



Understanding Trade Areas

A trade area is a defined geographic area that can be attributed to a particular shopping centre.

In order to identify a centre's trade area, first a Customer Exit Survey must be undertaken. As part of the Exit Survey questionnaire it is essential to ask the customer their residential street, cross street, and suburb (make sure the interviewer spells it back for clarification). Street numbers are not necessary and customers generally prefer not to give exact address details.

This information is geo-coded onto a GIS (Geographical Information System) which is a sophisticated electronic street directory. The shoppers' addresses can then be analysed to identify the centre's trade area.

» What is your trade area?

Outlining the trade area plays a pivotal role in measuring a centre's overall performance - market share results, marketing and direct mail boundaries, the demographic and spending profile of a centre's customers, and the penetration of the centre's market are all key pieces of information derived from this.

The drawing of a trade area involves both science and art, much like property valuation. There is no one industry standard which dictates the way in which a trade area is derived. A trade area is determined by its ability to attract customers given impeding or enhancing factors.

The definition of a trade area for a shopping centre is influenced by:

1. Type, size, trading performance and retail mix of the centre.
2. Type, size, trading performance, retail mix and location of competing shopping centres and other competing facilities.
3. The transport network around the centre, particularly roads, but including rail, bus and other transport networks.
4. Physical barriers such as oceans, lakes, railway tracks, motorways, airports, army bases or national parks.

Following this the competitors, physical barriers, and transport networks can be viewed in relation to the location of the residential locations of the respondents (assuming the majority of shoppers visited the centre from home). Based

on this information a variety of techniques can be used to determine the trade area boundaries.

The end result is a map displaying the Primary, Secondary and Tertiary Trade Areas with competition and geographical highlights (such as rivers and major roads).

It is typical for a shopping centre to have a Primary and Secondary Trade Area delineated. Tertiary Trade Areas are usually delineated for large centres only like Regional Centres and double DDS centres.

A Primary Trade Area is usually the geographic area in which between 55 per cent and 70 per cent of customers and/or spend originate, while a Secondary Trade Area represents a further 15-20 per cent.

Combined, these trade areas equal the Main Trade Area (MTA), which usually represents 70-85 per cent of customer spend/origin.

The Tertiary Trade Area then accounts for 5-15 per cent of additional trade, with the remainder coming from Beyond Trade Area (BTA).

When added together, the Total Trade Area represents 85 per cent-plus of customer spend at the centre. Once this is established, the demographics and spending information can be analysed on a trade area basis and market shares assessed.

As a rule of thumb usually the smaller the centre the more compact the trade area and its drawing power. A dominant Super Regional centre can sometimes account for 20-30 percent of its turnover from Beyond the Total Trade Area.



CONTACT US

For a discussion about your research needs or more information about our services, please contact: Peter Kelly, Managing Director

Tel: (02) 8912 0900 **Fax:** (02) 8912 0999 **Email:** info@directional.com.au

Mail: Directional Insights, PO Box 1658 North Sydney NSW 2059

www.directional.com.au