

Econometer

A Newsletter of Economic Indicators in Southwest Colorado
 from the Fort Lewis College School of Business Administration
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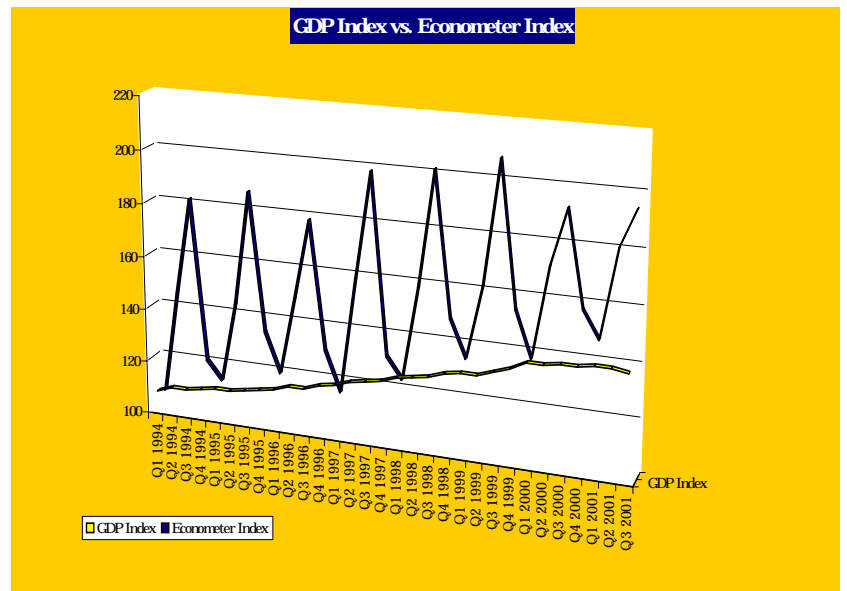
SLOW GROWTH IN THIRD QUARTER

The La Plata County economy grew slightly during the third quarter of 2001. The growth was primarily associated with improved tourism, although other sectors were improved as well. The Econometer Index, which includes several sectors of the local economy, increased by slightly more than one percent as compared to the third quarter of 2000.

The United States economy was in recession during the third quarter of 2001. The ten-year expansion of the national economy had come to an end. The final estimate of the U.S. Commerce Department showed real Gross Domestic Product (GDP) declining at an annual rate of 1.3 percent during the third quarter. Major contributors to the decline were exports, non-residential fixed investment, and private inventory investment. Partially offsetting the decline were increases in personal consumption expenditures and federal government spending. Also, imports decreased sharply during the third quarter, probably because of the recession. The unemployment rate of the labor force was 4.9 percent in September, but on an upward trend. The Consumer Price Index increased by 2.6 percent over the twelve months ending in September, 2001, and was on a downward trend.

The Colorado economy was showing the effects of the national economic downturn during the third quarter of 2001. The unemployment rate of the state's labor force increased from 3.6 percent in August to 3.7 percent in September, marking the fifth consecutive month of increases in the state unemployment rate. The transportation and tourism sectors were hit particularly hard in the aftermath of the terrorist attacks of September 11. Also, job growth and retail sales in the state were weakening during the third quarter. The Colorado Economic Chronicle of the Colorado Legislative Council gave the state economy an overall rating of good, but weakening at the end of the third quarter of 2001.

The graph which compares the Econometer Index of the local economy with the Gross Domestic Product of the United States shows the seasonal change from the second to the third quarters of the year. The annual change in the local economy may be seen by comparing the Index for the third quarter of 2001 to the Index for the third quarter of 2000. The graph of the GDP Index shows the decline of the national economy during the third quarter of 2001. Both the Econometer Index and the GDP Index are based on 1990, with an average value of 100 for that year.



On an annual, or year-to-year basis the performance of the different sectors of the local economy was mixed during the third quarter of 2001. Sectors which were improved on an annual basis were tourism, agriculture, employment, finance, industrial activity, college enrollment, and population. Annual declines were seen in energy prices, construction activity, residential real estate prices, and retail sales.

The La Plata County economy is highly seasonal, so that some sectors of the local economy vary significantly during the course of the year. Sectors of the local economy which expanded from the second to the third quarters of 2001 included tourism, retail sales, finance, employment, industrial activity, population and residential real estate prices. Contracting from quarter to quarter were construction, energy prices, college enrollment, and agriculture.

Economic Indicators

Tourism

Tourism expanded, as usual, from the second to the third quarter of the year. On an annual basis, tourism increased by more than fifteen percent. It should be remembered that year-earlier tourism levels were unusually low due to fires at Mesa Verde National Park during the summer of 2000.

Retailing

Retail sales, after adjustment for inflation, improved seasonally, but declined by more than three percent year over year. The decline in sales on an annual basis was probably an economic effect of the terrorist attacks in New York City and Washington, D.C.

Employment

Employment in La Plata County is estimated by the Colorado Department of Labor and Employment. These estimates are subject to significant revisions. According to state estimates, employment in La Plata County increased by more than three percent from the second to the third quarter of 2001 and by more than seven percent from year to year. The unemployment rate in the county was estimated to be three percent in September, 2001.

Agriculture

Calf prices decreased by nine percent from the second to the third quarters of

Tourism Indicators Third Quarter, 2001		
Indicator	Number	Percentage Change from Previous Year
Mesa Verde	277,261	34.2%*
Durango & Silverton Narrow Gauge Railroad	109.408	-7.4%
Durango-La Plata County Airport	21.604	-7.6%

*Mesa Verde National Park was closed during part of the 3rd quarter of 2000. Therefore, the percentage change from the previous year is unusually large.

the year and also declined by more than six percent year over year. Alfalfa hay prices declined on a quarter -to-quarter basis but increased by almost thirty percent from year to year.

Industrial Activity

Industrial kilowatt-hours used increased by more than two percent from quarter to quarter and by more than four percent from year to year. Most industrial use of electricity in La Plata County is to compress natural gas for transmission through gas pipelines.

Population

The number of residential electric meters increased by one percent from the second to the third quarters of 2001. The number of meters also increased by more than two percent from the third quarter of 2000. The annual increase in the number of residential electric meters suggests that the population of the county is continuing to grow.

Finance

After adjustment for inflation, bank deposits in La Plata County increased by more than four percent from quarter to quarter and by seven percent from year to year. The substantial increase from year to year may have occurred because local investors were less willing to invest in the national securities markets.

Fort Lewis College

Enrollment at Fort Lewis College showed a normal seasonal decline from quarter to quarter but increased on a year-to-year basis by almost four percent.

Studies have shown that the college is responsible for about ten percent of the economic activity in La Plata County. Student spending accounts for the majority of the economic impact of the college.

Construction Activity

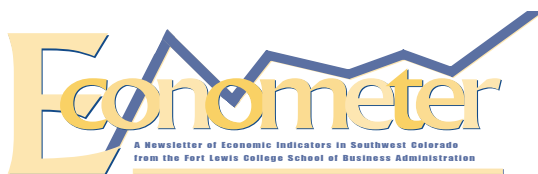
Construction activity declined by more than twenty-eight percent from quarter to quarter and by more than eighteen percent from the third quarter of the previous year.

Energy Prices

The federal government's energy price index declined seasonally by more than twenty-four percent and also declined on an annual basis by more than twenty-one percent. Energy prices are of significance to La Plata County because the county is a major producer of natural gas. Rents and royalties, as well as property tax revenues associated with natural gas production, are very important to the local economy.

Real Estate

The median price of residential real estate in La Plata County, after adjustment for inflation, rose by one percent from the second to the third quarters of 2001 but declined by more than six percent from the same quarter of the previous year.



The Econometer is a newsletter on economic indicators of Southwest Colorado published by the Office of Economic Analysis and Business Research in the Fort Lewis College School of Business Administration. For information, contact:

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Advertising on a Modest Budget

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Most of us know what advertising appeals to us and we have strong opinions about advertising we can't stand. Why is it then that creating advertising we like is so difficult? The choices available to any business, large or small, are to employ the services of an advertising agency or to prepare and place one's own advertising campaigns. This article provides some advice on how to best utilize either of these alternatives to create economical advertising that works.

Why are you advertising?

Advertising is an investment, not an expense. Though in most cases there is a delayed response to advertising, one should expect a return on every advertising dollar invested. Reasonable objectives to establish for your advertising investment are: increase in brand (name) awareness, building understanding of what the brand or product is, or establishing a positive impression of your brand (name). Achieving these goals should eventually pay off in increased sales.

It is best to view advertising as a series of related communications. To get the most out of your advertising dollar, build advertising campaigns rather than create a series of individual advertisements with no common thread to them. Campaigns provide the advantage of quick recognition on the part of the consumer. They make it possible to describe different benefits or different products over a series of advertisements rather than to try to cover too much information in one advertising effort. Establishing and staying with a campaign look, feel, sound, or theme saves both time and money. Each time an advertisement is prepared there is no need to "reinvent the wheel" because there is a format and template already in place. Some of the components that contribute to a campaign are: color, typeface, type of

photographs or illustrations, announcer (voice), music, story line, and design of an ad.

Preparing your own advertising

In essence, you are the *ad agency* and the *client* all rolled into one. Therefore, it is necessary to assume two separate roles and sets of responsibilities. Marketing research is the keystone to good advertising. As the *client*, you can be your own source of information about who your customers are, what they want, and why they elect to do business with you. If there is any question regarding these issues, ask your loyal customers. This will help you look at yourself through the eyes of your customers, not through your own eyes – you could be wrong, but they aren't. Advertising is not communicating to yourself. It is communicating to current customers and to prospects you want to convert. Once someone is exposed to your advertising, he/she should understand what benefits will result from using your product or service.

People read, hear, or watch your advertising for only seconds at a time. Don't expect to be able to communicate a lot of information in a single message. The temptation is to try to include as much information as possible in a single advertisement. A customer or potential customer can absorb only so much in a very short period of time. Campaigns allow you to communicate multiple messages via several interrelated advertisements over a period of time.

The *client* (you) needs to give the *ad agency* (also you) sufficient time to develop advertisements. This means removing yourself from the day-to-day responsibilities of running your business. Give the *ad agency* the time and seclusion necessary to be creative.

The *ad agency* should have enough time to walk away from the project and then come back to it with a fresh perspective. It is amazing how much the second and third revision of an advertisement will improve its quality. Some questions to ask yourself when creating advertising:

What business am I really in?
How am I perceived by current and potential customers?
Who are my real competitors?
What benefits do customers derive from my product or service?
What is the single most important thought to communicate in my advertisement? What makes me different from the competition?
To whom am I talking?

Once the *agency* has completed its assignment, the *client* will be required to review the advertisement or campaign. As such, you should expect it to build a positive image of your product or service in the minds of those in your target market. Evaluate your advertising based on how you want customers and prospective customers to react to your persuasive message. Be objective and don't fall in love with your own work. Go back to being the *client* and be sure the advertising meets your tough standards.

How to get the most from your advertising agency

Planning ahead before meeting with your advertising agency, as simple as it sounds, saves time, which is money.

(Continued on page 4)



Advertising on a Modest Budget

Part of the income earned by an agency is derived from the time it spends servicing your account. Don't ask your agency representative to spend unnecessary, nonproductive time meeting with you. Organizing your meetings will eliminate time wasted discussing irrelevant topics. Preparing an agenda permits you to make certain you have discussed every topic you had intended to by meeting's end. As a result, the agency will receive all of the information it needs in order to go to work for you.

If several people from your organization are going to meet with your agency, they too should be prepared in advance. The sooner your agency has a clear, accurate picture of your challenges and opportunities, the sooner it can apply the talents of its creative people. There is often a tendency to view agency meetings as unstructured events. Therefore, make certain that all your staff is ready. Circulate your agenda in advance to your staff as well as to the agency. This gives everyone a clear understanding of what is to be discussed and what input is expected from each participant. If an agenda seems too formal, an alternative is to hold a short internal staff meeting to ensure that you are all on the same page before meeting with the agency. Your goal is to make it easy for the agency to determine what you need.

Miscommunication is a costly mistake in business. You want to be sure that everyone who attended an agency meeting received and understood the same messages. Take time after your meeting to prepare a conference report. This post-meeting document should contain a succinct, yet complete, review of details of each project. Assignments, time lines, and names of those responsible for specific tasks should be included. Sooner is better when it comes to preparing and circulating the report. Ideally the report should be in

the hands of those involved within 24 hours. Anyone on the distribution list who does not agree with some part of the report should contact the person preparing the report immediately. Discrepancies may be resolved and, if necessary, included in an updated revised conference report. This systematic, deliberate approach eliminates costly misunderstandings that can lead to disappointment when an agency presents an advertisement or a campaign concept that is off target.

Be prepared for all advertising-related meetings and make certain that everyone gets the same messages. Let your advertising agency work for you, not in spite of you.

Conclusion

Just because a small business operates on a modest promotion budget doesn't mean that the quality of its advertising has to suffer. Good, effective advertising can be produced economically either internally or by an ad agency. By planning ahead, communicating effectively, and giving your internal or external agency all the tools to work with, you can be the beneficiary of advertising that provides a healthy return on investment.

About the Author:

Steve Stovall spent his career in advertising until he came to Fort Lewis College in 1996. He has been an advertising agency account executive associated with clients such as Johnson & Johnson, Baxter International, Bristol Myers-Squibb, and several smaller retail organizations. He also held various advertising managerial positions with McGraw-Hill, Harper-Collins, and The Singer Company. Among the courses he teaches at Fort Lewis College are: marketing, advertising, public relations, and selling. He is a graduate of the University of Pennsylvania: BS Marketing, MA Communications.

Articles published in the Econometer present only the opinions of the authors and do not represent the views of the School of Business Administration of Fort Lewis College.

The Econometer is posted on the School of Business Administration web site at
<http://soba.fortlewis.edu/soba/econometer.html>

Methodology

The base period for the Econometer Index is 1990. Data is developed on a quarterly basis, usually from monthly sources. Monetary data are adjusted to the 1990 price level so that analysis may be done in real terms. Weights used in the Index are: Tourism(.325), Retail Sales(.25), Employment(.05), Agriculture(.05), Industrial Kilowatt Hours(.025), FLC Enrollment(.10), Building Permits(.075), Energy Prices(.025), Residential Real Estate Prices(.025), Residential Electric meters(.025), Bank Deposits(.05).

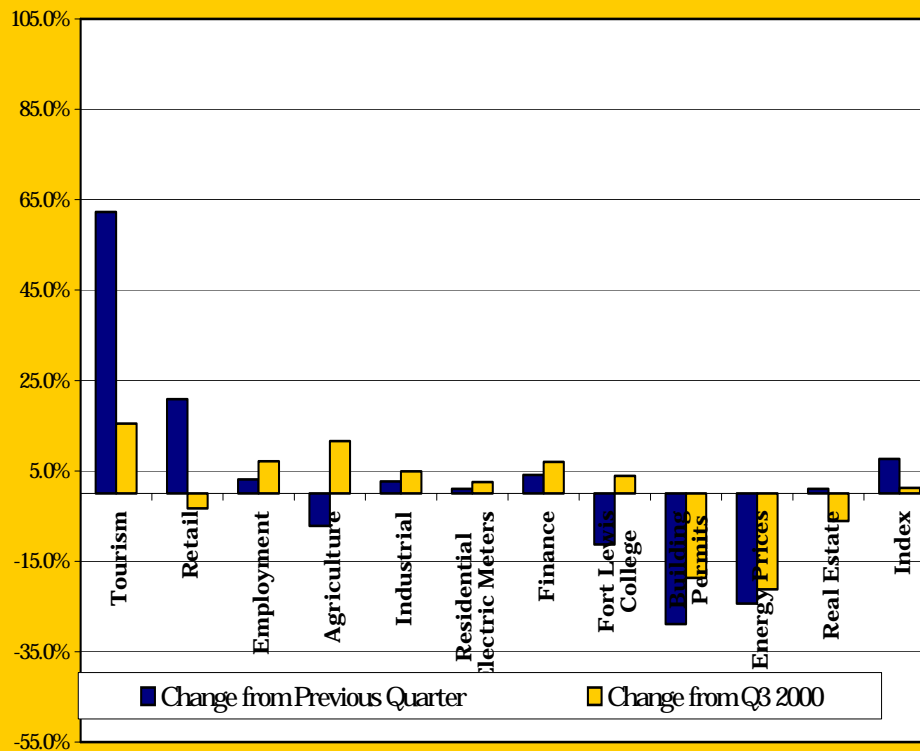
Tourism includes train ridership, Mesa Verde visitors, and airport passenger activity. Agriculture includes calf and alfalfa hay prices.

The index is revised periodically to ensure that it accurately reflects the developing economy of Southwest Colorado.

Growth in Economic Indicators

Indicator	Change from Previous Quarter	Change from Q3 2000
Tourism	62.3%	15.5%
Retail	20.9%	-3.3%
Employment	3.1%	7.1%
Agriculture	-7.2%	11.6%
Industrial	2.7%	4.9%
Residential Electric Meters	1.0%	2.5%
Finance	4.1%	7.0%
Fort Lewis College	-11.3%	3.9%
Building Permits	-28.9%	-18.7%
Energy Prices	-24.4%	-21.2%
Real Estate	1.0%	-6.1%
Index	7.6%	1.2%

Growth in Economic Indicators



Let me begin by thanking all of you who attended our 10th Annual Southwest Business Forum January 3, 2002. We had 132 attendees which is nearly record attendance. I have gotten rave reviews about all of our speakers and I hope you join with me in applauding their substantial efforts to create and communicate the knowledge and information that is so important for economic and business decision making. As I have said many times Fort Lewis College is in the knowledge and information business and we are delighted to be able to work with our sponsor, Wells Fargo Banks, Durango and Ignacio, and Patty Burkholder to put this forum on for the business and public sector decision makers in La Plata County and the region.

As you know we had many new faces at the forum this year which gives you some idea of the many new key players in our economy. Despite the fact we have had a softening in our local economy we can certainly count our blessings that we have a diversified as opposed to mono-economy in La Plata County and the region. The many sectors tend to balance each other out as one sector declines others often increase therefore dampening the volatility of economic activity and personal income. We are indeed fortunate that the Durango, La Plata County, and Southwest Colorado region attract so many different kinds of both public and private interests which all make contributions in their own way to our economic activity.

We are already planning for our 11th Annual Southwest Business Forum to be held January 9, 2003, same time, same place. I know it is a

long time in advance but I hope that you will mark your calendars for this important community event.

As you know from the forum Dr. Lynch commented that Fort Lewis College contributes over one-hundred million dollars annually to the local economy according to an economic impact study that was done in 1998. I can report the happy news that in addition to the 3.6% increase in student enrollment for fall term, we are up again significantly this winter term over last winter term, which indicates that students are deciding that Fort Lewis College is both a good economic and an educational bargain. They also attend and stay at Fort Lewis College because of all of the amenities and hospitality available in Durango, Colorado. Thank all of you for making this a place that our students like to be.

I will close by wishing you a wonderful and prosperous 2002. It is also important that we remind ourselves of all the wonderful things that we have to be thankful for in this beautiful country and place. I know that all of you appreciate it as much as I do.

As always, I invite you to campus. Just give me a call at (970)247-7294 if I can arrange for a personal tour.



By Skip Cave, Dean
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Administration



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