	-	△△△	-
81232	Dry Cleaners	374,102	4,531,916	15,610,052	△△△	△△△	△△△	-	-
812113	Nail Salons	25,388	307,557	1,059,369	△△△	△△△	△△△	△	-
81291	Pet Care/Grooming	115,563	1,399,939	4,822,048	△△△	-	△	-	-
81219	Other personal care (diet, weight, etc.)	280,771	3,401,292	11,715,649	△△△	△	△	-	-
	<b>Repair and Maintenance:</b>								
81143	Footwear and Leather Goods	10,287	124,621	429,253	△△△	△	-	-	-
81149	Other/Tailor	134,229	1,626,064	5,600,928	△△△	△△△	△	-	-
	<b>Rental Services:</b>								
53222	Formal Wear and Costume	69,388	840,572	2,895,326	△△△	△△△	△	-	-
53231	General Rental Center	71,716	868,778	2,992,481	△△△	-	-	-	-
53223	Movie Rental	618,550	7,493,183	25,810,047	△△△	-	△△△	△△△	-
	<b>Other Services:</b>								
54192	Photographic Services	426,442	5,165,960	17,793,998	-	-	-	-	-
54194	Veterinary Services	1,529,403	18,527,356	63,816,931	△△△	-	-	-	-
56143	Business Service Center (mail, copy)	343,166	4,157,150	14,319,182	△△△	△△△	△△△	△	-

\*Expenditure potential based on the 2002 US Census Bureau's Economic Census data for Wisconsin. Wisconsin business sales were divided by State population to estimate per capita sales. Per capita sales were then increased by 13% for inflation to estimate 2006 levels. Study Area, Primary Trade Area, and Secondary Trade Area expenditure potential in each business category were estimated by multiplying the population in each of these three areas by the State per capita sales for each business category. The estimates were adjusted up or down based on the area's 2005 per capita income relative to the State's per capita income.

\*\*Expected level of demand based on judgment of study group using data collected in this market analysis. Demand by segment should be reevaluated on a case-by-case basis when examining business development opportunities. Target Market (right side of chart) will not equal expenditure potential estimates because expenditure estimates reflect consumers residing in trade area. In other words, target market segments may reside outside the trade areas.

## Supply Analysis

Supply refers to actual sales, or capacity to sell based on space occupied by existing businesses in a particular business category in the trade area. As the previous flowchart indicates, data in this market analysis focuses on demand, not supply. Accordingly, the supply analysis requires collection of additional information to help gauge actual sales captured, or capacity to sell, in the trade area. Due to the difficulty of collecting accurate data, a few different approaches are offered.

- US Census Bureau, Economic Census can provide data on the average sales per establishment in a business category. These averages can be multiplied by the number of establishments in the trade area after adjusting for their observed success in the market.
- An alternative is to rely on business data from a private source such as infoUSA.com. This particular firm maintains a proprietary database of 14 million US businesses including estimates of employment and sales.
- A third method of estimating sales is to rely on actual trade area sales estimates provided by data firms such as Claritas or ESRI Business Information solutions.

All three approaches are based on assumptions that may significantly impact the accuracy of trade area sales estimates. An alternative method is to estimate sales based on a “back door” approach. By inventorying the approximate square feet of space, number of theater screens, number of restaurant seats, or other capacity measure, sales can be estimated using industry sales ratios (such as sales per square foot). One source for retail and service categories is the Urban Land Institute’s “Dollars and Cents of Shopping Centers” publication. Selected data from this source is available at: <http://www.uwex.edu/ces/cced/dma/9.html>

## Downtown Vitality Considerations

In Section 9, *Opportunities for Building on Downtown Milwaukee’s Competitive Advantages*, key findings from earlier sections of this market analysis were used to develop recommendations to strengthen the overall environment for retail and service, office, residential, and entertainment uses. These recommendations are based on Downtown’s competitive advantages and how its assets could be leveraged to improve Milwaukee as a place to live, work and play.

In analyzing future business opportunities, Milwaukee’s competitive advantages should be considered. Specifically, consideration should be given to opportunities that strengthen a market niche or that develop and connect more vibrant clusters of business activity.

## Developing Conclusions – Analysis of Business Opportunities

The comparison of business demand and supply, coupled with an understanding of the opportunities to strengthen the vitality of Downtown Milwaukee, provide sufficient information to guide initial business retention, expansion and recruitment efforts. For each business category analyzed, a conclusion should be made that supports (or refutes) development opportunities for the subject business category. To the extent possible, the conclusion should identify what specific types of businesses (within the business category) might have greatest market potential.

## Form A.1 - Business Opportunities Analysis Form

Business Category/NAICS Code: \_\_\_\_\_

### Demand Analysis

- Geographic Market

A) Selected geographic trade area (Section 1)

\_\_\_\_\_

B) Demographics and Lifestyles of trade area residents (Sections 2 and 4)

\_\_\_\_\_

\_\_\_\_\_

C) Spending potential in trade area (Table A.1 for spending by business type / UWM Calculator for spending by product type: <http://www.uwm.edu/Dept/ETI/PurchasingPower/purchasing.htm>.)

\_\_\_\_\_

- Targeted Market Segments

D) Behaviors and preferences by market segment (Sections 4 – 8) and Table 10.1)

\_\_\_\_\_

\_\_\_\_\_

### Supply Analysis

- Inventory of businesses in category in trade area:

Business Name	Street Address	Sales Est.	Comments
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	-		

### Downtown Vitality Considerations (Section 9)

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### Conclusion – Analysis of Business Opportunities

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