



# Downtown Economics

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*Ideas for Increasing Vitality in Community Business Districts*

## Backdoor Retailing *Alternatives to Traditional Storefront Sales*

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Backdoor retailing refers to sales that occur through alternative channels, typically supplementing that generated by walk-in business. Downtown merchants with backdoor operations are able to increase and diversify their customer base beyond the market potential of downtown customer traffic.

Businesses with backdoor operations sell to:

- local businesses, organizations and even municipal agencies. These transactions and relationships often fit downtown sustainability strategies.
- retail consumers, from the local area or beyond, who do not purchase on site as walk-ins.

Based on many downtown examples, firms with significant backdoor operations are usually stronger and stay in business longer than other firms that rely solely on traditional storefront sales. Moreover, these merchants are not inclined to passively wait for shoppers to come to them. They are more likely than other merchants to be savvy about social marketing conducted both face-to-face and online.

This is not to say that they are untouchable by economic down turns. In addition, the reduced dependency on downtown customer foot traffic potentially makes these firms less tied to their downtown locations. Nevertheless, backdoor retailing is a strategy fitting for many downtown businesses and complements a downtown association's business retention and expansion efforts.

### Traditional, Non-Electronic, Backdoor Operations

Today, there are electronic and non-electronic variations on backdoor operations. Various non-electronic examples are presented as follows:

- A retail tobacco shop that also distributes tobacco products to merchants in the surrounding region;
- A vitamin shop that both manufactures and distributes vitamins to merchants in the region;

- A paint store that has a very large building contractor clientele;
- A women's clothing shop that takes its wares to model and sell at local women's clubs;
- Sporting goods store that sell equipment to sports teams, leagues and schools;
- A downtown restaurant that does off site catering;
- An ice cream shop that sell desserts to local schools, and social clubs;
- A bakery that supplied many local offices and businesses with donuts and pastry;
- A meat market that supplies many fine local restaurants;
- A dry cleaner that does uniforms and work clothes for local businesses;
- An upholstery shop that does work for furniture stores; and
- Hair salons and barber shops that serve non-ambulatory clients in their homes, nursing homes and hospitals.

This list of examples of back door operations demonstrates its application to many types of businesses. It is a sales concept that is not confined to food products.



## Online Backdoor Operations

The internet has brought a new dimension to backdoor operations. Merchants that have “online storefronts” with “electronic shopping carts” are engaging in electronic backdoor operations. Individual shoppers need not ever come to their physical stores. Customers may live in different states or even other countries and never have visited the merchant’s downtown.

On a more modest scale, eBay allows downtown merchants to sell online a few items or groups of items without having to create and maintain a storefront of their own. This has been a very profitable technique for businesses to move inventory and reach beyond their local trade area. According to reports in the media and from various downtown directors, a properly functioning web store can definitely strengthen some downtown merchants. There are many examples of businesses that are surviving through tough economic times because of their eBay sales.

But some perspective is needed here. Most downtowns fall in the small and medium-size category and the overwhelming majority of their shops have modest annual sales revenues and very small staffs. Many of them may only be able to create and maintain an inexpensive, uncomplicated website that provides simple information about the shop, its location and the types of goods and services it sells. A basic web site may only drive a limited number of customers into their shops.

However, most small businesses cannot mount, operate and maintain a web store. Keeping the online inventory current and making timely product shipment too often becomes an overwhelming task for small merchants. Some can do better by selling in a controlled manner on eBay. Many are probably better off not attempting electronic backdoor operations because they lack the computer skills, staff and money needed to succeed.

## Cultivating More Backdoor Operations

While most merchants will not develop backdoor operations, many downtowns have the potential for doubling or tripling the number of these businesses. Informal discussions with merchants suggest that more of them would try to develop backdoor operations if they simply had more knowledge about its potential. This suggests that seeding the idea in the minds of the right merchants and then linking them with other merchants that already have successful backdoor operations might be helpful. Peer-to-peer networking along with an educational workshop that engages the right mix of merchants may have good results.

Another good starting point for many merchants is to explore what they could sell to the other businesses and organizations located in or near to their downtown. Downtown organizations can provide help here by developing a “matchmaker” role. Here, the downtown organization’s staff can match the needs for goods and services of their district’s firms with local suppliers.

## Conclusion

Increasing the number of profitable stores is always an important objective of a sensible downtown organization. Growing the number of firms with backdoor operations can help make that happen. Downtown merchants with backdoor operations are able to increase and diversify their customer base, increasing sales beyond the market potential of downtown customer traffic. It should be an essential cog of a downtown’s business retention and expansion program.

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