

Reviving Underperforming Urban Markets

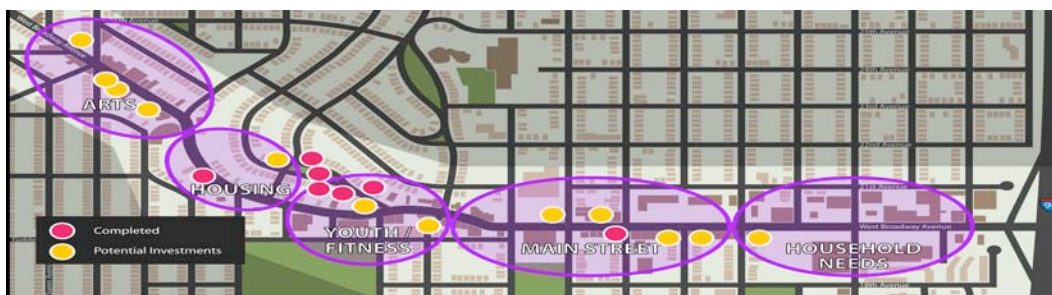
The question is not “What does it take to start *a business* in a low-income area” but “what does it take to start *enough businesses* to wake up an underperforming market? Underperforming markets lack confidence – consumer confidence that families can shop safely without exploitation, business confidence that owners have enough paying customers, and investor confidence that investors can achieve a decent return in what may look like a wasteland. Underperforming markets need what General Colin Powell refers to as “overwhelming force” or what we call *extra-ordinary momentum* to create a tipping point where an area begins to attract new businesses and investment on its own. The question is not what you can do alone but what can be done together.

Let’s take West Broadway Avenue in North Minneapolis. North Minneapolis is a stone’s throw from downtown Minneapolis with a population of nearly 67,000 residents. Every day, 20,000 commuters travel on West Broadway between the western suburbs and downtown Minneapolis. Sounds like a desirable urban market right? Wrong. Over 40 years of disinvestment has left West Broadway Avenue, the historical, economic and social spine in North Minneapolis with safety concerns, vacant buildings and virtually no businesses, amenities or local jobs. New investment is beginning to flow to surrounding residential housing and West Broadway is prime for commercial development. What needs to happen to stimulate significant business and retail development in this low-income, underdeveloped market?

What has not worked is recruiting a “white knight”. Target Corporation, a company filled with arguably the best and brightest retail talent in the country, stepped up to open a North Minneapolis retail store. It eventually closed this West Broadway store after it failed to produce necessary profitability. Target went in alone – it should have been leading the charge, instead it was the only retailer in the game.

Low-income areas are such because of a persistent lack of investment over an extended period of time. One business, operating in isolation is quickly defeated by the lack of consumer confidence. Everyone watches the guinea pig; first mover advantage isn’t so unless there are many first movers at the same time. North Minneapolis residents currently spend over \$7 million on restaurants located outside their community; in other communities, successful restaurateurs would be clamoring to capture a chunk of this market. Instead, entrepreneurs are spectators, watching to see what happens rather than making things happen. It takes a lot of motion to inspire business owners to jump into the game. Momentum creates confidence and confidence stimulates investment.

Catalyst Community Partners, a group of social entrepreneurs is bringing private-sector experience to develop West Broadway Avenue. Catalyst is focused on orchestrating momentum rather than recruiting a single major retailer. Inspiring new business in an underperforming market takes continuous motion. Instead of dropping a big brick in a stagnant pond, Catalyst is dropping pebble after pebble after pebble . . . a continuous stream of pebbles creating waves and ripples of change.



West Broadway Avenue, North Minneapolis – Catalyst Retail Development Map

These pebbles mean redeveloping 10-15 small, vacant buildings, creating new enterprises in partnership with local business operators and shining a spotlight on every new development. It's about inviting local community members to bring their ideas for a local coffee shop, community bank, 24/7 daycare center, café and restaurants to the table. Catalyst recruits professionals to volunteer their expertise in things like marketing, finance, design and engineering with prospective entrepreneurs. This "Better. Together." approach ensures that no one person, or no one business has to go it alone. There is strength in numbers. Through these connections, Catalyst converts spectators into players. We create motion – and a market in motion, tends to stay in motion.

This sounds easier than it is. Creating or attracting many businesses simultaneously to underperforming commercial corridors like West Broadway takes more than experts and entrepreneurs. It takes corridor-wide public financing vehicles that make it easy to develop many small projects simultaneously. Too many public financing vehicles are geared exclusively at large, singular shopping-mall type developments. These vehicles aren't available to the small \$2-4 million neighborhood rehab projects. These smaller projects are exactly the pebbles that create the momentum that attracts investment. Public financing has to encourage concentrated development in low-income, underperforming areas to get private investment flowing again.



11-Years: Vacant West Broadway Building



Now: Coffee Shop, Credit Union & Non-Profit

Success breeds success. Not all businesses are created equally; not all businesses have the ability to attract skeptical shoppers from their homes, cars and buses. We have to deliberately create or recruit key retail anchor businesses that create frequent consumer shopping trips around which other smaller businesses can feed. And we have to be discerning by leveraging market studies to pick the businesses that matter most to the local community.

I started by referencing a big national retail chain. Multinational consumer companies have followed others across uncharted waters to underdeveloped markets in China and India, for example. But opening retail stores in underdeveloped U.S. urban markets, until recently, was supposedly too risky. Today, underperforming urban markets are the new frontier for larger retailers learning to serve consumers out of smaller corner stores rather than big suburban boxes. West Broadway Avenue is a perfect laboratory for retailers who are clamoring to create new ways to reach multi-cultural urban markets across the country and around the world.

The success of Best Buy stores in Puerto Rico, where median annual income hovers around \$25,000, defies old myths that low-income markets don't reward investment. Relevant, adaptive and competitive businesses will be rewarded in any market including underperforming, low-income ones.

So what does it take to start enough businesses to stimulate an underperforming market? It takes momentum. Creating momentum across a corridor in turn creates consumer confidence, business confidence and investor confidence. It's *Better. Together.*

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