

Tanana Commercial

Tanana Commercial, the village store in Tanana, has been owned by Cynthia and Dale Erickson since 1985. In addition to groceries, the business sells gasoline and diesel fuel, and runs a deli where customers can purchase sandwiches.

Community

Tanana is located in Interior Alaska, about two miles west of the junction of the Tanana and Yukon Rivers and 130 air miles west of Fairbanks. Tanana was a traditional trading settlement for Athabascan people as well as the site of a regional mission, hospital, and school in the late 1800s. The town supported several trading posts during the gold rush and housed an air base during World War II. Recent additions are a washeteria and a new water treatment plant that will pipe water to 40 homes. Electricity is provided by Tanana Power Company.

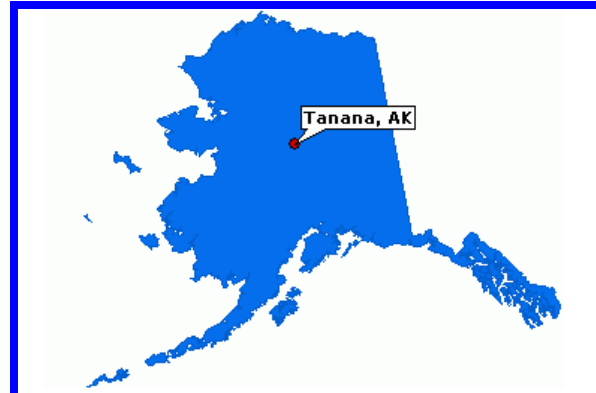
Two-thirds of the full-time jobs in Tanana are with the city, school district, or tribal council. BLM firefighting, trapping, commercial fishing, and construction work are important seasonal cash sources. For example, the summer 2007 airport improvement project provided many jobs for laborers and truck drivers. Seventeen residents hold commercial fishing permits.

Subsistence foods, such as salmon, whitefish, moose, bear, ptarmigan, waterfowl, and berries are essential to supporting family life in Tanana.

The population of the community is 81 % Alaska Native, so traditional Athabascan activities such as potlatches, dances and foot races, continue to be part of the everyday culture. Tanana is accessible only by air and river transportation. The city maintains the 32 miles of local roads and operates a dock on the river where barged goods are offloaded at a staging and storage area.

Business History

Cynthia and Dale Erickson bought Tanana Commercial from the Alaska Commercial Co. in 1985 with a loan they received from Denali State Bank in Fairbanks. Cynthia had grown up in the grocery business in Ruby, where her parents, Harold and Florence Esmailka, managed the store and an air service for more than four decades. Her father



Tanana, Alaska

Population:	261
Major Employers:	School district, city, health clinic, subsistence
Location:	Interior Alaska on the Yukon River, 130 miles west of Fairbanks
Ethnicity:	81% Athabascan
Median Income:	\$39,688

co-signed the loan for Cynthia and Dale to buy the store in Tanana. A loan guarantee on the note from the Small Business Administration was paid off in fifteen years.

Cynthia has managed the store while Dale operated an air taxi service. The family lives above the store and their three children have all worked in the business. They all started by stocking shelves, and then progressed to operating the cash register and learning to provide good customer service. As teenagers they are able to manage opening and operating the store without their parents' supervision. An intercom provides easy communication between the floors and the store telephone rings in both places.

The business has grown steadily over the years as they have added services. Ten years ago the Ericksons decided to sell fuel, securing another bank loan to install a fuel pump. Five years ago they added the deli, one of the few places in the community where a person can purchase a meal. Another loan financed furniture and fixtures for the deli.

The consistent hard work of the Erickson family has established Tanana Commercial as a successful enterprise. The proprietors are always thinking about the business and plan to expand their entrepreneurial activity to providing lodging to visitors. This summer they remodeled a portion of their apartment previously used for storage into bedrooms. Their target market includes itinerant government workers, construction workers, and tourists.

Economic and Community Impact

The store has three part-time employees who work about 20 hours a week for \$10-12.00/hour. The store is open from 10 a.m. to 6 p.m. Monday through Friday and from 11 a.m. to 5 p.m. on Saturday. The two Erickson children still living at home also work in the store and can take over when their mother is occupied with other responsibilities.

Tanana Commercial purchases electricity and other utilities from the community.

The rise in the cost of diesel fuel has increased the cost of electricity to 78 cents per kilowatt hour, at an average cost of \$4,000/month. Water and sewer bills amount to \$900/month. Annually, the business buys 20,000 gallons of fuel at \$5.50/gallon. This commodity is barged in twice a year and must be paid for in full at the time of purchase.

Tanana Commercial purchases bookkeeping services, tax preparation services, and insurance from vendors in Fairbanks. They have a long-established trusted relationship with their bookkeeper, who manages the accounts on a weekly basis and comes to Tanana twice a year to consult with the Ericksons. The bookkeeper pays all the business bills and maintains all the financial records.

The Ericksons are active in the community and make financial contributions to educational programs, youth activities, and community events.

Tanana Commercial	
Employment:	One full-time owner and 3 part-time staff
Percent Local:	100%
Percent Native:	81%
Ownership:	Cynthia and Dale Erickson
Legal Status:	Sole proprietorship
Years in Operation:	21 years

Business Management

Erickson orders groceries weekly from Sam's Club and Fred Meyers in Fairbanks. Other wholesale products come from Anchorage. The cost of freight is 47 cents per pound through the "by pass mail system", which provides rural Alaska with a discounted rate for the air shipment of merchandise through the U.S. mail service. This is the most significant cost for their business. Without by pass mail shipping rates, the store would not be able to carry the majority of its goods. It takes constant monitoring of orders and shipping schedules to ensure that fresh foods and milk do not freeze in the winter or spoil in the summer because they are waiting for shipment at the Fairbanks airport. Although Dale sold the air taxi operation this year, he

retained his plane and occasionally flies goods from Fairbanks to ensure their freshness. The Ericksons maintain a vehicle in Fairbanks to easily pick up supplies.

Erickson hires local people to help her with stocking shelves and making sales. She has occasionally been challenged to find employees who will come to work consistently and meet the needs of customers pleasantly. She expressed concern about the general development of a positive work ethic among young people and recalled the value of a junior high program offered in Galena in the 1980s called "On Your Own". This program trained students in practical life skills, such as how to successfully participate in a job interview, how to balance a check book, and the importance of being a reliable, consistent worker. She believes today's school curriculum should offer this kind of practical life skill training so critical to basic business skills. She would also like to see career fairs that expose young people to the variety of career options they can explore.

Lack of cash in the community can make a retail business difficult. There is no bank or anywhere in town to procure cash, so the store is unable to offer check cashing services or give change for large bills. She can exchange cash from the post office for a business check and brings back cash reserves anytime she travels into Fairbanks. This system doesn't always work in unusually busy weeks, where she faces the risk of running out of change or small bills.

Since Tanana Commercial is the primary store in the community, every one in the village knows about it. To promote customer relations, however, Erickson will special order items for birthdays or special events. She also places larger orders to accommodate increased holiday demands and puts seasonal items on sale immediately after a holiday. The store also gets summer customers from other communities on the river.

The Ericksons worry about the effect of Tanana's declining population on their retail business. Families are leaving because of the high cost of fuel and utilities and to seek



better educational opportunities. In anticipation of a decline of store purchases, the Ericksons are planning to diversify their business. This year they purchased a wooded lot with three cabins, which they plan to remodel for summer visitor use. They are hopeful they can attract people to Tanana to explore the region's mining history, learn about area's Athabascan heritage, and go fishing on the rivers. They plan to invest in four wheelers and boats to provide opportunities for guests to explore the area and to catch some fish. They also plan to set up a website to promote the business and to assist with reservations.

Challenges & Lessons Learned

The store's current challenges are the high cost of fuel and electricity to operate the freezers and coolers. The cost of freight continues to reflect the increasing price of aviation gas, so the margins of profitability are tighter. There is talk of by pass mail being eliminated as political changes occur in Alaska. If that ever happens, the Ericksons believe the business would have to close.

Erickson said she was fortunate to be raised in the grocery business and to understand the amount of hard work required to make such a business prosper. It concerns her that the next generation in the village is unprepared to meet the challenges of operating a business, especially when it comes to a solid work ethic.

Tanana Commercial has never received any small business training assistance. However, Erickson thinks it is a great idea for agencies to send outreach workers to villages to talk with entrepreneurs about their business plans, especially if they could also work with schools to teach students about business and work skill development. She also thinks young entrepreneurs need help with start up funds, and is grateful to her parents for their assistance with Tanana Commercial's first loan.

A key lesson Erickson learned from her father was not to offer credit. She said the people who want to borrow money are most often the people who cannot repay the loan, which can generate ill feeling in a small community. Tanana Commercial does give customers the option to set up a \$200 prepaid account, against which they can withdraw charges. This service allows people to put their grocery money away when cash is available.

Erickson has also learned that the only way to be successful is to work long hours and plan out the next moves. She and her family are developing plans to diversify the business and hope that increased summer activities can make up for the decline of the local population.

Erickson offers this advice to young people wanting to enter business,

Develop a plan for your business and only do what you really love because you are going to be working hard at it, even when times are tough.

The story of Tanana Commercial illustrates the hard work and determination required to manage a store in rural Alaska. Experience in retail is helpful, but Erickson maintains that a learned work ethic is the key to their success. The Ericksons also took advantage of opportunities to expand the business, and look forward to future growth in the form of visitor accommodations and tourism as the community changes.