

Madison's "Downtown Dynamic" Market Analysis

Executive Summary

September 27, 2007

The Downtown Dynamic Market Analysis was completed September, 2007 and includes information on:

- **Current Conditions**
- **Who are the Downtown Customers?**
- **Downtown Trade Areas and Resident Demographics**
- **Needs and Perspectives of Business Operators**
- **Opportunities to Enhance the Downtown Madison Retail Environment**
- **Business Retention, Expansion and Recruitment Activities**
- **Business Clustering and Placement**
- **Opportunities to Build on Downtown Madison's Position in the Regional Economy**

Background: The "Downtown Dynamic" is a name that members of a business retention, expansion and recruitment committee gave its work. In 2003 Downtown Madison, Inc.(DMI)—along with Madison's Central Business Improvement District (BID)—took a look at the challenges that were before our community in terms of maintaining and growing a healthy and vital downtown business/retail district. DMI hired facilitator, Bert Stitt, to assist with a process that would bring people together (who care passionately about the future of downtown Madison) in order to develop a working business retention, expansion and recruitment program for the central business district.

The group consisted of hundreds of people from around our community. They used the Appreciative Inquiry Process to gather information and eventually developed a "Unified Dream Statement" for the project (see attached). And once the "Unified Dream Statement" was agreed upon, they coined the name "Downtown Dynamic".

The downtown Madison Market Analysis was conducted as an *educational program* in conjunction with the UW-Extension's Center for Community and Economic Development and UW-Extension Dane County. Financial support was provided by Madison's Central Business Improvement District and 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.

Current Conditions

- Downtown Madison is the geographic, cultural, government and knowledge center of the 90th largest metropolitan area in the nation. While downtown Madison has not experienced the economic decline faced by other central cities, downtown investment has continued to grow dramatically over the past decade. Recent large-scale public improvement projects, construction on the UW-Madison campus, resurgence in downtown housing, and other private development projects have increased the economic vitality of downtown Madison. The renewed public and private investment in downtown Madison has positioned it to maintain and expand its prominence in the regional, national, and international economy.
- Because of the recent levels of investment, downtown Madison is positioned to face a number of key economic challenges:
 1. Growing regional retail competition
 2. The ability to compete with the suburban office market
 3. Varying public perceptions about downtown Madison
- Downtown Madison is positioned to address these challenges through existing partnerships of business operators, property owners, downtown organizations, government entities and other downtown stakeholders. We found that the existing retail mix was balanced and healthy—envied by many downtowns of similar size. We realize, however, that we need to plan for the challenges of the future because the demands from consumers continue to change at a rapid pace. We found many strengths that we can build upon, and a few “gaps” in our business mix. The following executive summary examines several of the key findings, conclusions and opportunities resulting from a market analysis designed to support the goals of the “Downtown Dynamic” program.

Who are the Downtown Customers?

- ***Downtown Employees*** – Downtown Madison businesses employ approximately 33,000 workers. These individuals are employed primarily in white collar occupations (76.8 percent) with specific concentrations in management, business, computer, mathematical, legal, educational, and arts and entertainment occupations. Over one-third of these individuals live in households with incomes of \$75,000 or more.
- ***Downtown Residents*** – Downtown Madison is home to over 24,000 residents. While the majority of these individuals are renters, downtown Madison has added a large number of new condo units attracting young professionals, empty nesters and retirees. 3,100 new rental and condominiums units have been added since 1995. Downtown is increasingly

becoming home to young professional singles and couples, baby boomers, and retirees. Furthermore, a large percentage of downtown residents do not own a car and create a large captive market segment. Many of these individuals have high spending propensities for dining out, movies, concerts, and other leisure activities. Also, many downtown residents have above average spending levels for **branded apparel, home furnishings, electronics, and sporting goods.**

- **College students** – Over 50,000 college students reside in Dane County. The majority of the student population attend UW-Madison and account for \$500 million in expenditures on local goods and services. While these college students live throughout Madison, a large number of students live either in or adjacent to downtown Madison. **In addition to eating out, college students have discretionary income for electronic entertainment (DVD's, music downloads, video games), other electronic equipment (stereos, MP3 players, computers, televisions), movies, and designer apparel.**
- **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 of cultural and conference facilities, suggest that downtown Madison captures a large share of Dane County's visitor expenditures. **More importantly, shopping is the number one visitor activity and provides spending potential in a variety of downtown retail categories.**

Downtown Trade Areas and Resident Demographics

- Downtown Madison's **primary** destination trade area extends east to Commercial Avenue, west to approximately Whitney Way, south to Highway PD and East to Monona Drive. A **secondary** destination trade area includes a larger geographic region encompassing most of Madison, Monona and portions of Fitchburg, Middleton and McFarland. Dane County is considered a **tertiary** trade area for downtown Madison.
 1. The **primary** trade area has a large share of non-family households, individuals ages 20 to 34 and college graduates. These demographic categories suggest a highly-mobile population of college students and young professionals that comprise a share of the primary trade area's population. 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.**

2. 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. Characteristics of secondary trade area residents suggest purchasing preferences for **furniture, home improvement, children’s goods and services, and entertainment.**

Needs and Perspectives of Business Operators

- *Sharing 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.
- *Studying expanded business hours through a supplemental market analysis to determine downtown pedestrian counts and daily and seasonal activity patterns* - These activity patterns would be useful in determining the most promising periods for expanded district-wide operating hours.
- *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, and the perception of safety, are important future topics for BID programming.
- *Increasing the awareness of and participation in the UW-Madison Small Business Development Center’s educational programs* - Examples include entrepreneurial training, business counseling, and programs and seminars including marketing/branding/advertising, business planning, business market analysis. Similarly, businesses suggest a need for greater education about the financing and loan programs available to them.

Opportunities to Enhance Downtown Madison’s Retail Environment

- Downtown Madison’s retail environment faces growing competition, limited regional accessibility, and a variety of public perception issues. However, downtown Madison has a number of unique opportunities including a growing downtown resident population, proximity to numerous large-scale customer traffic generators, and access to a diversity of consumers. These potential challenges and advantages suggest that downtown Madison should seek to differentiate itself from other shopping destinations in the

Madison region. Specifically, downtown Madison should focus on commercial *niches* that best serve its key consumers while building upon its existing retail strengths.

- ***Residents of the downtown Madison primary destination trade area have a retail spending potential of approximately \$1 billion¹.*** The ability of downtown Madison to capture these potential expenditures will depend partially upon the drawing power of its business mix. Based on existing competition, retail opportunities in comparable communities, the purchasing preferences of downtown Madison’s primary consumer segments, and current retail strengths, downtown Madison has opportunities to grow several retail niches that would enhance downtown Madison as a shopping destination and reduce leakage to outlying areas.

****Stores listed in the niche descriptions are not included as business recruitment recommendations, but rather to describe the product mix in similar stores.*

Recommended Downtown Niches

1. ***Home and Hearth*** – The home and hearth 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. Other corresponding products in this niche could include interior design, home electronics, floral shops, vintage furniture, paint, and hardware. While downtown Madison has a number of supply gaps in these categories, the home and hearth niche complements established downtown retailers such as Rubin’s Furniture, Dorn True Value Hardware, and Tellus Mater.
2. ***Apparel*** – Downtown apparel opportunities include upscale women’s apparel and accessories, apparel for professionals, and apparel for college students. Apparel stores targeting students and professionals could include those with product mixes similar to J. Crew, Banana Republic, Anthropologie, 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, the Gap, Heartland Birkenstock, Jack’s Shoes, Jazzman, Karen & Co./Sassafras, Land’s End, 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.
3. ***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 galleries. The niche serves both visitors and residents of the primary destination trade area. The arts,

¹ excluding spending on new and used automobiles

gifts and entertainment niche partly rely on downtown customer traffic generators such as the Overture Center for the Arts, downtown lodging establishments, and the Monona Terrace Community and Convention Center. However, this niche also recognizes that eating and drinking establishments (bars and coffee shops) comprise more than 50 percent of the retail businesses located in downtown Madison. Furthermore, the arts, gifts and entertainment niche acknowledge that unique gift stores such as Pop Deluxe, and art galleries (such as Fanny Garver Gallery) contribute to downtown Madison's drawing power. 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 movie theater.

4. ***Department Stores and Office Supply Stores*** - Despite the likely retail leakage in these two retail categories, the footprints of these store types may not fit into the character or land use patterns found in the downtown study area. Currently, Badger Office Supply and University Bookstore are filling the Office Supply niche. Additionally, basic goods and services serving downtown residents is another niche that is increasing with a growing downtown population. While these goods and services contribute to the health of downtown Madison, these retail categories have a lesser dependence 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.

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 respective niche. More importantly, these niches can be supported by 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.

****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.*

1. ***Create recruitment and marketing collateral materials based on the information in this market analysis*** - Collateral materials should include one-page summaries of the 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.

2. ***Host business prospects visiting downtown Madison*** – Bringing potential business investors and operators downtown provides the opportunity to tell the downtown Madison story through first-hand experiences.

3. ***Connect entrepreneurs with business assistance providers*** – 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.

4. ***Update demographics, regional economic data, consumer descriptions, and market recommendations on an annual basis*** - UW-Extension can assist in assembling the necessary data to update this market analysis.

5. ***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:
 - Making the results of this market analysis available to downtown business owners and operators;
 - Facilitating cross-marketing activities among existing businesses in downtown Madison’s retail niches. These activities could include cross-promotional opportunities or joint advertising efforts;
 - Providing the ***Community Tapestry Lifestyle*** (as explained in the data) 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;
 - Remaining up-to-date on business trends by attending trade shows, joining industry organizations, or subscribing to retail industry publications;
 - 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.).
 - Promote Businesses to Targeted Markets. Assist businesses in matching their promotional activities to targeted consumer segments (and vice versa). As an example, the Central BID could facilitate links between businesses targeting

younger downtown workers and members of WAA's Young Alumni, MAGNET, and the International Professionals Association. Similar programs could be developed among businesses and college students, office workers, or condo associations. Promotional conduits could include traditional print advertising, but should also consider making connections through targeted e-mail lists, websites, Podcasts, and other electronic media.

Business Clustering and Placement

- The length of the State Street commercial district (including the side streets), the location of downtown customer traffic generators (along with parking perception challenges) suggests that downtown Madison should consider the development of business clustering and placement guidelines. These guidelines could be used to educate prospective business operators and property owners on appropriate business location decisions that could encourage cross-shopping opportunities, avoid potential commercial conflicts, and reduce business turnover. Knowledge about *clustering and placement* could also assist existing businesses seeking to expand or relocate within downtown Madison. The following suggestions can be used for the guideline:
 1. ***Capitol Square Area and the 100 to 200 blocks of State Street*** – Create a critical mass of home and hearth establishments, gifts, dining, arts and entertainment establishments, and activities targeting families and children. The placement of these business types considers existing cultural traffic generators, proximity to downtown condo residents, and concentrations of downtown office workers. Establishments in these areas could attract a broader consumer segment with a focus on visitors.
 2. ***300 to 400 blocks of State Street*** – Develop a concentration of men's and women's apparel and accessories, shoes, gifts, cosmetics, home & hearth and dining establishments. Goods and services on these two blocks could focus on households and individuals between the ages of 20 and 44.
 3. ***500 and 600 blocks of State Street*** – Clustering of electronics and electronic 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 consumers.
 4. ***Encourage professional and personal services to locate on upper floors*** – Furthermore, existing personal and professional services located in the State Street Commercial Corridor should have vibrant window displays to create pedestrian interest and create an illusion of retail continuity.

Opportunities to Build on Downtown Madison’s Position in the Regional Economy

- Downtown Madison has an opportunity 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. 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, the downtown has a number of competitive advantages that differentiate it as a commercial location. Opportunities to build upon these regional competitive advantages include:
1. ***Promote 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.
 2. ***Market 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.
 3. ***Facilitate connections to business services and promote downtown Madison as a de-facto business incubator*** – While the Network 222 building has been successful with 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 and affordable office vacancies would also support downtown entrepreneurs.
 4. ***Promote 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, and information technology, among others. Downtown Madison also provides direct access to the State’s government center—one of the largest employers in Dane County.
 5. ***Promote 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.

6. ***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 BID, DMI, REDE, and other economic development organizations provide information to prospective businesses interested in a downtown Madison location.
7. ***Work 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.

In summary: The downtown Madison business climate is currently in a healthy state. But we know that there is tremendous competition from not only other areas of our community, but also from the broader region (including the internet). We have changing demographics and demands from new customers. It is important that downtown Madison remain the center of our region with an authenticity that only our downtown can offer. We need to remember to build on this authenticity and provide our customers the best experience that Madison can give. This can only be done with the right business mix (and businesses that are customer focused) that provides downtown residents, downtown workers, and downtown visitors a true “Madison Experience” in order to keep our downtown “Dynamic”. See a recent quote from the Chicago Tribune:

"Capitol to campus on a great street in Wisconsin. . . . few Midwest thoroughfares are as vibrant as Madison's State Street." The Chicago Tribune, THE TWO MADISONS, Don Davenport; Chicago Tribune; May 20, 2007; pg. 1