

BUSINESS
RETENTION
&
EXPANSION
**Strategies
Program**



BECKER COUNTY RESORT AND LODGING

Summary Report
March 2004

Sponsored by:

Becker County Economic Development Authority
Detroit Lakes Regional Chamber of Commerce
University of Minnesota Regional Sustainable
Development Partnership – Central Region
West Central Initiative



UNIVERSITY OF MINNESOTA



Becker County

RESORT AND LODGING BUSINESS RETENTION & EXPANSION Strategies Program

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Becker County Tourism Business Retention and Expansion Program

Business Retention and Expansion (or simply BR&E) has become a key element of local economic development efforts. While the attraction of new businesses and the encouragement of new business start-ups are important parts of an overall economic development strategy, many communities now recognize the need to do a lot more to assist existing businesses survive and grow.

In Minnesota, according to the Department of Employment and Economic Development, recent job growth through firm expansions has been over twice as large as jobs created by new business starts. Before 2001, the gap has been even more pronounced. That is a strong motivator in utilizing BR&E programs, attending to the varied needs of existing firms.

Another benefit of a BR&E program is the information provided by the survey on communities' strengths and weaknesses. The strengths can be highlighted in promotional pieces, while the weaknesses give the community an opportunity to make important changes towards improvement, thereby showing businesses that the community is responsive. By acknowledging its weaknesses, a community also shows firms it is a trustworthy partner in economic development.

A final benefit of a BR&E *visitation* program, like the one conducted for Becker County, is the team of local leaders it builds. The team is much broader than many other local economic development teams since it includes representatives from education and government in addition to business and economic development leaders. Because of its diverse membership, the local BR&E Task Force is able to bring more resources, ideas, and contacts to addressing problems identified in the survey. Quite often, this local team will also find itself working together to address other key community concerns that arise over time.

Objectives

The goal of this program is to help resort and lodging businesses grow. To do this, the Becker County Task Force visited a sample of resort

and lodging related businesses. Through these visits, six key objectives were foremost in mind:

1. Demonstrate support for local resort and lodging firms
2. Be aware of immediate business concerns
3. Increase the competitiveness of local resort and lodging firms
4. Establish and implement a strategic plan for economic development
5. Build community capacity to sustain growth and development
6. Address the \$6,000 per cabin site valuation the Becker County Assessor has implemented

Sponsorship

This program is sponsored locally by the Becker County Economic Development Authority and the Detroit Lakes Regional Chamber of Commerce.

The survey was a cooperative effort involving volunteers drawn from the resort and lodging industry, other local businesses, economic development, local government, and educational institutions. The University of Minnesota Business Retention and Expansion Strategies Program (University of Minnesota Extension Service) and the University of Minnesota Tourism Center (College of Natural Resources in partnership with Extension) both provide technical and research assistance for this program, with collaboration from the Minnesota Office of Tourism.

Funding for this program came from the Becker County Economic Development Authority, the Carlson Tourism and Travel Endowment of the University of Minnesota Tourism Center, the University of Minnesota Regional Sustainable Development Partnership-Central Region, and the West Central Initiative.

Technical support was provided from the University's Tourism Center and the BR&E Strategies Program.

Becker BR&E History

Interest in this program originated with the Detroit Lakes Area Chamber in 2002. Delayed due to a change in chamber personnel, active interest was renewed in 2003 as funding had

been secured and needed to be put to use or lost. People initially contacted to be Task Force members were called and a meeting was held. It was agreed the project was worthwhile and the timing was right as area resorts seemed to be disappearing at an alarming rate due to land use/property taxes issues. Further, the Becker County assessor had recently instituted an additional \$6000 per cabin valuation to further increase taxes. Resort owners were in an uproar and decided to either join forces in a Resort Preservation Task Force or to sell out to developers. Of greatest concern was the economic impact to the area when resorts were closed due to these issues.

A reorganization meeting was held Tuesday, May 20, 2003 in Detroit Lakes. BR&E consultant Nancy Nelson and a dozen Task Force members met to decide on the focus, leadership team, and time-lines. Volunteer recruiting took place over the summer months, 2003 when resort owners would be too busy for onsite survey visits.

Orientation and visitor training with the BR&E consultant took place on Tuesday, September 23 and Thursday, September 25, 2003. The planning retreat was held January 20, 2004 with the community meeting in March 2004.

Firm Visits

The Task Force targeted visits to lodging and resort properties in Becker County, as well as those properties in neighboring counties that were Detroit Lakes Regional Chamber of Commerce members.

The lodging and resort properties were selected from three lists. First used were regional lists of lodging and resort properties off of the Minnesota Office of Tourism's website (www.exploreminnesota.com). This list was then compared to the regional list from the Congress of Minnesota Resorts' website (www.minnesota-resorts.com). This list was then augmented to add any remaining Detroit Lakes Regional Chamber of Commerce properties that were not already included. Finally, yellow page listings in the area phone book filled obvious gaps. The survey and a cover letter were mailed to lodging properties on

September 23, 2003. Follow-up mailings to those lodging properties who could not locate their survey or who had not responded were done on October 13 and November 17, 2003. Visits by volunteer visitors were made to the properties starting September 29. The majority of the completed surveys were mailed November 3 to the U. of M. Follow-ups continued through December 2003, with the final survey sent to the University on December 3.

Red Flag Review

After the surveys were completed and returned, the BR&E Leadership Team reviewed each one and decided on how the immediate follow-up would be handled. While the University of Minnesota prepared the research report, the BR&E Leadership Team responded to specific requests and concerns from the firms visited. The first red flag meeting was held at 7 a.m. on Tuesday, October 14, 2003. Follow up sessions took place by three team members to go over the cover sheets a second time. Mailing of information to the lodging properties will continue.

Research Report Development

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota for tabulation and analysis. Michael Darger and staff input and summarized the data that was used for the state review meeting. At the state review meeting, a team of seven (listed later in this section) reviewed the results and suggested projects that might respond to the firms' needs.

Task Force Retreat

A retreat was held January 20, 2004. At this retreat, the Task Force set priorities on the major projects it wished to undertake. The Task Force was free to adopt any of the projects listed in the Research Report, to revise and then adopt any of the projects, or to develop its own projects.

A project could not be included in the priorities unless at least three people on the Task Force were willing to take responsibility to see that steps are taken to implement it. If you have ideas, time or other talents to contribute to these projects, then please contact one of the people listed.

People in the Becker County Tourism BR&E Program

Becker County BR&E Leadership Team

The Leadership Team coordinated the BR&E program and participated in firm visits. Specifically, the team initiated and secured funding for the program, worked with the University of Minnesota to finalize the survey, recruited the Task Force, identified firms, and coordinated the visits. They also organized training for the visitors, conducted both practice visits to test the survey and actual visits, and coordinated the red flag response to firms' immediate concerns or information requests. The team led the group in the implementation phase after the retreat was held.

Cleone Stewart, *Overall/Volunteer Visitor Coordinator*

Lynnette Price, *Business Resources Coordinator*

Dan Berg, *Milestone Meeting Coordinator*

Joel Swanson, *Media Co-coordinator*

Pippi Mayfield, *Media Co-coordinator*

BR&E Task Force

Other community and area leaders participated as Task Force members. This group addressed red flag issues and set priorities for action and implementation of selected projects. Task Force members also participated in firm visits.

Cleone Stewart, *Detroit Lakes Regional Chamber of Commerce*

Lynnette Price, *Commercial Real Estate, Detroit Lakes*

Dan Berg, *Lakecrest Resort, Detroit Lakes*

Joel Swanson, *KDLM-AM Radio, Detroit Lakes*

Pippi Mayfield, *Detroit Lakes Newspapers, Detroit Lakes*

Stan Thurlow, *Becker County EDA, Detroit Lakes*

Ryan Tangen, *Becker County, Detroit Lakes*

Dave Sohl, *Telecommunications/Pastor, Detroit Lakes*

Tom Spry, *MN Workforce Center, Detroit Lakes*

Dave Bergman, *MN Office of Tourism, Thief River Falls*

Carolyn Engebretson, *Becker County, Rochert*

Louis Guzek, *City of Detroit Lakes, Detroit Lakes*

Kristi McKenzie, *First Security Bank, Detroit Lakes*

Scott Mehlhaff, *Best Western Holland House & Suites, Detroit Lakes*

Kathy Coyle, *USDA, Detroit Lakes*

Cyndi Anderson, *Grant Writing and Program Development, Detroit Lakes*

Roxann Daggett, *Frazee*

Linda Thompson, *Minnesota State Community and Technical College, Vergas*

Dr. Paul Bridgeford, *Detroit Lakes*

Harland Thompson, *Broadcast Sales, Detroit Lakes*

Marci Hutchinson, *City of Detroit Lakes*

Volunteer Firm Visitors

In addition to the Task Force members, the following three community members participated in firm visits. These visitors participated in the two-hour training program and visited two to four firms each:

Marietta Keenan, *Rochert*

Helen Foltz, *Detroit Lakes*

Courtney Thompson, *Vergas*

Firms Visited as Part of the Becker County BR&E Program

Sixty-one firms were visited. The community greatly appreciates their willingness to help the BR&E team and others understand their needs. Their survey responses are confidential, yet it is important to credit their participation by listing their names here.

American Legion Campground, Detroit Lakes

AmericInn Lodge & Suites, Detroit Lakes

Anchor Inn Resort, Rochert

Bad Medicine Resort, Ponsford

Bambi Resort, Osage

Bear Paw Resort, Park Rapids

Best Western Holland House & Suites, Detroit Lakes

Birchmere Family Resort & Campground, Frazee

Breezy Point Resort, Osage

Brookside Resort, Park Rapids

Castaway Inn & Resort, Detroit Lakes

Country Campground, Detroit Lakes

Country Inn & Suites, Detroit Lakes

Eagle Lake Resort, Frazee
 Edgewater Beach Club, Detroit Lakes
 End of the Road Resort, Lake Park
 Fair Hills Resort, Detroit Lakes
 Fern Beach Resort, Detroit Lakes
 Forest Hills Golf & RV Resort, Detroit Lakes
 Hatfield's Island View Resort, Detroit Lakes
 Heisler's Country Camping, Vergas
 The Hideaway, Detroit Lakes
 High Pines Resort, Ponsford
 Holiday Inn Lakeside, Detroit Lakes
 The Homestead Inn B & B, Vergas
 Ice Cracking Lodge & Resort, Ponsford
 Jolly Fisherman Resort, Waubun
 Lady Slipper Inn, Osage
 Lakecrest Resort, Detroit Lakes
 Lillibridges Maple Beach Resort, Vergas
 The Loghouse & Homestead on Spirit Lake,
 Vergas
 Long Lake Campsite & RV Resort, Detroit
 Lakes
 Loon Lake Resort, Vergas
 Madsen Grove Resort, Detroit Lakes
 Melissa Beach Resort, Detroit Lakes
 Morningside Motel, Frazee
 New Horizon Resort & Lodge, Waubun
 Northern Inn, Osage
 Pelican Hills RV Park, Pelican Rapids
 Pike Lake Resort & Campground, Waubun
 Pine to Palm Motel, Detroit Lakes
 Pinehurst Resort, Naytahwaush
 Rainbow Resort, Inc., Waubun
 Rose Ridge Resort & Campground, Frazee
 Serenity Bay Resort, Detroit Lakes
 Shell Lake Resort & Campground, Detroit Lakes
 Shooting Star Casino, Hotel & Event Center,
 Mahnomen
 Skillings Lakeside Resort & RV, Vergas
 Sunset Bay Resort, Frazee
 Sunset Shores Resort & Campground, Detroit
 Lakes
 Super 8 Motel, Detroit Lakes
 Tamarac Bay Resort, Rochert
 Tamarac Resort & Campground, Ponsford
 Two Inlets Resort, Park Rapids
 Valhalla Resort, Detroit Lakes
 Village Resort & Campground, Detroit Lakes
 Weigelwood Resort, Park Rapids
 Whaley's Resort & Campground, Ponsford
 White House Cottages, Detroit Lakes
 Woodland Trails Resort, Ogema
 59'er Motel, Detroit Lakes

Assistance from the University of Minnesota Extension Service and Other Organizations

University of Minnesota Extension Service staff has helped more than 50 communities, counties, or regions implement BR&E visitation programs. Using research on earlier BR&E programs, the Extension Service developed the approach used in the Becker County program. This approach has also been used in hundreds of communities around the USA and Canada and was adopted by Business Retention and Expansion International for training new BR&E consultants. The University of Minnesota provided the Becker County BR&E program with a variety of assistance, which is highlighted below.

- Nancy Nelson, independent contractor, served as the BR&E consultant for the Becker County BR&E program. This included coaching and advising the local Leadership Team, and conducting training sessions with the Leadership Team, Task Force, and firm visitors.
- Dan Erkkila, Tourism Specialist and Professor, University of Minnesota Tourism Center, organized the State Review Panel meeting and prepared the Research Report along with Michael Darger, Director, University of Minnesota BR&E Strategies Program.
- The University's BR&E Strategies Program provided the community with a tested survey for use on the firm visits. The Program modified the survey to meet local needs and provided the local team with training materials, including manuals, videos, and overheads. Erkkila and Darger presented the results at the Task Force retreat and prepared this Summary Report based on the Task Force's priorities. The BR&E Strategies Program will provide the local team with 200 copies of the summary report for distribution in the community.
- Darger coordinated the data tabulation and analysis work with the assistance of Megan Kappers and Jaclyn Carlson (data input) and Joan Sigmundik, University of Minnesota Extension Community Vitality.
- The Carlson Tourism and Travel Endowment of the University of Minnesota Tourism Center provided a 50% match of

\$4,250 scholarship support to augment grant contributions.

State Review Panel

The state review panel included a team of seven, made up of University of Minnesota and state agency personnel. The panel reviewed the survey results and suggested actions the community might pursue to address firms' concerns and needs. Panel members also provided information on programs and resources available to help the community meet the needs of local businesses. A list of the participants in the state review panel meeting follows.

Dave Bergman

Minnesota Office of Tourism (DEED), Thief River Falls

Helen Conde

Minnesota Department of Employment and Economic Development, St. Paul

Michael Darger

University of Minnesota BR&E Strategies Program, St. Paul

Dan Erkkila, Ph.D.

University of Minnesota Tourism Center, Grand Rapids

Kent Gustafson,

Cynthia Messer and

Ingrid Schneider, Ph.D.

University of Minnesota Tourism Center, St. Paul

Becker County's Economic Profile

The Becker County Tourism BR&E Task Force was presented with an economic profile of their county at their January 20, 2004 meeting. Population, income and earnings and employment and wage trends were profiled. Also included were tourism trends in the state and a review of the findings of the December 2001 University of Minnesota Tourism Center customer profile study of the Detroit Lakes area. The profile is included in the Becker County Resort & Lodging Research Report, which is available for review at the Detroit Lakes Chamber of Commerce or from any member of the Task Force.

In general, Becker County has experienced a modest increase in population in the last decade, an upward trend from the decline experienced in

the previous decade (1980-1990). While Becker County's average per capita personal income (PCPI) is below the state and national averages, the county experienced higher average PCPI growth in the last decade than either the state or nation. There was solid growth in the numbers of persons employed in all industries at a rate higher than the state average for the period 1990-2000. There was significant growth in the construction industry during this period at twice the state rate of growth for the same period. Overall, however, the largest sector in terms of absolute job growth and numbers was the service sector, consistent with the trends across rural America.

Becker County BR&E Survey Results

Following are the survey results from the 61 firms visited by the Becker County community leaders in late 2003. First, the types of firms visited and their characteristics are outlined. This is followed by the priority projects selected by the Task Force and survey results related to those projects. Additional survey results, including four different strategies posed for helping firms, are included and available in the Research Report. Priority projects were selected from one of these four strategies.

Characteristics of Firms Visited

Stated earlier, 61 firms were visited in late 2003. For a variety of reasons, the resort/lodging sector was the focus of Becker County's BR&E program. Figure 1 displays a breakdown of the type of lodging facilities involved in the survey effort. Fifty-eight percent of the respondents portrayed their primary lodging operation as "resort," followed by hotel/motel and campgrounds (both 13 percent), B&B (5 percent), other (3 percent) and condominium (2 percent). For those firms that had campsites (including tents and RV's), the average number of sites was 25.

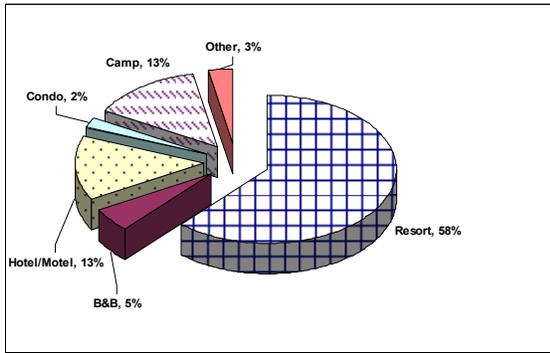


Figure 1. Types of lodging facilities surveyed by percentage (n = 60).

Survey respondents were mostly owners (88 percent) and relatively new in their ownership of their current property with 1995 as the median year of purchase. Figure 2 displays the age distribution of the surveyed owner. Two-thirds were under the age of 55.

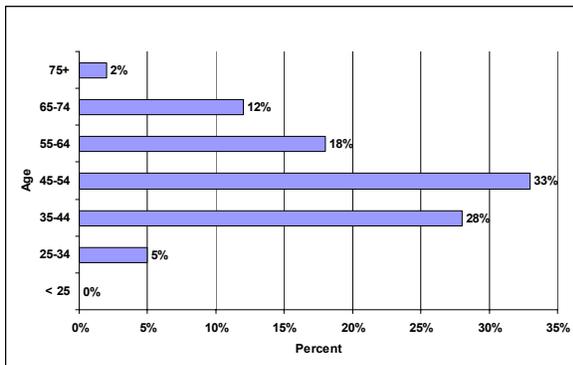


Figure 2. Age distribution of survey respondents.

In terms of where gross sales come from in their individual businesses, direct lodging sales predominates, as seen in Figure 3.

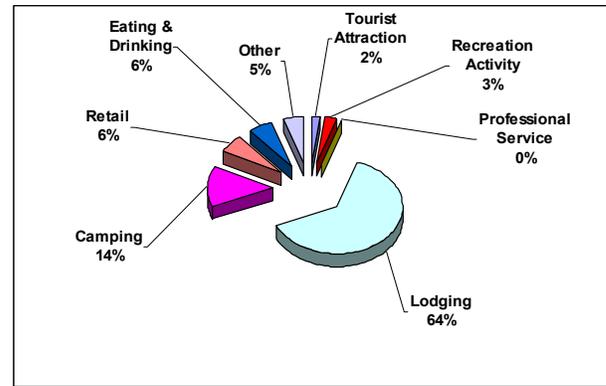


Figure 3. Percent of gross sales by services provided.

Overview of BR&E Projects for Becker County

Profits are critical to the retention and expansion of firms. While the owners of a firm might be attracted to an area for quality of life reasons, e.g., a nice place to live or to raise a family, a firm can only survive if it makes a profit, i.e., revenues exceed costs.

In a market economy, making a profit is the responsibility of the firm management and its employees, not community groups, local or state governments. However, the actions of these groups can sometimes help firms enhance profitability. The strategies and specific projects outlined below are aimed at helping Becker County's lodging firms become more profitable, enabling them to be able to survive and grow in the region.

In addition, the quality of life in a community has an important influence on location decisions, especially of smaller firms. Improving the quality and efficiency of public services so that taxpayers receive more value per tax dollar is one way of improving the quality of life.

Becker County BR&E Priority Projects

The Task Force decided to pursue priority projects with the broad strategy of enhancing product development and marketing efforts of the county's tourism environment. Specifically, the following two priority projects were selected at the Task Force retreat January 20, 2004:

Priority Project #1: Complete a resource and service-base inventory of the region.

A complete inventory of resources and services available within the region allows for full consideration of missed or underutilized tourism product or service opportunities for future plans.

Priority Project #2: Diversify and expand markets by segments. Conduct target-marketing outside of the current traditional markets, expanding business in shoulder seasons and develop alternative packaging for marketing.

Once all resource and service opportunities are known, the Task Force felt that the next logical area for development and marketing work would be to focus on specific target markets that help diversify area offerings, with a particular emphasis on building up shoulder season business.

Related Survey Results

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

Respondent customers come mainly from the family vacation market at 79 percent (Figure 4). “Other” came in second at 11 percent of respondents reporting. The few that chose to explain this category indicated this included long-term and corporate guests, special events and holiday guests and fishermen.

Figure 5 shows that the largest segment of visitors was from the metro Twin Cities region (27 percent), with non-metro Minnesotans tying with North Dakotans at 23 percent.

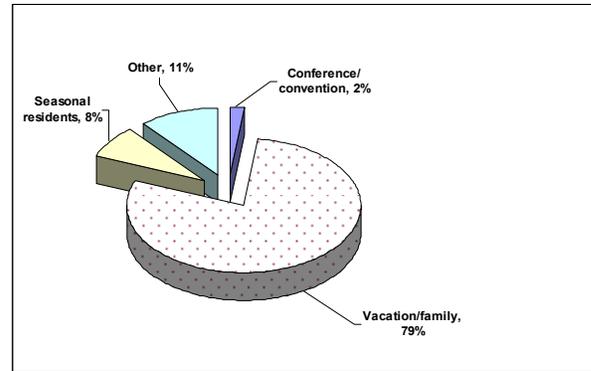


Figure 4. Percentage of lodging customers by category.

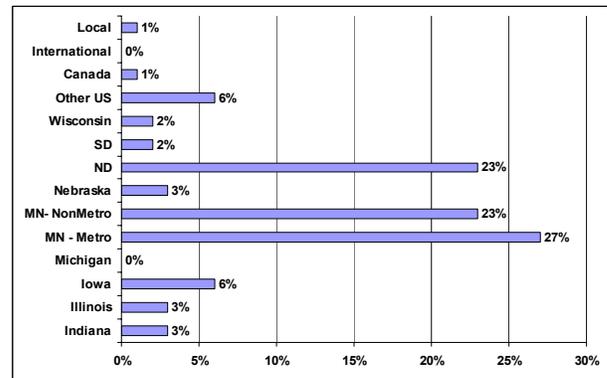


Figure 5. Customer origin by percentage.

Sixty-seven percent of respondent customers are repeat customers, higher than the 2002 state average of 52 percent for non-business travelers.¹ Seventy percent of firms interviewed said they market to both new and repeat customers (Figure 6) using Internet (77 percent), brochures (73 percent) and print media the most (72 percent). They do this either by themselves or in cooperation with other businesses (Figure 7).

For those that responded and were not currently collecting a lodging tax, only a minority (23 percent) were in favor of using that mechanism to fund tourism promotion in their area.

Relative to new product development, most respondents offered ideas they were considering,

¹ *Tourism Works for Minnesota 2003*. Minnesota Office of Tourism.

including air conditioning rental units, adding Internet capability, and “upscaling” units in size or luxury.

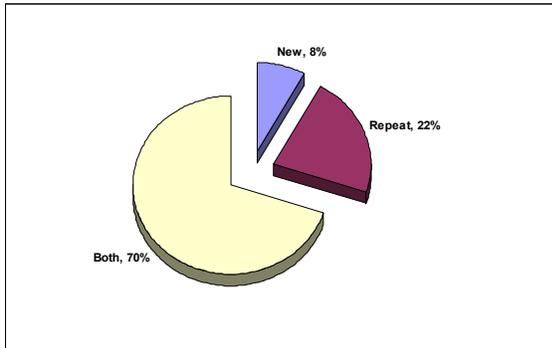


Figure 6. Respondent marketing efforts by type of customer.

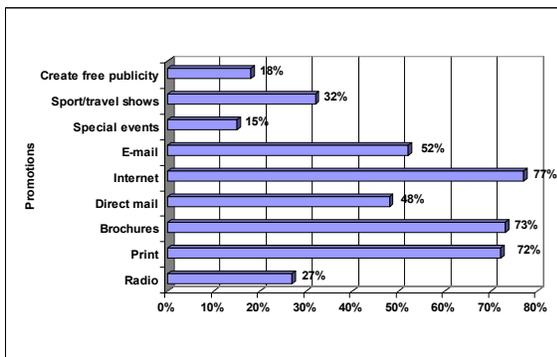


Figure 7. Type of promotional material used by respondent as individual firms or in cooperation with other businesses.

Project Plans from the Team

Priority Project #1: Complete a resource and service-base inventory of the region.

The group is currently putting together a list of "101 Things to Do/Places to Go" in Becker County and the lakes area. It will include the categories of: Nature, Ag and Garden, Historical, Arts and Entertainment, Hunting and Fishing, Recreation, Festivals and Events, Dining. This focus has been put on the project as there have been many requests by Chamber and Tourism Bureau groups to produce a brochure that could be printed and handed out area-wide. "101 Things to Do" is also going to be a page on the redesigned Chamber website. Next steps will be assessed upon completion of

the current work. Project members include: Joel Swanson, Marietta Keenan, Stan Thurlow, Una Mae Thurlow, Pippi Mayfield and Harland Thompson.

Priority Project #2: Diversify and expand markets by segments. Conduct target-marketing outside of the current traditional markets, expanding business in shoulder seasons and develop alternative packaging for marketing.

This group has defined one project to pursue thus far. They have identified the Detroit Lakes area golf courses as a good packaging combination with area lodging for the fall season. Golf courses here welcome play during September and October, when the courses are still in good shape, easy to get play time, and offer an exceptional value and competitive prices. During this season, Detroit Lakes area lodging facilities typically have openings and lodging owners are willing to offer discounted rates. Fall colors can be spectacular during this time, offering opportunities for visitors to enjoy their drive to Detroit Lakes and explore the natural beauty of the area. (Detroit Lakes is in the transition zone of tall grass prairie, northern hardwoods and coniferous ecosystems). The group has contacted the Minnesota Office of Tourism for specific direct mail advice for addresses of people who have contacted the MOT for golfing information. The group’s plans include using an identifier on the mailer in order to track response rates for this campaign. Also planned is a related posting on the Chamber website for seasonal opportunities. Project members include: Kristi McKenzie, Marci Hutchinson, Dan Berg, Louis Guzek, Carolyn Engebretson, Lynnette Price, Cleone Stewart and Scott Mehlhaff.

For more information on either priority projects or to join a team, contact one of the listed group’s members.



The Task Force selected the priority projects. This summary report was written by Dr. Dan Erkkila, University of Minnesota Tourism Center. Michael Darger, University of Minnesota Extension Service and Cleone

Stewart, Overall Coordinator, also contributed to this report. This publication is available in alternative formats upon request. Please contact Michael Darger at 612-625-6246.

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