



Cameron Parish Business Attraction Report

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Introduction

This report provides research on business location strategies relevant to Cameron Parish. The Bush Team obtained information from sources such as academic journals, company websites, and interviews to determine what specific characteristics businesses evaluate in determining new locations and business feasibility. The first section describes the specific characteristics and the second section analyzes the business development feasibility in Cameron Parish. The final section provides recommendations for Cameron Parish to encourage further business development.

Section 1: Business Site Location Criteria

Retail businesses (businesses selling goods or merchandise from a fixed location) such as grocery stores, convenience stores, and truck stops consider location as the most important site selection factor (Meirleir, 2008). These retail businesses rely on visibility from store front exposure (Clark, 1954; Craig, 1984; Ghosh, 1987; Axman, 2003). In simple terms, a good location maximizes monetary return while minimizing possible risks. A poor location choice is one of the foremost causes for all business failures (Meirleir, 2008).

Community Characteristics and Location Choice

To minimize risks from settling a business at a poor location, retailers evaluate community characteristics. The main community factors important to retailers include socio-economic characteristics; geographic factors, competition, and costs; community environment; government support; and economic climate.

Socio-Economic Characteristics

During the location selection process, retailers first consider socio-economic characteristics of the community (Kumar and Karande, 2000). Retailers often seek areas with a large population and high population density. Growth rate and immigration rate are also two crucial signs of future potential for the area. According to Hoch et. al. (1995) and other sources, retailers consider age distribution a factor because the elderly are more likely to be price sensitive, buy fewer things, and have lower future consumption potential compared to younger consumers. Therefore, retailers favor communities with young people approaching their prime earning years.

In addition to income and age of the population, household factors also influence where businesses locate. For example, households with larger storage facilities are more likely to buy larger quantities of goods (Hoch et. al. 1995). The average expenditure, per person, in households with children far exceeds those households with no children (IBISWorld, 2009a).

Geographic Factors, Competition, and Costs

Businesses also account for geographic factors, competition, and costs. Geographic factors relate to consumer accessibility and time spent shopping and access to suppliers. For example, an important infrastructure component is the trade area, defined as an area where over 50 percent of customers' sales originate (The Strategic Edge), or trading center, a geographic location where business customers live. A store's location

determines consumers' transportation costs and consumers usually choose to shop at locations where there are a number of retail outlets. This reduces consumer transportation costs and overall shopping time (Kumar and Karande, 2000). In addition, businesses benefit from shared infrastructure, where there is more than one retail outlet. Moreover, businesses establish locations on a "strategic" side of the street. For example, market research suggests that the "going-home" side of the street is preferable to the "going-to-work" side, especially for grocery stores and convenience stores (Axman, 2003). Therefore, close proximity of a potential location to a trade area increases the likelihood this location will be considered as a possible store site.

In addition, businesses consider proximity to suppliers as they are essential for obtaining goods. Specifically, retailers consider the location's proximity to suppliers' distribution centers and support of good transportation centers (Meirleir, 2008).

Overall costs and competition are of course considered as well. A site's costs may include rent, labor, and advertising fees. Businesses, not surprisingly, choose the lowest combination of these three costs. However, lower costs do not always translate into a better location. In addition to costs, the number of competitors plays a complex role in site selection. Though a small number of competitors located in an area tend to strengthen a store's monopoly, clusters of competition may generate attraction to what is being sold (Schmidt and Lee, 1979). Increasing retail sales and industrial production are also favorable signs when businesses looking to locate near a community (Meirleir, 2008 and Axman, 2003). Finally, retailers research the recent history of the site. Retailers want to know whether the site was occupied by a similar store in the past, whether it failed, and, if so, why (Axman, 2003).

Community Environment

Business developers also assess the community's environment to evaluate the context for the business's everyday operations. They evaluate the possible liabilities such as the potential for natural disasters and crime rates. High quality schools and medical facilities attract retailers, because these factors attract people to the community and help increase consumption. Community attitudes also affect the retailers' decision. A community that cares about its future and actively involves itself in new business development will promote existing businesses and attract new ones (Axman, 2003).

Government Support of Businesses

Local government support plays a role in business selection sites. Businesses consider what measures local government has or might take to encourage or discourage business development. The important government support factors are local laws, regulations, and taxes. Retailers might encounter restrictive ordinances, such as limitations on work hours, truck load limits, and zone restrictions. Retailers prefer, of course, that these kinds of restrictive ordinances are minimal. Moreover, a lower business tax and sales tax compared to other locations are selection considerations. Ultimately, companies welcome any public services that assist businesses operations (Meirleir, 2008, Axman, 2003 and Burayidi, 2001).

Specific Service Industry Factors

Gas stations and truck stops and restaurants and hotels/motels have more specific location criteria.

Gas Stations/Truck Stops

Gas stations and truck stops have high capital costs and operate on a high volume, low margin basis. Maintaining a sufficient retail volume is the key for surviving and developing in the industry. Price and location play a key role in a location's ability to sell large volumes of fuel in a given timeframe. A location alongside a major road or intersection with quick "on and off" ramp access is ideal. Another prime location site is near a large shopping center. Additionally, locations in suburban neighborhoods with large commuter populations are also highly desirable (Parker, 2009).

Taxes are also a consideration. Federal and state taxes (not including local taxes) accounted for about 12 percent of the price of a gallon of gasoline in 2008 (IBISWorld, 2009b). Therefore, a community with low local taxes is more competitive than others. Furthermore, the substantial capital cost involved in obtaining land and an existing station or truck stop, or developing a station or stop heavily influences a company's decision to locate in a given place. Low property costs have a strong appeal for a business (IBISWorld, 2009b).

Restaurants and Hotels/Motels

Restaurants and hotels/motels rank location factors differently from other retail businesses that may require considerable foot traffic and high visibility. For example, restaurants and motels favor heavy tourist traffic. Cultural and recreational facilities like theaters, museums, and historical attractions attract visitors (Meirleir, 2008).

For restaurants, costs for materials and supplies substantially impact the economic return (Tzeng et al., 2002). Purchasing materials and paying delivery costs account for up to 36 percent of total expenses (IBISWorld, 2009c). Therefore, businesses consider the distance between a potential restaurant site and its suppliers. In addition, a site in a location near city centers, highways or residential areas is also highly desirable as it is possible to possess a multi-skilled and flexible workforce (Bull, 1994). Although restaurants compete fiercely with each other, they also try to cluster in a center to attract more customers, especially when they serve a diverse array of foods (Tzeng et al., 2002).

Hotels and motels also see location as one of the most important determinants of attracting guests (Cadotte and Turgeon, 1988; Horak, 1997; Enz, Canina, and Zhaoping, 2008). The top three factors applicable to hotels and motels are (1) the business climate such as current situation and opportunities for growth; (2) distance between the hotel/motel and one or more specific places such as a beach, city center, airport or a busy highway interchange; and (3) surrounding neighborhood amenity or quality such as noise pollution, views from rooms, and property value (Bull, 1994). The health of the economy of a site also influences the development of hotels (Munoz, 2009). Negative community characteristics would be (1) declining retail sales; (2) activities of large

industrial firms moving out of the location; (3) high unemployment rate; and (4) apathetic local residents and officials (Meirleir, 2008).

Cameron Parish Implications

The following section presents business establishment criteria relating specifically to Cameron Parish's demographics, geography, economy, and government support. Cameron's ability to attract businesses based on these factors is also discussed. The data presented in comes from the Cameron Parish Redevelopment Plan (CPRP, 2007), Cameron Parish Hazard Mitigation Plan (CPHM, 2009), and the US Census Bureau. Due to lack of updated data, all conclusions of the analysis are based on data before July 2008.

Demographic Aspects

Analysis of Cameron Parish's economic potential begins with a review of its current demographic factors, summarized below in Table 1.

Table 1: Demographic Information for Cameron Parish

| Categories | Year | Cameron | Louisiana |
|---|------------|-----------------------|-------------------|
| Population | 2008 est.* | 7,238 | 4,410,796 |
| | 2010 est.# | 10,160 | |
| Population density | 2007 est.# | 6.0 people per sq.mi. | |
| Median age | 2000* | 35.0 years old | 35.1 years old |
| 18 years and over | 2000* | 71.6% | 72.7% |
| 65 years old or over | 2008 est.* | 11.8% | 12.2% |
| Total households (percent of the population) | 2000* | 3,592 (85.1%) | 1,656,053 (67.9%) |
| Married Couples | 2000* | 2,236 | 809,498 |
| With children under 18 years | 2000* | 1,133 | 374,158 |
| Without children | 2000* | 1,103 | 435,340 |
| Living alone | 2000* | 752 | 419,200 |
| Median income for a household | 2008 est.* | \$49,984 | \$43,635 |
| Poverty rates (percent of the population) | 2008 est.* | 12.7% | 17.6% |

Source: U.S. Census Bureau is denoted by an "*".
Cameron Parish Hazard Mitigation Plan is denoted by "#".

The Parish population after Hurricane Rita decreased to 7,238 residents by July 2008 and the population density decreased to 6 people per square mile. The number might be lower after Hurricane Ike in September 2008. The population increased to 10,160 in the following years, but is still below the population threshold for many new retailers (CPHM, 20). Small population size and low population density are the largest

challenges for Cameron, because they would limit the quantity of consumption and are likely to deter potential retail companies.

Louisiana's personal and household income level are lower than the national average while its poverty rates are higher than national average level. Relative to the rest of Louisiana, Cameron Parish's income levels are lower than the state average while its poverty rates are higher than the state average (CPHM, 21). These factors, combined with low education levels, may detract potential business owners due to lower spending abilities of Cameron residents. However, the Parish's median age and percent of young people approaching their prime earning years indicate a potentially high future consumption capability. Furthermore, the home ownership rate of Cameron is much higher than that of both Louisiana and U.S. (66.2%) (US Census Bureau). Though Hurricanes Rita and Ike made large proportion of people have to stay in mobile homes temporarily, most of them could return in future years according to the housing outreach plan. Also, almost half of Cameron householders are couples with children or people living alone (CPHM, 21). As discussed in section 1, these two groups consume more than other household types.

Geographic Aspects

Cameron Parish has unique geographic aspects that affect its economic development potential. For example, despite being the largest parish in Louisiana by land area, 85% of Cameron's surface area is water or estuarine marsh. Among the seven parish areas (Cameron, Southwest Cheniers, Southeast Cheniers, Hackberry, Lone Pine, Grand Lake/Sweet Lake and Lowry & Klondike), only the north part of the Parish including Hackberry, Grand Lake/Sweet Lake and Lowry & Klondike are suitable for commercial use(CPRP, III-1). Therefore, land available for urbanized use is limited to around 3% of the parish area (CPRP, II-7).

The transportation system in Cameron Parish includes roads, navigable waterways, and aircraft facilities. State roadways and roads inside the Parish are in good condition and can support the growth of the residential, commercial, and industrial sectors. The Parish also has plans to develop ship channels and port and waterfront infrastructure for commercial use (CPRP, II-13, II-16). The limitation of land use and lacking of a central trading center would negatively impact any business attraction plan, but the transportation conditions are an attraction to businesses.

Economic Climate

This unique geography has played an important role in the evolution of Cameron Parish's economy, which is primarily oriented around oil/gas extraction and the seafood industry. There are many branches of large industrial firms including Texaco, Chevron, Williams and El Paso located in the Parish (CPRP, II-1). The attraction of these companies indicates a favorable economic climate. In interviews conducted during the research for this paper, directors of these branches all expressed an expectation of grocery stores, convenience stores and gas stations to be established in the area.

While oil and gas tends to dominate the Cameron Parish economy, commercial and recreational fishing are also major economic drivers. Cameron Parish has three national

wildlife refuges, one state wildlife refuge, beachfront property along the Gulf of Mexico and abundant wetlands and water resources (CPRP, II-23). These hold great potential for tourism development. Tourism growth and subsequent revenues could potentially compensate for the area's small population size in attracting retailers in other sectors.

Specific data is lacking on the number of grocery stores, convenient stores, restaurants and hotel/motels in the Parish. However, interviewees stated that the local markets have much opportunity for growth. Challenges to this growth include the relatively high cost of living in Cameron Parish, based on rental prices and potential for flooding and storm damage. According to the Cameron Parish Housing Plan, the cost of post-disaster building is \$95 - \$120 per square foot. Monthly rent for 1 bedroom, 2 bedroom, 3 bedroom and 4 bedroom apartments are respectively \$548, \$667, \$823 and \$1,159. Hurricanes have resulted in a significant emigration of residents, making it difficult for companies to hire qualified employees.

Community Influence

Infrastructure data for Cameron Parish post-Hurricane Ike is lacking. Due to the damage sustained from Hurricanes Rita and Ike, infrastructure conditions are insufficient. Community safety concerns center on crime rate and disaster. Sheriff Duhon stated that the crime rate increased after the storms and caused a labor shortage in the Sheriff's Department (CPRP, II-30).

Disaster remains the greatest concern for business owners who are considering locating in Cameron, due to the high possibility of future hurricanes and associated damage. The government's effective disaster mitigation plan and actions, which includes elevating houses, has high costs which deter businesses from locating in Cameron Parish (CPHM, 31).

Previous disasters severely damaged or destroyed schools, hospital/medical facilities, libraries, community recreation centers and other facilities. Despite government efforts, the recovery process is far from complete (CPHM, 44)... However, a positive influence is the residents' participation in the recovery efforts. The Cameron Housing Survey confirms stakeholder involvement because many people stayed in the parish through the difficult conditions and that many of those who left wish to return. Local residents have consistently demonstrated the affinity to Cameron during the Bush School Team's research process.

Government Support

Federal and state funding is a major revenue source of Cameron Parish after the natural disasters. To sustain funding, federal and state regulations mandate the protection of coastal and wetland environments as well as limit land use developments (CPRP, VII-1). These laws and regulations might limit business activity. The impact of specific laws on retail and service businesses would require further research.

Section III Recommendations

Cameron Parish must overcome many specific challenges to become more attractive to businesses. Some challenges can be addressed through government action, while others will require actions from the community.

Irrevocable threats to business development include (1) the frequency and intensity of disasters and (2) limited geographic space available for urbanization. The frequency and intensity of disasters cannot be controlled; however the Hazard Mitigation Plan, developed by the Cameron Police Jury, helps protect residents and mitigates the impact of natural disasters and other man-made hazards. Every five years, this plan is reviewed and re-submitted for approval. The administrator monitors and evaluates the plan each quarter to make changes in the event of external conditions. Additionally, the plan calls for removal of buildings, infrastructure and critical facilities from areas identified as hazard areas. The center of the parish must also be located in a safe site.

Despite geographic challenges, the government can utilize the coastline and other natural resources in an effort to develop tourism. Local officials have started developing plans to increase boating, fishing, hunting and birding tourism. Increased tourism will increase the local residents' income as well as increasing government revenue, as tourism is one factor that attracts businesses.

Many other conditions are in place or can be strengthened for future business development. Promoting population growth and improving transportation systems are part of the government's blueprint. The Cameron Parish Housing Plan will compensate previous homeowners who rebuild and elevate their houses as well as provide soft second mortgages for the first-time buyers. These policies will encourage former residents to return and attract new residents to the parish. Constructing new bridges and ship channels is, considered by parish stakeholders, an important step towards improving the water transportation system. Lastly, local officials are actively contacting departed retailers and service businesses hoping to return to the parish.

Recommendations in the Short-Term

The following discusses short-term improvements that might strengthen Cameron Parish's business environment.

Focus on attracting small scale businesses, rather than big ones

Even though most retailers and service businesses seek locations in the center of communities or bustling highway intersections, some small businesses prefer more secluded sites with development potential where they do not have to compete with larger firms. At the same time, many large corporations own specialty chains of small shops which they locate primarily in rural areas. Cameron Parish should consider these small businesses as well as companies with these specialty stores. Marketing techniques that can be employed include (American Planning Association, 2008):

- Identifying groups of firms that are suitable for Cameron Parish
- Advertising on websites and in trade publications

- Mailing, calling and conducting prospecting trips to specific companies
- Participating in industry meetings
- Offering seminars for prospective businesses
- Building and maintaining a publicly accessible database of Cameron Parish vital statistics.

Provide financial assistance to retail and service businesses

Local government can attract businesses by reducing development and operation costs through financial assistance measures. These may include waiving taxes, lowering rents, and making loans more accessible for small businesses. Local businesses have mentioned that they need loans to purchase more facilities. Many operators of small businesses require loans for development but cannot get them due to their lack of economies of scale. If the government can give a grant directly to them or assist them in negotiating with banks, small businesses may be more inclined to locate in Cameron Parish.

Recommendations in the Long-Term

The following discussed longer-term actions impacting business development.

Continue to improve the condition of Cameron's infrastructure and transportation system

The capacity of a site's development and long-term competitiveness are closely related to infrastructure and transportation. Retailers and service businesses rely on infrastructure to operate and depend on transportation systems to purchase materials. An area with a good physical appearance that is well maintained will become attractive to people in search of a place to live and work (American Planning Association, 2008).

Develop a workforce education and training program

Local employment programs can provide training and personal skills courses based on these businesses' requirements. The Parish also can build a database to connect job seekers to potential employers and public programs. The local community, businesses, and economic development department of the government must take a key role in workforce training programs, to compensate for the absence of a functioning high school in Cameron Parish.

Construct a trading center in Cameron Parish

Cameron Parish's scattered living situation is problematic; however, this can be resolved through the construction of a trading center. This main street approach has been commonly used in other places and could be applied in Cameron Parish with multiple stores (grocery stores, restaurants and hotels/motels) and could be constructed in the Parish and form the center of future community development (Burayidi, 2001).

Encourage entrepreneurship among local residents

Barriers of entry for convenience stores, restaurants and small motels are often minimal. Local residents are familiar with local markets and have incentives to contribute to local development. Cameron Parish could set up a small business assistance center to foster

new business start-ups. The assistance center would provide management training, counseling, consulting, and research services for local residents. The workforce training program would work with this center to provide employees for these new businesses (American Planning Association, 2008). Furthermore, the government could provide loans or grants for start-up local businesses. For example, in the City of Bryan, Texas, the Business Development Loan Program helps local businesses. Businesses are granted loans with low and fixed interest rates to reimburse costs related to fixed assets, inventory, working capital, facilities and property. The loan committee has the authority to grant and amend all loans. Owners of these businesses are required to hire at least 51 percent low-income residents. This program has successfully contributed to the development of local businesses and creation of jobs for low-income residents.

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