

Round Valley Economic Leakage Study

Prepared by
Kimber Lanning
Local First Arizona

OVERVIEW OF THE PROJECT

In July and August, 2020, Local First Arizona, as the state's rural development council, interviewed residents of Eagar and Springerville about their spending habits and their perceptions of the local economy. All of the residents interviewed were also business owners in the Eagar-Springerville area. In addition, digital surveys were sent out to residents to share their business and personal spending estimates, and through this process over 1,000 different data points were gathered and analyzed.

The overall goal of the project is to gain an understanding of spending patterns in the area that result in either dollars recirculating in the local economy or leaking out of the local economy.

'Recirculating' and 'leaking' are meant to help describe the movement of capital in the Round Valley region.

- Dollars recirculating will bolster the economy and provide increased tax dollars and opportunities for more local people to prosper.
- Dollars leaking from the economy will benefit those who live outside of the local economy or perhaps outside of our state, or even our country.

It's generally understood that no economy can be 100% local, and that generally communities can vary on their inclination to spend their money locally. Our goal with this study was to quantify the money being spent locally versus the money being spent elsewhere. In this report, Local First will make

recommendations to the communities of Eagar and Springerville which may reduce some of the leakage that is occurring in order to bolster the local economy and improve overall quality of life.

Many studies have shown that spending with locally owned businesses keeps 3 to 4 times more money in the local community, which can have a significant impact on overall quality of life. Even shifting just 10% of residents' overall spending from national to local enterprises can create new dollars circulating locally and new job opportunities.

Through this study we will uncover some of the challenges that prevent people from supporting local businesses or the local economy and will make some recommendations to start the conversation about what can be done to overcome those challenges.

Please note, while this report refers to Eagar-Springerville only, the nearby trade region also includes St. Johns, Greer, Alpine, and Nutrioso.



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COMMENTS

Kids don't have anything to do in town.

We need more lodging and more nightlife.

We don't do a good job promoting the great things we have here.

People can be in the area for a week but only plan a couple of hours to visit the town.

REGARDING TOURISM

Business owners interviewed believe an average of 41% of their clientele are locals, 43% are from the nearby region, and 16% are from out of state. While these numbers vary during a normal year and generally increase during the summer months, business owners were not certain about where people were coming from in 2020.

53% of respondents believe that visitors discover Round Valley through word of mouth, while 30% credited online searches or Zillow cabin searches. 7% believe Round Valley is stumbled upon completely by accident and another 7% credited the Chamber.

100% of those interviewed believe the number one pastime for visitors is outdoor recreation. This includes hunting, fishing, cycling, camping, off-roading, hiking, and all other outdoor activities. A few mentions were also made of the Rodeo, the Jamboree, and Heritage Museum and Western Drug.

When asked what SHOULD people be sure to do while in town, 53% named the Heritage Museum as a point of pride that is too often missed. 31% also named the Wildlife Park as a must-see destination, but they didn't believe enough people knew it was there. 23% mentioned there were great trails for hiking and biking that were not marked and so there was no way for visitors to find them. 15% named the Dinosaur Museum, especially for those with children, and the archeological sites as places they wished more people would visit. Finally, art, settlement history, and Native American history were all named as points of pride.

How are local businesses doing overall?

COMMENTS

We are busier now, more than ever before.

I can't find enough help – people don't want to work.

We could use help finding the right help.

I'm too busy to do social media.

I know I should track my customer base better but it hasn't been a priority.



**PLANS TO EXPAND
IN SOME WAY**



**BUSINESS GROWTH
OVER 2 YEAR**



**TRACK CUSTOMERS
IN A DATABASE**



**BUSINESSES ENGAGED
ON SOCIAL MEDIA**



**SOLICIT ONLINE
REVIEWS**

ONLINE & NONLOCAL SHOPPING



Interpreting the data

More and more people are visiting Eagar-Springerville and buying homes there. People with second homes have been staying in the area full time during the pandemic. This shows in the immediate sense that business is up – the future is looking bright. Businesses could be doing even better however, if collectively they worked to market themselves online, improve their customer retention through improved customer service and tracking of their customers, and by soliciting online reviews.

Most business owners feel too busy to take this on themselves, but the businesses could work together to hire one person to help several businesses with online marketing and Search Engine Optimization.

Locals want to buy locally. It's important for the business community to help provide more opportunities for them to do so. When asked if they have tried innovative ways to bring in new customers, most businesses listed basic things such as networking/word of mouth, window signs, or advertising at local events. This is an area of focus – there are many more things the businesses could be doing to attract new customers.

OVERALL DEMOGRAPHICS & PURCHASING POWER

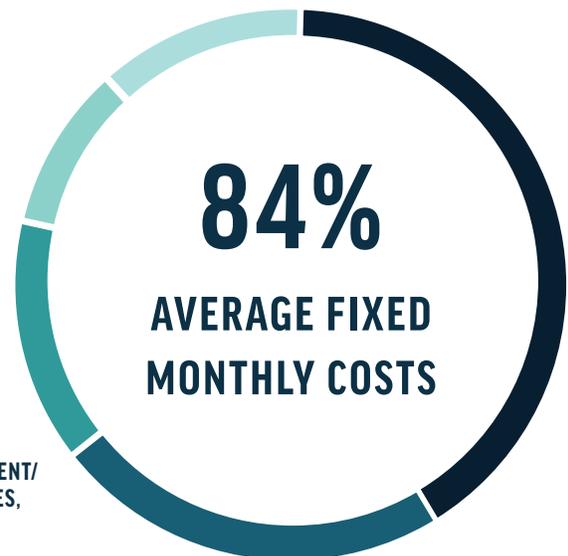
There are approximately 2,700 households

in Eagar-Springerville and the average household income is \$55,000 according to online sources. Therefore, the total earning in the region is approximately \$148MM. For the

purpose of this report, Local First will take the following national rural averages to determine fixed spending:



Every 10% shifted annually toward local spending is another \$1.6MM spent locally, which can create new jobs and opportunities locally.



- HOUSING (INC. RENT/MORTGAGE, TAXES, UTILITIES, ETC)
- TRANSPORTATION (GAS, AUTO MAINTENANCE & INSURANCE)
- INSURANCES (HOME, LIFE, LIABILITY, ETC)
- HEALTHCARE TAXES

16% REMAINING INCOME REPRESENTS \$23MM IN PURCHASING POWER ANNUALLY, OF WHICH APPROX. 70%

(\$16MM) OUT OF TOWN.
IS CURRENTLY SPENT

Regarding spending habits

We asked people to evaluate how much they spend in the local trade area, or within about 20 miles from home, versus outside the trade area or about 50 miles from home, versus online spending.

One interesting note is that when people were asked 'when they go out of town to spend, where do they go?' 60% said Phoenix. But Show Low is 50 miles away which indicates that most people consider Show Low to be inside their local trade area when in fact it is not. Show Low by far gets most of the leakage from the Eagar-Springerville area. Phoenix and Flagstaff are second and third respectively.

Also, it is important to note that many folks leave town because of doctor's appointments or seeking entertainment and that is what leads to additional out of town spending.

MOST COMMON ITEMS RESIDENTS BUY FROM **OUTSIDE** THEIR TRADE AREA



95% Clothing & Shoes



75% Office Supplies



75% Furniture/Housewares/
Appliances



15% Household Supplies



15% Specialty Items



15% Groceries

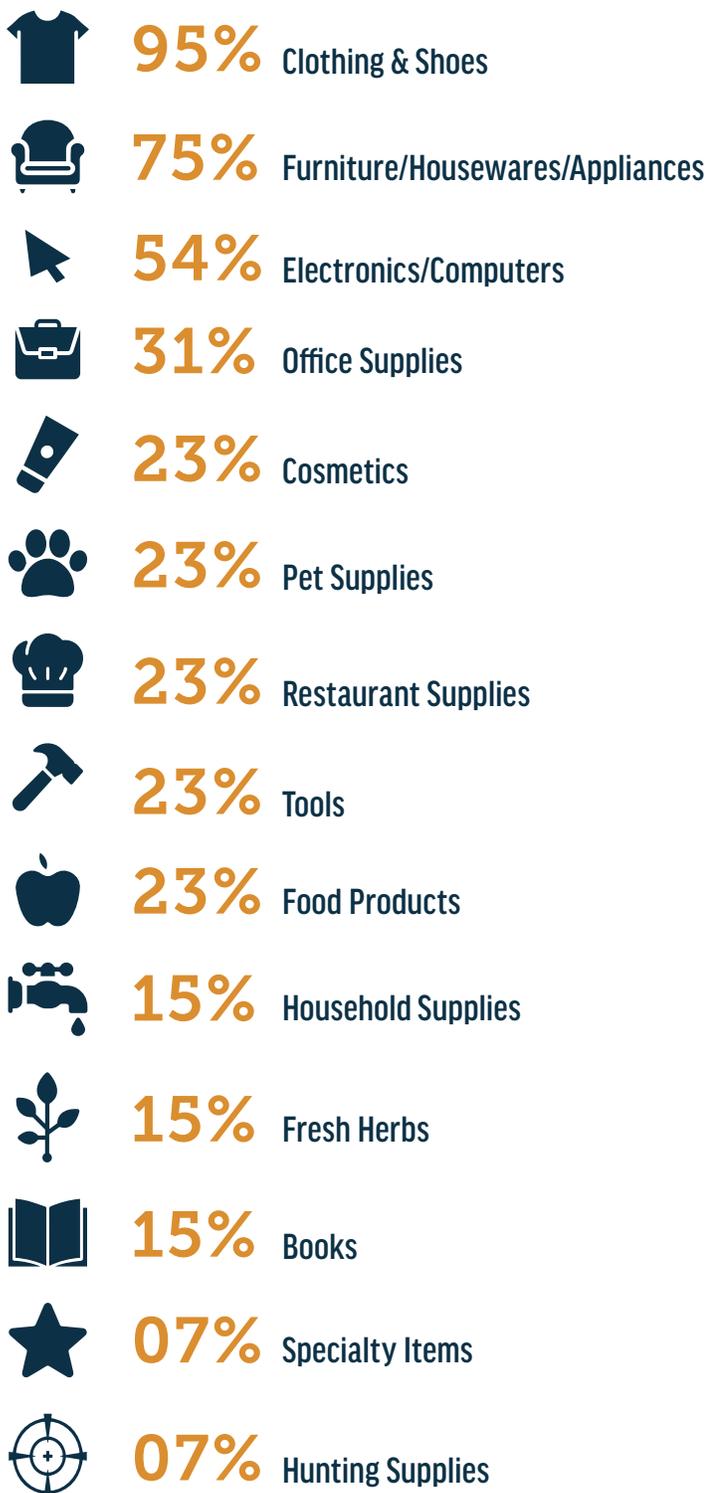
POSITIVE NOTES

- 100% of consumers report buying auto parts locally
- 100% of consumers report buying most groceries locally
- 87% spend between \$300-\$400 monthly and
- 13% spend over \$450/month on buying groceries locally
- 100% of home repairs are sourced locally
- 87% of meals out are eaten locally
- 75% of personal care sourcing happens locally (haircuts, etc)
- 50% of participants say they buy 'local food'- this needs exploring!

TROUBLING AREAS

- 95% of clothing and shoes are purchased out of town
- 46% out of town 54% online
- 75% of furniture/home décor is bought out of town
- 87% out of town 13% online
- 75% of Office Supplies are bought out of town
- 69% out of town 31% online
- 62% of entertainment spending happens out of town
- 50% of consumers spend \$150-\$300 at big box stores per trip
- 57% of consumers report spending \$150-\$300 per month on Amazon & another 42% report spending \$50-\$150 monthly

MOST COMMON ITEMS REPORTEDLY PURCHASED ONLINE



Other items commonly purchased online include car parts, hobby supplies, home décor/housewares, furniture, cleaning supplies, vitamins, and food storage supplies.

77% of prescriptions are filled locally at Western Drug, 15% at Wal-Mart in Show Low, and 8% online.

COMMENTS

My wife orders everything online- you name it!

I buy everything I can locally.

I only end up going online because the local businesses won't do special orders.

The locals are too busy to take our calls.

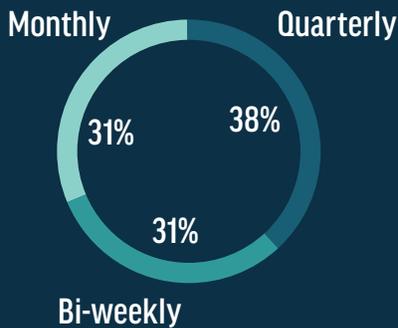
I don't think residents even know what's available locally.



SATURDAY

IS THE MOST POPULAR DAY TO LEAVE TOWN TO SHOP, FOLLOWED BY MONDAY AND FRIDAY

REPORTING LEAVING TOWN FOR SHOPPING



ITEMS MOST OFTEN PURCHASED LOCALLY

- 90%** Lumber
- 85%** Food Products
- 77%** Prescription Drugs
- 76%** Hardware
- 70%** Automotive Parts
- 23%** Animal Feed
- 30%** Cleaning Supplies
- 23%** Flowers and Gifts

PEOPLE THINK IT'S CHEAPER TO SHOP IN SHOW LOW BUT THEY'RE **NOT** COUNTING GAS

WHERE DOES THE MONEY GO ONCE IT LEAVES ROUND VALLEY?



WHAT WOULD CHANGE YOUR SHOPPING HABITS?

- 80%** more local options or better local selection
- 25%** extended business hours locally
- 25%** better knowledge of local shopping
- 12%** better local customer service

WHAT DO YOU THINK ABOUT LOCAL OPTIONS?

- 75%** like the friendliness at local stores
- 87%** it's important to buy local
- 87%** buying local contributes to local quality of life

BUT.....

- 75%** Amazon is cheaper than local
- 0%** locals have better prices
- 12%** prefer shopping on Amazon
- 63%** local doesn't have better prices
- 12%** Amazon offers better quality
- 37%** didn't know if local has better pricing

Local leadership & the future of the region

COMMENTS

We have plenty of volunteers—what we lack are ideas.

I can't find locals to hire, we need experts to help figure out the workforce situation.

We need fresh outside perspectives.

We would love more volunteers.

We have sufficient leadership.

We need training for our volunteers.

We asked participants if they knew anything about a community plan, a strategic plan for the region, or any short- or long-term planning happening at all.

60% said they were aware of community plans while 40% said they weren't. Of the ones who knew about community plans, 75% thought Foundation for Little Colorado Restoration was leading the charge while 25% thought it was the town. Overall there was a lot of confusion around this question and answers were largely based on hearsay.

Participants were asked to prioritize what kind of support the community needs most: Volunteers, Experts, or Leadership Development. 60% said they'd choose Experts first, followed by Leadership Development (30%) and then Volunteers (10%).

There were a wide range of opinions on this issue.

When asked about a recurring challenge - something that continues to happen again and again in the area that may be holding the region back - 70% named the unwillingness for the two towns to merge as the number one issue. They went on to say the amount of wasted funds on running the two towns independently was "mind-numbingly stupid". 30% of respondents named leadership as a priority issue, citing planning meetings where nothing gets done, town leaders not leading with vision, and 'putting up our own roadblocks' as ongoing challenges. 23% named Workforce Development as a recurring challenge, stating the lack of soft-skills training in high school was creating an ongoing challenge, and that 'work ethic is the real pandemic'.

When asked about whether or not they believe residents feel connected there, 99% said they agree residents are very connected to the area, largely because of family and history in the region. Note that several people mentioned that the Latino and/or Tribal population there doesn't seem as connected, and generally is less participatory.

Highlights

Residents of Eagar-Springerville have a lot of hometown pride and connection to place, which is by far the most important characteristic of thriving towns. People want to build a healthy and prosperous future for themselves and their families, and this study shows they're willing to roll up their sleeves and do what it takes to be a part of something bigger than themselves.

Generally, the business community is at once aware of how much leakage is occurring while at the same time themselves shopping out of town. It will be important to work together to improve opportunities for people to spend locally through increased goods and services, while improving customer service and investing in workforce development. An overall evaluation of business plans needs to happen to be sure businesses are offering the absolute best prices possible. Fair prices (not always cheapest) blended with exceptional customer service can and will reduce economic leakage.

The majority of current local spending tends to be smaller dollar amounts, while purchases made out of town tend to be bigger. 50% of local spending tends to be under \$100 while 55% of non-local purchasing is over \$500. Spending on the internet is across the spectrum of large and small purchases (28% is over \$500 and 72% is under \$500).



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Interpreting the trends

The vast majority of the people in the Eagar-Springerville region love their place and would do everything in their power to protect their quality of life and ensure their lifestyle isn't threatened.

Most people interviewed had strong opinions about what others in the town were or weren't doing, sometimes accurate and other times not so much.

Most people would spend more locally if they had opportunity to do so. It may take work to get people to change their habits. Currently most people are convinced they can't find things locally when really they may not know all that is available.

The region has rich agricultural history and a local population that has identified sourcing local foods as important. There's a great opportunity to invest in local food systems to not only plug economic leaks but to create a whole new industry with jobs associated. Meat processing and farmer's markets would both stand a good chance of success here.

Businesses in the area may need some consulting about how to improve their marketing and customer service. Owners really don't know where their customers are coming from and aren't doing all they can to increase repeat visitation or work toward an improved online presence for the region.



Currently most people are convinced they can't find things locally when really they may not know all that is available.



Town leadership should be focused on Entrepreneurial Development and should do everything in their power to help the existing business community expand their offerings. This may include reducing permitting costs or bureaucracy to expedite business expansion along with supporting efforts for new business attraction. Technical assistance also would prove invaluable to the local entrepreneurs and business owners; focusing on topics that include market research (understanding customer demand), online marketing strategies, and customer outreach techniques (building loyalty).

In addition, a focus on Workforce Development is crucial to building a more resilient community. Without a local education partner or satellite location, access to career pathways that help to connect local residents to local employers is minimal. Programs that teach soft skills, trade skills, and/or upskilling could help to bolster the available workforce in these communities.

Recommendations

Office Supplies are one of the largest category of items that are not purchased locally. At the same time Western Drug is the most popular business in town. If Western Drug could begin carrying office supplies and managing special orders of office supplies, a major leak would be plugged. Western Drug should also be encouraged to expand their clothing selection. Developing a communication thread between locals and businesses would uncover local needs that could be served locally. A simple suggestion box in town would offer folks a way to share ideas for products they would buy locally if they had the chance.

Local First learned from interviews that Western Drug has tried to expand its footprint but was denied by the town. Local First recommends moving mountains to be sure Western Drug has the support it needs locally to expand its business to meet the needs of locals and visitors. This may be securing a no-or low-interest loan, removing or reducing barriers and fees, or finding ways to secure their second floor loft for additional retail space.

Local non-profits should plan a fun Volunteer Training Day to engage people around opportunities to improve the town. Locals should decide the area of focus but we heard that volunteers are there waiting to be engaged. Perhaps a local clean-up day could be organized and executed to have a short-term win that would mobilize energy around shared goals and achievements.

Workforce Development should be an absolute top priority. We heard over and over that the businesses can't find good help, that hiring people is a revolving door, and that the work ethic is in crisis. This is not specific to the Round Valley region, but the solution can be a local one. Focusing on workforce development will have the effect of supporting the business community while keeping more jobs and dollars in the local economy. Local leaders should engage with the Talent Pipeline Management (TPM) system through the Rural Development Council to bring together local employers, by sector, to study the specific needs in the region and implement a strategy to provide the necessary training to improve the local workforce.

Tourism is a massive opportunity for the Round Valley region and any tourism study should include the surrounding areas of St Johns, Alpine, Greer, and Nutrioso. We can already see the benefits of tourism, including increased spending at businesses, increased tax revenues, and other types of support that benefit the quality of life in the entire area. First and foremost, conducting an asset mapping study would identify opportunities and challenges for increasing tourism capacity and would identify strengths, weaknesses, and opportunities for each asset found. In addition, a study should identify technical assistance needs to enhance customer service and collaborative marketing at the hospitality level, including hotels, restaurants, and retail. A 'Planning for Tourism' initiative would be valuable and should include a Tourism Development Plan.

The local business community should engage with experts on business coaching and evaluation to be sure they're doing all they can to be competitive and offer an exceptional experience. In addition, businesses should band together on creative marketing ideas and improving the overall online presence for the town. Engage the Latino population to encourage them to participate in every way. Perhaps starting with students in the high school would work to engage their parents and include them in community events and discussions. Latinos represent 25% of the population and their voices will impact the overall outcome of community prosperity.

Investing in local food studies would pay off handsomely. There is already evidence that residents value local food and Eagar-Springerville has immense opportunity to be a food hub for the greater region. Having a meat processing plant and healthy farmer's market supporting local growers and value-added products, fresh breads, local eggs or other foods would attract people from the region while creating jobs and increasing access to fresh food.