Retail Market Assessment and Marketing Plan for Marion, North Carolina

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Marion Small Town Economic Prosperity Program
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1.0 Introduction

1.1 Introduction and Background

Located in western North Carolina, Marion is an historic community and the county seat of McDowell County. The community has been participating in North Carolina's Small Town Economic Prosperity (STEP) program through the North Carolina Rural Center. The STEP program has been a partnership among various groups in Marion alongside state representatives from a variety of agencies.

This study is part of the STEP process and is designed to inform the community as it continues to pursue implementation of the STEP process. Arnett Muldrow & Associates, Ltd. was hired to conduct a Retail Market Study and Marketing Plan for Marion in early 2008. The process for the community began with a series of interviews with stakeholders in Marion alongside a Zip Code survey of customers held in February.

From that information, Arnett Muldrow conducted a detailed market definition study, and a sales and retail leakage analysis for the community This information was then used to craft a series of recommendations to help market Marion as a retail destination, retain customers in the market, and where possible recruit new business or expand existing business.

1.2 Report Format

This report is designed to present the findings of the Retail Market Study and Marketing Plan in a brief and easy to understand format. The report begins with the market assessment of Marion in order to provide the economic framework that underpins the recommendations.

The report concludes with an implementation strategy and action plan designed to outline the steps needed to begin implementation. The implementation chapter also includes recommendations for a Marion "Brand" that can be used to further the recommendations of this study.

1.3 Acknowledgments

This report would not have been possible without the participation of many individuals and businesses in Marion. Special thanks goes to the eighteen businesses that participated in the zip code survey; the many stakeholders who took time out to share their thoughts with us, to the Marion Downtown Business Association, the City of Marion, the McDowell County Chamber of Commerce and the other partners of the STEP program in Marion. Special thanks goes to Freddie Killough who set up all of our meetings and coordinated the process from start to finish.

2.0 Retail Market Study

This section of the report presents the findings of the retail market research for Marion and sets the stage for further analysis that can be used to recruit business, help existing businesses target customers, and implement the accompanying marketing strategy in the next chapter. The goal is to keep Marion a competitive center of trade for the community amidst dramatic change in the retail climate in America today.

Chapter 2 is divided into two sections:

Section 2.1 is Marion's market definition based on zip code survey work completed by businesses in the community. It also provides insight into the Marion's trade area demographics and presents market segmentation data related to Marion's primary and secondary trade areas. This information provides general consumer profiles based on income, spending habits, location, and demographics.

Section 2.2 presents the retail market analysis that shows the amount of retail sales "leaking" from the primary and secondary trade areas. This information is based on the most recent data available and is a reliable source for understanding overall market patterns. This section concludes with some key opportunities for retail that could be used to both enhance existing businesses and recruit additional businesses to the community.

2.1 Market Definition

Unlike other techniques that tend to use arbitrarily picked boundaries for customer trade zones (radii studies and the like), the method used for market definition in Marion is based on zip code survey work completed by cooperative merchants. Geographic zip codes are used because they are easy to track at the customer level and frequently follow reasonable boundaries within which a whole host of demographic data can be gleaned.

Eighteen Marion retail businesses graciously participated in the zip code survey of their customers conducted in February of 2008. These businesses, primarily located in downtown, show a cross section of independent businesses in the community. Merchants were provided with a form to record customer zip codes and asked to keep the log for all customers during a seven-day period. For residents of Marion zip codes, customers were asked to indicate whether the lived in the City of Marion or in unincorporated McDowell County. In all 1,379 individual customer visits were recorded during the one-week period.

2.1.1 Zip Code Results

The results of the zip code survey are listed below:

- Marion businesses recorded customers from 59 unique different zip codes representing twelve states.
- 25.5% lived inside the City Limits of Marion and an additional 43.2% of the customers were from the Marion Zip Code but outside of the City Limits of Marion. This makes the total Marion visits 68.7% or a little over two in every three customers.

- Nebo and Old Fort both in McDowell County accounted for another 10.7% and 9.7% of the visits respectively.
- Morganton had 3% of the customer visits while Union Mills and Spruce Pine has around 1% each.
- The rest of North Carolina and all other states accounted for only 5.7% of the customer visits in Marion.

The figures below provide two different insights into the breakouts of customer visits.

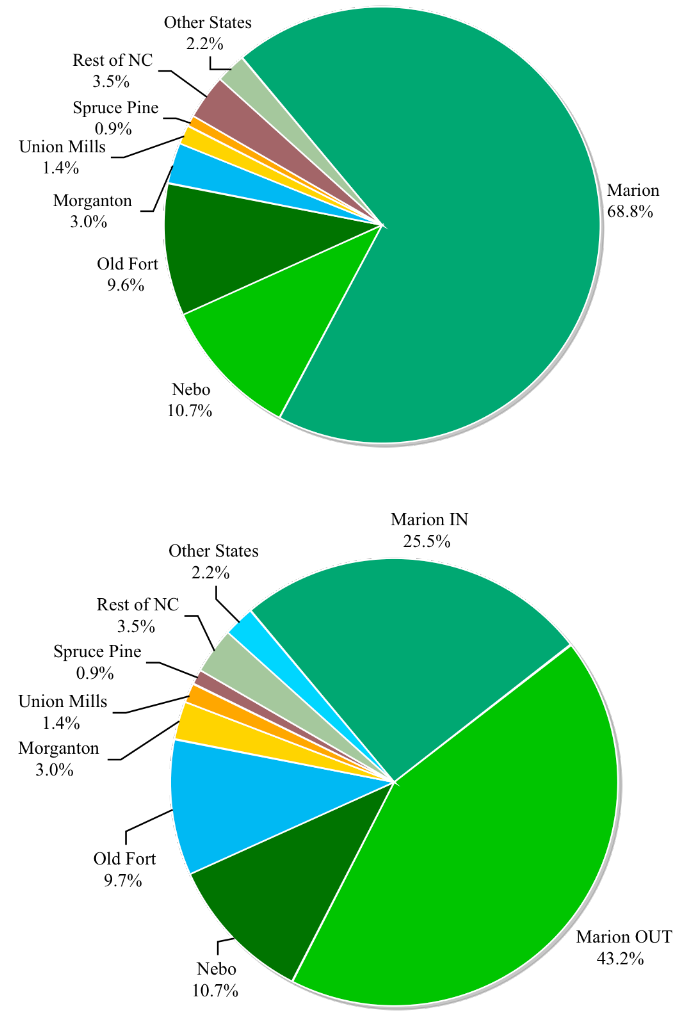

Figure 1: Two graphs depicting percentage origin of customer traffic for participating merchants.

2.1.2 Information by Business

The preceding information examined how the stores did in aggregate when all results are combined into one "pot" of figures. This section looks at the results by retail store to determine if there are any anomalous figures that emerge with particular stores. To protect the confidentiality of the individual store results, the names of the stores are not included in the charts. The red bars indicate the overall percentage visits for all participating businesses.

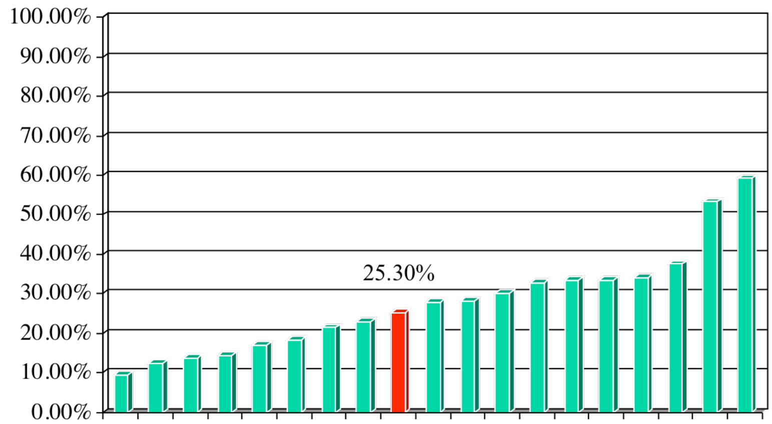

Figure 2: Percentage visits from the City of Marion by business.

Figure two above illustrates that overall the percent of visitors from the town of Marion itself is 25.30%. Ten of the eighteen businesses that participated in the survey had more than 25% of their customers from the City of Marion while eight had less than 25%. Figure 3 below shows the results looking at the Marion zip code both within the city limits and outside the city limits. In this case, overarall 68.9% of the customer visits come from the Marion zip code. No participating businesses had less than one half of their customers from the Marion zip code. While individual results vary some, the local market is an imperative component of the community's livelihood.

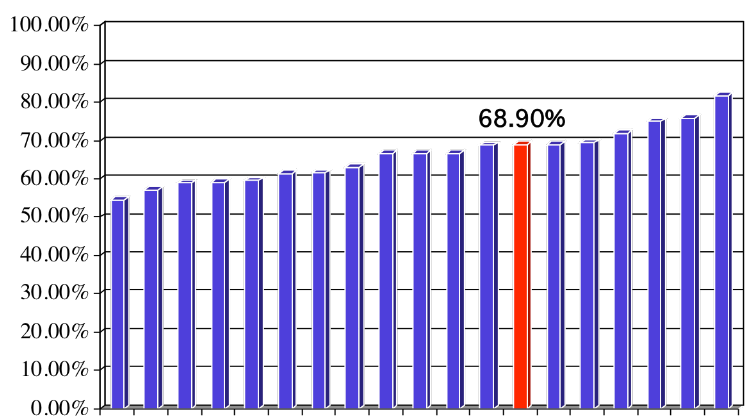

Figure 3: Percentage visits from the Marion zip code.

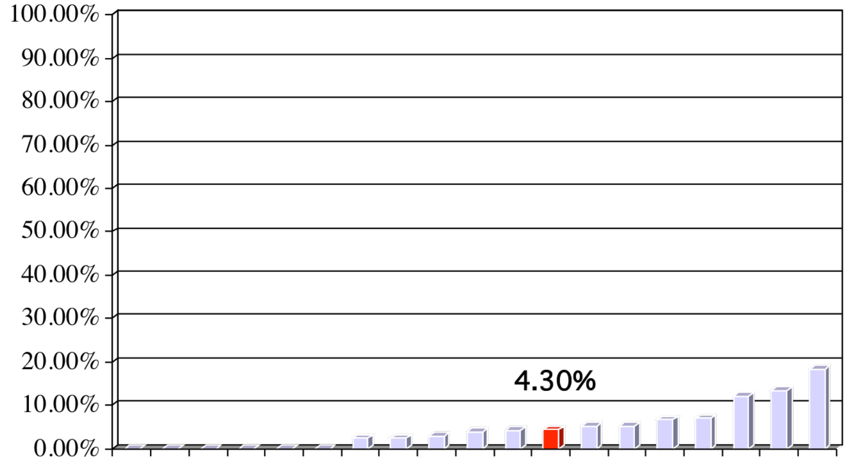

Figure 5: Percentage "visitor" traffic by business.

Defining “visitor” traffic can be difficult because someone from Morganton might be called a visitor while someone from Black Mountain might be an employee that works downtown. For the purposes of this study, people from other states were combined with people from clearly outside of the local area to constitute the “visitor” statistics. Overall visitors comprised 4.3% of the customer traffic in downtown. Three businesses had over 10% of their customers from “visitors” while six others had no visitor traffic. This is fairly typical for a community with Marion’s downtown business mix but visitor traffic could be an opportunity for business growth in downtown.

2.1.3 Trade Area Definitions

The number of visits provides an overall viewpoint of where customers come from. A more accurate way to evaluate customer loyalty in the market is by looking at the local market itself. Since zip codes each have different populations, customer visits are most accurately tracked on the number of visits in relation to the population. This corrects for zip codes that have exceedingly large or small populations that might skew the market penetration data. By this measure, the Primary and Secondary trade areas for the community can be established. The Primary trade area is the geography where the most loyal and frequent customers to Marion reside. The Secondary trade area represents an area where Marion businesses can rely on customers but to a lesser degree. The table below shows customer visits per 1,000 people for each of the highest representative visits.

Zip	Area	Population	Visits	Visits/1000 Pop
28752	Marion	29,894	**950**	31.78
28762	Old Fort	6,543	**133**	20.33
28761	Nebo	7,919	**147**	18.56
28167	Union Mills	2,933	**19**	6.48
28777	Spruce Pine	9,794	**12**	1.23
28655	Morganton	57,487	**41**	0.71
28752 In	Marion	7,079	**349**	49.30
28752 Out	Marion	22,815	**592**	25.95

Figure 6: Customer visits per thousand for top zip codes.

Determining the primary and secondary trade areas can sometimes be more "art" than science. At times, significant breaks in customer visits are not obvious. However, in Marion's case the divisions are quite clear. With 31.78 visits per thousand residents, the 28752 zip code (Marion) is clearly the primary trade area for the community. The next most loyal markets are 28762 Old Fort and 28761 Nebo with 20.33 and 18.56 visits per thousand respectively. The customer loyalty then jumps significantly to slightly over 6 visits per thousand for Union Mills. While Morganton had 41 overall visits to Marion, it's large population resulted in customer loyalty of less than one visit per thousand residents. Morganton should not be discounted as a potential market for downtown but it is clear that the two communities function in different "spheres" of influence for retail.

It is also important to note that the City of Marion had many more visits per thousand and stronger customer loyalty than those customers with a Marion zip code that live outside of the city limits. Marion City residents had 49.3 visits per thousand residents during the survey period. Those outside the city limits but inside the Marion zip code only had only 25.95. This indicates that City of Marion residents are more loyal to the downtown businesses than those outside the city limits even though they are still included in the primary trade area.

The next two figures illustrate each of the trade areas for Marion in map form. It is clear that Marion is attracting from the core area of the community and that the secondary trade area flank Marion to the east and to the west. The mountainous terrain and rather large zip codes themselves prevent much encroachment from the north while Rutherford County tends to center on the three communities that comprise its primary retail core. Of course, the Interstate 40 corridor is a large influence on the trading patterns as well.

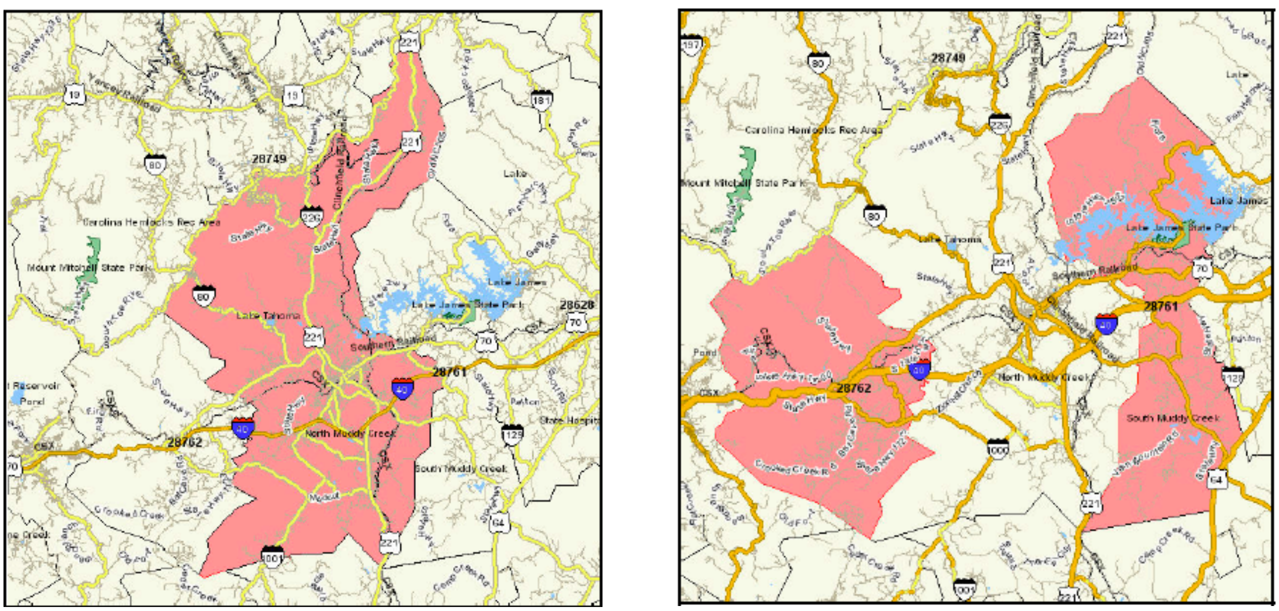

Figure 7: Map of the Primary and Secondary Trade Areas for Marion

2.1.4 Market Segmentation

The income, demographic and consumer expenditure patterns can provide insight into what is known as "market segmentation" information. For Marion, we used the Prizm Market Segmentation studies prepared by Claritas Inc. This information provides additional insight into the changes that are taking place in the market for the community.

The chart below shows the market segmentation for the Primary Trade Area for Marion. The segments are divided by age demographics and further by wealth. The green colors represent younger years, the red are family life and the blue are mature years. Lighter colors represent less affluence, which graduate to darker colors as affluence increases. The colors allow for a quick comparison of the demographic breakout for the primary trade area.

It is clear from the chart above that the primary trade and secondary trade areas for Marion have a smaller proportion of midlife family characteristics compared with the “striving singles” and “sustaining seniors” category. The secondary trade area is “older” than the primary trade area. Overall the trade areas for Marion is less affluent than the United States which is shown in the third chart below.

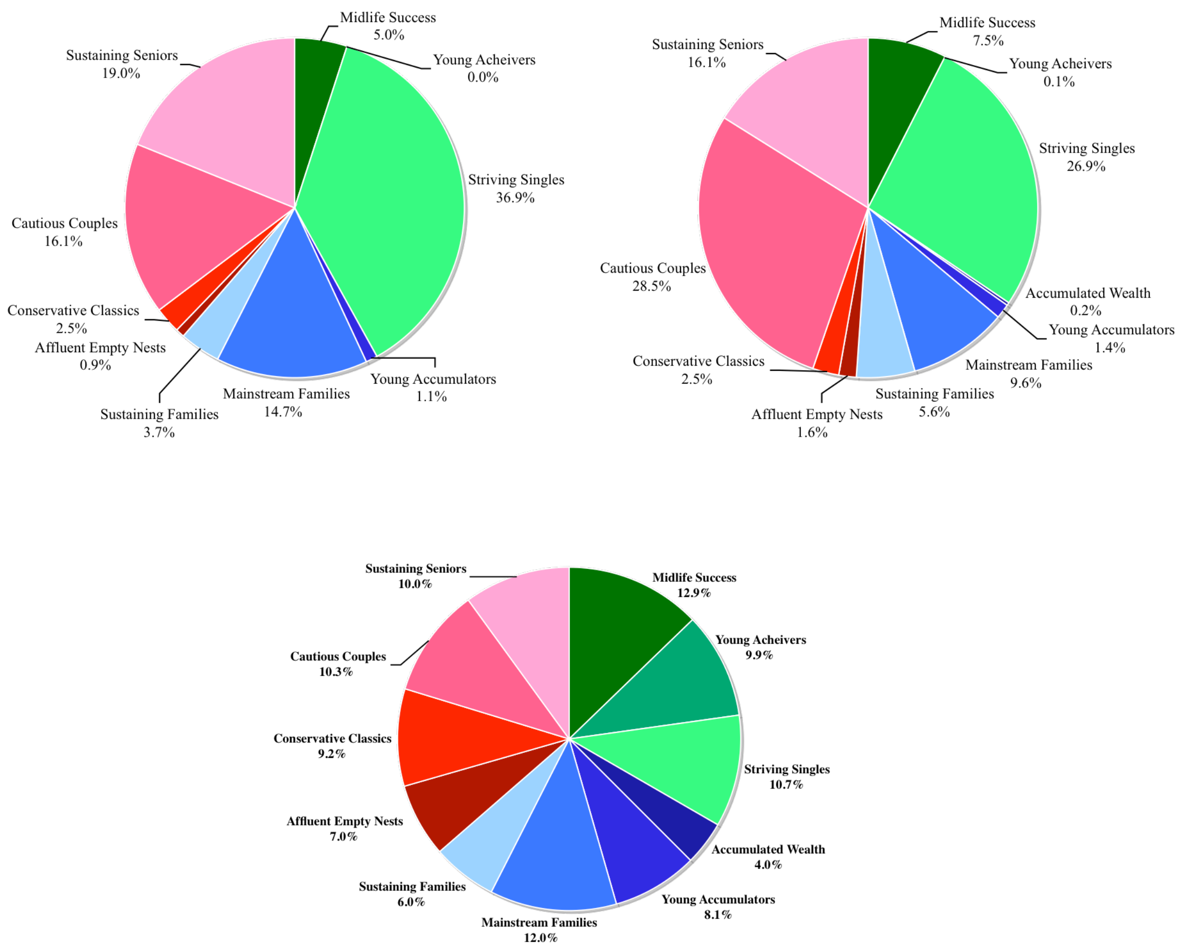

Figure 8: Pie charts depicting the market segmentation for the Primary and Secondary Trade areas for Marion as well as the United States as a whole.

2.1.5 Market Definition and Demographic Conclusions

- Marion's downtown shops cater to a very strong local population base. In fact, Marion's downtown is more dependent on local traffic than many we have seen.
- This local base is reinforced to some degree by a significant drop in customer loyalty as customers move away from the city limits. Customers with a Marion zip code who live outside the city limits in unincorporated McDowell County are much less loyal to downtown shops than those who reside inside the city limits. It is important to recognize, though, that the Marion zip code is rather large however there is an opportunity to potentially mend the "loyalty gap" with countywide residents.
- The participating shops had a relatively small amount of visitor traffic. Marion is not yet a strong tourism destination. Tourism, particularly in this region, could be a potential untapped market for Marion.
- Demographic growth and income levels are OK for Marion but not overly impressive. The projected growth from the many developments slated for the area has yet to reach the market area for Marion. That doesn't mean that the community should not plan for the future but it does point to a strategy that shouldn't revolve around massive growth in the short term.

2.2 Retail Market Analysis

Marion is a retail center serving the primary and secondary markets defined above. In this section the Marion retail market will be examined to identify potential opportunities for retail by examining retail leakage. A retail leakage analysis that will look at the primary and secondary trade areas to see how much money is "leaking" from the area to stores in other areas. This will allow the community to assess what kind of additional stores might be attracted to Marion and will help individual existing businesses understand how they might diversify product lines.

2.2.1 Retail Leakage in the Trade Areas

"Retail Leakage" refers to the difference between the retail expenditures by residents living in a particular area and the retail sales produced by the stores located in the same area. If desired products are not available within that area, consumers will travel to other places or use different methods to obtain those products. Consequently, the dollars spent outside of the area are said to be "leaking". If a community is a major retail center with a variety of stores it will be "attracting" rather than "leaking" retail sales. Even large communities may see leakage in certain retail categories while some small communities may be attractors in categories.

Such an analysis is not an exact science. In some cases large outflow may indicate that money is being spent elsewhere (drug store purchases at a Wal-Mart or apparel purchases through mail-order). It is important to note that this analysis accounts best for retail categories where households (rather than businesses) are essentially the only consumer groups. For example, lumberyards may have business sales that are not accounted for in consumer expenditures. Stores such as jewelry shops and clothing stores are more accurately analyzed using this technique.

- Stores in the primary trade area for Marion (the Marion zip code as definted above) sold $241.8 million in merchandise in 2007. This figure excludes automobile dealerships and gasoline related sales.
- Consumers in the same geography (again the Marion zip code) spent $272.3 million dollars in stores of similar type.
- This means that overall the primary trade area for Marion is leaking sales to the tune of $30.5 million annually. (Again, this excludes automobile related retail sales and gasoline)
- Stores in the two zip codes that comprise the secondary trade area for downtown (Old Fort and Nebo zip codes) sold $47.2 million in merchandise.
- STA Consumers spend $142.1 million
- Secondary Trade Area is leaking sales in the amount of $94.8 million each year.

Source for figures above: Claritas Inc.

Combined together the trade area for Downtown Marion is leaking sales in the amount of $125.3 million annually. This means that nearby communities such as Asheville and Morganton area are likely to be absorbing some of this loss. Even though both of the trade areas are leaking sales overall, the details of this leakage are further understood by looking at individual retail categories. Each of these categories is presented in the tables below.

The first table below shows the retail leakage for Marion's primary trade area in each of the retail categories studied for this report. Please note that some categories are subsets of larger categories. The chart above shows that while the primary trade area is leaking in overall sales there are categories such as groceries, pharmacies, and quick service restaurants; it is leaking in many other key categories that are more ideally suited to a downtown setting (and some suited for a suburban setting) such as full service restaurants, book stores, specialty food stores, certain apparel categories, and the like.

	Demand (Consumer Expenditures)	**Supply (Retail Sales)**	**Opportunity Gap/Surplus**
Total Retail Sales Incl Eating and Drinking Places	272,326,725	241,801,998	30,524,727
Furniture and Home Furnishings Stores-442	10,434,996	4,593,024	5,841,972
Furniture Stores-4421	5,676,420	2,558,997	3,117,423
Home Furnishing Stores-4422	4,758,576	2,034,027	2,724,549
Electronics and Appliance Stores-443	9,126,197	1,210,998	7,915,199
Appliances, TVs, Electronics Stores-44311	7,107,391	747,000	6,360,391
Household Appliances Stores-443111	1,702,000	0	1,702,000
Radio, Television, Electronics Stores-443112	5,405,391	747,000	4,658,391
Computer and Software Stores-44312	1,685,486	463,998	1,221,488
Camera and Photographic Equipment Stores-	333,320	0	333,320
Building Material, Garden Equip Stores -444	48,717,364	26,431,780	22,285,584
Building Material and Supply Dealers-4441	44,515,367	23,613,713	20,901,654
Home Centers-44411	16,583,353	0	16,583,353
Paint and Wallpaper Stores-44412	1,072,725	0	1,072,725
Hardware Stores-44413	3,321,072	0	3,321,072

	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Other Building Materials Dealers-44419	23,538,217	23,613,713	(75,496)
Building Materials, Lumberyards-444191	7,790,421	8,052,535	(262,114)
Lawn, Garden Equipment, Supplies Stores-4442	4,201,997	2,818,067	1,383,930
Outdoor Power Equipment Stores-44421	692,322	332,998	359,324
Nursery and Garden Centers-44422	3,509,675	2,485,069	1,024,606
Food and Beverage Stores-445	54,463,703	85,212,070	(30,748,367)
Grocery Stores-4451	49,394,366	83,135,142	(33,740,776)
Supermarkets, Grocery (Ex Conv) Stores-	46,826,686	80,572,389	(33,745,703)
Convenience Stores-44512	2,567,680	2,562,753	4,927
Specialty Food Stores-4452	1,619,933	2,076,928	(456,995)
Beer, Wine and Liquor Stores-4453	3,449,404	0	3,449,404
Health and Personal Care Stores-446	25,713,111	35,432,667	(9,719,556)
Pharmancies and Drug Stores-44611	22,420,804	34,727,947	(12,307,143)
Cosmetics, Beauty Supplies, Perfume Stores-	950,953	70,002	880,951
Optical Goods Stores-44613	646,263	0	646,263
Other Health and Personal Care Stores-44619	1,695,091	634,718	1,060,373
Clothing and Clothing Accessories Stores-448	16,246,901	6,695,915	9,550,986
Clothing Stores-4481	11,785,542	1,835,332	9,950,210
Men's Clothing Stores-44811	781,934	0	781,934
Women's Clothing Stores-44812	2,798,440	1,433,997	1,364,443
Childrens, Infants Clothing Stores-44813	788,260	147,936	640,324
Family Clothing Stores-44814	6,402,210	0	6,402,210
Clothing Accessories Stores-44815	246,698	129,401	117,297
Other Clothing Stores-44819	768,000	123,998	644,002
Shoe Stores-4482	2,488,340	1,929,001	559,339
Jewelry, Luggage, Leather Goods Stores-4483	1,973,019	2,931,582	(958,563)
Jewelry Stores-44831	1,801,245	2,931,582	(1,130,337)
Luggage and Leather Goods Stores-44832	171,774	0	171,774
Sporting Goods, Hobby, Book, Music Stores-451	6,729,333	1,704,728	5,024,605
Sporting Goods, Hobby, Musical Inst Stores-	5,004,941	627,329	4,377,612
Sporting Goods Stores-45111	2,533,551	503,313	2,030,238
Hobby, Toys and Games Stores-45112	1,639,935	0	1,639,935
Sew/Needlework/Piece Goods Stores-45113	395,352	73,998	321,354
Musical Instrument and Supplies Stores-	436,103	50,018	386,085
Book, Periodical and Music Stores-4512	1,724,392	1,077,399	646,993
Book Stores and News Dealers-45121	1,125,076	612,998	512,078
Book Stores-451211	1,038,583	612,998	425,585
News Dealers and Newsstands-451212	86,493	0	86,493
Prerecorded Tapes, CDs, Record Stores-	599,316	464,401	134,915
General Merchandise Stores-452	50,289,733	46,017,314	4,272,419
Department Stores Excl Leased Depts-4521	22,352,024	16,112,079	6,239,945
Other General Merchandise Stores-4529	27,937,709	29,905,235	(1,967,526)
Warehouse Clubs and Super Stores-45291	24,219,518	19,477,235	4,742,283
All Other General Merchandise Stores-45299	3,718,191	10,428,000	(6,709,809)
Miscellaneous Store Retailers-453	11,623,592	5,168,736	6,454,856
Florists-4531	785,767	255,938	529,829

	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Office Supplies, Stationery, Gift Stores-4532	4,396,383	2,924,596	1,471,787
Office Supplies and Stationery Stores-45321	2,510,170	2,459,000	51,170
Gift, Novelty and Souvenir Stores-45322	1,886,213	465,596	1,420,617
Used Merchandise Stores-4533	856,908	277,686	579,222
Other Miscellaneous Store Retailers-4539	5,584,534	1,710,516	3,874,018
Foodservice and Drinking Places-722	38,981,795	29,334,766	9,647,029
Full-Service Restaurants-7221	17,692,566	6,451,707	11,240,859
Limited-Service Eating Places-7222	16,409,041	20,028,061	(3,619,020)
Special Foodservices-7223	3,169,737	2,854,998	314,739
Drinking Places -Alcoholic Beverages-7224	1,710,451	0	1,710,451

A similar analysis looking at the secondary trade area reveals similar patterns but there are virtually no categories except for building material where the secondary trade area is gaining in sales. Logically, Marion could be absorbing some but not all of this retail leakage and since the primary trade area itself is leaking, there is a clear indicator that there is some pent-up demand for additional retail in Marion. The key for Marion is to begin to capture these zip codes as well as an even broader geographic area to augment existing retailers and support new retail opportunities.

	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Total Retail Sales Incl Eating and Drinking Places	142,064,724	47,218,548	94,846,176
Furniture and Home Furnishings Stores-442	5,536,555	159,984	5,376,571
Furniture Stores-4421	2,989,125	0	2,989,125
Home Furnishing Stores-4422	2,547,430	159,984	2,387,446
Electronics and Appliance Stores-443	4,782,192	0	4,782,192
Appliances, TVs, Electronics Stores-44311	3,715,352	0	3,715,352
Household Appliances Stores-443111	892,121	0	892,121
Radio, Television, Electronics Stores-443112	2,823,231	0	2,823,231
Computer and Software Stores-44312	889,021	0	889,021
Camera and Photographic Equipment Stores-	177,819	0	177,819
Building Material, Garden Equip Stores -444	26,413,801	20,642,195	5,771,606
Building Material and Supply Dealers-4441	24,118,205	18,336,517	5,781,688
Home Centers-44411	8,986,019	626,230	8,359,789
Paint and Wallpaper Stores-44412	584,317	0	584,317
Hardware Stores-44413	1,789,734	0	1,789,734
Other Building Materials Dealers-44419	12,758,135	17,710,287	(4,952,152)
Building Materials, Lumberyards-444191	4,233,153	6,039,403	(1,806,250)
Lawn, Garden Equipment, Supplies Stores-4442	2,295,596	2,305,678	(10,082)
Outdoor Power Equipment Stores-44421	379,941	0	379,941
Nursery and Garden Centers-44422	1,915,655	2,305,678	(390,023)
Food and Beverage Stores-445	27,877,086	8,527,287	19,349,799
Grocery Stores-4451	25,288,997	8,138,154	17,150,843
Supermarkets, Grocery (Ex Conv) Stores-44511	23,969,648	6,909,188	17,060,460
Convenience Stores-44512	1,319,349	1,228,966	90,383
Specialty Food Stores-4452	828,558	389,133	439,425

	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Beer, Wine and Liquor Stores-4453	1,759,531	0	1,759,531
Health and Personal Care Stores-446	12,918,391	5,107,048	7,811,343
Pharmancies and Drug Stores-44611	11,255,289	5,107,048	6,148,241
Cosmetics, Beauty Supplies, Perfume Stores-	475,103	0	475,103
Optical Goods Stores-44613	340,830	0	340,830
Other Health and Personal Care Stores-44619	847,169	0	847,169
Clothing and Clothing Accessories Stores-448	8,630,720	52,484	8,578,236
Clothing Stores-4481	6,260,296	52,484	6,207,812
Men's Clothing Stores-44811	414,201	0	414,201
Women's Clothing Stores-44812	1,507,072	0	1,507,072
Childrens, Infants Clothing Stores-44813	402,116	31,257	370,859
Family Clothing Stores-44814	3,393,733	0	3,393,733
Clothing Accessories Stores-44815	132,284	21,227	111,057
Other Clothing Stores-44819	410,890	0	410,890
Shoe Stores-4482	1,311,989	0	1,311,989
Jewelry, Luggage, Leather Goods Stores-4483	1,058,435	0	1,058,435
Jewelry Stores-44831	966,156	0	966,156
Luggage and Leather Goods Stores-44832	92,279	0	92,279
Sporting Goods, Hobby, Book, Music Stores-451	3,548,524	738,152	2,810,372
Sportng Goods, Hobby, Musical Inst Stores-4511	2,646,175	626,038	2,020,137
Sporting Goods Stores-45111	1,339,766	187,957	1,151,809
Hobby, Toys and Games Stores-45112	866,621	427,002	439,619
Sew/Needlework/Piece Goods Stores-45113	210,778	0	210,778
Musical Instrument and Supplies Stores-45114	229,010	11,079	217,931
Book, Periodical and Music Stores-4512	902,349	112,114	790,235
Book Stores and News Dealers-45121	585,426	0	585,426
Book Stores-451211	541,917	0	541,917
News Dealers and Newsstands-451212	43,509	0	43,509
Prerecorded Tapes, CDs, Record Stores-45122	316,923	112,114	204,809
General Merchandise Stores-452	26,207,558	6,248,381	19,959,177
Department Stores Excl Leased Depts-4521	11,711,876	0	11,711,876
Other General Merchandise Stores-4529	14,495,682	6,248,381	8,247,301
Warehouse Clubs and Super Stores-45291	12,545,270	4,503,778	8,041,492
All Other General Merchandise Stores-45299	1,950,412	1,744,603	205,809
Miscellaneous Store Retailers-453	6,160,038	1,691,741	4,468,297
Florists-4531	419,008	59,062	359,946
Office Supplies, Stationery, Gift Stores-4532	2,305,587	0	2,305,587
Office Supplies and Stationery Stores-45321	1,315,489	0	1,315,489
Gift, Novelty and Souvenir Stores-45322	990,098	0	990,098
Used Merchandise Stores-4533	451,525	0	451,525
Other Miscellaneous Store Retailers-4539	2,983,918	1,632,679	1,351,239
Foodservice and Drinking Places-722	19,989,859	4,051,276	15,938,583
Full-Service Restaurants-7221	9,068,381	2,257,705	6,810,676
Limited-Service Eating Places-7222	8,421,926	1,793,571	6,628,355
Special Foodservices-7223	1,628,255	0	1,628,255
Drinking Places -Alcoholic Beverages-7224	871,297	0	871,297

2.2.2 Potential Capture Scenarios

It isn't reasonable to expect that Marion will capture all of the leaking retail sales from the Primary and Secondary Trade Areas. So we pulled the retail opportunities that present the highest potential for the community. These are store types where there is leakage in both the primary and secondary trade areas and where there is enough leakage to potentially warrant additional store types. These categories are:

- *Furniture and Home Furnishings* – Marion already has some strength in this market yet there is still market potential to capture additional sales. This could be a good longer-term recruitment strategy as continued development happens nearby.

- *Clothing* – As is the case in many communities Marion's size, clothing sales tend to leak to nearby communities where malls and shopping centers offer many clothing store options. However the amount of leakage and the potential to capture some of these sales could support additional stores including mom and pop stores in a downtown setting and family type clothing stores in suburban settings.

- *Gifts* – This store type would work in both downtown and in some suburban type locations in Marion. Furthermore, gift stores could be beneficial in attracting more visitor traffic to Marion. This strategy also points to a locally-made and handcrafted strategy as a catalyst to attract visitors.

- *Books* – While Marion does not have enough leakage to support a Barnes and Noble or Books-A-Million, it could support a locally owned book store. This store type might combine with a coffeeshop format to further expand its local appeal.

- *Jewelry* – The community does have leakage in the jewelry store category. This could enable a small jeweler to be successful or an existing jewelry store to expand offerings.

- *Sporting Goods* – Again Marion could not likely support a full service sporting goods store such as Dick's or Sports Authority, but it is likely that it could support a store that caters to outdoorsmen as well as local team sports.

- *Full Service Dining* – This represents one of the most important categories for Marion particularly in downtown as it will add foot traffic and continue to drive locals and visitors to downtown.

It is also important to recognize that this analysis looks only at local consumer demand in the Primary and Secondary Trade Areas and does not capture potential visitor traffic for stores. When visitor traffic is factored, the support for these store types becomes even more significant.

2.2.3 Overall Market Conclusions

Marion has the opportunity to expand its retail presence based on retail leakage data for the two trade areas shown here. It is unlikely that Marion will experience strong growth in the market in the near future but it should develop a strategy to capture some of the growth that will occur as a result of the inevitable development that will come to the area.

All told, Marion is uniquely positioned to continue to grow as a retail destination in many different categories based simply on the local demand for retail. In the early stages of development, however, Marion is likely to need to develop a series of strategies to retain local customers, create incentives for new retail, and expand the retail appeal of the community to capture a larger share of the market. The following chapter will explore these options.

3.0 Three Strategies for Marion

Equipped with the market data and community input documented above, this chapter is where the raw data is transformed into a set of goals and strategic action items. This section is divided into three sections each providing insight into one of the recommended strategies for downtown. Each of these strategies is inter-related and many of them dovetail closely with the recommendations of the STEP program. These should be incorporated into the work programs of the various STEP partners in Marion and McDowell County. These strategies are:

- Setting the Stage: Putting the Brand to Work
- Retaining the Customer: Existing Businesses
- Expanding for the Future: Recruitment Campaign

3.1 Setting the Stage: Putting the Brand to Work

These recommendations are designed to take the existing Marion logo shown below and leverage it into a consistent "brand" that can then be used in a variety of marketing material for Marion. The logo and tagline for Marion include a commercial message "where Main Street meets the Mountains" that can be a foundation for many different applications.

Figure 9: The Marion logo and tagline.

- *Reinforce local loyalty campaign.* Marion has a lot to offer local residents and newcomers are moving to the area particularly around Lake James and in the mountains. However, it is always a challenge to keep local shopping in the forefront of local resident's minds amidst the many options they have in nearby larger communities. It is natural to expect that residents will continue to do some of their specialty shopping and dining elsewhere, but if Marion promotes the benefits of local shopping to residents they are likely to become more loyal to local retailers. This is particularly important in Marion where county residents with a Marion zip code are much less loyal to downtown shops than town residents. A local loyalty campaign can help retain these customers and recruit new customers from the strong local base. This could take the form of local ads promoting downtown or special events for loyal customers to augment the current efforts of the McDowell Chamber of Commerce. A loyalty campaign should target all of McDowell County and positively profile the many businesses and merchandise types that are available in the community. Marion may even consider a "Main Street Meets the Mountains Card" as a loyalty program whereby the cardholder would enjoy special offers (not necessarily discounts) at participating Marion merchants. The card could be stamped or punched and, at the end of the year, card holders with enough stamps would be entered into a drawing for a prize or weekend getaway.

Figure 10: Examples of local loyalty marketing using the Marion logo.

- *Create a shop local web site with downtown brand.* The web has become one of the principal ways that people learn about places they visit. Marion is no different. The community is already host to a number of excellent and content rich websites from downtownmarion.org to mcdowellchamber.com as well as the city and county economic development sites. Each of these sites might consider linking to a new shopping and business website (shopmarionnc.com is available for purchase) that provides profiles of area businesses, links to their websites. The community could launch a "blitz" promoting the new website to drive traffic. One of the great advantages of a website of this nature is that the community can monitor traffic on the site and see how various promotional items drive traffic.

- *Develop a banner program using the brand.* Banners can be a very effective way of conveying information about special events, continuing the brand, and adding interest and variety to the community. Marion should develop a banner system that promotes local shopping, dining, and events. These banners could locate throughout the community but concentrate on gateways and outlying districts to direct visitors into downtown. The examples below show what a banner system for Marion might look like.

Figure 12: Example banner designs for Marion.

- *Use brand for wayfinding system directing visitors to shopping districts.* Marion already has several excellent gateway signs for the community. The community should work to create a system beyond the initial gateways to direct visitors to the various amenities and districts within the community. North Carolina's Department of Transportation has been resistant to wayfinding sign systems although neighboring South Carolina and Virginia have embraced these systems as convenient ways to reduce sign clutter and help motorists find their way through communities. Some North Carolina communities have gotten around these restrictions by working outside of the DOT right-of-way to place signs while others are teaming up to work with DOT to change the regulations. We have illustrated what a potential sign system might look like for Marion.

- *Develop shopping and dining guide using the brand.* A shopping and dining guide can also be an effective tool for both residents and visitors to a community. These should be easy to read and try to be as inclusive as possible of retail shops and restaurants. For Marion this guide should be circulated to both visitors and residents.

Figure 13: Example wayfinding system for Marion.

3.2 Retaining the Customer: Existing Businesses

This series of recommendations is designed specifically to partner with existing businesses to help retain existing customers and attract new customers.

- *Launch a cooperative advertising program.* Many communities develop cooperative ad campaigns that collect money from individual merchants and place small business card size ads in newspapers and magazines. This form of cooperative advertizing tends to "get lost in the shuffle" of the many media messages being sent to consumers. Marion should take the concept of co-op ads and create a small grant program to help businesses advertize. A provision of the grant would request the business to use the Marion logo and tagline in the ad or better yet follow a consistent theme for the ads. A $3000 program could leverage an additional $6000 in ad placements a year at a 33% grant match. A second strategy for the co-op effort is to have coordinated media buys twice yearly alongside the local merchants. This strategy does several things. First, it works to avoid the door-to-door sales pitch from a variety of media selling ad space. Second, it allows Marion and its partners the chance to compare media proposals side-by-side. Third it encourages competition among the media to provide downtown a good deal. Fourth and finally, it provides a clear way to place media before the summer season and before the holidays.

- *Develop guerilla marketing tactics.* Many of the best marketing efforts do not rely on traditional ad placement however and can be an affordable way to get the word out about what Marion has to offer. These creative tactics are called guerilla marketing. Some guerilla marketing ideas for Marion are to work directly with local developers and real estate agents to ensure that the retail offerings in downtown and throughout Marion are promoted. Another tactic is to host neighborhood receptions, shopping "crawls", and retail advisory boards to help local merchants reach their client base. Marion should hold a brainstorming session to think up creative and inexpensive tactics to reach their consumer and experiment. The beauty of these creative tactics is that the community can quickly determine how effective they are.
- *Provide business consultation services for existing businesses.* Whether it is strategic planning, customer retention, visual merchandising, or marketing assistance, many independent businesses find that they could use guidance from a professional to help them through major decisions or day-to-day management. There are retail consultants who specialize in helping small businesses with these decisions. Marion should contract with a retail specialist to conduct a seminar and provide a series of one-on-one consultations to local businesses to make them a stronger part of the retail market.
- *Host quarterly retail roundtable.* Building on the initial strength of the retail consultations, Marion should host quarterly retail roundtable meetings to provide local merchants a forum to discuss current market trends, marketing efforts, and each other's business successes and challenges. This can be a great way for local businesses to market one another as well. The Chamber of Commerce in partnership with the Marion Business Association office could host this forum.

3.3 Expanding for the Future: Recruitment Campaign

This series of recommendations is designed to help the community organize to recruit additional retail to the community to augment the existing retail base.

- *Present the findings of this Market Study to groups in the community and region.* The Marion Business Association along with its partners are actively working to promote the success of retail in Marion. This partnership should take the results and opportunities for future development established in this study "on the road" as a presentation to civic groups, regional partnerships, developers, and property owners in Marion to ensure that many people know the efforts that are about to take place. Some organizations have formed speakers' bureaus to share this information.
- *Consider incentive package for retention/recruitment.* Many communities have implemented incentive programs to encourage business to stay or locate in their downtown or specific districts within a community.
    1. *"Grant back" for desired businesses.* In a grant-back program, targeted business types receive a grant (refund) for rent, utilities, or other fees. Frequently these programs require that the businesses get the refund over a period of time. Marion could establish a small annual grant back program to recruit retailers identified in the market study (home furnishings, apparel, specialty food, full service dining). The grant back program would offer assistance with business start up costs or business expansion.

2. *Façade grant program.* A façade grant is simply a grant available to investors who wish to renovate or restore an existing building. These programs typically involve a match for investment and can have "strings" attached to encourage the type of businesses and design quality that the community desires. Marion should create a program offering a 25% match to investments up to $1,000 per grant. The program should be capitalized with $5,000 to $10,000 per year to encourage renovations of key properties.

3. *Micro-enterprise loan.* Revolving and micro-enterprise loans have been used with much success in some communities to encourage entrepreneurial activity. The benefit of such a program is that they can be used to retain existing businesses as well as recruit new businesses to downtown. The loan program would be a revolving fund and could be managed by the Marion Business Association in partnership with local banks. An initial capital investment dedicated to this program would be necessary and a minimum amount of $50,000 should be explored.

- *Consider visit to the International Council of Shopping Centers.* This is the trade organization for the retail industry. There are regular meetings in Charlotte and Atlanta as well as a large national exhibition in Las Vegas each year. The community can learn about the trends in retailing, meet developers of retail projects, and become more knowledgeable about the industry. Neighboring communities do attend these meetings, which could be a great way to partner regionally on efforts.
- *Consider catalyst projects for retail development.* Catalyst developments are typically public/private projects that "jump start" additional investments from other private sector resources. Marion is and should continue to explore such projects in the community. Several options already under consideration are:
  1. *An Arts Incubator.* This would be gallery and studio space for local artisans in Marion and McDowell County. This facility would focus on the "made locally" initiative already underway under the STEP program. The facility could be a way to recruit artisans, craftsmen, and related industries to Marion while creating visitor interest and retail critical mass in downtown Marion.
  2. *Meeting facilities to drive traffic to the community.* Marion has discussed creating a meeting facility for corporate retreats and conferences. Such a facility would serve the community well if it were flexible, had a location convenient to local shopping, and could in some ways use local vendors to supply food and other resources for the project.
  3. *Historic Marion Tailgate Market.* The idea for a Tailgate Market came from a community visioning sub-committee for NC STEP project. The market began in 2007 as a partnership between the City of Marion, the McDowell Extension Service, the Marion Business Association, and the McDowell Tourism Development Authority. The City of Marion worked to establish a shade shelter for the project and in a short period of time the market is attracting a large customer base with twenty-five vendors in place on a regular basis. The shelter will also enable the "made in McDowell" efforts to promote local agri-business and crafts and be flexible enough to host special events and activities. This effort located in a high visibility location in downtown Marion can catalyze more business activity in downtown.

3.4 Conclusion

This report is the product of a successful partnership led by the Marion Business Association with the support of many other partner organizations to engage the community in an process to examine the future retail success of the community. It is only through this continued spirit of partnership that the recommendations in this study can be successful.

Fortunately, Marion has not been sitting idly by waiting to react to change. The community has already begun aggressively pursuing a number of the projects outlined in this report and the North Carolina STEP program has been a catalyst for these efforts.