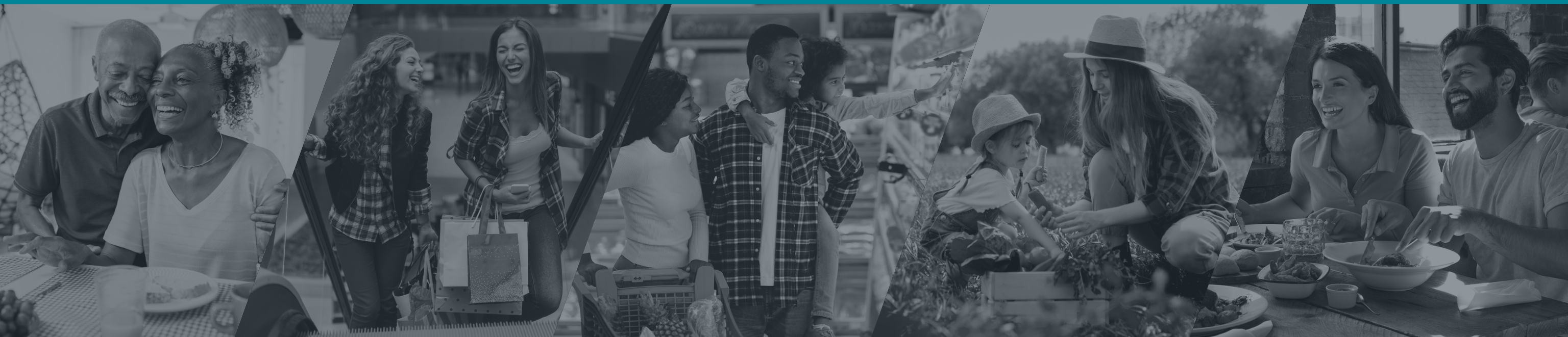




The Opportunity to Grow Your Market Share **in Rural America**

IS HEATING UP

Understanding is the first step to participate in these markets fully – **because small-market geographies will be more important to your business tomorrow than they are today.**





From small cities and towns to rural communities, **small-market consumers comprise over 20% of the U.S. population today.** By 2025, these same markets are projected to represent over a quarter of all U.S. households and hold a disproportionate share of spending power across a broad range of categories.

After decades of relying on cultivating customer growth in major metropolitan markets, record-high input costs including labor, supplies and real estate, are compelling brands to pivot toward the economies of small-market strategies to fuel their future.

While there is abundant data in these geographies to support healthy expansion initiatives across a growing range of verticals, savvy marketers are discovering that understanding the differences in rural and urban consumer patterns, behaviors, and media consumption is tantamount to their success.

“People are rethinking how and where they work, and how and where they live.”

Source: U.S. Census Bureau

MIGRATION PATTERNS ARE CREATING NEW OPPORTUNITIES FOR GROWTH

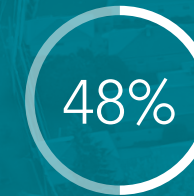
Even before the pandemic, the 2016 post-election trend of seeking communities of shared values was well under way. Americans were already embracing the new concept of working remotely, and the opportunity to live and work in locations more closely aligned with lifestyle preferences and values was cited as a key factor in urban-rural migration patterns. By 2020, when the percentage of Americans working from home doubled, it was clear that the growing appeal of small-town lifestyle was contributing to urban population declines and real household growth across a host of rural cities and towns.

According to a 2020 Gallup survey, more Americans desire to live in a small town or rural community. **Forty-eight percent of responders indicated living in a rural area or small town would be ideal, an increase of 9% over the previous survey in 2018.**



The share of U.S. adults who say it's very important to them, personally, to live in a place with a strong sense of community is up from 27% in 2018 to 32% today.

DID YOU KNOW?



OF AMERICANS BELIEVE LIVING IN A SMALL TOWN OR RURAL COMMUNITY WOULD BE IDEAL.

That's up 9% from 2018.

SMALL TOWN OR RURAL

39%

48%

SUBURB

31%

25%

CITY

29%

27%

■ 2018

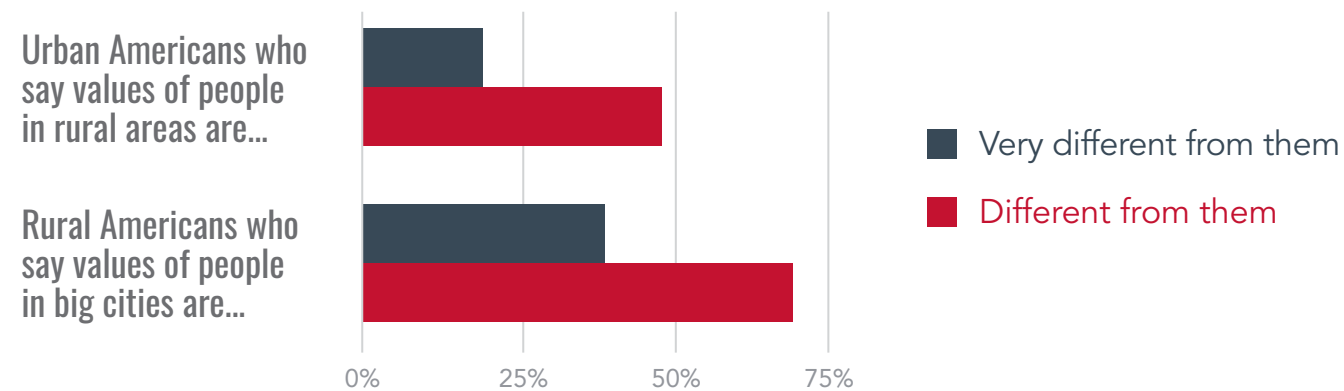
■ 2020

The trend shows no signs of slowing down. More than 70% of consumers who plan to buy a house in the next year indicated they plan to purchase a home in the suburbs or a rural community, according to an October 2023 Prosper Insights & Analytics survey.

RURAL CONSUMER VALUES DIFFER FROM URBAN

The first step in engaging rural consumers is to acknowledge that their needs are not typically the same as general-market consumers, and the divide is felt more distinctly in rural areas, where consumers feel more separated and less understood, particularly by marketers.

DIFFERENCE OF OPINIONS



of Rural Americans feel their values are different than Urban Americans, compared to 48% of Urban Americans.

The rural value system is primarily built on relationships and community. The way people relate to each other in rural communities is more personal, emotional, direct, and socially supportive, while urban social interactions are more impersonal and indirect.



Rural residents empower themselves to be independent and appreciate the hard work that goes into what they make and buy.



Individualism is important to rural consumers to survive in the larger economic & social environments.



Rural residents celebrate community and hometown traditions, and they trust local communities more than mass media.

THE RISING ECONOMIC POWER OF SMALL MARKETS

As workers disperse across the country, the newly available talent draws investment from employers of all sizes. Affordable housing, lower lease rates, labor accessibility, and improving school proficiency in STEM have made markets like Tuscaloosa County, Ala., Chatham County, N.C., and Polk County, Iowa, ideal for large scale employers in growing fields like automotive technologies, healthcare and chip manufacturing to build new facilities and create thousands of new jobs. With these jobs, communities like these are becoming more attractive to prime age workers looking to escape high-cost urban locales to buy homes, start families and fulfill “work to live” dreams.

Growing household numbers create demand for providers of goods and services who benefit, and in turn add small and mid-scale employment to the economic picture. Many companies are strategically targeting these less crowded marketplaces to launch new brands and build their acquisition and loyalty programs where unique value and distinguishability is easier to achieve.

Retailers like Dollar General were early to recognize the value of small-market consumers. Serving markets of 20,000 or fewer consumers with 75% of its stores, Dollar General planned to open 1,050 new stores in 2023. Of those, 800 will be a larger format with additional space for health and beauty products and coolers for groceries.



Restaurants like Chipotle announced plans to open 255-285 new locations in 2023 in small towns of about 40,000 residents, citing increasing development and leasing costs in urban areas.



Wireless Service Providers like T-Mobile targeted rural America with its 4-year expansion plan announced in 2021, with the goal of increasing market share in rural areas to 20% by 2025.



TOP 10 CITIES BY ECONOMIC GROWTH 2021

● Major Metro Class
 ● Medium Metro Class
 ○ Small Metro Class

RANK	METRO	COMPOSITE SCORE	% CHANGE IN TOTAL UNEMPLOYMENT	UNEMPLOYMENT RATE	AVG MTHLY BUILDING PERMITS PER 100K RESIDENTS	AVG MTHLY HOME SALES PER 100K	CITY	MSA	METRO CLASS
1	Huntsville, AL	89.6	1.80%	2.20%	105	178	215,006		M
2	Northport - Sarasota - Bradenton, FL	86.8	1.80%	4.20%	159	315		833,716	M
3	Port St. Lucie, FL	82.9	2.70%	4.80%	123	252	204,851		M
4	Spartanburg, SC	81.9	2.00%	3.80%	112	133	70,720		S
5	Nashville - Davidson - Murfreesboro - Franklin, TN	78.9	1.10%	3.90%	132	174		1,617,142	MA
6	Boise City, ID	78.9	.70%	2.90%	140	152	235,684		M
7	Provo-Orem, UT	78.6	1.50%	2.30%	158	105		540,834	M
8	Raleigh - Cary, NC	78.6	1.00%	3.80%	136	168		467,665	MA
9	Naples - Marco Island, FL	78	.50%	3.70%	137	462		375,752	M
10	Austin - Round Rock - Georgetown, TX	77.9	1.30%	4.20%	207	207		2,352,346	MA

According to a recent study by Stessa, 6 of the top 10 cities leading economic growth in 2021 are classified as medium size markets—and four of the leaders have populations less than 250,000. **Huntsville, Ala., led all U.S. cities in the rate of economic recovery for 2021.** The study showed that communities with strong employment growth and home sales are driving economic recovery.

Huntsville’s total employment has already returned to pre-Covid levels where the U.S. as a whole is still behind. The city’s population grew over 2% from 2019 to 2020, one of the highest growth rates in the country, fueled by companies adding new jobs and opportunities to the local community.

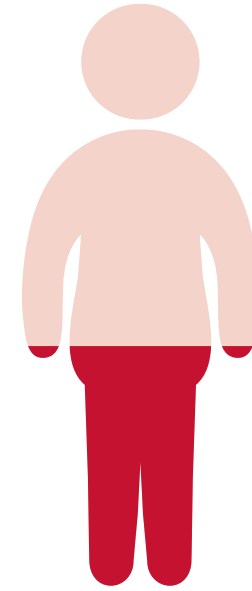
As competition for market share in small markets heats up, these consumers will be more important to businesses tomorrow than they are today. While these smaller markets present a lucrative, often untapped opportunity for brands, it is essential to understand these consumers—their values, shopping habits, and media preferences—to engage with them effectively.



CORE BUYING INFLUENCE AND BEHAVIORS ARE DIFFERENT FOR SMALL MARKET CONSUMERS

Brands that use identical channels and messaging tactics for both rural and urban consumers may be unintentionally distancing themselves from consideration. To be effective in rural markets, it is important to understand distinct differences in consumer values and how this impacts their shopping and purchasing behaviors.

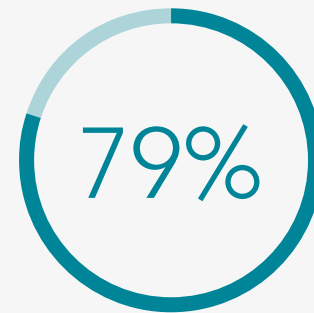
Community and family are two of the core values that influence rural Americans' buying behavior. Why does this matter for brands who want to engage this audience?



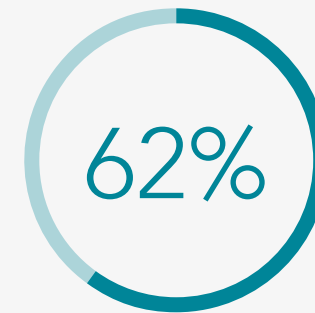
41% of rural consumers said they are more likely to buy products and services that speak to their core values.



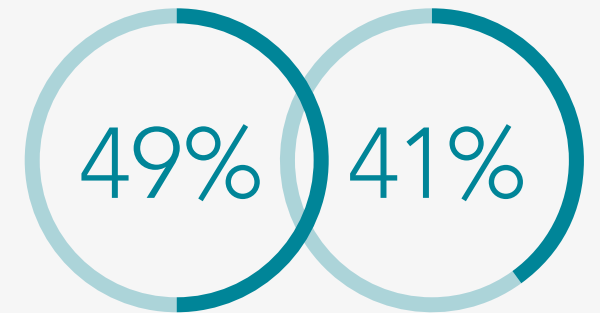
79% of Rural Americans say family is a very important influence on their purchasing decisions.



79% are more motivated to buy when a family is shown in an ad campaign.



62% of rural women rely on family input before buying.



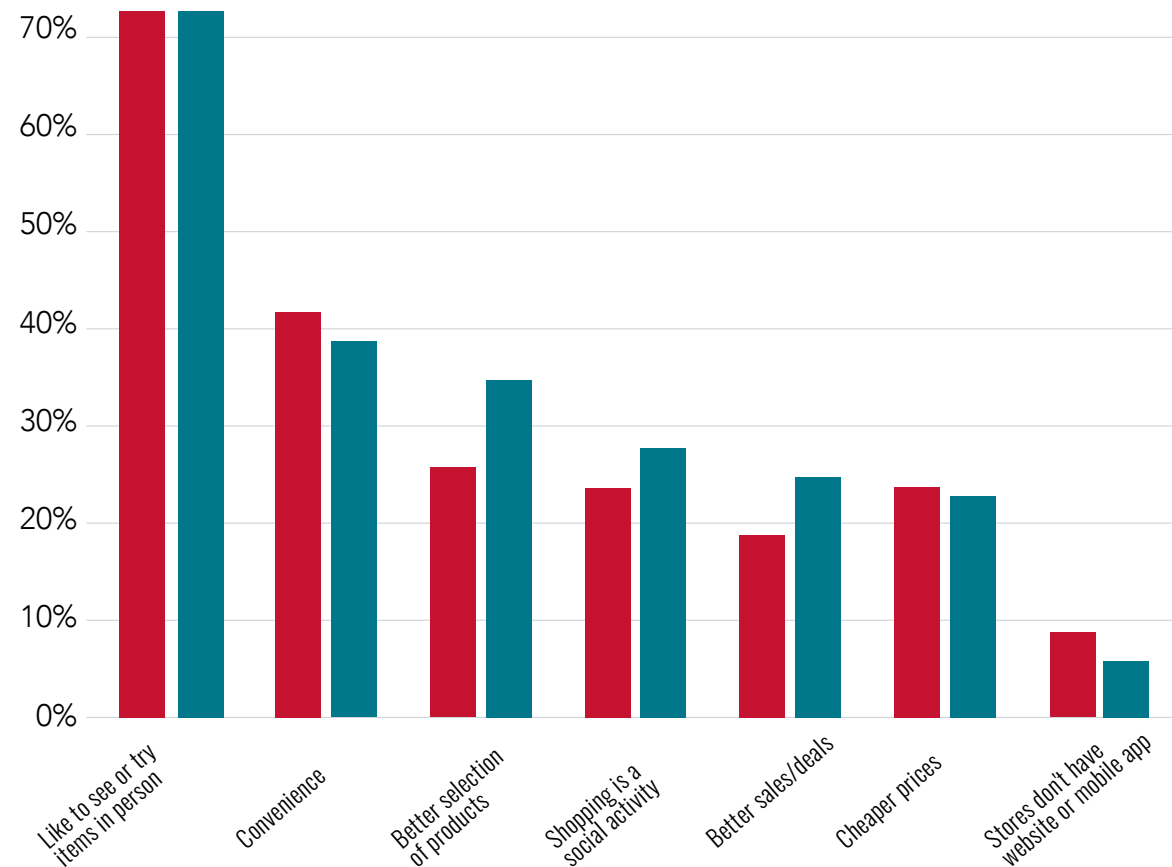
49% of women and 41% of men in rural America say community is a very important influence on their purchasing decisions.

SHOPPING METHODS OF RURAL VS. URBAN CONSUMERS

Rural consumers are more likely to prefer shopping in stores for convenience and better prices, while urban consumers prefer physical stores for better product selection. Convenience is the number one reason rural and urban consumers choose to shop online. Rural consumers who believe they don't have an adequate selection of physical stores nearby also prefer to shop online.

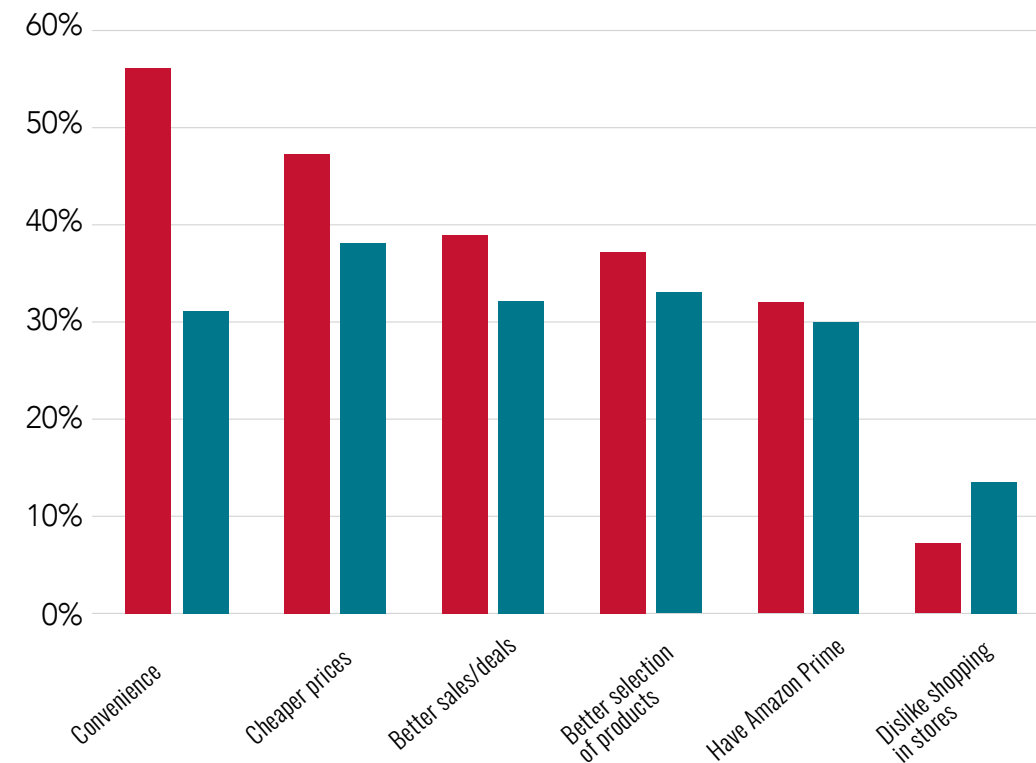
SHOPPING IN-STORE

● Rural ● Urban



SHOPPING ONLINE

● Rural ● Urban

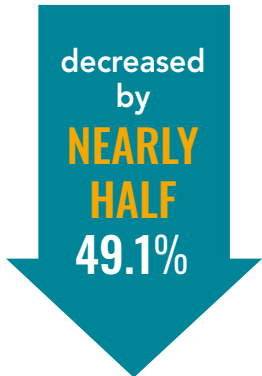




ECONOMIC IMPACT OF INFLATION ON SMALL-MARKET CONSUMER SPENDING AND SHOPPING BEHAVIOR

Inflation has a more significant impact on consumers in small and rural markets, **which affects spending behavior.**

For example, **discretionary income decreased by nearly half (49.1%)** in small markets and rural communities from June 2020 to June 2022, compared to only 13.1% for urban consumers, according to analysis of consumer price index (CPI) data by Iowa State University. Key contributors were increased transportation and housing costs in these markets vs urban markets. [Read more in our blog post.](#)



These consumers are using money-saving tactics to reduce their spending, including:



shopping sales more often



doing more comparative shopping online



using coupons more



combining shopping trips to reduce driving and save on gasoline



RURAL CONSUMERS ARE LESS DIGITALLY DRIVEN THAN THEIR URBAN COUNTERPARTS

Understanding that advertising strategies which drive results for urban consumers may fail to engage consumers in small towns and rural communities is crucial to success in these markets. Brands who focus advertising strategies on digital need to understand the difference in media access and shopping behavior in order to compete.

SOME KEY DIFFERENCES TO UNDERSTAND:

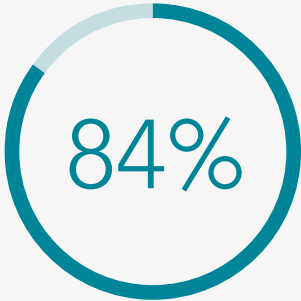


Despite a **9% increase in home broadband** adoption since 2016, rural residents are **still less likely** than those living in suburban areas to report having home broadband.

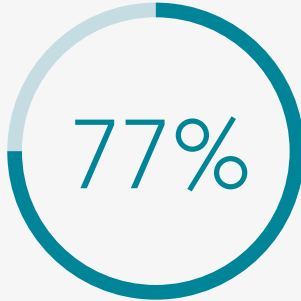


Rural residents are online **11% less often** than urban residents on a daily basis.

While newspaper coverage continues to decline with **nearly 300 solutions discontinued since 2019**, rural consumers respond to print due to its longer shelf life and the value it offers in-hand via the mailbox vs. digital downloads.



of shoppers say coupons influence their store choices.



decide which stores to shop based on where they can use paper coupons.



Rural consumers are **less likely** to use digital coupons because they still prefer traditional print options.

Rural consumers are **less likely** to use coupon sites like Groupon or Living Social because those sites are targeted to large metro areas.

CONCLUSION

We are excited about future opportunities as we help our customers navigate small markets and provide value to consumers in rural communities and small towns.

By understanding what matters most to rural consumers and what motivates their shopping and purchasing behavior, **you can drive growth by expanding into these important, previously untapped markets.**

If you're interested in exploring opportunities in rural markets, please email: customer-success@mspark.com

Sources: Gallup; Prosper Insights & Analytics; Washington Post; tsw rural; grocerydive.com; cnbc.com; tmonews.com; hsvchamber.org; USPS Mail Moments Spring 2021 by Summit Research; Valassis Awareness to Action Study; Millward Brown Print Campaign Analysis; Simplifi



Who is the rural consumer and what do they value? They are more price and deal conscious, with different planning and shopping patterns than urban consumers. They are more likely to decrease their overall spending as prices rise, and they consume and respond to media differently than their urban counterparts. If this growing rural audience is important to your business, Mspark can help you reach them with customer engagement strategies aimed at driving brand growth for national and local advertisers in these important markets. Scan the QR code to learn more.

