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Evaluation Of The Tourism Market And Development Potential Of The Itasca Area

Final Report

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DEPOT COMMONS

ITASCA COUNTY

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I. Background

The Project

Just who comes to the Itasca Area and why? What do they do when they get here and just how much impact do they have on our economy? We hear that tourists come because of our woods and water. Many visitors come to visit friends and family. Still others are traveling on business matters. A better understanding was needed of what has come to be a $9 billion Minnesota industry with specific focus to the Itasca Area.

A perception emerged over time that tourism product and service growth has not being realized in the region given that tourism has been and continues to be, a growth industry internationally, nationally and in Minnesota. This study was launched to examine the factors potentially contributing to this situation, including factors unique to the area, with the intent to identify, evaluate and correct where possible.

Funding was put into place by the University of Minnesota to evaluate the Itasca Area regional tourism market & development potential. Funding partners included the Blandin Foundation, the University of Minnesota's Northeast Sustainable Development Partnership, Depot Commons (Grand Rapids Area Convention & Visitors Bureau and Chamber of Commerce) and Itasca County.

Two major efforts were included in the project. First, visitor data was collected throughout 2001 at a variety of sites, spread out from Edge of the Wilderness to the north, East Winnie to the west, Hill City to the south and Warba to the east.

The second major effort assessed the state of the tourism industry in terms of operating environment for businesses, demands on the public sector, the "connectedness" of organizations and the values and opinions of citizens. The broader "community" was asked for input about how tourism affects the quality of life in the region.

The study's combination of an investigation both the demand and supply of tourism was unique. Demand issues were researched relative to consumer (visitor) wants and needs for tourism in the area. Supply was looked at involving issues including community infrastructure and values, organizational readiness and cooperation and comprehensive strategic planning. A mix of methods was used, primarily oriented around the collection of data relating to the region's tourism industry, communities, infrastructure, etc. and a process that involved collecting community input and facilitated group processes.

Specific goals identified at the beginning of the project were to:

1. Profile leisure visitors to the Itasca Area and evaluate customer preferences for tourism products and services offered in the area (demand);
2. Apply a community tourism development process and evaluate and document the region's capacity for effective rural tourism development, making recommendations for change as necessary (supply);
3. Make recommendations, where appropriate, on actions that can be taken by both the private sector and local public officials and agencies to increase the county's tourism market share; and

4. Improve overall products and services.

Tourism, Travelers, Terms: Working Definitions

Creating a common understanding of *tourism* is not easy. Many, including some who work in the field itself, misunderstand it. Defining it can be difficult, as the term has many definitions. While it is beyond the scope of this report to attempt any significant, broad description of tourism, we will define some of the more frequently used terms used here.[1] A common dictionary definition of tourism is sufficient here:

> *The practice of traveling for recreation; the guidance or management of tourists as a business or governmental function; the economic activities associated with and dependent upon tourists.*

Travelers are generally anyone who travels to a place for any purpose, including business, while *tourists* are those who travel for recreation or pleasure. *Guests* and *visitors* are terms that may be more neutral terms to describe travelers to communities. *Community,* as it is used here, refers to residents within a specific geographic area.

Discussed in more detail later, it is worth mentioning that, while often referred to in the singular, the tourism industry is actually a *collection of industries* (e.g., retail, services, transportation, etc.) that provide goods and services to people traveling. Public sector agencies and non-governmental organizations can be major industry players as well.

[1] Many concepts used and material presented in this report come from a good source for more background on the subject of tourism: *Community Tourism Development*, 2001. University of Minnesota Extension Service, Tourism Center. 254 p.

II. Description of the Tourism System in the Itasca Area

Itasca Area: The Place

Minnesota has long prided itself with a strong and diverse economy, high quality of life and well-educated workforce. Part of that high quality of life has been an abundance of natural resources that have provided jobs and leisure activities for residents and drawn visitors to the state for both as well. Those natural endowments are the state's famous high quality lakes, rivers, forests, plains and prairies. With Northeast Minnesota serving as the demarcation of the primary forested eco-region of the state, the Itasca Area serves as a regional center for many resource-based activities, including tourism and business travel. Those endowments include 1.3 million acres of forestland and more than 1,000 "grand" lakes.

Minnesota Tourism

According to the Minnesota Office of Tourism (MOT)[2], the number of visitors to Minnesota from other states grew to 13 million in 2000. (Out-of-state visitors outspend resident travelers in Minnesota.) Including Minnesota travelers, the state compiles nearly twenty-two million visitor trips a year. The top home states of non-resident travelers (in order): Wisconsin, Iowa, North Dakota, Illinois, South Dakota, California, Texas, Michigan, Missouri and Nebraska. Roughly half of U.S. pleasure (non-business) travelers in Minnesota are residents of the state.

Fewer than 13% of Minnesota's domestic tourists originate from outside a twelve state (North Central) region defined by the U.S. Census Bureau that includes Minnesota. Visitors to Minnesota from outside the region are less likely than its regional visitors to come for purposes of pure pleasure travel. Three out of every four of the leisure travelers who live outside the North Central Census Region come primarily to visit friends and relatives. Minnesota's cities and resources (e.g., cultural or natural) are not the main draw for these out-of-the-region tourists. This indicates that Minnesota's leisure tourism products are not commonly recognized or used by people from outside the North Central Region. Minnesota's regional market is considered strong and one usually characterized as a "drive market" due to the predominant transportation mode of travelers.

Leisure travelers on short get-away vacations make up most of Minnesota's pleasure visitors. According to surveys conducted for the state, these visitors average two trips to Minnesota a year and generally come for short stays lasting less than three nights. Eighty-five percent of Minnesota's pleasure travelers use a single mode of transportation, their own autos, trucks, campers or RV's and drive from doorstep to doorstep (Travel Industry Association, 1999). Minnesota's highway system provides these visitors with convenient and inexpensive access to its tourist destinations. Minnesota has been able to accommodate the transportation needs of its regional tourists through the same system of roads and road services developed for commuters and commerce.

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[2] Sources include the Minnesota Office of Tourism's *Tourism Works for Minnesota, 2002*; Spring/Summer Seasonal Survey, 1999: St. Paul, MN

International visitors account for close to 1 million visitors annually, including over 400,000 Canadians, though the Canadian component has been declining over the past years due to changing economic conditions and the devaluation of the Canadian dollar. The majority of Canadians come from the neighboring provinces of Ontario and Manitoba.

The Itasca Area – Grand Rapids Connection

Grand Rapids is the largest and most prominent town in Itasca County and was selected as the 49th Best Small Town in America by Prentice Hall.[3] Grand Rapids is located in north central Minnesota on the western end of the Mesabi Range and 150 miles north of the Twin cities. For Itasca Area tourism, it frequently serves as a regional hub of economic activity for business or pleasure travelers destined for this region.

The City of Grand Rapids is situated on the Mississippi River and has four lakes within its city limits. The name 'Grand Rapids' comes from a succession of cataracts stretching for 3½ miles that mark the head of navigation on the upper Mississippi River. Grand Rapids' economy is based on papermaking, mining, agriculture, tourism and other small industries. The paper industry revolves around the area's abundant timber resources. The 100-year old UPM-Blandin Paper Company occupies 50 acres in the downtown business district of Grand Rapids and is a major competitor in the world market for lightweight coated paper. Tour guides escort small group of visitors through the mill at selected times in the summer.

The Itasca Area is rich in history, from the earliest American Indian settlements to the valued logging and mining communities that built the economies of the region. Recreational opportunities are plentiful. Resource-based attractions in the region include the Forest History Center, Hill Annex Mine State Park, the Chippewa National Forest (home to the largest population of bald eagles in the lower 48 states), Mount Itasca and the Mesabi Trail. At these attractions there are a variety of outdoor activities such as hiking, biking, skiing, hunting, camping and fishing for visitors to enjoy. The area also supports two state parks, numerous city parks, municipal swimming beaches, tennis courts, four 18-hole golf courses, as well as active saddle, shooting, square dance and snowmobiling clubs.

There are two scenic highways in the area, including 47 miles on the Edge of the Wilderness National Scenic Byway, which provides access to the Chippewa National Forest and the Avenue of the Pines. The Great River Road follows the winding Mississippi River. The Grand Rapids/Itasca Airport is a Northwest Airlink (operated by Mesaba Airlines) commuter hub with daily commercial air service to the Twin Cities. The airport's annual enplanements frequently top 10,000 and include charter and private air services with a full-service FBO.

In addition to numerous festivals and special events, tourists can visit a variety of local attractions. One of the area's most well known attractions is the restored house and birthplace of Wizard of Oz star Judy Garland. Also on-site is the Children's Discovery Museum, with interactive educational exhibits for the entire family. The Myles Reif Performing Arts Center

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[3] Norman Crampton (1993), *The 100 Best Small Towns in America*, Prentice Hall Publishing.

hosts the area's premier dance and drama productions as well as national and international celebrity performances. The MacRostie Art Center is a major venue for art exhibitions and shows. Nordic Ridge Gardens features a farm with petting zoo, bale and corn mazes, as well as farm produce including strawberries in the summer and pumpkins in the fall. The White Oak Fur Post celebrates the nation's fur trade that features a company store, a blacksmith shop and the home of early traders. The Old Central School is home to the Itasca County Heritage Museum as well as local shops. Mississippi Melodie Showboat has gained national prominence for its excellent performances held in Grand Rapids every July. Other popular activities in the area include horseback riding at K & K Stables and trap, skeet and sporting clays shooting at area shooting sports venues.

This area also offers varied opportunities for dining and accommodations. A few of the most notable dining areas include the Sugar Lake Lodge Restaurant overlooking Sugar Lake, the Forest Lake Restaurant and the Sawmill Inn's Cedars Dining Room. Accommodations range from hotel and motel chains to full service resorts on the many prized area lakes.

According to the 2000 United States Census Report, the population of Grand Rapids consists of 7,764 residents who are

- Predominantly white (95.5%)
- 1.9% American Indian,
- 1.1% two or more races,
- 0.9% of the population identified themselves as Latino,
- 0.7% Asians,
- 0.4% some other race,
- 0.3% African Americans, and
- 0.1% Native Hawaiian or from other Pacific Islands.

Grand Rapids has 3,621 housing units, with only 175 of those units standing vacant. The average age of Grand Rapid's population is 40.9 years old and the average family size is 2.82 people.

The total population for Itasca County is 43,992, geographically Minnesota's third largest county at nearly 3,000 square miles. The racial composition of Grand Rapids closely mirrors that of the entire county. Itasca County is home to over 1,000 lakes and 1,000 miles of skiing and snowmobiling trails. It includes 16 cities and 42 organized townships and includes the communities of Grand Rapids, Deer River, Marcell, Coleraine and Bigfork. The study area added in the communities of Hill City (Aitkin County) and Remer (Cass County), cities part of the destination market area.

III. Itasca Area Tourism Demand: Who's the Visitor?

Tourism and business travel are big business in Minnesota, with over 21 million people visiting the state every year, generating an estimate $9 billion in gross sales annually (MOT 2000). The average tourist to Minnesota visits the Twin Cities metro area (46%) as a pleasure traveler (69%), staying somewhere between 2.5 (residents) and 4.4 (non-residents) nights. The average travel party spends $264 per day, with the majority of non-Minnesotan visitors spending time shopping (48%), scenic touring (35%) and visiting friends and family (35%).

Although helpful in general terms, these facts – drawn primarily from the Minnesota Office of Tourism's TravelScope Survey for 2000 – do not speak to the diversity of travelers currently visiting Minnesota communities. Consequently, the focus of this visitor profile research was to collect comprehensive data on visitors to the Itasca Area. Said earlier, the actual geographical boundary for this survey was roughly from Edge of the Wilderness to the north, East Winnie to the west, Hill City to the south and Warba to the east.

Survey Method

With assistance from the Grand Rapids Area Convention and Visitors Bureau and the Grand Rapids Area Chamber of Commerce, the university's Tourism Center staff developed a survey instrument that captured issues relevant to tourism in general, while still focusing on the unique features of the area. The questionnaire can be found in Appendix A.

A comprehensive list of area businesses serving tourists was then compiled with the support of our community partners, which became the basis of survey sites. Interviewing schedules were designed to reach a diverse cross section of tourists with the intent of gathering information from both current and potential visitors. Survey sites, times and days were varied to achieve this broad aim. The data collection process was designed to cover a full year of activity in order to capture different groups of visitors that may be drawn to the area by seasonal variations in the attraction base.

Interviewers approached visitors at a variety of locations, including motels, resorts and campgrounds; area attractions; gift and antique shops; restaurants and bars; and gas stations. Visitors were also intercepted at area festivals and special events. Table 1 below shows the categories of sites where data were collected. The figures reported represent the percentage of completed surveys that came from each sampling site (Appendix B contains a complete list of the survey intercept sites).

Table 1. Interview Site Categories

Business Category	Percent
Hotels and Motels	39%
Resorts and Campgrounds	25%
Attractions and Events	20%
Retail	7%
Gas Stations and Bait Shops	5%
Blank	3%
Restaurants and Bars	2%
TOTAL	**100%**

Pre-testing was conducted on-site in November 2000, with data collection formally beginning in January 2001 and continuing through December 2001. Interviewing was scheduled to include both weekdays as well as weekends. Once at the interview site, Tourism Center field researchers were instructed to approach a potential respondent and ask a few questions to ascertain whether that person met the definition of tourist (i.e. out of home community, self determined, less than six months), willingness to participate and some key questions that were later used for internal validation purposes. (The "front end" form for this screening process is available upon request.) If the person met the definition of tourist and was willing to participate, s/he was given a questionnaire to complete that evening and return to the Tourism Center at the University of Minnesota in a postage-paid business reply envelope.

Target quotas were established to achieve 400 completed responses per calendar quarter. The table below illustrates the number of completed survey responses by season in the area. Not surprisingly, summer visitor were abundant, with significantly fewer visitors available for querying in winter and, to a lesser degree, during the two shoulder seasons of spring and fall. As seen below, only the winter quarter quota for visitor surveys fell short.

Table 2. Completed Responses by Season

Quarter	Number of Responses
Winter: Jan-Mar	288
Spring: Apr-May	429
Summer: Jun-Aug	1,099
Fall: Sep-Dec	401
TOTAL	**2,217**

Descriptive Findings

So just who is coming to the area? As seen in Figure 1, almost two-thirds (64.6%) of visitors to the region are from Minnesota, while the remaining 35.4% are out-of-state visitors. Sixty-three percent of out-of-state visitors to the area are from five Midwest states:

- Wisconsin (17.9%)
- Illinois (15.8%)
- Iowa (15.2%)
- Indiana (7.2%)
- North Dakota (7.1%)

An analysis of the zip codes of visitors to the region revealed that 46.9% of visitors traveled between 100 and 200 miles to reach the area. The scatter plot display of this analysis is shown in Figure 2. Figure 3 displays the distance traveled proportions.

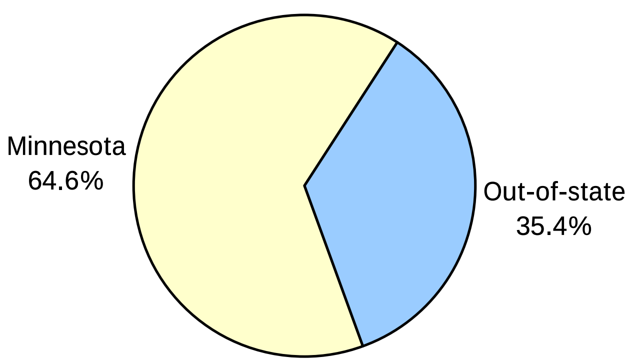

Figure 1. Origin of Visitors to the Itasca Area.

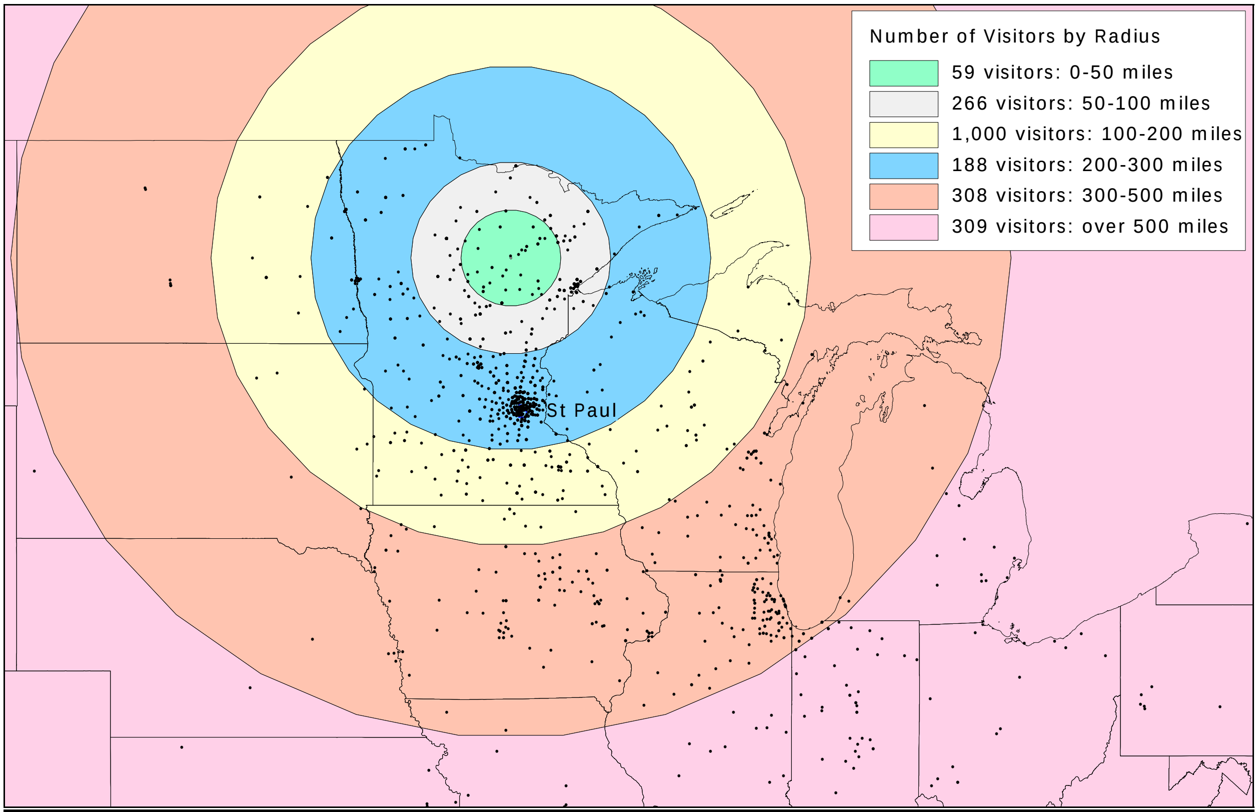

Figure 2. Origin of Itasca Area visitors by ZIP code.

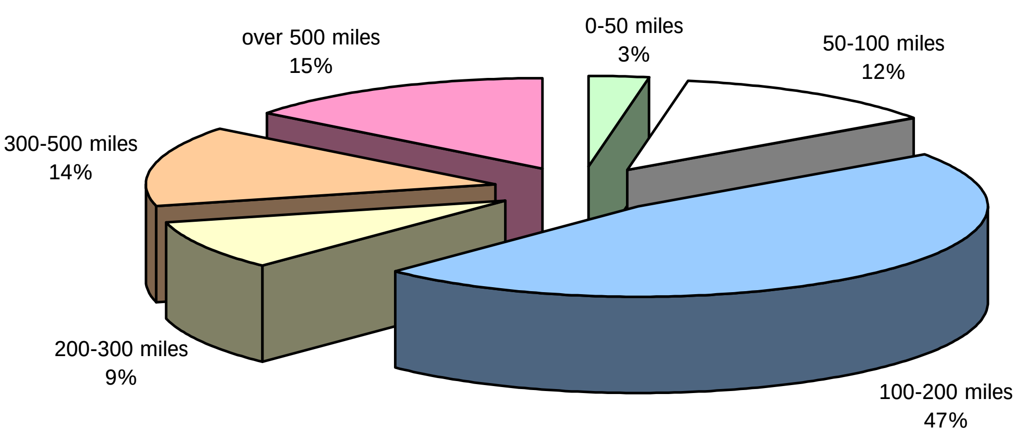

Figure 3. Distance traveled by visitors to the area.

Eighty-one percent of the visitors to the area considered this area their final destination. Among the 18.6% of visitors who were en route to another destination, 80.7% of them identified other places in Minnesota as their final destination.

The most popular reason visitors came to the area (Figure 4) was for outdoor recreation (18.9%), followed by people traveling for business (17.8%). Other major reasons included people visiting friends or relatives who live in the area (14.4%) and general leisure (11.0%).

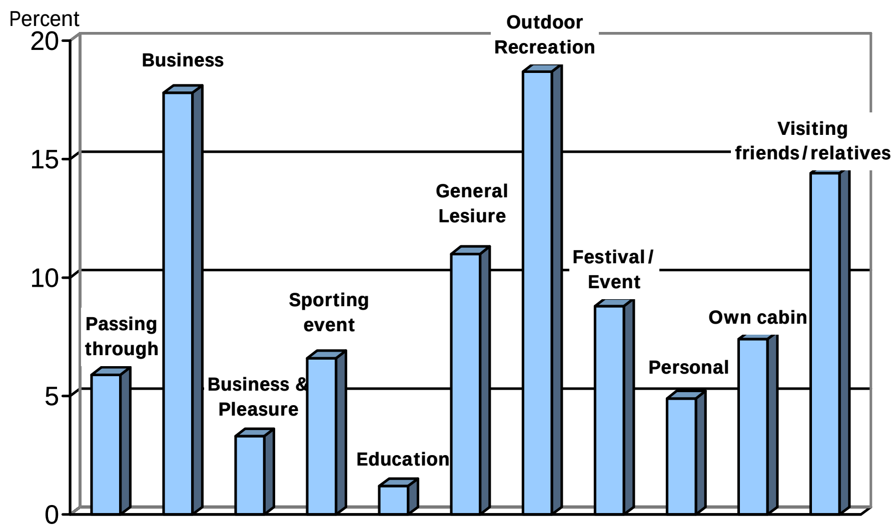

Figure 4. Reasons people came to the Itasca Area.

The top 3 elements visitors identified as <u>most important</u> in **selecting** the area were the natural environment (mean[4]=3.36); area lakes, streams and rivers (mean=3.16); and scenic drives (mean=2.86). The scale was 1=Least Important to 4=Most Important.

The 2 elements that visitors to the area were <u>most satisfied</u> with were the natural environment (mean=3.53) and area lakes, streams and rivers (mean=3.46). Satisfaction with boating / water recreation (mean=3.39) and fall colors (mean=3.39) tied for third.

When taken together, these findings suggest that there is a very good match between elements visitors consider important when <u>choosing</u> the area and their <u>satisfaction</u> with those elements.

The 3 elements that visitors to the area were <u>least satisfied</u> with were amusement center / water slide (mean=2.24); casino / gaming opportunities (mean=2.28); and other snow sports such as snowshoeing (mean=2.60). Although these elements represent areas for improvement, they were not overly important in the choice of this area as a destination.

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[4] Meaning the same as "average."

Nearly 83% of visitors to the area are repeat visitors. Only 17.4% of visitors are new to the area (Figure 5).

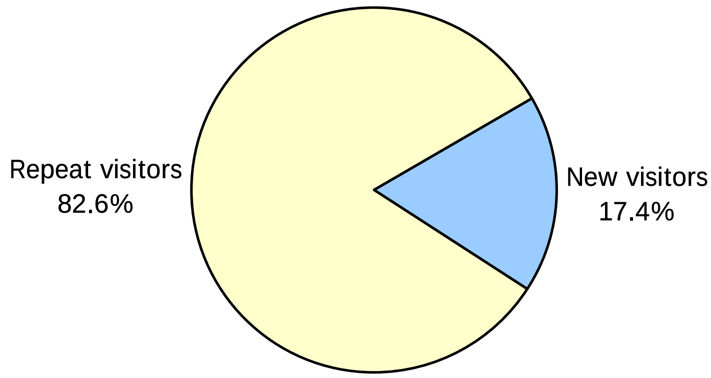

Figure 5. Percentage of repeat and new visitors.

New Visitors

Among new visitors to the area, prior impressions of the area were generally good. Visitors used words such as “small,” “nice / friendly,” and “isolated / remote” to describe the area. A number of visitors described their impression of the area in terms of its chief resource: “forests,” “trees,” “woods,” and “North woods.”

A substantial number of new visitors had no solid impression of the area, using words like “unknown” or “don’t know” to describe the area.

After experiencing the area, new visitors offered words like “nice,” “beautiful” and “great” to describe their impressions.

Interestingly, a number of new visitors were mixed in their impressions of the area, with some describing the area as “small” and an equal number commenting that the area was “big” or ‘bigger than expected.”

Repeat Visitors

Repeat visitors (82.6%) reported an average of 13.2 pleasure trips to the area in the last 5 years. These repeat visitors indicated that they have been visiting the area, on average, for 18.5 years and they had made an average of 38.1 trips since their first visit to the area. In almost every area, repeat visitors believed that things in the area have stayed the same or improved slightly over time.

Figure 6 shows the rating of area features on a scale of 1=Decline, 2=Same, 3=Improved. The two areas where repeat visitors noted the most improvement over the last 5-years were for lodging quality (mean=2.47) and shopping opportunities (mean=2.50). The area with the lowest score was the natural environment (mean=2.09).

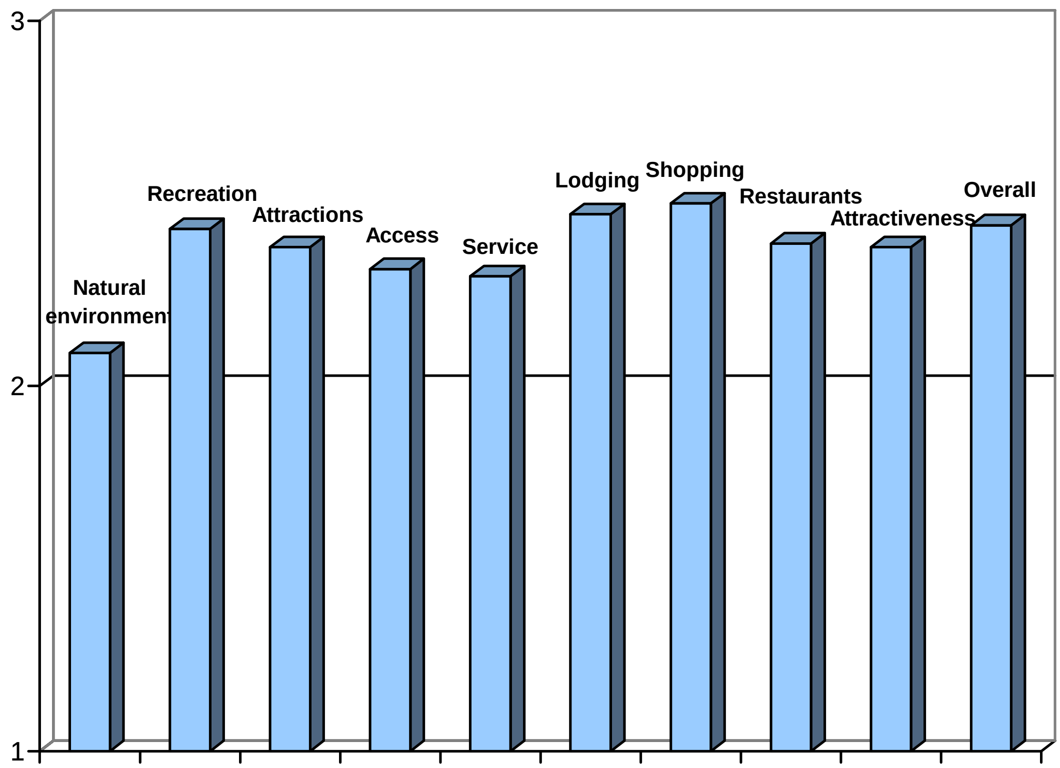

Figure 6. Ratings by repeat visitors of change in area features over the last 5-years (1=Decline, 2=Same, 3=Improved).

More than half (53.3%) of repeat visitors were first introduced to the area while on vacation. Another 13.6% first came to the area on business, while 8.2% attended a festival or special event.

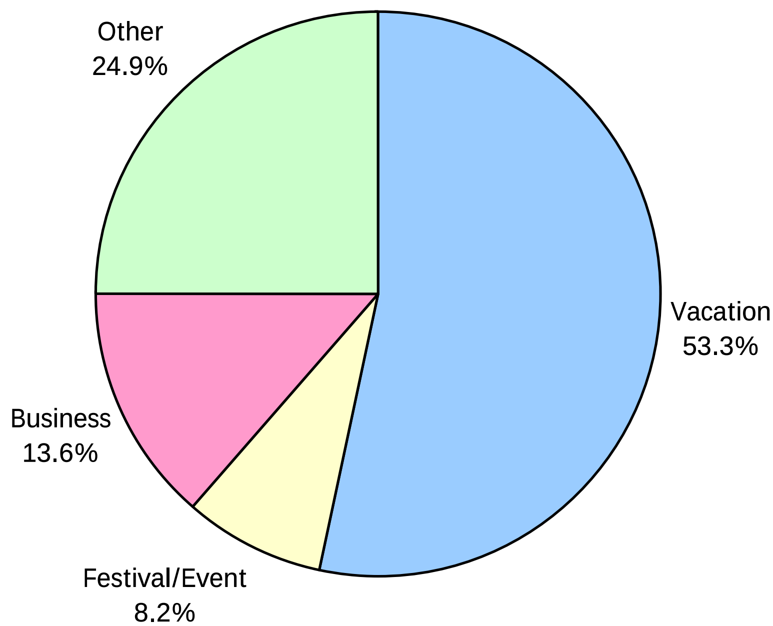

Figure 7. How repeat visitors were first introduced to the area.

Almost one-quarter (24.9%) of visitors list “other” first introductions to the area. Of these, 39.7% were related to visits to friends and relatives, while another 27.1% were born, grew up, or had previously resided in the area. Other first introductions included:

- Recreation or sporting event (14.3%)
- Cabin or vacation home in the area or visiting the cabin or vacation home of friends or relatives (7.0%)
- Just passing through (6.3%)

Although travel party size ranged from 1 person to 125 people, the most frequently reported (mode) travel party size was 2. Averaged across total visitors and travel parties, the average travel party size was approximately 4 people per group. Visitors to the area reported spending an average of 6.69 nights away from home. Roughly 70% of those nights (mean=4.76 nights) were spent in the area.

Figure 8 shows the visitor accommodation selections and Figure 9 displays length of stays. The most popular type of accommodation utilized among visitors to the area was motels and hotels (49.9%), with visitors staying an average of 2.16 nights. Very few visitors to the area stayed in tents (2.3%) or at bed and breakfast inns (0.3%).

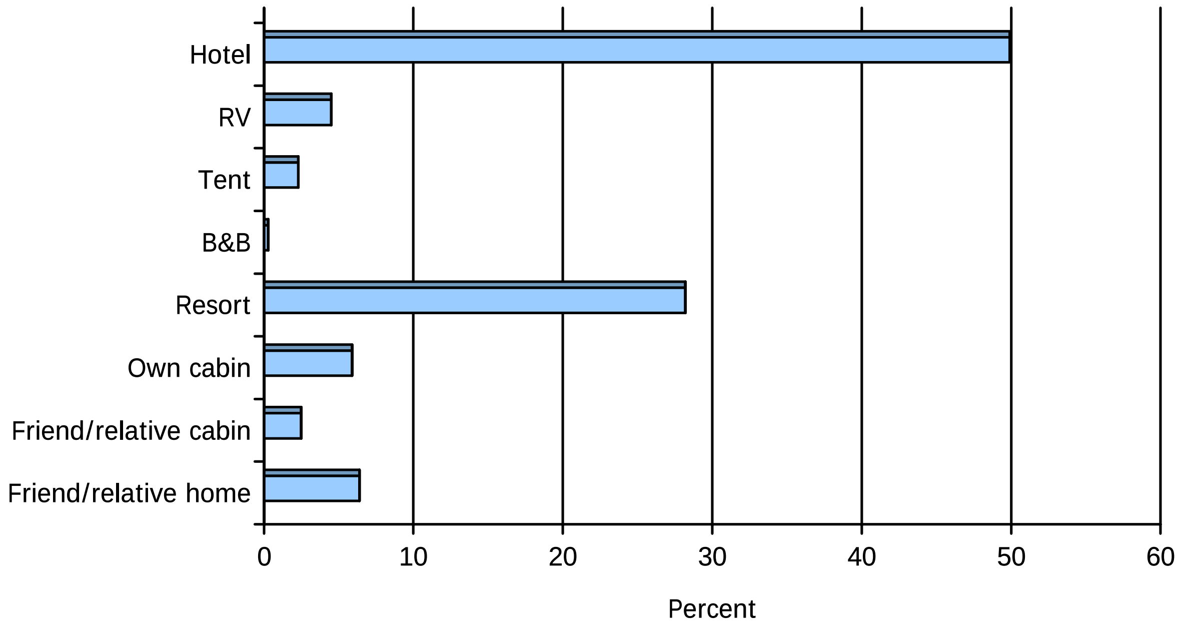

Figure 8. Accomodation types used by area visitors.

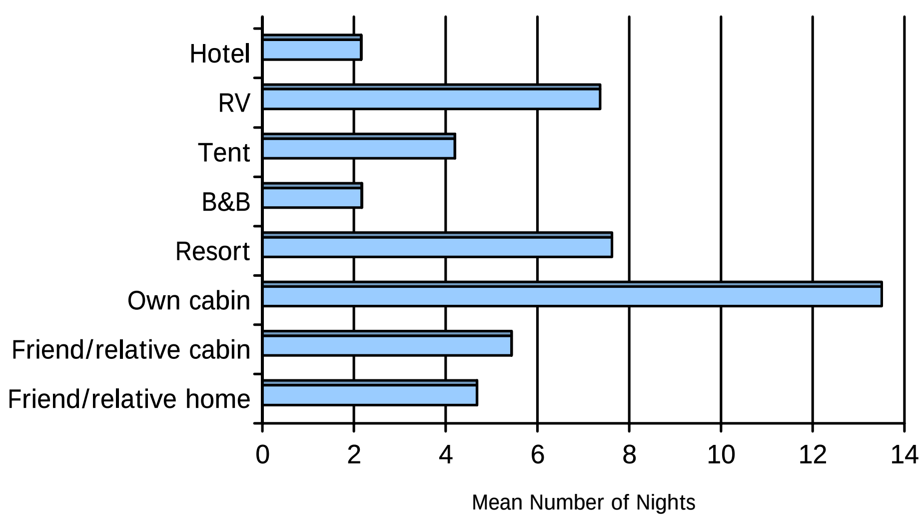

Figure 9. Visitor average length of stays by accommodation.

Visitors staying in their own cabins or vacation homes reported the longest stays (mean=13.50 nights), while visitors staying in hotels or motels stayed the fewest number of nights (mean=2.16 nights), followed closely by visitors staying at B&B inns (mean=2.17 nights).

Spending

Visitors to the area, on average, reported spending a total of $290.50 per travel party, Figure 10. (This is higher than the state average of $264/ptravel party.) The bulk of visitors' expenses went toward lodging (mean=$132.31). Visitors reported spending a moderate amount on restaurants and bars (mean=$49.15) and shopping (mean=$39.00). Visitors spent the least amount of money on:

- Transportation (mean=$25.86)
- Groceries (mean=$20.02)
- Recreation/attractions (mean=$11.46).
- Miscellaneous purchases (mean=$12.70)

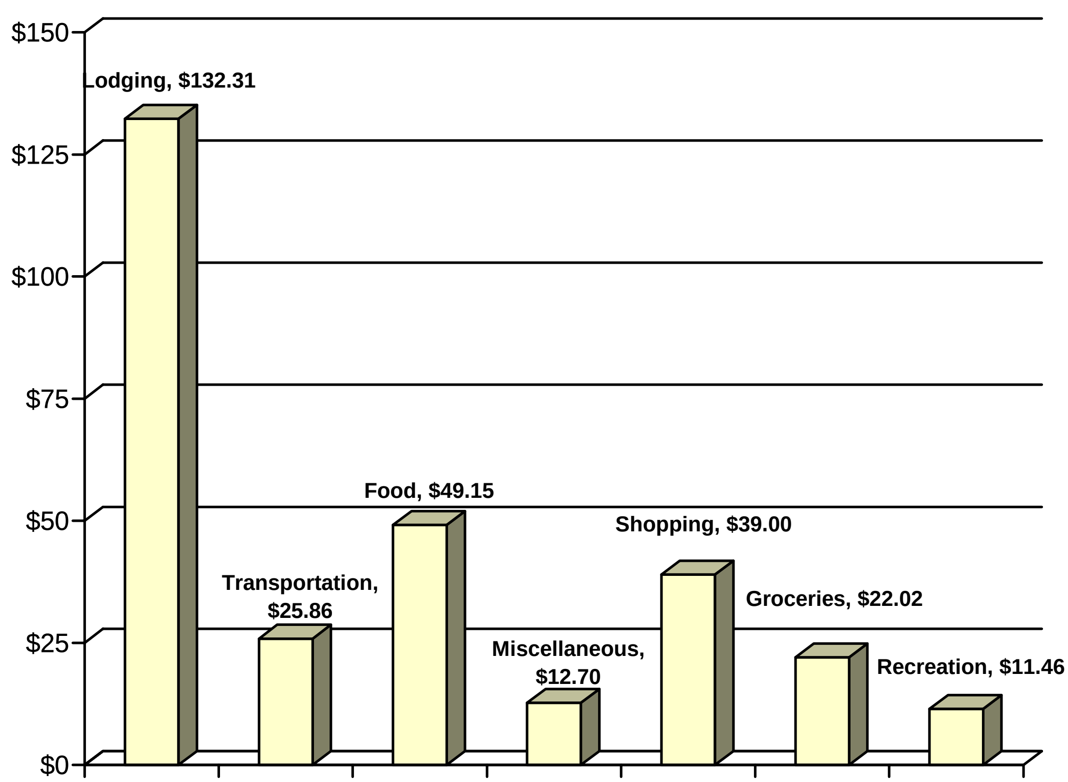

Figure 10. Average spending by visitors (per travel party) to the Itasca Area by spending category.

Average travel party size was 3.55 people for these spending estimates. This equates to an average expenditure of $81.83 per person per day. A breakdown of this spending is shown in Table 3 below.

Table 3. Average spending per person per day of Itasca Area travelers by spending category.

Spending Category	**Per Person Per Day Average Expenditures**
Lodging	$37.27
Restaurants or Bars	$13.85
Shopping	$10.99
Transportation (including gas)	$7.28
Groceries	$5.64
Miscellaneous	$3.58
Recreation or Attractions (including guides or outfitting)	$3.23
TOTAL	**$81.83**

Visitor Planning and Information Sources

When asked about planning their trip to the area, visitors indicated that the trip itself was planned more than 17 weeks in advance (mean=121.93 days), while lodging reservations – if made – were made less than 12 weeks (mean=81.21 days) in advance of the trip.

Importance of information sources for creating awareness of the area for travel were rated on a scale of 1=Not Very Important to 4=Very Important (Figure 14). The single most important source of information that contributed to visitors' awareness of the area was previous visits (mean=3.09), followed by recommendations from friends and relatives (mean=2.59). These same two sources – previous visits and recommendations from friends and relatives – were also the two most important ones in actually planning the trip (mean=3.07 and 2.50, respectively).

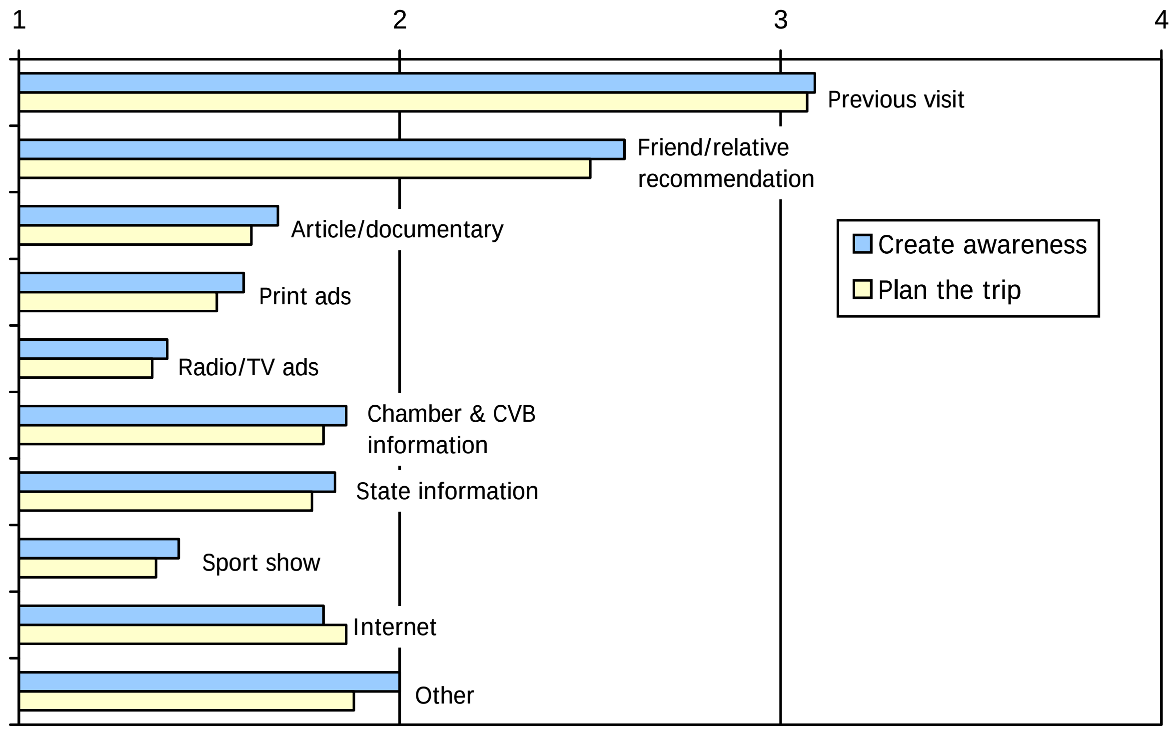

Figure 11. Importance of various information sources in creating travel awareness (1=Least, 4=Most).

"Other" sources of information that visitors identified as important to creating an awareness of the area or aided in trip planning were:

- Other media information or tourist business recommendations (30.1%)
- Festivals or special events (24.9%)
- Work (19.1%)
- Experience with the area or visiting friends/relatives from the area (16.8%)

Only one-third (35.6%) of visitors to the area were interested in receiving e-mail about the area. Of those who were interested in getting e-mail information or updates, almost two-thirds (60.8%) of them wanted that information to come from one central organization, as compared to email from directly from private businesses (5%). One-third had no preferences.

Visitors receptive to receiving e-mail (Figure 12) reported the most interest in updates on area conditions, such as fishing, trails and snow (77.3%) and information about festivals / special events (75.4%) and special lodging packages / deals (72.1%).

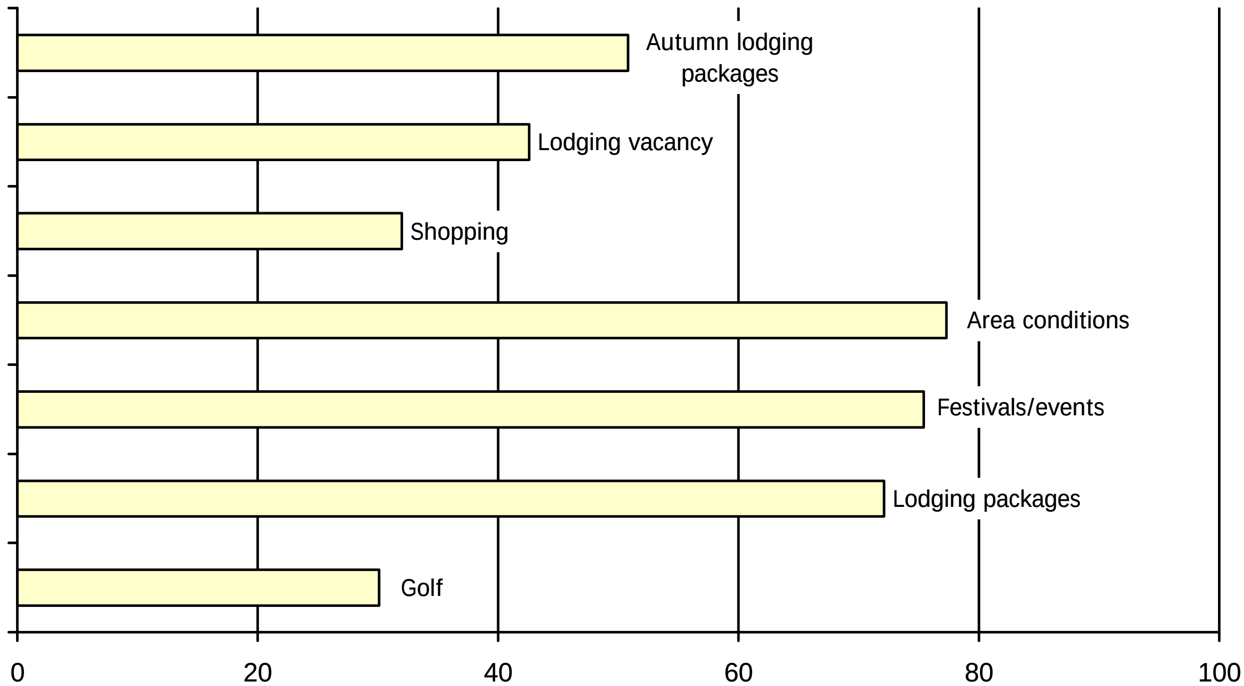

Figure 12. Visitor information interests by information category (Percent reporting interest).

Commercial Lodging Amenities

When rating the importance of amenities (1=Least, 4=Most) in their choice of commercial lodging, visitors to the area indicated that they looked for good value for the price (mean=3.41), followed by economy pricing (mean=3.14), a nature setting (mean=3.09) and location on a lake or river (mean=3.05).

Least important to visitors were a golf course (mean=1.53) and organized kids' programs (mean=1.66). "Other" amenities that visitors identified as important to their choice of commercial lodging were:

- Specific amenities, such as a bar or hot tub, or favorable policies (33.3%)
- Proximity to specific activities (17.2%)
- Cleanliness (14.0%)

Intentions to Return

More than half (55.5%) of visitors to the area reported that they would certainly return again. Another quarter (27.3%) reported that they were likely to return for a visit in the near future. More than 80% of visitors said they planned to return to the area this year (39.9%) or next year (40.1%). As shown in Figure 13 by season, visitors indicated their interest in returning on a four-point scale (1=Not Very Interested; 4= Very Interested). Visitors that intended to make a return visit to the area were most interested in summer visits (mean=3.52), followed by visits in the fall (mean=3.24). Fewer visitors indicated that they were interested in returning to the area during the spring (mean=2.74) and winter (mean=2.31).

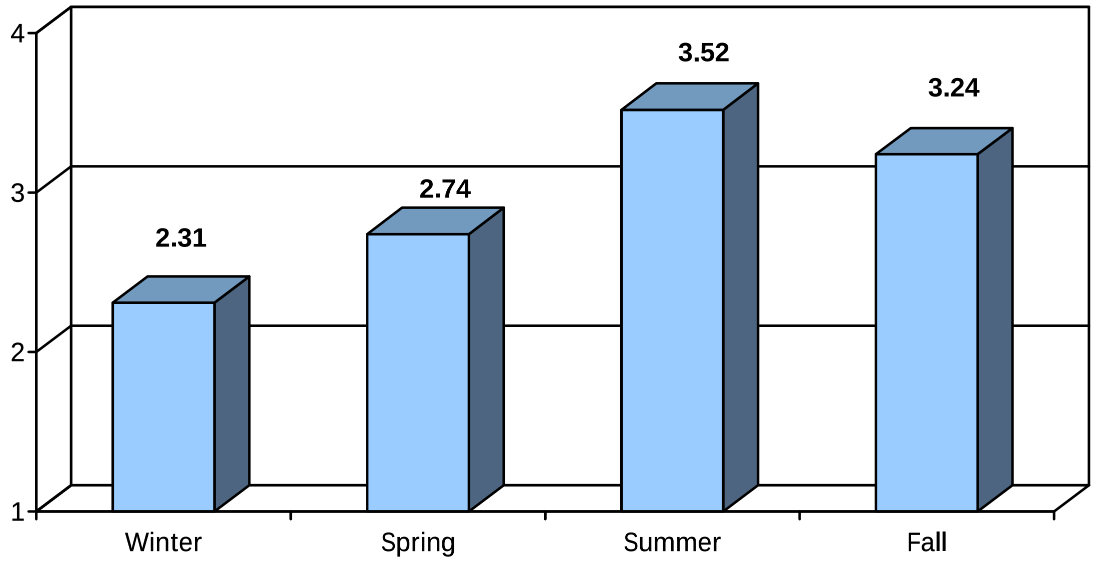

Figure 13. Visitor interest in returning by seasons (1=Least Interested, 4=Most).

Appeal of Vacation Opportunities

Visitors were asked how appealing they thought the area would be for vacation trips by different group categories. On a four-point scale (1=No Appeal to 4=Great Appeal) they indicated they felt that the area would be most appealing to sports men or women (mean=3.53) and men (mean=3.42). As expected, most visitors indicated that the area possessed strong appeal for people similar to themselves (mean=3.37). Current visitors finding least appeal in area vacations were college or graduate students (Figure 14).

When asked about vacations in general, visitors to the area reported taking 3.2 vacations over the past two years lasting one week or longer in the past year that involved staying in commercial accommodations. Of those vacations, the most common type included trips to lakes, woods, or nature in the summer (56.0%) and to visit friends or relatives living outside Minnesota (33.8%).

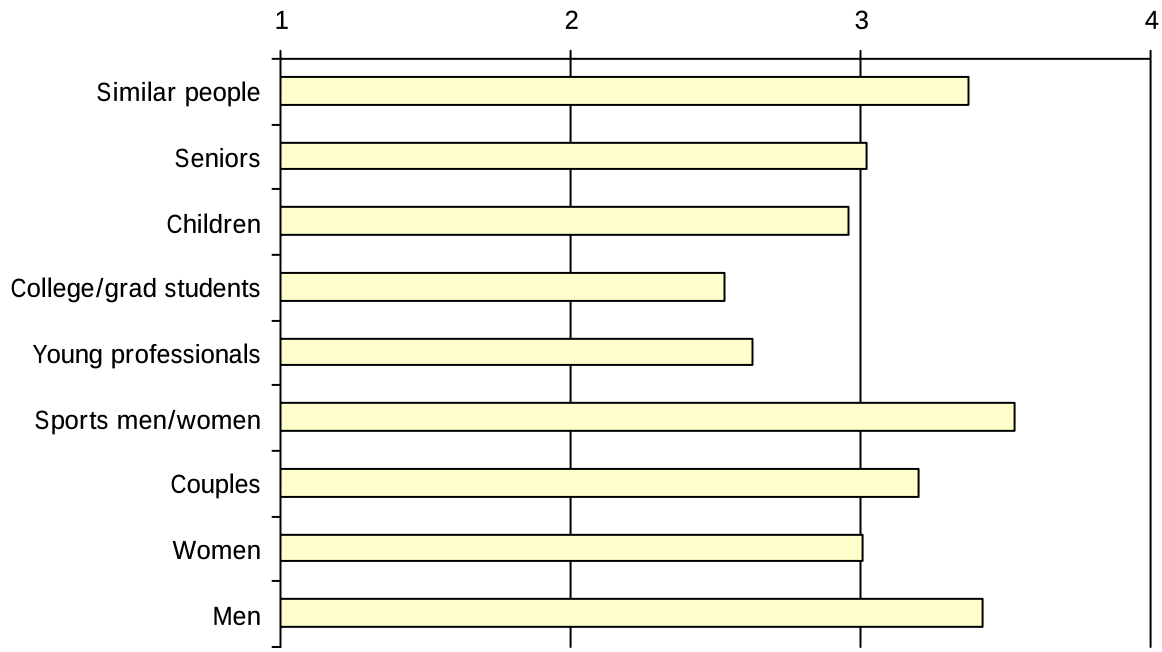

Figure 14. Relative appeal for vacations by group categories (1=No Appeal; 4=Great Appeal).

Also popular were trips to sun destinations or tropical climates (29.1%) and urban sightseeing vacations (20.9%). The fewest numbers of visitors reported taking trips for winter recreation (10.2%) and to lakes, woods, or nature in the fall or spring (12.4%).

“Other” types of vacations included:

- Vacations to other US destinations (28.0%)
- Vacations involving specific recreational activities (27.3%)
- Work-related trips (18.9%)
- Trips taken for personal reasons (5.6%)

Visitor Demographics

Figure 15 shows the type of households represented by area visitors. Almost 40% (37.6%) of the visitors to the area were couples with grown children. Another third (34.2%) were comprised of two-parent families with children. The remaining 28.2% were a mix of single parent families, couples with no children and singles. More than three-quarters (82.2%) of visitors to the area have as least some college education (Figure 16).

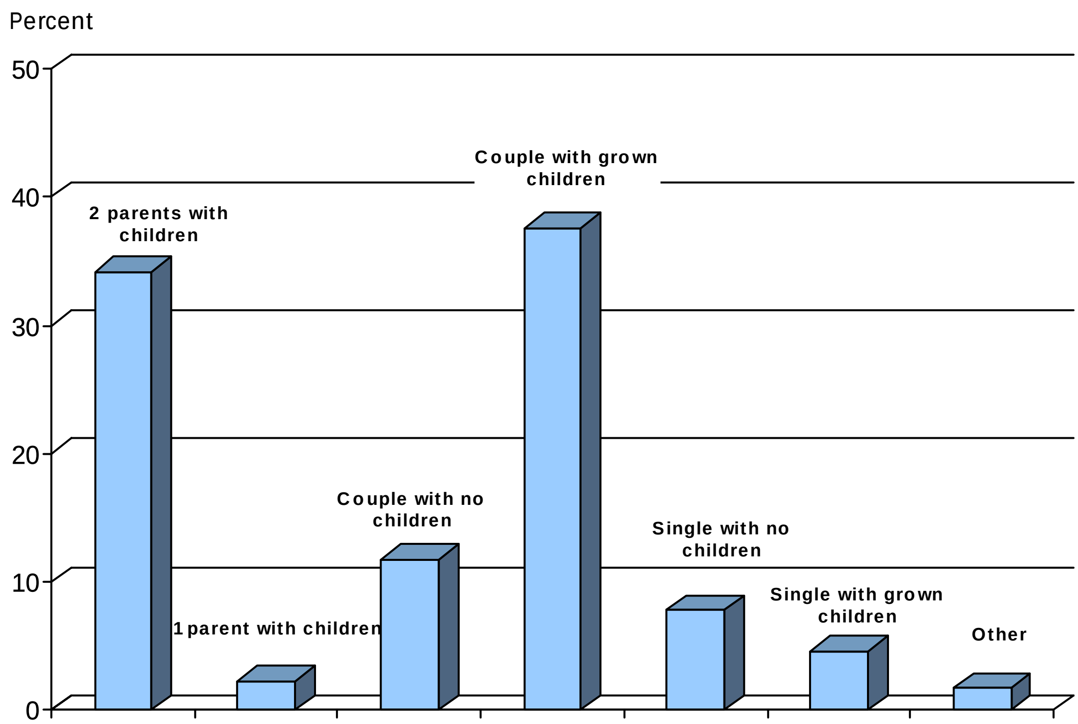

Figure 15. Household types of area visitors.

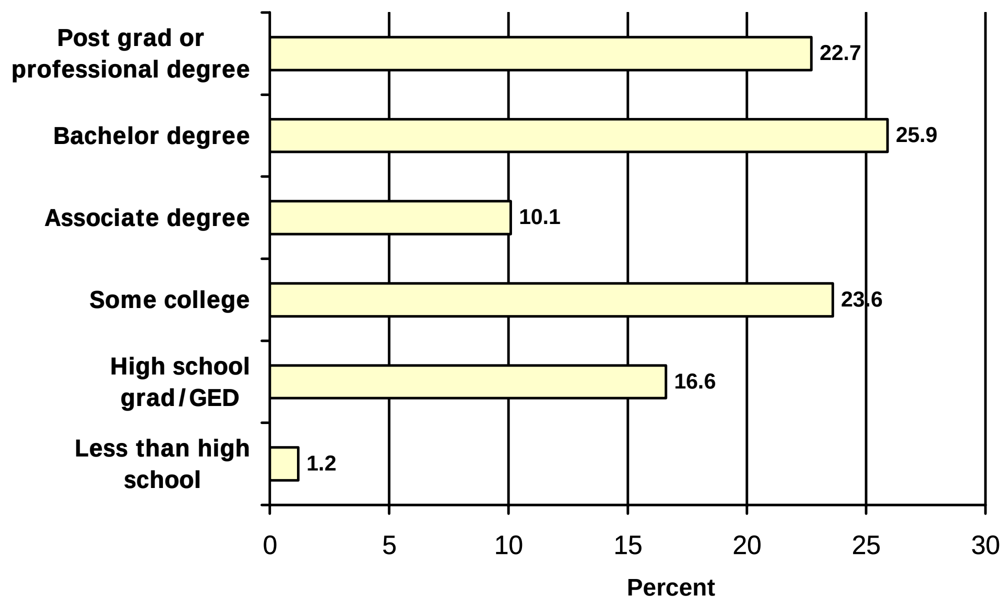

Figure 16. Education levels of area visitors.

Visitors to the area were equally split between men (49.4%) and women (50.6%) and the mean age of respondents was 49.46 years.

Income was also fairly well distributed (Figure 17), with 18.6% of visitors earning less than $40,000 and 40.1% earning $40,000 to $75,000. Forty-one percent of visitors to the area earned more than $75,000 per year.

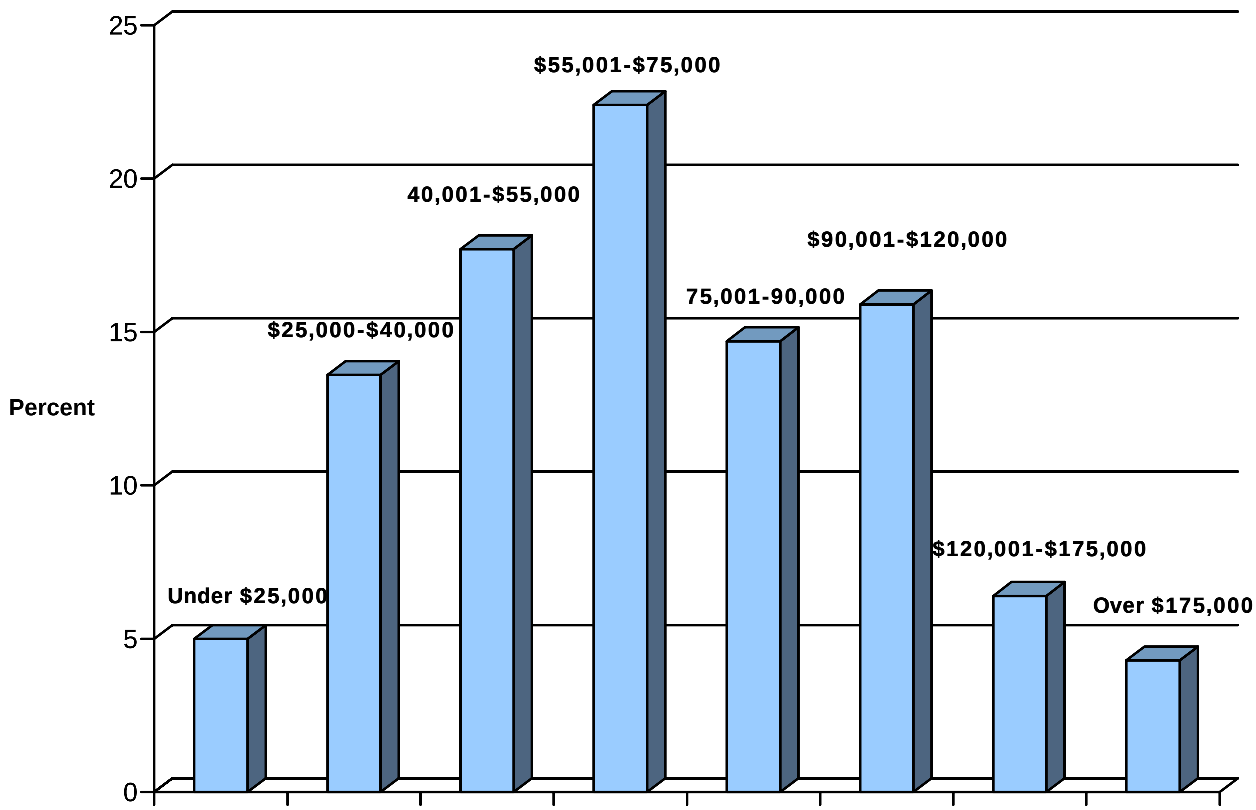

Figure 17. Annual household income of Itasca Area visitors.

Activity Groups

A number of questions from the survey were subjected to an analysis technique that allows for relationships between variables to be revealed. The statistical technique is called Factor Analysis. It is a technique that allows the researcher to look for patterns in the data that could reveal the presence of distinctly similar groups of people. In this case those groups are called "activity groups."

It should be noted that Factor Analysis is only used to find patterns in the raw data. In addition to the patterns noted, there may be some profiles that are not distinctly identifiable in the data. Therefore, even though we are fairly confident that the groups described below exist within in the area, other equally important segments may also exist, but were not identified. The use of this information should be considered with that caveat in mind.

Five distinct activity groups were revealed following analysis of the data:

- Outdoor Enthusiasts
- Explorers and Learners
- Active Outdoor Adventurers
- Excitement Seekers
- Traditionalists.

While the size of each activity group is not known, statistical methods allow us to examine how much variability in the data is explained by each group. In a way, this allows variability to serve as a proxy for group size. The five activity groups naturally formed three clusters based on the amount of variability in the data they accounted for. *Outdoor Enthusiasts* and *Explorers and Learners* formed the top group with the highest values, followed by *Active Outdoor Adventurers* (alone) and *Excitement Seekers* and *Traditionalists* clustered together.

In combination, these five activity groups accounted for approximately 56-percent of the variability in the data. They are logical groupings of visitors for potential future marketing activity. A description of each group follows.

Outdoor Enthusiasts

This activity group is characterized by a strong interest in the natural environment. They like outdoor activities, such as fishing, hunting, boating and water recreation. They also enjoy bird watching and viewing wildlife. Outdoor Enthusiasts are particularly attracted to area lakes, streams and rivers. Ultimately, this group seeks a wilderness experience.

Explorers and Learners

Members of this activity group are interested in the discovery process. They enjoy seeing and learning new things. Explores and Learners are interested in the culture, heritage and history of the area. They are particularly interested in learning about American Indian culture, visiting the Forest History Center, exploring the Chippewa National Forest and walking around Hill Annex Mine State Park This group enjoys scenic drives and fall colors and are attracted to the quaint, small-town aspects of the area. Explorers and Learners are the group most interested in festivals and events.

Active Outdoor Adventurers

In general, this energetic group looks for places that can provide them with hiking or biking opportunities. They also enjoy the full range of winter sports, including snowmobiling, cross-country and downhill skiing and snowshoeing. The presence of the Taconite and Mesabi Trails appears to be important reasons why Active Outdoor Adventurers visit the area.

Excitement Seekers

This activity group is attracted to the area's nightlife and entertainment scene. Excitement Seekers frequently chose a destination because of the variety of things to see and do. In terms of specific activities in the area, this group is interested primarily in golfing and shopping.

Traditionalists

This more conventional group is attracted to known accommodations and activities. Traditionalists possess a strong affinity for a particular place to stay and choice of recreation activities. Members of this group often select a destination because of a specific (often branded) accommodation. When visiting the area, these vacationers are attracted to a specific area resort or campground. This group is likely comprised of a substantial proportion of repeat visitors that also value predictability in their activity choice. In the area, Traditionalists are especially interested in amusement centers, waterslides, casinos and other gaming activities.

Comparing the Itasca Area with Brainerd, Detroit Lakes and Ely

Five other communities around the state also undertook visitor profile research, roughly during the same time period and independent of this study. Those communities included the Brainerd Lakes area (hereafter called "Brainerd"), Detroit Lakes, Ely, Pipestone and Shakopee. As the communities "most like" the Itasca Area, Brainerd, Detroit Lakes and Ely are included here in a brief comparative discussion with the Itasca Area on select key visitor or community attributes.

Figure 18 shows the variation in primary residence of visitors to the four areas (Minnesota vs. non-resident). The Itasca Area ranks second behind Brainerd in the highest proportion of visitors coming from in-state. Alternatively, it is the second lowest of the communities in numbers of visitors coming from out-of-state.

In Figure 19 it can be seen that, for the most part, all four northern areas are primary destination areas. By only a minimal margin is the Itasca Area leading in the percentage of visitors only passing through in-route to another destination. Similarly, Itasca is in the middle of the pack among all four areas experiencing mostly repeat visitors, as opposed to new travelers (Figure 20).

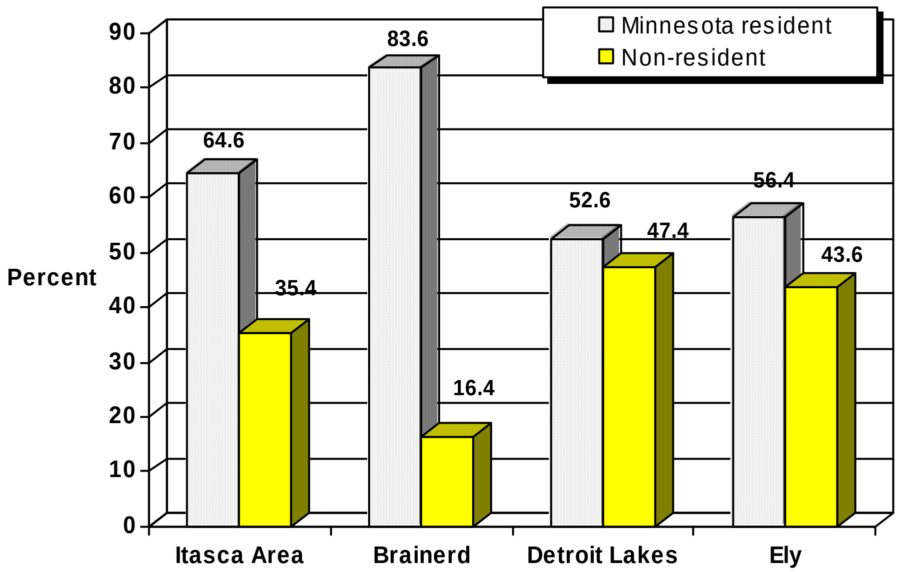

Figure 18. Comparison of state of primary residence of community visitors.

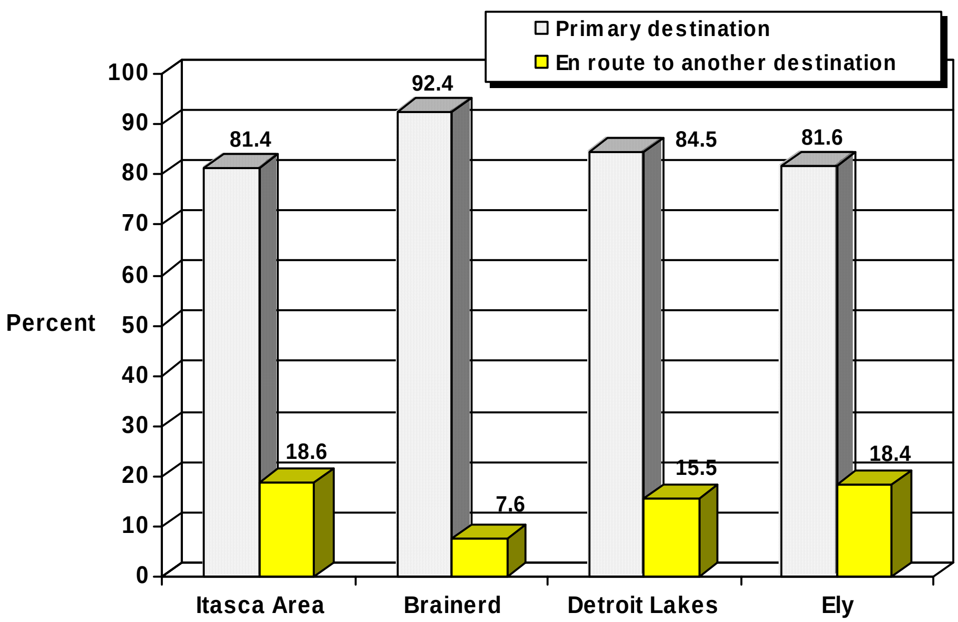

Figure 19. Comparison of primary destination of community visitors.

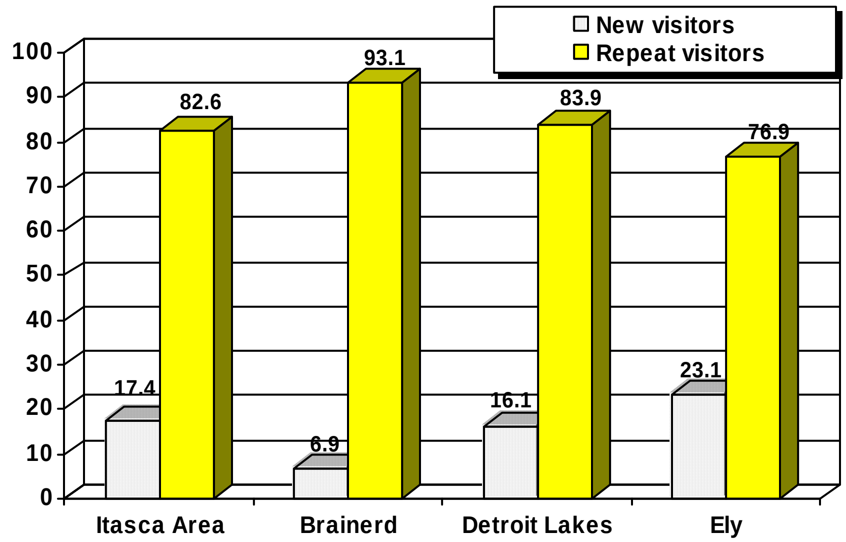

Figure 20. Comparison of new and repeat visitation of community visitors.

How visitors first came into contact with the area is displayed in Figure 21. The Itasca Area is again in the middle among the communities for having visitors who first came for a vacation; it also had the highest occurrence of visitors who first experienced the area through a business trip (nearly 14%).

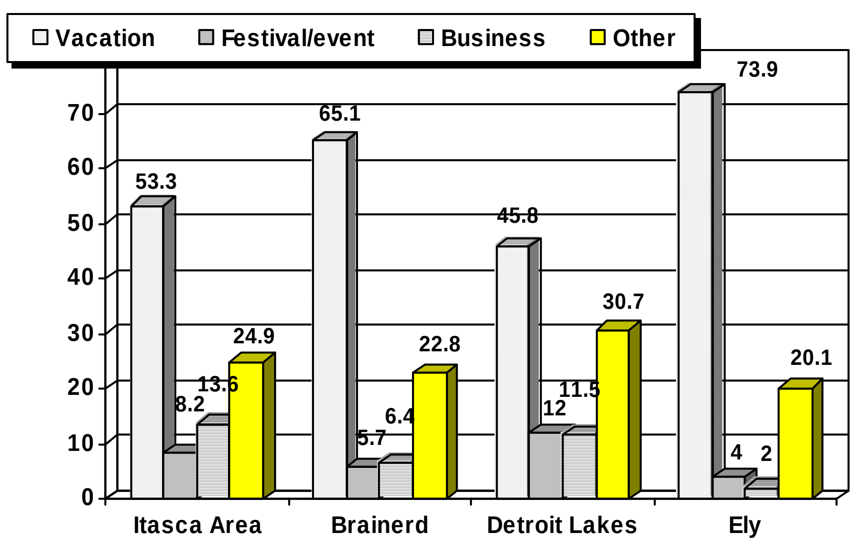

Figure 21. Comparison of first contact profiles of community visitors.

In terms of lengths of stays, the Itasca Area is in the lower half of the group, with slightly less than a week (Figure 22). The extremes, Ely at over nine days and Brainerd at less than six are indicative of their visitor profiles. Brainerd is increasingly a seasonal home market and has been a same-day, Twin Cities drive-to market. Ely, on the other hand, is a popular entry point into a more traditional camping/rustic experience and further from its markets. Ely requires a longer drive and, combined with the type of area use (e.g., camping), lends itself to a longer stay.

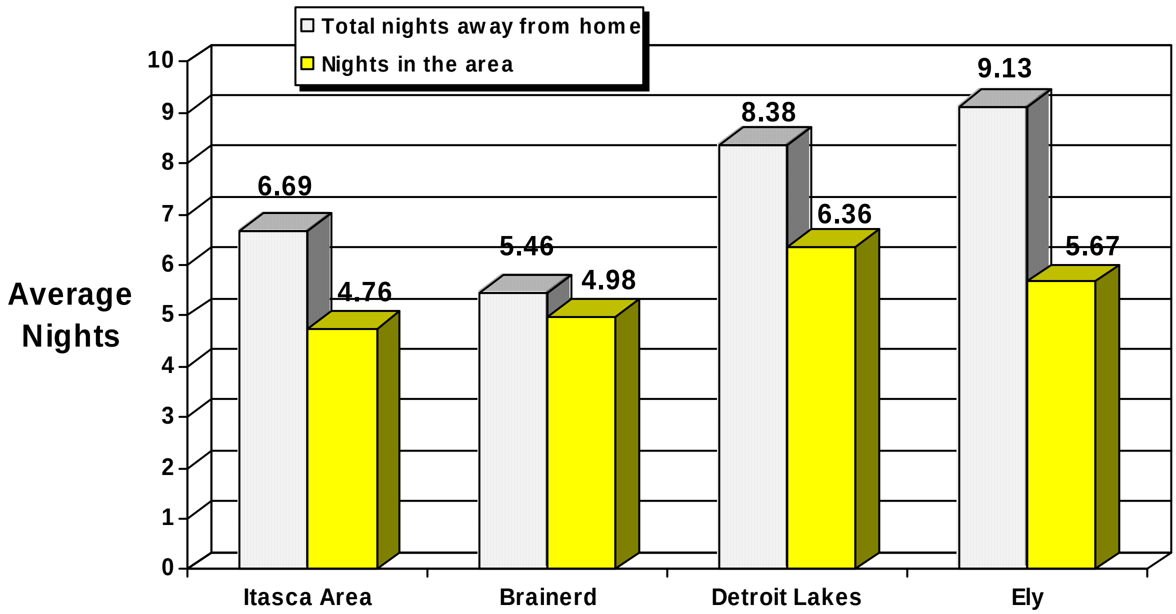

Figure 22. Comparison of length of stay among community visitors.

Figure 23 shows that the Itasca Area led among the four in visitors preferring hotels, motels or bread & breakfast over other lodging choices. This display clearly shows Brainerd leading in vacation and friend & family home-use. Itasca came in second to resort/commercial cabin/campground/RV usage, strongly dominated by Ely.

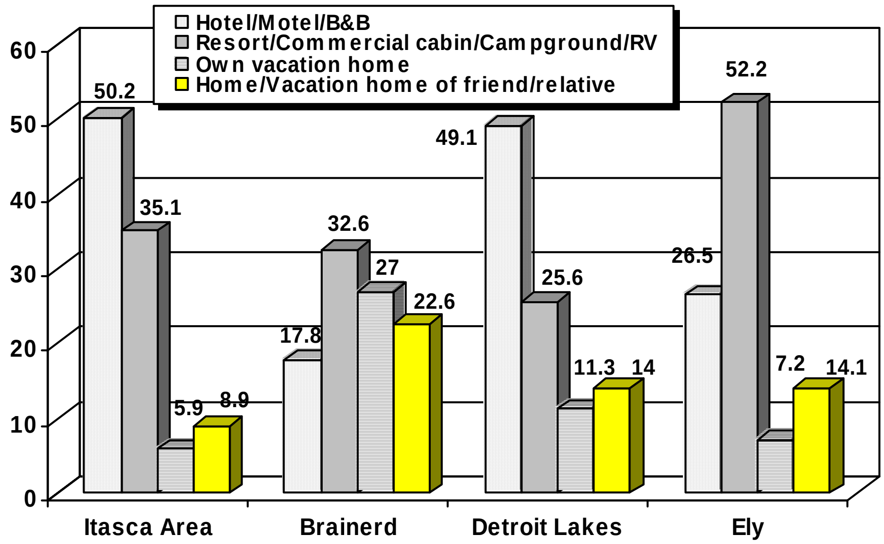

Figure 23. Comparison of visitor choices in types of accommodation by community.

In Table 4, the variations in spending by travel parties in each of the four areas are shown. As Figure 23 indicated, Itasca Area visitor's tendency to stay in higher-priced lodging facilities is reflected in this table. Significant variation is apparent in comparing retail shopping ($38.05 - $77.62) and recreation/attractions ($9.64 – $32.28). Because the average size of travel parties varied among the communities surveyed, Figure 24 puts these figures in a basis for comparison: total spending per person per day. As Itasca's average travel party size was smaller than Ely, for example, the daily rate comparison narrows the difference between the two areas.

Table 4. Comparison of daily travel party expenditures by community.

Spending categories	Itasca Area	Brainerd	Detroit Lakes	Ely
Lodging	$132.32	$90.29	$120.92	$104.02
Restaurant/Bars	$49.15	$65.23	$43.56	$55.44
Transportation	$25.86	$23.95	$21.42	$30.72
Groceries	$20.02	$22.92	$13.13	$21.40
Shopping	$39.00	$57.37	$38.05	$77.62
Miscellaneous	$11.46	$13.75	$6.45	$8.27
Recreation/Attractions	$12.70	$31.71	$9.64	$32.28
TOTAL	**$290.50**	**$305.22**	**$253.17**	**$329.75**

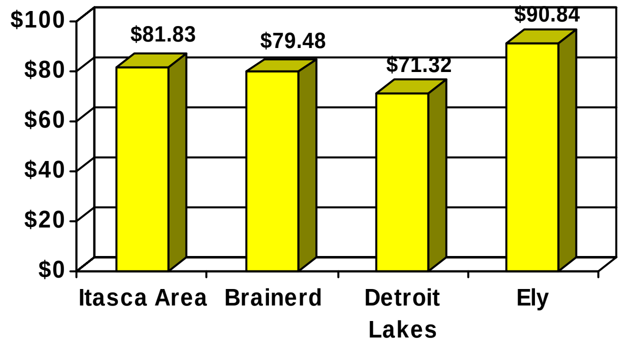

Figure 24. Comparison of average daily expenditure per person by community.

Finally, Figure 25 shows that visitors to the Itasca Area take the longest time in preparing for their trip. Exactly why this would be the case is not readily clear from the data, though it is most likely tied to factors including visitor's distance from primary residence, availability of accommodations in the destination community and planned activities for the trip. (In Brainerd's case, for example, the combination of a significant Twin Cities and seasonal home market lends itself to a shorter travel planning horizon, with more room for spontaneity as the trip can be made in one day and the lodging availability is guaranteed.)

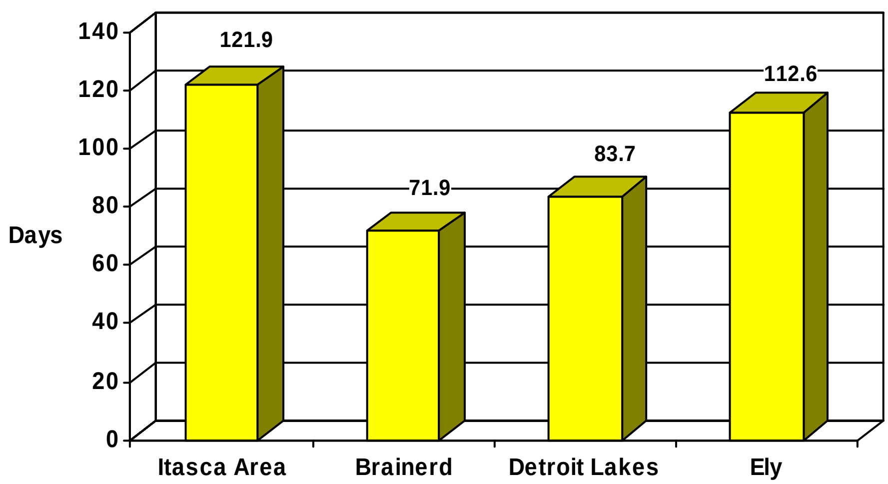

Figure 25. Comparison of visitor planning horizon (days prior to visit) by community.

Economics of Tourism in the Itasca Area

For a variety of reasons, data is not collected to determine the economics of tourism and travel on local economies in Minnesota. A key reason is that our national accounting systems for doing so are inadequate and the U.S. has been slow to change. Up until the middle of the last decade, the Minnesota Office of Tourism (MOT) made estimates of impacts at the county level. MOT's inability to get the data it needed from other state agencies in a timely fashion stopped that analysis, but MOT does continue to make annual estimates of the value of tourism at the state level.

Two pieces of information are critical to determining the economic impacts from tourism and travel activity: numbers of visitors and their spending habits while visiting. This study could only measure the latter. Using the some creative methods, however, it is possible to make an estimate of what today's Itasca County tourism impacts might be.

Itasca Economy

Table 5 shows a general accounting picture of the Itasca County economy in 1999. This table shows:

- Gross Industry Output – total industry production (shipments plus net additions to inventory)
- Employment – annual average full and part-time jobs
- Total Value Added – value added to intermediate goods and services. Total of employee compensation plus self-employment income, plus other property income plus indirect business taxes.

As seen, Itasca County's highest output is in manufacturing, with most jobs in the service and trade industries.

Itasca's Tourism Economy

Said earlier, the Minnesota Office of Tourism ended tourism economic impact estimation at the county level 6-7 years ago. Today, only state-level impacts are made (e.g., $9 billion gross output in 2000). If we make the assumption that all counties grew and maintained their relative share of the total state impact as they did the last time estimates were made, Itasca County's share today would be approximately $100 million in the value of gross output. With this figure, along with the study's survey values determined for how travelers spend their money, the IMPLAN[5] model can be used to estimate how many ***visitor spending days***[6] it would take to

[5] IMPLAN (IMpact Analysis for PLANning) was originally developed for the USDA Forest Service for land and resource management planning. It is a sophisticated, yet flexible tool that uses microcomputer software and database from federal and state data sources to allow for economic impact assessments and analyses. Refined later by the University of Minnesota, it is now managed and supported internationally by the Minnesota IMPLAN Group, Inc., Stillwater, MN.
[6] A visitor spending day is the basis unit used here to describe spending, one person spending the daily average for one day. Ten visitor spending days, for example, could (in reality) be one person spending daily for 10 days or 10 visitors spending one day.

reach the $100 million level of output and how the impacts would reverberate through Itasca's economy.

Table 5. Economy of Itasca County, 1999. [7]

Industry	Industry Output ($Millions)	Employment	Total Value Added ($ Millions)
Agriculture	22.8	711	15.4
Mining	124.9	622	39.5
Construction	168.8	1,589	62.9
Manufacturing	426.1	1,790	151.9
Transportation, Communication, Public Utilities	186.4	951	124.9
Trade	176.1	4,552	130.2
Finance, Insurance, Real Estate	130.2	837	89.8
Services	294.3	6,658	165.8
Government	164.0	3,603	143.5
Other	0.3	52	0.3
TOTAL	**$1,693.3**	**21,364**	**$923.8**

Through trial and error it was determined that approximately 1.2 million visitor spending days generates slightly more than $100 million in total output, as seen Table 6.[8] For clarity, terms used here are defined below:

- *Direct Effects – the immediate impacts from visitor spending, e.g., hotel sales.*
- *Indirect Effects – the impacts generated by visitor spending from industries that supply goods or services to impacted businesses, e.g., linen sales to hotels.*
- *Induced Effects – the impacts generated by households spending of income earned by directly or indirectly generated by visitor spending, e.g., hotel or linen business employees spending earnings.*
- *Total Effects – the sum total of direct, indirect and induced effects.*

[7] Source: IMPLAN 1999 State data tables by county, Minnesota IMPLAN Group, Inc.
[8] Whether the Itasca County total output is $100 million or $101.7 million is unknown. The goal was to approximate the projected estimate of $100 million based on past MOT estimates and determine how many *visitor spending days* would get us to that estimate, knowing per-person spending habits determined through survey. Hence, for convenience, the rounded value of 1.2 million visitor spending days is used, though it slightly "overshot" the $100 million target.

Table 6. Estimated economic impact of 1.2 million visitor spending days in Itasca County (Thousands $)

Industry	Direct	Indirect	Induced	Total Effects
Agriculture	28	186	50	263
Mining	-	-	-	-
Construction	-	1,110	346	1,455
Manufacturing	-	707	157	863
Transportation Communication, Public Utilities	-	2,507	1,057	3,564
Trade	25,756	877	3,780	30,412
Finance, Insurance, Real Estate	-	2,989	2,989	5,721
Services	48,516	4,674	4,540	57,731
Government	92	609	416	1,117
Other	-	-	20	20
Institutions	529	-	-	529
TOTAL	**$74,920**	**$13,659**	**$13,097**	**$101,676**

(It is important to remember that in economic development the idea is to create economic wealth within the area of interest. That means, for example, that the sale of a foreign-made fishing reel does little to raise the economic wealth locally beyond the retail margin the seller gained over his wholesale purchase from overseas suppliers. The more goods and services are produced locally with local supplies, the greater the economic gain locally.)

The estimated $75 million in direct effects are in the obvious economic sectors of tourist sales (e.g., retail shopping, eating and drinking, lodging, etc.). The total amount is net imported materials. The induced effects of $13.7 million represent local business sales directly to the businesses selling to tourists. The service sector, along with construction, transportation, communication, utilities, finance, insurance, banking, etc. are all strong intermediate providers to tourism industry. And finally, all this economic activity affects the people who take home income from their jobs. Induced effects measure this economic activity, estimated to add another $13 million to the county. The estimate of jobs associated with this economic activity is shown in Table 7 and value added shown in Table 8.

Finally, based on the assumptions presented in this section and the actual average visitor spending determined through survey, Table 9 gives a guide to how much output impacts (direct, indirect and induced) one might expect for every visitor spending day of tourism activity. If, for example, a new attraction expected to bring in 10,000 new visitors per year to an Itasca community, one could expect that the additional added economic impacts in total output to the county would be in the neighborhood of $850,000 to the Itasca economy (10,000 X $84.73). Said before, the interpretation of *visitor spending day* means this example could be 10,000 people spending one day, or 5,000 people spending the average over two days, etc.

Table 7. Estimated employment effects generated from tourism in Itasca County (full and part-time jobs)

Industry	Direct	Indirect	Induced	Total Effects
Agriculture	1	4	1	6
Mining	-	-	-	-
Construction	-	16	4	20
Manufacturing	-	8	2	9
Transportation Communication, Public Utilities	-	23	7	30
Trade	887	18	108	1,012
Finance, Insurance, Real Estate	-	28	13	41
Services	1,420	103	102	1,624
Government	1	6	4	10
Other	-	-	2	2
Institutions	-	-	-	-
TOTAL	**2,308**	**205**	**242**	**2,754**

Table 8. Estimated value added effects generated from tourism in Itasca County (Thousands $)

Industry	Direct	Indirect	Induced	Total Effects
Agriculture	20	122	36	177
Mining	-	-	-	-
Construction	-	624	139	763
Manufacturing	-	254	58	312
Transportation Communication, Public Utilities	-	1,415	621	2,036
Trade	15,781	585	2,762	19,128
Finance, Insurance, Real Estate	-	1,967	1,929	3,896
Services	30,271	2,376	2,642	35,288
Government	23	249	140	412
Other	-	-	20	20
Institutions	-	-	-	-
TOTAL	**$46,095**	**$7,593**	**$8,345**	**$62,033**

In summary, this section gives a sense of the order of economic magnitude that observed tourist spending could be having on Itasca County at present. Estimated values for total output, employment and value added show impacts directly tied to consumer purchases from businesses, indirect impacts from (intermediate) industries providing goods and services to supply these firms and household income effects from employees spending earnings from working for these businesses. The assumptions were based on:

- The Minnesota Office of Tourism's estimates for Itasca County in 1995
- Itasca County's share of the state total has not changed since 1995
- Visitors spend (on average) as determined by the Itasca Area survey 2001

Table 9. Estimated average output impact effects by sector per visitor spending day ($/day).

Industry	Direct	Indirect	Induced	Total Effects
Agriculture	$0.02	$0.16	$0.04	$ 0.22
Mining	-	-	-	-
Construction	-	$0.92	$0.29	$ 1.21
Manufacturing	-	$0.59	$0.13	$ 0.72
Transportation Communication, Public Utilities	-	$2.09	$0.88	$ 2.97
Trade	$21.46	$0.73	$3.15	$25.34
Finance, Insurance, Real Estate	-	$2.49	$2.28	$ 4.77
Services	$40.43	$3.90	$3.78	$48.11
Government	$ 0.08	$0.51	$0.35	$ 0.93
Other	-	-	$0.02	$ 0.02
Institutions	$ 0.44	-	-	$ 0.44
TOTAL	**$62.43**	**$11.38**	**$10.91**	**$84.73**

IV. Supplying Itasca Area Tourism

From an economic point of view, tourism is unique among economic activities; the components of the travel experience product never leave the area – they are consumed at the point of production. The meal, overnight stay, the scenic view are all consumed or "taken in" where they are made or reside. A more theoretical view often reasons that in tourism, the product is the experience. The product isn't the dinner or hotel bedroom, it's everything from beginning to end. The pre-trip decision-making and planning, travel to and from the destination(s) and the post-trip recollection all make up the product. Together they make up the trip experience – good or bad. This view obviously makes the tourism industry very complex. This orientation, however, is more meaningful when trying to make improvements because it recognizes tourism as a system. Weaknesses within the system can cause failures that affect other components of the system. For example, the memories of a great dinner and wonderful hotel room can all be spoiled if, when you leave, you find that your car was broken into. Communities and all involved in the production of the experience need to understand this perspective as it is critical to the customer. (People outside of the tourism industry make take comfort that even some within the industry don't think about tourism in these terms.)

Knowing that, there can be many ways to portray the supply side of tourism. Historically it is only considered from an economic view; a description of all the business that sell to travelers. More appropriately, one must consider citizen residents, communities organizations and systems, as well was the private sector providers as all part of the supply chain. Residents are important as it is into their own back yards where visitors are being invited. This lends itself to the need for consideration of sustainable tourism development.

Active Citizenship/Community Process of the Itasca Area Tourism Project

This project initiated action that continues --- decisions and action are needed and this component of the project continues to unfold. It has been a work-in-progress of building community resources and leadership. That being the case, it is difficult to convey all of the work that has transpired by members of the Itasca Area public and private sector in this project. (See Appendix K for a list of active community members involved.) Further, it is difficult to include all of the planning documents and records (e.g., maps, meeting notes, etc.) that have been generated. Samples of the more important records have been included here and in the appendices. They remain in the Itasca Area "community" as planning documents to be used as work continues into the future.

Numerous meetings and activities occurred throughout the study, including:

- In late 1999, an initial group gathered to support the project proposal process as well as give input to some of the visitor data collection process. Approximately 25 people were involved in the initial stages.
- June 5th, 2001 a group gathered to talk about whom else needed to be at the table and involved in steering the study.

- On October 16 an expanded group of 32 Itasca Area community members gathered to discuss the importance of the project and levels of interest. Discussions continued on October 24.
- A core group was designated to create an “action plan” to address project objectives. They met again October 29 and on November 14, presenting the plan to the larger group on November 20.
- The steering committee formed smaller sub-committees to work on various parts of the plan.
- The first stage of the plan was to conduct “environmental scan” surveys. Time was spent compiling lists of survey recipients and writing surveys.
- January 2002 a Public Sector Survey was sent to 322 public sector officials. An Organizations and Attractions survey was sent to 156 organizations and attractions.
- In February surveys were sent to 509 businesses.
- In March 1,370 surveys were sent to a random sample of Itasca Area residents.
- Also in March 50 Itasca Area community members met and identified external trends which affect the tourism industry and did a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.
- In April focus group sessions were held involving over 100 people organizing and participating, held in 8 towns in the area.
- On April 23 the results from all of the surveys, including the visitor surveys, were presented to approximately 100 Itasca Area community members, including county commissioners, area city mayors and council representatives and public and private sector people. Five break-out sessions were formed and participants reviewed and processed survey results (See Appendix J).
- Throughout the study, media/press awareness was achieved through community access TV, radio and newspaper announcements and stories throughout the Itasca Area.

In all, the Itasca Area project led to:

- ***More than 2,300 customer-visitors queried;***
- ***Over 400 citizen-residents questioned by survey or personally and interviewed, and***
- ***More than 100 Itasca Area-wide leaders engaged around tourism assessment and planning.***

Community and People

Often not considered in community tourism is the notion that cities or towns, in marketing themselves for tourism, are seeking out people to come into the same places residents live, work and conduct their business. Strangers are being invited into “*our home.”* Visitors are being invited to mingle with us, join us, in the same places we recreate and work. (This concept is not just a figurative one if one thinks of the bed and breakfast business that is, in fact, inviting visitors into a home *to eat and sleep* – all as a source of income.) This places expectations in the minds of all parties involved. If a community invites us in, we expect they must have something for us and we expect to have fun, be treated kindly and with respect. *We expect good service.* Local residents, on the other hand, expect us as visitors to behave ourselves while in their community, respecting the home environment. It is assumed that both hope that the experience is a good one for all involved.

As tourism develops in a community, this relationship is at the core of industry success and must be sustainable. Out of balance, it can form the basis for discontent. If either party feels the “rules” or their value systems are being violated, problems can surface. The net result is either the customer feels the product is not the value they expected and/or the community believes the “industry” is not a good fit – or both.

Itasca Area Resident Attitudes Towards Tourism

The previous discussion forms the basis for the need to understand what Itasca Area residents think about tourism. A mail survey was the tool to be used, a first for the Itasca Area. A random survey mailing to 1,370 residents was conducted from a population of 15,000 resident homes in Itasca County and the Remer, Hill City area. Residents were asked to express their views about a variety of topics relating to tourism and their community. Three-hundred eighty seven were returned. Most questions were “closed-end,” meaning there was a limited set of answers to choose from. The full survey results can be found in Appendix B

The average residency of respondents was slightly over 30-years and only slightly more than 13% of them characterized themselves as seasonal residents (< 6 months).

Interestingly, only 7% of respondents either works in tourism or says they know someone who does. Considering the broad service-based businesses (e.g., retail, fast food, etc.) that serve the traveling public, this suggests a significant lack of knowledge about tourism.

When asked which attractions would most enhance the lives of residents and attract tourists, they said (in decreasing order):

- Outdoor recreation - 58.5%
- Greater dining variety - 33.2%
- Trails - 34.7%
- Historic attractions - 29.5%
- Festivals - 26.4%
- Water attractions - 26.2%
- Cultural attractions - 19.9%
- More restaurants - 18.4%
- Amusement parks - 13.2%
- Museums - 11.4%
- Convention center - 10.6%
- More lodging - 8.8%
- The arts - 8.5%
- Better quality lodging - 7.3%

Top concerns about tourism growth in their communities (in order of priority) were:

Number 1 Concern:

- Higher taxes (20.7%)

- Over-development (17.3%)
- Traffic Congestion (16.2%)

Number 2 Concern:

- Overuse of outdoor areas (13.2%)
- Higher prices for goods or services (12.8%)
- An increase in real estate or housing costs (12.3%)
- Higher taxes (12.3%)
- Increased pollution (noise, water, littering) (10.2%)

Number 3 Concern:

- Increased pollution, i.e. noise, water, littering (15.4%)
- Higher prices for goods or services (11.6%)
- An increase in real estate or housing costs (11.9%)

The top benefits resident's perceived by having tourism in their communities (in order of priority) were:

Number 1 Benefit:

- A more healthy local economy (32.2%)
- Brings new money into the community (27.2%)
- Better roads (11.9%)

Number 2 Benefit:

- Employment opportunities (25.5%)
- Brings new money into the community (25.2%)
- A more healthy local economy (13.9%)

Number 3 Benefit:

- Greater variety of goods and services (14.0%)
- Employment opportunities (11.2%)

In general, residents tended to agree that:

- Tourism increased quality of life in the area
- Tourism helps balance the economy
- More tourists should be encouraged to come
- Plans should be developed to control growth
- Overall benefits outweigh negative impacts
- They were optimistic about community future
- Tourism is very important to their community

They tended to disagree that:

- Tourism has increased the number of crime problems in the area
- Tourism only helps businesses that sell directly to tourists
- Tourism promotion in not in the best interest of our community
- Their community should control and restrict tourism development
- Other community services receive less attention because of tourism

Long-term Residents and Seasonal Residents

In a comparison among respondents that lived in the Itasca Area year-round versus seasonally, some interesting (though not surprising) differences were evident. (The full survey comparison can be found in Appendix C.) Among all respondents, 87% said they were full-time residents and 13% were seasonal.

Seasonal residents, compared to year-round residents, tended to:

- Have less average years living in the area.
- Be less supportive of the same attractions as enhancing their lives or attracting tourist (e.g., less interest in festivals, amusement parks, museums, more restaurants).
- See overdevelopment (49% vs. 32%) and pollution (48% vs. 32%) as the top two concerns about tourism growth -- compared to full-time residents seeing higher taxes (43% vs. 41%) and traffic congestion (35% vs. 23%) as the top two concerns.
- In larger numbers see a more healthy economy as the number one benefit to having tourism in the community (66% vs. 52%).
- Be slightly more inclined than full-time residents to believe:
    - Tourism has increased the number of crime problems in the area
    - Land-use zoning as a good way to manage tourism growth
    - Tourism makes the area more crowded
- Be slightly less inclined than full-time residents to believe:
    - Tourism only helps business selling directly to the tourist
    - More tourists should be encouraged to come to the area
    - Increased tourism would help community's grow in the "right" direction

Seasonal residents tended to be slightly older than year-round residents (59.6 years old vs. 56.2) and more affluent (47% with annual household incomes over $75,000 vs. 13% for year-round residents).

Itasca Area Residents: What is Community, Community Values?

Focus group sessions were conducted as part of the study to engage residents in a discussion of community and community values. The expectation of the sessions was that they would help provide a community context for dealing with future development issues in the area, including tourism development. Each focus group began with an explanation of the purpose as well as establishing common definitions of "community" and "community values". Participants were encouraged to think of "community" as both a geographical place as well as a set of common interests. "Community values" were defined as a set of ideals or principles the community holds or aspires to.

Focus groups were conducted in the following locations:

- Grand Rapids (Library – 9 participants)
- Grand Rapids (Sawmill Inn – 9 participants)
- Coleraine (Golf Course – 8 participants)
- Deer River (City Hall – 10 participants)
- Squaw Lake (Restaurant – 15 participants)
- Bigfork (Rural Electric Coop –11 participants)
- Marble (Library-11 participants)
- Warba (Community Center –11 participants)
- Remer (Chamber Office-8 participants)

Citizens from Cohasset, Max, Marcell, Taconite, Bovey, Keewatin and Calumet also participated. Each focus group lasted a total of 90 minutes with a series of standardized questions being asked. Participants were encouraged to respond to the questions and also engage each other in the conversation. Reaching consensus was not the goal. Rather, an honest exchange of opinions was sought. A summary of key findings follows:

1. Participants identified four general characteristics of communities they felt are positive. They have implications for the development of a set of community values:

- Positive attitudes of people
- Respect for the environment
- Authentic history and heritage
- Customer service orientation

These characteristics appeared to be consistent whether an individual was referring to a far away place or their own community

2. Schools were identified as extremely important community assets both by communities who have them and those that don't. Health care facilities are also identified as being very important. Thus, the value placed on K-12 education and health care by communities needs to be emphasized.

3. All of the communities have been impacted by social and economic changes and are struggling to find responses that fit their particular circumstances. Old rivalries continue to hinder the ability of communities to work together although several models of inter-community cooperation are noted.

4. Public policy issues are framed exclusively as "either-or" issues rather than inclusively as "and" issues (e.g. economic development <u>or</u> environmental protection rather than economic development <u>and</u> environmental protection)

5. Much discussion centered on the appropriate balance between development and preservation. There is a strong sentiment for balanced and diversified development without hindering the environment. There are few suggestions, however, as to the best ways of achieving this goal.

6. Each community has some level of economic activity but inter-community communication appears minimal. More area-wide communication and cooperation among communities is suggested.

7. There is recognition that the Itasca County area is a major tourism region. However, there is a reluctance to fully embrace tourism for a variety of reasons.

8. Participants are generally optimistic about the future of their communities but recognize that continuing social and economic change will impact them and may fundamentally alter the nature of their community in the future.

Through their conversations, residents said that pride comes from people, services, physical appearance of the area, natural resources and the cultural opportunities their communities maintain. One said, *"Visitors envy our life but this is home."* Most felt that "good community" comes from people, environment, services and business and that guiding principles for policy makers for business retention and expansion include:

- Planning is essential
- Recognize that the global marketplace has changed us
- Technology improvements are vital
- Matching "appropriate economic development opportunities" to community is critical
- "Economic development starts with community development"

Public and Private Enterprise

Provision of tourism-related goods and services to visitors of the Itasca Area is generally accomplished by enterprises of the public and private sectors. To get a sense of the operating environment in which these businesses or organizations work, seven surveys were sent out to Itasca Area public sector officials, businesses or organizations that provide tourism goods and/or services. Specifically they included:

- Public Sector Officials
- Organizations
- Entertainment and Attractions Operations
- Food Service Businesses
- Lodging Establishments
- Resort & Campgrounds
- Retail & Service Businesses

Summaries of findings follow. Appendix E includes the full survey summaries.

Public Sector Role in Tourism

Surveys were sent to 322 public sector officials in the areas of county, city, tribal and township governments. These surveys were also sent to federal agencies such as the USDA-Forest Service, US Army Corps of Engineers and Post Offices. State agencies included MNDOT, DNR and State Parks. Other groups were included because of their roles in providing public services. Examples include health services, lake associations, snowmobile clubs and the airport.

Public sector agencies are involved in all facets of the tourism system. They reported:

- Playing a role in every form of access and infrastructure
- 63% of the respondents said they work with tourists/travelers
- 41% said they work with tourism businesses

They are involved with the management and/or operations of many types of attractions including, natural sites, cultural/historic sites, special events and others.

A review of the surveys suggests that travel and tourism may present some issues in terms of increased demand for services:

- 17.8% reported that they were concerned about the overuse of their services
- 26.7% reported that their services were underused
- 55.4% reported that there was the right level of use of their services

Most of the respondents reported that it would be helpful to have more communication with the tourism industry. Their thoughts were:

- 51.3% would be interested in a newsletter
- 33.3% would be interested in internet/email
- 23.9% would be interested in an annual meeting
- 13.7% would be interested in regular meetings
- 9.4% would be interested in a formal organization
- 3.4% wrote in other forms of contact

One out of five respondents from every category said they want no connection whatsoever.

Future planning work will allow for further exploration of this data. For example, seven out of the nine respondents in the category of police/fire said that there is a higher level of demand on some of their services due to travel and tourism. Further, four said that they were concerned about the overuse of their services. These issues will require that public services and elected officials work closely with the industry if further development is planned.

Organizations (80 operations)

Organizations were given a survey to assess a number of things, including roles and connectedness with other entities. One project objective was to look at the effectiveness of the overall “organization” of all the pieces of tourism. In particular, the survey sought to examine whether the groups involved were optimizing their efforts by being connected and understanding what they needed to succeed.

A survey was sent to 156 area organizations, agencies and attractions involved with tourism; eighty were returned. The survey recipients included: tourism organizations, chambers of commerce, natural resource agencies, heritage organizations, any organizations which are involved with the management of recreation areas such as snowmobile clubs and lake associations and many government agencies. Of the government agencies, 26 of them have more than one department involved with some aspect of travel and tourism. (See Appendix D, *Organizations and Attractions Involved with Itasca Area Tourism*).

One way of categorizing the various entities involved with travel and tourism considers those involved with development, promotion, or management. Respondents were asked to identify any or all of the three areas they were involved with. They reported that 70% promote, 64% manage and 53% develop tourism. This translates to approximately 56 groups involved with promotion, approximately 51 groups involved with management and 42 groups involved with the development of tourism.

Respondents were queried about operations in order to determine if groups commingled in the same geographic areas with the same objectives. The service areas of groups varied widely, ranging from a single facility to coverage of the entire region. As would be expected, several groups work in the same geographic locations. Missions varied in regards to the specific types of organizations but, in general, many shared a list naming protection, promotion, management of things such as heritage, culture, aspects of the environment and recreation.

When asked about the formal and informal relationships or partnerships these organizations have, 67% said they have formal relationships or partnerships and 64% said they have informal relationships or partnerships. The results of the survey revealed that several respondents reported no formal or informal relationships with others in the "tourism system."

When asked how they would like to be connected to other organizations, recipients said:

- Newsletter (74%)
- Internet/email (48%)
- Annual meeting (38%)
- Regular meetings (30%)
- Formal organization (10%)
- Other (7%)
- No connection (6%)

Several questions related to promotion of activities to different types of visitors. Most respondents target families specifically (76%). Most-cited types of activities identified by respondents were trails (57%) and fishing/lakes (52%).

When asked about what was needed to better achieve the mission of their organization, 68% identified funding as a need, 40% needed volunteers and 39% identified more partnerships and additional members.

Entertainment and Attraction Businesses (13 firms)

- The majority of respondents fell into the museums, historic attractions, or outdoor attractions or parks categories (54%).
- In the last year, most (54%) felt business was about the same as the previous year, with more than 36% saying they thought they had a better year.
- Optimism for their business's future in the next 12-months was high (85%) and climbing when looking out over five years (92%).
- The most positive factor cited impacting business development was location (36%) followed by market and economy (27%). The most negative factor was markets and the economy (50%).

- Close to half (46%) were currently planning to renovate or expand, though 80% of those didn't see that currently adding employees. Twenty-three percent were "thinking about" expanding or renovating.
- More than half (54%) reported that their new employees require special training, with an even larger number (62%) of existing employees requiring it.
- Almost one-third of the businesses reported difficulty in recruiting employees.
- In general, these businesses didn't see tourism as a large component of the success of their operation, though they were unanimous in feeling that tourism promotion was in the best interest of their business. Nearly half said tourism accounted for less that 25% of their revenues and only 20% or less of their customers in all but the summer months, then accounting for 40% of customers.
- Business reported no dissatisfaction with any local public services and tended to be very high on traditional services like fire, police and snow removal.

Food Services Businesses (20 firms)

- The majority were either family or fast food restaurants (50%).
- In the last year, one-third felt business was worse than the previous year, with more than 38% saying they thought they had a better year.
- Optimism for their business's future in the next 12-months was very high (90%) and climbing when looking out over the next five years (94%).
- The most positive factor cited impacting business development was location (41%) followed by market and economy (24%). The most negative factor was markets and the economy (41%) with 18% citing labor availability.
- Over half (58%) had no plans to renovate or expand, while 21% said they were and would add one to two full or part-time jobs (57%).
- More than half (57%) reported that their new employees require special training; existing employees generally did not need it (68%).
- Over one-half (53%) of the businesses reported difficulty in recruiting employees, mostly full-time, year-round (40%).
- Generally these businesses didn't see tourism as a large component of the success of their operation, though they were nearly unanimous in feeling that tourism promotion was in the best interest of their business. The majority (74%) said up to half of their revenue was from tourism. (32% said tourism accounted for less that 25%; 42% said it was 25-50% of their revenues). Local customers accounted for nearly all the business in the winter, 61% in the spring, 22% in the summer and 44% in the fall.
- Business reported no dissatisfaction with any local public services and also tended to be very high on traditional services like fire, police and snow removal.

Lodging Establishments (15 firms)

- Most were motels (54%); others included private cabins (23%) and bed & breakfasts (15%). Most had no food service (77%) or conference rooms (80%).
- Customer travel types were roughly one-third business, two-thirds pleasure travelers.
- In the last year, one-third felt business was better than the previous year, with more than 20% saying they thought they had a better year.
- Businesses were unanimously optimistic for their business's future in the next 12-months (100%) and remained there looking out over the next five years.

- The most positive factor cited impacting business development was location (62%). The most negative factor was markets and the economy (33%) with 17% citing location.
- Over half (53%) had no plans to renovate or expand, while of the 27% that were planning to do so, one-third of those said they would likely add one to four full or part-time jobs.
- Thirty-nine percent reported that their new employees require special training; existing employees generally did not need it (83%).
- Most (77%) of the businesses reported no problems in recruiting employees; those that did had the greatest difficulty in recruiting year-round part-time workers.
- This group saw tourism as a large component of the success of their operation; with over one-half (53%) saying 76%-100% of their gross revenues came from tourism. Eighty-seven percent said that tourism promotion was in the best interest of their business.
- Local residents were not customers; all were from outside the area (though 13% said "tourism does not affect me").
- Street surface conditions and municipal assessor's offices were the only public services that scored any dissatisfaction among owners. Police and fire protection got highest ratings.

Resort and Campgrounds (79 firms)

- Most respondents were traditional resorts (79%) or campgrounds (10%), offered no food service (86%) or conference room facilities (87%) and reported most of their visitors were leisure travelers (97%).
- Roughly one-half felt business in the last year was about the same as the previous year, with one-quarter each saying it was better or worse.
- Optimism for their business's future in the next 12-months was high (90%) and climbing when looking out over five years (92%).
- The most positive factor impacting business development was location (69%) followed by having adequate space (7%). The most negative factors were markets and the economy (29%), though followed closely by regulations (28%).
- Close to half (43%) had no current plans to renovate or expand, though 37% did.
- Three-quarters of the firms reported that their new employees require no special training. An even larger number (79%) said their existing employees had no special needs.
- Over one-third of the businesses (37%) reported difficulty in recruiting employees, primarily seasonal part-time.
- In general, these businesses saw tourism as a large component of the success of their operation and they strongly felt tourism promotion was in the best interest of their business (96%). Over 90% said between 76%-100% of their gross revenues came from tourism.
- The large majority close their businesses seasonally (82%).
- Municipal assessors, planning commissions, sewer costs and street surface conditions were reported with dissatisfaction among local public services. Police, fire and snow removal had highest satisfaction ratings.

Retail and Service Businesses (87 firms)

- Respondents were varied, from specialty shops (16%), auto sales/repair (13%) and gas stations/convenience stores (30%). Most (30%) categorized themselves as "other."

- Thirty-nine percent said business in the last year was worse than the previous year; 41% said it was the same.
- Optimism for their business's future in the next 12-months was high (84%) and climbing to 87% when looking out over five years.
- The most positive factor cited impacting business development was location (57%) followed by markets and the economy (18%). The most negative factor was markets/economy (56%).
- Nearly two-thirds had no current plans to renovate or expand, though 21% did.
- Fifty-five percent reported that their new employees did require special training, though generally existing employees had no special needs (59%).
- Nearly two-thirds of the businesses (61%) reported difficulty in recruiting employees, primarily year-round full-time.
- In general, these businesses saw tourism as a large component of the success of their operation and they strongly felt tourism promotion was in the best interest of their business (88%). Fifty percent said 0-50% of their gross revenues came from tourism, with 42% reporting between 26-75% coming from tourism. (They report a strong local business, ranging from 89% locally in the winter (highest) to 65% in the summer (lowest).
- Most remain open all year (87%).
- No dissatisfaction with local public services was reported and many high satisfaction areas were reported, including general business climate, street cleanliness and public works.

Comparative Summary of Five Business Sectors

What follows is an abbreviated review comparing the five business sectors to the questions posed to them. Similarities and differences in perspective are evident.

▶ In general, is business better, worse, or about the same as last year? (Check one)

	Better than last year	Worse than last year	Same as last year
Overall	25%	31%	44%
Entertainment & Attractions	39%	8%	54%
Food Service	39%	33%	28%
Lodging	33%	20%	47%
Resorts & Campgrounds	23%	29%	48%
Retail & Service	20%	39%	41%

	▶ Are you optimistic about the future of your business in the next 12 months? (Check one)		▶ Are you optimistic about the future of your business in the next 5 years? (Check one)	
	Yes	**No**	**Yes**	**No**
Overall	88%	12%	91%	10%
Entertainment & Attractions	85%	15%	92%	8%
Food Service	90%	11%	94%	6%
Lodging	100%	0%	100%	0%
Resorts & Campgrounds	90%	11%	92%	8%
Retail & Service	84%	16%	87%	13%

▶ What do you consider to be the most POSITIVE factor and the most NEGATIVE factor impacting the development of your business? (Check one item for each column).

Overall	**Most POSITIVE Factor Overall**	**Most NEGATIVE Factor Overall**
Location	59%	9%
Regulations	1%	13%
Competition	4%	8%
Transportation	1%	3%
Market/Economy	13%	42%
Modern Facilities	9%	3%
Labor Availability	1%	9%
Adequate Space	4%	7%
Sanitary Facilities	1%	1%
Other	8%	6%

▶ Are you currently planning to renovate or expand your business? (Check one)

	Yes	**No**	**Thinking About It**
Overall	29%	54%	18%
Entertainment & Attractions	46%	31%	23%
Food Service	21%	58%	21%
Lodging	27%	53%	20%
Resorts & Campgrounds	37%	43%	20%
Retail & Service	21%	65%	14%

↳ **▶ If Yes to renovation or expansion, what impact will this have on the number of people you employ?**

Overall	
59%	Expect change in the number of employees
16%	Expect to add approximately 5 full-time jobs (mean=4.79)
14%	Expect to add approximately 3 part-time jobs (mean=3.44)
2%	Expect to eliminate approximately 1 full-time job (mean=1)
0%	Expect to eliminate any part-time jobs
9%	Don't know what impact it will have on the number of employees

▶ Do existing employees in your business require any special training? (Check one)

	Yes	No
Overall	33%	678%
Entertainment & Attractions	62%	39%
Food Service	32%	68%
Lodging	17%	83%
Resorts & Campgrounds	21%	79%
Retail & Service	42%	59%

▶ Do new employees in your business require any special training? (Check one)

	Yes	No
Overall	44%	56%
Entertainment & Attractions	54%	46%
Food Service	58%	42%
Lodging	39%	62%
Resorts & Campgrounds	25%	75%
Retail & Service	55%	45%

▶ Does your business have any difficulty in recruiting employees? (Check one)

	Yes	No
Overall	38%	62%
Entertainment & Attractions	31%	69%
Food Service	53%	47%
Lodging	23%	77%
Resorts & Campgrounds	37%	63%
Retail & Service	39%	61%

↳ ▶ **If Yes to difficulty in recruitment, what types of employees are difficult to recruit? (Check all that apply)**

	Year-round full-time employees	Year-round part-time employees	Seasonal full-time employees	Seasonal part-time employees
Overall	25%	26%	10%	40%
Entertainment & Attractions	25%	25%	25%	25%
Food Service	40%	30%	10%	20%
Lodging	0%	67%	0%	33%
Resorts & Campgrounds	0%	4%	12%	84%
Retail & Service	42%	37%	7%	15%

▶ **Do you employ people in each of the following categories?**

	Year-round full-time employees		Year-round part-time employees		Seasonal full-time employees		Seasonal part-time employees	
	Yes	No	Yes	No	Yes	No	Yes	No
Overall	53%	47%	54%	46%	26%	74%	48%	52%
Entertainment & Attractions	67%	33%	58%	42%	40%	60%	58%	42%
Food Service	68%	32%	79%	21%	39%	61%	56%	44%
Lodging	43%	57%	60%	40%	0%	100%	13%	885%
Resorts & Campgrounds	20%	80%	29%	71%	11%	89%	61%	39%
Retail & Service	78%	22%	80%	20%	21%	79%	35%	65%

▶ **Please identify the average wage paid to the following types of employees.**

	Year-round full-time employees	Year-round part-time employees	Seasonal full-time employees	Seasonal part-time employees
Overall	$10.50/hour	$7.56/hour	$8.84/hour	$7.67/hour
Entertainment & Attractions	$12.75/hour	$9.00/hour	$12.63/hour	$8.89/hour
Food Service	$6.98/hour	$6.62/hour	$5.66/hour	$5.64/hour
Lodging	$6.00/hour	$6.33/hour	–	$6.20/hour
Resorts & Campgrounds	$13.73/hour	$8.92/hour	$9.44/hour	$8.50/hour
Retail & Service	$10.44/hour	$7.62/hour	$8.62/hour	$6.78/hour

▶ **Please indicate whether or not you provide each type of employees with these benefits.**

	Year-round full-time employees		Year-round part-time employees		Seasonal full-time employees		Seasonal part-time employees	
Overall	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Medical/Dental Insurance	45%	55%	16%	84%	5%	95%	0%	100%
Retirement Benefits	47%	53%	17%	83%	18%	82%	8%	92%
Paid Vacation	72%	28%	20%	80%	16%	84%	6%	93%
Paid Sick Leave	46%	54%	12%	88%	13%	87%	6%	94%

▶ **Is your business accessible to persons with disabilities? (Check one)**

	Yes	No
Overall	72%	28%
Entertainment & Attractions	100%	0%
Food Service	90%	11%
Lodging	47%	53%
Resorts & Campgrounds	47%	53%
Retail & Service	90%	11%

▶ **Does your business have public rest rooms? (Check one)**

	Yes	No
Overall	60%	41%
Entertainment & Attractions	100%	0%
Food Service	90%	11%
Lodging	27%	73%
Resorts & Campgrounds	53%	47%
Retail & Service	58%	42%

▶ **How important is tourism to the success of your business? (Circle one)**

	Mean	Scale
Overall	3.62	
Entertainment & Attractions	3.54	1=Very Unimportant
Food Service	3.00	2=Somewhat Unimportant
Lodging	4.20	3=Neither Important or Unimportant
Resorts & Campgrounds	3.82	4=Somewhat Important
Retail & Service	3.48	5=Very Important

▶ **What year was your business established in this community?**

	Range
Overall	1884-2001
Entertainment & Attractions	1948-2000
Food Service	1920-2000
Lodging	1920-2000
Resorts & Campgrounds	1884-1996
Retail & Service	1900-2001

▶ **What percent of your business' gross sales revenue is attributable to tourism? (Check one)**

	0% to 25%	26% to 50%	51% to 75%	76% to 100%
Overall	28%	20%	10%	43%
Entertainment & Attractions	46%	23%	8%	23%
Food Service	32%	42%	16%	11%
Lodging	7%	7%	33%	53%
Resorts & Campgrounds	3%	7%	0%	91%
Retail & Service	50%	29%	13%	8%

▶ **Is tourism promotion in the best interest of your business? (Check one)**

	Yes	No	Tourism doesn't affect me
Overall	92%	5%	3%
Entertainment & Attractions	100%	0%	0%
Food Service	94%	6%	0%
Lodging	87%	0%	13%
Resorts & Campgrounds	96%	4%	0%
Retail & Service	88%	8%	5%

▶ **Does your business distribute brochures highlighting local attractions? (Check one)**

	Yes	No
Overall	63%	37%
Entertainment & Attractions	77%	23%
Food Service	56%	44%
Lodging	67%	33%
Resorts & Campgrounds	86%	14%
Retail & Service	41%	59%

▶ Do you regularly close your business during the year? (Check one)

	Yes	No
Overall	40%	60%
Entertainment & Attractions	31%	69%
Food Service	21%	79%
Lodging	14%	86%
Resorts & Campgrounds	82%	18%
Retail & Service	13%	87%

↳ If Yes, why (Check one)

	Take a vacation	Need down time	Not enough business
Overall	8%	6%	27%
Entertainment & Attractions	0%	100%	0%
Food Service	0%	33%	33%
Lodging	25%	75%	0%
Resorts & Campgrounds	7%	2%	27%
Retail & Service	18%	0%	45%

	To do maintenance or renovate	Too expensive to operate year-round	Property(s) not winterized
Overall	8%	6%	46%
Entertainment & Attractions	0%	0%	0%
Food Service	0%	0%	33%
Lodging	0%	0%	0%
Resorts & Campgrounds	7%	6%	51%
Retail & Service	9%	9%	18%

▶ Are some days more or less busy with customers than others? (Check one)

	Yes	No
Overall	85%	15%
Entertainment & Attractions	77%	23%
Food Service	95%	5%
Lodging	85%	15%
Resorts & Campgrounds	84%	16%
Retail & Service	86%	14%

↳ ▶ **If yes, which day is busiest? (Check one)**

	Mon	Tues	Wed	Thu	Fri	Sat	Sun
Overall	12%	2%	3%	1%	18%	62%	3%
Entertainment & Attractions	0%	0%	0%	0%	13%	75%	13%
Food Service	6%	0%	0%	0%	35%	47%	12%
Lodging	0%	0%	0%	0%	20%	80%	0%
Resorts & Campgrounds	2%	0%	0%	0%	8%	89%	2%
Retail & Service	27%	5%	6%	2%	24%	35%	2%

↳ ▶ **If yes, which day is slowest? (Check one)**

	Mon	Tues	Wed	Thu	Fri	Sat	Sun
Overall	23%	26%	22%	3%	1%	7%	20%
Entertainment & Attractions	60%	20%	0%	0%	0%	0%	20%
Food Service	33%	40%	7%	0%	0%	0%	20%
Lodging	11%	11%	11%	11%	0%	0%	56%
Resorts & Campgrounds	28%	23%	28%	0%	0%	29%	19%
Retail & Service	11%	27%	24%	5%	3%	15%	15%

▶ **Where do the majority of your WINTER customers originate? (Check one)**

	Locally	Twin Cities	Other places in MN	Out-of-state	Internationally
Overall	66%	13%	13%	8%	0%
Entertainment & Attractions	91%	0%	9%	0%	0%
Food Service	100%	0%	0%	0%	0%
Lodging	0%	42%	42%	17%	0%
Resorts & Campgrounds	18%	24%	32%	26%	0%
Retail & Service	89%	8%	3%	1%	0%

▶ **Where do the majority of your SPRING customers originate? (Check one)**

	Locally	Twin Cities	Other places in MN	Out-of-state	Internationally
Overall	51%	22%	21%	6%	0%
Entertainment & Attractions	80%	0%	20%	0%	0%
Food Service	61%	22%	17%	0%	0%
Lodging	0%	33%	50%	17%	0%
Resorts & Campgrounds	11%	41%	36%	13%	0%
Retail & Service	85%	9%	5%	1%	0%

▶ **Where do the majority of your SUMMER customers originate? (Check one)**

	Locally	Twin Cities	Other places in MN	Out-of-state	Internationally
Overall	32%	19%	28%	21%	0%
Entertainment & Attractions	60%	20%	20%	0%	0%
Food Service	22%	22%	44%	11%	0%
Lodging	0%	36%	36%	29%	0%
Resorts & Campgrounds	3%	21%	36%	40%	0%
Retail & Service	65%	14%	16%	5%	0%

▶ **Where do the majority of your FALL customers originate? (Check one)**

	Locally	Twin Cities	Other places in MN	Out-of-state	Internationally
Overall	44%	21%	26%	10%	0%
Entertainment & Attractions	80%	10%	10%	0%	0%
Food Service	44%	28%	28%	0%	0%
Lodging	0%	50%	33%	17%	0%
Resorts & Campgrounds	6%	29%	44%	21%	0%
Retail & Service	80%	9%	10%	1%	0%

▶ **Indicate your satisfaction with these local public services as they relate to your business.***

	Overall	Entertainment & Attractions	Food Service	Lodging	Resorts & Campgrounds	Retail & Service
Building Inspector	3.48	3.80	3.56	3.64	3.31	3.53
Code Enforcement	3.36	3.80	3.37	3.45	3.18	3.45
Community Programs (CPR, food handling, etc.)	3.43	4.30	3.63	3.45	3.17	3.45
Fire Inspector	3.48	4.40	3.47	3.25	3.31	3.54
Fire Protection	3.84	4.40	3.79	3.83	3.65	3.95
General business climate	3.40	3.40	3.47	3.33	3.38	3.64
Government officials	3.18	3.80	3.16	3.18	3.10	3.17
Health Inspector	3.47	3.90	3.58	3.73	3.38	3.40
Municipal Assessor's Office	3.12	4.00	3.21	2.91	2.84	3.26
Municipal Engineering Office	3.27	4.00	3.18	3.42	3.08	3.31
Planning Commission	3.14	3.10	3.18	3.42	2.96	3.24
Police Protection	3.91	4.40	3.83	4.00	3.95	3.82
Public Works Department	3.62	4.10	3.67	3.64	3.27	3.79
Sewer Services	3.51	4.20	3.56	3.45	3.08	3.67
Sewer Costs	3.31	4.10	3.22	3.36	2.83	3.52
Snow Removal	3.74	4.40	3.84	3.58	3.59	3.77
Storm Water Drainage	3.50	4.00	3.83	3.27	3.09	3.66
Street Cleanliness	3.55	4.10	3.67	3.58	3.06	3.77
Street Surface Condition	3.07	3.40	3.17	2.91	2.98	3.10
Waste Disposal	3.49	3.90	3.63	3.36	3.04	3.74
Water Pressure	3.51	3.60	3.50	3.36	3.35	3.63
Water Supply	3.55	3.60	3.53	3.55	3.34	3.69
Zoning Department	3.30	3.70	3.37	3.25	3.15	3.36

*** Mean Scores Reported**

Scale: 1=Very Dissatisfied; 2=Somewhat Dissatisfied; 3=Neither Satisfied or Dissatisfied; 4=Somewhat Satisfied 5=Very Satisfied

Trends, Strengths, Weaknesses, Opportunities and Threats

An important element of the project was to bring together individuals from across the Itasca Area and from the diverse sectors of the greater community to initiate dialogue. A working session was held in March 2002 to share some of the preliminary information gathered and to provide an opportunity for additional input and reaction. The session was called a "tourism services" meeting and invitations to the event were sent to community partners, individuals and announced in the local media. Approximately fifty individuals representing the diverse sectors of the community participated in this working session. Participants represented both the public and private sectors and included representatives from Federal, State, County, City, Townships and the Leech Lake Band of Ojibwe. The private sector was represented by individuals from tourism organizations and businesses including retail, lodging and attractions.

The half-day session began with a brief overview of the project. The meeting was designed to be a working session that actively engaged attendees in discussion and thinking about tourism in the Itasca Area.

Two facilitated exercises were done during this meeting to capture local on-the-spot thinking. The information gathered in these exercises provided a snapshot of the moment-in-time perceptions of attendees about the issues and opportunities related to tourism for the Itasca Area. The first exercise was a mini-trend analysis to identify what the meeting participants thought were the national regional or global trends that affect the local area. The second exercise then asked participants to identify strengths, weaknesses, opportunities and challenges related to tourism in the Itasca Area. Information was captured on flip charts and reported to the large group when the break-out groups reconvened.

Trends Analysis Exercise

The process of the trends exercise began with an explanation of the process and having the attendees break into small work groups of approximately 10 people. These groups moved to small tables where a facilitator guided the discussion. Participants identified external trends in the following categories: economic, political, technological, social and legal/regulatory. These were listed on flip charts by the facilitators with limited discussion and no ranking.

The compiled lists of trends from each small group were shared back with the larger group – again without analysis or debate. A number of trends were identified in each category, but time did not allow for analysis of potential impacts of trends.

Key trends identified included:

Economic

- Dynamic economy - recession/recovery cycle
- US economy is a service-based economy, not a manufacturing economy
- Migration from rural to urban
- State and Federal funding cuts
- Competition for quality staff

Political

- Lack of awareness or understanding of tourism benefits at the state and federal level
- Lack of a long-term state plan that includes tourism
- Active community volunteers
- Local positive support for tourism
- Visibility of governor and his support for tourism

Technological

- Internet for communication and business
- Recreation equipment (e.g. electronic fish finders, personal watercraft, ATVs)

Social

- Changing demographics (e.g. aging population - locally and of visitors)
- Greater service expectations by consumers
- Loss of volunteer base
- “Not in my back yard” attitude of locals

Legal/regulatory

- Land use planning
- Fishing limits
- Natural resource use and protection
- User fees

Significance

Most of the identified trends reflect some aspect of big picture trends. Examination of these and other major trends in depth will help build a picture of trends over time and how they can affect tourism in the area. For example, the changing demographics in the United States are significant and include several factors including age, ethnicity, education and gender. (See Appendix F for Travel Industries of America research summaries of selected travel segment patterns.) It is frequently stated that the population of the United States is aging. Baby Boomers (born 1946-1964) are approaching retirement age. This is the largest group within the US population at over 75 million and it is estimated that by 2025 nearly 25% of the US population will be over the age of 60. However, the next age grouping, commonly called Generation X, comprises a slightly smaller percentage of the population and will be in their peak earning years. (U.S. Census Bureau)

Understanding of the population and census details of the United States can help in understanding local target audiences as well as local populations and should include demographic information. Using census and visitor profile data can assist in creating effective marketing efforts and development of a tourism experience that meets the needs and expectations of current and future target audiences.

Strengths, Weaknesses, Opportunities and Strengths (SWOT) Analysis Exercise

The process of the SWOT exercise brought participants back to their small groups. Within the small groups, individuals were assigned to consider either the strengths and weaknesses or the opportunities and threats of tourism for the area. Strengths and weaknesses are identified as internal elements that may affect performance or ability to reach goals (e.g. human resources, leadership, funding, communications or lack of vision). Opportunities and threats are external forces that may impact organizational or community goals (e.g. technology, suppliers, government regulations, changes in the market, customers, labor force etc).

A comprehensive SWOT analysis will suggest ways to:

- Build on regional and community strengths
- Overcome weaknesses that currently constrain tourism development
- Approach tourism development to minimize the potential impact of threats and;
- Identify and make the most of available opportunities.

Individuals were given approximately eight minutes to independently consider these and list them on a sheet. Instructions were given to be as specific and frank as possible.

After personal reflection time, each person shared their items with the group and the facilitator listed these on flip sheets labeled Strengths, Weaknesses, Opportunities and Threats. Items were listed only once; discussion and debate was limited.

Once all ideas had been captured on the flip chart pages, facilitators asked the small groups to individually select the three they felt were most important under each of the four categories. Every person was given a set of colored dots and which they placed on the sheets next to the item.

Facilitators tallied the three items receiving the most votes on each page. The flip chart pages were then moved and redisplayed with like-pages from all groups. Attendees reconvened as a large group to review results.

Key elements identified included:

Strengths

- Natural resource base
- Existing tourism base of attractions and services
- Good quality of life in area
- Economic benefit from tourism

Weaknesses

- Fragmented approach to tourism – industry, government, public sector agencies
- Lack of quality, unique attractions and services - including foul-weather options
- Lack of understanding / awareness of tourism locally
- Marketing and promotion

Opportunities

- Collaboration of tourism related groups
- Natural resources for recreation and education
- Matching diverse offerings to changing demographics
- Lodging taxes for marketing

Threats

- Budget cuts – particularly noted those at state level
- Regulations - particularly those related to natural resources
- Lack of understanding of tourism
- Perception of a lack of effective marketing to pace with changes

The significance of this exercise is found in several valuable pieces of information about the perceived Strengths, Weaknesses, Opportunities and Threats to tourism in the Itasca Area. Strengths were related to the quality of the natural resources and commitment to stewardship, the recognition of the quality of life locally and a desire to maintain it and the identification of the value of tourism and its significance to the local economy.

The primary opportunities cited were the need and benefit for collaboration in the region between business, government and public sectors entities, support and focus of marketing efforts and the potential of the natural resources for both recreation and education. There seemed to be almost a balance between concerns about too much regulation of resources as there was about protecting them. This suggests that further discussion of this may be valuable to building understanding of tourism locally.

Good news is that participants, although seeing current fragmented approach to tourism as a weakness also see the potential for collaboration. The fact that an Itasca County comprehensive land use plan is in place was perceived as an opportunity to protect the natural resource base and maintain or increase the benefits from tourism.

In summary, the overall feeling from information gathered at this tourism service meeting was that the group was positive about the role and potential for tourism in the greater Itasca Area. Key areas for possible work include greater collaboration, awareness building locally of the benefits of tourism and the possibility for greater and more effective marketing. The latter will benefit from the visitor profile portion of this project.

The goal of the day was to present some initial information from the project and to gather additional input. This was accomplished in an engaging and open manner with the two exercises. These mini-trend and SWOT analyses were beneficial in initiating discussion but they are incomplete. Their purpose was to capture the thoughts of those attending this community meeting and may or may not be fully representative of the greater community. The information gathered can be used as an initial gauge of local thinking, but both a comprehensive trends analysis and a comprehensive SWOT analysis should be considered as part of further planning efforts.

A trends analysis is important because local businesses, organizations and tourism development efforts may be affected by regional, national or world trends that are political, economic, social, legislative or technological in nature. Research and analysis to examine past, current and future trends can assist decision-making to ensure the greatest potential benefit from tourism is achieved.

A comprehensive SWOT Analysis is a systematic evaluation of the strengths, weaknesses, opportunities and threats affecting tourism development in the study area in order to identify the most promising tourism development opportunities at a regional and/or community level. A full SWOT Analysis is fundamental to establishing a direction and plan for tourism development that reflects community values. The SWOT Analysis both depends on and is informed by, local input.

A Perspective on Financing Tourism Marketing in the Itasca Area

Numerous approaches exist to fund community tourism and travel marketing. Private operators use their own means to market their business and, often through membership organizations, contribute to “higher causes” (e.g., chambers of commerce) doing marketing of destinations. Public agencies may or may not be allocated dollars to do tourism promotion; if allocated, those resources usually are small. City and county governments fall into this category as well, even though they can receive large economic benefits from tourism in their areas. They may also have large investments in the provision of goods and services to travelers through arenas, parks, trails, beaches, etc.

A Sampling of Resources for Itasca Area Tourism Promotion

Estimating resources directed towards tourism promotion in the Itasca is not simple. It also can change from year to year. A clue came from a meeting convened at the beginning of this study (Itasca County Tourism Marketing Planning Session, April 7, 2000 – See Appendix G). At that time, amounts cited included:

- Grand Rapids Convention and Visitors Bureau - $250,000 (mostly bed tax)
- Grand Rapids Chamber of Commerce - $300,000 total budget - $50,000 for tourism
- Grand Slam of Golf - $20,000 (included in CVB budget)
- Visions North - $2,000 - 55,000
- Lake Winnie Resort Association - $8,000
- Edge of the Wilderness Lodging Association - $15,000
- Edge of the Wilderness National Scenic Byway - $14,000 federal grant
- Tri- County Marketing Coalition - $14,000
- Itasca County Resort and Tourism Association - $6,000
- Attractions & Events $2,500 - $3,000 (included in CVB budget)
- St. Louis and Itasca County Railroad Authority - $8,000

The Itasca Area is not unlike other locales in that there are often many “small pots” of dollars around for marketing single facilities, events or communities. Today, trends suggest that if it ever was effective, it is done as a means to create an image or brand that will connect with new customers and positively influence their travel choices.

Minnesota's Local Option Lodging Tax

Minnesota has the Local Option Lodging Tax, also known as the "bed tax" for raising local tourism promotion revenues. It was enacted in 1983 in state statute and requires that 95% of lodging tax receipts must be used to fund local convention or visitors bureaus for the purposes of "marketing and promoting the area as a tourism or convention area." Five-percent can be used for collection or other purposes. Enacting legislation includes a very narrow definition of marketing and promotion and allows for the collection for a tax not to exceed 3%. In 1985 the law was amended to allow townships to collect the tax. Joint powers agreements are used where jurisdictional issues arise (cities/townships).

As of the mid-1990's, approximately 80 communities in Minnesota were using this tax. Usually once it is established it is retained, as local support for the tax is typically strong. There is, however, frequent debate in getting it established.

Tax rates vary across the state. In Grand Rapids the tax is 3%. Duluth has had a 5% tax that includes the maximum bed tax plus a 2% Designated Tax for additional marketing revenue. In Lake County, Two Harbors has a 2% tax; in Cook County Lutsen-Tofte has a 3% tax that included a 2% Recreation Tax. Grand Marais is at 3% and the Gunflint Trail has a 2% tax. Interests in Itasca County have discussed a county-wide tax but no action has resulted.

In discussions about the tax, most frequently listed positive points include:

- Allows communities to make quantum leaps in marketing efforts
- Tourism marketing needs a stable funding source
- It is a simple funding option
- Targets visitors, not residents
- It makes community marketing more effective
- It is a "pass-through" tax with little impact to lodging operators

Negative points most cited include:

- Lodging is being singled out to pay
- "Regular" (return) customers are paying to market to others
- Firm attitudes are often "I can market my own business"
- Customers can't afford higher taxes
- More marketing just confuses the customer
- Lodging properties often (mistakenly) think of the receipts as "theirs" for marketing primarily their properties rather than the broader community

Generally speaking, however, most conclude that:

- Total lodging taxes are not too high in most areas
- The greatest need for regions is usually marketing
- Lodging taxes for marketing are successful
- Creates professional, ongoing tourism marketing

Other Funding Options

The bed tax is probably one of the most popular mechanisms for raising revenue for area tourism promotion. Restrictions on fund uses are seen by many organizations as limiting. Expanding the reach of the collection area to include more lodging properties (generating more revenue) is often considered as promotion budgets expand and markets mature.

Regional tourism organizations and other tax mechanisms (e.g., food and beverage taxes) are the most frequently alternates or augmentations used to raise resources. Many cities and counties are re-evaluating their willingness to contribute to marketing, considering the existing level of capital investment they have in facilities expressly targeted for community visitors.

Sustainable Tourism Development

Attention to sustainable tourism development is on the rise globally. Much of the stimulus to consider sustainability emerged in third world countries where natural, cultural or other resources were threatened by development projects. Traditions and lifestyles of local populations were seen to be compromised as a result of the negative impacts from overdevelopment. The Earth Summit in Rio de Janeiro in 1992 stimulated a wide dialogue on the need for sustainable and responsible tourism development *as a basis for successful economic development*. The concept has suggested that such attention better attends to the needs of tourists, contributes to improving the living conditions of residents and preserves the development capacities of future generations.[9]

The movement to look as sustainability has spread to the U.S. and other developed countries as well, as concern for the environment inevitably linked to broader economic and social issues. Because much of tourism takes place in a community setting, planners are increasingly being encouraged to consider resident attitudes, business issues as well as visitor needs. Government agencies responsible for managing natural resources are also being drawn into discussions. The sustainability dialogue takes place within the realm of economic, social and environmental concerns.

Research in the U.S. on the topic of sustainability versus sustainable tourism is in early stages but has already put the focus on key questions. For example: How should the tourism industry be sustained? What is sustainable tourism? What should the tourism industry sustain? Because of the strong similarity in nature-based tourism offerings in Minnesota, a study in Montana offers some clues on issues and future work. For example, it was suggested that tourism business owner's understanding of the concept of sustainable tourism was so vague as to not translate well into concrete policies, action or indicators[10] Findings did suggest:

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[9] For example, see *Checklist for Tourist Projects Based on Indicators of Sustainable Tourism*, World Tourism Organization, 2000.
[10] McCool, S.F., R.N. Moisey and N.P. Nickerson. 2001. *What should tourism sustain? The disconnect with industry perceptions of useful indicators*. Journal of Travel Research 40 (2): 124-131. Sage Publications.

- “If tourism is viewed as a tool of development to achieve sustainability, there must be agreement between the three groups [residents, industry and natural resource management agencies] on what is to be sustained as well as the appropriate routes to that goal.”
- “… [M]ore specific ideas about what is to be sustained is needed” [e.g., “Quality of life”]
- “…[T]he sustainable tourism literature, while in the developmental stage, needs to address the question of indicators.”[11]

Work on sustainable tourism and sustainable development for the Itasca Area will take time to get started. This includes identifying useful indicators to monitor success. Identification of the “appropriate” mix of visitor experiences, including low impact (e.g., sailing, biking) and high impact ones (e.g., all terrain vehicles, personal watercraft) will be necessary, as will the location where those activities will be offered. However, it will be required if the region is to successfully protect the resources that attract visitors to come and the reason many choose to live in the area.

[11] Ibid. p. 130.

V. Summary of Findings and Recommendations

Initially conceived project goals and desires are reviewed here within the context of direct questions. Some, while initially thought to be easily accomplished in short order, will require years of work and organizational change to answer or solve.

Project FAQ's (Frequently Asked Questions)

Are tourism organizations communicating among themselves or are efforts counter-productive?

It has long been recognized that many organizations are involved with the various aspects of tourism in the Itasca Area. One project objective was to look at the effectiveness of the overall "organization" of all the pieces of tourism. In particular, the question was whether groups involved were "optimizing" their efforts. Initially, a superficial assessment of the alignment of the groups was done by looking at their geographic areas and missions. Another assessment was done considering the "connectedness" of the groups.

A survey sent to 156 area organizations, agencies and attractions involved with tourism involved tourism organizations, chambers of commerce, natural resource agencies, heritage organizations, any organizations which are involved with the management of recreation areas such as snowmobile clubs and lake associations and many levels of government agencies. Respondents reported that 70% promote tourism, 64% manage tourism to some degree and 53% are involved in tourism development. Regarding alignment, the physical area covered by the various groups showed a tremendous amount of overlap. Further, mission statements often revealed similar orientations among agencies and organizations.

On the issue of connectedness, when asked about the formal and informal relationships or partnerships these organizations have, 67% said they have formal relationships or partnerships and 64% have informal relationships or partnerships. The results of the survey also revealed that several respondents reported no formal or informal relationships. In general terms, then, one-third of key organizations are not connected well, if at all. When asked how they would like to connect to other organizations, recipients tended to like printed communications (74% said "newsletter" rather than annual get-togethers (38%) or regular meetings (30%). The lack of desire for more personal relationships to maintain connectedness could be a problem. On the bright side, approximately 39% identified the need for more partnerships to better achieve their missions.

Are tourism resources being used to their full potential while maintaining integrity?

It is safe to say that not all resources are being used to their full potential and the question of integrity raises the question of sustaining resources that can be damaged by overuse. Having said that, there is evidence that some resources are fully used and community and industry members feel comfortable about the level of that use. Much depends on future tourism development choices. Ultimately, a key issue is finding the right balance of use, necessitating better identification of fragile or limited resources and appropriate monitoring tools.

Surveys yielded some evidence on this subject. For example, public sector leaders were generally sure that there was “the right level” of use of services/resources they were responsible for, yet 18% had concerns about overuse. Participants working on attraction assessments had mixed reviews on this subject. There were certain categories of attractions (broadly) and cultural and heritage (specifically) were reviewers felt that resources were being used well. There were others, however, where community and industry reviewers felt more could be done. However, in most cases, it was felt by community leaders that before any further development were to occur, proper planning would be necessary to ensure sustainability and that over-use would not occur. See Appendix H (*Assessment of Attractions, Cultural and Heritage Resources)*.

Are the tourism industries and public sector well connected?

This gets to the role of the public sector (e.g., cities, state agencies) in tourism. There is wide variability in this area, depending on the level of “connectedness” and need. From the industry side, for example, surveys indicated that businesses were generally satisfied with local public services. There were, however, certain categories of firms that had more unique problems. Resorts/campgrounds were more likely to have problems around planning, zoning and property assessments. Turned around, 63% of public sector leaders said they work directly with travelers, 41% work with tourism business and generally saw themselves playing a role in every form of access and infrastructure (key to tourism). However, one out of five said they wanted no connection with the industry whatsoever. This suggests a considerable disconnect between the public sector and the industry. Given this mixed assessment and as planning moves forward, the weakest links will need to be uncovered and repaired for meaningful progress to occur.

Do tourism businesses have what they need to thrive?

The answer to this question may depend on your definition of “need.” A review of the business surveys does suggest that businesses have difficulties in many areas, some controllable, like the ongoing need for a variety of small business support and education. Other problems are not within the domain of most to deal with, like changing markets and economic downturns.

For example, as discovered in 1995 when Itasca County conducted a tourism business retention and expansion program, tourism businesses still continue to have special training needs for their employees. Other difficulties cited by businesses include labor recruitment, government regulations and planning and zoning issues. On the bright side, businesses are nearly unanimous in being even more optimistic about the future of there operations than they were in 1995. The fact that many of the same business issues are identified again, as they were in 1995, suggests that the problem is not one of identification, but rather is a lack of taking actions to resolve important issues.

Is there the necessary labor force and training available for the tourism industry in the Itasca Area?

These are problem areas. In many segments of the tourism and travel industry there is high turnover of workers. Labor force is a problem everywhere. Like others in service-based business, tourism-related businesses are competing for workers out of the unskilled-labor workforce. These workers migrate among sectors of the economy depending on demand and wage rates. If construction employment markets are tight, for example, wage rates can be locally bid up and workers move out of service businesses into construction. These are typically the workers referred to when the tourism industry is slammed for not paying a “livable wage.”

The business surveys here suggest a tight labor pool with average full-time, year-round wages exceeding $10/hour.

The Itasca Area is well positioned for training opportunities with a multitude of vocational and higher education institutions in the region. Whether firms feel their exact training requirements are available is less clear. Also unclear is how well specific tourism businesses have articulated their specialized needs. Regardless, with the vocational and higher education institutions in the area, the potential supply of (custom) training opportunities is high.

How do area residents feel about tourism and its impacts?

It is very clear that residents are positive about tourism, its economic contribution to their communities and other attributes of the industry. Many are very strong in their beliefs about their community's future, though they struggle with old rivalries within the Itasca Area and how to adapt to social and economic change. Underlying all of this is a very distinct lack of understanding of what tourism is, *clearly demonstrated when nearly all say they don't know anyone who works in tourism.*

Residents have realistic concerns regarding tourism impacts, though as they appear to know little about the industry, they are also lacking a full understanding of all potential impacts – good and bad. A discussion around values suggested that there is a strong culture of community pride and natural resource stewardship. While most were not practiced at immediately identifying "community values," it was clear that they had a good start at doing so. This will be an area of necessary future work as communities plan further tourism development.

What questions remain unanswered?

Several questions have not been answered. Those include:

- Can we gather the necessary marketing information and develop a marketing plan for the region?
- Can we create a management strategy and vision for sustainable tourism development and growth?
- Can we create a monitoring system to track objectives and impacts?

This is the work that needs to happen. Planning and monitoring requires a willingness among communities within the Itasca Area to work together for a shared vision. Broad leadership and action at the local level is critical in order to proceed.

Summary of Key Findings

Itasca Area Visitor Profile

The Itasca Area is a market people drive to, similar to the rest of the state. Unlike the rest of the state, two-thirds of all visitors are from Minnesota, higher than the state average of 48%. Out-of-state visitors primarily come from the Midwest states of Wisconsin (18%), Illinois (16%) and Iowa (15%).

The Itasca Area is a strong destination locale, with 81% of travelers considering this their final destination. Outdoor recreation was the leading reason people came (19%), followed by business (18%), visits to friends and relatives (14%) and general leisure (11%).

The top elements identified by visitors as most important in selecting the area to visit were the natural environment and area lakes, streams and rivers. Visitors were also most satisfied with these elements upon arrival, indicating a very good match between visitor's key decision criteria for travel and their level of satisfaction upon arrival. A substantial number of new visitors to the area had no solid impression of the area.

Repeat visitors make up the majority of travelers to the Itasca Area (83%), averaging more than 13 trips over the past five years. More than half of these repeat visitors were first introduced to the area while on vacation. Travelers first exposed to the area by business travel only accounted for 13% of return travelers.

Half of the Itasca Area visitors chose hotels/motels as their preference for accommodations, ahead of similar northern communities (i.e., Brainerd Lakes area, Detroit Lakes and Ely). Travel parties to the area spent $291 per day, on average, while visiting. Higher than the state average ($264) this works out to $81.83 per person per day. Itasca Area travelers spent approximately four months (122 days) in planning their trips.

Economics of Tourism and Travel in the Itasca Area

The economic impact of tourism and travel to the Itasca Area is estimated at $100 million in gross output, or the total value of industry production. This includes $75 million in direct effects; $14 million in indirect effects from businesses providing inputs to the direct providers of tourist goods and services; and $13 million in induced effects -- the income effects from employees spending earnings in the Itasca Area economy. Job impacts are estimated at more than 2,700 full and part-time workers, including 2,300 directly, 205 indirectly and 242 jobs created through induced effects. Value added to the Itasca Area economy exceeds $62 million, made up of $46 million directly, $7.6 million through indirect sales and $8.3 through induced effects.

Direct effects from tourism and travel are primarily in the retail trade and service industries. Indirectly, tourism and travel generates significant economic activity in other key sectors, including: finance, insurance, real estate, construction, transportation and utilities. More than 100 jobs are generated in these sectors alone thru the secondary effects (indirect and induced) from sales. Every visitor day of spending is estimated to generate $85 in total gross output in the Itasca Area economy.

Itasca Area Resident Attitudes Towards Toursim

The top three concerns about tourism growth among residents were higher taxes (21%), overuse of outdoor areas (13%) and increased pollution (15%). Residents saw the top three benefits in having tourism as having a more healthy economy (32%), employment opportunities (26%) and the provision of a greater variety of goods and services (14%). Overall, residents tended to agree that tourism increased the quality of life in the area (helping to balance the economy), more visitors should be encouraged to come, and tourism is very important to their community.

Residents tended to disagree that tourism only helps businesses that sell directly to tourists, their community should control and restrict tourism development or other community services receive less attention because of tourism.

Seasonal residents differed in a number of areas on their perceptions of tourism. Over-development (49%) and pollution (48%) were their primary concerns related to tourism growth. They also rated a more healthy economy from tourism significantly higher as the primary benefit from tourism. This group tended to be slightly older and significantly more affluent than the average resident.

Residents had strong feelings and beliefs about their communities, identifying four general characteristics of communities they felt are positive with implications for the development of a set of community values -- positive attitudes of people, respect for the environment, authentic history and heritage and a customer service orientation. Schools and health care facilities were identified as extremely important community assets both by communities who have them and those that don't.

Social and economic changes and a struggle to find responses to change that fit their particular community's circumstances continue to be hindered by old rivalries, stifling communities working together. There is a strong sentiment for balanced and diversified development without hindering the environment. Generally, residents had an optimistic attitude about the future of their communities, but most recognized that continuing social and economic change will impact them and may fundamentally alter the nature of their community in the future.

Business Operating Environment for Tourism

Overall, the entertainment, attractions and food service sectors reported business better than last year. Retail/services were more inclined to report that business was worse than last year. All sectors were strongly optimistic about their future, both in the next 12-months and in the next five years.

Location was ranked as the highest positive factor impacting business development (59%). The most negatively ranked factor was markets/economy (42%). Overall, 29% of businesses were currently planning to renovate or expand, with 18% thinking about it. Over 59% expect the change to alter their number of employees, mostly adding workers.

Generally, one-third of the firms said their existing employees and nearly 44% of new employees require special training. Entertainment and attractions ranked highest (62%) for existing employees and food service (59%) ranked highest for new employees needing the training.

More than a third of all firms have difficulty recruiting new workers, with food service firms reporting the greatest problems (53%). On average, firms reported paying $10.50 per hour for year-round, full-time positions. Resorts and campgrounds ranked highest, reportedly paying $13.73/hour, followed by entertainment/attractions at $12.75/hour. For these employees, averaging for all firms, 45% paid medical/dental benefits, 47% said they provide some retirement benefits, 72% offered paid vacations and 46% offered paid sick leave.

Generally, food service firms were the least likely to see tourism important to their business: they reported seeing tourism as neither important nor unimportant to their business. Seventyfour percent reported that 50% or less of their gross sales revenue comes from travelers. Lodging businesses were the most likely to see tourism as important, 53% saying that travelers make up more than 75% of gross revenue sales. Overall, 92% of firms said tourism promotion was in the best interest of their business.

Seasonality of the industry is still an issue, with 40% of all firms reporting regularly closing their business sometime during the year, mostly because properties weren't winterized (46%) or a lack of business (27%).

Trends and Strengths, Weaknesses, Opportunities and Threats Involving Tourism

Community and business leaders identified the dynamic nature of the economy (i.e., recession and recovery cycles), a national economy that has become predominately a service-based economy, state and federal budget woes, and high competition for quality staff as key economic trends.

Political trends identified included a general lack of awareness or understanding of tourism benefits at the state and federal level, the lack of a long-term state plan that includes tourism and active local community volunteers and positive support for tourism. Strong technological trends were seen to include the Internet for communication and business and advances in recreational equipment (e.g. electronic fish finders, personal watercraft, ATVs).

Changing state and national demographics (e.g. aging population - locally and of visitors) were seen to be important social trends, as were greater service expectations by consumers and a "not in my back yard" attitude among residents. Legal and regulatory trends included land use planning initiatives, work on fishing limits and increasing user fees.

Community leaders identified area strengths to include a solid natural resource base, the existing tourism base of attractions and services, a good quality of life in the area and the economic benefits from tourism. Weaknesses were perceived to be a fragmented approach to tourism among industry, government, public sector agencies, a lack of quality and unique attractions and services, a lack of understanding and awareness of tourism locally and existing marketing and promotion efforts.

Tourism opportunities were perceived to be in the areas of collaboration among tourism related groups, natural resources for recreation and education, matching diverse offerings to a changing society and lodging taxes for marketing.

The most cited threats among study participants were state/federal budget problems, natural resource regulations, the lack of understanding of tourism and the lack of effective marketing to keep pace with change.

Study Recommendations

This report documents a process that continues to evolve. As the study evolved, it became obvious that some concerns, desires and/or goals could not be achieved until communities were ready do deal with other key issues. *At this point*, however, as Itasca Area leaders appear to be forging ahead with their desire to act, numerous high priority areas where action can occur were discovered and are presented.

Organizational Development

1. ***Communities and business within the Itasca Area need to develop a tourism strategic plan together with a shared vision for the future.***

   Comments: In October 2001, Itasca County convened a facilitated economic summit to discuss the future of economic development in the county. There was a sense that not all community leaders within the county shared the same vision for economic development. A key outcome was the identification of "timber and tourism" as fundamental to the future of the area. There appears to be a willingness in the leadership of this summit group to embrace the work implied in this recommendation. Local leadership and action is needed.

   A variety of issues can be explored in the process, including organizational scope and geographic coverage area, public-private sector communication networks, and critical mission-vision-values identification. The tourism plan should be linked to regional transportation plans and countywide land use plans. Communication and collaboration with the forest products community will be vital.

2. ***Identify and work on one project that will improve the cohesion among organizations key to a successful tourism organization.***

   Comments: A project that helps build cohesion among groups not used to working together has the opportunity to build relationships before critical issues are addressed that could tend to polarize groups. This could go a long way in enhancing all parts of the Itasca Area tourism industry.

Visitor Profiles and Activity Groups -- Marketing

3. ***Develop a broad new marketing plan, incorporating consideration of new target markets and encompassing a broader (destination) geographic region and organization.***

   Comments: The profile of visitors to the Itasca Area is rich with information, much that has yet to be analyzed. As much as it may answer, it also raises questions that can be explored further and it raises the potential to consider numerous marketing opportunities. Obvious indicators are the potential for increasing awareness for international and out-of-state visitors, new visitors (in general), high-end markets and specific marketing directed towards the identified activity groups. Further, by way of this survey, visitors have told local leaders how they receive and their preferences for travel information (i.e., communication).

A broader geographic destination area (and possibly, organization) needs to be considered as part of this new direction. National research indicates that with all of the advertising clutter the average consumer is bombarded with, it is nearly impossible (and a waste of resources) for small communities and/or specialized facilities, attractions or events to penetrate new markets. One of the strongest industry trends today is the movement towards a more regional branding and marketing approach.

Many resources are available to aid in this effort, including working closely with the Minnesota Office of Tourism in the development and coordination of this effort. It is very likely, however, that new marketing expertise may need to be employed in the development and execution of a more sophisticated plan. Any new marketing plan <u>must</u> be consistent with a broader strategic plan (i.e., mission, vision, values), including community input.

Interest has been shown by the Itasca Economic Summit Leadership Team in leading this initiative. A fall "tourism summit" to kick off this effort has been suggested, though no planning or structure is in place. Regardless, <u>this is the best direction the Itasca Area tourism strategic planning process could take.</u> Past efforts have been by Grand Rapids interests or smaller groups within the county. A new approach that garners a broad vision and region is needed for successful tourism planning.

4. ***Organize an effort to evaluate the tourism "product" (visitor experience) and determine ways to improve it.***

   <u>Comments</u>: There are numerous opportunities to evaluate the area's products. Secret shopper programs evaluate quality service at area facilities. Assessments of communication pieces (e.g., guide books and visitor maps) for usefulness are another. Any and all "visitor welcoming" work to improve the product adds value for the customer and helps retain customers.

Tourism Economics

5. ***Explore development opportunities to develop new, high-end enterprises that fit identified target markets.***

   <u>Comments</u>: The exercise in reviewing economic impacts suggests that, from an economic point of view, more visitors aren't always necessary for more economic impact. The Baby Boomer market is still driving the domestic travel market and early retirees with considerable disposable income are willing to pay for high value goods and services. Strategic planning work and marketing plan development may lead to identifying new products or services for the area, especially those leading to high-end business development or recruitment opportunities. Resources include state agencies offering services for business development and Itasca Development Corporation.

   In product development it is important to be mindful of traveler expectations. Ongoing research by the Travel Industries of America repeatedly shows that <u>*travelers want new and unique*</u>, not the goods and services they already have in their own communities.

This often puts tension within communities that recruit known (franchise) food service or retail for residents, for example, while visitors come seeking out the genuine, locally-owned dining or specialty retail experience.

Community Attitudes

6. ***Develop a communication and education strategy around tourism directed towards residents within the Itasca Area.***

   Comments: Further discussions need to take place in communities about the role of tourism as an industry. Survey results clearly indicate a serious lack of understanding about tourism and travel in the Itasca Area. Generally, while residents were strongly supportive of tourism, their lack of knowledge of the benefits and costs of tourism development raises the potential for future conflict over new business, community or county projects or initiatives. Better informed citizens will contribute to more informed decision-making by public officials and fewer conflicts over private sector development. Resources available include the University of Minnesota Extension Service (Tourism Center) and the Minnesota Office of Tourism. Strategies may include more local press coverage of industry issues and activities, including a possibly weekly column about tourism in the area.

7. ***Continue discussions on community values. Communicate those values to elected officials, business and citizens.***

   Comments: Values are a critical element in the planning and development process, yet typically overlooked. The key element of any strategic plan includes mission, vision and values. Mission speaks to why an entity exists. Vision says something about where that entity sees itself in the years ahead. Values address those things (i.e., principles or ideals) that are intrinsically valuable or desirable. This project began that discussion, forming a foundation for development of value statements. Communities should be mindful of the four general community values already expressed and new ones as they make decisions about future economic development projects

   With community values identified and applied to (all economic) development projects, there is less likelihood of community conflict in the future. (It is not a stretch to propose that most economic development project controversies are, at the core, battles over conflicting values.)

8. ***Keep elected officials involved in tourism development plans to ensure that resident attitudes, needs and values are considered in decision-making.***

   Comments: Residents have indicated through this survey research that they have concerns over tourism development yet see benefits to tourism in their communities. Citizens need to know that their elected officials are hearing them and considering their needs in future community development.

9. ***Increase inter-community communication and cooperation through existing channels and organizations.***

Comments: It is very evident that all communities within the Itasca Area are struggling with social and economic change. Past rivalries need to be overcome – communities have much to share and even more to learn from each other as they chart of course for their shared future. Community participants in this research had many thoughts on how dialogue may emerge, including using more non-conventional venues to encourage inter-community discussions (e.g., churches).

Business Environment

10. ***Revisit and consider acting on recommendations of the 1995 Itasca Tourism Business Retention and Expansion Program.***

Comments: Appendix I shows the strategies and actions resulting in an aggressive BR&E program that included interviews with 94 lodging and attractions firms in Itasca County. Key goals of the program were to illustrate the economic importance of the travel and tourism industry to Itasca County and develop action plans to remove obstacles for continued and balanced growth of the county's travel and tourism industry. Nearly all are still relevant today (or more so) and keyed towards retaining existing tourism firms to retain area jobs. It continues to be a remarkably complete menu of tourism business development opportunities.

Strengths, Weaknesses, Opportunities and Threats (SWOT)/Trends

11. ***Increase collaboration among local tourism and community leaders.***

Comments: Community and industry leaders felt strongly about the need for enhancing ways the tourism industry and other community leaders connect and interact. The strategic planning process can help uncover ways to achieve it; it needs to maintain a high profile as planning proceeds.

12. ***Incorporate and expand the SWOT and trend information in the strategic planning effort.***

Comments: While it may be stating the obvious, it is important to include the work already done by community members in the planning effort. New information needs to be considered as the first start was not complete (e.g., golf was not identified as a major trend or regional strength.) Appendix F provides useful information from Travel Industries of America research summaries of selected travel segment patterns (business travel, senior travel).

13. ***Consider SWOT exercise participant ideas (below).***

Comments: Numerous ideas came out of the exercise involving local leaders and industry representatives. Some of those include:

a. Establish an area-wide tourism council to continue the process, implement the outcomes and monitor the results for development of additional changes over time.
b. Get a lively, thorough communication tool to engage people (here and away) and promote the environment.
c. People came to this area 100 years ago because of the natural resources, people will come to this area 1,200 years in the future for the same reasons as long as we ensure the protection of the natural resources

Financing Tourism Promotion

14. Consider broader and new tourism promotion financial models that involve a larger (destination) region.

Comments: The old models of "small pots of money" scattered around a region will no longer work for destination marketing. The Itasca Area will have to work smarter and find more partners to penetrate the advertising clutter in the marketplace and reach customers. While small businesses and single facility attractions and events may be able to reach old customers in this way with limited funds, establishing a regional "brand" to bring in new visitors will require resources that may not be currently available. Further, with the current downward trends in government programs and grants to aid community tourism promotion, regions must find new financing mechanisms. Continued exploration of a county-wide lodging tax or other models must be considered. In the post 9/11 era there is one resounding mantra being repeating in the travel and tourism industry – the old ways of doing business will not work in the environment we are facing in the years ahead.

Sustainable Tourism Development

15. Continue the discussion about what constitutes "sustainable tourism development" for the Itasca Area.

Comments: For a community or region to move towards sustainable development in any endeavor, broad understanding needs to take place on a number of topics. These include identifying what constitutes sustainability, roles and responsibilities of all players (e.g., citizens, industry, government) and what indicators will be employed to measure achievement on attainable sustainability goals (i.e., social, environmental and economic). This work is going to take time and effort. The threat to communities or regions if this work is not done, however, can be great. Obvious examples include environmental damage to natural endowments of the Itasca Area that serve as the back-drop and lure for visitors and residents alike. Economic repercussions follow with social issues (e.g., quality of life, infrastructure degradation) not far behind.

There is a growing trend in communities paying more attention to sustainability issues. Unfortunately, it is frequently driven by fear or reactive responses to negative impacts from development. The Itasca Area is well poised to consider sustainability now as it considers a strategic plan for tourism development. Also obvious is the fact that is better to be proactive (on the front-end of development) rather than being reactive after negative impacts to development emerge and become irreparable.

16. Establish a seasonal or annual monitoring meeting to evaluate progress on understood sustainability goals and measures.

Comments: Regular gatherings will help institutionalize work on identifying indicators for sustainability (e.g., business activity, types of visitors, environmental impacts, community attitudes, etc.). Participants can discuss the previous season or year in regard to indicators chosen by the group. One to three items could be selected regularly and monitored that would improve travel and tourism in the Itasca Area. (Public sector survey results that suggest some services being potentially overused can serve a starting point for exploration and monitoring.)