

Telephone Survey

The “market” is the driving force behind economic viability, whether commercial or service opportunity. Commercial opportunity is dependent upon the ability of the consumer to make purchases that result in the generation of revenues and sales.

In an effort to understand the market opportunities and in addition to the reported business and visitor surveys, a telephone survey of households within eight area zip codes 49701, 49718, 49721, 49740, 49756, 49769, 49770, and 49781 was conducted as part of this analysis. The following is a synopsis of this residential market component survey findings.

Market Penetration

One of the primary factors in defining long-term economic viability of a commercial area or composite of commercial activity is market penetration. Market penetration is defined by the share of households that conduct business in an area with regular frequency. The telephone survey generated information on how often households generally went out to shop for food or any other retail commodity and how often they visited Mackinaw City. As detailed in Table 33, 87% of the households indicated that they go shopping at a frequency of at least once each week.

About six out of ten (62%) households reported that they or a member of their household visits Mackinaw City in order to shop, eat or drink, obtain professional or personal services or conduct other business, at least occasionally.

Table 33 – The Frequency of Shopping Trips*

Frequency of Trips	%
More Than Once / Week	53
About Once / Week	34
Few Times / Month	8
Twice / Month	3
Once / Month	1
Less Often	1
Total	100

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

Table 34 - Whether Respondents Make Purchases, Obtain Service or Conduct Business in Mackinaw City*

Frequent the Mackinaw City	%
Yes	62
No	37
Uncertain	1
Total	100

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

Over one-half (56%) of the households that do utilize the Village’s establishments visit the area with a frequency of about once each week. About seven in ten (70%) households that frequent the area do so at least a few times each month. Thus, the effective market penetration rate for the surveyed area in total is about 43%.

Table 35 – The Frequency of Trips to Mackinaw City*

Frequency of Trips	%
More Than Once / Week	56
About Once / Week	8
Few Times / Month	6
Twice / Month	2
Once / Month	6
Less Often	22
Total	100

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

Synergism

The sharing of a patron base is also important for commercial viability. Fortunately, those households that do visit and utilize Mackinaw City establishments do so for a variety of reasons as shown in Table 36. Over one-half (58%) shop when visiting the area. About the same proportion (54%) dine. Other primary activities when coming include to see a show or a movie, catch a ferry or go to the Upper Peninsula.

Table 36 – Purpose of the Trip*

Purpose	%
Shop	58
Eat /Drink	54
See a Show or Movie	30
Catch a Ferry	25
Go to the U.P.	23
Obtain Professional Service	21
Visit Family or Friends	19
Obtain Personal Service	19
Work	19
See the Light Show at Night	18
Obtain Government Services	17
Visit the Water Park	15

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

Attitudes & Opinions

Those households that did visit and were familiar with the area were asked what they liked most about the community. Their answers in order of frequency included the following:

- They appreciated the small town atmosphere.
- The scenery.
- The retail shops.
- Friendly people.
- The Lakes.
- The array of restaurants.
- The variety of activities.
- The cleanliness and maintenance.
- Peaceful during the off-season.
- The climate.

The types of changes or improvements that would encourage them to visit the area more often were also identified. In order of frequency, these include:

- Better restaurants, with more outdoor dining, less expensive fare, and more family oriented restaurants.
- A better, larger grocery store.

- Fewer gift shops. More year-round retailers.
- A new pharmacy.
- Slower, more controlled growth.
- Additional auto parts and service facilities.
- Professional services, particularly medical.
- Improved parking.

Those households that had indicated that they did not frequent Mackinaw City were asked to identify that which discouraged them from using the area. The largest number stated that it was “too far” from their homes. Other respondents feel that it is too congested during the summer months. Still others felt that:

- It was too tourist oriented.
- Prices were too high.
- The bridge fare discouraged visits.

When asked what types of new businesses would attract them to the area, these same households suggested a larger and more modern full-service grocery store, department and apparel stores, and a casino.

Select Demographics

In addition to the commercial utilization patterns that impact market potential, data was also obtained on demographic and lifestyle characteristics that impact demand and spending patterns.

Almost one-quarter (21%) of the households consist of a single person. One-half (51%) contain two people and 21% four or more members. The average household consists of 2.41 members.

The presence of pre-school age children within households has a significant impact on many aspects of households, including shopping patterns, incomes and ability to purchase goods and services. Only one in ten (10%) contains a child six years old or younger.

Table 37 - Number of Household Members*

Number	%
1	21
2	51
3	7
4	13
5	3
6 Or More	5
Total	100

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

Table 38 - Number of Household Members Pre-School Age*

Number Younger Than Six	%
0	90
1	5
2	5
Total	100

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

The presence of seniors within the household, like youngsters, impacts the family units' employment patterns and spending levels. In more than four in ten of the households (45%) the most senior member was 60 years old or older. In some cases, these individuals lived with younger household members. The average age of the most senior household member within the surveyed households is estimated to be 57 years. (It is noted that all sampling techniques have inherent biases. Telephone surveying generally attracts a disproportionate share of seniors while younger households with young children have a tendency to be under-represented.)

Table 39 – Age of Household Most Senior Member*

Age	%
Under 21	4
21 To 29	7
30 To 39	11
40 To 49	13
50 To 59	20
60 To 69	24
70 Or Older	21
Total	100

*Developed By The Chesapeake Group, Inc., 2005.

Employment trends and patterns are also significant factors in demand. They impact not just the ability to purchase goods and services through income generation but also such factors as times, frequencies and locations of purchases. About four in ten (42%) indicated that no one within the household was employed on a full-time basis year-round, reflective of the number of seniors and the seasonal nature of some operations in the general area. Equal percentages (26%) contained one or two members with a full-time job.

Table 40 - Number of Household Members Employed Full-Time*

Number Full-Time	%
0	42
1	26
2	26
3	5
4 Or More	1
Total	100

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

Two in ten households (19%) have someone working on a part-time basis. Three-fourths of these have one person employed part time.

Table 41 – Household Member Actively Looking For a Job or a Better Job*

Whether Searching	%
Yes	12
No	88
Total	100

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

Twelve percent (12%) of the surveyed households reported that at least one member was interested in and was actively looking for either a new or better job.

Household incomes represent a dominant factor impacting the ability of a group to purchase goods and services as previously noted. The diversity of incomes within the households is found in Table 42. On average, the surveyed households

reported annual incomes of approximately \$54,000.

Table 42 – Total Household Income*

Income Category	%
Less Than \$19,999	4
\$20,000 To \$29,999	14
\$30,000 To \$39,999	21
\$40,000 To \$49,999	14
\$50,000 To \$59,999	11
\$60,000 To \$79,999	18
\$80,000 To \$99,999	4
\$100,000 or More	14
Total	100

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

Spending

There are essentially three commodities upon which households spend much of their incomes and assets over time, irrespective of the level of income or assets. These are food, transportation, and housing. The type and variety of each commodity often changes with income and other fiscal resources.

Respondents were asked both general “indirect” questions about spending, such as how often they shopped for various merchandise, and specific “direct” spending questions, such as the amount generally spent at supermarkets. The former information is used in modeling by combining with industry averages and other salient data.

Food purchased for home consumption is generally purchased at supermarkets or other facilities that have a supermarket component, such as Wal*Mart. The surveyed households report a range of weekly grocery expenditures. About one-quarter (28%) spends less than \$50 in a normal week on groceries. On the other hand, 21% spend more than \$100 per week on groceries and related merchandise. It is estimated that the typical household spends just over \$72 each week on groceries.

Table 43 – Average Amount Spent on Groceries & Related Merchandise Per Week*

Amount Spent	%
Less Than \$30	12
\$30 To \$49.99	16
\$50 To \$74.99	29
\$75 To \$99.99	22
\$100 to \$124.99	16
\$125 To \$149.99	1
\$150 Or More	4
Total	100

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

Other food spending is also associated with lunch and dinner trips as well as entertainment activity. These essentially reflect spending on meals purchased and consumed outside of the home. As revealed in Table 44, 50% of the respondents eat lunch out at the rate of at least once each week.

Table 44 – Frequency Lunch Is Consumed Outside the Home*

Frequency	%
Few Times / Week	27
Once / Week	23
Twice / Month	14
Once / Month	12
4 To 9 Times / Year	2
Few Times / Year	3
Less Often	10
Never	9
Total	100

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

in ten (21%) indicate that they prefer fast food establishments. Those establishments identified as “Other” include cafes, senior centers, pizza places, and outdoor dining.

Darrow’s Family Restaurant, Bob’s Big Boy, Burger King, and Audie’s Restaurant in Mackinaw City were the most popular

Table 46 – Frequency Dinner Is Consumed Outside the Home*

Frequency	%
Few Times / Week	29
Once / Week	23
Twice / Month	16
Once / Month	10
4 To 9 Times / Year	1
Few Times / Year	3
Less Often	11
Never	7
Total	100

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

identified restaurants frequented, in order of popularity, include: Audie’s Family Restaurant and Chippewa Room, Darrow’s Family Restaurant, Applebee’s Neighborhood Grill, Goldie’s on the Lake, Scalawags Whitefish and Chips, Embers Restaurant, Pancake Chef, the Boathouse, the Driftwood Restaurant in St. Ignace, and the Admiral’s Table.

The relationship between lunch trips and employment is important particularly if the employment is not in close proximity to the home. Consistent with the number of people not working on a full-time basis only 8% of the lunch trips are work related.

There are relationships between meal costs and spending and the level of service provided at food service establishments. Full-service restaurants were the preferred choice for lunch for 71% of the households. Only two

Table 45 - Type of Establishment Most Often Associated With Lunch*

Type Of Establishment	%
Full-Service Restaurant	71
Fast Food Operation	21
All You Can Eat Buffet or Cafeteria	4
Other	6

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

choices for lunch. Other preferred establishments included; Subway, Applebee’s Neighborhood Grill, Goldie’s on the Lake, the Boathouse, Scalawag’s Whitefish and Chips, and Cunningham’s Family Restaurant.

The households tend to have dinner outside the home about as frequently as they go out to lunch. About one-half (52%) of the households report that they ate dinner outside of their homes about once each week.

Full-service restaurants are easily the most popular choice for the evening meal outside of the home. The

Table 47 - Type of Establishment Most Often Associated With Dinner*

Type of Establishment	%
Full-Service Restaurant	91
Fast Food Operation	6
All You Can Eat Buffet or Cafeteria	1
Other	3

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

Certain entertainment activity generally involves food and beverage consumption. Thus, information on the frequency households partake of select entertainment activities was also obtained. As shown in Table 48, 25% of the households contain a member who goes to the movies as often as once a month, while 38% report that they never go out to the movies.

Sporting activity, both as an observer and participant, is an important component of household entertainment, leisure, and recreation often blended with retail and other commercial activity. The following table provides information on activities in which at least one household member participates.

Table 48 – Frequency Household Members Go Out to the Movies*

Frequency	%
Few Times / week	1
Once / Week	4
Twice / Month	8
Once / Month	12
4 To 9 Times / Year	6
Few Times / Year	10
Once / Year	4
Less Often	17
Never	38
Total	100

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

Table 49 – Sports In Which Household Member Participates*

Sport	%
Swimming	45
Golf	40
Fishing	37
Sailing / Boating	29
Bicycling	24
Hunting	19
Baseball / Softball	14
Skiing	14
Basketball	13
Cross Country Skiing	11
Tennis	8
Bowling	7
Soccer	7
Skating	6
Billiards / Pool	1

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

Table 50 – Events Which Household Member Attends*

Event	%
Craft Shows	51
Art Shows	42
Concerts	40
Sporting Events	30
Collectable Shows	16
Auto, Historic Auto Shows	16
Sporting, Hunting, Fishing Shows	6
Boat Shows	6
Other	9

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

As shown in Table 50, craft and art shows along with concerts were the most popular events for the households. The “other” category includes computer, home, antique, quilt, and RV shows, along with live theater and fairs.

Transportation is the second major household expenditure reviewed. All but 1% of the surveyed households reported that they own or lease at least one private vehicle. Seven in ten (70%) reported that they own two or more vehicles. On average, each household within the area owns or leases 2.04 vehicles.

Table 51 – Number of Personal Vehicles Owned or Leased*

Number Owned/Leased	%
0	1
1	29
2	46
3	13
4 Or More	11
Total	100

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

The age of vehicles typically impacts the size or existence of loan payments and the amount spent on maintenance. In general, vehicles older than five years have lesser loan payments than newer vehicles, but greater maintenance costs. As shown in the table to the right, 70% of the vehicles within the households are at least five years old.

Housing was the third major household expenditure examined through the telephone survey. About three-quarters of the households reported that they are full-time or year-round residents of the area.

Table 52 – Number of Personal Vehicles Five Years of Age or Older*

Number Five Years Or +	%
0	30
1	44
2	18
3	6
4 Or More	2
Total	100

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

Table 53 – Amount of Time Part-Time Residents Live in the Area*

Time Spent in Area	%
Less Than Two Weeks	3
One to a Few Months/Year	18
Most of the Summer	23
About Six Months	35
All Year Except Winter	12
Almost All Year	9
Total	100

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

Over one-half, 56%, of the households that reside within the area on a part-time basis spend at least six months in the region.

Spending on housing over time is dependent upon a number of factors. One of those factors is the ownership pattern. In general, mortgages have a tendency to increase at a slower pace, if at all, than do payments for rent. A sizable majority, 90%, of the households reported that they owned rather than rent their residences located within the area.

For 85% of the households their northern Michigan residence, whether in the form of rental or ownership, represents their primary home.

Table 54 –Primary or Secondary Home*

Home	%
Primary	85
Second Home	15
Total	100

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

The majority, 67%, of the households have lived in their homes for ten years or longer. About one-half (47%) have resided at their current address for twenty years or longer. On the other hand, about two in ten have lived there less than 5 years. It is estimated that, on the average, the households have resided at their current address for almost 14 years.

Table 55 – Number of Years Living at the Address*

Number of Years	%
Two Or Less	12
3 Or 4	6
5 To 9	15
10 To 19	20
20 Or More	47
Total	100

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

Four out of ten (41%) households report that they no longer have a monthly mortgage or rent payment. This finding is consistent with the degree of home ownership, the noted age of some of the households, and the extended tenure detailed above. The average reported monthly housing cost for those households with a rent or mortgage payment is estimated to be approximately \$726.

Table 56 – Amount Spent on Rent or Mortgage Per Month*

Rent / Mortgage	%
None	41
Less Than \$500	16
\$500 To \$749	18
\$750 To \$874	12
\$875 to \$999	6
\$1,000 To \$1,249	4
\$1,250 Or More	3
Total	100

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

Table 57 – The Frequency of Shopping at Pharmacies or Drugstores*

Frequency	%
More Than Once / Week	3
About Once / Week	23
Few Times / Month	15
Twice / Month	5
Once / Month	24
Less Often	30
Total	100

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

The telephone survey also generated information on the frequency of the purchase of common household items for computer modeling purposes. As detailed in Table 57, 26% of the households reported that they shopped at a pharmacy or drugstore at least once each week and about one-half (46%) do so at least a couple of times per month.

The following table provides additional information of common household purchases. It is noted that 41% of the surveyed households purchased health and beauty aids at a frequency of a few times each month, while 52% never purchase children's clothing.

Table 58 - Frequency of Purchases of Selected Household Items (In %)*

Product	Once/Week	Few/Mon	Once/Mon	Few/Year	Less Off	Never	Total
Health Care/Beauty Aids	24	17	26	20	10	3	100
Cards/Magazines	7	18	24	22	15	14	100
Women's Clothes	-	13	19	32	27	9	100
Children's Clothes	2	3	8	13	22	52	100
Auto Supplies	2	4	13	18	38	25	100

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

Implications

While much of this information is employed in the forecasting of demand for goods and services, there are some implications that are worth noting with respect to the development of the strategy. These are:

- ✓ The large proportion of seniors throughout the area indicates a unique market condition.
- ✓ Incomes are relatively high in the general area when compared to certain other parts of Michigan and the country.
- ✓ Disposable income, based on current housing costs, is likely to be relatively higher than in other parts of Michigan as well.
- ✓ There is a significant proportion of the population that does not live in the area year-round. This impacts retail goods and services sales during months when that proportion lives elsewhere. Thus, by definition, there is significant "leakage" of dollars from the residential market to other areas as a result of this pattern alone.