

# **Feasibility Study**



**"City of the Cedars"**

## **The city of Lebanon, Illinois**

McKendree University Marketing Club

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## **INTRODUCTION**

The city of Lebanon is registered as one of the most beautiful small towns in Southern Illinois by Onlyinyourstate.com (2015). Despite being a small town, the city of Lebanon has a lot to offer – from the historical Mermaid House of Charles Dicken to the modern and world-class Hettenhausen Center for the Arts, from the 58 acres of recreational Horner Park to the world class tertiary institution, McKendree University. Geographically, the city of Lebanon is located less than 25 miles from metropolitan St. Louis, MO. its strategic location allows the residents of Lebanon to experience the convenience and enjoyment of a metropolitan lifestyle while maintaining a quiet and tranquil, friendly, small town environment. However, despite its unique characteristics, the city of Lebanon, like any other small town throughout the USA, is losing its charms to bigger cities. Many of the educated young people move out of town to get better job opportunities in bigger cities and this issue creates a loss of population, decreases the city's economic growth, decreases community participation, lowers the need for retail outlets, increases the grey population, decreases skilled labor and decreases the attractiveness of the city (Mud fur and feather, 2010). With these issues in mind, the city of Lebanon would like to proactively promote itself to potential industries, encouraging them to choose Lebanon as their place of business. McKendree Marketing Club is in a good position to conduct a feasibility study on the possibilities and throughout the entirety of the report, the Marketing Club team will highlight ways for Lebanon to make itself more marketable to companies, as well as highlight the current market that Lebanon has established.

## **LEBANON: SITUATION ANALYSIS**

This section discusses the situation analysis of the city of Lebanon. The discussion includes current demographic, economic profile, infrastructure facilities and safety issues.

- **Demographic**

The Suburban Stats (2016) indicates that in 2015 the population of the city of Lebanon was 4,418: 79% white, 16% African American, 2% Hispanic and 2% two or more races. The Lebanon population was slightly dominated by females at 51.6%, followed by males at 48.4%. Nearly 67% of the Lebanon population was between 19-45 years old (Lebanon Comprehensive Plan, 2015). In regard to educational attainment, 36.5% of the residents of Lebanon city held a bachelor degree or higher. This number was 5% higher than Illinois and 8% higher than the national education attainment. This statistic shows the city of Lebanon is able to provide a highly trained workforce.

- **Economic Profile**

According to the Lebanon Chambers of Commerce Business Directory (2015), the city of Lebanon hosts nearly 60 different businesses which can be classified into 5 important categories: services, hospitality, retail, medical, and others. The services category includes automotive services, barber and beauty shops, financial and insurance services, child care and printing. The hospitality category includes restaurants, bars and bed & breakfasts. The medical category is comprised of chiropractors, dentists, optometrists, and senior & special services. The others category includes entertainment, post offices, storage facilities and miscellaneous. Services, retail and hospitality are concentrated in downtown Lebanon, whereas other businesses are located mainly in Madison Street and McAllister Street.

- **Infrastructure Facilities**

**Electricity:** Lebanon's electricity is supplied by a number of power companies: AEP Energy, Comcast, Clearview Energy, Ameren, Constellation, Xoom and Direct Energy (Power2Switch,

2014). According to Electricity Local (2016), the average electricity rates in Lebanon are far less than Illinois and the national rate. Below is a brief comparison of the rates:

	Commercial	Industrial	Residential
Lebanon	3.63c/kWh	0.77c/kWh	9.06c/kWh
Illinois	7.99c/kWh	5.8c/kWh	11.38c/kWh
USA	10.09c/kWh	6.67c/kWh	11.88c/kWh

**Water:** The source of Lebanon's drinking water is rivers, lakes, streams, ponds, wells, etc. The contaminant levels in the water are below that of known or expected risks to a consumer's health (City of Lebanon, 2016). Water and sewer charges occur monthly and the table below shows the water rates (Municode, n.d.).

Minimum charge for the first one thousand (1,000) gallons for one month is as follows:

Size of meter	Minimum charge	
	2016	2017
¾ inch	9.25	9.65
1 inch	12.50	12.90
1 ½ inch	19.00	19.40
2 inch	19.00	19.40
3 inch	26.50	26.90
4 inch	33.85	34.25
Over 4 inch	To be negotiated	

All over one thousand (1,000) gallons, per one thousand (1,000) gallons costs:

	5.25	5.50
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The table above shows that the city of Lebanon's water rates are reasonable and negotiable.

**Communication:** The city of Lebanon's internet provider is serviced by EarthLink, AT&T, Exede, Frontier and Charter Spectrum. Monthly rates for internet usage are between \$39.99 and \$109.99 depending on the speed and data used. Internet speed ranges between 6 Mbps and 100 Mbps (Internet Provider, 2015).

**Access and public transportation:** The city of Lebanon can only be accessed through Route 4 and U.S. 50, either by private or public transportation. However, the only public transportation that serves the city of Lebanon is a Metro bus that links the city of Mascoutah and Scott Airforce Base with very limited services (5-6 trips/day) (MetroSt.Louis.org, 2014). This limited bus services forces the residents of the city of Lebanon to rely on their own vehicles.

- **Safety Issues**

According to the Areavibes website (2016), the overall crime rate in the city of Lebanon is 48% lower than the national average. This means that out of every 100,000 people, there are only 4.2 daily crimes recorded in Lebanon, IL. In other words, the residents of the city of Lebanon have 1 in 66 chances of being a victim of crime. However, because this information was gathered from a non-government site with no dates supplied, it should be translated with caution.

## **COMPETITOR ANALYSIS: TRENTON, TROY AND MASCOUTAH**

The cities of Trenton, Troy and Mascoutah are selected and considered as main competitors to Lebanon due to the size of their populations, their distance from St. Louis and the facilities and infrastructure they provide. Information on these three cities has been collected from their official websites and a comparison of these cities is presented in the table below:

	Trenton	Troy	Mascoutah
Population	2700	10000	7879
Public Transportation	South Central Transit	Madison County Transit	St. Clair County Transit District
Taxation Initiative	TIF or The Tax Increment Financing (TIF) program is designed to serve the diverse needs of the business community and to place the City of Trenton in a more competitive position in working with business and industry to assist them in making the decision to locate or expand within the City's corporate limits.	Madison County Community Development State of Illinois State of Illinois Loan Programs State of Illinois Tax Assistant State of Illinois Grant Programs	The Tax Increment Financing (TIF) program – 15% of total project cost exception – taxable sales over \$20M industry/manufacturing investment over \$10 M or project deemed to be in the public interest.
	Façade Rebate Program provides funding to commercial building owners and business owners who rehabilitate the exterior of those properties located within the Broadway Redevelopment Area.		
	The City of Trenton offers a sales tax rebate to any new retail business, or any existing business which has a change in ownership, in order to generate job creation, and spur development/redevelopment within the corporate limits of the City		The total of Sales Tax Rebate assistance, together with all other City incentives shall be limited to a maximum 15% of total project costs.
No. of businesses	+/- 87	+/- 432	+/- 253
More information	<a href="http://www3.trenton-il.com/">http://www3.trenton-il.com/</a>	<a href="http://www.troyil.us/index.aspx?NID=232">http://www.troyil.us/index.aspx?NID=232</a>	<a href="http://www.mascoutah.org/">http://www.mascoutah.org/</a>

## **TARGET MARKET**

There are many different markets to which the town of Lebanon can target to help increase their economic status, such as targeting younger and higher income families, businesses, and even to people that are looking for a “college town” atmosphere to live in. However, this report is going to highlight the target market of business owners and manufacturing companies. The reason that this group is our main target market is because of what the town itself can get out of pursuing them. When new businesses establish themselves, there is an increase in the town’s economic status in which they establish themselves. The main factor is the property and city taxes that businesses have to pay for establishing a business in said town. Towns and cities have established these taxes because help give back to the economy of the given town or city, indirectly benefiting the businesses that pay them. Another benefit that establishing new businesses in towns carries along with the establishment is the new clientele that will now be attracted to the town due to this new establishment. In addition, Lebanon is also the only town that is located between the three major interstates that are connected by Route 4. The three major interstates that are connected through this are Interstate 64, Interstate 55, and lastly Interstate 270. With Lebanon being the only town connecting these three interstates, there are an abundance of people who drive through the town every day. Considering such a strategic location, the city of Lebanon may consider to attract new businesses such as restaurants or possibly an additional convenience and grocery store along with Dollar General, drivers would not only be convinced to stop in the town while driving through, but it could also give them reason to wander throughout the rest of the town and see what else that it has to offer.

Along with targeting such businesses above, if the town were able to target manufacturing companies as well, this would be able to boost their economy in additional ways. Not only would the economy of the town benefit from what it would pay to establish itself there, but the building of a manufacturing company would create several jobs. With the creation of these jobs

in the town, people are going to be moving into the area to work there. So, in addition to even the creation of the jobs in the town, there would be a wave of people moving into the area, and hopefully into the town of Lebanon. When people picture the clientele of people that work in manufacturing plants, it is typically young males. If this group of people would move into the town, which would directly benefit the town in its pursuit of attracting new families to the area.

As briefly discussed on the demographic section above, nearly 36% of the resident of the city of Lebanon are highly trained and holds a bachelor degree or higher. The city of Lebanon may consider this high availability of this highly trained people to attract service and technological based industries such as recruitment and job placement agents, Internet based businesses, professional (architect firms, marketing and advertising consultants, lawyers etc) based industry and leisure concentrated industry (i.e., gym, beauty salons).

## **DIFFERENTIATION AND POSITIONING**

Lebanon is quite different from the small towns around it; it has many promising aspects that its neighboring towns do not. One major aspect Lebanon has is McKendree University. With a major university in the middle of town, many good economical things can be made. Students will shop at the grocery stores in Lebanon, they will buy gas from the convenience stores in Lebanon, and they will use facilities available to them (i.e. Tanning salons and gyms). In addition, the HETT art performances and McKendree University sport events further differentiate the city of Lebanon with the rest. These events will invite families and students flooding the city and accordingly, there will be more people around to purchase their goods. With this consideration, Lebanon can position itself as the city with potential customers. The second differentiation factor is the city of Lebanon's generous TIF scheme. The Lebanon's city government has decided to give tax breaks to new, incoming businesses for their first two years.

## SWOT ANALYSIS

- **Strengths**

One of the many strengths of the town of Lebanon is its strategic location. As mentioned earlier, Lebanon is the only town that links Interstates 64, 55, and 270. This is a major strength because the amount of people that go through the town, just for the reason of reaching their connecting interstate, is quite large. This means that there is the potential for many people to stop at local businesses during their commute.

One of the dominant strengths of Lebanon is the safety that its inhabitants enjoy. According to [city-data.com/crime](http://city-data.com/crime), Lebanon has only 95 instances of murder, rape, robberies, assaults, burglaries, thefts, auto thefts, and arson per year. This is attractive potential businesses that are being pursued to establish themselves in Lebanon because of the reduced chance that the business would experience a robbery or any other form of crime on them. In addition to the low crime rate, Lebanon prides themselves in the police force that they possess.

The biggest strength of the town of Lebanon is the up and coming McKendree University. This university brings in around 2,500 students per year, with many more to come in the upcoming years. These students provide business, employees, and service for the businesses of Lebanon, as well as providing a great dynamic to the town unlike any other group of people. In addition to the services that students can provide, having a university in a small town like this is a great way to boost the town's economy. Not only does it provide economic help to the town from attracting more people and businesses to a "college town," it also brings in a large group of people on a day to day level to the businesses in the community due people attending events at the university.

- **Weaknesses**

Although McKendree is a major strength of Lebanon, the attitudes concerning it are the opposite. Many citizens of Lebanon are not fond of McKendree, possibly afraid that Lebanon will change into a “college town” if they embrace it and let McKendree grow. By allowing McKendree to have freedom, many positive outcomes would arise helping Lebanon, especially economically. The job market of Lebanon relies on McKendree students to fill positions and keep money flowing into businesses.

Another major weakness of Lebanon is the amount of public transportation is extremely limited. There is no Metro train station in town, with the closest one being Scott Air Force Base (a twenty-minute drive away from Lebanon). Also, the Metro bus only passes through Lebanon four times a day, and only during the early morning and late at night. Taxis do not come through Lebanon and very rarely will they deliver someone to Lebanon. If someone does not have a car, there are very few options for them to travel outside the town.

A weakness of Lebanon is the businesses that are on the brick street. Walking down the brick road, one would not be able to tell if stores are open or closed due to the tired, unattractive face the buildings have. If someone ventures into one of the businesses, it would look the same as it did twenty years ago. The old, tired, never-changing feel of the businesses can really restrict the customers they attract. If a new business would want to branch out into Lebanon, it would have a hard time doing so. This is because there are no vacant buildings that a business could move into. If the business would want to move to Lebanon and build something new, there are few places that would be able to sustain a building for a new building. Lastly, the amount of old or abandoned houses that are within the town limits can really damage the image that people see when they drive through. If a town has a large amount of these old and abandoned houses,

it can give them the impression that the town does not do well economically, or that they do not take care of properties once they become unoccupied.

Another weakness of Lebanon is the lack of town activities such as festivals or town fairs to promote the well-being of the town. Events such as these promote fellowship amongst a town and the people in it. These events are also great for businesses to promote themselves to the community from setting up stands at the events or from purchasing advertising for the event as well.

Finally, the growth rate of Lebanon is slowly becoming nonexistent. According to [clrsearch.com](http://clrsearch.com), the projected growth rate of Lebanon from 2010 to 2017 is 1.31%. The declining growth rate could be due to all of the other weaknesses Lebanon holds.

- **Opportunities**

There are many chances of opportunity in Lebanon. The most major opportunity deals with transportation. The first opportunity deals with public transportation. It needs to be drastically improved; things to consider include adding a Metro train station to Lebanon and broadening the hours and the frequency that the Metro bus runs in Lebanon. For that to be necessary, the infrastructure needs to be up to par. Many main and side roads are in very poor quality and by fixing them up Metro busses will be able to drive on them. One last transportation opportunity is the various bike trails that are being installed. With everyone wanting to save money on gas and save the planet, there will be more and more bikes around. With easy access to bike trails, which lead all the way to O'Fallon and Carlyle, there will be more bike usage.

McKendree University also holds opportunities. They have various settings such as the front lawn, the Hettenhausen Center for the Arts, The Hills golf course, and Leemon Field that can

host many exciting things such as weddings, concerts, and speakers, all of which will bring many people to Lebanon.

- **Threats:**

The main threat to every town is the budget. If Lebanon does not have the budget to finance the projects that will make it better, then it will simply not get to where it has the potential to be. The leaders of Lebanon will have to compromise on some things to get everything done for the town. Compromising is another threat to Lebanon, seeing as how it is stuck in its ways after so many years. The citizens are very resistant to change. Also, the ghostly appearance of the businesses and houses pushes customers away from the town, rather than draw them in. Lebanon needs an upgrade on their buildings as well as their advertising. The website is run down and there are not a lot of advertisements in general. Lastly, with Route 50 being the one of the main entry points into Lebanon, there is the threat of flooding that could keep people away. As we figured out over this past year, if we receive a large amount of rain in a short period of time, there is the chance that Route 50 will become unpassable due to high waters.

### **RECOMMENDATIONS:**

1. **Renewal of Brick Street:** Many of the shops that are located on Brick Street are owned by individuals, or groups of individuals, who own the shop as a side hobby. What this means is that the individuals that own the shop might not have the desire to always have their shops or stores open during normal hours. With that in mind, if a potential consumer or first time visitor to the town of Lebanon decides to take a walk down Brick Street, and all of the businesses are closed, that would have a very negative image on the town as a whole and these potential consumers will more than likely never venture their way back to the town. In order to fix this, we are proposing the renewal of Brick

Street. This means that the town needs to have a meeting with the existing owners of these shops and express the importance of maintaining their shops and keeping them open. If this strategy does not work, then we recommend getting those owners out and making way for new potential businesses to increase the image of the town. In addition, there is a large number of old and abandoned houses within the town limits that can hurt the overall image of the town. If there is a large amount of old or abandoned houses in a town when visitors drive through, that can hurt the overall image by giving these people the idea that the town does not take care of buildings that are not in use, or that it is not a promising place to live or work if things are closing down and/or not being taken care of.

2. **Marketing Open Land:** Lebanon houses a large amount of unsanctioned land that is located directly off of Route 50. If the town can annex this land as part of the town, we recommend that they promote this land to potential investors or business owners about what can be accomplished with the purchase of the land.
3. **Promotion of Rec Center:** While the new McKendree Metro Rec Plex is not sanctioned in the Lebanon town limits, it is a big boost to the economy of the town and the surrounding areas. Having a new Rec Center in the area of the town is very beneficial to the attraction of new businesses and/or residents to the area due to the amount of services that would be offered in a facility such as this.
4. **Extension and expansion of public transport (more bus services and special bus connection to train station at SAFB):** As of right now, there is only one or two busses that come through Lebanon on a daily basis. This means that if an individual does not have a means of transportation for themselves, they are out of luck almost. If the town can increase the amount of public transportation to surrounding areas, Scott Air Force

Base where there is a Metro Station specifically, it can greatly impact many individuals from the area.

5. **More aggressive TIF:** Offering a lower rate of the tax increment financing over a longer period of time. Doing so could be more appealing to potential business owners who are contemplating building in this area.
6. **More aggressive marketing campaign about the city to attract businesses to reside in Lebanon:** The town should branch out in where they advertise the city for potential business owners. We propose that the town develop more strategic locations such as billboards or signage in St. Louis or other major cities from around the area for higher exposure rates.
7. **Industrial Events (Business networking meetings; exhibitions, conferences):** Events such as these networking events or other forms of business meetings are great exposure for the towns that host them. If Lebanon opted to host meetings such as this, it could increase the exposure rate to potential business owners from around the area and increase the likelihood of bringing in the type of businesses that the town is hoping for.

**DISCLAIMER: McKendree Marketing Club is not responsible for any suggestions that are made within the report**

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