

The Right Location For Your Retail Business Is All About Convenience

By Steven Pollack

Mar 13, 2006, 09:54

One of the primary considerations for choosing a retail location is convenience. The more convenient you are for the customer the more likely you are to have them devote a part of their busy day to you.

Customer Demographics

Convenience can mean being located near a major highway for a business drawing from a major metropolitan area or being in a mall or central business district for a local business. Strip malls on a road between two highways can be convenient for a business drawing both local and regional. So obviously the right location will be convenient depending on where you plan to draw. Also, don't confuse where you dream of drawing from with where you plan to draw from. Planning includes marketing so if you are not going to do expensive regional marketing then you probably will not draw from areas more than ten miles from you.

Economies of Scale

I am borrowing this term from economics where the larger an operation gets the more efficiently and inexpensively it can achieve certain goals. Convenience for the customer will be achieved if you are located near other places they need to stop during their week. People are busy and each time they have to do an errand they have the "overhead" of driving to and from the destination. The closer you are located to other errands they have to do the more efficient their trip will become as they amortize this overhead over multiple stops.

Being located near a grocery store, busy hair salon, or coffee shop enables the customer to kill two birds with one stone. When I had my jewelry store I was located across from a very busy hair salon. I did all the stylists jewelry repairs at significant discounts and in exchange they talked me up to their customers and brought their engagement rings over for a polish and cleaning while sitting in the chair for an hour. I received great benefits in referrals from this setup.

Parking

If there is one thing I would do over after locating my jewelry store in downtown Glencoe, IL for nine years, I should have researched the parking situation better. What I eventually figured out is that this quaint European style central business district was choking its businesses with too little parking. Glencoe only offers street parking in front of the stores and refused to build a parking structure to remedy the deficiency.

Between 10am and 3pm there was a 95% utilization rate with the 5% representing transitions between customers leaving and the next customer taking the spot. The village trustees said customers should be willing to walk a few blocks. While this is true, it did not

change the fact that the customers would not and would defer making the stop until another time. Maybe that would mean I would get the business and maybe it would mean another jewelry store got the business the next time the customer was nearby and there was a parking spot.

This parking deficiency created tiers of demand between the downtown merchant's customers. Those merchants who could create the highest demand on the part of their customer to get a spot would win while those merchants relying on casual walk-in traffic suffered. The winners tended to be hair salons and doctors offices whose customers had appointments. The losers were the retailers with goods easily replaced by a more convenient venue like the drug store, the shoe store, and certain jewelry stores.

To the extent that I carried bread and butter inventory like gold chains and huggy hoop earrings, I suffered from the lack of street parking and casual walk-in traffic. Because I specialized in custom one-of-a-kind jewelry I was able to create a higher demand for parking on the part of my customers. This was not the optimal solution, however, and one you can avoid by doing due diligence regarding parking.