THE FOUR RULES FOR RETAIL INCENTIVES.

MAKE SURE YOUR INCENTIVE STRATEGY IS FOCUSED AND TARGETED ON GENERATING THE HIGHEST POSSIBLE RETURN ON INVESTMENT

In today's competitive retail marketplace, many communities and states are using incentives to become active partners and investors in retail development. Poor planning and management of incentives can lead to missed opportunities, negative results and bad publicity.

At a time when many communities are facing smaller budgets, it's more important than ever to make sure your incentive strategy is focused and targeted on generating the highest possible return on investment.

RULE #1: LET YOUR VISION BE YOUR GUIDE

Many communities make the common mistake of offering tax abatements, grants, infrastructure upgrades and cash outlays simply to “keep up” with competing communities.

A far wiser approach is to have a vision for your community, and make decisions that support your long-term goals. You may have social objectives, such as drawing retail to underserved areas. Environmental issues may also come into play, such as drawing in sustainable industries and green businesses. Or, you may have strategic issues such as managing the type, scale and rate of growth that occurs in your community. The bottom line: Before you offer any incentive, make sure that the prospect is aligned with your vision.

RULE #2: MINIMIZE THE RISK

As you begin to form a vision that will shape your incentives and public/private partnerships, it's crucial to set in place a strategy for minimizing risk and exposure.

Do you have the ability to perform thorough due diligence on a candidate? Do you have documented data on their past performance? Have you conducted a cost/benefit analysis that shows exactly what needs to happen to provide a return on your investment? Have you identified a peak payback period, and do you have a system in place that defines any penalties or actions that can be taken if the candidate does not perform as promised? The old adage of "trust, but verify" is your best approach for aggressively drawing good prospects, while still upholding your fiduciary responsibility.

> "Today, it's crucial for communities to attract new businesses, while remaining as efficient as possible with fewer resources."
>
> Lisa Hill-McCay
> Vice President, Buxton

RULE #3: SET FIRM POLICIES

Since incentives are often decided by committee, it's important to set firm criteria on the type of candidates that do and do not merit consideration.

In addition to making sure each prospect is aligned with your vision, it's also prudent to set certain thresholds they must meet. For example, you may require that they be a certain size or generate a specific level of revenue, or that they guarantee specified levels of investment or employment in the community.

By having clear-cut policies that decide who merits an incentive, you'll be able to maximize your ROI and build consensus for granting an incentive faster – both of which are vitally important in today's economic environment.

MAXIMIZE ROI & BUILD CONSENSUS FOR GRANTING AN INCENTIVE FASTER.

RULE #4: BE INFORMED.

CLICK HERE TO SIGN UP FOR THE COMPETITIVE COMMUNITY NEWSLETTER.

Above all, be informed on the type of incentives today's companies are looking for, what is best for your community and what constitutes a prudent investment.

For 20 years, Buxton has provided more than 2,000 retail and restaurant clients with the analytical tools they need to identify prime locations for growth. In 2004, we began using the same sophisticated analytic tools to provide insights to the public sector, in areas like retail attraction, business retention, tourism, emergency services, industrial recruitment and more.

For more information on how we can help you, contact us today at buxton@buxtonco.com or call 888-2BUXTON.