

Quantitative Marketing

By Jonas Peterson, CEcD

WHY BUSINESS RESPONDS TO LOCATION COMPARISON STUDIES

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This article focuses on the benefits of quantitative marketing, best practices for implementation, and an overview of the current marketing activities in both Arizona and Nevada.

Advertisement

The advertisement features a collage of images and text. In the top left, the IEDC logo is shown with the tagline "The Power of Knowledge and Leadership". The top right shows a night view of a city skyline with a bridge. The bottom left shows a green circle with "GREATER OKLAHOMA CITY" and the tagline "A Better Living. A Better Life.". The bottom right features the IEDC logo again with the text "INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL" and "HOW YOU BUILD IT 2010 CONFERENCE". Below this, the text "June 6-8, 2010 | Oklahoma City, OK" is displayed. The bottom left corner contains the text "Register Online at www.iedconline.org". The background is a collage of various images, including a large white building, a bridge, and a city skyline.

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INTRODUCTION

Rising taxes, high input costs, and overwhelming regulation have left many businesses searching for a lower cost operating environment. Many regions legitimately meet this need but have generally failed to market themselves to businesses in a language that is specific, understandable, and motivates action. By embracing quantitative marketing techniques, economic developers can show business leaders exactly what relocation means to their bottom line, build ongoing relationships, and influence location decisions.

WHAT IS QUANTITATIVE MARKETING?

Quantitative marketing is about data, facts, information, and knowledge.¹ Within the context of economic development, quantitative marketing focuses on business attraction strategies, processes and competencies that quantify and communicate a region's comparative advantage to individual firms. In short, quantitative marketing is the process of analyzing and communicating location specific facts and figures in order to influence individual business location decisions.

QUANTITATIVE VS. QUALITATIVE (TRADITIONAL) MARKETING

Traditional economic development marketing focuses on the qualitative (semi-generic) attributes of a particular place. Typically, a community or region develops a marketing campaign around its most positive attributes. Some qualitative attributes, such as quality of life and business climate, are generic and difficult to measure. Others, such as incentive programs or general tax comparisons, can be measured broadly but difficult to apply to specific firms. The target audience of traditional qualitative marketing may be a geographic area or a



Quantitative marketing helped Mohave County, Arizona, attract eight commercial-scale solar power plants in 2009.

particular industry but is rarely company specific. Thus, the goal is to communicate a positive, yet generic message to a fairly large audience.

Quantitative marketing on the other hand is designed to be a company specific endeavor. The marketing campaign is replaced by a location comparison study for a specific business. The study analyzes and compares location factors such as site cost, building construction cost, tax rates, infrastructure costs, incentives, regulation expense, utilities, market access, and workforce rates. Although both positive and negative factors are included, the benefits of a specific area are highlighted. Typically, the study will compare two or more locations and focus on factors that are of greatest importance to each specific business.

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MARKETING TECHNIQUE COMPARISON

Technique	Quantitative	Qualitative (traditional)
Target Market	Individual Firms	Industry or Geographic Area
Marketing Message	Company Specific	Generic or Semi-Generic
Relationship Builder	Yes	No
Example	Location Comparison Study	Advertising

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QUANTITATIVE MARKETING

Common Site Location Study Variables		
Site	Construction	Taxes
Regulation	Infrastructure	Market Access
Workforce	Incentives	Utilities

Since no two operations are exactly alike, quantitative marketing is an individualized, highly targeted process. In order to identify and incorporate the unique attributes of each business, a relationship with ongoing communication is necessary. Thus, the goal of quantitative marketing is to quantify and compare the attributes of different locations for a specific firm's operation.

WHY QUANTITATIVE MARKETING WORKS

Today, economic developers have a wide variety of marketing techniques at their disposal. Each technique has its own unique advantages and limitations. For instance, advertising is very high profile and can be reproduced, but it is also quite expensive and difficult to target.² Alternatively, publicity may be inexpensive but it is difficult to control the message.² According to the International Economic Development Council (IEDC), there are five main (traditional) marketing techniques used to reach a target audience and attract potential investors.³

1. Advertising
2. Publicity
3. Promotional materials
4. Direct mail
5. Personal selling

Quantitative marketing is not included in this list but is arguably the most effective method to recruit companies from a high cost location. Also, the technique becomes even more potent when the recruiting, lower-cost area can provide access to the client's higher cost marketplace.

There are four main reasons why quantitative marketing is extremely effective. First, it requires a highly targeted approach. Creating custom business location studies requires a highly skilled staff that is willing to devote a considerable amount of time to client relationship building, research, presentation, and follow-up. Since the process is labor intensive, it is absolutely imperative that resources are directed toward high probability clients. (See Target Clients)

Second, quantitative marketing builds relationships with clients. In order to be successful, recruiting agencies need inside information about the target client's buildings, key products, market, distribution method, labor force, and operating costs. While some estimates can be made, accurate information can only be gathered from willing senior level employees. Fortunately, recruiting agencies have a valuable product to offer – free, confidential, company specific location analysis. Business leaders who are truly considering relocation will likely find this type of analysis appealing and be willing to

share the necessary information. This win-win type relationship positions economic development agencies as valued partners in the relocation process.

Third, it enables economic developers to exert a tremendous amount of influence on the location decision making process. Many of the most effective marketing techniques such as publicity and word of mouth are inherently difficult to control.⁴ However, through quantitative marketing economic developers gain multiple advantages. They control or at least influence how information is collected, calculated, weighted, and presented. Also, they have a captive, pre-screened audience of firms where a known competitive advantage (cost savings) exists. Other entities, such as site selectors or competing communities, are outside of the process. Together, these advantages give economic developers more influence on individual firms than any other marketing technique.

Fourth, quantitative marketing results in a company decision. The end result of quantitative marketing is a presentation of a company specific, business location comparison study – almost always showing a significant cost savings which can be achieved through relocation. The analysis becomes inherently credible because the firm's own leadership was involved in the process. Also, the business is shown *exactly* how much money it could save through relocation. The message is not semi-generic like traditional messages. Instead, it is personal, specific, credible, and inherently difficult to ignore.

QUANTITATIVE MARKETING

Key Advantages
1. Highly Targeted
2. Relationship Builder
3. Influential
4. Decision Oriented

TARGET INDUSTRY / CLIENTS

The process of identifying target clients for a quantitative marketing campaign begins like any traditional economic development campaign. Tools such as location quotients and economic base analysis are combined with local industry preferences to create a list of target industries. However, in a quantitative marketing campaign the target industry list is further refined based upon a firm's location, size, product, price sensitivity, and desire to participate.

Fortunately, ideal quantitative marketing targets share some similar characteristics. First, they tend to be small or medium in size (less than 500 employees).⁵ It has been estimated that at least 20 percent of all facilities' decisions involve site selectors. More importantly, 50 percent of all fortune-type blue chip expansions/relocations/consolidations utilize site consultants along the line.⁶ Therefore, the smaller the firm, the less likely it is to involve a third party site selector. Also, case studies for small/ medium businesses are often quite simple

to generate and highly valued by company management. Thus, economic developers often get the most bang for their marketing buck by targeting small/medium firms.

Second, ideal targets tend to have a well-defined, regional marketplace. If the firm serves a global market, then the comparative advantage of locating within a specific region often decreases. On the other hand, if the firm serves a very small, location-specific audience, relocating may not be an option.

Third, prime targets for quantitative marketing produce homogeneous, price sensitive products. Industries which require high quantities of labor, standard inputs or utilities often benefit greatly from low cost operating environments. Also, firms with large tax expenses tend to be good targets because comparisons are easy to calculate and benefits to the firm are apparent.

Finally, the best targets are those that are excited and willing to participate in a quantitative marketing program. Individual firms know their own operation better than anyone else. If relocation could be advantageous, they will likely jump at the chance to receive a free location analysis. Thus, a simple phone call to firms within a target industry will often identify the best prospects.

QUANTITATIVE MARKETING

Ideal Prospect Characteristics

1. Small / Medium Size
2. Well Defined / Regional Market
3. Price Sensitive / Homogeneous Product
4. Open / Willing to Participate

IMPLEMENTATION

Quantitative marketing is a highly flexible and cost effective method of business recruitment. It can be delivered as a stand-alone product or used to support a traditional marketing campaign. Location comparison studies can be conducted for one business or many and may contain one comparison variable or a complete analysis. Regardless of the intended use, the quality of a quantitative marketing program will ultimately be determined by organizational talent, use of technology, and data availability.

Talent is critical. In order to be successful, quantitative marketing requires staff with a high level of competency in research, local tax application, finance, geographic information systems (GIS), market analysis, workforce, construction, and general marketing. Given the broad knowledge requirements, a team approach is often appropriate. Also, many traditional economic development organizations may need to hire additional staff and / or consultants in order to address non-traditional areas such as tax application, finance, and GIS database development.

Technology can elevate a quantitative marketing program from good to great. Technically, you could create a quantitative marketing program simply with a pencil,

paper, and local market knowledge. However, recent technology advances such as integrated databases, analysis systems, GIS, spreadsheets, and customer relationship management (CRM) tools can all be used to strengthen data generation and reporting processes. In particular, analysis systems – such as Dealtek, LEAP, and Policy Insight – provide a strong foundation for creating detailed site comparisons.⁷ Also, CRM tools such as ACT, GoldMine and CONNECTED by Microsoft enable practitioners to organize, manage, and report data to clients efficiently. Together, these tools have taken much of the guess work and labor out of quantitative marketing. They reduce the time required to retrieve data, increase accuracy, and help standardize/simplify the location comparison process.

In the end, location comparisons are built upon local data. In areas where local data is not readily available, additional data sources may need to be purchased through third party vendors or created through local studies. The ability to cite data sources – other than the local economic development organization – adds credibility to location comparison studies.

CURRENT MARKETING ACTIVITIES IN ARIZONA AND NEVADA

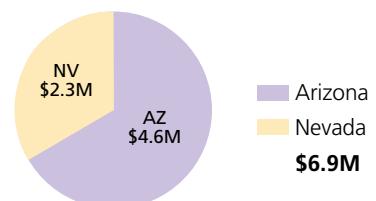
In order to better understand current marketing activities in Arizona and Nevada, the Mohave County Economic Development Division surveyed 60 of the most active local, regional, and state-wide economic development organizations (EDOs). The survey identified each organization's general marketing budget, preferred business recruitment techniques, use of quantitative marketing techniques, and focus on recruiting from higher cost areas such as California. The following are some of our key findings:

1. Significant Marketing Resources Are Available

Although many survey participants perform multiple functions, marketing for business recruitment is considered by EDOs to be a core function. With a combined marketing budget of approximately \$4.6M, Arizona spends almost twice as much as Nevada on business recruitment. However, on a per-capita basis Arizona only spends 71¢/ person while Nevada spends 88¢/ person. Together, Arizona and Nevada EDOs have a marketing budget for business recruitment of approximately \$6.9M.

1. Overall Marketing Budgets for Business Recruitment

Arizona and Nevada Economic Development Organizations (2009)



2. Marketing Is Primarily a Regional Activity

Although most local, regional, and state EDOs identify marketing as a core program, regional organizations enjoy 71 percent of all marketing dollars. Local economic development organizations account for almost 2/3 of the survey participants, yet they only control 14 percent of all marketing dollars. Together, regional and state EDOs conduct 86 percent of all marketing activity for business recruitment.

3. Most Organizations Do Not Utilize Quantitative Marketing Techniques

Of the 60 economic development organizations surveyed, only 20 (33 percent) generated operating cost comparison studies for business recruitment. Regional groups generated the most at 25 studies per organization, per year. Local EDOs, on the other hand, averaged only two operating comparisons per organization, per year.

4. Personal Selling Is the Most Common and Effective Marketing Technique

Of the five marketing techniques recognized by IEDC, personal selling is the most commonly used and effective according to our survey. In fact, personal selling makes up almost 50 percent of all marketing activity and 80 percent of those surveyed believe that it is the most effective marketing technique. State-wide EDOs categorize almost 60 percent of their marketing activities as personal selling.

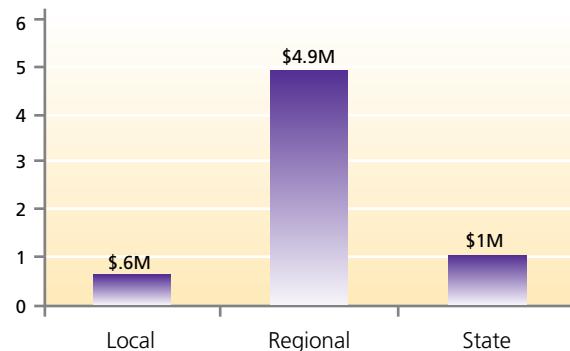
MOHAVE COUNTY, AZ

Mohave County is a geographically large, rapidly growing county located in northwestern Arizona adjacent to California and Nevada. Our annual domestic net migration rate of 34 percent is the second highest in the United States and approximately 30 percent of all our new small businesses are directly or indirectly related to California.⁸⁻⁹ According to internal client surveys, most of our relocations are driven by cost savings. Together, these factors make Mohave County an ideal location for quantitative marketing.



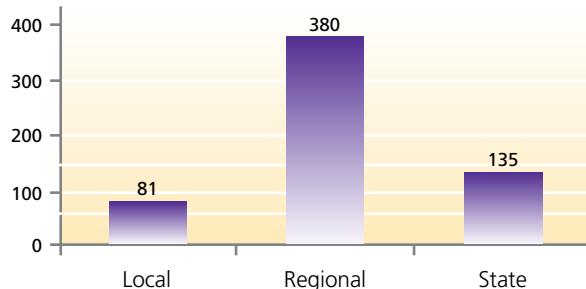
2. Marketing Budgets by Organization Type

Arizona and Nevada Economic Development Organizations (2009)



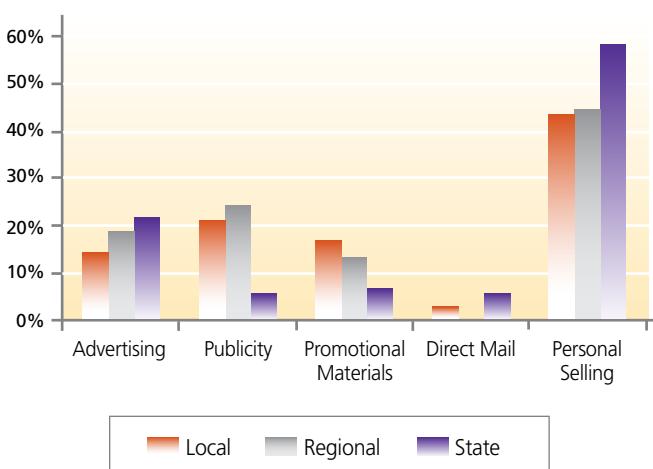
3. Operating Cost Comparisons Generated by Organization Type

Arizona and Nevada Economic Development Organizations (2009)



4. Marketing Technique Utilization by Organization Type

Arizona and Nevada Economic Development Organizations (2009)





Quantitative marketing is ideal for recruiting standardized material manufacturing operations. In Mohave County, Arizona, a cluster of pipe manufacturers is growing: North American Pipe Corporation, CANTEX, J.M. Eagle and Contech.

In order to capitalize on our regional operating cost advantages, we direct approximately 90 percent of all marketing resources to quantitative marketing. Small/medium businesses represent over 70 percent of our target clients.

To carry out our quantitative marketing efforts, we integrated our CRM software, operating cost analysis programs, county tax overlays, internal socio-economic databases, and our GIS application into one seamless operating structure. After a thorough targeting process, we simply contact prospective clients, provide them with a general overview of our program, and offer to conduct a thorough operating cost comparison study for their business. Then, company specific information is used to create a detailed location comparison study. The study is presented to clients along with traditional promotional materials and a virtual tour of our county.

The process has worked. Approximately 40 percent of our target clients allow us to conduct comparison studies on their behalf and about 25 percent of those clients conduct formal site visits in Mohave County. Quantitative marketing has enabled us to build many relationships with new clients in ways that qualitative marketing simply could not. Also, our quantitative expertise has enabled us to better identify local cost savings for large corporate clients (Ford Motor, Chrysler, Wal-Mart and NUCOR Steel) and remind our current businesses about our local strengths.

WHY QUANTITATIVE MARKETING IS NOT USED MORE

Quantitative marketing is just plain difficult to do well. Key variables such as tax rates, construction costs, and average wages are constantly changing, vary by location, and can be difficult to find for smaller areas. Local government and utility providers often want to consider each project on a case-by-case basis instead of committing to formal (quantifiable) incentive programs.

And, perhaps most importantly, quantitative marketing requires a talented staff that can create influential case studies and present them to clients in an effective manner. According to Alan Montgomery, marketing professor – Carnegie Mellon University, “We know information is critical to identifying, differentiating, and interacting with customers. The problem is extracting insights from huge databases.” Together, these difficulties have led many in the economic development industry to simply ignore quantitative marketing.

ADDITIONAL BENEFITS

The quantitative marketing process can generate a wealth of information about target clients, community weaknesses/strengths, and overall comparative advantage. This data can be used to refine marketing activities, establish community goals, and support existing industry.

Today's customer relationship management (CRM) databases provide an easy framework for tracking and reporting target client response rates, characteristics, recruitment success rates, and key areas of comparative advantage. This information enables practitioners to better understand and target clients which will benefit from relocation and local attributes.

Community leaders generally believe they have a great product to sell. Often, when a business chooses another location, local leaders simply don't understand why and place blame on the economic development director. Quantitative marketing enables economic developers to better understand and communicate the comparative advantage of their community and take some of the mystery out of site selection.

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Better informed decisions are possible when specific variables of competitive advantage – workforce, utility rates, taxes, etc. – are quantified and communicated to community leadership. Each of these variables impacts the relative attractiveness of a community and needs to be considered in context. For instance, if a community is considering increasing property taxes and wants to recruit large solar projects, it should be shown how the decision will impact its competitive advantage / disadvantage. An established quantitative marketing program should be able to reference active clients and project these scenarios.

Business retention and expansion (BR&E) efforts also benefit from quantitative marketing. Although business recruitment often receives the lion's share of marketing resources, existing industry needs to be aware – or at

least reminded – of communities' positive attributes. Location comparison studies may be appropriate for local firms considering relocation. Also, existing businesses can often provide referrals – buyers/suppliers – that are good candidates for recruitment because of an existing business relationship.

THE FUTURE

In a certain sense, development targeting, appealing to those economic activities where one has a comparative advantage, is as old as civilization.¹⁰ However, the techniques / technologies we use to exploit comparative advantage are changing rapidly.

In the 1990's, web-sites seldom provided the ingredient of comparability; they often supplied information, but not the same information as neighboring regions, states or communities. Also, centralized databases were seldom used. In all, they provided the comparable satisfaction of comparing apples to oranges. In the future, the following advancements in data standardization, input methods, and GIS connectivity will continue to revolutionize the quantitative marketing and site selection processes.

QUANTITATIVE MARKETING

Future Developments

1. Data Standards Will Be Embraced
2. GIS Databases Will Become More Sophisticated
3. Universal Database Platforms or Bridges Will Emerge
4. Additional Participants Will Provide Data Directly to Clients

First, data standards will eventually be fully utilized and embraced. IEDC has already identified over 1,200 data elements known as the "Site Selection Data Standards" that are necessary to make apples to apples site comparisons. These "data standards" are not perfect – there are still data source and timing issues. However, they do provide a framework for creating meaningful, universal site comparisons. According to Don A. Holbrook of The Vercitas Group, "Site location and economic development technology practices have been slow to develop and realize the vast potential of an agreed upon open platform for comparison of economic development data, but it is evolving now more rapidly out of sheer necessity." As client demand for "data standards" continues to increase, they will eventually be fully adopted by those involved in site selection activities.

Second, GIS databases will become much more sophisticated, data intense, and accurate. Current GIS technology has made the tracking, reporting, and comparison of data by geographic area possible through platforms such as GIS Planning's ZoomProspector (www.zoomprospector.com). In the future, clients will continue

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to desire more comparison variables, greater detail, and better accuracy. "Fundamentally, economic development organizations are marketing their geographic advantages. The most quantitative way to compare locations is by using GIS analysis and the most effective way to communicate the advantage is using the Internet," according to Pablo Monzon, co-founder of GIS Planning Inc. and ZoomProspector.com, which has implemented Internet GIS site selection websites serving over 7,500 US cities.

Third, universal database platforms or bridges will emerge. Today, there are many unique database platforms including Windows, Solaris, HP-UX, AIX, Linux, FreeBSD, SCO OpenServer and Unixware, Sinix, OS X, tru64/OSF, QNX, Irix, OpenVMS and Interix.¹¹ Traditionally, each program has had its own strengths and weaknesses and communicating between platforms has been difficult. Recently, bridge software programs such as Open Database Connectivity (ODBC) have made tremendous progress toward universal connectivity, yet issues particularly with GIS connectivity remain.¹²

Fourth, additional participants will provide local customized data directly to clients. In a typical site selection project, customized data such as local utility rates and building construction estimates are collected by economic developers and then presented to clients. However, recent advancement in online data entry has rendered this function obsolete. In the future, contractors, utility providers, and others will likely be able to enter their "bids" directly into site selection and quantitative marketing databases.



A conceptual drawing of one of America's largest planned solar power plants – Hualapai Valley Solar, one of eight to be built in Mohave County, AZ.

Together, these advancements will likely lead to a new way of doing business. Quantitative marketing will rise to the top of economic development marketing strategies. Eventually, as technology evolves and data becomes more universal, companies will be able to conduct deeper, more accurate site comparisons online without the need for economic developers or professional site selectors.

In the long run, the operating cost gap within regions will narrow. However, in the short run, economic development organizations will continue to target firms in higher cost areas for relocation. Those which fully embrace quantitative marketing techniques will simply be able to better communicate their message and ultimately influence more location decisions. ☺

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ENDNOTES

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