



Downtown Economics

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Ideas for Increasing Economic Vitality in Community Business Districts

Helping Downtown Businesses During Difficult Economic Times

Summarized by Bill Ryan*

Downtown directors and local economic development professionals have an opportunity to play a proactive role in supporting local businesses in a slow economy. Independent downtown businesses face a number of challenges, some unique to their location. David Milder, a commercial district revitalization expert, and others have identified some of these challenges:

- increased cost of merchandise, operations and rent;
- tight credit market including capital to open or expand a business, buy inventory, or make physical improvements;
- shortage of quality commercial space that is affordable and in acceptable condition;
- increased competition from value retailers (outside of downtown); and
- constraints that limit the ability of independent businesses to effectively target their market and distinguish themselves in a challenging economic environment.

This article summarizes some recent insights from various downtown and business development professionals. Their recommendations often involve using this difficult period as an opportunity to implement innovative marketing and operational ideas on both a district and business level.

How Economic Development Leaders Can Assist the Business Community

A recent presentation by Todd Barman of the National Main Street Center summarized some of the ways downtown directors can assist the businesses at a district-wide level. These include:

- Monitor and report local economic performance. This could include tracking local sales tax revenues, sales of anchor businesses, space availability and other measures of economic

success. Pay less attention to national measures and more to what's happening locally.

- Connect business operators with peer networks and with needed technical assistance. During difficult times, businesses must carefully manage inventory, maintain understanding and control of both fixed and variable costs, understand current consumer behavior and other businesses skills. Educational or technical assistance are offered through University Extension and Small Business Development Centers.
- Watch and report to downtown merchants what the major national chains are doing. One current example is offering "value bundles" or encouraging one-stop holiday shopping. Also, monitor the local business mix for opportunities. The loss of another business downtown could become an opportunity for a remaining business by taking advantage of the resulting gap in supply.
- Encourage and promote a "buy local" strategy in your community. This can include marketing techniques to refer customers from one downtown business to another.

In addition to these ideas, downtown directors can help merchants by creating a customer database and use it to reach the best prospects by email and other methods. Individual businesses can be promoted with information on what they offer that is relevant to consumer needs and preferences during the slow economy.



Survival Strategies for Individual Businesses

Jon Schallert, a small business expert who teaches businesses and communities how to turn themselves into “Consumer Destinations,” encourages business operators not to sit and wait. Instead, they should be proactive and change aspects of their operation to navigate current conditions and prepare for the future. Strategies for individual businesses will vary by specific business sector. However, a few general suggestions offered by Schallert and others are as follows:

- Don't panic. Focus on what you can control and implement in your business. Communicate with your employees in an upbeat manner, and develop relationships with your vendors. Be flexible and be prepared to negotiate.
- Take the opportunity during the slow period to improve your business plan and make strategic business changes you have never had time to do. Use the economic slowdown to be creative and build competitive advantage, differentiation and loyalty.
- Develop a revised or alternate budget. Reexamine fixed and variable costs and develop contingency plans.
- Keep inventory low and manage closely. Many stores may want to focus on selling consumer necessities.
- Schallert suggests focusing on the top and most loyal customers and look outside the traditional market area for other like customers.
- Avoid the aggressive discounting and sales blitzes that are expected throughout the retail sector. This is often a bad strategy for small downtown independents as they can't compete with large chain stores on price.
- Show customers that your business can help them maintain quality of life during tough economic times. This will help build consumer loyalty now and during economic recovery.
- Understand how consumer behavior in your business category is changing and what lower costs methods of reaching them are available. Reach out to best customers and make them feel special. Focus on building relationships.
- Marketing messages should acknowledge consumers' financial challenges and clearly communicate a brand or retailer's value.
- Buy locally to the extent possible.

Conclusions

Surviving tough economic times may be more challenging for small independent downtown businesses as they typically do not have the support structure offered by regional or national chains, nor the pooled resources and advertising budgets of shopping centers. Nevertheless, there are ways downtown directors, chamber directors and other economic development professionals can support local businesses during a slow economy. One example is helping merchants be more relevant to the needs and constraints facing consumers at this tough time. Help should be offered to the business community that results in a better understand of market conditions and encourages individual and cooperative responses to those conditions.

Sources:

David Milder, DANTH, Inc. Presentation at the New Jersey State League of Municipalities Annual Conference, November 18, 2008

Todd Barman, National Main Street Center webinar presentation, November 20, 2008

Nielsen Economic Advisor Series, 2008 Holiday Forecast, October 9, 2008

Jon Schallert, The Schallert Group, Inc. webinar presentation November 26, 2008

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