

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

Issue 41
January 2000

Retail and Service Trends in Wisconsin *What's Hot (and What's Not)*

by

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Are you evaluating business opportunities in your community and not sure which ones have the best chance for success? As we begin the year 2000, the retail and service businesses of our local economies are far different than those operating 25 years ago. Consumer behavior has changed as a result of the growth in "Big Box" stores, increased mobility of consumers, increase in two-income families, and the feeling that time is a scarce commodity.

"Hot" Businesses

In small towns throughout Wisconsin, the prospering retail and service businesses typically offer consumers convenience and support, given their busy and changing lifestyles. Examples include:

Take Out Food: Many two-income families don't have time to cook. As a result, almost 50% of the sales at fast food franchises come from the drive-through window. The hottest area of the supermarket is the deli section. Pizza outlets are thriving and shops selling broasted chicken and sub sandwiches are crowded at lunch and dinnertime. Similarly, catering businesses, "home-made" bread stores, bagel shops, and high-end dessert shops all seem to be doing well.

Home Maintenance and Improvements: Many people today have more money than time, and an increasing number of "well-off older folks" prefer outside help. As a result, people who use to rent equipment to clean their own carpeting now hire a carpet cleaning company. Similarly, maid services are in high demand. Yard care and landscaping services are proliferating. It is difficult to find an electrician, plumber, or carpenter to do a minor job like replacing a switch or fixing a leaking faucet or replacing some molding. Alteration shops are thriving as people no longer have the ability, time, or inclination to sew. Security systems sales and

service are doing well, and building contractors are busy with additions and remodeling projects.

Real Estate Services: In many areas of the state, real estate professionals are prospering, especially those who work hard matching buyer's needs and have aggressively pursued new listings for primary residences, second homes and vacant land. A recent nuance has been the bundling of lawn and home cleaning services along with the real estate listing.

High End Specialty Shops: The market is strong for high-quality goods that command higher prices. Specialty shops carry products not available at the "Big Box" stores such as high-fashion clothing and shoes, expensive jewelry, pro-line sporting goods, unique giftware, art, and gourmet kitchen gadgets. Small manufacturers of upscale custom wood furniture are doing well if they are creative in building something that looks old, but is really new. Most of these shops could not survive on local demand, but can thrive by drawing customers from metropolitan areas.

Leisure Time Businesses: Many higher income, but time-starved consumers seek "experience oriented" goods and services for their free time. These businesses can include adventure sporting goods and bike shops; resort destinations with unique packages; specialty gift stores that reflect interests of local visitors;



and unique theme-oriented eateries (including quality take-out options). Bed and breakfasts that have private baths, separate entrances, and full breakfast are popular. Golf courses do well even with many new courses built in the last few years. Antique shops in tourist areas are successful if they have a variety of antiques at all price ranges. Building centers in areas with summer homes and no "big box" building centers are doing well.

Firms Targeting the Older Population: Retirees with moderate incomes also represent an important market today. In many small communities in Wisconsin, the family restaurant is serving this market by providing low- to mid-range prices for standard cuisine, along with a "place to meet." Art galleries and antique shops, especially those that carefully match their inventories to targeted markets (including the seniors), are doing well. Home health-care services and assisted-living facilities are growing as the population ages. Other services are growing such as estate and financial planning as well as computer training and support for the senior population.

"Not So Hot" Businesses

Many traditional retail shops, and some newer niche businesses are struggling. Examples include:

Hardware Stores: Unless a hardware store has a very profitable sideline such as heating and air conditioning, or home and business security, they are probably struggling. In many places the hardware store has become a convenience store where we can pick up a few screws or nails or other minor items. For major items such as power tools or large quantities of other items people travel to the "Big Boxes". Historically, a third of the store's floor space was devoted to housewares, kitchen appliances, giftware and sporting goods. Very few of these items are purchased in hardware stores today.

Family Clothing or Shoe Stores: Today, the "Big Box" stores offer bargain prices on apparel and the specialty stores offer high quality/higher prices. Trying to serve the needs of the entire family requires a very broad inventory that the small store cannot afford to offer. The regional mall, catalog shopping and now e-commerce are dominating forces serving consumer apparel demands.

Other Traditional Downtown Retailers: Today, variety stores are fewer in number, especially those that have relied upon hardware sales for traffic. Independent pharmacies are scarce, due in part to the large chain stores. Bookstores are struggling due to demographic trends (less time spent reading for enjoyment), large franchises in major shopping centers, and e-commerce. Auto-parts stores and flower shops are also facing difficulties. While many

of us want to recreate the retail mix of the past in our downtowns, today's market realities make this difficult.

Family Restaurants: Many of the traditional non-alcohol establishment that offers counter and booth service and a "home-style" menu are struggling. The breakfast business still seems to be good, particularly on weekends. If these small operations can achieve profitability on breakfast and lunch, they may survive. For the most part the evening meal business has dwindled drastically. After work, many two-income families seem to either buy take-home food or on special occasions go out to a supper club or one of the many new specialty restaurants or sports bars.

Specialty Coffee Shops: These businesses represent a fairly new concept, but already face market challenges. Today's consumer has so many choices at so many different locations, (specialty coffee shops, restaurants that sell coffees, convenience stores, delis, grocery stores, and others). In addition, some coffee chains are getting a corner on the market, especially in larger communities.

Taverns Without Food Service: These businesses continue their slow decline. With changing drinking preferences, the customer is looking for food service and other things to do in "their bar".

Aging Motels: Properties built in the 1950's, 60's, or early 70's that just offer a "good room" with very few amenities are continuing to do poorly. Travelers prefer the newer properties with indoor pools, and chain affiliations.

Youth-Oriented Entertainment: Businesses such as roller rinks and video arcades are struggling. While many remain solvent, more young people are leaving the small towns for evenings at the 10-plex theater near the regional (and distant) shopping mall.

Convenience Stores: In many areas, these stores have been overbuilt. The ones that will survive are the one's that better meet the needs of today's customer with a clean modern facility, fresh baked goods for sale, and maybe some type of deli or co-branded fast food service.

This article does not attempt to include all that is "hot" or "not." Rather, it is intended to point out examples of how consumer behavior has changed and its mark on business opportunities. The market is constantly changing. Business development should be based on a realistic view of the market today (and anticipated tomorrow), not what it was yesterday.

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