

Econometer

A Newsletter of Economic Indicators in Southwest Colorado
 from the Fort Lewis College School of Business Administration
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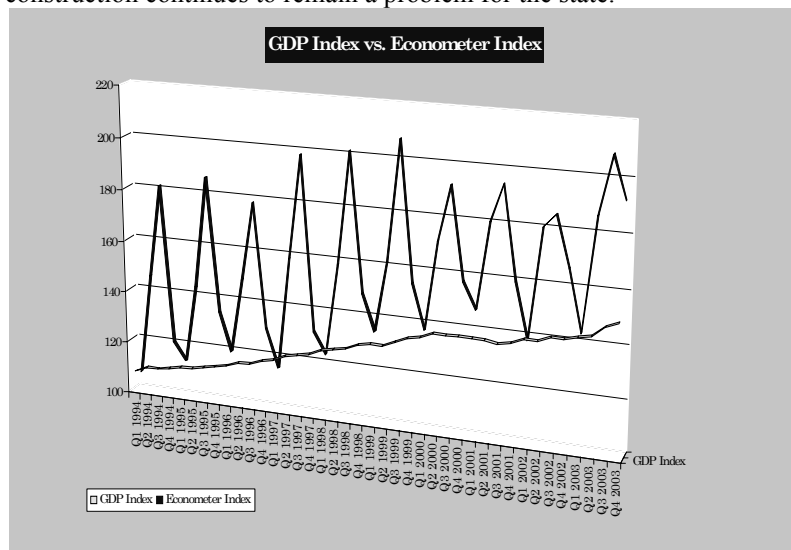
LOCAL ECONOMY CONTINUES GROWTH DURING FOURTH QUARTER

The La Plata County economy continued growing during the fourth quarter of 2003. The Econometer Index, which includes several sectors of the local economy, increased by 15.4 percent over the fourth quarter of 2002. Although there was a decline of 7.7 percent in growth from the third quarter of 2003, the index still remained relatively high when compared to the low index caused by the adverse economic conditions that occurred in 2002.

The national economy continued to grow during the fourth quarter of 2003. Inflation-adjusted Gross Domestic Product (GDP) increased at an annual rate of 4.1 percent during October, November, and December. Although this is a decrease from the previous quarter, it is higher than the growth rates of the first and second quarters of 2003. The Bureau of Economic Analysis estimates that the overall growth rate for GDP in 2003 was 3.1 percent, up from the 2.2 percent rate reported for 2002. The unemployment rate of the nation's labor force was 5.7 percent in December. The annual average unemployment rate for the U.S. in 2003 was 6.0 percent. An unemployment rate of 5.0 percent is widely believed to be desirable and attainable. If growth in output continues then the unemployment rate is likely to fall, or at least remain pretty steady, over the next several quarters. The most recent statistic from the Bureau of Labor Statistics indicates a rate of 5.7 percent for March 2004. The Consumer Price Index, the most widely followed measure of inflation at the retail level, increased by 1.9 percent during the twelve months ending in December, 2003. The relatively low inflation rate has kept the Board of Governors of the Federal Reserve from increasing interest rates and tightening credit. Since 2004 is an election year, many economists predict these rates will not be changed until after the November elections, unless there are signs of inflationary pressures. Most economists do not foresee a high inflation rate during 2004. However, a recent report from the Commerce Department stating a 1.8 percent increase in retail sales for March 2004, the largest increase in a year, has increased speculation that higher inflation rates could be around the corner. If the increase

in consumer demand continues, retailers might begin increasing prices. If so, the Federal Reserve could increase interest rates sooner than expected; which might cause leading economic indicators to turn around.

If the national economy continues to improve, Colorado's economic climate should follow suit. Colorado's economic indicators did not show much change in the fourth quarter of 2003; indicating that the economy could be leveling off after a three-year downturn. The state's unemployment rate was 5.7 percent in December, 2003, showing no change from September, 2003. However, the most recent (February 2004) unemployment rate for the state of Colorado was reported to be 5.4 percent. Although the *Colorado Economic Chronicle* of the Colorado Legislative Council gave the state economy an overall rating of "weak" in its December 17th issue, it did state that the residential housing market could be stabilizing. Unfortunately, nonresidential construction continues to remain a problem for the state.



The graph that compares the Econometer Index of the local economy with the GDP of the United States shows the seasonal change of the local economy from the third to the fourth quarters of the year. The year-to-year change of the local economy may be seen by comparing the index for the fourth quarter of 2003 to the index for the fourth quarter of 2002.

The graph of the GDP Index shows the recovery of the national economy from the recession of 2001. Both the Econometer Index and the GDP Index are based on 1990, with an average value of 100 for that year.

Economic Indicators

Tourism

As expected, tourism measures decreased seasonally from the third to the fourth quarter of 2003. However, year over year train ridership on the Durango & Silverton Narrow Gauge Railroad increased substantially (26.8 percent over December 2002), as did visitation at Mesa Verde National Park (10.5 percent over December 2002). Passenger enplanements at Durango-La Plata County airport decreased (6.3 percent) on an annual basis.

Retailing

Retail sales, after adjustment for inflation, decreased seasonally from the third to the fourth quarters by 11.3 percent. Also, comparing the fourth quarter of 2003 to the fourth quarter of 2002, retail sales decreased by 1.6 percent.

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 during the fourth quarter of 2003 decreased by 1.98 percent from the third quarter of 2003 but increased by 3.06 percent from year to year. The unemployment rate of the labor force in La Plata County was estimated to be 4.4 percent in December, 2003. This rate is below the state's estimated rate of 5.7 percent.

Agriculture

Agricultural prices were mixed during the fourth quarter of 2003. Calf prices, after adjustment for inflation, increased by approximately 4 percent from the third to the fourth quarter of 2003, and also increased by 26.2 percent as compared to the fourth quarter of 2002. In contrast, alfalfa hay prices fell by .78 percent from the third to the fourth quarters of 2003 and fell by 26.66 percent as compared to the fourth quarter of 2002.

Industrial Activity

Industrial kilowatt-hours used increased by 6 percent from quarter to quarter and also increased by 9.3 percent from the fourth quarter of 2002 to the fourth quarter of 2003. Most industrial usage of electricity in La Plata County is to compress natural gas for transmission through gas pipelines.



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:

Dr. Deborah Walker, Interim Director
Office of Economic Analysis & Business Research
E-mail: walker_d@fortlewis.edu



School of Business Administration
1000 Rim Drive, EBH Building
Durango, Colorado 81301-3999
Web Address: soba.fortlewis.edu
Phone: (970)-247-7624

Tourism Indicators Fourth Quarter 2003

Indicator	Number	% Change from Previous Year's Fourth Quarter
Mesa Verde Nat'l Park	55,947	10.5%
Durango & Silverton Narrow Gauge Railroad	20,184	26.8%
Durango-La Plata County Airport	20,985	-6.3%

Population

The number of residential electric meters in La Plata County decreased by 0.6 percent on a quarterly basis but increased by 2.7 percent from the fourth quarter of 2002 to the fourth quarter of 2003. The annual increase in the number of residential electric meters suggests that the population of La Plata County is continuing to grow. The population of La Plata County was estimated to be 46,281 in July, 2002 (the most recent number available). The Colorado Department of Local Affairs estimates that La Plata County will have a population of 54,881 by 2010 and of 68,385 by 2020. This decrease does reflect a change in measurement methodology.

Finance

After adjustment for inflation, bank deposits in La Plata County decreased by 19.5 percent from the third to the fourth quarters of 2003 and also decreased by 11.1 percent from the fourth quarter of 2002 to the fourth quarter of 2003. Bank deposits are an important indicator of the economic health of the community as well as an indicator of the ability of local banks to make loans to consumers and business borrowers.

Fort Lewis College

Enrollment at Fort Lewis College showed a seasonal increase during the fourth quarter, which is dominated by the fall months. Enrollment decreased on an annual basis, probably due to a gradual improvement in admissions standards. Several studies have shown that the college is responsible for about ten percent of the economic activity in La Plata County. The college also stabilizes the local economy on a seasonal basis because most spending by students occurs during the September through April time frame while tourism activity peaks during the summer months.

Construction

Construction activity, after adjustment for inflation, increased from the third to the fourth quarters of 2003 by 31.7 percent and also increased by 88.5 percent from the fourth quarter of 2002 to the fourth quarter of 2003. The very strong activity in the construction sector in recent years has helped to protect the local economy somewhat from the recession of 2001 and the lack of growth in the tourism sector.

Energy Prices

The federal government's energy price index decreased by 6.5 percent from quarter to quarter. On an annual basis the energy price index increased by 10 percent. Energy prices are highly volatile. Energy prices are very important 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 significant sources of income to La Plata County. Due to recent increases in petroleum-based costs, the energy index for the first few months of 2004 has increased substantially.

Real Estate

The median price of residential real estate in La Plata County, after adjustment for inflation, decreased by 6.6 percent from the third to the fourth quarters of 2003 and also decreased by 4.8 percent from the fourth quarter of 2002 to the fourth quarter of 2003.

Identifying and Developing the Competitive Advantage of the School of Business Administration

By Bill Dodds, Professor of Marketing &
Doug Lyon, Asst Professor of Management

The mission of the Fort Lewis College School of Business Administration:

“The School of Business Administration works as a team to create student focused learning experiences that prepare graduates for a dynamic global environment.”

The School of Business Administration (SOBA) at Fort Lewis College has a core competence in student focused undergraduate education. There are, of course, many other institutions that may claim to have the same core competence. That is, most institutions, even the really large ones, will claim that they provide a student focused undergraduate education. Some claims are more credible than others. Of the population of institutions that can make a credible claim to a truly student focused undergraduate educational experience, the Fort Lewis College School of Business Administration is one of the very few that can also point to AACSB accreditation as an external validation of the excellence of the educational experience. After all, virtually all large state universities have AACSB accredited business schools but they might have some difficulty making a truly credible case for a laser-like focus on undergraduate education. Similarly, most small colleges may make a case for student focus but they generally fall short on the external validation provided by AACSB accreditation.

Those two attributes together in one institution — a student focused educational experience, and a credible claim to educational and academic excellence as manifested in our accreditation, provide the Fort Lewis College School of Business Administration with a difficult to imitate (and therefore somewhat sustainable) competitive advantage. We can build our vision for the future around this competitive advantage.

Our value proposition—our strategic niche, is the undergraduate student focus of a small school AND the intellectual and academic excellence commonly regarded as the province of large research institutions. This is not to say that we should become a “research mill” – far from it. However, the teacher—scholar model is what separates us on one end from the other small state colleges, and on the other end from the larger, more well-known universities.

How are we student focused and excellent in the School of Business Administration already?

The following points review some of the School of Business Administration’s more notable strengths in student focus in comparison to many of our larger, more well-known competitors.

Small Class Size. The student focused culture within SOBA values small class sizes that allow students to work with each other and get to know one another. Our small class sizes permit the SOBA faculty to get to know all of their students and reach out to them in an individual way.



Student/Faculty Interaction. The close interaction between faculty and students is not only at the core of its mission, but one of its strongest selling points. While students could learn from lectures and other forms of information delivery, it takes some type of responsive interaction to transform such activities into higher education.

Real-life Learning Experiences. Class research and consulting projects expose students to the realism and rigor of professional assignments. These class projects expose students to real world problems that prepare them for the business world in a way that traditional lecture and case teaching cannot. These projects also increase our ties with the local business community.

Quality of the Faculty. Our faculty is engaged in scholarly activity. Our research is intended to identify and address important business and economic issues through discovery, integration, application, and dissemination of knowledge. This is exactly what we expect of our students in the classroom as well as for our faculty. Our teacher-scholar model encourages inquiry that leads to new understandings that address questions of interest to students, the business community and the public. It is also worth noting that while our AACSB accreditation demands scholarly output, our primary focus is teaching, unlike our larger brethren where research productivity often counter-balances poor teaching. Teaching is our priority and it is reflected in our compensation, promotion, and tenure policies.

(Continued on page 4)

Identifying and Developing the Competitive Advantage (cont)

A Unique International Program. Our Junior Trimester Abroad and Innovative Month program formats provide a unique and affordable educational experience to our students. These programs are unique in their student focus and high quality due to the direct participation of School of Business Administration faculty. We don't trust our students to the uneven quality of the faculty at other universities; we insure a quality experience through our own direct participation.

Building for the future

Current evidence suggests that very little is known about SOBA outside of the southwest corner of Colorado. Our competitive advantage needs to be used to position our "brand" in the crowded and competitive business school market. An important part of that endeavor is continuing to attract the very best students and faculty. The remainder of this document advances several ideas for attracting and developing top quality students and faculty.

Recruit, retain, graduate, and place top quality students

Scholarships

Last year, SOBA current and retired faculty joined together to raise more than \$50,000 for scholarships for our students. We should challenge the alumni and community to join in on the campaign. Scholarships are vital to attracting and retaining the best students. Scholarship recipients could be showcased at some location within our building.

Executives in Residence

We should continue to attract experienced business people to campus for short stays where they can interact with the SOBA team and bring their insight into the classroom. This would also serve us well in establishing contact with a more diverse pool of potential employers and donors.

Student Resource Center

A SOBA student resource center office would send a message to our students that we care about their futures. This will help us to recruit and retain the best students in the School of Business Administration. A SOBA student resource center would function to:

- Position the value of the SOBA graduate to potential employers in terms of our student focused education, i.e. explain the value added qualities of the Fort Lewis College and the SOBA experience
- Post job, internship, and co-op opportunities
- Recruit prospective employers

- Locate and schedule mock interviews with local executives or retired executives to increase the performance of our students in their real job interviews. This also serves to open up an avenue for community participation in FLC/SOBA affairs as well as locating new potential employers/donors.

Faculty development programs to retain and recruit a quality faculty.

Intellectual capital is probably the most important resource to a business school. This resource comes in the form of professors. The faculty members of a school of business must be effectively recruited, retained and developed in order to provide the high quality educational experience that students expect. In light of the decreasing share of costs that the State of Colorado is willing to support, it is becoming increasingly difficult to attract and retain quality faculty. It is critical that we provide financial support to our faculty so that we may maintain and extend the excellence of our teacher-scholar model. Therefore, it is important that we raise money not only for scholarships and student-oriented initiatives, but to support faculty as well.

ABOUT THE AUTHORS

Dr. Bill Dodds, Professor of Marketing, is an expert in customer value research. Many issues in this article reflect his research interests as it pertains to creating value in the market place. He teaches Marketing, Marketing Strategy, Services Marketing and Management as well as Managing Customer Value.

Dr. Doug Lyon is Assistant Professor of Management at Fort Lewis College. Dr Lyon teaches Corporate Strategy and Principles of Management.

Visit the Econometer on the web at
<http://soba.fortlewis.edu/soba/pub/econo.htm>

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.

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.

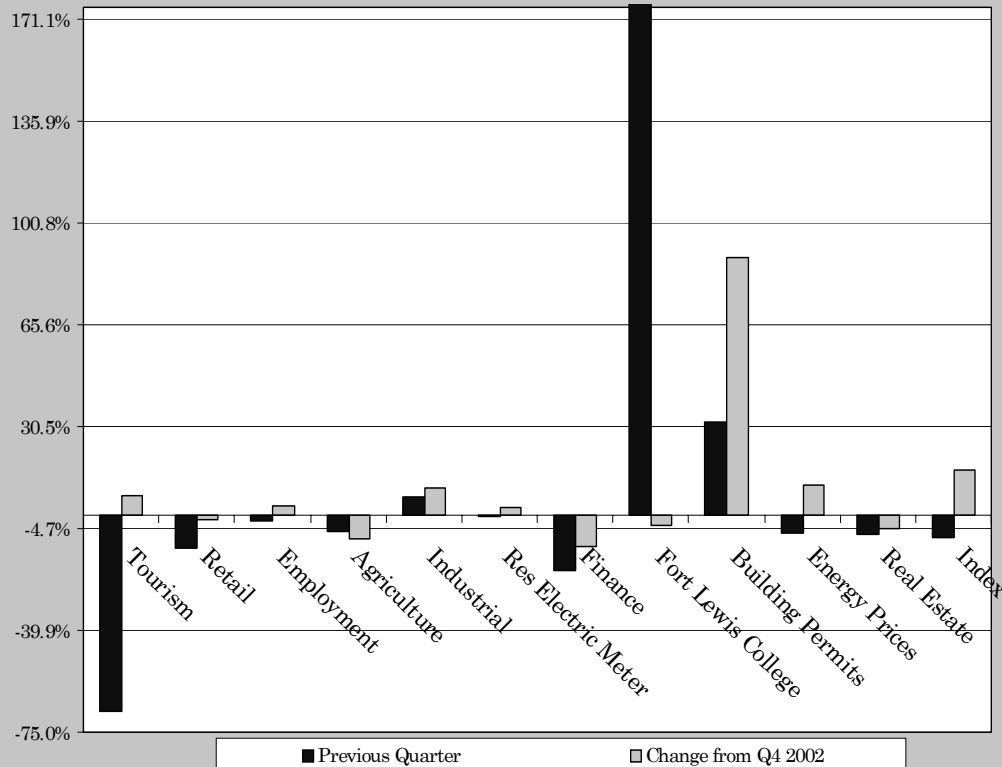
Weights used in the Index are: Tourism(.325), Retail Sales(.25), Employment(.05), Agriculture(.05), Industrial Kilowatt Hours(.025), FLC Enrollment(.10), Building Permits(.075), Energy Prices(.025), Residential Real Estate Prices(.025), Residential Electric meters(.025), Bank Deposits(.05).

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.

Indicator	Previous Quarter	Change from Q4 2002
Tourism	-67.8%	6.8%
Retail	-11.3%	-1.6%
Employment	-2.0%	3.1%
Agriculture	-6.0%	-8.3%
Industrial	6.0%	9.3%
Res Electric Meter	-0.6%	2.7%
Finance	-19.3%	-10.8%
Fort Lewis College	194.0%	-3.6%
Building Permits	31.7%	88.5%
Energy Prices	-6.5%	10.0%
Real Estate	-6.6%	-4.8%
Index	-7.7%	15.4%

Growth in Economic Indicators



This will be the last Dean's Corner I write for the Econometer. On July 1, Dr. Thomas Harrington will take over at the helm of the School of Business Administration at Fort Lewis College. I believe you will find Tom to be a wonderful leader, as well as, a great human being. I am confident that he will lead the School to higher levels of achievement. I will take every opportunity to introduce Tom to those of you in the community so that you will get to know him on a personnel level and engage with him as a partner as you have done so marvelously for me.

As you can see from having read the Econometer, our La Plata County and Durango economies are very strong. Early signs are that tourism will do well this summer. We have snow in the mountains for its beauty, our irrigation, and for our other needs. Construction moves forward at a record pace, both in the public and private sectors. Clearly, the county is on the move.

**Dean's
Corner**
By Skip Cave, Dean
School of Business
Administration



School of Business Administration
1000 Rim Drive
Durango, Colorado 81301-3999

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