



BUSINESS RETENTION & EXPANSION

Choosing the “Right” Set of Businesses

Business Retention and Expansion International | P.O. Box 15011, Hattiesburg, MS 39404-5011 | 601.602.8075 | brei@brei.org



BUSINESS SELECTION APPROACHES

- The shotgun approach
 - Visit every business and hope that valuable data are collected
- Choose business sector (industry) based on some criteria
 - Competitive advantage (location quotient, shift-share, # of employees, etc.)
 - QUESTION: Do you focus on “strong” or “weak” sectors?
- Identify specific businesses (anecdotal, quantitative criteria)
 - (financial or production position, age of business, age of owner, etc.)



SHOTGUN APPROACH

- **Advantages**
 - May be appropriate for smaller communities (you should be able to define your community)
 - Provides a more comprehensive feel for the economic environment to younger professionals or professionals new to the area
 - Can provide a significant marketing boost to your program
- **Disadvantages**
 - Difficult (but not impossible) to get targeted information
 - May not obtain data to identify/address strengths and/or weaknesses
 - May take significantly more time to demonstrate impacts



■ CHOOSING SPECIFIC INDUSTRY(IES) APPROACH

- Advantages
 - Appropriate for communities with substantial business sectors
 - Provides an opportunity to delve deeply into the sector
 - Significant program exposure to that sector is possible, but not certain
- Disadvantages
 - Sector knowledge may require steep learning curve
 - Need data to identify/address sectoral strengths and/or weaknesses
 - Other sectors are not addressed and “jealousy” may occur



INDUSTRY COMPETITIVE ADVANTAGE MEASURES

- There are several competitive advantage measures that a community can use to determine businesses to target. Two of the most used look at employment numbers.
- Location Quotient – compares the percentage of a sector's employees in a community to the percentage of that sector's employment in the nation (the state could also be used)
- Shift Share Analysis – decomposes the change in employment growth into three factors attributable to overall economic growth, individual business sector growth, and the competitive advantage of the community



LOCATION QUOTIENT EXAMPLE

- Oktibbeha County, MS is wanting to examine the competitiveness of a particular industry (wire manufacturing). Sector is classified as Nonferrous Metal (except Aluminum) Production and Processing (NAICS 3314)
 - In 2025, this sector employed 142 people and the total employment for Oktibbeha County was 30,925 persons – 0.459% of employment
 - U.S. employment in this sector was 63,032 in 2025 and the number of U.S. people employed was 223,958,386 – 0.028% of employment
 - Location quotient = $0.459\% \div 0.028\% = 16.4$
- Oktibbeha County has a competitive advantage in this industry in 2025



SHIFT SHARE ANALYSIS

- Oktibbeha County, MS is wanting to examine the competitiveness of a particular industry (wire manufacturing). Sector is classified as Nonferrous Metal (except Aluminum) Production and Processing (NAICS 3314)
 - Oktibbeha sector employment 2021– 224 2025– 142
 - U.S. sector employment 2021 – 57,257 2025 – 63,032
 - U.S. total employment 2021 – 203,355,761 2025 – 223,958,386
- Shift share involves three separate components
 - National Growth – $0.101 \times 224 = 5$
 - Industrial Mix – $0.101 \times 224 = 5$
 - Competitive Share – $142 - (224 + 5 + 5) = -92$
- Oktibbeha County is not competitive according to this method, but you have to be able to interpret the calculation



OTHER MEASURES

- Population-employment ratio – used when sales of product is in the local area
- Pull factor - commonly used in retail or personal service analysis, but can be used in other sectors
- Trade area capture – used in retail or personal service analysis
- Potential sales - commonly used in retail or personal service analysis, but can be used in other sectors where primary market is local
- Economic impact analysis – identify a multitude of metrics



RULES OF THUMB FOR IDENTIFYING POTENTIAL SECTORS

- Have at least a basic understanding of your area
 - Examine available secondary data
 - Talk to stakeholders
- **Understand the analysis tool that is used**
- Have some concept of the willingness of the sector/business to participate in the program
- Develop a plan to address the sector's issues – be sure to include an evaluation plan along with your action plan
- **Market your program!**

QUESTIONS





CREATIVE COMMONS LICENSE

- This work carries an attribution non-commercial share-alike license.
- <http://creativecommons.org/licenses/by-nc-sa/3.0/>