EVALUATION OF FOOD CHAIN STORE LOCATIONS

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This is to certify that the

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PAUL STEPHENSON SWOPE

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F. A. Brand

Major professor

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EVALUATION OF FOOD CHAIN STORE LOCATIONS

By

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CHAPTER I

INTRODUCTION

Background

The location of a chain food store plays a vital part in its success. Regardless of the size of the store or the quality of merchandise offered for sale, the location must be suitable or sales volume will suffer, profits will be restricted, and failure may be the ultimate result. Although good locations frequently offset deficiencies in retailing, poor locations seriously handicap the most skillful merchandisers.[1]

It has long been recognized that selection of store sites can not be outlined as a step-by-step process. At the present the procedure includes a combination of statistical information and the judgment of the chain executives. There is no formula by which food chain store location can be made simple and precise.

Since the end of World War II, when shopping centers began to spring up in all sections of the country, the location problem has become somewhat more complex. Often, after the decision has been made to build a new store, the problem arises

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1. Helen G. Canoyer. Selecting a Store Location. United States Department of Commerce. Marketing Division, Office of Domestic Commerce. Washington; Economic Series No. 56. 1946. p. 1.

as to which type of location would be most profitable--a single location or a shopping center.

The chain development and growth over the past ten years has been concentrated in cities with a population over ten thousand persons. As these cities become more and more saturated with new supermarkets, it will be necessary for the chains to look to the smaller towns for future expansion. The location procedure for small towns is more exacting due to the limited population and lack of published statistical data in these markets.

Purpose

The purpose of this study is to give the factors that play a vital role in the matter of site selection, to compare the single location with a shopping center location and to show the procedure used in selection of a small town location. This combination of site selection problems brings together into one unit the basic information required for the evaluation of a potential food chain store location.

In general, it is the author's desire to convey an overall picture of the food chain location problem. Criticisms are made freely and suggestions are offered in hope that they may play a part in improving the food chain location procedure.

Sources of Data

The data used as a basis for this study were compiled from a variety of sources.

The background material came from books, periodicals, and government publications. The major difficulty encountered in the collection of background material was the noticeable lack of current books on the subject. The rapid development of new ideas demanded the use of recent magazine and trade paper articles for a greater portion of this work. Very few books have been published on the scientific methods of store location.

The case studies used for a comparative evaluation of shopping center and single locations were selected at random from the files of Colonial Stores, Inc. The figures given in these case studies are the average store performance records for the year of 1953. The only change from the actual records was in the names of the cities.

The information for the selection of a small town location was taken from an actual survey of Fenton, Michigan. This survey was made by the author during the early months of 1954. All information included in this portion of the study, except names of the retailers, is authentic.

Value of Study

The value of a study of this type is the bringing together of the many phases of store site selection. When two or more prospective sites of different types are available this thesis could serve as a guide to the factors deserving attention. The constant increasing cost of new store development makes it imperative that new locations be selected with utmost care. This study may be used as an outline to minimize the risk involved.

Limitations

The dynamic nature of the food chain grocery business makes it impossible to give a fixed set of rules or procedures that will apply to all future situations. This is especially true in the realm of store location. The food chain location that is considered to be the best today may be unprofitable tomorrow. Many factors beyond the control of the chain grocery company exert a definite influence on the ultimate value of such locations.

In order to include complete case studies in this thesis it was necessary to draw information from the records of a previous year. The real basis for presenting the material thus becomes a matter of hindsight rather than a work on current locations under consideration.

CHAPTER II

SELECTION OF STORE LOCATION

Purpose

The purpose of this section is to give some insight into the methods or procedures used by chain grocery companies in the selection of store sites. It is generally agreed that it is very difficult to operate a successful store, no matter how attractive the physical features, no matter how efficient the personnel, if the location is wrong. Yet, in the face of this general knowledge many operators still locate their stores by a hit or miss method. Store location in most of the food chain companies is based on a combination of scientifically ascertained and measured facts plus the application of experience and judgment of top management. As the size of the supermarket has become larger and larger with the dollar investment constantly mounting, it has become not only important but, in many cases, vital that there be no mistake in the selection of location. It can easily be seen that there is no one right way to choose a location as each case must be considered separately.

The primary objective of this section is to outline some of the major considerations used by the better operators to obtain locations that will prove profitable. It will include the factors involved in the choosing of state, region, city

and site. Along with this will be found other considerations pertaining to the location and some of the appraisal systems used for evaluating the location.

Selection of the Region or State

The region or state is usually limited to the actual operating area of the company. The new store may be planned for any one of several localities; however, it must be within a serviceable distance from the distribution warehouse. In the Colonial Stores operation an attempt is made to keep the new locations within 150 miles radius of the servicing warehouse. There are exceptions, however, up to a maximum of 200 miles.

Occasionally, as a company grows, it will enter new states where the organization is totally foreign to the local residents. The development of stores in these strange places often requires much more expense than would have been necessary for a similar store within the operating area. Therefore, it is always advisable to stop, look and carefully analyze any "greener pastures" before leaving one's own well-known locality. Assuming the region has been chosen, the next job will be the choosing of a community.

Choosing the Community

A number of conditions should be investigated before any community is selected as a desirable locality for the operation

of a store. These can be classified under three headings:[1]

1. Factors that determine or influence potential purchasing power of the inhabitants;
2. Conditions that affect operating methods and costs;
3. Competition.

The nature and extent of the purchasing power is first in importance in choosing a community for a store location. The population of the city would be one of the first things to be studied. This could be found in the latest Federal Census. Several facts in relation to the population should be examined carefully. It will be necessary to discover the trend of the population. Is it increasing or decreasing? What is the population of the trading area? What transportation facilities lead into the community? How close is the nearest large city? Are there any topographical conditions that might influence traffic to and from the community? What is the nature of the population? Is the community residential or industrial? When these questions have been answered the number of potential customers and their characteristics will be known. Information of this type will be found in the local Chamber of Commerce as well as the Federal Census and in a Rand McNally Atlas. Comparisons between the latest figures and earlier ones will indicate whether business in the community is in a healthful state, as

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1. O. Preston Robinson and Norris B. Brisco. Stores Organization and Operation. New York: Prentice-Hall, Inc. 1950. p. 103.

evidenced by an increase in the number of firms, or whether large numbers of firms have disappeared recently, many of which can be assumed to have failed. If the population is increasing, the number of potential customers is increasing, too. If the population is found to be declining an indication is given that competition will be keener. The ideal in a community might be one that is live, energetic, intelligent, optimistic and well managed. The business clubs will give an indication of these characteristics if they are alert and wide awake. The presence of one or more live business associations within a community, such as a Chamber of Commerce, a better business bureau or a retail merchants' association, is an indication of healthful business conditions. These associations are often found to be the best source for business information or trading area and local regulations.

While statistical data, as given in the census reports for cities and counties, furnish some clue to local economic characteristics, they should be supplemented by interviews with local businessmen, bankers and trade association officials. A good measure of literacy is available in the Population Census under Characteristics of Population, as shown by median school year completed. The Sales Management magazine issues every year "The Annual Survey of Buying Power" which is one of the standard market guides used in the selection of a location. From this survey the total number of families can be found, then total food sales to compute the average food sales per family. This also has an index of buying power to be used in determining

relative buying power of the communities under consideration. Income statistics are essential to estimates of the purchasing power. Purchasing power indexes are based on the following community conditions:[2]

1. The total estimated community income;
2. Number of people employed and approximate wage levels;
3. Major types of employment; (industries)
4. Value of agriculture commodities produced in the area;
5. Natural resources in the area; (developed and undeveloped)
6. The industrial trend; (expanding or declining)
7. Regularity or seasonality of production and employment.

Consideration of these conditions will aid not only in making estimates of potential sales volume, but in formulating more accurate opinions regarding the nature of the income, its stability in the face of adverse economic conditions, its regularity under normal conditions and its probable future trends. The operation of a retail store may be seriously affected if the community is one that is supported by a few large industries. If the industry is slowed by a business depression or union trouble the local retailers will feel the effect.

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2. Ibid. p. 104.

The topographical conditions will deserve attention. It should be determined if there are any natural or topographical conditions that would affect future growth of the community or its trading area. In some cases a river or range of mountains will limit the amount of future growth possible.

The standard of living of the inhabitants should be found to be used as a valuable guide to a good location. This would include a study of the percentage of families owning their own homes, the general housing conditions of the community and the extent of yearly bank deposits. Information of this nature would not only help in estimating purchasing power but would indicate what types of merchandise might be sold in the area. Roy H. Rice of Loblaw expressed his opinion at the recent National Association of Food Chains meeting as follows:

> We are not too much concerned with the high income areas, we feel that there is not only more density of population in the middle income areas but, with employment holding up, there is more chance of a population increase in any given area.

This seems to be the general trend, a leaning toward the middle income groups.

Another phase in the selection of a community is the evaluating of the trading area. Two questions are to be answered for this evaluation. What is the size of the trading area and what is the effect of the nearest large city? The size can be determined by one or more of the following methods:

1. Determine the circulation area of the local newspapers.
2. The nontoll region of local telephone subscribers.
3. The territory served by the community banks.

These questions will give a fair insight as to the boundaries of the trading area but will tell little about competition from the nearest city. If the nearest city is close enough to have a great deal of influence over the community being considered it might be wise to determine if the community is within the trading area of the city. If this is the case it would be wise to locate with consideration given to the larger city. This way a location could be chosen that would draw customers from both trading areas.

A number of special conditions may have considerable effect upon retail operating methods and cost in the various communities. These special conditions and considerations are important enough to be listed and discussed as separate items as follows:

1. Utilities are generally available but this is a major consideration in selecting a location. It must be determined if water, sewer, gas and electricity are available. The rates for all of these will be needed to estimate operating expenses at the proposed location. Any special laws or regulations with respect to use or limitations on the use of utilities should be known. In some cases a waiting period is required after filing an application for the utilities and this too must be considered in selection. The local public utility companies and government officials, as well as the Federal Power Commission, are sources of information of the ease with which these facilities may be obtained.

2. The payroll of the community will largely determine the buying power of the population. If these payrolls are found to be high in relation to the number of inhabitants it might be expected that business will be good. A declining payroll would indicate unfavorable business conditions or a shift away from the community being considered.
3. Regardless of size or kind, every store should maintain a close relationship with the banking and credit facilities available in the community. In the prelocation study it should be determined which banks offer the service desired and be most beneficial to the store operation. The location of the bank and its policies with regard to chain grocery operation should be known. In some cases special arrangements will be needed for night deposits or drafts to be used to obtain extra operating change. The bank chosen must be able to supply these services.
4. The insurance rates covering the various types of risks vary considerably in different communities. Many insurable risks are covered on rates set by the states. These variations in communities and by states should be known since they may have an important bearing on the operating costs. For example, public liability insurance is nearly twice as costly in Cleveland as in Philadelphia or Pittsburgh and approximately four times as high in

that city as in many smaller cities of New York State.

5. Advertising will be an important phase of the new grocery operation. It will be necessary to determine what types and extent of media are available. This will include consideration of the newspapers and radio stations to find out which can do a better job in appealing to the prospective customers. Since the usual media selected by chains is the newspaper, a study should be made to find out which paper can do the better job when more than one is available. The rates of the papers should be compared with due consideration to the circulation. The newspaper is also a good source of information on the community and the trading area. A few issues can give a good idea of the intensity of competition that will be found in the new community.

6. The operating costs may in some measure be affected by the services available to the store. In some locations outside of the city limits of the community it might be necessary to hire services ordinarily performed by the city. This would include such things as night protection or garbage and trash disposal. If this is the case, the availability and costs of these services should be determined.

7. Legislation, whether it is in the form of city ordinances or state laws, may have an important influence

upon operating costs. State and local taxes may so complicate operation as to make the profitable operation of certain types of stores very difficult. In selection of the community an examination of the history of taxes and other legislation would be valuable. This would give some idea of the possible future trends, based on the assumption that the past may be an indication of what might be expected in the future.

8. Labor conditions must be examined with two points in mind. First, the new store will need employees and will be directly affected by local employment conditions, wage levels, labor organizations and the like. The other phase would be the conditions that prevail in local industry; if unrest is found here the retailer would be subject to fluctuations of the industry.

9. The rental rates will need to be carefully appraised. With the small operating profit now possible in the supermarket field it is of utmost importance that rents be held as low as possible. In a survey of the members of the N.A.F.C., it was found that the arithmetical average rental was 1.03% of sales. At least half of the rentals ranged between 1% and 1.2%. In selecting a new location the rental that can be afforded must be based on a good estimate of possible sales.

10. It must be determined if the property selected is zoned for business. In many cases a study of a pros-

pective location is halted if the site is not in a business zone. From this we can see that zoning should be one of the first items to be checked. Another reason for checking the zone is to be sure that it is not the intention to change from business to industrial. If the change is to industrial there would be a good likelihood of gaining undesirable neighbors.

11. The local and state tax rates should be checked. In some areas taxes have been levied that are unfavorable to chain stores.

The extent and nature of the competition will deserve careful study. The extent of the competition will indicate whether or not the chain representation is needed in the community. The best way to determine this would be to consider the number of groceries now operating in the community, together with their actual or estimated sales. After the extent of competition has been determined it would then be necessary to examine the nature. This would include a study of competitive practices, types of stores, estimated average volume and the amount of goodwill these stores have in the community.

Selecting the Site Within the Community

On the selection of a specific site the object of this section is not to give the pros and cons of a shopping center site versus a "solo" location but to consider the aspects to be evaluated in either case. Some of the more important factors

relating to the site will be found in the following order:

1. Accessibility
2. Parking
3. Estimated volume
4. Transportation facilities
5. Nature of surroundings
6. Competition
7. Dilution of other store sales
8. Position in shopping district

In any case each of these factors will require a certain amount of consideration. Often it will be found that one will play a major role while the rest revert to minor positions. Each location will be studied as a separate and distinct problem with the most emphasis given the more important factors.

Accessibility. Consideration must be given to the traffic pattern and the accessibility of the homes to the location. One of the best methods is to go to the site and make a traffic count at different times of the day. Then try to evaluate this traffic in terms of how many would be potential customers and what areas they are coming from and where they are going. The traffic flow should be checked on with the city government to determine if any of the streets are to be converted to one-way traffic. The ease of entrance and exit from the parking lot may be very important. If the store is to be located in the middle of the block many customers may avoid the location to stay away from traffic problems.

A corner lot with an entrance and exit from two directions would seem to be more desirable than a single approach. This would also give the advantage of gaining customers from a larger trading area in some cases. The location should also be accessible to the neighborhood walking traffic. In many cases the side of the street will control the amount of walking traffic. Most neighborhood shoppers would rather walk up or down a little way in preference to crossing a busy thoroughfare.

Parking. The amount of parking required seems to be very generally set at 3 to 3½ square feet to each square foot of floor space for the store. In the neighborhood store serving from two to four thousand families the parking ratio may be as low as two to one. At the other extreme a large regional store serving from fifteen to thirty thousand family units would need a parking ratio of four to one.[3] In some cases the parking will be far from these requirements; as an example, a very successful A & P store in Roanoke, Virginia, has a total of 12 parking places. The volume of this store is estimated at $30,000 a week. The parking problem in this case was solved by local transportation facilities and the unusual habit of many people to shop by bus.

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3. Jac Lehrman. Top Management Considerations in Store Location. Press Releases, Twentieth Annual Meeting, National Association of Food Chains Chicago, 1953.

If the parking lot is a part of a shopping center it would be wise to locate as far as possible from the department store or stores. The grocery will need plenty of parking space at the front and side of the store and can not afford to be situated where department store customers will have these spaces occupied for long periods of time. Often a car pick-up station on the edge of the lot will solve the need for many parking spaces in front of the store.

Estimated Volume. One of the ways to estimate volume is a so-called "rule-of-thumb" method. One company uses the following procedure. Make a count of the homes within one, two and three mile radius of the site. The volume of the store is figured on a basis of about twenty dollars a week per family (assuming that the location is in a section that would average four persons to a family). This method measures the food volume within a reasonable trading area of the site and the number of food stores in the area would have a considerable effect on the percentage of food business available for a new store. Generally speaking, considering competition already established, it is reasonable to expect about 25% of the total food sales within a three-mile radius.

Transportation Facilities. The availability of the transportation facilities may or may not be an important factor. As mentioned before, it can also be the most important item. The trend in recent years has been to sites available to auto and walking traffic, with only minor importance given to public transportation.

Nature of Surroundings. Although neighboring stores usually help to increase sales, certain types of neighbors should be avoided. It is usually desirable to shun locations that have as neighbors garages, schools, cemeteries, vacant lots, billboards, unsightly buildings and dirty factories. Other objectionable features are dust, smoke, odors, wind and noise.

Competition. In many cases it is wise to locate as near as possible to competitors. This takes advantage of already established shopping centers. However, extreme care is necessary to ascertain that enough volume is possible to support the intended store.

Dilution of Other Stores. This is a problem faced by the operators who have more than one store within the same community. An effort should be made to prevent self-competition. In older, more compact areas, where the population is very dense, Loblaws say they can operate stores one-half mile apart. In areas of less population density (about thirty per acre) the stores are kept at least one and one-half miles apart.

Position in Shopping Center. In a controlled shopping center the grocery should be as far as possible from the department store. The most desirable location is at the end where parking space can be obtained at both front and side of the store.

The final selection of a site will be dependent upon the evaluation of the factors mentioned here; however, much of the final decision is based on opinions and the judgment of company executives. One way to evaluate a prospective site is to go into several promising communities, stay long enough to carefully study all the factors mentioned and gather any additional information about business conditions to make the final decision. Then present this to the executives for appraisal in view of approval.

CHAPTER III

THE SINGLE LOCATION

The single location is one that operates independently of the other surrounding business establishments. All facilities, including the parking area, are under direct responsibility and control of the supermarket. The store must be able to obtain sales volume without the aid of the cumulative customer attraction so often associated with the shopping center locations.

Types

There are five types of single locations: the central shopping district, subcenters, string street developments, neighborhood groupings and individual locations.

The central shopping district is considered to be the main shopping and business section of the town. The high rents, crowded conditions and lack of residential population discourage supermarket operators from locating stores within this area. The central shopping district is seldom considered for a new store location except in the smaller towns.

Subcenters are combinations of stores selling more than convenience goods and depending for existence on the community surrounding them. Most of the early supermarkets were located in subcenters due to the lower expenses and available space.

String street developments are stores located on one street for a number of blocks, usually, but not necessarily, on both sides of that street. As a rule, there is no spread of business to the adjoining streets and the development is not entirely dependent on the surrounding community. Often the string street development is along a well-travelled thoroughfare. Many supermarkets are located in string street developments to take advantage of the accessible location. Volume can be obtained from both the surrounding area and from customers who travel the main thoroughfare. This type of location appears to be the most favored of all the single locations.

Neighborhood groupings usually include only a few convenience goods stores. These stores depend upon the surrounding neighborhood for support. This grouping often includes a small grocery but seldom a supermarket.

The individual location is a store standing alone and not a part of any grouping or concentration. Supermarkets are sometimes built as individual locations, but as it becomes evident that business can be obtained in the area other merchants locate nearby.

Analysis of the Trading Area

The first step in the selection of any type of supermarket location is a market analysis. The purpose of this analysis is to determine if the store will be able to operate profitably at the proposed site.

The market analysis is usually made up of five distinct steps: first, the size of the trading area must be determined;

the number of families in this area must be known; the third step is to learn the income of these families; next, the retail spending of these families and, finally, the amount of retail spending the new store can expect.

The size of the trading area is very difficult to determine. In some cases it may be confined to only the surrounding neighborhood while in others it includes the entire town. Normally the trading area for a new store will be determined by the location and facilities of the competitive stores, the topographical conditions and the accessibility of the proposed site. In general, the supermarket offering the best facilities, merchandise at competitive prices and most accessible location will have the greatest trading area. Reilly's Law is often used to determine the size of the trading area. The use of this Law is illustrated in Chapter V.

The first source of data used to determine the number of families in the trading area is the Census of the United States. These figures are tabulated by small census tracts and to simplify calculations the trading area boundaries are often made to coincide with census tract boundaries. Inasmuch as the census is taken only once every ten years, the figures must be brought up to date during the intervening years. This may be done with whatever information is available. Usually the number of new water or electric meters installed, the number of building permits filed and changes in school population are helpful in bringing the number of families up to a current basis. One other method that has become more common in recent

years is the use of aerial photographs. The area surrounding the site is photographed, then the households in the trading area are counted from the picture.

The income of the area is determined, first, from the Census then brought up to date with supplementary information. The Census figure can be adjusted in accordance with the changing level of the national income. If state income tax returns are available they may be useful in calculating the level of incomes for the area.

The amount of retail spending for food can be learned from the studies made by the United States Department of Labor. For example, the study made in 1951 listed 30.2% of all income, for families earning under $10,000, as food expenditures. This figure is the average for all groups up to and including the $10,000 per year group, after personal taxes. A second source for the amount of food expenditures is the "Survey of Buying Power" published annually by Sales Management magazine. This source is used in evaluation of the case studies at the end of this and the following chapter.

The calculation of the actual amount of food sales to be expected at the proposed site is the most difficult part of the market analysis. The distance from competing stores, quality and extent of competition, relative accessibility and established habits must be taken into account to arrive at a fairly accurate estimate of the sales potential.

Requirements

The most basic requirements for a single location are public transportation, ample parking, modern facilities, in an accessible location, within a trading area capable of supplying the necessary sales volume.

Advantages

The greatest advantages of a single location over the shopping center location would fall under the headings of control and flexibility. In the single location the responsibility and control of the store is not influenced by the surrounding merchants.

The parking lot is for the exclusive use of the supermarket customers and naturally enjoys a better turnover than found in shopping center lots. Changes in parking plans or methods of utilizing the lot may be made freely.

In the single location there is usually no control or lease agreement that limits the type of merchandise that may be sold. This is especially important at the present since more and more non-food items are being added to the supermarket merchandise. In a controlled shopping center location the terms of the lease may prohibit the supermarket from selling many of the profitable non-food items such as drugs and housewares. This free choice of merchandise is not restricted in a single location.

The control over expenses such as the heat, lights and air conditioning is important to the supermarket. In a single location these expenses can be controlled, whereas the shopping center often allocates these expenses without regard to actual use.

Other advantages of the single location would include: the freedom of the company to use their normal style and building identification; control over the delivery area and flexibility of expansion if necessary.

Disadvantages

The single location is one that stands alone and must get volume through its own efforts. There is no cumulative pull to attract customers to the location. This, in itself, is the main disadvantage of single locations. The swing to shopping center locations, on the part of supermarkets, has come about primarily to take advantage of the extra traffic generated in these centers. The entire expense of promotions must be borne by the single store. The benefits of cooperative advertising and cooperative promotions usually carried on by a shopping center group can not be shared by the single location.

In the single location there is no control over the location and number of competitive stores. Very often the supermarket in a single location will show a profitable operation for a number of years; then suddenly, competitive stores or shopping centers with better facilities will lure the customers away.

The constantly shifting population can easily leave the single location without customers much sooner than would be possible with a shopping center.

Future

At the present, the future of single locations is not greatly endangered by the swift growth of shopping center locations.

There is still a very definite need for this type of location and it has many advantages over the shopping center, especially in the realms of control and flexibility. The cases that follow show a comparative evaluation of the different types of locations.

Chain stores are very often evaluated on the basis of sales and gross profit without regard to other factors that give a good indication as to potential or true value of the location. In order to rate the case studies that follow, without the influence of sales volume the following factors are used:

1. Sales per square foot
2. Sales per parking space
3. Average sale per customer
4. Gross profit

1. The sales per square foot figure is used to place the large volume and small volume stores on equal basis. The dollars in sales produced for each square foot of sales area will not be influenced by the size of the store. The store that shows an above-average figure for sales per square foot is giving an above-average return on investment.

The average sales per square foot for the stores included in this study is $2.78.

2. The sales per parking space is included, as an evaluation factor, to point out the evils of both too little or too much parking area. Stores with parking lots that are too large for the store volume will show a low sales per parking space. On the other hand, stores with parking lots that are too small will show a high sales figure per parking space. This study

shows that parking lot area is in proper balance with the store area when there is one parking space for each $299.75 in sales. Since each parking space occupies 300 square feet, future lots can be built to meet the anticipated store volume. Using this basis the optimum parking lot area can be calculated on the basis of anticipated sales volume. Each dollar of sales volume anticipated requires one square foot of parking area.

3. The average sale per customer is included as an evaluation aspect inasmuch as it indicates the kind of traffic supporting the store and it also reflects the ability of the store to serve the complete grocery needs of its customers. A high average sale per customer indicates more automobile traffic as opposed to a low sale per customer when pedestrian traffic is prevalent.

The sales per customer can also indicate the store is either serving the complete grocery needs of its customers or being used only as a convenience, by them, to pick up supplementary grocery items that were not purchased on the main shopping trip of the week.

4. Gross profit is included as the final evaluation point since the profitability of a store is dependent, first, upon the ability to earn a gross, then secondly, on sales volume. A store earning a high gross profit on a low sales volume can often show more dollars profit than one earning a low gross on a high sales volume. The ratings for this study place the same value on gross profit as for the other factors to give a balanced evaluation.

The ratings for the thirteen stores included in this study are based on a scale from zero to twelve points for each factor. In the sales per square foot, average sale per customer and gross profit, the highest rating was assigned to the highest figure. On sales per parking space, the highest number of points was assigned to the store more nearly approaching the average. Lowest score was assigned to the store showing the greatest deviation from the over-all average. The best possible rating would be a score of 48 points. The stores are ranked on the basis of the rating shown.

CASE NO. 1

Hammond, Indiana

Single Location

City Data

Population	87,594
Families	26,100
Income per Family	$ 4,548
Food Outlets	298
Total Food Sales per Year	$ 21,525,000
Average Sales per Outlet per Year	72,232
Sales Management Index	99

Store

Sales Area (Square Feet)	7,800
Parking Spaces	85
Average Customers per Week	4,828

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	14,550	64.0	17.47
Produce	2,555	11.2	28.18
Meat	5,645	24.8	18.20
TOTALS	$ 22,750	100.0	Average 18.86%

Evaluation

Sales per Square Foot	$ 2.92
Sales per Parking Space	267.65
Average Sales per Customer	4.71
Gross Profit	18.86%

Rating

39 POINTS

ANALYSIS OF CASE NO. 1

The single location in Hammond, Indiana, is truly an individual location inasmuch as there are no other stores located within several blocks.

This store is in an area of high incomes and does not have a balanced store traffic. The percent of total sales going to the grocery department is above the average of 60.15 for all stores of this study. The grocery department also shows an unusually high gross profit due to the above-average sales of high-profit specialty merchandise.

The gains in the grocery department are offset by below-average performance in the meat department. This low market ratio to total sales may be accounted for in the independent credit and delivery markets serving the area.

The over-all store gross profit is the highest of any of the stores included in this study. This high gross for the store comes from above-average performance of all three departments, the lack of competition and convenient location of the store.

The store in Hammond has the best rating and ranks first among those included in this study.

CASE NO. 2

Marietta, Ohio

Single Location

City Data

Population	16,006
Families	5,000
Income per Family	3,547
Food Outlets	83
Total Food Sales per Year	$ 5,621,000
Average Sales per Outlet per Year	$ 67,723
Sales Management Index	102

Store

Sales Area (Square Feet)	6,175
Parking Spaces	65
Average Customers per Week	5,793

Sales Results

Average Weekly Sales

	Dollars	Percent of Total		Percent Gross Profit
Grocery	14,162	58.3		15.64
Produce	2,388	9.8		27.64
Meat	7,752	31.9		18.38
TOTALS	$ 24,302	100.0	Average	17.69

Evaluation

Sales per Square Foot	$ 3.93
Sales per Parking Space	$ 373.88
Average Sales per Customer	4.19
Gross Profit	17.69%

Rating

33 POINTS

ANALYSIS OF CASE NO. 2

The single location in Marietta, Ohio, has a good cross-section of the city business. The store is located beyond walking distance from competitive stores and within a medium-income neighborhood. In addition to the business from the surrounding neighborhood, there is some volume from a nearby military post and from the local labor groups.

The weakest department in the store, on the basis of ratio of total sales, is the produce. The 9.8% of total volume is 1.53% below the study average of 11.33%. The produce sales are affected somewhat by many local gardens.

On the evaluation points used to rate this store the most noticeable deviation is in sales per parking space. If the number of spaces could be increased to 80, the store volume should improve.

This store ranks third with a rating of thirty-three.

CASE NO. 3

Springfield, Ohio

Single Location

City Data

Population	78,508
Families	19,200
Income per Family	$ 5,329
Food Outlets	241
Total Food Sales per Year	19,957,000
Average Sales per Food Outlet per Year	82,809
Sales Management Index	111

Store

Sales Area (Square Feet)	5,880
Parking Spaces	85
Average Customers per Week	4,222

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	11,594	61.6	15.70
Produce	2,289	12.1	26.56
Meat	4,945	26.3	17.63
TOTALS	$ 18,828	100.0	Average 17.53

Evaluation

Sales per Square Foot	$ 3.20
Sales per Parking Space	$ 221.51
Average Sales per Customer	$ 4.46
Gross Profit	17.53%

Rating

30 POINTS

ANALYSIS OF CASE NO. 3

The single location in Springfield, Ohio, is near an appliance and drug stores. The major portion of store traffic comes from a high-income group. The location would be classified as a string street development.

The percent of sales by departments is very near the normal expectations. The grocery department has 61.1% of the total business, the produce is 12.1% and meat 26.3%. The study average is 60.15%, 11.33% and 28.52% in the same order.

On the evaluation points this store ranks above average on sales per square foot and sales per customer. It ranks below average on sales per parking space and store gross profit. The sales per parking space indicate the store is maintaining almost twenty-five extra spaces beyond its basic needs.

The rating of 30 ranks this store as the fifth most valuable store of those included in this study.

CASE NO. 4

Findlay, Ohio

Single Location

City Data

Population	23,845
Families	7,300
Income per Family	$ 5,225
Food Outlets	75
Total Food Sales per Year	$ 10,394,000
Average Sales per Outlet per Year	138,587
Sales Management Index	119

Store

Sales Area (Square Feet)	6,565
Parking Spaces	75
Average Customers per Week	4,326

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	11,237	61.6	16.20
Produce	2,001	11.0	27.35
Meat	5,000	27.4	18.63
TOTALS	$ 18,238	100.0	Average 18.09%

Evaluation

Sales per Square Foot	$ 2.78
Sales per Parking Space	243.17
Average Sales per Customer	4.22
Gross Profit	18.09%

Rating

29 POINTS

ANALYSIS OF CASE NO. 4

The single location in Findlay, Ohio, is located one-half block from the main downtown shopping area. The business of this store comes chiefly from the factory workers of this very industrialized town.

The distribution of the total business by store departments very nearly approaches the averages for the entire study. Gross profit in all departments is above the study average.

Although the store at the present is showing a good rating on all the evaluation factors, an interview with the store manager indicated that total volume has been declining gradually over the last few years. This loss of volume was attributed to the shifts in population to the suburbs.

The rating of 29 out of the possible 48, ranks this store fourth among those included in this study.

CASE NO. 5

Lancaster, Ohio

Single Location

City Data

Population	24,180
Families	7,400
Income per Family	$ 5,828
Food Outlets	98
Total Food Sales per Year	$ 8,253,000
Average Sales per Outlet per Year	84,214
Sales Management Index	126

Store

Sales Area (Square Feet)	7,200
Parking Spaces	50
Average Customers per Week	4,837

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	14,107	62.7	15.20
Produce	2,462	11.0	27.78
Meat	5,925	26.3	18.44
TOTALS	$ 22,494	100.0	Average 17.43%

Evaluation

Sales per Square Foot	$ 3.12
Sales per Parking Space	$ 449.88
Average Sales per Customer	4.65
Gross Profit	17.43%

Rating

26 POINTS

ANALYSIS OF CASE NO. 5

The Lancaster, Ohio, store is a single location only one block from the downtown shopping district. The town is made up predominantly of factory workers.

The store sells a large amount of staple grocery and produce items, thus the grocery gross profit is below the study average of 15.75% and produce gross profit is above the average of 26.31%. The meat department ratio to total sales is low due to nearby independent credit and delivery markets. Other department ratios are above expectations.

The future of this location is similar to that of other sites within the downtown shopping area. A gradual decline in total volume may be expected as the shopping area grows and the population shifts to the suburbs.

On the evaluation points, the sales per parking space of nearly $450 indicates the parking lot is inadequate.

The store gross very nearly approaches the study average in spite of the poor performance of the grocery department.

This store ranks eighth, with a rating of 26 on the four evaluation factors.

CASE NO. 6

Evanston, Illinois

Single Location

City Data

Population	73,641
Families	20,900
Income per Family	$ 4,263
Food Outlets	343
Total Food Sales per Year	$ 24,878,000
Average Sales per Outlet per Year	72,531
Sales Management Index	109

Store

Sales Area (Square Feet)	6,627
Parking Spaces	100
Average Customers per Week	7,587

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	12,642	63.6	16.01
Produce	2,151	10.8	30.30
Meat	5,100	25.6	20.90
TOTALS	$ 19,893	100.0	Average 18.80%

Evaluation

Sales per Square Foot	$ 3.00
Sales per Parking Space	198.93
Average Sales per Customer	2.62
Gross Profit	18.80%

Rating

21 POINTS

ANALYSIS OF CASE NO. 6

The Evanston, Illinois, single location is in the main shopping district of the city. The store has an excellent cross section of trade that is conducive to balanced selling and above-average gross profit.

The meat department ratio to total is low due to nearby independents; however, this department gross profit is good due to a high volume of offal business.

The produce ratio to total sales is low due to many door-to-door produce merchants who operate within the city. The produce gross profit is better than average due to large sales of profitable staple items.

The average sale per customer indicates that much of the store traffic comes from pedestrians who buy relatively small orders.

The 100-car parking lot should be more than ample for a store doing this volume; however, it is often used as a public lot and the full benefit does not go to the store.

The balanced trade at this location generates the second highest gross profit of all the stores listed.

The Evanston, Illinois, single location ranks ninth among the stores evaluated in this study.

CASE NO. 7

Chillicothe, Ohio

Single Location

City Data

Population	20,133
Families	5,900
Income per Family	$ 4,928
Food Outlets	64
Total Food Sales per Year	$ 6,867,000
Average Sales per Outlet per Year	107,279
Sales Management Index	123

Store

Sales Area (Square Feet)	6,110
Parking Spaces	35
Average Customers per Week	3,672

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	6,322	58.45	14.22
Produce	1,214	11.23	21.57
Meat	3,280	30.32	15.62
TOTALS	$ 10,816	100.00	Average 15.47%

Evaluation

Sales per Square Foot	$ 1.77
Sales per Parking Space	309.03
Average Sales per Customer	2.95
Gross Profit	15.47%

Rating

15 POINTS

ANALYSIS OF CASE NO. 7

The single location in Chillicothe, Ohio, is on the main street only a few blocks from the center of the shopping district. The store has a good cross-section of the income groups.

At the present sales volume, the limited number of parking spaces appears to be adequate. However, in this crowded section of town many more parking spaces are needed to increase the volume.

The sales per square foot, average sale per customer and gross profit are all below the average of all the stores included in this study. The sales per square foot figure indicates the store has the facilities to handle a much greater volume than it is now receiving. The average sale per customer is low due to pedestrian shoppers who patronize this store. The store gross profit reflects the poor performance of all three departments.

This location is competing with two other supermarkets that have much better facilities, and a third supermarket in the city has recently introduced a premium stamp promotion.

The Chillicothe store ranks tenth with a rating of 15.

CASE NO. 8

Sandusky, Ohio

Single Location

City Data

Population	29,375
Families	7,800
Income per Family	$ 6,040
Food Outlets	43
Total Food Sales per Year	$ 7,118,000
Average Sales per Outlet per Year	165,349
Sales Management Index	99

Store

Sales Area (Square Feet)	6,880
Parking Spaces	100
Average Customers per Week	3,573

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	7,348	58.45	14.36
Produce	1,236	11.23	22.35
Meat	2,798	30.32	14.58
TOTALS	$ 11,382	100.0	Average 15.28%

Evaluation

Sales per Square Foot	$ 1.65
Sales per Parking Space	$ 113.82
Average Sales per Customer	$ 3.19
Gross Profit	15.28%

Rating

4 POINTS

ANALYSIS OF CASE NO. 8

In Sandusky, Ohio, the single location is on the main street near three other supermarkets. This is a new store with more floor space, parking space and better equipment than any of the competitors. The town is made up predominantly of factory workers who have been difficult to lure to the new store. All of the supermarkets competing with this location have adequate parking plus the use of a large city lot nearby.

In the evaluation of this location it was ranked last, of all those included in this study, on two points. The sales per square foot indicates the store was built to meet an expected weekly volume of $20,000. The gross profit is more than 2% below the average for the study. A gross profit figure this low makes it virtually impossible for the store to operate profitably.

The rating of four ranks this store as the poorest location of all those included in this study.

CASE NO. 9

Ashtabula, Ohio

Single Location

City Data

Population	23,696
Families	6,900
Income per Family	$ 4,015
Food Outlets	106
Total Food Sales per Year	$ 7,753,000
Average Sales per Outlet per Year	73,142
Sales Management Index	109

Store

Sales Area (Square Feet)	6,120
Parking Spaces	20
Average Customers per Week	239

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	7,037	60.02	15.32
Produce	1,206	10.28	26.69
Meat	3,482	29.70	17.13
TOTALS	$ 11,725	100.0	Average 17.03%

Evaluation

Sales per Square Foot	$ 1.92
Sales per Parking Space	586.25
Average Sales per Customer	2.39
Gross Profit	17.03%

Rating

4 POINTS

ANALYSIS OF CASE NO. 9

The location in Ashtabula, Ohio, is only a few blocks from the main shopping center of the town. In the year previous to this study the store lost two-thirds of its parking area when a lease expired. At the present it is impossible to secure a larger parking lot at this site.

The produce ratio to total sales is low since many people in this area have gardens or can buy home-grown produce on the local market. The grocery department ratio is almost average. Market ratio to total sales is above average.

On the evaluation points this store has the poorest rating on average sales per customer and sales per parking space. To improve the performance of this store it would need to be relocated with adequate parking.

This store ranks twelfth of the thirteen evaluated.

CHAPTER IV

THE SHOPPING CENTER LOCATION

In the years since World War II, an increasing number of the chain food stores have been located in shopping centers. At the present, the trend appears toward larger stores in larger shopping centers. A section of this study, dealing with the reasons for this apparent trend, is necessarily an important part of this work.

The rapid growth of the shopping center can not be accounted for in any simple cause and effect relationship, but rather in a multitude of contributing factors. The early shopping centers of the 1930's were more like community centers built in relation to housing projects or as a part of a government program. One of the first of these was built in Greenbelt, Maryland. It was built seven miles north of Washington, D.C., by the Resettlement Administration. The purpose of this community was stated in a basic program:[1]

> To obtain a large tract of land, and thus avoid the complications ordinarily due to diverse ownerships; in this tract to create a community, protected by an encircling green belt; the community to be designed primarily for families of modest income, and

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1. Geoffrey Baker and B. Funaro. Shopping Center Design and Operation. New York: Reinhold Publishing Corporation, 1951, p. 233.

> arranged and managed so as to encourage a family and community life which will be better than they now enjoy.

From this early center, developed by the government, to the modern center of today, developed by private enterprise, there are many complex factors that aid in the explanation of shopping center growth. The most important of these are: increase of automobiles, increase of income and buying power, shifting of population and changes in methods of retailing. Each of these factors is closely related to and influenced by the others. The number of automobiles in the last thirty years has more than doubled from twenty million in 1924 to over fifty million in 1954. This growth in the use of passenger cars has been accompanied by a decline in the use of public transportation during the same period. The income of the United States family has also more than doubled within the last fifteen years. For example, the average wage for an industrial worker was $25.20 in 1940, today it is over $60.00 per week.[2] Population growth has been toward the suburbs and the natural action of the store owners has been to follow this movement of the people. This movement from city to suburbs is shown in the 1950 Census. From 1940 to 1950 Chicago had a population increase of 6.2% inside of the city, and a 30.8% increase outside. Washington, D.C., increased 20.3% inside of the city and 116.4% outside during the same period. The majority of other cities show the same type of

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2. Ibid. p. 4.

growth. The final factor that aids in the explanation of shopping center growth is in the changing methods of retailing. This is very evident in food retailing where the supermarket has now replaced several smaller stores. One large store, designed to serve all the food requirements of hundreds of families, is now the rule rather than the exception. Inasmuch as these large food stores are good traffic pullers, it follows that other types of merchants prefer to locate near the supermarket. On the other hand, the chain operators have been quick to realize that supermarkets located within shopping centers benefit from the cumulative pull of all the stores. The natural result has been the growth of shopping centers.

Types

Shopping centers, in general, may be classed in one of three main types: the neighborhood center, the community shopping center and the regional shopping center. This classification is based on over-all size and variety of stores found within the center.

The neighborhood center is designed to serve a minimum of 750 families. The maximum would be around 4,000 families. This type of center depends upon the supermarket and drug store as the main traffic pullers. In addition to these establishments there is usually a service station, hardware and some service organizations such as shoe repair, laundry or dry cleaner. The number and size of stores in the neighborhood center is limited by the number of families within the trading area and real estate available for future growth.

The parking problem is not too great for this type of center. Because customer turnover is fast, the neighborhood center can get by with a parking ratio of two to one, that is, two square feet of parking space to one foot of store space.[3]

The community center is designed to serve a larger number of families than a neighborhood center. In addition to the stores mentioned in the neighborhood center, it will have a major variety store, a few specialty shops such as a sport goods store, women's shoes, florist, radio shop, bakery, candy shop and others. There are also other facilities such as a branch bank and branch post office included as a public service and to give the center balance. Some of the community centers also have office space for doctors and other professional men. However, this has been a point of disagreement on the part of the developers. Those in favor of office space maintain it is needed to develop a true community center. Those opposed feel that valuable parking spaces will be occupied by automobiles belonging to persons who are not patronizing the retail establishments. A theater and restaurant may or may not be included in the community center. The theater and restaurant add to the cumulative pull of the center and also utilize the available parking spaces at night when the other businesses are closed. The disadvantage of the theater is in the low automobile turnover of the parking lot.

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3. Jac Lehrman. Top Management Considerations in Store Location. Press Releases, Twentieth Annual Meeting, National Association of Food Chains Chicago, 1953.

The community center is usually built in a location that is accessible to 5,000 to 10,000 families. In order to get the true volume for the area, the parking ratio should be at least three to one. The more recent community centers have a ratio that is much greater than this minimum. In a few cases the parking for community centers has been planned at a five to one ratio and greater.

The regional center is the largest developed to date. It is usually found in the suburbs of a city with the population in the millions of people. As for completeness, it compares favorably with the central shopping district. The major unit in the regional center is the department store. This department store is backed up by a wide variety of women's apparel stores, plus all the other stores of the community center. The regional center also includes furniture and appliance stores. This type of center may have either one or two supermarkets. When there are two, they are usually located side by side at one end of the shopping center. The purpose in locating at one end is to get more parking spaces at the front and side and to stay away from the department store area where parking turnover is low. The parking ratio for the regional center should be at least four to one. Often the ratio will be as high as ten to one.

Requirements

The requirements for locating a supermarket in a shopping center are basically similar to those of a single location. The trading area must be appraised to ascertain that enough

potential is available to support a supermarket. In the case of shopping centers, a study is made by the developers and it may prove to be a valuable check on the study made by the food chain.

The second requirement to a successful shopping center location is the determination of the types and sizes of the other stores planned for the center. The success of a center hinges on the cumulative pull of all the stores. The best way to prevent the supermarket from being the only attraction of the center is to make a provision that the lease is not final until other specified stores, such as drug store, variety and department stores, have also signed leases. The type of lease is an important aspect in the decision to locate in a shopping center. In shopping centers, percent of sales leases are the rule and straight dollar leases the exception, which is contrary to the lease situation found for single locations. In a study of thirty-one chains, made by the National Association of Food Chains, it was found that twenty-six companies reported typical shopping center leases were on percent of sales basis, while five reported that they were on a straight dollar basis. This study also shows the typical original lease is for a ten-year period and the most popular renewal option is two five-year extensions. In the single location leases vary from a five- to thirty-year original period and renewals vary even more.

The available parking is a third consideration in deciding to locate in a shopping center. It must be ample to handle the peak crowd of the year. For all practical purposes this peak

day may be considered to be the last Saturday before Christmas. If enough parking space has been allowed to handle the number of automobiles during this busy season, it will be ample for the other days of the year. The parking problem is not a simple one due to the fact that much of the convenience of a shopping center is lost when the parking spaces are more than 500 feet from the stores. The generally accepted maximum distance for parking spaces is between 350 and 500 feet. This limitation on the distance parking spaces may be located from the stores has a great deal of influence on the layout of the center. There are two schools of thought on the layout of shopping centers. Some developers believe all the stores should be grouped by types. Shopping goods stores should be at one end or in one section and convenience goods stores at the other end, with service stores in between. This tends to a somewhat lopsided distribution of traffic and overcrowding of parking space which serves the convenience goods stores. Other developers believe in interspersing the different types of stores. From the point of view of supermarket operators the latter method is the most desirable.

Other important aspects of the shopping center location would include the type of heating and air conditioning, provision for storage and delivery areas and availability of the necessary utilities. Finally, the possibility of future expansion of the supermarket should be considered in the original analysis of the location. Provision may be made for the supermarket to expand into the shop next door if the volume becomes too large to handle in the originally allocated floor space.

Many leases allow the privilege of such an expansion since it is usually more profitable to both the food store operator and the shopping center owner under a percentage lease arrangement. The small shop keepers who locate next door to the supermarket are told at the time their lease is signed that it may be necessary for them to move to some other location within the shopping center if the supermarket needs to expand.

Advantages

The shopping center has certain definite advantages over the other types of location that should not be underestimated. The supermarket located within a shopping center benefits from the cumulative attraction of all the stores. Experience has shown that two supermarkets located side by side within a shopping center can enjoy more than twice the business of a single store. Coupling this pulling power with the attraction of all the stores of the center, the shopping center location develops a much greater potential than is possible with a single store.

The second advantage of the shopping center is the amount of control gained, in an indirect manner, over new competition. Once the supermarket or supermarkets have been located within the center, no other stores selling grocery items may lease space. The possibility of other stores locating along the edge of the center, hoping to share some of the advantages of the cumulative pull, is often limited by the developers acquiring possession of the surrounding property. This additional property is acquired not only to limit the fringe competition, but to allow for future expansion of the stores and parking areas.

Shopping centers, as mentioned before, provide ample parking space for the supermarket. The total area is much greater than a supermarket could afford to maintain for a single location. The food store also gains from the sharing of other center facilities. Many features, such as playgrounds for children, public rest rooms and landscaping, are more elaborate in shopping centers than would be built for a single location.

Disadvantages

The disadvantages of the shopping center are not to be overlooked in the rush to share the cumulative pull and the controlled competition to be found within.

The rapid growth of shopping centers since the end of World War II may develop, in itself, to be a definite disadvantage. At the present more and more centers are being built. Often the new centers replace the older ones, or enter into direct competition with the existing centers. The competition within the center can be controlled but the competition from another center presents another problem. The selection of a shopping center location is not always a wise choice since the attraction of other larger or better equipped centers may attract the customers.

As shopping centers have become larger and larger the possibility of developing the same parking problems of the central shopping district has become a reality. Shopping centers of the regional size are more likely to develop into centers for shopping goods and less likely to attract convenience goods shoppers.

The center also presents other disadvantages to the food chain. Some of these would be: controlled lines, no freedom of store identification, lack of control over utilities, and difficulty of expansion.

The food stores located within shopping centers are often limited in the non-food lines that may be sold. The leases are designed to protect the lines of all tenants, yet these limitations on non-foods go counter to the current trend of the grocery to handle more and more non-food lines. In 1952 the percentage of non-foods handled was 12.6 percent of the grocery total according to a survey made by Food Topics. Each year the total of non-foods has gradually increased. The store located in a shopping center often finds the terms of the lease will prohibit the sale of these profitable items.

The food chains spend millions of dollars to develop uniformity of their stores. However, a shopping center store is not allowed the freedom of using the usual store identification. The type of front, type of windows, and entrance must be altered to conform with the other shops of the center.

In many centers the heat, air conditioning and other utilities are supplied from a central system. Under this arrangement the supermarket has little or no control over the expenses. A pro-rata share of the total is charged to the store without regard to the actual amount used. The careless occupants of the center increase the total costs for all through wasteful practices.

The shopping center supermarket is often difficult to expand unless far-sighted provisions were made when the original lease was drawn. The disadvantage of being unable to expand to meet increased volume makes it favorable for other supermarkets to build within the area as the potential increases.

Future

From the advantages and disadvantages of both the single location and the shopping center location it can be seen that future supermarket locations will prove to be most valuable when they are in the neighborhood and community shopping centers. The validity of this statement is emphasized in the comparison of average operating results for both types of locations as shown on page 70. The study of a small town location in the fifth chapter shows that very limited volume can be obtained in these markets.

The selection of the neighborhood or community shopping center as the most desirable location is based upon a number of conditions:

1. The area must be carefully appraised and prove to have enough potential volume to support the planned store plus the possibility of future growth.
2. The center must be in an accessible location. It must be easy to get into and out of the parking area. The roads passing the center should lead to and from the supporting residential areas.

3. There must be ample parking space within 300 feet of the front and side of the supermarket.
4. The layout of the center should have the supermarket at one end away from the shopping goods stores.
5. The center must have a balanced variety of stores and shops that will give it a strong cumulative attraction for customers.
6. Public transportation should lead to the center. Although the majority of customers arrive by automobile, public transportation would prove invaluable in case of a shortage or war restrictions on the use of gasoline.
7. The center should not impose restrictions upon the supermarket as to the non-food lines that may be sold.
8. The supermarket should be visible from the parking lot entrances and it should be allowed to use some of the usual company identification.
9. The center should have ample service facilities such as branch post office and a branch bank.
10. The center should be located in attractive surroundings and the complementing merchants should be cooperative neighbors.
11. All utilities should be available on a private use and control basis.

12. The center should have ample room for receiving merchandise deliveries.

CASE NO. 10

Fort Wayne, Indiana

Shopping Center

City Data

Population	133,607
Families	40,300
Income per Family	$ 5,686
Food Outlets	300
Total Food Sales per Year	$ 40,177,000
Average Sales per Food Outlet per Year	$ 133,923
Sales Management Index	119

Store

Sales Area (Square Feet)	5,252
Parking Spaces	60
Average Customers per Week	4,790

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	10,587	59.4	16.53
Produce	2,139	12.0	26.89
Meat	5,086	28.6	19.25
TOTALS	$ 17,812	100.0	Average 18.55%

Evaluation

Sales per Square Foot	$ 3.39
Sales per Parking Space	$ 296.87
Average Sales per Customer	3.72
Gross Profit	18.55%

Rating

37 POINTS

ANALYSIS OF CASE NO. 10

This shopping center in Fort Wayne, Indiana, is made up of the following:

1. Drug Store
2. Hardware Store
3. Florist
4. Theater
5. Self-Service Laundry
6. Branch Bank
7. Branch Postoffice
8. Beauty Shop
9. Barber Shop
10. Shoe Repair Shop

The center is located on a main thoroughfare leading from a high-income area to the business district. The business of this store comes primarily from the high-income group.

The store has exceptionally good meat business due to the lack of nearby credit markets which usually capitalize on this type of trade.

The gross profit picture for the store is above the average due to good support of the meat and produce departments, and is very near the average for a balanced store.

This store ranks second highest of all the stores included in this study.

CASE NO. 11

Mansfield, Ohio

Shopping Center

City Data

Population	43,564
Families	14,100
Income per Family	$ 4,458
Food Outlets	224
Total Food Sales per Year	$ 14,886,000
Average Sales per Outlet per Year	$ 66,455
Sales Management Index	94

Store

Sales Area (Square Feet)	6,565
Parking Spaces	85
Average Customers per Week	5,093

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	13,379	59.9	16.27
Produce	2,735	12.2	24.68
Meat	6,232	27.9	16.53
TOTALS	$ 22,346	100.0	Average 17.37%

Evaluation

Sales per Square Foot	$ 3.40
Sales per Parking Space	$ 262.89
Average Sales per Customer	4.38
Gross Profit	17.37%

Rating

33 POINTS

ANALYSIS OF CASE NO. 11

This shopping center in Mansfield, Ohio, includes the following:

1. Dress Shop
2. Branch Bank
3. Drug Store
4. Toy Shop
5. Gasoline Station
6. Supermarket

The location enjoys a fairly good balance of trade. Some of the customers would be classed in the high-income group, some military spending, some colored business, and some of the labor group.

All parking spaces are across the front of this store.

The produce gross profit is slightly below expectations due to the high ratio of frozen food sales that are included as produce.

The meat gross profit is lower than normal due to the lack of business for the higher gross front cuts of beef.

This store ranks third among the thirteen stores included in this study.

CASE NO. 12

Lakewood, Ohio

Shopping Center

City Data

Population	68,071
Families	17,500
Income per Family	$ 6,182
Food Outlets	208
Total Food Sales per Year	$ 18,762,000
Average Sales per Food Outlet per Year	$ 90,202
Sales Management Index	119

Store

Sales Area (Square Feet)	11,535
Parking Spaces	100
Average Customers per Week	8,970

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	20,411	56.8	15.92
Produce	4,304	12.0	26.11
Meat	11,204	31.2	17.49
TOTALS	$ 35,919	100.0	Average 17.63%

Evaluation

Sales per Square Foot	$ 3.11
Sales per Parking Space	$ 359.19
Average Sales per Customer	4.00
Gross Profit	17.63%

Rating

27 POINTS

ANALYSIS OF CASE NO. 12

The shopping center in Lakewood, Ohio, would be classified as a regional center. It is made up of the following stores:

1. Department Store
2. Drug Store
3. Jewelry Shop
4. Gift Shop
5. Women's Wear
6. Gasoline Station
7. Drive-In Bank
8. Variety Store
9. Children's Wear
10. Supermarket
11. Laundry
12. Furniture Store
13. Music Store
14. Bakery
15. Self-Service Laundry
16. Butcher Shop
17. Seafood
18. Cleaners
19. Beauty Shop
20. Barber Shop
21. Real Estate
22. Restaurant

The center is located in an area of average income. Only a small percentage of the business comes from pedestrian traffic. The result of high automobile traffic is reflected in the high average sale per customer.

This store ranks seventh when rated on the four evaluation features given in this study.

CASE NO. 13

Lorain, Ohio

Shopping Center

City Data

Population	51,202
Families	17,700
Income per Family	$ 5,418
Food Outlets	160
Total Food Sales per Year	$ 21,092,000
Average Sales per Food Outlet per Year	131,825
Sales Management Index	126

Store

Sales Area (Square Feet)	7,438
Parking Spaces	70
Average Customers per Week	4,025

Sales Results

Average Weekly Sales

	Dollars	Percent of Total	Percent Gross Profit
Grocery	8,556	57.2	15.86
Produce	1,873	12.5	25.95
Meat	4,530	30.3	16.28
TOTALS	$ 14,959	100.0	Average 17.25%

Evaluation

Sales per Square Foot	$ 2.01
Sales per Parking Space	$ 213.70
Average Sales per Customer	3.72
Gross Profit	17.25%

Rating

14 POINTS

ANALYSIS OF CASE NO. 13

The shopping center in Lorain, Ohio, would be classified as a community center. It includes the following establishments.

1. Cleaners
2. Self-Service Laundry
3. Supermarket
4. Theater
5. Beauty Shop
6. Florist
7. Dress Shop
8. Variety Store
9. Jewelry Store
10. Hobby Shop
11. Children's Clothes
12. Drug Store
13. Restaurant
14. Shoe Repair Shop
15. Branch Postoffice
16. Gasoline Station

This store ranks eleventh of the thirteen stores included in this study. It ranks low on all four of the evaluation factors. Sales per parking space and realized gross profit are far below the average for all stores combined.

Two obvious mistakes were made in locating the supermarket within this shopping center. The store was located at some distance from the supporting stores and two competitive supermarkets were built on the fringe of the center so as to be nearer the supporting stores than the supermarket for the center. This fully supports the need for control of the surrounding real estate.

Comparison

The table on page 70 is a comparison of the average operating results by type of location. This table is based on the thirteen location case studies included in this thesis. The shopping center averages shown are based on the performance of four stores. The single location averages are for nine stores. The nine to four ratio was chosen to approximate the actual ratio of single locations to shopping center locations. This ratio is not strictly accurate; however, it is felt to be near enough for the purpose of this study. A smaller number would destroy the value of averages while a larger number of case studies would be too difficult to cover adequately in a study of this type. All cases were selected at random from the files of a cooperating chain grocery company.

This comparison of store operating results by type of location shows the shopping center to be slightly a better choice after all the factors of location have been appraised.

The total average sales volume of the shopping center locations is over $5,000 a week greater than the amount attained for single locations. However, these figures are not comparable due to differences in total average square feet of sales area. The purpose of including these figures in the comparison is to emphasize the value of the higher sale per customer and the end results obtained from this higher amount. Combining the total sales information with the average sale per customer makes it clearly evident that more complete orders are sold in the shopping center locations.

COMPARISON OF AVERAGE OPERATING RESULTS
BY TYPE OF LOCATION

	Shopping Center	Single Location
Average Sales Area (Square Feet)	7,690	6,595
Average Weekly Sales		
Grocery	$13,233.25	$10,999.88
Produce	2,762.75	1,944.40
Meat	6,763.00	4,880.77
Total	$22,759.00	$17,725.05
Percent Gross Profit		
Grocery	16.14	15.56
Produce	25.90	26.49
Meat	17.38	17.75
Average	17.70	17.35
Percent of Total by Departments		
Grocery	58.60	60.30
Produce	12.10	11.00
Meat	29.40	28.70
Evaluation		
Sales per Square Foot	$ 2.98	$ 2.69
Sales per Parking Space	283.16	307.12
Average Sale per Customer	3.95	3.70
Gross Profit	17.70%	17.35%

The gross profit picture for shopping centers is better than shown by single locations in only one department. The grocery gross profit is higher due to complete orders which in turn mean balanced selling. The produce and meat gross profit for shopping centers is below that for single locations inasmuch as the big weekend orders tend to increase the sales of low profit, so-called weekend specials, thereby reducing the department gross profit. The over-all gross profit is better for shopping centers solely on the basis of the grocery department performance.

The percent of sales by departments indicates the shopping center stores are more balanced food centers while single locations tend to have a greater percentage of sales in the grocery departments. The key to good over-all operation is this balanced store sales shown by the shopping center supermarkets.

In spite of a larger total average sales area, the shopping centers have a sales per square foot that is 29¢ greater than single locations. This, again, indicates more sales can be obtained through complete order selling even when sales areas are comparable.

The comparison of sales per parking space is favorable to the single location. Returning to the previously mentioned optimum amount of $299.75, the single location is very close to this figure. The amount shown for the shopping center indicates the supermarkets in these locations are maintaining

a few parking spaces beyond their basic requirements. The excess parking spaces may be termed an asset to the shopping centers in view of their relative newness and potential for future growth.

In the final analysis, where expense ratios are the same, the higher gross profit of shopping center supermarkets means more profitable operations.

The objective of this comparison is to point out some of the operational advantages of shopping center locations and to support the preference for this type of site. However, when both types of locations are available, it is wise to carefully weigh all the factors before a final choice is made.

CHAPTER V

THE SMALL TOWN LOCATION

Background

The primary purpose of this chapter is to show the methods used in the evaluation of a small town to determine if it is a good prospective chain grocery location. The secondary purpose is to show the procedure to be used in the selection of the site if the town is deemed worthy of investment. The final purpose is to develop an appraisal system that is short and simple, yet reveals all the necessary information.

The town of Fenton, Michigan, was chosen for this study inasmuch as it presents a variety of problems not usually found in the average location study. First, the population of the town is too small to be listed in the Sales Management, "Annual Survey of Buying Power"; therefore, this valuable source of information could not be utilized in the appraisal. Second, Fenton is located only sixteen miles from the major trading center of Flint, Michigan, and the influence of this city had to be taken into consideration. Third, Fenton is incorporated only as a village, with a great deal of the population of the trading area living outside of the village limits. This feature limited the amount and accuracy of the census data that could be used in this study. Fourth, Fenton is located in close

relationship to a number of resort lakes and the influence of this segment of population had to be studied. Finally, Fenton is located on the county line of three counties, with some of the trading area population in each of these. This factor limited the use of county data.

The limitations set forth above made it necessary to evaluate the town on the basis of primary data that could be obtained only by continued visits to the village. It will be noted that the use of secondary data for this study is very limited.

Evaluation

The evaluation of the town, as a prospective location for a chain grocery outlet, had to be approached in a systematic manner to assure ample consideration was given to all the factors having influence on the end results. In order to make this systematic approach, a list of these factors was made by rank of importance and each item was carefully studied and appraised. The list utilized as a guide in this study was as follows:

1. Geographic Location
2. Trading Area
3. Population of the Trading Area
4. Income and Percent of Total Spent for Groceries
5. Amount and Quality of Competition
6. Real Estate
7. Employment
8. Selection of the Site

Geographic location. Geographically, Fenton is in the east central sector of the State of Michigan, sixteen miles south of the city of Flint. The neighboring towns are Holly, five miles to the east; Hartland, nine miles to the south; and Linden, five miles to the west of Fenton.

The town is in the southeast corner of Genesee County, where this County joins with Oakland and Livingston Counties.

There are no other towns within a ten-mile radius that are larger than the village of Fenton.

Trading area. The second task was to outline the trading area and its limitations. This could have been determined by the circulation data of the local newspaper or by the use of Reilly's Law of Retail Gravitation. When Reilly's Law is used, the trading area breaking point is in direct proportion to the population and inverse proportion to the square of the distance between the two cities being considered. Applying this Law to Fenton, the trading area would reach four miles to the west in the direction of Linden, three and one-half miles to the east in the direction of Holly, nine miles south toward Hartland, and one mile north toward the city of Flint. This gives a good picture of the over-all trading area; however, certain adjustments had to be made in outlining the grocery shopping area. The longer distances were shortened and the short distance to the north was lengthened. These adjustments were based on two factors: the perishable nature of foods, and the necessity for making grocery shopping trips often. Adjusted, the area includes the population to about three miles east and west of the village and five miles north and south.

The trading area includes parts of Genesee, Oakland and Livingston Counties.

Another important factor in the consideration of this area was the resort lake homes built in the vicinity of Lake Fenton and the other lakes in this region. There are over 700 homes outside the village limits of Fenton that are used as year-around homes. The number of homes outside the village limits was learned from a study of school district data and a survey made by the Principal of the Lake Fenton School.[1]

Population. Within the village limits the 1950 Census lists a population of 4,226 people. The 1953 figure would be 4,763 if adjusted by the same percent of increase as shown by the school population for the three-year period 1950 to 1953. The school population in 1950 was 1221 pupils. The 1953 figure shows 1376 enrolled to give a 12.7% increase for the three-year period.

Ourside the village limits, the Lake Fenton area includes approximately two-thirds of the population of the surrounding area. The population of the Lake Fenton section is 1969, as revealed in a survey of May, 1953, by Russell Haddon of the Lake Fenton School. The total trading area population, excluding the Village of Fenton, would be 2953 people. Therefore, adding the population outside the village, the total population

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1. Russell Haddon. Unpublished Survey. How Lake Fenton Has Grown. May, 1953.

available as potential grocery customers for a store in Fenton would be 7716.

If the growth trend of the population continues at the same rate, the Village of Fenton will grow to 5503 people by 1960. The trading area will grow to 8928 during the same period.

The number of households in the area was required to calculate the weekly grocery volume for Fenton. In the village limits the number of homes was determined by securing the number of active resident accounts on the books of the electric power company. On January 20, 1954, the electric power company had 1314 accounts of this type. On Lake Fenton there are 777 homes of which 226 are used in the summer months only. The total year-round Lake Fenton homes would be 551. The total for the area other than Lake Fenton and the village is 183. The grand total of all the homes in the trading area would be 2048.

The 1950 Census shows that there are no colored people in this area. The population is made up of families of mixed extraction.

Income. The average income per family for Fenton is listed as $3,366 in the 1950 Census. The Lake Fenton survey indicates a higher income for that area in the fact that 90.8% of the homes are owned by the occupants and 9.2% are rented. To be conservative the Fenton figure was used as the average of all incomes in the trading area. The potential grocery volume for Fenton was calculated by the two following methods:

1. Assume that 30% of the average income is spent for food. This amount would be $1,000 per year per family (i.e. 30% of $3,366 = $999.80).

Then multiplying $1,000 by the total number of households (2048) the yearly amount of grocery volume would be $2,048,000 or a weekly volume of $39,385.

2. The second method to check the weekly grocery volume is to divide the total population of the trading area (7716) by the total number of households in the trading area (2048) to learn that the average family is made up of 3.76 persons. Then assuming $5.00 per person per week for food the average family would spend $18.80 per week for groceries. The total amount spent for food in Fenton would be the total number of families (2048) times $18.80, or $38,402 per week.

Combining the two methods, the potential volume can be placed at $39,000 per week for the use in this study.

Competition. The study of competition was made to determine the number of stores, their volume, facilities and locations. Over 90% of the present grocery volume for the town of Fenton was found to be concentrated in four stores. One of these stores was enjoying over 50% of the total business at the time of the survey.

The facilities and locations of these stores were learned by actual visits to the stores.

The volume of each was estimated on the basis of number of employees, amount of stock, condition of stock, number of cash registers, amount of floor space, observation at different

times of the week and from interviews with distributors. The estimated volume of each store was checked by use of the two mathematical methods shown below:

1. The sales area (in square feet) of each store was determined from interviews and estimation. Then an assumed sale of $3.00 per square foot was used to calculate the probable volume. In the stores of less than 5000 square feet the assumed sale per square foot was reduced to a more conservative $2.50 per square foot.[2]

2. The second method was to assume the average employee salary is in the neighborhood of $50.00 per week. Salary objective of most grocery operators is 5% of sales. Therefore, each full-time employee must account for $1,000 in sales per week. The $50.00 per week is a little high to take into consideration the salaries paid to part-time workers. The volume of each store was then estimated on the basis of the number of full-time employees is equal to the weekly volume in thousands of dollars.

This competitive volume was estimated as follows:

Name.[3]	Estimated Weekly Volume.
a. Cox Food Market	$ 20,000
b. Roger's (chain)	6,600
c. Hanson Grocery	5,400
d. Boon Food Stores (chain)	2,600
e. All others	4,400
TOTAL	$ 39,000

2. Sales per sq.ft. based on a study of Michigan stores made by Grand Rapids Wholesale Company. 1953.

3. All store names fictitious.

Cox Food Market is the largest in the town of Fenton. It is independently owned and operated. The store has a sales area of approximately 7,000 square feet and uses twenty full-time employees. The location is two and a half blocks from the center of the business section of the village. The parking lot is located at the front and side of the store so as to accomodate eighty automobiles. No other business establishments are within two blocks.

The facilities include four twin belt check stands, 60 feet of self-service meat cases, 40 feet of frozen food cases, 50 feet of produce rack and 24 feet of dairy cases.

Roger's store is one of a large regional chain. The location of the store is in the downtown business district two blocks from the center of town. The sales area of the store is approximately 3,000 square feet. There are six full-time employees. The store does not have a parking lot, but is located next to a free city parking lot which will accomodate 40 automobiles.

The facilities include three conventional type check stands, a 24' service meat counter, 16 feet of frozen food cases, 16 feet of dairy cases, and a 20' produce rack with additional display tables.

Hanson Grocery is located north of the town on U. S. Highway No. 23 just beyond the city limits. This store is independently owned and operated. It has a sales area of approximately 2,200 square feet and uses five full-time employees. The parking lot is at the front of the store and will accomodate 28 automobiles. The only other business in the neighborhood is

an adjoining dry goods store which also shares the small parking lot. Approximately 10% of the stock of this store is devoted to non-food items such as jewelry and housewares.

The facilities include two conventional type check stands, a 36' service meat case, 16 feet of frozen food cases, 16 feet of dairy cases and 20 feet of produce racks.

Boon Food Stores is an outlet of a small local chain. The store is located in the central business district. It has no parking lot. The store has a sales area of approximately 1,200 square feet and employs three full-time people.

The facilities include two conventional type check stands, a 12' service meat case, an 8' frozen food case, an upright dairy case and a 16' produce department.

The other stores in Fenton include three service type independents in the downtown area and a few very small so-called "Mom and Pop" stores scattered about town. The largest of these three stores would not reach a volume of $1,000 per week.

A competitive price check on January 22, 1954, revealed the information as shown on the following page.

	ITEM	PRICE		
		Cox Market	Roger's	Boon Stores
1.	Hi-C, 46 oz.	.32	.31	.31
2.	Premium Crackers 1#	.27	.27	.27
3.	Parkay Oleo	.31	.32	.31
4.	Tea, Salada 16ct.	.21	.21	.21
5.	Tea, Salada 48ct.	.57	.58	.57
6.	Carnation Milk Tall	.14	.14½	.14
7.	Dole Pine.Juice 46oz.	.38	.35	.34½
8.	Sugar 5#	.51	.52	.49
9.	Flour, Pillsbury 2#	.25	.25	.25
10.	Flour, Pillsbury 5#	.54	.51	.49
11.	Wesson Oil pt.	.37	.39	.39
12.	Wesson Oil qt.	.71	.77	.75
13.	Bisquick sm.	.26	.27	.27
14.	Bisquick lg.	.45	.45	.49
15.	Phila. Crm Cheese sm.	.16½	.14½	.16½
16.	Phila. Crm Cheese lg.	.38	.39	.43
17.	Campbells Veg. Soup	.13½	.13½	.13½
18.	Campbells Chick. Soup	.17½	.18	.17½
19.	Crisco 1#	.35	.35	.33
20.	Crisco 3#	.93	.89	.89
21.	Cheer lg.	.29	.29	.29
22.	Duz lg.	.27	.27	.27
23.	Tide lg.	.29	.27	.29
24.	Ajax	.12½	.12½	.12½
25.	Cut Gr.Beans (frozen)	.21	.25	.21
26.	Pascal Celery	.25	.23	.25
27.	Carrots	.14½	.14½	.09½
28.	Cabbage (per #)	.07	.10	.05
29.	Fryers #	.49	.63	.53
30.	Bacon (shoppers)	.73	.73	.69
31.	Bacon (brand name)	.93	.97	.97
32.	Hotdogs #	.49	.49	.39
33.	Pork Chops #	.89	.99	.89
34.	Hamburger #	.30	.43	.39
	TOTALS	$ 13.00	$ 13.36	$ 12.86

This price check was made from a pre-selected list on Friday afternoon to avoid any possible bias and to be certain all price changes for the week had been made. Prices listed are those found on the merchandise and <u>not</u> shelf prices.

Real Estate. Good building lots within the village limits are very scarce. There is no concentration of ownership or control of the property. One new development of about 40 new homes has been built in the northwest sector of town. These homes are located in such a manner as to furnish good potential customers for a store in the northern section of town.

The tax rate for Fenton is $22.00 per $1,000 on 70% of the appraised value of the property. This rate is considered reasonable by comparison to rates in other Michigan towns of similar size.

Employment. The rate of employment is very good. However, it is dependent in a large part upon the automobile industry. Nearly 35% of the workers of Fenton have jobs in and around the Flint area. Sixty-six percent of the Lake Fenton workers are employed in Flint. The largest percentage of these workers are Professional, Managers, Craftsmen Foremen and Skilled Laborers. Only 6% of the people in the trading area are classified as Farmers or Farm Laborers. Seventy-six percent of the occupations are in the manufacturing and wholesale and retail trade groups. The local industries are sub-contractors for the automobile industry, so all business activity in this area will be subject to the movements of this industry. The largest local industry is the Industrial Machine Tool Company. This Company has approximately three hundred persons on the current payroll. A number of other smaller plants employ from three to thirty men each.

Selection of the Site. The site selected on the basis of this study would be on the triangular lot formed by the intersection of North Road and United States Highway No. 23. This site is in the northern section of the village on the main highway leading North in the direction of Flint. It is approximately one-half mile from the main shopping district of the village.

This site is perhaps the most suitable one within the village limits. Any other site selected would have to be in the northern section of the town to take full advantage of the business from the Lake Fenton area. The zoning laws permit business at this site and South along the U. S. Highway to the main business section of the village.

A traffic count at the site during the afternoon rush hour, from 5:00 to 6:00 P.M., reveals that one out of every three cars traveling South on U. S. Highway No. 23 turns off this highway at North Road just inside the village limits, giving a good split of traffic. The non-rush hour traffic split is one car out of every eighteen turning into North Road. The quality of this traffic is definitely subject to question, since many of the cars contain only one person, as often a woman as a man, returning from business or shopping trips to Flint. The non-rush hour split is not as good; however, the quality of potential shoppers is better. The traffic coming out of North Road and turning toward the downtown section of Fenton averages about four per hour. The quality of this traffic is very good.

There are two barriers that also need to be considered. One is the railroad cutting across the town from East to West. The river running North and South is the other barrier. Both have advantages and disadvantages for the proposed location. The railroad serves as a good southern boundary for the trading area of this site. Forty percent of the households of Fenton are located North of the railroad according to the Water Department figures. This means a store at this site would be the most convenient for nearly 525 of the 1,314 households of Fenton. It would also be in position to serve the 777 Lake Fenton homes. The only place to cross the river other than in the downtown section is on North Road. This means that all persons going to and from Flint and Lake Fenton on the main highway will have to drive past the selected site.

If a store is located at this site it would be imperative to have an exit from the parking lot on to U.S. Highway No. 23.

Results

A store located on the triangle lot formed by the intersection of North Road and U.S. Highway No. 23 could expect to have a sales volume of approximately $6,000 to $7,000 per week. In order to get the proper ratio of sales area to parking spaces the store size would have to be limited to 3,400 square feet; the parking lot would be 6,800 square feet. The limited volume that could be obtained in this village makes it imperative that store size is limited to assure profitable operation.

The results of this survey are drawn from the following points:

1. The trading area includes 7,716 people.
2. The over-all grocery volume for Fenton is $39,000 per week.
3. A check of competition shows one store is now enjoying 50% of this total volume.
4. A price check shows that Boon Stores' prices are the lowest in the town.
5. Employment for the area is good and salaries are above the average for the state.
6. The tax rate is reasonable.
7. Business increases are usually shown during the summer months.
8. A store at the suggested location would draw customers from both Fenton and Lake Fenton.
9. The store size is limited by the potential volume available.

From the results obtained in this survey of a small town market, it is obvious that food chain operators need to be extremely careful and exacting in their appraisal of this type of market inasmuch as the potential volume is very limited. In a market of this size it is often true that one supermarket too many may cause all the supermarkets of the town to operate at a sales volume level that is unprofitable.

CHAPTER VI

SUMMARY BY CHAPTERS

Chapter II - Selection of Store Location

The selection of food chain store locations has yet to become an exact science. At the present locations are selected on the basis of careful evaluation of the statistical information available plus a large measure of experience and judgment on the part of those persons responsible for the location.

The data pertaining to the proposed site is first obtained from the published sources. This data is then supplemented by data gathered firsthand. The type and sources will vary from study to study, yet the objective is to evaluate the trading area and determine the potential food business available at the proposed site.

The establishment of each store is a separate problem. There is no one method nor one way for deciding on a profitable location for all stores in all areas.

Chapter III - The Single Location

The single location is the type most commonly used by the food chain stores. This store location may be defined as any site outside of a controlled shopping center.

The main advantages of a single location are found in the amount of control and flexibility of operation that may be

exercised. On the other hand, this type of location must stand alone in the effort to attract customers.

Chapter IV - The Shopping Center Location

In the years since World War II, the shopping center has become important as a potential location for supermarkets. The importance of this type of location is emphasized by their rapid development and growth in all sections of the country. This growth may be traced directly to the population shifts to suburban homes and increased use of private transportation. From the point of view of the food chain operators, the ample parking and cumulative customer attraction has produced improved store performance.

The choice of a shopping center location is not a "cure-all" for the site selection problem. Supermarkets located in shopping centers are often restricted to selling only certain lines of merchandise. The possibility of competition with other better-equipped centers is not so remote as to be ignored.

In general, after a careful analysis of all the factors, the shopping center location should prove to give the best return on the location investment.

Chapter V - Small Town Location

The appraisal of a small town market, as a prospective store site, adds a new element to the obstacles of making an accurate trading area analysis. In the evaluation of a small town it is difficult to secure published data pertaining to the study; therefore, most information for this type of market must be secured firsthand from local sources.

The small town market can be profitable for supermarkets. However, the town must be chosen with extreme care since the potential volume is limited to the extent that one store too many for the market may make all of them unprofitable.

SEARCH RECORD

Search	date	searcher	notice sent to: patron	other
1				
2				
3				

1. Shelf lists:

   a.__public b.__official c.__ _____

   __call number correct

   __volume, part, etc., not in the collection

   copy numbers: location: message:

2. Circulation files:

   a.__manual b.__unfiled manual c.__IBM

3. __stacks

4. __sorting shelves

5. __reserve shelves

6. __shade

7. __Central Serials Record

8. __other:

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