

Highlights from the report

Business Opportunities in the Cheyenne River Reservation Market



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SEPTEMBER 2008

Four Bands Community Fund provides training, technical assistance, and capital needed to help residents start up and expand businesses that are a good match for the skills and interests and living situations on the Reservation. A key part of this work is to help prospective business owners explore and evaluate the many opportunities for doing business on the Reservation. Research information is not readily available for business opportunities on the Cheyenne River Indian Reservation, and it is not easy or efficient for local businesses to gather this information on their own.

In 2007 and 2008, Four Bands sponsored a series of research activities to help project the types of products and services, the potential customer base, and the projected sales volumes various business activities might anticipate. Four Bands prepared a detailed report of the findings, which is available at www.FourBands.org. This Business Opportunities in the Cheyenne River Reservation Market document provides highlights from the findings. It provides information that can encourage the success of Reservation businesses.

WHO ARE THE CUSTOMERS?

Families with Modest Income: When looked at as a whole, one out of three households on the Reservation has less than \$10,000 per year to spend for all their necessities. This number is deceptive because income levels vary among communities. Limited income requires consumers to place basic goods ahead of luxury goods, and to be price conscious with every purchase. More than half of Reservation consumers responded that price influences what they buy. Therefore, people may imagine that an amusement park on the Reservation would be attractive, but few people would actually have the disposable income to support that kind of business. More expensive items like cars, furniture and appliances that people need or want to purchase will require a financing mechanism available to them. Businesses should explore ways to partner with local banks or the new credit union to create affordable financing options.

Young People: There are more young people on the Reservation than in most communities in the US. Young people are important to local Reservation businesses for several reasons. The youth today are the core Reservation consumers of the future. Store and brand loyalty develops at an early age, so if business owners can attract youth to their businesses, it is likely youth will shop there for the rest of their lives. Young people have the greatest influence on how households spend their money. Young people are also more dependent on others for transportation, and therefore may be attracted to shopping in a location they can walk to. Finally, young people are the workforce of the future, so orienting a business to the interests of youth can help attract good employees.

Youth have some special characteristics when it comes to consumer patterns, however. Here are some suggestions for targeting young people as customers.

- Youth are attracted by variety and selection, so will not be satisfied with only one choice for any given item.
- Youth are more likely to shop for pleasure, so the atmosphere, facilities, and amenities surrounding a business are critical.
- Youth are more likely to shop on-line than adults, so products must be contemporary. Having a website may also be a way to attract young people to a store.
- Virtually all the Reservation consumer survey respondents believe youth should be taught financial management. Rather than exploiting the financial inexperience of youth, encourage youth to learn money management by partnering with schools, youth groups, or Four Bands in financial literacy and internship programs for youth.

Government Offices: On the Reservation, a larger portion of jobs and wages are provided by governmental offices. The Cheyenne River Sioux Tribe and the Bureau of Indian Affairs both have extensive government offices on the Reservation. Government offices create two major business opportunities on the Reservation. First, these government offices buy goods and services that could be supplied by Reservation-based businesses. Second, these government offices could outsource some governmental services they provide to the public by contracting with Reservation-based businesses. Four Bands is supporting additional research to learn more about the potential for these government-related business opportunities.

Organizations: Like governments, other organizations and offices need supplies and services that could be provided by Reservation-based businesses. Schools, churches, and non-profit organizations are a few examples of organizations that must buy supplies and services to carry out their work. Four Bands is also supporting research to learn more about the potential for these organization-related business opportunities.

WHO IS THE COMPETITION?

Rapid City and Pierre: Virtually all Reservation residents shop in Rapid City or Pierre on a regular basis. There are many reasons why Reservation residents decide to shop in Rapid City or Pierre. A Reservation business can attract consumers to do more of their shopping on the Reservation if they consider some of the following consumer perspectives.

- **Price** - Reservation consumers shop in cities because the prices are lower. Price was the most common factor selected by Reservation consumers when they decide to shop. However, consumers also know that transportation costs can eat away those price savings, especially with higher gas prices. Consumers stated they are the most sensitive to price when they purchase groceries and household items, followed by hardware items. However, consumers are willing to pay more for clothing if there

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is good variety and selection. Most Reservation consumers are willing to pay 10% more for some items on the Reservation to avoid driving to the city. One out of four Reservation consumers is willing to pay 25% more for an item on the Reservation. Therefore, comparing prices with those in the cities is an important strategy for competing with off-Reservation stores.

- **Selection and Variety** - The higher volume of retail businesses in the cities means they have a greater selection of goods and services. Reservation consumers may be convinced to shop in cities less often and for fewer items if more goods and services they want are available locally.

- **Absent Stores, Entertainment and Other Activities**

- Some products are simply not yet available on the Reservation, so shopping in cities is a necessity. Furthermore, people go to cities for meetings, health care, and special events, and simply add shopping to that trip. Consumers mentioned discount stores, family clothing stores, and movie theatres as major gaps in the shopping choices on the Reservation. Reservation businesses could

Businesses could coordinate shopping opportunities with special events

coordinate shopping opportunities with special events on the Reservation, or create events that may convince consumers to stay home and shop at their local stores.

- **Existing Reservation Stores** - One of the basics of business is the notion of competition. However, small rural populations may not be able to support more than one business in a particular sector. If there is already a successful florist in town, opening a second flower shop may result in both business owners losing money. Since Reservation businesses must already keep prices within 10% to 25% of what stores in cities charge, there is little margin left to undercut a local competitor. Therefore, opening a business that complements the existing businesses by increasing the variety, selection, and entertainment value of shopping on the Reservation may be a more constructive choice. For example, a new restaurant serving a different type of food would actually enhance the entertainment values for consumers choosing to shop locally.
- **Internet Shopping** - Very few consumers on the Reservation are shopping online at this time, so the internet is less competition than in other parts of the country. Young people are the one exception, as mentioned above. As young people become the heads of households, however, it is likely that more Reservation businesses will need to have an appearance on the internet to keep their customer base.

HOW DOES A BUSINESS REACH CUSTOMERS?

In-Store Discounts: In-store discounts were selected by more than half of Reservation consumers as the type of material that influenced where they shop, more than any other form of advertising or discount. Therefore, having select items on sale, and making those in-store discounts visible to consumers is a good strategy for attracting customers to a store.

Newspaper Ads: Newspaper ads influenced 40% of the Reservation consumers to shop where they shop. Almost half of the consumers surveyed subscribe to the West River Eagle, while a little over one-quarter of Reservation consumers subscribe to the Rapid City Journal. Almost half of the

Reservation consumers surveyed said they read an off-Reservation newspaper daily, and two out of three said they read a local newspaper weekly. As noted above, an effective print ad would compare Reservation prices with city prices to show that city savings are not enough to cover the cost of transportation.

Direct Mail: Shopper ads, coupons, and sale poster flyers were all important in influencing where Reservation consumers shop. Making print materials about local sales available to Reservation consumers through bulk mailing at the post office, or through other distribution networks could increase the number of shoppers who choose to shop on the Reservation.

Word-of-Mouth: Rural communities are built on personal contact, so there is no better source of business advertising than the good words of consumers. Therefore, outstanding customer service is the most critical form of advertising that a Reservation business can have.

Join With Other Businesses: Reservation businesses need to work together to convince consumers that shopping on the Reservation is the best alternative. The Cheyenne River Chamber of Commerce helps businesses support each other and works to create the right policy environment for businesses to succeed. The consumer research indicates several areas where Reservation businesses could join together to attract local consumers, and share those costs with other businesses.

- **Newspaper Ads** - A group of Reservation businesses could take out a joint ad that lists a variety of products, and demonstrates that their prices are within the 10% margin of city prices that make staying on the Reservation to shop more affordable.
- **Direct Mail** - A group of Reservation businesses could create a coupon booklet, set of flyers or other print materials and share the cost of a bulk mailing to Reservation residents.
- **Shopping Events** - A group of Reservation businesses could create a special occasion to shop, with added activities for families and children, that provides the extra entertainment associated with city shopping.
- **Local Business Directory** – Four Bands maintains a regularly updated on-line directory of existing local businesses. Creating a printed directory that highlights items available locally, would help encourage Reservation residents to shop on the Reservation.
- **Media Highlights** - Stories placed in local papers and on the radio highlighting the accomplishments and offerings of local businesses would generate local pride and interest in supporting Reservation business owners.
- **Cooperative Purchasing** - A group of Reservation businesses could coordinate their purchasing of common items so they all receive a greater volume discount, which in turn would help lower consumer prices, increase sales, and increase profits.

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- **Become a Chamber Member** - The Cheyenne River Chamber of Commerce was recently established to help businesses work together, support each other, and create the right policy environment for businesses to succeed. Active involvement in the Chamber by businesses can expand awareness of consumer needs and provide a place where businesses can become partners rather than competitors to meet these needs.

WHAT ELSE DRIVES BUSINESS SUCCESS?

Well-Managed Business: People are quick to notice poorly managed businesses and the consequences impact their buying decisions. Poor cash flow management can result in items not being re-stocked on time or a reduced choice of options. Untrained staff can result in questions from consumers being answered incorrectly. Businesses should evaluate their general management skills and seek training and support to address deficiencies.

*Regularly gather
unbiased feedback
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Quality Customer Service: Consumer and organizational markets want effective customer service that make them feel good about the purchases they make. And the saying that a “customer is always right” expresses a widely shared value. Although government agencies on the Reservation and across the country don’t get held to this standard commonly, businesses do. Businesses should regularly gather unbiased feedback from customers and set high standards around meeting customer expectations. Customer service training for every employee can help ensure success.

Flexible Hours: One of the impacts of having a high government sector employment on the Reservation is that people get accustomed to an 8 to 5 lifestyle. For a private business, this mindset can greatly limit the ability for business to succeed and grow. Frequently, people don’t have time to do their shopping during their work hours. When people shop off the Reservation, they are use to stores that have evening and weekend hours. If a Reservation business wants more sales, it should stay open during times when it is convenient for more customers.

Marketing and Sales: Marketing a product and selling a product are not the same. Marketing is everything that is done to reach and persuade prospective customers. It requires current information about customers and market trends. It involves paid advertising and other strategies to inform customers. The sales process is everything that is done to close the sale. It involves completing a purchase, collecting money, or getting a signed agreement or contract. Both are necessities to the success of a business. Businesses should invest time and resources in both marketing and sales activities.

Diversify Products: Many fixed costs of operating a business are not tied to a specific product that a business offers. Instead, these costs are simply basic costs of keeping a store open—someone to staff the register, rent, utilities, maintenance, marketing, professional services like an accountant or lawyer. Businesses should look for ways to expand their product line to include a range of goods and services targeted at consumer or organizational markets on the Reservation. If a buyer can find more than one product they need, they’ll often end up spending more money. The business ends up with more money in the cash register without having to invest time and money in the sales process.

Partnerships: Starting and running a successful business requires an extensive investment of time and resources. It also demands a range of skills. Some prospective business owners can benefit from joining forces and establishing a partnership—each person bringing unique experiences and skills to the business. A partnership may make it easier to attract loan capital for a business type that has significant start-up costs. Business partnerships must be carefully structured and expectations must be clearly defined in writing.

WHAT BUSINESSES ARE NEEDED?

Small Private Sector: The Reservation has the potential to support many more businesses than are now open. In most economies, a larger portion of jobs and wages are provided by privately owned businesses than by government offices. Since government offices are the largest employers on the Reservation, there is a tremendous opportunity to start and expand more privately owned businesses.

Potential Business Opportunities: When comparing the number of business types on the Cheyenne River Reservation to business types on the Fort Peck Reservation in Montana—a place with similar demographics to the Cheyenne River Reservation, several gaps appear. Examples of some business types on the Fort Peck Reservation that are absent on the Cheyenne River Reservation include: Appliances Sales and Service; Car Rental; Auto Wrecking; Cleaning Services; Computer Sales and Services; Electrical Supplies and Equipment; Travel Agency; Framing Studio; Locks and Locksmiths; Meat Processing; Agricultural Chemical and Spray Service; Movie Theatre; Truck Rental and Moving Services; Vacuum Sales and Services; and Water Coolers.

A more careful review of the differences in business types between the two reservations, combined with data about the Cheyenne River Reservation consumer and organizational markets, reveals business opportunities in five sectors:

Trades:	Welding; Heating and Cooling; Electrical Service and Supply; and Construction and Repairs
Entertainment/Tourism:	Motel (Eagle Butte); Museum/Cultural Education; Restaurants; and Movie Theatre
Health/Medical:	Vision Care/Optomtrist; Chiropractor; and Dentist
Service:	Handyman/Repairs; Seamstress/Ironing/Cleaning; Truck Rental; and Real Estate Development
Seasonal:	RV Hookups; Spray Services/Agriculture Chemical; Tuxedo Rental

A comprehensive look at business types on the Cheyenne River and Fort Peck Reservations is displayed in the table that follows. The number of business types was calculated in May 2008 for Fort Peck, and in July 2008 for Cheyenne River. The list of business types does not distinguish between goods and services currently available from privately owned businesses and products available from government enterprises. The number of business types is calculated by estimating the fraction of a business that is devoted to a particular business type. Although the list that appears below represents business types as of July 2008, Four Bands will maintain an updated list of business types at its office.

When reviewing the table below, the first column provides a list of business types. The second column is a projection of potential new business types for the Cheyenne River Reservation. **This column is the key column to examine.** It is calculated by taking the total for each business type on the Fort Peck Reservation less the total for each business type on the Cheyenne River Reservation. It does not address factors that may influence differences between the two reservations.

The next three columns document the number of business types throughout the Cheyenne River Reservation. First is the number of each business type throughout the Cheyenne River Reservation, next is the number of each business type in the Eagle Butte area, and third is the number of business types in the rest of the Reservation—mainly in the Timber Lake, Isabel, and Dupree areas.

The final three columns document the number of business types throughout the Fort Peck Reservation as of May 2008. First is the number of each business type throughout the Fort Peck Reservation, next is the number of business types in the Wolf Point area, and third is the number of business types in the rest of the Reservation—the communities of Brockton, Fort Kipp, Frazer, Oswego, Poplar, and rural businesses in these areas.

WHAT IS THE NEXT STEP?

Four Bands will continue to support research and business planning activities that help determine the number of businesses and business types that can be profitable on the Reservation, given the population numbers and income levels. Because organizations, especially Tribal government, represent such a significant potential market for expansion of private businesses, one of the next research initiatives will be to examine this market. Four Bands wants to help locally owned businesses better understand the goods and services needed by organizations on the Reservation, so businesses can better serve this market. There are many resources available to anyone interested in looking further into starting a new business or expanding a business. Four Bands welcomes the opportunity to meet with current and prospective business owners to explore ideas and interests, and help turn a good idea into a profitable business venture.

Fort Peck data is collected May 2008 Cheyenne River data updated July 2008		1. Net Difference (column 3a – 2a)	2. Current Count of Business Types			3. Current Count of Business Types		
AREA	Potential Cheyenne River	2a. Total Cheyenne River Res.	2b. Eagle Butte Area	2c. Rest of Cheyenne River	3a. Total Fort Peck Res.	3b. Wolf Point Area	3c. Rest of Fort Peck	
BUSINESS TYPE								
Accountants (CPAs)	.5	2.5	1	1.5	3	3		
Apparel (Dept, Discount, Outlets, Malls)		5	4	1	4.5	3.5	1	
Appliances (Major) - New, Service, Repair	2				2	2		
Attorneys	1.5	2.5	1.5	2	4	4		
Art/Artists/Cultural Performers (Native)		17	14	3	13	11	2	

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Auto Dealers (New Cars)		1.5	1.5	1	.5	3	3	
Auto Dealers (Used Cars)		.75	1.25	.75	.5	2	2	
Auto Parts and Tire Stores			5.5	2	3.5	3	2	1
Auto Repair, Service, and Detailing			6.25	3.5	2.75	6	3	3
Auto Rental		1				1	1	
Auto Wrecking		1				1		1
Banks and Credit Unions			6	3	3	3	2	1
Beauty Salons/Barbershops and Services		3	6	2	4	9	9	
Bars		3	6	2	4	9	5	4
Building Materials and Lumber (Retail)		.5	2		2	2.5	2	.5
Candy and Confectionary (Wholesale, Mfrs)		1				1	1	
Car Washes			2	1	1	2	1	1
Carpet and Rug Dealers		2				2	2	
Catering			3	2	1	1		1
Cellular and Wireless Phones and Service		1	1	1		2	1	1
Chiropractor		.8	.2		.2	2	2	
Cleaning Services (Home, Carpet, Furnace)		2				2	2	
Computer Sales and Service		1				1	1	
Concrete Products			2	1	1	1	1	
Construction (Contractors, Repair, Dirt)			10.75	4.75	6	5	5	
Consultants			2		2	1	1	
Convenience Stores and Gas Stations			9.25	3	6.25	7	5	
Courier or Messenger Services								
Dairies			1	1				
Day Cares			7.75	4.75	3	5	5	
Dentists		1	2	1	1	3	1	
Electric Equipment and Supplies (Retail)		2.25				2.25	2	
Electric Contractors			1.5		1.5	1	1	
Embroidery and Silk Screening			2.5	2	.5	2	2	
Farm and Ranch Equipment and Feed			8.5	2.5	6	2.5	2.5	

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BUSINESS TYPE								
Farm Equipment Repair and Parts		4		4	1.25	1		
Fence Service		1		1	1	1		
Film Developing	.75	.25	.25		1	1		
Fitness Center	.5	1.5	1	.5	2	1		
Flight Service – Charter, Rent & Lease	1				1			
Florists and Greenhouses		1	1		1	1		
Framing Studios	1				1	1		
Fuel (Gas/Propane) Bulk Delivery		3.25	1	2.25				
Funeral Homes and Directors		2	2		2	1		
Furnaces and Heating Sales, Services	1	1	1		2	1		
Gift, Novelty, or Souvenir Store (Retail)		3	1.75	1.25	2.5	1.5		
Glass (Auto, Plate, Window)	1	1	1		2	2		
Grain Elevators		4	1	3	3	3		
Graphic Designers		1.5	1.5					
Grocery Store		5	2	3	3	1		
Hardware Store	.5	3	1	2	3.5	2.5		
Home Health Care Equipment		1	1					
Home Health Care Services		1	1					
Hunting Lodges		4		4				
Insurance	1	5	2	3	6	5		
Janitorial Equipment and Supplies	.5	.5	.5		1	1		
Liquor Stores		4.5	1.25	3.25	1	1		
Laundry (Coin-Operated)		2.75	.75	2	2	1		
Locks and Locksmiths	1				1	1		
Massage Therapists		2.5	1.5	1	1	1		
Meat Processing / Meat Market	1				1	1		
Motels and Other Accommodations	1	5	2	3	6	5		
Museums and Cultural Centers	1.75	1.25	.5	.75	3	1		
Newspapers		3	1	2	3	1		
Office Supplies	1.5	.5	.5		2	2		
Optometrists and Vision Care	4	2	2		6	3		

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BUSINESS TYPE								
Pawnbrokers	1.5	1.5	1.5		2	2		
Pharmacies or Drug Stores	1.25	1.75	1.75		3	1		
Photographers		1.5	1.5					
Plumbing Contractors		2.5	2	.5	2	2		
Real Estate Agencies	2	1	1		3	3		
Restaurants	4.75	7.25	2.75	4.5	12	9		
Saddle Shops		3	1	2				
Second-Hand Stores		2	2		2	2		
Sporting Goods Stores	1	1	.5	.5	2	1		
Spray Service / Ag Chemical	2				2	1		
Storage		2	1	1	2	1		
Tanning Salons		2.5	1.5	1	2	2		
Taxidermists		1	0	1				
Tax Return Preparation		4.5	3	1.5	4	4		
Theatres (Movies)	1				1	1		
Tours/Tour Guides (Wildlife, Trail Rides, etc)		3	2	1				
Towing	1	1	.5	.5	2	1		
Trucking		8.5	3.75	4.75	3	3		
Truck Rental / Leasing (Moving Vans)	1				1	1		
Tuxedo Rentals	1.75	.25	.25		2	1		
Vacuum Sales/Service	1				1	1		
Veterinary Services								
Video Rental		2.25	1	1.25	2	1		
Water Coolers	1				1	1		
Welders	3.5	.5	.5		4	3		
Youth Centers		3	2	1	3	2		