Siler City Marketing Plan and Business Recruitment Project

Final Report

May 2010

Prepared for

The Town of Siler City
&
Chatham County Economic Development Corporation

by

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Acknowledgements

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This report was prepared by the University of North Carolina’s Center for Competitive Economies. This plan reflects our best effort to guide Siler City’s marketing efforts. We retain the responsibility for errors of fact or interpretation this report may contain.
Introduction

The Golden LEAF Foundation funded the UNC Center for Competitive Economies (C3E) to assist the Town of Siler City in developing a marketing plan for business recruitment. This project consisted of three major tasks:

1. Identify list of national recruitment prospects for targeted marketing
2. Solicit prospects to inform the marketing plan and for potential relocation/expansion
3. Create this marketing plan and marketing brochures

This report describes the efforts C3E undertook to address the major tasks and the resulting research findings. The report concludes by making suggests on how the Town of Siler City can better market itself to business relocation and expansion prospects.

Attraction Cluster Prospect Identification and Targeting

In 2008, C3E completed an economic development plan for Chatham County, Chatham County Economic Development Strategic Plan, which identified seven industry clusters where the Chatham County Economic Development Corporation (EDC) should focus its attraction efforts and four industry clusters for retention efforts. Industry clusters are simply defined as groupings of industries that have a well-defined input-output (buyer-supplier) relationship, a shared labor pool, and/or shared technologies. Within each of the seven attraction clusters, C3E identified 1,400 growth companies across the United States that could benefit from having a market presence through relocation or expansion in Chatham County.

Attraction Industry Clusters

| 1. Architectural & Engineering Services  |
| 2. Technical & Research Services       |
| 3. Basic Health Services               |
| 4. Pharmaceuticals                     |
| 5. Information Services                |
| 6. Higher Education & Hospitals        |
| 7. Renewable Energy                    |

The 1,400 growth companies in the attraction clusters were identified in 2007 (using 2006 data) from Dun and Bradstreet’s (D&B) Million Dollar Database. The D&B database is a proprietary database available by subscription service and contains information for companies with a million dollar or more in annual sales.

C3E began screening of the 1,400 companies by identifying 316 companies in the attraction clusters locating in adjoining states: Georgia, South Carolina, Tennessee, and Virginia. Clusters
are not mutually exclusive, and companies may appear in more than one cluster. For example: a health service provider may appear in both the Basic Health Services and Higher Education and Hospitals cluster. Once duplicate companies were removed, 176 company executives or other location decision-makers were contacted by telephone. A pilot survey was used to ascertain the company’s interest in general expansion/relocation and to determine the company’s specific interest in central North Carolina.

The research findings generally revealed that companies were not interested in expanding to another location or relocating existing facilities due to both economic and personal factors. The key economic factors included acquisitions and mergers in many small high tech firms and general bankruptcies and closures across all industry clusters. Some of the firms required close contact to existing buyers/suppliers and government contracts, particularly defense related businesses in Northern Virginia, which prevented them from considering central North Carolina as a relocation option. Additionally, many firms expanded in 2005 only to face declining profits and excess capacity during the economic downturn. Many of the smaller, family-owned businesses had strong local ties to their communities and were not interested in uprooting to move to a new location.

Key Research Findings: Attraction Clusters
Companies not expanding or relocating due to
- Acquisitions and consolidations, especially in smaller high tech firms
- Bankruptcies and closures
- Existing facilities in state
- Regional client-base (suppliers, buyers, access to government contracts)
- Economic downturn
- Family reasons, ties to local community

Retention Cluster Prospect Identification and Targeting

The surveys and interactions with the initial list of attraction cluster growth companies served to inform C3E’s next steps in contacting recruitment prospects. First, it was clear from our interactions with company executives that the initial company list sufficiently identified growth companies (many of these firms did expand prior to the downturn), yet the economic shock of the Great Recession had considerably changed the economic outlook and likelihood of future relocation/expansion, especially in the near-term. Using information learned through the initial pilot survey testing on the attraction cluster companies, C3E elected to obtain a new data source and list of companies for targeted recruitment. Capital IQ is database also available by subscription service, which provides financial data for firms seeking capital, investors, or new market opportunities. The data provided by Capital IQ is updated frequently and likely
contained the small and medium sized enterprises most suitable for targeted recruitment and expansion to Siler City. The initial pilot survey effort was challenging to execute as many companies informed the researchers that “the company does not participate in surveys,” however many companies were more willing to discuss their companies in a general, less formal manner. To accommodate the unwillingness of companies to participate in surveys, the interaction structure was modified to use semi-structured, yet brief, interviews to determine the companies’ interests in relocating or expanding. These interviews yielded data less useful for statistical analysis, but did provide a set of general explanations for why companies were or were not interested expanding or relocating.

Additionally, C3E felt it would be advantageous to broaden our cluster target list and focus on targeting companies identified in the *Chatham County Economic Development Strategic Plan* as retention clusters. These are industry clusters where the County, especially Siler City, already has a strong business presence. The retention clusters include: packaged food products; concrete, brick building products; nonresidential building products; and wood processing. Given the limited resources and time to contact these companies, C3E elected to only contact companies in the packaged food products industry. The lack of construction activity reduced the likelihood that construction related businesses would be expanding. However, company lists for the other retention clusters will be provided to the Town of Siler City and the Chatham County Economic Development Corporation for these organizations to continue the marketing effort at the conclusion of this project. It was also important to focus the limited recruiting efforts on companies that could benefit from Siler City’s most apparent industrial advantage: available water capacity for industrial use.

### Overview of Capital IQ Database Targeting

Capital IQ’s structure for listing industries allowed us to separate food products into two categories: 1) packaged foods and meats and 2) frozen food. Additionally, a small set of plastic recycling companies were also contacted given these companies’ dependence on water availability and their presence in the Renewable Energy cluster. In total, over 1000 companies were screened and/or contacted from the Capital IQ database. An initial screening of companies was conducted to remove those companies with bankruptcies, recent acquisitions,
or serving specialty markets tied to local client/supplier base (i.e. Wisconsin cheese makers or New York City delicatessens).

Companies Targeted By Type

- Frozen Food, 72
- Plastic Recycling, 42
- Packaged Food, 910

For packaged food products and meats, companies located in adjoining states and companies located in the top ten states in number of packaged food product businesses were selected for targeting.
Additional information was also obtained about this industry from Capital IQ. The average employment for this industry is 480 employees per company; however, the targeted companies for recruitment were generally smaller in size. C3E focused more heavily on contacting smaller companies to increase the likelihood of engaging location decision-makers.

<table>
<thead>
<tr>
<th>Packaged Food Products and Meats, Industry Information</th>
</tr>
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<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Average</td>
</tr>
<tr>
<td>Minimum</td>
</tr>
<tr>
<td>Maximum</td>
</tr>
<tr>
<td>Standard Deviation</td>
</tr>
<tr>
<td>Market Cap. Weighted Avg.</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
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EBITDA = earnings before interest, tax, depreciation, and amortization; LTM = last 12 months
Frozen food products were targeted on a nationwide basis and 72 companies across the country were screened for their interest in relocation or expansion to central North Carolina.

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</thead>
<tbody>
<tr>
<td>Total</td>
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<td>4,473</td>
<td>36,565</td>
<td>28,945</td>
<td>123,909</td>
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<tr>
<td>Average</td>
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<td>746</td>
<td>7,313</td>
<td>5,789</td>
<td>2,581</td>
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<tr>
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<td>10</td>
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<td>88</td>
<td>1</td>
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<tr>
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<tr>
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<td>23,641</td>
<td>4,473</td>
<td>36,565</td>
<td>28,945</td>
<td>123,909</td>
</tr>
</tbody>
</table>

EBITDA = earnings before interest, tax, depreciation, and amortization; LTM = last 12 months

Plastics recycling was also examined as another potential industry that would meet Chatham County’s identified attraction industry clusters (Renewable Energy) and could benefit from available water in Siler City. Two plastics recycling businesses in North Carolina were also contacted for informational interviews to better ascertain the state’s competitive advantage relative to competing states. One interviewee was especially forthcoming about the state’s advantages with port access in North Carolina and Virginia and good transportation network. However, the lack of large water lines into existing facilities is a traditional challenge in this industry during relocation/expansion. Also, the industry interviewee felt North Carolina’s water quality regulations were more stringent than other states, including California, which might deter some companies from locating in the state.

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</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,179</td>
<td>(0.2)</td>
<td>19.8</td>
<td>362.4</td>
<td>21.2</td>
</tr>
<tr>
<td>Average</td>
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<tr>
<td>Total</td>
<td>2,179.0</td>
<td>(0.2)</td>
<td>19.8</td>
<td>362.4</td>
<td>21.2</td>
</tr>
</tbody>
</table>

EBITDA = earnings before interest, tax, depreciation, and amortization; LTM = last 12 months
Results of Capital IQ Database Targeting

Two companies contacted in the targeting process expressed an interest in learning more about Siler City. Neither company was expanding immediately, but both companies envision exploring expansion within the year if the economic outlook improved.

**Key Research Findings: Retention Clusters**

Companies not expanding or relocating due to
- Some companies looking for distribution outlets, not relocation
- General economic downturn
- Expansion between 2000 and 2005, suffered downturn, now operating under capacity
- Venture capitalists, investors, and expanding companies are acquiring existing facilities in food processing with existing workers and production lines, rather than build new facilities.

In general, companies cited many of the same factors as the attraction cluster for not relocating or expanding. Many of the companies expanded their facilities between 2000 and 2005 and the resulting economic downturn had left them operating under capacity. Several of the food processing companies stated that many companies were operating under capacity and venture capitalists, investors, and expanding companies were using this excess capacity as an expansion tool by acquiring existing facilities/companies and retaining their workers and excess production capacity rather than constructing new facilities.

Some of the existing frozen and packaged food producers were looking for distribution outlets through existing facilities in other markets, but were not interested in expanding distribution facilities or relocation of their own business. Many of these companies stated the need for a strong transportation network, which they were unsure central North Carolina could provide due to their misperception about the rural nature and limited highway access. It was frequently difficult to convey to these companies the strong highway network and rail access available in Siler City.

**Business Targeting Summary**

Identifying and targeting businesses for expansion and recruitment is a challenging and time consuming task. The majority of this project effort was spent on business targeting. The process included developing screening guidelines and downloading company information from
proprietary databases. Company information was then screened using the researchers’ best judgment to determine companies that were more likely to locate in a community similar to Siler City. Screening criteria included company history; product lines; recent merger, bankruptcy, or acquisition; infrastructure needs; ownership structure; number of employees; and presence in an identified industry cluster. Even with these screening criteria, more companies were identified that we could reasonably contact. Approximately 1,200 companies were identified from a national list businesses in the industries and locations previously discussed. Acquiring information about each company and making individual telephone calls to reach a decision-maker limited our ability to reach more companies, but did provide much needed information on the factors influencing company expansion and relocation decisions.

**Future Marketing and Targeted Mailings to Additional Food Processing Companies**

To assist Siler City in future marketing, C3E worked with the Town and the EDC to create two marketing brochures. Each brochure is a one-page, double-sided color flyer providing information about the Town, its heritage, and competitive advantage for companies. One brochure is for general marketing use and the other is specifically designed for industry target, especially food processing. These brochures were designed and printed in-house at UNC. Siler City and the EDC were given approximately 1,700 general brochures and 1,050 industry specific brochures to use in future marketing. High and low resolutions electronic copies were also provided for website and other marketing uses.

The process of screening individual companies and making multiple calls to reach company decision-makers is a challenging and time consuming task. To facilitate the Chatham County Economic Development Corporation and the Town of Siler City’s continued outreach to firms that might benefit from relocation or expansion to the area, C3E identified and mailed an additional set of marketing flyers to 1,000 additional companies that we were unable to contact by telephone due to time and resource constraints. This mailing was done under a joint Town of Siler City and Chatham County Economic Development Corporation letterhead and a list of these companies will be provided to the EDC and Town for their own follow-up marketing efforts.
Emerging Marketing Opportunities for Siler City

The Town of Siler City has multiple assets for marketing to potential business prospects, including water and sewer availability, vacant commercial and industrial space (including high quality spaces such as the former Joan Fabrics building), available lots in area business parks, and a strong transportation network. However, many of these assets are not unique and are available in competing locations. This section of the report discusses how Siler City can better leverage these and other assets to capitalize on emerging marketing opportunities.

Marketing Siler City’s Linkage to Regional Industry Clusters

A major challenge in marketing Siler City to a broader audience of business prospects is identifying Siler City within the context of a regional economy. Siler City’s geographic location on the western edge of Chatham County and the western edge of the Research Triangle Regional Partnership region poses a challenging problem for distinguishing the Town’s geographic and economic advantages to companies interested in locating in the Triangle area. While Siler City is geographically closer to the Triad area, the Piedmont Triad Partnership’s economic development service and marketing area does not include Chatham County. Town and EDC leaders should work to market Siler City within the context of key regional industry clusters where Siler City offers a clear fit. For example, the Piedmont Triad Partnership’s Creative Enterprises and the Arts and Logistics and Distribution are two industry clusters where Siler City can compete as a location for new, expanding, or relocating companies, especially for those companies also desiring access to the Triangle market and/or easier access to the Sanford, Pinehurst, Southern Pines, and other areas southeast of Siler City.

The lack of an adequate transportation network was a common misperception about central North Carolina in our discussions with businesses unfamiliar with North Carolina that could be partially addressed by marketing the Town’s linkages to the Distribution and Logistics cluster. Siler City’s location at the juncture of US 421 and US 64 positions the Town to take advantage of businesses with heavy reliance on highway transportation for importing business inputs and shipping products to buyers and consumers. Siler City rail access is a potential selling point for businesses with heavy freight needs.
Food Processing/Packaging Heritage

As previously discussed, there may be limitations on immediate relocation or expansion opportunities in the food industry due to previous expansions, consolidation and acquisition of existing processors coupled with the general lack of capital and demand in the economic downturn. However, Siler City’s strong heritage in this area provides an opportunity to promote the success of existing, specialty food processing businesses with nationwide/regional distribution of products. The success of existing companies and their ability to distribute nationally is an important selling point for potential companies in this industry. Additionally, the Town and EDC should work with existing companies to identify suppliers for relocation targeting and to determine existing industry needs in the area whose demand could be met by contacting industries about relocation.

An unexplored opportunity identified in conversations with food processing/packaging businesses is the potential for distribution/marketing partnerships for local entrepreneurs/existing businesses to distribute and promote products in Southeast market. The Town and/or EDC could serve as a conduit to network existing businesses and start-ups with other food processing companies seeking access to the Southeast market.

Another explored opportunity might exist around determining joint processing or freezing needs for existing companies. Several frozen food company owners mentioned that a cluster of producers would facilitate frozen food distribution. Small businesses cannot always fill containers on their own and benefit by sharing freezer containers with other frozen food companies that are not direct competitors. This reduces freezing container costs and allows flexibility for distributing on a smaller scale. Similar needs may exist for Chatham County’s small scale food processors.

Water Availability and Expanded Reservoir

The availability of water is not a unique asset; however, it is important to many water dependent users seeking expansion or relocation opportunities. Siler City’s available water for industrial and commercial waters users and the presence of an expanded reservoir should be actively marketed to value-added food processors and other water dependent businesses. This should give Siler City a competitive advantage, especially in competing with drought impacted communities unable to continue to serve existing businesses or attract new businesses due to water limitations.
Incentives and Factors Influencing Location Decisions

Most studies have found that incentives only play a small role in impacting locations decisions. A survey conducted by C3E as part of a study project for North Carolina General Assembly found that North Carolina companies receiving state tax credits ranked local economic development tax incentives 11th out of 19 site selection factors and companies not receiving state tax credits ranked local economic development tax incentives 13th out of 19 site selection factors. In both groups, the availability of skilled labor was the most important site selection factor. State personal income and corporate income taxes, local property taxes, availability of community colleges, and state regulatory environment were among the top six factors for both groups.

Yet, incentives can be an important tool in sending market signals about a community’s business climate. The recently revised incentive policy of the Chatham County Board of Commissioners that awards incentive amounts based on established criteria, including presence in an identified industry cluster, coupled with the Town of Siler City’s incentive plan does send a strong signal market signal to companies considering location in central North Carolina. These incentive policies should be included in broader marketing efforts to target specific companies in the identified industry clusters.

Town and Central Carolina Business Campus Branding

Increasing visibility and highlighting the unique nature of your assets are key challenges in any marketing effort. This marketing effort was an important step in gathering information about the Town’s key assets and preparing marketing materials highlighting those assets. In addition, the project introduced Siler City to many companies that may expand or relocate in the future and has provided the Town and EDC with prospect lists for independent marketing efforts outside of this project.

However, there is a strong need for a branding identity for the Town of Siler City and the Central Carolina Business Campus to distinguish Siler City from all the other small towns with water, sewer, good business climate, and a business park. One method worthy of exploration is creating a branding identity around collaboration and partnership among Central Carolina Community College and occupants of the business park. This could include business incubator and accelerator space, existing worker training programs, and applied education and training for students in businesses occupying space in the business campus. Midlands Technical College in Columbia, South Carolina has undertaken a similar effort with their “The Enterprise Campus
at Midlands Technical College.” The Central Carolina Business Campus provides the best opportunity for creating a unique marketing brand, whether in the form of an enterprise campus or other concept, for distinguishing Siler City in the broader marketplace.

**Limitations on Immediate Market Opportunities and Next Steps**

A sobering reality facing Siler City and other communities seeking to attract companies is the limited number of expansions and relocations due to the economic downturn. The Town and EDC’s best efforts may have a limited impact on new business and new job creation given the prevailing global and national economic trends. *Area Development*, a leading magazine for site selection and facility planning conducts an annual survey of corporate executive and site selection consultants. The 2009 survey was recently released. The survey highlights the limited expansion plans for many companies due to tightening credit markets and the economic downturn. In the 2008 survey, 30 percent of the respondents planned to add two or more facilities within that year, but this number had dropped to 20 percent by 2009. The number of companies that had decreased facilities by two or more increased from 12 percent in 2008 to over 20 percent in 2009. This survey does not reflect the additional tightening of credit markets and other financial industry problems that continued in late 2009 and 2010.

Over half of the companies surveyed stated they had no plans to expand or relocated facilities within the next five years and the survey stated there was increase from 2008 to 2009 for companies deferring new hiring, deferring opening of new facilities, reducing employment, and closing existing facilities. The report authors also stated that there was a continuing decline in the importance of unskilled labor, one of Siler City’s key labor demographics in the existing food processing industry, which may further limit the Town’s recruitment prospects. On a positive note, the survey did find that the availability of labor costs and highway accessibility are the two most important site selection factors.

The survey of site selection consultants also revealed some important findings to support the importance of this marketing effort. Site selection consultants stated that prior to being contacted, 40 percent of their clients had already narrowed down the geographic area in which they wished to locate and 11 percent had already chosen the finalist communities. This suggests that there is a marketing advantage to “first movers” who initiate early contact directly with companies and that Siler City and the EDC should continue this approach.
Sending marketing materials and letters of interest to site selection consultants is an important next step in continuing to market Siler City to those assisting in making site selection decisions. Raising the profile for Siler City among site selection consultants could yield relocation/expansion benefits during economic recovery. Additionally, the Town and EDC should follow-up with the companies contacted by mailed marketing materials and initiate a contact plan for companies in the industry clusters not called as part of this recruitment effort.