Why Size Matters

General Motors has announced to the world that one of the largest industrial companies is seeking bankruptcy protection. I think I need to be given a better definition of what constitutes "too big to fail." One pictures GM over the past decades and sees this slow, lumbering behemoth trying ever so hard to squeeze its massive size into a marketplace of agility and grace that does not conform to behemoths. Meanwhile, quickness, nimbleness, responsiveness and flexibility of the upstarts (underdogs) enter into the marketplace and find acceptance and success. Just look at the market position now enjoyed by Hyundai and Kia. Have you rented a car lately at an airport? Not much Big 3 represented.

'Cause puddles dry up
With a view of the world so small
It limits the size of the dream
And you achieving it
The more seeds you plant
The more flowers will grow

The misfortune of GM can be attested to within our own industry. Less than five years ago, high intellects in the industry announced that industry consolidation would be on a massive scale: The entire retail storefront would represent only a handful of companies. Golly, does that remind you of another monumental pronouncement during the late '90s about how the industry must brace itself for the arrival of the hypermarkets, as occurred in Europe? And how our traditional retailers would soon lose at least 30% market share to these forces of aggression? Huh, we predicted the most advanced case of hypermarket flu would result in about an 18% market share attained, and that's close to where the sector stands today.

Now, after all of these grand statements, there are still only around 50 companies that operate 100 or more stores. Our industry is still dominated by the single-store owner/operator and the small company with 5, 10 or 20 stores. Yes, most assuredly, there are challenges every day for the single-store owner and the small retail organization. However, there are daily challenges for the regional and national companies as well. That being written, there are a multitude of opportunities for the small retail company to grow and expand, and that is exactly what is happening on a weekly basis via acquisition and creation.

The Silence Factor

Well, you might ask, "Why did I not read about Waxman's purchase of the 12 Pennywell stores in South Dakota?" It is because of the silence factor that pervades the majority of companies within this industry. As an industry, we never really read or hear about the majority of growth for the small retailer via new creation and acquisitions. But via the silence factor, the five-store company has become eight stores, and the 10-store company just became 14, and the 15-store company just built its 16th and largest facility. Silence is not only golden, but it is also the method of operation of the small retail organization—that largest of industry number that was supposed to go away because of consolidators. Only problem, the pundits forgot to tell this aggressive, successful and really great group of companies. They represent the backbone of this industry and the greatest opportunity for significant growth and advancement.

Size matters and has been attested to by two popular songs, one country and western sung by Joe Nichols, and one pop sung by Natasha Bedingfield. In the Bedingfield version, a few of the lyrics directly relate to our industry today. (See the center of this column.)

With the challenges that we face every day in this economy, now is the time to be planting seeds so the flowers will be in bloom when sunlight, warmth and positive nature returns. Challenges present opportunities. Opportunities represent the future. ■

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