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Retail Development Strategies and Your Community: Strategies That Work Elsewhere May Not Work Here

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Often we look to other places for ideas on how we can revitalize retail activity in our community. In doing so, we sometimes generalize about retail and communities in an attempt to find solutions. As a result, we may overlook the unique characteristics of our community that can lead to successful and appropriate retail development.

The following are insights offered by Robert C. Larson, Chairman of the Taubman Realty Group, and Michael Porter of the Harvard Business School. Larson leads one of the nation's primary regional shopping mall development companies. He spoke recently at a retail conference sponsored by the National Council for Urban Development. His comments are consistent with the views of Porter, a widely respected writer and researcher about competitive advantage who recently wrote on establishing a sustainable economic base in the inner city. Porter was recently a guest of a Milwaukee group looking at development issues in that city.

Don't Generalize about Retail

Accordingly to Larson, retail is not a single industry. Rather, it is an acquisition and distribution system comprised of many different types of businesses.

Some of the key differences among retailers include:

- *Location* - 58% of retail sales take place in malls. Malls are centrally managed places that offer very different shopping.
- *Products Sold* - 40% of retail sales are food related. Food products require different market analysis techniques than, say hardware or apparel sales.
- *Chain/Ownership* - 95% of retailers operate only one store. These retailers often lack the managerial and technical support available to chain stores.

Development strategies should recognize these differences in an effort to identify and target the most fitting mix of businesses for a community.

Generalizing about retail is dangerous because the characteristics and preferences of consumers are constantly changing. This is illustrated by the shift in shopping from downtown locations to malls to specialty strip centers.

Because of the dynamic consumer environment, it is important not to simply copy other retail ideas. Further, it is important not to assume that there are only one or two ways to add retail activity to a community. The key is to focus on specific types of retail that fit your community.

Don't Generalize about Communities and Retail Development Strategies

Many companies look to other places as role models for their future. Larson warns that idealizing some other place can make a community lose sight of its particular needs and opportunities. The challenge is to look for distinguishing local characteristics that will lead to local retail opportunities.

Larson believes retail development strategies should not be copied from elsewhere. He cites downtown malls and how they have worked in some communities, but failed in others. Instead, retail development should be based on the assets, liabilities and specific needs of the community. Then, by setting priorities, putting together a plan, and committing to that plan, community retail development strategies will have the best chance for success.

A small community in the Pacific Northwest wanted to replicate a European market theme in its downtown area. Business operators decided to cover the front of historic downtown buildings with Bavarian village facades and train all merchants to dress and speak with a German accent. Unfortunately, the strategy had problems. Main Street lost much of its history as downtown landmarks were covered with facades. The personality of local merchants were masked behind artificial costumes and behavior. From the customer's point of view, the town lost its authenticity in an attempt to become something that it wasn't.

Do Focus on Local Strategic Advantages

In a recent Harvard Business Review article, Michael Porter calls for a new look at how a sustainable economic base can be created in a community. Using an inner city example, he makes a compelling argument that we have to take a careful look at the specific strategic advantages and disadvantages on a community.

For inner cities, Porter finds advantages in strategic location, local market demand, integration with regional clusters (of businesses or institutions) and human resources.

Within "local market demand" are various advantages for inner city retailers. These include a trade area often underserved by retail and service businesses; high population density with more spending power **per acre** than other areas; and a young, ethnically diverse and growing population providing opportunity for new products, services and retailing concepts.

Porter also discusses the real disadvantages which may be present in inner cities including land availability, higher building costs, security issues, transportation and infrastructure costs, management skills, capital availability and community attitudes toward business.

Porter's fundamental argument is that economic activity "will take root and grow when it enjoys a competitive advantage and occupies a niche that is hard to replicate elsewhere." In the context of Larson's comments, Porter's analysis reinforces the importance of focusing on unique community characteristics. Porter's discussion of inner cities illustrates that our preconceptions about communities are often wrong.

Corning, NY (Pop. 12,000) is enjoying renewed retail activity in its downtown area. In recent years, community and business leaders have strengthened downtown retailing by focusing on the unique strategic advantages of the community: Corning Inc. and Corning Glass Center. As a result, various merchants have found a niche in selling arts, crafts and antiques associated with glass making. The success of these merchants coupled with the retention and attraction of other restaurants and specialty stores have added new life to downtown.

We may find useful ideas in other communities and their retail developments, but analysis of the local context is critical to the sustainability of economic and retail development. We need to ask questions like "Why did this concept work in community X", "Are the same factors present in our town?"

1. From CUED presentation by Robert Larson, Taubman Realty Group
2. Porter, Michael E., The Competitive Advantage of the Inner City, Harvard Business Review, May-June 1995, pp. 55-71

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