



Spending Capture Related Development

*A Likely Entrepreneurial Development Opportunity
Strategy Guide*

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Our 40 years of rural community economic development work in North America is a rich learning experience. At e2, we have worked in nearly every rural region in the continental United States and many of the Canadian provinces. Our [Development Opportunity Profile](#) analysis has surfaced reoccurring likely entrepreneurial development opportunities universally available to most rural communities.

Strategy Defined

Oxford Languages defines strategy as "*a plan of action or policy designed to achieve a major or overall aim...*" Any strategy is a point-in-time plan for action. Just as startup entrepreneurs are encouraged to develop a venture plan, communities exploring entrepreneurial development should do the same. Your community's development strategy will change and evolve over time as new opportunities, priorities, and challenges emerge.

About our e2 Strategy Papers. At e2, we have been conducting opportunity analysis for rural communities and regions throughout North America for decades. This field-rooted work has identified and led e2 to create our 10 common and [Likely Entrepreneurial Development Opportunities](#), for many rural communities.

This strategy paper focuses on **Spending Capture Related Development**, organized into the following sections:

- Likely Entrepreneurial Development Opportunities
- A Universal Opportunity for Every Rural Community
- Spending Capture Entrepreneurship Opportunities
- Community Economic Development Benefits
- Resources
- Roll Up Your Sleeves and Get to Work
- Appendix: A Community's Game Plan to Stimulate Increased Spending Capture

Remember Regional Development. While regional development is not one of our top 10 likely entrepreneurial development opportunities, we strongly recommend every rural community embrace, with other communities in their region of America, larger-scale regional development. When more communities in a region are thriving, opportunities are created for your community and your entrepreneurs. For more information, check out our paper, [Regional Development](#).¹

Additionally, growing entrepreneurial ecosystems is best done regionally, hopefully with state-level support. We recommend a top-down and bottom-up entrepreneurship strategy as outlined in our paper, [Entrepreneurial Ecosystem Building in Rural America, Four Decades of Learning](#)².

¹ Located in our website's [resource library](#).

² Ibid.

e2's Likely Entrepreneurial Development Opportunities

Too many rural economies and societies are failing because of their narrow economies rooted in one to two changing economic sectors. Our paper, [Economic Crashes, Mini-Case Studies](#), illustrates the consequences of undiversified economies. Conversely, our story, [Ord, Nebraska, An Entrepreneurial Community](#), illustrates when a community diversifies its economy, it drives transformative change. Our likely entrepreneurial development opportunities can create genuine and robust strategies to grow a more diversified economy.

The following provides brief descriptions of each of the top 10 development opportunities, followed by a link to a relevant strategy paper, either completed and available, or under development.

	Natural Resources. Much of rural America depends upon single natural resource industry economies (e.g., farming, mining, forestry, energy, etc.). While there are limited entrepreneurial development opportunities related to these international market industries, there are opportunities rooted in diversifying within these sectors and increasing sector related spending capture.
	Transportation Corridors. Urban America is connected by transportation corridors that run through rural America. Services are required to support those traveling these corridors, creating entrepreneurial development opportunities.
	Tourism. While the vast majority of Americans live and work in urban America, rural America provides important places to play. For a wide range of rural communities and regions, tourism represents a way to diversify area economies.
	Retirees. When thinking of new residents, keep in mind the tidal wave of retiring Boomers. This group represents a significant likely entrepreneurial development opportunity for most rural communities, from high amenity places to rural villages adjacent to metro centers.
	Commuters. Upward of 50 percent of rural workers live in one community and work in another community. These outbound commuters have embedded entrepreneurial development opportunities in creating bedroom community-related development and entrepreneurial opportunities when they end their commuting.

	<p>Hub Cities. America's landscape is still defined by a hierarchy of places based on size. In rural America, there are regional and area hub cities and towns that provide critical services like healthcare, shopping, and entertainment to rural areas. These communities are the "downtowns" of vast rural regions to smaller areas.</p>
	<p>Larger Employer Retention and Expansion. Many rural communities are home to large manufacturing plants, fulfillment centers and institutions including hospitals, regional universities, and parks. Ensuring the future of these larger employers is an entrepreneurial opportunity.</p>
	<p>Growth-Oriented Entrepreneurs. Nearly every rural community has growth-oriented entrepreneurs with the motivation and capacity to reach external markets with their products and services. Electronic commerce empowers this kind of entrepreneurship.</p>
	<p>Area Spending Capture. Competition is intense from box stores, franchise, and electronic commerce, but opportunities exist to increase local venture competitiveness and recapture some of these spending leakages. In doing so, rural communities can empower growth-oriented entrepreneurs.</p>
	<p>New Residents. Since the 1900s, the primary migration pattern has been from rural to urban. Today, there are counter (e.g., urban-to-rural) migration trends among 30-year-olds, retiring Boomers and others. These new residents represent a huge opportunity to energize area entrepreneurial talent.</p>

To learn more about these top 10 Likely Entrepreneurial Development Opportunities and our evolving collection of associated strategy papers, please visit our website's [resource section](#).

Increasing area spending capture is not glamorous like tech-led entrepreneurship. But for the vast majority, if not all rural communities, it is a universal entrepreneurial development opportunity. When rural communities work with their entrepreneurs in becoming more competitive in capturing area spending, we grow better entrepreneurs, create additional development opportunities, resulting in stronger venture communities with greater prosperity.

A Universal Opportunity for Every Rural Community

Helping area entrepreneurs become more competitive in capturing spending is a foundational development opportunity that opens a whole set of other entrepreneurial opportunities and community economic impacts and benefits.

This strategy paper is more granular and contains so much content that we have two pieces between the setup logic and experience and the appendix that begins on page 16. Through this extensive insight and step-by-step “how-to,” we provide great guidance in building out your community’s spending capture game plan.

Additionally, we have developed a new analytic resource we call [Market Opportunity Profile \(MOP\)](#). Our Market Opportunity Profile resource can help your community better understand its spending capture at a higher level, with the potential for customized research and analysis, allowing your community and your entrepreneurs to go deeper in identifying very detailed and specific spending capture areas.

For example, this kind of data can help a locally owned pharmacy explore area spending for health and wellness products, informing it of potential product offerings it can test to expand revenue and profit areas. Our MOPs are supported by proprietary data from [Esri](#), a well-recognized national market research firm. Two critically important Esri data advantages includes its provision of current data (e.g., presently we are using 2020 estimates) and the ability to define very flexible community or market area geographies. With Esri, we are not bound by municipal or county boundaries.

Energy Areas

Within the [e2 Development Framework](#), we employ what we call **energy areas**. Energy areas typically represent existing community development priorities where there is entrepreneurship development in play. Examples include recreational tourism, farm-to-table foods, downtown revitalization, convention and meeting hosting, healthcare and the list goes on. As you consider your community’s starting point for increasing spending capture, consider your existing energy areas where there is already community commitment, engaged partners, and identified opportunities. Check out our paper, [Community Energy Areas and Entrepreneur Development](#), found in our [resource library](#).

Next, we review a little economic geography theory, providing useful content for area spending capture-related development. In Economic Development 101, there are two ways to grow an economy.

Strategy one includes growing the base part of a community's economy where rooted ventures produce goods and services to sell outside the community, bringing income into the community, which creates jobs, spending, and area taxes.

The second strategy focuses on **reducing spending leakages** from a community. In economic development classes, the “leaky bucket” is used to illustrate spending leaving the community due to failed local spending capture.



Our next section describes **entrepreneurship opportunities** related to spending capture.

Spending Capture Entrepreneurship Opportunities

Government agencies, including schools and healthcare, businesses and nonprofits spend money on employees, goods, and services. In turn, the employees of these ventures spend money on housing, food, entertainment, broadband, cell phones and so much more.

In this section, we address these topics:

- Ventures
- Work *On* Versus Work *In* Ventures
- Lesson from Australia's Peter Kenyon
- Better Ventures – Increased Competitiveness
- Find Growth-Oriented Entrepreneurs
- Higher Rates of Venture Transition
- Opportunities for Hybrid Ventures
- Greater Community Engagement

Ventures. We use the term **ventures** with intentionality to include for-profit businesses, nonprofit organizations, and governmental enterprises including higher education, schools, major parks, and general operations. All these ventures have consumers. Some have captive audiences, but none can take their customers for granted. Bad government services changes elected officials and staffing, nonprofits can lose funding and patrons when they fall short of mission goals. For-profit businesses can bleed red until they fail when they are weak at engaging their consumers.

Entrepreneurs versus Venture Owner/Operators Work *on* one's venture versus work *in* the venture

Work On Versus Work In Ventures. The difference between being in business and thriving as an entrepreneur is whether owner/operators spend quality time and energy working *on* their venture, versus just working *in* their venture. When we reach out to our local ventures and their owner/operators, we intentionally disrupt them, taking them away from spending all their time running their venture and spending more time working on their ventures. Whether it is a business improvement workshop, being part of a peer group, or working with a mentor, we create space for our entrepreneurs to work on their ventures. When they work on their ventures, chances are good they will envision better ventures, leading to changes that grow better ones. Peter Kenyon's short story next is a case in point.



Peter Kenyon

A lesson from Australia's Peter Kenyon. During my time heading Governor Ben Nelson's (1991-1999) Rural Development Commission, we formed a learning exchange with Australia. Peter Kenyon was our partner bringing folks from Australia, New Zealand, and South Africa to the Central Great Plains and inviting folks from our corner of rural America to Australia. Peter is a most remarkable person and expert, and we learned so much through this international learning exchange. Peter is an expert in rural retailing. As he visited rural communities and their retail businesses, he was often harsh in his assessments:

- bad hours
- unfounded expectations of customer loyalty
- windows used for storage versus visual marketing
- failure to talk to customers about needs and wants
- indifferent customer service
- and his list of insights goes on and on

At first, we were kind of angered by this outsider's harsh assessments. But we knew he was right. Rural retailers and service ventures in America have huge opportunities for being more competitive.

Better Ventures – Increased Competitiveness. When our community's ventures up their game to capture available spending, they inherently become more competitive. Spending time working on their ventures versus just running them positions them for not only stronger sales, but better margins and profits. Using increased revenue to invest in better employees, goods and services can create a progressive competitive cycle leading to great success. Using Peter's short list above as a checklist, when ventures focus on doing better, adopting smart innovations to grow a better venture, and, when multiple ventures engage in such practices, the community becomes more competitive and successful.

A great story from Ord, Nebraska that illustrates these points is Misko Sports. Misko Sports occupies two 1880s buildings on Ord's courthouse square, beginning as a saddle shop in the early days of Ord. It evolved into a sporting goods store with a large ecommerce market.

Central to Misko's success with new, younger owners was not only smart and sophisticated financing, but mentoring by a serial entrepreneur with deep retail experience. This mentor educated the new owners about dead inventory and how to get rid of it, cash management, buying better inventory, and buying inventory when discounted. All these practices led to a leaner and more successful venture. To learn more, check out our [Ord Story Collection³](#), where the Misko Sports story is highlighted.



Misko Sports, Ord, NE

Find Growth-Oriented Entrepreneurs. When our communities work with area entrepreneurs in becoming more competitive and succeed in capturing area spending, we have the opportunity to identify growth-oriented entrepreneurs. Consider the story of **Porch Swing and Flags R Us**. Porch Swing began as a main street gift and flower shop in Marysville, Kansas, one of those exceptional amenity businesses found in many rural hub cities. The Porch Swing offered flags and banners as part of their product line. Success in this area led to a growth venture called [FlagsRUs](#), a national - and even international - growth venture. *Postscript--The COVID-19 pandemic recession has closed the Porch Swing and FlagsRUs has now been sold to a company in New Jersey. There are deep lessons to be learned from this story, and we hope to update as we learn more.* Bottom line lesson learned: when a rural

³ This paper and other resources related to our Ord, Nebraska case study is located in our website's [resource library](#).

community has a growing venture reaching external markets, it must focus ecosystem support to ensure this venture not only thrives but remains owned and rooted in the community.

Business Closing and Inventory Liquidation Sales

It happens every day in rural communities across America when we wake up to the news that a beloved local venture has going-out-of-business signs in their windows and inventory liquidation sales. Our hearts sink, and we wonder how this could be happening. Owners are often reluctant to let folks know they are thinking of transitioning for fear it will hurt current sales. But there are often rumors and signs like declining inventory and a lack of building maintenance. By the time an owner lets everyone know they are going out of business, the potential to transition a viable venture to a new owner may have passed. Additionally, the chances are good that these buildings will be purchased by speculators who love buying old buildings, neglecting them, and using them for storage. This is a lose-lose scenario.

Higher Rates of Venture Transition. When our communities are actively engaged working with ventures and their entrepreneurs to help them become more competitive in increasing area spending capture, we have the ability to create trusting relationships where owners are more likely to indicate their desire to transition. With more advance notice, there are significantly greater opportunities to (1) successfully transition the venture to new owners and (2) ensure important buildings remain viable for higher uses. Also, when operating ventures are doing better, they are much stronger candidates for transition.



Opportunities for Hybrid Ventures. The days of Norman Rockwell main streets with throngs of consumers at Christmas or Saturdays are long gone. Today, most rural communities cannot support the variety of ventures from men's clothing stores to gift stores. Ventures like Misko Sports in Ord, Nebraska, with just more than 2,000 residents, can only survive because it is an innovative and hybrid business with both a walk-in store and large e-commerce business line. We are working on a paper that will focus on innovative hybrid venture models to be released in the fall 2021.

Greater Community Engagement. There is ample research and evidence from the field that locally owned and operated ventures are more rooted. While taking nothing away from external ownership tied to a branch manufacturing plant or franchise fast food place, local ownership typically generates a whole set of community benefits, including:

- Commitment to stay and grow in the community
- Desire to create better jobs and take care of employees
- Support of community investments through taxation
- Providing leadership for elected, appointed and volunteer positions
- Higher levels of philanthropy
- Encouragement of employees to get engaged

- Willingness to share what they know and mentor others
- Deeper love and care for hometowns

It is important to note that when local ventures are more competitive and doing better, their owners, families, and workers are more able to spend time, energy, and money in community building. When a venture and its owners are struggling to survive, there is little time to give back. Also, challenged venture owners and workers often convey a negativity that can hurt the attitude of a community. Conversely, when more ventures are competitive and doing better, they convey a positive attitude that contributes to a **can-do** community culture. This starts with most rural community's primary entrepreneurial asset: locally owned and operated ventures focusing on the wants and needs of area consumers. In rural America, this is the foundation for all entrepreneur-led development.

At e2, we believe the North Star for any rural community with respect to community economic development is a thriving, vibrant community where its residents have opportunities to realize their dreams. Economies should serve the material needs and aspirations of its residents. Successful rural communities contribute to thriving rural regions and vice-versa.

Community Economic Development Benefits

In community economic development, there is this concept that a community progresses or declines because of thousands of small and large decisions to invest or not invest, stay, or leave, start a business, or not start a business, transition a business, or close it - the list goes on and on. Communities that are progressing create momentum that can accelerate as early success expands opportunities for more success. Conversely, when a community is experiencing decline, a community loses development momentum and hope, resulting in decisions that build toward chronic and severe community decline.

Always keep in mind that we engage in economic development because we want to grow stronger, more vibrant, prosperous communities. At the end of the day, successful economic development – whether attracting a new industry or supporting area entrepreneurs – should generate impacts that contribute to these noted outcomes.

Spending Capture is foundational to all community-centered entrepreneurial development!

Market Opportunity Profile (MOP). For most rural communities, a starting point in more intentional entrepreneur-led development and related ecosystem building is rooted in helping area ventures and their entrepreneurs become more competitive in capturing area spending. Reducing spending leakages stimulates economic development, resulting in more vibrant economies and prosperous communities. In our MOP, we estimate the potential job creation associated with increased spending capture or reduced spending leakage.



Recently, we completed an MOP for Republic County, located in north central Kansas. In 2020, with its lead community of Belleville, they spent approximately \$122 million or nearly \$55,500 per household. Given the size and location of this rural community much of the spending flowed to larger trade center communities like Salina, Kansas (46,998 in 2019), York, Nebraska (7,841), other communities and electronic commerce. Based on the **2021 Market Opportunity Analysis** for Republic County, we estimate its

spending capture at \$51 million or 35 percent of gross current spending, and current spending potential at \$144 million, including permanent resident ventures and visitor spending. This is a remarkable number considering the county's 2020 estimated population of 4,809 residents. While it is not feasible to capture all this spending, if it were possible, the following job impacts would include an additional 729 direct jobs and 219 indirect jobs, resulting in 948 total new jobs. This is real economic development potential.

Next, we explore the likely economic and community impacts created by helping area ventures and their entrepreneurs become more competitive in capturing area spending.

Early Economy Impacts

Based on our field observations and documentation, consider the likely early economy impacts:

- More positive venture decisions (e.g., invest, hire, improve, etc.)
- New venture investment
- New and saved jobs
- Better jobs and careers with higher compensation and benefits
- New products and services offered
- New markets developed
- Increased use of social media to reach customers
- Increased use of electronic commerce to reach wider markets
- Investment into buildings, facilities, and operations
- Expanded area taxes bases and revenues
- Identification of growth-oriented entrepreneurs

Transformative Economy Impacts

When spending capture efforts are sustained at a high level, coupled with other entrepreneurial development strategies, transformative changes in the economy become real, including:

- Rising average wages and total personal income
- A more competitive economy
- A more diverse economy
- A higher-value economy
- A more resilient economy
- Increased household and community wealth

For more information, check out our e2 paper, *Community Prosperity Theory of Change Model*⁴.

Community Building Impacts

Stronger economies can and should empower community building, with the following likely outcomes:

- Quality-of-life placemaking
- Stronger tax bases for schools, local government, recreation, and parks
- Resident agency where residents are empowered to engage in community building
- Increased community philanthropy to fuel community building
- Evolution of an entrepreneurial community culture
- Evolution of a community culture of innovation and hope for a brighter future

Next are some resources your community can use to build your spending capture game plan.

⁴ Located in our website's [resource library](#).

In community economic development, we place communities into one of three primary categories: **reactive, responsive, proactive**.

Too many rural communities are **reactive**, constantly responding to both crisis and opportunities as they happen. Typically, these communities lack a broadly shared development vision and action plan. Development is grossly undermined when we are in a reactive behavior mode.

Some communities are **responsive**. They have an entrepreneurial ecosystem and are ready to help when opportunities come to them. Being responsive is far better than being reactive, but it does not optimize a community's development potential.

Finally, there are those rarer rural communities that are in a **proactive** mode of operation. These communities have a development vision with clear and actionable goals, they understand their genuine development opportunities, they are reaching out and engaging their entrepreneurs, and optimizing their potential or growing a more prosperous community.

Resources

We recommend that rural communities become more proactive in their development efforts. Central to becoming both proactive and smart, a community must understand its:

- Genuine development opportunities
- Entrepreneurial talent and ventures interested in these opportunities
- Ecosystem resources that can advance both venture and community development

Analytics are foundational to bringing “**smart**” into a proactive development game plan. With solid research and analysis, it is possible to move beyond intuitive understanding and grasp in greater detail actual opportunities. For example, if a group in the community is thinking about opening a new café with a somewhat higher-end menu, the question, “*Is there sufficient consumer demand for this kind of café realistic in my corner of rural America?*” becomes relevant.

At e2, we provide three types of analytics, with the option to customize, that can help communities discover their likely entrepreneurial development opportunities, learn more about spending capture opportunities and venture specific analytics.

1. **Development Opportunity Profiles (DOPs).** Our DOPs provide a higher-level analysis of communities and flag potentially favorable circumstances. This analytic resource can be used to begin a community conversation around potential and genuine **likely entrepreneurial development opportunities**. Visit our [website](#) to download a sample DOP so you can get a feel for this level of analysis.
2. **Strategy Papers.** e2 has produced strategy guides like this one for all the likely entrepreneurial development opportunities. These guides are intended to help communities move from discovery of potential opportunities to acting on those opportunities, empowering community economic development impacts. Early in this strategy paper, we highlighted all the development areas. All of these strategy guides are located in our website’s [resource library](#).

3. **Market Opportunity Profiles (MOP).** Specific to the spending capture development opportunity, we have developed a Market Opportunity Profile that supports this strategy guide on spending capture. The MOP can help your community better understand its spending capture areas and opportunities. Visit our [website](#) to download a sample MOP.

Customized Analytics. In most cases, but particularly with spending capture, we can provide customized analytics that can be used at a community level (say spending capture related to your hospitality sector) or at an individual venture level (e.g., answering the question of market potential for a second higher-end café). Customized analytics become relevant, useful, and cost-effective once a community and/or venture begins to really dig into more specific opportunities.

We hope resources like this strategy guide are helpful. But once you have targeted a likely development opportunity, we strongly encourage some peer learning.

Power of Peer Learning

Community Peer Learning. In the case of community peer learning, we recommend finding one or more communities like yours that is farther ahead in their development. For example, we often recommend Red Cloud, NE and the Catherland Region, NE, for deeper learning about heritage tourism development. Networking to these communities learning from their lessons and tactics is important. As part of this kind of peer learning, we also recommend a small busload of your residents visit a peer community and spend at least a day learning the ins and outs of its development journey. Next, invite a team from the host community to learn about your work and provide additional insight. It takes commitment, time, and money, but these “beyond the phone call” visits can really inspire and accelerate your work.

Venture Peer Learning. In Jackson County, Kentucky, we learned firsthand the power of venture or entrepreneur-to-entrepreneur peer learning associated with Airbnb development. Jackson County is located in a remarkable part of the Appalachian Mountains with an extensive multipurposed trail system and watersports opportunities. But at the time, Jackson County had few places for visitors to stay. Within 18 months, through peer-to-peer learning and some help from Berea College, locals learned how to launch individual Airbnbs, and work together to increase overnight and longer stays, increasing visitor spending.

Bottom line, reading about a strategy is one way to learn. We recommend this. But experiencing it through the development journey of others is truly empowering.

Every rural community and the region it anchors generates consumer spending from households, nonprofits, and governmental agencies, including schools and often healthcare. Some of this spending is captured and the balance leaks from the community, flowing to other communities and electronic commerce sites, like Amazon. The competition for consumer spending is intense and growing more intense with locally owned ventures in other communities, box stores, franchises, and now electronic commerce. The COVID-19 pandemic has driven more consumers into electronic commerce, piling up rural community spending leakages. Despite these headwinds, opportunities exist to reduce spending leakages that grow more competitive and vibrant community-rooted ventures.

Roll Up Your Sleeves and Get to Work

Regardless of current challenges, there are real opportunities to increase spending capture. Area ventures become more competitive, with higher value, when they are able to capture more area spending and engage in electronic commerce to grow their markets.

There are allied development benefits with spending capture strategies, as addressed in this paper. Spending capture is a development opportunity for nearly every rural community, with many of the other likely development opportunities, including spending capture as a sub-strategy.

This is hard work, but it is foundational in growing a more entrepreneurial economy and stronger community. If your community is willing to roll up its sleeves and get to work, you can succeed with this strategy and open the door to a wider range of development opportunities and benefits when you make progress.

We would love to hear from you. Do share back your impressions of the first part of this strategy guide, your experiences, insights, and your questions by contacting Don Macke at don@e2mail.org.

You've had a lot to absorb and learn.

The remaining pages are collected into an appendix. Here, you can dig into how your community can begin to capitalize on increased spending capture by building a community game plan.

Given that spending capture is a universal development opportunity for nearly any rural community of any reasonable size (e.g., from a few hundred to thousands of residents), we have developed a much more detailed community engagement strategy we lay out for you in this appendix. This strategy can be self-guided within a community or employ a moderator to help guide the process.

Appendix

A Community's Game Plan to Stimulate Increased Spending Capture

Not all of e2's likely entrepreneurial development opportunities are available to every rural community but increasing spending capture as a development strategy is pretty universal in a very wide range of rural communities based on size, situation and location. This section of our spending capture strategy guide goes into a very granular **community engagement process** to explore, test, and capture spending leakages, enabling a more diverse and competitive economy. Given the detailed nature of this section, we have employed a strong framework organizing this process into distinct parts or actions as follows:

Part 1 Background with context

- Taking Stock – The Power of Assessment
- Asking the Right Questions

Part 2 The Concept of Market Segments

- Spending Capture Market Segments
- Examples

Part 3 From Commitment to Increased Spending Capture

- Commitment
- Getting Organized for Action
- Moving to Entrepreneur Engagement
- Inviting and Engaging Targeted Entrepreneurs
- Working with Entrepreneurs

Part 4 Offer the Market Segmentation Development Framework

- Exploration and Discovery of Potential Spending Capture Market Segments
- Identification of Specific Opportunities
- Market Testing, Learning and Capture Strategy Refinement
- Market Segment Optimization

Part 5 Growing a Community Spending Capture Game Plan

- Capture Entrepreneur Testimonials, Stories and Metrics
- Share within the Community
- Stimulate More Entrepreneur Engagement and Grow the Strategy

Some Parting Guidance

e2 Entrepreneurial Ecosystems believes in **empowering research** – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community or regional prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community.

Part 1 – Background With Context

e2's **Market Opportunity Profile** provides customized data for your community that can be used to identify areas of strength and opportunity related to potential areas' spending capture. Despite intense competition for consumer spending from electronic commerce, corporate box stores, franchises and others, there remain significant opportunities for communities to capture more of these spending streams through smart entrepreneurial development.

Importance of Guidance

Our analytic resources such as our Market Opportunity Profiles are designed to be freestanding and self-guiding. However, we have learned from our work with leaders and community builders that assistance understanding the power for a community with data interpretation can greatly enhance the value, use, and impact of these resources. At e2, we recommend whenever possible that both data interpretation and guidance be part of the package with communities employing analytics resources.

What follows is an in-depth **Market Opportunity Profile Guide** that provides a framework for engaging community leaders, community builders, entrepreneurs, and ecosystem providers to engage in more efficient, effective, and higher impact conversations that focus on increasing area spending capture as an economic development strategy. It is helpful to have an independent person or team with skills in setting up and guiding community conversations, enabling communities to be more intentional in the use of analytics driving strategy commitments. e2 can help you identify this person or team.

Taking Stock – The Power of Assessment

Whether a community or a region is successful over time – or not – depends upon the commitment and choices of its leaders and people, and the investments they make in their development. As Deepak Chopra says, "When you make a choice, you change the future." Making the *right* development choices is a prerequisite for achieving community and regional prosperity. The best way to make the *right* development decisions is to commit to a thoughtful and robust assessment of your region's opportunities. By taking the time to discover and better understand your region's genuine development opportunities, you will make smarter investments and enhance your region's potential for greater prosperity.

Capturing more of your community's area spending is just one of the likely entrepreneurial development opportunities. Our Market Opportunity Profile provides foundational analytics that can help a community's entrepreneurs capture area spending as a primary entrepreneurial development strategy. In becoming more competitive with capturing area spending, your community's ventures will, in turn,



become more competitive, enabling some to explore new products and services, new markets and consumer groups, thereby contributing to the base part of your economy.

A community's Market Opportunity Profile is a start on a pathway to prosperity. But it is only a start. It reflects one view of a community's consumer spending. We challenge communities to build on this work, draw on their own knowledge of their community and its assets, and create deeper understandings of unique spending capture development opportunities. Using these insights can empower a community's entrepreneurs to begin exploring spending capture opportunities, test markets, and then double down on demonstrated opportunities.

Asking the Right Questions

To be successful and achieve sustainable prosperity, every community needs to achieve two outcomes: engage in economic renewal and demographic renewal. These two things are intimately connected. New residents are attracted to, and put down roots in, places that offer diverse economic opportunities. A healthy population supports a more robust quality of life and the amenities that go with it – schools, healthcare, shopping, arts, and recreation, for example. A Market Opportunity Profile can help a community's entrepreneurs begin the all-important process of spending capture. Consider these framing questions:

- What is your potential market service area?
- How does current spending by area consumers align with your venture's offerings?
- Are there spending areas where you might have venture opportunities?
- What additional data would be helpful in targeting potential capture areas?
- Do you have a market testing strategy?

Being a Smart Data Consumer. We provide a summary of research sources at the end of the Market Opportunity Profile. In addition, clients can access detailed source information by reviewing specific research items in their online library. Data used in a profile is based on sampling and estimates. Through the sampling process, data can be skewed, particularly in smaller, more rural regions. We encourage you to carefully review the data and question the results if they are at odds with your experience. At the same time, remember that others – prospective residents, employees, and entrepreneurs – are using this same secondary data to learn about your county.

Now we continue in your journey of becoming an efficient and impactful Market Opportunity Profile community guide with Part 2 and the **Concept of Market Segments**.

In 2020 according to the World Bank, Earth's population is nearly 7.7 billion residents. This is a remarkable number and embedded within it are literally millions of commodities and niche consumer markets. The diversity of consumer markets can be organized, explored, and optimized through the concept of market segmentation. In rural areas, the diversity and complexity of market segments is lower, but in an age of electronic commerce, our potential consumers are not only those living and purchasing goods and services in our area, but the entire world community.

Part 2 – The Concept of Market Segments

In working with communities, we recommend minimal use of acronyms, however, you may see these abbreviations in this guide or referenced in other papers:

Market Opportunity Profile (MOP). This profile provides critical community-specific information, empowering Spending Capture Opportunity discovery.

Spending Capture Opportunities. Rooted in these market opportunities are specific market segments that can be readily acted upon.

Market Segments are well-designed strategies that can result in increasing spending capture.

In working with communities, we recommend the use of illustrations and stories. These can be useful in fostering quicker understanding of underlying economic concepts.

Spending Capture Market Segments

Within this entrepreneurial development opportunity, we intentionally employ the term **Spending Capture Market Segments**. Given the importance of this concept, we would like to define and illustrate it early in this **Market Opportunity Profile Guide**.

A **market segment** relates to a specific consumer spending stream, such as spending on entertainment. Market segments can be large and aggregated, like spending on entertainment, or very detailed, such as entertainment spending related to attending movies. For most entrepreneurs in rural communities, exploring potential spending market segments involves adding products and/or services aligned with the ventures, versus necessarily starting a new venture. We offer three illustrations to elaborate on this critical concept.

Examples

Food and Drink Offerings in Red Cloud, Nebraska. Red Cloud (population 1,095 in 2019) located in South Central Nebraska, is primarily an area trade center for farmers and ranchers, serving as a bedroom community for workers commuting to Hastings. Red Cloud is also the home of the American writer Willa Cather. Cather has an amazingly long-lived following in the United States and throughout the world. Catherland, as this region is called, is the setting for many of Cather's books and writings. Each year, thousands of visitors come to Catherland. These tourists have different wants and needs when compared to the resident population. For

example, the local grocery store will prepare a picnic basket for pickup on the way to time spent at Cather Prairie. Local entrepreneurs perceived a need for a wine bar that operates during high visitor traffic times. Local eateries are being encouraged to broaden their menus for visitors including vegan, gluten-free, and higher-end options with paired alcohol offerings.

Offering Retiree Concierge Services in Albany, Missouri. Albany (population 2,010 in 2019) located in North Central Missouri, is primarily rooted in commodity agriculture and manufacturing. Albany is also home to a MOSAIC Life-Care. MOSAIC is a regional private healthcare provider based in St. Joseph, MO. Albany is experiencing increasing in-migration of retiring Boomers and exploring retiree-led development. MOSAIC, one of the largest employers in Albany, is exploring venture opportunities to meet more of the needs and wants of these retirees. It is also working with the community to position the community for increased Boomer attraction and empowerment of other entrepreneurs to capture more of these growing spending streams. One likely option would be the development of a comprehensive set of retiree concierge services. Retiring Boomers want to age in their homes. So, for example, the local hardware store or lumberyard could provide concierge services ranging from home maintenance services to help in finding contractors to replace a dishwasher. There are dozens of potential market segments for existing and new ventures, making it easier for retirees to live their lives and age in their homes.

Expanded Recreational Tourist Services in Mullen, Nebraska. Mullen (population 351 in 2019) is located in Central Nebraska, nested in a cow/calf ranching country called the Sandhills. The Sandhills is just one of two regions in the world with grass-stabilized sand dunes. It is a remarkable landscape, largely the same as it has been for centuries. Mullen is adjacent to the Dismal River, offering challenging canoeing and kayaking. The local motel offers lodging for these recreational tourists but has added river services including rentals, transportation support, and even guiding. In years past, the Mullen Hotel and the Mullen Meat Locker joined forces to provide lodging for deer hunters and overnight processing as a package. These allied market segments created revenue and profit centers, contributing to the success of these ventures and strengthened the spending capture within the community.

We could go on and on with illustrations. But those are the conversations a community needs to have to stimulate market segment searches and energize increasing spending capture.

Part 3 provides a very detailed framework you can use with your communities to engage their entrepreneurs in exploring potential spending capture Market Segments as venture development opportunities.

Always remember that the whole point of this work is to generate community economic development impacts that include a stronger venture community, more and better jobs, and an expanding local tax base. Whether it is traditional business attraction or increasing area spending capture, a community's stakeholders (e.g., those who fund local development) care deeply about these desired outcomes.

Part 3 - From Commitment to Spending Capture

In this part, we offer specific steps to employ a Market Opportunity Profile to engage a community and its entrepreneurs in exploring and testing potential spending capture market segments.

Commitment

Getting Organized

- Find a Host Organization and Staffing Support
- Convene a Task Force or Working Group
- Define Your Community and Potential Service Areas
- Have a Market Opportunity Profile prepared

Moving to Entrepreneur Engagement

- Host a Market Opportunity Profile briefing
- Task Force Market Opportunity Profile Review, Fine-Tune/Identify Possible Energy Areas
- Map and Target Potential Entrepreneurial Venture Outreach

Inviting and Engaging Target Entrepreneurs:

- Host Large and Small Group Conversations with Targeted Entrepreneurs
- Identify Entrepreneurs Interested in Going Further

Working with Entrepreneurs:

- Working one on one with Entrepreneurs
- Working with Micro-Clusters of Entrepreneurs
- Providing More Specific and Deeper Analytic Support
- Offer the Market Segment Development Framework

With this framework in mind, we explore each possible process step in greater detail, beginning with a community's commitment to spending capture related entrepreneurial development. **We use NetWork Kansas as an example in showing how the framework works.**

Commitment

In all community economic development, there should be sufficient readiness and sufficient community commitment to seriously engage in a development strategy. This is particularly true with NetWork Kansas, where community coaching time and resources are being committed to provide process moderation. There must be a social compact, preferable in writing between NetWork Kansas and/or e2 with representatives of the community, which has been vetted and endorsed by key development stakeholder groups. For more information about readiness, check out our e2 University [**Community Readiness for Entrepreneurship Guide.**](#)

Getting Organized for Action

Once a commitment between NetWork Kansas and/or e2 has been negotiated, and a community is ready to get underway with this work, the next process step is getting organized. This part of the process is similar to what NetWork Kansas does when partnering with a new eCommunity. For more information about getting organized, check out our e2 University [**Organizing for Action Guide.**](#)

In this section of our Moderator's Guide, we will explore the following four topics:

Find a Host Organization and Staffing Support. Within the organizing phase of this work, it is important for the community to identify a suitable host organization committed to the strategy and capable of providing convening, staffing, and funding support. As is the case with all entrepreneurial development, this is a community team sport, but it needs a captain or coach to help all the potential partners engaged and align to move from commitment to impact.

Engaging Civic-Minded Entrepreneurs

We strongly encourage including a diverse number of civically minded entrepreneurs to be part of the community's spending capture task force or working group. By civic minded, we are talking about entrepreneurs who are willing to give of their time in support of community economic development. Including these entrepreneurs will ground the work and keep the focus on empowering area entrepreneurs to engage, seriously explore options, make commitments, and eventually make investments into capturing new leakages associated with specific market segments.

Convene a Task Force or Working Group. In concert with selecting a host organization, a community needs to form a task force or working group engaging like stakeholders and resources. This working group will in turn envision, empower, and execute the spending capture strategy with support and guidance from the community's host organization.

Define a Community and Its Potential Service Areas. In order for us to employ analytics, we must define the community and/or the geographic service area. Fortunately, with Esri data, rooted in a powerful GIS platform, it is possible to work with both standard (e.g., municipalities, counties, zip codes, Census tracks, etc.) and non-standard (e.g., drawn areas) geographies. It is for this reason we are primarily relying on Esri data for our Market Opportunity Profile versus Census data, which is more restrictive. With the focus geography identified, we can then produce a customized Market Opportunity Profile.

Defining a Community and Its Market Area

Defining a community and its related market areas is an important first step. Making this determination at the community level allows e2 to generate a Market Opportunity Profile, pulling data and providing analysis specific to the geography defined by a community. In time, specific entrepreneurial development opportunities will require employment of different geographic market areas, expanding or contracting the core definition of your community at the start of this process. Remember, Esri can accommodate any geographic configuration. For more information on defining your community, check out our paper, [Defining Your Community](#).

Have a Market Opportunity Profile (MOP) Prepared. The next step is for us to produce a draft **Market Opportunity Profile** to be vetted with NetWork Kansas eCoaches and then community leaders to capture and correct errors and omissions. The community's customized Market Opportunity Profile will be employed extensively in the coming stages of work.

Moving to Entrepreneur Engagement

To accelerate momentum, we encourage that a community moves quickly to engage entrepreneurs, building owners and others in exploring spending capture opportunities (hereinafter "SCOs"). The following provides a lean process to propose to the eCommunity leadership team and/or SCO Task Force. In this section of our guide, we explore the following topics:

Host a Market Opportunity Profile Briefing. We are all familiar with our hour-long Development Opportunity Profile community briefings. This briefing would be hosted by the NetWork Kansas E-Community Leadership Team and the SCO working group or task force. Our goal here is to educate these key leaders and community builders about this resource and service, empowering them to commit more deeply to this strategy, thus enabling strong recruitment of SCO players.

Task Force Market Opportunity Profile Review, Fine-Tune/identify Possible Energy Areas. The next step is to review and fine-tune the Market Opportunity Profile, most importantly within this step is identification of possible energy areas for further and deeper exploration. Before a community engages potential targeted entrepreneurial clients, it is important that any corrections or amendments to the Market Opportunity Profile be made by the SCO Task Force and/or E-Community team.

Map and Target Potential Entrepreneurial Venture Outreach. With the SCO team in place, the next step is to map and target potential entrepreneurial ventures for outreach. Remember, behind every venture are entrepreneurs. This is relationship-based development. While employing the likely venture players outlined in Figure 1 on the next page, the SCO team would map and target candidates to focus outreach and invitation into this process. We also employ an **open-door** process that would allow an entrepreneur into the process, who was not invited initially, to become engaged.

Figure 1 – Likely Venture Players to Engage

Area Entrepreneurs	Investors	Developers
A prime engagement audience are your community's area entrepreneurs. Work with the interested and willing.	Another key group are venture investors, particularly LLC investor groups. LLC investors can bridge between venture ownership.	Including developers are an important engagement group capable of redeveloping land and building for eVentures.
Land & Building Owners	External Entrepreneurs	Others
Many eVenture deals require land and buildings. Engaging land and building owners can repurpose these assets into new uses.	Another group is entrepreneurs in other communities who might be interested in setting up operations in your community.	Be sure to include your development stakeholders, but also players like real estate agents, banks, etc.

Three Kinds of Entrepreneurial Ventures

It is important to remember, every community has three kinds of entrepreneurs, and it is critical that all three groups be considered and engaged in this process based on a community's preferences and targeting. These three kinds of entrepreneurial ventures include:

- For-profit businesses
- Nonprofit organizations
- Governmental enterprises

We illustrate the importance of this strategy design consideration with a story from Klamath Falls.

Klamath Falls, Oregon. Klamath Falls (21,335 residents in 2019) is located in South Central Oregon near the California Border. This is a remarkable landscape of mountains, forests, and beautiful valleys. Not far from Klamath Falls is [Crater Lake National Park](#). We have been working with a group called [Klamath IDEA Center for Entrepreneurship](#) first employing **Development Opportunity Profiles** to explore likely entrepreneurial development opportunities. A number of potential areas were identified, but given the bandwidth of this development group, recreational tourism was targeted.

Klamath IDEA then employed deeper analytics to explore collective and specific development opportunities. In this process, Klamath IDEA engaged for-profit businesses like resorts and service ventures, nonprofits including museums and governmental enterprises like Crater Lake National Park and the managers of public lands (e.g., some for-profits such as an amazing zip line park are located in National Forests).



Inviting and Engaging Target Entrepreneurs

Even a small community can have hundreds of ventures and entrepreneurs. Larger micropolitan communities can have several thousand. It is challenging to bring all these folks into Spending Capture

Opportunity (SCO) conversations. That is why we recommend mapping and targeting to create a smart, strategic, and manageable starting point. Over time, with more partners, more of a community's entrepreneurs can be engaged in SCO related exploration. Within the framework of relationship-based development, what we all know works best are personal invitations. This takes time and requires a bit of preparation to be clear and compelling on messaging and the value case for engaging. We must always remember the folks we are working with are busy and not sure whether they need or want our help. In this section of our Guide, we will explore the following two topics:

Defining Entrepreneurs – Ventures, Developers, and Investors

Just as we must broaden our definition of entrepreneurial ventures, we need to consider a broader definition of entrepreneur stakeholders including entrepreneurs and their ventures, developers, investors, building and landowners and possibly others like real estate agents. With increasing spending capture through competitive local offering of goods and services, chances are good real estate is a key ecosystem component.

Hosted Group Conversations with Targeted Entrepreneurs. With our Market Opportunity Profile, we propose a slightly different process. Most importantly, we encourage you to help your E-Community to invite a larger group of potential players, drawing on the candidates outlined in Figure 1. We need to introduce how analytics can provide insight into Spending Capture Opportunities, catalyzing further market exploration and testing. We offer a 90-minute session with:

- 30-minute Zoom presentation
- 15-30 minutes of for questions, answer, and discussion
- 30 to 45 minutes of exercise work moderated by a NetWork Kansas E-Community Coach

Share the MOP Information and Launch Exploratory Conversations

Nearly every chamber of commerce or main street program hosts periodic and annual events and festivals to drive community and customer spending. These events become part of the annual work plan of many communities. We need to encourage communities to routinize these periodic and annual Spending Capture Opportunity conversations. These conversations could be scheduled during slow times for various host groups. For example, a great time to work with farm-to-table entrepreneurs is in the winter.

Different groups within a community's entrepreneurial ecosystem can host both large and small group conversations. Examples include:

- Main Street Program with Downtown Entrepreneurs
- Farm Groups – Farm-to-Table Entrepreneurs
- Development Corporation – Larger Ventures (e.g., venture retention and expansion)
- Chambers of Commerce – Retail and Service Ventures
- Tourism & Convention Groups – Visitor Service and Goods Providers

These gatherings will be more focused employing more specific Esri data designed to explore SCOs that align with the interests and capabilities of individual entrepreneurs and/or micro-cluster groups.

Buildings as an Asset and Catalyst. Often in our rural communities, we have land or buildings that are empty or underutilized. Communities are motivated to repurpose these real estate assets into higher value use and strengthen the commercial and industrial property tax base. Here are some rural examples:

Ord, Nebraska, and Utopia Spa. Ord is a community of just over 2,000 residents serving a region of about 10,000 residents. Located in a former USDA building, this rather ugly commercial building, located near Ord's Courthouse square downtown, masks a remarkable inside space hosting up to 19 individual health and spa services ranging from yoga, hot and cold therapies to more traditional spa services like nails or hair cutting. Repurposing this piece of real estate has created a remarkable destination retail and service venture, drawing customers from as far away as Denver and Omaha.



Utopia Spa, Ord, NE

Utopia Spa is located in this nondescript and relatively unattractive commercial building. But inside are remarkable spaces, enabling a remarkable collection of ventures.

Lewellen, Nebraska and the Most Unlikely Place. Lewellen is located at the very western end of Lake McConaughy posting a resident population of just 192 residents. On Lewellen's main street is the Most Unlikely Place. This venture repurposes a long, vacant, deteriorating building important to the downtown landscape. The **Most Unlikely Place** is a community venture hosting a coffee shop, bakery, café, community meeting and gathering space, walls for area artists and where local talent can share their music. Known for its great coffee, teas and homemade foods, this repurposed building draws both locals and visitors from Lake McConaughy.

Chappell Pharmacy. Chappell, population 871, is like so many communities with main streets built out in earlier and more prosperous times. Often there are these large two- and three-story brick buildings lining the downtown streets. Local pharmacies are important essential and amenity community ventures. But pharmacies today are challenged with increasing box store, franchise, and eCommerce competition. Often located in one of these larger buildings, there is more space than needed for the pharmacy and its offering of other related goods and services. For many rural communities, the pharmacy also serves as a dry goods store, stocking everything from sunglasses to gifts, greeting cards, as well as nonprescription healthcare products. This was

the case with the locally owned Chappell Pharmacy. The actual pharmacy and store only needed about one-fourth of the main level square footage. In this case, the owner was interested in generating revenue for the other spaces and creating more traffic for the pharmacy. During our conversations with the owner, we ran detailed Esri data to (1) identify products and services the pharmacy could add, and (2) identify allied activities that could reactivate the other spaces in this building, including a possible coffee shop with bakery, yoga and exercise studio, and a book and gift store, to name a few of the opportunities.

Identify Entrepreneurs Interested in Going Further. As the process continues, there will be entrepreneurs who want to go further seeking additional information. This is where we need to work with the community on a (1) NetWork Kansas/community deal and (2) community program. As the process continues, there will be an entrepreneur who wants to go further seeking additional information. At this stage the community can work with the entrepreneur to seek more detailed and specific market research intelligence from an area university, e2 Entrepreneurial Ecosystems, or the [National Center for Economic Gardening](#) team. They can work with regional and state resources to build advanced market research resources and programs. In some cases, the national network of Small Business Development Centers can provide standard market intelligence research.

Deep Dive Analytics Cost-Sharing with Entrepreneurs

A community's **Market Opportunity Profile** or MOP will provide a community high-level spending capture patterns and opportunities. Chances are very high that when specific entrepreneurs and micro-clusters continue their exploration of very specific spending capture market segments, additional analytic support will be required – we call this **deep dive analytics**. Deeper diver analytics will require additional budget support. A community may want to consider offering a cost-sharing program to empower their entrepreneurs in acquiring this data and analysis support. It is at this stage that we need to be prepared to purchase additional Esri data to support more specific market segment consideration.

Working with Entrepreneurs

At the end of the day, if our communities want to realize the economic development benefits of increasing spending capture, energizing their entrepreneurs is foundational. Entrepreneurs and their teams must become actively engaged in exploring potential spending market segments and customers. Ultimately, every community should have an entrepreneurial coach, navigator, or networker. This staff person could be a repurposed chamber executive or economic developer, or a new hire. For smaller communities, this position could be shared countywide employing a circuit rider approach. Regardless of how this position is configured, one of the jobs of this staff person, working with stakeholder groups and other resources, would be to help entrepreneurs explore spending capture opportunities. For more information about working with entrepreneurs, check out our e2 University resource, [Working with Entrepreneurs Guide](#).

In this section, we will explore the following:

- Working One-on-One with Entrepreneurs
- Working with Micro-Clusters of Entrepreneurs
- Provide More Specific and Deeper Analytic Support

Working One-on-One with Entrepreneurs. In most cases entrepreneurs, investors, developers, etc. will want to work confidentially one-on-one with the data and the process of identifying, testing, and

exploiting Spending Capture Opportunities. It is for this reason, having a staff person focused on this work at least 25 percent of their time is so essential. It takes time, skill, and experience to help an entrepreneur with this process. In Ord. there is a robust entrepreneurial ecosystem, including a formal investors club and informal LLC investor groups. These investor groups often include seasoned entrepreneurs who also provide technical assistance and mentoring to the entrepreneurs they are investing in, often helping them liquidate dead inventory and focusing on higher value and more active products and services.

Wamego, KS Project

Wamego (4,876 residents in 2019) is located along Interstate 70 in central Kansas. This initial Wamego project got us exploring spending capture and the development of our **Market Opportunity Profile**. Their chamber of commerce and development corporation were very interested in more detailed information from Esri. As it turns out, there was an investors group they were working with exploring development of eating options in Wamego. Wamego, in many ways, is a bedroom community to Manhattan, based on commuting patterns. But Wamego is experiencing strong resident growth and there was sound truth suggesting that the community could support more eating establishments, competing with area consumers going to Manhattan. Our first Market Opportunity Profile provided drill-down information relative to **casual dining** spending and market potential. This work was undertaken one-on-one with this investor group in a discrete and confidential manner.



OZ Museum, Wamego, KS

Working with Micro-Clusters of Entrepreneurs.

Micro-clusters are an important development concept in rural America. To define and illustrate micro-cluster development we share a powerful emerging story from Appalachia Kentucky:

Micro-cluster Development Opportunities –Airbnbs in Appalachian Kentucky

This part of America is part of the vast Appalachian Mountain Region. Historically, this region has suffered socioeconomic distress, prompting the Federal Government, in partnership with 13 states, to create in the 1960s the [Appalachian Regional Commission](#). For the past four years e2 has been working in Central Appalachia as part of an eCommunity Initiative including communities in Appalachian Kentucky. This part of Appalachia is adjacent to the densely populated and growing Eastern Seaboard Metropolitan Corridor. Central Appalachia, with its rich natural resources including mountains, forests, trails, rivers, culture, and other assets, is increasingly a playground for Eastern Coast tourists.

Jackson County, Kentucky (13,369 residents in 2019) is located in the heart of Appalachian Kentucky. This community, or rather collection of communities spread throughout the county, has significant recreational tourism assets associated with spectacular scenery within the Daniel Boone National Forest. Of particular importance is a growing network of recreational trails. Recreational tourists are coming to Jackson County, but historically have not been sleeping there due to the lack of lodging. As part of the E-Community Initiative, this community identified Airbnb development as an energy area.



Daniel Boone National Forest

Within a year, it grew a supportive entrepreneurial ecosystem focused on Airbnb development, resulting in growing from a few Airbnbs to dozens. But this development is also growing a micro-cluster where Airbnbs are collaborating on shared standards, reservation, and marketing. Check out www.visitjacksoncountyky.org/lodging.

The Jackson County, Kentucky Story is a great example of an emerging micro-cluster and associated value chain, www.visitjacksoncountyky.org. In this case, the micro-cluster is organized around the Daniel Boone National Forest and the recreational trail network within it. There was a dire need for lodging options, and the development of Airbnbs was the solution. Keeping visitors overnight and for a number of days dramatically improves the area economic impact associated with these visitors. Collaborative marketing, standards of hospitality, and shared reservation systems all become possible. With more overnight stays, spending increases, enhancing opportunities for eating and drinking venues, recreational ventures such as zip lines, horseback riding and guiding, and allied activities from local antique stores to the area pharmacy. All these goods and services providers represent a mini-cluster and when they work together, can generate a value chain.

Provide More Specific and Deeper Analytic Support. Our e2 Market Opportunity Profile is a starting point to whet entrepreneurs' interest in using analytics to identify, test, and develop Spending Capture Opportunities through specific market segment profiling. It is critical that our eCoaches and key community leaders undertake training and exploration of the fuller range of market intelligence research available through Esri, including a deeper understanding of what this data is telling us. Second, it is important from a venture standpoint, that we craft a comprehensive pricing system for deeper dive analytic support.

Most communities and most entrepreneurs do not undertake formal market segmentation analysis. Providing the community with a framework and a process for undertaking market segmentation analysis is important. This framework and process should be practical and easily employed by communities and their entrepreneurs.

Part 4 - Offer the Market Segment Development Framework

The final action within the entrepreneur engagement process is to offer the **Market Segmentation Development Framework** to the individual entrepreneur or the micro-cluster. This framework provides for a logical, efficient, and effective way to employ Spending Capture Opportunity (SCO) data empowering decisions, investment, and eventually venture-related economic development. Any successful entrepreneur considering a new market segment must follow a similar process involving the four following actions. With that said, we cannot assume this is intuitive or known by entrepreneurs in a community. As part of a community's entrepreneur engagement game plan, we need to offer them a roadmap moving them from interest to actual commitment and investment.

- Exploration and Discovery of Potential Spending Capture Market Segments
- Identification of Specific Opportunities
- Market Testing, Learning and Capture Strategy Refinement
- Market Segment Spending Capture Optimization

Exploration and Discovery of Potential Spending Capture Market Segments. Innovation occurs on the margins of opportunity and an entrepreneur's ability to act on that opportunity. Our stories shared earlier illustrate this concept, and we encourage communities to use illustrations or mini stories to help entrepreneurs consider what they do well and how they can employ their capabilities to exploit and optimize new market segments. Step one in this process is spending time with the data, exploring spending capture opportunities rooted in potentially aligned market segments.

Identification of Specific Opportunities. The initial exploration will identify many and broader SCOs. Generally, these are not actionable. The next step is to identify and target specific market segments with the strongest alignment and opportunity. For example, a community may be part of a cross-county recreational trail, but there are no bike services in the community. Capturing recreational tourist spending, ranging from lodging to food, may be identified as an opportunity. But focusing on the lack of bike sales and services may represent a more specific market segment opportunity. A local gas station or hardware store adjacent to the trail could focus on testing these services to determine if this could grow into a strong sales area and profit center. Helping entrepreneurs get to more specific market segment opportunities is important to empower action.

Market Testing, Learning and Capture Strategy Refinement. When we help entrepreneurs prepare venture plans - an important thing to do - we require market identification and quantification. Unfortunately, this process is often abstract and lacks solid research to support the actual potential. We strongly recommend within this framework that entrepreneurs employ what we call **market testing**. A good illustration is an existing venture, like a pharmacy, recognizing that residents are doing yoga. Currently, no one in town offers yoga gear or classes. The pharmacy may provide some shelf space to yoga supplies, creating a consumer alternative to online purchases. With smart marketing, the pharmacy

can grow a consumer list of yoga practitioners and those wanting to do yoga in a class setting. If sufficient market demand is demonstrated through firsthand evidence, the pharmacy could expand its offering, including dedicating some unused space to a yoga studio, find coaches, and begin offering classes, creating a mini-sales area and profit center, and local service that improves health and wellbeing.

Simple Market Research

My Dad operated gas stations and garages most of his life. Little money can be made selling gasoline and profits were rooted in selling services (e.g., oil changes, tire rotations, etc.) and what is called TBA or tires, batteries, and accessories. TBA is where the real money was, but this market is highly competitive. My Dad believed in building a trusting relationship with customers, including fleets, busy families, widows, and retirees. Rooted in these relationships, Dad could count on a phone call to come get a car and perform some service and sell TBA. He always washed the car and vacuumed the interior as a customer bonus. Dad engaged in a simple market research process of talking to his repeat and new customers to identify other services and goods he could provide. This research identified new market segments to add. I bought my first car and paid for my first year of university detailing cars, one of those areas Dad discovered, based on these conversations and simple market research activities.

Market Segment Spending Capture Optimization. As market segment testing demonstrates potential and identifies allied opportunities, an entrepreneur can deepen commitment and investment into doing more in this space by purchasing more inventory, dedicating more space, and even hiring more specialized employees. As Ewing Marion Kauffman was known to observe, there is a difference between a venture owner who spends most of their time operating their venture and an entrepreneurial venture that finds time to work on their venture.

Engaging in this process outlined in this section of our Guide, we can help venture owners/operators trapped in just running their venture to find productive ways to work on their venture, contributing directly to their competitiveness and success.

The cornerstone of any community spending capture game plan is energizing relevant entrepreneurs and their venture in becoming more competitive and proactive in evolving their own spending capture strategies and tactics. But the larger entrepreneurial ecosystem for this kind of development also requires a game plan that can work with area entrepreneurs on a 24-7-365-forever timeline in gaining market shares through spending capture.

Part 5 - Growing Your Community's Spending Capture Game Plan

Community economic development is a 24-7-365 commitment. Our world is dynamic and every day, billions of people wake up, creating competition as well as new entrepreneurial development opportunities. Energizing a community's entrepreneurial talent through smart SCOs requires a robust, scalable, and ongoing community game plan. Sustaining and growing a community's capacity within this strategy area is rooted in a three-point game plan:

1. Capture Entrepreneur Testimonials, Stories, and Metrics
2. Share within the Community
3. Stimulate More Entrepreneur Engagement and Grow the Strategy

We explore our e2 approach to strategy sustainability and growth, beginning with capturing entrepreneur testimonials, stories, and metrics.

Capture Entrepreneur Testimonials, Stories, and Metrics. The combined use of both metrics and testimonial/story capture is so important. Committing to a robust story and metrics capture game plan is foundational. Capturing output, commitment, outcome, and impact metrics, employing a portfolio approach, allows us to demonstrate to stakeholders, funders, our community, and non-engaged entrepreneurs, that real venture development is occurring within the framework of this Spending Capture Opportunity strategy. Testimonials and short stories help connect the metrics to how a community contributed to this success. Connecting these dots through the words of benefited entrepreneurs demonstrates in the clearest terms that our strategy is making a material difference. For more information on this topic check out our e2 University [**Metrics, Stories and Sustainability Guide.**](#)

Share within the Community. At e2, we embrace the following 4-H value:

Never Do To
Avoid Doing For
Always Do With

Strong transparency and communications is foundational to keeping faith with the 4-H value of **Always Do With**. There must be an intentional and robust program to communicate how a community's spending capture development strategy is generating value and desired change in the community.

Stimulate More Entrepreneur Engagement and Grow the Strategy. Communicating metrics, testimonials and mini stories focused on a community's spending capture work, speaks to entrepreneurs in the community. When business owners hear the lead story that focuses on the entrepreneur, and the

backstory, that focuses on how the ecosystem contributed to that success, people get excited! Nothing is more powerful than success, articulated in testimonials and associated metrics, to motivate other entrepreneurs to engage in spending capture opportunities.

Ewing Marion Kauffman who founded Marion Laboratories and the Kauffman Foundation is one of the more powerful voices with respect to spending quality time and energy ‘...working **on** one’s business – versus working **in** one’s business.’ One of the roles of robust and sophisticated entrepreneurial ecosystems is to disrupt entrepreneurs from just working in their venture to spending time working on their business. This disruption is exactly what we are trying to accomplish with these community-hosted entrepreneur conversations.

Some Parting Guidance

Data about our community, economy, and markets is interesting stuff. Generally speaking, folks love this kind of data. But too often, there is not a smart game plan for moving beyond the “interesting stuff” value to empowering entrepreneurs and their communities to grow more competitive ventures capable of capturing more available area spending.

This Appendix Game Plan is intended to help community and entrepreneur coaches employ our Market Opportunity Profile analytics to grow stronger economies.

We would love to hear from you. Do share back your impressions of this appendix, your experiences, insights, and your questions by contacting Don Macke at don@e2mail.org.

How e2 Can Help



e2 Entrepreneurial Ecosystems helps communities increase prosperity through entrepreneur-focused economic development and ecosystem building. Led by [Don Macke](#), e2 has a national team of practitioners who bring research, coaching, incubation, market intelligence and other expertise to this work.

What We Do

- **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work.
- **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data. Explore some of our research tools and reports [here](#).
- **e2 University (e2U)** is our platform for sharing more than 1,000 guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the e2U team with analytics support from **Cathy Kottwitz** and report preparation from **Ann Chaffin**. Special recognition for their e2U legacy contributions goes to **Dana Williams** and **Deb Markley**, LOCUS Impacting Investing.
- **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City**, **SourceLink**, **Edward Lowe Foundation**, **Kauffman Foundation**, and **NetWork Kansas**. We are a founding member of [Start Us Up: America's New Business Plan](#), a coalition dedicated to strengthening entrepreneurship across America. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

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[NetWork Kansas](#), a 501(c)(3) nonprofit organization dedicated to developing an entrepreneurial ecosystem in Kansas, is the home for e2 Entrepreneurial Ecosystems. NetWork Kansas connects aspiring entrepreneurs, emerging and established businesses, to a deep network of business building resource organizations across the state.

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