Final Report Of The Mississippi Valley Partners Tourism Business Retention And Expansion Survey

Sustaining Vintage Village Tourism

Priority Strategies

MINNESOTA EXTENSION SERVICE
UNIVERSITY OF MINNESOTA

Sustaining Vintage Village Tourism

Priority Strategies

TOURISM AND TRAVEL
BUSINESS RETENTION & EXPANSION STRATEGIES PROGRAM
1996

by

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TOURISM CENTER

Mississippi Valley Partners is a rural tourism coalition whose purpose is to help travel and tourism businesses in 12 Minnesota and Wisconsin towns bordering the beautiful "bluff country" of the Mississippi River valley surrounding Lake Pepin (Bay City, Maiden Rock, Stockholm, Pepin, Nelson, Alma, Kellogg, Wabasha, Reads Landing, Camp LaCupolis, Lake City, and Frontenac).

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EXECUTIVE SUMMARY

Leaders within the Mississippi Valley Partners (MVP) organization initiated plans late in 1995 to undertake a tourism business retention and expansion (BR&E) program in the 12-community, two-state MVP area with the recruitment of a task force. In early 1996, volunteer visitors were recruited and trained to begin the on-site visitation and survey of 105 identified tourism and travel businesses in the MVP region. In all, eighty-two firms responded by accepting an invitation to be visited and complete a survey.

This report presents six priority projects in three broad strategies that will be undertaken to help existing tourism and travel businesses to survive and grow. The specific objectives of the project were to:

- illustrate the economic importance of the travel and tourism industry to the MVP area;
- demonstrate the area's appreciation to our tourism businesses for their contributions to our local economy; and
- develop action plans to remove obstacles for continued and balanced growth of the MVP area's travel and tourism industry.

A tourism strategies panel was convened in May 1996 to review the results of the survey. This group formulated strategies and suggested actions, based on their own experience, expertise, and knowledge of the MVP area. The MVP Task Force set the following priority projects:

Strategy 1: Enhance organizational effectiveness for successful execution of tourism programs.

- *Priority Project 1:* Evaluate organizational funding options and the structure needed to attain the stability of resources to meet the organization's mission.

Strategy 2 Refine and direct marketing of the MVP area.

- *Priority Project 2:* Take greater advantage of, and follow through with, "freebie" marketing opportunities, like public TV/radio, magazines articles (via travel writers), media mailings, etc.
- *Priority Project 3:* Increase cross-marketing among MVP members (i.e., the active and deliberate passing on of customers to other MVP businesses through referrals, discount coupon offerings, etc.).
- *Priority Project 4:* Do more packaging of products.
- *Priority Project 5:* Put more efforts into target marketing.

Strategy 3: Build an understanding of tourism's importance.

- *Priority Project 6:* Develop a better public understanding of the impact of tourism on the economy.

SURVEY RESULTS

Survey Participants

The Mississippi Valley Partners had an outstanding response rate of 78 percent to the survey conducted in early 1996. Of the 105 identified businesses, 82 firms opened their doors for the on-site interviews.

Figure 1 shows the location of these firms across the MVP area and Table 1 reflects the nature of their businesses in terms of gross sales. Nearly one-third had gross sales from some sort of retail activity, while businesses with lodging and/or food service were a close second with nearly 20-percent of the firms reporting.

Table 1. Gross sales from tourism services for surveyed firms.

Type of Service	Percent Responding
Antiques	6%
Lodging	21%
Camping	3%
Retail	32%
Food	19%
Marinas, etc.	7%
Attractions	3%
Other	10%

Business Sales and Size of Operation

The average number of sleeping units was 17 for those firms whose business included sales in lodging. Surveyed firms reported gross sales derived from a variety of tourism services, including: retail (32%), lodging (21%), food (19%), and other (10%). Sales from marinas, antiques, camping, and attractions were each reported by fewer than ten-percent of surveyed businesses.

Tourism businesses in rural settings tend to be small operations. For example, of the MVP firms surveyed that have lodging as a component of their sales, 25% had three or less sleeping units and nearly half had between four and fifteen. On a full-time basis, firms hired

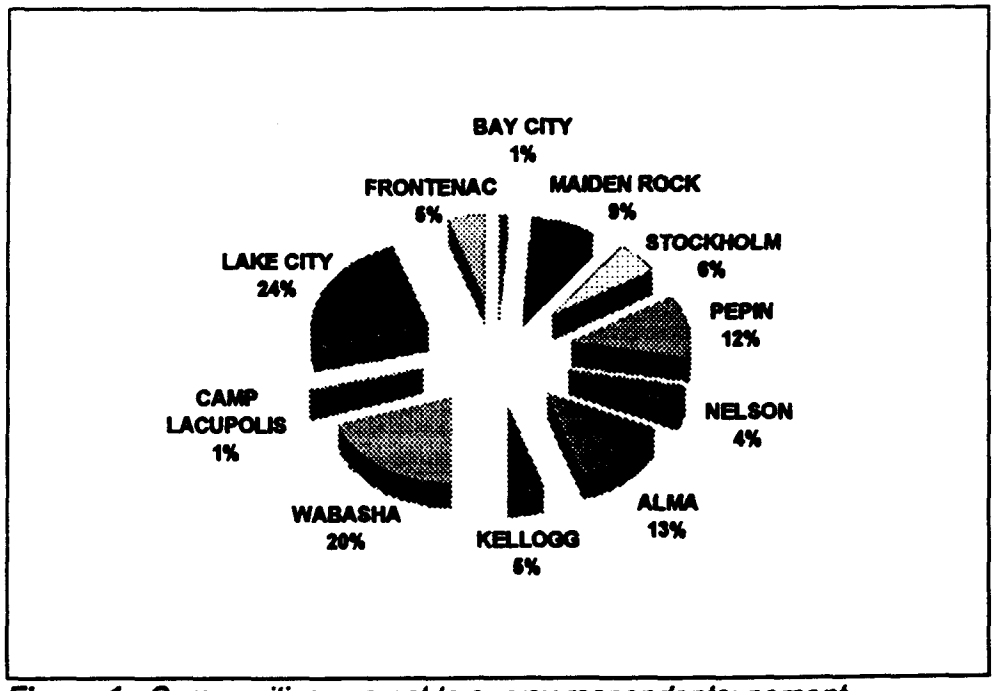

Figure 1. Communities nearest to survey respondents: percent responding.

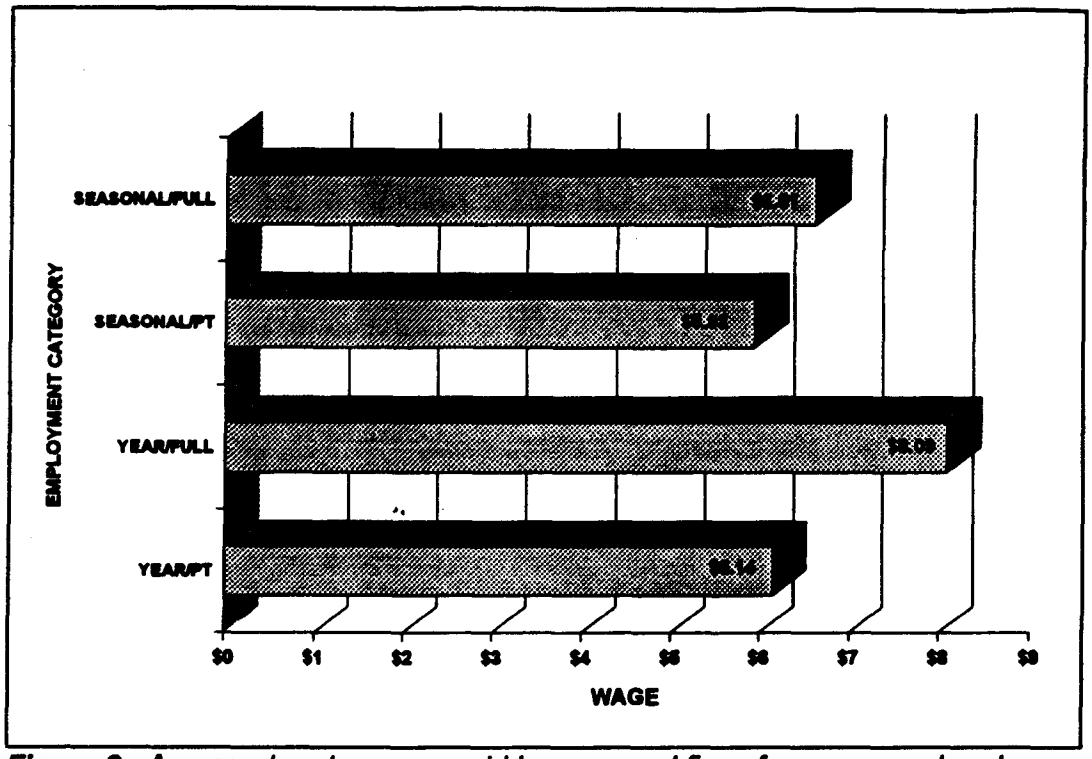

Figure 2. Average hourly wages paid by surveyed firms for year-round and seasonal employees, full and part-time (1996).

an average of 6 seasonal and 7 year-round people. Fifty-eight percent of the firms said they had one or more unpaid family employees. Students are a significant component of seasonal staff at surveyed firms. On average, MVP businesses hire 2.6 high school students and 2.3 college students yearly.

Economic Health of Businesses

Tremendous growth is indicated in the MVP region, as a majority of firms said they had significantly increased every business factor (i.e., customer numbers, sales, profits, employee numbers) over the last two years as compared to those who reported a decline. For profits, 59 percent saw an increase, nearly one quarter said profits stayed about the same, and 17 percent saw a decline. For those firms responding, a sizable increase in the number of employees was reported when compared to those reporting a decline (e.g., 16 percent saw an increase in full-time staff compared to 8 percent reporting a decline). A majority reported, however, no change in employees over the two-year period.

Respondents are optimistic about the future for the next two years. Seventy-seven percent see their number of customers increasing, four out of five see total revenues on the upswing, and over three fourths see their profits going up. Most expected the number of employees, both full and part-time, to remain the same.

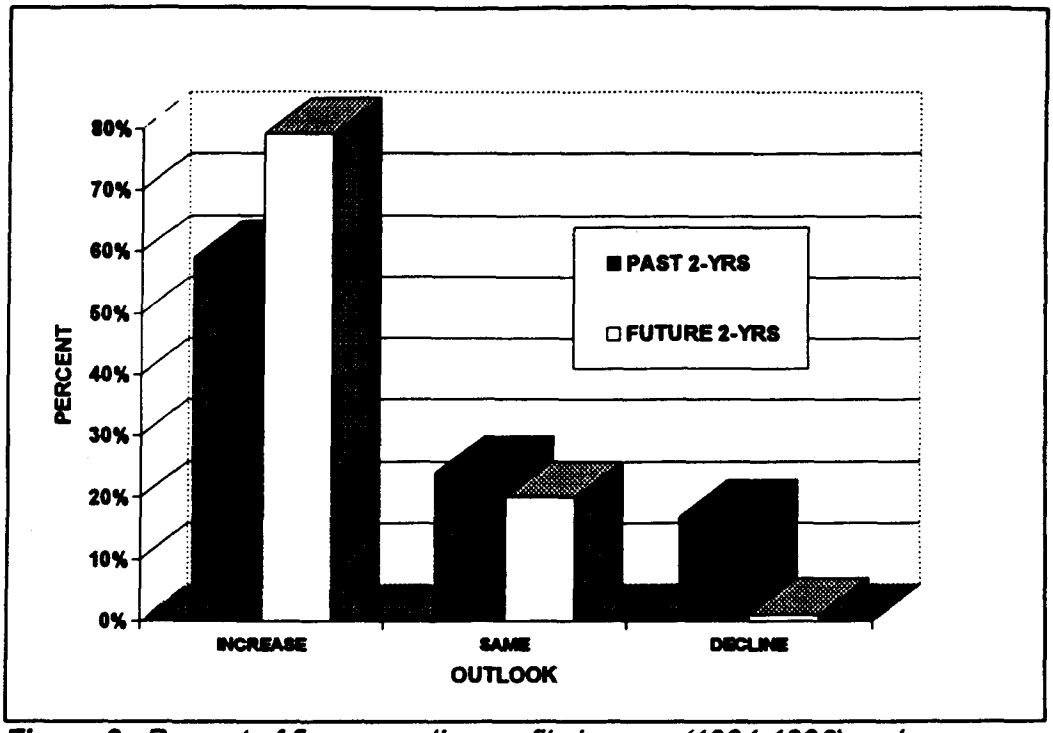

Figure 3. Percent of firms reporting profit changes (1994-1996) and expectations of profits in future (1996-1998).

STRATEGY 1: Enhance organizational effectiveness for successful execution of tourism programs.

Enlarging the opportunities for MVP tourism businesses, including the economic opportunities that can spin-off to communities and non-tourism businesses, will require an organization capable of addressing the collective needs of all "players." Further, successful implementation of any or all of the described suggested recommendations will require the coordinated efforts of tourism and non-tourism businesses, as well as local governments. With greater local collaboration, MVP will be better positioned to work with state and other organizations to enhance the area's image as a year-round destination area.

An effective organization is key to successful programs; it serves the collective needs of the area's tourism and travel businesses. "Through the organization, ideas are examined and tested, problems are identified and solved, efforts are coordinated, themes are developed, and cooperative activities are implemented to extend the abilities of a group of individuals or businesses to reach common goals."[2] Just as Mississippi Valley Partners has grown, the marketplace in which it operates has also changed. It is appropriate from time-to-time to evaluate the effect of a changing external environment on the organization, its membership, and its operational effectiveness.

[2] Minnesota Extension Service, 1991. *A Training Guide for Rural Tourism Development.* University of Minnesota, Tourism Center. Publication No. CD-MI-5668. St. Paul, MN.

Organizational Activities and Funding

In every case, surveyed firms wanted to expand promotional and related activities, rather than to reduce them. High on the list (more than 50% responding) involved distribution of the MVP lure brochure and travel guides, development of a 12-town festival and Internet home page, and creation of 1-800 service for lodging and events.

The only clearly agreed upon means for paying for increased organizational activity was an expanded membership base (94%). Most other methods were referred for additional study or rejected outright (Figure 4).

✓ **Priority Project 1.** Evaluate organizational funding options and the structure needed to attain the stability of resources to meet the organization's mission.

Rather than "reinventing the wheel," MVP will study other locales (similar geographic or political boundary situations) for organizational funding alternatives and how they may fit MVP. Some of the more typical funding sources [2] include:

- ➞ Organization dues
- ➞ Voluntary contributions
- ➞ For-profit business operations
- ➞ Retail sales
- ➞ Festivals & events
- ➞ Advertising sales
- ➞ Donations & gifts
- ➞ Grants & matching funds
- ➞ Local government
- ➞ Sales taxes & other levies
- ➞ Lodging taxes
- ➞ Food & beverage taxes

An evaluation of the potential for corporate (e.g., utilities) or foundation support, for example, may find that an appeal for funding relating to community "economic development through tourism" fits a grantor's goals.

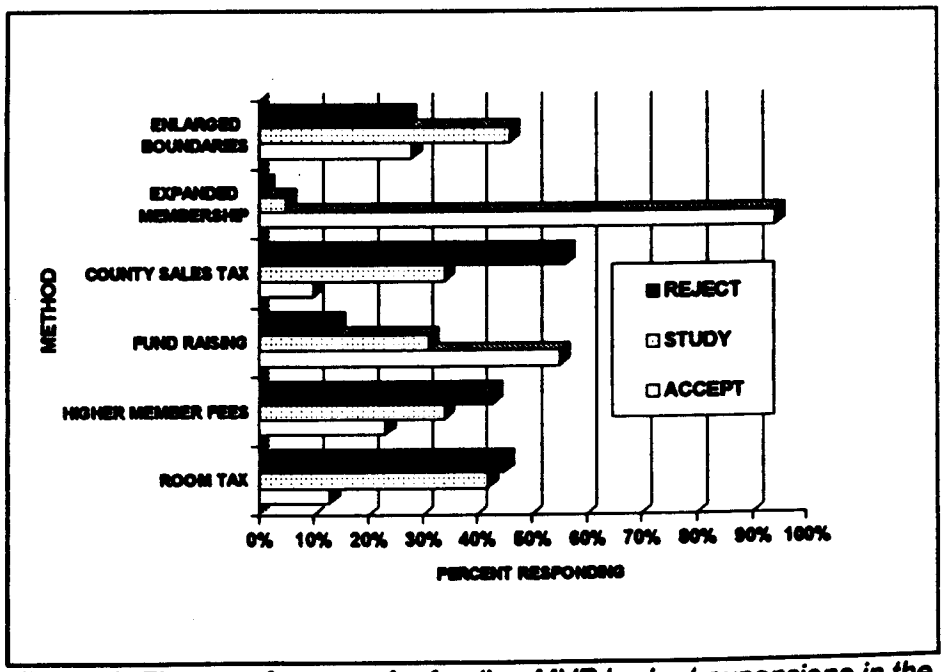

Figure 4. *Firms preferences for funding MVP budget expansions in the future.*

A critical piece of the sustainable funding issue is to ensure that the organizational structure can adequately manage the identified funding process. For example, if grants are to be used, who will do the grant writing? Who and how will the grant be managed (i.e., accountability)? Can volunteers handle this or is a paid staff needed to administer the system? These are strategic issues that the organization must address.

STRATEGY 2: Refine and direct marketing of the MVP area.

The role of marketing in successful tourism development cannot be overstated. Increasing sales of tourism products and services is one means to higher profits. Steps to increase sales can include: (1) identifying new products and services that bring in new customers (or old customers doing new things), and; (2) promotional efforts to attract customers for current goods and services. The tourism industry is in a constant state of flux in response to many changes, like those involving consumer tastes (demand) and the technology or infrastructure that delivers or facilitates delivery of goods and services (e.g., larger and faster airplanes, in-home reservation systems, etc.).

Business Environment

Sixty-seven percent of all firms said that the community in which their business is located is a good or excellent place to conduct business. On the other hand, nearly a third of all surveyed tourism-related businesses said their community needs an improved business climate. Nearly 60 percent said they were considering renovating or expanding their business and only 13 percent said "yes" or "maybe" when asked if they were considering closing their business.

Trends and Opportunities

National and regional tourism trends provide a source of opportunity for new market niches where future growth may be found. The responsiveness of MVP's tourism industry to such trends could place it in a position to capture greater economic gains. Factoring in the natural endowments of the area may delineate a competitive advantage for the region -- if the industry responds to trends and brings the customer to the product.

The trend of shorter, closer to home vacations was on the top of the surveyed firm's list (93%) as an opportunity to be capitalized upon. Closely behind were two-income families (87%), ecotourism, and interest in cultural/heritage tourism (both 82%). Most often cited threats to business growth were a perceived decline in travelers leisure time (77%), the increasing promotion of other regions (50%), more single-parent families, and the growth of gaming casinos (both 48%).

Customers and Promotion

Firms said that 55 percent of their customers are tourist from outside the region. This was followed by local (21%) and seasonal residents (9%) and business travel (8%). Thirty percent of these customers were believed to be from the Twin Cities area, while 20% were from within the MVP region. Fourteen percent were from outside the Minnesota/Wisconsin area.

Firms appeared to be most likely to gain insight about their customers from the use of direct observation (70%). Sixty-one percent said they had some sort of direct contact or interview with customers to learn more about them. Fewer used direct mail (27%) or response cards (21%) as customer research methods. Sixty-one percent of the lodging businesses said their customers stayed only one night. Non-lodging businesses said 58% of their customers were on day-trips.

The majority of surveyed MVP-area businesses spent less than $2,500 per year on marketing activities like advertising, customer surveys, etc. (Figure 5).

Over the past 3-5 years, businesses have also taken a number of actions in response to customer needs, as seen in Figure 6.

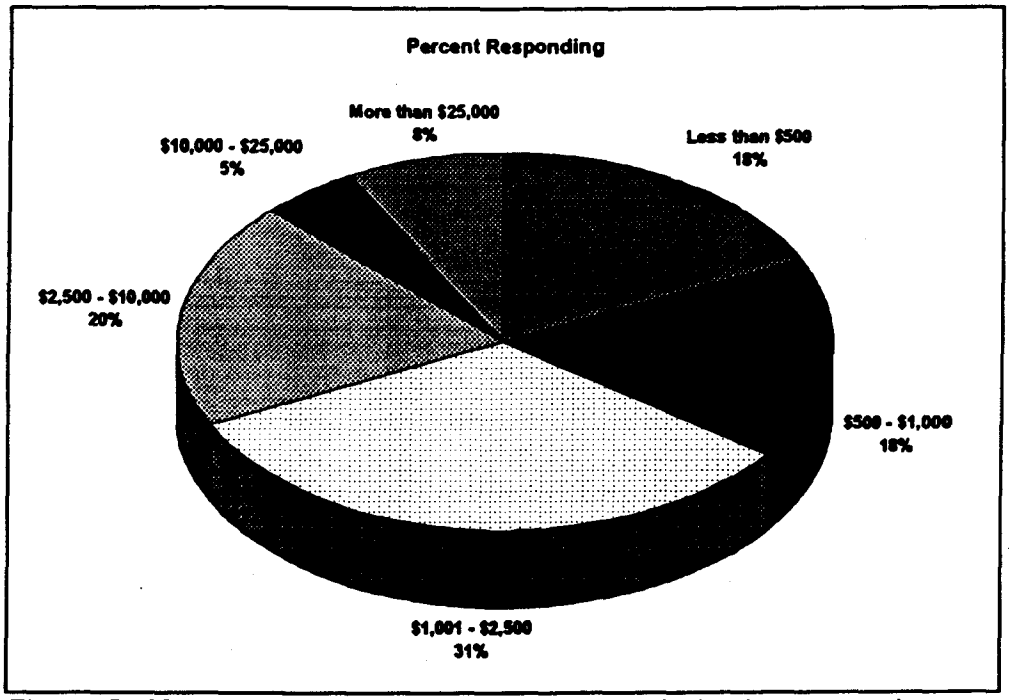

Figure 5. Money spent annually on marketing activities by surveyed tourism firms.

Tourism is a service industry that is becoming more and more dependent on service quality to ensure repeat business. Depending on the locale, employees may need a variety of skills to satisfy the needs of their customers. Nearly a third of the surveyed firms saw a need to send from 7-9 employees every year to classes on customer service and public relations. Emergency/first aid and food preparation were also high on the list of regular training topics employers wanted for their employees. When asked what additional information they desired, firms most often requested information on marketing and promotion (57%); customer service and computers (35%); financing programs (34%); and, financial management (29%).

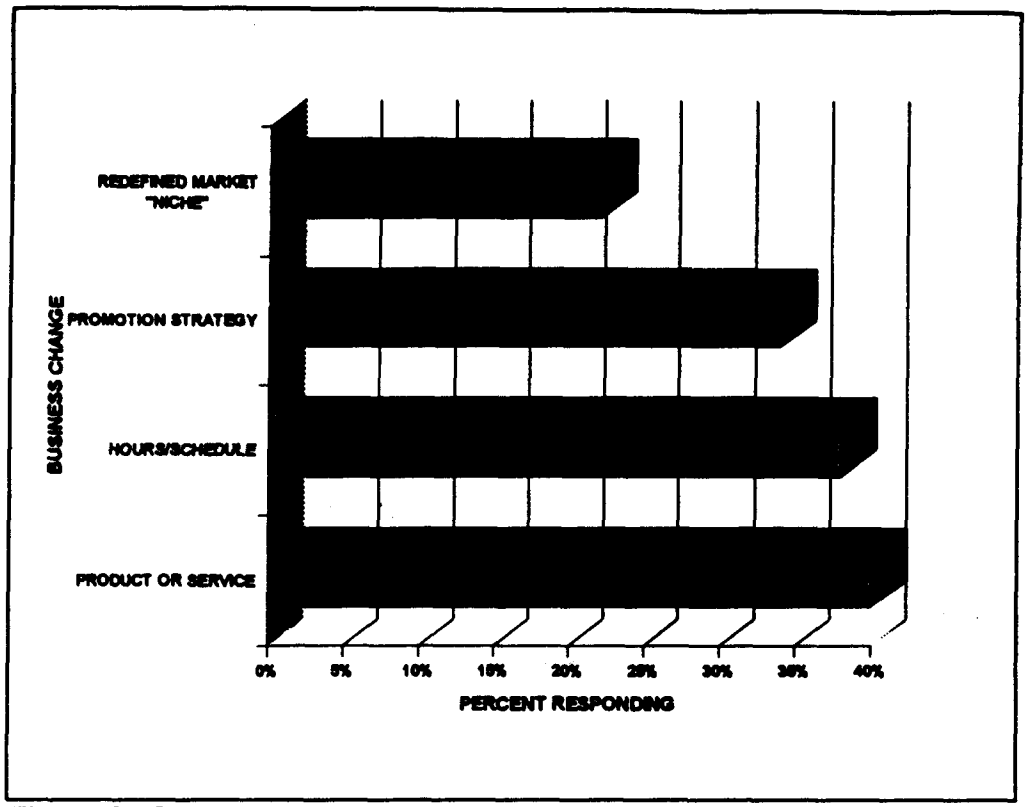

Figure 6. Business actions taken by surveyed firms in response to changing customer needs (last 3-5 years).

✓ **Priority Project 2.** Take greater advantage of, and follow through with, "freebie" marketing opportunities, like public TV/radio, magazines articles (via travel writers), media mailings, etc.

As marketing dollars get harder to find, organizations need to be more aggressive and "clever" in how they approach their marketing programs. The MVP committee working on this action will look at all media venues with an eye towards getting the story out on MVP. Messages about individuals and single businesses (e.g., human interest or environmental stories) can go a long way, for example, in conveying MVP's themes. There is likely to be an interesting story to tell about someone or something in the MVP area in every season of the year! The committee will look for a new angle and find a way to sell it!

✓ **Priority Project 3.** Increase cross-marketing among MVP members (i.e., the active and deliberate passing on of customers to other MVP businesses through referrals, discount coupon offerings, etc.).

The MVP committee on this project will look for any and all opportunities to keep visitors in the community in recognition that the work doesn't stop after MVP firms have gotten visitors into the community. They will explore collaborative measures to be

taken to keep and provide service to those visitors in the community for all of their needs – that is how the community builds on the economic impacts from tourism.

✓ **Priority Project 4.** Do more packaging of products.

Survey data suggests that MVP lodging facilities are not filling existing units up enough (a separate issue from the claim that new, additional lodging is needed). Packaging of existing facilities to expand occupancy during shoulder seasons, for example, are necessary. The MVP committee on this project will explore the following packing ideas:

- lodging with an event;
- lodging with recreational equipment (bike or boat rental);
- lodging with guided tour (e.g., ecological, natural, or agricultural sites);
- lodging with other service (e.g., boat tour);
- creation of new package activity (e.g., ag-tourism, lodging and fish fry or BBQ and square dance).

✓ **Priority Project 5.** Put more efforts into target marketing.

Marketing dollars are to hard enough to come by to "waste" on shotgun approaches – those aimed at a "perceived" market that has not been fully researched. A better understanding of MVP customers (i.e., who they are, where they come from and why they come to the area) will allow for marketing directly to them. Are they retirees who like to come in search for antiques? Then advertise in the places they are likely to be looking. What are the predominate zip codes they are from? Then mail directly to those postal areas. Help on the "how to's" of target and direct marketing techniques are available from state tourism organizations.

STRATEGY 3: Build an understanding of tourism's importance.

The tourism and travel industry is a relative newcomer in the eye's of many, even though it has been a powerful economic force in communities for years. What this says is that the nature of the industry, its economic impact on communities and regions, and its inter-relatedness to most main street business needs to be communicated to public officials, non-tourism firms, and the public at large.

Jobs

While accurate data on the economic impact of tourism is frequently hard to obtain at the community or even county level, surveyed firms were able to report their actual level of employment (Figure 7). These figures do not include all of the direct jobs that area "non-tourism" businesses provide because of the level of economic activity stimulated by a tourism industry in the region. The indirect jobs generated in non-tourism businesses that provide products or services directly to surveyed firms are also not included.

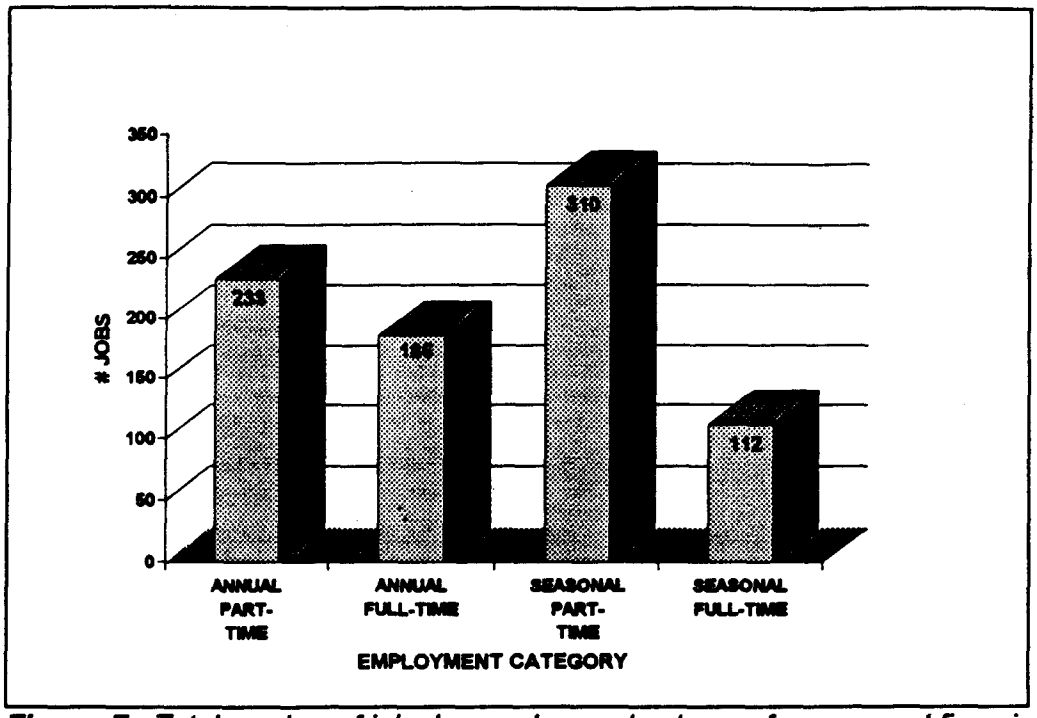

Figure 7. Total number of jobs by employment category for surveyed firms in the MVP-area.

✓ **Priority Project 6.** Develop a better public understanding of the impact of tourism on the economy.

Initiatives that assist tourism businesses grow and thrive will need wide support. This support can be enhanced by paying specific attention to helping those unfamiliar with the industry overcome their lack of understanding of what is projected to be the number one industry in the world early in the next millennium.

THE FUTURE

Prior to the organization of Mississippi Valley Partners, the Mississippi River was perceived as a divider: an ever-present demarcation of separate states, communities, and people. With the development and evolution of MVP has come a new realization that what once divided communities could become a focus for *coming together.* The mighty Mississippi River, as a natural endowment and resource, has forged new alliances bringing states, communities and businesses together.

A key goal of MVP is to promote tourism with an on-going commitment to environmental, historical and cultural appreciation. Striking a balance between enhancing local economies through tourism, while retaining the quality of life within these communities, is a critical requirement that MVP does not, and should not, take lightly. It is precisely the uniqueness of the area that both draws people to live as well as to visit. This places the tourism business-owner in a good position, as both resident and provider of touristic services, to strive for the balance that protects the resources of the area while generating livelihoods for area residents for years to come. The challenge becomes the creation of a sustainable tourism economy, one that improves economic conditions within the small towns along the Mississippi River. The desired outcome of such a challenge should be a rehabilitation of historic buildings, additional retail and food service options for visitors and local residents, and a larger tax base to pay for community services.

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12 Vintage Villages on the Mississippi River

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Kellogg, MN • Lake City, MN • Maiden Rock, WI • Nelson, WI • Pepin, WI
Reads Landing, MN • Stockholm, WI • Wabasha, MN