



MK 322 Retail Management

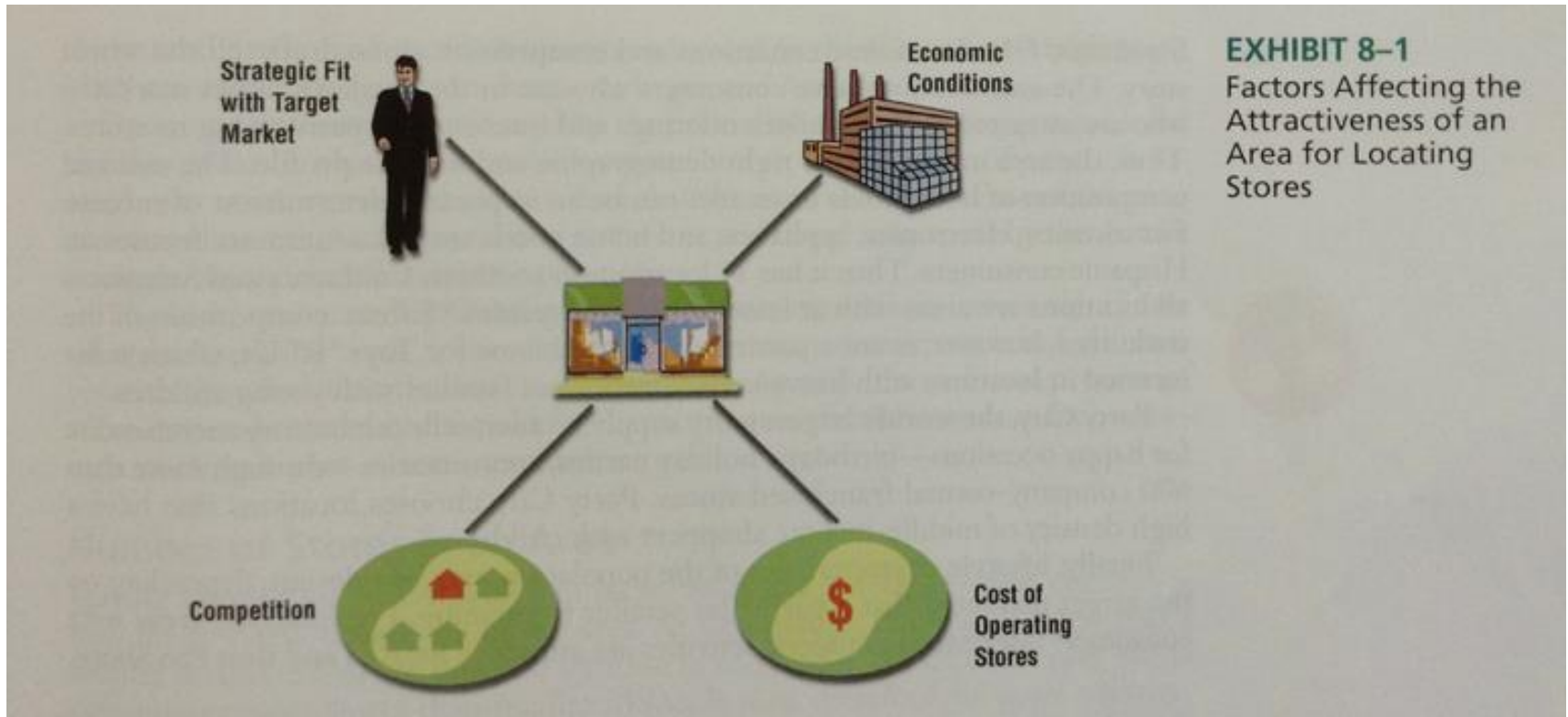
Chapter 8: Retail Site Location

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Evaluation Areas for Locations and Determining the Number of Stores in an Area



Conditions in Evaluating Store Locations



Number of stores in an Area

- After selecting the area to locate its stores, the next decision is how many stores in the area
 1. Economies of Scale from Multiple Stores
 2. Cannibalization



JASPAL

4 DECADES

JASPAL GROUP OF COMPANIES

รับสมัครด่วน >>





- A small Thai restaurant in a one block commercial shop house in Siam Square Soi 3 managed by Aunty Thongkam Mekto was the beginning of MK
- **The name MK was derived from the former owner of the shop, Makong King Yee, the Hong Kong businessman** who relocated to Boston, USA in 1962. Aunty Thongkam has operated the business with service minded and hospitality which have brought the customers back again and again. The famous menus included rice with boiled chicken, goulash beef, Padthai noodles, Korean charcoaled grilled beef, and all sorts of spicy salads. Delightful cakes were also offered in New Year seasons.



100
ดองบุริ
 お重祭り
 海鮮天重
 豚すき焼き重
 北海道豚重

ayoi
 JAPANESE RESTAURANT

99.-
 • ด้วงทะเลพรีเมียมบุริ
 Premium Seafood Buri

129.-
 • ด้วงหมูพรีเมียมบุริ
 Premium Pork Buri

169.-
 • ด้วงหมูพรีเมียมบุริ
 Premium Pork Buri

109.-
 • ด้วงหมูพรีเมียมบุริ
 Premium Pork Buri

149.-
 • ด้วงหมูพรีเมียมบุริ
 Premium Pork Buri

179.-
 • ด้วงหมูพรีเมียมบุริ
 Premium Pork Buri

219.-
 • ด้วงหมูพรีเมียมบุริ
 Premium Pork Buri

Conditions in Evaluating Store Locations



Site Characteristics

- ✓ Traffic Flow and accessibility
- ✓ Parking
- ✓ Visibility
- ✓ Adjacent tenants
- ✓ Restrictions and cost

Traffic Flow and Accessibility



Traffic Flow and Accessibility

- One of the most important factor is traffic flow
- When traffic is greater, more consumers are likely to stop in and shop at the store.
- Thus retailers often use traffic for consumers to stop in and shop at the store, especially those selling convenience goods



Traffic Flow and Accessibility

- The accessibility of the site is the ease with which customers can get into and out of site
- As important as traffic
- Accessibility is greater for sites located near highways, uncongested highways and streets with traffic lights and lanes, BTS locations
- Natural barriers such as rivers and mountains, and artificial barriers such as railroad tracks, divided highways, parks, may affect accessibility

Traffic Flow and Accessibility



Terminal 21 easy accessibility from BTS

Parking

- The amount and quality of the parking facilities are critical for evaluating shopping centers
- Risk if there are not enough spaces or spaced too far from the store

Rule of thumb

- 5.5:1,000 (five and one-half spaces per thousand square feet of retail store space) for shopping center
- 10 to 15 spaces per 1,000 square feet for supermarket

Parking



The parking around this Best Buy store contributes to the quality of this location.

Visibility

- Visibility refers to customers' ability to see the stores from the street
- Good visibility is less important for well established loyal customer base stores
- Good visibility is important for areas with highly transient population such as a tourist center or large city

Visibility



Visibility



The location of this store is poor because the store and its signage are not visible.

Adjacent Tenants

- Locations with complementary, as well as competing, adjacent retailers have the potential to build traffic
- Complementary retailers target the same market segment but have different, noncompeting merchandise offering
- Convenience or comparison shopping situations are being taken in consideration

Adjacent Tenants

Save-A-Lot prefers locations next to Big lots or Family Dollar because the presence of the two retailers will attract additional customers



Restrictions and Cost

- Retailers place any restrictions on the type of tenant that are allowed in a shopping center in their lease agreement
- Some of these restrictions can make the shopping center more attractive for a retailer
- For example, a speciality men's apparel retailer may prefer a lease agreement that precludes other men's speciality apparel retailers locating in the same area

Locations within a Shopping Center

- The location within a shopping center have significant effect on both sales and occupancy costs
- The better locations have higher occupancy costs
- For example, in a strip shopping center, locations closest to the supermarket are expensive
- So flower or sandwich shops may attract impulse buyers
- However a shoe repair store could be in lower traffic far away, in other words, a destination store

Negotiating a Lease



Types of Leases

2 basic types

1. Percentage
2. Fixed Rate



Percentage Leases

- **Percentage lease** is rent based on a percentage of sales
- The most common form
- In addition percentage of sales, retailers typically pay a common area maintenance(CAM) fee based on a percentage of their gross leasable square footage



Percentage Leases

- **A percentage of lease with a specified maximum** is a lease that pays the shopping center manager a percentage of sales up to a maximum amount
- This rewards good retailer performance by allowing the retailer to hold rent constant above a certain level of sales



Percentage Leases

- A similar variation, **the percentage lease with a specified minimum**, specifies that the retailer must pay a minimum rent no matter how low sales are



Fixed-Rate Leases

- A fixed-rate lease is when a retailer pays a fixed amount per month over the life of the lease
- Most commonly used by community and neighborhood centers
- Retailer and shopping manager know exactly how much will be paid



Fixed-Rate Leases

- Graduate lease is a variation of fixed-rate lease in which rent increases by a fixed amount over a specified period of time
- For example, rent may be \$1,000 per month for the first three years and \$1,250 for the next five years





That's All Folks