

Retail Management
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Lecture – 22
Site Selection

Hello everybody, welcome to this NPTEL Swayam course on retail management. This is professor Swagato Chatterjee from VGSOM, IIT Kharagpur who is taking this course for you. This is week 4 and we are in site selection problem. In this particular video, we will discuss about once you have decided the trading area, how do you decide what site to go for. So, when you decide to go for a site selection, there are different kinds of decisions that comes into the picture.

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Three Types of Locations

- **Isolated Store**
- **Planned Shopping Center**
- **Unplanned Business District**

There one prominent decision is whether you will go for isolated store or whether you will go for planned shopping centre or whether you will go for unplanned business district. Now, as I discussed in the last, I think, two videos back that isolated store decision and planned shopping centre decision these are two decisions that are generally taken by organized retail stores. An unplanned business district which is the third option is generally taken by unorganized retail store.

If you are a middle kind of retail store, which is organized but not that big, then you can also go for unplanned business district. So, let me discuss what these are. These are based on, so we have differentiated retail stores based on many things, now we are differentiating so that

can be overlapped like isolated store will also be destination store will also be let us say warehouse store. So, warehouse store is focused on the product merchandise.

What kind of merchandise you are keeping based on that when you break, then destination store is dependent on how attractive it is, means whether you are the crowd puller or somebody else is the crowd puller destination store versus parasite stores. Here we are only saying about the location. So, destination stores can also be inside a city and a warehouse store can also be inside a city.

But if these kinds of stores are basically situated at a very isolated location away from a business district, away from residential complexes of your city, probably a little bit in the outskirts that is called isolated store. Decathlon in can let us say Bangalore I have seen, Calcutta I have seen, this is a classic example of isolated store which is around 20 kilometres to 30 kilometres away from the city centre which is on the highway, in one place it is probably on the road towards the airport which is away from the city centre.

So, why you go up with isolated store because you basically pull the customers there, the costs are low, cost of the land and cost of probably putting up a store is much lower, labour is cheaper, but still people will come. So, it is big store. Planned shopping centre on the other hand simply it means basically the malls. It can be malls, it can be shopping centres which are basically municipality driven.

These are planned shopping centres. For example, if you see that in Bangalore again, I have stayed sometime in Bangalore, so I can give quite big good examples in Bangalore. In Bangalore let us say Indiranagar there is a market, Koramangala there is a market. The market is basically a complex of let us say 500 metres in each side or something like that. So, it is a square shaped market, 500 metres to 700 metres on each side in that particular square or at max 1 kilometre on each side.

And that is a space and within that 1 kilometre square area market there are lots of building which is basically again of square shape and there are two storey buildings or utmost three storey building and each of the storeys there are certain different kinds of small stores those can be like binding stores, xerox stores, and then there can be let us say other printers, there can be publishers, different kinds of stores.

It can be also groceries. It can be also even let us say apparel products or jewellery products. So, all different kinds of things are there and in the down floor generally the food items are sold, let us say some stores on milk or beverages, some stores on vegetables and etc., so those are there. So this is the market. It is a complete market which is close to a residential area. It is a planned shopping centre generally that is why even there are malls, the malls are generally located in either business district.

Business district means basically where all the most of the offices are there or most of the I would say retail stores are there, those are called business districts. So either business districts or residential areas the malls come up. So, these are all planned shopping centre. Then what is unplanned business district? Unplanned business district is actually present in all different kinds of cities. Like in Kolkata if I talk about New Market will be an unplanned business district.

It is a business district that means most number of offices and etc., there but it is unplanned why because there will be lots of shops on the roads, on the footpaths, which are temporary in nature which comes and goes away or probably you can remove them. So, they are not organized setups. Gariahat market in Calcutta will be unplanned business district. If you think the similar thing in the context of Bangalore, let us say Shivaji market is an unplanned business district, Jayanagar market.

Jayanagar market I think is not planned, it is a huge vegetable market which is unplanned business district. Similar kind of markets are also there in Delhi like Chandni Chowk market and let us say where the stores are basically there are two different kinds of stores, there are mid-sized organized stores. Organized means they have at least the electronic I would say the invoicing machine and probably some amount of merchandise is there, some labours are there so that much is the organized. They pay income tax that much is the organized level.

I am not saying that they are like very big malls and etc. You will not find those kinds of things in the Chandni Chowk market or Gariahat market or you will find people who are on the footpath basically who have come up with a very, they are there for quite let say decades. For one decade they are sitting on the particular footpath only but they are unorganized. So,

this is called unplanned business district. So, depending on what kind of retail store you are, you can choose the locations of your retail activity as well.

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Isolated Stores

Advantages

- No direct competition
- Low rental costs
- Flexibility
- Good for convenience stores
- High visibility
- Adaptable facilities
- Easy parking
- Excellent for store that generates own traffic

Disadvantages

- Difficulty attracting customers
- Travel distance
- Lack of cumulative attraction for customers
- High advertising expenses
- No cost sharing for promotions
- Possibly restrictive zoning laws

What are the advantages and disadvantages of isolated stores like Decathlon kind of stores or let us say Metro Cash and Carry kind of stores which are located outside the city most of the time? So, advantage is that you choose certain locations such that there is no direct competition. Like Decathlon, there is no other sports retailer nearby. Low rental costs, flexibility that you have in terms of when you open when you close, how much I would say labour you will put.

Good for convenience store. High visibility is there and then adaptable facilities are there. Easy parking because land is very easily available, so you can do easy parking in particular places. Excellent for store that generates its own traffic. So, you have to basically, as I told it you have to be a destination store. If it is a destination store, it is better to be an isolated store because you can pull your own crowd.

So if you can pull your own crowd, pull them outside the city where the costs are low. So that is why you will see that most of the time these crowd pullers are basically located in isolated locations. What are the disadvantages? Attracting customers, by chance if you are not a crowd puller, attracting customers becomes difficult. So, you have to be a crowd puller to be in the isolated store, otherwise nobody will come in your store. The distance is high, so people actually plan to come to your place.

So, again you have to be a crowd pullet so that you can do that. If people are just coming for day-to-day product or quick purchase, they will not come to your store. Lack of cumulative attraction for customers. So, these shopping centres or malls or unplanned business districts have a cumulative attraction that means there will be lots of cross-sell, somebody came to buy something else will buy from your retail store, which does not happen in isolated retail store because there is no cross-sell.

The option of cross-sell is very low. There will be no other stores nearby who will attract customers and people will also come to your place while doing that. So that is why this store location choice decision is very important. So, how I can take a little bit of cut from people who are going in front of my retail store to some other purpose and I can attract them. If that is possible that is great. If that is not possible that is a disadvantage.

High advertising expense because your advertising expense is your own, you have to incur all the costs to pull people. No cost sharing for promotions like no cumulative attraction, no cumulative promotion also, it is absolutely your problem and possibly restrictive zoning laws. So, outside the city if you plan to create a retail store, there will be lots of competition from the local smaller retailers who will say that you cannot go in that particular direction or you cannot spread out beyond the limit.

So those kinds of zoning laws will be there. So, in short isolated stores have to be on their own. They have to pull their own customers. They have to incur the own costs also. There will be no cross-sells. So, they have to be independent. But if you are independent, if you are that kind of a company which can pull its own customer, if you are strong enough to do that, then it is better to be located outside the city in isolated location.

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Unplanned Business Districts

- Central Business District
- Secondary Business District
- Neighborhood Business District
- String

Then what is unplanned business district? As I called unplanned business districts are of different types again. Central business district, secondary business district, neighbourhood business district and strings. Central business district, a classic example will be Chandni Chowk market in Delhi or New Market in Calcutta, which location is very central. It is the most prominent business district of the city where most of the offices are there.

Secondary business district will be not the most prominent one, but this is also big enough, they are also independent enough in terms of their business district. For example, Gariahat market in Kolkata, Soma Bazar market in Kolkata, these will be two different. One is in southern Kolkata, one is northern Kolkata, which are not the most prominent market of the city, but they are equally big enough.

They also have their own strength that will also present in other places like let us say Majestic market will be the biggest market or MG Road market will be probably the biggest market in Bangalore, but Shivajinagar market, Jayanagar market this will be the examples of secondary business districts. They are also present, they have also their own presence which is strong enough.

Then neighbourhood business district is basically business district which is very low, located towards the residential complexes which is close towards the residential complexes. And strings are basically absolutely there is no settlement which is permanent, absolutely nonpermanent settlements that happens which comes at a certain point of time, for example in rural area we call huts.

Huts can be an example of strings which on a particular day they come up with their scores and all their material and etc., and then go away. So, on that particular day, we will find those people there. So, these are strings, these are also another retail choice. All of these four are unplanned because lots of unorganized retail stores comes up without the municipality planning, without proper municipality planning.

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Planned Shopping Centers

Advantages

- Well-rounded assortments
- Strong suburban population
- One-stop, family shopping
- Cost sharing of promotions
- Transportation access
- Pedestrian traffic

Disadvantages

- Limited flexibility
- Higher rent
- Restricted product offerings in lease
- Competition
- Requirements for association memberships
- Domination by anchor stores
- Impact of store closings on affinities

And then the planned shopping centres as I told which are basically the malls or even if it is municipality planned shopping centre like one example is let us say Malleswaram market or another example will be this Koramangala market in Bangalore these are examples which are again in residential location. So, you see what are the advantages? The well-rounded assortments, many things are available there. Strong suburban population is there.

People who are in residential complexes, who stays in residential zone will actually come to that place for their day-to-day need, so that support is always there. It is one-stop family shopping. So, even if let us say I am talking about a mall, many different kinds of products that are available. Apparel will be available. Grocery will be available. Vegetables will be available. Sudden high end branded clothes, branded accessories, banded electronics will be available.

So, this is a one-stop shopping centre the family members. So, people come to there every evening or at least in the evenings of weekends. So, the footfall will be higher in the weekends. You will get lots of purchases on those time periods if the economic condition is

good, so that is one advantage. Cost sharing of promotions which is not there in isolated stores. Isolated stores whatever promotion activity you do, you do for your own, there is no cost sharing.

But here if one particular retail store can pool customers, some of those customers will buy from other retail stores as well, so cost gets shared. Cross promotion happens means cross selling also happens. Access of transportation is an advantage because you are located in residential area, generally municipality has already developed good roads or parking facilities in and around that area. So, pedestrian traffic, transportation access is generally the benefits that you automatically get because this is a well-urbanized location that you are choosing.

What are the limitations? There is limited flexibility. So, urbanized means there will be certain rules and regulations of that organize location, you have to maintain that. Again, if it is in a shopping centre, the shopping centre might have a rule, closing time and opening time, a security provisions certain things that you have to do to maintain the security in terms of fire security, in terms of theft. So, those reduces your flexibility.

So, that limited flexibility is a problem. Rent is higher, obviously because it is a well-developed area. Restricted product offerings in lease. So, less number of places will be given in lease, I will talk about this ownership later point of time. Competition will be high because more stores will be there like you. Requirement for Association memberships, you have to be part of an association to be, so trade association or let us say retailers association, you have to be part of that, you cannot be distinct.

So, that means that whatever retailers associations take a decision if there is a conflict between the members who have to rely on them, whatever they are saying. Domination by anchor stores. Again, if there is a crowd puller who is not you, if you are the crowd puller you can be there and you can make a nomination. But if you are not the crowd puller, somebody else is the crowd puller or somebody else is the anchor store from which this particular retail mall has been created that creates also a problem.

For example, let us say Highland Park. If I talk about Highland Park is a good example in the context of Calcutta those who know. The crowd puller is Big Bazaar. People come there to buy Big Bazaar, then there are lots of retail stores, small-small retail stores at the top. But big

bazaar will decide, Big Bazaar will basically decide that what kind of parking facilities will be there, how much parking will be given to Big Bazaar store because this is the primary crowd puller.

Other stores which are at the top in the first floor, second floor, they take advantage of this footfall in the Big Bazaar. So, the Big Bazaar dominates. Impact of store closings on affinities. So, when the store closes or which store is closing that will impact your customer base as well. So, that is basically a planned shopping centre. There are certain advantages, that advantages come from cross-promotion, cross-selling, very urbanized location and the disadvantages also comes from there.

If there is an impact of cross-promotion on you, there will also be impact of cross-domination on you. If there is impact of urbanization on you that okay, no, more people come, steady flow of customer reach is there, accessibility is good. Then there are certain rules and regulations you also have to follow which will be defined by somebody else who has urbanized, you are not organized, these benefits you are getting on your own.

So, the costs will be high, you have to pay a lot to get that urbanization facility and the rules and regulations that the urbanization organization which is the municipalities or the retail store, the shopping centre store, the association of the shopping centre retailers, whatever rules or regulations they create, whatever domination they bring in you have to rely on that, you cannot overshoot them. So that is the major choices.

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Location/Site Evaluation Checklist

Pedestrian Traffic	Number of people Type of people	_____
Vehicular Traffic	Number of vehicles Type of vehicles Traffic congestion	_____ _____ _____
Parking Facilities	Number and quality of parking spots Distance to store Availability of employee parking	_____ _____ _____
Transportation	Availability of mass transit Access from major highways Ease of deliveries	_____ _____ _____
Store Composition	Number and size of stores Affinity Retail balance	_____ _____ _____
Specific Site	Visibility Placement in the location Size and shape of the lot Size and shape of the building Condition and age of the lot and building	_____ _____ _____ _____ _____
Terms of Occupancy	Ownership or leasing terms Operations and maintenance costs Taxes Zoning restrictions Voluntary regulations	_____ _____ _____ _____ _____
Overall Rating	General location Specific site	_____ _____

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Other specific factors that come into the picture; pedestrian traffic, vehicular traffic, parking facilities, transportation. So, I will not spend time on that. People give actually points on all these things and based on that they, it is again AHP multicriteria decision making decision which kind of mode I will go, which store location I will choose and based on that people choose a store location. So that is all about store location.

There are three different kinds of store locations, you should read about them a little bit from the book that has been prescribed or from other sources. And in the next video, we will talk about the store ownership criteria. Thank you very much. See you in the next video.