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POPULATION REQUIRED FOR A STORE OR SERVICE

By

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"What this town needs is a good (restaurant) (appliance store) (doctor)!" These exact words can be heard almost any day of the week in just about any town or city in the country. Sometimes it is said by a would-be entrepreneur who has mustered the courage and whatever financing he or she can obtain and opens such a place. With a lot of hard work, long hours, the proper skills, a good attitude and some management abilities it may work out - at least for a time. The success of the business will depend very much on the economic base for it - the number of people with money to spend and a willingness to buy the product or service from this business person. Developing this "market" is the catch.

While the number of people available is important, it is not the only indicator of what type of business or service a community can sustain, however. Before investing, there are other factors for the business or professional man to consider. Incomes and ages of the people are very important. The potential trade area, the existing competition, how much capital investment may be required to build the business or clientele, and the possibilities of expanding an existing market are very important.

With these factors in mind, some national population averages can give the individual or the community an idea of what kinds of services it can sustain.

These averages, from various sources and time periods, indicate that a small grocery-meat store might profitably be operated with as few as 1,000 potential customers (families). A large super-market requires perhaps 10 times as many potential customers - 8,000 to 10,000 or more.

Other average estimates indicate: restaurants - 750 and up depending upon the type of service and the eating habits of the potential customers; gas and oil stations, 1,500-2,000; beauty shops - 2,000-2,500; drug stores 2,800-3,500; appliances, radio and tv stores, 4,000-5,000; furniture - 3,000-4,000; family clothing stores - 3,000-5,000; hardware - 5,000-7,000; shoes - 6,000-8,000; auto parts and accessory stores 6,800-7,000; bakery - 8,000-10,000; lumber and building supplies - 6,000-8,000; floral shop - 8,000-12,000; office supplies and equipment - 20,000-30,000; sporting goods, camera shops and bookstores each generally need 40,000-60,000 potential customers.

It should be remembered that highly specialized stores, such as camera shops or sporting goods stores require large numbers of potential customers because many others also sell much of the basic equipment and other items that they will handle. Much of this store's income and profits must then come from highly specialized items and services it can offer. In rural areas, it means that it must have a large geographic area from which to draw or be located in a town or city that has an unusually good market potential. A sportings goods store, for example, would be a much better bet in a town with a high proportion of young people than in a retirement community of the same population size. Similarly, "drug" stores may diversify by selling many non-drug items. Grocery stores are frequently more like the old "general store".

Figures from the American Medical Association study indicate that medical personnel require: general practitioner-2,000 people; internal medicine diagnos-

tician - 10,000; full qualified surgeon - 10,000; fully qualified obstetrician - 15,000-20,000; ear, nose and throat specialist - 15,000; X-ray specialist - 60,000; and pathologist - 100,000. These figures give one clue as to why medical services are tending to locate in larger cities.

While these figures provide only an approximation of the population requirements, we can see that in many cases the potential investor may have to consider a much larger area than a single town or city. Some of the specialists will require multi-county cooperation if service is going to be provided at all.

Another way of looking at the situation is that as population builds in an area, businesses are added in about this order: small grocery, then a restaurant, followed by a gas and oil station, perhaps a drugstore, a hardware, bank, garage, auto and/or implement dealers, clothing store, appliance store, furniture store and so on. In declining communities, they usually drop off in the reverse order.

One of the problems inherent in many stores in rural areas is that once the investment has been made in a store or in providing a service, it is often not easy to pull out of the business without losing money. In declining areas and towns, this may cause prospective investors to think very seriously about the situation before becoming involved. Once the investment is made, some businesses may hang on even after the population and income base have begun to decline because it would be impossible to recover all or even a substantial portion of the fixed investment.

The problem of growth or decline is intertwined in the population profile, the hopes for profits and in what people regard as an acceptable life style. This is why support for businesses and services in sparsely populated areas can no longer be considered a strictly "local" problem. More than just the city has to be considered. Frequently, multi-county and larger areas are necessary to provide a sufficient population base for various activities.

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