



Downtown Economics

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Ideas for Increasing Economic Vitality in Community Business Districts

Convenience as a Downtown Niche During Tough Economic Times

Summary of presentation by N. David Milder

While current economic conditions are not as dire as the Great Depression, many downtown merchants are still struggling. As some stores are closing and vacancies are increasing, downtowns and their businesses should focus on opportunities to reposition themselves. One opportunity available to many downtowns is aligning their business mix with day-to-day convenience shopping, then connecting the concept of “convenience” with “value.”

Consumer Preference for Value Shopping

Consumers have less to spend. Middle class incomes have not grown in recent years, while fixed expenses have increased (e.g., medical expenses, college tuitions, childcare and recently energy and food). Americans have less home equity and less ability to leverage that equity for discretionary retail spending.

Retail spending by category is also changing. Big ticket items like autos and furniture that require credit are doing worse. Nondiscretionary spending like food and healthcare are doing better. As a result, value retailers like Wal-Mart are doing better than traditional, apparel-oriented department stores.

The “trading up” retail trend supported the renaissance of many downtowns in the past, but this behavior is being diminished as discretionary incomes are constrained. Consumers are now “trading down,” seeking value or low cost.

Value Retailers vs. Downtown Merchants

Recent consumer spending trends are helping “value retailers” gain market share due to price and fashion/design. Even more affluent consumers are drawn to these stores, as discretionary dollars are tightening up the income ladder. In coming months, districts dependent on middle income household will probably be impacted most.

Small, independent downtown merchants cannot compete on price. Costs of merchandise and operations are rising, and small merchants often

cannot get bank loans. The challenge for most downtowns is how to co-exist with the value retailers. For many communities, it might involve convenience – making shopping trips quick, easy and enjoyable.

Downtowns as a Center of Convenience

Americans feel extremely pressed for time. Many who are especially time-pressed are mothers, both those who work outside of the home and those who stay at home. Working parents over the past decade have increased hours spent at both work and with their families. They have reduced their time spent on shopping, cooking, cleaning and home maintenance. Conveniences such as eating out, take-out, housecleaning and lawn care have made it possible.

Convenience is also related staying close to home. Fewer Americans are moving each year, and telecommuting is growing. More Americans have home-based businesses. Suburbanization forces are being reversed, with well-off, empty-nester households lured back to city centers by urban amenities (restaurants, museums, entertainment, etc.) and the renewal of the downtown housing stock.

Downtowns have an opportunity to reposition themselves as the convenient center of community life. In addition to modifying the business mix, this also includes making downtown an easier place to park, walk and cross the street. It also involves increasing conveniences such as restrooms, benches and way-finding.



Convenience Seeking – The “Mommy Market”

While many downtowns have focused on “young professionals,” another segment made up of busy mothers should also be considered. Women are our nation’s shoppers. Though they comprise little more than half the population, women make over 80% of consumer purchasing decisions. Mothers with children make up about a third of all households and they are spending a lot of money. Mothers employed outside the home are the most time-pressured group and most likely to give convenience priority within their purchasing decisions. They are looking for shorter shopping trips and are more inclined to “satisfice” (compromise between price and convenience) on merchandise available in their downtown shops.

Strengthening Downtown’s Convenience Niche

While consumer spending preferences and patterns are changing, downtown businesses can reestablish their value in the community as a place of convenience. The following are specific retail sectors that could bolster downtown’s business mix and position it as a place of convenience shopping.

Food at Home – Demand for food is fairly inelastic as consumers have less ability to cut back, even in tough economic times. Food shopping is an important component of convenience as the average household makes about 2.1 supermarket trips per week. This frequency makes food shopping a potentially large generator of downtown customer traffic. Various small supermarket concepts are being introduced under 25,000 SF that may have potential in or near downtown districts. For small and medium-sized downtowns, food at home – whether grocery stores or specialty food shops – may be a very important category to explore.

Restaurants – Food away from home before the current economic downturn equaled about 44% of total food expenditures. While people are still eating out, they are trading down in price and menu selection (such as excluding wine and desert). They are also interested in take-out and home delivery, consistent with their convenience preferences. Fast food eateries are doing well, as are restaurants offering affordable price-points combined with good service. Restaurants often generate traffic and social activity in the heart of town. In good times or bad, popular restaurants are critical to a downtown’s success and are “amenities” that help other business grow.

Drug and Personal Care – Medicine and health care supplies are growing in demand with the aging

population of our communities. Drug stores are growing in number as their products represent less-discretionary expenditures. Some drugstore chains are looking for new locations and downtowns are convenient to customers. Independent drugstores can still succeed by offering exceptional service and specialization.

Apparel – Clothing stores can contribute to a downtown convenience niche, but may not be a good match as they are hard to attract and keep. Independent clothing stores often have difficulty sourcing merchandise resulting in stale assortments. Major national apparel retailers that some downtown leaders have long targeted are no longer opening new stores. However, some communities have unmet apparel demand to support a new store with \$300,000 to \$400,000 in annual sales. While insufficient for a chain, it may attract small, independent operators. An up tick in the economy will not bring apparel back to small and medium downtowns, but good, competent small operators can.

Home and Hearth – In a difficult economy, consumers are spending money on home maintenance and repairs. In many communities, downtown businesses do well by helping residents make their home comfortable, attractive and safe. These are often small, diverse independent businesses such as hardware, lumber, paint/wallpaper, appliance, cabinet, furniture or antiques stores. Services can also be included. They are a natural for downtowns as they do not need “vanilla box” spaces. While some categories are now hurting (e.g., furniture, building materials), others (e.g. some electronics, paints, furniture (youth 10-12), home maintenance) are doing better. These businesses are likely to bounce back with a recovery in the housing market. Downtown’s central location makes home and hearth businesses valued, convenient neighborhood amenities.

What Downtown and Community Leaders Can Do

Local leaders can help position downtown as a center of convenience during and after the current economic period. This will require helping businesses understand changes in consumer preference and the opportunities associated with, once again, becoming a center of convenience. The “Mommy Market” is one market segment that should be explored. Various business categories including food at home, restaurants, drug and personal care, apparel, and home and hearth products offer opportunities to reposition downtown as the valued center of convenience

Source: Based on the February 19, 2009 Revitalizing Wisconsin’s Downtowns webinar presentation by N. David Milder, DANTH, Inc. www.danth.com. Summarized by Bill Ryan, University of Wisconsin-Extension, Center for Community & Economic Development.

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