

BMGT 299: Entrepreneurship Capstone

Unit 4 Assignment – Site Selection Analysis



There are numerous ways to compare one potential business location to the other. Each is relative of course – and if *both* locations are bad, the lesser of the two evils won't end in a successful venture. First you must do your homework, talking with area business people, banks, real estate firms, the Chamber of Commerce, etc.... then, and only then would you complete an analysis to select one over another. When comparing two potentially good locations, these activities can narrow down your choices – often resulting in significantly more profit.

The first objective activity is to complete a competitor analysis within your trade area. This would compare factors such as availability of parking, services available, access on public transportation knowledge and friendliness of sales associates, hours open, average price point, and aggressiveness of marketing activities. In general we will think of “over-served” or “under-served” markets. You will want to enter into an under-served market. (Keep in mind that YOUR competitor can enter your marketplace without your permission, so an underserved market can quickly change over to an over-served market. When you do enter any market – over-serve it so well that competitors will move into easier to capture markets ...other than your own.

In addition to a competitor's analysis, you will want to use a time-tested formula for “*estimating sales for a location.*” This is the component that you are required to complete for this assignment. (You do not need to do a competitor's analysis).

Here is the assignment. It is relatively simple and will take about 15 minutes to complete (once you are in a commercial retail location).

Assume that you are considering opening an optical center that sells glasses (frames and lenses – no contacts.)

Go to a retail store-front near your home. (This could be a mall store, a fast food restaurant, a grocery store, or gas station) Complete the following form using your personal observations in a 15 minute time frame.

1. Name of business you are observing. (You are going to be watching customers entering the business for a 15 minute time period.)

2. Number of customers who walked by the business _____. (Do so in a 15 minute time frame)

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3. Percent of customer's who entered the business who were wearing glasses. (Any glasses, sunglasses, prescription, non-prescription, etc....)

_____ % (i.e. 20%, or whatever it is...)
4. Number this % represents _____. (i.e. 5, 9, 14 or whatever)
5. Average sale your average customer would spend. In the case of an optical shop, the answer is \$50.00. Multiply 50.00 x the number you determined in *question #4*.
Answer _____.
6. Multiply that number X 4 = _____. (This would represent sales per hour)
7. Multiply the number from *question #6* times 8 = _____. Sales per 8 hour day.
8. Multiply this number by 365. \$_____ (This represents possible sales per year)

You only need to do this exercise once for this assignment, but you can see how using this exercise to compare multiple locations works.