



Texas Agricultural Extension Service

Developing Your Local Economy: Basic Retail Marketing

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Retailing is a challenging, highly competitive, dynamic part of a community's economy. In the same market area, some retailers fail and other retailers prosper and grow. Often, the most identifiable difference between successful and unsuccessful merchants is that successful merchants are better at marketing.

This paper focuses on marketing for comparatively small, independent retailers. The first section of the paper identifies some key questions that retailers need to answer as they analyze markets and explore ways to strengthen their marketing program. A second section of the paper discusses specific, practical ideas. Some of the ideas can be part of individual marketing programs while other suggestions require a cooperative effort among community businesses.

General Marketing Considerations

Most successful merchants systematically assess the following:

- Is local competition getting more or less intense? Are new entrants capturing market share from established firms or is the overall market being broadened so all merchants have access to more potential customers? Are identifiable market niches being captured by new entrants? Are firms vacating market niches that someone can fill?
- Is more competition coming from outside of the market area? Are catalog and telemarketing sales cutting into market share? Are there new dis-

count outlets, malls or other shopping opportunities within commuting distance?

- Are changes occurring within the consumer population that affect the way merchants have to do business? In general, contemporary consumers are better informed, busier, more mobile, more demanding and older than their counterparts in previous generations. Also, new market segments sometimes emerge and can be served. For example, racial or ethnic minorities and senior citizens are increasingly important market segments for some products in many areas. How are these changes affecting current sales? What future challenges do the changes present? Will management styles, operating procedures and sales campaigns have to be modified?

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- Is sufficient time and effort being invested to understand modern merchandising and promotion techniques? In our mass-production, mass-consumption economy most products are available from many outlets. Consumers frequently differentiate between stores because of the people they deal with in retailing. What can be done to improve customer satisfaction by strengthening "people skills?" What new merchandising and promotion techniques should be adopted?

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The primary purpose of an assessment of market conditions is to provide the insight that is necessary for an effective marketing strategy. There are four distinct steps in creating a marketing strategy: (1) understanding and targeting the appropriate market segments, (2) selecting the right products, (3) packaging and (4) promoting. When combined, the four steps yield a set of deliberate decisions about the people with whom the retailer expects to do business and how customers will be attracted.

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Typically, market segments are delineated by consumer numbers, income levels, gender, age and measurable product preferences. In turn, products that match customer's willingness and ability to buy are stocked (these are not necessarily what the merchant prefers or the wholesaler wants to sell - **they are what customers want to buy**).

Packaging refers to a wide assortment of things that influence consumer's decision-making when choosing one store rather than another. Packaging includes product pricing, credit availability and conditions, return policies, service, operating hours, employee knowledge, store attractiveness (cleanliness, lack of clutter, signs, window displays, etc.), location, merchandise display, frequency of sales, parking, follow-up thank you notes and anything else that affects the customer's satisfaction or perception and determines a retailer's competitive position compared to rivals.

Promotion is the final step in a marketing strategy. The challenge is to select the right delivery mode to reach the right people with the right message. Promotion is costly but is usually necessary to inform consumers and maintain the store's competitive position. Retailers who concentrate on narrow market segments especially have to be careful to plan promotion campaigns to maximize the effectiveness of each dollar spent.

Practical Ideas

In addition to fine-tuning an idea to fit a specific retailer's or community's needs, a decision about whether the focus of a marketing activity will be to attract new customers (acquisition marketing) or keeping present customers (retention marketing) is required. The ideas below are meant to provide "food-for-thought."

- Conduct a consumer opinion survey that identifies retail sector strengths, weaknesses, consumer shopping patterns and solicits suggestions for improvement. A consumer survey is an excellent first step in generating support for a comprehensive program to improve community retail business.
- Increase the professional level of the sales staff and market that professionalism as part of the package offered to consumers. Ideally, sales people should know how to use products well enough to answer questions and teach customers. If sophisticated technology is involved or if the retailer is making a determined effort to reach a new group of consumers, informal "how to" classes may create a favorable image and gain customers.
- Create a systematic method of identifying and reaching newcomers to the market area. Emphasize efficiency so newcomers are contacted quickly and made to feel welcome before they develop a habit of shopping elsewhere.
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- Implement a gift certificate program involving a variety of independent merchants. One marketing technique that most malls use is to sell gift certificates that are redeemable at any mall store. Independent retailers outside of a mall can do the same thing: sell gift certificates redeemable at any store in the cooperating group. This tactic especially may be beneficial if the majority of retail and service businesses in a small town agree to adopt community gift certificates as one way to keep more consumer spending in town.

- Study modern visual merchandising and adopt techniques that are economically feasible. Visual merchandising includes all of those things that passively influence customers: use of signs, outside appearance, window display, merchandise display and general attractiveness. Given the intensity of competition, it is obviously important to create an attractive, inviting, up-to-date image.
- Consider catalog sales as a way to increase market access. Catalog sales are convenient (usually can order by phone 24 hours a day), reputable and growing rapidly. It is not necessary to be a nationwide catalog retailer - it can work in a small region as a supplement to in-store sales. A recent innovation involves a number of retailers combining a part of their promotional budgets to produce a joint catalog (consumer access is through a "1-800" number). A cooperative catalog could be developed by a community retail sector.

Summary

Retail merchants need to sharpen their marketing skills and programs if they expect to remain competitive. Comparatively small, independent retailers cannot afford access to full-time marketing experts. They must develop their own marketing programs, so it is frequently advantageous to cooperate with other merchants.

A general recommendation is that small retailers have to market the things they do best: outstanding service, knowledge, fairness, integrity, convenience and all of those other things that customers find appealing. Specific recommendations include conducting a consumer opinion survey, developing better customer relations and visual merchandising, catalog sales, establishing an effective way to attract newcomers to the market and creating a gift certificate program.

Assistance is available from a variety of sources. Membership in professional organizations and subscriptions to trade magazines are excellent ways to keep current and learn from others. Educational institutions offer numerous courses, seminars and

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workshops that can improve overall management skill, including marketing. A wide range of reading material is available. Consumer opinion survey ideas and courses on customer relations and visual merchandising are available through the local county Extension office.

For More Information

Several related materials are available from your county Extension office or from the Economic Development Project Group (409) 845-4445.

Market Penetration: How Well Are Your Merchants Doing?

Shows how well merchants capture consumer spending. Available at county levels for all 254 Texas counties (ED Project Group information paper 88-02).

Developing Your Local Economy: Consumer Opinion Surveys Using Consumer Panels

Explains a low procedure designed to solicit consumer recommendations to assist the local retail trade sector (L-2257).

Main Street at Work

A set of four videotapes that describe the process of redeveloping a downtown business sector (20 minutes per tape).

Customer Relations I: The Care and Feeding of Customers

A teaching package that provides everything that is necessary to conduct a program on the principles of good customer relations. Includes a videotape.

Customer Relations II: Turning Lookers Into Buyers

A teaching package that covers the principles of effective selling. Includes a videotape.

Visual Merchandising

A slide set that illustrates the elements of good visual merchandising. A script is included.

Understanding Your Local Economy: The Consumer Opinion Survey

Describes a mail survey procedure that provides insight into where local consumers shop and reasons for shopping out of town.

Educational programs conducted by the Texas Agricultural Extension Service serve people of all ages regardless of socioeconomic level, race, color, sex, religion, handicap or national origin.

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