

## Store Location - "Little Things" Mean a Lot

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The choice of a store location has a profound effect on the entire business life of a retail operation. A bad choice may all but guarantee failure, a good choice...success.

This publication takes up site selection criteria, such as retail compatibility and zoning, that the small store owner-manager must consider after making basic economic, demographic, and traffic analyses. It offers questions the retailer must ask (and find answers to) before making the all important choice of store location.

The first step in choosing a retail business location takes place in your head. Before you do anything else, define your type of business in the broadest terms and determine your long term objective. Write them down. This exercise will help you greatly later in choosing a retail location.

In picking a store site, many store owners believe that it's enough to learn about the demographics ("people information" like age, income, family size, etc.) of the population, about the kind of competition they will be facing, and about traffic patterns in the area they are considering. Beyond a doubt, these factors are basic to all retail location analysis.

Once you have spotted a tentative location using these factors, however, you have only done half the job. Before you make a commitment to moving in and setting up, you must carefully check several more aspects of the location to help insure your satisfaction with—and, most importantly, your success at—the site you've chosen.

### **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 "shoppers" (items such as men's and women's clothing, major appliances, or expensive jewelry), the best location is near other stores carrying shoppers goods. Conversely, locating your shoppers goods store in a "convenience goods" area or centre is not recommended. Convenience goods stores include, supermarkets, hardware stores, bakeries, package stores, and drug stores.

Take a look at shopping centres in your area. Invariably, you'll find a clothing centre, shoppers 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.

## **Merchants Associations**

Most first time business owners have no idea how effective a strong merchants association can be in promoting and maintaining the business in a given area. Always find out about the merchants association. The presence of an effective merchants 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 centre.

Others have lobbied for—and received—funds from cities to remodel their shopping centres, including extension of parking lots, refacing of buildings, and installation of better lighting.

Merchants associations can be particularly effective in the promotion 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 are 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 early dues are?
- What specifically, it has accomplished in the last 12 months?

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

What if there is no merchants association? Generally, a shopping area or centre without a 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 repairs, and similar symptoms. You should shun locations with these warning signs. With a little on-site investigation, they are 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' businesses. They are often, in fact, responsible for the demise of their properties.

By restricting the placement and size of signs, by forgoing 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 their 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:

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

## **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?
- 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 scaling) 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, alterations, and maintenance?
- 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?
- Is the store easily accessible?
- Will crime insurance be prohibitively expensive?
- Do you plan to provide pick up or delivery?
- 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?

### **Help in Choosing a Location**

Choosing a retail location is, at best, a risky undertaking. Considering the consequences of choosing a location that proves to be unsuitable, it pays to get as much assistance as possible.

You may wish to hire a consultant to analyze two or three locations that you have selected. It costs less if you provide the consultant with preselected potential locations than to have him or her initiate an open-ended search for a location. The business school of a nearby college or university may also be able to provide help.

Other sources of information on potential locations include bankers and lawyers, who may have been in position to have observed over an extended period of time many locations where other clients previously did business.

Realtors can also provide information on location. Remember, though, their compensation is based upon commissions for renting property.

## Locate in Haste, Repent at Leisure

Selection of a retail location requires time and careful consideration. It should not be done in haste just to coincide, say, with a loan approval. If you haven't found a suitable location, don't plan to open until you are sure you have what you want. Put your plans on hold and don't just settle for a location you hope might work out. A few months delay is only a minor setback compared to the massive—often fatal—problems that occur from operating a retail business in a poor location.

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For further information regarding starting a business, contact the

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