

Create Some Magic



By Stan Pohmer

When I ask independent retailers what their trade area radius is I often receive blank stares. Why is this important? Frankly, the more I try to understand, the more perplexed I become, sometimes to the point where it's difficult to rationalize some of the decisions we continue to make.

First, it helps you better understand who your customers are and their demographics ... their income, their housing types and lot sizes, their ethnic makeup, their ages ... so you can better tailor your assortments to meet their specific needs.

Second, it helps you fine tune your marketing efforts and maximize the effectiveness of your investment. And it also helps you define areas of opportunity for future growth.

The "normal" suburban retailer's primary trade area, where between 55 and 70 percent of your customers are located, is generally a 3- to 4-mile radius from the store, which is a trade area far smaller than most managers think. This radius will change, both increase and decrease, based on the community setting (urban, suburban, rural), housing types, competition, population densities, competition, etc.

To find out whom your customer is, you can ask them for their zip codes as they check out to develop your database and then research the demographics of those zip codes. There are free online zip code data bases you can access (e.g., www.factfinder.census.gov) as well as paid services you can use to generate detailed zip code data.

Something Extra

Expanding your trade area to tap into the opportunity to reach more customers requires that you provide those consumers with concrete reasons for them to travel additional distances to your store.

You'll need to do or have something that isn't available to them from a more convenient retailer closer to their home, something to entice them, something to make that additional investment of travel time valuable to them. Maybe it's a unique or exclusive product offering; maybe it's an incredible experience; maybe it's family entertainment that's part of the shopping experience.

At its core, it's all about creating some form of retail "magic" that will appeal to all of their senses (in addition to having at least comparable, and hopefully superior, products). With expanded trade areas, you definitely become a planned destination for the consumer!

Here are a few examples of companies from within and outside of our industry that expanded their trade areas and the reasons why they were successful that we can learn from:

- **Donahue's Greenhouses:** This independent grower/retailer in Faribault, Minnesota, is located in a community of 23,000, yet markets aggressively via print and radio in the Twin Cities (Minneapolis-St. Paul) metro area, which is more than 50 miles away with a market base population of over 3.5 million people (in addition to all of the other communities between Faribault and the Twin Cities!).

Their "magic?" They claim to have the largest selection of clematis in the country! Their tagline, "Drive a little, save a lot!" acknowledges the distance challenge but promises a value for the travel time investment.

- **IKEA:** This Scandinavian-based company, designing and retailing "minimalist" ready-to-assemble furniture and other home décor supplies and accessories, draws traffic from hundreds of miles around their stores. Everything they sell has to be able to be transported on the roof or inside a car, so their products and packaging are uniquely designed,

which is part of the appeal. Because of the design of their furniture and furnishings, there are major inbound transportation savings that are passed on to the consumer via lower retails. And their Swedish food offerings in their in-house restaurants have incredibly low prices that add to their value image.

Their "magic?" Unique assortments, real and perceived value, and virtually no other brick and mortar retailer competing in their product arena. It's almost impossible not to walk the entire maze aisles of the store, exposing the customer to everything they carry, so impulse sales are high.

- **Disneyland/Disney World:** Each of the Disney theme attractions has an international trade area. In addition to impeccably maintained and staffed parks, everything they do is centered on making the experience for children and families something that will be remembered forever. These destination locations are an integral part of reinforcing the closely weaved Disney brand that encompasses toys, characters, multi-media, and even cruises and travel tours.

Their "magic?" Over the top entertainment and experiences, making memories that delight all demographics.

- **Stew Leonard's:** The journey of what started as the single store vision of founder Stew Leonard in 1969 is, in my mind, one of the best examples of creating "magic" to increase trade area in the retail arena. Its roots were in a dairy production/processing business and the first location was a 17,000-square-foot dairy and farmers market themed store that only carried eight items. The "hook" was that children could watch milk being bottled while their parents were shopping.

Over time, the vision expanded to both other more traditional grocery categories, such as meat, fish, produce, cheese, wine and bakery (all at the top end of the quality/value/freshness spectrum), but even with all of this category expansion, they only stock 2,200 SKUs versus a traditional supermarket which carries over 30,000 SKUs. They believed that limiting choices enhanced and made the shopping experience easier and more enjoyable (the key to success here is to ensure you are carrying the absolutely right items!)

The New York Times called Stew Leonard's the "Disneyland of Dairy Stores." The store was designed so the customer had to walk through all of the aisles, and, as they turned corners, they were greeted by different employees dressed in costumes and by animatronics characters called the "Family Fresh Five" that perform songs and dance. The store also included petting zoos and outdoor cafes.

Stew Leonard's became a destination retailer, with a trade area that encompassed almost the entire state of Connecticut.

Their "magic?" A family-focused entertainment experience coupled with exceptional quality.

There's a lot we can learn about creating magic from these innovators that we can apply to our own businesses. Over time, these companies have had to continue to evolve based on new competition, changing consumer needs and behaviors in order to maintain, protect and expand their trade areas; it's tough to stay a leader!

But without a doubt, the heart and soul of a thriving enterprise is the irrational pursuit of becoming irresistible.

So what magic have you created lately? ... **LGR**

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