

THE IMPORTANCE OF RETAIL SITE SELECTION IN MARKETING MANAGEMENT AND HYPOTHETICAL APPROACHES USED IN SITE SELECTION

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Abstract

Choosing a location in retail is a strategic decision which is difficult to return. Enterprises has to be sensitive while choosing location, especially features like population, economic and competition difficulties must be considered. After coming of big supermarkets in our market, number of shopping centers has increased. In this study, points that enterprises have to care about and some hypothetical approaches used in practice are presented.

PAZARLAMA YÖNETİMİNDE PERAKENDE YER SEÇİMİNİN ÖNEMİ VE YER SEÇİMİNDE KULLANILAN KURAMSAL YAKLAŞIMLAR

Özetçe

Pazarlama yönetiminde perakende yer seçimi çok stratejik ve geri dönülmesi çok zor bir karardır. İşletmeler yer seçiminde nüfus, ekonomik ve seçilecek yerin rekabet edebilme özelliklerine göre çok hassas karar almak durumundadırlar. Büyük süpermarketlerin ülkemiz pazarına girmeleriyle birlikte mevcut alışveriş merkezlerinin sayısında artış meydana gelmiştir. Bu çalışmada, işletmelerin perakende yer seçiminde dikkat etmeleri gereken hususlar ve uygulamada kullanılan kuramsal yaklaşımlara değinilmiştir.

Keywords: Marketing, Retailing, Choosing retail location.

Anahtar kelimeler: Pazarlama, Perakende, Perakende yer seçimi.

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1. INTRODUCTION

Retail site selection is a very important decision. First, a location is usually one of the most important elements customers use in choosing a store. Second, when chosen, a retailer must live with the site for many years because it is expensive. Lastly, because great sites are acquired by other retailers, it is mostly hard to find them.[1]

Response to the question of ‘What is the most important three things in retail is; location, location and location. Location is very important element for customer to prefer a store. Location is also competition advantage which is not easy to simulate.

For a retail enterprise, location may result as success or failure. But a good location is related with target market, rivals and costs.[2]

At retail business, achievement or failure is related with the features of trade area surrounding the location. Sales in retail stores are not only related with the numbers of families and people next to the trade area, but also the costumers come from abroad.[3]

Lastly, the site may be in a shopping center. In such a case, the retailer can generally be sure that it will have the suitable mix of neighbors, sufficient parking places, and fine traffic. But, in some cases, the retailer must realize the situation in which the center is not correctly planned. It is hard to gain in a shopping center where most of the places are not hired.[4]

The critical side of channel strategy is the location of store. Proper places give chance to easy transportation, attracts lots of customers and they change customers shopping and buying concepts. Among the retail stores which sells almost the same goods, the ones in different locations, may have a big portion on market share and profitability.

Retailers have to be careful while choosing store location because of two reasons. First of them is that it is a so important element for customer choosing store,. Most of us would buy food from the store which is closest

to us. Second of them is, location is important for retailers to exploit development survivable competition advantage. Retailers can easily change prices, services and good diversity. Nevertheless it s not easy fort them to change their conclusion about the location. Because they realize so important investments to develop or purchase a real estate. Maybe they made long term renting contract with project improvers. Because of this retailers, having wonderful locations, have the competition advantage which can not be imitated easyly.[2]

To investigate the kinds of locations available to a retailer: isolated shop, business region that is not planned, shopping center that is planned. The retailer determines value of different trading zones, and then type of desirable location is determined, general location is chosen, and a special site is selected. A company can discern three fundamental location types.

An isolated shop is one that is not adjoining the others. These shops have numerous advantages, to say, no rivalry, cheap rent, flexibility, road seeing, no parking places problem, cheaper costs. But they have disadvantages like, traffic alluring is hard, lack of variety of customers, costs not divided and restrictions of zoning.

To determine the concept of 100% location, broad analysis is needed in order to assess every general location and the particular sites inside it. Especially, the most efficient site for a given shop must be decided. This site is named as 100% location.[5]

First thing that should be done before choosing a retail location is to decide which work to do. It is related with the enterprises' strategy. Retailer should start in a business with mission expression. Mission expression helps to retailer, staff and customers to understand the goal of the business. Main philosophy and culture come from mission expression go from selecting specific strategies to realize competition advantage. The most important element on selecting strategy is not only choosing location but also price or service or communication.

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Store owners and managers who want to emphasize product quality need store location absolutely different from store managers who work with low profit margin.

Not only retailer's strategy and goals but also market survey is an important element on choosing location. Marketing is bound to research, time and cost factor.[2]

2. INTERNAL ZONE ENTERPRISE LOCATION ANALYSIS

Internal zone enterprise location analysis includes selection of inside the store residential plan and position of narrower "trade zone" chosen before. [6]

Trade zone is an area which attracts or hopes to attract present or potential retail enterprise's most customers and surrounds it's present or draft position's environment. It is said this covering adjacent area "secondary" trade zone and rest of it (covers 10-15 percent of it) "tertiary" or "fringe trade zone"(FTZ). It is benefited empiric approach at internal zone institutional analysis. It can be summarized as Institutional approach; "location interaction associations"(W.J.Reilly's retail attraction law, Haris model, Haydock Model etc.) central zone associations(V.Thünen Lösch,Weber Berry etc.)rent institutions, Map converting models, Heuristic Models, customer attitude models. Mainly empiric models are below:

For assessing present store's founding location it s used survey with customers inside the store, noting license tag of customers who come with cars, competitions with rewards, cashed checks and revenue, credit sale cards etc. Empiric methods for design stores are below:

- (1) Nelson's micro analysis method,
- (2) W.Applebaum's Analog method,
- (3) Vacuum method.

It's expressed below part of these institutional and pragmatological methods briefly.

Retail attraction law, W.Reilly developed by using Newton physics, is a natural analogy method based on distance and power notions. The law was developed to calculate trade volume in two cities which was between the cities before. According to law, two cities like "A" and "B" attract customers almost right-proportioned with two city's population and inverse-proportioned with the squares of the distances between them from a population center which is around the splitting point between the cities, for example large village.

Nelson's method, remembered various names such as "microcosm", "approaching step by step", control list, includes listing all the factors related with location selection, is being given subjective heights to this factors by retailers, ranking each potential locations according to this factor. Afterward numerical rankings are connected by giving space to general assessment for all founding places. In this method, location trade zone is divided to so little units, by determining trade volume gathered from each unit and distributed to all rivals including design store. Nelson formed 8 principles related with store founding place selection. These principles also form "control list's" parameters:

- (1) Efficiency of present trade zone's potential,
- (2) Location's approachability to trade zone,
- (3) Growing potential (population and income),
- (4) Intervention principle (between people's living and shopping places)
- (5) Cumulative selection principle(attracting more customers of the stores which form mass),
- (6) Danger of minimum competition

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(7) Location economy(cost, income, from productivity point of view)

(8) Coming to terms principle (avoiding customer traffic's stoppage and maximum customer Exchange between stores)

Applebaume's analytical method is one of the most used methods for a long time for founding location selection in US especially in supermarket chains. Afterwards it was adapted by B:J:Kane. This method's foundation which is mostly being used by big scale store chains is based upon predicting store's sales which will be settled on establishment place by using chain's store's sale predicts. On application of the method it's used the present store records which is called "analog". Analog idiom, while market factors, consumer shopping habits and store specifications are data, means present store's quantitative experiences or performance records.

It can be summarized application of the method. (1) it's plotted concentric circles by $\frac{1}{4}$ km spacing on a map which is marked design or around new location. (2) generally, it's determined population number of every circle and chamber's inside by using census data. Two levels are reiterated for all stores by assuming, appraising was going to be done for a chain supermarket which has a lot of stores like the designed store. It's calculated attraction ratio for all circle or zone around all stores. Customer attraction power is proportion of customers, whose addresses in each store is determined with a inside store surveys to the customers whose total address are determined. It's gathered from "customer dotting map". (5) it's computed per capita sales at all zone for all present stores. (6) design in chain stores is predicted with the store's effects on sister stores and discarding from design foundation place of random amount of present store profits. At Applebaum's this method, this personal judgement and subjectivity is dominant. Especially if you don't have analog stores to be in hand the method can not be applied easily. Consequently it's static. It may not reflect always the reality method's generalization which is related with customer manners. Furthermore, since the method is considered for chain supermarkets, there are problems on applying this method for independent

enterprises which want to open stores for first time. It may be done a few changes on collecting analog data for application of the method for the people who will open stores for first time. These changes are based upon accepting rival stores as part of a chain and collecting data about them. [6]

3. RETAIL ESTABLISHMENT SITE PLANNING

3.1 To Present The Significance Of Store Location For A Retailer And Summarize The Process For Selecting A Store Location

The selection of location is essential, due to complicated decision making, high prices, the absence of flexibility if a place is chosen, and the place's effect on the retailer's strategy. A proper location may cause a retailer's success even if its strategy is average.

The choice of a shop place has four phases:

- Assessing different trading zones,
- Deciding the best type of place,
- Taking a general place,
- Settling on a particular place.[5]

3.2 Discussing The Idea Of A Trading Zone And Its Concerning Parts.

A trading zone is an area which the retailer attracts customers. When more than one shopping locations are not far from each other, they may have an overlap.

Nowadays, most retailers use geographical information systems (GIS) to analyze trading zones. This software enables retailers surveying different

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places and shows the results on screen maps. Many vendors sell GIS program, with improvements to the TIGER mapping software.

Every trading zone has main, auxillary and other parts. If people live far from a shopping place, they will less likely to go there. A trading zone's bigness depends on size and form of shops, rivals' places, time of traveling and availability of media. Compared to parasite ones, shops of destination have more trading zones.[5]

3.3 Presenting How Trading Zones Could Be Outlined For Existing And Novel Shops.

A retailer may collect data from store records, sponsors, customer surveys, computer data, etc. Trends must be considered. Results must be mapped to get consumer frequencies. There are three computer based methods for planning a shop's loation: analog, regression and gravity.

There are two methods for location description: 1) Relly's retail gravitation law, which makes a connection between population density and commercial ares of different cities. 2) Huff's customer attraction law, which is based on shopping characteristics of each sites, people's distances to different retail places, and people's travelling tendencies.[5]

3.4 Inspecting three major causes in trading zone analysis:

- Population features,
- Financial characteristics,
- Saturation level and rivalry.

After evaluation of size and shape of a trading zone, these factors are worked on. For population data, the second best sources are the Census of Population and the Survey of Buying Power, each having pros and cons. Population census is detailed but dated. In Survey of Buying Power, broader geographic areas are reported.

Economic foundation of a trading zone shows a community's commercial and industrial structure and also its residents' revenue sources. For a retailer, all features of a location must be considered: labor force percentage, transportation background, banks, economic stability, and so on.

A trading zone cannot be understood without analysis of rivalry and saturation level. The saturation of number of stores must be considered.

Measurement of store saturation can be done in several ways: number of person's per store, average sales per capita, average sales per square root, average sales per salespeople.[5]

3.5 Traffic Features in Location Assessment

Vehicular or pedestrian traffic passing a site is an essential determining factor of that site's potential sales. But, traffic flow is more important. It must be also determined that the population and the traffic are of the type desired. For instance, if a retailer of furs and leather coats considers two alternative sites, one may be in CBD and the other in a small shopping center's special stores in a highly exclusive residential place. The CBD site may produce more total traffic but the other site may produce more of the desired type of traffic.

Two traffic-related aspects of the site must be evaluated. First one is the adequacy of parking at the site or nearby. The retailer must take parking place into consideration if the site is not a shopping center. The space needed for parking is hard to determine. There are four factors: size of the store, customer frequency, customer visit lengths, and availability of public transportation. As a guiding principle, there must be five spaces for every 1000 square feet of selling space in medium size and 10 spaces per 1000 square feet in large centers.

The second traffic related aspect to be considered by retailer is the situation which consumers can reach the store site. Are the roadways in good condition? Is there any congestion (rivers with insufficient bridges, interstate highways with limited crossings, one way streets and heavy street

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use) resulting in congestion limiting exits to the site? It should be remembered that customers will normally avoid heavily congested shopping areas and shop elsewhere.[4]

3.6 Type of Neighbors

What are the establishments in the nearby area? Are they good or bad neighbors? The type of store determines who is a good or a bad neighbor. If one plans to open a children's apparel store and considers two alternative sites. One site having a toy store, the other having a bowling alley and an adult book store as neighbors. Apparently, you know what the good and bad neighbors are.

But for an entrepreneur, sometimes identification of the good and bad neighbors may not be that easy. A neighboring business that is compatible with the retailer's trade is a good one. In fact, if two or more businesses are compatible, they can help produce business for each other by increasing total traffic and both will benefit as a result. Examples are a paint store, hardware store, and auto parts store located nearby.[4]

3.7 Location Assessment Process

Location evaluation ways used by retailers extend from basic "paper-founded" concepts to complex computer-founded modelling. All ways have the common properties of *look for* (all places), and *appraise* (each place with criteria) and *choose* (the best place). Distinctions between ways appear in that phases. Study of Clarkson, Clarke-Hill and Robinson (1996) describe the most common site ways used by UK market retailers as checklist, analogue, monetary, regression and spacial interaction.

Two good starting points for the discussion of location evaluation are the ways asserted by Berry and Parr (1987), and Bowlby, Breheny and Foot (1984). Berry and Parr assert a four-phase process, including choosing of market place, description of feasible places, place selection and decision of store size. Bowlby, Breheny and Foot discuss three phases, as look for (geographic areas), feasibility (find the best places) and micro (appraisal of

particular places). Merging these two connected concepts produces a useful place evaluation way having three basic phases:

- Macro location assessment
- Micro location assessment
- Place selection.[7]

4. CONCLUSION

In our globalized world, retail location assessment has gained more and more significance. The quick increasement of competition conditions has led the companies to be one step ahead of their rivals and act more meticulously in retail location assessment. In this context, it is examined hypothetically that where the supermarkets, which are quickly increasing in number in our country, should be placed. Hence, population features, income levels of people and competition situation of the place to be selected are foremost of concern. In retail shopping centers, not only the retail supermarkets exist in the complex that is to be builded, but also the stores, fast food restaurants, and cinemas do. So, incoming customers with the purpose of shopping come with their families and can do shopping, eat in a restaurant and watch movies.

Due to customers' limited time of shopping with respect to business time, considering transportation along with meeting the requirements of the consumers and making such arrangements is crucial for the proper selection of the location.

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