



Sales-Driven Site Selection

By Andy Misiaveg, Partner, The Shopping Center Group

As tenant representatives, one of our primary responsibilities is representing local, regional and national brands in search of their next locations. Finding the right site extends far beyond the physical space and its OPEN sign. In fact, it even extends beyond the streets that lead to the storefront. It involves the doors of co-tenants and nearby shops and services. How?

Finding the right site is not only about location. It is also about the context of the targeted trade area.

One of the most effective tools to developing context is sales data from neighboring merchants and operators. Sales volumes are an essential and critical metric in defining trade areas and determining a site's potential context, value and opportunity – even more so than land sales and lease comps. When combined with local market knowledge, technology and operator input, a multi-dimensional site profile takes shape.

In fact, operator performance (sales volume) is a critical decision-making factor requested by tenants of all types. The overall sales volume picture is colored by quantitative and qualitative data derived from a number of sources at both micro- and macro-levels. These include direct input from other operators, local market knowledge and expertise, local relationships as well as data collected by the various local tax, economic development and other regulatory agencies.

A quick word on data integrity. The constantly shifting retail environment makes data integrity more important than ever. To ensure data integrity, employment of a variety of data collection efforts is key. Multiple sources establish a 360°-perspective as well as appropriate checks and balances that take steps to ensure maximum data integrity.

Direct Input from Operators

- **Relationships:** Relationships in commercial real estate are everything. They enable access to off-market properties, confidential information and key people that make things happen. Build relationships and tap into them for access to networks, insight and perspectives on the targeted trade zone.
- **Connections:** Reach-out to directors and executives of retail and restaurant operators where connections exist. Conversations about the targeted area, regional trends and sales volumes are valued input. Bulk level conversations with regional and national networks allow protection of data privacy while deploying appropriate checks and balances to verify information gathered from other sources.

- **Interviewing:** Interviewing managers from relevant area stores is a direct approach that yields surprising results (especially a general idea of the operator's benchmarks offers useful intelligence in return). Ask to speak with managers, franchisees and/or owners – and even popular bartenders. Formal and information conversations are productive but scheduled meetings and reciprocated insight prove even more lucrative.
Why bartenders? Bartenders are good sources of information. They tend to have the inside track on operations, sales volume and patron demographics for not only their establishments but also those in the neighborhood. Bartenders are part of a tight-knit industry community affording them knowledge of how other area bars and restaurants are performing from an anecdotal perspective.
- **Reporting:** Sales reports from public companies are available. Typically found online – look for the investor section – the reports help to build context at the macro level with same-store sales, sales per square foot, top-performing locations as well as regional performance ratings.
- **Cold Calling:** An abundance of information can be collected with a phone call by interns or junior associates to area merchants. Inquire about sales volume, customer traffic patterns and other operational indicators reassuring non-disclosure of the data. In return, share the final report from these efforts including data summary and trends without revealing data sources.

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Why Sales Data At The Micro & Macro Levels Matters

Data at both levels creates a well-rounded market perspective. While knowing how much a particular grocery store generates a year gives us an idea of the potential sales volume of a specific location (micro), when combined the regional or national ranking, a well-rounded – and more accurate perspective takes shape (macro). Both the micro and macro data levels are important to determining the potential and success of an area.

For example, a merchant in Market A averages \$1 million in annual sales (micro), yet the company's national average (macro) is \$2 million. Does this mean that the area is severely underperforming? A closer look at the micro level reveals that another area store that opened two years prior generates \$1.4 million in annual sales. Further, you discover that 80% of the merchant's stores are on the West Coast's most heavily populated areas with a long operating history.

If you only considered the macro data, it appears that the store is operating 30% below national average. However, with context, it really performs 40% better than market average even though it's only been open for two years. An assumption could be made that the store is more successful than original data in a vacuum would indicate.

Statistics can mislead if we don't look at the whole picture. Analysis of both micro- and macro-data shapes store comparisons as well as a more in-depth understanding of the region, sales maturity and circumstances specific to the site.

Agency Data

Regulatory agencies along with tax and economic development entities offer sales and economic data gathered at the local, municipal, county and/or state level. Often readily available on the corresponding websites, the data fills in the context picture from various angles:

- Sales taxes paid (a general indicator of sales volume)
- Liquor sales volume by outlet (a general indicator of consumer patterns)
- Employment by industry (general insight into the segment health)
- Number of restaurants or merchants opened in a particular area (a general indicator of market saturation)

Other relevant data may include demographics, housing trends, income levels, etc. – all good indicators of sales volume potential.

Local Market Knowledge

Although data is extremely important, on-the-ground local market knowledge is indispensable. Local brokers entrenched daily in the market as well as property owners can provide essential insight. To build your street-level intelligence –

- Drive the trade area to understand the consumer profile, traffic patterns, active brokers as well as popular shopping centers, favorite merchants and key commercial corridors.
- Talk to market experts. Brokers and landlords help shape a sense of the trade area from different perspectives. Consider the various data gathering methods and tools employed for site selection. Experienced brokers combine street-level intelligence and relationships with technology and hard data. Insight on sales volumes, traffic patterns, potential challenges and emerging pockets or intersections may also be shared.
- Connect with other professionals active in the trade area. What trends are relevant, what regulations or issues are top-of-mind within the target zone? For instance, are there current or developing zoning, accessibility or neighborhood issues that may impact sales volumes?

Sales volumes is not easy to obtain but it is a decisive – and foretelling – component of the site selection process. As such, employing a variety of data gathering methods – from both direct and indirect sources – at both micro and macro levels provides valuable insight as well as essential checks and balances to ensure data integrity. The goal here – a highly successful sales-driven site selection process (and another OPEN sign).

ABOUT ANDY MISIAVEG Andy is a partner in the Charlotte office, and started with The Shopping Center Group in 1999, after graduating from Clemson University. Andy's current focus is on site selection, store rollout, market strategy and optimization, and deal execution for retailers and restaurants. He is also focused on site selection and project assemblage and acquisition for developers and owners, in North and South Carolina. He has worked in all phases of the retail real estate business during his career at The Shopping Center Group. He has handled retailer disposition projects, shopping center and investment sales, tenant representation, existing center and new construction project leasing, land assemblages, and developer consulting. He has completed over \$700 million in transaction value in his career at The Shopping Center Group.