

Small-Town Shops Bulk Up on the Web

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The New York Times (Nov 16, 2005): pG6(L).

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ALMOST every significant American economic era is apparent in this neat-as-a-pin city on the western shore of Lake Michigan. Its agrarian heritage is reflected in the farms lying at the city's edge, and a beer-malting plant at the center of town. The maritime and industrial eras are represented by a coal-fired ferry that crosses Lake Michigan, and the steel cranes built here by the 103-year-old Manitowoc Company. The rust belt period, with its manufacturing-job losses and downtown decline, is still felt in slow population growth, modest housing prices and shuttered plants.

In the newest era of this city's history, the Internet is propping up bricks and mortar downtown, acting as a mainstay for the stores that have helped Manitowoc establish what development specialists call a "recreational" shopping experience. Indeed, besides generating sales for giants like Amazon, the Internet is allowing small stores, here and around the country, to develop the niche products that shield them against big-box retailers.

Beyond the revenue from online sales, Manitowoc's merchants say the biggest benefit of e-commerce is that it enables them to turn over their inventory much more quickly, so owners can add more products and variety to their sales floors. That, in turn, encourages more interest and customer traffic, diversifies the revenue stream and contributes to downtown street life here and in other small cities.

A walking tour of Manitowoc, population 34,000, reveals several examples of the convergence of new technology.

At Eighth Street is the kitchen supply retailer Cooks Corner, which occupies a 20,000-square-foot store that was once a Kresge's. The company, which is 11 years old, employs 35 people and stocks 15,000 gadgets and appliances; its Web site, cookscorner.com, accounts for a third of the company's revenue. Of the 1,000 customers who visit the site each day, roughly 200 place a digital order, said Peter Burback, the company's owner and founder with his wife, Cathy. The site has also elevated Cooks Corner to regional and national attention.

Mr. Burback keeps a customer log of cash-register receipts totaling 170,000 people who visited the store last year. "We're the No. 1 tourist draw in the city," he said.

Around the corner from Mr. Burback, on Ninth Street, is Healthy Chocolate Treats (healthychocolatetreats.com), a business founded in April by Paul Stitt, a 65-year-old biochemist who turned another Manitowoc-based specialty food company, Natural Ovens Bakery (naturalovens.com), into a \$29 million-a-year business that gets 20 percent of its sales from Internet orders. Healthy Chocolate Treats, which employs seven people and attracts 100 or so retail customers a day, specializes in vitamin D-fortified candies. Its

revenues have already reached nearly \$40,000 a month, a third from orders from the Internet, Mr. Stitt said.

Nearby on 10th Street, the Fitness Store (thefitnessstore.com), founded in 1993, sells an array of exercise and cardiovascular equipment. John Brunner, the 44-year-old owner, says that his 2005 sales are expected to reach \$2.5 million, twice as much as last year. "The Internet accounts for 75 percent of our sales now," he said. "I started the company in 1993. We launched a Web site in 1995. I didn't know the Internet was going to be such a catalyst for growth until 2000, when we developed an e-commerce site. We're making huge gains now."

To some extent, the Internet's influence on helping small businesses was anticipated. In 2002, the Small Business Administration published a study finding that 61 percent of small companies managed a Web site, and 35 percent were selling products online.

What was not as clear was how the Internet could contribute to so many downtown revivals. Hours north of Manitowoc, in the rugged Upper Peninsula of Michigan, Marquette is also undergoing an economic transition from being a mining-based city of heavy industrialization to a recreation and tourism economy centered on its access to Lake Superior.

One anchor of Marquette's revival is the Getz Department Store, a family-owned business that has been on Front Street since the late 19th century and now earns roughly half its sales revenue by selling Carhartt and North Face clothing on the Internet (getzs.com). The company's Web site has also helped to establish Getz's, as it is also known, as one of the city's tourist destinations, along with the county courthouse a few blocks west, where scenes from the 1959 Jimmy Stewart film "Anatomy of a Murder" were shot.

Many other examples exist. In upstate New York, downtown Ithaca is a hub of new retail activity and tourist trade generated by Internet marketing and sales. "There's an upside and a downside of marketing on the Internet," said Gary Ferguson, the executive director of the Ithaca Downtown Partnership, a business development group. "The floral business has been changed dramatically by the Internet. More and more people are buying flowers online. We had a business called Plantations that had been here for 30 years and had a hard time with the transition and didn't make it.

"On the other hand, we have three used-book stores, and they do half their business on the Internet," Mr. Ferguson said.

The Beeswax Candle Company in Lynchburg, Va., started three years ago as an Internet business with a store located on the edge of downtown. Because of rising sales at beeswaxcandleco.com, the company moved into a larger space at the center of town.

"The Internet has taken a small family-owned candle business and allowed us to compete on a national level while contributing to the redevelopment of our downtown area in central Virginia," said Kathy Shaw, the founder.

Several merchants said that preparing for the transition and managing Internet marketing, sales and distribution was not easy.

E-commerce requires a business to change its infrastructure in four ways: The first is understanding the computer hardware and e-commerce software and managing vendors, servers and consultants. The second is applying the technology to sales and marketing by designing the Web site's back-end ordering platforms for customers, while making the front-end digital showplace clear, attractive, informative and navigable. The third phase is hiring a consultant or training staff members or doing both to manage the site. The last is developing the capacity to quickly fill and ship orders, respond to returns and replace inventory, most of which can also be done on the Internet.

Here in Manitowoc, small businesses are tapping into the online sales world primarily through pay-per-click advertising offered by Google's Adwords and Yahoo's Overture. Both companies require e-commerce retailers to bid on keywords and phrases to drive customers to Web sites. Mr. Brunner of the Fitness Store said he spent \$6,000 a month on Google and \$2,000 a month on Yahoo. But he also gained \$240,000 in revenue in August. "I expect to do more than that in November and December," he said.

Still, Dennis Mingay, the general manager of Getz's, said the cost of Internet advertising can be a big concern. Getz's, he said, is spending nearly \$1 a click. "We're trying to master the marketing strategy to get that down so it's affordable," Mr. Mingay said.

One way to do that is through e-mail. Getz's has a list of 20,000 e-mail addresses. Cooks Corner has 35,000 addresses, which it taps for promotional newsletters. Mr. Burbach said that e-mail marketing had been successful, accounting for 75 percent of the company's orders in the week or so after they are sent. E-mail, he added, has helped Cooks Corner contain the cost of Internet advertising to \$2,500 a month.