

**Lanesboro Area
Business Retention and Expansion Strategies Program**

Summary Report

December 1998

State Sponsors:

**University of Minnesota Extension Service
Department of Applied Economics
College of Agricultural, Food and Environmental Sciences**

Local Sponsors:

**City of Lanesboro
Independent School District 229
Lanesboro ACT
Lanesboro EDA
University of Minnesota Extension Service-Fillmore County**

UNIVERSITY OF MINNESOTA

Extension

S E R V I C E

Introduction

Community leaders in the Lanesboro area started this Business Retention and Expansion Strategies Program (or simply, BR&E) in February 1998. The program had three objectives:

- (1) To demonstrate the community's pro-business attitude and to express appreciation to local firms for the contributions they are making to the local economy.
- (2) To identify needs and concerns of the existing local businesses so that the local business climate can be improved.
- (3) To learn the future plans of the area's local firms with respect to retention, expansion, and/or relocation.

The program is sponsored locally by the City of Lanesboro, Independent School District 229, Lanesboro ACT, Lanesboro EDA, and the University of Minnesota Extension Service-Fillmore County.

Forty-two local citizens and leaders visited 61 firms to learn about their concerns, plans, and information needs. Once the survey was completed, the surveys were sent to the University of Minnesota and entered into a database. A panel of local representatives, state agency personnel, and University faculty reviewed the results and developed suggested actions for the Lanesboro area.

The local task force (listed on the inside of the back cover) met on October 29, 1998, to review the research report written at the University of Minnesota. At this meeting, 13 Lanesboro citizens reviewed what firms reported as their problems and opportunities and then established priorities on local projects to help address these.

The hard work of a lot of Lanesboro citizens made this program a success. The leadership team, the task force members, the visitors, and the firm owners put in an average of 50 hours, 20 hours, 10 hours, and 1 hour, respectively.

Brief Profile of the Lanesboro and Fillmore County Economy

From 1960 to 1970, Lanesboro's population dropped 20 percent from 1,063 to 850 and has remained between roughly 850 and 920 ever since. In recent years, that number has been closer to 850, and in 1996, the city's population was 851.

In contrast, Fillmore County experienced a 6 percent decline in population between 1980 and 1990. Since 1990, Fillmore County's population has grown about 0.7 percent, to 20,916 in 1996.¹

In Fillmore County, per capita income in 1996 was \$19,101, or 74 percent of the state average of \$25,699. The county ranked 64th in the state in per capita income, down from its 1986 rating of 39th. Between 1990 and 1996, per capita income in the county increased 24 percent, while Minnesota per capita income grew 33 percent.

¹ Population and household data up to this point in the section were provided by the Minnesota State Demographer's Office.

Earnings were a smaller percent of total income in Fillmore County (59%) than in the state (68%) in 1996. But transfer payments (social security, unemployment, and welfare) were a large percentage of Fillmore's 1996 income (22%) than for the state (14%).

Between 1990 and 1997, the size of the county's workforce declined 5 percent, from 10,303 to 9,782. Actual employment dropped 4 percent during that period from 9,814 to 9,412. The unemployment rate for the county went from 4.7 percent in 1990 to a high of 6 percent in 1993; then down to an eight-year low of 3.8 percent in 1997.

Firms Visited

Sixty-one firms were visited at their place of business. During each visit, a 15-page questionnaire was completed. The firms were selected by grouping each firm in Lanesboro into industrial categories and then randomly selecting firms from each category in proportion to the number of total firms in that group. The industries with the greatest percentage of firms were services, retail trade, agriculture, lodging, and restaurants.

Background on Firms Visited

The retail trade industry had the most full-time jobs (24%), followed by agriculture (21%) and then services (16%). Part-time jobs were most common in services (24% of total part-time jobs), agriculture (20%), restaurants (19%), and retail trade (17%).

Eighty-four percent of the firms began operation in the community.

Ninety percent of the firms were not a branch plant, satellite, or franchise (question 3). Most of the firms were sole proprietorships (40%), closely held

corporations (28%), or partnerships (15%). Only 3 percent were public corporations.

The firms were small ones with an average of 3.7 employees full-time in 1998. Only 55 firms reported at least one full-time employee, but this was up from 34 firms five years ago.

In 1998, 70 percent of the firms had two or less full-time jobs.

Of these, 14 percent had no full-time jobs. Twelve of the firms interviewed did not exist in 1993. This means that 20 percent of the firms didn't exist in 1993. Firms with no full-time employees fell from 27 percent to 14 percent during these five years. Those with one employee grew from 10 percent to 34 percent. Most of the other categories grew.

Fifty-six percent of the firms reported that their part-time employment was seasonal rather than year-round. As expected, the busiest season is the summer.

Overview of Business Retention and Expansion Strategies

Profits are the key to the retention and expansion of firms. While firm owners often are attracted to nice places to live, a firm can only survive if it makes a profit. Making a profit is the responsibility of the firm and not community groups or government. However, these groups can sometimes help firms become slightly more profitable. The projects outlined below can help firms become more profitable and, thus, survive and grow in the community.

In addition, the quality of life in a community has an important influence on location decisions. Improving the quality and efficiency of public services is one way of improving the quality of life.

Alternative Business Retention and Expansion Strategies

The following strategies will be examined, using the data from the firm surveys.

1. Helping firms learn about programs for increasing firm productivity.
2. Increase labor availability and productivity.
3. Expand firm revenues by helping them expand markets, products, or prices.
4. Provide greater value per tax dollar by improving public services.

Strategy 1: Helping Firms Learn About Increasing Productivity

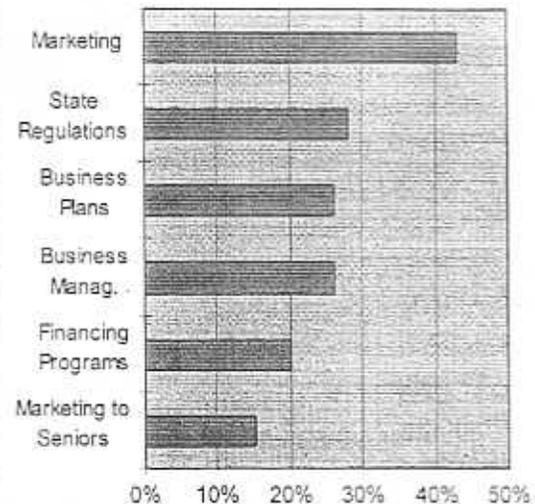
Overview of Strategy:

Profits depend on reducing the cost per unit and thus the overall costs. To reduce the cost of production per unit it is necessary to do the same job in new ways that either use more equipment, new management techniques, or new skills. This strategy aims to help firms learn about programs that could help them cut their costs and improve their productivity and profitability.

Related Survey Results: Firms in the Lanesboro Area appear eager to improve their productivity. Eighty percent of the firms requested information on one or more items. In total the firms requested information on 142 programs (2.8 per firm making a request).

Marketing strategies was the most frequently requested type of information (43% of the firms). This was followed by information on new state regulations, strategic business planning, business management, financing programs, and marketing to seniors.

Information Needs of Firms



Over two-thirds of the firms are willing for the Task Force to share their names with the state or federal agency that provides the information on the programs. Eighty-five percent of the firms, which had used state and federal development programs would recommend other firms in the area use them.

Firms rated every cost factor, including state and local taxes, as slightly less than for their direct competitors from other communities. For labor availability and other business factors, the firms also reported Lanesboro as slightly more favorable than competing communities. This suggests that Lanesboro does not have any competitive disadvantages.

Despite this good news, the Task Force felt there were several steps that could be taken to improve the community. The priority projects are listed below.

Priority Project #1:

Inventory of Available Space

The most common reason that firms were considering moving was due to overcrowded building. Yet, there are reports of considerable space that is not being used in the community.

An inventory of available space will be completed. Assistance will be provided to the owners of this property for setting a fair market price on the space so that it could either be sold or rented.

The Minnesota Department of Trade and Economic Development will be asked to help Lanesboro participate in their program for listing buildings and land available for sale or lease throughout Minnesota. It includes land, industrial, office, and retail space.

Members of this project team are: Vern Groen, Eric Thiss, Ken Graner, Brian Kranbeer, Donovan Lucus, Don Ward, and Nancy Martensen.

Priority Project #2:

Establish an Ongoing Red Flag Group

Fifty firms expressed interest in additional information. Twelve firms were considering either moving or closing. Quick responses in helping these firms locate the right information can save them time and money. A "Red Flag Team" is needed to respond to questions about where assistance can be found on specific issues. This will include the city, ACT, and volunteers from the business committee as well as BR&E Consultants, Department of Trade and Economic Development and Small Business Development staff.

This team will learn the basics of different types of programs--at least enough to be able to point business owners in the correct direction. They will ask the state agencies to help them on this aspect of the program.

Members of this team are: Hal Cropp, Steve Sarvi, Don Lucus, Tom Manion, and Elton Redalen.

Second Round Priorities: While only three projects were designated as the top priority projects, several others were identified for future work. In this strategy this included developing strong links to the Small Business Development Center in Rochester. This center provides one-on-one counseling, publications, and workshops.

Strategy 2:

Improving Labor Availability and Productivity

Overview of Strategy

Labor availability is a major problem in many areas due to the current low unemployment. Likewise, one of the most effective means of increasing profitability is to improve labor productivity. Higher labor productivity allows firms to pay higher wages which, in turn, reduces turnover and makes it easier to attract new workers.

Related Survey Results

Firm owners/operators were fairly pleased with the attitudes and productivity of their workers. Ninety-three percent of the firms rated their worker's attitudes as either excellent (56%) or good (37%). Likewise, they rated productivity high, with 94% as either excellent (49%) or good (46%).

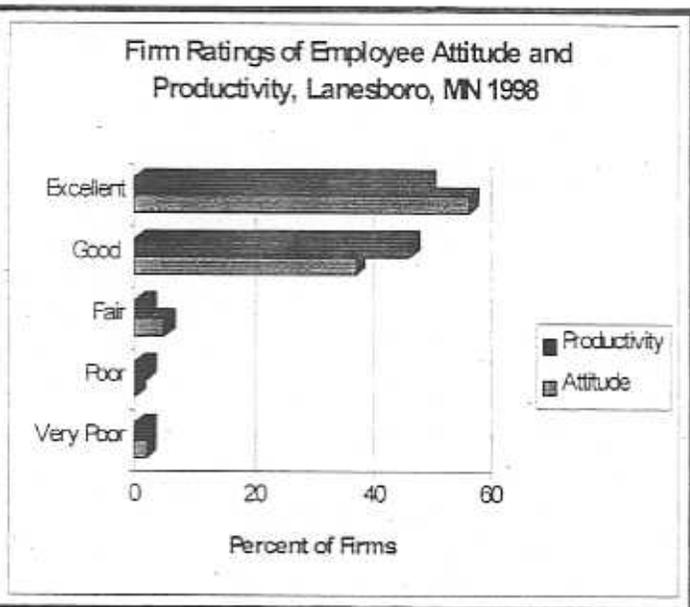
While 23 percent of the firms reported having trouble recruiting general labor and 14 percent had problems recruiting youths, most of the firms did not report problems in recruiting sufficient labor.

Overall, the 61 firms reported they expected to hire 69 additional employees.

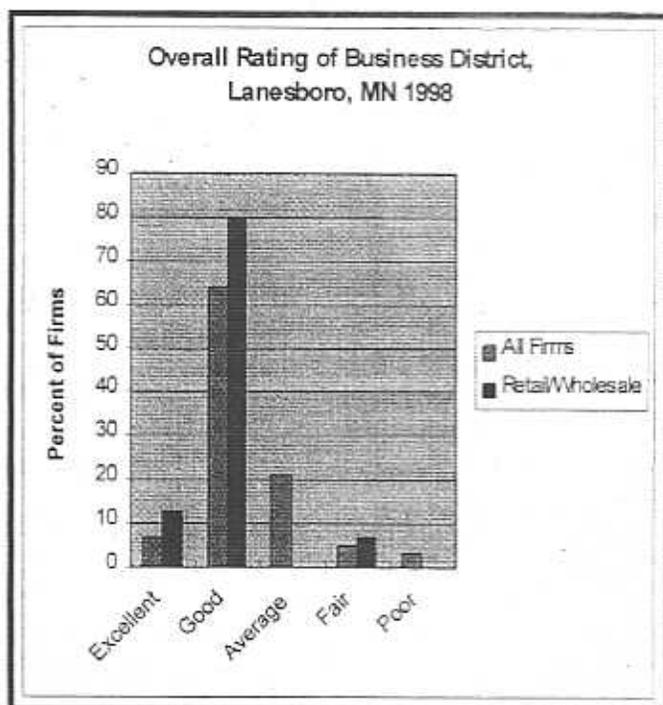
Strategy 3: Expand Firm Revenues

Overview of Strategy

Firms can expand revenues and profits in three ways. First, they can enter new markets or expand market share with their same products. Second, they can find new product lines or services to diversify their business and create greater stability. Third, they can find ways to sell products with greater margins. This strategy explores the survey results for opportunities to help firms do one or more of the above.



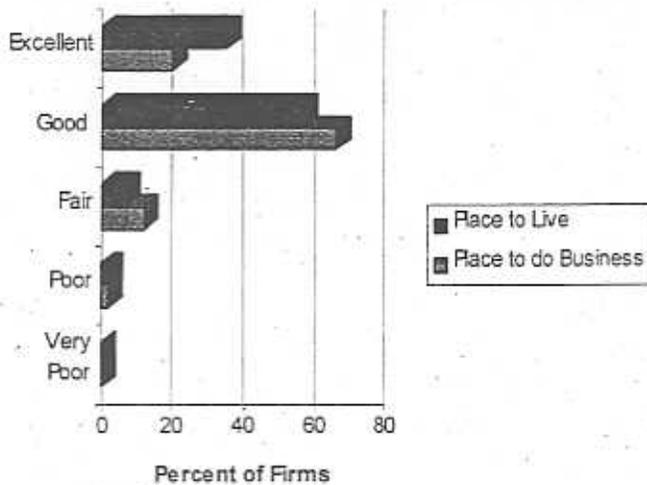
Potential Local Projects: The task force considered five potential projects related to labor issues. While there was support for many of these, the group realized that they must focus their efforts on a few projects and none of these were a priority at the present time. For details see the full research report.



Related Survey Results

Only 7 percent of all firms rated the overall atmosphere in the Lanesboro business district as excellent compared to 13 percent of the retail/wholesale firms. Likewise, 64 percent of all firms gave "good" ratings compared to 80 percent of retail/wholesale firms.

Overall Opinion of Lanesboro Area, 1998



Since many families have two wage earners, it is often difficult for a family to shop locally if the stores close at 5 p.m. Yet, it is difficult for stores to stay open if the volume of trade is too low to justify the additional costs. By coordinating store hours and promoting this heavily, it might be possible for the stores to open later on two or three days a week but remain open until 8 or 9 p.m.

This is only likely to be successful if many stores do it and if it is heavily promoted. The experiences in other small towns will be explored prior to proposing this program.

Members of this project team are:
Michael Jon Pease, Anne Schwichtenberg,
and Lori Bakke.

Second Round Priority Projects:

Since marketing information was the most frequently requested type of information, the group felt the Small Business Development Center in Rochester could be asked to provide assistance in developing seminars to bring to the community. These could be introductory sessions at lunch or a service club or longer ones.

Strategy 4: Improve the Quality of Life in the Area

Overview of Strategy: Profits might be necessary for a firm to survive and grow in a community but they are seldom a sufficient reason for many small business owners to locate in an area. In addition, the quality of life is a key factor in the location decisions of many firms. By quality of life, we mean the quality of the public and private services for daily living (schools, arts, roads, health care, etc.). To pay for the publicly provided services, taxes are necessary. Often the firms must compare the quality and quantity

Sixty-four percent of the business felt that additional parking is needed and 49 percent see the need for additional businesses which result in greater variety. While both of these are difficult to handle without major infusions of funding, several other items that received relatively high ratings do not. Almost one-third of all firms see the need for coordinated store hours. Interestingly, almost twice as many (57%) of the stores rate coordinated store hours as one of their top three priorities. If considering the top five priorities, almost two-third (64%) of the retail and wholesale stores checked coordinated store hours.

Priority Project # 3: Encourage Retail Stores To Coordinate Store Hours

While this has been discussed before, these survey results suggest that the time is ripe to attempt this again.

The advantages of coordinated hours are that customers are more likely to shop locally if they know when the stores are open.

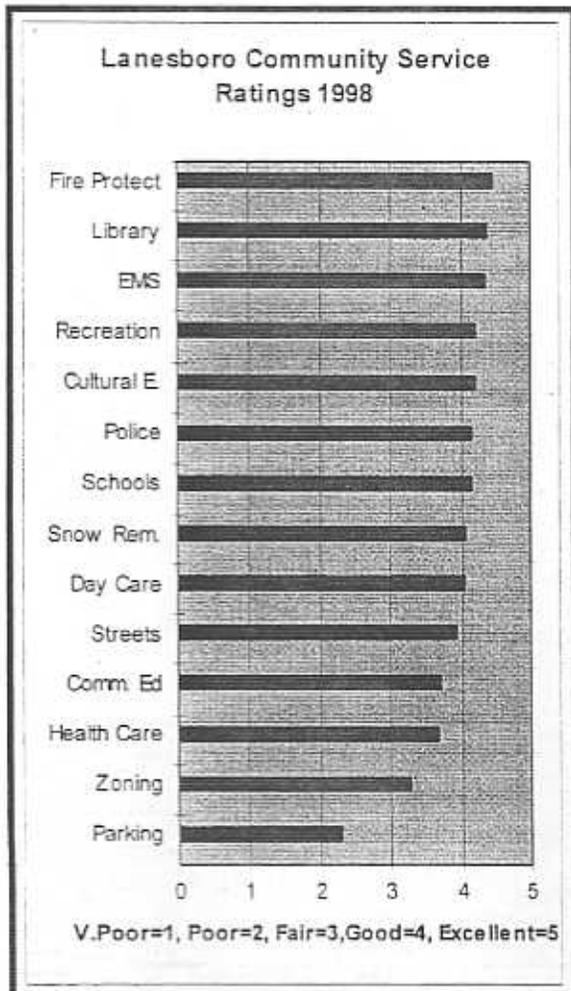
firms must compare the quality and quantity of services to the taxes paid and ask themselves if they are getting value for their dollar. Consequently, a number of questions were asked about these factors.

Related Survey Results: The firms had an overall positive opinion of the Lanesboro Area as a place to do business and as a place to live. Eighty-six percent of the firms rated the area as an excellent (20%) or good (66%) place to do business. Ninety-two percent of the firms rated the area as an excellent (35%) or good (57%) place to live.

The services rated the best were fire protection, the library, emergency medical services, and recreation.

On the average, the firms would like to see about the same to slightly less spent on all of the items.

Because of the strong ratings that firms gave most public services, the University of Minnesota panel did not suggest any projects in this area. Likewise, the top three priority projects were in other areas. However, the Lanesboro Task Force felt that there were two second priority projects that should be done after the priority projects were completed.



As shown below, only zoning and parking receive fair and poor ratings, respectively. Most of the community services average good or even better.

**Second Round Priority Project:
Develop More Activities for Youth**

There are not sufficient activities for young people in Lanesboro. While recreational opportunities were rated as good to excellent, the Task Force felt that many youth find the options limited. The group felt that if this was tackled that young people should be actively involved in the planning and implementation of the program.

**Second Round Priority Project :
Hold a Town Meeting**

This might be modeled after the New England town meetings. The purpose would be to build a broad understanding of the issues, which the town faces in order to encourage more people to contribute to local activities and projects.

Additional Information: See the Research Report, May 1998, for this project. Copies are available for review at offices of the local sponsors.

Your Role: Everyone in the community has a responsibility to help retain and expand existing businesses. To explore how you can help check with the individuals on the project teams for the three priority projects or the Leadership Team.

Prepared by: The priorities were selected by the Task Force listed on the inside cover. The summary was prepared by George Morse and Patricia Love, Department of Applied Economics, University of Minnesota, December 1998.

Leadership Team

Steve Sarvi	city administrator, City of Lanesboro
Eric Thiss	owner, Serpent's Tale
Michael jon-Pease	director, Cornucopia Art Center
Hal Cropp	managing director, Commonweal Theater

State Review Panel Members

Hal Cropp	Commonweal Theater
Kent Gustafson	Tourism Center, University of Minnesota, MN Dept. of Agriculture
Jerry Heil	Agricultural Marketing and Development, MN Dept. of Agriculture
Nancy Johnson	Business Finance Office, Dept. of Trade and Economic Development
Kevin Klair	Farm Financial Management Center., University of Minnesota
Linda Limback	Minnesota Office of Tourism, Dept. of Trade and Economic Development
Patricia Love	BR&E Strategies Program, University
George Morse	Dept. of Applied Economics, University
Stephen Sarvi	Lanesboro City Administrator
Jerry Tesmer	University of Minnesota Extension Service-Fillmore County
Eric Thiss	Serpent's Tale/Zoo Books
Dave Vogel	Minnesota Office of Tourism, Dept. of Trade and Economic Development
Mary Vogel	College of Architecture and Landscape Architecture

Task Force and Volunteer Visitors

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Julia Borgen	Sarah Pleper
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Jim Buzza	David Ruen
Hal Cropp	Tim Ruen
Marge Drake	Elton Redalen
Jerry Evenson	Steve Sarvi
Arv Fabian	Dennis Schuck
Jan Fabian	Anne Schwichtenberg
Ken Graner	Greg Schwichtenberg
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Vern Groen	Karla Strom
Kary Kilmer	Scott Strom
Gary Kingsborg	Deb Sveen
Brian Krambeer	Ed Taylor
Don Lucas	Eric Thiss
Tom Manion	Kathy Thiss
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	Don Ward

