Strategic Planning Through Transformation Strategies – Owatonna, MN
February 2018

Sponsored by:

Prepared by
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Introduction

The "Main Street Refresh" initiative aims to rethink the traditional Main Street model so the program is more responsive to economic context and its outcomes are directly measurable. The Minnesota Main Street Program, a program of the Preservation Alliance of Minnesota, has rolled out the Refresh process as part of a pilot in Owatonna, MN.

Every community has a unique set of place-based assets, anchors, and consumer markets that help to define a healthy business district. Enhancing those efforts through a targeted economic development strategy requires a more thorough understanding of the marketplace. One of the best ways to help retain existing businesses and recruit new ones is by preparing information about the specific customers who are currently served or who could be served by your business district. The local commercial revitalization program provides a very important benefit by developing a comprehensive analysis of the district market that aligns vision and consumer data with transformation strategies that drive the organization's revitalization programming. Most market analysis consultants perform their work and provide local community leaders simply with information. The Main Street approach is to work hand-in-hand with organization leaders to understand the market data and develop comprehensive and execution driven strategies to deliver economic development results. This approach accomplishes several goals.

- Builds local knowledge and understanding of your district's economy in order to create a foundation for successful revitalization;
- Identifies current strengths of the business mix and existing business clusters
- Supplies relevant consumer data to the revitalization program so it can help existing businesses become stronger
- Identifies opportunities for future business attraction and business cluster expansion
- Builds a strategic framework for niche development, including real estate development, business development, promotions, marketing, branding, etc.

This philosophy is enveloped within the new Main Street Refresh. At the core of the Main Street Refresh are economically-grounded "Transformation Strategies." These Strategies will serve as the foundation for the revitalization program's work. Most of activities within the organization's annual workplan as part of the 4-Point Approach should then be guided by the Strategies and aligned around an agreed direction and outcome. As part of the technical assistance, and as an aid to making the new format easier to adopt, the National Main Street Center developed nearly 20 "off-the-shelf" strategies that can be employed in a range of conditions seen across a variety of communities. These are, essentially, ready-made Transformation Strategies. They are a place to begin and can be customized along the way. We have called this initial set "Catalyst Strategies." The goal of the provided service was to assist the Owatonna Main Street program to identify the strategies that are the best fit by using information they already have in hand or that can be easily obtained through data and survey collection.

Executive Summary

The following relates to a Strategic Planning Transformation Strategy analysis and development technical assistance visit held on February 6, 2018. Attendees included Sarina Otaibi, State Coordinator for Minnesota Main Street, and Matthew Wagner Ph.D., Vice President of Revitalization Programs, National Main Street Center.

For Owatonna, the team familiarized itself with the district by touring the district, reading background materials, evaluating data, and holding a pre-survey exercise. We then evaluated key data sets (demographics, buying power, sales leakage, and business inventory) and, based on what was learned from the site visit, market data and community feedback, proposed five possible Transformation Strategies. The draft strategies were presented at an evening board meeting to assess reaction and garner feedback.

This memo summarizes the following:

- Draft Transformation Strategies
- Workplan Template with Starter Activity Ideas
- Community Survey Results
- Basic demographic, psychographic and trade area characteristics
- Sales leakage
- Business Mix Characteristics
- Community Asset Identification

The outcome of the inputs (community survey; review of community and business assets, and market data) resulted in the development of four (4) recommended transformation strategies for consideration by the Owatonna Main Street program and its key stakeholders. The recommended transformation strategies are as follows (please note they are explained in greater detail in the body of the report contained herein):

1. ***Dining and Entertainment***
2. ***Workers and Residents***
3. ***Health and Recreation (Stretch)***
4. ***Small Scale Production (Stretch)***

The transformation strategies are reflective of either a key identified consumer group, or business cluster that is already prevalent and thus can be further expanded and/or has potential and thus will likely require more resources, capacity and “building blocks” to fully establish. While listed, it’s important to call out that Transformation Strategies (#3) and (#4) are considered more “stretch” strategies in that while elements exist they would take additional work in order to implement and thus should be considered more long-term opportunities. Relative to strategies that are already present, we believe that building off the dining and entertainment (#1) and local workers and residents present within the community (#2) make the most sense in the early stages of your programming.

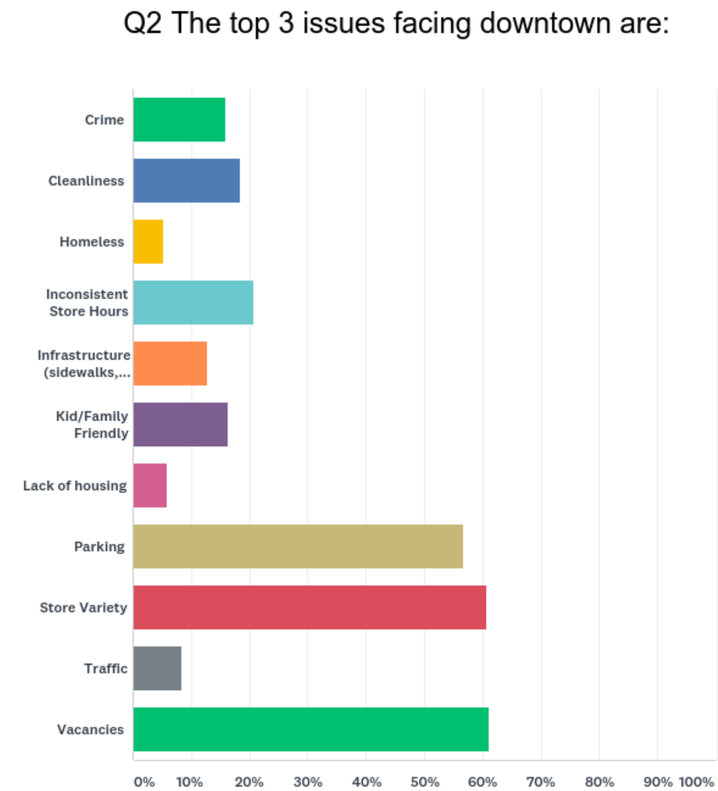
The next step in this process will be a scheduled webinar to review and align on a selected strategy(s) and to discuss a work planning process to begin the hard step of incorporating the strategy(s) into current work plans and new activities that better relate and move the transformation strategies forward.

Community Survey Results

In total 438 community surveys were collected using the online survey tool Survey Monkey. Questions geared toward ascertaining attitudes about downtown and shopping habits were obtained from a wide distribution and cross-section of the community. The following represents a breakdown of those responses. An excel spreadsheet with each survey response is provided in an attached electronic document.

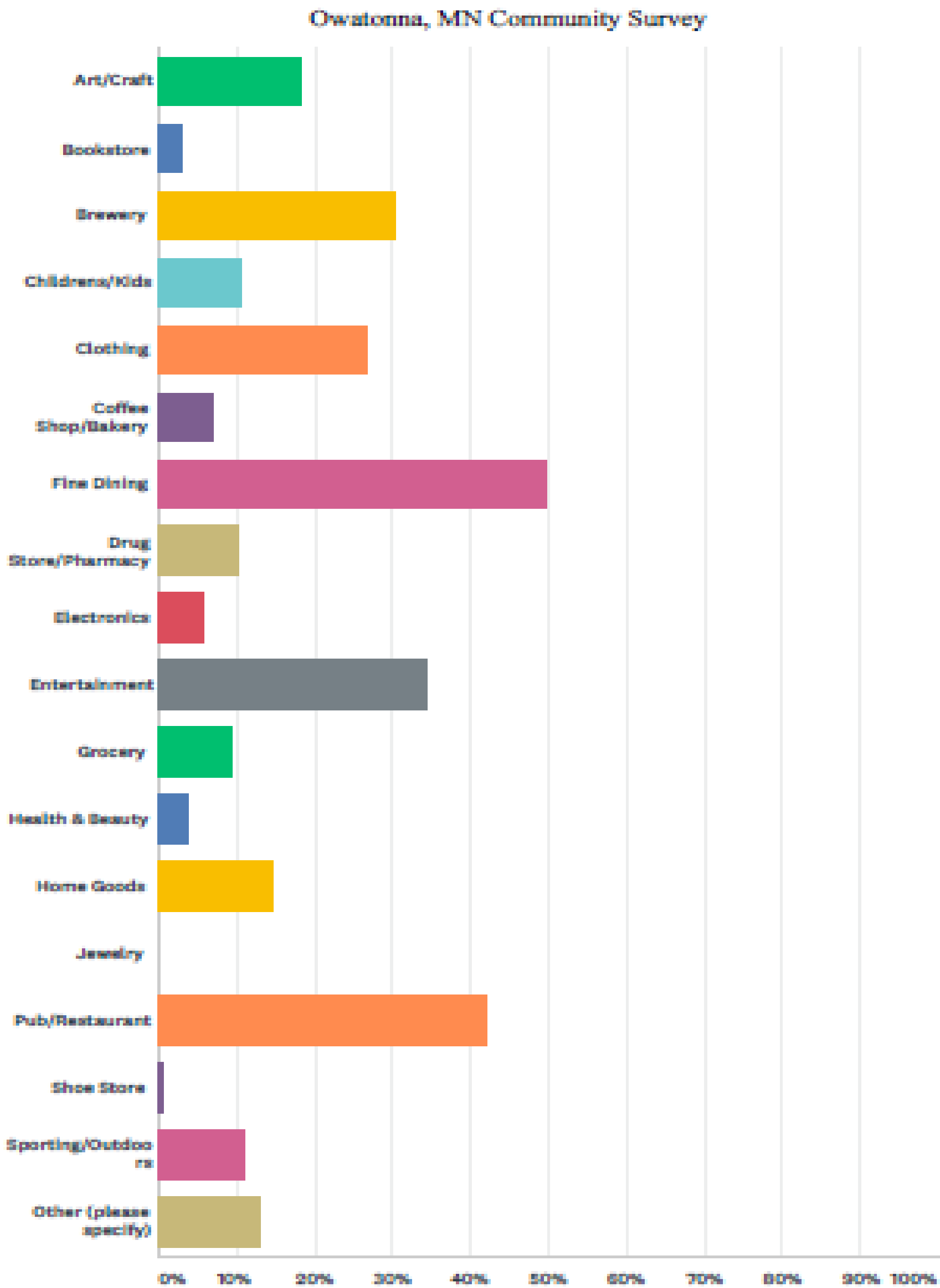
1. Three Words You Would Use to Describe Downtown?

2.



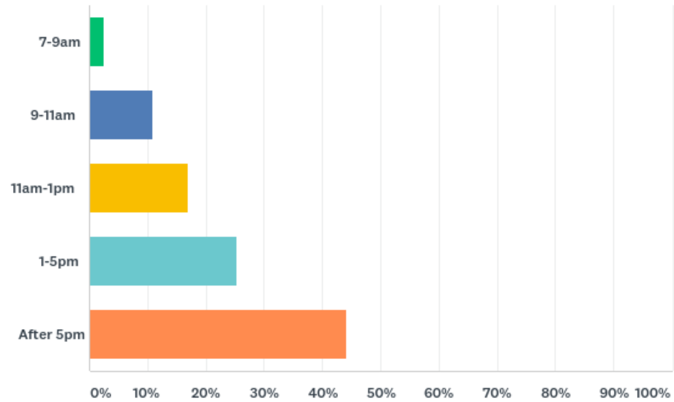
3. Businesses do you Most Frequent in Downtown?

4. What Store Types Would You Like to See Downtown?



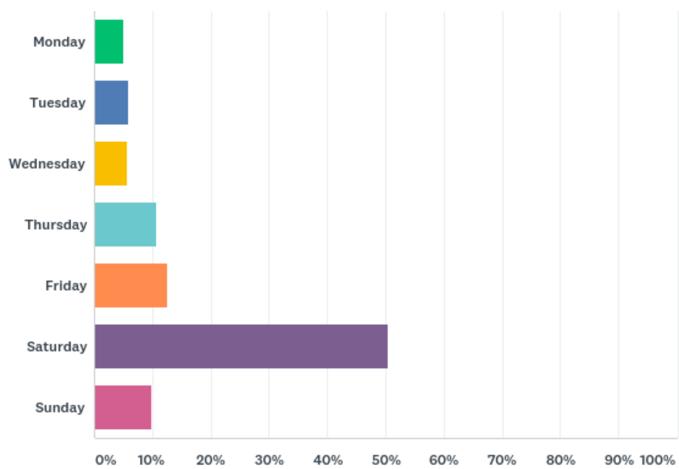
5.

Q5 What time of day do you most typically do you shopping (not just downtown)?



6.

Q6 What day of the week do you most frequently shop (not just in downtown)?



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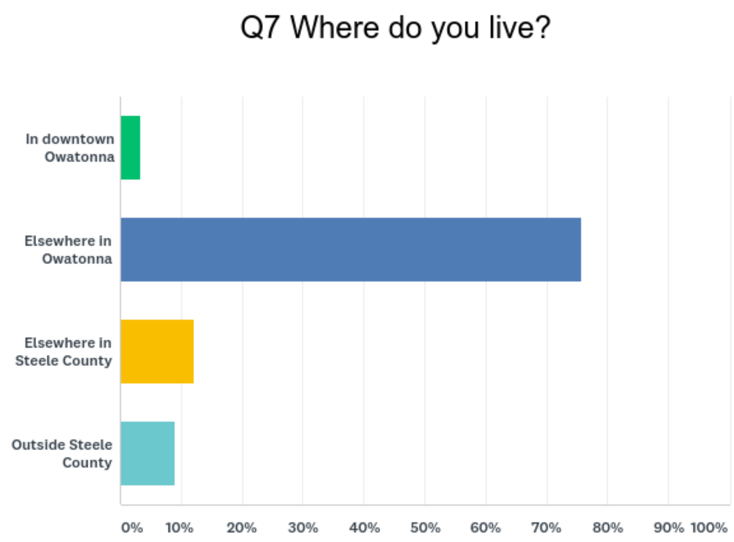

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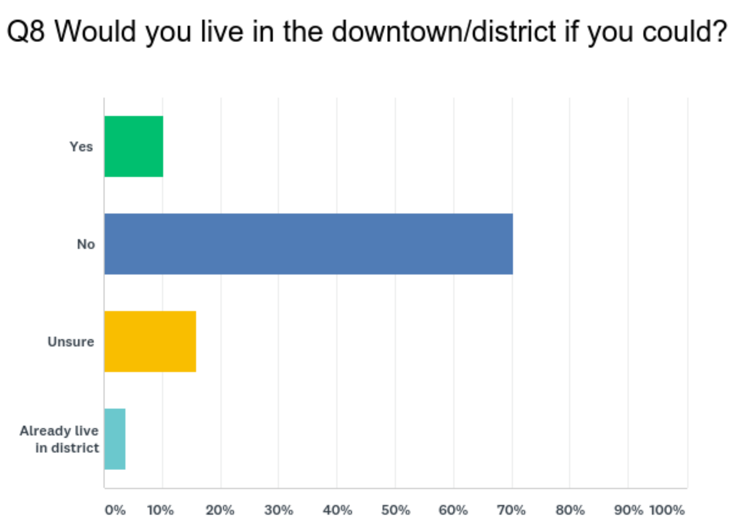
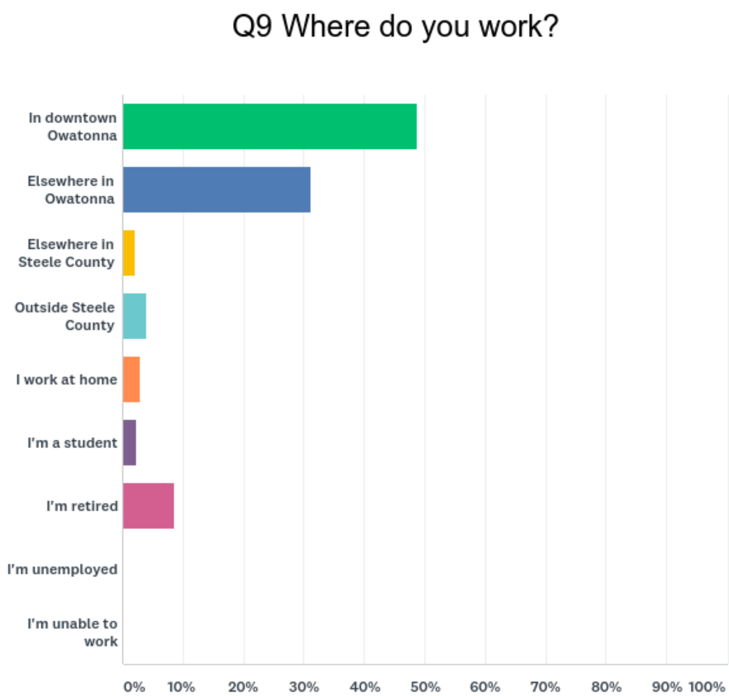


It should be noted that in a follow-up question as to if Not, why, most of the responses fell into the following areas:

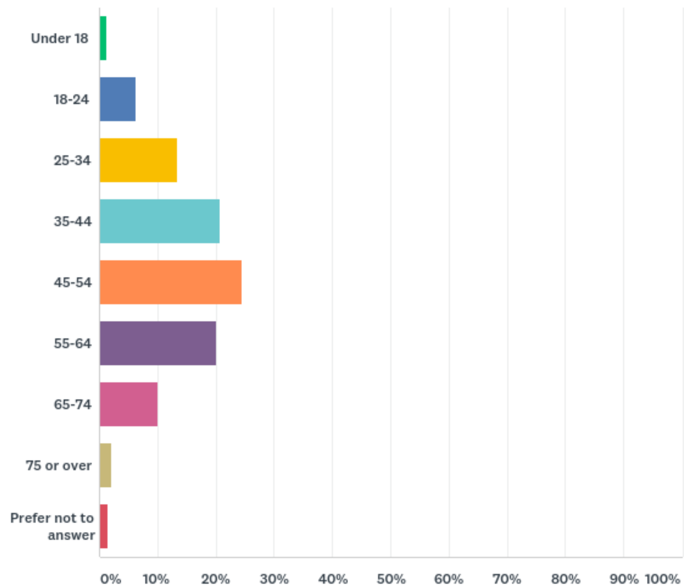
- Already have a home
- Like a yard
- Like Country Living

9.



10.

Q10 How old are you?



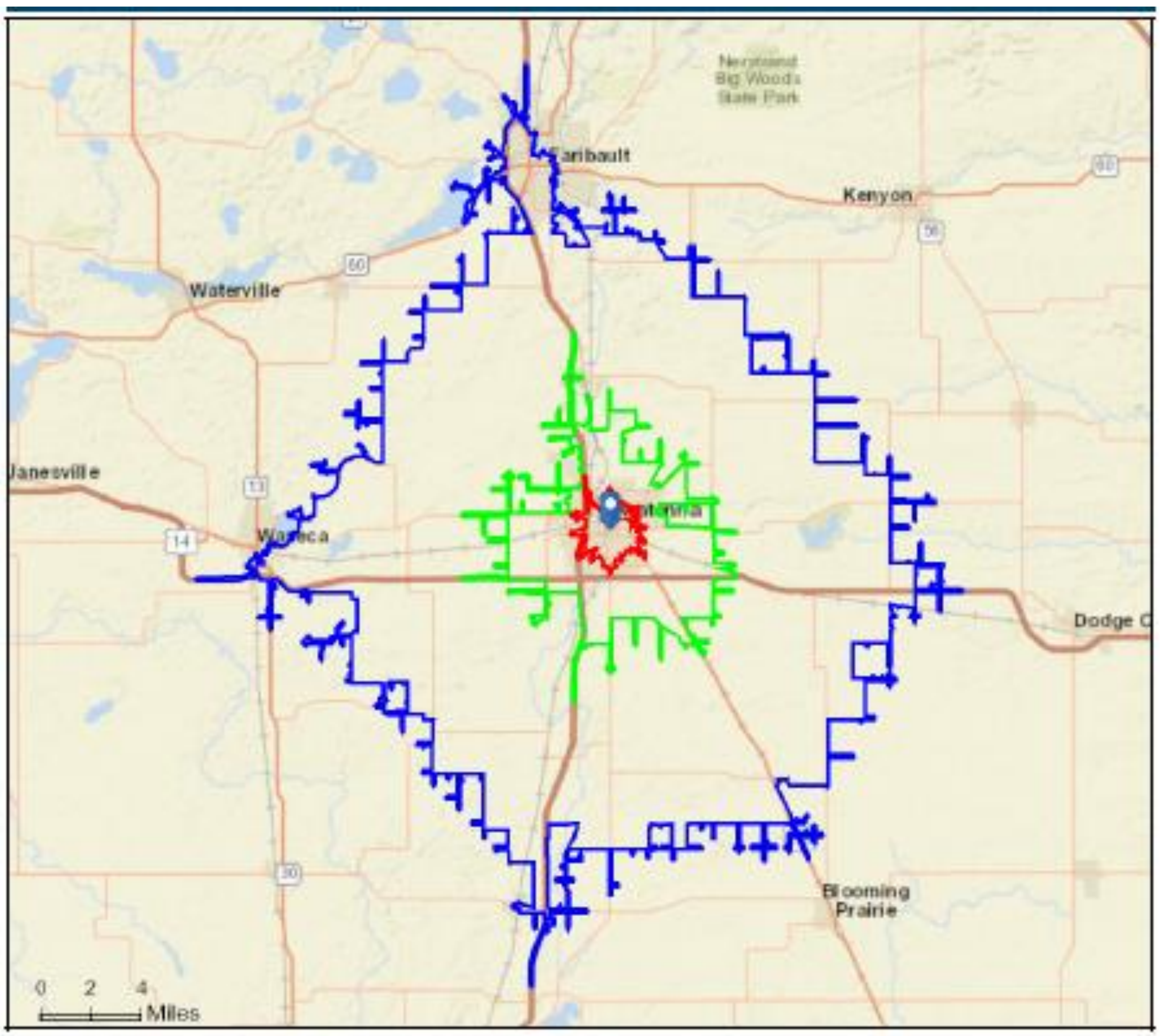
<u>Community Survey Summary</u>

The following are some key take-aways from the review of the community survey:

- Community understands the historic and architecture significance. Senses that it is tired & boring
- Vacancies and Store Variety are lacking
- Food is the primary driver; albeit Ace Hardware was tops
- More food, fine-dining; pub/restaurants are most desirable
- Saturday evenings could be logical for longer store hours.
- About 25% of respondents would live in the downtown and/or are unsure.

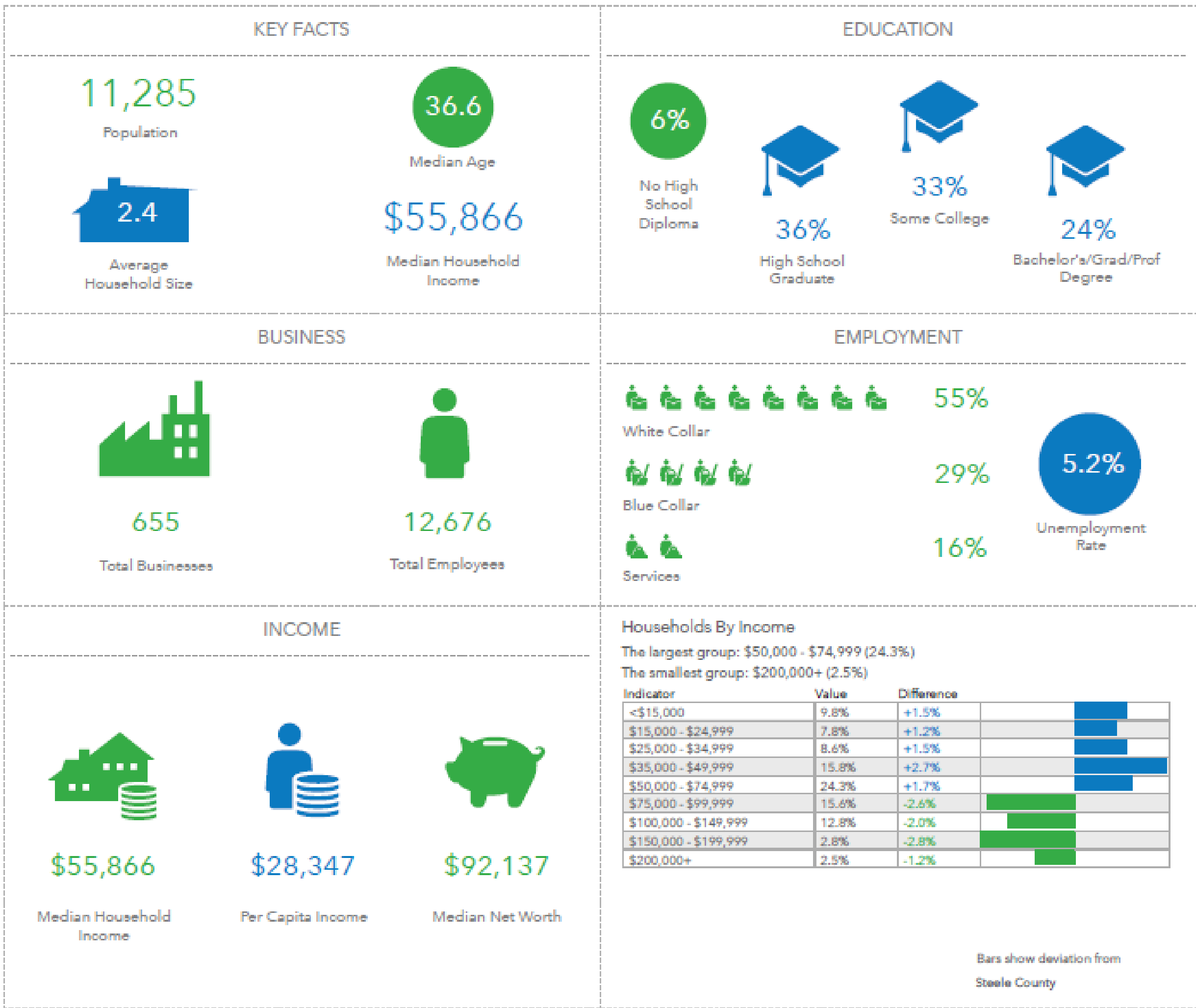
Market Overview

The market overview section evaluates the market based on trying to ascertain the inherent competitive advantages of downtown Owatonna. Balanced with input from the community, as well as current place-based assets and anchors we can develop Transformation Strategies. The following represents summary charts of collected market data based on a series of 3 drive times (5 min, 10 min and 20 min). All data is also provided in attachments for further review. Below is the trade area map for which data was extracted.



Demographic and Psychographic Characteristics Summary

The following represents a summary of key points that contribute to the development of the transformation strategies from demographics and psychographics review: (Please note that additional data is provided an attached document)



Indicator	Value	Difference
<$15,000	9.8%	+1.5%
$15,000 - $24,999	7.8%	+1.2%
$25,000 - $34,999	8.6%	+1.5%
$35,000 - $49,999	15.8%	+2.7%
$50,000 - $74,999	24.3%	+1.7%
$75,000 - $99,999	15.6%	-2.6%
$100,000 - $149,999	12.8%	-2.0%
$150,000 - $199,999	2.8%	-2.8%
$200,000+	2.5%	-1.2%

Psychographics is the study of personality, values, opinions, attitudes, interests, and lifestyles. Psychographic studies of individuals or communities can be valuable in the fields of marketing, demographics, opinion research, prediction, and social research in general. They can be contrasted with demographic variables (such as age and gender), behavioral variables (such as usage rate or loyalty), and organizational demographic variables (sometimes called firmographic variables), such as industry, number of employees and functional area.

When a relatively complete profile of a person or group's psychographic make-up is constructed, this is called a "psychographic profile." Psychographic profiles are used in market segmentation, as well as in advertising. Some categories of psychographic factors used in market segmentation include:

- Activity, interest, opinion (AIOs)

- Attitudes
- Values
- Behavior

Tapestry psychographic data helps communities and businesses understand consumer lifestyle choices, what they buy, and how they spend their free time. Tapestry classifies US residential neighborhoods into 67 unique segments based on demographic and socioeconomic characteristics. The top psychographic profiles for Owatonna are used to gauge possible shopping characteristics of downtown's largest potential shopping demographic. The following outlines the top five (5) groups, which shows a large category described as "Rustbelt Traditions" followed by "Traditional Living."

		2017 Households		2017 U.S. Households		
			Cumulative		Cumulative	
Rank	**Tapestry Segment**	**Percent**	**Percent**	**Percent**	**Percent**	**Index**
1	Rustbelt Traditions (5D)	45.5%	45.5%	2.2%	2.2%	2061
2	Traditional Living (12B)	25.9%	71.4%	1.9%	4.1%	1,332
3	Set to Impress (11D)	10.7%	82.1%	1.4%	5.5%	770
4	Salt of the Earth (6B)	6.9%	89.0%	2.9%	8.4%	240
5	Green Acres (6A)	6.3%	95.3%	3.2%	11.6%	198
	Subtotal	**95.3%**		**11.6%**		

For the top two categories herein, the report are the segments as described by ESRI. In an attached file, each segment is highlighted as an HTML link which can be downloaded as pdfs.

LifeMode Group: GenXurban

Rustbelt Traditions

5D

Households: 2,685,000

Average Household Size: 2.46

Median Age: 38.4

Median Household Income: $49,000

WHO ARE WE?

The backbone of older industrial cities in states surrounding the Great Lakes, *Rustbelt Traditions* residents are a mix of married-couple families and singles living in older developments of single-family homes. While varied, the work force is primarily white collar, with a higher concentration of skilled workers in manufacturing, retail trade, and health care. *Rustbelt Traditions* represents a large market of stable, hard-working consumers with modest incomes but above average net worth (Index 111). Family oriented, they value time spent at home. Most have lived, worked, and played in the same area for years.

TAPESTRY SEGMENTATION
esri.com/tapestry

OUR NEIGHBORHOOD

- Almost half (46%) of the households are married-couple families, similar to the US (48%), most without children (also similar to the US); the slightly higher proportion of singles (Index 105) reflects the aging of the population.
- Average household size is slightly lower at 2.46.
- They are movers, slightly more mobile than the US population (Index 109), but almost half of householders (46%) moved into their current homes before 2000.
- Most residents live in modest, single-family homes in older neighborhoods built in the 1950s (Index 218).
- Nearly three quarters own their homes; over half of households have mortgages.
- A large and growing market, *Rustbelt Traditions* residents are located in the dense urban fringe of metropolitan areas throughout the Midwest and South.
- Most households have two or more vehicles available.

SOCIOECONOMIC TRAITS

- Most have graduated from high school or spent some time at a college or university.
- Unemployment below the US at 8%; labor force participation slightly higher than the US at 67%.
- While most income derived from wages and salaries, nearly 30% of households collecting Social Security and nearly 20% drawing income from retirement accounts.
- Family-oriented consumers who value time spent at home.
- Most lived, worked, and played in the same area for years.
- Budget aware shoppers that favor American-made products.
- Read newspapers, especially the Sunday editions.

Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100.
Consumer preferences are estimated from data by GfK MRI.

LifeMode Group: GenXurban

5D Rustbelt Traditions

TAPESTRY SEGMENTATION
esri.com/tapestry

MARKET PROFILE (Consumer preferences are estimated from data by GfK MRI)

- Residents take advantage of convenience stores for fueling up and picking up incidentals.
- Watching television is a common pastime; many households have more than four TVs.
- Favorite programming ranges from ESPN, Animal Planet, and AMC to children's shows on Nickelodeon and Cartoon Network.
- Residents are connected; entertainment activities like online gaming dominate their Internet usage.
- Favorite family restaurants include Applebee's, Outback Steakhouse, and Texas Roadhouse.
- Radio dials are typically tuned to classic rock stations.

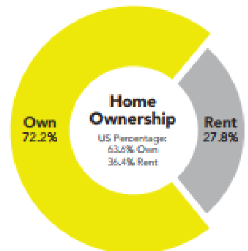
HOUSING

Median home value is displayed for markets that are primarily owner occupied; average rent is shown for renter-occupied markets. Tenure and home value are estimated by Esri. Housing type and average rent are from the Census Bureau's American Community Survey.

Typical Housing: Single Family

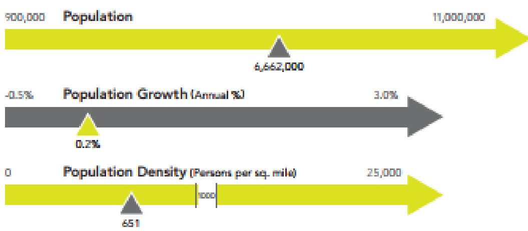
Median Value: $118,000

US Median: $177,000



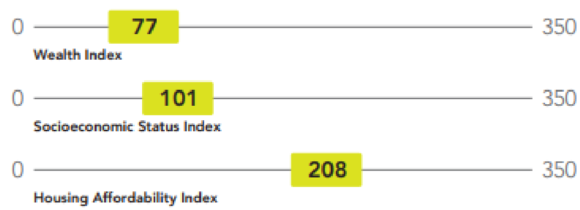
POPULATION CHARACTERISTICS

Total population, average annual population change since Census 2010, and average density (population per square mile) are displayed for the market relative to the size and change among all Tapestry markets. Data estimated by Esri.



ESRI INDEXES

Esri developed three indexes to display average household wealth, socioeconomic status, and housing affordability for the market relative to US standards.



LifeMode Group: Hometown

Traditional Living

12B

Households: 2,369,000

Average Household Size: 2.50

Median Age: 34.8

Median Household Income: $37,000

WHO ARE WE?

Residents in this segment live primarily in low-density, settled neighborhoods in the Midwest. The households are a mix of married-couple families and singles. Many families encompass two generations who have lived and worked in the community; their children are likely to follow suit. The manufacturing, retail trade, and health care sectors are the primary sources of employment for these residents. This is a younger market—beginning householders who are juggling the responsibilities of living on their own or a new marriage, while retaining their youthful interests in style and fun.

TAPESTRY™ SEGMENTATION
esri.com/tapestry

OUR NEIGHBORHOOD

- Married couples are the dominant household type, but fewer than expected from the younger age profile and fewer with children (Index 79); however, there are higher proportions of single-parent (Index 146) and single-person households (Index 112).
- Average household size is slightly lower at 2.50.
- Homes are primarily single family or duplexes in older neighborhoods, built before 1940 (Index 183).
- Most neighborhoods are located in lower-density urban clusters of metro areas throughout the Midwest and South.
- Average commuting time to work is slightly shorter (Index 88).
- Households have one or two vehicles.

SOCIOECONOMIC TRAITS

- Over 70% have completed high school or some college.
- Unemployment is higher at 10.9% (Index 127); labor force participation is also a bit higher at 64.6%.
- Over three quarters of households derive income from wages and salaries, augmented by Supplemental Security Income (Index 122) and public assistance (Index 149).
- Cost-conscious consumers that are comfortable with brand loyalty, unless the price is too high.
- Connected and comfortable with the Internet, they are more likely to participate in online gaming or to access dating websites.
- TV is seen as the most trusted media.

Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.

LifeMode Group: Hometown
12B Traditional Living

TAPESTRY SEGMENTATION
esri.com/tapestry

MARKET PROFILE (Consumer preferences are estimated from data by GfK MRI)

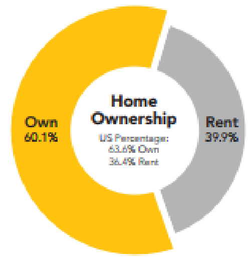
- They shop for groceries at discount stores such as Walmart supercenters; Kmart is also a favorite for apparel and sundry household and personal care products.
- Convenience stores are commonly used for fuel or picking up incidentals like lottery tickets.
- They tend to carry credit card balances, have student loans, and pay bills in person.
- Half of households have abandoned landlines for cell phones only.
- They watch their favorite channels including QVC, CMT, and Game Show Network.
- They're fast food devotees.
- They enjoy outdoor activities such as camping and taking trips to the zoo.

HOUSING

Median home value is displayed for markets that are primarily owner occupied; average rent is shown for renter-occupied markets. Tenure and home value are estimated by Esri. Housing type and average rent are from the Census Bureau's American Community Survey.

Typical Housing:
Single Family

Median Value:
$79,000
US Median: $177,000



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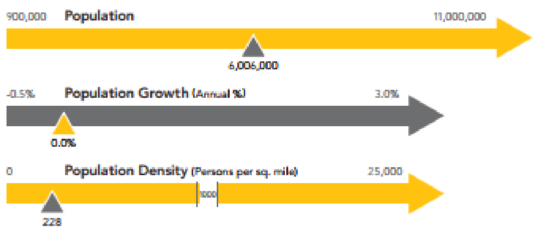

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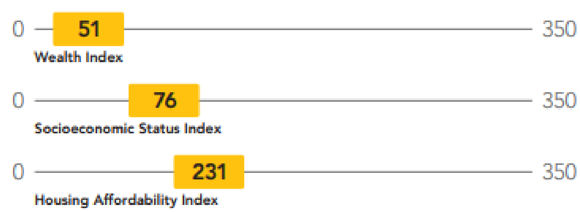


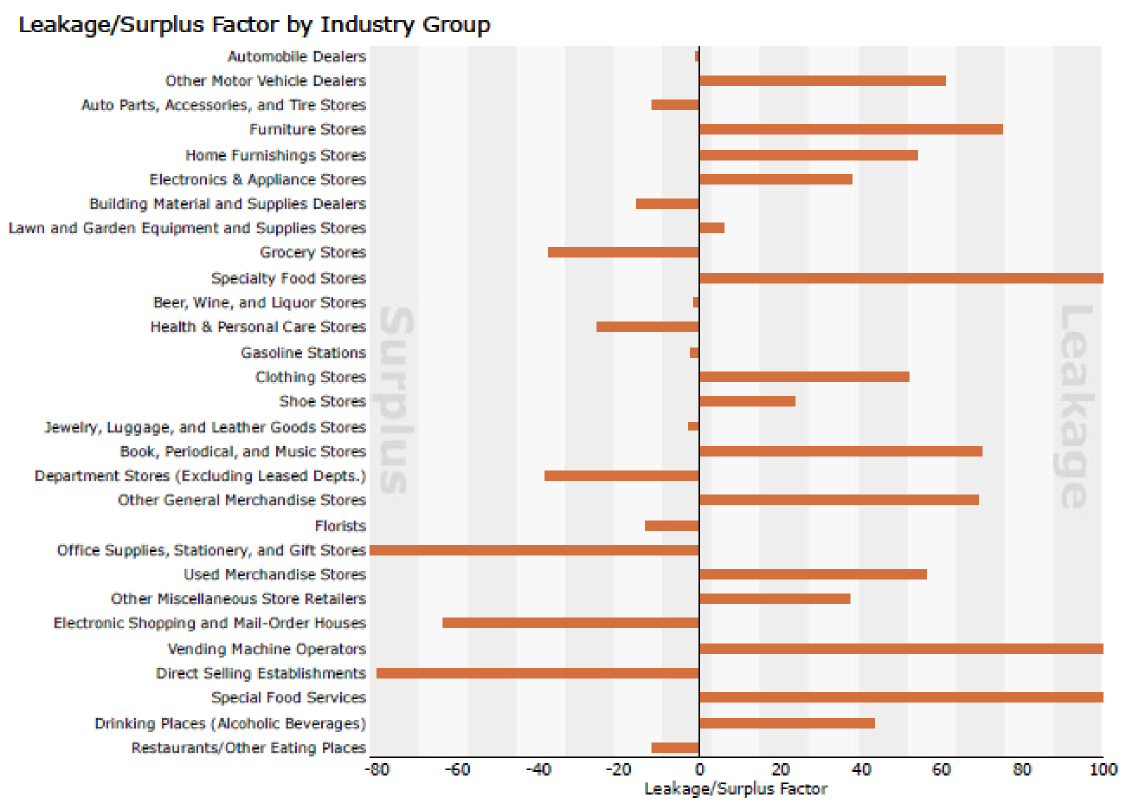
Sales Void Analysis

The Leakage/Surplus report provided for Owatonna's trade area measures the balance between the volume of retail sales (Supply) generated by retail businesses and the volume of retail potential (Demand) produced by households within the trade area spending on goods and services.

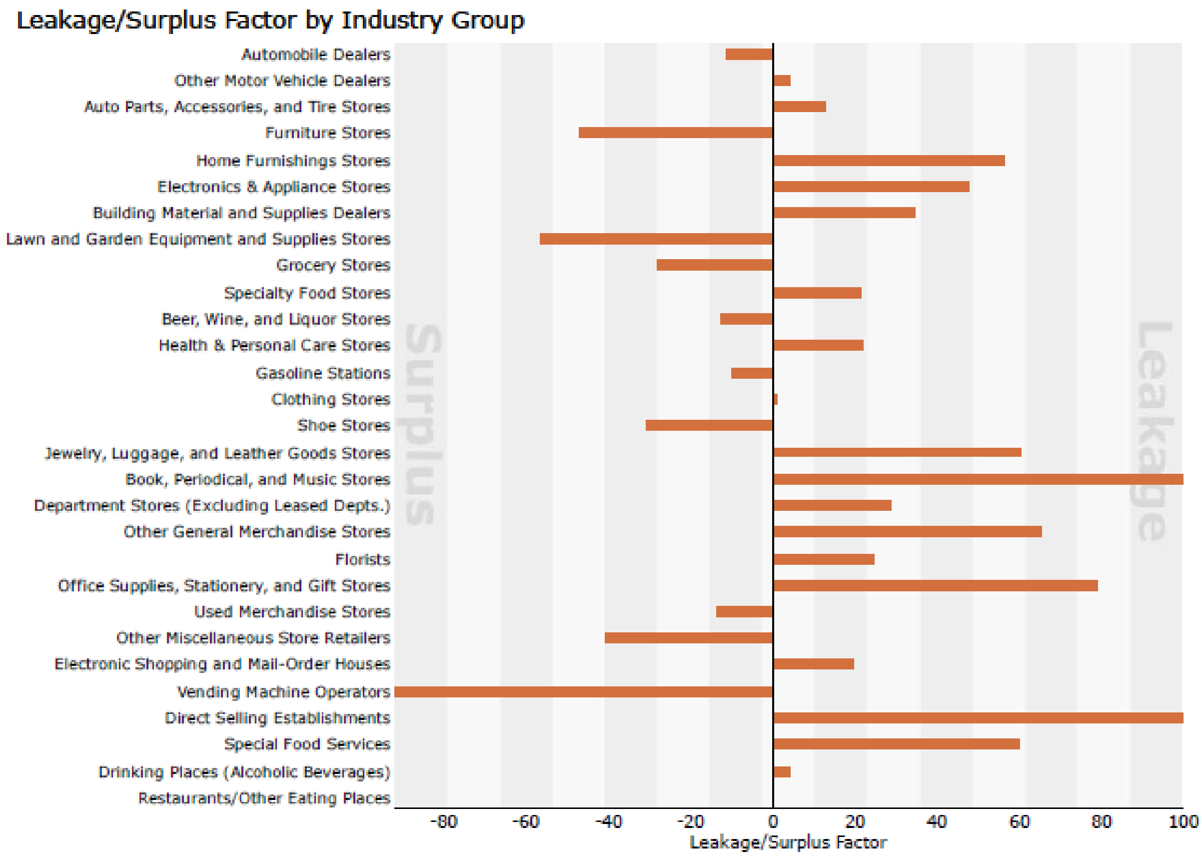
Leakage: Leakage in a trade area represents a condition where demand exceeds supply. In other words, retailers outside the trade area are fulfilling the demand for retail products at a greater rate than those within the trade area, therefore, demand is "Leaking" out of the trade area. Such a condition can on one hand highlight a potential opportunity to recapture those "leaked" sales, or suggests an inherent weakness within the trade area that may prove too difficult to pull back those "leaked" sales. Please note the NMSC suggests that in most cases downtowns should anticipate a 10%-20% recapture rate for "leaked" retail categories given a robust recruitment and incentive effort.

Surplus: Surplus in an area represents a condition where supply exceeds the area's demand. Retailers are attracting shoppers that reside outside the trade area. The "Surplus" is in market supply. On one hand, there are many business clusters like Restaurants, Auto Dealers, etc., in which an over-supply can suggest a large strength that can continue to be enhanced. Whereas an oversupply in a retail market like floral doesn't necessary mean the "Pie" can grow any larger and thus may be fully saturated already and not worthy of further expansion.

The following graphic looks at leakages and surpluses for the downtown Owatonna trade area based on the zip codes designing the primary trade area:

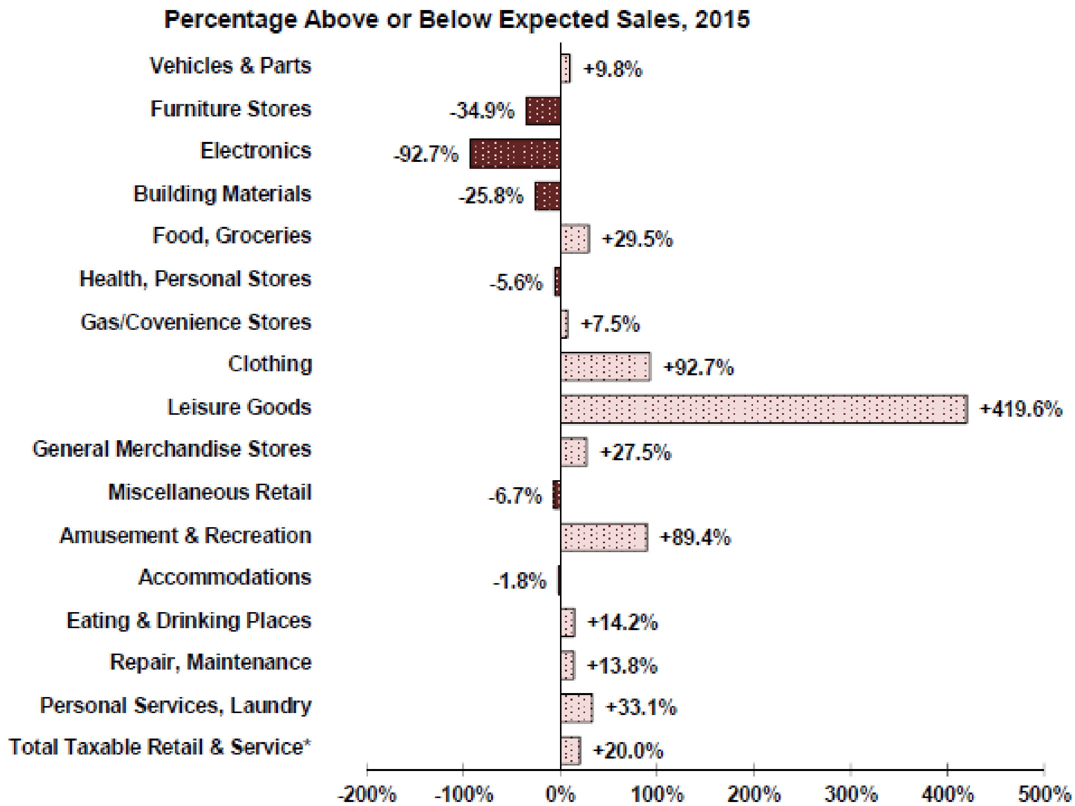


(5 Minute Sales Gap Graph)



(20 Minute Sales Gap Graph)

In addition, the University of Minnesota-Extension provided a fairly extensive tourism related study of the Owatonna regional trade area in 2015. As part of this study, the report was reviewed and further helped to confirm current market data analysis as well as provide insight into transformation strategy development. The following graphic demonstrates the enormous growth in leisure goods (+420% growth) and Amusement and Recreation at +90% growth.



Market Data and Place-Based Asset Summary

In evaluating Transformation Strategies, market data never truly pinpoints the exact market or competitive advantages for downtown. However, when combined with a review of the existing business and community assets within both the downtown and on a regional level in some cases, it can both support the Transformation Strategies, as well as provide the themes that help to define the unique market position. The following are highlights of both the market data and asset findings:

Market Summary -

- Downtown has an undiscovered group of small scale producers (chocolate/candy, rug, bakery, hats, brewery, Josten's)
- Massive growth in leisure and recreation spending
- Small surplus on restaurants, but more growth potential based on national trends
- Downtown housing unit growth could help to recapture leakage in specialty food areas.
- Psychographics suggest consumer markets with brand and local shopping loyalties, price point sensitivity, family-oriented, and outdoor recreation focused.

Place-Based Asset Summary –

- Straight River (Residents and Health/Recreation)
- City/County Center (Residents)
- Cabela's (Health & Recreation)
- Proximity to Twin Cities and Rochester (Day Trippers)

- Owatonna Wildlife Work Area (Health & Recreation)
- Buxton Trail/Muckle Trail (Health & Recreation)
- History of Manufacturing, Invention, Innovation (Small Scale Production)
- Josten’s, Federated Insurance (Workers)
- Downtown Housing Growth (Residents)

Draft Transformation Strategies

Based on community feedback and survey input, coupled with market data and current business mix reviews, we evaluated some early considerations by asking a few key questions to ensure that the Strategies can provide unique, competitive positioning for downtown Owatonna.

After some initial feedback we are recommending the following Transformation Strategies for the Owatonna Main Street program consideration. Minnesota Main Street and National Main Street Center would suggest that the Board of Directors consider each of the five, but select only **one or two** to work on in the near-term. As a newer program it is critical to focus your resources and capacity on transitioning your efforts within the Four-Point Approach and begin to target, through Transformation Strategies, specific market areas.

#1. Dining and Entertainment Transformation Strategy

Downtowns and neighborhood commercial centers have always offered food, both as groceries and as prepared meals.

Historically, downtowns were where farmers brought their produce to sell it to the public. Virtually all small towns in North America designated one or two days each week as “market days”, when farmers would set up carts or stalls to sell fresh-from-the-fields produce to customers. Many larger cities had permanent food markets downtown, where shoppers could buy fresh produce directly from farmers almost every day.

Along with farm markets, downtowns were also the home of food stores. For centuries, these were specialized stores – green grocers, bakeries, butchers, fish markets, confectioners, and many more. In the late 18th and early 19th centuries, innovations in the grocery industry led to development of stores that brought all these food specialties into one business – the modern grocery store. Then, as housing and commercial development shifted from city centers to the suburbs in the mid-20th century, grocery stores followed. By the 1970s it was relatively rare to find a grocery store still operating in a historic or traditional downtown.

While grocery stores left downtowns and neighborhood commercial centers, restaurants and cafes remained, offering sit-down and carry-out meals, and a social experience to district workers, residents, shoppers, and visitors. In most communities, these are primarily locally owned businesses (chain restaurants tend to locate downtown and in neighborhoods only when the market is strong, minimizing their financial risk). Downtown workers and residents are often their primary customers, but many older and historic commercial districts have created clusters of restaurants that, together, serve as regional destinations and that often help support the districts’ entertainment- and arts-related businesses.

As interest in downtown living has grown, the need for downtown food stores has grown, also. Downtown and neighborhood commercial district revitalization programs have been increasingly successful in attracting grocery chains and in helping launch independently owned grocery stores to support the needs of new residents. In addition, a growing number of older and historic commercial districts serve as food production hubs, offering facilities where restaurateurs, caterers, food cart operators, and others can prepare and package food for resale.

The Food strategy expands the role of food sales and food service in older and historic commercial districts

WHO ARE THE CUSTOMERS FOR THIS STRATEGY?

Everyone eats food, of course, so everyone is a potential customer. But the core customers tend to be one of two groups:

- **People who live or work in or near the district:** For the people who live or work nearby, food is a convenience product.

- **People looking for a social experience:** Restaurants, cafes, and bars offer opportunities for social interaction – a place to meet friends, to celebrate special events, to casually discuss business, or to kick back and relax after work. Sociologist Ray Oldenberg calls these “third places” – places that, like home (“first places”) and work (“second places”), are essential to civic life.

There are other potential customers, also. For instance, grocery stores, grocery wholesalers, and restaurants might be customers for foods that are produced and packaged downtown. Downtown restaurants might also provide catering services, serving the entire community or region. And downtown grocers might offer local deliveries, reaching many potential customers.

BENEFITS AND TRADE-OFFS

The Food strategy offers many benefits. Businesses are more likely to come downtown if there are restaurants nearby where their customers and workers can dine. People are more likely to rent apartments or buy condominiums downtown, and property owners are more likely to convert vacant and underused upper-floor spaces into apartments, if there are food stores and restaurants nearby.

There are a few trade-offs to consider. In particular, start-up costs for both restaurants and food stores can be high. And, because inventory can spoil, work hours are often log, and profit margins can be thin, successfully managing a food business is more difficult than managing many other types of businesses. One often hears that “restaurants never work” in a particular location – but, more often than not, the problem has to do with the intrinsic challenges of managing a food-related business, not with the location itself.

Successful restaurants sometimes generate noise, and this can be disruptive to nearby residents. This is more likely to be a problem with groups of restaurants that are open late into the evening. At the same time, the vibrancy that successful restaurant clusters create can also attract new businesses and new residents.

SAMPLE ACTIVITIES

There are many different activities that your organization and its partners might do to successfully implement this strategy. The activities you choose should address problems and opportunities that are specific to your district. Start with activities that are relatively easy, then gradually tackle more challenging ones. Be sure to include activities in all Four Points of the Main Street Approach; this is essential!

Here are some examples:

Sample Design activities:

- Develop a public orchard in a pocket park.
- Install banners to strengthen the visibility of the district’s restaurants.

Sample Organization activities:

- Develop a partnership with the closest culinary school(s) within the region to identify potential entrepreneurs for new food-related businesses for your district.

- Develop a partnership with the US Department of Agriculture's Rural Development office, Agricultural Marketing Service, and other programs to identify potential sources of funding and technical assistance to support some of your Food strategy's activities.

Sample Promotion activities:

- Organize a food festival to spotlight the district's restaurants and other food-related businesses.

Sample Economic Vitality activities:

- Create a program to help establish new restaurants, such as a deferred loan repayment program, an incentive grant program, or a crowdfunding program.
- Identify unique food items created by district restaurants and talk with restaurateurs about the possibility of packaging and marketing them regionally or nationally.

POTENTIAL PRODUCTS AND SERVICES

There is an almost limitless range of potential food-related products, services, and businesses that a commercial district might offer as wholesale products, retail products, or restaurant meals or ready-to-serve foods. Some of the many possibilities include:

Grocery and food production:

- "Corner store" small grocery markets
- Year-round farm markets
- Ethnic specialty food markets
- Organic foods
- Cheese shops
- Herbs and spices
- Butchers
- Candy, chocolate, and snacks
- Dairy store
- Pre-prepared take-home meals
- Brewpubs
- Wineries
- Distilleries
- Commercial kitchen / food production coworking space
- Culinary schools
- Caterers
- Olive oil and other condiments
- Pickles
- Cooking equipment and supplies (for home or professional kitchens)

Restaurants:

- Coffee shops, tea shops, juice bars, bubble tea
- Breakfast and lunch sit-down restaurants

- Quick service restaurants
- “White tablecloth” lunch and dinner restaurants
- Pizza
- Restaurants offering ethnic cuisine (e.g., Chinese, Mexican, Thai, Japanese, German, Irish, Ethiopian, Greek, Spanish, Korean, Italian, etc.)
- Bakeries
- Ice cream, frozen yogurt, frozen custard
- Barbeque restaurants
- Buffets
- Cafeterias and automats
- Bars and pubs
- Diners
- Brewpubs, wineries, and distilleries
- Donuts

Entertaiment:

- Arts centers
- Arts-focused coworking spaces
- Art galleries
- Art restoration services
- Art supplies
- Music production studios
- Theatrical performance groups
- Visual arts, dance, music, and theatrical schools and instructional programs
- Music and jazz clubs
- Nightclubs
- Party rental spaces
- Performance/concert space
- Pool and billiards
- Record stores (e.g., vinyl)

MEASURING PROGRESS

The following tools can be used to track your success in implementing the strategy and in measuring its impact on the commercial district as a whole:

- Conduct on-street surveys when you implement this strategy – then, conduct surveys one year, three years, and five years later, asking the same questions. Are more people patronizing the district for its food-related businesses? Are their impressions and perceptions of the district improving?

  Your surveys should include questions in four specific categories:
    - Attitudes and perceptions about the district
    - Current shopping habits
    - Additional products and services shoppers would like to be able to buy within the district
    - Demographic characteristics of those participating in the survey, including home zip code

- Track trends in the number of square feet of retail space devoted to food (both restaurants and groceries/food production).

- Ask the owners or managers of a representative sample of restaurants and other food-related businesses to keep an informal tally of foot traffic, average transaction amount, and gross sales. Interview the owners and managers at regular intervals and hold an annual focus group with them. Are the numbers increasing?

- Track the number of changes (in service offerings or product mix) that businesses have made to expand food-related sales or better serve the customers of these products and services.

Choose several intersections or entry points in the district and count the number of people who walk by during 30 minute intervals. Do this at two or three key points in the day (e.g., morning, noon, and evening). Repeat the pedestrian counts at least twice a year, at the same times of day. Are the numbers increasing?

#2 Downtown Workers and Residents Transformation Strategy

People who work in a commercial district are likely to need a variety of convenience items, from groceries to carry-out meals and from small hardware items to greeting cards. They also need easy access to personal and professional services, such as hair care, daycare, and medical services. And, they are most likely to need things before work, at lunchtime, and immediately after work as they are leaving for home. People who live in and near the district need very similar products and services – but they are more likely to shop in the evenings and on weekends.

The Workers + Residents Strategy helps your revitalization program capitalize on these two important "captive" customer groups – and helps you meet more of their needs, making the district an even more appealing place for people to live and work.

To maximize this strategy's success, you will need to learn a bit about the characteristics and work and shopping habits of the district's workers and residents. Marketing activities will then need to be geared towards their needs and interests and scheduled during times that work best for them. And, the range of products and services that are available in the district should be expanded, either by adding new product lines to existing businesses or by developing new businesses (or both).

WHO ARE THE CUSTOMERS FOR THIS STRATEGY?

People who work and live in and near the district are likely to encompass a very wide range of demographic characteristics – different ages, different household incomes, different education levels, different ethnicities – and to represent a wide range of shopping habits and preferences. But they almost always share a desire to have convenient access to daily staples, to have comfortable and convenient places to dine with friends and family, and to feel comfortable in and proud of the district in which they spend so much time. Just as customer profiles vary, the price points of the products and services they purchase can vary widely, too – though most businesses that offer convenience products and services to workers and residents fall into a middle price-point range.

BENEFITS AND TRADE-OFFS

Tapping into the district's "captive market" of potential customers and expanding sales and services for them helps create a self-sustaining economic ecosystem in the district. It provides opportunities for existing businesses to expand sales by adding new products and services for workers and nearby residents and by offering deliveries within the district. It often generates new demand for housing in and near the district, as workers increasingly see benefits in living within easy walking distance of their work places. And, because workers and residents are a captive market, they do not require extra parking spaces.

There are some trade-offs in pursuing a Workers + Residents strategy, albeit relatively minor ones. For instance, business owners must be flexible enough with their hours to be open during the times most convenient for workers and residents. And, because it is unlikely that independently owned businesses can match the prices for daily staples offered by chain grocers and big-box stores or differentiate themselves on pricing from other nearby shopping venues, businesses will need to be diligent in promoting their superior convenience, customer and product knowledge, and friendliness.

SAMPLE ACTIVITIES

There are many different activities that your organization and its partners might do to successfully implement this strategy. The activities you choose should address problems and opportunities that are specific to your district. Start with activities that are relatively easy, then gradually tackle more challenging ones. Be sure to include activities in all Four Points of the Main Street Approach; this is essential!

Here are some examples:

Sample Design activities:

- Create comfortable public lunchtime and weekend gathering places.
- Change storefront window displays at least monthly. The people who live and work near the district see its window displays almost every day. Keeping window displays fresh helps keep them engaged.
- Ensure that the pathways that workers and residents most frequently use to and within the district are attractive, appealing, safe, and well maintained.
- Work with property owners to identify opportunities to create upper-floor apartments and condominiums for district workers and others interested in living in the district.

Sample Organization activities:

- Include one or more district workers and residents on the revitalization organization's board of directors and in its committees.
- Build and strengthen partnerships with nearby neighborhood associations.
- Organize a series of "business after-hours" social events where district workers can meet one another and become more familiar with district businesses.

Sample Promotion activities:

- Schedule promotional activities during lunchtime and immediately after work, when the district's workers are most likely to be available.
- Offer store deliveries to the district's workers and residents.
- Offer a district-wide customer loyalty program for workers and residents.

Sample Economic Vitality activities:

- Add needed product lines to existing businesses.
- Create and offer incentives to encourage district workers to live in and near the district.
- Create and offer incentives to encourage district property owners to convert unused or underused upper-floor space to apartments or condominiums.
- Periodically survey district workers and residents and/or conduct focus groups with them to learn about their shopping habits, the things they like (and don't like) about the district.

POTENTIAL PRODUCTS AND SERVICES

Adding new products and services to your district's offerings does not necessarily mean adding new, individual businesses. You might not have the market to support a whole new hardware store, for example, but you might have enough to add some new product lines to an existing business.

This list is not exhaustive, but illustrates the range of products and services that might be part of in the Workers + Residents strategy. Product and service lines that might appeal to people who live and/or work in the district include:

- Groceries
- Quick service restaurant meals
- Sit-down restaurant meals
- Prepared, take-home dinners
- Pharmaceuticals
- Health and beauty products
- Office supplies
- Coffee shops
- Pizza
- Greeting cards
- Flowers and house plants
- Gifts
- Daycare
- Dry cleaners
- Snacks
- Postal/pack-and-ship service
- Medical and dental services
- Accounting and tax services
- Banking services
- Small hardware items
- Gas stations
- Auto repair
- Hair care
- Bars

MEASURING PROGRESS

The following tools can be used to track your success in implementing the strategy and in measuring its impact on the commercial district as a whole:

- Conduct on-street surveys when you implement this strategy – then, conduct surveys one year, three years, and five years later, asking the same questions. Are more people patronizing the district for its worker and resident-related businesses? Are their impressions and perceptions of the district improving?

  Your surveys should include questions in four specific categories:
    - Attitudes and perceptions about the district
    - Current shopping habits

    - Additional products and services shoppers would like to be able to buy within the district
    - Demographic characteristics of those participating in the survey, including home zip code

- Track trends in the number of square feet of retail space devoted to strategy-related businesses.

- Ask the owners or managers of a representative sample of strategy-related businesses to keep an informal tally of foot traffic, average transaction amount, and gross sales. Interview the owners and managers at regular intervals and hold an annual focus group with them. Are the numbers increasing?

- Track the number of changes (in service offerings or product mix) that businesses have made to serve the worker and resident market.

- Choose several intersections or entry points in the district and count the number of people who walk by during 30 minute intervals. Do this at two or three key points in the day (e.g., morning, noon, and evening). Repeat the pedestrian counts at least twice a year, at the same times of day. Are the numbers increasing?

#3. Health and Recreation Transformation Strategy

A Health and Recreation strategy pulls together retail, recreational, educational, and professional businesses (including social service organizations) and organizes them around improving people's wellbeing. Businesses like pharmacies, urgent care centers, and doctors' and dentists' offices are obvious components of this strategy. Others may include gyms, yoga studios, spas, organic grocers, smoothie shops, health-and-beauty-aid stores, and more.

A Health and Recreation cluster can sometimes already exist yet not be visible or obvious (even to revitalization leaders) because the individual businesses may not explicitly promote health and wellness. For example, health and wellness may be *inherent* in what a business does (as a dance studio), or an *aspect* of what a business does (as a restaurant with healthy choices highlighted on their menu). Pursuing a Health and Recreation strategy often involves consciously cultivating these aspects of the district, highlighting them to make them more visible, and expanding the range of offerings. More than some other strategies, Health and Recreation relies on marketing and promotion to make the cluster apparent.

The Health and Recreation strategy is inherently diverse in its business mix, so business inventories will vary: A health and wellness district may be organized around a medical anchor (like a hospital); or it might center around relaxation, as in a spa or resort town. (Calistoga, California, for example, unites many of its downtown businesses – restaurants, bookstore, salons – around the town's historic spas and their famous natural hot springs.) *Incompatible* businesses – especially if they form a large presence in the district – include unhealthy fast food chains, tanning salons, an excessive number of liquor stores, and the like.

There are many ways to tie in public-space amenities with this strategy, too: fitness parks, tennis courts, running trails, and even water bowls for dogs and benches for people – to encourage walking.

WHO ARE THE CUSTOMERS FOR THIS STRATEGY?

Customers for the Health and Recreation strategy can range from young families to senior citizens and from "medical tourists" to vacationers. In some cases, customers may be unaware of their own participation in a health-and-wellness pursuit, such as someone who enrolls in a martial arts class with the goal of learning self-defense.

Not all people identify themselves as interested in a health and recreation lifestyle: People who make healthy eating and healthy living part of their identity are often highly educated and more affluent. (Whole Foods, for example, is known for looking at educational achievement data when identifying potential store locations.) The customer profile for someone who participates in Health and Recreation strategy is less price-sensitive than most other strategies.

There may be cases where public health or actuarial data show you have an unhealthy local population (such as an area with high rates of obesity) and you want to improve overall community health – and shape the business district to support that effort. Be aware that getting someone to buy a product that doesn't match their natural inclinations is harder to do than providing a product that they already want.

BENEFITS AND TRADE-OFFS

One of the great benefits of a Health and Recreation strategy is its ability to tie together diverse businesses, often by making subtle changes in business operations (e.g., by adding or adjusting some products or services). In order to make Health and Recreation a *driver* of your district's economy (and more than a promotional tie-in), it needs at least a couple of businesses that are clearly linked to the strategy. This might include a fitness center or YMCA, or a hospital or other anchor business or institution. In communities where there is a large health-related economic anchor, Health and Recreation may be a central strategy. In other cases, it may be more appropriately used as a secondary strategy. A benefit of a well-developed Health and Recreation strategy is it has the potential to attract customers from a regional trade area – or, even, national or international visitors, if it offers a unique product.

SAMPLE ACTIVITIES

There are many different activities that your organization and its partners might do to successfully implement this strategy. The activities you choose should address problems and opportunities that are specific to your district. Start with activities that are relatively easy, then gradually tackle more challenging ones. Be sure to include activities in all Four Points of the Main Street Approach; this is essential!

Here are some examples:

<u>Sample Design activities</u>:

- Add bike paths and bike racks in the commercial district (or other amenities that serve a recreation-oriented user).
- Install way-finding system from outdoor attractions to downtown.
- Install signs and markers to create walking and running trails in and around the commercial district.

Eugene, Oregon Mileage Path Example

- Install exercise equipment in a pocket park.

Sample Organization activities:

- Convene the business owners and the managers of parks or recreational sites so they can understand and further hone the strategy.
- Work with the city to assess lodging tax revenues and determine how they could be strategically used to enhance Sports and Recreation attractions.
- Initiate a meeting of representatives of local health-related institutions or businesses to establish a partnership for the strategy.

Sample Promotion activities:

- Develop an event downtown that connects to regional recreational attractions. Steamboat Springs, Colorado, holds a winter carnival where some ski sports (that normally take place on the mountains) are brought downtown – including "ski joring", where a skier is pulled by a horse.
- Build upon an existing large community event – Like the 4^{th} of July…Hold a "Firecracker 4 Run."
- Develop a brand identity that connects health and wellness to the district.
- Hold a health fair, with healthy cooking demonstrations, physical activities, and opportunities to get screened for blood pressure and other health indicators.

Sample Economic Vitality activities:

- Gather market data on visitors to sports and recreation destinations (e.g., geographic draw, demographic profile, length of visit, size of party, etc.)
- Build a recruitment strategy that creates experiential retail opportunities -overlapping and creative health and wellness functions for the fitness enthusiast.

Experiential Retail: Luckyduck Bike Store, Repair Shop and Cafe – Oakland, California

- Work with restaurants to offer healthy options on their menus and help them to distribute the menus through other businesses that are part of the Health and Wellness cluster.
- Work with a local gym to run outdoor "boot camps" during warmer weather months.

On the trade-off side, a district tightly focused on health and wellness (whether medical or spa/resort) may not provide the variety of retail offerings to fulfill residents' day-to-day needs.

POTENTIAL PRODUCTS AND SERVICES

Some businesses are inherently focused on health and wellness, but many other businesses can tie into the strategy by adapting their merchandising, services, or menus. This list is not exhaustive, but illustrates the range of businesses that can participate in the Health and Recreation strategy:

- Acupuncturist
- Bakeries (e.g., those offering specialty products, like gluten-free)
- Bike Store
- Dance studio
- Doctors and dentists
- Furniture for wellness (e.g., specialty desk chairs, mattresses, etc.)
- Grocery store (esp. with a focus on natural products)
- Gym
- Health and Beauty Aids stores
- Herbalist
- Hospital
- Juice bar
- Martial arts
- Massage therapist / studio
- Medical devices store
- Pharmacy
- Physical therapists
- Psychotherapists and counsellors
- Recreation Supplies
- Restaurants with a special health-conscious menu
- Spas
- Sporting equipment
- Urgent care
- Vegetarian restaurants
- Vitamin and supplement stores
- Yoga studio

METRICS

The following tools can be used to track your success in implementing the strategy and in measuring its impact on the commercial district as a whole:

- Conduct on-street surveys when you implement this strategy – then, conduct surveys one year, three years, and five years later, asking the same questions. Are more people patronizing the district for its health-related businesses? Are their impressions and perceptions of the district improving?

  Your surveys should include questions in four specific categories:
  - Attitudes and perceptions about the district
  - Current shopping habits
  - Additional products and services shoppers would like to be able to buy within the district

    - Demographic characteristics of those participating in the survey, including home zip code

- Track trends in the number of square feet of retail space devoted to health and wellness businesses.

- Ask the owners or managers of a representative sample of health-related businesses to keep an informal tally of foot traffic, average transaction amount, and gross sales. Interview the owners and managers at regular intervals and hold an annual focus group with them. Are the numbers increasing?

- Track the number of changes (in service offerings or product mix) that businesses have made to serve the health and wellness market.

- Choose several intersections or entry points in the district and count the number of people who walk by during 30 minute intervals. Do this at two or three key points in the day (e.g., morning, noon, and evening). Repeat the pedestrian counts at least twice a year, at the same times of day. Are the numbers increasing?

#4. Small Scale Production Transformation Strategy

Historically, most downtowns were major manufacturing centers for their communities. Tanners, tanners, sawyers, furniture makers, and many others set up shop in the town center. Even now, street names in some downtowns hint at their manufacturing histories – names like “Mill Street”, “Smith Street”, and “Haymarket”.

Over time, civic leaders became concerned about the pollution that some manufacturing businesses create. By the mid-20th century, many North American towns and cities had banned manufacturers from downtown and neighborhood commercial centers. But new technologies have made new, non-polluting manufacturing techniques possible. Most significantly, the internet has given birth to a huge number of software-based and knowledge-based industries, from software engineering to computer-driven component manufacturing. And, at the same time, there is new appreciation – and growing market demand – for a very broad range of handcrafted products, products made from repurposed materials, and custom-made items. In addition, there are many types of manufacturing businesses that never left downtowns, like printers, upholsterers, and tailors.

Many of the businesses pursuing these new opportunities are small businesses, typically with fewer than a dozen or so workers, making them ideal for upper-floor spaces, warehouses, and other secondary and peripheral downtown spaces. Those that produce physical goods are also often excellent ground-floor tenants, engaging passers-by in watching them work.

WHO ARE THE CUSTOMERS FOR THIS STRATEGY?

In some cases, downtown manufacturing businesses’ customers come primarily from within the region. Printers, custom jewelers, and furniture refinishers, for example, rely primarily on regional trade. But in other cases, their customers are not local, as their products are sold directly to other businesses or distributed online or via catalog sales.

BENEFITS AND TRADE-OFFS

Small manufacturing businesses offer many benefits to downtowns and neighborhood commercial districts. They often use space that might not be a good fit for other types of businesses, which boosts the district’s occupancy. Their workers become customers of the district’s retail and service-sector businesses. They provide jobs that usually pay wages better than those of retail jobs.

SAMPLE ACTIVITIES

Organization

- Form an advisory group of local small-scale producers to advise on needs

Promotion

- Develop a marketing campaign geared toward positioning downtown Owatonna as a center for small-scale producers

Design

- Work with the City of Owatonna to examine current zoning and any other regulatory conditions that may impede the locating of small-scale producers in downtown.
- Take an inventory of likely downtown buildings most likely to support small-scale producers.

Economic Vitality

- Consider the development of a Maker Space – acts as the R&D laboratory for filling the pipeline with entrepreneurs in the small scale production space
- Develop incentives that specifically target Small Scale Producers
- Evaluate the creation of a permanent Pop-up Space dedicated to Small Scale Producers

POTENTIAL PRODUCTS AND SERVICES

- Breweries
- Food Production
  - Popcorn
  - Bakery
  - Chocolate/Candies
- Apparel
- Furniture
- Sporting Goods
- Jewelry/Watches
- Artisans

NEXT STEPS

- After you review the report and formalize the Transformation Strategies in a way that truly define the nuances of downtown Owatonna, it is critical that the Board adopt the one or two to focus on in the immediate future.
- The NMSC and Minnesota Main Street will follow-up with a scheduled webinar to discuss any decisions by the board in terms of a focus area and discuss a process for work planning.
- With assistance by Minnesota Main Street hold a facilitated work planning session to begin outlining the key goals and tactical elements within each of the Four Points that will implement the selected Transformation Strategy(s).
- Getting Started with Work planning:

  1. Schedule a meeting with the Board and all Committee Chairs to discuss key goals for each of the committees based on the selected Transformation Strategies. These should be limited to 2-3 key projects as remember you will still have all the other work you've been doing unless you are able to discontinue some activities. Coming together as one group to decide will help everyone align, understand their "points" connection to the Transformation Strategy as well as reinforce the importance to staying committed to those activities and not developing scope creep.
  2. Next step would be to schedule individual committee meetings to work plan. At that meeting you should review the selected Transformation Strategies and the project goals formalized at the previous meetings.

     a. Review last year's committee work plan. You may already have several activities you currently are doing that match well…great...keep them!
     b. You may have some current activities that are good "baseline" nuts and bolts downtown revitalization activities but not necessary tied to the Strategies (eg. Façade Grant Program) That's OK too…keep them.
     c. You may have current activities that don't relate and may no longer be serving any real function. Try removing them if possible to free up capacity.
     d. Consider all the other "partner" organizations and stakeholders and what work they may be doing to enhance the strategy. While Owatonna Main Street is not having to do it, it still represents the leveraging of capacity and resources in support of your Transformation Strategy.
     e. Lastly, begin to outline who is responsible, budgets, and timelines. It's also important to develop metrics for each one…how will you know it was successful? Not has it been completed, but what defines success as it relates to the Transformation Strategies? HINT: Your report highlights possible metrics for each Transformation Strategy.
  3. Finally take the committees' work plans back to the board for final adoption.

WORK PLAN TEMPLATE EXAMPLE

Brush! Transformation Strategy: Agricultural Economy

In agricultural communities, an Agriculture strategy focuses on better meeting residents' shopping, service, and entertainment needs and on finding new uses for vacant downtown buildings.

ACTIVITIES

DESIGN	PROMOTION	ECONOMIC VITALITY	ORGANIZATION
Current activities: 1. Storefront incentives 2. Clean-up (April) 3. Downtown flowerpots **Potential activities:** 1. Walking tour: Tie to Ag 2. Public art "hoof-prints" to mark walking tour 3. Display historic photos of downtown bldgs. in storefronts 4. Display ag-related artifacts from museum in storefront windows 5. Streetscape incorporating ag images 6. Public art: mural? Sculpture? (Ag images) 7. Community garden? Downtown garden/green space	**Current activities:** 1. Antique Tractor Show(?) 2. Ag Appreciation Dinner 3. Cust. Appreciation BBQ 4. Pickers Market 5. Bull Riding event 6. Brush Rodeo 7. Octoberfest **Potential activities:** 1. Farm to Table dinner on-street, in downtown 2. Farmers Market 3. Christmas/Holiday promo (tie to ag) 4. Sugar beet bowling contest	**Current activities:** 1. Marketing seminars for biz. (not ag-specific) **Potential activities:** 1. Add/recruit: Work apparel; farm-to-table restaurant; local/organic soaps, etc. 2. Partner w/ Extension service to do ag-related business seminars 3. Attract vendors from Octoberfest? 4. Homegrown Brush store 5. Incentive to move businesses downtown 6. Crowdfund a building purchase 7. Pop-up w Brush/local product in MS storefront?	**Current activities:** 1. FFA at Ag Appreciation Dinner 2. Library partnerships 3. Stakeholders: Morgan Cmty College, Hospital, **Potential activities:** 1. Junior Main Street 2. Connect to Cattleman's Assn? 3. Livestock Exchange: Connect to them