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## **THE PROXIMITY WARS II: WHY MERCHANTS CONGREGATE NEAR COMPETITORS (Published August 22, 2003, in the Columbia Business Times) - 8/22/2003**

COLUMBIA, Mo. – In general, businesses with a retail component tend to locate their stores near their fiercest rivals. Why is that?

Local businesspeople tend to say their location is due to traffic, customer convenience or some combination of the two. It's sound policy to locate where the customers are already going because today's customer is usually in a hurry. According to retail expert Rick Segel, *author of the book Retail Business Kit for Dummies*, it's best to follow the pack unless you are managing a big-name behemoth such as Wal-Mart, which can be a destination in itself.

Automobile sales is one industry in which competitors feed off nearby competition. While auto companies have rules against dealers of the same brand locating too close to each other, dealers of different brands tend to like to locate near competitors to assist shoppers in making their decision on a car.

"Number one, it's going to lessen your advertising budget, because if one customer can hit maybe a five- or ten-mile area, and there's five to ten dealerships there, the advertisers can kind of play off of each other a little bit," said Ken Redders, general sales manager for Joe Machens Ford Inc. "If the consumer does his shopping, hopefully we'll get that same customer that hits those six or seven other dealers. We feel that the value is where the customers buy, and if we have more value, better people, better service -- just better everything for the customer -- they're going to buy from us. They might be a customer that we wouldn't see if they were 30 miles away, so we love the challenge. If there are more franchises that want to come to the area, come on down!"

While Columbia's car dealerships are spread across town, they tend to be located relatively close to Columbia's Interstate 70 corridor. "Car dealerships want to be on the busiest streets in their town, and then everybody starts following, " said Stuart Head, co-owner of Head Motor Co., which recently opened a new location on Business Loop 70. "It's not like some cities that have a car row, where it is one after another, after another."

Likewise, in the banking industry, it often seems to the consumer that ATMs sprout like weeds at certain locations, but local bankers say that trend is more perception than reality. While ATM and branch facility locations may appear on the surface to be clumped near competitors by conscious decision, such perceived groupings are probably more the result of customer traffic patterns rather than banks making conscious decisions to locate near their

competitors.

"When you said, 'It seems like if you can find one, you can find everybody on a corner,' I think you notice it when you do," said Sabrina McDonnell, senior vice president for retail banking at First National Bank. "But when we map out our locations, and occasionally even place on a map where our competitors are, I think it's more spread out than any of us might think intuitively just because we notice it."

McDonnell said the main thing her bank looks at in placing an ATM is customer convenience, and then the possibility of gaining new customers is taken into account. Traffic count is very important, she said.

"You look for a place where already a lot of people are traveling past," she said. "Right on par with that, you look for a place where a lot of people are going, but where there's not a lot of traffic congestion and problems to park or access."

"The main thing with putting an ATM anywhere is you want to be where the people are," said Mary Wilkerson, vice president of marketing for Boone County National Bank. But she said customer convenience is everything when it comes to ATMs.

Wilkerson said her bank did a study several years ago of what ATMs people were going to other than her bank's to see if they should locate a new ATM in a particular part of town. "People would choose an ATM literally across the street from one that would not charge them a fee, our own ATM," she said. "What we found was that it was because [the ATM] was either in a place where it was easier to access or it was at a destination place that might have been across the street or a highway or something like that. We had people who were going to the Regional Hospital ATM when our Keene ATM was literally feet away from them."

She said bank branches are a different matter. Customers will make the extra effort to go to a bank branch because they are usually pursuing a specific need. She said the American Bankers Association did a recent study of bank branches that were located within grocery stores and found them to be not as effective as originally conceived.

She said knowing where competitors are located is one of several factors her bank looks at in locating a facility, along with such as demographics and future growth. "If we feel like we have enough density of customers and we have enough traffic, we won't hesitate to go right near one of our competitors."

