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Small retailers are finding ways to compete with the big boxes

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This holiday season, local small businesses are realizing that there is strength in numbers.

Hoping to pre-empt the one-two punch that big-box retailers deliver on Thanksgiving evening and Black Friday morning, some small retail businesses are bundling together and running early promotions.

Retailers at the W. 50th Street and Xerxes Avenue neighborhood in south Minneapolis have bundled shopping events for several years. During last weekend's "Shop & Stroll," 14 neighborhood shops including Gallery 360, Bella Galleria, Hunt & Gather, Nash Frame design and Minnesota Honey Co. attracted shoppers with refreshments and storewide 20 percent discounts.

"We do it early because the weather is a little milder and it tells us what shoppers are gravitating to," said Merry Beck, owner of Gallery 360. "I know what I need to reorder, and it gives shoppers more time to return again before Christmas."

Analysts see the earlier promotions as a savvy way to counter such big-box retailers as Wal-Mart and Best Buy that advertised "Black Friday one week early" promotions last Friday.

"It's an opportunity for small retailers to float above the fray as Wal-Mart, Best Buy, Target, Macy's and others trample each other to earn the title 'earliest opening on Thanksgiving Day,'" said Dave Brennan, co-director of the University of St. Thomas Institute for Retailing Excellence.

But it's more difficult for small retailers to spread the word and get shoppers in the doors early.

Retailer Ryan North tried to organize a "One & Done" Twin Cities holiday shopping bus tour of five small retailers in Minneapolis and St. Paul but had to cancel it for lack of interest. North, who co-owns the Moss Envy retail store in Minneapolis, wanted to make holiday shopping simple and nostalgic by taking shoppers to Grand Avenue, Uptown and Linden Hills while avoiding the hassles of parking.

But the original fee of \$99 per person (including transportation, lunch and \$10 discount tokens at each business) proved too steep.



Merry Beck, owner of Gallery 360 at 50th St. & Xerxes Ave. south, talked to customers while at the shop on 11/21/13. Gallery 360 is among the shops at 50th St. and Xerxes Ave. south that banded together for a three-day Holiday Shop & Stroll event, from Nov. 22-24.

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Gallery 360 at 50th St. & Xerxes Ave. south.

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Hunt & Gather is among the shops at 50th St. and Xerxes Ave. south that are banding together for a three-day Holiday Shop & Stroll event.

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"Paying to shop is a hard gambit to sell," said Retail branding expert Beth Perro-Jarvis of Ginger in Minneapolis. "Especially in stores where shoppers may not be able to make a huge dent in their shopping."

But retailers that market themselves en masse during the holidays are smart, said Perro-Jarvis, because they're tapping into efficiency similar to a mall.

Tery Johnston-Haik of Minneapolis likes the idea of hitting multiple small retailers that offer classy gifts and personalized service, especially if she can avoid parking hassles. "I'd hop on a bus that could take shoppers to districts in suburban neighborhoods," she said.

Perro-Jarvis envisions a transportation system similar to Disney World where shoppers can get on and off the bus at such stops in Minneapolis as 40th and Chicago, Northeast and Linden Hills, in St. Paul at Victoria and Grand and Highland Park, and downtowns in Anoka, Excelsior and White Bear Lake. "It needs broad execution with mass appeal," she said.

Small-business retailers across the country need to get more aggressive to compete with big-box chains, said Brennan. Each year, sales at chain stores continue to chip away at small business' market share. Nationally, mom-and-pop retailers with annual sales of less than \$5 million have seen sales decline 2.3 percent year to date, according to the Sageworks financial information company in North Carolina.

Twin Cities shoppers plan to spend about 17 percent of their holiday budget at non-mall stores this year, according to the annual University of St. Thomas holiday spending survey that was released last week. That's down from 20 percent last year and a high of 39 percent in 2008.

Perro-Jarvis said that despite the trend toward big-box retail, small businesses can capitalize on the traffic, parking problems and crowded stores that make mall shopping during the holidays maddening. "Small businesses can give shoppers a Hallmark Channel version that's boutique-y, nostalgic and cute," she said.

So far, Small Business Saturday is holding its own. The event has been a success since it was started in 2010 by American Express. In 2012 shoppers spent \$45.5 billion on that Saturday. This year more than two-thirds of small businesses surveyed plans to offer a special discount or free offers, according to a survey by the National Federation of Independent Businesses.

To sweeten the appeal this coming Saturday, American Express offers a \$10 credit to cardholders who [register](#) and spend at least \$10 at a qualified small business.

The North Loop district in Minneapolis is bundling its holiday appeal for the first time on Saturday. A dozen shops and restaurants are featuring specials and complimentary food and drink. Promotions include storewide discounts of 20 percent or more at Handsome Cycles, Mitrebox Framing, and Statement Boutique and discounts on select items at C'est Chic Boutique, D. Nolo, FinnStyle, and MartinPatrick3.

While small retailers aren't jumping aboard the "open on Thanksgiving Day" bandwagon, some analysts think that waiting until Small Business Saturday to start holiday promotions may be waiting too long.

"By the Saturday after Black Friday, people have already spent a lot of their money and they're not eager to spend more," Brennan said.

One local retailer, Covered in Uptown, is competing by throwing a Black Friday punch as hard-hitting as any big-box retailer. The women's boutique will discount its entire store 40 percent on Black Friday. The store doesn't open until 10 a.m., but it expects to have dozens of customers lined up before then. It's the first time that the retailer has slashed prices that steeply storewide.

"We don't offer that big of a discount all year long," said Bridget O'Brien at Covered. "This is how we compete with the malls and Nordstrom."

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