

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

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How Independent Stores Can Survive in Your Community

Summarized by Bill Pinkovitz and Bill Ryan*

At the recent National Small Stores Institute in Nashville, Bill Pearson, a retail consultant and presenter at the conference, described the continuing plight of small retailers. However, more than simply detailing the challenges small independent retailers are facing, Pearson shared several basic strategies that he finds most successful independent retailers are embracing. He suggests that those independents that survive and prosper will be those who: 1) recognize and act on their competitive strengths and weaknesses; 2) understand who their customers are and what they want; and 3) identify and fill a viable niche in the marketplace.

Pearson reminded us of several realities of the marketplace. The trend of large national chain stores replacing small independent retailers is continuing unabated. Rapidly growing catalog and Internet sales confront small retailers with new challenges and dramatic changes that force them to adapt rapidly or perish.

At the same time, customers are becoming increasingly more demanding and less forgiving as their shopping options increase in number, size, and variety. Today's busy consumers have much less free time. They want to shop when it's convenient for them. They are less interested in the lowest price or the biggest selection and more interested in finding solutions in their daily lives. They seek and demand unexpected service in which the store goes the "extra mile" for them. Consumers are becoming bored more easily and expect retailers to blend shopping, eating and playing into the retail equation.

Pearson's strong message is that retailers can no longer simply rely on strategies that worked in the past. Competing in today's retail market is extremely difficult given the strengths and resources of the large retailers. He reminds us that knowledge is power. He argues that retailers with access to current information technology have a better chance of surviving and prospering. Pearson recognizes that innovation is expensive, but contends that there are few alternatives for small stores. In spite of these challenges, Pearson sees opportunities for independent retailers. To succeed requires knowledge, action, and a real competitive advantage.

How Big Stores Serve the Market

According to Pearson, big stores typically focus on larger markets where their customers live and work. They utilize technology to learn more about their customers and target them with point-of-sale machines, interactive kiosks, and sophisticated forecasting and inventory systems. They tend to stock a narrow range of inventory that sells well and maintain a very deep inventory of those fast selling products. Branding is important to them (i.e. Sears "Craftsman" tools and Kmart's "Martha Stewart" home and garden products).



Operators of Coontail Sports in Boulder Junction, WI are successful independent retailers that sell products they know and trust. With an interest in outdoor sports, they are able to more effectively communicate product benefits and appropriateness for each customer. Typically, this level of service cannot be provided by big retailers.

Pricing is often a key area of focus for these retailers. Big stores have many strengths including regional or national reputation, huge buying power, vast inventory and no-hassle return and exchange policies.

We also find that their prime locations, the consistency of their products and services, the fact that they are open when people can and want to shop, and the clear consistent image and identity they develop and maintain challenge the abilities, resources, and resolve of many small retailers. Perhaps their biggest advantage is their knowledge of their customers. They not only know their customers, but they use that knowledge in every aspect of their business from inventory selection to store layout.

However, large retailers aren't perfect. They have competitive weaknesses that small retailers can exploit. Most offer the same standardized assortments of products nationally. Local managers have little input into inventory selection. Often, sales staff have minimal product knowledge. Staff turnover is extremely high. Most large retailers have little connection to the community. They usually do not offer special services. Larger companies are often slow to recognize and react to changes in their local markets.

Independent Store Survival Tips

Pearson suggests that independent retailers can co-exist and flourish in the shadow of the big chains by developing a niche within the diverse market. The niche should be developed on the basis of new or unusual product offerings, superior service and overall quality. While value is important, he argues that price may be less important. Efficient operations including precise buying practices is a must. Customer contact within the niche market must be characterized by "high-touch" service. The key factor is innovation; stores that don't change will perish.

Pearson believes that the road to success for the independent retailer lies in doing all the things that big and chain stores can't - or won't - do. He believes that the successful independents of the future will embrace the following principles:

- Be obsessed about change
- Move to a narrower niche markets and stop competing directly with the big retailers
- Learn more about your customers and include best customers in a database.
- Invest appropriately in advertising and promotion
- Charge regular prices and avoid discounting (insure requisite markup)
- Buy with precision and search out specialty suppliers.
- Maintain essential inventory

- Focus on profit instead of volume (be ready to lose an occasional sale)
- Provide extraordinary service
- Employ the best possible staff
- Understand the significance of the internet.

Simply creating new and innovative products or services and offering what the chains don't or can't offer is not enough. You need to know your customers and your business. The better you know your customers, the better you'll be able to determine which products or services are most important to them and which ones they'll actually buy. The better you know your business, the better you'll be able to determine which products and services will likely add to your bottom line. After all, that's what it's all about.

Several of Pearson's suggestions cost little or nothing, yet offer significant potential. Knowing your customer is first and foremost. Knowing who they are, what they buy and how and when they like to buy it is critical to success in retail. Inventory control may be boring but, state-of-the-art inventory control is why WalMart prospers and many of their competitors struggle with profitability. Finding and keeping good sales staff must be a priority. Sales staff training and development is also a must. Extraordinary customer service doesn't always cost money. Something as simple as acknowledging a customer's purchase with a written thank you or a phone call to notify a customer of an upcoming sale goes a long way in establishing strong customer relationships.

Sound like common sense? Of course it is. Sometime we all need to be reminded of simple sound management practices.

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