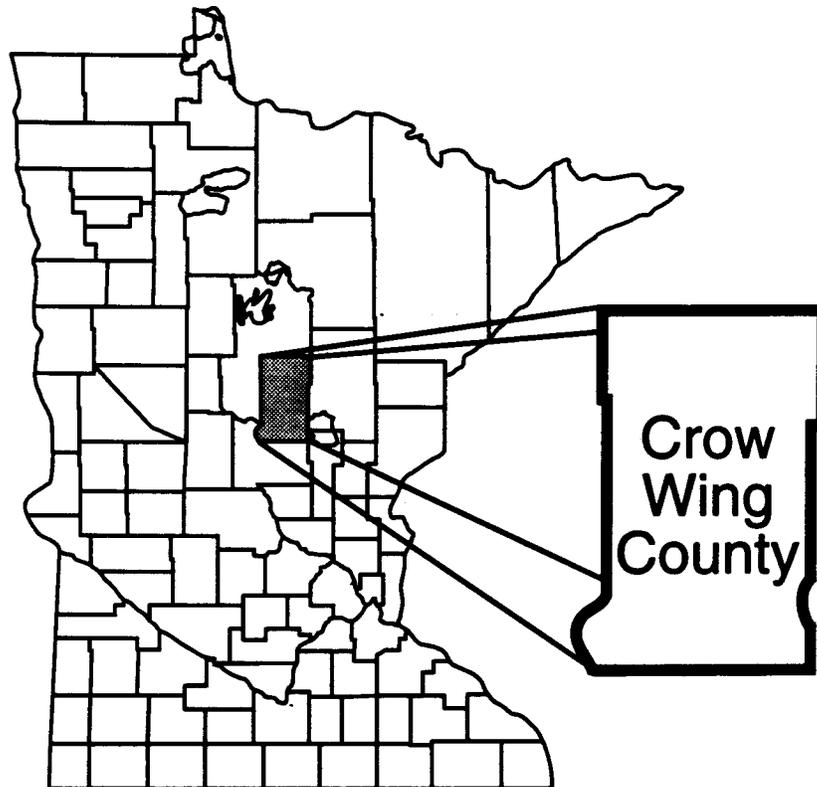


EXECUTIVE SUMMARY**Crow Wing County Tourism
Business Retention and Expansion
Strategies Program 1994****State Sponsors:**

Minnesota Department of Trade and Economic Development
Minnesota Extension Service/University of Minnesota

Local Sponsors:

Bait Box Marina, Beacon Shores Resort, Black Pine Beach Resort
Brainerd Lakes Area Development Corporation
Brainerd Lakes Area Chamber of Commerce
Brainerd School District
Brainerd Technical College/Small Business Development Center
Carl Advertising, City of Brainerd
Crosby Chamber of Commerce, Crosslake Chamber of Commerce
Driftwood Family Resort, Echo Publishing and Printing, Inc.
First National Bank of Deerwood
Hay Lake Lodge, Inc., Herbergers
Minnesota Extension Service/Crow Wing County
Northern National Bank
Pequot Lakes Area Development Corporation
Pequot Lakes School, Pequot Lakes State Bank
Pine Terrace Resort
Sullivan's Resort and Campground

Crow Wing County Tourism Business Retention and Expansion Program - 1994

EXECUTIVE SUMMARY

GOALS AND PROGRAM LEADERSHIP

Goals of the BR&E Program: The Crow Wing County Business Retention and Expansion (BR&E) Strategies Program had the overall goal of helping the county's travel and tourism businesses to survive and grow. To identify primary concerns of the county's tourism businesses a sample of 64 firms were visited during the spring of 1994 by 51 community leaders.

BR&E Leadership Team: The following team coordinated the project:

Judy Whiteman, Coordinator -
CW Extension Service
Julie Despot, Extension
Mary Gottsch, Brainerd Lakes
Area Chamber of Commerce
Carol Ottoson, Crosslake Chamber
John Pierron, Hay Lake Lodge
Jean Sharp, Extension Comm.
Dee Sullivan, Sullivan's Resort
Debbie Veith, Small Business Dev.

Tourism Review Team: After the surveys were returned, they were analyzed and suggested recommendations were developed by the following team:

Dan Erkkila, UofM Tourism Center Central
Bill Gartner, UofM Tourism Center
Theresa Heiland, BR&E Strategies
Glenn Kreag, UofM Tourism Center
Cynthia Messer, UofM Tourism Center
Steve Markuson, MN Office of Tourism
George Morse, UofM Ag & Applied Econ.

Crow Wing BR&E Task Force: The following task force of community leaders met for a four-hour retreat on October 12, 1994 to review the research results and the

suggestions from the review team. After discussing the results and suggested recommendations, the group selected the recommendations which appear in this summary. This Crow Wing Tourism BR&E Task Force included:

Pete Anderson, Echo Publishing
Connie Christensen, Brainerd Chamber
Al Cottingham, Brainerd City Planner
Nancy Cross, Brainerd Community Action
Julie Despot, Extension Service
Tracey Fink, Extension Service
Mary Gottsch, Brainerd Chamber
Sheila Wasnie-Haverkamp, Brainerd
Lakes Development Center
Jim Kraft, Northern National Bank
Paul LeDuc, Congregational Pastor
Larrie Nelson, Pequot Lakes State Bank
Steve Molin, Brainerd Lakes Chamber
Bruce Montgomery, First Bank Deerwood
John Pierron, Haylake Lodge
Jean Sharp, Extension Committee
Dee Sullivan, Sullivan's Resort
Mike Swanberg, Nisswa State Bank
Dan Vogt, Brainerd City Administrator
Judy Whiteman, BR&E Coordinator

Volunteer Visitors: In addition to the above leaders the following community leaders also visited several firms:

Jay Blake, County Planning & Zoning
Arlene Buchite, Fifty Lakes City Clerk
Bob Carl, Carl Advertising
Bill Craven, The Stamp Cottage
Bob Furrer, K-Mart Manager
Bruce Galles, Upper Cullen Resort
Mitch Goldstein, First Am. Bank of Brainerd
Scott Hanson, County Planning & Zoning
Norm Howe, Retired retailer
Iven Huddala, Iven's On the Bay Restaurant

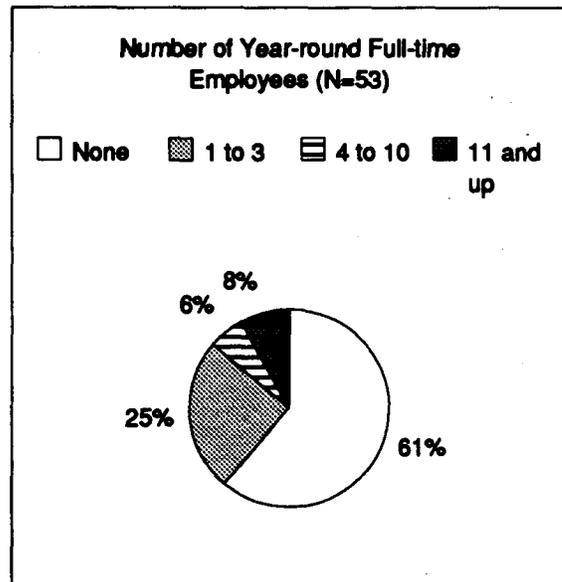
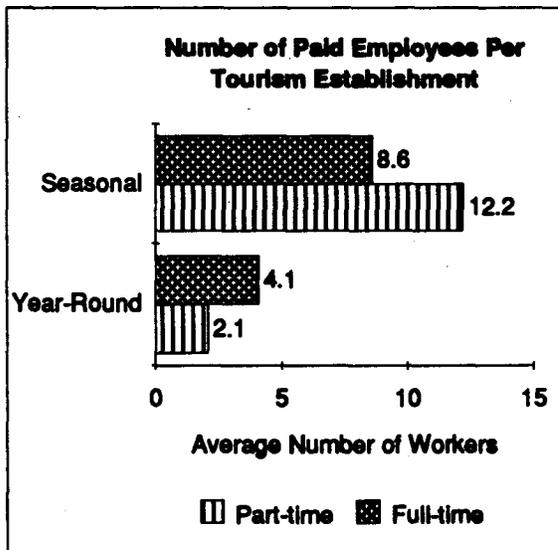
Tom Johnson, American National Bank
 Ed Larson, Mayor, Pequot Lakes
 Joanne Loch, Nisswa State Bank
 Bob Mitchel, Pine Terrace Resort
 Craig Oliver, Brainerd Technical College
 Jim Oraskovich, Principal, Pequot Schools
 Don Pfeffer, Brainerd Technical College
 Gary Phillips, Brainerd School District
 Kathie Phillips, Brainerd School District
 Keith Russel, Beacon Shores Resort
 Donna Sali, Writer
 Lunn Sharenbroich, Black Pine Resort
 Dr. Murray Smith, Chiropractor
 Tom Sura, First National Bank Deerwood

SURVEY RESULTS

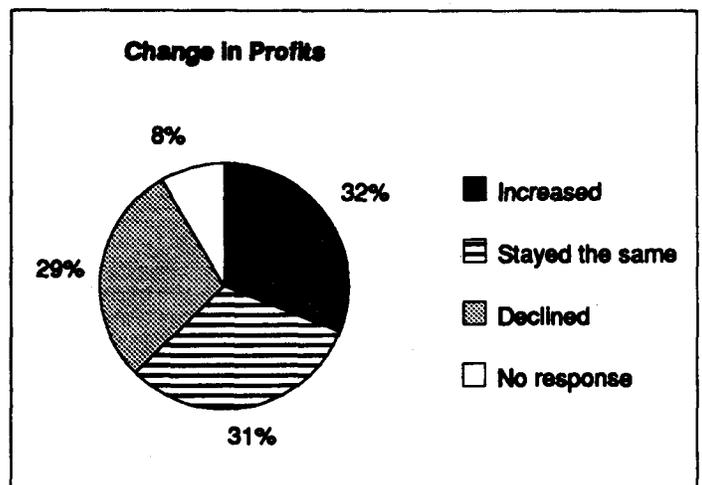
Survey highlights are presented in this summary. A workbook with the full details is available on loan from the Crow Wing office of the Minnesota Extension Service.

Response Rate: The response to this program was very good, with 62 percent of the firms in the sample completing the survey. Firms targeted for this study were in the lodging and tourist attraction area. This focus was necessary to keep the size of this initial project manageable. The majority of the sales from the firms visited came from lodging (58%), followed by recreational activities (23%), and then tourist attractions (9%). Camping, eating and drinking, and retail sales each had less than 5 percent of the sales.

Size of Operation: The firms visited were relatively small. The lodging firms had an average of 35 bedrooms. On the average, the firms employed just under three family members, 1.2 of these unpaid. The average establishment also employed four full-time people year-round, and another 2.1 people part-time year-round. Naturally, the largest employment impacts were seasonal in nature. On the average, these firms employed 12.2 percent persons part-time through the tourism season, and 8.6 percent people full-time during the season. Nearly two-thirds of the firms had no employees year-round on either a part-time or full-time basis. Over half (57%) of the firms had no full-time people, even on a seasonal basis.



Economic Health of Firms: The overall economic health of the firms visited is mixed. Roughly 1/3 of the firms increased their profits, 1/3 stayed the same, and 1/3 had declining profits during the past two years.



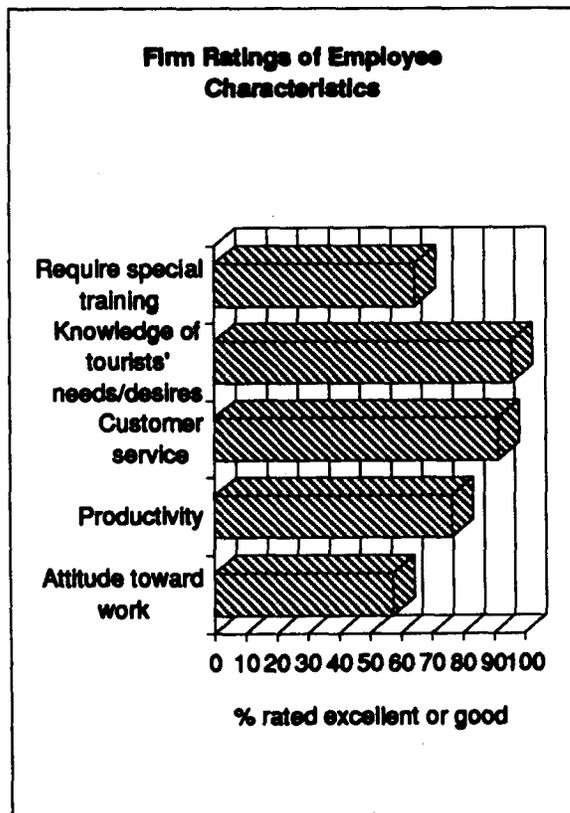
The respondents have an optimistic outlook for the next two years. Nearly seven times as many expected their profits to increase as those that expected declines over the next two years.

**SURVEY RESULTS FOR STRATEGY ONE:
Enhance the operational efficiency
of travel and tourism businesses.**

A firm's survival depends on earning profits; that is, in having total sales higher than total expenditures. However, as reported earlier, almost one-third of the firms had declining profits during the past two years, and another one-third did not have increases in their profits. This section looks at steps which might be taken to increase tourism firm profits, i.e., enhance the markets and revenues of firms and to reduce the operating expenditures.

Research Results Related to Strategy One

Employee productivity and training - Travel and tourism is a service-based industry which depends upon repeat business and consumers' perceptions of the service provided. Yet, only 76 percent of the firms surveyed would rate their own employees as having excellent or



good customer service abilities. Further, only 57 percent of the firms felt that their employees had an excellent or good knowledge of tourists' needs and desires.

Constraints on renovation or expansion - Fifty-six percent of the tourism firms are considering renovating or expanding their buildings or facilities. Twenty-seven percent of the firms expect that this would add employees, averaging about six new jobs for each of those firms. Yet, these firms report that they face a number of constraints to their renovation and expansion plans. The most common constraint was planning and zoning guidelines (25%). This was followed by a perception that there were inadequate returns on these improvements (23%). Constraints which were mentioned less frequently were: government regulations, insufficient space for expansion, inability to get a loan, and environmental/pollution control.

**Constraints to Renovation or Expansion
of Travel and Tourism Businesses**

Type of Constraint	Percent*
Planning and zoning guidelines	25
Inadequate return on improvements	23
Government regulations	14
Insufficient space available for expansion	12
Inability to get a loan	9
Environmental pollution control	9
Insufficient time to arrange	8

*Based on N=64

Information needs - The 64 travel and tourism businesses visited are interested in receiving information on 99 items or 1.6 per firm. marketing planning information was requested by over one-third of the firms (34%), financial/computer management by over one-fourth (27%), tourism loan programs and financing programs by about one-fourth, and customer service training was requested by almost one-fifth of the respondents (19%).

**Information Needs for Travel
and Tourism Firms**

Type of Information	Percent
Marketing planning	34
Financial/computer management	27
Tourism loan program	25
Financing programs	23
Customer service training	19
Business plan development	16
American Disabilities Act	12

Task Force Recommendation: Sponsor Tourism Development Day - This special event, to be scheduled shortly after the season closes in the fall or just prior to opening, would introduce travel and tourism owners to a variety of sources of information that could help them to improve the operations in their firms. The day-long event would provide information on marketing planning, financial/computer management, tourism loan programs, financing programs, customer service training, and the other items.

Retail firms would be also invited to participate. The financing options might be done in four locations, each with a 1/2 session.

**SURVEY RESULTS FOR STRATEGY TWO:
Improve the government services and
regulatory climate for tourism industry.**

Government regulations are an essential part of a modern, complex economy. They protect the environment, the rights of minorities, and the property rights of existing property owners. However, they also increase the costs of doing business. And, when there is uncertainty about the requirements of the regulations, it can slow the process of renovating or upgrading facilities. This, in turn, leads to increased costs.

Government services also are essential both for businesses and private citizens. However, a balance between the prices paid for these

services (taxes) and their quantity and quality must be kept in mind.

Research Results Related to Strategy Two

Community services - The travel and tourism businesses were satisfied with many of the community services available in Crow Wing County. However, less than half of the respondents rated the following services as excellent or good: zoning/land use, day care, and bypass/traffic flow. However, even those services rated the best leave some room for improvement. For example, ambulance services and fire protection were both rated as excellent or good by 81 percent of the firms. This means that nearly 20 percent felt that they were fair or lower in their quality.

**Ratings of Community Services by
Travel and Tourism Businesses**

	Percent of firms	
	Excellent/ Good	Poor/ Very Poor
	Ambulance services	81
Fire protection	81	2
Recreational facilities	78	2
Elementary and secondary schools	78	2
Health care/hospitals	75	5
Police protection	70	8
Vocational schools	70	0
Higher education	66	2
Road maintenance	54	9
Building code	50	17
Zoning/land use planning	47	25
Day care	38	5
By-pass/traffic flow	34	23

Quality of Related Businesses - While this survey focused on the lodging places and tourist attractions, the quality of related businesses often impacts on the overall travel and tourism experience. Consequently, these firms were asked to rate the quality of these related businesses from the community in which their business was located or near to indicate whether they were strengths or weaknesses.

Tourist attractions and recreational services rated very high. However, lodging places, retail stores and eating/drinking establishments, while having an adequate

rating, showed some signs of weaknesses. Approximately one-fifth of the respondents rated lodging places, retail stores, and eating/drinking establishments as either uncertain or a weakness. The two items which firms clearly identified as problems were casinos and services (car rental, laundry, etc.). While more firms rated the casinos as a strength than as a weakness, 23 percent of the firms indicated that the casinos were a weakness, and 19 percent rated the services as a weakness.

Legislative Issues - When firms were asked about the legislative issues which they feel should receive the highest priority, revising workers' compensation was clearly the one that received the greatest support (Table 18). Over 70 percent of the respondents would favor some revisions in workers' compensation. This was followed by limits on the casinos entering the restaurant and lodging business, with 59 percent of the firms favoring this.

Task Force Recommendation: Establish Tourism Regulations Panel - Given the concerns about state and local regulations, the task force felt it would be useful for the tourism industry in Crow Wing County to develop a consensus on constructive changes in these areas. With the similarity in the issues facing neighboring counties, the task force would invite border counties to participate in this project.

SURVEY RESULTS FOR STRATEGY THREE: Marketing Crow Wing County Tourism

Expanding the sales of travel and tourism services in Crow Wing County is clearly one alternative means of improving firm profitability. Steps to expand sales can focus on two major efforts: (1) identifying new products and services within tourism to attract new types of customers or (2) promotional efforts to attract customers for current services. As the market for travel and tourism changes, exploring new niches may be equally as important as simply promoting those services which already exist.

Research Results Related to Strategy Three

Demographic trends provide potential opportunities for new tourism market niches as well as potential threats to existing tourism services. Areas which develop a reputation for serving these new opportunities before they become very popular are likely to capture the greatest market benefit.

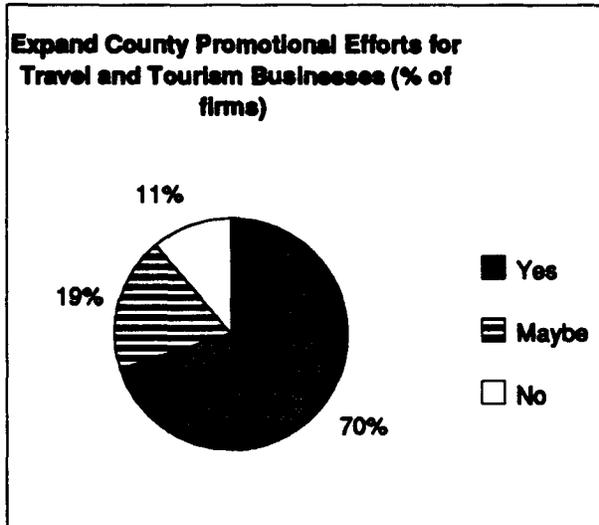
Crow Wing tourism businesses feel the greatest potential opportunity may come from the trend toward four-day work weeks, followed by the move toward more two-income families, the aging of the population, expanded land use planning, and the growth and seasonal homes (31%).

Major Trends Providing Opportunities	
	%
Four-day workweek	84
Added two-income families	84
Aging of USA population	42
Expanded land use planning	34
Growth in seasonal homes	31
Quieter snowmobiles	29

The greatest potential threat is viewed as year-round school proposals (72%), followed by promotion of other regions (61%) and more single-parent families (50%).

Major Trends Providing Threats	
	%
Growth of gaming casinos	41
Year-round school proposals	72
More single-parent families	50
New DNR cabins	34
Increased logging in county	45
Promotion of other regions	61

Seventy percent of the firms feel that the county needs to expand its promotional efforts for travel and tourism. Another 19 percent responded "maybe" to this question.



Current Advertising - The most frequently used means of advertising now are newspapers, followed by the yellow pages, and direct mail advertising.

Task Force Recommendation - Implement a Tourism Marketing Program for County
The task force will establish a committee to develop and implement an action plan for tourism marketing. As its initial step, this group will encourage local tourism businesses to establish new market niches based on trends in customer preferences. To help local businesses identify these trends and niches, this group will encourage participation in the 1995 International Outdoor Recreation and Tourism Trends Conference which will be held this spring in St. Paul.

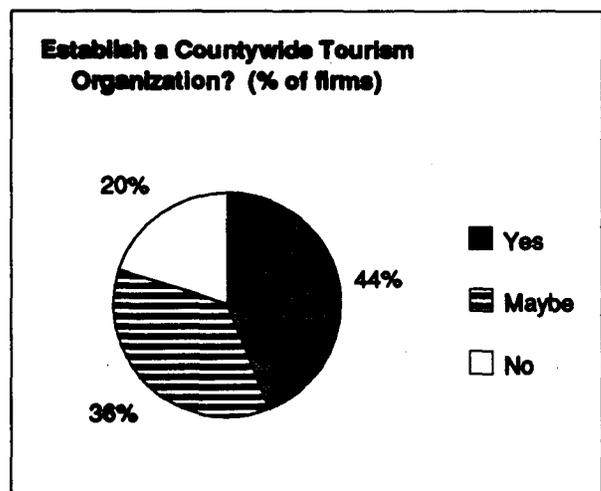
To effectively target the action plan, the committee will encourage the sponsorship of a customer preference study. This will identify the reasons that Crow Wing County is losing market share and the most effective means of changing this direction.

SURVEY RESULTS FOR STRATEGY FOUR: Develop countywide tourism organization.

Implementation of the other recommendations in this report will require the coordinated efforts of both travel and tourism businesses and local governments. With scarce resources, it's essential that the limited resources available in each of the communities be pooled to establish a high-quality, professional program. Further, countywide organization with a professional staff would make it easier for the organization to take advantage of the services provided by statewide organizations.

Research Results Related to Strategy Four

Eighty percent of the firms responded either "yes" (44%) or "maybe" (36%) to the question: "Should some type of countywide tourism organization be established to look at ways for reacting to the above trends that impact on Crow Wing county's tourism businesses?"



There are a wide variety of opinions on which means of paying for a countywide tourism organization would be most acceptable. While none of the options are clear-cut priorities at this time, all of them have at least 50 percent of the respondents who find them either acceptable or needing study.

**Financing Options for Tourism Organization
Found Acceptable or Needing Study**

	Acceptable	Needs Study
Room tax on lodging guests	27	31
Subscription fees by businesses	25	45
Membership fee in tourism organization	33	41
Fund-raising events	35	34
County sales tax	20	32

Task Force Recommendation: Study Alternative Structures for Countywide Coordinator - While the Task Force felt it was desirable to coordinate tourism efforts countywide, they also felt it was not feasible to start a new organization. Rather, they plan to enhance existing groups with representatives from areas without formal Chambers of Commerce. The task force would invite representatives from the U.S. Forest Service and the University of Minnesota Tourism Center to provide suggestions on alternative types of organizations. Both agencies have extensive experience with these types of organizations.

Task Force Recommendation - Study Regional Funding Mechanisms to Develop a Regional Tourism Organization The Task Force will ask the University of Minnesota's Tourism Center to provide information on the advantages and disadvantages of alternative funding sources. The task force would establish a blue ribbon committee to explore these and to report to the community.

The potential of developing a regional tourism organization that includes closely related areas will be explored.