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Rebuilding Rural Retail Markets

by

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**REBUILDING RURAL RETAIL MARKETS <sup>1/</sup>**Steven C. Deller <sup>2/</sup>

Smaller communities in rural areas continue to lose retail trade to larger retail hub communities. Idle downtowns have become commonplace in many of these smaller communities. A recent study of 37 successful small rural communities in Indiana, Iowa and North Dakota revealed that continuous decline need not be a foregone conclusion. Through analysis of secondary data and interviews, researchers in these three states identified a set of common themes and strategies that may prove useful to many smaller rural communities. The intent of this issue of Community Economics is to review these themes and strategies and explore potential applications to a range of rural communities.

The study reported three general findings. First, each of these successful communities faced and addressed constant change; change from within and outside the community. Local leaders recognize, accept, and deal with change. Second, there was no "ideal" community. Each community had strengths and weaknesses and no community was successful in all of its efforts. Finally, concerns and issues across all 37 successful communities was surprisingly similar. This latter finding suggests that the lessons learned from these communities have direct implications for other communities.

Four common issues were also reported in the study. First, all 37 of these communities had some type of organization devoted to furthering the good of the community's retail sector. These organizations ranged from informal business groups with no paid employees to more traditional Chambers of Commerce. In each community these organizations performed a range of functions from providing a forum to discuss local issues to organizing educational workshops. Perhaps a key function these organizations served is a mechanism to draw local retailers and concerned residents together in the spirit of cooperation and strong commitment.

Second, residents in these communities worked together to ensure that adequate business financing was not an impediment to the creation, expansion or continuation of local businesses. As noted by the authors of this study, adequate financing is often the key to successful development efforts. In most communities, local bankers were explicitly invited to participate in the organizations mentioned above. If traditional sources of financing are constricted, successful communities seek alternative sources of financing, such as venture capital pooling, identifying silent partners, and owner financing.

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<sup>1</sup> Drawn from Janet Ayres, Larry Leistris, and Kenneth Stone, "Rural Retail Business Survival: Implications for Community Developers," Journal of the Community Development Society, Volume 23, No. 2, 1992, pages 11-21.

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Third, in nearly all communities, officials directed some effort toward recruiting new businesses and industry. While the majority of these efforts did not focus on retail businesses, some communities saw the value of the retail sector in their attraction efforts and focused on specific types of retail businesses, such as a grocery store, that were deemed important to the community.

Finally, nearly every community had in place some type of promotional campaign to promote not only retail businesses, but also the community at large. A common approach is for retailers to combine resources to create, coordinate and carry-out media campaigns. Key to this effort is the explicit recognition that each individual retailer is dependent upon the next. The explicit willingness to work together to help each other is a fundamental key to the success of these communities. Some communities either organized or took advantage of community festival and fairs to promote the local retail sector.

In addition to the four common themes just outlined, the study also identified five critical needs for community development practitioners must consider as they work to improve and sustain retail markets in rural communities. First, most of all of the communities studied were attempting to diversify and strengthen their economic base. Strengthening the overall economic picture of the community and immediate region was deemed as a necessary, but not sufficient, condition to a strong local retail sector. The presence of an active local organization committed to furthering the economic well-being of the overall community was deemed to be vitally important.

Second, technical assistance, both in the form of direct assistance and educational opportunities, is fundamental to the success of the local retail sector. While these types of assistance and educational programs are widespread, an alarming number of local retailers were not aware of the support network. In addition to identifying assistance and educational needs, practitioners must work at altering local businesses to the availability of these services.

Third, for many of these smaller communities a fundamental problem is the transfer of existing businesses from retiring to new owners. As owners of established retail businesses reach retirement age, the ability of prospective new owners to assume responsibility of the business is strained. Problems range from the willingness of current owners to sell a family business to difficulty in securing venture capital to finding prospective new owners. Successful communities identify businesses in transition and work to help the transition.

The fourth need grows from the third just described. Specifically, there is a real need to identify innovative financing mechanisms for new or aspiring businesses. Whether the situation is the transition of ownership for an existing business or the creation of a new business, securing financial resources continue to be a problem.

Finally, in all cases, both community leaders and individual business owners recognize the need to plan for the future. Part of this willingness to constantly plan for the future flows from the implicit recognition that communities face constant change and that such change alters the best of planned strategies.

While many of the characteristics of these successful communities reflect the attitudes of the residents of the community, the study reveals several opportunities for community development practitioners.

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