

TOWN INC.

Grow Your Business.
Save Your Town.
Leave Your Legacy.

ANDREW M. DAVIS

Praise for Town Inc.

“A remarkable book filled with piercing insight, fascinating tales, and a viable success formula anyone can emulate. If Malcolm Gladwell had a better head for business, he’d be Andrew Davis.”

—Jay Baer, President of Convince & Convert and author of
Hug Your Haters

“This book will inspire anyone who has ever wanted to build a community. Andrew spells it out: Leaders make our towns and cities and if you lead, you can define a community for generations to come. This is a book about leadership and citizenship, two of the most undervalued human qualities. It’s a must-read for anyone who cares about the future of their community.”

—Bryan Welch, CEO, B the Change Media. Author of
“Beautiful and Abundant: Building the World We Want.”

“Andrew Davis is at it again bringing his amazing insight and unique perspective into making businesses grow, prosper and contribute to building thriving communities. Town Inc. is a roadmap for how to bring your visionary business leadership to building a business and nurturing your own community.”

—Michael Brenner, Founder and CEO, Marketing Insider
Group

“If America is truly the Land of Opportunity, “Town Inc.” provides the directions to put your town on the map.”

—Buddy Scalera, Author, Speaker. Senior Director of
Content Strategy at The Medicines Company.

“If your ailing town wants to create location envy, learn the benefits of high unemployment or see how a shoe polish brand is helping revive Detroit, then read Town Inc. before it’s too late.”

—Josh Miles, National branding speaker, principal
of Miles Herndon, and author of Bold Brand

“Small towns don’t come equipped with a User’s Guide to economic development success. In Town Inc., Andrew Davis has deftly filled that gap. This book is required reading for local government officials and active citizens alike.”

—Russell Sparkman, Co-founder, Fusionspark Media,
former City Councilman of Langley, WA

“Andrew Davis makes growing your city look simple. Using dozens of appealing examples, Town Inc. shows the world how the American way works: everyone can make a difference. Andrew has claimed my curiosity, now what claim will I stake?”

—David Kok, Social Media Advisor – The Netherlands

“Town Inc. is imbued with the enthusiasm and positive thinking Andrew is known for as a renowned and dynamic public speaker. And while his message is profoundly hopeful, Andrew also implores towns to wake up, cut out the cookie-cutter economic development hogwash, and pursue a singular claim to attract businesses and jobs. Based on a good deal of first-hand research and case studies of towns that have “staked their claim” Andrew reveals the mechanisms that drive local economic growth. Every business leader, mayor or chamber of commerce director should read this book.”

—Denis Wilson, Editor-In-Chief, Publishing Executive

“Until I read Town Inc., I had no idea that someone like myself could help turn my small town into a ‘gotta live/work/be there’ destination. Discover your town’s untapped economic potential – read Town INC.”

—Dianna Huff, President, Huff Industrial Marketing, Inc.

“Read this book if you are going to grow your business, leave your legacy, and save your town! After 3 years of research Andrew Davis uncovered and documented valuable real life stories about how 50 American towns became successful (or not) in claiming their stake. In a very animated way Andrew gives you deep insights and learnings from both historical and current perspective. Even if you’re from outside the US, like me from The Netherlands, Town Inc. will open your eyes and inspire to stake your claim. Go for it.”

—Michiel Schoonhoven, founder of Content Marketing
Minds

“Towns around the world are dying in a sea of sameness trying to be all things yet the young and talented continue to leave and local businesses die a death of a thousand cuts. In Town Inc., Andrew Davis brings us compelling evidence and a path forward for towns to rise from the ashes to regenerate by growing through what truly defines that place and consciously choosing to be great at something specific.”

—Rod Fraser, Director, Business Growth Strategies -
Wodonga, Australia

“Town Inc. is for the visionaries and the leaders who find themselves awake at night wondering, ‘How can I rejuvenate my city financially and instill a sense of community pride?’ Is that you? Are you a true believer in your town? Do you dream of leading your town into massive economic development and staking your claim as something special? If so, then Town Inc. is the book you must read, right now, before the city leaders in the next town over read it first.”

—Jim F. Kukral, Author, Attention: This Book Will Make
You Money



CHAPTER SIX

The Law of the Cornerstone

To Get Rich Target A Niche

In 1990, a Harvard Business School Professor by the name of Michael E. Porter penned a seminal book about economic development called *The Competitive Advantage of Nations*. In it, Porter describes the globe in terms of clusters: “*geographic concentrations of related companies, organizations, and institutions in a particular field...*” He goes on to explain that “*clusters arise because they raise a company’s productivity, which is influenced by local assets and the presence of like firms, institutions, and infrastructure to surround it.*”⁸

⁸ Michael E. Porter, Institute for Strategy & Competitiveness, Harvard University, Frameworks & Key Concepts, www.bit.ly/clusterdef

For the next 25 years, economists have expanded on Michael Porter's clustering concept, tying a wide variety of economic success (everything from innovation to capital investment) to this elegantly simple and successful idea.

It turns out that the successful claim you stake is simply the declaration of the cluster you and your town serve better than anyone else in the world.

But, let's think more deeply than clusters. Go beyond them to embrace micro-clusters. Warsaw, Indiana, isn't the Life Sciences Capital of the World. (That's a more traditional cluster.) Nope. It's the Orthopedic Capital of the World™. (That's a micro-cluster.)

Muscle Shoals, Alabama, isn't the music recording capital of the world, or even the pop music capital of the world. (Those would be clusters.) It's the "hit record capital of the world". That's a micro cluster.

The boomtowns I encountered on my cross-country jaunt have all capitalized on a specific micro-cluster. They set a foundation on which to build their success. Every single successful place I visited employed the Law of the Cornerstone.

These towns, and the businesses already there, have hitched their future on a specific micro-industry to fuel their success - they've set a cornerstone for their growth.

The Law of the Cornerstone: If you want to get rich, target a niche.

Before heading to the Greek Yogurt Capital of the World (one of the best examples of micro-clustering I encountered), let's consider why clustering (and micro-clustering) works. We don't

have to go far to see clustering in action. All we have to do is go down to your local McDonalds.

The Perfect Intersection

Ray Kroc, the mastermind behind fast food giant McDonalds, is credited with quipping: "*We are in the real estate business, not the hamburger business.*" As the single-largest real estate owner in the world, McDonalds Corporation is a property giant. So if you're going to open a fast food restaurant, where's the best place to buy real estate?

Imagine the intersection of two busy streets. Now, let's put a Wendy's, a Burger King, and a Jack in the Box on three of those four corners. The best place to put a McDonalds is that fourth corner. This is the perfect intersection.

For many of us, the idea of adding a fourth fast food chain in a seemingly saturated intersection seems counterintuitive. Why wouldn't you find a competition-free intersection? Why not identify a location that's under-served by the fast food industry and fill the need? For one simple reason: everyone already thinks of our imaginary intersection as a place to get fast food. The other three brands have done all the hard work of luring hungry customers to this intersection. Instead of trying to carve out a new place in the mind of the consumer we can capitalize on the fact that thousands of fast food customers already think of our crossroads as an intersection with options. Sure, the addition of our restaurant might create a temporary drop in individual restaurant revenue, but over long term we'll all win.

This is clustering on a street-by-street basis. Fast food restaurants aren't the only ones who've recognized the value of clustering to build their businesses. Gas stations and convenience stores are clustering connoisseurs. Think about it like this: every gas station is interested in being at a central location that minimizes the travel distance for their target customer. Obviously, this means every gas station owner wants to be in the exact same place. Which means that the best place for a gas station is near all the other gas stations. Hotels do this. Supermarkets cluster. Clothing stores cluster. In fact, a shopping mall is a great example of a small cluster.

Now, think of your town as the perfect intersection in a global economy. What cornerstone can you set? What success stories already exist in your town? How can your business become the cornerstone for a micro-cluster?

Your town is at a crossroads. Take advantage of the same principles that turn busy intersections into thriving fast food destinations. Micro-clustering turns your town into a destination designed for success. It invites others in the same industry to ask themselves why they're not there.

That's exactly what happened in Genesee County, New York, the Greek Yogurt Capital of the World.

The Greek Yogurt King

Hamdi Ulukaya was born into a dairy farming family in Turkey. At the age of 22, Hamdi moved to Albany, New York, for college and after graduation (and at the urging of his father) Hamdi started a feta cheese company in the town of Johnstown,

New York. Upstate New York has long been a dairy farming powerhouse and Hamdi's cheese business was a success. In 2005, Hamdi heard that Kraft was closing a dairy processing plant nearby. Itching to expand, Hamdi bought the factory, hired the remaining employees, and started processing a new kind of Turkish-inspired yogurt. He called it 'Greek yogurt' and branded the new product as Chobani (the Greek word for shepherd). Chobani started shipping to stores in 2007 and by 2013, Hamdi was worth \$1.5 billion and his original factory had expanded three times over.

None of this happened in Batavia, New York. But one smart visionary realized that Hamdi had created a cornerstone for a cluster.

A couple hours northwest of Hamdi's Chobani factory is Batavia, New York, in Genesee County. As the Chobani yogurt factory came online, Steve Hyde struggled to turn Batavia's economic decline around. In his role as the president of the Genesee County Economic Development Center the pressure was on. For years, Steve had targeted the food and beverage industry as a good target for growth, but he needed something much more focused and simple to fuel his town's success.

Steve wanted to find a niche to help Batavia get rich. Steve was looking for a cornerstone to fuel his cluster.

Chobani's explosive growth and its rapid market penetration had set off a firestorm of interest in an entirely new category: Greek yogurt. Brands like Yoplait, Dannon, and Quaker wanted in on the action and it was Steve's job to convince some of the biggest brands in the world that there's no better place to manufacture Greek yogurt than Batavia, New York.

So Steve leveraged the Law of the Cornerstone to create a powerful sense of place.

New York State isn't the biggest milk producer in the country. California and Wisconsin have higher milk outputs every year, but New York State has one thing no other place in the world can claim: Chobani.

Steve leveraged a simple story to start convincing wannabe Greek yogurt manufacturers that Chobani's success relied heavily on the fact that the business was built in upstate New York.

Steve's micro cluster story had three key points:

You see, New York dairy farmers have extra milk. If you want to make Greek yogurt you need three times the amount of milk it takes to make regular yogurt. You won't find enough milk in Wisconsin or California, but you will in Batavia.

Yogurt is a perishable product, which means the faster you turn fresh milk into rich and creamy Greek yogurt the faster you can get it onto store shelves. Batavia is in the heart of New York State's dairy farmland and has access to millions of gallons of fresh milk, within a two-hour drive, every single day.

Perhaps the most compelling reason to make Yogurt in Batavia is the town's access to 1/3 of the entire U.S. Population within a ten-hour drive. Remember, your yogurt needs to get on as many shelves as possible as fast as possible. That's an enormous benefit for a town as centrally located as Batavia. Drive nine hours west and you're in Chicago. Six hours east and you're in Boston or New York. In seven hours or less your yogurt can be on shelves in Washington, D.C., Cincinnati, Pittsburgh, Baltimore,

Philadelphia... the list goes on and on. Show me a town in California or Wisconsin with that kind of access?

Steve's implied message: *"If you want to replicate the billion dollar success of Chobani, there's no better town in the world to build a Greek yogurt processing facility."* Steve had everyone in the yogurt business wondering why they would build a yogurt plant anywhere other than Batavia, New York.

Steve's story created a sense of location-envy in the minds of every wannabe yogurt king in the world.

And it worked.

Today, not just Batavia, New York, but Genesee County, is a shining star of a success. Upstate New York is now home to 28 plants owned by Chobani, Fage, Yoplait, Alpina Foods, and Quaker. Even The Muller Group of Germany has decided to open a Greek yogurt plant in Batavia. By 2012, New York State produced more yogurt than any other state in the union. Steve Hyde's vision had become a reality. New York State is a yogurt empire.

Steve Hyde's simple story had attracted the biggest in the business. Even Steve's economic development peers recognized his accomplishments with the state's highest economic development award.

So how do you do what Steve did? How do you lure a multi-billion dollar industry to town? You focus on your existing successes, build out your origin story, and stake your claim on a cornerstone for a cluster.

But be careful. A cornerstone for a cluster can quickly become a one company town.

The One Company Town

Our country is littered with, what used to be, “company” towns. These are towns where the economic prosperity of just one business fed the entire community. In some cases, the Company even provided the city’s infrastructure (power, sewage, transportation, and water). Some towns were created from the ground-up by their corporate benefactors to house and serve the needs of the one factory in town (such as Carnegie Steel Company in McDonald, Ohio).

In their heyday, 2500 American towns relied on a single employer for even the most basic necessities. But what happens when the Company picks-up and leaves? What happens when the Company gets acquired or goes bankrupt or when the market for their wares evaporates or the natural resource is tapped? We all know what happens. The population declines, revenues disappear, and our towns age. Before long, we’re a shell of what we once were.

Some company towns still flourish. Kohler, Wisconsin, is a shining star of a village. The plumbing giant built a factory in what used to be called Riverside, Wisconsin, in 1900. Today its tree-lined streets brag a five-star golf resort in addition to the picturesque factory.

Other towns, such as Greenwood, Mississippi, struggle with their one company identity. In 2003, Greenwood, Mississippi, lost three factories to Mexico where labor is cheap. Today, Viking

Range Corporation, maker of high-end kitchen appliances, is the only manufacturer left in Greenwood. Viking Range has single-handedly turned the cotton capital of the world into the poster-child for a “Made in America” movement. Unfortunately, Greenwood hasn’t staked their claim. They haven’t leveraged Viking as the cornerstone for a micro-cluster.



In 1918, Kohler Company built this complex to house immigrant workers for their factory. Today, The American Club is a luxury spa and resort in the picturesque town. Photo Credit: Kohler Co.

If you’ve got one successful business, in one specific industry already in town, let’s say a kitchen appliance manufacturer (like Viking in Greenwood), you should focus on luring other kitchen appliance manufacturers to town. Why? Because the same infrastructure and resources needed to make Viking successful will make Sub Zero, Breville, KitchenAid, and Wolf successful. They all need access to a focused, trained, and skilled labor force. They need a community who understands their needs, their business, and even their products. They need the same support systems, the same access, the same talent to succeed. (We’ll learn

more about this phenomenon, called the Supply Chain Reaction, in the next section of the book.)



Just a few of the old cotton row buildings in downtown Greenwood, Mississippi that have been transformed into Viking Range Corporation offices. Photo Credit: Joseph A - www.bit.ly/1f7kv9k

Greenwood, Mississippi, is an economically poor town, located in the poorest county, in the poorest state in our nation. Viking Range Corporation is the first stake in their claim to become America's Kitchen Appliance Capital. With an unemployment rate almost two times as high as the national average, imagine the impact a micro-cluster of companies could have on Greenwood's residents.

Company towns can survive. But their stability is tenuous.

Economic development experts have encouraged us to diversify our city's economy. They've fed our fears of the past and told us to avoid relying on even a single industry, let alone highlighting the success of a single company, to rebuild our towns. But they're wrong. This deep-seated desire to build an economically diverse

town has fueled our homogeneity. In an effort to attract anyone and everyone, we all look and sound the same.

Remember, homogeneity is the enemy of growth.

Diverse economies are built over time. They're created by growing, getting, and keeping one specific industry at a time (more on this later). Leveraging your existing success stories creates prosperous towns.

Avoid being a one company town. Ask yourself: Whose existing success can power an entire industry? What micro-cluster can we attract?

Let's assume for a minute that you live in Greenwood, Mississippi, but you don't work in the Kitchen Appliance business. Right about now you might be thinking:

"Andrew, why should I spend all this time trying to turn Greenwood, Mississippi, into the Kitchen Appliance Capital of the World? Why don't I just focus on trying to keep my restaurant or my consulting business or my grocery store, afloat?"

"Great question," I'd say. "Because a rising tide lifts all boats." Let's take a look at how a micro-cluster fuels an entire community.

A Rising Tide Lifts All Boats

Staking your claim, telling your origin story, embracing your cornerstone, and encouraging a cluster are all great. But what about the people not directly involved in the cluster you've created? What about the restaurateurs in town or the office supply store nearby? What about the hospital, the hotel, the

web designer, and the accountant down the street? How will the cluster benefit them?

Sure, they may be proud to be part of a growing economy. They might even believe whole-heartedly in the approach you're taking to driving growth. But they'll eventually need to be convinced that this is also going to have an impact on their individual business. This is where you need empirical evidence.

That's where organizations like economic development offices and non-profits like OrthoWorx (in Warsaw, Indiana) make a huge difference. These kinds of institutions take the time to understand the exact impact the cluster is having (or could have) on the entire community. Here's what OrthoWorx's research found:

- 25% of the people in the surrounding county work directly in the orthopedic industry.
- Every ten jobs in the orthopedic industry support an additional nine jobs elsewhere in the county. (That's more than 6,100 non orthopedic jobs in a city of 13,000.
- Medical device employees make about \$10,000 more than the national average every year, which means more money infused into our community.

All of this adds up to \$3.7 billion pumped into the state's economy every year, which puts Indiana second in medical device manufacturing (a giant cluster) nationwide (only to California).

With numbers like that, it's easier to understand how the town's cluster results in revenue, jobs, and a better quality of life for everyone.

Quantifying the impact your niche has on the community at large is more important for the people that live here today than the people you're trying to attract tomorrow. Constantly communicating, reinforcing, and monitoring the important role the niche industry is playing in your town's growth is critical to keeping your current people and businesses. Not just those directly related to the industry your town serves.

Micro-clusters put an end to revenue recycling. Why? Because a rising tide lifts all boats. A carefully staked claim fosters the growth of local businesses that provide goods or services consumed outside of our communities. A simple cornerstone for your cluster attracts a steady stream of new businesses to relocate infusing revenue into our local economy.

When you are famous for providing a specific good or services (better than anyone else in the world) you become the tide.

Embrace the Law of the Cornerstone: Get rich. Target a niche.

The rule of the cornerstone positions your past successes as proof that your claim has merit. It sets in motion the belief that others can only replicate massive success if they do business in your town. When Steve Hyde traveled the nation revealing Chobani's "secret to success" to some of the largest companies in the world he had no idea he would be lauded as a visionary. But that's exactly what happened.

Creating a sense of place isn't just about a smart origin story and a clearly articulated cornerstone for your cluster. It's about the

people that power your claim. Steve Hyde is a perfect example of the third law for creating a sense of place: **the law of the visionary.**



CHAPTER SEVEN

The Law of the Visionary

Rick Hall, Revra DePuy, Hamdi Ulukaya, and Steve Hyde are visionaries. In their communities, they're just as important as historic visionaries Henry Ford, Thomas Edison, John Rockefeller, and Ida Rosenthal (who founded Maidenform). People, not products or places, are at the heart of every American town's success story. Don't look to Washington politicians or local elected officials for watered-down, politically correct visions of the future. Instead, tap the visionaries in our midst to create a sense of place. Let's build on the power of their origin stories, the cornerstones they've founded, and the places they've helped create.

Dave Packard and Bill Hewlett wanted to work in the rapidly expanding electronics industry. It was the late 1930s when all

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