

## EXECUTIVE SUMMARY

### RECOMMENDATIONS FOR CASS COUNTY TRAVEL AND TOURISM BUSINESS RETENTION AND EXPANSION PROGRAM

Cass County leaders started a tourism business retention and expansion program in the spring of 1993 to explore ways their tourism businesses could be helped to prosper. Following two planning meetings with 52 resort owners and county leaders, a mail survey was sent to all 320 tourism businesses (lodging, eating/drinking, attractions, and recreational services). In total, 206 firms responded to this survey for a response rate of over 64 percent.

This effort was undertaken because of the importance of the travel and tourism industry to the county. During the last twenty years, nearly all of the county's growth has come from this industry. Yet, it remains highly seasonal and over half of the county's income comes from passive sources (dividends, interest and rent, social security and welfare).

Based on the mail survey results, this report includes recommendations by a task force of Cass County leaders for assisting the county's travel and tourism industry. Additional details on these results and trends are in the full research report. For availability, see the end of this report.

Type of Business: Over 65 percent of the income for the survey respondents was from the lodging business, 18 percent from eating places, 8 from recreational services, and 2 from tourist attractions. The median size of the lodging places was 9 units.

Number of Workers: The firms responding to this survey were primarily family operations with no outside paid employees. Over half of the firms did not have any paid family employees. Only 8 percent of the firms employed at least one person year-round. Further, nearly half of the firms (46%) had no part-time seasonal jobs for non-family members.

#### STRATEGY ONE: COUNTY-WIDE TOURISM ORGANIZATION

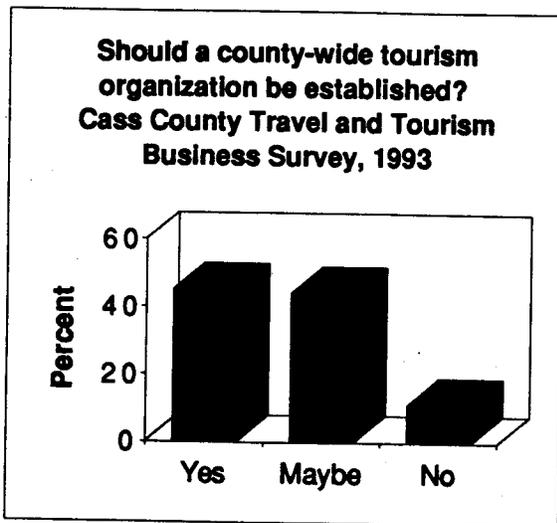
Implementation of following recommendations will require the coordinated efforts of many local businesses and the participation of local governments. This will require a well developed tourism organization.

Options for different tourism organizations are outlined in the full report. The most common funding method for tourism organizations is a room tax. Most special room taxes are made available to the local tourism organization for dedicated programs. Where room taxes are not in place, tourism organizations are funded from a share of member dues paid to the Chamber of Commerce or subscription fee for special program.

Summary of Results: Most travel and tourism businesses responding to the survey were open to the possibility of a county-wide tourism organization. Forty five percent of the respondents felt that such an organization should be established. Another forty four percent

responded "maybe" while only eleven percent said "no" to this question. See Graph 1. However, there was no clear consensus on the means of paying for the county-wide tourism organization. While a majority (52%) of the firms opposed a room tax on lodging guests, almost half were willing to either support it or to have it studied.

**Graph 1**



**Task Force Recommendation: Establish a County Tourism and Economic Development Agency** The Task Force recommends that a central coordinating agency be developed to implement projects to encourage growth in Cass Counties travel and tourism industry. The Rural Tourism Development workbook and video published by the UM-Tourism Center has suggestions for developing tourism organizations.

It is expected that this agency would work closely with regional development groups and promotional programs. This is essential since tourist do not view Cass County as a unique entity but as part of a larger region which has a woodlands and water attraction base. While the county could develop its own promotional message, this would not be cost effective.

## **STRATEGY TWO: OUTREACH PROGRAMS ON VALUE COMPETITIVENESS**

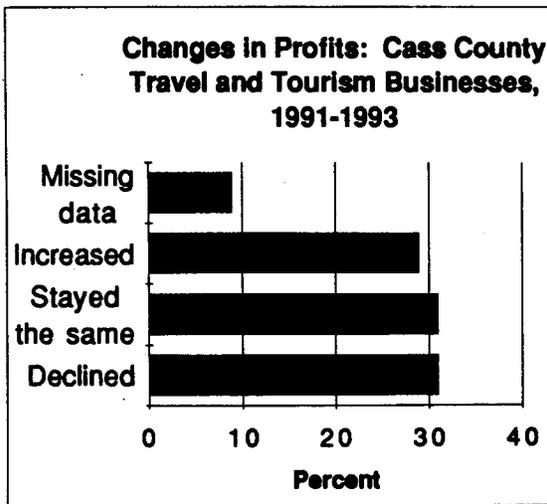
A key to an increased volume of tourist trade is being value competitive. Value competitive is defined as offering the greatest value for the price. In any tourism area, it is not uncommon to find properties, including restaurants, which are quite inexpensive for the quality of product and service delivered. However, other properties have high prices but horrendous product. While low prices can be an aspect of value competitiveness, it is not the sole component. More important than price alone is the relationship between the value of the service provided and its price. To achieve value competitiveness, a tourism firm must strive to offer the best possible product and service while keeping prices at the market rate (or slightly below) for similar quality of product and service. To achieve this, firms must constantly find ways to cut their costs while maintaining or increasing the quality of their services.

Holding wages down is sometimes seen as a means of keeping costs low. But this is not always the case. If new technologies (for example: computerized cash registers) are used, the amount that a single worker can do is much greater and thus the cost per tourist is reduced. A part of this cost savings can be used to raise wages, thus reducing the recruitment problems.

Every business believes they have the best customer service program but many do not really know how their customers feel. Poor customer service will show up in declining sales over time but mediocre service will take its toll slowly without any overt signs of distress until long term damage has been done to the firm's reputation. Keeping the business's facilities in good condition and/or expanding to have enough capacity is another requirement of remaining value competitive.

Summary of Results: One-third of the firms responding to this survey said that their profits had fallen during the last two years. While almost twice as many had either seen their profits increase (32 %) or stay the same (35 %), the large number with declining profits shows the need to explore value competitiveness. Over half (57%) of the firms responding to the survey indicated that they are considering renovating or expanding their buildings or facilities. See Graph 2.

Graph 2

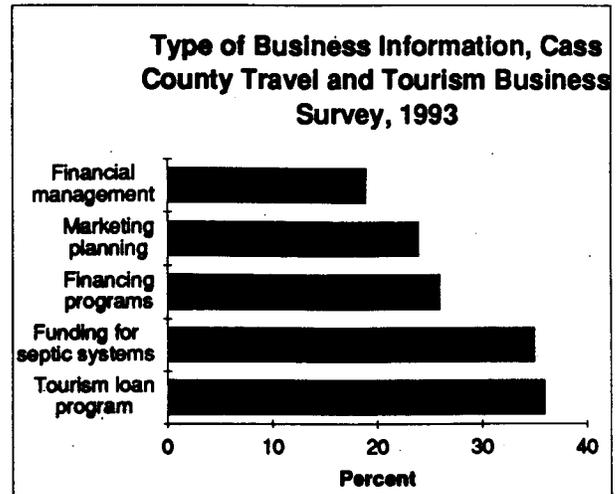


The fact that 57 percent of the respondents cited "low resort rates" as having a positive impact in attracting tourists is a clue that prices might be too low in many cases. Recruiting labor is a problem for Cass County tourism businesses. Over forty percent (41%) of the firms reported difficulties in finding enough part-time seasonal workers. These results suggest the need to explore both pricing strategies and the use of new technologies so that wages can be increased.

Cass County firms were very interested in state and federal programs that could help them become more value competitive. Graph 3 shows the percentage of firms that wanted information on each type of

business topic. The greatest interest centered on financial questions. Almost two-thirds of the firms (65%) requested information on at least one program.

Graph 3



**Success Story:** Already the BR&E program has had a major success. As a result of the survey, 58 tourism businesses were provided information on the states septic system replacement grants. Approximately 1/3 of those applying received grants, for one of the highest proportions in the state.

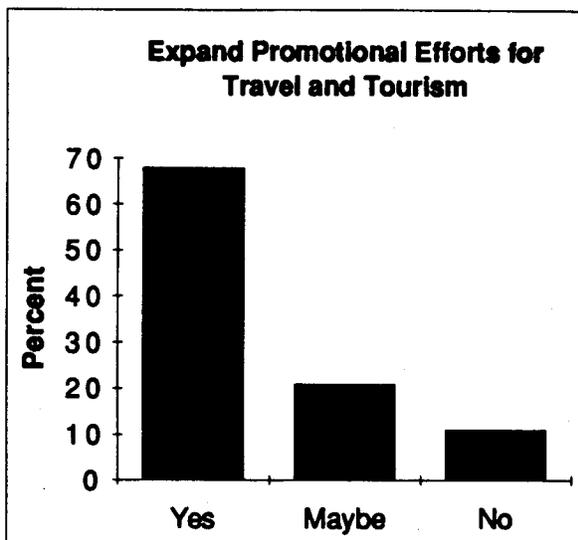
Task Force Recommendation: Outreach Program on Market and Business Planning

In response to the above results, the Task Force suggests that an outreach program be established to help firms learn about the state and federal programs on financing options, new management techniques, customer relations. Sources of assistance for these programs include the University of Minnesota's Tourism Center, the state's Office of Tourism, the Small Business Development Center in Brainerd and the Business Management Programs at the technical schools. These efforts might be coordinated through the Cass County office of the Minnesota Extension Service.

**STRATEGY THREE: PROMOTION OF CASS COUNTY'S TRAVEL AND TOURISM** Expanding the demand for tourism is one means of helping Cass County firms. This expansion in demand could be by attracting more tourists during the peak months or by expanding the season.

**Summary of Results:** There was very strong support for expanding tourism promotional efforts. Over two-thirds of the respondents felt that Cass County needs to expand its promotional efforts for travel and tourism. Another 21 percent of the respondents responded "maybe" on this question, leaving only 11 percent opposed to expansion of promotional efforts. See Graph 4.

**Graph 4**



**Recommendation: Extend Seasons of Operation** The Task Force recommends that local leaders explore means by which Cass County tourism firms might extend their seasons. The Task Force suggested a number of options for helping the businesses explore the pros and cons of adopting a longer season. The options

considered included:

- 1) expediting facility improvements using the state's 3% loans;
- 2) expansion of seasons for related services;
- 3) seeking small group meetings of businesses, associations, or sports related groups; and
- 4) pursuing additional winter sports and snowmobile trade.

**Recommendation: Expand "Family Vacations" Activities** The Task Force recommends exploring new means of marketing the area for "family vacations" and expanding activities for children. Only about two-thirds of the respondents felt that the activities available for children were a positive attraction for tourists. Further, 10 percent found this a negative.

The key questions are: "What is the package of family activities? and Is there something for all members of the family? Fishing and hunting probably are not a sufficient activity base to attract more families. While this will require careful study, it offers potential for expanding the market demand for the region.

**Additional Details in Full Report:** A copy of the full report is available from or from Denis Ward, Cass County Economic Development Agency in Backus (phone: 947-3993) or Jon Hjelm, Minnesota Extension Service, Court House in Walker (phone: 547-3300)

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