

MERCHANDISING, OMNICHANNEL, E-COMMERCE

Beyond Discounts: Innovative Strategies for Small Retailers When Consumer Spending Falls



Credit: Getty Images



I have a confession to make: A few weeks ago I found myself buying toys for my kids — toys that they *really* don't need. I hadn't planned the splurge, but as I strolled the charming streets of San Diego, my eyes fell upon an incredible feat of store design: a gigantic wooden puppet, its friendly face and welcoming arms beckoning me to step inside. The interior of the children's retailer — [Geppetto's](#), a local brand — was just as enchanting; and before I knew it, the impeccably friendly staff were ringing up my purchase.

This is the magic of inventive independent retail. It can transform a casual window-shopper into a committed customer who will undoubtedly return, drawn by the allure of a unique and delightful shopping experience.

Against a backdrop of falling consumer spending, this creative approach to customer acquisition is becoming increasingly important for America's small store owners. Despite the resilience of the U.S. economy, shoppers are "slowing things down," Bank of America CEO Brian Moynihan [disclosed recently](#), referencing a slump in card payments and ATM withdrawals. His warning chimes with [a study conducted](#) earlier in the year which found that over two-thirds of Americans are cutting back on expenditures.

For behemoth national brands, the answer to this slowdown is [discounting](#). That's a workable strategy for the Walmarts and Targets of the world. But for small to midsized businesses (SMBs), marking down is massively problematic.

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Mom-and-pop retailers, already squeezed by the advance of e-commerce, lack the economies of scale to maintain profitability while offering discounts. They can't buy in bulk and secure lower supplier prices like their larger competitors, and often have tighter cash flows, so markdowns carry a greater risk. Perhaps the biggest issue for SMBs, however, is the long-term impact frequent discounting can have on their core customers. In small communities where local patrons make up the majority of sales, consistently seeing products discounted can condition shoppers to perpetually hold out for a deal rather than pay full price. While periodic promotions may be necessary to clear unsold inventory and make room for new items, constant reductions can erode the purchasing habits of the loyal customers small retailers rely on.

Put all of this together and it's no surprise that discounting can often hurt, not help, small retailers facing a decline in footfall. Thankfully, there are other ways to entice frugal shoppers when sales start to slip. Instead of rudimentary price cuts, which can reduce the perceived value of products, local stores can introduce loyalty programs that reward return customers and can help boost [repeat business by 80 percent](#). Smaller retailers could also explore tiered pricing schemes, where shoppers buy more to save more, or commit to making charitable contributions with every purchase, helping forge strong emotional bonds with their customers. Imaginative visual merchandising and store design, like that of Geppetto's, is another great way to get people through the door.

Yet so strong are the financial headwinds buffeting SMBs that even considered initiatives like these might not be able to fully plug the consumer shortfall, leaving them with every retailer's nightmare: excess inventory. For local sellers, surplus stock is a monumental problem — [more than half report "dangerous ramifications"](#) if they can't clear their shelves.

Clearing inventory at a loss is bad for any business, but for small brands and independent retailers it can be the difference between survival and closure. For this reason, more and more SMBs are forgoing discounts in favor of new methods of moving excess items. Innovative online marketplaces, tailor made for independent retailers, can expand a store owner's buyer pool, allowing them to shift their glut of goods for significantly higher payouts than would be gained from liquidation. These platforms handle the technical aspects of e-commerce, such as website maintenance, payment processing and shipping logistics, freeing up time to focus on other critical priorities such as cultivating brand loyalty and creating unique in-store experiences.

This is good not only for the business in question, but also the local community. SMBs remain the beating heart of America. They account for [almost half of all private sector jobs](#) and [make up 40 percent of the U.S. economy](#). When local stores are dragged under by excess stock, the surrounding area is deprived of a vital source of employment, economic growth, and innovation. Even worse, there's often a domino effect when a small retailer closes, with fewer people incentivized to visit the area, hurting other local enterprises and eroding the wider culture of in-person shopping.

As consumer spending wanes, America's small retailers will feel compelled to slash prices. However, with their inherent ingenuity and resourcefulness, a more sustainable path forward is possible. By harnessing creative solutions and forging deeper connections with customers old and new, these cornerstones of the U.S. economy can avoid self-defeating discounts, navigate inventory challenges, and emerge stronger. In doing so, they'll safeguard not only their own futures but the vibrant tapestry of local commerce that defines communities nationwide.