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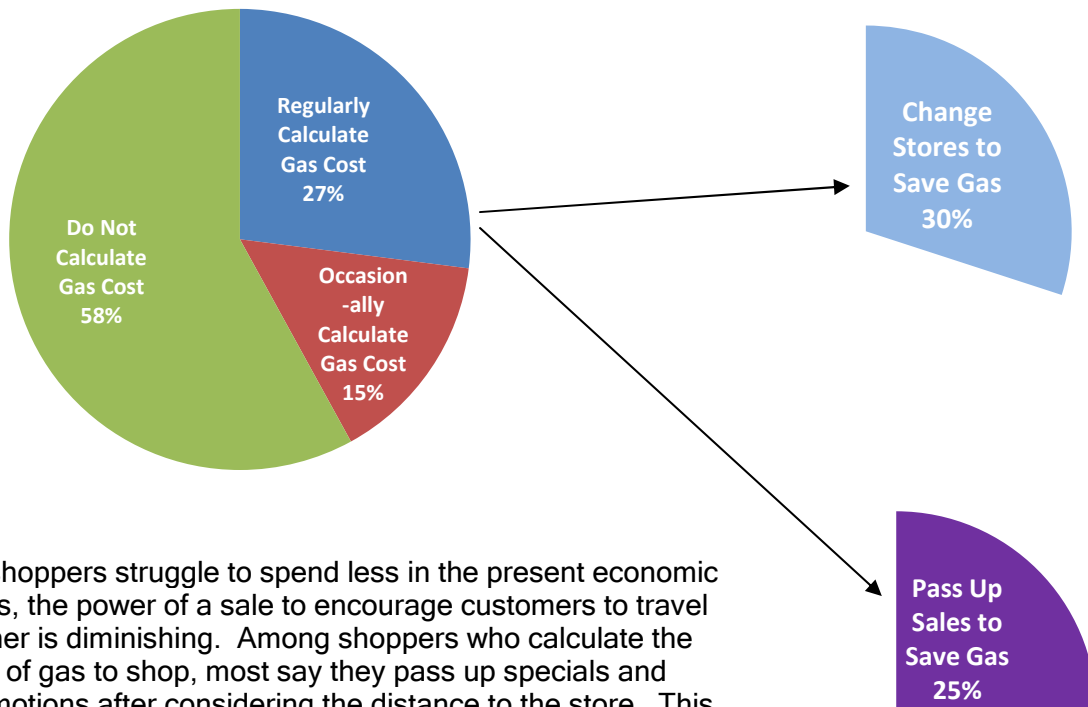
NEW RULES FOR RETAIL TRADING AREAS

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Nearly every retail business closely examines the number of shoppers that can conveniently get to its stores. Locations for new stores are based on an estimate of households that are close enough to be considered in the natural trading area of the store. Previously, the distance retailers assumed a consumer was willing to travel to shop was based on a time when the cost of driving was not an issue. But, old rules about shopping distance can no longer be trusted as now millions of shoppers have begun to factor the cost of gas into their shopping decisions.

LJS found that even today, when gas prices are much lower than they were a year ago, 42% of shoppers who drive calculate the cost of gas before setting out for a store or shopping mall. Most (27%) said they did so regularly and the balance (15%) said they did so occasionally.

Three in ten shoppers who drive (30%) say calculating the cost of gas has changed where they shop.



As shoppers struggle to spend less in the present economic crisis, the power of a sale to encourage customers to travel further is diminishing. Among shoppers who calculate the cost of gas to shop, most say they pass up specials and promotions after considering the distance to the store. This group represents one-fourth (25%) of all shoppers who drive. Retailers are finding it more difficult to increase their geographic drawing power with advertised sales and specials.

Changing where one shops is a relatively painless way to control gasoline costs, but saving on the other costs of commuting, such as traveling to work or school, or accessing healthcare, is more difficult. Thus, shopping patterns are likely the first to be affected by efforts to control transportation costs.

Shrinking retail trading areas can lead to store closings. Evidence, so far, indicates that it is unlikely that trading areas will expand with recession recovery because sensitivity to gas costs is likely to continue to influence shopping behavior. LJS surveys have shown Americans are relaxing their efforts to cut back on driving, but these efforts are far from disappearing, even when gasoline prices drop. When gasoline reached \$4 a gallon, about 75% of households said they were cutting back on driving. This percentage dropped only to 63% when the price was \$3 and 58% at \$2.50. At the time of this study, September 2009, the national price was \$2.60 for a gallon of gas.

Rules for new store openings become more stringent when changes in shopping travel are understood as a new retail reality. Business models will be built on smaller trading areas. This is likely to affect the size of stores as shopping becomes more local. This shift may favor general merchandisers and large malls that can justify travel costs because they enable shoppers to satisfy a large number of shopping needs in a single trip or to combine shopping with various forms of entertainment or leisure activities.

Our post-World War II retail system was built on gasoline costs so modest that they were virtually invisible. Now, the stark reality that every mile traveled to a store may cost upward of 15 cents for fuel is shaking up our entire retail landscape.

This study is based on the LJS National Poll in which 1,000 U.S. households were surveyed by phone and online in September 2009.

*For more information on studies underlying this report,
contact Ken Rice at KenR@ljs.com.
Learn more about LJS at www.LJS.com.*