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"'Main Street' Retail: Suburban Survival?"

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HFR 499H
Capstone - Honors Project
Mrs Culver

"MainStreet' Retail: Suburban Survival"

During the early 1980's in the Canadian city of Edmonton, a six hundred million dollar mall was built. That project created ten thousand jobs and added eight million to city revenues; however, not everyone was happy about the new mall. Edmonton's downtown merchants feared for their economic survival. Edmonton's merchants are concentrating on stopping the city from redirecting money to the mall that it had previously allocated to fix up the downtown area.¹

Edmonton's problem is not a unique one. Several American cities have deteriorating downtown areas. Many small businesses are having a hard time competing with the larger shopping areas. Small businesses are defined as those firms that have fewer than five hundred employees, and they account for fifty-six percent of all jobs in American labor force. Yet many of these small firms are being pushed into bankruptcy.² A bigger worry nowadays are that some of these small firms that can no longer afford to stay in business are firms that have been in business for twenty or thirty years and were once quite prosperous.³

Geneva is a small city in Illinois with a population of about ten thousand people, and it has a downtown area with several small businesses. Nearby this downtown area are several large shopping malls which are equally accessible to those who live in the Geneva area.

The key question I pose is "Will Geneva's downtown businesses survive the competition from nearby malls and shopping centers, and if Geneva's downtown survives, what makes it successful?" In order to find the answer I developed a questionnaire with several questions pertaining to advertising practices, merchandise purchased, markdowns, employees and benefits, store maintenance, customer satisfaction, and the store's target market. With this questionnaire in hand I visited some places in Geneva, and some larger stores in the surrounding areas, and I interviewed

(2)

the managers of these stores. The stores interviewed include Erday's, the Teen Shop, and the Fashion Walk. All of these stores are in downtown Geneva. Also included are P.A. Bergners in Northgate shopping center in Aurora, Brooks Fashions at Fox Valley Mall in Aurora, and finally Joseph Spiess at the St. Charles Mall in St. Charles, Illinois. Some of the questions were not able to be answered as the stores considered them confidential, but there is plenty of evidence to show that downtown Geneva will indeed survive competition from the nearby malls despite the many advantages of a mall. First we will discuss each of the mall stores from what was seen through the questionnaires, then we will discuss what the Geneva stores have to say about themselves, and finally we will show the major differences between the two kinds of businesses, and also why Geneva stores are successful.

First of all, Joseph Spiess was interviewed on March eleventh. Joseph Spiess does newspaper advertising in all the local newspapers such as the Geneva Republican, the Geneva Chronicle, the St. Charles Chronicle, and the Beacon news., and Spiess does do some co-op advertising with the manufacturer which does save them some money. Spiess does send out flyers with their charge statements, but they are not personalized. Spiess also sends out promotional flyers to all residents in the area. Since Spiess is a larger department store, they do not call customers about things that the customer might want. Spiess has a logo. It is the Joseph Spiess name in a silver script, and their bags are pink and black. Joseph Spiess feels that this logo is distinctive, and that people do recognize their logo. Spiess uses in store display, and many of these displays are promotional. Spiess prices its merchandise in the moderate to high range.

(3)

The merchandise that Spiess carries is marked down once a month on various items. ~~At least twenty percent is taken off.~~ Those items put out for clearance are marked at least twenty percent off. Spiess has many sales of which holiday sales and seasonal sales are their biggest; however, there are smaller more frequent promotions on specific items such as jewelry or cosmetics. Spiess has buyers that purchase their merchandise when they attend the market. The buyers get their information from WWD (Women's Wear Daily), fashion shows, and the market. Spiess carries some designer labels such as Liz Claiborne, Esprit, and Health Tex. It is felt that designer labels are not really all that important. Spiess does carry private label merchandise, and an example is Spiess for men. These are jackets and slacks for men that were specifically designed for Joseph Spiess.

Joseph Spiess rents their store space in the St. Charles Mall, and they do hire extra people for security which does increase the costs of operation. Another expense is hiring employees. Spiess hires housewives and high school students for part-time sales. Older men and women are hired for full time sales, and a high school education is required. Spiess requires a college education for higher level jobs such as store manager. Spiess offers several benefits to its full time employees. They offer medical and dental insurance, a ten percent discount on merchandise, and paid vacation for full time employees. All scheduling and evaluation of employees is done by a manager.

For Joseph Spiess customers several services are offered. Credit cards, a bridal registry, and gift wrapping are some of these services. Spiess has a wide range of customers that they target. Men and women comprise the Spiess customer, and the average age is between twenty-five and sixty-five. The education of the Spiess customer is high school or

a collage graduate, and generally the customer is in the middle class. As for what Joseph Spiess is doing for the aging population of America is that they simply have a separate section for older women, and they consider Juniors to be the section for the younger woman. As for mens clothing, Spiess feels that clothing stays pretty much the same for older men and younger men after about the age of twenty-five.⁴

Next, we have Brooks fashions. Brooks uses newspaper advertising, but not that frequently. They do not send out flyers unless it is a flyer including many of the stores in the mall. Brooks does take advantage of some co-op advertising. Brooks uses window display and in store display, and the displays are generally of a promotional nature.

Brooks prices their merchandise moderately, and they mark the merchandise down for sales, and this is marked at least twenty percent off. Brook's puts out merchandise at the end of the season as their clearance items. Forty percent off is considered a clearance good. Brooks has tags already on the merchandise when it arrives; therefore, they are using a suggestive price from the manufacturer. Sales are run for holidays, back to school promotions, and end of the season sales.

Some designer labels are carried at Brooks, one of which is called Mirrors. Brooks does carry private label merchandise under the name of Brook's Fashions. Buyers from a home office buy the merchandise for all of the Brook's stores, and there are four seasons for the merchandise as it is an all women's store.

The store employs high school students and college students. They also employ the high school graduate that wants to make retailing a career. The average length of service for employees is from one to four years.

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Brook's salepeople are also the security people for the store. Brook's rents store space at Fox Valley Mall. The managers do all the scheduling and evaluating of the employees that are in sales.

Brooks allows returns within ten days of purchase and only if the tags are still on. Brooks target customer is a young female between the ages of thirteen and twenty-five. They are usually in high school or college. Brooks is doing nothing about the aging American population because the older woman simply is not a customer that Brooks is targeting.⁵

The last large store discussed will be P.A. Bergners in Aurora. Bergners uses newspaper advertising in all the local areas. Bergners does send out flyers to their charge customers, but they are not personalized. The sale booklets are also sent out to the charge customers. Bergners does take advantage of co-op advertising, and they use in store display and window display. Some of which is promotional in nature. For each season their displays have a theme which Bergners will carry throughout the store.

Bergners considers themselves a moderate priced store. When the merchandise is marked down, it usually starts at twenty-five to thirty percent off. After the season is over the merchandise is put out as clearance, and then it is fifty percent off. The merchandise is already priced at the manufacturer's outlet. Bergners runs two annual storewide sales, and then there are sales for holidays, seasons, and just small promotions every two weeks or so.

Bergners has buyers that purchase their merchandise, and they are based out of Milwaukee, Wisconsin. The buyers use WWD, the market trips, and advice from fashion coordinators for the coming trends. Bergners has several designer labels such as Cos Cob, Devon, Alfred Dunner, and Esprit. Many of the older women that shop at the store do come in and ask for a specific label.

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This Bergners store rents out its space at Northgate shopping center, and there is the high cost of security as each store has their own staff. Bergners is looking for a high school student or housewife for their part-time sales staff. The full time sales staff consists of those people that are making a career out of retail. The upper level jobs such as those in management require a college education. There is a supervisor in each department who does all the scheduling and evaluating of employees in that department.

Customer satisfaction is very important to Bergners. Bergners has a very liberal return policy, a bridal registry, a baby shower registry, gift wrapping, credit cards, a post office, and a ticketron. Bergners target customer is between the ages of twenty-five and sixty-five, and they target males and females. The Bergners customer has a middle income, they belong to the middle class, and they have gone to high school and possibly college. Bergners offers more tailored and easy to care for clothing, and this is what they will continue to offer for the aging American population.⁶

Now, a similar look must be taken at the small Geneva Business. Erday's is a small business in Geneva, and it is located right on state street, which is the main street in Geneva. Erday's is a men's clothing store, and it has been in business for the last sixty years. Erday's advertises in all the local papers at least once a week. Erday's tried to advertise on the local radio station, but they did not find it very profitable. Erday's mails out special charge flyers, and they are personalized. Gift certificates and announcements are sent out, and they too are personalized. If an employee knows a particular customer well, then the Erday's employee will call about special merchandise that he/she feels the customer may want. Erday's has used co-op advertising on a few occasions, but mostly they pay the price of the ad themselves. Erday's has a store logo,

but they just changed it recently, so they are not sure how well recognized the logo is. Erday's feels that a lot of its advertising is through word of mouth. Erday's uses window display, in store display, and in store groups, which is done by putting the clothing by color or by brand name. Erday's has moderate to high priced merchandise, and they only markdown the merchandise at the end of the selling season or for specials; however, there are not all that many sales at Erday's. The percentage that is marked down is usually twenty to twenty-five percent. Clearance goods are marked down fifty to eighty percent off, in order to make room for the new goods coming in. Erday's purchases its merchandise through the market, through salesmen or sometimes they just phone order into the manufacturer.

Erday's does purchase some designer clothing, such as the Polo and Izod labels; however, Erday's feels that there is not as much demand for the designer label as there was a few years ago. Erday's does carry private label merchandise.

Erday's does not rent their building as Erday's is a family business and has been that way for sixty years. Most of the store employees are family members, but they also look for outside help. They hire high school students and housewives. Employee benefits are sick days, paid vacation, and clothing discounts. The people that do the scheduling and the evaluation of employees are the top two family members, or the ones that have been with the family business the longest.

To ensure customer satisfaction, Erday's waits on their customers hand and foot. They do not think it is unusual to wait on a customer for more than an hour even if that customer only purchases a few small items. Erday's feels that this is what they must do if they are going to compete with the larger stores. Erday's target customer is a male of any age over fifteen. The income of that person or his parents is between \$40,000

and \$50-000. Usually the Erday's customer is college educated and in the middle to upper class and leads a fairly conservative lifestyle. Erday's is not doing anything out of the ordinary for the coming aging American population because they feel that men's clothing really does not change all that much. Erday's feels that they will survive because they offer more service than a large store. Erday's employees know the merchandise well, and they will try to save their customer time and effort. Erday's also offers extra services like carrying packages to the customer's car.⁷

The next small shop to discuss is the teen shop which like Erday's is located right on state street. The Teen Shop advertises in the local paper once a month, and they send out flyers to their customers which are personalized. The Teen Shop will also call a customer about an item they might be interested in. The store does not have a logo, but they feel they are recognized in the Geneva area, and they do rely on word of mouth advertising. The Teen Shop uses in store and window displays, and both kinds of display are institutional in nature in the sense that they do not display sale items, and the displays are meant to capture the store image of quality.

The Teen Shop marks down its merchandise at the end of every season, and normally the percentage marked down for clearance goods is fifty percent. The percentage taken off for sales is twenty-five percent. The merchandise is marked up fifty percent after it arrives from the wholesaler. Special sales at the Teen Shop are only on holidays.

The Teen Shop is another family owned business, and they do the buying themselves. They go through the market week at the Apparel Center. Some of the designer labels are Esprit, Bobbie Brooks, Russ Teen, Regatta Sport, and Crazy Horse. Designer labels are somewhat important to the customer, but not as much as they used to be. The Teen Shop does not

carry any private label merchandise. Their store is a moderate to high priced store. The store is strictly operated by the family and no outside people are employed presently. The Teen Shop adopts a "customer is always right policy." The Teen Shop targets a female customer from the ages of eleven to twenty-five. The social class is middle to upper and the education is high school to college graduate. The Teen Shop will not be doing anything for the aging population because they simply do not target that customer. The Teen Shop feels that they will survive the competition from larger stores because they offer more services, and they also offer a pre-teen section, which many larger stores do not adequately cover the pre-teen market.⁸

Finally, we have the Fashion Walk, and the unique thing about the Fashion Walk is that it is not just one store but five. The Fashion Walk is also a family owned business, but there are five separate stores each of which caters to a slightly different customer. All five of the stores cater to women, and all are between the ages of twenty-five and forty-five. The average income of the target customer is thirty to forty thousand in the middle to upper class. They are also college educated. However, the first store is the Merrra-Lee shop and they have a moderate price line. The second store is Papagallo, and they are very high priced. The third store is the Meeting Place, and they sell only designer clothing. The fourth store is Marion court, and they cater to half-sizes. Finally, there is the petite shop, and of course, they cater to the person who is under five feet four inches tall.

The Fashion Walk does advertise in all the local papers, and they also advertise in the Chicago Tribune. The Fashion Walk does send out flyer to their customers, and they are personalized. The Fashion Walk expects its employees to call the customers if there is something that the employee feels that the customer will be interested in. The five stores do take

advantage of co-op advertising, and they do rely on word of mouth advertising very heavily. The only kind of visual merchandising is institutional, and the store images can be seen in both the window displays and the in store displays.

The merchandise is only marked down for sales which do not happen very often. The only sale that they really have is a coat sale, and the coats are marked down twenty-five percent. There are two end of the season sales, and they are called dollar days. When the merchandise is received from the wholesaler, and process known as keystoneing is used, and this is where the wholesale price is doubled to get the retail price.

The Fashion Walk does carry some designer clothing, but they feel that it is not as important as it used to be; however, The Meeting Place carries only designer labels. Some of the labels carried are Pendleton, J.H. Collectibles, and Nipon. The buyers for the Fashion Walk get their ideas about the trends from WWD, the market week, and sometimes through advice from sales representatives.

The Fashion Walk does not have any security personnel. The clerks are required to keep an eye on things. The Fashion Walk has quite a few employees per store to ensure better services, and this is also better in terms of possible shoplifters. The Fashion Walk looks for two things in terms of its personnel. They look for the high school student and housewife for part-time workers, and they look for the career girl. There is a buyer for each of the stores, but there is limited promotion for salespeople unless they have a college education, and unless there is a position available for them to fill. Managers and their assistants do all the scheduling and evaluating of the employees.

Customer satisfaction is ensured through excellent service and fashion advice. Customers may return anything within seven days of its purchase,

but that policy is not extremely rigid.

The Fashion Walk will be accommodating the older customer in a gradual sense. Fashion will dictate what the older customer wears because the clothing is not aging with the customer. The Fashion Walk feels that the older customer still likes to buy young. Finally, the Fashion Walk also feels that they will survive. This is basically due to their service towards the customer, but the Fashion Walk feels that it is unique because there are five stores, and this give almost the feeling of a small shopping center in itself. Also the Fashion Walk is located on the corner of state street and third street. Third street in Geneva is considered unique as a shopping district because of all its antique shops.⁹

Now that both types of stores have been looked at, we can see similarities. There are some distinct advantages to being in a mall or large shopping center. All of the shops are under one roof, so weather will impose no restriction upon the shopper. Several special events can be coordinated in a large shopping area, for example, the St. Charles Mall has had an auto show, and African Violet sale, and a petting farm for children. Malls also have restaurants and movie theaters right nearby all the stores. Occasionally grocery stores and doctor's offices can be found in the mall setting.¹⁰

Location is extremely important in the retail business. The Dun and Bradstreet Business Failure Record shows that bad location is the result of five percent of all failures in retail.¹¹ Malls do have good locations especially since one has only to go to one place to do all the shopping. We can see that these malls have several advantages, but why is it that the small retailers in Geneva think they can survive that competition. Well we have seen that more service and personal attention to the customer makes a difference. But another good reason for Geneva's downtown survival

is its location. As we have seen, third street is a unique shopping area because of all the small antique shops. Geneva is considered a very quaint and historical town, and it has been written up in the Chicago Tribune for this. Some of the older people who live closer to Chicago are bused in so that they might enjoy a day of shopping in this quaint little town. Geneva has a lot of class and character for a little town, which helps the small businesses in the downtown area immensely. The Geneva merchants have also considered their market very carefully. All of the stores mentioned targeted a mid to upper class market, and the great majority of the people who live in Geneva are mid to upper class if not all of them.¹²

In conclusion, I will say that the mall stores do have a lot of advantages when compared with the small downtown businesses, especially when it comes to the people who work for them. The employee of a larger store will receive many more benefits than an employee of a small business, however, the small businessman has to save money somewhere, and in Geneva the majority of these businesses are family owned; therefore, the money stays in the family anyway. I firmly believe that the Geneva businesses will continue to thrive. There are no general stores in Geneva, and like the specialty stores in the malls, Geneva has narrowed its market down, and because of the quaintness and the good reputation of the town, Geneva will not have the problems that a small business district might have in another town. Geneva will survive.

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² Taylor, Alexander. "Hard Times on Main Street" Time. 118:60-1. October 26, 1981. p. 60.

³ Taylor. p. 61.

⁴ Personal interview with Deloros Brundige. Manager at Joseph Spiess. St. Charles, Illinois. March 11, 1986.

⁵ Personal interview with Sharon Blake. Manager at Brook's Fashions. Aurora, Illinois. March 13, 1986.

⁶ Personal interview with Judy Mahron. Merchandise Manager for P.A. Bergners in Northern Illinois Area. Rockford, Illinois. April 2, 1986.

⁷ Personal interview with Susan Erday. Assistant for Erday's Clothiers Geneva, Illinois. April 8, 1986.

⁸ Personal interview with Denise Cantrell. Assistant for the Teen Shop Geneva, Illinois. April 8, 1986.

⁹ Personal interview with Joseph Greenburg. Buyer and Personnel Manager for the Fashion Walk Geneva, Illinois. April 8, 1986.

¹⁰ St. Charles Mall Flyer, picked up March 11, 1986.

¹¹ Albert, Kenneth. "Why Small Firms Fail or Succeed" Nations Business. 69: 83-4 March 1981. p. 84.

¹² Interview, Susan Erday. April 8, 1986.

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Honors Project 499H

What kind of media do you use for advertising? Radio? T.V.? Newspapers?
How often?

2. Do you have special flyers for your customers? Do you send them with charge statements or by themselves? Are they personalized?
 3. Do you call your customers about items they might be interested in?
 4. Do you take advantage of co-op advertising with the manufacturer or do you pay for it yourself?
 5. Does your store have a logo? What does it look like? Do people recognize it?
 6. Does your store rely on word of mouth advertising?
 7. What kind of visual merchandising do you use? (Window display, in store display etc...)
-

8. How does your retail store price its merchandise?

9. What percentage is needed for profit?

10. What is your sales per square foot?

11. How often do you markdown the merchandise?

12. What is the percentage normally marked down?

13. How long is it before items are put out as clearance goods?

14. What is the percentage taken off for clearance?

15. Do you use suggestive pricing? (from the manufacturer)

16. How much does your store markup the merchandise from its wholesale price?

17. What kind of special sales do you run? (i.e. holidays)
 18. How many seasons are there for the merchandise you carry?
 19. How does your retail store purchase its merchandise?
 20. What wholesalers or manufacturers do you purchase from?
 21. Are designer labels important to your store?
 22. Does your store carry any private label merchandise?
 23. What sources do you use to figure out the trends in clothing?
 24. How much time is expended before actual purchasing is done?
 25. What kind of price lines does your store carry?
-

26. How does your store cover for mistakes in buying?

27. What is the cost of rent? Or is your place owned?

28. What does it cost to maintain your store? (ie- utilities, security personnel, or janitors?)

29. What kind of employee does your firm hope to employ and retain?

30. What is the average wage for your employees?

31. What kind of benefits do you offer?

32. What are the qualifications for store employees? (ie-education)

33. What is the average length of service for your employees?

34. What is the general age of your employees?

35. Does your store have fashion coordinators?

36. Who is designated as "the boss" and what position does that person have?

37. Who does the scheduling in your store and what is their job status?

38. Who evaluates the employees and what is their job status?

39. Who does the budget, and what is their job status?

40. What is done to ensure customer satisfaction? (services, return policy, etc...)

41. Who is your target customer?

- age
- sex
- income
- education
- social class
- lifestyle

42. Is your store going to do anything about the coming aging of the population in america?

43. What is unique about your store, and what makes you think you can survive the competition from malls?
(Question for small downtown stores only)

44. What advantages do stores in malls have over a downtown retail district, and in the years to come, do you think malls will overcome the small downtown store, or do you think that the small downtown area will survive the competition?
