

Business

The first rule of retail – location, location, location

Alexandra Frea
American
Notebook



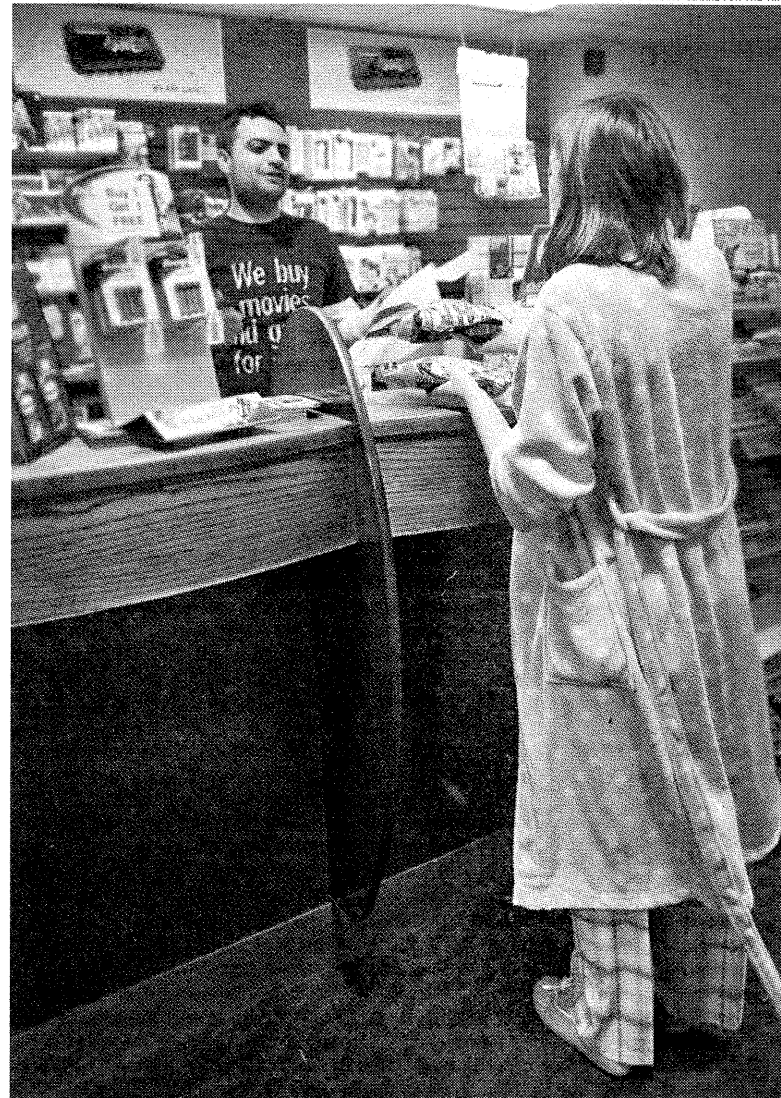
Managers at Blockbuster may have been too slow to respond to competition from streaming and mail-order rivals, but they had one thing going for them: great locations.

Knowing that their customers liked to rent DVDs while out doing other errands, they typically located their relatively modest 6,000 sq ft outlets on high-traffic intersections or in neighbourhood shopping malls. Crucially, they chose sites close to a grocery or drug store, so that users could pick up milk and movies at the same time. Repeat trips to the grocery for bits and bobs often meant repeat business for Blockbuster. But others, it appears, were casting envious eyes at those well-positioned stores.

Last week the company's American business was sold in a bankruptcy auction to the Dish Network satellite television company. Down to 2,400 shops, from a peak of more than 9,000 in 2004, it says it will close another 700 this month.

This is good news for John Thedford, co-founder and chief executive of La Familia Pawn and Jewelry store, a Florida-based pawnbroking chain, who has snapped up a number of former Blockbuster premises and now has his eye on many more. "The ideal location for a pawnbrokers," he argues, "is near a grocery store, near a furniture rental store and near an auto parts dealer because they are all services our customers use and it is convenient for them to make repeat visits." The logic sounds familiar.

Mr Thedford, 48, who built up a previous chain of pawnbrokers and sold it for \$108 million in 2008, believes that the economic recovery will be good for his expansion plans, which have attracted interest from private equity investors. "I don't want to sound braggadocious but we are in a position to be very selective of our financial partners." Contrary to what you might believe, the recession was not so good for business, he added,



Blockbuster carefully chose sites that would attract convenience shoppers

because many customers were unable to repay their loans and retrieve their belongings. "It's much better when your customers have jobs."

The power of direct mail

You don't know Murray Martin but he knows you. Or at least he knows where you live. He's got a pretty good idea what you like spending your money on, how long it will take you to drive to your nearest

shopping centre and what it will take to get you to go there.

As chief executive of Pitney Bowes, Mr Martin has helped to transform the 91-year-old company that invented the mechanical postage franking machine into a marketing and direct mailing powerhouse. Primed with massive and detailed databases of customer spending habits, the company's advanced mailing technology enables clients to target their direct mail campaigns and locate their businesses more precisely.

The Connecticut-based company recently landed a contract with Dixons

to help the British electrical chain to identify exactly which type of store from its portfolio needs to be in which location, based on an analysis of consumer habits as well as the amount of time it is likely to take customers to travel to their nearest store by road. It has also worked with Marks & Sparks on store location, although most of its customers around the world are medium-sized enterprises.

"We have come from zero to be the thirteenth-biggest software company in the world by revenue," Mr Martin, a university drop-out with a striking gold-capped front tooth, the result of an ice hockey accident in his youth, said.

You'd be forgiven for not noticing any of this, however, as the company has achieved its transformation almost by stealth, quietly selling off non-core businesses and acquiring more than 80 companies in the past decade. Key acquisitions include MapInfo, a provider of location intelligence systems used for online mapping services such as Mapquest, bought in 2007, and the British-based Portrait Software, which specialises in customer analytics, added last year.

The transition from mechanical franking machines to digital analytics has been a relatively smooth one, Mr Martin said, adding that Pitney Bowes invented the iTunes concept decades before Apple did by networking its franking machines over telephone lines in the 1960s to allow the collection and disbursement micropayments for postage.

The company's role in location intelligence has its roots in the postal business, too. After all, if there is one thing that Pitney Bowes understands, it is postal addresses. Translating these into information that can be used to power mapping services is a fairly logical step. New ventures include a bill payment app for consumers that groups all your household statements on one platform, and business-to-business pre-payment cards.

That's not to say that the company has given up its traditional business — it

still manages three quarters of all transaction mail, mainly utility and credit card bills, in the United States and 60 per cent in the UK.

Declining mail volumes during the recession hit revenues, but cash from repeat business helped to get the company through until business started to pick up again, enabling it to continue its 29-year streak of increased dividends. Last year it had free cashflow of \$961 million (£591 million); this year it expects between \$750 million and \$850 million.

At present 30 per cent of revenues are generated outside the US, but Mr Martin is hoping to take that figure up to 50 per cent in five years by expanding in established markets. "We are fairly well equipped and have a very strong cashflow," he said. Expect more acquisitions.

She's worth \$2m a minute

We knew she was huge, but now we have a clearer idea of just how big a hole Oprah Winfrey will leave in daytime television in the United States after her last show is aired on CBS in May.

She is leaving to concentrate on her cable network, which she has set up as a joint venture with Discovery Communications. CBS is asking \$1 million for 30sec ad spots for the last programme on May 25, according to Horizon Media, a New York-based ad company.

The price would probably set a record for a non-sports, daytime broadcast, according to Horizon's Brad Adgate. It compares with \$900,000 sought by ABC's *Lost* finale and \$650,000 for Fox's 24 finale, both shows that had higher average audiences than Oprah, according to *The Hollywood Reporter*. CBS is not commenting but promises the final episode "will be a TV event".



Oprah Winfrey, talkshow host, businesswoman and billionaire

