Developing Your Town's Retail Potential

Introduction

Retailing in Iowa could be called a "zero sum" game. Whenever one town makes significant retail gains, some other towns lose. Iowa residents and visitors will spend approximately $29 billion dollars on retail goods and services this year in our state. Some of our more aggressive retail communities are increasing their shares of this huge retail "pie", but at the expense of some of the more complacent retail communities. Shoppers are drawn to retail centers much as iron filings are drawn to magnets. In other words, strong magnets will draw iron filings from a long distance, while weak magnets will draw only from a short distance. Likewise, strong shopping centers will draw people from a long distance, often pulling customers from weaker centers. How strong is your town's retail magnet?

Background

For over 40 years there has been a steady out-migration of retail sales from many of Iowa's smaller towns to the larger metro areas. Today, retail sales in our capital city are at a very high level, indicating that retailers there are servicing the needs of the 200,000 residents plus those of approximately another 200,000 from the surrounding area. Most of the other metro areas are also servicing large trade areas. Conversely, the retail sectors of the nearly 800 small towns under 2,000 population are faltering. On the average, these towns are experiencing retail leakage, indicating that most are not servicing even the needs of the town population.

However, there are steps that all towns can take to improve their retail sectors, or to at least maintain the status quo. The following procedures typify what people in some Iowa towns are doing.

Step 1 - Organizing

A good organization is necessary to develop and carry out plans for retail development. In most towns, a committee structure usually provides the fairest way of getting citizen input. Typically the committee is originated by the Chamber of Commerce or the Economic Development group. Its primary function is to get the community to focus on the retail sector. The committee should attempt to generate the same kind of enthusiasm for retail development as is usually found for industrial development.

The committee should be broadly representative of the whole community. At a minimum the following groups should be represented.

- Consumers
- Retailers
- City government
- News media
- Industry
- Financial institutions

To enhance the operation of the committee, strong emphasis should be placed on appointing "movers and shakers" where possible. Most importantly, a strong leader, respected by the community, should be appointed as chairperson of the committee.

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Step 2 - Factfinding

Before embarking on a retail development program, community leaders should ensure that town residents have as many facts as possible concerning the status of the retail sector. Iowa State University Extension service has been conducting retail trade analyses for more than 25 years. The main purpose of these studies is to inform business people and other citizens of the history and current status of their retail sectors.   By knowing the relative strengths and weaknesses of a town's business district compared to those of competing towns, it is hoped that merchants will build upon strengths and capitalize on the areas of opportunity. The following data sources may be helpful.

Sources of Data

* Trade Area Analysis.

Most of the data in the analysis is based on the *Iowa Retail Sales and Use Tax Report.* This report is complied by the Iowa Department of Revenue from state sales tax returns. It graphically shows a town's retail sales trends over several years and compares them to those of competing towns. The program also compares a town's potential retail sales to its actual sales for several merchandise groups to see if leakages or surpluses are occurring. The reports publish data from all towns in the state that have at least 10 businesses with sales tax permits. For towns above 2,500 population, the report also lists the sales for broad merchandise categories such as building materials, food, apparel, etc. The sales for counties are also listed for merchandise categories and in total. Although there are some minor quirks in this data base, it is more complete and more reliable than those from most other states.

* Community Survey.

In this program a town's trade area residents are surveyed to determine their shopping habits and attitudes toward existing and potential community facilities. This step involves some expense to the community and should not be undertaken unless there is a strong consensus that the information is vital and will be used. When properly done, a community survey can serve as the principal framework for retail development.

* Retail Space Inventory.

This program involves someone compiling the total square footage of retail sales space for the town and comparing it to the "justifiable" area to see if a town is "over-retailed" or "under-retailed".

More detailed information about these Iowa State University Extension Service programs can be obtained by contacting your County Extension Office or by visiting the website:

www.seta.iastate.edu

Factors to Consider

When we think about it we realize that there are several factors that may affect the retail sales performance of a town.

Geographic Location. The physical location of a town is perhaps one of the most important factors in determining the success of the retail sector. For example, towns located on rail lines, major highways and/or navigable waterways may have an advantage in attracting industry which is important in building an economic base.

Economic Base. The economic base refers collectively to the organizations that provide jobs for people and to the income derived from these jobs. These organizations could be farms, manufacturing firms, service firms, governmental agencies, hospitals, retail and wholesale businesses, etc. There are large variances in economic bases among towns. As one would expect, the towns with better economic bases usually show better retail sales performance.

Distance to Larger Towns. People tend to shop in their own town or nearby towns for items where convenience or service is the primary reason for choosing the shopping location. A large range of items fall into these categories. Examples are hardware, drug and hygiene items, hair grooming shops, banking, auto service, groceries and many more.

However, people are willing to travel considerably longer distances to shop for items where selection and price are the main criteria for buying. Many people tend to travel to more distant larger towns (consistent with their budget and preferences) where they perceive that they can find the type of merchandise they are seeking. Clothing, shoes, jewelry and many items found in large department stores fall into these categories.

Shopping Convenience. More and more shoppers show preferences for shopping centers that provide convenience and ease of shopping. This begins with providing plenty of nearby parking. One major mall that we know of even tries to group stores of a similar type together to make comparison shopping easier for customers. The controlled environment of the enclosed malls also is an attractive feature when one considers the alternatives of trudging through ice, snow and slush or sweltering heat.

Age of Population.
The age distribution of the population is somewhat dependent on the economic base of the area. Areas with well developed economic bases attract younger people because of the job opportunities. Therefore, the average age tends to be lower in these areas. Conversely, areas with poorly developed economic bases do not attract, and in some cases repel, younger people. Consequently, the average age tends to be higher in these areas. In general, retail sales per capita tend to be higher in areas of younger populations because of the added purchases necessary in raising children and in setting up households. The opposite tends to be true in areas of older population, because of less need to purchase many consumer items.

Merchant Cooperation. Observations of many towns indicate that the success of the retail sector is directly related to the degree of cooperation among the merchants. Cooperative efforts are necessary for successful promotions, night opening coordination, shopping center beautification, parking provisions and other features that help attract customers.

Step 3 - Brainstorming

The first meetings of the committee should be spent reviewing factfinding material and attempting to determine what local customers want and need. In fact it is usually beneficial to make lists of the town's strengths and weaknesses. Some towns have then found it beneficial to conduct "brainstorming" sessions to solicit ideas for retail development.

At brainstorming sessions everyone is encouraged to submit three or four ideas for improving the retail sector. No idea is rejected. However, the committee should develop a priority list for the ideas, based on a consensus. Many times brainstorming sessions produce very good ideas that become the basis for developing a plan.

Step 4 - Planning

After feasible ideas are generated through brainstorming sessions, they need to be organized into plans. Plans should be classified into two major areas: 1) marketing, and 2) environmental. Marketing plans should consider those things that directly affect the marketing of goods and services. Environmental plans should consider those things that enhance the looks and convenience of a town's business district, but influence marketing only indirectly. Of the two plans, primary emphasis should be placed on marketing. Given the choice, most shoppers will respond more vigorously to better selections and prices than to more attractive surroundings. The ideal situation, however, is a combination of good marketing and attractive environment.

Marketing Plans. Marketing plans should be developed on a realistic basis. Many factors such as the size of the town, the proximity to larger towns, the income levels of customers, etc., need to be considered. The following guidelines may be useful in developing plans.

* Concentrate on improving selection of shopper's goods. Good selections of clothing, shoes, jewelry, sporting goods, etc., are strong attractants to business districts. Selections can be improved through expansion by existing businesses and/or by new businesses.

* Encourage competitive pricing. Customers respond to price on many types of merchandise. When they perceive that they can more than pay for the trip to another town with lower prices, they will leave. It is possible for many merchants to raise volume and net profit by lowering prices.

* Encourage modern store policies and services. Many customers have become accustomed to liberal policies on the return of unsatisfactory merchandise. Stores that refuse to make refunds or equitable adjustments will lose customers.

* Strive for outstanding customer relations programs. Customers leave stores and towns because they are mistreated by store personnel. Encourage all stores to work toward making your town known as the most customer oriented town around. For many stores, a minimal investment in improving customer relations can yield huge returns in increased business.

Environmental Plans. Fixing up and painting up are great, but unless accompanied by improved marketing, little improvement in sales will result. However, some environmental actions are fairly easy to accomplish and may be taken initially as a way of showing customers that changes are underway. The following environmental actions are examples of things your merchants may want to consider.

* Develop sufficient and convenient parking. Many towns are eliminating parking meters. Store employees should park off-street, away from the business district.

* Develop attractive store fronts. Some towns have restored, others have renovated. The primary goal should be to increase attractiveness and emphasize uniqueness.

* Regulate traffic flow to minimize interference of autos with pedestrians. This sometimes means re-routing a main highway around a business district or creating pedestrian malls.

* Provide shopper amenities. Particular attention should be devoted to providing restrooms, benches, shade trees, and restaurants.

* Make shopping fun and interesting. Larger towns may want to consider scheduling antique shows, art exhibits, auto shows, car washes, etc.

Step 5 - Implementing

After plans are made they need to be refined through interaction with the entire community. The final plans should have the support of the majority of the community, after which they can be put into writing and into action.
It is a good idea to begin the implementation phase with relatively simple actions that are easy to achieve. Initial successes are essential for long-term progress. Some communities have found a town clean-up day a good way to kick off the program. Others have removed parking meters, staged promotions, conducted customer relations programs for employees, etc. But, regardless of the initial actions, primary emphasis must be placed on making the town a better place to shop. In other words, the long-term goals should be to increase the strength of the town's retail magnet.

Some Positive Thoughts

It is easy to become morose when pondering the future of Iowa's small town business districts. Yet there are many positive thoughts that need to be kept in mind while planning for improvement.

1) Many towns people really don't want to leave your town to shop elsewhere. They usually leave because they perceive that shopping is significantly better in another town.

2) There are marketing opportunities in virtually every town in Iowa. The trick is in recognizing them and capitalizing on them in a way that is profitable.

3) Owners and managers of smaller stores have more flexibility in meeting the special needs of customers. For example, many small firms can meet special needs for delivery, service, credit, advice, etc., better than larger, highly structured firms.

4) Shoppers will shop where their wants and needs are satisfied. Therefore, the key is in recognizing what these wants and needs are and doing everything possible to meet them.

Let the People Know

Once citizens of a town seriously decide to undertake a retail development program, they need to bring it to the attention of the public. This can be done through various promotions. Sometimes it is useful to adopt a town motto, focusing on the town's strengths and its competitive advantage. This motto is then emphasized in advertising. It seems to be beneficial to promote the whole town as a shopping center. Even individual merchants can emphasize this in their ads.

Above All - Cooperate

The single most important ingredient in developing a successful business district is citizen cooperation. When only a few merchants participate in the development process, it probably will be unsuccessful. All out efforts should be made by responsible people to get disinterested merchants and townspeople involved. Once they get involved, the chances of acquiring their cooperation are enhanced.

For More Information Contact:

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