**LOCATION & SITE SELECTION**

In the competitive retail industry, it is critical to have a location strategy that maximizes your ability to increase revenue and expand your customer base. This means gaining a strong understanding of your customers in addition to the usual factors involved in forming a location strategy, like economic incentives and real estate, before beginning the retail site selection process.

That’s why we approach retail location strategy development with a combination of the most precise customer analytics and our ability to provide a full suite of real estate and economic incentive solutions. Our best-in-class data platform will let you know who your best customers are, where they live, how they behave and what motivates them to shop with you. Our comprehensive economic models accurately assess the supply and demand for goods and services in any market to help you stay ahead of your competitors for retail operations such as restaurants, consumer products and specialty stores.

**Having the right retail site selection solution is crucial for any business looking to add new locations.**

While site selection may sound like a daunting task if you don’t know where to begin, understanding the process will help you face tough decisions with the right information. Here’s everything you need to get started to ensure you’re making confident real estate decisions.

**What is a retail site selection solution?**

[Retail site selection](https://www.buxtonco.com/learn/learn-video-detail/planet-fitness-analyzes-sites-for-new-franchise-locations-using-scout/) solutions evaluate a combination of data and analytics to identify the best possible location for your future retail store. This includes looking at your data, customer behavior data and other variables to find your best customers, identify potential store sites and model the growth potential of these locations.

**Why is a retail site selection solution important?**

A retail site selection solution is pivotal to your business success as the initial site selection decision affects future operational decisions. Site selection solutions will help you:

* Forecast potential revenue for prospective locations.
* Identify which markets offer the most potential for expansion.
* Avoid [cannibalizing sales](https://www.buxtonco.com/news/news-detail/control-your-cannibalization/)by opening too many locations in a market.

Cannibalization refers to reduction in sales volume, sales revenue or market share of one product as a result of the introduction of a new product by the same producer/company.

**What data should be included in my retail site selection solution?**

***Customer Analytics*:**

Your customers are the core of your business. This holds true for your site selection. To identify the best location for your retail site you need to know who [your best potential customers](https://www.buxtonco.com/analytics-platform/)are, where they are located and the likelihood they will visit your prospective location.

*Market potential*:

You have many options for expansion, and your retail site selection solution should help you prioritize those options. A market potential analysis will you identify how many retail sites each existing or prospective market can support and which markets and trade areas will offer the greatest opportunity for your business.

***Sales forecasting*:**

Knowing who your customers are and the potential to reach those customers will help you forecast sales at your prospective retail sites. Your site selection solution should help you understand your investment and its growth potential.

For many small businesses, business location is an essential component in its eventual success or failure. Site selection can be pivotal in all sorts of businesses, including retail, service, wholesale, and manufacturing efforts. In fact, studies conducted by the Small Business Administration (SBA) and other organizations indicate that poor location is one of the primary causes of business failure. Conversely, a good business location can be enormously beneficial to a small firm.

## LOCATION NEEDS OF VARIOUS BUSINESS TYPES

Each of the above-mentioned business types—retail, service, wholesale, and manufacturing—have different site needs that need to be considered when settling upon a location for starting or relocating a business.

### **Retail Businesses**

The success of retail establishments is often predicated to a large degree on their location.

Since location is so important, small business retailers often have to make significant expenditures to secure a good site on which to operate. Property owners that offer land or buildings or office space for lease or sale in already-thriving retail areas know that they can command a higher price because of the volume and quality of business that the location will bring to the company.

### **Service Businesses**

Many service-oriented businesses also need to operate in "high traffic" regions, but there are exceptions to this. Most home-based business owners, for example, package their talents in service-oriented businesses (software development, freelance writing, home improvement, etc.). Others, such as pest control services or landscaping services, secure the majority of their customers through the Yellow Pages, etc., and thus do not need to worry as much about their location (although location can become a problem because of other factors; for example, a service business that has to travel great distances to take care of the majority of its customers might consider relocating closer to its primary customer base). Still other service-oriented businesses, of course, rely to a great degree on their location. Dry cleaners, hair salons, and other businesses can not afford to locate themselves on the outskirts of a business district. Many of their customers frequent their business precisely because of the convenience of their location; if that benefit dries up, so too do the customers.

### **Wholesale Businesses**

Whereas the primary consideration for retailers and some service businesses is to locate themselves in high traffic areas—hence the ubiquity of such businesses in shopping centers and malls—the major location concern of wholesalers is to find a site that has good shipping and receiving facilities and close proximity to transportation routes. Zoning laws are also a consideration. Most communities maintain zoning laws that restrict where wholesalers can set up their businesses.

### **Manufacturing Businesses**

As with wholesalers, businesses engaged in manufacturing usually have limited site location options because of local zoning laws. But manufacturers generally do not lack for options when the time comes to build or relocate a facility. Most communities have any number of sites to choose from. The key is to select the land or building that will be most beneficial to the company in the long run, taking into consideration the company's primary market, the available labor force, transportation factors, availability of raw materials, available buildings or building sites, community attitudes toward the industry, expense, and convenience of access for customers.

## LOCATION OPTIONS

Small business have a number of different choices in the realm of site selection. The type of facility most often embraced by retail and many service establishments is the shopping center. The shopping center, which houses a variety of different stores (often including well-known chain stores), can take several different forms, but the best known of these is the mall. These establishments provide their tenants with large numbers of potential customers and professional marketing and maintenance services, but in return, tenants often pay high rent and additional fees (to cover maintenance costs, etc.) Many other small businesses, meanwhile, are located in smaller shopping centers that are sometimes known as strip malls or neighborhood shopping centers. These centers, which rely on a smaller customer base than their mega-mall cousins, are typically anchored by one or two large supermarkets or discount stores. The rest of the stores are usually small retail or service establishments of one type or another. The rent at strip malls is generally much less than it is at major malls, but of course, the level of traffic is generally not as high either. The small business owner who wishes to establish his or her store in a shopping center must carefully weigh the financial advantages and pitfalls of each of these options before moving forward. Other retailers or service businesses prefer to set up their businesses in freestanding locations. Restaurants, for instance, often choose to set up their business in a lone building, attracted by the lower fixed rent that often accompany such arrangements.

Another facility option for the small business is the business park or office building. Indeed, many professionals (doctors, architects, attorneys) choose this option, attracted by the professional image that such trappings convey and the ability to share maintenance costs with other tenants. Some service businesses also operate from these facilities, especially if their primary clientele are other businesses.

## OTHER FACTORS IN BUSINESS SITE SELECTION

There are myriad factors that need to be evaluated when deciding where to locate a business. Settling on a site that is both convenient and comfortable for the company's primary customers is, of course, vital, but that is only one piece of the site selection puzzle. These considerations include:

* Will projected revenues cover the total costs of leasing or purchasing the site?
* Will costs associated with business establishment or relocation (purchase and/or transportation of equipment, computer wiring requirements, etc.) be prohibitive?
* Is the facility itself in good condition (including both exterior and interior), and does it meet layout requirements? If not, how expensive will refurbishment be?
* Are the grounds (landscaping, light fixtures, drainage, storage facilities) in good condition?
* How secure is the facility?
* Is the site large enough for your business?
* Can the site accommodate future growth?
* Are nearby business establishments successful, and are they likely to attract customers to your business?
* Are regional competitors successful?
* Does the site provide for adequate parking and access for customers?
* Might the area surrounding the facility (neighboring lots, parking facilities, buildings) undergo a dramatic change because of sale and/or construction?
* What sort of advertising expenditures (if any, in the case of malls, etc.) will be necessary?
* Will customer service be interrupted by a relocation? If so, for how long?
* Will major system changes (addition or subtraction of equipment or processes) be necessary?
* What impact will the business site have on workforce needs?
* Should the choice of facility reflect changes in the industry or market in which you are operating?
* Are there any existing or proposed government regulations that could change the value of the facility?
* What is the climate as far as business taxation is concerned?
* Are important suppliers located nearby?

## OWNERSHIP VS. LEASING

Whether starting up a new business or moving an already established one, small business owners are faced with the question of whether to lease or purchase the land and/or facility that they choose as the site for their company. Most small businesses operate under lease arrangements—indeed, many small business owners do not have the necessary capital to buy the facility where they will operate—but some do choose to go the purchase route, swayed by the following advantages:

* Increased sense of permanence and credibility in the marketplace
* Property taxes and interest payments are tax-deductible
* Facility improvements increase the value of the business's property rather than the landlord's property
* Increased net worth through appreciation of both the business and the facility (including land and buildings)
* No forfeiture of asset at the end of term
* Ability to liquidate (lessors often have far less freedom in this area)

Of course, there are also factors associated with ownership that either convince small business owners to stick with lease agreements or preclude ownership as a viable option.

* Risk that value of the land and/or facilities will actually go down over time because of business trends (a neighboring anchor store goes bankrupt) or regional events (a flood, massive layoffs)
* Financial risks associated with purchasing are greater, and put a greater financial drain on small establishments that often have other needs (purchasing typically requires greater initial capital investment and entails higher monthly costs)
* Property can be claimed by creditors as an asset if the business goes bankrupt

## PLANNING FOR THE FUTURE

An important factor that small business owners need to consider when weighing various business location alternatives is the site's ability to address the company's future needs. It is usually easier to shrink than to expand space in the same location. Thus the growing company is wise to locate in a building or a shopping center where there is room to expand without undertaking the costs of a big move. Sometimes technological considerations enter into planning. The higher lease costs of a building located on a railroad siding may be a worthwhile anticipation of volume climbing to levels where rail service will be needed either to supply or to distribute the businesses volume—or both. If relocation becomes unavoidable, it can sometimes be done in stages—moving operations to new locations one at a time.

## Tips to have a good retail location:

Choosing the right location is crucial in terms of business, as stated above. As such, there are different rules which govern choosing of location for retail store depending on the nature of the business and the target audience.

However, the following are a few of the steps which can be applied by almost all the retailers in order to find the right retail location.

### **1) Market analysis:**

The company has to analyze the market in terms of their product and industry along with the nature of competition and the presence of competition. The company also has to consider how old are there in the market and how many some other businesses are there in the current location.

They have to check and analyze the market to know how far is the competition been successful in satisfying the customers. The company also has to analyze how convenient is the location in terms of supply chain management and [warehousing](https://www.marketing91.com/methods-efficient-warehousing-products/) in order to make the products available on a daily basis.

### **2) Demographics of the market:**

The demographics of locality is essential to be considered in order to choose the retail location. The age group of the customer, profession, Lifestyle, profession, religion income groups, etc.

### **3) Market potential evaluation:**

The paying capacity of the population plays an important role in the evaluation of the potential of the market, along with the impact of the competition and the product estimation and demand. The retailer should also have the knowledge of regulations and laws of the country in which the store is being operated.

Other things such as events/festivals which have an impact on the demand should also be considered by the business such as Christmas, Eid etc.

### **4) Identification of alternatives:**

Most of the times it so happens that the retailers in hurry of starting the business finalize a location which costs them a fortune within fact a similar location with similar business potential would’ve been available somewhere very close which was neglected or overlooked.

In such cases, the retailer should not carry on finalizing the retail location and should also go out for alternatives and evaluate that location with similar parameters as stated above.

### **5) Allocation of marketing budget:**

A retail store should have a marketing budget depending on the cost of the location, which is in the third to build the brick and mortar place. The store which is occupying a prime location and has a good inflow of customers has indeed cost a fortune for the retailer.

In such cases, the marketing budget will be very less since the story is visible to most of the customers and passers-by. On the contrary, a store which is located away from the main street should use more marketing campaigns and spend on marketing collaterals in order to attract more customers to the store.

With the advent of social media marketing, the store has become even cheaper. People can advertise about their Store on Social media with a very small budget and can ensure that they reach to potential customers not only across the neighborhood but also across other neighborhoods as well.