

Localization, Not Globalization

Thinking back to the 1992 presidential campaign, the core Democratic theme emerged as, “It’s the economy, stupid” (without having to say it).

Recently I was involved in a discussion about the “global viewpoint” of many national companies and organizations; our business sector is no exception. During the discussion it became clear that deeply felt core principles were being overshadowed by the idea of global expansion. It most certainly appears that, to some, what is relevant is the concept of “bigness”: taking a message to the world whether it matters or not. To me, it is most succinctly stated as, “Regarding our industry, I do not care what happens in Peking; I care about what happens in Peoria.” That simple fact is lost in many of today’s retail actions, resulting in markets and trade areas being ill-served and creating improper response to customer needs.

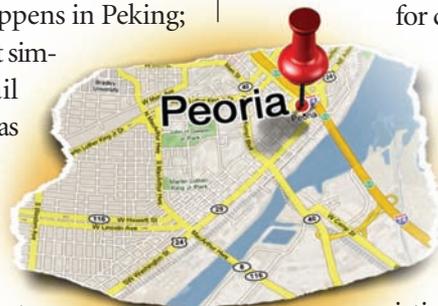
Lands of Opportunity

Localization is best exemplified by the recent announcements of two major big-box retailers. Both Wal-Mart and Home Depot have said that they are developing new store formats to introduce their level of retailing to smaller markets within our country. With Wal-Mart, it is a sort of a “what goes around comes around” new awareness. It is not as though the largest retailer in the world began in urban centers. It is just that this same retailer has realized that significant opportunities are being lost because attention has drifted away from rural America—exactly the place where opportunities abound.

The abundance of opportunities within rural America is no more pronounced than within our industry. It is the smaller market that has been abandoned in past decades



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in terms of new-format introduction. This fact is now becoming acutely apparent to visionary retailers within this industry. A strong market position can be achieved by properly identifying where opportunities exist for the establishment of a significant market presence and serving that market with the offering of a next-generation facility.

By making correct decisions, existing operators in a marketplace can mostly eliminate potential entry into the market by a new level of retail competitors. Surpassing the needs of existing customers within a trade area by offering a highly integrated retail facility establishes a new threshold for competitors’ entrance into that market.

Taking a Closer Look

One of our customers recently took such action. The company purchased seven retail facilities in a market of approximately 100,000. This acquisition, when combined with the company’s existing assets, will allow it assume the dominant market position. Before making the actual acquisition, the company asked that IMST complete a detailed market summary, combined with existing-facility evaluations, for each of the seven units to be acquired. This action gave the acquiring company the information and decision-making tools it required to create an overall strategy for redeploying its total assets within the marketplace to achieve two primary goals: first, to ensure that its retail mix offered to the market met (and surpassed) the needs and wants of the present customer base; and second, the creation of such a dominant position within this secondary market that no future competitive action could harm the company’s overall market position. The result has been an overall revenue improvement of more than 86% of the retail assets acquired, combined with a significant combined corporate financial improvement.

That is, indeed, seeing the value of localization at its fullest extent. If our industry continuously focuses on what the requirements are in Birmingham and how to best serve its needs, we will not have to be concerned about Brussels. Then, and only then, are we as an industry being true to those we are entrusted to serve. ■