



## Location choice of organized Retailing: A study

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### Abstract

Retail location in one of the important elements in retail marketing strategy, it is a decision associated with long term capital commitment. Store location plays a key role in attracting the customers to the store. Store location is one of essential elements of retail marketing mix. Location decision is associated with several factors. In this paper an attempt has been made to understand which type of location is considered for selection of particular select retail outlets in the study. Three districts were selected for the study viz Warangal, Karimnagar and Hyderabad and four outlets viz Spencers, Dmart, Aditya More and Reliance fresh were selected for the study. An attempt is made to understand post location decision analysis for selecting the particular location.

**Keywords:** store location, location preference, retailer, customer

### 1. Introduction

Retailers play the crucial role in the distribution channels by linking the customers and having the potentiality to create market. Store location decision is related to uncertainty; uncertainty with the future environment. Store location decision is a long-term investment decision, where several factors need to be considered. Store location is the main determinant of store success as it remains key in attracting and drawing the customers in to the store (Davis and Harris, 1990, Ghosh, 1990, Mason and Mayer, 1990) [4, 5, 7]. The decision made at a certain time predicting the future market environment is complex. By incorporating set of alternatives, the future store location disadvantages can be converted into opportunities. Other retail marketing factors like selection of merchandise, sound pricing policy, layout, and presentation along with right store location will lead to the success. The uncertainty about the location is going to arise due to number of factors such as changes in population growth patterns, shifts in demographic profiles, emergence of new competitors and changes in location strategy by the emerging competitor, Connectivity of the outlet and its accessibility to the customer's etc. The dimensions of location decision making are extensive and it involves strategic marketing considers geography retailing, operations research, consumer behavior and economic conditions of consumer.

Attempt has been made in this research article to understand which type of location is considered for selection of a particular select retail outlet in the study.

Based on the literature review the following factors for choosing a particular location were considered for the study 1) Main shopping center 2) Near to residential areas 3) Near to public transportation and 4) Existing Shopping mall. Other considerations considered for the study are a) Population size b) Competition c) Purchasing habits of the customer d) Income levels of the customer and e) Visibility to the customer etc.

### 2. Literature review

In 2003 Tektas and Hortacsu applied a real decision problem for selection of retail site store location of a company. Selection criteria for the suitable store that are compatible with retailer's objectives and priorities have been defined (Tektas 2003). In 2005 Timor and Sipahi has completed a study on selection of site location, most critical factors have been assessed, alternatives have been rated, and degree of importance have been calculated (Hernandez 2007) [3, 6]. In 2006 in a study by Alpay the retail store sites were listed. Selection of retail site location, the relevant processes of country and area analysis, trade area analysis, and location analysis have been investigated (Alpay 2007).

### 3. Research methodology

The research is based on primary data, for this study 12 retail outlets from 3 districts of Telangana, India has been selected. Warangal, Karimnagar and Hyderabad have been chosen among districts and four retailers Reliance fresh, Spencer's, Aditya More and Dmart have been selected from each district. A structured questionnaire was designed to collect the responses from each retailer. The data was collected from the retailers and SPSS was used to analyze the data.

### 4. Objectives of the study

The objective of the study is to evaluate the factors which are influencing the select retailers store location choice. The study also focus to identify the physical factors within the location and the study also focused on external factors for selecting a location.

### 5. Findings of the Study

The purpose was to find out the location specification of the store at present location. Location plays a crucial role in attracting the customers in to the store; it also helps in promoting the store. A bad store location might result in loss

of customers, difficulties in transportation both for customers and suppliers, difficulties in parking.

**Table 1:** Factors considered for Retail store location

		N	Name of the store				Total
			Dmart	Reliance Fresh	Aditya birla More	Spencer's	
Store location factors	Main shopping center	N	0	0	1	2	3
		% within select outlets	0.0%	0.0%	33.3%	66.7%	
		% within store	0.0%	0.0%	33.3%	66.7%	
		% of Total	0.0%	0.0%	8.3%	16.7%	25.0%
	Near to residential area	N	3	3	2	1	9
		% within select outlets	33.3%	33.3%	22.2%	11.1%	
		% within store	100.0%	100.0%	66.7%	33.3%	
		% of Total	25.0%	25.0%	16.7%	8.3%	75.0%
Total		N	3	3	3	3	12
		% of Total	25.0%	25.0%	25.0%	25.0%	100.0%

Source: Compiled from questionnaire data

An analysis of the table 1 with regards to the retail store location reveals that on the whole a majority of the select retail outlet 75 percent the retail outlets preferred to setup store near residential areas followed by main shopping centers. A comparison retail outlet reveals that spencers preferred main shopping centers for their store location while dmart and reliance fresh preferred near to residential areas for their store location. In case of more first preference was residential area followed by main shopping centers. This indicates that the decision to setup retail store was dominated by near to residential areas considering

population size competition, purchasing habits of customers, income levels of the customer and visibility of the store to the customer plays a vital role in attracting the customer.

**Factors considered for retail store location**

The purpose here is to find out the factors considered for the location of the present store. The factors were selected based on their strong impact on decision making. Store managers were contacted to know the factors considered for the store location.

**Table 2:** Factors considered for retail store location

		N	Name of the store				Total
			Dmart	Reliance Fresh	Aditya Birla More	Spencer's	
Factors considered for store location	Population size	N	3	3	3	3	12
		% within select outlets	25.0%	25.0%	25.0%	25.0%	
		% within store	33.3%	50.0%	50.0%	50.0%	
		% of Total	11.1%	11.1%	11.1%	11.1%	44.4%
	Income levels	N	3	0	0	0	3
		% within select outlets	100.0%	0.0%	0.0%	0.0%	
		% within store	33.3%	0.0%	0.0%	0.0%	
		% of Total	11.1%	0.0%	0.0%	0.0%	11.1%
	Visibility	N	3	3	3	3	12
		% within select outlets	25.0%	25.0%	25.0%	25.0%	
		% within store	33.3%	50.0%	50.0%	50.0%	
		% of Total	11.1%	11.1%	11.1%	11.1%	44.4%
Total		N	9	6	6	6	27
		% of Total	33.3%	22.2%	22.2%	22.2%	100.0%

Source: Compiled from questionnaire data

An analysis of table 2 with regards to the factors considered for store location reveals that on the whole majority of the select retail outlets 44.4 percent of weighted was given to population size followed by 44.4 percent of weighted to store visibility and 11.1 percent of weighted is given to income levels. A comparison of factors of different groups of retail outlets reveals that Dmart has given equal importance to population size, store visibility and income levels while spencers, reliance fresh and more has preferred only population size and income levels with equal importance. This indicates that the decision to setup retail store was dominated by population size, income levels followed by store visibility.

**Physical facilities considered for retail store location**

An attempt has been made to understand the select retail outlet existing location advantage over its competitors. The purpose is to find out the facilities advantage the outlet has over other outlet. Customers apart from shopping like to have good facilities like parking, good connectivity with transportation and open space for shopping. The facilities within the store will motivate the customer to prefer a particular store, facilities like parking, transportation and even on the right are left side of the way are been considered by the customers in making a store choice.

**Table 3:** Physical facilities analysis

		N	Name of the store				Total
			Dmart	Reliance Fresh	Aditya birla More	Spencer's	
Location Advantage Factor	Parking place	N	0	3	3	3	9
		% within select outlets	0.0%	33.3%	33.3%	33.3%	
		% within store	0.0%	100.0%	50.0%	50.0%	
		% of Total	0.0%	14.3%	14.3%	14.3%	42.9%
	Store Inner visibility	N	3	0	3	0	6
		% within select outlets	50.0%	0.0%	50.0%	0.0%	
		% within store	50.0%	0.0%	50.0%	0.0%	
		% of Total	14.3%	0.0%	14.3%	0.0%	28.6%
	Public transport facility	N	3	0	0	3	6
		% within select outlets	50.0%	0.0%	0.0%	50.0%	
		% within store	50.0%	0.0%	0.0%	50.0%	
		% of Total	14.3%	0.0%	0.0%	14.3%	28.6%
Total		N	6	3	6	6	21
		% of Total	28.6%	14.3%	28.6%	28.6%	100.0%

Source: Compiled from questionnaire data

An analysis of the table 3 with regards to the physical facilities considered for retail store location reveals that on the whole a majority of select retail outlets 42.9 percent considered the availability of parking place followed by 28.6 percent of public transport facility and 28.6 percent of store inner visibility. A comparison reveals that Dmart has considered only store inner visibility and public transport facility while spencers, More and reliance fresh has considered public transport facility, parking space and store inner visibility

**4. Conclusion**

Store location has many factors to be considered. The purpose of right store location is to reach maximum number of customers in the particular location. The study has revealed that the retailers prefer store locations that are located in the main shopping centers and near to residential areas. These two factors are impacting the store location decision when considered the location factors of a store. Retailers also considered the factors like population size of the particular location, income levels of the customers living in that particular location and visibility of the store to the customers. In making the store location decision the retailers also considered physical factors such as store should poses adequate parking facility, inner visibility of the store to the customer without additional efforts and transportation facilities for the customers to reach the store..

**Suggestions**

A good store location attracts more customers towards the store. A good store location results in visibility of the store to the customer. Retailers while selecting the Store location should consider the connectivity of transportation both for the customers and suppliers for proper inventory management. Retailers should also consider the adequate parking facility and sufficient space for the customers which will help them to be convenient while shopping.

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