

Foremark Blog

High-Quality Sites or High-Quality Trade Areas?

You would be hard pressed to find a successful restaurant company that is unconcerned about the physical location of its restaurants. Location is a key component of restaurant performance—period.

One obvious reason is accessibility. Patrons like locations that are easy to reach. Another important factor: many restaurants are selected impulsively when hungry patrons search for a place to eat as they drive. For this group, highly visible signage and a recognizable brand identity are paramount. This is particularly true for restaurants in the fast casual, quick service and lower-average-customer-check categories.

But, finding the perfect site in the perfect trade area is never easy. In fact, high-quality trade areas typically do not offer many high-quality sites. Expanding restaurant companies often face a difficult question. Should they acquire a lower-quality site in a high-quality trade area or an A+ site in a lower-quality trade area?

Our experience shows that concepts in a “hot brand” trend are prone to notions of invulnerability. They often take a high-risk, low-visibility site in a sought-after trade area. Their thinking is that “people will find us.”

It’s easy to see how this happens. Decisions are made when the popularity of their restaurants is peaking. The lower-quality sites might work well for a few years, until the inevitable happens. The hot brand loses momentum. The real pain comes when a new competitor enters the same trade area in a higher-quality location. You guessed it. The once-hot concept is now neither hot nor visible. And, the operator is trapped five years into a twenty-year lease.

It’s a mistake you must avoid, because the consequences are so difficult to overcome. You can market aggressively, change menus, paint the building and hope a new manager will restore the glory days, but the building cannot be moved. High-quality trade areas are tempting, no doubt. In the long run though, high-quality sites provide the best chances for success. Long-term profitability is the only way to keep operators happy.

If we can help with your next site acquisition, please contact Sterling Hillman.