A Retail Market Analysis for

January 2011

Prepared for:

The Franklin Main Street Program, Inc.

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1.0 Introduction and Background

Located in the Western North Carolina Mountains, Franklin rests on the site of an ancient Native American settlement as evidenced by a remaining mound located in downtown. English settlers came here in the early 1800's after the 1819 treaty with the Cherokee. Franklin became well known as a center of gem mining with commercial mining taking place through the early 1900's eventually being replaced by mines geared toward visitors to the area. As the courthouse town for Macon County, downtown Franklin thrived as a destination for commercial activity in the area. Like many communities, Franklin watched as commercial development dispersed to outlying locations in shopping centers during the 1970's and 1980's. In the case of Franklin this happened in several directions as development occurred along US 64, the 441 by-pass, and 441 South. Additional in-town development grew along West Palmer Street, Depot Street, and the Highlands Road.

Despite these changes, downtown Franklin remained a destination for residents and visitors as home to specialty shops, services, and restaurants as well as several museums including the Franklin Heritage Museum, the unique Scottish Tartans Museum, and the Franklin Gem and Mineral Museum. In order to preserve and enhance the quality of downtown Franklin, the community established the Main Street Program. The Main Street Program of Franklin is an economic development effort housed within the Town of Franklin and specifically created to advance the economic health of downtown Franklin. As an affiliate of the North Carolina Main Street Program, the Main Street Program of Franklin has been instrumental in a number of important projects including becoming a participant in the North Carolina Rural Economic Development Center's Small Town Economic Prosperity (STEP) program. The STEP process alongside the Main Street Model has guided Franklin through a strategic plan to foster economic development in downtown.

Furthering the efforts of the STEP program and recognizing the need to identify the current market situation for downtown, the Main Street Program of Franklin hired Arnett Muldrow & Associates, Ltd. to complete this market study for downtown. This study was designed to provide insight into trade patterns, potential recruitment targets, and marketing strategies for downtown Franklin for the coming three to five years. It follows on the heels of a recently completed physical master plan for downtown Franklin completed by LandDesign that included a detailed traffic study, public improvement recommendations for multiple districts in downtown, and a "brand identity" system for the community.

For the market study, seventeen retailers throughout Franklin conducted a zip code survey of customers held in July of 2010. The zip code research led to a market definition study and a sales and retail leakage analysis for the community. This information was coupled with a series of one-on-one and round table sessions with business and property owners, public officials, and community stakeholders from a variety of backgrounds. This information was then used to craft recommendations for the Main Street Program of Franklin and its partners to pursue. The recommendations are organized into three strategic themes centered on marketing, recruitment, and organization.

2.0 Interview Input Summary

The following comments were gleaned from a series of focus groups and individual interviews held in June and July of 2010. The opinions shared here do not necessarily reflect those of the Town of Franklin or Arnett Muldrow and Associates. Some opinions conflict may with one another. They are included to provide an overview of a variety of thoughts about the condition of the Franklin retail market and economic climate.

2.1 Strengths

- Franklin has an excellent setting in the Western NC Mountains and great proximity to Atlanta, Greenville, Charlotte, Asheville, and many other metro and small town locations.
- The fiber loop that runs through Franklin provides a great economic development infrastructure tool.
- Mr. Phil Drake has made significant investments in Franklin including the signature Smoky Mountain Center for the Performing Arts.
- Franklin is a well-known Appalachian Trail community.
- The Little Tennessee River Greenway is an excellent asset.
- Long-standing businesses are downtown with great reputations for excellent customer service.
- The STEP program is a strength for the community.
- In an interview with over one dozen young people, they unanimously expressed deep pride of place in Franklin.
- Downtown Franklin benefits from a collection of unique museums including the Scottish Tartans Museum, the Franklin Heritage Museum, and the Franklin Gem and Mineral Museum.
- The legacy of gem mining lives on in current mines and shops in the community. This gives Franklin a unique marketing angle that other Western North Carolina communities don't have.
- The community is pursuing the Certified Entrepreneurial Community program through Advantage West, the regional economic development agency.
- Franklin is the economic center west of the Balsams.

2.2 Challenges

- 56% of the tax bills go out of the county meaning that many residents are only part-time.
- Dependency on construction and the second home market has been hard hit during the recession.
- Specialty retail is spread out in a number of districts in Franklin making downtown a more difficult single location for specialty dining and shopping.
- The street pattern in downtown is difficult for a first time visitor to navigate, particularly if they arrive from the South.

- Different initiatives in the community send multiple marketing messages – Shop Franklin First, Affordable Franklin, Discover Us, Mountain Treasures.
- The community has an aging population demographic.
- There are few opportunities to keep young people in Franklin.

2.3 Opportunities

- Franklin can better tap into affinity groups that come to the Western North Carolina Mountains including: hikers on the Appalachian Trail, the second home market from Florida, motorcyclists, and families.
- The Blue Ridge National Heritage area could be a vehicle through which to tell the area's story.
- Its access to several metropolitan areas including Atlanta coupled with a high quality of life make Franklin a great location for "lone wolf" consultants. A "lone wolf" is a professional who can operate their business from any location. They tend to gravitate to locations with excellent quality of life attributes.
- There is a great opportunity to re-align businesses along Depot Street and the Highlands Road to face along the Little Tennessee River. This would make them an attraction in the community and relate them to the Greenway.
- Franklin should tap into the food production that is going on in the surrounding rural communities to become a center for specialty food.

2.4 Desired Uses

- A greater variety of accommodations in town.
- More restaurants in downtown of many types.
- Belk's or Kohl's in town.
- Mast General Store downtown.
- A pharmacy.
- Small meeting facilities for regional conferences, family reunions, wedding receptions, etc.
- A microbrewery downtown.
- A Lone Star or Outback Steakhouse.
- A place for entrepreneurs to establish themselves.

3.0 Retail Market Study

This section of the report presents the findings of the retail market research for Franklin and sets the stage for further analysis that can be used to recruit business, help existing businesses target customers, and implement the accompanying marketing and recruitment strategy in chapter three of this report. The goal is to capitalize on Franklin's potential retail trade and channel that into investments that sustain downtown Franklin and potentially other retail districts within the city.

Chapter 3 is divided into four sections:

Section 3.1 is Franklin's market definition based on zip code survey work completed by businesses in the community. It also provides insight into Franklin's trade area demographics and presents market data related to Franklin's primary and secondary trade areas.

Section 3.2 provides demographic snapshots of Franklin's primary and secondary trade areas.

Section 3.3 presents the retail market analysis that shows the amount of retail sales "leaking" from the primary and secondary trade areas. This information is based on the most recent data available and is a reliable source for understanding overall market patterns. This section concludes with some key opportunities for retail that could be used to both enhance existing businesses and recruit additional businesses to downtown.

Section 3.4 summarizes Franklin's current retail environment, and indicates market characteristics and trends that form the basis of the recommendations presented in Chapter 4.

3.1 Market Definition

Unlike radial and drive time studies that tend to use arbitrarily picked boundaries for customer trade zones, the method used for market definition in Franklin is based on zip code survey work completed by cooperative merchants. In the case of Franklin a radial study would yield inaccurate data as the nearby mountain ranges create strong geographic boundaries. A drive time study would yield more accurate results, as Franklin is a trade center for a centralized region, yet such a study would overlook the significance of visitor traffic in the market. Zip code surveys have their own limitations in that the zip code geography can sometimes be fairly large and stretch beyond the typical market boundaries. However, it is the only technique that correlates easily with customer traffic collected by merchants and tracks visits from outside of the immediate area. The zip codes are used to then define a primary and secondary trade area for the community from which a whole host of demographic data can be gleaned.

Seventeen Franklin retail businesses graciously participated in the zip code survey of their customers conducted from June 23 through July 3 of 2010. Merchants were provided with a form to record customer zip codes and asked to keep the log for all customers during a seven-day period. In all, these shops and restaurants recorded 1988 individual customer visits during the ten-day period.

3.1.1 Zip Code Results

The results of the zip code survey are listed below:

- Franklin businesses recorded 1,988 customer visits from 524 unique American zip codes representing 31 states.
- Residents of the 28734 zip code *inside* the town of Franklin zip code represented nearly one in every five visits with 18% of the customer traffic.
- Residents of the 28734 zip code *outside* the town of Franklin represented 39% of the customer visits.
- Altogether, the Franklin zip code of 29734 had 58% of the customer visits to the participating businesses.
- Adjacent Highlands and Otto each had 3% of the customer visits while the other nearby communities of Sylva, Hayesville, and Bryson City in North Carolina as well as Rabun Gap and Dillard, Georgia accounted for an additional 6% of the visits collectively.
- Visitors from outside the immediate account for approximately 31% of the customer visits. (This may vary depending on whether certain NC and GA zip codes are considered 'locals' or visitors.)
- Customer traffic from Florida was far and away the most significant aspect of the visitor component of downtown's customers with 14% of the traffic.

Figure 1 below provides a pie chart of the customer visit percentages from tracked areas.

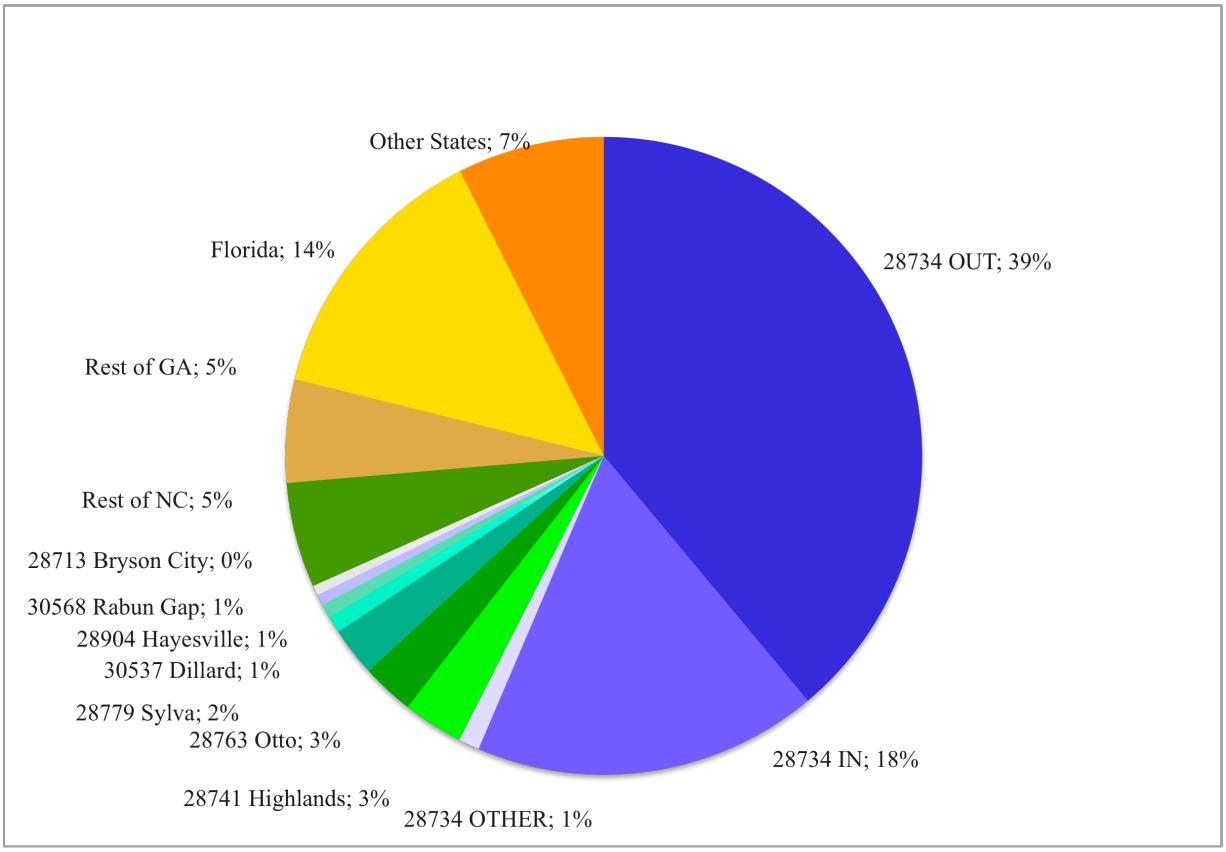

Figure 1:Customer visits to participating businesses by zip code.

3.1.2 Information by Business

The preceding information examined how the stores did in aggregate when all results are combined into one "pot" of figures. This section looks at the results by retail store to determine if there are any anomalous figures that emerge with particular stores. To protect the confidentiality of the individual store results, the names of the stores are not included in the charts.

Figure 2 illustrates the percent of visitors from the Franklin zip code 28734. As mentioned before, 58 percent of the customer traffic is from the Franklin zip code and is indicated by the orange bar below. Only one business had less than 20% of their customers from the 28734 zip code while six had over half of their customers from the Franklin zip code. The red bar indicates visits to the Franklin Chamber of Commerce visitor center. As would be expected, relatively few local residents visited the center.

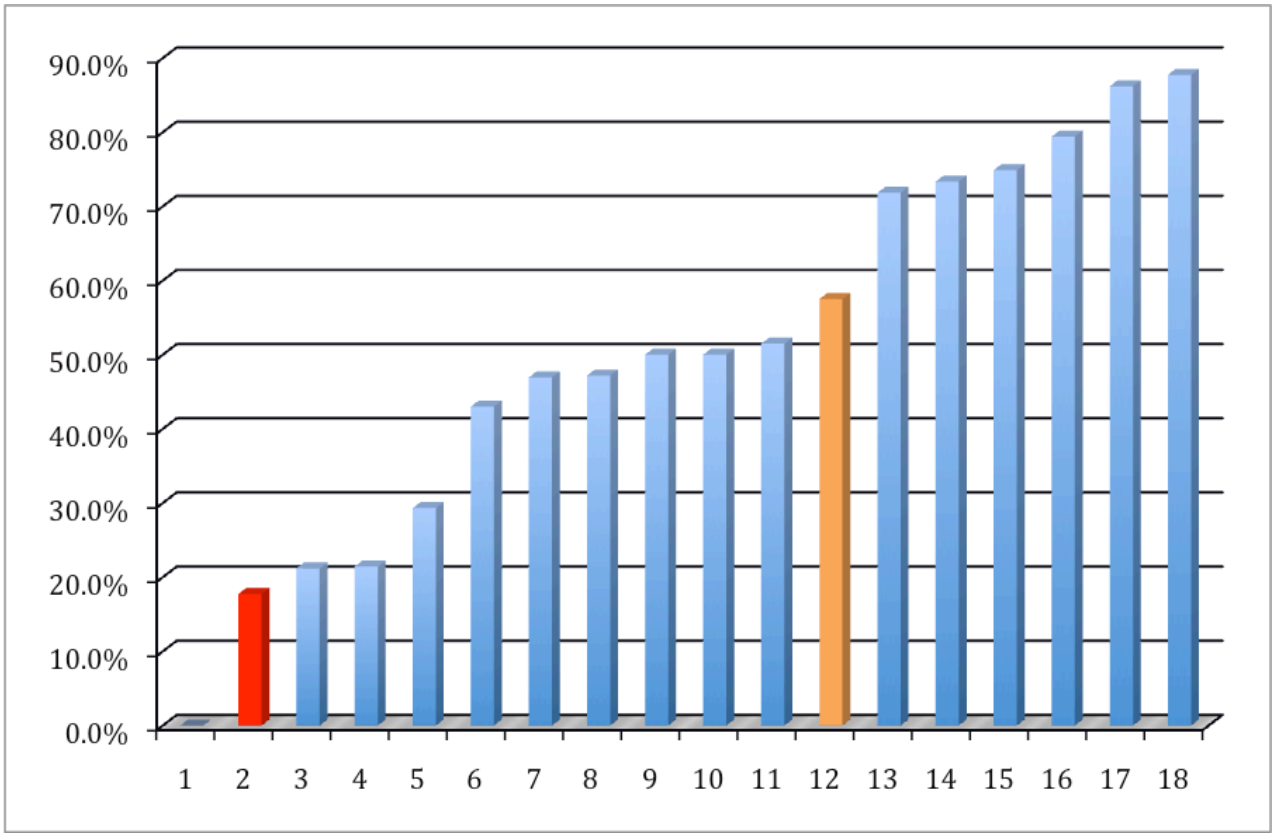

Figure 2: Percentage of visits from Franklin zip code by business.

Figure 3 shows the customer traffic from the Franklin zip code as well as its neighboring zip codes. In total, these visits accounted for nearly 70% of the overall customer traffic (again indicated by the blue bar). Only four businesses as well as the visitors center had less than 60% of their customers from the Franklin and neighboring zip codes.

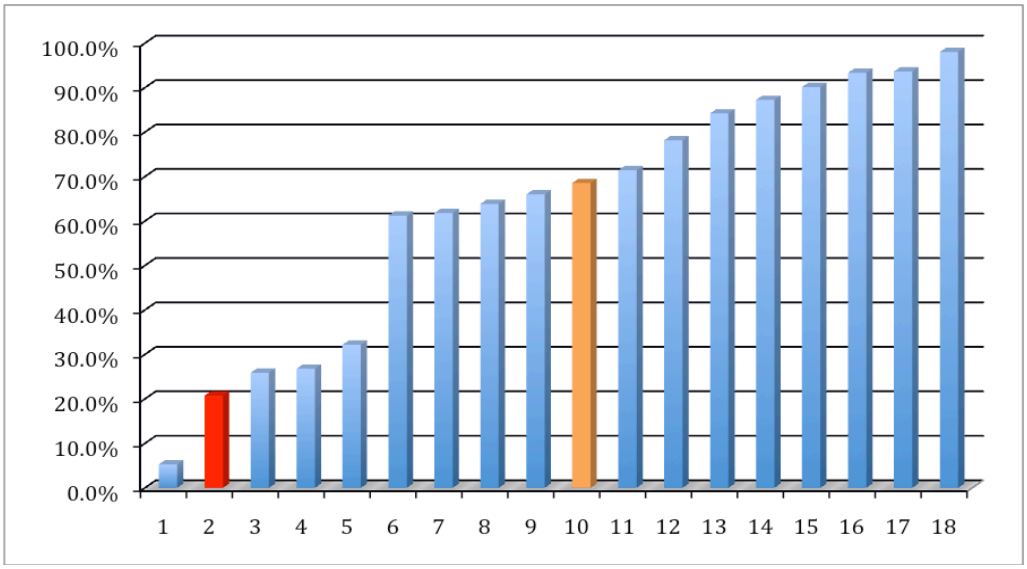

Figure 3: Percent visits from Franklin (28734) and neighboring zip codes.

Figure 4 shows the estimated visitor traffic to businesses in Franklin. This is estimated because visitor traffic is counted as anything outside of the immediate area so some "locals" may be categorized as visitor for the purposes illustrated below. Overall visitors accounted for over 30% of the customer traffic in Franklin. Four businesses saw visitor traffic significantly over that amount with over 70% of their traffic from visitors. Conversely, two business saw very little visitor traffic with under 10% from outside the area. This early evidence indicates that there is strong potential to expand visitor traffic.

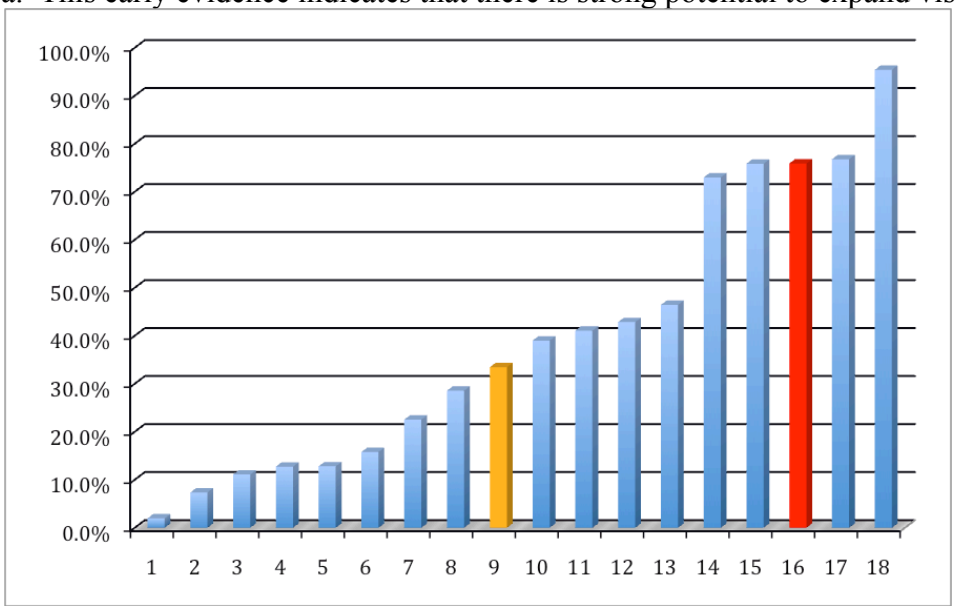

Figure 4: Estimated percent of visitor traffic.

Florida factors into the visitor traffic in Franklin in a very significant way. In fact, out of the over 200 market studies we have conducted, never have we seen a non-adjacent state with so much representative traffic. The chart below illustrates this. Overall, participating businesses had 14% of their customers from Florida (indicated by the red bar). Nearly one-third of the traffic at the Visitors' Center is from Florida (indicated by the orange bar) and one participating business saw over half of their traffic report a Florida zip code. Conversely, several businesses saw very little traffic from Florida.

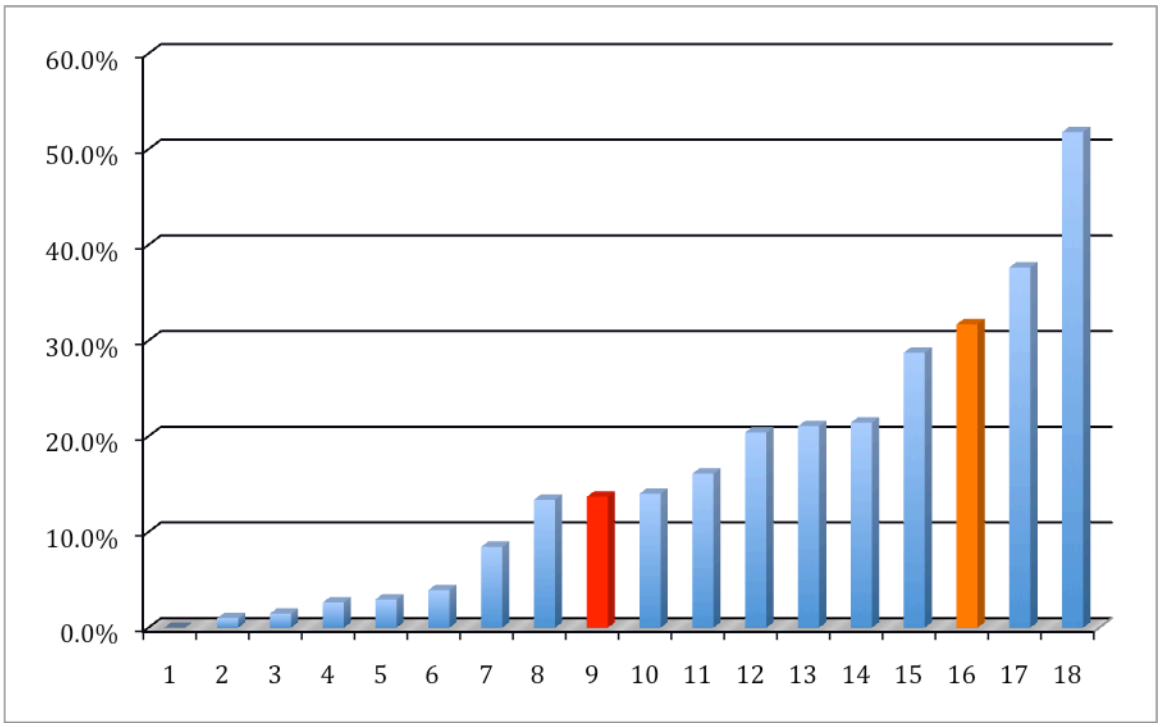

Figure 5: Percent visits from Florida by business.

3.2 Trade Area Definition

The number of visits provides an overall view of customer origination. A more accurate way to evaluate customer *loyalty* in the market is placing customer visits in the context of the population of each zip code. This corrects for zip codes that have exceedingly large or small populations that might skew the market penetration data. This is particularly helpful in Franklin because the Town Limits have a relatively small population as compared to the Franklin zip code. Customer loyalty is the way that the primary and secondary trade areas for the community can be established. The primary trade area is the geography where the most loyal and frequent customers to Franklin reside. The secondary trade area represents an area where Franklin businesses can rely on customers but to a lesser degree. To establish the trade areas, a table is created to show customer visits per thousand residents. Each zip code population is taken, then the number of visits from that zip code are calculated. Figure 6 on the following page shows customer visits per 1,000 people for each of the highest representative visits to Franklin.

Place	Name	State	2010 Population	Visits	Visits per Thousand
28734	Franklin IN	NC	3,669	356	97.03
28734	Franklin OUT	NC	22,830	807	35.35
28763	Otto	NC	2,400	54	22.50
28741	Highlands	NC	3,866	61	15.78
30537	Dillard	GA	1,766	18	10.19
28717	Cashiers	NC	1,521	9	5.92
30568	Rabun Gap	GA	2,097	11	5.25
28779	Sylva	NC	15,525	49	3.16
28904	Hayesville	NC	8,817	15	1.70
28713	Bryson City	NC	8,983	10	1.11
28734	Franklin OTHER	NC	26,499	27	1.02
28906	Murphy	NC	18,003	10	0.56

Figure 6: Customer visits per 1,000 population.

Determining the primary and secondary trade areas can sometimes be more "art" than science. At times, significant breaks in customer visits are not obvious. In Franklin's case the division for the primary trade area is fairly obvious however. With over 97 visits per thousand residents, the Town of Franklin emerges as the "most loyal" geography for Franklin. While the Town of Franklin had less than half the overall visits from the 28734 zip code, the smaller population compensates making it the most loyal market to participating businesses. Of course, this is to be expected because locals will attempt to shop close to home if possible. The overall 28734 is also the Primary Trade Area although visitor loyalty drops considerably from 97 to 35 visits per thousand.

Three zip codes, 28763 Otto, NC; 28741 Highlands, NC; and 30537 Dillard, GA comprise the secondary trade area each with over 10 visits per thousand residents.

Figures 7 and 8 on the following page display maps of the primary and secondary trade areas for Franklin as. Note the large geographic size of the 28743 zip code relative to the size of the town itself.

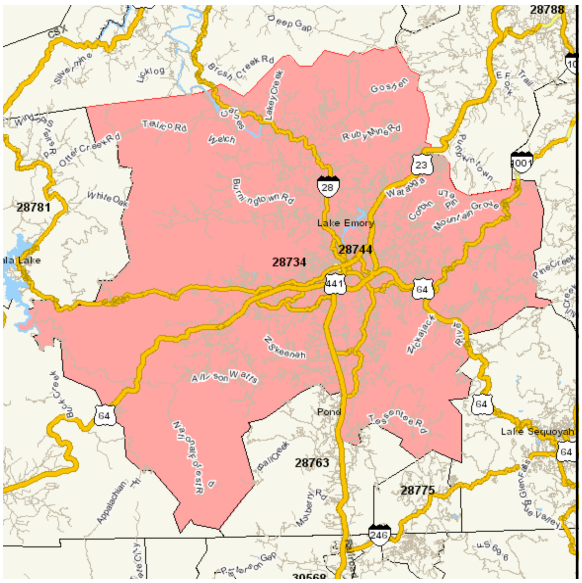

Figure 7: Primary trade area.

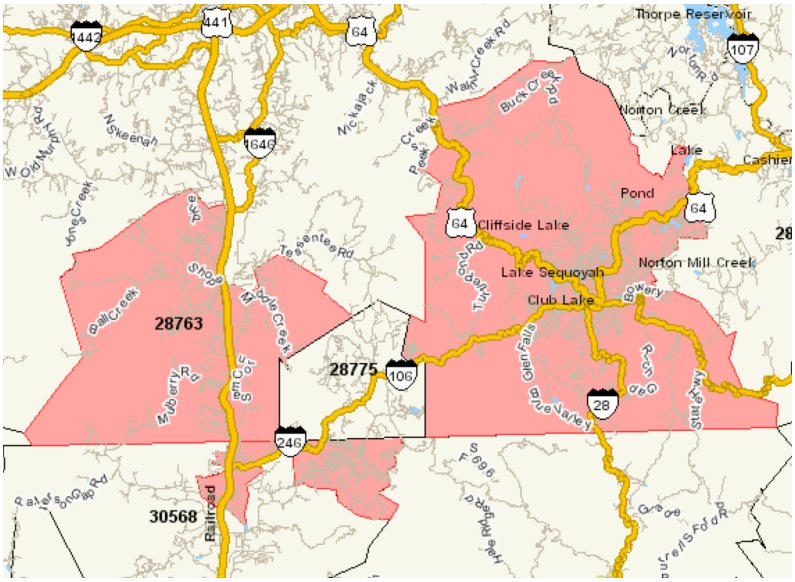

Figure 8: Secondary trade area.

3.3 Trade Area Demographics and Market Segments

3.3.1 Franklin Primary Trade Area Demographics

In 2010, the population for the Franklin primary trade (the 28734 zip code) area was estimated to be 26,499. The population has increased dramatically since 1990 growing at 45% over the 1990 population of 18,312. Despite the recent recession, the population is expected to continue to increase by 2015 to 27,918. The median household income for the Franklin Zip Code is $37,650. This income level lags that of North Carolina, which is $46,494 and the United States at $52,795.

Primary Trade Area Population	
1990 Census	18,312
2000 Census	23,445
2010 Estimated	26,499
2015 Projected	27,918
Percent Growth	
1990-2000	28.0%
2000-2010 Estimated	13.0%
2010-2015 Projected	5.4%

3.3.2 Franklin Secondary Trade Area Demographics

The secondary trade area (the Highlands, Otto, and Dillard zip codes) has an estimated 2010 population of 5,515; less than one fifth that of the primary trade area. This population also experienced robust growth between 1990 and 2000 of 26.2%. This growth slowed between 2000 and 2010 but was still in excess of 15%. The median household income of the Highlands zip code is significantly higher than that of the Primary Trade Area at $49,063. The Otto zip code is also higher at $44,430 while Dillard's is closer to that of Franklin at $35,353. It is interesting to note that the median home value of Highlands is $375,000, which well over double that of nearly every other zip code in the survey.

Secondary Trade Area Population	
1990 Census	5,515
2000 Census	6,958
2010 Estimate	8,032
2015 Projected	8,474
Percent Growth	
1990-2000	26.2%
2000-2010	15.4%
2010-2015	5.5%

3.4 Retail Market Analysis

Franklin is a retail center serving the primary and secondary markets defined above. In this section the Franklin market will be examined to identify potential opportunities for new or expanded stores by examining "retail leakage." This will allow the community to assess what kind of additional stores might be attracted to Franklin and will help individual existing businesses understand how they might diversify product lines.

3.4.1 Retail Leakage in the Trade Areas

Retail leakage refers to the difference between the retail expenditures by residents living in a particular area and the retail sales produced by the stores located in the same area. If desired products are not available within that area, consumers will travel to other places or use different methods to obtain those products. Consequently, the dollars spent outside of the area are said to be "leaking." If a community is a major retail center with a variety of stores it will be "attracting" rather than "leaking" retail sales. Even large communities may see leakage in certain retail categories while some small communities may be attractors in categories.

Such an analysis is not an exact science. In some cases large outflow may indicate that money is being spent elsewhere (drug store purchases at a Wal-Mart or apparel purchases through the internet). It is important to note that this analysis accounts best for retail categories where households (rather than businesses) are essentially the only consumer groups. For example, lumberyards may have business sales that are not accounted for in consumer expenditures. Stores such as jewelry shops and clothing stores are more accurately analyzed using this technique.

The leakage study for Franklin is a "snapshot" in time. Consequently, there are two key factors that point to this being a more conservative look at retail potential. First, the area is growing in population and is expected to continue to grow. This will create future demand for retail space. Second, the study examines the local market only which, in this case is the Franklin zip code as the Primary Trade Area and the three zip codes that comprise the Secondary Trade Area: Highlands, NC Otto, NC and Dillard, GA. All of the other regional traffic and visitor traffic will further augment the potential for a business to succeed in the market.

The primary trade area (the 28734 Franklin zip code) selected store sales equaled $542.96 million in 2010. Consumers in the same area spent $387.04 million. The primary trade area is gaining $155.92 million in sales annually. These gains in sales are occurring only in certain retail categories.

The secondary trade area had store sales volume of $153.00 million and consumer expenditures of $128.60 million meaning that Highlands, Otto, and Dillard also gain sales annually of about $24.44 million. Together the combined trade area is a gaining market of about $180.36 million.

3.4.2 Detailed Retail Market Opportunity Tables

As mentioned before, the retail gains are only occurring in certain categories. The tables on the following pages explore the individual retail categories where Franklin is leaking and gaining sales in both the primary and secondary trade areas. This data should be used as an overall guide to retail market potential and should not substitute for detailed market research on the part of any business wishing to open in the area.

The white column indicates retail store types along with NAISC codes for these stores. Please note that some categories are subsets of larger categories. The pink columns represent the primary trade area with the first column being retail demand, the second retail supply, and the third the gap. Categories in parentheses are "gaining" sales, categories without parentheses are "leaking" sales. The orange columns represent the secondary trade area.

RMP Opportunity Gap - Retail Stores 2009 Franklin, North Carolina	PTA			STA		
	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Total Retail Sales Incl Eating and Drinking Places	$387,036,770	$542,963,933	$(155,927,163)	$128,559,995	$152,999,530	$(24,439,535)
Motor Vehicle and Parts Dealers-441	$52,658,995	$73,073,276	$(20,414,281)	$18,050,464	$3,195,584	$14,854,880
Automotive Dealers-4411	$43,056,121	$54,342,004	$(11,285,883)	$14,699,435	$-	$14,699,435
Other Motor Vehicle Dlers-4412	$3,919,853	$8,103,532	$(4,183,679)	$1,482,563	$828,828	$653,735
Automotive Parts/Accsrs, Tire Stores-4413	$5,683,021	$10,627,740	$(4,944,719)	$1,868,466	$2,366,756	$(498,290)
Furniture and Home Furnishings Stores-442	$7,552,779	$11,365,839	$(3,813,060)	$2,724,837	$6,618,120	$(3,893,283)
Furniture Stores-4421	$3,957,902	$3,316,378	$641,524	$1,438,531	$4,392,621	$(2,954,090)
Home Furnishing Stores-4422	$3,594,877	$8,049,461	$(4,454,584)	$1,286,306	$2,225,499	$(939,193)
Electronics and Appliance Stores-443	$8,226,535	$5,134,444	$3,092,091	$2,880,112	$566,675	$2,313,437
Appliances, TVs, Electronics Stores-44311	$6,306,805	$4,645,268	$1,661,537	$2,188,972	$461,851	$1,727,121
Household Appliances Stores-443111	$1,625,588	$2,079,001	$(453,413)	$554,227	$-	$554,227
Radio, Television, Electronics Stores-443112	$4,681,217	$2,566,267	$2,114,950	$1,634,745	$461,851	$1,172,894
Computer and Software Stores-44312	$1,631,864	$489,176	$1,142,688	$581,938	$104,824	$477,114
Camera and Photographic Equipment Stores-44313	$287,866	$-	$287,866	$109,202	$-	$109,202
Building Material, Garden Equip Stores -444	$44,839,157	$203,196,328	$(158,357,171)	$15,492,900	$26,912,518	$(11,419,618)
Building Material/Supply Dlrs-4441	$41,565,748	$198,616,642	$(157,050,894)	$14,333,511	$20,265,341	$(5,931,830)

RMP Opportunity Gap - Retail Stores 2009 Franklin, North Carolina	PTA			STA		
	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Home Centers-44411	$16,771,385	$156,017,004	$(139,245,619)	$5,808,600	$3,692,994	$2,115,606
Paint and Wallpaper Stores-44412	$877,900	$263,200	$614,700	$319,587	$384,501	$(64,914)
Hardware Stores-44413	$3,462,725	$5,646,928	$(2,184,203)	$1,196,796	$13,248,835	$(12,052,039)
Other Building Materials Dealers-44419	$20,453,738	$36,689,510	$(16,235,772)	$7,008,528	$2,939,011	$4,069,517
Building Materials, Lumberyards-444191	$8,096,410	$14,353,500	$(6,257,090)	$2,774,328	$1,149,786	$1,624,542
Lawn, Garden Equipment, Supplies Stores-4442	$3,273,409	$4,579,686	$(1,306,277)	$1,159,389	$6,647,177	$(5,487,788)
Outdoor Power Equipment Stores-44421	$486,351	$1,127,105	$(640,754)	$173,322	$140,886	$32,436
Nursery and Garden Centers-44422	$2,787,058	$3,452,581	$(665,523)	$986,067	$6,506,291	$(5,520,224)
Food and Beverage Stores-445	$55,794,496	$62,427,260	$(6,632,764)	$17,452,988	$23,951,196	$(6,498,208)
Grocery Stores-4451	$50,785,087	$59,100,222	$(8,315,135)	$15,832,024	$21,132,265	$(5,300,241)
Supermarkets, Grocery (Ex Conv) Stores-44511	$48,184,884	$58,199,955	$(10,015,071)	$15,031,303	$20,554,527	$(5,523,224)
Convenience Stores-44512	$2,600,203	$900,267	$1,699,936	$800,721	$577,738	$222,983
Specialty Food Stores-4452	$1,453,870	$799,039	$654,831	$449,152	$843,422	$(394,270)
Beer, Wine and Liquor Stores-4453	$3,555,539	$2,527,999	$1,027,540	$1,171,812	$1,975,509	$(803,697)
Health and Personal Care Stores-446	$27,126,614	$6,515,269	$20,611,345	$8,762,076	$3,832,310	$4,929,766
Pharmancies and Drug Stores-44611	$23,680,361	$5,540,227	$18,140,134	$7,632,054	$3,686,122	$3,945,932
Cosmetics, Beauty Supplies, Perfume Stores-44612	$1,018,966	$157,092	$861,874	$328,144	$34,911	$293,233
Optical Goods Stores-44613	$639,976	$-	$639,976	$228,154	$2,216	$225,938
Other Health and Personal Care Stores-44619	$1,787,311	$817,950	$969,361	$573,724	$109,061	$464,663

RMP Opportunity Gap - Retail Stores 2009 Franklin, North Carolina	PTA			STA		
	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Gasoline Stations-447	$48,363,894	$46,282,536	$2,081,358	$15,365,485	$34,050,807	$(18,685,322)
Gasoline Stations With Conv Stores-44711	$36,513,179	$43,554,998	$(7,041,819)	$11,545,847	$33,754,333	$(22,208,486)
Other Gasoline Stations-44719	$11,850,715	$2,727,538	$9,123,177	$3,819,638	$296,474	$3,523,164
Clothing and Clothing Accessories Stores-448	$14,061,790	$5,854,723	$8,207,067	$4,896,550	$19,393,828	$(14,497,278)
Clothing Stores-4481	$9,910,043	$4,252,780	$5,657,263	$3,425,701	$17,869,259	$(14,443,558)
Men's Clothing Stores-44811	$606,541	$351,632	$254,909	$216,583	$40,290	$176,293
Women's Clothing Stores-44812	$2,402,142	$839,682	$1,562,460	$841,541	$1,789,931	$(948,390)
Childrens, Infants Clothing Stores-44813	$621,045	$-	$621,045	$190,355	$-	$190,355
Family Clothing Stores-44814	$5,366,607	$845,777	$4,520,830	$1,858,271	$15,199,229	$(13,340,958)
Clothing Accessories Stores-44815	$232,486	$-	$232,486	$82,873	$44,797	$38,076
Other Clothing Stores-44819	$681,222	$2,215,689	$(1,534,467)	$236,078	$795,012	$(558,934)
Shoe Stores-4482	$2,079,275	$485,727	$1,593,548	$673,227	$344,020	$329,207
Jewelry, Luggage, Leather Goods Stores-4483	$2,072,472	$1,116,216	$956,256	$797,622	$1,180,549	$(382,927)
Jewelry Stores-44831	$1,875,414	$1,013,954	$861,460	$730,593	$1,156,789	$(426,196)
Luggage and Leather Goods Stores-44832	$197,058	$102,262	$94,796	$67,029	$23,760	$43,269
Sporting Goods, Hobby, Book, Music Stores-451	$6,164,375	$2,165,948	$3,998,427	$2,205,265	$524,646	$1,680,619
Sportng Goods, Hobby, Musical Inst Stores-4511	$4,348,953	$1,438,470	$2,910,483	$1,553,374	$399,123	$1,154,251
Sporting Goods Stores-45111	$2,052,810	$540,505	$1,512,305	$754,804	$67,071	$687,733
Hobby, Toys and Games Stores-45112	$1,526,427	$610,715	$915,712	$525,539	$320,304	$205,235

RMP Opportunity Gap - Retail Stores 2009 Franklin, North Carolina	PTA			STA		
	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Sew/Needlework/Piece Goods Stores-45113	$353,239	$176,250	$176,989	$122,914	$11,748	$111,166
Musical Instrument and Supplies Stores-45114	$416,477	$111,000	$305,477	$150,117	$-	$150,117
Book, Periodical and Music Stores-4512	$1,815,422	$727,478	$1,087,944	$651,891	$125,523	$526,368
Book Stores and News Dealers-45121	$1,205,646	$533,478	$672,168	$435,154	$125,523	$309,631
Book Stores-451211	$1,120,911	$533,478	$587,433	$407,151	$125,523	$281,628
News Dealers and Newsstands-451212	$84,735	$-	$84,735	$28,003	$-	$28,003
Prerecorded Tapes, CDs, Record Stores-45122	$609,776	$194,000	$415,776	$216,737	$-	$216,737
General Merchandise Stores-452	$51,044,667	$73,632,851	$(22,588,184)	$16,938,688	$3,192,477	$13,746,211
Department Stores Excl Leased Depts-4521	$23,653,595	$25,253,004	$(1,599,409)	$8,011,234	$-	$8,011,234
Other General Merchandise Stores-4529	$27,391,072	$48,379,847	$(20,988,775)	$8,927,454	$3,192,477	$5,734,977
Miscellaneous Store Retailers-453	$9,316,670	$10,827,158	$(1,510,488)	$3,153,437	$12,516,824	$(9,363,387)
Florists-4531	$697,480	$329,702	$367,778	$247,815	$138,843	$108,972
Office Supplies, Stationery, Gift Stores-4532	$3,847,386	$5,605,492	$(1,758,106)	$1,316,055	$5,629,502	$(4,313,447)
Office Supplies and Stationery Stores-45321	$2,176,740	$118,500	$2,058,240	$747,139	$135,794	$611,345
Gift, Novelty and Souvenir Stores-45322	$1,670,646	$5,486,992	$(3,816,346)	$568,916	$5,493,708	$(4,924,792)
Used Merchandise Stores-4533	$750,028	$3,097,218	$(2,347,190)	$261,671	$4,984,384	$(4,722,713)
Other Miscellaneous Store Retailers-4539	$4,021,776	$1,794,746	$2,227,030	$1,327,896	$1,764,095	$(436,199)

RMP Opportunity Gap - Retail Stores 2009 Franklin, North Carolina	PTA			STA		
	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Non-Store Retailers-454	$25,060,133	$11,561,001	$13,499,132	$8,450,313	$-	$8,450,313
Foodservice and Drinking Places-722	$36,826,665	$30,927,300	$5,899,365	$12,186,880	$18,244,545	$(6,057,665)
Full-Service Restaurants-7221	$16,454,356	$16,634,413	$(180,057)	$5,469,385	$6,597,532	$(1,128,147)
Limited-Service Eating Places-7222	$15,532,441	$13,437,366	$2,095,075	$5,089,907	$4,495,892	$594,015
Special Foodservices-7223	$3,128,235	$855,521	$2,272,714	$1,027,887	$7,151,121	$(6,123,234)
Drinking Places -Alcoholic Beverages-7224	$1,711,633	$-	$1,711,633	$599,701	$-	$599,701

3.4.3 Key Market Opportunities

The retail market potential for Franklin combines many different facets of the data gathered above. Not simply a collection of numbers, retail markets depend on both quantitative and qualitative information. Moreover, just because there is retail market potential for a potential retail store type in no way ensures that success of that store type in the community. There are many reasons why a business might succeed or fail and the retail market is but one of those factors. However, this does provide a synopsis guide for the "best potential" retail opportunities in Franklin. They include:

Food Related Retail/Specialty Food
Although Franklin has a large pull with traditional "main line" supermarkets and is already home to four existing supermarkets, food related retail remains a distinct opportunity for the community. The market is unlikely to support another full line grocer, but specialty food retailers could be a key opportunity for downtown.

Clothing, Shoes, and Clothing Accessories
Franklin's primary and secondary trade areas both leak sales in most clothing categories. It is very likely that residents of these areas are either doing their clothing trading at the local Peeble's (categorized as a department store), online, or on trips to larger cities. This represents a chance for Franklin to have several specialty oriented clothing shops. These are likely to be small retail shops owned by independent merchants who can specifically tailor their offerings to the local and visiting customer.

Sporting Goods
Many of the market segments for Franklin indicate a high interest in outdoor activities, sports, hiking, and fishing. Add to this the significant leakage in the sporting goods category and the potential exists for a sporting goods store to be successful in the market. The successful store is likely to include a mix of team sports, outdoor outfitting, and traditional hunting and fishing equipment.

Full and Limited Service Restaurants
The opportunities for new restaurants in Franklin could be both in downtown and in outlying locations in the community. The most likely candidate restaurants would cater to casual, family, and limited service dining but could tilt to a slightly upscale market to be appealing to a wider geographic base. Independent restaurants could be a clustering opportunity for downtown and should be aggressively recruited. Limited service restaurants could also have potential although they are more likely to locate in areas outside of downtown.

Pharmacies
It is unique for a market such as Franklin to have only one "chain style" pharmacy particularly as a home to a local hospital. This could be an opportunity for some of the areas near the hospital or along the Highlands Road.

Specialty Retail
Many specialty retail stores can be successful in downtown. Typically these stores provide art and craft merchandise and many of these store types combine studio with gallery space. Other more specific and unique store types can cluster in downtown. Franklin already has a number of specialty shops that can be a foundation to build critical mass.

3.5 Overall Market Observations and Conclusions

Based on the retail leakage data illustrated above, Franklin has the opportunity to expand its retail presence for not only for the downtown district but also throughout the Town. Retail expansion in Franklin is likely to involve the concerted effort of the public and the private sector in partnership. The following conclusions will form the basis of the recommendations to follow in Chapter three of this report.

- Franklin is both a traditional retail-trading center that serves several markets: the direct community of Franklin itself, the more rural adjacent zip codes surrounding the community, the second home market, and the visitor market. Consequently, Franklin cannot have a single marketing strategy.
- Having said that, Franklin lacks a cohesive or coordinated marketing message.
- There are many retail districts in Franklin and little "hierarchy" to those districts. This result is that downtown businesses compete with other districts in Franklin to be the premier specialty shopping and dining district.
- Consequently, there isn't a district with enough shops to foster good shop "browsing." This is evident in the zip code survey work done by merchants. There was very little shop browsing within districts and virtually none among the districts.
- Franklin's primary and secondary trade areas have grown rapidly since 1990 and are expected to continue to grow. The second home and retiree market has fueled this growth. Florida and Atlanta have been "feeder" markets for this growth. This is good for retail growth but the recession has hit the community hard. Yet Florida remains a pivotal market for Franklin.
- There are key market opportunities for Franklin and a real pivotal need to maintain anchor businesses in downtown and create critical mass.

4.0 Recommendations

The following recommendations are compiled under three strategic themes for Franklin. These initiatives are:

- ***Refining the Message: Marketing Recommendations***
- ***Building Critical Mass: Retail Recruitment Recommendations***
- ***Preparing for Investment: Organizational Strategy***

Each of the strategic themes presented below begins with an explanation of the issues upon which each strategy is based followed by a series of recommendations for implementing each strategy.

4.1 Refining the Message: Marketing Recommendations

4.1.1 Marketing Issues

Franklin has created and has launched a "brand" identity through its master plan process. The identity includes the 'Discover Us' tagline along with a hiker icon. A unique typeface with the symbolic ruby dotting the 'I' in Franklin completes the image. Yet this identity is but one of many that is used to market the community. Among many of these marketing initiatives, there is little focus on Franklin as a shopping and dining destination. As the marketing initiatives continue to mature, the Main Street Program of Franklin and its partners should emphasize the shopping and dining options in downtown and throughout the community.

The opportunities to market shopping and dining should focus on four critical markets as indicated through the market study:

- *The local Franklin resident* in order to stem some of the retail leakage in certain retail categories and build pride of place. This is pivotally important because many local residents are indeed going to other communities to shop in certain retail categories
- *The regional customer* from the secondary trade area and additional nearby zip codes are also important. As the retail base matures in Franklin, the community can broaden its appeal as a regional destination for shopping and dining for this part of Western North Carolina and Northeast Georgia.
- *The second home market* although not identified in the zip code survey explicitly, it is clear from the number of Florida zip code visits and the anecdotal evidence from the focus groups that the second home market plays a pivotal role in the market success of downtown Franklin. This market should be directly cultivated through a directed marketing strategy.
- *The visitor* represents one of the most significant opportunities for a marketing strategy in Franklin. The community is a gateway to well known recreational attractions, is conveniently located along visitor "lifelines" of Highways 441 and 64, and is home to a number of accommodation options. Area attractions such as waterfalls and gem mines are marketed well to the visitor, shopping and dining should play a key role in this marketing as well.

4.1.2 Marketing Recommendations

- *Recommendation: Implement way-finding sign and banner system using the brand.* A critical concern for Franklin is helping the casual visitor find their way into downtown. The community has already placed some banners at the critical intersection of the Georgia highway (441) with the 64 by-pass. Additional signage should be deployed to direct visitors to downtown and once downtown to public parking resources. A consistent wayfinding system would have primary trailblazers using the brand identity and several key attractions or districts. Once inside those districts, secondary trailblazers would direct visitors to key locations and parking. One of the interesting byproducts of such a system is that it builds community pride as well.

- *Work on a "shopping and dining" page for the Town's web page.* Currently the Franklin has very little promotional material for shopping and dining.
    - Create a dedicated shopping and dining web page for Franklin that profiles all shopping and dining establishments. Also have a section for professional services that branches off from the initial shopping and dining guide. This site might have its own dedicated URL.
    - Create a link-to-link program among businesses in Franklin to elevate both the businesses and the district on Google searches. Each business would link to others in the district as well as to a website. Google's search algorithms strongly elevate businesses and districts that are linked.
    - Use Google Analytics (a free program) to track website hits and develop a bi-monthly "web flash" email with statistics related to web traffic including interesting data like number of states, number one market, most clicked out business, and search words used to reach the site.
    - Use Google Analytics and the shopping and dining web site to track investment in all other marketing material. Simple tricks like pointing people to a particular page on the site in print ads will allow you to see whether that ad was effective.
    - Include a link to social media sites and to the Shop Franklin First initiative.

- *Consider reinventing print material for the community.* Develop a shopping and dining guide to the community in print form. This might include parking resources, special events, a directory of shops and dining establishments, and other information for visitors. This could be distributed at local hotels and inns. This might be a high-quality magazine style guide to the shopping and dining published annually.

- *Explore a marketing matching grant for businesses.* While there are frequently incentives available to recruit businesses and investors to a community, there are fewer opportunities to assist existing businesses. Furthermore, many independent businesses end up cutting marketing when the market takes a downturn. The matching grant program would provide a direct way to alleviate the cost of advertising for local businesses, incent those that aren't marketing to begin the effort, and create a more coordinated image of Franklin through deployment of the brand identity.

  This technique also provides a more savvy way to deploy a marketing image than the traditional ad co-op program. Traditionally, if a community wanted to do cooperative advertising, a staff member of volunteers would go "hat-in-hand" to collect a share amount from participating businesses to

appear in a cooperative ad that would include business card size ads arranged around some sort of logo or symbol. The result is the purchase of a full-page ad without the companion impact of purchasing such an ad. This alternative approach allows for Franklin to create marketing grants to businesses that use the Franklin brand concept and templates. For 2011, Franklin should explore seed funding of $10,000. The program would follow these steps and parameters:

- The Main Street Program of Franklin issues a statement that a pilot marketing grant program is being launched (perhaps a meeting is held to present the program).
- The funding for 2011 would be limited so the program is a first come first serve effort (this will hopefully motivate participation).
- Businesses would get a fifty-fifty match of any marketing program that employs the Franklin brand. Print ads would include the Franklin logo and "reinvented" tagline. The ads should strive to use "reinvented" in a creative way.
- The Main Street Program would develop an administrative and reimbursement policy for the grant.
- The business is responsible for ensuring that a copy of the ad (or recording) is saved for the archive.
- Businesses would be encouraged to use "guerilla" marketing tactics such as targeting affinity groups, using social media, and hosting special events to targeted audiences.

The program would need to be closely evaluated to determine its effectiveness and tweaked as it continues beyond the pilot year. Web tracking (not discounts) to check progress (particularly important to reconnect to markets that are targets.

- *Consider and coordinate all events.* Franklin is fortunate to have a number of events throughout the year. The community does an exceptional job of producing special events and has begun to explore creative solutions such as road closures to make events downtown more dynamic. Franklin should host an event summit each year to evaluate all events and explore new activities to reach targeted audiences. Among these might be an after hours event to promote shopping and dining downtown such as a monthly art/gallery/shop crawl. The community should also consider a special event or promotion to recognize the arrival of seasonal visitors to Franklin.

4.2 Building Critical Mass: Retail Recruitment Recommendations

4.2.1 Recruitment Issues

Franklin is demonstrating significant retail leakage in several retail categories and significant retail gain in others. Strong population growth and a multi-faceted customer base make Franklin an attractive location for retail.

Yet, Franklin has numerous retail districts within downtown and along the by-pass. There is no single district that has "critical mass" as a gathering spot and a browsing district. Downtown does come the closest to this goal and is home to several important community attractions and events. The Depot Street and Highlands Road area represent opportunities for retail districts as well centered on the Little Tennessee River and its Greenway. With both opportunities and challenges at hand, Franklin must be

pro-active to capture retail development into these areas. Sporting goods, food related retail, restaurants, clothing, and specialty retail represent significant opportunities for downtown Franklin and its adjacent districts.

4.2.2 Recruitment Recommendations

- *Begin targeted recruitment of desired store types.* This report provides a solid basis of data to use to recruit desired businesses to Franklin. The Main Street Program should take a lead role in recruitment in downtown with a specific focus on ground floor retail space and upper floor office space. It is imperative that as much ground floor space as possible be preserved for retail uses in order to create a successful "browsing" district. One way to start the recruitment process is to host an open house to provide information to potential business owners, connect them with property owners, and provide them with information on programs such as Small Business Administration loans and the services of the Small Business Development Centers, SCORE, and other groups.

- *Signing and Marketing of "Districts."* As mentioned before, signage will play a key role in directing visitors to key attractions in Franklin. To help clarify what is available in Franklin, the community might consider named "districts." These might include: Downtown, the River District (Depot Street and Highlands Road), and the Heritage Hollow/Lower Palmer Street are

- *Consider a "Lone Wolf" office Catalyst or Artist studio space.* A "lone wolf" is a professional who can live anywhere to do their job. They typically only need high-speed web access, a physical location, and an inviting locale. Franklin should explore the potential for an office catalyst project downtown as a way to offset the initial overhead costs for lone wolf professionals. This project could include a central meeting space, support staff, and shared office equipment (such as printers and copiers). Ideally this space would locate close to or within downtown to generate foot traffic. Another option is to center the catalyst project on a particular theme. In other communities art has been a major focal point where a cluster of artists have created a series of studios and galleries. Other communities have focused on food related retail and commercial kitchen space. Both of these themes could work well in Franklin. Franklin should explore several options for these catalysts and not limit itself to simply one project.

- *Explore a community meeting space, reception space.* Franklin offers only limited space for family reunions, wedding receptions, and small conferences. The community should consider a flexible space for such events. This might happen in coordination with development along the River, in downtown itself, or in conjunction with private hotel development in or near downtown.

4.3 Preparing for Investment: Organizational Recommendations

4.3.1 Organizational Issues

Franklin has a number of partners working to market and improve the community including the following gropus:

- Franklin Main Street
- The Town of Franklin
- Town Tourism Development Authority

- County Tourism Development Commission
- Macon County Economic Development
- Chamber of Commerce
- Smoky Mountain Host
- Blue Ridge National Heritage Area
- Shop Franklin First
- The Whistle Stop
- Smoky Mountain Center for the Performing Arts

There is an opportunity for stronger collaborations and a more consistent message about Franklin among these groups. To be successful, this process should engage young professionals and the greater economic development efforts for Franklin and Macon County.

4.3.2 Organizational Recommendations

- *Appoint a volunteer "recruitment team" to solicit interested businesses in locating to Franklin.* Several communities have formed programs that involve grass roots recruitment of retailers interested in expanding into new markets. Franklin Main Street should consider a similar group that could share economic information about this study with potential retailers interested in expanding in the community. This recruitment team could also coordinate the distribution of information from this study to partner groups such as the Chamber of Commerce and the Macon County Economic Development Commission.

- *Continue to work on a young professionals group.* Franklin benefits from an excellent group of young professionals who work and live in the community. A young professionals group has been formed as an informal gathering of these individuals to share information and foster interest in growing the appeal of Franklin for this important demographic group. Such groups are forming in communities all over the country. Some are more informal in nature and involve networking while others have taken on significant community initiatives. This group should continue to evolve in Franklin.

- *Consider an annual Franklin Marketing Summit to share ideas and deploy strategies.* The marketing summit would convene all partners responsible for marketing the community in order to share strategies, team up where necessary, ensure there is no duplication in some situations, and coordinate the marketing of all partners. The summit would not try to dictate what each group does to market but rather to better coordinate many currently disparate efforts.

- *Host a familiarization tour of Franklin for shopkeepers/stakeholders.* This "walkabout" would allow retailers to see what each other offers in order to better provide references to potential customers.

4.4 Conclusion

The Main Street Program of Franklin is a dynamic organization closely tied with the Town of Franklin and with many key partners. The success of downtown Franklin hinges on the ongoing work of a proactive organization that is both visionary and pragmatic. This market study is but one component of many that will go into the successful ongoing revitalization of downtown. Each of the

recommendations above ties into existing initiatives through the North Carolina STEP program as well as the Town's downtown Master Plan. Other initiatives are certain to follow and become a part of the ongoing success of Franklin.

This report would not have been possible were it not for the participation of many citizens and businesses in Franklin who took time out to track customers, share their opinions, and provide feedback on the project. A special thanks goes to Linda Schlott who organized the interviews, coordinated the zip code survey with merchants, and provided valuable insight throughout the process.