



Amazon creates new playbook for headquarters searches

Ryan Ori and Lauren Zumbach – January 19, 2018

Corporate relocation searches can be cloak-and-dagger affairs, complete with secretive office tours, project code names and hotel rooms booked under aliases.

Amazon, one of the world's most powerful and recognizable companies, is turning that model upside down as it considers Chicago and 19 other contenders for its second headquarters, also known as HQ2.

The online retailer's highly publicized search has already generated months of publicity. It energized North American cities and regions that responded with fine-tuned pitches and, in some cases, incentive packages worth billions of dollars.

In doing so, the Seattle-based giant may be creating a new playbook that other major corporations can follow.

"I think we saw confirmation of that earlier this week," Ron Starnier, executive vice president at Atlanta-based Conway, a corporate expansion and relocation consultancy, said Friday, referring to Apple's announcement about plans for a second major campus.

Although Apple's exact plans are unclear, it appears to be the first example of another company following Amazon's approach of tipping its intentions by megaphone rather than whisper.

Amazon and Apple may not spark a widespread trend, but it's possible other large, well-known companies could try a similar approach. "Only companies with really deep pockets and wherewithal and stature can do site selection in this public a fashion," said John H. Boyd, principal of The Boyd Co., a Princeton, N.J.-based corporate site selection consultancy.

Amazon publicly announced plans to create HQ2, and up to 50,000 high-paying jobs, in September. The company received proposals from 238 North American cities and regions by its October deadline. The company on Thursday announced it had chosen 20 contenders, including Chicago, which proposed eight potential sites in the city and two in the suburbs.

“Usually a fairly quiet process, Amazon has brought corporate headquarters searches to a new level, making cities raise their game in assessing and quantifying the value of their physical, intellectual and cultural assets,” Andrea Zopp, CEO of World Business Chicago, said in an emailed statement.

Headquarters searches typically have been treated more like state secrets than branding opportunities.

Real estate searches are often presented to prospective cities and landlords as vague-sounding code names such as Project Mitt (a Toyota-Mazda auto factory), Project Flying Eagle (a Foxconn manufacturing plant) or Project Plum (GE’s headquarters).

Top company executives take private planes, check into hotels with aliases, and shun clothing or briefcases with corporate logos. CEOs tour skyscrapers on nights and weekends when offices in the buildings are closed.

Building owners put up with the anonymity, even though they’re curious about the prospective tenant’s identity.



In their bid to land Amazon's HQ2, the city of Chicago and state of Illinois proposed 10 sites. Spanning the city and two suburbs, Mayor Rahm Emanuel said they "demonstrate the region's unparalleled potential to support Amazon's future growth."

“I’ve had landlords tell me they’ve reviewed security tapes so they can guess who it is,” said office tenant broker Jason Schulz, CEO of Chicago-based J. Rich Co. “They’re trying to determine how credible the tenant is, and the company’s credit-worthiness.”

Rich represented Archer Daniels Midland when the company moved its headquarters to Chicago in 2014, after also considering Atlanta, Dallas and Minneapolis.

That relocation, like many conducted in secrecy, was much different than Amazon's search. Although the deal involved a relatively small number of top executives, it involved moving jobs away from the company's longtime headquarters in downstate Decatur.

Whether it's a move of some executives or an outright relocation of an office, most firms seek the utmost secrecy to avoid worrying employees about an impending shift of jobs, said Michael Sessa, an office tenant broker who leads Cushman & Wakefield's group that specializes in headquarters site searches.

Sessa's team worked on Toyota's North American headquarters deal in Plano, Texas, and global headquarters deals of Pfizer in New York and Kraft Heinz in Chicago.

"Most searches are more confidential in nature because those companies are trying to avoid disruption at their existing headquarters," Sessa said. "This open process is not for everyone, and there are reasons behind that."

Amazon's search reminds many longtime Chicago observers of another Seattle company's headquarters move here — Boeing, which chose Chicago in a public bake-off also involving Denver and Dallas as finalists.

Boeing's pool of contenders was far more limited than Amazon's continent-wide call for proposals. Nonetheless, the aerospace company played it close to the vest.

On a scouting trip to Chicago, Boeing officials reportedly toured sites in helicopters and unmarked vans and slipped into a dinner meeting with then-Mayor Richard Daley and then-Gov. George Ryan at the Art Institute through a back door.

Boeing's search spurred fervent speculation and competition not only among the three contending cities, but within their metropolitan areas. Within a week of Chicago being named a contender, about a dozen Chicago-area towns had contacted state commerce officials to pitch themselves as a potential home for Boeing, which eventually ended up downtown.

At the time, a Boeing spokesman denied the company was trying to stir up competition or publicity. Going public with the shortlist helped the company get access to people and information it needed to help make its choice, Boeing said.

Going public almost guarantees the company plenty of free publicity in locations under consideration, while letting local governments know they need to put their best offer forward, Starner said. "No doubt they're going to get a more generous incentive package than they would have if they'd played the game the usual way," he said.

Amazon and Apple can orchestrate public searches because they're planning to create jobs in their new destinations, rather than uprooting existing workers, experts said. The companies are also ubiquitous, and savvy in the way they market themselves.

"Look at the competition they've created among all the applicants," said Peter Allen, a commercial real estate developer in Detroit and Ann Arbor, Mich., who is also a lecturer in the University of Michigan's Ross School of Business and Taubman School of Architecture. "It's brilliant to do this publicly, pitting one city against the other. They're really in the catbird seat to negotiate a good deal.

"And the publicity is gaining the attention of potential employees. Once they pick a location, they're going to have thousands of people lined up at the door to sign up."

The potential downside for Amazon is creating one winner, while 237 suitors feel the sting of public defeat.

Courting so much attention also could backfire if a winner that promised hefty incentives ends up with buyer's remorse, Starner said.

"It's a bit of a high-wire act," Starner said. "You're maximizing publicity and attention, but if you fall, if things go badly, they could go really badly."

Still, Starner said he thinks others will try, even if they don't copy Amazon's playbook entirely.

All may not be lost for the 237 also-rans, though. They'll have thick books filled with available sites, potential incentives and glossy pages touting their best attributes, and they've learned lessons for their next big pitch.

"A positive outcome of this could be the self-reflection of communities throughout the country," Sessa said. "They've had to be very honest about where their strengths are and where their weaknesses are. Only one is going to be selected, and the other 237 will have assembled a lot of good information. If the weaknesses are addressed, the beneficiaries will be the companies who reside there now and the companies looking to move there in the future."