

The Pulver Approach: Improve the Ability to Capture Dollars

Farmers, the self-employed, workers, retirees, and businesses of all types in every community control a substantial amount of funds with which purchases will be made. These can be businesses making purchases in their day-to-day operations or local residents making every day purchases. Every dollar expended within the community for retail and wholesale goods and services as well as other industrial inputs adds to the employment and income of the community. These dollars may, at least in part, be spent in the community. In contrast every expenditure made outside of the community not only reduces the immediate employment and income impact but also the likelihood of an internal multiplier effect. In some communities thousands of people pass by the community on interstate highways or visit a nearby tourist attraction. The dollar spent locally by non-local people is as valuable as those generated by the exports of goods. We are looking to minimize the “leakages” of dollars out of the community and maximize the “injection” of new dollars into the community. One could almost call this an “import substitution” strategy.

Prior to the 1980s community economic development strategies were a hodgepodge collection of disconnected policies. Communities often took a “shot-gun” approach trying a random collection of ideas, some of which worked, some failed. Unfortunately there were little conceptual or theoretical frameworks to think about the policies and evaluate why some worked and others did not. In attempt to provide structure to this scattered approach Glen Pulver (1979) itemized five strategies that, in layman’s terms, outline how a community can change the economic conditions of the community.

They are:

- Attract new basic employers.
- Improve efficiency of existing firms.
- Improve ability to capture dollars.
- Encourage new business formation.
- Increase aids/transfers received from broader governmental levels or units.

1. Surveys of consumer needs and buying habits can identify the market potential of retail and service outlets. Once opportunities are identified individuals of firms can be encouraged to do more specific market and financial feasibility analysis. Support mechanisms can also be provided which help individuals through the difficult business analysis. Care must be taken to ensure that any business ideas that are developed must be viable given the characteristics of the community.
2. The share of the retail market captured can be improved through downtown analysis and renewal. Highly sophisticated and costly plans and drawings are seldom implemented without early and active merchant and local government participation in the entire process. Public funding assistance might be provided through state and national historic preservation programs. Sometimes simple projects such as streetscaping and storefront façade improvements can help downtowns and other retail districts.
3. Increasingly, people and business spend an increasing share of their income on services as opposed to goods (wholesale/retail). Special attention must be paid to services such as restaurants, medical services, business services (e.g., accounting), among others.

4. Quality service is critical if dollars are to be kept in town. Friendly and efficient service is the cornerstone of all successful businesses. Employers can be aided in developing employee-training programs. Things as simple as business hours can make all the difference with redevelopment. If local businesses are not open when customers are looking to make purchases then those customers will look elsewhere.

5. Purchases by non-local people (tourists, citizens of neighboring communities) can be expanded by appropriate promotion and advertising. Every place is unique in some way (natural resources, historic events, ethnic heritage, creative imagination). This uniqueness is exploitable. Organized efforts by a number of people are required.

6. Local citizens and businesses can be encouraged to buy locally through informational programs. The critical element is the use of contemporary purchasing and marketing techniques by those who have something to sell. Advertising, merchandising, and buying systems which served well five or ten years ago are now badly out of date. The competition is often not next door or in the next town but in the large shopping mall, discount store in a city miles away, or on-line retailers and service providers. Community leaders can help organize educational programs and joint promotional efforts.

7. The most vibrant and alive retailing centers are those which combine effective product and service merchandising with recreational activities. In days gone by people went to the city center to buy goods and to meet their friends. The city park, courthouse square and bandshell are symbols of the era. Large shopping malls and more recently large city centers have rediscovered the rewards of combining fun and sales.

8. Collective action through the formation of organizations such as chambers of commerce, business clubs, and downtown associations can breathe life back into many retail and business communities. These organizations can serve as useful catalysts in encouraging industrial and government leaders to buy as much as possible locally.

9. Too often these efforts are narrowly focused on households spending in the local community whether it be retail or services. These efforts must also include local businesses who must purchase inputs to function. An effective business clusters require local firms to network and make purchases from each other. If local input suppliers are available but not being used (i.e., a “disconnect”) why is that the case? Is a local business importing inputs because those inputs cannot be purchased within the community (i.e., a “gap”)? Is the industry that supplies that particular input a potential target industry for development?

The community must study how local residents and businesses spend their money. How much is being spent in the local community and how much outside the community? Those dollars being spent outside the community are “leakage” which weakens the local economy. The goal is to “plug those leakages”. But before the community can accomplish that they must understand why those leakages exist in the first place. If the community can successfully address those leakages they may make their community a more attractive place for residents and businesses from other communities.

See for example: “A Trade Area Analysis for Wisconsin Counties: An Update for 2012.”
www.aae.wisc.edu/pubs/misc/docs/deller.trade%20area%20analysis%20WI%20retail%20markets%2008.13.pdf

Grabow, Steven, Steven Deller and Dennis Heling. (2006) “The Structure of the Retail and Service Industries of Jefferson County” Department of Agricultural and Applied Economics, University of Wisconsin-Madison, Staff Paper No. 499, May 2006, 41p. www.aae.wisc.edu/pubs/sps/pdf/stpap499.pdf