



CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT



LET'S TALK BUSINESS

IDEAS FOR COMMUNITY DEVELOPMENT PROFESSIONALS WORKING TO EXPAND LOCAL BUSINESS ACTIVITY

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Co-Existing With the Retail Giants *(continued)* *Strategies for Small Retailers*

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The last issue of Let's Talk Business described some of the impacts that discount mass merchandise stores have on local markets as well as selected community-level strategies for coexistence. This issue focuses on how small retailers can survive under the shadow of these retail giants.

Attitudes and Actions

In general, it is best to have a positive attitude toward the opening of a new mass discounter such as Wal-Mart within your area. Wal-Mart seldom enters a community that does not show strong opportunities for growth. Accept that change can be good and build upon the opportunities that are created.

In a free market economy, all firms, regardless of size, are free to compete. Recognize that a Wal-Mart store will expand the market size being serviced by the community and that there will be opportunities resulting from this expanded market. Also recognize that it is possible to co-exist with large competitors like a Wal-Mart, but you may have to change your method of operation.

Develop and maintain a very positive image and character for your business. Your employees and customers will not stay with a business that is characterized by a defeatist attitude.

Develop Superior Service

Superior service can become an important competitive advantage for many small retailers. Larger stores, such as Wal-Mart, often do not have the flexibility to offer extra service.

- Emphasize expert technical advice. This is particularly true for retailers selling complex items such as electronic equipment or hardware.
- Offer delivery where appropriate.
- Offer on-site repair of certain items.
- Develop special order capabilities.
- Develop a positive return policy.
- Identify services you can offer for an additional fee such as maintenance contracts.

Manage Your Inventory Better

The key to existing with a retail giant is to carefully select the items you offer for sale. Buy smart and work closely with your suppliers. It is vital that you and your employees constantly compare your range of goods and prices to that of the nearby retail giant.

- Try not to handle the exact same merchandise as a mass discounter. Rather, offer complimentary merchandise. If you do offer the same, make sure that you are priced competitively. Try to keep within ten percent of the discount store. Wal-Mart has about 200 items they consider price sensitive, watch their ads.

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- Look for voids in the mass discounter's range of goods. Wal-Mart sells many goods, but it is impossible for them to offer all goods. Try to find a special niche that you can fill.
- Consider upscale merchandise. Not all shoppers within your market area desire low priced goods. Many demand higher quality items that the discounter may not offer.
- Make sure you maintain current product lines by removing obsolete products.
- Present your inventory in a facility that is clean, safe, attractive and has good visual merchandising.

Improve Your Marketing

There is always room for improving your marketing practices. The following are a few that have proven successful.

- Extended opening hours are a necessity. With the large number of two wage-earning families and single head households, the traditional 8-5, Monday through Friday, hours are simply not sufficient.
- Sharpen your pricing skills. Use a variable pricing strategy that incorporates different markups. Lower prices on items that people buy frequently. A few items that are priced out of line will make the customer think that all items in the store are priced high.
- Focus your advertising by stressing your competitive advantage. Plan effective and innovative promotion and advertising and participate in business district promotions.
- Develop an overall theme or message about your store.
- Stress quality of products, service and competitive advantage.

Customer Relations is Vital

How often have you refused to return to a store because of the way you were treated? Word-of-mouth advertising is the most powerful form of advertising.

- Make sure your customers are greeted when they enter the store. Studies suggest that customers are offended if they are forced to find a store employee for help.

- With a smile, offer a "hello," "thank you" and "good bye."
- Get to know the names of your important customers and send them thank you notes periodically. Update your technology to improve customer service
- Have your employees wear name tags.
- Answer the phone by the third ring.
- Schedule a customer appreciation day.
- Make employees "associates." It is important that all store employees feel important and part of the team. Have store meetings frequently to prevent problems before they happen. Employees often have a wealth of ideas, so ask for their opinions.
- Solicit complaints. Without feedback from your customers it is nearly impossible to uncover potential problems.

Conclusions

It is possible to exist in the face of competition from the retail giants such as Wal-Mart. Individual small retailers have survived and thrived with such formidable opponents. Armed with a positive attitude, these retailers have added life to their stores by improving service, inventory, marketing and customer relations.

Many of these ideas were drawn from::

Up Against the Wal-Marts: How Your Business Can Prosper in the Shadow of the Retail Giants, Don Taylor and Jeanne Smalling Archer, American Management Association, New York, NY, 1994

Competing with the Mass Merchandisers, Ken Stone, Small Business Forum, Madison, WI, spring-1991

Competing with the National Discounters-Public and Private Strategies for Small Town, Small Business Success, Meredith Miller and Barbara Cole, Colorado Division of Commerce and Development and the University of Colorado, Boulder, CO, 1991

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