

SUPER MARKET SITE SELECTION

Thesis for the Degree of M. A.

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Christos D. Lillios

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This is to certify that the
thesis entitled

"SUPER MARKET SITE SELECTION"

presented by

Christos D. Lillios

has been accepted towards fulfillment
of the requirements for

M. A. degree in Food Distribution

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Major professor

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SUPER MARKET SITE SELECTION

By

Christos D. Lillios

A THESIS

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CHAPTER I

INTRODUCTION

Purpose

The purpose of this thesis is to study the various problems in the site selection process; develop a general procedure for determining, evaluating, and estimating the potentiality of a trading area for a prospective super market; and indicate some sources of information which can supplement the prospective operator's site selection data program.

The study is an attempt to point out some of the weaknesses in present selection practices and formulate a basis for evaluating prospective locations.

Certain factors are more important in one type of location than in another. Therefore, the purpose of this study is not to describe the one ideal procedure which should be used by all operators when selecting a location, but rather, to set forth a general procedure which may be altered to fit individual needs. This study is offered more as a "springboard," rather than hard and fast rules from which an operator should not deviate.

Need for the Study

There is little question about the need for a scientific approach to store location problems, when one considers the investment required for the modern super market. The days of "trial-and-error" are about over for the super market operator for location mistakes are too much of a luxury today. Large operators can afford a greater margin of error than the smaller operators since one super market may be only a fractional part of the larger operation. Nevertheless, even a few costly mistakes may affect the entire operation. Under these circumstances it is apparent that the best possible procedures be employed, including scientific research. Research is the soundest way to supply the facts upon which judgment is to be based.

Limitations of the Study

It is not within the scope of this study to exploit fully the aspects of selecting the specific site since that involves many factors, any one of which is relative in importance depending on the site under consideration.

It is beyond the scope of this study to exploit all the factors involved in each of the various types of super market locations since each location is a separate problem. However, some specific considerations affecting metropolitan,

suburban, highway, shopping center, and rural locations are presented in Chapter VI. By and large, only those factors affecting all types of locations are considered in this study.

Definitions

The Definitions Committee of the American Marketing Association defines a trading area as "a district whose boundaries are determined by the economical buying or selling range for a commodity or group of related commodities from a center of distribution."¹ Thus, the trading area of a super market is that area from which the store attracts trade in significant numbers.

The trading area of a super market varies depending on the number and location of competitive outlets, and the size and density of the population. In some instances, the trading area comprises the community and surrounding areas. On the other hand, the trading area of a metropolitan super market may be only four or five blocks. Generally, the trading area of a super market is limited to a district much smaller than those areas from which shopping goods line stores attract trade.

¹The Definitions Committee of the American Marketing Association. "Report of the Definitions Committee." Journal of Marketing. 13 (October, 1948). p. 216.

In this study, the word "location" is synonymous with "site", whereas the word "district" connotes an area.

Method of Research

A number of super market organizations were surveyed by written correspondence and questionnaires.² Thus, when reference is made to the survey, it is implied that the information is based on the results of the questionnaire. Reference to the sources of information obtained by written correspondence is not made specifically in compliance with requests by the submitting companies.

Secondary data including periodicals, theses, speeches, convention proceedings, government bulletins, and textbooks proved to be a fertile source for general information.

In addition, personal interviews with men engaged in research and real estate capacities provided the author with a general knowledge of the many problems involved in the site selection process.

²The complete questionnaire appears in Appendix A.

CHAPTER II

THE IMPORTANCE OF PROPER LOCATION AND THE VALUE OF RESEARCH IN SELECTING SUPER MARKET LOCATIONS

The Importance of Proper Location

The "experts'" viewpoint. An unknown person once stated, "If a man makes even a mousetrap better than anyone else, though he build his hut in the woods, the world will make a beaten track to his door." Although this saying is widely quoted in business circles, it, nevertheless, has very little value as a sound retailing maxim. A much wiser man in retail matters, F. W. Woolworth, expressed this idea with a new twist, "I set my traps where the mice are the thickest."¹

Truly, there have been numerous instances of successful super markets carried on in poor locations, but one can hardly doubt that, given a better site, these successes might have been achieved with relatively less time and effort or they might have been more successful. The consensus among authoritative sources, almost without exception, appears to be that a poor location is a handicap even to the most competent management.

¹Paul H. Nystrom. Retail Store Operation. 2nd ed.
New York: Ronald Press Company, 1937. p. 442.

Richard U. Ratcliff, who is believed to have made the most comprehensive store location study, *The Problem of Retail Site Selection*, stresses the importance of location as follows:

The importance of location in retailing is fundamental for in a large degree merchants succeed or fail as their locations within the city structure are favorable or unfavorable. Literally billions of dollars are staked on the selecting of proper locations for retail outlets. Skillful merchandising can modify but not extinguish the handicap of an inappropriate site.²

Although many consider managerial ability the primary requisite for business success, the experts agree that even sound management has great difficulty in overcoming the effects of a faulty retail site.

The consumer viewpoint. Management fully realizes that the public is greatly influenced by convenience and, since customer satisfaction is a primary goal of the food distribution industry, the consumer viewpoint should be investigated. Although some people will shop at favorite stores even at personal inconvenience, by and large, people like to trade at a store which is convenient to their homes.

The importance of convenient location is indicated by a recent survey conducted by Armour & Company entitled,

²Richard U. Ratcliff. The Problem of Retail Site Selection. Michigan Business Studies, Vol. IX, No. 1. Ann Arbor: University of Michigan, 1939. p. 1.

"Reasons for Selecting a Store." The results are presented on page 8, Table I. To determine the food buying habits of consumers, a representative cross-section of families in three large cities were surveyed. While the three-city survey is not necessarily representative for the country, the results are nonetheless of interest.

The survey indicates that convenient location was, by a wide margin, the most prevalent reason given for selecting a store at which to trade. The responses favoring convenient location were thirty-five per cent greater than the next reason (a good meat department) for selecting a store, with the exception of Saturday. Presumably, Saturday shopping is done with an "eye" toward that big Sunday meal in which meat, and as a result, the meat department consideration plays a more significant role in determining the selection of a store at which to shop. Nevertheless, convenient location was still the primary consideration in "why consumers trade where they trade." Thus, in the eyes of the consumers as well as the "experts", store location is a very important consideration.

The standpoint of management. Management should also be aware of the importance of suitable locations, for the tremendous investment represented in super markets certainly

TABLE I
REASONS FOR SELECTING A STORE*
(Based on Personal Interviews with 1,440 Consumers
in Three Large Cities)

Reasons for Shopping According to Particular Days		Per Cent
Monday:	Convenient Location	60
	Good Meat Department	25
	Good Grocery and/or Produce Department	19
	Lower Prices	16
	Personnel	16
	All Other Reasons**	36
Tuesday, Wednesday, and Thursday were about the same as Monday		
Friday:	Convenient Location	61
	Good Meat Department	26
	Good Grocery and/or Produce Department	24
	Lower Prices	21
	Personnel	21
	All Other Reasons**	32
Saturday:	Convenient Location	44
	Good Meat Department	37
	Good Grocery and/or Produce Department	29
	Lower Prices	20
	Personnel	19
	All Other Reasons**	39

*Source: Sam Tietelman. "Self Service Meat Retailing In 1950." Journal of Marketing. 15 (January, 1950). p. 308.

**Includes habit, convenient arrangement, convenient hours, credit, delivery, parking space, etc. None of these reasons individually was as important as the five listed.

warrants the selection of the best locations available. Generally it is unwise to select a location on a hunch or because the seller may have built up a marvelous sales talk to sell it. Since considerable capital, running into hundreds of thousands of dollars, is required to establish a super market, the importance of the right location cannot be over-emphasized.

The super market of today becomes obsolete or outmoded in about half the length of time that multi-use buildings are depreciated. In regard to the life of super markets, Super Market Merchandising reports that the general opinion is that "the fast pace of competitive selling in food retailing has shortened the life of the average super market and compelled operators either to remodel or replace within 20 years."³

A few years ago, when the Treasury Department attempted to change the rate of depreciation from twenty-five to forty years, a food chain presented evidence that a building specially constructed for a super market would become obsolete in eighteen to twenty years. On the chain's behalf, Super Market Merchandising, a trade publication, conducted a survey to determine what food retailers considered

³"How Long Is The Life Of Your Super?" Super Market Merchandising. 16 (November, 1951). p. 99.

the average life of super markets. The survey⁴ substantiated the chain's case, for the majority of the operators reported that the life of a super market was less than twenty years.

When one considers the twin drawbacks of the large investment and the relatively short life of super markets, the location selected should be the one that is predicted to yield the highest net return on its investment.

The importance of proper location is further substantiated by numerous instances of stores with equal floor areas and theoretically equal managerial efficiency differing in sales volume and profit because of the difference in locations. In many instances, a store manager has been transferred from one super to another of equal floor area and yet the sales volume and profits attained were different in each situation. Thus, as super market productivity is affected by location, a very competitive market exists for the available sites.

Store location - Its rank in importance. The following excerpt from Retail Control is appropriate in summarizing the importance of proper store location:

...It is essential that we remember that the best merchandisers can seldom overcome the handicap of poor locations, while good locations will offset many other kinds of merchandising deficiencies, some of which may even be serious.⁵

⁴Ibid.

⁵Robert Armstrong. "What and Where To Build?" Retail Control. 20 (March, 1952). p. 8.

To the reader it may appear that this discussion on the importance of proper location has been unduly long. Over-emphasis would be difficult, however, when one considers that location is intimately related to nearly every phase of operating a super market. In denoting the importance of location, Kelly and Lawyer state that "(location). . . probably ranks in importance only after one's religion, wife, and choice of occupation."⁶

The Value of Market Research in Selecting Locations

Proper location is a vital, if not the most vital, aspect of successful super market ventures. Therefore, it is of utmost importance that the site selection techniques employed should be the best and most scientific available to provide a sound basis for judging the prospective location.

It should be noted at the outset that there is no formula or plan which, if strictly adhered to, will result in selecting the ideal location. The many factors involved are not equal in importance and their relative importance does not remain the same in all situations. Thus, site selection is not and never will be an exact science due

⁶P. C. Kelly and Kenneth Lawyer. How To Organize and Operate A Small Business. New York: Prentice-Hall, Inc., 1949. p. 235.

to the relative nature of each individual situation. As Richard U. Ratcliff so proficiently explained.

...Site selection can never be an exact science. There are too many incommensurable factors which influence the appropriateness of a location. But site analysis which recognizes the fundamental determinants of successful merchandising in a given location will forestall many misfit locations.⁷

Many real estate managers appear to judge available locations by the following pattern: Twenty-five per cent formula, fifty per cent experience, and twenty-five per cent luck. However, the most favorable method of site selection appears to be a combination of market research and judgment. It is true that one cannot substitute research for judgment but, without research, judgment cannot be as effective as a combination of both.

...Market research does not attempt to usurp the function of management in making decisions, but presents management with carefully checked information to use as a basis for making decisions. While market research data cannot replace sound judgment, experience, and good common sense, it should not be underestimated. Judgment and experience alone will serve some of the time, but not all the time. The very best decisions are wanted in every instance. For the best decisions, facts must guide judgment and experience.⁸

⁷Richard U. Ratcliff. Op. cit. p. 73.

⁸Eugene S. Mahany. The Uses of Marketing Research By The Food Chain Industry. Unpublished M. A. Thesis. East Lansing: Michigan State College. p. 95.

Professor Brown voices the same opinion when he states that retail practices "should be based upon facts, rather than casual observations or individual experiences."⁹

Inasmuch as the present problem of site selection appears to be subject to a great deal of judgment and experience, some narrowing of the area of judgment and experience is preferred in order to take some of the "guesswork" out of the selection process.¹⁰ It must be recognized, however, that not only is there a wide region in which judgment plays a part, but there are other factors which tend to place a restriction upon the choice of locations. The main restriction is that of selecting a site from those available. Often there is just one site or a number of sites available, none of which are good, but one seems to be "a fair bet." Nevertheless, in spite of the difficulty of the problem, scientific research techniques should be employed to obtain the most potential location available.

The evolution of super market locations. Market research is a relatively new science, not only in food

⁹Lyndon O. Brown. Market Research and Analysis. New York: Ronald Press Company, 1937. p. 450.

¹⁰Kenneth D. Hutchinson. "Traffic and Trade Correlations: A Technique in Store Location." Journal of Marketing. 5 (October, 1940). p. 137.

retailing but in industry as a whole. Food retailers have been slow in adapting research techniques to their business. Market research was neglected during the first phase of the super market growth because of (1) the abundance of locations available, and (2) the investment in super markets was so low that no one took precautions to insure profitable results; they simply closed the unprofitable stores and opened others, without incurring substantial losses.

Super market operators opened markets in virgin territories overnight, without employing research. One may ask, then, why did these early super markets succeed? The most apparent reason appears to be that the early markets offered much lower prices than the conventional neighborhood stores. The strong and continuous advertising programs carried on were instrumental in their rise into prominence. Large buildings with low rentals and low overhead were still another primary reason for their success.

In a recent address before the National Association of Real Estate Boards, Myer Marcus of Food Fair Stores described the evolution of super market locations as follows:

The super market of the early thirties presented no difficult location problem for wherever could be found a vacant garage, car barn, auditorium, skating rink, they were converted to markets.
 . . . locations did not present a serious problem as every area was virgin territory and markets built in well inhabited localities and even away from heavily

populated areas could and did do business. . . .
 Today, we operate in more selective times; good
 locations are in competition.

. . . operators report an overall average
 weekly volume of \$12,000 per store at present, but
 an average of \$22,000 per week from new stores
 opened during the past year. More significant,
 however, is the fact that the expected average is
\$42,000 in each new store planned for next year
 (1953).

This is an astounding phenomenon - from
 \$12,000 to \$42,000 in one short jump. This is
 added proof, if any is necessary, that greater
 selectivity becomes important in choosing locations.

You cannot haphazardly open stores to do over
 \$2 million a year . . .¹¹

The four or five hundred thousand dollars invested in
 modern super markets certainly indicate the need for careful
 and extensive studies of prospective locations. The food
 retailing industry has made much progress in research and
 analysis procedures during the post-war period, but present
 site selection techniques still leave something to be desired.

The benefits of research. The principal benefits of
 research are summarized as follows: (1) Market area research
 would provide management with such facts as (a) the size
 and potential of the trading area, (b) the type of customers
 in the area - their characteristics and buying habits,
 (c) the amount and quality of the competition within the area,

¹¹Myer B. Marcus. A commercial panel speech presented
 before the National Association of Real Estate Boards.
 Miami Beach, Florida. (November 11, 1952). Chicago:
 National Association of Real Estate Boards. pp. 2-3.

and (d) the progressiveness of industry and the trading area as a whole; (2) Research provides management with a sound basis, established by pertinent facts, to render more reliable and accurate judgments in selecting prospective locations. With only partial information management is forced to rely on intuition and experience, which is hardly the best basis to make the right decisions. Therefore, in order to make the best decisions, management should have all or as many of the pertinent facts as is possible at its command to make judgments easier and far more reliable; (3) Within the guidance of research, which provides management with the necessary facts to render sound judgments, it is more probable that locations with the greatest sales potentials would be selected. Thus, greater sales potentials would, in all probability, result in a greater net return per invested dollar - a worth-while goal to attain.

Undertaking an extensive research program requires the careful study of the data in order to reap the full benefits of the program. It is one thing to conduct extensive research, and another to use the data to its fullest extent. Many organizations undertake research and then do not interpret the results correctly or do not utilize it for all it can do. Research, when properly administered and utilized, can and will prove itself to be a worth-while investment for

as one research-minded company executive stated at the 1952 mid-year meeting of Super Market Institute, "with the possible exception of one store, every one of our stores selected by research in the past 15 years has paid off."¹²

Thus, the factor of the importance of location and the benefits of research add up to the important conclusion of: Research provides management with a sound basis for rendering judgments on the appropriateness of prospective locations.

¹²Super Market Institute. "How To Carry Out The Expansion Program." Proceedings of The Mid-Year Meeting of Super Market Institute, 1952. p. 16.

CHAPTER III

PRELIMINARY CONSIDERATIONS

There are three main problems associated with the selection of super market locations; namely, the selection of a trading area, a specific site, and the estimation of the prospective sales volume of a site under consideration. Although these problems appear in a logical sequence, it frequently happens that they are not considered in any one-two-three order in actual practice. For instance, a company proposing to locate a new unit in a particular trading area may start its location analysis by inspecting the available sites to determine their desirability before beginning the analysis of the trading area.

Therefore, any one of the three considerations may be the starting point of an investigation and, in many instances, all three are studied somewhat simultaneously. The problems of selecting the trading area, a particular site, and estimating the prospective volume are considered in this order in the following chapters for the convenience of the reader. However, an attempt will be made to describe the preliminary investigation conducted by the prospective operator.

Company Policies and Specifications

Before any attempt is made to appraise the present and future prospects of any area, certain company policies and specifications must be considered. First of all, the proposed location must be considered in relation to the distance from warehouse facilities, the ability of supervision to serve economically, and the factor of effective control through regional headquarters. According to a food chain executive, locations should be within one hundred and fifty miles of the warehouse; a maximum of two hundred miles is considered in exceptional cases.

The type of community desired may also influence the choice of new locations. Most organizations desire a growing community, composed largely of medium income families with homes that appear to be well kept, a fair proportion of cars, and children in good numbers.

A very progressive company with an outstanding market research department determines the communities in which it may wish to locate a new unit well before the expansion program for the next period is projected. Their market research department makes continuing studies of business centers, population, consumer buying habits, community income, and the many other considerations that enter into the establishment of areas recommended for new super markets.

In connection with the aforementioned aspect of consumer buying habits, it is interesting to note that one chain attempts to determine whether local people are predominantly chain-minded or independent-minded.¹ Certain communities may be classed as undesirable from that aspect in that it may take considerable time and money to breakdown prevailing buying habits. Loyal followings, built up because of long-established associations, may continue to patronize the established competitors even though better prices and services are offered in a new store.

Some effort should be made to determine to what extent the market may be saturated before locating a new unit in a particular locality. This step involves an inspection of the established stores to determine the nature and quality of competition and to ascertain whether the area is already adequately served. In this regard, B. D. Shepard of the Grand Union Company states, "If you do not think you can do a better job than the other fellow is doing now, save your money for somewhere else."²

Basic to any evaluation of a prospective location is the company policy with respect to the store size and the

¹B. D. Shepard. "Selecting Retail Grocery Locations." An address presented before Operations, Incorporated. (January 26, 1950). p. 2.

²Ibid.

investment capital available. Some chains consider only new locations with a potential of about twenty thousand dollars weekly volume, other firms set their minimum goals higher, depending on the investment in particular locations.

There are, of course, a number of secondary factors a super market organization should study before considering locating a new unit in a community. Among the more important secondary factors, which should always be evaluated in relationship to the specific operating requirements of the organization, are the various legal requirements and restrictions, the availability of advertising media, and the availability of suitable employees. None of the foregoing factors by themselves may be of great significance, but together they may make the difference between a good location and an average one from an operating standpoint.

The next step is an examination of the available sites within a specified area. An occupancy map, prepared by local realtors or company field men, is an aid in determining and evaluating the available sites. These occupancy maps usually indicate the type of stores in the area, the size of buildings, the physical layout of the area, and the natural barriers which may affect the traffic movement within the specified area.

If a site appears to be worthy of further consideration, engineers check its "buildability." The plot of land is surveyed to reveal any obstacles on the surface. Then the engineers conduct a boring operation to ascertain whether or not the site will support a building.

The size of the trading area population is another factor to be considered in the preliminary investigation. Some chains will not consider towns of under five thousand population. The validity of the foregoing requirement may be questionable, when one considers that twenty-five per cent of the national food sales are made in towns with a population of less than five thousand.³ Nevertheless, some super markets must have larger trading areas to attain profitable results. One food chain executive claims that in order to support one of their super markets, a trading area must have a population of twenty-five to thirty thousand people. The population required is, therefore, a matter of individual company policy, but it is another limitant on the choice of areas.

³Nelson A. Miller. "Small Town A Most Important Market." Veterans and Small Business. United States Bureau of Foreign and Domestic Commerce. Washington: Government Printing Office, 1947. p. 19.

The Extent of the Trading Area

Before any attempt can be made to evaluate the considered areas in regard to the number and composition of population, the income levels, and the competitive outlets that cater to the population, the size of the area and its boundaries must be determined. Assuming that all other factors are equal among the different areas considered, it follows that the greater the population, the greater are the potentialities for food stores. Thus, it is of basic importance to ascertain the size of the trading area population to determine the potential available for food stores.

The population for a city or town may be determined simply by consulting the decennial census, but, unfortunately, population data are not published according to trading area boundaries. Determining trading area boundaries is a difficult task, for these areas are not represented by sharp and distinct boundaries, except in unusual cases. Both the size and shape of trading areas depend on the size of the cities serving as centers, upon the lines of communication, and upon the nearness of other important centers.

Very often a super market attracts trade from surrounding areas. In some cases, these trading areas are several times

the population of the community in which the super market is located. Therefore, it is important to determine the area from which the super market attracts trade and the population within this trading area.

Trading area data can be obtained from local sources such as the Chamber of Commerce in some instances. But when satisfactory information cannot be obtained from local sources, and this is often the case, the extent of the trading area must be determined through one's own facilities.

Thus, the first problem entailed in evaluating a trading area is that of determining the extent of the trading area for the proposed super market. In determining the trading area boundaries and thereby estimating the population, buying power, and number of competitive outlets, one or a combination of many methods can be used.

Since the trading area of a super market may range from four or five blocks in a metropolitan district to the community itself and surrounding areas in sparsely settled regions, the techniques of determining trading areas are essentially of two types. One type is used to delineate large areas, and the other is used to determine trading areas within a community. Both are considered separately.

There are many other considerations that must be evaluated before determining the trading area, however. These considerations are the economic boundaries, promotional boundaries, transportation boundaries, and the competitive boundaries of the trading area.⁴ For instance, in determining the economic boundaries consideration must be given to the transportation costs to the proposed super market. This factor alone may tend to encourage or discourage the consumer's choice of a particular store.

The promotional boundaries are determined by the effectiveness of advertising media and attraction devices including parking facilities. The "pulling power" of the shopping district may also be instrumental in influencing the consumer's choice of a place to shop.

Furthermore, highways and transportation facilities may tend to make it more convenient for customers in certain areas to shop at other stores even though all other factors may be equal. The time element enters into this consideration also. According to L. W. Ellwood and R. H. Armstrong the maximum driving time to shop for food is ten minutes in

⁴S. L. Hypes. "Matching A Store To Its Shopping Area." Chain Store Age. Grocery Executive Edition. 27 (October, 1951). p. 165.

urban areas.⁵ On the other hand, the time factor is seventeen minutes in suburban areas, according to Kenneth Welch.⁶ Thus, the transportation boundaries must be duly considered in determining trading areas.

Of course, the location of competitive outlets will greatly influence the trading area boundaries. Certain shoppers may never visit the prospective location regardless of the facilities that a new store may provide due to the convenience of closer super markets.

Thus, the foregoing considerations must be evaluated before using one or more of the seven methods to determine the extent of the trading area as presented below.

Determining community trading areas. Perhaps the simplest method is using the Editor and Publisher Market Guide, which can be found in most large libraries or newspaper offices. This publication lists the surrounding communities and estimates the population within the trading area.

⁵Leon W. Ellwood and Robert H. Armstrong. "Shops, Stores, and Shopping Centers," Part II. Appraisal Journal. 20 (April, 1952). p. 196.

⁶"Markets In The Meadows." Architectural Forum. 90 (March, 1949). p. 115. The time factor was adapted from a study made by Kenneth Welch for the National Suburban Centers, Inc. of Boston.

The local newspaper circulation map or figures can be used to indicate the extent of the trading area also. This method involves the assumption that the readers trade in the community, which may or may not be the case. However, a study of two cities⁷ indicates a high correlation. In the study of the Salina, Kansas, retail trade zone there was a high degree of correlation between evening newspaper circulation and out-of-town automobiles. In the other city the residents of five small towns were asked to name the newspapers which they read. These were then compared with the town where they did most of their shopping. It was found that approximately two-thirds of the consumers did most of their shopping in towns whose papers they read. Thus, there appears to be a high degree of correlation between the area in which a town's newspapers circulate and the trading area of the town.

A widely used method is that of listing the license numbers of automobiles parked in the main shopping area on the community's big shopping night. The addresses are then checked with official registration records and indicated on a map in the form of a dot until a well-defined area has

⁷Austin S. Bratcher. "Methods of Delineating Retail Trade Zones." Journal of Marketing. 3 (January, 1939). p. 262.

been marked out. This method not only outlines the trading area but also reveals the relative density of patronage from each part of the trading area. This method requires the use of a good map of the surrounding area. These maps are usually obtainable from local Chambers of Commerce or other city offices. Abnormal situations such as conventions, circuses, and fairs should be avoided when one uses this method.

Survey methods may be used to good advantage to determine the shopping habits of people in the surrounding areas. However, mail or personal surveys should be made on a sufficient scale to obtain a reliable sample. Hence, it is usually prohibitively expensive in most situations.

A fifth method that is used is interviewing local merchants, school officials and professional men to determine from what area they attract their customers, school children, and patients. Bankers may also be consulted to find the area from which they draw depositors. The home location of such people may then be indicated on a map.

A more elaborate method⁸ involves the tabulation of out-of-town checks from the transit sheet of a cooperating

⁸Clair Edwin Daggett. A Study Of The Market Analysis Problems Of "Small-Scale" Retail Establishments In The United States. Unpublished Ph. D. Thesis. State University of Iowa, 1949. p. 10.

bank. Since such listings by the transit number of out-of-town checks to be cleared is a rather general practice among banks, this approach will be outlined in detail to provide still another method of determining trading areas.

As the checks are deposited by retailers, they are sorted in three ways: Own accounts, local banks, and out-of-town banks. The checks drawn on out-of-town banks are the ones used in delineating the trade area. How far the area extends may be judged by a comparison of the ratio of population to checks of towns of varying distances from the trade center. A retail trade contour map may be developed by connecting the points of equal density.

There are two limitations of this method: (1) It does not give the dollar volume of transactions, and (2) it does not indicate the currency transactions of out-of-town customers. However, there are several advantages of the plan: (1) The method is simple, (2) the data are available for a considerable time in the past, and in such form that a number of people may work on them simultaneously, and (3) the geographic extent of the retail trade area may be located with reasonable accuracy.

A method requiring little work is Reilly's Law of Retail Gravitation.⁹ This law was developed by Dr. William J. Reilly in 1929 and is stated as follows:

Two cities attract retail trade from an intermediate city or town in the vicinity of the breaking point (the point at which the trade going to the two cities is equal) approximately in the direct proportion to the populations of the two cities and in inverse proportion to the square of the distances from these two cities to the intermediate town.¹⁰

Professor Converse states that the Law of Retail Gravitation eliminates the necessity of doing expensive field work or compiling elaborate statistics. He adds that the law "seems to be relatively little used by market and advertising executives and market research men. Perhaps they are afraid of its simplicity."¹¹

⁹P. D. Converse. "Is There A Law Of Retail Gravitation?" Printers' Ink. 204 (September 10, 1943). p. 40. The Law of Retail Gravitation determines trading area boundaries by the following formula:

$$1 + \sqrt{\frac{\text{Distance from A to B}}{\frac{\text{Population of A}}{\text{Population of B}}}}$$

A is the larger town
B is the smaller town

¹⁰Ibid. p. 97.

¹¹Ibid. p. 36.

Although this law is primarily applicable to shopping goods, it may be helpful in determining the trading area of food stores within a community. People attracted by shopping goods lines frequently buy their groceries in the same community. Thus, using this method in conjunction with one or more of the other methods will provide a good basis for determining the trading area boundaries.

Determining trading areas within a community. Perhaps the simplest way to determine the trading areas within a community is merely by observation. While driving an automobile about the community, one can note the density, competitive outlets, and natural barriers such as rivers, railroads, and congested thoroughfares which may tend to limit trading areas. Often a detail map of the community may be used to outline the various trading area boundaries.

Where there are competitive super markets in close proximity to a location under consideration, the prospective operator may determine the trading area of his market by taking the license numbers of automobiles in competitors' parking lots. The addresses of the automobile owners can be obtained from the license register and then indicated on a map of the district to determine the trading area boundaries.

The extent of the trading area may be assumed on the basis of company experience in locations of a similar nature and various other studies as well. A study¹² of super market "drawing power" in large cities reveals that about fifty per cent of the stores' customers live within a half mile radius, two-thirds live within a mile, and the remaining one-third of the customers live beyond a mile radius of the store. Super markets in smaller cities and towns often have a greater drawing power for they draw a considerable portion of their business from "out-of-town." Some locations on the fringe of large cities also attract trade from great distances.

According to Myer B. Marcus of Food Fair Stores, the neighborhood market in a congested urban section obtains eighty per cent of its customers within a mile radius of the store. On the other hand, Mr. Marcus states that highway locations obtain fifty per cent of their customers from within a mile radius and the trading area of such a location extends up to and beyond five miles.¹³

The author's questionnaire survey of several food chains revealed that sixty to ninety per cent of super

¹²Ben Schapker. "Considering A New Location?" Progressive Grocer. 28 (April, 1949). p. 208.

¹³Myer B. Marcus. Op. cit. p. 7.

market customers live within a mile radius. The thirty per cent variation may be accounted for by the various types of regions in which the chains operate. Chains operating predominantly in metropolitan areas would tend to have smaller super market trading areas than those concentrated in sparsely settled areas. Trading area radius data of four selected chains indicate the variation among regions. The data from the survey are tabulated in the following table.

TABLE II
The Origin of Customers*

Trading Area Radius	A Regional Chain Oper- ating in Metropolitan and Suburban Areas	A Regional Chain Operating Predominantly in One Metropolitan Area	A Regional Chain Operating Primarily in Medium Size Cities	National Chain
Within: 1/4 mile	23%	20%	20%	35%
1/2 mile	43%	40%	40%	60%
1 mile	64%**	90%	60%	75%
2 miles		100%	75%	85%
3 miles			85%	93%
3-5 miles			95%	97%
over 5 miles			100%	100%

*Composite average for all stores. Individual stores may vary depending on population density, competition, car ownership, size of parking lot, etc.

**Over one mile 36%.

Metropolitan super market trading areas are generally limited to about a one mile radius. Normally, the effective trading area of super markets in medium size cities comprises a three mile radius. Rural and highway locations draw from still greater distances; their trading areas may extend up to and beyond five miles. Often many companies use such data that is gained from experience in other trading areas to determine the boundaries of a new super market trading area.

Thus, by using one or more of the foregoing methods in delineating the trading area of a proposed super market, whether the area under consideration may be a metropolitan district or a rural township, the trading area boundaries may be determined with reasonable accuracy.

CHAPTER IV

BASIC CONSIDERATIONS IN EVALUATING TRADING AREAS

Once the boundaries of the trading area are determined, the population, buying power, and competition within the trading area limits must be carefully evaluated. Of course, there are a number of secondary factors to be considered also, but the foregoing considerations are of basic importance.

Dr. Helen G. Canoyer lists the following factors in order of their importance when selecting a trading area:

1. Size of the trading area.
2. Type of customers.
3. Income of the people in the community.
4. Parking facilities.
5. Amount and quality of competition.
6. Population characteristics.
7. Local habits and customs of the people.
8. Extent to which the area is a trading center.¹

Some real estate managers believe that the selection of the trading area is more important than the selection

¹Helen G. Canoyer. Selecting A Store Location.
United States Bureau of Foreign and Domestic Commerce.
Economic Series No. 56. Washington: Government Printing
Office, 1946. p. 33.

of the site within the trading area.² These managers reason that no matter how good a location, the store will fail if the market area does not provide enough business to support it.

The first step in evaluating a trading area is that of gathering general background information. There are a magnitude of factors to be considered, one food chain executive writes that the following information is obtained:

1. Population.
2. Annual food sales.
3. Population of the trading area.
4. Family income.
5. Permanency of industry and payrolls.
6. Size of family units.
7. Class of housing (also with respect to permanency of homes).
8. Number of food stores servicing these homes and the type of competition to be considered.
9. Volume of competitive food stores and type of stores operated by competitors.
10. Consideration as to taxes or special legislation that may affect the operation.

²P. D. Converse and Fred M. Jones. Introduction To Marketing. New York: Prentice-Hall, Inc., 1948. p. 272.

A form such as Figure 1 on page 38 is often used to note some of the above factors. A number of location analysis forms appear in Appendix C.

Population

When the trading area is the community itself, the population may be found in the decennial census. For years that are far removed from published census material, reasonable approximations may be obtained from such local sources as city government offices, state government offices, chambers of commerce, or the Survey of Buying Power published annually by Sales Management magazine.

In many instances surrounding areas may be within the trading area of a super market. The decennial census may be used for townships having more than 2,500 population. If township boundaries cannot be used, the population can be computed by multiplying the average rural population (open-country) per square mile by the number of square miles of the rural trading area. This figure can then be added to the total population of the cities.

However, determining the population of a trading area within a community is a more difficult problem. Perhaps the best method of determining the number of people living in the area is to make an actual count of occupied dwelling

STORE LOCATION -- AREA INFORMATION

- 1 - Business block located at _____
- 2 - Trading Area Boundaries:
 North _____ East _____
 South _____ West _____
- 3 - Housing:
 Single family ____ two family ____ three family ____
 apartments ____
- 4 - Trading area population:
 Number _____ Families _____
 Income level: above average ____ average ____ below average ____
 Nationality _____
- 5 - Total estimated food business of area: _____
- 6 - Competition -- and size:

- 7 - Nearest company store: _____
- 8 - Transportation: _____
- 9 - Other company stores in similar areas:
- | <u>Store</u> | <u>Population</u> | <u>Income Level</u> | <u>Sales</u> |
|--|-------------------|---------------------|--------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| Total: | _____ | _____ | _____ |
| <u>Sales per 1,000 population:</u> _____ | | | |
- 10 - Comments: _____

FIGURE 1

units. A form such as Figure 2 on page 40 can be used to count the dwellings. Considerable aid in obtaining the number of dwelling units may be offered by local sources such as local newspapers, chambers of commerce, and city planning offices. These two steps should provide the approximate number of families within the trading area.

Census tract data. Many companies use census tract data, analytical maps, and block statistics of the decennial census to obtain the number of family units in a given area. Based on the assumption that three and one-half persons live in a dwelling and an average of one thousand dollars a year is spent on food per family, it is possible to estimate the potential business within any given area. Wagon vendors of such products as bread and milk are consulted to modify the estimates of the number of family units in the given area.

Census tracts are described by the Census Tract Manual as follows:

In current practice, each tract ordinarily contains a population between 3,000 and 6,000. The tracts are permanently established, so that comparisons can be made from year to year and from census to census; they are laid out with a view to approximate uniformity in population and with some regard for uniformity in size; and each is designed to include an area fairly homogeneous with respect to race, national origin, economic status, and living conditions.³

³United States Bureau of the Census. Census Tract Manual. 3rd ed. Washington: Government Printing Office, 1947.

COUNT OF OCCUPIED DWELLING UNITS

City _____ Section No. _____ Date _____

Note: Please count the number of occupied dwelling units in each block of each street within the territory assigned to you, and report this information, by blocks, in the proper space below. Include residences on both sides of the street except in the case of boundary streets, where you should cover only the side within your territory. Remember that this is a count of dwelling units, not houses or buildings. A duplex, for example, has two dwelling units, while an apartment house may have more. (See definition on reverse.)

<u>Street</u>	<u>Block No.</u>	<u>Number of Occupied Dwelling Units</u>
(Example) Jones Street	400 block	21

Investigator's Initials _____

FIGURE 2

Definition of An "Occupied Dwelling Unit"

The purpose of this survey is simply to get a count of the number of grocery-buying families now living in this area. For our purposes, therefore, an occupied dwelling unit is one which:

1. Is being lived in at the time of the survey.
(Exclude vacant homes or apartments, or resort homes not in use at this season. Include only permanent residents of trailer camps.)
2. Has private cooking facilities.
3. Has less than 4 non-family residents (excluding servants). (Boarding houses, dormitories, institutional residences, etc., should not be counted.)

You won't always be able to tell about such things as cooking facilities or the number of roomers, but do your best to get an accurate count. By observation of the neighborhood and the people, and by talking informally with neighbors, apartment managers, etc., you can usually get good information without too much loss of time. If you are conducting a survey along with the count, your personal interviews will provide an ideal means of clearing up such questions.

The information provided by census tracts is reported in sufficient detail so that a comprehensive analysis of the prospective trading area can be made with comparative ease.

Each census tract contains extensive population data such as sex, age, race, nativity, citizenship, country of birth, highest grade completed in school, employment status, class of worker, and occupation. The housing data include occupancy status, tenure, value of dwelling or monthly rent, type of structure, state of repair of plumbing equipment, size of household, race of head of household, persons per room, number of radios, type of refrigeration equipment, and type of heating equipment. The type of information provided by the 1950 census tracts is presented in Appendix D.

Since cities have been subdivided into tracts in a more or less arbitrary manner, the census tracts do not conform to trading areas except in rare cases. While census tract data reveal where people live, they do not indicate where people buy their groceries. People living in one census tract area may buy their foodstuffs in a super market located in another census tract area. Despite this limitation, census tract data can be very useful. They should serve as a useful tool in measuring and evaluating the potential of a considered trading area.

When a food chain is already operating in the general area of a site under consideration, census tract data may be utilized to measure the present coverage of the market area to determine the advisability of locating a new unit in the area. A survey of the customers of specific stores must precede the use of census tract data, however, in order to determine where the customers live.

Trading area population requirements. Before the actual calculation of the estimated sales potential of the prospective site is made, the trading area population should exist in sufficient magnitude to support a super market. Many food chains have established the minimum number of families required to support a new super market of the size the company is planning to build. Of course, the minimum number of families may vary considerably according to the income levels of the families, the proximity and character of competing supers, the characteristics and buying habits of the trading area population, and other similar factors.

Suburban and small community areas are generally considered on a basis of smaller trading area population requirements than are metropolitan districts. The trading area is normally considered to be the suburb or the community itself, plus the population outside these areas likely to trade in the suburb or community, as the case may be.

The majority of the operators surveyed by the writer's questionnaire require 1,000 to 1,500 regular customers to support a super market designed to do a twenty thousand dollar weekly volume. A few opinions regarding the number of families required to support the above super market are as follows:

"4,000 families would support a store of this size assuming it got 25% of total food sales."

"Assuming no other competition within the same trading area (but with house-to-house merchants as competitors) between 2,500 and 3,000 families."

"2,500 families."

"This will vary from around 4,000 families to over 10,000 families, depending on the income level, other food competition and size, as well as the eating habits of the families."

"We estimate 12,000 to 15,000 persons or 4,000 to 5,000 families in a territory that may average 3 to a family."

"Have to assume the size of family is 3.5 persons and that each person spends \$6.00 a week or \$21.00 a week per family. This would mean 1,000 families, but 100% of the families have to shop at the store."

"In our area we find that a family purchases approximately \$20 a week in a super market. Therefore, it requires 1,000 families to support a store doing \$20,000 business a week. . . . Assuming that we could do 1/3 of the business in an area, we would estimate that it would require a population of 3,000 families in order for us to achieve a weekly sales volume of \$20,000."

"We have no information on this size store (\$20,000 weekly) as our stores are set up for a minimum of \$45,000-\$50,000 per week. This requires a population

of 30,000-35,000." (On the assumption that 3.5 is the average size of family, 8,500 to 10,000 families are required in this case.)

(Another large super market operator)

"No store can expect to obtain 100% coverage within the full first mile, but 40% is not unusual. Within the first mile, therefore, there should be a total of 6,000 families to draw upon. This type of analysis does not yield a hard and fast figure on anticipated volume but it does give a reliable minimum."

Usually, food chains estimate the number of families required to support a super market by comparing new trading area situations with established trading areas of a similar character. Experiences in old trading areas of a similar nature may very well be used as a "rule of thumb" yardstick in estimating the trading area population requirements for a prospective super market.

The composition and characteristics of the population.

Some trading areas vary more in their composition and characteristics than others. Often the characteristics of the population such as racial, nationality, age distribution, the average size of family, and the type of dwelling units in the area have an important bearing on income and the type of merchandise offered for sale. A data sheet such as Figure 3 on page 45 is used to indicate facts. With such information as the composition and occupations of the population, the buying habits of the population may be

MAP SHEET

Name of Survey or Project No. _____
City _____ Section No. _____
INVESTIGATOR _____ DATE _____

Please answer the following questions regarding this map section.

1. Considering all the homes in this section, roughly what percentage are:

Class A __, B __, C __, D __, E __?

2. What nationalities and racial groups are there, and in what proportion?

3. What types of dwellings are there? (Single houses, apartments, boarding houses, etc., old or new, rundown or well kept up.)

4. Is the section thickly or thinly populated, many vacant lots or industries, etc.?

5. There were an estimated _____ dwelling units in this map section in _____. Please estimate the number of dwelling units built in this area since 19____.

Estimated new dwelling units

6. If there are traffic barriers in this area, please indicate the type.

(Hill, R.R. Tracks, River, etc.)
If traffic barriers are present, please make a rough sketch of the area and show approximately where the traffic barrier runs through the map section.

7. What percentage of the roads in this section are surfaced with:

Asphalt or concrete _____%

Dirt or gravel _____%

8. On reverse side show addresses of shopping districts, planned shopping centers and food stores larger than 10,000 sq. ft. located in this section. Indicate any shopping centers or large food stores under construction but not yet open for business.

readily determined. Thus, the prospective operator should analyze information of this nature in order to formulate a sound merchandising program for the trading area.

A trading area of young married people is to be preferred over an area of older married people. The incomes and food consumption of younger people will increase, whereas there is not likely to be much change in the incomes of older people and, in all probability, they will not increase their consumption. In addition, such considerations as a greater baby food display area may be warranted in one area whereas the opposite might be true in another trading area.

Various nationality groups have strong preferences for certain foods. By carefully checking the predominating nationality groups in a trading area, an operator may avoid wrong emphasis or serious omissions in inventory as determined by racial eating preferences. Other trading areas may have large groups of a particular race such as many areas in the southern part of the United States. These differences in racial composition tend to make great variations in the buying power of particular trading areas.

The average size of the family units is of great significance, also, for more food is consumed by large families than by small families. The prospective operator's merchandising program would be affected since larger-than-average families generally prefer larger packages of food.

The type of dwelling units in the trading area is an important determinant of buying habits; therefore, this factor should be considered in designing the merchandising program for the proposed store. The type of area is easily determined, since one needs only to visit an area to determine whether or not it is an apartment house area, a middle and upper middle income district, a wage earner district, or a rural area.

Generally, apartment house dwellers do not spend much time preparing meals. The super market in such an area should be planned with major display emphasis on prepared and quick-cooking foods. Also apartment house dwellers may be expected to make frequent, but small, purchases, as a result of minimum storage facilities.

In catering to a middle and upper-middle income residential area, an attractive external and internal appearance is generally more important than in catering to wage earner trading areas. While a drive-in location is adaptable for any type of district, it is particularly suitable for the residential area location. A trading area containing high income groups may be expected to support more non-food and luxury lines than an area with mainly low income residents.

According to Paul Levasseur and Carrol Waldeck, prominent store planners and engineers, the wage earner district warrants a somewhat different approach. They state that these customers will be interested primarily in price, and consequently the store should be designed for high volume and low margins, with expensive appointments conspicuously absent.⁴

The characteristics of the trading area population should undergo a thorough analysis. Certain hidden factors may serve to counteract other favorable or unfavorable aspects of a trading area. Therefore, the prospective operator should obtain all the pertinent information and not merely a few obvious facts.

Statistical data on population composition and characteristics can be found in the decennial census of population or from local newspapers and chambers of commerce in years far removed from the census.

Another means of obtaining a good, although general, idea of the population characteristics of an area "is to walk up and down the streets, talk with people in stores,

⁴Paul Levasseur and Carrol Waldeck. "Consider These Points If You're Making Plans To Modernize." Progressive Grocer. 27 (October, 1948). p. 67.

banks, and on street corners, observe their shopping habits at all hours of the day, and investigate their religious and entertainment activities."⁵

Trend of growth. The trend and possibilities of future growth of the trading area under consideration should also be noted. The population of some areas has remained stable over long periods of years, whereas the population of many other areas has experienced pronounced increases. In some cases, a trading area with a static population may offer possibilities for successful store operation; but, on the whole, growing trading areas are to be preferred.

It is often more difficult to compete with established super markets in a static area than it is in trading areas with growing populations. At the 1952 mid-year meeting of Super Market Institute, Mr. Smith stated:

The dynamics of the population in the area in which you operate is probably the single most important factor in locating a new super market. If you compete for business with established super markets in an area with static population, your problem is very different than in an area with a growing population.⁶

It is advisable to avoid static trading areas when competitive outlets have a loyal customer following that would be difficult to attract to a new unit. Much time

⁵Helen G. Canoyer. Op. cit. p. 15.

⁶Super Market Institute. Op. cit. p. 16.

and many costly promotions may be required to break down prevailing buying habits in such areas.

In noting the population trend of a trading area, it is important to compare the rate of growth, if that is the case, with that of the community and nearby trading areas in the same community. In the latter case, care should be taken to select areas that would make good yardsticks for a valid comparison.

The Census of Population may be consulted for the growth or decline in population. Between census years the Census Bureau estimates the trend in population on the basis of such factors as school population, number of electric meters, and the number of homes to which mail is delivered. In most areas, the telephone company and the electric company forecast population growth. Also, the city planning engineer is a good source for current population information.

Still another indicator of trading area growth is the amount and nature of construction in progress. The amount of new construction being done is indicated by the value of construction contracts awarded and the number and value of building permits issued. Both are included in monthly releases on building construction published by the Bureau of Labor Statistics for about two thousand

cities of 2,500 population and over. An opposite trend in community growth is indicated by the number of demolition permits and the number of vacant buildings. The former is included in the monthly releases mentioned above, and the latter is found in the Census of Housing, Volume I.

Buying Power

Once the number and composition of the population has been ascertained, due consideration must be given to the buying power of the trading area population. The simple method of allotting so many square feet of store space for each family should be used only as a rough approximation, since the population required to support a super market varies according to the buying power of the trading area.

The buying power of a trading area is often very difficult to estimate, but with the aid of several indicators a reasonably accurate estimate can be made. The total disposable income, its distribution among the population, the sources of income, and the breakdown of various types of expenditures should be analyzed in evaluating any trading area. These facts and other market analysis data may be obtained from such sources as outlined in Appendix B.

The sources of income. Preference should be given to those trading areas that have stable and well-diversified

income sources. When a single industry, and more particularly an individual company, is the primary source of income for the area, variations in seasonal and climatic tendencies should be noted. In appraising any area, the future prospects as well as the past trend of industrial growth should be carefully evaluated.

The prominence of local industries can be determined by analyzing such data as the number of industries, number of wage earners, average wage, value of products, and the value added by manufacture. This information may be obtained from the Census of Manufacturers (1947). The trend of industrial growth may be determined by comparing one census period with another.

The names of local industries are available in the Editor & Publisher Market Guide, while the various types of industries are given in the Census of Population, Volume II, "Characteristics of the Population." Local authorities can be consulted to obtain the current situation concerning industrial activity.

Income indices. A good indicator of the income level of a trading area is the general rental value of dwellings. As a rough approximation, it may be assumed that twenty per cent of family income is spent for housing.⁷ Where

⁷Helen G. Canoyer. Op. cit. p. 15.

the family owns the dwelling, one hundredth of the approximate value of the dwelling is assumed as the monthly rental.⁸ Thus, if the rent expenditure is multiplied by five, an estimated family income level is obtained.

Areas which consist of predominantly new houses, built since the war, may not be as good a source of business as older sections, since many of the owners of new houses have substantially higher monthly mortgage payments to make. In most cases, this payment is higher than rent or mortgage payments would be in older sections where houses may be largely or completely paid. These new housing areas also represent a possible fast declining sales volume in bad times when owners may be forced to cut down on food purchases in order to meet their mortgage payments.⁹

Per capita retail sales are another index of income. The common method of determining per capita sales is to divide the total sales of retail stores in a given area by the total population. The drawback of this computation is that it

⁸Personal Interview with Dr. Fred T. Schrier of A. J. Wood & Company, Philadelphia. The figure was adapted from a study made by the research staff. Reference to the study is not made specifically in compliance with the request of Dr. Schrier.

⁹Harry Gene Beckner. Marketing Research Applied To Food Chains. Unpublished M. A. Thesis. East Lansing: Michigan State College, 1951. p. 90.

includes only the population within the community. The result is that the published per capita retail sales are usually higher than the actual figure.

A study¹⁰ reveals that actually there is little relation between the current income and the per capita sales of a community when the total sales are divided by the population of the community. Therefore, this computation may be used as an index of income only when the actual trading area population has been determined.

Current disposable income is a very important factor in determining the buying power of a trading area; however, other factors such as rental value of dwelling units, the type and age of homes, the proportion of home owners, and automobile ownership should be considered also.

Many food chains use disposable income as an index of buying power and, in many instances, this may be the most practical measure. The distorting influences may tend to offset each other, or they may not affect the results enough to warrant the complicated procedure that would be necessary in order to make the adjustments. Thus, the disposable income of a trading area may well be considered a satisfactory means of determining the potential food sales of a community.

¹⁰Wayne H. Stackhouse. Measures of Purchasing Power. Indiana Business Studies No. 18. Bloomington: University of Indiana, 1939. p. 55.

Sources of income information. By consulting census publications, local newspapers, and market information sources; the prospective operator may determine the income level of a specified trading area. The Consumer Market Data Handbook, published by the United States Department of Commerce, furnishes extensive income data. Sales Management's Annual Survey of Buying Power estimates the effective buying income in all counties and cities in the United States.

Census tract rent data may be used to estimate the total income of an area. The estimate of total income can then be distributed according to consumer expenditures and thereby indicate the total disposable income for food. This technique can also be used where other total income data is available for a given area, since average food expenditure data for each income level have been established by the Bureau of Labor Statistics. Where no income breakdowns are available for a considered area, the various indicators of income levels may be used to good advantage.

When the community itself is considered to be the trading area of a super market, the total food volume may be obtained from the Census of Business (1948).

Food sales. Per capita retail sales figures can be analyzed to determine the prospects of a certain area.

If this is done, the per capita food expenditure should be at least three times the next highest item; namely, apparel.¹¹

In general, as family income increases the expenditure for food increases, although the percentage may actually decrease. Therefore, the income levels within a trading area may have an important bearing on the total potential of the area. Assuming that three and a half persons compose a family unit, the food consumption per family should approximate one thousand dollars a year. But food consumption and the size of family units varies from city to city and from trading area to trading area; therefore, the local averages should be determined and used to estimate the food sales potential with reasonable accuracy.

Determining the income level of the trading area enables the prospective operator to judge more effectively the potential volume of business available. One source of information reveals the following food expenditures for the various income levels: The above average income level families (above \$5,000) spend \$23.19 a week for food; the average income level families (\$3,000-4,999) spend \$20.00 a week for food; and the below average income

¹¹"Starting A Super Off On The Right Track." Super Market Merchandising. 10 (October, 1945). p. 53.

level families (below \$3,000) spend \$13.81 a week for food.¹²

Thus, the above source as well as recent surveys by various newspapers and government agencies reveal the average weekly expenditure for food is between twenty and twenty-five dollars per family. Note, this average expenditure includes home delivery items such as bread and milk.

Estimating the potential food volume of a trading area.

By estimating the number of families in the various income levels, it is possible to estimate the total food volume of the trading area according to the following method:¹³

- (1) The number of families times per cent of families in three income groups = families in income groups.
- (2) Number of families in each income group times dollars spent per week for food = total dollars spent per week for group.
- (3) Add total of three groups.

The total food volume available is of great aid in reaching a decision as to the advisability of selecting a particular trading area for a new unit.

¹²Harry Gene Beckner. Op. cit. pp. 15-16.

¹³Harry Gene Beckner. Op. cit. p. 91.

Competition

The amount and quality of competition is of basic importance in evaluating a trading area. Of course, the presence of a number of super markets is not necessarily conclusive evidence that a trading area may be saturated. For instance, such super market organizations as American Stores, Food Fair, A & P, and Penn Fruit are found together in many shopping districts in Philadelphia. Therefore, before an area is judged as unfavorable from the standpoint of the number of competitors in the district, the prospective operator should determine if competition is adequately fulfilling the demands of the district.

Where sufficient volume exists for more than the present number of super markets, it may be wise to locate in close proximity with the other super markets; very often two or more stores will draw more traffic than a single store.

The saturation point of a trading area. In determining the saturation point of a particular trading area, Mr. Smith of Larry Smith and Company in Seattle offered a unique approach at the 1952 mid-year meeting of Super Market Institute.¹⁴ Based on his observations, Mr. Smith states that it is unlikely that super markets can obtain more than

¹⁴Super Market Institute. Op. cit. pp. 15-16.

seventy per cent of the food business in any trading area. Since per capita food consumption is approximately \$300 annually, super markets have the opportunity of obtaining only \$210 per capita. If the existing super markets are doing seventy per cent of the total food business, the saturation point of this market area has been attained, according to Mr. Smith.

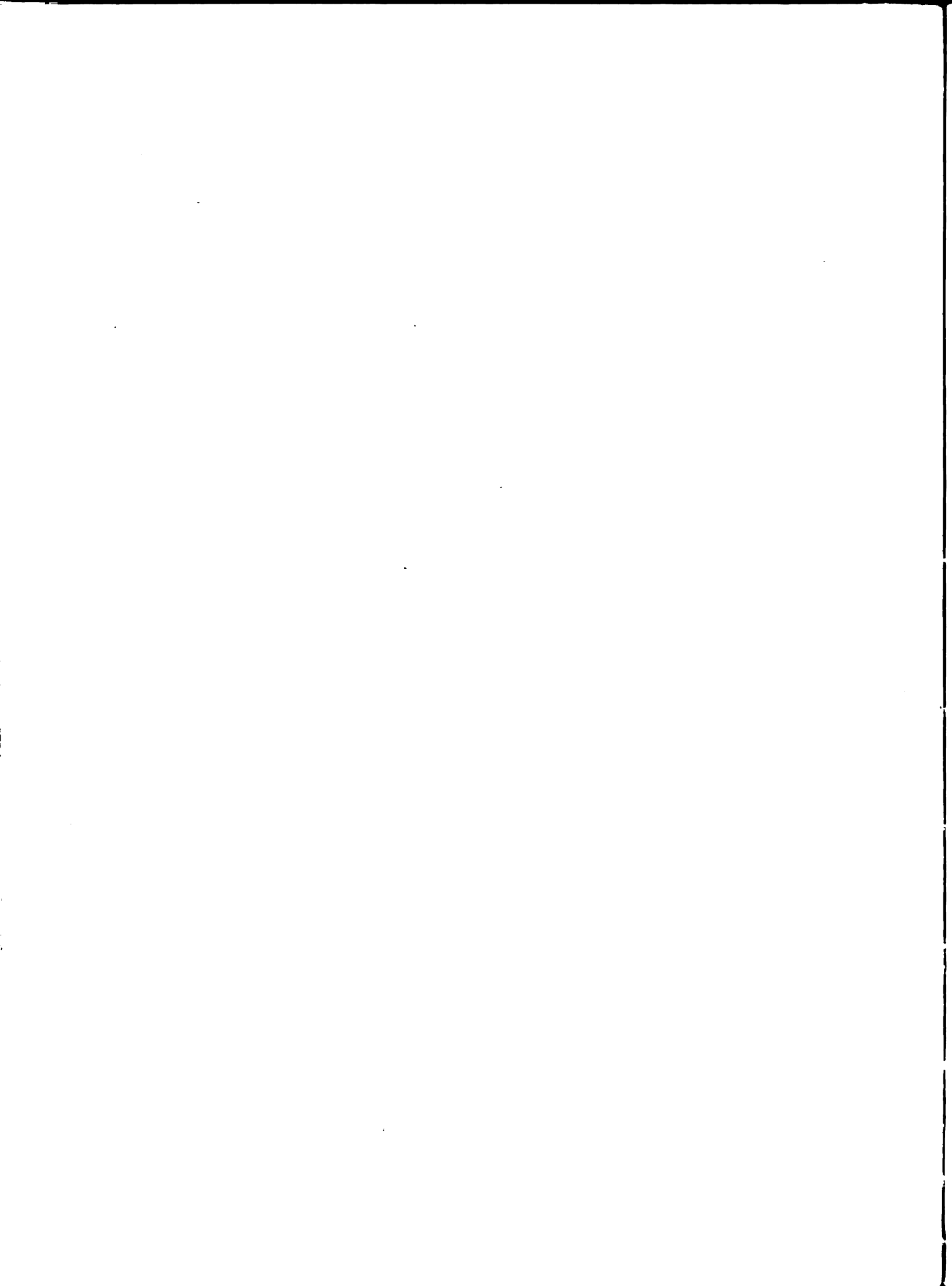
To determine the number of super markets a trading area can support, Mr. Smith presented another unique approach:

. . . we measure the total floor area of all super markets combined. We figure that the selling area of a super market is about 70% to 75% of the total floor area. Of this, about 85% is devoted to food, 15% to other lines. Such a super market should be able to do between \$100 and \$105 per square foot of its total floor area. On the assumption that \$210 food sales per capita are available to super markets, you can build two square feet of super market floor area per unit of population. Suppose we determine that a given community can support 85,000 square feet of super market area. If the existing stores total 60,000 square feet, we would consider a possibility for another super market or two with a combined floor area of 25,000 square feet.¹⁵

Since there is a problem in evaluating the degree of obsolescence of existing super markets in the above approach, Mr. Smith grades stores into three classifications; good, fair, and poor, and takes this factor into consideration in determining whether the existing stores are adequate.

¹⁵Ibid. p. 16.

There are two schools of thought on competition. Many companies believe that where a trading area is served well by established competitors, they are better off in seeking new fields for cultivation. That belief is growing. On the other hand, some companies contend that it pays to locate in heavy buying power areas, regardless of the extent of competition; providing that the right location can be obtained at the right price. However, the cost of securing business where heavy competition exists should be analyzed carefully before a decision is made.



CHAPTER V

SOME CONSIDERATIONS IN SELECTING A SITE

Introduction

"The most suitable business site is one accessible to the greatest number of potential customers."¹ Generally, the most acceptable site for a super market is in that part of the outlying residential area nearest the city. Situated in such an area where there is a large number of homes within a few blocks, the store may cater to the daily needs of the families, as well as to the weekly grocery shopping expeditions.

The particular location for a super market is often a very difficult decision to make. The selection of the site is largely a "take what is available" proposition. Such a situation tends to result in a much less scientific and careful selection of sites than is desirable. Even though this situation exists, each decision should be made only after a great deal of thought and analysis.

Although the problem of selecting a specific site within a trading area is secondary to determining whether

¹Malcolm J. Proudfoot. "The Selection of a Business Site." Journal of Land and Public Utilities Economics. 14 (November, 1938). p. 372.

the trading area itself is satisfactory, it is of great significance nevertheless. The Temporary National Economic Committee quotes a bankrupt who had been successful in another location: "People forgot me, although I moved only around the corner."²

When queried about the factors that are considered in selecting a specific site, a food chain executive writes that the following list of factors is considered:

The size of the property.

Off street parking facilities.

Natural barriers within trade areas, such as hills, railroads, bridges, etc.

The number of competitive super markets in the area.

Automobile traffic (whether on a thoroughfare, highway, or dead-end street, etc.).

Potential walking traffic from surrounding homes.

City policies as to zoning ordinances (tight or loose zoning ordinances are a factor in estimating future competition).

Site Analysis

There are certain characteristics that may influence the choice of a specific site. Although no single factor

²Temporary National Economic Committee. Problems of Small Business. Monograph No. 17. Washington: Government Printing Office, 1941. p. 120.

may be decisive, a combination of them may make the difference between a favorable or unfavorable site. Therefore, it may be well to examine the characteristics that are detrimental and other considerations which may affect the volume of business that can be expected.

Detrimental characteristics. Certain types of neighboring businesses are usually undesirable for the super market. Proximity to places that are normally avoided by shoppers such as garages, hospitals, cemeteries, funeral parlors, railroad yards, establishments of ill repute, and industries having disagreeable noises or odors should be avoided. In addition, old, worn-out, or vacant neighboring structures adjacent to or in the immediate vicinity of a site are considered as bad neighbors. They do not draw any trade to the vicinity of the location and detract from the appearance of the area. Other objectional features are dust, smoke, deep shadows, poor sidewalks, and high prevailing winds.

Amount of land required. Although all the other factors may be satisfactory, the projected site might not be considered unless there is enough available space to provide adequate parking facilities. Various site information is usually compiled on a form such as Figure 4, page 64.

According to a recent survey by the National Association of Food Chains, the average parking lot in a typical location

SITE INFORMATION

- 1 - Business block located at _____
- 2 - Location of available site _____
- 3 - Lot size _____ x _____
- 4 - Alley _____
- 5 - Size of existing building (if any) _____ x _____
- 6 - Size of store possible _____ x _____
- 7 - Size of parking lot possible _____ x _____
- 8 - Number of cars _____
- 9 - Street parking: Angle _____ Parallel _____ Meters _____
- 10 - Comments: _____

FIGURE 4

will contain 129 cars with a minimum of 84 and a maximum of 280.³ Based on the assumption that each automobile requires an average of three hundred and fifty square feet of parking area including ingress, egress, and aisle areas, the typical parking lot requires approximately 45,000 square feet. Since the size of the typical 1953 super market is about 12,500 square feet, the size of the plot should approximate 60,000 square feet.

The amount of parking space required for a particular super market will vary in accordance to the proportion of customers arriving by automobile. A ratio of four square feet of parking space to one square foot of store sales area is now a generally accepted standard when one hundred per cent of the customers arrived by automobile. When fifty per cent of the trade arrives by automobile, the ratio drops to two to one.⁴

Traffic considerations. Since the most successful stores are normally at or near the intersections of from two to four major streets, many operators strive to locate on at least one main artery and preferably two or more arteries of traffic. However, the prospective operator

³Lansing P. Shield. "Where Do Supermarkets Go From Here?" An address presented before the Nineteenth Annual Meeting of the National Association of Food Chains. Miami Beach, Florida. October 26-30, 1952. Washington: National Association of Food Chains. p. 3. The survey results are based on responses from food chains operating 9,400 stores doing an annual volume of over five billion dollars.

⁴"Here's Help In Deciding Space Needed For Parking." National Grocers Bulletin. 29 (February, 1952). p. 60.

should consider the proximity of homes when evaluating such a location. A store that is on a main artery without being in close proximity to the homes of the customers may do a large share of "drive-in" business, but will forfeit "walk-in" business. The congestion of some intersections may have a deterring effect on super markets due to the effort required to reach the store. But, on the whole, such locations are very desirable.

Traffic flows and census figures are usually obtainable from the traffic division of state highway departments. Where such information is not available, some chains make a survey from the air. From an airplane a better knowledge of the flow of traffic and the relative importance of various streets and intersections can be obtained.

Accessibility. The factor of accessibility of the site to potential customers is vital to success. Accessibility involves a number of considerations; the major considerations are as follows:

- Distance of the proposed store from residences of potential customers.
- Amount of traffic congestion prevailing in the district and the variations in this congestion during hours of the day and days of the week.
- Parking facilities available within convenient walking distance of the proposed store.
- Side of the street upon which the store is located.
- Width of the street, so that potential customers are not discouraged from visiting the store because of being jostled or by a slow flow of street traffic. Streets with marked inclines and dead ends are also less desirable.

The part of the block in which the site is located; i.e., whether it is a corner location or an inside location.⁵

In addition to the above considerations, transportation accessibility should be considered. Good roads or highways leading to the site encourage food shoppers to trade at a particular location. Less than five per cent of super market customers arrive at the store by means of public transportation,⁶ Therefore, the lack of public transportation to the considered site is not a great drawback.

The accessibility of a site is often related to the sequence of shopping. For instance, super markets located on the right side for homebound traffic are readily accessible for grocery shopping on the way home. Automobile traffic surveys can readily indicate the accessibility of a site to prospective customers. These surveys are also useful in determining the parking space requirements for the proposed store.⁷

Drawing power factors. Although many successful super market operations are conducted outside of established trading centers, prospective operators should be cognizant

⁵Delbert J. Duncan and Charles F. Phillips. Retailing Principles and Methods. 3rd ed. Chicago: Richard D. Irwin, Inc., 1951. p. 133.

⁶Joseph Bapput. Super Market Requirements. Appraisal Bulletin No. 48. St. Louis: Roy Wenzlick & Company. October 16, 1950. p. 458.

⁷Ibid.

of the fact that secondary shopping centers attract large numbers of people, who are likely to be purchase-minded and are susceptible to offerings made by any visible business establishment.

Shoppers like to trade at a center in which they can find anything they desire. Thus, the prospective operator should study the proximity to other establishments and determine to what extent the district is a trading center.

The State of New York Department of Commerce offers the following list of establishments that are basic in a secondary shopping area:

1. Drugs -- with counter facilities (soda-sandwich-cigars-periodicals).
2. Groceries, meats and vegetables.
3. Bakery goods.
4. Gasoline and garage service.
5. Variety goods
6. Hardware.
7. Dry cleaning service.
8. Laundry service.
9. Shoe repairing.
10. Beauty and barber shop service.⁸

A trading center in a secondary shopping area usually serves a residential area covering approximately one square mile and is usually at least two miles from any other shopping district.

⁸New York State Department of Commerce. Shopping Center Development. Albany, 1949. p. 7.

Where there is sufficient volume to support two super markets, these outlets will tend to seek each other's company. Two super markets will attract more potential customers than one. A high proportion of these customers will make purchases, and a greater number of satisfied customers makes for more repeat business. Under most other circumstances, however, super markets attempt to avoid locating next to each other. In fact, many organizations check the zoning regulations that apply to other available sites in the area to estimate future competition.

A prospective operator should also consider the direction of growth of the trading center in order to select the best site. It is important to note the cause of movement, as well as the direction of movement away from the present center of an area in order to select a site in the path of such movement. Locations should be selected in the path of growth, for what may be a good location today may become a poor one in years to come.

There are several ways of determining the direction the shopping area is moving. This may be readily apparent from the location of the most recently constructed store buildings.

Topography also has a very important influence on the direction of growth. Public buildings, parks, factories, railroad yards and hills all may stop the growth in certain

directions. Often local sources such as the chamber of commerce or realtors may have on file a series of traffic counts for a number of districts taken over a period of years and such studies will reveal the trends.

Finally, in order to determine the cost of the site development local contractors should be consulted. A topographical survey should be made to determine grading costs and other unusual expenses which could affect the building cost and, in turn, the annual rental. Utilities are usually available but their availability should be noted as this is a major consideration in selecting a site.

The problem of site analysis varies with each situation. It is difficult to establish hard and fast rules for the selection of a site because of the incommensurable circumstances inherent in each situation.

The process of site analysis is difficult. It not only involves a judgment of the present importance of factors affecting the desirability of the site, but some notion must also be formed as to the trend with respect to certain factors. There are no formulas for this process that are completely reliable because all variables are not known, and the significance of those that are known is difficult to estimate.⁹

⁹Fred M. Jones. Principles of Retailing. New York: Pitman Publishing Company, 1949. p. 173.

CHAPTER VI

THE FACTORS AFFECTING THE VARIOUS TYPES OF LOCATIONS

Many of the factors in site selection vary in importance from one type of location to another. Where one factor may be of great significance in one type of location, it may be only of minor importance in another type of location. For instance, a heavily traveled street is generally considered to be a good metropolitan location; on the other hand, almost any location providing sufficient space would qualify in rural areas since most small towns are spread along one principal street.

Although the problems involved in evaluating metropolitan, suburban, highway, shopping center, and rural locations are similar in many respects, there are specific problems inherent in appraising each type of location.

The fundamental question of where to locate a new unit became an even greater problem when the newly created shopping centers appeared throughout the country. Management must now decide whether to locate in a newly created shopping center, a growing suburban district, or in old established areas such as metropolitan districts and rural areas. Most food chains believe that locations in new shopping centers will

gradually replace traditional food store locations.¹ Considering the slow change in retail patterns over a period of years, however, it is unlikely that shopping centers will replace the traditional locations for many years to come as the established locations are likely to be in existence for many decades. Furthermore, it is unlikely that food retailers will move from present profitable locations to new shopping centers at the expense of sustaining losses in investment and sales in the old stores.

A location analysis of 167 new super markets reveals that 37 per cent were located in residential areas, 34 per cent in new shopping centers, 21 per cent in old established business centers, and 8 per cent on highways in sparsely settled areas.² On the basis of this survey about one-third of the new supers were built in shopping centers, which certainly represents a new trend in super market locations.

The considerations involved in evaluating the various super market locations are presented below in the form of a summarized check-list. The majority of the following

¹Lansing P. Shield. Op. cit. p. 2. Two thirds of the respondents expressed the above opinion.

²"Super Market Institute's 16th Is A Facts and Figures Convention." Chain Store Age. Grocery Executives Edition. (June, 1953). pp. 82c f.

considerations are as outlined by Fred J. Bury of E. R. Godfrey & Sons Company.³

Metropolitan Area

- (A) A conspicuous location.
- (B) On a heavily traveled street or streets.
- (C) At an intersection, particularly if cross traffic is heavy.
- (D) Sufficient land for store of adequate size.
- (E) Parking facilities of from 5 to 1 for medium size store to $2\frac{1}{2}$ to 1 for larger super market.
- (F) Avoid area with too much congestion where this could be a handicap to convenient food shopping.
- (G) The number of stores in the same competitive area. There is room for only a certain number of super markets before the saturation point is reached.
- (H) The quality and standards of such other stores.
- (I) What is the family population trend.
- (J) Is family income from diversified sources.
- (K) Are activities seasonal.
- (L) Approximation to other shopping sections.
- (M) Present zoning regulations covering location under consideration.

³Written communication. April 30, 1953.

- (N) Possibility of City Council changing these regulations and subsequent effect.
- (O) Zoning permitting other nearby shopping center development.
- (P) Shift in trend of family income group - some sections coming up - some declining.
- (Q) Will the prospectus covering the proposed location development indicate volume and profit potentials up to required amount? A projection of sales, gross profits and expenses is a must, especially if mortgage or other loans are involved. A prospectus should indicate that the anticipated net profit, plus depreciation and leasehold write-offs total twice the commitment on mortgage and loan obligations.
- (R) Density of population study.
- (S) Too many food stores per capita may mean limited potential.
- (T) Some excellent business locations are occupied by residences. In some cases, these homes are old and decrepit and can be purchased at prices no higher than the land. In this manner, the desired amount of land can be obtained in the particular area desired. Some of the highest volume supermarkets have been developed at such sites.

- (U) A corner business is always first choice because of greater conveniences of ingress and egress to parking and because of its conspicuousness.
- (V) A location on a main highway in a metropolitan area is distinctly an advantage and in estimating potential sales from the normal supporting area, another 25% can be added to expected volume from automobile transients.
- (W) It is well to avoid sites where either the store or the parking lot is on an extreme hill. This inconvenience will give a competitive super market in the area an advantage difficult to overcome - especially in snow and icy weather. Building is also more difficult and expensive.
- (X) Locations at end of bus and transportation lines have a plus value.
- (Y) Investigate possibility of major street widening or other undertaking which might cause the closing of the street for a long time. At present, one retailer now has had his street closed for the past 8 months, causing a sharp decline in volume.
- (Z) Look into soil characteristics to determine bearing value - also drainage.

Suburban Locations

- (A) All of the points applying to metropolitan locations outlined earlier.
- (B) Since suburban areas for the most part represent newer residential communities, there is generally less property zoned for commercial purposes. Zoning maps should be obtained so as to know exactly what sites may offer competition in the future.
- (C) More land is desirable to provide for future growth - not only for the enlargement of the food store and subsequent parking requirements but also for the establishment of other retail outlets which can contribute to the greater development of the location. A common error has been the failure to purchase sufficient land and, therefore, the wisdom shown in the selection of location has not brought its full degree of fruitfulness.
- (D) "Suburban Growth Twice As Fast As City." 32
metropolitan areas (with 500,000 or more people) studied by the National Industrial Conference Board supplied data for this heading. The suburbs around Chicago had a population increase in the last ten years five times greater than the control city.

- (E) Many of the large Housing Projects are being located in the suburban areas.
- (F) Many counties have developed a "Master" or "Comprehensive plan" as applied to the area of the county outside the limits of the metropolitan area, so that an overall coordinated program comprising the physical, social and economic features can be brought about harmoniously. This involves ultimate relocation of major and second-thoroughfares, changes in zoning affecting Residential, Business, Industrial and Agricultural Districts. A study of such Master Plans may be a determining factor in Location Selection.

Rural Town Locations

- (A) It is surprising to see figures of sales and profits of super markets in moderate size rural towns. The same analysis that would be made of City and Suburban locations would apply.
- (B) Since most small towns are spread along one principal main street, it could almost be said that any spot providing sufficient space would qualify.

- (C) The best spot to build a drive-in market in a small town would be the location where two or more highways join coming into town as closely abutting the residential area as possible. Above all, there must be plenty of width to the lot - at least 300 feet.
- (D) More and more people are moving to small towns, within a 3/4 hour drive from their employment in an industrial city. This is especially true if the area has nearby lakes, resorts or recreational facilities. Small towns close to large cities with good commutation facilities by rail or electric line should be considered.

Highway Locations

- (A) One has only to drive around the outskirts of any large city to note the large number of new homes which are being built 5 and 10 miles outside the city limits. These people will buy their groceries enroute to or from the city at the well equipped drive-in market.
- (B) The location near the intersection of two heavily-traveled highways just cannot miss. Figures on sales and profits on such locations have been phenomenal.

- (C) A location many miles out of the city on a well traveled 4-lane highway where there is no other food service for about 5 miles in either direction has proven very profitable. There may be only a sprinkling of homes along the highway, yet the store draws from a greater than average area. Many city people enjoy a little drive in the country and appreciate an excellent store where they can shop for foods conveniently, completely, and without confusion or congestion.
- (D) Highway locations should have land frontage of at least 500 feet with 3-- maximum feet depth. Land cost in an area like this is about \$10.00 per front foot or less.
- (E) Many municipalities are now conscious of the need for zoning on highways and as these are established it will cause land values in this category to increase. In Jefferson County, Wisconsin, the County Board has limited commercial zoning on Highway 30 to 9 intersections. These 36 corners must provide the sites for all lines of business. This will enhance the value of Highway intersection locations. It will also give new ventures greater protection in the future and reward the Food Markets who have pioneered these sites.

- (F) Personal Property and Real Estate taxes are substantially less outside the metropolitan areas due to lower assessments and lower tax rates -- a very important matter with the present excessive tax burden imposed on business.
- (G) There is a national trend towards industrial decentralization. Large manufacturers are inclined to locate away from congested districts so as to provide safer, healthier and more pleasant working and environmental conditions.
- (H) Our population is constantly growing. Cities are active in annexation programs. Both these facts will support the contention that highway locations, well chosen, properly developed and managed, are becoming increasingly desirable. New outlets in these areas so set up have proved very profitable.
- (I) Which is the right side of the street or Highway to locate on? A group of us turned down a location for the reason that it was on the wrong side of the street. All of us have been in this line for longer than that. An independent dealer who didn't know that it was a poor location took it over and his sales are about $1\frac{1}{2}$ million dollars

a year. Eight blocks away was the corner we thought was the good one - it was on the right side of the street leaving town. A corporate chain opened a larger super - with more parking - it's beautiful - but it's not coming even close to the volume expected of it.

- (J) It is important to ascertain if there are any plans established or under consideration to depress or elevate a highway intersection. Such an event could have a tremendous effect on a drive-in market at such an intersection.

Of course, there are many unfavorable factors in evaluating any super market location. However, the most important factors should be of a favorable nature in order to be reasonably optimistic about a prospective location.

The Shopping Center As A Super Market Location

The decentralization of population and the retailing structure. Population increases in cities throughout the country are much smaller than those in suburban areas.

According to the 1950 census, a comparison of the 1940 and 1950 populations of the thirty-two largest cities reveals that suburban and city populations combined increased about thirty-seven per cent, while the cities themselves increased

only about eleven per cent.⁴ This decentralization of population has brought about a significant change in the retailing structure; namely, the decentralization of shopping areas and the newly created shopping center.

Many textbooks have commented on the trend of decentralized shopping areas to show its effect on retailing. Using the figures of the Bureau of Census, the Institute of Life Insurance reports:

For the nation as a whole, the total number of retail stores increased 15 per cent between 1929 and 1949 while the aggregate dollar volume of sales rose by 166 per cent. As against this yardstick, the number of retail stores in the 32 big cities proper decreased one per cent in the two decades while their sales rose by 119 per cent. For the rest of the nation, however, the number of stores was 20 per cent higher in 1948 than in 1929 while sales increased 191 per cent in the period.

A substantial part of the growth of retail business outside the big cities has taken place in the suburbs, reflecting the rapid population growth in these areas, especially after the war. In the decade between 1939 and 1948, for example, the number of stores in the metropolitan areas of the 32 leading cities, exclusive of the cities themselves, gained by nearly 13,000 while the retail sales in those communities were up approximately 225 per cent.⁵

Whether the impact of decentralization will be heavy enough to cause food retailers to abandon their present

⁴S. O. Kaylin. "The Chain Store In The Planned Shopping Center." Chain Store Age. Grocery Executives Edition. 29 (May, 1953). p. 219.

⁵Curtis Publishing Company. Locating A Retail Outlet. Philadelphia, 1953. p. 6.

locations is largely a matter of opinion. To listen to the fervent advocates of shopping centers, one would conclude that central business districts are doomed. In the October 27, 1952, issue of Collier's an article entitled, "Solving That Parking Problem," by Charles T. McGavin reads in part:

The cities have been saved by the bell three times. Once was in 1933 when the depression stopped suburban building. The second time was in 1941, when war preparation cut material supplies. And the third time was in 1951, when rearmament again brought restrictions. If enough downtown parking isn't provided by 1961, our big cities will have to surrender, and reconcile themselves to a permanently slower tempo. And that's just another way of saying they'll strangle to death.⁶

But it should be noted that large cities are contemplating countermeasures to compete with the suburban shopping center. Already many cities are considering new parking plans, modernization schemes and new highways leading into the central districts.

The importance of the suburban trend and, more particularly, the shopping center development warrants an examination of the advantages and weaknesses inherent in such developments.

⁶Lansing P. Shield. Op. cit. pp. 2f.

Advantages and weaknesses of shopping centers.

Undoubtedly, the most important advantage of shopping centers is adequate parking facilities. It is the increase in the number of automobiles, with the resulting traffic congestion, which has made possible the growth of shopping centers. Thus, the lack of economical and convenient parking lots in central business districts has been a favorable factor in the growth and prominence of shopping center developments.

The second advantage is that a shopping center provides a balanced shopping attraction for the public. In many shopping districts the necessary drawing power may be lacking that would otherwise be of great benefit to the whole district.

A third advantage is that competition is usually controlled. Excessive competition is often prevented by protective clauses such as those that prohibit another super market until some designated volume has been attained in the shopping center as a whole. However, it may be desirable to include two super markets in a shopping center, as is indicated in the following case. A mid-west shopping center had only one super market which was operating considerably below expectations. Later a second super market was opened. Then, without any important changes in the

population pattern of the area, business increased steadily for all the stores in the center.⁷

The fourth advantage is that all the stores are modern and attractive. Even where old districts may have many new or remodeled stores, other obsolete buildings may detract from the appearance of the district, as a whole.

The strong feeling of community interest usually prevalent in controlled shopping centers is still another advantage of this type of location. The merchants in a shopping center are generally more cooperative in group promotions for they all have a stake in the center's success, which normally benefits the center to a marked degree. Whereas merchants in older districts do not have the same degree of homogeneity of interests.

To be sure, not all shopping center advantages have been realized in all instances. In fact, many shopping centers will fail in spite of these advantages. Every company should investigate and analyze each proposal with respect to the future as well as the current situation. Thus, it might be well to indicate the various weaknesses inherent in some localities. They are as follows:

1. The suburban center is dependent on one means of transportation -- the automobile. Our present economy does not guarantee any

⁷"The Chain Wants To Know." Chain Store Age. Grocery Executives Edition. 29 (May, 1953). p. 208.

over-abundance of gasoline for civilian use over a protracted period of time.

2. Outlying areas are more vulnerable to competition than central districts. If all that is required is acreage, a combination of main traffic arteries, and X dollars in purchasing power, then dozens of suitable locations can be found within a given section where land costs will be little more than farm prices.
3. Any lessening of purchasing power will cause people to weigh convenience against "savings." The cost of driving a car ten to twenty miles to and from a suburban center may become an important item of consumer expenditure as against one or two bus fares to the central city.
4. The habits, tastes and desires of the public are sometimes fickle. A suburban center will not necessarily "pull" tomorrow because it does so today.
5. Any overproduction of any competitive store space can mean only a general weakening of both central and outlying areas. Overproduction of store areas can be as disastrous as any other kind of overproduction.
6. "Name-brand" stores do not necessarily spell "success," and the prominence and credit rating of leading stores will not alone equalize the risk of investment between the outer area and "Main Street."
7. If a shopping center directs its main appeal to middle class families, the chances are that many women will not have a car five days a week because their husbands will drive them to the factory or central city to work, or conversely towards the plant located in an outlying area. In many cities the bus and the automobile are the main means of transportation to work; also the average central

city worker, be it father, daughter or son exhibit tendencies to prefer shopping in the mid-city.⁸

Although the above weaknesses are general, overall implications, they are important considerations, nevertheless. Specific weaknesses pertaining to the site analysis will be indicated in the following check-lists.

Distinguishing between shopping center proposals.⁹ With hundreds of shopping center locations being offered to super market organizations throughout the country, there is a definite need for establishing a basis to distinguish between shopping center proposals. The need for a discriminatory basis is readily apparent, when one considers that five centers are being planned for every one in operation now.¹⁰

The considerations in evaluating a prospective shopping center site are:

1. Competition with other centers, actual and potential.
2. Access to the site.
3. Check highway capacity. (Every highway has a certain carrying capacity. A one lane highway should be able to carry 700 to 800 cars per hour; a four lane highway should be able to

⁸Robert Armstrong. Op. cit. pp. 9f.

⁹S. O. Kaylin. Op. cit. pp. 20lff. The majority of the following considerations are as outlined in this article.

¹⁰Ibid. p. 20l.

carry roughly 3,000 cars per hour. If this capacity is reached even before the shopping center is built, it is obvious that there is practically no room for the additional traffic created by center.)

4. Where will new homes be built?
5. Is a better location available in the area?
6. Is the site the right shape for a center?
7. Is the site large enough to accommodate the balanced shopping attraction required to meet the area's needs?
8. Economic analysis of the trading area.
 - (a) General population, income and traffic factors of the area.
 - (b) Number of persons within driving-time radius applicable to a specific line of business.
 - (c) Within specified driving-time zones, the number of telephones in operation, the number installed during the past four or five years, the number expected to be installed in the next four or five years.
 - (d) The distance from competitive and company-owned super markets.
 - (e) Water, gas, and electric meter concentrations.
 - (f) School locations, enrollments, plans.
 - (g) Number of bank depositors, savings accounts.
 - (h) Industry and payrolls, with stress on diversification of industry.
 - (i) Estimates of actual volume of automobile traffic, compared with estimated capacity on major routes.

After narrowing down the number of proposals, a super market organization should consider many other factors before making a commitment for a location in a shopping center. The following questions should be considered:

1. Who are the major stores in the center?
2. What is the character, background and experience of the developer?
3. Will the parking facilities be adequate?
4. Accessibility of parking.
5. Ease of parking.
6. Where should parking space be located?
7. Maintenance of parking area.
8. Provision for expansion of parking space.
9. Visibility from parking area.
10. Is the size of the center keyed to the capacity of existing roads?
11. Are freeways being contemplated or constructed?
12. Are there adequate street identification signs?
13. What about truck access?
14. Is the center on the "right side" of the street?
(Often advisable to locate on the side of "going-home" traffic. However, if the center lies cityward from the tributary population, it should probably be located on the side of city bound traffic.)
15. Is the super market the only "draw" in the shopping center?
16. Proper balance of lines of trade.

17. Provisions for future expansion.
18. Is the developer a good sales promoter?
19. Are some stores too small?
20. What about service facilities?
21. Are public utilities adequate?
22. Who shall specify, furnish, install basic, non-specialized equipment?
23. Location within the center. Super markets usually want to flank the centrally situated store. However, some companies prefer to locate their markets at the end positions where parking is likely to be more accessible, especially if the parking area adjacent to the store is just off an important road.

There are many opinions on shopping centers among super market operators. But if performance is indicative, the fact that so many leading operators are locating new units in shopping centers indicate that they have confidence in the principle.

CHAPTER VII

ESTIMATING THE POTENTIAL SALES FOR A PROSPECTIVE SUPER MARKET

Estimates of sales potentials serve a twofold purpose. The more important function is to determine whether the particular location offers sufficient volume to provide an adequate return on the proposed investment. Secondly, it is possible to determine how large a building to plan for the proposed super market.

A prospective operator will attempt to set some estimate of the potential sales of a prospective market. Whether or not the estimate will be set by utilizing a scientific approach may be another question. It is true that scientific estimates of sales potentials are just compilations of figures, but "in the hands of a discerning management, they are tools for making more intelligent decisions regarding future action on a factual, rather than on an intuitive, basis."¹

Before the prospective operator can estimate the sales potential of a proposed store with reasonable accuracy, he must determine what proportion of the total volume available

¹David J. Luck and Hugh G. Wales. Marketing Research. New York: Prentice-Hall, Inc., 1952. p. 15.

he can expect to obtain. In Chapter IV the means of estimating the total volume of a particular trading area was discussed, but the question now confronting the operator is one of determining how much of the area potential could be obtained by the new store.

Estimating the Expected Proportion of Business

Estimating the share of the market a new super market may reasonably obtain depends on the existing competition, buying habits of prospective customers, accessibility of the considered site, and the effectiveness of the prospective store management. There can be no set method for determining the amount of the total business a new store may expect to obtain for the various factors are not commensurable in each situation.

Large organizations with numerous outlets may learn by experience what per cent of the business in a certain type of a location a new store can get. But even in such cases, no two situations are exactly the same. Many circumstances may be similar but the variables should be analyzed closely. Often, where situations appear to be similar some unknown facts may tend to distort the analogy. Thus, the experience gained by studying other locations of a similar character should be used only as a guide and not as the sole determinant of estimating the proportion of business to be expected.

Evaluating competition. Since competition will determine, to a large degree, the amount of business to be obtained by a new store, some techniques of evaluating competitive outlets appear to be in order. Perhaps the best way to measure the quality of competition is to determine their sales volume. Still another method is to make a survey of the trading area population to determine their acceptance and coverage of the market area. An inspection of the competitive markets will provide a good basis upon which to evaluate their effectiveness. Often a form such as Figure 5, presented on page 94, is used when inspecting a competitive super market. Community business men and officials are also a good source for measuring the acceptance of competitive outlets. The latter two methods are self-explanatory but the first two methods require additional discussion.

Obviously, the simplest way to learn of competitors' sales is by "word-of-mouth." Many organizations obtain such information by merely talking to the store manager of a competitive market. Often this information is available from sales representatives and various trade rumors.

When the sales of competitors are not obtainable from such sources they are frequently estimated in a variety of ways. One of the most commonly used methods is that of counting the number of check-out counters and estimating

SUPERMARKET REPORT

Store _____ Address _____ City _____
(indicate nearest cross street)

Dimensions of Building: _____ Area: _____

Dimensions of Sales Room: _____ Area: _____

Basement: ☐ Yes (☐ Same size as building, ☐ 3/4 size,
☐ No ☐ 1/2 size, ☐ 1/4)

No. of Spaces in Lot: _____ No. of Check Stands: _____

Other Parking Nearby: _____

Store Hours: _____

Type of Fresh Meat Operation: ☐ Self-service ☐ Butcher-service
☐ Combination of both

Type of Fish & Poultry Operation: ☐ Self-service
☐ Butcher-service
☐ Combination of both

Special Departments, Features or Facilities: _____

Description of Exterior: _____

Description of Interior: _____

Description of Immediate Neighborhood or Shopping Center, if any: _____

General Impressions: _____

On the reverse side make rough outline sketch of building, sales-room and parking lot, showing approximate dimensions, and location of entrances to store and lot. Show street names, and indicate type buildings adjacent to this store.

FIGURE 5

the sales per cash register. The weekly sales per register varies from \$3,500 to \$8,000 depending on the various types of check-out facilities. The conventional type of check-out counter is normally averaged as doing between \$3,500 and \$5,000 a week, while the motorized check-out facilities are estimated as doing between \$6,500 and \$8,000 weekly.²

Another method frequently used involves counting the number of employees in the store and estimating sales on the basis of an assumed average per clerk. Since sales in food chains and other super market organizations approximate twenty dollars per man hour, this figure is used to estimate the sales of competitive super markets.

Still another method in use is determining the square footage of the store and estimating sales on an assumed average of \$2.50 to \$3.25 per square foot of selling area.³ The efficiency of the operator under consideration may greatly affect the reliability of this method, however. This measure of sales is used in conjunction with one or more of the other techniques.

One large voluntary group has developed a unique method.⁴ The cash register must be the type that prints

²Consensus of those operators surveyed by questionnaire.

³Ibid.

⁴Helen G. Canoyer. Op. cit. p. 34.

both the dollar total of each purchase and a cumulative figure showing the number of customers for the day or for a number of days. A company representative makes the first and last purchase of the day. By assuming an average sale based on the company's own experience, it is then possible to estimate the total sales of the competitor.

A more elaborate method is that of counting the number of customers coming out of the store and taking cash register readings at frequent intervals, such as every fifteen minutes for a given period.⁵ This technique will provide a reasonably accurate estimate of the average sale per customer and, when multiplied by the number of customers for a given period, the sales for the week can be determined by consulting company records as to the proportion of weekly business done for the specified period. Generally, such a technique is employed for two peak days.

Sometimes the estimate is obtained by clocking the number of people entering the store and estimating sales on the basis of an assumed average purchase. Estimating volume by this method requires facts on the proportion of actual to potential customers entering the store, and

⁵Statement by food chain representative. Reference to the source is not made specifically in compliance with the request of the submitting representative.

the average purchase. These facts are often determined from the experience of the company making the analysis.

Another technique used not only to estimate the sales of stores but also to form an idea as to the need of a new super market is the personal interview method. The three basic fields of study in such surveys are:

- (1) Where do these people shop now and what are their present buying habits?
- (2) To what extent are they satisfied with what the present markets offer to them? What do they miss? How strong is their allegiance to these supers which they frequent now?
- (3) How many would be willing to patronize a new market?⁶

In respect to the last question Dr. Schrier states,

This last field (of study) is particularly promising. We know from studies which we have conducted that the intentions of people as stated by them in interviews are surprisingly reliable and that predictions based on these intentions come true.⁷

There are certain problems entailed in the survey method. The limits of the trading area must be assumed on the basis of experience gained from other markets of

⁶Fred T. Schrier. "How To Evaluate A Trading Area." Super Market Merchandising. (March, 1948). p. 117.

⁷Ibid.

a similar nature. The selection of the sample to be interviewed must be done in a scientific manner. The sample must be as nearly as possible an exact cross-section of the population; for instance, if the census reveals that twenty per cent of the women are between thirty and forty years of age, then the survey should also include twenty per cent of the women in this age group, and similarly for the other population characteristics. The results of the survey must be projected to the actual composition of the population as provided by census material.

It cannot be emphasized too strongly that the results of such a survey are reliable only when the principles of scientific sampling are strictly observed. Thus, it is unwise for an inexperienced staff to use this technique because of the ease with which bias or error can enter into the questionnaire, the recording, and the analysis of the data obtained.⁸ When planned and carried out by an experienced staff, however, this method is reliable.

In addition to indicating the strength of local competition, the interpretation of the survey results may point out some facts to be used in formulating store policies to improve shopping conditions.

⁸Helen G. Canoyer. Op. cit. p. 35.

"Rule of Thumb" and experience judgments. Many operators go to great lengths in doing research to determine the portion of business they will do in a certain area. Others depend on experience in other locations and rule of thumb judgment to a great extent. According to the author's questionnaire survey of several food chains, some rule of thumb estimates to determine the percentage of the total food sales of an area a new super market could expect are:

"Usually 25 to 30% assuming that other food stores are already established."

"... just a guess of about 30%."

"Approximately 20 to 25%."

"25% maximum."

"25% with normal competition."

"We estimate from 8% to 10% of the total food purchases available."

"... certainly it would not exceed 35%. But that depends upon the distribution, location and effectiveness of competition."

These estimates are based on cumulative experience gained from situations in other markets. These rule of thumb methods depend upon the visual inspection, and local conditions of the area to a large extent.

Calculation of the Prospective Sales

After the various factors such as the number of families, the average family income, the total food business available

within a specified area, the number and quality of competitive stores, and the expected proportion of business available to the proposed unit are duly considered, the potential sales of a new super market can then be estimated.

Yardsticks in use. There are a number of yardsticks that food chains use to estimate the potential volume of a prospective super market. One such yardstick is the following formula:

$$\frac{\text{Number of people in the area}}{4} \times \$7 = \text{Weekly Sales}$$

The figure four in the above formula connotes the expected proportion of the business available within the area. While the seven dollar figure represents the average food consumption per person. Thus, when the number of people within the area is multiplied by the average food consumption per person and divided by the share of business expected, which is twenty-five per cent in this case, the estimated weekly sales volume for a proposed unit is readily determined.

Where a new unit will be located in close proximity with another super market, another rule of thumb method has been used. In general, where there was one store and now there are two stores, both stores will do one hundred and forty per cent of what was done by the former store.⁹

⁹Samuel C. A. Hanna. Analysis of a Location for a Supermarket. Unpublished B.B.A. Thesis. Cambridge: Massachusetts Institute of Technology, 1948. p. 44.

Using similar situations as a base. One regional food chain makes a comparison of the percentage of food store sales which is being achieved in other locations of a similar character to estimate the prospective sales of a new unit. After the estimated total food business of the area is calculated and the competition in the area is evaluated, this chain selects three stores of a similar size in a trading area which has approximately the same population and income level. The sales of these stores are combined and an average of the sales per one thousand population is computed. When this figure is multiplied by the population of the trading area under consideration, the expected sales volume of the new unit is determined. Since the comparison with similar areas usually results in an estimate within five per cent of actual sales, this method has proven to be quite accurate.

The highway location. Estimating the prospective sales of a highway location is a difficult problem, indeed. At the 1952 mid-year meeting of Super Market Institute, one operator, whose name was not revealed, stated:

Anyone who tells you that he can forecast the business you will do on a highway location is a charlatan. The problem of evaluating highway location stumps the experts. We have had a man study that problem for two years, and he has not come up with anything concrete as yet. I don't know whether he ever will.¹⁰

¹⁰Super Market Institute. Op. cit. p. 16.

According to one study,¹¹ a highway site by which 2,000 to 2,500 automobiles pass per hour is a good location for a super market solely dependent on transient traffic. This study indicates that five to ten per cent of all family representatives that pass the considered site each day will stop to shop. On the assumption that five per cent of the traffic will stop at the store, the following formula was devised to indicate the computation of the prospective weekly sales for a highway location.

.05 x 10,000 (number of automobiles passing the
location during the store hours for
an entire week)

x \$20.00 average food expenditure per week

= \$10,000 weekly sales expected from transient traffic

Of course, an analysis of the type of traffic passing by a highway location would be very important. Traffic census figures may be available from the State Highway Department, but surveys should be made to reveal the hourly distribution of traffic and the number of potential customers passing the location.

A case study.¹² The purpose of this case study is to present the entire process involved in estimating the

¹¹Samuel C. A. Hanna. Op. cit. pp. 43-44.

¹²Adapted from Leon W. Ellwood and Robert H. Armstrong. Op. cit. pp. 194-197.

potential sales of a prospective super market. The site under consideration is a 45,000 square foot parcel of land to be improved with a 12,000 square foot super market and 33,000 square feet of black-topped parking space. The site is located on a four lane back street within two and a half blocks of the present one hundred per cent area. It is readily accessible from all sections of the primary trade area without driving through the congested blocks.

The first consideration is that of determining the trading area of the particular location. Since there are two other super markets within three blocks of the considered site, the trading area may be determined with ease. By simply listing the license numbers of automobiles in the competitors' parking lots, and then obtaining the addresses of owners from the license register and plotting them on a map, the boundaries of the area from which the store will attract trade is determined.

From census data, public utility records, municipal offices, local bankers, and a personal inspection of the area one can obtain such information as is summarized in Table III, page 104.

In general, the area comprises a pleasant and prosperous suburban, residential community which has experienced very rapid growth. Indications are that its growth will continue

TABLE III
POTENTIAL MARKET DATA*

Primary trade area, square miles	27
Maximum driving time, minutes	10
Built up within 5 minutes	75%
Balance of area	50%
Population	62,500
Families	18,000
Home owners	85%
Age of dwellings:	
over 30 years	5,600
20 to 30 years	4,100
10 to 19 years	2,200
less than 10 years	5,900
Dwellings under construction	
Average value - from assessor's office	\$11,500
Average family income	\$ 6,850
Estimated total retail expenditures per year	\$67,600,000
Estimated retail food purchases	\$16,400,000
Existing retail food stores	46
Supermarkets with parking space	3
Floor space existing supermarkets, square feet	28,000
Estimated floor area existing food stores, square feet	97,000

*Source: Leon W. Ellwood and Robert H. Armstrong.
 "Stores, Shops, and Shopping Centers." Part II.
Journal of Appraisal. 20 (April, 1952). p. 196.

for perhaps another twenty years. About sixty per cent of the wage earners are commuters. The remaining forty per cent work in local diversified industries. Unemployment has never been a serious problem because of diversity and the large proportion of residents engaged steadily in the city proper.

The business district of this community has become over-congested. The present markets with provisions for customer parking, together with the subject property, undoubtedly foreshadow much-needed expansion and decentralization of the business district to alleviate this crowded condition. The oldest of the super markets has been in operation about four years -- and it was enlarged after three years. This store is still too small, but it cannot be further enlarged without sacrificing parking space which is already insufficient to accommodate the load during peak shopping hours.

In 1951 national super market sales amounted to 41.8 per cent of all retail food volume and there was approximately one super market per ten thousand population. From this and the summary of local information, it is possible to develop the data set forth in Table IV, page 106.

The ratios in Table IV as well as the observations made concerning acute traffic congestion during popular

TABLE IV
POTENTIAL SALES DATA*

total retail food space with subject added (97,000 + 12,000)	109,000 sq.ft.
Supermarket space with subject added (28,000 + 12,000)	40,000 sq.ft.
Percent of total space represented by subject (12,000 ÷ 109,000)	11%
Percent of supermarket space represented by subject (12,000 ÷ 40,000)	30%
Supermarket sales potential based on national averages (\$16,400,000 @ 41.8%)	6,850,000
Subject's potential based on percent of total space (16,400,000 @ 11%)	1,800,000
Subject's potential based on percent of supermarket space (6,850,000 @ 30%)	2,050,000
Population per supermarket, including subject (62,500 ÷ 4)	15,600
Supermarkets needed to equal national average (62,500 ÷ 10,000)	6.25
Indicated shortage, including subject (6.25 - 4)	2.25
Population per food store, including subject (62,500 ÷ 47)	1,330
Average sales potential per supermarket, including subject (6,850,000 ÷ 4)	1,712,500
Ratio population per food store to 1950 national average (1,330 ÷ 650)	2.05 to 1
Ratio population per supermarket to 1951 national average (15,600 ÷ 10,000)	1.56 to 1
Ratio sales per food store to 1950 national average (349,000 ÷ 92,000)	3.80 to 1

*Source: Leon W. Ellwood and Robert H. Armstrong.
"Shops, Stores, and Shopping Centers." Part II.
Appraisal Journal. 20 (April, 1952). p. 197.

shopping hours clearly indicate a demand for more super market facilities. The discrepancy between population and sales ratios is attributable to several factors. The community is part of a large, thickly populated, metropolitan area. Family incomes are higher than average. Most of the people depend on the retail markets for food. Family vegetable gardens and poultry yards are virtually nonexistent, so they have little influence on the grocery bills of the families residing within the trading area surrounding the subject property.

From this analysis of the location and considering the size and type of facilities to be provided, it is apparent that a good merchant should attract at least ten per cent of the present volume. This store could probably do twice that much without crowding the store any more than some of the existing stores are now. There will probably be more competitive stores in the future, but with a conveniently accessible location and good parking facilities in a growing community, a well-established store should maintain its volume. The older stores without parking and in congested areas will suffer the most from new competition. Thus, ten per cent of the present volume or, say, \$1,600,000 per year is a conservative estimate of the sales potential at the considered location.

Although this case study presents a unique approach, it nonetheless indicates the nature of scientific studies used to estimate the prospective sales for a site under consideration. The estimate of sales may appear to be somewhat conservative on the basis of the analysis, but it should be noted that the appraisal of the site potential was conducted to determine the maximum loan to be made by a financial institution.

In some cases, there may be several sites under consideration and estimates are worked out for each situation. Each case should be carefully weighed before a decision is made. Often the research department may be over-optimistic about particular sites. In this situation management must tone down market research estimates of potentials of new stores. On the other hand, management must have vision and initiative and should not be too conservative. In other words, management should be open-minded. Market research should supply the facts and present its conclusions and recommendations. Management should then weigh them and come out with a judgment decided on the basis of such research.

Evaluating the Profit Possibilities

Before selecting a site due consideration should be given to the profit possibilities of each particular site.

In most cases the most profitable store will be the one that has the greatest sales volume. However, this analogy is not true in all cases for the operating expenses may fluctuate from store to store depending on local conditions, managerial ability, transportation costs, and so forth. This fluctuation may readily influence the profit picture of any store. The determination of the profit expected requires an estimate of the sales volume, cost of goods sold, and the operating costs for a hypothetical store on the site under consideration and on each alternative site. A projected profit and loss statement such as that presented in Appendix C is used to determine the prospects of a particular location.

A case study.¹³ The site under consideration in this instance is located on a main thoroughfare in a heavily populated suburban area adjacent to a city of approximately sixty thousand population. The development of the site involves a new seven thousand square foot super market with ample parking facilities. There is no competitive outlet within a mile and a half and no commercially zoned property nearby. A drug store, hardware store, and filling station are located nearby. The prospective super market

¹³Adapted from Fred J. Bury. "Financing Your New Super Market." National Grocers Bulletin. XL (February, 1953). pp. 41ff.

should achieve fifteen thousand dollars a week. In order to make a more effective case before the lending institution, however, the estimate was set up at only ten thousand a week even though everybody who has judged the venture has set sales at over fifteen thousand a week.

The projection of sales, gross profits, expenses, and net profit is presented in Table V, page 111. The projection of such data not only is invaluable in estimating the profit possibilities of a new venture but also serves as a sound basis for securing investment capital.

Still another technique of evaluating the profit possibilities of a new store is the "contribution theory."¹⁴ This theory is particularly applicable to chain store outlets. The contribution theory involves an assumption of the estimated sales volume of a proposed store and certain "escapable expenses," which are costs that are inherent solely in the operation of the store itself. The theory is presented in Table VI, page 112. Although the figures have been estimated arbitrarily, the table indicates the nature of the theory.

The remaining profit indicates that the store can meet its escapable expenses and, therefore, may be expected to

¹⁴Francis A. Derby. Store Location. Unpublished seminar report. Food Distribution Curriculum, Michigan State College. (October, 1951). p. 7.

TABLE V*

Based on Weekly Sales of \$10,000.00

Sales		Gross Profit	
36% Groceries	\$ 3,600.00 @ 13 % =	\$ 468.00	
30% Meats	3,000.00 @ 18 % =	540.00	
12% Fruits and Vegetables	1,200.00 @ 20 % =	240.00	
8% Frozen Food & Ice Cream	800.00 @ 18 % =	144.00	
9% Dairy	900.00 @ 15 % =	135.00	
5% Bakery	500.00 @ 16 % =	80.00	
100%	\$10,000.00 @ 16.07% =	\$1,607.00	
Total x 4-1/3 weeks	\$43,333.00 @ 16.07% =	\$6,964.00	16.07%
Expenses:			
Rent	\$ 750.00	1.73%	
Salaries	2,317.00)		
Personal	500.00)	6.50	
Car and Travel Expense	43.00	.10	
Phone	13.00	.03	
Heat	50.00	.12	
Light and Power	217.00	.50	
Social Security - Unemployment			
Compensation & Unemployment			
Taxes, Group Hospital &			
Surgical	44.00	.10	
Advertising	216.00	.50	
Personal Property Taxes	130.00	.30	
Insurance	30.00	.07	
Interest	125.00	.29	
Store Supplies-Laundry, etc.	288.00	.67	
Freight & Cartage	216.00	.50	
Accounting	26.00	.06	
Leasehold Improvements	174.00	.40	
Fixture Depreciation	217.00	.50	
Miscellaneous	49.00	.11	+
			5,405.00 12.48%
			<u>\$1,559.00 3.59%</u>
Net	\$ 1,559.00	3.59%	
Dep.	217.00	.50%	
L. H.	174.00	.40%	
Int.	125.00	.29%	
	<u>\$ 2,075.00</u>	<u>4.78%</u>	

*Source: Fred J. Bury. "Financing Your New Super Market."
National Grocers Bulletin. 40 (February, 1953).
p. 42.

TABLE VI

CONTRIBUTION THEORY*

Based on Weekly Sales of \$10,000.00

Assume Net Sales		\$10,000.00
Cost of Goods Sold (87% of Net Sales)		<u>8,700.00</u>
Gross Margin		\$ 1,300.00
Escapable Expenses:		
Rent	\$200.00	
Advertising	150.00	
Personnel Salaries	300.00	
Manager's Salary	100.00	
Display Material	20.00	
Supplies	10.00	
Transportation	20.00	
Taxes, Licenses, etc.	<u>10.00</u>	
Total Escapable Expenses		<u>810.00</u>
Contribution		<u>\$ 490.00</u>

*Source: Francis A. Derby. Store Location. Unpublished Food Distribution Curriculum Seminar Report. East Lansing, Michigan State College. October, 1951. p. 7.

contribute to the inescapable expenses such as the district and general office expenditures, interest, and dividends.

The evaluation of any location, therefore, should include a study of not only the prospective sales but also the profit opportunities of a new unit. Great effort should be made to indicate the possibilities of each location under consideration to select the best location available.

CHAPTER VIII

SUMMARY AND CONCLUSION

Summary

The purpose of this thesis is to study the problems involved in the site selection process; develop a general procedure for evaluating prospective locations; and indicate some sources of market information. This study is offered more as a "springboard," rather than hard and fast rules.

The information for the study was obtained from a questionnaire survey sent to several food chains, written and oral communication with men engaged in research and real estate capacities, and various secondary data sources.

The importance of proper location cannot be emphasized too strongly. While a good location may offset many merchandising deficiencies, sound merchandising can seldom overcome the handicap of a poor location.

From all standpoints -- the experts', the consumers', and management, proper location is of utmost importance. Authoritative sources appear to be in complete agreement that a poor location is a handicap even to the most competent management. Consumer surveys reveal that convenient location is the most prevalent reason for selecting a store. Considering

the large investment and the comparatively short life of super markets, management is also fully aware of the importance of proper location.

Although site selection can never be an exact science because there are several incommensurable factors that affect the appropriateness of a location, scientific research can provide a sound basis to guide management in making decisions regarding site selection.

The super market site selection process includes three main problems; namely, the selection of a trading area, a particular site within the specified trading area, and the appraisal of prospective sales for the site under consideration. Any one of these three considerations may be the starting point of any investigation, and later all three are studied somewhat simultaneously.

Usually, a preliminary investigation is conducted to gather general background information in order to determine the desirability and prospects of a particular trading area. Often the population is not easily determined as a trading area usually does not have sharp and distinct boundaries. Therefore, the extent of the trading area must be determined in order to ascertain the population.

The trading area of a super market may vary from that of the community and surrounding areas in sparsely settled

regions to a radius of four to five blocks in a metropolitan district.

In determining the limits of the trading area, one or a combination of several methods can be used. Generally, the employment of one or more of these methods will provide a good basis for determining the trading area boundaries.

Of course, the origin of customers varies depending on the population density of the area. The effective trading area radius for a metropolitan super market is approximately one mile; for a medium size city it may extend up to three miles; for a rural and highway location up to and beyond five miles.

Trading area population, buying power, and competition are of basic importance in appraising the potential of the market area. The population required to support a super market varies in accordance with the income level, the proximity and character of competition, and the buying habits of the people. Generally, 1,000 to 1,500 regular customers are sufficient to support a twenty thousand dollar weekly volume super market.

Census data such as census tracts and block statistics and various local sources of market information provide adequate material to evaluate the trading area population.

This information is helpful in determining the composition and characteristics of the population which has an important bearing on the type of merchandise to be offered for sale.

The trend of population growth is another most important consideration appraising a community. The Census Bureau indicates the trend of population growth for particular areas periodically. In addition, local telephone and electric companies often forecast future population.

The buying power of a trading area is often determined by a number of indicators such as disposable income, general rental value, per capita retail sales, car ownership, proportion of home owners, and the age and types of houses. The sources of income are also investigated since stable and well-diversified industries are preferable. Income data can be obtained from census publications, local newspapers, and market information sources. A visual survey of the area is of great aid in determining the income level of the locality.

The total food volume available will, of course, vary with the income level of the area. Once the income level and number of families have been established, the potential food sales of a trading area may be calculated by simply multiplying the number of families by the average income per family.

Although a trading area may have a number of competitive outlets, this is not conclusive evidence that the area is saturated. When the existing super markets have obtained seventy per cent of the total food volume available, the market is said to be saturated.

On the basis of information gathered to this point, the operator should decide whether or not the investment in a super market is justified in the trading area under consideration.

Generally, the most suitable super market site is one that is accessible to a large number of potential customers. However, the selection of a site is frequently a "take what is available" proposition. Although the selection of a trading area is of greater importance, the choice of a site within the trading area is a fundamental requisite for a successful operation.

Among the major considerations involved in selecting a site are: The nature of the district, such as the various detrimental and favorable characteristics surrounding the site; the amount of land required, including adequate parking space; the density of traffic; the accessibility of the site; the drawing power of the district; the direction of growth; and the cost-site development.

Site analysis involves many incommensurable factors, any one of which may be a major consideration in determining the desirability of a particular location. Thus, every site under consideration should be evaluated in the light of future growth for a good location today may become a poor one tomorrow.

Due to certain basic changes in the American economy, the food retailing pattern has changed considerably. These changes in the economy are the increase in buying power, particularly by the lower and middle income groups; the increased ownership and use of the automobile; and the movement of population from the cities to the suburbs. Each of these three factors have played an important part in the changing location pattern of super markets. The most important of all, however, is the latter trend, the shift of population.

Although the number of shopping center and suburban locations selected by super market operators is steadily increasing with each passing year, selection of locations in established areas has continued. In considering the many shopping center proposals confronting management, some basis for distinguishing between them is necessary. Often management has to make a quick decision regarding new shopping center locations; therefore, a sound evaluation

program should be set up ahead of time in order to render quick, but sound, decisions.

The selection of an adequate location involves many considerations but an analysis of the various types of locations can be reduced to a rather simple procedure. One approach is that of listing the many factors that affect any location. Some of these factors have to do with geographical features, but many deal with intangible features.

Estimating the prospective sales of a proposed super market serves two main purposes: (1) To determine whether the estimated sales volume justifies the investment, and (2) to determine the appropriate size of the proposed store. In estimating the proportion of business a new unit can attain, some companies depend largely on rule of thumb methods while others use a scientific approach.

Sales estimates are merely compilations of figures. but, in the hands of competent management, these estimates serve as a factual basis for making more intelligent and accurate decisions.

There are several ways to measure the quality of competition; namely, determine the volume of competitive outlets, survey the trading area population to establish

acceptance and market coverage of existing stores, an inspection of the stores, and personal interviews with local businessmen and officials.

A number of methods can be used to determine the sales volume of competitive outlets. Frequently, the volume may be learned by "word-of-mouth." Store managers, sales representatives, and trade rumors often prove to be fertile sources of this type of information.

When the sales volume of existing stores cannot be obtained by "word-of-mouth," one's own facilities must be used. The number and type of check-out facilities, the number of employees, the square footage, customer counts, and many other methods can furnish a reasonably accurate estimate of the volume achieved by the existing outlets.

Surveys of the trading area population not only reveal the acceptance and market coverage of existing super markets, they often indicate the prospective number of customers a new market may expect.

On the basis of a survey of several food chains, the consensus was that a new super market usually obtains twenty-five per cent of the total volume available within a trading area. This proportion varies with different local competitive conditions.

Past experience in locations of a similar character will furnish a good basis to estimate the prospective sales of a new super market. However, the calculation of the sales of a proposed highway location defies the use of past experience as a yardstick. Even extensive research may not measure the prospective sales of such locations with satisfactory accuracy. Only a well-designed survey and analysis of the passing traffic will provide reasonably accurate estimates.

The procedures for estimating the prospective sales of a super market vary from rule of thumb methods to extensive research analysis techniques. The approach used may be based on national averages or past company experience in similar locations. In some instances, many sites may be under consideration and sales estimates may be offered for each site. Management must be discerning in its judgment, evaluating not only the prospective sales but also the profit picture of each location under consideration.

Conclusion

The more convenient and accessible the super market is to prospective customers, the better are the opportunities for success. Each problem of location requires a separate study in the light of its particular circumstances.

The high costs of land, buildings, and store appointments have increased the investment in modern super markets to huge proportions. This fact alone necessitates greater selectivity in choosing locations.

When one considers the fact that modern super markets are designed to do two million dollars annually, the old maxim that "there's plenty of business for everyone" does not necessarily apply to such markets. The trading area -- its population, buying power, and competition -- must be carefully evaluated before a decision is made.

The operator who can best evaluate his locations stands to do the business. The good operator must be able to turn down dubious locations and be fit to test sound ones. A real test of this fitness is ability to properly evaluate proposed locations and to select only those which careful analysis indicates to be promising.¹

¹Myer B. Marcus. Op. cit. p. 5.

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APPENDIX A

SUPER MARKET SITE SELECTION

QUESTIONNAIRE

Please base replies on the assumption that the prospective location is in an outlying district in that part of the residential area nearest the city. Also, wherever the term "super market" is used consider this super as 8,000 sq. ft. and designed to do \$20,000 weekly.

I. What size trading area population is required to support a super market (8,000 sq. ft. - \$20,000 weekly sales volume)? Express answer in the number of families required.

II. What yardsticks or rule-of-thumb methods are used to determine what percent of total food sales of a community a new super could expect?

III. In general, what percent of customers come from the following within the trading area?

Within: $\frac{1}{4}$ mi. _____ 2 mi. _____
 $\frac{1}{2}$ mi. _____ 3 mi. _____
1 mi. _____ 3-5 mi. _____
over 5 mi. _____

IV. Under normal conditions, what volume of annual sales could be expected per \$1 of invested capital? (Bldg., equipt., and inventory)

- V. Which of the following factors do you use in estimating the sales of competitive super markets? Indicate estimates on weekly basis.

___ number of checkout counters. \$___ per register.

___ number of employees or man hours. \$___ sales per
man hour.

___ square footage of store. \$___ sales per sq. ft.

___ lineal feet of grocery shelving. \$___ grocery sales/
lineal ft.

___ lineal feet of meat cases (self-service.) \$___ meat
sales/lineal ft.

___ lineal feet of produce display. \$___ produce sales/
lineal ft.

___ lineal feet of frozen food. \$___ frozen food sales/
lineal ft.

___ sales of particular commodity. Name the
commodity_____

Others.

Explain.

- VI. How do you evaluate customer acceptance of competitive super markets?

_____ Surveys of customers and public

_____ Inspection of store

_____ Coverage of the market area

_____ Survey of community business men
and public officials

Other methods.

Explain.

VII. What other businesses are desirable (draw food store traffic) in the immediate area? Rate the following
A - B - C - D

Comments, if any.

_____ Department Stores
_____ Drug Stores
_____ Restaurants
_____ Apparel Shops
_____ Competing super markets
_____ Book Stores
_____ Liquor Stores
_____ Theaters
_____ Variety Stores
_____ Laundromats
_____ Dry Cleaning Establishments
_____ Filling Stations
_____ Garages
_____ Barber Shops
_____ Hairdressers

VIII. How effective are traffic counts in evaluating prospective super market locations?

_____ Very effective
_____ Decisive (throw study one way or another)
_____ Influential
_____ Minor
_____ None

Comments.

IX. What types of studies do you use in evaluating prospective locations?

- _____ Competition data sheets
- _____ Customer studies (shopping habits, etc.)
- _____ Maps (trading areas and spotting stores on maps)
- _____ Location analysis (purchasing power of trading area, number of families, average family income).

Others.

Explain.

X. Briefly, what methods or yardsticks are used to estimate probably sales of a proposed super? Explain.

APPENDIX B

SOURCES OF DATA FOR MARKET ANALYSIS*

The following are sources of data for market analysis, which can be secured free or for a nominal charge:

1. Survey of Current Business, a monthly publication of the U. S. Department of Commerce. The price is \$3 per year, and is ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. The magazine contains:
 - (a) A monthly review of the business situation, including employment, consumer income, expenditures, and savings.
 - (b) Sales of retail stores, by kinds of business.
 - (c) Monthly business statistics.
 - (d) Commodity prices and retail price.
 - (e) Cost of living index, from the National Industrial Conference Board.
 - (f) Construction and r. e. trends.
 - (g) Items of domestic trade, such as the advertising, consumer expenditures (by dollars), and retail trade (by dollars).
 - (h) Employment conditions and wages.
2. Supplement to the Survey of Current Business, published by the U. S. Department of Commerce. This publication covers longer periods of time.

*Source: Clair Edwin Daggett, op. cit. pp. 218-22.

3. Monthly Labor Review, published by the Bureau of Labor Statistics of the U. S. Department of Labor. The price is \$3.50 per year, and is ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. The magazine is especially valuable for price and cost-of-living data as will be noted from the contents.

- (a) Employment and unemployment.
- (b) Hours and earnings.
- (c) Industrial injuries and labor turnovers.
- (d) Strikes and lockouts.
- (e) Prices, including the consumer price index, the retail food price index, and the wholesale price index.
- (f) National income and expenditures, including national income payments, consumers expenditures for goods and services, and retail sales.
- (g) Production.
- (h) Construction.

The above statistics are given each month.

4. Editor and Publisher Market Guide, published by the Editor and Publisher Company, Inc., Times Tower, New York 18, N. Y. Price, \$5 per copy.

It gives:

- (a) Estimates of trade areas.
- (b) Transportation facilities, by kinds and names.
- (c) Number of banks, total deposits, automobile registrations, residential electric light meters, residential gas meters, telephones.
- (d) Principal industries, by kind and name.
- (e) Wage earners: number and monthly payroll (estimated by local newspaper).
- (f) Retail outlets and sales (1948 Census).
- (g) Leading stores by kinds and names.
- (h) Newspapers and their circulation.

5. Survey of Buying Power, published annually by Sales Management, Inc., 386 Fourth Avenue, New York 16, N. Y. Price \$3 per copy. It contains the estimates of the editors of Sales Management in regard to:

- (a) Population.
- (b) Number of retail outlets.
- (c) Effective buying income per family, and per capita.
- (d) Retail sales.
- (e) Industrial employment and payrolls.
- (f) Wholesale sales.

6. Dun's Review, published monthly by Dun & Bradstreet, Inc., 290 Broadway, New York 8, N. Y. Price, \$4 per year. It is excellent on the trend of business -- each month it contains data on employment, industrial production, retail sales, consumers' price index, wholesale commodity prices, and industrial stock prices.
7. The Conference Board Management Record, published monthly by the National Industrial Conference Board, Inc., 247 Park Avenue, New York 17, N. Y. Price \$7.50 to non-associates. It contains significant labor statistics and consumer living costs.
8. Federal Reserve Bulletins.
9. Consumer Surveys by:
 - a. The Milwaukee Journal, Milwaukee, Wisconsin.
 - b. The Omaha World-Herald, Omaha, Nebraska.
 - c. The St. Paul Pioneer Press, St. Paul, Minnesota.
 - d. The Cincinnati Post, Cincinnati, Ohio.
10. Establishing and Operating (a business), Industrial (Small Business) Series No. __, published by the U. S. Department of Commerce, procurable through the Superintendent of Documents, Washington 25, D. C. This is a series of books intended to serve as guides in establishing and operating small shops and service establishments in about fifty different fields.

11. Consumer income and consumer expenditure studies, made by the National Resources Committee. Price, 30 cents and 50 cents, respectively. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. The most complete studies of income and expenditures made to date.
12. County Data Book, a 1947 supplement to the Statistical Abstract, published by the Bureau of Census, U. S. Department of Commerce. Price, \$2.75. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.
13. Consumer Market Data Handbook, published in 1939 by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce. It is based on the data contained in the 1940 Census.
14. United States Census reports:
 - (a) Census of population.
 - (b) Census of housing.
 - (c) Census of labor force.
 - (d) Census of manufacturers.
 - (e) Census of business, retail trade.
 - (f) Census of business, wholesale trade.
 - (g) Census of business, service establishments.
 - (h) Census of Agriculture.

15. Governmental Statistical Studies of:

- (a) U. S. Department of Commerce. By means of publications, correspondence, and conferences in the Field Offices or in Washington, D. C., the Department of Commerce provides statistics, market data, sales management helps, and reference to sources. Special data is supplied by its staff of commodity and marketing specialists whenever a company requests such aid.

Bulletin of Commerce. This little publication is published by the Field Offices of the U. S. Department of Commerce.

- (b) U. S. Department of Labor.

- (c) U. S. Department of Agriculture.

16. State Departments of Commerce, or State Commerce Commissions.

17. Bureaus of Business Research, both private, and of our large universities.

18. Trade association magazines and trade association studies. In many cases the best information is confidential, and is available only to members. A list of fifty-five National Trade Associations

of Retailers is available from the Trade Association Division, Office of Domestic Commerce, Washington, D. C. A list of trade association magazines is available in "Bibliography, A List of Books, Pamphlets, and Publications on Marketing, Retailing, Salesmanship, and Merchandising" Misc. 2089, published by Vocational Division, Office of Education, U. S. Department of the Interior, June, 1936.

19. Chambers of Commerce studies, local, state, and national.
20. Records, surveys, and experiments of individual businesses.
21. Local authorities. These are the first sources to be explored in looking for existing information: city planning boards, local utility companies, railroads, newspapers, colleges, local libraries, the Distributive Education representative, manufacturing plants, wholesalers, banks, Better Business Bureaus, credit bureaus, local attorneys, commercial houses, the main offices of local chain stores, and (already mentioned) local chamber of commerce.

22. State Planning Commissions.
23. Studies made by manufacturers to aid their
retailers. Also studies made by manufacturers
to aid their customers, such as the very fine
studies put out by the National Cash Register
Company of Dayton, Ohio.
24. Professional, technical, and scientific societies
and associations.
25. Foundations.

APPENDIX C

DATE _____

CONFIDENTIAL MEMORANDUM

TO:

FROM:

SUBJECT: Approval for new store at _____
City Address

I. Facts Pertaining to Location

A. The Community:

From "Sales Mgt." Book Year	Popu- lation	Fami- lies	Annual Retail Food Sales	Food Sales Per Family (Computed)
-----------------------------------	-----------------	---------------	--------------------------------	--

1. Metropolitan
County Area,
City, or
County
(strike out
2 not
applicable

2. Location
From:

Name Servicing Warehouse	Miles From
-----------------------------	------------

- a. Grocery Warehouse
- b. Produce Warehouse
- c. Meat Warehouse
- d. Bakery

3. Any Special Comments
Pertaining to Industry,
Taxes, etc.

- B. The Present Site (Attach Schedule A - $1\frac{1}{2}$ mile radius map indicating location of new proposed company store and competitive super markets) (attach Sched. B. - a plot plan showing position of store & parking facilities - entrances & exits)

	<u>$\frac{1}{2}$ mile radius</u>	<u>1 mile radius</u>	<u>$1\frac{1}{2}$ mile radius</u>
1. Number Family Units			
a. Apartment-Duplex Units	_____	_____	_____
b. Homes	_____	_____	_____
2. Estimated Retail Food Sales (Total Units times A 1- Food Sales Per Family)	_____	_____	_____
3. Estimated Annual Volume Super Markets (Show number in ())			
a. Present company store	() _____	() _____	() _____
b.	() _____	() _____	() _____
c.	() _____	() _____	() _____
d.	() _____	() _____	() _____
e.	() _____	() _____	() _____
Total	<u>() _____</u>	<u>() _____</u>	<u>() _____</u>

4. Type of Community:

5. In Shopping Center	<u>Number Units</u>	<u>Sq. Footage</u>
a. All Stores	_____	_____
b. Food Super Markets	_____	_____
c. Company store (size)	_____	_____
d. Small Foods Stores	_____	_____
e. Parking Area:		
(1) Square Footage	_____	
(2) Number Cars	_____	

6. Not in Shopping Center
- a. Size company store _____
 - b. Parking Area
 - (1) Square Footage _____
 - (2) Number of Cars _____
7. Traffic - Yes - No
- a. One way streets N _____ S _____ E _____ W _____
 - b. Two way street N _____ S _____ E _____ W _____
 - c. Comments as to density of traffic _____

 - d. Check with local planning commission or other city agencies, or other sources as to any contemplated changes in traffic flow.
Comments: _____

8. Utilities Available
- a. Water _____
 - b. Sewer _____
 - c. Gas Natural: _____ City: _____
 - d. Electricity _____
9. Zoned for Business _____

C. Future of Site

1. Projection based on:

a. Utility Data _____

b. School Data _____

c. Other - Indicate _____

2. Estimated Family Units - 3 to 5 years

$\frac{1}{2}$ mile	1 mile	$1\frac{1}{2}$ mile
<u>radius</u>	<u>radius</u>	<u>radius</u>

a. Apartment - Duplex _____

b. Homes _____

3. Estimated Retail Food Sales _____

4. General Comments _____

II. Estimated Sales

<u>Per Week</u>	<u>Per Year</u>
-----------------	-----------------

A. Gross Estimate

B. Net est. after giving consideration to replacements and/or dilution of present store

1. Proposed company stores to be replaced

2. Estimated Dilution of Sales of other Company Stores effected by Proposed Store:

<u>Store Number</u>	<u>Present Sales*</u>		<u>After Effect of Company Store</u>		<u>Net Dilution</u>	
	<u>Per Week</u>	<u>Per Year</u>	<u>Per Week</u>	<u>Per Year</u>	<u>Per Week</u>	<u>Per Year</u>
a. _____	_____	_____	_____	_____	_____	_____
b. _____	_____	_____	_____	_____	_____	_____
c. _____	_____	_____	_____	_____	_____	_____
d. _____	_____	_____	_____	_____	_____	_____
e. _____	_____	_____	_____	_____	_____	_____

*Based on Minimum of 13 Week Actual Experience

C. Company's Per Year % of Retail Food Sales in Area (A-1)

1. Present Company's Annual Rate: _____
2. After effect of proposed store _____

III. Proposed Financing

A. Private _____ Company Insurance Open Credit Deal _____

B. Estimate Cost Project

1. Land _____
2. Grading - retainer wall, etc. _____
3. Company Bldg. (include air condition.) _____
4. Parking _____
5. Total \$_____

C. Estimated Fixture Cost - New \$_____

D. Leasehold Improvements (explain)

_____ \$_____

IV. Proposed Lease Terms

- | | | <u>Renewal Options</u> | | | |
|----------------------------|-------------|------------------------|----------|----------|----------|
| | <u>Base</u> | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> |
| A. Lessor _____ | | | | | |
| B. Number Years | _____ | _____ | _____ | _____ | _____ |
| C. Rental Annual Rate | | | | | |
| (1) Flat Type | _____ | | | | |
| (2) Percentage Type | | | | | |
| (a) Minimum | _____ | | | | |
| (b) Maximum | _____ | | | | |
| (c) Rate % Terms | _____ | | | | |
| D. Cancellation Provisions | _____ | | | | |
- _____

E. Restrictions - Other Markets, Etc. -

V. Location has been surveyed by:

A. Division Vice President

B. Manager Stores Operations

C. Division Manager Stores Operations

D. Assistant to Vice President

E. General Superintendent

F. Others

Enc.: Schedule A - Area Map

B - Site Plot

C - Pro Forma Profit & Loss Statements

cc: Real Estate Manager (For Lease File)

PRO FORMA PROFIT AND LOSS STATEMENTAnnual Basis

New Proposed Store:

I. Pro Forma Profit and Loss

	<u>Amount</u>	<u>Ratio</u>
A. Sales	\$ _____	_____ %
B. Gross Profit:		
1. Store	(a) _____	_____
2. Net Financial	(b) _____	_____
3. Total	_____	_____
C. Operating Expenses:		
1. Store Direct:		
a. Rent	(c) _____	_____
b. Net Advertising	(d) _____	_____
c. Depreciation	(c) _____	_____
d. All Other	(e) _____	_____
e. Total	=====	=====
2. Supervision	(b) _____	_____
3. Traffic	(f) _____	_____
4. Warehouse	(b) _____	_____
5. Administrative	(b) _____	_____
D. Total Operating Expenses	_____	_____
E. Operating Profit	_____	_____
F. Other Income	(b) _____	_____
G. Net Profit	\$ =====	===== %

Basis of EstimateUse Minimum of 6 months or maximum 12 months experience

- (a) Use division average for class from Report #163
- (b) Use division average from Report #278
- (c) Rent - Actual calculation & include amortization of leasehold improvement, if appropriate.

Depreciation - Actual calculation - Use 10% per year of cost of fixtures - Total of new and used.

- (d) Give effect to size town & concentration guide from Report #157
- (e) Use division's average for class from Financial Report #305 work sheets
- (f) Average actual experience of 3 or more stores giving consideration to distance from warehouse from Report #163

II. Return on Invested Capital

A. Invested Capital

- 1. Estimated Cost of Fixtures-new & used _____
- 2. Inventories @ cost - Store _____
- 3. Inventories - Warehouse
Support (50% of store requirement) _____
- 4. Total Invested Capital

B. Net Profit (G) from above C. % Return on Capital Investment

APPENDIX D

STANDARD BREAKDOWNS FOR POPULATION DATA*

1. Age groups

under 5
5-9
10-14

15-19
20-24

25-34
35-44

45-54
55-64
65 and over

2. Income, rental, and value of homes

A. Income

under-\$1,000
\$ 1,000-\$1,999

\$ 2,000-\$2,999

\$ 3,000-\$3,999

\$ 4,000-\$4,999

\$ 5,000-\$6,999
\$ 7,000-\$9,999
\$10,000 and over

*Source: American Association of Advertising Agencies, American Marketing Association, and the Association of National Advertisers. "Standard Breakdown for Population." Journal of Marketing. 15 (April, 1951). pp. 476-478.

Adherence to these groupings, which are in accordance with the Census, would be very desirable in any research dealing with population.

B. Rental

under-\$ 20.00
\$ 20-\$ 29.99
<hr/>
\$ 30-\$ 39.99
\$ 40-\$ 49.99
<hr/>
\$ 50-\$ 74.99
<hr/>
\$ 75-\$ 99.99
\$100-\$149.99
\$150 and over

C. Value of Owner-Occupied Homes

under-\$ 3,000
\$ 3,000-\$ 4,999
<hr/>
\$ 5,000-\$ 7,499
<hr/>
\$ 7,500-\$ 9,999
<hr/>
\$10,000-\$14,999
<hr/>
\$15,000 and over

3. Education

No school years completed
 Less than 5 years of grammar school completed
 5-8 years grammar school completed
 1-3 years high school completed
 4 years high school completed
 1-3 years college completed
 4 or more years college completed

4. Occupation

Professional and technical workers, non-farm
 managers, officials, proprietors

Farmers and farm managers
Farm laborers and foremen

Clerical and kindred workers
Sales workers

Craftsmen, foremen and kindred workers
Operatives and non-farm laborers

Service workers, including private household

Unemployed

Housewives

Students

Retired

Others not in labor force

5. Community Size

Rural farm
Rural non-farm

Places 2,500-9,999
Places 10,000-24,999

Places 25,000-49,999
Places 50,000-99,999
Places 100,000-249,999

Places 250,000-499,999
Places 500,000-999,999
Places 1,000,000 and over

INFORMATION REPORTED BY 1950 CENSUS TRACTS*

Characteristics of the Population.

- a. Total population
- b. By sex
- c. By white (native and foreign born) and non-white (negro and other)
- d. Number of married couples (with and without own households)
- e. Families and unrelated individuals
- f. Number of households (population in households and per household)
- g. Institutional population
- h. Years of school completed for persons 25 years old and over (by intervals for grade school, high school, and college; median school years reported)
- i. Residence in 1949 for persons 1 year old and over (same as 1950, different house same county, different county, or abroad)
- j. Income in 1949 for families and unrelated individuals (by 14 size groups topped by \$10,000 and above; median income)
- k. Country of birth of the foreign-born white (by 27 different countries or areas)

Age, Marital Status, and Economic Characteristics.

- a. Age of all classes, male and female (under 1, 1 and 2, 3 and 4, by five-year breaks to 85 and over; 21 years and over)
- b. Age of whites, male and female (by five-year breaks to 75 and over)
- c. Age of non-white (same as white)
- d. Marital status of persons 14 years and over, male and female (single; married; widowed or divorced)
- e. Employment status persons 14 years and over (total labor force; employed civilian labor force in private industry, government, self-employed, unpaid family workers; unemployed civilian labor force; not in labor force)
- f. Major occupation group of employed persons 14 years and over (by 11 major groups)

*Source: Ross M. Cunningham. "Evaluation of Census Tracts." Journal of Marketing. 15 (April, 1951). pp. 465-466.

Characteristics of Dwelling Units.

- a. Dwelling units (total; owner and renter occupied, non-white numbers; vacant, non-seasonal, not dilapidated, for rent or sale; other vacant and non-residential dwelling units)
- b. Type of structure (by seven size classes of dwelling units)
- c. Condition and plumbing facilities (no hot water, no private bath, or dilapidated; no running water or dilapidated)
- d. Year built (by 4 date groups)
- e. Number of persons in dwelling unit (by seven size groups; median number)
- f. Persons per room (1.00 or less; 1.01 to 1.50; 1.51 or more)
- g. Heating fuel (by central heat and non-central heat for coal or coke, gas, liquid fuel, other fuel)
- h. Refrigeration (mechanical, ice, and other or none)
- i. Television (with and without)
- j. Contract monthly rent (by 10 size classes between \$10 and \$150 and more; median rent; average rent)
- k. Value of one-dwelling unit structures (by seven size classes between under \$3,000 and \$20,000 or more; median value)
- l. Mortgage status owner occupied units (mortgaged and not mortgaged)

ROOM USE ONLY

~~MAR 2 1960~~

~~MAY 31 1961~~

*Act 4129 - Cio. with slip
for 1961*

~~NOV 20 1964~~

~~JUN 11 1960~~

~~FEB 21 1965~~

~~MAR 7 1965~~

~~SEP 26 1960~~

ROOM USE ONLY

~~MAY 12 1961~~

~~SEP 2 65~~

~~OCT 31 1961~~

~~MAY 25 1962~~

~~JUL 6 1966~~

~~OCT 24 1962~~

pd.

~~MAR 8 1967~~

~~DEC 2 1963~~

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