

## Business Strategies of Successful Rural Retailers in Competition with Large Discount Retailers in the U.S.

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## 대규모 할인점과의 경쟁에서 성공한 미국 농촌 소매업자들의 경영전략

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### Abstract

Since community growth and vitality frequently depend on local businesses and community inhabitants depend on local retailers for their daily necessities, studying small businesses in rural areas is important to community sustainability. The purpose of our research was to investigate what marketing, merchandising, customer service, or business operation strategies were being implemented by successful independent rural retailers(i.e., clothing, jewelry, floral, hardware etc.), in competition with large discount stores in the U.S.. In addition, social capital as indicated by community involvement was examined for its use as a business strategy that contributes to the success of small retailers. In-depth interviews were conducted with 27 rural retailers representing three communities within a Midwestern state. Data were content analyzed. Participants were following several of the recommended business strategies but opportunities existed to implement changes. Results are discussed in terms of key practices followed by these successful small business owners.

**Key words:** Business strategy, Rural retailing, Social capital; 경영전략, 농촌 지역 소매업, 사회적 자본

### I. Introduction

There have been significant reductions of small independent retailers in rural communities(Miller et al., 1998; Miller & Kim, 1999; Stone, 1995; Taylor & Archer, 1994). In the mid 1990s, the number of retail businesses in rural US communities decreased from 60% of all business establishments to 33%(Miller & Kean, 1997a). The success of small business has a direct impact on the national economy(Poon & Swatman, 1999). Since community

growth and vitality frequently depend on local businesses and community inhabitants depend on local retailers for their daily necessities(Miller et al., 1998), studying small businesses in rural areas is important to community sustainability.

Several factors have contributed to the decline of rural retailers. Principle among these factors is the development of the discount and big box retail strategies. Early dominant retailers-Wal-Mart, Kmart, and Target-emerged in the 1960's with a basic strategy of providing good merchandise at low prices with few services. Rural retailers were described as "The easiest prey for the new breed of discounters and cate-

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gory killers”(Taylor & Archer, 1994). The rural retailers were easy prey because they were not innovative in their business practices. Thus, it is not too surprising that Stone(1995) identified big box retailers as the single largest threat to the survival of small-town retailers.

### **1. Strategies Recommended to Sustain Rural Businesses**

The concept of “social capital” also referred to as “reciprocity” has been recommended as a retail strategy for survival of small retailers in rural areas. Flora et al.(as cited in Kilkenny et al., 1999) noted “social capital thrives when individuals within a social system interact with one another in multiple roles over a period of time”. The number of interactions between people in multiple roles will be high in small communities because small community retailers and their consumers frequently function as members of the same social groups(Miller et al., 1999a). As a retail strategy, social capital can be built by retailers contributing to and being active members of the community(e.g., donating their merchandise for a local charity event). Reciprocity would be present if retailers expected that community members would shop in their stores as a result of retailer contributions to community. Miller and Kean(1997b) found that building social capital may be useful to retailers as a business strategy as consumers intended to shop with retailers that demonstrated personal involvement with or attachment to the community.

In addition to building social capital, Stone(1995) suggested several strategies for rural retailers to implement in order for them to survive in markets shared with discounters and big box retailers. However, Stone did not conduct research to determine the success of his recommendations. Therefore, the purpose of our research was to investigate what marketing, merchandising, customer service, or business operation strategies successful independent retailers located in three rural communities in the U.S. were implementing. In addition, social capital as indicated by community involvement was examined for its use as a business strategy that contributes to the success

of small retailers.

## **II. Related Research**

### **1. Competitive Behaviors of Rural Retailers**

Effective competitive behavior depends on environmental hostility. Small retailers who are in direct competition with large discount retailers can be considered to be operating in hostile environments. To investigate the success of small retailers located in both hostile and non hostile environments, McGee and Rubach(1996) categorized rural retailers into clusters. The four clusters reflecting hostile environments were labeled innovative pricers, variety discounters(i.e., seek to emphasize both innovative pricing policies and superior buying convenience), target marketers(i.e., seek to serve a niche), and aggressive pricers(i.e., compete on price). After the researchers categorized retailers, they measured their performance using net income after taxes, total sales growth, and overall store success. Competing on the basis of price as well as featuring other competitive factors such as superior service was important to success. However, those classified as variety discounters, who had the most similar competitive behavior to Wal-Mart, experienced the lowest performance across all three economic measures. This finding supports recommendations to small retailers to not compete directly with discounters and to provide excellent service.

Retailers located in benign environments were also categorized into clusters. The three clusters in benign environments were labeled target marketers(i.e., unique and highly recognized merchandise), price matchers(i.e., low price items), and strong merchandisers(i.e., provide high quality merchandise and well-trained employees). In benign environments, target marketers experienced significantly higher incomes than stores in the other clusters. This finding supports the suggestion that small retailers find a niche when sharing a market with discounters.

In further research, McGee and Festervand(1998) investigated the impact of Wal-Mart's arrival into rural communities and identified small retailers'

responses. Researchers asked the retailers to indicate their preemptive competitive responses before Wal-Mart's arrival and on-going responses after the arrival of a Wal-Mart into their trade area. The retailers indicated that they had been impacted both positively(18.7%) and negatively(52.6%) by Wal-Mart's arrival.

Retailers' preemptive responses included adjusting their product lines(21%) and adjusting their product mix by adding products(17%). Respondent's on-going response to Wal-Mart's arrival was to carry higher quality merchandise(66%) and provide heightened levels of customer service(62%). Thus, it appears that some of these retailers were following the recommendations of Stone(1995).

In subsequent research, Peterson and McGee (2000) were also concerned with the impact of a large discounter on small town retail communities. They found that small retailers located in central business districts were more negatively affected by Wal-Mart's arrival than other retailers. The researchers also measured the duration of Wal-mart's impact. Three years after the arrival of Wal-mart, respondents(39%) indicated that the impact had not yet diminished. Among this group, 81% reported a negative impact. The researchers also found that sustained marketing activities focused on quality were not enough to overcome the negative impact of Wal-Mart on a small business.

## 2. Strategies

As it is mentioned earlier, Stone(1995) suggested several strategies for rural retailers. Stone's(1995) recommendations were described in detail. The categories covered by Stone included marketing, merchandising, customer service, and business operations.

### 1) Marketing Strategies

In addition to knowing your market, small retailers need to operate their stores according to customers' needs. Return policies are important because customers who have a good return experience with the store can become lifetime customers. Developing a price sensitive item list would help small retailers position

themselves relative to big box stores. Big box retailers frequently offer low prices on price-sensitive items because customers believe that all items will have low prices if they see low prices on these price-sensitive items. Stone(1995) recommends small retailers price items no more than 10% to 15% higher than big box stores and, if possible, to carry different brands. Signs locating marked down items, new items, benefits and features of items, or the store's policies are also recommended. One selling technique of the large discounters is the use of end caps and power aisles. These are areas that frequently offer items with greatly reduced prices. Small retailers could also feature similar areas in their stores as promotional devices. Large retailers typically do not do special orders thus this is another niche that small retailers could address.

### 2) Merchandising Strategies

In order to compete against the big box retailers that have various departments and fairly large selections, small retailers can learn from their large competitors by shopping them regularly. When shopping, examine the large retailer's inventory mix such as brands, models, and sizes; price points on price-sensitive items; displays; signage; and how returns and customer complaints are handled among other things (Stone, 1995).

Another important merchandising strategy is to handle merchandise complementary to big box stores. Large discount retailers offer wide assortments with limited depth. Small retailers can provide depth in important categories thus emphasizing what the large retailers do not offer. Stone(1995) emphasized that independent retailers should handle fast moving merchandise, develop buying cooperatives, and find a niche. When small retailers in rural areas buy merchandise consumers want(i.e., buy well), they are able to sell this merchandise at competitive prices. To be able to buy well and get merchandise into their stores at competitive wholesale prices, using or developing buying cooperatives is recommended. Buying cooperatives can bring non-competing small retailers together to buy for their stores. The end result can be placing larger orders with vendors than

they could do alone. In order to find a niche, small retailers should identify competitor's weak areas. Once weaknesses are identified, small retailers can determine consumer need for those areas and possibly specialize in one.

### **3) Customer Service Strategies**

Although large discount retailers are trying to improve their customer service, providing personalized service can be one of the competitive advantages for the small retailer (Stone, 1995). In order to provide personalized service, having employees knowledgeable about products sold or educating them about products is important. Many people do not know exactly which products they should purchase among the variety of product choices and complexity of uses. As a result, many customers want product information from retail employees. Once customers are satisfied with the purchasing experience because of the help they received, it is likely they will return. Also, Stone (1995) advised small retailers to let people know that they are experts in their field. Therefore, small retailers might communicate their expertise by writing articles for local newspapers or appearing on local radio or television.

Quick delivery and pick-up services are attractive to many people. This type of service is rarely offered by large discount retailers. As a small retailer offering free delivery provides a competitive advantage over a discount retailer.

In addition to providing knowledgeable employees and delivery services, Stone (1995) suggested offering workshops and classes and as many other services (e.g., estimates, consultation) as needed to enhance consumer perceptions of the store. Participation in workshops or classes offered by a small retailer could help people to learn how to do simple repairs, home decorating, or other home improvements. Participation in a workshop is a method to build a relationship and once a relationship is built, participants may become regular customers. Also, during workshops or classes, small retailers can feature their products.

Stone (1995) also encouraged small retailers to do something extra in order to stand out. Offering to carry bulky or heavy items out to customer's vehicle

is an example of doing something extra. Empowering their employees will allow customers to do business with store personnel who know their business and have the authority to take care of problems. Be proactive about consumer concerns. Solicit complaints, solve the customers' complaints as quickly as possible, and keep records of why complaints occur. Analyze complaints and take action to prevent their recurrence.

### **4) Business Operation Strategies**

Large discount retailers are continuously reducing their operating costs with efficient operations. Wal-Mart is an example of a retailer that has adopted various technologies in order to cut operating costs. Controlling shrinkage, controlling waste, and having an austere headquarters are all practices implemented by Wal-Mart. According to Stone (1995), every small retailer should review monthly, quarterly, and annual financial statements to find if there is any extraordinary change. If there are changes the reasons should be found and solved. Small retailers should pay attention at every aspect of their operations in order to find the most economical way to do business.

## **3. Social Capital and Reciprocity as a Competitive Strategy**

As competition from discounters increased in rural environments, some researchers and scholars investigated whether small businesses' contributions to the social betterment of community was a competitive advantage (Besser & Miller, 2001; Kilkenny et al., 1999; Miller et al., 1998; Miller & Keen, 1997a; Miller et al., 1999a, 1999b; Miller & Kim, 1999). For example, Miller and Kean (1997a) were interested in determining if satisfaction with reciprocity on a social level induced rural consumers to shop in their local communities. In addition to interpersonal reciprocity, consumer motivations centering on moral, social, and economic-based drives were examined for their contributions to rural marketplace exchange. Because measurement of reciprocal actions is difficult, Miller and Kean (1997a) measured consumers' intentions to reciprocate as an indication of reciprocal

exchange activities. There was a positive relation between consumers' satisfaction with community reciprocity and their intention to shop with local retailers. However, it was uncertain if there was a relationship between consumers' intentions to purchase from local retailers and their positive feelings.

In related research, Kilkenny et al.(1999) emphasized that support must be both given and received between community and business in order to be reciprocated. The authors proposed being loyal customers, providers of 'free advertising', or providers of free promotion, were a way for communities to support a business. Conversely, businesses can contribute to communities by making cash or in-kind donations, or by providing leadership to the community. The purpose of their research was to test the significance of reciprocated community support on the success of small businesses in small towns. The researchers differentiated traditional economic factors and unilateral support from reciprocated community support. Reciprocated community support of businesses and interactions with people in the community(*interaction effects*) were the most significant aspect of small retailers' success. There was a positive relationship between a business's contribution to the public good and the success of the business. In addition, the hypothesis that business philanthropy is a method of enhancing revenues or reducing costs was supported. The authors found that although donations were always positively associated with being successful, community service was not always positively associated. The authors concluded that a businessperson thought that community services contributed to business success only when his or her activities were appreciated and reciprocated.

A few years later, Besser and Miller(2001) investigated whether companies that worked for the community were more successful than companies that did not. The researchers showed in general, that the companies that were involved in and cared for their communities were most successful. In addition, businesses demonstrating high levels of community social responsibility considered community support an important strategy for their business success.

In summary, researchers have included some of

Stone's(1995) recommendations in their investigations of the business strategies implemented by rural retailers in competition with large discounters. Stone recommends providing outstanding customer service and researchers have found positive relationships between rural retailer success and customer service (McGee & Festervand, 1998; McGee & Rubach, 1996). Stone recommends not competing on the basis of price and researchers have found that retailers who do are less successful(McGee & Rubach, 1996). Stone recommends providing higher quality merchandise and researchers have noted this strategy is also related to success(McGee & Festervand, 1998). In addition, community involvement by rural businesses has also been associated correlated with business success(Besser & Miller, 2001; Kilkenny et al., 1999; Miller & Kean, 1997a, 1997b).

### III. Methods

#### 1. Procedure

In order to interview small retailers, first, three rural communities(i.e. Grand Rapids, Montevideo, and Cambridge in Minnesota) in the U.S. were identified with populations between 5,000 and 10,000 and where at least one large discount retailer was located. Economies of three communities depend on timber harvesting, agriculture, or local commercial respectively. In each community the Chamber of Commerce directors identified 10 successful retailers as possible research participants. There were a variety of the retail categories including four apparel, three jewelry, three auto parts, two floral, two rugs and floor coverings, two drug, two hardware, and two home and garden appliances. In addition, a local department store, lumber, bookstore, cards and gifts, glass, furniture, and small electronics were included in the categories. Once a retailer was identified, initial contact was made through a phone call. The retailer was told the nature of the research and asked to participate. If the retailer agreed to participate an appointment was scheduled to conduct an interview. Participants were asked to answer open-ended questions concerning their marketing, merchandising,

customer service, and business operations. All interviews were tape recorded and then later transcribed. Interviews took approximately one hour to one hour and half.

## 2. Data Analysis

### 1) Content Analysis

The process of data analyses was as follows. First, all participant's answers to a question were grouped together. The answers were read and key terms in responses were highlighted. All highlighted responses were grouped together into a category. A category reflected similar responses. Coding was flexible and it allowed the addition and reduction of categories of responses. Once a category was established and all related responses were grouped into the category, the category was labeled. In some instances an answer was provided before a specific question was asked. For example, in elaborating on one response, a participant shared an answer to a different question. As a result, interviews were read and reread to locate responses to questions throughout the data.

## 3. Instrument

The interview questionnaire consisted of six sections: marketing, merchandising, customer service, business operations, community involvement, and background information. In the marketing section, participants were asked questions about their typical customer, advertising, use of power aisles, special store promotions, signage, price sensitive items, hours of operation, and return policies. In the merchandising section, participants were asked questions about shopping the competition, handling out of stocks, their merchandise in comparison to the discounters, developing a niche, use of cooperative buying, and their stock turn. In the customer service section, participants were asked questions about services provided to the customers (e.g., return policies, service after the sale, pre-selling items), sales associate knowledge, and handling of customer complaints. Participants were also asked to share anything they provided that they believed gave their customers

“something extra” as compared to what customers got from discounters. In the business operation section, participants were asked questions about types of technologies adopted for the business, managing inventory, strategies to control shrinkage, and employee involvement. In the community involvement section, participants were asked questions regarding their overall feeling about the community and involvement in community activities. In order to assess the demographic characteristics of small retailers, some background information questions were also asked. Participants were asked to share the following: years spent operating the store, years of prior business experience, types of business training, number of employees, size of the store, and years of residence in the community.

## IV. Results

### 1. Participants' Characteristics

A total of 27 business owners were interviewed. The business owners represented a variety of retail companies including apparel, gift, floral, hardware, and automotive stores. Most participants that were interviewed were male ( $m=20$ ;  $f=7$ ). Participants' experience running a business ranged from 3 to 42 years ( $m=19$ ). Participants' business experience prior to operating their current store ranged from 0 to 32 years ( $m=9.7$ ). About one third of the participants had no business experience prior to operating their present store. Everyone else had at least two years of experience with running another business before operating his or her current business. Less than half (42%) had some formal education in business. A few (19%) had completed one or more short courses related to running their businesses.

Although one participant had 45 employees (20 full time and 25 part time), two thirds of the participants had less than 10 employees in total including both full time and part time. Most of the participants lived in the community where they ran their business (85%). The number of years that they lived in the community ranged from 6 to 49 years ( $m=23.6$ ). The size of their stores, including both selling areas as well as storage (warehouse) space, ranged from

111.483 square meters to 2229.672 square meters with an average of 748.612 square meters.

## **2. Marketing Practices of Participants**

### **1) Know Your Market and What Customers Think about Your Store**

All retailers indicated they knew some information about their customers(e.g., age, gender, income). They also thought they knew the following about their customers: what they read, type of services wanted, level of loyalty, merchandise desired, and customer's names. Participants reported that they knew what their customers thought about their stores either by word of mouth, because they had a personal relationship with customers, through thank you letters they received, or as a result of direct comments from customers. One participant reported that "...we probably can call 90% by name, first name..."

### **2) Improve Store Signage and Promotion**

In addition to pricing every item, a few participants displayed prices using window banners, special promotion signs, seasonal promotion signs, and signboards located outside of their stores. All participants also used signs in their stores to advertise sales, to provide directions, to communicate store policies, announce new items, and to communicate product features. In addition, twenty-three participants used some form of advertising(e.g., TV, radio, newspaper) outside of the store. Participants were asked if they provided any special store promotions or events. Except for one participant, all participants answered that they have some kind of promotion or event that they provide for their customers. The forms of store promotion used included price reductions, trunk shows, open houses, participating in downtown community events(e.g., sidewalk sale), demonstrations, holding parties, providing gifts and flowers for community events, and donating goods for community auctions and fundraisers. Participants used flyers, direct mail, or newsletters to inform their customers of their special events.

### **3) Develop or Improve Power Aisles or End Caps**

Over half of the participants had a power aisle or

featured location within the store for promotional items. Some of them had power aisles similar to discounters while some had featured tables at a certain area(e.g., near window, at the counter, and at the entry) of the store. As an example of how small retailers modified power aisles to fit their stores, one participant said, "...we use a table at the front of the store, where most of the traffic comes from..."

### **4) Develop "No Hassle" Return Policies**

Almost half of the participants had what they labeled as a liberal return policy(48%). Liberal for many participants meant doing whatever the customer requested. One participant commented on return policies. "...Don't argue with customers, they are already mad at you. Don't make it worse, try to apologize to them or give them money back..." Another participant provided the reason for liberal return policies and it was related to the size of the community. He noted "...they [customers] can talk to everybody in a small town...whatever they want is pretty much what you have to do..." A few retailers had specific limitations on their return policy(e.g., returns within 30 days, no cash refunds, only replace or fix defective items).

### **5) Do not Compete on the Basis of Price**

A few(15%) retailers tried to compete on the basis of price as they carried the same or nearly the same items at lower prices than the big box stores. A few(10%) tried to match prices while others(15%) carried items that were both lower in price and higher in price than items offered by the large discount retailers.

## **3. Merchandising Practices of Participants**

### **1) Shop the Competition Regularly**

Over half of the participants shopped their competition regularly(70%). Among the 19 participants who shopped their competition, 15 shopped their competition at least on a monthly basis. Among the participants who shopped their competition, many of them were looking at the assortment and prices offered by their competitors. In addition, merchandise displays, knowledge of sales people, customer

services offered, and customers were observed when these retailers shopped their competitors. Participants described how shopping the competition impacted their business operations. One participant said, "...it is important that you know what your competition is offering the public and what their price points are.. it helps us be more conscious of where we have to be..." These participants reported they got ideas and knowledge about what they needed to emphasize in their stores. They also shared that they adjusted their orders, prices, and displays in order to appeal to customers.

### ***2) Make a Commitment to Handle Complementary Merchandise***

Overall, participants carried similar products to large discount retailers but they carried better quality and more variety in their merchandise than their competitor carried. A participant noted he carried "...mainly different brands...we would attempt to avoid direct competition" and another said, "...I gave up the idea of carrying a lower priced watch. I mean you can't compete with something where they discount everyday. I am trying to sell the higher priced, better quality merchandise...."

### ***3) Get Out-of-stock Merchandise for Customers Quickly***

A little more than half of the participants did special orders for their customers(59%). A few retailers let customers wait until products came back into stock and some retailers recommended alternative merchandise when what the customer wanted was not available. One retailer mentioned that he explained why the item was out of stock. Another said that he routinely traded with friends in the same business to get out of stock products for his customers. Yet another retailer recommended other places to get the product to his customers.

### ***4) Handle Fast Moving Merchandise(less than 2 weeks in store)***

Few retailers handled only fast moving merchandise. Most retailers handled both fast moving and slow moving merchandise. Participants were also asked about what kinds of activities they did in order

to get rid of slow selling items or buying mistakes. In addition to reducing the price, participants reported they advertised the items, displayed the item in different ways, took the item to an auction, donated the item to a charity event, returned it to vendors, or gave it away to employees or customers.

## **4. Customer Service Practices of Participants**

### ***1) Know Merchandise well Enough to Explain It***

Slightly over half(55%) of the participants indicated all of their sales associates were very knowledgeable about the merchandise. Most participants had at least some associates who were extremely knowledgeable about the merchandise. Often these were associates who had worked with the owner for several years.

### ***2) Advertise Your Expertise***

Less than half of the participants(44%) advertised their expertise. An example of a retailer who was very satisfied with his advertising said "...we do billboards, we do newspaper. We do a lot of television... what that does to the consumer is they see a Target ad, a Wal-Mart ad... they put us in the same league as all the big boys, but we have a different focus. To me, it is a very good combination of building customer confidence in terms of their perception of this business, compared to the big boxes. But they also know me and know the business from being a part of the community...." Some retailers believed that their expertise spread through word of mouth. A few retailers noted that while they did not advertise their expertise they did benefit from publicity about their business. Publicity often came in the form of newspaper features that highlighted events they contributed to as members of the community.

### ***3) Offer Delivery/pick-up Service/offer as Many Services as Possible***

A third of the participants offered delivery/pick-up service. Some retailers did free delivery, while others charged customers. Participants were asked what other types of services they provided for customers. A few participants provided seminars and classes, advice(e.g., estimation, consultations, designing service), installa-

tion, and customer mailings.

An additional question focused on what retailers provided that they considered as "something extra" when compared to what the customers got from big box stores. Two thirds of the participants indicated that the services they provided were part of the extra benefits to shopping at a small store. These services included alterations, delivery, and knowledgeable sales associates. Half of the participants reported that they provided a personalized shopping experience for customers. For example, they tried to get to know customers, they cared about their customers, and they provided a pleasant shopping atmosphere. A few retailers reported they provided their customers with high quality and a wide selection of products.

#### **4) Empower Employees**

Few participants reported empowering their employees to solve customers' problems. Many participants reported that only managerial level employees were allowed to solve the problem or owners themselves handled customer complaints.

### **5. Business Operation Practices of Participants**

#### **1) Know Financial Ratios/adopt Technology/get Employees Involved in Decision Making**

Almost half(44%) of the participants kept track of financial ratios regularly. The participants were asked what types of technologies they had adopted for their business. Two thirds of the participants had computers. Other than computers, some of the participants used cell phones, point of sales computers(scanners), faxes, electronic register, and headsets for their businesses. The participants who owned computers were asked how they used if for their business. Retailers reported using computers for sending e-mail, inventory, Internet access, accounting, catalog site, and billing. Sixteen participants indicated that they used email for communication with vendors and customers, for purchasing, and for shopping their competitors. Slightly more than one third of the participants used a computer program to manage their inventory.

Ten participants, which was more than one third of the participants, had a website for their stores. The

purposes of the website were online transactions for some websites, while others were for widening target market and competing with catalog retailers. The participants who did not have a website provided several reasons. Their reasons included not having time to maintain a website, they did not need to have a website, cost, and shipping problems. One participant who did not have a website explained, "We've got so many other aspects of the business to worry about. We don't have the energy and time to do it" In addition, one participant had a website but he got rid of it because "...it was not even returning my \$350 value"

While few participants empowered their employees to solve customers' complaints, most participants got their employees involved in decision making concerning other aspects of the business. They got their employees involved in making decisions by participation in store meetings, assigning employees to manage specific areas of the store, or through asking employees' their opinions. One participant said "...they get a different area to maintain and take care of...they feel responsible for an area...."

Additional questions regarding business operations were asked including what strategies participants used to control shrinkage. A few indicated they watched people using security cameras, provided quick customer contact, and installed one-way glass. Retailers reported they carefully watched merchandise and checked shipments. One participant said "...try to have enough people in the store and have enough contact with people there, so that they feel like they are being watched all the time...."

### **6. Community Involvement Practices of Participants**

As noted earlier, most of the participants lived in the community where they ran their business. Two thirds of the retailers indicated that their community was a good place to live and to have a business. They reported that people in the community were loyal, the business community was supportive, the local economy was strong, and the community was growing. In contrast, one third of the participants men-

tioned that they thought that running a business in a small town, like their own, was hard. One retailer explained, "...it is hard to compete with existing retailers who were born and raised in this community because people are not open to newcomers" Another retailer said my store is not busy enough to employ more people compared to a generation ago. Other noticeable statements were that the population was decreasing, the downtown was not growing, people went to the city to shop(outshopping), and our market is changing.

Most participants were involved in community activities or had been involved in the recent past. They reported serving as members or directors of organizations such as chambers of commerce, downtown retail committees, YMCAs, YWCAs, and retail trade committees. Many retailers donated to special groups(i.e., scouts) and for community events. Some retailers volunteered for other activities that raised their visibility in their community such as serving as a Sunday school teacher, high school coach, mentor in the high school, or as a volunteer in a senior home. One retailer mentioned "...I am involved in the chamber of commerce. But we do a lot of donations. I mean a lot. I mean we will have people calling us, well, sometimes two or three times a week for different organizations. They are looking for a fundraiser, they want a door prize, and we don't turn them down. We do a lot of them, we just did one today now. They want us to donate a bunch of merchandise to raise money..." Another retailer said, "...I always donate something that I feel is fairly worthwhile. And... the interesting thing is that it is amazing how many people it brings in. I gave a red hat to one, to the senior center that was having an auction and they got 150 dollars for the red hat because of the red hat society is... you know coming up. And three ladies came in looking for more red hats plus the lady who bought the hat came into brag about the fact that she had paid so much money. She just loved it. So those things are kind of fun but they also really like the fact that we are supporting the senior center..."

In closing participants were asked if there was anything else they could share that they thought contributed to the success of their business. Participants

reported that providing a personalized shopping experience, providing outstanding service, being involved in their community, working hard, having good employees, knowing the market and your competitors, and having high quality products as well as a wide selection as the keys to their success.

## V. Discussion

Concerning marketing practices, many participants followed most of the strategies recommended by Stone(1995). A few of these are keys to their success. Participants knew their community and customers well. They tried to be liberal in their return policies. They focused on offering superior service instead of lowering their prices to compete with the large discount retailers. Although all of them did not have a power aisle exactly, they used the concept of power aisles to feature promotional items by having promotional tables or other promotional locations in their stores.

Concerning merchandising, overall the participants followed Stone's(1995) recommendations. Among those few participants who did not shop their competition, some of them thought large discount retailers were not their direct competitors so there was no need to shop them and others indicated they had no competition in their immediate market area. However, those who did shop the competition indicated shopping their competition impacted how they did business. Many participants were well aware that they needed to carry merchandise that was complimentary to that of the large discount retailers to stay in business. Participants took care of their out of stock conditions quickly offering to supply even the smallest and inexpensive items for their customers. The only recommendation by Stone(1995) that the participants did not follow at all was to use cooperative buying. Many of them knew it was available. According to one participant, it was reasonable not to participate in cooperative buying because individual vendors offered more benefits than doing cooperative buying when the retailer located the right vendors.

Concerning customer service, all participants seemed to consider customer service as a key component of

their success. Participants believed providing outstanding customer service as the most important competitive advantage that they offered compared to large discount retailers. Although they were very customer oriented, there were many retailers who did not offer many of the services one might anticipate with a retailer especially in comparison to discount retailers who typically offer no special services. What is offered might be reviewed to assess the fit between what consumers want in terms of service and what retailers can effectively offer. A few selective and impactful services can make the difference.

Another recommendation that small retailers could consider was empowering their employees. Many employees had worked with the owner for a number of years yet owners still insisted on being consulted and approving customers' returns and the like. Empowering employees can mean that customers do not need to wait to reach a resolution to a problem. In addition, empowering employees promotes employee involvement in the business that tends to motivate people to work to find ways to help the business be successful.

Concerning business operations, these retailers controlled shrinkage. Retailers need to keep track of their financial ratios because this will help them increase their efficiency. Knowing their financial ratios means understanding business operations fully, being able to recognize problems quickly, and being able to work to eliminate them quickly while improving business operations. In addition, effective use of technology is beneficial for small retailers. As Poon and Swatman(1999) mentioned, small businesses are finding email useful for business communication and document transfer, but the uptake of Internet-based financial transactions is still slow. Efficient use of technology(email and Internet) will benefit small retailers in terms of saving time finding information, tracking sales trends, and having better communication.

Concerning community involvement, Miller and Kim(1999) found that consumers with high involvement in the community activities had lived more years in the community than those who had low involvement. Goudy's study(as cited in Miller & Kim, 1999) also reported that length of residence

was closely associated with the extent to which individuals felt attached to their communities. In our study, small retailers might have a high level of community attachment since they had lived in the community for an average of 23.6 years. In addition, many participants had been actively involved in community activities. If they were not active, at least they were generous with donations. Participating in various community events increases retailer visibility and influences their customers' perception of them as individuals as well as storeowners. In addition, since our participants were outwardly successful retailers and they were very involved in community activities, active involvement in the community is highly recommended.

## VI. Limitations and Suggestions for Research

There were several limitations to our research. The first limitation was reliance on the Directors of the Chambers of Commerce for identification of successful rural retailers in their communities. We assume that we only interviewed chamber members, thus other successful retailers might have been included in the research if we had used another means to identify participants. Since the Directors nominated the participants, objective economic indicators of success were not used to identify participants and being perceived as successful may be quite different from actually being economically successful. However, all of these retailers are continuing to operate their businesses in these communities at this time. A second limitation was that we limited interview questions to examine Stone's(1995) recommendations and that of community involvement. There is the possibility that retailers did not share other business strategies that they were using.

In the future, other researchers could expand upon our work by studying a greater number of small retailers in diverse rural areas to assess environmental effects on business strategies and their success. One would anticipate that the business strategies of rural retailers would differ in varying business environments(e.g., economic base, population size, mar-

ket conditions, proximity to a metropolitan area). Other researchers could identify what and how business strategies are creatively construed and conveyed by rural retailers in varying business environments and differentiate successful rural retailers on the basis of their business strategies and business environments. In addition, comparison could be drawn between rural retailers inside and outside of the United States on the basis of strategies implemented and business success.

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## 요 약

농촌 지역사회의 지속적인 성장과 활성화는 지역경제에 의해 좌우되고, 마찬가지로 지역주민들의 생필품 공급은 지역소매업자들에게 의해 이루어진다. 이러한 현실에서, 농촌 지역의 영세소매업자에 대해 관심을 가지고 이들을 연구하는 것은 지역공동체의 지속적인 성장에 중요할 것이다. 본 연구의 목적은 대규모의 할인점들과의 경쟁에 직면하고 있는 미국 농촌 지역의 영세소매업자들(의류, 보석, 꽃, 철물 등) 중에서 대규모의 할인점들과의 치열한 경쟁에 성공을 거둔 영세소매업자들이 어떠한 마케팅, 머천다이징, 고객서비스, 경영전략을 실시하고 있는지를 살펴보는 것이다. 또한, 영세소매업자들의 성공을 가능케한 사업전략으로 사회적 자본인 지역사회참여가 어떻게 사용되고 있는지도 고찰하고자 한다. 본 연구에서는 미국 중서부 지역의 세 도시를 대표하는 27명의 농촌소매업자들과의 인터뷰 및 내용분석방법을 사용하였다. 연구결과, 이들은 몇가지 효과적인 경영전략들을 실시하고 있지만, 아직도 미흡한 부분들이 있었다. 결과부분에서는 이들이 사용하고 있는 주요 경영관행들에 대해 논의하였다.