

# STORE LOCATIONS

# Importance

- The most important 'P' in retailing.
- The choice of location signifies adequate assurance for success.
- But, whether merely choosing the right location is enough?
  - advent of non-store retailing
  - rise of web-based retail.
- Still, location signifies its image.
- Influences the merchandise mix and the interior layout.

# Importance

- ① Location means being at the right place at the right time.
- ② The choice of store location has a profound effect on the entire business life cycle of a retail operation.
- ③ Location is the only strategic advantage that competitors cannot copy or imitate easily.
- ④ Location helps retailers gain a competitive advantage, as it is a unique asset.
- ⑤ The retailer's image and constraints helps limit the number of store locations being considered.

# Types of Location

- Depends on the target consumers
- Kind of merchandise to be sold.

Free-standing location (isolated store)

No competition around

Low rents

Ample Parking Place

Ad cost – high

Examples: Gas Stations

Convenience Stores

Hotels

Fast food restaurants on highways.

## *Size and Shape of Trade Areas*

Factors determine the size and shape of trade areas:

- Store type
- Store size
- Merchandise type
- Location of competition
- Housing patterns
- Travel time

- ⦿ Discount retailers operate from isolated stores.

Why ?

- ⦿ But it should keep in mind, cost to customers (Fuel, time)
- ⦿ Customers in different countries, prefer different distances.

***Also different distances for***

Grocery, Cosmetics,

Jewellery, Apparel,

Books, Music

- ① CBD – as a preferred location
- ① Downtown
- ① SBD – Secondary Business District
- ① NBD – Neighborhood Business District

# Steps involved in choosing a Retail Location

- ⦿ Market Identification – Concept of gravity
- ⦿ India – Lack of uniformity of people, PP
- ⦿ Market Potential
  - Demographic Feature
  - Characteristics of Households
  - Competition
  - Compatibility (with other retail stores and area)
  - Laws and Regulations
  - Trade Area Analysis, which generates maximum customers

# Steps involved in choosing a Retail Location

- ◎ Alternate Sites
  - Traffic
  - Accessibility
  - Existing Retailers
  - Amenities available
  - Buys/ Lease Decision
  - Product Mix offered

# Selecting the Store Location

- **Market Area Analysis :**

When selecting a location, the retailer must analyze regional and local markets to determine the area that seems to offer the highest market potential.

- **Trade Area Analysis :**

Trade area analysis provides retailers with vital information such as store patronage, local market opportunities, competing businesses, and barriers that would dissuade consumers from visiting the site.

A trade area is a geographical area containing the customers of a particular firm or group of firms for specific goods or services.

## Reilly's Law of Retail Gravitation

- ⦿ Inspired by the formula for gravity, **Reilly** proposed that “two cities attract the retail trade from an intermediate city or town in the vicinity of the breaking point in direct proportion of the population of the two cities and inversely proportional to the square of the distance from these two cities to the intermediate town”.
- ⦿ Reilly's model suggests that greater shopping center mass (size) increases consumer utility, thus increasing the gravitational pull of a center; and that distance to the center decreases consumer utility, which exponentially decreases the gravitational pull of the center.

# Reilly's Law of Retail Gravitation

## Major Assumptions:

- Two competing areas will be equally accessible from a major road
- Retailers in two areas are equally competitive

## Limitations:

- The distances measured are limited to the major roads; they do not consider streets. Many people would travel short distances along the streets, which might not be taken into account.
- The exact distance to a store might not be in agreement with the consumer's perception of distance.

# Huffs Law of Shopper Attraction

- ⦿ Huffs Law of Shopper Attraction is a gravity model (1964).
- ⦿ It can be used to define a store's trade area.

## Assumption:

Not everyone within a trade area will travel to the store or shopping center.

- ⦿ Huffs model enables the probability values for a series of areas to be calculated and plotted on a map for easier analysis.
- ⦿ Huffs model takes into account the pulling power of store.

# Huffs Law of Shopper Attraction

## *Factors used to calculate probability contours:*

- ⦿ The size of the stores in the region.
- ⦿ The time taken to travel to each store.
- ⦿ The type of product.

# Types of Shopping Centers

Type	Concept	Sq.Ft. (Incl. Anchors)	Number of Anchors	Type of Anchors	Anchor Ratio*	Primary Trade Area
Neighbourhood Community Center	Convenience General Merchandise; Convenience	30,000 – 150,000 100,000 – 350,000	1 or more 2 or more	Supermarket Discount Dept. Store; Supermarket; drug; home improvement; large speciality/ discount apparel	30–50% 40–60%	3 miles 3–7 miles
Regional	General merchandise; fashion (mail typically enclosed)	400,000 – 800,000	2 or more	Full line dept. store; mass merchant; discount dept. store; fashion apparel	50–70%	5–15 miles
Superregional	Similar to regional, but has more variety	800,000 +	3 or more	Full line dept. store; mass merchant; discount dept. store; fashion apparel	50 – 70%	5 – 25 miles
Fashion/ Specialty Power	Higher-end, fashion oriented Category- dominant anchors; few small tenants	80,000 – 250,000 250,000 – 600,000	N/A 3 or more	Fashion Category Killer; home improvement; discount dept. store; warehouse club; off-price	N/A 75 – 90%	5 – 15 miles 5 – 10 miles
Travel/ Festival/ Outlet Stores	Leisure; tourist-oriented Manufacturer's N/A	80,000 – 250,000 25 – 75 miles	N/A 50,000 – 250,000	Restaurants; entertainment	N/A N/A	N/A Manufacturer's outlet stores

# Types of Trade Areas



# Advantages and Disadvantages of various Retail Locations

Advantages and disadvantages of various retail locations		
Locations	Advantages	Disadvantages
Isolated Store	<ul style="list-style-type: none"> <li>- Low rents</li> <li>- Lack of competition</li> <li>- Operational flexibility</li> <li>- Good parking space</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion driven</li> <li>-Hard to attract customers</li> </ul>
Central Business District	<ul style="list-style-type: none"> <li>- Easy accessibility</li> <li>- Good assortment of products and services</li> <li>- High pedestrian traffic</li> </ul>	<ul style="list-style-type: none"> <li>- High rents</li> <li>- Parking problems</li> <li>- Traffic congestion</li> </ul>
Secondary Business District	<ul style="list-style-type: none"> <li>- Decent product assortment</li> <li>- Proximity to residential areas</li> </ul>	<ul style="list-style-type: none"> <li>- Parking problems</li> <li>-High rents</li> </ul>
Neighborhood Business District	<ul style="list-style-type: none"> <li>- Low rents</li> <li>- Good parking facilities</li> <li>- Less congestion</li> <li>- Long working hours</li> </ul>	<ul style="list-style-type: none"> <li>-Limited assortment of goods and services</li> <li>-Limited traffic</li> </ul>
Planned Shopping Center	<ul style="list-style-type: none"> <li>- Good product assortment and services</li> <li>- Ample parking space</li> <li>- High suburban population</li> <li>- One-stop shopping center</li> <li>- Sharing of common costs</li> </ul>	<ul style="list-style-type: none"> <li>- Land-lord imposed regulations</li> <li>- High rents compared to isolated locations</li> <li>-Competitive environment</li> <li>-Domination by large anchor stores</li> </ul>

# CBDs in Major Indian Cities

City	Central Business Districts
Mumbai	Colaba Causeway, Fort/Churchgate and Kemps Corner in South Mumbai Linking Road in North Suburban
Bangalore	M.G.Road, Brigade Road
Delhi	Connaught Place
Hyderabad	Begumpet, Banjara Hills, Somajiguda Panjagutta, and Abids
Chennai	Anna Salai, Nungambakkam High Road, Cathedral Road, Egmore, T- Nagar and Alwarpet

**Thank you**