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## **CHOOSING A RETAIL LOCATION**

### **FACTORS TO BE CONSIDERED**

Three factors confront you as an owner-manager in choosing a location: selection of a city, choice of an area or type of location within a city; and identification of a specific site.

If you are going to relocate in another city, naturally you consider the following factors:

- Size of the city's trading area.
- Population and population trends in the trading area.
- Total purchasing power and the distribution of the purchasing power.
- Total retail trade potential for different lines of trade.
- Number, size, and quality of competition.
- Progressiveness of competition.

In choosing an area or type of location within a city you evaluate factors such as:

- Customer attraction power of the particular store and the shopping district.
- Quantitative and qualitative nature of competitive stores.
- Availability of access routes to the stores.
- Nature of zoning regulations.
- Direction of the area expansion.
- General appearance of the area.

Pinpointing the specific site is particularly important. In central and secondary business districts, small stores depend upon the traffic created by large stores. Large stores in turn depend on attracting customers from the existing flow of traffic. (However, where sales depend on nearby residents, selecting the trading area is more important than picking the specific site.) Obviously, you want to know about the following factors when choosing a specific site:

- Adequacy and potential of traffic passing the site.
- Ability of the site to intercept traffic en route from one place to another.
- Complementary nature of the adjacent stores.
- Adequacy of parking.



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Vulnerability of the site to unfriendly competition.  
Cost of the site.

## **TYPES OF CONSUMER GOODS**

Another factor that affects site selection is the customers' view of the goods sold by a store. Customers tend to group products into three major categories: convenience, shopping, and specialty goods.

1. Convenience goods usually means low unit price, purchased frequently, little selling effort, bought by habit, and sold in numerous outlets. Examples: candy bars, cigarettes, and milk.

For stores handling convenience goods, the quantity of traffic is most important. The corner of an intersection which offers two distinct traffic streams and a large window display area is usually a better site than the middle of a block. Downtown convenience goods stores, such as low-priced, ready-to-wear stores and drugstores, have a limited ability to generate their own traffic. In merchandising convenience goods, it is easier to build the store within the traffic than the traffic within the store. Convenience goods are often purchased on impulse in easily accessible stores.

In addition, the greater the automobile traffic, the greater the sales of convenience goods for catering to the drive-in traffic. For the drive-in store selling low-priced convenience goods, the volume of traffic passing the site is a most important factor in making a site decision. The consumer purchases these goods frequently and desires them to be readily available. Consumers are reminded when passing a convenience goods store that he or she needs a particular item.

If consumers must make a special trip to purchase such convenience staple goods as food and drug items, they want the store to be close to home. One study of food store purchases in the central city area revealed that nearly 70 percent of the women patronized stores within one to five blocks of their homes. Another study of food stores indicated that for suburban locations the majority of customers lived within three miles of the stores, while the maximum trading area was five miles. For rural locations, the majority of consumers lived within a ten minute drive to the store, with the maximum trading area within a twenty minute drive.

2. Shopping goods usually mean high unit price, purchased infrequently, more intensive selling effort usually required on the



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part of the store owner, price and features compared, and sold in selectively franchised outlets. Examples: men's suits, automobiles, and furniture.

For stores handling shopping goods, the quality of the traffic is more important. While convenience goods are purchased by nearly everyone, certain kinds of shopping goods are purchased by only certain segments of shoppers. Moreover, it is sometimes the character of the retail establishment rather than its type of goods that governs the selection of a site. For example, a conventional men's wear store should be in a downtown location close to a traffic generator like a department store. On the other hand, a discount store handling menswear would prefer an accessible highway location.

In many, cases buyers of shopping goods like to compare the items in several stores by traveling only a minimum distance. As a result stores offering complementary items tend to locate closed to one another. Another excellent site for a shopping goods store is next to a department store or between two large department stores where traffic flows between them. Another good site is one between a major parking area and a department store.

A retailer dealing in shopping goods can have a much wider trading area. Without a heavily trafficked location this more expensive type of store can generate its own traffic. In this case, a location with low traffic density but easy accessibility from a residential area is a satisfactory site. The consumer buys these goods infrequently and deliberately plans these purchases. Consumers are willing to travel some distance to make shopping comparisons.

If you offer shopping goods, however, you should not locate too far away from your potential customers. One study of a discount department store showed that 79.6 percent of the shoppers lived within five miles of the store and another 16.1 percent lived within a ten-mile radius. The magnitude of the trading area for a shopping goods store can be determined by a customer survey, automobile license checks, sales slips, charge account records, store deliveries, and the extent of local newspaper circulation.

3. Specialty goods usually mean high unit price, although price is not a purchase consideration, bought infrequently, requires a special effort on the part of the customer to make the purchase, no substitutes considered, and sold in exclusively franchised outlets.



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Examples: precious jewelry, expensive perfume, fine furs, and so on, of specific brands or name labels.

Specialty goods are often sought by customers who are already "sold" on the product, brand, or both. Stores catering to this type of consumer may use isolated locations because they generate their own consumer traffic.

Stores carrying specialty goods that are complementary to certain other kinds of shopping goods may desire to locate close to the shopping goods stores. In general, the specialty goods retailer should locate in the type of neighborhood where the adjacent stores and other establishments are compatible with his or her operation.

### **RETAIL COMPATIBILITY**

How important is retail compatibility? For a small retail store in its first year of operation, with limited funds for advertising and promoting, retail compatibility can be the most important factor in the survival of the store.

Will you be located next to businesses that will generate traffic for your store? Or will you be located near businesses that may clash with yours?

For example, if you offer shopping goods, the best location is near other stores carrying shopping goods. Conversely, locating your shopping goods store in a convenience goods area or center is not recommended.

Take a look at shopping centers in your area. Invariably, you'll find a clothing or shoe store in trouble in an otherwise convenience goods shopping center.

On the other hand, with the advent of the mall and regional shopping center, shopping goods and convenience goods outlets may now be found co-existing easily under the same roof. In this situation, it is still important to be located in a section of the shopping complex that is conducive to what you're selling. For example, a pet store should not be located immediately adjacent to a restaurant, dress shop, or salon. You would want to locate a gift shop near places like department stores, theaters, restaurants in short, any place where lines of patrons may form, giving potential customers several minutes to look in the gift shop's display windows.

### **MERCHANT'S ASSOCIATIONS**



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Most first time business owners have no idea how effective a strong merchant's association can be in promoting and maintaining the business in a given area. Always find out about the merchant's association. The presence of an effective merchant's association can strengthen your business and save you money through group advertising programs, group insurance plans, and collective security measures.

A strong merchants association can accomplish through group strength what an individual store owner couldn't even dream of. Some associations have induced city planners to add highway exits near their shopping center. Others have lobbied for and received funds from cities to remodel their shopping centers, including extension of parking lots, refacing of buildings, and installation of better lighting.

Merchant's associations can be particularly effective in promoting of stores using common themes or events and during holiday seasons. The collective draw from these promotions is usually several times that which a single retailer could have mustered.

How can you determine if the retail location you're considering has the benefit of an effective merchants' association? Ask other store owners in the area. Find out: How many members the association has; Who the officers are; How often the group meets; What the yearly dues are; and What specifically, it has accomplished in the last 12 months.

Ask to see a copy of the last meeting's minutes. Determine what percentage of the members were in attendance.

What if there is no merchant's association? Generally (though not always) a shopping area or center with no merchants' association, or an ineffective one, is on the decline. You'll probably see extensive litter or debris in the area, vacant stores, a parking lot in need of repair, and similar symptoms. You should shun locations with these warning signs. With a little on-site investigation, they're easy to avoid.

## **RESPONSIVENESS OF THE LANDLORD**

Directly related to the appearance of a retail location is the responsiveness of the landlord to the individual merchant's needs. Unfortunately, some landlords of retail business properties actually hinder the operation of their tenants' business. They are often, in fact, responsible for the demise of their properties.



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By restricting the placement and size of signs, by foregoing or ignoring needed maintenance and repairs, by renting adjacent retail spaces to incompatible or worse, directly competing businesses, landlords may cripple a retailer's attempts to increase business.

Sometimes landlords lack the funds to maintain their properties. Rather than continuing to "invest" in their holdings by maintaining a proper appearance for the buildings and supporting their tenants, they try to "squeeze" the property for whatever they can get.

To find out if a landlord is responsive to the needs of the retail tenants talk to the tenants before you commit to moving in yourself. Ask them:

- 1) Does the landlord return calls in a reasonable period and send service people quickly?
- 2) Is it necessary to nag the landlord just to get routine maintenance taken care of?
- 3) Does the landlord just collect the rent and disappear, or is he or she sympathetic to the needs of the tenants?
- 4) Does the landlord have any policies that hamper marketing innovations?

In addition to speaking with current tenants, talk to previous tenants of the location you have in mind. You'll probably come up with a lot of helpful information. Find out what businesses they were in and why they left. Did they fail or just move? What support or hindrances did the landlord provide? If the opportunity presented itself, would they be retail tenants of this landlord again?

## **ZONING AND PLANNING**

Your town's zoning commission will be happy to provide you with the latest "mapping" of the retail location and surrounding areas that you are considering. Here are some questions to consider:

- Are there restrictions that will limit or hamper your operations?



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Will construction or changes in city traffic or new highways present barriers to your store?

Will any competitive advantages you currently find at the location you're considering be diminished by zoning changes that will be advantageous for competitors or even allow new competitors to enter your trade area?

Most zoning boards, along with economic/regional development committees, plan several years in advance. They can probably provide you with valuable insights to help you decide among tentative retail locations.

## **LEASES**

Directly related to zoning is your intended length of stay and your lease agreement. Before you enter into any rigid lease agreement, you must get information on future zoning plans and decide how long you wish to remain at the location under consideration:

Do you plan to operate the business in your first location indefinitely or have you set a given number of years as a limit?

If your business is successful, will you be able to expand at this location?

Is your lease flexible, so that you have an option to renew after a specified number of years? (On the other hand, is the lease of limited duration so, if need be, you may seek another location?)

Study the proposed lease agreement carefully. Get advice from your lawyer or other experts. Does the agreement:

Peg rent to sales volume (with a definite ceiling) or is rent merely fixed?

Protect you as well as the property owner?

Put in writing the promises the property owner has made about repairs, construction and reconstruction, decorating, alteration, and maintenance?



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Contain prohibitions against subleasing?

Consider these factors before you settle on a location.

## **OTHER CONSIDERATIONS**

A host of other considerations have varying importance in choosing a retail location, depending on your line of business. The following questions, while they certainly don't exhaust all possibilities, may help you decide on a retail location:

How much retail, office, storage or workroom space do you need?

Is parking space available and adequate?

Do you require special lighting, heating or cooling, or other installations?

Will your advertising expenses be much higher if you choose a relatively remote location?

Is the area served by public transportation?

Can the area serve as a source of supply of employees?

Is there adequate fire and police protection?

Will sanitation or utility supply be a problem?

Is exterior lighting in the area adequate to attract evening shoppers and make them feel safe?

Are customer restroom facilities available?

Does the store have awnings or decks to provide shelter during bad weather?

Will crime insurance be prohibitively expensive?

Do you plan to provide pick up or delivery?



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Is the trade area heavily dependent on seasonal business?

Is the location convenient to where you live?

Do the people you want for customers live nearby?

Is the population density of the area sufficient?

## **SHOPPING CENTERS**

Shopping centers are distinctly different from the other two major locations that is, downtown and local business strips. The shopping center building is pre-planned as a merchandising unit for interplay among tenants. Its site is deliberately selected by the developer for easy access to pull customers from a trade area. It has on-site parking as a common feature of the layout. The amount of parking space is directly related to the retail area.

Customers like the shopping center's convenience. They drive in, park, and walk to their destination in relative safety and speed. Some shopping centers also provide weather protection and most provide an atmosphere created for shopping comfort. For the customer, the shopping center has great appeal.

For the merchant making a decision whether or not to locate in a shopping center, these "plus" characteristics must be related to the limitation placed upon you as a tenant. In a shopping center, a tenant is part of a merchant team. As such, you must pay your pro rata share of the budget for the team effort. You must keep store hours, light your windows, and place your signs within established rules.

## **WHAT ARE YOUR CHANCES?**

Whether or not a small retailer can get into a particular shopping center depends on the market and management. A small shopping center may need only one children's shoe store, for example, while a regional center may expect enough business for several. The management aspect is simple to state: Developers and owners of shopping centers look for successful retailers.

In finding tenants whose line of goods will meet the needs of the desired market, the developer-owner first signs on a prestige merchant as the lead



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tenant. Then, the developer selects other types of stores that will complement each other. In this way, a "tenant mix" offers a varied array of merchandise. Thus, the center's competitive strength is bolstered against other centers as well as supplying the market area's needs.

To finance a center, the developer needs major leases from companies with strong credit ratings. The developer's own lenders favor tenant rosters that include the triple-A ratings of national chains. However, local merchants with good business records and proven understanding of the local markets have a good chance of being considered by a shopping center developer.

But even so, a small independent retailer can sometimes play "hard to get." When most spaces are filled, the developer may need you to help fill the rest of them.

If you are considering a shopping center for a first-store venture you may have trouble. Your financial backing and merchandising experience may be unproved to be the owner-developer. Your problem is to convince the developer that the new store has a reasonable chance of success and will help the "tenant mix."

### **WHAT CAN THE CENTER DO FOR YOU?**

Suppose that the owner-developer of a shopping center asks you to be a tenant. In considering the offer, you would need to make sure of what you can do in the center. What rules will there be on your operation? In exchange for the rules, what will the center do for you?

Even more important, you must consider the trade area, the location of your competition, and the location of your space in the center. These factors help to determine how much business you can expect to do in the center.

In a Neighborhood Shopping Center, the leading tenant is a supermarket or drug store. The typical leasable space is 50,000 square feet but may range from 30,000 to 100,000 square feet. The typical site area is 3 to 10 acres. The minimum trade population is 2,500 to 40,000.

In a Community Shopping Center, the leading tenant is a variety/junior department store or discount department store. The typical leasable space is 150,000 square feet but may range from 100,000 to 300,000 square feet.



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The typical site area is 10 to 30 acres. The minimum trade population is 40,000 to 150,000.

In a Regional Shopping Center, the leading tenant is one or more full-line department stores. The typical leasable space is 400,000 square feet with a range from 300,000 to more than 1,000,000 square feet. The typical site area is 30 to 50 acres. The minimum trade population is 150,000 or more. When the regional center exceeds 750,000 square feet and includes three or more department stores, it becomes a SUPER-REGIONAL CENTER.

The Center's Location. In examining the center's location, look for answers to questions such as these:

Can you hold old customers and attract new ones?

Would the center offer the best sales volume potential for your kind of merchandise?

Can you benefit enough from the center's access to a market? If so, can you produce the appeal that will make the center's customers come to your store?

Can you deal with your logical competition?

To help answer such questions, you need to check out:

- (1) the trade area and its growth prospects;
- (2) the general income level in the trade area;
- (3) the number of households; and
- (4) the share of various age groups in the population. If your line is clothes for young women, for example, you would not want to locate in a center whose market area contains a high percentage of retired persons.

Make your own analysis of the market which the developer expects to reach. In this respect, money for professional help is well spent, especially when the research indicates that the center is not right for your type of operation.



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**Your Space.** Determine where your space will be. Your location in the center is important. Do you need to be in the main flow of customers as they pass between the stores with the greatest customer pull? Who will be your neighbors? What will be their effect on your sales?

How much space is also important. Using your experience, can you determine the amount of space you will need to handle the sales volume you expect to have in the shopping center. And, of course, the amount of space will determine your rent. Many merchants need to rethink their space requirements when locating a shopping center. Rents are typically much higher and, therefore, space must be used efficiently.

"Total Rent." In most non-shopping center locations rent is a fixed amount which has no relationship to sales volume. In shopping centers the "rent" is usually stated as a minimum guaranteed rent per square foot of leased area against a percentage. Typically, while this is between 5 and 7 percent of gross sales, it varies by type of business and other factors. This means that if the rents as calculated by the percentage of sales is higher than the guaranteed rent, the higher amount is the rent. If it is lower than the guaranteed rent, then the guaranteed rent is the amount paid.

But this guarantee is not the end. In addition, you may have to pay dues to the center's merchants association. You may have to pay for maintenance of common areas (snow removal, cutting grass, etc). Consider your rent, then, in terms of "total rent." If, and when, this "total rent" is more than your present rent, your space in the center, of course, will have to draw sales enough to justify the added cost.

**Finishing Out.** Generally, the owner furnishes the bare space. You do the "finishing out" at your own expense. In completing your store to suit your needs, you pay for light fixtures, counters, shelves, painting, floor coverings. In addition, you may have to install your own heating and cooling units. (Your lease should be long enough to pay out your "finishing out" expense.)

An innovation is the "tenant allowance." With this system, landlords provide a cost allowance toward completion of space. It is for store fronts, ceiling treatment, and wall coverings. The allowance is a percentage of their cost and is spelled out in a dollar amount in the lease.

Some developers help tenants plan store fronts, exterior signs, and interior color schemes. They provide this service to insure store fronts that add to the center's image rather than subtracting from it.



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## **TYPES OF SHOPPING CENTERS**

Because each planned shopping center is built around a major tenant, centers are classed, in part, according to this leading tenant. According to tenant makeup and size, there are three types: neighborhood, community, and regional.

**Neighborhood.** The supermarket or the drugstore is the leading tenant in a neighborhood center. This type is the smallest in size among shopping centers. It caters to the convenience needs of a neighborhood.

**Community.** Variety, junior department stores, or discount department stores lead in the next bigger type - the community center. Here, you find room also for more specialty shops, need for wider price ranges, for greater style assortments, and for more impulse-sale items. In recent years the community center has also been designed around the home improvement department store which combine hardware, lumber, electrical, plumbing, flooring, building materials, garden supplies, and a variety of other goods under one roof. The shops that are grouped around this type of anchor tend to be similar in character and may include custom kitchen and bath shops, upholstery, bedding, drapery, and other such shops. While this type of center tends to meet the Community Shopping Center definition as to floor area and site size, its market may be more like a regional center.

**Regional.** The department store, with its prestige, is the leader in the regional center - the largest type of shopping center. When you find that a second or third department store is also locating in such a center, you will know the site has been selected to draw from the widest possible market area. Super-Regional centers have been developed with as many as five department stores. You will find, too, that the smaller tenants are picked to offer a range of goods and services approaching the appeal once found only downtown.

If you are considering a mall, you should weigh the benefits against the costs. At the outset, it may be difficult to measure savings, such as the elimination of store fronts, against costs, for example the cost for heating and air-conditioning in the enclosed mall.

**Speciality Theme Shopping Centers.** In addition to the three major categories of shopping centers new types of centers are evolving that have been called specialty or theme centers. In general these centers do not have a major anchor tenant. There is a greater percentage of restaurants



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and specialty food stores, the other stores tend to be highly specialized with more imported goods, custom crafted goods, designer clothes, etc. Also a greater number of the merchants are independents. Unusual and interesting architectural design is a normal characteristic and frequently a tourist market rather than a resident market exists.

## **HOW TO MAKE A TRAFFIC COUNT**

First of all, be sure you need a traffic count. Although knowledge of the volume and character of passing traffic is always useful, in certain cases a traffic survey may not really make any difference. Other selection factors involved may be so significant that the outcome of a traffic study will have relatively little bearing on your decision. When the other selection factors, such as parking, operating costs, or location of competitors, become less important and data on traffic flow becomes dominant, then a count is indicated. Once you have determined that you really need a traffic count, the general objective is to count the passing traffic both pedestrian and vehicular that would constitute potential customers who would probably be attracted into your type of store. To evaluate the traffic available to competitors, you may desire to conduct traffic counts at their sites, too.

Data from a traffic count should not only show how many people pass by but generally indicate what kinds of people they are. Analysis of the characteristics of the passing traffic often reveals patterns and variations not readily apparent from casual observation. The Illinois Dept. of Transportation often has traffic count information for the asking.

For counting purposes, the passing traffic is divided into different classifications according to the characteristics of the customers who would patronize your type of business. Whereas a drugstore is interested in the total volume of passing traffic, a men's clothing store is obviously more concerned with the amount of male traffic, especially men between the ages of sixteen and sixty-five.

It is also important to classify passing traffic by its reason for passing. A woman on the way to a beauty salon is probably a poor prospect for a paint store, but she may be a good prospect for a drugstore. The hours at which individuals go by are often an indication of their purpose. In the early morning hours people are generally on their way to work. In the late afternoon these same people are usually going home from work. When a chain organization estimates the number of potential women customers, it



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considers women passing a site between 10 a.m. and 5 p.m. to be serious shoppers.

Evaluation of the financial bracket of passerby is also significant. Out of 100 women passing a prospective location for an exclusive dress shop, only ten may appear to have the income to patronize the shop. Of course, the greater your experience in a particular retail trade, the more accurately you can estimate the number of potential customers. To determine what proportion of the passing traffic represents your potential shoppers, some of the pedestrians should be interviewed about the origin of their trip, their destination, and the stores in which they plan to shop. This sort of information can provide you with a better estimate of the number of potential customers.

In summary, the qualitative information gathered about the passing traffic should include counting the individuals who seem to possess the characteristics appropriate to the desired clientele, judging their reasons for using that route, and calculating their ability to buy.

## **PEDESTRIAN TRAFFIC COUNT**

In making a pedestrian count you must decide: who is to be counted; where the count should take place; and when the count should be made. In considering who is to be counted, determine the types of people who should be included. For example, the study might count all men presumed to be between sixteen and sixty-five. The directions should be clear as to the individuals to be counted so the counters will be consistent and the total figure will reflect the traffic flow.

As previously indicated, it is frequently desirable to divide the pedestrian traffic into classes. Quite often separate counts of men and women and certain age categories are wanted. A trial run will indicate if there are any difficulties in identifying those to be counted or in placing them in various groupings.

You next determine the place where the count is to be taken. You decide whether all the traffic near the site should be counted or only the traffic passing directly in front of the site. Remember that if all the pedestrians passing through an area are counted, there is the possibility of double counting. Since a person must both enter and leave an area, it is important that each person be counted only once either when entering or when leaving. Therefore, it is essential that the counter consistently counts at the same location.



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When the count should be taken is influenced by the season, month, week, day, and hour. For example, during the summer season there is generally an increased flow of traffic on the shady side of the street. During a holiday period such as the month before Christmas or the week before Easter, traffic is denser than it is regularly. The patronage of a store varies by day of the week, too. Store traffic usually increased during the latter part of the week. In some communities, on factory paydays and days when social security checks are received, certain locations experience heavier than normal traffic.

The day of the week and the time of day should represent a normal period for traffic flow. Pedestrian flow accelerates around noon as office workers go out for lunch. Generally more customers enter a downtown store between 10 a.m. and noon and between 1 p.m. and 3 p.m. than at any other time. Local custom or other factors, however, may cause a variation in these expected traffic patterns.

After you choose the day that has normal traffic flow, the day should be divided into half-hour and hourly intervals. Traffic should be counted and recorded for each half-hour period of a store's customary operating hours. If it is not feasible to count the traffic for each half-hour interval, the traffic flow can be sampled. Traffic in representative half-hour periods in the morning, noon, afternoon, and evening hours can be counted.

### **ESTIMATE OF STORE SALES**

Data from a pedestrian traffic survey can give you information on whether or not the site would generate a profitable volume for your store. A retailer with some past experience in the same merchandise line for which a store is planned can make a reasonable estimate of sales volume if the following information is available (in lieu of past personal experience, the trade association for your type of business may be of help):

Characteristics of individuals who are most likely to be store customers (from pedestrian interviews).

Number of such individuals passing the site during store hours (from traffic counts).

Proportion of passerbys who will enter the store (from pedestrian interviews).



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Proportion of those entering who will become purchasers  
(from pedestrian interviews).

Amount of average transaction (from past experience, trade  
associations, and trade publications).

One retailer divides the people who pass a given site into three categories: those who enter a store; those who, after looking at the windows, may become customers; and those who pass without entering or looking. Owing to prior experience, this retailer is able to estimate from the percentage falling into each classification not only the number who will make purchases but also how much the average purchase will be. If, out of 1,000 passersby each day, five percent enter (fifty) and each spends an average of \$8 (\$400), a store at that site which operates 300 days a year will have an annual sales volume of \$120,000.

#### **AUTOMOBILE TRAFFIC COUNT**

A growing number of retail firms depend on drive-in traffic for their sales. Both the quantity and quality of automotive traffic can be analyzed in the same way as pedestrian traffic. For the major streets in urban areas, either the city engineer, the planning commission, the State highway department, or an outdoor advertising company (billboards) may be able to provide you with data on traffic flows. However, you may need to modify this information to suit your specific needs. For example, you should supplement data relating to total count of vehicles passing the site with actual observation in order to evaluate such influences on traffic as commercial vehicles, changing shifts at nearby factories, through highway traffic, and increased flow caused by special events or activities.

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