

# LET'S TALK BUSINESS

*Ideas for Expanding Retail and Services in Your Community*

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## Why Many Small Stores Barely Survive and Often Fail\*

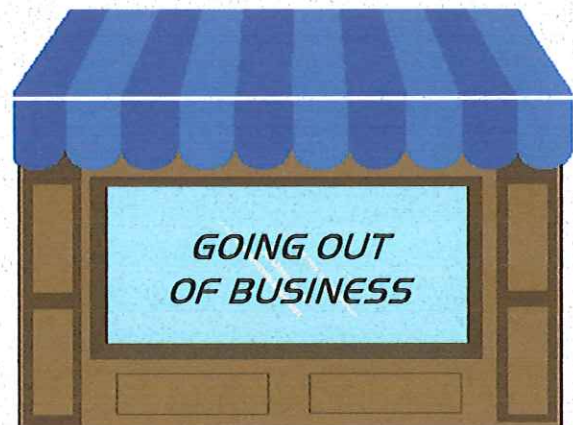
Many small independent retailers in our communities are struggling to stay in business. They are faced with more demanding consumers as well as increased competition from the retail giants. Local economic development professionals and downtown managers can help strengthen the local retail base by recognizing those retailers at risk and supporting them with educational resources and technical assistance.

The reasons why many small stores have problems in today's market was a topic addressed by George Whalen, of Retail Management Consultants at the recent National Small Stores Institute meeting in St. Charles, Illinois. Mr. Whalen, a nationally-known retail authority, believes that our country is not over-stored, but rather "over poorly stored." He shared the following reasons why some small stores have difficulties:

1. **Fail to understand what today's consumers want, need or expect.** Many small retailers facing difficulty often stock their store with products that they like based on their personal tastes. They don't fully understand or appreciate the customer's preferences.
2. **Buy too much of the wrong merchandise or too little of the right merchandise.** Retailers at risk often fail to analyze what items are selling. Carrying the right merchandise requires carefully monitoring of sales transactions by specific product category.
3. **Fail to distinguish their store from the competition.** These businesses fail to pro-

vide the customer with unique products or services that separate them from the competition. Their more successful competitors make the consumer feel like they will miss something if they shop elsewhere.

4. **Spend too much time remembering the good old days.** These retailers prefer to do business the way they have in the past and often resist looking forward. They often avoid current technology as a tool for improving their business. They don't embrace change with a positive attitude.
5. **Fail to plan for the current or future years.** Many small retailers facing difficulty don't have a plan for tomorrow. At the same time, their larger competitors are constantly updating their plans for years into the future.
6. **Don't invest enough time, creativity or money in marketing their store.** Businesses at risk are often boring, dirty, tired-looking and not enticing to the consumer.
7. **Don't offer compelling reasons for customers to do business with them.** Their customers are often drawn away by more aggressive competitors offering their own compelling reasons such as frequent-buyers



- clubs, convenience, value, fresh merchandise, friendly staff, and special events. They need to increase the customer's perception of value.
8. **Have the wrong people serving their customers.** Too often, struggling small retailers have made staffing decisions to hire family members or friends who may not have the appropriate customer service skills. Their focus should be on hiring the best people who focus completely on satisfying customers.
  9. **Spend too much time worrying and thinking about what the retail giants are doing.** Many small retailers that are facing difficulty focus too much on what the large competitors are doing. Their energy should be spent figuring out how they could more effectively coexist with these larger retailers. This includes gathering and analyzing their own management information regularly.
  10. **Don't improve their own personal knowledge and skills.** Many small store operators that have lost touch with their market have not devoted time to continued education. This includes visiting and learning from other stores as well as reading about the business success strategies of others. In particular, these businesses need to sharpen their marketing skills.

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\*Drawn from a presentation by George Whelan, Retail Management Consultants, San Marcos, CA at the National Small Stores Institute Workshop, March 2, 1999, St. Charles, Illinois. Additional insights from Up Against the Wal-Marts, Don Taylor and Jeanne Smalling Archer, AMA, 1994. This summary was prepared by Bill Ryan, Community Business Development Specialist, UW-Extension, Center for Community Economic Development.

The reasons why many stores barely survive and often fail can be used as a tool in business districts to help identify those retailers at risk. Many of these businesses could benefit from the practical and innovative ideas of experts such as Whelan who remind us of the importance of developing a true customer focus. In Wisconsin, educational programs offered through UW-Extension and its Small Business Development Centers provide an important vehicle for delivering this message to small retailers.

Two additional sources that have been very helpful to small retailers include the following books: Up Against the Wal-Marts, Don Taylor and Jeanne Smalling Archer, American Management Association, 1994; and Competing with the Retail Giants, Kenneth E. Stone, John Wiley & Sons, Inc., 1995.

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