

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

Issue 45
May 2000

Chain Store Site Selection

by
Bill Ryan*

Retail continues to be an important part of a community's economy. However, intense competition from major retail centers including regional malls and "power centers" continue to pull dollars from smaller cities. To be more competitive, smaller cities with a population less than 50,000 sometimes seek regional and national chains to complement existing smaller independent businesses. However, chain store site selection criteria often bypasses smaller cities. When it does occur, it is often on an edge location, in conflict with smart growth principles.

This edition summarizes chain store site location criteria in Wisconsin as reported in the current Crittenden Directory of Retail Space Users. This database contains information on 971 retail space users from around the country. Understanding their criteria is an important first step in business recruitment efforts.

National Retailers Seeking Sites in Wisconsin

Of the 971 retail chains in the database, 454 include Wisconsin in their operating territory. An operating territory are those states where a retailer currently has stores or would consider opening a new store. Most of these are national chains (329) while the balance are regional in their operations. Only 9 of the 971 chains have headquarters in Wisconsin (compared to 47 in

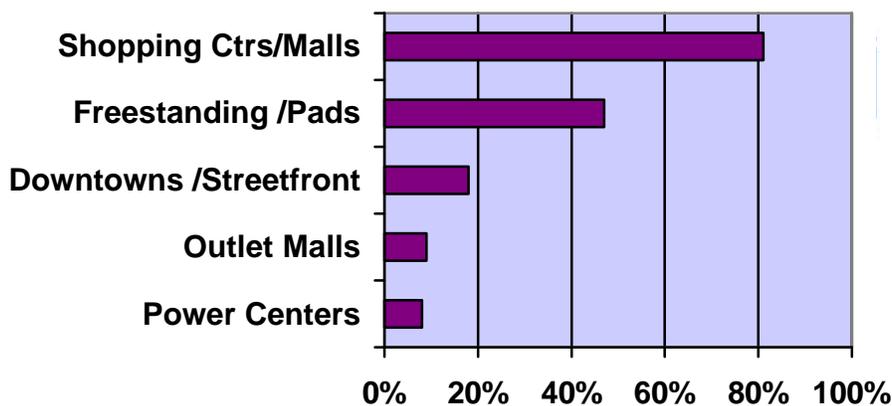
Illinois, 39 in Minnesota and 20 in Michigan). Accordingly, many out-of-state chains may not be aware of the market potential of a smaller Wisconsin city.

Types of Retailers

The largest chains that have locations in Wisconsin are restaurants. They include McDonalds stores (chain-wide), Subway, Burger King, and Pizza Hut. Rounding out the top 20, the other major chains that include Wisconsin in their operating territory include Radio Shack, Domino's Pizza, True Value, Wendy's, 7-Eleven, Kentucky Fried Chicken (KFC), Taco Bell, Hallmark Cards, Payless Shoe Stores, GNC Live Well, Little Caesar's Pizza, Mail Boxes Etc., Blockbuster Video, Dunkin Donuts, Foot Locker and Lady Foot Locker.

Of all the retailers that might consider Wisconsin for store location, most are apparel (86 chains) followed by restaurants (45), shoes (34), department and discount (20), home furnishings (19), audio/video (14), auto supply/service (13), grocery (10) and electronics (10).

Location Preferences



Location Requirements

Most of the 454 chains that include Wisconsin in their territory seek retail locations outside the downtown area. Approximately 81% are interested in locations in shopping centers or regional malls, 47% in freestanding sites or pads around shopping centers, 18% in downtown/street-front locations, 9% in outlet malls and 8% in power centers. While many chains are interested in more than one type of location, they typically prefer sites near the edge of town. Chains interested in downtowns and street-front sites primarily choose such sites within larger cities.

Building Size Criteria

While building sizes of chain stores vary, today's retailers often require a larger facility to remain competitive. Discount department stores often range from 100,000 to 200,000 square feet (SF). Grocery stores are typically 50,000 to 65,000 SF. Chain drug stores require 10,000 to 15,000 SF. Very small cities are often marginal locations for these stores as their trade areas may not generate adequate sales per square foot. Further, when there is sufficient market support, retailers and shopping center developers often require a larger footprint (on the land) to accommodate their development. This often challenges smart growth principles that encourage more concentrated infill and downtown locations.

Trade Area Preferences

Preferred market demographic criteria was analyzed for the 454 chains that include Wisconsin in their territory. Most of the chains, including most of the apparel chains, require mid-size to major trade areas with a population greater than 100,000 and median household incomes above \$40,000 or \$50,000 within a three or five mile ring. Conversely, one auto parts chain seeks markets with less than \$45,000 income. Other trade area criteria included number of children (for children's shoe store chain), daytime population (for sub shop chain), and number of renters (for a laundromat chain). While the market analysis techniques of the chains are more sophisticated, these demographic criteria often exclude small cities.

Summary

Current site location criteria of national and regional chains often conflicts with smart growth principles that encourage efficient land use and compact, centralized development. Further, small cities are often bypassed as many chain retailers prefer to locate in major metropolitan markets. This encourages long drive times and leakage of dollars out of the smaller city. Those chains that include Wisconsin in their territory are primarily interested in shopping center/mall locations or freestanding pads. Chains continue to look at developing larger stores that require more land for both building and parking. In addition, they

continue to search for sites in areas with higher household income, and may not consider lower income in-town locations that may have greater total spending potential.

Developers do not build shopping centers on the edge of town because they dislike downtown. Instead they typically build on the edge where land costs are lower; title, permitting and zoning are less problematic; site preparation and construction are simpler; and, store size and parking are ample. The site selection criteria of national and regional chains reflects these preferences, and are often at odds with smart growth principles. However, by understanding their site selection criteria, a community is in a better position to guide new retail growth that improves the community while satisfying the retailers profit objectives.

Detailed information on retail chains is available from private research firms. This article was based on the data from Crittenden Publishing, *Directory of Retail Space Users*. They offer a widely accepted database and newsletters providing current leads for retail recruitment.

Source: Data from Crittenden Publishing, *Directory of Retail Space Users*, Novato, CA.

Bill Ryan is a Community Business Development Specialist with the UW-Extension Center for Community Economic Development. Newsletter production by Alice Justice, program assistant with the UWEX, Center for Community Economic Development.