

Challenges Ahead for Small Independent Retailers

And New Solution Thinking

"Challenges of the Future" is a white paper offering strategies for the future survival and growth of independent retailers.* It is based on expert interviews and a series of case studies with successful independents in a variety of merchandise lines around the country. It explores the evolving nature of small independent retail in the U.S. and documents how many small retailers are creating successes that are richly creative and widely beneficial. This article summarizes the second part of the paper – the challenges ahead and new solutions to address them.

Marketing and Advertising

The need for marketing and advertising effectiveness has never been greater. However, many small independents find that the traditional means of advertising are no longer cost effective. It is not just the traditional media, but also the traditional message that appears to be increasing ineffective. New solution thinking includes:

- Invest in customer knowledge systems to make more efficient and effective marketing decisions. Recognize that some customers are more profitable than others.
- Experiment with more targeted forms of advertising such as email, newsletter and direct mail pieces.
- Explore potential partnerships with others to reduce cost and create potential new value.
- Choose community activities that enhance your differentiation and communicate your activities.
- Create advertising that goes beyond price/item that will enhance your differentiated value proposition.
- Investigate the strategic use of PR to help tell the broader and more detailed story of your business.
- Create promotional events that will serve to portray the personality of your business.
- Do something special as often as feasible to recognize your best customers.

Vendor Consolidation and Product Sourcing

Finding differentiated products in appropriate quantities at competitive prices is an increasing challenge for many

small independent retailers. Three factors have made sourcing an increasing problem: (1) The shrinking vendor structure; (2) vendor minimum orders for single shipments and minimum annual purchases; (3) quantity pricing which makes some products impossible for the smaller store to sell at adequate margins. New solution thinking includes:

- Join a buying group to access larger variety of product and achieve better competitive pricing.
- Establish share groups with other non-competitive small independents to find new product.
- Invest in attending more trade shows.
- Communicate your uniqueness and differentiation through your website so desired potential suppliers could virtually visit your store anywhere, anytime.
- Seek out smaller vendors who need distribution for new innovative product.
- Work to establish an "anchor" brand that will signal added credibility with other desired vendors.

Speed and Overwhelming Nature of Technology

For the small retailer nothing illustrates the emotions between "fear and hope" more than the challenge of dealing with the rapid pace of technology advancements. The fear of cost, complexity, and change may or may not be offset by the hope for the powerful benefits of inventory control and customer information. However, it is the speed of technological change with which many small retailers have the most difficulty. New solution thinking includes:



- Use your website to communicate helpful information: location, hours, promotions, etc. Use it to portray your image, value proposition and differentiation. And use it to encourage relationship communication through email and other interactive features.
- Explore joining retail associations that are establishing new localized shopping destinations on the Internet.
- Invest in new more powerful and less costly information systems to not just cut costs and track inventory but to capture customer data that will help you make faster and better decisions.
- Explore the wealth of information available on the Internet to learn about and stay up to date with new technology solutions.
- Capture customer email addresses as an additional inexpensive communications and marketing channel.

Service Delivery

The experience of receiving great customer service is now a common expectation of all customers in all retail segments. The consistent delivery of such service is still elusive, even among many of the best retailers. Great service is not simply smile training and free gift-wrapping. Rather, it is providing the customer with a subtle mix of product knowledge and personalized care. Only at this higher level can it be a differentiator for small independents. New solution thinking includes:

- Institute formal training programs involving service innovations and enhanced product knowledge.
- Communicate more often and more effectively with employees. Ask them for solutions to raise your customer service bar.
- Explore new avenues to find good people. Expand the search pool by talking with high school counselors and looking more closely at the growing number of retirees who represent a growing, mature labor pool.
- Interview potential hires closely. Determine if they have a passion for retail service. Check references carefully.
- Consider employee ownership through the establishment of ESOP plans, providing a financial stake in the success of the business.
- Consider new ways to conduct team building exercises and new ways to provide motivation programs.

Transparency of Price and Product Information

Consumers have more knowledge and power than ever before in history due to the ease of getting information instantly from the Internet. They now can obtain complete knowledge about virtually all products and prices and they

can compare and contrast choices. This creates added competitive pressures for small independents. New solution thinking includes:

- Recognize that this new reality requires higher levels of sales service and staff knowledge.
- Communicate your high quality value propositions so customers see that your value is more than price.
- Consider providing lots of self-service product information either on your website or in-store with links to manufacturers' information, making it easier for your potential customers to know more.
- Carefully track the changing distribution patterns of the products you sell as brands move into Internet distribution and other mass channels your value proposition may have to change.
- Assume your customers are knowledgeable.
- Listen to those on the selling floor and get feed back from those who have direct contact with the customer. Find out what customers are saying about what they buy and don't buy and why they buy or don't buy.

Management Skills and Capabilities

The increasing complexity of business and the speed of change place an increasing premium on financial knowledge, strategic planning and leadership. This is a critical area of focus for small independents because there is no longer the kind of margin for error that might have existed in the past. New solution thinking includes:

- Don't just rely on your accountants for timely financial analysis. Take ownership of the numbers.
- Succession planning isn't just about your eventual demise. The process can be a powerful catalyst to making your business better today.
- Recognize your weak areas and seek help from knowledgeable consultants, local and state associations and industry colleagues.
- Develop a formal strategic planning process in order to step back from the daily pressures to think about the longer-range issues that will affect your future. Involve your employees, managers and business partners.
- Successful leadership requires consistent effective communication.

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