Strategies for Inner City Business Growth

Buffalo, May 1, 2000
Claire Kaplan
• Average company grew **687%** between 1995-1999

• Average company revenues were **$16.6 million** in 1999

• 86% of companies make a profit, 50% have very **strong profits**

• 20% are generating revenues from the **Internet**

• Average hourly wage is **$11.81**

Created 8,300 jobs between 1995 & 1999
## Buffalo Companies

### 2001 Inner City 100

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<td>Creditors Interchange</td>
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<td>$6.5</td>
<td>369%</td>
<td>47%</td>
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<tr>
<td>70</td>
<td>Integrity Distribution</td>
<td>21</td>
<td>$5.4</td>
<td>226%</td>
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<tr>
<td>88</td>
<td>Precision Millwork</td>
<td>25</td>
<td>$3.2</td>
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<td>Lifestyle Street Gear</td>
<td>54</td>
<td>$4.2</td>
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**Honorable Mention**

- Personal Computers Inc.
- Quality Inspection Services
- Quality Laser Services
Spark new thinking about the economic potential of inner cities, thereby creating jobs, income and wealth for local residents.
A Complementary Business Agenda

Healthy Inner-City Communities

Housing

Business

Health

Education
Initiative for a Competitive Inner City

- Six years of pioneering research
- The ICIC/Inc. magazine *Inner City 100 Program*
- Strategic *advisory services* to many cities (CAP)
- **Corporate Partners** Program
- Program to engage all urban *business schools* (NBSN)
- **Private equity fund** (ICV Partners LP)
A Sustainable Model for Inner-City Development

1) A strategy based on **competitive advantages** and genuine business opportunities

2) A shift from a focus on **community deficiencies** (subsidies) to market opportunities (investment)

3) A **comprehensive strategy** for inner city business growth focused on **private sector** engagement

4) A framework that links the inner city economy to **regional business clusters**

**Objective:** widen prosperity to all of our citizens
Inner City Competitive Advantages

Underutilized Workforce
- Largest pool of available workers in the US amid a tight labor market

Strategic location
- Located near regional transportation and telecommunications infrastructure nodes

Underutilized local market
- $85 billion of annual spending power

Linkage to industrial/regional clusters
- Opportunity to leverage proximity to regional and industrial clusters
Competitive Advantage: Strategic Location

Example: Chicago

Inner city
CBD

Competitive Advantages

Access/proximity to transportation
Access/proximity to customers
Access/proximity to suppliers

JOINT ICIC/BOSTON CONSULTING GROUP RESEARCH

ICIC Initiative for a Competitive Inner City
Belkin Components, Compton CA

- Manufacturer of computer peripherals and accessories
- Can “pick, pack and ship” huge orders in only 30 minutes
- Benefits from locational advantages (airport and port are both 11 miles away)
  - Receives supplies earlier in the day
  - Can ship products more cheaply and with less lead time
- Largest company on Inner City 100 list based on revenues

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<td>42</td>
<td>Belkin Components</td>
<td>535</td>
<td>$211.3</td>
<td>394%</td>
<td>49%</td>
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</table>
Integrity Distribution, Buffalo NY

- Sells office products and furniture
- “We sell our location to our customers” says CEO Ron Raccuia
- Central location and proximity to major highways allow for next morning delivery
- Employs local workers who know which streets get plowed first in Buffalo’s harsh winters

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**Strategic location**
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**Underserved local market**
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## Power of Concentrated Retail Demand

### Average retail demand per square mile ($M)

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**JOINT ICIC/BOSTON CONSULTING GROUP RESEARCH**
Successful inner-city retailers cater to inner city markets

# 48 Allegheny Child Care Academy, Pittsburgh, PA
  – Provides child care services to low-income families

# 61 Molina Healthcare, Long Beach CA
  – Operates general medical care clinics

# 89 Lifestyle Street Gear, Buffalo NY
  – Retails urban fashion apparel
**Inner-city**

**Strategic location**
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Competitive Advantage: Available Labor Market

Annual Percentage Growth (%)

Supply '98 - '05

Demand '96-'99

Supply 1.1%

Demand 2.3%

Minority
Kansas City Call Center Strategy

40,000 Employed by Call Centers in Kansas City

Call Center Business Problem

KC Area Development Council

Full Employment Council

Repaying & Screening

Black Economic Union

Business Technology Center

Real Estate Development

Training
Strategic location

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Underserved local market

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Inner-city

Linkage to industrial/regional clusters

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Disadvantages of an Inner-City Location

Survey of Inner City 100 Companies

- Perception of crime: 58%
- Negative perceptions of the inner city: 51%
- Lack of space for expansion: 35%

Percent of respondents
ICIC’s City Advisory Practice (CAP) ...

Helps local leaders create a new vision for their inner city by
– Uncovering competitive advantages and growth opportunities
– Tackling competitive disadvantages
– Creating a common strategic direction and
– Catalyzing action

Projects in:
Boston, Chicago, Connecticut (5 cities)
Louisville, New Orleans, Oakland, and St. Louis
Create a Strong Fact Base

Institutionalize efforts in the private sector

Build on competitive advantages

Identify market opportunities and underutilized assets

Address barriers to growth

BUSINESS STRATEGY
Bridgeport Cluster Portfolio

Cluster’s Share of Total City Revenue* (%)

Cluster’s Share of Total City Employment* (%)
Bridgeport’s Metal Manufacturing Network

META

Marketing
- Joint Business Opportunities
- Shared Marketing Costs

Purchasing
- Utilities
- Benefits & Insurance
- Supply Management

Workforce Development
- Cluster-Specific Skills Training
- Job Placement
- Apprenticeships

Lean Manufacturing
- Expert-Led Workshops
- Shared Learning
- Technology/Automation

$1.7 million workforce development program to upgrade the skills of 1500 workers
Growth is the primary reason companies are leaving Chicago’s inner city.
Connecticut’s Inner City Strategy

Competitive Inner Cities

State Support

Private Sector Champions

Bridgeport Hartford New Britain New Haven Waterbury

Wealth

Jobs

Income
Inner Cities in the New Economy

**Strategic location**
- E-commerce, outsourcing and JIT enhance the value of inner-city locations

**Underutilized Workforce**
- Largest pool of available workers in the US amid a tight labor market

**Underserved local market**
- Heterogeneous inner-city markets represent the growth markets of the future

**Linkage to industrial/regional clusters**
- Growth hubs such as education, health & entertainment

ICIC Initiative for a Competitive Inner City