

Know your customer

Why listening to your heart can be a risky venture in retail development

Starting a franchise or independent retail business can be both exciting and challenging. While there is much to know and learn, real estate procurement is at the top of the priority list.

Location, location, location. The phrase has been touted for years as the key to the success or failure of a new business. But in today's retail world, knowledge has proven to be just as important. Both concept knowledge and market knowledge, that is, says Larry Schwartz, Director and Senior Consultant of the Franchise Services Group at RBZ.

One key to getting off on the right foot is having a clear understanding of your concept before you lay out your growth plan.

"Oftentimes, tenants, in their desire to grow or get open quickly, do not understand what is truly important to their brand from a site selection standpoint, which can result in a subpar location being chosen, or an inappropriately-timed entry into a new market," says RBZ Franchise Services Group affiliate Mike Leonard, Managing Partner of Keyser, a leading commercial real estate firm.

"We see it time and time again – a franchisee opening a store in a less than ideal site strictly because 'it's close to my house,' or going into an outdated shopping center because 'it's where all my friends and I shop.'"

Knowing who your customer is and from where said customers are coming before starting the search for space is of the utmost importance.

Smart Business spoke with Schwartz and Leonard about how the ups and downs of the economy can affect retail development.

LARRY SCHWARTZ

Director, Senior
Consultant
Franchise Services Group
RBZ
(310) 478-4148
lschwartz@rbz.com

MIKE LEONARD

Managing Partner,
Retail
Keyser
(480) 371-3800, ext. 303
mleonard@keyserco.com



WEBSITE: To learn more about how RBZ and Keyser can help you source top retail locations, visit www.rbz.com or www.keyserco.com.

Insights Accounting is brought to you by **RBZ**

How has the retail search process evolved?

Once a tenant has established who their customer is and from where they are coming, the next equally important step in the search for space is formulating a plan for responsible growth and implementing strategic site selection.

But then how do tenants find space? The days of driving around and looking at 'For Lease' signs is a sure way to miss out on the premium location opportunities in today's market. That is how many tenants did it back in the early 2000s when it felt as though new retail development was everywhere.

Exciting new centers were popping up in every major town and there were ample opportunities for tenants/franchisors to more easily find space to aggressively grow their brand. Put in the legwork to learn about new spaces available in today's market and your efforts could pay off in a big way.

How did the Great Recession affect retail development?

Many tenants were unable to pay their rent due to decreased sales and as countless large and small businesses shuttered their doors, shopping centers were foreclosed on, developers went out of business and vacancy rates rose across the board.

For tenants still in a position to grow, however, it was an incredible opportunity to secure the type of real estate that had

previously appeared beyond their reach. Previously hard to come by locations opened up for the first time in years, and as small businesses slowly recovered, these premier locations were locked up and the great retail absorption was on.

Fast forward to 2014 and most of the premier locations have long since been gobbled up. While new development is again on the rise, the number of retail and quick casual restaurant tenants in expansion mode is far outpacing the amount of 'A' caliber sites coming out of the ground.

How are tenants combatting this inventory problem?

In today's retail landscape, there is nothing more valuable than market knowledge. Knowing which tenants have expiring leases, which brands may be poised for a buyout and developing close-knit relationships with key developers in order to find out about new projects before they come online are all critical items to know in the race to secure premium locations in today's commercial market.

Working with a commercial real estate broker who specializes in tenant representation can help you uncover these desirable locations. Taking the time to determine what truly makes your business tick will position you far better to experience sustained brand success. ●