

THE LAND OF OZ:
A CASE STUDY OF RURAL CLUSTER DEVELOPMENT IN WAMEGO, KANSAS

by

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Abstract

During the Industrial Revolution, economist Alfred Marshall published his classic book entitled *Principles of Economics*, in which he suggests that the external economies of scale (positive externalities) produced by the clustering of many small innovative businesses could rival the internal economies of scale achieved by a few large vertically-integrated businesses. The distinction between these two models of industrial organization, one based on many small innovative firms and the other based on a few large conglomerated firms, is the basis of cluster development theory.

This distinction has been further developed in the economic development literature through the significant contributions of Schumpeter (creative destruction), Jacobs (necessary inefficiency), and Porter (diamond model). Modern cluster development theory expands upon the work of these classic theorists. Contributions relevant to this study include Markusen's cluster typologies, Press and Feldman's cluster lifecycle phases, Munnich's rural knowledge cluster framework, and Doloreux's case study of a rural innovation system.

This case study applies the lessons of cluster development theory to an emerging cluster of businesses in Wamego, Kansas that share the common Wizard of Oz theme. While this cluster is not a "traditional" cluster (it does not benefit from positive externalities relating to product or process), it does create positive marketing externalities that significantly affect the local economy.

This report names the cluster (Oz Cluster), identifies the typological structure of the cluster (hub and spoke), profiles the key actors and decisions which are shaping this emerging cluster, and concludes with lessons learned from the Oz Cluster and alternative scenarios for further cluster development.

The Oz Cluster model of economic development demonstrates how communities can profit from niche-based tourism. Such economic development must focus on the establishment and growth of regionally competitive businesses with strategic competitive advantages.

Alternative scenarios for further cluster development include: 1) expand the Oz theme; 2) diversify the cluster; and 3) maintain current level of success.

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Dedication

This report is dedicated to the entrepreneurs and institutional actors of the Oz Cluster who were very cooperative, helpful, and generous with their time throughout the data-collection phase of this research.

Additionally, this report is dedicated to John Keller, who provided encouragement, support, and guidance throughout the research process.

CHAPTER 1 - Introduction

Definition of Cluster

Clusters are most commonly defined as “geographical concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate” (Porter 1998, 197). Clusters generally exhibit the following characteristics (Asheim 2006, 56-58):

1. *Spatial proximity:*

Geographical concentration of related economic activities, though such concentration is not necessarily confined within artificial political boundaries.

2. *Functional industrial system:*

Includes a variety of actors that compete and collaborate (this implies both formal and informal linkages) to develop, produce and market related goods and services.

3. *Self-awareness and policy initiative:*

The cluster must be identified and named. Additionally, policy initiatives must be enacted to further develop or maintain the cluster.

4. *Innovation and competition:*

Clusters must produce goods or services that are regionally or globally competitive.

The benefits of clustering are generally referred to as positive externalities or spillover effects. Such benefits can include lower transactional costs; expedited knowledge transfer; dedicated and specialized infrastructure; mobile, skilled, and specialized labor pool; specialized educational systems; specialized suppliers; concentrations of sophisticated consumers; access to venture capital; and the existence of institutions and policies that support the development of the cluster (Asheim 2006, 34). The costs of clustering (i.e. negative externalities) may include congestion; pressure on infrastructure systems; increased regulatory controls; and higher cost for land, labor, and services (Asheim 2006, 34). A cluster is said to have reached its carrying capacity when the negative externalities exceed the positive externalities.

The field of cluster development is tied closely to the following economic traditions: Marshallian industrial districts, creative enterprise clusters, agglomeration economies, new

economic geography, growth poles, urban regional economics, innovative milieu, Italian (or Third Italy) industrial districts, Schumpeterian swarms, French proximate, regional innovation systems, learning regions, spatial or localized clusters, evolutionary economics, knowledge clusters, business clusters, and new industrial spaces (Asheim 2006, 2-24). Examples of prominent clusters in the United States include technology in Silicon Valley, automobiles in Detroit, gambling in Las Vegas, film-production in Hollywood, and financial services on Wall Street.

Historical Cluster Literature

The theory of cluster development is usually traced back to the concept of industrial districts promulgated in Alfred Marshall's 1890 book entitled *Principles of Economics*. Marshall suggested that the external economies of scale (positive externalities) produced by the clustering of many small related businesses would rival the internal economies of scale achieved by a few large vertically-integrated businesses. In other words, Marshall "saw industrial districts as an alternative mode of industrial organization to the large integrated firm" (Asheim 2006, 6).

Marshall describes the necessary components of such an industrial district in his Triad Model:

The ready availability of skilled labour, the growth of supporting ancillary trades, and the development of a local inter-firm division of labour in different stages and branches of production, all underpinned and held together by [...] the 'local industrial atmosphere' [or in other words] shared knowledge about 'how to do things', common business practices, tacit knowledge, and a supportive social and institutional environment. (Asheim 2006, 5)

The Marshallian industrial district is the basis of the more recent literature on Italian industrial districts, which became popularized in the late 1960s and early 1970s. Italian industrial districts consist of "geographically concentrated small and medium sized firms targeting their products at the upper market segment where they possess a competitive advantage... this advantage is obtained through decentralized production in specialist firms with vertical cooperation and horizontal competition" (Press 2006, 48). Aside from strongly influencing the Italian industrial district literature, Marshall's industrial district is the basis of modern cluster theory.

Modern theory also derives from Joseph Schumpeter's concept of creative destruction, presented in his 1942 book entitled *Capitalism, Socialism, Democracy*. Schumpeter writes that "capitalism is by nature a form or method of economic change" (Schumpeter 1942, 82). He describes the process of capitalism as a "history of revolutions... [that] occur in discrete rushes

which are separated from each other by spans of comparative quiet... [and that] incessantly revolutionize the economic structure from within, incessantly destroying the old one, incessantly creating a new one” (Schumpeter 1942, 83). Schumpeter refers to this process of capitalism as “creative destruction”. He illustrates the phases of this process by drawing the following distinction (Felbinger 2001, 66 and Schumpeter 1942, 83):

1. *Circular flow economies:*

Maintain the status quo by producing more of the same goods and services. Firms in these economies focus on maximizing profits through the “stagnating routine” of exacting high prices and restricting supply. Schumpeter refers to such firms as monopolistic or oligopolistic.

2. *Discontinuous change economies:*

Increase the standard of living through new combinations of resources that produce new products (innovation). Firms in these economies develop “new consumer goods, new methods of production or transportation, new markets, and new forms of industrial organization” (Schumpeter 1942, 83).

Schumpeter notes that capitalist economies depend far more on the emergence of small innovative firms during periods of discontinuous change than on the maintenance of large monopolistic firms during periods of circular flow. The problem is that people in a capitalist economy cannot anticipate the timing or direction of such innovation. Thus, they cannot know what types of input (labor, material, capital, etc) the new products or processes will necessitate. Schumpeter suggests that the positive externalities created by the clustering of innovation will accommodate this uncertainty. He explains how the process of creative destruction during periods of discontinuous change results in such clustering of innovation (Clemence 1950, 51): A pioneering entrepreneur introduces an innovation into the economy. Then, “swarms of imitators” (Asheim 2006, 18) are attracted to the region and begin to improve upon the original innovation. Eventually, a cluster develops as these innovative firms begin to dominate the regional economy. In this way, the old economic order in the region is destroyed and a new economic order (in the form of a cluster) emerges. It can be seen that Schumpeter’s work is a revival of and expansion upon the previous work of Marshall.

Another significant contributor to the historical cluster literature is Jane Jacobs, whose 1969 book entitled *The Economy of Cities* reiterated the necessity of innovation to economic

development. Jacobs explains that new work (innovation) is a logical extension or variation of old work. Large firms, with established standard procedures and processes, tend to stifle such variation or innovation. Therefore, it becomes the role of small entrepreneurial companies (sometimes breakaways or spinoffs from existing firms) to innovate by introducing variations into the economy. Because of this dichotomy between small innovative firms and large efficient firms, Jacobs warns that economic development must focus on policies that foster a diverse array of innovative firms rather than on policies that result in conglomeration (mergers and acquisitions) of existing firms. Jacobs further explains that economic development is a necessarily inefficient process of trial and error which results in innovation. For example, if a capitalist society faces a problem, rather than having one large efficient firm develop one solution, many small innovative firms compete to develop a variety of solutions. This means that there are multiple companies that are simultaneously spending money on research and development, labor, and a variety of overhead costs; but, only one or a few of them will eventually develop marketable solutions to the problem. This is inefficient, but necessarily so, Jacobs argues, because without this trial and error process, it might take a large “efficient” company many years to develop a solution that might take a cluster of small innovative firms only a few years to develop. Thus, a preoccupation with efficiency can be counter-productive to economic development. It is evident that Jacobs’ “necessary inefficiency” is similar to Schumpeter’s “creative destruction”, while her distinction between small innovative firms and large efficient firms is reminiscent of both Marshall’s distinction between innovative industrial districts and large vertically-integrated firms and Schumpeter’s distinction between discontinuous flow and circular flow economies.

Although most cluster development literature draws on the traditions of Marshall, Schumpeter, and Jacobs, modern theory is primarily based on the work of Michael Porter, a professor of business economics at Harvard Business School. In his 1990 book entitled *The Competitive Advantage of Nations*, Porter introduces his Diamond Model, which identifies the central components of cluster competitiveness (Porter 1990, 127):

1. *Factor (input) conditions:*

This includes the availability and cost of high quality and specialized capital, labor, land, technology, natural resources, and infrastructure.

2. *Demand conditions:*

This includes access to large markets of sophisticated and demanding customers who provide insight into existing and future customer needs.

3. *Related and supporting industries:*

This includes supplier firms that provide specialized inputs, technology, machinery and associated services. Lawyers, accountants, and other support professionals fall into this category.

4. *Context for firm strategy and rivalry:*

This includes the existence of inter-firm rivalries; governing rules, regulations, norms, incentives, and pressures; and investment in industry-specific institutions.

5. *Chance:*

This includes wars, major technological or input cost discontinuities, unforeseeable surges of supply and demand, or any other event which could favor new innovative firms over existing firms.

6. *Government:*

This primarily consists of economic development policy, but can also include regulations and policy related to education and financial markets.

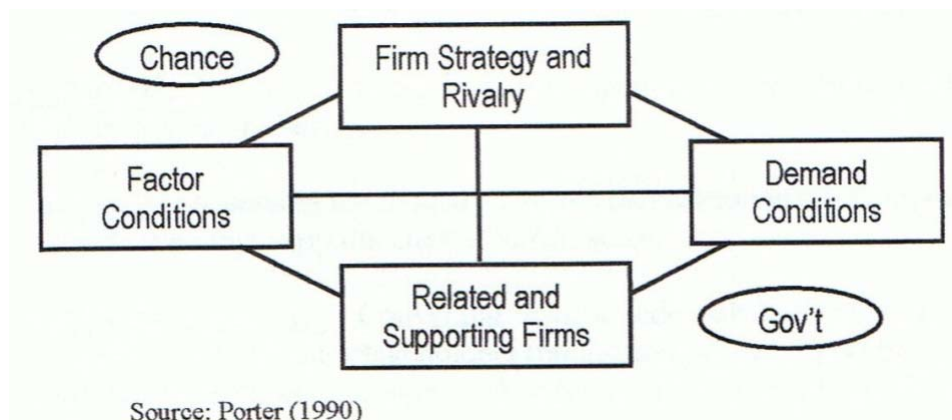


Figure 1-1: Michael Porter's "Diamond Model"

Porter's Diamond Model has been the subject of considerable debate (Asheim 2006, 54-63). For example, Asheim attacks the seeming universality of Porter's model as he writes:

It may not be possible to construct a single best theory that fits all cases. Clusters vary considerably in type, size, origin, structure, organization, dynamics, and development trajectory. It seems most unlikely that different clusters can all be explained in the same way. We may well need different types of theory and explanation for different clusters. (Asheim 2006, 15)

It is interesting to note, however, that contemporary theory consists largely of reworking, challenging or supporting Porter's Diamond Model framework. Interestingly, Porter's Diamond Model of industrial clusters is reminiscent of Marshall's Triad Model of industrial districts, in that it is a pure theory model aimed at explaining how many small innovative firms located in geographical proximity to each other can outperform large vertically-integrated firms. It is worth noting that while Marshall's work was published during the Industrial Revolution, Porter's work was published during the current economic revolution which is focused on globalization, sustainability, and a knowledge-based economy. This would tend to indicate that Schumpeter's notion of capitalism as a series of revolutions (that result in the emergence of clusters) is well-founded. Admittedly, Marshall, Schumpeter, Jacobs, and Porter are not the only cluster development theorists, though they are arguably the most prominent. In any case, these theorists provide the historical foundation upon which modern theory and practice are built. It is from this economic tradition that this case study of the Oz Cluster in Wamego, Kansas emerges.

Oz Cluster Case Study

The Oz Cluster is located in Wamego, Kansas: a small rural community of about 4,300 people situated approximately 15 miles east of Manhattan, Kansas (home of Kansas State University). The evolution of the cluster began in 2004 with the establishment of the Oz Museum. Since then, several Oz-related businesses have emerged: Toto's TacoZ, Scizzors of Ahhhz, JavOZo's Coffee Bar, Emerald City Market, and the Oz Winery. Additionally, a stretch of K-99 Highway that runs through Wamego is called "The Road to Oz". Furthermore, Wamego hosts Oztoberfest, a three day event geared toward everything Oz, every October.

The following characteristics differentiate the Oz Cluster from traditional clusters:

1) *The Oz Cluster is in the early stages of development and therefore is not a mature cluster*

It is beneficial to identify a cluster in the early stages of development because this allows public and private policy-makers to develop a proactive policy aimed at cluster development. Additionally, as the literature on early-stage clusters is limited, it will be useful to study how a cluster emerges rather than focusing solely on how a cluster operates when it has fully developed into maturity.

2) *The Oz Cluster is not manufacturing-based or focused on any particular industrial sector*

Most of the existing literature focuses on clusters that are either manufacturing-based or that specialize in particular industrial sectors. However, the Oz Cluster is neither manufacturing-based nor focused on any particular industrial sector; it is a cluster of service-based businesses in entirely different industrial sectors that share the common Oz theme. But there is no rule that a cluster must be manufacturing-based or specialize in any particular industrial sector. On the contrary, as the U.S. economy shifts from manufacturing to service industries, it will be useful to examine a service-based cluster. Furthermore, a notion of clusters that is defined by SIC or NAICS classifications will not be capable of identifying smaller, less-traditional clusters (like the Oz Cluster) which create valuable and economically significant positive externalities.

3) *The Oz Cluster is located in a rural community*

As will be discussed in the literature review, even though many of the most prominent clusters are located in urban areas, there is a growing recognition of rural clusters. Thus, the fact that the Oz Cluster is located in a rural community does not make it irrelevant to the field of cluster development.

Report Overview

This report will proceed in the following manner: Chapter 2 will provide an overview of modern cluster development literature, with a specific focus on cluster typologies, the cluster lifecycle, and methodologies employed by previous case studies of rural cluster development. Chapter 3 will present the methodology to be used in this study. It will include the specific questions to be asked in the semi-structured interviews and will list the local actors that I intend to contact. Chapter 4 will present an historical narrative of the key events, actors, and decisions

that led to the formation and development of the Oz Cluster. This chapter will seek to establish the following: 1) There is a cluster of Oz-related businesses in Wamego, Kansas; 2) The Oz Cluster is a tourism-based cluster that produces positive marketing externalities; 3) The Oz Cluster differs significantly from clusters presented in historical cluster theory; 4) The Oz Cluster emerged over time as a number of institutions and private actors consciously and concertedly made key decisions; and 5) There is room for further development of the Oz Cluster. Chapter 5 will address the limitations and relevance of the study and, based upon the case study, may provide some policy recommendations for further cluster development. The bibliography will provide information on sources cited in the report. The results of this study will be of interest to academics who study cluster development; public policy-makers in the Wamego, Kansas region who seek to capitalize on the opportunity for a cluster-based economic development strategy; and company policy-makers within or surrounding the Oz Cluster who seek to encourage further cluster development.

CHAPTER 2 - Literature Review

Types of Clusters

In the Introduction, the reader was introduced to the Marshallian distinction between an economy dominated by many small innovative firms and an economy dominated by a few large vertically-integrated firms. While this distinction is fundamental to historical cluster development theory, it has come under attack in modern cluster development literature. A notable example is Ann Markusen's 1996 article entitled "Sticky Places in Slippery Space: A Typology of Industrial Districts" which identifies four types of clusters:

1. *Marshallian (or Italianate) cluster*

This type of cluster is characterized by the dominance of many small innovative firms which are vertically disintegrated. Such clusters rely on strong formal and informal linkages, collaboration, and intense competition between rival firms, suppliers, and institutions. Firms in such a cluster are locally owned. Thus, a network of local competitors, local suppliers, local institutions, and local customers make key investment decisions locally. However, according to Markusen's research (and in contradiction to the assertions of purist Marshallian theorists), the Marshallian model does not accurately characterize all clusters.

2. *Hub-and-spoke cluster*

This type of cluster is characterized by the dominance of one or a few large vertically-integrated firms (hub) surrounded by many small supplier firms (spokes). Firms in such a cluster are not necessarily locally owned, which means that key investment decisions are not necessarily made locally. Furthermore, firms may have substantially more linkages to non-local competitors, suppliers, customers, and institutions.

3. *Satellite cluster*

This type of cluster is characterized by the dominance of large externally owned branch plants, which means that key investment decisions are not made locally. Additionally, linkages to non-local competitors, suppliers, customers, and institutions prevail while linkages to local actors vary from weak to non-existent.

4. *State-centered cluster*

This type of cluster is characterized by the dominance of one or a few large state institutions (such as military bases; county seats or state/national capitals; and public universities) surrounded by many small locally-owned firms. Obviously, such a cluster is similar to a hub-and-spoke cluster (key investment decisions are not necessarily made locally and firms may have substantially more linkages to non-local competitors, suppliers, customers, and institutions). However, the decision-making process is complicated by various levels of government bureaucracy.

Markusen acknowledges that this typological construct is pure theory, which means that a cluster may (in reality) be a combination of more than one type of cluster. For example, it is possible that a state-centered cluster may be co-located with a satellite cluster. The primary lesson of Markusen's research is that Marshallian industrial districts are not a universal, "one-size-fits-all" conception of clustering. Thus, when evaluating alternative policy options, it is important to know what type of cluster exists. This will help decision-makers avoid the fallacy of presuming the universality of the Marshallian model.

Cluster Lifecycle

Clusters are not differentiated solely on the basis of cluster type, but also on the basis of cluster lifecycle phases. A leading scholar on the phases of the cluster lifecycle is Kerstin Press, author of the 2006 book entitled *A Life Cycle for Clusters? The Dynamics of Agglomeration, Change, and Adaptation*. The reader should note the similarity between Press' cluster lifecycle model illustrated below (Press 2006, 23-24) and Schumpeter's creative destruction model.

1. *Early phase (emergence)*

A change event, often spurred by technological advances, spurs investment in a certain economic activity or industrial sector. Imitators cluster around the initially successful entrepreneurial firms. Press explains that this clustering occurs because "while technological knowledge is new, it lacks standards for its codification... in consequence, access to or transfer of this tacit technological knowledge requires repeated personal contact with the people embodying it, which is more easily obtained in proximity" (Press 2006, 23). Press also notes that the uncertainty in this phase results in a disintegrated division of labor between many smaller firms in order to avoid labor overcapacities. This

disintegrated division of labor requires inter-firm coordination, which results in relationships of trust and lower transactional costs within the cluster.

2. *Maturation phase (endurance)*

As firms compete in the new economic activity, weaker firms either fail or are consolidated into medium-large sized firms through mergers and acquisitions. As a result, a dominant product design begins to emerge, production processes are more fully integrated, and technology is more standardized. As these processes occur, efficiency is enhanced as specialized infrastructure is dedicated, regulations are tailored, and institutions are created or modified to enhance the competitiveness of the cluster. However, during this phase, negative externalities which limit the growth of the cluster also emerge.

3. *Decline phase (exhaustion)*

Firms begin to compete on cost-reduction and efficiency (mass production) rather than on knowledge and creativity (innovation). As a result, the positive externalities (benefits) of clustering become overwhelmed by the negative externalities (costs) of clustering. Consequently, production is out-sourced to markets with cheaper labor, less regulation, and fewer negative externalities. From this point, there are two options: A) the region in which the cluster is located may decline into oblivion or B) the region in which the cluster is located may adapt to change and either modify the existing cluster or create a new cluster (usually based somewhat on the historical success of the previous cluster, but not necessarily).

In using this cluster lifecycle model for analysis, it is important to note that:

Despite [this pure theory model], there is no such thing as a deterministic life-cycle running from emergence to exhaustion. Depending on the response of local agents, change events may not shift the industry away from an existing cluster. Instead, local decline can be avoided if agents in the cluster are able to accommodate the new situation... the immediate response by local agents in an existing cluster involves a bid to adjust to the new situation by changes in their strategies... The survival of a specific [cluster] is therefore conditional on how well its agents can adapt to change. (Press 2006, 6)

Given this emphasis on adaptation to change, it is not surprising that Press prefaces the book with this quote by Charles Darwin: “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.” To summarize Press’s most relevant

points: 1) clusters evolve through lifecycle phases, so policy decisions must consider the current phase of the cluster and 2) cluster decline is avoidable through appropriate adaptation to change.

Concurring with Press's emphasis on cluster lifecycle phases is Maryann Feldman, author of the 2005 article entitled "Creating a Cluster While Building a Firm: Entrepreneurs and the Formation of Industrial Clusters". In the article, Feldman observes that "much of the prevailing wisdom [on cluster development] is drawn from a snapshot showing the advanced [mature] stage of Silicon Valley's development" (Feldman 2005, 137). However, Feldman explains, the trappings of a mature cluster (linkages to a world-class university, presence of industry associations, access to venture capital, a highly specialized labor force, etc.) are not present in the emergent stage of cluster development, but only evolve into existence as the cluster matures. It is essential, therefore, to distinguish between the initial causes of cluster formation and the subsequent effects of cluster development. First, what causes the initial formation of a cluster? Many cluster theorists claim that the formation of a cluster is an "historical accident", an unfortunate exercise in nihilistic determinism. However, Feldman suggests that the initial cause of all cluster formation is the decision by an entrepreneur to locate in a specific area. Consequently, she argues, an understanding of why entrepreneurs locate in one region instead of another is critical to understanding the genesis of cluster formation. Among other reasons, latent entrepreneurs (those who want to be entrepreneurs but have not yet taken the requisite action) must be motivated to action by some change event, such as sudden unemployment. Such a change event alters the calculation of risk by latent entrepreneurs, as the choice is no longer between a secure job and a risky entrepreneurial venture, but rather between starting a business or being unemployed. Additionally, the entrepreneur requires a favorable policy environment. For example, low tax rates; a regulatory environment that is not overwhelming; access to cheap land, raw materials, labor, capital, and equipment; privatization of government work and other opportunities for sub-contracting; and other policies by public or private entities may reduce the risk of entrepreneurship and thereby incentivize the establishment of start-up firms. As these initial firms begin to achieve some measure of success, swarms of imitators and various spin-off firms emerge. It is then and only then, that the effects of cluster development become apparent. What, then, are the effects of cluster development? Industry associations are formed, venture capital is made available to start-up firms in the same or related industries, community colleges and universities begin to offer specialized curricula in industry-related fields, regulatory

frameworks are overhauled to coordinate and incentivize further cluster development, and larger firms spin-off or attract specialized supplier firms. Note that these effects of cluster development do not occur until after the cluster has existed for some time (i.e. they evolve over time). This distinction between the initial causes of cluster formation and the subsequent effects of cluster development has a defining effect on cluster development policy. So, if the actors in a region want to foster the development of an emergent cluster, it would be detrimental to focus on developing the trappings of a mature cluster. To avoid such confusion between cause and effect, Feldman suggests that cluster analysts and actors take a long-term, historical view of the entire cluster lifecycle rather than focusing only on a short-term, snapshot view of mature clusters.

Rural Clusters

Although much of the literature focuses on prominent urban clusters (Silicon Valley, Hollywood, and Detroit), there is a growing literature dedicated specifically to rural clusters. One of the more prominent institutions in this effort is the State and Local Policy Program of the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota. Program Director Lee Munnich and several of his colleagues have performed cluster studies for the State of Minnesota, conducted case studies of rural clusters across the nation, studied the dynamics of rural clusters for the U.S. Economic Development Administration, and compiled a database of information on various rural clusters. Thus, any case study of a rural cluster should include a review of their website:

www.hhh.umn.edu/centers/slp/economic_development/industry_cluster_studies.html

Munnich and his associates have developed the Rural Knowledge Cluster Framework to model the factors that influence the development of a rural cluster (Munnich 2002, 7):

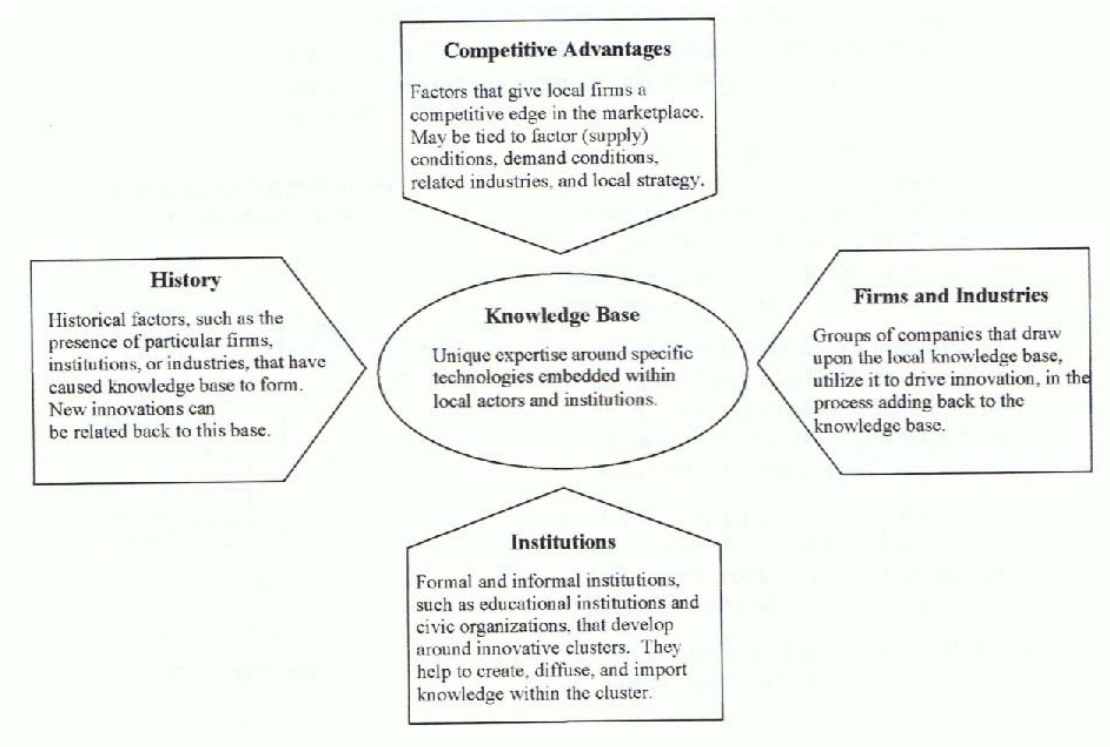


Figure 2-1: Munnich's Rural Knowledge Cluster Framework

Case studies modeled on this framework ask the following three questions (Munnich 2002, 9):

- 1) What is the history of the cluster, and how has the knowledge base relating to these activities developed over time?
- 2) What are the present sources of competitive advantage for this cluster?
- and 3) What institutions have been instrumental in the development of the knowledge cluster?

In a 2002 report entitled "Rural Knowledge Clusters: The Challenge of Rural Economic Prosperity", Munnich notes that rural clusters offer "amenities such as nature, recreation, broad vistas, lower crime, less congestion, less pollution... [cheaper] land and buildings, housing, labor, and taxes" (Munnich 2002, 17).

Another contributor to the development of a literature devoted to rural clusters is Michael Porter, author of the 2004 article entitled “Competitiveness in Rural U.S. Regions: Learning and Research Agenda”. In this article, Porter explains the disadvantages that face rural clusters:

The lower density of population and economic activity raises the cost of physical infrastructure, makes it harder for educational institutions to specialize while serving the needs of the region, supports a smaller number of competitors, and creates barriers to achieving a critical mass of related and supporting industries... [and this] less advantageous business environment leads to losses in employment and income which drive even more people to leave rural regions, exacerbating the problem of low population density. (Porter 2004, 39)

However, Porter also notes that “while low population density can be a disadvantage for some kinds of economic activities, it can be beneficial for others, for example tourism” (Porter 2004, 40). It is evident, then, that rural clusters feature advantages and disadvantages that differentiate them from urban clusters, which will significantly impact the appropriateness of certain cluster development strategies and policies.

Case Study Methodologies

Previous case studies of rural clusters have employed a variety of methodologies. For example, some studies are highly quantitative (cluster analysis techniques) while others are highly qualitative (historical narrative). Furthermore, some studies attempt to analyze the current dynamics of an established cluster (Feldman’s “snapshot view” approach) while others analyze the key events and actors that shaped the historical evolution of a cluster (Feldman’s “lifecycle view” approach). In addition, the methodologies are complicated by the variety of models that have been developed to diagram the factors influencing cluster development (i.e. Marshall’s Triad model, Porter’s Diamond Model, Munnich’s Rural Knowledge Cluster Framework, etc). For the sake of simplicity, this section will only review methodologies which closely resemble those that will be employed in the Oz Cluster case study.

Such methodologies are clearly evident in David Doloreux's 2007 article entitled "The Evolution of an Innovation System in a Rural Area: The Case of La Pocatiere, Quebec". In this article, Doloreux presents a narrative which charts the historical evolution of a rural cluster. The methodology includes:

review and analysis of historical documents (activities reports, periodicals and publications, biographies of major figures, chronologies and institutional histories, [and] statistical series)... [which led to the] reconstruction of the evolution and institutional history of the region... [from which the author was able to] identify and describe four main periods [of cluster development]. (Doloreux 2007, 147).

The purpose of such an historical narrative is to demonstrate how certain institutional behaviors and key events shaped the development of the cluster. Doloreux's analysis involves the presentation of the following types of information (Doloreux 2007): Location map and description; population trends; comparative occupational structure trends; educational level trends; college enrollment trends; timeline of major events impacting college, industry firms, and town; establishment of industry-relevant innovations, publications, and associations; emergence of specialized college programs; notable examples of inter-actor collaboration; concerted community action and leadership by local elites with political connections; spin-offs generated by older firms; and adaptation to change events.

Through analysis of this information, Doloreux describes how an agricultural science cluster adapted to change during the process of creative destruction and morphed into both an agri-food cluster and an applied physics-technology cluster. Furthermore, he demonstrates how key events and institutions shaped the evolution of this cluster. In doing so, Doloreux does much more than offer a snapshot view of how an established cluster operates; he presents a lifecycle view of rural cluster development that contributes to the understanding of how a cluster emerges over time based on the unique historical context of the region. The Oz Cluster case study methodology is based upon the methodology employed by Doloreux in this study of historical cluster evolution.

CHAPTER 3 - Methodology

This study of the Oz Cluster will consist primarily of archival research and semi-structured interviews and will be presented in the form of an historical narrative.

History and Context of Wamego

The first section will begin with a brief overview of the history and context of Wamego Kansas. This section will be based on archival research and an interview at the local historical society. The description of Wamego will start with a location map and a description of the geographic region. Trend-based population and economic data (income, occupation, and educational level) will be presented. A timeline of major events impacting Wamego and the surrounding region (for example, the year and circumstances of the founding of Wamego and the arrival of major employers) will also be included. This section will not be an all-inclusive history of Wamego, but merely a brief introduction to the rural community.

Steps in the Emergence of the Oz Cluster

The second section will present the three major steps in the emergence of the Oz Cluster. This section will be based on interviews with local entrepreneurs (founders of the Oz Museum, Toto's Taco, Scizzors of Ahhhz, JavOZo's Coffee Bar, Emerald City Market, and the Oz Winery).

Step 1: The Idea

The development of the Oz Cluster begins with Todd Machin, who began collecting Oz-related memorabilia while writing a term paper on the Wizard of Oz in college. The following questions are pertinent to this first step in the development of the Oz Cluster:

1. Why did you choose to study the topic of the Wizard of Oz?
2. Why did you start collecting Oz-related memorabilia? Where did you acquire it from?
3. When and where did you attend college? What was your major? What class was the paper written for?

Step 2: The Business

The second step in the development of the Oz Cluster is the establishment of the Oz Museum in Wamego. The following questions are pertinent to this second step:

1. Why was Wamego chosen as the location of the Oz Museum?
2. Why did you choose to start a business? Did you have previous experience as an entrepreneur? Did you start it full-time or part-time? What was your employment situation at the time of founding (employed, retired, or other)? What is your current employment situation?
3. Who was involved in the idea creation and development, financing, and establishment of the Oz Museum?
4. Please describe the key events in the historical development of the Oz Museum.
5. How many people did the Oz Museum initially employ? Where were employees recruited from? What was their educational background?
6. How many people are currently employed by the Oz Museum? Where were they recruited from? What is their educational background? What is the average wage of Oz Museum employees?

Step 3: The Cluster

The third step in the development of the Oz Cluster is the establishment of other Oz-related businesses in Wamego. The following questions are pertinent to this third step:

1. Why was Wamego chosen as the site for your business? Did the location of the Oz Museum influence your decision to locate in Wamego?
2. Why did you choose to start a business? Did you have previous experience as an entrepreneur? Did you start it full-time or part-time? What was your employment situation at the time of founding (employed, retired, or other)? What is your current employment situation?
3. Who was involved in the idea creation and development, financing, and establishment of your Oz-related business?
4. Please describe the key events in the historical development of your Oz-related business.
5. How many people did your Oz-related business initially employ? Where were employees recruited from? What was their educational background?

6. How many people are currently employed by your Oz-related business? Where were they recruited from? What is their educational background? What is the average wage of employees in your Oz-related business?
7. Have you ever been employed by or held an ownership interest in the Oz Museum or any of the other Oz-related businesses? Do you collaborate with other Oz-related businesses in Wamego in economic development activities?
8. Have you ever had any special contractual relationships (supplier or customer) with any of other Oz-related businesses in Wamego?
9. Have you ever had any special contractual relationships (supplier or customer) with any non-local actors (Oz-related or not)?
10. What is your marketing strategy? Do you advertise online? What is your target market?
11. Where are your customers located? Where are your suppliers located? Where is your competition located?

Decisions, collaboration, and plans

The third section will address other Oz-related decisions, collaboration between cluster actors, and plans for further cluster development. This section will be based on interviews with members of the local city council, the local economic development planning staff, the Oztoberfest committee, and the local Chamber of Commerce. The renaming of a portion of K-99, the establishment of the Oztoberfest event, and downtown revitalization/economic development initiatives are important decisions that have impacted the development of the Oz Cluster in Wamego. Pertinent questions include:

1. What is the exact portion of K-99 that has been renamed? Whose idea was it to rename a portion of K-99 “The Road to Oz”? Who was involved in this process? Who made the final decision? What activities were related to the renaming (i.e. posting signs, media campaign, or city resolution)? What has been the impact of the renaming and the related activities?
2. Exactly what is the Oztoberfest? Exactly where is Oztoberfest held? Whose idea was Oztoberfest? Who was involved in the establishment of this event? Who is currently involved in planning this event? How many people attend the event (historical trend)? Where do the attendees come from? How do you advertise this event (online, etc)? How

is the event financed? Do all of the Oz-related businesses participate in this event? What other businesses or entities participate in this event (i.e. vendors, sponsors, and governments)?

3. Are there currently any Oz-related economic development plans? Is the Oz Cluster mentioned in any other plan (downtown revitalization plan, local comprehensive plan, or City of Wamego or Chamber of Commerce economic development plan)? Do the current Oz-related entrepreneurs plan to expand their businesses or develop more Oz-related businesses in the future? Would the Oz entrepreneurs and the City of Wamego welcome more Oz-related businesses to Wamego? Is there an active effort to further develop the Oz theme in Wamego? If so, which actors and entities are leading this effort? Is there any association of Oz-related businesses? Is there any Oz-related publication (i.e. newsletter) produced locally? Do local actors collaborate with each other in developing the Oz theme?
4. Are there any current (or historical) Oz-related marketing campaigns in Wamego? How do businesses, private associations, and the city government collaborate to realize a competitive advantage in their marketing strategies? What can be done to achieve further collaboration?

Additional questions may be added in the course of the interview and archival research processes as necessary.

CHAPTER 4 - Case Study

This case study of the Oz Cluster in Wamego Kansas will proceed in the following manner: brief overview of the Wonderful Wizard of Oz; introduction to the community of Wamego; and presentation of Oz Cluster data.

The Wonderful Wizard of Oz

L. Frank Baum wrote a book entitled *The Wonderful Wizard of Oz* in 1900, which served as the basis for the 1902 Broadway musical and the 1939 motion picture, both entitled *The Wizard of Oz*. Based on the popularity of the initial book and the musical, Baum subsequently published thirteen additional Oz books. Over the last century, *The Wizard of Oz* has catapulted to the highest echelons of classic literature and film, accompanied by multitudinous spinoff films, books, clubs, internet sites, and merchandise.

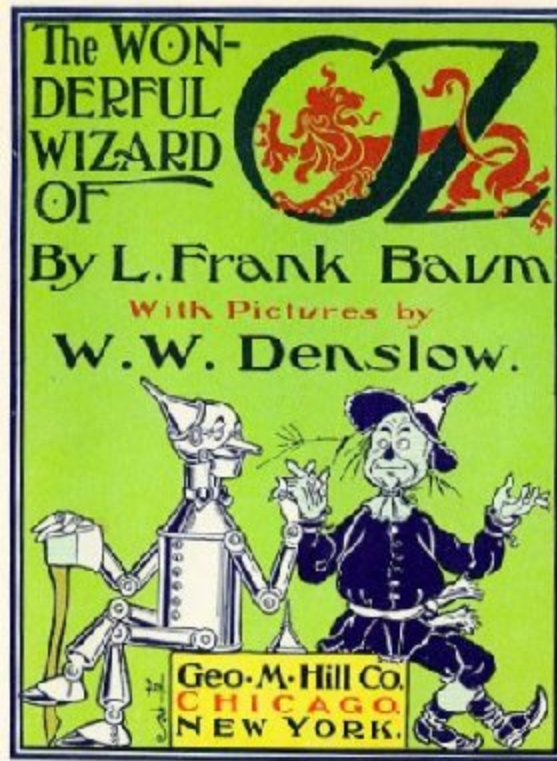


Figure 4-1: Cover of original Wizard of Oz book

The following plot summary is adapted from the Internet Movie Database at www.imdb.com: Dorothy Gale is a teenager on a Kansas farm who, along with her house and her dog Toto, is swept from her black-and-white world to the magical, beautiful, dangerous, and technicolor Land of Oz by a tornado. In Oz, Dorothy meets Glinda, the Good Witch of the North, who advises her that if she wants to get home to Kansas, she should seek the aid of the Wizard of Oz, who lives in the Emerald City. To get there, Dorothy must follow the yellow brick road. Before she's followed the road very far, Dorothy meets a talking scarecrow whose dearest wish is to have a brain. Hoping that the wizard can help him, the Scarecrow joins Dorothy on her journey. They come upon the Tin Woodman, who longs for a heart; he too joins Dorothy. As they walk through a dense forest, they encounter the Cowardly Lion, who wishes for courage and joins the quest in the hope that the wizard will give him some. On the way to the Emerald City, Dorothy and her friends are hindered and threatened by the Wicked Witch of the West. When they finally arrive in the Emerald City, the four travelers marvel at the wonders they find, but are frustrated at their reception by the "great and powerful" Wizard of Oz – at first he won't receive them at all. When they finally see him, he declines to help them until they bring him the broomstick of the Wicked Witch of the West. After a long ordeal, the four travelers return to the Wizard with the Witch's broomstick, but the Wizard isn't pleased to see them again. He blusters until Toto pulls aside a curtain in the corner of the audience chamber to reveal an old man pulling levers and speaking into a microphone – the so-called Wizard is a phony. The Wizard gives the Scarecrow a "brain", the Tin Woodman a "heart", and the Cowardly Lion "courage". He then tells Dorothy that he will take her back to Kansas in his hot air balloon. However, due to some complications during takeoff, Dorothy accidentally gets left behind in Oz. Then, Glinda appears and explains that Dorothy has always had the power to get home. Dorothy taps her heels together three times, repeats "there's no place like home," and the ruby slippers take her and Toto back to Kansas.

This story is the foundation of the cluster of Oz-themed businesses located in Wamego. It is important to note that Wamego is not the only town in Kansas that seeks to capitalize on the popularity of the Wizard of Oz. For example, the City of Liberal, located 330 miles from Wamego in the southwest corner of the state, hosts a replica of Dorothy's house and various Oz memorabilia and hosts an annual Oz-Fest Celebration in mid-October. The City of Nortonville, located 80 miles northeast of Wamego, is the location of the Kansas Wizard of Oz 'N More

Store, which features Oz collectibles, merchandise, and gifts. The City of Sedan, located 200 miles south of Wamego in the southeast corner of the state, has a yellow brick road which winds through the downtown district and hosts an Annual Yellow Brick Road Festival on Memorial Day in May. In the 1990s, a development company planned to convert the Sunflower Ammunition Plant in Johnson County (about 85 miles east of Wamego) to an \$860 million Wonderful Wizard of Oz theme park and resort. After 10 years of planning, the effort was tabled indefinitely by the county government in 2002.

The City of Wamego, Kansas

The City of Wamego is a small, rural town of 4,300 people located in Northeast Kansas. It is situated in Pottawatomie County, approximately 15 miles east of Manhattan (home of Kansas State University) and about 35 miles west of Topeka (the state capital).

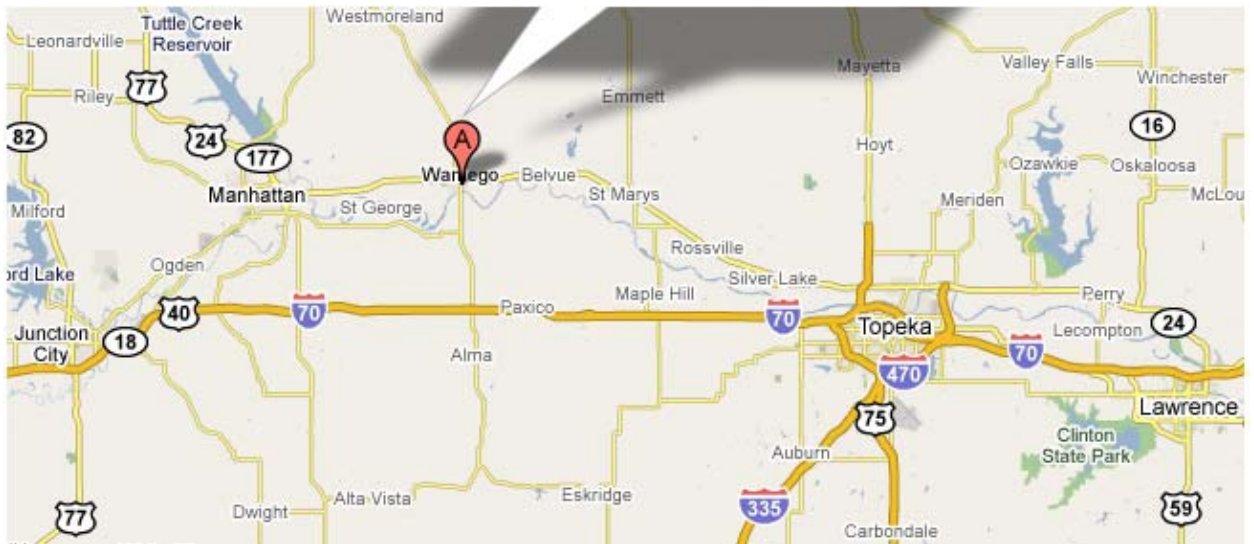


Figure 4-2: Regional Context of Wamego

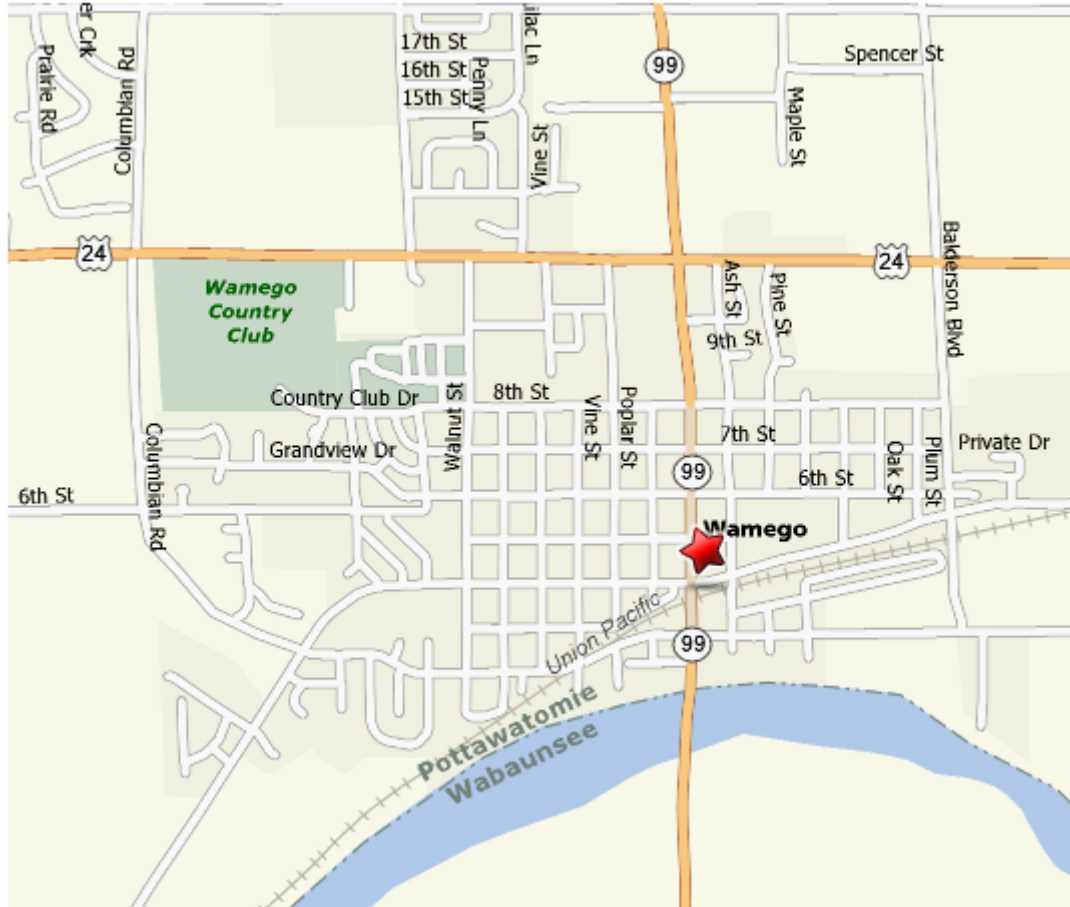


Figure 4-3: Map of Wamego

Basic Demographics

According to the U.S. Census Bureau, Wamego is located within the Manhattan Metropolitan Statistical Area. It comprises 1.7 square miles in land area and is generally located at the intersection of Highway 24 and K-99 Highway (known as Lincoln Street within the City limits). The Kansas River and the Union Pacific railroad tracks flank the southern border of town. Interstate 70 intersects K-99 Highway about 8 miles south of town.

As per the 2000 Census, the population of Wamego is approximately 96% white. Wamego is primarily an enclave of young families, with 30% of the population younger than 18 years old; 40% of the population younger than 25 years old; 70% of the population younger than 45 years old; and a median age of 33 years. According to 2007 Census estimates, the median home value is \$115,000 and the median household income is \$43,200. It has traditionally served as a bedroom community for those who commute to Manhattan or Topeka for work, but seek the amenities of a small town lifestyle.

Community History

The following summary of Wamego's history is adapted from the Pottawatomie County Economic Development and the City of Wamego websites and a brochure entitled "Exploring Wamego's History", published by the Wamego Convention and Visitor's Bureau. Early European explorers who travelled in the Wamego region include Coronado (1540), Major Long (1819), and Fremont (1842). Prior to the 1840s, the Konza Indian Tribe occupied the Kansas River Valley, of which Wamego is a part. In the 1840s, the Potawatomi Indian Tribe began to occupy an area just east of Wamego. It is from this tribe that Pottawatomie County and the City of Wamego (Wamego was a Potawatomi Chief) take their names. The Donnor Party travelled four miles north of Wamego on the Oregon Trail in May 1846. Kansas entered the Union in 1861 as a "free" (anti-slavery) state, quickly becoming a central front in the Civil War and earning the nickname "bleeding Kansas". The settlement of Wamego began to emerge in the early 1860s as gold prospectors heading for Denver passed through the area on the Smoky Hill Trail.

The Kansas Pacific Railroad began construction of a major line for passengers and freight headed westward in 1863. Seizing the opportunity, settlers founded and platted the town of Wamego in the spring of 1866 as a support community for the railroad. The community founders offered the railroad cash and free land to locate the division headquarters in Wamego for 20 years. Throughout the 1870s and 1880s, this station served as the economic base of the community, spurring the establishment of shops and residential construction. One of the machine shops in the rail yard employed a man whose son, noted automaker Walter Chrysler, was born in Wamego on April 2, 1875. Another early settler in the region, Dutch immigrant John Schonhoff, constructed and operated a windmill in the 1870s and 1880s that ground wheat grain into flour. This windmill is now located in Wamego's City Park and is listed on the National Register of Historic Places. The Columbian Theatre was constructed in 1895 by J.C. Rogers, a local banker and merchant. The Theatre originally served as a repository of artifacts that Rogers had collected at the 1893 Columbian Exposition (World Fair) in Chicago. Additionally, Rogers operated a vaudeville theater and hosted masque balls, concerts, and community events in the building. It is interesting to note that Daniel Burnham's beautiful architecture at the 1893 Exposition is said to have inspired L. Frank Baum's Emerald City in *The Wonderful Wizard of Oz*.

Today, Wamego hosts three major annual events: the 4th of July Celebration (one of the largest in the state); the Tulip Festival (in April); and OZtoberfest (in October). It is evident that tourism is a significant factor in the local economy. Major employers include Unified School District 320; the Wamego City Hospital; and Balderson, Inc. (a heavy equipment supplier founded by a prominent, long-time Wamego family, now owned by Caterpillar, Inc).

The Oz Cluster

The cluster of Oz-themed businesses in Wamego is extremely localized as all of the businesses are located on a few blocks of Lincoln Street in Wamego (see illustration below).



Figure 4-4: Location of Oz Cluster -- West side of Lincoln Street (K-99)

The history of this cluster begins in 1994, when the Columbian Theatre, which had deteriorated since J.C. Rogers' time, underwent a \$1.8 million renovation.



Figure 4-5: Renovated Columbian Theatre -- Located at 521 Lincoln Street

Following the renovation, Wamego native Todd Machin, who began collecting Oz memorabilia after writing a paper on the Wizard of Oz in college, allowed the Columbian Theatre to display his collection of over 2,000 Oz-related artifacts for three months in 1995. According to a pamphlet entitled “Oz Museum” published by the Wamego Convention and Visitors Bureau, Machin’s collection attracted over 20,000 visitors from all 50 states and 7 foreign countries during that three month period. Inspired by the success of the display, local leaders decided to build upon the Oz theme by constructing the Oz Museum in 2003 with capital provided by a grant from the State of Kansas and local citizens. Since then, five Oz-themed businesses have been established on Lincoln Street. Moreover, a portion of K-99 Highway has been renamed the Road to Oz, Wamego hosts the annual OZtoberfest, and economic development plans have called for further development of the Oz theme. The following profiles detail these businesses, key events, and decisions.

Oz Museum

The Oz Museum was founded in 2003 after the overwhelming success of Todd Machin's Oz collection at the Columbian Theatre in 1995. The Museum leased Machin's collection for 5 years.



Figure 4-6: The Oz Museum -- Located at 511 Lincoln Street

When the lease on Machin's 2,000 piece collection expired in 2008, the Museum acquired a permanent lease on the 24,000 piece collection of Chicago's Friar John Paul Cafiero. The current collection is the largest collection of Oz memorabilia on public display in the world. The Museum facilities include Auntie Emm's Gift Shop and the collection of Oz memorabilia. The Museum is a 501c (3) nonprofit corporation which currently employs 3-4 part-time workers. About 10-15 part-time employees are employed in the peak summer months. Employees are mostly local high school and college students.

The most effective paid advertising that the Oz Museum employs consists of billboards on Interstate 70. In fact, the billboards have been so successful that they won a prestigious Travel Industry Association of Kansas (TIAK) award in 2008 for excellence in the promotion of tourism.



Figure 4-7: Award-winning Oz-themed billboards on I-70

Additional marketing efforts consist of joint billboard advertising with McDonalds and Toto's Taco; a listing in the phone book; local radio spots during OZtoberfest; and a website (www.ozmuseum.com). Further paid advertising is beyond the budget of the Oz Museum at this time. However, the Museum does receive free advertising from time-to-time in the form of local radio stations broadcasting live from OZtoberfest and journalists who profile the cluster of Oz businesses in Wamego. The target market consists of enthusiastic Oz fans (apparently, there are quite a few of them – which, for some reason, conjures images of Star Trek convention-goers) who come from all over the world; tourists who see billboards on I-70; and local Wamego residents. Customers are pulled largely from the Manhattan, Junction City, Fort Riley, and Topeka markets. Due to the legalities of the Wizard of Oz intellectual property licensing, suppliers are located all over the country. However, the Museum tries to buy from Kansas vendors as much as possible. Orders are placed via email, fax, and phone on a regular basis. The Museum has two classes of competition. The first is competition with the museum, which is located primarily in Liberal Kansas. The second is competition with Auntie Emm's Gift Shop, which is located primarily in Manhattan (Kansas Kollection) and in Nortonville (Kansas Wizard of Oz 'N More Store). The Oz Museum does not currently have plans for any significant expansion, due to physical land use limitations (historic preservation ordinance) and budget restraints.

Oz Winery

The Oz Winery was established on July 4, 2007 by Clark Balderson (a leader in the establishment of the Oz Museum and various downtown revitalization efforts in Wamego), Larry Costlow, and two attorneys who are wine-making hobbyists. However, for various reasons, Larry and the two attorneys exited the venture before November 2007. Around this time, Clark Balderson approached his daughter Brooke, who was living in Pennsylvania, about taking over the business. Brooke Balderson has a degree in psychology and had little business experience. However, she had completed culinary school and liked the wine business. Furthermore, she had grown up in a family with long-standing involvement in the Wamego business community (recall that Balderson started the company that supplies Caterpillar).



Figure 4-8: Oz Winery -- Located at 417 Lincoln Street

Seeking the freedom of running their own business and with the progressive goal of contributing to the vitality of downtown Wamego, Noah Wright and Brooke Balderson took over operations at the Oz Winery around November 2007. The current facility includes retail space for the sale of wine, gift baskets, and wine accessories as well as a production facility for fermentation and bottling. The company currently employs 4 full-time and 2 part-time workers,

mostly from Wamego (one is from Manhattan). Due to state alcohol sales regulation, the company prefers not to hire workers who are younger than 21 years old.

The marketing strategy of the Oz Winery includes occasional newspaper ads, open house events, word-of-mouth, and billboards on I-70. The billboards and flyers distributed at the Oz Museum are particularly helpful in attracting tourist traffic. Due to shipping laws, the Oz Winery does not currently make online sales. However, they do maintain a website (www.ozwinerykansas.com). The business does not advertise in trade publications, but does receive some free publicity from journalists who profile the Oz Cluster.



Figure 4-9: Oz Winery merchandise includes a wide selection of exclusive specialty wines, gift baskets, and wine accessories

Most of their sales come from pedestrian traffic. Approximately 50-60% of their customers are local and regional and 40-50% of their customers are tourists. Their customer base includes Oz fans and wine connoisseurs looking for unique local flavors. The company's suppliers are located in Saint George and Manhattan Kansas, California, and New York. Competitors are located in Paxico, Salina, and Wamego; however, such "competition" is indirect as the Oz Winery sells products which are unique and exclusively offered at their store. Despite the tough economy, the Oz Winery has experienced growing demand. The company plans to significantly expand production and distribution capacity in the short- to mid-term future. Furthermore, the owners plan to further develop the Oz theme in Wamego, possibly through the establishment of other Oz-related businesses.

Toto's TacoZ

Toto's TacoZ was established on July 21, 2005 by Craig and Colleen Lord. They had recently moved to Kansas from California to live closer to extended family after their kids left home. After a rather thorough investigation of small towns in northeast Kansas, the Lord's decided to settle in the promising community of Wamego. The Lord's especially appreciate that Wamego has a significant population of young families, a strong downtown business district, and quality housing at a decent price – all of which are indicative of a healthy rural community. It is interesting to note that the Lord's took notice that downtown Wamego is being revitalized, that yards are mowed and properties are generally well-maintained, that city parks are in good repair, and that there are artsy businesses downtown.

Neither of the Lord's had previous business experience before founding Toto's TacoZ. However, Craig did have experience as a food salesman in California. He soon realized a lack of high-quality Mexican food in the Wamego regional market. He further realized the opportunity to attract tourist traffic to his restaurant via proximity to the Oz Museum and association with the Oz-theme. The business was so successful in the first few weeks that the Lord's had to close the restaurant early and limit their hours until sufficient labor resources could be obtained. Due to their success, Toto's TacoZ moved into a larger building next door (the current location) on July 1, 2008.



Figure 4-10: Toto's TacoZ -- Located at 517 Lincoln Street

The restaurant currently employs about 8 part-time workers, mostly local high school students (in addition to the Lord's, who operate the business as a full-time endeavor). Craig said that he pays his employees well and is accommodating in scheduling workers because he places a high value on his employees. It is absolutely vital to understand the Lord's business philosophy, which mirrors that of the Oz Winery. Both companies compete on quality and create unique, high-end products. Craig noted that it is this philosophy which allows his business to thrive amid the national chain restaurants.

The Lord's have an active marketing program that is focused on attracting and retaining loyal customers. Currently, the business is developing an email list of customers and Craig is looking into purchasing email lists from the Columbian Theatre and the local Chamber of Commerce. Though the business does not have a website, the Lord's are looking into developing one in the near future. Toto's Tacoz runs newspaper ads and uses on-site interior and exterior signage to feature specials designed to boost customer traffic during times of the week when business is usually slower. In a bid to create a "destination place" and enhance the quality of the dining experience, Toto's Tacoz offers plenty of indoor seating. This space is made available to community groups during non-peak hours. Craig understands that he is not only in the restaurant business, but he is also in the tourism business. He noted that proximity to the Oz Museum is a major factor that influences the success of his business. His customer base is located generally within 1 ½ -2 hours in any direction (short enough for a day-trip, including communities such as: Topeka, Lawrence, Junction City/Fort Riley, and Kansas City), but also includes tourists who come off of I-70 after seeing an Oz billboard. As a result, Toto's Tacoz has collaborated with the Oz Museum in advertising by splitting the cost of a billboard on K-99. Craig is also looking into getting a billboard on Highway 24.

Though the business does not have plans to expand their current physical location, there are plans to improve the quality of the dining experience (which will expand their customer base). Thus, the Lord's are focusing on quality (their competitive advantage) rather than size. On the topic of expanding the Oz theme in Wamego, Craig said that while he understands the value of the Oz theme in attracting tourists, he believes Wamego should be careful not to become "only Oz". Instead, the City should develop multiple synergistic tourism magnets (i.e. "diversify"). This way, the City can develop a customer base with more depth than just the Oz

tourists. In other words, he sees Oz as part of the entire Wamego destination “package”, not the only attraction.

Emerald City Market

The Emerald City Market was founded by Larry Costlow and Clark Balderson in May 2006. Larry had not owned a business before but had 10 years of full-time experience as a manager at Blueville Nursery in Manhattan. Larry knew Clark through a mutual friend. Clark, a prominent local businessman, had an interest in revitalizing downtown Wamego and was involved in the Oz Museum.



Figure 4-11: Emerald City Market -- Located at 415 Lincoln Street

The two partners decided to start a high-end specialty store modeled on Dean and DeLuca in Kansas City. As with the Oz Winery and Toto’s TacoZ, it is important to emphasize that the Emerald City Market’s business model is based on providing high-quality, specialized goods. Larry explains that his store cannot compete with stores like Dillons and Hy-Vee based on price. So instead, he focuses on quality, a competitive advantage that distinguishes his store from major retail chains. The store sells rarified chocolates, cheeses, sauces, condiments, imported pasta, wine, and a variety of other specialty foods. In addition, the store sells exquisite stemware, dishes, and cookware for entertaining and started providing in-house cooking demonstrations in November 2008. Currently, the store employs 1 full-time and 1 part-time employee, in addition to Larry, who runs the venture as a full-time endeavor. The full-time

employee is a student at K-State and part-time employees are recruited from the local high school.



Figure 4-12: Emerald City Market merchandise display

The store has an active marketing program, which includes: maintenance of a customer list; publication of a regular e-newsletter; television commercials in Salina, Manhattan, Wamego, and Topeka; promotional coupons distributed at the Oz Museum; maintenance of a website (www.areyouwicked.com); and targeted direct mail campaigns. The target market consists of Oz fans and women over 35 years old who have discretionary income and who like to entertain (have parties) with specialty fine foods. The Market's major suppliers are located in Chicago and Denver. Their competition is located in Lawrence, Kansas City, and Denver; which gives them a strong market position in the region between Salina and Topeka. The customer base is distributed approximately as such: 1/3 from Wamego, 1/3 from Manhattan, and 1/3 split between Topeka and Oz fan tourists.

The Emerald City Market relocated to Poyntz Avenue in Manhattan in mid-March 2009. Larry points out that population size greatly influences the level of sales, particularly in a specialty store. Since the population of Manhattan is ten times larger than the population of Wamego, sales should increase significantly at the new location. Additionally, the Manhattan location will allow the store to expand their offering of goods and services. Since the store was careful not to become completely dependent on the Oz theme, the move from Wamego (away

from the Oz Museum) should not destroy the brand. However, the impact that this move will have on the Wamego Oz Cluster is uncertain. Larry notes that the store will necessarily shift the focus of business activities from Wamego (such as OZtoberfest and joint advertising with the Oz Museum) to Manhattan (such as Downtown Manhattan Inc and Poyntz Avenue merchant events).

JavOZo's Coffee Bar

Sherry Enns was a part-time employee at another coffee shop on Lincoln Street when she met Kelly Nehring, the owner of JavOZo's Coffee Bar. Sherry decided to work part-time for Kelly and eventually bought JavOZo's in June 2008 when Kelly decided to pursue other activities. Sherry had no previous experience as an entrepreneur prior to the acquisition. It should be noted that JavOZo's Coffee Bar was an existing coffee shop that adopted the Oz theme (under Kelly) in order to attract Oz Museum tourists. The shop currently employs 6 part-time workers, including some local high school students. In addition, Sherry runs the business as a full-time endeavor. There are no current plans to expand operations, although Sherry said that she will expand her business as dictated by market demand.



Figure 4-13: JavOZo's Coffee Bar -- Located at 419 Lincoln Street

JavOZo's marketing strategy includes newspaper ads, a "weekly specials" email, and a website (www.javozos.com). A billboard on I-70 is planned. JavOZo's caters to a largely local customer base which is supplemented by Oz tourists.



Figure 4-14: JavOZo's Coffee Bar includes generous seating space and Oz-related pictures on the walls (on loan from the Oz Museum)

Their major suppliers are located in Kansas City; however, Sherry also buys some supplies from local grocery chains (Dyers/Sam's Club). JavOZo's sells sandwiches, pastries, coffee-based drinks, soup, and breakfast dishes. Major competitors include a variety of local restaurants (Sonic, Pizza Hut, Friendship House, Ramblers, and others). The largely localized customer base and competition are indicative of an underlying difference between JavOZo's and the previously discussed businesses. Specifically, while JavOZo's is an inviting and charming local coffee house, it lacks a competitive advantage that makes it regionally competitive. In other words, while the Oz Winery, Toto's Tacoz, and the Emerald City Market offer products that are unique in the regional market (enabling them to capture substantial market share), there are many places in Wamego where people can buy breakfast, lunch, or coffee (although, these places will not have the interesting Oz-themed decorations on the walls). This is not meant to deride JavOZo's in any way, but is meant to make an important distinction between JavOZo's business strategy and that of the previously discussed businesses.

Scizzors of Ahhhz

Scizzors of Ahhhz is a beauty salon that was founded on January 1, 2006 by long-time Wamego residents Shawn and Stefanie Morris, who had recently graduated from beauty school. Neither had previous entrepreneurial experience, although Shawn's father owns a family business in town. The proprietors noted that they would have established this business in Wamego even if the Oz Museum did not exist. The Oz Museum only influenced the name of the business.



Figure 4-15: Scizzors of Ahhhz -- Located at 319 1/2 Lincoln Street

The business is operated full-time by Shawn and Stefanie, who also employ one part-time worker. Their marketing strategy includes: an ad in the phone book; fridge magnets; word-of-mouth; and raffles/giveaways. They tried newspaper ads but found them to be cost-ineffective. They do not currently have a website. The target market is local, middle-aged women. Customers come largely from Wamego but also include some Manhattan clients. The competition is located in downtown Wamego. There are no current plans to expand operations, aside from the growth in the customer base that is naturally expected of such a business. It is important to note that Scizzors of Ahhhz is a local business that uses the Oz theme to attract additional customers (like JavOZo's), but does not have a competitive advantage that makes the business regionally competitive (like Oz Winery, Toto's Tacoz, and Emerald City Market).

The Road to Oz

The stretch of K-99 Highway between Wamego and Interstate-70 is known as the “Road to Oz”, which is acknowledged by a small road sign on K-99 between I-70 and Wamego. As a state highway, the Kansas Department of Transportation (KDOT) is responsible for maintenance of this road. While the renaming of this portion of K-99 is briefly mentioned in Oz related marketing materials, it is not a central theme. For this reason, analysis of the cluster will not include much more discussion of the Road to Oz.

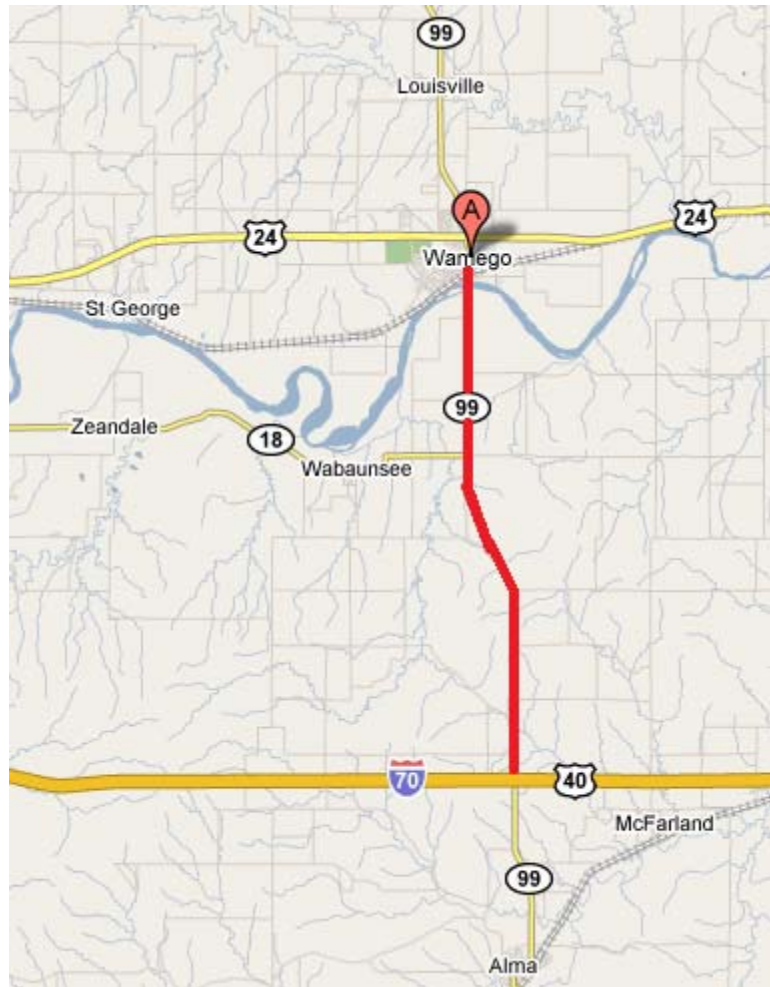


Figure 4-16: The Road to Oz -- Stretch of K-99 Highway between Wamego and I-70

OZtoberfest

Every first weekend in October since 2005, Wamego hosts the three-day celebration of everything Oz, known as OZtoberfest, which attracts approximately 5,000 visitors (mostly from Kansas and Missouri, but also including visitors from the East and West coasts and foreign countries). The stretch of Lincoln Street between 4th and 6th Streets is closed down for the event. In previous years, the Columbian Theatre and the Oz Museum have financed and managed the event, with the local government playing a support role (providing parks and recreation and police services). However, this year, the Pottawatomie County Economic Development Corporation and the Wamego Chamber of Commerce are playing a larger financing and management role. Most of the Oz businesses participate in the event and all of the businesses (except Scizzors of Ahhhz, due to the nature of their industry) experience a sharp spike in sales during the celebration (doubling or tripling sales). The Oz Winery introduces a limited edition wine each year specifically to celebrate OZtoberfest. Event sponsors include businesses in Wamego, Manhattan, and Topeka. According to the event website (www.oztoberfest.com), the festival features: food and craft vendors from all over Kansas; the Munchkinland inflatable play area; the Yellow Brick Road bicycle ride; a stage performance of the Wizard of Oz at the Columbian Theatre; book signings by some of the original Munchkins and prominent Oz authors; appearances by prominent Oz collectors; a silent auction of Oz collectibles; Tin Man's Antique Truck and Trailer Show; and Scarecrow's Cook-off (BBQ).

Marketing for the event includes: newspaper, television, and radio ads within the Kansas media markets (Kansas City and Wichita); billboards; word-of-mouth; event website; free listings on Oz fan websites; and informational pages on the Wamego Chamber of Commerce and City of Wamego websites. Additionally, local radio stations broadcast live from the event. The event also has a MySpace profile and will soon have a Facebook profile.

OZtoberfest planners are expecting a significantly higher-than-usual turnout to the event this year for the following reasons: 1) This year is the 70th Anniversary of the publication of Baum's original Wonderful Wizard of Oz book; 2) The largest Wizard of Oz festival in the world (held in Chesterton, Indiana every September since 1981) has closed (Northern Indiana's Oz Festival Calls It Quits, 2008) and Wamego expects to attract some of its 90,000 annual attendees; and 3) the International Wizard of Oz Club (www.ozclub.org) is holding their annual national conference at Kansas State University the same weekend.

Additionally, it should be noted that, though there is no formal association of the Oz themed businesses in town (or a committee on the Chamber of Commerce), the OZtoberfest Committee acts as the entity-of-choice through which major collaboration between cluster actors occurs.

Oz-related Economic Development Plans

Despite the fact that the Oz Cluster has recently emerged as a significant contributor to the local Wamego economy, there are no Oz-specific economic development plans. To date, the development of the Oz theme has been the result of private enterprise, with no significant Oz-specific economic incentives or planning. However, this is beginning to change. In fact, the Chamber of Commerce, the City of Wamego, and the Pottawatomie County Economic Development Corporation are currently working on a joint visioning project that will aid in the further development of the Oz theme in Wamego.

In 2003, Richard Caplan & Associates of Lawrence completed an update of the 1989 Hyett-Palma Downtown Wamego Market Study. The study highlights opportunities for economic growth in Wamego, noting that the city should increase efforts to attract tourism by developing a “Wamego brand”. Specifically, the study states that Wamego should “develop a unique position in the minds of area residents, highway travelers, visitors, and entrepreneurs that captures and demonstrates how Wamego provides an environment ideal for entertainment and growth” (Caplan 2003, 74). The report suggests that such branding should communicate that Wamego is: “cutting-edge; family-friendly but cool; new but embraces its small town heritage; different and one-of-a-kind; and slightly irreverent” (Caplan 2003, 75). Furthermore, the market analyst writes that Wamego should “Maximize New Oz Museum Marketing” and “Expand Use of the Columbian Theatre” (Caplan 2003, 91), adding that “there is the opportunity to further increase [capital] injections based on increasing tourism” (Caplan 2003, 79). The study also notes that the Kansas Department of Commerce has identified Arts & Culture as a major theme upon which to build the state’s tourism attraction and marketing efforts (Caplan 2003, 69). The pertinent conclusion of this 2003 Market Update is that Wamego should develop a brand or market niche that will allow it to capitalize upon opportunities in the tourism industry.

The next chapter will conclude with an analysis of Oz Cluster data and alternative scenarios for further cluster development.

CHAPTER 5 - Conclusion

The purpose of this chapter is to integrate the cluster development literature and the Oz Cluster data and to provide alternative scenarios for further cluster development.

Data Analysis

The Oz Cluster exhibits the common characteristics of clusters (Asheim 2006, 56-58) discussed in the introduction of this report:

1. *Spatial proximity*

The Oz Cluster is a highly localized collection of Oz-related economic activities.

2. *Functional industrial system*

Oz Cluster actors compete (for example, note that Toto's Tacoz and JavOZO's compete during lunch hour) and collaborate (note cooperation on OZtoberfest) to market Oz-related goods and services.

3. *Self-awareness and policy initiative*

Although the Oz Cluster has been relatively unaware of its status as a "formal" cluster, this realization is beginning to emerge. Local residents and merchants understand that there is a collection of Oz-related businesses, but do not necessarily conceptualize that collection of businesses as a "cluster" (in the academic sense). For this reason, local leaders may not have recognized the link between the extensive cluster development literature and the collection of Oz businesses in their community. Perhaps as a result, there has not been an "official" identification and naming of the cluster. This report (to my knowledge) is the first study which clearly identifies this collection of businesses as a cluster and assigns a name to the cluster (Oz Cluster).

4. *Innovation and competition*

As noted in the preceding chapter, there are businesses in the Oz Cluster which have a competitive advantage that makes them regionally competitive (Oz Winery, Emerald City Market, and Toto's Tacoz) and there are also businesses which are more focused on serving the local market than the regional market (JavOZO's Coffee Bar and Scizzors of Ahhhz). This distinction does not make the regionally competitive businesses "better" than the locally competitive businesses; but rather, the distinction is important to note

because the successful future development of the cluster will depend on developing more businesses that are regionally competitive (since such businesses attract non-local capital injections into the local market).

Within the framework of cluster typologies presented in the literature review chapter (Markusen 1996), the Oz Cluster most closely resembles a hub-and-spoke cluster, with the Oz Museum represented as the “hub”; the Oz Winery, Emerald City Market, and Toto’s TacoZ represented as “major spokes”; and JavOZO’s and Scizzors of Ahhhz represented as “minor spokes”.

According to the cluster lifecycle literature presented in Chapter 2 (Press 2006, 23-24), the Oz Cluster may be in either the early (emergence) phase or the decline (exhaustion) phase of the cluster lifecycle. As Press aptly points out, this is ultimately determined by the response of local leaders to change events. There are at least two relevant change events which may impact the determination of the cluster lifecycle phase, including: 1) The Emerald City Market, a major spoke in the cluster, has relocated to Manhattan and 2) The world’s largest Wizard of Oz festival (in Chesterton, Indiana) has closed, leaving a substantial opportunity for an ambitious town to attract some of the 90,000 people who attend this annual event. If leaders in Wamego are able to replace the Emerald City Market with a regionally competitive Oz-related business and capture at least some of Chesterton’s former clientele, then Wamego may be in the emergent phase of the cluster lifecycle. The planning efforts of the Wamego Chamber of Commerce and the Pottawatomie County Economic Development Corporation tend to suggest that the local leadership will pursue these opportunities. However, should said objectives not be realized, it is possible that the Oz Cluster may enter a period of stagnation, which may lead to decline.

It is important to note how this study has achieved the objectives set forth in the introduction.

1. There is a cluster of Oz-related businesses in Wamego, Kansas

For this study to be meaningful, it is necessary to establish the existence of the Oz Cluster. However, unlike some studies, this report does not employ highly-quantitative cluster analysis methodologies. Such analysis would be unnecessarily excessive. While such techniques can be effective in uncovering “hidden” clusters, the existence of the Oz Cluster is readily apparent due to the Oz-themed names of the businesses associated with the cluster.

2. *The Oz Cluster is a tourism-based cluster that produces positive marketing externalities*
Most of the Oz Cluster businesses realize additional sales as a result of tourist traffic. This tourist traffic is a direct result of the marketing efforts of the Oz Museum (primarily the billboards on I-70) and of OZtoberfest (through a variety of advertising venues). The only business that may not experience significant positive marketing externalities related to these marketing efforts is Scizzors of Ahhhz. The relevant distinction (acknowledged by the proprietors, Shawn and Stefanie) is that while the other Oz businesses are tourism-based, Scizzors of Ahhhz (due to the nature of the beauty shop industry – few people get haircuts while they are on vacation at the Oz Museum) is not tourism-based. Without the marketing externalities produced by the Oz Museum, the other Oz businesses (except Scizzors of Ahhhz) would lose significant sales.
3. *The Oz Cluster differs significantly from clusters presented in historical cluster theory*
 - a. The Oz Cluster does not benefit from product or process-based externalities. However, the cluster does benefit from marketing externalities.
 - b. The Oz Cluster is not manufacturing-based. However, as previously mentioned, in a period of rapid globalization and amid constant outsourcing by corporate conglomerates seeking lower negative externalities (lower cost of land, labor, etc), a narrow focus on manufacturing-based clusters may be detrimental if it precludes the study of service-based clusters such as the Oz Cluster.
 - c. The Oz Cluster is a very small, highly localized, rural cluster while traditional cluster literature focuses mainly on large, regional, urban clusters. However, if cluster research is constrained to large urban clusters, then rural areas are unable to implement economic development strategies geared toward competitiveness in an era of globalization.
 - d. The Oz Cluster is in the early stages of development whereas traditional cluster literature focuses on mature and declining clusters. However, the focus on mature and declining clusters is misplaced – nobody wants to develop a mature (i.e. stagnating) or a declining (i.e. failed) cluster, they want to develop an emergent cluster that will be an engine of job creation and regional/global competitiveness. Why, then, does it make sense to study mature or declining clusters? Instead, we should be studying the dynamics of emergent clusters. This is a risky proposition

because an emergent cluster may or may not eventually achieve the objective of significant job creation and regional/global competitiveness. Thus, the researcher who studies an emergent cluster may fear the loss of professional credibility if such “cluster” dies prematurely. However, such research is necessary to distinguish between Feldman’s “initial causes of cluster formation” (snapshot view) and the “subsequent effects of cluster development” (lifecycle view) (Feldman 2005, 137). Accordingly, this study of the Oz Cluster does not “guarantee” that said emergent cluster will eventually develop into a major engine of job creation or regional/global competitiveness. Rather, the study seeks to identify opportunities for cluster development. The destiny of the cluster, however, depends on the actions of cluster actors, specifically the reaction of local leadership to change events and opportunities for further cluster development.

4. *The Oz Cluster emerged over time as a number of institutions and private actors consciously and concertedly made key decisions*
 - a. Local leaders decided to revitalize the Columbian Theatre
 - b. Todd Machin decided to collect Oz memorabilia
 - c. Todd Machin and the Columbian Theatre decided to display the Oz memorabilia
 - d. Based on the success of that display, leaders decided to create the Oz Museum
 - e. Individual entrepreneurs decided to use the Oz theme in their business model
 - f. Public entities are responding to the success of this private enterprise with plans to further develop the cluster

It is interesting to note that public-sector efforts in the Oz Cluster trail (do not lead) cluster development efforts. In other words, the cluster developed as a result of decisions by private entrepreneurs. Of course, it may be argued that the State of Kansas grant that enabled the establishment of the Oz Museum led cluster development, but such an argument does not acknowledge that the establishment of the Oz Museum was not the genesis of the cluster – the genesis is found in the decision to revitalize the Columbian Theatre and Todd Machin’s decision to collect Oz memorabilia.

5. *There is room for further development of the Oz Cluster*

Such an assertion is based on certain assumptions. First, there is the assumption that local leaders (business owners and politicians) want to further develop the cluster. Without such support, cluster development efforts are futile. Second, there is the assumption that more can be done to attract Oz tourists to Wamego. As will be demonstrated in the alternative scenarios for cluster development, this is a valid assumption. Third, there is the assumption that local residents have not reached their threshold of tolerance for development. In other words, if residents are not willing to sacrifice some of the amenities of a rural lifestyle in order to achieve economic development, such development is not politically viable. Therefore, it is important to gauge the point at which local residents do not want to trade-off a rural lifestyle for the amenities of increased economic development.

Lessons

There are many lessons which may be learned from the Oz Cluster, including:

1. *Oz Cluster model of economic development*

The Oz Cluster demonstrates how communities can profit from niche-based tourism. The Columbian Theatre hosted Todd Machin's collection of Oz memorabilia for 3 months in 1995, attracting 20,000 tourists to Wamego. Realizing an opportunity for economic development, leaders built the Oz Museum in 2003. Since then, five Oz-themed businesses and an annual festival have emerged in the local economy. This cluster produces positive marketing externalities which result in significant additional capture of tourism dollars by the local economy. This is a relatively straightforward model of economic development that can be replicated by other communities.

Before the success of Todd Machin's Oz memorabilia display at the Columbian Theatre, most people in Wamego probably did not realize the economic development potential of niche-based tourism. It is likely that some people thought "why would anyone want to come all the way out to Wamego just to see a bunch of Oz junk?" However, such people do not make the connection between the "Oz junk" and tourism. Now that Wamego understands how economic development can result from a "pile of junk", it can potentially unlock new market opportunities that capitalize on the niche-tourism industry.

2. *Regionally competitive businesses are the basis of cluster development*

It cannot be stated enough that clusters must be based on regionally/globally competitive businesses, not locally competitive businesses. Regionally competitive businesses (such as Oz Winery, Emerald City Market, and Toto's Tacoz) target a specialized, niche market and compete on quality and the deliverance of a product or service that is not otherwise available in the market area. For example, Oz Winery carries wine products that are only available from their store. If Emerald City Market did not exist, customers would have to travel to Kansas City to buy specialty foods and high-end entertainment ware. Likewise, Toto's Tacoz features Mexican food of such quality that people travel from Lawrence to eat there, because most other chains compete on cost and efficiency, not quality. If a company tries to compete on cost, they will either derive painfully low profit margins or will be priced out of the market by larger competitors. However, if a company competes on high-quality and unique products/services, market share is more readily captured and retained and profit margins are more comfortable. This lesson is fundamental to an increasingly globalized economy and is consistent with the Italianate school of Marshallian cluster development literature, which emphasizes high-quality as a competitive advantage.

3. *The importance of dedicated local leaders*

In several of the interviews with local business owners, a certain progressive attitude was manifested. These business owners share a passion for preserving the vitality of downtown Wamego. It is important to them that their business is contributing to the health of small-town America. Without such a progressive commitment to the community, cluster development efforts cannot be successful.

Note that the leadership in the Oz Cluster has traditionally come from the private sector, not from the public sector. Certainly, public leadership becomes important at some point in the evolution of a cluster. However, the decisions that initiate cluster development may be too risky for public leaders; thus, those decisions are made in the private sector. Only after these initial decisions have been made do risk-averse public sector leaders emerge to embrace further cluster development.

Alternative Scenarios for Further Cluster Development

There is nothing that small-town Americans despise more than a perceived outsider coming into town and telling them what to do. Therefore, it is important to note that the following section is not a prescription of “what must be done” in Wamego. Instead, the following section is intended to outline some possible Oz Cluster development alternatives. As a future-oriented exercise, the following scenarios cannot anticipate changes in current conditions nor can they be comprehensive in nature. That Wamego wishes to capture additional tourism dollars is an underlying assumption of these scenarios. Such assumption is based on the recommendation of the 2003 Richard Caplan & Associates Wamego Market Update.

1. Expand the Oz theme

Currently, the Oz Cluster is regionally competitive. However, it is not globally competitive. The following changes may help to achieve such a level of competitiveness:

- a.* Paint all buildings on Lincoln Street (or at least on the two blocks encompassing the majority of the Oz businesses) green to resemble the Emerald City;
- b.* Paint a portion of Lincoln Street yellow to resemble the yellow brick road;
- c.* Add an Oz-themed amusement park (not on the scale of Desoto’s proposal, but something that would reinforce the concept of a “destination spot”);
- d.* Have employees dress in Oz themed costumes to enhance the “sense of place”;
- e.* Build an outdoor public plaza with statues of Oz characters (reinforces “sense of place”);
- f.* Further develop OZtoberfest to attract additional demographics (for example, add a 5k race to attract runners or a Wizard of Oz-themed art competition to attract artists);
- g.* Form an Oz Cluster Committee that specifically promotes the further development of the Oz theme in Wamego (should have a regular newsletter, regular meetings, joint advertising opportunities, and a regularly updated website);
- h.* Introduce economic incentives for Oz-themed businesses (incentives vary, but can include: free land, renovation costs, business skills training for entrepreneurs, and low-interest loans).

The objective of such a strategy is to make Wamego synonymous to Oz. The positive aspect of such a strategy is that Wamego could truly become the “Oz Capitol of the World” and thereby capture a larger share of Oz tourism. However, the negative aspects are that such a strategy makes the local economy dependent on a narrow niche and may come across as tacky.

2. *Diversify the cluster*

Another alternative is to build on the success of the Oz Cluster by diversifying the cluster. For example, Wamego has proven that it can take a collection of Oz memorabilia and turn it into a cluster of economically viable businesses. The Wizard of Oz theme is convenient because it is a popular story based in Kansas.

Another popular story based in Kansas is Superman (Clark Kent’s earth parents are Kansans). Superman is an American icon who represents the values of small town America (just like Wamego). Surely someone somewhere has a vast collection of Superman memorabilia. The Columbian Theatre could repeat the strategy that worked with Todd Machin’s collection. Find a collector who will lease their collection to the Columbian Theatre for a year and if the trial run attracts substantial tourist traffic, Wamego can develop a whole new Superman Cluster to supplement the existing Oz Cluster. The Superman Cluster will not only synergistically complement the Oz Cluster (because both are tourist magnets based on popular Kansas-based movies) but it will also diversify Wamego’s customer base (it will now attract Oz fans AND Superman fans). The Superman Cluster could even host a Superman convention or festival (similar to OZtoberfest) – maybe to coincide with the big annual 4th of July celebration, since Superman is a symbol of patriotism. If the Superman Cluster proves successful, the possibilities for diversification are limitless.

The Columbian Theatre could then begin hosting a new collection of memorabilia every year, after which a new niche-based cluster could emerge in Wamego (if justified by the increase in tourist traffic achieved by the display at the Theatre). In this way, the Columbian Theatre could become an economic development machine that spins off a new cluster every year. For example, after Superman, the Theatre could host a collection of various superhero memorabilia (with the justification that it supplements the Superman Cluster). In this way, the Superman Cluster evolves into a Superhero Cluster that

includes Batman, Spiderman, and others. Then, building upon the success of both the Oz Cluster and the Superhero Cluster, the Columbian Theatre could spin off more clusters based on popular culture (including movies, classic rock bands, sports teams, or any famous person or organization with an extremely loyal/fanatic fan base) until Wamego emerges as a regionally (and then, a globally) competitive pop culture “Mecca” with a very broad customer base. This may seem ridiculously ambitious for such a small town in Kansas, but remember that few people anticipated the economic significance of Machin’s Oz memorabilia. Moreover, no other small town in Kansas will be pursuing this strategy, so competition will be virtually non-existent. Of course, such a cluster-based economic development strategy needn’t follow this exact “recipe” to be successful in diversifying Wamego’s customer base in the niche-tourism industry and dramatically expanding its economic pull factor.

For example, what if no one likes Superman? Since this question is bound to emerge at some point, it should be dealt with now. It is critical to note that this economic development strategy is not based on Superman (or Oz, for that matter), it is based on niche-tourism as a method of attracting non-local dollars into the local Wamego economy. Thus, the previously outlined “Superman scenario” is but one way to implement this economic development strategy.

Consider another cluster development scenario based on Chrysler. Since Walter Chrysler was born in Wamego, it would make sense to have a collection of antique Chrysler cars. In order to attract the maximum number of tourists, such an exhibit should be dramatic (possibly modeled on the Cadillac Ranch in Amarillo, Texas). Building upon the success of the Chrysler exhibit, antique muscle cars could be added to the display. This collection of antique American cars will attract tourists who wish to experience a nostalgic connection to the “good ole days”. Accordingly, astute entrepreneurs could develop businesses that sell antique car memorabilia and “oldies” paraphernalia. Further cluster development would be possible by expanding the car theme to include attractions for NASCAR or demolition derby fans and/or by expanding the oldies theme to include an annual “Oldies” music concert with big-name performers. In this way, Wamego can use the niche-tourism model of economic development

(demonstrated by the success of the Oz Cluster) to diversify their economic base and capture more non-local dollars.

It should be noted that following the Oz Cluster model too closely could damage the local economy. For example, new clusters should not seek to all establish a themed restaurant, a themed winery, and a themed specialty food store. Such a strategy would overwhelm local demand for such products. Instead, the new clusters should focus on selling themed goods to global markets (via the internet) and attracting tourists to Wamego (possibly via some kind of annual event).

One potentially negative aspect of such a strategy is that it may lead to rapid development of the rural community (which may not please current residents, business owners, or politicians). As such, it would be wise to test the political feasibility of such an idea before initiating implementation. Furthermore, some local businesses may initially feel that the new clusters distract tourists from the Oz Cluster businesses. However, this argument incorrectly assumes an artificial threshold which restricts the annual number of tourists to Wamego. The new businesses will not be “diluting” the Oz Cluster, but will be expanding upon it (thus, the new businesses will benefit, not harm the existing Oz-themed businesses).

3. *Maintain current level of success*

Current residents of Wamego may be content with the current level of success enjoyed by the Oz Cluster. At the present time, it is not clear what the economic impact of Emerald City Market’s departure will be on the Oz Cluster. It will probably not kill the cluster because the Oz Museum is the major hub of the cluster and the Market was just a spoke. However, there is some risk that tourist traffic to the Oz Cluster may decline somewhat due to the departure. On the other hand, it is also possible that the economic development efforts of the Pottawatomie County Economic Development Corporation and the Wamego Chamber of Commerce will compensate for the departure. In any case, without a bold and clearly defined plan for aggressive cluster development efforts, the Oz Cluster is likely to remain a regionally competitive niche-tourism attraction (which may be exactly what residents of Wamego prefer).

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