

## **How to Use a Traffic Study to Select a Retail Site**

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### **1. Summary**

A retail consultant was asked, "What are the three factors most likely to ensure retailing success?" The reply was, "(1) Location, (2) location, and (3) location."

In other words, the impact of site selection on the success of your retail operation can't be overstressed! This Aid is aimed at just one aspect of how to determine the proper site, namely, research into the traffic in that area--both vehicular and pedestrian--that will bring business into your store. Methods of taking a traffic count are discussed along with how to evaluate and interpret the collected data.

### **2. Importance of a Good Location**

Often an owner-manager, for whatever reason, is faced with renewing the lease or choosing a new or perhaps an additional site for the business. At this crucial time the owner should consider the value of a traffic count to be sure the new location can draw customers into the store.

In the central business district, land values and rents are often based on traffic counts. The site in the central business district that produces the highest traffic count with regard to the type of traffic desired by a particular store is considered its 100 percent location. However, a 100 percent location for one type of store may not be 100 percent for other types. For example, a site which rates 100 percent for a drugstore may be only 80 percent for a men's clothing shop or 60 percent for an appliance store.

In recent years, for most lines of trade, the average store size has increased. This, of course, means greater financial outlay for a good location plus greater investment in inventory, fixtures, and personnel. Did you know that firms which conduct location research generally eliminate about four out of every five locations studied?

### **3. Factors to be Considered**

Three factors confront you as an owner-manager in choosing a location:

- selection of a city;
- choice of an area or type of location within a city; and
- identification of a specific site.

If you are going to relocate in another city, naturally you consider the following factors:

- Size of the city's trading area.
- Population and population trends in the trading area. Total purchasing power and the distribution of the purchasing power.
- Total retail trade potential for different lines of trade. Number, size, and quality of competition. Progressiveness of competition.

In choosing an area or type of location within a city you evaluate factors such as:

- Customer attraction power of the particular store and the shopping district.
- Quantitative and qualitative nature of competitive stores.
- Availability of access routes to the stores.
- Nature of zoning regulations.
- Direction of the area expansion.
- General appearance of the area.

Pinpointing the specific site is particularly important. In central and secondary business districts, small stores depend upon the traffic created by large stores. Large stores in turn depend on attracting customers from the existing flow of traffic. (However, where sales depend on nearby residents, selecting the trading area is more important than picking the specific site.) Obviously, you want to know about the following factors when choosing a specific site:

- Adequacy and potential of traffic passing the site.
- Ability of the site to intercept traffic en route from one place to another.
- Complementary nature of the adjacent stores.
- Adequacy of parking.
- Vulnerability of the site to unfriendly competition.
- Cost of the site.

#### **4. How to Make a Traffic Count**

First of all, be sure you need a traffic count. Although knowledge of the volume and character of passing traffic is always useful, in certain cases a traffic survey may not really make any difference. Other selection factors involved may be so significant that the outcome of a traffic study will have relatively little bearing on your decision. When the other selection factors, such as parking, operating costs, or location of competitors, become less important and data on traffic flow becomes dominant, then a count is indicated. Once you have determined that you really need a traffic count, the general objective is to count the passing traffic--both pedestrian and vehicular--that would constitute potential customers who would probably be attracted into your type of store. To evaluate the traffic available to competitors, you may desire to conduct traffic counts at their sites, too.

Data from a traffic count should not only show how many people pass by but generally indicate what kinds of people they are. Analysis of the characteristics of the passing traffic often reveals patterns and variations not readily apparent from casual observation.

For counting purposes, the passing traffic is divided into different classifications according to the characteristics of the customers who would patronize your type of business. Whereas a drugstore is interested in the total volume of passing traffic, a men's clothing store is obviously more concerned with the amount of male traffic, especially men between the ages of sixteen and sixty-five.

It is also important to classify passing traffic by its reasons for passing. A woman on the way to a beauty salon is probably a poor prospect for a paint store, but she may be a good prospect for a drugstore. The hours at which individuals go by are often an indication of their purpose. In the early morning hours people are generally on their way to work. In the late afternoon these same people are usually going home from work. When one chain organization estimates the number of potential women customers, it considers women passing a site between 10 a.m. and 5 p.m. to be the serious shoppers.

Evaluation of the financial bracket of passersby is also significant. Out of 100 women passing a prospective location for an exclusive dress shop, only ten may appear to have the income to patronize the shop. Of course, the greater your experience in a particular retail trade, the more accurately you can estimate the number of your potential customers. To determine what proportion of the passing traffic represents your potential shoppers, some of the pedestrians should be interviewed about the origin of their trip, their destination, and the stores in which they plan to shop. This sort of information can provide you with a better estimate of the number of potential customers.

In summary, the qualitative information gathered about the passing traffic should include counting the individuals who seem to possess the characteristics appropriate to the desired clientele, judging their reasons for using that route, and calculating their ability to buy.

## **5. Pedestrian Traffic Count**

In making a pedestrian count you must decide: who is to be counted; where the count should take place; and when the count should be made. In considering who is to be counted, determine what types of people should be included. For example, the study might count all men presumed to be between sixteen and sixty-five. The directions should be completely clear as to the individuals to be counted so the counters will be consistent and the total figure will reflect the traffic flow.

As previously indicated, it is frequently desirable to divide the pedestrian traffic into classes. Quite often separate counts of men and women and certain age categories are wanted. A trial run will indicate if there are any difficulties in identifying those to be counted or in placing them into various groupings.

You next determine the specific place where the count is to be taken. You decide whether all the traffic near the site should be counted or only the traffic passing directly in front of the site. Remember that if all the pedestrians passing through an area are counted, there is the possibility of double counting. Since a person must both enter and leave an area, it is important that each person be counted only once--either when entering or when leaving. Therefore, it is essential that the counter consistently counts at the same location.

When the count should be taken is influenced by the season, month, week, day, and hour. For example, during the summer season there is generally an increased flow of traffic on the shady side of the street. During a holiday period such as the month before Christmas or the week before Easter, traffic is denser than it is regularly. The patronage of a store varies by day of the week, too. Store traffic usually increased during the latter part of a week. In some communities, on factory paydays and days when social security checks are received, certain locations experience heavier than normal traffic.

The day of the week and the time of day should represent a normal period for traffic flow. Pedestrian flow accelerates around noon as office workers go out for lunch. Generally more customers enter a downtown store between 10 a.m. and noon and between 1 p.m. and 3 p.m. than at any other time. Local custom or other factors, however, may cause a variation in these expected traffic patterns.

After you choose the day that has normal traffic flow, the day should be divided into half-hour and hourly intervals. Traffic should be counted and recorded for each half-hour period of a store's customary operating hours. If it is not feasible to count the traffic for each half-hour interval, the traffic flow can be sampled. Traffic in representative half-hour periods in the morning, noon, afternoon, and evening can be counted.

## **6. Estimate of Store Sales**

Data from a pedestrian traffic survey can give you information on whether or not the site would generate a profitable volume for your store. A retailer with some past experience in the same merchandise line for which a store is planned can make a reasonable estimate of sales volume if the following information is available (in lieu of past personal experience, the trade association for your type of business may be of help):

- Characteristics of individuals who are most likely to be store customers (from pedestrian interviews).
- Number of such individuals passing the site during store hours (from traffic counts).
- Proportion of passersby who will enter the store (from pedestrian interviews).
- Proportion of those entering who will become purchasers (from pedestrian interviews).
- Amount of the average transaction (from past experience, trade associations, and trade publications).

One retailer divides the people who pass a given site into three categories: those who enter a store; those who, after looking at the windows, may become customers; and those who pass without entering or looking. Owing to prior experience, this retailer is able to estimate from the percentage falling into each classification not only the number who will make purchases but also how much the average purchase will be. If, out of 1,000 passersby each day, five percent enter (fifty) and each spends an average of \$8 (\$400), a store at that site which operates 300 days a year will have an annual sales volume of \$120,000.

## 7. Types of Consumer Goods

Another factor that affects site selection is the customers' view of the goods sold by a store. Consumers tend to group products into three major categories:

- Convenience,
- Shopping, and
- Specialty.

*Convenience* usually means low unit price, purchased frequently, little selling effort, bought by habit, and sold in numerous outlets. Examples: candy bars, cigarettes, and milk.

*Shopping* usually means high unit price, purchased infrequently, more intensive selling effort usually required on the part of the store owner, price and features compared, and sold in selectively franchised outlets. Examples: men's suits, automobiles, and furniture.

*Specialty* usually means high unit price although price is not a purchase consideration, bought infrequently, requires a special effort on the part of the customer to make the purchase, no substitutes considered, and sold in exclusively franchised outlets. Examples: precious jewelry, expensive perfume, fine furs, and so on, of specific brands or name labels.

For store handling convenience goods, the quantity of pedestrian traffic is most important. The corner of an intersection which offers two distinct traffic streams and a large window display area is usually a better site than the middle of a block. Downtown convenience goods stores, such as low-priced, ready-to-wear stores and drugstores, have a limited ability to generate their own traffic. Therefore they must be situated in or near their 100 percent block. In merchandising convenience goods, it is easier to build the store within the traffic than the traffic within the store. Convenience goods are often purchased on impulse in easily accessible stores.

For stores handling shopping goods, the quality of the traffic is more important. While convenience goods are purchased by nearly everyone, certain kinds of shopping goods are purchased by only certain segments of shoppers. Moreover, it is sometimes the character of the retail establishment rather than its type of goods that governs the selection of a site. For example, a conventional men's wear store should be in a downtown location close to a traffic generator like a department store. On the other hand, a discount store handling men's wear would prefer an accessible highway location. Stores that generate their own traffic through extensive promotional effort can locate away from the 100 percent location.

In many cases, buyers of shopping goods like to compare the items in several stores by traveling only a minimum distance. As a result stores offering complementary items tend to locate close to one another. An excellent site for a shopping goods store is next to a department store or between two large department stores where traffic flows between them. Another good site is one between a major parking area and a department store.

Specialty goods are often sought by consumers who are already "sold" on the product, brand, or both. Stores catering to this type of consumer may use isolated locations because they generate their own consumer traffic.

Stores carrying specialty goods that are complementary to certain other kinds of shopping goods may desire to locate close to the shopping goods stores. In general, the specialty goods retailer should locate in the type of neighborhood where the adjacent stores and other establishments are compatible with his or her operation.

## **8. Automobile Traffic Count**

A growing number of retail firms depend on drive-in traffic for their sales. Both the quantity and quality of automotive traffic can be analyzed in the same way as pedestrian traffic. For the major streets in urban areas, either the city engineer, the planning commission, the State highway department, or an outdoor advertising company may be able to provide you with data on traffic flows. However, you may need to modify this information to suit your special needs. For example, you should supplement data relating to total count of vehicles passing the site with actual observation in order to evaluate such influences on traffic as commercial vehicles, changing of shifts at nearby factories, through highway traffic, and increased flow caused by special events or activities.

## **9. Types of Trips**

Automobile traffic may be classified according to the reason for the trip. There are the work trip, the shopping trip, and the pleasure trip. Knowledge of the type of trip can assist you in making the correct site decision. Careful observation of the character of the traffic and even a few short interviews with drivers who are stopped for a traffic signal will reveal the nature of their trips.

Different types of retailers seek different locations although they are serving the same type of customer. For example, to serve a work trip customer, a dry-cleaner and a convenience foodstore usually desire to be located on different sides of the street. The drycleaner wants to locate on the going-to-work side of the street while the convenience foodstore wants to be on the going-home side.

A good location for a retailer seeking the customer on a planned shopping trip is along the right-hand side of the main street leading into a shopping district and adjacent to other streets carrying traffic into, out of, or across town. The beginning or end of a row of stores rather than across the street from the stores is preferable. Noting on which side the older, established stores are located provides a clue to the best side of the street. But check it out to be sure that the sales in these stores are rising rather than declining.

In smaller communities, where the major streets lead to and from the downtown area, the traffic pattern can be readily identified. In larger cities, where there are suburban shopping center locations, the traffic moves in many different directions. Because shopping centers tend to generate traffic, an analysis of the traffic flow to centers and between centers may show that a particular store location is outstanding.

The person on a pleasure or recreational trip is in the market for services such as those offered by motels, restaurants, and service stations. The probability of attracting this type of customer increases if the facility is located alongside a well-traveled highway and adjacent to a major entrance to the community.

## **10. Types of Consumer Goods**

Understanding the motives of people passing your site in cars also depends on the same analysis of consumer behavior used in classifying pedestrians. There are the same three categories of goods or products to consider: convenience, shopping and specialty.

In general, the greater the automobile traffic, the greater the sales of convenience goods for catering to the drive-in traffic. For the drive-in store selling low-priced convenience goods, the volume of traffic passing the site is a most important factor in making a site decision. The consumer purchases these goods frequently and desires them to be readily available. Consumers are reminded when passing a convenience goods store that he or she needs a particular item.

If the consumer must make a special trip to purchase such convenience staple goods as food and drug items, they want the store to be close to home. One study of foodstore purchases in the central city area revealed that nearly 70 percent of the women patronized stores within one to five blocks of their homes. Another study of foodstores indicated that for suburban locations the majority of customers lived within three miles of the stores, while the maximum trading area was five miles. For rural locations, the majority of consumers lived within a ten minute drive to the store, with the maximum trading area within a twenty minute drive. A West Coast supermarket chain wants a minimum of 3,500 homes within a mile-and-a-half radius of a shopping center before considering it for location. Research indicated that 80 percent of the customers of pizza carryouts lived within a mile of the establishments.

On the other hand, a retailer dealing in shopping goods can have a much wider trading area. Without a heavily trafficked location--but with the help of adequate promotion--this more expensive type of store can generate its own traffic. In this case, a location with low traffic density but easy accessibility from a residential area is a satisfactory site. The consumer buys these goods infrequently and deliberately plans these purchases. Consumers are willing to travel some distance to make shopping comparisons.

If you offer shopping goods, however, you should not locate too far away from your potential customers. One study of a discount department store showed that 79.6 percent of the shoppers lived within five miles of the store and another 16.1 percent lived within a ten-mile radius. The magnitude of the trading area for a shopping goods store can be determined by a customer survey, automobile license checks, sales slips, charge account records, store deliveries, and the extent of local newspaper circulation.

The same principles of location which are applicable to the walk-in specialty goods stores are appropriate for the drive-in facility. Because this type of retailer generates its own traffic, you can locate away from the major traffic arteries.

## **11. Planned Shopping Centers**

Many merchants seek a location in a planned shopping center. Retailers in cities where downtown business has suffered extensive loss to shopping centers should perhaps consider locating in or near a center. The downtown area that suffers the most from the development of a shopping center is in a city of about 100,000 population, which is just large enough to support a

center. Shopping centers have been classified into three different types: the neighborhood center, the community center, and the regional center.

The neighborhood center generally serves 7,500 to 20,000 people living within a six to ten minute drive from the center. The major store, and the prime traffic generator in the center, is a supermarket. The other stores in the center, which may include a drugstore, hardware store, bakery, and beauty shop, offer convenience goods and services. The best location for a specialty food store in the center is adjacent to the supermarket. Other stores should be grouped by the compatibility of their merchandise.

The community center usually serves 20,000 to 100,000 people living within a ten to twenty minute drive. The dominant store is generally a junior department store or a large variety store. The majority of the stores carry shopping goods such as wearing apparel and appliances. However, a number of the stores also offer convenience items. The apparel and furnishings stores should locate as close to the dominant store as possible. A supermarket in this type of center is best located at one end. This is so that the adjacent parking is less apt to be used for long periods by the shoppers in the other stores. An end site or a location near a major entry is also desirable for a drugstore. Because drugstores tend to maintain longer hours than the other stores, they should be in an easily accessible location and not surrounded by a number of dark stores at night. A service establishment, such as a drycleaner or a barbershop, which depends on a rapid turnover of traffic in the center, should locate where there is always available parking.

The regional center serves 100,000 to 200,000 people within a twenty to forty minute drive from the center. One or more department stores are its major tenants. Frequently, the center is an enclosed mall with department stores at both ends. This type of center emphasized shopping goods. These numerous shopping goods stores usually locate between the two major stores in order to take advantage of the traffic flow. Stores handling convenience goods generally locate at the edge of the center or near an entry to the mall where there is easily accessible parking. Service and repair shops are also usually located in these areas of the regional center.

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