

Making Your Community Special

By JOHN L. GANN, Jr.
Gann Associates, Glen Ellyn

Making your city or village special can give it a leg up on job creation and tax base development. But there can be two different and opposite kinds of “special.” Many Illinois communities may be pursuing the more costly and less productive kind.

If you buy your spouse a gift that’s “special,” it means you looked hard and probably paid plenty for something out of the ordinary that was just right for her or him. Such a special gift is likely to be greatly appreciated. But if the gift you buy was “*on special*,” it means you got it at a fire-sale price because it was slow-selling merchandise the store wanted to clear out, perhaps an old model or an unpopular color. The spouse’s reaction to *this* kind of “special” is less likely to be so approving.

Just as there are two opposite kinds of “special” in gifts, we might think of two kinds of “special” in communities when it comes to economic development.

Special...or On Special?

Some Illinois cities and villages—maybe yours—are special because they offer something distinctive and of value that you don’t find everywhere. People willingly pay a good price to enjoy the benefits of such a community as residents, shoppers, tourists, businesspersons or investors. These places draw economic growth with the qualities of their *product* more than the lowness of its *price*.

But other communities are *on special*. These towns seek to sell themselves to businesses and investors mainly by slashing their prices or passing out freebies. They offer property tax abatement, low-interest loans, IRBs, sales tax rebates, worker training, free land or other financial inducements.

Though they are not usually thought of in that way, financial incentives offered by state, county and municipal governments are simple price-cutting. They reduce the cost of doing business in a particular area, although usually only for a while. But, of course, it’s not cut-rate prices for everyone. It’s just for new customers—or old customers who threaten to take their business elsewhere by moving out.

An Alternative to Municipal Price-Cutting

And that means incentives are not terribly popular with a community’s existing customers, the local businesses who must continue to pay full price for their taxes, borrowing, real estate, and the like. They sometimes conclude they are being taken for granted. How do you feel when you buy a

new suit and find that two weeks later it’s on sale and someone else can pick it up for 25 percent less?

Another problem with the “on special” strategy is that you don’t always get what you pay for. Companies sometimes fail to create all the jobs they promised in exchange for taxpayer-funded incentives. And some facilities that do, close down after a few years. But according to a 1999 survey by the Illinois Institute for Rural Affairs (IIRA) and IML (see *Illinois Municipal Review*, May, 2000), nine out of ten responding municipal governments *never* use “claw-back” requirements to recover their incentive outlays from such companies.

But there’s an alternative to economic development through “on special” price-cutting. It’s investing in competitive advantages that make your community special—and worth *full* price. And then investing in marketing to let your economic development prospects know *why* you’re worth full price.

This option offers an important advantage over spending on incentives. What you buy with funds you invest in making your community special and in marketing that specialness remains available to attract other businesses even if a new arrival falls short on their promises.

Instead of making a one-time expenditure benefiting a single company, you’ve made an investment in the community as a whole and in its perception among those on the outside. Rather than cutting price, you’ve added value. And instead of paying them, you’ve paid yourself.

Nonetheless, the “on special” approach has been pervasive in Illinois. Of the 15 types of economic development tools IML and IIRA surveyed municipalities about five years ago, at least 11 relate exclusively to price-cutting measures. And *none* appears to have to do with marketing or investing in making the product special.

Selling Cities like Chevies

But cities seeking economic development aren’t alone in this approach. This is also the sales strategy of the desperate car dealer. When it’s not moving the metal, your friendly local dealership offers its own incentives—zero percent financing, four-figure cash-back rebates, special lease deals, or free optional equipment—to bring drivers back into deserted showrooms.

There are two reasons cars are sold this way that have implications for cities. First, there is global overcapacity in the auto manufacturing industry. And it’s not always easy

to cut production or shutter plants when demand falls short of supply. So there are often a lot of cars chasing not a lot of buyers.

The other reason is that the dealers are all selling the same product. The Chevrolet you buy from the low-price volume dealer will be exactly the same as the Chevy you'd get anywhere else. And the copycat trend in the industry these days means that the car you could buy at the Ford or Dodge dealer probably won't be much different from the Chevy. More than in the past, cars have become largely undifferentiated commodities. Smart people buy commodities strictly on price.

The most pernicious result of years of putting new cars "on special" with financial incentives is that the industry has trained car buyers to expect generous rebates or cut-rate financing and to refuse to buy until these become part of the deal. The factories are compelled to match or better their competitors' inventive programs. Even though management would prefer to end the incentives arms race, no company dares to unilaterally destroy its weapons.

Too Many Towns Too Much Alike?

All this may sound just a bit like how municipalities pursue economic development. Cities and villages in fact face much the same marketing challenge as car dealers for much the same reasons.

First, there's overcapacity. There are always thousands of cities and villages in the marketplace for industrial jobs, tax base, upscale residents, or visitor dollars irrespective of whether current demand for places to live, visit or locate businesses is high or low. Industry, retailers, home buyers and tourists have plenty of places they can go.

And then there's commodity status. Many communities are quite similar to others in their area. Because of poor or non-existent marketing, even more are *perceived* by outsiders to be similar even when they're not. Unfortunately, often communities' leaderships do little to set their towns apart from the pack. Cities are in fact more likely to imitate other cities than to differentiate themselves from them.

As a result, most cities and villages suffer from being seen as near-identical commodities and must face the marketing problem that perception entails. So just like car dealers, they're forced to trot out the incentives, thereby training businesses seeking locations to expect them. And just as in car buying, savvy companies shop different states and communities to find the best deal.



Already a special place for college kids, Ithaca, New York, may also become a destination for people seeking a natural health retreat. The City's Moosewood natural foods restaurant is already known nationwide. Gann Associates photo.

Communities Making Themselves Special

But despite the prevalence of car dealer-style price selling in economic development, a few places are catching on to the value of making themselves special.

◆ ***Aloha Healing***

Most people already consider Hawaii a special place. But now the Islands are exploring how to become even more special. The Hawaii Tourism Authority is marketing the 50th state as a wellness place for tourists. Working with health practitioners, the state seeks to market to people interested in nature experiences, spiritual retreats and alternative medicine treatments.

Given the size of the market for health care and fitness in this country and the aging of the huge baby boomer population, the Hawaiians might just be on to something big.

◆ ***Scenic Sustainable Wellness***

But a tropical climate may not be a prerequisite for a health retreat. The Ithaca/Tompkins County Visitors Bureau is partnering with the Integrative Community Wellness Center to promote this city of 28,300 in Upstate New York as a wellness destination.



Kenosha, Wisconsin, has made itself special to visitors by running rare historic PCC trolley cars— normally seen only in museums—around its downtown and lakefront. Gann Associates photo.

Home of Cornell University and Ithaca College, the city already has the kind of affluent and educated population that tends to heavily favor environmental protection, sustainable organic farming, yoga, meditation, and overall ecology, natural living and health consciousness. All of the above are also becoming more popular nationwide. While chillier than Maui, Ithaca boasts hills, gorges and waterfalls that render it a scenic destination as well.

♦ ***Unspoiled Prairie Art***

Sedan, Kansas (pop. 1,306) is attracting both new residents and visitors by making itself a prairie arts center. Artists are migrating from better known arts hubs like Santa Fe, New Mexico, that they consider to have become overcommercialized. Former Chicago broadcast journalist Bill Kurtis is helping things along by buying and rehabbing downtown buildings, investing a million dollars in one of the poorest parts of the Sunflower State.

But artists and their works are not the only potential draw. Kansas claims ninety-five percent of the tall-grass prairie left on the planet. Around Sedan this prairie has avoided the historic conversion to farms and ranches, making the area look much the same as when Native Americans were its sole inhabitants. Legendary

clown Emmet Kelly was a Sedan native, prompting thoughts of a clown festival or performance series.

♦ ***“Made in the Mountains”***

The assumption that commodity products cannot be made into distinguishable brands people will pay more for was disproven by Frank Perdue. Perdue used product differentiation and marketing to turn generic Jewel, Highlander, or Schnucks supermarket chicken parts into a golden-colored premium product shoppers buy by brand name.

But places can also put themselves on the map by branding commodity-style products. A few years ago nineteen counties in northern Pennsylvania jointly adopted a brand marketing slogan, “Made in the Mountains,” to distinguish their local farm produce. The Harrisburg *Patriot-News* editorialized that more regions and their local products would gain from promoting such a local identity. “People today are looking for unique experiences and products that have, if not a particular personality, at least an identity that sets them apart,” the editors concluded. “Made in the Mountains brings a sense of place to a region of the state.”

♦ ***Selling Forbidden Fruit***

Perhaps even better than adding a local brand to traditional farm products is to specialize in producing one everyone else has overlooked. Cornell University is studying the market potential for raising black currants in New York State. The currants are a crop banned across the United States for most of the last century because they were mistakenly thought to carry a disease affecting white pine trees.

The forgotten fruit is nonetheless used internationally in 65 food products. It is a nutritional powerhouse with extraordinary concentrations of potassium, vitamin C and antioxidants. Greg Quinn, a farmer in suburban Dutchess County, thinks the currants could become to New York what potatoes became to Idaho while perhaps preserving some exurban farmland in the process.



Special places that cater to the needs of particular segments of the population—such as retirees, artists, young professionals, or Asian immigrants—can attract residents, visitors and businesses that serve these populations. Gann Associates photo.

◆ ***The Auto Mechanic Next Door***

A survey that became a best-selling book, *The Millionaire Next Door*, came up with a startling finding about millionaires. It found that a large number of them are not the stereotypical corporate CEOs, heart surgeons, real estate magnates or high tech entrepreneurs. They are instead inconspicuous owners of businesses in mundane fields like dry cleaning and garbage collection.

Similarly, while dot-coms, biotech ventures and other high-tech glamour enterprises get much of the attention today, sometimes economic development opportunity lies in lower-profile more run-of-the-mill activities. Like tuning up the family SUV.

In the Whitestone neighborhood of New York City ground was broken late last year for a unique and advanced automotive technician training center. It's the first of its kind in the nation to address a current national shortage of 60,000 motor vehicle technicians. Sponsored by a consortium of local car dealers and aided by the City, it will create 100 jobs.

◆ ***Buckeye Agritourism***

Some communities in rural areas are learning how to grow visitors as well as crops. With active farms dwindling in suburbia, some metro area residents are now paying to experience farming and country living. Ten counties in the Buckeye State organized as Ohio's Historic West are just one place trying to exploit this trend. Hay rides, corn mazes, cider making and animal petting barns can make for a unique fall weekend for big city tourists as well as increased revenues for areas that may not have much conventional business development.

To Be Special, Specialize

As these examples suggest, being “special” often entails being “specialized.” Marketer Al Reis cites cities that made themselves special by what he terms finding a focus. Instead of trying to be all things to all people, they became specialists.

Branson, Missouri, became special for fans of big-name country music performances. A central continental location and good weather made Memphis special as a distribution site. The 800 number you call—or the telemarketer who calls *you*—might equally involve a telecom connection with Omaha, which has become a special place for call centers.

The lesson, Reis says in his book *Focus*, is that rather than seeking a balance of industries communities should deliberately “unbalance” their local economies by focusing on a specialty and becoming better at it than other places.

And of course these and other successful places pursue specialness through advantages of substance rather than mere cosmetic improvements. There are still a few communities that appear to believe they can become special and attract business with large expenditures on “street furniture,” building facade makeovers, fancy landscape design and other superficial appearance enhancements. But in economic development, you win on content, not on form. The specialness that counts can’t be painted on.

Think Outside the Box

As the case studies also demonstrate, it is sometimes advantageous to do a little thinking outside the box. These days the easy economic development solutions have been done to death by dozens of other places. A me-too posture simply doesn’t work as well as it used to.

Dale Dauten—corporate manager, market researcher, and author of *The Max Strategy*—advocates solving problems by deliberately exploring lots of different possibilities. “The obvious ideas have mostly been used up, as have many of the non-obvious ones,” he explains. “The result is this: If it weren’t for long shots, there’d be no shots at all.”

So if your municipality would like Illinois’ next upscale high tech research park, take a number and get in line. But if you simply want jobs or tax base, you might look for some non-obvious unglamorous Millionaire Next Door possibilities.

Sometimes just marketing your community as something different is all you need to begin to stand out from the crowd. Everyone’s heard of Enterprise Zones, but we once suggested to a client city that they market themselves as an Enterprise **Town**. Another client—a suburban village with a rural past still much in evidence—struck us as a place that had the right stuff to set itself apart from its look-alike neighboring towns by adopting and marketing a “little bit country” theme.

An older suburban industrial city was being passed over by home buyers, with the expected depressing effect on property values. We proposed marketing the charm and convenience of its older neighborhoods and unusual historic buildings as character unavailable in even the priciest new subdivisions.

Of course, thinking outside the box is not for everyone, and not every municipal official will be comfortable with new ideas. (Full disclosure: although the county’s tourist director loved it, the “little bit country” theme didn’t appeal to members of the municipal economic development commission, so we tried something else.) But it is also worth remembering that sometimes local officials can be too familiar with their own community to be able to see potentials that might have appeal to the outsiders you want to attract.

Building and Marketing Value

In the past Illinois municipalities spent—either as outright disbursements or foregone tax revenues—countless dollars putting themselves “on special” with incentive programs.

But since their peers largely followed suit, this spending simply served to make towns more alike instead of more special. Just like the car dealers, cities and villages have trained their business customers to expect price-cutting programs as par for the course.

Economic development marketing boils down to selling a prospect on your community. A sale doesn’t happen when the value of an item is less than its price. So the task of any sales effort is to make value greatly exceed price.

The experts on selling will tell you that the *last* thing you want to do to accomplish that is to cut your price. Instead, a skilled sales effort will build value in the mind of the prospect, since value is in all cases a perception on the part of the buyer.

Municipal officials accordingly do well to consider spending their money on making themselves in some way special to some economically advantageous group of people or businesses and in actively marketing that specialness to them. This might be a better investment than continuing to try to keep up with thousands of commodity communities that compete with each other with cut-rate prices.

Because if you can offer something special that is of value and can’t be found in a hundred other places in Illinois, you can pretty much name your price. But if you’re one of the hundred other places, your price is likely to be set by your customer.

The specialness of your community must be strongly and cost-effectively marketed—with publications, advertising, publicity, direct mail, and the like—to the people and businesses that could benefit from it. You’re not special if people don’t know you’re special.

Bill Kurtis may have put his finger on the key to economic growth for Sedan, Whitestone, northern Pennsylvania, or any place in Illinois. “If there’s a lesson here,” *The New York Times* quotes him as saying, “it’s that towns can regenerate themselves by doing something different. Imagination is the key.” ■

John L. Gann, Jr., President of Gann Associates, Development Consultants, provides consulting services to communities around the midwest.