Marketing Strategies of Successful Rural Iowa Retail Businesses

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Abstract
An exploratory study was conducted to examine the innovative marketing and business strategies used by small retail and service firms and their relationship to business success.

Keywords
rural, small business, marketing strategies

Disciplines
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Comments
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**Background.** Small firms in the U.S. comprise approximately 99.7% of all firms and employed around 57.4 million people nationwide (USBBA, 2006). Accounting for over one million new businesses each year, small businesses are considered one of the key economic drivers in the U.S. (USDOL, 2010). More specifically, in Midwestern states such as Iowa, 95% of businesses operate with less than 50 employees and more than half of the state’s businesses employ five or fewer people (DOIR, 2010). Studying rural businesses is crucial because small firms provide numerous job opportunities and stimulate economic growth (USBBA, 2006). An exploratory study was conducted to examine the innovative marketing and business strategies used by small retail and service firms and their relationship to business success.

**Theoretical Framework.** This study is framed by resource-based theory (RBT) (Barney, 1991). RBT focuses on how superior firm performance can be achieved and posits that superior performance results from obtaining and exploiting exclusive resources of the firm. RBT is a framework for understanding how a firm can garner competitive advantage in the marketplace and sustain that competitive advantage (Barney, 1991). Developing and using marketing strategies such as innovativeness, focusing on customer value, opportunity-seeking, and risk-taking behaviors are ways for small firms to develop unique and successful marketing strategies.

**Purpose.** Little research has been conducted to explore the marketing activities that make rural businesses successful in a dynamic and changing marketplace. The purpose of this study was to examine the scope of marketing strategies used by small Iowa retail and hospitality firms and examine which strategies were related to perceived business success. Implications are also provided for business strategy enhancement and rural business assistance.

**Method.** The sample of 3,688 businesses was drawn from rural areas in Iowa from manta.com’s national database of small businesses. The sample was stratified, representing communities from each of the Iowa’s 99 counties and communities ranging in population from 1,000 to 75,000. The survey instrument consisted of an entrepreneurial tendency scale (Morris, M. H., Schindehutte, M. & LaForge, 2002), an adapted innovative marketing practices scale (Oh, Fiore, & Jeong, 2007), and selected marketing mix elements and brand equity scales (Yoo, Bonthu, & Lee, 2000). All measures consisted of seven-point Likert-type items with the unit of analysis the business owner. The survey contained three parts: retail marketing effort, branding, and business owner/manager characteristics. This study used the following three items from the full survey: opportunity driven behavior; innovativeness, creating customer value, risk-taking behavior, and five items to measure perceived business success.

**Results.** A total of 266 business owner/manager responses were used. Most business owners reported that their business employed five or fewer employees. Annual gross business income for nearly half of the sample was between $100,001 and $500,000, the average time in
business was 24 years and over half the businesses reported making a profit in the previous fiscal year indicating that the sample businesses were successful enterprises in their communities. Approximately half of businesses were located in communities with a population of less than 25,000.

Five hypotheses were tested to assess the relationship of small rural business owners’ use of innovative marketing strategies to perceived business success. Using regression analysis, the following hypotheses were supported ($p<.05$): Marketing activities did explain a significant proportion of the variance in perceived business success ($R^2=.08$, $F(4, 242) =5.41$, $p<.00$). Of the items included under the marketing activities construct, only opportunity-driven behavior was supported ($\beta=.15$, $p<.001$). Innovativeness ($\beta=.21$, $p=.00$), creating customer value ($\beta=.15$, $p=.00$), opportunity-driven behavior ($\beta=.23$, $p=.00$), and risk-taking behavior ($\beta=.14$, $p=.02$) were all found to be significant predictors of perceived business success. The results are consistent with previous literature indicating that these marketing constructs may have a significant impact on the success of small, rural retail and service firms, and help firms leverage resources to create unique competencies and capabilities.

**Conclusions and Implications.** This initial exploratory study of small retail and service firms in Iowa indicates that much research needs to be conducted to understand the full scope of marketing activities that small firms engage in to be successful. The non-significant results of H1 indicate a possible lack of understanding of how marketing should be a key part of a firm’s core business strategy. These business owners may be unaware of the scope of activities that small firms may use to create success or lack of understanding of marketing terms and tools that may be useful for small firms. The support of H2-H5 indicates that these entrepreneurs do engage in a variety of marketing activities to sustain and strengthen their businesses, but perhaps lack the ability to track the effectiveness of their efforts. Understanding strategies that entrepreneurs use to create sustainable and successful businesses in Iowa is important for the longevity of rural areas across the country. This study also provides guidance for business consultants regarding ways to assist small rural businesses in terms of training programs and needed skills.

**References**


