

CONFRONTING THE BIG BOXES: COMPETITIVE STRATEGIES FOR SMALL BUSINESSES

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ABSTRACT

The past quarter-century has witnessed the rise of the big box retail format and the subsequent decline of Main Street small businesses. Today's customers are demanding high-quality products at low prices, greater convenience, and a wide assortment of goods. Wal-Mart's competitive advantage lies in its ability to meet these demands. Specifically, Wal-Mart excels in providing low prices, wide assortment of goods, and the convenience of one-stop-shopping. This paper reviews the research on the competitive responses of small retailers to mass merchandisers and discounters. The paper examines the theories surrounding competitive advantage and the strategies available for small businesses to compete against big box retailers. Although prior research has recommended that small businesses can benefit from differentiation strategies, this paper argues that a hybrid strategy of low cost and differentiation with an emphasis on providing superior customer service may be the most effective competitive weapon against mass merchandisers such as Wal-Mart. A discussion of the success of dollar stores in competing with discounters supports the argument that a hybrid strategy is effective.