

Marketing expense - When is Rent a marketing expense?

Rent - a marketing expense? Are you kidding?

No, I'm not. Think about it.

Marketing is the science of getting the right balance of product, customer ('place'), price, and promotion. The best location for a retail business is directly influenced by these four marketing elements. Add the rent to be paid by the business and you have some of the key financial factors for success or failure of any retailing concern.

Before we go any further, we are not advocating you start coding your rent expense to marketing. What we do suggest is a closer look at all the marketing, sales and profit drivers in your business when choosing your next site or renewing your lease. They all have an indirect impact on the Return on Investment of your location.

The influences of marketing on a location

Consider a retailer making a decision on where to locate their business, or their next outlet. Will the best result be from a suburban base, a high street, a commercial precinct, a destination centre or a shopping centre?

- Is yours a specialist product range that customers go to extra effort to seek out, or is it similar in nature to others and needs to be placed right in front of as many people as possible to be given the best chance of sales?

- Who are the business's customers? Where are they likely to shop? Where else do they shop now? Do they need parking?

- Is price a major factor? Would in fact the quality of the surroundings influence how much you can charge?

- Finally, is there any advantage to be gained by the location of the store in terms of physical promotion of the business? Is there, say, extra signage, or more access to passing foot traffic. Modern branding experts emphasise the importance of location to a business's 'visual strategy'. They use the look and feel of the business premises as a portrayal of its brand.

Location influences and is influenced by each of these marketing elements.

How to compare ROI on your location options

The following calculations assist with your comparison of the best site:

1. Traffic Volumes

Predict your foot traffic or increased/decreased enquiry rate generated because of the location. Be sure to verify centre

management/real estate figurers with nearby existing tenants! Janine Ellis, of Boost Juice fame actually pulled up a chair and counted the passersby before opening her early outlets.

2. Conversion Rate and Average Sale Value

Estimate Conversion Rates and Average Sale rates in determining potential sales figures for the store. It is highly likely that these sales drivers will be different across locations.

3. All Rental Costs

Factor in all rental costs, including outgoings. The cost of refurbishment or relocation can be spread over the period of the tenancy.

4. Other Costs – employment and promotion

Also consider what other impacts there may be on your financials. Does a different store size or layout, or even opening times impact on employment. And what will be the other costs in relation to marketing such as signage or letting your customers know where you are?

Your decision will be one of Return on Investment (ROI). Whilst the highest sales location will be a prime factor in store selection – it may not always produce the highest profits, and may indeed add other management risks to the business.

Be thorough with your research and planning to buy yourself important piece of mind.

Happy store hunting!