



# Downtown Economics

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*Ideas for Increasing Economic Vitality in Community Business Districts*

## Key Businesses in Vibrant Tourism Towns

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As part of a market study for the Rhinelander, Wisconsin, Main Street Program, eight vibrant comparison downtowns were identified to study their business mix and overall downtown dynamics. These communities included: Brainerd, MN; Fergus Falls, MN; Gaylord, MI; Petoskey, MI; Traverse City, MI; Galena, IL; Lake Geneva, WI; and Sturgeon Bay, WI. Downtown leaders from each community were asked to identify businesses that make significant contributions to downtown vitality. Interviews were conducted with owners and/or managers from each of these “key” businesses and short case studies were prepared for inclusion in the Innovative Downtown Business Database.<sup>1</sup>

### Types of Businesses

The key businesses identified can be grouped into one of five broad categories. These groups are presented below.

#### Destination Restaurant

Many of the communities studied had one or more large destination restaurants as key generators of downtown visitation. These restaurants typically have large seating areas split into different rooms with a more intimate feel. Most are in the middle (\$12 - \$25) price range for dinner entrées and feature live music one or more times per week.

Popeye's Restaurant is an ethnic Greek restaurant on the shores of Lake Geneva with seating for up to 600. Popeye's has generous outdoor seating on their deck, featuring a rotisserie serving slow roasted chicken every day. Popeye's is known for their popular German-Wisconsin fare, such as bratwurst, burgers, and fish fries. Popeye's hosts parties of all sizes, and is packed with patrons year-round. Popeye's hosts charity events and fundraisers for local organizations

<sup>1</sup> The University of Wisconsin–Extension has developed an online clearinghouse of innovative downtown businesses. See: <http://www.uwex.edu/CES/cced/downtowns/innovative/>

during the slow seasons, drawing people into the downtown throughout the year.

#### Unique/Regional Gift Store

Many of the businesses studied were gift stores that offer unique, quality products that are not found in large retail stores. These product offerings are highlighted by items that reflect local/regional culture, such as cherries and wine in Sturgeon Bay, Wisconsin, and Swiss-themed products in Gaylord, Michigan. Predominate store characteristics are attention to detail, quality products, and superior customer service. Many of the retailers interviewed stressed the need to differentiate themselves from both discount retailers, and also from one another.

Cornerstone Shoppe in Lake Geneva, Wisconsin, combines elegant and traditional home appointments with unique and artistic creations not found in chain retailers, such as hand made jewelry and ceramics, hand-blown glass and stained glass, original art work, candles, custom furniture, and books.

#### Downtown “Hangout” or Gathering Place

Downtown hangouts are businesses that provide a place where local residents socialize in a “public living room.” Many of these establishments are coffee shops, often featuring an outdoor sidewalk or courtyard seating during appropriate weather and offering baked goods that are produced locally. Some coffee shops are integrated or co-located with other businesses, such as book stores. These businesses facilitate downtown vibrancy by providing a place where people gather, and increase foot traffic on the street and in nearby establishments.



Galena Canning Company, Galena, IL

An example of a downtown hangout is Horizon Books in Traverse City, Michigan. Horizon Books is a large, independent book store occupying three stories. What sets Horizon Books apart is that they have contracted with Cuppa Joe, a local coffee house chain, to have a full-service location integrated with their book store and retail front. Cuppa Joe creates constant traffic from 7am to 11pm, features outdoor seating, and is a popular hangout for downtown residents, shoppers, tourists, and social organizations.

### Entertainment

Theaters complement other downtown businesses by drawing crowds of people who then visit other nearby establishments. They also promote downtown living by providing residents with easily accessible entertainment options. The State Theatre in Traverse City, MI, and Fergus Theatre in Fergus Falls, MN are examples. They do not compete directly with large movie theatres that show mainstream Hollywood films, but rather feature independent and foreign films, live music and theatre productions, special events (high school film, art exhibitions, film series), and occasionally second-releases of Hollywood Films.

### Hospitality/Lodging

Two hotels were identified in this study: Store Harbor Resort in Sturgeon Bay, WI, and Staford's Perry Hotel, in Petoskey, MI. Each is owned and operated by local residents. Both provide a steady stream of visitors that patronize other nearby establishments day and night. They also host large meetings, conferences, weddings, and other events that regularly draw additional traffic. Integrated restaurant/bar/grill elements in each hotel serve as an additional draw. It is important to note that both facilities occupy lakefront property, providing a connection between the commercial district and the water.

### **Operating Characteristics**

A number of operating characteristics contribute to the uniqueness and appeal of these key downtown businesses. These are presented below:

- *Locally owned and operated* - All of the businesses studied are locally owned and operated. Five of the twenty-five businesses have more than one location, either within the same city or region.
- *Located in historic buildings* - Sixty percent of the businesses surveyed are located in buildings listed

on national or local historic registries. A number of businesses in recently renovated buildings, indicated that after historical restorations were complete, business significantly improved.

- *Place-based* - In addition to locations in preserved historic structures, successful downtown businesses often feature, complement, and build on local or regional culture.
- *Active in downtown business community* - Owners and managers organize or participate in community events and charities, and work directly with other businesses in their community. Participation in downtown community activities is critical to the success of the individual businesses and to the overall downtown.

In order to co-exist successfully with large chain affiliated businesses, these innovative businesses have adopted and developed techniques to further distinguish themselves.

- *Customer Service* - By focusing on personal customer service, the establishments have built a positive reputation and created repeat customers.
- *Quality Products and Services* - Rather than focusing on low prices, these businesses focus on offering quality products at reasonable prices. Small businesses cannot compete directly with large retailers on price, but by offering superior quality products, retailers can create their own niche.
- *Unique Product Offerings* - Retail establishments have an especially difficult time competing with large store competitors that offer the same products. Businesses in this study offered unique products to distinguish themselves from large retailers – as well as from one another.

### **Conclusion**

Downtowns in tourism communities can attract visitors by including destination restaurants, gift shops, gathering places, entertainment, and lodging facilities in the business mix. The successful businesses studied are distinctly different from the chains, build on local character and the environment, and are engaged in the community. They provide an authentic experience for the visitor and reason to come downtown.

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