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Lose the 'ego analysis'

By **Jason Scott**, July 13, 2016 at 3:00 AM

Jason Scott - (Photo / Amy Spangler)

It's no secret that the rise of online shopping has eroded sales at large brick-and-mortar retail stores.

Big-box brands seem to be closing stores every week due to financial struggles or because they simply built too many stores in some markets.

Many are trimming their square footage needs and experimenting with smaller concepts, including outlet options within existing stores, to entice discountseeking treasure hunters to shop in person.

Central Pennsylvania is not immune to this trend.

However, the improving economy also has sparked new development in the midstate, largely in smaller retail strip centers that fill in gaps around large shopping centers.

Smaller specialty retail chains and fast-casual restaurant franchises see secondary markets such as Central Pennsylvania as one of the next areas to grow their brands. That trend has led to several new projects on smaller lots that attract good traffic.

A couple thousand square feet here and there may not seem like much, but it is a sign that commercial confidence is on the rise again in our region. Some of these projects were teed up before the last recession.

In this week's print edition, we cover a few of the smaller retail developments on the growing West Shore, including a strip center in Hampden Township. Cumberland County has been the fastest-growing county in the state in recent years, which is fueling interest in commercial development.

By contrast, we're also seeing larger centers reemerge in Lancaster County, with big names such as Wegmans and Whole Foods anchoring new projects.

'Overstoring'

While the trends are exciting for residents because it means more places to shop, they also are a reminder that "overstoring" should be a concern.

Overstoring occurs when you have too many retailers or restaurants vying for consumer dollars in a market. Some chains, meanwhile, may have too many stores in certain markets, or some stores may be too large and costly to be profitable.

Central Pennsylvania is seeing some of this, one retail consultant told me, especially as new retail concepts emerge here and existing brands fight to maintain market share.

"You are seeing more advertising, coupons, special flyers and loyalty cards," said Bob Gorland, vice president of Matthew P. Casey & Associates, who specializes in retail and supermarket feasibility studies. "There are more targeted mailers to maintain sales and market share."

As a result, he said, market analysis is becoming more important in this market. And the analysis has to be objective.

It's easy to do what is called an "ego analysis" and think you have to open a store or restaurant in a specific area because your competitors are there, he said.

But as space tightens and rents go higher, so do break evens, he added. Depending on other variables like advertising costs and competitors' pricing, it becomes even harder for new brands to break in or sustain operations.

"There is no lack of competition (now) in many areas," Gorland said. "We often have told clients not to open at a location, regardless of cheap rent or other landlord incentives, based on our area research."

But sometimes egos get in the way. That happens in every industry.

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