

Menahga Business Retention and Expansion Strategies Program

SUMMARY REPORT



CITY OF MENAHGA
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Initiative
FOUNDATION

Menahga Business Retention and Expansion Strategies Program

SUMMARY REPORT

August 2012

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Partners/Sponsors:

City of Menahga

Initiative Foundation

Minnesota Department of Employment and Economic Development

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MENAHGA BUSINESS RETENTION AND EXPANSION PROGRAM

Communities recognize that helping existing businesses to survive and grow is a vital economic development strategy. The Menahga Business Retention and Expansion Program (BR&E) is designed to assist local businesses in thriving and expanding in the city. While attracting businesses from outside the community or encouraging new business start-ups are important components of any economic development strategy, research has shown that up to 86 percent of new jobs are created by businesses already in the community.

The Menahga BR&E Program is a comprehensive and coordinated community approach to assisting existing businesses. Visiting current businesses and learning their concerns is only one component of the process. The BR&E program builds awareness in the community of issues that face businesses and builds capacity for the community to address these issues. The program also assists local leaders and community members in working together to provide solutions to business concerns.

Objectives

The Menahga BR&E Program has five objectives:

- To demonstrate support for local businesses
- To help solve immediate business concerns
- To increase local businesses' ability to compete in the global economy
- To establish and implement a plan for economic growth and
- To build community capacity to sustain growth and development.

Sponsorship

This program is sponsored locally by the City of Menahga and the Initiative Foundation. The Minnesota Department of Employment and Economic Development also participated in the project.

BR&E History

The Menahga BR&E Leadership Team approved entering the Business Retention and Expansion program after a successful application to University of Minnesota Extension. The first Leadership Team meeting occurred on September 8, 2011, thus officially launching the program.

Business Visits

A total of 53 businesses were visited by volunteers during the business visitation phase. The Leadership Team assembled a list of 103 businesses in and around Menahga. The Task Force set the goal of visiting all the businesses on the list.

The Menahga Task Force conducted visits from October of 2011 to March of 2012. Visitors worked in teams of two and took responsibility for arranging and conducting the interviews.

Warning Flag Review

After the surveys were completed and returned, the Task Force met to review each survey and decide how to handle the immediate follow-up. This Warning Flag review is designed to identify and deal with immediate issues or problems discovered during the survey process, without the need to wait for formal analysis of the survey data. Prompt attention to issues raised, even when the issues may be intractable, creates a positive response from survey participants and builds good will.

Research Report Development

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota for tabulation and analysis. A summary of the data was prepared for the April 12, 2012 state research review meeting, where a team of fourteen individuals (listed later in this report) reviewed the results and suggested projects that might respond to the businesses' needs. Brigid Tuck then prepared the Research Report based on the input of the state research review panel, as well as economic development research.

The Research Report identifies three overarching strategies that Menahga could adopt to address general issues reported by the businesses. The Research Report then provides a list of potential project ideas under each of these strategies. The Task Force has the knowledge of the community and what projects are suited locally. The potential projects are only suggestions for the Task Force to consider.

Task Force Retreat

A five-hour Task Force retreat was held on June 5, 2012 in Menahga. At this retreat, the Task Force was presented the Research Report. The presentation included an overview of the Menahga and Wadena County economy and demographic changes, the composite results of the business surveys, and the three strategies. The Research Report can be obtained by contacting Walt Salo, City of Menahga, at 218-564-4557 or by contacting one of the Task Force members.

The Task Force reviewed and discussed the potential projects and developed new project ideas. In the end, the Task Force established and adopted five priority projects. These priority projects are featured in this report.

Following the Task Force Retreat, the individual project committees met to discuss methods for implementing the projects. The project committees continue to meet. If you have ideas, time, or other talents to contribute to these projects, please contact one of the people listed. Your participation would be appreciated.

PEOPLE IN THE MENAHGA BR&E PROGRAM

Leadership Team

The Leadership Team coordinates the BR&E program as well as participates in everything, including business visits. The team leads the group into the implementation phase. The Leadership Team is part of the Task Force.

Overall Coordinator – Pat Foss, Mayor, City of Menahga

Business Resource Coordinator – Walt Salo, Administrator, City of Menahga

Milestone Meeting Coordinator – Tracy Tomperi (current), Menahga City Council and Maxine Norman (former), formerly of the Menahga City Council

Visitation Coordinator – Liz Olson, Civic and Commerce Association

Media Coordinator – Rick Pinnick, Civic and Commerce Association/Business Owner

Menahga BR&E Task Force

Many community leaders participated as Task Force members. This group visited businesses, addressed warning flag issues, set priorities for action and will assist in implementing the chosen projects. Task Force members (listed below) also participated in business visits.

Sue Burlingame, Trustar Federal Credit Union

Roger Henstorf, Menahga City Council and Planning Commission

Mary Klamm, Menahga Public Schools

Deb Lenzen, Menahga Public Schools

Pam Mahling, West Central Economic Alliance

Bernice Ollanketo, Menahga Civic and Commerce Association

Marlene Salo, Greenwood Connections

J.B. Sherbenske, West Central Economic Alliance

Lloyd Sporre, Horizons Program

Tara Weaver, City of Menahga

Sylvia Wulf, Horizons Program

Volunteer Visitors

Volunteer visitors play a critical role in the BR&E process, as they visit the local businesses. After undergoing training, volunteer visitors paired to conduct business interviews. Leadership Team and Task Force members (listed above) also participated in business visits.

Kari Gravely, Ted's Hardware

Mary Hanninen, Community Member

Robert Hanninen, Community Member

Bev Hepokoski, Kenmark Green Printers

Mark Hepokoski, Kenmark Green Printers

Sandy Kilbo, Menahga Area Historical Museum

Scott Koenikke, Chief of Police

Dave Lindquist, Menahga Public Schools

Tracy Lindquist, Community Member

Maxine Norman, Former City Council Member

Dorothy Ollanketo, Bren Mar Rose B&B

Linda Peterson, Kettle River Ironworks

Steve Peterson, Kettle River Ironworks

Darlene Salo, Community Member

Pat Slifer, Greenwood Connections

Marlene Snyder, Shell Sport & Bait

Durwin Tomperi, Omega Hardwoods

Carol Waaraniemi, Cottage House Café

Businesses Visited

Fifty-three businesses were visited during the BR&E process. The community greatly appreciates their willingness to help the community understand their needs. Their survey responses are confidential, yet it is important to credit their participation by listing their names here.

Anderson Custom Graphics

Blueberry Pines Golf Club

Bob and Jan's We Got Shoes

Bren Mar Rose B&B

Cardini Pearson Funeral Home

CENEX/Lakes Area Cooperative

Chuck's Country Foods

Cooperative Network Services

Cottage House Café

Farmers Union Insurance

Flowers Boutique

First National Bank / Insurance

Gateway Upholstery

Greener Tomorrows

Greenwood Connections

Howard's Driveway Inc.

JP Structures

Jan's Hair Attitude

Jewel of the Northwoods B&B

Kenmark Green Printers
Kettle River Ironworks
L & B Construction
Mantrap Roofing
Menahga Bake Shop
Menahga Concrete Products
Menahga Insurance Center
Menahga Marine and More
Menahga Public Schools
Menahga V.F.W.
NAPA Auto Parts
Naturale Alternatives
Noffsinger North Manufacturing
Northbound Spirits
Northland Trucking
Omega Hardwoods
Pederson & Pederson
Pinoneimi Chiropractic
Renneberg Hardwoods
Restamayer Family Dentistry
Rose Haven
Salo Manufacturing
Scissor Sisters Family Hair Care
Shell Sport and Bait
Spirit Lake Lumber
Spirit Lake Resort Motel
Subway
Ted's Hardware
Torvinen's Auto Body
Trout's Service and Repair
Trophy Rack Reproductions
TruBilt Industries
Trustar Federal Credit Union

West Central Telephone Association

Consultants

Adeel Ahmed, University of Minnesota Extension, served as the BR&E consultant for the Menahga BR&E program. This included coaching and advising the local Leadership Team, conducting volunteer visitor training with the Task Force, assisting the Leadership Team in business selection, facilitating the warning flag review meetings, and participating in the state research review panel.

State Research Review Panel

The panel reviewed tabulated survey results and suggested potential actions that might be taken by Menahga leaders in response to local business concerns. The participants of the April 12, 2012 meeting were:

Menahga BR&E Task Force:

Pat Foss
Roger Henstorf
Liz Olson
Walt Salo

University of Minnesota:

Adeel Ahmed
Michael Darger
Kent Gustafson
Jodie Kaden
Matt Kane
Ward Nefstead
Brigid Tuck

Department of Employment and Economic Development:

Tim Qualley
Kyle Uphoff

Economic Development Professionals:
Marc Nevinski, City of Coon Rapids

MENAHGA'S ECONOMIC AND DEMOGRAPHIC PROFILE

A profile of Menahga's economy and demographics was prepared for the Research Report and presented at the Task Force retreat in June. The profile was created and written by Nathan Dorr of the Minnesota Department of Employment and Economic Development. The profile contains statistics on population, employment, income, commuting and labor sheds, occupations, and education attainment.

A full copy of the profile can be viewed in the Research Report which can be obtained by contacting Walt Salo, City of Menahga, at 218-564-4557.

MENAHGA BR&E SURVEY RESULTS

Overall, quality of life and place shine in Menahga. Businesses report strengths in the city's natural amenities, the strong K-12 education system, the high quality nursing facility, and low crime rates. Other strengths for the city include a continued growth in population despite trends of population decline in rural Minnesota, strong connectivity and

internet usage, and ease of highway access. In terms of jobs and economic growth, businesses are not expecting to downsize and report a potential increase in demand for precision, unskilled, and professional/management positions. The business survey did reveal potential for improvement in the community.

Businesses are concerned about tax rates and in particular water and sewage rates, which have risen in the last three years.

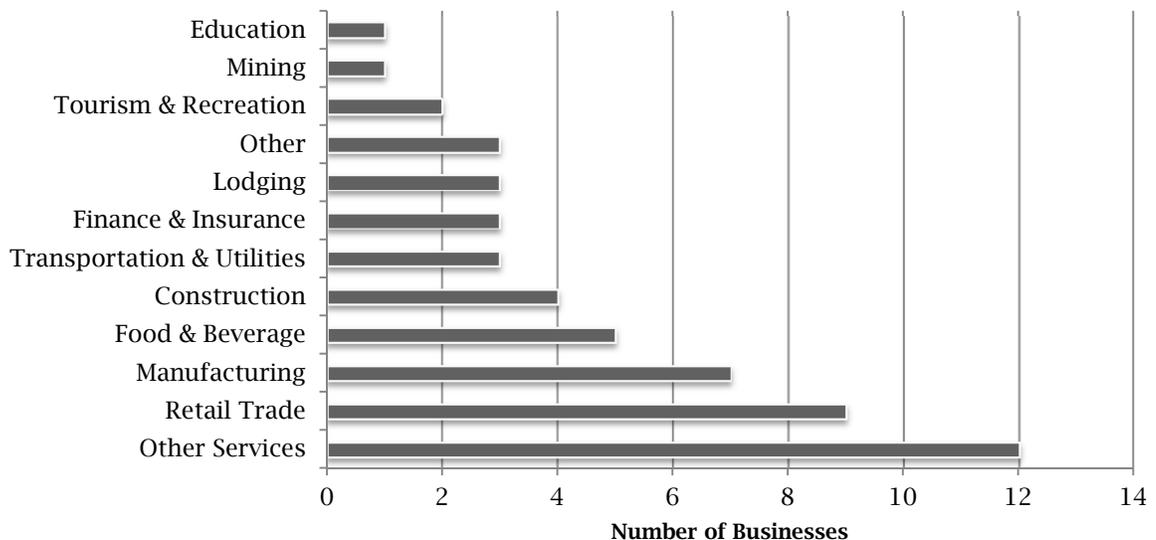
Businesses also report that transportation is an issue, with limited access to rail and air transportation.

Finally, businesses indicated that access to employee training and education is a concern. As a community, the Task Force noted retirements by existing business owners and a general feeling of maintaining the status quo, as opposed to looking for growth, as potential areas to address.

Characteristics of Businesses Visited

In all, Menahga Task Force members and Volunteer Visitors interviewed 53 businesses in and around Menahga. The visited businesses were primarily locally-owned (89 percent). Interestingly, 19 percent of the surveyed businesses

Chart 1: What Industry Classification Best Describes Your Business?



reported moving to Menahga from another community. Menahga attracted businesses from Wadena, Sebeka, Greely, Park Rapids, St. Cloud, New York Mills, and Minneapolis. Just over one-quarter of the businesses have multiple locations, primarily in northern Minnesota.

Menahga BR&E members visited a breadth of businesses representing various industries in the city. The businesses most commonly represented in the survey are “other services”. Other frequently visited businesses operate in the retail trade and manufacturing industry. The Menahga Task Force did not visit any agricultural operations, government institutions, or wholesale trade businesses. A full listing of the industries visited is shown in chart 1.

Surveyed businesses in Menahga currently employ 852 individuals. This is up slightly from three years ago, when businesses employed 846. The survey data indicates that most businesses in Menahga are small businesses, employing on average 6.5 full-time staff, 6.5 part-time staff, 6.9 seasonal hires, and 6 temporary hires. Three years ago, businesses reported no temporary employment. Economists have predicted with the slow economic recovery that businesses would hire more part-time and temporary workers until they feel certain the economy is improving.

Strategic Themes

Three primary themes emerged from an analysis of the survey results and from discussions by the state research review panel. These themes, called strategies, provide a framework for studying the issues raised in the Menahga BR&E process. The three strategies identified are: 1) improve labor force availability through enhanced recruitment and training opportunities, 2) assist local businesses via strengthened retention

efforts and infrastructure development, and 3) improve retail trade and tourism opportunities in Menahga. The strategies are explained in more detail in the full Research Report.

Under each strategy, the Research Report listed potential projects the Menahga BR&E Task Force could select to help accomplish the strategy. The Task Force, during their June retreat, developed five potential projects to address the business concerns. The Task Force built on projects as written in the Research Report and developed new projects that were more suitable for Menahga. The projects selected for implementation by the Menahga BR&E Task Force are listed below. Each description includes the general reasoning for the project, survey results which highlight the need for the project, and plans developed by the implementation committee. If you are interested in assisting in any of the project implementations, please contact one of the committee members listed.

PRIORITY PROJECT #1: MENAHGA MUSIC NIGHTS

Businesses thrive in attractive, accessible communities. These communities draw resources the businesses require, whether those resources are quality employees, tourists, or desired goods and services. Businesses need these resources to be successful and profitable.

Related Survey Results

The surveyed Menahga businesses identified many community strengths. When asked “do the following community features have a positive impact (+2), negligible (0), or negative impact (-2) on your business, businesses in Menahga rated hunting, fishing, and seasonal tourism as the most influential (1.31, 1.25, and 1.19 respectively).

A follow-up question asked businesses to select three of the community features to be the focus of a marketing image for the community. The most commonly selected features were small town atmosphere, seasonal tourism, hunting, and the natural environment. Eighty-three percent of businesses think promoting the area to visitors is in the best interest of their individual business (see chart 2).

Businesses were provided with a list of retail factors and asked to rate each one of the factors. Using a five-point scale where 5=Excellent, 3=Average, and 1=Poor, the most highly rated factors were technology infrastructure (3.96), feeling of safety (3.73), and knowledge and friendliness of local personnel (3.65).

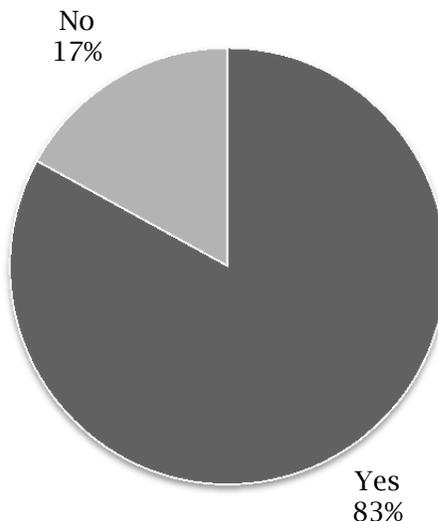
The lowest scores assigned were all related to hours of operation - evening hours (2.34), coordinated store hours (2.47), and weekend hours (2.49). Other factors receiving low scores include group advertising (2.55), variety of businesses (2.64), and variety of merchandise (2.67).

Businesses were then asked to select up to three of the retail factors that were most important to be improved. The most frequently selected answers were variety of businesses, exterior atmosphere, and special events and promotions, as shown in table 1.

| Retail Factor | Number of Businesses Selecting |
|---------------------------|--------------------------------|
| Variety of Businesses | 26 |
| Exterior Atmosphere | 11 |
| Special Events/Promotions | 11 |

Project Plans from the Committee

Chart 2: Is Promoting Menahga to Visitors in the Best Interest of Your Business?



The committee’s goal for this project is to host semi-monthly musical entertainment on select Friday nights throughout the summer in downtown Menahga. Possible venues for the event include the public beach or the public access in order to utilize the beauty of Spirit Lake. As a result of this project, the committee anticipates that local folks and visitors will be aware that on select Friday nights throughout the summer, there will be outdoor musical programming provided for their entertainment at no cost. Further, the committee believes these events will provide local merchants with an opportunity to promote their business through evening sidewalk sales, specials, ice cream socials, and more. The committee plans to collaborate with local musical talent to execute the plan.

This committee is led by Ralph Kumpula, Peg Kumpula, and Mark Hepokoski.

PRIORITY PROJECT #2: PARTNER WITH MENAHGA CIVIC AND COMMERCE CLUB TO COUNTER BUSINESS APATHY

Dynamic business communities feature

businesses that are proactive and engaged. These businesses are consistently looking to the future and making plans to grow and change. By fostering an atmosphere where change and growth are valued, a community can encourage business growth and success.

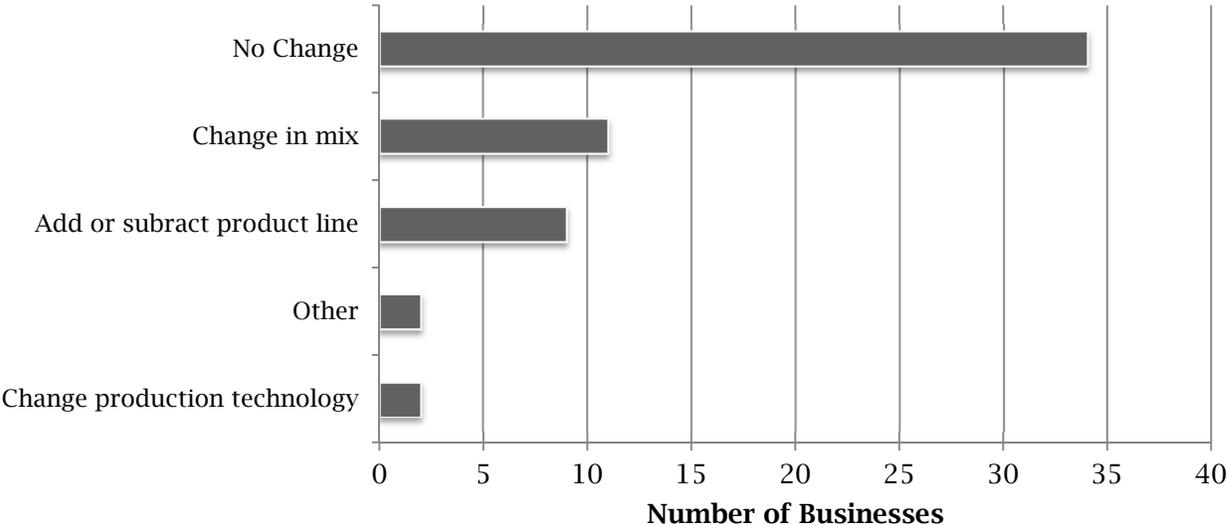
Related Survey Results

Survey responses appear to indicate that Menahga businesses are somewhat apathetic. Many businesses are not planning for any change in their business model. Five see no need to consider expansion or growth. Apathy is defined by Merriam-Webster’s dictionary as the “lack of interest or concern”.

Sixty-four percent of Menahga’s surveyed businesses are not contemplating changes in the business plan in the next three years. For those businesses that are considering changes in the business plan, the most common type of changes being considered are changes in the product mix and adding or subtracting a product line, as shown in chart 3.

Businesses were asked “what is the key tipping point preventing you from expanding your business?” The most common response from businesses was

Chart 3: Business Plan Changes in the Next Three Years?



around the lack of a market or customer base. The second most common responses focused on company specific needs, such as a specific production component. Businesses also cited government (including taxes and regulation) and the economy as reasons for not expanding at this time.

Project Plans from the Committee

This committee plans to work with existing businesses to help them meet their objectives and create profiles, plans and tactics which are better aligned with the needs of the community. The committee's first step will be to foster a sense of excitement, enthusiasm, and wide-open possibility. Eventually, the committee hopes to reach a consensus on shared goals, define specific objectives, and chart a timeline.

Projects the committee is considering include:

- Breakfast discussions among business leaders to gather ideas and engender a sense of community and shared purpose.
- Sponsorship of a motivational speaker who is skilled at inspiring participants to create new pathways to success. The cost could be met by grant funding.
- Soliciting the assistance of a Business Retention and Expansion (BR&E) partner from a community with a demographic outline which is similar to Menahga to share that city's journey to a more engaged, involved, and successful business district.

This committee is led by Sue Burlingame, Liz Olson, and Marlene Snyder.

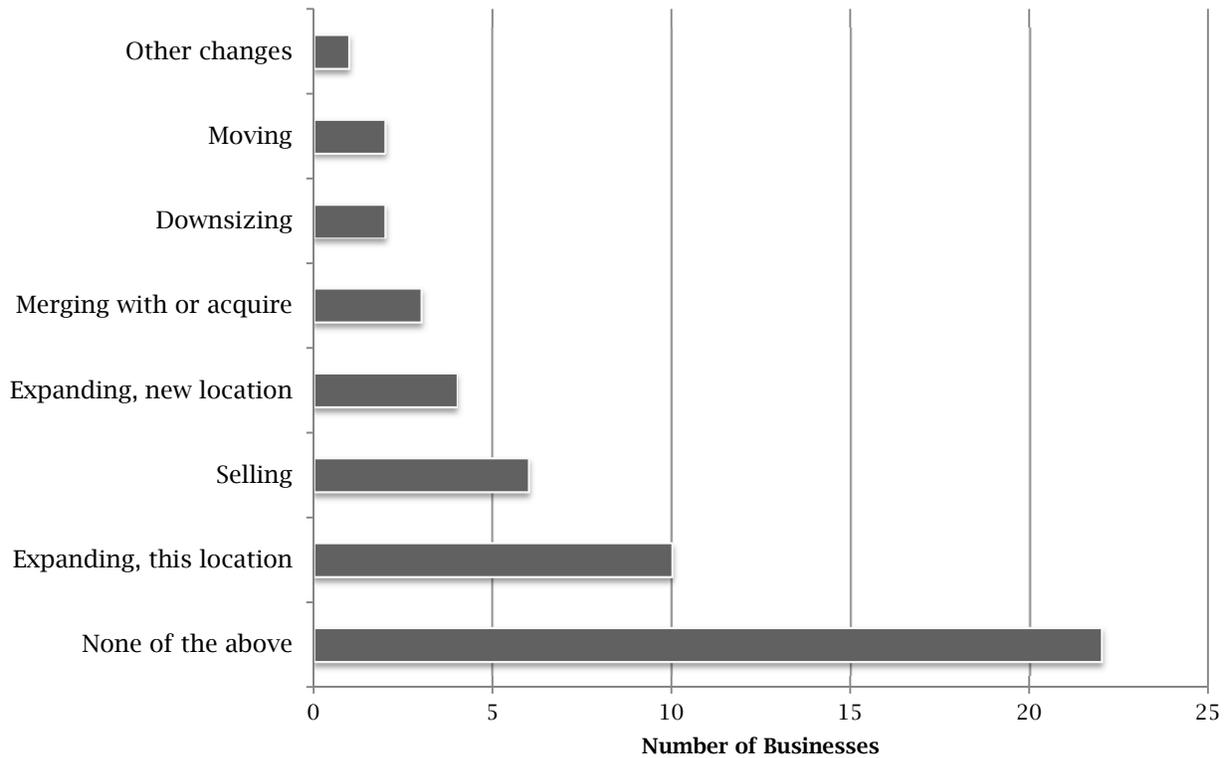
PRIORITY PROJECT #3: ASSIST BUSINESS OWNERS WHO WISH TO TRANSITION THEIR BUSINESS TO NEW OWNERS

Businesses spend a considerable amount of time and resources preparing plans for the future. Moving, expanding, and selling require a business to be proactive. Often, during the planning process, businesses encounter obstacles that make their planned move, expansion, or sale difficult or impossible. By developing local capacity to assist businesses in these transition periods, communities can increase their ability to retain and grow local businesses.

Related Survey Results

Chart 4 depicts business' responses to a question regarding their future location decisions. Forty-two percent of businesses (22) are not planning any location change. Nineteen percent are considering expanding at their location. Notably, a quarter of all surveyed businesses are planning to downsize, sell, merge, or move. Eleven percent of businesses are planning to sell, eight percent to add another location, and six percent to merge with or acquire another business. No business is planning to close. When asked why they were considering downsizing, selling, moving or closing, the most common response was "retiring" with 13 percent of businesses selecting this reason. Other common responses were "high local taxes" at 8 percent and "high state taxes" at 4 percent.

Chart 4: Are You Currently Considering?



Research by Ben Winchester, University of Minnesota Extension, demonstrates that newcomers to rural areas are interested in business ownership opportunities. In fact, a survey of nearly 100 new residents in West Central Minnesota revealed that one-quarter of those respondents moved, in part, because they could own a business. Menahga has a strong quality of life which could also draw new residents.

Project Plans from the Committee

This committee will collaborate to assist business owners who wish to transition their business (due to sales, retirements, etc.) to new ownership. The committee’s goal is to develop a process for linking entrepreneurs with established businesses. As an outcome, the committee hopes this process will help maintain a robust business community in Menahga and to enhance the

attractiveness of Menahga as a place to do business.

To achieve these goals the committee plans to:

- Link known business opportunities to the city website.
- Identify trade groups for businesses to use for advertising.
- Identify broker links.
- Develop a YouTube video promoting Menahga.
- Utilize the highway billboard at St. Urho Park.
- Link the “Ahhh Menahga” video to the city website.
- Advertise in the BR&E community commencement meeting materials.

- Include project information in survey results distributed to businesses that participated in BR&E interviews.

This committee is led by Walt Salo, Kim Rasmussen, and Deb Lenzen.

PRIORITY PROJECT #4: EXPLORE OPTIONS FOR NEW RETAIL AND LODGING DEVELOPMENTS IN MENAHGA

A vibrant main street is often an outward indication of a community with a strong business community. Main streets can draw tourists to the area, helping retail establishments. Retail opportunities can also enhance the attractiveness of a community to potential new residents. Diversity in the retail community can further help a community flourish.

Related Survey Results

Both lodging and retail options were issues brought forth by local businesses in the BR&E interviews.

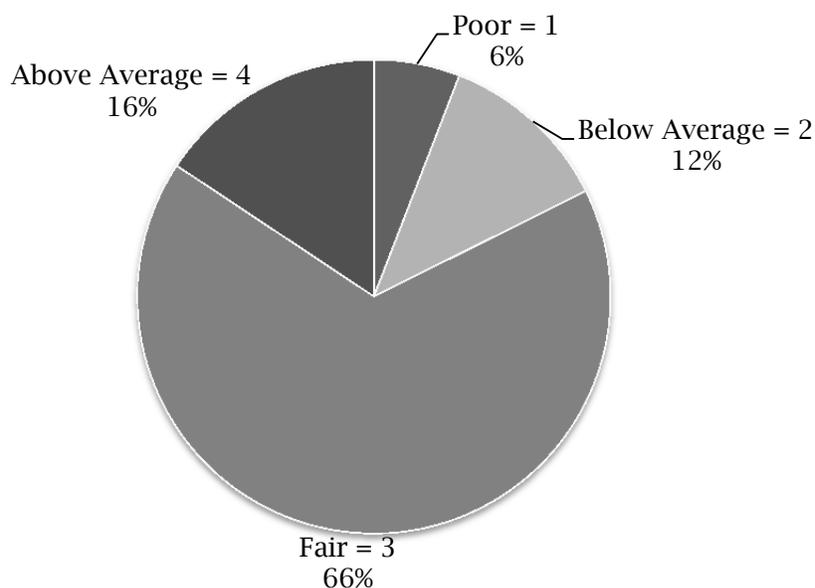
When asked “do the following community features have a positive impact (+2), negligible (0), or negative impact (-2) on your business, the lowest overall scores were assigned to freeway access (-0.17), lodging facilities (-0.16), and distance from large metro areas (-0.08). Historic buildings and meeting facilities also ranked fairly low.

Businesses were also presented a series of questions about the retail industry in Menahga. Businesses were asked, on a scale where 1 equals “poor” and 5 equals “excellent”, to rate the overall atmosphere of the local shopping area. As shown in chart 5, the average rating was 2.92, just below “fair”. The majority of businesses rated the shopping area as “fair”, a few did assign a score of poor, while no businesses rated it as excellent.

Businesses were then asked to select up to three of the retail factors that were most important to be improved. The most frequently selected answers were variety of businesses, exterior atmosphere, and special events and

Chart 5 : Rate the Overall Atmosphere in Your Local Shopping Area

Average = 2.92



promotions.

As a follow up to the need for additional businesses and industries in Menahga, the survey asked participants to select three businesses from a list of fourteen that the participant would like to see attracted to Menahga. Clothing and apparel stores were the most common choice, selected by 55 percent of businesses. Other top choices include lodging (51 percent) and companies integral to the manufacturing supply chain (38 percent). The responses to this question are depicted in chart 6.

Project Plans from the Committee

This committee plans to explore options for new retail and lodging opportunities in Menahga. The committee has identified the need for a clothing store in Menahga, for a hotel or motel, and for an eating establishment with extended hours. One idea of the committee is to recruit a new hotel or motel to Menahga with a fine dining restaurant, with late

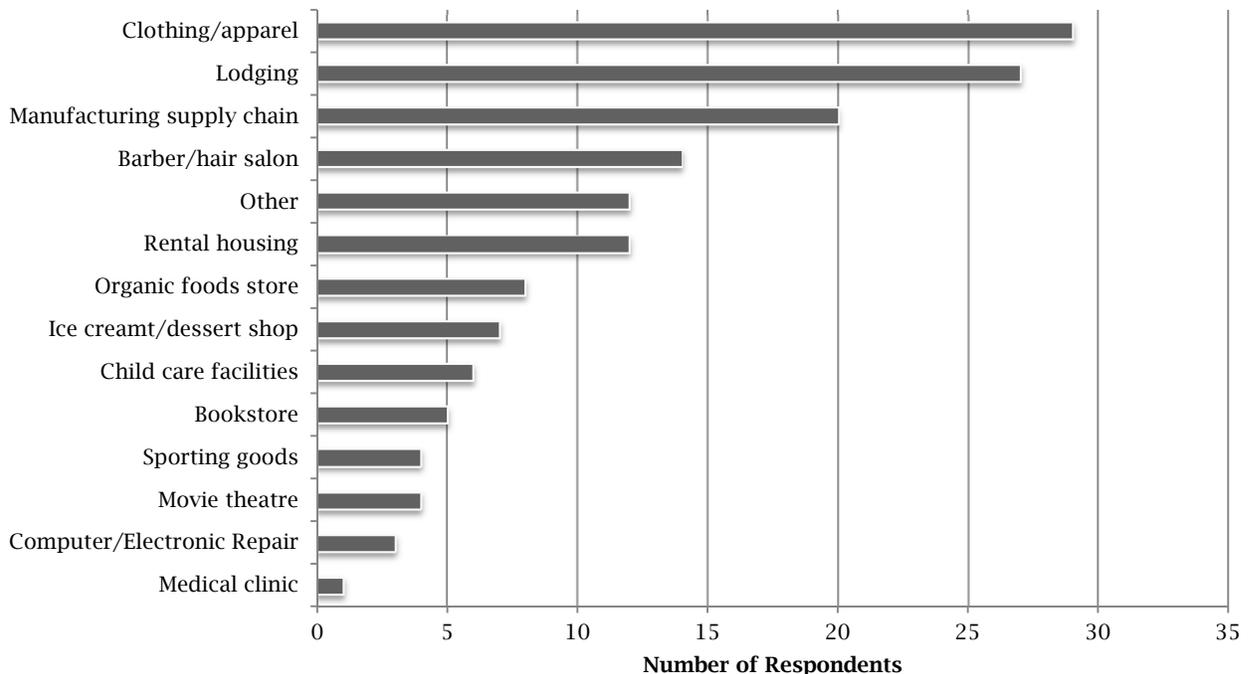
evening hours, and that is located on Spirit Lake. A second idea is to recruit a clothing store that would be located along the main highway in town.

This committee is led by Bernice Ollanketo and Sandy Kilbo.

PRIORITY PROJECT #5: CAREER EXPOSITION FAIR

Businesses owned and operated by skilled, well-trained individuals can achieve a greater level of efficiency. This efficiency can then translate into higher productivity and eventually higher profits. In addition, a qualified pool of applicants for job openings can ease the costs of hiring and training for businesses. Qualified applicants can be recruited to the area or current employees can be trained to increase efficiency. Businesses, and communities, have an incentive to establish and sustain a qualified employment pool.

Chart 6: What Type of Business Should the City Pursue?



Related Survey Results

As businesses seek to grow and expand following the end of the economic recession, they will be looking to hire new employees. The survey results reflect this, indicating that businesses do intend to increase hiring in the next three years in critical positions. Nineteen percent of the surveyed businesses plan to hire in the next three years. They expect that 66 new jobs will be added to meet those hiring needs. Businesses indicated the types of employees most in demand will be precision production and specialty skill workers, professional and management workers, and unskilled laborers.

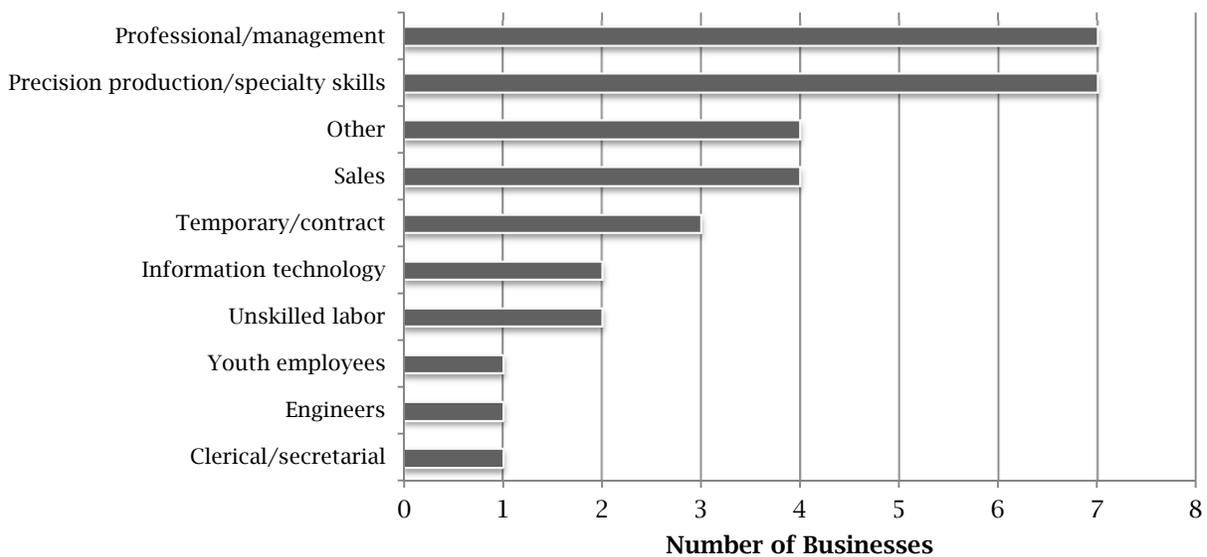
However, businesses indicated that hiring in those key positions may be a challenge, as shown in chart 7. Businesses further identified the most important reasons for their recruiting problems. The most frequently selected reason for recruiting problems was inadequate labor skills followed by poor work attitudes and competition from other employers (see chart 8).

Survey results reveal that Menahga has several key strengths that could be marketed to potential employees. Natural amenities are a clear advantage for Menahga. Businesses were asked to evaluate a list of community features as having a positive (+2), negligible (0), or negative (-2) impact on their business. Hunting (1.31), fishing (1.25), seasonal tourism (1.19), and natural environment (1.08) received the highest ratings. When asked which community services affected the desirability of Menahga as a place to do business, the K-12 school system, nursing home, and assisted living facility were rated highest. In terms of community factors that make Menahga competitive, businesses gave high marks to accessibility of high speed internet, availability of land, and cost of land.

Project Plans from the Committee

This committee's goal is to improve labor force availability in Menahga. To achieve that goal, the committee will host a Career Exposition Fair on March 14, 2013 from 2:00 to 7:00 pm at the Menahga School. Through this fair, the committee will promote local entrepreneurship,

Chart 7: Does Your Business Have Problems Recruiting the Following?



entice businesses to come to Menahga, and help local parents and students to understand the depth of the career choices available in the region. The committee will begin by inviting all Menahga businesses to attend and then reach out to regional businesses and colleges to showcase their career opportunities. Participants and vendors will have the opportunity to learn more about what is available in the Menahga region. To generate public interest in the fair, the committee will encourage vendors to donate prizes. The committee will also write mini-grants to area foundations for assistance in promoting the event.

This committee is led by: Pat Foss, Greg Pulju, Mary Klamm, and Roger Henstorf.

CREDITS

The Task Force selected the priority projects. This summary report was prepared by Brigid Tuck with the University of Minnesota’s Center for Community Vitality. Editorial assistance was provided by Adeel Ahmed and Michael Darger. Committee members contributed to the project summaries.

Chart 8: Most Important Reasons for Recruiting Problems? (Select All That Apply)

