



Retail Market Analysis for Uptown Martinsville, Virginia

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Introduction



Martinsville has a proud history. Founded by a hero of the American Revolution, Martinsville has been home to some of America's leading furniture makers, a major World War II industry, and a thriving African American community. Martinsville's path through history has had both moments of great celebration and also of great tragedy, positioning it near the forefront of southern Piedmont heritage for centuries and creating a rich legacy of memories, achievements, lessons and dreams.

But Martinsville, Henry County, and nearby cities and counties have faced enormous challenges in recent years. The West Piedmont region has lost thousands of manufacturing jobs since 1990 as the furniture and textile industries – both of which have been central to Martinsville's and Henry County's economy – have transformed their production and distribution practices. Cuts in federal tobacco quotas have further weakened the market strength of the region's agricultural base. Unemployment rates are high - Martinsville's unemployment rate was the highest in Virginia in 2004 and among the highest in 2005 – and wages are low.

The changes Martinsville has undergone in the past several decades have brought the community many new challenges, including the challenge of determining a new role and new direction for uptown Martinsville. Like many communities throughout the United States, Martinsville's downtown has gone through a profound economic transformation as new shopping venues – shopping centers, malls, discount stores, catalogs, and internet-based retailers – have shifted

retail sales away from the district. Martinsville is not alone in this situation. In fact, a similar scenario has played out in thousands of communities throughout the United States over the past several decades as industrial jobs have shifted overseas, retail distribution has shifted from wholesaler to manufacturer, and new housing development has shifted from in-town neighborhoods to more remote suburban subdivisions. Like many other communities, Martinsville has experienced construction of new commercial centers outside the uptown area over the years – Liberty Fair Mall, Patrick Henry Mall, Wal-Mart Plaza, plus many new shopping areas in nearby cities. While all of these have provided new shopping opportunities for Martinsville and Henry County residents, they have also displaced sales from the uptown area.

Revitalizing an older or historic downtown is, in essence, a real estate challenge: The shops, offices, apartments and other uses that occupy downtown buildings must generate revenue levels sufficient to support the amount of rent needed for building owners to maintain and rehabilitate the buildings and for developers to feasibly build new buildings. But there are *many* combinations of businesses that could, theoretically, achieve this goal. For example, a historic downtown could increase the number of customers and boost sales by assembling a strong cluster of “destination” businesses with regional appeal and by marketing the district to visitors. Or, it could increase the number of people who live and work within the district to a level sufficient to support a strong core of community-serving businesses, making the downtown essentially a self-supporting economic ecosystem. There is no “one” combination of businesses, building uses, and district activities that might work best for a given commercial district; all districts have multiple choices. The best choices are those for which there is both strong market demand *and* strong consumer desire.

But, how much market demand is there in the Martinsville area for various products and services, and how much consumer desire is there for those things? How much retail activity can uptown Martinsville realistically absorb? How can Martinsville distinguish itself from other shopping areas within the region? What combination of businesses and building uses might fit the community's personality *and* be economically viable? What sort of marketing programs might be most effective in helping uptown Martinsville's businesses increase sales and help the business district, as a whole, meet its goals? What impact might uptown Martinsville's new and proposed plans (the New College Institute, the field house, and the Virginia Museum of Natural History, among others) have on the district's economy? How might a comprehensive district retail development strategy and marketing program be implemented and managed?

In April 2005, the National Trust for Historic Preservation asked the Community Land Use and Economics (CLUE) Group to help it answer these questions by conducting an independent analysis of the district's retail condition and of its major opportunities. This report outlines our findings, conclusions, and recommendations and is intended to help Uptown Martinsville, the City of Martinsville, Henry County, the National Trust, the Harvest Foundation, and other public- and private-sector partners involved in uptown Martinsville's development make decisions about the district's development, marketing, and management.

Retail market analysis

For centuries, downtowns functioned as the commercial, government, and social hubs of their communities – the places where people came together to conduct business, administer government, relax, and celebrate. But America's communities have gone through a series of transformations over the past several decades that have changed the economies of the nation's downtowns. Many of these transformations are a consequence of the expanding highway system, which has stimulated suburban development and made it possible for people to move farther away from town centers. As people have moved outward, the retail industry – always a market follower, rather than a market leader – has moved outward, also. With the advent of regional shopping malls and discount superstores, downtown retailing – the bedrock of a traditional main street district's economic foundation – has slowly eroded.

Downtown retail has also become more stratified over the years. In general, retail businesses fall into one of three broad categories:

- Convenience: Retail goods and services for which shoppers tend to patronize the closest business, like gas stations, dry cleaners, and grocery stores. "Impulse" retail – like card shops, florists, and gourmet cookies – also fall into this category.
- Comparison: Retail goods and services for which shoppers like to compare styles, brands and prices before making a purchase, like apparel, shoes and (sometimes) furniture. For this reason, comparison retail businesses tend to cluster together (e.g., clothing

stores in traditional shopping malls), and a comparison business is likely to be more successful if located in a cluster than if it is freestanding, without related businesses nearby.

- Destination: Retail goods and services for which shoppers will travel significant distances. These might include specialty businesses (like musical instruments), large clusters of related businesses (like antiques or restaurants), or businesses that offer exceptional service and that have developed a very loyal clientele.

In the mid-twentieth century, many downtowns offered a blend of businesses in all three categories. Shopping malls, though, specialize in comparison retail businesses (particularly apparel and apparel accessories, like shoes and jewelry) and typically offer enough of a concentration of these businesses to dominate the local market and make it very difficult for downtowns to successfully compete in this category. Discount superstores and 'category killers', which began appearing in the 1970s and 1980s, respectively, have created additional challenges for traditional main street districts by saturating additional retail niches. Discount superstores offer such a broad range of merchandise that they put a broad range of existing businesses in the community at risk. By siphoning away even relatively small percentages of sales from existing businesses, discount superstores often make it difficult or impossible for those businesses to achieve the gross sales levels needed to remain in business.

The shift America's communities have undergone since the mid-20th century - from concentrating retail activity in a central business district to diffusing retail activity throughout a number of commercial centers and along highway strips - makes it unlikely that America's downtowns will be able to support the number and mix of retail businesses they

once supported. This means that communities must find new combinations of uses (retail, housing, small industry, entertainment, wholesale, education, etc.) to occupy the district's buildings as fully as possible, must find new ways for their locally owned retail businesses to reach customers, and must be very strategic in planning retail development.

Two of the keys to rebuilding a downtown's economic viability are therefore (a) ensuring that the community is directing new development into the downtown area, and (b) restructuring the economy of the district, focusing intently on two or three specific, tightly-coordinated economic development goals, rather than continuing to have the district try to provide the broad range of goods and services it was once able to do.

Fortunately, there are many opportunities available for older and traditional downtowns. Among the many paths districts have successfully pursued:

- A district might develop one or more retail niches unique within a 30- or 50-mile radius. Many districts have developed specialized antiques niches, for example (although these may sometimes represent a transition point in a district's economic recovery and therefore be short-lived); some focus on food items, books, home furnishings, or any number of other niches that have little or no regional competition.
- A district might create or expand an arts and entertainment cluster, sometimes anchored by one or two theatres and a group of restaurants and cafés.

- A district might create enough residential units and small industries or professional offices to provide enough “captive” customers (residents and workers) to support convenience-oriented businesses in many or most of the district’s retail storefront spaces. An added benefit: because this path does not depend on attracting many customers from outside the district, it does not increase demand on parking and traffic infrastructure.
- A district might create a cluster of businesses that provide support to one or more key local industries or institutions – suppliers, consultants, or distributors, for example – or, in some instances, that provide support to a major tourism destination or create retail storefront opportunities.
- A district might intensively target a particular demographic segment whose needs are not being well met within the community or region – empty nesters, for example, or college students – and might provide an array of housing, shopping, work, and entertainment options for them.
- A district might develop a highly specialized cluster of businesses and small industries whose customers are not likely to come from the community or region but, instead, are generated almost exclusively from the internet or catalogs. The increased base of workers in the district then provides customers for the district’s convenience-oriented businesses (like restaurants, office supplies, and personal services).

Each of these is an example of a market-based strategy – a strategy that is based on the district’s specific economic opportunities and that has a specific economic goal. Many districts can (and should)

successfully pursue more than one market-based strategy simultaneously – but it is unlikely that a district can successfully implement more than three (or, in very rare situations, four) market-based strategies without losing focus and diluting the impact of their work.

Successfully implementing market-based strategies involves:

- thinking and acting locally, regionally, and, in some instances, globally;
- marketing the district and its businesses creatively and collaboratively;
- creating and implementing a long-term, district-wide business development plan;
- building strong, collaborative partnerships between the many organizations, agencies and constituents with vested interests in the district; and
- crafting a carefully synchronized work plan that reinforces the district's market-based strategies, has the strong support and involvement of all the district's partners, and helps ensure that all the downtown-related tasks undertaken by the district's partners focus tightly on these strategies.

The process of creating market-based strategies begins with a solid understanding of the district's current economic condition and viable options and, thus, with a retail market analysis.

Retail market analysis is an essential downtown revitalization tool, providing crucial information about the district's economic condition. A retail market analysis assesses the district's current economic performance, estimates the types and amounts of retail development the community can realistically support, and tests the viability of possible retail development options. The retail market analysis then serves as the springboard for crafting business development plans and marketing strategies for the district. While retail market analysis does not provide a detailed blueprint for action, it is an indispensable tool for making well-informed decisions about how best to guide a district's economic future.

Retail market analyses typically have several components:

- A sales void analysis estimates the amount of money people in the community are likely to spend on various retail goods and services.

$$\text{Typical purchases/household}^1 \times \text{Number of households}^2 = \text{Potential sales}$$

It then measures the difference (or "void") between the total amount of money people spend on retail goods and services and the amount of money that is captured by the community's businesses. If community residents are spending more money than local businesses capture, it means that they are probably shopping outside the community, and the community has a sales "leakage."

¹ This information is usually obtained from the *Consumer Expenditure Survey*, conducted by the US Department of Commerce's Bureau of Labor Statistics.

² This information is usually obtained from the *Census of Population*.

If, on the other hand, local businesses are selling more than community residents are spending, the community has a sales “surplus.”

$$\text{Potential sales} - \text{Actual sales}^3 = \text{Sales void}$$

Finally, it estimates how many square feet of new retail businesses, by type, the community can probably support.

$$\text{Sales gap} \div \text{Typical sales/square foot}^4 = \text{New square feet supportable}$$

- Consumer intercept surveys involve literally intercepting people on the street in the district you’re examining and asking them questions about why they visit the district, how often they visit, their impressions of the district, their demographic characteristics, and where they shop for various goods and services. Intercept surveys thus provide a very good portrait of the people who currently visit a district.
- Retail sales trend analysis provides information on how retail sales have changed in the region over a period of time. This sometimes – but not always – suggests how sales may change in the future.

³ This information is usually obtained from state departments of taxation, local commissioners of revenue, and/or the *Census of Retail Trade, Census of Accommodation and Food Services*, and related economic census reports.

⁴ There is no published data on typical sale per square foot in downtown businesses. Some retail market analysts use data from the Urban Land Institute’s *Dollars and Cents of Shopping Centers*; others rely on estimates based on state or other area averages or from proprietary studies.

- Population trend analysis provides information on how the population is changing – whether it is growing or shrinking, becoming younger or older, more or less affluent, more or less ethnically diverse, etc. Demographic changes like these sometimes suggest changes in retail opportunities.

There are many other tools that might be used in a retail market analysis, as well, depending on a district's particular needs, on the types of data available, and on the relative benefits of the particular resource.

Our work with Martinsville involved several components:

- An examination of demographic and economic characteristics of Martinsville and Henry County and of nearby communities and counties
- A retail sales void analysis, comparing the amount of money that Martinsville and Henry County residents spend on a range of retail goods and services with the retail sales the area's businesses are actually achieving
- An intercept survey in uptown Martinsville
- An online survey of Martinsville and Henry County residents
- An evaluation of Martinsville's and Henry County's zoning ordinances and comprehensive plans
- A retail development and marketing plan

In conducting our retail market analysis, we looked for answers to four primary questions:

1. How is uptown Martinsville currently performing as a commercial center?
2. In what categories is uptown Martinsville, and the city and county as a whole, experiencing sales leakages and sales surpluses, and what business opportunities, if any, does this suggest?
3. Are there any emerging opportunities (industrial, cultural, etc.) within the region that could be supported and/or served by small retail, service or industrial businesses in the uptown area?
4. How can the development and marketing strategies that evolve from this information best be implemented?

In most instances, we have combined data for Martinsville and Henry County, as the two essentially function as an integrated area in terms of retail destinations and retail catchment (a fact recognized by the federal Office of Management and Budget when it established a 'micropolitan area' in December 2005 consisting of Martinsville and Henry County).

Limitations

As is true of all demographic, economic and market studies, our analysis's reliability is limited to the reliability and quality of the data available. Our research assumes that all data made available by

federal, state, county, and city sources is accurate and reliable. For Martinsville, there are several specific limitations worth mentioning:

First, because our analysis has been conducted in the middle of the decade, between the 2000 and 2010 US Censuses, population data is not quite as current as it would be if this analysis were conducted early in the decade, when population data is new. We have relied on mid-Census projections by ESRI, the US Census Bureau, and our own estimates of population and retail sales changes in the areas included in this analysis.

Second, the retail market catchment areas of shopping districts (such as uptown Martinsville) are not confined to the boundaries of political jurisdictions (such as the City of Martinsville or Henry County). We have therefore had to make estimates based on reasonable assumptions about the market catchment area of various commercial centers in Martinsville and vicinity. In general, our estimates tend to be somewhat conservative.

Third, it appears that big-box superstores in many parts of Virginia do not always report their taxable sales wholly under the “general merchandise stores” category (NAICS⁵ 452) but, instead, sometimes obtain separate business licenses for some of the departments within the store, reporting sales in several NAICS categories. This complicates the process of estimating total taxable sales in these stores. Again, we have made estimates based on reasonable assumptions, drawing on our observations of the sale performance of comparable stores in similar markets within and outside Virginia.

⁵ North American Industry Classification System

Finally, the Virginia Department of Taxation changed its method of classifying taxable retail sales in 2005, adopting the North American Industry Classification System. This will make it much easier to track retail sales and to use local data to measure local retail sales performance in the future – but it complicates the process of comparing retail sales levels from 2005 and beyond with those from earlier years. We have made reasonable assumptions of the distribution of retail sales by category based on prior-year percentages and on data from the US Census Bureau's *Economic Census*.

Given these limitations, our report reflects what we believe are reasonable estimates of historic trends, current conditions, and future possibilities.

Demographic + retail characteristics

Demographic characteristics strongly influence the decisions people make about where to shop, work, and live. Convenience is often a strong motivating factor for double-income households when choosing where to shop, for example, but for retired households intellectual stimulation might be more important. Smaller households may look for restaurants that provide opportunities to interact with friends; larger households may look for restaurants that accommodate children. People who use public transportation to get to work are more likely to make transit-related retail impulse purchases – flowers, greeting cards, magazines – than people who drive to work, and they are likely to buy different things in the morning (coffee, newspapers) than in the evening (carry-out dinners, video rentals).

A district's retail characteristics also strongly influence residents' and visitors' decisions about whether, and for what things, to patronize it. Retail sales momentum within the district and the community, the availability of retail shopping opportunities within the region, and public perceptions of commercial districts are all important predictors of how a commercial district, or the commercial sector of a mixed-use district, is likely to perform and how likely it is to be able to adapt to take advantage of new market opportunities.

We therefore began our investigation by looking at the demographic and retail context within which Uptown Martinsville exists and that influence its opportunities.

DEMOGRAPHIC CHARACTERISTICS

Population: The Martinsville/Henry County area is slowly losing population – and according to Census projections, will continue to lose residents over the next 15 years.

Area	Year							
	1970	1980	1990	2000	2005	2010	2020	2030
Martinsville	19,653	18,149	16,162	15,416	15,158	14,900	14,600	14,600
Henry County	50,901	57,654	56,942	57,930	56,165	54,440	52,400	52,400
Total	70,554	75,803	73,104	73,346	71,323	69,300	67,000	67,000

Table 1: Actual and projected population of Martinsville and Henry County, 1980-2030 (*Sources: 1980, 1990, and 2000 Census of Population; Federal Reserve Bank of Richmond*)

Over the past 35 years, most of the population loss has been in Martinsville, whose population has dropped by 23 percent since 1970. This has been offset by a 10 percent growth in population in Henry County – so, the combined area has experienced an almost negligible one percent population increase since 1970. Both the city and county are expected to lose residents over the next 25 years – a combined loss of about six percent of the area’s current population [TABLE 1].

The Martinsville/Henry County area is the only area within the broader region that is expected to lose population between now and 2020. Franklin County’s population, for example, is expected to increase by 24 percent, close to the anticipated 22 percent rate of growth for the state as a whole. But most jurisdictions in the region are expected to have more modest growth – 11 percent in Roanoke, six percent in

Patrick County, three percent in Rockingham County (North Carolina), and virtually no change in Danville/Pittsylvania County [TABLE 2].

Place	2000	2010	% change from 2000	2020	% change from 2000
United States	281,421,906	308,935,581	10%	335,804,546	19%
Virginia	7,078,494	7,892,900	12%	8,601,900	22%
Martinsville + Henry Co.	73,346	69,300	-6%	67,000	-9%
Franklin County	47,286	53,200	13%	58,800	24%
Patrick County	19,407	20,000	3%	20,600	6%
Danville + Pittsylvania Co.	110,156	108,700	-1%	110,500	-
Roanoke	85,778	90,500	6%	95,000	11%
Rockingham Co., NC	91,928	92,815	1%	94,587	3%

Table 2: Projected population of the Martinsville/Henry County area, nearby communities, and reference areas, 2000-2020 (Sources: 2000 Census of Population; Federal Reserve Bank of Richmond; North Carolina State Data Center)

Age of heads of households: Between the 1990 and 2000 Censuses, the numbers of households headed by people under 35 years of age declined by about 14 percent, from 6,335 households in 1990 to 5,431 households in 2000. Young households usually represent a significant potential market for major household items, like furniture and appliances, and the slight decline in the numbers of households in these age groups could mean that the local market for furniture and home furnishings could continue softening in the near future.

In the same time period, the number of households in Martinsville and Henry County headed by people 55 years of age or older *increased* by 14 percent, from 11,353 in 1990 to 12,939 in 2000. Aging households

could represent a growing market for certain product categories – pharmaceuticals and medical supplies, for example, and children’s clothes and toys (grandparents generally have more disposable income to spend on their grandchildren than parents) [TABLE 3].

% of Martinsville + Henry County heads of households		
Age of householder	1990	2000
Under 25 years	1,225	1,195
25-34 years	5,110	4,236
35-44 years	5,719	6,292
45-54 years	5,133	5,790
55-64 years	4,606	4,877
65-74 years	4,094	4,360
75 years +	2,653	3,702

Table 3: Changes between 1990-2000 in the percentages of Martinsville and Henry County heads of households of different age levels (*Sources: 1990 and 2000 Census of Population*)

Age of individuals: Martinsville and Henry County closely parallel each other in their percentage distribution of residents by age, with Henry County having a slightly higher – but still almost negligible – percentage of residents over 54 years of age than Martinsville. The average age of residents of both places is slightly older than those of the Commonwealth of Virginia in general; 50 percent of Virginia residents are under 35 years of age, compared with only 41 percent of Martinsville and 43 percent of Henry County residents. [TABLE 4].

	Age							
	Under 18	18-24	25-34	35-44	45-54	55-64	65-74	75+
Commonwealth of Virginia	25%	10%	15%	17%	14%	9%	6%	5%
Martinsville	23%	7%	11%	16%	13%	10%	10%	11%
Henry County	22%	8%	13%	16%	14%	12%	9%	6%

Table 4: Percentages of Martinsville and Henry County residents, by age (*Sources: 2000 Census of Population*)

Household income	% of households		Cumulative %	
	Martinsville	Henry County	Martinsville	Henry County
Under \$10,000	17%	12%	17%	12%
\$10,000 - \$15,000	10%	8%	27%	20%
\$15,000 - \$20,000	11%	9%	38%	29%
\$20,000 - \$30,000	16%	18%	53%	47%
\$30,000 - \$40,000	13%	15%	66%	62%
\$40,000 - \$50,000	9%	12%	75%	74%
\$50,000 - \$70,000	12%	14%	87%	88%
\$70,000 - \$80,000	3%	4%	90%	92%
\$80,000 - \$100,000	4%	4%	94%	96%
\$100,000 - \$120,000	2%	2%	96%	97%
\$120,000 - \$150,000	2%	1%	98%	98%
\$150,000+	2%	2%	100%	100%

Table 5: Percentages of Martinsville and Henry County residents, by household income (*Sources: 2000 Census of Population*)

Household and per capita income: Martinsville has more households with very low household incomes than Henry County, with 38 percent of Martinsville households earning less than \$20,000 per year (versus only 29 percent in the County) [TABLE 5]. The percentages of households in different income categories barely changed in Martinsville between the 1990 and 2000 Censuses [TABLE 6].

Household income	% of Martinsville households	
	1990	2000
Under \$10,000	22%	17%
\$10,000 - 15,000	10%	10%
\$15,000 - 20,000	12%	11%
\$20,000 - 30,000	15%	16%
\$30,000 - 40,000	13%	13%
\$40,000 - 50,000	9%	9%
\$50,000 - 70,000	9%	12%
\$70,000 - 80,000	2%	3%
\$80,000 - 100,000	3%	4%
\$100,000 - 120,000	1%	2%
\$120,000 - 150,000	1%	2%
\$150,000 and over	2%	2%

Table 6: Changes between 1990-2000 in the percentages of Martinsville households of different income levels (*Sources: 1990 and 2000 Census of Population*)

Sources of income: Martinsville and Henry County residents are less likely to have self-employment income than residents of the rest of the

Commonwealth, but the percentage of Martinsville/Henry County residents with interest, Social Security, public assistance and retirement income is similar to that of the Commonwealth as a whole [TABLE 7].

	Virginia	Martinsville	Henry County
Wage or salary income	73%	69%	74%
Self-employment income	13%	7%	9%
Interest, dividends, or net rental income	28%	28%	27%
Social Security income	33%	35%	32%
Supplemental Social Security income	5%	6%	5%
Public assistance income	5%	6%	3%
Retirement income	17%	18%	19%

Table 7: Percentages of Martinsville and Henry County residents with different types of salary and non-salary income (Sources: 2000 Census of Population).

Household size: Household size affects a household’s spending patterns in a number of ways, from a household’s likelihood of eating at home (more likely for large households than small ones) versus dining out (more likely for small households than large ones) to its likelihood of spending money on household operations (like lawn care services) or of taking care of household chores itself.

There are a few retail categories in which household spending increases incrementally with each additional household member (groceries, for example). But there are many categories in which household spending patterns are remarkably similar regardless of household size. For example, there is no significant difference in the amount a typical two-person household is likely to spend this year on major appliances (\$245) than a typical four-person household (\$244), or on how much small and large households are likely to spend on reading (\$97 for an average one-person household, versus \$118 for an average household of five or more people). Generally speaking, large households find ways to economize - they hand clothes down from older to younger children, for example, and they tend to borrow books from a library rather than buying them at a bookstore.

Household size	% of households		Cumulative %	
	Martinsville	Henry County	Martinsville	Henry County
One person	34%	26%	34%	26%
Two people	33%	36%	67%	62%
Three people	15%	19%	82%	81%
Four people	11%	13%	93%	94%
Five or more people	7%	6%	100%	100%

Table 8: Percentages of Martinsville and Henry County residents, by household size (*Sources: 2000 Census of Population*)

The most significant differences in spending, according to household size, are those between one-person and two-person households (and, to an extent, between two-person and three-person households). One-

third of Martinsville’s households are one-person households, and two-thirds of the city’s households consist of two people (67 percent, versus 62 percent in Henry County), suggesting that there may be slightly stronger consumer demand in Martinsville than in the County for home furnishings, personal services, restaurants, and entertainment [TABLE 8].

Race/ethnicity: Martinsville has a significantly higher percentage of African American residents than Henry County and the Commonwealth of Virginia [TABLE 9] – and, as with household size, household income, and householder age, the percentages of Martinsville and Henry County residents of different racial/ethnic groups have changed only very slightly since the 1990 Census of Population. Race and ethnicity influence consumer purchasing decisions in numerous ways, from food preferences to the likelihood that a shopper will respond to certain types of purchasing incentives.

	Virginia	Martinsville	Henry Co.
White alone	72%	56%	74%
Black/African American alone	20%	42%	23%
American Indian/Alaska Native alone	-	-	-
Asian alone	4%	-	-
Native Hawaiian/Pacific Islander alone	-	-	-
Some other race alone	2%	1%	1%
Two or more races together	2%	1%	1%

Table 9: Percentages of Virginia, Martinsville and Henry County residents, by race/ethnicity (Sources: 2000 Census of Population)

Workplace: It appears that Martinsville (like Danville) serves as an employment center for the surrounding area – 88 percent of employed Henry County residents commute to another community (including Martinsville) for work [TABLE 10].

Place	Worked in place of residence	Worked outside place of residence
Virginia	36%	64%
Martinsville	44%	56%
Henry County	12%	88%
Martinsville + Henry Co	25%	75%
Danville	76%	24%
Pittsylvania County	26%	74%

Table 10: Percentages of area residents who work in or outside their places of residence (Sources: 2000 Census of Population)

Housing tenure: Homeownership rates are relatively low in Martinsville, with 60 percent of Martinsville residents living in owner-occupied housing (versus 77 percent in Henry County) [TABLE 11].

Place	Owner-occupied	Renter-occupied
Virginia	68%	31%
Henry County	77%	23%
Martinsville	60%	40%

Table 11: Percentages of residents of Martinsville and Henry County who live in owner-occupied and renter-occupied housing (Sources: 2000 Census of Population)

Psychographics: To better understand how Martinsville and Henry County area residents spend their leisure time and how they shop, we also obtained psychographic data from ESRI about area residents.

ESRI – a company that provides demographic, GIS and economic data to businesses and governments – uses a proprietary program called “Community Tapestry” to identify neighborhoods whose residents have similar demographic and lifestyle characteristics. ESRI examines more than 60 factors, including income, home value, occupation, household composition, education, magazine subscriptions, hobbies, and spending patterns. ESRI then assigns residential neighborhoods to one of 65 segments – with names like “Suburban Splendor” and “Rustbelt Retirees” – based on each neighborhood’s predominant demographic, lifestyle, and shopping preferences. This information provides a rich profile of the lifestyle characteristics of people who live in a community – characteristics that influence how people shop and spend their leisure time. These preferences help explain, for example, why two people with nearly identical demographic characteristics may prefer different retail products and services. One might like domestic beer, for example, while the other prefers imported beer. One might prefer Levi’s jeans, but the other might prefer Calvin Klein. One might prefer staying at home in the evenings and watching television, while another might prefer going out to a movie, concert or sports event.

ESRI divides residents of Martinsville and Henry County into four major psychographic groups:

- “Factories and Farms”, of which most belong to one of four subsets –“Southern Satellites”, “Home Town”, “Salt of the Earth”, and “Rural Bypasses”. ESRI defines these four subset groups this way:
 - Southern Satellites: “*Southern Satellites* neighborhoods are rural settlements, primarily in the South, that are dominated by employment in a single manufacturing and/or construction industry. Families in this market own newer single-family or mobile homes, with a median value of approximately \$79,000. With a median age of 37 years, these residents are slightly older than the national median. *Southern Satellites* residents enjoy country living. They listen to country music and participate in fishing and hunting activities. Their rural setting makes satellite dishes popular and often necessary. They invest time in vegetable gardening over home improvement. They are likely to own riding mowers, garden tractors, and tillers. Vehicles are important to these residents; they frequently own two or more vehicles to meet their transportation requirements.”
 - Home Town: “*Home Town* residents stay close to their home base. Although they may move from one house to another, they rarely cross the county line. Single-family homes predominate in these suburban neighborhoods with low population density, found mainly in the Midwest and South. The median home value is \$58,900; more than half of *Home Town* residents own their homes. The local job market offers employment primarily in the manufacturing, retail trade, and support services industries. Residents enjoy going to movies, museums, and zoos and indoor activities such as reading and playing cards. They like to watch CNN, Fox News, Discovery

Channel, and any movie channel. Many own pets. Perhaps hindered by a lack of choice, they tend to shop for apparel at discount stores or small local malls, but they are gaining confidence in purchasing online.”

- o Salt of the Earth: “A blue-collar, rural or small town lifestyle best describes *Salt of the Earth* residents. They work hard, primarily in the agriculture, manufacturing, or mining sectors. The labor force is slightly older than the U.S. average with low unemployment. Their median household income of \$47,400 is slightly less than that of the U.S. median. Mostly married couples, *Salt of the Earth* residents own their own homes. Their median age is 40 years. Rooted in their settled, traditional, and hard working environments, they handle small home improvement projects and vehicle maintenance. They are active in civic duties, making an effort to vote in elections and participate in fund-raising events. Veterans’ clubs and church are an integral part of these communities. *Salt of the Earth* residents are regular and thorough newspaper readers; watching television is less important to them. They listen to country music radio programs. When they take vacations, they drive to domestic destinations.”
- o Rural Bypasses: “Small towns and country back-roads, primarily in the South, are home to these families. Most own their homes, either single-family homes – which make up two-thirds of the housing stock – or mobile homes. Median home value is \$55,500, and vacancies are higher than average. Manufacturing and service industries dominate the local economy. *Rural Bypasses* residents save money by dining at home and maintaining their homes and gardens themselves.

Residents subscribe to limited cable television service to watch sports programs, particularly NASCAR racing, football games, and fishing shows. They prefer listening to country music and reading fishing, hunting, and auto magazines. They tend to shop at discount stores but occasionally purchase apparel at JC Penney or Sears."

- "Senior Styles", of which there are three primary subsets – "Heartland Communities", "Simple Living", and "Prosperous Empty Nesters". ESRI defines these psychographic segments this way:
 - Heartland Communities: "*Heartland Communities* neighborhoods are preferred by more than 6.5 million people. These neighborhoods can be found in small towns throughout the Midwest and South. More than 75 percent of homes are single-family dwellings with a median home value of \$70,900. Most homes are older, built before 1960. The median age of the population is 41 years; the median age of the homes is 46 years. The distinctly country lifestyle of these residents is reflected in their interest in country music, hunting, and freshwater fishing. They are avid gardeners. Residents tend to participate in religious and civic activities, with many interested in local politics. When eating out, they prefer family restaurants, such as Applebee's and Cracker Barrel, and fast-food chains such as McDonald's and Pizza Hut."
 - Simple Living: "The median age for this market is 40 years, although a high percentage of the population is 75 years or older. Most residents are retired seniors who live alone or in congregate housing. The majority rent apartments in multiunit buildings. There is some retirement income, but many rely on

Social Security benefits. Younger residents enjoy going to nightclubs and dancing, while seniors attend bingo nights and pursue hobbies such as photography, bird watching, and woodworking. To stay fit, *Simple Living* residents walk, swim, and play golf. Cable or satellite television is a must, but many households do not own a PC, cellphone, or DVD player. Residents watch a lot of TV, especially family programs and game shows.”

- Prosperous Empty Nesters: “More than half of these residents are aged 55 years or older. Most households are married couples with no children living at home. Well educated and experienced, *Prosperous Empty Nesters* residents are enjoying the lifestage transition from child rearing to retirement. A median income of more than \$64,000 supports a lifestyle that focuses on travel, home renovation, and investment for the future. Concerned about their health, these residents play golf, go biking and skiing, and work out frequently. *Prosperous Empty Nesters* residents are active in their communities; they work on political campaigns, join fraternal organizations, and donate to charities. They are financially active, too. They plan their investments and save for retirement through the use of financial services and brokerage firms.”
- “Traditional Living”, of which most belong to a single subset, “Midlife Junction”, which ESRI describes this way: “Somewhere between the child rearing years and retirement lies the *Midlife Junction* segment. Few households still have children. Most of the labor force is still employed but approaching retirement. Approximately one-third of these residents already draw retirement income. Most still own their homes, but many have eschewed home ownership responsibilities

and moved into multiunit apartment buildings. The housing market is a mix of single-family homes and low-density apartments, somewhere between urban and rural. *Midlife Junction* residents have a median age of 40 years and a median household income of \$42,900. They live quiet, settled lives. They spend their money prudently and do not succumb to fads. They are comfortable shopping online or by phone. Dining out on the weekends at full-service restaurants is a favorite activity; they also patronize fast-food establishments. They enjoy gardening, watching television, and reading books and the newspaper.”

- “Metropolis”, to which ESRI assigns residents *only* in Martinsville, has two subgroups:
 - Metro City Edge: “*Metro City Edge* incorporates older, suburban neighborhoods of metropolitan cities. Home to singles and single-parent families, this market is young, with a median age of 29 years. More than half of *Metro City Edge* residents own their homes – single-family dwellings with a median value of \$73,400. The labor force is varied, with jobs primarily in the service sector. The median household income is \$30,200. Their primary concern is the welfare of their children, so they watch their pennies, buying household items and children’s clothing in bulk at superstores and wholesalers. They tend to shop at grocery stores such as Food Lion, Kroger, and Piggly Wiggly. Paying for home internet access is not a priority, so many will use the internet at work or at the library. They usually exercise at home, enjoy walking, and participate in community sports such as basketball and football.”

- o Modest Income Homes: “Most residents in these neighborhoods earn modest incomes. Half of them own their homes, mainly single-family homes in older suburbs of metropolitan cities. The median home value is \$51,100. *Modest Income Homes* residents are family oriented and multigenerational. The median age is 34 years. Television is central to the lives of these residents; they frequently watch daytime and primetime shows. They are content to wait for movies to be shown on TV instead of going to the theater, and they prefer to watch movies on Lifetime, TNT, and USA Network. They enjoy watching major sports events on TV also. Being frugal, they shop at discount stores, limit their long-distance calls, and do not pay for access to the internet. Residents tend to drive used domestic sedans.”

Overall, the psychographic segments into which ESRI divides the community are generally those of frugal, hard-working, self-reliant people who enjoy country music, outdoor activities, watching television, and participating in church and community activities.

But there are some interesting, and significant, differences between ESRI’s psychographic profile of Martinsville residents and that of Henry County residents. While ESRI’s profiles suggest that residents of the two jurisdictions have many things in common, it also suggests that Martinsville residents are slightly more inclined to live in apartments or multi-unit buildings and to participate in social activities outside the home (like going to movies and dances, playing bingo, and traveling) than Henry County residents, who are slightly more inclined to absorb themselves in activities around the house.

TAPESTRY category	Martinsville	Henry County
Factories and Farms	26.1%	72.1%
Southern Satellites	-	39.5
Home Town	26.1	1.8
Salt of the Earth	-	19.2
Rural Bypasses	-	11.8
Senior Styles	39.8%	7.5%
Heartland Communities	-	7.5
Simple Living	22.8	-
Prosperous Empty Nesters	17.0	-
Traditional Living	12.4%	10.4%
Rustbelt Traditions	6.5	
Midlife Junction	5.9	10.4
Metropolis	17.1%	0.0%
Metro City Edge	5.4	-
Modest Income Homes	11.7	-

Table 12: Percentages of residents of Martinsville and Henry County assigned to various ESRI Tapestry psychographic segments (*Source: ESRI*)

RETAIL CHARACTERISTICS

There are many different sources of information available about retail activity in the United States – data from the federal government (usually collected for economic monitoring, resource consumption, or tax purposes); from state and local governments (usually collected for tax purposes); from companies that gather and publish retail sales information for developers, retailers, suppliers, and researchers; from advertising media; and much more. Each of these sources of

information has its strengths and weaknesses in helping provide a profile of retailing in a particular district, community or region.

We have relied primarily on three sources of retail sales data:

- The [Economic Census](#), conducted every five years (in years that end in -2 and -7) by the US Bureau of the Census, reports on most aspects of commerce in the United States. Information from the Economic Census is published in a series of more than a dozen reports, several of which we have used in our analysis – the *Census of Retail Trade*; *Census of Accommodation and Food Services*; *Census of Information*; *Census of Arts, Entertainment, and Recreation*; and *Census of Other Services*, in particular. The Economic Census reports total sales estimates based on North American Industry Classification System (NAICS) categories.
- [ESRI](#), an international provider of economic data and GIS information, provides estimates of actual retail sales based on several data sources, including information from the Economic Census, utility accounts, magazine subscriptions, proprietary surveys, and other sources. Like the Economic Census, it reports total sales estimates based on NAICS categories.
- The [Virginia Department of Taxation](#) tracks taxable retail sales in municipalities, based on information provided to it by municipal departments of revenue. Beginning in mid-2005, it began reporting sales in NAICS categories. However, taxable retail sales are generally lower than *total* retail sales, as retail sales tax is not charged on items such as food and pharmaceuticals in Virginia.

NAICS	Category	Estimates of actual retail sales		
		Economic Census (2002)	VA Dept of Tax. (2005-06)	ESRI (2005)
441	Motor vehicle + parts dealers	33,985,000	4,028,000	26,062,000
442	Furniture + home furnishings stores	NR ⁶	920,000	24,233,000
443	Electronics + appliance stores	NR	1,719,000	18,453,000
444	Building material + garden equip. + supplies	39,995,000	8,642,000	11,441,000
445	Food + beverage stores	35,924,000	18,448,000	15,879,000
446	Health + personal care stores	NR	511,000	7,302,000
447	Gasoline stations	33,350,000	1,161,000	11,427,000
448	Clothing + clothing accessories stores	16,030,000	5,763,000	6,309,000
451	Sporting goods, hobby, book + music stores	3,618,000	3,235,000	2,194,000
452	General merchandise stores	24,393,000	21,529,000	24,696,000
453	Miscellaneous store retailers	NR	3,053,000	2,733,000
454	Nonstore retailers	6,507,000	1,129,000	76,674,000
722	Food services + drinking places	25,242,000	15,134,000	14,425,000

Table 13: Comparison of retail sales estimates for various retail categories for the City of Martinsville (*Sources: 2002 Economic Census; ESRI; Virginia Department of Taxation*)

The retail sales estimates reported by these three sources are similar in a few categories, but in most categories there are significant differences, reflecting differences in how data is collected and the reasons for which it is collected (nontaxable items, for example, are typically not reported by state departments of taxation).

We have used data from all three sources in our analysis, relying primarily on data from the Economic Census for analyzing multi-year trends and on data from all three sources for estimating existing sales

⁶ NR = Data not reported by the US Census Bureau.

for the purpose of measuring gaps between potential and actual sales in the area.

First, we looked at the overall condition of retail activity in Martinsville and Henry County.

Changes in retail sales: In general, retailing in the Martinsville/Henry County area is weak. Retail vacancy levels are relatively high, and sales have been stagnant or have declined over the years.

Category	Sales (\$000)		
	2002	1997	% chng
Motor vehicles and parts dealers	33,795	43,944	-23%
Furniture/home furnishings stores	NR	2,282	
Electronics and appliances stores	NR	1,850	
Building materials, garden equip.	39,995	19,537	105%
Food + beverage stores	35,924	NR	
Health + personal care stores	NR	8,847	
Gasoline stations	33,350	23,006	45%
Clothing + accessory stores	16,030	19,227	-17%
Sporting goods, hobby, books, music	3,618	3,504	3%
General merchandise	24,393	79,447	-69%
Misc. store retailers	NR		
Nonstore retailers	6,507		-
Restaurants	25,242	23,265	8%
<i>Total</i>	<i>243,814</i>	<i>272,049</i>	<i>-10%</i>

Table 14: Total retail sales in various types of stores in Martinsville, as reported in the *Economic Census, 1997-2002* (source: 1997 and 2002 Census of Retail Trade; 1997 and 2002 Census of Accommodation and Food Services; CLUE Group)

Total retail sales (taxable and non-taxable) declined by ten percent in Martinsville between 1997 and 2002, according to the *Census of Retail Trade* and *Census of Accommodation and Food Services*, with the largest increases in categories that have lost sales to discount stores [TABLE 14]. Henry County's sales increased by 22 percent over the same period of time (sales in the overall United States increased by 24 percent).

Sales per capita: Martinsville's *per capita* retail sales level of \$15,816 is actually higher than that of Virginia and US *per capita* sales, but Henry County's *per capita* sales dip below the state and US levels, at \$7,891. This reflects Martinsville's role as the County's leading trade center. But, together, the City and County have combined *per capita* retail sales of \$9,557, below state and national norms [TABLE 15].

Place	Total sales	Population	Sales per capita
USA	\$ 3,377,822,505,000	295,507,134	\$ 11,431
Virginia	88,534,044,000	7,078,505	12,507
Martinsville	243,814,000	15,416	15,816
Henry County	457,147,000	57,930	7,891
Martinsville + Henry Co.	700,961,000	73,346	9,557

Table 15: Total retail sales (including restaurants/food service) *per capita* in Martinsville, Henry County, Virginia, and the United States (*Sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2000 Census of Population; CLUE Group [sales per capita]*)

Average store sales: Martinsville’s retail stores and restaurants averaged \$1.362 million in gross annual sales in 2002, significantly below the per-store averages for the nation and state. Henry County’s businesses averaged higher sales (\$1.843 million), but still below state and national averages. Together, the City’s and County’s businesses averaged \$1.642 million in gross sales in 2002 [TABLE 16].

City	Total sales	# stores	Sales/store
United States	\$ 3,377,822,505,000	1,619,278	\$ 2,086,005
Virginia	88,534,044,000	40,633	2,178,870
Martinsville	243,814,000	179	1,362,089
Henry County	457,147,000	248	1,843,335
Martinsville + Co.	700,961,000	427	1,641,595

Table 16: Average sales per retail store (including restaurants/food service) in the US, Virginia, Martinsville, and Henry County (Sources: *Census of Retail Trade 2002*; ESRI; CLUE Group)

Next, we looked at retail activity within uptown Martinsville

Business inventory: Uptown Martinsville contains 39 of the City’s 129 retail businesses. Many of the City’s professional offices, service-related businesses, and nonprofit organizations are also located in the district, bringing the total number of business entities (retail and non-retail) to approximately 260, of which the overwhelming majority – 74 percent – are service-related businesses [TABLE 17]. Only 15 percent of the district’s businesses are retail stores and two percent are

restaurants, with arts/entertainment accounting for less than one percent of the district's businesses.

Category	Number	Percent
Retail	39	15%
Restaurant	6	2%
Personal services	49	19%
Professional services	52	20%
Real estate	20	8%
Financial	23	9%
Industry	16	6%
Nonprofit, education, religious	38	15%
Government	7	3%
Other	10	4%

Table 17: Numbers and percentages of businesses in uptown Martinsville (*Sources: MURA; National Trust for Historic Preservation; CLUE Group*)

Jobs: Uptown Martinsville's 260 businesses, government offices, and nonprofit organizations, provide approximately 800⁷ full-time-equivalent jobs, representing retail buying power of approximately \$10.4 million, including \$1.9 million in retail demand for groceries, \$1.3 million, in restaurant meals, and \$0.8 million in home furnishings [TABLE 18].⁸

⁷ This is a conservative estimate, based on a downtown business inventory compiled by the National Trust for Historic Preservation and information from comparable commercial districts compiled by the CLUE Group.

⁸ We have based the estimate of retail demand generated by downtown workers on our assumption that 75 percent of the households represented by downtown workers are

Product/service	Market demand
Groceries	\$ 1,871,000
Dining out	1,319,000
Housekeeping supplies	329,000
Household furnishings/equipment	859,000
Apparel and apparel-related services	987,000
Vehicle purchases	1,917,000
Gasoline, motor oil, vehicle maintenance	1,306,000
Drugs and medical supplies	383,346
Fees and admissions	64,000
TVs, radios, sound equipment	446,000
Pets, toys, playground equipment	216,000
Athletic, camping, hunting, exercise equipment	61,000
Hobbies (photography; stamp/coin collecting)	42,000
Personal care	357,000
Reading	59,000
Tobacco products and smoking supplies	175,000
Total	\$ 10,391,000

Table 18: Estimated market demand generated by the households represented by uptown Martinsville workers (*CLUE Group*)

“unique” (or, in other words, that 25 percent of the people who work in downtown Martinsville may belong to a household that includes at least one other downtown worker).

SALES VOID ANALYSIS AND RETAIL MARKET DEMAND

Sales void analyses measure the difference (or gap) between sales demand (the amount of money people in a given area are likely to spend on various retail goods and services) and the amount of retail sales that businesses in the area are actually capturing. People shop in many places – stores close to home and work, businesses they visit in nearby communities or while on vacation, from catalogs, online, etc. – so the amount of market demand that exists in a given area almost never matches the retail sales that businesses in the area achieve. The difference between sales potential and actual sales might be positive (generally meaning that the area is attracting outside shoppers) or negative (generally meaning that area is losing local shoppers).

In most cases, a sales leakage suggests that there is unmet demand in the community for the product or service being measured and that the community can therefore probably support additional square footage of that type of business (either in one or more existing businesses or, if there is enough demand, in one or more new businesses).

But, in some instances, this is not the case. While a sales leakage suggests that there is unmet demand in the community for a product or service, it does not necessarily mean that the community can, in fact, support one or more businesses (or additional square footage in an existing business) selling that product or service. There could be a strong competitor in a nearby community, for example, which is so popular that a new business would have difficulty competing. There could be a cultural reason why local customers might not be likely to buy certain products or services, even though it might appear that they have the “buying power” to do so. Or, there could be any

number of other reasons why the presence of a sales leakage might not necessarily translate into a business opportunity for the district.

Similarly, a sales *surplus* in a particular category does not necessarily mean that a district *cannot* support additional businesses of that type. Many districts have become well known within their regions for having a strong cluster of home furnishings stores, restaurants, or other specialties that attract shoppers from a broad geographic area. Having established regional dominance in a niche, they are often able to attract even more customers from that region – and therefore to support additional businesses within those categories or related categories. Many communities find that they have sales surpluses in some categories and sales leakages in others – and this can sometimes be an indicator of regional economic shifts underway.

Sales void analysis is initially a measurement of the extent to which a community's own residents are making retail purchases locally. But it can also be a useful tool for understanding the buying power people of different types of people and for identifying pockets of opportunity to better meet local retail needs or to capitalize on opportunities that might exist for a community other than those created by area residents – sales to tourists and visitors, for example, or to any other group for which demographic information is available. This information can help businesses reposition themselves or market their products and services more effectively, add new product lines, and/or launch new businesses. With online shopping growing almost exponentially every year, the marketplace for many downtown businesses is shifting from local to global, making it possible for businesses that would have been largely dependent on purchases by community residents and visitors a decade or two ago to reach customers almost anywhere in the world. This means that, with a good marketing plan and a solid

understanding of ecommerce, highly specialized retail businesses can locate in historic downtowns without necessarily needing to rely primarily on locally-generated sales – and the methodology used in sales void analysis to estimate the buying power of specific groups can also help identify potential opportunities to sell specialized goods and services to large, geographically dispersed groups of customers.

We began by estimating the “buying power” of Martinsville and Henry County residents for retail goods and services [TABLE 19].

	Buying power		
	Martinsville	Henry Co	TOTAL
Food + beverages			
Groceries	18,999,000	71,545,000	90,544,000
Dining out	12,433,000	47,188,000	59,621,000
Alcoholic beverages (consumed at home)	1,453,000	5,500,000	6,953,000
Alcoholic beverages (consumed in restaurants)	879,000	3,329,000	4,208,000
Housekeeping supplies			
Laundry and cleaning products	52,000	202,000	254,000
Other household products	1,543,000	5,777,000	7,321,000
Stationery, gift wrap	391,000	1,453,000	1,843,000
Postage	401,000	1,528,000	1,929,000
Delivery services	27,000	103,000	130,000
Furniture and furnishings			
Household textiles	787,000	2,958,000	3,745,000
Furniture	1,964,000	7,282,000	9,246,000
Floor coverings	232,000	885,000	1,117,000

Major appliances	1,037,000	3,996,000	5,033,000
Small appliances, misc. housewares	601,000	2,273,000	2,874,000
Window coverings	101,000	367,000	468,000
Infants' equipment	43,000	159,000	202,000
Laundry and cleaning equipment	86,000	326,000	413,000
Outdoor equipment	170,000	609,000	780,000
Clocks	35,000	124,000	159,000
Lamps and lighting fixtures	71,000	256,000	327,000
Household decorative items	742,000	2,734,000	3,476,000
Telephones and accessories	122,000	465,000	587,000
Lawn and garden equipment	236,000	917,000	1,153,000
Hand and power tools	206,000	805,000	1,012,000
Hardware	409,000	1,602,000	2,011,000
Office furniture for home use	46,000	161,000	207,000
Indoor plants and fresh flowers	198,000	746,000	944,000
Closet and storage items	77,000	273,000	350,000
Furniture rental	16,000	63,000	79,000
Luggage	31,000	113,000	144,000
Computers/hardware (nonbusiness use)	666,000	2,492,000	3,159,000
Computer software/accessories (nonbusiness use)	93,000	353,000	446,000
Telephone answering devices	5,000	19,000	23,000
Business equipment for home use	13,000	48,000	60,000
Apparel and footwear			
Men's clothes	1,521,000	5,709,000	7,231,000
Boys' clothes	475,000	1,800,000	2,275,000
Women's clothes	3,222,000	11,954,000	15,176,000
Girls' clothes	543,000	2,050,000	2,592,000
Clothes for children under 2	435,000	1,619,000	2,054,000
Footwear	1,812,000	6,770,000	8,582,000

Watches, jewelry and repair	613,000	2,261,000	2,874,000
Shoe repair	5,000	19,000	24,000
Tailoring, alterations, repair	25,000	92,000	117,000
Laundry and dry cleaning	524,000	1,903,000	2,427,000
Other apparel items and services	121,000	486,000	607,000
Automotive			
Vehicle purchase	17,091,000	66,123,000	83,215,000
Gasoline and motor oil	8,788,000	33,748,000	42,536,000
Vehicle maintenance and repairs	3,479,000	13,194,000	16,673,000
Medical			
Nonprescription drugs	468,000	1,740,000	2,209,000
Nonprescription vitamins	280,000	1,060,000	1,340,000
Prescription drugs	2,189,000	8,264,000	10,453,000
Eyeglasses and contact lenses	242,000	911,000	1,153,000
Hearing aids	92,000	347,000	439,000
Medical supplies	172,000	654,000	827,000
Medical equipment (rental and sales)	111,000	431,000	542,000
Entertainment			
Movie, theatre, opera, ballet tickets	460,000	1,721,000	2,181,000
All other fees and admissions	1,954,000	7,256,000	9,210,000
Musical instruments	93,000	350,000	443,000
TVs, stereos, radios, recorded movies and music	4,219,000	16,050,000	20,268,000
Pets, pet supplies, pet care	1,395,000	5,300,000	6,695,000
Toys, games, arts, crafts, tricycles	519,000	1,989,000	2,507,000
Stamp and coin collecting	26,000	92,000	118,000
Playground equipment	13,000	49,000	62,000
Athletic gear, game tables, exercise equipment	236,000	885,000	1,121,000

Bicycles	55,000	201,000	256,000
Camping gear	74,000	263,000	337,000
Hunting and fishing equipment	179,000	662,000	840,000
Winter sports equipment	20,000	68,000	88,000
Other sports, recreation and exercise equipment	20,000	71,000	91,000
Photographic equipment, supplies, services	65,000	249,000	315,000
Personal care			
Hair care products	347,000	1,316,000	1,663,000
Wigs and hairpieces	384,000	1,451,000	1,834,000
Shaving needs	96,000	362,000	458,000
Cosmetics, perfume, bath preparations	779,000	2,940,000	3,720,000
Other personal care products	599,000	2,240,000	2,838,000
Personal care services	1,371,000	5,179,000	6,550,000
Reading			
Newspapers	282,000	1,061,000	1,343,000
Magazines and newspapers	149,000	545,000	694,000
Books	274,000	1,023,000	1,298,000
Tobacco products/smoking supplies			
Tobacco products/smoking supplies	1,812,000	6,908,000	8,721,000
Total buying power (\$000)	102,193,000	387,516,000	489,709,000
Population	15,416	57,930	73,346
<i>Per capita</i> buying power	\$ 6,629	\$ 6,689	\$ 6,677

Table 19: Buying power of residents of Martinsville and Henry County for a variety of products and services (*sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2002 Census of Information; 2002 Census of Arts, Entertainment, and Recreation; 2002 Census of Other Services; 2002 Census of Health Care and Social Assistance; ESRI; 2004 Consumer Expenditure Survey, CLUE Group*).

We found that people who live in Martinsville and Henry County have \$489,709,000 in retail “buying power” – meaning that, based on their income levels, ages, and other demographic characteristics, Martinsville and Henry County residents are probably spending about \$490 million annually on retail goods and services *somewhere*.

We next compared this amount of “buying power” to actual sales being captured by Martinsville and Henry County businesses⁹ [TABLE 20].

We found that Martinsville and Henry County have an overall sales leakage of about \$166 million. There are significant retail sales leakages in several categories – groceries (\$36 million leakage), dining out (\$70 million), vehicle purchases, and entertainment, in particular. These are partially offset by retail sales surpluses in several other categories, particularly household furnishings and equipment (with a \$64 million surplus) and housekeeping supplies (which almost certainly partially – but not completely – offsets the sales leakage in groceries).

⁹ *A note on methodology:* Sources of actual retail sales data report store sales information, rather than information on sales of specific product lines consumers purchase in these stores. There are many items, however, that a consumer might purchase from any of a number of different types of stores – for example, he or she might buy toothpaste at a pharmacy, grocery store, fast food market, dentist’s office, airport sundries shop, or any of a number of other places. Only 56 percent of the sales that take place in the nation’s grocery stores, for example, are sales of groceries. We have therefore used detailed information on product line purchases at different types of stores from the 2002 *Economic Census*, adjusted for 2005 sales levels using trends from the Virginia Department of Taxation’s taxable retail sales reports, and have then correlated these product line purchases with the product lines contained in the *Consumer Expenditure Survey*. We derived our estimates of actual sales from three sources – the *Economic Census*, the Virginia Department of Taxation’s taxable retail sales reports, and ESRI.

Category	Actual sales	Potential sales	Void
Groceries	113,586,000	149,590,000	(36,004,000)
Dining out	53,086,000	122,920,000	(69,834,000)
Alcoholic beverages	24,084,000	23,472,000	612,000
Housekeeping supplies	74,413,000	28,540,000	45,873,000
Household furnishings + equipment	154,121,000	89,923,000	64,198,000
Apparel + apparel-related services	89,523,000	93,427,000	(3,904,000)
Vehicle purchases	84,443,000	172,819,000	(88,376,000)
Gasoline and motor oil	82,524,000	73,484,000	9,040,000
Vehicle maintenance and repairs	14,887,000	31,582,000	(16,695,000)
Drugs (prescription + OTC)	24,397,000	19,716,000	4,681,000
Medical supplies	2,194,000	5,371,000	(3,177,000)
Entertainment	40,644,000	115,336,000	(74,692,000)
Personal care products + services	26,064,000	28,624,000	(2,560,000)
Reading materials	5,674,000	6,647,000	(973,000)
Tobacco, smoking products	16,959,000	11,066,000	5,893,000
Totals:	806,599,000	972,517,000	(165,918,000)

Table 20: Potential vs. actual sales in Martinsville and Henry County (sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2002 Census of Information; 2002 Census of Arts, Entertainment, and Recreation; 2002 Census of Other Services; 2002 Census of Health Care and Social Assistance; ESRI; Virginia Dept. of Taxation; 2004 Consumer Expenditure Survey, CLUE Group)

Finally, we looked at the retail buying power of Martinsville/Henry County residents according to various demographic characteristics [TABLE 21, for example¹⁰].

¹⁰ Detailed tables are included in *Appendix 1: Technical Appendix*, a supplement to this report.

Buying power of Martinsville + Henry Co. residents			
Characteristic	Groceries	Dining out	Sports, rec., exercise equip.
Household income			
Under \$20,000	19,748,000	9,152,000	462,000
\$20,000-30,000	13,688,000	7,845,000	492,000
\$30,000-40,000	13,413,000	8,471,000	269,000
\$40,000-50,000	11,744,000	7,878,000	307,000
\$50,000-70,000	14,832,000	10,888,000	535,000
\$70,000-100,000	9,236,000	7,601,000	543,000
\$100,000-120,000	2,800,000	2,473,000	132,000
\$120,000 and over	5,083,000	5,313,000	146,000
Age of householder			
Under 25	2,214,000	2,225,000	51,000
25-34	13,365,000	10,802,000	482,000
35-44	24,520,000	17,964,000	712,000
45-54	23,641,000	17,109,000	918,000
55-64	16,455,000	12,310,000	1,167,000
65-74	13,294,000	7,944,000	569,000
75 and over	8,811,000	4,213,000	98,000

Table 21: Buying power of residents of Martinsville/Henry County for groceries; restaurant meals; and sports, recreation, and exercise equipment according to several demographic characteristics (*sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2002 Census of Information; 2002 Census of Arts, Entertainment, and Recreation; 2004 Consumer Expenditure Survey, CLUE Group*).

This analysis suggests that, although the City and county are experiencing retail sales leakages in many major retail categories, it is

likely that there are a number of demographic niches for which retail demand is oversaturated locally, but others for which there might be opportunities to expand existing product lines, launch new product lines, or create new businesses. In analyzing consumer surveys, we therefore looked in detail at where people with specific demographic characteristics currently shop for various goods and services.

Consumer surveys

Consumer surveys provide primary data about where people shop, why they shop in certain commercial districts, what they do when they visit the downtown, their impressions of the district, their demographic characteristics, and much more. Unlike published sources (such as the *Consumer Expenditure Survey*), surveys represent primary, on-the-ground research. Surveys sometimes confirm our assumptions; sometimes, they contradict them.

The National Trust for Historic Preservation and Uptown Martinsville conducted two consumer surveys during the course of our market analysis:

- an intercept survey of people in uptown Martinsville, and
- a community-wide web-based survey of Martinsville and Henry County residents.

Intercept survey: The National Trust and MURA conducted an intercept survey, literally 'intercepting' people on the sidewalks and asking them to complete the survey questionnaire. The surveys were conducted using random-sample selection, meaning that everyone who visits uptown Martinsville (workers, residents, shoppers, tourists, etc.) had an equal chance of being selected to participate in the survey, thus making it possible to apply the results of the survey (minus a small margin) to the entire population of district visitors. Surveys were conducted at various times of day, at varying locations in the district, over a seven-day period. The Trust and MURA collected

392 surveys, with a 95 percent confidence level and a plus/minus five percent margin of error.

Survey respondents – so, by extension, the entire population of people who visit uptown Martinsville – are slightly wealthier, more likely to live in a household with more than two people, and much more likely to be middle-aged than the overall population of the city, and a slightly higher percentage of women visit uptown Martinsville than in the city's overall population [TABLE 22].

The intercept survey yielded a wealth of information about the people who currently visit uptown Martinsville. For example:

- Half of all women who visit uptown Martinsville say their primary reason for doing so is because they work in the district. Only one-third of men give this as their primary reason for visiting, though.
- Men are almost twice as likely as women to visit uptown Martinsville to run errands.
- People over 65 are more likely than any other age group to say that their primary reason for visiting uptown Martinsville is to dine out in a restaurant.
- People of modest means are more likely than affluent residents to say that their primary reason for visiting uptown Martinsville is to go shopping or to browse.
- The survey respondents who say they most recently dined in uptown Martinsville are homemakers, students, and retired residents.

Characteristic	Survey	Census of Population	
		Martinsville	Henry Co.
Gender			
Female	58%	55%	51%
Male	42%	45%	49%
Age of householder			
Under 25	9%	4%	4%
25-34	12%	13%	14%
35-44	18%	20%	21%
45-54	25%	17%	19%
55-64	23%	14%	17%
65-74	8%	16%	14%
75 and over	4%	17%	11%
Household income			
Under \$20,000	23%	38%	29%
\$20,000 - \$40,000	26%	28%	33%
\$40,000 - \$70,000	22%	21%	26%
\$70,000 - \$100,000	15%	7%	8%
\$100,000 - \$120,000	4%	2%	2%
\$120,000 and over	11%	4%	3%
Race/ethnicity			
Black/African American	45%	42%	23%
White	51%	56%	74%
Other	4%	2%	3%

Table 22: Uptown Martinsville intercept survey demographics and Census of Population comparison for Martinsville and Henry County (*sources: 2000 Census of Population; National Trust for Historic Preservation*)

Characteristic	Work uptown	Shopping/ browsing	Dining out	Doing errands	Visiting a professional office	Visiting a personal services business	Farmers' market	Vacation	Other
All respondents:	43%	10%	8%	16%	4%	5%	1%	1%	12%
Gender:									
Female	51%	10%	8%	13%	2%	7%	-	-	8%
Male	33%	12%	6%	21%	6%	4%	1%	1%	16%
Age of householder:									
Under 18	20%	40%	-	20%	-	-	-	-	20%
18-24	31%	10%	7%	34%	-	10%	-	-	7%
25-34	41%	15%	9%	9%	7%	4%	2%	-	13%
35-44	46%	9%	6%	13%	4%	7%	1%	-	13%
45-54	56%	11%	4%	15%	2%	3%	1%	1%	7%
55-64	47%	9%	6%	13%	5%	7%	-	-	14%
65-74	23%	13%	17%	20%	3%	7%	-	-	17%
75 and over	7%	-	29%	29%	14%	-	-	7%	14%

Table 23: What people of various demographic characteristics report as their primary reason for visiting uptown Martinsville on the day they participated in the intercept survey (*source: CLUE Group*)

Shopping area	Gender	
	Women	Men
Uptown Martinsville	4%	5%
Wal-Mart/Lowe's	21%	14%
Liberty Fair Mall	37%	36%
Roanoke/Lynchburg	4%	2%
Greensboro/High Point/Winston-Salem	7%	11%
Online or by catalog	13%	11%
I never buy this	6%	11%
Elsewhere	8%	10%

Table 24: Where uptown intercept survey respondents most recently shopped for books, by gender (source: CLUE Group)

	Place of employment						
	Uptown	Martinsville	Elsewhere	Homemaker	Student	Unemployed	Retired
Uptown Martinsville	16.8%	20.0%	14.7%	31.3%	31.8%	14.3%	31.0%
Wal-Mart/Lowe's	0.7%	2.2%	8.8%	0.0%	4.5%	4.8%	2.4%
Liberty Fair Mall	2.1%	4.4%	2.9%	0.0%	4.5%	9.5%	4.8%
Roanoke/Lynchburg	14.0%	4.4%	17.6%	12.5%	9.1%	9.5%	9.5%
Greensboro/High Point/ Winston-Salem	30.1%	22.2%	23.5%	18.8%	27.3%	9.5%	14.3%
Online or by catalog	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
I never buy this	4.9%	13.3%	2.9%	6.3%	9.1%	23.8%	11.9%
Elsewhere	31.5%	33.3%	29.4%	31.3%	13.6%	28.6%	26.2%

Table 25: Where uptown intercept survey respondents most recently went for fine dining, by place of employment (source: CLUE Group)

- People who work uptown are more likely to go to Greensboro/High Point/Winston-Salem (30%) or to go 'elsewhere' (31%) for fine dining than to go to an uptown Martinsville restaurant. Uptown workers' households have approximately \$1.3 million in 'buying power' for dining out.
- The only thing that survey respondents, as a whole, said they most often purchase in uptown Martinsville is hair and nail care. Uptown was survey respondents' second choice for furniture (after "elsewhere"), office supplies (after Liberty Fair Mall), family dining (after "elsewhere"), and take-out food (after "elsewhere").
- More survey respondents said that they most recently shopped at Wal-Mart/Lowe's for groceries (46 percent of respondents), home furnishings (47 percent), lawn/garden items (74 percent), recorded music (35 percent), pharmacy/personal care items (35 percent), hardware (65 percent), and toys/games (44 percent) than at any other shopping venue.
- More survey respondents said they had most recently shopped at Liberty Fair Mall for books (36 percent of respondents), men's clothing/shoes (37 percent), women's clothing/shoes (33 percent), children's clothes/shoes (26 percent), and office supplies (31 percent) than at any other shopping venue.
- A significant percent of survey respondents said that they shop in Greensboro, High Point, and Winston-Salem for men's, women's and children's clothes and shoes; home furnishings; family dining; and fine dining.

Where survey respondents last purchased...	Uptown Martinsville	Wal-Mart/ Lowes	Liberty Fair Mall	Roanoke/ Lynchburg	Greensboro/ High Pt/W-S	Online or By catalog	I never buy this	Elsewhere
Books	5%	18%	36%	3%	9%	13%	8%	9%
Men's clothing and shoes	8%	15%	37%	7%	13%	4%	7%	8%
Women's clothing and shoes	6%	17%	33%	6%	16%	4%	8%	11%
Children's clothing and shoes	3%	20%	26%	8%	12%	3%	20%	8%
Furniture	28%	9%	1%	5%	8%	2%	17%	32%
Groceries	8%	46%	18%	1%	1%	0%	1%	26%
Hair care, barber, and nail services	41%	10%	7%	1%	3%	0%	6%	31%
Home furnishings	10%	47%	13%	2%	10%	2%	6%	9%
Lawn + garden items	4%	74%	4%	1%	1%	1%	8%	7%
Music (vinyl, cds, etc.)	3%	35%	27%	2%	4%	11%	10%	8%
Office supplies	23%	20%	31%	2%	1%	3%	9%	11%
Pharmacy + personal care items	19%	35%	8%	1%	1%	1%	2%	33%
Hardware	7%	65%	2%	1%	2%	1%	12%	9%
Dining out (family dining)	29%	3%	9%	7%	15%	0%	2%	35%
Dining out (fine dining)	20%	2%	3%	12%	25%	0%	9%	29%
Take-out food	32%	4%	6%	2%	2%	0%	9%	45%
Toys and games	4%	44%	14%	4%	5%	4%	18%	8%

Table 26: Where uptown intercept survey respondents said they most recently purchased various retail goods and services (*source: CLUE Group*)

- Thirteen percent of survey respondents said they had most recently bought a book online or from a catalog, and ten percent said they had most recently bought recorded music online or from a catalog. A small percentage also said they buy clothes, home

furnishings, office supplies, and toys and games online or from a catalog.

Characteristic	ALL	Place of employment						
		Uptown	Martinsville	Elsewhere	Homemaker	Student	Unemployed	Retired
Overall attractiveness of the district	1.86	1.82	1.69	1.66	1.58	1.67	1.46	1.74
Business hours	1.82	1.73	1.70	1.54	1.63	1.71	1.63	1.74
Cleanliness (public spaces)	1.98	1.90	1.87	1.80	1.63	1.83	1.88	1.85
Cleanliness (stores)	2.06	1.95	2.06	1.93	1.74	1.96	1.79	1.98
Customer service	2.05	1.96	2.06	1.90	1.84	1.96	1.71	1.74
Festivals and events	1.95	1.84	1.85	1.61	1.63	1.83	1.67	1.52
Mix of businesses	1.59	1.47	1.46	1.51	1.32	1.67	1.36	1.31
Parking	1.96	1.96	1.83	1.90	1.42	1.67	1.88	1.72
Prices for value received	1.93	1.79	1.76	1.71	1.68	1.79	1.64	1.57
Safety (crime)	2.01	1.96	1.96	1.76	1.68	1.75	1.80	1.67
Safety (traffic + pedestrian)	2.07	2.01	1.91	1.83	1.79	1.79	2.00	1.85

Table 27: Attitudes about various aspects of uptown Martinsville on a scale of 1 (poor) to 3 (excellent) (source: CLUE Group)

- Survey respondents have a neutral, slightly negative impression of uptown Martinsville's characteristics and amenities. As a whole, they are most negative about business mix, business hours, and the overall attractiveness of the district. They give it higher (but not high) scores for safety, store cleanliness, and customer service.

“I appreciate feeling safe uptown.”

- In general, the district’s workers have slightly more positive impressions of the uptown area than others. But uptown workers have among the poorest impressions of the mix of businesses available uptown.
- Men have a better impression of uptown parking and safety than women do. Women have a better impression of customer service and festivals/events than men do.
- People over 65 years of age have the worst impressions of the overall attractiveness of the uptown area, of business hours, and of uptown festivals/events.
- People from affluent households have a more positive impression of customer service, parking, and safety than people from households of more modest means.
- White survey respondents have a more positive impression of customer service, parking, store cleanliness, and safety than African American survey respondents.
- Survey respondents who live in a household whose householder is 35 years of age or younger are significantly more likely to have shopped at Wal-Mart most recently for groceries and for office supplies than those from households whose householder is over 35.
- The more affluent they are, the more likely Martinsville and Henry County residents are to shop somewhere other than in Martinsville or Henry County for groceries: nearly 50 percent of intercept survey respondents who earn \$120,000 or more said they last

“I can’t buy Tylenol or Band-Aids.”

“Stop tearing things down to make way for all the ‘new industries’ we are going to get here. If we keep on there will be no more uptown Martinsville, just vacant lots waiting for a building.”

purchased groceries somewhere other than the shopping options included in the survey. More affluent Martinsville/Henry County households are also more likely to shop elsewhere for home furnishings, men’s and women’s clothing, furniture, hair care, pharmacy and personal care items, and take-out food than less affluent households.

Community survey: The National Trust and MURA also conducted a community-wide survey of Martinsville and Henry County residents in early/mid 2006. Unlike the intercept survey, which focused on the district’s current visitors, the community-wide survey reached both residents who visit uptown Martinsville as well as those who rarely or never do. The National Trust mailed post card invitations to a randomly-selected subset of all area households, inviting recipients to take a survey online (if the recipient preferred a paper version, the postcard included a number to call, and the National Trust mailed them a paper survey and a stamped, return envelope). In total, 165 people responded to the survey – not quite enough to provide a high enough confidence level for the survey responses to be representative of the sample population, but the surveys nonetheless yielded some valuable comments and suggestions.

We paid close attention to the written comments that participants in both the intercept and community surveys provided. In both surveys, there were some consistent themes:

- People like the district’s convenience, the friendly atmosphere, its quietness, its small town feel, and its walkability.

- People don't like its high vacancy rate, its business mix, its inactivity, its limited business hours, and its lack of variety.
- When asked what businesses they would most like to see, survey respondents mentioned many things – but, in particular, restaurants, clothing, and a bookstore.

And, there were many points on which survey respondents expressed strong – almost unanimous – agreement. Chief among these:

- Respondents expressed a strong desire for *something* to happen – for new jobs, new businesses, new opportunities.
- A number of people expressed optimism about the changes and new developments now beginning to take place and expressed confidence that things are heading in a positive direction.
- Many people commented on the need for storefront improvements.

Summary of major findings

<p>District strengths</p>	<p>Rapidly diversifying industries and business sectors National Register-listed historic district with important historic buildings Several specialized retail clusters (furniture; services; education) Committed government, civic institutions, and foundations African American heritage; proximity to Fayette Street Farmers' market Artisan Center, Piedmont Arts Association Virginia Museum of Natural History New College Institute, Patrick Henry Community College Planned sports complex/field house Emerging technology industry Variety of business assistance resources available; small business incubator Affordable buildings Furniture industry heritage</p>
<p>District weaknesses</p>	<p>Lack of cohesive business development and marketing strategy Limited retail business mix High vacancy rate Limited store hours Very weak online retail business presence Few ongoing retail business relationships with visitors No design guidelines (other than those connected to façade improvement incentives) Poor public image; sense of discouragement One-way streets Need for wayfinding system Many buildings in need of façade improvements; streetscapes lack design cohesiveness</p>

Table 28: Summary of major district strengths and weaknesses

- The population of the combined Martinsville/Henry County has been relatively stable in recent years. Martinsville's total population has grown smaller by several thousand people since 1970, offset somewhat by a small gain in Henry County's population. Both the City and County are projected to lose a few thousand residents over the next several decades.
- The number of households headed by younger people has declined in recent years, and the number of households headed by older people has increased. This could signal some changes in retail needs.
- Retail sales are relatively weak in the Martinsville/Henry County area. But, although sales are relatively weak, Martinsville appears to be functioning as a trade center for the area, with a *per capita* retail sales level higher than Henry County's. It also functions as an employment center, providing jobs for Henry County residents.
- Although residents of Martinsville and Henry County are very similar demographically and psychographically, there are some subtle differences that could represent market opportunities for uptown Martinsville. Martinsville has a higher number of one- and two-person households than the County, for instance, and its residents are somewhat more likely to participate in public, community events than County residents (who are somewhat more likely to prefer home-based activities). Martinsville also has a higher percentage of African American residents than Henry County.

- The Martinsville/Henry County area is experiencing significant sales leakages in several retail categories – groceries, dining out, vehicle purchases, and entertainment, in particular. It also has sales surpluses in several categories – notably household furnishings and equipment, almost certainly reflecting the area’s continuing ability to attract visitors interested in the community’s furniture industry heritage.
- The people who work in uptown Martinsville represent a captive market of customers who value the district’s convenience and who would almost certainly purchase more goods and services uptown if these goods and services were available and convenient. Uptown workers appear to be slightly more affluent than the community as a whole, with more money available to spend for retail goods and services.
- Although Martinsville’s furniture industry is much different from what it was several decades ago, the community is still well known for its furniture industry heritage and still attracts a steady stream of visitors interested in shopping for furniture and home furnishings.
- The new institutions that have located in uptown Martinsville – the New College Institute, Virginia Museum of Natural History, Artisan Center – and the planned field house all provide specialized opportunities for development of supporting retail and service product lines and businesses.
- In general, people who currently visit uptown Martinsville – both local residents and out-of-town visitors – have a neutral or slightly negative impression of the district’s appearance, its mix of

businesses, and its store hours. And the written comments that survey respondents provided have made clear that their low perception scores for these issues are, in fact, quite significant: these were among the most frequently mentioned issues in all survey comments.

- While the district's vacancy rate is high, its real estate prices are relatively low, which could provide opportunities for local entrepreneurs to buy and develop uptown property.
- A substantial amount of commercial development has taken place outside the uptown area over the years, deflecting sales from the uptown and eroding the critical mass of retail needed to sustain the district. The City's and County's planning documents do not provide much protection from further sales deflection in the future.

Recommendations

All older and historic commercial districts have a number of equally viable retail development alternatives, from focusing on locally-serving neighborhood districts (drawing largely on district workers and residents) to becoming regional destination business districts or, by tapping into the market power of the internet, even national destinations. The best path is generally one that:

- builds on the district's and the community's existing strengths and strategic advantages;
- has both market demand and consumer desire; and
- reflects local values and desires.

Martinsville faces enormous challenges. The tremendous loss of jobs and industries the community and region have suffered in recent years has shaken the community's economic foundation and made the task of rebuilding the economy, and the uptown area, extremely difficult.

But Martinsville also has enormous opportunities, and it has the strong commitment of many public- and private-sector entities to redirect the local economy and transform the community's future.

Based on our analysis of uptown Martinsville's strengths and weaknesses; demographic and retail trends in the district, city, and region; and consumer shopping patterns and preferences, we recommend the following:

1. Focus on strengthening existing businesses.

We believe that the most prudent way to begin to rebuild a strong retail core in uptown Martinsville is by strengthening the district's existing businesses.

We analyzed how many square feet of new retail space might be feasible if a portion of the retail sales currently leaking out of the community could be recaptured – and, theoretically, the uptown area *could* support a few new businesses in the categories experiencing the greatest leakage (particularly restaurants). But the district's current businesses appear to be underperforming. We therefore recommend helping the district's existing businesses increase sales by 20-30 percent before developing new, freestanding businesses (with the exception of a few new business clusters discussed in #5, below).

We recommend three specific actions:

- Introducing new product lines in existing businesses. Launching new product lines within existing businesses provides the added advantage of testing the new product line and building a market for it, then potentially spinning it off into a freestanding business. Examples of new product lines that might work well in uptown Martinsville include:
 - Specialty food items
 - Specialty books (e.g., furniture production, regional history, cooking)
 - Work boots
 - Specialty gardening tools
 - Heirloom seeds

- Plus-sized men's and women's clothes
- Men's and women's rugged work clothing
- Online auction service center

- Cultivating ongoing relationships with visitors. Uptown Martinsville benefits from visitors – and, even though each of these visitors might only come to uptown Martinsville once, he or she could become a long-term customer of the district's businesses. Personal contact strongly influences shoppers' decisions about where to buy things, and the internet has made it easy for business owners to stay in contact with customers. Businesses can maintain ongoing relationships with one-time customers through email, phone calls, postcards, and other venues.

- Shifting store hours. Uptown Martinsville's limited store hours are one of the factors most limiting to the district's success. We believe that the district could boost its retail performance by a minimum of 15-20 percent simply by routinely maintaining retail store hours until 6:00 p.m. There have been numerous studies conducted throughout the United States in recent years to try to determine the volume of retail purchases that are made at different times of day and different days of the week and, while each differs slightly in its findings, all agree that the overwhelming majority of retail sales in the United States are now made between 5:00-8:00 pm, on Saturdays, and on Sunday afternoons. This does not necessarily mean that district businesses need to stay open *more* hours; it could simply mean shifting store hours from nine-to-five to, say, ten-to-six or eleven-to-seven. We therefore recommend that the district's retail businesses routinely maintain store hours until 6:00 pm

(even if this means moving stores' opening times an hour or two later), with later hours on Friday and Saturday evenings, and that the district's property owners begin including clauses in their leases dictating specific mandatory store hours.

2. Build the market for basic, community-serving retail businesses by focusing on increasing the base of district workers and residents.

Uptown Martinsville's strongest current market foothold is in personal and professional services that serve both district workers and area residents. While there are several strong individual retail businesses within the district, there is not (yet) a strong core of retail businesses in place around which to begin to expand.

We believe that the most prudent way to begin to rebuild a strong retail core in uptown Martinsville is by focusing on increasing the number of district residents and workers - not necessarily in big chunks, but incrementally, one office and one apartment at a time. As the number of workers and residents in uptown Martinsville gradually grows, the district's built-in buying power for community-serving retail goods and services will grow, also. And expanding the goods and services available to the district's current workers and residents will almost certainly increase retail sales, as well.

Assuming that the demographic characteristics of new district workers and residents would be similar to those of the district's current workers and residents, every 100 new households represented by new district workers or residents would generate the following amount of new retail market demand:

Product/service	Retail market demand
Groceries	\$ 312,000
Dining out	220,000
Housekeeping supplies	55,000
Furniture and home furnishings	143,000
Apparel and footwear	164,000
Vehicle purchases	320,000
Gasoline, motor oil, maintenance, repairs	218,000
Pharmaceuticals and medical supplies	64,000
Fees and admissions	11,000
TVs, stereos, radios, recorded music + movies	74,000
Pets, toys, games, arts, crafts, tricycles	36,000
Hobbies (stamp/coin collecting, photography, etc.)	7,000
Athletic, camping, hunting, exercise equipment	10,000
Personal care products and services	60,000
Reading materials	10,000
Tobacco products/smoking supplies	29,000

Table 29: New market demand generated by the households of 100 new uptown workers and/or residents, based on the demographic characteristics of current district workers and residents (*source:* CLUE Group)

3. Integrate entertainment into existing businesses.

The need for entertainment in uptown Martinsville came up repeatedly throughout the market analysis process. While it is likely that the uptown could soon support one or more freestanding entertainment venues (a movie theatre, perhaps, or a bowling alley), we encourage the district's businesses to begin

incorporating entertainment into their operations right away. Some examples:

- A restaurant in a New Jersey seaside town hires aspiring singers as servers. When a customer asks what flavors of ice cream the restaurant offers for dessert (prompted by a leading phrase in the menu), the servers quickly assemble at the table and sing the ice cream menu in four-part harmony, to the tune of Handel's "Hallelieujah" chorus.
- An art gallery in a small town in Washington State nails bicycle reflectors in the shape of various objects to a blank exterior wall of its building, encouraging motorists to flash their headlights onto the wall to see the hidden objects outlined there.
- A clothing store – Stop the Shop – in a London suburb built its walls around the slowly- revolving platform base of an old carousel on which most of its merchandise is displayed. When a customer wants to enter the store, s/he pushes a button to literally stop the shop from revolving.

We believe uptown Martinsville could be significantly enlivened by incorporating entertainment into ongoing business activities. We recommend, for example, that *all* specialty businesses – not just retailers, but service and professional businesses, also – make their window displays as lively and unique as possible, helping generate energy and excitement on the sidewalk. If a restaurant sells kebabs, have a grille in the window, with a cook spinning the skewers and interacting with pedestrians. If it's a metal foundry, have some stage of the production taking place in the window. If it's a yarn shop,

consider putting a spinning wheel in the window, with staff occasionally using it. Encourage dynamic activity that will capture the attention of passers-by.

4. Fully integrate the New College Institute into the district.

We believe that the New College Institute has the potential to catapult uptown Martinsville's retail revitalization forward – and that it is essential that the College's classrooms, dormitories, administrative offices and other facilities be fully integrated into uptown Martinsville. The students, faculty, staff and visitors that the College could bring into the uptown area offers an enormous opportunity for retail development, beginning with businesses that bridge both the college and district worker market segments (like restaurants, office supplies, and copy/printing services).

The [Savannah College of Art and Design](#) (SCAD) offers an excellent model of a college fully woven into the fabric of a historic downtown, with storefront classrooms, upper-floor dormitories, and rehabbed theatres creating a distinctive, dynamic environment.

5. Focus on development of three new retail clusters.

The possibility of rebuilding a core of basic retail goods and services in uptown Martinsville is challenging, given the area's depressed economy and competition from nearby big-box discounters. And some of the types of retail businesses people most frequently requested in the uptown intercept survey and community survey typically require more unmet market demand than currently exists in the Martinsville/Henry County area.

But uptown Martinsville has several unique characteristics that we believe could provide a focus for development of three specialized retail clusters:

- Home furnishings: Uptown Martinsville already attracts visitors from a considerable distance who come to buy furniture. We believe uptown Martinsville could build on this by creating a small cluster of specialized home furnishings shops offering products and services that would appeal to budget-minded visitors interested in furniture and furnishings. Some examples:
 - Window treatments
 - Floor coverings
 - Upholstery services
 - Upholstery fabric remnants
 - Kitchenwares (particularly crated items and factory seconds)
 - Kitchen cabinets (particularly scratch-and-dent and factory seconds)
 - Light fixtures
 - Vintage fixtures, switch plates, and other electrical hardware
 - Bath and kitchen linens

- African American heritage. Martinsville's African American community has a rich heritage and a long tradition of entrepreneurship. Interest in African American commercial district heritage has been growing throughout the Mid-Atlantic states for almost a decade, but very few communities have actively re-established strong African American commercial centers.

We believe that, with Fayette Street’s proud commercial heritage, Martinsville could establish a strong cluster of African American heritage-related businesses with broad regional appeal, attracting visitors from throughout the Mid-Atlantic and beyond. If a cluster of African American heritage-focused businesses were to capture just one quarter of one percent of the purchases made by African American households in Maryland, North Carolina and the District of Columbia, and one half of one percent of the purchases made by African American households in Virginia, it could generate over \$27 million in annual sales.

State	Est. AfrAm Hslds	Est % Capture	Restaurants	Furniture/ Furnishings	Apparel	Fees + admissions
District of Columbia	137,300	.25%	520,000	311,000	606,000	63,000
Maryland	587,300	.25%	2,226,000	1,332,000	2,591,000	272,000
North Carolina	693,700	.25%	2,629,000	1,573,000	3,061,000	321,000
Virginia	553,600	.5%	4,196,000	2,511,000	4,886,000	512,000
			9,571,000	5,727,000	11,144,000	1,168,000

Table 30: Retail buying power of one-quarter of one percent of African American households in the District of Columbia, Maryland and North Carolina and of one-half of one percent of African American households in Virginia for several retail categories (*source:* CLUE Group).

Businesses and business lines might include:

- African cloth (kente, kuba, korhogo, mudcloth, etc.) and sewing accessories
- Clothing made from African cloth
- West African musical instruments, recorded music, and sheet music
- West African décor, furniture, home furnishings
- West African-themed books and movies
- Kwanzaa gifts, décor and merchandise
- West African antiques, art and collectibles
- West African food specialties

- Sports equipment. The new fieldhouse planned for uptown Martinsville provides an unprecedented opportunity to create a small cluster of sports-related businesses in the uptown area – businesses selling products and services like uniforms, shoes, sports equipment, exercise equipment, and sports memorabilia. Southern households currently spend approximately \$100 each per year on sports, recreation and exercise equipment:

- \$45.51 annually for athletic gear, game tables, and exercise equipment
- \$6.53 annually in bicycle-related purchases
- \$11.81 annually for camping equipment
- \$21.19 annually for hunting and fishing equipment
- \$1.03 annually for winter sports equipment
- \$4.11 annually for water sports equipment
- \$9.59 annually for other sports, recreation and exercise equipment

Possible product lines:

- Autosports-related products (clothing, car accessories, books, manuals, movies, tools, etc.), and particularly those related to racing
- Products related to sports available at uptown Martinsville's fieldhouse (basketball, soccer, volleyball)
- Hunting products (guns, ammunition, accessories, clothes, books, videos)

It will be very important that these specialized businesses use multiple business channels to reach their sales goals – online sales, in particular, dependent on both new customers and ongoing relationships with occasional community visitors.

None of these three strategies is expansive enough to generate enough economic activity to support the district's revitalization independently, but we believe that, if these three strategies are implemented together, they can generate enough jobs, businesses, and retail sales to support the maintenance and rehabilitation of uptown Martinsville's buildings.

There are other promising retail market development opportunities possible in uptown Martinsville, as well. New technology companies are popping up in the Martinsville area, for example, spurred by local training and business development opportunities. Nationally, small, high-tech companies have shown a preference for locating in historic buildings and in historic downtowns. And the employees of these companies could augment the district's employee population, creating a stronger market base for the district's restaurants, services, and

retail businesses. But opportunities like this should be secondary to the three major strategies outlined above.

KEY ISSUES

Among the other issues that will be key for uptown Martinsville's revitalization, management and ongoing development:

Clusters and 'critical mass': It will be important to concentrate retail development in several key nodes, building a critical mass of retail activity and establishing visibility, then gradually filling in retail between these nodes.

- Home furnishings businesses near the furniture outlets
- African American heritage businesses on or near Fayette Street
- Sports businesses near the fieldhouse

The courthouse square should serve as a key node, also, most likely as the center of activity around the New College Institute, with upper-floor housing and offices and ground-floor businesses (offering product lines like books, office supplies, and coffee shop goods/services). As the New College Institute's enrollment grows, there may also be a growing need for daycare services in this area.

Managing design change: One of the key problems voiced by participants in the uptown intercept survey and the community survey was the appearance of downtown buildings. Community residents are clearly proud of Martinsville's history – but its historic buildings have suffered from neglect, deterioration, and insensitive remodelings. Historic buildings provide a distinctive physical appearance for older downtowns, giving them a unique identity that is invaluable in

marketing the district to visitors and investors. It is imperative that Martinsville adopt design guidelines for the uptown area that encourage sensitive building rehabilitation and innovative infill construction.

Global marketing: Businesses like William Rees Instruments (Rising Sun, Indiana), Café Campesino (a fair trade coffee shop and coffee wholesaler in Americus, Georgia), The Shaving Gallery (Acworth, Georgia), and Bulls-Eye (a custom dart manufacturer in Philadelphia's Frankfort neighborhood) draw on local skills and interests but have found a global market for their goods and services, primarily based on internet commerce built in part from personal contact with tourists.

Because of the possibility of internet marketing, almost any specialty niche could conceivably work, as the potential market is global. There are almost limitless specialty niches that, with aggressive marketing, could be successful. The internet makes it possible for businesses to reach customers who do not live near – and who might never visit – Martinsville. In communities like Martinsville that benefit from tourists,, internet marketing is particularly advantageous, helping businesses maintain ongoing contact with customers who may have visited only once but whose on-site, in-store shopping experience could have a lasting impact on a store's sales.

Business development: Developing new independent businesses that meet the objectives of the district's business development plan is a challenging process. We recommend focusing on recruiting entrepreneurs rather than on recruiting businesses. Many of the most successful and innovative businesses in historic downtowns today are driven by owners with strong entrepreneurial skills and vision. Given the ability of the internet to augment local sales for downtown retail

businesses, it is quite possible – and becoming more common – for districts to develop profiles of the sorts of specialized retail businesses they would like to see in their districts (both to meet some local needs and to help enhance the overall personality of the district). Successful entrepreneurs can then implement the businesses profiled. Rather than looking exclusively for bus

inesses that already exist (somewhere) and encouraging them to relocate or open an additional location in uptown Martinsville, we recommend looking for talented entrepreneurs (including existing uptown business owners) willing to craft unique businesses that fit Martinsville's specific market opportunities.

NEXT STEPS

On January 25-26, 2007, we conducted five meetings in Martinsville to present the results of our research and to discuss our recommendations. Approximately 200 people participated in these meetings, representing business and property owners, civic organizations, local government, institutions of higher learning, nonprofits, and interested citizens.

The next step in this process for MURA and its partners is to turn our recommendations into a multi-year work plan, breaking recommendations into specific action steps and assigning each to a partner, with a timeline and budget. We recommend that, in most instances, priority be given to those activities that should ideally occur before the opening of the Virginia Museum of Natural History and the new fieldhouse, both of which are expected to bring new visitors into the uptown area.

In conclusion, we find that this is a remarkable time in uptown Martinsville's evolution. Although the district has suffered from an extraordinary cycle of disinvestment, it now looks forward to a wide range of enviable economic development opportunities, with the support of a group of partners deeply committed to the district's regeneration. Its greatest hurdles appears to be in maintaining tight focus on its primary economic development goals and in using its historic resources to create an indelible public image – both of which are achievable in a community with such a strong commitment to its downtown's future.

Sources of information

Our primary sources of information for our research were the 1990 and 2000 *Census of Population*; 1992, 1997 and 2002 Economic Census (including the *Census of Retail Trade*; *Census of Accommodation and Food Services*; *Census of Arts, Entertainment and Recreation*; *Census of Information*; *Census of Health Care and Social Assistance*; and *Census of Other Services*); ESRI, the 2004 and 2005 *Consumer Expenditure Survey*; data compiled for us by the National Trust for Historic Preservation; *The Dollars and Cents of Shopping Centers*; numerous websites, including those of [The Harvest Foundation](#), [Martinsville Uptown Revitalization Association](#), [Martinsville Henry County Strategic Advisory Committee](#), [Martinsville Henry County Economic Development Corporation](#), [Piedmont Arts Association](#), the Virginia Foundation for the Humanities (and, in particular, its website on [African American Heritage in Virginia](#)), the [Martinsville Henry County Chamber of Commerce](#), and [MyMartinsville.com](#); various articles, books, and reports, including “*Comprehensive Economic Development Strategy: 2006 Annual Report*”, prepared by a regional team for the West Piedmont Economic Development district, and *Fayette Street: A Hundred-Year History of African American Life in Martinsville, Virginia, 1905-2005*, produced by the partnership between Fayette Area Historical Initiative and Virginia Foundation for the Humanities; “*Community & Economic Development Strategy for Martinsville and Henry County, Virginia*” and “*Competitive Assessment for Martinsville and Henry County, Virginia*”, both by Market Street Services; and several key planning documents, including Martinsville’s Comprehensive Plan (1996 update) and Zoning Ordinance and Henry County’s Comprehensive Plan (1995-2010) and Zoning Ordinance.

We are particularly indebted to Rob Nieweg and Deepa Sanyal of the National Trust for Historic Preservation and to Marshall Stowe of the Harvest Foundation for their help in conducting surveys, gathering information, and providing us with reports and other data for this project.

Disclaimer

Retail market analyses, their components (such as retail sales gap analyses) and derivative business development plans provide important guidance on how the area's commercial centers should, theoretically, be able to perform and on the sales and rent levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator, level of business capitalization, quality of the physical environment, changes in overall economic conditions, district marketing programs, and numerous other factors. The information and recommendations in this sales gap analysis report are intended to provide a foundation of information for making retail development decisions in Martinsville, but they do not and cannot ensure retail success.

We have made all reasonable efforts to research the basis for all findings and conclusions as thoroughly as possible. We have noted several specific data limitations on pages 12-14 of this report.

This report's findings, conclusions, and recommendations are solely those of the consultant and should not be assumed to represent the opinions of the National Trust for Historic Preservation, the City of Martinsville, the Martinsville Uptown Revitalization Association, or any other party.

About the CLUE Group

The Community Land Use and Economics (CLUE) Group helps local and state governments, developers, and nonprofits design innovative development strategies for commercial districts. We help cultivate independent businesses, reuse historic buildings, attract young talent, strengthen district management programs, and craft planning and land use tools that encourage vibrant, creative communities. Our services include retail market analyses, economic impact studies, business development plans, marketing strategies, and district management plans.

Launched in 2004 by several alumnae/i of the National Trust for Historic Preservation, the CLUE Group is headquartered in Arlington, Virginia, with offices in Arlington and in Boston, Massachusetts.

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