

## **Retail Marketing Strategy**

**Prof. Sourabh Arora**

**Department of Management Studies**

**Indian Institute of Technology, Roorkee**

### **Lecture-31**

Good morning everyone and welcome back. Today we will be beginning with session 1 of the week 6 of the course Retail Marketing Strategy. As far as the sessions till date were concerned I am very hopeful that collaboratively we have been very successful in learning both the basics as well as advanced topics considering the retail marketing strategy. We would be more delighted if you can get to the forum and share your views and even questions as far as the present course is concerned. But regarding today's session we will be delving further into the dynamics of locations decision making in context of a retailer. Now let us see if you get a few years back and you would ask any retailer practitioner or let us say any marketing scholar maybe who is working in the domain of retailing what is it that is most important for a retailer.

Then amongst the list they will always mention location. Many times it was said if you ask what is important for a retailer many people would say location location and location that was the importance that was given to locations at that time. But here we are sitting in an era where kind of online retailing is taking over as far as the retailing dynamics are concerned. So, we definitely need to ponder if location will have the similar kind of importance as it used to have earlier.

Now just imagine a case there is a particular retailer who has decided to only operate online they have decided that they will not be having any physical stores. So, in that case location might not make much of a difference, but there are certain product categories even with respect to brick and mortar retailers like groceries where the location definitely will play an important role. But as we move further we will be definitely talking a lot more about it.

## Learning Objectives:

After going through this module, the learner will be able to appreciate:

- Location Decisions

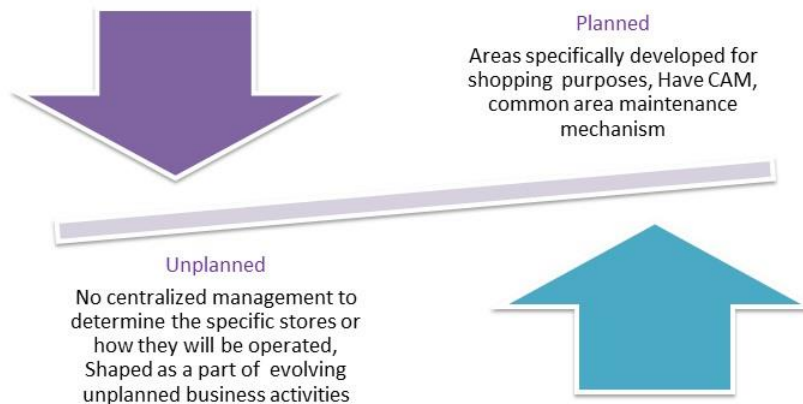
Extra Fodder for Thought: "what3words"

Learning Something New: "Planogram"



Now if we specifically get to this module we will be indeed having a detailed discussion about location decisions, but along with that we are again back with our two exciting elements which is extra fodder for thought in learning something new. With respect to the present session we will be learning about what three words along with that we will also be learning about planogram and why it matters and what is the importance of it.

### Locations: Planned or Unplanned



As far as what three words is concerned I will also be telling about a fantastic corporate who partnered with them considering the Indian context. Now let us get started the first

thing which we need to understand with respect to locations is that location can either be planned or it can be unplanned. Now whenever you are talking about a planned location it clearly indicates that these are going to be specific areas which have been specifically designed for shopping purposes and they are also going to have CAM. CAM is basically common area maintenance mechanism you can look at it from this perspective that there is going to be a specific committee which will be taking care of the maintenance of the place about lighting facilities, they will also be taking care of cleaning, they will also be having a proper mechanism for deciding which shop will go to which retailer and a lot more other things which are required for managing a retail establishment properly. But when you get to the context of unplanned location indeed there is going to be no centralized management to determine the specific stores or which retailer will occupy which store.

Along with that another way of looking at it could be see this is something which is organically involved as there is a kind of growth in the business activities in a particular location. Many times in cities you will see there is a particular market which is too congested, it is not properly planned and there will be other things which will kind of bring in a lot more chaos like let us say you might see that there is no parking place. I am very sure you must have experienced this if you have been to the older markets in the cities where you are living.

Unplanned Location: Somewhere in Delhi



Source: <https://www.hindustantimes.com/delhi-news/>

Now what you see on the screen is the snapshot of an unplanned location and this is somewhere in Delhi. Now if you look at this particular snapshot you can easily make out that there is no parking place right.



The vehicles have been parked randomly apart from that you also see that there is a lot of chaos right and the shops are not even properly kind of allocated. Now which shop will belong to which retailer precisely we can say not much attention has been paid to that. Because many times if you specifically talk about the context of comparison shopping where people kind of you know collect a lot of information before they make the final choice you will see that you know they will visit retailers and will compare the offerings and in that case it works best when you have all the retailers who might be competing with each other, but they are located at one place. This definitely works for product categories like furniture, electronic appliances right. So I hope you got the gist of unplanned location.

Now what you see on screen is the snapshot of a planned location somewhere in Gurgaon. Now in this case shops have been properly allocated by following up some mechanism right along with that as far as the maintenance of mall is concerned there is indeed going to be a proper committee who would again be having some prescribed guidelines on signages and a lot other things which are key important for managing a retail establishment effectively right. So this is one thing which kinds of gives you a view of a planned location usually mall shopping centers are very much planned right.



Now when we move further we need to understand why location matters, why we need to give so much importance. Definitely we have kind of you know in the initial discussion or the initial remarks I definitely mentioned that as far as the online retail is growing or if a particular retailer decides that they are only going to operate online physical locations may not matter that much, but specifically globally or as far as the India is concerned we cannot think of markets without physical stores right.

So in that case it becomes very important that we look at the perspectives of why we need to give it so much importance. So the first is it is certainly a very influential consideration in a store choice. In other words you can say it is a key factor which influences which store the consumers are going to pick up. Now just consider this case let us say you want to buy groceries would you be willing to go 5, 10 kilometers or even 2, 3 kilometers to get groceries in that case only that store will enjoy the advantage who is very near to you or in ways you can say who is very much in the locality where you are living and that is the convenience they bring in. Another way of looking at this could be tradeoffs even when you consider a product category like branded apparel.

Let us say you have a particular store in the city and another store is located in the suburbs. Now your decision that you will be going to which store will indeed be dependent upon tradeoffs. You might decide to go to a suburb store let us say if the tradeoff is higher the benefits they are offering are much higher as compared to the store within the city. Now this could be related to more discounts that could be related to very attractive promotional offers that could also be related to the fact that they have worked on kind of nourishing a very strong relationship with you. In that case you might have their choice otherwise you always look for a tradeoff you will compare the benefits and sacrifices because while going to a far off location you will also be incurring some expenses or you will be definitely making some sacrifices right that is why we talk about the context of a tradeoff and that will indeed determine which store you will be picking up.

Apart from this this is certainly a risky decision many times the leases which are entered between the one who wants the rental space and who is leasing it are usually done for 5 to 10 years. Now you can imagine there is indeed going to be a lock in period or you might be required to pay a penalty if you get out of it earlier right. So, this involves risk right it is not like you keep changing locations every other day or every other month because if customers have recognized the place many times telling them about the new location might bring in some kind of barriers with respect to them keeping you as a part of preferential retailer. So, this is again another perspective which we need to understand. Now in one of the sessions we also had a brief discussion about sustainable competitive advantage something which a retailer is able to do much better than competitors or something which they have which other retailers cannot copy and this anyway has to happen for a longer period of time to bring in sustainable competitive advantage right.

So, location was a key factor precisely because this is something which cannot be easily copied by the retailers right that is why we consider it as a source of bringing sustainable competitive advantage.

## Understanding the Key Terms

### Trade Area:

Geographic area encompassing most of customers who patronize a specific retail site

A geographic area from which a retailer generates the majority of its customers

A location from where all or most of sales volume occurs (could be different for different retailers), seen in terms of customers concentration



Now we will be understanding some key terms that are very important as far as location dynamics are concerned. So, the first one is trade area. Now trade area simply indicates the geographic area encompassing most of customers who patronize a specific retail site. I will give you an example to make you understand this.


See trade area is not something where the retail activities are happening where sale and purchases are happening right or where customers are coming that could be a central business district or a free standing site or that could be a shopping center or even a mall right where consumers are coming and they are kind of executing the activities they want whether that is related to purchasing products window shopping or whatever be the case. Trade area specifically indicates those places where consumers live which means it is the concentration of consumers in a particular place that we call as a trade area with respect to them patronizing a particular retail store. In other words you can say it is a geographic area from which a retailer generates majority of its customers. Now this is precisely the place from where customers are coming to the particular retailer. Now see trade area or maybe you can say many times even the particular location where the retailer is located could also be very much same.

Let us say if there is an apartment like and there you have a grocery retailer now in that case the difference is actually been getting minimized, but if you want to look at it technically it is only going to indicate a location from where all or most of sales volume occurs and we are understanding this in terms of customer concentration. You need to look at the concept of a trade area in terms of the customer concentration where customers are concentrated and they will be patronizing a particular retail store. So, I hope as far as the concept of trade area is concerned you got the meaning of it I am again

repeating it trade area specifically indicates the places from where customers come. Now there could be a situation in which a trading area could be primary, secondary or tertiary. Now primary trading area precisely accounts for 50 to 70 percent of sales for a particular retailer whereas, a secondary trading area accounts for 20 to 30 percent of sales as far as a retailer is concerned.

- **Primary Trading Area:** Accounts for 50-70% of sales
- **Secondary Trading Area:** Accounts for 20-30% sales
- **Tertiary Trading Area:** Accounts for remaining customers coming from dispersed areas

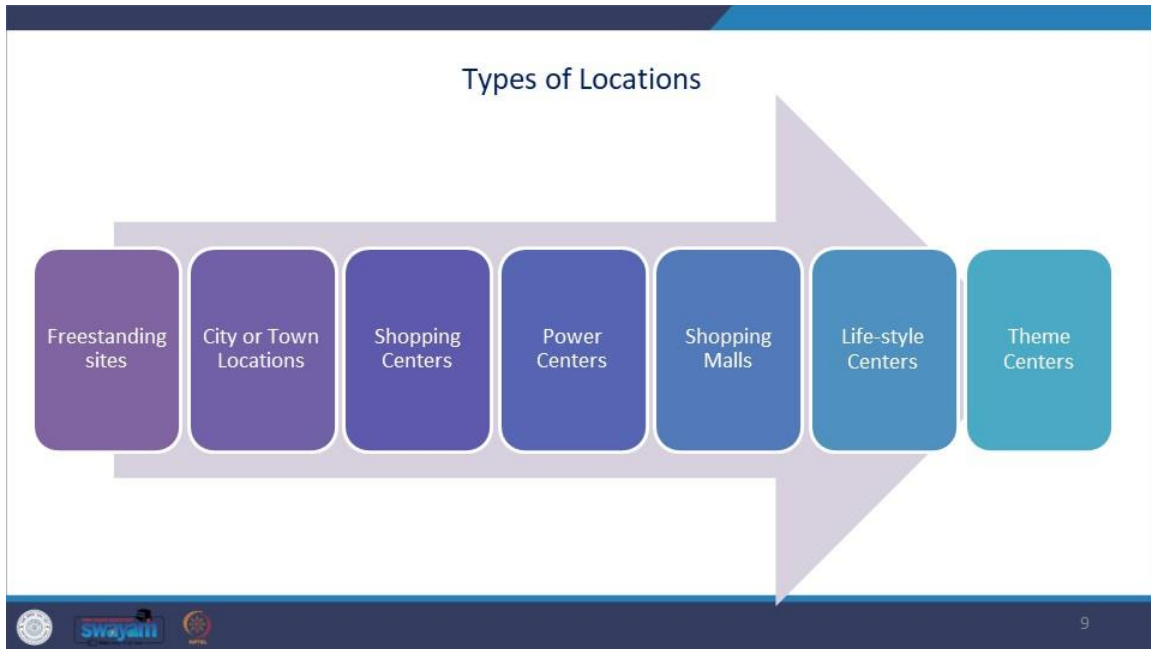
**Parasite store:** Does not create its own traffic, relies on a dominant retailer. Its trade area is determined by the dominant retailer operating in that area or location.

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But when you talk about a tertiary trading area it accounts for the remaining customers coming from dispersed areas. Now maybe you can understand this this way let us say there is a particular city in which there is a retailer who is operating at some place and there is a locality calls as Arya Nagar. Now if to this particular retailer all the people are coming from Arya Nagar now that can be considered as a trading area for this retailer. So, I am again repeating it this basically indicates where the customers are concentrated as far as the decisions of patronizing a retail store is concerned. Now along with this we also need to understand the concept of a parasite store.

Now parasite store is the one which does not creates his own traffic relies on a dominant retailer its trade area is determined by the dominant retailer operating in that area or a location. Now parasite store is more like a contrast to the anchor store why anchor store brings in a lot of people or a foot traffic in a particular retail establishment a parasite store is one which thrives on the other retailers or on the customers of other retailers. So, I hope you have understood this contrast as well.





Now we get to another important topic where we will be learning about the various types of locations. So, it starts with free standing sites then you have city or town locations then shopping centers power centers shopping malls lifestyle centers and finally, theme centers.

Freestanding Site:

Freestanding sites are retail locations indicating an individual, isolated store which is unconnected to other retailers.

It could be near to other freestanding retailers or a shopping center.

**Advantages:** Convenience, High vehicular traffic, High visibility from the street, modest to low occupancy costs, fewer restrictions on signs, hours of operation or merchandise

**Disadvantages:** Limited trade area, Could be avoided as these are stand alone and might not be one point for all needs

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Now if you want to understand the concept of a free standing site it is precisely something which operates an individual or a isolated store and is unconnected to other retailers. Now there is a possibility that there could be other free standing retailers or a



shopping center near to a free standing site, but most precisely a free standing site is going to be the one which is an individual unconnected as well as an isolated store. This will not be connected to other retailers they could be at some distance could be very near, but still it would be operating or standing as a free site. Now what are the advantages that can be allied with a free standing site. So, the first one is convenience many times the location of free standing sites is such that it is easy for people to visit this or maybe you can say it will always be in a place where a lot of people commute that is why we say there is a very high vehicular traffic as far as the context of free standing sites is concerned.

Apart from that these can be easily noticed from the street there is indeed a very high level of visibility like when you are let us say walking down the street you will be able to see the store very clearly and these certainly have modest or to low occupancy cost as far as the shopping center or malls are concerned. There are also fewer restrictions on signs, hours of operations and merchandise because as it is certainly a free standing site. So, it all depends upon the contract which exists between the lesser and the lessee or the people who have rented it or the person who has taken it on rent as far as this particular free standing site is concerned. So, it all depends upon their terms of agreement there is no third party who will be interfering into it, but the disadvantages are this indeed has limited trade area and this precisely also happens because this is a free standing site. So, there is not much attraction in terms of also visiting other retailers as far as the set of customers or target market is concerned.



Source: [https://www.justdial.com/Kannur/WESTIND-BURGERS-Opposite-Blue-Nile-Hotel-Kannur-Ho/9999PX497-X497-210811203053-U7R2\\_BZDET](https://www.justdial.com/Kannur/WESTIND-BURGERS-Opposite-Blue-Nile-Hotel-Kannur-Ho/9999PX497-X497-210811203053-U7R2_BZDET)

So, these could be avoided at these are standalone and might not occur as one point for all needs of the customers right. Now what you see on screens is one of the food joints for

burgers. Now this can be considered as an example of free standing site because you do not see much of the retail establishments adjacent to it right. So, the another example which you see on screen is of trends.



Source: <https://vape.in/telegana/hyderabad/reliance-trends/133642>

Now this again can also be considered as a free standing site because for the similar reasons because you do not see much of retail establishments adjacent to it right.

Now in this case also the people who want to buy specifically from trends who are looking to buy apparel would only be visiting right that is why we say it does not come across as much attractive because it is not offering a bundle of retailers or a bundle of options to customers that is why the attraction is decreased.

### Outparcels:

Stores that are not connected to other stores in a shopping center but are located on the premises, typically in the parking area

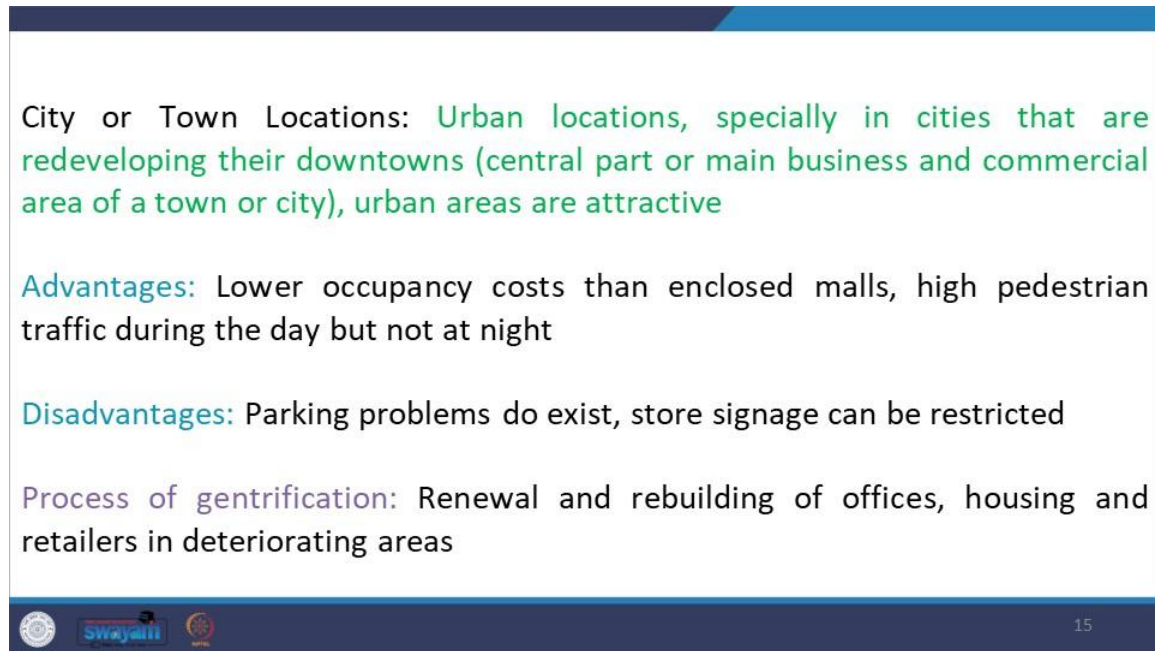
**Advantages:** Drive Through Window, Dedicated Parking, Visibility from the street

Now the another important concept which we need to consider in case of locations is out parcels. Now these basically are the stores that are not connected to other stores in a shopping center, but are located on the premises typically in the parking area. The advantages are these provide the benefit of drive through window dedicated parking and high visibility from the street right. So, precisely these concept has been widely used by McDonald's as well as Dunkin Donuts.



Source: <https://retailproperties.cbre.us/p/retail-real-estate-listings/Columbus-GA-31909/northcolumbusoutparcels#highlights>

Now I will explain you this with respect to a snapshot. Now what you see on screen if you consider number 1 and 2 these indeed can be considered as out parcels. Now if you look at number 2 you can see that it is precisely located in the parking. So, the people who come to park vehicles can easily see it and most likely if this is going to be a food joint like McDonald's it is indeed going to provide an option for drive through. So, the people who are now leaving out from this particular establishment can pick up their orders and can eventually leave.



City or Town Locations: Urban locations, specially in cities that are redeveloping their downtowns (central part or main business and commercial area of a town or city), urban areas are attractive

Advantages: Lower occupancy costs than enclosed malls, high pedestrian traffic during the day but not at night

Disadvantages: Parking problems do exist, store signage can be restricted

Process of gentrification: Renewal and rebuilding of offices, housing and retailers in deteriorating areas

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Now this again then brings in a lot of convenience as far as the context of out parcels is concerned. So, the third concept which we are going to learn in case of locations is city or town locations. Now this simply indicates the urban locations or let us say urban places which are available for retailing activities as far as cities and towns are concerned. And these precisely become very attractive whenever there is a process of gentrification which indicates the renewal and rebuilding of offices housing and retailers in deteriorating areas because you will see a lot of people moving into these areas whenever there is a process of gentrification or there is a process of renewal. So, I am again repeating it city or town locations are precisely the retailing options which are available to the retailers in cities right.

So, the advantages are these precisely have lower occupancy cost than enclosed malls there is indeed going to be high pedestrian traffic in the day, but not at night. But the disadvantages are there is going to be parking issues and store signages can also be restricted. But see whenever you are talking about the concept of city or town locations you also need to understand these will be segregated from central business district or

secondary business districts which precisely become hub for shopping activities. So, apart from these whatever is available in the city can be clubbed under city or town locations. Now, we get to the concept of central business district which I was just telling you need to be segregated from city or town locations.

Now, CBD is basically traditional downtown business area in a city or town. As I was telling you in the initial remarks also that in many cities you will see there are particular areas which have organically developed and they could even become a hub for shopping activities you might see many people commuting from that place or it might draw a lot of people because they could be working in that particular area. It also emerges as a hub for public transportation and eventually high pedestrian traffic, but the disadvantages which can be associated with CBDs are there is indeed going to be limited parking which will stimulate chaos at that particular retail establishment. Longer driving hours for suburban customers which might restrict patronizing which means the people who are living in suburban areas might not consider central business districts as a preferential place for shopping or a preferential retail site simply because once they have to travel a lot other is the issues related to parking and all.


**Central Business District (CBD):** Traditional downtown business area in a city or town

Due to its daily activities, it draws many people, and employees into the area during business hours

Hub for public transportation and high pedestrian traffic

Limited parking, longer driving hours for sub-urban customers which might restrict patronizing

For eg. Fifth Avenue in New York, New Bond Street in London, CP in Delhi



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Now, if you want to consider the example of let us say central business district you can think of Cannaught Place in Delhi, Newborn Street in London and Fifth Avenue in New York.





Source: <https://timesofindia.indiatimes.com/travel/destinations/Places-that-make-Connaught-Place-what-it-is/gs47894571.cms>



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These are precisely key examples of central business districts. Now what you see on screen is the snapshot of CP in Delhi, Connaught Place in Delhi which I was telling you can be considered as an example of a central business district. Now apart from central business district the concept which we have is of secondary central business district.

**Main-Street:** Traditional shopping area in smaller towns or secondary business district in a suburb

The only difference between a main CBD and secondary CBD is of occupancy costs apart from the fact that secondary CBD does not draw as many as people as the primary CBD

**Inner City:** The poor parts of a large city, near the center, low income



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Now this is precisely the traditional shopping area in smaller towns and is that is why called as the secondary business district in suburb. The only difference between a main CBD and secondary CBD is of occupancy cost apart from that a secondary CBD will not

attract as much as people as a main CBD attracts only because it is little smaller and will indeed not offer that much options to the customers as far as their shopping experiences are concerned.




Another concept is inner city which specifically indicates the poor parts of a larger city near the central low income. Many times you will see retailers will not prefer inner cities specifically for hedonic products precisely because the people who live in these areas do not have that much income level that they will be able to afford or relish all kind of hedonic products or maybe you can consider medium to expensive brands. That is why inner city is a kind of restricted as far as the preferences of retailers with respect to locations are concerned. Now as we move further we will be looking at the concept of shopping centers. Now it is a group of retail and other commercial establishment that are planned developed and managed as a single property.

### Shopping Centers:

Group of retail and other business establishments that are planned, developed, owned and managed as a single property, Combines many stores at one location

Common area maintenance (CAM) is done by the shopping center management.

Shopping center management is responsible for providing security, parking lots, lighting, signages. It also organizes special events to attract crowds, Most shopping centers have a few major retailers that are called "anchors"



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Now the advantage is it indeed becomes an point of attraction precisely because at it offers a mix of different retail establishments it is indeed going to be attractive as far as the customers are concerned. Human area maintenance is done by the shopping center management like they are responsible for providing security, parking lots, lighting and signages. Many times they also organize special events to attract crowds and the other thing which can be associated with shopping centers is that they might have some anchor stores which will indeed be bringing in a lot of people to these particular retail establishments. But there is certainly a difference between shopping centers and shopping malls. Malls are basically climate controlled and there are other things also which distinguish between shopping centers and malls we will be talking about it as we move forward.



Another concept which you need to understand is of neighborhood and community strip shopping centers. Now these are precisely attached rows of non enclosed stores with onsite parking which is located in the front of the stores and these also many times will have anchors. Now in case of neighborhood and community strip shopping centers the anchor is going to be a supermarket or a drug store and many times you will see people visiting there for day to day convenient shopping like shopping of groceries and other things that is why supermarket emerges as a anchor store specifically for neighbor and community strip shopping centers right.

However, large community centers are anchored by at least one big box store (large establishment (often in a square or rectangular-shaped building), that's usually part of a major retail chain) such as a discount store

Convenient locations, easy parking, low occupancy costs

But if you have large community centers now that could be anchored by a big box retailer which are precisely large establishments which will be attractive for people to visit there. Now this can many times be in the form of a discount store as well the advantages are convenient locations easy parking and low occupancy cost as far as the cost associated with malls is concerned.



Source: <https://www.ovorooms.com/travel-guide/best-shopping-places-in-delhi/>



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Now this is one such example of a community strip shopping center what you see it more looks like a strip of retail establishments and the parking is in just opposite to these showrooms right. So, this is one such example of strip centers.

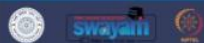
### Power shopping centers:

Primarily consist of collections of big box retail stores, could comprise a discount store, a huge department store, clubs, category specialists

Can also include several free-standing unconnected anchors

### Shopping malls:

Enclosed climate controlled, lighted shopping centers, parking in perimeter of the mall, Regional (less than 800000 square feet) / Superregional (more than 800000 square feet)



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So, the another concept which we are going to learn as far as locations are concerned is power shopping centers. Now power shopping centers primarily consist of a collection of big box retail stores now this could be a combination of discount store a huge departmental store clubs or many times a category specialist also. And many times these

will also include free standing unconnected anchors which again will serve as an attraction point and will bring in the crowd for a power shopping center.

Now along with this another important concept which forms an important part of retail locations is indeed shopping malls. Now if you want to understand the meaning of a shopping mall these are precisely enclosed and climate controlled and lighted shopping centers and these could be bifurcated into regional and super regional. Regional means the size is going to be less than 8 lakh square feet whereas, if you talk about a super regional shopping mall the size is going to be more than 8 lakh square feet right. But what captures the essence of malls is that these are enclosed climate control with again brings in the benefit to the people that they do not need to bother about weather that is why these attract many shoppers as well also because of the fact that as they are a collection of many retailers it comes across as an advantage. They have a large trading area they also offer a form of entertainment it also offers a source of socialization many times you will see a group of friends coming to malls having a good time or a family coming to mall or having a good time which indeed captures the essence of a socialization benefit.

Apart from these as I was telling you it there is no need to worry about weather and it offers a consistent benefits to all the tenants which kind of occupy a place in the particular shopping mall. But there are definitely some disadvantages also like there are high occupancy cost there is indeed a control by management apart from this it can also lead to intense competition between all the retail establishment that are dealing in similar products in a shopping mall and parking issues are also going to exist. If a mall definitely grows in a lot more popularity which would indeed be kind of the wish for retailers as it indicates more of customer foot traffic and more of business if we can look at it that way, but parking issues can be delimiting until unless they are properly managed.

### Lifestyle centers:

Open air configuration of specialty stores, entertainment, and restaurants with design ambience such as fountains and street furniture

Outdoor attractions emerge as key important factor, but bad weather and traffic serve as impediment

### Mixed Use Developments:

A complex mix that combines retail, offices, residential hotel, recreation, or other functions, Facilitate a live, work and play environment



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So, we also have the concept of lifestyle centers which are open air configurations or speciality stores they also offer entertainment and restaurants with the very high design and ambience aesthetics. Now they might also have some fountains or street furniture could also be there where you will see people sitting together and chit chatting.

So, the another example which you can consider in choice of location is mixed use developments which indicates a complex mix of retail offices residential hotel and recreation because the whole idea is to facilitate a live work and play environment.

### Outlet centers:

Shopping centers that contain mostly manufacturers and retailer's outlet stores

Low rent, however, sales per square foot are comparable, Carry a strong entertainment component, like might include movie theaters

### Theme/Festival Centers:

Shopping centers with a typical theme, Major tourist attractions, Sellers are usually tenants



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So, apart from this you also have outlet centers which are shopping centers that mostly contain manufacturers and retailers outlet. Now finally, you have theme and festival centers which are basically derived or the premise is a theme and these kind of attract a lot of tourists. So, many time you will see a lot of cultural products also there or artcrafts and Handicrafts kinds of product in theme and festival centers because one of their key visiting customers are indeed tourists.



Source: <https://delhitourism.travel/dilli-haat-delhi>

So, what you see on screen is one of the examples of a theme center which is certainly Delhi Haat in this case.

So, as far as this module is concerned I really hope you gain some enhanced perspectives about the location decisions, but as we move further we will be talking a lot more about this along with that we will also be talking about a lot more fascinating things as far as the location dynamics for a retailer is concerned. So, thank you for now wishing you a good day ahead. Thank you very much.