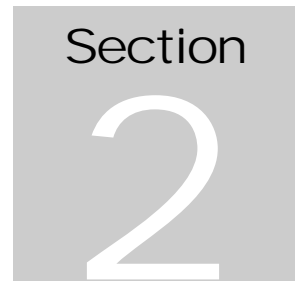


Size and Shape of the Superior BID Trade Areas



This section analyzes the extent and shape of the Superior Business Improvement District's (BID) various trade areas. The trade area boundaries defined here will serve as the basis for additional analyses throughout this report.

A trade area is the geographic region that generates the majority of customers for a given establishment or commercial district. A downtown commercial district typically has several trade areas of varying size that are influenced by its critical mass of establishments, the mix of existing businesses, downtown employee commuting patterns, convenience and accessibility, and its proximity to competition. Examining these factors relative to Superior provides insight into the size and shape of potential trade areas for the BID.

Each individual business in Superior BID has a unique trade area. The distinct trade area for an establishment will depend on factors ranging from the type of business to the variety of products and services sold. Certain business types will only attract local customers, while other categories have the potential to draw customers from throughout a broader region. For purposes of this analysis, two types of trade areas are examined for the Superior BID

- *Superior Primary Trade Area* – This reflects the area that local businesses draw customers from for day-to-day purchases. These purchases include goods and services that consumers purchase with minimal effort and often at the most accessible store (often referred to as convenience purchases). Convenience goods are characterized by relatively low costs and frequent purchases. Gasoline and groceries are examples.
- *Superior-Duluth Combined Trade Area* – This covers a broader area that recognizes the cross-shopping between the Twin Ports cities. It includes destination-shopping for goods and services that consumers typically purchase after comparing price, quality, and brands. Automobiles, furniture, and appliances are examples of destination goods. Other retailers offering a unique consumer draw are also considered destination-type businesses.

In this section, two factors are considered when defining the Superior Primary Trade Area and the Superior-Duluth Combined Trade Area:

- *Drawing power of existing businesses* – The customer origin of existing BID businesses provide insight into the distance that local and regional residents will travel.
- *Location of the BID relative to other competing commercial centers* – Other shopping destinations compete with the Superior BID and impact the shopping habits of local and regional residents.

Drawing Power of Existing Businesses

The drawing power of individual businesses provides insight into the potential size and shape of trade areas for Superior BID. For most businesses, the region that generates 50 to 75 percent of its customers often constitutes its primary trade area. Depending on the products or services sold, the trade areas of these businesses can be used to approximate an overall Superior Primary Trade Area and a Superior-Duluth Combined Trade Area.

To evaluate the drawing power of individual establishments, customer locations (zip codes) were provided by three BID businesses. While the individual business names are not identified, they represent a mix of convenience and destination-type goods and services.

Information from each business was mapped and analyzed using Geographic Information Systems (GIS). Map 2.1 shows a map of one of the business' customers and its subsequent drawing power. While each of the three BID businesses analyzed has a unique trade area, several general patterns emerge as a result of the customer origin analysis:

- The three BID businesses analyzed attract 50 to 75 percent of their customers from within a 10-mile radius. Two Wisconsin zip codes (54880-Superior and 54874-South Range) and three Minnesota zip code areas (55804-Duluth northeast shoreline, 55803-Duluth far north and 55811-Duluth northwest) generated the highest percentage of customers.
- Of the three businesses, the business selling the most convenience-oriented products generated 83 percent of its customer from the Superior zip code area (54880).
- The two other more destination oriented businesses generated many more customers from Minnesota (45 and 59 percent of their customers).

In summary, the BID's convenience oriented business drew heavily from nearby zip codes. These zip codes provide one indicator of the geographic size of the Superior Primary Trade Area. The BID's destination oriented businesses drew significantly from Minnesota zip codes. These out-of-state zip codes provide one indicator of the geographic size of the Superior-Duluth Combined Trade Area. Residents of these zip codes are probably drawn to shopping destinations closer to their homes such as the Miller Hill Mall or downtown Duluth. Accordingly, it would be unrealistic to classify these distant zip code areas as part of the Superior Primary Trade Area (for day-to-day convenience oriented purchases) as it would overstate the population and spending potential of the market. Nevertheless, for certain destination oriented businesses, it is important to recognize the size of the broader market in the metropolitan area.



Blatnik Bridge connecting Duluth to Superior. Source: city-data.com

Map 2.1 – Sample Customer Origin



Location of BID Relative to Other Commercial Centers

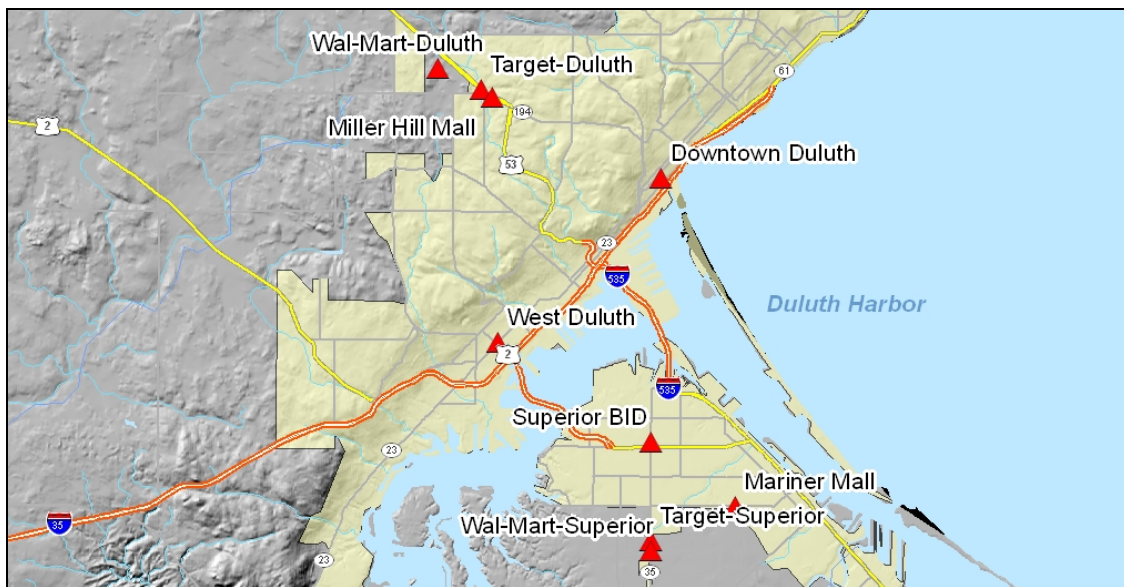
Competitive commercial centers in the Superior-Duluth area and the broader region provide a second basis for determining trade areas. The relative location of each center should be considered for determining the Superior Primary Trade Area. All these commercial centers are located within the Superior-Duluth Combined Trade Area.

Superior-Duluth Major Commercial Centers

For retail, restaurants and other service businesses, the Superior BID's primary competition includes commercial centers in both Superior and Duluth. They are listed and illustrated below.

- Superior's South Tower Ave. area (Wal-Mart and Target) is two miles south of the BID
- Superior's Mariner Mall (285,000 SF) on 28th Street is two miles southeast of the BID
- The West Duluth area along Route 23, three-miles across the Duluth Harbor via U.S. 2
- Downtown Duluth, approximately five-miles north of the BID via I-535
- Miller Hill Mall (760,000 SF) and nearby businesses including Target and Wal-Mart, all approximately eight-miles north of the BID in Duluth.

Map 2.2 – Commercial Centers in the Superior-Duluth Area



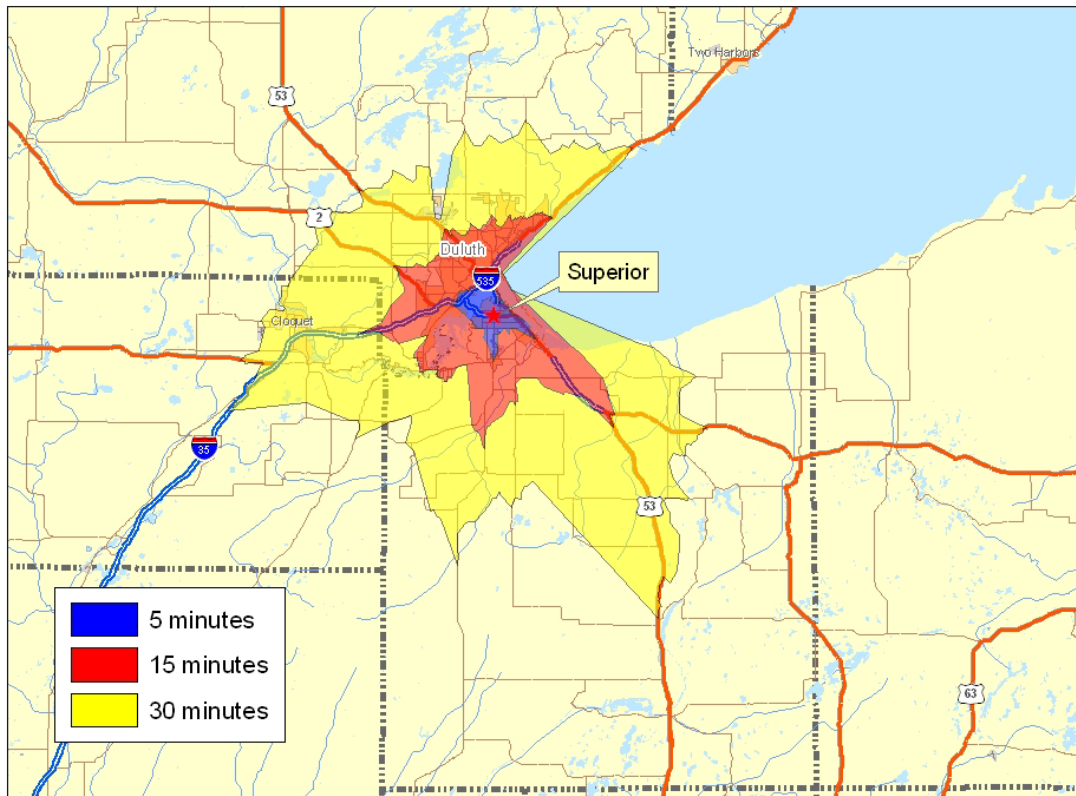
The BID's convenience trade area is determined in part by other commercial centers in the metro area.

Because of the compact nature of Superior-Duluth urban area, travel times (absent of unusual traffic issues) are shorter than that of major metro areas. This allows consumers to travel freely among commercial centers. Urban resident here are able to select from various shopping destinations based on selection, amenities, price, and other factors. This supports the notion that certain destination businesses in Superior compete for customers from throughout a Superior-Duluth Combined Trade Area.

However, drive-time analysis can be used as another method to help determine the trade areas based on proximity. A 5-, 15-, and 30-minute travel time around the Superior BID is presented on Map 2.3. The shape of these drive-time areas is influenced by the street and highway network as well as the travel speeds on those thoroughfares. The map indicates that from a

convenience shopping perspective, the Superior BID is easily accessible from throughout the City of Superior and from West Duluth.

Map 2.3 – Drive Time to the Superior BID



Other Northwestern Wisconsin Commercial Centers

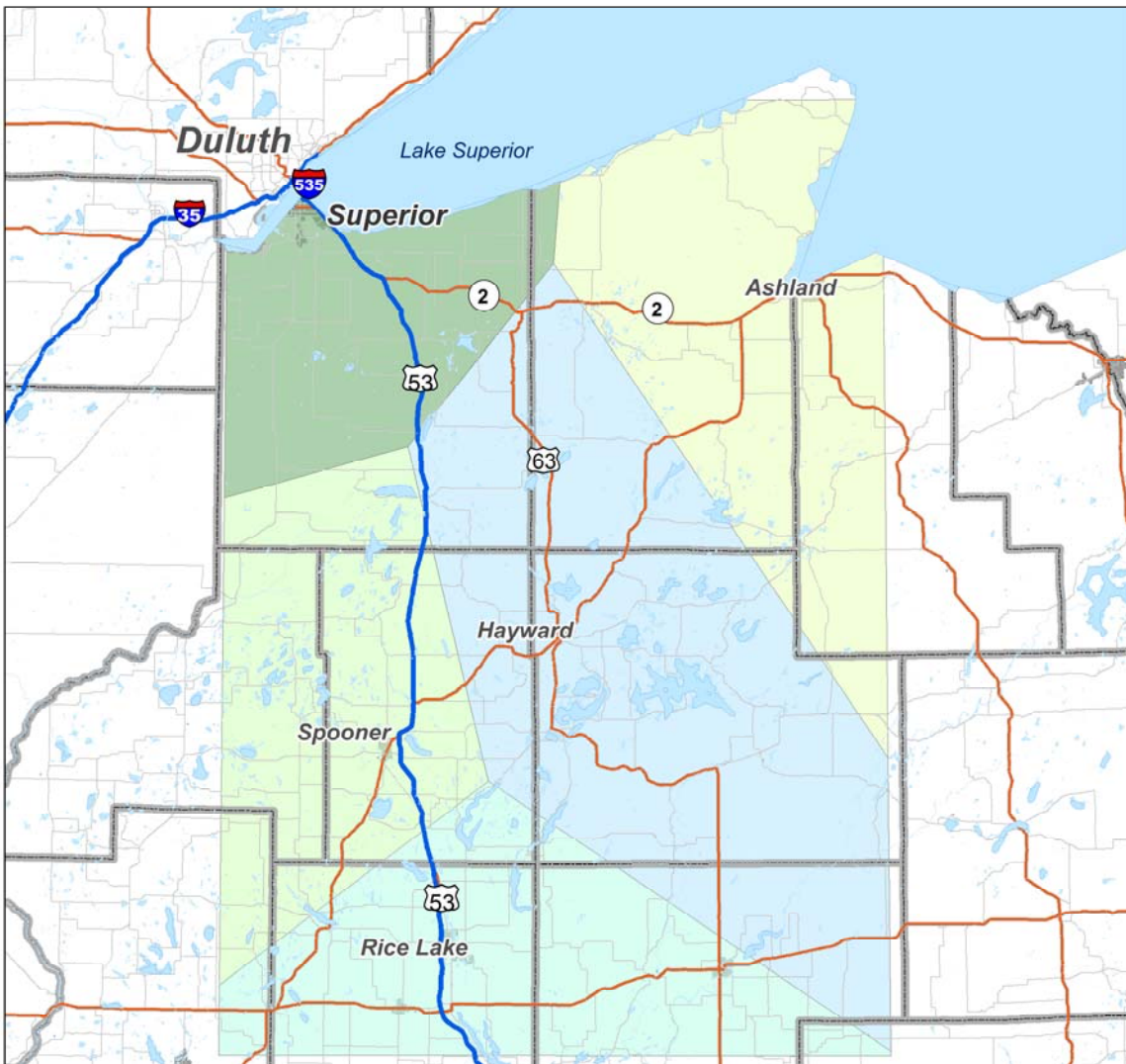
In addition to commercial centers in the immediate Superior-Duluth area, other smaller commercial centers exist in northwestern Wisconsin. These include the Wisconsin communities of Spooner, Hayward, Ashland, and Rice Lake.¹

These regional centers have their own trade areas (and day-to-day retail centers) and need to be considered when determining the Superior BID’s reach to the south and east. The Superior trade areas should not encroach upon these other areas (base on the assumptions that residents are pulled to the nearest commercial center as measured by drive-time).

A geographic analysis of the Superior BID relative to four other commercial centers to the south and east in Wisconsin are illustrated in Map 2.4. Here the northwest Wisconsin region is divided into separate geographic areas based on “equal competition trade areas. These areas are based on the midway point between each of the four regional commercial centers. Much of Douglas County provides a reasonable Primary Trade Area (separate and distinct from other commercial centers in the region).

¹ Rural Minnesota communities should not be included here as they are more closely aligned with Duluth due to their proximity to I-35. Accordingly, with the exception of a portion of West Duluth, rural Minnesota communities should not be included in either of the Superior trade areas.

Map 2.4 – Destination-Based Equal Competition Areas



Sources: ESRI Business Analyst 2004 and UWEX

Equal Competition

- Superior EC
- Ashland EC
- Spooner EC
- Rice Lake EC
- Hayward EC

- State Boundary
- County Boundary
- Highway
- Freeway System (National)



Conclusions

The Superior BID trade areas as proposed below reflect the potential convenience and destination drawing power of the overall BID (not the exact trade areas of individual businesses). The trade areas proposed reflect future potential, not necessarily what is captured today. Furthermore, the boundaries of these trade areas are considered to be fluid in nature. Specifically, customers within these trade areas will travel to other shopping destinations, while customers from outside the trade areas may shop at Superior BID businesses.

A determination of the size and shape of the BID's trade areas considered the following:

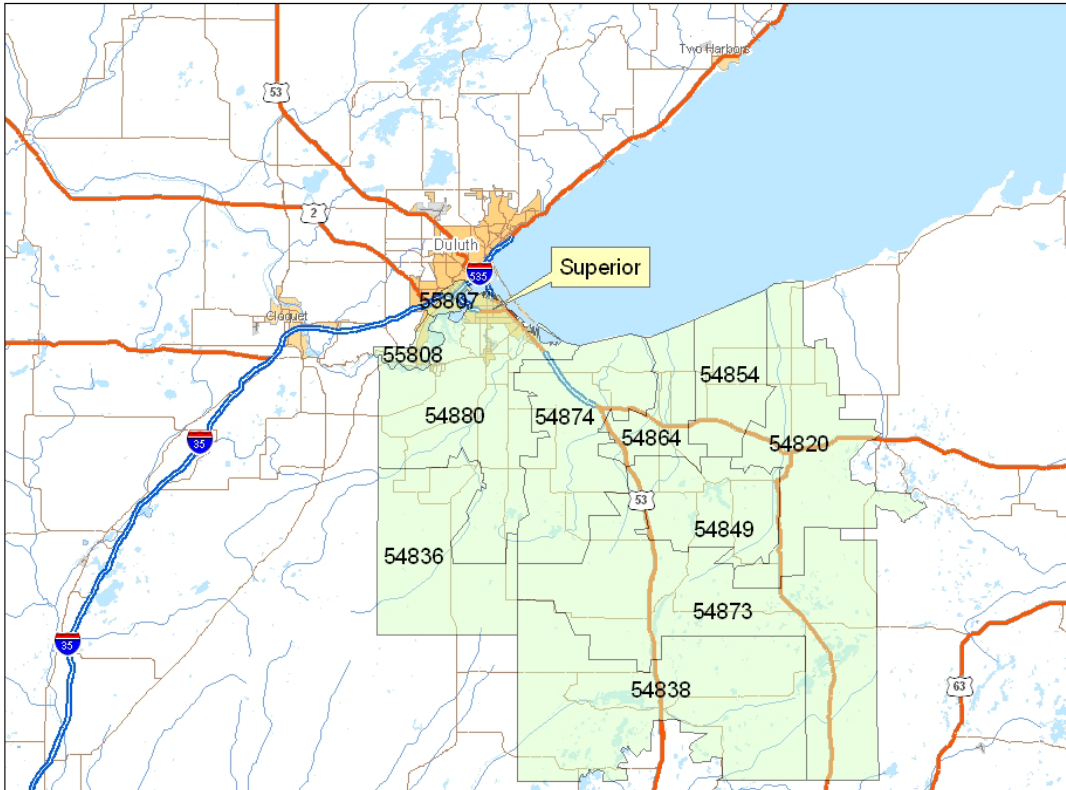
- While many customers originate from Duluth, it is believed that most of these customers are first drawn to other commercial centers closer to home for day-to-day purchases. To avoid exaggerating the size of the geographic market for the Superior BID, a Superior Primary Trade Area was developed that describes the area in which consumers making day-to-day purchases are pulled first to Superior.
- The Superior-Duluth Combined Trade Area recognizes that customers for many destination oriented businesses come from Duluth. It closely reflects the 30-minute drive-time area (around the BID) as presented earlier in this section. Destination oriented businesses have an opportunity to penetrate this larger metropolitan market.

Based on the above, the follow zip codes provide a reasonable geographic definition for defining the BID's trade areas. These trade areas are depicted on Maps 2.5 and 2.6, and will be used later in this study.

Superior Primary Trade Area
54820 – Brule, WI
54836 – Foxboro, WI
54838 – Gordon, WI
54849 – Lake Nebagamon, WI
54854 – Maple, WI
54864 – Poplar, WI
54873 – Solon Springs, WI
54874 – South Range, WI
54880 – Superior, WI
55807 – Duluth (West Duluth, MN)
55808 – Duluth (Morgan Park, MN)

Superior-Duluth Combined Trade Area
54820 – Brule, WI
54836 – Foxboro, WI
54838 – Gordon, WI
54849 – Lake Nebagamon, WI
54854 – Maple, WI
54864 – Poplar, WI
54873 – Solon Springs, WI
54874 – South Range, WI
54880 – Superior, WI
55718 – Carlton
55720 – Cloquet
55733 – Esko
55779 – Saginaw
55797 – Wrenshall
55802 – Duluth
55803 – Duluth
55804 – Duluth
55806 – Duluth
55807 – Duluth (West Duluth, MN)
55808 – Duluth (Morgan Park, MN)
55810 – Duluth
55811 – Duluth
55812 – Duluth

Map 2.5 – Superior Primary Trade Area



Map 2.6 – Superior-Duluth Combined Trade Area

