Research Note

THE FUTURE OF THE LOCAL YARN STORE

Bonita I. Russell, Jo'Anne Yearley, and Hilary M. Russell*

There is a saying that "in the rhythm of the needles there is music for the soul"; that is, knitting keeps you from unravelling. But is there still a place in a wired world for the local yarn shop, long the source of needles and yarn, and traditionally a gathering place for knitters? Will the restructuring of the retail segment that brought about the demise of many local bookstores take the local yarn shop as well? This case study examines how a small number of yarn stores on Vancouver Island have been adapting to changing consumer buying behaviour and advances in digital technology. The results have meaning not only for the future of retailing but also for the future of the downtown cores of the communities in which such stores were and are located.

Traditional retailing in North America is under siege due to the rise of online shopping. In 2015, online sales on Black Friday, a significant shopping event in both Canada and the United States, exceeded in-person sales in the United States for the first time (Nassauer 2015). As with other commodities available for purchase over the internet, yarn purchases have been migrating away from the local yarn store. In 2010, a Knitter's Review (Parkes 2000-15) online poll of 2,304 knitters revealed that 16.2 percent of respondents bought the majority of their yarn online.[1] When the poll was repeated in 2014, 51.9 percent of the 1,243 knitters who responded bought their yarn online. Local yarn stores provide many services.

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[1] The Knitter's Review is an American website; however, given that the poll with which we are concerned is an online poll, the nationality of the respondents is not known.

In addition to supplying yarn, they offer patrons customer service (such as advice about how much yarn to buy or what type of yarn would be most suitable for a particular pattern) and technical assistance (e.g., about how to read a pattern instruction or how to fix a mistake). The internet is also more than a source of supply: web-savvy knitters can subscribe to one or more newsletters, follow the blogs of their favourite knitwear designers, join a knit-along, listen to a podcast, watch a video, or chat with other knitters. Ravelry, the largest online community of knitters in the world with over 4 million registered users, allows members to share patterns, participate in discussion forums, and seek advice (ravelry.com n.d.).

Research reveals that consumers want what the internet can offer – extended product information, customer reviews, two-way dialogue, and the convenience of anytime/anywhere access – as well as the personal service, opportunities to handle the product, and convenient returns offered by a physical store (Rigby 2011). To compete with internet retailers, most large retailers have changed their focus from selling to "engaging and empowering customers, with the ultimate goal of creating a rewarding customer experience" (Sorescu et al. 2011, S3), which they attempt to achieve by adopting a mixed retailing model that leverages the advantages of both a physical and a virtual presence (Grewal, Iyer, and Levy 2004).

However, most small- to medium-sized retailers have been slow to incorporate the internet into their business models (Poon and Swatman 1999) despite the evident benefits of doing so. Due to increased customer satisfaction and reduced costs, firms that have integrated an online presence with their offline operations do better than those with an online presence alone (Kim, Nam, and Stimpert 2004).[2]

When Amazon.ca (Canada's biggest online retailer) (Shaw 2014) began selling yarn online with free shipping on orders over twenty-five dollars, we began to wonder how the yarn stores on Vancouver Island would be affected. In 2012, the Island had sixteen yarn stores; in 2014, there were fourteen. In this two-year period four stores closed and two were opened. The accompanying map denotes the location of the fourteen yarn stores operating in 2014. Circles indicate the locations and numbers of yarn stores, and subregional population figures provide an approximate measure of potential market size. Researchers visited all fourteen yarn stores in the course of this project. Ten owner/managers

[2] Generally, it is more efficient, and less costly, to process internet orders by shipping merchandise directly to a store, where the customer can take delivery and possibly make an additional purchase, than it is to fill individual orders for home delivery.

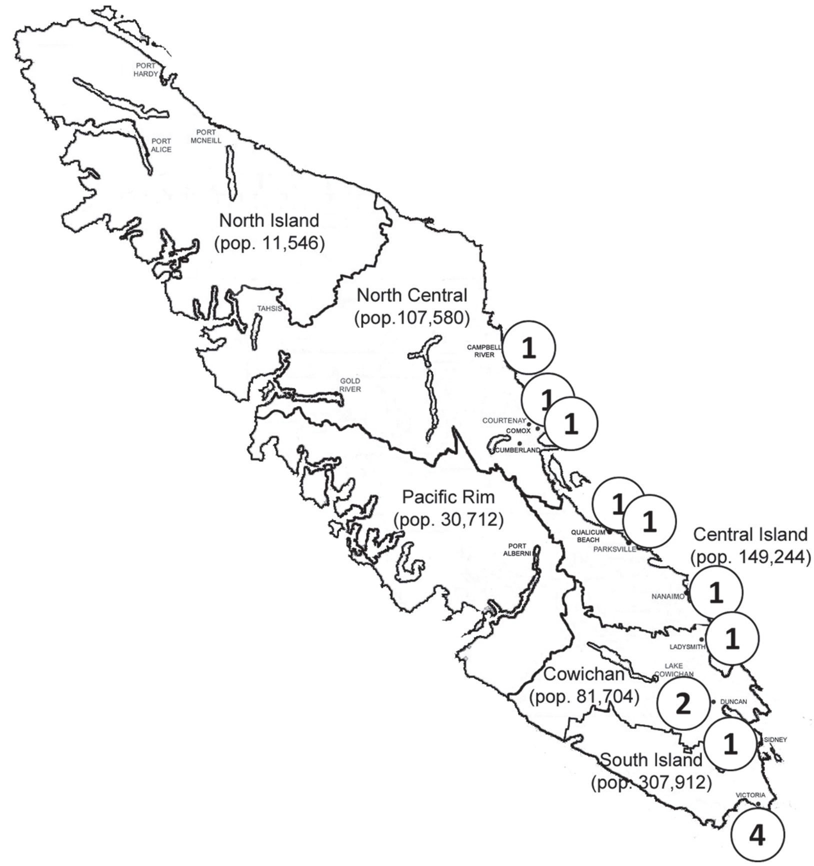

Figure 1. Location of yarn stores on Vancouver Island. Population estimates: www.bcstats.gov.bc.ca.

were interviewed, and the websites and Facebook pages of those stores that had a site/page were evaluated. In addition, three chain-type stores on Vancouver Island that sell yarn were evaluated as alternatives to local yarn stores. To rule out the possibility that the yarn stores considered here were significantly different from those in other jurisdictions, they were compared with twelve yarn stores beyond Vancouver Island (seven in Europe, four in other parts of Canada, and one in the United States).

OBSERVATIONS

Although all yarn stores on Vancouver Island were visited, only visits to the ten stores whose owners/managers agreed to an interview were formally documented. All but one of these ten stores was located in a main shopping area. Eight of them were located on transit routes, and nine were in areas where free parking was available. The stores were generally open during regular business hours (9:30/10:00 a.m. to 5:00/5:30 p.m.), Monday to Friday, with limited hours and closures on weekends and holidays.

Three of the yarn stores were open in the evening. The window displays at eight of the ten stores did not have a theme; that is, the items on display were not arranged or organized to convey a special meaning or value. Eight of the ten stores were considered visually appealing in that they had natural light, an open floor plan, and their products were invitingly displayed.

All ten stores carried a range of yarns at several different price points, knitting supplies, and reference materials, such as patterns, stitch guides, and knitting magazines. Two of the stores carried lower-priced yarns (less than five dollars a ball), but most carried mid- to higher-priced yarns (branded yarns and specialty fibres). Some of the yarns were priced as high as forty-eight dollars per skein. Inventories ranged from a low of $20,000 to a high of $350,000. Five of the yarn stores carried more than $100,000 in inventory; eight had at least one full- and one part-time employee; and eight of the owner/managers worked full time in their stores. Four of the ten yarn stores used loyalty cards, and six of the ten had customized shopping bags.

Eight stores offered drop-in sessions for knitters and the same number also had dedicated spaces for socializing; two of the ten stores offered refreshments. Socializing spaces were generally equipped with a table and chairs; these spaces were also used for in-store classes. The number of customers in the stores at the time of the observations ranged from zero to nine, with four being the average number of customers per store. All staff were warm and friendly in their dealings with customers when the observations were being made.

The twelve yarn stores outside the research area were very similar to those on Vancouver Island: they were located close to city centres, they were open during regular working hours, and they carried a variety of yarns and knitting supplies for sale. Two of the five Finnish yarn stores visited stood somewhat apart: one offered café-style food, the other was associated with the Finnish Arts Council and ran a series of textile workshops (leading to a certificate) for young people.

The three chain-type retailers studied had a dedicated area for yarn located towards the rear of the store. The selection of merchandise was limited primarily to acrylic yarns and sock yarns in the $1.97- to seven-dollars-per-ball price range, along with needles in the most popular sizes and other notions. Free patterns in the form of tear-off leaflets provided by yarn distributors were available. The stores also carried two or three current knitting magazines. At the times they were visited, two of these stores had no customers in the yarn section; at the third, a knitter was being helped in her choice of patterns by another customer. Classes were available in one store only. Our observations revealed two worrisome trends: first, all of the Vancouver Island yarn stores were located in areas with a number of vacant store fronts; second, competing stores in communities with more than one yarn outlet offered similar items.

INTERVIEWS

Ten owner/managers were asked twenty-five semi-structured questions.[3] All of them identified some of their customers as "regulars." Three classified 75 to 80 percent of their customers this way; four put the percentage of regulars at 50 to 70 percent; two estimated 20 to 30 percent; and one, 5 percent. One owner/manager identified knitting and crochet classes as a means of engaging or maintaining customer contact; two used an existing customer database to distribute e-mails and newsletters. Customer incentives, such as loyalty cards and/or discounts for specific organizations, were offered at six of the ten yarn stores and were described as effective ways of connecting to the local community and building a loyal group of customers. The lack of membership-based programs in the other four stores was attributed by their owner/managers to the lack of local competition.

Nine of the ten Vancouver Island stores offered assistance to beginner-knitters in the form of one-on-one support, beginner knitting classes, and pattern interpretation. Support for intermediate-knitters took the form of classes (offered at four stores), advice tailored to the skill level of the knitter (two stores), and information on new yarns (one store). No additional support was provided for experienced-knitters.

Yarn store staff generally believed that they had considerable influence over the purchasing decisions and over the skill development of the knitters who visited their store, and comments such as "they trust my answers," "they want to know what we think," "the personal connection has a lot of influence in the outcome," and "we are known for having out of the box ideas" attest to this. Three owner/managers who reflected on this said, variously, that the level of influence depended on how much

3 A copy of the questionnaire can be obtained from the authors.

time the staff had to work with the customer, how receptive the customer was to suggestions, and the skill level of the knitter. Unsurprisingly, more-skilled knitters sought advice less often than did beginners. Four owner/managers claimed to know the names of at least a few of their customers; among the remainder, name recognition varied from about half to "not many."

In response to a question about the number of customers who returned to the store with questions after making a purchase, four stores reported generally low numbers, two estimated that about one-quarter did so, and four were unable to say. Staff at nine of the ten yarn stores offered free advice and one-on-one assistance to any knitters with questions or in need of help with a project. One store charged a fee if the individual had not bought the yarn or the pattern from the store. Free advice was seen to support the craft, engage with the knitting community, and avoid alienating customers. Almost all owner/managers indicated that knitters who sought assistance after buying their knitting supplies elsewhere were a concern because they took staff time away from other customers: "if they need too much time, it may be a problem." Still, one owner/manager noted that "there are no rules around this" and another that "there is no real solution" to the issue of supporting non-buying knitters with their projects.

The interview data revealed that visitors quite often left the ten stores without making a purchase: two owner/managers estimated that 50 to 60 percent of visitors did so, while three others reported that between "rare" and one-in-four acted thus. Two stores had no measure of how many people left without making a purchase. Explanations for this behaviour included: "Some come in for inspirations, [they] may not be in the mood to buy or we don't have what they are looking for in stock ... and our price point may be too high for some knitters."

Five stores did not offer any after-hours events, two offered evening classes, two scheduled evening activities regularly, and three organized special knitting events on an annual basis. Almost all found ways to celebrate the knitting successes of their customers by posting photographs of the work on social media, displaying projects in the store, or providing personal acknowledgment. All owner/managers said they were working on several yarn projects when interviewed. In addition, completed projects – knit by the staff, a contract knitter, or provided by yarn suppliers – were on display in all stores.

Two of the yarn stores had been in business for more than twenty-five years, three for between thirteen and seventeen years, four for between six and eight years, and two for two years or less. Owner/managers reported that they had started their businesses to address an unmet need in the marketplace or to fulfill a personal desire to own a yarn store. All but one was a knitter, and most of them had been knitting for many years. Seven had learned to knit before the age of ten, one as a teenager, and one had taken lessons as an adult; most had learned to knit from their mothers or grandmothers.

Asked to identify business competitors, owner/managers identified other yarn stores (seven mentions), big box stores (three), and the internet (five). Asked directly about online competition, some dismissed it – "Not the internet … this is a tactile business" – but others acknowledged that, among those who visited stores but left without making a purchase: "some are looking for ideas and then order online."

Pressed about their prospects, six owner/managers denied any worries about the future; one was concerned about succession; one was anxious about the future of the small yarn store as hand-dyed yarns and yarns from independent producers – typically sold online or directly to the customer at fibre events – increased in popularity; two had financial concerns associated with the increased cost of yarn and the need to make a profit as opposed to just breaking even (one of these observed: "Small yarn shops will have challenges in the future … [the owner/managers will] … need to have a business attitude to succeed"). Four owner/managers measured their success solely in financial terms, four considered profitability and customer satisfaction important, and two focused only on customer satisfaction.[4] Most owner/managers combined customer service with administrative duties such as bookkeeping, ordering, stock taking, tidying displays, telephone calls, and working on personal knitting projects.

Eight of them considered their interactions with customers a strength: "[I] smile for customers"; "I make people feel comfortable, welcomed and at ease with asking questions,"; "I'm a good teacher … patient"; "[I] keep my customers happy"; "I make people feel comfortable," and "[I'm] good at helping people."

In sum, our interviews revealed the following: the yarn stores on Vancouver Island had an established presence in their communities and a loyal base of customers. The staff of these stores had specialized

[4] Because most of the yarn stores had been in business for some time, it can be assumed that the owner/managers were able to cover the variable costs associated with their businesses. Small businesses are, however, known to accept low financial returns as the price of independence (Watson and Everett 1993), and as, for the most part, the owner/managers worked in them, their stores are likely to remain small.

knowledge and expertise that could be leveraged but that, for the most part, was freely given. Customer service can be a source of competitive advantage (Woodruff 1997), but it is dependent on customer loyalty, unique merchandise, and a sustainable business model. Each of the yarn stores included in this study met the first criteria of a loyal customer base, but the product offerings were not unique and the practice of not charging customers for expert advice and guidance, or charging only a token amount, has not generated sufficient revenue for any of the stores to support more than one or two employees.

WEBSITE AND FACEBOOK EVALUATION

At the time of our inquiry, eleven of the fourteen Vancouver Island yarn stores had websites and ten had a Facebook page. The former were evaluated using an adaptation of a website effectiveness checklist developed by Management Centre International Limited (n.d). Scores (with 100 the theoretical maximum) ranged from a low of 22 to a high of 41 and averaged 35 (see Figure 2). The store websites were used primarily for one-way communication as none of the sites required customers to log in. Content was limited to free patterns, how-to information, and links to other web pages, and only two sites supported online purchasing. None scored highly for the use of fonts, colour, and size of text, and several were marred by broken links.

Facebook pages were evaluated using an adaptation of the ShortStack (2013) checklist. Using a 6-point Likert scale (5 for "excellent," 0 for "fail"), scores ranged from 45 to 79 with an average of 63. Sites were primarily content-focused and reasonably effective in this; they included details of yarn store events, links to free patterns, information related to new products and sales, as well as contact information. Generally, pages fell short of desirable standards for interactivity, which suggests a posting frequency of five times per week, and responses to all customer comments and postings within twenty-four hours.

How well, then, are yarn stores on Vancouver Island adapting to the changing retail environment? When the known buying preferences of consumers are mapped to the service offerings of the yarn store (see Figure 3), the shortcomings of the current retail model are revealed. Yarn stores meet the requirements for pre-purchase inspection, immediate possession, and product returns but only to the extent of the onsite inventory and only during regular business hours. Some product and supplier information is also available in the store; product and price

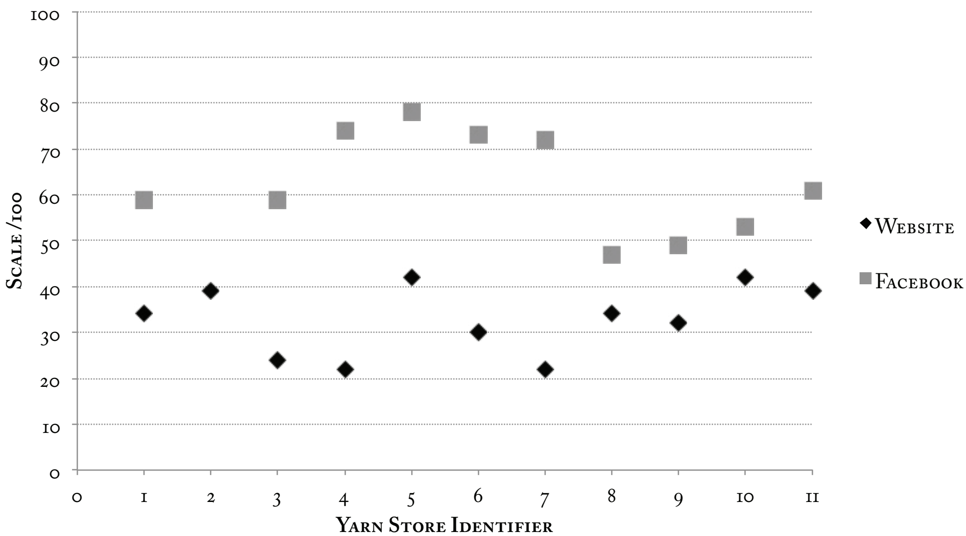

Figure 2. Website/Facebook scores by local yarn store.

comparison information between suppliers of competing products is not. The inability to provide anytime/anywhere shopping or to facilitate social interactions with the broader community of knitters and potential knitters were the two areas that constituted the greatest gap between what the yarn store had to offer and what the consumer wanted.

Yarn stores (and other local retailers) need to create compelling reasons for people to patronize them. The two most common methods of attracting customers are low prices and unique product offerings. For the local yarn store lower pricing is not a viable option. The buying power of big box retailers not only provides the price-conscious consumer with the lowest price but also with a shopping environment that the local yarn store cannot match – longer hours and the convenience of being able to purchase knitting supplies while shopping for other goods. Unique product offering is a better choice for the yarn store if it can offer superior quality, customer responsiveness, and/or innovation. The local yarn store resells product manufactured by others, so it is not in a position to enhance the quality of the manufactured product. All the yarn store owner/managers in our study felt that customers valued their responsiveness highly, but they were reluctant to charge for it, and this important "asset" was only available (and perhaps even evident) to those who visited the store. Locked into a physical location with a small popu-

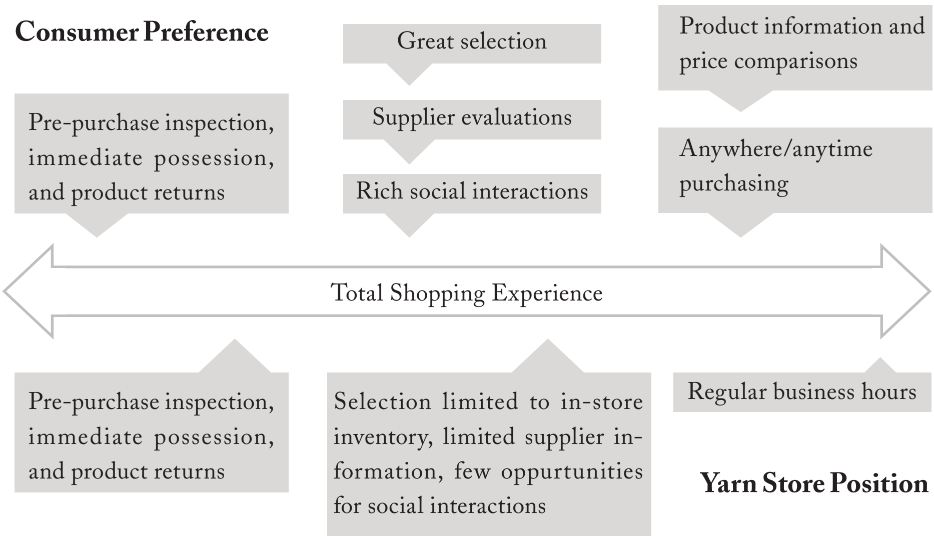

Figure 3. Adaptation to changing consumer buying behaviours.

lation base upon which to draw, the yarn stores in our study appeared to be catering to the product and service needs of all knitters within their catchment area. As a consequence, there was little to differentiate one yarn store from another, and failure to differentiate is often a key reason for small business failure (Wagner 2013).

Social media tools could be used more effectively to encourage knitters to visit the store, and the owner/managers could do more to reach out to knitters beyond their immediate community. Purl Soho, a yarn store in New York City, has been a leader in the use of web technologies. It published over one hundred unique patterns online in 2015 and e-mailed its customer list two to three times a week with patterns and craft ideas. Most patterns were free but were also available as kits (including wool and needles) for ordering online.

Our findings suggest that the local yarn store has two key assets: (1) the knowledge and skill of the staff and (2) a physical presence in the community. The importance of the first of these is being eroded by the proliferation of online resources for knitters, many of which are free. Knitters in need of assistance can watch a video, download detailed instructions, enrol in an online course, or engage in dialogue with other knitters at any time. The physical presence of a yarn store in the community remains a key asset because it provides a gathering place for local knitters. But on Vancouver Island, at least, all yarn stores are located in areas where vacant stores suggest struggling retail precincts. Further declines in foot traffic in these areas would probably undermine the viability of stores in those locations. In our view, a more proactive approach is required if this form of retailing is to survive. Social media tools need to be used more effectively to encourage knitters to visit stores, and owner/managers should reach out to knitters beyond their immediate communities to sustain their business. Failing such active strategies, the future of the local yarn shop seems unpromising at best.

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