

Consumer Preference Study

Moffat County

12/19/2012

For Craig/Moffat Economic Development Partnership



YAMPA VALLEY
DATA PARTNERS
community + collaboration

Executive Summary

Households make choices everyday where they spend dollars purchasing goods and services. In Moffat County we are estimating that the total annual consumer purchasing power is about \$227 million. Of this \$227million, consumers have direct choice (preference) over about 52% of their spending. The remaining 48% includes household spending areas such as mortgages, utilities, insurance, pensions including social security and education. Although households have some choice in how they spend in these areas, the majority are not subject to consumer preference spending.

Moffat County households make choices where they spend the 52% of consumer purchasing power. The scope of this study includes both quantitative and qualitative data. The quantitative data is based on a survey sent to a randomly selected number of households in Moffat County. The goal of the survey was to capture where they spend their money as a percentage in ten consumer categories. The selection methodology was designed to achieve results that had no more than a 5% margin of error. The survey was sent to 360 randomly selected households. The response to the survey assures that we are 93% confident that the results are within the margin of error.

The qualitative data is based on two focus groups that were conducted on November 6, 2012 and November 9, 2012 and had 10 and 4 participants respectively. The qualitative data allows greater insight into the motivations as to why the Moffat County household chose to leave Moffat County to make their purchase of goods and services.

Consumer Preference Categories Surveyed

Groceries/Personal Care/Housekeeping Supplies

Groceries, personal care and housekeeping supplies are items that are typically purchased at traditional grocery stores such as Safeway, Walmart or City Market. These items would include, for example, food purchased to be eaten at home, toilet paper, shampoo, laundry detergent, etc.

On an aggregate basis Moffat County households are spending approximately 9.5% of their disposable income or \$21.6 million annually for these items. Of this spending, 93% occurs in Moffat County. Only 2% is taking place in Routt County and 5% outside of the area. The outside-of-the-area purchases likely represent bulk purchases made at Sam's Club and Costco.

Annual Aggregate Spent on Groceries/Personal Care/Housekeeping Supplies			\$21,556,473
Groceries	7.0%		
Personal Care	1.2%		
Housekeeping Supplies	1.3%		
Total	9.5%		
Allocation of Spending by Location and Type			
Moffat	93%	\$20,047,520	
Routt	2%	\$431,129	
Out of Area	5%	\$1,077,824	
Mail Order/Internet	N/A		
	100%	\$21,556,473	

Food Away from Home (Eating Out)

Households in Moffat County are spending approximately \$12.3 million annually in food away from home. In order to better understand how \$12.3 million is being spent, the survey captured information on whether the spending was occurring at establishments such as Fast Food restaurants or traditional restaurants that have seating and wait staff.

Moffat County households spend about 1.9% of their disposable income on fast food and 3.5% in traditional restaurants for a total of 5.4% of disposable income. A majority of this spending occurs in Moffat County. 91% of the time households in Moffat County make their Fast Food purchases in county and 87% of their traditional restaurant purchases are in county.

Annual Aggregate Spent on Food Away From Home			5.4%	\$12,253,153
Fast Food	1.9%	\$4,311,295		
Restaurant	3.5%	\$7,941,858		
	5.4%	\$12,253,153		
Fast Food Allocation of Spending by Location and Type				
Moffat	91%	\$3,923,278		
Routt	4%	\$172,452		
Out of Area	5%	\$215,565		
Mail Order/Internet	N/A	-		
	100%	\$4,311,295		
Restaurant Allocation of Spending by Location and Type				
Moffat	87%	\$6,909,417		
Routt	6%	\$476,512		
Out of Area	7%	\$555,930		
Mail Order/Internet	N/A	-		
	100%	\$7,941,859		

Alcoholic Beverages and Tobacco Products

Households in Moffat County are spending approximately \$3.6 million annually on alcoholic beverages and tobacco products. The vast majority of this spending occurs in Moffat County.

Annual Aggregate Spent on Alcoholic Beverages and Tobacco Products 1.6%			\$3,630,564
Alcoholic Beverages	0.9%		
Tobacco Products	0.7%		
	1.6%		
Allocation of Spending by Location and Type			
Moffat	95%	\$3,449,036	
Routt	2%	\$72,611	
Out of Area	3%	\$108,917	
Mail Order/Internet	N/A	-	
	100%	\$3,630,564	

Clothing

Clothing is an area where there are a number of options to collect data. It is estimated that Moffat County households are spending about \$8.4 million annually in this category. Although it is possible to identify by consumer type the percentage of amount being spent, to keep the survey as brief and concise as possible, only information about apparel was aggregated. This is an area where Moffat County households are choosing to purchase about 60% in Moffat County. Out of area and mail order/Internet represent the other 40% of the purchases.

Annual Aggregate Spent on Clothing 3.7%			\$8,395,679
Women/Girls	2.4%		
Men/Boys	1.0%		
Infant	0.3%		
	3.7%		
Allocation of Spending by Location and Type			
Moffat	61%	\$5,121,364	
Routt	2%	\$167,914	
Out of Area	20%	\$1,679,136	
Mail Order/Internet	17%	\$1,427,265	
	100%	\$8,395,679	

Health Care

Health care is a consumer spending category that has a number of analytical challenges. It is recognized that there is a great deal of household health care expenditures that are reimbursed by insurance. For the purposes of this study, only “out-of-pocket” spending was analyzed. Out-of-pocket spending would include the households’ share of deductibles, copayments and non-reimbursed expenditures.

Moffat County households are spending annually in “out-of-pocket” expenses about \$12.9 million. This spending was analyzed by provider type; doctor, dentist and hospital services.

Annual Aggregate Spend on Healthcare (out-of-pocket)			\$12,933,883
Doctor Services	2.7%	\$6,126,576	
Dentist Services	2.0%	\$4,538,205	
Hospital Services	1.0%	\$2,269,102	
	5.7%	\$12,933,883	

Health care is one of the areas where households make provider decisions within the Yampa Valley either in Moffat and/or Routt counties.

- For Doctor Services, 57% occurs in Moffat County with 38% taking place in Routt County.
- For Dentist Services, 71% occurs in Moffat County with 27% taking place in Routt County.
- For Hospital Services, 78% occurs in Moffat County with 17% taking place in Routt County.

Doctor Services 2.7%			\$6,126,577
Moffat	57%	\$3,492,149	
Routt	38%	\$2,328,099	
Out of Area	5%	\$306,329	
Mail Order/Internet	N/A	-	
	100%	\$6,126,577	

Dentist Services 2.0%			\$4,538,205
Moffat	71%	\$3,222,125	
Routt	27%	\$1,225,315	
Out of Area	2%	\$90,764	
Mail Order/Internet	N/A	-	
	100%	\$4,538,205	
Hospital Services 1.0%			\$2,269,102
Moffat	78%	\$1,769,900	
Routt	17%	\$385,747	
Out of Area	5%	\$113,455	
Mail Order/Internet	N/A	-	
	100%	\$2,269,102	

Household Furnishings

This category includes items such as furniture, major appliances, wall and floor coverings and home decor items. Households in Moffat County are spending \$8.2 million annually for household furnishings. Like the clothing category, consumers have a number of options available to them when purchasing household furnishings. Moffat County households are spending about 70% in Moffat County. Only 5% of household furnishing spending occurs in Routt County. The balance of spending for household furnishings occurs out of the area or via mail order/Internet.

Annual Aggregate spent on Home Furnishings 3.6%			\$8,168,768
Moffat	69%	\$5,636,450	
Routt	5%	\$408,438	
Out of Area	22%	\$1,797,129	
Mail Order/Internet	4%	\$326,751	
	100%	\$8,168,768	

Transportation

On a single category basis, transportation is the second highest spend per household. Only housing is more. Moffat County households are spending approximately 11.3% of their disposable income on transportation. Spending at this level represents \$25.6 million annually. For the purposes of a more detail analysis, transportation spending was broken into 2 main categories:

Vehicle Purchases (This would include the purchase of new and used vehicles on a net-outlay bias. It is recognized that consumers do not purchase a new or used vehicle every year so the annual number used in this study would represent a five year average.) Of the \$25.6 million, vehicle purchases account for \$14.7 million.

Fuel, Service, Repairs, Parts, etc.

This sub category of transportation represents \$10.9 million of annual Moffat County household spending.

About 70% of vehicle purchases are taking place in Moffat County and 30% taking place out of the area. Although vehicle purchases has a high percentage of purchases taking place outside of the area, 95% of consumer spending for fuel, service, repairs, parts, etc. is taking place in Moffat County.

Annual Aggregate Spent on Transportation 11.3%			\$25,640,858
Vehicle Purchase	6.5%	\$14,749,166	
Fuel, Service, Repairs	4.8%	\$10,891,692	
	11.3%	\$25,640,858	
Vehicle Purchase 6.5%			\$14,749,166
Moffat	69%	\$10,176,924	
Routt	1%	\$147,492	
Out of Area	30%	\$4,424,750	
Mail Order/Internet	0%		
	100%	\$14,749,166	
Fuel, Service, Repairs, etc. 4.8%			\$10,891,692
Moffat	94%	\$10,238,190	
Routt	1%	\$108,917	
Out of Area	5%	\$544,585	
Mail Order/Internet	0%		
	100%	\$10,891,692	

Charitable Cash Donations

Although not often considered in discussions about consumer spending, households make choices regarding their charitable giving. Moffat County households are giving \$8.4 million annually in charitable cash donations. This represents approximately 3.7% of a household's disposable income. This level of giving is consistent with Yampa Valley Data Partner's information that is obtained from the IRS Master File.

In making charitable cash donations, Moffat County households are giving 55% of the time to organizations in Moffat County. About 35% of the contributions are most likely given to organizations outside of the Yampa Valley.

Annual Aggregate Spent on Charitable Cash Donations 3.7%			\$8,395,679
Moffat	55%	\$4,617,623	
Routt	10%	\$839,568	
Out of Area	10%	\$839,568	
Mail Order/Internet	25%	\$2,098,920	
	100%	\$8,395,679	

Entertainment

Moffat County households spend \$12.3 million annually in entertainment. In order to provide a more meaningful analysis of spending in this large category, entertainment was separated into three sub-categories; activities, electronics and recreation equipment.

Activities: This sub-category includes movie tickets, video rentals, gym memberships, ski passes, pets and pet supplies, etc.

Electronics: This sub-category includes TVs, DVD players, sound and gaming systems.

Recreation Equipment: This sub-category includes sporting goods ranging from hunting and fishing to skiing. Items such as firearms, ammunition and ATV purchases would also be included in this category.

Annual Aggregate Spent on Entertainment			\$12,933,883
Activities	2.0%	\$4,538,205	
Electronics	1.0%	\$2,269,102	
Recreation Equipment	2.7%	\$6,126,576	
	5.7%	\$12,933,883	

The separation by category was done to recognize that consumer spending patterns are very different from each sub category.

Annual Aggregate Spent on Entertainment 5.7%			\$12,933,883
Activities	2.0%	\$4,538,205	
Electronics	1.0%	\$2,269,102	
Recreation Equipment	2.7%	\$6,126,576	
	5.7%	\$12,933,883	
Activities 2.0%			\$4,538,205
Moffat	74%	\$3,358,272	
Routt	16%	\$726,113	
Out of Area	10%	\$453,820	
Mail Order/Internet	0%	-	
	100%	\$4,538,205	
Electronics 1.0%			\$2,269,103
Moffat	53%	\$1,202,624	
Routt	0%	-	
Out of Area	21%	\$476,512	
Mail Order/Internet	26%	\$589,967	
	100%	\$2,269,103	
Recreation Equipment 2.7%			\$6,126,577
Moffat	55%	\$3,369,617	
Routt	10%	\$612,658	
Out of Area	14%	\$857,721	
Mail Order/Internet	21%	\$1,286,581	
	100%	\$6,126,577	

Gifts Items

Households in Moffat County spend \$4 million annually in gift items. This category includes any tangible item purchased with the intent to be given away to individuals not living in the household. This is an area where about 20% of the purchases occurs in Moffat County. The mail order/Internet also plays a significant role with a purchase share of 15%.

Annual Aggregate Spent on Gift Items 1.8%			\$4,084,385
Moffat	77%	\$3,144,976	
Routt	2%	\$81,688	
Out of Area	6%	\$245,063	
Mail Order/Internet	15%	\$612,658	
	100%	\$4,084,385	

Summary of spending patterns by Moffat County Households

Moffat County households are spending approximately \$118 million in areas where they have great choice as to the geographic location of where they spend. Of this \$118 million, over 75% is being spent locally. Of the balance of what is not being spent locally, about half is being spent Out-of-Area versus mail order on in Routt County.

All categories of consumer spending by geographic location

Moffat County Household Spending by Location	
Moffat County	76%
Routt County	7%
Out of Area	12%
Mail Order/ Internet	5%
TOTAL	100%

Category spending by geographical location (Annual Aggregate Spent)

How to read this table: For example, Moffat County households are spending \$118 million, of which 7% is being spent in Routt County for a total of \$8.2 Million. Of this \$8.2 million, 48% is being spent on health care services.

	Moffat	Routt	Out of Area	Mail Order/ Internet
Groceries/Personal Care/Housekeeping Supplies	22%	5%	8%	0%
Food Away From Home	12%	8%	6%	0%
Alcoholic Beverages And Tobacco Products	4%	1%	1%	0%
Clothing	6%	2%	12%	23%
Health Care (Out-Of-Pocket)	9%	48%	4%	0%
Home Furnishings	6%	5%	13%	5%
Transportation	23%	3%	36%	0%
Charitable Cash Donations	5%	10%	6%	33%
Entertainment	9%	16%	13%	30%
Gift Items	4%	1%	2%	10%
	100%	100%	100%	100%
Dollars shown as Millions	\$89.7	\$8.2	\$13.8	\$6.3
Total	76%	7%	12%	5%

Focus Group Findings

Two focus groups were conducted to answer *why* consumers choose to shop locally and why they choose to shop outside the area.

Question 1: How long have you lived in Moffat County?

Focus Group One: 7 females and 3 males. Their approximate ages spanned from 25 – 60 years old. Residency in the county ranged from one to fifty-four years with an average of 20 years.

Focus Group Two: 4 females. Age spanned from 35 to 55 years of age. 35 years, 3 months, 15 months, 5 1/2 years.

Question 2: What are some of the primary goods or services that you usually shop for outside of your immediate community? (Internet and catalog shopping were excluded from consideration in this question.)

Focus Group One: Clothing, sporting goods, home improvement supplies, electronics, automobiles, bulk food, alcohol, and specialty items.

Focus Group Two: Clothing: women's clothing for office, women's clothing in general, shoes, men's and children's clothing. Eye glasses, eye exams, home improvement: get things customized cut, new storm door (tried to get it here but they would not take the door out of the box so the customer could see what it looked like), light fixtures, electronics. Organic groceries specific to what customer could not get in Craig. Patio furniture.

Question 3: Besides going outside of town to shop for some of the specific products you've identified, what are some of the other goods and services you typically purchase while you're out?

Focus Group One: good restaurants, theater entertainment, sporting events and sporting opportunities such as golfing.

Focus Group Two: Gasoline, non-perishables at Costco, janitorial supplies, gift shopping, office supplies

Question 4: Is shopping for goods and services the primary motivator for you going out of town, or are you leaving town for some other reason and plan to do some shopping while you're away?

Focus Group One: Answers to this question varied from visiting family members in other parts of Colorado, going to sporting events, medical appointments, and using other services not available in Craig. Several individuals mentioned the economical aspect of consolidating trips. Shopping for the items mentioned above became part of a larger "trip" to Denver or Grand Junction.

Focus Group Two: Almost always shop outside the county in conjunction with another trip such as conferences, visiting family or friends, entertainment, cultural events. Sometimes special trips to Eagle County for Costco or remodel projects to Glenwood Springs or Steamboat Springs for organics.

Question 5: What are some of the primary goods or services that you usually shop for via internet or catalog?

Focus Group One: The items they mentioned spanned across the board: books, sporting goods, software, auto parts, horse tack, kids toys, clothing, jewelry, musical equipment, shoes, outdoor equipment, appliances, and prescriptions. One member of the group did mention shipping costs as an important parameter when considering ordering online.

Focus Group Two: Women's and men's clothes, outdoor clothing, books, electronics, flowers, business services such as coaching, music, contact lenses.

Question 6: Think about some of the items you usually shop for locally. Can you identify some of the motivators that keep you shopping local for these items?

Focus Group One: Grocery store purchases, thrift store items, maintenance and repair of their cars, haircuts, and veterinarian services. Motivation to shop locally for these goods and services included availability and convenience, support of local businesses, and the cost of leaving town. However, there were several comments made about poor customer service at several business locations. The feeling that the business owner is privileged to help the customer did not make the customer feel good.

Focus Group Two: Perishable foods (have good selection at City Market), cleaning supplies, appliances, clothes because the price is right, Napa Auto parts, office supplies, towels and household items at Kmart and Wal-Mart, kitchen store, post office, liquor store. Thrift stores particularly like Steamboat's thrift stores. Several comments on customer service were excellent. They felt Craig was a friendly place to shop and had stellar customer service. MJK, Wal-Mart, Kmart and Napa Auto stores were mentioned in particular that had great customer service.

Question 7: Preliminary results of our mail survey indicate residents frequently shop outside our area or via internet or catalog for clothing, home décor and accessories, and furniture. What would have to change for you to choose to shop locally for these items?

Focus Group One: Change agents would need to include competitive prices, variety and selection in the goods available locally, and customer service. It was mentioned that stores in downtown Craig are rarely open at night and many closed on Sunday.

Focus Group Two: Availability, selection, choice, price, quality. Some said they were willing to pay a 10% premium to shop locally. Some said they wanted to shop locally but could not find the choices they like when they shop. Things like art supplies are really expensive here. They would really like to see a Costco and a home improvement store. They also mentioned for selection, they need to see and feel

the product. For instance, when purchasing a couch they want to sit on it. Customer service by on line vendors is often outstanding. For instance, Amazon is timely in shipping right away, overstock.com ships directly to your door. Delivery is an issue – if I can fit it in my car I go pick it up.

Question 8: Looking back over time if you’ve lived in Moffat County more than 5 years, did you spend as much time shopping outside of town, or via internet or catalog, 5 years ago as you do today?

Focus Group One: Many members of the group responded yes. Reasons for this include more discretionary income to afford to leave town, poor availability locally (clothing, shoes, sporting equipment, home improvement supplies), and family living outside of Moffat County. Suggestions to keep them in town included new family restaurants and new businesses. The opening of Wal-Mart has helped with local purchasing of everyday necessities.

Focus Group Two: Yes, spent the same amount of time.

Summary

On aggregate basis Moffat County households have a have an annual purchasing power of approximately \$227 million annually. Moffat County households make geographic (location) choices on where they spend about 52% of \$227 million or \$118 million. The remaining 48% of household spending includes areas such as mortgages, utilities, insurance, pensions including social security and education. Although households have some geographic choice in how they spend in these areas the majority are not subject to consumer preference spending.

Across ten categories covered in this study about 76% of the \$118million, or \$90 million, is being spent in Moffat County.

Moffat County Resident Spending by Location	
Moffat County	76%
Routt County	7%
Out of Area	12%
Mail Order/ Internet	5%
TOTAL	100%

Local Spending

Of the \$90 million spent in Moffat County, the percent allocation of local spending is as follows: (Annual aggregate spent)

Groceries/Personal Care/Housekeeping Supplies	22%
Food Away From Home	12%
Alcoholic Beverages And Tobacco Products	4%
Clothing	6%
Healthcare (Out-Of-Pocket)	9%
Home Furnishings	6%
Transportation	23%
Charitable Cash Donations	5%
Entertainment	9%
Gift Items	4%
	100%

- The top three categories of Groceries/Personal Care/Housekeeping Supplies, Food Away from Home, and transportation account of about 60% of local spending.
- The top category of spending by Moffat County households in Routt County is for Health Care Services. Of the \$8.2 million being spent in Routt County 48% is going towards health care services.
- Moffat County households' top category of spending in Out- of-Area is for transportation, specifically vehicle purchases. Of the \$13.8 million, being spent Out- of-Area, 6% is going towards vehicle purchases.

The top category of spending by Moffat County households in the Mail Order/ Internet category is for charitable cash donations. Of the \$6.3 million being spent in Mail Order/Internet, 33% is for charitable cash donations. This specific sub-category is quickly followed by Recreational Equipment which accounts for 30% of the \$6.3 million.

When Moffat County households shop out of the area, they do so primarily in conjunction with another trip. They may be visiting family or friends, attending a conference or are out of the area for some other purpose. Households include time for shopping on their out of area trip. The main motivation for shopping when out of the area is selection, quality and price.

Moffat County households are spending approximately \$28 million outside of the county. The top three categories of out of Moffat County spending are entertainment, transportation and healthcare.

Category	% of Total Spent Outside of Moffat County
Entertainment	18%
Transportation	18%
Health Care	16%

- In the area of Entertainment, it is primarily recreational equipment purchased through Mail Order/ Internet.
- In the area of Transportation, it is primarily vehicle purchases taking place Out of Area.
- In the area of Health Care it is primarily for physician and dentist services in Routt County.

Since these three spending categories account for over 50% spending taking place outside of Moffat County these would be the areas to focus on to achieve increased Moffat County household local spending.

Methodology of report

Based on 2010 US Census Bureau data there are 5,360 households in Moffat County. To achieve results within a 5%+/- error range a sample size of 360 would be necessary. The decision was made that distributing the survey by mail would be the most effective low cost method. The source of the mailing addresses came from the Moffat County active and inactive voting registration record. Voting records that reflected mail as undeliverable were removed from the list. Since the survey was targeted at the household level, records with the same address were removed. Using MS-Excel's random number generator, 360 records were selected from the list. Surveys were mailed to each of the random selected households.

To achieve a 90% confidence level that the survey results are within the 5%+/- margin of error at least 60 surveys would need to be returned. A total of 80 surveys were returned which resulted in a confidence level of 92%. Survey responses were aggregated and a median value for each of the response options was calculated.

The household characteristics of Moffat County are very similar to households nationally. This similarity allowed the use of the Bureau of Labor Statistics (BLS) Consumer Expenditure Study. This study provides a detailed look into how households spend their after tax income.

Household Characteristics		
	Moffat	National
Number of Households in Moffat County	5,360	116,716,292
Average Household Size	2.52	2.51
Earners per Household	1.3	1.3
Number of Vehicles per Household	2.1	1.9
Moffat County Median Household Income	53,587	51,914
Average Income Tax (State/Federal)	21%	21%
Deposable Income (after income taxes)	\$42,334	\$41,012

The BLS Consumer Expenditure Study details spending percentages across 14 categories. For the purposes of the Moffat County Consumer Preference Study, only those categories where the consumer exercises choice in where the purchase a specific goods and services were used. For example, shelter cost (mortgage/rent) for an average household represents about 21% of a typically household's annual

spending; however, there is very little consumer choice where to spend this money. Whereas the choice of where to eat or where to purchase an item of clothing has a great deal of choice.

Ten categories of household spending were selected. On an aggregate basis these ten categories account for over 52% of households spending. The questions asked in the survey were aligned with these ten categories. This alignment allows for a very accurate assessment of the choices Moffat County households make regarding where they purchase their goods and services.