

# MARKETPLACE ULRICEHAMN

Swedish Institute for Innovative Retailing • Malin Sundström





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Swedish Institute for Innovative Retailing

Popular scientific report

*Malin Sundström*



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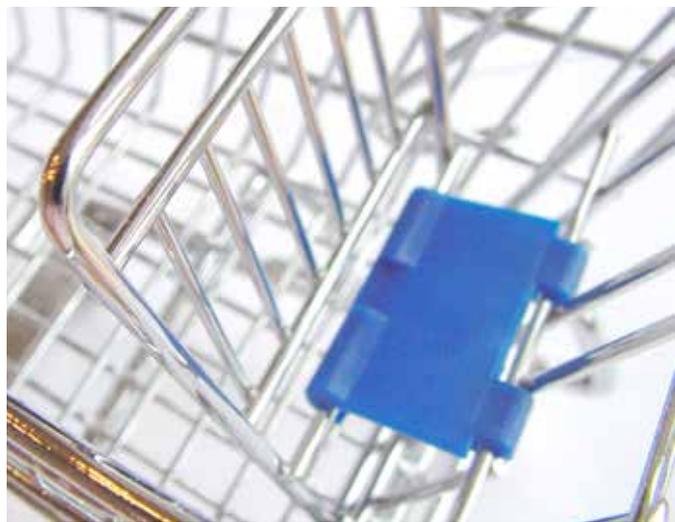
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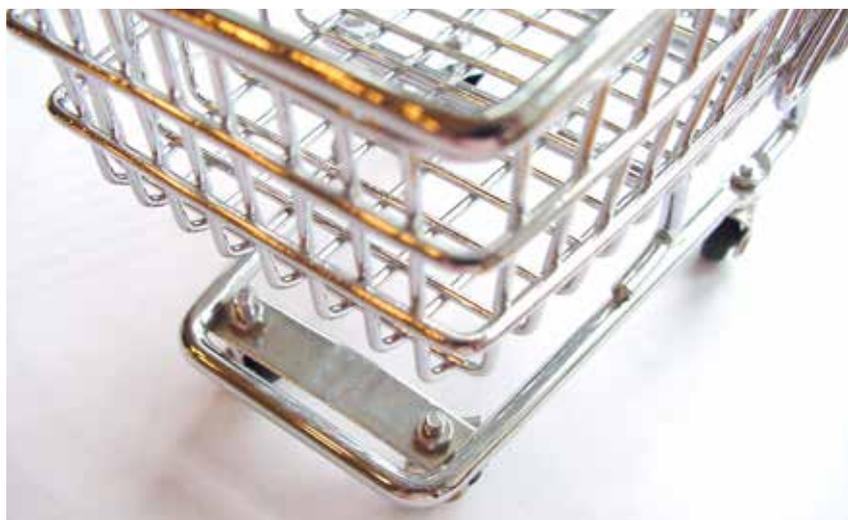
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## INTRODUCTION

The ESF-funded project “Future Business Development”, carried out by the City Association in Ulricehamn, has as its main objectives the improvement of the business climate, the reversal of a negative trend and development of the retail sector in Ulricehamn. Supportive tools to reach those objectives have been the training of employees and retailers in store communication and service encounters, and establishing a common vision of the future. This report presents the conclusions of an evaluation made by the Swedish Institute for Innovative Retailing (SIIR) regarding activities undertaken in the past and an analysis of what further actions should be considered. It has been produced in collaboration with Lars Wallberg and Jessica Strand, business development managers in Ulricehamn, and is addressed to retailers, businessmen, politicians, and the general public.





Storgatan in Ulricehamn.

## RETAILING EFFECTS ON SOCIETY

Retail and wholesale operations represent more than 11 % of the entire European GDP. They employ nearly 15% of Europe's workforce. The retail sector has a very close relationship with other areas, such as manufacturing, agriculture, IT services, logistics, and transport industries. There is a clear trend toward fully integrated actors. The European Commission considers retail a priority sector because of the many people it employs. The Commission actively supports the sector's efforts to become more efficient and innovative in a variety of ways (ERAP, 2013).

The retail sector is an important engine for driving economic growth in Sweden (HUR, 2010). It is also a sector undergoing constant change (Hagberg, 2008). However, the speed of change in retailing seems to be on the rise (Gilbert, 1999), and in an increasingly digitalized society, many people believe that retail growth is important for sustainability and innovation. One significant change in the retail landscape is the ongoing geographical concentration of retail operators in large cities and specific venues, as well as the rapid growth in e-commerce. Another phenomenon is the growth of major retail chains, and a decrease in unique retailers. Consumers today spend about 30% of their disposable income on retail, and the total receipts are more than 600 billion SEK (including VAT).

The Swedish retail sector employs 250,000 people. An average Swedish consumer spends more than 60,000 SEK on retail annually. This is divided equally between specialty goods and groceries.

In Västra Götaland, retail income was 99 billion SEK in 2011 (Hui Research, 2012); in Ulricehamn it was 1.2 billion, with a slightly greater preponderance of specialty goods than groceries. If people living in Ulricehamn would make all their purchases in the community, the gross receipts would be 1.379 billion. This gives a potential sales space of 127 million SEK, i.e., money that is being spent on retail in places other than Ulricehamn. The real sales potential is probably even greater, since no incoming visitor purchases have been taken into account. If it were, the

figures for Ulricehamn might show an increase in visitors and tourist shoppers. A goal of increasing retail turnover to 250 million SEK per year might be an overly modest goal.

Gross receipts in the retail sector are known to have a clear link to the rate of taxation, the number of unemployed, the interest rate, and the general attitude towards spending and saving. We also know that retail income is affected by consumer requests for innovative products and offerings that can facilitate or improve the quality of daily life and provide various forms of added value (Werkhoven, 2013). Many believe that service innovations in retailing which give added value to the consumer will be a competitive tool in the future (Berry et al., 2006). There is a strong belief among politicians that retail will grow with new business models, concepts, formats and innovations (ERAP, 2013).



## RETAIL IN ULRICEHAMN

A small town like Ulricehamn with a population of 23,000 and located between two large cities may have difficulty competing with supply, prices, parking facilities, and large shopping centers. Nevertheless, the municipality's vision for the city has transformed drawbacks into something positive by formulating a strategic plan known as "Handelsplats Ulricehamn". It envisions "a small but established marketplace that will exert a strong attraction in the region" (Ulricehamns City Association, 2012). The vision hopes to be achieved by offering an alternative experience: a place where visitors will be able to do their shopping in a serene atmosphere. The objectives of Ulricehamn as a retail destination are formulated as:

- Increased loyalty +5% (76%)
- Increased customer base 11% (from 23,000 people to 25,000 people)
- Gross receipts: 1.1 billion SEK (+250 million per year)

The strategies that will contribute to achieving these objectives are differentiation and market penetration. In order to achieve them, the following aims will be targeted:

- Improved customer service
- A broader selection of products
- Revised business hours
- Marketing the locale

Before reviewing Ulricehamn's retail statistics, we would like to indicate how the statistics were compiled. Retail *sales index* refers to the actual sales divided by the sales basis. Grocery products mean food, tobacco, newspapers, flowers, liquor, over-the-counter pharmacy and personal hygiene products, but not e-commerce sales. The term *specialty goods* include clothing, leisure products and household goods, other durable items, but again nothing from an e-commerce channel. *Turn-*

*over* is the revenue per municipality, including VAT, at current prices and presented in millions of SEK. *Number of employees* encompass persons 16 years or older. In the statistics Ulricehamn is classified among “municipalities in a densely populated region”. Within the region Sjuhärad, it may be compared to Mark municipality, which is also classified the same way. Sweden has a total of 35 municipalities with this classification. The population of Ulricehamn from 2008 to 2011 remained relatively unchanged at just under 23,000 inhabitants (SCB, 2011).

Like other regions in Sweden, Ulricehamn was affected by a weak economy in 2008, leading to fewer retail employees, but from 2009 to 2011, the number of employees slowly increased. In 2011 Ulricehamn had 649 people employed in the retail sector (HuI Research, 2013). The distribution of turnover between groceries and specialty goods shows specialty goods slightly ahead. This may be because Gällstad accounted for a large share of clothing sales, which are classified as specialty goods. Sales in 2011 for the total retail trade in Ulricehamn amounted to 1.2 billion SEK.

In 2011 the sales index in Ulricehamn was 90. But a comparison with other municipalities classified as “municipalities in the densely populated region” shows that Ulricehamn is somewhat ahead (76). Of the 35 municipalities in this classification, 26 have a lower index than Ulricehamn. Those municipalities which have the same sales index as Ulricehamn or better were: Borlänge, Lidköping, Falkenberg, Ystad, Karlshamn, Västervik, Älmhult and Mjölby.

There is clearly great potential for developing Ulricehamn as a shopping destination, and it may be a good strategy to market the venue locally. This is also stated in the vision statement *A small but established marketplace with a strong attraction in the region* (Ulricehamns City Association, 2012). By getting more residents to shop locally may increase sales. However, such a strategy alone is not sufficient. There is also the potential to develop the destination as a tourist attraction where visitors will want to stay the night. A key factor in the formulation of a strategy built on shopping tourism is to find out how the destination is currently perceived by visitors. When that is known, we can plan a revised retail strategy.



Storgatan in Ulricehamn, crowded with customers.

## RESULTS FROM THE EVALUATION MADE IN ULRICEHAMN

The survey that is the basis of this report presents the results from customer observations, mystery shopping and interviews with retailers and employees (SIIR, 2013). Improving the attitude of retail personnel toward customers has been a uniform goal. It can be characterized by the words: dedicated, trustworthy, truthful, and polite. With regards to improved store communications the focus of training lay on the need for a broad selection of merchandise and the need for marketing. The operative words here were: communication, specialty stores and agreement on a common marketing concept.

The data from customer observations and mystery shopping indicates a score of 3 on a 5-point scale were 5 was excellent and 1 was very bad, assessing the physical aspects of retail stores, such as merchandising, signage, store appearance, stock, and cleanliness. From earlier research (e.g. Donovan et al., 1994; Spies et al., 1997) we know that a store's physical aspects affect the customer experience. We also know that an inviting store window affects a customer's motivation to enter the store (Kerfoot et al., 2003). The survey showed that some store windows had price information that was incorrect or not visible.

The correct employee attitude is essential for customer satisfaction. The following observations were noted in certain stores that received a grade 3 or more on the survey. Some personnel are perceived as inattentive asking customers if they want help too late. We know customers who feel neglected or unrecognized may get a negative perception of a store. The major research firm Daymaker considers this element so important that observers are trained to measure attention from employees 30 seconds after they enter the store. If a mystery shopper is not recognized within the specified time, the retailer is automatically given a bad score. The importance of prompt attention cannot be stressed enough.

While the evaluations of store performance have been acceptable, they were far from excellent, leaving much to be done for individual stores and the town of

Ulricehamn as a shopping destination. There is a need to coordinate resources for coaching and providing support to retailers and tourism operators. Employees and businesses must improve their delivery of customer services and realize what a pleasurable shopping experience might mean. From the evaluation, we see that chain stores are better at store communication and marketing than individual stores. We hope that our study will encourage smaller retailers to better understand how to do visual merchandising, maintain their stock, and improve customer satisfaction. For this to occur there is a great need for the city and the municipality to act and put motivational power to work.

The present report (SIIR, 2013) also evaluates the training individuals have received so far. A majority of the participants rated their training in customer encounters as satisfying. A positive spin-off was that business owners and employees in the area got to know each other. This in turn leads to more people finding it easier to socialize, take part in discussions on entrepreneurship, and participate in retail discussions that focus on joint initiatives to strengthen the economy of Ulricehamn's center.

#### THE SHOPPING DESTINATION OF ULRICEHAMN

In order to develop and market a shopping destination, it usually requires several players cooperating in strategic alliances. It is also necessary to understand the difference between developing an attractive venue and promote different components of the venue. Research from the tourism sector clearly shows that such cooperation can be effective (von Friedrichs Grängsjö, 2001). It is reasonable to draw parallels between the experiences of tourism and retail, as they share activities in common. We see this especially in the phenomenon of shopping tourism and destination marketing research (Lundberg & Sundström, 2004).

We know that it is essential to develop core values for a destination and have them enshrined as widely as possible among many players. An exemplary work about core values that focuses on brand promise has been developed by the City Association Ulricehamn (City Association, 2012B) – *In Ulricehamn you will find individualized stores providing you with all your wishes – and more*. A key aspect in the development of core values and understanding of brand value is that it is anchored and that the values are desirable for both the trademark owners and customers (Uggla, 2002). It is also vital that the product “Handelsplats Ulricehamn” is perceived by customers as specified in the branding and communications platform (City Association Ulricehamn, 2012B): *A relaxed cobblestoned city with mod-*

*ern sports facilities, exciting natural surroundings, a business-friendly environment, and individualized business offerings. Providing visitors with a pleasant surprise (p.3).*

We believe further training and strategy work is needed in order to provide customer service that is above average and to meet with the branding and communications platform. The marketing efforts to publicize the destination should continue, but different stakeholders need to agree upon the vision of the venue and cooperate in order to achieve the goals. It is hard work to become a destination that delivers delight to visitors. Now is the time to gather resources, identify value adding services, and operate on training that will take the customer from happy to feeling delighted.

The ethnographic study conducted in 2010 entitled “The city of my dreams: A cultural study on Ulricehamn society, consumption and identity” may be a valuable source to draw upon when further training is planned (Trendethnography, 2010). In the future, more training should be implemented with regards to innovations and value-added services. It is also essential to dedicate resources to promote networking activities with stakeholders on a country level, as well as on a local level. While creative ideas are usually born in interactions with others, a systematic approach that coordinates retail forces is also needed.

Business and innovation research has long tried to understand a consumer’s desires, and the experiences associated with shopping, and how digitalization affect people’s life. This includes the interaction between people and technology and the everyday activities done by means such as mobile telephony. Such an understanding contributes to the development of commerce business models, and enhanced value for consumers (ERAP, 2013). The correct use of all the opportunities that digitalization offers will lead to a more sustainable society and a prosperous retailing destination. We recommend the City Association in Ulricehamn to formulate a research project in cooperation with the Swedish Institute for Innovative Retailing, with the goal of applying for funded research within Horizon 2020.

#### THE NEED FOR A RETAIL STRATEGY

Since retailing is an economic growth engine, the sector should be allocated resources to make Ulricehamn an attractive venue. The structure of retailing in Sweden is presently undergoing a major change. Changing buying habits affect the environment, so it is important for a municipality to be prepared to meet a changing retail landscape by planning for development. A well-developed “Handelsplats



Retail – an economic growth engine.

Ulricehamn” can provide a wider range of goods, more affordable products, new visitor attractions, increased employment, more residents, more powerful centers of retail, reduced outflow of purchasing power, etc.

We recommend establishing a strategy for Ulricehamn that will make it a destination well known for its retail. In accomplishing that the destination need a unifying force and long-term planning that takes account the city and its inhabitants, but also considers incoming visitors. Such a strategy must be an active document that is regularly reviewed and revised. A useful retail strategy can be developed through scenario planning, which in turn is based on development directions and trends together with an economic analysis of demographics, infrastructure, and travel behaviour.

To further develop Ulricehamn as a marketplace regular assessment should be made of the effect of change. The previous investigation (SIIR, 2013) can contribute by presenting customer observations carried out over time and thus can indicate trends. One should also be responsive to requests from commercial and retail workers with regard to future training classes.

#### THE NEED FOR RETAIL STRATEGISTS

Retailing in Ulricehamn faces major challenges and high growth potential. A well-developed retail sector can provide many more jobs, an inspiring and vibrant community where people want to live, an improved quality of life and good service, and a clear trend towards a more sustainable society. Since Ulricehamn is located in an area considered as a growth path and investments in infrastructure are underway (such as a new motorway due to be completed in 2015, and a railway that will be ready in 2025/2030), there is a great need for retail development. A great deal must be considered in a common retailing strategy, so that no place becomes isolated. Attention must be given to existing commercial areas within the municipality that are positioning themselves and additional areas should be included in an overall retail strategy. New public transportation opportunities that provide greater accessibility also increase competition from outside the area. The digital development of new interaction possibilities that alter retailing conditions must also be considered.

There is no doubt that retailing has become increasingly important for jobs, tax revenues and making a city or municipality more attractive for people to live in, which in turn brings more choice for everything from culture and outdoor activities to more companies that wish to establish themselves there. Development requires interaction between the players who build “the good city”. Cooperation between municipalities, politicians, officials, property owners, and commercial and other local players of significance is the basis for a healthy and strong retail development

In its strategic location between two major regional centers (Jönköping and Borås) Ulricehamn has a great need to become an important regional actor. Its retail sector needs to be organized around retail areas that interact with each other. Retail is usually the weak link in this context, partly because small retailers are often resource-poor in financial resources and knowledge, while larger chains rarely are involved locally. As in the case of Ulricehamn with many small retailers, it is essential that the municipality act as a unifying feature that can both hold together,

offer education and get to an internal collaboration in retailing, while bringing retail and tourism, property owners and municipalities into the overall collaborative project for a common sustainable development and growth. These are complex issues that span multiple areas of expertise, so that more and more municipalities realize human resources are needed to address these challenges.

Ulricehamn is entering upon a very intensive period of development in many areas, such as industry, recreation, tourism etc., and in all of these the retail sector has an important role to play. Therefore, it is an opportune time for the municipality to act and quickly appoint those with expertise to direct this development.

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