

CD2024 633EC RETAIL E CHANNEL MANAGEMENT

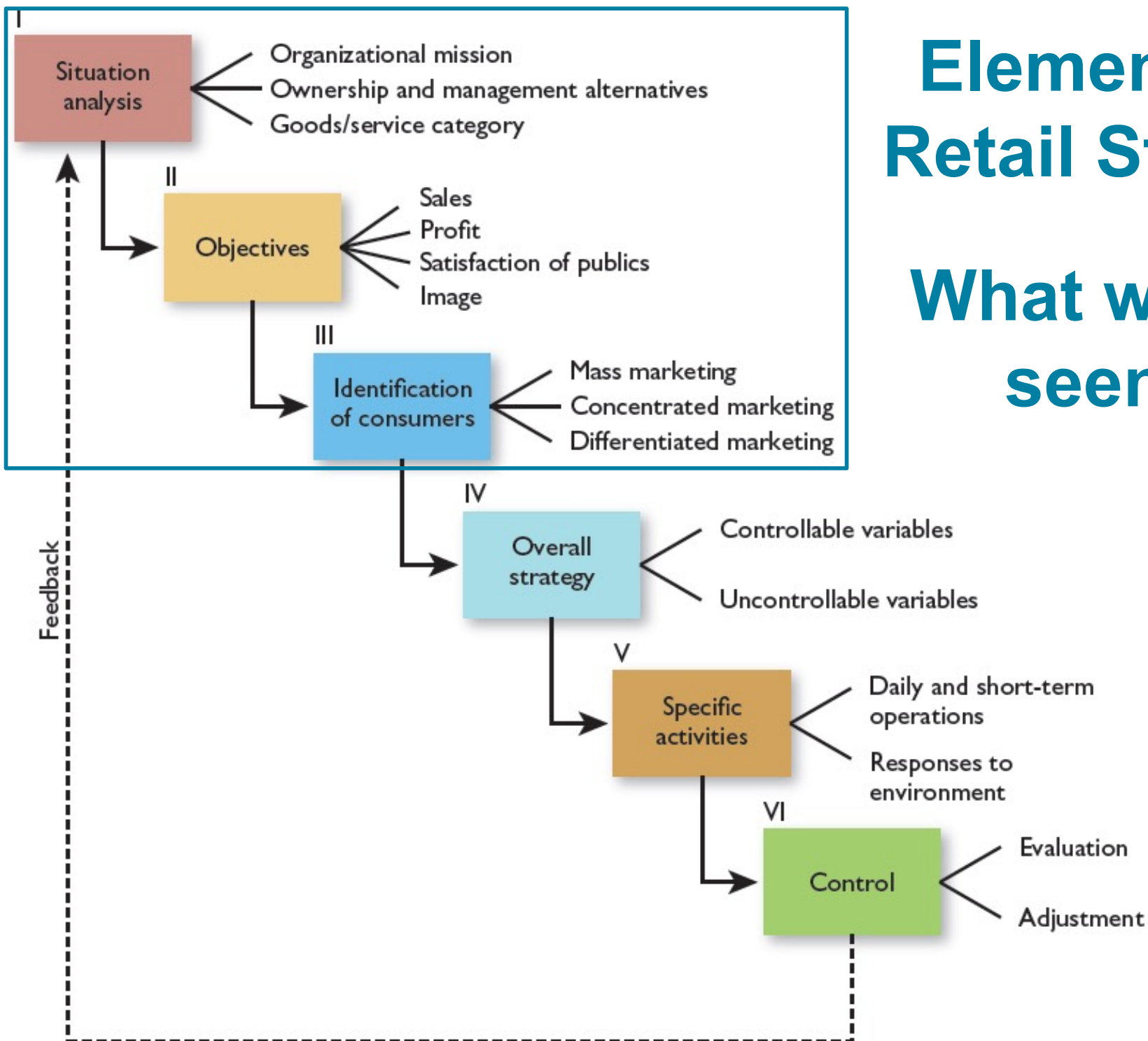
Marco Balzano & Lucio Gomiero



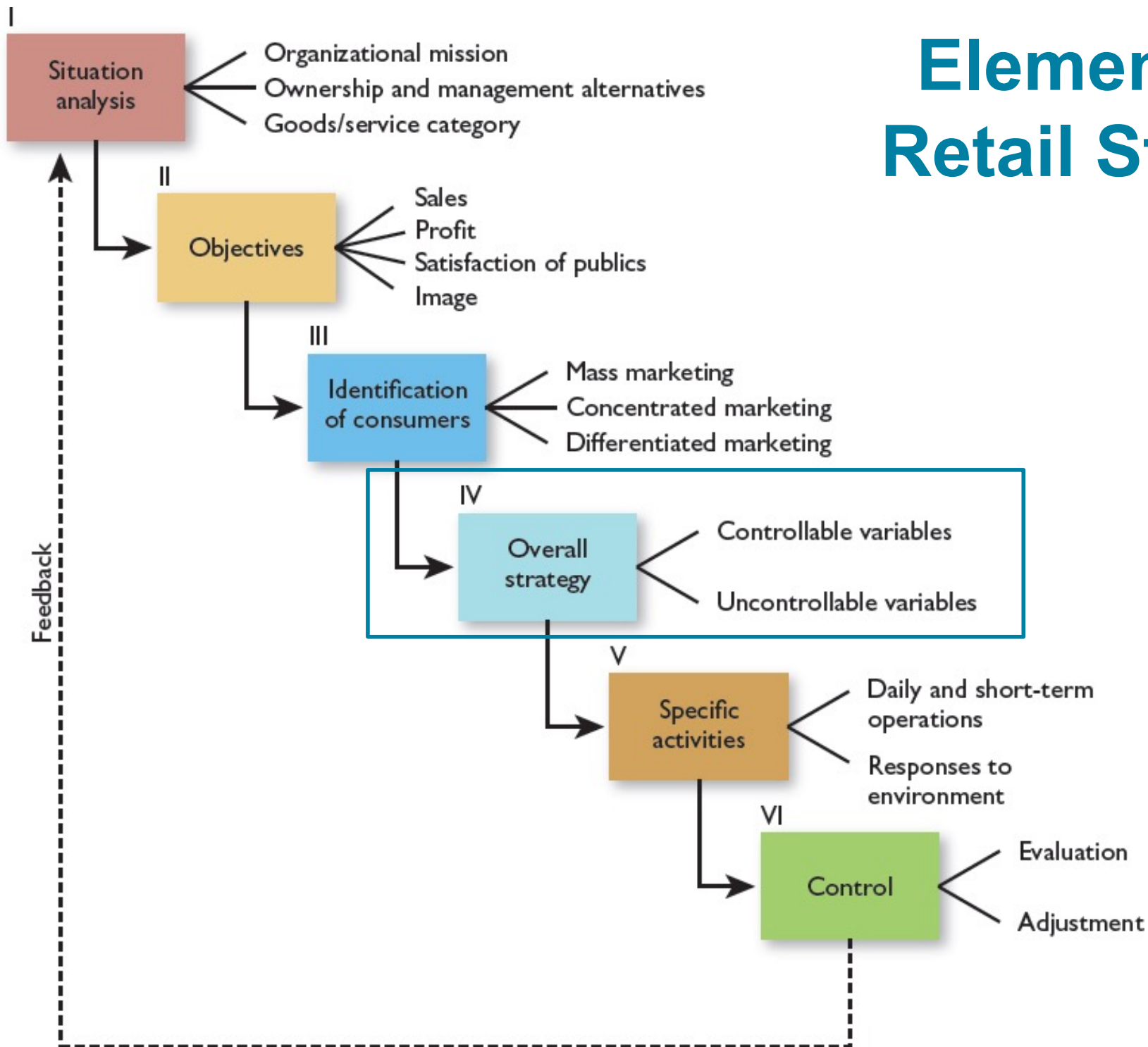
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Elements of a Retail Strategy

What we have seen so far



Elements of a Retail Strategy



Retail Management: A Strategic Approach

Thirteenth Edition, Global Edition



Retail Management

A Strategic Approach

THIRTEENTH EDITION

Barry Berman • Joel R. Evans • Patrali Chatterjee



Chapter 10 Site Selection

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Overview

Step 1: Investigate alternative trading areas (Chapter 9)

Step 2: Determine what type of location is desirable

Step 3: Select the general location

Step 4: Evaluate alternative specific store sites

Three Types of Locations

- **Isolated Store**
- **Planned Shopping Center**
- **Unplanned Business District**

Isolated Stores

Advantages

- No direct competition
- Low rental costs
- Flexibility
- Good for convenience stores
- High visibility
- Adaptable facilities
- Easy parking
- Excellent for store that generates own traffic

Disadvantages

- Difficulty attracting customers
- Travel distance
- Lack of cumulative attraction for customers
- High advertising expenses
- No cost sharing for promotions
- Possibly restrictive zoning laws

Examples of Isolated Stores

- **Large-store formats**
 - **SME**
 - **IKEA**
- **Convenience stores**
 - **7-Eleven**
 - **Autogrill**



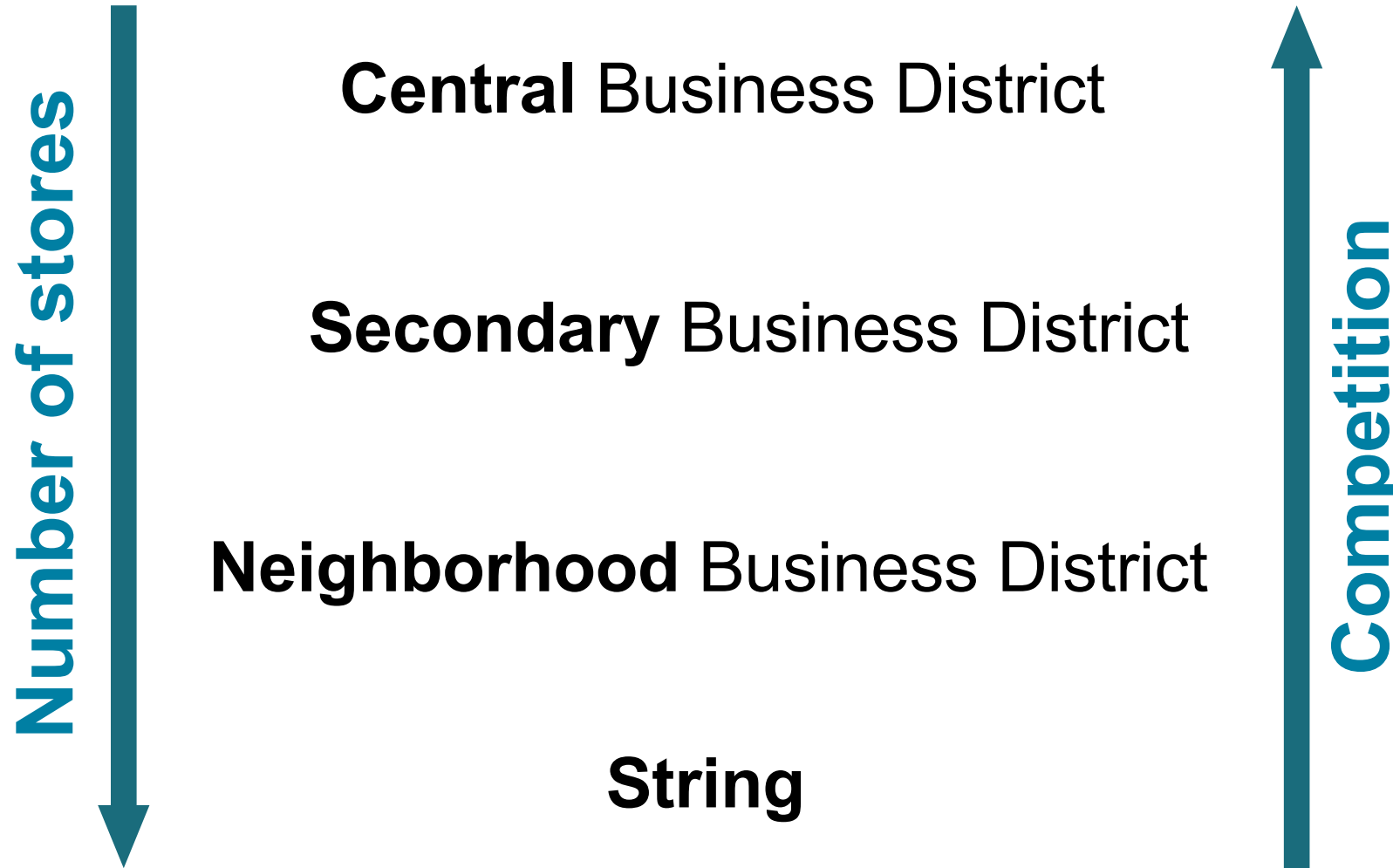
Italy: more transit store rather than a store for the neighborhood

Unplanned Business Districts

A type of retail location where **two or more stores situate together** (or in close proximity) in such a way that the total arrangement or mix of stores is **not due to prior long-range planning**.

- **Central Business District**
- **Secondary Business District**
- **Neighborhood Business District**
- **String:** born as isolated stores. The conditions allow for more competitors to join (e.g. car dealers)

Unplanned Business Districts



Unplanned Business Districts



Planned Shopping Centers

A planned shopping center consists of a **group of architecturally unified commercial establishments on a site that is centrally owned or managed**, designed and operated as a unit, based on balanced tenancy, and accompanied by parking facilities.

Through balanced tenancy, the **stores in a planned shopping center complement each other as to the quality and variety of their product offerings**, and the kind and number of stores are linked to overall population needs.

Planned Shopping Centers

Advantages

- Well-rounded assortments
- Strong suburban population
- One-stop, family shopping
- Cost sharing of promotions
- Transportation access
- Pedestrian traffic

Disadvantages

- Limited flexibility
- Higher rent
- Restricted product offerings in lease
- Competition
- Requirements for association memberships
- Domination by anchor stores
- Impact of store closings on affinities

Location/Site Evaluation Checklist

Pedestrian Traffic	Number of people Type of people
Vehicular Traffic	Number of vehicles Type of vehicles Traffic congestion
Parking Facilities	Number and quality of parking spots Distance to store Availability of employee parking
Transportation	Availability of mass transit Access from major highways Ease of deliveries
Store Composition	Number and size of stores Affinity Retail balance
Specific Site	Visibility Placement in the location Size and shape of the lot Size and shape of the building Condition and age of the lot and building
Terms of Occupancy	Ownership or leasing terms Operations and maintenance costs Taxes Zoning restrictions Voluntary regulations
Overall Rating	General location Specific site

AIM: Find a Location which is the optimum site for a particular store

Pedestrian Traffic

- **The most crucial measures of a location/site's value are the number and type of people passing by.**
- **Proper pedestrian traffic count** should include:
 - age and gender (exclude very young children)
 - count by time of day (may vary significantly)
 - pedestrian interviews (what percent are actively shopping)
 - spot analysis of shopping trips (verify stores visited)

Vehicular Traffic

- Important for
 - convenience stores
 - outlets in shopping centers
 - car washes, fast food franchises
 - suburban areas with limited pedestrian traffic
 - non-destination stores (e.g., auto grill)

Parking Considerations

- Number and quality of spots
- Distance of spots from stores
- Parking slot security at early morning and late evening hours
- Availability of employee parking
- Price to charge customers for parking

Store Composition and Site Characteristics

- Availability of mass transportation and ease of deliveries
- Number and size of other stores at site
- Affinity of existing stores at the site.
- Compatibility and complementarity with existing stores
- Visibility of store at the site
- Size and shape of building

Terms of Occupancy: Pros of Ownership Versus Leasing

PROS:

- **Freedom over concern with lease renewal**
- **Ability to write off depreciation** (a non-cash expense)
- **Possible capital appreciation** from increased value of real estate
- **Control over property maintenance**

Terms of Occupancy: Cons of Ownership Versus Leasing

CONS:

- **Difficulty in securing locations** in neighborhood, community and regional shopping centers
- **Assets tied up** in real estate could be used for retail expansion, inventory, store renovation instead
- **Real estate activity can divert attention away** from retail activities
- **Difficulty in renting adjacent space or current space** (if location is no longer desirable)

Terms of Occupancy Considerations

- Ownership versus leasing
- Type of lease
- Operations and maintenance costs
- Taxes
- Zoning restrictions
- Voluntary regulations

Other Types of Lease Arrangements

- **Five-year lease with option to renew** - at either set rental or rental determined by real estate appraisers
- **Lease with option to buy**
- **Sale-leaseback** - Retailer sells property to investor and then leases it back
- **Good guy clause** - Provides that the property owner will not enforce the personal guaranty for retail tenant as long as the tenant has vacated the premises and has paid all rent up to the date of termination. Property owner gets location back quickly without legal costs, retailers gets “off the hook” for lease balance.