Section 7

Opportunities to Enhance Downtown Madison's Economic Vitality

The Downtown Madison Market Analysis provides a foundation for business retention, expansion and recruitment efforts. Using this foundation, Section 7 examines a series of broad opportunities for growing Downtown Madison's economic vitality and improving its contributions to the local and regional quality of life. These opportunities build upon the information and conclusions presented in the preceding sections of this report, as well as recognized best practices in downtown economic restructuring.

Downtown Madison has a number of opportunities to maintain and expand its prominence in the regional economy. Some of these opportunities were expressed in the appreciative inquiry process" facilitated by Bert Stitt & Associates in 2004 (see Appendix 7A), while other opportunities have emerged from this research. Downtown Madison's diverse consumers segments, its proximity to large-scale customer traffic generators, its geographic and economic position in the Capital Region, and its unique character offer prospects for growing its economic vitality.

The following discussion examines opportunities based on the information assembled during the market analysis process. The Downtown Madison Market Analysis was a coordinated effort among Downtown Madison, Inc., the Madison Central Business Improvement District (BID), UW-Extension's Center for Community and Economic Development, and UW-Extension Dane County. Financial support was also provided by the City of Madison's Department of Planning and Community and Economic Development. Individuals interested in more specific findings or detailed market data should consult the full report.

Note that the information and opportunities presented in this section are not listed in order of importance. Downtown Madison, Inc., the Madison Central Business Improvement District and other downtown stakeholder groups will need to prioritize those opportunities that are best suited for their members and match their existing and future economic restructuring capacity. Furthermore, the opportunities presented in the following discussion are not intended to be recommendations for specific real estate or business development efforts. ***Real estate developers, investors and individuals interested in new or expanded business opportunities will need to conduct an independent market assessment or feasibility study.***

Opportunities for increasing downtown Madison's economic vitality are structured around ways to better serve key consumer segments and ideas to build upon its commercial and entrepreneurial environment. Additional research needs are also examined as part of these opportunities.

Characteristics and Preferences of Downtown Consumer Segments

The Downtown Madison Market Analysis examines five consumer segments important to downtown businesses: college students, downtown employees, visitors, downtown residents and residents of the downtown Madison trade areas (as defined in Section 2). Understanding the purchasing preferences of these individuals can help existing downtown businesses better serve these consumers. Examining these various consumer segments may also identify an intersection of opportunities for the recruitment of new businesses. Characteristics for each of the five key consumer segments are summarized below.

College students

Over 50,000 college students reside in Dane County with a large proportion of these individuals living either in or adjacent to the Downtown Study Area. Students attending the University of Wisconsin-Madison account for over 75 percent of the region's college enrollment and contribute $175.2 million in regional retail and service (personal and business) expenditures[1]. The college student market segment spends more per person than the national average on food, beverages, and entertainment including movies. Based on local and national spending patterns, many of their product and service expenditures are made on discretionary purchases for electronic entertainment (DVD's, music downloads, video games), other electronic equipment (stereos, MP3 players, computers, televisions), movies, and designer apparel. While a number of these goods and services are available in downtown Madison, purchasing preferences of these college students suggest potential sales leakages and pent-up demand in the categories of apparel, household goods, electronic equipment, and movies. The spending potential of students residing in the Downtown Study Area is included in the expenditure figures presented in Appendix 7B.

Both downtown Madison business owners and national researchers suggest that back-to-school shopping accounts for a notable share of college student expenditures. Nationally, more than half (59.8 percent) of students purchase back-to-college merchandise at a college bookstore, 55.8 percent shop at discount stores, 41.0 percent at office supply stores, 36.1 percent at department stores, and 32.0 percent make back-to-college purchases online.[2] Again, the lack of a downtown department store and downtown discount store suggests that a share of downtown Madison's college student expenditures is potentially leaking to outlying areas.

The importance of technology and electronic entertainment to college students also implies that marketing approaches should consider alternate communications outlets. Creating Podcasts, MySpace pages and Facebook pages for downtown Madison can be used to highlight monthly specials, new products and events. The National Main Street Center's March 2007 issue of *Main Street News* provides a primer for marketing downtowns through podcasting. Downtown business search engine rankings could also be enhanced by better understanding Google's search algorithm and subsequently how to position keywords, create sitemaps, and use Adwords. These techniques may be especially important for businesses maintaining their own websites and may provide an opportunity for a business counseling program given the number of businesses using the Internet suggested by the business operator's survey.

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[1] Source: Northstar Economics. *University of Wisconsin-Madison's Economic Contribution to the Region*. June 2003.
[2] *NRF 2005 Back-to-College Consumer Intentions and Actions Survey*, conducted by BIGresearch; August 2004. http://www.nrf.com/content/default.asp?folder=press/release2005 &file=btc0805.htm

Downtown Employees

In 2000, downtown Madison businesses employed approximately 33,000 workers. While the numbers may have changed slightly, downtown workers are employed largely in white-collar occupations, with specific concentrations in management, business, computer, mathematical, legal, educational, and arts and entertainment occupations. From an industry perspective, public administration accounts for the highest share of downtown employment and reflects the presence of local, state and federal government employees working in the Downtown Study Area. However, downtown Madison's share of knowledge-based occupations also contributes to a concentration of knowledge-based industries including information, educational, health care, professional, scientific, management and administrative services. The Downtown Study Area's importance as an entertainment and visitor destination is reflected in its high share of employment in the arts, entertainment, recreation, accommodation and food service industries relative to the county and the state.

Over one-third (34 percent) of downtown employees live in households with incomes of $75,000 or more (compared to 30 percent in the state). Combined, downtown Madison workers represent $213.2 million in downtown retail spending potential (including dining). Note that downtown worker spending figures reflect spending potential and not actual downtown spending figures. Furthermore, these figures do not reflect worker's total household retail spending potential. While 76 percent of downtown employees are also residents of the primary or secondary destination trade area, the time spent downtown by these workers creates a captive audience for a large portion of the week. Considerations for capturing employee spending potential include having appropriate business hours (i.e. open until at least 6:00 or 6:30 pm) and examining the number of workers within a quarter mile of a given location.

Downtown Residents

With an annual household growth rate of 2.4 percent, downtown Madison added households at a rate faster than either Dane County or the nation between 2000 and 2007. The Downtown Madison Study Area's estimated population is currently 24,339 residents, with a large share of these individuals enrolled in college (72 percent). Given the number of students living in downtown Madison, it is not surprising that a large share (76.6 percent) of downtown residents are between the ages of 15 and 24 and tend to have per capita incomes below the national average. The presence of these college students also contributes to downtown Madison's large share of non-family households, individuals living in group quarters (dorms) and its high mobility rate (i.e. resident turnover).

While college students account for a large number of downtown residents, downtown Madison is experiencing a growing population of individuals between the ages of 25 to 34, and residents ages 55 to 64. Corresponding to these changes is a growing number of owner-occupied housing units and upscale rental developments catering to young professionals and empty-nesters. Between 1995 and 2007, an estimated 1,800 new rental units have either been developed or are currently under construction. During the same time period, 1,340 condominium units were added to downtown Madison through new construction, conversion from rental properties, or adaptive re-use. The number of new downtown housing units (over 3,100) should be showcased on business recruitment materials as a source of investor confidence and growth in downtown Madison.

While downtown condo-dwellers are still a small share of the population, they are creating a new niche for downtown and generating additional demand for neighborhood-serving retail businesses (grocery stores, pharmacies, and hardware stores) as well as service businesses (hair and personal care, fitness, dry cleaners, financial services and pet care). Lifestyle segmentation data for these non-student downtown residents suggest that many of these individuals have high spending propensities for dining out, movies, concerts, leisure activities, apparel, home furnishings, electronics, and sporting goods. The expenditure potential of downtown residents, including students residing downtown, is presented in Appendix 7B.

Visitors

With expenditures of over $1.2 billion, Dane County accounts for the second largest visitor spending in the state of Wisconsin. While expenditure capture rates vary by market segment, downtown Madison's 1,200 hotel rooms, its proximity to UW-Madison, and a concentration cultural and conference facilities, suggest that downtown Madison captures a large share of Dane County's overall visitor expenditures. However, the number of downtown retailers suggests that downtown Madison may be capturing a relatively low percentage of visitor retail spending potential (~5 percent, not including dining). As shopping is the number one visitor activity, enhanced retail offerings and concentrations may provide opportunities to better capture visitor's retail spending potential. Nationally, visitors frequently purchase clothing or shoes, souvenirs, books or music, specialty food/beverages, toys, crafts, and jewelry.

Residents of the Primary and Secondary Destination Trade Areas

Based on an analysis of existing downtown customers, the location of competing shopping destinations, and other geographic limitations, the primary destination trade area (population 137,000) generates approximately 50 percent of the local customers for downtown Madison. The primary destination trade area extends northeast to Commercial Avenue, west to approximately Whitney Way, south to Highway PD and east to Monona Drive. Characteristics of primary trade area residents include large shares of non-family households, individuals ages 20 to 34, and college graduates. Partly influenced by college students living in and around downtown Madison, these demographic categories suggest a highly-mobile population of college students and younger, educated individuals. While average household incomes in the primary trade area are below the national average, these incomes are depressed by the large number of college students living in the area and do not represent the high levels of discretionary income often available to these individuals. The demographic and lifestyle characteristics of primary trade area residents suggest above average spending potential for apparel, dining out, entertainment, electronics, music, and sporting goods.

Complementing the primary destination trade area, the secondary destination trade area (additional population 156,000) generates an added 25 percent of the local customers for downtown Madison. The less captive secondary destination trade area comprises a larger geographic region encompassing most of Madison and Monona, as well as portions of Fitchburg, Middleton and McFarland. The secondary trade area differs somewhat from the primary trade area with its larger proportion of family households, a higher share of individuals ages 35 to 54, median household incomes above the national average, and a larger number of home owners. Many teenagers, important consumers at shopping malls, also reside in this geographic area. Characteristics of secondary trade area residents suggest purchasing preferences for furniture, home improvement, children's goods and services, and entertainment. However, the more distant nature of secondary trade area residents suggests that a distinct shopping environment and business mix will be needed to increase downtown Madison's consumer penetration into these areas. Possible barriers to penetrating this geographic area include issues such as parking and traffic, and the unavailability of national brand and large format stores that are familiar to many of these consumers. The expenditure potentials of primary and secondary trade area residents are presented in Appendix 7B.

Opportunities to Enhance Downtown Madison's Commercial Environment

Given the characteristics and preferences of downtown Madison's consumer segments, the insights of downtown business operators, and the practices and successes of peer cities, opportunities to improve downtown's economic vitality were developed. These opportunities were partly crafted in consultation with the study committee and are rooted in the economic and demographic realities of the trade areas and region. These opportunities focus mostly on street-level economic development opportunities, many related to retail, service and entertainment. Additional opportunities consider downtown Madison's economic and geographic position in the regional economy. These opportunities may stimulate innovative business development ideas that will continue to strengthen economic health of the downtown.

Building Downtown Retail and Service Niches

Downtown Madison's retail environment faces challenges common in other comparable downtowns: growing competition, small storefronts and footprints that constrict commercial options, a variety of public perception issues related to parking and safety, and limited store hours. Furthermore, downtown Madison's unique geographic position creates regional accessibility issues, while its long core retail district potentially dilutes the critical mass of shopping opportunities. Despite these challenges, downtown Madison has a number of unique competitive advantages in the marketplace including its proximity to numerous large-scale customer traffic generators, access to diverse consumer segments, and additional households that are being added at a rate faster than either the county or nation. Further, its uniqueness and "sense of place" are competitive advantages to many consumers over traditional malls and shopping centers. These potential challenges and opportunities suggest that downtown Madison should seek to continually differentiate itself from other shopping destinations in the Madison region. Specifically, downtown Madison should focus on commercial niches that best serve its key consumer segments and build upon its existing retail strengths.

Downtown Madison has opportunities to grow several retail niches that would enhance downtown Madison as a shopping destination, induce new consumer expenditures, and reduce leakage to outlying areas. These niches are based on the intersection of opportunities created by existing competition, local culture, retail opportunities in comparable downtowns, the purchasing preferences of downtown Madison's primary consumer segments, and current downtown retail strengths. Residential consumer demand for individual store types and additional rationale for developing these niches are included in Appendix 7B. *Note that the brands listed in the niche descriptions are not included as business recruitment recommendations, but rather to describe the product mix that fit a given niche. Business expansion and recruitment will likely take the form of mostly local independent businesses with some regional or national brands.*

- *Urban Living* – The urban living niche focuses on goods and services related to home furnishings, furniture and home decorating. The product mixes in these stores could include those similar to a Crate and Barrel and include furniture, gifts, linens, small appliances, cookware, draperies and bed and bath items. Other corresponding products in this niche could include interior design, home electronics, floral shops, vintage furniture, paint, and hardware. A gourmet food and kitchen store similar to Williams-Sonoma may also fit in this niche. While downtown Madison has a number of supply gaps in these categories, the urban living niche complements established downtown retailers such as Rubin's Furniture, Dorn True Value Hardware, and Tellus Mater. Examples of the urban living niche can also be found in Ann Arbor, Austin, and Boulder.

- *Apparel* – Downtown apparel opportunities include upscale women's apparel and accessories, apparel for professionals, apparel for college students, and shoes. Apparel stores targeting students and professionals could include those with product mixes similar to J. Crew, Banana Republic, Anthropologie, Chico's, Talbots and the Limited. Another example, American Apparel, is a sustainable apparel manufacturer located in several of the comparable downtowns and has a product mix appealing to a younger audience. A greater apparel mix would build upon existing strengths in downtown Madison including BOP, Citrine, Gap, Heartland Birkenstock, Jack's Shoes, Jazzman, Karen & Co., Land's End, Sassafras, WinterSilks, Scoshi, Urban Outfitters, and others. Sports and outdoor retailers such as RBK 101, Name of the Game, Insignia, Steve & Barry's, Sports World, and Fontana also complement downtown Madison's apparel niche. Examples of this niche can also be found in Austin, Boise and Boulder.

- *Arts, Gifts and Entertainment* – The arts, gifts and entertainment niche includes downtown dining opportunities, cultural facilities, gift and novelty shops, children's attractions, musical instrument stores, and art studies/galleries. The niche serves both visitors and residents of the primary destination trade area. The arts, gifts and entertainment niche partly relies on downtown customer traffic generators such as the Overture Center for the Arts, downtown lodging establishments, and the Monona Terrace Community and Convention Center. The use of upper-floor space for artists may also be appropriate in selected locations. However, this niche also recognizes that eating and drinking establishments comprise more than 50 percent of the retail businesses located in downtown Madison and that the mix of eating and drinking establishments to retail must be considered. Furthermore, the arts, gifts and entertainment niche acknowledges that unique gift stores such as Pop Deluxe, and art galleries (such as Fanny Garver Gallery) contribute to downtown Madison's unique regional appeal. Downtown Madison may want to further explore the gifts niche in downtown Boulder, Colorado as an example of how unique product mixes, merchandising and gift concepts have created a destination.

  While the downtown restaurant market is somewhat saturated, one notable gap in downtown Madison's arts, gifts and entertainment niche is a first-run, multi screen movie theater. While examples of this niche can be found in all of the peer cities, downtown Lincoln provides a good example of how a multi-screen movie theater can be developed as an anchor to an arts and entertainment district.

- *Neighborhood-Serving Businesses* - Basic goods and services for downtown residents is another niche that is becoming increasingly important with a growing downtown population. While these goods and services contribute to the health of downtown Madison, these retail categories are less dependent on residents of the primary destination trade area and do not necessarily contribute to the overall drawing power of the commercial district. Previously, groceries comprised one notable gap in basic downtown goods and services. However, the development of a second Willy St. Cooperative location in Phase II of Metropolitan Place will partially fill this supply gap. Opportunities for additional grocery stores, and other convenience businesses (dry cleaners, hair salons, pharmacies) should be assessed as the number of downtown housing units continues to grow.

Other potential supply gaps in downtown Madison include department stores, discount department stores, new book stores, and office supply stores. Despite the likely retail leakage in these retail categories, the footprints of these store types may not fit into the character or current land use patterns found in the Downtown Study Area. Nevertheless, some downtowns are exploring opportunities for a large, strategically-placed catalytic retail development which could help fill some of these gaps.

Finally, it is important that downtown Madison provides an environment and atmosphere that is attractive to market segments beyond college students. With the exception of Austin, Texas, downtown Madison has a greater share of eating and drinking establishments than any of the comparable downtowns. An unbalanced mix with too many of these establishments may limit the number of retail spaces in downtown Madison and may be a barrier to broadening the retail market capture. As eating and drinking establishments churn in downtown, property owners may want to consider additional high quality retail tenants that provide synergy and additional support for retailers to capture unmet spending potential.

Developing Business Placement and Clustering Strategies

The length of the State Street commercial district, the location of downtown customer traffic generators, and parking perception problems suggests that downtown Madison should consider the development of a comprehensive business clustering and placement strategy. A placement strategy could be adopted as an educational tool to help prospective business operators and property owners make appropriate business location decisions that could encourage cross-shopping opportunities, avoid potential commercial conflicts, and reduce business turnover. A clustering plan and placement strategies could also assist existing businesses seeking to expand or relocate within downtown Madison. The clustering plan focuses on the primary downtown retail corridor (Map 7.1) and includes the following considerations:

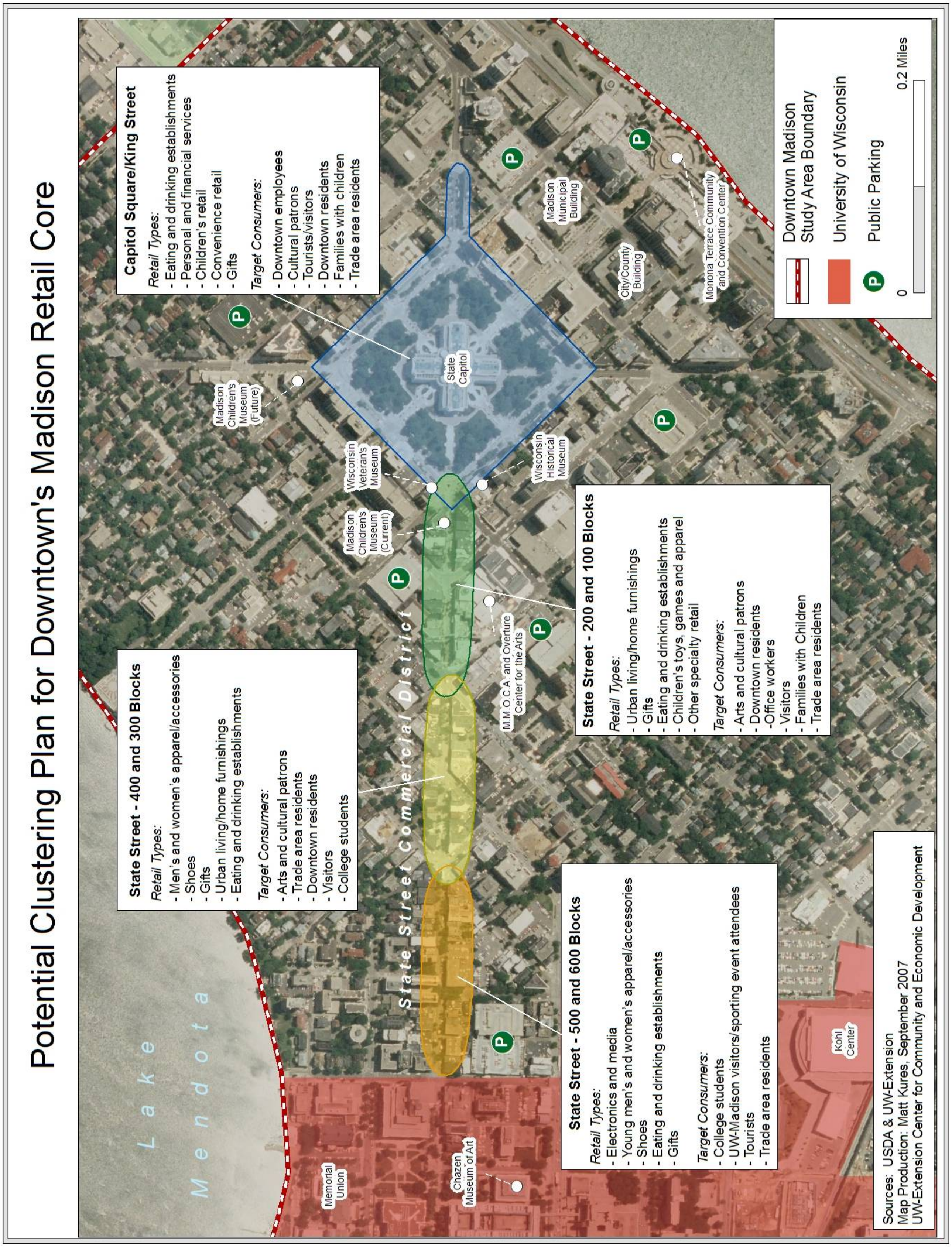
- *100 to 200 blocks of State Street and Capitol Square Area* – Create a critical mass of urban living establishments, gifts, dining, arts and entertainment establishments, and businesses targeting families with children (toys, games, and kid's apparel). The placement of these business types considers existing cultural traffic generators, proximity to downtown condo residents, and concentrations of downtown office workers. Other targeted consumers include residents of the primary and secondary trade areas, tourists and visitors, and families with children. Considering family-oriented activities for these downtown locations builds upon existing family traffic generators (i.e. Dane County Farmer's Market and the Madison Children's Museum) while also avoiding potential commercial conflicts between college students and families.

- *300 to 400 blocks of State Street* – Develop concentrations of men's and women's apparel and accessories, shoes, gifts, home and hearth and dining establishments. Goods and services on these two blocks would serve residents of the downtown Madison trade areas, arts and cultural event patrons, downtown residents, visitors and college students.

- *500 and 600 blocks of State Street* – Build upon the existing cluster of electronics and media, young men's and women's apparel and accessories, eating and drinking establishments, and gifts. The 500 and 600 blocks of State Street should consider college students, UW-Madison visitors, sporting event attendees, and tourists as its primary consumer segments. Residents of the primary and secondary trade areas are also target consumers of these two blocks.

- *Encourage professional and personal services to locate on upper floors* – Furthermore, existing personal and professional services located at street level in the State Street Commercial Corridor should have vibrant window displays to create pedestrian interest and create an illusion of retail continuity.

Map 7.1 – Potential Retail Clustering Plan for Downtown Madison's Retail Core



Prioritizing and Initiating Business Retention, Expansion and Recruitment Activities

Downtown Madison's retail niches can be enhanced through the targeted recruitment of businesses that complement existing goods and services in each identified niche. More importantly, these niches can be supported by also offering retention and expansion assistance for existing businesses. Specific business retention, expansion and recruitment activities are listed below and are partially based on best practices in downtown economic restructuring as well as the results of the business operators' survey. Again, *these activities are not necessarily suggested as activities for staff of the Central BID or DMI. Instead, the Central BID and DMI should prioritize those activities that can be effectively accomplished in-house, those that can be addressed through partnerships with other economic development organizations, and activities that can be pursued by volunteers.* UW-Extension can provide facilitation assistance in prioritizing the following activities:

- *Assist existing businesses identify and develop opportunities for growth and expansion* - A team or individual focusing on existing businesses can be of great assistance in identifying opportunities for growth and expansion. Specific expansion activities could include:
    1. Making the results of this market analysis available to downtown business owners and operators;
    2. Facilitating cross-marketing activities among existing businesses in downtown Madison's retail niches (apparel, urban living, and arts, gifts and entertainment). These activities could include cross-promotional opportunities or joint advertising efforts;
    3. Providing the Community Tapestry lifestyle segmentation information to existing businesses and training them how to use the information to better understand their customers or identify new product lines or services;
    4. Remaining up-to-date on business trends by attending trade shows, joining industry organizations, or subscribing to retail industry publications. Downtown Madison stakeholder groups may want to consider sending a delegation to the ICSC annual convention in Las Vegas.
    5. Assisting existing business owners in opening a complementary new business by providing market research, assisting in the site selection process, and providing other business assistance (i.e. identifying financial assistance, understanding of local codes and business regulations, etc.).
    6. *Continuing and expanding on existing effective programs such as the BID Map and Guide, BID Ambassadors program and BID Weekly email updates* - The BID and DMI programs are instrumental in strengthening the customer experience and the ability of businesses to work together with focus and direction. Examining safety issues, or the perception of safety, may be important future topics for BID programming.

- *Study expanded business hours through a supplemental analysis of downtown pedestrian counts and daily and seasonal activity patterns* – Respondents to the business operators' survey suggested openness to expanded business hours. Additional understanding of downtown patterns would be useful in determining the most promising periods for expanded district-wide operating hours.

- *Create recruitment and marketing collateral materials based on the information in this market analysis* – Active business recruitment can accelerate the retail development process. Collateral materials should include one-page summaries of trade area resident demographics as well as overviews of the downtown student, visitor, resident and office market segments. Additional materials could include a summary of downtown customer traffic generators, lists of businesses associated with the aforementioned niches, and other material relevant to downtown business recruitment. Materials should be shared with downtown property owners and commercial brokers. A web-based portal could be developed to provide valuable market information and disseminate business recruitment materials.

- *Share the value of a downtown location as part of the business retention and recruitment process* - Respondents to the business operator's survey have a high level of satisfaction with their downtown location. The value of a downtown location could be captured in short case studies and shared with prospective business operators as part of Madison's business recruitment materials. The information can specifically be used to counsel selected regional businesses that might consider an additional downtown location.

- *Encourage downtown property owners and commercial brokers to enter and maintain building and site data into the Location One Information System (LOIS), Property Drive or other inventory management systems* – Providing up-to-date data on downtown vacancies will help the Central BID, REDE, and other economic development organizations provide information to prospective businesses interested in a downtown Madison location.

- *Host business prospects visiting downtown Madison* – Bringing potential business investors and operators downtown provides the opportunity to tell the downtown Madison's story through first-hand experiences. Existing business operators could be part of a team that hosts new business prospects.

- *Connect entrepreneurs with business assistance providers* **–** Encourage entrepreneurship by building more formal programmatic linkages with UW-Madison, Edgewood College and MATC. Develop a list of business development organizations and their respective services. These organizations should include the Wisconsin Entrepreneurs Network (WEN), SCORE, UW-Madison's Small Business Development Center, and the City of Madison's Office of Business Resources. While these resources will be useful for new business owners, increasing the awareness of and participation in the UW-Madison Small Business Development Center's educational programs may help existing businesses in their marketing/branding/advertising, business planning, and business market analysis activities. Similarly, businesses suggest a need for greater education about the financing and loan programs available to them.

- As the size of existing retail space is limited, explore infill opportunities for large, strategically-placed, catalytic retail developments that could help fill some of these gaps identified.

- *Update demographics, regional economic data, consumer segment descriptions, and market recommendations on an annual basis* - UW-Extension can assist in assembling the necessary data to update this market analysis. Establish benchmarking criteria with peer city downtowns and create an on-going exchange of information and business development leads that might be fitting for any or all of these downtown districts.

In addition to these activities, it is important that potential improvements to the physical environment be examined on a continual basis to set the stage for business expansion and recruitment. For example, some of the improvements identified by business operations include additional pedestrian directional signs, parking-stall availability signs, and additional landscaping/flower planters.

Building on Downtown Madison's Position in the Regional Economy

Downtown Madison has opportunities to build upon both internal and external aspects of the broader regional economy. From an internal perspective, the greater Madison region has a strong entrepreneurial climate that provides opportunities for new business growth in downtown Madison (both street level and upper floors). From an external perspective, downtown Madison has a central position in a region with numerous competitive advantages including a growing population, a deep pool of human capital, and a high quality of life. While downtown Madison faces competition from other regional, national, and international sites, it has a number of competitive advantages that differentiate it as a commercial location. Opportunities to build upon these regional competitive advantages include:

- *Promoting downtown as a center of knowledge*. – Downtown Madison's proximity to UW-Madison and the region's educated workforce provides access to knowledge spillovers for existing companies, and recruitment opportunities for new employees engaged in professional and technical occupations. Promoting downtown as a center of knowledge also complements the Greater Madison Convention and Visitor Bureau's positioning statements.

- *Marketing downtown Madison's worker amenities* – While downtown Madison faces challenges related to employee parking and accessibility, it also enjoys a concentration of worker amenities including dining establishments, entertainment facilities, and personal services unavailable in other portions of the region. Amenities also include the availability of multi-modal transportation options for workers living in the area and new live-work opportunities created by new downtown housing developments.

- *Facilitating connections to business services and promoting downtown Madison as a de-facto business incubator* – While the Network 222 building includes physical business incubation space, the entire Downtown Study Area serves as an open air business incubator. Developing lists of entrepreneurial support organizations (WEN, SBDC, etc.), and an inventory of downtown establishments providing business services (copy centers, office supply stores, meeting places, etc.) would help to connect new businesses with these needed resources. Lists of networking locations, sources of small business financial assistance, and affordable office vacancies would also support downtown entrepreneurs.

- *Promoting downtown commercial space to businesses connected to industry clusters in the state and region* – Downtown Madison is an ideal location for many of the professional and technical services that complement industry clusters in both the state and the Capital region. These clusters include health care, insurance, bio-technology, food product manufacturing, information technology, among others. Downtown Madison also provides immediate access to the state's government center, one of the largest employers in Dane County.

- *Working with the newly formed Regional Economic Development Entity (REDE) to provide information about the region's labor force, industry trends, and economic conditions to prospective companies* - REDE will become an important partner in providing comprehensive regional economic and workforce information and in marketing the region.

- *Promoting Downtown Madison as a Place for Networking* – Networking is an increasingly important activity for both labor and firms. Firms of all sizes develop webs of relationships to help them achieve the speed, quality, flexibility and knowledge essential for competitive advantage. Downtown Madison's dense environment of businesses, restaurants, bars, coffee shops, and wired public spaces provides an ideal environment for networking and developing relationships.

Appendix 7A – Appreciative Inquiry Findings, Bert Stitt & Associates, 2004

The Downtown Business Summit project, branded as “The Downtown Dynamic,” was facilitated by Bert Stitt July 29, 2004 using the innovative *Appreciative Inquiry* process. This unique four step dialogue model engages participants to think creatively and deeply about their environment while focusing on observing what works well and envisioning how to build on that for a healthy and vibrant future regarding a particular topic, in this case, the downtown business climate with emphasis on retailing.

Summary of the Appreciative Inquiry Process

The process incorporates four phases; Discovery, Dream, Design, and Destiny. For this project there were two ‘public invitation’ sessions held for each phase. The ‘Destiny’ phase resulted in a set of four ‘Strategic Directions’ to be pursued; (business) Advocacy, Business Mix, Education and Training, and Research; each populated by a dedicated group of people who proceeded to undertake research and identify actions for each area (see http://appreciativeinquiry.case.edu/)

What Works Well

- Free Entertainment (music, farmer’s market, fairs, art)
- Appreciation of Diversity
- University (students, sports, employment, destination)
- Beauty, History (architecture, natural)
- Community (activity, participation, cooperation, locally owned businesses, safety)
- Congestion (business, energy, safety)
- Transportation (ease of walking and biking, human scale)
- Desirability to live/work/play in same place
- State Street (activity, destination, uniqueness, walkability)

How to Improve

- Promote downtown businesses and services to non-downtown residents
- Increased 24-hour activity other than bars (businesses open later, more Sunday activity)
- Save small local establishments (lower rent, preservation of small retail spaces, support from city and landowners, continual growth and promotion)
- Improve street-level vitality (business/residential balance, retail/office mix, diversity of retail, mixed use development, new entertainment destinations for people of all ages)
- More grocery options downtown (larger grocery store/supermarket, specialty food stores)
- Mixed views supporting and opposing corporate chain and department stores
- More public lakefront spaces (open all year around)
- Bring more activity to Capital Square
- Alternative Transit (alternatives to cars; public transportation, regional transport, rail)

Methods

- Cooperative business assistance (awards, planning assistance, database, grant writing, websites, recruitment and retention programs, cooperative advertising, regular surveying, educational and training opportunities)
- Organization: better event management, branding program, integration of business & government, strategic planning, expand hospitality program
- Transportation: commuter & intercity rail, pedestrian design (linkages, wayfinding, corridors, safety), reduce need for cars, bike friendly (parking, lanes, amenities)
- Development: façade improvement plan, “destination” parks, building design awards, historic preservation, expand public library, cleanliness, beautification, frontages of pedestrian interest

Appendix 7B - Spending Potential by Business Category

NAICS	Selected Business Category	Expenditure Potential ($)*			Relative Demand from Primary Consumer Segments** △△△ High △△ Medium △ Low			
		Downtown Study Area Demand	Primary Trade Area Demand	Secondary Trade Area Demand	College Students	Downtown Employees	Visitors	Downtown Residents
	Retail Stores:							
44211	Furniture	2,196,092	22,651,197	57,432,467	△△	△	△	△△△
4422	Home Furnishings	2,022,288	20,858,535	52,887,143	△△	△	△△	△△△
44311	Appliance, Television, and Electronics	3,545,049	36,564,782	92,710,580	△△△	△	△	△△△
44312	Computer and Software	619,071	6,385,296	16,190,018	△△△	△△△	△	△△△
44313	Camera and Photographic Supplies	67,957	700,929	1,777,217	△	△△	△	△△
4441	Building Material and Supplies Dealers	13,625,675	140,539,610	356,340,388	△△	△	△	△△△
4451	Grocery	21,177,499	218,431,552	553,836,628	△△	△	△	△△△
4452	Specialty Foods	609,852	6,290,210	15,948,925	△	△△	△△	△△△
44531	Beer, Wine, and Liquor	1,079,005	11,129,203	28,218,268	△△△	△	△	△△△
44611	Pharmacies and drug	7,556,338	77,938,505	197,614,302	△△	△△△	△	△△△
44612	Cosmetics, Beauty Supp & Perfume	195,286	2,014,242	5,107,142	△△△	△△△	△△	△△△
44613	Optical Goods	327,336	3,376,251	8,560,537	△△△	△△△	△	△△△
44619	Other Health and Personal Care	427,769	4,412,142	11,187,056	△	△△	△	△△△
44811	Men's Clothing	240,782	2,483,507	6,296,970	△△△	△△△	△△△	△△△
44812	Women's Clothing	961,065	9,912,733	25,133,891	△△△	△△△	△△△	△△△
44813	Children's and Infants' Clothing	192,858	1,989,203	5,043,655	△	△△	△△△	△
44814	Family Clothing	1,904,497	19,643,593	49,806,638	△△△	△△△	△△△	△△△
44815	Clothing Accessories	92,621	955,328	2,422,249	△△△	△△△	△△△	△△△
44821	Shoe	917,409	9,462,457	23,992,209	△△△	△△△	△	△△△
44831	Jewelry	1,045,646	10,785,135	27,345,878	△△	△△△	△△	△△△
45111	Sporting Goods	1,461,132	15,070,582	38,211,697	△△△	△	△△	△△△
45112	Hobby, Toy, and Game	727,423	7,502,875	19,023,658	△△△	△△△	△△△	△△△
45113	Sewing, Needlework, and Piece Goods	198,373	2,046,082	5,187,872	△	△	△	△
45114	Musical Instrument and Supplies	301,451	3,109,260	7,883,578	△△△	△	△	△
45121	Book and News Dealers	651,476	6,719,538	17,037,494	△△△	△△△	△△△	△△△
45122	Prerecorded Tape, CD, & Record	243,774	2,514,367	6,375,216	△△△	△	△△	△△
45200	General Merchandise (Department)	16,283,014	167,948,257	425,835,442	△△△	△△	△	△△△
45311	Florists	369,852	3,814,771	9,672,411	△	△△△	△△	△△△
45321	Office Supplies and Stationery	876,140	9,036,788	22,912,918	△△△	△△△	△	△△△
45322	Gift, Novelty, and Souvenir	769,916	7,941,165	20,134,948	△△	△△	△△△	△△
45391	Pet and Pet Supplies	398,006	4,105,158	10,408,693	△	△	△	△△
45392	Art Dealers	108,221	1,116,225	2,830,207	△	△	△△△	△△△

Appendix 7B - Spending Potential by Business Category

NAICS	Selected Business Category	Expenditure Potential ($)*			Relative Demand from Primary Consumer Segments** △△△ High △△ Medium △Low			
		Study Area Demand	Primary Trade Area Demand	Secondary Trade Area Demand	College Students	Downtown Employees	Visitors	Downtown Residents
	Food Service and Drinking Places:							
72241	Drinking Places	1,669,497	17,219,731	43,660,899	△△△	△△△	△△△	△△△
72211	Full Service Restaurants	6,943,393	71,616,398	181,584,502	△△△	△△△	△△△	△△△
72221	Limited Service Eating Places	5,953,521	61,406,535	155,697,233	△△△	△△△	△△△	△△△
	Recreation/Entertainment:							
71394	Fitness Centers	610,481	6,296,693	15,965,363	△△	△△△	△	△△△
51213	Motion Picture Theaters	748,244	7,717,626	19,568,162	△△△	△	△△	△△△
	Personal Services:							
62441	Child Day Care	1,335,881	13,778,707	34,936,127	△	△△△	△	△△△
81211	Barber/Beauty Salons	1,083,773	11,178,388	28,342,978	△△△	△△△	△	△△△
81231	Coin-op Laundry	77,187	796,131	2,018,602	△△△	△	△	△△△
81232	Dry Cleaners	266,168	2,745,339	6,960,851	△	△△△	△	△△△
812113	Nail Salons	18,063	186,311	472,395	△△	△△△	△	△△△
81291	Pet Care/Grooming	82,221	848,053	2,150,253	△	△	△	△△△
81219	Other personal care (diet, weight, etc.)	199,764	2,060,431	5,224,255	△	△△	△	△△△
	Repair and Maintenance:							
81143	Footwear and Leather Goods	7,319	75,493	191,413	△	△△	△	△△△
81149	Other/Tailor	95,502	985,035	2,497,572	△	△△△	△	△△△
	Rental Services:							
53222	Formal Wear and Costume	49,368	509,201	1,291,087	△	△△△	△	△△△
53231	General Rental Center	51,025	526,288	1,334,410	△	△	△	△△△
53223	Movie Rental	440,088	4,539,212	11,509,244	△△△	△	△	△△△
	Other Services:							
54192	Photographic Services	303,406	3,129,430	7,934,719	△	△	△	△
54194	Veterinary Services	1,088,145	11,223,482	28,457,315	△	△	△	△△△
56143	Business Service Center (mail, copy)	244,157	2,518,314	6,385,225	△△	△△△	△	△△△

**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 16% for inflation to estimate 2007 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 2007 per capita income relative to the State's per capita income.*

*** Expected level of demand based on 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.*