

# **SMALL BIZ SURVIVAL**

THE RURAL AND SMALL TOWN BUSINESS RESOURCE



## **Retail Tips for Small Town Stores Staying Competitive**

**By Becky McCray**

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## Be Open the Right Hours

Limited hours are the number one complaint I hear about small town business. You're smart, so I'm sure you are open more evenings and weekends.

**Why? Because "70% of all consumer retail spending takes place after 6:00 pm."**

[That's according to Roger Brooks.](#) "While we [customers] are moving to the European standard of dining and shopping later in the evenings, downtowns haven't made the change at all."

**Idea 1. Be open during the best retail times.**

[Bob Phibbs, the Retail Doctor, said,](#) "Studies have shown that, in order, these are the best money making times for retail:"

1. Saturday 11 am – 1 pm
2. Saturday 3 pm – 5 pm
3. Sunday 3 pm – 5 pm
4. Sunday 11 am – 1 pm

If you aren't open weekends, you just missed all four of these.

"Build a schedule for your employees around those higher sales times. Put the customer first when you schedule, not the employee," Phibbs said.

**Idea 2. Be open during evening sales, strolls or art walks.**

This lets you ease businesses into longer hours a little at a time. Have artists display their works or musicians perform. Put out refreshments. Run specials or offer other incentives.

**Idea 3: Tie in with businesses that already do evening hours.** Check all your existing businesses to see if some, like banks, already stay open late. Use their open hours as an anchor to help attract other businesses.

**Ideas 4. Share the cost of adding staff.**

New evening and weekend hours will mean a need for increased staffing for most businesses. Catherine Sak, Executive Director of Texas Downtown Association, said: "I'm part of an open group on LinkedIn – [Downtown Revitalization](#) – and one group member mentioned they were considering developing a shared employee program so that small businesses wouldn't have to shoulder all of the cost of having additional employees – especially for later hours. Really cool idea that could benefit everyone."

## 4 Ways To Beat Bigger Competitors

How can your small town business take on the bigger competitors? Whether you're facing the big boxes, the big city shopping, or the online big boys, you can try these four ways to beat them back.

1. **Tell your human story.** Your business came from somewhere, was founded by someone, touches real people. When you tell your story, you build relationships.
2. **Your culture and place matter.** You have a better connection with what your people want, how they like to be treated, and what touches their emotions than any big company can. You're part of a business community that drives the prosperity of your town. Support each other.
3. **When you have a competitive or better price, hammer on it.** You have to overcome people's perception that small town businesses have higher prices. It doesn't have to be on every single thing, but I'll bet you can be competitive on many prices. Plus, you may represent a better value because of what all you add. Make sure you show people.
4. **When you have better quality, tell that story.** This is where people's perceptions work in your favor. The general perception about quality and service at big companies isn't good. Take advantage of it. Flaunt your great customer service. Revel in going above and beyond for your people.



You can tell these stories in your ads, in your online presences, in signs and displays, and most importantly by making sure all your people know and share them, too.

## 4 Ways To Get More Shoppers Through Your Doors

### During The Holidays

Here are a few things you can do right now to set yourself up for the best holiday season possible.

**First, make a plan to reach out to your customers during the holidays.** If you use traditional advertising or nontraditional online tools, make a plan, have a theme, and work extra hard to connect with people where they are, whether that is online or offline. I don't mean just connect, like a friend request. I mean really connect, like two people sharing stories. Share your business's story with them. Connect to local traditions.



Too many of us lurch through the season with no plan, saying yes to random offers to buy ads or just reusing old ideas and old ads. Spend the time to make this year different and better. Call up a retail-minded friend and brainstorm!

**Second, set holiday hours for your customers' convenience.** The decisions you make about hours play a huge role in your total sales. If you are closed during weekends, you are missing out on big opportunities. You may need to get tough with yourself and your helpers and expand hours this season.

**Third, make sure you have what your customers want.** All the promotion in the world won't drive customers to a business that doesn't offer what people want.

**Fourth, clean up your external selling space.** If you want more people to come through the door, don't let a dirty outside space turn them off right outside! Create attractive window displays.

## Surviving the Show-Rooming Battles

Customers, even in small towns, are standing in local stores and using their smartphone to compare prices with online retailers. If the product is cheaper at the online store, they order it immediately, and the local business just lost a sale.

It's extremely hard to compete on price alone. Especially when the local business pays for the store, provides jobs for the retail clerks, gives customers the education and information, and everything else that goes into being the show room. And then the online retailer doesn't collect sales tax, giving them an additional price advantage (and hurting your municipal government.)

### **Solution: Connect with customers.**

Don't try to stop customers from getting online in your store. In fact, offer them wifi. Make it easy, and then get to work building a personal connection.

Customers need *reasons* to choose to buy from you, and they need to *connect* with you.

#### **1. Offer them something special not available from online retailers.**

This could be a bonus with their purchase, personalization, gift wrap, or a discount.

Carry more exclusive items, especially local items. If no one else has it, customers can't buy it from some online store.

Give better service. Be the trusted adviser that online stores can only try to emulate with software.

#### **2. Be part of your community and worth supporting.**

That online mega-store isn't sponsoring the local Girl Scout troop, are they? So talk about your causes, not just with in-person customers, but in your ads, with displays and signs in your store, and on your social networks.

#### **3. Invite the comparison, but make it fair.**

Invite customers to check your prices against the online shops, but make sure they add the items to the cart and check out taxes and shipping. That's just one tip from an article on ["proactive showrooming" from the Retail Owners Institute](#).

## Keep Your Prices Competitive



The [Retail Owners Institute](#) has benchmark performance metrics for 52 retail segments publicly available at no cost. [Bless their hearts!] It's in the section labeled [Store Benchmarks](#).

Find the closest match for your retail segment, then find gross margin. It shows you how much of each sale was left over after paying for the merchandise. That's an upside down measure of markup.

Let's work an example. The average gross margin for Gift, Novelty and Souvenir Stores was 47.9% in 2009. So on a \$100 item, on average the store paid \$52.10 for the merchandise, and had \$47.90 in gross margin to pay for everything else. Now we just have to convert that into a markup.

### How to translate a gross margin percentage into a markup percentage:

- Convert the gross margin percent into a decimal:  $47.9\% = .479$
- Find the gross cost:  $1 - .479 = .521$
- Invert it:  $1 / .521 = 1.919$
- Subtract one:  $1.919 - 1 = 0.919$
- Convert back into a percentage:  $0.919 = 91.9\%$
- That's the markup: 91.9%

That's pretty close to keystone (100%), isn't it? That's probably what most gift retailers are using.

So, now some of you are wondering what to do with that markup percentage. That's takes more math, but it's pretty easy.

(continued...)

**How to figure a retail price from a markup percentage:**

- Convert the markup percent into a decimal:  $91.9\% = .919$
- Add one:  $.919 + 1 = 1.919$
- Multiply 1.919 times the wholesale price.
- The answer is your retail price.

If this were my store, I'd round off to 92%, 95%, or maybe even 100%. No need to be overly-precise.

All of this is just to give you a starting point. You will want to adjust up or down, based on what makes sense for your business.

**Test pricing**

So if you were in the gift retail segment, you might take several items and test price them. Multiply the wholesale price by 2 to get your proposed retail price. Compare that to other retailers, including online. Would you be competitive? Would that work for your business?

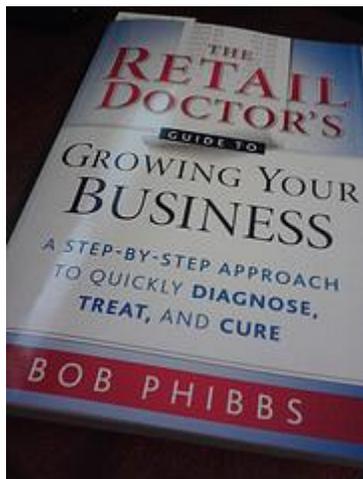
Now that we've gotten you started, it's up to you. Run the numbers on your business.

**You're not alone**

It's normal for this to be difficult. Setting prices is an arcane art form, and no one wants to talk about it. Use these guidelines to get started, and test. That's your best way to make sense of it and stay competitive.

## The Retail Doctor Makes A Small Town House Call

Bob Phibbs is The Retail Doctor<sup>®</sup>. (No, really, that's his registered trademark.) And he has the credentials and experience to have a valid claim to the title. He's helped many ailing retail businesses get healthy. He is the author of [The Retail Doctor's Guide to Growing Your Business](#), a practical and tough guide for retail business owners. (Highly recommended.) I sent some



small town specific questions, and Phibbs was kind enough to pay us a house call.

### **1. In a small town, retailers have a limited supply of potential customers. How can rural retailers survive?**

There are three things to consider. First, people probably drive from farther away to go to your store, so as a business owner, you have to give them a good reason to keep coming back. Don't assume that you are a customer's only option.

Second, stores need to evaluate if they are really holding on to all of their existing customers – or if they have bought into the lie that everyone already knows about them.

A few years ago when I was hired to help a coffee chain improve their business, I walked 1000 homes in ½ mile radius of their store. The results were surprising- less than 25% of the people knew the store existed. While this may seem like bad news and sure, in some ways it was, it helped us focus the store's marketing efforts to know what they could do better. One year later, we assessed the same people and 90% of them knew the store's tagline and knew the location. Don't assume that everyone knows you because you're in a rural area and the options are limited. The chances are good that they don't.

Finally, is your store viewed positively in the community? God forbid you've burned through the neighborhood and are known to be a bad business for whatever reason. Does Bitter Betty work for you? Do customers loathe their experience with your employees? You need to know if people have a negative taste in their mouth about your store, and if they do, you'll need to do some reparations to your brand before you do any further marketing. Marketing to people to get them in the door, but putting them in touch with an unpleasant staff that prevents them from coming back, is wasted effort.

### **2. Small town retailers often have to adopt a higher markup than the big city stores. This can be because of limited volume, higher wholesale prices or transportation costs. What can they do to not lose sales?**

Learn how to make sales and don't assume the merchandise is going to sell itself. The reality is

that people always complain about prices in rural areas – but at the end of the day, they'll pay for convenience if you make the store a place that makes them feel better. That's what's missing in most retail. You can't be like a Wal-Mart and just stack it and hope someone will buy it. The reality is you're going to have to do a better job of displaying and selling it to justify selling it at that higher price. If you do these things, you'll gain loyal customers who are willing to pay a little more for your product because they appreciate the extra effort you've put forth to get it into their hands.

**3. Since small town retailers face the same online competition as big city stores, how can they make up for sales lost to online sources?**

I don't think small town retailers should even worry about competing in the online space. Control what you can control. Look at *your* four walls. Unless you're going to be like Amazon, stay in your own ballpark. Do what you do best and focus on your business. Don't focus on online competitors.

**4. Limited workforce is another big issue in small towns. Are there special techniques retailers can use to manage their smaller workforce?**

Rural or smaller town retailers typically set their hours for what's comfortable for them to begin with not what's comfortable for their customers (i.e. closed on Sundays, limited hours on Saturdays, close earlier during the week). More than likely the hours they've chosen aren't the best times to make money.

Studies have shown that, in order, these are **the best money making times for retail are on Saturdays and Sundays**. If your store is closed on Sundays, you may be missing out on two of the top four money-making times! You have to test these against your store to see if it proves true. Most retailers have computer programs that can track transactions for every ½ hour block of time. Compile these reports on a monthly basis and look at times when the most sales are happening. Build a schedule for your employees around those higher sales times. Put the customer first when you schedule, not the employee.

I offer many more tips and solutions for retail business owners in my book "The Retail Doctor's Guide to Growing Your Business". Learn more at [www.retaildoc.com/guide](http://www.retaildoc.com/guide)

## Small Town Retail Ideas Under \$50

At the [Revitalize WA conference](#) I sat in on a session by Scott Day with [Urban Development Services](#), on Fifty Ideas for Retailers That Cost Less than \$50. Here are some of the best ideas.

People are not buying the same way they did three years ago. People are thinking and buying "inexpensive" far more often. Scott recommended a few tactics to take advantage of it:

- Emphasize repairs
- Provide add-on value such as personalization
- Sell or include service plans

Scott divides retail into nine segments: three categories, each with three price points. There are traditional, contemporary, and hi-tech/funky retailers, and they can be cheap, moderate or expensive. Key point: make sure the appearance of your retail business gives the same impression that you intended and that matches your prices.

### External selling space

This is your outside: your sidewalk, facade, sign and windows.

If you park in the back of your business, make sure you walk out front every single morning and check your sidewalk and foyer. Clean up and sweep as necessary every day.

Improve your signage. Good signs can measurably boost sales. And you should measure before and after, when you invest in a sign.



Awnings can be great, or can easily look dirty. If you are installing awnings, Scott recommended avoiding barrel or vaulted awnings. Also, stripes hide streaks (from drips, runoff, etc.) better than solid colors. Awnings are washable, too, something many retailers never do.

Scott said no retailer should need a neon open sign. It should be obvious when you are open. You might open the front door or set out special exterior displays to make it obvious.

Your front door conveys an important message to your customers. Tape nothing to your front door. Nothing. Find another place to put signs and community flyers. Upgrade your hand-printed hours signs. Using a computer, you can easily make something with polish and a bit of personality.

Clean first impressions:

- Entryway is swept and washed
- Windows are washed once per week
- Windows are free of scotch tape
- Windows have only the store's name and hours
- Interior of the display window is vacuumed

## Window Displays

"Window displays are always mentioned by merchants as their best form of advertising," Scott said. "They form the customer's first impression of your business."

Dirty windows discount the value of your business. One drug store Scott mentioned would wash their windows daily. The owner said that customers who saw dirty windows would wonder about the cleanliness of his drug counter.



Think of window displays as display ads: don't over-clutter them like supermarket specials. Instead, create something that can motivate customers in less than 3 seconds.

A good window display:

- can be seen from across the street
- takes less than an hour to do
- encourages the customer to make the effort to cross the street
- and sells merchandise.

Good attention getters in window displays:

- Floating or suspended objects
- Motion
- Changes in light or color
- Personification, where the merchandise takes on human qualities

Small items can be lost in big window displays. Upsize them with photo blow-ups. Small items carry more weight as repeated or stacks of items.

Front window glare can keep anyone from seeing your amazing displays. To break the glare, set items back from the glass, light them well, and bounce light out the window. Halogen spot lights aren't much on energy efficiency, but they do a great job lighting items in the window.

Cooperate with another store in town to cross-merchandise. Put their items in your windows and vice versa. One kids clothing store borrowed some used tires for a striking window display.

### Floor Plans



Floor plans matter. You need to expose the customer to as much merchandise as possible in a clear and concise manner. The area just inside the door and around to the right are the superior selling areas. The back corners are non-performers.

One smart move: make your back wall a wall of WOW! Let it draw customers in. Where their eyes go, their feet will follow, Scott said. Clear the sight lines to hard-to-see

sections.

Keep merchandise everywhere customers look. No matter which direction they look, let them see items for sale. For example, 4-way racks for clothing are great for keeping merchandise facing customers.

Keep your store looking full. Use striking display items to fill empty spaces. One cosmetics store used colorful printed shopping bags from their national brand to fill the top shelf area. It gave great graphic appeal, but cost very little. A hardware store bought empty paint cans (with labels) from their national brand to fill in a huge open wall area over their paint display. Paint sales actually went up, because customers perceived they had more in stock.

Get your personal junk out of the front room. And get business junk out of the front room. Use or even rent storage as needed.

### Interior Signs

Handmade signs are OK for handmade merchandise only. Restaurants can use hand-made signs for daily fresh items, but not for staples or other items on sale. Even partially printed signs that allow the retailer to fill in details by hand are better than ones entirely written by hand.

Signs and price stickers on florescent-colored paper convey “cheap.” And putting too many bright-colored sales "burst" signs is not believable.

### **Interior Displays**

Light merchandise with halogen spots for a more premium look. For a cheap look, use broad fluorescents.

All elements in the display should tell a complete story and create a sense of urgency.

### **Make Them Comfortable**

Offer chairs and seating areas. You can go as far as making it into a hangout. One women's clothing store put in a waiting area with drinks, recliners and great cable tv. Guys don't seem to mind shopping there now.



Give shoppers baskets. Customers will tend to self-limit their purchases to what they can carry, rather than make trips to the counter.

Avoid deadly silence. It makes customers feel like they are intruding or being watched.

### **Inventory Control**

If you aren't using a computerized Point of Sale (POS) system, make a simple binder and develop your own inventory worksheets. There is no need to close down to count items. You can keep a current count monthly by counting just 1/4 of each department each week.

You need good inventory control for two reasons, Scott said. You need to know your best selling and highest profit items. And you need to be able to diagnose the reasons for poor performers.

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