# corporate america speaks

*By Andy Levine*

Ponder this, if you will. Are economic developers at risk of suffering the same fate as travel agents? Could they become a dying breed, edged out by the information that can be collected lightning-fast through the Internet? Like consumers surfing for travel destinations, deals, and discounts on all manner of web sites, could Corporate America and its site selection advisors simply by-pass your economic development organization as an unnecessary "middleman?"

These are some of the provocative questions that could be posed by interpreting the results of the latest survey of U.S. corporate executives with site selection responsibilities conducted by Development Counsellors International (DCI), a New York City-based company that has specialized in economic development marketing since it was founded in 1960. The survey, "The Corporate View: Winning Strategies in Economic Development Marketing," is the fourth in a series of surveys of senior executives and their advisors. Similar surveys were conducted by DCI in 1996, 1999, and 2002.

Designed to measure trends in economic development marketing and identify the "customer's view," the study has tracked the following over the course of the last decade:

- Rating of information sources influencing perceptions of business climates,
- Most effective marketing techniques,
- The Internet's role in corporate site selection,
- Business climate rankings of U.S. states and European countries,

*Well-known chef Emeril Lagasse headlined a Cincinnati USA Partnership event specially designed for site selection consultants. Face time with location advisors/influencers is an increasingly important strategy.*

- Perceptions of economic development organizations, and
- Facilities most likely to be involved in site selection decisions.

One key difference between previous studies and the 2005 study was the addition of mid-size companies – organizations with annual gross revenues between $25 million and $100 million – to the survey audience. Based on feedback from economic development organizations, as well as its own experience in working with more than 350 communities, regions, states, and countries around the world, DCI concluded that these medium-size companies are the primary targets for the lion's share of economic developers and their feedback would be a

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## BEST PLACES AND BEST PRACTICES IN ECONOMIC DEVELOPMENT MARKETING

*"The Corporate View: Winning Strategies in Economic Development Marketing" – the fourth in a series of surveys of U.S. business executives and their advisors conducted by Development Counsellors International – offers fascinating insights into how Corporate America makes site selection decisions today. The tri-annual survey tracks how perceptions of business climates are shaped, which marketing techniques work and which do not, the rapidly rising role the Internet is playing, and vast differences in how economic development organizations are perceived by large and mid-sized companies, as well as by their location consultants. Most eagerly anticipated of all are rankings of the states perceived to have the best and worst business climates.*

valuable addition to the findings. The report breaks out the responses from large and mid-size companies, as well as site consultants.

The 2005 survey also added several new questions. Perhaps most significant was the addition of an open-ended question aimed at discovering the reason why executives ranked business climates the way they did. These tri-annual perception rankings are always one of the most eagerly awaited outcomes of the survey. The results are either proudly trumpeted or roundly decried by states, depending on how they rise or fall in the rankings. (See Sidebar.) The new survey also sought to shed light on executive preferences and practices regarding timing of contact with economic development organizations. Finally, the survey added a real estate-oriented question: are companies more interested in building new or finding existing facilities and is purchasing or leasing more attractive?

To conduct the survey, DCI selected a random group of U.S. companies and targeted senior executives with direct site selection responsibilities. The sample was augmented with a selection of members of CoreNet Global and the International Asset Management Council, two trade organizations that represent corporate real estate professionals. In addition, U.S.-based site selection consultants were included in the survey sample.

A four-page survey – which was designed to take less than five minutes to complete – was mailed or e-mailed to the survey audience with a personalized letter in the summer of 2005. A total of 207 completed surveys were received and tabulated, forming the basis of the survey results. Roughly half were from mid-sized companies and half from large companies, with a relatively balanced geographic mix.

## LEADING INFORMATION SOURCES

Just where do corporate executives get the lowdown on a location's business climate and what is at the root of how they form their perceptions – right or wrong? All four studies asked the respondents to select the "three leading sources of information" influencing their perceptions of a state or region's business climate. The 1996 study listed 12 possible sources, ranging from "word of mouth" to "meetings with economic development organizations." Since 1999, "online sources" has been added to the list.

In the most recent study, "dialogue with industry peers" (54 percent), "articles in newspapers and magazines" (45 percent) and business travel (45 percent) were identified as the leading source of information. While these three have been perennial front-runners, there is an interesting shift going on. "Dialogue with industry peers" reached its high point in 1999 (71 percent) and has been declining ever since. Likewise, "articles in newspapers" saw a significant decline from 62 percent recorded three years ago. So what's taking up the slack? Online sources. Nearly one quarter (22 percent) of the respondents – a dramatic increase from 9 percent in 2002 – listed the web as a leading source of information. (See Table A.)

Sharp differences also emerged by separating out the results of the three groups that participated in the survey. Executives from mid-sized companies ranked "articles in newspapers and magazines"

### How Did the States Stack Up?

How did the states rank in the DCI survey in terms of perceptions of the best and worst business climates? When presented with a map of the United States and asked to select the three states whose business climates they perceive as most favorable, the participants ranked Texas #1 for the third survey in a row, with 33 percent of the responses. North Carolina (26 percent) and South Carolina (20 percent) followed, and Georgia and Nevada rounded out the top five with 18 percent and 16 percent, respectively. Nevada was a newcomer to the most favorable business climate list, unseating Florida for the first time since 1999.

When the voting is broken down by groups, Texas and North Carolina are the only states that all three groups place in their top five. Interesting to note is that both mid-size and large companies ranked Texas at the top, while site selection consultants preferred both the Carolinas over the Lone Star State. Site consultants also ranked Alabama and Florida in their top five, while Nevada showed up on the mid-sized companies' list and both Tennessee and California made the most favorable list among executives at large companies.

For the first time ever, survey respondents were asked to provide a reason for rating a state's business climate as most favorable. This open-ended question elicited diverse and sometimes multiple responses. For Texas, the three factors mentioned most frequently were tax climate (34 percent), business friendly attitude (27 percent), and low costs overall (16 percent). For the Carolinas, labor stood out as decisive factors, with 37 percent citing the cost, availability, and attitudes of workers in North Carolina and an even higher percentage (41 percent) pointing to the cost, availability, and skill level of workers in South Carolina. Incentive offerings (25 percent) and low costs overall (22 percent) also ranked high in South Carolina.

Turning to the dreaded "least favorable business climate" ranking, negative perceptions of California's business climate continue among corporate executives. Some 66 percent of the respondents named California as having the least favorable business climate, up from 57 percent three years ago. High overall costs (38 percent), government regulations/law (36 percent), and tax climate (29 percent) were listed most frequently as the chief reasons why. New York (34 percent), Massachusetts (22 percent), and New Jersey (21 percent) also remained in the same positions held in 2002, although the percentage of respondents to name New York decreased in 2005. The tax climate and high overall costs were the two biggest black marks against both New York and Massachusetts.

Some surprises emerge when the data is analyzed by group. New York has a much more negative perception among mid-sized companies (46 percent) than it does with site selection consultants (26 percent) and even large companies (38 percent). New Jersey, on the other hand, drops from the top five list of mid-sized company executives, who have a more negative perception of Michigan. Notably, large companies add Ohio to their top five list of least favorable business climates, while site selection consultants add Illinois.

## TABLE A: COMPARATIVE INFORMATION SOURCES

| Sources | 2005 | 2002 | 1999 | 1996 |
|---|---|---|---|---|
| Dialogue with industry Peers | 54% | 56% | 71% | 68% |
| Articles in newspapers & magazines | 45% | 62% | 61% | 60% |
| Business travel | 45% | 47% | 45% | 52% |
| Meetings w/ economic development orgs. | 33% | 21% | 27% | 24% |
| On-line sources | 22% | 9% | 9% | – |
| National surveys | 17% | 23% | 31% | 34% |
| Word of mouth | 16% | 29% | 21% | 24% |
| Other | 14% | 14% | 8% | 15% |
| Personal travel | 13% | 14% | 8% | 21% |
| TV/Radio newscasts/shows | 5% | 14% | 7% | 4% |
| Print advertising | 2% | 4% | 3% | 4% |
| Direct mail | 2% | 2% | 3% | 1% |
| TV/Radio advertising | 1% | 0% | 1% | 0% |

## MOST FAVORABLE BUSINESS CLIMATE

| 2005 | 2002 | 1999 | 1996 |
|---|---|---|---|
| Texas (33%) | Texas (25%) | Texas (30%) | North Carolina (33%) |
| North Carolina (26%) | North Carolina (20%) | California (22%) | Texas (28%) |
| South Carolina (20%) | South Carolina (18%) | North Carolina (20%) | Georgia (27%) |
| Georgia (18%) | Florida (18%) | Georgia (17%) | South Carolina (21%) |
| Nevada (16%) | Georgia (15%) | Florida (14%) | Tennessee (20%) |

## LEAST FAVORABLE BUSINESS CLIMATE

| 2005 | 2002 | 1999 | 1996 |
|---|---|---|---|
| California (66%) | California (57%) | New York (29%) | New York (55%) |
| New York (34%) | New York (36%) | California (25%) | California (47%) |
| Massachusetts (22%) | Massachusetts (18%) | Massachusetts (19%) | New Jersey (20%) |
| New Jersey (21%) | New Jersey (15%) | New Jersey (14%) | Massachusetts (19%) |
| | | Connecticut (10%) | Connecticut (9%) |

first, while executives from large companies and site selection consultants agreed that "dialogue with industry peers" is the most important source for them. What jumps out most clearly, however, is that site selection consultants rely heavily on meetings with economic development groups while the other respondents do not. More than half (52 percent) of the site selection consultants cited these meetings as one of their top three sources of information, while only 22 percent of large companies and a paltry 9 percent of mid-sized companies ranked them as one of their top three sources. More than twice as many mid-sized companies (20 percent) identified online sources as a go-to source versus meetings with economic development groups. This could be seen as further evidence of economic developers being squeezed out of the equation, especially since many mid-sized companies conduct site searches themselves rather than hiring consultants. (See Chart B.)

## WHAT WORKS AND WHAT DOESN'T IN MARKETING?

Survey respondents were asked to rate the effectiveness of eight different marketing techniques commonly used by economic developers as a means of reaching corporate leaders considering a new site location. Techniques were rated on a scale of 1 to 5, where 1 equals "poor" and 5 equals "excellent." When responses that received either a 4 or 5 rating were combined, 55 percent of the respondents cited "planned visits to corporate executives" as the most effective technique. Close behind at 53 percent was "Internet/web site" – a climb of 20 percentage points from 2002 to leap from the #4 to #2 spot. In sharp contrast, the Internet/web site was still a nascent marketing technique at the time of the 1996 survey and fell near the bottom of the list with only 18 percent of respondents.

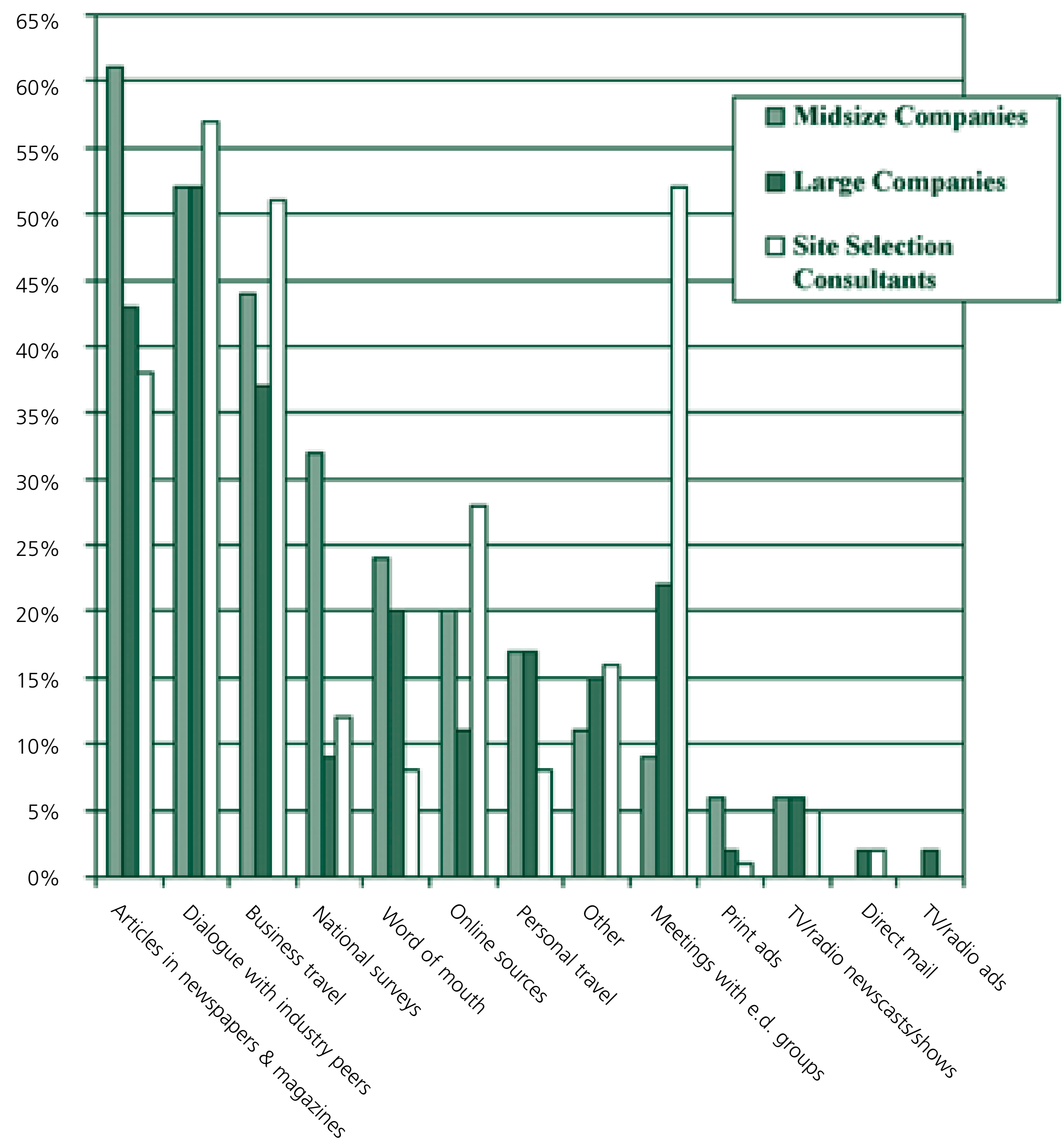
Public relations/publicity has also been climbing steadily as a marketing technique with half of all respondents rating it at the top of the 5-point scale in the most recent study – up 10 percent from the last survey. "Hosting special events" also saw a healthy bump up from 37 percent in 2002 to 49 percent in 2005. "Direct mail" was the only technique to lose significant ground since 2002, losing ten percentage points and falling to sixth place. (See Table C.)

Once again, analyzing the results from the individual perspectives of the three surveyed groups proves instructive. Site selection consultants view "planned visits to corporate executives" and "hosting special events" as the most effective marketing techniques used by economic development groups. In contrast, participants from mid-sized and large companies ranked "Internet/web site" as most effective. Clearly, a pattern about the critical importance of the web is emerging here.

To further hammer home the point, the survey asked respondents a series of questions about the Internet's role in corporate site selection. First, respondents were asked to define how often the Internet was used as a source for information in their last site search. On a scale of 1 to 5 where 1 equals "not at all" and 5 equals "often," 55 percent indicated either a 4 or 5. That percentage soared from 2002, when 22 percent of the respondents circled 4 or 5. When broken out by group, site selection consultants used the Internet far more than corporate executives as a source of information. (See Chart D.)

**CHART B: COMPARATIVE INFORMATION SOURCES**

***(Midsize Companies v. Large Companies v. Site Selection Consultants) (2005)***



A second question sought to pinpoint the likelihood of respondents visiting an economic development organization's web site during their next site location search. A whopping 65 percent answered 4 or 5 on the 1 to 5 scale, where 1 equals "low" and 5 equals "high." That percentage is up significantly from 2002, when only 39 percent indicated a high likelihood of visiting an economic development organization's web site. Reinforcing the results of the first question, site selection consultants registered a much higher likelihood than corporate executives of using an economic development organization's web site during their next site search.

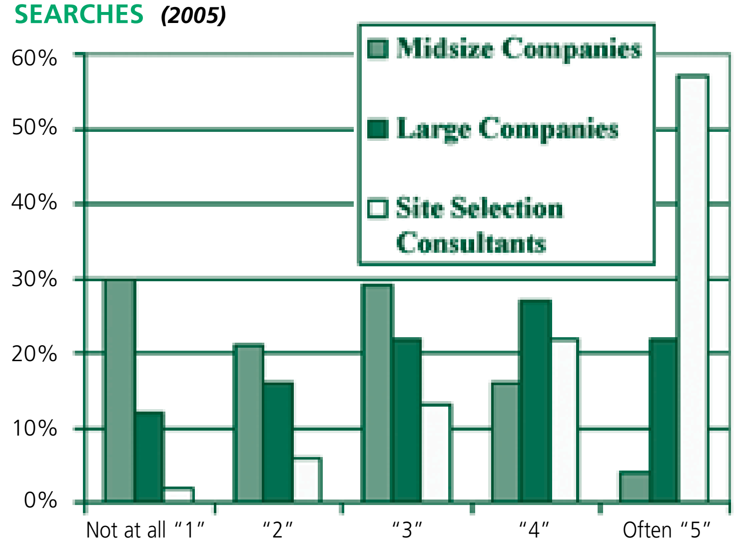
The final Internet-related question sought to zero in on which features of an economic development organization's web site the survey participants find most useful. Overall, the top three responses were "information on available incentives" (72 percent), "demographic information" (67 percent) and "directory of available buildings and sites" (64 percent). This remained consistent with the 2002 responses. Areas that saw significant gains in importance were "information on the community's target industries," "news sections," and "site map." Although most economic development organization's web sites play up the location's quality of life – both through content and graphic imagery – the importance of this information continues to drop. Less than a quarter of the respondents (21 percent) cited "information on quality of life" as most useful, down from 28 percent in 2002. (See Table E.)

### TABLE C: COMPARATIVE RATING OF MARKETING TECHNIQUES

***(% Rating 4 or 5 on a 5-point scale)***

| Techniques | 2005 | 2002 | 1999 | 1996 |
|---|---|---|---|---|
| Planned visits to corporate executives | 55% | 53% | 46% | 53% |
| Internet/web site | 53% | 34% | 37% | 18% |
| Public relations/publicity | 50% | 40% | 38% | 39% |
| Hosting special events | 49% | 37% | 42% | 39% |
| Trade shows | 33% | 32% | 45% | 39% |
| Direct mail | 23% | 33% | 25% | 25% |
| Advertising | 20% | 21% | 19% | 19% |
| Telemarketing | 6% | 4% | 6% | 7% |

### CHART D: USE OF THE INTERNET DURING SITE LOCATION SEARCHES *(2005)*




## PERCEPTION OF ED GROUPS ON THE RISE

The good news is that the perception of economic development organizations appears to be on the rise. When asked to rate their overall impression of economic development organizations with whom they have worked, 71 percent of the business leaders in the current study selected either a favorable or highly favorable rating. This percentage is up significantly from where it stood at 53 percent in 2002. Not surprising is that site selection consultants have a slightly more favorable impression of economic development groups than corporate respondents since the two more frequently work hand-in-hand. Remember, however, that the question specifi-

### TABLE E: MOST USEFUL FEATURES OF AN ECONOMIC DEVELOPMENT ORGANIZATION'S WEB SITE

***(% of respondents who selected each feature)***

| Feature | 2005 | 2002 |
|---|---|---|
| Information on available incentives | 72% | 78% |
| Demographic information | 67% | 75% |
| Directory of available buildings & sites | 64% | 61% |
| List of leading local employers | 47% | 44% |
| Current comparisons to competitor locations | 39% | 45% |
| Information on the community's target industries | 39% | 30% |
| Information on local schools | 26% | 25% |
| Photos/maps of the community | 25% | 21% |
| News sections that describe current developments | 25% | 17% |
| Information on quality of life | 21% | 28% |
| Web site sitemap | 15% | 9% |
| Testimonials from local companies | 10% | 16% |

cally asks about organizations with whom the respondents have previously worked and that less than one-quarter of all respondents identified meetings with economic development groups as an important source of information. Going forward, the crucial question remains whether or not economic developers can continue to play a vital role in the site location process.

To delve deeper into this question, the 2005 survey added a question to ascertain at what stage in a site selection search the participants would typically contact an economic development organization. The most common response, by a long shot, was "after we have developed a short list of potential communities, to request specific data or arrange site visits." This garnered 48 percent of the votes, compared to just 27 percent who said "during the initial screening of all possible locations, to request preliminary data."

Roughly 15 percent indicated that they would wait until "after the field has been narrowed to a few finalists, to negotiate incentive offers," while 2 percent said they would only contact an economic development organization "after a location has already been selected, for assistance in identifying a suitable building/lot." These last two results should raise a red flag for economic development professionals, but perhaps most disturbing is the 8 percent who said "we would not contact an economic development organization at any stage in the site location search."

Particularly telling on this front is the breakdown of the three survey audiences. As one would expect, site selection consultants are more likely to contact economic development groups earlier in the site selection process. Approximately 35 percent identified the first contact as during initial screening, while 59 percent said it was after the short list was in hand. In comparison, only 15 percent of mid-sized companies said they would contact economic developers during initial screening. More than one-third (35 percent) of those same companies said the contact would occur after they already have a short list and an alarming 20 percent said they would never contact an economic development organization. In general, large companies fell somewhere between the two other groups. (See Chart F.)

## MANUFACTURING ON THE MOVE

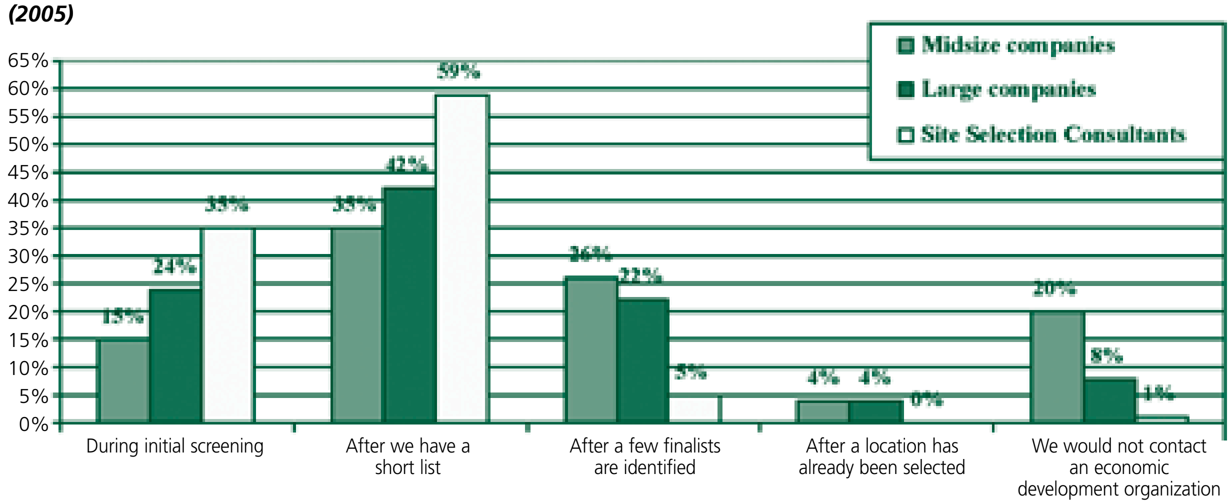
Last, but not least, the survey sought to provide insight on facility trends. The first question posed was: "The next time you move, expand, consolidate or add a new facility, which of the following would be the most likely candidate for such a change?" When asked to choose from a list of six options, 38 percent of the respondents in the 2005 survey selected manufacturing or production plant as the most likely candidate. (Mid-sized companies showed a striking proclivity for this option – selecting it 55 percent of the time.) Overall, however, the figure was down slightly from the 44 percent figure in 2002.

Distribution centers ranked the second most likely facility for change at 16 percent, a figure that has remained relatively flat. The current study also reflects a steady downward slide in headquarters searches since 1996, dropping from 22 percent to just 14 percent in 2005. Also noteworthy is that "back office facility" regained some of the ground it lost in 2002 when it was cited by only 8 percent compared to 13 percent of 2005 respondents. (See Table G.)

An added dimension of the 2005 survey was a question asking participants how they would acquire a facility the next time a facility was added. Selecting from a list of four options, respondents

**CHART F: TIMING OF CONTACT WITH ECONOMIC DEVELOPMENT ORGANIZATIONS**

***(Midsize companies v. Large Companies v. Site Selection Consultants) (2005)***



## TABLE G: COMPARATIVE CHOICES FOR FACILITY CHANGES

| Facility | 2005 | 2002 | 1999 | 1996 |
|---|---|---|---|---|
| Manufacturing/production plant | 38% | 44% | 20% | 37% |
| Distribution center | 16% | 15% | 10% | 8% |
| Corporate, division, or regional headquarters | 14% | 19% | 21% | 22% |
| Regional sales office or service center | 13% | 14% | 28% | 17% |
| Back office facility | 13% | 8% | 14% | 13% |
| Other | 6% | 7% | 8% | 3% |

reported 46 percent of the time that they would lease an existing building, while nearly a third (31 percent) said they would purchase land on which to build a facility. Only 12 percent of respondents said that they would either purchase an existing building or lease a facility built to their specifications. (See Chart H.) These results point to the importance of communities having a solid inventory of buildings and sites on hand in order to be in the site selection game.

## KEY TAKEAWAYS FROM THE SURVEY

So what can we learn from all this data? Identified below are five key findings for economic developers:

1. ***Don't put all your marketing eggs in one basket.***

   It is clear that site selection decision makers are forming their opinions about a location's business climate from a broader mix of media and sources than ever before. They're still talking to their peers, reading the news, and forming impressions during business travel, but more and more often they're gleaning information from the Internet. That finding was confirmed when more than half the respondents pointed to the web as one of the most effective marketing techniques for reaching them. The takeaway here seems to be that economic development organizations need to build a balanced program, but pay particular attention to their online presence.

2. ***Move beyond your own web site and build a great web presence.***

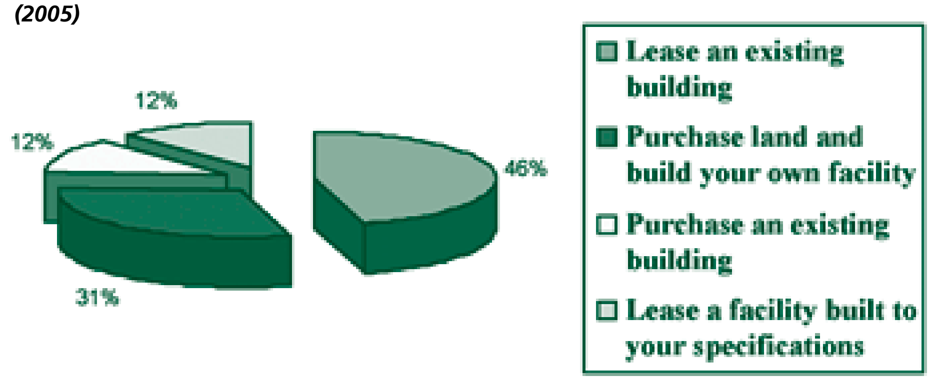
   Your own website is a good starting point. Is your site robust and up-to-date? Does it focus on the information site selectors find most valuable? The vast majority of economic development web sites don't have "real" information about incentives or available sites and buildings. This is a big problem. Don't frustrate your prospects or site selection consultants with unnecessary fluff about quality of life in your community. Give them what they want: hard data, in-depth information about incentives, and a searchable database of available real estate.

   Building a great web presence means making sure executives can easily find your site. Have you tested your web site lately through a variety of search engines? Experiment with a dozen or so key phrases that someone who is searching for information might type into a search engine. Let's say the name of your community is "AnyPlace." Try the following: "Doing business in AnyPlace," "AnyPlace real estate," "AnyPlace economic development," "AnyPlace business incentives," "Tax breaks in AnyPlace" or "AnyPlace commercial buildings." If your site doesn't show up on the first page, the chances of someone finding you are pretty slim. Work with a professional web developer to revamp your site so that it is search engine optimized. You might also consider initiating or beefing up links to and from your site, another strategy that is important for search engine optimization. Possibilities to explore include chambers of commerce, convention and visitor bureaus and other tourism offices, local government, and commercial realtors.

   Finally, economic development organizations would also be well-advised to pay close attention to how their communities are being portrayed on other organizations' web sites. More and more "third party" site selection sites are being developed. Visit them regularly to be sure the

## CHART H: COMPARATIVE CHOICES FOR FACILITY ACQUISITION

***(2005)***



*Right: Over the past six months, the MetroDenver Economic Development Corporation's website has seen a 34% increase in visitor traffic. The organization has focused on building a strong web presence via search engine optimization.*


*Below: For Southwest Michigan First, a front-page article in The Wall Street Journal (March 6, 2006) helped raise the region's profile among corporate decision-makers. Within the "Winning Strategies" survey, public relations/publicity has climbed steadily as an effective marketing technique.*

# Kalamazoo, Mich., Pegs Revitalization On a Tuition Plan

## Promise of College Funding Stokes Housing Demand, But Will Jobs Come, Too?

## 'Totally Awesome,' a Teen Says

By NEAL E. BOUDETTE

KALAMAZOO, Mich.—Last year, Greg DeHaan and his partner built 189 homes in the leafy, middle-class suburbs ringing this downtrodden industrial city, but not one in Kalamazoo itself. "There was no demand," says Mr. DeHaan, whose company, Allen Edwin Homes, is one of the largest home builders in Michigan.

By early December, however, a market had suddenly materialized, prompting the developer to pay $7 million for three separate tracts of land. Out-of-state investors began scouring the area for opportunities, too.

*Greg DeHaan*

Mr. DeHaan and others in town trace this new interest in Kalamazoo to an unusual, anonymously funded plan. Beginning this June, college tuition will be free for any student who enters the Kalamazoo school system by the ninth grade—regardless of income or need. The program, unveiled in November by the city's superintendent of schools and underwritten by a group of local philanthropists, is to run for at least 13 years.

information on your location is as accurate and favorable as possible. Feed them updated statistics and news, so others are portraying your community accurately.

3. ***Face the truth about image advertising.***

Many economic developers are still spending dearly on image advertising, no doubt pressured by public and private leaders who view selling a community in the same vein as selling soap. This is the fourth survey in a row, however, that advertising has ranked very low as a source of information that influences perceptions about a business climate. Not once has print, TV or radio advertising climbed above a 4 percent response rate. Our advice is to use advertising selectively when you have something major to announce. A new company landing in your community, significant incentive legislation, or specific real estate opportunities that have recently become available would all qualify as "hard news" that may trigger advertising. But forget about image advertising. There is little evidence that the soft stuff works.

4. ***Companies and site location consultants are two distinct audiences – approach them differently.***

They may have the same end in mind – finding the best location for a business relocation or expansion – but companies and site selection consultants go about collecting information in a much different way. Economic developers would be well-advised to tailor their marketing approaches to each market accordingly. With site selectors placing such an emphasis on meetings with economic development organizations, for instance, communities should make it a high priority to schedule personal meetings – whether on your own turf or theirs. For corporate executives (particularly mid-sized companies), the news media remains a primary information source.

5. ***Be Proactive.***

The new economic development game focuses on "making the short list" – often when communities don't know they are even competing. The lesson here is for economic development organizations to be proactive. Again, know the site selection consultants and reach out to them. Don't wait for the phone to ring. Launch an aggressive but targeted campaign to market to the right companies – particularly those mid-sized companies that do not often use site selection consultants. The goal of the marketing and calling campaign should be to set up face-to-face meetings with company executives.

Don't suffer the same demise as travel agents, who let consumers pass them by and make decisions without the benefit of their destination savvy. Above all, get out there – in person and on the web. As they say, you have to be in it to win it.

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