Food For Thought:

A Case Study Analysis of the Food Retail Site Selection Process

Master’s Report

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A report submitted to the School of Urban and Regional Planning in Partial Fulfillment of the Requirements for the Degree of Master of Planning (M.PL.)

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May 2013
Acknowledgements

There are many people who have assisted and encouraged me throughout the development of this report, and to them I am extremely grateful.

Thank you to Dr. John Meligrana, my report supervisor, for providing guidance and encouragement throughout the completion of this report. Thank you to the Executives from Loblaw and Sobeys for taking time out of their schedules to participate in interviews for this research. This report would not have been possible without their participation.

I would like to thank all my SURP friends for a memorable two years, especially to my office buddies who always kept things interesting!

Finally, thank you to my parents, sister and brother, and family for their endless support and encouragement in all of my academic endeavors. I dedicate this report in memory of my Nonno, John Fortino, who opened his first grocery store on a small downtown corner.
**Executive Summary**

This report is a study of the site selection process examining the requirements and indicators behind food retailing site selection. In particular, the study focuses on urban locations, as they continually remain an area of underdevelopment for grocery stores. There has been minimal research conducted in the field of food retail location analysis or in other words the criteria used by supermarket chains in selecting locations for food stores. By expanding on existing literature surrounding the food accessibility challenges, planning for food retail in urban locations is the primary focus of this research. The study examines the indicators and requirements of the food retail site selection process and how they can lead to the establishment of food stores in urban markets. The report addresses one main research question, further expanded by two sub-questions:

1) How can information about the indicators and requirements used in the food retailing site selection process be used to encourage supermarket development in urban locations?
   a) What indicators and requirements do food retailers use for site selection?
   b) How can food retailers and/or municipalities establish a market that encourages supermarket development in urban locations?

This study examines the food retailing site selection process in Ontario using two major Canadian food-retailing companies: Sobeys Inc. and Loblaw Companies Ltd. These two case studies act as the basis of the analysis for this report as it relates to the future development of grocery stores. The report used a variety of methods in order to successfully address the research questions. A literature review provided context while at the same time introduced the concept of planning for food retail. The majority of the information gathered for this report is through interviews with the Executives from Loblaw and Sobeys (Ontario), who are heavily involved in the site selection for supermarket development in Canada. Interviews collected information regarding the entire site selection process in order to understand the relationship between site selection and food retail development. Last, review of the available public documents relating to the case studies are used throughout the analysis of this report in order to corroborate the findings from the case study interviews.
Overall, there is a strong indication that the site selection process among food retailers remains the consistent. Even so, it is difficult to gather specific thresholds in relation to the discussed indicators used in site selection, as much of the information remains confidential. The report finds that there is a strong emphasis to ensure a strong market for a site, including a sufficient population base that meets the retailer’s bottom line requirements. At the same time, there are several noted barriers in selecting urban sites for grocery stores, but both companies have made efforts to develop in urban markets. The study finds that there is strong evidence from food retailers to support that municipalities play a large role in encouraging urban supermarket development. From this analysis, a set of six recommendations was derived. The first three recommendations are for food retailers to encourage more effective urban developments:

**#1:** There is a need for a more transparent site selection process in order to effectively work with municipalities to develop food stores.

**#2:** Food retailers should continue to explore opportunities to diversify store formats to meet the needs of different communities.

**#3:** Food retailers need to understand the importance of the site selection process as it relates to city built form and food insecurity challenges.

The second set of recommendations is for municipalities to create more efficient planning processes that will encourage urban food store developments:

**#1:** Municipal planners need to understand the site selection process used by food retailers and the impact of the planning framework on the site selection process.

**#2:** Municipalities should offer incentives and programs that will encourage development of food stores in urban areas when appropriate.

**#3:** Municipalities should adopt plans that encourage growth and attract food stores to urban areas underserved areas by establishing comprehensive policies for food accessibility.

Insight into the site selection process can lead to better policies that will create a planning framework that encourages grocery development in urban markets. Food retailers and municipalities play a role in creating sustainable food systems and further understanding of these processes can lead to better food retail development practices in the future.
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1.1 Research Objectives

The absence of high quality and affordable food options does not necessarily result from lack of market demand but can sometimes be attributed to the complex site selection process of grocery retailing. However, there has been little discussion on the relationships between food retailing, planning and urban food systems. Specifically, very little research has been conducted in the field of location analysis. By expanding on existing literature surrounding the food accessibility challenges, planning for food retail in urban locations is the primary focus of this research. This information can be used to shape planning programs (food policies) to encourage urban supermarkets. Sustainable food systems are necessary to human environments and full-service urban supermarkets can help fill the void in many municipalities that currently underserved. Food retailers and municipalities should recognize their role in contributing to the urban food system through a greater understanding of the challenges in many communities today.

Though this report aims to generalize findings in order to apply them more broadly to the Ontario context, the study focus will be on two food retailers to determine the processes and requirements that influence site selection for grocery stores. As mentioned, it is expected that the findings of this project can be applied to all places in Canada, however for the purpose of this study the information gathered will remain in an Ontario context. The report will use Loblaw Companies Limited and Sobeys (Ontario) as the case studies in analyzing the criteria used for site selection and the requirements needed for establishment. Some supermarkets use different store formats depending on geographic location, therefore the report will include a discussion of the different store formats in operation. The findings from the case studies will be used to create recommendations for both retailers and municipalities that can be used to encourage development of supermarkets in urban locations.

1.1.2 Research Questions

The report intends to address one specific research questions which is expanded by two sub questions:
1) How can information about the indicators and requirements used in the food retailing site selection process be used to encourage supermarket development in urban locations?
   a) What indicators and requirements do food retailers use for site selection?
   b) How can food retailers and/or municipalities establish a market that encourages supermarket development in urban locations?

1.2 Background

Food systems are an essential process in cities, providing basic needs central to human populations. The American Planning Association defines food systems as “the chain of activities beginning with the production of food and moving on to include the processing, distributing, wholesaling, retailing and consumption of food and eventually the disposal of waste” (Donovan et al., 2011, 6). Moreover, Bouris et al. (2009) state that “[u]rban food systems aim at increasing self-reliance in food, decreasing negative ecological and social externalities, improving health and nutrition, fostering community capacity and ensuring food security for all community members at all times” (9). The role of the food system is impacted by problems within the food system itself. As mentioned, the consequences behind the food desert debate come from deficiencies in the food system. For instance, easy access to healthy and affordable food choices, as well as disparities in income and transportation make food options difficult to access (Donovan et al., 2011). Therefore, the food desert debate is one specific aspect of a large complex system that is influenced by many retailers and municipalities.

Expanding on the existing literature surrounding the food desert debate, planning for food retailing in urban locations is the primary focus of the proposed research. The purpose of this report is to gather a better understanding of the indicators and requirements used in the site selection process of food retailers. This is an important step in being able to successfully encourage greater food accessibility, a major concern in promoting food security. Full-service urban supermarkets can help fill the void in many municipalities that currently experience a local food desert. The information collected will be used to shape food retailers to encourage urban supermarkets; a market currently underserved by food stores. Urban planners and municipalities need to recognize their
role in contributing to the urban food system through food policy programs over the long-
term, either through specific policy or by creating a need for food retailers. Retail
development is often described as the gateway for economic development providing
several community benefits. This creates a strong need to understand the decisions that
drive food retailing site selection in order to successful plan for a sustainable urban food
system. As a result, the following report will attempt to highlight the method and process
of site selection using two prominent Canadian food retailers.

1.3. Case Studies

Loblaw Companies Limited continues to be the leading food retailer in Canada. They operate over 1000 stores nationwide (Roukhklan and Bardouniotis, 2011). Across
Canada, they make up more the most single majority of the market share. As of 2009,
Loblaw has 29.9% of the market compared to the next food-retailing leader at 14.3%
(Agricultural Council of Saskatchewan, 2010). As Figure 1 illustrates, Loblaw (as of 2009) held a
significant portion of the Canadian food retailing market share. Moreover, specifically in Ontario,
LCL retains significant control with nearly 40% of the Ontario market share (Coriolis Research,
2005). Moreover, Loblaw currently operates 450 stores across Ontario under various store
banners. As the leading food retailer in Canada, Loblaw was selected as one of the two case
studies for this research. It is clear that Loblaw Companies position in the food retailing industry has significant influence in the
accessibility and locations of food stores in Canada, specifically in Ontario. A key
announcement was made in December 2012 that Loblaw Companies Ltd. will create its
own Real Estate Investment Trust (REIT), contributing real estate exceeding $7-billion,
making it one of Canada’s largest REITs (Marotte and Strauss, 2012). This initiative further advances Loblaw in the real estate market and complements its role in the grocery business.
Sobeys, part of Empire Company Limited, is the second largest food retailer in Canada. Operating over 1,300 stores, Sobeys operates more stores than leading retailer Loblaw, however with fewer sales (Roukhklan and Bardouniotis, 2011). They make up the second most single majority of the food retailing market share across Canada. As of 2009, Sobeys has 14.3% of the market compared to Loblaw market share at 29.9% as mentioned (Agricultural Council of Saskatchewan, 2010). As Figure 2 illustrates, Sobeys (as of 2009) held a notable share of the Canadian food retailing market. Moreover, in Ontario, Sobeys also retains the second most majority with nearly 15% of the Ontario market share (Coriolis Research, 2005). Sobeys currently operates 350 stores across Ontario under various store banners. Sobeys was selected as one of two case studies given its prominence in the food industry in Ontario. Clearly, its position in the industry has had significant influence on the locations of food stores in Ontario and across Canada.

The following table (Table 1) provides a comparative overview of the case studies. Detailed description of case selection is provided in Chapter 2 of this report.

Table 1: Key Comparisons between Loblaw and Sobeys

<table>
<thead>
<tr>
<th></th>
<th>Loblaw</th>
<th>Sobeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>29.9%</td>
<td>14.3%</td>
</tr>
<tr>
<td>No. of Stores (Canada)</td>
<td>~1,000</td>
<td>~1,300</td>
</tr>
<tr>
<td>No. of Stores (Ontario)</td>
<td>450</td>
<td>350</td>
</tr>
<tr>
<td>Banners (Ontario)</td>
<td>Loblaw, Real Canadian Superstore, No Frills, Zehrs, Fortinos, T&amp;T, Independent</td>
<td>Sobeys, FreshCo, Sobeys (Urban Fresh), Foodland, Price Chopper</td>
</tr>
</tbody>
</table>

Source: Personal Interview, 2013; Agricultural Council of Saskatchewan, 2010; Coriolis Research, 2005
1.4 Report Outline

This report is organized into four chapters as outlined below:

Chapter 1 provides background, context and rationale for the report through use of an in-depth literature review. Defining the site selection process amongst food retailers this chapter explores the current state of the general problem and the basis of the content of this report.

Chapter 2 provides an outline of the research methods that have been utilized throughout this report. Completing the research required an in-depth literature review, key informant interviews with representatives from food retailers, and content review of relevant food retailing reports and plans. This chapter also provides a discussion of the research limitations.

Chapter 3 includes detailed description and analysis of the site selection process of food retailers through an evaluation of collected information from the noted sources of data in Chapter 2. The chapter is divided into analysis of two case studies, Loblaw and Sobeys, before providing a discussion of the findings.

Chapter 4 concludes the report and provides a set of recommendations for food retailers and municipalities to encourage supermarket development in urban locations. The conclusion also discusses areas of future research.
Chapter 2
Methodology

2.0 Chapter Foreword

This report is a study of the site selection process examining the requirements and indicators behind food retailing site selection. In particular, the study focuses on urban locations, as they continually remain an area of underdevelopment for grocery stores. In order to create a manageable topic of study, it is necessary to present the methodology that will be employed. The selected methods are qualitative in nature and the study uses a case study approach, analyzing two major Canadian food retailers. The components of the research include background information (presenting reasons to study urban supermarket site selection analysis), key informant interviews with representatives from the major food retailers and content review of any available documentation relating to site selection such as corporate records. The resulting analysis will lead to specific recommendations and conclusions for both food retailers and municipalities targeted to encourage development of supermarkets in urban locations. This chapter will explain in detail the methodology in terms of how and why specific methods are utilized. Additionally, this chapter will present and explain the interview instrument and how it will guide the resulting recommendations. Discussion of the limitations of the study will also be explored.

2.1 Case Study Method

In most qualitative research, case studies are commonly utilized as they allow the researcher to diligently observe a potentially complex issue in a manageable context. A case study is defined as “an empirical inquiry that investigates a contemporary phenomenon in depth within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009, 18). In other words, case study research allows investigators to explore and obtain meaningful information in a real-life context. Specifically, this study will employ a holistic multiple case study design using the results to create stronger results. Yin (2009) states that “the evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as
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being more robust (53). Moreover, the purpose of this case study methodology is to ensure replication of study results in order to create a set of recommendations that can be generalizable in the broader context. With multiple case studies the investigator has “the possibility of direct replication [where] analytic conclusions independently arising from two cases, will be more powerful than those coming from a single case” (Yin, 2009, 61). Overall, the holistic case study design will allow fuller analysis of food store site selection process.

As noted, this study will examine the food retailing site selection process in Ontario using two major Canadian food-retailing companies: Sobeys Inc. and Loblaw Companies Ltd. Sobeys, a subsidiary of Empire Company Ltd. and Loblaw's are publically traded companies, therefore annual and quarterly reports along with other reports are publically available. This was a consideration in selecting the companies for the case studies. Moreover, both companies have been selected based upon their prominent status among the top grocers in Canada, both having a strong presence in Ontario.

Loblaw operates over 1000 stores in Canada and generated estimated food sales of $31,603 million in 2010. At the same time, Sobeys operates over 1300 stores across Canada with estimated food sales of $15,723 million in 2010. (Smerdon and Bell, 2011; Roukhklan and Bardouniotis, 2011). These two companies represent the two most dominant food retailers in Canada constituting 47.3% of Canadian food sales or 54% of Ontario food sales (Coriolis Research, 2005). These two case studies will form the basis of the analysis of this report in regards to future development of grocery stores. Recommendations and conclusions will be based on the results of these findings.

2.2 Research Components

The qualitative multiple case study approach is comprised of three components: a literature review, key informant interviews, and relevant content review of public food retail documents. Using the combination of these research components triangulates the research. The structure of this report was influenced by several other studies including a professional report issued by the International Council of Shopping Centers (ICSC) (2008) titled Inside Site Selection: Retailers search for strategic business locations, on general
retail site selection. The study adopts a similar methodology that will be employed throughout this research report by interviewing representative(s) from the case studies to determine their site selection process. Moreover, the structure of this report was modeled after Parkes’ 1997 Master’s Report titled *Residential Development And The Development Charge: A Case Study Analysis Of The R.M.O.C.* that used a similar methods to assess the factors behind residential development. Each method component for the study is discussed below.

2.2.1 Literature Review

A literature review has been conducted and is consulted throughout the data collection process. The literature review was conducted for several purposes. First, it provided context and introduced the concept of planning for food retail, describing the current status of food retail planning and site selection. Moreover, it provided an outline of retail locational practices and their planning implications. Second, the literature review provides validation of the topics relevance as a timely planning issue (See Chapter 1: Introduction). Third, the literature review was used to identify basic assumptions and strategies for site selection in order to provide the framework for this study.

There is an abundance of literature relating to retail geographies and food desert concepts drawn from authors such as Griffith, R., & Harmgart, H. (2012) and Gibbs, R. (2008). These important theories, as discussed in Chapter 1, support the development of this research report. Moreover, a shift to developing supermarkets in suburban rather than urban areas has caused a dramatic change in food retailing, increasing store sizes, which allows for greater profits. In fact, the average supermarket footprint has increased since 1994 from 35,100 to 47,500 square feet in 2007. However since 2007, the average supermarket size has been on the decline, with average size at 46,000 square feet in 2010 (Food Marketing Institute, Supermarket Facts, 2011). The availability of land in suburban areas has permitted the overall increased supermarket size, and ultimately led to fewer urban stores.

Retailers have used location analysis for several decades as they select locations for their business; however there has been very little literature on the requirements
currently used for food retailers. Kane (1966) published the first text that focuses specifically on the location selection process for supermarkets. The text mentions trade area establishment, population studies, income characteristics, road network surveys and planning controls as the typical procedure for supermarket site selection. Moreover, Jones and Simmons (1990) discuss at length the techniques and methods of retail site selection process. Specifically, Jones and Simmons (1990) mention, “retailers have only two assets - their inventories and their locations” (318). This speaks to the importance of site selection and procedures used by retailers. Specific techniques for supermarket location have also been discussed in the literature, however criteria used to assess these results via these various techniques is lacking. According to Hernandez and Biasiotto (2001), suggest there are a wide variety of techniques used by retailers, including Geographic Information Systems (GIS) and regression models. These techniques are in conjunction with specific locational criteria to assess site potential. A presentation by Bergman (2011) looked into the specific criteria of grocery stores in the United States. They cite the following as findings from various supermarket chains when locating in urban areas:

- Trader Joe’s, the American food retailer will locate on urban sites if free parking is available, market area of at least 36,000 residents with a college degree indicating education is key variable - not income;
- Whole Foods Market requires median household incomes of $63,500, median age of 36.2, 62% owner-occupied homes, and 55% holding Bachelor’s degree within the trade area (Bergman, 2011);
- United Kingdom based Tesco entered the US market with an urban location format: a 10,000 square foot “Fresh and Easy” store banner. More modest income levels are set as requirements with median household incomes between $35,000-$40,000 and a target market of two income households with children (Policy Link, 2007; Bergman, 2011).

With that said, more detailed research in the Canadian context needs to be completed to find similar criteria that can help influence the type of programs or initiatives offered by
municipal governments and planning officials. As mentioned, the report produced by the International Council of Shopping Centers (ICSC) (2008) includes information on current retail site selection situation. The following table presents the evaluation model adopted from ICSC (2008) report. Table 2 below provides the outline of the table presented in the report.

**Table 2:** Evaluative Model for Supermarket Requirements

<table>
<thead>
<tr>
<th>RETAILER (GROCER)</th>
<th>INDICATORS</th>
<th>URBAN Requirements</th>
<th>SUBURBAN Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sobeys</strong></td>
<td>1. Population Size</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Average Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Trade Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. TBD</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loblaw</strong></td>
<td>1. Population Size</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Average Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Trade Area</td>
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</tbody>
</table>

A list of indicators in Table 2 will be expanded based upon the findings from the interview process as presented by the representatives from the food retailers. With that said, Table 3 presents a list of a few indicators as discussed in the 2008 ICSC report.

**Table 3:** List of Potential Site Selection Indicators

<table>
<thead>
<tr>
<th>1. Average Household Size</th>
<th>6. Major Employers in Trade Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Crime Rate</td>
<td>8. Pedestrian Traffic</td>
</tr>
<tr>
<td>5. Presence of Competition</td>
<td>10. Ethnic Composition</td>
</tr>
</tbody>
</table>

The development of the evaluation model is used for the analysis of this report in order to establish the recommendations for municipalities and retailers to encourage urban development. The literature is clear that municipal planning policy can have a serious
impact on the development of food retail. Cities can implement “planning policy [that will] help to make sure the built environment can support complementary initiatives rather than working against them” (Donovan et al., 2011, 16). In short, the literature review provides context for the issue of site selection for supermarkets by aiding the establishment of the necessary report framework.

2.2.2 Interviews

The majority of the information gathered for this report is through key informant interviews with the key representatives from the case study selections, Loblaw and Sobeys (Ontario), who are heavily involved in the site selection for supermarket development in Canada. These interviews will gather information regarding the entire site selection process to understand the relationship between site selection and food retail development. As mentioned, this study will use the same methodology for conducting the interviews as Parkes (1997) by creating an interview questionnaire that will be a guide to ensure the necessary information is collected from the interview process. Since interviews will be conducted, GREB ethics approval has been obtained and all of the Queen’s University ethics guidelines were complied with throughout the entire research process. Semi-structured interviews are conducted in person with representatives from Loblaw and Sobeys real estate departments. The style of interview allows the participants to provide detailed responses or additional relevant information for each question. Moreover, the interview questions were designed to create a discussion of the retailer’s process for site selection. The complete interview questionnaire instrument is attached to this report as Appendix A. The following provides an abridged list of the interview questions with brief justification for their inclusion.

The themed 16-question questionnaire was divided into three main themes as described below. The first theme, indicators and requirements for development aims to understand the various indicators and requirements used by food retailers during the site selection process. There are many factors and a sample list of each is provided with opportunity for the interviewee to add and comment on each factor. The following list of 5 questions aims to achieve this goal through the interview process.
1. Can you please provide a brief description of your role within this company?

2. How many supermarkets does your company currently operate (in Ontario)?

3. What is the company’s primary position in the development process?

4. Which of the following factors do you feel are most important in determining the location of a development of a supermarket?

5. Of the following list, what indicators does your business focus on when evaluating site selection (check top 5 that apply)?

Second, the next major theme, the site selection process, attempts to understand the general concepts behind the site selection process and how the companies current operations affect and influences these decisions. A better understanding of the companies operations and the process behind site selection including data sources and methods will assist in understanding the indicators and requirements applied for site selection. Answers to the following 5 questions are used to develop further insight into the methodology behind site selection.

6. Which of the following store formats do your business currently have in operation?

7. Can you describe in general terms, the company’s site-selection process?

8. What data and sources of data do you use to determine new store locations?

9. Does the presence of competing or sister businesses affect your site selection process? If so, how?

10. What are the minimum necessary conditions that must be met before your business chooses to place a new store or branch in any location?

The last theme of the interview questionnaire is factors behind the development of urban supermarkets: the last part of the interview, which brings together the previously mentioned questions, however this time focusing particularly on urban locations. Understanding whether or not the criterion for food store site selection varies between store locations is the essence of this study. Moreover, an understanding of factors that
may encourage development in undesirable locations is explored. The respondent’s answers to these questions shed light into planning for urban supermarkets and help to guide the research recommendations and conclusions. These questions are as follows:

11. What is the company’s position on developing stores in urban markets?
12. Does the current market limit your ability to enter urban markets?
13. What is the primary condition that must be met before your business chooses to place a new store or branch in an urban neighbourhood?
14. How does the development process (time and costs) of the company’s urban stores (if any) compare to your suburban stores?
15. How do the company’s urban stores (if any) perform (in sales) compared to your suburban stores?
16. Please comment on possible interventions that might reduce barriers to entry in urban markets?

The interviews for this study were conducted in person after initial review of existing literature as discussed in Section 2.2.1. Specifically, the research questions listed above were based on gaps found within the existing literature as well as an evaluative review the ICSC (2008) study of retailer’s site selection process. For the purpose of verification, interviewees were provided with the researcher’s analysis and recommendations in order to determine if the information contained in the report is accurate and if the recommendations are credible. This process ensured the reliability of the findings.

2.2.3 Content Review

Depending on the quality of the information received through the interview process, review of the available public documents relating to the case studies as well as any documentation received from the interviewees regarding the site selection process will likely be used. Through an examination of relevant documents, the report found that there is minimal documentation regarding food retail site selection made publically available. However, a number of policy documents from various municipalities have
provided detailed information and insight into the retailing process. In particular a document titled *Grocery Store Attraction Strategies: A Resource Guide for Community Activists and Local Governments* (2007) by PolicyLink, reviewed grocery store attraction methods through an in depth review of the retail process. The document will be used throughout the analysis of this report in order to corroborate the findings from the case study interviews.

### 2.3 Limitations

To ensure the highest degree of academic quality, it is important to discuss the limitations of the study. Tests of validity and reliability provide a reasonable assessment of the quality and limitations of this research. Data triangulation through the three methods of data collection was achieved, however the review of corporate records does not provide insight into the site selection requirements for supermarket locations, therefore its use was limited. As Yin (2009) states, using multiple sources of evidence will reveal patterns in the information. In doing so the researcher will minimize bias improving validity (Yin, 2009). The use of academic literature, interview and corporate records attempted to create triangulation to better understand the information.

The research is validated through literature review and overall data triangulation as well as through the semi-structured interviews allowing for a range of responses to ensure participants identify the important requirements for supermarket site selection. Moreover, generalizability (external validity) of the study results is an important test as it refers to whether the results of the study are relevant in other contexts (Yin, 2009). The generalizability of this report is a limitation since it is unknown whether or not the results found in this report can be universally applied. Specifically, policy related recommendations are representative to the Ontario context and may not apply to other Canadian provinces. With that said, this report is relevant to locations and food retailers within the broader North American context since site selection requirements impact development of supermarkets equally across North America. In addition, reliability of the study refers to the ability to replicate the study results using similar methodological
approach. This research exhibits a degree of reliability, as similar studies can reach similar conclusions using the same methodology.

Other limitations of the study exist in this research primarily due to time constraints. For instance, the researcher restricted the case study to two food retailers to ensure adequate time for collection and analysis. Although this limitation may affect the generalizability of the report, taking into consideration the quality of the case studies is thought to compensate this limitation. Furthermore, a few forms of bias may exist in the research. The researcher supports the development of urban supermarkets and policy changes that can encourage these developments. Moreover, bias from the study’s participants may exist, as evident through the responses or lack thereof during the interview process. Minimizing the potential of bias was accomplished through literature and triangulation of methods.
Chapter 3
Analysis and Discussion

3.0 Chapter Foreword

This chapter presents an analysis and discussion of the site selection process between two prominent Canadian food retailers, Loblaw Companies Limited (LCL) and Sobeys. These two food retailers act as the case studies for this research, as described. This chapter is divided into three parts each organized into three distinct subheadings based upon the interview question themes as outlined in Chapter 2: Methodology. The themes for discussion include:

- Indicators and Requirements
- Site Selection Process
- Urban Supermarkets

Part One presents the detailed findings of Loblaw Companies Limited. Part Two provides a discussion of the second case study, Sobeys. Part Three is a comparative analysis of the two case studies with consideration of current literature. The chapter concludes with a brief summary of the findings.

Part One: Loblaw

3.1 Case Study

As the following will demonstrate, the site-selection process for Loblaw follows typical retailing protocol and influences the location of their food stores. Moreover, as the case study will highlight, the many intricacies of the site selection process has a profound influence on the location and type of store. Loblaw participates in the full spectrum of developing food stores and assumes various roles in the development process. This includes sourcing owned sites and building supermarkets while at the same time working with landlords and other developers to either buy or lease sites. After conducting a detailed interview with a real estate executive from Loblaw (referred to hereafter as Executive L), the position and competitive role with regards to the site selection process for LCL is revealed.
3.1.1 Indicators and Requirements

Overall, Executive L described the importance of understanding the customers and their needs. By understanding the customer, the retailer is able to focus on delivering the necessary goods specific to that population’s interests. Executive L detailed the importance of seven additional factors (see Table 4) in determining the location of a supermarket (listed in order as discussed).

Table 4: Loblaw Factors of Site Selection

<table>
<thead>
<tr>
<th>Factor</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land Costs</td>
<td>Land cost is a factor in locating a site but considered a minor hurdle since Loblaw will typically find a more modestly priced parcel nearby in the presence of high land costs.</td>
</tr>
<tr>
<td>2. Zoning Bylaws</td>
<td>Zoning is considered to be very important but noted that it can be changed. The Official Plan is often considered more important than zoning as this provides the framework for zoning bylaws.</td>
</tr>
<tr>
<td>3. Accessibility</td>
<td>This is a factor specifically in suburban applications in relation to providing convenient travels for vehicles. In suburban application pedestrian commuter route and public transportation links become more prevalent.</td>
</tr>
<tr>
<td>4. Quality of Surrounding Facilities</td>
<td>Desirability of location depends on the nearby surroundings. For instance, a site situated by industrial lands is not as desirable as entirely surrounded by high-rise development.</td>
</tr>
<tr>
<td>5. Ease of Essential Services</td>
<td>This is an important necessity for any development but not a major concern in determining site potential.</td>
</tr>
<tr>
<td>6. Ease of Available Financing</td>
<td>This is a general development constraint overall.</td>
</tr>
<tr>
<td>7. Site Conditions</td>
<td>Comes into play particularly if it is environmental and geotechnical challenges.</td>
</tr>
</tbody>
</table>

As the table demonstrates, there are several factors in determining site location. Executive L indicated that the last three factors, including ease of essential services, ease of available financing and site conditions, are underlining economic factors and have an effect on financial return of a development. They do not necessarily impact site selection itself however.

Moreover, there are additional driving indicators that impact the site selection process and throughout this process Loblaw focuses on specific details. The following is a
list of the discussed indicators that play a role in the site selection process according to Executive L (refer to Table 5 below).

**Table 5:** Loblaw Site Selection Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Ethnic Composition</td>
<td>7. Home sales Value</td>
</tr>
<tr>
<td>3. Income</td>
<td>8. Pedestrian Traffic</td>
</tr>
<tr>
<td>5. Average Household Size</td>
<td>10. Major Employers in Area</td>
</tr>
<tr>
<td>11. Visibility</td>
<td></td>
</tr>
</tbody>
</table>

Although there are several indicators that play a role in the site selection process, the above indicators are noted to be of importance. According to Executive L, population, in particular, population density is a big influencer. Moreover, Executive L described in detail the role of ethnic composition in the site selection process. Executive L noted, “Ethnic composition influences the taste in the products that people are going to be looking for which ultimately results in the built form as well (Personal Interview, 2013).

For example, as you cater to specific needs such as families, typically the store will include broader food spectrums or clothing resulting in a larger box store, whereas in downtown urban locations it is more likely to be smaller box, as it is a different offering. The economic considerations including educational attainment, average income, and home sales values, were combined into one category as they all influence the type of store depending on the economic demographics of the trade area. Moreover, in terms of competition, Executive L stated that as a food retailer “you have to be relevant to the customer and to the competitor”, a key indicator for determining a pertinent location. In sum of the indicators for site selection, Executive L noted that visibility is the driving force behind site selection. It was stated that a company’s competitive edge is their location; “it is location, location, location”, a common phrase in real estate and applicable to food retailing. With that said, Executive L stopped short of revealing specific targets or thresholds for these indicators, instead suggesting that these targets are market specific.
3.1.2 Site Selection Process

A better understanding of Loblaw operations and the process behind site selection process, including data sources and methods, will assist in understanding the various factors that influence decision making techniques. As previously mentioned, Loblaw Companies operates several store banners, each catering to specific markets. Appendix B provides an overview of the various store formats and banners currently in operation in Ontario. Like many food retailers, Loblaw is extremely knowledgeable within the industry. Executive L states,

We have a very sophisticated understanding of the competitive landscape and sophisticated understanding of where our customers our coming from, who they are, and how they our store networks interact with our customers (Personal Interview, 2013).

This understanding allows the company to react and plan for these customers. As part of the process, various sources and methods are utilized to help gather necessary information to make informed decisions. Executive L discussed the importance of Geographic Information Systems (GIS) and its role in identifying potential markets. Moreover, Statistics Canada data is complied to better understand populations and potential growth areas that can benefit from a grocery store. Executive L was vague in describing any specific Statistics Canada data that they currently used, only mentioning ethnicity as an example. Instead, the Executive implied the importance of experience. In regards to gathering information, Executive L said,

“[Loblaw] uses a lot of experience, just in terms of [their] knowledge of the market…driving the market…and speaking to industry leaders [and internal operations] that provide necessary feedback (Personal Interview, 2013).

As the leading food retailer in Canada, Loblaw has the expertise necessary to make informed site selection decisions.

Moreover, the interview shed light on the role of the municipality as part of the site selection process. Population projections are a vital statistic to take into account to better understand the future of any market. Executive L hinted that using population projections provides greater understanding of the population demographic (including growth or neighbourhood change) and will ultimately impact the type of store that is offered in those
markets. The Executive also discussed that as neighbourhoods undergo demographic change, Loblaw needs to adapt to cater to the changing population, and having varying store formats allows for this to occur. In addition, Executive L mentioned transportation data such as average daily traffic counts, that can be obtained from municipalities to identify potential customer base. It is clear that municipal data is sometimes necessary in the collection of data. The Executive discussed that a lot of the planning departments have their own data sources and a lot of the time we rely on various planning documents and reports including community growth patterns, servicing constraints and Official Plan designations. These sources of data are all used to differentiate potential food sites for grocery stores. However, according to Executive L, the minimum condition for locating a store relies on ability to do sales. A detailed ‘profit-and-loss model’ and market analysis is undertaken during this process to ensure the “network as a whole will survive”, according to Executive L. The general site selection process for Loblaw Companies is complex but this new understanding explains the various resources and methods that ultimately decide store locations.

3.1.3 Urban Supermarkets

The final part of the Loblaw case review deals with the factors behind the development of urban supermarkets bringing together the information from the previous two sections in order to gain an understanding of factors that may encourage development in urban locations. This final section describes Loblaw Companies’ current position in developing in urban locations and current limitations in entering urban markets. Moreover, this section will explore various differences between urban and suburban grocery store development and the role of municipalities in encouraging development in urban locations that are currently have limited access. Executive L simply stated that the company is for the development of stores in urban markets, however the representative stopped short of expanding on their current status within the urban market. With that said, the Executive provided details on specific limitations in entering urban markets. Executive L responded that the biggest constraint is availability, although it was
mentioned that the same limitation exists in a suburban application if the plan function is not conducive to a site.

The Executive noted planning framework as a constraint as municipalities only designate so many sites as being food store sites, therefore the planning framework can become very restrictive for the retailer to find a desired site. At the same time, constraints such as heritage buildings in urban locations, traffic restrictions in downtown areas, and operational constraints such as receiving all come into play when considering a site. More specifically, the Executive spoke to parking and accessibility as two major factors in an urban application. Accessibility becomes important in an urban development for several reasons, specifically to ensure convenience for the customer. The Executive spoke to the idea that in an urban setting a large segment of the population does not own a vehicle but rather are accustomed to walking or public transportation. Therefore, selecting a site that is both conducive for walking but also located nearby public transit is just as important as parking in an urban application.

The case study explored the major differences between suburban grocery store developments in comparison with urban developments. Executive L had the following to say in regards to the development of stores:

I would say that it is project specific...suburban projects can be just as challenging to develop as urban projects [but] it really depends on the relationship and willingness of the parties that are involved [including] developer, land owner, [Loblaw’s], and planning staff and whether they have the desire to actually build the store and if the goals of that development are mutual (Personal Interview, 2013).

Without specifically noting differences between suburban and urban applications, the Executive implied through his response there is a need for a common goal among all parties regardless of location. Again, the Executive did not comment on the time and cost variations between urban and suburban developments. Moreover, with respect to store sales comparing urban and suburban markets, the Executive responded that there is no generic answer as it depends on the level of competitiveness within an area. The ability to do sales is dependent on the size of market and the number of competitors in the area. Executive L said that ability to do sales “is relative, it is not just size of the market [but also] depends on how many competitors exist”. In essence, although there are differences
between suburban and urban locations, there is not a consistent formula, as factors (indicator requirements) change between projects.

In addition, speaking to the specific barriers to entering urban markets and the role of the municipality, Executive L was clear that municipalities play a role in setting the framework for food store sites but was at odds on whether or not municipalities can offer incentives for food store development. On accessibility issue of food stores, Executive L was clear in stating Canada does not face a major food insecurity challenge. The Executive stated,

There is enough food stores and companies and unless there is a public outcry that people do not have accessibility to food (which does not exist at all in Canada) (Personal Interview, 2013).

The Executive response included details regarding the submission process whereby companies need to include with their application a market study to illustrate to the municipality that the market will not ‘overheat’ with the addition of another food store. However, generally speaking, there is more availability of food stores that would like to be in a market than there are sites, according to Executive L. At the same time, Executive L does believe that municipalities can encourage urban supermarket development through potential interventions. First and foremost is the process itself according to the Loblaw Executive:

Obviously, the less bureaucratic the process is the less money [each party] has to spend to get through the process and less length of time in between acquisition of land and being able to turn it into built form (Personal Interview, 2013).

There was a clear indication from the Executive that municipalities often bog down the process that can lead to major development hurdles. In other words, the Executive gave a few examples of potential municipal interventions that could encourage urban development. For instance, a planning framework that can be used to speed the process to attract investment includes zoning densities. By adjusting the planning framework, municipalities can increase zoning densities to entice food retailers. Furthermore, the Executive noted tax incentives could be used along with other tools to encourage development.
Overall, from Executive L point of view that municipalities play a large role in process of selecting sites as it comes down to whether or not their framework allows for such development. As the leading food retailer in Canada, Loblaw applies its experience in selecting food sites. The next section examines the second leading Canadian food retailer to compare their site selection process and requirements both in suburban and urban locations.

**Part Two: Sobeys**

**3.2 Case Study**

Like Loblaw, Sobeys has the required tools as a key player in the food retail industry that allows them to take on various roles in the development process. Sobeys owns and builds their own sites and stores but also works with landlords and other developers in leasing deals. Sobeys is beginning to take more of an ownership position however because of the large capital associated with ownership, diversification is inevitable. After conducting a detailed interview with a real estate executive from Sobeys (referred to hereafter as Executive S), the following will demonstrate, the site selection process for Sobeys follows typical retailing protocol that influences the location of their food stores. Moreover, as the following case study will highlight, the site selection process has a profound influence on the location and type of store.

**3.2.1 Indicators and Requirements**

Understanding population trends and future patterns of communities is an essential component of determining food store sites. The discussion with the Sobeys representative described the factors and indicators of the site selection process and how each factor contributes to the decision making process. Executive S detailed the importance of the seven factors in determining the location of a supermarket (listed in order of discussion). Table 6 below provides an overview of the responses provided by the Executive.
Table 6: Sobeys Factors of Site Selection

<table>
<thead>
<tr>
<th>Factor</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Zoning Bylaws</td>
<td>Executive S noted zoning, as among most important factor behind site selection as without proper zoning, a store cannot be built. The role of the Official Plan is also very important, in particular, the current and future OP designations as without proper zoning and Official Plan designations there is limited opportunity.</td>
</tr>
<tr>
<td>2. Land Cost</td>
<td>This is a general factor in determining site location.</td>
</tr>
<tr>
<td>3. Accessibility</td>
<td>Accessibility is a really important factor as it is critical to attract people. In addressing accessibility it is important to consider alternatives in the area competitively. A strong competitor with great access weighs into the viability of a nearby site.</td>
</tr>
<tr>
<td>4. Ease of Essential Services</td>
<td>Sobeys does not provide services to the site therefore services needs to be available.</td>
</tr>
<tr>
<td>5. Ease of Financing</td>
<td>Important consideration but given the size of the company it is generally not considered an issue.</td>
</tr>
<tr>
<td>6. Quality of</td>
<td>This is a factor as it is beneficial to be located by surrounding retail nodes as this drives customers to the area.</td>
</tr>
<tr>
<td>Site Conditions</td>
<td>This is also a very important factor when dealing environmental and geotechnical challenges as it drives overall project costs.</td>
</tr>
</tbody>
</table>

As the table illustrates, there are several factors involved in determining site location. Executive S described that in assessing these factors there are specific checks and balances that are completed. Sobeys’ process begins with zoning and site plan approval of a selected site. Next, it is important to ensure there are no additional costs including environmental and geotechnical costs associated with the site. Finally, ensuring the best accessibility for the site is equally important. These factors are critical as they all factor into the cost of the project.

Moreover, there are additional driving indicators that impact the site selection process with Sobeys focusing on specific indicators. Table 7 presents a list of the discussed indicators that play a role in the site selection process according to Executive S. Although there are several indicators that play a role in the site selection process, the indicators listed below are noted to be of importance.
Table 7: Sobeys Site Selection Indicators

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2. Ethnic Composition</td>
<td>7. Home sales Value</td>
</tr>
<tr>
<td>3. Educational Attainment</td>
<td>8. Major Employers in Area</td>
</tr>
<tr>
<td>5. Average Household Size</td>
<td>10. Competition</td>
</tr>
<tr>
<td>13. Other Tenants</td>
<td></td>
</tr>
</tbody>
</table>

According to Executive S, population, in particular, focusing on population trends. It is important to understand where population is today but also the growth patterns for the future. Moreover, Executive S indicated ethnic composition is an indicator for merchandising. It was noted that ethnic composition determines the type of banner (see Section 3.3) that Sobeys will locate in any particular location. It is a matter of catering to the needs of different populations according to Executive S. Again, both educational attainment and average income factors into how Sobeys markets the area. On the economic side, homeownership and home sales values are referred to for trends in an area. However, Executive S noted that homeownership is sometimes be a misleading indicator as it is difficult to understand mortgage trends. An important indicator for site selection for Sobeys is pedestrian traffic as it relates to urban areas. Whether or not a site is located nearby public transit points is a bonus to attract overflow business.

In terms of competition, Executive S stated it is a “huge” component in site selection, and there must be an assurance that the store will be able to remain competitive at a specific location. Executive S went into detail regarding the importance of access and co-tenants, as a way to attract customers to the site. According to Executive S, “it is [about] convenience, and we are very much in the convenience business”. Again, Executive S was vague in describing the exact targets for these indicators but suggested the importance of understanding future population growth. Specifically, a town with a population of 5,000 would typically not warrant a 70,000ft² grocery store but instead it comes back to where
you need to locate based on community growth, with type of offering dependent on size of market.

3.2.2 Site Selection Process

The general method behind the site selection process and its relation to Sobeys operations plays an important role determining a future site. As previously mentioned, Sobeys operates several store banners, each catering to specific markets. Appendix C provides an overview of the various store formats and banners currently in operation in Ontario. Sobeys protocol includes harnessing their internal market study group that is responsible for identifying potential markets that can deliver appropriate grocery store locations. Executive S indicated that a market study provides particulars including “basic demographic information [such as] population growth and future growth”. It is then possible to look into further information including accessibility, zoning, and surrounding facilities. Following this, it necessary to assess the site itself and how the store ‘box’ can fit within that particular site. Executive S added that it is important to look at what is going on competitively in order to make a proper assessment of what type of store is required and where. It was noted that finding a site in a chosen market is complex, as it is necessary to consider “what site and store makes most sense from the business point of view”. In terms of collecting market data in order to make decisions on an appropriate site, Sobeys uses a multi-faceted approach using a variety of sources and methods. For instance, Executive S clarified that their internal market study group will use basic census data including Statistics Canada information. Using this information, the company is able to make informed decisions based on demographics now and in the future.

Sobeys also relies on municipal data and expertise in collecting information about potential grocery sites. Executive S talked about the role of a municipality during this stage and the importance of understanding the Official Plan designations and current (and future) subdivision plans. The Executive also mentioned that the municipality has information on potential future competitive development sites and the importance of this knowledge. The Executive mentioned that Sobeys “wants to know if we going to open a store, we need to know what is already [currently] in place and [if] there are any future
sites” that may alter the competitive landscape. Furthermore, understanding the existing landscape plays a role in deciding upon a site. For instance, competing or sister businesses will impact the type of store. Executive S suggested that it is important to understand the overall market and nearby sister businesses as it may affect the sales of the company. With that said, the ability to use multiple store formats, provides Sobeys the flexibility to cater to specific demographic even within the same trade area. Nonetheless, the bottom line is the ability to do sales. Executive S indicated that although a site may be great competitively, if there is not the potential to do the required sales, the site will not be developed. All of these various techniques are part of the overall site selection process.

3.2.3 Urban Supermarkets

The last section of the Sobeys case study will examine the factors behind the development of urban supermarkets bringing together the information from the previous two sections to gain an understanding of various influences that encourage development in urban markets. This section describes Sobeys current position in developing in urban locations and the limitations of entering these markets. Moreover, this section will explore various differences between urban and suburban grocery store development and the role of municipalities in encouraging development in urban locations. Executive S stated that they view urban markets as an opportunity. It is clear that as a result of vertical intensification in areas such as Toronto, it is nearly impossible to find a 4-acre site, therefore driving the company to look at sites including at base of condominiums or office buildings. The Executive clarified that they have made modifications to trucking and other resources to enable them to deliver goods and enter urban markets. As noted in Appendix C, Sobeys operates a small urban format banner Sobeys Urban Fresh. With that said, the Executive noted that the same fundamentals apply when dealing with an urban application. Accessibility, planning framework including Official Plan designation, current population and forecasted population all are considered important indicators for assessing a potential site in urban markets.
Furthermore, Executive S noted the limitation to urban markets and the challenges that arise. According to the Executive, Sobeys has developed urban stores between 5,000ft² to 15,000ft², however the Executive believes that in order to be competitive, you need 20,000ft². With that said, it becomes challenging to find an appropriate site that fits the companies store formats. The Executive discussed the importance in finding a location that provides ease of accessibility for customers. For instance, if a store is located at a base of a condominium development, factors such as interactions between store and residential uses, parking, and how they can provide accessibility for all customers most efficiently. Moreover, factors including receiving, disposal and underground parking are all considered to be a challenge in planning for a store in an urban market. Ensuring that there is a population to support a food store in urban market is still the minimum condition in selecting a site according to Executive S. It is clear that there needs to be a population living directly in the trade area as opposed to simply employment in the area. Furthermore, the same fundamentals apply; however, the [store box] still has to work from a layout point of view, according to the Sobeys Executive. In essence, the limited availability of urban sites is the biggest challenge to developing urban food stores.

In addition, Executive S discussed the differences between suburban and rural stores in terms of development and sales potential. It is clear from this point of view that development of urban grocery stores are more expensive and involves a greater length of time, generally speaking. The Executive noted,

Urban stores are a longer process because it takes longer to [find land], develop and build [the store] (Personal Interview, 2013).

Moreover, it was addressed that because urban land is generally more expensive, most of the time urban developments are driven by development costs. At the same time, the Executive spoke to the comparisons between urban and suburban stores in regards to sales potential.

Sales per square foot are a lot higher in the urban stores but then they are also smaller stores…but in terms of profit, [there] is not a clear-cut [winner as] they each contribute (Personal Interview, 2013).

The importance of vertical density in ensuring success was mentioned throughout the interview since development in urban markets relies largely on density. According to
Executive S, urban areas possess a really tight trade area, resulting in the need for large populations directly in the trade area. Although there is not a generic response, it is clear that there are differences between urban and suburban grocery store applications.

Last, the discussions with Executive S clarified that municipalities can often add barriers that make it difficult for effective food store development. The Executive believes that, like many other aspects in the business, municipalities need to be able to move quickly. This is relevant for all grocery development but particularly in urban applications where cost of development can easily fluctuate. The Executive provided an example of issues that often arise including ensuring that food retailers, developers and the municipality share the same desires. There are many examples where specific sites become too cumbersome and it begins to impede the ability to deliver a food store on that site. Speaking specifically to the potential interventions to encourage urban food store development, Executive S spoke about the role of development charges. Although the Executive was clear that they support the charges in order to sustain future growth, it also can create situations where developments become too expensive. According to the Executive,

Simple answer is that it just adds to the costs of doing business and it gets to a certain threshold where business can [no longer] work therefore it ends up slowing down the development (Personal Interview, 2013).

In essence, the Executive did not provide specific incentives that may encourage development of stores in urban markets but was straightforward in noting that municipal processes factor into the decision making process of site selection and particularly in urban markets, it is critical to ensure an efficient process between all parties in order to sustain the development.

**Part Three: Comparative Analysis**

**3.3 Discussion**

The following section provides a detailed discussion of the findings from the case study interviews and a review of various literatures on site selection process among food retailers. The case studies detailed above provide insight into the complexities of the site
selection process and the differences between suburban and urban locations. Although there are differences between Loblaw and Sobeys, there are also many similarities. It is clear after conducting the interviews that the indicators and requirements behind food retailing site selection can be used to encourage development in specific locations. Moreover, the section will incorporate a review of the 2007 study completed by PolicyLink titled “Grocery Store Attraction Strategies” as described in Section 2.2.3. The section is organized using the same format as each case study, organized into the three themes based on the interview questions.

3.3.1 Indicators and Requirements

Both case studies were effective in outlining the factors and indicators that are used in determining a food store site. Understanding the retail market is complex and involves many characteristics. It is evident from both Loblaw and Sobeys that the driving force behind site selection is a strong market. A strong market involves a large and diverse population demographic in a strong location. Both Executive L and S discussed market requirements and specific indicators but did not provide any specific details regarding specific targets. Table 8 provides a quick overview of the companies views on the indicators and requirements used in the site selection process.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Loblaw</th>
<th>Sobeys</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Requirements</strong></td>
<td>“Target requirements are dependent on size of the store and it is dependent on the market competitiveness”</td>
<td>“The bottom line is [that] it comes down to people…people have to eat [and] we want to be [near] the people”</td>
</tr>
<tr>
<td></td>
<td>“Your competitive edge is your location. It is location, location, location…that is how you deal with the other requirements”</td>
<td>“It is all about convenience, we are very much in the convenience business”</td>
</tr>
</tbody>
</table>

Source: Personal Interview, 2013

Although both Executives refrained from providing specific targets for each indicator, they provided similar responses indicating similarities in the process for site selection. The generalized responses from both Loblaw and Sobeys indicate a degree of confidentiality...
behind the process signaling the level of difficulty in planning for food stores. It is evident that in selecting sites, both companies study the location to ensure all requirements are satisfied. However, Sobeys was explicit in describing the role of accessibility in selecting a site. Moreover, the PolicyLink (2007) report outlines, “potential grocery operators and developers want to see that there is a strong market opportunity” (20). The policy document mentions the following as potential indicators:

- Population
- Age
- Race and ethnicity
- Educational Attainment
- Housing Tenure
- Income
- Accessibility Information
- Surrounding real estate activity

As the list above demonstrates, both Executives from Loblaw and Sobeys discussed many of the same indicators, indicating the general uniformity among requirements for site selection. Table 9 is the evaluative model as described in Section 2.2.1. As the table highlights, specific details were not released by either Executive an indication of the confidentiality of the process among food retailers.

**Table 9: Evaluative Model of Top 3 Indicators**

<table>
<thead>
<tr>
<th>RETAILER (GROCER)</th>
<th>INDICATORS</th>
<th>URBAN Requirements</th>
<th>SUBURBAN Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sobeys</strong></td>
<td>1. Population Size</td>
<td>Varies depending on market</td>
<td>Varies depending on market</td>
</tr>
<tr>
<td></td>
<td>2. Average Income</td>
<td>No details</td>
<td>No details</td>
</tr>
<tr>
<td></td>
<td>3. Trade Area</td>
<td>Depends on market</td>
<td>Small</td>
</tr>
<tr>
<td><strong>Loblaws</strong></td>
<td>1. Population Size</td>
<td>Varies</td>
<td>Varies</td>
</tr>
<tr>
<td></td>
<td>2. Average Income</td>
<td>No details</td>
<td>No details</td>
</tr>
<tr>
<td></td>
<td>3. Trade Area</td>
<td>Varies</td>
<td>Varies</td>
</tr>
</tbody>
</table>

Source: Personal Interview, 2013

Although there is minimal detail provided by the respondents from the case studies, other studies have outlined findings of specific requirements. For instance, in a survey of food
retailers, International Council for Shopping Centers (ICSC) (2008) found that a typical general grocery store requires a population of 50,000 within a trade area. At the same time, it has been noted that a typical trade area is between 2 to 8 kilometers (1 to 5 miles) (PolicyLink, 2007). Moreover, in both cases, competition and accessibility was noted as important factors in assessing the potential of a site. Both Executives were clear in the importance of staying competitive and ensuring proper accessibility. This is consistent with current literature as both competitiveness and accessibility complicate the potential of a site. For instance, Buckner (2004) says “the more convenient a competitor is to large concentrations of sales potential, the more potential it captures, leaving less for the proposed site” (11) in speaking about competition. In regards to accessibility he writes, “if the consumer base implicitly linked to sales potential cannot conveniently access the site, it will capture a relatively low proportion of the potential” (Buckner, 2004, 12). Although both Executives were relevant in speaking to these points, Executive S was forthright in declaring that,

Even though you look at [a site] that is fantastic, if you cannot get [customers] in and out efficiently it does not matter because [the customers] will just not go there, especially when there are alternatives in the area competitively (Personal Interview, 2013).

Needless to say, there is a high level of importance placed on sites accessibility and competitive surroundings. There is a high priority placed on accessibility and the surrounding retail nodes in selecting a site. This is indicative by food retailers typically locating on large sites with easy access in successful retail nodes.

At the same time, it is clear that each Executive placed different emphasis on various indicators and requirements after population.

**Table 10: Zoning Bylaws as an Indicator Comparison**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Loblaw</th>
<th>Sobeys</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Zoning and Official Plan</strong></td>
<td>“Existing zoning bylaws are important but zoning can be changed. More important than zoning what is in the Official Plan”</td>
<td>“Zoning is most important. Without zoning you cannot build. There is two parts to zoning and it includes the Official Plan”</td>
</tr>
</tbody>
</table>

Source: Personal Interview, 2013
As shown in Table 10 above, Executive S focused heavily on the need for proper zoning and Official Plan designation, as without it, development cannot occur. On the other hand, Executive L was forthright in stating zoning can be changed but did note that without supporting Official Plan designation, applications will be more difficult to approve. With that said, both companies view existing municipal policies as important, however there slightly differing views on their potential impacts in the site selection process. It is clear that proper access is critical component as described by Executive S. As noted earlier, food retailers are in the convenience business and Executive S clarified that accessibility plays a large role in ensuring proper delivery. On the other hand, Executive L summed up the driving indicator as location. In essence, the representatives offered differing perspectives on the most important site selection indicator. With that said, both Executives made clear the importance of location and accessibility but also the need for a large population. Furthermore, there is indication that market share estimations are included in the site analysis. According to PolicyLink (2007), “retailers may also be interested in estimated leakage - money being spent outside the neighbourhood” (21). Although there was no evidence or discussion of this in the Loblaw case study, there was a strong indication of the importance of trade area and leakage from Executive S. According to Executive S, the average profit model and market share for grocery is $40 to $50 per week per person. The rough guide provides rudimentary estimations of profits. For example, a trade area with a population 10,000 will accumulate $500,000 per week. A retailer needs to estimate how much of that they can obtain. However, according to Executive S, this is used as a guiding tool but there are other ‘push and pull’ factors that influence the amount of leakage - a condition that is difficult to estimate.

The indicators and requirements that act as the framework for determining a food site are complex but relatively universal among food retailers. The case studies, Loblaw and Sobeys, along with existing literature indicate that there are several factors influencing site selection. It is clear that the food retailers consider a wide range of indicators but more so, they consider the relationship between each of these in order to determine the viability of a site. A significant finding between these two case studies in discussing market requirements is the lack of willingness to openly discuss the specifics in regards to
the requirements and indicators. This can easily create problems as municipalities and food retailers attempt to plan for food stores in various markets.

3.3.2 Site Selection Process

As indicated from both Loblaw and Sobeys, there are many similarities in regards to site selection methods and sources of data that are used to make judgments on particular markets. According to Hernandez and Biasiotto (2001), their study found that the pressure for retailers to make informed decisions has risen considerably due to rising competition. It is evident from both case studies that there is a sophisticated modeling component of various data collected including Statistics Canada and Census data, market information and municipal data. Hernandez and Biasiotto (2001) found that over 87% of their respondents noted experience as a key technique. Also, the study found that 68% of grocery retailers used GIS as a main technique for site selection. It was clear from the interviews that food retailers use the same sources of data. In the ICSC (2008) study of American retailers, the study found that majority of retailers relied on Census data and various market sources. The study also indicated “retailers data-collection methods vary and range from sophisticated customer surveys to simple tactics such as observing and counting patrons in a grocery store” (ICSC, 2008, 12). Clearly, there is a commonality among food retailers in the sources of data commonly used in assessing site locations. Again, both interviewees were quite vague in their responses, however it is evident that analysis of this data represents a model that provides insight into resident expenditures, competing stores, transportation and other municipal barriers. Simply put, “grocery providers have a more complicated process for site selection due to certain characteristics specific to the industry…” (ICSC, 2008,15). Furthermore, both case studies identified the importance of future growth patterns. This is consistent with existing literature, which finds that food retailers “incorporate analysis of historic trends, current numbers and projections of the future population” in site evaluation (ICSC, 2008, 16). This was a common theme that continually arose from the discussions with both Loblaw and Sobeys executives.
Moreover, an important and common theme that was discussed in both case studies was the role of varying store formats and how it impacts the site selection and grocery development process. As shown in Appendix B and C, Loblaw and Sobeys operate a variety of different store formats with each format resulting in different store banners. Due to this, the companies are able to target specific areas and different demographics within the same trade area. For example, Table 11 provides a summary of the effect of sister companies in selecting sites. Each Executive was clear in their response of the role of a competing sister company.

Table 11: Comparison of the Role of a Sister Business

<table>
<thead>
<tr>
<th>Topic</th>
<th>Loblaw</th>
<th>Sobeys</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Site Selection and Sister Businesses</strong></td>
<td>“Our banners allow us to be a litter more targeted in how we slice the demographics that exists within an area. We will have multiple banners operating in the same trade area targeting different demographics that exist”</td>
<td>“The companies conventional banner [Sobeys] coexists really well with the discount banner [FreshCo] because it is a different customer base and there is a case to be made to have these banners fairly close [to each other]”</td>
</tr>
</tbody>
</table>

Source: Personal Interview, 2013

As the responses from the Executives demonstrate, the use of multiple banners allows the companies to specifically target specific demographics, even within the same trade area. However, neither Executive described how these banners allow them to target sites in markets that currently are underserved by food stores. Both companies alluded that because of this, they have a competitive edge, however it seems that most retailers operate using similar methods of multiple store banners to target different demographics. According to ICSC (2008), grocery providers explained that competition comes from other full-service supermarkets and large discount stores within the same neighbourhood. This affirms the role of competition and the effects of competing businesses in regards to selecting an appropriate site for a food store. Understanding this is an additional component to demographic studies as both Executives indicated sales as the most important factor in selecting a site. As Buckner (2004) suggests, “proximate sister stores and completion would capture a portion of the sales potential” (7) and grocery retailers
want to ensure that there will be enough left to support the potential site. In short, there is a general technique that is commonly used among food retailers that determine the viability of a site. With that said, retailers still consider much of this information as classified even though many of the same processes are employed.

3.3.3 Urban Supermarkets

Over the past few decades there has been a shift for grocery retailers in developing supermarkets as big-box formats, targeted to auto-oriented populations. However, this is beginning to change as inner-city development has altered the landscape and will change the way food retailing is offered in urban locations. Both Loblaw and Sobeys outlined the their respective roles and attitudes of developing grocery stores in urban locations. Both representatives generally spoke to Toronto as the typical urban market (currently a desirable location for many food retailers). With that said, both case studies highlight several barriers that prevent or complicate entry into urban locations increasing the likelihood of big-box development formats outside city centres. Until there is an adequate market for development of a supermarket in urban locations, the Executives from Loblaw and Sobeys discussed the role of the municipality and how they can act to alleviate certain pressures in developing grocery stores in urban markets.

It is evident from both interviews that development in urban markets has become an opportunity for grocery development, albeit dependent on the necessary market requirements. As discussed in the respective case study, Executive S revealed that with increasing vertical intensification (particularly in Toronto), it is no longer viable to obtain a large parcel to build a big-box store. Therefore, entry into these urban markets is mostly possible at base of condominiums or office buildings. Executive S was direct in stating, “the minute [customers] get into a car, you may have lost them because they are going to drive to a bigger store”. Executive L also hinted that Loblaw views urban markets as a potential opportunity as well but did not provide any subsequent remarks. In Toronto, it is clear that both companies have taken development in urban locations to new levels. As discussed in the previous Section of this report (refer to Appendix C), Sobeys offers an urban format store (Sobeys Urban Fresh), that has been rolled out in urban locations. On
the other hand, Loblaw does not currently operate a specific urban format store but has
developed in urban stores. Most recently, Loblaw converted part of the former Maple
Leaf Gardens into a new flagship store. As part of an urban revitalization effort, Loblaw
Companies took the opportunity to open this urban store in the historic building, but at
approximately, 81,000 square feet (Hume, 2011), this is not a typical urban grocery store
development that can be easily replicated. Basically, both case study retailers have begun
to operate in urban locations in various forms but these developments are still scarce.

The development of urban stores however does not come without some major
challenges. Both Executives spoke in detail about the barriers that limit development in
urban locations. Some commonalities arose from both case studies indicating these
barriers are constant among food retailers. The challenges surrounding operations is a
concern as streets and sites are not always conducive to vehicular movement, specifically
trucking for deliveries. As mentioned Executive S discussed that alteration to the
companies trucking fleet was needed in order to accommodate sites in these locations,
while Executive L indicated that all restrictions from an operational point of view are
considered including receiving challenges. Other primary challenges that were of
concern to both Executives included parking restrictions, locating sites near major transit
points, and site availability. Executive S is clear noting the population still needs to exist in
urban locations in order to make the location viable therefore finding sites is difficult.
Moreover, Executive L noted,

There are only so many designated [food store] sites…[therefore] it
can become very restrictive for the perspective retailer to find a site (Personal
Interview, 2013).

According to a previous report, a separate Loblaw development executive noted that
most growth is occurring downtown but “the problem is that there are not enough sites”
(Hume, 2011). In order to urban grocery store development to occur, there needs to be
accommodating sites. In Pothukuchi (2005), the study found that in urban locations there
are limited sites to accommodate standard big-box stores so retailers are led to pursue
other avenues. Another major challenge that was only mentioned by the Sobeys
Executive is the role of small format stores. As mentioned earlier, the Executive noted that
Sobeys has offered stores ranging between 5,000ft$^2$ to 10,000ft$^2$ in urban markets but
added in order to remain competitive a store ought to be 20,000ft². This poses several challenges in locating appropriate sites in urban locations.

Although there are challenges with urban stores there are several differences and similarities between development of suburban and urban grocery stores. As each Executive acknowledged, there is not necessarily a straightforward answer as each project has its own challenges. The major difference between the case studies was that Executive L hinted that both applications are complex but as long as all parties involved share similar goals, the process can be relatively smooth. Executive S was more direct noting that urban stores take longer to develop because of land acquisition and building time. It was noted that urban stores are typically more expensive deals. Table 12 below provides an overview of the Executives responses on the differences between urban and suburban stores.

**Table 12: Comparison of Urban and Suburban Store Developments**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Loblaw</th>
<th>Sobeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs difference between Urban and Suburban Locations</td>
<td>“I would say it is project specific because suburban projects can be just as challenging to develop as urban projects. It really depends on the willingness of the parties that are involved…”</td>
<td>“The urban stores are typically a longer process because it takes longer to get them and develop them. The land is very expensive…so it is all driven by cost to develop”</td>
</tr>
</tbody>
</table>

Although both Executives hinted that projects costs and time can vary, Executive S was explicit in noting the increased costs typically associated with urban developments. The process of developing urban stores appears to be further developed for Sobeys than Loblaw simply because of their urban format that allows them target specific locations. With that said, both agreed that same fundamentals in locating stores in urban markets apply. There needs to be a large enough population to sustain a store and it has to fit within the competitive framework. Pothukuchi (2005) indicates that new documentation showing population and demographic shifts in urban locations that make these locations attractive for food retailers. Moreover, ICSC (2008) study indicates, “the number one decision-driver for store location in an urban neighbourhood is population density within
the trade area” (16). Although the Executives did not provide details regarding trade area sizes, various reports indicate that in urban areas where density is high, the trade area is significantly smaller (ICSC, 2008; Bruckner, 2004). This is confirmed by Executive S, who mentioned that urban markets possess an extremely tight trade area. Overall, differences between suburban and urban applications exist but the fundamentals in regards to the overall requirements remain constant.

The final component of the discussions with the Executives involved an examination of the municipal role in the development of urban supermarkets. Both Executives acknowledged there is a greater role for municipalities in encouraging food store development as the planning framework sets the prerequisites, ultimately deciding food store sites. The most compelling point from both Executives was discussions of the lengthy bureaucratic process. Both suggested that municipalities could move quicker through the process so that food retailers can turn their prospective sites into built form. Table 13 provides some of the Executives views on municipal barriers in urban site development.

**Table 13: Comparison of Municipal Role in Urban Site Selection**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Loblaw</th>
<th>Sobeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Barriers</td>
<td>“The less bureaucratic the process the less money [parties] have to spend”</td>
<td>“Municipalities like everything else have to move quickly”</td>
</tr>
<tr>
<td></td>
<td>“Maybe municipalities can give tax incentives, there is a whole boast of tools that they can use to make [development] happen”</td>
<td>“[Municipalities] often make sites cumbersome…they need to work with the developer”</td>
</tr>
</tbody>
</table>

Evidently, there is a need for all parties to share the same desires in order to encourage future development. When any of the parties involved have different goals, it becomes difficult to move through the process efficiently. However, these discussions indicate that food retailers understand the importance of the planning framework set by each municipality and ultimately dictates site selection. It is just as important for municipal planners to understand their role in this process.
In discussing the role of municipality in offering incentives the Executives responses differed from each other. Executive S did not explicitly comment on potential incentives that municipalities could offer instead more generally indicated that as cost of development increases, it becomes less viable for a store on a particular site. On the other hand, Executive L spoke in more detail about the incentives that can be offered to encourage urban grocery store development. Interestingly, as mentioned in the case study, Executive L mentioned that food access is not a major issue in Canada. However, previous studies have indicated that there are pockets across Ontario including London, Kingston and the Greater Toronto Area that have inadequate access to a food stores (Bedore, 2010; Larsen and Gilliland, 2008). There is constant pressure across Canada to ensure that individuals have the same access to food including in urban locations. With that said, Executive L did offer a few tools that municipalities can use to encourage urban development. This includes:

- Streamlined approvals process;
- Tax incentives to attract investment;
- Density zoning

This is consistent with current literature that suggests that municipalities can encourage development of urban stores by offering development incentives ranging from streamlined approvals process to zoning flexibilities (PolicyLink, 2007; Pothukuchi, 2005). Moreover, Pothukuchi (2005) suggests that successful initiatives to attract urban supermarkets included development assistance and usually were the result of partnerships between highest political levels and food retailers. In essence, although food retailers need to ensure their market requirements are satisfied for site selection, municipalities though policy and incentives can support the development of urban supermarkets.

### 3.4 Summary

The case study research of Loblaw and Sobeys, two of Canada’s most prominent food retailers, provides insight into the requirements and indicators behind site selection for new food store sites. Although there are differences in the level of detail provided from each Executive, there is a strong indication that the site selection process among
Food retailers remains consistent. Surprisingly, even with a similar retail formula for site selection, there is strong confidentiality component therefore it was difficult to gather specific thresholds in relation to the discussed indicators used in site selection. There are several noted indicators and requirements that are involved throughout the entire site selection process with varying levels of importance. It is abundantly clear from both literature and each case study interview that the most important requirement for a grocery store is population. The Executives continually discussed the importance of ensuring a strong market for a site involving large population bases within the trade area.

Moreover, the development of urban supermarkets face several challenges for developers, food retailers and municipalities, however, there are indications that these obstacles can be overcome. Both Executives from Loblaw and Sobeys discussed their favourable positions on developing in urban markets but addressed its complications. Even with the several noted barriers of selecting urban sites for grocery stores, it is evident that both companies are making efforts to develop in urban markets that are considered viable. In addition, both current literature and the Executives quite distinctly underlined the potential role of municipalities in encouraging urban supermarket development. By setting planning framework that is conducive for food sites, municipalities can increase the attractiveness for food retail development. These findings will be used to present a set of recommendations for food retailers and municipalities to encourage urban food store development in Chapter 4.
Chapter 4
Recommendations and Conclusions

4.0 Chapter Foreword

The findings from the analysis of various literature and two key informant interviews with Executives from Loblaw and Sobeys provide a better understanding of the site selection process for food store sites. The analysis provides important lessons for both municipalities and food retailers as retailers and municipalities continue to develop food stores, particularly in urban areas that are currently underserved. This chapter presents a brief overview of considerations in the food retail site selection process. Next, the chapter will present a set of recommendations for food retailers and municipalities. Last, the chapter will conclude the report while presenting areas for future research.

4.1 Considerations of Food Retail Site Selection

The analysis and discussion presented in Chapter 3 outlines the site selection process that food retailer’s use in selecting locations for food store developments. The data collected through interviews with Executives from Loblaw and Sobeys provides insight into the indicators, requirements and methods that make up the site selection process. The report found that there is not one single method used for site selection but rather a combination of multiple resources that provides the analytics retailers use to measure the potential of sites. Due to this, there are many challenges that may arise as retailers proceed through the site selection process, especially as they attempt to enter urban markets.

First, the shift in developing ‘superstores’ will be a hindrance to developing in urban locations. As retailers shifted to developing big-box stores, there has been a shift in the role of food stores - as they now offer more general merchandise items. Developing an urban supermarket poses many challenges, however the Executives interviewed suggested that suburban developments are often challenging themselves, therefore retailers have not backed away from developing in urban markets. With that said, urban store development requires retailers and planners to revisit conventional approaches that provides sites and markets across a city. Second, a major problem arises in areas where
there is not a sufficient population that can support a food store thus creating pockets with limited accessibility. However, food retailers will continue to develop stores in the presence of adequate market demand. As noted in the analysis, retailers seek markets, neighbourhoods, and sites that are attractive to their bottom line. Therefore, it is important to create markets that will encourage development in urban markets by promoting population density and growth. Overall, both food retailers and municipal planners can take steps that will create a more comprehensive food store network.

4.2 Recommendations for Food Retailers

The following set of three (3) recommendations was derived from the analysis presented in Chapter 3. They represent lessons for food retailers in Ontario and Canada in order to more effectively encourage food store development in urban areas. The following presents the first set of recommendations:

**Recommendation #1:**
There is a need for a more transparent site selection process in order to effectively work with municipalities to develop food stores.

A key finding through the analysis of this research was the strong confidentiality component of food retailer’s site selection process. In a very competitive market with changing demographics, there is a great effort to conduct accurate market research and therefore retailers are likely to be less forthcoming of their site selection process. However, given that the site selection process remains a critical component it may become more important to be more transparent about the site selection process in order to ensure effective communications with municipalities. From the findings presented in Chapter 3, it is evident that food retailers have very similar methods in selecting a site and at the same time, share the same indicators and requirements. Nonetheless, retailers are hesitant to provide specific information suggesting it is proprietary. With that said, in order to create effective and efficient partnerships with municipalities, retailers should be less hesitant to talk openly about their site selection process with the necessary parties for grocery store development. Divulging basic information (without disclosing development
strategies) including site plan requirements as well as population thresholds will ensure that both food retailers and municipalities share the same development goals, guaranteeing a more efficient development process.

**Recommendation #2:**
Food retailers should continue to explore opportunities to diversify store formats to meet the needs of different communities.

As discussed, food retailers have adapted to changing demographics by implementing different store formats and banners that target different populations in various locations. To successful encourage urban food store development it is necessary to adapt store formats that are conducive to urban areas. For example, Loblaw recently announced, “The Box” by No Frills, a 10,000 square feet urban store in Calgary. Using this concept, grocers can infill in many untapped Canadian markets. Over the past few decades there has been a shift to developing supermarkets in suburban locations where retailers can more easily obtain large plots of land with ample parking for customers. As noted earlier, accessibility is a large requirement for site selection. Food retailers understand the various challenges associated with developing in urban markets, however they have provided views that suggest their willingness to enter urban areas that can support food stores. Therefore, in order to encourage development in urban markets, food retailers should continue to use various sister businesses targeting different populations while at the same time implement an urban grocery store format that will be favourable to urban markets.

**Recommendation #3:**
Food retailers need to understand the importance of the site selection process as it relates to city built form and food insecurity challenges.

The development of food stores plays an important role in cities across Canada. Grocery stores are important contributors to neighbourhood quality of life by providing food access. Moreover, food stores can influence the built form of the city and food retailers should recognize the importance of these developments and not simply as
economic development tools. Both food retailers interviewed in this report discussed the role of food stores role in the built form and this is an important step to encourage food stores in appropriate locations. Moreover, although there are ample food stores across Canada, there are locations that are currently underserved by proper food stores. Food retailers should use the site selection process to adequately distribute food stores equitably to penetrate in untapped markets that can be beneficial to grocers. There are many markets that may be ‘primed’ using different models and a more systematic approach on grocery retail can improve many communities. This can be effectively achieved through systematic assessments and neighbourhood-level demand for food. Recognizing food insecurities and the food store’s impact on built form can greatly improve accessibility issues as well as city development.

4.3 Recommendations for Municipalities

The following set of three (3) recommendations was also derived from the analysis presented in Chapter 3. They represent lessons for municipalities in Ontario other municipalities in Canada in order to effectively create a need that will encourage food store development in underserved markets. The following presents the first set of recommendations:

**Recommendation #1:**

Municipal planners need to understand the site selection process used by food retailers and the impact of the planning framework on the site selection process.

As previously mentioned, food retailers always locate to sites that meet their bottom line requirements. This study attempted to shed light into the site selection process used by dominant food retailers in Canada to aid municipalities as they plan for food store sites. A common theme noted throughout the study was the impact municipalities have on the site selection process. The planning framework set by municipalities and its planners greatly influence the location of future food stores. To this end, municipal planners should understand the retailer’s site selection process, including the indicators and requirements used when analyzing potential locations. By
understanding the site selection process used by food retailers, municipalities will be able to more effectively designate and plan for food stores in desired locations. There was a common theme found through the interviews and literature on the role of the planning framework, specifically, zoning bylaw and Official Plan designations. Both Executives noted the importance of the Official Plan designation as this policy sets the framework for the zoning bylaws. Municipalities should understand the role of the planning framework as it relates to planning for food stores. If municipalities are aware of specific areas that desire greater access to food stores, municipal planners should establish policies that attract food retailers.

**Recommendation #2:**

Municipalities should offer incentives and programs that will encourage development of food stores in urban areas when appropriate.

Although there are various limitations, municipalities should offer incentives or establish programs that will encourage development of food stores in urban areas. Although food retailers always locate where population and other requirements will increase the likelihood to do sales, municipalities can offer various incentives that may promote development in urban areas and other locations that may be underserved or avoided. As described in Chapter 3, literature suggests that there are several options for municipalities that can be implemented that will encourage development of food stores in specific locations. Such incentives include: tax incentives to provide equity such as property tax breaks, waiving development fees, flexibility with zoning and development regulations. Specifically, a streamlined coordination of the planning process will improve efficiency and help encourage food store development. Municipalities should offer fast-tracked approvals and permit process for grocery stores, particularly in urban areas, that meet community expectations. These solutions will solve several challenges of locating food stores in urban areas including truck loading and parking. This will also ensure the process for development of food stores does not become onerous. Attracting food stores through incentives and programs can ensure and efficient development process while providing the needed community benefits.
Recommendation #3:
Municipalities should adopt plans that encourage growth and attract food stores to urban areas underserved areas by establishing comprehensive policies for food accessibility.

It is evident that both Loblaw and Sobeys most important and necessary requirement for site selection is the ensuring there is a population that can support a grocery store. Many locations that are currently underserved by food stores are those locations where there is not a large enough population. This is the case in many urban areas (excluding major urban cities), where there is not a living population that will support development of a food store. Therefore, municipalities should encourage growth in urban areas through density zoning and encouragement of residential developments. As the demographics change, food stores will locate where population is growing. In urban areas, both Executives made it clear that density is an extremely important requirement as the trade area in urban markets is much smaller than in suburban areas. In order to encourage growth, municipalities should adopt comprehensive policies to ensure food accessibility by identifying areas for future sites, provide development assistance and simplify the review process for grocery retail. These policies should encourage growth while managing public transportation initiatives and public parking in urban areas to provide greater accessibility. By adopting appropriate development plans and policies, municipalities can more effectively attract food stores to urban areas.

4.4. Conclusions
It is evident that the requirements and indicators used for site selection among food retailers require an intricate process that involves a combination of analysis and experience. While these requirements and indicators can be used to encourage grocery store development, particularly in urban areas, there needs to be a more transparent process between food retailers and municipalities for an effective long-term strategy. Majority of this information is considered proprietary among food retailer’s therefore specific targets for the indicators and requirements were not disclosed in this report. Nonetheless, all retailers follow a few general patterns and sets of indicators to select new
locations. However, in order for municipalities and retailers to work collaboratively on food store developments and effectively encourage development in urban areas, a more transparent and open process may be required. It is apparent that both municipalities and food retailers are involved in the site selection process in various capacities. Food retailers ultimately control where a food store is located, however municipalities control development approvals through planning processes.

With concerns of food insecurities growing, it is important to ensure policies will encourage food store development in underserved areas. Gaining insight into the site selection process can help create policies that will set a planning framework that encourages grocery development in urban areas. Food retailers and municipalities need to recognize their role in the urban food system through a greater understanding of the problems and challenges faced today. Retail development is often described, as the gateway for economic development; therefore creating development standards for food retail will help plan for more sustainable urban food systems.

4.4.1 Future Research

The analysis of this report identified a few areas for future research. First, it is important to continue to study the indicators and requirements used by food retailers and how they can be used to influence grocery store development. As shown throughout this report, it continues to be difficult to gain specific information regarding the site selection process therefore it may require a more exhaustive study. Second, in order to successfully encourage development of food stores in urban areas, it is important for municipalities to create grocery store policies or programs. Future studies can explore the role of Food Policy Councils (FPCs) or other retailed initiatives that can manage food related programs and developments. Lastly, it is clear that grocery stores are typically located in neighbourhoods or regions with large populations. There should be future studies that examine the role of other urban food options such as farmers markets in the absence of full-service grocery stores. These studies will continue to broaden the knowledge in providing food options in urban locations.
References


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Pothukuchi, K., & Kaufman, J. L. (1999). Placing the food system on the urban agenda: The role of municipal institutions in food systems planning. Agriculture and Human Values, 16, 213-224.


Appendix A: Interview Questions

1. Can you please provide a brief description of your role within this company?

2. How many supermarkets does your company currently operate (in Ontario)?

3. What is the company's primary position in the development process?

4. Which of the following factors do you feel are most important in determining the location of a development of a supermarket?
   i) Land costs
   ii) Existing zoning by-laws
   iii) Accessibility (from transit routes)
   iv) Quaility of surrounding facilities/developments
   v) Ease of available essential services to the site
   vi) Ease of available financing for this site
   vii) Site Conditions

5. Of the following list, what indicators does your business focus on when evaluating site selection (check top 5 that apply)?
   1. Population
   2. Ethnic Composition
   3. Educational Attainment
   4. Average Income
   5. Median Income
   6. Average Household Size
   7. Homeownership
   8. Home Sale Values
   9. Major Employers in Area
   10. Pedestrian Traffic
   11. Competition (presence, type, location)
   12. Visibility (of site)
   13. Other Factor(s):

(Continued on next page)
6. Which of the following store formats do your business currently have in operation? (Please refer to the following table for definitions).

<table>
<thead>
<tr>
<th>FORMAT</th>
<th>AVERAGE SIZE (SF)</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket ‘Superstore’</td>
<td>Over 100,000; over $2 million annual sales</td>
<td>Large store offering full range of food products and specialty departments for food and non-food products</td>
</tr>
<tr>
<td>Conventional Supermarket</td>
<td>Over 30,000</td>
<td>Large Stores offering full range food products and some non-food products</td>
</tr>
<tr>
<td>General (Discount) Store</td>
<td>~30,000</td>
<td>Smaller stores offering only food products</td>
</tr>
<tr>
<td>Grocery Store (Urban)</td>
<td>Retail less than 5,000</td>
<td>Stores in city centres</td>
</tr>
</tbody>
</table>

7. Can you describe in general terms, the company's site-selection process? (ie. What is the process/protocol that is followed to determine a location for a supermarket)?

8. What data and sources of data do you use to determine new store locations?

9. Does the presence of competing or sister businesses affect your site election process? If so, how?

10. What are the minimum necessary conditions that must be met before your business chooses to place a new store or branch in any location?

11. What is the company’s position on developing stores in urban markets?

12. Does the current market limit your ability to enter urban markets? (ie. situation (land prices, availability, competition, etc.). Explain.

13. What is the primary condition that must be met before your business chooses to place a new store or branch in an urban neighbourhood?

14. How does the development process (time and costs) of the company’s urban stores (if any) compare to your suburban stores?

15. How do the company’s urban stores (if any) perform (in sales) compared to your suburban stores?

16. Please comment on possible interventions that might reduce barriers to entry in urban markets? (ie. Streamlined SPA, Zoning Improvements, Parking Access or Transit Improvements, Street Improvements, Development Charge Credits etc.)
Appendix B: Loblaw Companies Limited Store Formats (Ontario)

<table>
<thead>
<tr>
<th>Format</th>
<th>Store Banner(s)</th>
<th>Ownership</th>
<th>Store Size</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Superstore</strong></td>
<td>o Real Canadian</td>
<td>o Corporate</td>
<td>Over 85,000 square feet; typically</td>
<td>Large store offering full range of food products and specialty departments</td>
</tr>
<tr>
<td></td>
<td>Superstore</td>
<td></td>
<td>exceeding 100,000 square feet</td>
<td>for food and non-food products. Stores typically offer full range of</td>
</tr>
<tr>
<td></td>
<td>o Loblaws</td>
<td></td>
<td></td>
<td>general merchandising products.</td>
</tr>
<tr>
<td><strong>Conventional</strong></td>
<td>o Loblaws</td>
<td>o Corporate</td>
<td>~30,000 - 65,000 square feet</td>
<td>Large Stores offering full range food products and some non-food products.</td>
</tr>
<tr>
<td><strong>Supermarket</strong></td>
<td>o Zehrs</td>
<td>o Franchised</td>
<td></td>
<td>Store size and layouts differ depending on site constraints and demographics.</td>
</tr>
<tr>
<td></td>
<td>o Fortinos</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o T&amp;T</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General</strong></td>
<td>o No Frills</td>
<td>o Corporate</td>
<td>~30,000 square feet</td>
<td>Smaller stores offering only food products with limited offerings. Stores</td>
</tr>
<tr>
<td>(Discount) Store</td>
<td>o Independent</td>
<td>o Franchised</td>
<td></td>
<td>typically offer basic food options at ‘discount’ prices.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Independent</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grocery Store</strong></td>
<td>o Loblaws</td>
<td>o Corporate</td>
<td>No specific urban store size format</td>
<td>Stores located in city centers typically with site constraints attracting</td>
</tr>
<tr>
<td>(Urban)</td>
<td>o No Frills</td>
<td>o Franchised</td>
<td>(dependent on site)</td>
<td>daily shopping trips by consumers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Appendix C: Sobeys Store Formats (Ontario)

<table>
<thead>
<tr>
<th>Format</th>
<th>Store Banner(s)</th>
<th>Ownership</th>
<th>Store Size</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Superstore</strong></td>
<td>Not Applicable - Sobeys does not currently operate ‘superstore’ format stores.</td>
<td>Not Applicable</td>
<td>Over 85,000 square feet; typically exceeding 100,000 square feet</td>
<td>Large store offering full range of food products and specialty departments for food and non-food products. Stores typically offer full range of general merchandising products.</td>
</tr>
<tr>
<td><strong>Conventional Supermarket</strong></td>
<td>o Sobeys</td>
<td>o Corporate</td>
<td>~30,000 - 65,000 square feet</td>
<td>Large Stores offering full range food products and some non-food products. Store size and layouts differ depending on site constraints and demographics.</td>
</tr>
<tr>
<td><strong>General (Discount) Store</strong></td>
<td>o FreshCo.</td>
<td>o Corporate</td>
<td>~30,000 square feet</td>
<td>Smaller stores offering only food products with limited offerings. Stores typically offer basic food options at ‘discount’ prices.</td>
</tr>
<tr>
<td></td>
<td>o Price Chopper</td>
<td>o Franchised</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Foodland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grocery Store (Urban)</strong></td>
<td>o Sobeys Urban Fresh</td>
<td>o Corporate</td>
<td>~5,000 - 10,000 square feet</td>
<td>Stores located in city centers typically with site constraints attracting daily shopping trips by consumers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Franchised</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>