

# Business Survey

Several surveys were conducted as part of this analysis to generate critical information for retention activity and to develop a new data base. One of the surveys conducted to generate necessary data was a survey of current business operations within the Village of Mackinaw City. This survey is of particular importance with respect to business retention components of a strategic economic development effort. The businesses were identified and contacted through the combined efforts of the Village's Community Development Department and The Chesapeake Group, Inc. The following is a synopsis of the survey findings.

## Characteristics

A majority, 79%, of the individuals completing the survey were the owners of the establishments within the study area, while 18% work in a management position. Another 3%, classified as "other" include Co-owners, President's and other "paid staff".

The managers and other employees responding to the survey have been employed by the businesses for periods of time ranging from one year to longer than twenty years. As shown in Table 6, almost two-thirds of the employees have been with the establishments for ten years or more. On the average, the employees have worked for the area businesses for slightly longer than twelve and one-half years.

Table 6 – Managers' Tenure with Business\*

Tenure	%
1 To 2 Years	12
3 To 4 Years	8
5 To 9 Years	15
10 To 19 Years	38
20 Years Or More	27
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

As shown in Table 7, 80%, of the respondent employees have held their current position for a minimum of five years. On average, the employees completing the survey have held their current position for over eleven years.

Table 7 – Employees Have Held Current Position\*

Tenure in Current Position	%
1 To 2 Years	12
3 To 4 Years	8
5 To 9 Years	23
10 To 19 Years	38
20 Years Or More	19
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

While not often recognized as a major factor in the closure of businesses in established communities, it is a fact that many business establishments shut down not as a result of market or sales/revenue factors, but because they are independently owned or franchised, and the owner retires or is unable to operate the business any longer.

Table 8 – Owners’ Age\*

Owners’ Age	%
30 Thru 49	33
50 Thru 54	19
55 thru 59	13
60 Or Older	35
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

There were no succession plans or “lineage” for the establishment. No other family member was available or chose to continue the operation. Thus, age of ownership is an important factor in assessing the potential for reinvestment in a commercial community. As shown in Table 8, 35% of the owners are sixty years of age or older. An additional 32% are between fifty and fifty-nine. The average owner is about 52.

For those owners age sixty or older, most have not identified an individual to take over and continue the business upon their retirement. Only one-quarter of the owners at or nearing retirement age have identified a successor, while 33% have not. Thus, while not linked to business viability, Mackinaw City could see a significant turnover of businesses or vacancies in the next ten years for other than market viability or opportunity.

Table 9 – For Those 60 or Over, Has A Future Operator Been Identified\*

Identified Future Operator	%
Yes	24
Uncertain	43
No	33
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

As shown in the following table, 74% of the businesses have been located in the area for ten years or longer. One-half have been in the community over twenty years. Several businesses indicated that they have been in the community for over 75 years.

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Table 10 – Length of Time Located in Mackinaw City\*

Length	%
1 To 2 Years	3
3 To 4 Years	3
5 To 9 Years	20
10 To 19 Years	24
20 Years Or More	50
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

On the other hand, 6% have been operating in the community for less than five years. It is conservatively estimated that the typical business has been in the community for about sixteen years.

There is a significant correlation between tenure in the area and the amount of time at the current location. The implication is that there has been a relatively small or infrequent movement from the time the business opened until the present day. The average tenure at their current location is almost fifteen years.

Table 11 – Length of Time Located at This Specific Location\*

Length	%
Less Than 1 Year	2
1 To 2 Years	3
3 To 4 Years	3
5 To 9 Years	27
10 To 19 Years	20
20 Years Or More	45
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

Those businesses that reported being situated in their present location for less than 10 years were asked to identify which factors most influenced their selection of location. The information contained in Table 12 indicates that the businesses took multiple factors into account when selecting their locations. However, the most important consideration related to the opportunity to purchase the building or land. Vehicular traffic volume or access, proximity to the waterfront and seasonal nature of the area were also very significant considerations for about one-fourth or more.

Table 12 – Primary Factors in Selecting Current Location\*

Factors	%
Opportunity to Purchase Building or Land	35
Vehicular Traffic Volume or Access	30
Proximity to Waterfront & Activity	27
Seasonal Nature of the Area	24
Pedestrian Traffic Volume	19
Proximity to Other Hotels	16
Proximity to Other Businesses	14
Opportunity to Rent/Lease Property	11
Proximity to the U.P. or Island	8
Inherited or Purchased Business	8
Character of Buildings and Area	5
Zoning	3
Available Labor Pool	3
Other Reasons	13

\*Developed by The Chesapeake Group, Inc., 2005.

Importantly, a majority of 62% of all business reported that their location had met their expectations, while 9% expressed disappointment. Those businesses that expressed disappointment cited difficulties related to the decline in tourism over the past few years.

Table 13 – Location Met Expectations\*

Met Expectations	%
Yes	62
Uncertain	29
No	9
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

A majority of 72% of the businesses completing the survey owned the space that housed their

Table 14 - Interested in Purchasing Building\*

Interested in Purchasing	%
Yes	50
Uncertain	25
No	25
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

establishment while 28% are renters. The businesses range in size from 450 square feet to 36,000 square feet. The average business occupies roughly 4,870 square feet.

Many of the businesses that rent have an interest in purchasing the property. As found in Table 14, one-half expressed an interest in acquiring the property while 5% lacked any such interest.

About six in ten (62%) who own their property reported that there is outstanding debt on the property, while one-third reports that the property is debt free.

Table 15 - Outstanding Debt on the Building\*

Outstanding Debt	%
Yes	62
Uncertain	5
No	33
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

There is also a reasonable level of interest on the part of business property owners in selling their property. As found in Table 16, 26% of the property owners, responding to the survey, indicated that they had an interest in selling their property.

Table 16 - Plan on Selling the Property\*

Plan on Selling	%
Yes	26
Uncertain	28
No	46
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

Most of the businesses are retail and food service establishments. A listing of the types of business respondents is provided below. The 7% reported as "Other" includes sign shops, bars, laundromats, and lighthouse restoration, preservation and education.

Table 17 – Nature of the Business\*

Type Of Business	%
Retail	31
Food Service/Restaurant Establishment	23
Hotel, Motel or Other Lodging	18
Professional Services	8
Retail Related Services	5
Amusement, Family Entertainment	5
General Construction, Contractor	4
Personal Services	3
Financial Service	3
Water Transportation Service	3
Insurance	2
Boat Storage or Marina	2
Land Transportation Services	2
Other	7

\*Developed by The Chesapeake Group, Inc., 2005.

The majority (60%) of businesses operate on a seasonal basis rather than throughout the year. Table 18 provides information on full-time employees that work throughout the year. The employment levels range from a single person to over 45 employees. About nine of ten (92%) establishments represent small businesses with one to ten employees. The average number of year-round employees per business is between 3 and 4.

Table 18 – Number of Year Round Full-Time Employees\*

Year Round Full-Time Employees	%
1 To 2	21
3 To 5	47
6 To 10	24
11 To 20	3
21 Or More	5
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

While 57% of the businesses operating throughout the year utilize part-time employees, 43% do not. Almost all (98%) of the businesses that function on a seasonal basis utilize full-time help. Those seasonal firms with full-time help maintain an average full-time employment level of ten and one-half persons.

Table 19 – Number of Seasonal Full-Time Employees\*

Seasonal Full-Time Employees	%
0	2
1 To 2	27
3 To 5	14
6 To 10	23
11 To 20	20
21 Or More	14
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

Six in ten (59%) establishments operating on a seasonal basis utilize part-time help. Those firms that do have part-time staff have an average of four and one-half part-time employees each.

The vast majority of the businesses defined the majority of their employees as residing in either Mackinaw City or surrounding communities. Only 11% noted that the majority of their employees either reside outside Michigan or are from other countries, with the vast majority of these defining the majority of employees as coming from other countries.

Table 20 – Number of Seasonal Part-Time Employees\*

Seasonal Part-Time Employees	%
0	41
1 To 2	29
3 To 5	17
6 To 10	7
11 To 20	6
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

## Attitudes, Opinions & Trends

As shown in Table 21, a significant number (36%), but minority of the businesses report experiencing difficulties in attracting qualified employees. In general these firms described the problem as being a shortage of potential employees due to an limited local labor pool, poor written and verbal skills, and questionable work ethics and employee motivation.

Table 21 – Problems Attracting Labor or Employees \*

Problems	%
Yes	36
No	64
<b>Total</b>	<b>100</b>

\*Developed by The Chesapeake Group, Inc., 2005.

Although not the majority, the largest proportion of businesses (44%) have declining sales or revenues over the past few years.

Only 17% reported increases in sales, while slightly more than one-third (36%) indicated that their sales have remained relatively stable over the last several years.

Table 22 – Sales or Revenue Trends Over the Past Two or Three Years \*

Sales / Revenues	%
Up	17
Down	44
About The Same	36
Uncertain	3
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

Those businesses reporting a decline in sales or lack of growth attributed the situation to:

- Poor economic conditions, particularly the Michigan economy.
- Fuel cost.
- A decline in both the actual number of tourists and the level of tourists' spending.
- Poor weather conditions.
- Lackluster marketing efforts.
- Increased competition.
- An early return to school.

It is noted that a reasonable number of respondents also cited poor customer service and treatment of tourists along with expensive lodging.

Table 23 – Location of Major Competition\*

A majority of 77% of the respondents identified other local Mackinaw City area businesses as being their primary competition. Two in ten (20%) identified competitors in other nearby communities.

Location	%
Local, the Mackinaw City Area	77
Other Businesses in Nearby Communities	20
Businesses in the U.P. or the Island	3
Other Areas of Michigan	3

\*Developed by The Chesapeake Group, Inc., 2005.

Changes that the businesses would like to see implemented within the Village that would benefit their establishment were also identified. The responses, in order of frequency, include:

- Expanded promotional & marketing efforts for the Mackinaw area & Northern Michigan.
- Improved local employment, including year round jobs.
- Better cooperation and coordination among the various interests within the Village.
- An improved customer/tourist friendly attitude.
- More competitive lodging costs; affordable room prices.
- A new convention center.
- Year-round attractions and resorts.
- More diversified commerce; fewer redundant and competitive businesses.
- Less restrictive Village ordinances. Allowances for greater commercial signage.
- Improved landscaping, greater control over transient vendors, and better housing.

The types of new business activity that members of the business community favored, in order of their frequency noted, are:

- Job generating establishments operating throughout the year.
- Professional services, particularly medical.
- Family friendly, oriented establishments.
- Amusement parks.
- Additional entertainment venues.
- A pharmacy.
- A lighthouse museum, convention center, and casino.

New businesses or services that they favored as a means to help their ventures are also identified. The most popular suggestion related to additional waterfront improvements and facilities including dining, a walkway, and marina. Other suggestions included:

- Year-round employment.
- Tourist oriented businesses.
- More off-season activities and attractions.
- Business services such as printing, mailing, and office supplies.
- Increased advertising and marketing.
- High speed internet.

Businesses were asked to select from a variety of issues those challenges that most impacted their ability to “grow” their business within the area. The most frequently identified challenge related to employees followed by poor cooperation within the business community. Additional cited challenges included the shortage of pedestrian and tourist amenities, such as the need for additional public restroom facilities; road repair; improved internet service; and the shortage of year-round residents.

Table 24 – Challenges of Growing Their Business\*

Challenges	%
Finding Qualified Employees	49
Lack of Cooperation Among Local Businesses	37
Laws, Regulations, and Ordinances	33
Marketing or Promotion Efforts	26
Cost of Marketing	21
Business Sector’s Attitude Toward Collective Advertising	19
Lack of Complementary Activity	14
Level of Competition	14
Telecommunications Infrastructure	9
Lack of Communications	7
Transportation or Accessibility	5
Other Infrastructure	4
Others	17

\*Developed by The Chesapeake Group, Inc., 2005.

Whether a result of healthy sales or other reasons, there are businesses that identified a “need” or desire to expand their physical facilities in the near future. The survey revealed that 22% “need” to expand their physical facilities.

Importantly and as shown in Table 25, 33% of those establishments that require or desire physical change feel that their current location will not be able to accommodate such a change.

Table 25 – Able to Make Change At Current Location,\*

Able To Make Change	%
Yes	53
No	33
Uncertain	14
Total	100

\*Developed by The Chesapeake Group, Inc., 2005.

Only two of ten businesses (19%) indicated that they were receptive to public sector involvement in the form of technical or financial assistance. A greater percentage of 61% reported a lack of interest in public sector financial or technical assistance.

## Implications

There are several important business “retention” related opportunities that are identifiable through the business survey. These are:

- ✓ With the potential large number of retirees, many of whom have not identified or will not be able to identify someone to operate the business upon retirement, there is an opportunity to establish an entrepreneurial/apprenticeship program.
- ✓ The opportunity to match and facilitate willing property/building owners with businesses located in the properties/buildings that are willing to purchase the properties/buildings.
- ✓ The opportunity to facilitate expansion of existing businesses, stimulating investment.

As a result of attitudes of most business owners, the latter two are most likely handled by and through the Chamber of Commerce, with the first element handled by and through a cooperative effort of the Village and Chamber or by the Village.