Market Trend: U.S. Population Migration Leads to New Smart City Opportunities for Government Providers

A renewed focus on quality of life and greater flexibility enabled by remote work are causing a migration to small and midsize U.S. cities. Technology and service providers focused on smart city initiatives must develop offerings to help these cities improve operations and attract new residents.

Overview

Market Opportunities and Challenges

Technology and service providers seeking to maximize industry markets and technologies:

■ Leaders from small and midsize local governments are placing increased importance on being a smart city to improve operations and drive economic development. As a result, the number of opportunities related to data and IoT is expanding in these markets.

■ The significant challenges facing small and midsize jurisdictions seldom end at political boundaries, necessitating regional collaboration. As populations shift to suburbs and smaller cities, there is more pressure on city infrastructure and services, and regional efforts will continue to grow to procure smart city solutions to issues such as transportation, water management and broadband.

■ Small and midsize cities implementing smart city initiatives will look to accelerate adoption and reduce complexity by engaging providers. That can bring an ecosystem of partners to support hardware and software implementation, analytics, data governance, and expanded use cases.

Strategic Planning Assumption

By 2023, 50% of cities under 250,000 inhabitants will promote growth by using smart city initiatives to attract remote workers migrating from large cities.

Introduction

Prior to the pandemic, U.S. Census data showed slowing growth in major metropolitan areas. [1] During the pandemic, this trend continued, as people sought safer places to live and moved closer to family. For many workers, the implementation of remote work or job loss enabled or necessitated greater mobility. Both suburban counties and other small and midsize [2] cities were the destination for many of these individuals. As the U.S. moves toward a postpandemic world, changes in remote work opportunities, new employment opportunities and decisions about quality-of-life issues will continue to shape population migration in the U.S. (see Figure 1).

Small and midsize cities are now competing for the talent and wages of this more mobile population. Cities and states are using a variety of techniques to lure individuals to their communities, including providing tax incentives, covering moving costs and touting the quality of life in their communities. At the same time, the U.S. federal government has provided funds to state and local governments through the American Rescue Plan Act (ARPA — see Quick Answer: Can U.S. State and Local Governments Use Fiscal Recovery Funding for IT?). It may also provide funds, through other pending legislation, that could be used for technology, data and cybersecurity projects. The convergence of need and funding will present opportunities for new smart city projects in these small and midsize communities.

Focus on These Three Needs for Smart City Growth in Small and Midsized U.S. Cities

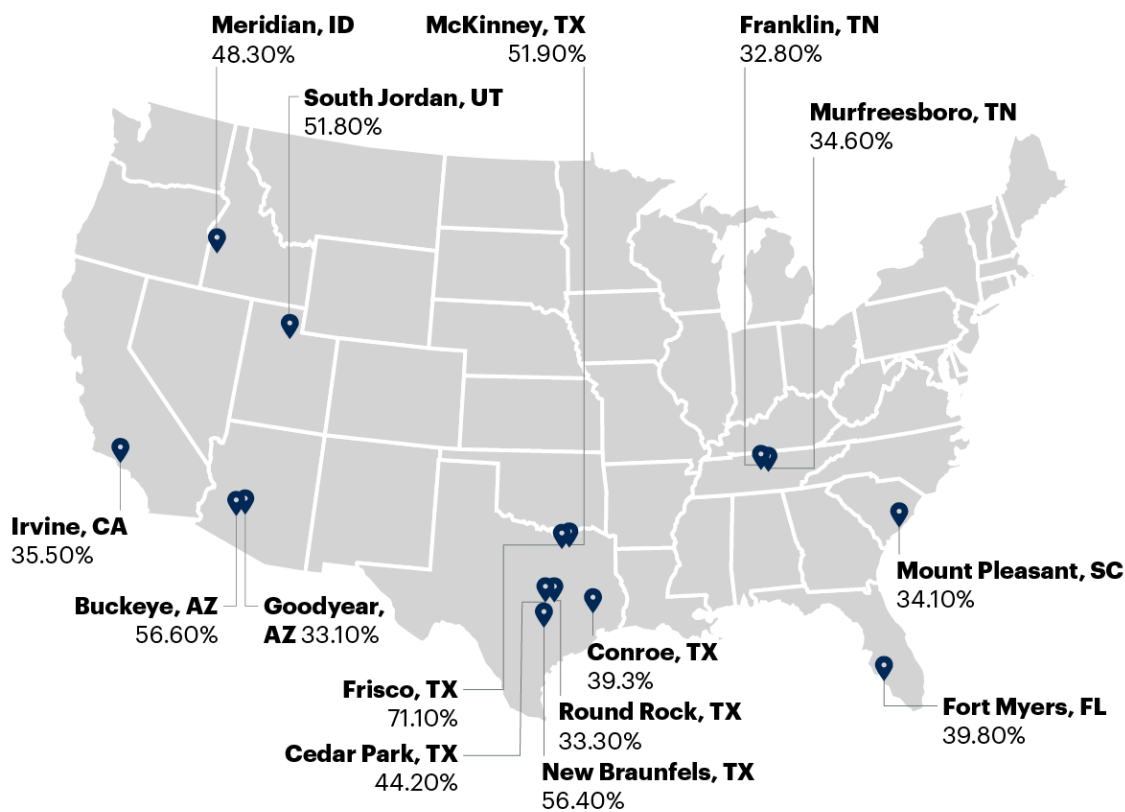| Support for Local Economic Development	Regional Collaboration to Scale Smart City Initiatives	Expanded Needs of Smaller Jurisdictions
New funding from the federal government will complete local government smart city initiatives.	The relocation of people to suburbs and smaller cities will result in collaboration between neighboring communities on smart city efforts.	The smaller communities expect vendors to bring in ecosystem partners to address end-to-end implementation, as needed.

Source: Gartner
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Market Trend

Population migration in the U.S. will result in greater opportunities for technology and service providers serving small and midsize cities over the next five years (see Figure 1). However, these local governments have needs for smart city initiatives that are different from that of many large cities, such as end-to-end engineering on a traffic management system, and see different opportunities, such as downtown revitalization projects. Additionally, the new residents of these communities are looking for an improved quality of life, such as less traffic congestion or improved air quality, which can be enhanced through smart city initiatives.

Figure 2: Top 15 Fastest Growing Cities in the U.S.

Top 15 Fastest Growing Cities in the U.S.

Meridian, ID
48.30%

McKinney, TX
51.90%

Franklin, TN
32.80%

South Jordan, UT
51.80%

Murfreesboro, TN
34.60%

Irvine, CA
35.50%

Mount Pleasant, SC
34.10%

Buckeye, AZ
56.60%

Goodyear,
AZ 33.10%

Conroe, TX
39.3%

Frisco, TX
71.10%

Round Rock, TX
33.30%

Fort Myers, FL
39.80%

Cedar Park, TX
44.20%

New Braunfels, TX
56.40%

Source: Gartner
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Budgets are smaller in less populated cities, as compared with New York or Houston as an example. Yet, the needs are prevalent, if not more significant, in these communities to manage challenging topics, such as transportation and transit, homelessness, water and sewer, and economic development. Small and midsize cities may not have the technical expertise or capacity to deliver all aspects of a smart-city-related project. So, they will be more inclined to seek providers that can bring a set of ecosystem partners to initiatives to complete the necessary team for implementation and support.

Technology and service providers (TSPs) leading smart city solutions must develop offerings aligned with the needs, priorities and capabilities of small and midsize governments (see Figure 2). TSPs should maximize opportunities related to data and the Internet of Things (IoT) by including anything as a service (XaaS), managed services, cybersecurity and packaged data-driven solutions.

A Focus on Economic Development Will Drive Small and Midsize Cities' Smart City Initiatives

Economic recovery and spurring growth in the wake of the COVID-19 pandemic are primary objectives among government leaders throughout all tiers of government. Local government leaders see smart city initiatives as a means to driving economic growth through fostering local startups and making their cities more attractive to businesses. The federal government has already approved funding for expansion of broadband, and additional funding is proposed in the pending infrastructure bill, a portion of which could be used by local governments to invest in smart city initiatives.

To grow their businesses, TSPs must:

1. Narrow the focus of their offerings and provide turnkey solutions to solve particular priorities of a city (see Build Targeted Product Strategies by Segmenting Opportunities Based on Smart City Execution).

2. Link solutions to benefits for residents and businesses. Where possible, tie solutions to direct value statements about improving efficiencies; achieving objectives and outcomes, such as community resilience, economic opportunity or environmental quality; or reducing costs.

3. Where possible, establish local partnerships to demonstrate a commitment to the growth of the community.

Regional Efforts Related to Smart City Initiatives Will Result in a Greater Amount of Collaboration Between Communities

Small and midsize cities frequently collaborate with neighboring jurisdictions, as significant challenges, such as transportation, environmental issues and public safety, seldom end at political boundaries. This collaboration can extend to smart city initiatives, [3] enabling the communities to share resources, expertise and risks in developing an intelligent urban ecosystem. These projects provide significant opportunity for providers focused on the small and midsize city market, due to the scale of these projects and related projects that spin off of the original project.

Small and midsize cities may not have the technical expertise or capacity to deliver all aspects of a smart-city-related project.

These regional efforts require a concerted governance effort, which frequently requires an increased amount of engagement from providers, starting with the procurement phase and throughout the implementation's life cycle. Trust among the partners in a regional effort is absolutely essential. Providers can foster trust among regional partners by promoting transparency in the decision-making process and the value and risks of the initiatives.

To grow their businesses, TSPs must:

1. Establish a strategy for multijurisdictional engagement that can sustain consistent messaging, support the varied needs of decision makers and program leaders, and aid in aligning funding strategies.

2. Assist regional smart city efforts in identifying resources and capabilities within the various jurisdictions that can provide regional shared services for the initiative.

3. Transparently engage the regional governance effort by establishing a central source of information-sharing related to decisions made and risks and value of the initiatives.

Small and Midsize Cities Implementing Smart City Initiatives Will Look for Providers That Can Bring an Ecosystem of Partners

The capabilities and resources that small and midsize cities bring to a smart city initiative will vary significantly. Providers need to establish an ecosystem of partners that can supplement and complement the city's resources and enable the cities to expand or shift projects as priorities change or grow. The need for these partners will be more important for regional efforts, as communities may have a common set of goals related to the region's smart city initiatives, but individual participating communities may see other opportunities present themselves.

A Gartner survey shows that 45.8% of respondents identify insufficient depth or breadth of digital skills as a top impediment to adoption and implementation of digital solutions. [4]

Small and midsize cities may share existing resources, such as a civil engineer or geospatial capabilities. [5] Providers should engage leaders to understand what, if any, shared resources are utilized and who is the individual responsible for those resources. Understanding the skills and capacities of shared resources enables providers to develop more-complete plans for an initiative.

Cybersecurity is an area of particular importance to cities, as attacks, particularly ransomware attacks, continue to grow. Small and midsize cities, as with other local governments, are prioritizing the development of cybersecurity skills. [6] Providers and ecosystem partners should be prepared to address city leaders' cybersecurity concerns and deliver additional value to the city by engaging in knowledge transfers and skills development for city IT staff.

To grow their businesses, TSPs must:

1. Establish or participate in an ecosystem or ecosystems of partners that can provide a full set of technical and data capabilities and resources to maximize their ability to respond to smart city opportunities from small and midsize governments. Focus efforts on interoperability through the adoption of international standards and sustainable business models, including public-private partnerships. Establish clear responsibilities and decision paths related to execution and problem resolution.

2. Enhance growth opportunities for partners by working with city leaders to identify where adjacent technologies or data analytics could address other community priorities.

3. Develop a list of shared resources relevant to a smart city initiative to ensure adequate skills and capabilities are available or can be provided by partners.

Evidence

[1] Pandemic Population Change Across Metro America: Accelerated Migration, Less Immigration, Fewer Births and More Deaths, Brookings Institution.

[2] For the purposes of this research, "small and midsize cities" represent those with a population of less than 500,000.

[3] Twenty-three communities in upstate New York State used a regional collaboration to procure intelligent street pole capabilities, including lighting and other smart city solutions, from CIMCON in December 2020.

[4] Gartner's Digital Transformation Divergence Across Government Sectors Survey was conducted online from April through May 2021 to understand how the digital impact and benefits were being "scaled" in government sectors. The survey was developed collaboratively by Gartner analysts and the Research Data and Analytics team. There were 166 respondents from government organizations based in North America, EMEA and Asia/Pacific:

- Ninety-three percent of respondents were leaders or members of the team responsible for the adoption and implementation of digital solutions in the organization. The remaining respondents were familiar with the program but not directly involved.

- Forty percent of respondents represent national or international organizations; 25% represent state or provincial government organizations; 27% respondents represent local governments, municipalities or cities; and the remaining respondents represent county-, region- or district-based organizations.

Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect sentiments of the respondents and companies surveyed.

[5] As an example, GIS of Larimer County, Colorado, provides a shared service to a number of municipalities in the county.

[6] In Public Technology Institute and CompTIA's 2021 State of City and County IT National Survey, local governments identified closing the cybersecurity skills gap as a top priority.

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