

## ASK THE EXPERT

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### When a Location has You in Their Sights

**A company seeking a location for a new facility often will be contacted by communities targeting specific industries. Here's a handy guide to getting your company on their radar.**

**Q** My company is looking to build a new facility, and I have been contacted by a community who is targeting companies in our industry. How do these communities come up with the industries they target?

**The Expert Says:** Answering how communities come up with their target industries will help determine whether you should consider the location that contacted you. It is important to first understand that the primary motivation of targeting is for the communities to enhance their marketing efforts by focusing on industries that are growing; have a strong presence or potential to establish one in the community; and have desirable characteristics (e.g., above average wages). So, being a target should be an indicator that this is a community that will have some appeal to you.

Most economic development organizations have at least a few industries that they target with their marketing efforts, but how these organizations determine their target industries varies from one to another. Many organizations contract with outside consultants to determine their target industries while other organizations establish their targets internally. In any case, the information that is analyzed to determine the targets is similar.

One of the most important aspects of determining whether a

targeting program is a positive indicator for you is how the program incorporates the presence of existing companies in a community. One common measure for this is location quotient—what is the concentration of firms in the target in this community, relative to national average concentrations. A location quotient greater than one means



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there is an above average concentration of firms in the target industry in the community. Some community targets will have a location quotient greater than one—these communities will be trying to leverage all the advantages they already have for that target industry, and grow with their strengths. However, some communities will target industries with a location quotient less than one—these communities will be trying to establish a stronger presence in an attractive target; they

will be trying to “get their share”.

It is your company's circumstances that will determine whether a location quotient greater or less than one is better for you. For communities with a strong existing concentration, they are more likely they to have a skilled workforce and existing education programs to meet the needs of other companies in that target. In addition, utility providers will be familiar and experienced with your infrastructure needs, and the political climate is more likely to be favorable towards your industry.

In addition, the presence of many other firms in your industry should help with recruitment of key talent—a stronger local labor pool and a more attractive location for those you may need to recruit from outside the area. However, these potential advantages may be countered by concerns about so much competitor proximity—the risk of losing key people and company intelligence, the potential for expensive local wage and salary competition for the best talent, and being one of many fish in a very big pond.

Ultimately, you should be driving your site selection decision based on upon your strategic and operation decision criteria. Being a target provides more input to your evaluation of a location, but even that status must be fully understood in order for you to decide if it is an advantage for you to consider. **BS**