# DOWNTOWN PORT WASHINGTON MARKET OPPORTUNITIES

## KEY FINDINGS

The 2017 market analysis for downtown Port Washington identified several areas of competitive strength and/or weakness that, if embraced or addressed, create an opportunity for Port Washington to maximize business and economic activity within the downtown district. Some of the key findings are highlighted in the following bullets, and discussed in greater detail in the following document:

- Port Washington's retail sales have increased steadily year over year since 2010, driven by increased storefront occupancy and an improving economy.
- 25% of local spending comes from outside visitors to the community.
- Restaurants, specialty shop and food & beverage retailers are the most reliant on tourism traffic for increased sales.
- Port attracts shoppers for specialty foods, clothing and accessories.
- Port has fewer businesses in each of the following categories than the competitive set: home goods, health and personal care, sporting goods, specialty shops and restaurants.
- A relative lack of lodging options (second lowest total offerings) creates a competitive disadvantage for restaurant and entertainment destinations in Port as compared to other competitive set communities.
- Additional opportunities exist for businesses to collaborate, cross-market and create clusters which maximize spending by customers already in the market. Potential exists to build on the active outdoor, shopping and foodie markets, which are present or emerging in the community.

## MARKET ANALYSIS & OPPORTUNITY ASSESSMENT

The Port Washington retail market has evolved significantly over the past decade. This report represents an update to the 2014 market analysis, and is designed to assist the Port Washington Main Street program to craft an effective and realistic strategic plan which helps capitalize on opportunities and maximize economic activity based on the demographic and customer groups currently present in and/or achievable to attract to the community.

### *Port Washington Trade Area*

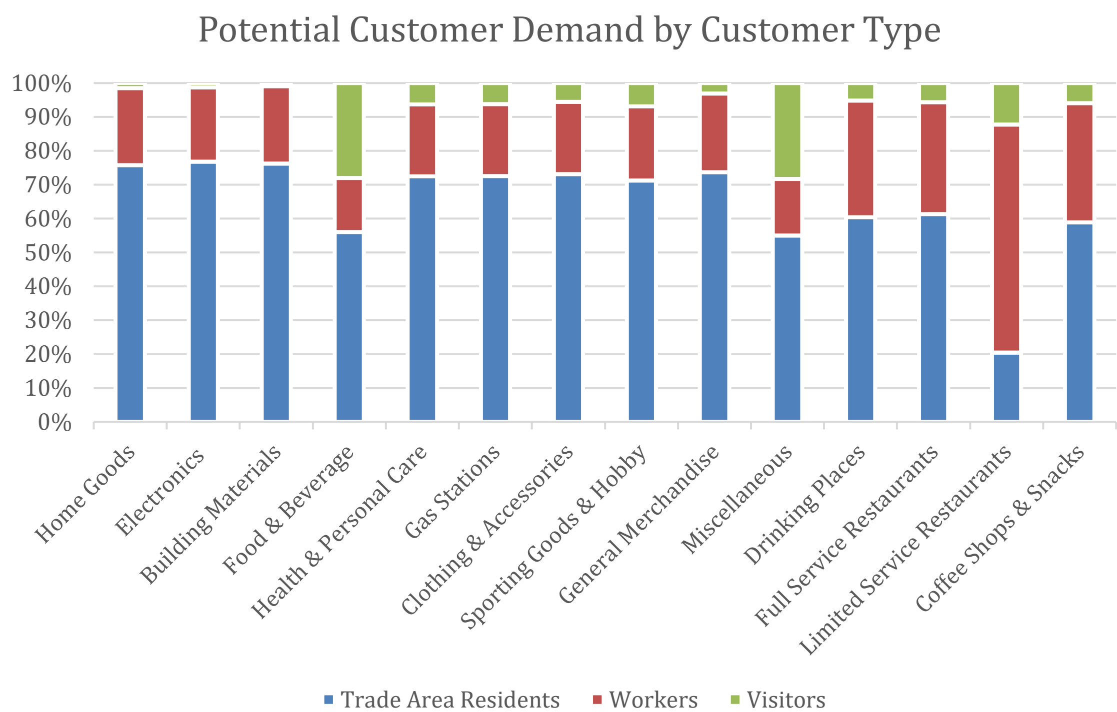
Despite the many changes to the retail market during the past two decades, Port Washington's trade area, or the geographic region from which it attracts customers, has remained largely constant. A 2005 study used 10- and 20- minute drive times to reflect the primary market, and noted the potential for tourism traffic to support additional retail. In 2013, interviews with local businesses and commuting pattern analysis show that the primary trade area still extends approximately 15 minutes to the north and west, but only 10 minutes to the south, or as far as Grafton. Although Grafton residents still travel to Port Washington for entertainment and events, the addition of a big box shopping center at the Washington Street exit and expansion of their own central business district have over time diverted some of Port Washington's previous primary customer base. To offset this decline, local businesses have succeeded in attracting a greater share of outside spending from destination shoppers and tourists. This market represented only a small fraction of the overall spending in the community in 2005, but grew to 38 percent of the retail market in 2013. Since this time, additional retailers and restaurants have re-opened in Port Washington, which, coupled with local population growth, have increased the local consumer spending retained so that approximately one-quarter of spending comes from external visitors.

In addition to the local trade area population, Port Washington businesses benefit from the presence of Lake Michigan as a tourism draw. Downtown events draw more than 50,000 visitors to downtown annually, and area hotels and other seasonal rentals attract more than 200,000 overnight visitors annually, in addition to the roughly 100,000 day-trip visitors visiting downtown. Collectively, these individuals create potential demand for as much as $12 million in additional demand, or roughly the equivalent of adding another 240 households to the community. However, these customers spend their dollars differently than permanent residents, prioritizing spending on lodging, restaurants and soft goods retail, as highlighted in the graph on the following page. Not surprisingly, these sectors also represent potential recruitment opportunities for downtown Port Washington, discussed later in this document.

### *Changes in Demographics & Customer Spending*

Although there is a perception that Port Washington is heavily reliant on seasonal visitors and tourists for retail sales, and there are certainly some businesses which cater primarily to this market, retail sales data for the County (the smallest geographic area for which sales tax data is collected) do not indicate significant seasonal sales trends. Although third quarter sales represent 27 percent of the annual total, this is identical to the statewide average, and averages for other quarters are also comparable to larger trends. This indicates that Port Washington's businesses continue to cater to local and regional shoppers as well as destination shoppers and/or year-round visitors, and are not heavily reliant on only seasonal traffic for sales.

This is also proven out when looking at the demand patterns for goods and services by the various customer groups present in Port Washington. The chart below indicates the amount of potential spending available to businesses in Port Washington from various customer groups. Although certain industries (i.e. food and beverage, gift shops) can generate substantial sales from visitor traffic, residents and workers still represent the bulk of all potential spending. This is good news for local businesses, as these groups are easier to identify and market to than visitors, which are less concentrated geographically and harder to reach in a timely fashion based on the shortening nature of travel planning today.




Because Port Washington businesses have taken advantage of both worker and tourist traffic, and due to growth in both population and incomes within the community, the City was able to grow its retail and service market consistently over the past several years. Further growth will be based on the ability to continue to recruit additional outside customers to the community, as local demand is largely satisfied in the trade area.

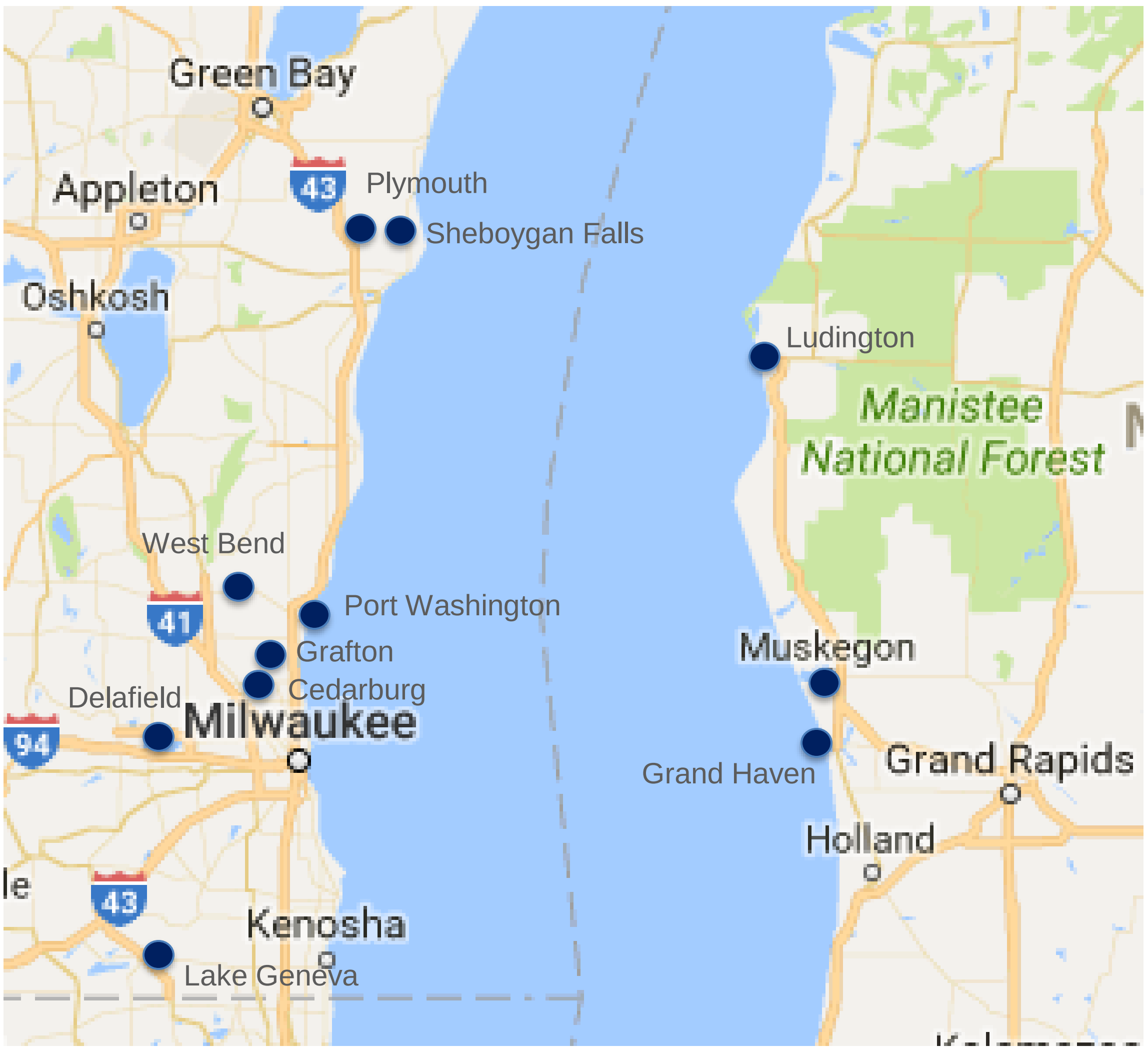
### *Changes in Business Mix & Retail Sales*

Overall, retail sales in the immediate trade area increased by 35.7 percent between 2005 and 2013, and an additional 58 percent between 2015 and 2017. This increase was driven by an increase in storefront occupancy as well as a recovering local economy and tourism activity.

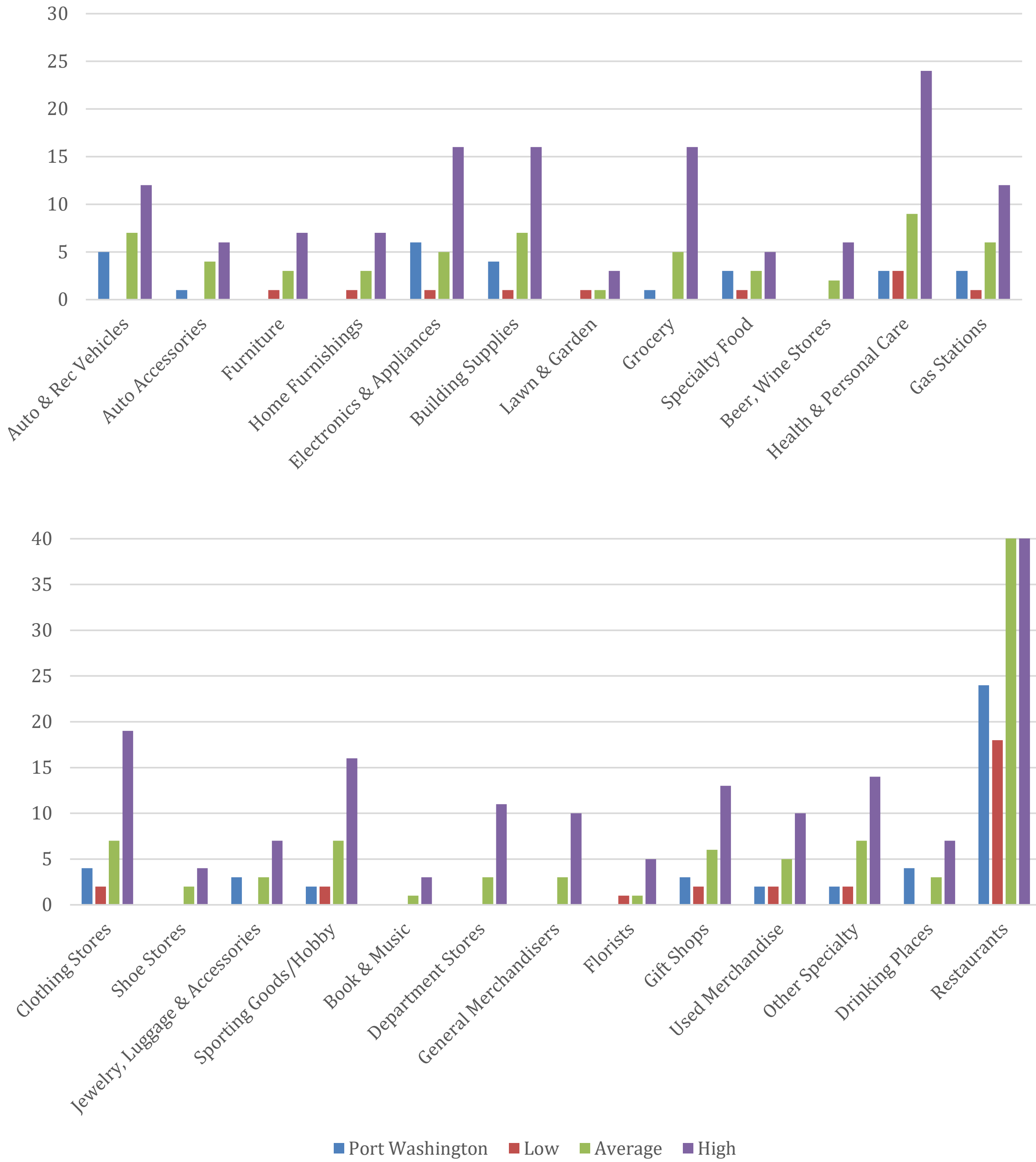
Previous studies used Cedarburg and Sheboygan Falls as comparable communities. In both 2005 and 2013, Port Washington had fewer retail businesses than either of these communities. In 2013, Port Washington had 9.8 retail businesses per capita, versus 19 and 20 in Sheboygan Falls and Cedarburg. For this study, the set of comparable communities was expanded to include several similarly sized communities, and including some of the Michigan lakeshore communities which are located a similar distance from major population centers. While Port Washington continues to have fewer total retailers than all other comparable communities, on a per capita basis it has the highest number of retail establishments for its size, with 1 retailer per

91 residents – the average for all communities is 53. However, there are certain industry types where Port Washington performs either more or less favorably when compared to the competitive set of communities. For instance, Port Washington offers a strong selection of specialty food, drinking establishments and jewelry & accessories shops, but lacks options relative to competition for home furnishings, health and personal care, sporting goods, specialty shops, restaurants and general merchandise. In some cases, this difference is due to offerings in nearby communities which satisfy local demand (general merchandise, automotive), while in other cases there may be potential to expand local offerings to recruit and retain additional customers. The graphs on the following page illustrate Port Washington's performance relative to the competitive set for each retail sector. A map of these comparable communities is provided below.

**Port Washington Comparable Communities**



Number of Businesses by Type
Port Washington & Comparable Communities



One notable difference between the Port Washington market and the majority of competitive set communities is the reduced number of lodging options. Port Washington only offers one hotel, and 4 options on Air BNB. This is fewer than all other communities except Grafton. Most other communities with limited formal lodging options (Plymouth, Delafield, Cedarburg), have satisfied demand through alternative means including seasonal cottages and bed and breakfasts. However, Port Washington has not developed the hospitality market in this way. The ability to accommodate overnight guests would be essential to recruiting additional restaurant and entertainment spending (and businesses) to the community.

### *Local Demand Gap & Growth Opportunities*

Within the retail and restaurant sector, where supply and demand can be calculated based on demographic demand and tax collection information, there are several sectors where unmet local demand within the trade area presents an opportunity for additional business recruitment. The table below highlights those sectors appropriate to downtown where unmet local demand could be satisfied either through the expansion of existing business product lines or by recruiting additional businesses which offer a mix of goods that includes one or more of these sectors.

| Retail Sector | Local Demand Gap | Average County Revenue per Business | Business Recruitment Potential |
|---|---|---|---|
| **Auto Parts & Accessories** | $1.7 million | $561,308 | Potential |
| **Furniture Stores** | $3.5 million | $3.4 million | Limited |
| **Home Goods** | $2.6 million | $1.9 million | Limited |
| **Specialty Food Stores** | $1.9 million | $484,000 | Yes |
| **Health & Personal Care** | $8.5 million | $1.7 million | Yes |
| **Clothing & Accessories** | $2.2 million | $538,255 | Yes |
| **Shoe Stores** | $1.2 million | $330,000 | Yes |
| **Sporting Goods & Hobby Stores** | $3.3 million | $1.7 million | Yes |
| **Book Stores** | $933,000 | $430,000 | Yes |
| **Gift Shops** | $1.5 million | $508,000 | Yes |
| **Miscellaneous Stores/Specialty Shops** | $4.3 million | $1.4 million | Potential |

While there may be opportunities to diversity and expand the retail, restaurant and hospitality industry within Port Washington, both immediately and to complement ongoing residential and employment growth, service businesses are increasingly filling an important role in downtown districts. Not only do these businesses provide a good that is not available online, they also increasingly offer retail, education or other experiential opportunities in addition to providing a service. Examples of this trend include fitness studios which offer classes, community meetups (i.e. biking groups), sales and repair of related equipment, or art studios which offer classes, gallery space, meeting/conference facilities and even serve as a coffee shop or wine bar.

While it is more challenging to identify specific demand gaps for these types of businesses since they have nontraditional revenue streams and their performance cannot be determined by sales tax methods, there are certain types of businesses that are growing in this sector which may be appropriate for Port Washington. These include: health and fitness, entertainment/meeting space, and medical services. Other businesses which occasionally occupy storefronts and are growing include co-working spaces where individual professionals can collaborate or access traditional office amenities and design related businesses ranging from architecture to graphics and software, which are increasingly able to locate and/or have satellite locations in locales unrelated to the geography of their clientele but appreciate the image provided by historic downtown districts.

Additionally, traditional businesses are frequently incorporating the service, education and experience model to expand revenues and attract new customers. Many businesses have determined that attracting additional demographics means staying open later, but that these new customers do not shop in traditional fashion, preferring to combine shopping with socializing, networking or self-improvement. For instance, clothing boutiques might choose to host popup trunk shows for certain vendors, and specialty retailers might host educational sessions, fitness classes or other events in their business that cater to their target demographic. This may involve working with an existing vendor/client, or a partnership between businesses that share similar customer demographics.

### *Cluster Opportunities*

A secondary way to identify expansion opportunities for Port Washington is to identify strong and emerging clusters which can be supported and nurtured to drive additional customer recruitment and retention. One of the previously identified goals for the Port Washington Main Street was to expand the average visit to four hours. This would not only increase spending, but also increase the geographic area from which visitors would travel. The Project for Public Spaces has developed the Power of 10 concept, which has concluded that individuals perceive a destination when there are ten or more things to do that are complementary. This does not necessarily mean that there needs to be 10 businesses offering similar goods, only that there are activities and goods available that cater to a similar demographic. This might mean that an arts district includes a mix of public art, galleries, shops, wine bars and bookstores offering poetry readings, or that an outdoor destination includes trails, gear shops, repair centers, restrooms, parks and dining options. Port Washington has existing or emerging clusters for outdoors (fishing/cycling) and shopping (boutiques/winery), but perhaps could complement these businesses with wrap around activities and amenities to support itineraries based on these themes. This would include print and online marketing identifying sample itineraries marketed to specific demographic groups, as well as development, where necessary, of additional public space amenities (bike repair stations, signage, public art, etc.)

## *Economic Comparison*

Although the previous assessment includes primarily an analysis of retail customer traffic and storefront uses, there are many economic elements that are relevant to the continued growth and prosperity of a community.  Aspects such as the proximity of metropolitan population centers, presence of competing retail destinations, residential and workforce growth and many other broader trends can significantly shape the composition of a local economy. The following tables highlight Port Washington's position on some of these key indicators relative to the set of comparable communities identified previously. In many indicators, Port Washington performs as well or better than most of its peers, with a substantial and growing regional population and strong economic productivity. Limitations include a high percentage of commuting employees resulting in reduced spending capacity locally during traditional business hours and generally lower tourism activity within the county, resulting in reduced retail sales for Port Washington businesses over other communities in similar geographic positions.

| City | County Population (2016) | City Population (2016) | Population w/in 60 Minutes | City 5-year Growth Projection | City Median HH Income (2016) | Median Age | City Employment | % Professional Employment | % of Residents Commuting 25 mi + |
|---|---|---|---|---|---|---|---|---|---|
| Sheboygan Falls | 115,894 | 7,837 | 189,000 | -0.3% | $55,453 | 44.3 | 3,340 | 55% | 23% |
| Delafield | 392,996 | 7,205 | 1.4m | 1.7% | $98,174 | 42.8 | 6,275 | 60% | 9% |
| Cedarburg | 88,231 | 11,553 | 1.2m | 1.7% | $77,422 | 42.8 | 4,639 | 63% | 16% |
| Port Washington | 88,231 | 11,796 | 1.2m | 2.3% | $66,674 | 39.0 | 5,986 | 56% | 25% |
| Grafton | 88,231 | 11,680 | 1.4m | 2.0% | $68,321 | 41.7 | 5,121 | 58% | 9% |
| Lake Geneva | 104,393 | 7,982 | 406,000 | -3.3% | $46,814 | 41.4 | 6,816 | 56% | 23% |
| Plymouth | 115,894 | 8,531 | 128,000 | -0.2% | $53,564 | 44.0 | 7,185 | 55% | 24% |
| Sturgeon Bay | 28,250 | 9,098 | 21,000 | -5.8% | $47,376 | 46.9 | 10,319 | 54% | 32% |
| West Bend | 133,551 | 31,902 | 1.3m | 1.6% | $60,205 | 39.3 | 18,468 | 64% | 33% |
| Muskegon, MI | 172344 | 38,401 | 1.1m | -1.0% | $47,453 | 35.0 | 2,374 | 62% | 41% |
| Ludington, MI | 28705 | 8,076 | 175,000 | 0.1% | $33,110 | 44.0 | 9,800 | 57% | 39% |
| Grand Haven, MI | 263801 | 10,412 | 1.2m | -2.6% | $44,235 | 41.1 | 7,966 | 49% | 29% |

| City | City Retail Sales (2017 ESRI) | City Restaurant Sales (2017 ESRI) | Per Capita Sales (City) | Per Business Restaurant Sales (City, 2016 ESRI) | County Tourism Spending (2015) | Per Capita Tourism |
|---|---|---|---|---|---|---|
| Sheboygan Falls | $49,878,978 | $9,741,502 | $7,608 | $487,075 | $214,900,000 | $27,421 |
| Delafield | $268,185,283 | $41,178,553 | $42,937 | $980,442 | $721,700,000 | $1,836 |
| Cedarburg | $139,159,171 | $17,281,840 | $13,541 | $454,785 | $92,500,000 | $1,048 |
| Port Washington | $51,758,844 | $21,651,361 | $6,223 | $746,599 | $92,500,000 | $1,048 |
| Grafton | $216,661,281 | $16,132,704 | $19,931 | $474,491 | $92,500,000 | $1,048 |
| Lake Geneva | $257,758,410 | $35,080,405 | $36,687 | $604,834 | $509,600,000 | $4,882 |
| Plymouth | $226,615,511 | $14,916,575 | $5,861 | $466,143 | $214,900,000 | $1,854 |
| Sturgeon Bay | $289,675,243 | $25,655,729 | $34,659 | $596,645 | $332,800,000 | $11,781 |
| West Bend | $739,496,805 | $6,110,365 | $23,372 | $804,084 | $115,100,000 | $862 |
| Muskegon, MI | $480,686,583 | $43,667,595 | $13,655 | $485,196 | $289,680,000 | $7,544 |
| Ludington, MI | $48,700,631 | $12,180,742 | $7,539 | $580,035 | $100,610,000 | $12,458 |
| Grand Haven, MI | $317,248,016 | $52,592,257 | $35,521 | $848,262 | $328,260,000 | $31,527 |