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November 2004

DISCUSSING THE ISSUES

What do you get when you put an expert panel of location and site consultants into a room full of economic developers? A lot of insight on the issues surrounding your location search today.

By *Karim Khan*

On September 22 of this year, Business Facilities Editor in Chief Karim Khan moderated the closing session of the International Economic Development Council's (IEDC) annual conference, held in St. Louis, MO. During the hour-and-a-half long session, a panel of 11 expert site consultants answered questions from the audience of economic developers. The results were an entertaining and highly educational look into the issues that keep members of these two groups—both of whom you as a site selector are bound to have extensive interaction with—up nights. Here we present an edited version of the conversation that transpired.

Audience question: *What questions do site consultants think economic developers should be asking that they're not asking?*

Bob Ady: Economic developers should be asking, "What are the hard facts you want to know?" I think what we need more and more of these days are hard answers. Many community and regional folks haven't really transitioned from bland overall data on the community, and there's a lot of hard data that's required these days in terms of us making our decisions. And whether it's via e-mail or whatever method you might use, I would keep in mind that the focus has to be on very concrete things. For example, new companies coming in and expansions—those kinds of things.

Audience question: *Could each of you give an overview of the types of clients you've worked for and the sectors they were drawn from, and how successful you were in responding to them?*



Dean Foote: For us it's primarily warehouses and

The Site Consultant Experts Present:

Robert "Bob" Ady
President
Ady International
Company

Gene DePrez and Roel Spee, IBM Business Consulting Services
Global Location Strategies

Deane Foote, CEcD
Senior Project Manager,
Economic Development
& Real Estate Services
Carter & Burgess, Inc.

Jeannette T. Goldsmith,
Principal
McCallum Sweeney
Consulting

Michael L. Henderson
Director—Location
Analysis
Cushman & Wakefield

Samuel Lee,
Senior Manager
KPMG SRES and
National Business
Incentives Group

Kate McEnroe President,
Kate McEnroe Consulting

John M. Rhodes
President Moran, Stahl &
Boyer

Don Schjeldahl, Vice
President & Director
Facilities Location Group,
The Austin Company

Mark M. Sweeney
Senior Principal



distribution centers, which is also the fastest-growing of any sector, driven by huge increases in retail sale, consumer markets, and growing imports of consumer products from Asia. Probably second would be food processing. We feel that's a growth industry, primarily domestically again, certainly in the Midwest and Southeast, as

well as other locales. After that, a wide range—including office and retail, which is a market that will continue to expand.

McCallum Sweeney
Consulting

Jerry Szatan,
Principal
Szatan & Associates



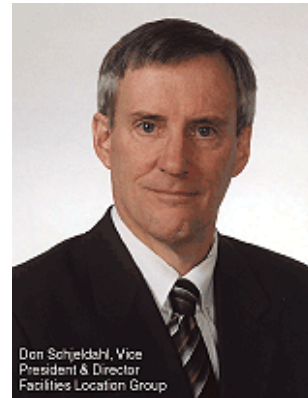
Gene DePrez: In the past we were focused largely on Fortune 500 and 1000 companies. That's been changing, though. A lot of small- and medium-sized businesses throughout the world are now part of our client base.

The sectors tend to be high-tech—life sciences, pharmaceuticals, electronics, etc., but probably the single biggest area is in shared services centers—not so much call centers. We tend to be in the more sophisticated help desk kind of activities. It's global, reflecting our clientele.

Roel Spee: In the last few years the drivers for our projects have been related to global resourcing, i.e., offshoring. I see that gradually changing again, however, into expansion. Companies that stopped their projects or delayed them a couple of years ago are coming back. Again, manufacturing projects are more in the picture than they were a couple of years ago. And the industries we tend to deal with include life sciences, automotive, and financial services. A lot will be going on in financial services over the next couple of years.

Audience question: *What's the appetite for rail access on projects these days?*

Don Schjeldahl: We do a lot of consulting on the manufacturing side, and transportation is often a critical factor. I see a clear trend on rail as the result of a number of things. Probably most significant though, is the hours of service rules on trucking that went into effect on January 1 of this year, which means it's going to become more expensive to ship across country by truck.



Mark Sweeney: I think from the economic development perspective, if you have rail, you have a scarce resource. If you have dual rail-service sites, you have a crown-jewel resource. Rail is good, but rail doesn't automatically mean a rail site. So work with your site people or your rail people to make sure you've got not just the track, but you have sites that can access that track.

Audience question: *I was surprised to see just how many of these cities could be interchanged in many of these [IEDC Annual Conference] presentations. Many are competing with one another. I want to know about creative solutions you've seen that helped you win projects unexpectedly.*

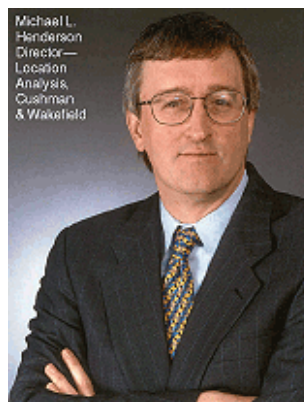
Mike Henderson: One thing that just came to mind is a recent project. The community looked at underutilized real estate. There was a manufacturing plant there, but no more manufacturing; however, the company was still doing warehousing. The community approached the owner about selling, and they were selling. So, a site that hadn't been entered into our database for the project we were doing suddenly became a top contender.

Kate McEnroe: [Many successful projects that I've seen] worked because they leveraged the private sector. You have to leverage not just the public officials, not just the people whose job it is to recruit business, not just the people whose job it is to sell something to new businesses, but really leverage the private sector through companies that are already

there and can add some "flavor" to how you get to be successful. You get it "coming out of the horse's mouth," so to speak.

Audience question: Do companies realize that health care costs can vary by location, and do they care?

Mike Henderson: It doesn't come up as often as I thought it would. Most companies are interested in things like workers' compensation and access—things like that. Sometimes it's because of a national plan the company belongs to, so it's not as much of a local issue. But I think it's going to become more of an issue as we go forward.



Audience question: How important are incentives?

Don Schjeldahl: We are finding that incentives seem to play a much larger role in projects than they did 10 years ago. The ability of a company to compete in a global economy that's constantly changing puts a lot of pressure on them to be efficient, well-managed, and well-run. And anything that can help to protect the margins of the business—to help the operation run more efficiently, to be more flexible, to adjust to change—those are important.

John Rhodes: Some companies that are very small and somewhat ignorant to the process will try to "shop" incentives before they do anything else, and those are really dangerous people. When you're working with consultants, we are trying very hard to compare community to community without the incentives. Because after four, five, six, eight, 10 years (and you want those people to stay longer than that) we want the incentives to go away and the company to still say: "This is a great community to be in." Incentives can come in handy as a tie-breaker toward the end of the process, particularly in offsetting with startup costs. Also, if there's product development or it's a new company, and they need in the first five years to have some relief in getting off the ground, incentives can be helpful. If you're dealing with a much larger company, they may press you at the end for it, but if you have good fundamentals, you know they'll stay longer than the incentives.

Kate McEnroe: You need to be careful to distinguish between the kinds of companies John is talking about—which are shopping incentives before the fundamentals—and situations in which you get a phone call from a consultant who already has access to fundamental information about you. Incentives are not the first thing they're concerned about, but it's one of the last remaining things they need to get information on. Don't misunderstand what's going on in the process. Don't think that because they call and ask about incentives first that that's all they care about. It may just be that's the point in the process they've reached before they pick up the phone.

Audience question: How should we tailor ourselves to different countries to attract them?

Roel Spee: If you're competing for projects from elsewhere in the world, you always have to recognize that those investors are not as familiar with this environment as you would be yourselves. Best to work together as a larger region, whether state or regional, to get on their mental map. If you're thinking about overseas marketing, don't try to do it on your own as a small community, but really work together and present yourselves as a homogeneous region. Once you get their attention, then you can compete amongst yourselves to get the project for your community.



Samuel Lee: It helps to understand the idiosyncrasies of the particular company. For example, there are many Japanese companies that tend to penetrate the U.S. market by way of joint ventures. So, if you track the company with which they're joint venturing, you may be able to find some opportunities.

Kate McEnroe: I was in the room about 10 years ago with a community that was talking about being a real "comer" in Latin American trade. To be honest with you, there was nothing but Caucasian men in the room. Nothing reflected diversity or that anyone in the community had been in Latin America. Most of you will have those resources; the problem is, you tend to fill slots in your various committees with the usual suspects—the president of the bank and the person on the city council. So, you may have to dig a little deeper in the community to get more diversity into the people who are in charge of planning and executing these strategies.

(A special thanks goes to Katie Burns of IEDC for her hard work transcribing the audio of this session.)

<p>The following awards were among those presented at the IEDC conference in St. Louis, MO in September:</p> <p>2004 EDWARD DELUCA LIFETIME ACHIEVEMENT AWARD James Devine President and CEO Lees Summit Economic Development Council Lees Summit, MO</p> <p>LEADERSHIP AWARD FOR PUBLIC SERVICE The Honorable Ronald Loveridge Mayor of Riverside Riverside, CA</p> <p>LEADERSHIP AWARD FOR PUBLIC SERVICE The Honorable Meyera Oberndorf Mayor of Virginia Beach Virginia Beach, VA</p> <p>CHAIRMAN'S AWARD FOR LIFETIME ACHIEVEMENT IN ECONOMIC DEVELOPMENT Sam Volpentest Executive Vice President Tri-City Industrial Development Council Kennewick, WA</p> <p>OUTSTANDING NEW ECONOMIC DEVELOPER OF THE YEAR Alan Hawthorne, Ph.D. Executive Director Joint Industrial Development Authority Wythe County, VA</p> <p>ANNUAL REPORT—POP. < 50,000 "A Building Year" Jacksonville Regional Economic Development Corporation Jacksonville, IL</p> <p>ANNUAL REPORT— POP. 50,000-200,000 "Growing and Thriving in High Point" High Point</p>	<p>GENERAL PURPOSE PROMOTION—POP. < 50,000 "Rush Hour" direct mail package Culpeper County Culpeper, VA</p> <p>GENERAL PURPOSE PROMOTION—POP. > 200,000 Economic development business information kit City of Miami, Department of Economic Development Miami, FL</p> <p>GENERAL PURPOSE PROMOTION—POP. > 200,000 In-state postcard campaign Michigan Economic Development Corporation Lansing, MI</p> <p>INTERNET—POP. < 50,000 www.unioncounty.org Union County Chamber of Commerce and Union County-Marysville Economic Development Partnership</p> <p>INTERNET—POP. 50,000-200,000 www.gsc.org/edc The Economic Development Council for Springfield and Sangamon County Springfield, IL</p> <p>INTERNET—POP. > 200,000 www.choosemodesto.com The City of Modesto Business Development Division</p> <p>MULTIMEDIA—POP. < 50,000 "Elmhurst, IL: Ideal for Your Business, Your Family, Your Life" City of Elmhurst Economic Development Office Elmhurst, IL</p> <p>MULTIMEDIA—POP. 50,000-200,000 "Discover!" CD-ROM The Economic Development Council for Springfield & Sangamon County Springfield, IL</p> <p>MULTIMEDIA—POP. > 200,000 "New Zealand Now" CD-ROM New Zealand Trade and Enterprise Wellington, New</p>	<p>PROGRAM—POP. 50,000-200,000 Kelowna Manufacturers Alliance Economic Development Commission, Regional District of Central Okanagan Kelowna, British Columbia, Canada</p> <p>PROGRAM—POP. > 200,000 The Advisory Board Council Small Business Development Center at the University of Central Florida Orlando, FL</p> <p>RESEARCH REPORT—POP. <50,000 West Wendover, Nevada's economic development strategy and Wendover, Utah's annexation study Applied Development Economics, Inc. Berkeley, CA</p> <p>RESEARCH REPORT—POP. 50,000-200,000 "Kent Economic Development Strategic Plan 2003-2008" City of Kent Kent, WA</p> <p>RESEARCH REPORT—POP. > 200,000 The Miami-Dade Beacon Council Miami, FL</p> <p>RESEARCH REPORT—POP. > 200,000 "Connecting the Greater Philadelphia Innovation Economy" Innovation Philadelphia Philadelphia, PA</p> <p>TECHNOLOGY BASED ECONOMIC DEVELOPMENT— POP. 50,000-200,000 Tech Council Winston-Salem Chamber of Commerce Winston-Salem, NC</p>
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<p>Economic Development Corporation High Point, NC</p> <p>ANNUAL REPORT—POP. > 200,000 "1 Region" Greater Phoenix Economic Council Phoenix, AZ</p> <p>AUDIO VISUAL—POP. < 50,000 "Business Odyssey" video South Sioux City, NE</p> <p>AUDIO VISUAL— POP. 50,000-200,000 "World Canals Conference 2004" video The City of St. Catharines Economic Development & Tourism Services Department St. Catharines, Ontario, Canada</p> <p>AUDIO VISUAL— POP. > 200,000 "Greater Edmonton by the Numbers" video, Economic Development Edmonton Edmonton, Alberta, Canada</p> <p>GENERAL PURPOSE BROCHURE— POP. < 50,000 The Whitley County, Indiana marketing material Whitley County Economic Development Corporation Columbia City, IN</p> <p>GENERAL PURPOSE BROCHURE— POP. 50,000-200,000 "Tempe, ArizonaÉ the Smart Place to Be" The City of Tempe Economic Development Department Tempe, AZ</p> <p>GENERAL PURPOSE BROCHURE— POP. > 200,000 "BALANCE" magazine and DVD Buffalo Niagara Enterprise Buffalo, NY</p>	<p>Zealand</p> <p>NEWSLETTER—POP. < 50,000 "The City of Richland's Business and Economic Development Report" Richland, WA</p> <p>NEWSLETTER— POP. 50,000-200,000 "CK 4 Business" Chatham-Kent Economic Development Services Chatham, Ontario, Canada</p> <p>NEWSLETTER—POP. > 200,000 "The Stages of Commercialization" Innovation Philadelphia Philadelphia, PA</p> <p>OVERALL MARKETING— POP. 50,000-200,000 "Destination Clovis" campaign Clovis, CA</p> <p>OVERALL MARKETING— POP. > 200,000 "Mobile Bay. On the Water. On the Move." Mobile Area Chamber of Commerce Mobile, AL</p> <p>PARTNERSHIP—POP. < 50,000 Golden Springs Economic Development Project Community Development Commission and Santa Fe Springs Monterey Park, CA</p> <p>PARTNERSHIP— POP. 50,000-200,000 City of Lakewood and Continuum Partners, LLC Lakewood, CO</p> <p>PARTNERSHIP—POP. > 200,000 "Stick Around Michigan/Kalamazoo" campaign Michigan Economic Development Corporation Lansing, MI</p> <p>PROGRAM—POP. < 50,000 Nhfirfirstjob Belknap County Economic Development Council Gilford, NH</p>	<p>TECHNOLOGY BASED ECONOMIC DEVELOPMENT—POP. > 200,000 Michigan's technology growth campaign Michigan Economic Development Corporation Lansing, MI</p> <p>HONORABLE MENTION The Chesapeake Innovation Center, Anne Arundel Economic Development Corporation Annapolis, MD</p>
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