BUILDING ACCURATE TRADE AREAS

The Three Common Mistakes
Silently Destroying Your Trade Areas

A guide from

Trip2Trade™
an esite|Tool

INTRODUCTION

Trade areas are key to successful expansion strategies. Your locations depend on them. Marketing campaigns are built around them. Hundreds of critical decisions begin with them.

Yet most of today's most popular site selection methods lead to incomplete, and even incorrect, trade areas. Even worse, some of the most popular mapping software is not equipped with the right data to provide a complete picture of consumer behaviors.

So how do you build accurate trade areas? This white paper will help you understand the three most common mistakes… and how to overcome them.
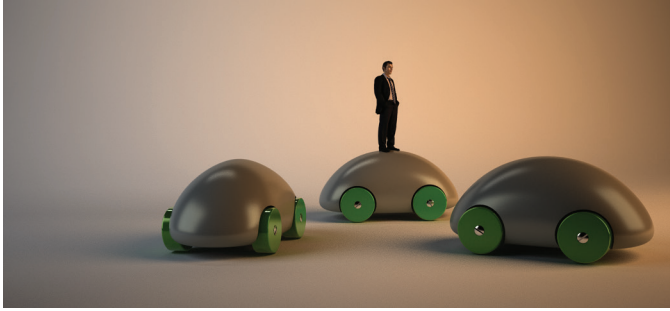
Depending on Drive Times

When evaluating a location, most analysts start by running a drive time model to view the demographic and lifestyle segments of people who live in the area. But these drive times depend largely on speed profiles and generic numbers of miles driven.

Although this technique has long been used to analyze consumer behavior, it doesn't allow you to take into account where potential customers travel on a day-to-day basis. When you start with drive times, a potential site is evaluated based on who lives within 5, 10, or 15 miles around the site.

But what happens when the weekday lunch hour is a crucial time for your business? Or when residents of a nearby suburban neighborhood are at work? In these instances, knowing where your customers live is useless because:

1. People rarely drive straight from home to your location and back.
2. The average commute in the U.S. is 25.4 minutes.
3. The distance one can travel differs with time of day, such as during morning rush hour.

In the real world, your customers make a lot of stops throughout the day. Just because they can get to your location doesn't mean they actually choose to. And if they're traveling twenty miles or more to work, many of the people in your drive time are in fact nowhere near your location during weekday working or business hours.

"We've always known everything about where people LIVE but have never known how they MOVE."

— Gregg Katz, *The Shopping Center Group*
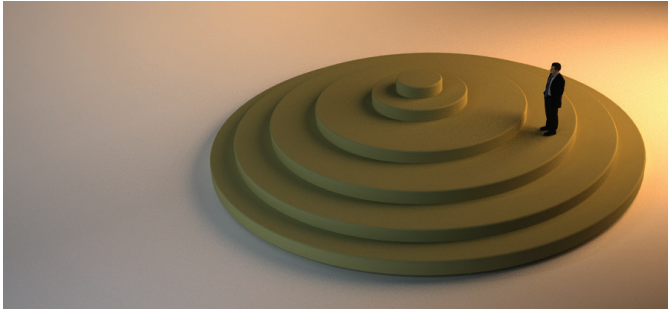
Common Mistake #2

Relying on Radius Rings

Analysts have been told again and again to start with radius rings when evaluating a potential site.

If radius rings are a method of choice at your company, you're not alone: These concentric circles have been a standard industry practice for years. However, there's a good chance your company has been making incorrect assumptions as a result.

Like drive times, radii modeling treats distance uniformly. A ring is derived by drawing a circle around a location to view information on people who live within that sphere. Ten miles is ten miles—whether you're looking at a suburban area where traffic flows freely or a frequently gridlocked downtown. They also don't take into account geographic or major highway barriers.

With radius rings, you can't possibly know where potential shoppers come from and go to, what times of day they're behind the wheel or when they're actually close to your location.

"[In] niche trade areas in nuanced markets...typical drive time and radii modeling aren't accurate."

— Emily Berger, *Consolidated Wings Investment*

Making Modeling a Final Step

When it comes to selecting sites and optimizing store networks within a trade area, modeling is an excellent forecasting process. Companies use it to see which methods score well against a "model" of various influences on everything from future store performance to marketing.

Relying too heavily on the model is where many companies go wrong.

Modeling is based on static data and is a first step to pinpointing premier locations. Used correctly, a model can indicate the best real estate options within a trade area and narrow dozens or hundreds of potential sites down to a handful or even just one. Even then, the model can't know about the many outside factors that may impact store traffic throughout the day or week.

With modeling, your team will always need to conduct further trade area analysis. Your final steps need to include all the dynamic, fluid influences on a site.

> "Clients often question how accurate our model is. It's the wrong question to be asking."
>
> — Tom Blazer, *eSite*

SUMMARY

Trade areas are highly important for any company that depends on brick-and-mortar locations, yet many businesses are basing important decisions on incomplete and, too often, inaccurate ones. Here's a brief recap of the three most common causes:

1. Depending on drive times is a mistake because with this method you rely too heavily on where people live.

2. Relying on radius rings can lead to incorrect assumptions because these circles treat distance uniformly.

3. Modeling is an important first move to selecting sites—not a final step, as many believe.

To complicate matters even further, if you work in an industry like food service or retail, your trade areas can look very different throughout the day and on weekends versus weekdays.

To be fair, most companies have been making decisions based on the best available tools. There's simply never been a way to easily view trade areas by time of day, let alone specific days of the week.

Until now.

About
Trip2Trade
Real Trade Areas Driven by Potential Customers.

Drive times and radius rings can't show what you really need to know: where customers come from and go to, what times of day they're behind the wheel and what roadblocks they might face. That's the kind of information you can only get with actual trip data collected from GPS devices.

With Trip2Trade, you can identify actual driving behaviors. This means analyzing weekday commuters to your site as well as weekend trips among nearby residents. You can even view trip data by day of the week and time of day so that, at any given time, you can get a more accurate snapshot of who's nearby and when they're likely to stop in.

For the first time ever, you can select sites based on anonymized trip data collected from GPS data.

With Trip2Trade, polygons are precise. Trade areas are more realistic. Detailed modeling is based on where customers drive, not just where they live.

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For the first time ever, you can select sites based on anonymized trip data collected from GPS devices.

Join a Live
Trip2Trade
Webinar

Learn about the world's first site selection tool powered with GPS data

Understanding Trade Areas in a Whole New Way
Join a live webinar to see how you can get deeper insights than ever before. Discover how you can:

- Build more accurate trade areas with real trip data

- Gain a deeper understanding of your consumers based on actual driving behaviors

- Save reports, share, collaborate across departments and more

Join the webinar at:

www.trip2trade.com/webinars

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