

Retail Locations

CHAPTER 07



Questions

- What types of locations are available to retailers?
- What are the relative advantages of each location type?
- Why are some locations particularly well suited to specific retail strategies?
- Which types of locations are growing in popularity with retailers?

What Are the Three Most Important Things in Retailing?



Location! Location! Location!

Facts on Retail Space

- Currently the U. S. has 20 square feet of retail space in shopping centers for every person.
- The highest country in the world
- The second-highest country:
 - Sweden – 3.1 square feet per person

Why is Store Location Important for a Retailer?

- Location is typically prime consideration in customer's store choice.
- Location decisions have strategic importance because they can help to develop sustainable competitive advantage.
- Location decisions are risky: invest or lease?



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Types of Retail Locations

Types

- Unplanned locations- do not have centralized management that determines what stores will be in a development.
- Planned locations-the shopping center and/or manager makes and enforces policies that govern store operations.
- Gross leasable area- Total floor area designed for the retailer's occupancy.



Types of Retail Locations

- Free Standing Sites
- City or Town Locations
 - Inner City
 - Main Street
- Shopping Centers
 - Strip Shopping Centers
 - Shopping Malls
- Other Location Opportunities



Selecting a particular location type

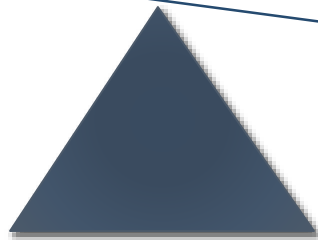
- Involves evaluating a series of trade-offs between
 - The size of the trade area (geographic area encompassing most of the customers who would patronize a specific retail site)
 - the occupancy cost of the location
 - The pedestrian and vehicle customer traffic
 - The restrictions placed on store operations by the property manager
 - The convenience of the location for customers

Tradeoff Between Locations

There are relative advantages and disadvantages to consider with each location.

Rent

Traffic



Types of Locations

EXHIBIT 7-1

Types of Locations

	Size (000 sq. ft.)	Trading Area (Miles)	Annual Occupancy Cost (\$ per sq. ft.)	Shopping Convenience	Pedestrian Traffic	Vehicular Traffic	Restrictions on Operations	Typical Tenants
UNPLANNED AREAS								
Freestanding	Varies	3-7	15-30	High	Low	High	Limited	Convenience, drug stores, category specialists
Urban locations/ central business district	Varies	Varies	8-20	Low	High	Low	Limited to medium	Specialty stores
SHOPPING CENTERS								
Neighborhood and community shopping centers	30-350	3-6	8-20	High	Low	High	Medium	Supermarkets, discount stores
Power centers	250-600	5-10	10-20	Medium	Medium	Medium	Limited	Category specialists
Enclosed malls	400-1,000	5-25	10-70	Low	High	Low	High	Department and specialty apparel stores
Lifestyle centers	150-800	5-15	15-35	Medium	Medium	Medium	Medium to high	Specialty apparel and home stores, restaurants
Outlet centers	50-400	25-75	8-15	Low	High	High	Limited	Off-price retailers and factory outlets
Theme/festival centers	80-250	N/A	20-70	Low	High	Low	Highest	Specialty stores and restaurants

SOURCES: Personal communications with industry executives; "North American Retail Highlights 2009," http://www.colliers.com/Content/Repositories/Base/Corporate/English/Market_Report_Corporate/PDFs/RetailNaHighlightsSpring2009.pdf; http://www.icsc.org/srch/lib/2009_5-C_CLASSIFICATION_May09.pdf.

Unplanned Retail Locations

- Freestanding Sites – location for individual store unconnected to other retailer
- Advantages:
 - Convenience
 - High traffic and visibility
 - Modest occupancy cost
 - Separation from competition
 - Few restrictions
- Disadvantages:
 - No foot traffic
 - No drawing power



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City or Town Locations

- Gentrification is bringing population back to the cities.
- Advantage to Retailers:
 - Affluence returned
 - Young professionals
 - Returned empty-nesters
 - Incentives to move provided by cities
 - Jobs!
 - Low occupancy costs
 - High pedestrian traffic



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Central Business District (CBD)

Advantages

- Draws people into areas during business hours
- Hub for public transportation
- Pedestrian traffic
- Residents

Disadvantages

- High security required
- Shoplifting
- Parking is poor
- Evenings and weekends are slow



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Main Streets vs. CBDs

- Occupancy costs lower than CBDs
- Traditional downtown shopping area
- They don't attract as many people
- There are not as many stores
- Smaller selections offered
- Some planners restrict store operations



Inner City

- Inner city retailers achieve high sales volume, higher margins and higher profits
- Unmet demand tops 25% in many inner city markets



Shopping Centers

- A **shopping center** is a group of retail and other commercial establishments that is planned, developed, owned, and managed as a single property.
- Shopping center management controls:
 - Parking
 - Security
 - Parking lot lighting
 - Outdoor signage
 - Advertising
 - Special events for customers



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Types of Shopping Centers

- Neighborhood and Community Centers (Strip Centers)
- Power Centers
- Enclosed Malls
- Lifestyle Centers
- Mixed-Use Developments
- Outlet Centers
- Theme/Festival Centers
- Omnicenters

Neighborhood and Community Centers

Managed as a unit

Advantages

- Convenient locations
- Easy parking
- Low occupancy costs

Disadvantages

- Limited trade area
- Lack of entertainment
- No protection from weather



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Attached row of stores

Onsite parking

Power Centers

- Shopping centers that consist primarily of collections of big-box retail stores such as discount stores (Target), off-price stores (Marshall's), warehouse clubs (Costco), and category specialists (Lowe's, Best Buy, Bed Bath & Beyond, Dick's Sporting Goods)
 - Open air set up
 - Free-standing anchors
 - Limited small specialty stores
 - Many located near enclosed malls
 - Low occupancy costs
 - Convenient
 - Modest vehicular and pedestrian traffic
 - Convenient
 - Large trade areas



Shopping Malls

- Regional shopping malls (less than 1 million square feet)
- Super regional malls (more than 1 million square feet)



The South China Mall in Dongguan, China

Advantages and Disadvantages of Shopping Malls

Advantages:

- Many different types of stores
- Many different assortments available
- Attracts many shoppers
- Main Street for today's shoppers
- Never worry about the weather
- Comfortable surrounding to shop
- Uniform hours of operation



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Advantages and Disadvantages of Shopping Malls

Disadvantages:

- Occupancy costs are high
- Tenants may not like mall management control of operations
- Competition can be intense
- Customers may not have time to stroll through a mall



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Lifestyle Centers

- Usually located in affluent residential neighborhoods
- Includes 50K sq. ft. of upscale chain specialty stores
- Open-air configuration
- Design ambience and amenities
- Upscale stores
- Restaurants and often a cinema or other entertainment
- Small department store format



Mixed Use Developments (MXDs)

- Combine several different uses into one complex, including shopping centers, offices, hotels, residential complexes, civic centers, and convention centers.
- Offer an all-inclusive environment so that consumers can work, live, and play in a proximal area



Outlet Centers

These shopping centers contain mostly manufacturers and retail outlet stores



Courtesy of Beall's, Inc.

Theme/Festival Centers

- Located in places of historic interests or for tourists
- Anchored by restaurants and entertainment facilities

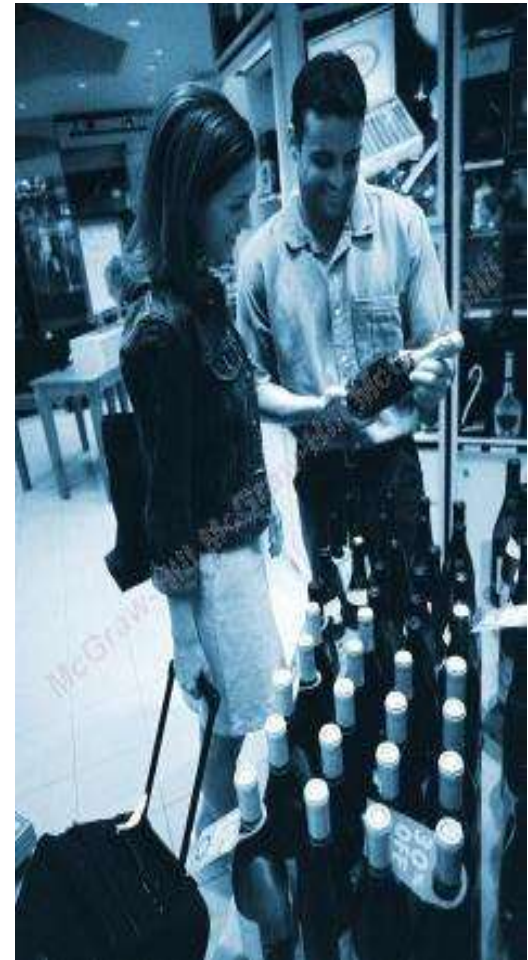


Larger, Multi-format Developments: Omnicenters

- Combines enclosed malls, lifestyle center, and power centers
- Larger developments are targeted
 - to generate more pedestrian traffic and longer shopping trips
 - To capture cross-shopping consumers

Other Location Opportunities

- Airports
- Resorts
- Store within a Store
- Temporary or pop-up stores



Alternative Locations

Pop-Up Stores and Other Temporary Locations

- Temporary locations that focus on new products or a limited group of products.
 - Create buzz, test new concepts, or even evaluate a new neighborhood or city.
- Temporary stores to take advantage of the holiday season in December
- Visibility and additional sales at festivals or concerts, weekend crafts fairs, or farmers' markets.



Alternative Locations

Store within a Store

- Located within other, larger stores
- Examples:
 - Grocery store with service providers (coffee bars, banks, clinics, video outlets)
 - Sephora in JCPenney

Alternative Locations

Merchandise Kiosks

- Merchandise Kiosks
 - small temporary selling stations located in walkways of enclosed malls, airports, train stations or office building lobbies.



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Alternative Locations

Airports

Airports: Why wait with nothing to do?

Rents are 20% higher than malls

Sales/square ft are 3-4 times higher than malls

Best airports are ones with many connecting flights



Kim Steele/Getty Images

Matching Location to Retail Strategy

- The selection of a location type must reinforce the retailer's strategy be consistent with
 - the shopping behavior
 - size of the target market
 - The retailer's position in its target market
- Department Stores → Regional Mall
- Specialty Apparel → Central Business District, Regional malls
- Category Specialists → Power Centers, Free Standing
- Grocery Stores → Strip Shopping Centers
- Drug Stores → Stand Alone

Shopping Behavior of Consumers in Retailer's Target Market

- Factors affecting the location choice
 - Consumer Shopping Situations
 - Convenience shopping
 - Comparison shopping
 - Specialty shopping
 - Density of Target Market
 - Ex. Convenience stores in CBD; comparison shopping stores next to Wal-Mart
 - Uniqueness of Retailing Offering
 - Convenience of locations is less important
 - Ex. Bass Pro Shop

Convenience Shopping

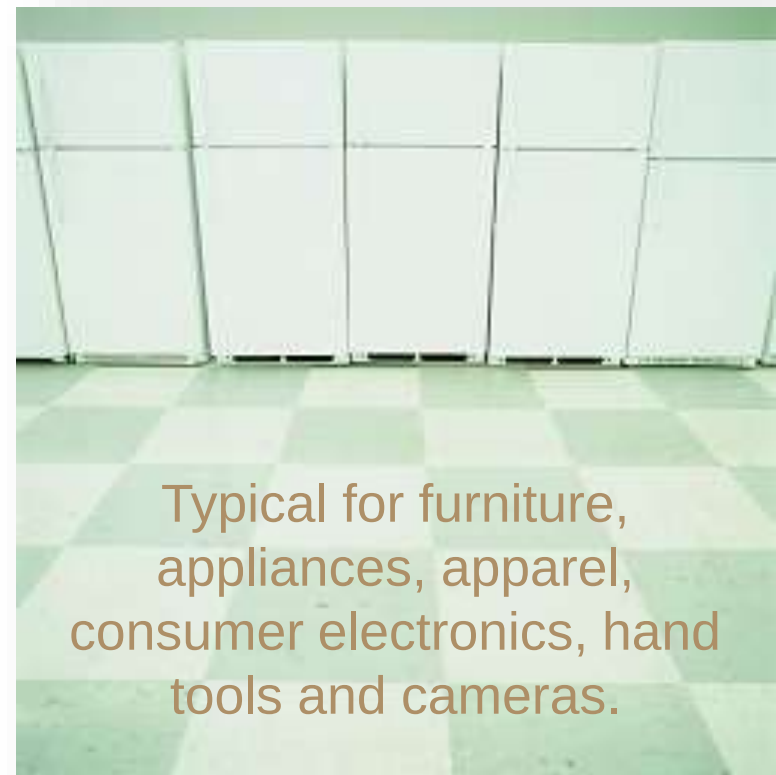
- Minimize the customer's effort to get the product or service by locating store close to where customers are located

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Comparison Shopping

- Customers have a good idea of what type of product they want, but don't have a strong preference for brand, model or retailer.
- Competing retailers locate
- Near one another



Typical for furniture, appliances, apparel, consumer electronics, hand tools and cameras.

Ryan McVay/Getty Images

Specialty Shopping

- Customers know what they want
- Designer labels
- Convenient location matters less



LEGAL CONSIDERATIONS

Environmental Issues

- “Above-ground” risks - such as asbestos-containing materials or lead pipes used in construction.
- Hazardous materials - e.g. dry cleaning chemicals, motor oil, that have been stored in the ground.
- Retailers’ remedies to protect themselves from hazards.
 - Stipulate in the lease that the lessor is responsible for removal and disposal of this material if it’s found.
 - Buy insurance that specifically protects it from these risks.

LEGAL CONSIDERATIONS

Other Legal Issues

- Zoning and Building Codes
 - Zoning determines how a particular site can be used
 - Building codes determine the type of building, signs, size, type of parking lot, etc. that can be used
- Signs
 - Restrictions on the use of signs can also impact a particular site's desirability
- Licensing Requirements
 - Some areas may restrict or require a license for alcoholic beverages