

Business Trends Across Northern Wisconsin

by Hans Hanson*

The following trends describe the changing business landscape in Northern Wisconsin. They are based on hundreds of counseling sessions and educational programs conducted each year by the author.

Tourism Trends

Recent business trends in Northern Wisconsin have included the development of new and expanded motels and upscale condominiums with many amenities that today's customers want including pools and water parks. There continues to be a number of resorts converting to "condo" operations, due to the lack of adequate profitability. Many new franchise restaurants and other food service businesses have opened. New and expanded golf courses have developed throughout Northern Wisconsin with more to follow. Many new gift shops and specialty shops have opened in the last few years. Casinos and their conference centers and hotels continue to draw a good and steady customer base. These new business developments allow for expanded tourism promotion and the development of other tourism related businesses.

Since the September 11 terrorist attack, many tourists have chosen to travel closer to home. This has increased a portion of the tourism activity in some areas of Northern Wisconsin. Tourism remains a very critical component of our economy.

The winters of 2001-2002 and 2002-2003 have been very difficult for most businesses that depend on snow to draw their winter tourists. Some areas such as Mercer and Hurley have had a longer snow season. However, the winter of 2002-2003 was not good for most snow dependent businesses, with the exception of ski operations that make snow. In fact, many communities have had poor winter seasons for four out of the last five years. This situation has varied considerably over Northern Wisconsin, due to some areas receiving more lake effect snow from Lake Superior, (which has primarily helped the Hurley and Mercer areas). Snow dependent businesses must continue to search for other products and services that could be offered that are not entirely snow dependent.

Retail Trends

"Big Box" stores (Wal-Mart, Wal-Mart Supercenters, Target, etc.) continue to expand into the area and attract a large

customer base with an extensive variety of merchandise, long hours, parking, and liberal return policies. Wal-Mart Supercenters opened in Hayward and Rhinelander in 2002. Menards and Home Depot have also expanded into the region with the potential for more to come. This trend has occurred across the United States and has had an impact on traditional retail stores in many communities.

Grocery stores have closed in Rhinelander and Spooner. One in Hayward is still open, but will make a decision within the next year on whether to close or remain open. New food stores have recently opened in Hurley, Spooner, and Rhinelander. Clearly, grocery markets throughout Northern Wisconsin are changing as competition is intensifying.

Retail reports for the 2002 Christmas shopping season were below expectations for all retailers. Retail giants such as Penny's, Sears, Federated Stores and others, had to give deep discounts to get shoppers in the stores. Overall sales were marginal and profitability was very poor. Large retailers have created an environment where people will not Christmas shop unless there are substantial sales, making it difficult for smaller stores who cannot offer deep discounts.

In some areas of Northern Wisconsin, there continues to be over-development of specialty gift and housewares shops, convenience stores, and coffee shops. This has caused some business closures or consolidations.

Trends in Other Sectors

The medical industry has had considerable growth across Northern Wisconsin in recent years, including new and expanded medical clinics and hospitals. There has also been a consolidation of many clinics under larger regional medical centers.



Numerous county jails were built in the last few years, resulting in additional jobs.

The manufacturing sector in Northern Wisconsin has experienced gains and losses in the last few years. This was impacted by regional, U.S., and world economic conditions. Mergers and acquisitions of regional businesses have also affected this sector. The continuing consolidation within the paper industry and tough world-wide competition, have an adverse impact on paper industry employment across Northern Wisconsin and has already impacted raw material prices for loggers.

Entrepreneurship and Management Trends

Many new and updated businesses are keeping with a Northwood's image which helps in fostering a unified theme that is important in tourism development. As a whole, businesses are making better use of technology by implementing computer systems, using the Internet and updating manufacturing technology and telecommunications. The Internet has been a boon in helping many tourism-based businesses do a better job of marketing their products and services.

There is continued strong interest in starting new businesses and in the expansion of existing businesses. This is a very positive trend and speaks well of the "entrepreneurial spirit" of the people of Northern Wisconsin. The key factor in looking at new business opportunities is to do a very thorough feasibility analysis before actually starting a business.

There is also a high level of activity in the buying and selling of businesses, with most occurring in the following categories:

- Bars
- Restaurants
- Specialty and Gift Shops
- Convenience Stores
- Hair Salons

Other businesses that continue to develop and grow include new hotels, franchise restaurants and "handy-man" services.

At the same time, some businesses types have experienced economic difficulties in the last few years. These include:

- Hardware stores close to "Big-Box" stores
- Family clothing and shoe stores
- Roller rinks
- Video arcades
- Movie theaters
- Mom and pop bars with limited food service
- Older motels that haven't updated their facilities
- Small convenience stores

Finding and keeping employees has become a problem in some businesses, but overall most businesses indicate they are able find employees. Many resorts and condo operations have begun hiring foreign workers for the summer tourist season.

The economic development efforts of communities, counties, and development organizations have become very focused and professional. This has been a strong asset in working with new and existing businesses throughout Northern Wisconsin.

In the marketing area, businesses need to do a better job of identifying who their primary and secondary customers are and how to better meet their needs. They also need to focus more on benefits to the customer and less on business features.

Too many businesses are not doing a good job analyzing their yearly and seasonal cash flow needs, and therefore get into cash flow problems. Often they do not control their expenses or raise their prices when they should.

Improving customer service and hospitality is an on-going task. Today's customer is very demanding and businesses have to work hard to meet and exceed customer expectations.

* Hans E Hanson UWEX Area Community Business Development Agent
Newsletter production by Alice Justice and editing by Michelle Oddo-Marohn,
Center for Community and Economic Development.