

Moving

Forward



Chamber Member Perspectives on Doing Business in a Changing Duluth

By Jennifer Derrick

Change is inherent to living and Duluth is certainly no exception. Historically built on a strong industrial foundation and an economy drawing much of its income from taconite and timber, Duluth is now a much different city. Of course, the most obvious change within the past quarter-century is our focus on hospitality and tourism, and Duluth's draw to the thousands of visitors who come here each year. And it continues to evolve.

DOING BUSINESS IN A CHANGING BUSINESS LANDSCAPE

Dennis Lamkin, vice president and senior property manager for US Bank, observed the shift in our downtown. It is moving beyond a "retail hub," he noted, to a place where more and more people are living, something that is happening in many revitalized downtown areas. People who choose to live downtown do so for its proximity to work, entertainment, restaurants and health care. And because of that, the downtown's entire focus has, and is, altering to suit those needs.

There are other noticeable differences between current Duluth and the Duluth of the past. Surrounding colleges, universities and the health care industry continue to grow and are now essential to Duluth's economic structure. Furthermore, as Elaine Hansen – director of the University of Minnesota Duluth's Center for Economic Development – pointed out, the city's industrial sector has moved beyond its primarily Michigan Street-based home. And there are numerous small businesses and entrepreneurs that the city simply wouldn't be the same without.

In addition to the general landscape of Duluth, how companies do and get business is different, too. Rapidly changing technology has an ongoing impact on businesses. Jim Olson, president of Stewart-Taylor Printing, said the Internet has, without question, slowed the company's overall growth. The continual challenge, he noted, is being able to stay competitive, to "find a way to compete against it," while still offering quality services.

Dave Fulda, vice president of Johnson Carpet One, mentioned the "want it now, McDonald's" type of culture we're immersed in, and how much cell phones, fax machines, e-mail and the Internet have contributed to a need for immediacy. These "time stealers," he said, are another obstacle that establishments face as they go about business as usual.



Jim Olson – Stewart-Taylor Printing

Perhaps the greatest difference in how business is obtained, said Olson, Fulda, and Parnell Thill, vice president of marketing for Ikonics Corp., is the increased focus on marketing. The need to "attract more customers," said Fulda, is something his company never really had to think about until the last year or so, while Thill expressed that Ikonics Corp., which conducts business in more than 90 countries, now "has more of a marketing focus" than ever.

A WELCOMING PLACE FOR SMALL BUSINESS DEVELOPMENT

Despite the changes the area has seen, Lamkin said, the city hasn't undergone a "great migration of businesses" and is clearly "holding its own." He noted that vacancy rates downtown – about 10 percent, and much lower than many other cities – "are not a danger sign at all."

Indeed, the majority of those interviewed said the business environment of Duluth is fairly strong. Kathy Marinac, asset manager-broker for A&L Properties, said that when comparing Duluth to other parts of the country, the business climate is "typically stable" and remains so now. As far as leasing commercial space, she noted that A&L has "added a lot of space to the market in Duluth this past year."

Also a positive sign, according to Hansen, is the fact that area banks don't seem to be facing the financial woes that we've been hearing about on a national level. She explains that the financial institutions she has been in contact with are still giving the go-ahead on loans for companies that have "carefully planned out, sound business plans."

Duluth is also a place that encourages small business, Hansen explained. Nationally, small businesses and entrepreneurs account for 98 percent of all commerce, while in Duluth, that number exceeds 99 percent. "Small businesses grow out of self-sufficiency," Hansen said, and while people have to remember that all businesses have a life cycle, some shorter than others, the impact of small firms on our economy is tremendous.

Stewart-Taylor Printing is one example of a small enterprise



Elaine Hansen – Center for Economic Development

As far as leasing commercial space ... A&L has "added a lot of space to the market in Duluth this past year."

– Kathy Marinac

that has an outstanding history in the Duluth community. While things aren't always easy, the company has been around for 130 years and remains a top-notch provider of printing services for the area.

Fitger's Brewhouse Brewery and Grille is another good illustration of a flourishing small business, one that is relatively young by comparison. Brewmaster Dave Hoops said a number of things have helped them to succeed; one key component is that the company has "grown extremely slowly," he said, not taking on too much at once. The Brewhouse opened in 1995 and began brewing beer in 1997. Since then, Brewhouse success has enabled opening of the Red Star Lounge, the Brewhouse Store and the Burrito Union.

OVERCOMING THE STIGMA

Steve McLister, publisher of the Duluth News Tribune, moved to Duluth in July 2007. Before coming here, he spent seven and a half years in the Fargo/Moorhead area, where, he said, the economy is thriving. In comparison, he noted, Duluth has a weaker business climate. Part of this may stem from a negative stigma surrounding Duluth's business sector. "Duluth has the perception of not being very business friendly," he said.

Both Hansen and Thill mention similar things: Hansen said that Duluth isn't seen as being "progressive," while Thill said the business climate in Duluth is "conservative" and has that sort of history. In other words, he doesn't "see a lot of speculative chance-taking." Thill, who also teaches at The College of St. Scholastica, noted that the people he networks with are "positive about the future, but conservative about the present." The question that remains, he added, is when does the future begin?

Ikonics Corporation began in 1952 as a small printing company and has grown successfully ever since. In a diverse spectrum of markets, it provides traditional and high-tech screen printing, as well as decorative and industrial etching and imaging services. The corporation now has three branches: Chromaline, Ikonics Imaging and Ikonics International. In early May of 2008, the company began its Morgan Park expansion, positive news



Dave Fulda – Johnson Carpet One



Dave Hoops – Fitger's Brewhouse



Kathy Marinac – A&L Properties



Steve McLister – Duluth News Tribune

“If we get more of these positive people, positive things will happen.”
– Dave Fulda

for both them and the city of Duluth. Thill credits the company's accomplishments to its forward thinking leadership. “We've been aggressive about taking our core technology and aiming that in different directions, at different markets,” he said.

This is exactly the type of attitude that all businesses need to succeed, said Hansen. The Joel Labovitz Entrepreneurial Success Awards, which the Center for Economic Development initiated in 1993, seek to recognize small business owners, who through their motivation and innovation, benefit our economy. Simply flipping through any of the Labovitz Awards books gives readers a clear picture of just how much our region depends on progressive thinking individuals and companies.

Networking and camaraderie in the business sector are other things necessary to grow Duluth's economy, according to those interviewed. Olson said he and others at Stewart-Taylor try to stay connected with other parts of the community (his sister is on the Depot board and he is involved with

the Duluth Heritage Sports Center), because, as he puts it, “if Duluth prospers, we prosper.”

And it's the same in the hospitality business, said Hoops, where it's critical to have a number of “well-run, well-managed” establishments. “I don't view it [other restaurants, for example] as competition, but as a friendship,” he said.

Fulda mentioned nearly the same thing. “It's hard to get mad at someone who's your friend,” he explained, “so why not make them [competitor businesses] your friends?”

And while McLister noted there are certainly stigmas about Duluth's attitude toward business, it doesn't mean he sees Duluth's economic future as bleak. “Duluth has unique opportunities,” he said. “We need to continue to leverage the strengths we do have.” And that's something everyone agrees on: the quality of life here is exceptional. Quality of life is a primary reason that people remain in or return to Duluth.

Everyone agrees that if businesses do their absolute best

and focus on how to keep providing quality service, business in Duluth will succeed. For McLister, this means continuing to find ways to be the best provider of local news in the area, whether people are reading that news online or in the traditional paper. For others it means more marketing. For Hoops, it means staying with the company's line of “handcrafted beer, good food and good portions.”

Many interviewees also mentioned their trust that Mayor Don Ness will help the business environment by his willingness to find a middle ground. And compromise, instead of a focus on

who wins and who loses a discussion, said McLister, is crucial to moving business forward.

A positive attitude is also essential, claim Hansen, Fulda, Lamkin and Marinac. If the Duluth business sector wants to succeed, it's necessary for those in leadership positions and within the companies themselves to look at life and business from the glass-half-full perspective. “If we get more of these positive people,” Fulda said, “positive things will happen.” **D**

Jennifer Derrick is a freelance writer based in Duluth.

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