

6.12: Environmental Analysis

Learning Objectives

- Define environmental analysis

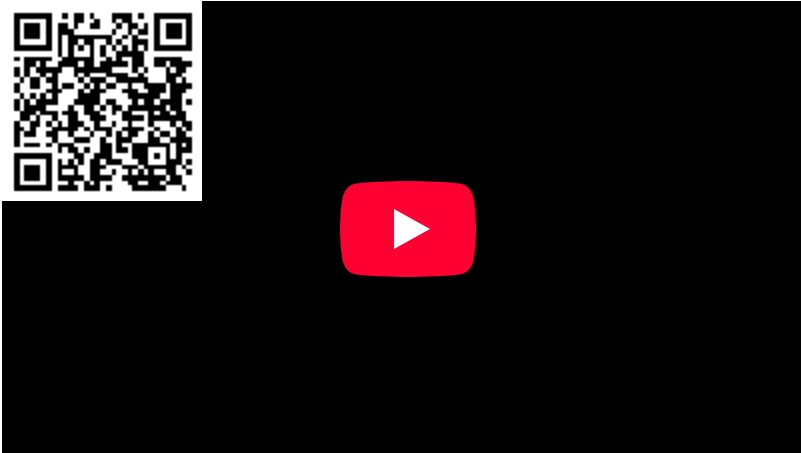
You are a consultant and have been hired by a high-end steakhouse to find a location for their new restaurant. They are looking at several locations, but are concerned about making sure the area where they locate can support their price structure. They know that there are many options to eat in the community they are targeting.

When looking at the environmental aspects of this location analysis process, where would you start? Read the following two articles and watch the video to learn more choosing a location.

Learn More

- “[Choosing a Retail Store Location](#)” by Shari Waters on *The Balance: Small Business*
- “[How to Find the Best Location](#)” by Karen E. Spaeder on *Entrepreneur*

How to CHOOSE A RESTAURANT LOCATION | 12 tips to selecting a restaurant location



A YouTube element has been excluded from this version of the text. You can view it online here: <http://pb.libretexts.org/retail1/?p=258>

You can [view the transcript for “How To Choose A Location For A Store or Restaurant” here \(opens in new window\)](#).

After reviewing the articles and watching the video, what things are important in analyzing the environment for a new business?

There are many environmental factors that surround customers and competition. The changing retail scenario is important to note, especially at the point where you are selecting a location. Changing locations is difficult and costly, so insuring a good fit from the beginning through effective analysis processes is an important step.

Economic factors

Can a location afford the prices charged by the new steakhouse? Research income levels, median house prices, education levels and other aspects of the financial demographic status of an area to see if this would be a good fit. Checking out other restaurants and retail stores in the area will also be helpful here.

Demographic and Social Factors

Ages of the people in the community, along with information on shopping (in our case eating out) habits are helpful. Is there a large number of double income families? Do many of the families have young children? If the population of the area does not need your product or service, it will be impossible to create a successful retail endeavor.

Brand Profusion

What other restaurants or retail stores are in the area? If there are too many similar to yours it may be difficult to create a market share in a location. If there are already four steakhouses in the area, at varying price points, breaking in to the market may be complicated.

So once you have done review from an environmental standpoint, review the four “P”s of retail sales:

1. Place
2. Product
3. Price
4. Promotion

When looking for a place to put your new endeavor, you need to also make sure that the market **wants** your product and are **willing** to pay the price your product demands. Location (**place**) is the key to a successful endeavor, but you must insure that the place you pick will support the product and price.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9191>

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