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## Perspectives on Economic Development from *Site Selection Magazine*

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# Perspectives on Economic Development from *Site Selection* Magazine

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What truly matters in the process of a firm's site selection? This study adopts a novel approach to addressing this question. Rather than relying on potentially biased focus groups or questionnaires, we use a market-based empirical measure to indicate important issues and to determine how the relative importance of these issues may have changed over time.

Specifically, we classify the advertisements that appear in a bimonthly trade journal, *Site Selection*, that are targeted to businesses making location decisions. While we do not have concrete evidence of its influence or the extent of *Site Selection's* readership, casual conversation with site selection professionals indicates that *Site Selection* is respected and widely utilized. We classified 948 ads (in total) from 1992, 2002 and 2005.<sup>1</sup> Explicit statements and images were counted if they pertained to the categories we tracked across the years. The contents of ads could be counted toward more than one category: for example, ads with palm trees mentioning Florida's gateway access to Latin America, as well as its major research universities. A few ads hit every category, while virtually none spoke to only a single advantage of their site.

We summarize our main conclusions here and provide additional details below. Figure 1 provides a visual summary of our findings.

- Taxes have a constant, but relatively small representation in the ads.
- Three characteristics of locations increased substantially in the emphasis they received in advertisements between 1992 and 2005: climate and environmental quality; the relative skill level and education of a location's workforce; and aspects of a location's suitability for high technology business.
- Exactly one out of the 948 ads we reviewed was for Wisconsin. And that ad did not extol a potential site; instead it announced that Alliant Energy had won an award.

In interpreting what follows, we note that the readership and/or market niche of *Site Selection* may have changed over the years, so the emphasis of the advertisements that we tracked may not only reflect changes in economic development efforts around the country, but also changes in the market niche served by *Site Selection*.

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<sup>1</sup> We reviewed two of four issues from 1992, five of six issues from 2002, and four of six issues from 2005.

## **Description of Categories and Patterns of Advertisement Percentages**

### **Climate and Environmental Quality**

Both explicit and implicit ads were counted in this category of climate and environmental quality. Some ads explicitly mentioned that their metropolitan statistical area annually had “X” sunny days a year, while others featured palm trees so prominently that there was no doubt as to the ad’s intent. Ads promoting a particular site’s environmental quality were not limited to the Sunbelt, however; Mountain states featured images of river-rafting and even a few Midwestern states emphasized their clean air and big skies.

Environmental ads emphasizing a desirable climate were amongst the fastest growers of all the groups, going from 5.2 percent of all yearly ads in 1992 to 23.6 percent in 2005. In general, ads emphasizing climate and environmental quality were part of a broader shift toward “softer,” attractive aspects of potential locations. The next category, quality of life, also reflects this broader trend.

### **Quality of Life**

This category collapses quality of life and cost of living advertisements into one. The high quality of a site’s schools was a common theme, as was low overall cost of living and the cost of a 3,000-square-foot house.

Ads for this category maintained a more or less constant percentage (of roughly 30 percent) across the three years—most likely due to its broad definition. However, we see shifts of composition within the broad definitional limits. Ads from 1992 leaned heavily toward issues that a male executive may care about (for instance, many ads explicitly stated the quality and availability of golf facilities), while by 2005 ads more broadly targeted all aspects of quality of life, from schools to culture and short commutes.

### **Taxes**

Taxes was one of the most straightforward categories monitored, dealing only with explicit statements of a site’s tax advantages or incentives. Personal and corporate tax benefits or breaks were counted in this category.

Figures for these ads indicate that they are an overall steady but low percentage (around 10 percent) of the total. We found this result surprising given the emphasis on tax incentives elsewhere in economic development discussions.

### **Incentives**

The most explicit of this category’s ads stated specifically that the location was offering incentives—such as matching dollars for hourly wages past a

certain amount or providing “turnkey” office space—to any company willing to move to the advertised location.

Also included in this category were fairly common advertisements paid for by the regional power company that offered low rates to induce migration, as well as ads that illustrated how specific sites were already connected to all utilities and were 100 percent ready for an immediate move-in.

On the more subtle side, advertisements that pushed a particular site’s policy environment were also counted in this category. Announcing a site was in a “right-to-work” state was one method of pushing incentives, as were softer implicit promises of business-friendly government attentive to potential needs.

Percentages for ads in this category were variable (ranging from roughly 25 percent in 2002 to 40 percent in 1992), but consistently high over the years measured. Part of the reason for this might be because the category’s definition was quite broad. There nevertheless appears to be a subtle shift over time in this category from ads mentioning specific inducements to ads focusing on broader financial and policy aspects of the business climate.

#### Other Companies

Although the criteria for counting ads in this category were fairly straightforward (ads that mentioned or used images of other companies), the number of advertisements that touted established companies in the area was surprising (roughly 20 percent to 25 percent of ads). Some ads pushed this to an extreme, for instance by using only an image of a Hummer and text, or cluttering an ad with small logos of all the companies located in the site.

#### High Tech

The high-tech category captures three issues: the existence of high-tech infrastructure, financing or stimulatory policies; the existence of established research “clusters”; and the presence of major research universities—so long as the research aspect of the university were the main focus of its mention. Advertisements that counted as “high-tech” ranged from personal testaments by technology-company CEOs to images of “scientists” in white masks with test tubes and droppers.

A difficulty with defining this category was in creating definitions that could be retrospectively applied to 1992; “high-tech” changed radically between 1992 and 2005. Even after taking into account these definitional issues in a comparable way over time, however, “high-tech” ads remained one of the fastest growing segments of ads in *Site Selection*, moving from 7.4 percent in 1992 to 31.1 percent in 2005.

### Skilled or Educated Workforce

This category of ads collapsed both eponymous aspects of its name, with mention of skilled workers being counted only if separate from that of “productive” workers. Often, the ads would mention the percent of people within their metropolitan statistical area that had bachelor’s degrees, or emphasized the number of the colleges, universities and community colleges in the area (only counted when not in reference to the educational system’s research capacity).

In a nod to Richard Florida’s 2002 work *The Rise of the Creative Class*, a few advertisements in 2005 made special mention of their area’s place on the “Creative Class” national rankings to emphasize their strength in this category. For areas lacking skilled and educated workers, this category of site promotion was deemed important enough to stress that their site qualified for training grants for potential employees.

*Site Selection* features more ads in the skilled or educated workforce category, with an increase from 14.5 percent in 1992 to 31.1 percent in 2005.

### Workforce Productivity

We separate the workforce productivity from the skilled or educated workforce category to emphasize the changing nature of the ads dealing with workforce characteristics. While the skilled or educated workforce category stresses technological or educational prowess, workforce productivity emphasizes output, namely, the productivity of a workforce in a given location. This could be described through generalities or specific statistics in the ads in this category.

For reasons seemingly related to the shift to the “New Economy” that caused *Site Selection* to drop the “*Industrial Development and*” from its name in 1992, ads in the workforce productivity category, in particular ads that offered raw productivity numbers to a prospective company, were much more prevalent in 1992 (where 31.7 percent of ads emphasized these issues) than in 2002 or 2005 (when 3.5 percent of ads emphasized these issues).

### Infrastructure

Infrastructure ads featured mentions of a specific location’s proximity to airports, major highways and even dual substation electrical provision. As this category was created to catch all references to a location’s advertised physical aspects, it should be no surprise that it started at a high percentage (38.5 percent in 1992) and remained so over the years (34.0 percent) in 2005.

### International Location

This category captured those sites that emphasized their proximity to international markets, production or transportation. Deepwater ports, border towns, areas that stressed their air travel proximity to Europe or Asia, and even Great Lakes ports

were counted in this category. The percentage of ads in the international location category is low though growing, moving from 11.4 percent in 1992 to 16.0 percent in 2005.

### National Location

These ads typically told one of two stories, either graphically or with text: the percentage of America's population within a certain number of miles (or trucking days), or the sites proximity to key areas such as North Carolina's "Research Triangle" or an interstate corridor. Ads for this aspect of a particular site stayed fairly constant from 1992 to 2005, ranging from 28 percent to 32 percent.

### Special Features

Something of an oddball category, special feature ads pushed some element that really did not fit into our other categories. "Our city hosted the last Superbowl" or "We have a world-renowned speed track" are two examples of ads that represented this small category. Also, in 2005 Gulf States' advertisements emphasize that the adverse effects of hurricanes Katrina and Rita would not dampen their economy's overall prospects.

## Conclusions

The advertising patterns in *Site Selection* magazine exhibit a shift toward emphasizing high-tech, education and quality of life, and having desirable climate or environmental amenities. This pattern may be seen a shift from ads including "hard" numbers on production to ads emphasizing softer, high-tech, research-oriented "new economy" issues.

Overemphasizing the prevalence of advertisements that mentioned the proximity of a university to a site would be difficult. In fact, if one combined the ads mentioning the presence of campuses as part of an educated workforce, with the high-tech advertisements that stressed an area university's research power, the combined total of ads mentioning the presence of educational establishments would almost certainly surpass 50 percent. If combined with the ads that mentioned the quality of local schools as a facet of the site's high quality of life, then the total would probably approach 75 percent of the ads in 2002 and 2005.

Advertising tax advantages is relatively uncommon, so much so that one might be tempted to conclude they do not seem to matter much when attracting new businesses. Perhaps tax packages are sufficiently similar across locations that *variation* in taxes is not a first-order consideration in site selection. Whatever the explanation, the lack of emphasis on tax considerations in ads is striking (though we note that "incentives" is a popular topic to advertise).

At the risk of editorializing, we note that Wisconsin would appear to compete well along many dimensions emphasized in the *Site Selection* ads. The state has a well-

educated workforce, has proximity to a world-class research university, has high-quality infrastructure, good schools, high quality-of-life, and plenty of clean air, open space and a first-rate environmental governance situation (the award-winning “Green Tier” program). Given these appealing features of Wisconsin, the *complete* absence of Wisconsin advertisements in *Site Selection* is striking.

Southern ads ruled supreme. We did not tally the location of ads, but our overall impression is that Southern (and Sunbelt) ads dominated those from all other regions, so much so that that affiliation seems to be winning converts. In 2005, some sites in Oklahoma were advertising themselves as “Southern” or “Sunbelt” locations (last we checked, Oklahoma was in the Midwest or Dustbowl).

Wisconsin would seem to possess a comparative (and absolute) advantage in many categories emphasized in site location advertisements, considering the high quality of its research institutions and public schools, environmental quality and high quality of life. Marketing Wisconsin’s “lead” in these areas would seem to be a potentially promising way to attract business to the state.

## The Changing Composition of Site Section Magazine Ads

