2070 The Site Decision

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Location is the only decision in this business you cannot undo. You can change the menu, rebuild the cast, redesign the room, reprice the card. You cannot move the building. Every other mistake in the pre-opening sequence is recoverable. This one is permanent.

The chain understands this. Which is why no major chain makes a site decision on gut feel, foot traffic observation, or the enthusiasm of a commercial real estate broker whose commission depends on you signing. They run a process. They run it every time. And the independent operator who skips it is making a permanent decision with incomplete information.

What the chain actually does

Before a site is approved, the chain's real estate team runs traffic counts — not just how much traffic passes, but where it comes from and where it goes. They analyze competition saturation: how many similar concepts are already in the trade area, and how much demand exists relative to existing supply. They map the demographics of the trade area — age, income, ethnicity, density — and project those demographics five to ten years forward. A market that looks right today but is shrinking is a trap. A market that looks modest today but has a housing development breaking ground three blocks over is an opportunity.

They also run the math before they fall in love with a location. The sales-to-investment ratio — annual projected sales divided by total startup investment — is the financial gate every site has to clear. Chains with the highest ratios are consistently the most profitable operators in the industry. The benchmark for a leasehold venture is a minimum 1.5:1, with 2:1 or higher as the prudent target. At 1.25:1, even a well-run operation takes eight years to recoup the startup investment. That is eight years of capital at risk on a single location decision. The chain does not accept that. Neither should you.

Rent is a separate gate. Real estate costs — lease payments, renovation, development, all-in — should not exceed 7% of projected annual revenue. Once lease payments alone exceed 6% of gross sales, the margin erosion begins regardless of how well the operation runs. The landlord who offers a generous build-out allowance and charges above-market rent has already done the math.

Make sure you do it too.

Build in the path of progress and let it catch up

McDonald's has been executing the same site strategy for decades. They buy or lease land before it becomes expensive. They accept lower early returns on locations they know will appreciate — because when McDonald's arrives, other businesses follow, real estate values rise, and the surrounding market develops around them. They are not chasing existing traffic. They are building ahead of it.

The independent operator cannot replicate McDonald's capital position. But the principle is available to anyone willing to use it. Find where the major chains are building — not where they are, but where they are going next. The chain's site selection intelligence, built by teams of real estate analysts and demographic researchers, is publicly embedded in every permit application and every ground-breaking announcement. The independent who maps that activity before choosing a site is using better data than any gut-feel observation provides, at no cost.

The best independent site decisions are made ahead of the market — in the Class B location in the Class A market, where the rent is rational, the build-out cost is manageable, and the trade area is developing rather than developed. The chain needs proven traffic because it needs to perform immediately across hundreds of units. You need one location to work over time. That is a different calculus — and it favors the operator with a long view and the discipline to run the math before falling in love with a corner.

The neighbor question

Guests go where the action is. Competition clustering is a feature, not a liability — if you are differentiated. Being near other restaurants generates foot traffic you did not earn and would not otherwise have. Being isolated requires destination status you may not have built yet.

The operator who cannot explain what their concept offers that the chain next door does not is not differentiated — they are adjacent. You cannot compete with IHOP by emulating IHOP. If Guests want that experience, they will go to IHOP regardless of whether you are next door or across town. The site decision and the concept decision are the same decision. They have to answer the same question: why here, why this, why us — and why not them.

The due diligence you cannot skip

There is a reason site selection doesn't get finalized until month six, even though it's occupying your mind from month twelve. That timeline is not bureaucratic caution. It reflects the actual sequence of due diligence required to make a site decision that holds up.

You need a tenant rep broker who specializes in food-service operations, and you need them at month nine — not after you've already fallen in love with a space. A good tenant rep has done the competitive analysis, knows the traffic counts, understands local zoning and liquor license availability, and has negotiated leases in your target market before. Their job is to make sure you don't overpay for demographics you can't use.

Access matters as much as location. A site that requires a u-turn to enter, or that sits on the wrong side of a divided highway during the evening commute, or that buries its entrance inside a parking structure — that site is fighting your Guest before they ever walk through the door. Evaluate how a Guest actually gets to you from every direction. The friction of arrival is not visible on a map.

The site evaluation is comprehensive. Square footage relative to seat count and kitchen requirements. Parking ratios — not just whether there's a lot, but whether the ratio of seats to available spaces meets local minimums and practical Guest demand. Electrical service adequacy. Gas main capacity. Sewer and water line age and condition. HVAC system state. Roof condition. Floor slope for OSHA and handicap compliance. Environmental or health conditions that could create problems during permitting.

I've walked sites with operators who had already put money down and hadn't checked the electrical service. The kitchen they were planning required service the building couldn't deliver. Upgrading it cost eleven weeks and $60,000. That is the kind of problem a proper site evaluation eliminates before it costs you anything except time.

The liquor license deserves particular attention. Know the availability and the application process in your jurisdiction before you sign anything. In some markets you're looking at a ninety-to-one-hundred-twenty-day processing timeline and a cost that wasn't in your original budget. In others, licenses tied to a specific location may not be transferable if your concept doesn't fit the prior use classification. This is not something you investigate at month four when you're applying. You investigate it at month eight when you're evaluating the site.

Competition in your trade area is not automatically a problem — it is often validation. A street with three busy restaurants has already proven that people in that neighborhood eat out. Your job is not to avoid that proof of concept. Your job is to understand what those operators are offering and

bring something worth choosing instead.