Choosing a Retail Location

The selection of the store site can be a non systematic process, which is based on gut feeling or environmental observation or an imitation of competitors (or near competitors) On the other hand, it may be a systematic process, which would be based on certain parameters and steps to be followed. In this article we look at the systematic process to be followed which would start with the retailer first addressing the question on where to locate the retail tire, or the region that he want to locate the store in.

This may be a region in city, a state or an international market that he wishes to tap. After identifying the region, the following steps have to be followed:

1) Identify the market in which to locate the store
2) Evaluate the demand and supply within that market i.e. determine the market potential or the market size and estimate the number of shops that would be required to serve the market.
3) Identify the most attractive
4) Select the best site available.

Market Identification:

The first step in arriving at a decision on retail location is to identify the markets attractive to a retailer. This is important as he needs to understand the market well, especially in country like India; here every region has its own peculiarities and needs. Similarly this is also important in case of an international expansion. The Characteristics the markets of Europe are different from those of America and the Far East.

Various theories have been presented on how to gauge the attractiveness of a market. It is believed that research no store locations stated after World War I and various social theories presented theories based on the concept of gravity. Some theories, which aid decision making with respect to the location of the retail store are discussed in a subsequent section.

Determining the Market Potential:

In order to determine the market potential the retailer needs to take into consideration various elements. The chief among them are:

Demographic Features the Population:

Understanding the features of the population is integral to developing retail marketing strategy. Data one population of India can be obtained from the Census of India reports.

Merely getting an idea of the size of the population is not enough. In India, it is essential o know the breakup of rural and urban population as growth of urbanization is again essential or the growth of retail. The retailer also needs to understand the level of literacy and the level of education in the population.

The characteristics of the Households in the Area:

The retailer needs to have a clear understanding of the average household income and the distribution of this income in the area. This is very essential as the level of income largely determines the kind facilities require. For example in a locality which has households with relatively low incomes, a regular bania is bound to exist however fashion apparel retail store is unlikely to succeed. And understanding of the average age profile of the population in the area is necessary as it aids in aids in decision making. For example, a neighborhood which has a large number of young households, may be more oriented towards fast food and casual clothing. An understanding of the employment levels and the type of employment indicates the kind of preferences that the population may have for certain products or services.

Competition and Compatibility:

While determining the market potential, it is necessary to check the compatibility of the retail store with the other retail outlets in an area. for example, a good location for a gift shop would be near a department tire or a theatre or restaurant, as such a location would allow potential customers to spend time looking at the gift shop's display windows. Similarly, locating a high fashion boutique next to a bakery or a hardware store may not be a very good idea.
While it is necessary to check the level of compatibility, it is also necessary to do an analysis of the competition in the proposed area. It is necessary to try and evaluate their strengths and weaknesses, to know the square foot area of the various stores in the area and the kind of returns that they are able to obtain per employee per square foot.