

Strategies for Inner City Business Growth

Buffalo, May 1, 2000

Claire Kaplan



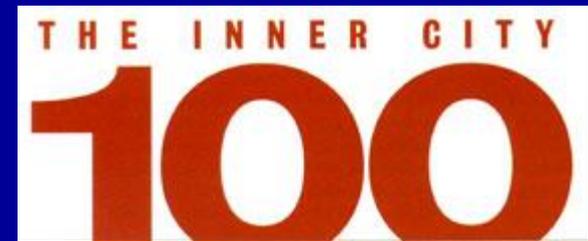
Initiative for a Competitive Inner City



- Average company grew **687%** between 1995-1999
- Average company revenues were **\$16.6 million** in 1999
- 86% of companies make a profit, 50% have very **strong profits**
- 20% are generating revenues from the **Internet**
- Average hourly wage is **\$11.81**

Created 8,300 jobs between 1995 & 1999

Buffalo Companies 2001 Inner City 100



Rank	Company	1999 Number of Employees	1999 Revenues (millions)	Sales Growth 1995-1999	CAGR 1995- 1999
45	Creditors Interchange	155	\$6.5	369%	47%
70	Integrity Distribution	21	\$5.4	226%	34%
88	Precision Millwork	25	\$3.2	163%	27%
89	Lifestyle Street Gear	54	\$4.2	158%	27%

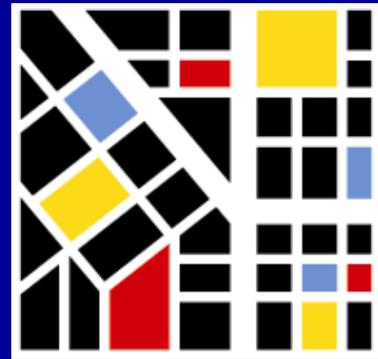
Honorable Mention

Personal Computers Inc.
Quality Inspection Services
Quality Laser Services

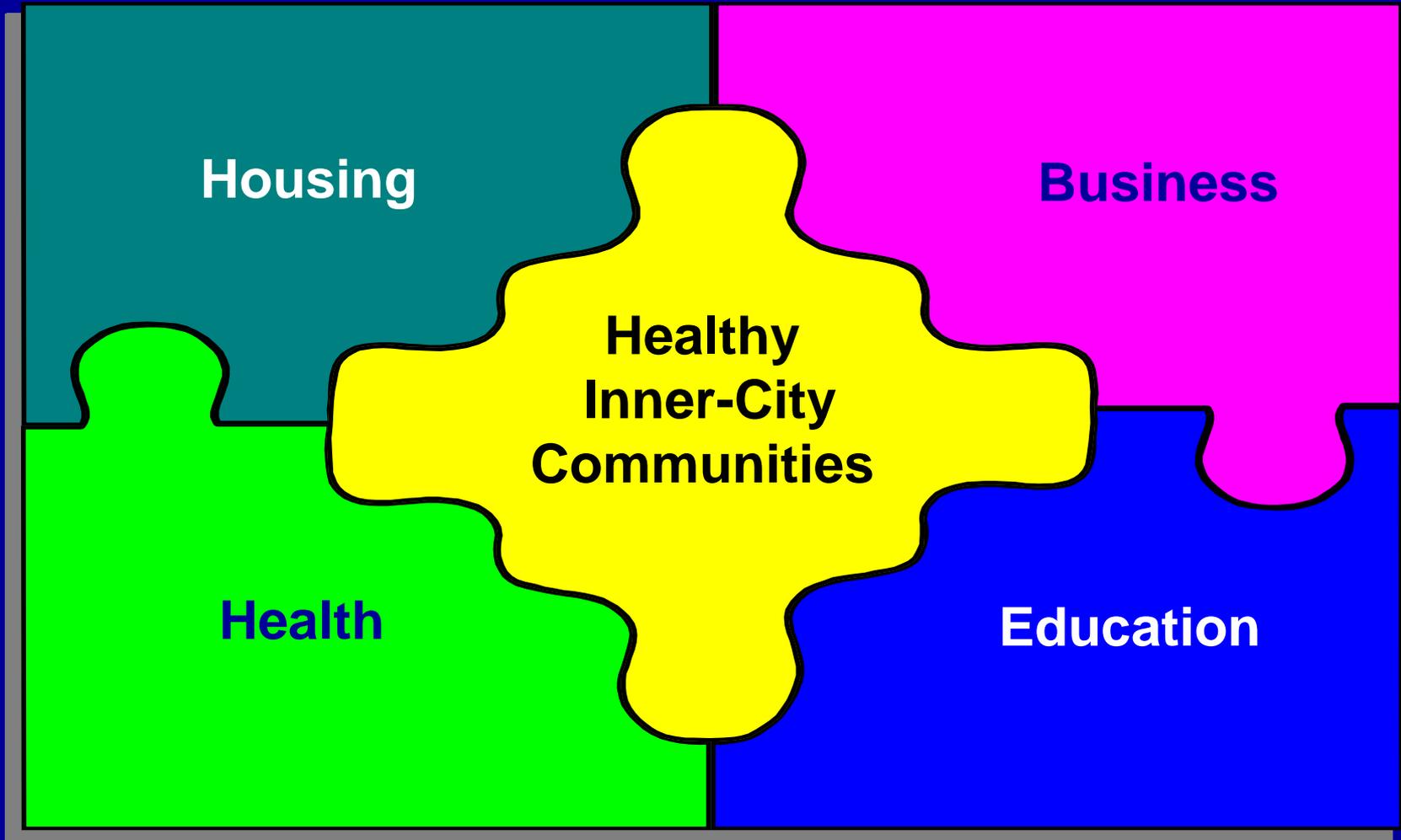
Spark new thinking

**about the economic
potential of inner
cities,**

**thereby creating
jobs, income and
wealth for local
residents.**



A Complementary Business Agenda



Initiative for a Competitive Inner City



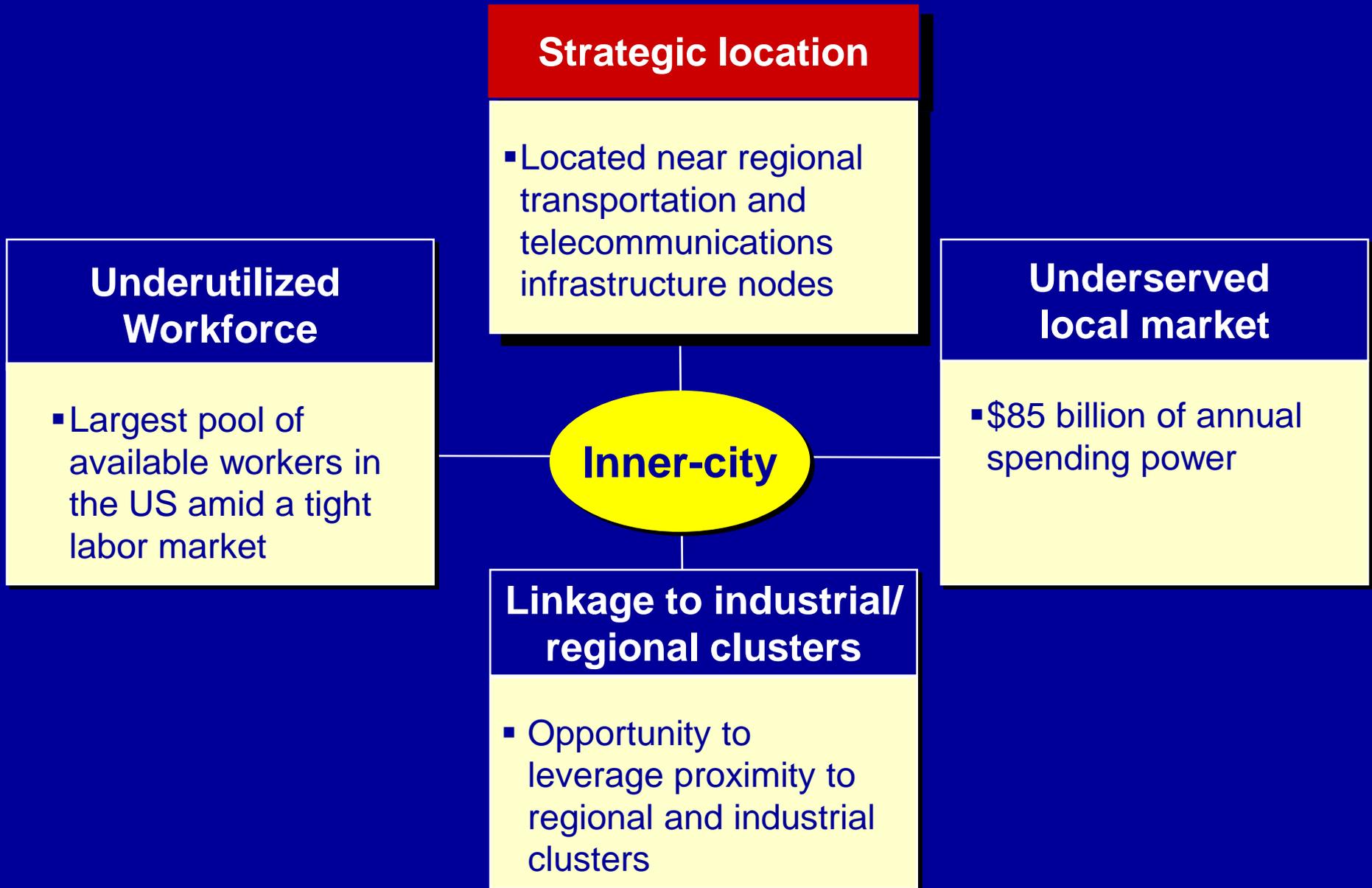
- Six years of pioneering **research**
- The ICIC/Inc. magazine *Inner City 100 Program*
- Strategic **advisory services** to many cities (CAP)
- **Corporate Partners Program**
- Program to engage all urban **business schools (NBSN)**
- **Private equity fund (ICV Partners LP)**

A Sustainable Model for Inner-City Development

- 1) A strategy based on **competitive advantages** and genuine **business opportunities**
- 2) A shift from a focus on **community deficiencies (subsidies)** to **market opportunities (investment)**
- 3) A **comprehensive strategy** for inner city business growth focused on **private sector** engagement
- 4) A framework that links the inner city economy to **regional business clusters**

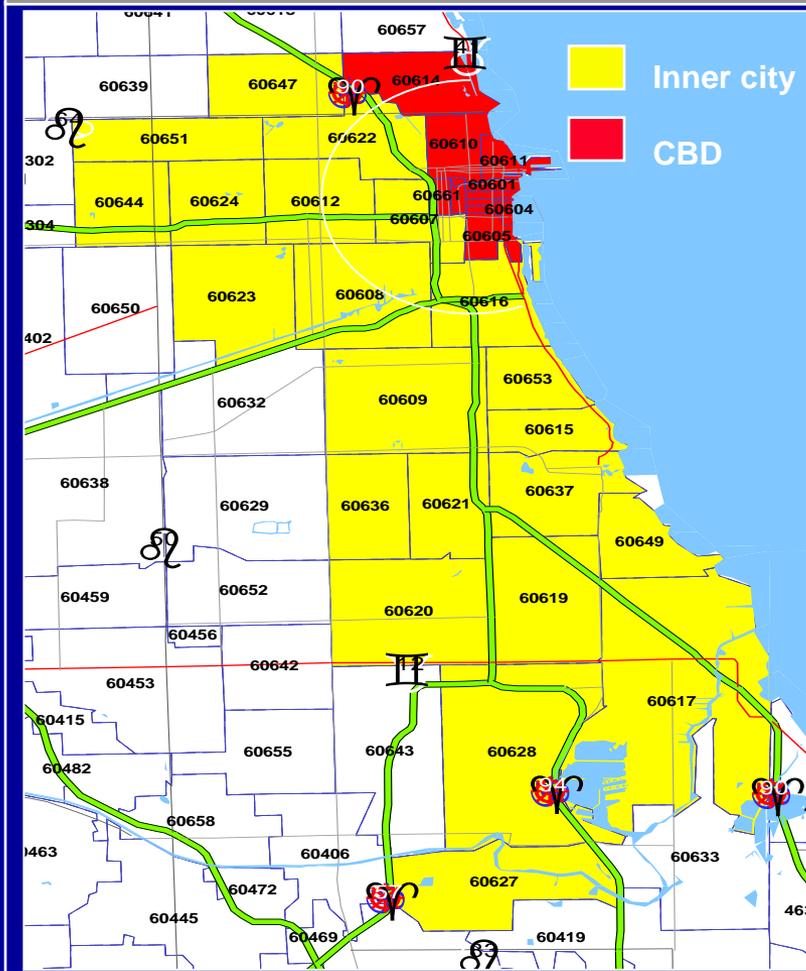
Objective: widen prosperity to all of our citizens

Inner City Competitive Advantages



Competitive Advantage: Strategic Location

Example: Chicago

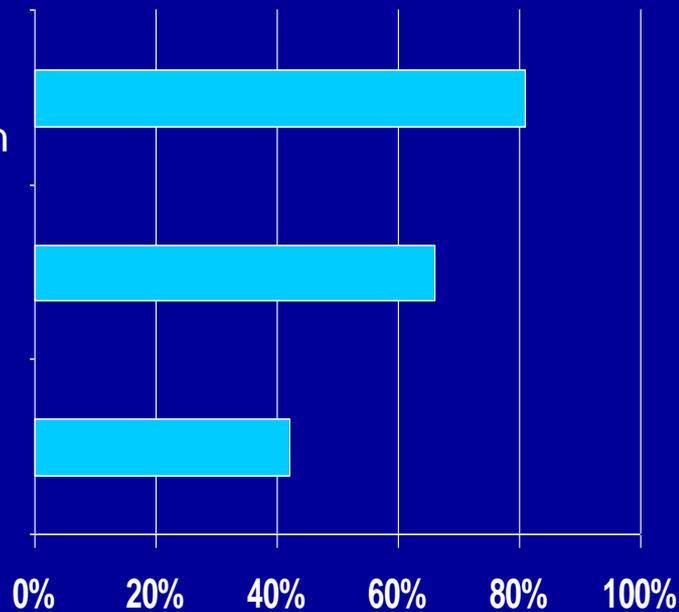


Competitive Advantages

Access/
proximity to
transportation

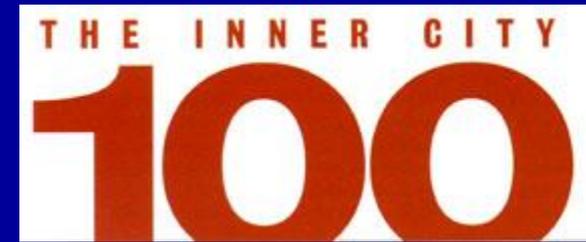
Access/
proximity to
customers

Access/
proximity to
suppliers



JOINT ICIC/BOSTON CONSULTING GROUP
RESEARCH

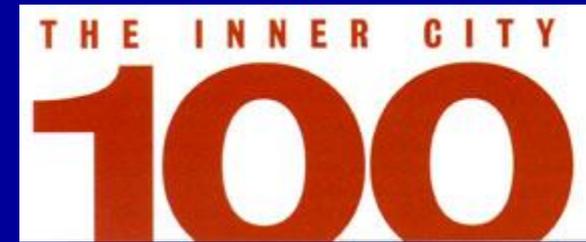
Belkin Components, Compton CA



Rank	Company	1998 Number of Employees	1998 Revenues (\$ in millions)	Sales Growth 1994-1998	CAGR 1994-1998
42	Belkin Components	535	\$211.3	394%	49%

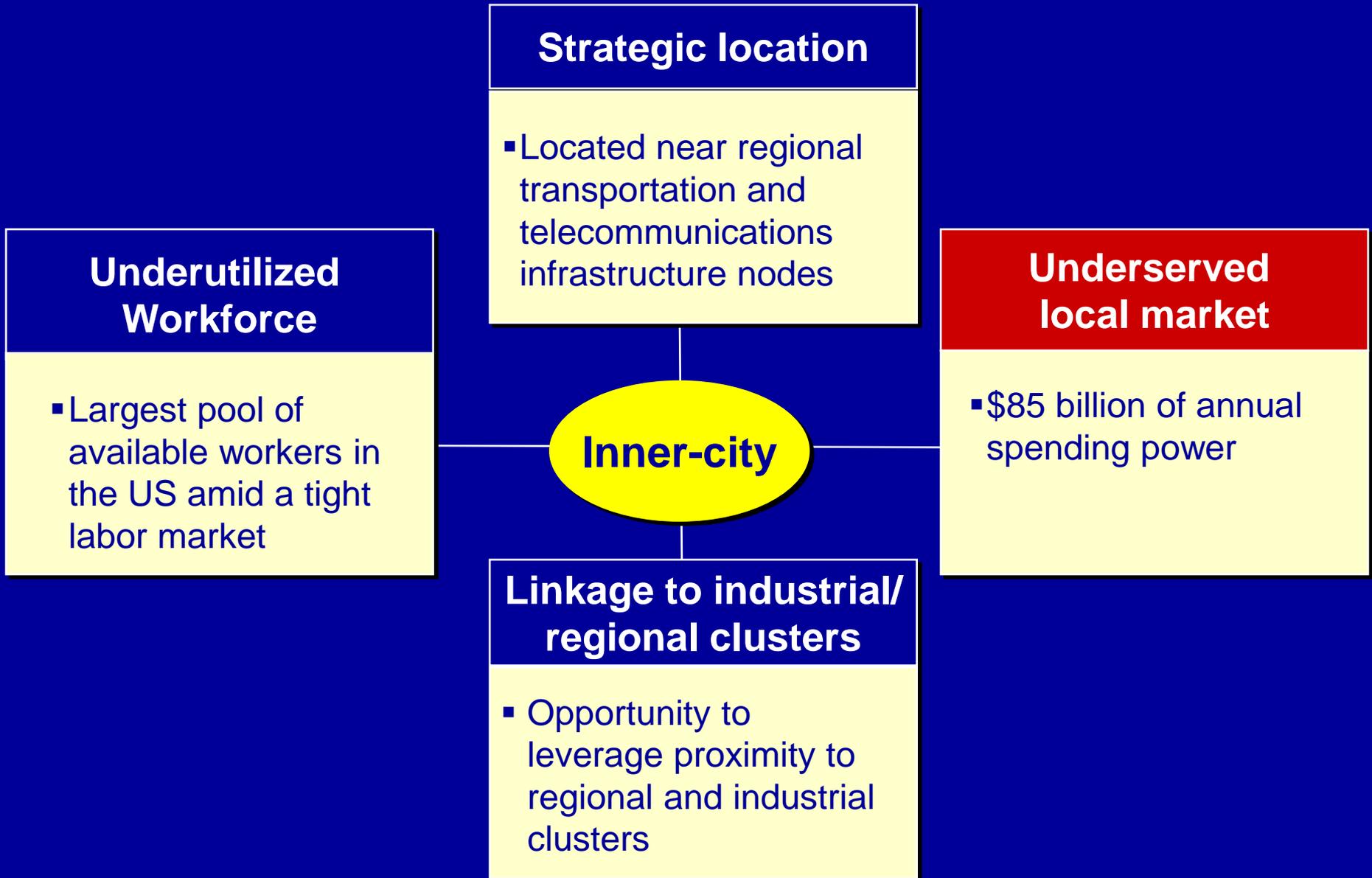
- **Manufacturer of computer peripherals and accessories**
- **Can “pick, pack and ship” huge orders in only 30 minutes**
- **Benefits from locational advantages (airport and port are both 11 miles away)**
 - **Receives supplies earlier in the day**
 - **Can ship products more cheaply and with less lead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

Integrity Distribution, Buffalo NY



Rank	Company	1998 Number of Employees	1998 Revenues (\$ in millions)	Sales Growth 1994-1998	CAGR 1994-1998
70	Integrity Distribution	21	\$5.4	226%	34%

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



Power of Concentrated Retail Demand

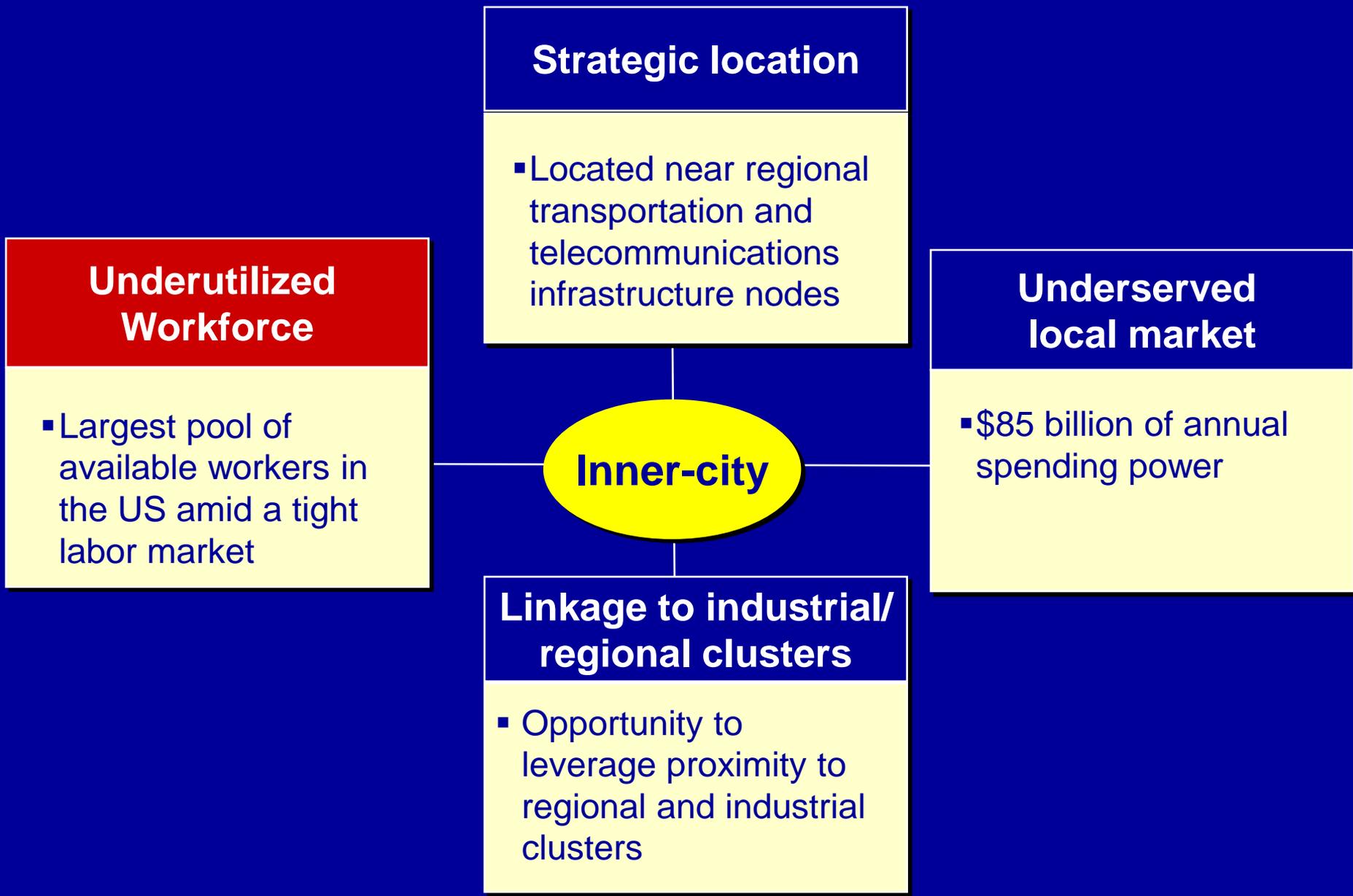
Average retail demand per square mile (\$M)

	Chicago	Atlanta	Oakland	Detroit	Boston	Harlem
Metro:	27	4	11	4	12	53
IC:	57	10	35	26	71	297
	2x	2x	3x	6x	6x	6x

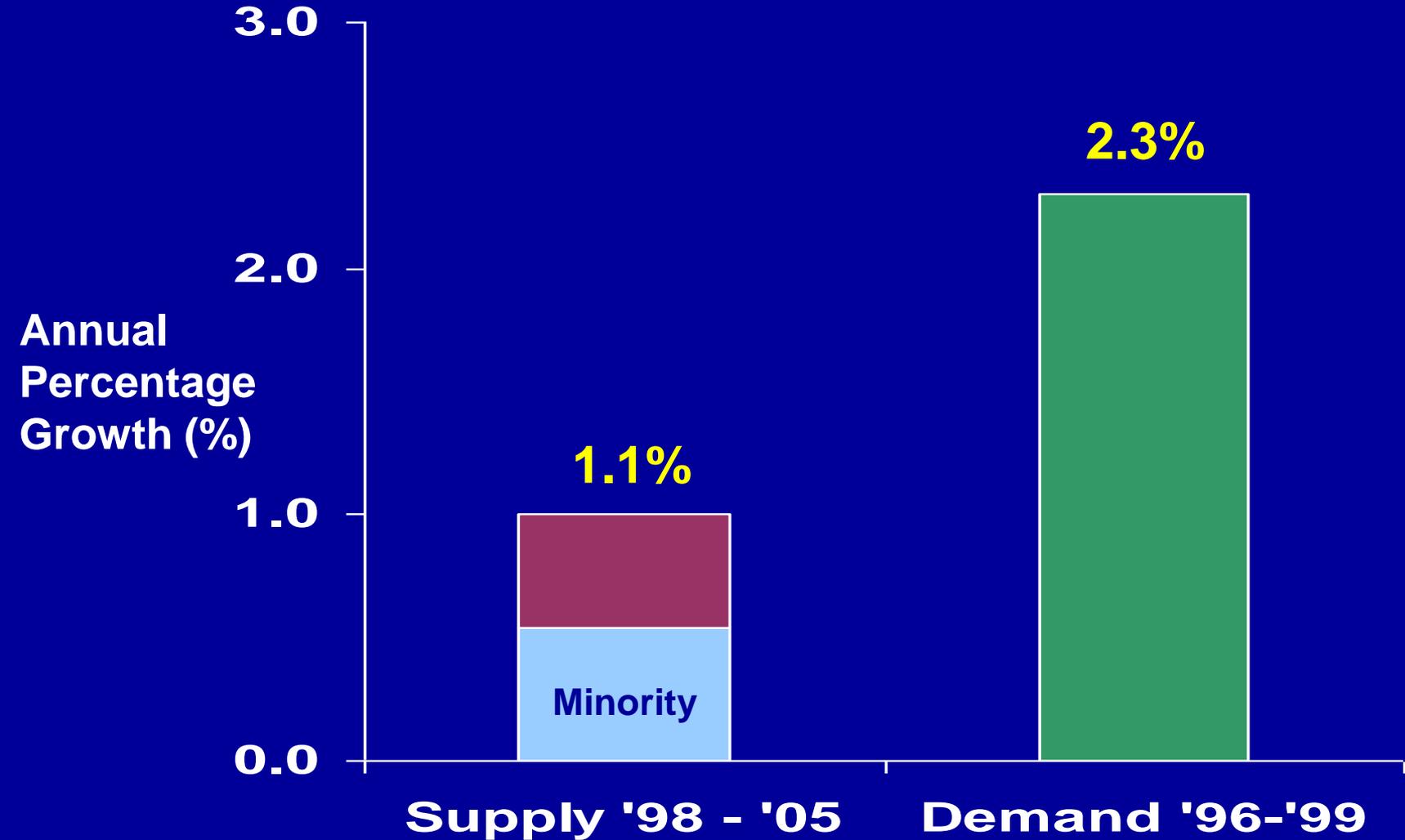
JOINT ICIC/BOSTON CONSULTING GROUP RESEARCH

Successful inner-city retailers cater to inner city markets

- # 48 Allegheny Child Care Academy, Pittsburgh, PA
 - Provides child care services to low-income families
- # 61 Molina Healthcare, Long Beach CA
 - Operates general medical care clinics
- # 89 Lifestyle Street Gear, Buffalo NY
 - Retailers urban fashion apparel

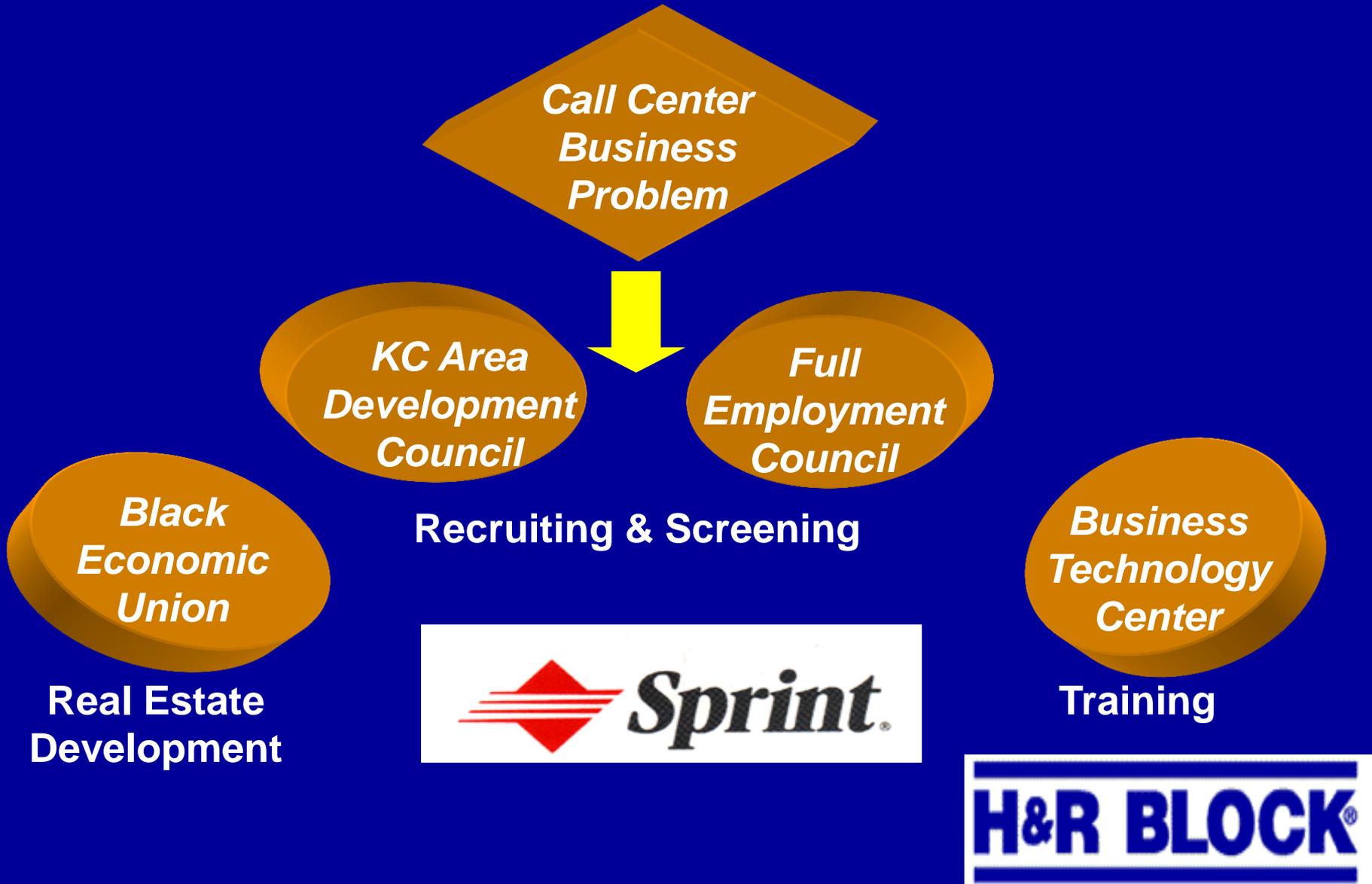


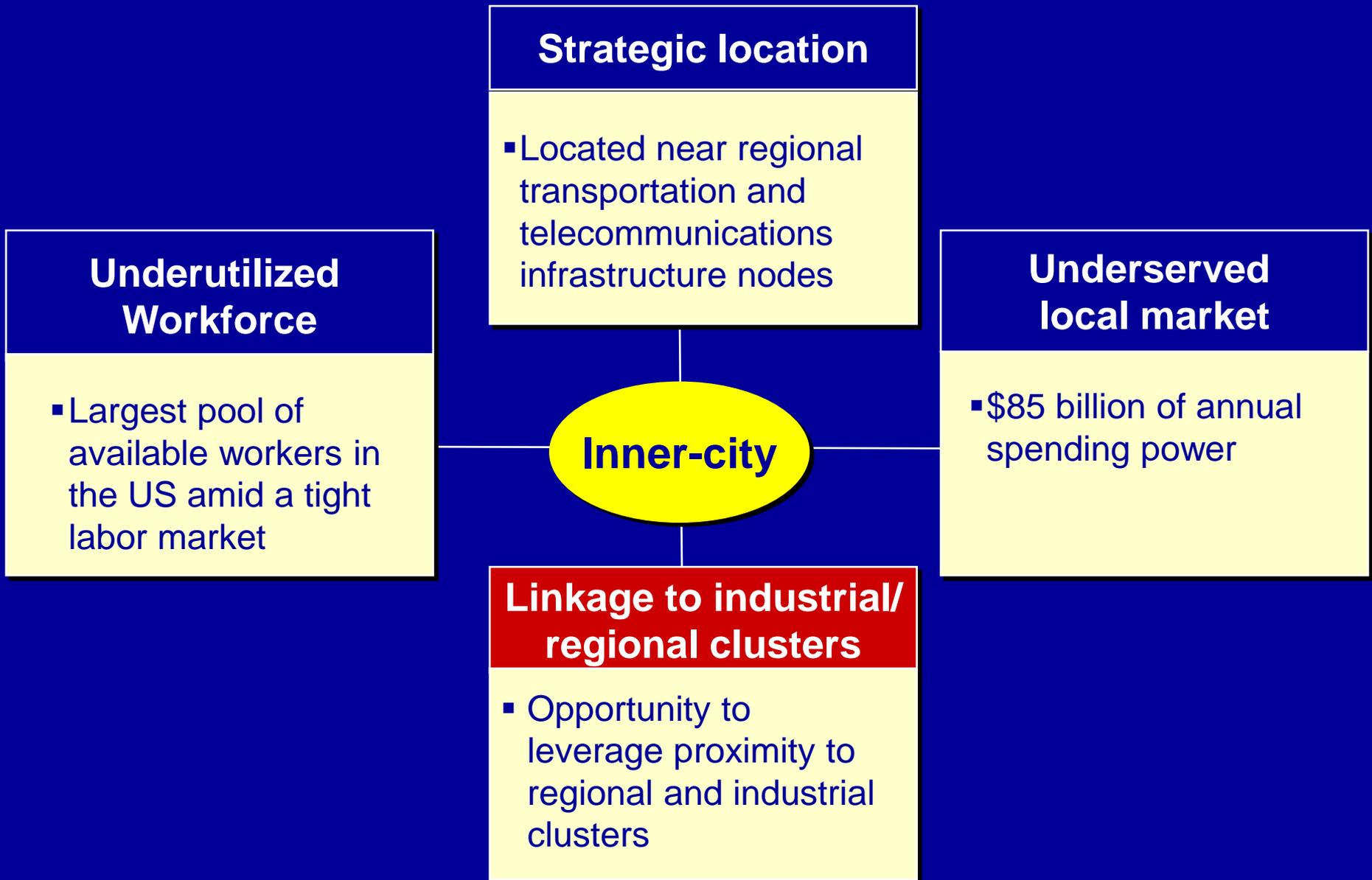
Competitive Advantage: Available Labor Market



Kansas City Call Center Strategy

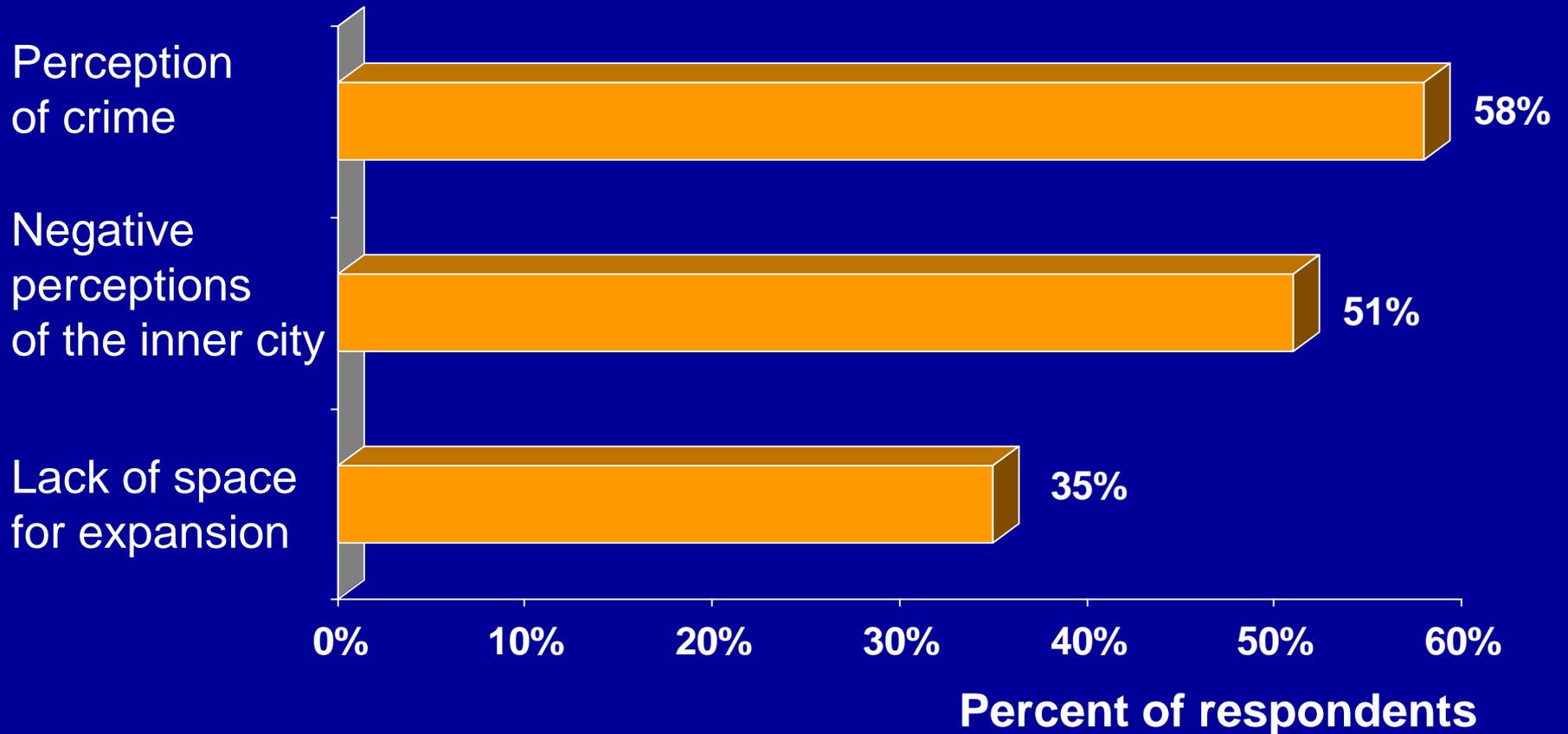
40,000 Employed by Call Centers in Kansas City





Disadvantages of an Inner-City Location

Survey of Inner City 100 Companies



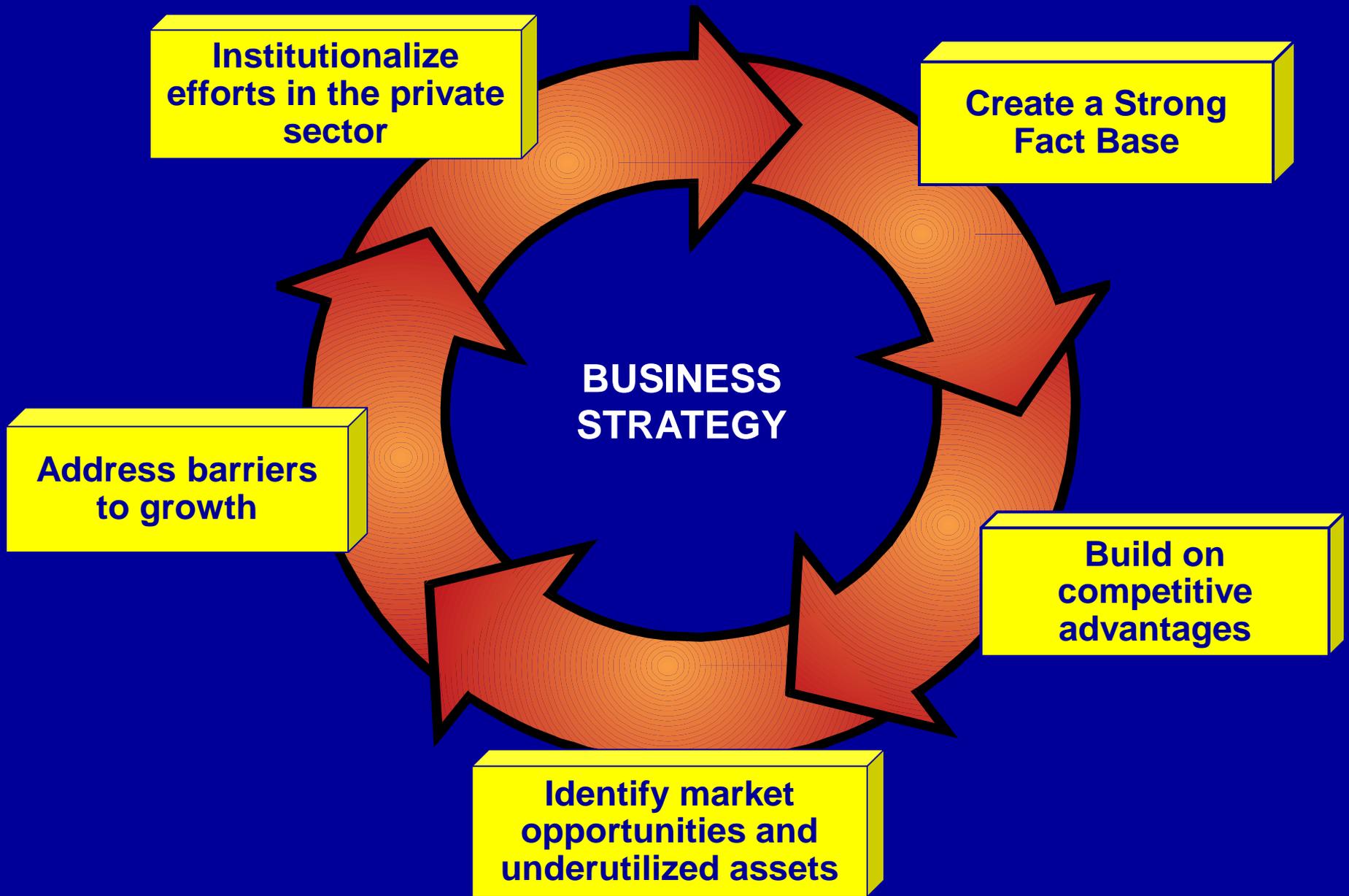


ICIC's City Advisory Practice (CAP) ...

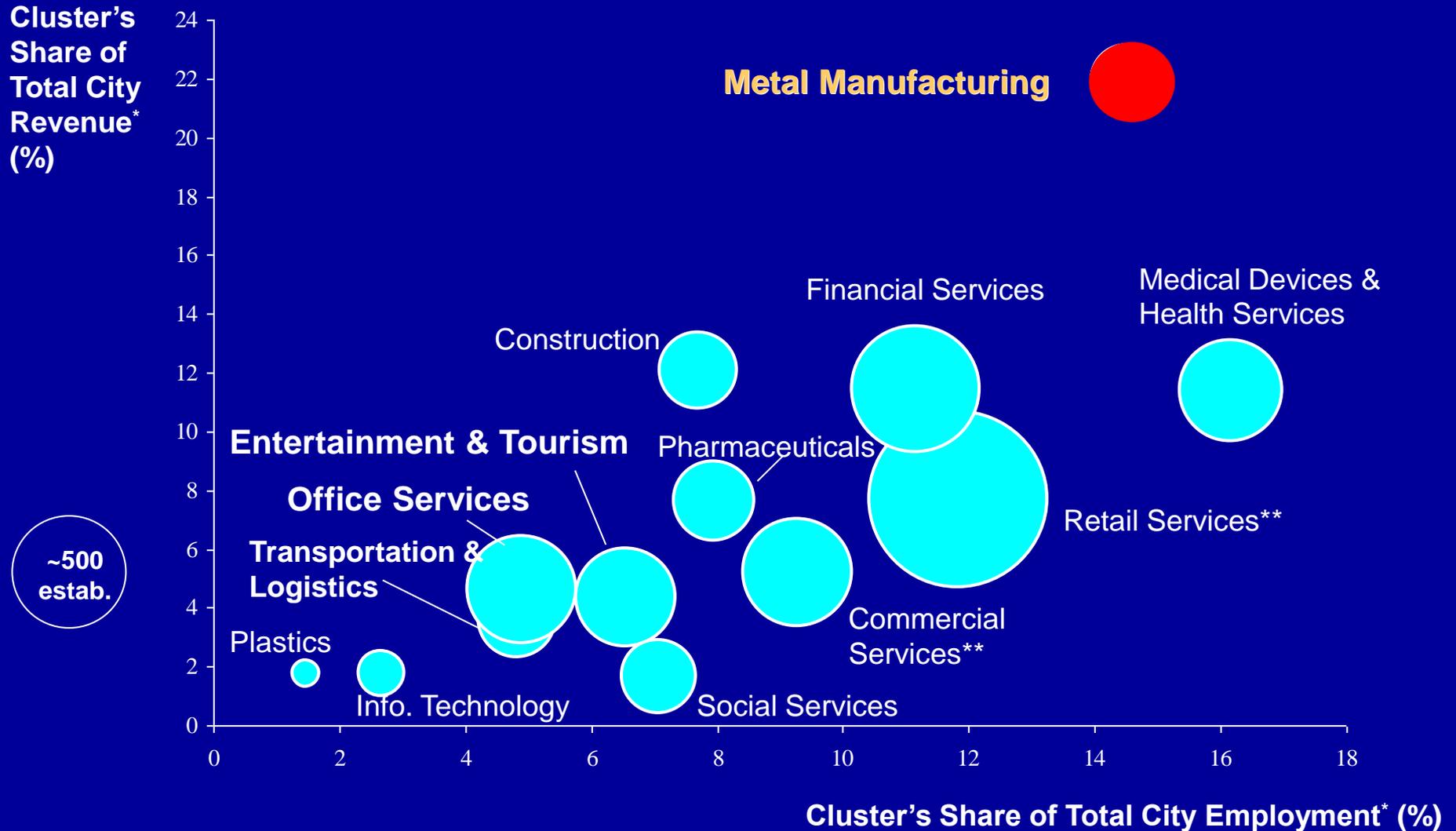
Helps local leaders create a new vision for their inner city by

- Uncovering competitive advantages and growth opportunities
- Tackling competitive disadvantages
- Creating a common strategic direction and
- Catalyzing action

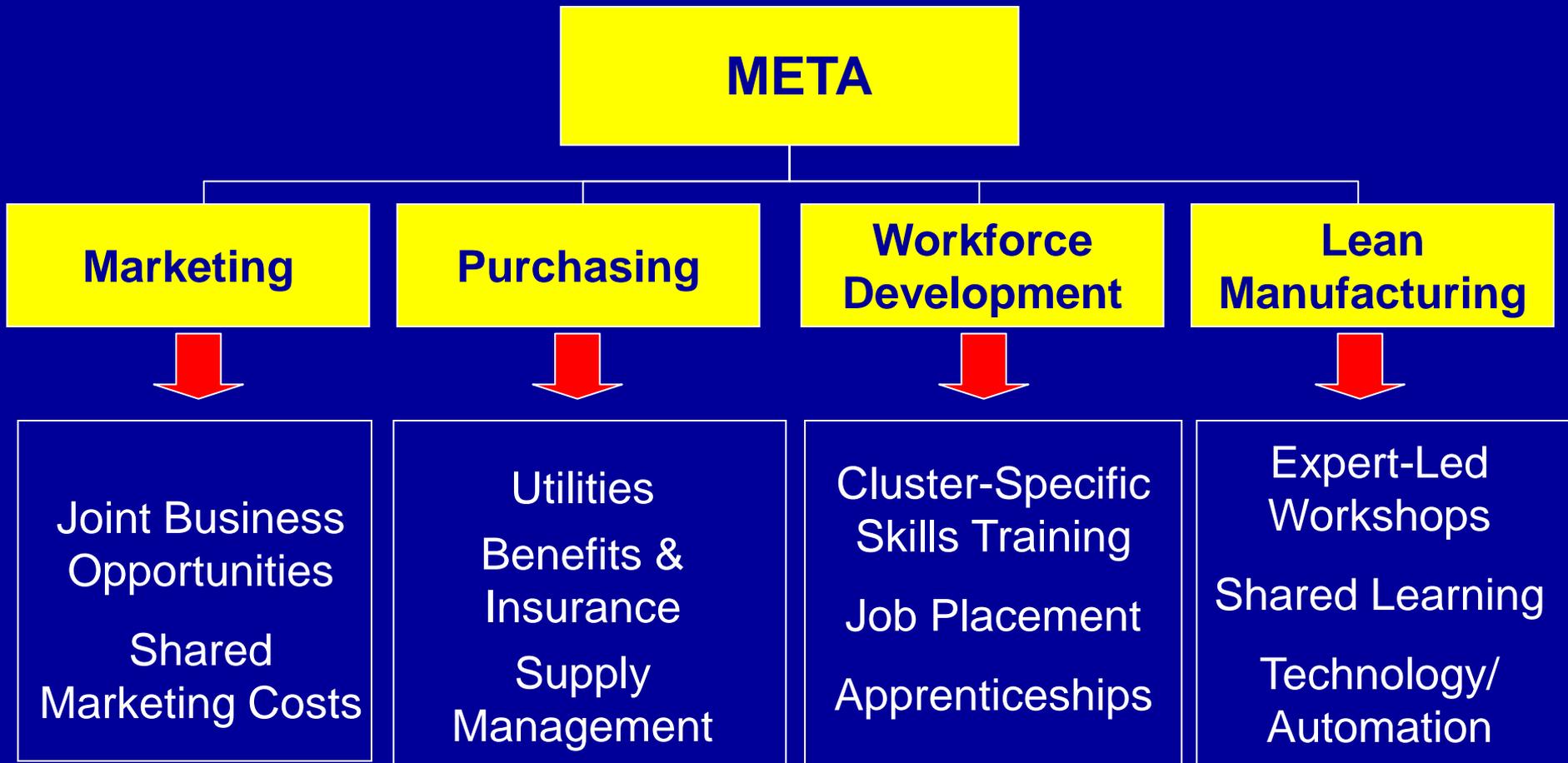
Projects in:
Boston, Chicago, Connecticut (5 cities)
Louisville, New Orleans, Oakland, and
St. Louis



Bridgeport Cluster Portfolio



Bridgeport's Metal Manufacturing Network

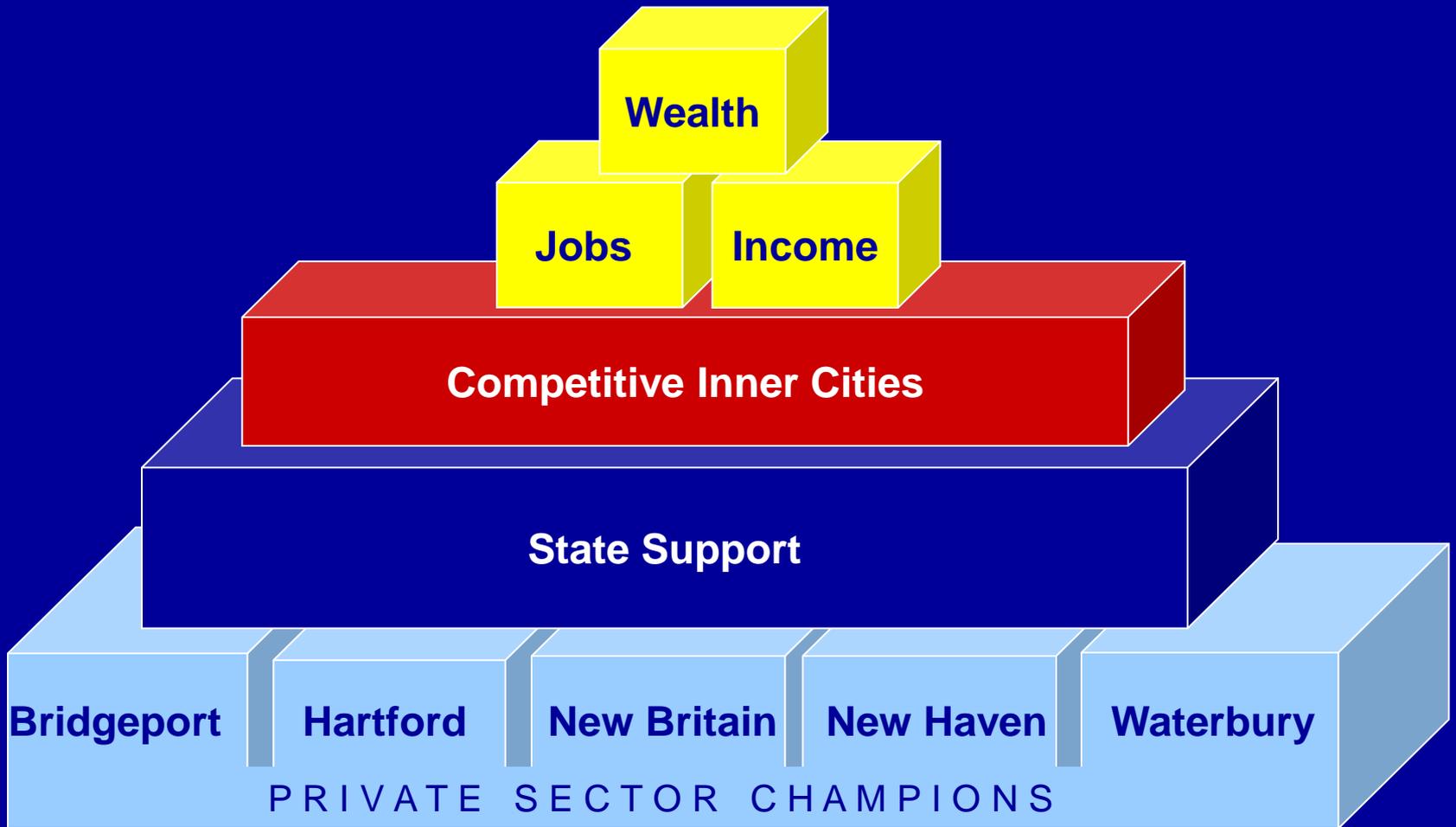


\$1.7 million workforce development program to upgrade the skills of **1500 workers**

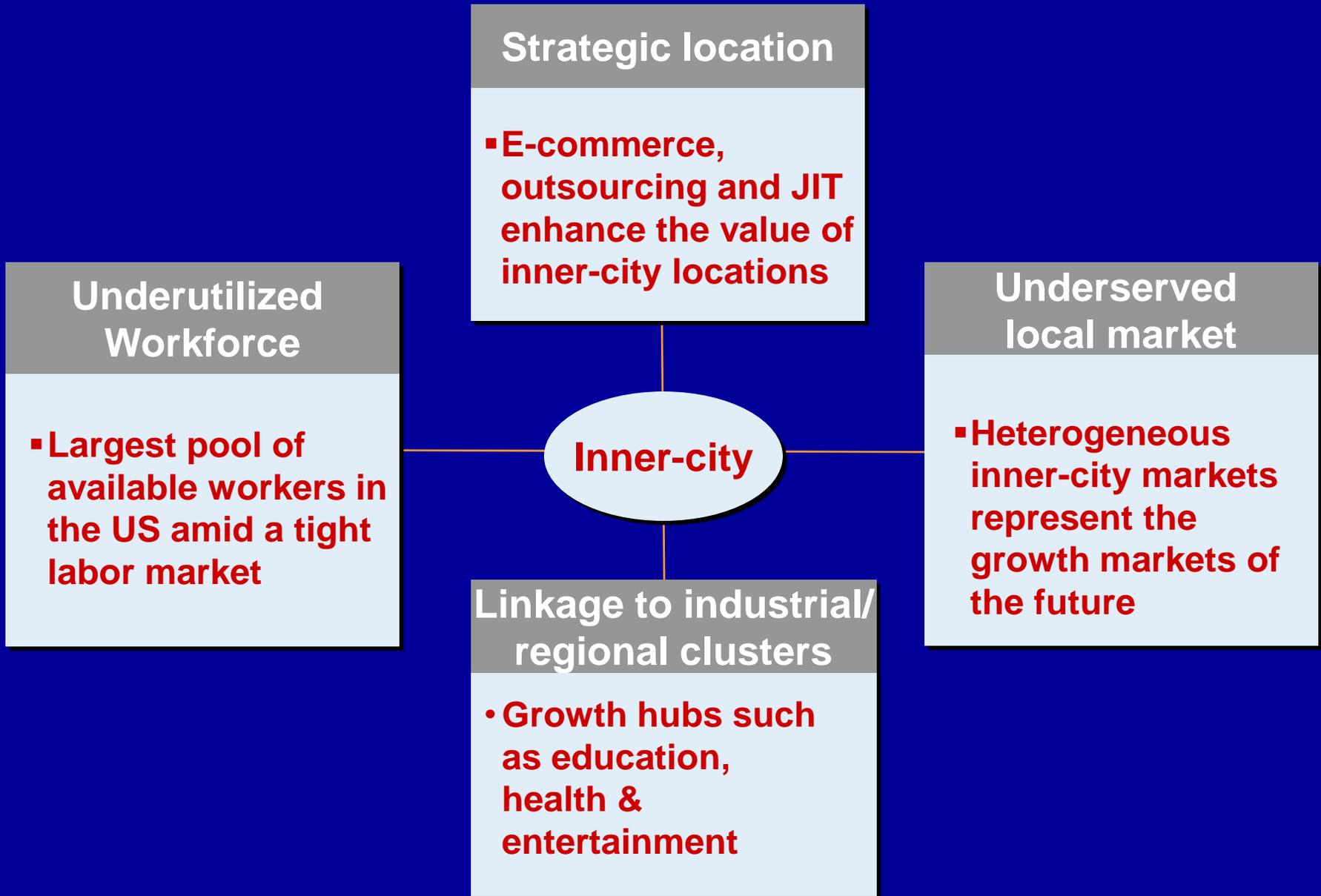
Growth is the primary reason companies are leaving Chicago's inner city



Connecticut's Inner City Strategy



Inner Cities in the New Economy



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