

Demographic and Customer Characteristics

This section provides key economic, demographic and lifestyle data for the primary and secondary trade areas as defined in Section 3. This data and the trends they reveal are important as they have a direct impact on the measurement of potential sales of retail goods and services.

Demographic Trends

This section includes demographic data tables that describe the primary and secondary trade areas in comparison with the Minneapolis/St. Paul Metropolitan Statistical Area (MSA) and the state of Wisconsin. The data presented in this section was purchased from CACI in the form of their Market Profile and ACORN segmentation reports.

The Primary and Secondary Trade Areas are defined as follows:

- Primary Trade Area: 54017 (New Richmond), 54025 (Somerset), 54026 (Star Prairie)
- Primary & Secondary Trade Area: 54001 (Amery), 54007 (Deer Park), 54017 (New Richmond), 54020 (Osceola), 54023 (Roberts), 54025 (Somerset), 54026 (Star Prairie)

Population and Households

Population and household data allows one to quantify the current market size and examine future growth. Population is defined as all persons living in a geographic area. Households consist of one or more persons who live together in the same housing unit, regardless of their relationship to each other (including all occupied housing units). Typically, demand is generated by individual or household purchases. Households can be categorized by size, composition, or their stage in the family life cycle. Members of the family influence a household purchase, such as a new computer. Anticipated household or population growth may indicate future opportunities for a retailer.

The New Richmond primary trade area includes the zip code areas of 54017, 54025, and 54026 within a drive time of less than 10 minutes and a 2000 population of 18,465. The primary trade area is projected to grow at a rate of 17.7% over the following six years (table below). This favorable rate compares to the 10.1% projected for the Twin Cities MSA and the 4.2% projected for the State of Wisconsin.

The primary and secondary trade area includes an area within a 15-minute drive time and a 2000 population of 36,160 with a five-year projected growth rate of 15.25%. This rate is again considerably higher than that projected for the Twin Cities MSA and the State of Wisconsin. At the time this study was being finalized the Census Bureau released new demographic information from the 2000 census that projected St. Croix County to grow at a rate of 27.9% during the next ten-year period. However, the City of New Richmond, through its Comprehensive Planning, has projected a city growth rate at 57% over the next ten-year period. These two recent updates indicate that the study significantly under-estimates the projected population growth of the target market.

Population Information Chart

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
2009* Population Projection	26,679	49,968	3,469,349	5,793,397
2006 Population Projection	21,729	41,675	3,268,910	5,587,344
2004* Population Estimate	21,795	42,153	3,178,261	5,553,428
2001 Population Estimate	19,124	37,266	3,028,490	5,408,886
2000 Census Population	18,465	36,160	2,968,806	5,363,675
2001 Population Per Square Mile	87	73	499	100
2001 Group Quarters Population	321	530	63,180	155,958

Source: CACI and "ESRI"

*updated figures in 2005

Household Size

The average household size in the primary trade area is 2.57 (year 2004) and in the secondary trade area it is 2.56. This is higher than the average for the Twin Cities MSA and the State of Wisconsin. The average size of households in the New Richmond primary and secondary trade areas is slightly higher, with lower single person households. The higher household size is especially true in the 3, 4, and 5 person household size pointing to the traditional family with younger children at home in the household.

The growth rate of households in Wisconsin is 5.28% and 12.6% in the Twin Cities MSA. This compares to New Richmond's household growth rate for the primary trade area of 19.6% and 16.8% for the secondary trade area, further revealing market growth opportunities.

HOUSEHOLDS consist of one or more persons who live together in the same housing unit, regardless of their relationship to each other. Households include all occupied housing units.

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
2009* Household Projection	10,529	19,803	1,347,080	2,361,846
2006 Household Projection	8,235	15,898	1,280,132	2,194,543
2004* Households	8,369	16,292	1,225,794	2,212,359
2001 Household Estimate	7,158	14,072	1,164,134	2,107,669
2000 Households	6,884	13,609	1,136,615	2,084,544
% Annual Household Growth: 2000-2001	4.0	3.4	2.4	1.1
2000 % Households				
With 1 Person	22.7	22.8	26.7	26.8
With 2 Persons	33.1	34.4	32.6	34.6
With 3 Persons	16.7	16.2	15.6	15.4
With 4 Persons	16.8	15.8	15.1	13.9
With 5 Persons	7.8	7.8	6.5	6.1
With 6 Persons	2.1	2.2	2.1	2.0
With 7+ Persons	0.8	0.9	1.4	1.1
2000 Average Household Size	2.63	2.61	2.55	2.49
2004* Average Household Size	2.57	2.56	2.54	2.39

Source: CACI and ESRI*

*updated figures in 2005

Population Age

The New Richmond primary trade area population is slightly younger than the Twin Cities MSA and the State of Wisconsin. This is especially true in the 5-14 and the 15-19 age range. As well, there is a slight over representation in the 25-34 and 35-44 age range further indicating a traditional family oriented primary and secondary market area. Also noticeable is the under representation of those above the age of 55.

2001 POPULATION BY AGE Population by age provides valuable information as to the relative maturity or youth of a particular market. Median age divides the age distribution into two equal parts, one-half falling below the median and one-half above.

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
% Under Age 5	7.0	6.6	7.1	6.3
% Age 5-14	16.0	15.8	15.1	14.5
% Age 15-19	7.6	7.8	7.0	7.5
% Age 20-24	6.2	5.5	6.6	6.8
% Age 25-34	14.0	12.9	15.1	12.9
% Age 35-44	17.9	17.4	17.6	16.2
% Age 45-54	13.9	14.2	14.1	14.0
% Age 55-64	7.5	8.5	7.7	8.7
% Age 65-74	5.1	5.7	4.9	6.6
% Age 75-84	3.5	4.0	3.4	4.7
% Age 85+	1.3	1.6	1.4	1.9
Average Age of Total Population	34.7	35.9	34.9	37.0
Median Age of Total Population	34.4	36.0	34.4	36.3

Source: CACI

Household Composition

New Richmond has a larger population of married couple families than do both the Twin Cities and Wisconsin. The New Richmond primary and secondary market has more family households over non-family households. The trade area is comprised by 70% of family households versus 52% and 50% respectively for the Twin Cities and Wisconsin area. Further indicating a traditional family structure in the trade area is the strength of married couples raising children, 77% versus 74.7% and 73% for the Twin Cities and Wisconsin markets. In addition, New Richmond has a higher than average percentage of households with children under the age of 18, (39.6% for the New Richmond market versus 35.9% for the Twin Cities and 33.9% for Wisconsin).

FAMILIES/HOUSEHOLDERS

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
2004* Family Households	5,802	11,445	784,741	1,452,271
2000 Family Households	4,842	9,686	744,303	1,386,815
2000 Non-Family Households	2,042	3,923	392,312	697,729
2000 Family Households With Children	2,675	5,143	403,920	697,051
% Married Couple Family	76.6	77.4	74.7	73.0
% Male Householder	7.1	7.0	6.0	6.8
% Female Householder	16.3	15.7	19.3	20.3
2000 % Households				
% W/children < 18	39.6	38.4	35.9	33.9
% W/person 65+	16.9	19.2	16.9	22.6
% W/householder 65+	16.1	18.2	16.0	21.5
2009* Family Households Projections	7,221	13,778	865,101	1,535,571

Source: CACI and ESRI*
* updated figures in 2005

Housing

The number of homeowners and the rate of housing turnover is an important factor for numerous retailers. Home ownership directly correlates with expenditures for home furnishings, home equipment, home improvement, furniture, appliances, hardware, paint/wallpaper, floor covering, garden centers, and other home products which all prosper in active housing markets.

New Richmond has a larger percentage of single family detached housing units than do both the Twin Cities MSA and the State of Wisconsin (74.6% verses 60.2% and 65.3%, respectively). Likewise, the rate of owner-occupied units in New Richmond (76.3%) is higher than in the Twin Cities MSA (72.4%) and the State of Wisconsin (68.4).

Housing units are defined as a house, apartment, mobile home or trailer, a group of rooms, or a single room occupied as separate living quarters or, if vacant, intended for occupancy as separate living quarters.

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
2000 Total Housing Units	7,267	14,851	1,169,775	2,321,144
% Occupied	94.7	91.6	97.2	89.8
% Vacant	5.0	8.4	2.8	10.2
% Year-round	2.4	2.6	2.0	4.1
% Seasonal	2.6	5.8	0.8	6.1
1990 Total Housing Units in Structure	5,646	12,082	1,015,235	2,055,774
% Single, Detached	74.6	73.9	60.2	65.3
% Single, Attached	1.2	1.1	5.9	2.5
% 2 Units	4.9	4.2	4.4	9.6
% 3-9 Units	6.8	4.9	5.2	7.8
% 10-49 Units	5.3	4.8	12.8	6.4
% 50+ Units	0.0	0.0	8.5	2.1
% Mobile Home or Trailer	6.1	10.2	2.3	4.9
% Other Units	1.0	0.9	0.7	1.4
2000 Total Occupied Housing Units	6,884	13,609	1,136,165	2,084,544
% Owner-occupied Units	76.3	78.1	72.4	68.4
% Renter-occupied Units	23.7	21.9	27.6	31.6
Owner/Renter Ratio	3.2	3.6	2.6	2.2

Source: CACI

Income

Household income is an indicator of the spending power of residents. Household income positively correlates with retail expenditures in many product categories. Retailers consider the median or average household income in a trade area, or seek a minimum number of households within a certain income range. Another common practice is to analyze the distribution of household incomes. Discount stores avoid extreme high or low-income areas. Traditional department stores focus on markets with incomes over \$35,000.00 while some specialty fashion stores target incomes above \$75,000.00. A few store categories, including auto parts, are more commonly found in areas with lower household incomes. Using income as the sole measure of a market's taste preference, however, can be deceptive.

The following data shows that the New Richmond primary trade area is estimated to have a higher percentage of households in the middle income range than the Twin Cities and Wisconsin. The two main categories cover incomes from \$35,000.00 to 74,999.00. The New Richmond primary trade area has 44.4% of households compared to 39.7% in the Twin Cities MSA and 40.1% in the State of Wisconsin in these two main categories

2001 INCOME Income is a good indicator of the spending power of your market. Per Capita income includes the income of all persons 15 years old and over. Median income divides the income distribution into two equal parts, one-half falling above the median and one-half below.

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
% Under \$10,000	4.7	6.1	4.7	7.4
% \$10,000-\$14,999	5.6	6.7	3.8	6.8
% \$15,000-\$24,999	12.1	13.6	9.3	13.3
% \$25,000-\$34,999	12.4	13.2	10.6	13.0
% \$35,000-\$49,999	19.2	18.9	15.4	17.9
% \$50,000-\$74,999	25.2	23.6	24.3	22.3
% \$75,000-\$99,999	11.8	10.3	14.1	10.6
% \$100,000-\$149,999	6.3	5.4	11.3	6.0
% \$150,000+	2.5	2.4	6.5	2.7
2001 Per Capita Income	\$20,628	\$19,546	\$26,765	\$20,499
2004* Per Capita Income	\$25,679	\$24,746	\$33,603	\$25,041
2009* Per Capita Income Projections	\$31,806	\$30,553	\$47,264	\$30,844
2001 Average Household Income	\$54,881	\$51,533	\$69,166	\$52,115
2001 Median Household Income	\$46,394	\$42,790	\$55,224	\$42,226

Source: CACI & ESRI*
*updated figures in 2005

Education

Education is another way to determine the socio-economic status of an area. Because income increases with advancing educational attainment, many retailers focus on income level rather than education. An exception is bookstores, which are often sited by developers based on the number of college-educated individuals in the trade area. Similarly, computer and software stores are often located in areas with high levels of education.

New Richmond has a high percentage of people who have attained a high school diploma and those with some college, 67% for the primary trade area and 66.9% for the secondary and primary trade area. This compares to 60.3% for the Twin Cities MSA and 60.9 for the State of Wisconsin.

This reflects an upwardly mobile middle class obtaining higher than the State of Wisconsin or Twin Cities MSA medium income with a moderate education. The New Richmond area is an area with wealth due to ease of access to the strength of the Twin Cities MSA markets for employment and growth.

EDUCATION The education variables are another way to determine the relative socioeconomic status of an area. Population enrolled in school provides information on the population ages 3 & over. Educational attainment classifies persons age 25 & over according to their highest level of school or degree completed.

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
1990 Educational Attainment	8,927	18,077	1,612,690	3,094,226
% Elementary School (0-8 Years)	7.6	8.7	5.0	9.5
% Some High School (9-12 Years)	9.7	10.0	7.9	11.9
% High School Graduate only (12 Years)	41.6	42.1	30.7	37.1
% Some College (13-15 Years)	25.4	24.8	29.5	23.8
% Bachelor Degree	11.1	10.2	19.2	12.1
% Graduate Degree	4.5	4.2	7.7	5.6
Average Years of School Completed	12.5	12.3	13.3	12.4

Source: CACI

Employment

Many retailers use concentration of white or blue-collar workers as another gauge of a market's taste preferences. Specialty apparel stores thrive on middle to upper income areas and above average white-collar employment. Second hand clothing stores and used car dealerships are successful in areas with a higher concentration of blue-collar workers. Office supply stores and large music and video stores are especially sensitive to the occupational profile. These retailers target growth areas with a majority of white-collar workers.

Due to the access New Richmond residents have to major manufacturing employers both locally and regionally, such as Dobby and Andersen Windows, as well as other major manufacturers, a large number of employed residents work in blue-collar professions. In the primary and secondary trade area, 37% of the residents work in blue-collar professions.

	<u>Primary Trade Area</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
2001 Civilian Employed Persons 16+	9,589	19,195	1,737,262	2,927,840
% White Collar	45.5	45.1	61.8	50.9
% Executive & Managerial	7.6	7.4	10.8	8.9
% Professional Specialty	10.0	9.5	14.2	10.7
% Technical Support	3.8	3.9	5.5	4.1
% Sales	9.4	9.3	13.7	11.2
% Administrative Support	14.7	15.0	17.6	16.0
% Blue Collar	37.0	37.4	22.7	31.6
% Precision, Production, Craft & Repair	13.9	13.5	9.1	11.1
% Machine Operator	14.7	14.0	7.1	11.5
% Transportation & Material Working	4.4	4.9	3.4	5.0
% Laborers	4.1	4.9	3.2	4.1
%Service	16.5	16.3	15.3	16.7
% Private Household	0.5	0.4	0.2	0.2
% Protective	1.7	1.4	1.4	1.7
% Other	14.4	14.4	13.6	14.8
%Farming, Forestry, & Fishing	0.9	1.2	0.2	0.7
White/Blue Collar Ratio	1.2	1.2	2.7	1.6
Source: CACI				

Employment-continued

The industry employment table below shows a comparatively high concentration of jobs in agriculture, construction, and manufacturing of non-durable and durable goods. This table accurately reflects this region that has been, and remains:

- a relatively strong farming area
- a high population growth area with a booming construction industry
- a strong major manufacturing area creating regional job opportunities

	<u>Primary Trade</u>	<u>Primary & Secondary</u>	<u>Twin Cities MSA</u>	<u>Wisconsin</u>
2001 Industry Employment	9,589	19,195	1,737,262	2,927,840
% Agriculture, Forestry, Fishing	6.2	6.5	3.9	5.5
% Mining	0.1	0.1	0.1	0.1
% Construction	7.6	7.3	5.4	5.8
% Manufacturing: Nondurable Goods	11.3	10.1	5.2	8.3
% Manufacturing: Durable Goods	16.4	17.5	9.6	12.6
% Transportation	2.9	3.2	5.2	4.5
% Communications & Public Utilities	1.0	1.4	1.7	1.4
% Wholesale Trade	1.5	1.9	5.2	3.9
% Retail Trade	16.8	16.2	15.6	15.9
% Finance, Insurance, Real Estate	2.8	3.8	7.5	5.8
% Service: Business & Repair	4.1	3.6	8.2	5.4
% Service: Personal	3.9	3.8	3.1	3.3
% Service: Entertainment & Recreation	4.4	4.8	3.4	2.7
% Service: Health	7.4	6.6	6.6	6.7
% Service: Educational	7.5	7.4	8.9	8.5
% Service: Other Professional & Related	4.0	3.7	8.1	6.8
% Public Administration	2.1	2.4	2.5	2.8

Source: CACI

Consumer Classification and Lifestyle Segmentation

This section provides a description of the people who live in the trade area. This is important because different consumer groups will have different buying behaviors. These differences must be understood before retail development strategies can be established.

ACORN™ consumer classification data was purchased from CACI™ Marketing systems to provide useful information about households in the trade area. ACORN™ data is available for individual neighborhoods for the entire country. Consumers are classified into 40 demographic and behaviorally distinct clusters. The clusters are based on type of neighborhood (urban, suburban, rural); the residents' socio-economic status (age, income, occupation, type and value of residence); and their buying behaviors and preferences. ACORN™ data is updated annually using various national and local data sources.

The following table presents the ACORN segments for the primary trade area.

New Richmond Primary Trade Area ACORN Segments		
<u>ACORN Clusters, 2002</u>	<u>Households</u>	<u>%</u>
7A-Middle America	4,118	58%
2B-Baby Boomers with Children	1,989	28%
Sub-Total	6,107	86%
Total Households	7,158	100.0%

The following provides a more detailed summary of the top two ACORN lifestyle segments in the primary trade area. These clusters represent 86% of the households in the trade area.

**Consumer Type 7A: Middle America
4,118 Households (58%) of the New Richmond Primary Trade Area**

The largest U.S. consumer market is rural, slightly older, and family oriented. The neighborhoods are newer, owner-occupied, single-family homes and the income is average.

Buying Habits: How does the Middle America market spend its time and money? Their lives are busy and centered around the home. Leisure activities include hunting, fishing, and needlework. Their budget priorities are home-oriented: improvements, children's apparel and toys, footwear, videos, and lawn, garden, and camping equipment. Most of the families own pets. They are likely to take domestic trips by car. This market ranks high for having personal loans (not education loans), and is also likely to have auto loans (for new cars), secured line of credit, savings, home mortgage loans, and CDs. However, this market tends not to use credit cards. Media preferences include reading newspapers 3 times a week, and reading magazines such as *Family Circle*, *Field & Stream*, *Country Living*, *Country Home*, and *Ladies Home Journal*.

**Consumer Type 2B: Baby Boomers with Children
1,989 Households (28%) of the New Richmond Primary Trade Area**

Baby Boomers with Children -- is a homogeneous U.S. market that spends their time and money on home and family-oriented activities and goods.

Buying Habits: This group represents family and home-oriented consumerism. There is little time for civic activities. They tend to have personal loans, use credit unions, and have savings accounts. They like to drive 4-wheel drive vehicles and buy vehicles based on the gas mileage. Leisure time includes playing board games, going to the movies, playing golf, and bicycling. Fast food, takeout and delivery, is also popular. They own pets and spend their money on home furnishings and improvements, children's toys, camping and exercise equipment, and electronics such as televisions, stereo equipment, children's videos, and cameras. Media preference is watching television, specifically children's programs.