

As Economy Sputters, Northfield Businesses Tighten Belts and Push Promotions

By Myles Radtke

Last January, April Ripka realized a lifelong dream by opening an art supply store that she now runs, the Sketchy Artist in downtown Northfield.

Her timing was unfortunate, though. After the global financial crisis broke in mid-September, business at the Sketchy Artist dropped dramatically.

“It has been frustrating,” Ripka said. “People take more time deciding between five or six things. Then they usually pick the cheapest thing and buy it. People are scared.”

The Sketchy Artist is not the only Northfield business that’s been hard hit by the financial crisis. Many retail shops on Northfield’s quiet streets in recent weeks have slashed operating costs and embraced new marketing and promotion schemes to build their clientele as a hedge against the current financial downturn.

“The biggest problem is consumer confidence,” said Jerry Bilek, owner of the Monkey See, Monkey Read Bookstore in downtown Northfield. “You can feel the anxiety. Most people are making the same salaries [as before]. For the average Northfield resident, most things have not changed. But it is the anxiety. People are being more conservative in the short term.”

“Mid-August into September, around the beginning of a new school year, my sales were doing well,” Bilek added. “But in mid-September it began to slow down.

When the news broke, Internet orders really dried up.”

The drop in Internet sales has been especially difficult for Bilek, as Internet business represent 25 percent of the store’s revenue.

Bilek figures that strong new marketing ploys are his best chance to counter the drop in both foot-traffic and Internet sales. “The hardest thing is getting customers through the door,” he said. “Most people who come through the doors come away with a positive experience.”

To increase foot-traffic, Bilek last month began a monthly poetry reading at the store. “It was packed,” he said. Bilek has also introduced bounce-back coupons, in which December shoppers get special deals if they return in January, his slowest month.

Louis Newman, a Carleton College professor of religion and owner of Sweet Lou’s Waffle Bar and Café, said that an expected bounce in fall sales has not materialized.

“Over the summer, it was really slow, but that was probably because the college students were gone,” Newman said. “I expected that come fall that it would pick up, but it has not picked up as much as I thought.”

The uneasy financial situation could be the reason, Newman said.

“People don’t have the same amount of money in their IRA or dividends,” he said. “People feel less wealthy. It makes people jittery and uneasy about spending money.”

Newman has also been trying new promotional ideas. The Sweet Lou’s shop has permanently lowered the price of a cup of coffee to 50 cents; sold t-shirts at Carleton

College; and is looking into high school sports sponsorships.

“Promotions are essential when you are struggling to get people into the door,” said Newman.

Meanwhile, both Bilek and Newman have cut operating costs to the bare necessities. “I have cut everything down to the bone,” Bilek said.

“We have been working on keep operating costs low to weather the recession,” Newman said.

At Grezzo Gallery, a picture-frame shop and art gallery, Stephen Delwiche, the gallery’s owner, told a similar story.

“It hasn’t been as busy, for sure,” Delwiche said. “It’s been hard to get people through the door.” To keep his business going, Delwiche has been pushing the picture framing part of his business rather than his true passion, which is selling the work of local artists. “Framing pays the bills around here,” Delwiche said. Other than this change, Mr. Delwiche is not planning any major changes.

“I’m kind of new,” Delwiche said with a grin. “I don’t know what else to do so I’m sticking with the plan.”

An apparent exception to Northfield’s gloomy retail picture is Monarch: The Enchanted Garden Shoppe, a downtown gift shop owned by Jan Osterman. Only recently, Osterman actually had a sign soliciting job applications in the window.

Standing in a sea of knick-knacks, Osterman, who has owned Monarch for seven years, said that the current financial turmoil has not slowed her thriving shop.

“I have heard of businesses having problems, but I haven’t had any,” she said.

“We actually had a good year. The crisis has not affected us much. We are conservative anyway. We don’t have a lot of credit.”

Krin Finger, the owner of Rare Pair, a Northfield jewelry shop, reports a so-so year for sales, with hopes for strong Christmas sales. “Year-to-date we have been down a little bit, but we can make it up in the last two months,” Finger said.

The wholesale price of jewelry products has recently gone up 15 percent due to increasing transportation costs, Finger said, but she remains hopeful.

“I have the reputation for being the most optimistic retailer in Northfield,” she said with a chuckle.

Finger has been building a savings cushion over the years, just in case a financial downturn hit. “You can’t be reactive. You have to be proactive,” she said.

Besides the savings cushion she built, Finger also in recent years has increased her inventory of practical items, such as shoes, as opposed to luxury items. In tough financial times, she predicted, people will welcome practical gifts under the Christmas tree. This year, she’ll get to test the theory.

The First National Bank in Northfield said it was weathering the current period fairly well. “We haven’t done have a lot of subprime loans,” said Rick Estenson, the bank’s Vice President of Business Development. “We are pretty conservative in loaning.”

Looking ahead, the key thing to watch is consumer confidence, Estenson said.

“The whole marketplace is one big psychological market,” he said. “If the media coverage of this dip in the market creates a decline in consumer activity, we could see a tipping point where many local businesses go under.”

Mike Hemesath, a Carleton economics professor, affirmed this view.

“Two-thirds of the economy is consumer economy,” Hemesath said. “Pessimism can make any recession worse.”

With their historic buildings and high tuitions, is easy to think of colleges as recession-proof. Spokesmen for Carleton College and St. Olaf College, which along with a local Malt-O-Meal factory make up the main pillars of the Northfield economy, say the institutions are financially secure for the short term.

“We haven’t had a problem making payroll,” said Linda Thornton, Carleton College’s comptroller for the past four years. “We have not had to take out a line of credit yet.”

Alan Norton, St. Olaf College’s vice president and treasurer, was also firm in his assurances. “In the short run, it has not had any material effect.”

Yet if the financial turmoil rages on, it could mean changes at Carleton and St. Olaf. If Carleton alums or benefactors become reluctant to give large donations to the Carleton endowment, Thornton said, the college may need to reassess its budget allocations. Already, Carleton College has decided to delay its timetable for building its new Arts Union, in part because of the financial crisis.

Yet Thornton was quick to point out another reason for the delay. “We haven’t

found a construction agreement for the new construction yet,” she said.

At St. Olaf, Norton says he worries most about the credit freeze. “At this point, the bigger concern is whether people are willing to lend,” he said.

Despite the potential recession, neither college is willing to cut back on financial aid. Thornton said it may be more difficult for students to find loans during the credit freeze, but Carleton will continue to honor its commitment to meeting the financial needs of all students. Norton, at St. Olaf, similarly emphasized the college’s commitment to its financial aid policy.

“Our fundamental philosophical approach is to meet the financial needs of every student. You can’t just reduce on that,” Norton said. “It would totally be changing course.”

Despite the generally somber demeanor of many business owners and the various business model changes underway on Northfield’s main street, a quiet, resilient strand of optimism clearly dominates.

“I think Northfield will be fine,” said Estenson. “There are some things that are needs and some things that are wants. When the economy is bad people can go without the wants. With Malt-O-Meal and the colleges, we have an economy of needs that will get us through these cyclical dips.”

“There is hope,” said Ripka. “I find the negative and work myself up to the optimistic. It’s best to remain positive.”

“I’m cautiously optimistic,” stated Bilek. “You can’t really get down.”

Delwiche, the artist at Grezzo Gallery, displays a fighting spirit.

“I will do what I can to get by,” he said.

Links: Monkey See, Monkey Read, <http://www.monkeyread.com/>
Grezzo Gallery, <http://grezzogallery.com/>
The Rare Pair, <http://rarepair.com/>