

# Marketing Your Community for Economic Development

## Trends and Insights from the Boardroom

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In today's global economy, competition is keen for businesses to move to or remain in places where a company can meet its bottom line and also see that its employees have a good quality of life. The upshot is that local governments and regions are spending a lot more resources, including staff and money, on marketing the comparative advantages of their communities. The question is whether this marketing message has an impact on the receiver (that is, on business).

With a short time-out for World War II, economic development marketing has blossomed and burgeoned since the late 1940s and early 1950s. Today, it can register some pretty impressive statistics:

- There are an estimated 20,000 economic development groups in the United States alone: public, private, and civic, plus all possible combinations and permutations.
- These groups are spending upward of \$500 million in marketing money alone to encourage business retention, expansion, attraction, and entrepreneurship.
- Virtually every state in the United States has its own economic development marketing program, increasingly on the basis of a partnership or an alliance.

## Go or No Go

For many public managers, economic development—and especially its marketing—may pose something of a dilemma.

On the one hand, a manager has the clear direction of the governing body and most of the business leadership to pursue aggressively some kind of policy of planned or managed economic growth. Also, he or she often has considerable resources with which to back up this activity.

On the other hand, it usually is difficult to assess what, if anything, marketing funds are reaping: What are you getting for your money? What, if anything, is the real return on investment for economic development marketing? Some local governments don't have the resources for much business attraction activity so they must make sure to use these tools wisely.

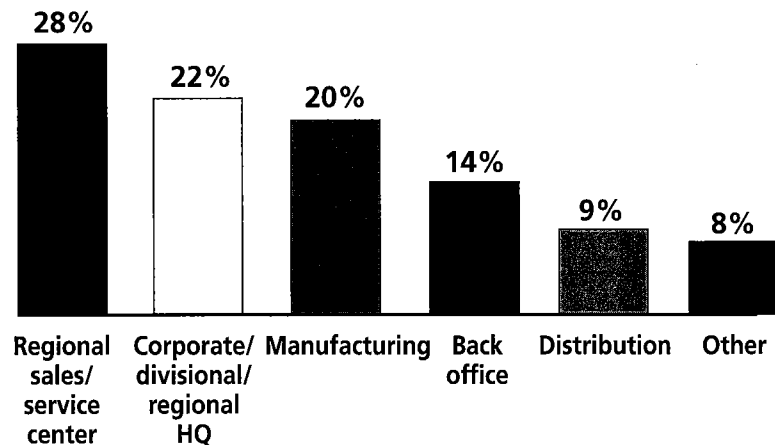
Since 1960, the firm of Development Counsellors International (DCI) has been working with more than 250 economic development organizations in all sizes and funding categories, trying to get a fix on what works and what doesn't work in marketing. After more than 35 years, DCI finally had the simple idea of asking its clients, who, after all, seek out and select production and office sites. To these key persons, what sorts of marketing activities are most cost-effective?

The outcome of this notion was a series of surveys beginning in 1996 and culminating in a surprisingly comprehensive body of data in May 1999, when a large number of senior company executives in both the United States and western Europe contributed to defining "Winning Strategies in the Economic Development Marketing Game." This article describes some results of this latest survey, with an emphasis on how they affect local government managers and associated personnel.

## Survey Information

First, a word on the universe of the samples. A total of 427 senior executives re-

**Figure 1. Likeliest Candidate for Next Location Decision**



sponded, some 77 percent from the United States and the remainder from western Europe. The responses focused on the more substantial companies, with sales volumes in excess of \$100 million and with more than 250 employees.

A good many questions were asked and answered, but four questions seem to be especially important to managers as they assess and sometimes lead their respective economic development marketing efforts:

1. Right now, what kinds of facilities are expanding most?
2. Who is important in making site selection decisions?
3. To which places are the companies going now? Also, where are they not going?
4. What marketing tactics work best in informing and influencing these executives?

Here are the answers to each of these questions, both in graphic form and also in the form of brief commentaries and discussions, with a particular emphasis on what seems especially surprising or significant to managers in the United States.

**What kinds of facilities are expanding most right now?** A facility that combines a regional sales office with a multilevel corporate headquarters leads the parade, encompassing almost one-half (48 percent) of the responses. When you add back offices (14 percent),

you arrive at a total of 62 percent, or more than three-fifths (see Figure 1).

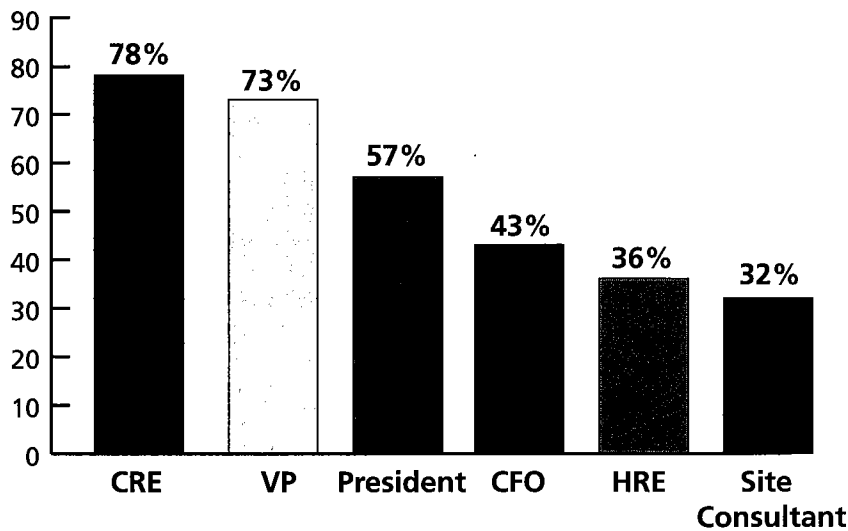
Yet most development organizations continue to seek manufacturing as their primary target and distribution as their number-two priority. This survey, therefore, stands the conventional wisdom on its head, with offices outpolling manufacturing plants by a three-to-one ratio and even the combination of manufacturing and distribution facilities by a two-to-one ratio. This trend is underlined by a comparison of the manufacturing ratio in DCI's 1996 survey (37 percent) to the one in the 1999 survey (20 percent).

Management officials therefore will overlook new and expanded office operations in their economic development efforts at their own peril.

**Who is important in making site selection decisions?** Again, the response contains an element of surprise. The conventional wisdom is that power tends to travel downward, that the CEO makes the site selection decision using other company personnel on an as-needed basis. Not so, say DCI's respondents. It is in fact now a team rather than an individual decision; five senior corporate executives and one outside consultant may each play a pivotal role (see Figure 2).

A word about each of these players. The corporate real estate executive remains of real importance, providing a continuity of real estate expertise. The appropriate vice president is next in in-

**Figure 2. Executive Importance in Site Location Decision (Percentage rating "4" or "5" on a 5-point scale)**



fluence because this must actually be the VP's show. The president/chief executive officer is, of course, central in decision-making authority and responsibility, although this decision is a shared responsibility today, to a degree never seen before in DCI's experience.

Both the chief financial officer (CFO) and the human resources executive (HRE) are playing increasingly important parts, as the famous bottom line is of more relevance than it has ever been and as the current shortage of good workers is fast becoming the number-one challenge in economic development.

Three decades ago, there was a location consultancy firm called the Fantus Company. Now there are more than 130 such firms, often assisting site-questing companies in moving up the locational ladder, cutting down a long list of 20 to 30 site alternatives to three, four, or even fewer. Note that in about a third of

the respondents' cases (32 percent), such outside consultants have played a decision-making role in whether and where to establish a facility, to expand, or to relocate.

**What states are winning the game of economic development marketing?** For comparative purposes, on this one DCI has included the results of the 1996 survey on favored and least favored states (U.S. only). Some interesting changes have occurred since 1996. First, a look at the positive side of the ledger (see Figure 3).

Texas has moved from second to first place among more than 400 senior managers. California, a newcomer to the list, now comes in second. North Carolina has moved from first to third place, despite a 1 percent drop in executive preference. Georgia has moved from third to fourth place, and another newcomer,

**Figure 3. Most Favorable Business Climate (1999 vs 1996 comparison, U.S. respondents)**

1999 (U.S.)	1996
Texas (30%)	North Carolina (33%)
California (22%)	Texas (28%)
North Carolina (20%)	Georgia (27%)
Georgia (17%)	South Carolina (21%)
Florida (14%)	Tennessee (20%)

Florida, has replaced Tennessee in the number-five spot.

On the nether side of the ledger (see Figure 4), New York continues least favorable despite a greatly improved "negative" rating, from 55 percent to 29 percent. Similarly, California comes second on this dishonor roll again, despite sizable improvement (47 percent to 25 percent). The three bottommost selections, with slight variations over the ensuing three years, have been Massachusetts, New Jersey, and Connecticut.

The big surprise is California's schizoid development personality for senior executives, as number-two most favorable and number-two least favorable. One explanation might be that California's relatively recent economic success story still is not as well known as it might be to people who count, and for many the previous, darker image continues to prevail.

**What marketing tactics work best in informing and influencing company executives?** The responses fall into two categories: leading sources of information (Figure 5) and effectiveness of marketing techniques.

There is a clear and strong distinction between the top and bottom halves of Figure 5. The double-digit responses are topped by "dialogue with industry peers" and "articles in newspapers and magazines," followed by four other entries: "business travel," "national surveys," "meetings with economic development group(s)" and "word of mouth." There should be noted here a strong preference for personal contact and reliance upon fellow businesspersons as compared with economic development groups, which clearly have an axe to grind.

Surprising is the extremely high rating of articles in newspapers and magazines (number two), which suggests a reliance on the implicit third-person endorsement of trusted publications. The lower-half sources follow at a sizable distance, all within the single digits, and toward the bottom are what are probably the most used techniques of development marketing: direct mail and print advertis-

**Figure 4. Least Favorable Business Climate  
(1999 vs 1996 comparison, U.S. respondents)**

1999 (U.S.)	1996
New York (29%)	New York (55%)
California (25%)	California (47%)
Massachusetts (19%)	New Jersey (20%)
New Jersey (14%)	Massachusetts (19%)
Connecticut (10%)	Connecticut (9%)

**Figure 5. Leading Sources of Information**

Dialogue with industry peers	71%
Articles in newspapers and magazines	61%
Business travel	45%
National surveys	31%
Meetings with ED group(s)	27%
Word of mouth	21%
On-line sources	9%
Personal travel	8%
TV/radio newscasts/shows	7%
Direct mail	3%
Print advertising	3%
TV/radio advertising	1%

**Figure 6. Effectiveness of Techniques  
(Percentage rating a 4" or 5" on a 5-point scale)**

Planned Visits to corporate executives	49%
Hosting special events	43%
Trade shows	43%
Public relations/publicity	39%
Internet/Web site	35%
Direct mail	27%
Advertising	20%
Telemarketing	6%

ing. This unexpected contrast will be developed a little later in this article.

As to the perceived effectiveness of various marketing techniques (Figure 6), we see a somewhat analogous hierarchy of priority here, with planned visits to corporate executives and special events heading the list, closely followed by public relations/publicity, with Internet Web sites coming up fast. Again, direct mail, advertising, and in this case telemarketing wind up at the bottom of the ratings.

## The Message

In summary, what does this survey say

to managers and their professional counterparts? Here are nine points that seem to be worth careful consideration:

1. **Explore office development.** Manufacturing, or even the combination of manufacturing and distribution, is no longer the name of the economic development game. Offices—corporate, regional, sales, and back, as well as call centers—are where the action right now is particularly hot.
2. **In targeting, consider especially the demand side of the equation.** In DSI's client work, now underlined by this survey, we see that too many develop-

ment groups shoot at unrealistic targets, for which they have little corporate advantage, facing the overwhelming fact of far too much competition.

Again and again, both companies and site location consultants have told DCI that their number-one interest now often is not in high technology but rather in upscale incoming-call centers, where there is an almost frantic search for the right kind of people and places. As a manager, you'd be wise to consider this field as one target for your community if you have even a potential, partial capability in this arena. It makes sense to fish where the fish are.

3. **Don't limit your marketing to the chief executive.** We have seen that the chief executive is only one of a team of decisionmakers. Yet perhaps 90 to 95 percent of direct-mail and other direct-contact activities focus here. It makes sense also to approach appropriate vice presidents, chief financial officers, and real estate and human resources executives, with whom your story may get a longer and more sympathetic hearing. Few development groups do this.
4. **Get to know the site location consultants.** There are hundreds of thousands of senior company executives, but, as we have seen, there are only about 130 site selection consultants. Moreover, many of the biggest and best consultants will grant one initial interview with representatives of a community so they may gain firsthand knowledge of the locality's attributes. Take advantage of it whenever you receive one of these invitations.
5. **Recognize that place images count.** It's great if you are from Texas and

not so great if you are from New York. But, more broadly, community image can count mightily, and if yours is either poor or nonexistent, you may be out of the race right from the start. Here are the kinds of things that senior executives and their advisers are particularly attuned to today:

- Fast growth.
- Available labor, especially skilled labor.
- Available, appropriate space that a company can move into immediately.
- Updated, honest statistical data.
- Closures and downsizings, because they suggest the spot availability of good workers.
- Local corporate executives, especially in the same or analogous lines of economic activity, who are available for confidential interviewing, usually without participation by the development group.

If you can boast these kinds of advantages, use your marketing efforts to describe them to the right people.

6. **Keep in mind that personal contact and editorial placement are the best ways of informing potential executive prospects.** Not surprisingly, businesspeople tend to listen to other businesspeople. They also tend to listen to the editorial endorsements of well-respected business newspapers, magazines, and newsletters.
7. **Know that the most cost-effective marketing techniques are personal prospect visits and special events, including trade shows and public relations activities.** The reasoning is similar to that in item 6. With personal contact, you eliminate the marketing middleman. With public relations, you continue to build positive equity.
8. **Remember, less cost-effective methods include advertising and direct mail, with Internet Web sites in an intermediate marketing position.** Space ads and direct advertising have at least three related problems: they


are usually relatively expensive, they face enormous competition, and they have a low index of credibility.

Does this mean that you, as a manager, should not employ these techniques in economic development marketing? Absolutely not! They also have strong advantages: they are relatively easily arranged and, if well done, can stand out in a crowd. And with both approaches, you have strong control of your audience, your message, and your visual/graphic impression, though you should probably supplement these techniques with the more personal tactics already suggested.

A word now about Web sites. In DCI's surveys, Web sites have shown large increases in effectiveness, culminating in the 35 percent rating in the 1999 assessment. At this writing, there seem to be at least two limiting factors for Web sites. First, some types of senior executives probably still are not as computer-literate as they pretend to be. Second and probably more important, Web sites are not yet uniformly comparable to one another, making bottom-line comparisons difficult or impossible to make. This, we predict, is going to

change in the near future.

9. **Rest easy. Good economic development marketing programs are not necessarily the most expensive ones.** Note that the least expensive techniques—personal meetings, special events, and public relations—are among the most effective, while advertising and direct mail, as has been noted, are relatively expensive and comparatively low in effectiveness. This situation might suggest an almost inverse proportion in economic development between marketing cost and marketing success. This final thought should fill the hearts of most managers with the purest happiness!

This article only scratches the surface of the topic of what works and what doesn't work in economic development marketing. The full 28-page report from DCI, plus a 14-page appendix, is available without cost by contacting Andrew Levine, president at Development Counselors International, 461 Park Avenue South, New York, New York 10016; 212/725-0707; fax, 212/725-2254; e-mail, al@dc-intl.com. 

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## A Beginner's Guide to Job Searching Through Print Resources

- Complete Job Interview Handbook*, by John J. Marcus. 1994. 650.14 M322c  
*Cover Letters That Knock 'Em Dead*, by Martin John Yate. 1998. 650.14 Y31c  
*Do What You Are: Discover the Perfect Career for You Through the Secrets of Personality Type*, by Paul D. Tieger. 1995. 155.25 T561d  
*First-Job Survival Guide*, by Andrea Sutcliffe. 1997. 650.14 S965f  
*Guide to Internet Job Searching*, by Margaret Riley. 1998. 650.140285 R573g  
*How to Get a Job and Keep It*, by Dorothy Y. Goble. 1990. 650.14 G575h  
*How to Get Interviews from Classified Ads*, by Kenton W. Elderkin. 1993. 650.14 E37h  
*Job Skills for the Twenty-First Century: A Guide for Students*, by Lawrence K. Jones. 1996. 331.702 J77j  
*Resumes That Get Jobs*, by Jean Reed. 1998. 650.14 R324r

Source: Excerpted from a list compiled by college/career librarian Jane Larsen, Arlington County Public Library ([www.co.arlington.va.us/lib/](http://www.co.arlington.va.us/lib/)), Arlington County, Virginia, March 1999.