Differences Between Networked and Non-Networked Retailers

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Statement of the Problem: The premise of business networking is that there is more to gain in sharing or cooperating than in competing as individual businesses. More formalized business networks, defined as groups of businesses joined together with articulated leadership structure and bylaws and/or contracts, have had positive impacts on small business owners' goal achievement (Miller & Besser, 2005). The potential benefits of formal business networking may be particularly relevant to small independent retailers in small sized communities who are vulnerable to inadequate resources and narrow market shares. Many small sized and rural communities have experienced a decline of rural retailers often due to waning customer bases and increasing competition from nearby large chain stores or the internet. Membership in networks may be one way to offset this disadvantage; however, there is limited research on retailers who are small in size and are located in small communities. We focus our study on micro-sized retailers who employee fewer than twenty employees and generate less than $500,000 annually. Retailers in this study operated apparel and accessory shops (15.5%), gift/flower shops (11%), home furnishings (12%), food/drink (15.5%), auto sales/repair (19%) and assorted or undefined retail operations (27%).

Purpose: The purpose of this research is to examine the personal and business characteristics of networked and non-networked small sized retailers operating in small communities and to compare their implementation of nineteen business strategies. We first propose that networked small community retailers have different personal and business characteristics from their non-networked counterparts. Second, we propose that business strategies adopted by networked and non-networked small community retailers will vary in type. This research offers practical application to small sized retailers weighing the benefits and costs of network membership.

Method: Eighteen small towns (defined as having less than 25,000 residents and located in a non-metropolitan county) were purposively selected in three states located in U. S. Plains and Midwest. A random sample of small businesses operating in the six towns in each of the states was purchased from American Profiles. From the 1772 business identified, 1303 business owners and top managers agreed to participate in the study for a cooperation rate of 73 percent. A subsample of 269 business owners who defined their business as fitting the retail NAICS code was used for this analysis. From the total sample size of 269 retailers, 161 self-identified as network members and 106 self-identified as non-network members. Network organizations represented in this study were primarily community-based (53%) followed by trade-based (39%).

Theoretical Framework: Granovetter's (1985) theory of embeddedness is helpful in calling attention to how business or economic functions occur within the social system. Embeddedness is exemplified when economic behavior is bound by social relationships such as when retailers sponsor local youth teams to encourage local shopping, or focus on localization strategies to boost customer loyalty. The presence of embeddedness was measured via business strategies.

Analyses and Findings: Independent t-tests were conducted to assess differences in operators' and businesses' characteristics based on network membership. Although the networked and non- networked businesses in this sample are comparable in format (traditional brick and mortar retail stores) with the majority of their revenues coming from customers in the local area (74.43 percent and 71.5 percent respectively), significant differences between the groups existed. Networked retailers were significantly different than non-networked retailers in personal characteristics such as ethnicity, gender, age, marital status, and education. In summary, the typical networked retailer in the sample was male, Caucasian, approximately 51 years of age, married, and had completed some college coursework. There were also significant differences in business characteristics involving method of business startup, legal description, age of business, year of ownership, and annual revenues. The businesses of the typical retailer in this sample were purchased by the owner, were approximately 31 years old, owned by the current owner for approximately 17 years, operated as a partnership, and generated between $400,000 and $450,000 annually in revenue. We found support for our first proposition in that networked small community retailers had significantly different personal and business characteristics from their non-networked counterparts. Findings also support the second proposition as the two groups were significantly different from each other on their assessment of business strategies. In sum, the emphasis for non-networked business owners was centered on strategies pertaining to products and services. For the networked businesses the strategies included not only focus on products and services, but also improving their image locally and strengthening the community.

Discussion: Granovetter's theory of embeddedness was supported in the context of small community retailers who engage in business networks and who adopt social relationship-based strategies in pursuit of economic goals. While there was no difference in years of community residence, networked retailers were significantly more likely to rate strategies that strengthened their community image and improved their public image as more important than non-networked retailers. Further research is needed to determine if this strategy is emphasized in communication among network members or if the retailers'concern for image motivated network membership.

References:

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