

SBI consulting needs in small towns and rural areas

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ABSTRACT

Small retailer data from an Small Business Institute in a small town/rural area indicate that marketing was the most common problem area. A surprisingly large number of promotional channels were available, and over half of the clients needed advertising program assistance. Also, almost half needed a research survey. Previous studies have not focused on survey needs, but such needs can be expected by small retailers in all areas. Every SBI should be prepared to convince clients of the need for adequate information systems and to help clients develop them.

The Small Business Institute (SBI) is an invaluable source of aid for small businesses. In small towns and rural areas, this aid is especially important because small businesses have a major impact on the economic development of these areas. This study reports on the most prevalent types of problems of small retailers in small towns and rural areas. The primary purpose is to facilitate SBI service to such areas, but many of the insights can be extended to small businesses in urban and suburban environments.

In any type of environment, accounting and marketing appear to be the most common problem areas that are addressed by SBI centers for their clients—with marketing problems the most numerous (7,9). The prevalence of such problems is not surprising. Accounting systems must meet technical requirements, yet be tailored to the client's specific needs. Marketing is influenced by numerous variables that must be addressed with insight and creativity.

This is, however, another common area of concern that has not received adequate attention. This study presents data which indicate a growing need to conduct periodic surveys for small retailers in small towns and rural areas. Analyses indicate that this need can be expected for retailers in other locations, including major cities. Every SBI program should evaluate the implications this insight suggests for the services that each SBI should be prepared to provide.

THE INVESTIGATION

A tracking system was conducted in which SBI clients were monitored over a five-year period from 1984 to 1989. The clients included 115 small retailers who were assisted by SBI teams from a state-supported university located in a predominantly rural environment of a small town with a population of 30,000 and in a county with a population slightly more than 50,000 people. The nearest city is 90 miles away.

Of the 115 clients, 70.4 percent reported at least one marketing problem; 56.5 percent had some type of advertising problem. There were 28.7 percent reporting accounting problems, and 22.6 percent reporting some type of inventory control or merchandise selection problem. Employee problems were present in 13.9 percent, and management problems in 7.8 percent. These results confirm previous studies (9).

This investigation, however, identified an aspect of small retailer operation that past studies have not analyzed—44.4 percent of clients studied identified a need for research in the form of some kind of survey. A survey of consumer characteristics, which usually included media habits, was needed by 31.3 percent. There were also an additional 11.3 percent for whom a survey of their advertising effectiveness was indicated.

ADVERTISING SURVEY IMPLICATIONS

Advertising is important in a small town/rural area because a small retailer must draw on the entire trading area. There is no public transportation in the area that channels consumer movement into specific patterns. However, decisions on the use and location of outdoor advertising were faced by every retailer—even external sign decisions were a factor. Broadcast media, including cable television and at least six radio stations, are available in the trading area. Two newspapers and other types of print media are also available. The large number of choices makes media selection difficult, and clients often wanted aid in such decisions.

The importance of advertising in a small town may be greater than in a city; for example, a small retailer's city trading area may be small enough that only a external sign is used. However, as the personal mobility of a small retailer's target market increases or as its trading area increases, advertising's importance also increases.

Advertising is an integral part of marketing for most small retailers. Promotion is the competitive tool in the marketing mix which small retailers can best utilize on a continuing basis. Small retailers cannot readily change location. They have less impact on merchandise vendors than do large retailers, and they usually need to compete on some basis other than price.

The need for surveys concerning advertising and media habits will increase as the number of mobile customers increases and the variety of media expands. Each survey should be tailored to the special characteristics of the small retailer's market, customers, and available media. Periodic surveys should be conducted to monitor changing business conditions.

The need for SBI assistance in such efforts is made even more significant by the general tendency of small business to develop advertising strategies without supporting research. Fontenot and Langford see the major causes of this tendency to be research costs and small business management's negative attitude toward formal research (3). Encouragingly, these are two factors whose influence can be minimized when SBI aid demonstrates the usefulness of research to small businesses. Analyses of research needs for advertising strategy support a position that "...research, unsophisticated as it may be, is a necessity for small business owners" (3:337). This position is supported by implications that can be drawn from analyses by other researchers.

SITUATIONAL IMPLICATIONS

That 31.3 percent of this study's SBI clients needed a consumer survey implies that SBI's should develop a survey capability to offer their clients. Recent research has confirmed that small business owners/managers spend more time searching for external information than owners of large businesses. Johnson and Kuehn (6) found that small business owners/managers spend over one-fourth of their day searching for external information, as opposed to those of large businesses who spend one-sixth of their day.

An emerging body of research indicates that the research needs of small retailers in small towns are reflected in studies of small retailers in all types of areas (4,6). For example, the insights of Johnson and Kuehn were derived from a representative sample of small metropolitan businesses of the area. Prevalence of the need for marketing research is confirmed because these owners/managers tend to seek information from their marketing channels. "Almost one-third of their search time is spent investigating the marketplace. They rely primarily on verbal exchanges with suppliers, distributors, and customers" (6:60).

The need for information is no surprise—all sizes of businesses recognized that good decisions must be based on good information. The marketing concept emphasized understanding of target market characteristics. Business planning and strategy require accurate information. In fact, business planning should be based on an understanding of all the relevant factors in the business environment. One recent analysis of small business operation shows that information about the external situation leads to planning that results in action (1). Small business should develop a "situational orientation" that is defined as "...a response (persuasive, neutral, reactive) to owners, buyers, resource suppliers, government, social groups, and competitors in proportion to the importance of each group in a given situation" (1:47). The need, therefore, is for research that is tailored to the

needs of the specific client for the specific situation. To this end periodic surveys should be conducted as significant changes occur in the situation.

There may be considerable expense in developing such information—not to mention the necessary research expertise. In many small towns and rural areas the SBI may be the only disinterested source of marketing research expertise available to small businesses. The SBI program, therefore, can play an important role in meeting the difficulties cited earlier. For example, students can be drawn from marketing research and consumer behavior classes to design questionnaires and perform field work. Providing such surveys can also reduce the time pressures that may cause problems by limiting the small retail owner/manager to a narrow spectrum of information sources (6).

The SBI clients in this investigation provide an example of the magnitude of the survey needs that exist in a small town/rural area to address consumer behavior, advertising effectiveness, media habits, store images, brand preferences, and so on. The challenges are significant for most small retailers whether rural or urban. A research survey may not be needed every year for a particular firm, but periodic surveys will likely be needed. This means that small retailers must develop their research and information system capabilities or rely on services such as SBI programs.

INFORMATION DEVELOPMENT

In initial contact with a client, the SBI team should consider the client's research needs, especially if the client is in the "existence" or "survival" stage (2). The team should also investigate the client's capability to develop and handle the continuous stream of new information needed to cope with the ever-changing business environment. A marketing management information system (MIS) should be tailored to the client's needs.

The SBI's expertise is valuable in many ways. Identifying information needs for present and future operations is something for which many small retailer managers do not have the expertise or the time. This is especially true in a small town or rural area where growth means an increasingly sophisticated and complex business environment. The SBI could develop standardized forms and suggest appropriate research techniques for its clients to use. Questionnaires could be designed for future purposes. Teams could also develop standardized forms for media selection and scheduling, customer preference, and identification of promotional strategies, themes, and mixes.

Appropriate sources of secondary data could also be suggested to small retailers. In small towns and rural areas the SBI might also help to improve Chamber of Commerce and industrial development efforts in gathering research information. In addition, the team could work with the university's library in selecting specialized publications that could be used by small businesses in the region—an important consideration in small towns/rural areas where library holdings are usually limited.

Design of information flows within the firm should be tailored to the firm as an important service provided by SBI programs. The increasing use of computerized MIS should facilitate such systems, and the availability of such services to the small retailer/manager with help him or her recognize and respond to the increasingly sophisticated nature of business operation.

ACCEPTANCE BY SMALL BUSINESSES

Will the small business owners/managers accept the need for sophisticated information systems? They presently tend to draw information about the external conditions from verbal communications (6). One recent study of small businesses in a metropolitan area revealed that the most important channel for environmental scanning was experts from beyond the industry, and that second in importance was structured, industry-related, personal contacts (4). These two factors accounted for more than half of total scanning variance with experts accounting for 37.6 percent. Small businesses in small towns and rural areas—especially small retailers—probably have less access to such sources. There may even be a general tendency for most small business managers to rely only on their continuous involvement with the business, causing them to “. . . almost always feel that they know what they want to do and how they should do it, research to them is irrelevant. . . It is deemed useless, particularly if it confirms what management already knows” (3, p. 335).

There is much to recommend the verbal communications approach to research that small business managers use. It is much like the approach that is used successfully by Japanese business firms; however, some Japanese firms are starting to rely more on surveys to gain a broader perspective (5). Also, this potentially limited perspective is already seen as a possible problem for American small business (6).

SBI programs should recognize this acceptance problem and be prepared to address it. As small business owners/managers grow more sophisticated and recognize the importance of considering all the relevant situational factors, the systematic, in-depth benefits of research will become more acceptable to them.

CONCLUSION

This study indicates that small retailers in small towns and rural area are seeking SBI help with their advertising programs. They have surprisingly numerous choices in media selection, however, many of them need research surveys to choose wisely. The analyses in this study have shown that such needs can be extended to small retailers in all areas.

In some cases, the SBI and its consulting teams can be a source of research, especially in the initial characterization of target markets and promotional programs. SBI centers should always consider such services in their initial contact with small businesses. Perhaps SBI programs could consider developing a community

data base on community needs and resources, as some observers have previously suggested (8). Joint development with the Chamber of Commerce is a possibility in small towns/rural areas. This data base could be expanded to include generalized market information.

There is a growing realization of the need for research in small businesses of all types. The unique characteristics of each small business, however, mean that at least some research will have to be tailored to each specific firm. This means that the educational mission of the SBI is vital. Every SBI should be capable of inducing acceptance of research's importance in small businesses and developing each firm's capabilities for handling its own information needs.

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