Retail Market Analysis
City of Reedsburg

Prepared for:
City of Reedsburg
Business Improvement District
134 S. Locust Street
Reedsburg, WI 53959
(608) 524-6404

Prepared By:

Vierbicher Associates
999 Fourier Drive, Suite 201
Madison, WI 53717
(608) 826-0532

Table of Contents

Market Area Overview 1
Existing Retail Market Conditions 6
Future Retail Market Conditions 14
Downtown Reedsburg's Competitive Position 16
Conclusion 18
Appendix I; Tanger Outlet Mall Stores 20

October 23, 2006

VIERBICHER
ASSOCIATES
Committed to Quality Service Since 1976

Market Area Overview

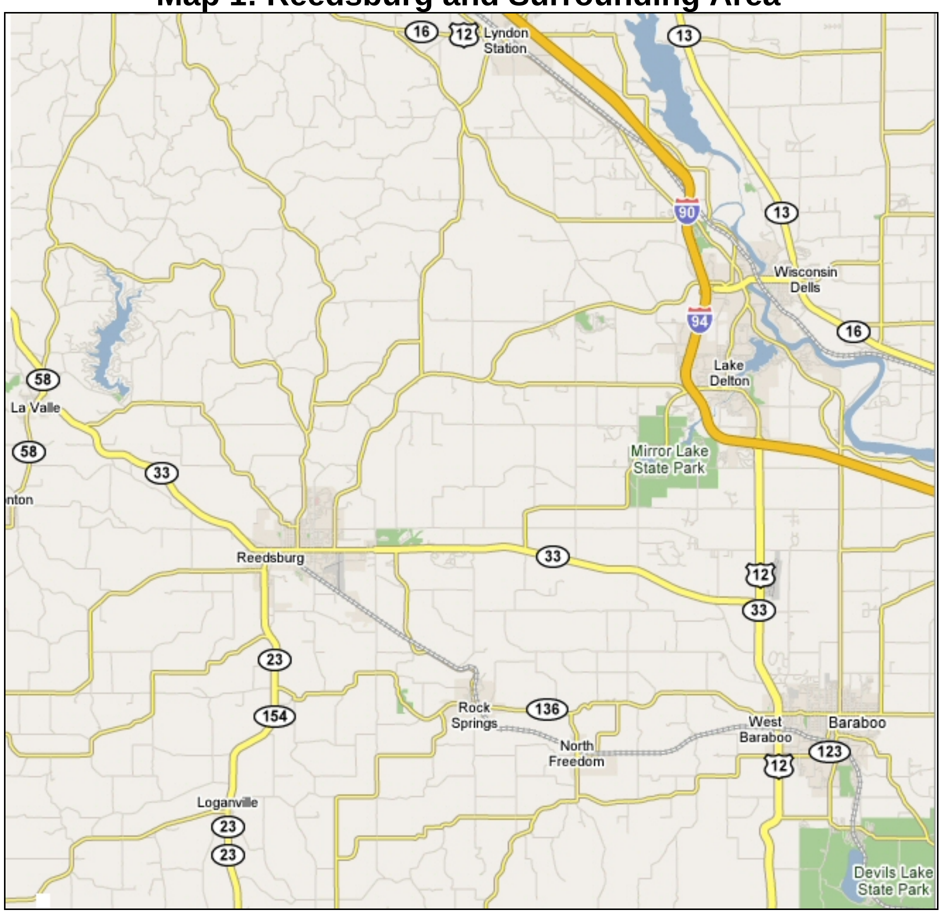
Location

The City of Reedsburg is located northwest of Madison, and is about a 1-hour drive from the Madison area, which is the closest major metropolitan area. The largest nearby city is Baraboo to the southeast (see Map 1), which has a population just a few thousand more people than Reedsburg. Reedsburg is also about 10 miles away from the Wisconsin Dells tourist/resort area to the northeast. Other than Richland Center (which is about 30 miles to the southwest of Reedsburg) there are no population centers between Reedsburg and the Wisconsin/Minnesota border to the west.

Reedsburg is not on a major transportation route – the nearest Interstate Highway is I-90/94, which is about 10 miles to the northeast, and the nearest Federal Highway is Highway 12, is about 10 miles to the east. The busiest transportation route for the City is State Highway 23/33, which becomes Main Street as it cuts through the middle of Reedsburg. State Highway 136 intersects 23/33 just east of City limits. County Roads K, V and H are secondary routes that feed into Reedsburg. Map 2 on page 2 shows major roads in the City of Reedsburg, with Wisconsin Department of Transportation traffic counts from 2002 (the most recent numbers available).

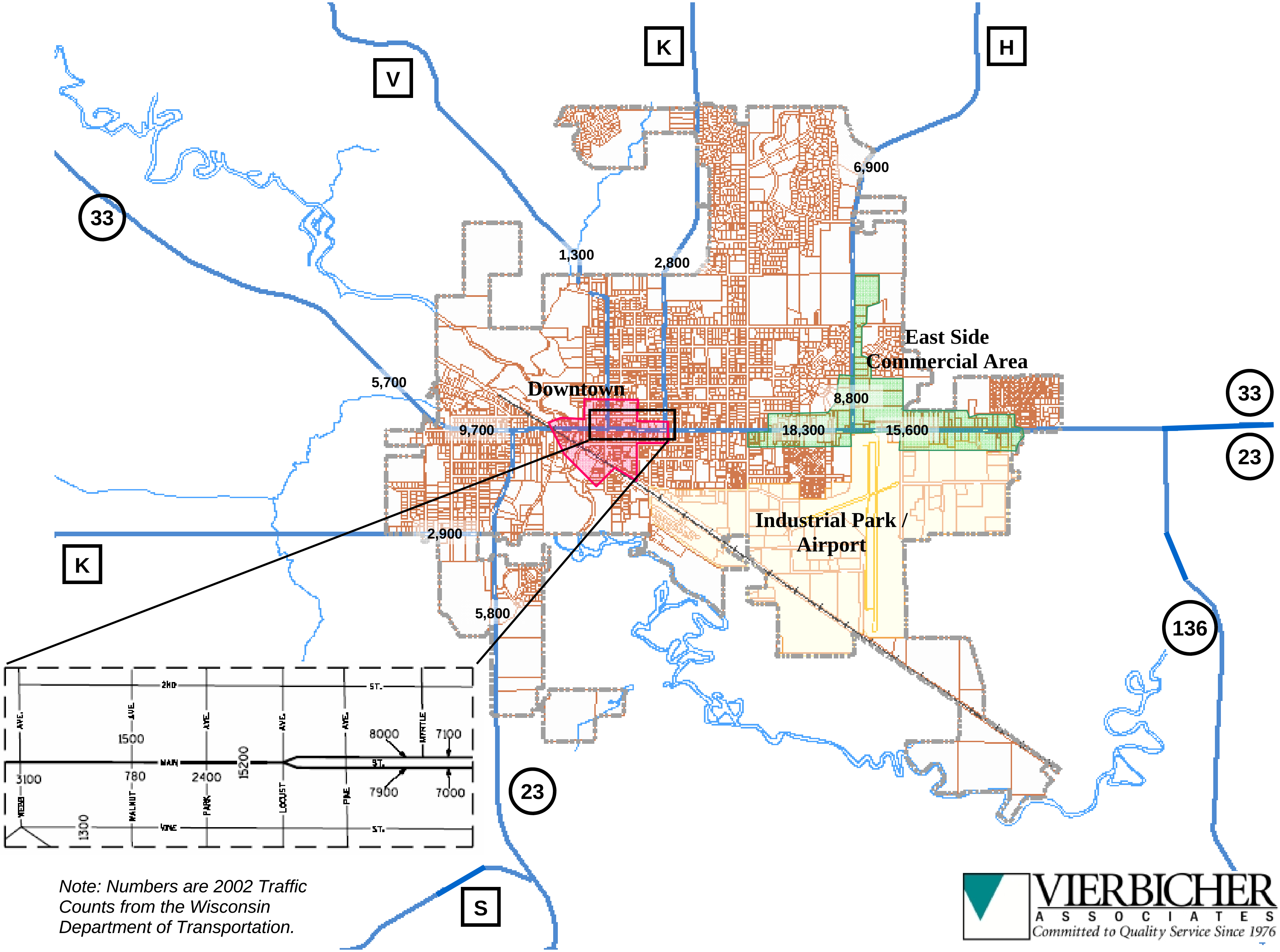
Draws to the area include the 400 Bike Trail, which connects Reedsburg to Elroy and the Reedsburg Hospital, a healthcare facility that is well-known throughout the region. The nearby Baraboo River, which recently had a number of dams removed, could become a canoeing destination if it is made a more prominent part of the community.

Map 1: Reedsburg and Surrounding Area



From Google.

Map 2: City of Reedsburg: Business Sectors, Transportation, and Traffic Counts



Note: Numbers are 2002 Traffic Counts from the Wisconsin Department of Transportation.

VIERBICHER ASSOCIATES
Committed to Quality Service Since 1976

Tapestry Segments

Tapestry is a system that classifies communities into 65 different segments based on socioeconomic and demographic composition, such as "income, home value, occupation, household type, education, and other consumer behavior characteristics."[1] It provides a generalized profile for a community's market segment to assist businesses in: determining who the most profitable customers would be, defining their mix of merchandise, and revealing underserved markets. The Tapestry system was created by ESRI, a geographic information systems (GIS) and data services provider. The Tapestry system gets down to neighborhood detail; the three most common Tapestry Segments for the City of Reedsburg are listed in Figure 1.

Figure 1: City of Reedsburg Tapestry Segments

#1: Midlife Junction (Segment 33): Midlife Junction communities are found in suburbs across the country. Residents are phasing out of their child-rearing years. Approximately half of the households are composed of married-couple families; 31 percent are singles who live alone. The median age is 40.5 years; the median household income is $43,600. One-third of the households receive Social Security benefits. Nearly two-thirds of the households are single-family structures; most of the remaining dwellings are apartments in multiunit buildings. These residents live quiet, settled lives. They spend their money prudently and do not succumb to fads. They prefer to shop by mail or phone from catalogs such as J.C. Penney, L.L. Bean, and Lands' End. They enjoy yoga, attending country music concerts and auto races, refinishing furniture, and reading romance novels.

#2: Green Acres (Segment 17): A "little bit country," Green Acres residents live in pastoral settings of developing suburban fringe areas, mainly in the Midwest and South. The median age is 39.9 years. Married couples with and without children comprise most of the households and live in single-family dwellings. This upscale market has a median household income of $62,300 and a median home value of $179,700. These do-it-yourselfers maintain and remodel their homes—paint, install carpet, or add a deck—and own all the necessary tools to accomplish these tasks. They also take care of their lawn and gardens, again, with the right tools. Vehicles of choice are motorcycles and full-sized pickup trucks. For exercise, residents ride their bikes and go water skiing, canoeing, and kayaking. Other activities include bird-watching, power boating, target shooting, hunting, and attending auto races.

#3: Rustbelt Traditions (Segment 32): Rustbelt Traditions neighborhoods are the backbone of older, industrial cities in states bordering the Great Lakes. Most employed residents work in the service, manufacturing, and retail trade industries. Most residents own and live in modest single-family homes that have a median value of $97,000. Households are primarily a mix of married-couple families, single-parent families, and singles who live alone. The median age is 35.9 years; the median household income is $45,300. Residents prefer to use a credit union and invest in certificates of deposit. They use coupons regularly, especially at Sam's Club, work on home remodeling or improvement projects, and buy domestic vehicles. Favorite leisure activities include hunting, bowling, fishing, and attending auto races, country music shows, and ice hockey games (in addition to listening to games on the radio).

From ESRI.

[1] ESRI.

Demographics

According to the 2000 Census, the City of Reedsburg contained 3,193 total households and 7,827 people. Table 1 shows 2000 Census information for the City of Reedsburg and the Reedsburg Market Area (discussed on page 6, with a map on page 7).

The 2000 Census shows the City of Reedsburg skewing slightly younger than Wisconsin overall, with a median age that is 1.1 years younger than the state, and a slightly smaller percentage of people who are 18 or older (Table 1). The City's average household size, at 2.41, is smaller than the state average of 2.50. The City has a higher rate of homeownership than the state (67.1% to 61.4%), though the percentage of housing that is for one family is actually lower than the state average. Reedsburg's median home value is almost $20,000 lower than the state median of $112,200. The percentage of the City's population with a high school degree or better is slightly lower than the state's; the percentage with a bachelor's degree or higher is much lower – the state is at 22.4%, while the City is at 13.6%. Median household income and per capita income are both under the state averages, as is the median travel time to work.

Table 1: 2000 Census Information

Category	State of Wisconsin	City of Reedsburg	Reedsburg Market Area
Population	5,363,675	7,827	18,723
Median Age	36.0	34.9	36.9
% of Population 18 Years and Older	74.4%	73.3%	72.9%
% White	88.9%	97.4%	98.2%
Households	2,084,544	3,193	7,098
Average Household Size	2.50	2.41	2.60
% Owner-Occupied Housing	61.4%	67.1%	66.2%
Housing Units	2,321,144	3,380	8,086
% One-Family Housing	69.4%	63.0%	78.1%
% Duplexes	8.2%	10.0%	6.3%
% 3 or More Units	18.0%	18.8%	9.2%
% Mobile Home	4.4%	8.2%	6.2%
Median Home Value	$112,200	$92,800	$96,129
% Housing Valued at Less than $100,000	41.9%	58.3%	53.1%
% Housing Valued at $100,000 to $149,999	30.6%	29.4%	25.4%
% Housing Valued at $150,000+	27.5%	12.4%	21.5%
% HS Grad or Higher	85.1%	82.0%	81.2%
% Bachelor's Degree or Higher	22.4%	13.6%	12.9%
Median Household Income	$43,719	$39,152	$41,133
Per Capita Income	$21,271	$18,828	$18,503
Median Travel Time to Work (Minutes)	20.8	17.4	20.9

Data from 2000 Census.

Table 2 (on the following page) shows estimates of 2006 demographics for the Reedsburg ZIP Code (53959), in comparison to the U.S. as a whole. Note that the Reedsburg area's median household income is virtually the same as the U.S. Median income, but the Reedsburg average home value is almost $100,000 less than the national average. This implies the availability of greater disposable income due to lower housing costs.

Employment

Reedsburg is the second biggest municipality in Sauk County, and is a major county employment center. The City has a large industrial park which provides good paying jobs to residents of the City and surrounding areas. In fact, Reedsburg is a net importer of employees – more people work in the City than the City has in its active workforce population. According to the 2000 Census, Reedsburg's active workforce population (those who are 16 or older and in the labor force) numbered 4,240; the City provides approximately 5,600 jobs (see Table 3).

Table 2: 2006 Demographics – 53959 ZIP Code

Category	53959 ZIP Code	United States
Total Population	12,906	303,582,361
Total Households	5,038	114,049,635
White Alone	97.1%	73.0%
Black Alone	0.2%	12.6%
American Indian Alone	1.2%	0.9%
Asian or Pacific Islander Alone	0.3%	4.3%
Some Other Race Alone	0.6%	6.4%
Two or More Races	0.7%	2.8%
Hispanic Origin	1.5%	14.8%
Male	49.3%	49.2%
Female	50.7%	50.8%
Median Household Income	$51,525	$51,546
HH Income Under $50K	47.9%	48.4%
HH Income $50K-$100K	39.2%	31.8%
HH Income Over $100K	12.8%	19.8%
2006 Average Home Value	$168,479	$264,327

Data from ESRI Business Information Solutions.

Table 3: Reedsburg Employee Place of Residence

Rank	Place of Residence	Count	Percentage
1	Reedsburg city Sauk Co.	2,150	38.2%
2	Reedsburg town Sauk Co.	307	5.4%
3	Excelsior town Sauk Co.	257	4.6%
4	La Valle town Sauk Co.	201	3.6%
5	Baraboo city Sauk Co.	184	3.3%
6	Winfield town Sauk Co.	163	2.9%
7	Ironton town Sauk Co.	100	1.8%
8	Dellona town Sauk Co.	96	1.7%
9	Washington town Sauk Co.	88	1.6%
10	Wonewoc village Juneau Co.	87	1.5%
11	Westfield town Sauk Co.	76	1.3%
12	Delton town Sauk Co.	72	1.3%
13	Westford town Richland Co.	66	1.2%
14	Woodland town Sauk Co.	62	1.1%
15	Wisconsin Dells city Columbia Co.	60	1.1%
	All Other Locations	1,666	29.6%
	Total	**5,635**	**100.0%**

Data from U.S. Census: 2000 Minor Civil Division/County-to-Minor Civil Division/County Worker Flow Files.

Existing Retail Market Conditions

Market Area Defined by the "Gravity Model"

Paramount to analyzing the City of Reedsburg's retail market condition is determining the City's market area. For this study, an approximation of the gravity model was applied to determine Reedsburg's market area. The gravity model assumes that a larger city will have a larger trade area, and would thus draw from a larger hinterland around the city. With cities of unequal size, the city with the larger "mass" (population) will have a larger trade area than the smaller city. The model is a broad brush method of drawing a market area – it assumes a flat plain without any barriers like valleys, railroads, or rivers; assumes that access to all retail areas between cities is equally easy (i.e., no transportation advantages, like Interstates); assumes that political boundaries are of no consequence; and does not attempt to take into account consumer preferences (Burger King over McDonald's, for example). See Map 3 on page 7 for Reedsburg's estimated market area.

The municipalities affecting the City of Reedsburg's market area are: Baraboo/West Baraboo (with a combined population of 12,444) to the southeast, Wisconsin Dells/Lake Delton (4,708 combined) to the northeast, Mauston (3,927) to the north, and Richland Center (5,160) to the southwest. Villages with populations of less than 1,000, like Rock Springs and La Valle, were not factored in because of their relatively small impact on the retail sector when compared to the municipalities mentioned above.[2] Because the Dells-area market, due to its tourist nature, has an atypical amount of retail opportunities for an area of its size, the Reedsburg Market Area was reduced on the Dells side. A drive-time map (page 9) was also included to illustrate the area Reedsburg could potentially draw from if an especially well-known retailer or restaurant were located in the City; such a retailer or restaurant would not have to be a national chain – it could be a regionally well-known small business, like Rowe Pottery in Cambridge, WI or the Shoe Box in Black Earth, WI. Estimates and analysis do not assume the development of such a regionally well-known small business were to develop, so any potential tourism boost such an establishment is not accounted for.

Table 4 shows the number of households for the Reedsburg Market Area, including 2006 estimates and 2011 and 2016 projections. The most important statistics for retail are the number of households and median household income – these statistics are the most often used numbers to measure retail expenditures. According to the 2000 Census, Reedsburg's market area contained 18,723 people in 7,098 households, with a median household income of $41,133.

Table 4: Reedsburg Market Area – Number of Households

Number of Households				5-Year Growth Rate[3]
2000	2006[1]	2011[2]	2016[2]	
7,098	7,755	8,355	9,001	7.7%

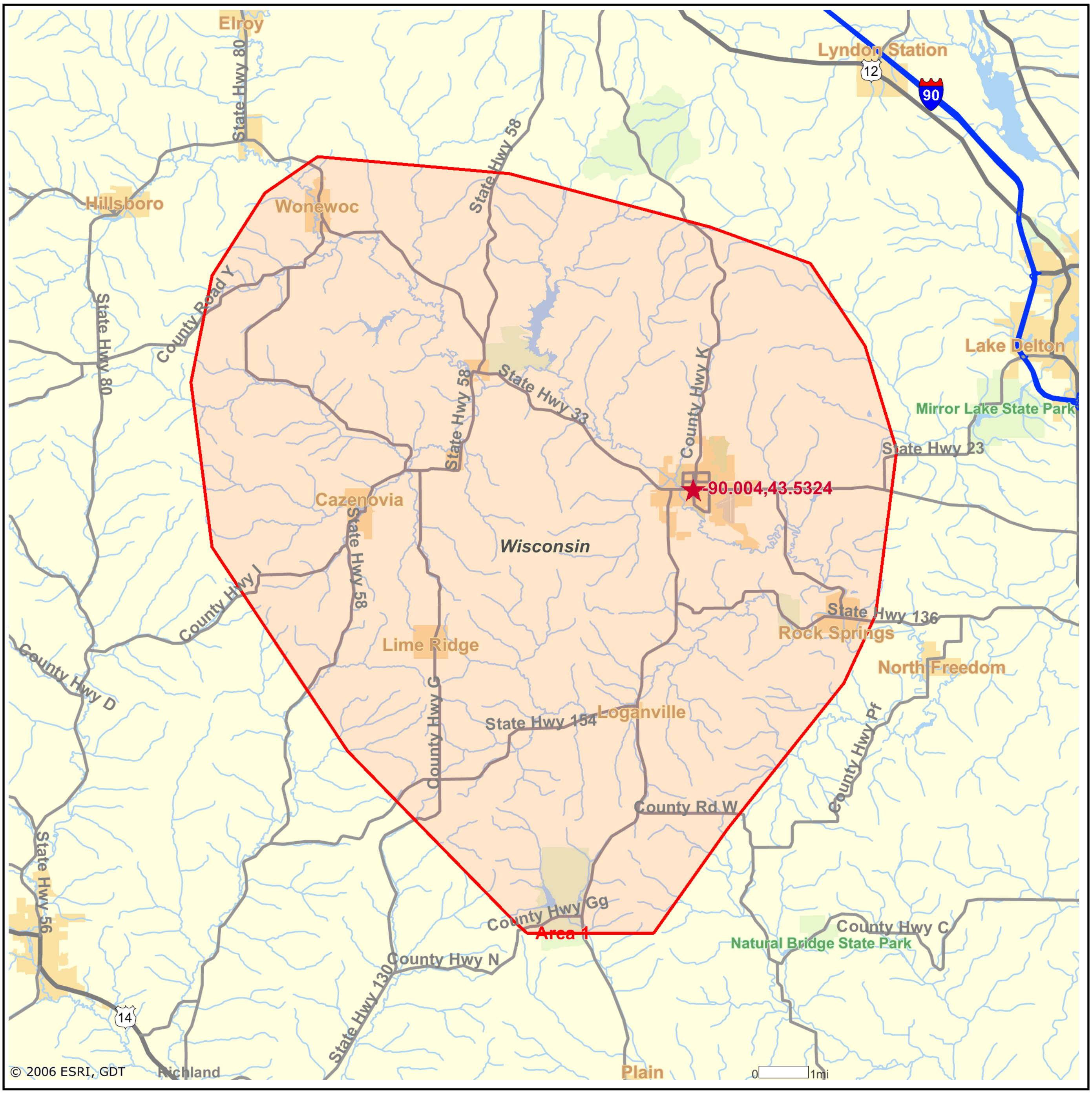
1: Estimate
2: Projection
3: For 2006-2011 and 2011-2016.
Data from ESRI.

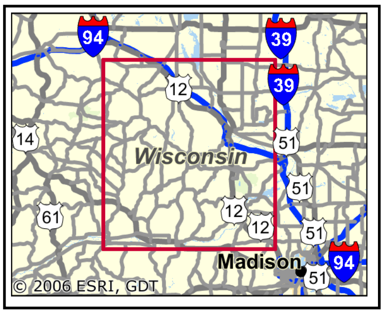
[2] Population values are from 2005 estimates by the Wisconsin Department of Administration. Reedsburg's estimated 2005 population is 8,529.

Map 3: Reedsburg Market Area

Prepared by Vierbicher Associates
September 27, 2006

Latitude: 43.5324
Longitude: -90.004





Drive Time

Drive time is a factor people consider (consciously or unconsciously) when they decide to go shopping – actual municipal boundaries are usually of little importance. The 5-minute drive time (drawn from Downtown Reedsburg) includes the City of Reedsburg and some of the surrounding Town; this area has an estimated 3,541 households in 2006 (see Table 10 on page 14). This number increases to 4,345 for a 10-minute drive time, which includes the City plus more surrounding countryside. The 30-minute drive time includes larger municipalities like Baraboo and the Wisconsin Dells/Lake Delton area, along with La Valle, Rock Springs, North Freedom, and other smaller municipalities in the area (see Map 4 on the following page).

Retail Demand

Table 5 (on page 10) shows supply and demand for Reedsburg's Market Area. When demand exceeds supply a deficit, or "leakage" is created. This means that sales are "leaking" out of the Reedsburg area to other nearby retail centers. When supply exceeds demand a surplus is created; this means that Reedsburg is attracting sales from beyond its market area for a certain market segment, or is selling more product within a certain market segment than would be expected for its Market Area. Aside from Land's End, which is the biggest contributor to a massive ($237 million) surplus in the mail-order category, Reedsburg's biggest surplus is in the grocery category, which has an estimated surplus of about $11 million. The largest leakages by dollar amount are automobile dealerships, full- and limited-service restaurants, and in the gasoline stations. Table 6 (on page 11) lists leakages by a "Leakage to Average Sales Ratio," which shows retail categories that are best suited to expanded/new establishments. Table 7 (on page 11) lists top surpluses by a "Surplus to Average Sales Ratio," showing the sectors that Reedsburg area has above-average sales. Market segments are listed by the North American Industrial Classification System (NAICS), which designates numbers for various businesses, from department stores to chemical manufacturing plants.

The goal for any market is to minimize leakages, and, if possible, create surpluses. In all of these circumstances, it is important to keep in mind that retail stores often have a threshold for anticipated sales that must be met before they will consider opening a store. So, while Reedsburg shows leakages in many retail categories, the leakages may not be at the volume that is necessary for a store to open. Table 6 lists the top leakages by dollar amount in the Market Area, along with average sales per establishment and a leakage to average sales ratio. The ratio can be thought of as the number of *average-sized* stores the leaked sales could potentially support. Categories with ratios under one might only be able to support a small store or a store addition by an existing retailer.

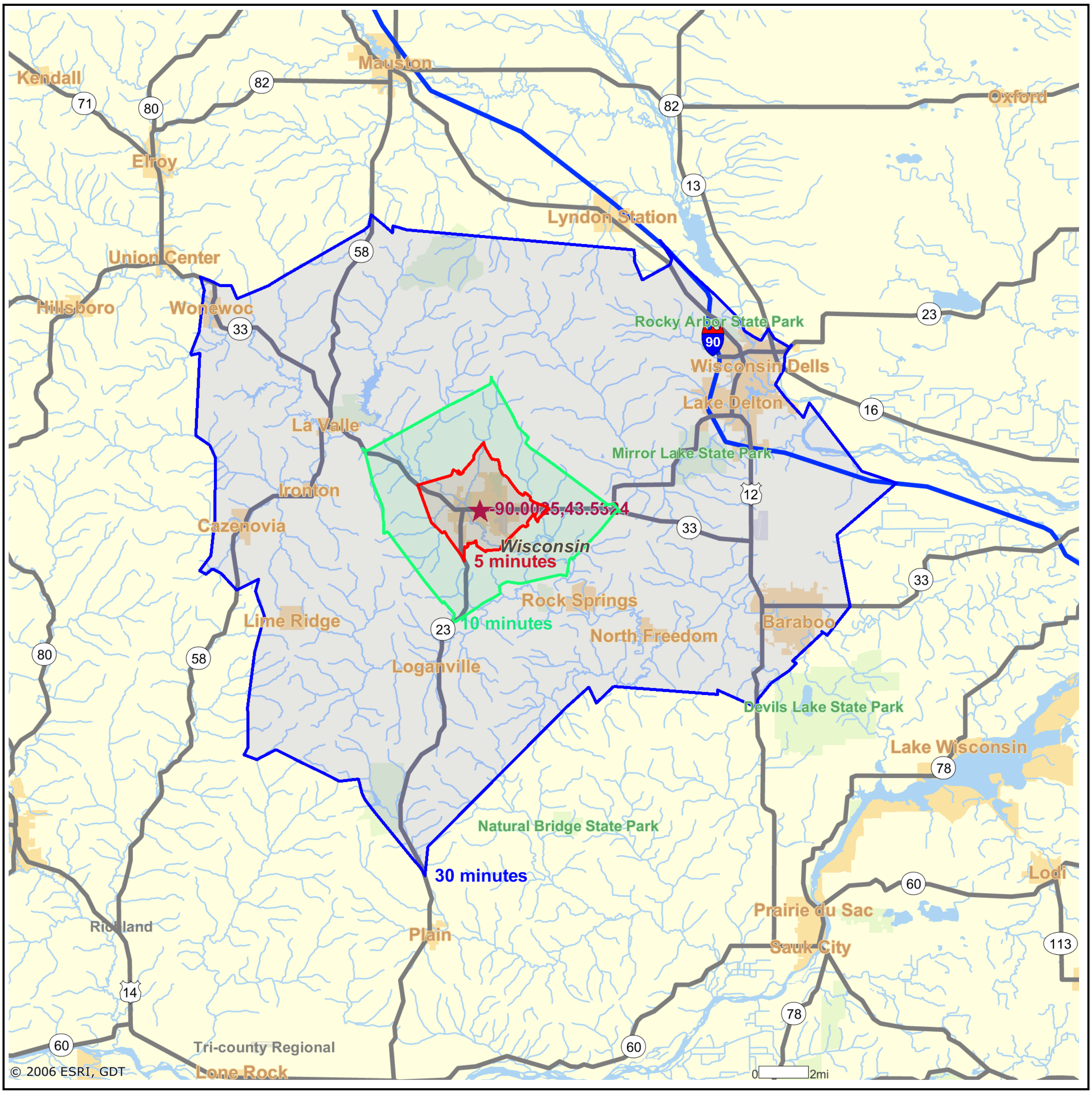
The most underserved sector appears to be the restaurant sector, which has a ratio of over 28. This does not necessarily indicate that there is room in the Reedsburg market for exactly 28 more restaurants or that any new restaurant is guaranteed success; it does indicate that a restaurant that targets a currently underserved sub sector, for example, a mid- to high-end steakhouse or Italian restaurant, could do well in the market. The leakage ratio uses the average sales per establishment, from fancy to fast food, so if a higher-end restaurant were to open it might do 5 times the average sales per establishment. There are synergy opportunities for sectors as well – a full-service restaurant could offer catering, which would address some of the leakage in the "Special Food Services" sector (consisting of caterers, cafeterias, mobile food carts, etc.). Or, a

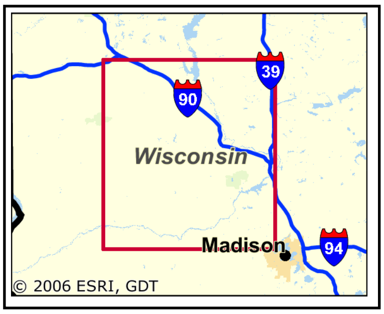
Map 4: Reedsburg Drive Time Rings

Prepared by Vierbicher Associates

July 27, 2006

Latitude: 43.5324
Longitude: -90.0025





fast food restaurant might combine with a gas station to address the leakages in the restaurant sector and the gas station sector. Combining sectors can also be a way to create a profitable niche if a store that concentrated on a single sector would not gain enough business to survive.

Table 5: Reedsburg Local Supply and Demand in the Reedsburg Market Area

Retail Sector	NAICS	Estimated Supply (Current Sales)	Estimated Demand (Potential Sales)	(Leakage) Surplus	Leakage / Surplus Factor[1]
Automobile Dealers	4411	$14,712,123	$41,210,616	($26,498,493)	-47.4
Other Motor Vehicle Dealers	4412	$1,242,319	$4,539,469	($3,297,150)	-57.0
Auto Parts, Accessories, & Tires	4413	$503,384	$3,643,281	($3,139,897)	-75.7
Furniture Stores	4421	$651,656	$1,863,774	($1,212,118)	-48.2
Home Furnishings Stores	4422	$580,378	$670,815	($90,437)	-7.2
Electronics & Appliance Stores	4431	$1,018,565	$1,764,981	($746,416)	-26.8
Building Material & Supplies Dealers	4441	$4,686,977	$6,858,688	($2,171,711)	-18.8
Lawn & Garden Equip. Stores	4442	$401,848	$2,064,326	($1,662,478)	-67.4
Grocery Stores	4451	$31,319,787	$19,919,297	$11,400,490	+22.2
Specialty Food Stores	4452	$998,190	$1,164,634	($166,444)	-7.7
Beer, Wine, & Liquor Stores	4453	$1,501,388	$1,206,221	$295,167	+10.9
Health & Personal Care Stores	4461	$8,271,261	$4,183,989	$4,087,272	+32.8
Gasoline Stations	4471	$6,776,254	$22,692,745	($15,916,491)	-54.0
Clothing Stores	4481	$660,067	$263,525	$396,542	+42.9
Shoe Stores	4482	$216,664	$47,131	$169,533	+64.3
Jewelry, Luggage, & Leather Goods	4483	$250,546	$151,405	$99,141	+24.7
Sporting Gds., Hbby., & Musical Inst.	4511	$603,920	$716,155	($112,235)	-8.5
Book, Periodical, & Music Stores	4512	$0	$614,900	($614,900)	-100.0
Department Stores[2]	4521	$18,782,610	$10,861,143	$7,921,467	+26.7
Other General Merchandise Stores	4529	$2,945,972	$4,752,122	($1,806,150)	-23.5
Florists	4531	$291,982	$172,404	$119,578	+25.7
Office Supplies, Stationery, and Gifts	4532	$168,022	$366,477	($198,455)	-37.1
Used Merchandise Stores	4533	$303,461	$308,455	($4,994)	-0.8
Other Miscellaneous Store Retailers	4539	$382,478	$1,795,457	($1,412,979)	-64.9
Electronic Shopping & Mail-Order	4541	$273,077,075	$35,604,412	$237,472,663	+76.9
Full-Service Restaurants[3]	7221	$0	$8,560,290	($8,560,290)	-100.0
Limited-Service Eating Places[3]	7222	$4,990,789	$12,721,064	($7,730,275)	-43.6
Special Food Services	7223	$129,311	$4,772,849	($4,643,538)	-94.7
Drinking Places (Alcohol)	7224	$2,827,164	$1,902,987	$924,177	+19.5

1: Leakage/Surplus Factor is a measure of consumer demand relative to supply, ranging from -100 (total leakage) to +100 (total surplus).
2: Department stores are "stores primarily engaged in retailing a wide range of the following new products with no one merchandise line predominating: apparel; furniture; appliances and home furnishings; and selected additional items, such as paint, hardware, toiletries, cosmetics, photographic equipment, jewelry, toys, and sporting goods. Merchandise lines are normally arranged in separate departments." Examples would stores like J.C. Penny or Boston Store.
3: Businesses classify themselves -- full-service restaurants (which are establishments where patrons are served at the table and pay after eating) often misclassify themselves into the limited-service category (where patrons pay before eating and are usually not served at their table). The Full-Service and Limited Service categories will be combined in subsequent tables.
Data from ESRI.

Table 6: Top Reedsburg Market Area Leakages

Leakage	NAICS	Estimated Leakage Amount	Average Sales Per Establish-ment[1]	Leakage to Average Sales Ratio
Full- & Limited-Service Restaurants[2]	7221&2	$16,290,565	$563,315	28.92
Special Food Services[3]	7223	$4,643,538	$600,383	7.73
Gasoline Stations	4471	$15,916,491	$2,234,588	7.12
Auto Parts, Accessories & Tire Stores	4413	$3,139,897	$928,361	3.38
Automobile Dealers	4411	$26,498,493	$10,743,255	2.47
Other Misc. Store Retailers[4]	4539	$1,412,979	$788,529	1.79
Other Motor Vehicle Dealers[5]	4412	$3,297,150	$2,688,628	1.23
Lawn & Garden Equip. & Supply Stores	4442	$1,662,478	$1,822,349	0.91
Furniture Stores	4412	$1,212,118	$1,634,341	0.74
Building Material & Supplies Dealers	4441	$2,171,711	$3,069,527	0.71
Book, Periodical & Music Stores	4512	$614,900	$918,241	0.67
Electronics & Appliance Stores	4431	$746,461	$1,782,264	0.42

1: For stores in Wisconsin.
2: Categories (NAICS 7221 and 7222) combined because many full-service restaurants misclassify themselves as limited-service restaurants.
3: Such as: Caterers, Cafeterias, Mobile Food Carts, etc.
4: Such as: pet & pet supply dealers, art dealers, manufactured home dealers, tobacco stores, etc.
5: Such as: Motorcycles, Boats, RVs, etc.
Data from ESRI; NAICS Definitions from 2002 Economic Census.

Table 7 shows surpluses in the Reedsburg market. The most oversupplied sector (aside from mail order) is grocery stores; Reedsburg does an estimated $11.4 million more in grocery sales than would be expected for a market of its size. This suggests that the City may attract grocery shoppers from an even wider area than the gravity model for drawing a market area would estimate. It also shows that Reedsburg's net import of employees creates additional retail sales, as people who work in Reedsburg and live elsewhere spend some of their retail dollars in the City. A good portion of the grocery sales in Reedsburg are consumers from west of the City, where few other large grocery shopping opportunities exist. The surplus grocery sales, combined with the leakage in restaurant sales, may also suggest that the average family in the Reedsburg Market Area eats out less and fixes more of their own meals at home. Other Market Area surpluses are outlined in Table 7.

Table 7:Top Reedsburg Market Area Surpluses

Surplus[1]	NAICS	Estimated Surplus Amount	Average Sales Per Establish-ment[2]	Surplus to Average Sales Ratio
Drinking Places (Alcohol)	7224	$924,177	$198,083	4.67
Grocery Stores	4451	$11,400,490	$5,756,071	1.98
Health & Personal Care Stores[3]	4461	$4,087,272	$2,224,316	1.84
Florists	4531	$119,578	$276,973	0.43
Clothing Stores	4481	$396,542	$999,313	0.40
Department Stores	4521	$7,921,467	$21,042,256	0.38
Beer, Wine & Liquor Stores	4453	$295,167	$883,851	0.33
Shoe Stores	4482	$169,533	$733,031	0.23

1: Does not include NAICS 4541, Electronic Shopping and Mail Order Houses (for the surplus in this category see Table 5; The Land's End distribution center accounts for almost all of the surplus).
2: For stores in Wisconsin.
3: Includes Pharmacies.
Data from ESRI; NAICS Definitions from 2002 Economic Census.

Table 8: Percent of Demand that Must be Captured for Operation of an Average-Size Store

Retail Sector	NAICS	Estimated Demand (Potential Sales)	Average Sales Per Establishment[1]	Percent of Demand that Must Be Captured[2]
Automobile Dealers	4411	$41,210,616	$10,743,255	26.07%
Other Motor Vehicle Dealers	4412	$4,539,469	$2,688,628	59.23%
Auto Parts, Accessories, & Tires	4413	$3,643,281	$928,361	25.48%
Furniture Stores	4421	$1,863,774	$1,634,341	87.69%
Home Furnishings Stores	4422	$670,815	$998,487	148.85%
Electronics & Appliance Stores	4431	$1,764,981	$1,782,264	100.98%
Building Material & Supplies Dealers	4441	$6,858,688	$3,069,527	44.75%
Lawn & Garden Equip. Stores	4442	$2,064,326	$1,822,349	88.28%
Grocery Stores	4451	$19,919,297	$5,756,071	28.90%
Specialty Food Stores	4452	$1,164,634	$484,044	41.56%
Beer, Wine, & Liquor Stores	4453	$1,206,221	$883,851	73.27%
Health & Personal Care Stores	4461	$4,183,989	$2,224,316	53.16%
Gasoline Stations	4471	$22,692,745	$2,234,588	9.85%
Clothing Stores	4481	$263,525	$999,313	379.21%
Shoe Stores	4482	$47,131	$733,031	1555.31%
Jewelry, Luggage, & Leather Goods	4483	$151,405	$786,348	519.37%
Sporting Gds., Hbby., & Musical Inst.	4511	$716,155	$950,927	132.78%
Book, Periodical, & Music Stores	4512	$614,900	$918,241	149.33%
Department Stores[3]	4521	$10,861,143	$21,042,256	193.74%
Other General Merchandise Stores	4529	$4,752,122	$7,034,436	148.03%
Florists	4531	$172,404	$276,973	160.65%
Office Supplies, Stationery, and Gifts	4532	$366,477	$611,230	166.79%
Used Merchandise Stores	4533	$308,455	$402,541	130.50%
Other Miscellaneous Store Retailers	4539	$1,795,457	$788,529	43.92%
Electronic Shopping & Mail-Order	4541	$35,604,412	$11,898,225	33.42%
Full- and Limited-Service Restaurants[4]	7221&2	$8,560,290	$563,315	2.65%
Special Food Services	7223	$4,772,849	$600,383	12.58%
Drinking Places (Alcohol)	7224	$1,902,987	$198,083	10.41%

1: For stores in Wisconsin.
2: Percent of estimated demand an average store would have to capture for operations.
3: Department stores are "stores primarily engaged in retailing a wide range of the following new products with no one merchandise line predominating: apparel; furniture; appliances and home furnishings; and selected additional items, such as paint, hardware, toiletries, cosmetics, photographic equipment, jewelry, toys, and sporting goods. Merchandise lines are normally arranged in separate departments." Examples would stores like J.C. Penny or Boston Store.
4: Categories (NAICS 7221 and 7222) combined because many full-service restaurants misclassify themselves as limited-service restaurants.
Data from ESRI.

Table 8 shows the percent of the Reedsburg Market Area's estimated demand that must be captured to sustain the average store. For example, the average liquor store in Wisconsin sells $883,851 of goods; the estimated demand for the Reedsburg market area in the sector is $1,206,221; a liquor store that sells the average $883,851 would need to capture 73% of the estimated demand of $1.2 million. The lower the percentage, the better suited the business sector is to take on business expansions or new businesses. Some sales will inevitably go outside of the market area, so counting on capturing near 100% of the sales would not be a good assumption.

However, just because a sector is at 100% does not necessarily mean that it should be ruled out. If a Reedsburg business is able to attract people from outside the Reedsburg market area – much as some of the big box stores in Lake Delton or Baraboo attract customers from Reedsburg, which is out of their primary market area – then the business could be successful.

There are outside factors to keep in mind when considering what retail sectors are suitable for expansion in the Reedsburg Market Area. While Reedsburg does not have some of the larger "Category-Killer" retailers (like Wal-Mart, Kohl's or Menards) within a 10-minute drive, there are many of these larger stores within a 30-minute drive. Wal-Mart (both in Baraboo and Wisconsin Dells), Kohl's, Menards, Sears, and Home Depot all have stores within 15 miles of Reedsburg. Though the distance of these stores provides a small buffer to the local Reedsburg retail market, it is still important to remember that people will often take long drives to find low prices – sometimes even when the driving costs more than any savings on purchases. Though the stores in Table 9 may not offer a depth of selection that some specialty stores do, they offer a breadth of selection at prices that local specialty stores usually cannot match.

A recent development in the regional retail market is the Tanger Outlet Center at the Highway 12 exit from Interstate 90 in Lake Delton. This 264,000 square foot outlet mall currently has 55 stores (two of which won't open until November) with space for 58 retailers in the current phase – see Appendix I for a full listing of current tenants. The construction and opening of a 23,200 square foot second phase is anticipated within the next two years[3]

Table 9: Nearby "Category Killer" Stores

Store	Distance[1]	Municipality
Wal-Mart Supercenter	12 miles	Baraboo
Wal-Mart Supercenter	10 miles	Lake Delton[2]
Kohl's	10 miles	Lake Delton
Menards	12 miles	Baraboo
Home Depot	10 miles	Lake Delton
Sears	12 miles	Baraboo
J.C. Penny	12 Miles	Baraboo
Gander Mountain	11 Miles	W. Baraboo

1: Distance estimates rounded to nearest mile.
2: Wal-Mart website lists store as being in Wisconsin Dells.

An outlet mall of the magnitude of the Tanger Outlet center is certainly not typical for an area with a population of just 4,708[4], even when the larger nearby cities of Baraboo, (2000 population of 10,711), Portage (9,728), and Reedsburg (7,827) are taken into account. The enormous summer tourist crowd (and increasing off-season visitors) that attend the many Dells-area attractions, along with Interstate access, are what made the mall possible. Tanger anticipates attracting 3 million shoppers a year from as far away as Chicago[5]. The outlet center has been open since July 28th of 2006, so its long-term impact, on the Reedsburg market cannot yet be determined. In spite of its distance – about 15 miles driving – it may become a regular trip for some Reedsburg households. The biggest part of the mall appears to be various types of apparel/shoes. It is certainly close enough for some shopping trips by City residents; whether these trips will replace other shopping trips that were already to places outside the City is difficult to predict. Retailers that consider a Reedsburg location will have to take into account the nearby outlet mall and big box stores when they determine the feasibility of a store in the City – even though most locations are 10+ miles away, there will still be competition.

---

3 Baraboo News Republic, July 26, 2006.
4 Combined 2000 Census population of Wisconsin Dells and Lake Delton.
5 Baraboo News Republic, August 19, 2006.

Future Retail Market Conditions

The major unit of measurement for retail sales is the household; Table 10 estimates how many households are in the Market Area and each of the drive-time areas. The Market Area is anticipated to grow by 7.7% between 2006 and 2011. This would result in 600 additional households between 2006 and 2011, and 646 additional households between 2011 and 2016 if the growth rate projection holds steady. ESRI's projected growth rate for the 5 minute drive time area (primarily the City of Reedsburg) is in between the 5.57% projected by the Wisconsin DOA and the 9.18% projected by the City of Reedsburg's Comprehensive Plan's continuation of past trends for the 2000 to 2005 time period.

Table 10: Projected Number of Households

Area[1]	2006	2011	2016[2]	Growth 2006-2011
Market Area[3]	7,755	8,355	9,001	7.7%
5-Minute	3,541	3,778	4,031	6.7%
10-Minute	4,345	4,664	5,006	7.3%
30-Minute	18,455	19,998	21,670	8.4%

1: From intersection of CTH K and Main St.
2: Growth rate from 2006-2011 used to project 2016 households.
3: See Map 3 on page 7 for the Market Area.
Data from ESRI.

Table 11 shows household income and income growth. Increasing retail spending can be a result of both spending by new households and more spending by households with increased incomes. The increase in median household income from an estimated $49,432 in 2006 to $65,496 in 2016 (a 32% increase) may appear to be a large jump for a 10-year period, but the median income for the state of Wisconsin increased from $24,442 to $43,791 between 1990 and 2000[6] – a 79% increase.

Overall, the Reedsburg Market Area appears to be poised for modest growth in the number of households and the median household income in the next 10 years. This growth will result in some new retail opportunities, with the best expansion sectors outlined in Table 6. Table 12 shows predicted growth in demand for the Market Area from 2006 to 2016 (non-storefront retail sectors like car dealerships and mail-order houses are excluded). The predicted growth in demand is used to generate an estimated amount of square footage that will be needed between 2006 and 2016. Some categories, like shoe stores and clothing stores show very little increased demand. Reedsburg, though, is without a department store (which sells a variety of goods, and is listed as a separate category), so the City may create more demand for items that are also sold in department stores, if a department store is not opened in the area.[7]

Table 11: Projected Household Income in the Reedsburg Market Area

Year	Median Household Income	Household Income Growth
2000[1]	$41,133	--
2006	$49,432[2]	20.2%[2]
2011	$56,900[3]	15.1%[3]
2016	$65,496[3]	15.1%[4]

1: 2000 Census (Census does not collect data on retail spending)
2: Estimate
3: Projection
4: Assumes same growth rate as 2006 to 2011.
Data from 2000 Census, ESRI

The Reedsburg City Administrator was contacted to inquire about any retail developments in the pipeline for Reedsburg. As of September 2006, there were no retail developments currently working through the City approval process.

[6] 1990 and 2000 U.S. Census
[7] Stores generally classify themselves. A typical department store would be a J.C. Penny or Boston Store.

Table 12: Predicted Demand Growth in Reedsburg Market Area, 2006-2016

Category	NAICS	Estimated Increase in Demand	Estimated Increase in SF Demanded[1]
Auto Parts, Accessories, & Tire Stores	4413	$647,192	2,589
Furniture Stores	4421	$265,718	1,063
Home Furnishings Stores	4422	$95,638	383
Electronics & Appliance Stores	4431	$251,633	1,007
Building Material & Supplies Dealers	4441	$977,843	3,911
Lawn & Garden Equipment & Supplies Stores	4442	$294,311	1,177
Grocery Stores[2]	4451	$2,839,894	11,360
Specialty Food Stores	4452	$166,042	664
Beer, Wine, & Liquor Stores[2]	4453	$171,971	688
Health & Personal Care Stores[2]	4461	$596,511	2,386
Clothing Stores (non-Department Stores) [2]	4481	$37,571	150
Shoe Stores[2]	4482	$6,719	27
Jewelry, Luggage, and Leather Goods Stores[2]	4483	$21,586	86
Sporting Goods, Hobby, & Music Stores	4511	$102,102	408
Book, Periodical, and Music Stores	4512	$87,666	351
Department Stores[2]	4521	$1,548,473	6,194
Other General Merchandise Stores	4529	$677,510	2,710
Florists	4531	$24,580	98
Office Supplies, Stationery, and Gift Stores	4532	$52,249	209
Used Merchandise Stores	4533	$43,976	176
Other Misc. Store Retailers	4539	$255,978	1,024
Full- & Limited-Service Restaurants	7221 & 2	$3,034,082	12,136
Special Food Services	7223	$680,465	4,882
Drinking Places (Alcoholic Beverages) [2]	7224	$271,309	1,085
	Totals:	$13,151,019	54,764

1: Uses general value of $220 in sales per square foot, adjusted to 2006 dollars ($250 per square foot). All values in 2006 dollars (no inflation projections/adjustments).
2: Denotes sector with existing surplus.
Calculations derived from ESRI data and 2002 Economic Census data, with information from Urban Land Institute's 2002 "Dollars and Sense of Shopping Centers."

Downtown Reedsburg's Competitive Position

Downtown Reedsburg is served by a number of anchors in three major clusters: a downtown retail core, a municipal services cluster, and a professional services cluster. These three areas are the main "magnets" that pull people Downtown; there are some other landmarks outside the areas that attract customers to the Downtown as well (see Map 5 on page 17). The riverfront and trailhead for the 400 Trail are unique to the Downtown. All of these are amenities that draw people to the Downtown, and should be enhanced and emphasized, as should the traditional historic storefronts and walkability the retail core exhibits. These are all features that other retail areas within the City lack.

Though retail on the east side has been growing, the Downtown largely remains a destination for business services like banking and legal firms. The effect this has on the Downtown should not be overlooked. The employment and daytime traffic the business destinations and offices in the Downtown create can be a big part of nearby retailer's sales. The fact that the Downtown is still the business center for the City keeps it more vibrant and viable for retail than if most of the offices and business services had moved out to an office park on the edge of the City.

The traffic that flows along Main Street (STH 23/33) can be both a positive and a negative for the Downtown. A positive because retailers like high visibility to potential customers, and a negative because it may discourage people from coming Downtown if they perceive the traffic to be greater than other retail areas. Parking is another issue that is often cited for downtowns of virtually any size in any state; parking is often a perception issue as well. Because parking is not necessarily highly visible in front of the store a person wants to patronize, they might think that parking is scarce. In reality, though, people sometimes end up parking closer to their destination downtown than they would have if they had gone to a big box store with a parking lot that is nearly full. The perception of downtown parking problems is still something that must be overcome.

The City of Reedsburg seems to have the most retail growth on the east side, which is illustrated by traffic counts that are comparable to the Downtown (see Map 2 on pg. 2). The busiest intersection in the City is at Main Street and CTH H; a major retail cluster for the City. This area is very accessible for patrons coming to Reedsburg from the north and east – people who may not continue Downtown if they can finish all their shopping in the east side commercial area.

The Downtown Reedsburg retail core also suffers from a lack of standard hours; again, a problem downtown retail districts have all over the state and nation. Independent business owners set their own hours, usually without coordinating with nearby stores. Unlike malls or some strip retail centers, which can set mandatory store hours as a condition of the lease, many property- and store-owners means a multitude of different store hours. This creates uncertainty for potential customers, many of who will want to stop at more than one store. If one of their stops is closed, they may decide to skip the trip all together. The lack of standardization hurts all Downtown businesses. No independent store owner can be forced to keep their store open, and attempts to standardize often fall apart because retailers change back to their old hours if they don't see near-term sales increases. It takes a long time for perceptions to change, though, and a short (weeks or months) effort would likely not yield significant results, while a year-plus effort may see more tangible sales increases for most stores as people realize that all of the Downtown shopping options are available at defined times.

Overall, the Downtown remains an integral part of the City's retail and business community – this is not always the case for downtowns in small cities. Communities sometimes turn their back on their historic downtown in favor of modern buildings in the edge of the City, most of which tend to be singularly auto-oriented. A strong downtown that maintains its commitment to its historic buildings and traditional walkability can contribute a strong sense of place to a community, which can be just as valuable – if not more valuable – than the convenience of auto-oriented retail on the edge of the City. The Downtown, even though it generally has a strong base, should not stand pat while the overall retail landscape continues to change. An eye should always be kept on improvements that can be made and what must be done to keep the Downtown a place where businesses can thrive. Things that are unique to the Downtown should be emphasized, and things that may compromise the uniqueness should be carefully scrutinized.

Map 5: Downtown Reedsburg

Conclusion

Retail opportunities exist in many different sectors for the City of Reedsburg; and the growing population will continue to support more businesses in the City. The strong employment base brings several thousand customers to town every day, and market data indicate they are spending money and taking care of daily necessities while in town.

When it comes to downtown Reedsburg, growth trends have been moving activity, traffic, jobs, and now retail opportunities to the east side of the City. For the downtown to remain vibrant, anchors must be kept and new ones developed. It is easy to overlook the importance of the cluster of professional services north of downtown, the athletic club, municipal services, or the post office, but these are the types of anchors that people will travel to reach, wherever they are.

There are several things that should be done to enhance the retail climate in the Downtown specifically:

- Continue encouraging restoration and reuse of historic buildings. The Downtown is currently an historic district – this identity should be promoted and by the business community and the City. Assistance, both in the form of expertise, and, perhaps, grants/low-interest loans for building/façade restoration, should be readily available and easy for property/store owners to use. Keeping the historic feel of Main Street in the Downtown will give the area an atmosphere that retail on the outskirts of the City cannot replicate.
- Maintain/install streetscape features that are unique to the Downtown. Benches, pedestrian-scale streetlights, trash receptacles, map kiosks, patterned pavers, planters, street trees – all of these things can assist in the creation of a unique Downtown identity, which is critical to its prominence within the City's retail sector.
- Keep the Downtown as a business/service center for the City. The workers many of the non-retail commercial activities in the Downtown employ help support a good deal of the Downtown retail. Major office developments out the outskirts of the City that pull current tenants away from the Downtown would be detrimental to the center of the City. At the same time, appropriate redevelopment of non-historic structures into new office/retail opportunities in the Downtown will enhance the district by providing a variety of types of spaces available for businesses to rent and maintaining the image that the Downtown is a vibrant place to locate a business.
- Keep the Downtown as the center for government services. Too often, cities large and small slowly relocate government services away from the Downtown because it is easier to build new structures on the outskirts of the City and it is cheaper (in the short term) to build on the outskirts. Maintaining government services downtown is an extremely important part of keeping a downtown healthy, for a couple of reasons:
    - It signals businesses that the City is willing to invest in the Downtown – if the City wants to move the library or the post office out of Downtown because it is cheaper and easier, the same message is sent to the business community.
    - Providing government services Downtown draws people to the area that may not otherwise come and makes them both more aware of what else is Downtown and more likely to stop at Downtown shops on their way to City Hall or the Library.

- Enhance Downtown access and visibility to the Baraboo River. The River is an amenity that other retail areas in the City do not have. It can be promoted as a draw for people throughout the Market Area. Many cities were first built around rivers, but, as they grew, they often turned their backs on the river that was usually a major reason for their location in the first place. Now, the recreational and aesthetic value of a nearby river can be turned back into a magnet for the downtown. For Reedsburg, it is difficult to even tell that there is even a river adjacent to Downtown – instead of being hidden, it should be celebrated.
- Work towards coordinating dependable set of hours. People will be more likely to come Downtown if they know all stores will be open to them – it is critical that customers that stores be open when they expect, so that they do not drive downtown only to find a patchwork of closed and open stores. Coordination of hours should be long-term, and would lessen advantages that some malls/strip malls have over the Downtown and build customer loyalty.
- Fill in gaps in the Reedsburg retail market in the Downtown area. Table 6 lists the most likely retail sectors where new/expanded services would be successful. Obviously, some sectors are more suited to the Downtown than others; restaurants, especially non-fast food restaurants, would be ideal tenants for the Downtown.
- Strike a balance between new retail development Downtown and elsewhere in the City. The current retail development pattern appears to heavily favor the east side of the City. The Downtown should not be left behind as retail in other areas of the City booms.
- Make better use of existing parking. The surface parking lots appear to be adequate for business customers, however, efforts should be made to ensure that the majority of spaces are retained for retail, restaurant, and other business customers, not business employees or nearby residents. Employees and residents tend to park for longer periods of time, tying up spaces that could be "turned over" for customer use numerous times throughout the day; this is especially the case in the Pine Street and Main Street parking lots.
- Create a workforce training/development program. There are currently more jobs than qualified workers, which discourages business expansion. Retail mix, visibility, hours, and streetscape enhancements are all only part of the package – if businesses cannot find qualified employees to hire, they cannot take full advantage of expansion opportunities that exist right now or that may come about if other investments are made in the Downtown.
- Market the Downtown "product" to potential businesses through avenues like the City's website by showing available business sites, and emphasizing Reedsburg's attributes, like the school system, the low cost of living, the trade area population, spending power, etc.
- Advertise available Downtown business sites in conjunction with the Sauk County Development Corporation and the LOIS System.

With these steps, and any other creative ideas that may arise from the Downtown Reedsburg retail and business community, the Downtown can build off of its existing strengths to become an even stronger center for the Reedsburg community.

Appendix I; Tanger Outlet Mall Stores

Abercrombie & Fitch
adidas
American Eagle Outfitters
Banana Republic Factory Store
Bass
Big Dog Sportswear
Build a Bear
Carter's
Children's Place, The
Claire's
Clarks Bostonian
Coldwater Creek Outlet
Corningware Corelle Revere Factory Store
Cosmetics Company
Disney Store Outlet
dressbarn
Easy Spirit Outlet
Eddie Bauer Outlet
Factory Brand Shoes
Fragrance Outlet
Fudgery 381
Gap Outlet
Haggar
Harry and David
Hollister
Jockey
Jones New York
Journeys
Kernel Popcorn's Factory
Kitchen Collection
L'eggs Hanes Bali Playtex
Lane Bryant Outlet
Levi's Outlet Store
Lids
Limited Too
Liz Claiborne Outlet
Maurices
Naturalizer
Nike Factory Store
Nine West Outlet
Old Navy
OshKosh B'Gosh
Pac Sun
Pepperidge Farm
Polo Ralph Lauren Factory Store
rue21
Samsonite Company Stores
Skechers
Stride Rite
Sunglass Hut
Tommy Hilfiger Company Stores
Totes / Sunglass World
Ultra Diamonds
Van Heusen
Wilsons Leather Outlet

Source: http://www.tangeroutlet.com/