

edcUTAH  ECONOMIC DEVELOPMENT
CORPORATION OF UTAH

2018 Site Selector Perception Study

Research Brief



“Site selectors” are consultants who work with relocating and expanding companies to identify locations that best meet their clients’ growth needs.

Understanding the role site selectors play in making recommendations for projects is critical to successfully growing Utah’s economy. In fact, site selectors figured prominently in nearly one-third of the relocating and expanding companies with which EDCUtah has worked over the past decade. EDCUtah continually studies the site selector community in order to identify best practices for promoting Utah and to effectively demonstrate the State’s strengths.



2018 SITE SELECTOR PERCEPTION STUDY RESEARCH OBJECTIVES

What are the key factors site selectors consider when determining whether a state is an appropriate fit for a relocation or expansion project?

Understanding the answers to this question will allow Utah to better promote the State to site selectors.

How do site selectors feel about Utah as a business destination?

Understanding strengths, weaknesses, and misperceptions about Utah will foster a more data-driven approach to correcting or promoting these issues.



Do site selectors understand Utah’s State and local level incentive (TIF / EDTIF) tools?

Understanding incentives likely plays a role in recommending a state for a relocation or expansion project and may inform Utah policy changes for improved corporate recruitment.

KEY FINDINGS

- Labor quality, availability of experienced labor, and business-friendly government are the most important decision drivers in site selection
- Utah performs well across many site selection decision drivers, particularly labor quality and quality of life
- Utah’s Net Promoter Score (NPS) is negative, but improving
- Utah will improve its NPS most by better marketing its business-friendly government and labor quality
- Most social issues do not have a major impact on corporate recruitment; diversity matters most, alcohol laws matter least
- Utah’s economic development incentives are considered average, nationally
- Upfront cash would have the greatest positive impact on Utah’s incentives competitiveness, followed by fee-in-lieu of taxes

STRATEGY FOR INCREASED ECONOMIC DEVELOPMENT ACTIVITY IN UTAH

1. INVITE

Invite site selectors to experience Utah.

2. EDUCATE

Educate site selectors about business in Utah.

3. PROMOTE

Promote Utah more strategically.

4. STRENGTHEN

Strengthen areas in which Utah falls short.

Research Objective 1

Key Factors Site Selectors Consider

RELOCATION DECISION DRIVERS FOR SITE SELECTORS

EDCUtah asked site selectors to rank the importance of 18 individual site selection criteria and learned that site selectors tend to evaluate the quality and fit of a location based on three themes: workforce, infrastructure, and quality/costs. These three categories provide the framework for ranking any site location and should be the focal point when seeking to improve a site as a relocation or expansion destination.



WORKFORCE

- Labor quality
- Availability of entry level labor
- Availability of experienced labor
- Labor costs
- Higher education assets
- Total population

INFRASTRUCTURE

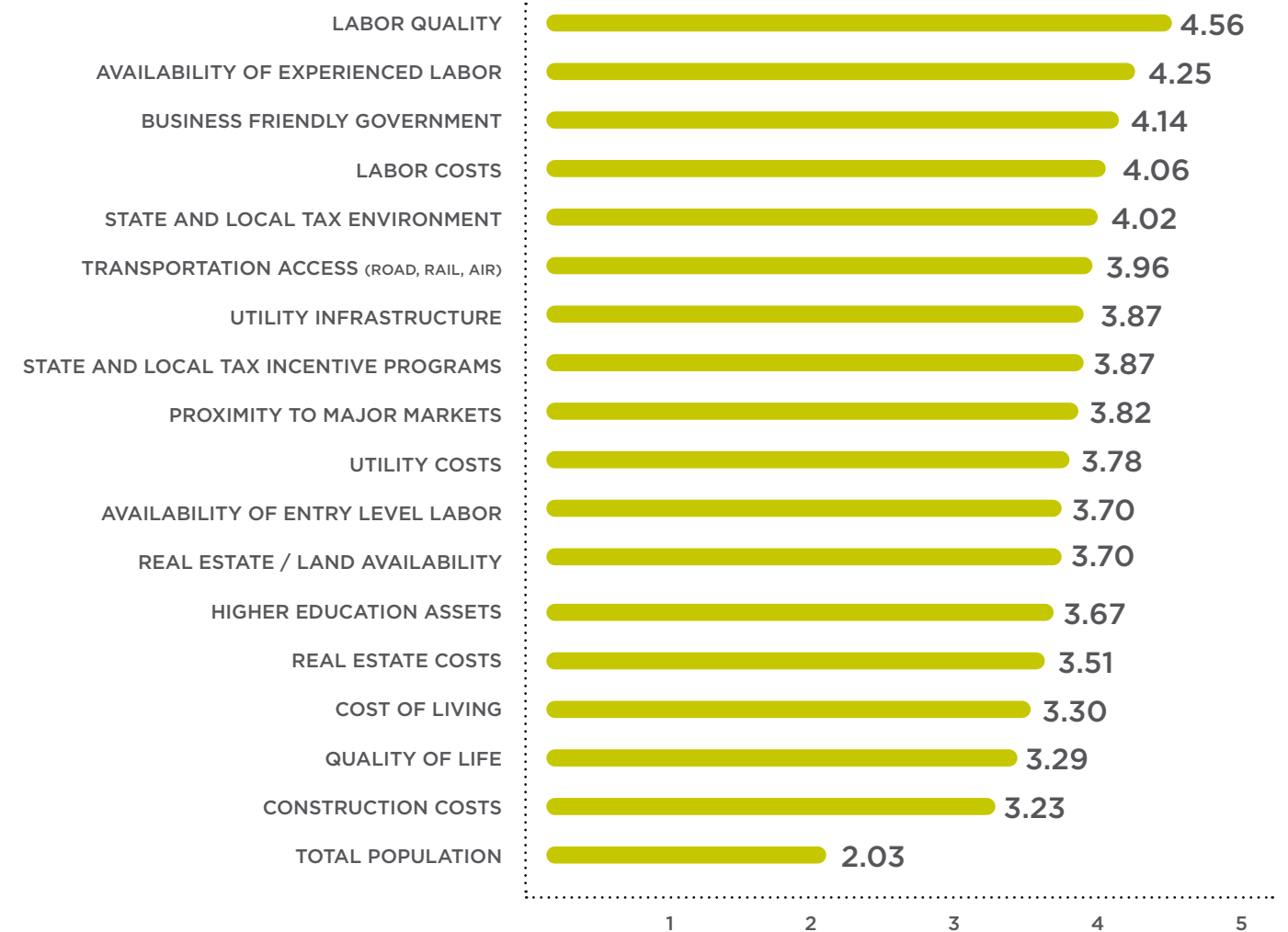
- Transportation access (road, rail, air)
- Utility infrastructure
- Utility costs
- Proximity to major markets
- Real estate / land availability

QUALITY AND COSTS

- Construction costs
- Real estate costs
- State and local tax incentive programs
- State and local tax environment
- Business-friendly government
- Cost of living
- Quality of life

RELOCATION DECISION DRIVERS

Average importance of key decision drivers in the site selection process.



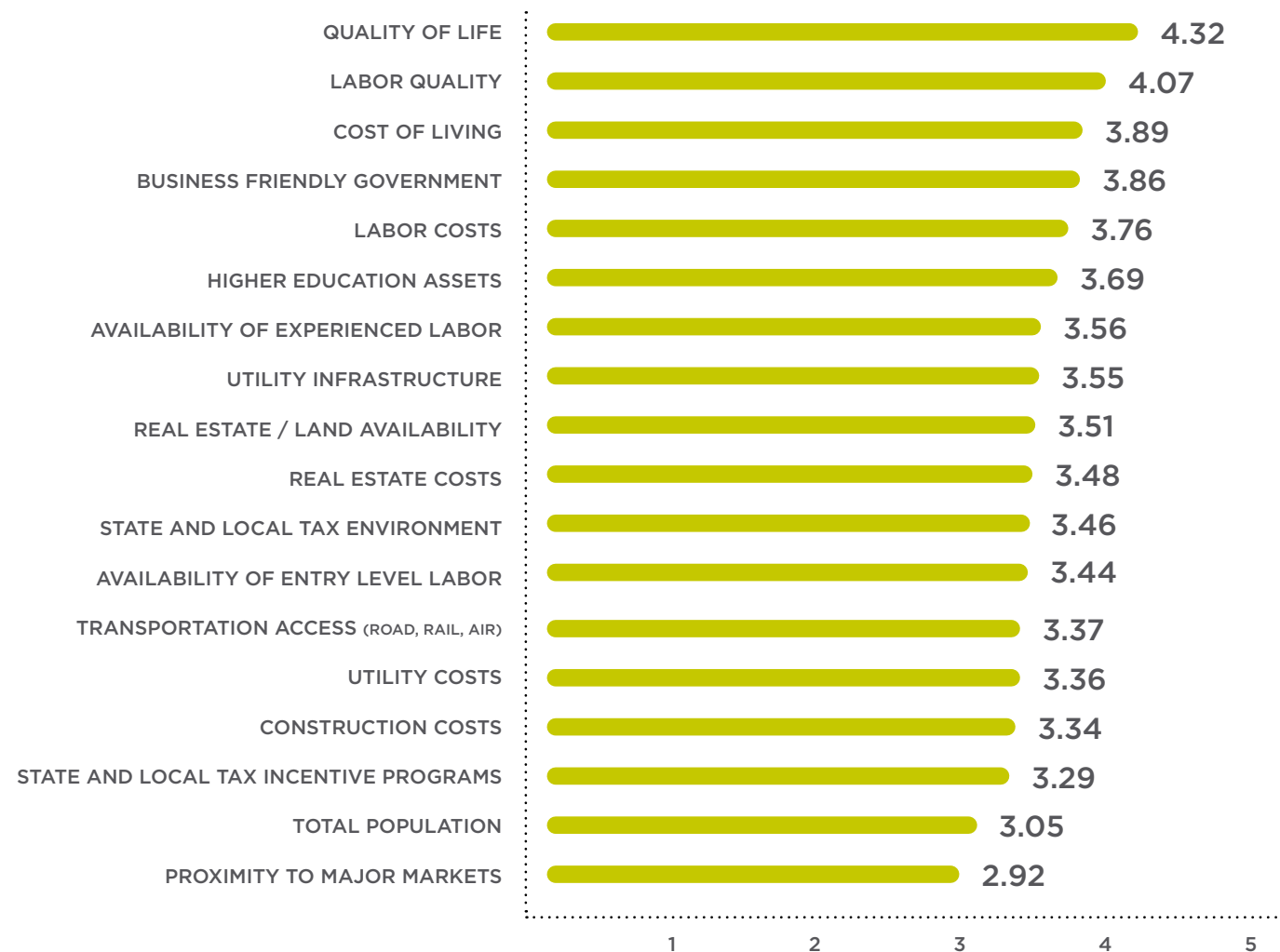


HOW UTAH PERFORMS AGAINST MAJOR SITE SELECTION DECISION DRIVERS

After ranking which factors are most important in the site selection process, site selectors ranked their perception of Utah's performance across those same factors. Utah is perceived to perform well in a mix of labor, cost, and quality metrics.

UTAH'S PERFORMANCE

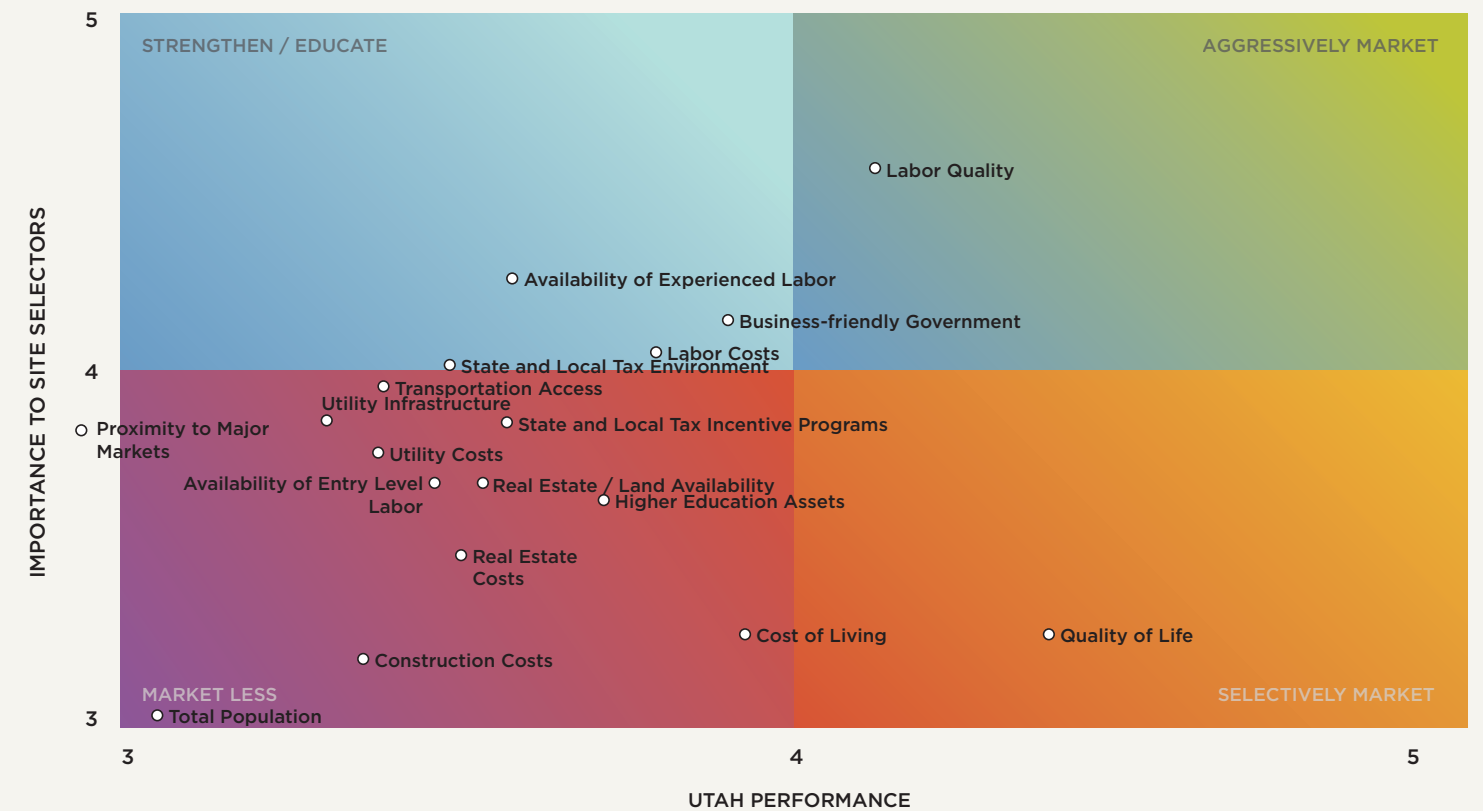
Utah's average performance ranking across key site selection decision drivers.



HOW THE IMPORTANCE OF SITE SELECTION FACTORS INTERACT WITH UTAH'S PERFORMANCE OF THOSE FACTORS

Plotting the importance of each site selection factor against how Utah performs in those factors reveals areas in which Utah should allocate the greatest attention. Labor quality is the only factor that plots in the upper-right quadrant, "aggressively market," but business-friendly government and labor costs plot nearby, indicating that all three would provide a compelling story to site selectors.

IMPORTANCE VERSUS UTAH PERFORMANCE



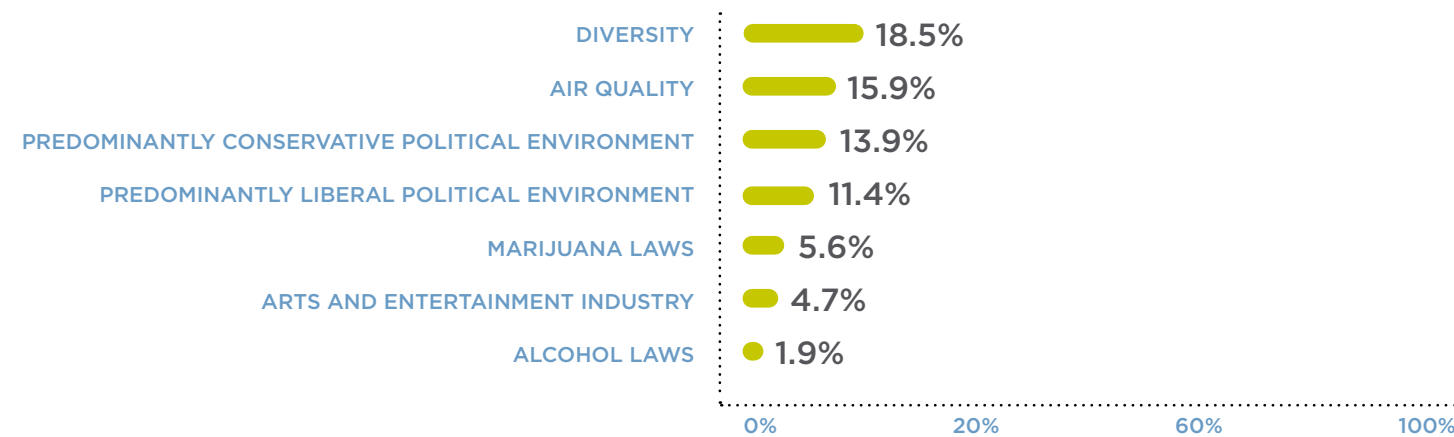
Plotted here are factors important to site selectors compared to Utah's performance in those factors. Factors located in the upper-right quadrant should be promoted most heavily. The scale on both the vertical and horizontal axis run from 1 to 5; **the graph has been zoomed in to 3 to 5 in order to better isolate differences.** All factors were ranked as being at least average (3) in importance, and Utah's performance scored at least average (3) in every category except proximity to major markets.



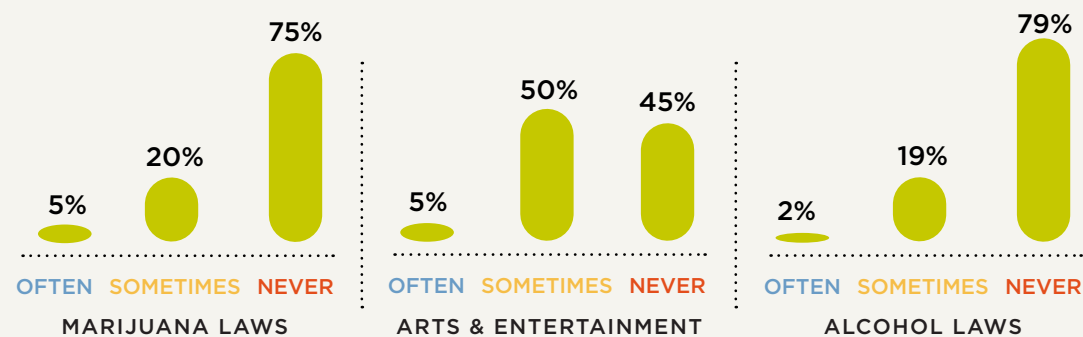
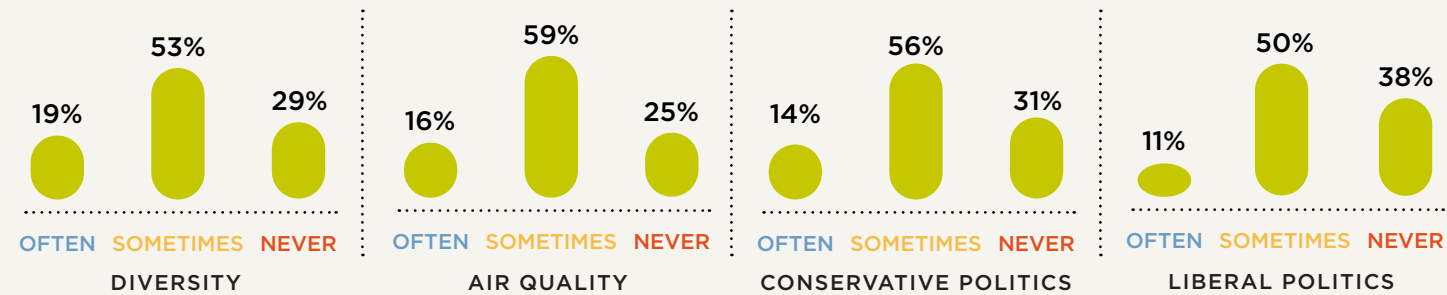
HOW SOCIAL ISSUES IMPACT SITE SELECTION

Site selectors were asked to report the impact on corporate recruitment of seven social issues. The largest impact was diversity, at only 18.5%. While diversity is becoming a more important issue to many companies, air quality was mentioned as being impactful primarily by site selectors who often work with manufacturing companies. This is likely due to the need to find communities with attainment air quality status.

SOCIAL ISSUES THAT "OFTEN" IMPACT RELOCATION DECISIONS



IMPACT OF SOCIAL ISSUES ON RELOCATION DECISIONS



FACTORS THAT IMPACT SITE SELECTORS' LIKELIHOOD TO RECOMMEND UTAH

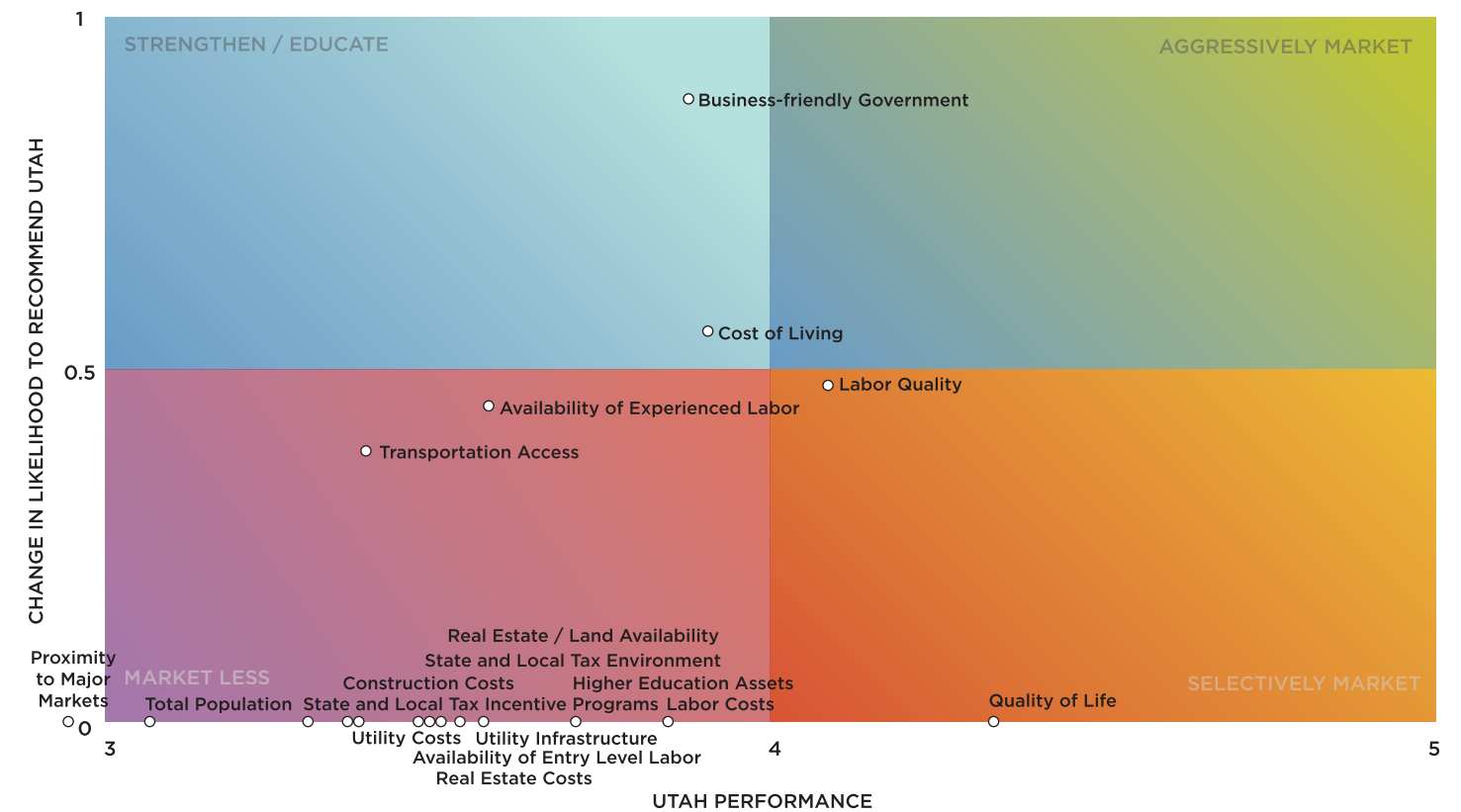
EDC Utah analyzed how each decision driver interacts with site selectors' likelihood to recommend Utah. Thirteen of the 18 drivers do not have a statistically significant impact on their likelihood to recommend the State.

Factors that have an impact on likelihood to recommend:

- Business-friendly government
- Cost of living
- Labor quality
- Availability of experienced labor
- Transportation access

LIKELIHOOD TO RECOMMEND UTAH VERSUS UTAH PERFORMANCE

The closer to the top a factor is, the more likely site selectors are to recommend Utah upon improving their perception of Utah's performance in that factor.



EXAMPLE: BUSINESS-FRIENDLY GOVERNMENT

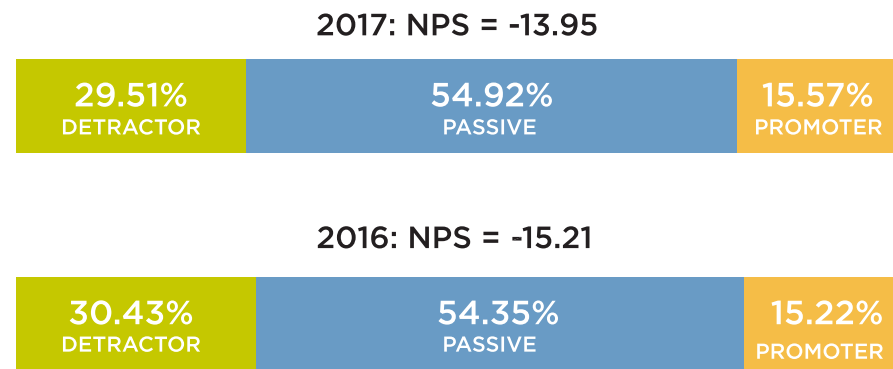
Business-friendly government scores 0.87 on the impact it has to site selectors' likelihood to recommend Utah (the vertical axis), and Utah ranks 3.9 in performance across that factor (horizontal axis). Let's say a particular site selector ranks Utah's business-friendly government a 3 (on a 1 to 5 scale). Say Utah decided to then better promote its business-friendly government—or make improvements in how friendly Utah's government is to businesses. The next year that same site selector may decide to rank

Utah's business-friendly government a 4 instead of a 3 (a 1 unit increase from the prior year), due to Utah's efforts. That change would "cause" site selector likelihood to recommend Utah for a relocation or expansion project to increase by 0.87 units, perhaps from a 6 (on a 0 to 10 scale) to a 6.87, increasing Utah's NPS, and thus improving Utah's chances of being considered for projects by that site selector.

Research Objective 2

How Do Site Selectors Feel About Utah as a Business Destination?

A Net Promoter Score (NPS) is an index that measures the willingness of a respondent to recommend a product or service to others. In this study, we use NPS to gauge site selectors' likelihood to recommend Utah to a client looking to relocate or expand.



UTAH'S NET PROMOTER SCORE

A majority of surveyed site selectors (54.9%) fell into the passive group. There are also more "detractors" than "promoters," creating a negative NPS for Utah. Utah's NPS among site selectors is -13.9, which is an improvement of 1.27 points from 2016. There are significant differences between how detractors, passives, and promoters feel about Utah.

PROMOTER SCORE
9-10

Loyal, enthusiastic, and will continue referring clients to Utah

PASSIVE SCORE
7-8

Satisfied, but unenthusiastic and are vulnerable to competitive offerings

DETRACTOR SCORE
0-6

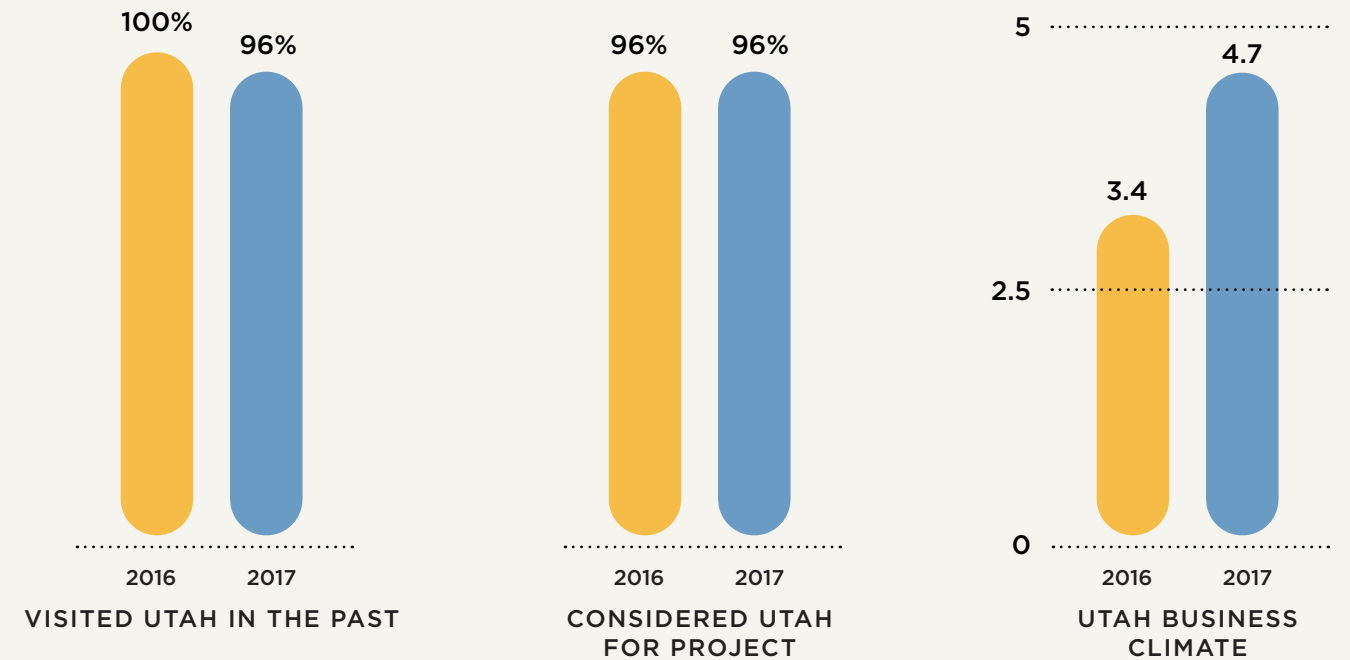
Unhappy and can damage Utah's brand and impede growth through negative word-of-mouth



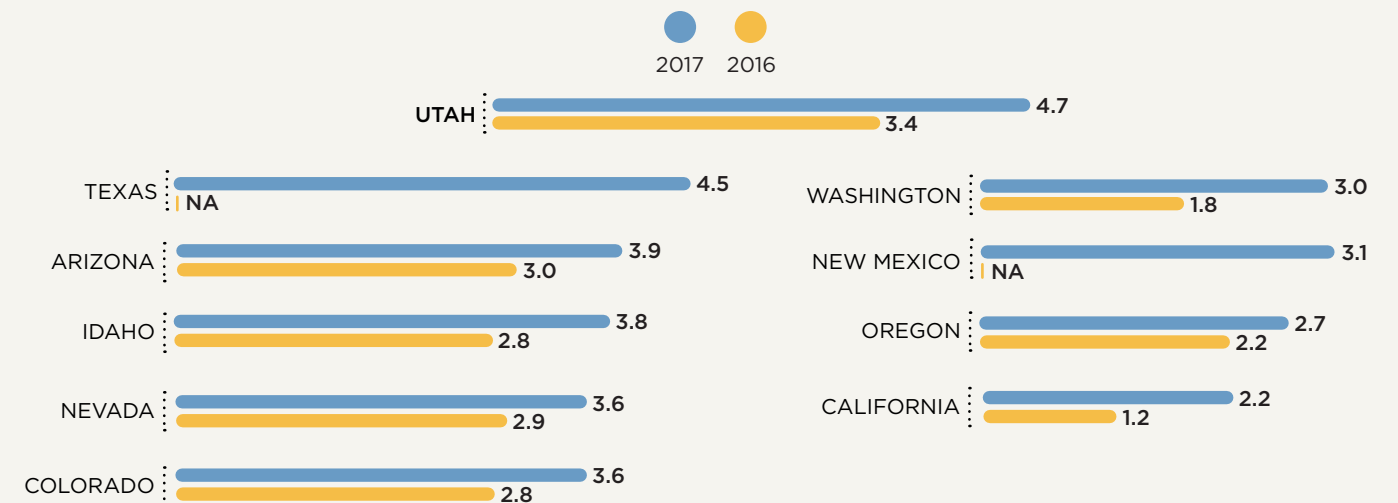
THE PROMOTERS

Promoters: loyal customers who will keep buying and referring others.

The group of site selectors that are considered promoters have visited Utah more than the other two groups and rate Utah's business climate the highest. From 2016 to 2017, promoters' ranking of Utah's business climate increased from 3.4 out of 5.0 to 4.7 out of 5.0—a 1.3 unit improvement. Nearly all have considered Utah for a corporate relocation or expansion project at some point.



WESTERN STATES' BUSINESS CLIMATE AVERAGE RANKING

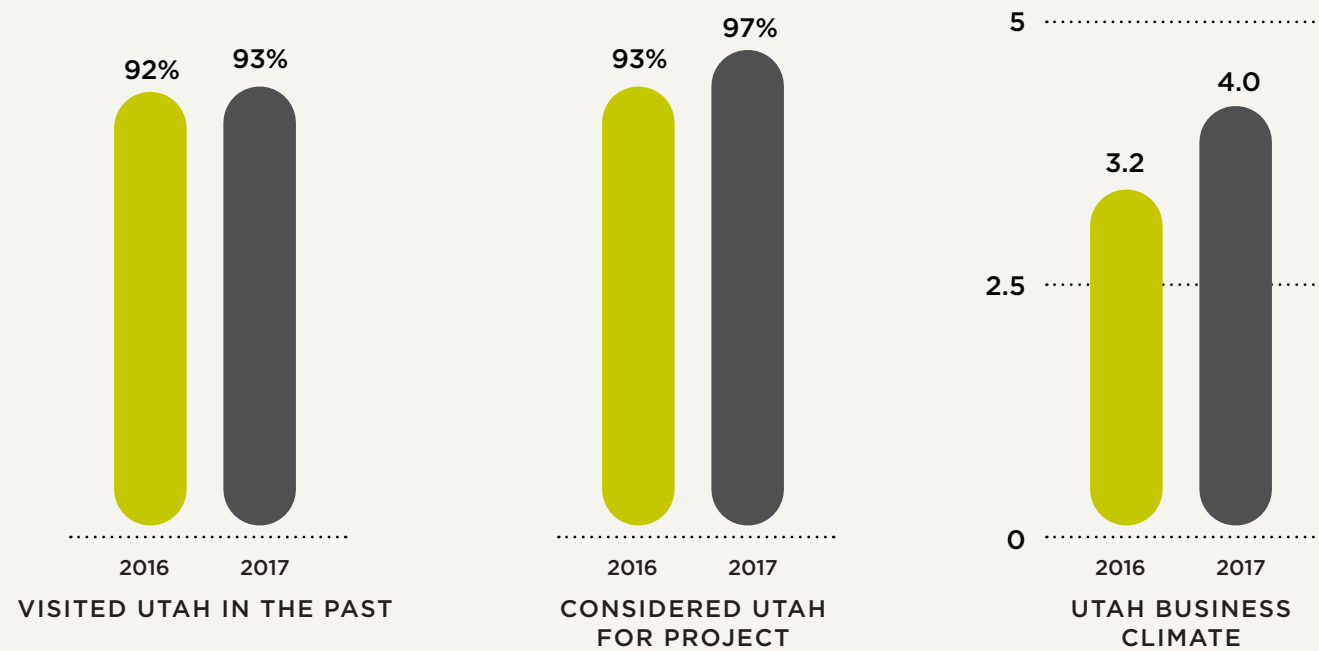




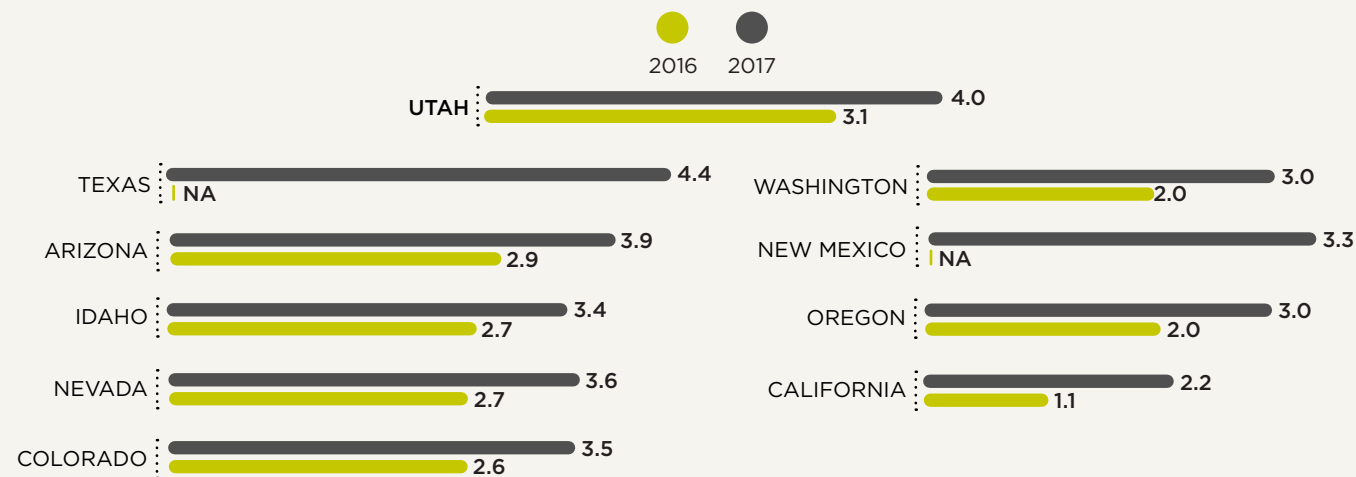
THE PASSIVES

A majority of site selectors that are considered passive have visited Utah and considered Utah for a corporate relocation or expansion project at some point. In these two areas, passives are not significantly different from promoters. Passives differ from promoters in their ranking of Utah's business climate; from 2016 to 2017, passives' ranking of Utah's business climate increased from 3.2 out of 5.0 to 4.0 out of 5.0—a 0.8 unit improvement, but still 0.7 points lower than promoters, and only 0.4 points higher than detractors.

Passives: satisfied customers but vulnerable to competitive offerings.



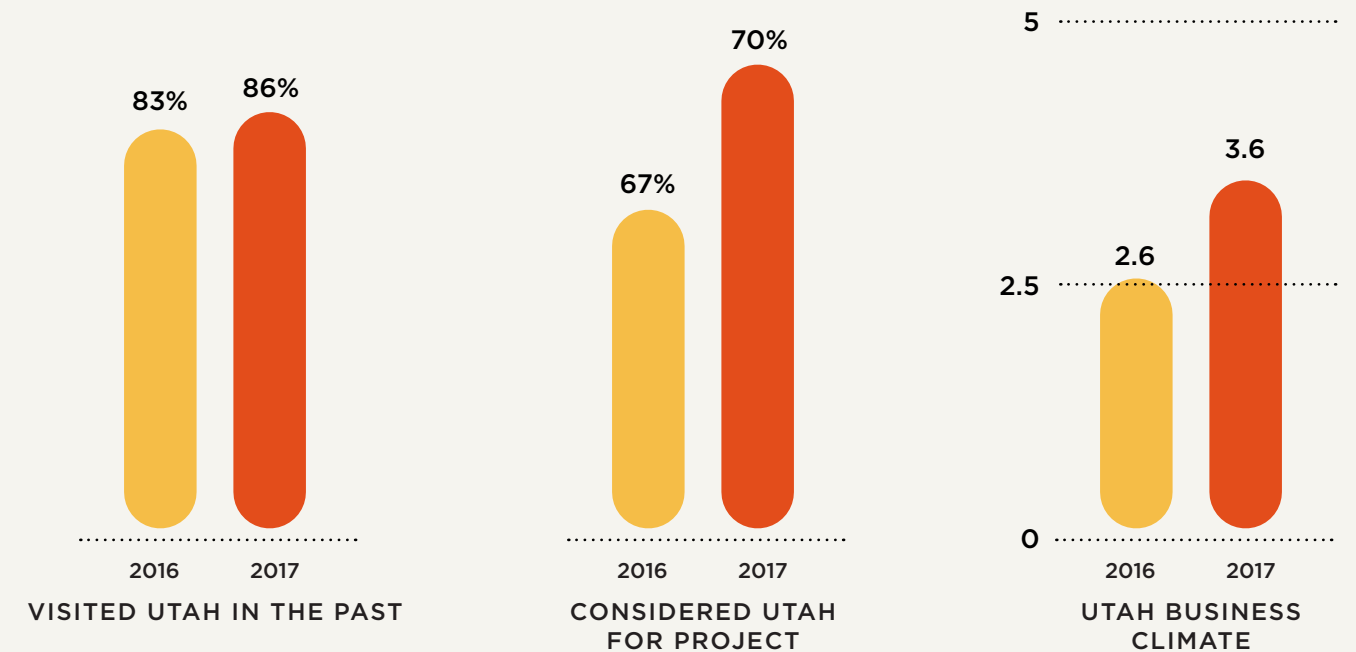
WESTERN STATES' BUSINESS CLIMATE AVERAGE RANKING



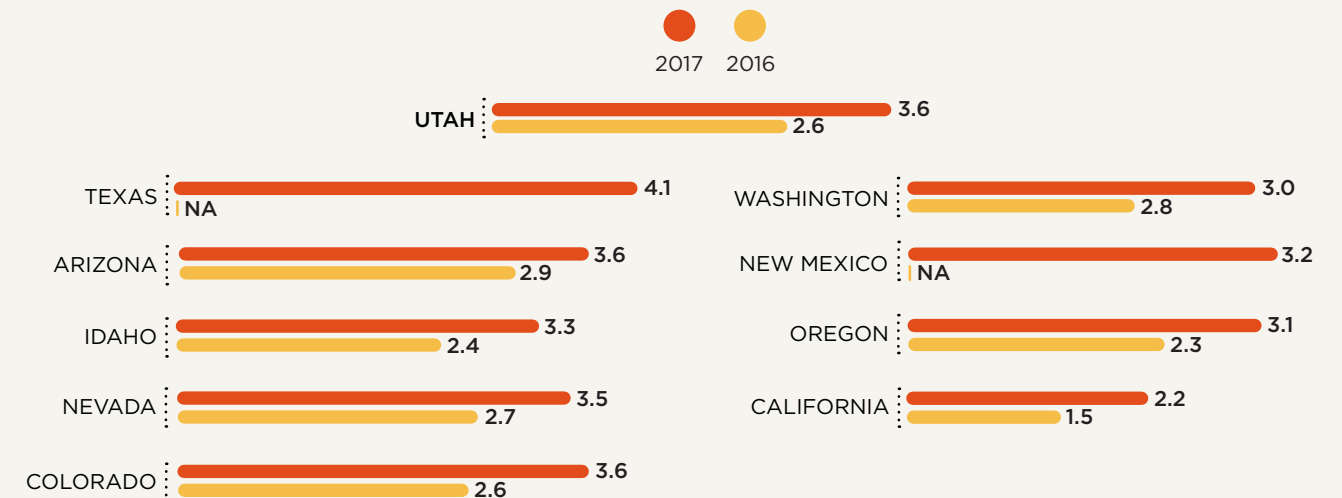
THE DETRACTORS

The group of site selectors that are considered detractors differ greatly from the other two groups in that fewer have visited Utah and fewer have considered Utah for a corporate relocation or expansion project. They also rank Utah's business climate lowest of the three groups, though from 2016 to 2017 the detractors' ranking of Utah's business climate increased the most of any group, from 2.6 out of 5.0 to 3.6 out of 5.0—a 1.0 unit improvement, but still over a full point lower than promoters.

Detractors: unhappy customers who can hurt your brand through negative word-of-mouth.



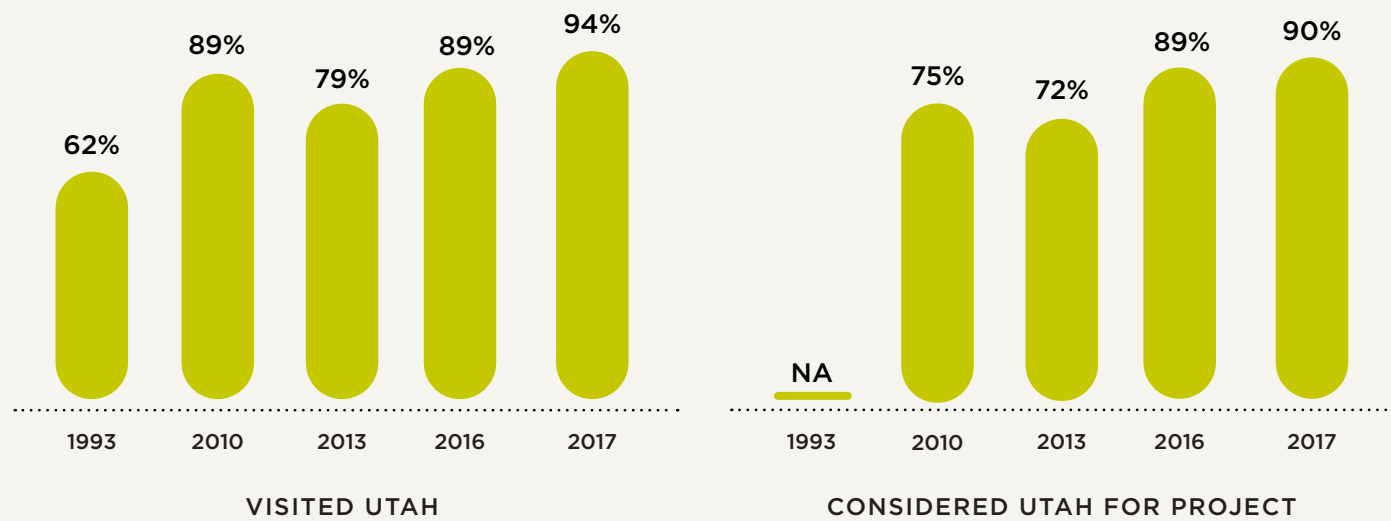
WESTERN STATES' BUSINESS CLIMATE AVERAGE RANKING



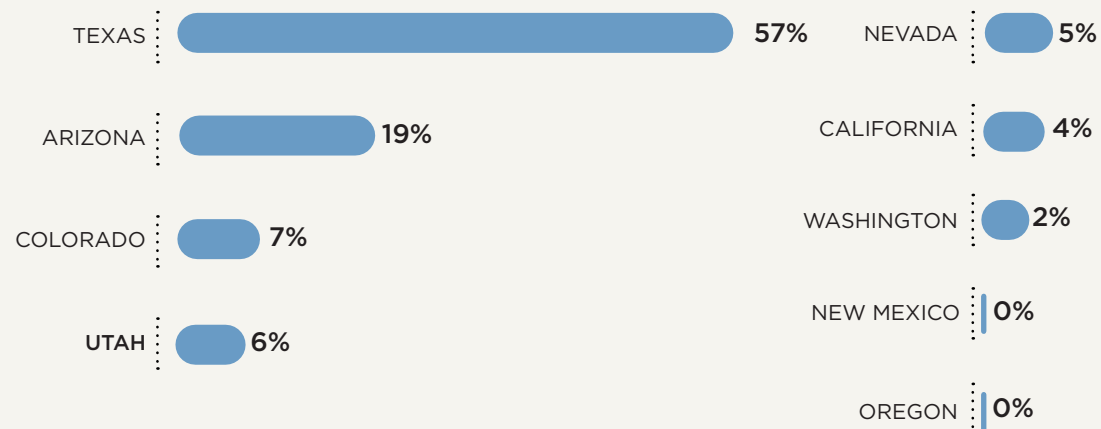
OVERALL SITE SELECTOR BEHAVIORS

As a whole, site selectors are visiting and considering Utah for their clients more than ever before. As of 2017, 94% of site selectors had visited Utah at some point—56% for business related reasons. Ninety percent of site selectors have considered Utah for a client at some point—40% of which were within the past 12 months.

When asked which of the nine western states, in the past three years, site selectors have considered most often for a relocation or expansion project, the results were overwhelmingly Texas, at 57%. Six percent indicated Utah, which was fourth highest.



MOST FREQUENTLY CONSIDERED WESTERN STATE



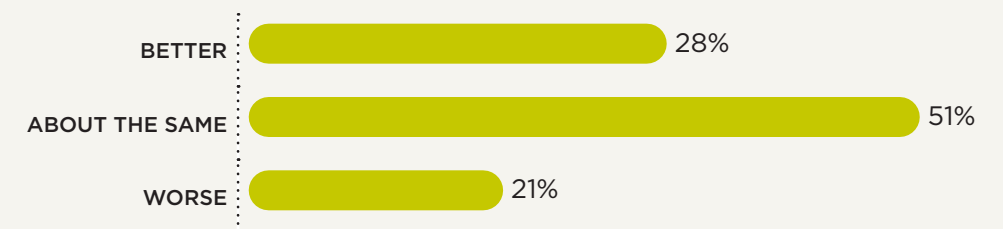
Research Objective 3

Do Site Selectors Understand Utah's Incentive Tools?

A critical component to any state or community corporate recruitment strategy is to have the right economic development incentive tools. Most relocation and expansion projects expect to receive an incentive of some sort, but the robustness and structure of the incentive play an important role in whether a project is won.

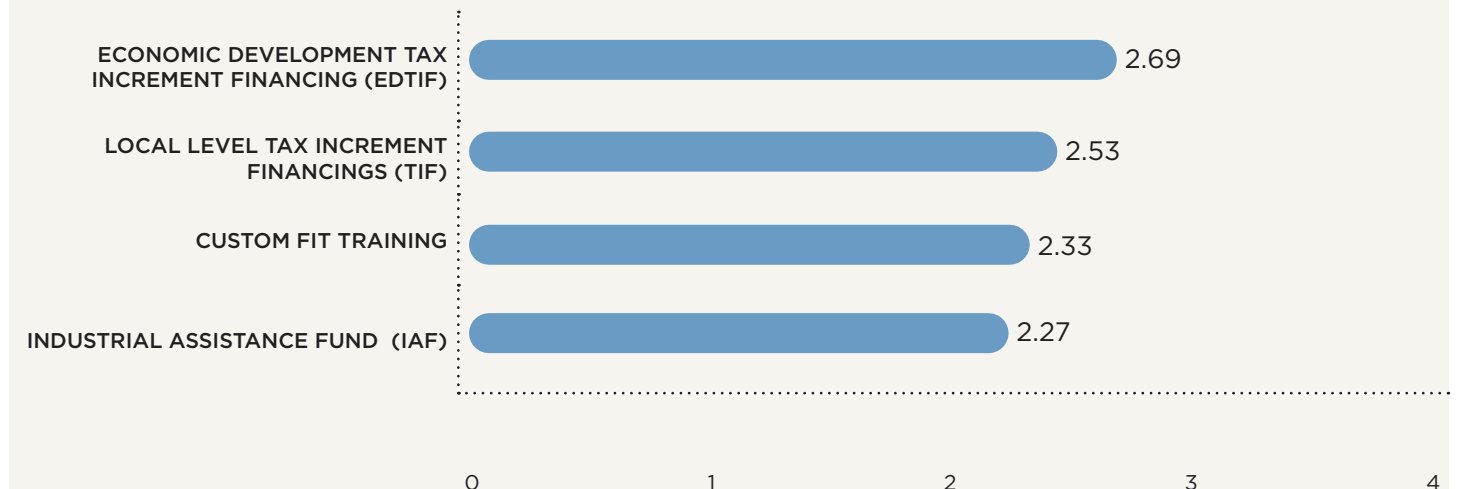
UTAH'S INCENTIVES COMPARED TO OTHER STATES

Site selectors ranked Utah's economic development incentives about average, nationally.



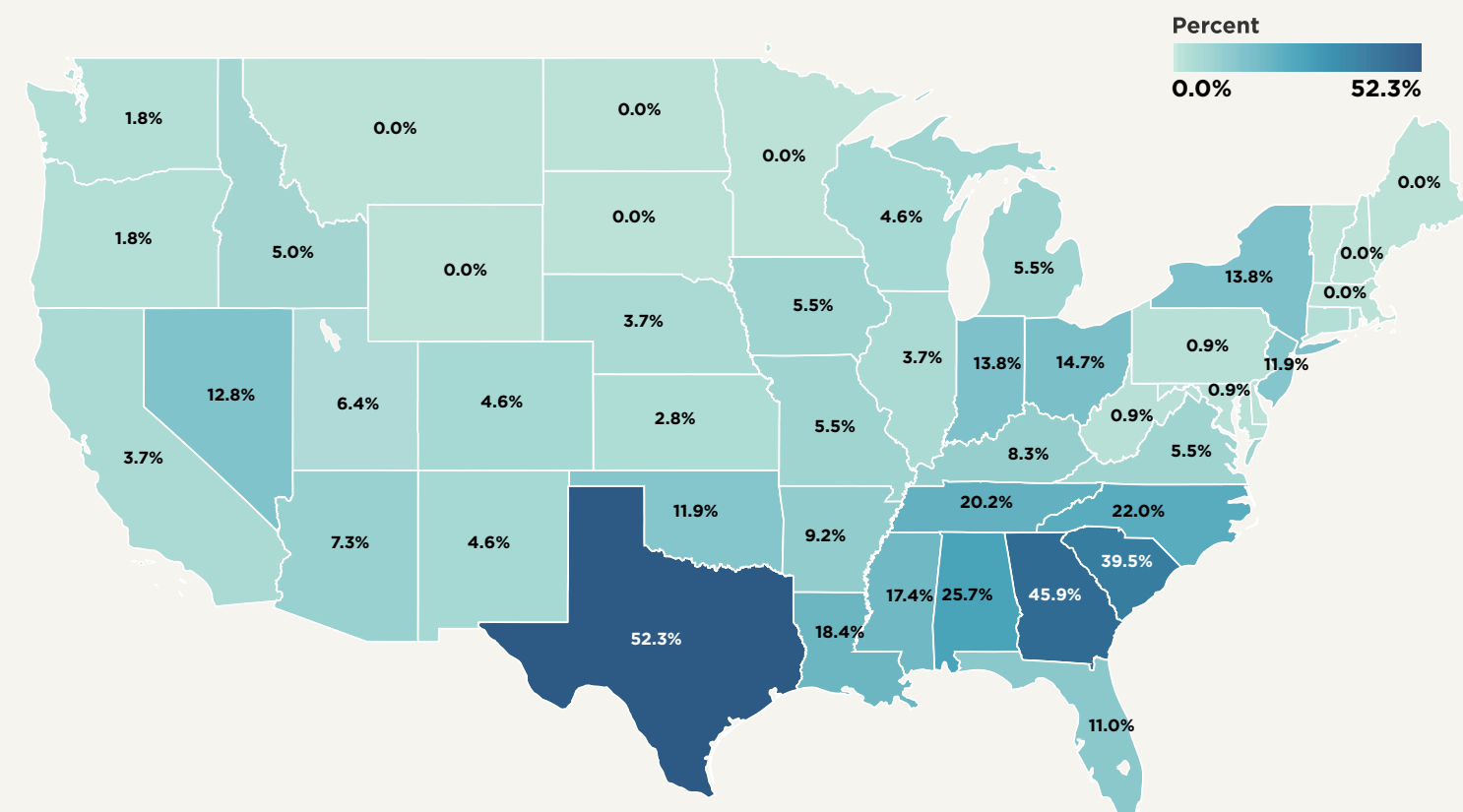
SITE SELECTORS' UTAH INCENTIVE FAMILIARITY

Site selectors are not strongly familiar with Utah's incentives. EDCUtah's analysis indicates that greater familiarity of Utah's incentives leads to greater likelihood to recommend the State.





STATES WITH THE BEST INCENTIVE PROGRAMS

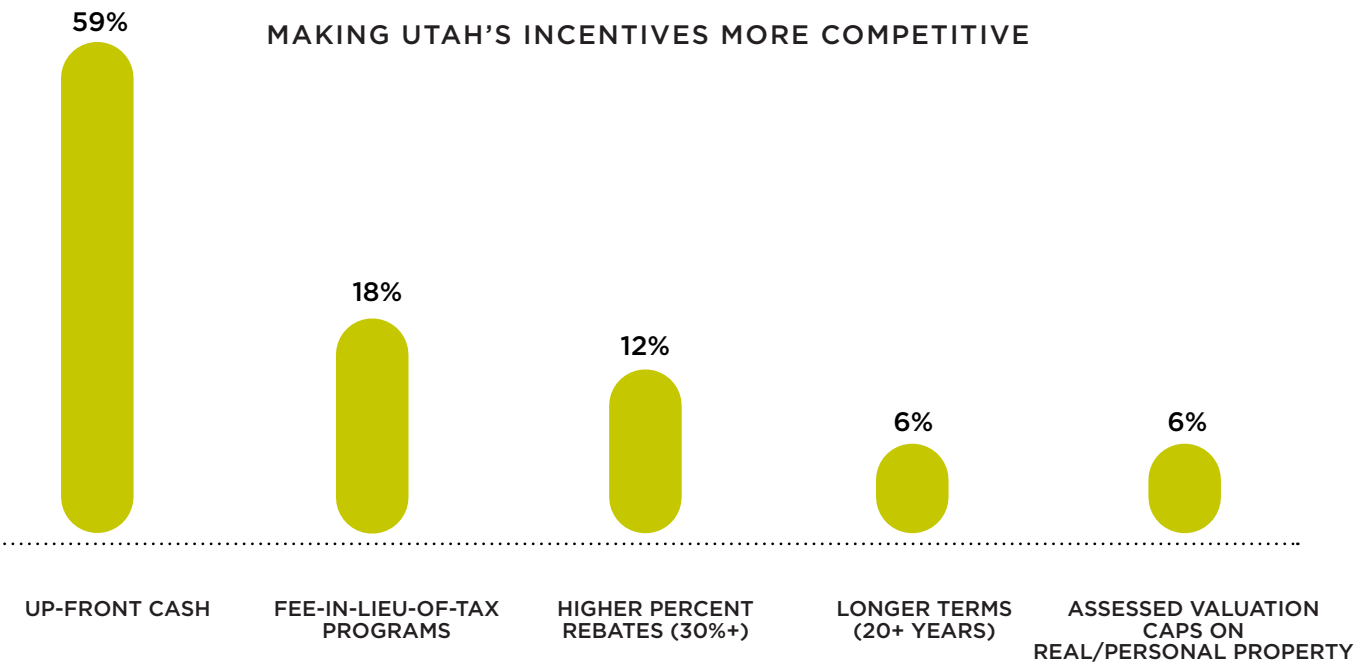


To determine which states could serve as a model for evaluating incentive programs, EDCUtah asked site selectors which states have the best incentive policies. Texas, Georgia, and South Carolina were overwhelmingly selected as having the best incentives in the country, with Utah ranking 19th best.

After identifying states with the best incentives, site selectors were asked why those incentive programs are exceptional. Amount offered, ease of application process, and transparency of program topped the list. As Utah evaluates its own incentive programs, it should recognize that while the amount and structure of the incentive are important, the incentive application process, transparency, and time frame are also critical components.



MAKING UTAH'S INCENTIVES MORE COMPETITIVE



EDCUtah asked site selectors what Utah can do to improve its economic development incentive programs, and up-front cash was overwhelmingly selected as the "number one most impactful avenue" to make Utah incentives more competitive nationally.

Fee-in-lieu-of-taxes and higher percent rebates (30%+) were also highlighted as meaningful changes Utah could make to its incentive programs, and were both frequently categorized into the "number two most impactful avenue" for change.

The odds of considering Utah for a relocation or expansion project increases by 12.07 if a site selector has at least a basic understanding of Utah's EDTIF program

Feeling that Utah's incentives outperform other states increases the likelihood a site selector will recommend the State to a client by 0.63 points (on a 0 to 10 scale)

Feeling that Utah's incentives outperform other states increases site selectors' ranking of Utah's business climate by 0.33 points (on a 1 to 5 scale)

Strategy & Solutions

How to Improve Utah's Image With Site Selectors

Moving Forward

The EDCUtah team is utilizing the results of this study to develop a strategy to improve Utah's appeal to site selectors in the passive group, while strengthening and leveraging relationships with site selectors who are active promoters of the State.

Results of this study indicate there are four areas Utah must consider in order to increase site selectors' likelihood to recommend the State for relocation or expansion projects:

1

INVITE SITE SELECTORS TO EXPERIENCE UTAH

During FY2018-19, EDCUtah will enhance its activities of bringing site selectors to Utah. EDCUtah already invites site selectors to the State each year, which has been very successful in changing perceptions and improving relationships. In addition, this year EDCUtah will travel to other states to visit with site selectors in their hometowns, taking along Utah community leaders.

2

EDUCATE SITE SELECTORS ABOUT BUSINESS IN UTAH

During FY2018-19, EDCUtah will develop additional methods to correct misperceptions regarding Utah's industries, critical mass, state and local tax incentive programs, and assets (business-friendly government, labor costs, tax environment, transportation access, and utility infrastructure and costs).

3

PROMOTE UTAH MORE STRATEGICALLY

During FY2018-19, EDCUtah will focus its site selector marketing activities most heavily on Utah's business-friendly government and labor quality, while also promoting transportation access (particularly through an educational context) and cost of living when appropriate. EDCUtah is currently building a content strategy that would engage more heavily with site selectors to share information on these topics.

4

STRENGTHEN AREAS IN WHICH UTAH FALLS SHORT

The following categories are not necessarily areas for which Utah is weak, but rather areas that if strengthened, would have a significant impact on site selectors' likelihood to recommend Utah for projects. State and local leaders should work to strengthen Utah in these areas.

- Business-friendly government
- Availability of experienced labor
- State and local tax environment
- State and local tax incentive programs
- Transportation access (improve "proximity to major markets")
- Cost of living

EDCUtah's FY2018-19 Strategic Recruiting Plan will be built to address each of the strategic recommendations in this study: invite, educate, promote, and strengthen.

EDCUtah will also conduct further research on each of the "strengthen" topics, to identify additional ways to improve each category:

BUSINESS-FRIENDLY GOVERNMENT

STATE AND LOCAL TAX INCENTIVE PROGRAMS

STATE AND LOCAL TAX ENVIRONMENT

COST OF LIVING

AVAILABILITY OF EXPERIENCED LABOR

TRANSPORTATION ACCESS

This research will be designed to create an individualized strategic plan per topic to be incorporated into EDCUtah's Strategic Recruiting Plan. The research will involve a best practices review, other secondary research, and primary research when needed.

Utah is an excellent state in which to do business. In general, site selectors realize this, but EDCUtah will continue to shape its Strategic Recruiting Plan around ensuring site selectors recognize Utah as the best place in the country to do business.

Utah is well respected within the site selector community and is generally thought of as a great place to do business.

SUMMARY OF RESULTS

94%

of site selectors have visited Utah

90%

of site selectors have considered Utah for a project

4.0/5

Utah business climate, as ranked by site selectors

70%

of site selectors are neutral, or active promoters of Utah

51%

of site selectors feel Utah's corporate incentives are average, nationally

4.1/5

labor quality, as ranked by site selectors

Have questions about the site selector perception study?
Call us at (801) 323-4245